



# INVESTOR PRESENTATION

May 2018



## HIGHLIGHTS



**One of the largest auto retailers in the U.S.**  
(#3 by adj. EBITDA / #4 by revenue)



**#294 on the Fortune 500**



**#14 5-year Total Shareholder Return on the Fortune 500 in 2017**  
(#1 in 2015, #2 in 2016)



**\$12bn+**  
in est. 2018 revenues



**186 Service/delivery centers reaching 80% of the U.S.**



**15,000 team members nationwide**

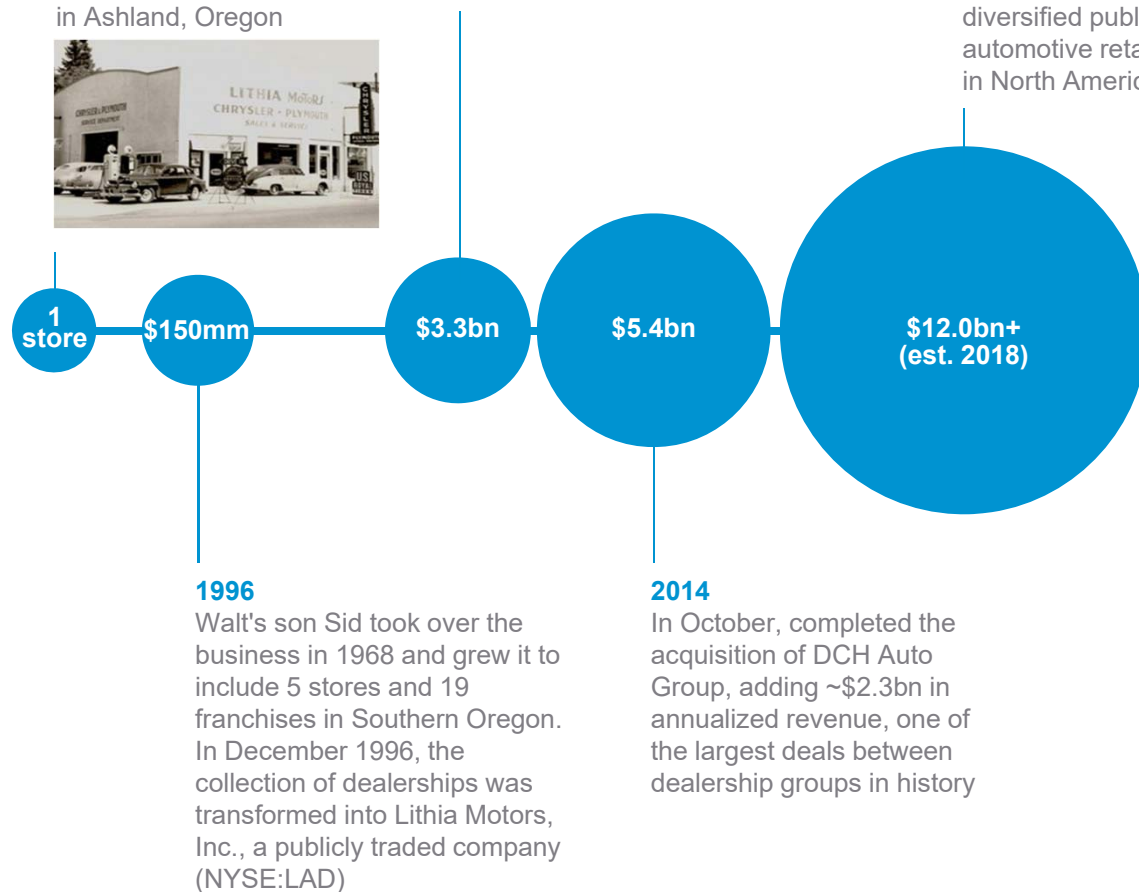
## HISTORY

**1946**  
Walt DeBoer founded Lithia Motors in 1946 as a Chrysler-Plymouth-Dodge dealership in Ashland, Oregon



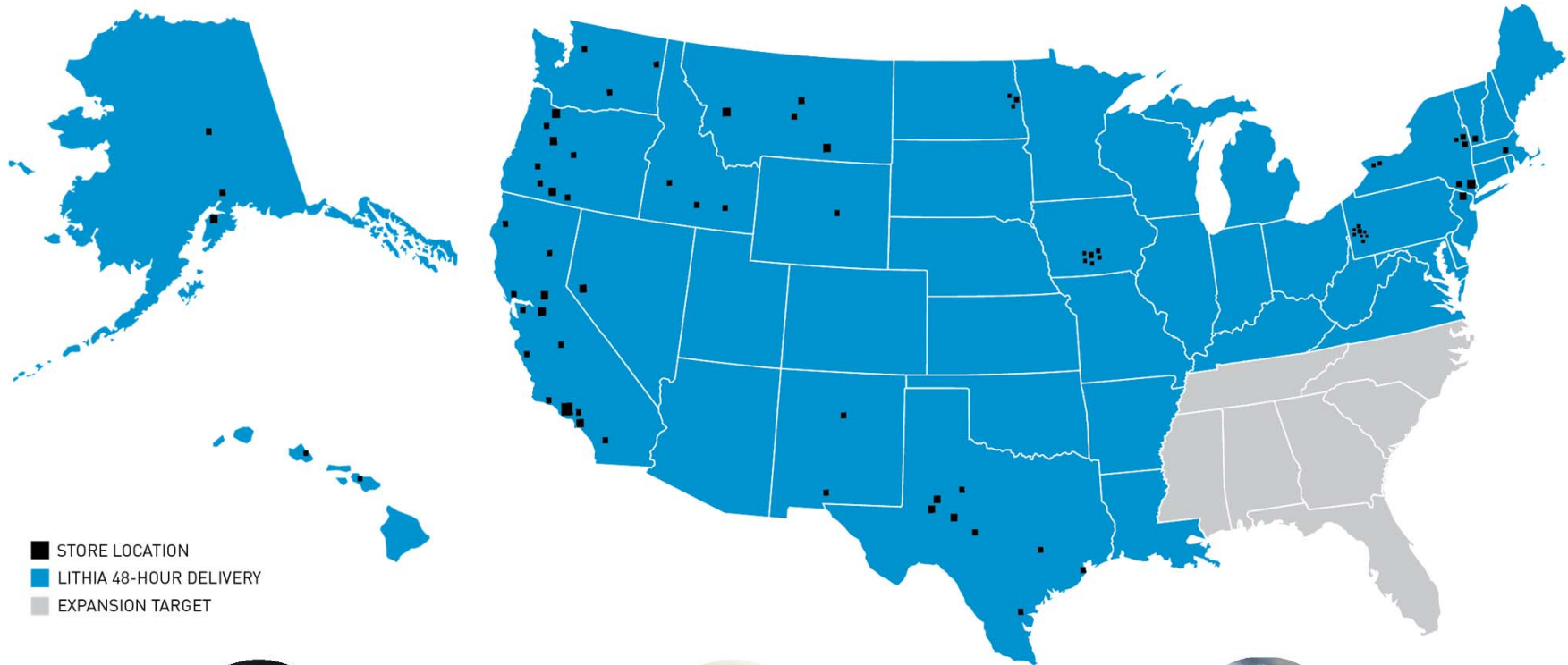
**2012**  
In May 2012, Bryan DeBoer became CEO, accelerating company growth

**TODAY**  
Lithia is one of the largest, strongest returning and most diversified public automotive retailers in North America



# RETAIL NETWORK COVERAGE

48-hour Delivery



## LEADING RETAILER

#4 auto retailer; top ten online auto marketplace



## NATIONAL PRESENCE

Serving over 80% of the U.S. auto market

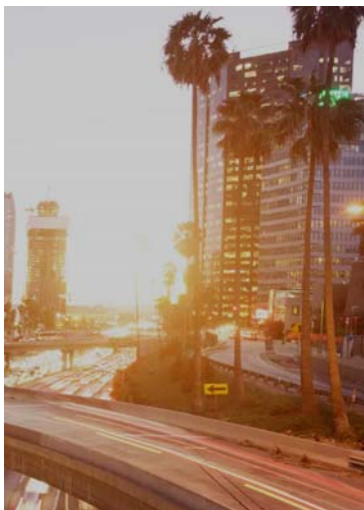


## ONLINE & IN-STORE FULFILLMENT

Employ technology to provide personalized experiences

# DISCIPLINED ACQUISITION STRATEGY

Generating Greenfield-like Returns



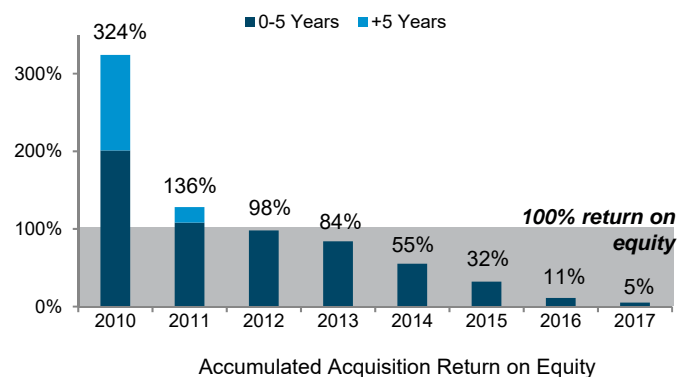
- Seek strong franchises under-earning their potential
- Regularly monitor 2,600 specific acquisition targets
- Data driven metrics used to identify opportunities

## INVESTMENT METRICS

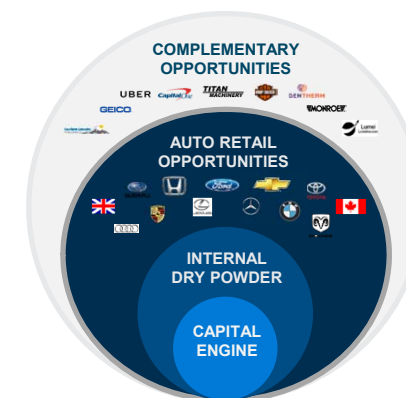
- 15-20+% after tax ROE
- 3x-5x Ent. Value/EBITDA
- 10%-20% equity investment on annual revenues

## HISTORICAL RETURNS

**81% Success Rate**



## ACQUISITION FOCUSES



# DCH CASE STUDY: LARGE GROUP

Purchased in October 2014

## TRANSACTION RATIONALE

- Top 10 dealer group; ~\$2.3bn in revenue
- Expand to metro markets partnering with a proven volume retailer
- Transformed brand mix
- Significant opportunity to improve performance and boost earnings

## ACQUISITION SUMMARY

**Total Investment: \$266mm**

**Blue Sky: \$205mm**

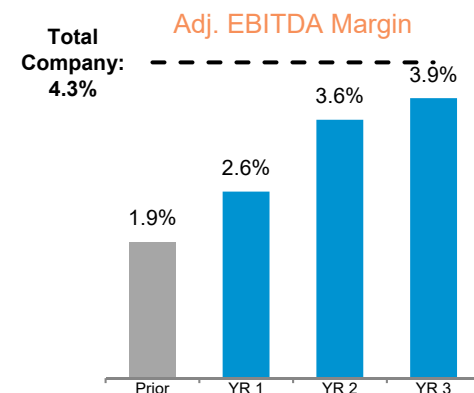
	Prior	YR 1	YR 2	YR 3
Revenues (\$mm)	\$2,266	\$2,276	\$2,339	\$2,500
EBITDA (\$mm)	\$43	\$59	\$85	\$98
Implied investment multiple	6.0x	4.4x	3.1x	2.6x
Investment as a % of revenue	11%	11%	11%	10%

## DIVERSIFIED BRAND MIX\*

	Lithia	DCH	Total
Domestic	51%	2%	30%
Import	38%	80%	56%
Luxury	11%	18%	14%

\*As of transaction announcement in June 2014

## OPERATIONAL INTEGRATION



# RASMUSSEN CASE STUDY: MEDIUM GROUP

Purchased in April 2011

## TRANSACTION RATIONALE

- Luxury platform in metropolitan market of Portland
- Created scale in market to augment existing locations
- Required capital investment previous dealer unwilling to make

## ACQUISITION SUMMARY

**Total Investment: \$22mm**

**Blue Sky: \$18mm**

	Prior	YR 1	YR 2	YR 3
Revenues (\$mm)	\$146	\$158	\$188	\$227
EBITDA* (\$mm)	\$2	\$10	\$12	\$13
Implied investment multiple	11.8x	2.2x	1.9x	1.7x
Investment as a % of revenue	15%	14%	12%	10%

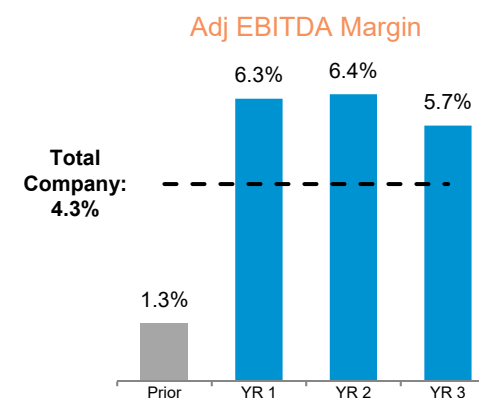
\*Assumes all real estate is leased at actual rent or if owned, at a 7% capitalization rate

## DIVERSIFIED BRAND MIX\*

	Lithia	Ras.	Total
Domestic	52%	-	44%
Import	42%	-	35%
Luxury	6%	100%	21%

\*As of transaction date in April 2011

## OPERATIONAL INTEGRATION



# ISLAND HONDA: SINGLE STORE

Purchased in January 2014

## TRANSACTION RATIONALE

- Exclusive franchise: only Honda store on island of Maui
- Remodeled store to improve operational efficiencies
- Entered Hawaii; subsequently added four dealerships on Oahu

## ACQUISITION SUMMARY

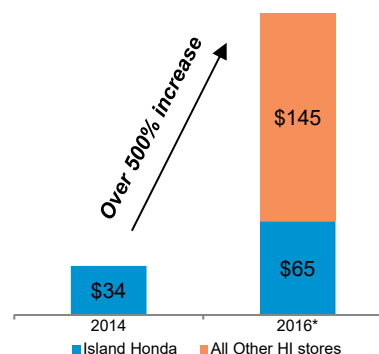
**Total Investment: \$5.5mm**  
**Blue Sky: \$4.6mm**

	Prior	YR 1	YR 2	YR 3
Revenues (\$mm)	\$36	\$34	\$53	\$65
EBITDA* (\$mm)	\$0.3	\$2	\$4	\$6
Implied investment multiple	16.4x	2.9x	1.3x	0.9x
Investment as a % of revenue	15%	16%	10%	8%

\*Assumes all real estate is leased at actual rent or if owned, at a 7% capitalization rate

## SUBSEQUENT EXPANSION

Hawaii Revenues



\*Assumes full year revenues for Honolulu Ford acquired in 2016

## OPERATIONAL INTEGRATION

Adj. EBITDA Margin

