



Lithia Motors Inc. (LAD)

Updated October 25th, 2025 by Quinn Mohammed

Key Metrics

Current Price:	\$332	5 Year CAGR Estimate:	16.7%	Market Cap:	\$8.0 B
Fair Value Price:	\$335	5 Year Growth Estimate:	16.0%	Ex-Dividend Date¹:	11/07/2025
% Fair Value:	99%	5 Year Valuation Multiple Estimate:	0.2%	Dividend Payment Date¹:	11/21/2025
Dividend Yield:	0.7%	5 Year Price Target	\$704	Years Of Dividend Growth:	12
Dividend Risk Score:	A	Sector:	Consumer Discretionary	Rating:	Buy

Overview & Current Events

Lithia Motors owns and operates automotive franchises and sells new and used vehicles, and related services. The corporation offers many brands of new vehicles and all brands of used vehicles in its ~298 stores across the U.S. Many of its dealerships are in California, Oregon, Texas, and New Jersey. Lithia Motors trades on the NYSE under the ticker symbol LAD and is headquartered in Medford, Oregon. The automotive company has a market capitalization of \$8.0 billion.

On April 23rd, 2025, Lithia increased its quarterly dividend by 4% to \$0.55 per share, or \$2.20 annually.

Lithia Motors reported third quarter results on October 22nd, 2025. Third quarter revenue rose 5% to \$9.7 billion from \$9.2 billion in the same prior year period. Net income per diluted share was \$8.61, up 11% from the prior year quarter's \$7.73. After adjustments, EPS increased 17% to \$9.50 in the quarter, which beat the analysts' consensus by \$0.89.

New vehicle retail sales increased 4.5% year-over-year, while used vehicles retail sales rose 8.9%. Aftersales (previously referred to as service, body and parts) revenue increased 2.4%. However, the average total vehicle gross profit per unit decreased 5.0% to \$4,109.

At the quarter-end, the company had roughly \$1.9 billion in cash and cash equivalents and availability on its revolving lines of credit.

In September, Lithia improved its network in the Southeast region as a result of its purchases of Palm Beach Acura, West Palm Beach Hyundai, and West Palm Beach Genesis. Through these acquisitions, Lithia essentially purchased \$220 million in annualized revenues. Year-to-date, Lithia has acquired \$620 million of forecasted annualized revenues.

In Q3, Lithia repurchased 5.1% of its outstanding shares.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	\$6.91	\$7.72	\$8.44	\$10.86	\$11.60	\$19.53	\$36.54	\$44.17	\$36.29	\$29.65	\$35.26	\$74.06
DPS	\$0.76	\$0.95	\$1.06	\$1.14	\$1.19	\$1.22	\$1.36	\$1.61	\$1.92	\$2.09	\$2.20	\$3.54
Shares²	26.2	25.1	25.0	23.0	23.2	26.5	29.0	28.3	27.6	26.6	25.2	27.5

Lithia has increased its earnings-per-share year-after-year since 2009 at an impressive rate. Over the past nine and five years, the corporation has compounded earnings at an average rate of 18% and 21%, respectively. We find these growth results to be particularly impressive, and they have not been too volatile in the last decade. In 2023, the company saw its first EPS decline in over a decade.

Moving forward, Lithia has a plan to profitably consolidate the largest retail sector in the U.S. In 2024, LAD allocated 60% of its capital use towards acquisitions, 18% to capex, and 19% for share repurchases, with the remaining 3% going to dividends. The company has been active in its acquisitions so that it can bolster earnings. In 2022, 2023, and 2024, the

¹ Estimate

² In millions

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company completed acquisitions which are expected to generate \$3.5 billion, \$3.8 billion, and \$5.9 billion in annualized revenues, respectively.

Lithia's share count has remained flat over the last decade, as the company can self-fund its growth with its internal earnings and some debt. We estimate Lithia could grow EPS at 16% annually, even following its recent explosive growth.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	15.3	11.1	12.1	8.7	10.3	9.4	13.8	6.6	7.3	10.1	9.4	9.5
Avg. Yld.	0.7%	1.1%	1.0%	1.2%	1.0%	0.7%	0.4%	0.5%	0.7%	0.7%	0.7%	0.5%

Lithia's ten and five year average PE are 10.5 and 9.4, and today the stock trades at 9.4 times expected earnings. We see a valuation of 9.5 times earnings as fair, which would imply a small positive impact on total annual returns from the valuation in the medium term. We see the yield as remaining approximately where it is today as the dividend keeps pace with stock price appreciation.

Safety, Quality, Competitive Advantage, & Recession Resiliency

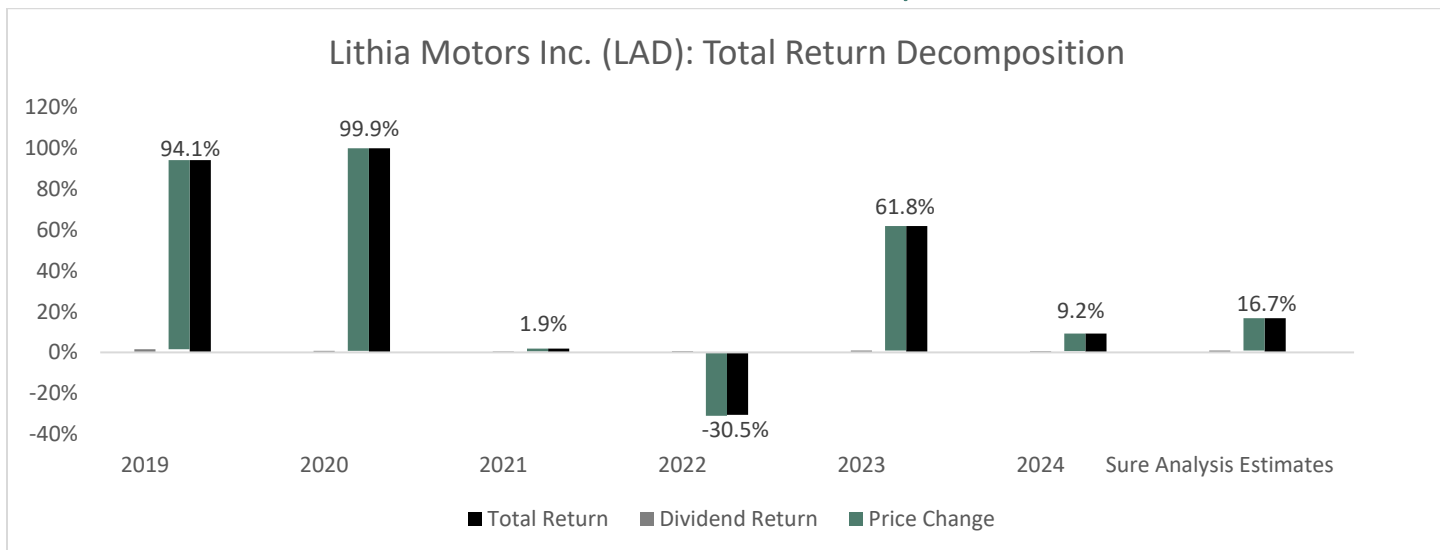
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	11%	12%	13%	10%	10%	6%	4%	4%	5%	7%	6%	5%

The payout ratio remains exceptionally low so the dividend is safe and should continue to grow in the years to come. However, LAD is prioritizing the use of capital towards acquisitions and investments since it is pursuing significant growth. LAD is not recession-resistant, as it reported large losses in 2008, and cut the dividend before slashing it in 2009. While the company had one terrible year, it was again off to the races by the next year, but it took until 2011 to eclipse the earnings it achieved prior to the financial crisis. The company marks its subscription services, tailor financing, personalized marketing, convenience optionality and optimized inventory procurement all as competitive advantages to create lifetime loyalty with customers. The company claims its omni-channel solutions have an unreplicable design and execution, and competitively positions the corporation with barriers to entry.

Final Thoughts & Recommendation

Lithia Motors is a strong growth story with a history of increasing earnings year after year. We see the potential for total annual returns of 16.7% and believe the company is trading at a 1% discount to fair value. LAD earns a buy rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	7,864	8,678	10,087	11,821	12,673	13,124	22,832	28,232	31,040	36240
Gross Profit	1,176	1,301	1,516	1,777	1,954	2,226	4,259	5,152	5,229	5561
Gross Margin	14.9%	15.0%	15.0%	15.0%	15.4%	17.0%	18.7%	18.3%	16.8%	15.3%
SG&A Exp.	811	905	1,055	1,268	1,384	1,447	2,464	3,044	3,295	3755
D&A Exp.	42	49	58	75	114	121	166	228		
Operating Profit	323	347	404	434	488	687	1,668	1,941	1,738	1560
Operating Margin	4.1%	4.0%	4.0%	3.7%	3.9%	5.2%	7.3%	6.9%	5.6%	4.3%
Net Profit	183	197	245	266	272	470	1,060	1,251	1,001	802
Net Margin	2.3%	2.3%	2.4%	2.2%	2.1%	3.6%	4.6%	4.4%	3.2%	2.2%
Free Cash Flow	(4)	(10)	44	362	400	374	1,537	-610	-703	-11
Income Tax	80	86	102	72	104	178	422	468	351	257

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	3,225	3,844	4,683	5,384	6,084	7,902	11,147	15,007	19,630	23130
Cash & Equivalents	45	50	57	32	84	160	175	247	941	402
Accounts Receivable	308	418	522	529	505	614	910	813	1,123	1237
Inventories	1,471	1,773	2,133	2,365	2,434	2,493	2,386	3,409	4,754	5912
Goodwill & Int. Ass.	371	444	443	724	761	943	1,776	3,317	4,333	4666
Total Liabilities	2,397	2,933	3,600	4,187	4,616	5,241	6,484	9,756	13,350	16450
Accounts Payable	71	88	111	126	125	158	235			
Long-Term Debt	1,957	2,392	2,967	3,442	3,538	3,928	4,600	7,627	10,790	13070
Shareholder's Equity	828	911	1,083	1,197	1,468	2,662	4,626	5,251	6,283	6679
LTD/E Ratio	2.36	2.63	2.74	2.87	2.41	1.48	0.99	1.45	1.72	1.96

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	6.0%	5.6%	5.8%	5.3%	4.7%	6.7%	11.1%	9.6%	5.8%	3.8%
Return on Equity	24.4%	22.7%	24.6%	23.3%	20.4%	22.8%	29.1%	25.3%	17.4%	12.4%
ROIC	6.9%	6.5%	6.7%	6.1%	5.6%	8.1%	13.4%	11.3%	6.7%	4.3%
Shares Out.	26.2	25.1	25.0	23.0	23.2	26.5	29.00	28.3	27.6	27.1
Revenue/Share	296.88	340.32	401.85	482.51	541.57	544.58	787.30	997.58	1124.7	1337.2
FCF/Share	(0.14)	(0.39)	1.73	14.76	17.08	15.54	52.99	-21.56	-25.46	-0.42

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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