

WESTPEAK RESEARCH ASSOCIATION

Group 1 Automotive, Inc. (NYSE: GPI)

Retailers – Specialty Retailers

Group 1 Is Number One

April 17, 2020

Houston-based Group 1 Automotive, Inc., is an international Fortune 300 automotive retailer, and a leading operator in the automotive retailing industry. Since its initial public offering in October 1997, Group 1 has grown to become one of the largest dealership groups in the United States and has expanded into the United Kingdom and Brazil. The company has achieved its success through a strategy that leverages management experience and emphasizes geographic and brand diversity, interrelated revenue streams, operational efficiencies and the prudent deployment of capital.

Thesis

With Group 1 Automotive's current cost control and management, we believe it does offer a potentially significant growth opportunity along with its peers in the Auto Dealership industry once the coronavirus gets controlled in the US. We believe consumers are reasonably pessimistic about the auto dealership industry's performance during the pandemic. However, once consumers get back on the road hopefully later in 2020, it does have a potential to rebound back to our price target. Besides the virus situation, like the street's view, we believe the Auto Dealership industry's growth would face some resistance as new vehicle sales continues to decrease in the coming years.

Drivers

Aligning with the company's implemented new focus in used car sales, the main revenue driver for Group 1 Automotive is used car sales in the U.S. in the coming years. The contract-based wholesales deal on used vehicles allow Group 1 Automotive to further expand in the competitive U.S. market.

Valuation

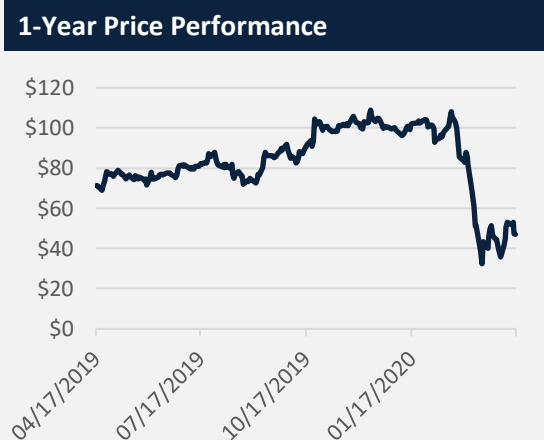
Our target price for Group 1 Automotive is based on our EV/EBITDA exit multiple and the perpetuity growth multiple from our DCF, as well as the PE/EBITDA and the EV/EBITDA multiple from our company comparables analysis, all weighted at 25%. We initiate a buy rating on Group 1 Automotive.

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Equity Research	U.S.
Price Target	USD\$130.37
Rating	Buy
Share Price (Apr. 17 Close)	USD\$ 49.94
Total Return	161.1%

Key Statistics	
52 Week H/L	\$110.11/\$26.3
Market Capitalization	\$904M
Average Daily Trading Volume	354K
Net Debt	\$3.2B
Enterprise Value	\$5.1B
Net Debt/EBITDA	7.2x
Diluted Shares Outstanding	18.6M
Free Float	95%
Dividend Yield	2.40%

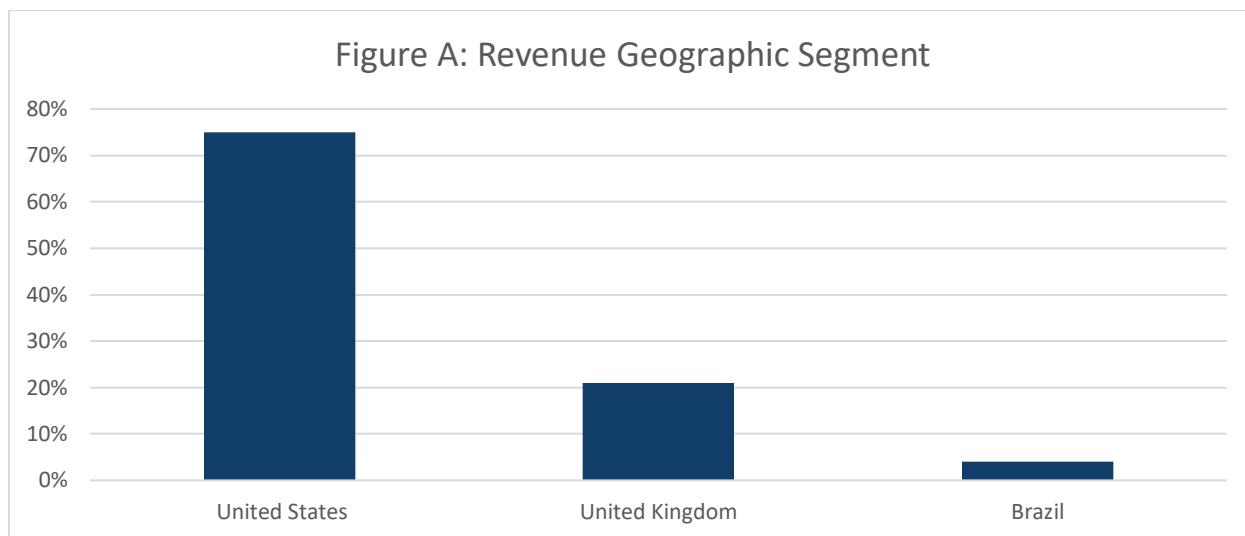
WestPeak's Forecast			
	2019A	2020E	2021E
Revenue	\$11.6B	\$12.1B	\$12.5B
EBITDA	\$452M	\$405M	\$349M
Net Income	\$158M	\$131M	\$99M
EPS	\$7.83	\$7.04	\$5.33
P/E	8.4x	14.5x	19.1x
EV/EBITDA	3.4x	4.8x	5.6x



Business Overview/Fundamentals

Company Overview

Group 1 Automotive inc, is a Fortune 500 automotive retailer, operates 184 automotive dealerships, 239 franchises, and 48 collision centers in the United States, United Kingdom, and Brazil. Group 1 Automotive has become one of the largest automotive retailers by leveraging management experiences and highlighting its geographic and brand diversity.



Company Strategy

Group 1 Automotive's expansion and business models mainly relies on acquiring existing dealerships of different auto brands. In 2019, Group 1 Automotive acquired 2 Lexus dealerships, 5 Volkswagen franchises and 2 BMW dealerships. Out of the three acquisition deals, two of them lie in their major US market, and another one in the UK.

Business Segments

Group 1 Automotive Inc. mainly operates on four core business lines: New Vehicles, Used Vehicles, Parts & Services, and Finance & Insurance.

New Vehicles

Group 1 Automotive's New Vehicles segment, which accounted for more than 50% of its total revenue in 2019, provides the most income among these four main product groups. Group 1 Automotive offers 31 brands of new vehicles to its customers. The company largely offers Toyota, Scion, and Lexus, and its offerings of Audi, BMW, Jaguar, Land Rover, Mercedes-Benz, and Volkswagen have grown significantly over the past few years. Furthermore, the management believes that a comparative advantage is sourced by providing a better purchasing experience through strengthening multiple services like longer test drives.

Used Vehicles

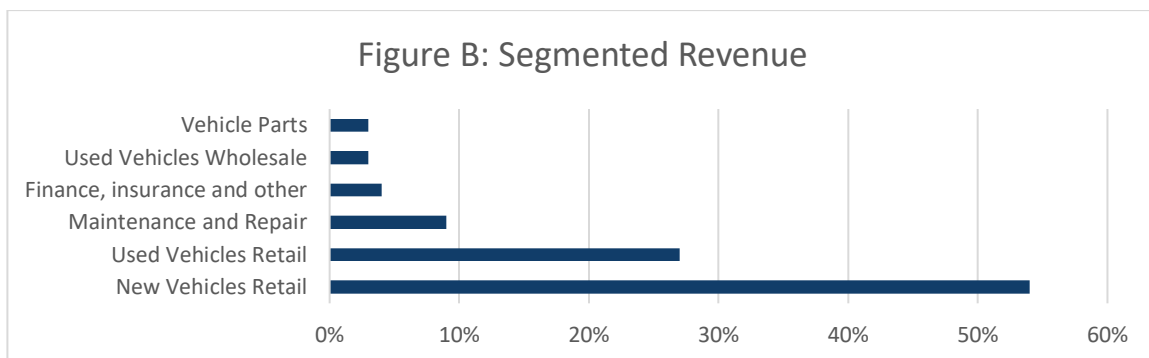
Used vehicles accounted for almost 27% of its total revenue in 2019. It carries various vehicles that its customers want and offers its experienced staff and software program to utilize its revenue. Approximately 23% of its used vehicle sales stem from its Certified Pre-owned Business, which are sold with extended warranties in most cases.

Parts & Services

Group 1 Automotive's Parts and Services operation works on improving customers satisfaction with their services. Although Parts and Services only account for 3% of Group 1 Automotive's revenue, the segment had a gross profit margin of 45% in 2019.

Finance & Insurance

Group 1 Automotive offers a diversity of products, such as vehicle service contracts, gap insurance, tire and window insurance, and so on, to its customers. The company sources loan agreements from various lending institutions'. Furthermore, the company has national agreements with a vehicle service contract supplier that offers customers an extended warranty and attractive pricing, which can increase the company's profit.



Industry Analysis

The Auto Retailers industry has four main product segments: new vehicle sales, used vehicle sales, parts & service, and financial service. The main competitors in the market include AutoNation, Lithia Motors, Sonic Automotive, and Penske Automotive. Unlike the robust growth as much as 20% a year in 2015 and 2014, the Auto Dealer industry has shown a slow-down in growth over the last few years. From 2017 to 2018, the industry has shown a significant decrease in the new vehicle sales growth from a 2.9% annually to a 0.8% in 2018. However, the grow opportunity has shifted towards used vehicle sales from new vehicles with a solid 9.3% growth in 2018 compared to the 4.5% in 2016. In terms of parts & service and financial service side of the spectrum, growth remains steady at around 6% and 8% respectively. The management team has actively responded to the industry trend and shifted their focus towards used vehicle sales. With the combination of used vehicle retail sales and used vehicle wholesale, Group 1 Automotive has demonstrated a 10.5% growth in used vehicle sales in 2018. Because of the healthy macro-environment and an increase in disposable income, we are expecting at least a 10% in the 2019 fiscal year. In 2020, we expect new vehicle sales growth to continue to decline as in the past year.

New Vehicles

Group 1 Automotive sold 170,517 new vehicles in 2018, which account for 53% of its revenue. As the chart shows, we can tell the top 10 auto dealerships' rank did not change a lot. It suggests that the industry was competitive and who won the customer's loyalty and a stronger presence was able to benefit the most in 2018. These ten large dealership groups sold 1,433,080 new vehicles in 2018 in total, 8.3% of the total United States light-vehicle market. From the data, the industry was not hurt by the tech disrupters, but there still would be huge possible concern about the decline or shrink in this new vehicle market in the future.

Figure C: Company Name	2018 total new retail vehicles	2018 rank	2017 rank
AutoNation Inc.	310,839	1	1
Penske Automotive Group Inc.	236,000	2	2
Lithia Motors Inc.	184,601	3	4
Group 1 Automotive Inc.	170,517	4	3
Sonic Automotive Inc.	122,717	5	5

Used Vehicles

Used Vehicles revenue accounted for 27% of Group 1 Automotive's total revenue; however, as the prices of new vehicles increase and the demand for used vehicles were expected to increase. Hence, most of the dealerships started to focus more on the used vehicles market and aftersales segment. In Q1 of 2019, in the United States, 62% of prime car buyers chose used vehicles instead of new vehicles. The average price for new cars on the market also peaked over \$36,000, which consequently resulted in the interest rate of the new car started to be less appealing. Group 1 Automotive sold 13.9% more pre-owned vehicles in 2018 to attain an all-time high of \$116 billion in revenue.

New Trend

There were a lot of disrupters appearing such as ride-sharing and electric vehicles that made many dealerships expected a large decline in this auto and truck dealership industry. However, these disrupters did not affect the market yet in 2018. However, in 2019, there are over one million plug-in electric vehicles on the United States roads. Thus, the street estimated the auto dealership industry size besides electric vehicles would start to shrink from 2018. Even though the retail sales exceeded expectations and did not show any sign of shrinking in the industry, dealerships still need to be concern about the effect of these new trends (tech-disrupters).

Catalysts

COVID-19 Factors

The virus has shocked the market with its rapid progression around the world. As the case count increase slowly begins to slow down in the US, investors should regain confidence in the market and start trading more optimistically. For industries

like the Auto Dealership industry, has taken a heavy hit from the virus. That also makes the virus a huge catalyst for Group 1 Automotive as people get back on the road with their automobiles later in 2020.

Industry Movement

Even though the Auto Dealership Industry is commonly known as stable and slowed down in terms of growth over the last five years, there could be some major shifts in Group 1's stock price due to industry movements. For example, if the industry reports a major shift towards used vehicle sales because of high new vehicle prices, it would be an upshift to Group 1 Automotive's stock prices as the movement aligns with the company's previous decisions. This allows Group 1 Automotive to stand at a much stronger position in the market, placing it in front of other competitors due to their focus on used vehicle sales in the last two years.

Major Acquisitions

Over the last decade, Group 1 Automotive has spent an average of \$110 million every year in acquiring existing dealership chains and brands. This contributed to some of the major swings in its stock prices in the past years. Some successful acquisitions would allow Group 1 Automotive to capture new market share in developing markets efficiently. Acquisitions play a key role in the company's strategy as it is Group 1 Automotive's main method to extend their market share. Historically, acquisitions are spread out throughout the whole year and would not affect the stock price as much as other industries in the market. However, we believe successful acquisitions in the US that would shift the company's market share by a larger degree would create an impact on the stock price.

Management Team

Darryl M. Burman

Darryl M. Burman has served as Group 1's Vice President and General Counsel since December 2006. From September 2005 to December 2006, Mr. Burman was a partner and head of the corporate and securities practice in the Houston office of Epstein Becker Green Wickliff & Hall, P.C. From September 1995 until September 2005, he served as the head of the corporate and securities practice of Fant & Burman, L.L.P. in Houston, Texas. Mr. Burman currently serves as a Director of the Texas General Counsel Forum - Houston Chapter. Mr. Burman has gained significant experience in automotive related transactions including acquisitions, financing and manufacturer relations with more than 20 years of experience in mergers and acquisitions, corporate finance, employment and securities law, working with public corporations, private equity firms and individuals. He earned his bachelor's degree from the University of South Florida and his Doctor of Jurisprudence from South Texas College of Law.



(Source: Company Filings)

Earl J. Hesterberg

Earl J. Hesterberg has served as Group 1's President and Chief Executive Officer and as a director since April 2005. Prior to joining Group 1, Mr. Hesterberg had served as Group Vice President, North America Marketing, Sales and Service for Ford Motor Company, a global manufacturer and distributor of cars, trucks and automotive parts, since October 2004. From July 1999 to September 2004, Mr. Hesterberg served as Vice President, Marketing, Sales and Service for Ford of Europe, and from 1999 until 2005, he served on the supervisory board of Ford Werke AG. Mr. Hesterberg has also served as President and Chief Executive Officer of Gulf States Toyota, an independent distributor of new Toyota vehicles, parts and accessories. He has also held various senior sales, marketing, general management, and parts and service positions with Nissan Motor Corporation in U.S.A. and Nissan Europe, both of which are wholly owned by Nissan Motor Co., Ltd., a global provider of automotive products and services. Mr. Hesterberg also serves on the Board of Directors, the Corporate Governance & Nominating Committee, and as Chairman of the Compensation Committee of Stage Stores, Inc., a national retail clothing chain, on the Board of Directors of the Greater Houston Partnership, a local non-profit organization dedicated to building regional economic prosperity, and on the Board of Trustees of Davidson College.



(Source: Company Filings)

Earl J. Hesterberg made \$6,566,047 in total compensation in fiscal year ended 2018. Of this total \$1,150,000 was received as a salary, \$1,437,500 was received as a bonus, \$0 was received in stock options, \$3,599,959 was awarded as stock and \$378,588 came from other types of compensation. (Source: salary.com)

Peter C. DeLongchamps

Peter C. DeLongchamps has served as Group 1's Senior Vice President, Manufacturer Relations, Financial Services and Public Affairs since December 2017. He previously served as Group 1's Vice President, Manufacturer Relations, Financial Services and Public Affairs from January 2012 through December 2017; Manufacturer Relations and Public Affairs from January 2006 through December 2011; and as Vice President, Manufacturer Relations from July 2004 through December 2005. Mr. DeLongchamps began his automotive retailing career in 1980, having served as District Manager for General Motors Corporation and Regional Operations Manager for BMW of North America, as well as various other management positions in the automotive industry. Immediately prior to joining Group 1 in 2004, he was President of Advantage BMW, a Houston-based automotive retailer. Mr.



(Source: Company Filings)

As Senior Vice President, Manufacturer Relations, Financial Services and Public Affairs at GROUP 1 AUTOMOTIVE INC, Peter C. DeLongchamps made \$1,699,255 in total compensation. Of this total \$478,300 was received as a

salary, \$550,045 was received as a bonus, \$0 was received in stock options, \$645,958 was awarded as stock and \$24,952 came from other types of compensation. (Source: salary.com)

Management Conclusion

We believe the management team's compensation packages provide an incentive for the executives to drive the company's growth.

Shareholder Base

The company currently has 18,619,112 shares outstanding, with a 95% free float. Its ten largest shareholders are listed in the table below. Insider ownership makes up 4.72% of ownership, which incentivizes the management to make more strategic decisions for the company.

Figure D: Top Ten Investors		
Investor Name	%O/S	Investor Type
BlackRock Institutional Trust Company	13.37	Investment Managers
The Vanguard Group, Inc	9.91	Investment Managers
Dimensional Fund Advisors, L.P.	8.63	Investment Managers
Eminence Capital, LP	5.24	Investment Managers
LSV Asset Management	4.69	Investment Managers
State Street Global Advisors (US)	3.29	Investment Managers
Northern Trust Investment, Inc.	2.71	Investment Managers
Manulife Investment Management (US) LLC	2.51	Investment Managers
Towle & Company	2.43	Investment Managers
Goldman Sachs Asset Management (US)	2.04	Investment Managers

Valuation

Our target price for Group 1 Automotive is based on our EV/EBITDA exit multiple and the perpetuity growth multiple from our D.C.F. as well as the PE/EBITDA and the EV/EBITDA multiple from our company comparables analysis, all weighted at 25%. We initiate a buy rating on Group 1 Automotive mainly due to the current situation with corona virus creating an impact on the US economy. Once most of the industries are back on track, we do see a significant upside in the share prices.

Comparable Company Analysis

Penske Automotive Group, Inc. (PAG)

Market Cap: \$2.6B

Penske Automotive Group is a Fortune 500 automotive dealership company, headquartered in Bloomfield Hills, Michigan. The company mainly operates automotive and commercial truck dealership in the United States, Canada, and Western Europe. Furthermore, the company principally operates commercial vehicles, diesel engines, gas engines, power system and related parts and services in Australia and New Zealand. Compared to Group 1 Automotive, they both are the key players in the U.S. auto dealership market and operate similar products and services but in a different region.



AutoNation, Inc. (AN)

Market Cap: \$2.8B

AutoNation is an automotive retailer in the United States with 360 new vehicle franchises over 16 states. The company operates a range of products and services, including new vehicles, pre-owned vehicles, parts, automotive repair and maintenance services. Also, the company offer finance and insurance products. Like Group 1 Automotive, both companies sell similar products and services, but AutoNation only focuses on the U.S. market, and Group 1 Automotive focuses on three different markets.



Lithia Motors, Inc. (LAD)

Market Cap: \$2.2B

Lithia Motors is one of the largest auto dealership company headquartered in Medford, Oregon. The company mainly operates new and used vehicles, auto repair, financing, and insurance fees. The company is offering similar products and services as Group 1 Automotive does, which makes the company comparable. (<https://www.lithia.com/dealership/about.htm>)



Sonic Automotive, Inc (SAH)

Market Cap: \$0.7B

As a Fortune 500 company, Sonic Automotive principally operates new and used vehicles, light trucks, related parts, the performance of vehicles' maintenance, warranty, and services, which includes paint and collision repair services, arrange extended warranty contracts, finance, and insurance services. The company operates in 13 states with representing 25 brands of automobiles.



Discounted Cash Flow Analysis

Capex / Acquisitions

We forecasted Group 1 Automotive's capital expenditure to remain around 8% of beginning P&E due to its continuing expansion in the U.S., U.K., as well as Brazil. We believe the business will continue to grow at a stable rate of 2-4% in the next five years.

Acquiring smaller local brands and existing dealerships is one of the common methods that Group 1 Automotive uses in expanding its business. We expect Group 1 Automotive to continue to acquire smaller brands for expansion in the upcoming five years. Over the last fiscal year, the company has acquired 2 Lexus dealerships and 5 Volkswagen franchises in the United States and 2 BMW dealerships in the UK. The company currently has a ROIC of 5.51% comparing to their competitors averaging about 6%. We believe the company would continue to acquire more dealerships in this intensively structured industry, but does not hold a comparative advantage over its peers in this regard.

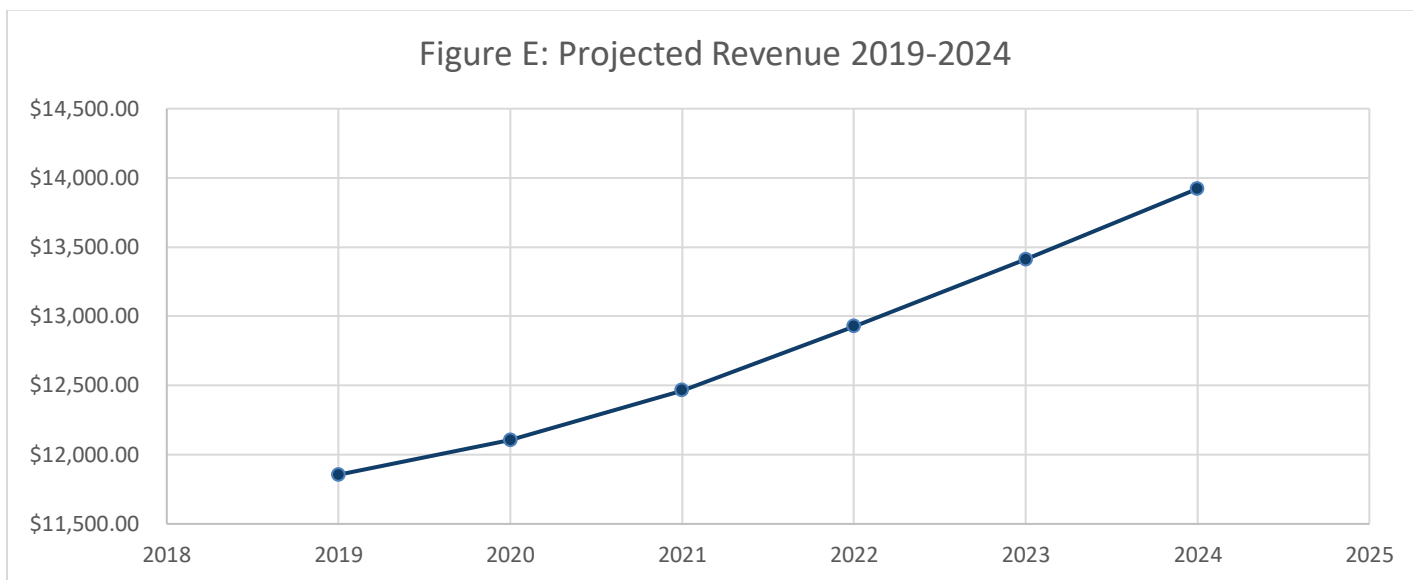
Dividend Policy

Group 1 Automotive has a stable record of paying out dividends in history. Over the past years, the dividend per share increase has shown a consistent upward trend with the dividend yield being 1.22% in the last two years. We expect Group 1 Automotive to continue paying consistent dividends in the upcoming few years. We think that Group 1 Automotive has a comparative advantage over its peers in terms of a consistent dividend yield.

Revenue Projection

The four main revenue drivers of Group 1 Automotive are retail vehicle sales, vehicle wholesale, parts sales, insurance, and finances. With the decline that new vehicle sales faces due to high prices, the management team has responsively shifted their focus towards used vehicle sales. Hence, we have projected a slowing growth trend for new vehicle sales down to -4% in the next few years. On the contrary, we project that used vehicle sales will continue to grow up to 7% year to year in 2024. In addition, we do not foresee a clear catalyst for vehicle insurance and finances, and vehicle parts sales to grow significantly in the upcoming years; therefore, consistent growth was projected.

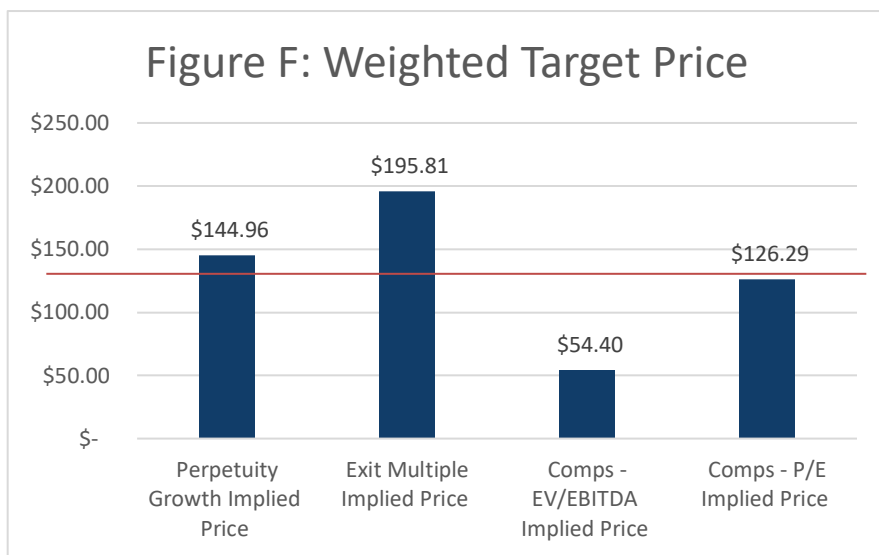
Figure E: Projected Revenue 2019-2024



Weighted Target Price

Our target price for Group 1 Automotive is based on our EV/EBITDA exit multiple and the perpetuity growth multiple from our DCF as well as the P/E and the EV/EBITDA multiple from our company comparables analysis, all weighted at 25% arriving at a weighted average target price of \$130.37.

Figure F: Weighted Target Price



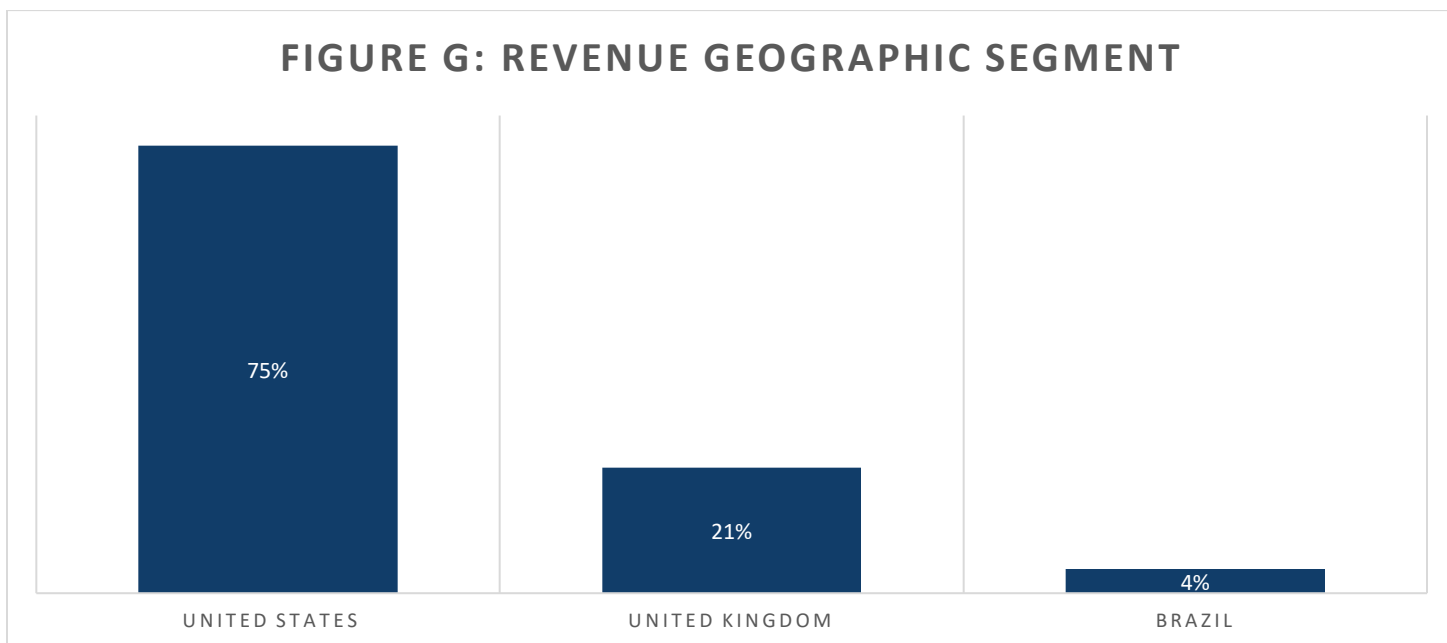
Recommendation

Under the current market conditions, we believe that Group 1 Automotive is slightly undervalued in the market. However, we believe that the macro environment in 2020 would provide many variables like COVID-19 in the US market. We believe as the virus slowly gets under control the stock prices will climb back up. Without taking corona virus situation into consideration, it has a consistently growing EBITDA over the past decade but has always struggled to provide investors impressive returns because of competition. Considering the intense competition in the US, the \$126.29 price target given by the P/E multiple method is a more accurate measure of the price. And due to the industry Group, 1 Automotive is in, it would be nearly impossible for it to have a massive growth period that outperforms the market. Moreover, the competitiveness, as shown in the comparative analysis, will keep the change in its market share to a minimum. Overall, our Buy rating suggests that investors should make buying decisions while monitoring the whole industry’s reaction to corona virus later in 2020.

Risks

Competition

Despite the fact that Group 1 Automotive operates in the U.S., U.K., and Brazil, the intense competition in the U.S. market still heavily influences its performance. As shown in figure G, the U.S. market makes up three-quarters of its total revenue as of December 31, 2018. This is exactly the reason why competition can greatly influence its growth capabilities.



Global Economy

In 2019, the S&P 500 surged by 29%, Nasdaq rose by 35%, and Dow Jones soared 22%. This amount of growth has not happened since 2013. We expect the market growth to slow down in 2020 and the elections as a huge variable and a potential risk to the market in 2020.

Foreign Exchange/Political Risk

Because Group 1 Automotive operates in the U.S., U.K., and Brazil, politics and local economy can greatly affect the company. For example, the recent BREXIT incident and the unstable political environment in Brazil remain as variables for Group 1 Automotive going forward.

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Appendix 1: Summary Page

Summary Page											
	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
(Figures in mm USD)	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
Income Statement											
Revenue	9,937.9	10,632.5	10,887.6	11,123.7	11,601.4	12,043.8	12,296.4	12,661.2	13,127.8	13,618.6	14,135.1
EBITDA	386.0	413.1	424.3	419.3	452.0	457.6	409.8	354.5	446.3	435.8	424.1
Net Income	93.0	94.0	147.1	213.4	157.8	174.0	134.8	103.5	174.4	125.6	118.3
Earnings Per Share	\$ 3.60	\$ 3.90	\$ 6.67	\$ 10.08	\$ 7.83	\$ 9.34	\$ 7.24	\$ 5.56	\$ 9.36	\$ 6.74	\$ 6.35
Cash Flow Statement											
Capital Expenditures	144.6	41.6	36.8	10.7	107.9	43.4	114.9	54.0	79.3	130.3	141.4
Acquisitions	(336.6)	(212.3)	(57.3)	(109.1)	(135.3)	(143.2)	(107.2)	(100.0)	(1,001.0)	(100.0)	(200.0)
Divestitures	-	-	-	-	-	-	-	-	-	-	-
Dividend Payment	(17.1)	(17.8)	(20.2)	(20.5)	(20.9)	(20.3)	(20.1)	(20.1)	(20.9)	(20.9)	(20.9)
Dividend Per Share	\$ 0.73	\$ 0.85	\$ 0.93	\$ 0.99	\$ 1.04	\$ 1.04	\$ 1.08	\$ 1.08	\$ 1.12	\$ 1.12	\$ 1.12
Dividend Payout to Earnings	18.4%	18.9%	13.8%	9.6%	13.2%	11.7%	14.9%	19.4%	12.0%	16.6%	17.6%
Dividend Payout to Core FCF	16.4%	8.4%	8.7%	8.0%	13.0%	7.1%	21.5%	16.2%	12.6%	17.8%	22.7%
Dividend Yield	1.0%	1.0%	1.4%	1.4%	1.6%	1.2%	2.2%	2.2%	2.2%	2.2%	2.2%
Balance Sheet											
Current Assets	2,035.2	2,203.0	2,150.6	2,329.2	2,402.4	2,516.4	2,799.8	2,838.2	2,156.7	2,449.5	2,629.0
Non-Current Assets	2,106.3	2,212.0	2,311.3	2,541.9	2,598.7	3,053.8	2,857.0	2,827.9	3,678.6	3,526.3	3,470.2
Assets	4,141.5	4,414.9	4,461.9	4,871.1	5,001.1	5,570.2	5,656.8	5,666.1	5,835.3	5,975.8	6,099.2
Current Liabilities	1,922.2	2,039.5	2,049.2	2,196.5	2,386.5	2,422.3	2,393.6	2,319.5	2,335.2	2,371.0	2,396.9
Non-Current Liabilities	1,241.3	1,457.2	1,482.5	1,550.3	1,518.9	1,892.1	1,892.1	1,892.1	1,892.1	1,892.1	1,892.1
Liabilities	3,163.5	3,496.7	3,531.7	3,746.8	3,905.4	4,314.4	4,285.7	4,211.6	4,227.3	4,263.1	4,289.0
Shareholders' Equity	978.0	918.3	930.2	1,124.3	1,095.7	1,255.7	1,371.1	1,454.5	1,608.0	1,712.7	1,810.2
Cash	41.0	13.0	21.0	28.8	15.9	23.8	291.4	351.0	(407.0)	(195.6)	(101.8)
Debt	232.4	253.8	269.7	232.1	237.4	460.0	460.0	460.0	460.0	460.0	460.0
Net Debt	191.5	240.7	248.7	203.3	221.5	436.2	168.6	109.0	867.0	655.6	561.8
Minority Interests	-	-	-	-	-	-	-	-	-	-	-
Debt/EBITDA	0.5 x	0.6 x	0.6 x	0.5 x	0.5 x	1.0 x	0.4 x	0.3 x	1.9 x	1.5 x	1.3 x
Operating Metrics											
Return on Equity (ROE)	9.5%	10.2%	15.8%	19.0%	14.4%	13.9%	9.8%	7.1%	10.8%	7.3%	6.5%
Return on Assets (ROA)	2.2%	2.1%	3.3%	4.4%	3.2%	3.1%	2.4%	1.8%	3.0%	2.1%	1.9%
Return on Invested Capital (ROIC)	6.3%	6.5%	10.6%	14.2%	10.3%	9.0%	6.3%	4.4%	7.4%	4.8%	4.3%
Valuation Metrics											
Stock Price (High)	\$ 92.94	\$ 96.97	\$ 82.35	\$ 83.40	\$ 82.47	\$ 110.11	\$ 49.94	\$ 49.94	\$ 49.94	\$ 49.94	\$ 49.94
Stock Price (Low)	\$ 60.32	\$ 74.61	\$ 48.20	\$ 53.21	\$ 49.33	\$ 59.77	\$ 49.94	\$ 49.94	\$ 49.94	\$ 49.94	\$ 49.94
Stock Price (Average)	\$ 76.63	\$ 85.79	\$ 65.28	\$ 68.31	\$ 65.90	\$ 84.94	\$ 49.94	\$ 49.94	\$ 49.94	\$ 49.94	\$ 49.94
Diluted Shares Outstanding (Average)	25.8	24.1	22.1	21.2	20.2	18.6	18.6	18.6	18.6	18.6	18.6
Market Capitalization (Average)	1,979.6	2,067.8	1,439.6	1,446.1	1,328.1	1,581.4	930.4	930.4	930.4	930.4	930.4
Enterprise Value (Average)	2,171.1	2,308.5	1,688.3	1,649.4	1,549.6	2,017.7	1,099.0	1,039.3	1,797.4	1,586.0	1,492.2
P/E	21.3 x	22.0 x	9.8 x	6.8 x	8.4 x	9.1 x	6.9 x	9.0 x	5.3 x	7.4 x	7.9 x
EV/EBITDA	5.6 x	5.6 x	4.0 x	3.9 x	3.4 x	4.4 x	2.7 x	2.9 x	4.0 x	3.6 x	3.5 x
FCF Yield to Market Capitalization	6.0%	8.2%	29.4%	23.2%	22.4%	23.9%	32.2%	20.3%	24.4%	20.8%	17.0%
FCF Yield to Enterprise Value	5.5%	7.4%	25.1%	20.4%	19.2%	18.8%	27.3%	18.2%	12.7%	12.2%	10.6%
Free Cash Flow											
EBIT	302.1	278.3	340.2	341.9	341.1	363.8	314.7	279.5	375.3	313.8	309.3
Tax Expense	(71.4)	(88.2)	(80.3)	(5.6)	(47.6)	(76.4)	(66.1)	(58.7)	(78.8)	(65.9)	(65.0)
D&A	83.9	134.8	84.1	77.4	111.0	93.8	95.1	75.0	71.0	122.0	114.7
Capital Expenditures	(144.6)	(41.6)	(36.8)	(10.7)	(107.9)	(43.4)	(114.9)	(54.0)	(79.3)	(130.3)	(141.4)
Changes in NWC	(50.7)	(113.6)	116.4	(67.3)	1.6	40.6	71.3	(52.7)	(60.9)	(45.7)	(59.8)
Unlevered Free Cash Flow	119.3	169.8	423.5	335.8	298.1	378.4	300.0	189.1	227.4	193.9	157.9
Valuation Summary											
Current Price	\$ 49.94										
Target Price	\$ 130.37										
Total Return	161.1%										
Recommendation	HOLD										
DCF Valuation											
Perpetuity Growth Implied Price	\$ 165.98										
Exit Multiple Implied Price	\$ 211.08										
Comps Valuation											
Comps - EV/EBITDA Implied Price	\$ 54.40										
Comps - P/E Implied Price	\$ 126.29										

Appendix 2: Discounted Cash Flow Analysis

Discounted Cash Flow Analysis															
	Dec-14	Dec-15	Dec-16	Dec-17	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Dec-19	Dec-20	Dec-21	Dec-22	Dec-23	Dec-24
(Figures in mm USD)	FY2015	FY2016	FY2017	FY2018	FY2019	Q1-2020	Q2-2020	Q3-2020	Q4-2020	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
WACC Calculations															
Cost of Equity															
Risk-free rate	2.0%														
Expected market return	8.0%														
Market Risk Premium	6.0%														
Beta	1.00														
Cost of Equity	8.0%														
Cost of Debt															
Pre-tax cost of debt	7.0%														
Effective tax rate	21.0%														
Cost of Debt	5.5%														
WACC															
Market value of equity	930.4														
Market value of debt	437.4														
Total Capitalization	1,367.8														
Cost of equity	8.0%														
Cost of debt	5.5%														
WACC	7.2%														
Free Cash Flow															
EBIT	302.1	278.3	340.2	341.9	341.1	86.8	97.1	83.3	96.5	363.8	314.7	279.5	375.3	313.8	309.3
Less: Tax expense	(71.4)	(88.2)	(80.3)	(5.6)	(47.6)	(18.2)	(20.4)	(17.5)	(20.3)	(76.4)	(66.1)	(58.7)	(78.8)	(65.9)	(65.0)
Add: Depreciation and amortization	83.9	134.8	84.1	77.4	111.0	17.0	18.4	28.3	30.1	93.8	95.1	75.0	71.0	122.0	114.7
Less: Capital expenditures	(144.6)	(41.6)	(36.8)	(10.7)	(107.9)	(35.1)	(2.8)	(5.2)	(0.3)	(43.4)	(114.9)	(54.0)	(79.3)	(130.3)	(141.4)
Less: Change in net working capital	(50.7)	(113.6)	116.4	(67.3)	1.6	59.1	44.5	(19.6)	(43.4)	40.6	71.3	(52.7)	(60.9)	(45.7)	(59.8)
Unlevered Free Cash Flow	119.3	169.8	423.5	335.8	298.1	109.5	136.8	69.4	62.7	378.4	300.0	189.1	227.4	193.9	157.9
Discount factor						0.25	0.50	0.75	1.00	1.00	1.00	2.00	3.00	4.00	5.00
Present Value of Unlevered Free Cash Flow						107.7	132.1	65.9	58.4	364.1	363.5	164.5	184.5	146.8	111.5
Discounted Cash Flow Valuations															
Perpetuity Growth Method															
Perpetuity Growth Rate	2.0%														
PV sum of unlevered FCF	1,334.8														
Terminal value	2,153.8														
Enterprise Value	3,488.6														
Add: Cash	41.0														
Less: Debt	437.4														
Less: Other EV adjustments	-														
Equity Value	3,092.2														
Shares outstanding	18.6														
Implied Share Price	\$ 165.98														
Exit Multiple Method															
Terminal EV/EBITDA Multiple	10.0 x														
PV sum of unlevered FCF	1,334.8														
Terminal value	2,993.9														
Enterprise Value	4,328.7														
Add: Cash	41.0														
Less: Debt	437.4														
Less: Other EV adjustments	-														
Equity Value	3,932.3														
Shares outstanding	18.6														
Implied Share Price	\$ 211.08														
WACC Sensitivity Analysis															
		WACC													
		9.00%	8.50%	8.00%	7.50%	7.00%									
Perpetuity Growth Rate	1.00%	\$ 117.75	\$ 124.61	\$ 132.45	\$ 141.47	\$ 151.98									
	1.50%	\$ 122.37	\$ 130.02	\$ 138.83	\$ 149.09	\$ 161.20									
	2.00%	\$ 127.66	\$ 136.26	\$ 146.28	\$ 158.10	\$ 172.26									
	2.50%	\$ 133.75	\$ 143.53	\$ 155.08	\$ 168.91	\$ 185.78									
	3.00%	\$ 140.86	\$ 152.13	\$ 165.64	\$ 182.12	\$ 202.68									
		WACC													
		9.00%	8.50%	8.00%	7.50%	7.00%									
Terminal EV/EBITDA Multiple	8.0 x	\$ 166.79	\$ 170.07	\$ 173.43	\$ 176.89	\$ 180.44									
	9.0 x	\$ 181.59	\$ 185.21	\$ 188.93	\$ 192.74	\$ 196.67									
	10.0 x	\$ 196.38	\$ 200.35	\$ 204.42	\$ 208.60	\$ 212.89									
	11.0 x	\$ 211.18	\$ 215.48	\$ 219.91	\$ 224.45	\$ 229.12									
	12.0 x	\$ 225.97	\$ 230.62	\$ 235.40	\$ 240.31	\$ 245.35									
	13.0 x	\$ 240.76	\$ 245.61	\$ 250.61	\$ 255.74	\$ 261.01									

Appendix 3: Comparable Company Analysis

				EV/EBITDA Multiple			P/E Multiple		
Company	Ticker	Equity Value	Enterprise Value	2018A EV/EBITDA	2019E EV/EBITDA	2020E EV/EBITDA	2018A P/E	2019E P/E	2020E P/E
Penske Automotive	(NYSE: PAG)	4,142.5	8,660.7	10.6 x	10.5 x	10.1 x	9.8 x	9.7 x	9.0 x
Auto Nation	(NYSE: AN)	4,557.9	7,125.1	7.4 x	7.3 x	7.1 x	12.0 x	11.5 x	10.8 x
Lithia Motors	(NYSE: LAD)	3,622.1	7,202.4	14.0 x	14.1 x	13.4 x	14.3 x	13.6 x	12.6 x
Sonic Automotive	(NYSE: SAH)	1,003.8	3,734.1	13.8 x	9.7 x	9.7 x	11.9 x	12.8 x	11.4 x
Group 1 Automotive (NYSE: GPI)		1,816.8	4,979.5	11.4 x	12.4 x	12.0 x	10.9 x	9.2 x	8.8 x
Median					10.1 x	9.9 x		12.1 x	11.1 x
Mean					10.4 x	10.1 x		11.9 x	11.0 x
High					14.1 x	13.4 x		13.6 x	12.6 x
Low					7.3 x	7.1 x		9.7 x	9.0 x
				EV/EBITDA Implied Price		P/E Implied Price			
Median				\$ 48.18	\$ 49.86	\$ 128.71	\$ 123.09		
Mean				\$ 54.40	\$ 54.40	\$ 126.29	\$ 121.74		
High				\$ 133.97	\$ 128.95	\$ 144.68	\$ 140.48		
Low				-\$ 12.71	-\$ 11.06	\$ 103.07	\$ 100.30		