

# Third Quarter 2018 Financial Results & Update



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**Statements in this presentation may involve forward-looking statements, including forward-looking statements regarding Penske Automotive Group, Inc.'s financial results, future sales, earnings potential, and liquidity. Actual results may vary materially because of risks and uncertainties that are difficult to predict. These risks and uncertainties include, among others: economic conditions generally, conditions in the credit markets and changes in interest rates and foreign currency exchange rates, changes in tariff rates, adverse conditions affecting a particular manufacturer, including the adverse impact to the vehicle and parts supply chain due to natural disasters, such as the recent hurricanes, or other disruptions that interrupt the supply of vehicles or parts to us, changes in consumer credit availability, the outcome of legal and administrative matters, and other factors over which management has limited control. These forward-looking statements should be evaluated together with additional information about Penske Automotive's business, markets, conditions and other uncertainties, which could affect Penske Automotive's future performance. These risks and uncertainties are addressed in Penske Automotive's Form 10-K for the year ended December 31, 2017, and its other filings with the Securities and Exchange Commission ("SEC"). This presentation speaks only as of its date, and Penske Automotive disclaims any duty to update the information herein. Refer to the company's latest earnings press release dated October 25, 2018.**



# Diversification



## **AUTOMOTIVE DEALERSHIPS**

- **U.S.**
- **U.K.**
- **Germany**
- **Italy**
- **Spain**
- **Japan**



## **STAND-ALONE USED VEHICLE SUPERCENTERS**

- **CarSense (U.S.)**
- **CarShop (U.K.)**
- **The Car People (U.K.)**



## **COMMERCIAL TRUCK RETAIL**

- **Premier Truck Group**
  - **USA**
  - **Canada**



## **COMMERCIAL TRUCK DISTRIBUTION & POWER SYSTEMS**

- **Australia**
- **New Zealand**
- **The Pacific**



## **TRANSPORTATION\***

- **Full-Service Truck Leasing**
- **Truck Rental**
- **Contract Maintenance**
- **Logistics**
- **Vehicle Services**

\* PAG maintains a 28.9% ownership interest and records a share of earnings using the equity method.



# Penske Automotive Group Overview

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- **A diversified transportation services company with estimated annual revenues in excess of \$22 billion**
- **Operations across four continents and nine countries**
- **279 Retail automotive locations world-wide**
  - **265 Automotive dealerships**
  - **14 Stand-alone used vehicle SuperCenters**
- **342 OEM franchises**
- **38 Collision centers**
- **21 N.A. Commercial Truck Dealerships**
- **Over 26,000 employees**



The Car People, Manchester, U.K.



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# THIRD QUARTER 2018

# Q3 2018 Overview

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- **Record third quarter retail unit sales, revenue, income from continuing operations and earnings per share**
- **Retailed 130,933 new and used automotive units, +0.5%**
- **Q3 Total Revenue +2.4% to \$5.7 billion**
- **SG&A Expenses to Gross Profit declined 80 basis points to 77.7%**
- **EBT increased 13.1% to \$157.1 million**
- **Tax benefit of \$11.6 million, or \$0.14 per share, due to finalization of accounting estimate initially recorded in response to the 2017 U.S. Tax Reform Act**
- **Record income from continuing operations of \$130.1 million, +37.8%**
- **Record earnings per share from continuing operations of \$1.53, +39.1%**
- **Record adjusted income from continuing operations +25.7% to \$118.5 million; adjusted EPS 27.3% to \$1.40**

Note – refer to non-GAAP reconciliations in this presentation



# Q3 2018 Key Takeaways

## Retail Automotive

- **Used to New Ratio 1.22 to 1**
- **New Vehicle Gross +\$173/unit**
- **Used Vehicle Gross +\$28/unit**
- **Finance & Insurance Gross +\$43/unit**
- **Service & Parts Margin +70 BPS to 59.8%**

## Heavy-Duty Truck Retail

- **33.8% Same-Store Unit Growth**
- **25.4% Same-Store Revenue Growth**
- **Service & Parts approximately 63% of Gross Profit**

## Penske Truck Leasing

- **PTL investment generated \$40.7 million in Equity Earnings**

1

2

3

**PENSKE**

# Q3 2018 Performance Metrics

| F/X = Foreign Exchange                              |         | ACTUAL    | YOY Change | CHANGE Ex. F/X |
|-----------------------------------------------------|---------|-----------|------------|----------------|
| <b>Same-Store Units</b>                             |         |           |            |                |
| New Vehicles                                        |         | 58,463    | (6.6%)     | n/a            |
| Used Vehicles                                       |         | 65,336    | +2.1%      | n/a            |
| Total                                               |         | 123,799   | (2.2%)     | n/a            |
| <b>Same-Store Retail Revenue</b>                    |         |           |            |                |
| New Vehicles                                        |         | \$2,324.3 | (4.2%)     | (4.0%)         |
| Used Vehicles                                       |         | \$1,729.5 | +6.1%      | +6.3%          |
| Finance & Insurance                                 |         | \$154.1   | +3.5%      | +3.8%          |
| Service & Parts                                     |         | \$520.8   | +1.7%      | +1.9%          |
| Total                                               |         | \$4,728.7 | +0.2%      | +0.5%          |
| Same-Store SG&A to Same-Store Gross Profit          |         | 77.8%     | -40 BPS    | -30 BPS        |
|                                                     |         | Q3 '18    | Q3 '17     | CHANGE Ex. F/X |
| <b>Same-Store Gross Profit Per Vehicle Retailed</b> |         |           |            |                |
| New Vehicles                                        | \$3,030 | \$2,900   | +\$130     | +\$138, +4.8%  |
| Used Vehicles                                       | \$1,504 | \$1,442   | +\$62      | +\$66, +4.6%   |
| Finance & Insurance                                 | \$1,244 | \$1,176   | +\$68      | +\$72, +6.1%   |
| Total Variable <sup>(1)</sup>                       | \$3,470 | \$3,339   | +\$131     | +\$139, +4.2%  |

(1) Calculated by dividing the sum of new vehicle, used vehicle, and finance and insurance gross profit by total retail automotive unit sales



**Confidential**

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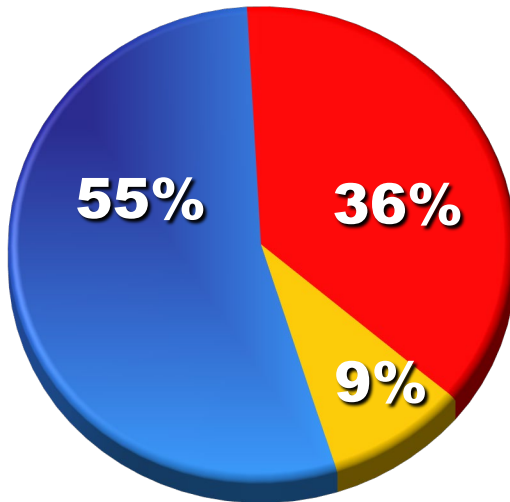
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# 9M 2018 Revenue & EBT

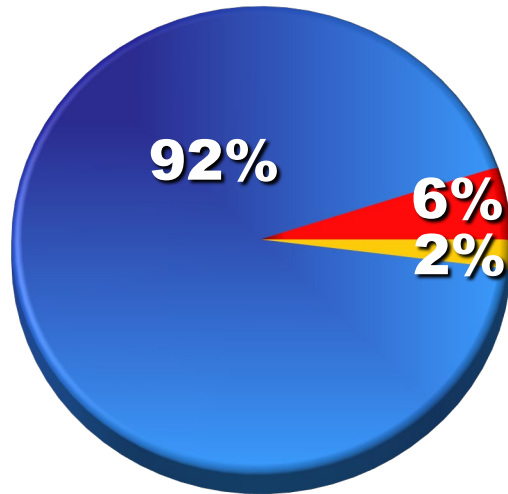
## Revenue

**\$17.3 Billion**



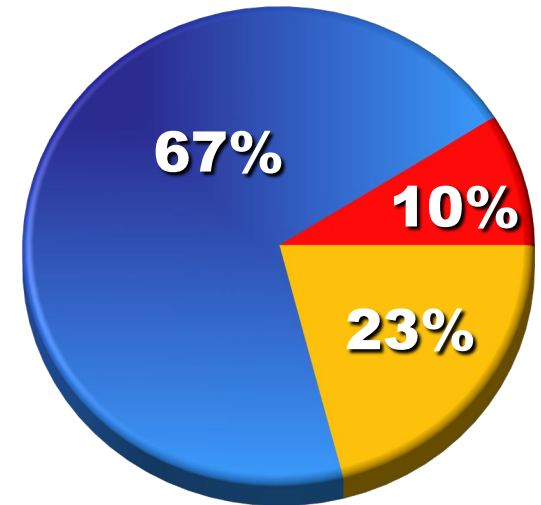
## Revenue

**\$17.3 Billion**



## Earnings Before Tax

**\$478 Million**



\*Includes equity income from joint venture investments, including Penske Truck Leasing



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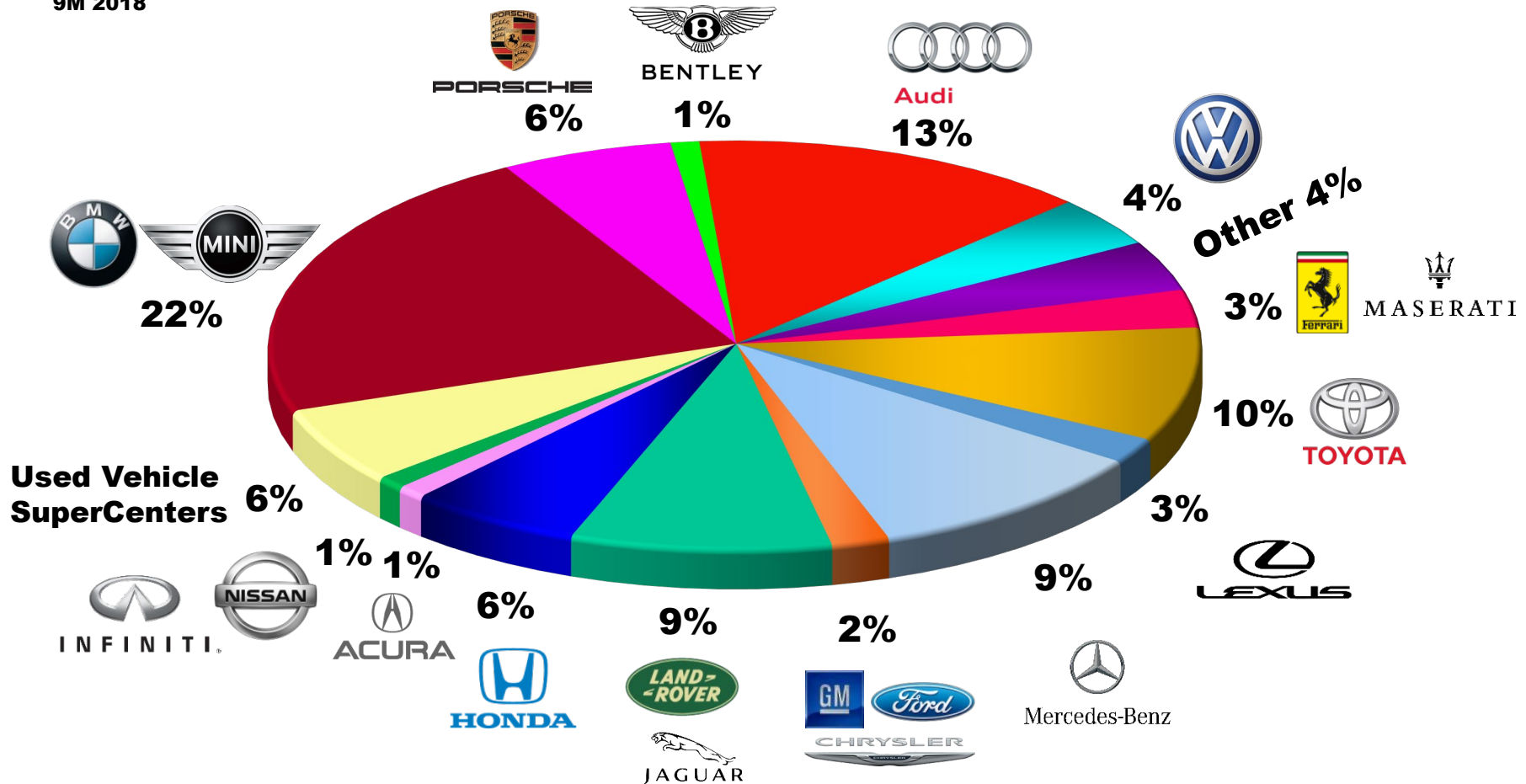
# RETAIL AUTOMOTIVE



# World Wide Best in Class Brand Mix

(% of Total Automotive Dealership Revenue)

9M 2018



- Premium – 69%
- Volume Non-U.S. – 23%
- Used Vehicle SuperCenters – 6%
- U.S. Big 3 – 2%



**Confidential**

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# **STAND-ALONE USED VEHICLE SUPERCENTERS**



# Used Vehicle SuperCenters

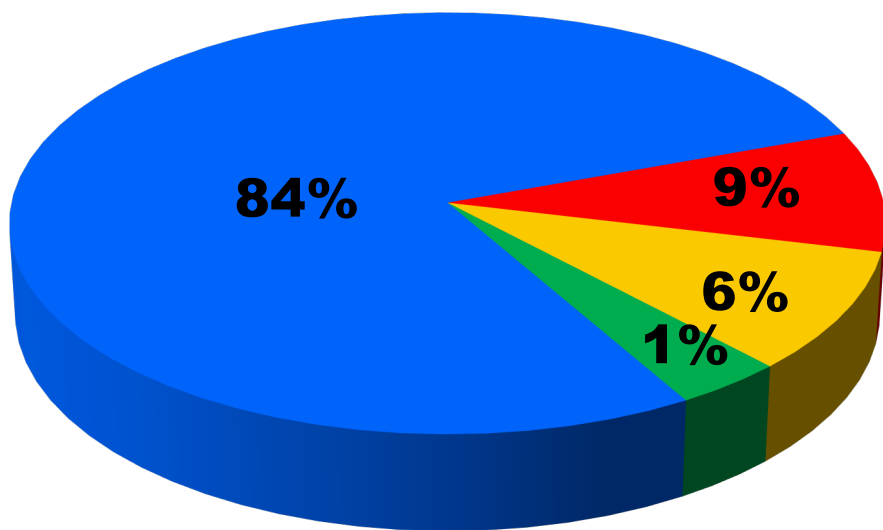
|                                  | Q3 2018<br>Total | Q3 2017<br>Total | Chg.           | 9M<br>2018       | 9M<br>2017      | Chg.           |
|----------------------------------|------------------|------------------|----------------|------------------|-----------------|----------------|
| <b>Used Units Retailed</b>       | <b>18,568</b>    | <b>11,626</b>    | <b>+59.7%</b>  | <b>56,073</b>    | <b>30,952</b>   | <b>+81.2%</b>  |
| <i>Same-Store</i>                | <i>12,155</i>    | <i>11,626</i>    | <i>+4.6%</i>   | ---              | ---             | ---            |
| <b>Revenue (in millions)</b>     | <b>\$329.7</b>   | <b>\$199.8</b>   | <b>+65.0%</b>  | <b>\$1,007.5</b> | <b>\$535.7</b>  | <b>+88.1%</b>  |
| <i>Same-Store</i>                | <i>\$234.0</i>   | <i>\$199.8</i>   | <i>+17.1%</i>  | ---              | ---             | ---            |
| <b>Avg. Transaction Price</b>    | <b>\$14,800</b>  | <b>\$14,196</b>  | <b>+4.3%</b>   | <b>\$15,004</b>  | <b>\$14,296</b> | <b>+5.0%</b>   |
| <i>Same-Store</i>                | <i>\$15,723</i>  | <i>\$14,196</i>  | <i>+10.8%</i>  | ---              | ---             | ---            |
| <b>Gross Per Unit Retailed</b>   | <b>\$1,045</b>   | <b>\$1,152</b>   | <b>(9.3%)</b>  | <b>\$1,124</b>   | <b>\$1,222</b>  | <b>(8.0%)</b>  |
| <i>Same-Store</i>                | <i>\$1,058</i>   | <i>\$1,152</i>   | <i>(8.2%)</i>  | ---              | ---             | ---            |
| <b>F&amp;I Per Unit Retailed</b> | <b>\$1,001</b>   | <b>\$1,188</b>   | <b>(15.7%)</b> | <b>\$1,058</b>   | <b>\$1,182</b>  | <b>(10.5%)</b> |
| <i>Same-Store</i>                | <i>\$1,232</i>   | <i>\$1,188</i>   | <i>+3.7%</i>   | ---              | ---             | ---            |
| <b>Total Variable Gross/Unit</b> | <b>\$2,046</b>   | <b>\$2,340</b>   | <b>(12.6%)</b> | <b>\$2,182</b>   | <b>\$2,404</b>  | <b>(9.2%)</b>  |
| <i>Same-Store</i>                | <i>\$2,290</i>   | <i>\$2,340</i>   | <i>(2.1%)</i>  | ---              | ---             | ---            |



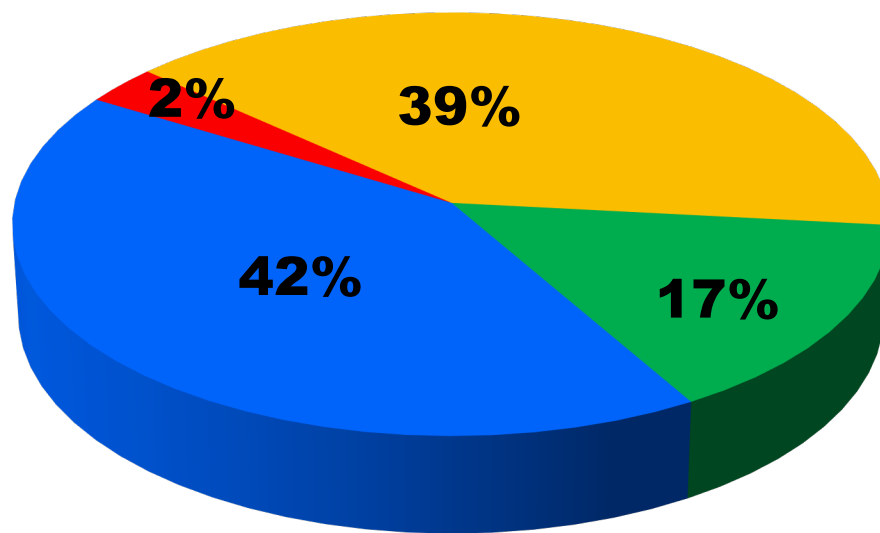
# Stand-Alone Supercenters Revenue & Gross

9M YTD 2018

Revenue



Gross Profit



■ Used

■ Wholesale

■ S&P

■ F&I

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# **eCOMMERCE**

- **35% of PAG's U.S. vehicle sales attributed to internet/digital initiatives**
  - **Dealer sites, Penskecars.com; Preferred Purchase**
- **Preferred Purchase through dealer websites and PenskeCars.com allows customers to choose how they prefer to buy/lease a vehicle**
  - **Conversion rate is 3x that of a normal lead**
  - **Receive a trade-in valuation subject to inspection**
  - **Apply for financing**
  - **Arrange for pick-up or home delivery**
- **Certain U.K. stand-alone used supercenters allow customers to conveniently reserve a vehicle online**



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# **NORTH AMERICA RETAIL COMMERCIAL TRUCK DEALERSHIPS**

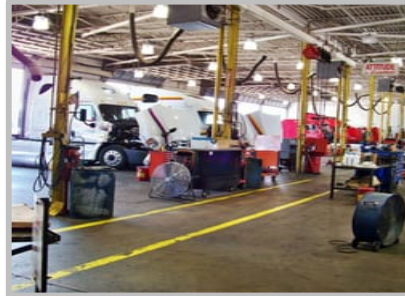


# Premier Truck Group

**Truck Sales**



**Service**



**Parts**



**Body Shop**



- **Over \$1.3B of expected annual operating revenue**
- **3<sup>rd</sup> largest Dealership Group for Daimler Trucks N.A.**



**SELEC**TRUCKS****



**DETROIT DIESEL**



- **New and used retail sales; service and parts operations**
- **21 locations in Georgia, Oklahoma, Tennessee, Texas and Canada**



# Premier Truck Group Metrics

|                                            | <u>Total</u>  |               |               | <u>Same-Store</u> |               |               |
|--------------------------------------------|---------------|---------------|---------------|-------------------|---------------|---------------|
|                                            | Q3 '18        | Q3 ' 17       | Chg           | Q3 '18            | Q3 ' 17       | Chg           |
| <b>Units</b>                               |               |               |               |                   |               |               |
| <b>New Vehicles</b>                        | 2,431         | 1,757         | +38.4%        | 2,393             | 1,757         | +36.2%        |
| <b>Used Vehicles</b>                       | <u>579</u>    | <u>464</u>    | <u>+24.8%</u> | <u>578</u>        | <u>464</u>    | <u>+24.6%</u> |
| <b>Total</b>                               | 3,010         | 2,221         | +35.5%        | 2,971             | 2,221         | +33.8%        |
| <b>Retail Revenue</b>                      |               |               |               |                   |               |               |
| <b>New Vehicles</b>                        | \$249.4       | \$184.3       | +35.3%        | \$243.2           | \$184.3       | +32.0%        |
| <b>Used Vehicles</b>                       | \$32.5        | \$25.7        | +26.5%        | \$32.5            | \$25.7        | +26.5%        |
| <b>Finance &amp; Insurance</b>             | \$2.9         | \$2.1         | +38.1%        | \$2.8             | \$2.1         | +33.3%        |
| <b>Service &amp; Parts</b>                 | <u>\$93.1</u> | <u>\$83.3</u> | <u>+11.8%</u> | <u>\$91.8</u>     | <u>\$83.3</u> | <u>+10.2%</u> |
| <b>Total</b>                               | \$377.9       | \$295.4       | +27.9%        | \$370.3           | \$295.4       | +25.4%        |
| <b>Gross Profit Per Vehicle Retailed</b>   |               |               |               |                   |               |               |
| <b>New Vehicles</b>                        | \$4,952       | \$4,479       | +10.6%        | \$4,898           | \$4,479       | +9.4%         |
| <b>Used Vehicles</b>                       | \$6,986       | \$5,500       | +27.0%        | \$6,995           | \$5,500       | +27.2%        |
| <b>Finance &amp; Insurance</b>             | \$948         | \$959         | (1.1%)        | \$937             | \$959         | (2.3%)        |
| <b>Variable Gross per Unit<sup>1</sup></b> | \$6,279       | \$5,673       | +10.7%        | \$6,227           | \$5,673       | +9.8%         |

(1) Calculated by dividing the sum of new vehicle, used vehicle, and finance and insurance gross profit by total retail automotive unit sales

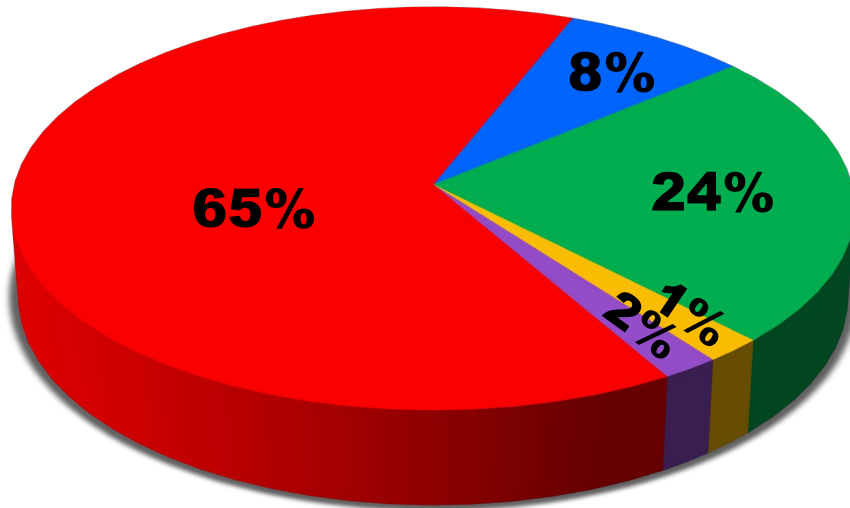


# Premier Truck Revenue & Gross

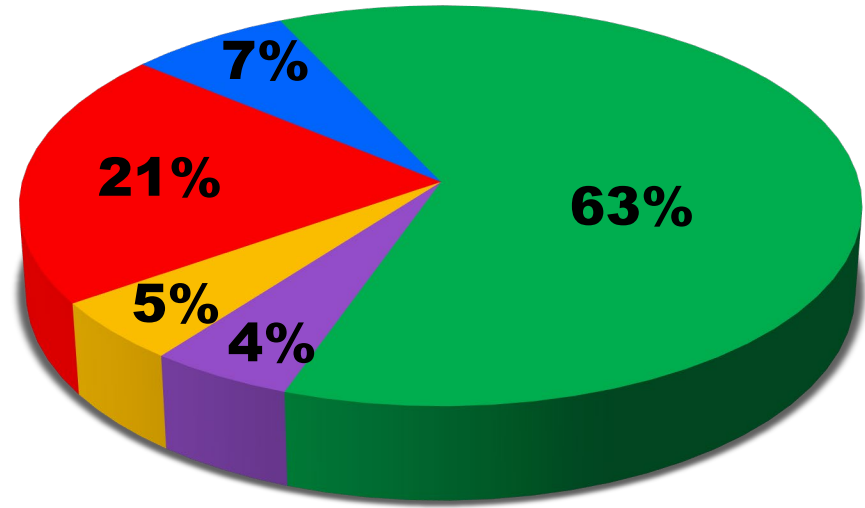
Q3 2018

**Service & Parts Drives Profitability**

**Revenue**



**Gross Profit**



■ **New**   ■ **Used**   ■ **S&P**   ■ **F&I**   ■ **Other**

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# **PENSKE TRUCK LEASING**



# Penske Truck Leasing Overview

**Full-Service  
Leasing**



**Contract  
Maintenance**



**Truck  
Rental**



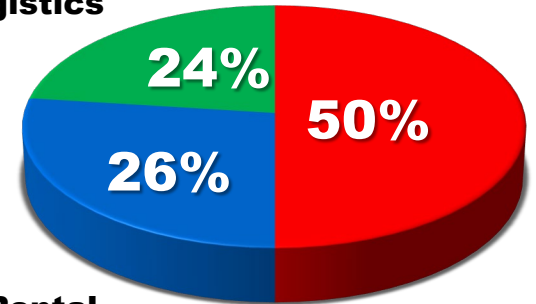
**Logistics  
Services**



- **\$14.4 billion total assets**
- **Annual revenue over \$6.0 billion**
- **Over 295,000 vehicles on the road**

**Revenue**

**Logistics**



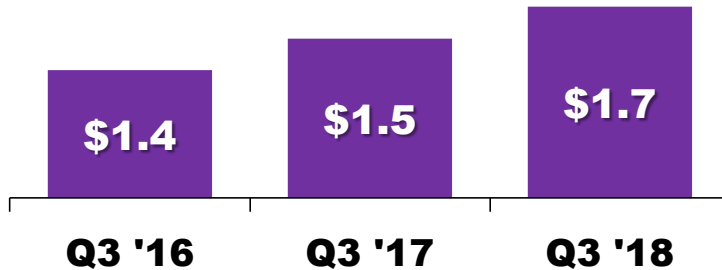
**Rental**

**Lease &  
Maintenance**

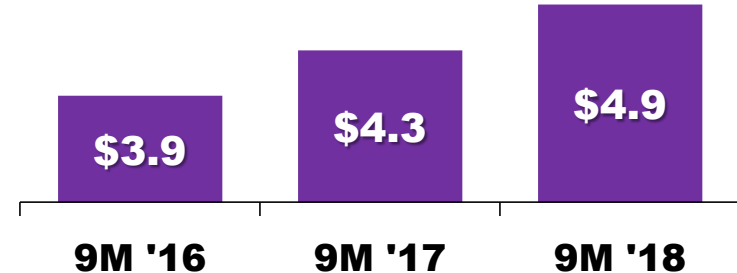


# PTL Performance Summary

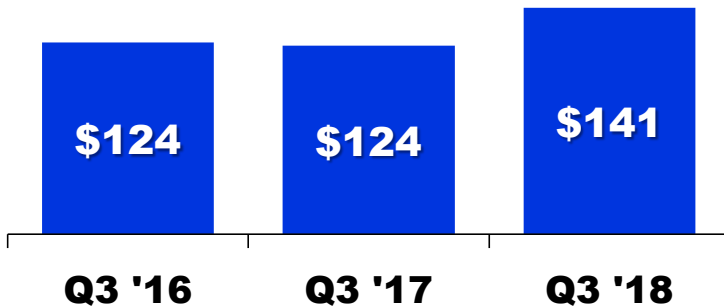
## Q3 Operating Revenue 13.3% (\$ in Billions)



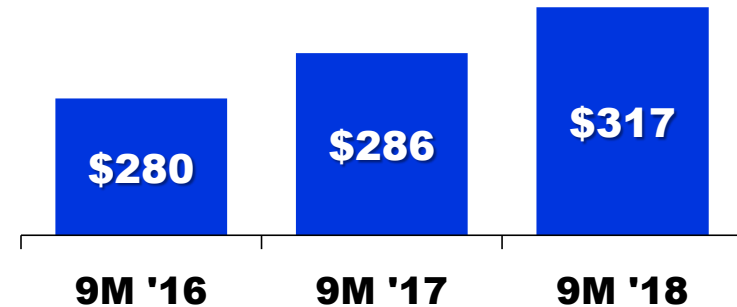
## 9M YTD Operating Revenue 14.0% (\$ in Billions)



## Q3 Net Income 13.7% (\$ in Millions)



## 9M YTD Net Income 10.8% (\$ in Millions)



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# **NON-GAAP RECONCILIATIONS**

# EBITDA Reconciliation

(\$ in Millions)

|                                      | Q3 '18                | Q3 '17                | 9M '18                | 9M '17               |
|--------------------------------------|-----------------------|-----------------------|-----------------------|----------------------|
| <b>Net Income</b>                    | <b>\$130.1</b>        | <b>\$94.3</b>         | <b>\$373.1</b>        | <b>\$284.2</b>       |
| <b>Depreciation</b>                  | <b>\$25.9</b>         | <b>\$24.3</b>         | <b>\$77.2</b>         | <b>\$70.0</b>        |
| <b>Other Interest</b>                | <b>\$28.3</b>         | <b>\$27.8</b>         | <b>\$86.7</b>         | <b>\$79.2</b>        |
| <b>Income Taxes</b>                  | <b>\$27.1</b>         | <b>\$44.7</b>         | <b>\$104.7</b>        | <b>\$136.0</b>       |
| <b>(Income)/Loss from Disc. Ops.</b> | <b><u>(\$0.1)</u></b> | <b><u>(\$0.1)</u></b> | <b><u>(\$0.2)</u></b> | <b><u>+\$0.3</u></b> |
| <b>EBITDA</b>                        | <b>\$211.3</b>        | <b>\$191.0</b>        | <b>\$641.5</b>        | <b>\$569.7</b>       |



# Income/EPS from Continuing Operations

(\$ in Millions, except per share amounts)

The following tables reconcile reported income from continuing operations and earnings per share to adjusted income from continuing operations and adjusted earnings per share for the three months and nine months ended September 30, 2018 and 2017:

## Income From Continuing Operations

|                                         | Q3 '18        | Q3 '17 | % Chg | 9M '18        | 9M '17  | % Chg |
|-----------------------------------------|---------------|--------|-------|---------------|---------|-------|
| Income from Cont. Ops.                  | \$130.1       | \$94.3 | 38.0% | \$372.7       | \$283.5 | 31.5% |
| Less: Income Tax Benefit <sup>(1)</sup> | <u>(11.6)</u> | ---    | nm    | <u>(11.6)</u> | ---     | nm    |
| Adj. Income from Cont. Ops.             | \$118.5       | \$94.3 | 25.7% | \$361.1       | \$283.5 | 27.4% |

## Earnings Per Share

|                                         | Q3 '18                | Q3 '17 | % Chg | 9M '18        | 9M '17 | % Chg |
|-----------------------------------------|-----------------------|--------|-------|---------------|--------|-------|
| Income from Cont. Ops.                  | \$1.53                | \$1.10 | 39.1% | \$4.37        | \$3.30 | 32.4% |
| Less: Income Tax Benefit <sup>(1)</sup> | <u>(0.14)</u>         | ---    | nm    | <u>(0.14)</u> | ---    | nm    |
| Adj. Income from Cont. Ops.             | \$1.40 <sup>(2)</sup> | \$1.10 | 27.3% | \$4.23        | \$3.30 | 28.2% |

(1) This benefit relates to the final reconciliation of the income tax benefit related to the enactment of the 2017 U.S. Tax Cuts and Jobs Act.

(2) Earnings per share amounts may not sum due to rounding.

nm = not meaningful





*Automotive*