TRACKHAWK ADVISORS

Case Study: Lithia $600mm Notes Offering

Updated as of 3Q 2026

LITHIA MOTORS, INC.

Case Study: Lithia Taps the Bond Market

TRACKHAWK ADVISORS

Lithia's $600mm Offering of Senior Unsecured Notes

Lithia's Bond Offering

- On 9/3/25, Lithia priced **$600mm** of 5yr, **5.5%** Senior Unsecured Notes at par, which was **upsized by $100mm** while in-market
- The deal was launched at **$500mm** and a yield in the **high-5%**, but strong market demand allowed Lithia to upsize the deal to **$600mm** while also lowering the coupon to **5.50%**
- The proceeds of the offering were used to pay down revolver borrowings
- The agencies affirmed LAD's issuer ratings of BB+ / Ba1 and unsecured debt ratings BB+ / Ba2, all with stable outlooks

Synopsis

- Lithia's 5.5% coupon was the lowest yield on a callable high yield bond since Apr-22, and only one of two high-yield bonds in 2025 to price at 5.5% or lower
- Lithia is one of the two dealers to tap the bond market since it has roared back to historically attractive levels after the shock from the tariff pump fake
  - AutoNation was the other dealer to access the bond market in 2025, issuing **$600mm** of 3-year notes at **4.45%** and **$500mm** of 10-year notes at **5.89%**, comprised of senior unsecured notes due 2029 and 2035, respectively
- AutoNation has investment-grade ratings **(Baa3/BBB-)** and Lithia has non-investment grade ratings **(BB+/Ba1)**; however, Lithia was able to price a lower coupon bond because it was (i) a 5yr maturity (vs 10yr for AN) and (ii) the market has markedly improved from 1Q25

Final Terms	2030 Notes
Issue Date	Sep 3, 2025
Issuer	Lithia Motors
Corporate Ratings	BB+ / Ba1
Bond Ratings	BB+ / Ba2
Issue	Senior Unsecured Notes
Amount	$600mm
Maturity *Call*	**Sep 2030** *5yr NC2*
Coupon *Spread vs US Treasuries*	**5.500%** *(T + 181 bps)*
Current Yield *Spread vs US Treasuries*	**6.437%** *(T + 115 bps)*

Note: Yield as of 9/30/26