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November 24, 2026

REFLECTIONS & OUTLOOK

50th ANNUAL AUTOMOTIVE SYMPOSIUM

November 2 – November 3, 2026

PRESENTING COMPANIES

Company	Ticker	Exchange	Nov. 3 2026 Price	2025 Price	2024 Price (a)
AutoNation Inc.	AN	NYSE	$178.51	$194.32	$159.34
AutoZone, Inc	AZO	"	3,200.00	3,675.90	3,046.35
Dana, Inc.	DAN	"	23.57	20.54	7.45
Donaldson Company, Inc	DCI	"	85.9	84.57	73.18
Dorman Products	DORM	NASDAQ	136.07	131.23	133.73
Garrett Motion	GTX	"	20.77	17.15	7.22
Gentex Corp.	GNTX	"	20.085	23.12	29.5
Genuine Parts Co.	GPC	NYSE	124.27	122.69	112.42
Monro, Inc.	MNRO	NASDAQ	11.63	15.27	26.05
Motorcar Parts of America, Inc	MPAA	"	10.39	17.07	5.38
MP Materials Corp.	MP	NYSE	37.83	54.9	18.25
O'Reilly Automotive	ORLY	NASDAQ	89.99	93.83	77.17
PHINIA, Inc.	PHIN	NYSE	68.92	52.26	44.51
Rush Enterprises, Inc.	RUSHB	NASDAQ	58.99	46.5	57.1
Sonic Automotive, Inc.	SAH	NYSE	60.68	61.4	56.12
Standard Motor Products, Inc.	SMP	"	44.86	37.33	30.96
Strattec Security Corporation	STRT	NASDAQ	63.51	62.6	37.03

(a) Adjusted for splits and dividends

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-Please Refer To Important Disclosures On The Last Page Of This White Paper-

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GABELLI FUNDS

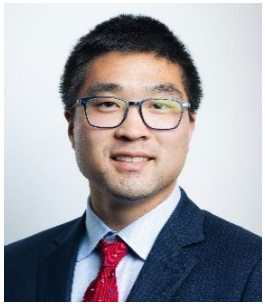
50TH ANNUAL AUTOMOTIVE SYMPOSIUM

Our team hosted the Gabelli Funds 50th Annual Automotive Symposium in Las Vegas on November 2nd and 3rd, 2026. Over the course of the conference, industry executives from leading automotive original equipment suppliers, dealers, materials companies and aftermarket parts retailers discussed both the present and future of the automotive ecosystem.



Brian Sponheimer is a Senior Vice President and Portfolio Manager at Gabelli Funds. He leads the Industrials research team, with a focus on automotive- and machinery-related companies. Before joining the firm in 2008, he was a research analyst at The Water Fund/Terrapin Partners and before that held various positions within sales and trading of US Equities at CIBC World Markets.

Brian graduated cum laude with a BA in government from Harvard University and holds an MBA from Columbia Business School.



Edward Nakamura is a research analyst at Gabelli Funds, where he conducts research on a variety of markets and public equities. With three years of industry experience, Edward specializes in risk assessment, company analysis, and equity valuation. Before joining GAMCO full time, Edward was an intern with the company. He holds a BA in Economics from Boston University.

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2026 GABELLI FUNDS AUTO SYMPOSIUM

FIFTY YEARS OF RESILIENCE, REINVENTION, AND THE ROAD AHEAD

The history of our Auto Symposium dates to 1977, when two automotive trade associations - AASA (Automotive Aftermarket Suppliers Association) and SEMA (Specialty Equipment Manufacturers Association) began holding annual conventions in early November in Las Vegas. These two groups brought to Nevada a critical mass of auto industry executives, providing an opportunity to discuss in a unique environment the global auto industry and, at inception, the automotive aftermarket.

A great deal has changed since that first gathering. In 1977, the Detroit Three dominated the U.S. market with large cars that did not last very long. The average car on the road was just over six years old, compared with roughly 13 today. No one in the industry worried about software, rare earth magnets or robotics. The gas lines of 1979 followed a geopolitical shock to oil supply and a Federal Reserve tightening to curb inflation. This year, crude oil moved from about $60 to as high as $115 per barrel, and the Fed has again been focused on inflation.

Seventeen companies gathered at Encore at Wynn, joined by MEMA (the Vehicle Suppliers Association), Experian Automotive, and keynote speaker John Murphy of Murphy Automotive Partners, formerly Bank of America's lead auto analyst. They represented Tier 1 suppliers, filtration and materials companies, vehicle and truck dealers, aftermarket manufacturers and retailers, and the only scaled U.S. rare earth magnet producer.

- **The aftermarket remains the backbone of the industry.** Demand is structural, with vehicle age passing 13 years in 2027 and miles driven at a record. Price has carried much of the growth to $460 billion, and deferred maintenance doubled to about $102 billion in 2025, but only 13% of owners would delay a $1,000 repair. We read most deferral as timing, not lost demand, and expect the largest distributors to keep taking share.
- **Demand is holding near 16 million, but affordability sets the ceiling.** A record $821 average payment and negative equity on three in ten trade-ins limit volume upside. OEMs have chosen margin over share, holding dealer inventory near 2.6 million units versus 3.7 million before COVID. That discipline protects pricing but leaves little cushion if credit tightens.
- **Trade, round two.** The Supreme Court struck down the IEEPA tariffs in February, but Section 232 tariffs on autos, parts and metals remain and USMCA was not extended in July. Uncertainty now matters more than tariff rates, and it is delaying sourcing and capital decisions.
- **Input costs and rates are rising.** Steel, copper, resins and memory chips cost materially more than a year ago, with DRAM up roughly 450%. Suppliers without pass-through clauses feel it first, and higher rates put supply chain finance programs under review.
- **China is crashing at home and expanding abroad.** With domestic sales falling about 20% against more than 60 million units of capacity, exports passed 9 million vehicles through October. Western suppliers face share loss in China and Chinese price pressure elsewhere, which raises the value of North American trade protection.
- **Autonomy has moved from pilot to commercial service.** Waymo provides more than 500,000 paid weekly rides in 14 cities, and Tesla began building its CyberCab in April. For now, the clearest profit pool is in sensing, compute, calibration and service rather than operating fleets.
- **The EV reset is now on the income statement.** Automakers have booked over $70 billion of EV write-downs as U.S. EV share fell from 14.0% to 7.9%. Hybrids are taking the volume, which extends the life of engine-related aftermarket categories and favors suppliers whose content works across powertrains.

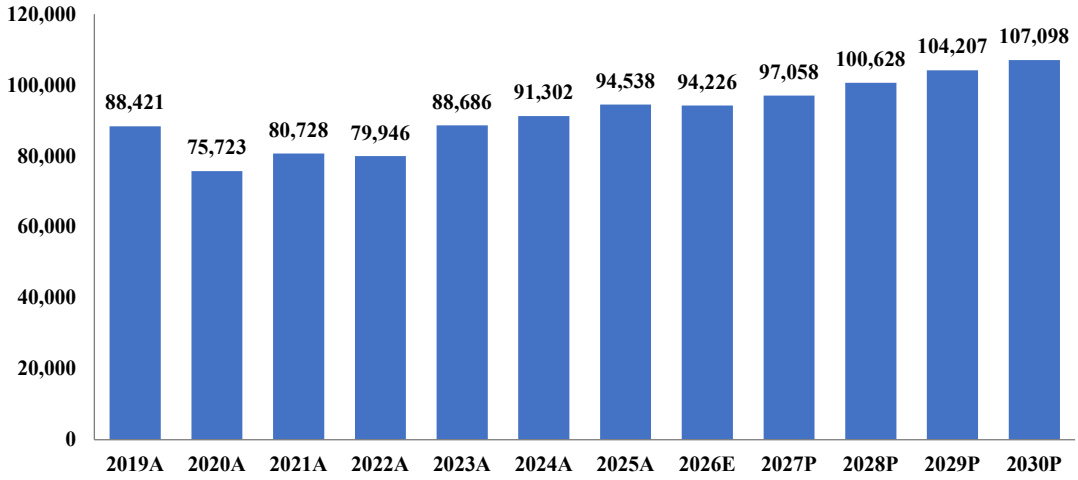
A Global Look at the Auto Industry

The global vehicle population has continued to grow and now stands at roughly 1.7 billion units, as emerging markets motorize and vehicles in developed markets stay on the road longer. Electric vehicles account for about 80 million of that total, up from roughly 65 million a year ago.

For 2026, we expect global light vehicle sales of about 94 million units, roughly flat vs. 2025. Embedded within that flat outlook is a nearly 20% decline in China after several years of incentive-driven purchases pulled demand forward and affordability tightened. We expect growth to resume in 2027 and global sales to reach approximately 107 million units by 2030.

Exhibit 1 **Global Light Vehicle Sales (2019A-2030P)**

(Units in thousands)



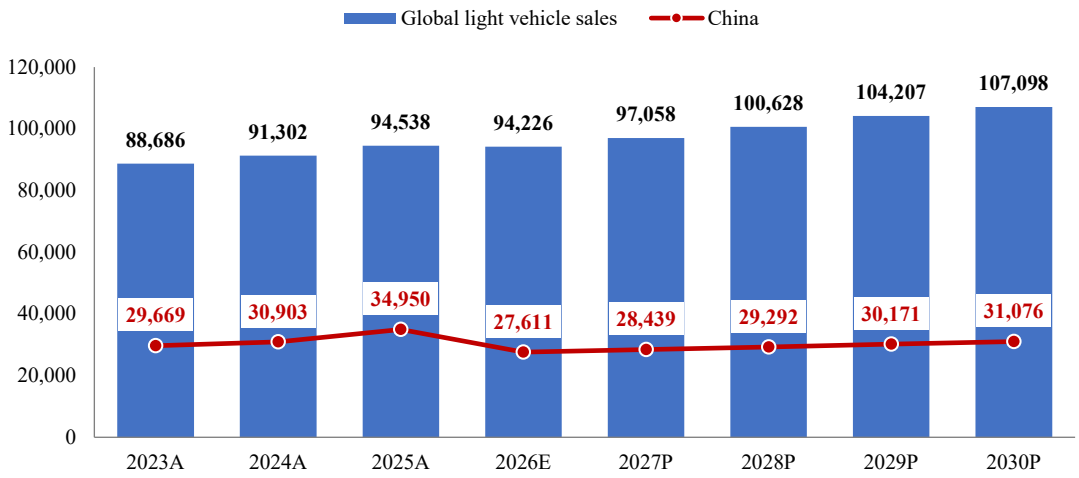
Source: Ward's, Gabelli Funds estimates

We view the global industry as largely range bound in the 90 to 100 million unit per year range for the next three years. As John Murphy noted, autos remain a capital goods replacement cycle with a consumer overlay. As the cycle stretches out, the age of the fleet becomes the key variable to watch, since consumers eventually must replace their vehicles but also need the confidence to do so. Capacity utilization runs at about 70% in the U.S., somewhat below that in Europe, and under 50% in China, leaving a constant overproduction/price disruption risk.

In Europe, the regulatory picture has shifted. In December 2025, the European Commission proposed replacing the effective 2035 ban on new combustion engine cars with a 90% CO_2 reduction target, allowing plug-in hybrids, range extenders and some conventional engines to remain on sale beyond 2035. The European Parliament's environment committee has since voted to soften the targets further, with a full Parliament vote expected in December 2026. European automakers now face Chinese competition in their home market alongside a slower EV transition than the original rules assumed.

Exhibit 2 **Global Light Vehicle Sales and China (2023A-2030P)**

(Units in thousands)

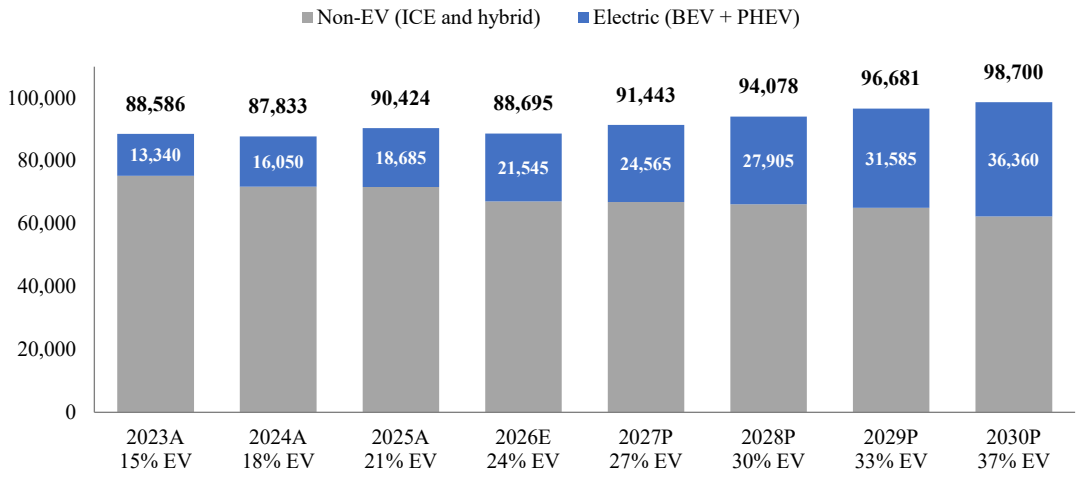


Source: Ward's, Gabelli Funds estimates

Globally, EV adoption continues to grow but at a slower rate. Global EV sales rose from 3.4 million units in 2020 to 19.1 million in 2025, a 41% compound annual growth rate. We expect sales of about 36.4 million units by 2030, which implies a slower 14% annual growth rate from here.

Exhibit 3 **Global Light Vehicle Production, Electric vs. Non-Electric (2023A-2030P)**

(Units in thousands, EV share of production shown under each year)



Source: Ward's, Gabelli Funds estimates

China: Declining at Home, Expanding Abroad

China came up in nearly every major supplier session. Presenters described a market that has overbuilt capacity at home, is exporting the surplus around the world, and is forcing the rest of the industry to rethink its cost structure. Western suppliers are losing share inside China while preparing to compete with Chinese brands nearly everywhere else.

An overbuilt domestic market

China's passenger vehicle production capacity now exceeds 60 million units, according to data cited by MEMA, while domestic passenger vehicle sales are expected to fall roughly 22% from 2025. Industry profit margins have fallen from about 9% a decade ago to roughly 3.5% through August of this year. Consolidation would be the logical response, but because many automakers are backed by provincial and regional governments, there has been reluctance to shrink. China's brand count has fallen only from about 137 to 118 so far. By comparison, the U.S. went from 288 brands to 38 over 130 years. MEMA noted press reports that some Chinese producers are looking to convert vehicle capacity to humanoid robot production.

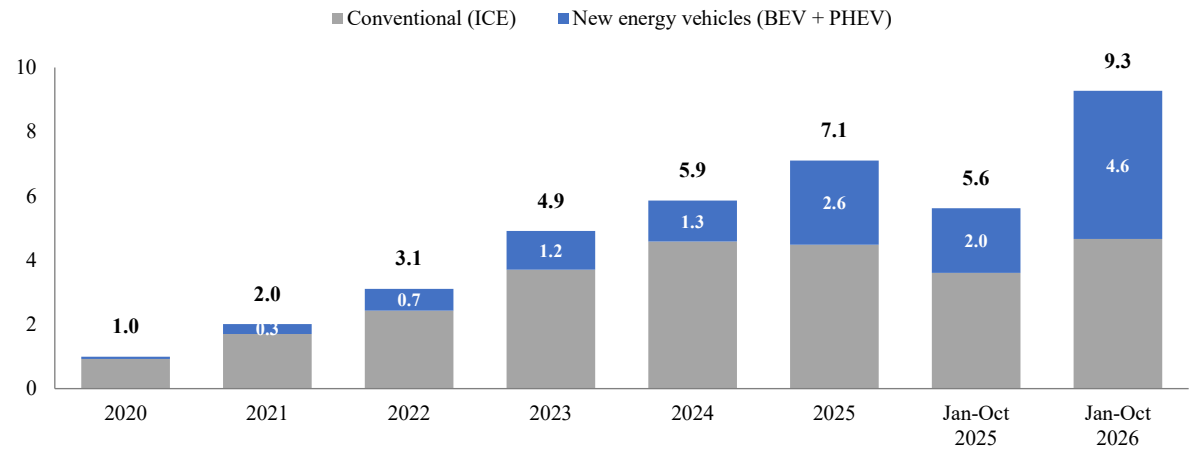
In one of our most prescient interviews, John Murphy noted how China's auto policy is fundamentally about jobs. Regional subsidies support employment, and Chinese automakers, Tier 1 and Tier 2 suppliers accept margins that would be unacceptable to companies that must earn 5-10% operating margins and a 15% return on invested capital. That difference in objectives, more than direct subsidies, is what makes competing with China so difficult.

The world's largest vehicle exporter

With domestic demand falling and capacity rising, China has become the world's largest vehicle exporter. According to the China Association of Automobile Manufacturers (CAAM), exports reached 7.1 million units in 2025, up from about 1.0 million in 2020. The pace has picked up this year. Exports passed 9.2 million units through October, up 65% from the same period a year ago, and have topped one million units in each of the last five months. New Energy Vehicles (NEV) now make up about half of the total.

Exhibit 4 **China Vehicle Exports by Powertrain (2020-2025, January-October 2026)**

(Units in millions)



Source: China Association of Automobile Manufacturers (CAAM)

In open markets, Chinese brands have gained share quickly, particularly in electrified segments where their cost and supply chain advantages are greatest. According to analysis presented by MEMA, about 90% of BEVs sold in Mexico in 2025 were made in China, up from 28% in 2023. Chinese brands hold 70-80% of EV sales in Thailand and Southeast Asia and more than 70% in Brazil, where BYD is localizing production, and roughly 30% of NEV sales in the UK. Chinese EVs have also began entering Canada, which should bring them to the attention of U.S. consumers over time.

A structural cost advantage

Analysis presented by MEMA puts China's cost advantage at roughly $4,700 per vehicle. Direct subsidies account for only about $292 of that gap. The largest pieces are vertical integration and lower overhead, which are structural and would not disappear if subsidies did.

Table 1 **China's Cost Advantage Per Vehicle**

Source of Advantage	US$ Per Vehicle
Vertical integration	$2,369
Lower overhead	1,719
Direct subsidies	292
Supplier float	214
Licensing avoidance	50
Financing	12
Total advantage	**~$4,700**

Source: Evercore ISI analysis (Aug. 2026), Rhodium, MEMA

Chinese automakers also bring new models to market in under two years, compared with about 48 months at best for traditional OEMs. China controls about 90% of critical mineral processing, 74% of the graphite anode chain, 72% of lithium-ion cell production and 60% of lithium refining, giving it a durable position in batteries. For our presenting companies, the same dynamic applies to rare earths. MP Materials noted that China supplies nearly 90% of rare earth magnets, and Chinese export restrictions since early 2025 made that dependence clear to automakers.

What it means for our companies

The effects on our presenting companies varied. Gentex (GNTX) had been on pace for about $250 million of U.S.-made exports to China before domestic OEMs overtook the joint ventures, cut vehicle prices and reduced technology content, and is now planning on the assumption of no recovery in China. Garrett Motion (GTX), by contrast, continues to win business with Chinese OEMs on ICE, hybrid and export engines, and argued that any supplier unable to compete in China will face a larger problem in the future. PHINIA (PHIN) described China as flat and less than 14% of revenue.

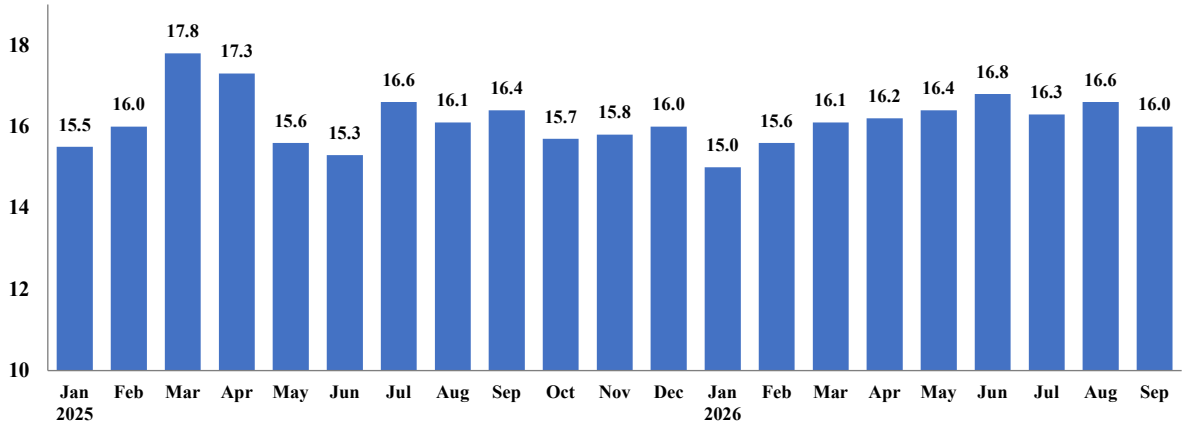
Over the next several decades, we could see the roughly 350 automakers globally worked down to about 50. Chinese automakers tend to bring their own supply base with them as they expand, creating new competition for Western suppliers. While current headlines are on EV penetration, the need for capacity utilization makes it more likely that China's lineup transitions to majority ICE and hybrid over time.

As far as US penetration, there seems to be an eventual inevitability to some share for Chinese brands. The Detroit Three's pickup trucks look like the safest segment. On MEMA's panel, views differed on the aftermarket. One panelist argued an independent shop will repair whatever vehicle arrives, while another said member companies are "terrified" of the competition.

US Light Vehicle Market Outlook:
Holding at 16 Million, Waiting on Affordability

The U.S. light vehicle market has held in the mid-16 million unit range for the better part of two years despite inflation pressure on consumers. Historically, that level has been healthy for automakers, dealers and suppliers. Affordability is holding SAAR back, with elevated transaction prices, higher monthly payments and rising negative equity on trade-ins. We expect 2026 sales of about 16.2 million units, essentially in line with 16.3 million in 2025, rising to 16.5 million in 2027 and 17.0 million in 2028. Whether affordability will allow the industry to return to 17 million by 2028 was a point of debate at the conference.

Exhibit 5 **2025-26 Monthly US Light Vehicle SAAR**
(Units in millions)



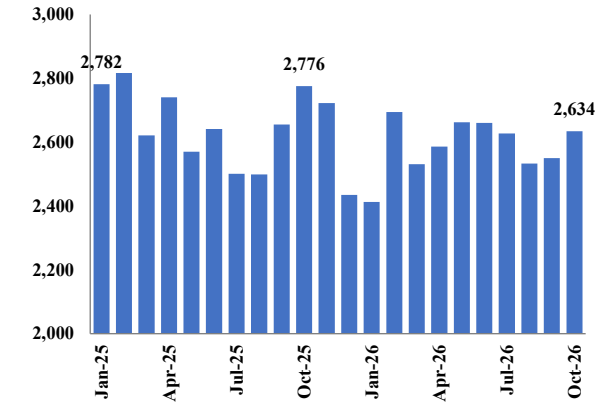
Source: Ward's

Demand potential is likely higher than current sales suggest. Measured against a trend line of 16.0-16.5 million units, the industry undershot for several years and has built up at least 10 million units of pent-up demand, which is showing up as upward pressure on price. Murphy noted that if the industry produced more vehicles in the $30,000-$40,000 range, it could reach an 18 million unit sales rate by the end of the decade, though automakers have shown little interest in going down-market. Model years 2026 through 2028 will see the fewest new model introductions in at least 55 years, pushing the average product age to an all-time high of about 4.8 years. Dealers are being asked to sell vehicles very similar to what consumers bought five to seven years ago at prices 30-40% higher.

Dealer Inventory Remains Lean

Dealer inventory stood at about 2.63 million units in October 2026, compared with roughly 3.7 million before COVID. Lean inventory is a healthy indicator for automaker profitability and supports dealers' ability to hold margin. A healthy light vehicle days' supply is typically 55-60 days, closer to 65-70 for light trucks and 35-45 for sedans. In September, Toyota had just 24 days of supply and could not build vehicles fast enough, while Jeep had 103 days after overproduction forced Stellantis to raise incentives.

Exhibit 6 US Monthly Dealer Inventory, 2025-2026
(Units in thousands)



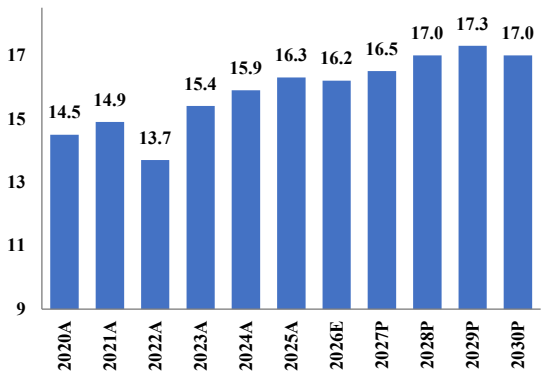
Source: Ward's (monthly values read from Ward's chart)

Production and Sales

North American light vehicle production should be slightly lower in 2026, at about 15.2 million units versus 15.4 million in 2025. As U.S. sales recover and the industry benefits from near-shoring, we expect production to rise to about 15.8 million in 2027 and 16.6 million by 2029.

Exhibit 7 US Light Vehicle Sales 2020A-30P

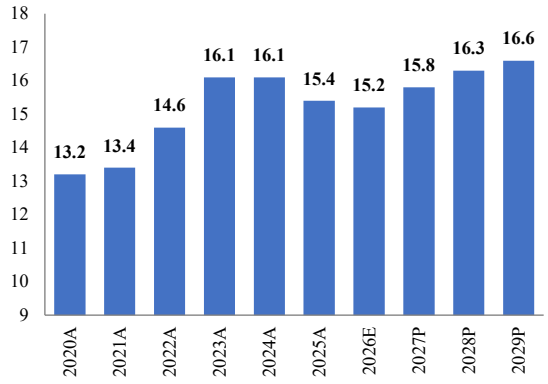
(Units in millions)



Source: Ward's, Gabelli Funds estimates

Exhibit 8 North American LV Prod. 2020A-29P

(Units in millions)



Source: Ward's, Gabelli Funds estimates

Affordability in Focus

Affordability was the most frequently cited constraint on new vehicle demand. Data presented by Experian show the average new vehicle loan has risen to $43,746 in 2026 with an average monthly payment of $773, even as average rates eased slightly and terms lengthened. More than 19% of all loan payments, and nearly 16% of new vehicle payments, now exceed $1,000 a month, and over one-third of all loans carry terms longer than six years. New vehicle buying has shifted toward higher-income households, and more than 52% of new car buyers have household incomes above $100,000. Crossovers and SUVs account for 63% of new vehicle financing, up from about 59% in 2021, which has pushed average prices higher.

Table 2 Average Auto Loan Characteristics, 2024-2026

	New 2024	New 2025	New 2026	Used 2024	Used 2025	Used 2026
Avg. loan amount	$40,948	$42,132	$43,746	$26,306	$27,398	$28,164
Avg. monthly payment	$735	$748	$773	$524	$537	$548
Avg. interest rate	6.65%	6.47%	6.38%	11.86%	11.31%	11.15%
Avg. term (months)	68.25	68.82	69.24	67.10	67.33	68.12

Source: Experian Automotive, State of the Automotive Finance Market (preliminary Q3 2026)

Signs of strain are emerging at the margin. J.D. Power data show three in ten trade-ins carry negative equity, and Fitch data show the subprime share of loans up two points in a year. Experian noted that average credit scores on new loans have declined and that growth in lending is coming from lower-scoring segments, while 60-day delinquency rates have risen modestly. Higher fuel prices add to the burden. At $4.41 per gallon, a two-car household driving 24,000 miles a year spends about $1,283 more on gasoline than it did a year ago. None of these measures signals a break in demand, but together they suggest limited room for further price increases.

OF TARIFFS AND TRADE:
ROUND TWO

Tariffs remained central to every supplier's planning this year, but the shape of the issue changed. In February, the Supreme Court struck down the IEEPA tariffs by a 6-3 vote, and refunds have worked their way back through the supply chain. Section 232 tariffs on autos, auto parts, steel, aluminum, copper and heavy-duty trucks remain in place. On July 1, the U.S. declined to extend USMCA at its scheduled review, and a 50% tariff on certain Canadian vehicle imports took effect August 22 under Section 338, remaining in place until shortly before the conference. Management teams said certainty matters most.

MEMA's CEO, Paul McCarthy, said certainty on which countries to build supply chains around is the top priority for member CEOs, and he was cautiously optimistic that leaders from both parties see the need for a North American supply chain with the scale to compete with China. In MEMA's September survey, an average of 42% of members' North American revenue depends on products or inputs that cross a U.S., Canada or Mexico border at least once.

Table 3 Importance of USMCA Duty-Free Treatment to Aftermarket Suppliers

Response	% of Respondents
Critical: loss would materially disrupt our business	33%
Very important: loss would materially increase costs	30
Somewhat important: affects some products or flows	11
Minimally important	15
Not important	7
Unknown / not tracked	4

Source: MEMA Membership Survey, September 2026

Suppliers have largely adjusted. MEMA members' U.S. production headcount is 4% above March 2025 levels, after falling 10% when tariffs were introduced. MEMA views the IEEPA refunds as a one-time benefit, since nearly all the reversed tariffs are being recreated under other authorities, and profit margins were the weakest measure in its member survey as companies wait for clarity before changing supply chains.

Presenting companies pointed to in-region footprints as their main defense. Strattec (STRT) reported that 96% of its product is USMCA compliant, Dorman (DORM) began moving its supply base away from China in 2018, and Standard Motor Products (SMP) manufactures largely in North America and Europe. Motorcar Parts of America (MPAA) pairs USMCA-exempt remanufacturing in Mexico with new-unit production in Malaysia, and Gentex's (GNTX) West Michigan footprint has become a selling point with OEMs looking to limit exposure to China and Taiwan.

AUTONOMY AND AI

FROM SCIENCE PROJECT TO COMMERCIAL SERVICE

A year ago, autonomy was less of a headline topic in Las Vegas than EV adoption. This year, robotaxis moved into commercial service. Waymo now provides more than 500,000 paid rides per week across 14 cities with more than 4,000 vehicles, and is targeting one million weekly rides by year-end. Tesla began building its CyberCab in April. In commercial vehicles, Aurora has driven 500,000 driverless miles in Texas. These fleets run around the clock and will wear through tires and brakes quickly, and someone will need to service them.

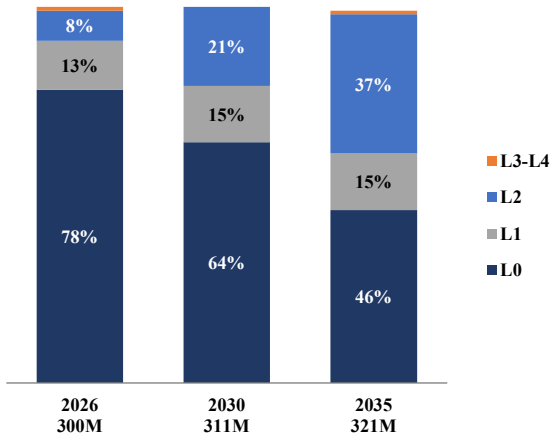
After 15 years of being "five years away," autonomy looks different this time, given Waymo's results, Tesla's progress with Full Self-Driving, and broad OEM success with Level 2 and Level 3 systems. Our keynote speaker, John Murphy, made the case that autonomy may be the industry's best way out of a product funk. The core function of a vehicle is getting people from point A to point B quickly, yet travel speeds have not improved in decades because the product is capped by regulation. Autonomous or highly semi-autonomous vehicles traveling on dedicated high-speed lanes or in better-organized traffic could cut travel time (though that would require large investment in smarter road networks). The ultimate measure of demand for the auto industry is miles driven. If autonomy lets a child be sent to school, an elderly person who can no longer drive get to appointments, or a blind person travel independently, miles and demand both rise. Robotaxis are likely to displace taxi and livery fleets in dense city centers but change little in less dense areas. On service, warranty work should stay with dealers, while fleet operators at scale may take more of the remaining work in house.

Driver Assistance Spreads Across the Parc

MEMA's presentation showed how quickly advanced driver-assistance systems (ADAS) are spreading through the U.S. vehicle population. Today, about 78% of the U.S. car parc has no driver assistance (Level 0), and Level 2 systems, which can steer, brake and accelerate under driver supervision, account for about 8%. By 2035, Level 1 and Level 2 vehicles are expected to make up more than half of the parc, while Level 3 and Level 4 remain about 1%, largely in robotaxis, because higher levels of autonomy remain cost-prohibitive.

MEMA also noted that the old C.A.S.E. framework (Connected, Autonomous, Shared, Electrified) assumed those features would arrive together on EVs. Instead, they are decoupling. Nearly every new vehicle is connected, and autonomous features are now available on ICE, hybrid and plug-in hybrid vehicles.

Exhibit 9 US Car Parc by ADAS Level, 2026-2035



Source: PwC Strategy& analysis, MEMA

For suppliers, the content opportunity is in sensing and compute. McKinsey forecasts cited by MEMA call for LiDAR sales to grow about 11% annually and radar about 8% annually through 2035, with cameras growing about 3.5%, while traditional chassis, safety and powertrain sensors decline. Gentex (GNTX) described its in-cabin monitoring business as a platform for these trends. MP Materials (MP) noted that robotics, today about 2% of rare earth magnet demand, is expected to grow 30% or more annually to about a quarter of the market.

AI is also changing how the industry operates. Dealers discussed applying AI to back-office work and service scheduling, and Sonic noted that about 60% of inbound service calls go unanswered industry-wide. Garrett (GTX) is using AI to reduce physical testing, and AutoZone (AZO) uses algorithms to place inventory across its network.

ELECTRIC VEHICLE OUTLOOK

THE EV RESET REACHES THE INCOME STATEMENT

Last year we described a great EV recalibration. This year, automakers booked the cost, to the tune of more than $70 billion of EV-related write-downs through the second quarter of 2026, with an expectation to exceed $100 billion over time. The pullback has also disrupted product plans, contributing to the lowest three-year run of new model introductions in decades.

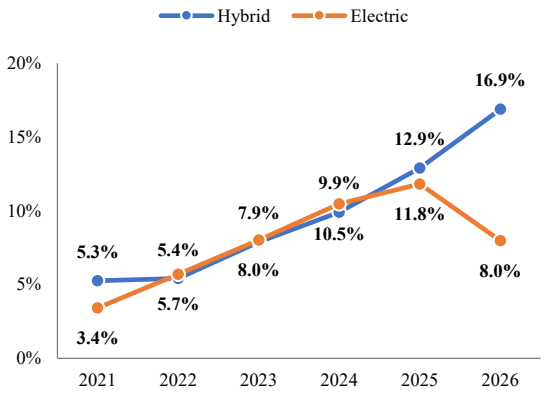
Table 4 EV-Related Charges Booked by Automakers (through Q2 2026)

Automaker	Booked Charges	Comment
Stellantis	$26.0B	Largest specific charge in the industry
Ford	18.8	Of $19.5B announced, F-150 Lightning ended Dec. 2025
General Motors	11.3	Cumulative, BrightDrop cancelled, Orion back to ICE
Honda	10.1	0 Series cancelled months before production
VW Group	6.6	Porsche goodwill, joint program, ID.4 wind-down
Renault	1.1	EV-attributable portion only
Subaru	0.4	In-house EV program postponed
Total	**$74.3B**	

Source: Company reports, Murphy Automotive Partners

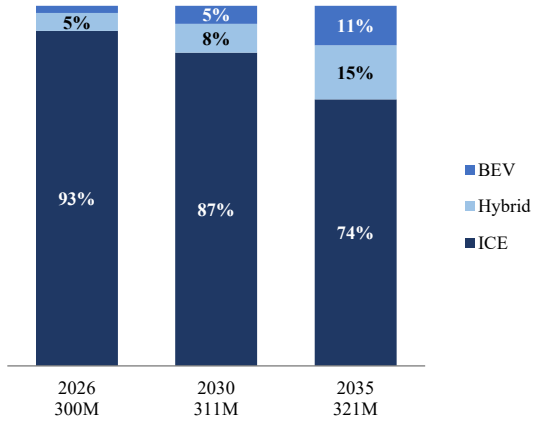
U.S. EV share of new vehicle sales fell from 14% in September 2025, inflated by buyers racing the expiring tax credit, to 7.9% a year later. That the decline held through this year's gasoline spike suggests the incentive, not fuel economics, was driving demand. Experian data make the point. EV share of new purchases fell from 10.9% to 7.5%, but leasing, where the credit was captured most directly, fell from 24.3% to 10.4%. Hybrids are taking the volume, rising to 16.9% of new vehicle financing from 5.3% in 2021, as buyers seek fuel savings without residual risk.

Exhibit 10 Hybrid vs. EV Share of New Financing



Source: Experian Automotive

Exhibit 11 US Car Parc by Powertrain, 2026-2035



Source: PwC Strategy & analysis, MEMA

Internal combustion will dominate the U.S. fleet for another decade. PwC analysis presented by MEMA has ICE vehicles at 74% of the car parc in 2035, with hybrids at 15% and BEVs at 11%. New vehicle sales point the same way. Conference forecasts have hybrids reaching about 34% of U.S. sales by 2030-2031 against about 8% for EVs, and hybrid models in North America should roughly triple from 37 in 2025 to 100 by 2030. OEMs still pursuing BEVs are moving to models under $45,000, an admission that price is the binding constraint. Toyota shows the payoff of that discipline. It booked no EV write-downs while peers booked more than $70 billion and gained share

through 2024-2025. Its “1:6:90” logic, that the minerals for one long-range BEV could build six plug-in hybrids or 90 hybrids, is a better use of scarce capital in a market this uncertain.

The used market is beginning to absorb more EVs. Experian expects off-lease EVs to rise from 324,000 units (12% of off-lease volume) in 2026 to 608,000 (18%) in 2027, and Sonic noted that off-lease EVs can sell for 40-50% of their original price.

Regulation Has Shifted Toward Flexibility

The regulatory backdrop has changed meaningfully since last year. In the U.S., the federal EV tax credit expired at the end of September 2025. In February 2026, the EPA finalized a rule rescinding the 2009 greenhouse gas endangerment finding and repealing federal greenhouse gas emission standards for light-, medium- and heavy-duty vehicles, effective April 20, 2026. California and other states have announced plans to challenge the repeal and will continue to enforce their own rules, raising the prospect of a patchwork of state and federal requirements. In practice, federal fuel economy and emissions standards have been largely removed, and the CARB EV mandate is eliminated for now. In Europe, the Commission has proposed replacing the 2035 zero-emission requirement with a 90% CO_2 reduction target, with a full Parliament vote expected in December. China, by contrast, continues to treat new energy vehicles as a national priority, and MEMA reminded the audience of President Xi’s 2014 statement that developing NEVs is the only path for China to become an automobile powerhouse.

AUTOMOTIVE AFTERMARKET OUTLOOK

AFTERMARKET RESILIENCE MEETS A MORE SELECTIVE CONSUMER:

AFTERMARKET FUNDAMENTALS REMAIN STRONG DESPITE CHALLENGES

The U.S. automotive aftermarket remains a large, durable, and structurally attractive industry, supported by an expanding vehicle population, aging car parc, and the non-discretionary nature of vehicle maintenance and repair. At the 50th Annual Gabelli Automotive Symposium, participating companies reinforced the view that the aftermarket is set to benefit from a long runway of demand as consumers keep vehicles longer, with the average age of the fleet approaching 13 years, and as increasing share of repair activity migrates out of warranty and into the independent aftermarket. The U.S. aftermarket is expected to reach approximately $460 billion in 2026 and exceed half a trillion dollars by 2029.

That favorable long-term backdrop, however, is being tested by a more pressured consumer and an uncertain near-term demand environment. Elevated fuel, food, healthcare, and insurance costs are causing some customers to defer larger-ticket repairs, trade down to lower-priced products, and/or reduce the scope of work performed. The Motor and Equipment Manufacturers Association's (MEMA) latest member survey showed a majority of automotive aftermarket participants reporting growth in 3Q26, but sentiment had moderated from the second quarter. Across our discussions with retailers, suppliers, and service providers, the message was consistent: underlying repair demand remains intact, but the timing, mix, and value of transactions are becoming more sensitive to household budgets.

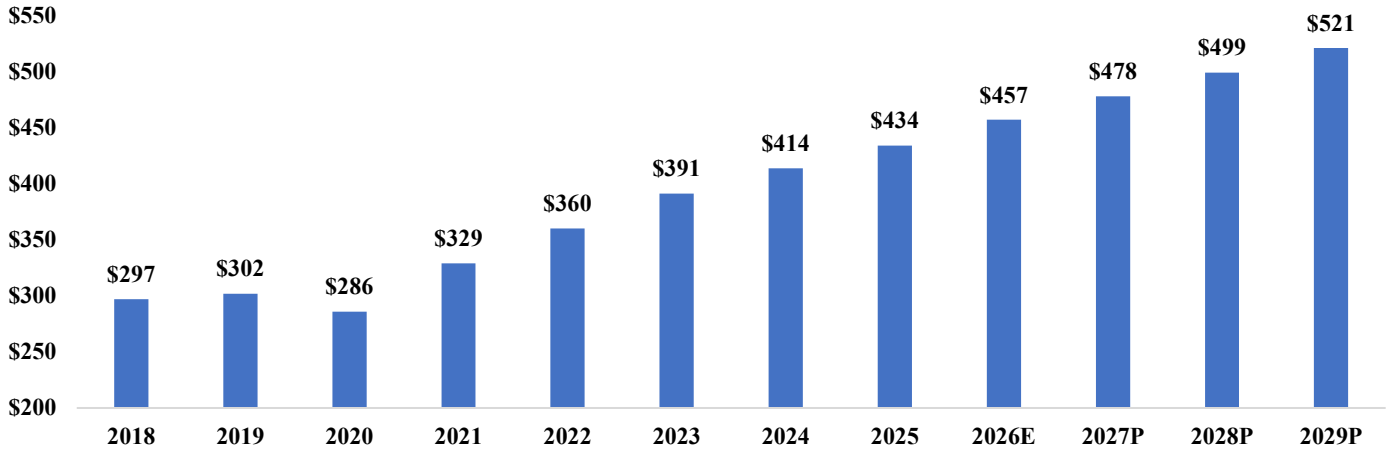
Against this backdrop, the competitive advantage now more than ever remains at companies with strong service levels, scale, product breadth, reliable sourcing, strong local inventory availability, and the ability to deliver parts quickly. Vehicle complexity is increasing the difficulty and value of many replacement jobs, while distribution density and technical capabilities remain important barriers to entry. Additionally, companies have adapted their sourcing footprint to adjust for tariff uncertainty, and are using data, marketing, and improved merchandising to drive share and customer traffic.

A REVIEW OF INDUSTRY BASICS

The U.S. light-vehicle aftermarket is expected to exit 2026 at approximately $460 billion and is on track to reach just under $480 billion in 2027, supported by an aging vehicle fleet, elevated new-vehicle prices, and steady miles driven. After demand fell sharply in 2020 amid COVID-related declines in travel, the sector rebounded in 2021 and has continued to grow since. Forecasts now call for mid-single-digit cumulative growth over the next three years, reaching over half a trillion dollars by 2029.

Exhibit 12 **US LV Aftermarket Size (2018-2029P)**

(units in $ billions)



Source: MEMA

AFTERMARKET DRIVERS

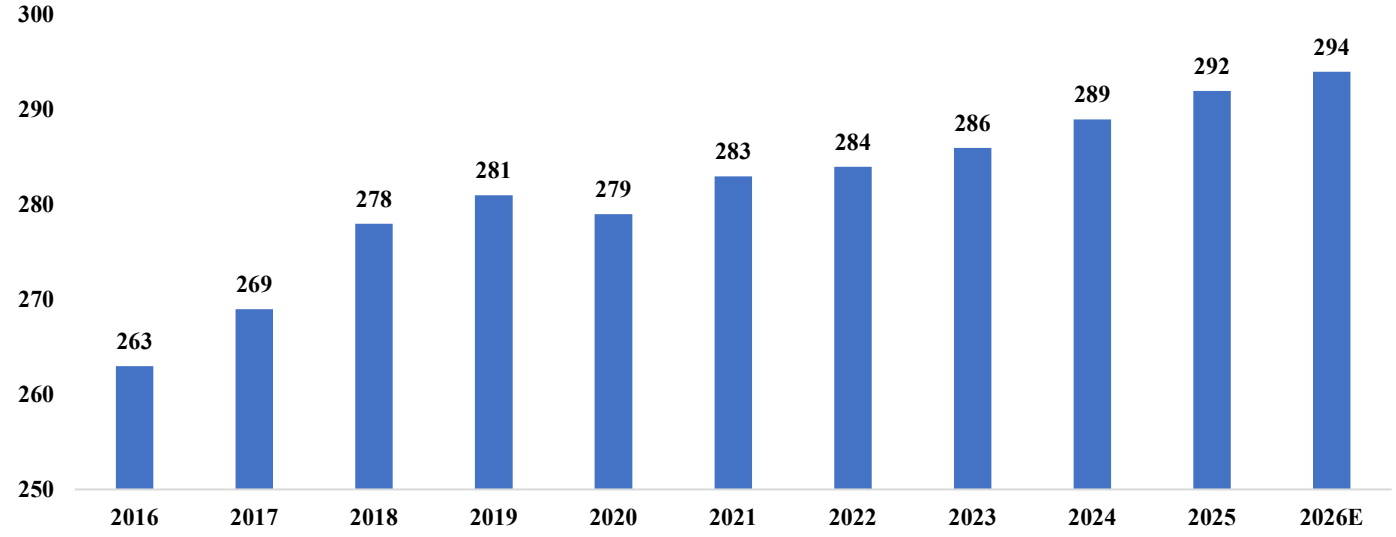
The automotive aftermarket is traditionally driven by four primary dynamics: a) the number of vehicles on the road; b) the age of the vehicle population; c) the number of miles driven by consumers; and d) inflation. On average, aftermarket growth has ranged between 1-4% over the past thirty years, proving to be recession resistant.

A Growing and Aging Vehicle Fleet Underpins Long-Term Repair Demand

The U.S. vehicle population is approximately 294 million units, with the average age of vehicles on the road just under 13 years, compared with less than 10 years at the beginning of the century. The fleet has continued to age as improved vehicle durability allows cars and trucks to remain in service longer, while elevated new-vehicle prices and monthly payments have encouraged consumers to delay replacement. Aftermarket participants who presented emphasized that vehicles owners increasingly see value in maintaining an existing vehicle rather than absorbing the cost of purchasing a new one.

Exhibit 13 **US Light Vehicle Population 2016-2026E**

(units in millions)



Source: MEMA

The opportunities for aftermarket companies are particularly attractive as vehicles move beyond the initial warranty period. Once vehicles move beyond six years of age, a greater share of repair work flows to the independent aftermarket. This is combined with repair and maintenance spending rising meaningfully with vehicle age, providing an attractive backdrop for aftermarket participants. MEMA noted that a 6-10-year-old vehicle, typically considered the "sweet spot" for aftermarket repair, can cost more than twice as much to maintain as a 0-5-year-old vehicle. Additionally, service cost for a 10+ aged vehicle is typically 5.5x more than a 0-5 year vehicle.

The age profile also changes the nature of the parts being replaced. Vehicles in the 6-10-year range often require more premium replacement components, while owners of vehicles 11-15 years old may be more inclined to select a value-oriented product. This creates opportunities across "good-better-best" product tiers but also places a competitive advantage on having the right assortment for different customer budgets and vehicle ages.

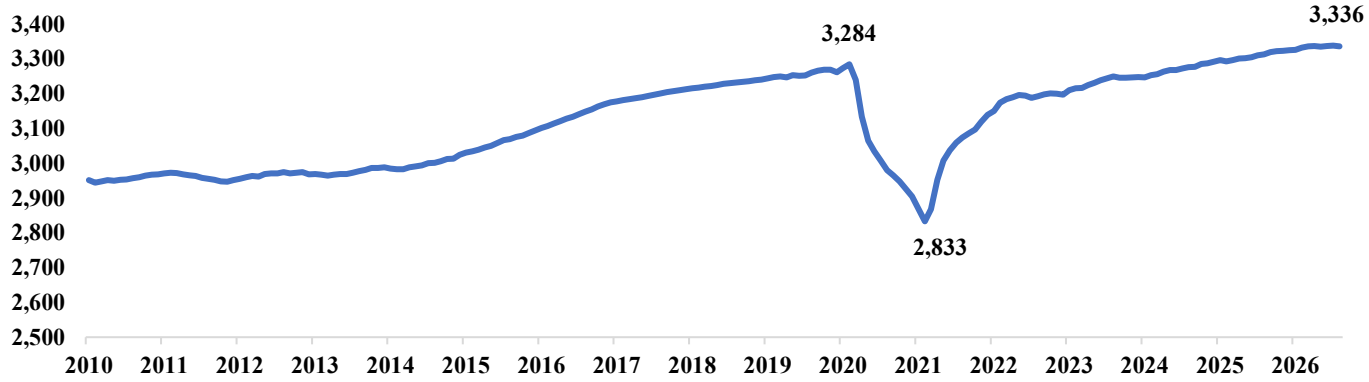
While pandemic-era production constraints may affect the flow of newer vehicles into the "sweet spot," fundamental drivers remain supportive of aftermarket demand. Vehicles now entering this age range combine substantial electronic content and advanced safety systems, generating high-value repairs without deterring independent shops. Owners in this segment are motivated to maintain their vehicles: many have completed financing, exhibit emotional attachment, and prefer cost-effective, reliable aftermarket service over dealership visits. This combination of fleet demographics, vehicle complexity, and customer behavior makes the 6-12-year age range the most attractive opportunity for aftermarket repair.

Miles Driven Remains Resilient Despite Gas Prices

Miles driven, outside of warranty, remains a fundamental source of wear and tear, and despite elevated gas prices, driving activity has remained resilient. The non-discretionary nature of driving and many repairs provide an important buffer: consumers may postpone maintenance when budgets tighten, but vehicles still need to operate for commuting, work, family obligations, and other daily activities. The need to keep a vehicle on the road is what ultimately brings customers back into the repair market.

Exhibit 14 **TTM U.S. Miles Driven (Jan 1, 2010 – Aug 31, 2026)**

(units in billions)



Source: Federal Highway Administration

In the long-term, factors including household formation, suburbanization, and continued reliance on personal vehicles are supportive of steady growth in miles driven. Discussions also touched on the potential impact of autonomous and shared-mobility fleets. Higher utilization could increase wear on tires, brakes, and other components, although the service channel for these vehicles remains uncertain. Warranty work is likely to remain with the dealers, while scaled fleet operators may play a larger role in managing maintenance and repair once vehicles exit warranty.

Inflation: A Structural Source of Industry Growth

With inflation, the industry has experienced significant volatility since 2020, including elevated freight, materials, and other input costs. Post-pandmeic, aftermarket companies experienced sharp increases in shipping-container costs related to the significant supply-chain disruptions caused by Covid-19. More recently, commodity costs, fuel, and tariff-related changes have continued to affect product costs. Managing these pressures has become an ongoing operating discipline, requiring close supplier negotiations, sourcing flexibility, productivity initiatives, and timely adjustments to customer pricing.

A key distinction for the aftermarket is the essential nature of repairs and maintenance. When a vehicle needs a replacement part to remain operational, demand is generally less discretionary than many other retail categories. This supports a degree of pricing power. Aftermarket retailers and distributors are typically able to pass through higher product costs while protecting gross margin rates. However, the industry remains a rational one, where price increases are implemented in a measured way and remain appropriate for the customer. Symposium participants described inflation as potentially favorable to the industry when businesses can maintain margins while average selling prices and repair tickets rise.

Vehicle Complexity Supports Inflation and is Expanding the Aftermarket's Addressable Opportunity

The increasing electronic content of today's vehicles is changing both the value and technical requirements of aftermarket repairs. Advanced driver-assistance systems (ADAS), cameras, radar, control modules, and other software-integrated components are becoming more prevalent across the fleet. As these systems age and move beyond warranty coverage, their eventual failure creates a growing stream of non-warranty repair opportunities for the aftermarket. MEMA's industry outlook identified ADAS and electrification as two of the largest sources of growth in the non-warranty repair market over the next decade, despite electric vehicles being a relatively small portion of the current U.S. fleet.

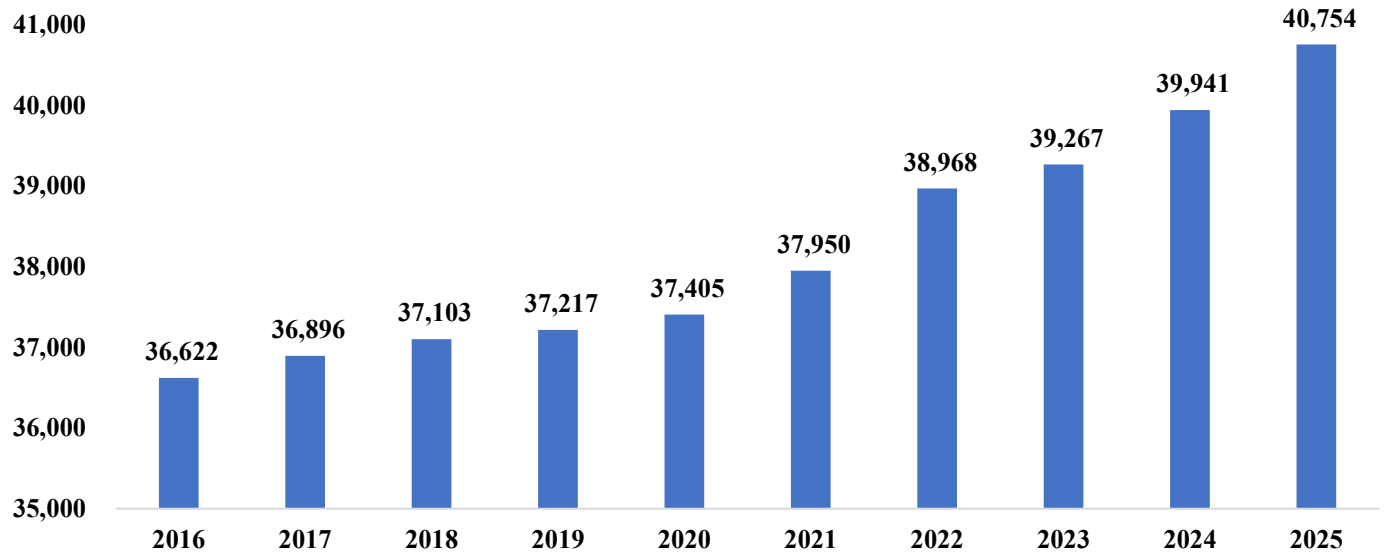
This shift is important not only because of the increased number of components in a vehicle, but sensors, cameras, and other electronic control components carry a substantially higher dollar value and require a more involved repair process than many conventional mechanical parts. An increasing portion of the future repair pipeline is expected to consist of complex electronic components, including parts with embedded software that communicates with a vehicle's central network.

The growing complexity of the vehicle also raises barriers to entry. Successful participants will be those who can manage engineering capabilities, diagnostic tools, vehicle-specific data, technician training, and the ability to maintain a broader range of applications across makes, models, and model years. Newer vehicles are already showcasing failures that can become meaningful aftermarket categories as those vehicles age and exit warranty. Therefore, suppliers that invest early in product development and technical capabilities can establish positions before the repair opportunity reaches its full scale. The long service life of vehicles means these capabilities and product categories can support demand for many years.

AFTERMARKET ECOSYSTEM

The U.S. car parc now stands at 294 million light vehicles, operated by approximately 240 million licensed drivers, and remains the core engine of aftermarket demand. This ecosystem is serviced by a highly fragmented network that includes individual Do-It-Yourself (DIY) consumers; roughly 130,000 independent repair outlets; 100,000 service-oriented gas stations; nearly 600 warehouse distributors; and 40,000 parts stores across the country.

Exhibit 15 **Total U.S. Auto Parts Stores**

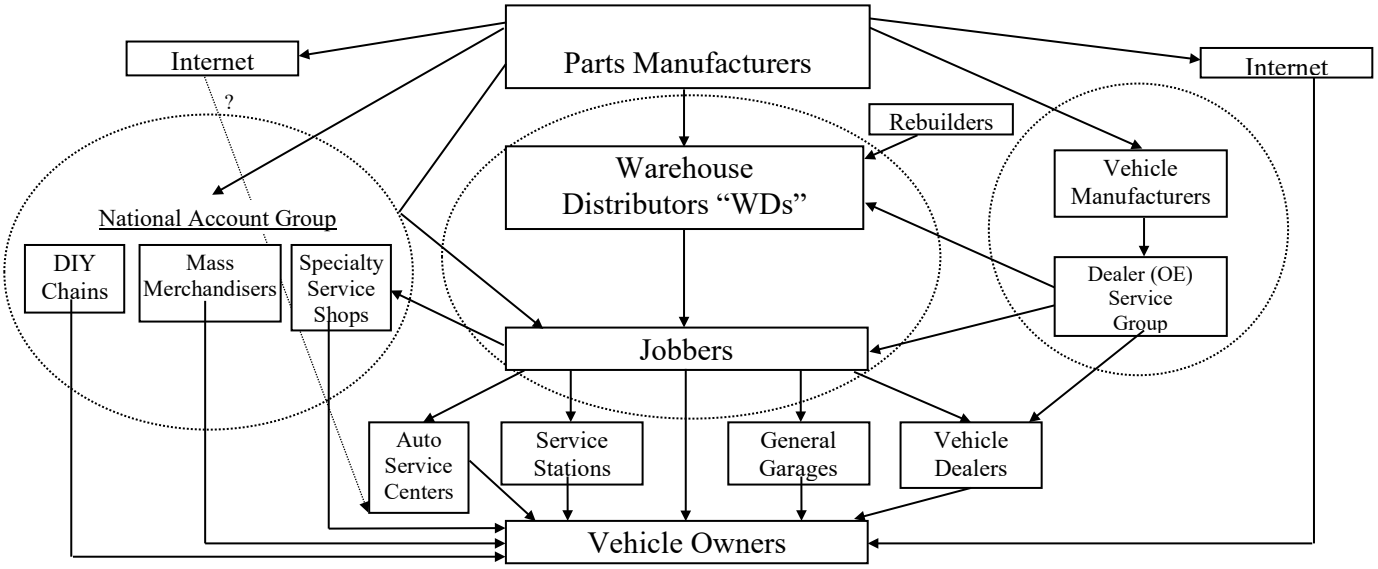


Source: ORLY 2026 Analyst Day Presentation

The traditional or "three-step" parts distribution system consists of the warehouse distributor (WD), the jobber, and the end-user or installer (Exhibit 16). The leaders amongst WDs and jobbers continue to be NAPA (Genuine Parts), CARQUEST (part of Advance Auto Parts), and O'Reilly Automotive (ORLY). The largest service chains include Mavis, Jiffy Lube, and Monro Muffler Brake (MNRO). While the three-step system produces lower margins for distributors, this system remains efficient and provides the broadest range of parts deliverable within the shortest amount of time.

In the retail "two-step" system, parts are distributed directly through consumer accessible chain stores, the largest of which are AutoZone, Advance Auto Parts, and O'Reilly Automotive, as well general retailers such Costco and Walmart. In this system, the DIY chain or retailer acts as both distributor and retailer (Exhibit 16). In the OE Service "two-step" system, part suppliers ship products to a dealer service group (e.g. Ford or Toyota), which typically warehouses the product and ships it off to franchised vehicle dealers and other repair operations.

Exhibit 16 **U.S. Automotive Aftermarket Channels**



Source: Gabelli Funds

Distribution Scale, Density, and Speed are Durable Advantages

Aftermarket distribution is a complex business in which availability and speed are central to the customer proposition. Professional repair shops often have a vehicle occupying a service bay while waiting for a part, making a fast and accurate delivery extremely valuable. Shops typically demand the requested part within 30 minutes of the order being placed. Rapid delivery can help a shop complete the repair, turn the service bay, and move on to its next customer. A distributor who is able to meet these demands on a reliable basis will move up the call list and gain wallet share.

The industry must manage hundreds of thousands of SKUs across thousands of makes, models, and model years, balancing failure prone parts and the ability to source fewer common components. This complexity creates meaningful barriers to entry for companies that have invested in broad categories, local inventory, and dense distribution networks.

The most effective distribution models are built around a layered network that balances local availability with centralized scale. Store fronts need to carry the parts most likely to be required immediately, while nearby hubs and larger distribution centers provide quick access to a much broader assortment. This structure allows distributors to support a wide range of vehicles, while managing the cost and working capital associated with carrying hundreds of thousands of SKUs. The objective is not simply to have the largest inventory, but to position the right parts in the right locations based on local vehicle populations, repair demand and customer purchasing patterns.

These networks are increasingly supported by technology and data that improve parts lookup, inventory placement, ordering and delivery execution. Distributors are continuously refining how much inventory should sit at the store, hub or distribution-center level, and when an item should instead be sourced directly from a vendor. Better demand forecasting and inventory visibility can improve fill rates while reducing unnecessary stock and avoidable delivery routes. Taken together, scale, geographic density, disciplined inventory positioning, and frequent replenishment create a competitive advantage that is difficult for smaller or less-developed networks to replicate. As the professional channel becomes a larger growth opportunity, these capabilities are increasingly important to winning and retaining professional repair customers.

DIY vs DIFM Demand Characteristics

The symposium highlighted the differences in demand characteristics between Do-It-For-Me (DIFM) customers and Do-It-Yourself (DIY) customers, especially in periods where household budgets are pressured. DIY customers are more directly exposed to changes in disposable income, consumer confidence, and the cumulative effects of inflation. When budgets tighten, consumers may postpone repairs that appear less urgent, reduce the scope of repairs, or trade down to a lower-priced product. Discretionary categories are particularly vulnerable to these shifts. However, the underlying demand for parts remains relatively resilient. Most aftermarket spending is tied to vehicle maintenance and component failure, rather than purely optional purchases. As vehicles remain essential to daily mobility, consumers often prioritize keeping them operational, even if that means reallocating spending from other areas of the household budget. If economic pressures were to ease, there is potential for these deferrals to unwind.

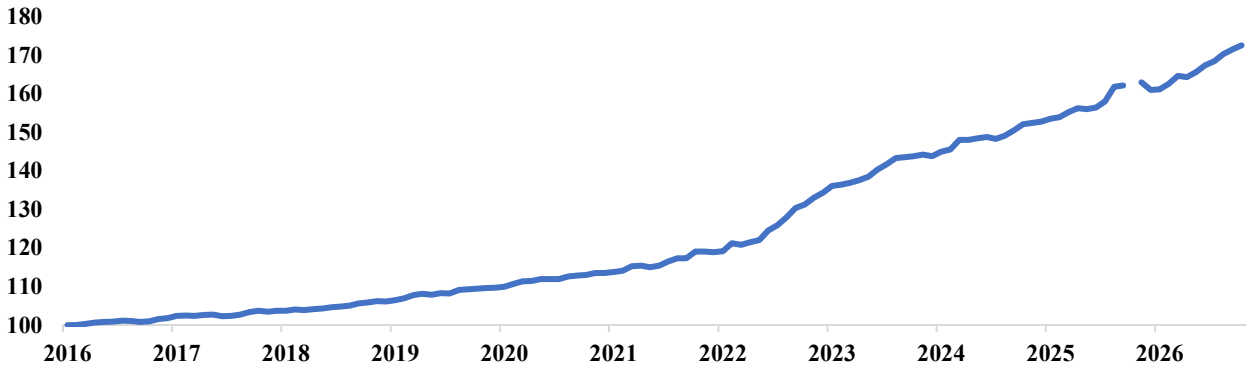
DIFM demand tends to be more defensive in pressured environments because it is often driven by specific failures that require a professional diagnosis and repair. Many of these parts are difficult for consumers to identify or install themselves, making the repair less discretionary once a vehicle is in the shop. This is becoming increasingly prevalent as vehicles are becoming more complex. That said, neither channel is entirely immune to a weaker consumer environment. Elevated fuel prices and inflation can lead consumers to consolidate trips or defer some maintenance and repairs in the near term. The symposium discussions emphasized that this demand is often delayed rather than eliminated, as neglected maintenance or an unresolved component failure can eventually result in a larger, more costly repair.

POTENTIAL HEADWINDS

Consumer Affordability is Shaping Near-term Demand

Consumer affordability was one of the most consistent near-term concerns discussed at the symposium. Households continue to face pressure from the cumulative increase in everyday expenses, including food, housing, insurance, healthcare, and transportation. These pressures are particularly impactful for lower- and middle-income consumers, who have less flexibility to absorb higher repair bills. The decision is not necessarily whether to stop maintaining a vehicle or not, but a greater focus on the immediate cost of keeping it on the road. Consumers may delay work that is not urgent, address only the most critical issues, or choose a lower-priced replacement part or service option. Aftermarket repairs are also currently reinforced by the high cost of purchasing and financing a newer vehicle, which can encourage owners to retain older vehicles for longer and support the need for ongoing aftermarket maintenance.

Exhibit 17 The Increasing Costs of Vehicle Maintenance and Repair (CPI Index data: base year 2016-2026)



Source: Federal Reserve Bank of St. Louis

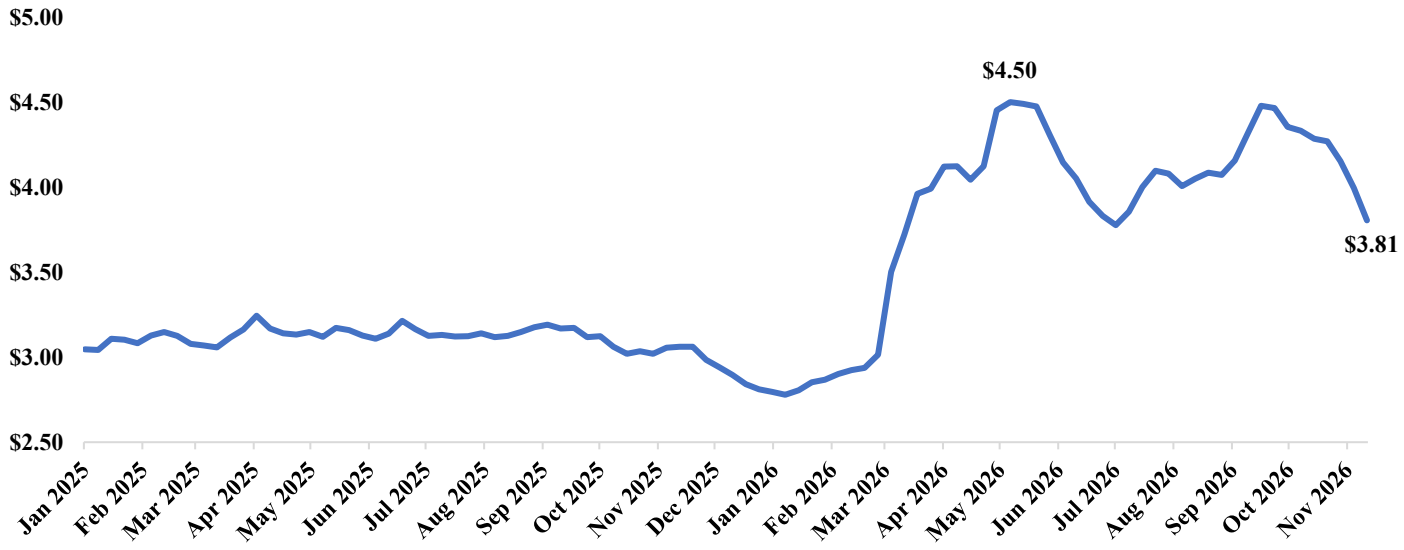
The impact varies with the urgency and nature of the repair. A vehicle that cannot start or has a critical component failure generally requires attention, while preventive maintenance, cosmetic work and larger repairs may be easier to postpone. This has created a shift toward essential, break-fix work and more value-oriented products. The availability of good-better-best offerings can help preserve a transaction by allowing customers to select an option that fits their budget, rather than foregoing the repair altogether.

Importantly, deferred maintenance does not always represent lost demand. When a repair is postponed, the underlying need often remains and may become more urgent or costly as the vehicle continues to be driven. This can create a backlog of maintenance and repair activity that returns to the market as household budgets stabilize or as the repair can no longer be ignored. Although, the timing of this unraveling is difficult to predict.

Elevated Fuel Prices Weigh on Consumers and Aftermarket Operators

Elevated gas prices were highlighted as an additional pressure on household budgets and a potential near-term headwind for aftermarket demand. As of November 17, 2026, the national average for a gallon of regular grade gas was $3.81, although this was above $4.00 for a large portion of the year, peaking at $4.50 in May. Despite these elevated prices, miles driven have remained resilient, suggesting consumers have continued to rely on personal vehicles for commuting, work, and daily activities, even as higher fuel costs reduce discretionary income for other expenses.

Exhibit 18 **Average U.S. Regular Gas Price per Gallon (Jan 2025 – Nov 2026)**



Source: U.S. Energy Information Administration

The average U.S. household owns two vehicles and drives approximately 24,000 miles annually. Assuming average fuel economy of 23.4 MPG, this translates to roughly 1,026 gallons of gasoline consumed per year. Using November 2, 2026 (the first day of our symposium) as a reference point, the national average price of regular gasoline was $4.15 per gallon, compared to $3.02 a year earlier. At those prices, the average household is spending approximately $1,159 more annually on gasoline.

Fuel inflation also affects the aftermarket through the industry's own cost structure. Diesel has increased sharply as well, with prices above $6 per gallon. For a sector dependent on frequent deliveries between distribution centers, stores, suppliers, and repair shops, higher diesel costs put pressure on transportation and operating expenses. These costs can be managed through a combination of pricing, delivery efficiency, and ongoing network optimization. Therefore, higher fuel costs create a two-sided dynamic: they can constrain consumers' discretionary budgets while simultaneously increasing the cost of serving the aftermarket.

Tariff Uncertainty is Accelerating Sourcing Diversification

Tariffs and trade policy remained an important source of uncertainty for aftermarket suppliers and distributors. The industry's supply chain is global, with components and finished products sourced from multiple countries and often crossing borders during manufacturing and distribution. Changes in tariff rates can therefore affect product costs, sourcing decisions, customer pricing, and inventory planning. MEMA emphasized the importance of greater clarity around the future of the United States-Mexico-Canada Agreement (USMCA), given the role of North American production and cross-border supply chains in serving the aftermarket. Companies have also significantly diversified away from China, as the cost of sourcing there has increased significantly.

Tariffs are generally treated as another input cost, but the ability to recover those costs depends on the timing of price adjustments and the strength of customer demand. Transparent pass-through programs help suppliers and distributors explain changes in pricing and avoid absorbing an uneven impact of incremental costs. When tariffs are reduced and refunds are received, pricing may also adjust in the opposite direction. This creates complexity in year-over-year comparisons, as reported sales and gross margins can reflect the timing of tariff-related price increases, cost absorption and subsequent reversals. With consumers already facing affordability pressure, the industry must balance cost recovery with the risk that repeated price increases could weigh on demand.

Supply Chain Financing and the First Brands' Bankruptcy

Supply chain finance remains an important working-capital tool for parts distributors, allowing suppliers to receive payment while customers extend their payment terms. Genuine Parts described the structure as an established part of the automotive aftermarket and expects to continue using it in its automotive business. At the same time, the discussion around First Brands reinforced that these programs require transparency and disciplined management. The key oversight is whether this is being used as a financing tool that supports the normal flow of inventory or as a tool to mask excessive leverage and create unsustainable obligations.

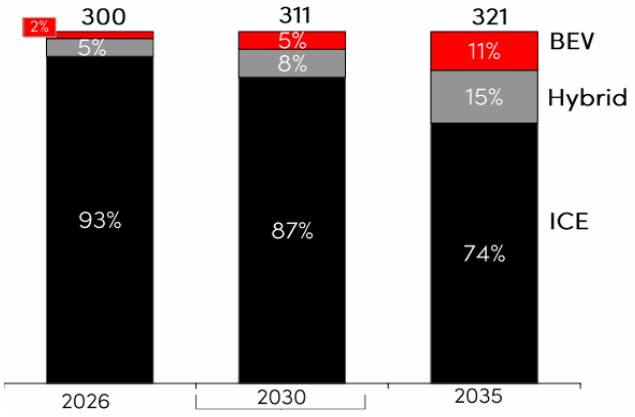
The bankruptcy of First Brands was discussed as a reminder of the risks embedded in complex supplier and distributor relationships. Although, for Motorcar Parts of America, the disruption has created an opportunity to secure additional brake business as customers sought alternative supply and allowed them to make an opportunistic acquisition.

ELECTRIC VEHICLES WITHIN THE AFTERMARKET

Electrification and Long-term Product Mix

The transition to electric vehicles has been more gradual than the industry had anticipated earlier in the decade. While electrification continues, the pace of adoption has moderated and automakers are placing greater emphasis on hybrid models, including both traditional and plug-in hybrids, as a bridge toward a more electrified fleet. MEMA's vehicle-in-operation outlook projected that by 2035 battery-electric vehicles would account for approximately 11% of the U.S. fleet, hybrids about 15%, and internal combustion engine (ICE) vehicles the remaining 74%. This mix suggests that traditional ICE products and services will remain relevant for many years, even as the aftermarket begins to address a larger population of electrified vehicles.

Exhibit 19 **U.S. Car Parc by Powertrain (2026-2035)**



Source: MEMA

The impact to the aftermarket should be measured not only by the number of electric vehicles on the road, but also by the repair revenue those vehicles are expected to generate as they age and move beyond warranty coverage. In its outlook for non-warranty repairs, MEMA identified electrification and advanced driver-assistance systems (ADAS) as the areas expected to contribute the most growth over the next 10 years, growing at a 23.8% and 23.3%

CAGR through 2035, respectfully. Although electrified vehicles will remain a relatively small share of the overall fleet, they are expected to represent a disproportionately large share of incremental aftermarket growth as they enter the repair cycle. The transition therefore creates a meaningful long-term opportunity for suppliers able to develop products and service capabilities for new powertrain technologies.

The growing hybrid population is also important because these vehicles retain many internal-combustion service requirements while introducing an electric system, a battery, and different maintenance needs. Additionally, the competencies required to diagnose and repair hybrids will need to remain in place for decades, given the elongated vehicle life. For example, a hybrid produced in 2026 could still be in service in 2040. This creates a long runway for the aftermarket to build technical knowledge, tooling, and repair capabilities as the vehicle mix evolves.

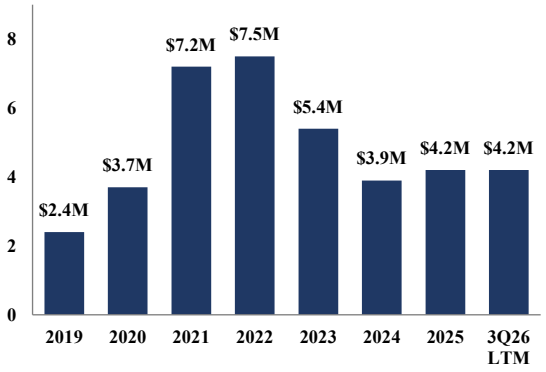
The broader takeaway is that electrification is not an immediate replacement of the existing aftermarket model. Rather, it is a gradual change in the composition of repair demand, with traditional ICE-related work continuing alongside a growing set of higher-technology repair opportunities.

AUTO DEALERS

PROFITS PAST PEAK, FIXED OPERATIONS CARRY THE LOAD

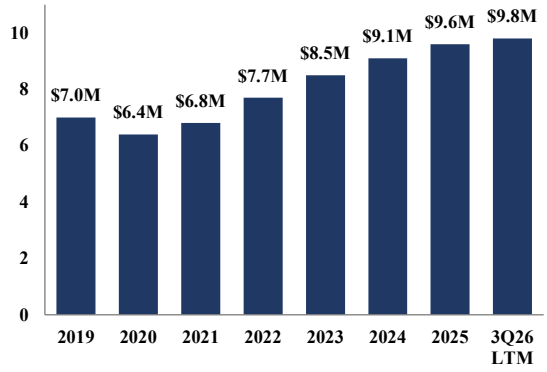
From 2020 to 2025, dealer per-store profits surged to two to four times pre-COVID levels as inventory shortages lifted gross profit per unit (GPU). Profits have come down from their 2021-2022 peaks but remain well above where they were before the pandemic. At AutoNation, for example, adjusted pre-tax income per store rose from $2.4 million in 2019 to $7.5 million in 2022 and has settled at about $4.2 million. Meanwhile, after-sales gross profit per store has grown every year since 2020, reaching $9.8 million on a trailing basis. Most of that growth reflects inflation, and there is room to improve execution.

Exhibit 20 AutoNation Adj. Pre-Tax Income per Store



Source: Company filings, Murphy Automotive Partners

Exhibit 21 AutoNation After-Sales Gross per Store



Source: Company filings, Murphy Automotive Partners

From an investor perspective, the dealership model remains one of the most resilient business models in autos, and consolidation continues. Penske Automotive Group (PAG) agreed to be taken private by Roger Penske and his team at $212 per share. Sonic Automotive (SAH) described the current environment as offering some of the best franchise acquisition opportunities in a decade, particularly for platforms of seven to fifteen stores. We expect franchise laws to hold given the strength of the dealer lobby.

Table 5 Top Dealership Groups in the United States, 2025 (by US Units)

Unit Rank	Dealer Group	Total Dealerships	Total Units	2025 Total Revs ($ millions)
1	Lithia Motors, Inc.	447	953,078	$37,634
2	Penske Automotive Group	357	583,250	31,808
3	AutoNation, Inc	271	528,822	27,631
4	Group 1 Automotive	254	524,027	22,571
5	Asbury Automotive Group	171	324,330	17,999

Source: Automotive News

Dealers 101

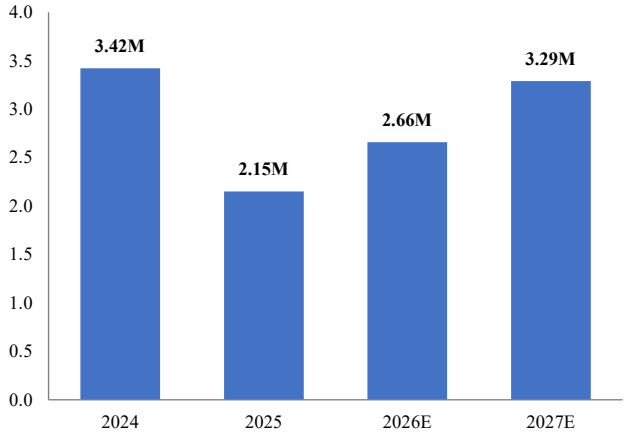
To refresh, franchised auto dealers are diversified businesses that generate sales and profits from four distinct operating lines: 1) new vehicle sales, 2) used vehicle sales, 3) parts & service, and 4) finance & insurance. While new vehicle sales constitute the majority of an auto dealer's revenues, dealers historically have relied heavily on the higher margin service & parts business to cover fixed costs and generate considerable gross profit. Dealers benefit from a variable cost structure in which primary fixed costs consist of building maintenance, administrative overhead, and base advertising. A dealer's sales force is generally compensated via commission, helping maintain dealer profitability at low new vehicle sales levels by naturally reducing SG&A. To highlight this, AutoNation, Penske, and Lithia all reported positive EPS in 2009 and again in 2010 despite the largest percentage decline in new unit sales since World War II. In 2020, as automotive repair remained an "essential" activity in the spring despite COVID-related shutdowns, service bays remained open and enabled dealers to continue to generate positive operating income.

Gross Per Unit and the Used Market

On the used side, supply is beginning to improve. Experian expects off-lease volume to rise from a trough of 2.15 million units in 2025 to 2.66 million in 2026 and 3.29 million in 2027, though pre-pandemic levels of about 4.5 million a year are not expected to return until 2028 or early 2029. Sonic (SAH) sees room for the used market to grow from 38.0-38.5 million units toward its prior high near 42 million, and its EchoPark used vehicle business is expanding again after scaling back in 2023. Used vehicle prices have stayed relatively benign, with the Manheim index peaking at 215.3 earlier this year and easing to 207.4, which helps used vehicles serve as an affordable substitute for new.

Exhibit 22 **US Off-Lease Vehicle Volume, 2024-2027E**

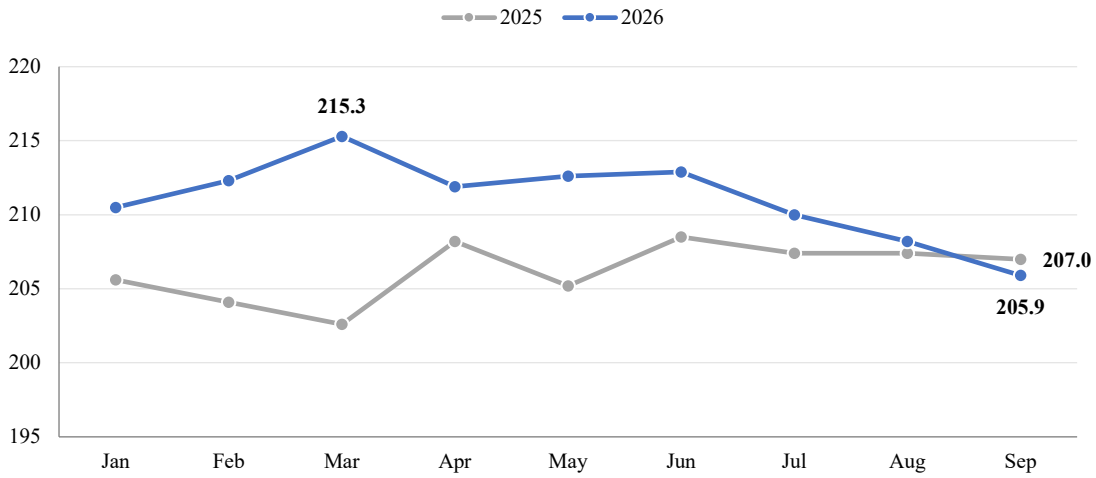
(Units in millions)



Source: Experian Automotive

Exhibit 23 **Manheim Used Vehicle Value Index, January-September**

(January 1995 = 100)



Source: Manheim Auctions

COMMERCIAL VEHICLES:

WORKING DOWN THE BACKLOG

We were fortunate to again have Rush Enterprises (RUSHA/B), the largest network of medium- and heavy-duty truck dealerships in North America, at our conference, along with commentary from Dana, Donaldson, PHINIA, Garrett and MEMA on the commercial vehicle market. A year ago, the U.S. Class 8 market was navigating one of its weakest periods since the Great Recession. This year the tone was more constructive. We provide takeaways below.

Rush has worked with an unusual backlog and expects 2026 to finish ahead of 2025.

Rusty Rush explained that his earlier comment about a possible "slight bubble" referred to roughly six months of backlog, which Rush rarely has. After a very weak first quarter, he expects the year to end better than last year as that backlog works down, with the next 60 days a key focus. Customer health is improving and the fleet continues to age, both supportive of replacement demand and of parts and service over time.

Orders are strong in North America and Europe, while emissions rules remain unsettled.

PHINIA described commercial vehicle demand in North America and Europe as very robust, with strong orders expected to continue through next year. Dana sees improving North American commercial vehicle demand and is working with customers on longer-range capacity planning, while Donaldson noted that truck build rates improved in the second half of the year following U.S. regulatory changes. The EPA's Phase 3 standards were set to take effect for the 2027 model year, but with federal greenhouse gas standards repealed, MEMA noted that engine makers that spent three-to-five years developing compliant powertrains now face uncertainty over which designs to build, and fleets are taking a wait-and-see approach.

Diesel costs are high, but freight volumes are holding.

MEMA noted that diesel prices of roughly $6.25 per gallon are extremely high by historical standards. Trucking volumes were up almost 4% year over year in the first half of 2026 before softening somewhat in the second-half. Medium-duty (GVW 5) vehicle volumes are growing about 3.6%, while Class 8 is down about 1.8% as last year's pre-buy ahead of expected emissions rules unwinds.

Mobile service, data and adjacencies are the next growth avenues for dealers.

Rush is growing its mobile technician business, which management sees as one of its biggest growth opportunities, while in-shop service has been flat. Management also sees a one-to-three-year window to turn its customer and vehicle data into revenue, as the OEMs have done, with AI accelerating that effort. Rush continues to expand its footprint through acquisitions, including five stores in Louisiana and five in Canada on the International side, and recently formed a refrigeration joint venture with 17 locations. Management sees International, where the 13-liter engine is now performing well, as a large hidden tailwind.

Electrification has given way to fuel flexibility.

Commercial vehicle suppliers are emphasizing powertrain flexibility. PHINIA uses the same engineering teams and equipment across diesel, ethanol, alternative fuels and aerospace fuel injection. Garrett expects its turbo mix to shift toward on- and off-highway commercial vehicles and industrial applications. Dana's pending combination with Eaton's Mobility Group pairs Eaton's Class 8 transmissions with Dana's axles and prop shafts.

50th Annual Automotive Symposium

Day 1: Monday, November 2, 2026 | Day 2: Tuesday, November 3, 2026 | Encore at Wynn, Las Vegas

2026 PARTICIPANTS

DAY 1: Monday, November 2nd	
11:00 AM	Welcome/Opening Remarks
11:20	**Garrett Motion (GTX)**
11:50	**Sonic Automotive (SAH)** *(virtual)*
12:20 PM	Lunch
12:30	**Gentex Corporation (GNTX)**
1:00	**AutoNation (AN)** *(virtual)*
1:30	**PHINIA Inc. (PHIN)**
2:00	**MEMA**
3:00	**Donaldson Company (DCI)**
3:30	**Rush Enterprises (RUSHA)**
4:00	**Motorcar Parts of America (MPAA)**

DAY 2: Tuesday, November 3rd	
7:50 AM	Opening Remarks
8:00	**Strattec Security Corp. (STRT)**
8:30	**MP Materials (MP)**
9:00	**Experian Automotive**
10:00	**Standard Motor Products (SMP)**
10:30	**Genuine Parts Company (GPC)**
11:00	**Dorman Products (DORM)**
11:30	**AutoZone (AZO)**
12:00 PM	Break for Lunch
12:15	**Keynote: John Murphy, Murphy Automotive Partners**
1:00	**Dana Incorporated (DAN)**
1:30	**O'Reilly Automotive (ORLY)**
2:00	**Monro, Inc. (MNRO)**

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November 24, 2026

GABELLI FUNDS

AutoNation, Inc. (AN - $180.03 - NYSE) — Origination Is Just the Start

Year	EPS	P/E		
2028P	$27.80	6.5x	Dividend:	None Current Return: Nil
2027P	24.40	7.4	Shares O/S:	33.2 million
2026E	21.40	8.4	52 Week Range:	$235.81 - $151.82
2025A	20.20	8.9		

**FactSet consensus estimates*

COMPANY OVERVIEW

AutoNation, Inc., headquartered in Fort Lauderdale, FL, is one of the largest automotive retailers in the United States. The company operates franchised dealerships representing domestic, import and premium luxury brands, AutoNation USA pre-owned stores and collision centers. AutoNation earns revenue from new and used vehicle sales, After-Sales (parts and service), and Customer Financial Services, and has built a captive finance business, AutoNation Finance, with a portfolio of about $2.9 billion.

HIGHLIGHTS

- AutoNation views new and used vehicle sales as the origination event for long-lived customer relationships, with Customer Financial Services and After-Sales capturing the annuity streams that follow. The goal is for investors to focus less on near-term metrics such as gross profit per unit and more on inventory turns, return on capital, and customer lifetime value. If successful, multiple expansion is likely, and in our view more appropriate given the prodigious cash flow AutoNation generates.
- AutoNation Finance has grown to about $2.9 billion from $2.0 billion a year ago, 91% funded with non-recourse debt. Earnings from the Finco are nascent but growing, with expectations for $120 million of operating cash flow in 2026 and at least $150 million in 2027.
- Benefits from AN Finance should become more apparent with maturity. Unlike a traditional one-time F&I fee, a loan held by AutoNation Finance earns interest for the life of the contract, gives the customer a reason to stay connected every month, and makes the next service visit and vehicle sale more likely. At a roughly 24% return on equity, that trade is already paying off.
- After-Sales is the profit engine of the model and the main reason customers return. It produces about one-half of gross profit, recurs, earns high margins, and absorbs most of a dealership's fixed costs, which gives AutoNation room to compete on price elsewhere. Management sees a considerable runway from retaining customers longer, adding content to each repair order, using technology to raise technician productivity, and leveraging local brand density to grow multi-brand wholesale parts. Consumer pressure may delay some work, but management sees it as deferred rather than lost.
- Chief Technology and AI Officer Ravi Simhambhatla joined October 1 to add a digital layer, with transparent firm pricing, trade, finance, and seamless fulfillment, on top of a dense physical network management believes would take decades to replicate. AI has already reduced costs per sale. Management sees no measurable impact from online used retailers and views FTC pricing guidance as favoring scaled, transparent sellers.
- In used vehicles, management sees a clear path to about $2,000 per unit but does not want to be bound by a fixed margin. A return-on-capital model rolling out in 2027 will weigh velocity, inventory replenishment, and lifetime value.

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November 24, 2026

AutoZone, Inc. (AZO - $3,285.06 - NYSE) DIY Leader and Growing DIFM Presence

FYE 8/31	EPS	P/E				
2029P	$216.18	15.2x	Dividend:	None	Current Return:	Nil
2028P	191.28	17.2	Shares O/S:	16.1	million	
2027E	169.70	19.4	52 Week Range:	$3,996.25	- $2,730.65	
2026A	152.55	21.5				

**FactSet consensus estimates*

COMPANY OVERVIEW

AutoZone, Inc., headquartered in Memphis, TN, is a leading retailer and distributor of automotive replacement parts and accessories in the Americas. The company sells to both the DIY (Do-It-Yourself) and DIFM (Do-It-For-Me) markets. As of August 2026, the company operated 6,863 stores in the United States and Puerto Rico, 1,001 in Mexico, and 167 in Brazil.

HIGHLIGHTS

- Despite the current operating environment, favorable industry fundamentals continue to support a resilient aftermarket business. CFO Jamere Jackson highlighted the industry's long-term resilience, supported by a growing and aging vehicle fleet, with the average age of vehicles on the road approaching 13 years and expected to move closer to 14 years over the next several years. Increasing vehicle complexity is also extending vehicle life and supporting higher repair costs. AutoZone believes these structural tailwinds provide a long runway for growth, with the company now operating more than 8,000 stores, including approximately 6,900 in the U.S. and 1,000 in Mexico.
- Consumer pressure remains concentrated in discretionary categories, while the majority of demand is relatively inelastic. Roughly 20% of AutoZone's business is discretionary with the remaining 80% concentrated in failure and maintenance categories. Management indicated that lower-income consumers have been under pressure since the depletion of pandemic-era stimulus, although it has not seen a meaningful deterioration in consumer balance sheets recently. Looking ahead, management expects the DIY industry to grow at an LSD rate and the domestic commercial market at an MSD rate.
- Tariffs and inflation are manageable, with pricing power helping protect margins, although certain consumers are temporarily deferring purchases. Due to the IEEPA rollback, domestic suppliers have received refunds that are flowing through to AutoZone through lower product costs. Separately, higher commodity and oil prices are contributing to industry inflation, but management believes the company can generally pass cost increases through to customers while maintaining gross margins.
- Commercial growth remains the primary driver behind AutoZone's accelerated store expansion strategy. The company estimates it has approximately 5% share of the almost $100 billion domestic commercial market, providing a significant opportunity to gain share as it continues investing in its commercial capabilities. The growth of this business has improved the economics of the existing store base and increased expected returns on new store investments.
- Investments across the supply chain, mega hubs, brand recognition, and salesforce position AutoZone to capture additional commercial market share. Jamere Jackson expressed greater confidence in the commercial growth opportunity today than in prior years. Mega hubs, which hold approximately 100,000 SKUs, are a key component to the company's success, placing more inventory closer to customers and improving product availability. Management believes these investments, combined with an improved pricing strategy, provide the infrastructure to support faster growth while maintaining the company's historic margin level.
- Management sees meaningful opportunities to apply AI across the business, particularly given the extensive parts proliferation associated with the growing vehicle fleet. A key focus is improving the algorithm used to determine how much inventory should be positioned at individual stores, hubs, mega hubs, and distribution centers, while also determining when products should be shipped directly from vendors. The company also sees opportunity to leverage its ALLDATA business, which contains repair information covering approximately 95% of vehicles in operation, to provide more accurate assortment across the supply chain.

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November 24, 2026

GABELLI FUNDS

Dana Incorporated (DAN - $23.68 - NYSE) — Accelerating With Eaton

Year	EPS	P/E
2028P	$4.85	4.9x
2027P	4.00	5.9
2026E	1.90	12.5
2025A	0.35	67.7

Dividend:	$0.48 Current Return: 2.0%
Shares O/S:	218.5 million
52 Week Range:	$39.56 - $19.62

**FactSet consensus estimates*

COMPANY OVERVIEW

Dana Incorporated, based in Maumee, OH, provides power-conveyance and energy-management solutions for light vehicles and commercial vehicles, supplying driveline products (axles and driveshafts), power technologies, and genuine service parts. Following the sale of its Off-Highway business to Allison Transmission, Dana expects roughly $7.8 billion of revenue in 2026 from close to 70 manufacturing facilities and 11 technical centers across 24 countries. The company has agreed to combine with Eaton's Mobility Group through a Reverse Morris Trust, expected to close in 1Q27.

HIGHLIGHTS

- Few companies at the conference have transformed as much in a year. Dana sold its Off-Highway business, laid out its Dana 2030 strategy, and agreed to combine with Eaton's Mobility Group. CEO Byron Foster, named in the spring, emphasized continuity: he helped build the strategy with Bruce McDonald and CFO Tim Kraus, and speed of execution is critical in his first year leading DAN.
- Dana 2030 rests on five pillars: three focused on growth (traditional products, aftermarket, and applied technologies) and two on cost and margin (manufacturing excellence and structural costs). Management believes the Eaton combination accelerates all five rather than changing the plan.
- Near-term cost work is building a more competitive company for the long run. A savings program first targeted at $200 million was raised to $325 million and is nearly complete, absorbing stranded costs from the Off-Highway sale and lifting margins. Automation, make-versus-buy decisions, and footprint optimization are the next levers to offset inflation.
- The Eaton Mobility combination, expected to close at the end of 1Q27, would create a company with more than $11 billion of revenue and EBITDA margins closer to 15%. Product cooperation is substantial, as Eaton's transmission complements Dana's axles and propshafts on heavy-duty trucks. Dana targets $250 million of synergies within two years from overlapping corporate costs, engineering and technical centers, and purchasing, and is taking a best-of-both approach to the combined organization.
- The transaction doubles the aftermarket to more than 10% of revenue, adding a steadier earnings base to offset cyclicality in light and commercial vehicle markets. Dana has built its position with big-box retailers, including AutoZone (AZO), while Eaton brings an established presence with warehouse distributors, creating revenue synergies in both directions.
- The EV pullback changed how Dana develops and contracts programs. The company now favors core platforms usable across customers over bespoke products and will not take on programs where it carries all the volume risk. Capabilities built during that period remain, but most new development is for ICE and hybrid applications, including range-extended pickup designs. Dana's largest programs, led by Ford Super Duty, are in truck and SUV segments where OEMs continue to invest.
- Capital return remains core to the plan. Dana has repurchased more than $1 billion of its $2 billion authorization. Buybacks are restricted for 24 months after closing, so management plans to use free cash flow to reduce net leverage from 1.5-1.6x toward 1.0x through the cycle, then resume repurchases and complete the authorization in early 2029.

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GABELLI FUNDS

Donaldson Company (DCI - $84.57 - NYSE) — New CEO, Same Playbook

FYE 7/31	EPS	P/E		
2029P	$5.30	16.0x	Dividend:	$1.26 Current Return: 1.5%
2028P	4.85	17.4	Shares O/S:	118.1 million
2027E	4.30	19.7	52 Week Range:	$112.84 - $79.61
2026A	4.00	21.1		

**FactSet consensus estimates*

COMPANY OVERVIEW

Donaldson Company, based in Minneapolis, MN, is a 111-year-old global manufacturer of filtration systems and replacement parts. The company reports in three segments: Mobile Solutions, Industrial Solutions, and Life Sciences. Donaldson holds roughly 3,000 active patents, generates about two-thirds of revenue from recurring replacement parts, and produces about 75% of its revenue within the region where it is sold.

HIGHLIGHTS

- CEO Rich Lewis, who succeeded Tod Carpenter in March, described Donaldson as a technology-led filtration company committed to being the best in its field. In ten years, he expects a broadly similar company with three verticals, but with Industrial and Life Sciences at much larger scale. The filtration market is $90-100 billion, leaving ample room to grow. An Investor Day covering the next three years is planned for next year.
- DCI frames the portfolio in three roles. Mobile Solutions is the legacy business, a market leader with about 80% recurring revenue and favorable secular trends. Industrial is the scale and durability story for the next decade. Life Sciences is the long-term growth engine, built on membrane and adsorbent technologies for high-purity applications in biopharma, microelectronics, and food and beverage. Longer sales cycles mean it will take time to scale.
- The roughly $830 million acquisition of Facet Filtration, the largest in company history, adds scale in aerospace and defense, which management sees as a long-term growth market. Facet is one of two primary global suppliers of aviation fuel filtration, earns margins about twice that of Donaldson's, and, because of regulation, enjoys life-science-like retention once specified. DCI expects Facet to outgrow the company average sales.
- DCI believes operating margins can eventually reach 20%. The first step is improving execution in Industrial. Over time, expense leverage, productivity, and mix should carry margins higher. The Industrial replacement rate is about 50% today, with goals to raise it toward 70% over the next ten years, closer to Mobile Solutions.
- Disk drive filtration shows how technology investment creates value in a market many viewed as static. As drives moved to cloud and AI data centers and to heat-assisted magnetic recording, filter value per drive rose to about two times the prior generation and eight to ten times the generation before that. Power generation, tied to data center build-outs, is booked out two to three years.
- In the aftermarket, Donaldson's OE engineering reputation, coverage across thousands of part numbers, and global distribution support premium pricing and steady share gains.
- The business is diversified enough that its markets rarely move in one direction, yet nearly all its roughly 20 reporting units show strong order intake and backlog, which Mr. Lewis has not seen in 24 years with the company. Inflation is offset first through procurement and productivity and then passed through, with no demand erosion so far.
- Capital allocation is unchanged: organic investment first, then strategic M&A that expands the technology base or market access, a dividend raised for 30 consecutive years, and buybacks of 2-3% of shares adjusted for M&A. Management would take leverage above today's roughly 1.25x for the right deal while staying below 2x long term.

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November 24, 2026

Dorman Products (DORM- $133.82 - NASDAQ) Differentiated Ideation Process

Year	EPS	P/E			
2028P	$9.89	13.5x	Dividend:	None	Current Return: Nil
2027P	9.06	14.8	Shares O/S:	29.5	million
2026E	8.62	15.5	52 Week Range:	$155.37	- $98.45
2025A	8.87	15.1			

**FactSet consensus estimates*

COMPANY OVERVIEW

Dorman Products (DORM), headquartered in Colmar, Pennsylvania, is a leading supplier of replacement and upgrade parts in the motor vehicle aftermarket industry, serving passenger cars, light-, medium-, and heavy-duty trucks, as well as specialty vehicles, including utility terrain vehicles and all-terrain vehicles. Dorman markets approximately 144,000 distinct parts and sells primarily through aftermarket retailers, dealers, and wholesale distributors.

HIGHLIGHTS

- Dorman operates three businesses: light-duty automotive (80% of sales), heavy-duty truck (10% of sales), and specialty vehicle (10% of sales). With approximately $2 billion in revenue and almost 150,000 unique SKUs, the company focuses on identifying failure-prone vehicle components that are difficult to source or repair, then engineering and developing replacement solutions that often were not previously available in the aftermarket. Management refers to these products as "aftermarket exclusives," which help differentiate Dorman from traditional aftermarket suppliers.

- The company works with approximately 4,000 independent repair technicians through its repair tech council, which management views as an extension of its engineering team. Once a failure is identified, the company evaluates the vehicle applications and potential return before developing a replacement product. Chairman, President, and CEO Kevin Olsen highlighted that vehicle complexity is creating an increasingly attractive pipeline of higher-value electronic components.

- In light-duty, Dorman sees a historically large pipeline of repair opportunities, including higher-dollar failures on new vehicles that should benefit the aftermarket over time. Its traditional sweet spot is vehicles between 7-14 years old, when vehicles transition out of warranty coverage and increasingly enter the independent aftermarket. In heavy-duty, OE manufactures still control a significant portion of the replacement market, which Dorman sees as an opportunity. Specialty vehicle, which entered the portfolio through the 2023 SuperATV acquisition, remains a relatively small business with a long runway in a fragmented market that management believes is ripe for consolidation.

- The company operates across more than 200 product categories and relies on over 400 third-party manufacturing partners globally. Management believes this structure allows Dorman to enter and exit product categories quickly as vehicle technologies evolve, without having significant fixed manufacturing overhead. There are exceptions where in-house manufacturing makes sense, particularly for products that involve proprietary intellectual property, specialized know-how, or components that are difficult to source globally.

- Dorman's portfolio is weighted toward professional, non-discretionary repair products, where a vehicle may not operate safely or at all without the replacement component. This portion of the business has performed better, while the company has seen greater pressure on its DIY-oriented products. The typical DIY customer for Dorman owns a roughly 13-year-old vehicle and has household income of $75,000 or less, making that customer more susceptible to the inflationary environment.

- The company began diversifying its supply chain in 2018 after recognizing its significant reliance on China, and management now feels considerably better about its global sourcing footprint. The company views tariffs as another input costs and typically passes new tariff expenses through dollar for dollar, while reducing prices when tariff costs decline. On profitability, CFO Charles Rayfield expects the company to exit 2026 at approximately 40% gross margins, in line with the company's historical range.

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November 24, 2026

GABELLI FUNDS

Garrett Motion (GTX - $21.86 - NASDAQ) Recasting as an Industrial

Year	EPS	P/E		
2028P	$2.55	8.6x	Dividend:	$0.32 Current Return: 1.5%
2027P	2.20	9.9	Shares O/S:	186.8 million
2026E	1.95	11.2	52 Week Range:	$36.25 - $15.54
2025A	1.65	13.2		

**FactSet consensus estimates*

COMPANY OVERVIEW

Garrett Motion, headquartered in Rolle, Switzerland, is a Tier 1 auto, commercial truck and off-highway vehicle supplier delivering differentiated solutions for emission reduction and energy efficiency. The company, which spun from parent Honeywell in October of 2018, is best known for manufacturing highly engineered turbocharging, air and fluid compression, and high-speed electric motor technologies for original equipment manufacturers. Products are sold for Internal Combustion Engines (ICE) as well as zero emission technologies, both for mobility and industrial use.

HIGHLIGHTS

- CFO Sean Deason reiterated the opportunity to recast Garrett over time as more of an industrial company than a traditional auto supplier. The plan is to remain the last turbo supplier standing across all markets while applying its technology to new electrified industrial products in growth areas outside of core vehicular markets.
- Garrett describes itself as a technology company built on five building blocks from its aerospace roots: high-speed rotating machines running up to 300,000 RPM at 800 degrees Fahrenheit, high-speed electric motors, power electronics, software, and airfoil bearings. A core strength is that all products can be produced at automotive scale and quality.
- These building blocks are now going into compressors for HVAC refrigerants, including data center cooling, and industrial air compression through an agreement with Ingersoll Rand (IR). Garrett cited efficiency gains of 10% or more in several applications from oil-free airfoil bearings. Products launch next year, with industrial volumes ramping slowly before becoming some of GTX's highest-margin products and a material contributor after 2030.
- Turbo is expected to be stronger for longer. Garrett expects 2035 turbo revenue to match 2025, with mix shifting toward on- and off-highway commercial vehicles and industrial turbos. Demand for backup and prime power generation is growing faster than expected in May, and every installed genset builds a higher-margin aftermarket stream over its life. Management does not see BEV penetration approaching previously forecast levels, and hybrid growth is a positive given heavy turbocharging mix.
- Technology differentiation protects mid-teens EBIT margins. The ICE turbo industry is consolidating around Garrett and BorgWarner (BWA). GTX continues to win on ICE, hybrid, and export engines, and management believes any supplier that cannot compete in China will face a significant problem. As Chinese OEMs localize in Europe, they are seeking global suppliers with whom a relationship has already been developed, like a GTX.
- Garrett's cost structure was built to weather cycles. About 80% of costs are variable, with suppliers handle casting and chip placement while Garrett keeps quality-critical assembly in house. Working capital is neutral to slightly negative. Gross RD&E exceeds $220 million a year, but customer funding holds net spend within 5% of sales, and AI is speeding development and reducing hardware testing.
- The business is funded first, with excess cash returned to shareholders. Garrett has repurchased 44% of its share count since 1Q 2023, authorized a new $250 million program for next year, and targets returning 75% of adjusted free cash flow. Management said it has the technological capabilities it needs internally, so any acquisition would need to be compelling.

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November 24, 2026

GABELLI FUNDS

Gentex Corp. (GNTX - $19.54 - NASDAQ) Growing Beyond the Mirror

Year	EPS	P/E		
2028P	$2.45	8.0x	Dividend:	$0.48 Current Return: 2.5%
2027P	2.20	8.9	Shares O/S:	210.3 million
2026E	2.10	9.3	52 Week Range:	$26.48 - $18.63
2025A	1.80	10.9		

**FactSet consensus estimates*

COMPANY OVERVIEW

Gentex Corporation, headquartered in Zeeland, MI, designs and manufactures vision systems, dimmable devices, connectivity and sensing systems for global vehicle markets. The company also manufactures dimmable aircraft windows for the aviation industry, smoke alarms and signaling devices for the fire protection industry, and, through VOXX, premium consumer audio. Gentex has roughly $2.6 billion of revenue and a net cash balance sheet with no debt.

HIGHLIGHTS

- Management recognized that auto-dimming mirrors alone would not deliver the needed growth and has spent several years expanding its technology footprint. Every new product line builds on core competencies, and management favors multi-leg opportunities where one development serves automotive, aerospace, and consumer markets. Steve Downing stressed this is not a step away from automotive, where the ten-year plan calls for doubling the business.
- On China, management is planning for continued difficulties. Gentex had been on pace for about $250 million of U.S.-made exports to China before domestic OEMs overtook the joint ventures and reduced technology content, and knock-offs have taken some interior mirror business. Gentex now assumes no help from China and plans to grow through the rest of the world.
- Contract electronics manufacturing could become a new leg of the business. Gentex has made its own electronics for 40 years, and as contract manufacturers dedicate capacity to data centers, OEMs are seeking alternatives. The first award is about $180 million of revenue starting in 2029, and management sees $1-2 billion over the next five to seven years at lower margins but high returns on capital. Its all-West Michigan footprint addresses OEM concerns about exposure to China and Taiwan.
- In-cabin sensing is the longer-term technology bet. Gentex makes its own CMOS imagers from the wafer up. EU regulation drives driver monitoring volume at lower margins, but a camera monitoring the cabin creates a platform for paid features, similar to the Mobileye (MBLY) model. Examples include airbag deployment based on occupant position and mass, detecting a child's breathing in a rear-facing seat, driver health events, and smoke and vape sensing already shipping in Zoox autonomous vehicles.
- Other growth programs include dimmable visors, large-area devices that would make sunroofs and side windows dimmable, aerospace electronics building on Gentex's Boeing (BA) and Airbus (AIR-FR) certifications, and the new connected PLACE smoke detector line. VOXX provides a direct-to-consumer channel and premium audio brands such as Klipsch and Onkyo, and cost work has it on track for $40-50 million of annual EBIT by the end of 2027, from zero at acquisition.
- The DRAM shortage following Micron's exit from automotive has pushed chip prices from about $7 to $47 and should disrupt the industry for roughly 18 months. Management wants Gentex to be more predictive about supply crises, including using AI for early warning and its balance sheet to carry inventory where the supply chain is vulnerable.
- Holding mid-30s gross margins requires mid-single-digit growth to leverage the vertically integrated cost base, along with continued labor and throughput gains. Every acquisition is measured against buybacks, and Gentex has leaned heavily into repurchases because it views its shares as the best investment in its peer group, while remaining open to debt for the right deal.

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November 24, 2026

Genuine Parts Company (GPC - $120.27- NYSE) — Separation Catalyst

Year	EPS	P/E			
2028P	$8.84	13.6x	Dividend:	$4.25	Current Return: 3.5%
2027P	8.14	14.8	Shares O/S:	137.9	million
2026E	7.59	15.8	52 Week Range:	$151.57 - $90.78	
2025A	7.37	16.3			

**FactSet consensus estimates*

COMPANY OVERVIEW

Genuine Parts Company, located in Atlanta, GA, is a global distributor of automotive and industrial replacement parts and value-add solutions. The company serves customers through more than 10,800 locations, primarily in North America, Europe, and Australasia. In February 2026, GPC announced its intention to separate the automotive and industrial businesses in a tax-free transaction and remains on track for completion in Q1 2027.

HIGHLIGHTS

- The planned separation of Global Automotive and Global Industrials into two independent public companies in Q1 2027 is viewed as an opportunity to unlock value by allowing investors to better understand and appreciate each business. Management believes the two businesses are at different stages of their evolution, with distinct growth opportunities, capital requirements, and strategic priorities. As standalone companies, both should benefit from a clearer investment proposition and greater flexibility to pursue their respective strategies.

- The North American automotive business has significant runway to improve its competitive position through better product availability. CEO-elect Court Carruthers described the automotive aftermarket as fundamentally a supply-chain and distribution business, where success often comes down to getting the correct part to a repair within approximately 20 minutes when a vehicle is on the lift. While NAPA is already the largest player in the U.S. professional market, management believes it is still in the early stages of improving local product availability and fill rates. Better execution in these areas should support share gains, revenue growth, and stronger customer relationships.

- Management highlighted the strength of its international operations, including Repco in Australia and New Zealand, its European business, and its leading position in Canada, where it holds approximately 20% market share. While continued investment in North America remains necessary, supply chain investments have already been made in the international markets, allowing more capital to be directed toward growth initiatives and acquisitions.

- Chairman and CEO Will Stengel emphasized that Motion is the clear market leader in its served markets yet only holds approximately 6% share of an estimated $150-170 billion addressable market. Its next largest competitor is roughly one-half its size, and Motion benefits from being a service-oriented, break-fix business that supports customer relationships and recuring demand. Management sees significant opportunity to capture additional share of wallet within its existing customer base, while favorable longer-term industrial trends, including investment in manufacturing and AI-related infrastructure, provide additional growth opportunities.

- EVP, CFO, and COO Bert Nappier emphasized that the two businesses have historically operated relatively independently, with limited shared facilities, separate ERP systems, and few shared customer-facing roles, which reduces the operational complexity of separating them. The primary sources of dis-synergies are shared contracts that need to be renegotiated, duplicating certain back-office systems, and separating functions such as payroll. Management remains comfortable with the previously outlined $50-75 million of dis-synergies and $50-75 million of incremental standalone public-company costs.

- Capital allocation will become more tailored to each company's individual strategy. Management expects Motion to prioritize organic growth and M&A, while NAPA will focus on capital expenditures, supply-chain modernization and technology investments, alongside selective M&A. Both businesses intend to maintain disciplined capital allocation and balance reinvestment with shareholder return. Management also reiterated its intention for both companies to maintain investment-grade credit ratings. Supply-chain financing will remain an important component of the Automotive business.

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Monro, Inc. (MNRO - $8.38 - NASDAQ) Improvement Plan in Soft Market

FYE3/31	EPS	P/E			
2029P	NA	N/Ax	Dividend:	$1.12	Current Return: 11.3%
2028P	(0.19)	NM	Shares O/S:	31.3	Million
2027E	(0.34)	NM	52 Week Range:	$23.91	- $9.26
2026A	0.42	20.2			

**FactSet consensus estimates*

COMPANY OVERVIEW

Monro, Inc., headquartered in Rochester, NY, is a leading provider of automotive undercar repair and maintenance services, with tire-related services accounting for roughly 50% of revenue. As of September 30, 2026, MNRO operated 1,114 retail tire and automotive repair stores and serviced approximately 3.8 million vehicles during fiscal 2026. On May 27, 2026, MNRO initiated a review of strategic alternatives to maximize shareholder value. The board will evaluate a broad range of alternatives, including but not limited to asset sales, refinancing of the business, strategic acquisitions and operational improvements, or the sale of the company.

HIGHLIGHTS

- MNRO management emphasized that its opportunity is to become a trusted service provider for a variety of vehicle needs, rather than simply competing on tire sales. Its offering spans replacement tires, preventative maintenance, oil changes, brake jobs, ride control, and alignments. The company's current improvement plan is centered on three pillars: customer acquisition, merchandising productivity, and store excellence/selling effectiveness.

- Management acknowledged that Monro underinvested in marketing for 2-3 years before beginning to increase spending last July. Digital marketing investments have generally led to a steady increase in calls, sales, and gross profit dollars, although sales results have been less pronounced this year amid a softer market. The company has also invested in CRM, allowing it to target existing customers based on prior vehicle inspections and recommended repairs. Management expects these efforts to drive higher customer frequency over time, although acknowledged that continued marketing investments will keep SG&A elevated.

- The company has reset its tire assortment across the four tiers, adding Continental and Pirelli at the premium end and introducing Vantage as an option for more price-sensitive customers. Management indicated that these changes have helped Monro perform at or above the market in tier 1 while providing an affordable alternative for consumers trading down.

- The company is leveraging its ConfiDrive vehicle inspection tool to educate customers on needed repairs and encourage additional services. In addition, its DM Toolkit helps managers identify opportunities to improve repair order values, service attachment rates, discounting, and vendor purchasing. The initial rollout to 340 stores has been encouraging, with 150 of those stores generating sales growth of 4-6% in the September quarter, compared with negative comps across the consolidated store base, while bottom-line performance improved 20%.

- Higher gas prices along with rising food and healthcare costs have forced customers to prioritize certain spending needs. This has resulted in customers purchasing two tires rather than four or trading down from higher tiered tires. Customers have also started to defer brake jobs, which typically cost $500-700 and can reach over $1,000. Management views these deferred repairs as potential future revenue.

- Monro refinanced its existing credit facility on October 23, 2026, with a four-year, $375 million agreement consisting of a $250 million term loan and a $125 million revolver. Proceeds were mainly used to repay the outstanding balance on the prior revolver and pay down supply-chain financing obligations. Management explained that unwinding the supply-chain financing program was a trade-off to secure the financing terms and provide longer-term stability. Previously, Monro had a significant negative working capital position, with AP/inventory of 190%; the new structure shifts that funding toward the higher interest rate expense. The term loan carries a rate of SOFR plus 625 basis points, with fiscal 2027 interest expense expected to be $28-32 million.

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Motorcar Parts of America (MPAA - $7.35 - NASDAQ) Brake Growth Phase

FYE3/31	EPS	P/E			
2029P	$1.68	6.1x	Dividend:	None	Current Return: Nil
2028P	1.62	6.3	Shares O/S:	19.0	million
2027E	0.58	17.7	52 Week Range:	$16.43 - $7.15	
2026A	0.98	10.5			

**FactSet consensus estimates*

COMPANY OVERVIEW

Motorcar Parts of America, Inc., headquartered in Torrance, CA, is a remanufacturer, manufacturer and distributor of automotive aftermarket parts -- including alternators, starters, wheel bearings and hub assemblies, brake calipers, brake master cylinders, brake power boosters, and diagnostic testing equipment utilized in imported and domestic passenger vehicles, light trucks, and heavy-duty applications. Its products are sold to automotive retail outlets and the professional repair market throughout the United States, Canada, and Mexico, with facilities located in California, New York, Mexico, Canada, Malaysia, China and India.

HIGHLIGHTS

- MPAA's business is centered on two primary categories: rotating electrical products, including alternators and starters, and braking systems, spanning boosters, master cylinders, calipers, pads, rotors, and wheel hubs. While rotating electrical has been the company's historical core business where they have just under 50% market share, Chairman, President, and CEO Selwyn Joffe noted that the brake business has become increasingly significant and provides a meaningful 2nd growth platform.

- Following First Brands' bankruptcy, MPAA secured a meaningful amount of additional brake caliper and booster business from former Cardone customers. The company's new caliper facility is approaching capacity, with management beginning to see margin improvement as volumes scale. Some customers have delayed purchases while working through inventory acquired during the First Brands liquidation, creating a near-term headwind. However, management believes this is largely in the rearview mirror and that the incremental business is strengthening.

- MPAA acquired the brand and intellectual property associated with Centric Parts' brake business, reuniting the brand with the original product formulation acquired in 2022. Management believes the combination will resonate with professional installers, given the strong loyalty associated with the original product.

- The company is still evaluating the best go-to-market strategy for relaunching the Centric brand, including a potential strategic relationship with a large retailer or a more traditional rollout. In the case of a strategic partnership, management indicated it would be with one of the major retailers, and the opportunity could be up to $300-$400 million within the first couple years. In a traditional rollout scenario, the ramp is expected to be roughly $50 million on the low end and up to $200 million within a couple years.

- Management attributed recent softness in the rotating electrical business to deferred customer repairs and a slower ramp of certain new business wins, rather than a structural decline in demand. Given the necessity of alternators and starters to keep vehicles operating, management believes deferred repairs should eventually reverse. The company estimates its rotating electrical market share is just below 50% in the U.S. and sees additional growth opportunities in Mexico, Canada, and other international markets.

- While still a small portion of the overall business today, the diagnostic product provides an addition avenue for growth. The alternator and starter diagnostic product is now carried or being rolled out in approximately 70% of U.S. stores, with broader adoption already underway in Mexico and Canada. Management has previously stated this has the potential to be a $100 million business in the future.

- Selwyn Joffe highlighted the company's Mexico manufacturing footprint, which is largely USMCA-compliant, and the Malaysia operations as important advantages in managing tariffs and sourcing costs. The company expects improving brake factory utilization to support margins, while also using the footprint exposure as a lever to pull amid higher commodity costs.

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MP Materials (MP - $35.54 - NYSE) Building the 10X

Year	EPS	P/E		
2028P	$1.35	26.3x	Dividend:	None Current Return: Nil
2027P	0.75	47.4	Shares O/S:	242.3 million
2026E	-	NM	52 Week Range:	$76.80 - $31.90
2025A	($0.25)	NM		

**FactSet consensus estimates*

COMPANY OVERVIEW

MP Materials is the owner and operator of the Mountain Pass Rare Earth Mining and Processing facility, the only integrated site of its kind in North America. The company produces more than 50,000 tons of rare earth oxide in concentrate, making it the second largest producer globally, and has refined separated rare earth oxides at Mountain Pass since December 2023. MP also operates the Independence magnet manufacturing facility and is the only fully vertically integrated rare earth magnet producer in the Western world.

HIGHLIGHTS

- MP's mission is to rebuild a rare earth supply chain outside the Chinese sphere of influence, which supplies nearly 90% of rare earth magnets today. China's export restrictions since early 2025 made the risk clear to customers and policymakers. MP has built the business methodically, from mining concentrate to refining separated oxides to making finished magnets, so it can show customers exactly where their material originates.
- MP entered magnets in 2021 after automotive customers coming out of COVID recognized that much of their supply chain depended on a single point of failure. Starting with automotive was deliberate: meeting automotive quality standards qualifies MP to serve any market. General Motors (GM) signed a binding commitment before MP was refining oxides, and Apple will follow as a second magnet customer in the middle of next year.
- The public-private partnership with the Department of War protects MP from predatory pricing through an NdPr price floor and enables faster construction. MP will expand its Independence facility to 3,000 tons of magnet capacity and build a new 10X facility with 7,000 tons, for 10,000 tons in total, which management believes covers a significant share of U.S. needs. The DoW takes 100% of 10X output with a minimum guaranteed EBITDA, while both sides are incentivized to sell those volumes to commercial customers.
- Management views NdPr oxide as the binding constraint on growth outside China. The ex-China magnet market is about 27,000 tons of a 250,000 ton global market, and NdPr produced outside China is sized to supply only that. Management sees two favorable outcomes: either MP's integrated model becomes more valuable or NdPr prices must rise to multiples of current levels.
- Demand extends well beyond EVs. Hybrid growth has offset slower EV adoption because space constraints leave no alternative to rare earth magnet motors. Robotics is 2% of magnet demand today but is expected to grow 30% or more a year to about a quarter of the market, and drones, eVTOL, and hard disk drives add further growth. Management described MP as supply constrained rather than demand constrained and sees potential demand growth of as much as 20 times.
- Execution is the focus. Refined output has grown at a roughly 20% or better CAGR toward a 6,000 ton NdPr target, and higher throughput should keep lowering unit costs. MP is commissioning one of the Western world's only dedicated heavy rare earth refining facilities, designed to be the refiner of choice for third-party feedstock.
- MP spent years eliminating reliance on Chinese reagents and equipment and no longer needs any inputs from China. It has built relationships with Western makers of sintering furnaces, presses, and other magnet equipment since 2021 and is using the same suppliers for 10X, which they see as a core advantage in moving quickly.
- Several upside levers were not included in the long-term guidance given with the DoW partnership, including the Apple agreement, a dedicated recycling facility at Mountain Pass that could add 1,000-1,500 tons of NdPr, and new heavy rare earth offtakes such as gadolinium oxide for a U.S. aerospace manufacturer.

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O'Reilly Automotive, Inc. (ORLY - $93.62 - NASDAQ) Driving Outperformance

Year	EPS	P/E			
2028P	$4.06	23.1x	Dividend:	None	Current Return: Nil
2027P	3.67	25.5	Shares O/S:	802	million
2026E	3.32	28.2	52 Week Range:	$102.46	- $82.59
2025A	2.97	31.5			

**FactSet consensus estimates*

COMPANY OVERVIEW

O'Reilly Automotive, Inc., headquartered in Springfield, MO, is one of the largest specialty retailers of automotive aftermarket parts, tools, supplies, equipment and accessories in the United States. The company continues to execute its dual-market strategy, serving both do-it-yourself (DIY) and do-it-for-me (DIFM) customers, which contribute approximately 50% of revenue each. As of June 30, 2026, ORLY operated 6,541 domestic stores, 128 stores in Mexico, and 28 stores in Canada.

HIGHLIGHTS

- Management emphasized that the company's culture of promoting from within remains a key differentiator, with leadership throughout the organization having direct experience operating O'Reilly stores. For example, all of the approximately 650 district managers and 78 regional directors previously ran successful O'Reilly stores. This operating experience creates credibility with employees, reinforces accountability, and supports consistent execution across its nearly 7,000 North American stores.

- Along with the promote from within culture, the 32 regional distribution centers, which average approximately 170,000 SKUs, are also described as a critical differentiator. Unlike competitors that have historically located larger distribution centers in less expensive, more rural markets, O'Reilly has strategically positioned its facilities in major metropolitan areas, closer to customers and vehicles. This allows the company to replenish stores five nights per week and often provide multiple deliveries throughout the day. Management noted that its hub-store and distribution center infrastructure supports approximately 95% of the store network. The assortment breadth and quick time to serve are critical for customer retention and share gains.

- The company has developed proprietary software and hardware that tracks orders from ticket print to final delivery. Professional customers can monitor their orders in real time, while drivers receive routing and inventory information through mobile devices. Management noted that average delivery times are less than 25 minutes. It was emphasized that these deliveries are generally for parts that have already been sold to a repair ship with a vehicle waiting in a service bay.

- Management estimated that the company currently has approximately 10% of the available North American market, leaving substantial room for continued share gains. The company believes it can continue gaining market share through consistent execution, regardless of the broader aftermarket environment. Management highlighted opportunities in underpenetrated Northeast markets, smaller rural markets, and existing metropolitan areas where additional stores can generate incremental sales without materially cannibalizing nearby locations. With just over 6,500 U.S. stores compared with the over 40,000 parts-stores nationally, there is still considerable runway for organic expansion.

- Commodity-related inflation, particularly for petroleum-based products, has created some near-term margin pressure, but management does not view it as a structural issue. Unlike more traditional hard parts, where cost increases are generally driven by structural factors and can be passed through with little disruption, commodity prices can be more volatile, making retailers and customers more cautious about pricing actions. O'Reilly continues to pass these costs through, and management indicated that the impact has remained accretive to gross profit dollars and operating profit dollars. If elevated costs persist and become the new "normal," the expectation is for the industry to ultimately pass them through to customers with no change to historical margin rates.

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PHINIA, Inc. (PHIN - $70.68 - NYSE) Steady by Design

Year	EPS	P/E		
2028P	$7.70	9.2x	Dividend:	$1.20 Current Return: 1.7%
2027P	6.90	10.2	Shares O/S:	36.6 million
2026E	5.95	11.9	52 Week Range:	$86.94 - $52.00
2025A	4.95	14.3		

**FactSet consensus estimates*

COMPANY OVERVIEW

PHINIA Inc., based in Auburn Hills, Michigan, is a leader in the development, design and manufacture of integrated components and systems that optimize performance, increase efficiency and reduce emissions in combustion and hybrid propulsion for commercial vehicles, industrial applications and light vehicles. Spun off from BorgWarner in July 2023, the company supplies most major OEMs and offers original equipment service solutions, remanufactured products and an expanded range of products for the independent aftermarket under the Delphi brand.

HIGHLIGHTS

- CEO Brady Ericson wants PHINIA to be the supplier that delivers consistently for shareholders. Investor interest was limited after the spin from BWA, and the company has since repurchased just over 26% of its shares while raising its dividend. PHIN plans to keep returning 30-40% to shareholders through buybacks and dividends.
- The long-term goal is to become a diversified industrial supplier. Management expects light vehicles to fall to about 25% of revenue as commercial vehicle and off-highway grow and PHINIA invests in new markets, while holding its light vehicle share. Recent wins in South America, China, and India and growing demand for biodiesel, ethanol, and other alternative fuels support the long-term story.
- Aerospace is a new adjacency built on existing skills. PHINIA's precision machining of complex parts for harsh environments has drawn aerospace customers, with significant engineering crossover between aerospace and diesel fuel injection.
- The acquisition of Stoba, one of PHINIA's largest suppliers, adds precision machining and machine building capability in Europe, where the supplier base has struggled. It brings excess capacity PHINIA can use across regions and opens access to aerospace customers and locations now being integrated.
- PHINIA keeps its engineering and manufacturing flexible enough to follow the market instead of predicting which fuels will win. Equipment can be repurposed between regions and products at low cost. Management noted customers are extending hybrid and plug-in hybrid programs as EV demand softens without subsidies, and governments are looking more toward alternative fuels.
- Aftermarket is the most durable business and has grown at a mid-single-digit rate for years. BorgWarner restructured the business after acquiring Delphi, and PHINIA has continued on that path, expanding selectively into product areas that meet OE quality standards. Customers recognize the Delphi brand as OE quality, and management believes analysts performing sum-of-the-parts work see the value of the aftermarket business.
- PHINIA has long built in region for region, and trade policy has pushed it to do more of that in North America. Disruption has been limited, though some energy-intensive product lines are harder to bring to the U.S. competitively. Commercial vehicle demand in North America and Europe is very strong, with orders expected to stay strong through next year, while China remains flat at less than 14% of revenue.

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Rush Enterprises (RUSHA - $44.94 - NASDAQ) Share Gains Across the Board

Year	EPS	P/E		
2028P	$3.75	12.0x	Dividend:	$0.56 Current Return: 1.2%
2027P	3.05	14.7	Shares O/S:	119.2 million
2026E	2.45	18.3	52 Week Range:	$55.74 - $32.46
2025A	2.20	20.4		

**FactSet consensus estimates*

COMPANY OVERVIEW

Rush Enterprises, Inc., based in New Braunfels, TX, is a full-service, integrated retailer of commercial vehicles and related services. The company operates the largest network of medium and heavy-duty truck dealerships in North America, with more than 160 Rush Truck Center locations across 24 states and Ontario, Canada. Rush sells new and used Class 4-8 vehicles along with aftermarket parts and service, financing, lease and rental, and insurance.

HIGHLIGHTS

- Rush continues to expand its footprint through acquisitions, including five stores in Louisiana and five in Canada on the International side. It recently formed a refrigeration joint venture with 17 locations, which management sees as a strong growth opportunity in an industry ripe for consolidation. Rush is also evaluating other adjacencies, such as material handling.
- International is a long-term investment that is now paying off. Rush has represented International since 2008 and has invested steadily since. With the 13-liter engine finally performing well, management sees International as one of its largest hidden tailwinds and believes its International brands can compete for share of up to 13-14% from the high single digit area it now has.
- Mobile service is one of the biggest growth opportunities. Rush continues to grow its mobile technician business while in-shop service has been flat. OEMs cover all 50 states while Rush covers 24 to 25, and it competes through differentiated service rather than coverage.
- Management sees a one-to-three-year window to turn its rich customer and vehicle data into revenue, as OEMs have done with their own data. AI is accelerating this, and Rush wants to get in front of it. Mobile technicians already perform some predictive maintenance, though management said that is not the main goal.
- Rush entered the year with about six months of backlog, which it rarely has, after a very weak first quarter. As that backlog works down, management expects 2026 to finish better than 2025, with the next 60 days a key focus. Improving customer health and an aging fleet both support replacement demand and parts and service over time.
- Parts, service, and other aftermarket revenue provide a steady base through the truck cycle. With fleets keeping trucks longer, the larger installed base and Rush's growing mobile and data capabilities should support continued share gains in the most durable part of the business.
- Management views 2027 as a growth year – with solid improvement as customers get clarity on US emissions regulations and OEMs assist buyers in transitioning into newer, more expensive trucks.

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Sonic Automotive, Inc. (SAH - $60.37 - NYSE) Opportunity in Value Offering

Year	EPS	P/E			
2028P	$7.70	7.9x	Dividend:	$1.64	Current Return: 2.7%
2027P	6.95	8.7	Shares O/S:	31.6	million
2026E	6.25	9.7	52 Week Range:	$113.67	- $54.11
2025A	6.60	9.2			

**FactSet consensus estimates*

COMPANY OVERVIEW

Sonic Automotive Inc., based in Charlotte, North Carolina, is one of the largest automotive retailers in the United States. The company has three operating segments: the Franchised Dealerships Segment, in which franchised dealerships sell new vehicles and buy/sell used vehicles, as well as providing maintenance and financing/insurance services; the EchoPark Segment, which includes specialty retail locations for pre-owned vehicles; and the Powersports segment, which sells both new and used powersports vehicles, as well as maintenance and financing/insurance services. The company operates in 20 states with 143 stores, retailing 25+ different brands of automobiles.

HIGHLIGHTS

- Sonic Automotive benefits from having a diversified business model, including 111 franchise dealerships, Echo Park, and a growing power sports segment. Franchise dealerships represent approximately 80% of revenue, with roughly 3/4th of gross profit generated from parts, services, and F&I products, providing more stable earnings through different economic cycles. Additionally, Sonic's luxury exposure, with more than 60% of its franchise mix coming from high-end brands, and its geographical diversity help differentiate the company from other franchise peers.

- Management acknowledged that there are opportunities to better leverage its expense structure and convert more of the top-line growth into operating profit, noting that expenses are more within the company's control than consumer demand.

- Sonic was constructive on the near-term new-vehicle outlook, expressing confidence heading into Q4 as demand has remained relatively resilient. However, management believes the industry may be settling into a new normal of approximately 16 million annual new-vehicle sales, as elevated vehicle prices and monthly payments continue to constrain affordability.

- Echo Park remains Sonic's largest long-term growth opportunity. Following a period of rapid expansion and challenging used-vehicle market conditions, the company scaled back its footprint to 18 locations. Management now believes the business is in its strongest position to date, supported by improving off-lease supply, better inventory sourcing, and a compelling value proposition, with vehicles typically priced approximately $2,500 below the market.

- Improving off-lease supply is an important catalyst for Echo Park and the broader used-vehicle market. Management noted that 2025 represented the trough in lease maturities, with approximately 500,000 additional lease maturities entering the market in 2026 and another roughly 500,000 expected in 2027. This should improve the availability of 2–4-year-old vehicles and help alleviate affordability pressures. Management believes the used-vehicle market, currently generating approximately 38-38.5 million annual transactions, still has room to recover toward its prior peak of nearly 42 million.

- Sonic remains focused on balancing growth investments with shareholder returns. Management views dealership acquisitions and share repurchases as compelling uses of capital, while maintaining its approximately 2.5% dividend yield and target leverage of 2.5x. The company is seeing attractive acquisition opportunities, particularly franchise dealerships platforms with 7-15 locations in desirable markets and power sports businesses, which can be acquired for approximately 2-4x earnings. If M&A opportunities don't materialize, management indicated that share repurchases could become a greater priority given the view that the stock is attractively valued.

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Standard Motor Products (SMP - $44.62 - NYSE) Innovative Global Supplier

Year	EPS	P/E			
2028P	$5.38	8.3x	Dividend:	$1.32	Current Return: 3.0%
2027P	4.92	9.1	Shares O/S:	22.3	million
2026E	4.36	10.2	52 Week Range:	$47.27	- $34.27
2025A	4.02	11.1			

**FactSet consensus estimates*

COMPANY OVERVIEW

Standard Motor Products, Inc., located in Long Island City, NY, is a manufacturer and distributor of replacement parts for motor vehicles in the automotive aftermarket industry. The company operates four segments, Vehicle Control, Temperature Control, Engineered Solutions, and Nissens, and sells its products to warehouse distributors and retail chains, primarily in the United States, Canada, and Latin America, as well as in Europe.

HIGHLIGHTS

- SMP has evolved into a more diversified business while maintaining its North American aftermarket foundation. The company is approaching $2 billion in revenue, with its North American aftermarket business representing roughly 2/3rd sales. The remaining business consists of its European aftermarket operations, following the 2024 acquisition of Nissens Automotive, and its Engineered Solutions segment, which serves OE markets. Chairman, President, and CEO Eric Sills emphasized that diversification is intended to build on the core aftermarket business through complementary adjacencies, rather than shift investment away from its traditional strengths.

- Recent operations in Q3 were encouraging, with broad-based revenue growth and continued margin improvement. Three out of four reporting segments delivered solid YoY revenue growth, while temperature control was affected by the timing of customer inventory purchases following particularly strong pre-season orders earlier in the year. Management was also pleased with the profitability and cash generation in the quarter, leading to a reduction in debt following the Nissens acquisition.

- Management emphasized the competitive advantage of a full-line product portfolio, highlighting the importance of offering customers comprehensive coverage across tens of thousands of SKUs, rather than focusing on high-volume products. This allows distributors and repair shops to source a wider range of parts from a single supplier and reduces the likelihood of a missed sale when a vehicle enters a repair bay. SMP believes the company has gained share through its product expansion strategy and from the continued strength of its largest customers.

- Nissens is performing well and creating meaningful opportunities for both revenue and cost synergies. The company is gaining market share in Europe, supported by strong brand recognition and exposure to non-discretionary product categories. Beyond combining purchasing and sourcing to capture cost savings, management is excited about the cross-selling opportunities. SMP has introduced several of its North American vehicle control and temperature control categories into Europe through Nissens, while Nissens has helped SMP expand its North American portfolio into air conditioning condensers.

- Management highlighted its transparent, dollar-for-dollar tariff pass-through approach, which has been well received by customers. Looking ahead, broader input-cost inflation will require a combination of pricing actions and internal mitigation efforts, including sourcing alternatives and footprint optimization.

- Following the Nissens acquisition, management prioritized debt reduction and achieved its target of bringing leverage below 2.0x a quarter ahead of schedule. The company's primary capital allocation priority is now investing in the business, particularly machinery, equipment, and production capabilities that support future growth. SMP also intends to maintain its history of gradually increasing its dividend, while treating M&A and share repurchases as opportunistic alternatives depending on the available opportunities. Management indicated it would be comfortable taking leverage higher for an attractive strategic acquisition but would prefer to remain below 2x over the long term.

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GABELLI FUNDS

Strattec Security Corporation (STRT - $62.74 - NASDAQ) Fourth Inning

FYE 6/30	EPS	P/E		
2029P	$7.40	8.5x	Dividend:	None Current Return: Nil
2028P	5.75	10.9	Shares O/S:	4 million
2027E	4.90	12.8	52 Week Range:	$93.00 - $57.01
2026A	6.90	9.1		

**FactSet consensus estimates*

COMPANY OVERVIEW

Headquartered in Milwaukee, Wisconsin, Strattec Security Corporation designs, develops, manufactures, and markets automotive access control products under the VAST Automotive Group brand primarily in North America. The company organizes its products into Permission (locks, keys and key fobs), Motion (power access actuators, power sliding doors, liftgates and tailgates) and Hold (latches), and operates four manufacturing plants in Mexico, a distribution center in El Paso and die-cast and stamping operations in Milwaukee.

HIGHLIGHTS

- CEO Jennifer Slater and CFO Matt Pauli described Strattec as in the fourth inning of a nine-inning transformation. The first two years focused on cost, pricing, and modernization, including a 24% headcount reduction, $17 million of pricing, and basic processes such as a financial consolidation system. Gross margin has improved from about 12% in 2024 to the mid-teens, with a target of 18-20% on today's products and customers.
- Management's longer-term vision is a larger, more diversified Strattec. Ford (F), General Motors (GM), and Stellantis (STLA) account for over 65% of revenue, and with the Detroit Three losing global share, management sees concentration as a risk. More customers and platforms would build resiliency into both revenue and the cost structure.
- STRT is changing how it wins business. Historically it responded to RFQs as they arrived. It now works with customer engineering teams about five years before launch, and the next step is five to ten years out, so its products are designed into vehicles where competitors cannot follow. Winning new customers depends first on technical differentiation, followed by quality and cost competitiveness.
- The company is breaking down silos between its latch, actuator, and software teams to offer system-level solutions for software-defined vehicles. It is developing digital key fobs that use ultra-wideband and work seamlessly with a phone, and its portfolio is powertrain agnostic. Engineering resources are being added to treat patents and technology as revenue drivers rather than costs.
- About 96% of product is USMCA compliant, and management sees its mix of Mexico, Milwaukee, and El Paso operations as the right footprint.
- Automation is the largest margin lever. Only about 11% of assembly stations are automated, and management working to push it above 50% in time. Recent projects have paid back in about a year and fit within the roughly $12 million capex budget. Stabilizing the supply chain and value engineering remain other critical areas of focus.
- Culture has supported the change. About half of the next level of leaders are new in the last two years, and legacy employees have embraced new ways of working.
- Capital allocation priorities remain organic investments, M&A complementary to the core automotive business, and capital returns. Longer term, management could expand the 7% aftermarket business or move into heavy vehicle, off-road, or agriculture.
- The balance sheet supports the plan, with about $110 million of cash and an undrawn $40 million revolver. Additionally, STRT has repurchased about 4% of shares over the last six months.

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Save the Date!

51st Annual

Automotive Aftermarket Symposium

Las Vegas

Attention:	Portfolio Managers/Analysts
Symposium:	Automotive Aftermarket
Place:	TBD
Dates:	2027
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As of September 30, 2026, affiliates of GAMCO Investors, Inc. beneficially owned 19.63% of Strattec, 11.01% of Monro, 6.53% of Standard Motor Products, 6.37% of Rush Enterprises Class B and less than 1% of Class A, 2.13% of Dana, 1.68% of AutoNation, 1.43% of Garrett Motion and less than 1% of all other companies mentioned.

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