

MERCER CAPITAL

# Middle Men: Family-Owned Auto Dealerships

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BUSINESS VALUATION &  
FINANCIAL ADVISORY SERVICES

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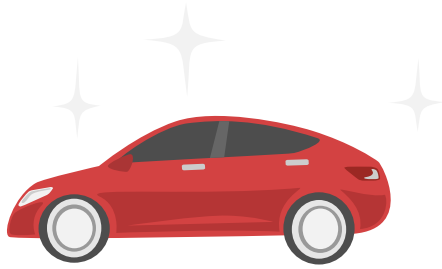
# Industry Headlines

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- Microchip Shortage
- Inventory Shortages
- Record Profitability
- Increased Blue Sky Values
- White Hot M&A Market
- Electric Vehicles (EVs)

# Departments/ Profit Centers



## NEW VEHICLE

- Purchased from OEM
- Historically Low Gross Margins



## USED VEHICLE

- Sourced from Trade-Ins, Auctions, Fleet Sales
- Slightly Higher Gross Margins than New Vehicles



## PARTS / SERVICE

- Fixed Operations
- High Gross Margins
- More Vehicles in Service
- Body Shop or Collision Center



## FINANCE / INSURANCE

- Extended Warranty
- Auto Service Contract
- Financing Acquisition
- High Margins

# Blue Sky Definition

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Any intangible/goodwill value of an auto dealership over/above the book value of Tangible Assets.

Typically, Blue Sky value is measured as a multiple of Pre-Tax Earnings.

Blue Sky multiples vary by franchise/brand and fluctuate year-to-year.

# Value Drivers for Auto Dealerships

## FRANCHISE



## REAL ESTATE



- Owned?
- Leased? From related or unrelated entity?
- Quality of Real Estate
- Signage/Brand Image Programs

## MARKETS



- Where is dealership located?
- High Tax State? Low Tax State?
- Metro/Urban?
- Rural?

## COMPETITION



- How many competitors are near your dealership?
- How many other dealerships of same franchise?
- Single point franchise?
- Over-franchised market?

## PERFORMANCE



- How has your dealership performed historically?
- Benchmarked to:
  - Economy
  - Industry
  - Competitors
- What is sustainable?



## Scott A. Womack, ASA, MAFF

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Scott A. Womack leads Mercer Capital's Auto Dealership Industry Team. As the leader of Mercer Capital's Auto Dealership Industry team, Scott provides valuation services to dealerships throughout the U.S. related to corporate planning and reorganization, transactions, employee stock ownership plans, litigation support, and tax issues as well as valuations of intangible assets, and assets subject to specific contractual restrictions. Scott and his team also consult with auto dealer clients in the process of selling or buying. Additionally, Scott is a regular contributor to Mercer Capital's weekly blog, *Auto Dealer Valuation Insights*.

[>> Click here to learn more about Scott](#)

# Mercer Capital's Auto Dealer Valuation Services

Mercer Capital provides auto dealerships with business valuation and financial advisory services related to corporate disputes, litigated matters, tax compliance, and financial reporting requirements. Mercer Capital also provides transaction advisory and consulting-related services.

## Services

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- **Corporate Valuation**  
(Buy-Sell, ESOP, Equity Compensation, Enterprise Value)
- **Transaction Advisory**  
(Fairness and Restructuring Opinions, Due Diligence, M&A Advisory)
- **Financial Reporting**  
(Purchase Allocation, Portfolio Valuation, Impairment Testing, Equity Comp.)
- **Litigation Support**  
(Royalty Disputes, Damages & Lost Profits, Tax, Family Law)
- **Asset Valuation**  
(Royalty & Working Interests, Undeveloped, Acreage, JVs)
- **Tax Valuation Issues**  
(Gift & Estate, Ad Valorem, Income Tax, Capital Gains, Reorganization / Recapitalization)

## Segments Served

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- **New Car Dealers**  
Domestic • Import • Luxury • High-Line / Ultra High-Line
- **Used Car Dealers**

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