

MS Capital Market News:

Outlining Trends in the Online Automotive Parts & Accessories Sales Sector



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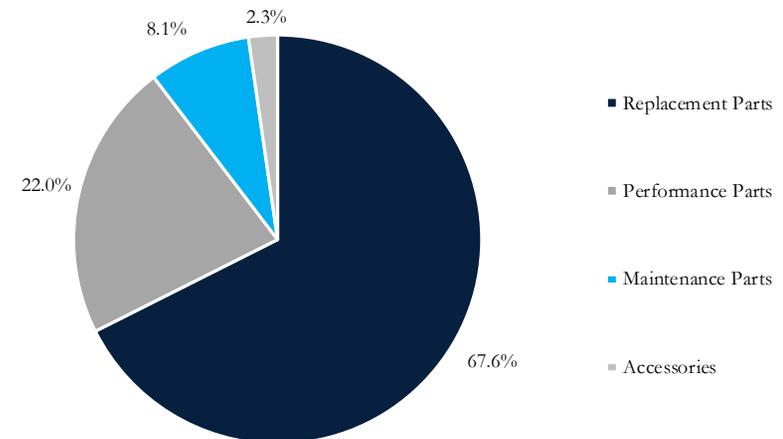
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Online Automotive Parts & Accessories Sales in the US

Sector Highlights

- 2019 revenue: \$5.5 billion
- 2019 profit: \$598.4 million
- Annual growth 2014 – 2019: 8.9%
- Annual growth projected 2019 – 2024: 4.7%
- Key industry drivers: E-commerce sales, average age of vehicle fleet, total vehicle miles, per capita disposable income, number of motor vehicle registrations.

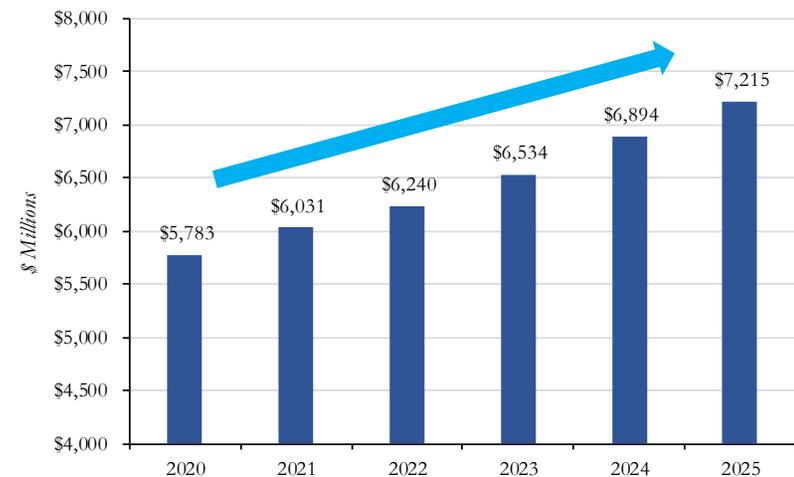
Products and Services Segmentation



Sector Observations & Outlook

- The Online Automotive Parts and Accessories Sales industry has experienced notable growth over the five years to 2019, as consumers have increasingly shifted purchasing activity online. Recognizing this trend, traditional brick-and-mortar retailers have invested in omnichannel sales systems that take advantage of their distribution infrastructure as online services continue to increase in popularity.
- While the average age of the vehicle fleet is expected to climb at a slower rate, the number of vehicle registrations and total vehicle miles will present a steady source of demand.
- The primary factor driving growth will be the continued expansion of online shopping.

Sector Expected Revenue Growth



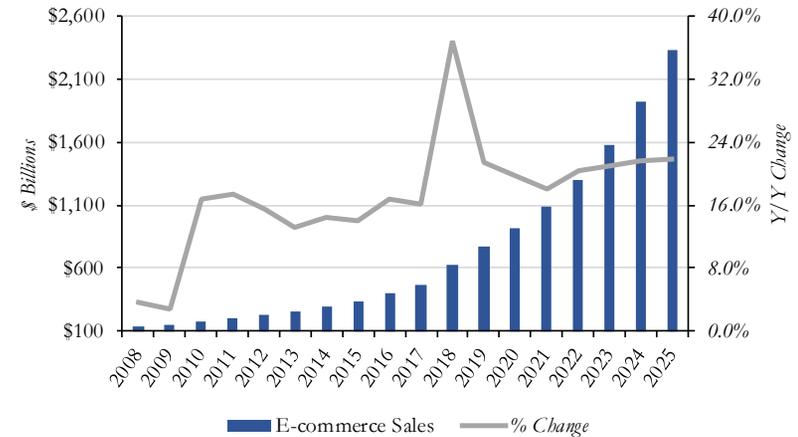
Sources: IBISWorld

Key Industry Drivers

E-commerce Sales

- Estimated value in 2019: \$766.77 billion
- 2014-2019 Compound Growth: 20.8%
- Forecast value in 2024: \$1916.2 billion
- 2019-2024 Compound Growth: 20.1%
- This driver measures the value of retail sales conducted online in the United States.

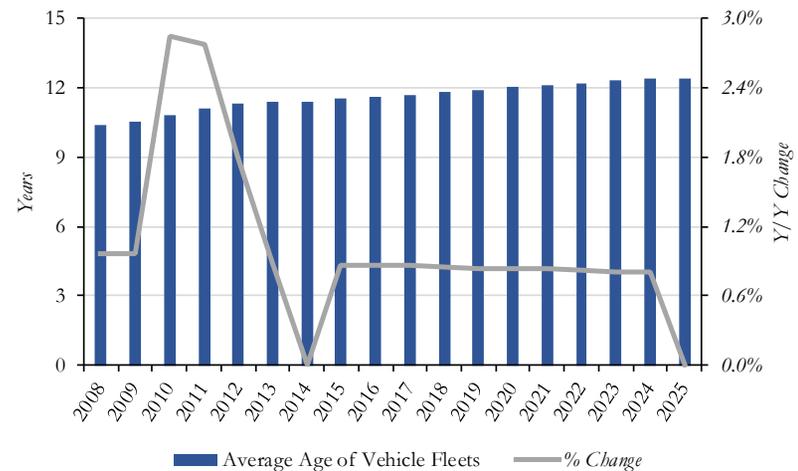
E-commerce Sales



Average Age of Vehicle Fleets

- Estimated value in 2019: 11.9 years
- 2014-2019 Compound Growth: 0.9%
- Forecast value in 2024: 12.4 years
- 2019-2024 Compound Growth: 0.8%
- The average vehicle fleet age is an equally weighted average of automobiles and trucks that are registered in the United States.

Average Age of Vehicle Fleets



Key Industry Drivers

Total Vehicle Miles

- Estimated value in 2019: 3.4 trillion
- 2015-2020 Growth: 2.5%
- Forecast value in 2024: 3.6 trillion
- 2020-2025 Growth: 1.2%
- This driver represents the total miles driven by all motor vehicles over the calendar year. This includes cars, trucks, motorcycles and buses, but not trains or planes.

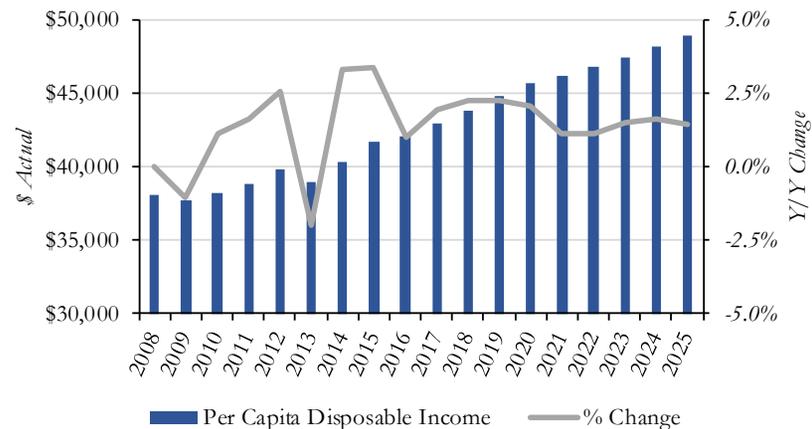
Total Vehicle Miles



Per Capita Disposable Income

- Estimated value in 2019: \$44,804.66
- 2013-2018 Compound Growth: 2.2%
- Forecast value in 2024: \$48,182.83
- 2019-2024 Compound Growth: 1.5%
- Per capita disposable income determines an individual's ability to purchase goods or services. It is calculated by taking income earned from all sources (wages, government transfers, rental income etc.) minus taxes, savings and some non-tax payments (e.g. fines, forfeitures and donations) and dividing by the total US population. The data for this report is presented in chained 2012 dollars.

Per Capita Disposable Income

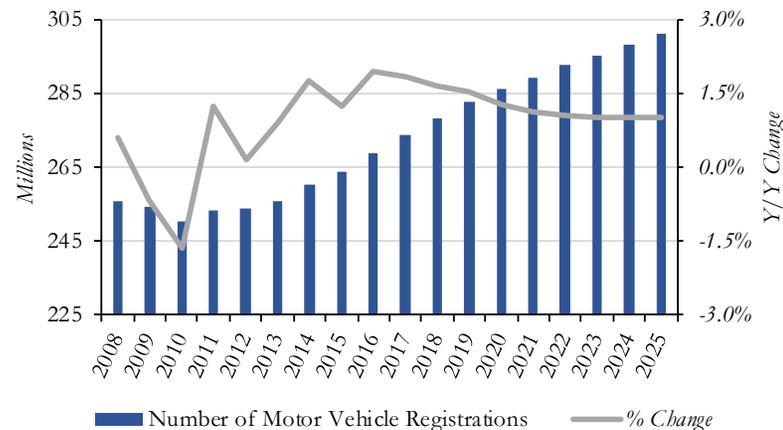


Key Industry Drivers

Number of Motor Vehicle Registrations

- Estimated value in 2019: 282.5 million vehicles
- 2014-2019 Compound Growth: 1.6%
- Forecast value in 2024: 298.3 million vehicles
- 2019-2024 Compound Growth: 1.1%
- This item analyses trends in the total number of motor vehicle registrations. This covers all cars, motorcycles, trucks and buses.

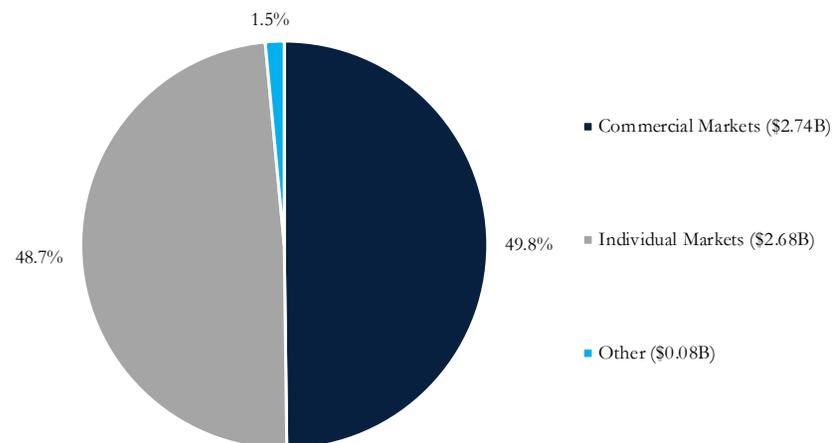
Number of Motor Vehicle Registrations



Major Market Segmentation

- Commercial customers are expected to account for 49.8% of the industry's revenue. These commercial enterprises are primarily mechanics or other repair locations that are sourcing parts for their customers.
- The size of this market is largely a function of the volume of repair, replacement and maintenance activity that occurs in the United States. A large portion of the parts ordering is done through online platforms, which increase the simplicity of cataloging orders.
- The primary consumers in this market of do-it-yourself (DIY) individuals, however, many consumers that use repair services also purchase parts.

Major Market Segmentation

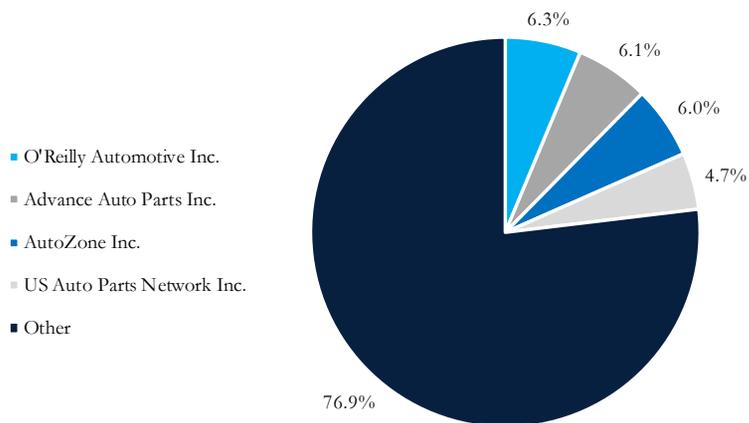


Automotive Parts & Accessories Public Comparable Companies

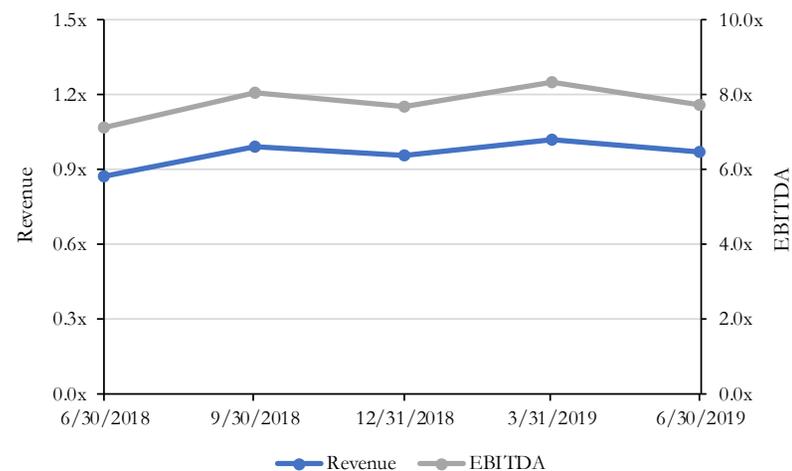
Selected Guideline Public Companies

Company Name	Stock Price	Market Capitalization	Enterprise Value	LTM Revenue	LTM EBITDA	LTM Revenue Multiple	LTM EBITDA Multiple	LTM Revenue Multiple - Adjusted	LTM EBITDA Multiple - Adjusted
<i>Data as of 6/30/2019</i>									
O'REILLY AUTOMOTIVE INC NEW	\$ 369.32	\$ 28,959	\$ 32,687	\$ 9,798	\$ 2,116	3.3x	15.4x	1.8x	8.3x
ADVANCE AUTO PARTS INC	\$ 154.14	\$ 11,114	\$ 11,323	\$ 9,659	\$ 906	1.2x	12.5x	0.7x	7.8x
AUTOZONE INC	\$ 1,099.47	\$ 27,920	\$ 32,898	\$ 11,434	\$ 2,546	2.9x	12.9x	1.6x	7.0x
U.S. AUTO PARTS NETWORK INC	\$ 1.25	\$ 45	\$ 52	\$ 283	\$ (6)	0.2x	NM	0.2x	NM
GENUINE PARTS CO	\$ 103.58	\$ 15,199	\$ 18,541	\$ 18,998	\$ 1,390	1.0x	13.3x	0.6x	7.8x
Average								1.0x	7.7x
Median								0.7x	7.8x

Market Share – Online Automotive Parts & Accessories Sales



Latest Twelve Months Multiples Trends



Select Comparable Transactions within the Sector

Date	Target	Buyer(s)	Target Business Description
5/16/19	Ring & Pinion Service, Inc.	Tailwind Management LP	Ring & Pinion Service, Inc. distributes automotive parts. It offers air compressors, axle assemblies and housings, axle spindles, axles and axle bearings, carries cases and spiders, rebuild kits, driveshafts, dropouts and pinion supports, individual bearings, locking hubs, oils and additives, small parts and seals, tools, and universal joints. The company was founded by Randy Lyman in 1982 and is headquartered in Everett, WA.
5/9/19	The Eastwood Co.	Kian Capital Partners LLC; The Eastwood Co. /Private Group/	The Eastwood Co. owns and operates automobile stores. It offers powder coating, welders, metal fab, auto body, repair, restoration and chemical products. The company was founded by Curt Strohacker in 1978 and is headquartered in Pottstown, PA.
5/2/19	Metroplex Battery, Inc.	Continental Battery Co.; Incline Management Corp.	Metroplex Battery, Inc. engages in the provision of aftermarket batteries for the automotive, commercial, golf, and marine markets. It offers battery solutions for aerial platform and scissor lifts, aircraft, medical devices, Powersports and racing, scooters, wheelchairs and ride on toys, scrubber and sweepers. The company is headquartered in Dallas, TX.
4/11/19	Allied Discount Tire & Brake, Inc.	Monro, Inc.	Allied Discount Tire & Brake, Inc. supplies tires and automobile parts. The company was founded in 1984 and is headquartered in Lafayette, LA.
2/28/19	Great Lakes Trim, Inc.	GLIF Capital LLC	Great Lakes Trim, Inc. engages in the supply of decorative automotive finishes. Its offers Buick Lucerne back panel, corvette center console, die cut material, freightliner components, jeep commander knee bolsters, arm rest, corvette lower door panel, hummer center console lid, and door panel products. The company was founded in 2001 and is headquartered in Williamsburg, MI.
1/25/19	KDR Enterprises, Inc.	Parts Authority, Inc.	KDR Enterprises, Inc. manufactures and distributes truck parts. It offers hastings, monroe, dayco and other specialty products. The company is headquartered in El Cajon, CA.
11/8/18	Richmond Bumper Service, Inc.	Investcorp Corporate Investment Group; KSI Trading Corp.	Richmond Bumper Service, Inc. wholesales automotive crash parts. It offers plastic and steel bumpers, hoods, fenders, lighting, grilles, brackets, radiators, A/C condensers, mirrors, and other automotive body parts. The company was founded by Norman R. Seay in 1980 and is headquartered in Mechanicsville, VA.
11/1/18	Morgan Tire & Auto, Inc.	PREP Property Group, Inc.	Morgan Tire & Auto, Inc. operates automotive retail and franchise stores. The firm offers auto repairs including tire retreads, stock rims, and balancing. It recycles tires, oil, batteries, paper and cardboard products. The company was founded by Larry C. Morgan in 1972 and is headquartered in Clearwater, FL.
9/19/18	Hastings Auto Parts, Inc.	Genuine Parts Co.	Hastings Auto Parts, Inc. distributes automotive spare parts. Its business includes the wholesale distribution of motor vehicle supplies, accessories, tools and equipment. The company was founded in 1955 and is headquartered in Warren, MI.
9/11/18	HCR Racing LLC	Dubin Clark & Co., Inc.; Daystar Products International, Inc.	HCR Racing LLC sells motor vehicle parts. Its products include arctic cat, shocks, axles, Polaris and can-an. The company is headquartered in Cedar City, UT.
8/1/18	Quality Automotive Warehouse, Inc.	Parts Authority, Inc.	Quality Automotive Warehouse, Inc., part of Parts Authority, Inc., is a company headquartered in the United States. The firm distributes automotive parts. Parts Authority, Inc. acquired Quality Automotive Warehouse, Inc. on 01 Aug 18.
7/18/18	Star Distributing Co.	National Auto Parts Warehouse, Inc.	Star Distributing Co. wholesales and distributes automotive parts. The firm offers brakes, charging and starting system, chemicals, cooling system, engine and transmission parts, exhaust, filters, fuel system, shop supplies, steering and suspension, tools and equipment, wipers, and fuses and mounts. The company was founded by Charles King in 1975 and is headquartered in Phoenix, AZ.
7/12/18	Central Motive Power, Inc.	Diesel Forward, Inc.	Central Motive Power, Inc. distributes engines and other automotive parts. Its services include company brochure, drive in, diesel fuel injection, turbochargers and industrial engines. The company was founded in 1926 and is headquartered in Denver, CO.
6/25/18	Full Service Auto Parts of San Antonio, Inc.	Marubeni America Corp.; XL Parts Partnership Ltd.	Full Service Auto Parts of San Antonio, Inc., a subsidiary of Marubeni Corp., is a company headquartered in the United States that distributes automotive parts and accessories.
6/19/18	Dv8 Offroad	Huron Capital Partners LLC; Drake Automotive Group LLC	Dv8 Offroad designs and manufactures off road accessories and wheels. The company was founded by Bob McMath in 2003 and is headquartered in Riverside, CA.
6/4/18	SC Autosports LLC	Kandi Technologies Group, Inc.	SC Autosports LLC, part of Kandi Technologies Group, Inc., is an American company that wholesales automotive parts and accessories.
5/16/18	Fast Undercar, Inc.	Parts Authority, Inc.	Fast Undercar, Inc. is a private company headquartered in the United States, also operating in US, that distributes automotive and truck parts.
5/11/18	Proforged LLC	Huron Capital Partners LLC; Drake Automotive Group LLC	Proforged LLC distributes chassis parts. Its products include ball joints, center and drag links, idler and pitman arms, tie rod end, tie rod adjusting sleeves, sway bar end links, control arm, and control arm shafts and bushings. The company was founded by Zack Kanter and is headquartered in Wayne, NJ.
3/7/18	Auto Supply Co., Inc.	Elliott Auto Supply Co., Inc.	Auto Supply Co., Inc. supplies automobile parts and accessories. Its products include A/C parts, alternators and starters, batteries, bearings and seals, belts and hoses, brakes, catalytic converters, chassis parts, clutches and components, electric motors, engines and parts, filters, fuel pumps, fuses and lighting gaskets, heater parts, ignition and wires, motor mounts, motor oil. The company was founded in 1954 by Charles A. Key Sr. and Charles Spach and is headquartered in Winston-Salem, NC.
2/27/18	Interamerican Motor Corp.	Parts Authority, Inc.	Interamerican Motor Corp. distributes automotive import car replacement parts. Its products include belts, brakes, chemicals, climate control and clutch products. The company was founded by Wulf Gaertner in 1962 and is headquartered in Canoga Park, CA.
2/26/18	Connecticut Warehouse Distributors, Inc.	Elliott Auto Supply Co., Inc.	Connecticut Warehouse Distributors, Inc. provides automotive parts and accessories. It offers chemical and equipment, and shop supplies. The company was founded in 1959 and is headquartered in Branford, CT.
1/17/18	Levin's Auto Supply LLC	Highline Aftermarket Acquisition LLC	Levin's Auto Supply LLC distributes automotive aftermarket parts and products. The firm's products include 303 protectant, armor, blue magic products, eagle one products, driven racing oil, master lock security, peak accessories, quality tire chains and titan hand tool. The company was founded by Sayde Levin in 1920 and is headquartered in Sacramento, CA.
12/1/17	BS&F Auto Parts, Inc.	Icahn Associates Holding LLC; Icahn Automotive Group LLC	BS&F Auto Parts, Inc. retails automobile tires, batteries, and other automobile parts and accessories. It offers heating and air conditioning parts, belts and cooling, chassis and steering, drive trains, shocks and struts, braking systems, fuel and emission and engine components. The company was founded by Nick Ferrer in 1980 and is headquartered in Bronx, NY.
11/22/17	Henry's Automotive Warehouse	Raybuck Auto Body Parts	Henry's Automotive Warehouse supplies automotive body parts. The company was founded in 1984 and is headquartered in Pittsburgh, PA.
10/19/17	Monroe Motor Products, Inc.	Genuine Parts Co.	Monroe Motor Products, Inc. distributes automotive parts and accessories. The company is headquartered in Rochester, NY.

Median EBITDA Multiples Trend

Average Number of Months to Close Deals

2017	2018
8.7	9.3

Breakdown of Cash at Close

	2017		2018	
	<i>Low</i>	<i>High</i>	<i>Low</i>	<i>High</i>
Cash*	82%	86%	78%	85%
Seller Financing	10%	17%	10%	11%
Earn Out	0%	4%	1%	3%
Retained Equity	0%	4%	0%	4%

* Combination of buyers equity and senior debt

Advisor, Investor, and Executive Surveys

- 79% expect increased average number of deals in 2019 (up from 70% a year ago)
- 83% expect strong market to expire within the next 24 months (33% say its within 12)
- 19% of transactions valued below \$2M were business services – highest proportion
- 27% of transactions valued above \$2M were in manufacturing – highest proportion
- 66% of investors/buyers use adjusted EBITDA multiple when valuing privately-held businesses
- Top 3 reasons deals didn't close were valuation gap (36%), unreasonable seller/buyer demand (20%) and no market for business (11%)

EBITDA	Manufacturing	Construction & Engineering	Consumer Goods & Services	Wholesale & Distribution	Business Services	Basic Materials & Energy	Healthcare & Biotech	Information Technology	Financial Services	Media & Entertainment	Average
< \$1M	5.0x	3.5x	4.3x	5.5x	3.0x	5.0x	4.3x	7.0x	5.5x	4.0x	4.7x
\$1M - \$5M	5.5x	4.5x	5.5x	5.5x	4.8x	5.5x	5.5x	7.5x	6.0x	5.5x	5.6x
\$5M - \$10M	6.5x	5.0x	5.8x	5.8x	5.3x	6.0x	7.3x	8.0x	7.5x	6.0x	6.3x
\$10M - \$25M	7.5x	6.5x	6.5x	7.5x	6.0x	6.0x	7.5x	8.5x	7.8x	6.5x	7.0x

Sources: Pepperdine Private Capital Markets Report, PitchBook Data, GF Data M&A Report November 2018, Market Pulse