

What's Hot? — What's Next?

Market Segment Trends in the Mobility Aftermarket

Presented by
Schwartz Advisors, LLC
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Trends and Sectors that SA is tracking

- ▶ Repair & Service, including Tires
- ▶ Collision “ecosystem”
- ▶ Technology
- ▶ Chemicals and Lubricants
- ▶ Distribution
- ▶ Other ‘Blue Ocean’ trends that SA is watching closely and might not yet be on your radar

How SA helps sponsors evaluate acquisitions

Experience

- ▶ SA brings critical insights based on C-Level and operational leadership across the Mobility Aftermarket
- ▶ Our “First Call” reputation with leading PE firms has led to significant projects, including work on key Aftermarket transactions

Methodology

- ▶ SA uses proprietary modeling to help evaluate technology trends that will impact acquisition opportunities
- ▶ We work with sponsors to validate, or challenge, investment thesis assumptions
- ▶ Our process provides evidence based analysis on TAM and growth opportunities

Repair & Service, Including Tires

As the car parc continues to age, the need for service is increasing

Key takeaways

- ▶ Vehicles in operation (VIO): the average age of vehicles on the road continues to increase - older vehicles need service
- ▶ Vehicles miles traveled (VMT): YoY VMT continues to increase
- ▶ SA tracks new and used car sales trends as an indicator of expected repair and service trends
- ▶ Consolidation opportunities still exist



Tire Dealers

Tires are “powertrain agnostic” and all vehicle types will require replacement. The tire market will be positively affected by the impact of BEVs due to higher vehicle weight and torque. Major MSOs have consolidated a portion of the market and online retailers have made inroads, but the category still holds high potential for investors.

General Repair Shops and Service Franchises

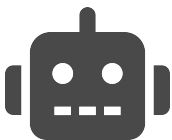
Both PEs and strategic owners are moving to consolidate local and regional repair shops. These shops are often family owned and the market is highly fragmented. We anticipate increased activity by OE dealerships partnering with or acquiring general repair shops in their geographies.

Technology

Technology opportunities continue to ramp for “computers on wheels”

Key takeaways

- ▶ ADAS calibration and collision avoidance technology continue to increase in the VIO. This creates opportunities for calibration of on-board sensors and replacement of sensors as needed.
- ▶ Scan tools to perform diagnostics will be a critical function for all repair and service



AI Infused Diagnostics

While most companies in this space will be in their “pre or early revenue” phases, watch for an explosion of offerings and investment opportunities. See [CarTechIQ](#) and its heavy duty truck equivalent [GlobalTechIQ](#) as examples.



Scan Tools

As ADAS sensors and other electronics grow in VIO penetration, higher level scan tools, AI powered diagnostics and OEM scan tool subscriptions are of high interest – and in many cases **are now mandatory by vehicle OEMs** for the proper repair of their vehicles.

This is an area ripe for more professional distribution and application.

Collision Ecosystem...but not MSOs

High rates of collisions and the increasing cost of repair orders fuel growth

Key takeaways

- ▶ Collision average repair orders continue to increase YoY
- ▶ In spite of more vehicles with collision avoidance technology, the number of collisions remain at high levels
- ▶ Aftermarket collision parts are an attractive and cost effective alternative to OE parts
- ▶ We see consolidation opportunities in recycling and towing
- ▶ Tuck opportunities for MSOs will continue, but we are not likely to see new platforms



Vehicle Salvage & Recycling

The vehicle salvage market will play an increasing role in aftermarket sustainability. This segment is getting more sophisticated in targeting high-value parts and it holds high potential in consolidation, inventory management, and supply chain logistics.

Crash Parts Distribution

High cost of replacement parts makes distribution of crash parts an attractive segment to consider for consolidation and investment.

Towing

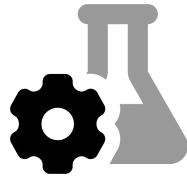
Fragmented market, particularly with high average ticket types of towing.

Chemicals and Lubricants

Critical products for vehicle maintenance and appearance

Key takeaways

- ▶ Antifreeze is one of the most important chemicals used in vehicles. The tail for antifreeze use in ICE and hybrid will last for the next several decades.
- ▶ Diesel Exhaust Fluid (DEF) is crucial and required for modern diesel engines to reduce NO_x emissions.
- ▶ Winners in the chemicals and lubricants category have systems and processes in place to manage businesses efficiently, and are able to scale through organic and inorganic growth.



Chemicals and Lubricants

Chemicals and lubricants are vital to vehicle operation. Whether it is antifreeze, lubricants for ICE and hybrid powertrains, or DEF for diesel engines, chemicals and lubricants are vital to the maintenance and operation of motorized vehicles.

Not Just for the Engine

Blended chemicals form the building blocks for vehicle appearance products (cleaners, waxes, etc.), as well as paints and coatings.

Sold in All Distribution Channels

A diversified chemical and lubricant operator can serve different classes of customers and avoid channel conflict and customer concentration.

Distribution

New platform opportunities still exist with warehouse distributors (WDs)

Key takeaways

- ▶ The market for new platforms in traditional parts WDs is difficult; but consolidation and an improved business model is still possible especially in light of the GPC announcement on Feb 17
- ▶ **Specialty WDs: crash parts, chemicals & lubricants, powersports, performance parts, and other niche categories** are on our radar
- ▶ Commercial vehicles offer interesting opportunities for consolidation in class 3 - 8 trucks



Traditional replacement parts WDs

Conventional wisdom leads some to conclude that there will not be any new traditional parts platforms. SA views this market as lacking market leaders. Possible opportunities exist.

Specialty WDs

WDs that focus on specific product categories and vehicle types offer opportunities for consolidation and growth for sponsors.

Medium Duty/Heavy Duty WDs

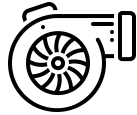
Distribution and service for vehicles in class 3 - 8 trucks (medium duty class 3 - 6, heavy duty class 7 - 8) can offer an attractive entry point for a new sponsor backed platform.

Other segments on the SA radar

Other market segments showing activity that can generate investment opportunities

Key takeaways

- ▶ BEV battery recycling and swapping will make EV ownership more attractive and add another business opportunity for the salvage space
- ▶ Auto dealerships are under pressure to consolidate and we're seeing a number of transactions already this year to support this



Light and HD Vehicle Turbochargers

The high percentage of turbocharged light vehicles and more sophisticated turbocharger designs required by HD emission regulations have created a strong turbo remanufacturing market.



BEV Battery Recycling & Swapping: new businesses

Many factors need to be sorted out before SA weighs in on these developing trends, but given the high(er) rate of insurance companies classifying EV cars as "total losses," there's a possible market space for the salvageable battery cells for re-use. Also, EV battery swapping is popular in China and will eventually come to the U.S.



Dealership consolidation

Auto dealers consolidation will strengthen bargaining power and leverage scale advantages.



Upfitting

Upfitting for industrial vehicles that service infrastructure is non-discretionary and supported by government spending

Why are SA insights valuable?

SA develops our insights and understanding of the Mobility Aftermarket through a combination of extensive experience in leading companies in these spaces, with our proprietary analytics modeling of the Vehicles in Operation (VIO) and Vehicles Miles Traveled (VMT).

No other consulting or advising firm can bring this level of boots on the ground experience and analytics.

We have also been active in more than 100 M&A sell-side and buy-side support projects in lighting, collision, salvage, tire store, wholesale distribution, general repair shop segments and other automotive aftermarket businesses.

SA team members are all industry operators who have grown Aftermarket companies or their divisions.

Take a look at the Intro to our VIO Forecast on the following slides, and look for our full report in the coming weeks.



Intro to SA's VIO Forecast

SAs 25 year forecast of BEV and AV penetration into new car sales and the VIO provides an overview of 9 different powertrain types and their growth or decline through 2050. This serves as our baseline for understanding how the supply of Aftermarket parts and service will change over time.

Each powertrain type is analyzed for its contribution to:

- annual growth percentage
- vehicle count
- scrap rates
- annual miles driven
- private versus fleet populations

And for AVs, we look at the displacement of privately owned vehicles and the effect on Vehicle Miles Traveled (VMT).

SA's 9 Powertrain Types

HEV – Hybrid Electric Vehicle

Toyota Prius – Gas or diesel engine combined with small battery electric drive

MHEV – Mild Hybrid

Hyundai Tucson 48V– Electric drive replaces belt driven pumps for increased efficiency

EREV – Extended Range EV

Dodge Ram 1500 E – ICE engine drives a generator to provide power to the vehicle's battery

PHEV – Plug-In Hybrid Electric Vehicle

Ford Escape PHEV – Battery charges like a full BEV but is combined with ICE power

BEV – Battery Electric Vehicle

Hyundai Ioniq 5 – Full battery powered electric motor drive with no internal combustion engine

ICE Diesel – Diesel Internal Combustion Engine

RAM 1500 Diesel – Diesel cycle ignites fuel solely through compression of air/fuel

ICE Gas – Gasoline Internal Combustion Engine

Ford 150 Gas – Spark ignited gasoline generates power

L5 AV Gas – Fully Autonomous Vehicle

Waymo – Vehicle drives itself with no human driver – gas engine

L5 AV BEV – Fully Autonomous Vehicle

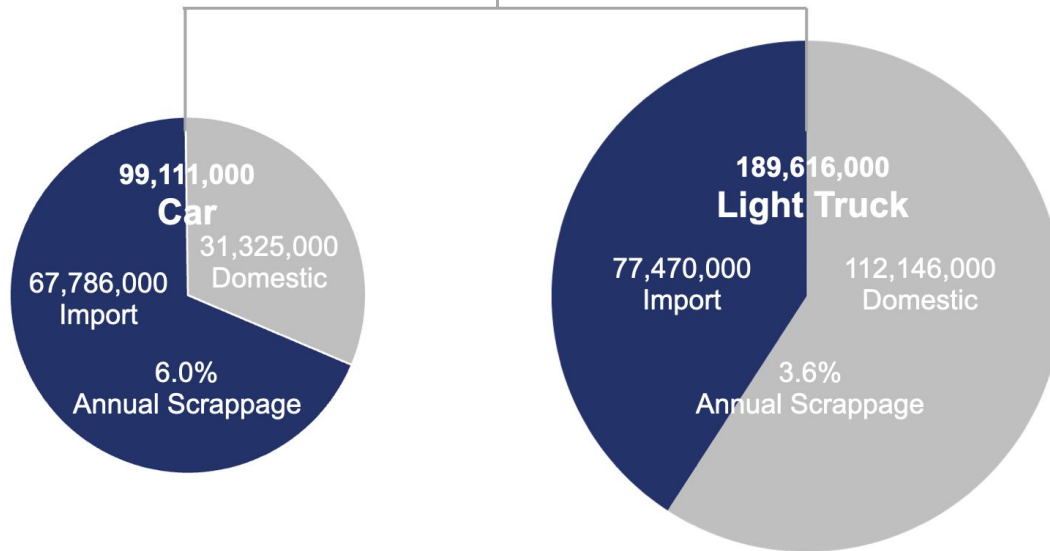
Nuro, Zoox, Waymo – No human driver – BEV

VIO 288,967,000

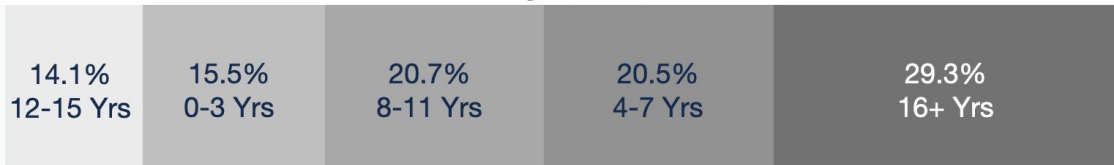
(As of January 1, 2025)

2025 Light Vehicles in Operation

298,801,000 if 9,834,000 Medium and Heavy Duty Trucks are added



Vehicle Age Distribution



Average Age (Years) — Light Vehicles 14.5 — Light Trucks 11.9 — Ave VIO 12.8

The Big Picture – VIO and Market Trends

VIO Mix

- Domestic 49.7%
- Japanese 35.6%
- German 6.8%
- Korean 6.3%
- Other 1.6%

Vehicle Mix Growth

(10 Yr CAGR 2015-2025)

- Korean 5.4%
- German 3.1%
- Japanese 2.4%
- Other 1.9%
- Domestic -0.2%

VIO Volume Growth

- Light Vehicle Scrap Rate = 6.0%
- Light Truck Scrap Rate = 3.6%
- 4.5% Average Scrap Rate
- VIO of cars fell 2.8% YoY from 2024; Light truck up 3.2%
- VIO 5 Year CAGR (since 2020) = .6%

Source: AutoCare Association and S&P Global



Rick Schwartz

CEO | Managing Partner

858.336.2088

RSchwartz@SchwartzAdvisors.com

Derek Kaufman

Managing Partner

(616) 780-1438

DKaufman@SchwartzAdvisors.com

Keith Zar

Managing Partner

812.305.7589

KZar@SchwartzAdvisors.com

Michael C. Buzzard

Managing Partner

302.521.0737

MBuzzard@SchwartzAdvisors.com

Brian Cruickshank

Partner

541.213.4975

BCruickshank@SchwartzAdvisors.com