Dowdy's Automotive Service 2022 Operating Objectives



Boise, Meridian, Ontario

Agenda:

- Strategic Plan
- Advertising Plan
- Team Communications
- Shop Management Software System Conversion
- Benefits / Human Resources Update
- Fun Committee
- Questions and Comments

Strategic Plan

Time Period: 2021 to 2026

History: Acquired Federal Way in October 2007

South Meridian – built and opened August 2016 Oregon - acquired from Pat Marron Summer 2016 Downtown –acquired Jan 2019 formerly Als Car Care North Meridian – built and opened January 2020

2020 – Grew 4 new stores in less than 4 years...just in time for Global Pandemic

2020/21 - Hang on and get through it...which we did

Objectives: Grow to 9 + Treasure Valley stores.

No outside investors – independent family-owned business. Consistently achieve financial goals, particularly NET INCOME.

Continue to be the largest independent auto repair business in Boise area.

Provide good pay & benefits to our team.

Do not replicate "sweat shop" or "sales at all costs" operating environments.

Be the "Trusted Neighborhood Mechanic"

Team environment of MUTUAL respect and professional interaction.

Operating Model: YES Based – YES we can do that, when would you like it done?

SPEED of SERVICE – quick to diagnose, quick to communicate, quick to get it done.

Friendly, Honest, Competent Store teams.

Clean, Modern Service Facilities

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.

Tyler Seely – with Dowdy's 12 + years, BSU grad, North Idaho Guy (which says a lot).

Justin Davis - with Dowdy's 10 years, GP king of the world, drummer (that says it all).

Leadership Team: John – President 15 years

Tyler – Vice President 12 years

Kim – Operations Manager / Benefits / HR 10 years

Sarin – Financial Administrator 3 years

Brandon – DAS-FW Store Manager 4 years

Justin – DAS-DT Store Manager 11 years

Dan – DAS-SM Store Manager 3 years

Ryan – DAS-NM Store Manager 3 years

Nick – DAS-OR Store Manager 3 years

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

Q1 2022 Boise Acquisition

Future Store Priorities:

#1 SouthWest Boise Build or Buy #2 - Eagle/Star Build or Buy

#3 Canyon County
Build or Buy

Dowdy's Must Do Financial Standards

Sales	100%
Cost of Goods Sold	45% parts, sublet, tech comp
Gross Profit	55% quickbooks basis / 60% on TRACS
General and Administrative Exp	43% 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

Futurecast – 2022 Performance

•	Revenues:	<u>2021</u>	2022 Stretch
	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	\$0	\$1,000,000
	Total Forecast:	\$3,638,750	\$5,235,000 – 44% growth
•	GP Target 55%:	\$2,001,313	\$2,879,250
•	Gen & Admin Target 43%:	\$1,564,663*	\$2,251,050*
•	Net Income Target 12%:	\$ 436.650	\$ 628.200

^{*} Including allocated corporate office administrative expenses

Futurecast - 9 Store Performance

Revenues:

Average Revenues : \$872,500

of stores:
x
9

Forecast Total Rev \$7,852,500

Gross Profit Target 55%: \$4,318,875

Gen & Admin Target 43%: \$3,376,575

Net Income Target 12%: \$ 942,300

Versus 2022 stretch target: \$ 628,200

• Growth in Earnings to Go \$ 314,100 or 50% to go

Since 2015... tremendous progress – about ½ way there.

Futurecast - Staff Profile & Goals

Head Office: 4 – Pres, VP, Ops Mgr, Fin Admin (1 part time)

DAS-FW: 6 – 4 technicians

DAS-SM: 6-4 technicians

DAS-DT: 4-2 technicians

DAS-NM: 6-4 technicians

DAS-OR: 4-2 technicians

Total: 30 – 16 technicians 53% tech to support staff ratio

<u>Probable Acquisition 6 – 4 technicians</u>

Total: 36 – 20 technicians 56% tech to support staff ratio

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 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 <u>CONSISTENTLY</u> our MUST DO financial standards.

Focus for 2022:

- 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 year yet as a company...more opportunities to grow & serve

End of Strategic Plan Section

Dowdy's Automotive 2022 Advertising Plan



Advertising Plan Overview:

DAS runs a multi-platform advertising effort with two desired outcomes:

- 1. Increase car count to increase same store sales over prior year period.
- 2. Increase brand and location awareness for Dowdy's store locations.

Advertising Objectives:

- Generate greater awareness for store locations.
- Position the store location/offerings as a convenient choice for residents within 3 miles of each store location.
- Achieve a measurable increase in car count vs prior year same store sales.

Tactics:

- Utilize the identified activities to achieve the objectives within budget.
- Implement the activities consistently with regular effectiveness review.

2022 Advertising Budget:

2022

Revenue Forecast: \$4,235,000*

Average Revenues Per Store: \$847,000

Target - 7% of Revenues: \$296,450

Monthly Budget: \$24,704

Store Average Monthly / 2x Monthly: \$4,940/\$2,470

*does not include planned Q4 2021 acquisition.

2022 Store Level Corporate Charge for Advertising:

1st of each Month: \$2,470

15th of each Month: \$2,470

Advertising Activities and Budget

Rnk	Description	% of Total	7% Spend	<u>Budget</u>	<u>Vendor</u>	<u>Comfort</u>
1	Direct Mail	28%	\$83,249	\$83,249	KPG Boise	High
2	Pay Per Click Adwords	14%	\$40,560	\$40,560	SEO Idaho	High
3	Search Engine Opt	11%	\$30,000	\$30,000	SEO Idaho	High
4	Radio Advert	8%	\$23,716	\$23,716	Town Square	
5	Reputation Mgmt.	6%	\$17,787	\$14,940	Demand Force	Medium
6	Internal Customer	2%	\$ 5,929	\$ 5,000	Demand Force	Medium
7	Digital Display Ads	0%	\$ 0	\$0	none	High
8	Social Media	2%	\$ 5,929	\$ 5,000	TBD	High
9	Comm Sponsorship	3%	\$ 8,894	\$ 8,894	various	High
10	Misc. Unclassified	2%	\$ 5,929	\$ 5,000	TBD	High
11	<u>Unbudgeted</u>	24%	\$ 71,148	\$ 0	n/a	<u>High</u>
		100%	\$296,450	\$216,359		

Budgeted Advertising Spend = 5.11% of Forecast Revenues

^{*} Does not include forecast Q4 2021 store acquisition.

The Big Three of Dowdy's Advertising

3 Key Drivers of Car Count / Awareness:

- Direct Mail
- Search Engine Optimization
- Keywords Pay Per Click Advertising

These 3 items consume 53% of the DAS annual marketing/advertising budget.

Unbudgeted – 24% is the next largest item... this gives us flexibility to implement new programs in 2022 or increase budgeting on the largest items as revenues grow.

Kim Clarke implements/administers marketing programs... any questions or good suggestions should go her direction.

Detail Plan – Direct Mail Advertising

Description: Direct Mail

Rank:

% of Budget: 28%

Budget Lo/High Bands: \$83,249 annually / \$6,937 month / \$1,387 per store

Marketing Partner: KPG Marketing

DAS Team Implementor: Kim Clarke

Primary Objective: Drive Car Count / Increase Awareness

<u>Description</u>: Direct mail with coupon offers sent to demographically targeted households within 3 +/-miles of each store location. Vendor uses DAS curated zip code/postal route zones around each store. Current method is to do 4 seasonal mailers annually with each household receiving a mailer each quarter from their Dowdy's store.

Seasons: Winter - Dec, Jan, Feb

Spring - Mar, Apr, May Summer - June, July, Aug

Fall - Sept, Oct, Nov

Internal Confidence/ Comfort: HIGH

Detail Plan – Direct Mail Advertising



Seasonal Rotation

Mailing Zone 3 miles +/- around store location

Coupon based offers

Households with higher income

Home Ownership

Age band ideal for our services

Full years mailers/offers are set



Detail Plan – Pay Per Click / Adwords

Description: Pay Per Click / Adwords

Rank: 2

% of Budget: 14%

Budget: \$40,560 / \$3,380 Month / \$676 per store

Marketing Partner: SEO Idaho

DAS Team Implementor: Kim Clarke / John Davis

Primary/Secondary Objective: Car Count

<u>Description</u>: Pay per Click is the yellow pages of the 21st century. We compete against competitors for consumers searching key auto repair terms (keywords) on Google, Bing and Yahoo. Objective is to drive a <u>PHONE CALL</u> to one of our stores.

Objectives:

- Increase phone traffic/car count to stores.
- Must appear consistently in top 3 search placement for ad based.
- Compete effectively with Christian Brothers who is outperforming DAS.
- Dramatically increase leads from this effort in 2022... we have a great plan and the best marketing partner in Idaho for this activity...
- Key area for potential budget increase in Q2 2022 as we see results.

Detail Plan – Pay Per Click / Adwords

SEO Idaho - An Award Winning Design & Marketing Agency



Google, Bing, Yahoo search focus

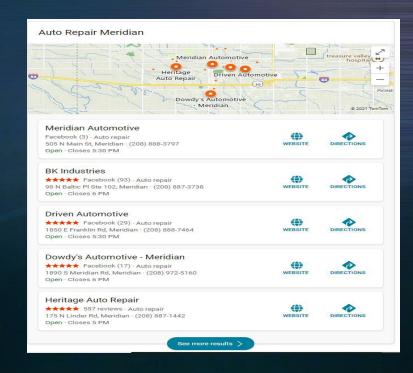
We want to own "keywords" that drive business to our stores.

New web design coming next 60 days to complement.

SEO Idaho has solid plan for improvement.

Christian Brothers and several local independents outclass us in digital advertising.

That will change....



Detail Plan – Search Engine Optimization

Description: Search Engine Optimization

Rank:

% of Budget: 11%

Budget Lo/High Bands: \$30,000 / \$2,500 month / \$500 per store

Marketing Partner: SEO Idaho

DAS Team Implementor: Kim Clarke / John Davis

Primary/Secondary Objective: Brand Awareness / Car Count

<u>Description</u>: SEO campaigns help our business get to the front page of Google results locally. Our website will be optimized so that customers can always find us when they search. This effort will keep Dowdy's store information up to date and accurate across all major social and digital platforms.

Objectives:

- Optimize website for search and advertising efforts, particularly hyper-local searches.
- Consistency across Google, Bing, Yahoo and other digital platforms in content and information.
- Placement at the top of organic and paid search platforms primarily google.
- Higher relevancy and digital asset health rankings with key third party reviewers.
- Better management and inflow of reviews from satisfied customers.

Detail Plan – SEO

STEP 4: Digital Health

Included In All SEO Campaigns

In-Depth Audit

SEO Idaho are experts at leveraging AI (artificial intelligence) to ensure your digital footpring health is meeting the latest published algorithms by major search engines. Our unique approach to up front diligence, means if we provide a proposal, we have already done the work up front to ensure integrity driven digital marketing. All campaigns include detailed digital footprint audits, as well as consulting on your digital assets.

Consultations included

Our team will provide in depth audits on your business and consult with you directly to ensure you are meeting the currer standards. Think of us as a technology partner for your business. After our audits are complete, we compile a list of corrective action for your business.

Grow Your Reputation & Reach

Our goal is the same as all major search engines, to ensure your reputation is being properly managed and that your business has rock solid digital health.



Website will be optimized next 60 days.

New hosting and move to Wordpress based platform.

Multi-Step Plan for Improvement

Marketing Partner SEO Idaho is #1 ranked SEO agency in Idaho.

Expect to make major gains in awareness and searchability in 2022.

STEP 3: SEO, Rank At The Top

Search Engine Optimization

Location, Location, Location

Our SEO campaigns will help your business get to the front page of Google results locally, regionally, or even nationally, Boise SEO

experts, that work in 15 states across the U.S..

Keyword Optimization And Custom Content

We will optimize your website so that your customers can always find you when they search. Our goal is simple, to make your digital health the best it can be.

Digital Footprint Experts

We leverage cutting edge technology to keep your company's information up to date and accurate across all major social and citation platforms.



Advertising Activity Plan – Other Stuff

Efforts Outside of the Big Three – 23% of total ad budget.

- 1. Radio Advertising KIDO and KHITS could expand or contract... we shall see.
- 2. Reputation Management DemandForce driven... will review for effectiveness.
- 3. Internal Client Communication DemandForce... reviewing for upgrade.
- 4. Social Media minimizing efforts on Facebook/Instagram... not driving results.
- 5. Community Engagement \$9,000 annual budget... primarily school support driven.

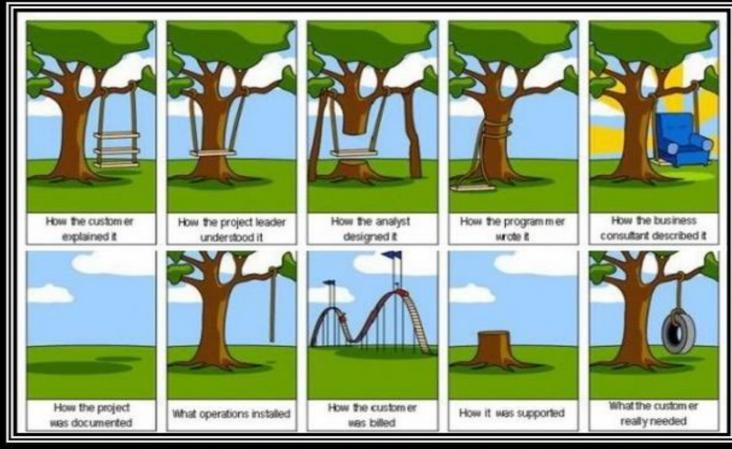
WE HAVE A SOLID PLAN for 2022....

90% of focus is on improving and dominating the digital advertising space... everything else is secondary. Must win the digital space. This will make the phone ring. Answer you Must!

Other things we will evaluate...

- Increase adwords/pay per click budget... this is most likely and biggest impact.
- 2. Implement a billboard program. Possible but expensive.
- 3. Implement store-based visibility programs for building and lot.

End of Advertising Section



COMMUNICATION

sometimes people really should talk more

Team Communication

Focus on Consistency and Transparency

Like many growing businesses our inclination is to "grind it out" and just get to work... meeting regularly to share important information has taken a backseat to the daily press.

What do you need to know:

- What the company's plan and vision is.
- How we are doing in accomplishing that plan and vision.
- Key Operating Metrics mostly financial but not always.
- How my store or I individually am doing versus other stores or individuals.
- Training opportunities so you can do your job better and develop.
- Opportunities to get to know each other and build camaraderie beyond your store.
- How to engage in the growth and improvement of the company.

Team Communication

What is our Commitment for 2022?

- Hold regular group communications like this with all staff.
- Share monthly progress towards financial and sales goals.
- Share key operating metrics at a store and individual level.
- Conduct regular "one-on-one" sessions with each employee.
- Provide opportunities to get to know each other in a "non-work" environment.
- Create a platform for suggestions and engagement on improving the company.
- Meet in store or group team meetings to share data and information.
- Commit to training for all staff as a means of improvement in our business.



Team Communication

What Can You Expect?

- Quarterly Town Hall Meetings with All Staff in 2022.
- Consistent Store Manager Meetings with the Home Office Team.
- Regular "One on One" Sessions with Your Direct Supervisor beginning Q1 2022.
- All team members will be on a common electronic communication platform by 2022.
- A company "intranet" will be implemented in 2022 to convey financial and operating metrics and other information we as a group need to access.
- Consistent store team meetings lead by the store managers.
- Regular progress reports from the home office team.
- A "fun committee" with quarterly voluntary opportunities to make connections outside of the daily work environment.



End of Team Communication Section

Shop Management Software Conversion Project





Who is Shop Ware

Shop-Ware auto repair software is the #1 choice for multi-shop operators. Delivers consistent service with informed staff across all store locations. Cloud-based repair orders with native vehicle inspections allow you to write service in seconds & share it with your customers for instant approvals. All-in-one platform offers inventory management, canned jobs, live chat, parts ordering, payment processing, and more. Offers the largest selection of direct integrators including Quickbooks + Mitchell 1.



Who is Shop Ware

- San Francisco Headquartered
- Carolyn Coquillette Founder and CEO, Former Shop Owner
- Founded in 2015 tripled customer base since 2019
- Primary competitor is Shop Monkey amongst new startup platforms
- Much more capable than "legacy" systems like NAPA Trac and Mitchell systems
- Backed by Bosch and Venture Capital Firm Insight Partners



Features and Benefits:

- Cloud based. No need for a server which can break down without notice.
- Multi-store optimized shop management software platform.
- Integrated Digital Video Inspection system eliminates 2nd system and cost.
- Any web enabled device including IPAD's, Tablets or Smart Phones.
- Native Parts Catalog... order from multiple vendors directly from the Shop Ware.
 Electronic Customer Presentation text or email right out of the platform.
 Integrated CRM Allows customer retention/reactivation and communication efforts.
 KPI Reporting Key Performance Indicators much more robust than Napa Tracs.
- Speed of Entry faster at the user level than Tracs, Mitchell.
- Text Integration text customers without leaving the Shop Ware Platform.
- Quickbooks Native integration with QB... eliminates 3rd party interface and cost.
- Payments Processing Native integration with card processor... no 2nd system.
- Subscription based... pay for what you need. Minimizes additional integrations.

Why Change:

Our opinion obviously... NAPA Tracs is becoming more antiquated by the year. We don't see NAPA investing in advancing the platform or moving it to a cloud structure.

Some Other Deal-Killers:

- Tracs service responsiveness is legendarily bad.
- No movement to a cloud based platform. Leaves us at risk.
- Really limited CRM or productivity tracking (KPI) processes.
- Napa furloughed staff and managers during Pandemic...
- Inability to customize or write integrations easily.
- Useless for marketing integration.

Great... when do we move?

- Home office team is working with Shop Ware Conversion Team on plan.
- Expected to begin in November on a store by store basis.
- Complete in all stores by end of Q1 2022... and probably well before that.
- MORE TO FOLLOW... look for more information in early November.

More time. More profit.

Run your repair shop at its fullest potential with the industry's leading technology.

Achieve your goals for today and tomorrow.

End of Shop Management Software Conversion Project Section

Dowdy's Automotive 2022 Benefits and HR Update



Benefits and HR Updates

Employee Manual:



- Pretty dated... goes back to 2007... time for an overhaul!
- Working with local HR consultants on bringing our manual to modern standards.
- Expected distribution to all employees in late December.



Benefits and HR Updates

Plan Changes You Can Expect:

Old Plan Through 12/31/2021

New Hire to 4th Ann – 10 vacation/5 sick/1 personal 5+ years – 15 vacation / 5 sick / 1 personal

Accrual based on anniversary date

No carryover of unused vacation days

No carryover of unused sick days from prior year

New Plan effective 1/1/2022

New Hire to 3rd Ann – 10 vacation/6 sick/1 personal 4th through 7th yr – 15 vacation / 6 sick / 1 personal 8+ years – 20 days vacation / 6 sick / 1 personal Accrual based on calendar year January 1 each year Carryover of 5 vacation days annually allowed.

Max carryover increase is 5 days in any calendar year.

Carryover of 6 sick days from prior year

Max carryover increase is 6 days in any calendar year.

Increased vacation accrual begins on 1st day of month in which employee reaches threshold.

Benefit Changes Currently Under Consideration:

- Change in Simple IRA or perhaps 401(K) conversion to allow more investment options and features.
- Addition of Short and Long Term Disability voluntary plans team members could choose from if desired.

Medical / Dental Plans – No changes anticipated in 2022. No change in employer contribution to coverages.

End of Benefits/HR Update Section

Dowdy's Automotive 2022 Fun Committee



FUN Committee

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

August we did an inaugural event at Roaring Springs Water Park in Meridian



Fun for those who did attend...

No cost for employee, significant other, kids

Admission, rides, food and private area



2022 Fun Committee:

- Kim will organize and coordinate one team member from each store
- Idea is to conduct 1 offsite event quarterly in 2022 that will be fun to participate in.
- Events will typically invite significant other, sometimes kids.
- Events will always be voluntary... no one is going to force you to be social!

Some Ideas:

Paella Cooking Lesson Night at the Basque Marketing in Boise Group Bowling Event this winter Roaring Springs Again or a Summer Picnic/BBQ for Families Trap Shooting Night @ Black Dog Clays for Staff Only

FUN Committee

Volunteers Welcome...email me...

- Meet as required... via zoom or teams
- Technicians encouraged to participate
- Company has a budget... why not influence spending it!
- First meeting early November to brainstorm.
- I promise it will be FUN!
- Remember we need 1 from each store.



2021 Christmas Party:

- 12/15 dinner event at Hillcrest Country Club in Boise.
- Employee and Significant Other Invited No Cost to Attend
- Dinner, Drinks and Entertainment
- Casual Dress ... not your rich stuck up uncle's country club...
- Won't be fun if you and your SO aren't in attendance... so join us.
- Sign up list to be distributed in early November... for now SAVE THE DATE

This is the same Country Club that sets up a giant adult size "slip and slide" on their golf course every summer...



End of Fun Committee Section

Questions and Comments