

**Daniel Imbro, Analyst**501-377-2055, [daniel.imbro@stephens.com](mailto:daniel.imbro@stephens.com)**Joe Enderlin, Associate****Current**

Rating	Overweight
Target Price	\$350.00
Price:	\$211.51
Fully Diluted Shares Out (mil.):	27.34
52-Week High:	\$338.73
52-Week Low:	\$179.36
Market Cap (mil.):	\$5,782.3
Fiscal Year End:	Dec
Average Daily Volume:	748,448
Float:	97.6%
Debt/Cap:	60.7%
Cash/Shr:	\$8.72
Dividend/Yield:	\$1.68/0.8%
Book Value/Shr:	\$190.70

EPS	2022A	2023E	2024E
Mar	\$11.55A	\$9.57	\$9.13
Jun	\$11.60A	\$9.31	\$9.46
Sep	\$11.92A	\$8.85	\$9.54
Dec	<u>\$9.00A</u>	<u>\$7.64</u>	<u>\$9.06</u>
FY	\$44.14A	\$35.42	\$37.20
P/E	4.8x	6.0x	5.7x

Oper. EPS	2022A	2023E	2024E
Mar	\$11.96A	\$9.57	\$9.13
Jun	\$12.18A	\$9.31	\$9.46
Sep	\$11.08A	\$8.85	\$9.54
Dec	<u>\$9.05A</u>	<u>\$7.64</u>	<u>\$9.06</u>
FY	\$44.38A	\$35.42	\$37.20
P/E	4.8x	6.0x	5.7x

**Rev.** \$28.23B \$30.27B \$30.90B

**Lithia Motors, Inc.**, headquartered in Medford, Oregon, is the second-largest automotive retailer in the U.S. as measured by total revenue of \$22.8 billion in 2021. Lithia sells 33 brands of new vehicles and operates 209 stores in 22 states in the U.S.

**Lithia Motors, Inc.**

LAD – NYSE

**Overweight****Reason for Report:** Acquisition**First Look: LAD Announces the Acquisition of Jardine Motors****INVESTMENT CONCLUSION:**

This morning LAD announced it has closed the acquisition of UK automotive retailer Jardine Motors from Jardine Matheson Holdings. We first [wrote](#) about this when Sky News reported on it in late January, after LAD has increasingly talked about international expansion in recent years. Jardine Motors has 59 locations in the UK (according to the website), primarily located outside of major metros, similar to Lithia's historical model in the U.S. market. We believe the UK luxury market is strong, but we expect a negative reaction today as this could fuel fears around fewer M&A deals in the U.S. (we don't believe this is the case). However, management commentary in media reports suggests this deal was "more affordable" than a typical deal, and rumors of this deal have already weighed on shares this week. We maintain **OW** rating \$350 PT.

**KEY POINTS:**

**Deal Details.** While there was no price included in the release, media reports before the announcement suggested that the transaction price was between \$361.6 million and \$482.1 million, according to [Automotive News](#). The acquisition is expected to generate over \$2 billion in revenue. Management noted in a media interview last night that the acquisition was "more affordable" than typical U.S. deals, though no purchase price was confirmed. Commentary in the interview suggests that LAD sees this as a foothold to grow further in the UK. The current Jardine CEO Neil Williamson will stay on with the company.

See important disclosures and analyst certification on pages 2 - 3 of this report. To access current disclosures for other Stephens Inc. covered companies, clients may refer to <https://stephens2.bluematrix.com/sellside/Disclosures.action>.

## COMPANIES MENTIONED

Jardine Matheson Holdings Limited Sponsored ADR (JMHLY-\$46.74)

## APPENDIX A

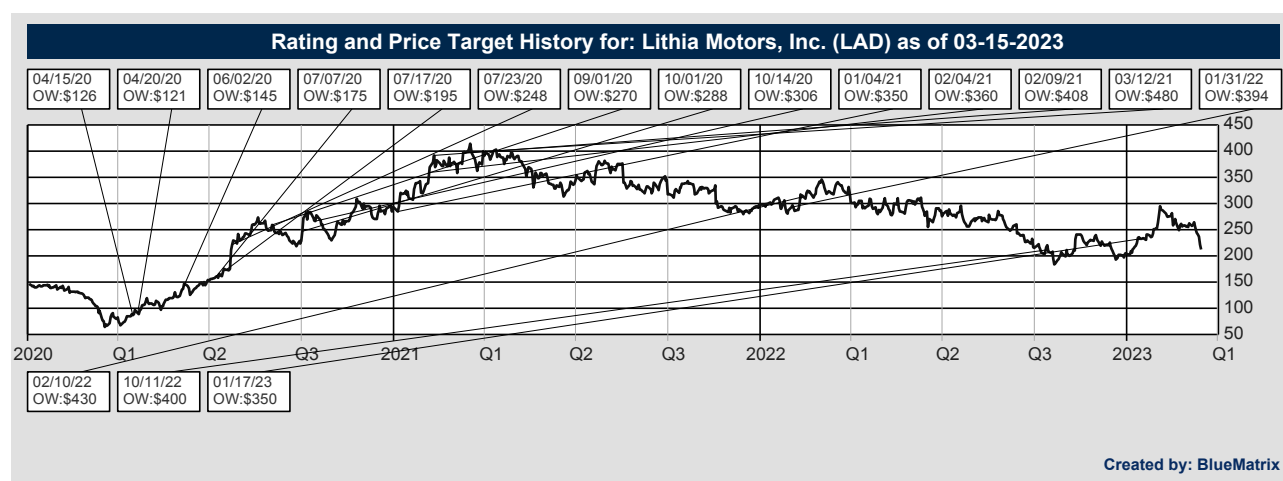
### ANALYST CERTIFICATION

The analyst primarily responsible for the preparation of the content of this report certifies that (i) all views expressed in this report accurately reflect the analyst's personal views about the subject company and securities, and (ii) no part of the analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the analyst in this report.

### REQUIRED DISCLOSURES

The research analyst principally responsible for preparation of this report has received compensation that is based on the firm's overall revenue which includes investment banking revenue.

Stephens Inc. maintains a market in the common stock of Lithia Motors, Inc. as of the date of this report and may act as principal in these transactions.



### Valuation Methodology for Lithia Motors, Inc.

Our target price is based on a target P/E multiple on normalized earnings. In arriving at a target P/E multiple, we analyze peer group valuations and take into account Lithia Motors' earnings growth, visibility, cash flow generation, and financial position relative to its peers.

### Risks to Achievement of Target Price for Lithia Motors, Inc.

Vehicles are discretionary items, and purchases are affected by numerous factors, including consumer confidence, unemployment, inflation, interest rates, credit availability, fuel prices, and general economic and business conditions. Any of these factors, individually or in combination, could negatively affect consumer spending, which, in turn, would impact sales and results of operations. Another risk involves auto retailers' acquisition strategy. Growth depends in large part on Lithia's ability to acquire dealerships, manage expansion, and successfully integrate the operations into the organization. Numerous risks are involved in pursuing this strategy. Lithia's focus on smaller, turnaround opportunities is management-intensive, requiring strong leadership at the store level. This approach could become more difficult as the Company grows. Heavy brand exposure to domestic manufacturers also poses some risk. Like its public auto retail peers, the Company's debt level is relatively high, heightening the risk of increased interest costs or default if operating results materially deteriorate.

### Ratings Definitions

OVERWEIGHT (O) - The stock's total return is expected to be greater than the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. EQUAL-WEIGHT (E) - The stock's total return is expected to be equivalent to the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. UNDERWEIGHT (U) - The stock's total return is expected to be less than the total return of the company's industry sector, on a risk-adjusted basis, over the next 12 months. VOLATILE (V) - The stock's price volatility is potentially higher than that of the company's industry sector. The company stock ratings may reflect the analyst's subjective assessment of risk factors that could impact the company's business.

## Distribution of Stephens Inc. Ratings

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [OW]	236	57.42	42	17.80
HOLD [EW]	172	41.85	23	13.37
SELL [UW]	3	0.73	0	0.00

## OTHER DISCLOSURES

Certain investment programs offered by Stephens to clients sometimes engage in purchases or sales of securities that are consistent or inconsistent with Research Analyst recommendations. These programs are managed on a discretionary basis, or provide investment recommendations, by program managers in the exercise of their independent judgment and analysis. Stephens' directors, officers and employees are allowed to participate in these programs subject to established account minimums and applicable compliance restrictions.

This report has been prepared solely for informative purposes as of its stated date and is not a solicitation, or an offer, to buy or sell any security. It does not purport to be a complete description of the securities, markets or developments referred to in the material. Information included in the report was obtained from internal and external sources which we consider reliable, but we have not independently verified such information and do not guarantee that it is accurate or complete. Such information is believed to be accurate on the date of issuance of the report, and all expressions of opinion apply on the date of issuance of the report. No subsequent publication or distribution of this report shall mean or imply that any such information or opinion remains current at any time after the stated date of the report. We do not undertake to advise you of any changes in any such information or opinion. Additional risk factors as identified by the Subject Company and filed with the Securities and Exchange Commission may be found on EDGAR at [www.sec.gov](http://www.sec.gov). Prices, yields, and availability are subject to change with the market. Nothing in this report is intended, or should be construed, as legal, accounting, regulatory or tax advice. Any discussion of tax attributes is provided for informational purposes only, and each investor should consult his/her/its own tax advisors regarding any and all tax implications or tax consequences of any investment in securities discussed in this report. From time to time, our research reports may include discussions about potential short-term trading opportunities or market movements that may or may not be consistent with Stephens' long-term investment thesis, rating, or price target. Please note that we provide supplemental news and analysis in Quick Take blogs available to clients on our website. ***If applicable, when reading research on Business Development Companies, you should consider carefully the investment objectives, charges, risks, fees and expenses of the investment company before investing. The prospectus, and, if available, the summary prospectus, contain this and other information about the investment company. You can obtain a current prospectus, and, if available, a summary prospectus, by calling your financial consultant. Please read the prospectus, and, if available, the summary prospectus, carefully before investing as it contains information about the previous referenced factors and other important information. Also, please note other reports filed with the Securities and Exchange Commission by the relevant investment company at [www.sec.gov](http://www.sec.gov).*** Please also note that the report may include one or more links to external or third-party websites. Stephens Inc. has not independently verified the information contained on such websites and can provide no assurance as to the reliability of such information, and there can be no assurance that any opinions expressed on such websites reflect the opinions of Stephens Inc. or its management. Additional information available upon request.