

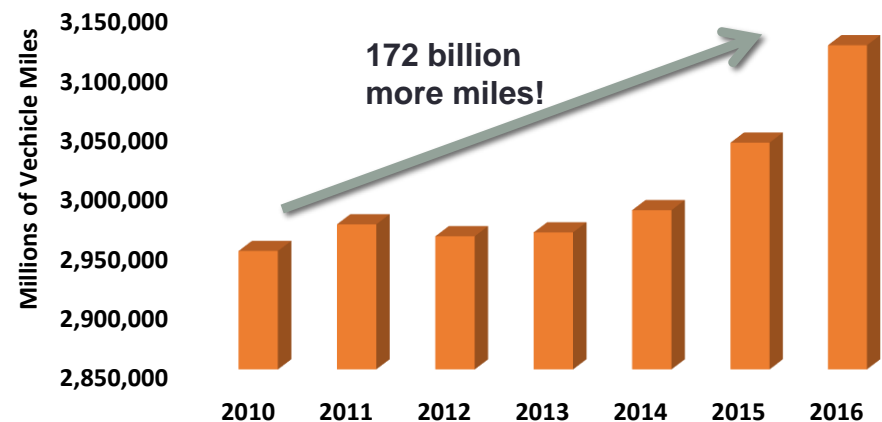
AUTO REPAIR SHOP INDUSTRY

In-depth Analysis, prepared for Mikhail Capital

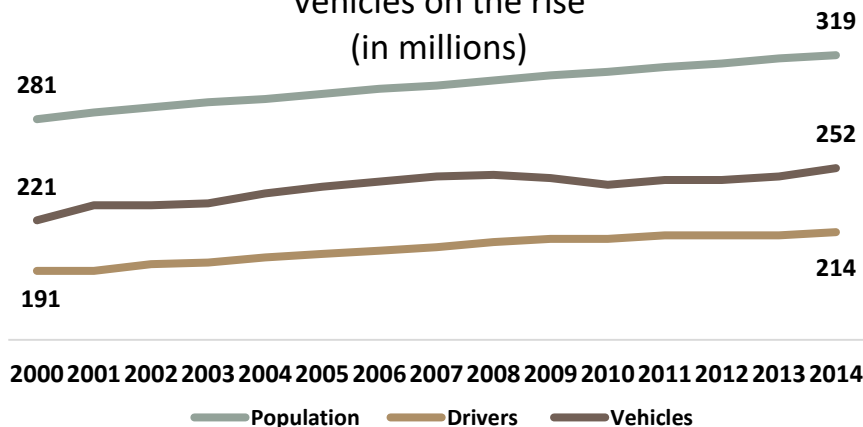
Automotive Trends

- Macro trends all point to continued increase in:
 - US Population
 - Vehicle registration
 - Registered drivers
- Total vehicle miles increase 172 billion between 2010 and 2016
- Increasing age of automobiles show owners are forgoing purchasing new cars in favor of putting more miles on existing ones, likely resulting in an **increased need for maintenance and repairs**

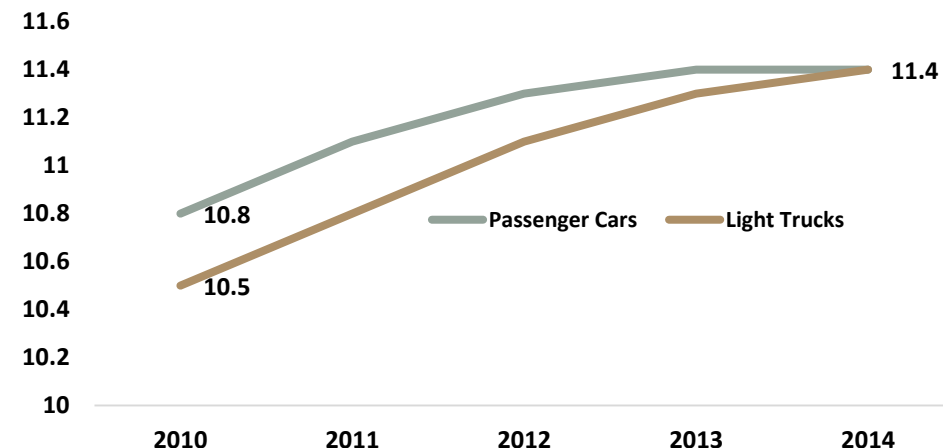
Total Vehicle Travel in the USA



US Population, Drivers, and Vehicles on the rise
(in millions)



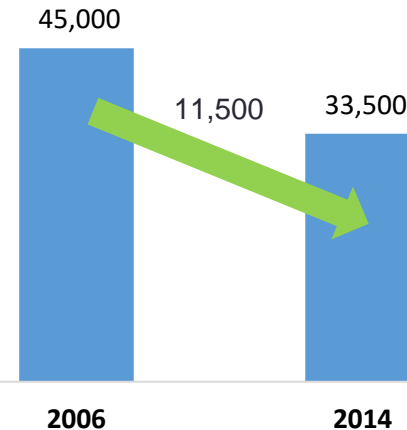
Average Age of Automobiles and Trucks



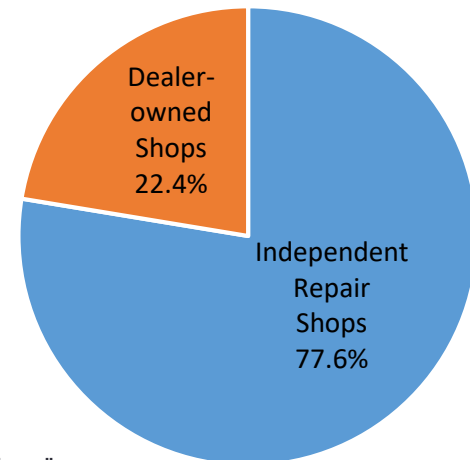
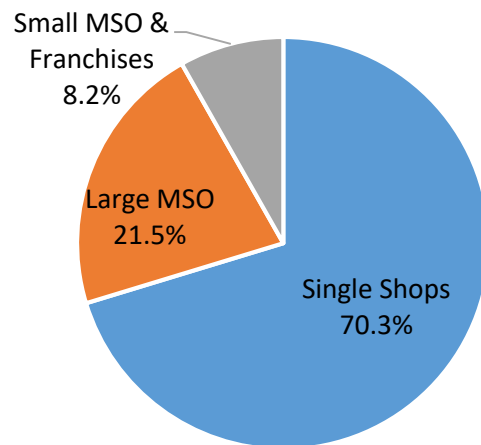
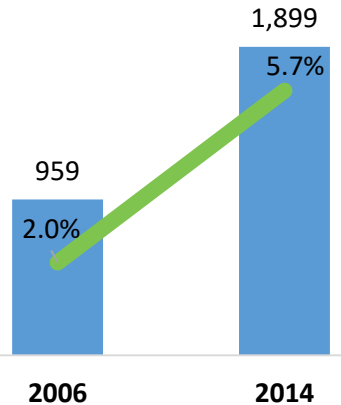
Auto Repair Shop Industry Structure

- Consolidation occurring, but still a highly fragmented industry
- Multi-Shop Operators (MSOs) account for under 6% of locations and over 20% of revenue
- The top 10 MSOs represent 66.8% of revenue of large MSOs
- 79 MSOs had revenues of \$20 million or greater in 2015
- 77.6% of repairs shops are independent

Total Collision Repair Locations



of MSO Locations as a % of Total Locations



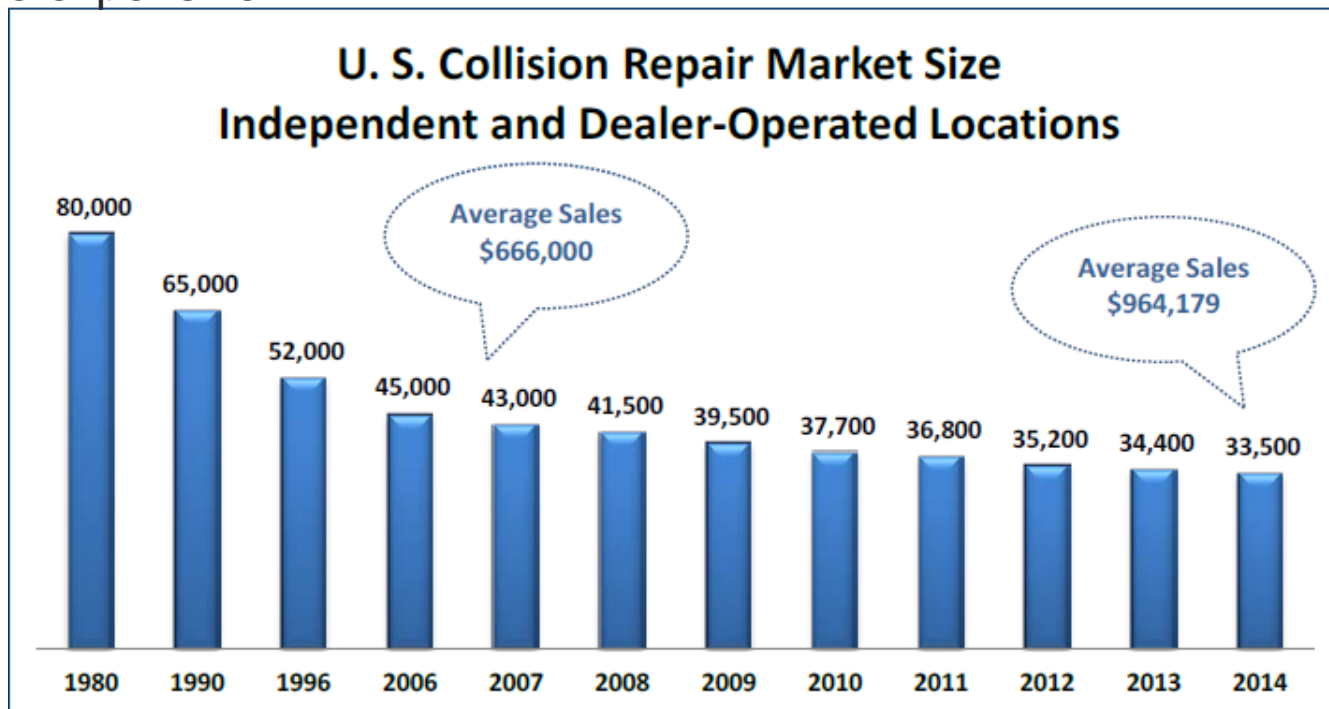
Source: The Romans Group: "A 2015 Profile of the Evolving North American Collision Repair Marketplace"

*MSO is defined as having \$20M+ revenue

Trend: Increasing Sales

Data shows a 25% decrease in collision repair locations, but a 44% increase in average sales. This is due to a number of factors:

1. Smaller, less profitable shop cannot compete with MSOs and close or are acquired
2. MSOs are executing with operational discipline and driving down costs
3. The average price of automobiles is increasing, making collision repairs more expensive



Multi-Shop Operators (MSOs)

- MSOs benefit from:
 - Standardized processes
 - Technological integration
 - Increased brand trust and awareness
 - Shared marketing
 - Supply chain economies of scale



What does this mean?

- Reasonably priced acquisitions of individual repair shops or small MSOs present an opportunity to quickly and efficiently reduce Cost of Goods Sold and SG&A expenses

Comparable Transactions: Multi-Store Operators (MSOs)

01

Company: Craftmaster

Acquirer: Boyd Group

Date: January 2015

- **Price:** \$7.4M
- **# of Locations:** 6
- **Sales:** \$13.6M
- **Assumed EBITDA:** 8%
- **EBITDA:** \$1.1M
- **Implied EV/EBITDA:** 6.8x

02

Company: Recovery Room

Acquirer: Boyd Group

Date: November 2012

- **Price:** \$7.3M
- **# of Locations:** 11
- **Sales:** \$23M
- **Assumed EBITDA:** 8%
- **EBITDA:** \$1.8M
- **Implied EV/EBITDA:** 4.0x

03

Company: Pearl Auto Body

Acquirer: Boyd Group

Date: June 2012

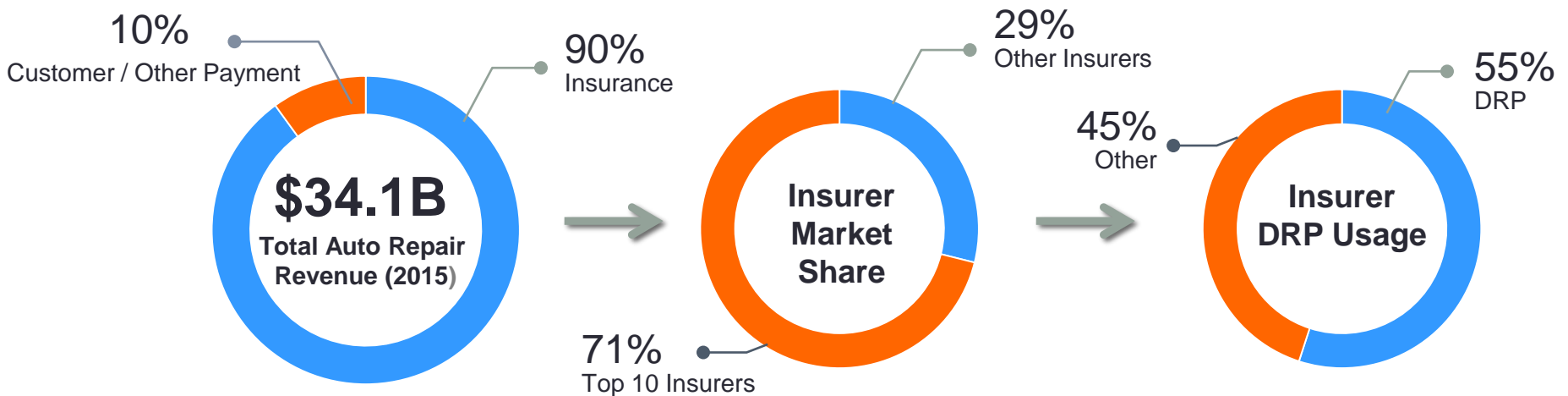
- **Price:** \$4.4M
- **# of Locations:** 6
- **Sales:** \$13M
- **Assumed EBITDA:** 8%
- **EBITDA:** \$1M
- **Implied EV/EBITDA:** 4.2x

- EV/EBITDA multiples for large MSOs (12+ locations) are increasing as private equity investors drive up valuations
- Opportunity to acquire small MSOs and individual auto repair shops remains an attractive opportunity

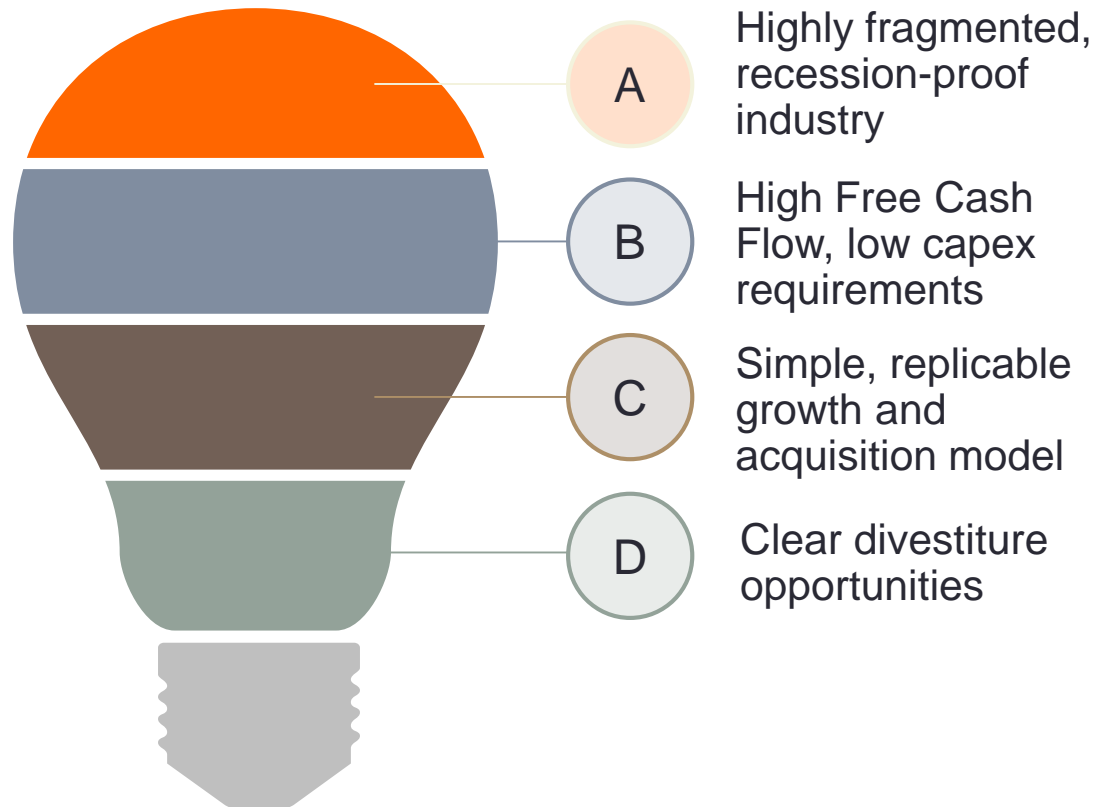
Payment Structure & DRPs



- Majority of payments are made through insurance claims
- Direct Repair Programs (“DRPs”) are established between insurance companies and collision repair shops to better manage auto repair claims
 - A simpler, faster way to process claims leads to increase customer satisfaction
- DRP currently accounts for \$16.88B of industry revenue
- Growing preference among insurers for DRP arrangements with multi-location collision repair operators
- Individual shops will continue to lose ground to MSOs



Why the auto repair industry segment?



Investment Validation + Geographical Opportunity

- Larger MSOs are being earmarked for rapid growth by Private Equity firms
- Growth is realized through:
 - Small MSO acquisition
 - Independent shops
 - Building new locations
- Capital outlay for a new location is typically 400-600K and generates 20%+ ROCE
- Lack of PE presence in several states, notably Nevada and Arizona

OMERS

H&F

Blackstone

Company	Owned By	Acquisition Date	Locations	# of States	California	Nevada	Arizona
ABRA	Hellman & Friedman	2014	231 (now 335)	19 (24)	0	0	0
Caliber	OMERS	2013	261 (490)	12	153	7	10
Service King	Blackstone Group	2014	235 (323)	21 (24)	41	7	14
Boyd Group (Gerber)	Publically traded	N/A	284 (364)	17 (21)	0	4	0

Nevada

- Las Vegas had 2.1 million residents in 2015, up from 1.4 million in 2000
 - Projected 2.2 million by 2019
- Diversified from its well-known casinos and entertainment to aviation and technology
- Projected to add jobs at a 2.6% annual rate through 2020 (best of all 50 states)
- Sports teams will increase population and tourism
 - Golden Knights (NHL): 2017
 - Raiders (NFL): 2020



Recommended Mikhail Capital Timeline

Summer 2017

Q3/Q4 2017

2018-

2019-2022

2023-2025



Source

Opportunities

Look at potential investment opportunities in the auto repair industry segment in **Southern States** that meet all investment criteria and purchase **most attractive opportunity**

Identify

Listen to existing employees and watch for opportunities to **improve operations**

Implement

The segment's **simple, replicable model** allows for quick implementation and standardization to improve top and bottom line numbers

Expand

With **low capex** requirements and **excellent cash-flow** generation, Mikhail Capital can supercharge its growth through **smart acquisitions**, ideally in high growth areas such as **Las Vegas**

Exit

Industry consolidation creates **extensive exit opportunities**, with large private and public equity businesses looking to acquire well-run MSOs in undeveloped markets to add to their portfolios

Potential Post-acquisition Strategies

While Mikhail Capital looks to keep primary business operations intact, there are many areas that may materially improve the business:

Focus Area	Current State	Future State
Supply Chain	<ul style="list-style-type: none">1. Ad-hoc ordering without tracking price trends2. Unsophisticated manual methods require a lot of time3. Complicated payment methods and inaccurate estimated repair times	<ul style="list-style-type: none">1. Computerized, just-in-time ordering system2. Greater negotiation leverage with supplier3. Convert to DRP agreements with Insurers
Technology	Pen and Paper or excel based method of tracking appointments and revenues	Implement Demand analysis software to improve ordering and scheduling, and utilize consumer insights
Branding	Unorganized or competing marketing campaigns confuse consumers and appear unprofessional	<ul style="list-style-type: none">1. Create coordinated marketing campaigns2. Standardize brand to increase awareness and trust3. Utilize Google AdWords to improve effectiveness