

THE KERRIGAN INDEX™

Third Quarter 2025

The Kerrigan Index™, a proprietary index of Kerrigan Advisors, is composed of the seven largest publicly traded auto retail companies with operations focused on the US market. While the auto retail industry remains highly fragmented and is influenced by thousands of small and mid-sized private companies, the publicly traded auto retail stocks provide strategic insight into the dynamics affecting US auto retail and expectations for the industry's earnings outlook.

Methodology

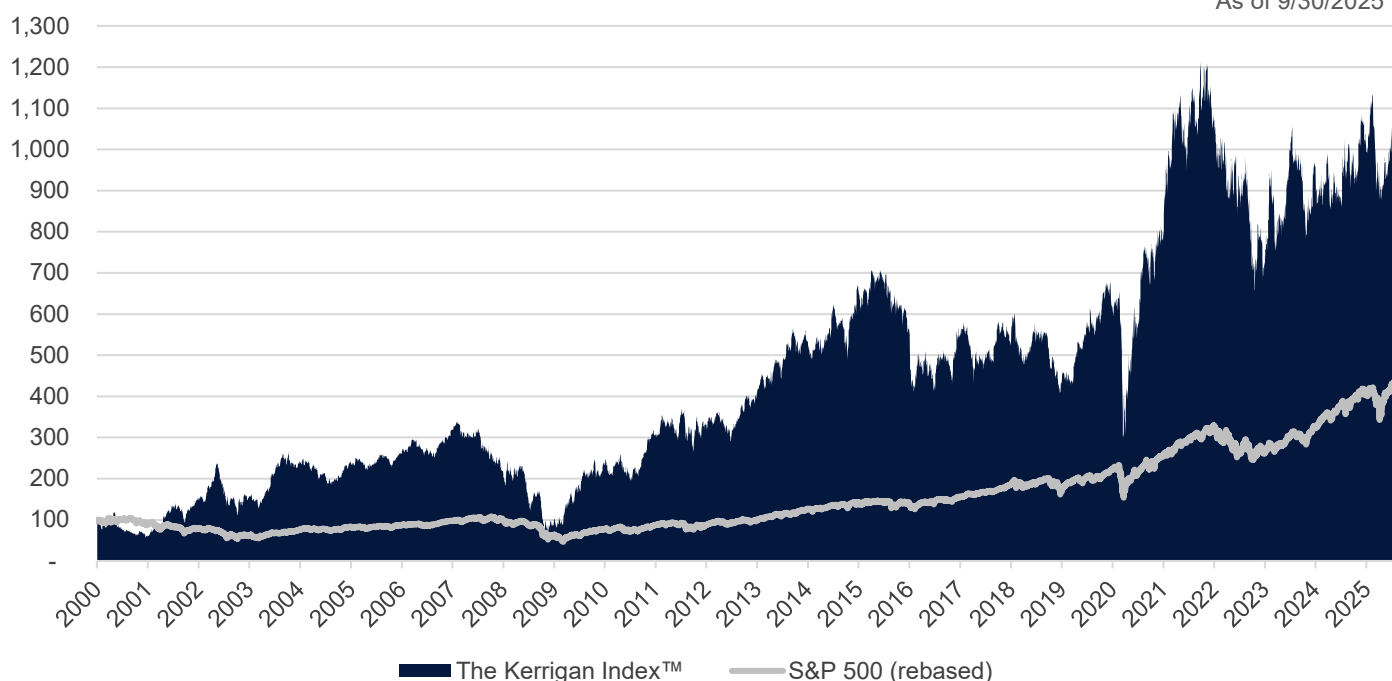
The Kerrigan Index™ is composed of the seven publicly traded auto retail companies with operations focused on the US market, including CarMax, AutoNation, Penske Automotive Group, Lithia & Driveway, Group 1 Automotive, Asbury Automotive Group and Sonic Automotive.

The Kerrigan Index™ is weighted by the market capitalization of each company and benchmarked at 100 on January 3, 2000.

Ticker	Company	9/30/2025 Stock Price	9/30/2025 Market Cap.	Q3 2025 % Change	Sept-2025 YTD % Change
PAG	Penske Automotive Group	\$173.91	\$11.51B	+1.2%	+13.1%
AN	AutoNation	\$218.77	\$8.25B	+10.1%	+22.5%
LAD	Lithia & Driveway	\$316.00	\$8.23B	-6.5%	-13.6%
KMX	CarMax	\$44.88	\$6.47B	-32.6%	-46.8%
GPI	Group 1 Automotive	\$437.51	\$5.66B	+0.2%	+0.8%
ABG	Asbury Automotive Group	\$244.45	\$4.81B	+2.48%	+0.95%
SAH	Sonic Automotive	\$76.09	\$2.6B	-4.8%	+19.3%

934.12

As of 9/30/2025



Headwinds in Used Market Weigh on Auto Retail Index Despite New Vehicle Strength

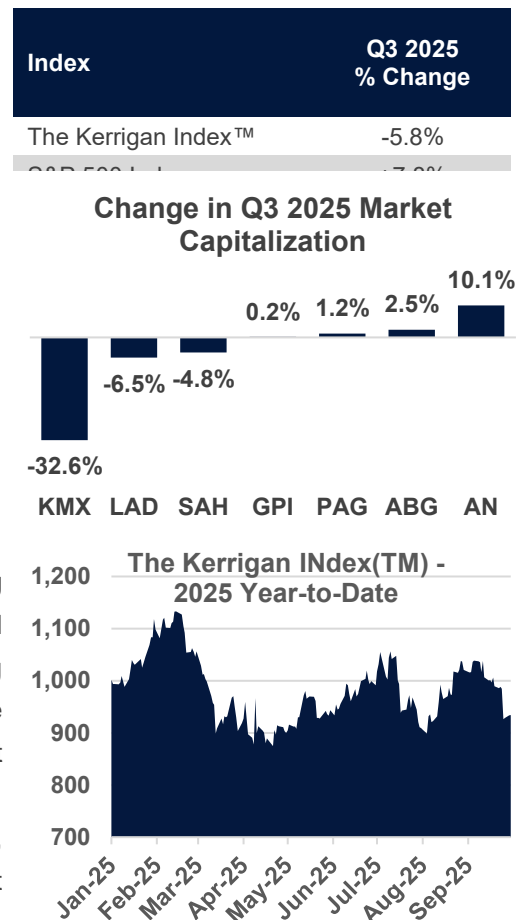
The Kerrigan Index™ ended the third quarter of 2025 at 934, down 5.8% from the second quarter, underperforming the S&P 500, which was up 7.8% during the same period. The Index was significantly weighed down by the drop in CarMax's stock, which reflects growing concern about the used car market.

Four of the seven component stocks were up in the quarter. AutoNation posted the largest gain of 10.1%, followed by Asbury Automotive Group (+2.5%), Penske Automotive Group (+1.2%) and Group 1 Automotive (+0.2%). CarMax posted the largest decline of -32.6%, followed by Lithia & Driveway (-6.5%) and Sonic Automotive (-4.8%).

The Kerrigan Index has demonstrated choppy performance in 2025. After surging to its second highest level in February – driven by optimism surrounding pro-business policies from the Trump administration and anticipated adjustments to EV sales mandates – the Index tumbled 30% by April following the announcement of new tariffs on imported vehicles and parts. Although the Index regained some ground in the summer months as tariff clarity emerged, it ultimately ended the third quarter down due to a 10% falloff in September, weighed heavily by a material decline in the one used-only retailer in the Index, CarMax. Excluding CarMax, the new car public auto retailers were relatively flat in the third quarter (up 0.8%).

CarMax's stock plunged 27% in the month of September alone and is down 47% year-to-date, accelerated by a weak earnings report in September. Quarterly revenue and profits fell well below analysts' expectations as the company's revenue dropped 6%. CarMax also surprised investors by significantly increasing its loan loss provisions, signaling worsening credit quality among customers and pressuring its finance segment's profitability. Softer consumer demand, rising interest rates, and falling used car prices this summer forced CarMax to discount more heavily, eroding margins and investor confidence.

As the industry comes off of peak used car pricing three years ago, the used vehicle market faces some headwinds in the coming months. Of note, subprime lender Automotive Credit Corp indefinitely paused all originations in August and Tricolor Holdings, a used car dealer and subprime auto lender filed for Chapter 7 bankruptcy in September, opting for full liquidation rather than restructuring despite its sizable balance sheet. Tricolor, which served low and no credit borrowers, faced increasing pressures in recent years with defaults and repossessions on the rise, primarily a result of volatile used car prices, rising interest rates and its borrowers' inflation-induced financial stress. With subprime auto loans capturing over 13% of issued auto loans as recently as August 2025, the effects of Automotive Credit Corp and Tricolor's recent troubles could impact the broader auto retail industry as auto loans become more heavily scrutinized by regulators, lenders and investors in the coming months. It is worth noting that Tricolor's business was particularly impacted by the Trump administration's immigration and border policies, as the company specialized in subprime auto loans to Hispanic and immigrant communities, including customers without Social Security numbers or with limited credit history.



In contrast to the used car market, new car sales ticked up in the third quarter, largely driven by the expiration of the \$7,500 EV tax credit at the end of September. Third quarter new car deliveries rose 5.6% over the same period in 2024 and EV sales accounted for 10.5% of total new car sales, driving the SAAR to reach 16.4 million in September. Similar to the pull-forward effect the industry experienced this spring when consumers rushed to buy cars before tariffs ensued, US auto retailers demonstrated their ability to efficiently sell down their EV inventory before incentives sunsetted.

“The training wheels are coming off. The federal tax credit was a key catalyst for EV adoption, and its expiration marks a pivotal moment. This shift will test whether the electric vehicle market is mature enough to thrive on its own fundamentals or still needs support to expand further,” stated Stephanie Valdez Streaty, Director of Industry insights at Cox Automotive. Cox Automotive is forecasting a notable drop in EV sales through the first half of 2026, especially as automakers pull back on plans for new EV product launches.

In the quarter, the Detroit Big Three (GM, Ford and Stellantis) all delivered strong results — GM led with an 8% year-over-year volume gain, Stellantis rose 6% on strength from Chrysler and Ram, and Ford maintained steady volume with record truck and SUV demand. Meanwhile, Volkswagen and Subaru were among the weakest mass-market performers, each reporting lower third quarter US sales as compared to last year.

In the third quarter, the tariff situation also became clearer, with most light vehicle tariffs settling in at 15%, lower than originally announced in April. This has helped to stabilize supply chains and restored some dealer and consumer confidence; however, economists caution that continued inflationary pressure, elevated financing costs, and the lingering effects of tighter credit in the used-car and subprime markets could temper sales momentum heading into 2026. Nonetheless, Cox Automotive recently adjusted its 2025 full year new vehicle sales forecast to between 15.8 and 16.4 million units, with the median point, 16.1 million, largely in line with 2024’s full year sales. Charlie Chesbrough, senior economist at Cox Automotive, noted, “More tariffed products are replacing existing inventory, and prices are expected to be pushed higher as automakers pass along higher import costs. Still, the market’s strength in Q3 has improved our overall outlook.”

Monetary policy has begun to shift though, offering dealers and consumers some near-term relief on vehicle affordability. On September 17th, the Federal Reserve cut its benchmark rate by 25 basis points to a range of 4.00%–4.25%, marking its first interest rate reduction of the year. Analysts expect the move to gradually lift new vehicle sales by improving financing affordability, though the full effect will likely unfold over the coming months as lenders recalibrate loan terms and incentives.

Overall, while economic indicators remain mixed, the outlook for dealers has brightened heading into year-end. Greater clarity around tariff policy and the Fed’s first rate cut in over a year have reduced two major sources of uncertainty that weighed on both consumer sentiment and dealers earlier in 2025. With import costs stabilizing, financing conditions easing, and new vehicle demand holding steady, dealers are well-positioned to capitalize on improving market dynamics in the quarters ahead.

US Publics' Acquisition Update

- **Asbury** completed its landmark acquisition of Boston-based Herb Chambers Cos in July, picking up 33 dealerships and three collision centers for a final purchase price of \$1.45 billion. Expected annualized revenues are north of \$3 billion.
- **AutoNation** acquired Mercedes-Benz and Audi dealerships in Chicago in September, which are expected to add \$325 million in revenue.
- **Group 1** acquired Mercedes-Benz in Atlanta in August with annualized revenues expected of \$210 million.
- **Lithia** acquired Acura, Hyundai and Genesis dealerships in Southeast Florida in September. Lithia reported its total year-to-date expected annualized revenue from acquisitions is \$620 million.
- **Penske** acquired a Ferrari dealership in Italy in July, expanding its existing luxury presence in the country to 29 locations.

Other Industry Data Include:

- Per J.D. Power, fleet sales are expected to be 200,819 units in September, down 1.5% from September 2024, and account for 16.3% of total light vehicle sales, down 0.3 percentage points from a year ago.
- Trucks and SUVs are slated to represent 82% of new vehicle retail sales in September, up 2% from last year.
- US final assembly vehicles are expected to make up 55% of sales in September, up 4.1 percentage points from a year ago.
- Retail inventory levels are currently at 2.21 million units, a 17.5% increase from September 2024.
- The industry's day's supply in September was 60 days, up 11% from a year ago.
- The average new vehicle retail transaction price in September is expected to reach \$45,795, up 2.9% from last year. Transaction price as a percentage of MSRP fell to 89%, down 0.5 percentage points from September 2024.
- Retail buyers are on pace to spend \$45.0 billion on new vehicles, up 8.4% from September 2024.
- Average incentive spending per unit in September is expected to reach \$3,116, largely in line with September 2024. Incentive spending as a percentage of the average MSRP is expected to decrease to 6.1%, down 0.2 percentage points from a year ago.
- Leasing is expected to account for nearly 24%23.9% of sales this month, up 2.6% from a year ago.
- Average monthly finance payments are on pace to surpass \$755 in September, ~3% from last year. The average interest rate for new vehicle loans is expected to be 6.51%, down 0.25 percentage points from a year ago.

Sources: Microsoft Finance, Yahoo Finance, Automotive News, J.D. Power & LMC Automotive, Cox Automotive, Kerrigan Advisors

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