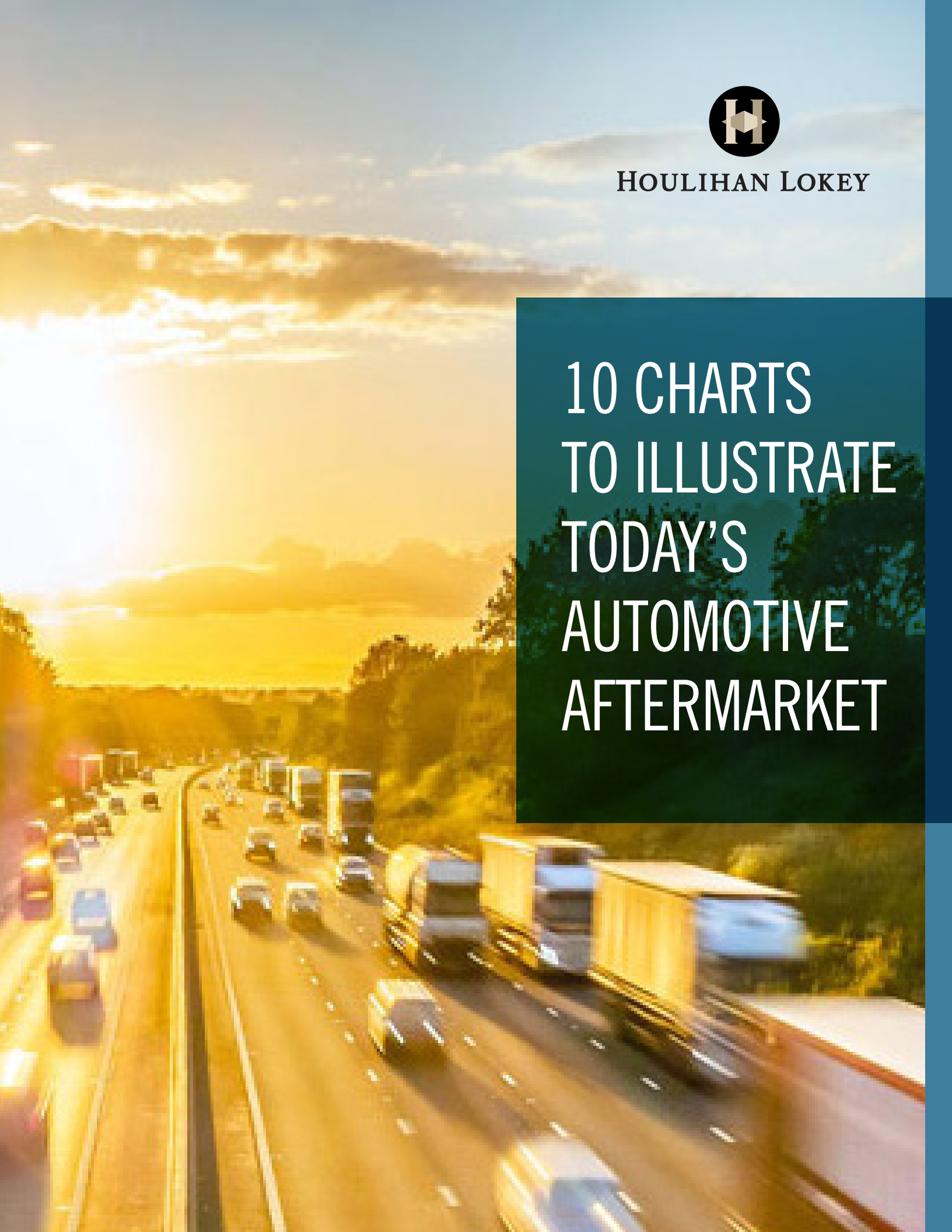




HOULIHAN LOKEY

10 CHARTS  
TO ILLUSTRATE  
TODAY'S  
AUTOMOTIVE  
AFTERMARKET



# Dynamic

Automotive aftermarket in 2021 provided opportunities, challenges, and change. Houlihan Lokey has provided 10 charts to visualize trends that impacted the market in 2021.

**No. 1**  
Global M&A Advisor

**No. 1**  
U.S. M&A Advisor

**\$15 Billion**  
in Capital Raised

Contact:



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Director  
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*Source: Refinitiv. Excludes accounting firms and brokers.*

# No. 1

## M&A Advisor for All Global and U.S. Transactions in 2021

by Refinitiv.

### 2021 M&A Advisory Rankings All Global Transactions

Advisor	Deals
<b>Houlihan Lokey</b>	<b>549</b>
Goldman Sachs	511
JP Morgan	508
Rothschild	437
Morgan Stanley	393

### 2021 M&A Advisory Rankings All U.S. Industrial Transactions

Advisor	Deals
<b>Houlihan Lokey</b>	<b>55</b>
Jefferies	53
JP Morgan	45
Goldman Sachs	44
Robert W Baird	42

Source: Refinitiv. Excludes accounting firms and brokers.

### 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 2021, Refinitiv ranked our firm the No.1 investment bank for all global M&A transactions.

**2,000+**  
Employees

**45%**  
Owned By Employees

**\$1+ Billion**  
In Revenue

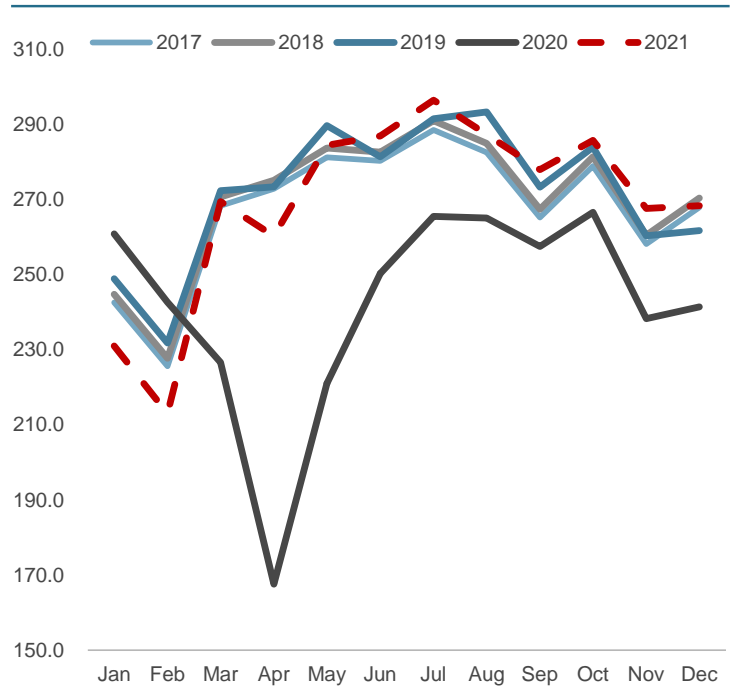
## Despite Limited Commuting, Miles Traveled Have Largely Reverted to 2019 Levels

Total vehicle miles underpin a number of subsectors within the nondiscretionary automotive aftermarket. Coming off of unprecedented COVID-19-related declines in Q2 2020, miles traveled are approaching pre-pandemic levels.

Driving behavior may have changed with less commuting resulting in more dispersed driving throughout the day

*“YTD data through October is up 11% and only 4% off peak.”*

### U.S. Traffic Volume Trends



Source: U.S. Department of Transportation.

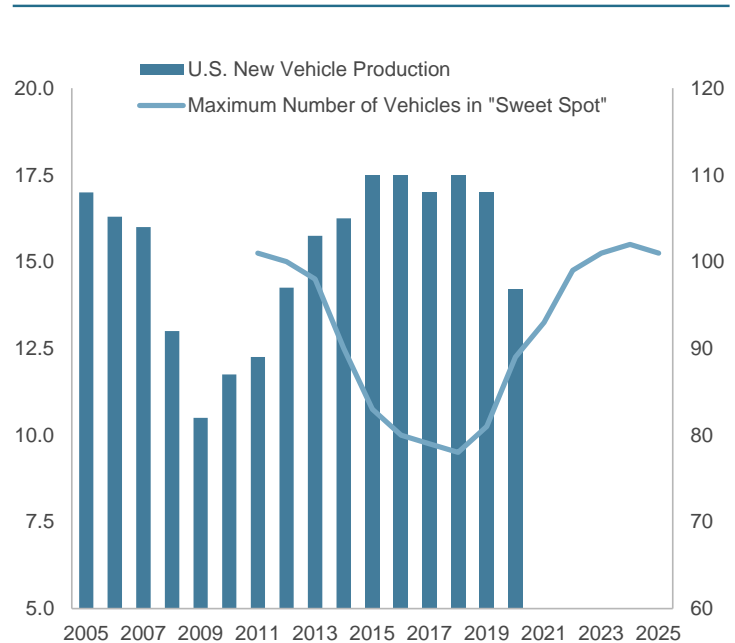
## Vehicles in “Sweet Spot” for Replacement Parts to Increase to 2025

Increasing vehicle production following the 2007–2009 “Great Recession” is creating year-over-year improvement in the number of vehicles 6–11 years old—the prime vehicle ages for replacement parts.

The number of vehicles in the “sweet spot” is projected to increase sequentially to 2025.

*“Number of 6–11 y/o vehicles projected to increase over 10%”*

### New Vehicle Production and 6–11 Y/O Vehicles



Source: Equity Research.

## Raw Material and Container Freight Headwinds Beginning to Decelerate

After a massive surge in 2021, many input costs' levels of year-over-year cost increases have begun to moderate.

In early 2022, premium ocean bound freight rates China to West Coast North America were mostly around the \$18,000/FEU level, but a handful of shippers with large volumes and urgent requirements paid as much as \$25,000/FEU for deliveries to West Coast ports, firmly establishing a return to the previous peak from August to September 2021.

*“We are back to having vast majority of our floating cargo under premium rates.”*

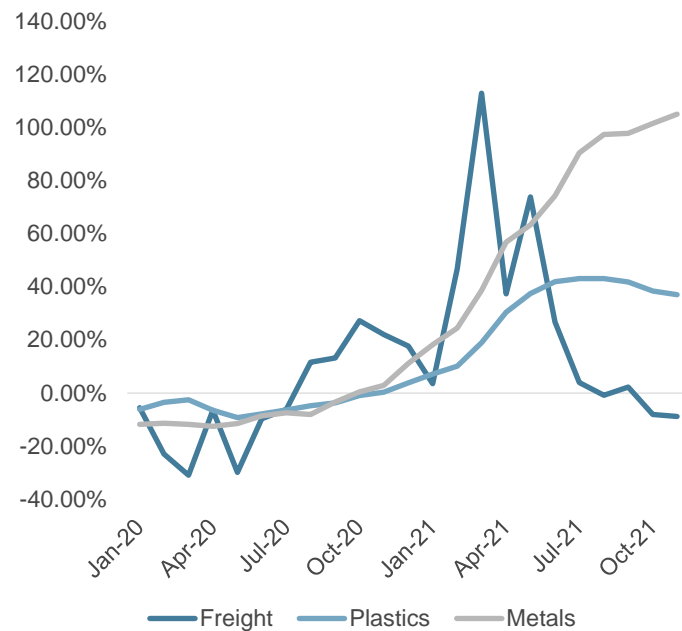
## Electric Vehicle Demand Increased but Still Limited Penetration of Car Parc

While electric vehicle production volumes and platforms available have increased dramatically, changes to the overall U.S. car parc remain muted and are projected to remain muted through 2030.

The average vehicle age in the U.S. of approximately 12 years limits near-term changes to the mix of vehicle propulsion.

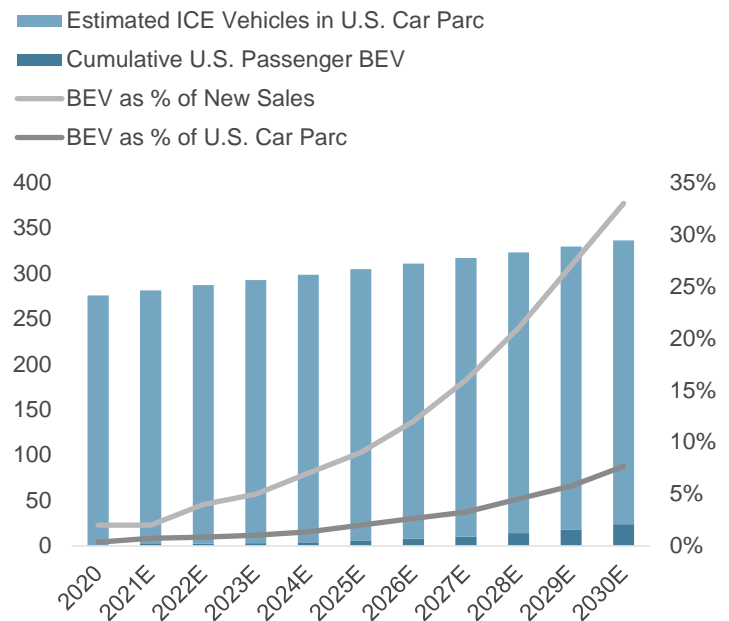
*“Tesla delivered 936K cars in 2021, an 87% increase from 2020.”*

### Year-Over-Year Change in Index Value



Source: Federal Reserve Economic Data (FRED).

### Projected Electric Vehicle Proliferation



Source: Equity Research.

## Consumers Continue to Spend, Despite Challenged Sentiment

Consumer sentiment is at a 10-year low, yet retail sales have remained robust.

There is reason to believe that for segments of the aftermarket with greater exposure to low incomes, consumers may face inflation challenges and a lack of stimulus payments.

The personal savings rate has reverted to pre-pandemic levels as of October 2021.

*“Consumer sentiment declined 28% since Jan. 2020, the lowest in a decade.”*

Indexed Consumer Sentiment and Retail Sales



Sources: University of Michigan and Federal Reserve Economic Data (FRED).

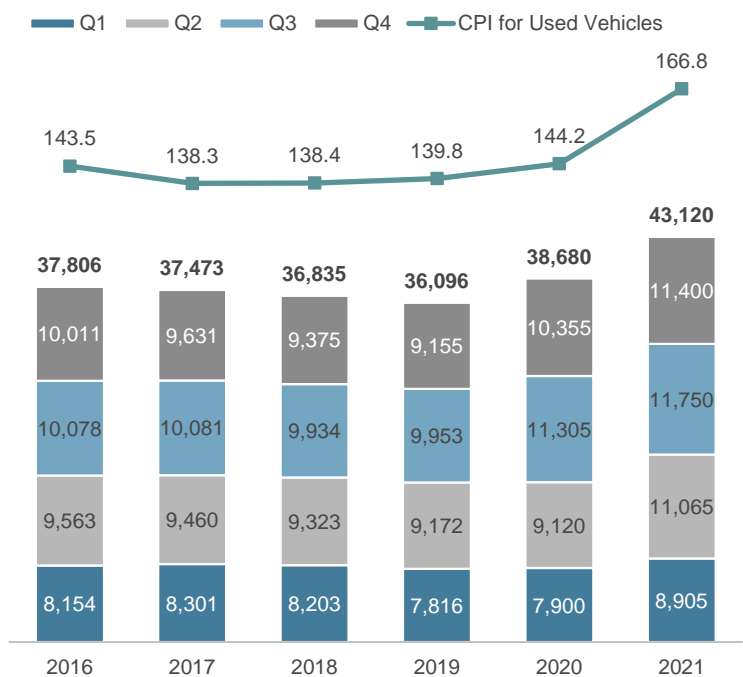
## Vehicle Crash Severity and Used Car Prices Affect Collision Repair Activity

While miles driven reverted to pre-pandemic levels, driving behavior resulted in increased severity.

Used car prices increased dramatically due to limited new vehicle production making it more attractive to repair rather than total vehicles

*“CPI for used vehicles increased 15% in 2021.”*

Crash Severity and Used Car Values



Sources: U.S. Department of Transportation and Federal Reserve Economic Data (FRED).

## Markets Remain Active and LBO Valuation Multiples Maintained in 2021

2021 number of M&A deals rebounded following COVID-19-related slowdowns in 2020 and remain materially higher than pre-pandemic levels.

U.S. M&A volume similarly active with 16,001 transactions in 2021 compared with 12,808 in 2020 and 11,661 in 2019.

LBO transaction multiples have generally plateaued at elevated levels since 2019.

*“EBITDA valuation multiples have increased ~20% since 2014.”*

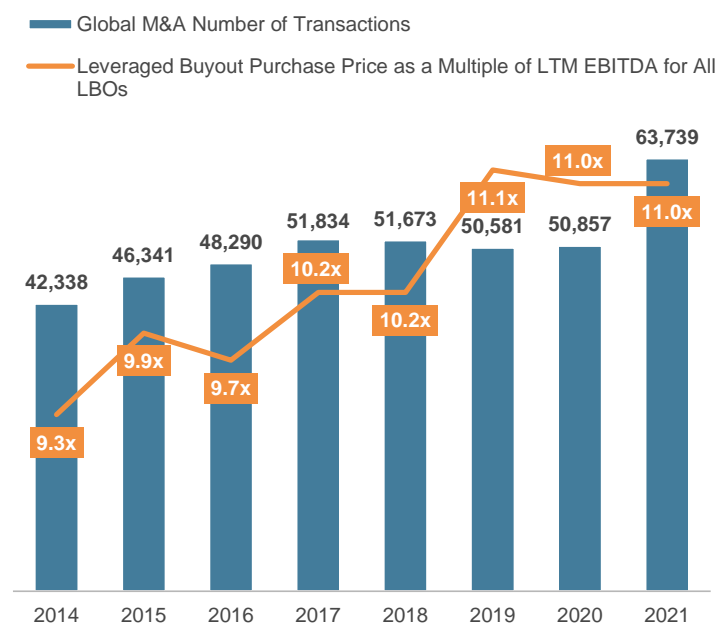
## Public Market Valuation Metrics for Aftermarket Remain Attractive

Products index added Holley and Service index added both Driven Brands and Mister Car Wash in 2021.

For companies that have been publicly traded since January 2019, the average enterprise value to last 12 months EBITDA (TEV/LTM EBITDA) multiple has increased 25%.

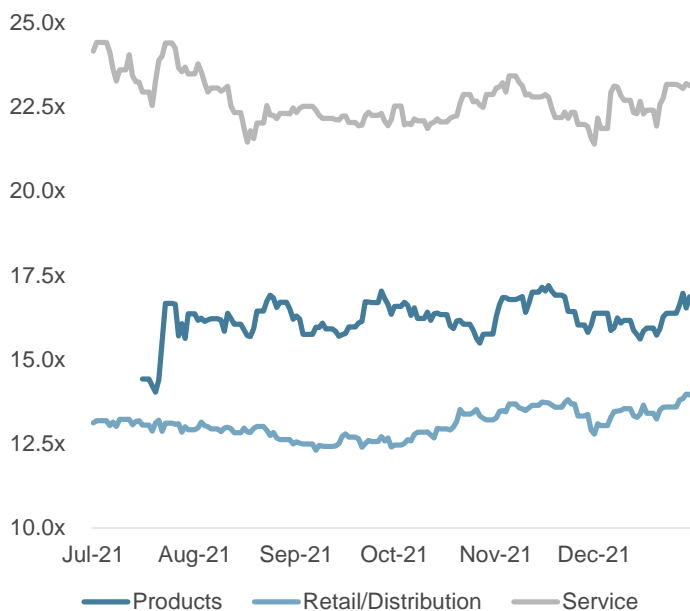
*“Valuations of public names in aftermarket remained steady in 2021.”*

### Total Transaction Value and Average Multiple



Sources: Refinitiv and S&P Q4 2021 Leveraged Buyout Review.

### Median TEV/LTM EBITDA Multiple by Index



Source: S&P Capital IQ.

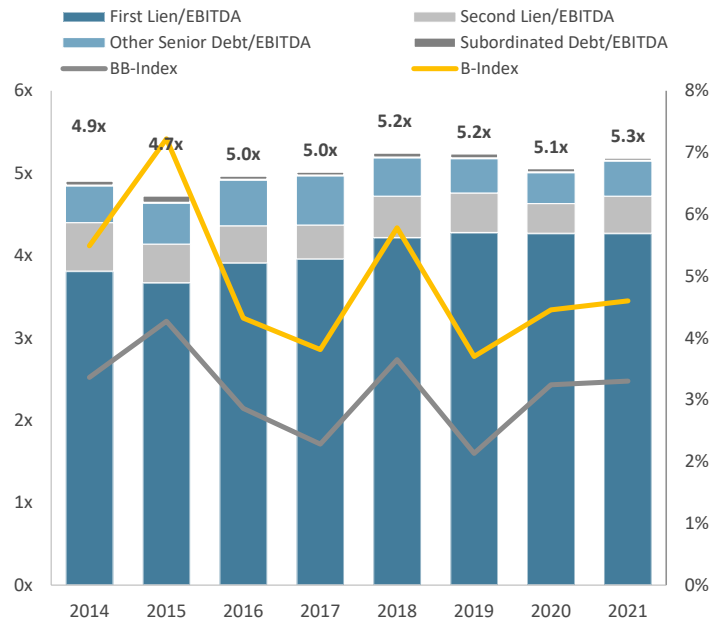
## Capital Markets Remain Supportive With Leverage Available at Attractive Pricing

Issuance volumes for both highly leveraged loans and high-yield bonds have decelerated from peak levels in Q1 but remain on pace to set records in 2021 while leverage levels have generally remained in line with recent years during 2021.

Yields on high-yield bond indices leveled out during Q3 2021.

*“Inflation is expected to trigger interest rate increases in Q2 2022 and beyond.”*

## High-Yield Pricing and Average Debt Multiples<sup>(1)</sup>



Sources: S&P LCD and Bloomberg.  
(1) Average debt multiples of highly leveraged loans.

## Private Equity Markets Have Considerable “Dry Powder” for Acquisitions

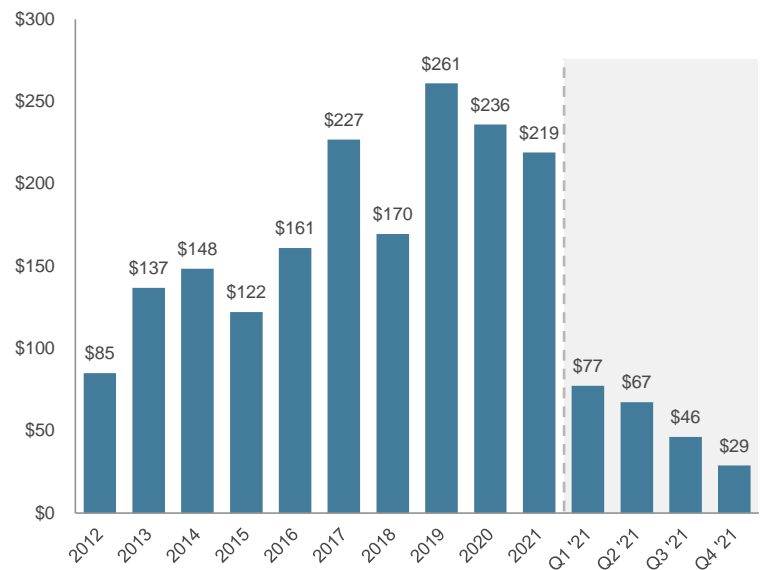
Fundraising activity continues strongly following a record fundraising year in 2019. Meanwhile, distressed and real estate funds have reported the largest decreases in capital raised for funds.

Mega-funds are continuing to drive fundraising, while credit funds and other categories adjacent to private equity continue to receive additional attention.

*“Private equity funds have a record \$2.3 trillion of dry powder.”*

## U.S. Private Equity Fundraising

(\$ in Billions)



Source: PitchBook.



# 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 37 locations globally, employing more than 2,000 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



**Cory Hebenstreit**  
Director  
Aftermarket



**Steve Hughes**  
Managing Director  
Automotive Suppliers

## International Coverage



**Hugues Archambault**  
Managing Director  
France



**Nicolas Zintl**  
Managing Director  
Germany



**Christian Lunny**  
Managing Director  
Australia



**Weimin Chen**  
Managing Director  
China



**Ryuta Fujino**  
Managing Director  
Japan

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

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Dubai  
Frankfurt  
Lausanne  
London  
Madrid  
Manchester  
Milan  
Munich  
Paris  
Stockholm  
Tel Aviv  
Zurich

### Asia-Pacific

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New Delhi  
Osaka  
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Singapore  
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