



MARCH 2024







Franchise Value Trends 2019 vs 2023*

PRE-COVID POST-COVID

We endeavored to determine what brands were on the move in terms of Franchise Value as well as what comprised the "Brand" elements.

Multiple Summary

The data shows that the "Average" multiple over the 4-year period has fluctuated approximately 25 basis points. Several Franchise brands have risen higher, but on average, the change is just 25 basis points. The true value of a Franchise is ultimately hinged on the EARNINGS of the brand.

Rank	2019 Franchise	2019 Multiple	Rank	2023 Franchise	2023 Multiple	Variance
1	Porsche	8.5-9.5	1	Porsche	9.0-10.0	0.5-0.5
2	MB	6.5-8.0	2	Lexus	8.0-10.0	1.5-2.0
2	Lexus	6.5-8.0	3	MB	7.75-9.0	1.25-1.0
2	BMW	6.5-8.0	4	BMW	7.0-8.0	0.5-0.0
3	Audi	6.0-7.0	4	Toyota	7.0-8.0	1.5-1.5 
3	Jag/LR	6.0-7.0	5	Jag	6.25-7.10	0.25-0.1
4	Toyota	5.5-6.5	5	Audi	6.25-7.10	0.25-0.1
4	Honda	5.5-6.5	6	Honda	6.0-7.0	0.5-0.5
5	Subaru	5.0-6.5	6	Subaru	6.0-7.0	1.0-0.5
6	Volvo	4.0-5.0	7	Kia	4.5-5.5	1.5-1.75 
7	Chevy	3.25-4.25	8	Hyundai	4.0-5.0	1.0-1.5 
7	CDRJ	3.25-4.25	9	Volvo	3.8-4.75	-0.25 
8	Buick-GMC	3.0-4.0	10	Ford	3.75-4.25	0.75-0.25
8	Ford	3.0-4.0	11	Chevy	3.5-4.25	0.25
8	vw	3.0-4.0	12	CDJR	3.25-4.10	0-0.15 
9	Kia	3.0-3.75	12	Buick GMC	3.25-4.10	0.25-0.1
10	Hyundai	3.0-3.5	12	Mazda	3.25-4.10	0.5-0.85
11	Mazda	2.75-3.25	12	Nissan	3.25-4.10	1.25-1.1 
11	Acura	2.75-3.50	12	Cadillac	3.25-4.10	1.25-0.1
12	Nissan	2.0-3.0	13	Acura	3.0-4.0	0.25-0.5
13	Infinity	2.0-4.0	13	Infinity	3.0-4.0	1.0-1.0
13	Cadillac	2.0-4.0	13	vw	3.0-4.0	0-0

The chart provides a clear visual representation of the changes in franchise value multiples over the 4-year period from 2019 to 2023.

Franchise Movers in Terms of Multiples of Earnings

Several factors influence the "Multiple" of a franchise, including brand, location, facility, reputation, profitability, operational strengths and weaknesses, and the franchise market. Franchises in certain regions, such as Florida, Texas, Tennessee, and Georgia, tend to command higher multiples.

Proximity to the ocean and being located in metro areas also contribute to higher multiples, with a few exceptions. ***The stated "Multiple" is just the starting point in determining the final value or multiple.*** Ultimately, a franchise is worth what a buyer is willing to pay.

The key is preparing a comprehensive marketing package is highlighting all aspects of the franchise and demonstrating its ongoing value.

FRANCHISE GAINERS

Toyota: From **5.5-6.5 in 2019 to 7.0-8.0 in 2023**. Toyota continues to be the "holy grail" in terms of franchise value, with a 10x multiple for franchises in Florida or Texas.

KIA: From **3.0-3.75 in 2019 to 4.5-5.5 in 2023**. Kia has seen strong increases in franchise value, driven by its products and value proposition, which have gained acceptance among high-end consumers.

Hyundai: From **3.0-3.5 in 2019 to 4.0-5.0 in 2023**. Like Kia, Hyundai has also seen a significant climb in franchise value, benefiting from its improved product quality and consumer appeal.

Nissan: From **2.0-3.0 in 2019 to 3.25-4.10 in 2023**. Nissan has seen a surprising gain in multiple value, driven by increased consumer acceptance of its products and quality.

FRANCHISE LOSERS

Volvo: From **4.0-5.0 in 2019 to 3.8-4.75 in 2023**. Volvo has experienced a slight loss in franchise value, potentially due to uncertainty around its transition to electric vehicles and other consumer-related issues.

CDRJ: From **3.25-4.25 in 2019 to 3.25-4.10 in 2023**. CDRJ has seen a slight loss in its average multiple of earnings, with dealers citing the increased cost of the product as the primary concern.

SUMMARY

The "Average" multiple over the 4-year period has fluctuated approximately 25 basis points.

Several Franchise brands have risen higher but on average, **just 25 basis points**.

True Value of a Franchise is a derivative of **EARNINGS** of the brand. Higher multiple Franchises are likely to generate higher **Grosses** and more **Profit!**

Factors That Drive a Brand to the "TOP"

What factors drive a Franchise brand to the top of consumer desirability, which translates to sales and profits for the Franchise and dealer.*

Identity: Encompasses the visual elements of the brand such as Logo, overall design aesthetics and history of the Brand. What do consumers see and recognize as belonging to the brand?

Values and Mission. A brand's values communicate its purpose and principles. This helps define what a brand stands for.

Personality. Brands have distinct personalities that resonate with their target audience. (Porsche 911, Ford F-150, Ram 1500, Ford Mustang, Chevy Camaro.

Consumer experience. Interactions consumers have with the brand at every touchpoint-Customer service, advertising, quality, or user experience, shape the brand perception.

Reputation. Built over time through its actions, behavior, and experiences of customers (see Porsche, Toyota, Kia, and Hyundai)

Consistency. Messaging and visuals to customer experience-critical to reinforcing the brand identity.

Five years ago, selling a Kia or Hyundai franchise was not easy. Through the new product introduction, 100,000 mile warranties and increased product quality, both brands have made a significant climb to the top in terms of franchise value. Porsche, Lexus, MB, BMW, LR, Toyota and Honda have remained at the top for all the factors. Consumers acceptance and perceived value obviously drive Brand Value, Volume and Profit's!

Gill Automotive Group, LLC

Gill Automotive Group, LLC deals daily with individual franchise values. While we rely on data supplied by reports printed by our competitors, we rely mostly on our knowledge of values from daily conversations with buyers and sellers.

In valuing a Franchise, we always begin with a stated "Multiple". From this point, True Value of the Franchise is determined when factoring in all aspects of the particular franchise, location, facility, profitability, internal production, market, reputation, etc.

Multiple Alone Cannot Determine the Final Value!

In the end, a franchise is worth what a buyer will pay! Getting to that number is the Art of the Game, an art in which Gill Automotive Group excels!

A complete analysis of the entire offering must first be completed to arrive at any sensible and reasonable franchise value! Gill Automotive Group excels in this area!

The Perfect Fit Process[©]

CONNECTING BUYERS AND SELLERS FOR SUCCESS

As a “Sell-Side” brokerage Firm, we leverage our extensive buyer network to ensure perfect matches. Recognizing that every dealership possesses a singular DNA, shaped by factors such as franchise, location, performance, facility quality, reputation and more, our mission is to facilitate seamless transactions and empower dealerships to sell with confidence.

In the dynamic realm of Automotive Mergers and Acquisitions, we understand that success hinges on connecting the SELLER with the RIGHT-BUYER. Through our “Perfect Fit Process: Connecting Buyers and Seller for success ©”, we specialize in crafting tailored solutions that go beyond the one-size-fits-all approach. Our commitment lies in treating dealerships as unique entities and SELLER’s as strategic partners, ensuring a harmonious alignment of goals.

Whether you are a Motivated SELLER seeking a lucrative exit or an established dealership hungry for expansion, confidentiality and transparency are your companions throughout the Journey. We navigate discreetly, empowering you with informed decisions and exact data at every turn. Our passion lies in building legacies, not quick flips. With every successful transaction, we contribute to a flourishing automotive ecosystem where M&A becomes the engine of shared prosperity.