

Dowdy's Automotive Service

5 Year Visioning

2023-2028

John Davis
Owner/CEO
Q1 2023 Update

Strategic Plan

Competitors: Dealer Service Departments
 Out of State franchise/multi-store Operators
 Locally owned independent Operators
 Undercar Operators

Ownership Team : John Davis
 Michelle Davis

Home Office Team : Tyler – Operating Manager
 Kim – Operations Manager
 Regina – Financial Administrator

Growth Goals:

- Serve Growing Treasure Valley Communities
- Make it more difficult for competitors to identify unserved populations.
- Spread Corp Office and Front-End Staff expense across Larger Revenue Base.
- Get to 9 stores during 2023-2025 time period.

Dowdy's Must Do Financial Standards

Sales	100%	
Cost of Goods Sold	<u>38%</u>	parts, tech compensation
Gross Profit	62%	shop mgmt. system basis
General and Administrative Exp	<u>45%</u>	rent, tax, benefits, phone,
Net Income	17%	

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 lower operating expense
- No "hard sell" environment – safety, reliability, preventative (in that order)
- Small team environment – 4-8 team members... manageable/supportive.
- Convenient locate close to where customers live/work.
- Speed of Service – Do it Fast, Do it 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.
- 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. We must 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 2023/2024:

- More sales per store... continue car count growth due to external factors
- Higher average repair order per store...this is driven internally by team
- Compete on best experience... not price.
- Carefully control/manage expenses ...
- Grow 2 new stores to arrive at 8 by end of 2024.

Current Store Profiles – November 2022

Dowdy's Automotive Service Federal Way LLC

- *Purchased Oct 2007.*
- *\$1,000,000 +/- rev*
- *17% + 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 "De Novo"*
- *Serves north side of Meridian – high traffic, high income households.*
- *Leased facility – 8 yrs. remains – 2 10yr. Options*
- *4 technicians/ 2 front*
- *Revenues \$1mm +/-*
- *15% + EBITDA*

Dowdy's Automotive Service Downtown LLC

- Acquired 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 mkt.

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 \$1.0 mm
- EBITDA 15%+
- Leased premises – 10yrs. to go – 2 10 yr. options.
- 4 techs/2 front

New Store Profiles – 2023/24

“De Novo” Star/Eagle

- *Considering properties now in Star.*
- *Expect to finalize building lot in Q1 2023*
- *Expect to complete architecture and permitting by Q4 2023*
- *Construction completed by end of Q2 2024*
- *Opening June 2024 desired.*

“De Novo” South West Boise

- Considering properties now in the SW Boise footprint.
- Want to be near Lake Hazel and between airport and Meridian/Kuna.
- Finalize building lot in Q2 2023
- Permitting by end of year 2023
- Construction Q1,2 2024
- Opening Aug/Sept 2024

Acquisition

- Looking for 1 shop to acquire.
- Canyon County is a logical growth step but when buying “take what you can get” might apply.
- Other locations – NW Boise out near Eagle, or West Boise along Fairview
- Would need to be a \$1mm revenues shop to be considered.

Profit / Loss Standards:

1. Revenues	100%
2. Cost of Goods Sold	- 38%
3. Gross Profit	= 62%
4. General and Administrative Expense	- 45%
5. Net Income	= 17%

Simple Math – This Did Change But Memorize It.

We have gone from;

- Rapid Growth Environment 2016-2019
- Hope We Survive Environment of 2020-2021
- Mature Growth Environment of 2022-2025

2022 Pricing Changes

Primary Competitor Universe:

- Dealers
- Christian Brothers
- Garry's Automotive
- Heritage Automotive
- Undercar Operators – Commercial Tire, Schwab, Bruneel

Pricing:

- Dealers in the \$175-\$210 range on labor rate
- Garry's/Heritage \$175 + on labor rate
- Christian Brothers – matrix labor rate but we assume \$165 +
- Labor rate smoke/mirrors – matrix pricing, labor rate multiplier

Our Philosophy:

- Quarterly pricing surveys in 2023 to determine competitiveness
- 2022 Survey found we were underpriced - increased labor rate to \$155
- Began using labor multiplier of .25 in labor rater due to pricing competitiveness / reality
- Pricing is more in line with non-dealer major competitors – still under dealers 20%
- Not a time to compete on price (low unemployment, population growth, dealer wait times)

Forecast Annual Store Financial Profile

● Revenues:	2022	2023
● South Meridian:	\$1,151,729	\$1,186,281
● North Meridian:	\$1,072,862	\$1,105,048
● Federal Way:	\$1,080,314	\$1,112,723
● Ontario:	\$748,585	\$771,043
● Downtown I:	\$662,160	\$690,284
● Downtown II	<u>\$997,982</u>	<u>\$1,027,921</u>
● Minimum Forecast:	\$5,713,632	\$5,893,300
● GP Target 62%:	\$3,542,451	\$3,653,846
● Gen & Admin Target 45%:	<u>\$2,571,134</u>	<u>\$2,651,985</u>
● Net Income Target 17%:	\$ 971,317*	\$ 1,001,861

* Actual net income for 2022 was 15.65% or \$894,183

Fully Allocated Head Office Expense Net Income Objectives

Multi Store Financial Growth Plan – Financial Profile @ 6,8,9 Stores

6 Store Financial Profile:

● Revenues:		
● Total Store Revenue	\$5,893,300	avg rev per store
● GP Target 62%:	\$3,653,846	\$982,216
● Gen & Admin Target 45%:	<u>\$2,651,985</u>	HOE: \$250,456 /25% of NI
● Net Income Target 17%:	\$1,001,861	ANI: \$751,396/12.75% of Rev

8 Store Financial Profile:

● Revenues:		
● Total Store Revenue	\$7,857,733	avg rev per store
● GP Target 62%:	\$4,871,794	\$982,216
● Gen & Admin Target 45%:	<u>\$3,535,980</u>	HOE: \$275,000 /21% of NI
● Net Income Target 17%:	\$1,335,814	ANI: \$1,060,814 /13.5 % of Rev

9 Store Financial Profile

● Revenues:		
● Total Store Revenue	\$8,839,944	avg rev per store
● GP Target 62%:	\$5,480,765	\$982,216
● Gen & Admin Target 45%:	<u>\$3,977,975</u>	HOE: \$285,000/19% of NI
● Net Income Target 17%:	\$1,502,790	ANI: \$1,217,790/13.7% of Rev

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.