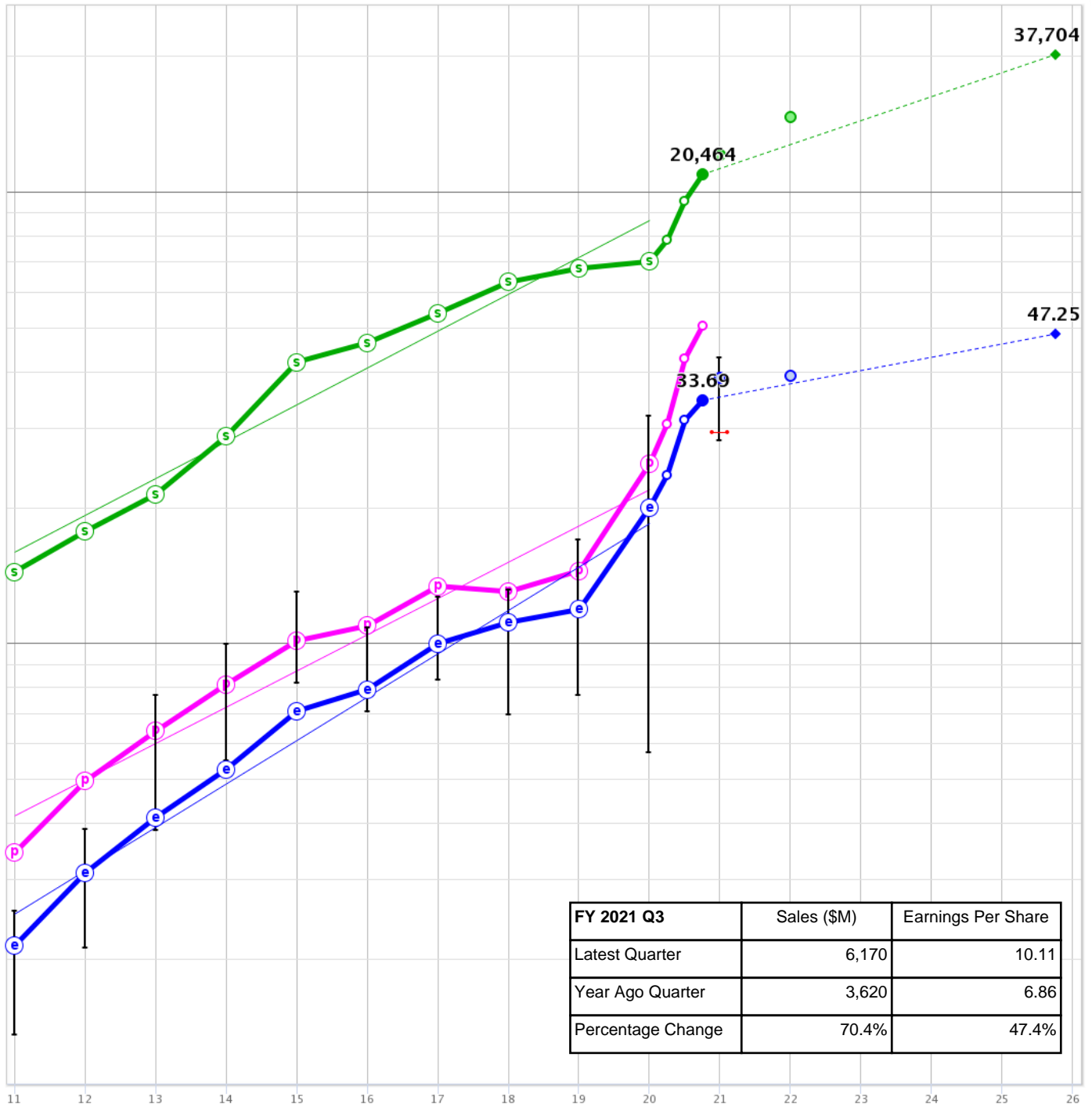


Stock Selection Guide

Company	Lithia Motors			Date	02/04/22		
Prepared by	BASKAR			Data taken from	BI Stock Data		
Where traded	NYS			Industry	Auto & Truck Dealerships		
Capitalization --- Outstanding Amounts	Reference						
Preferred (\$M)	0.0	% Insiders			% Institution		
Common (M Shares)	30.5	3.2			51.7		
Debt (\$M)	4,149.9	% to Tot Cap	47.7	% Pot Dil	0.7		

Symbol: LAD

1 VISUAL ANALYSIS of Sales, Earnings, and Price



- | | | | |
|-----------------------------------|-------|--|-------|
| (1) Historical Sales Growth | 20.7% | (3) Historical Earnings Per Share Growth | 24.8% |
| (2) Estimated Future Sales Growth | 13.0% | (4) Estimated Future Earnings Per Share Growth | 7.0% |

2 EVALUATING Management

Lithia Motors

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Last 5 Year Avg.
Pre-tax Profit on Sales	3.3%	3.9%	4.1%	3.9%	3.3%	3.3%	3.4%	2.9%	3.0%	4.9%	3.5%
% Earned on Equity	15.6%	18.2%	20.5%	21.6%	23.0%	22.4%	23.6%	20.7%	19.8%	30.5%	23.4%
% Debt To Capital	63.2%	67.2%	64.4%	73.0%	70.3%	72.4%	73.3%	74.2%	72.0%	61.1%	70.6%

3 PRICE-EARNINGS HISTORY as an indicator of the future

This shows how stock prices have fluctuated with earnings and dividends. It is building block for translating earnings into future stock prices.

CLOSING PRICE 285.86 (02/04/22)

HIGH THIS YEAR 417.98

LOW THIS YEAR 274.03

	A	B	C	D	E	F	G	H
Year	Price		Earnings	Price Earnings Ratio		Dividend	% Payout	% High Yield
	High	Low	Per Share	High A / C	Low B / C	Per Share	F / C * 100	F / B * 100
2016	105.4	68.7	7.72	13.7	8.9	0.95	12.3	1.4
2017	123.5	80.9	9.75	12.7	8.3	1.06	10.9	1.3
2018	128.0	67.9	10.86	11.8	6.3	1.14	10.5	1.7
2019	165.3	74.9	11.60	14.2	6.5	1.19	10.3	1.6
2020	310.6	55.7	19.53	15.9	2.9	1.22	6.2	2.2
AVERAGE		69.6		13.7	6.6		10.0	
CURRENT/TTM			33.69			1.40	4.2	
AVERAGE PRICE EARNINGS RATIO: 10.1				CURRENT PRICE EARNINGS RATIO: 8.5				

4 EVALUATING RISK and REWARD over the next 5 years

Assuming one recession and one business boom every 5 years, calculations are made of how high and how low the stock might sell. The upside-downside ratio is the key to evaluating risk and reward.

A HIGH PRICE - NEXT 5 YEARS

Avg. High P/E 13.0 X Estimate High Earnings/Share 47.25 = Forecasted High Price \$ 614.3

B LOW PRICE - NEXT 5 YEARS

(a) Avg. Low P/E 6.3 X Estimate Low Earnings/Share 33.69 = Forecasted Low Price \$ 212.2

(b) Avg. Low Price of Last 5 Years 69.6

(c) Recent Market Low Price 55.7

(d) Price Dividend Will Support $\frac{\text{Indicated Dividend}}{\text{High Yield}} = \frac{1.40}{2.19\%} = 64.0$

Selected Forecasted Low Price \$ 212.2

C ZONING using 25%-50%-25%

Forecasted High Price 614.3 Minus Forecasted Low Price 212.2 = 402.1 Range. 25% of Range 100.5

Buy Zone 212.2 to 312.7

Hold Zone 312.7 to 513.8

Sell Zone 513.8 to 614.3

Present Market Price of 285.86 is in the **BUY** Zone

D UPSIDE DOWNSIDE RATIO (POTENTIAL GAIN VS. RISK OR LOSS)

$\frac{\text{High Price} - \text{Present Price}}{\text{Present Price} - \text{Low Price}} = \frac{614.3 - 285.86}{285.86 - 212.2} = \frac{328.42}{73.66} = 4.5$ To 1

E PRICE TARGET (Note: This shows the potential market price appreciation over the next five years in simple interest terms.)

$\frac{\text{High Price} - \text{Closing Price}}{\text{Closing Price}} = \frac{614.3 - 285.86}{285.86} = 2.1489$ X 100 = 214.89 - 100 = 114.9 % Appreciation

5 5-YEAR POTENTIAL

This combines price appreciation with dividend yield to get an estimate of total return. It provides a standard for comparing income and growth stocks.

A $\frac{\text{Indicated Annual Dividend}}{\text{Closing Price}} = \frac{1.22}{285.86} = 0.0049 = 0.5\%$ Current Yield

B AVERAGE YIELD - USING FORECAST HIGH P/E

$\frac{\text{Avg. \% Payout}}{\text{Forecast High PE}} = \frac{10.0\%}{13.00} = 0.8\%$

AVERAGE YIELD - USING FORECAST AVERAGE P/E

$\frac{\text{Avg. \% Payout}}{\text{Forecast Average PE}} = \frac{10.0\%}{9.65} = 1.0\%$

C COMPOUND ANNUAL RETURN - USING FORECAST HIGH P/E

Annualized Appreciation 16.5 %
Average Yield 0.8 %
Annualized Rate of Return 17.3 %

COMPOUND ANNUAL RETURN - USING FORECAST AVG P/E

Annualized Appreciation 9.8 %
Average Yield 1.0 %
Annualized Rate of Return 10.8 %