



Rethinking succession amidst auto sector disruption

Trends and transactions

February 2025

Succession planning in the automotive retail industry is evolving beyond traditional family discussions and formal plans. It now requires a mindset that embraces digital transformation and prepares future leaders to navigate profound technological changes. Family businesses must not only consider who will take over but also how they will adapt to the evolving landscape of their business.

The industry is currently experiencing significant consolidation, particularly in the United States, where dealership groups are expanding rapidly. This trend raises important questions about the readiness of family-owned businesses in Canada for succession planning.

In the context of dealerships, digital agility is essential. As the industry faces rapid advancements in technology, consolidation, consumer and OEM demands, succession planning must focus on resilience and adaptability. Future leaders should be prepared not only to take over leadership roles but also to lead through significant changes in the market.

Incorporating personal financial planning into the succession strategy is crucial for both the current owner and their successors. This includes addressing issues like preserving wealth, tax planning, and retirement considerations, which are essential for ensuring the financial stability of the dealership during and after the transition.

Additionally, it's important to consider the impact of financial literacy for the next generation, alignment of family members prior to key decisions on who will operate the dealerships, and the distribution of assets.

Understanding the true value of your business, including operations and goodwill, is essential for making informed decisions. Equally important is grasping the owner's motivations and long-term vision, which is critical for the dealership's future. Building the owner's mindset is crucial before passing the baton to the next generation, ensuring that successors are prepared and aligned with the dealership's values. Aligning the succession plan with the owner's objectives increases the likelihood of a smooth transition. To cultivate a future-focused mindset among the rising generation in family-owned automotive enterprises, four key attributes are essential, as outlined in KPMG Digital Mindset Framework: courage, curiosity, connectedness, and adaptability.

Courage:

Future leaders must demonstrate initiative and confidence in decision-making. They should be empowered to take risks and learn from mistakes, fostering a culture that encourages growth and accountability. This courage is vital for the family enterprise to thrive in a competitive auto market.

Curiosity:

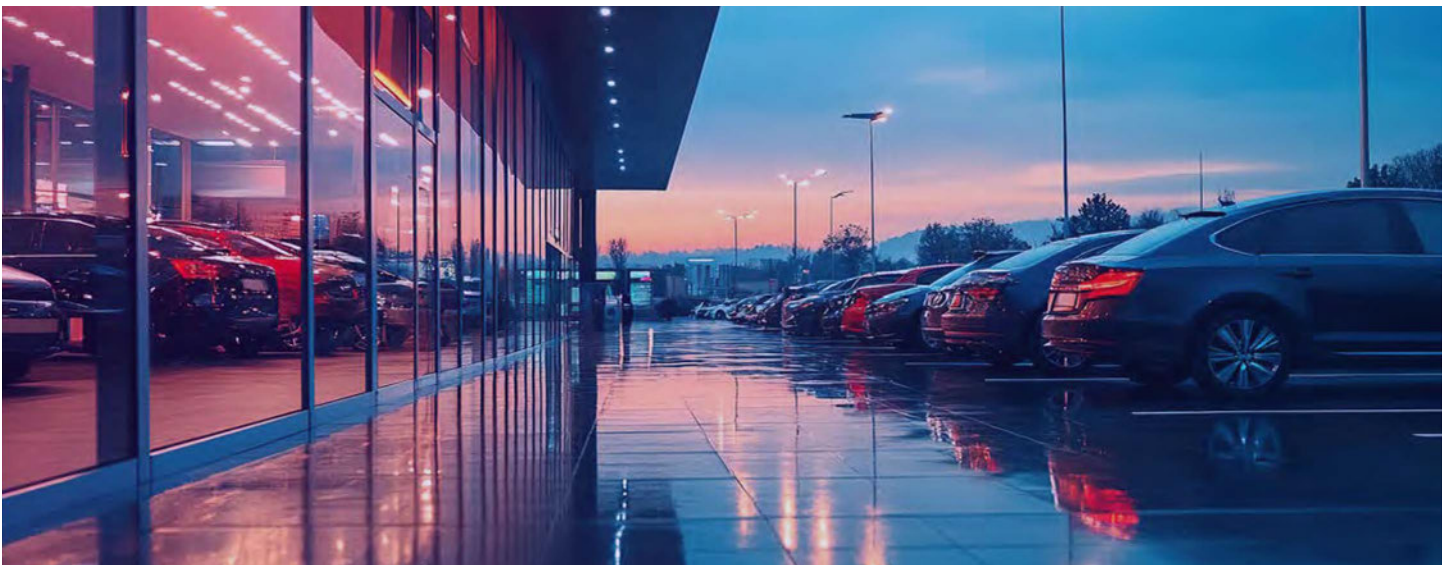
Organizations that foster curiosity can enhance innovation at all levels. It is essential to encourage the rising generation to ask questions and pursue collaborative solutions. By cultivating a culture of experimentation, these individuals can challenge existing norms and drive creative solutions, particularly in the auto industry. Emphasizing risk-taking and innovative capabilities will empower them to contribute meaningfully to their fields.

Connectedness:

A connected family enterprise ensures that all parts of the organization work together towards common goals. Future leaders should engage with diverse perspectives within the family and the business to create inclusive strategies that consider all stakeholders. This connectedness is crucial for implementing changes that enhance digital adoption and overall business sustainability.

Adaptability:

The ability to adapt is critical in the fast-changing auto industry. Future leaders should embrace flexibility and collaboration, focusing on continuous learning and skills development. By fostering a culture that values adaptability, family enterprises can better navigate the uncertainties of the market.



To implement a succession plan that builds resilience and digital agility, family enterprises in the automotive industry can adopt several strategies:

01

Engage in candid conversations: Open discussions between current leaders and the rising generation can clarify aspirations and fears regarding innovation and change. This dialogue is essential for aligning goals and expectations.

02

Determine interest levels: Current leaders should actively seek to understand the rising generation's views on the business and its future. Identifying synergies between their interests and the skills needed for navigating digital transformation is crucial.

03

Cultivate a purpose-driven enterprise: Leaders should encourage discussions about the family's purpose and values, ensuring alignment across generations. This reflection can help reshape the enterprise's vision in light of new challenges.

04

Encourage experimentation and failure: Allowing the rising generation to take risks and learn from failures fosters resilience and an entrepreneurial spirit. This approach strengthens trust within intergenerational relationships.

05

Create a support network: Establishing a network of advisors and peers can empower the rising generation to gain new insights and build confidence in their leadership abilities.

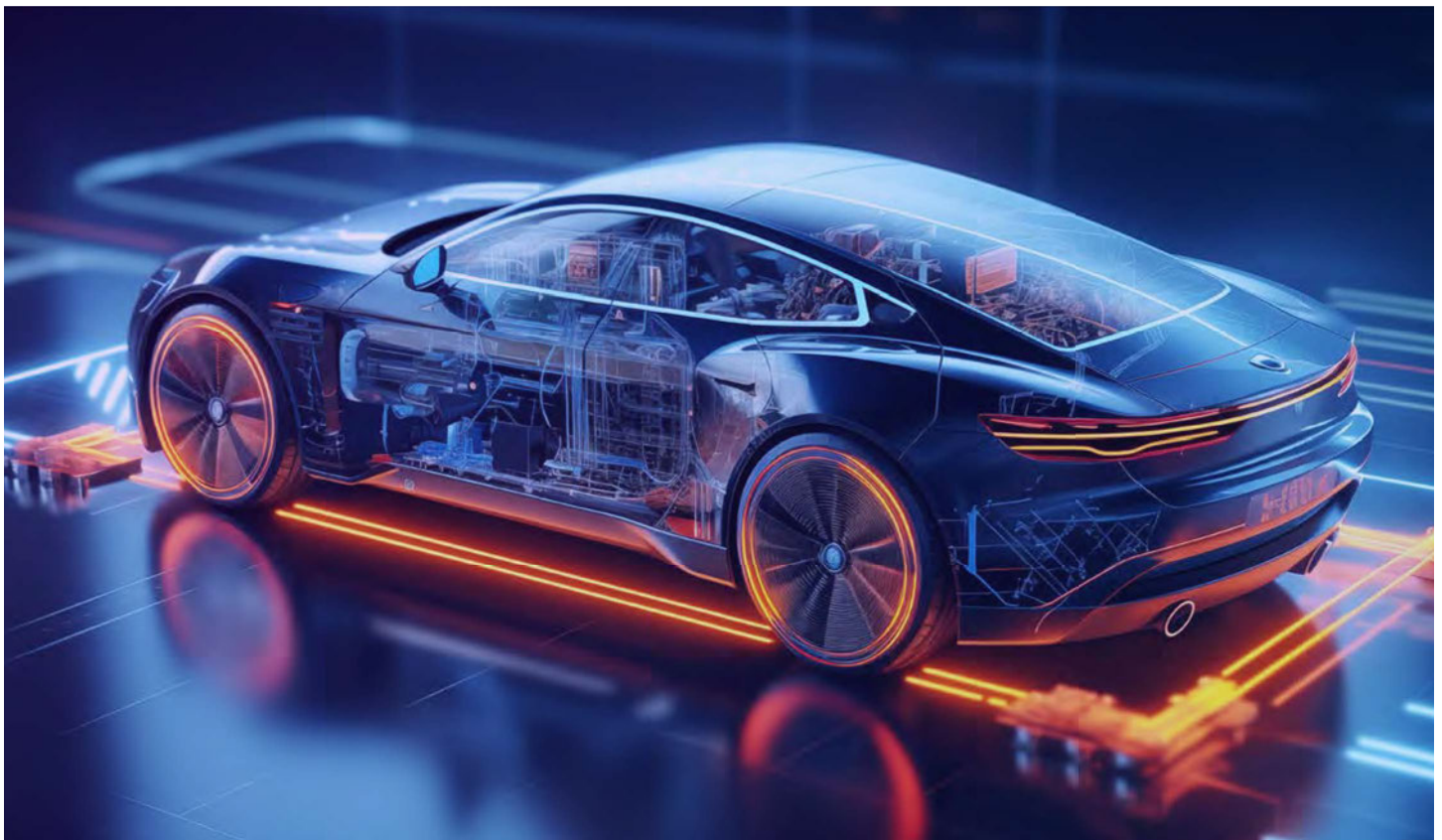
Throughout the succession planning process, family enterprises must reflect on their unique history, values, and governance structures. This differentiation can enhance intergenerational alignment and, combined with the right mindset, enable the family business to embrace disruption and achieve lasting success in the auto industry.

Succession planning in automotive dealerships goes beyond merely transferring ownership. Dealers must adopt a holistic approach to navigate the complexities of succession and ensure long-term success in the dynamic automotive industry. This includes the role of governance, such as defining roles, responsibilities, decision-making processes, and the involvement of family facilitators or advisors.

As the auto retail industry faces consolidation and expansion challenges, family businesses in Canada must reflect on their succession plans and consider the implications of both internal and external leadership transitions. By doing so, they can ensure a smooth transition and continued success in a rapidly evolving market.

Company	HQ Country	Market Data ¹			LTM Financials				Valuation Multiples EV to:			
		Mrkt. Cap (C\$m)	EV (C\$m)	% 52 Wk High	Revenue (C\$m)	Revenue Growth %	Gross Margin %	EBITDA Margin %	LTM Revenue	LTM EBITDA	NTM EBITDA	
Automotive OEMs												
Tesla, Inc.	US	\$1,865,241	\$1,836,340	82.7%	\$131,245	1.3%	18.2%	13.6%	nm	nm	nm	
Toyota Motor Corporation	JP	\$377,444	\$649,968	80.9%	\$437,506	12.0%	19.5%	15.2%	1.5x	9.2x	10.6x	
BYD Company Limited	CN	\$154,932	\$148,982	83.1%	\$131,405	17.9%	20.6%	14.5%	1.1x	7.3x	6.6x	
Ferrari N.V.	IT	\$109,515	\$112,087	85.3%	\$9,740	11.2%	49.8%	32.4%	nm	32.9x	27.5x	
General Motors Company	US	\$84,281	\$235,904	87.0%	\$246,844	6.2%	12.0%	10.1%	0.9x	8.9x	6.5x	
Dr. Ing. h.c. F. Porsche AG	DE	\$79,279	\$85,257	60.5%	\$58,706	-5.0%	26.9%	21.4%	1.5x	6.3x	5.9x	
Mercedes-Benz Group AG	DE	\$76,232	\$213,841	69.5%	\$222,920	-3.6%	18.5%	11.4%	1.0x	7.4x	7.3x	
Bayerische Motoren Werke Aktiengesellschaft	DE	\$73,289	\$215,117	68.5%	\$224,403	-2.1%	15.8%	13.2%	1.0x	7.1x	6.8x	
Volkswagen AG	DE	\$67,858	\$396,671	69.2%	\$488,881	4.2%	17.3%	8.0%	0.8x	9.4x	6.9x	
Honda Motor Co., Ltd.	JP	\$65,171	\$121,398	78.3%	\$203,844	17.3%	21.6%	12.7%	0.6x	4.8x	6.4x	
Ford Motor Company	US	\$56,612	\$246,039	66.7%	\$246,877	4.9%	7.7%	5.1%	0.9x	15.8x	14.0x	
Stellantis N.V.	NL	\$53,807	\$46,051	46.0%	\$258,381	-7.2%	18.1%	12.4%	0.2x	1.4x	1.7x	
Hyundai Motor Company	KR	\$50,865	\$172,131	70.8%	\$175,144	7.0%	20.6%	10.6%	1.0x	8.5x	8.6x	
Kia Corporation	KR	\$38,217	\$20,322	74.6%	\$107,619	6.1%	23.2%	14.2%	0.2x	1.4x	1.3x	
Select Automotive OEMs Mean						5.0%	20.7%	13.9%	0.9x	9.3x	8.5x	
Select Automotive OEMs Median						5.5%	19.0%	12.9%	1.0x	7.4x	6.8x	

Source: Capital IQ as of December 31, 2024





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