



HOULIHAN LOKEY

AUTOMOTIVE AFTERMARKET

2020 Year in Review

Resilience

Despite significant challenges for all, resilience tended to be a word that described the overall M&A environment and the aftermarket sector specifically.

Houlihan Lokey is pleased to provide this overview of select data demonstrating the strength of these markets.

Please contact us to learn more.

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No. 1

U.S. M&A Advisor

Top 5

Global M&A Advisor

Leading

Capital Markets
Advisor

No. 1 M&A Advisor for All U.S. Transactions in 2020

by Refinitiv (formerly known as Thomson Reuters).

2020 M&A Advisory Rankings All U.S. Transactions

Advisor	Deals
Houlihan Lokey	210
Goldman Sachs & Co	172
JP Morgan	132
Evercore Partners	126
Morgan Stanley	123

2020 M&A Advisory Rankings All U.S. Industrial Transactions

Advisor	Deals
Houlihan Lokey	36
Generational Equity	35
Goldman Sachs & Co	30
Jefferies LLC	27
JP Morgan	21
Moelis & Co	21

Source: Refinitiv (formerly known as Thomson Reuters).

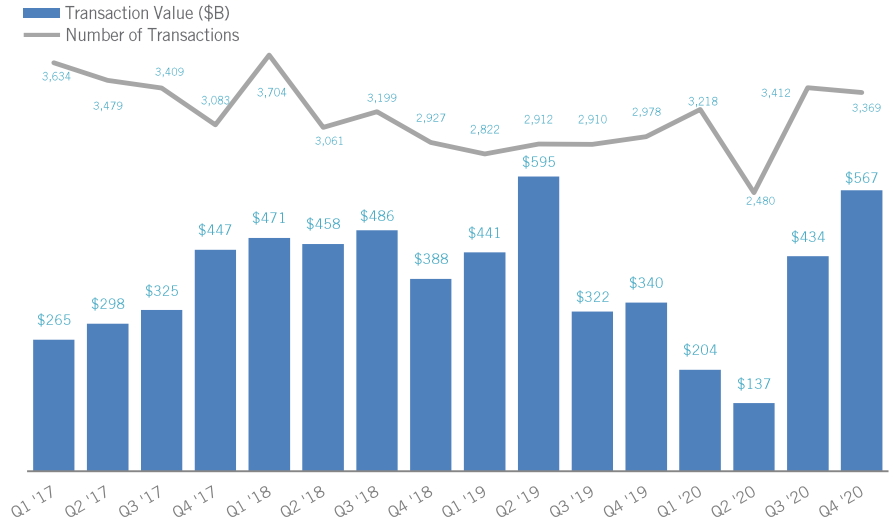
Mergers and Acquisitions

We have extensive expertise in mergers, acquisitions, divestitures, activist shareholder and takeover defense, and other related advisory services for a broad range of U.S. and international clients. Our experience in M&A has earned us consistent recognition throughout the industry. In 2020, we were ranked the No. 1 M&A advisor for all U.S. transactions, and we've been ranked No. 1 for U.S. transactions under \$1 billion for more than 10 years, according to Refinitiv (formerly known as Thomson Reuters).

M&A Market Resilience

While overall M&A activity slowed in Q1 and Q2 2020, volume in 2H 2020 generally reverted to long-term averages. More notably, despite a drop in Q2 2020, the number of transactions continued a trend of consistent increases. This decrease in average transaction size with an increasing number of transactions is likely driven in part by significant private equity add-on activity.

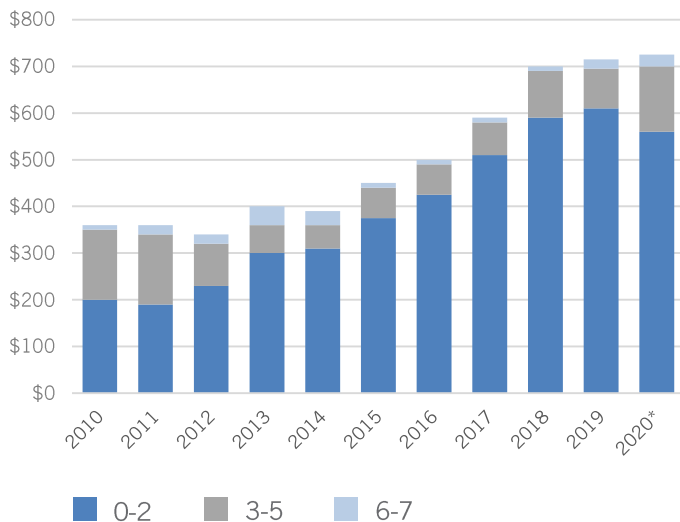
Quarterly U.S. M&A Activity



Source: Refinitiv (formerly known as Thomson Reuters) as of December 31, 2020.

Notes: Includes minority equity deals, equity carve-outs, exchange offers, open-market repurchases, and deals with undisclosed transaction values.

U.S. P.E. Dry Powder by Age (\$B)



Source: PitchBook. Geography: U.S.

*As of March 31, 2020.

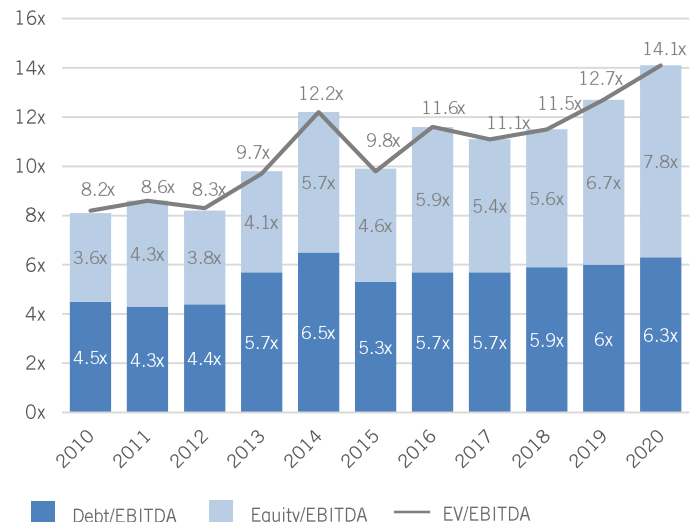
U.S. P.E. Buyout Transaction Valuation Resilience

The potential for synergy realization in add-on transactions combined with potential selection bias of assets with strong performance coming to market has resulted in median buyout multiples for U.S. private equity firms continuing to increase through 2020.

Private Equity Resilience

Private equity funds have amassed ever larger amounts of capital available to invest, referred to as dry powder. Private equity was faced with continued pressure to invest with a relative inability to diligence opportunities in new sectors. Houlihan Lokey noted significant activity for private equity funds adding to existing platform investments through add-on acquisitions.

Median TEV/EBITDA Buyout Multiple



Source: PitchBook.com Geography: U.S.

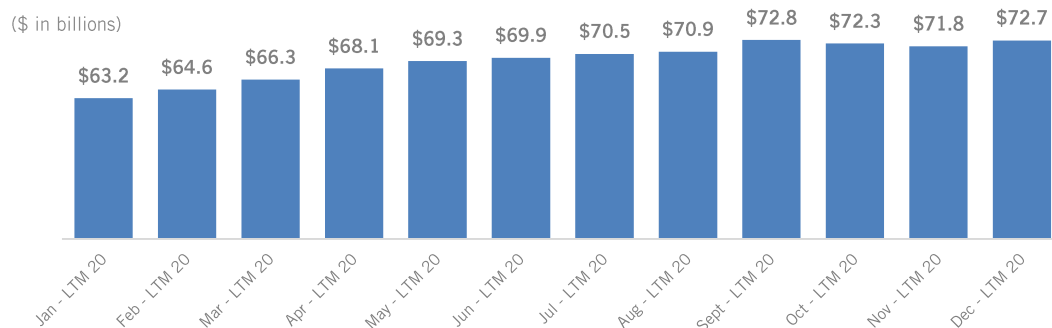
Automotive Aftermarket Resilience

Aftermarket companies tended to justify the investment thesis that has underpinned private equity acquisition activity in particular. Public companies in the sector notched sequential monthly revenue increases.

The non-discretionary repair/replace/remanufacture portion of the market benefited from increased average vehicle age due to limited new vehicle production. Moreover, total miles driven generally reverted to seasonal averages after weathering significant contraction in and around April 2020.

The discretionary enthusiast/upgrade segment of the aftermarket also performed well, with consumers engaging more deeply with their vehicle-related hobbies. For companies with inventory on hand or otherwise not facing supply chain constraints, it generally proved to be a very strong demand environment.

2020 LTM Revenue for Selected Industry Participants (\$B)



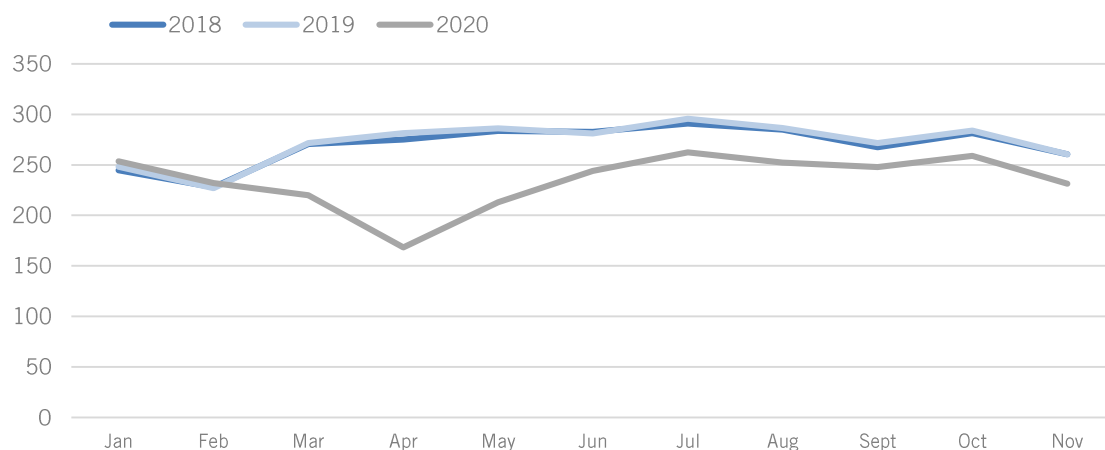
Source: S&P Capital IQ.

Note: Industry revenue calculated using the sum of all Selected Industry Participants revenues. Selected industry participants include Advance Auto Parts, AutoZone, Boyd Group Services, Dorman Products, Fox Factory, Genuine Parts Co., Horizon Global, LKQ, Monro, Motorcar Parts of America, O'Reilly Automotive, Standard Motor Products, Uni-Select, XPEL.

“Public companies in the sector notched sequential revenue increases.”

“Total miles driven generally reverted to seasonal averages.”

Total Vehicle Miles Traveled Comparison in Billions (2018–2020)

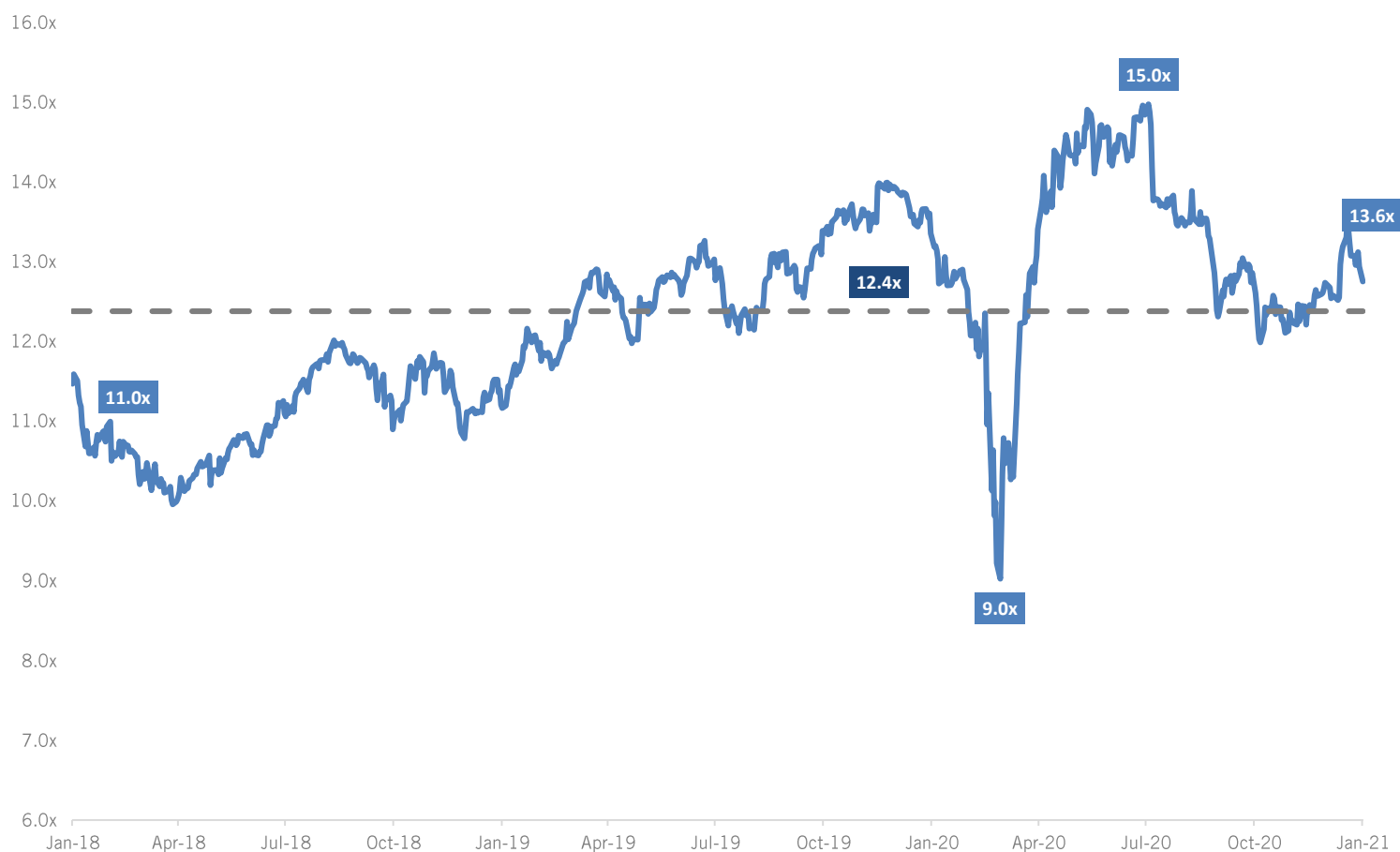


Source: U.S. Department of Transportation.

Aftermarket Valuation Resilience

Selected publicly traded industry participants benefited from overall market resilience and aftermarket sector resilience. After a short-term deviation from long-term values in Q2 2020, valuation as determined by Total Enterprise Value/EBITDA reverted to and surpassed historical trends.

Total Enterprise Value/EBITDA Multiples for Selected Industry Participants



Source: S&P Capital IQ.

(1) Selected industry participants include Advance Auto Parts, AutoZone, Boyd Group Services, Dorman Products, Fox Factory, Genuine Parts Co., Horizon Global, LKQ, Monroe, Motorcar Parts of America, O'Reilly Automotive, Standard Motor Products, Uni-Select, XPEL.

About Houlihan Lokey

Houlihan Lokey has a deep heritage in M&A and capital markets investment banking with robust transaction support capabilities.

Houlihan Lokey utilizes a global team with 11 U.S. offices and 23 locations globally, employing more than 1,500 employees.

The depth of these resources is available for clients to aid in preparation, execute transactions, and continue to offer industry support post-transaction.

Houlihan Lokey's vast footprint provides access to potential transaction counterparties on a global basis, ensuring maximum competitive tension and providing access to any potential "outlier" valuations.

The Houlihan Lokey team welcomes the opportunity to have a discussion with you.

Select Global Bankers With Deep Automotive and/or Aftermarket Experience



Steven Hughes
Managing Director



Cory Hebenstreit
Senior Vice President



Weimin Chen
Managing Director



Ryuta Fujino
Managing Director



Nicolas Zintl
Managing Director

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- Boston
- Chicago
- Dallas
- Houston
- Los Angeles
- Miami
- Minneapolis
- New York
- San Francisco
- Washington, D.C.

1,500+
Employees

Europe and Middle East

- Amsterdam
- Dubai
- Frankfurt
- London
- Madrid
- Milan
- Paris

~45%
Owned by Employees

Asia-Pacific

- Beijing
- Hong Kong
- Singapore
- Sydney
- Tokyo

\$1 billion+
in Revenue





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