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2026 MARKET OUTLOOK REPORT

Automotive Retail

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Introduction to the Market Outlook Report

The Dave Cantin Group (DCG) is a leading Automotive M&A advisory company with access to specific informed transactional and market data. Through a partnership with The Martec Group, DCG can provide deeper data sets to allow **automotive leaders and influencers to make smarter decisions** in a continuously changing environment.

This report is based on two online surveys, expert interviews, and secondary research. We surveyed 1,000 consumers and 100 dealership decision makers, conducted over a dozen interviews with industry experts, and synthesized secondary data sources to shape the findings.

Secondary sources used include:

- LendingTree
- Experian
- Federal Reserve Banks of St. Louis and New York
- University of Michigan (MCSI)
- Automotive News
- Equifax
- EPA
- NHTSA

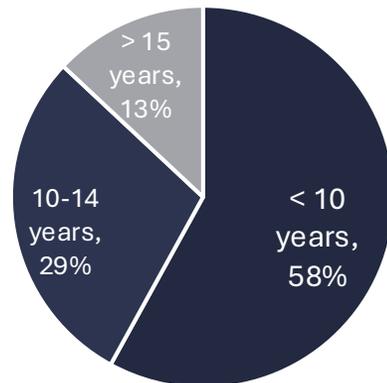
U.S. Dealer Survey (December 2025)

JOB ROLE

45%
Internal/Operations

43%
Principal/Owner

TIME IN ROLE



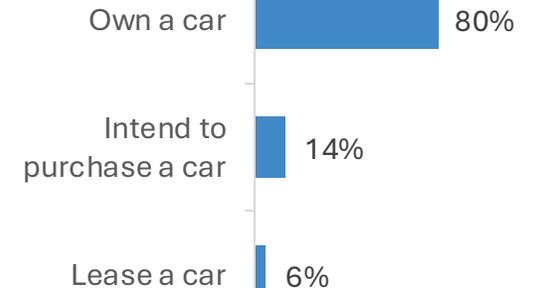
U.S. Consumer Survey (December 2025)

CONSUMER AGE

38%
35-54 years old

33%
55-74 years old

CAR OWNERSHIP





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02

Consumer

Consumer | Overview



Systemic consumer behavior changes are emerging in response to prolonged and deepening affordability challenges.



Price Consciousness

Price-conscious behavior will remain the major consumer theme in 2026 with far-reaching implications.



Evolving Financing Behaviors

Consumers are adapting to higher vehicle prices, relying more on loans, and getting creative to keep monthly payments in check.



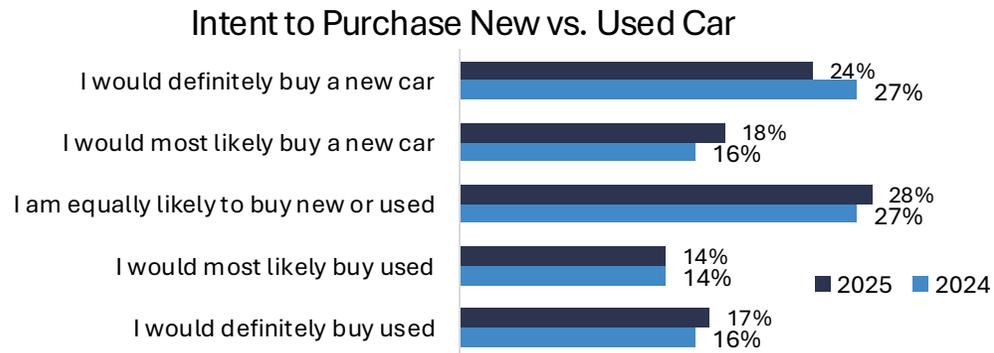
Crashing Sentiment

Consumer sentiment is on a long-term downward trend and could reach an all-time low if macroeconomic headlines sour.

Price Consciousness Drives Choices

Price-conscious behavior will remain **the major consumer theme** in 2026 with far-reaching implications.

Consumers are split on preference for new vs. used vehicles, with used vehicles increasing in interest as new vehicles become less affordable.



Increasing vehicle prices and repair costs are driving consumers to change their purchase habits.



Although service is not a top three criteria, it saw the biggest increase from 2024 in consumer importance.

Uncertainty about the economy and financial constraints are cited as key reasons for consumers who are choosing not to buy new vehicles in the near future.

“Car dealers are sourcing older and older used cars to meet their customers’ needs. Sedans were the historically cheaper entry point to the new market, but many brands have discontinued their sedans.”

- President of CA New Car Dealers Association

Luxury brands are expected to buck the trend as America’s wealthiest consumers will experience a different economy than most of Main Street USA.



Evolving Financing Behaviors

We're seeing a **systemic change in mindset** from owning to borrowing/renting as Americans are taking on more debt to maintain their lifestyles.

\$750

Average vehicle monthly payment

70 months

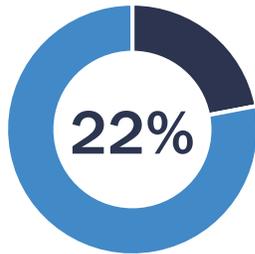
Average loan term length

Both the average vehicle monthly payment and loan term length have increased in the past two years

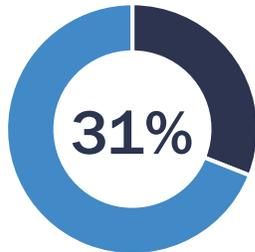
Consumers are trying to balance downpayments with loan term lengths to minimize their monthly costs

“Even though rates are expected to decrease slowly, the cost of funds does not immediately follow Fed rate changes to help reduce monthly payments.”

- Auto Financing Firm Executive

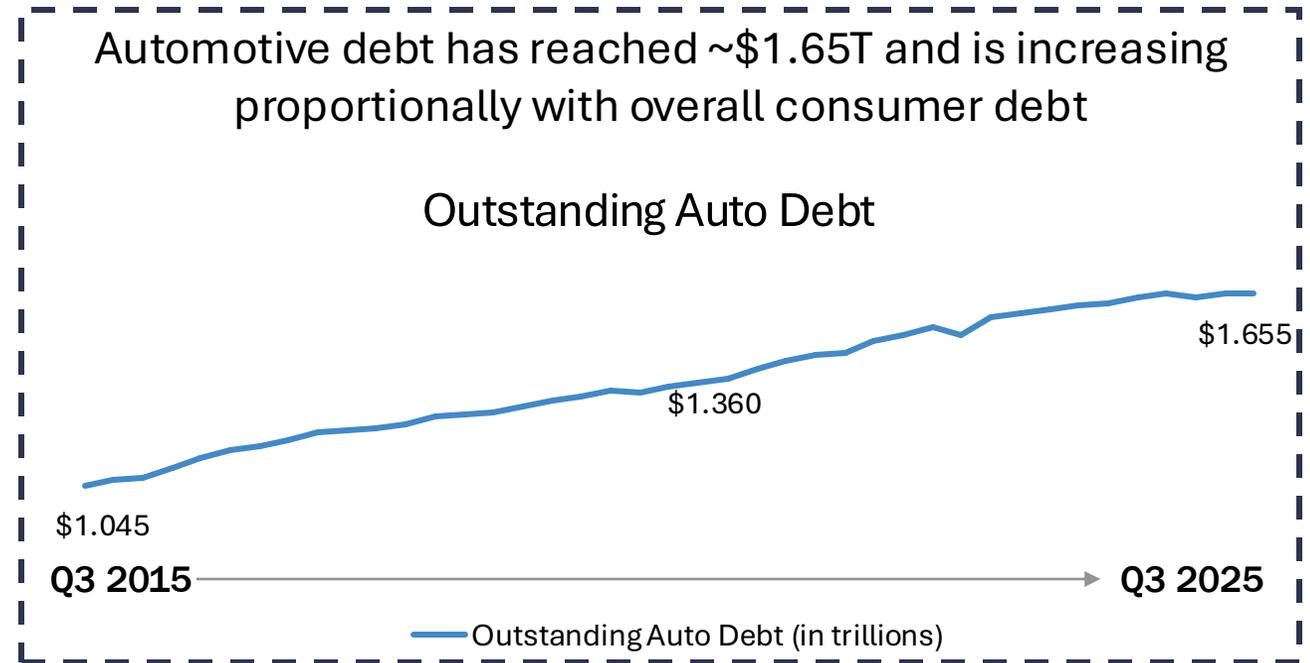


Share of loan terms of 84-months, an all-time high & continues to grow



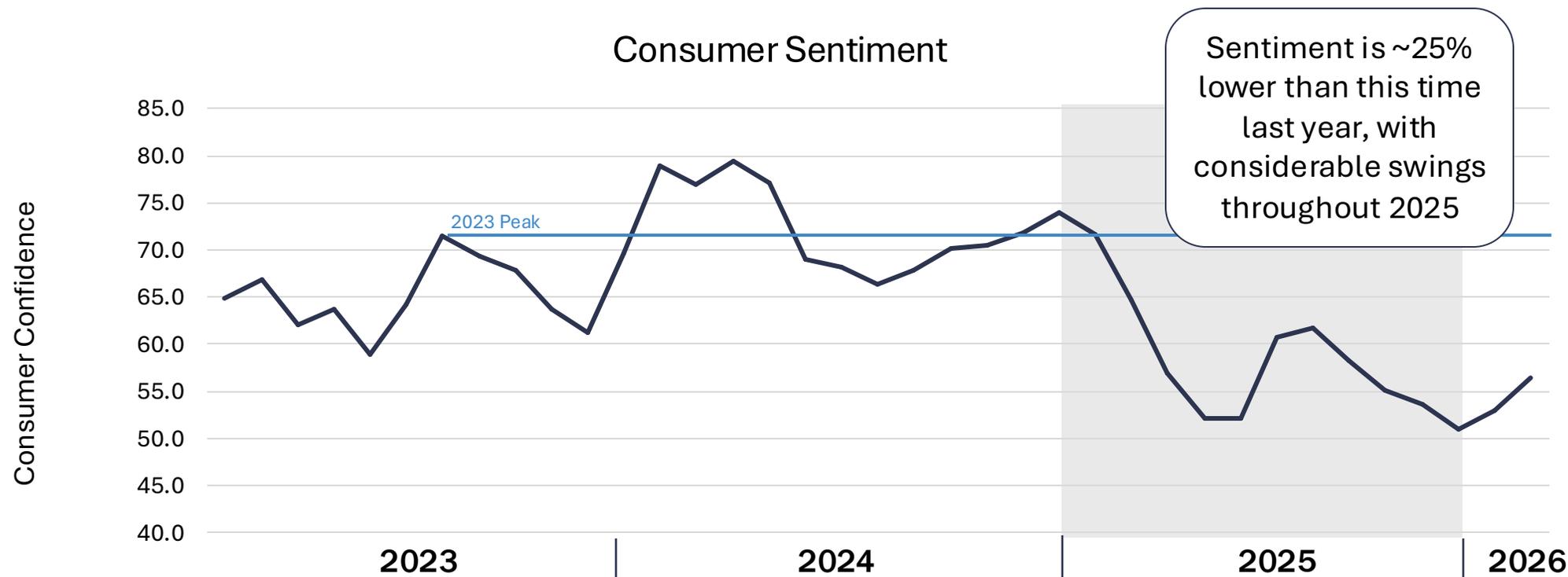
Consumers concerned with ability to secure financing

Automotive debt has reached ~\$1.65T and is increasing proportionally with overall consumer debt



Crashing Sentiment

Consumer sentiment is on a downward trend and will likely reach **an all-time low** if tariff and trade agreement discussions do not improve.



"The challenge for consumers buying new vehicles is prices have increased, their wallets are relatively smaller, and financing is so expensive."

- Auto Financing Firm Executive

Consumer confidence will hopefully increase as lower inflation and rate cuts give consumers some breathing room

DCG's Retail Automotive Takeaways | Consumer



Customer-Focused Selling

Train sales staff to be professionally curious about your customers' price sensitivities and key criteria for purchase; provide solution selling across new and used vehicle sales and even service.



Payment Insights

It's all about that monthly payment number; find out that number and work backward to meet their needs in any way possible.



Understand Sentiment

There is a historical correlation between sentiment and new/used vehicle purchases; knowing their mindset (and your hyperlocal market mindset) and what's driving it will help you better meet their needs and overcome objections.



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03

Macroeconomics



Macroeconomics | Overview



A stagnating and uneven economic picture is emerging; headline numbers aren't telling the Main Street story.



Divided Economy

Broad economic indicators remain relatively healthy in 2026, masking increasing weakness for Main Street Americans and their wallets.



Affordability Challenges

While a reduction in rates will help, inflation and consumer goods and service prices will at best remain stable.



Stagnant Jobs & Wages

Job and wage growth expected to stagnate in 2026, growing modestly and unevenly across different sectors.



Easier Money

We believe there will be at least 75 basis points of cuts in 2026, but question how much impact will this have for the average consumer.

Bifurcated Economic Reality

Broad economic indicators remain relatively healthy in 2026, masking increasing weakness for Main Street Americans and their daily purchases.

While key economic metrics like stock market performance, GDP growth, and unemployment all point towards a healthy economy, consumer-specific metrics tell another story.

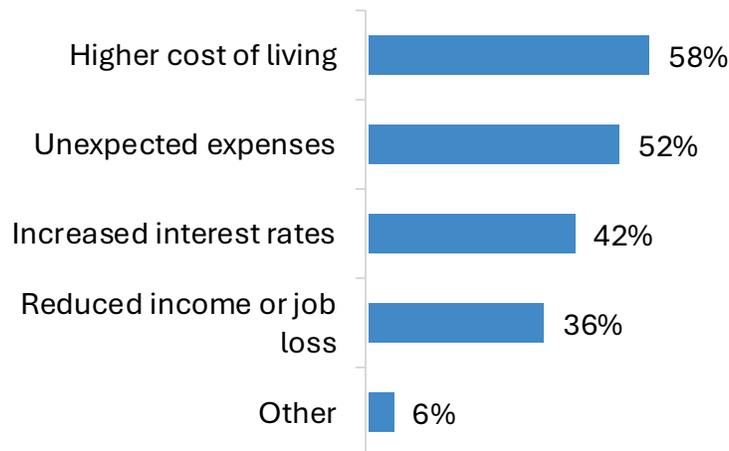
POSITIVE INDICATORS

- Recent federal rate cuts
- Low unemployment rate
- Strong stock market performance
- Strong recent GDP growth

NEGATIVE INDICATORS

- Weak & slow job growth
- High mortgages cost, low affordability
- High consumer debt
- Moderate inflation

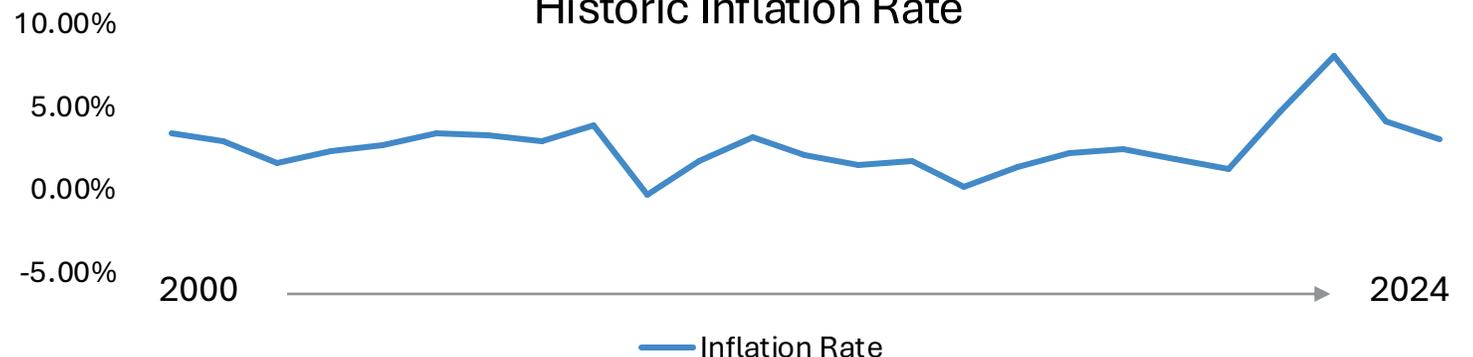
Main Factors Contributing to Difficulty Making Auto Loan Payments



“Vehicle prices are only one piece of the puzzle. Higher cost of living across the board has had a tightening effect on consumers’ wallets.”

- Auto Financing Firm Executive

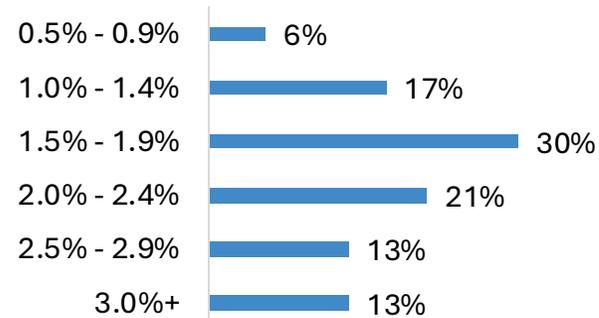
Historic Inflation Rate



Stagnant Jobs and Wages

Job and wage growth expected to stagnate in 2026, growing modestly and unevenly across different sectors.

Interest Rate Reduction Needed to Enable Car Purchase



High, but lowering, interest rates pose a significant roadblock to new vehicle purchases.

Impact of Interest Rate Fluctuations on Vehicle Purchase Decision



“Consumers are thinking less about the total vehicle cost and more about the almighty monthly cost. For the non-prime or lower-wage-earning consumer, it comes down to being able to choke down a new monthly payment and making that as acceptable as possible.”

- Auto Financing Firm Executive

Customers are focused on lowering monthly payments to make them more manageable, with younger demographics spending less on vehicles.



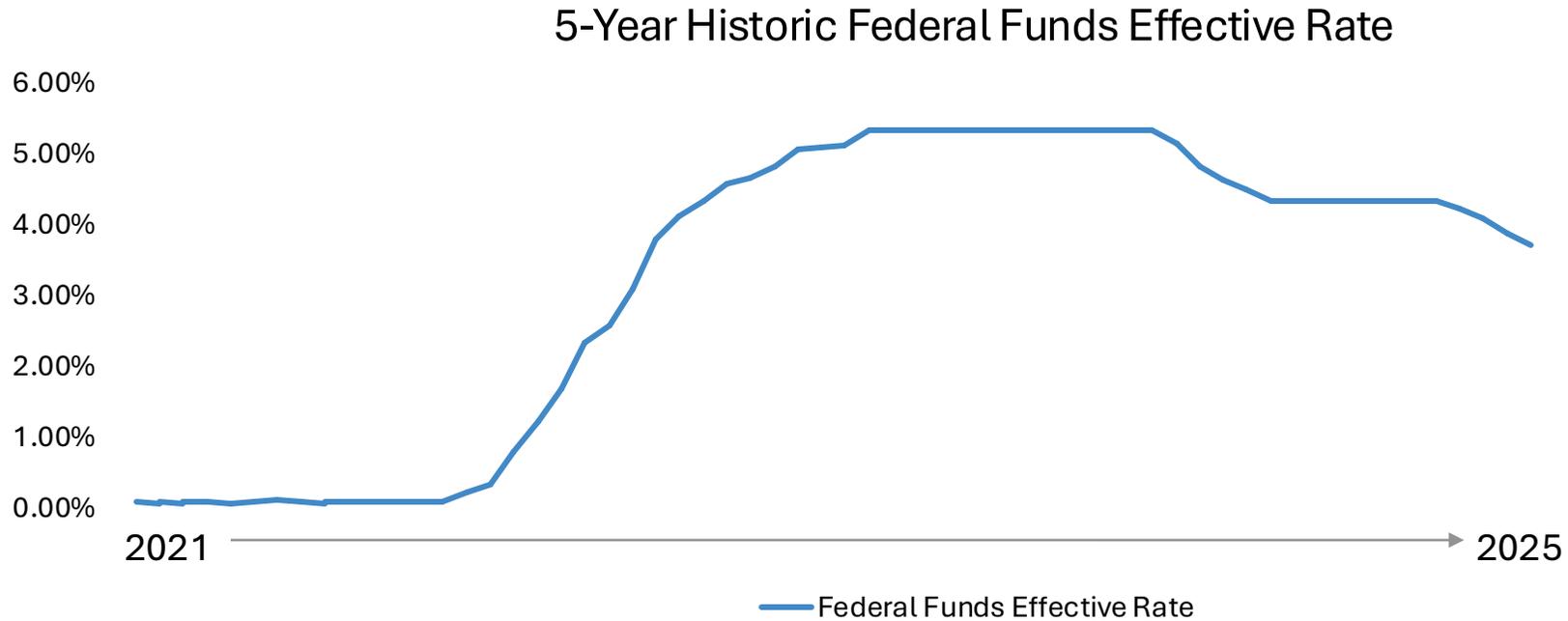
The adverse impacts of AI on jobs

Impacts will not be felt evenly across the U.S., forcing the auto industry to understand the employment landscape on a hyper-regional scale to measure implications on local businesses



Easier Money

Recent federal funds rate cuts in 2025 have increased access to money, but even with multiple cuts in 2026, how much impact will it really have on average Americans?



While the Fed is projecting a single quarter-point rate cut for 2026, economic analysts believe up to two quarter-point rate cuts are more likely to happen as economic conditions shift throughout the year. DCG sees at least 75 basis points of cuts in 2026.



“It’s hard to say what 2026 looks like. The recent and forecasted rate decreases will help but the overall forecast to me is still a little bit muddied.”
- Managing Principal, CLA

Interest rate cuts will be significant for consumer sentiment and reducing the cost of financing for upcoming vehicle purchases.

DCG's Retail Automotive Takeaways | Macroeconomics



Local Market

Think local, not national. Seek out data to understand how your local market customers are really faring in the Main Street economy.



Financial Understanding

The monthly savings on 0.75% rate reduction on a \$50,000 loan is only \$15-\$18 a month; most consumers are saying they need at least a 1.5% cut to impact their purchase. It's critical to understand how your financing partners are viewing lower interest loans in 2026 because a game-changing reduction isn't coming from the Fed.



Business Review

Macroeconomic impacts are different for every manufacturer; know what your business partners are doing short- and long- term to combat persistent affordability issues.



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Politics & Regulation

Politics & Regulation | Overview



Government will be making automotive headlines this year with policy *and* politics, creating more industry headwinds and distractions than substantive impacts.



Legislative Changes

Changes in legislation have stifled EV sales but are expected to benefit both dealers and consumers soon.



Regulatory/Policy Changes

Recent policy rollbacks will increase ICE (internal combustion engine) share of sales for the time being.



“Broken Government” & The Midterms

Political gridlock and heightened partisanship during midterm elections will indirectly impact consumer confidence & behavior by creating policy uncertainty.



Tariffs Back in Focus

Lack of clarity and path forward for tariffs leading to uncertainty for both dealers and consumers.

Legislative Changes

Changes in legislation have stifled EV sales but are expected to benefit both dealers and consumers soon.

One Big Beautiful Bill Act (OBBBA)

Experts consistently stated three areas where they anticipate the OBBBA could impact the auto retail market by putting more money into the consumer's hands and impacting a dealer's investments.



Higher personal tax refunds from higher standard deduction and income threshold adjustments.



Section 163(j) changes to deduction of business interest expense.

- Allows dealers to add-back deductions for depreciation, amortization, or depletion when calculating Adjusted Taxable Income (ATI)



Consumer auto loan interest deduction for qualified vehicles.

- Effective for 2025 through 2028, individuals may deduct up to \$10k of interest paid on a loan used to purchase a qualified vehicle, provided the vehicle and taxpayer meet criteria



EV tax credits eliminated
(infrastructure)

- Elimination of the \$7,500 EV tax credit was described as a plus and minus as it increased activity in EV vehicle sales through the end of September
- EV sales are down ~30% or more per month since the elimination of the \$7,500 credit

Regulatory/Policy Changes

Recent policy rollbacks will increase ICE share of sales for the time being.



ZEV and 177 States: MY2026 Impact

- The 2025 market began with significant anxiety among dealers due to California's Advanced Clean Cars II (ACC II) rule, which required 35% of new vehicles sold for the 2026 MY to be zero emission vehicles
- Dealers were concerned about inventory shortages and possibility of OEMs restricting allocations to meet the mandate
- Relief came when the federal government removed waivers from CARB, leading to a pause in enforcement for 2026, though ongoing litigation remains
- Requirements will increase through 2035 when all sales are required to be ZEVs



CAFE Standards

- Trump administration recently challenged and rolled back Corporate Average Fuel Economy (CAFE) standards in late 2025
- Proposing significantly weaker targets (~34.5 mpg by 2031) compared to previous goals (~50.4 mpg)
- Cited cost savings for consumers and manufacturers, while eliminating fines for non-compliance and generally easing efficiency requirements
- Experts expect these roll-backs will somewhat help with affordability challenges in the market today



Non-compliance penalties

- Non-compliance penalties for CAFE standards were effectively eliminated for passenger cars and light trucks by the "One Big Beautiful Bill Act" in mid-2025
- Reset the maximum civil penalty to \$0, removing financial incentives for automakers to meet federal fuel efficiency targets, a change with retrospective effect for recent model years
- Should help reduce dealership concerns and maintain ICE volumes at dealers versus having to push ZEVs

Midterms and Tariffs

While ideological and regulatory differences between red and blue states grow, there appears to be minimal impact on automotive sales.

Political Uncertainty



Political gridlock and heightened partisanship has contributed to policy uncertainty, indirectly reducing consumer confidence and altering or delaying purchasing behavior of some auto consumers.

Renewed Shutdown Risk



Potential for more shutdowns - as soon as January 30, 2026, Congress will have to deal with the can that got kicked down the road (appropriations bills). Previous government shutdown in 2025 had less impact than anticipated, which stokes optimism for potential future shutdowns.

Debt Ceiling Risks Resurface



National debt (particularly if tariffs are ruled illegal) will come into focus again in the back half of 2026 when Congress is expected to have to raise the debt ceiling again. This is not an immediate concern but remains on the radar as 2026 begins. There is greater concern if consumer debt and delinquencies were to rise vs. national debt.

USMCA Tightening



As the USMCA review approaches in mid-2026, stricter content, labor, and EV battery sourcing rules—and related tariffs—are expected to raise costs for automakers and suppliers. After OEMs absorbed most tariff impacts in 2025, these costs will likely appear in 2026 model-year pricing. Meanwhile, reshoring efforts could boost production in Midwestern and Southern states, strengthening domestic supply resilience.

DCG's Retail Automotive Takeaways | Politics & Regulation



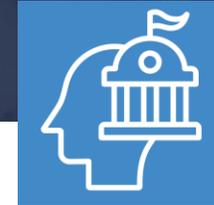
Sales Education

Educate sales teams on the direct savings related to the OBBBA including auto loan interest deduction of up to \$10,000, a meaningful “rebate” for consumers managing monthly budgets.



Little Legislative Impact

ZEV and CAFE legislation will continue to make headlines in 2026 but will have little impact on the retail business this year.



Political Uncertainty

Understand the real impacts of political uncertainty and rising partisanship heading into the midterms; impacts on consumer sentiment and another government shutdown are two impacts to watch closely.



05

Dealership Performance

Dealership Performance | Overview



2026 will separate the winners from the losers: growth investment and data-driven customer strategies are the line between market leaders and everyone else.



Compressed Margins

New and used vehicle sales are seeing reduced margins, while parts & service and F&I consistently drive dealership profitability for dealers.



Declining Dealer Sentiment

Dealers have diminished revenue expectations for 2026, with consumer spending and tariffs as primary concerns.



Inventory & Product Mix

Manufacturers have altered their product pipelines to meet consumer affordability challenges, respond to tariffs and changing regulations, and to carve out strategic differentiation.



Data & Insights Reach Tipping Point

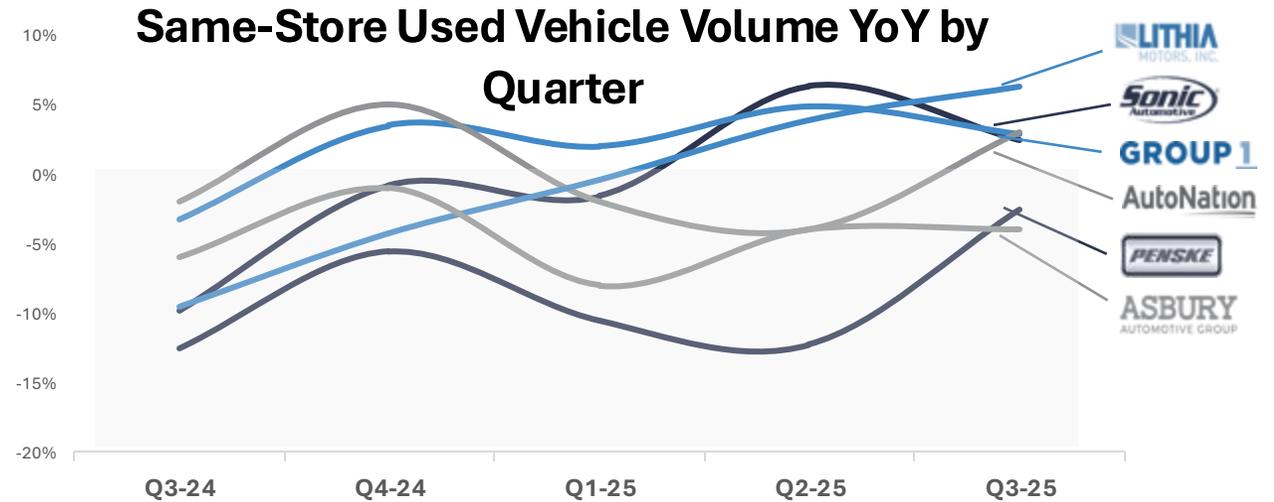
Data, insights and information will become a strategic differentiator in 2026 as competition heats up among dealers competing with one another to win consumers, drive margins and create strategic advantages.

Compressed Margins and Declining Dealer Sentiment

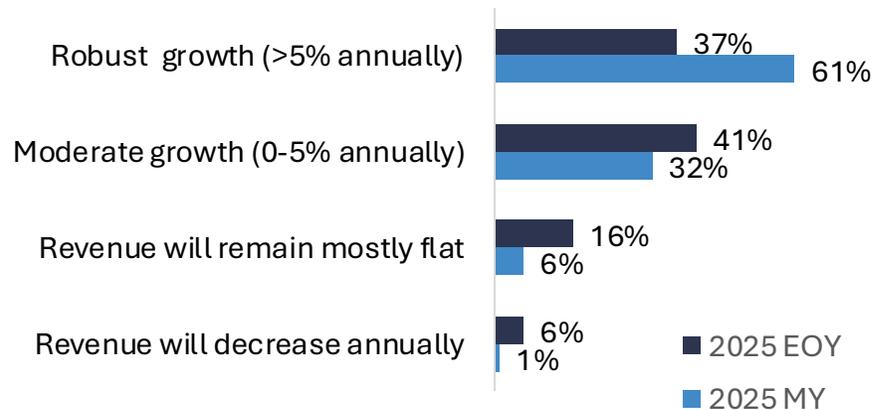
New and used vehicle sales are seeing reduced margin while parts & service and F&I consistently drive margin.

A contraction in new sales is expected in 2026; lowering affordability of new vehicles will continue the shift towards used vehicles.

Dealers trading margin for sales continues. Most dealers are experiencing lower margins, some are leaning into it and trimming margin on new sales to bring in higher margin trade-in inventory.



Dealer Outlook Toward Revenue



Margin Drivers

Parts & Service and F&I continue as strong margin drivers and are expected to grow in importance as complex hybrids become more standard.

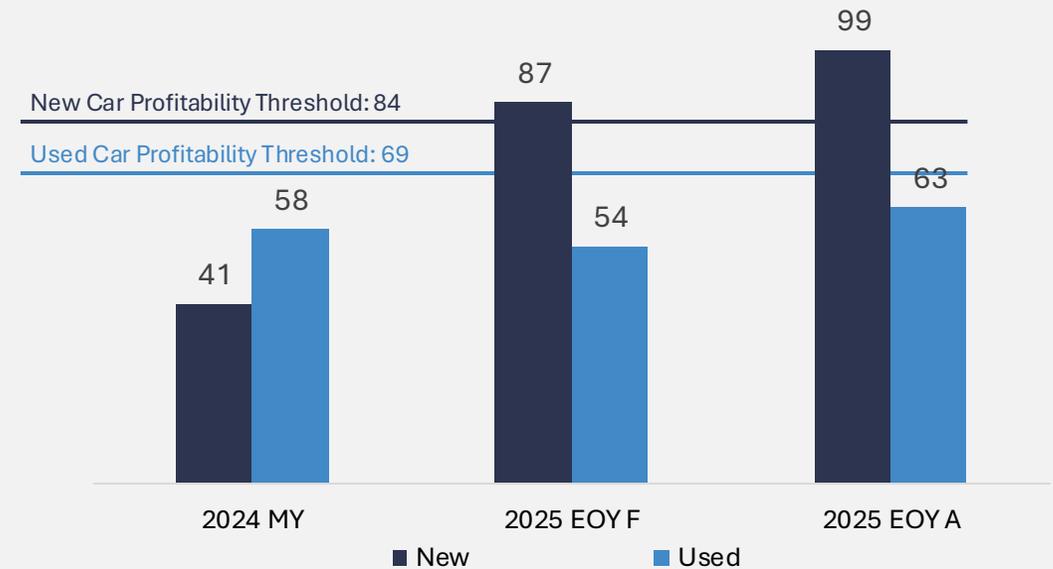
Inventory & Product Mix

Manufacturers have altered their product pipelines to meet consumer affordability challenges, respond to tariffs and changing regulations, and to carve out strategic differentiation against competitors.

Inventory levels are on the rise, as new vehicle sales slow.
In response to this, we expect to see:

- ✓ Deep margin cuts on new vehicles to capture precious used vehicle trade-in inventory
 - *Viewed as a necessary component of the dealership offering, especially due to affordability challenges in the market*
 - *Less so for strong brands like Toyota, Mercedes and BMW*

New & Used Vehicle Days Supply



Expectation of increased volume of used BEV lease returns coming back in 2026 and 2027.

- Demand for BEV lease returns expected to be low due to older tech; will impact valuations and pricing in market
- Lenders expected to be cautious with used BEVs, leading to higher rates or stricter terms
- Dealers expect this to be a challenge, potentially impacting profitability

Data Becomes a Differentiator

Data, insights and information will become a strategic differentiator in 2026 as competition heats up among dealers competing with one another to win consumers, drive margins and create strategic advantages.

AI as a Content Engine

Provides operators with data-driven actionable insights that support task prioritization and coordinate operations across multiple rooftops to increase efficiency.



One Control Point

Connect DMS and other software solutions into one control point as AI further increases & evolves

“I am seeing more DMS companies like Tekion and Pinewood be more aggressive in acquiring and integrating AI solutions into their platforms. I see this trend continuing and expanding.”

- Director of Strategic Partnerships, Autotech Ventures



Track AI Use

AI generated information is already affecting consumer expectations, making transparency and proactive brand communication increasingly important for dealers.

“We believe up to 50% of our customers are using some form of AI before reaching out or coming through our doors. In 2026 we are prompting the dealership to ask questions to track and monitor. We are also seeing some customers have AI bots negotiate with the dealership on pricing.”

- CCO, Stevens Management Company



DCG's Retail Automotive Takeaways

| Dealership Performance



Create Scale

Understand the leverage that comes with scale (whether you have it or don't) and either maximize it, create scale through a growth strategy or figure out how to create a compelling message to overcome it.



Invest for Growth

2026 is a “must invest” year for dealers looking to find growth and margin; improved operations won't be enough.

1. Maximizing service through investment in people, process or facilities
2. Invest in the right team to source and manage used cars
3. Become data dependent to best understand your customers and competitors
4. Challenge all your partners to work harder for you



Customer Service

The opportunity today is CONQUEST; customers (sales and service) will go wherever they feel heard, are taken care of, and have their needs met ... loyalty is trumped by affordability challenges.



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06

OEM & Supply Chain

OEMs & Supply Chain | Overview

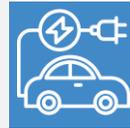


External forces are reshaping OEM & Supply Chain strategies - and redefining how much control manufacturers are exerting over the U.S. retail landscape.



Tariff Decisions

Upcoming tariff decisions will shift the way OEMs push their models.



Shifting Product Mixes

HEVs, PHEVs and EREVs expected to take increasing share through 2030.



Chinese Manufacturers Retreat

Current tariffs prevent Chinese OEM presence in the U.S., and while experts believe this will not change in the near term, they are concerned about entry in the mid-long term (3 – 5 years out).



Network Control & Aggressive Image Programs

Manufacturers exerting pressure to shape their dealer networks with cooperative groups willing to invest in their businesses.



Captive Financing Gets Aggressive

Asian vehicle OEMs lead the way with aggressive financing as a lever to attract more buyers. Subaru and Mitsubishi have all launched model specific 0-1% financing.

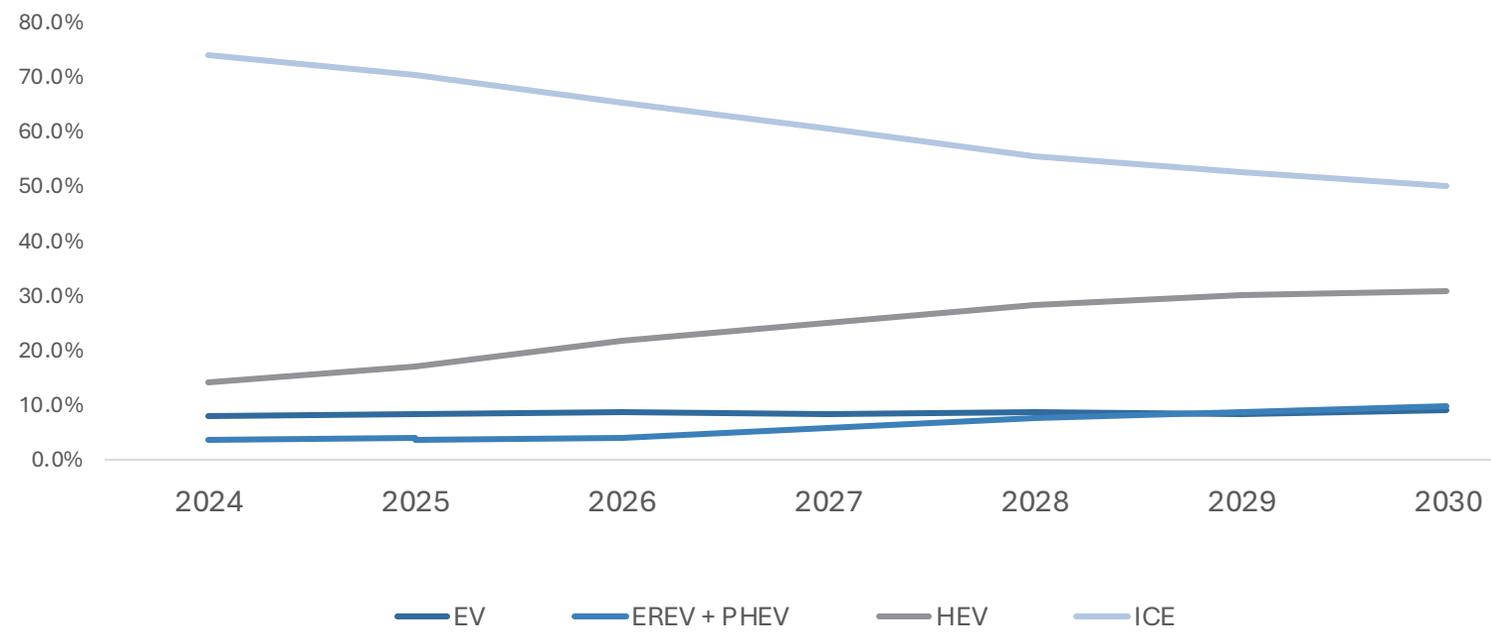


Shifting Product Mixes and Tariff Decisions

New hybrid model launches are projected to lead the way over the next five years.

Share of New Vehicles by Powertrain

Early 2026 Auto Forecast Projections



"The number of nameplates from each brand has risen dramatically but you're not adding sales volume or customers. What we're starting to see and will likely see more of is EV nameplates being re-engineered into some kind of hybrid."

- Director of Powertrain Forecasts, AFS

Battery electric vehicle launches are expected to decline as the market shifts to hybrids. Hyundai and STLA will be the most aggressive with Extended Range EV (EREV) launches through 2030.



"Our long-term maximum EV share was around 18% by 2030. Now we're looking at maybe 6-8% in the same timeframe. Growth will be minimal considering hybrids are going to be pushed as hard as they are."

- Director of Powertrain Forecasts, AFS

Previously, the EV market was expected to reach 20% share by or before 2030. This has dramatically changed over the last year as vehicle OEMs are now targeting 10-15% EV share by 2030.

Chinese Manufacturers Retreat

Current tariffs prevent Chinese OEM presence in the U.S., but experts are concerned about entry in ~3 – 5 years.

Deterred by tariffs and other impediments like the connected vehicle ban, Chinese manufacturers have put efforts elsewhere.

- Experts anticipate Chinese OEMs are 3 to 5 years out before they directly participate in the U.S. market
- Chinese vehicle OEMs have been actively targeting the European, Mexico and Canadian markets and have avoided pursuing U.S. due to political tensions and potential tariffs



- Chinese brands have grown share in Europe from 4% in 2021 to 8-9% in 2025, and are expected to reach 15% by 2030



Minimal U.S. Retail Impact Expected Through 2031

While a highly limited, regulated and negotiated entry remains a small possibility in 2026, we don't see this impacting the retail landscape for another 3 – 5 years in the U.S..

For now, neighboring countries will be pursued.

- BYD and MG-SAIC are the most active Chinese OEMs in Mexico
 - BYD sells both EVs (Dolphin and Seal models) and a PHEV (Shark) in Mexico with prices ranging from \$30k to \$55k
- BYD and Geely/Polestar are currently selling into Canada due to lower political tension and stronger EV adoption
 - NIO and Xpeng have both announced plans to sell into Canada

Network Control and Captive Financing

OEMs are being more aggressive to build and maintain brand reputation.

Asian vehicle OEMs lead the way with aggressive financing programs as a lever to attract more buyers

VEHICLE OEM	FINANCE STRATEGY	INTEREST RATE
Kia, Hyundai	Model-specific aggressive financing	0% - 1%
Lexus, Nissan	Targeted low-interest offers	0% - 1%
Subaru, Mitsubishi	Promotional financing programs	0% - 1%
U.S. & European OEMs	Minimal incentives, cautious approach	Standard market rates

Additional Fed rate reductions could potentially change this current strategy

- Although, current anticipation is if inflation stays above 2.5% additional cuts will be slower and likely more spread out
- December 2025 inflation was 3.2% for the Core CPI as reported by the BLS

While the Fed is expected to reduce rates slowly, we predict that OEMs will leverage financing as a primary way to combat affordability and attract consumers.

Continued rate cuts will drive additional low-interest rate programs offerings.

OEM image programs are adding valuation pressure, as costly facility requirements can deter buyers and reduce returns, making them a key factor in buy-sell planning.

OEM ACTION	DEALER EXPECTATION	OUTCOME
Incentives	Invest in brand by upgrading facilities	Access to high-demand models
Enforcement	Compliance with OEM standards	Risk of reduced inventory allocation
Digital Integration	Adopt online tools and processes	Enhanced customer experience

DCG's Retail Automotive Takeaways | OEM & Supply Chain



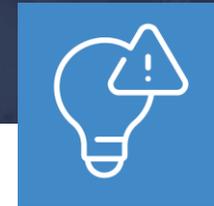
OEM Demands

Be all in or all out with manufacturers as they exert more pressure on their dealer network to commit to and invest in their U.S. businesses.



Understanding Partners

It has never been more important to understand your manufacturer partners' long-term view on managing tariffs, vehicle production and product development; are they addressing the needs of the U.S. government and consumer in the short- and long- term?



Limited Concern from Chinese OEMs

Chinese vehicles entering the U.S. not a concern in 2026; focus on the real challenges this year will present.



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07

Electrification

Electrification | Overview



Clarity begins to emerge on short- vs. long-term manufacturer strategies while most consumers stay pragmatic about the category.



Hybrid Bridge – Hybrid Boom

Hybrids are expected to be a 5-to-10-year bridge to future EV growth as technology makes EV more attractive to general consumers and U.S. policy moderates (long-term).



Solid-State Batteries

Solid-state batteries are THE game changer for EV and are becoming a “reality” in 2026 with prototype testing in 2026 and commercial-scale introduction planned for 2027 and 2028 with consumer roll out expected shortly thereafter.



Manufacturers “Long” on Electric Emerge

Manufacturers have altered their product pipelines to meet consumer affordability challenges, respond to tariffs and changing regulations, and to carve out strategic differentiation.



EV Becomes a Strategic Tool

Manufacturers like Tesla who are “long” on electric will seek to gain EV market share as other OEMs use a scalpel approach to target specific electric customer bases.



Hybrid Boom – Hybrid Bridge

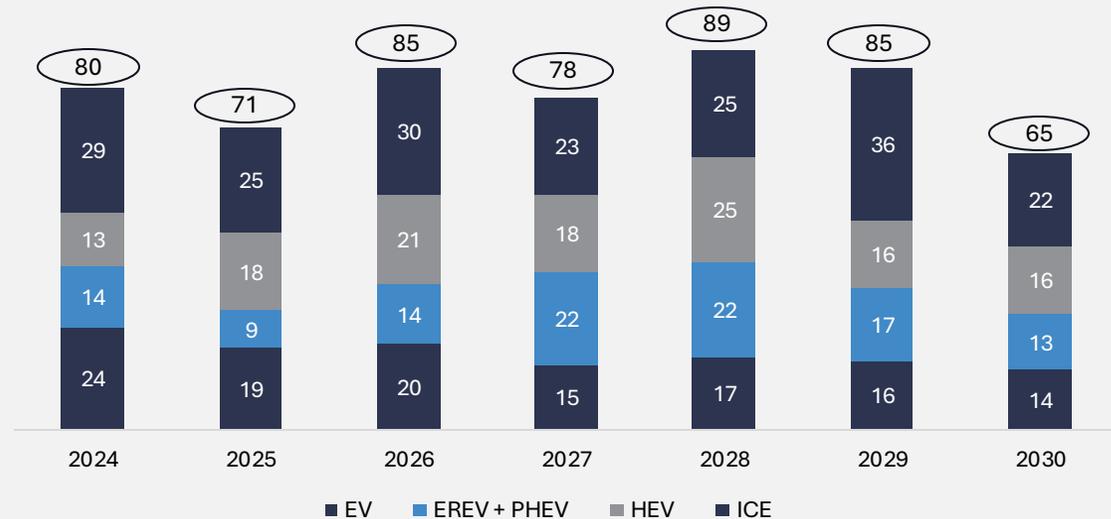
Hybrid may just be a bridge to future EV growth as technology makes EV more attractive to general consumers and U.S. policy moderates (long-term).

Hybrid is hot with consumers and manufacturers; hybrid products are in a strong position in 2026. Although many OEMs are playing catch up.

We continue to see platform cancellation for BEVs and PHEVs into 2026, with OEMs putting greater attention on HEVs and EREVs through the rest of the decade.

Dealers should bet on hybrid in the short-to-medium term (5-10 years) and EV in the long-term.

Number of New Vehicle Nameplate Launches by Powertrain Type (2024 - 2030)



19%

Dealerships that prioritize BEVs

23%

Dealerships that prioritize HEVs

DCG has always been bullish long-term on EV, not as the sole option for the future but as a major option for consumers.

We have said that it is limitations on technology and infrastructure that are holding back EV, not politics or federal incentives ending.

Elimination of IRA incentive led to spike in Q3 and then drop of EV sales vs. projected double-digit forecasts.

Solid-State Batteries

Solid-state batteries are THE game changer for EV and are becoming a “reality” in 2026 with prototype testing in 2026 and commercial-scale introductions planned in 2027 and 2028 with consumer roll out expected shortly thereafter.

Solid-state batteries offer a range of benefits over traditional technologies:

80%

Charge in 10-15
minutes



Reliable in any
temperature

650+

Miles on a
charge



Less prone to
catastrophic failure

Commercial scalability and dendrite cracking due to climate changes are still biggest challenges.

Long-term, dealers need to understand the solid-state road map for manufacturers.

Toyota, Mercedes-Benz, BMW, VW are among the leaders in the space.

Toyota has focused on hybrids while investing in solid-state, skipping EV Gen 1.

Chinese manufacturers are ahead of the game:

- Dongfeng expecting commercial scale production in late 2026
- GAC Motor and SAIC beginning early production in 2026 and commercial-scale production in 2027

Divided Perspective of Electric

Manufacturers, like Tesla, who are “long” on electric will seek to gain EV market share as other OEMs use a scalpel approach to target specific electric customer bases.

“Long” Manufacturers

Tesla & Rivian

DCG has been bullish long term on Tesla who, along with other endemics like Rivian, are going to be the primary beneficiaries of the current administration’s lack of EV support. U.S. domestics may find themselves in a bad place in 3-5 years as they take the short-money approach.

Regional Variation in EV Demand in 2025:

- Many dealers challenging or refusing EV allocations due to slow sales
 - Projected to subside in 2026 as OEMs begin to move away from BEVs and push Hybrids instead*
- West Coast dealers have more success selling BEVs, leading to a cautious approach by dealers towards inventory and investments

Scalpel Approach

Ford Mustang Mach-E

- Ford’s approach was to target a sporty performance market segment
- After the cancellation of the Lightning, the Mach-E is the last remaining Ford EV in its portfolio

Lexus RZ

- Toyota has focused its EV introductions on only a select group of luxury vehicle nameplates like the RZ, targeting a low volume high-margin vehicle application

Stellantis (Jeep, RAM and Maserati)

- STLA was originally focusing on a couple models for the RAM pick-up truck and Jeep but has been delaying any additional launches due to the softness in the market for EVs

DCG's Retail Automotive Takeaways | Electrification



Keep EVs Practical, not Political

Depoliticize electrification and realize this is just one more (very dynamic) avenue to meet some of your customers' needs.



EV & Hybrid Sales Training

EV and Hybrid training is more important now than ever to understand when and how these offerings can meet specific customer needs.



Understand OEM Partners

Solid-state batteries eliminate two massive barriers to entry for consumers (range and charging anxieties). Where are your manufacturer partners on developing this game changing technology?



DAVE
CANTIN
GROUP

08

M&A



M&A | Overview



A multitude of factors will drive continued consolidation and elevated M&A activity this year; while challenges exist, retail automotive remains a strong investment opportunity.



Evolution in Valuation

Valuation methods are shifting to include a broader perspective of the dealership and its position in the market. This includes subjective factors that shift the valuation depending on the buyer.



Strong Multiples

Even as valuation methods are shifting, multiples are normalizing. This will support further activity & consolidation.



Private Groups Continue Regional Consolidation

Continued investment and effort from owners paired with multi-location synergy means dealership group scale matters now more than ever.



Multi-Generational Group Exits

Multi-generational groups will exit as requirements for continued investment, focus and sophistication for growth will put additional pressure on these dealers.

Evolution in Valuation

Dealership valuation is shifting from profitability multipliers to forward-looking opportunity and value analysis. Auto dealership buy/sell transactions are continuing at a steady pace going into 2026.

- ✓ M&A activity the first half of 2025 was stifled by political uncertainties/2024 election and tariffs
- ✓ Activity has been growing since the second half of 2025 and is expected to continue into 2026



Dealership earnings skyrocketed during the pandemic, making the existing approach to valuation unreliable.

Valuation methods are shifting to include a broader perspective of the dealership and its position in the market. This includes subjective factors that shift the valuation depending on the buyer.

Some factors that are being considered now include:

QUANTITATIVE FACTORS

- *Historic P&L*
- *Adjusted net profit*
- *Regional market forecasts*
- *Recent comparable transactions*
- *Future performance potential*

QUALITATIVE FACTORS

- *Dealership reputation*
- *Employees*
- *Geography*
- *Competition*
- *Upcoming facility repairs/ upgrades*
- *Synergistic fit with existing portfolio*

Normalizing Multiples

Even as valuation methods are shifting, multiples are normalizing, this will support further activity & consolidation.

Dealership Multiples Normalizing

- Non-luxury prices stabilizing
- Luxury brands like Mercedes, BMW and Lexus continue to command higher multiples due to their consistent performance and market desirability



Demand Far Exceeds Supply

- Retail automotive is a relatively fixed marketplace with assets that drive cash AND appreciate in value and there is a huge moat around the business, which makes it very attractive for operators and investors



Shift Toward Asset-Driven Valuation

- Mindset shifting beyond P&L toward long-term assets & growth
- Further platform diversification through strategic acquisitions or divestitures



**Optimistic 2026
Valuation Outlook**

*Even with some headwinds,
DCG sees upsides for dealers*



Private Dealer Groups Continued Regional Consolidation

Continued investment and effort from owners paired with multi-location synergy means dealership group scale matters now more than ever and multi-generational private groups will exit for that reason.

Retail is a great business but requires continued investment, focus and sophistication for growth.

Small successful groups being driven to sell by the consolidation and opportunity to exit today at levels that cement the legacy of their stores, as regional private groups are looking expand through acquisitions.

Image programs and more “strict” manufacturers are another factor pushing dealers to sell all OR divest of specific manufacturers they don’t want to invest in or be in business with.

Scale at a total group level, as well as regionally and locally, is a key driver to dealership longevity and success. This is driving consolidation on a regional level not only with large players, but with smaller privates looking to scale up in a specific market or region.

M&A transactions down year-over-year

Transaction activity increased the second half of 2025. Expectations are for increased M&A activity in 2026 as smaller dealers face cashflow pressures and facility upgrade requirements

Dealership Geographies

Larger dealership groups are expanding their geographic reach and acquiring multiple rooftops to achieve economies of scale, while private groups are also expanding to provide greater diversity. One example is Wyler’s notable acquisition of Midwest Automotive Group (MAG).





Recent M&A Activity

Sample of recent regional private group transactions.

1/2026 - OHIO



Deal by: 

Seller: Midwestern Auto
Buyer: Jeff Wyler Auto

1/2026 - ARIZONA, CALIFORNIA




Seller: Tuttle-Click Auto
Buyer: Gee Automotive

1/2026 - CALIFORNIA




Seller: Lexus Carlsbad & Escondido
Buyer: Mitch Pierce

12/2025 - FLORIDA




Deal by: 

Seller: Maus Family Auto
Buyer: ZT Automotive

11/2025 - LOUISIANA




Seller: All Star Automotive
Buyer: Hudson Automotive

11/2025 - ALABAMA




Seller: Toyota Lexus of Montgomery
Buyer: Dream Motor Group

8/2025 - OHIO




Seller: Friedkin Group
Buyer: Ken Ganley Auto

8/2025 - KENTUCKY




Seller: Blue Grass Motorsport
Buyer: Germain Motor Co.

6/2025 - INDIANA





Deal by: 

Seller: Bosak Auto Group
Buyer: Graff & Victory

3/2025 - WEST VIRGINIA




Deal by: 

Seller: Lithia Morgantown
Buyer: Atlantic Coast Auto

11/2024 - SOUTH DAKOTA




Deal by: 

Seller: Schulte Subaru
Buyer: Luther Automotive

10/2024 - VIRGINIA





Seller: Beyer Auto Group
Buyer: Open Road Capital & Keffer Auto

8/2024 - ARIZONA




Deal by: 

Seller: Lawley Auto
Buyer: Ed Morse

3/2024 - NORTH CAROLINA




Seller: Leith Auto
Buyer: Holman

2/2024 - PENNSYLVANIA




Seller: Apple Auto
Buyer: Ciocca

1/2024 - FLORIDA





Seller: Vista and South Motors
Buyer: Morgan Auto

DCG's Retail Automotive Takeaways | M&A



Assess Your Dealerships

Be asset-minded about your dealerships – know their value and be more objective regarding how each store fits (or doesn't fit) within your platform.

If stores don't fit, don't fear a divestiture – it doesn't mean you're "a seller."



Long-Term Plan Development

2026 is a reality-check year for owners of all sizes; ask yourself if you have a long-term plan that will allow your platform to effectively compete.

Seek expert guidance to develop the right strategies for growth, optimization or succession planning.



Growth Mindset

Consolidation is a reality of the business, but it's not only a strategy for the industry's largest players; if you're planning on staying in the business, be growth-minded because scale matters now more than any other time.
