



# INVESTOR PRESENTATION

NOVEMBER 2019



# DISCLOSURE

## Forward-Looking Statements

Certain statements in this presentation, and at times made by our officers and representatives, constitute forward-looking statements within the meaning of the "Safe Harbor" provisions of the Private Securities Litigation Reform Act of 1995. Generally, you can identify forward-looking statements by terms such as "project", "outlook", "target", "may," "will," "would," "should," "seek," "expect," "plan," "intend," "forecast," "anticipate," "believe," "estimate," "predict," "potential," "likely," "goal," "strategy," "future," "maintain," and "continue" or the negative of these terms or other comparable terms. Examples of forward-looking statements in this presentation include, among others, statements regarding:

- Future market conditions, including anticipated national new car sales levels;
- Expected operating results, such as improved store performance; continued improvement of selling, general and administrative expenses ("SG&A") as a percentage of gross profit and all projections;
- Anticipated integration, success and growth of acquired stores;
- Anticipated ability to capture additional market share;
- Anticipated ability to find accretive acquisitions;
- Expected revenues from acquired stores;
- Anticipated synergies, ability to monetize our investment in digital innovation;
- Anticipated additions of dealership locations to our portfolio in the future;
- Anticipated availability of liquidity from our unfinanced operating real estate;
- Anticipated levels of capital expenditures in the future; and
- Our strategies for customer retention, growth, market position, financial results and risk management.

Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict and many of which are outside of our control. Forward-looking statements are not guarantees of future performance, and our actual results of operations, financial condition and liquidity and development of the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements in this presentation. Therefore, you should not rely on any of these forward-looking statements. The risks and uncertainties that could cause actual results to differ materially from estimated or projected results include, without limitation:

- future economic and financial conditions (both nationally and locally);
- changes in customer demand, our relationship with, and the financial and operational stability of, vehicle manufacturers and other suppliers;
- risks associated with our indebtedness (including available borrowing capacity, compliance with financial covenants and ability to refinance or repay indebtedness on favorable terms);
- the adequacy of our cash flow and earnings and other conditions which may affect our ability to pay our quarterly dividend at the planned level;
- disruptions to our technology network including computer systems and software, as well as natural events such as severe weather, fires, floods and earthquakes or man-made or other disruptions of our operating systems, structures, facilities or equipment; and
- government regulations, legislation and others set forth throughout "Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" and in "Part I, Item 1A. Risk Factors" of our most recent Annual Report on Form 10-K, and from time to time in our other filings with the SEC.

Any forward-looking statement made by us in this presentation is based only on information currently available to us and speaks only as of the date on which it is made. We undertake no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.

## Non-GAAP Financial Measures

This presentation contains non-GAAP financial measures such as adjusted net income and diluted earnings per share, adjusted SG&A as a percentage of revenue and gross profit, adjusted operating margin, adjusted operating profit as a percentage of gross profit, adjusted pre-tax margin, EBITDA, adjusted EBITDA, leveraged EBITDA and adjusted total debt. Non-GAAP measures do not have definitions under GAAP and may be defined differently by and not comparable to similarly titled measures used by other companies. As a result, we review any non-GAAP financial measures in connection with a review of the most directly comparable measures calculated in accordance with GAAP. We caution you not to place undue reliance on such non-GAAP measures, but also to consider them with the most directly comparable GAAP measures. As required by SEC rules, we have reconciled these measures to the most directly comparable GAAP measures in the attachments to this release. We believe the non-GAAP financial measures we present improve the transparency of our disclosures; provide a meaningful presentation of our results from core business operations, because they exclude items not related to core business operations and other non-cash items; and improve the period-to-period comparability of our results from core business operations. These presentations should not be considered an alternative to GAAP measures.

# A MASSIVE MARKET

*Consolidating a highly fragmented industry*

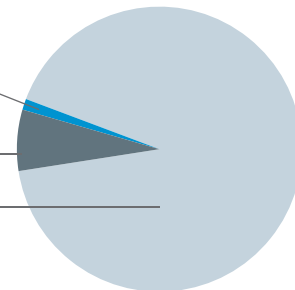
# \$1 TRILLION+ MARKET

- 17mm New Vehicles
- 40mm Used Vehicles

## FRANCHISED DEALER MARKET SHARE

Source:  
NADA DATA 2018 Midyear  
Report, Automotive News  
Top 150 Dealership  
Groups 2017

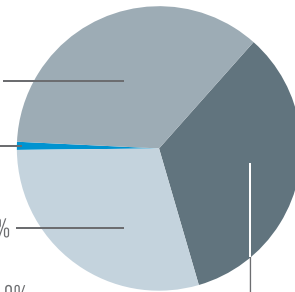
Lithia 1.0%  
Other Top 10  
Dealers 7.0%  
All Others 92.0%



## USED MARKET SHARE

Source:  
NAIDA 2018 Used Car  
Industry Report

Franchised New  
Car Dealers 36.1%  
Lithia 0.5%  
Private Parties 29.4%  
Used Car Dealers 34.0%



# MODERNIZING AN INDUSTRY

*A high-performing growth company powered by people and innovation*

## NETWORK



## DIGITAL TECHNOLOGY



Capturing **meaningful market share** requires consolidating a highly fragmented market and creating a retail experience that our customers crave.

Profiting from the **modernization** occurring in personal transportation.

# APTITUDE + APPS

# LITHIA MOTORS

The pragmatic disruptor, backed by our multifaceted proven success strategy, uniquely poised to lead the modernization of transportation retail and achieve meaningful U.S. market share.

**NYSE:LAD**



#265 on the Fortune 500  
3<sup>rd</sup> largest dealership group



24%: 5-year Revenue CAGR  
20.1%: 5-year EPS CAGR



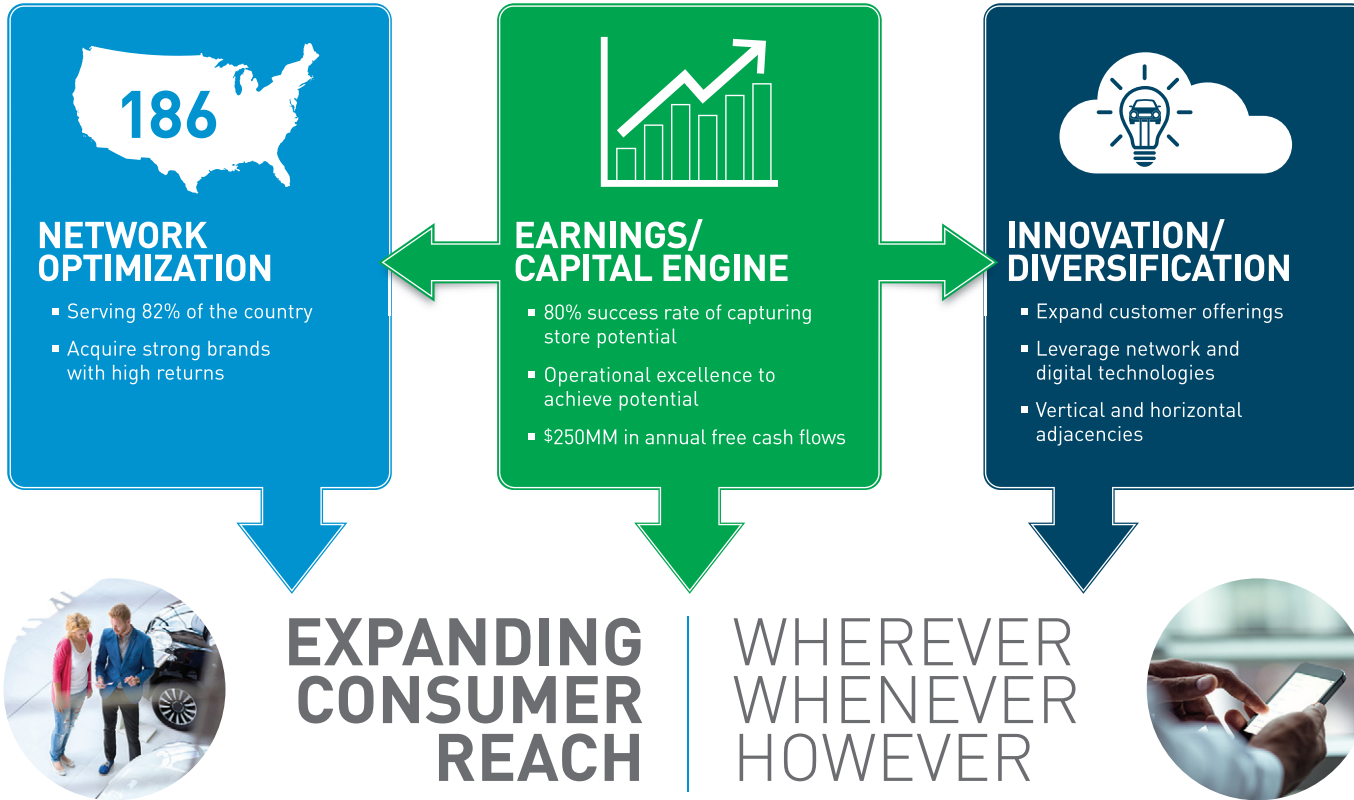
82% National Coverage  
with 186 centers, powered by 15,000 employees



70,000+ Owned online inventory;  
Second-largest owned vehicle marketplace



# PATHWAY TO \$15 EARNINGS PER SHARE



# NETWORK OPTIMIZATION

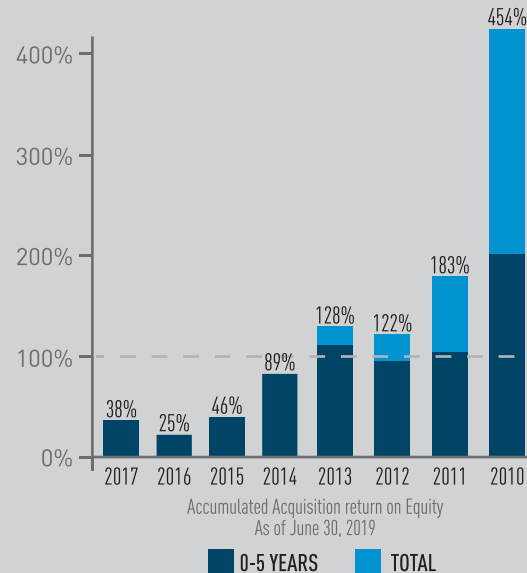
Acquire strong brands with high returns

- Continually scale nationwide footprint with current 80%+ reach
- 2,600 specific acquisition targets
- Disciplined investing:  
Average 15% after tax hurdle rate
- 3x-5x Ent. Value/EBITDA  
& 15% of revenue



## HISTORICAL RETURNS

80%  
SUCCESS  
RATE

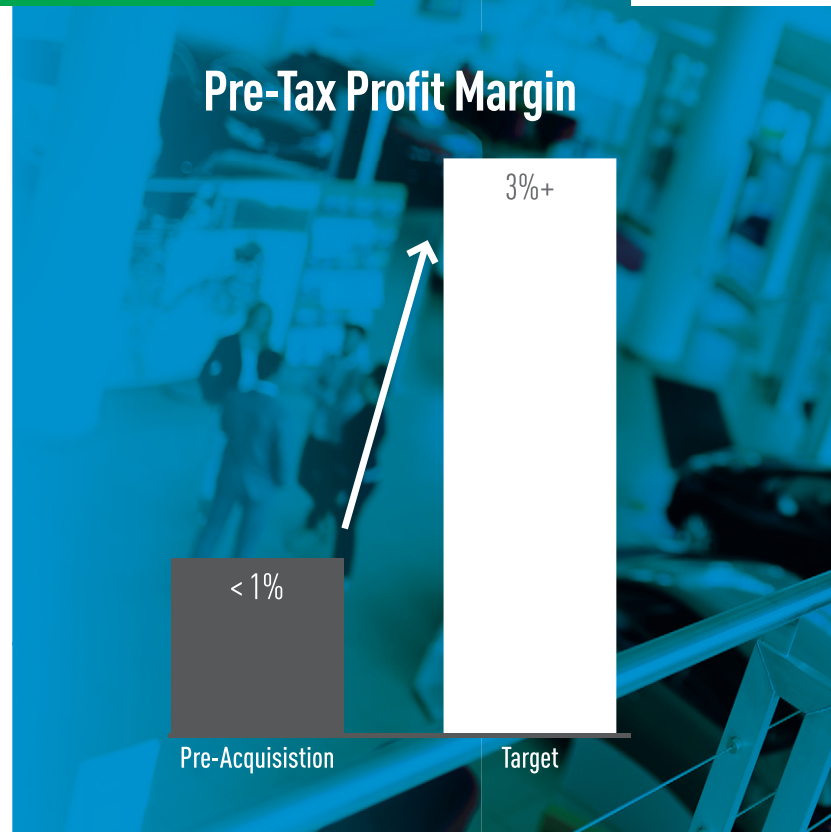
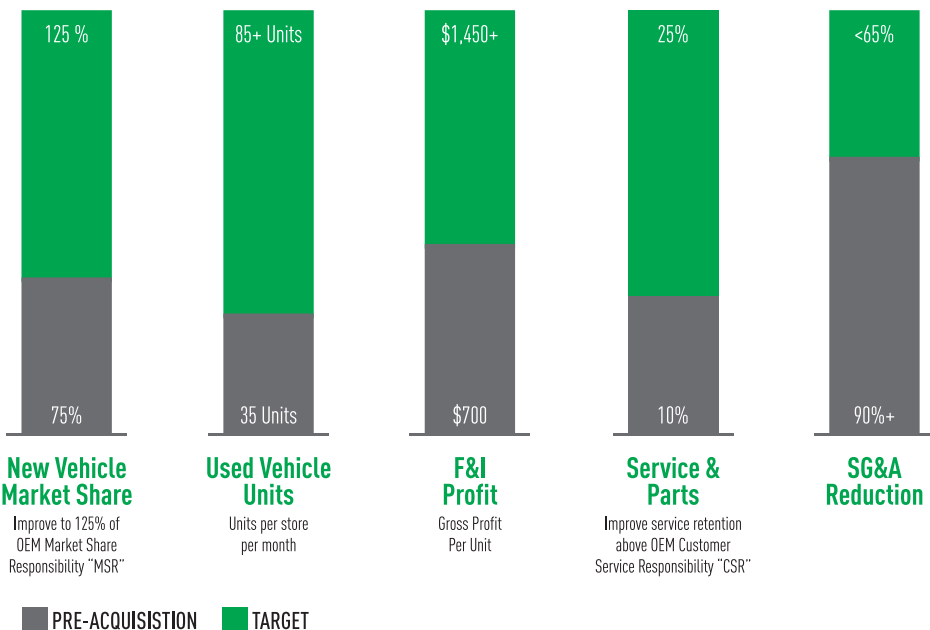


## EXPANDING OUR RETAIL NETWORK

24% 5-year Revenue CAGR

# EARNINGS

Acquire strong brands underperforming their potential





# CAPITAL ENGINE

Generating \$250mm free cash flow annually



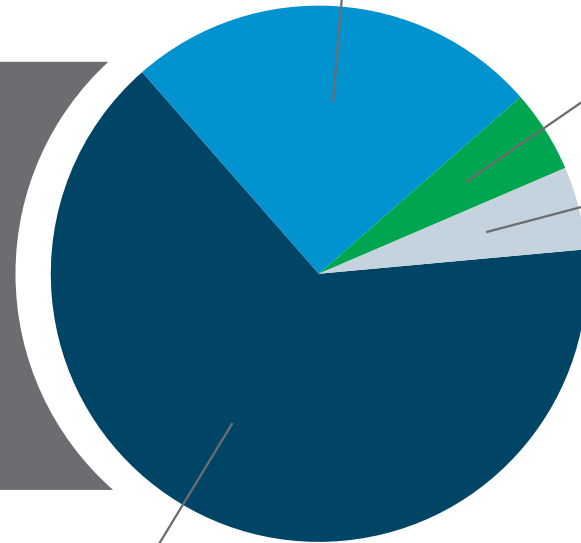
## USES OF CAPITAL: TARGET

Investment & Modernization 25%  
Actual 5-year average: 19%

Share Repurchases 5%  
Actual 5-year average: 19%

Dividends 5%  
Actual 5-year average: 6%

Acquisitions 65%  
Actual 5-year average: 56%



## CAPITAL ALLOCATION PRIORITIES

- Acquisitions
- Investment & Modernization
- Dividends
- Share Repurchases

# INNOVATION & DIVERSIFICATION

Leveraging our network and digital to provide consumer freedom



## NETWORK

- 15,000 specialists in buying, selling and servicing vehicles
- 180+ convenient locations reaching 82% of U.S. consumers
- Products and services to fit every budget
- 2<sup>nd</sup> largest owned inventory online

CONVENIENCE

TRANSPARENCY

AFFORDABILITY

CHOICE

## DIGITAL

- Simple customer-centered solutions
- Mobile buying, selling and servicing platform
- AI-powered vehicle pricing and valuation
- Direct-to-home pureplay through partnership with SHIFT Technologies

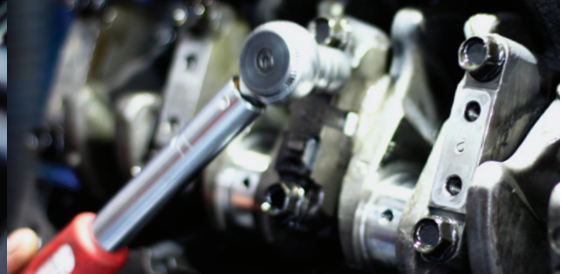
# PROFITABLY MODERNIZING AN INDUSTRY

We are a growth company powered by people and innovation. We purchase and build strong businesses that have yet to realize their potential. We achieve operational excellence by focusing the business on convenient and transparent consumer experiences and proprietary performance measurements to increase market share and profitability. This generates significant cash flows while maintaining low leverage. We invest in digital innovation and further expansion of our nationwide network to provide transportation solutions wherever, whenever and however our consumers desire. Together, these endeavors create a unique growth strategy that will enable us to earn meaningful U.S. market share.

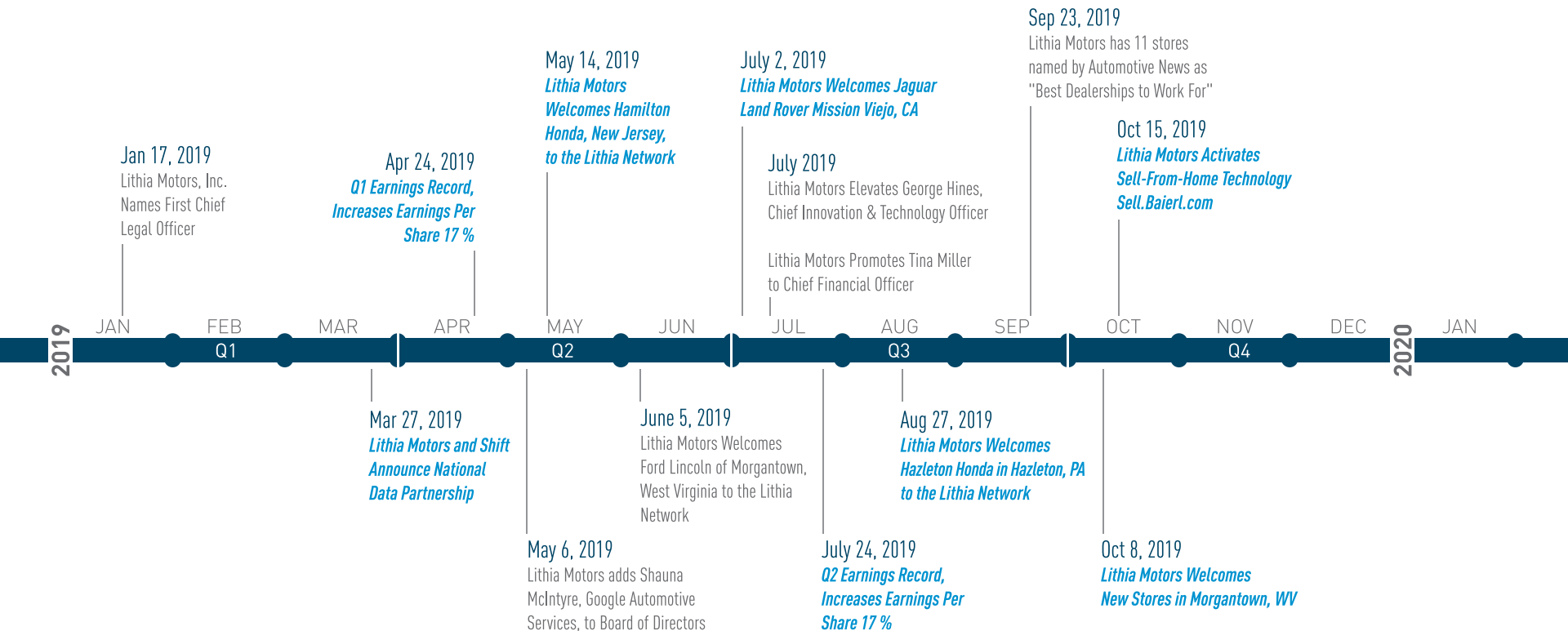
Invest in Lithia Motors **the leader with a proven success strategy.**



# APPENDIX



# RECENT ANNOUNCEMENTS

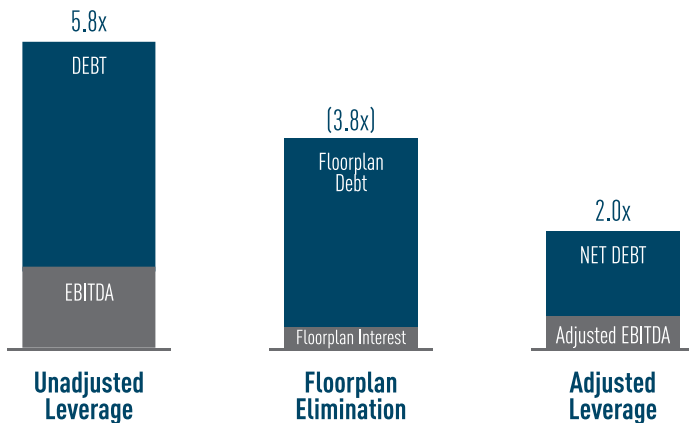


# SECTOR-LEADING LEVERAGE

Generating \$250mm free cash flow annually

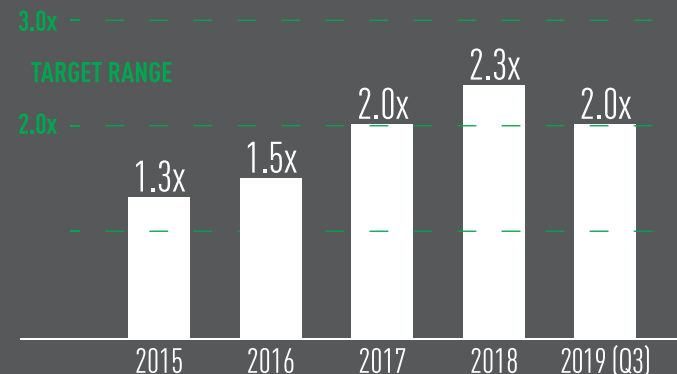
## AUTOMOTIVE RETAIL INDUSTRY

Floorplan adjustment illustration



## HISTORICAL NET DEBT-TO-EBITDA

Proven ability to delever



## SECTOR LEVERAGE

As of September 30, 2019

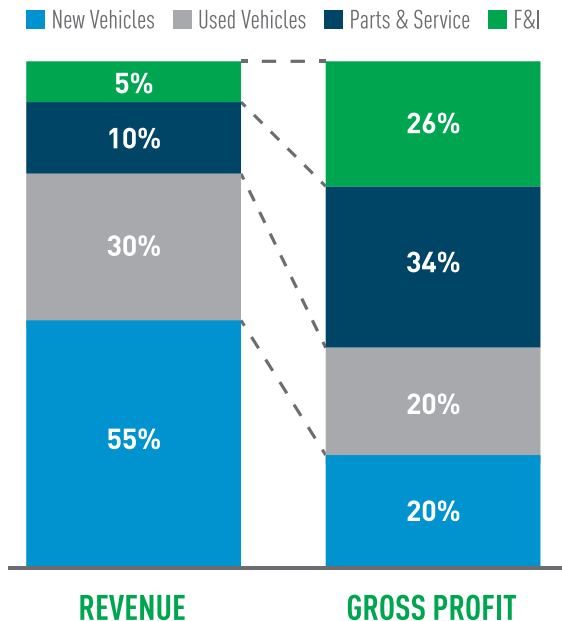
LAD	ABG	AN	GPI	PAG	SAH
2.0x	2.8x	3.0x	3.5x	3.6x	3.0x



# RESILIENT BUSINESS MODEL

Profitable business with diversified product mix and multiple earnings streams

## LITHIA BUSINESS MIX



Note: Revenue and gross profit mix for the three-months ended September 30, 2019

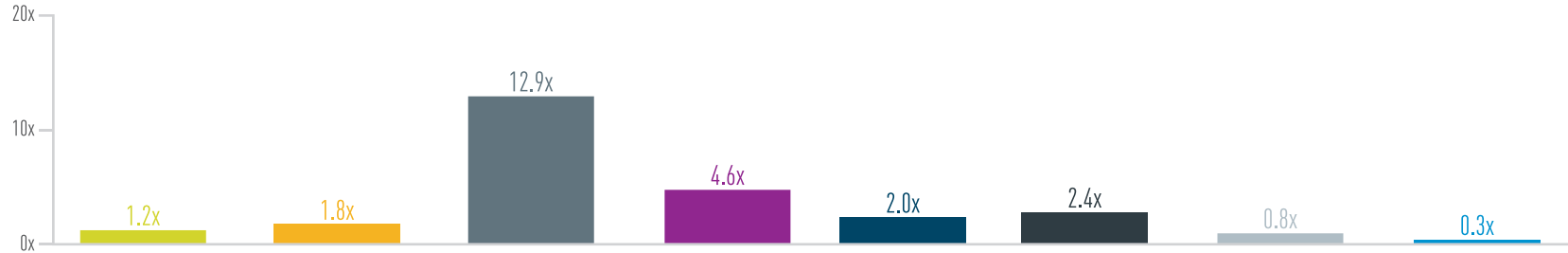
## LITHIA NEW VEHICLE MIX

Segment	Segment %	Brand	Brand Revenue %	Brand Unit Sales
IMPORT	45%	Toyota	17%	18%
		Honda	14%	19%
		Subaru	7%	9%
		Nissan	2%	3%
		Other Imports	5%	6%
DOMESTIC	34%	Chrysler	16%	15%
		GM	9%	8%
		Ford	9%	7%
LUXURY	21%	BMW/Mini	6%	4%
		Mercedes	5%	3%
		Audi	3%	2%
		Acura	3%	3%
		Lexus	3%	2%
		Porsche	1%	1%

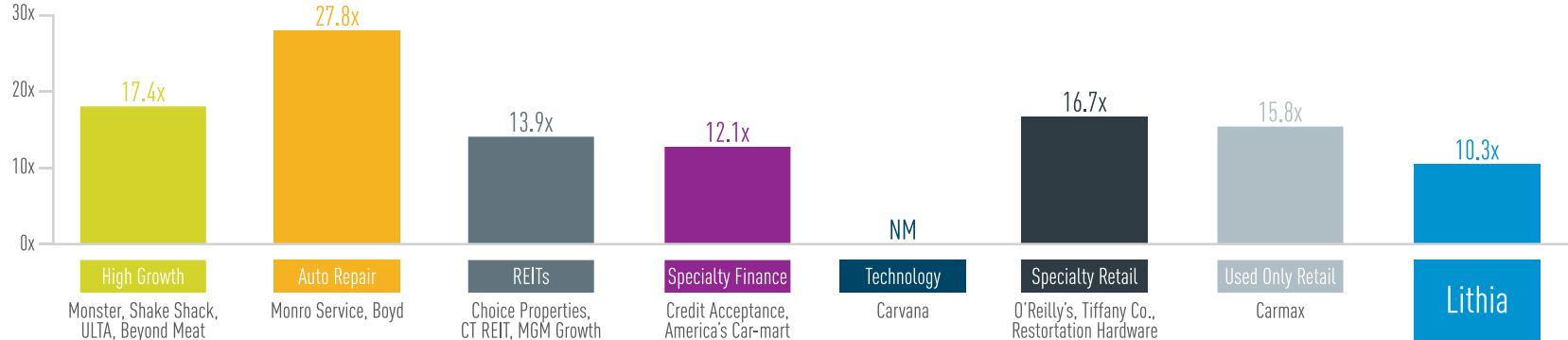
\*Other imports include VW, Hyundai, Kia, and Mazda for the three-months ended September 30, 2019.

# VALUATION BENCHMARKING

## 2020E EV/Revenue - Average 3.7x



## 2020E P/E<sup>(1)</sup> - Average 17.3x



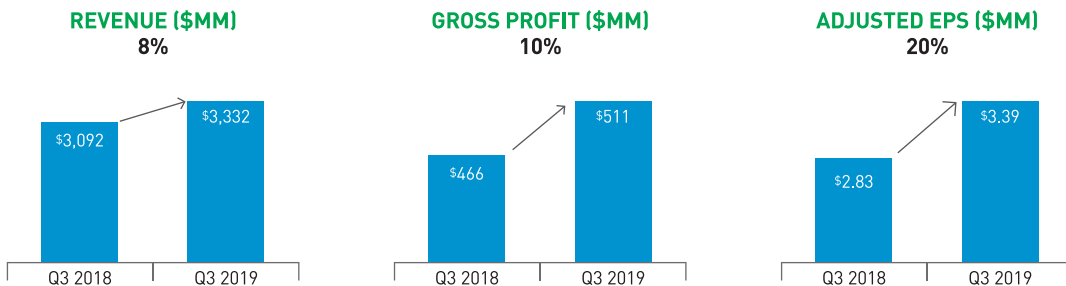
Source: Company Filings, Wall Street Research and FactSet as of July 12, 2019. (1) "P/E" multiple for REITs reflects Price / Adjusted Funds From Operations.

# Q3' 19 INCOME STATEMENT SUMMARY

## COMMENTARY

- Increased revenue 8% and adjusted EPS 20%
- Increased total gross profit 10%
- Increased total same store gross profit 9%
- 36th consecutive quarter of positively trended results

## Q3 2019 HIGHLIGHTS



## SAME STORE QUARTER-OVER-QUARTER COMPARISON

	Revenue	Gross Profit
New vehicles	5%	-2%
Used retail vehicles	14%	14%
F&I	12%	12%
Service, parts and body	10%	11%
<b>Total</b>	<b>8%</b>	<b>9%</b>

# SUPPLEMENTAL INFORMATION

## 2019 Quarterly Income Statement

\$M	Q4	Q3	Q2	Q1	YTD 2019
New Vehicle		\$1,824.8	\$1,707.4	\$1,461.1	\$4,993.3
Used Vehicle		916.3	888.3	827.9	2,632.4
Wholesale used vehicles		74.4	81.7	77.4	233.5
Finance and insurance		136.3	129.0	117.5	382.7
Service, body and parts		340.5	335.5	317.4	993.3
Fleet and other		40.1	79.8	48.4	168.6
<b>Total Revenues</b>		<b>\$3,332.4</b>	<b>\$3,221.7</b>	<b>\$2,849.7</b>	<b>\$9,403.8</b>
New Vehicle		100.0	95.4	85.9	281.4
Used Vehicle		99.7	93.2	84.6	277.4
Wholesale used vehicles		1.1	1.8	0.9	3.8
Finance and insurance		136.3	129.0	117.5	382.7
Service, body and parts		171.5	170.3	159.5	501.1
Fleet and other		2.3	3.9	2.3	8.8
<b>Gross Profit</b>		<b>\$510.9</b>	<b>\$493.6</b>	<b>\$450.7</b>	<b>\$1,455.2</b>
Asset Impairments		-	-	0.5	0.5
SG&A		343.2	356.5	321.8	1,021.5
Depreciation and Amortization		20.9	20.2	19.8	60.9
<b>Operating Income</b>		<b>\$146.8</b>	<b>\$116.9</b>	<b>\$108.6</b>	<b>\$372.3</b>
Floor plan interest expense		(17.9)	(19.4)	(18.1)	(55.5)
Other interest expense		(14.8)	(15.0)	(15.3)	(45.0)
Other (income) expense, net		3.3	3.0	2.6	8.9
<b>Income (loss) before taxes</b>		<b>\$117.4</b>	<b>\$85.5</b>	<b>\$77.8</b>	<b>\$280.7</b>
Income tax expense		(32.2)	(23.6)	(21.4)	(77.2)
<b>Net Income</b>		<b>\$85.2</b>	<b>\$61.9</b>	<b>\$56.4</b>	<b>\$203.5</b>

# SUPPLEMENTAL INFORMATION

## 2019 Adjusted Income Statement Details

\$M, except for per share amounts	YTD 9/30/19	Gain on store disposals			Asset impairment	Insurance Reserves			Acquisition expenses			YTD 9/30/19
	As Reported	Q1	Q2	Q3	Q1	Q2	Q3	Q1	Q2	Q3	Adjusted	
Asset impairments	\$0.5	-	-	-	(0.5)	-	-	-	-	-	-	
Selling, general and administrative	1,021.5	0.1	(0.4)	9.4	-	(8.4)	(1.1)	(0.2)	(1.5)	(0.2)	1,019.2	
Income from operations	372.3	(0.1)	0.4	(9.4)	0.5	8.4	1.1	0.2	1.5	0.2	375.1	
Income from continuing operations before income taxes	280.7	(0.1)	0.4	(9.4)	0.5	8.4	1.1	0.2	1.5	0.2	283.5	
Income taxes	(77.2)	-	(0.1)	2.7	(0.1)	(2.3)	(0.3)	-	(0.4)	(0.1)	(77.8)	
<b>Net income</b>	<b>\$203.5</b>	<b>(0.1)</b>	<b>0.3</b>	<b>(6.7)</b>	<b>0.4</b>	<b>6.1</b>	<b>0.8</b>	<b>0.2</b>	<b>1.1</b>	<b>0.1</b>	<b>205.7</b>	
<b>Diluted net income per share</b>	<b>\$8.72</b>	<b>-</b>	<b>-</b>	<b>(0.28)</b>	<b>0.02</b>	<b>0.26</b>	<b>0.03</b>	<b>0.01</b>	<b>0.05</b>	<b>-</b>	<b>8.81</b>	
Diluted share count	23,342											