



# INVESTOR PRESENTATION

August 2018



# DISCLOSURE

## Forward-Looking Statements

This presentation includes "forward-looking statements" within the meaning of the "Safe-Harbor" provisions of the Private Securities Litigation Reform Act of 1995. Forward looking statements include statements regarding our goals, plans, projections and guidance regarding our financial position, results of operations, market position, pending and potential future acquisitions and business strategy, and often contain words such as "project," "outlook," "expect," "anticipate," "intend," "plan," "believe," "estimate," "may," "seek," "would," "should," "likely," "goal," "strategy," "future," "maintain," "continue," "remain," "target" or "will" and similar references to future periods. Examples of forward-looking statements in this press release include, among others, statements regarding:

- Expected operating results, such as improved store efficiency and performance and targeted 2018 performance such as revenue, EPS and growth rates;
- Our ability to improve store performance;
- Anticipated acquisition opportunities and additions of dealership locations to our portfolio in the future, and our ability to improve earnings and achieve returns on investments;
- Anticipated revenues from acquired and open point stores; and
- Anticipated availability of liquidity from our credit facility and unfinanced operating real estate.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events that depend on circumstances that may or may not occur in the future. 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 press release. 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), 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. We urge you to carefully consider this information and not place undue reliance on forward-looking statements. We undertake no duty to update our forward-looking statements, including our earnings outlook, which are made as of the date of this presentation.

## 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. We present cash flows from operations in the attached tables, adjusted to include the change in non-trade floor plan debt to improve the visibility of cash flows related to vehicle financing. 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.

## HIGHLIGHTS



**One of the largest auto retailers in the U.S.**  
(#3 by adj. EBITDA / #4 by revenue)



**#294 on the Fortune 500**



**#14 5-year Total Shareholder Return on the Fortune 500 in 2017**  
(#1 in 2015, #2 in 2016)



**\$12bn**  
in est. 2018 revenues



**188 Service/delivery centers reaching 80% of the U.S.**



**15,000 team members nationwide**

## HISTORY

**1946**

Walt DeBoer founded Lithia Motors in 1946 as a Chrysler-Plymouth-Dodge dealership in Ashland, Oregon

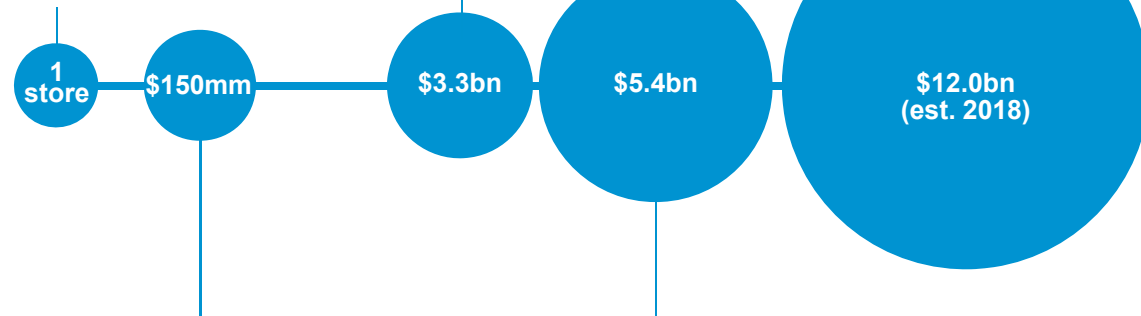


**2012**

In May 2012, Bryan DeBoer became CEO, accelerating company growth

**TODAY**

Lithia is one of the largest, strongest returning and most diversified public automotive retailers in North America



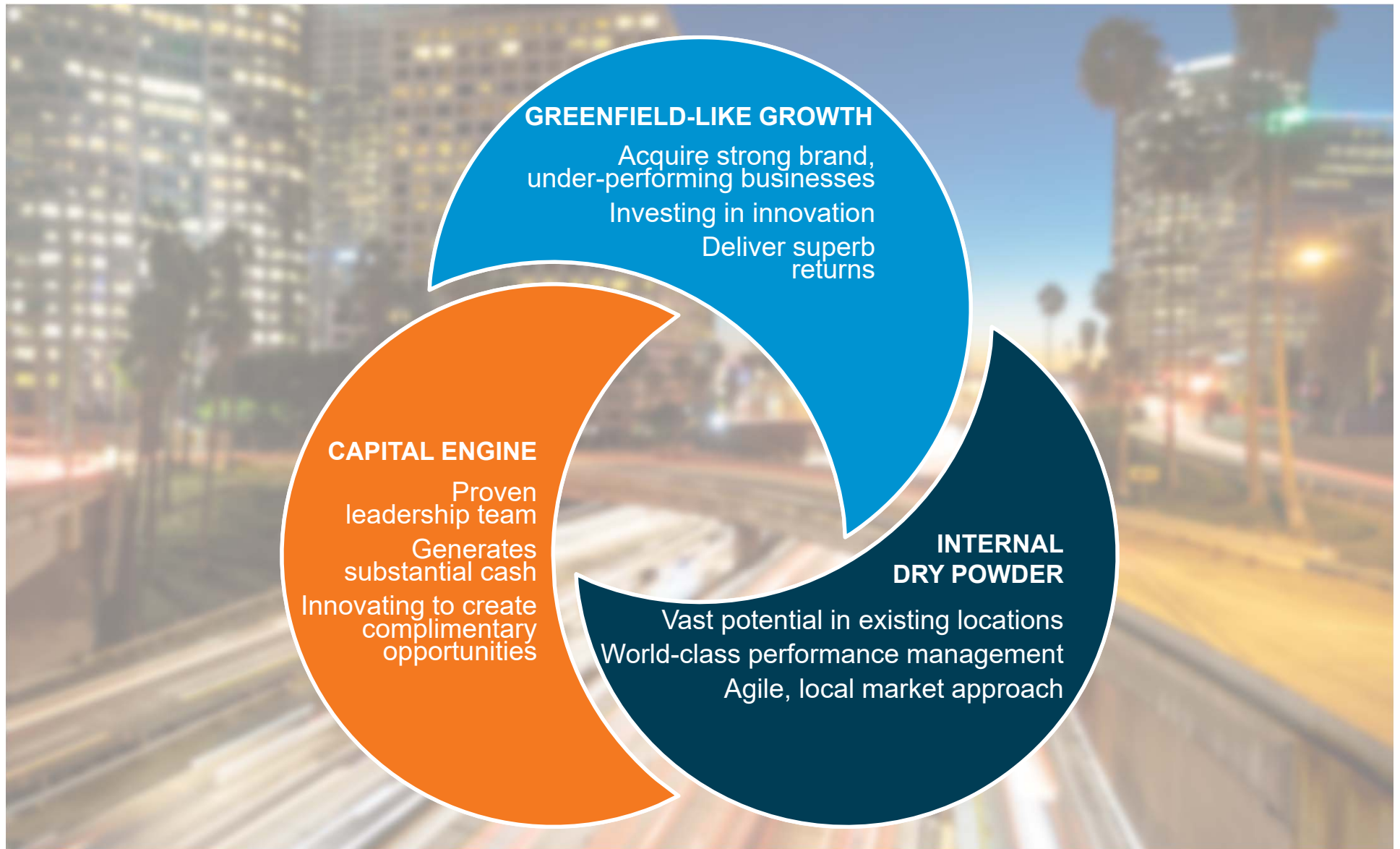
**1996**

Walt's son Sid took over the business in 1968 and grew it to include 5 locations and 19 franchises in Southern Oregon. In December 1996, the collection of dealerships was transformed into Lithia Motors, Inc., a publicly traded company (NYSE:LAD)

**2014**

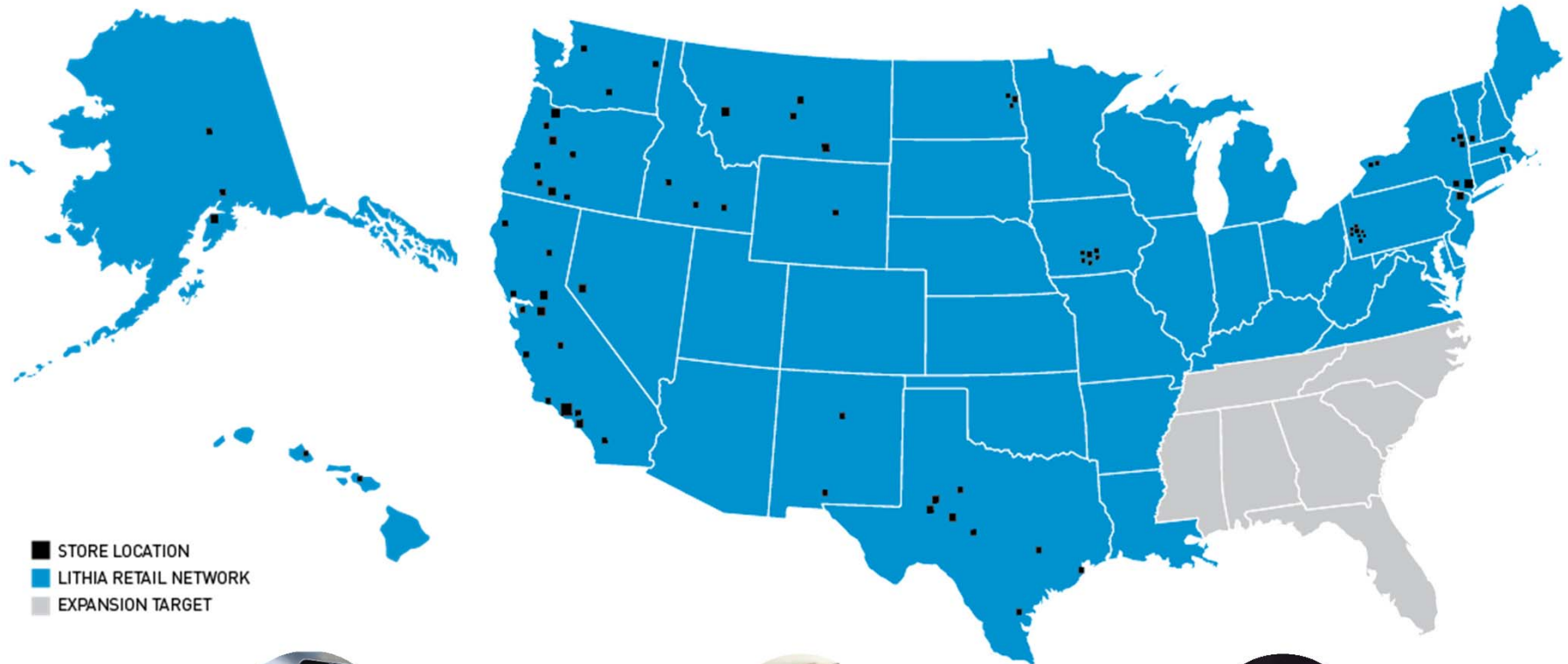
In October, completed the acquisition of DCH Auto Group, adding ~\$2.3bn in annualized revenue, one of the largest deals between dealership groups in history

# OUR STRATEGY





# OUR SERVICE AND DELIVERY NETWORK



## ONLINE & IN-STORE FULFILLMENT

Consumer freedom to shop wherever, whenever and however they desire



## NATIONAL PRESENCE

Offering same day delivery for 80% of the United States



## LEADING RETAILER

#4 auto retailer; 2<sup>nd</sup> largest owned inventory online

# PERSONALIZED CUSTOMER EXPERIENCE

Shopping wherever, whenever and however consumers desire



**RESEARCH**  
**80%**  
of customers  
research vehicles  
online prior to  
purchase

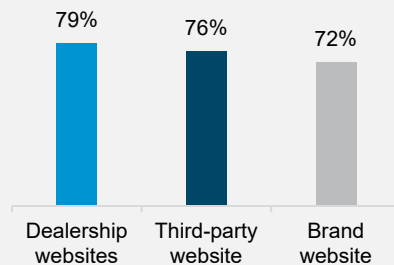


**PURCHASE**  
**90%**  
of customers prefer  
to test drive a car  
before buying



**DELIVERY**  
**82%**  
of customers prefer to  
buy a car in person rather  
than entirely online

- Dealership websites a primary source of information



- Locations provide critical brand experience and product knowledge
- Provide direction on affordability, financing questions and trade-in values

- Simple process for purchase, trade-in and financing
- 80% of vehicle purchases have a trade-in
- 75% of vehicles sold have financing arranged by the dealer

Source: EY Automotive Retail 2030 publication, TrueCar 2018 Path to Purchase Study, TrueCar Consumer Journal Study – Feb/March 2017



# OUR KEY STRENGTHS

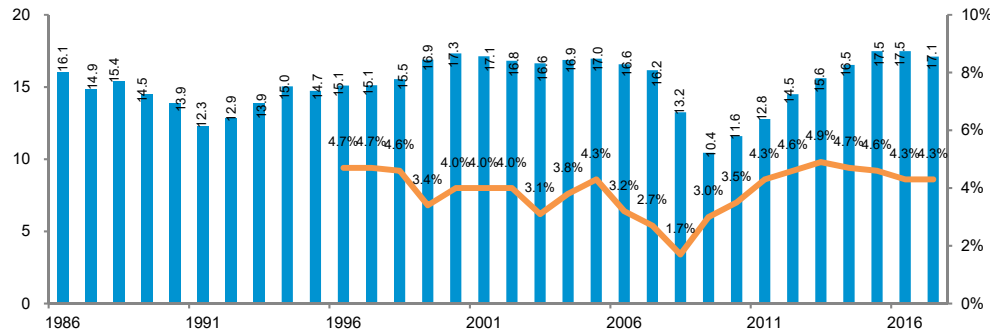
# RESILIENT BUSINESS MODEL

## Profitable business with multiple earnings streams

### SUMMARY

- 52% of gross profit derived from countercyclical segments (Used, P&S)
- A third of gross profit from high-margin and stable Parts & Service segment
- Generated 1.7% Adj. EBITDA margin at trough of financial crisis

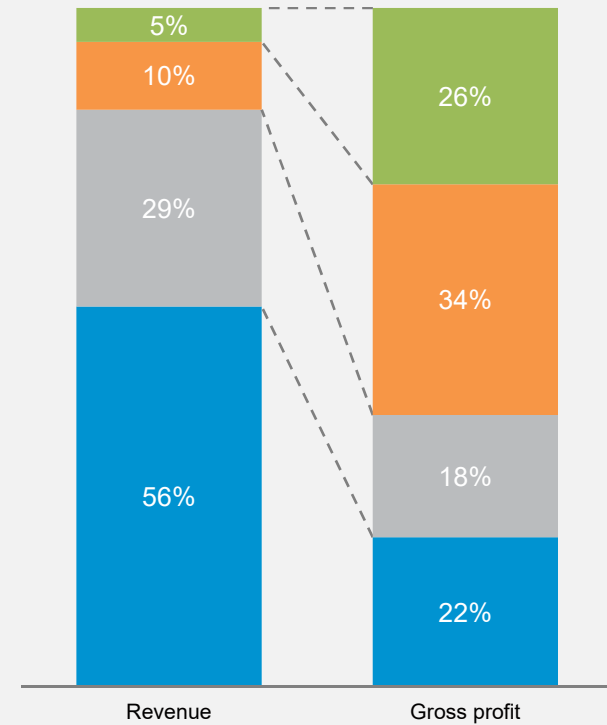
### SAAR AND ADJUSTED EBITDA



Note: Adjusted EBITDA is defined as net income, excluding non-core items, addback other interest expense, taxes and depreciation, less floor plan interest expense, used vehicle LOC interest expense

### LITHIA BUSINESS MIX

■ New vehicles ■ Used vehicles ■ Parts and service ■ F&I



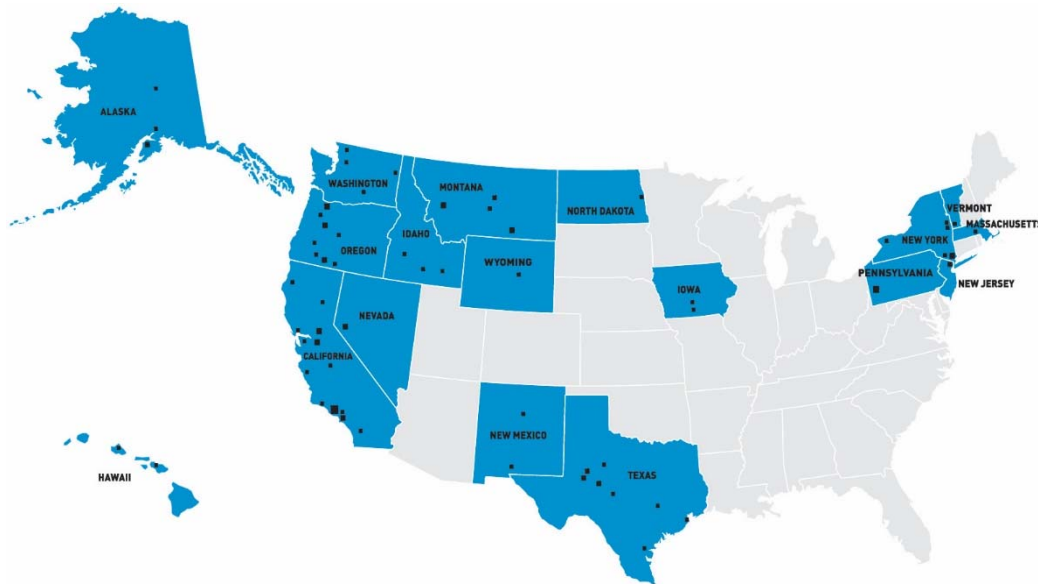
Note: Revenue and gross profit mix for the three-months ended June 30, 2018



# DIVERSIFIED BY GEOGRAPHY AND BRAND

Nationwide footprint with 188 locations representing 28 brands across 18 states

## GEOGRAPHIC PRESENCE



## NEW VEHICLE REVENUE BY BRAND

		LITHIA NEW VEHICLE UNIT MIX	
Import	57%	Toyota	20%
		Honda	17%
		Subaru	9%
		Nissan	6%
		Other Import*	5%
Domestic	30%	Chrysler	16%
		GM	8%
		Ford	6%
Luxury	13%	BMW/Mini	4%
		Audi	3%
		Acura	2%
		Mercedes	2%
		Other Luxury**	2%

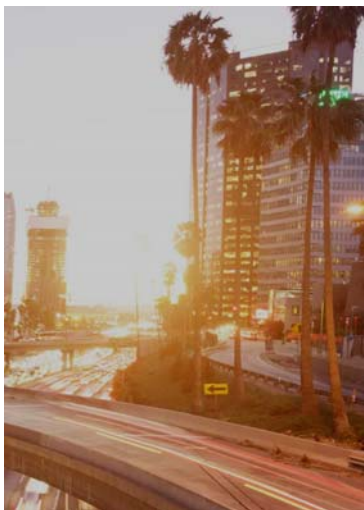
\*Other import includes Hyundai, VW, Kia and Mazda

\*\* Other luxury includes Lexus and Porsche

Mix as of the three-months ended June 30, 2018

# GENERATING GREENFIELD-LIKE RETURNS

Leveraging people, retail network and technology

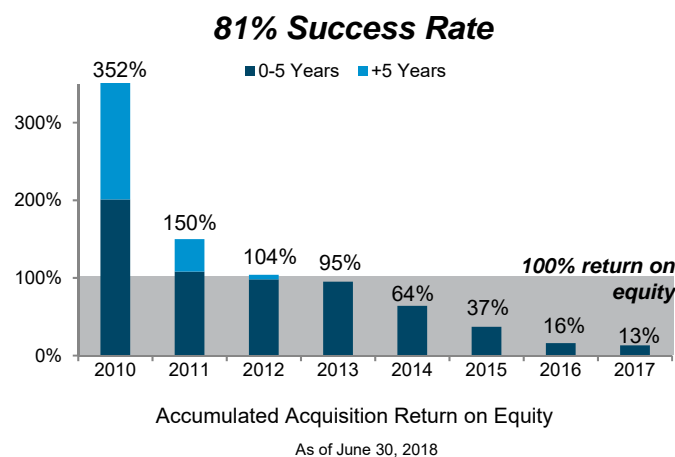


- Continue to scale nationwide footprint
- Seek strong franchises under-earning their potential
- Regularly monitor 2,600 specific acquisition targets

## INVESTMENT METRICS

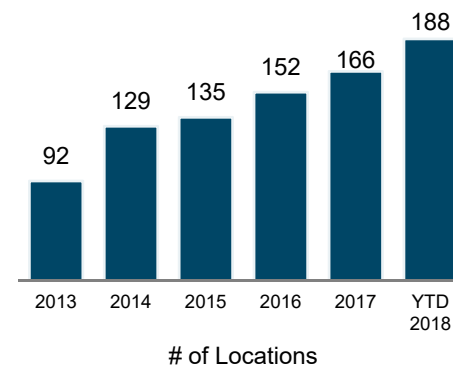
- 15-20+% after tax ROE
- 3x-5x Ent. Value/EBITDA
- 10%-20% equity investment on annual revenues

## HISTORICAL RETURNS



## EXPANDING OUR RETAIL NETWORK

**25% 5-year Revenue CAGR**



# DRY POWDER OPPORTUNITY

Earnings potential through improving underperforming locations

## COMMENTARY

- Significant earning growth through better execution
- Driving performance improvements creates synergistic benefits:
  - Increased trade-ins drive incremental used vehicle sales
  - Increased retail vehicle sales generate additional F&I income
  - Increased units in operation grow downstream service business
- Total EBITDA opportunity of ~\$250mm

## INCREMENTAL PROFIT OPPORTUNITY

(\$mm)	Potential Performance	Synergistic Benefit	Total
New Vehicle: increase # of vehicles retailed	\$70	-	\$70
Used Vehicle: increase # of vehicles retailed	90	50	140
F&I: increase PVR	50	130	180
Parts & Service: increase retention rate	70	20	90
<b>Incremental gross profit opportunity</b>	<b>\$280</b>	<b>\$200</b>	<b>\$480</b>
Estimated EBITDA	\$110	\$80	\$190
Leverage: reduce SG&A as a % of gross	70	-	70
Increased floor plan interest expense	(6)	(4)	(10)
<b>Incremental EBITDA opportunity</b>	<b>\$174</b>	<b>\$76</b>	<b>\$250</b>

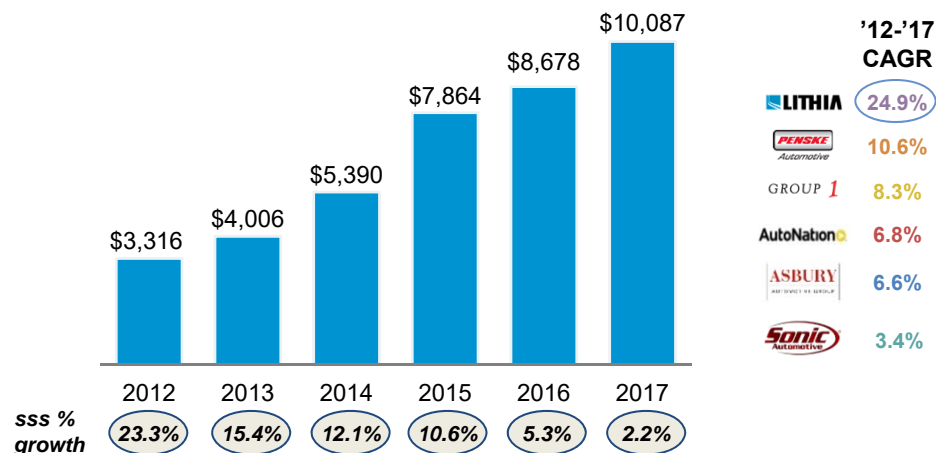
Note: Values based on analysis performed as of June 2018

# INDUSTRY LEADING GROWTH AND MARGIN PROFILE

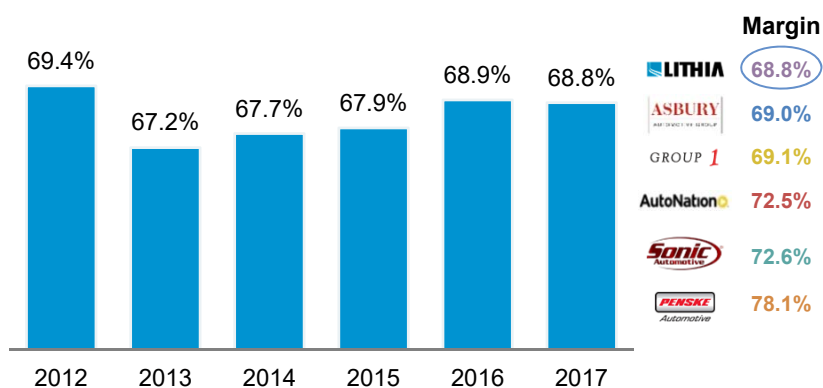
## SUMMARY

- 25% '12-'17 revenue CAGR, ~2.5x closest peer
- Same-store growth outpacing market
- Best-in-class cost structure
- Leading EBITDA growth and strong margin profile

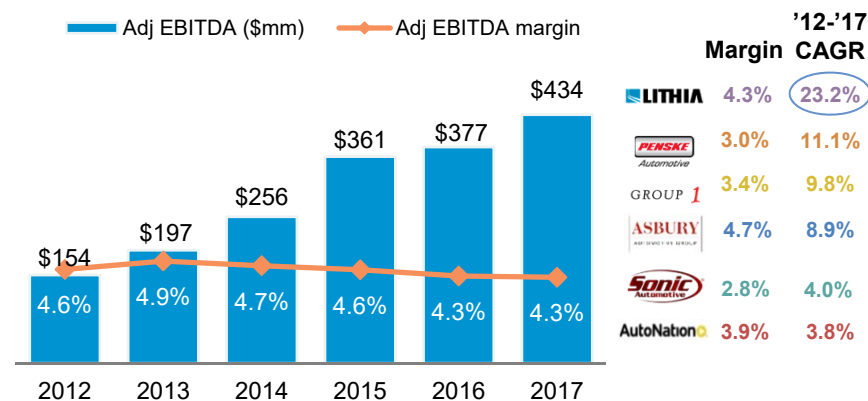
## REVENUE



## ADJUSTED SG&A AS A % OF GROSS PROFIT



## ADJUSTED EBITDA



Adjusted EBITDA is defined as net income, excluding non-core items, addback other interest expense, taxes and depreciation, less floor plan interest expense, used vehicle LOC interest expense.

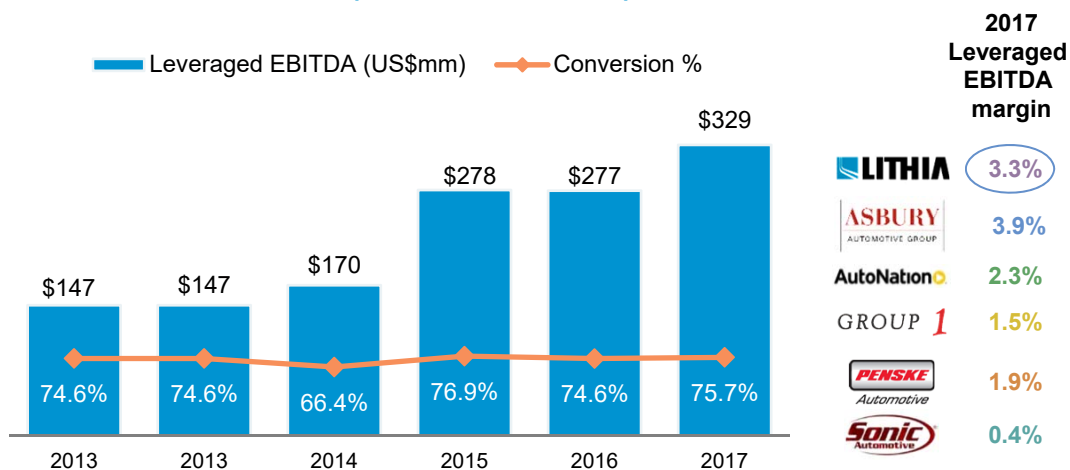


# ROBUST FCF GENERATION AND LOW LEVERAGE

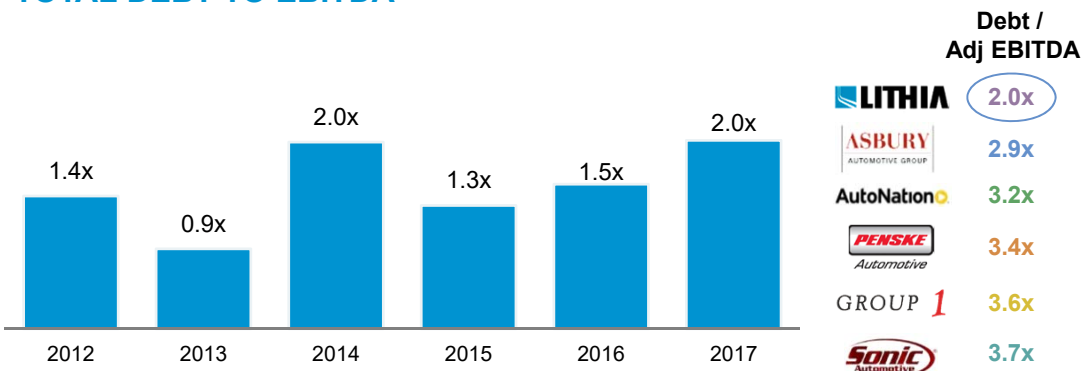
## SUMMARY

- Strong free cash flow generation
- Proven ability to delever
- Low leverage vs. peers
- Disciplined and transparent capital allocation policies
  - Organic growth opportunities
  - Strategic M&A
  - Dividends
  - Opportunistic buy-backs

## LEVERAGED EBITDA (EBITDA – CAPEX)



## TOTAL DEBT TO EBITDA



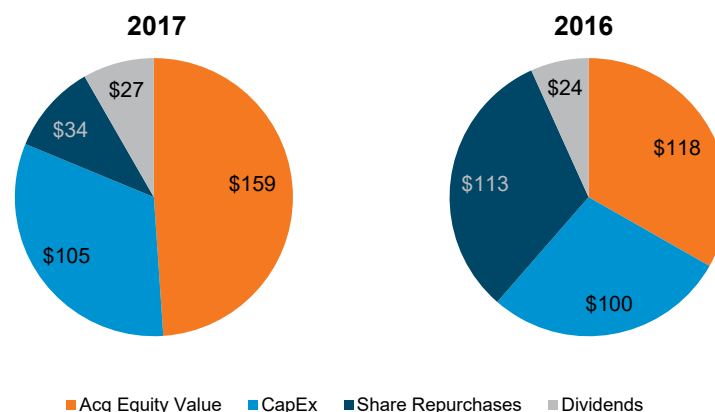
Note: Leveraged EBITDA conversion defined as EBITDA less capex / EBITDA; Total debt exclude floor plan and used vehicle LOC.

# PRUDENT STEWARDS OF CAPITAL

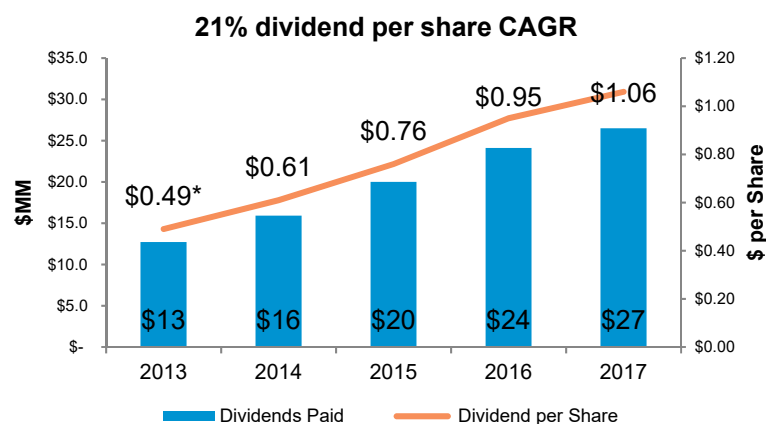
## CAPITAL ALLOCATION STRATEGY

- Pursue acquisitions to expand customer and revenue base
- Invest in the business and innovation to drive growth
- Return cash to shareholders through dividend
- Repurchase shares opportunistically after offsetting annual dilution

## USES OF CASH

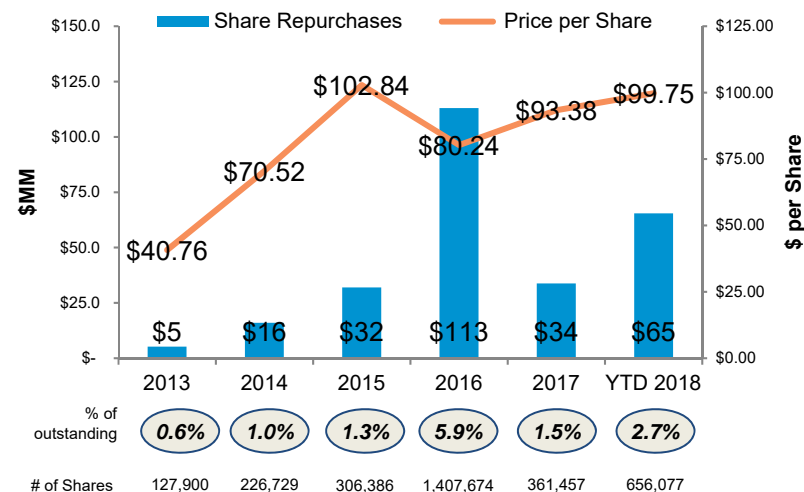


## DIVIDENDS PAID



\*Q4'12 dividend was accelerated and paid in December 2012 rather than in 2013. Data has been normalized to include the \$0.10 dividend in 2013

## SHARE REPURCHASES



Note: YTD 2018 as of June 30, 2018



# Q2'18 UPDATE

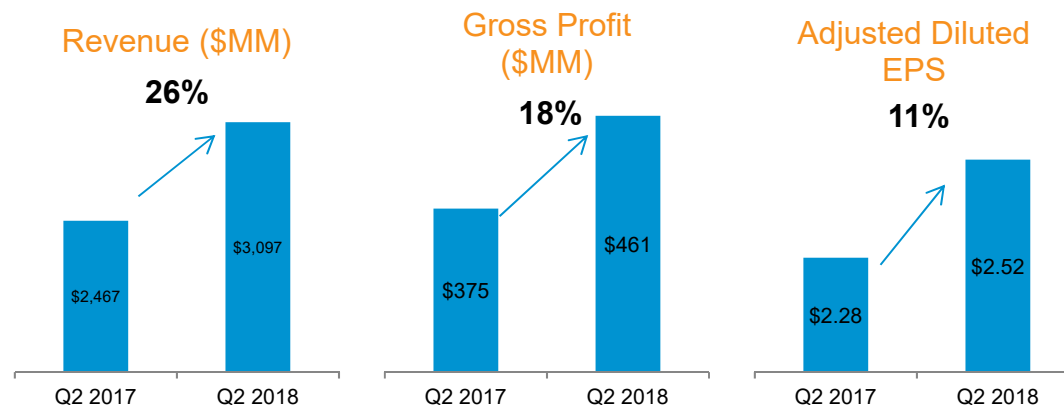


# Q2'18 INCOME STATEMENT SUMMARY

## COMMENTARY

- Increased revenue 26% and adjusted EPS 11%
- Increased total same store sales 3%
- 31<sup>th</sup> consecutive quarter of record results

## Q2 2018 HIGHLIGHTS



Note: See appendix for reconciliation of adjusted diluted EPS

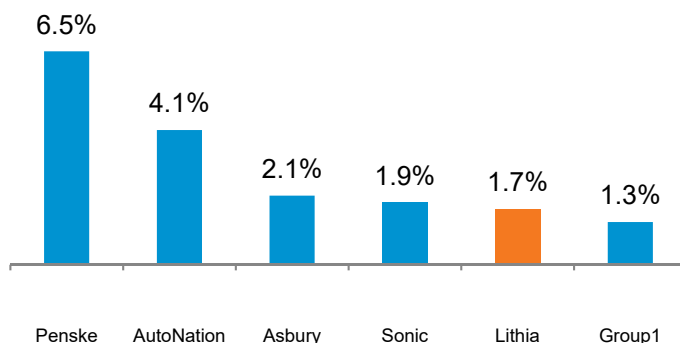
## SAME STORE QUARTER-OVER-QUARTER GROWTH

	Revenue	Gross Profit
New vehicles	-	(1)%
Used retail vehicles	7%	3%
F&I	1%	1%
Service, parts and body	3%	3%
<b>Total</b>	<b>3%</b>	<b>2%</b>

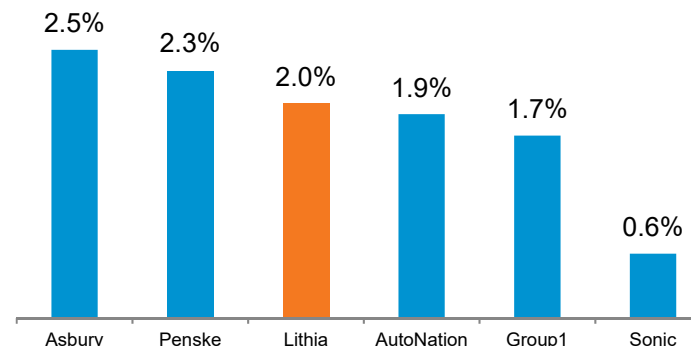


# Q2'18 PEER COMPARISON

## SAME STORE GROSS PROFIT GROWTH



## ADJUSTED NET PROFIT MARGIN



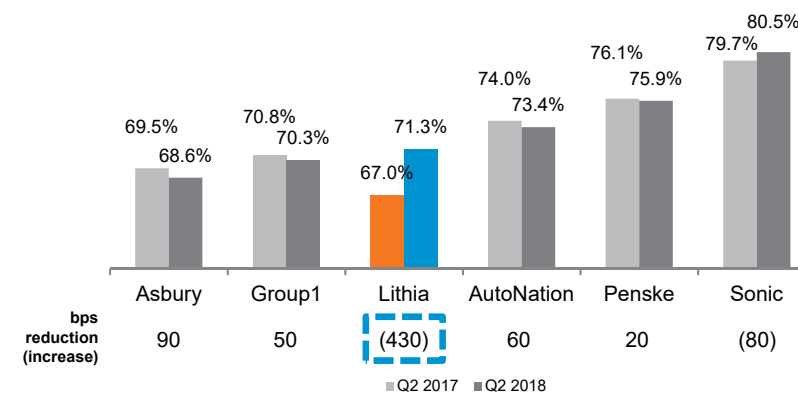
Note: See appendix for reconciliation of adjusted net profit margin.

## SAME STORE SALES GROWTH

	LAD	ABG	AN	SAH	GPI	PAG
New Vehicles	0.4%	2.7%	2.6%	1.6%	(1.6)%	7.3%
Used Vehicles	7.1%	8.1%	8.9%	8.9%	8.4%	11.7%
F&I	0.5%	5.0%	9.7%	12.3%	1.5%	9.7%
SB&P	3.2%	-	1.0%	(0.2)%	1.0%	6.0%
<b>Total</b>	<b>2.6%</b>	<b>3.5%</b>	<b>3.7%</b>	<b>4.1%</b>	<b>0.3%</b>	<b>7.9%</b>

Note: Group1 results reflect US only performance

## ADJUSTED SG&A AS A % OF GROSS PROFIT



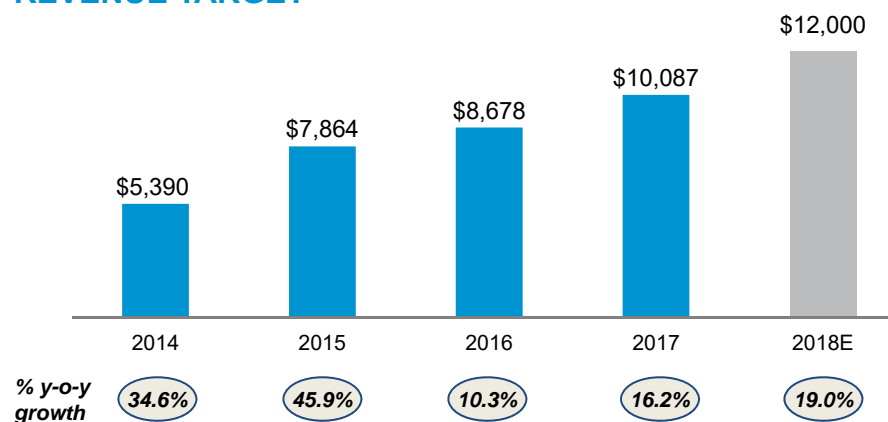
Note: See appendix for reconciliation of adjusted SG&A. ; Group1 results reflect US only performance

# EARNINGS OUTLOOK

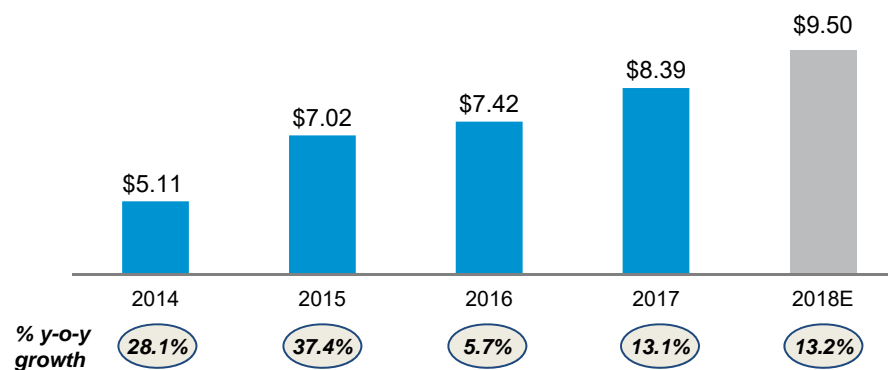
## 2018 TARGETS

- Full year revenues of \$11.75 billion to \$12.25 billion
- Earnings per share of \$9.50
- Targeting double-digit top and bottom line growth

## REVENUE TARGET



## EPS TARGET



Note: See appendix for reconciliation of adjusted diluted EPS



# APPENDIX

# SUPPLEMENTAL INFORMATION

## 2018 Quarterly Income Statement

\$K	Q4	Q3	Q2	Q1	YTD 2018
New vehicle			1,726,803	1,454,725	3,181,528
Used vehicle			804,098	715,574	1,519,672
Wholesale used vehicles			85,335	75,955	161,290
Finance and insurance			114,492	106,505	220,997
Service, body and parts			311,407	285,697	597,104
Fleet and other			54,402	21,223	75,625
<b>Total Revenues</b>			<b>3,096,537</b>	<b>2,659,679</b>	<b>5,756,216</b>
New vehicles			101,494	86,947	188,441
Retail used vehicles			87,101	73,611	160,712
Wholesale used vehicles			1,926	926	2,852
Finance and insurance			114,492	106,505	220,997
Service, body and parts			153,707	138,408	292,115
Fleet and other			2,007	1,714	3,721
<b>Gross Profit</b>			<b>460,727</b>	<b>408,111</b>	<b>868,838</b>
SG&A			333,350	297,494	630,844
Depreciation and Amortization			18,821	16,854	35,675
<b>Operating Income</b>			<b>108,556</b>	<b>93,763</b>	<b>202,319</b>
Floor plan interest expense			15,634	13,534	29,168
Other interest expense			13,829	11,806	25,635
Other (income) expense, net			(1,659)	(1,374)	(3,033)
<b>Income (loss) before taxes</b>			<b>80,752</b>	<b>69,797</b>	<b>150,549</b>
Income tax expense			20,092	17,736	37,828
<b>Income from continuing operations</b>			<b>60,660</b>	<b>52,061</b>	<b>112,721</b>



# SUPPLEMENTAL INFORMATION

## 2018 Adjusted Income Statement Details

	YTD 6/30/2018	Reserve adjustments	Acquisition expenses	Tax attribute	YTD 6/30/2018
<b>\$K, except for per share amounts</b>	As Reported	Q2	Q2	Q2	Adjusted
Selling, general and administrative	\$630,844	(1,490)	(3,251)	-	\$626,103
Income from operations	\$202,319	1,490	3,251	-	\$207,060
Income from continuing operations before income taxes	\$150,549	1,490	3,251	-	\$155,290
Income taxes	(37,828)	(389)	(853)	(1,409)	(40,479)
Net income from continuing operations	\$112,721	1,101	2,398	(1,409)	\$114,711
Diluted earnings per share from continuing operations	\$4.50	0.04	0.10	(0.05)	\$4.59
Diluted share count	25,028				

# SUPPLEMENTAL INFORMATION

## 2017 Adjusted Income Statement Details

	YTD 12/31/2017	OEM settlements	Gain on sale of store	Reserve adjustments		Acquisition expenses		Tax act	YTD 12/31/2017
	As Reported	Q1	Q4	Q2	Q3	Q2	Q3	Q4	Adjusted
<b>\$K, except for per share amounts</b>									
Selling, general and administrative	\$1,049,378	-	5,104	(3,878)	(1,704)	(2,137)	(3,516)	-	\$1,043,247
Income from operations	408,986	-	(5,104)	3,878	1,704	2,137	3,516	-	415,117
Other income (expense), net	12,195	(9,111)	-	-	-	-	-	-	3,084
Income from continuing operations before income taxes	\$347,069	(9,111)	(5,104)	3,878	1,704	2,137	3,516	-	\$344,089
Income taxes	(101,852)	3,423	2,482	(1,231)	(943)	(821)	(1,381)	(32,901)	(133,224)
Net income from continuing operations	\$245,217	(5,688)	(2,622)	2,647	761	1,316	2,135	(32,901)	\$210,865
Diluted earnings per share from continuing operations	\$9.75	(0.23)	(0.10)	0.11	0.03	0.05	0.09	(1.31)	\$8.39
Diluted share count	25,145								

# SUPPLEMENTAL INFORMATION

## 2016 Adjusted Income Statement Details

	YTD 12/31/2016	Gain on sale of stores	Equity investment fair valuation adjustment				Legal reserve adjustment		Tax attribute	YTD 12/31/2016
	As Reported	Q1	Q1	Q2	Q3	Q4	Q1	Q4	Q4	Adjusted
<b>\$K, except for per share amounts</b>										
Asset impairments	\$13,992	-	(3,498)	(3,498)	(3,498)	(3,498)	-	-	-	-
Selling, general and administrative	899,590	1,087	-	-	-	-	(1,906)	(2,030)	-	896,741
Income from operations	338,364	(1,087)	3,498	3,498	3,498	3,498	1,906	2,030	-	355,205
Other income	(6,103)	-	2,066	2,065	2,066	2,065	-	-	-	2,159
Income from continuing operations before income taxes	\$283,523	(1,087)	5,564	5,563	5,564	5,563	1,906	2,030	-	\$308,626
Income taxes	(86,465)	426	(5,945)	(6,837)	(7,592)	(8,156)	(747)	(2,503)	(1,320)	(119,139)
Net income from continuing operations	\$197,058	(661)	(381)	(1,274)	(2,028)	(2,593)	1,159	(473)	(1,320)	\$189,487
Diluted earnings per share from continuing operations	\$7.72	(0.03)	(0.01)	(0.05)	(0.08)	(0.11)	0.05	(0.02)	(0.05)	\$7.42
Diluted share count	25,521									

# SUPPLEMENTAL INFORMATION

## 2015 Adjusted Income Statement Details

	YTD 12/31/2015	Gain on sale of stores		Asset impairment		Transition Agreement	Equity Investment				YTD 12/31/2015
	As Reported	Q1	Q2	Q2	Q4	Q3	Q1	Q2	Q3	Q4	Adjusted
<b>\$K, except for per share amounts</b>											
Asset impairments	\$20,124	—	—	(2,000)	(1,603)	—	(4,130)	(4,130)	(4,131)	(4,130)	—
Selling, general and administrative	811,175	3,349	2,570	—	—	(18,296)	—	—	—	—	798,798
Income from operations	302,735	(3,349)	(2,570)	2,000	1,603	18,296	4,130	4,130	4,131	4,130	335,236
Other income	(1,006)	—	—	—	—	—	1,732	1,733	1,732	\$1,733	5,924
Income from continuing operations before income taxes	\$262,704	(3,349)	(2,570)	2,000	1,603	18,296	5,862	5,863	5,863	5,863	\$302,135
Income taxes	(79,705)	1,004	1,305	(780)	(605)	(6,507)	(7,250)	(7,652)	(7,414)	(8,516)	(116,120)
Net income from continuing operations	\$182,999	(2,345)	(1,265)	1,220	998	11,789	(1,388)	(1,789)	(1,551)	(2,653)	\$186,015
Diluted earnings per share from continuing operations	\$6.91	(0.09)	(0.05)	0.05	0.03	0.45	(0.05)	(0.07)	(0.06)	(0.10)	\$7.02
Diluted share count	26,490										

# SUPPLEMENTAL INFORMATION

## 2014 Adjusted Income Statement Details

	YTD 12/31/2014	Disposal Gain	Reserve adjustments	Equity Investment	Acquisition expenses			Tax Attribute			YTD 12/31/2014
	As Reported	Q2	Q1	Q4	Q2	Q3	Q4	Q2	Q3	Q4	Adjusted
<b>\$K, except for per share amounts</b>											
Asset impairments	\$1,853	-	-	(1,853)	-	-	-	-	-	-	-
Selling, general and administrative	\$563,207	-	(3,931)	-	(163)	(883)	(819)	-	-	-	\$557,411
Income from operations	\$231,899	-	3,931	1,853	163	883	819	-	-	-	\$239,548
Other income	3,199			1,160							\$4,359
Income from continuing operations before income taxes	\$210,495	-	3,931	3,013	163	883	819	-	-	-	\$219,304
Income taxes	(\$74,955)	-	(1,545)	(6,506)	(63)	(319)	(338)	(73)	(194)	(600)	(84,593)
Net income from continuing operations	\$135,540	-	2,386	(3,493)	100	564	481	(73)	(194)	(600)	\$134,711
Net income from discontinued operations	\$3,180	(3,490)	-	-	-	-	-	-	-	-	\$(310)
Net income	\$138,720	(3,490)	2,386	(3,493)	100	564	481	(73)	(194)	(600)	\$134,401
Diluted earnings per share from continuing operations	\$5.14	-	0.09	(0.13)	-	0.02	0.02	-	(0.01)	(0.02)	\$5.11
Diluted earnings per share from discontinued operations	\$0.12	(0.13)	-	-	-	-	-	-	-	-	\$(0.01)
Diluted earnings per share	\$5.26	(0.13)	0.09	(0.13)	-	0.02	0.02	-	(0.01)	(0.02)	\$5.10
Diluted share count	26,382										

# SUPPLEMENTAL INFORMATION

## EBITDA and Adjusted EBITDA

\$K	YTD 2018	FY 2017	FY 2016
Net income	112,721	\$245,217	\$197,058
Add: other interest expense	25,635	34,776	23,207
Add: income taxes	37,828	101,852	86,465
Add: depreciation and amortization	35,675	57,722	49,369
<b>EBITDA</b>	<b>211,859</b>	<b>\$439,567</b>	<b>\$356,099</b>
Less: used vehicle line of credit interest	(535)	(2,740)	(3,732)
Less: gain on sale of stores	-	(5,104)	(1,087)
Add: asset impairments	-	-	13,992
Add: equity investment fair value adjustment	-	-	8,262
Less: OEM legal settlement	-	(9,111)	-
Add: acquisition expenses	3,251	5,653	-
Add: reserve adjustments	1,490	5,582	3,936
<b>Adjusted EBITDA</b>	<b>\$216,065</b>	<b>\$433,847</b>	<b>\$377,470</b>