

Dowdy's Automotive Service

5 Year Visioning 2020-2025

John Davis
Owner/CEO
Q3 2022 Update

Strategic Plan

Competitors:

Dealer Service Departments – #1 competitor – must outperform customer experience
Out of State franchise/multi-store operators – they are here, more are coming.
Locally owned independent small operators – Garry's, Heritage, etc...
Undercar Operators – think tire stores... under terrific profit pressure – lots of 'em.

Ownership Team :

John Davis – Owner since 2007, 38 yrs. biz experience, 20 self employed.
Michelle Davis - silent partner, works elsewhere – married to John for 38 glorious years.

Leadership Team :

Growth Goals:

- Serve Growing Treasure Valley Communities Geographically.
- Make it more difficult for competitors to identify unserved populations.
- Spread Corp Office and Front-End Staff Across Larger Revenue Base.
- Target is 66/33% ratio of technician to non-technician staff.
- We meet that target at 8 + stores.

Dowdy's Must Do Financial Standards

Sales	100%
Cost of Goods Sold	<u>43%</u> parts, sublet, tech comp
Gross Profit	57% quickbooks basis / 60% on TRACS
General and Administrative Exp	<u>42%</u> rent, tax, benefits, phone, etc
Net Income	15%

Store Profile:

- Neighborhood, not Super Stores - \$500,000-\$1,200,000 in sales.
- We don't run "super stores" (e.g. \$2mm in sales or up...Garry's, Christian Brothers).
- Focus on low operating expense – no giant real estate expense (e.g. Christian Brothers).
- Low expense takes pressure off team and customers... pressure leads to bad decisions.
- Small team at the store level – 4-8 team members... manageable/supportive/ close knit.
- Key is locate close to where customers live/work. Service Fast, Service Right.

Dowdy's Financial Beliefs

- Business of “nickels and dimes” ... not a high margin biz. Efficiency/Volume.
- We won't “stiff” customers or team to hit higher margins.
- We are way past “Mom and Pop” - have to be bigger to serve the market and compete with national players (and more are coming)...
- MUST manage administrative and staff expense carefully...
- Have to retain earnings (save) to weather recessions, pandemics, replace equipment and acquire competitors or build new stores. Gotta make money to save money.
- The government gets about \$.40 cents of every dollar in profit we make.
- What we make... only keep half... fair or not it is reality and why we must achieve CONSISTENTLY our MUST DO financial standards.

Focus for 2022/2023:

- More sales per store... increase car count...
- Higher average repair order per store...
- Compete on best experience... not low price.
- Carefully control/manage expenses which will lead to ...
- Our best profit years yet as a company...more opportunities to grow & serve

Current Store Profiles – November 2022

Dowdy's Automotive Service Federal Way LLC

- *Purchased Oct 2007.*
- *\$1,000,000 +/- rev*
- *15% + EBITDA*
- *Consistently profitable since acquisition 2007.*
- *3-4 technicians*
- *2 front end staff*
- *Owned premises.*
- *Serves SE Boise – highest net income households in Boise.*

Dowdy's Automotive Service South Meridian LLC

- *Opened “de novo” August 2016.*
- *Located 1 block south of I-84 at Meridian Road exit.*
- *High traffic count location with few competitors.*
- *8 Bay facility began operations 8/8/16.*
- *Leased facility - 4 yrs. remains, 2-10 yr. options.*
- *4 techs/2 front*
- *Revenues \$1-1.2mm*
- *10-12% +/- EBITDA*

Dowdy's Automotive Service Oregon LLC

- *Acquired 7/2016*
- *Operated since 1984 in same location Ontario.*
- *Leased “4 bay” facility with purchase option.*
- *Execute option 2023 and expand.*
- *3 techs/1 front.*
- *Mgr. is technician*
- *Revenues \$750K*
- *15% +/- EBITDA*

Current Store Profiles – November 2022

Dowdy's Automotive Service North Meridian LLC

- *Opened 1/20 "denovo"*
- *Serves north side of Meridian – high traffic, high income households.*
- *Leased facility – 8 yrs. remains – 2 10yr. Options*
- *3 technicians/ 2 front*
- *Revenues \$1mm +/-*
- *10-12% EBITDA*
- *3 techs/2 front*
- *Good growth potential... 20% or > to go.*

Dowdy's Automotive Service Downtown LLC

- Acquired troubled operations of Al's Car Care - January 2019
- Located in the Linen District Downtown Boise.
- Fair amount of competition and not the most visible or high traffic location.
- Leased premises w/ purchase option. 7 yrs. to go – 2 10 yr. options.
- Revenues \$650K +/-
- EBITDA flat to 5%
- Bought 2nd downtown location to solve problem in this mrkt.

Dowdy's Automotive Service Downtown II LLC

- Acquired 4/22
- West side of downtown. Serves high income north end market.
- 40 yrs high traffic location.
- Revenues \$1.1mm
- EBITDA 10%
- Leased premises – 10yrs. to go – 2 10 yr. options.
- 4 techs/2 front
- Need to improve GP.

Profit / Loss Standards:

1. Revenues	100%
2. Cost of Goods Sold	- 43%
3. Gross Profit	= 57%
4. General and Administrative Expense	- 42%
5. Net Income	= 15%

Simple Math – This Will Never Change so Memorize It.

- We use benchmarks based budgets – each revenue or expense item is assigned a % of revenues as a benchmark.
- This is a business of “nickels and dimes” – most shops make 5% net income.
- We must make 12% without question – 15% is desired.
- Incentive compensation programs reflect that.
- Front End primary responsibility is to drive sales and manage COGS/GP
- G & A expenses largely takes care of themselves once set.

Forecast Annual Store Financial Profile

● Revenues:	2022	2023
● South Meridian:	\$1,111,604	\$1,144,396
● North Meridian:	\$1,103,321	\$1,136,420
● Federal Way:	\$1,082,134	\$1,114,598
● Ontario:	\$759,069	\$781,841
● Downtown I:	\$675,954	\$696,232
● Downtown II	\$1,041,420	\$1,072,662
● 2023 Acquisition	<u>\$0</u>	<u>\$500,000</u>
● Minimum Forecast:	\$5,773,502	\$6,446,149
● GP Target 55%:	\$3,175,426	\$3,545,382
● Gen & Admin Target 43%:	<u>\$2,482,605</u>	<u>\$2,771,844</u>
● Net Income Target 12%:	\$ 692,821	\$ 773,538
● Net Income Target 15%:		\$ 966,922

Desired Store Profile – End of Planning Period

Dowdy's Automotive
Service South
Meridian LLC

Dowdy's Automotive
Service Federal Way
LLC

Dowdy's Automotive
Service Oregon LLC

Dowdy's Automotive
Service Downtown I

Dowdy's Automotive
Service Downtown II

Dowdy's Automotive
Service North
Meridian

Future Expansion
Eagle/Star – 1st
Priority

Future Expansion
Canyon County – 2nd
Priority

Future Expansion SE
Boise – 3rd Priority

Other Possibilities

Twin Falls Market
1-2 store potential

Burley/Rupert Market
1 store potential

Idaho Falls /
Pocatello
2 store potential

Right Now Goals:

1. Operate the six stores in existence at or above financial standards.
2. Improve Real Estate Federal Way and Ontario.
3. Consolidate downtown operations?
4. Get one acquisition in the pipeline for 2023...
5. Get one “de novo” in the pipeline for 2024 open...

Multi Store Financial Growth Plan – Financial Profile @ 6,9,12 Stores

6 Store Financial Profile:

- Revenues:
 - Total Store Revenue \$6,000,000
- GP Target 55%: \$3,300,000
- Gen & Admin Target 43%: \$2,580,000
- Net Income Target 12%: \$ 720,000

9 Store Financial Profile:

- Revenues:
 - Total Store Revenue \$9,000,000
- GP Target 55%: \$4,950,000
- Gen & Admin Target 43%: \$ 3,870,000
- Net Income Target 12%: \$ 1,080,000

12 Store Financial Profile

- Revenues:
 - Total Store Revenue \$12,000,000
- GP Target 55%: \$ 6,600,000
- Gen & Admin Target 43%: \$ 5,160,000
- Net Income Target 12%: \$ 1,440,000

Why – What's Driving This and What is The Opportunity

- Idaho is outpacing the nation in terms of population growth
- Should continue to see above national average growth in state GDP, home prices, job creation and population.
- Communities like Meridian and Canyon County are building out and experiencing tremendous population growth.
- Eastern Idaho is benefiting from solid trends in agribusiness growth.
- Northern Idaho has become a rapidly growing retirement mecca.
- National chains like pep-boys and others have not yet moved into this market like they have major metros on the coasts.
- We are the dominant local market player in the general repair category. Most shops are 1-2 location mom/pop operations.