

December 2022

Automotive Service Quarterly



Industry Perspectives: Steve Greenfield Talks Dealerships Future in Automotive Service

In this sit down with Piper Sandler Companies (“PSC”), Mr. Greenfield discusses how dealerships are positioning to capture incremental maintenance and repair service revenue and some of the challenges dealerships may face as they shift their models toward service.

PSC: Steve, depending on the source, parts & service represents anywhere from 40-80% of dealerships profit – do you see this mix increasing or decreasing in the years ahead?

Greenfield: It’s an interesting question and there are a lot of outside forces that will influence this. Overall, vehicle repair will become a higher-priority profit center for dealerships especially if the OEMs increasingly adopt direct-to-consumer sales and distribution models. In addition, as the car parc shifts towards higher-tech and electric vehicles, maintenance and repair services will evolve in tandem.

Today, the post-warranty dealer defect rate (vehicles that are serviced outside dealership networks after OEM warranty expires) can be as high as 70%. This rate likely declines, as EVs and higher-tech vehicles enter the parc. These vehicles require specialized technicians. On the other side of the coin, the increase in onsite services will be offset by longer service intervals and less complex drivetrains. At this point it is unclear how the independent auto service providers will be able to handle vehicle software and electronics maintenance – these types of services present challenges for the average independent repair shop. Early signs point toward vehicle OEMs partnering with dealer-networks in some form to ensure proper, high-quality service is available to consumers.

PSC: What is it the dealerships are doing today to position themselves for more service revenue in the future?

Greenfield: For the large dealer groups, it’s continuing to diversify across OEMs so they have exposure to the entire vehicle parc. This is well underway today, while the large public and private dealership groups are aggressively consolidating the sector. There is a world, years (even decades) from now, where the OEMs have a much larger influence over where and how one of their vehicles is serviced across the vehicle’s life span (both during and post-warranty) given the introduction of more advanced electronic systems and software. Absent a standardized drivetrain/battery, dealers that sell more brands will presumably have access to more data and therefore the ability to provide quality service.

The caveat is the aftermarket has always found a way to stay competitive in repair service. So, while my hypothesis in respect to a shift toward dealerships for service in the future seems logical, there has always been a place for the independents and I suspect that will remain the case.

[Continued on next page]



Steve Greenfield
Founder, Automotive Ventures

Steve Greenfield is the founder and CEO of Automotive Ventures. He has more than 20 years of experience in the automotive technology space. He started his career in 1999 selling software to car dealers and has overseen more than \$1 billion in automotive technology acquisitions.

Steve served as TrueCar’s Senior Vice President of Strategy and Business Development, and AutoTrader.com’s Vice President of Product Management and Business Development, overseeing the acquisitions of vAuto, Kelley Blue Book, HomeNet Automotive, VinSolutions, and DealerScience.

Earlier in his career, Steve served as Manheim’s Director of International Development, spearheading Manheim’s overseas investments, including establishing new joint ventures in Dubai, Istanbul and Beijing.

Steve is also the author of “The Future of Automotive Retail” which was recently published.

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[Continued from prior page]

PSC: You've been touching on this point throughout our discussion. In that the OEMs are proactively finding ways to increase loyalty and customer retention for service. What are the OEMs doing today to drive more service work to their dealerships?

Greenfield: There will need to be heightened coordination between the OEMs and dealerships. The overarching goal for the OEMs and dealers is to create an Apple-like customer experience. Very rarely does an Apple customer use an independent repair shop. Most OEMs, no matter the industry, would like to replicate this loyalty model.

To be more specific, keeping vehicles in the OEM/dealership ecosystem allows for the control of the data and software in the vehicle. This is where the fight will play out. The OEMs are incentivized to control an independent service provider's ability to access the vehicle data and the electronics and software, for which OEMs have invested billions of dollars to develop. Even if "Right to Repair" gains momentum, independents will require more sophisticated technicians and tools to properly (and safely) work on vehicle software and electronics.

Another point to call out is the adoption of over-the-air updates. There will be another battle between the independent aftermarket servicers and OEMs around who services the vehicle when these updates go wrong (e.g., bugs, unloaded updates, etc.).

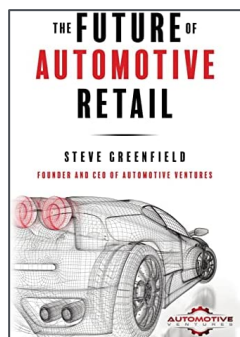
Beyond just service, the OEMs are actively testing other ways to increase customer wallet share and loyalty. Look at what OEMs are doing in subscription services that are unbundling individual vehicle features and allowing consumers to either pay upfront or by the month. OEMs are launching enhanced features and subscriptions in vehicles (for example, Porsche providing subscription to unlock 50Hp anytime you want it).

PSC: Are there certain services that dealerships are more well-suited for versus the independent aftermarket?

Greenfield: Not today. Today the playing field is very level between independents and the dealers for post-warranty service. Over the medium to longer-term, the larger dealerships will be more well-positioned around software, hardware, electronics etc. And, they will have the scale to invest in higher-quality talent and tools to deliver high quality customer experiences and high levels of precision in a service visit (particularly when it comes to safety features, like ADAS). A lot of this is predicated on how well the courts protect the independent repair shop and the independents' ability to invest in these types of capabilities.

PSC: Steve, we appreciate your time today. We have one last question for you. Systemic change obviously takes a significant amount of time to roll through the vehicle parc, what does the net benefit look like for dealers and independents?

Greenfield: Ultimately, enhanced vehicle sophistication will create more opportunities for dealerships and independent service providers. Vehicles will require different types of repairs and service work and the role of the dealer will continue to evolve.



Check out
Steve's new
book here
[\(link\)](#)

"I don't think it's an exaggeration to say that the automotive industry will see more change in the next ten years than it's experienced in the past hundred. I aim to identify some of the issues in this book so that you're better prepared to navigate these changes.

I believe there is a clear path ahead, but it will take progressive thought leadership and proactive action to anticipate and prepare for that future. Those who anticipate change and adapt accordingly will be best positioned to survive — and ultimately to prosper." - Steve Greenfield

Service Providers Innovating to Improve Customer Experience and Enhance Box Economics

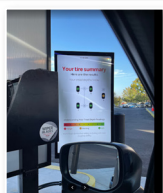
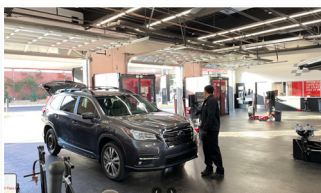
Discount Tire's Pit Pass Concept Leverages Technology and a New Store Format to Deliver Faster Service



First Discount Tire Pit Pass Location
3445 Mundy Mill Rd
Flowery Branch, GA 30542

- Opened in metro Atlanta in October 2022, Pit Pass is Discount Tire's new drive-thru concept store
- Pit Pass is designed to provide customers a faster, more informed tire service experience with the option to never leave the vehicle while being presented with digital tools assessing tire health
- The stores occupy a much smaller footprint versus a traditional tire shop with 3 bays in a 5K square foot building
- Customers are encouraged to shop for tires online or through the Company's app, and book appointments in advance for this location
- In addition to improving the customer experience, we expect there to be economic benefits from increased throughput and labor utilization

The Customer Experience



A More Efficient Footprint

	Pit Pass	Average	
		Tire	General Repair
Concept	Drive-Thru	Retail	Retail
Bays	3	8	10
Showroom	No	Yes	No
Building (Sq. Feet)	5,000 ¹	9,000	8,000

1) 2,500 sq. feet subsurface workspace

Transaction Note: Cary Group Take Private

Transaction & Company Overview

- Cary Group (“Cary”, “the Company”) is a leading glass repair and replacement service provider in Europe – primarily Scandinavia, the UK, Spain, Portugal, Germany, Luxembourg, and Austria
- On June 29, 2022, a consortium led by CVC Funds and Nordic Capital announced a public offer to acquire a 70% stake in the Company – Nordic Capital owned 30% of the Company and was the primary shareholder at the time the offer was announced
- The acquisition of outstanding shares was completed on October 10, 2022 (just over one year after the Company went public) for SEK 70 per share
- The CVC / Nordic consortium sought to capitalize on temporary share price weakness despite a continued strong growth story for the Company

Transaction Stats

~\$1.1B

Implied TEV (in USD)
of the Acquisition

~28x

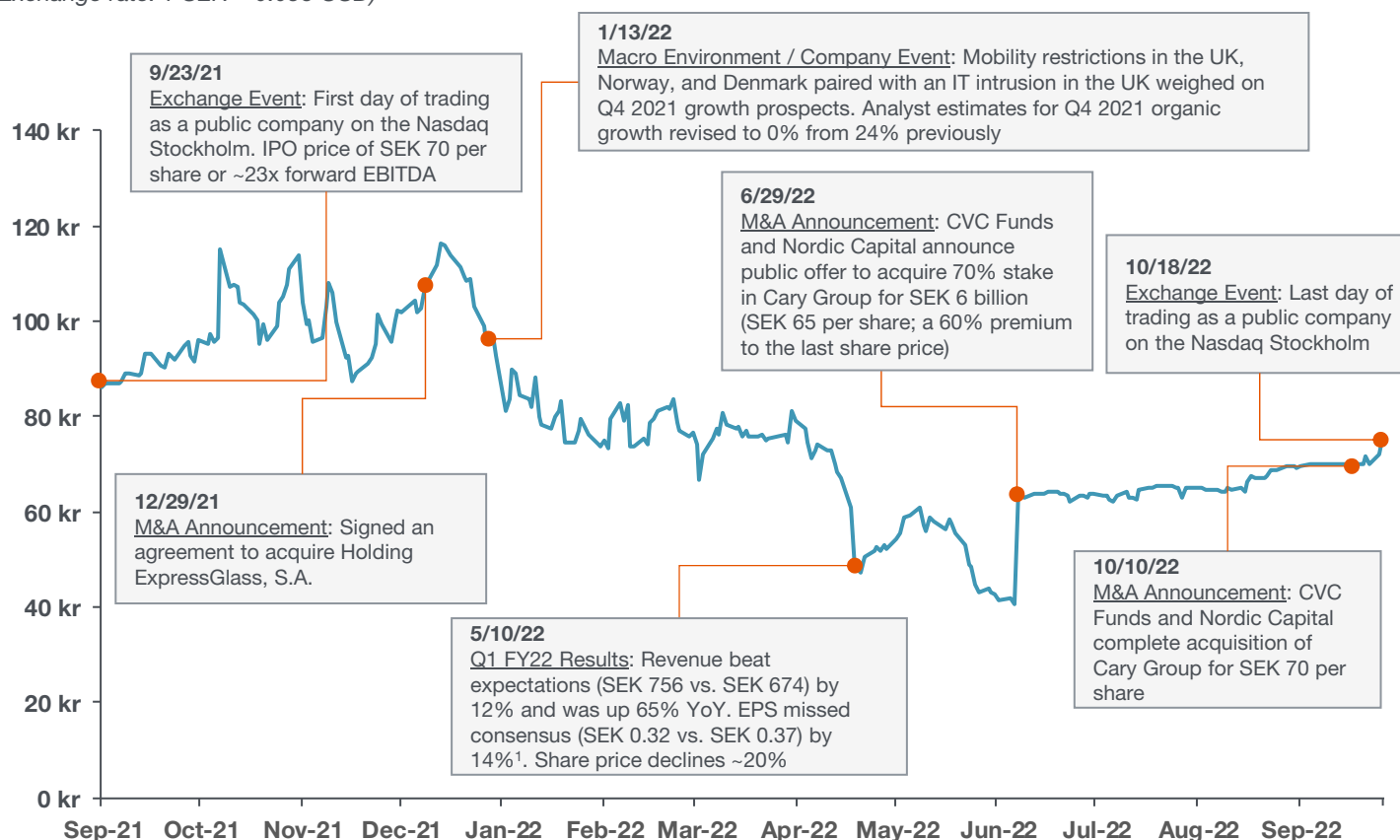
Implied TEV / LTM EBITDA
of the Transaction

390

Days the Company was Listed
on the Nasdaq Stockholm

Historical Stock Price Performance

(Exchange rate: 1 SEK = 0.095 USD)



Note: Transaction multiple adjusted for IFRS 16

1) Adjusted EPS

Transaction Note: Cary Group Take Private (Cont'd)

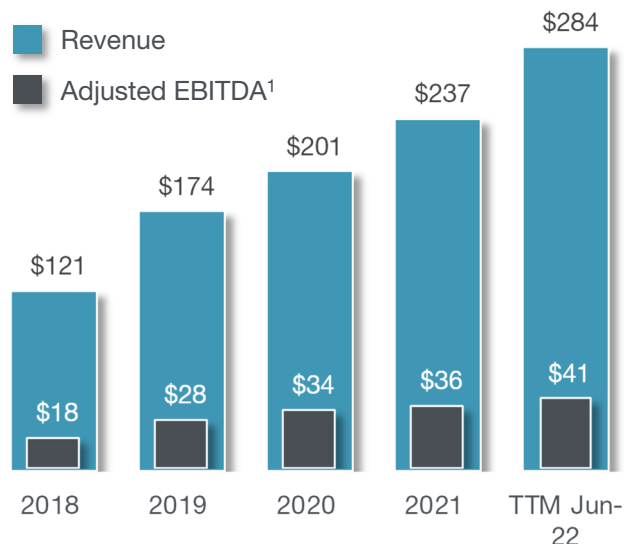
Cary Group Overview

- Cary Group operates throughout western Europe as a service provider specializing in vehicle glass repair and replacement
 - The Company leverages a footprint of 900+ locations, 40%+ of which are mobile repair units, into a leading position in its markets
- Cary has a history of strong growth — through both organic avenues and acquisition and serves as a consolidator of choice in the European service landscape
 - Through strategic M&A, the Company has acquired and operates 15 brands focusing on car as well as bus and coach glass, and auto body repair



Historical Revenue and EBITDA

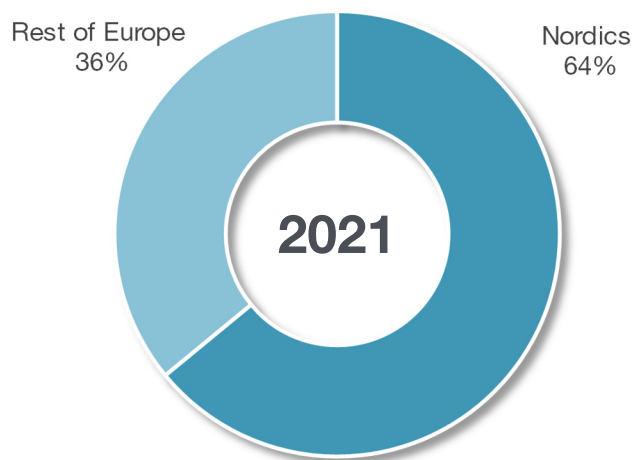
(\$ in Millions; USD)



Company Footprint



Revenue by Geography



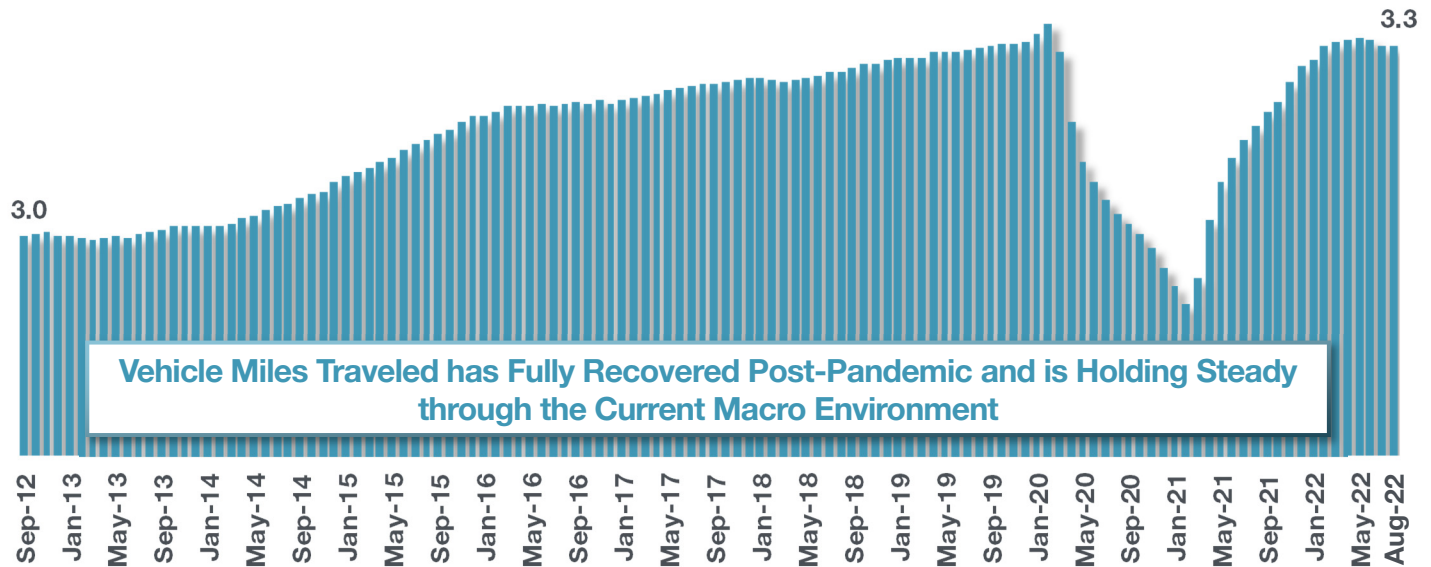
Cary Sources the Bulk of its Revenue from the Nordics but is Aggressively Diversifying and Expanding its Reach through M&A

1) Adjusted for IFRS 16

A Look at Industry Indicators

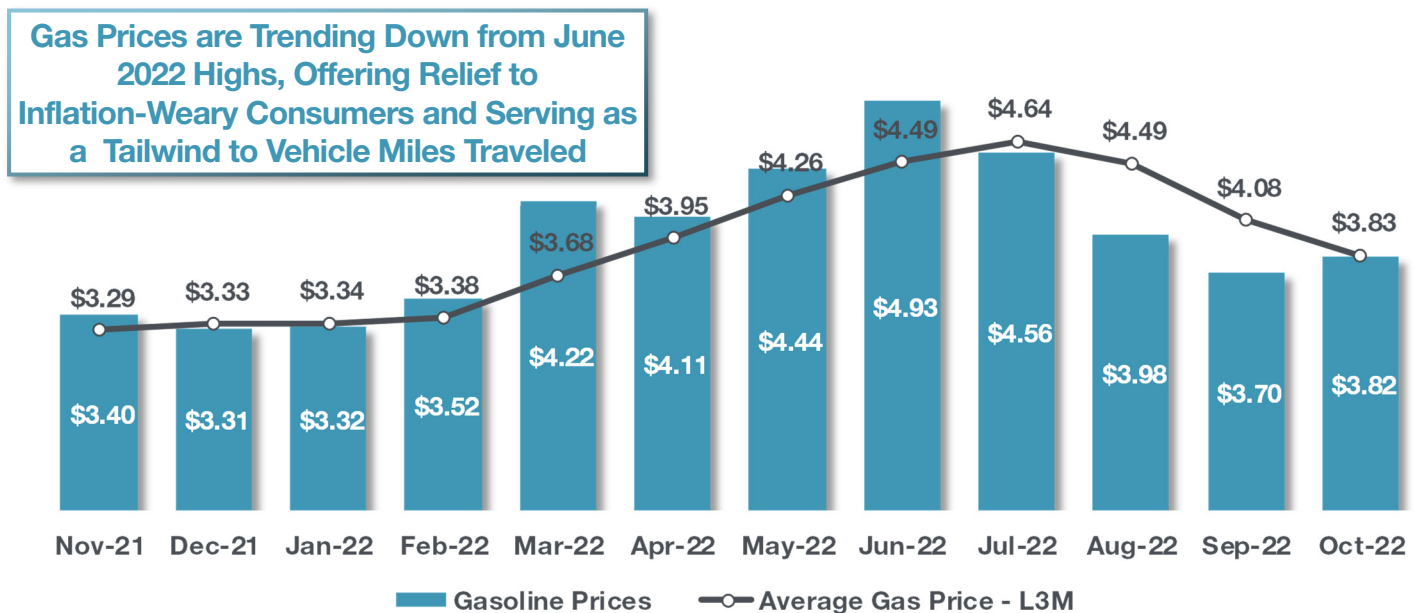
Nation-Wide Last Twelve Months (“LTM”) Vehicle Miles Traveled

(US Vehicle Miles Traveled — All Systems; in Trillions)



US Retail Gas Prices — Regular, All Formulations

(Price per Gallon, \$ in Actuals)

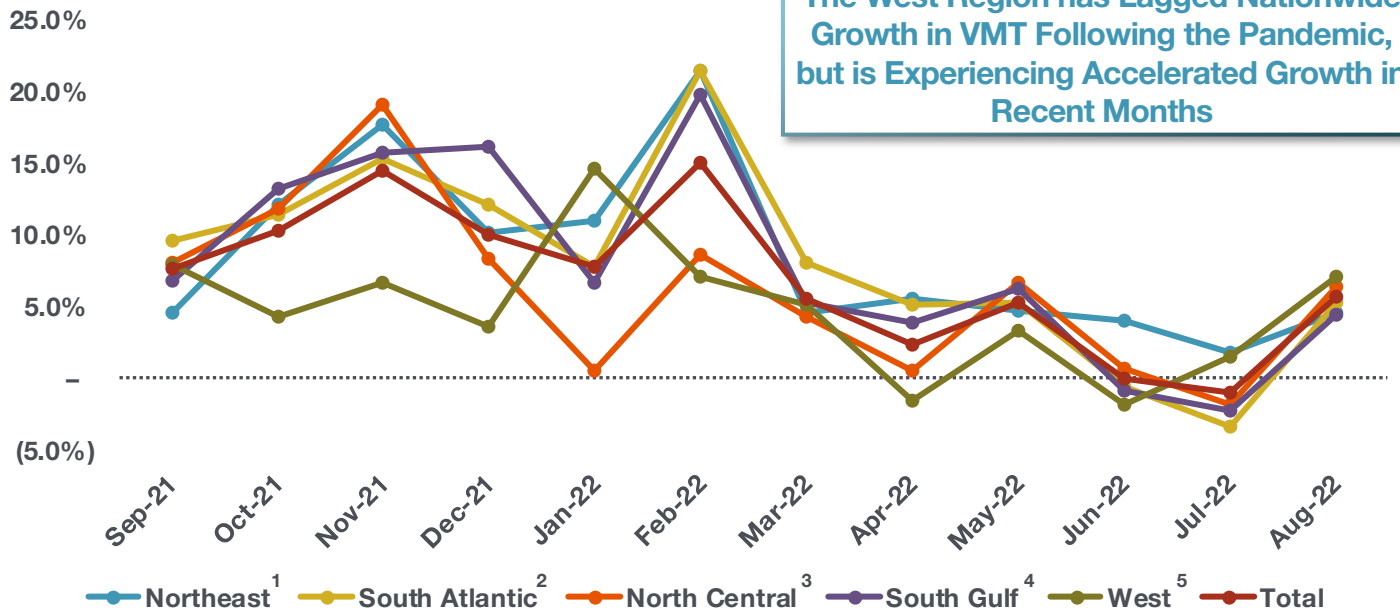


Source: US Department of Transportation, US Energy Information Administration

Understanding Vehicle Miles Traveled

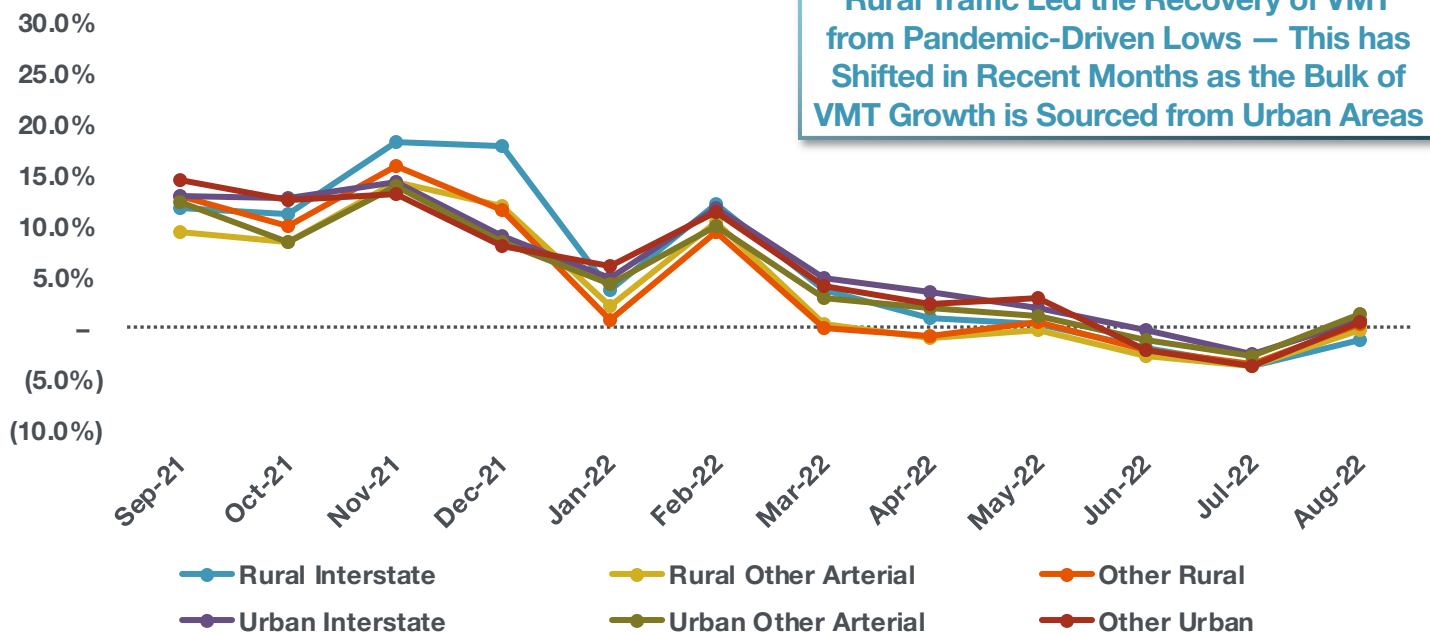
Regional Performance

(% YoY Change in Regional VMT)



By System

(% YoY Change in VMT by System)



Source: US Department of Transportation

1) Includes CT, ME, MA, NH, NJ, NY, PA, RI, VT
 2) Includes DE, Washington DC, FL, GA, MD, NC, SC, VA, WV
 3) Includes IL, IN, IA, KS, MI, MN, MO, NE, ND, OH, SD, WI
 4) Includes AL, AR, KY, LA, MS, OK, TN, TX
 5) Includes AK, AZ, CA, CO, HI, ID, MT, NV, NM, OR, UT, WA, WY

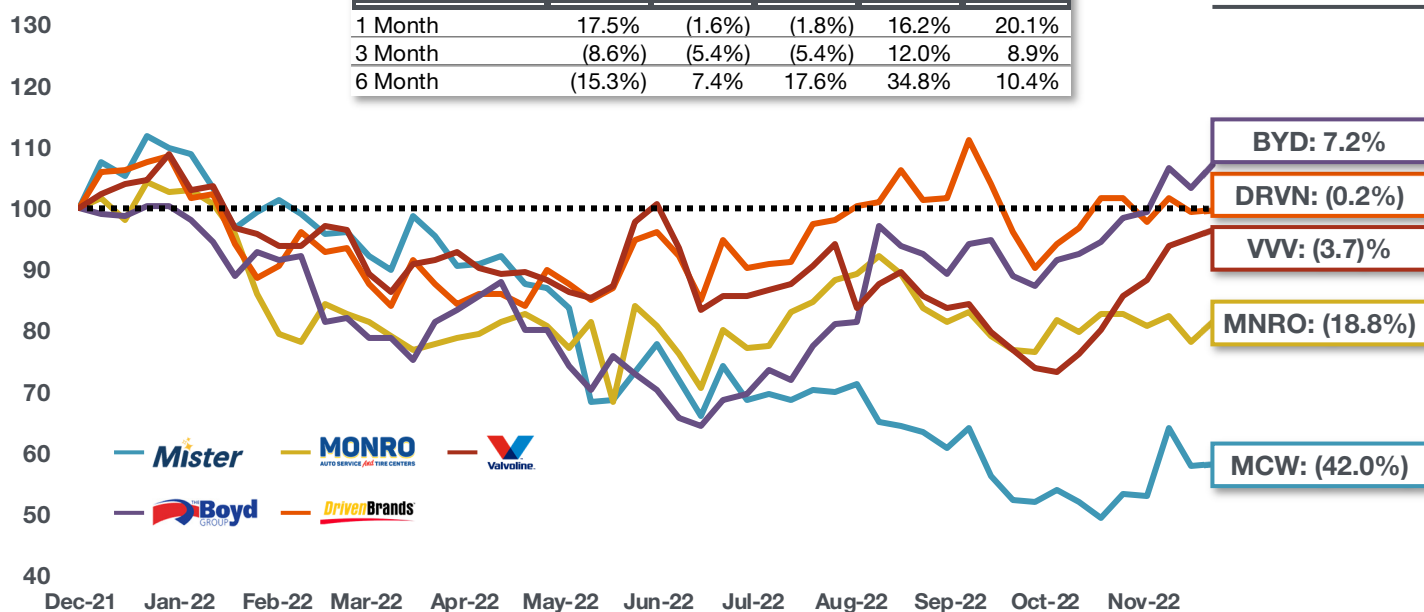
Public Trading Information

12 Month Share Price Performance Index

(Share Price Indexed to December 3, 2021 = 100)

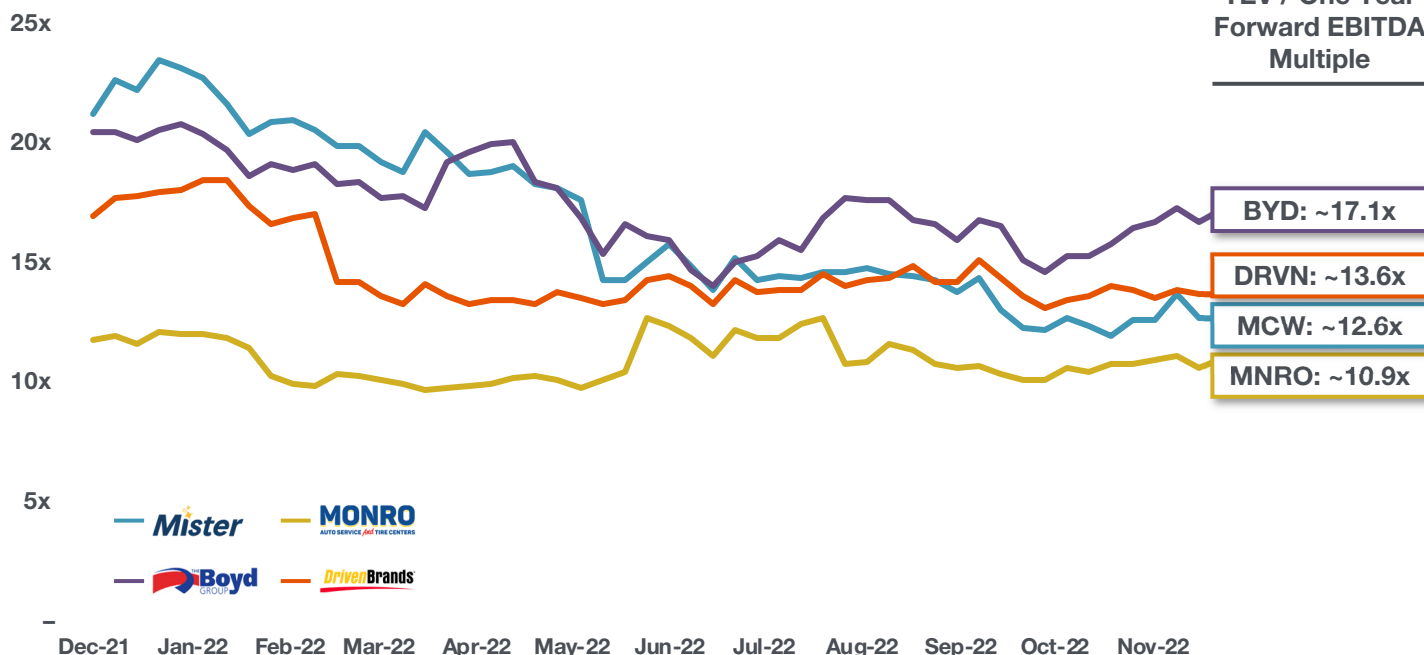
Share Price Performance	MCW	MNRO	DRVN	BYD	VVV
1 Month	17.5%	(1.6%)	(1.8%)	16.2%	20.1%
3 Month	(8.6%)	(5.4%)	(5.4%)	12.0%	8.9%
6 Month	(15.3%)	7.4%	17.6%	34.8%	10.4%

52 Week Share Price Performance



12 Month TEV / One Year Forward EBITDA Multiple

(TEV ex. Operating Leases / One Year Forward Estimated EBITDA)



Source: Company filings, Capital IQ

Car Wash

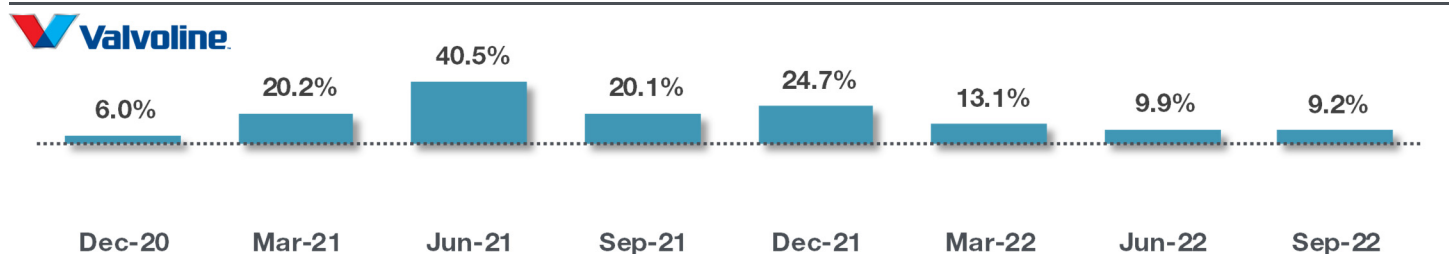
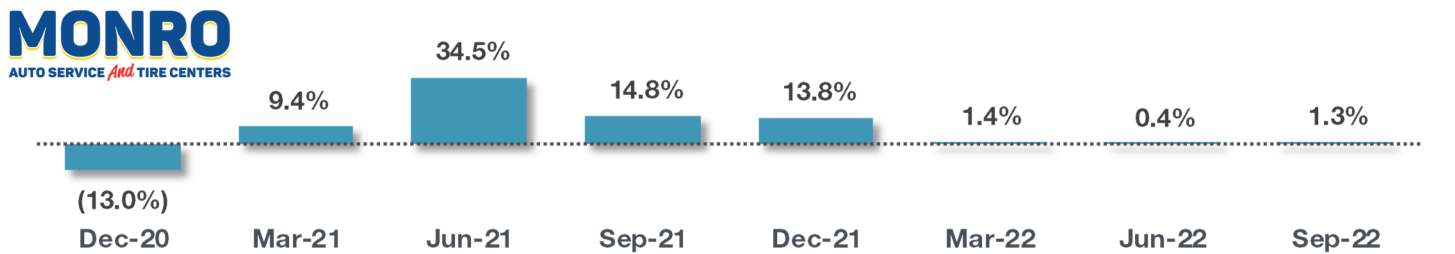
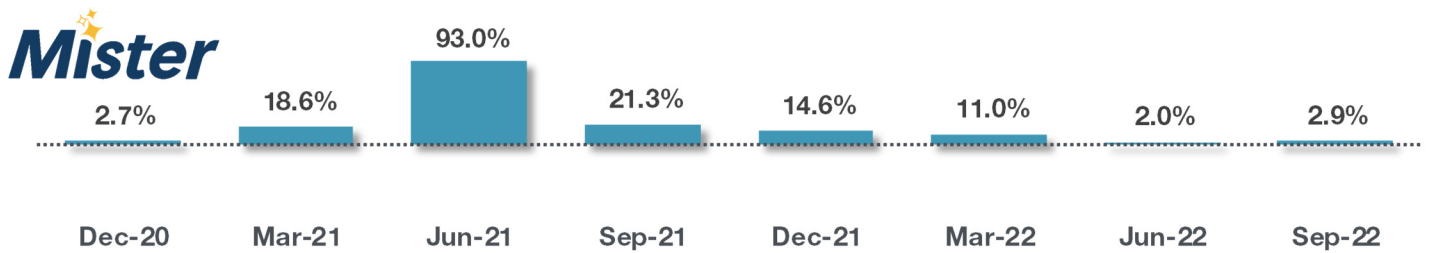
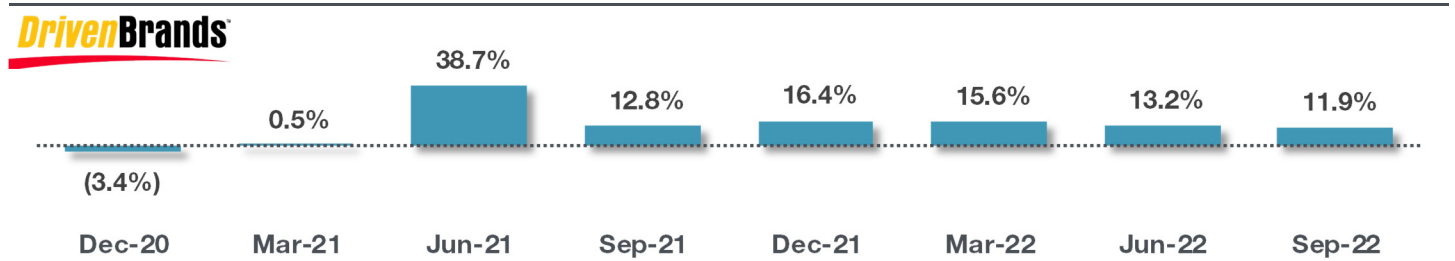
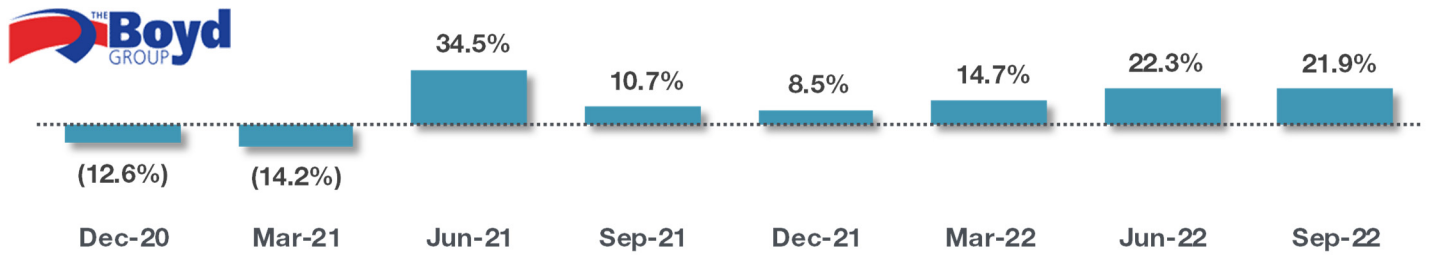
Oil Change

Collision

Service

Tires

Quarterly Same Store Sales



Source: Company filings

Car Wash

Oil Change

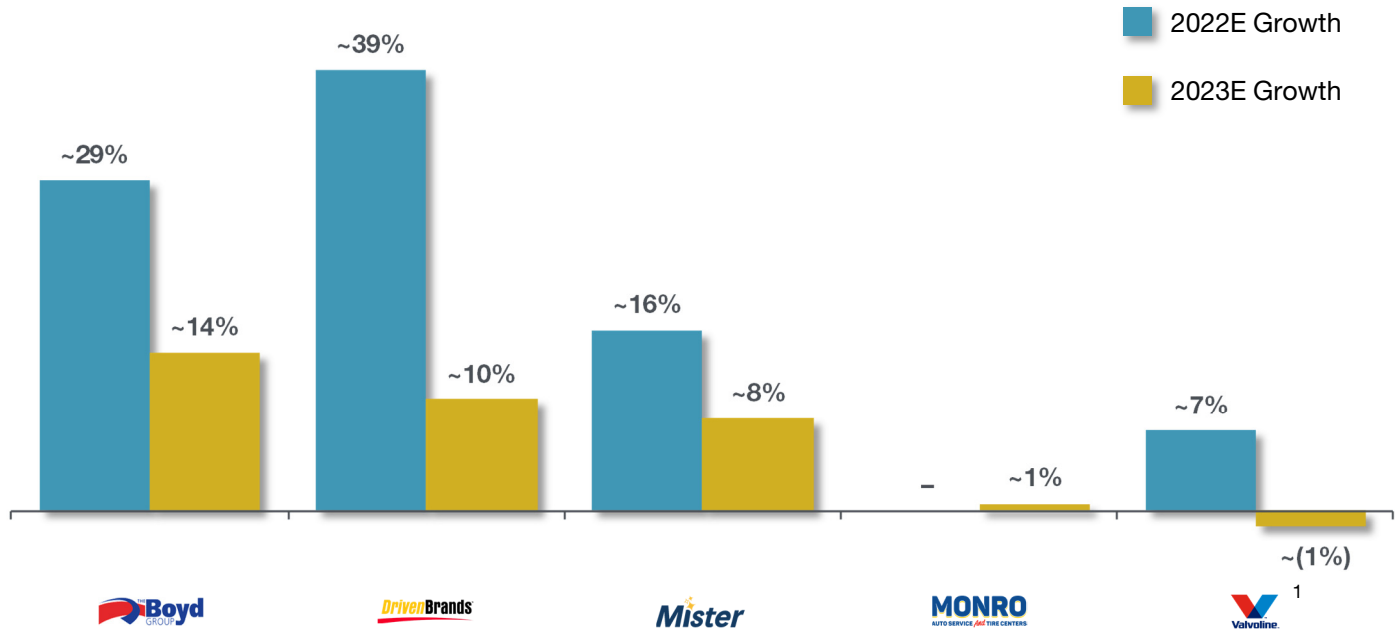
Collision

Service

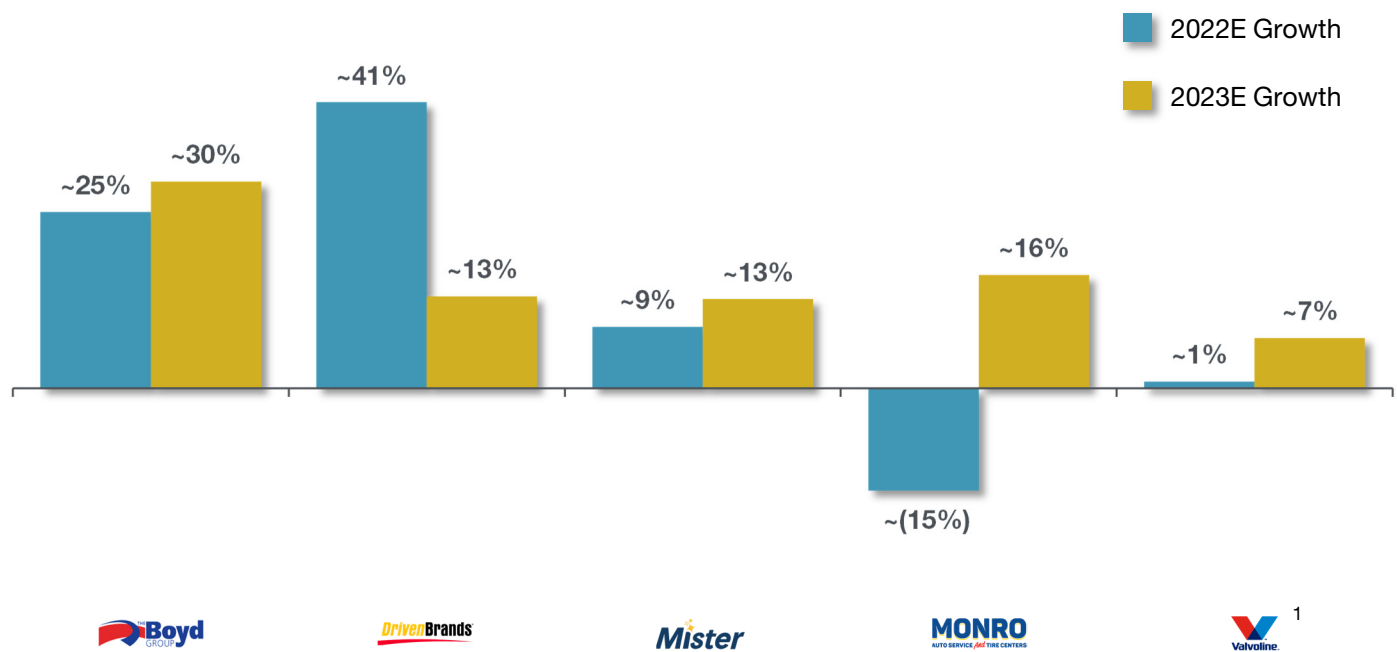
Tires

Growth Outlook

Revenue — Median Analyst Outlook



EBITDA — Median Analyst Outlook



Note: Calendar year

Source: Company Filings, equity research filings, Capital IQ

1) Retail services business only

Car Wash

Oil Change

Collision

Service

Tires

Public Company Performance Metrics

Valuation Summary

(\$ in Millions, Except per Share Amounts)

Company	Price as of 12/02/2022	% of 52W High	Market Cap	TEV	TEV / EBITDA			P / E			Net Debt / LTM EBITDA
					LTM	2022E	2023E	LTM	2022E	2023E	
Boyd Group Services ¹	\$161.87	97.9%	\$3,476	\$3,833	23.5x	21.7x	16.0x	NM	79.6x	37.2x	1.9x
Driven Brands ²	\$31.00	87.4%	5,190	7,680	16.2x	15.2x	13.3x	43.7x	25.6x	23.3x	4.7x
Mister Car Wash ³	\$10.19	51.4%	3,108	3,943	15.1x	14.4x	13.0x	36.1x	26.8x	25.6x	3.2x
Monro ⁴	\$46.92	77.1%	1,476	1,957	11.8x	11.9x	10.6x	27.1x	31.7x	25.8x	2.9x
Valvoline ^{5, 6}	\$32.98	86.9%	NM	4,767	NM	NM	12.3x	NM	NM	26.5x	NM
Total Median	\$32.98	86.9%	\$3,292	\$3,943	15.7x	14.8x	13.0x	36.1x	29.2x	25.8x	3.0x

Operating Summary

(\$ in Millions, Except per Share Amounts)

Company	LTM ⁷				Margin			Historical Sales Growth		Historical EBITDA Growth	
	Revenue	Gross Profit	EBITDA	Net Income	Gross	EBITDA	Net Income	1 YR	3 YR	1 YR	3 YR
Boyd Group Services ¹	\$2,311	\$1,029	\$163	\$29	44.5%	7.0%	1.3%	31.3%	13.1%	19.5%	0.1%
Driven Brands ²	1,885	830	474	115	44.0%	25.1%	6.1%	38.2%	-	50.6%	-
Mister Car Wash ³	854	588	260	90	68.9%	30.5%	10.6%	17.1%	-	9.2%	-
Monro ⁴	1,349	464	166	40	34.4%	12.3%	3.0%	5.4%	2.9%	(8.8%)	(4.0%)
Valvoline ⁵	1,236	476	285	90	38.5%	23.0%	7.3%	NM	NM	NM	NM
Total Median	\$1,349	\$588	\$260	\$90	44.0%	23.0%	6.1%	24.2%	8.0%	14.3%	(1.9%)

Source: Company Filings

1) TSX: BYD

2) DRVN

3) MCW

4) MNRO

5) VVV

6) Valuation metrics for VVV based on retail services business estimates

7) LTM period as of 11/25/2022

Car Wash

Oil Change

Collision

Service

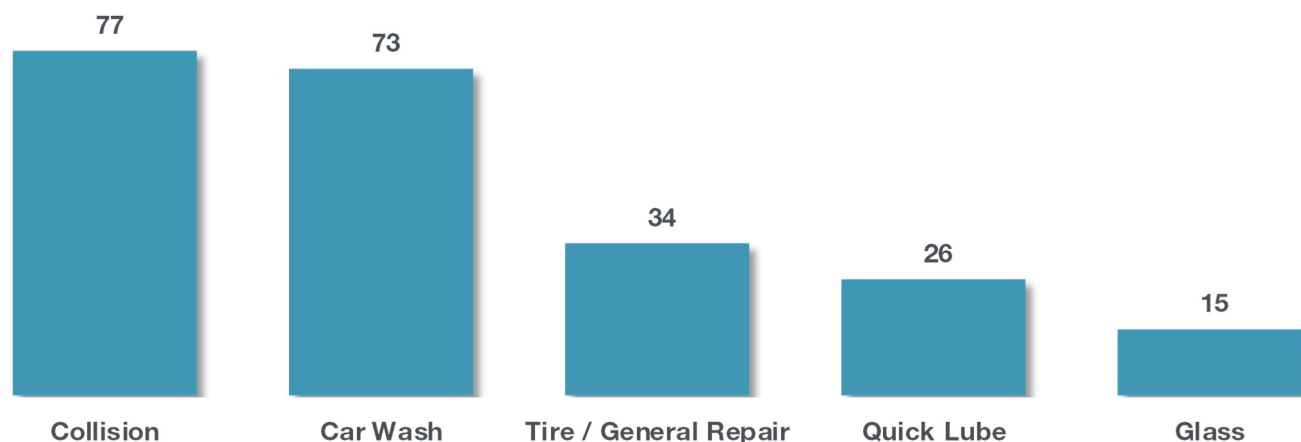
Tires

Select Automotive Service M&A Activity

Date	Vertical	State	Buyer	Target	Store Count
Nov-22	Car Wash	LA	WhiteWater Express	Classic Auto Spa	3
Nov-22	Collision	FL	Classic Collision	Shamrock Auto Body	1
Nov-22	Collision	MO	Crash Champions	Molle Toyota's collision repair center	1
Nov-22	Collision	GA	Crash Champions	Harold's Auto Body Shop	1
Nov-22	Collision	WA	Crash Champions	DAA Auto Body	2
Nov-22	Collision	TX	Crash Champions	Collision King	3
Nov-22	Tire / General Repair	IA	Leeds West Groups	1 location in Ames	1
Nov-22	Glass	FL	Boyd Group Services	4 locations in Florida	4
Nov-22	Glass	ND, SD	West Edge Partners	Dakotaland Autoglass	12
Nov-22	Collision	NC	Classic Collision	Smitty's Collision	1
Nov-22	Collision	TX	Classic Collision	Premier CARSTAR	1
Nov-22	Car Wash	TX	WhiteWater Express	Hi-Shine Car Wash	1
Oct-22	Car Wash	MD	Spotless Car Wash Brands	Pasadena Car Wash	1
Oct-22	Car Wash	NY, TX	Accelerated Brands	Trademark Car Wash	14
Oct-22	Car Wash	NY	Go Car Wash	Superior Car Wash	1
Oct-22	Collision	FL	Classic Collision	Fenders Collision USA	3
Oct-22	Collision	OR	Crash Champions	Location in Portland	1
Oct-22	Collision	CA	Quality Collision Group	Brooks Motor Cars	5
Oct-22	Tire / General Repair	MN	Sun Auto Tire & Service	TGK Automotive Specialists	24
Oct-22	Tire / General Repair	CA	Sun Auto Tire & Service	Toscalito Tire and Automotive	5
Oct-22	Quick Lube	IL	Ivy Lane Corporation	1 Jiffy Lube Location in Chicago	1
Oct-22	Tire / General Repair	NC	Chapel Hill Tire	Bull Tire	1

YTD Deal Count – M&A Activity by Number of Transactions

(Transaction Count in Actuals)



Source: Company Filings

Piper Sandler's Vehicle Aftermarket Investment Banking Team



Treavor Hill

Managing Director
Co-Head of Vehicle Aftermarket
Treavor.Hill@psc.com
C: (617) 230-2724



Jim Reilly

Managing Director
Co-Head of Vehicle Aftermarket
James.Reilly@psc.com
C: (612) 271-2850



Brad Kaplita

Vice President
Vehicle Aftermarket
Brad.Kaplita@psc.com
C: (612) 463-2701



Ari Lowell

Vice President
Vehicle Aftermarket
Ari.Lowell@psc.com
C: (612) 849-6357



Chau Mai

Associate
Vehicle Aftermarket
Chau.Mai@psc.com
C: (612) 246-5456



Graem Fenson

Analyst
Vehicle Aftermarket
Graem.Fenson@psc.com
C: (612) 597-3099

Car Wash



Oil Change

Collision

Service

Tires

Recent Piper Sandler Vehicle Aftermarket Transactions

<p>November 2022</p>  <p>has acquired</p> 	<p>November 2022</p>  <p>has been acquired by</p> 	<p>September 2022</p>  <p>has been acquired by</p> 	<p>April 2022</p>  <p>has been acquired by</p> 
<p>January 2022</p>  <p>has been acquired by</p> 	<p>August 2021</p>  <p>has acquired</p> 	<p>June 2021</p>  <p><i>Initial Public Offering</i></p>	<p>June 2021</p>  <p><i>Debt Refinancing</i></p>
<p>May 2021</p>  <p><i>Equity Capital Raise</i></p>	<p>March 2021</p>  <p>has been acquired by</p> 	<p>March 2021</p>  <p><i>Initial Public Offering</i></p>	<p>January 2021</p>  <p><i>Initial Public Offering</i></p>

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