

Lithia Motors, Inc.

Recommendation BUY ★ ★ ★ ★ ★

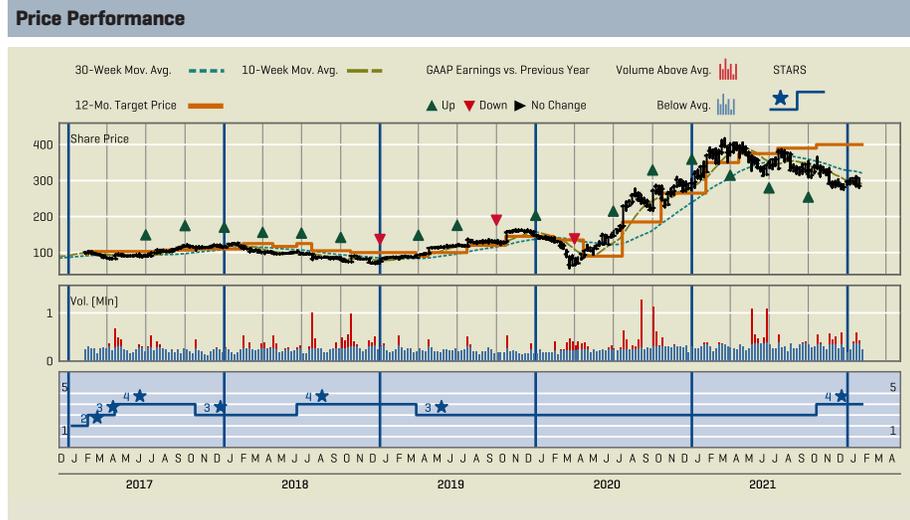
Price USD 285.86 (as of market close Feb 04, 2022) **12-Mo. Target Price** USD 400.00 **Report Currency** USD **Investment Style** Mid-Cap Value

Equity Analyst Garrett Nelson

GICS Sector Consumer Discretionary
Sub-Industry Automotive Retail

Summary Lithia operates automobile dealerships in the western U.S. -- selling vehicles; arranging finance, warranty, credit insurance contracts; providing parts and service.

Key Stock Statistics (Source: CFRA, S&P Global Market Intelligence (SPGMI), Company Reports)							
52-Wk Range	USD 417.98 - 274.03	Oper.EPS2021E	USD 37.30	Market Capitalization[B]	USD 8.63	Beta	1.69
Trailing 12-Month EPS	USD 34.02	Oper.EPS2022E	USD 33.35	Yield [%]	0.49	3-yr Proj. EPS CAGR[%]	42
Trailing 12-Month P/E	8.4	P/E on Oper.EPS2021E	7.66	Dividend Rate/Share	USD 1.4	SPGMI's Quality Ranking	A+
USD 10K Invested 5 Yrs Ago	30,102.0	Common Shares Outstg.[M]	30.00	Trailing 12-Month Dividend	USD 1.36	Institutional Ownership [%]	86.0



Source: CFRA, S&P Global Market Intelligence
Past performance is not an indication of future performance and should not be relied upon as such.
Analysis prepared by Garrett Nelson on Oct 20, 2021 02:54 PM ET, when the stock traded at USD 344.50.

Highlights

- We estimate revenue growth of 72% in 2021 and 16% in 2022 after posting top-line growth of 3.6% in 2020 and 7.2% in 2019, including acquisitions. Acquisitions of dealerships with annualized revenue of \$825 million in 2019 and \$3.5 billion in 2020 have helped boost its top line. We expect Lithia's Service, Body, and Parts segment to post the weakest revenue growth of any if its segments. We expect Lithia to continue growing through strategic acquisitions that are accretive to EPS.
- Margins will likely benefit from mix, namely an increased contribution from its more profitable segments such as Service, Body, and Parts. Increased finance and insurance revenues per vehicle sold should also help margins, partially offset by lower-margin new vehicle sales. We think Lithia's new vehicle sales mix (greater exposure to non-luxury brands such as Chrysler, Toyota, Honda, GM, etc.) makes it less impacted by margin pressures than other competitors.
- Our adjusted EPS estimates are \$37.30 in 2021 and \$33.35 in 2022, up from \$18.19 in 2020. LAD suspended share repurchases in early 2020 following the Covid-19 outbreak, but it has continued paying its dividend, which it raised to \$1.40/sh from \$1.24 in April 2021.

Investment Rationale/Risk

- Our opinion is a Buy, as we view the stock as attractively valued and believe the company's strong recent results will help alleviate concerns regarding the impact of record-low U.S. dealer inventories on sales (24 days of supply at the end of September 2021 versus a historical average of 64 days). LAD will likely continue to grow through acquisition as it progresses toward its goal of \$50B in revenue and \$50 in EPS by 2025. We believe LAD has one of the industry's best management teams. The automotive retail industry is large and fragmented, which offers the potential for Lithia to grow through acquisitions over time. LAD has proven adept at growing EPS through accretive acquisitions over time.
- Risks to our opinion and target price include lower- or higher-than-anticipated demand for new vehicles. We also note that chairman Sid DeBoer has greater voting rights than other shareholders.
- Our 12-month target of \$400 is based on a 2022 P/E multiple of 12.0x, which represents a modest discount to the stock's 10-year average forward P/E of 13.3x. LAD has a strong earnings track record, having posted above-consensus EPS in 12 of the past 13 quarters.

Analyst's Risk Assessment

LOW	MEDIUM	HIGH
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Our risk assessment for Lithia Motors reflects the cyclical nature of the automotive retailing industry, which is affected by changes in interest rates, consumer confidence, and discretionary spending.

Revenue/Earnings Data

Revenue (Million USD)	1Q	2Q	3Q	4Q	Year
2022	E 5,844	E 6,644	E 6,747	E 6,826	E 26,061
2021	4,343	6,009	6,170	E 5,992	E 22,514
2020	2,804	2,759	3,620	3,942	13,124
2019	2,850	3,222	3,332	3,269	12,673
2018	2,660	3,096	3,092	2,973	11,821
2017	2,236	2,467	2,680	2,703	10,086

Earnings Per Share (USD)

	1Q	2Q	3Q	4Q	Year
2022	E 7.43	E 8.33	E 8.82	E 8.77	E 33.35
2021	5.89	11.12	11.21	E 9.07	E 37.30
2020	2.01	3.72	6.89	5.46	18.08
2019	2.42	2.63	3.64	2.89	11.60
2018	2.07	2.44	3.84	2.54	10.86
2017	2.01	2.12	2.07	3.55	9.75

Fiscal Year ended Dec 31. EPS Estimates based on CFRA's Operating Earnings; historical GAAP earnings are as reported in Company reports.

Dividend Data

Amount (USD)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.3500	Oct 20	Nov 10	Nov 12	Nov 19 '21
0.3500	Jul 21	Aug 12	Aug 13	Aug 27 '21
0.3500	Apr 21	May 06	May 07	May 21 '21
0.3100	Feb 03	Mar 11	Mar 12	Mar 26 '21

Dividends have been paid since 2003. Source: Company reports
Past performance is not an indication of future performance and should not be relied as such.
Forecasts are not a reliable indicator of future performance.
Dividends paid in currencies other than the Trading currency have been accordingly converted for display purposes.

Lithia Motors, Inc.

Business Summary Oct 20, 2021

CORPORATE OVERVIEW. Headquartered in Medford, Oregon, Lithia Motors, Inc. is one of the largest automotive retailers in the U.S. As of December 31, 2020, Lithia had 209 stores representing 33 brands of new and used vehicles across 22 states. The company sells new and used cars and light trucks, and replacement parts; provides vehicle maintenance, warranty, paint, and repair services; and arranges related financing, service contracts, protection products, and credit insurance. The company also operates 14 collision repair centers. Its dealerships are primarily located in small and mid-sized regional markets throughout the Western and Midwestern regions of the U.S. At year-end 2020, Lithia had 14,538 full-time employees.

The breakdown of Lithia's total revenue by category in 2020 was New Vehicle Sales [51.6%], Used Vehicle Sales [32.8%], Service, Body & Parts [10.3%], Finance & Insurance [4.4%], and Fleet & Other [0.9%]. While New Vehicle Sales account for the majority of sales, 79.3% of the company's gross profit was generated from Used Vehicle Sales, Service, Body & Parts, Finance & Insurance, and Fleet & Other in 2020. The breakdown of LAD's total 2020 gross profit by category was New Vehicle Sales [20.7%], Used Vehicle Sales [20.5%], Service, Body & Parts [32.2%], Finance & Insurance [26.1%], and Fleet and Other [0.5%]. LAD's gross margin by segment in 2020 was: Finance & Insurance [100.0%], Service, Body & Parts [53.1%], Used Vehicle Sales [11.2%], and New Vehicle Sales [6.8%]. Total gross margin of 17.0% in 2020 increased by 160 bps over 2019 levels.

The split of Lithia's new vehicle revenue by manufacturer in the most recent quarter was approximately Toyota [16%], Chrysler [15%], Honda [13%], Ford [8%], BMW/Mini [8%], General Motors [7%], Subaru [7%], Mercedes [6%], Lexus [5%], and all others [15%]. Its mix by vehicle category was Import [41%], Domestic [30%], Luxury [29%].

CORPORATE STRATEGY. Lithia has a balanced approach toward growth, combining acquisitions with organic growth initiatives and returning cash to shareholders through dividends and share repurchases. The company also seeks to opportunistically make acquisitions at attractive multiples, by buying underperforming stores.

MARKET PROFILE. The automotive retail industry is the largest retail trade segment in the U.S. according to U.S. Census Bureau and National Automobile Dealers Association [NADA] data, generating \$1.25 trillion in sales in 2020, comprising roughly 20% of the U.S. retail economy. Of the \$1.25 trillion in sales, the revenue breakdown was \$928 billion for new car dealers [74%], \$123 billion for used car dealers [10%], \$98 billion for auto parts, accessories and tire stores [8%], and \$101 billion for other motor vehicle dealers [8%].

The U.S. auto retail market is highly fragmented. The number of new car dealerships in the U.S. has declined by over one-third over the past few decades, from 25,025 in 1988 to 16,623 at the end of 2020. The used car industry is considerably larger in terms of number of dealers, but much smaller in annual revenue. According to research firm The Car Connection, there are approximately 45,000 used car dealerships in the U.S., but the largest dealer brand had only a 1.7% market share and the top 100 used car retailers collectively hold only 7.0% share, according to various sources.

The large capital requirements necessary to operate and be competitive in the current retailing environment make it likely that consolidation will continue. Most auto retailers generate their sales and profits from four different operations -- new vehicles, used vehicles, parts and service, and finance and insurance. New vehicle sales typically have the lowest operating margins, but drive business for more profitable finance and insurance sales and parts and service operations. With our forecast for lower new vehicle sales, we expect retailers to focus on generating more business from the other categories to offset lower new vehicle profits.

FINANCIAL TRENDS. LAD's total revenues have increased from \$11.8 billion in 2018 to \$12.7 billion in 2019 and \$13.1 billion in 2020, while its adjusted EPS went from \$9.98 to \$11.76 and \$18.19, respectively, over the same timeframe. In 2020, the company posted a 54.7% increase in adjusted EPS [\$18.19 vs. \$11.76], as revenues increased by 3.6% and its gross margin expanded by 160 bps to 17.0%, driven by higher margins from the Service, Body and Parts segment [+270 bps], partially offset New Vehicle Retail [+110 bps] and Used Vehicle Retail [+80 bps]. In the first nine months of 2021, the company posted a 127% increase in adjusted EPS [\$28.52 vs. \$12.59], as revenues increased by 79.9% and its gross margin expanded by 100 bps to 18.2%, driven by higher margins from the New Vehicle Retail [+330 bps] and Service, Body and Parts [+50 bps] segments.

As of September 30, 2021, Lithia had \$138 million of cash and equivalents, down from \$160 million at year-end 2020. Lithia's total debt of \$3.60 billion was down from \$3.93 billion at the end of 2020.

The company currently pays a \$1.40/share annualized dividend, which it increased from \$1.24 in April 2021. LAD has also been actively buying back stock over the past few years, although share repurchases slowed significantly in 2019 and it suspended share repurchases following the Covid-19 outbreak. In Q1 2020, Lithia repurchased 563,953 shares of common stock at a weighted average price of \$81.71 prior to suspending buybacks, leaving it with \$188 million of remaining availability. In 2019, Lithia did not repurchase any stock, but bought back approximately 2.1 million shares of common stock at a weighted average price of \$84.72 in 2018, and 361,457 shares of common stock at an average price of \$93.38 in 2017.

Corporate information

Investor contact

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Fax

N/A

Website

www.lithiainvestorrelations.com

Officers

CEO, President & Director **CEO, President & Director**

B. B. DeBoer

B. B. DeBoer

Chief Legal Officer

D. G. Stork

Senior VP & CFO

T. H. Miller

Executive VP, COO & Secretary

C. S. Holzshu

Senior VP and Chief Technology & Innovation Officer

G. N. Hines

Founder & Chairman

S. B. DeBoer

Board Members

B. B. DeBoer

S. B. DeBoer

D. J. Robino

S. F. McIntyre

K. E. Roberts

S. O. Cain

L. P. Miramontes

Domicile

Oregon

Auditor

KPMG LLP - Klynveld Peat Marwick Goerdeler

Founded

1946

Employees

14,538

Stockholders

N/A

Lithia Motors, Inc.

Quantitative Evaluations					Expanded Ratio Analysis						
Fair Value Rank	1	2	3	4	5						
	LOWEST				HIGHEST						
	Based on CFRA's proprietary quantitative model, stocks are ranked from most overvalued [1] to most undervalued [5].										
Fair Value Calculation	USD 573.25	Analysis of the stock's current worth, based on CFRA's proprietary quantitative model suggests that LAD is undervalued by USD 287.39 or 100.54%									
Volatility	LOW	AVERAGE	HIGH								
Technical Evaluation	BEARISH	Since January, 2022, the technical indicators for LAD have been BEARISH"									
Insider Activity	UNFAVORABLE	NEUTRAL	FAVORABLE								
						2020	2019	2018	2017		
						Price/Sales	0.54	0.27	0.16	0.28	
						Price/EBITDA	8.81	5.91	3.54	6.03	
						Price/Pretax Income	10.88	9.16	5.54	8.21	
						P/E Ratio	14.99	12.67	7.03	11.65	
						Avg. Diluted Shares Outstg. [M]	24.10	23.40	24.50	25.10	
						Figures based on fiscal year-end price					
Key Growth Rates and Averages											
						Past Growth Rate [%]	1 Year	3 Years	5 Years		
						Net Income	73.22	24.25	20.78		
						Sales	3.56	9.17	10.79		
						Ratio Analysis [Annual Avg.]					
						Net Margin [%]	3.58	2.66	2.54		
						% LT Debt to Capitalization	33.71	31.56	28.68		
						Return on Equity [%]	22.78	22.15	22.74		

Company Financials Fiscal year ending Dec 31										
Per Share Data [USD]	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Tangible Book Value	64.84	30.45	20.59	25.70	18.58	17.44	12.31	15.99	12.99	11.14
Free Cash Flow	15.73	17.22	14.82	1.73	-0.39	-0.14	-2.11	-0.70	-10.78	-1.24
Earnings	19.53	11.60	10.86	9.75	7.72	6.91	5.14	4.02	3.03	2.07
Earnings [Normalized]	15.97	10.16	8.75	8.57	7.29	7.10	5.07	4.10	3.06	2.10
Dividends	1.23	1.20	1.16	1.08	1.00	0.80	0.64	0.52	0.40	0.28
Payout Ratio [%]	6.00	10.00	10.00	11.00	12.00	11.00	11.00	10.00	15.00	12.00
Prices: High	310.57	165.26	127.99	123.50	108.40	126.56	97.20	74.94	37.80	24.85
Prices: Low	55.74	74.77	67.90	80.88	68.70	79.84	53.57	36.00	20.62	13.28
P/E Ratio: High	15.90	14.20	11.80	12.70	14.00	18.30	18.90	18.60	12.50	12.00
P/E Ratio: Low	2.90	6.40	6.30	8.30	8.90	11.60	10.40	9.00	6.80	6.40
Income Statement Analysis [Million USD]										
Revenue	13,124	12,673	11,821	10,086	8,678	7,864	5,390	4,006	3,316	2,633
Operating Income	708.00	500.00	453.00	415.00	352.00	341.00	236.00	190.00	148.00	112.00
Depreciation + Amortization	121.00	114.00	75.00	58.00	49.00	42.00	26.00	20.00	17.00	16.00
Interest Expense	108.00	133.00	118.00	74.00	49.00	39.00	25.00	21.00	22.00	23.00
Pretax Income	648.00	375.00	338.00	347.00	284.00	263.00	210.00	166.00	128.00	88.00
Effective Tax Rate	27.50	27.70	21.30	29.40	30.50	30.30	35.60	36.50	38.20	37.50
Net Income	470.00	272.00	266.00	245.00	197.00	183.00	139.00	106.00	80.00	59.00
Net Income [Normalized]	384.80	237.80	214.40	215.00	185.90	188.20	133.90	107.50	80.20	56.00
Balance Sheet and Other Financial Data [Million USD]										
Cash	160.00	84.00	32.00	57.00	50.00	45.00	30.00	24.00	43.00	21.00
Current Assets	3,338	3,070	2,991	2,783	2,287	1,878	1,616	1,082	933.00	648.00
Total Assets	7,902	6,084	5,384	4,683	3,844	3,225	2,881	1,725	1,493	1,146
Current Liabilities	2,480	2,569	2,494	2,301	1,922	1,590	1,443	873.00	721.00	457.00
Long Term Debt	1,830	1,402	1,329	1,028	770.00	605.00	610.00	247.00	290.00	283.00
Total Capital	6,876	5,270	4,639	4,050	3,303	2,786	2,495	1,504	1,309	1,005
Capital Expenditures	168.00	125.00	158.00	105.00	101.00	83.00	86.00	50.00	65.00	32.00
Cash from Operations	542.00	524.00	520.00	149.00	91.00	80.00	31.00	32.00	-212.00	-1.00
Current Ratio	1.35	1.20	1.20	1.21	1.19	1.18	1.12	1.24	1.29	1.42
% Long Term Debt of Capitalization	33.70	31.70	29.30	25.40	23.30	21.70	24.40	16.40	22.10	28.10
% Net Income of Revenue	3.60	2.10	2.20	2.40	2.30	2.30	2.60	2.60	2.40	2.20
% Return on Assets	6.33	5.45	5.62	6.08	6.23	6.98	6.39	7.37	7.03	6.62
% Return on Equity	22.80	20.40	23.30	24.60	22.70	24.40	22.40	21.90	20.00	16.10

Source: S&P Global Market Intelligence. Data may be preliminary or restated; before results of discontinued operations/special items. Per share data adjusted for stock dividends; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

Lithia Motors, Inc.

Sub-Industry Outlook

CFRA's fundamental outlook for the Automotive Retailers sub-industry for the next 12 months is neutral, reflecting expectations that auto prices will continue to set new record highs and demand will continue to recover in most major markets, but growth will be tempered by a combination of semiconductor shortages, supply chain disruptions, cost inflation, and rising interest rates.

We estimate global light vehicle sales will increase by 3.8% to 82.4 million units in 2022 and 6.2% to 87.5 million in 2023, up from an estimated 79.4 million in 2021 (+1.8% Y/Y) and 78.0 million in 2020. Still, we expect global light vehicle sales to come in below the pre-pandemic level of 90.4 million units in 2019. Global auto sales peaked at 95.9 million units in 2017. In 2021, sales were particularly weak in China, the world's largest auto market [32% of global volumes in 2020], declining by an estimated 1%, while the second and third largest markets of Europe [21% global market share] and the U.S. [19%] increased by 0.2% and 3.8%, respectively.

We estimate U.S. light vehicle sales will rebound by 2.0% to 15.3 million units in 2022 and another 5.9% to 16.2 million units in 2023, up from an estimated 15.0 million in 2021 (+3.8% Y/Y) and 14.45 million in 2020. Still, we expect U.S. light vehicle sales to come in below the pre-pandemic level of 16.95 million units in 2019. Sales would be stronger if not for the record-low inventory levels and parts shortages [particularly semiconductors] that have plagued the market in recent months and we expect to persist well into 2022 and possibly beyond. In 2020, U.S. light vehicle sales posted their weakest total since coming in at 14.44 million units in 2012.

On the positive side, strong consumer fundamentals, economic growth, low unemployment rates, and relatively low [but rising] interest rates should help support sales volumes. We think margins will benefit from a combination of record-high new vehicle price realizations [over \$47,000 in the U.S. at the end of 2021] and cost cuts implemented during the course of the Covid-

19 pandemic. However, chip shortages, supply chain disruptions, rising labor and raw materials costs, and expected interest rate increases are major concerns.

We expect investments in electric and autonomous vehicles to remain a drag on bottom line results for most companies. One major secular trend over the last several years has been the growing popularity of light duty vehicles - a category which includes pickup trucks, SUVs, and crossovers - and the waning popularity of passenger cars such as sedans and compact vehicles. Light duty vehicles accounted for 76.4% of new vehicles sold in the U.S. in 2020, a percentage that was up from only 51.2% in 2010, according to National Automobile Dealers Association data. The average vehicle on the road in the U.S. was 12.1 years old in 2021 according to IHS Markit, an industry record, which should help support retail and parts demand. Many companies have resumed dividend payments and/or share repurchases after a Covid-19-related pause in 2020.

Year-to-date as of January 21, 2022, the S&P Automotive Retail Index was down 9.2%, versus a 7.8% decline for the S&P 1500 Index. In 2021, the S&P Automotive Retail Index was up 51.2%, versus a 26.7% gain for the S&P 1500 Index, and was up 7.0% in 2020, versus a 15.8% gain for the S&P 1500 Index. The sub-industry's five-year CAGR is 16.6%, ahead of the 13.6% growth rate for the S&P 1500 Index.

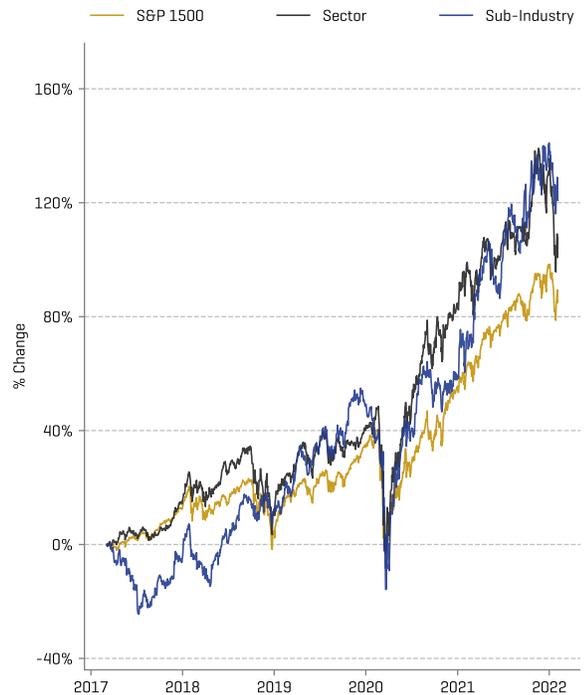
/ Garrett Nelson

Industry Performance

GICS Sector: Consumer Discretionary
Sub-Industry: Automotive Retail

Based on S&P 1500 Indexes

Five-Year market price performance through Feb 05, 2022



NOTE: A sector chart appears when the sub-industry does not have sufficient historical index data.

All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS).

Past performance is not an indication of future performance and should not be relied upon as such.

Source: CFRA, S&P Global Market Intelligence

Sub-Industry: Automotive Retail Peer Group*: Automotive Retail

Peer Group	Stock Symbol	Exchange	Currency	Recent Stock Price	Stk. Mkt. Cap. [M]	30-Day Price Chg. [%]	1-Year Price Chg. [%]	P/E Ratio	Fair Value Calc.	Yield [%]	Return on Equity [%]	LTD to Cap [%]
Lithia Motors, Inc.	LAD	NYSE	USD	285.01	8,630.0	-4.3	-15.8	15.0	573.25	0.5	22.8	33.7
AUTO1 Group SE	ATOG.F	OTCPK	USD	22.45	4,649.0	N/A	N/A	NM	N/A	N/A	-182.1	94.6
Asbury Automotive Group, Inc.	ABG	NYSE	USD	164.03	3,795.0	-7.4	11.8	12.0	352.04	N/A	32.8	44.9
AutoNation, Inc.	AN	NYSE	USD	107.36	7,036.0	-6.3	42.9	25.0	222.94	N/A	11.9	24.7
Carvana Co.	CVNA	NYSE	USD	146.94	12,576.0	-33.5	-48.2	NM	N/A	N/A	-93.1	65.6
China MeiDong Auto Holdings Limited	CMEI.F	OTCPK	USD	5.40	8,445.0	N/A	54.3	56.0	N/A	N/A	30.1	24.4
China Yongda Automobiles Services Holdings Limited	CYYH.F	OTCPK	USD	1.26	3,083.0	-0.8	-8.0	9.0	N/A	N/A	15.2	21.7
Murphy USA Inc.	MUSA	NYSE	USD	187.52	4,676.0	-5.2	45.6	13.0	N/A	0.6	49.9	72.9
Penske Automotive Group, Inc.	PAG	NYSE	USD	100.80	7,892.0	-6.3	59.5	15.0	183.84	1.9	17.8	37.3
USS Co., Ltd.	USSJ.Y	OTCPK	USD	31.73	3,986.0	N/A	9.2	227.0	N/A	N/A	2.4	1.7
Vibra Energia S.A.	PETRY	OTCPK	USD	8.52	4,834.0	21.1	N/A	13.0	N/A	N/A	37.2	30.6

*For Peer Groups with more than 10 companies or stocks, selection of issues is based on market capitalization.

NA-Not Available; NM-Not Meaningful.

Note: Peers are selected based on Global Industry Classification Standards and market capitalization. The peer group list includes companies with similar characteristics, but may not include all the companies within the same industry and/or that engage in the same line of business.

Lithia Motors, Inc.

Analyst Research Notes and other Company News

October 20, 2021

08:16 AM ET... CFRA Raises Opinion on Lithia Motors, Inc. to Buy from Hold [LAD 338.71****]:

We raise our 12-month target by \$10 to \$400, based on a '22 P/E of 12.0x, a discount to its 10-year mean forward P/E of 13.3x. We raise our adjusted EPS estimates to \$37.30 from \$32.00 for '21 and to \$33.35 from \$30.05 for '22. LAD posts Q3 adjusted EPS of \$11.21 vs. \$6.89 [+62.7%], well above the \$9.30 consensus. The beat was driven by the top line, as revenue grew 70.4% to \$6.17B [\$420M above consensus] on strength across all segments. Retail new vehicle sales volume surged 40% and used vehicle sales were up 55%, while pricing jumped 10% for new and 23% for used vehicles. Gross margin expanded 130 bps to 19.3% (110 bps above consensus). As the first auto dealership to report Q3 earnings, the strong results should alleviate concerns regarding the impact of record-low U.S. dealer inventories on sales (24 days of supply at the end of September versus a historical average of 64 days). LAD will likely continue to grow through acquisition as it progresses toward its goal of \$50B in revenue and \$50 in EPS by 2025. / Garrett Nelson

July 21, 2021

09:27 AM ET... CFRA Maintains Hold Opinion on Lithia Motors, Inc. [LAD 355.56****]:

We raise our 12-month price target by \$15 to \$390, based on a '22 P/E of 13.0x, a modest discount to its 10-year average forward P/E of 13.3x. We lift our adjusted EPS forecasts to \$32.00 from \$22.45 for '21 and to \$30.05 from \$24.25 for '22. LAD posts Q2 adjusted EPS of \$11.12 vs. \$3.72 [+199%], well ahead of the \$6.17 consensus. The beat was driven by the top line, as revenue grew 118% to \$6.01B [\$930M above consensus] on broad strength across all segments. Retail new vehicle sales volume surged 116% and used vehicle sales were up 62%. Pricing jumped 7% for new and 21% for used vehicles. Gross margin expanded 170 bps to 18.5% [240 bps ahead of consensus]. Add LAD to the list of auto dealerships which have either preannounced or reported blowout Q2 results (AutoNation, Group 1, Penske). The problem is that with earnings estimates for LAD having moved higher for the past year, the magnitude of additional upward revisions from here remains unclear and the stock's valuation appears fair on our raised estimates. / Garrett Nelson

April 21, 2021

06:13 AM ET... CFRA Maintains Hold Opinion on Shares of Lithia Motors, Inc. [LAD 374.79****]:

We raise our 12-month target price by \$25 to \$375 based on a '22 P/E of 15.5x, a premium to its 10-year mean forward P/E of 13.2x. We increase our adjusted EPS forecasts to \$22.45 from \$20.10 for '21 and to \$24.25 from \$22.60 for '22. LAD posted Q1 adjusted EPS of \$5.89 vs. \$2.01 [+193%], well above the \$4.76 consensus. The beat was driven by the top line, as revenue grew 54.9% to \$4.34B [\$435M above consensus] due to broad strength across all segments except Service, Body and Parts [+22.5%]. Gross margin expanded 10 bps to 16.5% (20 bps shy of consensus), making LAD the second of two major auto dealers (following AutoNation on Tuesday) to post a massive Q1 earnings beat despite weaker-than-expected gross margin. One of the key drivers of bottom line growth was below the gross profit line, as LAD's SG&A as a percentage of gross profit plummeted to 62.6% in Q1 from 74.8% a year ago, demonstrating impressive operating leverage. We remain at a Hold on valuation, seeing better value elsewhere across auto retail. / Garrett Nelson

February 03, 2021

08:39 AM ET... CFRA Maintains Hold Opinion on Lithia Motors, Inc. [LAD 337.37****]:

We raise our 12-month price target by \$85 to \$350 based on 15.5x our newly-initiated '22 EPS estimate of \$22.60, a modest premium to the company's 10-year mean forward P/E of 13.1x. We increase our '21 adjusted EPS forecast to \$20.10 from \$19.35. LAD posts Q4 adjusted EPS of \$5.46 vs. \$2.95 [+85.1%], well ahead of the \$5.07 consensus. The beat was driven by the top line, as revenue grew 20.5% to \$3.94B [\$40M above consensus], due to revenue increases in the used vehicle wholesale [+35.6%], finance and insurance [+26.9%], and used vehicle retail [+23.9%] segments. Gross margin expanded 120 bps to 16.5%, but came in 50 bps shy of consensus, continuing a trend of bottom line beats despite margin disappointment that we've seen from U.S. auto dealerships so far this earnings season. We remain at a Hold on valuation, as shares have had a massive rebound over the last several months and the potential for additional upward estimate revisions are unclear. We see better value elsewhere across auto retail. / Garrett

Nelson

October 21, 2020

09:50 AM ET... CFRA Maintains Hold Opinion on Lithia Motors, Inc. [LAD 260.03****]: We raise our 12-month price target by \$80 to \$265 based on 13.7x our '21 EPS estimate, a modest premium to its 10-year mean forward P/E of 13.1x. We increase our adjusted EPS forecasts to \$18.25 from \$12.15 for '20 and to \$19.35 from \$13.40 for '21. LAD posts Q3 adjusted EPS of \$6.89 vs. \$3.39 [+103%], well ahead of the \$6.22 consensus. The beat was both on the top line and cost side, as revenue grew 8.6% YoY to \$3.62B [\$40M above consensus], driven by revenue increases in the used vehicle wholesale [+32.8%], used vehicle retail [+19.3%], and finance and insurance [+17.8%] segments. Gross margin expanded 270 bps to 18.0% [consensus = 16.9%]. We remain at a Hold on valuation, as shares have had a massive rebound from the March lows and the potential for additional upward estimate revisions are unclear. We see better value elsewhere across the space, pointing out that LAD completed an equity offering earlier this month priced at \$220/share (i.e. the company thought it prudent to sell stock at a lower level). / Garrett Nelson

July 22, 2020

09:38 AM ET... CFRA Maintains Hold Opinion on Lithia Motors, Inc. [LAD 174.79****]: We raise our 12-month target to \$185 from \$90 based on 13.8x our '21 EPS estimate, a premium to its 10-year mean forward P/E of 12.9x. We increase our adjusted EPS forecasts to \$12.15 from \$6.75 for '20 and to \$13.40 from \$10.25 for '21. LAD posts Q2 adjusted EPS of \$3.72 vs. \$2.95 [+26.1%], well ahead of the \$1.54 consensus. The beat was both on the top line and cost side, as revenue fell 14.3% YoY to \$2.76B [\$220M above consensus], driven by a 19.9% drop in new vehicle retail sales revenue. Gross margin expanded 150 bps to 16.8% [consensus = 15.4%] despite a revenue drop across all segments except Used Vehicle Retail, as margins expanded for its New Vehicle Sales segment by 110 bps and for its Service, Body & Parts segment by 160 bps. While we regard LAD as one of the most well-managed U.S. auto dealers, we remain at a Hold, as the shares have had a massive rebound from the March lows and we don't see New Vehicle Sales revenue returning to pre-pandemic levels anytime soon [50% of LAD's total revenue in Q2]. / Garrett Nelson

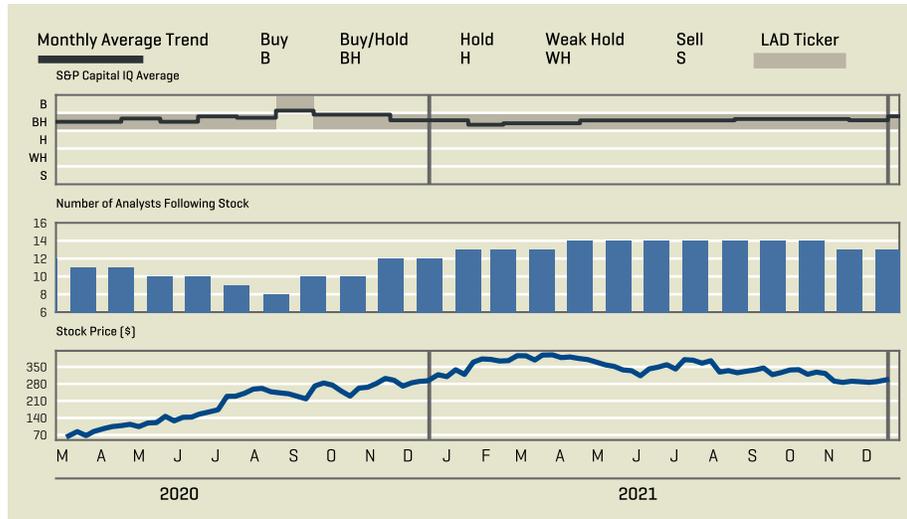
April 22, 2020

08:29 AM ET... CFRA Maintains Hold Opinion on Lithia Motors, Inc. [LAD 87.95****]: We cut our 12-month target to \$90 from \$135 based on 8.8x our '21 EPS estimate, a discount to LAD's 5-year average forward P/E of 11.8x. We lower our adjusted EPS forecasts to \$6.75 from \$13.00 for '20 and to \$10.25 from \$13.50 for '21. LAD posts Q1 adjusted EPS of \$2.01 vs. \$2.44 [-17.6%], ahead of the \$1.96 consensus. Revenue fell 1.6% to \$2.8B [below the \$2.89B consensus], driven by new vehicle retail sales [-6.0%]. Gross margin expanded 60 bps to 16.4% driven by mix, as gross margin for its highly profitable Service, Body & Parts segment expanded 80 bps to 51.0%. In our view, the key question is the magnitude of the earnings drop off in Q2 (and strength of the recovery), expecting not only its vehicle sales to suffer greatly but also its service operations, as the drop in miles driven has resulted in fewer vehicles needing repairs. LAD is in as good a shape to weather the downturn as any auto dealership, but we remain reluctant to recommend the shares given a lack of operational visibility. / Garrett Nelson

Note: Research notes reflect CFRA's published opinions and analysis on the stock at the time the note was published. The note reflects the views of the equity analyst as of the date and time indicated in the note, and may not reflect CFRA's current view on the company.

Lithia Motors, Inc.

Analysts Recommendations



Wall Street Consensus Opinion

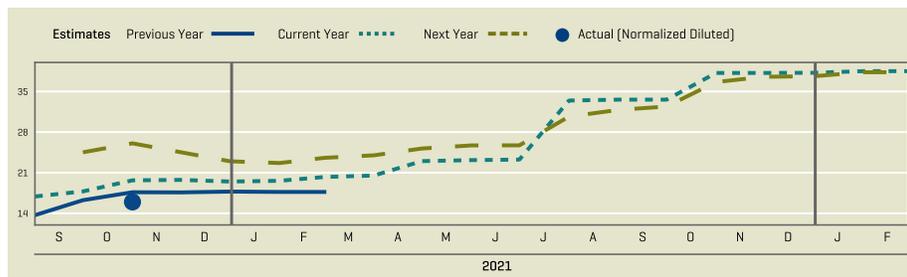
Buy/Hold

Wall Street Consensus vs. Performance

For fiscal year 2021, analysts estimate that LAD will earn USD 38.48. For fiscal year 2022, analysts estimate that LAD's earnings per share will grow by -0.46% to USD 38.31.

	No. of Recommendations	% of Total	1 Mo.Prior	3 Mos.Prior
Buy	8	62	8	7
Buy/Hold	3	23	3	3
Hold	1	8	1	2
Weak hold	0	0	0	0
Sell	1	8	1	1
No Opinion	0	0	0	1
Total	13	100	13	14

Wall Street Consensus Estimates



Fiscal Year	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2022	38.31	42.00	33.42	11	7.44
2021	38.48	39.80	36.50	12	7.41
2022 vs. 2021	▼ -0%	▲ 6%	▼ -8%	▼ -8%	▲ 0%
Q4'22	8.75	9.57	8.10	3	32.58
Q4'21	10.06	11.25	8.00	10	28.33
Q4'22 vs. Q4'21	▼ -13%	▼ -15%	▲ 1%	▼ -70%	▲ 15%

Forecasts are not reliable indicator of future performance.

Note: A company's earnings outlook plays a major part in any investment decision. S&P Global Market Intelligence organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years, as well as how those earnings estimates have changed over time. Note that the information provided in relation to consensus estimates is not intended to predict actual results and should not be taken as a reliable indicator of future performance.

Note: For all tables, graphs and charts in this report that do not cite any reference or source, the source is S&P Global Market Intelligence.

Lithia Motors, Inc.

Glossary

STARS

Since January 1, 1987, CFRA Equity and Fund Research Services, and its predecessor S&P Capital IQ Equity Research has ranked a universe of U.S. common stocks, ADRs [American Depositary Receipts], and ADSs [American Depositary Shares] based on a given equity's potential for future performance. Similarly, we have ranked Asian and European equities since June 30, 2002. Under proprietary STARS (Stock Appreciation Ranking System), equity analysts rank equities according to their individual forecast of an equity's future total return potential versus the expected total return of a relevant benchmark [e.g., a regional index [MSCI AC Asia Pacific Index, MSCI AC Europe Index or S&P 500® Index]], based on a 12-month time horizon. STARS was designed to help investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

S&P Global Market Intelligence's Quality Ranking

[also known as **S&P Capital IQ Earnings & Dividend Rankings**] - Growth and S&P Capital IQ Earnings & Dividend Rankings stability of earnings and dividends are deemed key elements in establishing S&P Global Market Intelligence's earnings and dividend rankings for common stocks, which are designed to capsize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+	Highest	B	Below Average
A	High	B-	Lower
A	Above	C	Lowest
B+	Average	D	In Reorganization
NC	Not Ranked		

EPS Estimates

CFRA's earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, EPS estimates reflect either forecasts of equity analysts; or, the consensus [average] EPS estimate, which are independently compiled by S&P Global Market Intelligence, a data provider to CFRA. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

12-Month Target Price

The equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including Fair Value.

Abbreviations Used in Equity Research Reports

CAGR	- Compound Annual Growth Rate
CAPEX	- Capital Expenditures
CY	- Calendar Year
DCF	- Discounted Cash Flow
DDM	- Dividend Discount Model
EBIT	- Earnings Before Interest and Taxes
EBITDA	- Earnings Before Interest, Taxes, Depreciation & Amortization
EPS	- Earnings Per Share
EV	- Enterprise Value
FCF	- Free Cash Flow
FFO	- Funds From Operations
FY	- Fiscal Year
P/E	- Price/Earnings
P/NAV	- Price to Net Asset Value
PEG Ratio	- P/E-to-Growth Ratio
PV	- Present Value
R&D	- Research & Development
ROCE	- Return on Capital Employed
ROE	- Return on Equity
ROI	- Return on Investment
ROIC	- Return on Invested Capital
ROA	- Return on Assets
SG&A	- Selling, General & Administrative Expenses
SOTP	- Sum-of-The-Parts
WACC	- Weighted Average Cost of Capital

Dividends on American Depositary Receipts (ADRs) and American Depositary Shares (ADSs) are net of taxes (paid in the country of origin).

Qualitative Risk Assessment

Reflects an equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment is a relative ranking to the U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices. For an ETF this reflects on a capitalization-weighted basis, the average qualitative risk assessment assigned to holdings of the fund.

STARS Ranking system and definition:

★★★★★ 5-STARS (Strong Buy):

Total return is expected to outperform the total return of a relevant benchmark, by a notable margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★ 4-STARS (Buy):

Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months.

★★★ 3-STARS (Hold):

Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months.

★★★ 2-STARS (Sell):

Total return is expected to underperform the total return of a relevant benchmark over the coming 12 months.

★★★ 1-STAR (Strong Sell):

Total return is expected to underperform the total return of a relevant benchmark by a notable margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks:

In North America, the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are the MSCI AC Europe Index and the MSCI AC Asia Pacific Index, respectively.

Lithia Motors, Inc.

Disclosures

Stocks are ranked in accordance with the following ranking methodologies:

STARS Stock Reports:

Qualitative STARS rankings are determined and assigned by equity analysts. For reports containing STARS rankings refer to the Glossary section of the report for detailed methodology and the definition of STARS rankings.

Quantitative Stock Reports:

Quantitative rankings are determined by ranking a universe of common stocks based on 5 measures or model categories: Valuation, Quality, Growth, Street Sentiment, and Price Momentum. In the U.S., a sixth sub-category for Financial Health will also be displayed. Percentile scores are used to compare each company to all other companies in the same universe for each model category. The five (six) model category scores are then weighted and rolled up into a single percentile ranking for that company. For reports containing quantitative rankings refer to the Glossary section of the report for detailed methodology and the definition of Quantitative rankings.

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STARS Stock Reports:

Global STARS Distribution as of June 08, 2021

Ranking	North America	Europe	Asia	Global
Buy	43.9%	36.7%	43.6%	42.4%
Hold	48.7%	54.9%	50.2%	50.1%
Sell	7.5%	8.4%	6.2%	7.5%
Total	100.0%	100.0%	100.0%	100.0%

Analyst Certification:

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Lithia Motors, Inc.

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