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The China Factor: A Growing Force in the Automotive Industry

By Erin Kerrigan, *Kerrigan Advisors*

China is rapidly redefining the global automotive landscape, and potentially the US market.

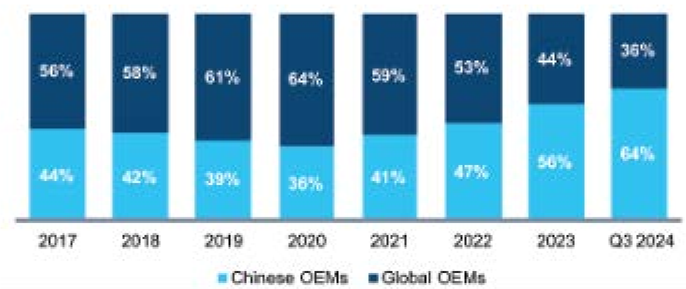
China is the largest auto retail market in the world, surpassing the US in 2009 (see Chart 1). Now, Chinese OEMs are on the verge of becoming the world's largest automakers. Today, China represents 40% of global auto production relative to the US's 10% share. The country leverages its superior cost efficiencies, government-backed initiatives and aggressive expansion strategies to accelerate its global market share gains.

Chart 1 | Annual light Vehicle Sales & Share of Global Auto Production, US vs. China

Source: China Association of Automobile Manufacturers, CEIC, Macrobond, Automotive News, Kerrigan Advisors' Research & Analysis

Today, 64% of vehicles sold in China (a market now double the size of the US) are manufactured and sold by domestic Chinese brands, up from 36% in 2020. By contrast, legacy automakers have seen their market share decline to just 36% (see Chart 2). The rapid ascent of China's domestic brands in China, at the expense of imports, signals a potential reshuffling of the global auto industry, with Chinese manufacturers poised to extend their market dominance beyond their home market.

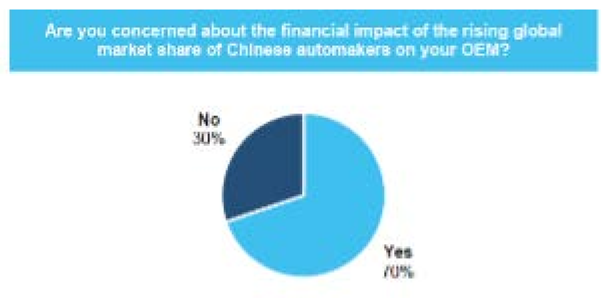
Chart 2 | China Light Vehicle Market Share by Brand Origin



Source: CAAM, Automobility

The financial ramifications to legacy OEMs of lost market share in the world's largest auto market are becoming increasingly apparent. 70% of OEM executives surveyed by Kerrigan Advisors now have concerns about the financial impact of Chinese OEMs' rising global market share (see Chart 3). This is perhaps not surprising when considering how the automakers that suffered the most significant declines in Chinese market share had historically relied on China for a meaningful percentage of their global sales (see Chart 4).

Chart 3 | 2025 Kerrigan OEM Survey Results



Source: Kerrigan Advisors

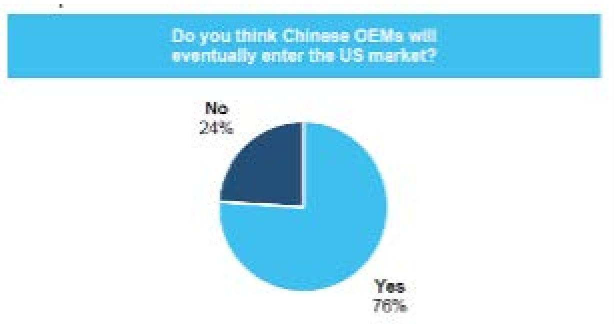
Chart 4 | OEMs' Share of Global Sales from China and Year-over-Year Sales Declines in China in 2024

Source: Reuters, Yahoo Finance, Company Filings

OEMs' concern about the financial impact of Chinese OEMs are becoming a reality as their earnings are now being negatively impacted by the lost sales. One of the most striking examples is General Motors, which recorded a $5 billion restructuring charge in the fourth quarter of 2024 due to the deterioration of its Chinese business. ***To put this into perspective, GM's China charge represents 70% of the company's 2024 net income, underscoring the financial gravity of the shifting competitive landscape.***

As legacy OEMs experience the financial fallout from their shrinking China presence, they have concerns about Chinese OEMs entering the lucrative US market. The US is the only major auto retail market in the world where Chinese OEMs are absent. This makes the US a highly attractive auto retail market for legacy OEMs. However, 76% of US auto executives surveyed by Kerrigan Advisors expect Chinese automakers to eventually enter the US market (see Chart 5), indicating the barrier to entry may be short lived.

Chart 5 | 2025 Kerrigan OEM Survey



Source: Kerrigan Advisors

While the US has successfully shielded its auto retail market from Chinese imports for now, the global rise of Chinese OEMs – and the potential for their future entry into the US – will inevitably impact legacy automakers' US strategy, operations and their associated blue sky values. Blue sky represents the intangible value of a franchise, driven by an OEM's ability to sustain a profitable dealer network with compelling, innovative products. When an automaker loses global market share and suffers the financial implications of that loss, its blue sky value often declines.

Whether Chinese vehicles enter the US market directly or not, their growing dominance in the global auto industry will have financial consequences for US auto retailers. As the competitive landscape continues to shift, US dealers should closely monitor the financial health and strategic global positioning of their franchise OEMs, ensuring they align with brands capable of sustained investment and long-term viability in an evolving global marketplace. Fully insulating the US auto market and blue sky values from the impact of the Chinese auto industry likely has an expiration date.

About Author

Erin Kerrigan is Managing Director of Kerrigan Advisors, which she founded in 2014. Kerrigan Advisors is the leading boutique investment bank serving auto retail, the largest retail industry in the US. Since its founding, Kerrigan Advisors has sold over 300 dealerships representing over $9 billion in client proceeds, including the third largest transaction in the industry's history – the sale of Jim Koons Automotive Companies in 2023 to Asbury Automotive for $1.5 billion.

Prior to founding Kerrigan Advisors, Erin headed Presidio Automotive, another boutique investment bank dedicated to auto retail based in San Francisco. Prior to Presidio, she was a Senior Vice President at iStar Financial (NYSE: SFI), a multi-billion dollar publicly-traded REIT where she led transaction origination. Early in her career, Erin was dealer operator of her family's dealership, which she sold in 2006. She began her post-graduate career as an investment banker for Piper Jaffray in Menlo Park, California.

Erin is a recognized industry expert on dealership M&A, valuation, real estate and private equity, and is frequently quoted by The Wall Street Journal, The Economist, CNBC and Automotive News. In 2018, she was named a Women of Influence by Automotive News. Erin is a recurring speaker at leading auto retail events and conferences held by JD Power, National Auto Dealers Association (NADA), American International Auto Dealers Association (AIADA), American Institute of Certified Public Accountants (AICPA), National Association of Dealer Counsel (NADC) as well as numerous state dealer associations. She has also been a keynote speaker for events hosted by Toyota Motor North America, American Honda Motor Company, Audi of America, Bank of America, Wells Fargo, US Trust and Truist. Erin is the author of The Blue Sky Report®, the industry's leading M&A report, which is distributed to 11,000 industry participants in 35 countries and co-authored NADA's Guide to Buying and Selling Auto Dealerships.

Erin earned her undergraduate degree from Northwestern University and her MBA from The UCLA Anderson School of Management. She resides in Incline Village, Nevada with her husband and partner, Ryan Kerrigan, and their three children, two of whom are currently attending the University of Notre Dame. Erin is a member of the Young Presidents Organization and serves on the University of Notre Dame's Cabinet For Good Campaign and Mendoza College of Business Advisory Council, Northwestern University's Council of 100 and the board of The League to Save Lake Tahoe.

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Drive Your Dealership Into the Future: Estate Planning Considerations for Auto Dealers in Light of the One Big Beautiful Bill Act

By Shaina Kamen, *Holland & Knight*

Business succession planning is a critical part of business operations for auto dealers. While more typical estate planning addresses the formidable and daunting question of how and to whom the dealer's business will pass at death, basic estate planning does not address the more common situation where family members are not interested in running the business indefinitely. For this reason, business succession planning is critical to evaluate what the dealer's goals are for the future of their business, and whether it makes sense to plan for the business to pass to the next generation or to consider opportunities to sell the business to third parties prior to death.

The One Big Beautiful Bill Act (OBBBA), signed by President Trump into law on July 4, 2025, made significant changes to the tax laws that will be effective on January 1, 2026. OBBBA addresses a number of tax considerations that impact auto dealers as they consider whether to transition their businesses to children or other family members through estate planning, or sell the business to third-parties as part of a broader succession planning strategy.

For dealers who are interested in transitioning their business to children or other family members, OBBBA expands opportunities to transfer the business while **minimizing the impact of gift, estate, and other transfer taxes**. OBBBA increases and makes permanent (for now) significantly higher estate, gift, and generation-skipping transfer tax exemptions. Effective January 1, 2026, OBBBA increases the amount that may be transferred to third-parties through estate planning or death to $15 million per person ($30 million per married couple). These exemptions are indexed for inflation and provide a significant opportunity for dealers to transfer the business to family members. Where the value of the business exceeds the dealer's remaining exemption, estate planning strategies including sales to intentionally defective grantor trusts, such as Spousal Lifetime Access Trusts and Dynasty Trusts, can be implemented to transfer the business to family members in a tax effective way. These planning techniques can even be structured to provide the dealer or spouse with an income stream attributable to the value of the business, as well as certain types of control over the business operations. These tools may incentivize the dealer to engage in tax planning.

For dealers who are interested in selling their business, OBBBA expands the already favorable rules about **Qualified Small Business Stock** (**"QSBS"**), making it easier for shareholders to sell their stock while eliminating or greatly minimizing capital gains. Under the QSBS rules, certain eligible investors in C-corporations may exclude some or even all of their capital gains from federal tax when the stock is sold. Under the existing law, the capital gains exclusion is limited to the greater of (1) $10 million or (2) 10 times the shareholder's basis in the QSBS. Under the new law, effective January 1, 2026, the capital gains exclusion is increased to $15 million, adjusted for inflation annually (or 10 times the shareholder's basis in the QSBS). The capital gains exclusion may be leveraged even further through an estate planning technique referred to as QSBS trust "stacking." Among other changes, the new rules also make it easier for a C-corporation to qualify for QSBS treatment by softening the required holding period for the stock and increasing the ceiling for the corporation's gross assets at inception from $50 million to $75 million.

Last, auto dealers often look to employee stock ownership plans, or **ESOP**. ESOPs are tax-qualified, deferred compensation plans that facilitate employee ownership of company stock, similar to an employee retirement plan. While ESOPs aren't directly impacted by OBBBA, there are various tax strategies that may make ESOPs a top contender for auto dealers.

With the enactment of OBBBA and its tax advantages for auto dealers, taking steps to implement succession planning is a critical part of planning for auto dealers that should not be overlooked.

About NLX

Shaina Kamen *is a private wealth services attorney. Ms. Kamen serves as general counsel to high-net-worth individuals and multigenerational families throughout New York and Florida.*

Ms. Kamen advises clients on all aspects of estate, gift and generation-skipping transfer tax planning to create plans consistent with client goals, with an emphasis on coordinating the overlay of business succession planning on estate planning for family-owned business structures.

In addition to developing comprehensive wealth transfer plans for clients, Ms. Kamen often acts as a

resource to family offices, including trustees and other advisors, to *coordinate the implementation of estate plans across multigenerational family groups. She also works with family members and advisors to evaluate family office structures and needs, including restructuring existing family offices or creating new family offices as objectives evolve over time.*

Ms. Kamen's practice encompasses all aspects of estate and trust administration in New York and Florida, including post-mortem estate planning, and federal and state estate tax matters.

Ms. Kamen frequently writes and speaks on estate planning topics relating to high-net-worth individuals and families. She is an adjunct professor at the University of Miami School of Law, Graduate Program in Taxation.

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President's Message

Eric Baker
Wisconsin Dealer Law
NADC President

Greetings from the Big Woods of the Upper Midwest! I write to you as we kick off the holiday season, which, in Wisconsin, starts with the opening of the main deer hunting season, first light of Saturday morning before Thanksgiving.

I'll take this first President's Message as my opportunity to thank the entire NADC membership, and specifically our Board of Directors, for allowing me the honor of serving as President of this fine organization for the next two years! As I start my tenure, and consider the path for our third decade as a professional association, I'm truly humbled by the efforts of our founders and many members who have patiently grown NADC into the vibrant community it is today. More specifically, I'll thank our Immediate Past President, Scott Silverman, for his outstanding leadership the past two years!

When I joined NADC in 2008, our membership was already a robust 480 members, just four years in existence. When I joined the Board of Directors, in 2015, we had grown to nearly 550 members, and just recently we surpassed 650 members, strong. Our member conferences also have consistently grown, with our recent 2025 Fall Conference setting yet another attendance record, of 274 attendees!

Repeated member surveys have confirmed what is obviously the key to NADC's success: the enthusiastic engagement of our membership in sharing our knowledge, experience, and contacts with our valued friends and colleagues throughout NADC. It's a simple and truly winning formula that will endure so long as each of us graciously contributes when and in what form we can.

This is where I make my pitch. Our Board is gearing up for our Annual Member Conference this coming May, in Santa Monica, California. We are also constantly in need of insightful content for our monthly Defender newsletter. I very much appreciate the articles and conference session proposals we receive; yet, it is noteworthy that the number of members submitting content has not nearly kept pace with our membership growth. I'd like to see this change over the next two years, and I ask that all members thoughtfully consider some content that they could contribute to our cause.

I realize that making my call to action is much simpler than completing the challenge, itself. I recall having a desire to contribute an article or conference presentation long before I actually did so, and I also recall that one of the primary hurdles for me was identifying a topic that would be both insightful to this distinguished group and within my grasp as a practitioner in a relatively small and quieter region. So, to spur this effort, let me offer this help. If you are interested in contributing an article or conference session proposal, but haven't done so because you have not identified an appropriate topic or you would like to partner with another member on the effort, please email your interest to me at eric@widealerlaw.com, with the Subject Line "NADC Content Contributor." I will work with our administrative team and Board to develop a list of potential contributors and to identify potential content topics that may fit your interest and practice.

I thank you in advance for your thoughtful consideration, as well as for your continued engagement and support. I think you will find great satisfaction, as I have, in whatever contribution you can make to this fantastic group.

And, finally, I wish all of you Happy Holidays—however you celebrate this season—and hope those who enjoyed time in the woods had a safe and successful hunting season!

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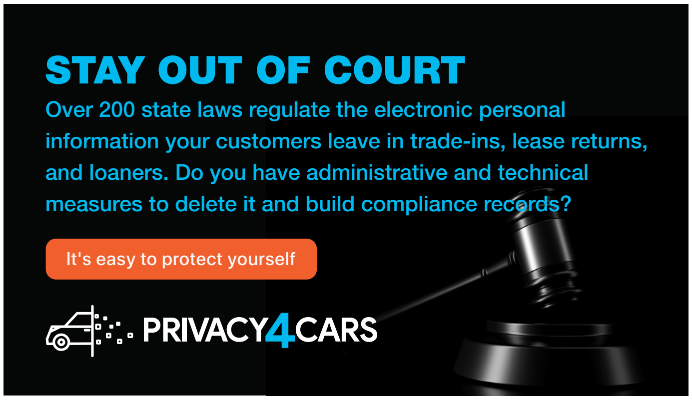

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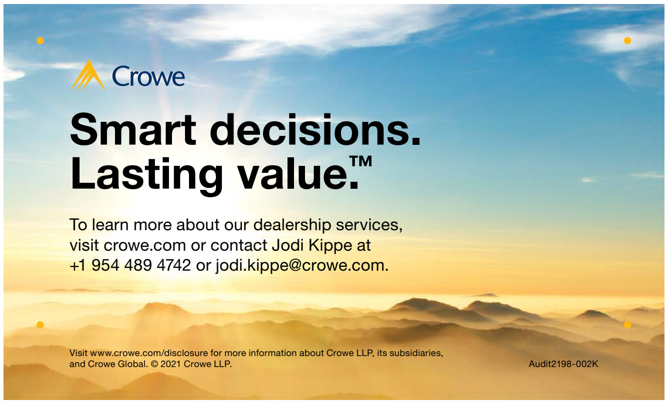

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- Must be a current NADC member at the time of retirement
- Must have been an active member for at least 10 years

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Sara Bruce, Editor

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