

LITHIA / DCH AUTO GROUP COMBINATION



DISCLOSURE

Forward-Looking Statements

This presentation includes “forward-looking statements” within the meaning of the “Safe-Harbor” provisions of the Private Securities Litigation Reform Act of 1995. Forward looking statements include statements regarding our goals, plans, projections and guidance regarding our financial position, results of operations, market position, pending and potential future acquisitions and business strategy, and often contain words such as “project,” “outlook,” “expect,” “anticipate,” “intend,” “plan,” “believe,” “estimate,” “may,” “seek,” “would,” “should,” “likely,” or “will” and similar references to future periods. Examples of forward-looking statements in this presentation include the following items:

- The estimated purchase price for DCH, which is based on a fixed amount for goodwill and the tangible net worth of DCH's other assets at the closing date, adjusted for items specified in the agreement. The tangible net worth of DCH may increase or decrease between signing and closing.
- Our expectations regarding how we will finance the acquisition.
- Our outlook of revenues and earnings per share results and the assumptions that underlie them.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events that depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance, and our actual results of operations, financial condition and liquidity and development of the industries in which we operate may differ materially from those made in or suggested by the forward-looking statements in this press release. The risks and uncertainties that could cause actual results to differ materially from estimated or projected results include without limitation, future economic and financial conditions (both nationally and locally), changes in customer demand, our relationship with, and the financial and operational stability of, vehicle manufacturers and other suppliers, risks associated with our indebtedness (including available borrowing capacity, compliance with financial covenants and ability to refinance or repay indebtedness on favorable terms), government regulations, legislation and others set forth from time to time in our filings with the SEC. We urge you to carefully consider this information and not place undue reliance on forward-looking statements. We undertake no duty to update our forward-looking statements, including our earnings outlook, which are made as of the date of this release.

DCH AUTO GROUP OVERVIEW

27 stores in large metropolitan markets

OPERATIONS SUMMARY

- Estimated annualized revenues of \$2.3 billion
- Large metropolitan stores
 - 14 stores in Southern California
 - 13 stores in New Jersey / New York

DCH STRENGTHS

- Experienced management team executing metro market strategy
- One of the 10 largest dealer groups in the United States
- Honda/Acura and Toyota/Lexus comprise 82% of sales
- Owns approximately 75% of their real estate



Delivering Customer Happiness

COMBINED ORGANIZATIONAL SUMMARY

Transaction delivers significant value

- Combined annualized revenues of ~\$7.0B
- Reduces dependence on any one brand
- Shifts ~20% of revenues into Eastern US

DIVERSIFIES BRAND MIX

	Lithia	DCH	Combined		
Domestic	51%	2%	30%	Chrysler	18%
				GM	9%
				Ford	3%
Import	38%	80%	56%	Honda	26%
				Toyota	21%
				Subaru	5%
				Other	4%
Luxury	11%	18%	14%	BMW	7%
				Mercedes	2%
				Lexus	1%
				Other	4%

COMBINED BENEFITS

- Expands geography nationwide
- Realizes economies of scale
- Similar cultures and values
- Both organizations own majority of real estate
- Access to capital markets for two growth strategies

FUTURE GROWTH STRATEGY

Potential acquisition targets more than double

- Two growth paths: exclusive markets for Lithia, metro markets for DCH

INVESTMENT METRICS

- 75-100% 5-year after tax ROE
- 3x-5x EV/EBITDA
- 10%-20% of annual revenues

EXPANDS MARKET FOOTPRINT

	Micro	Small	Medium	Large	Extra Large	Mega
Vehicle Registrations in Market	0-5K	5K-25K	25K-50K	50K-100K	100K-200K	200K+
Est. Store Count in US	3,950	3,500	1,600	1,700	2,400	4,650
Domestic	LITHIA				DCH AUTO GROUP	
Import		LITHIA			DCH AUTO GROUP	
Luxury		LITHIA				DCH AUTO GROUP
Est. Acq Targets	210	680	310	30	470	960
	LITHIA 1,230				DCH AUTO GROUP 1,430	

- Lithia: exclusive franchises in medium markets for domestic/import stores and large markets for luxury stores
- DCH: extra large and mega markets to cluster domestic, import and luxury stores

ADDITIONAL COMBINATION DETAILS

Timeline and consideration

- Estimated closing in the fourth quarter 2014
 - Subject to customary approvals
 - Due diligence performed over next 90 days
- Consideration will be paid with cash and stock
 - Estimate \$340MM in cash and 300,000 shares
 - \$0.04-\$0.06 in acquisition costs
- 2014 earnings impact of \$0.12-\$0.14 per share, excluding acquisition costs
 - Full year earnings impact estimated at \$0.65-\$0.75 per share
 - Will provide full projections and updated 2014 guidance during Q2 earnings call in July
- Meets Lithia's investment hurdles and ROE thresholds