

Dowdy's Automotive Service

2022 Operating Objectives



Honesty, Integrity, Trust

Boise, Meridian, Ontario

Agenda:

- Strategic Plan Update
- Financial Update
- Economic Forecast
- Communications
- Fun Committee
- ShopWare
- Question / Answer

Strategic Plan Update

Shop Acquisition:

- Tune Tech Downtown – 1202 West State Street
- Operated for 40+ years under ownership of Pat Marron prior operator of Ontario Oregon Store
- 4 technicians / 2 front end staff
- \$1,100,000 annual revenues / projected 15-20% ebitda
- Key Strengths:
 - State Street Location – High Traffic Location on Western Edge of Downtown
 - 40+ year customer base and good reputation
 - Have retained entire staff to date
 - Solid revenues and earnings – positive addition after debt service

Strategic Enhancement:

- Solidifies our presence as largest provider in downtown North/NW Boise Market
- Opportunity to leverage our location at Grove and location on State Street
- Now a \$1.6-1.7mm revenues player in downtown/North/NW Boise Market
- Propels us further towards 9 store goal

Strategic Plan - Current Stores

Dowdy's Automotive
Service Federal Way
LLC

Dowdy's Automotive
Service South
Meridian LLC

Dowdy's Automotive
Service Oregon LLC

Dowdy's Automotive
Downtown LLC

Dowdy's Automotive
Service North
Meridian LLC

Dowdy's
Automotive Service
Downtown II LLC

Future Store Priorities:

#1 SouthWest Boise
Build or Buy

#2 - Eagle/Star Build
or Buy

#3 Canyon County
Build or Buy

Futurecast – 2022 Performance

● <u>Revenues:</u>	<u>2021</u>	<u>2022 Stretch</u>
● South Meridian:	\$820,000	\$875,000
● North Meridian:	\$922,500	\$1,000,000
● Federal Way:	\$922,500	\$1,100,000
● Ontario:	\$512,500	\$675,000
● Downtown:	\$461,250	\$585,000
● 2022 Acquisition	<u>\$0</u>	<u>\$1,000,000</u>
● Total Forecast:	\$3,638,750	\$5,235,000 – 44% growth
● GP Target 55%:	\$2,001,313	\$2,879,250
● Gen & Admin Target 43%:	<u>\$1,564,663*</u>	<u>\$2,251,050*</u>
● Net Income Target 12%:	\$ 436,650	\$ 628,200

* Including allocated corporate office administrative expenses

End of Strategic Plan Update Section

Dowdy's Automotive 2022 Financial Performance



Dowdy's Must Do Financial Standards

Sales	100%
Cost of Goods Sold	<u>45%</u> parts, sublet, tech comp
Gross Profit	55% quickbooks basis / 60% on TRACS
General and Administrative Exp	<u>43%</u> rent, tax, benefits, phone, etc
Net Income	12%*

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.

* Including allocated corporate office administrative expenses

Quarter 1 - 2021 vs 2022

	2021	2022	
Sales	725,822	1,035,915	+42%
Cost of Goods Sold	371,679	417,187	
Gross Profit	273,258	618,728	+126%
Gross Profit Percentage	48.80%	59.73%	
General and Administrative Exp	374,127	448,125	+19.77%
Net Income	(3,984)	170,604	
Net Income as % of Sales	-2.74%	+16.47%	

Fabulous Performance – hats off to every single store team!

Top Revenue Stores – Q1 2022

Top Revenues Q1 2022

South Meridian	264,044
Federal Way	239,408
North Meridian	233,189
Ontario	155,255
Downtown	144,020

Net Income Leaders as %

South Meridian	23.17%
Ontario	19.83%
North Meridian	18.77%
Federal Way	16.45%
Downtown	-3.14%

Top GP % Q1 2022

Ontario	65.62%
South Meridian	63.01%
North Meridian	59.56%
Federal Way	57.09%
Downtown	52.02%

End of Financial Section

Dowdy's Automotive 2022 Economic/Market Outlook



Economic Outlook

- Dowdy's utilizes ITR Economics – New Hampshire based macroeconomic forecasting and consulting firm with 60+ years of 97% accurate forecasting.
- Two forecasting products – monthly ITR Insider Report / Insider Core Dashboard

Forecast Outlook:

Four Phases to the Macroeconomic Forecast

1. Accelerating Growth
2. Slowing Growth
3. Recession
4. Recovery

Where are we at / where have we been?

Economic Outlook

2021 – US Economy was in Phase 1 – Accelerating Growth – example retail sales increased at a 20.90% annual rate – unsustainable

2022 – Will see the transition from Phase 1 to Phase 2 – Slowing Growth – for example Retail Sales Forecast to increase 9.8% annually and 6-7% of that is due to inflation.

2023 – Will operate in Phase 2 – Slowing Growth – example retail sales forecast at 4.3% annual growth

2024 – Will operate in Phase 1 – Accelerating Growth – example retail sales forecast at 5.8% annual growth

Economic Outlook

Forecast Outlook for 2022/2023:

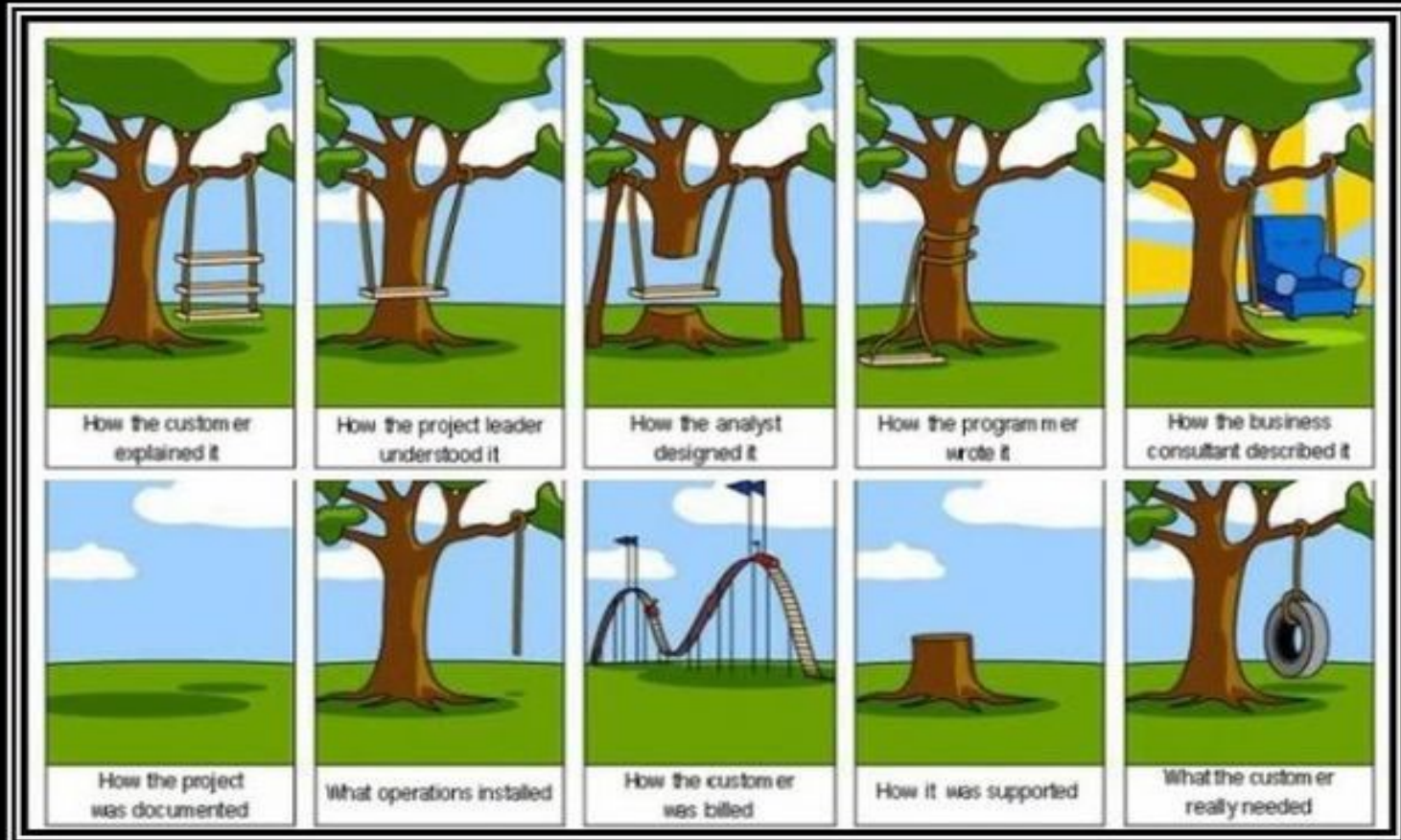
Macro Economy:

- Shift to slowing growth means a more sustainable normal pace of growth.
- Inflation probably peaked in March... should see lessening inflation pressure.
- Inflation will remain higher than recent history. Interest rates will accelerate.
- Ukraine war unlikely to push US Economy into recession.
- 2022, 2023, 2024 economic forecast is positive for Dowdy's Operations.

Micro Economy:

- Idaho/Treasure Valley will “outgrow” national economy
- Will continue to benefit from influx of new residents in Treasure Valley
- Used car prices accelerated 41% in prior 12 months – highest recorded growth in used car values ever...
- New car prices accelerated 12% in prior 12 months – supply chain issues mean high demand is not being satisfied and that will continue into 2023.
- Very positive for independent auto repair sector.
- Households are in good financial shape – high savings, low debt, high employment.

End of Economic Forecast Section



COMMUNICATION

sometimes people really should talk more

Team Communication

Quarterly Town Hall Meetings – Next one in July

Store Manager Team Meetings – Got waylaid with biz acquisition – back on track in 2nd Quarter – consistency is key – commitment is monthly 10 months out of 12

One on One Feedback Sessions – all staff – to be accomplished/rolled out in Q2

Electronic Communication Platform – done – email – but only good if you view it.

Company Intranet – still needs to be accomplished – will work on in Q2

Store Team Meetings – Q2 objective to roll out to store teams

Regular Progress Reports on Key Metrics – happening – consistent emails, town hall meetings, will enhance with managers and team meetings in Q2

Dowdy's Automotive 2022 Fun Committee



FUN Committee

Life is Short – Let's Have a Little Fun!

2022 Fun Committee:

- Spring Fling event at Hillcrest Country Club to kick off 2022 year
- Upcoming Events
 - Late May – Trap Shooting and BBQ Night at Black Dog Sporting Clays – staff only
 - Early June – Ribfest Family BBQ and Picnic at John Davis's House – staff and family or significant other

End of Fun Committee Section

Shop Management Software Conversion Project



Shop Ware Conversion

- All Stores now off Napa Tracs and on Shopware
- Transition seemed to go smoothly....
- Now we are what we would consider in “early adoption” phase...
- Will learn over coming year how to better leverage the capability of the system.
- Next phase is implementation in Downtown II store... part of transition tasklist.

Questions and Comments