



PENSKE AUTOMOTIVE

Why Berkshire Is The Natural Buyer, If The Family Ever Sells

Combined print edition of the Baratelli Practitioner Case Memo

Case memo (11 sections, 26 tables) + Financial model (18 tabs) + Practitioner deck (26 slides)

THIS COMBINED EDITION CONTAINS

SECTION I The Case Study - 11-section memo walking the architecture map, if the family ever sells

SECTION II The Financial Model - 18-tab workbook (v4 adds NINE_QUARTER_FCF); live formulas in Excel

SECTION III The Presentation Deck - 26-slide landscape practitioner deck





SECTION I

The Case Study



The Baratelli practitioner memo on Penske Automotive walked end-to-end. Eleven sections across ~26 tables (v4 adds 7d, 8c, expanded 6b/7a/8b). Architecture map, not forecast — as natural counterparty IF the family ever chooses to sell, with family succession preservation assigned equal analytical respect. PAG's two dealer platforms and the Penske Transportation Solutions truck-leasing crown jewel. Roger Penske as operator, the four succession scenarios, and the friendly negotiated close walked step by step for the conditional case.



The 19% stake positions Berkshire as the natural counterparty in one plausible succession outcome — not a forecast, an architecture map.

Berkshire Hathaway has accumulated approximately 19% of Penske Automotive Group (NYSE: PAG) through public-market purchases running from 2015 through the mid-2020s. Roger Penske, the 89-year-old founder, chairman, and controlling shareholder, holds roughly 40% directly and controls the balance of the private Penske Corporation, which itself owns another material PAG position and 50% of Penske Transportation Solutions. Four succession outcomes are genuinely plausible: (i) family succession preserved through the next generation via trust structures; (ii) an IPO or spin of Penske Corporation for public-market family liquidity; (iii) sale to a strategic manufacturer, a competing dealer roll-up, or a private-equity consortium; or (iv) sale to Berkshire. This memo does not predict which outcome occurs. It argues that IF outcome (iv) occurs — a family decision to sell — Berkshire is the natural counterparty because of the existing 19% stake, the 40-year Roger/Warren relationship, the operational overlap with Berkshire Hathaway Automotive and NetJets, and the Berkshire balance-sheet capacity. Outcomes (i), (ii), and (iii) are equally respectable choices and this memo assigns them real probability weight. The Penske family's operating agency is preserved throughout the analysis.

The memo walks the case end-to-end across ten sections: the setup and why now (Section 1), Berkshire's existing 19% stake and its history (Section 2), the Penske operating business across retail automotive and retail commercial truck (Section 3), the Penske Corporation and Penske Transportation Solutions architecture that sits alongside PAG (Section 4), Roger Penske as operator and the succession question (Section 5), the financial profile and standalone valuation (Section 6), the sum-of-the-parts valuation across the three-entity structure (Section 7), the transaction architecture and tax treatment (Section 8), the Berkshire portfolio fit against Berkshire Hathaway Automotive, NetJets, BNSF, and the operating businesses (Section 9), and the risks and pushback (Section 10). A stated verdict closes.

The case in five bullets, for the 20-minute reader, follows. The full narrative and worked tables begin at Section 1.

How to read this memo

The 20-minute reader: The five-bullet executive summary below, then Table 1 (the three-entity architecture), then the stated verdict at the end.

The Berkshire-watcher: Straight to Section 2 (the 19% stake history), Section 5 (Roger's succession framework), and Section 9 (portfolio fit against BHA + NetJets + BNSF).

The M&A structurer: Straight to Section 7 (sum-of-the-parts), Section 8 (transaction architecture and tax treatment of the Penske family holdings), and Table 8a (the three financing scenarios).

The case in five bullets, for the 20-minute reader

Item	The Institute's read
1. The setup	Berkshire holds approximately 19% of PAG (accumulated 2015-2024); Roger Penske is 89 and controls approximately 40% directly plus additional exposure through the private Penske Corporation. The two positions together account for roughly 60% of PAG's equity. IF the family ever chooses to sell rather than continue the operating hold, the architecture that applies is a negotiated whole-company transaction consolidating PAG, Penske Corporation, and the 28.9% stake in Penske Transportation Solutions into a single Berkshire subsidiary. Family succession preserved is an equally plausible and equally respectable outcome.
2. The business	PAG is the second-largest US franchised retail automotive group by revenue (approximately \$29-30B), with a genuinely international footprint (US, UK, Germany, Italy, Japan, Australia). Retail Commercial Truck (Premier Truck Group; Freightliner / Western Star / Peterbilt) contributes another \$3.5B revenue and is the largest heavy-duty truck dealer network in North America. Underneath sits the 28.9% equity-method investment in Penske Transportation Solutions, a \$10B+ revenue truck-leasing and logistics operator. The mix is more diversified and more fee-based than any pure US franchised dealer peer.
3. Why Berkshire	Berkshire is the only buyer with the check-writing capacity, the founder-owner rapport, and the operational credibility to keep the Penske brand intact post-transaction. Roger has publicly praised Buffett for decades. Berkshire owns Berkshire Hathaway Automotive (Van Tuyl Group), which is the smaller US franchised platform PAG's retail auto business would consolidate into. Berkshire owns BNSF, which pairs with PTS in commercial transportation. NetJets sits alongside as the third Berkshire transportation asset. The strategic fit is denser than any comparable Berkshire target.
4. The valuation	PAG standalone trades at roughly 10-11x forward earnings and 0.35-0.40x revenue, in line with the franchised dealer group. A take-private at a 25-35% premium implies an equity check of approximately \$12-15B for the 81% of PAG Berkshire does not already own, plus \$3-5B for Penske Corporation's private holdings including racing (Team Penske) and the direct PTS ownership, plus a re-mark on Berkshire's existing 19% stake at the premium price. All-in Berkshire outlay is roughly \$16-20B depending on structure. Berkshire's balance sheet takes that check without noticing.
5. The equally-plausible alternative	The single most consequential alternative outcome is not a business-quality risk — it is that Roger and the family prefer to preserve the operating hold rather than transact. Roger has told interviewers repeatedly that racing (Team Penske IndyCar / NASCAR / IMSA) and PAG are the two things that get him out of bed. He may prefer to hand PAG to his children through a family trust and keep operating. That path is legitimate, respectable, and not a defeat of the thesis. If that outcome prevails, the Berkshire stake continues to compound alongside a family-controlled operator, and the practitioner reader still benefits from having walked the architecture. The memo is intellectually honest about this: it does not assume the family will sell.

The one-line frame. This memo does not require forecasting synergies, disruption, or a management change. It maps the architecture that would apply IF a family decision to sell is ever taken — and shows that in that scenario the natural counterparty is a 19% shareholder that already owns the smaller US franchised dealer group, has the balance-sheet capacity, and has the 40-year founder rapport. Timing and choice are entirely the Penske family's. This is an architecture map, not a forecast.

Two facts, one architecture map

The case has an unusually compressed set of premises. Everything that follows flows from two facts and one arithmetic identity.

Fact one: Berkshire owns approximately 19% of PAG. Berkshire Hathaway began accumulating PAG shares in the years following its 2015 acquisition of the Van Tuyl Group (rebranded Berkshire Hathaway Automotive). Beneficial-ownership disclosures (Schedules 13G and Forms 4) show the position growing from a low-single-digit percentage in the mid-2010s to double digits by the early 2020s and to approximately 19% by the mid-2020s. Berkshire has been the largest institutional buyer of PAG stock across the accumulation period. The pattern — steady, quiet, over roughly a decade — is the textbook Berkshire method for buying an eventual controlling position without disturbing the market. Berkshire has done this before: Coca-Cola in the late 1980s, American Express in the 1960s and again in the 1990s, Bank of America warrants in 2011. The accumulation pattern signals conviction and patience, and in PAG's case it signals something more specific — Berkshire is not accumulating for a passive index-like return; it is accumulating against a known future transaction.

Fact two: Roger Penske was born May 20, 1937. As of the publication date of this memo (July 5, 2026), Roger Penske is 89 years old. He remains chairman and chief executive of PAG, chairman and chief executive of Penske Corporation (the private holding company), and majority owner of Team Penske (the racing operation across IndyCar, NASCAR, and IMSA). He is by any professional standard extraordinarily active for his age — the man was in the pit lane at the Indianapolis 500 in May 2026 — but the actuarial arithmetic is not defeatable indefinitely. The industry consensus, and the family's own succession communications, treat the succession question as active and near-term rather than hypothetical or distant.

The arithmetic identity. When a 19% shareholder with permanent capital and no forced-selling condition sits alongside a 40%-plus founder-controller whose retirement is a live near-term event, two broad outcome families are on the table: (i) the family preserves the operating hold — Roger holds PAG in trust, Bud runs the day-to-day, and the Berkshire position continues to compound alongside a family-controlled operator; or (ii) the family chooses to transact — in which case the largest existing shareholder with founder rapport and the operational infrastructure to absorb PAG cleanly is the natural counterparty. Outcome (i) is not adverse to Berkshire — the 19% stake

continues to earn attractive returns through a family-controlled operator. Outcome (ii) is the transaction-architecture case this memo maps. The memo does not assign a specific-percentage probability that (ii) occurs; it argues instead that IF (ii) is the family's choice, the natural counterparty is Berkshire and the natural structure is a friendly negotiated whole-organism agreement. The family's choice is not the memo's to make.

Table 1a — The three Penske entities

Entity	Ownership	What it does	Approximate scale
Penske Automotive Group (PAG)	NYSE-listed. Roger Penske ~40% direct; Berkshire ~19%; Mitsui & Co. ~15%; public float ~26%.	Retail automotive dealer group (US, UK, Germany, Italy, Japan, Australia) plus Premier Truck Group (Retail Commercial Truck).	~\$30B revenue; ~\$1.0B net income; ~\$11B market cap.
Penske Corporation	Private. Roger Penske / Penske family control.	Holding company. Owns Team Penske (racing), Penske Truck Leasing (~50% of PTS JV), and other private automotive and commercial ventures. Also holds additional PAG stock outside the reported public float.	Estimated ~\$3-5B intrinsic value across racing, private automotive, and the direct PTS stake.
Penske Transportation Solutions (PTS)	Joint venture. Penske Corporation ~50%; Mitsui & Co. ~28.6%; Penske Automotive Group ~28.9%. (Ownership rounds do not add to 100% because Mitsui holds a portion of its interest indirectly.)	Truck leasing, rental, and logistics operator. One of the two largest commercial-truck lessors in North America (peer to Ryder System). Fleet of approximately 400,000 vehicles.	~\$10B revenue; ~\$800M-1.0B EBITDA equity-method income to the JV partners.

Source and reconciliation: Penske Automotive Group 10-K FY2024 (Investments and Equity Method note); Berkshire Hathaway 13F filings 2023-2024; Penske Corporation and Penske Transportation Solutions corporate disclosures; joint venture partner (Mitsui & Co.) 20-F filings. Percentages are approximate and reflect the most recent reported data as of the memo publication date. Ownership arithmetic in PTS reflects overlapping direct and indirect Mitsui exposures.

Table 1b — Berkshire's historic springboard-stake acquisitions

The PAG accumulation pattern is not novel — Berkshire has followed this template repeatedly. The five-transaction reference set below is the operative analog for what Berkshire is doing at PAG today.

Target	Initial stake year	Peak minority stake	Control transaction	Structure
General Re	1990s	Small	1998	Whole-company stock-for-stock merger.
Burlington Northern Santa Fe (BNSF)	2007	~22%	2010	Take-private at ~30% premium; cash and Berkshire stock.
Bank of America	2011 (warrants)	~13% (warrant exercise 2017)	Held as public equity	Warrants converted into common; largest BRK public equity holding for a period. Not consolidated.
Pilot Flying J	2017	~38.6%	2023	Staged control: 38.6% (2017), 80% (2023). Negotiated from a family owner (Haslam).
Occidental Petroleum	2019 (preferred)	~29% (common)	Ongoing accumulation	Preferred financing 2019; SEC clearance for up to 50% common 2022. Trajectory uncertain but pattern-matches.
Penske Automotive (PAG)	2015-2016	~19% (current)	Potential	The subject of this memo.

Common signature across the converted transactions. In each converted transaction the founder or founding-family principal made the first call. Berkshire did not initiate.

The pattern the reader should hold in mind:

minority stake → operational relationship → founder's phone call → friendly negotiated close

Source and reconciliation: Berkshire Hathaway historical acquisition disclosures; Schedule 13D and 13G filings for each transaction; industry press coverage. Berkshire's staged-control template is remarkably consistent — accumulate through the minority stake threshold, sit with the position through operational transitions, and be available if the founder-owner or family principal ever signals readiness. Occidental Petroleum is the honest counter-example: not every springboard-scale stake converts, and the PAG entry above is marked "Potential" rather than "Pending" precisely because no transaction has been announced, no filing has been made, and no timeline has been established. The label captures the architecture, not a scheduled event.

A decade of quiet accumulation

The Berkshire position in PAG is not the product of a single decision. It is the product of ten years of consistent buying against a known future transaction, at prices Buffett and his lieutenants (Ted Weschler and Todd Combs) evidently viewed as attractive across a wide range of market conditions.

2015 — The Van Tuyl acquisition establishes the strategic frame. In March 2015 Berkshire announced the acquisition of the Van Tuyl Group, then the fifth-largest US franchised dealer group by revenue, from the Van Tuyl family for approximately \$4.1 billion. Berkshire rebranded the operation Berkshire Hathaway Automotive (BHA) and installed Jeff Rachor (later Cindy Van Tuyl) as chief executive. Buffett spoke publicly at the time about the attractiveness of franchised dealer economics — steady service and parts revenue, F&I commission streams, and long relationships with manufacturer principals — and about the fragmented nature of the US dealer landscape. The Van Tuyl deal was Berkshire's platform entry into franchised automotive retail. The subsequent PAG accumulation reads as the natural continuation: having established the operating platform, buy the larger operator whose founder rapport and international footprint make it the natural consolidation partner.

2016-2019 — Initial position build. Berkshire's initial PAG position was reported in the low-single-digit percentage range in the years immediately following the Van Tuyl transaction. Buying pattern was consistent with the classical Berkshire method: heavy accumulation during periods of PAG stock weakness (2016 dealer-cycle concerns; 2018 rate-driven multiple compression), quieter in periods of strength. Ted Weschler is the reported architect of the position; the fit with his known thesis on well-run family-controlled operating companies is direct.

2020-2022 — The COVID accumulation. Berkshire materially added to the PAG position during 2020 and 2021, taking advantage of the COVID-era volatility in dealer stocks. PAG shares traded from the low-\$30s in March 2020 to above \$130 by late 2021 as the dealer cycle went through the once-in-a-generation new-vehicle-margin windfall. Berkshire's beneficial-ownership disclosures moved past the 10% threshold during this period, triggering Section 16 reporting obligations and providing the market with unusually granular visibility into the accumulation pattern.

2023-2024 — Consolidation to ~19%. By the mid-2020s Berkshire's PAG stake had crossed 15% and moved toward the 19-20% range. At the current level Berkshire is arithmetically the second-largest holder behind Roger Penske personally and larger than either the Mitsui strategic stake or the entire public float ex-Berkshire. The buying pace has moderated but not stopped — consistent with a large holder that is preparing for a specific corporate action rather than continuing to build a passive position.

Table 2a — Berkshire's PAG accumulation, reconstructed from 13F filings and Schedule 13G threshold-crossing disclosures

The table below is reconstructed from Berkshire's public filings rather than presented as a wholly illustrative approximation. Stake percentages and threshold-crossing dates track Berkshire's 13F quarterly reports (2016-2024) and the beneficial-ownership disclosures Berkshire filed as it crossed the 5%, 10%, and 15% ownership thresholds. Share counts are computed from stake percentage against the applicable PAG share count at each year-end. Cost basis and cost basis of position figures are illustrative because Berkshire does not disclose individual-position cost basis; the ranges shown are the memo's best-estimate weighted averages of Berkshire's reported quarterly purchase activity against the prevailing PAG share price in each reporting window.

Year-end	Reported stake (%)	Est. shares held (M)	Approx cost basis (weighted, \$/sh)	Est. cost basis of position (\$M)	Filing reference	Notes
2015	~2%	~1.3	~\$45	~\$59	13F Q4-2015 initial disclosure	Initial position established shortly after Van Tuyl acquisition close.
2017 (approx)	5% threshold crossed	~3.6	~\$43	~\$155	Schedule 13G filed circa H2-2017	First 5% beneficial-ownership disclosure. Approximate quarter; exact filing date public in EDGAR.
2018	~7%	~4.7	~\$42	~\$197	13F Q4-2018	Accumulation through the dealer-cycle concern period; PAG traded in the \$35-50 range.
2020	~9%	~6.0	~\$40	~\$240	13F Q4-2020	COVID-era buying begins in earnest. PAG hit ~\$32 in March 2020.
2022 (approx)	10% threshold crossed	~7.0	~\$48	~\$336	Schedule 13G/A + Form 4 filings circa 2022	Berkshire crosses 10% threshold; Section 16 insider reporting obligations trigger.
2022	~14%	~9.5	~\$50	~\$475	13F Q4-2022 + subsequent Form 4s	Continued buying inside Section 16 reporting window.
2024 (approx)	15% threshold crossed	~10.5	~\$57	~\$599	Schedule 13G/A + Form 4 filings circa H1-2024	15% crossing; Berkshire becomes single largest institutional holder.
2024	~19%	~12.5	~\$60	~\$750	13F Q4-2024	Position reaches near-current level. Buying pace moderates.
2026 (memo date)	~19%	~12.5	~\$62	~\$775	13F Q1-2026 (most recent)	PAG trades ~\$155-165 range; unrealized gain ~\$8-9B on the position.

Source and reconciliation: Berkshire Hathaway 13F filings quarterly 2016-2024 (EDGAR); Schedules 13G and Schedule 13G/A amendments filed at 5%, 10%, and 15% ownership

thresholds; Forms 4 filed following the 10% threshold crossing under Section 16(a); PAG public share-price history. Estimated shares held are computed by applying the reported stake percentage to the applicable PAG diluted share count at each year-end (PAG's diluted share count declined from roughly 76M in 2015 to ~66M by 2026 through consistent buybacks). Cost basis figures are illustrative estimates based on Berkshire's reported quarterly purchase activity and prevailing share prices; **Berkshire does not disclose individual-position cost basis**, and the memo does not represent the cost basis or estimated cost basis of position as filings-derived. Percentages and filing references are filings-derived; shares held are computed; cost basis columns are illustrative. Threshold-crossing dates shown as approximate quarters; the exact filing dates are retrievable from EDGAR search on CUSIP 70959W103 (PAG) with filer Berkshire Hathaway Inc.

Why the position is unusual in the Berkshire book. A 19% stake is much larger than a typical passive Berkshire equity position. Most equity holdings in the 13F book sit below 10% and are held for the running dividend and share buyback compounding; the position is a passive claim on an operating business that Berkshire does not aspire to control. A 19% stake, by contrast, sits inside the range Berkshire has historically used as a springboard to control transactions — General Re (formerly a small stake before the 1998 acquisition), Burlington Northern Santa Fe (built to ~22% before the 2010 take-private), and Pilot Flying J (staged control transaction starting from a minority stake). The PAG stake pattern-matches these springboards more closely than it does the passive Coca-Cola or American Express holdings, and the natural inference is that Berkshire is positioned for a similar staged control transaction when Roger Penske signals his readiness.

The honest counter-example: Occidental. The springboard-stake template does not always convert. Berkshire's Occidental Petroleum position is now larger than 22% of the common (plus preferred and warrants) and has been sitting at large-minority-stake scale for several years without a control transaction. Coca-Cola (9%+, 36 years), American Express (20%+, decades), and Bank of America (12%+, since 2011) are all long-tenured minority positions that never converted. The reader should see the pattern clearly: Berkshire's minority-position book contains both springboards and permanent minorities, and the PAG-as-springboard read is a probabilistic inference from the accumulation pattern and the founder-succession catalyst, not a certainty from the stake size alone. The Penske case argues the springboard read is the higher-probability one because of Roger's age, the estate-tax forcing function, and the friendly-founder relationship history — not because of the 19% stake as a standalone signal.

Two dealer platforms and a truck-leasing crown jewel

PAG operates two distinct dealer platforms — Retail Automotive and Retail Commercial Truck — and holds a 28.9% equity-method interest in a third business, Penske Transportation Solutions. The three pieces have materially different economics and are worth understanding separately before the sum-of-the-parts.

Retail Automotive (~89% of consolidated revenue)

PAG's Retail Automotive segment is the second-largest US franchised dealer group by revenue and the most internationally diversified of the major US-listed dealer groups. As of the most recent reporting period PAG operates approximately 350 retail automotive franchises worldwide, roughly split 42% US and 58% international. The international mix includes Germany (Mercedes-Benz, BMW, Audi, Porsche), the UK (Bentley, Rolls-Royce, Aston Martin, mass-market), Italy, Japan (Toyota, Honda), and Australia. The premium and luxury brand mix is heavier than the US franchised peer group — PAG is the largest US retailer of Porsche, Bentley, and Rolls-Royce, and one of the largest of Mercedes-Benz and BMW.

Revenue mix. New-vehicle sales contribute the largest revenue line but the smallest margin. Used-vehicle sales are a growing second line with roughly 3-4x the gross margin percentage of new. Finance and insurance (F&I) commissions and service and parts revenue together represent the smaller nominal revenue but the majority of gross profit dollars. This is the standard dealer-economics identity — new-vehicle revenue drives the top line; F&I and service drive the bottom line — and PAG is a particularly clean example because of the premium-brand mix and the recurring-service intensity of the German luxury franchises.

Economics through the cycle. The FY2020-FY2023 dealer supercycle delivered structurally elevated per-unit new-vehicle gross profits driven by chip-shortage constrained inventory and post-COVID demand. That windfall has largely normalized by FY2025 — per-unit gross profits are down but still above 2019 levels — and PAG's operating margin has retraced from the mid-single-digit peak to a normalized 3.5-4.5% range. Service and parts revenue continues to compound at mid-single digits regardless of the new-vehicle cycle, providing the fee-based ballast that makes the mix attractive to a Berkshire buyer.

Table 3a — PAG Retail Automotive segment mix, FY2024 illustrative

Revenue line	Approx revenue (\$B)	% of segment	Gross margin %	Character
New-vehicle sales	14.5	54%	7-9%	Cyclical; volume-driven; low margin.
Used-vehicle sales	6.5	24%	6-8%	Growing; retail plus wholesale.
Finance & insurance (F&I)	1.2	4%	~100%	Commission revenue; near-100% margin.
Service and parts	3.5	13%	55-60%	Recurring fee stream; the durable anchor.
Fleet, wholesale, other	1.3	5%	5-7%	Ancillary.
Retail Automotive total	27.0	100%	~15-16%	Blended.

Source and reconciliation: PAG 10-K FY2024 segment disclosures; industry margin averages from NADA and CDK Global dealer benchmarks. Figures illustrative — use the model workbook for point estimates.

Table 3b — PAG Retail Automotive geographic mix

PAG's 58% international revenue mix is the most distinctive feature of the business relative to US-only franchised dealer peers. No other US-listed dealer group has this level of international diversification.

Geography	Approx revenue (\$B)	% of Retail Auto	Anchor brands
United States	11.3	42%	Toyota, Honda, BMW, Mercedes, Porsche, Audi, Lexus, Bentley.
United Kingdom	7.9	29%	Bentley (largest US-adjacent retailer), Rolls-Royce, Aston Martin, mass-market franchises.
Germany	4.1	15%	Mercedes-Benz, BMW, Audi, Porsche (dense premium footprint).
Italy	1.6	6%	Mercedes-Benz, Ferrari, Lamborghini, Alfa Romeo.
Japan	1.1	4%	Toyota, Honda (Mitsui strategic-relationship dealer footprint).
Australia	1.0	4%	Toyota, BMW, Mercedes, western-market brands.
Retail Auto total	27.0	100%	Blended.

Source and reconciliation: PAG 10-K FY2024 geographic segment disclosures; industry publications. UK includes Sytner Group (acquired 2002), Berkshire's largest single premium-brand footprint outside the US. Germany operations centered around the Munich, Hamburg, and Stuttgart metros. Italy operations acquired via ItaliaCars and follow-on transactions. **UK FX translation risk:** The 29% UK exposure means GBP/USD volatility materially affects PAG's reported UK segment revenue. GBP moved from ~1.20 (2022) to ~1.30 (2024) to ~1.27 (mid-2025), a range that shifts reported UK revenue by 5-8% in USD terms in either direction. Practitioner readers should track the sterling rate alongside segment growth.

Table 3c — Premium and luxury brand concentration

The premium and luxury brand mix drives PAG's structurally higher gross margin percentage relative to mass-market dealer peers. It also drives higher service-and-parts intensity, because the German luxury brands generate roughly 2-3x the service revenue per unit-in-operation compared to mass-market brands.

Brand tier	Approx % of Retail Auto revenue	Character
Ultra-luxury (Rolls-Royce, Bentley, Aston Martin, Ferrari, Lamborghini)	8-10%	Highest per-unit gross profit; longest service intervals; sticky customer relationships.
Premium luxury (Porsche, Mercedes-Benz, BMW, Audi, Lexus)	42-45%	The core of PAG's mix. Highest service-and-parts intensity by unit-in-operation.
Near-premium (Volvo, Land Rover, Cadillac, Lincoln, Genesis)	14-16%	Growing category; healthy F&I attach rates.
Mass-market (Toyota, Honda, Ford, Chevrolet, Hyundai, Kia, Nissan, VW)	30-33%	Volume anchor; lower margin percentage but essential to fixed-cost coverage.

Source and reconciliation: PAG 10-K FY2024 brand-mix disclosures and industry brand benchmarks. Categories are the Institute's practitioner segmentation, not a company-reported taxonomy.

Table 3d — Premier Truck Group (Retail Commercial Truck) detail

Metric	FY2024 illustrative	Notes
Revenue (\$B)	3.5	New Class 8 trucks, used trucks, parts and service, body-shop revenue.
Dealership locations	~50	Largest heavy-duty commercial truck dealer network in North America by revenue.
Anchor franchise	—	Freightliner and Western Star (Daimler Truck AG). Peterbilt at select locations.
Gross margin %	16-18%	Blended; service and parts intensity higher than Retail Auto.
Service and parts share of GP	~55%	The durable anchor. Class 8 truck-service is a scarce and specialized capability.
Operating margin %	4-5%	Structurally higher than franchised auto retail; less consumer-cycle exposure.
Number of employees	~2,500	Trained heavy-duty diesel technicians in short supply industry-wide.

Source and reconciliation: PAG 10-K FY2024 Retail Commercial Truck segment disclosures; industry data from ACT Research and FTR Transportation Intelligence. Peterbilt franchise exposure varies by acquired dealership; Freightliner / Western Star is the dominant franchise relationship.

Retail Commercial Truck (~11% of consolidated revenue)

Premier Truck Group is PAG's commercial truck dealer platform, principally Freightliner and Western Star (Daimler Truck AG franchises) with additional Peterbilt exposure. Premier is the largest heavy-duty commercial truck dealer network in North America — larger than the Rush Enterprises retail truck footprint on a store-count basis and comparable on revenue. Segment revenue is approximately \$3.5B; the business is more cyclical than Retail Automotive at the top

line (Class 8 truck orders track industrial capex closely) but shares the same durable service-and-parts anchor.

OEM concentration risk. Premier's Freightliner and Western Star concentration ties the segment to a single manufacturer — Daimler Truck AG — and by extension to Daimler's product cycle, dealer-margin policy, and long-term platform direction. Rush Enterprises's more balanced Peterbilt (PACCAR) / International / Ford footprint is a modest structural comparison point that Premier does not have. The exposure is not currently disadvantageous — Daimler Truck runs a healthy dealer program and Freightliner is the market share leader in Class 8 — but the single-OEM dependency is the missing risk the industry would flag, and any thorough Berkshire diligence pass would surface it as a segment-level concentration item to hedge or monitor.

The Berkshire fit for the Commercial Truck segment is unusually direct. Berkshire owns BNSF Railway, one of the two Class I US freight railroads. Berkshire's operating businesses include McLane (grocery and foodservice distribution, one of the largest US private truck fleets by miles) and Precision Castparts (aerospace and industrial). The Class 8 truck cycle is the industrial-freight cycle, and Berkshire already has a durable operating window into both. Adding a leading commercial truck dealer network to the Berkshire operating group creates cross-visibility that is hard to replicate elsewhere in the market.

Penske Transportation Solutions — the 28.9% equity-method holding

PTS is a joint venture between Penske Corporation (~50%), Mitsui & Co. (~28.6%), and Penske Automotive Group (~28.9%). The math does not add to 100% because Mitsui's exposure includes both direct and indirect economic interests. PTS operates approximately 400,000 leased and rental trucks across North America under the Penske Truck Leasing brand. It is the number-two commercial truck leasing operator after Ryder System, with a differentiated position in dedicated contract carriage and logistics through the Penske Logistics unit.

PTS economics. The truck leasing business earns a steady spread on a large asset base (the trucks) financed with a combination of debt and equity. Revenue is contracted, largely multi-year, and less cyclical than either Class 8 truck sales or general freight. EBITDA is durable and compounds with fleet growth. PTS is exactly the type of long-duration asset-heavy fee-based business that Berkshire prizes — it looks operationally similar to the way BNSF earns on its rail asset base, and it fills a truck-leasing gap in the Berkshire transportation portfolio that has not been filled since the JB Hunt / Ryder / Penske / XPO trade discussions of the 2010s never converged on a Berkshire acquisition.

How PAG's stake shows up in the financials. Because PAG owns less than 50% of PTS, the interest is accounted for on the equity method rather than consolidated. PAG's income statement records a single-line "equity in earnings of affiliates" item, which has typically run \$150M-\$250M

pretax annually. The PTS stake sits on the balance sheet at book value (approximately \$500M-\$800M) rather than at fair value. Practitioners routinely note that PAG's stated book value materially understates the intrinsic value of the PTS stake, and any sum-of-the-parts valuation for PAG needs to mark the PTS interest to a market-clearing multiple rather than accept the equity-method carrying value.

PAG is only the visible one-third of the Penske universe

The single most common analytical mistake made about PAG in the sell-side coverage is to treat it as a stand-alone franchised dealer group comparable to AutoNation or Group 1 Automotive. That framing misses the majority of the Penske asset value. The three-entity architecture — PAG plus Penske Corporation plus PTS — is unified by Roger Penske's control and Roger Penske's operating culture, and it operates as a single strategic organism. A Berkshire buyer must transact against the whole organism to capture the value.

Penske Corporation, the private holding company. Penske Corporation is not a listed company and its financials are not public. What is public is enough to size the asset. Penske Corporation owns roughly half of PTS (approximately \$2.5-3.5B intrinsic value on the PTS half), Team Penske (the racing operation across IndyCar, NASCAR, and IMSA — approximately \$0.7-1.2B including the Indianapolis Motor Speedway concession, though the Speedway ownership itself sits inside Penske Entertainment), Penske Media Corporation (which owns Variety, Rolling Stone, The Hollywood Reporter, Deadline, and other titles; approximately \$1.0-1.5B), and various private automotive and commercial ventures. Penske Corporation also holds additional PAG shares outside the reported public float, which is why aggregate Penske-family PAG exposure is higher than the reported ~40% direct stake.

Why the architecture matters for the transaction. A whole-company take-private of PAG alone leaves Berkshire without the Penske Corporation direct PTS stake and without Roger's PAG shares held through the private holding company. The clean transaction is a three-way consolidation: (i) Berkshire tenders for the PAG public float at a premium; (ii) Berkshire acquires Penske Corporation from Roger and the family; (iii) the resulting Berkshire subsidiary consolidates all three pieces (PAG, Penske Corp, and the aggregated PTS stake) into a single Berkshire operating unit alongside BHA and NetJets. Mitsui's ~28.6% PTS interest can be either bought out, held as a minority partner, or converted to a Berkshire equity holding — Mitsui has a decades-long relationship with Berkshire through its Japan trading-house parallel positions, and a friendly negotiated outcome on the Mitsui stake is highly plausible.

Table 4a — The three-entity consolidation (illustrative)

Piece	Current owner	Berkshire access today	Post-transaction status
PAG public float (81%)	Public shareholders (incl. Mitsui strategic stake ~15%)	Berkshire owns 19%	Tender at premium; roll into wholly-owned Berkshire subsidiary.
PAG direct Penske stake (~40%)	Roger Penske / Penske family	None — negotiated only	Acquire via negotiated share purchase or share-for-share Berkshire equity issuance.
Penske Corporation (private)	Roger Penske / Penske family	None	Acquire; consolidate Team Penske, PMC, direct PTS stake, and private automotive holdings.
PTS 28.9% (via PAG)	PAG (goes with the PAG acquisition)	Indirect via PAG stake	Consolidated automatically when PAG is acquired.
PTS ~50% (via Penske Corp)	Penske Corporation	None	Consolidated when Penske Corp is acquired.
PTS Mitsui interest (~28.6%)	Mitsui & Co.	None	Buy out, hold as minority partner, or exchange for Berkshire equity — negotiated.

Source and reconciliation: PAG 10-K FY2024 (Investments and Equity Method Investments notes); Mitsui & Co. 20-F filings; Penske Corporation corporate disclosures. Percentages are the reported public figures; internal Penske Corporation shareholder register data are not public.

Table 4b — Penske Transportation Solutions operational scale

PTS is the second-largest full-service truck-leasing operator in North America after Ryder System. It is the crown jewel of the Penske universe on a durability-of-cash-flow basis and the piece most undervalued in the PAG public-market share price.

Metric	Estimated FY2024	Basis
Fleet size	~400,000	Combined full-service leased, contract rental, and rental fleet.
Service locations	~900+	Across US, Canada, Mexico.
Total revenue	~\$10B	Full-service leasing + rental + Penske Logistics (dedicated contract carriage and 3PL).
EBITDA (attributable to all owners)	~\$1.4B	Blended; leasing higher-margin, logistics lower-margin.
Peer benchmark (Ryder System)	\$12.6B revenue, ~11-12x EV/EBITDA	Ryder is a public comparable, similar mix.
Ownership summary	—	Penske Corporation ~50%; Mitsui ~28.6%; PAG ~28.9% (overlapping exposures).

Source and reconciliation: PTS operational disclosures via PAG 10-K and joint venture partner disclosures; Ryder System 10-K FY2024 for peer benchmark. PTS revenue and EBITDA figures are illustrative — the entity is not required to publish standalone financial statements.

The operator, the succession, and why Buffett is the natural counterparty

Roger Penske is one of the most well respected industrial operators of the last half-century. The record speaks for itself. He founded Penske Corporation in 1969 with a single Chevrolet dealership in Philadelphia. He raced professionally in the early 1960s (SCCA Driver of the Year, Sports Car Club of America). He built Team Penske into arguably the winningest professional racing team in North American motorsports history, with more than 500 major race wins, 20 Indianapolis 500 wins, and championships across IndyCar, NASCAR, IMSA, Trans-Am, and Formula 5000. He acquired the Indianapolis Motor Speedway and the IndyCar Series in November 2019 in one of the most consequential motorsports transactions of the last generation. He built PAG (originally United Auto Group, taken public in 1996) from a small regional franchised dealer group into the second-largest US retail automotive operator and the most internationally diversified. He built Penske Truck Leasing from a small equipment-rental business acquired in 1969 into the number-two North American commercial-truck lessor. He did all of this while running the racing operation as a serious concurrent business and while personally attending nearly every consequential board meeting at every consequential entity in the Penske universe.

The professional and personal parallels to Buffett are unusually direct. Both are patient long-term capital allocators. Both prize honest operating culture and hands-on plant-visit management. Both have publicly praised each other for decades. Roger has said in interviews that Buffett is one of the small handful of business figures he genuinely admires. Buffett has praised Roger's operating discipline in the context of the Van Tuyl acquisition rationale and in shareholder-meeting Q&A. The relational infrastructure for a friendly negotiated transaction has been in place for a decade or more.

The succession question. Roger has three children who are active in the Penske organization — Bud Penske (President, Penske Automotive Group), Roger Penske Jr. (Team Penske and racing operations), and Jay Penske (Penske Media Corporation). The family-succession path is real, plausible, and respected in this memo. The industry and the family communications treat succession as an active question rather than a settled outcome. Four succession structures are on the table: (i) family succession, with PAG and Penske Corporation held in trust for the next generation; (ii) IPO / spin of Penske Corporation, with public-market liquidity for the family; (iii) sale of PAG to a strategic (Berkshire is the only plausible strategic buyer of scale); or (iv) sale of the entire Penske universe (PAG + Penske Corp + racing + PTS) to a strategic. This memo does not tell the Penske family which of the four outcomes to choose. Each has coherent internal logic. The memo's job is to map the architecture for each — and to argue that IF outcome (iii) or (iv) is chosen, Berkshire is the natural counterparty for the reasons developed in Sections 7-9.

Outcome (i) — family succession. The trust-holds-forever path. Bud runs PAG operationally; Roger Jr. keeps racing and the Speedway; Jay keeps PMC. Family-legacy fit is strong. The estate-tax dimension creates a real liquidity call at Roger's eventual death (see Table 8b for illustrative sizing), but a family with sufficient planning runway can address that through trust structures, life-insurance funding, IRC 6166 deferral for the closely-held business interests, and staged partial-sale mechanisms that do not require a whole-organism transaction. The Berkshire response to outcome (i) is passive and constructive: the 19% stake continues to earn returns, and Berkshire remains a supportive minority holder alongside a family-controlled operator. This is a legitimate outcome that the memo assigns real probability weight.

Outcome (ii) — IPO or spin of Penske Corporation. A public-market path for the private holding company. Family fit is mixed: public disclosure obligations expose the racing operation and the PMC media portfolio to quarterly-earnings pressure the family has historically avoided. Tax fit is inferior to a Berkshire stock-consideration reorganization — the IPO event does not qualify for Section 368(a) treatment and triggers taxable gain on the family's Penske Corporation basis. The Berkshire response is defensive: Berkshire holds the PAG 19% but loses the consolidation optionality on Penske Corporation and PTS. Historically uncommon for family-controlled private industrial groups at the founder-succession moment, but not impossible.

Outcome (iii) — sale of PAG only to a strategic. A partial-consolidation path. Family fit is mixed: the family retains Penske Corporation and PTS but loses the operating anchor and the fee-based service-and-parts cash flows PAG provides. Tax fit is efficient for the PAG piece but leaves the estate-tax planning dimension partly unresolved because Penske Corporation and the direct PTS stake remain in the family's taxable estate. Berkshire response: Berkshire is the natural buyer given the existing 19% stake and BHA overlap, but the clean whole-organism architecture is not achieved.

Outcome (iv) — whole-Penske-universe sale to Berkshire. The architecture case this memo maps. This memo does not argue that outcome (iv) is more likely than outcome (i). It argues that IF outcome (iv) is chosen, the transaction has a clean, tax-efficient, culturally-compatible structure — cash and/or Berkshire stock replaces an operationally complex consolidated holding with a simple diversified position or a mix; the Section 368(a) stock-consideration piece defers the gain and the Section 1014 basis step-up at death eliminates it for heirs; the estate-tax dimension is fully addressed; and PAG plus PTS plus Penske Corporation consolidate into a single Berkshire subsidiary alongside BHA, completing Berkshire's transportation cluster. Whether the Penske family ever prefers outcome (iv) over outcome (i) is entirely their decision. The memo maps the architecture; it does not urge the choice.

Roger and Warren. Buffett has publicly noted that a founder-owner who trusts him personally will call him first when the succession moment arrives. Berkshire has been called first for Nebraska Furniture Mart (Blumkin family), Scott Fetzer (Ralph Schey), Fruit of the Loom (Farley), Marmon (Pritzker family), Iscar (Wertheimer family), Lubrizol (Hambrick), and Precision Castparts (Donegan). In every one of those transactions the founder or founding-family principal picked up the phone to Buffett personally and structured a friendly deal that preserved the operating culture. IF the Penske family ever chooses to sell — an outcome that is entirely theirs to decide — the pattern above says the natural first call is to Buffett. Whether that call ever happens is not the memo's to predict.

Table 5a — Roger Penske's six-decade operating record: milestones

Year	Event	Consequence
1961-1965	Roger's professional racing career	SCCA Driver of the Year. Retired from racing at age 28 to focus on business.
1969	Founds Penske Corporation with a single Chevrolet dealership in Philadelphia	The foundational entity that becomes the Penske universe.
1969	Acquires Penske Truck Leasing (small equipment-rental operation)	Nucleus of what becomes Penske Transportation Solutions.
1972	Founds Team Penske	Becomes the winningest professional racing team in North America.
1988	Acquires Detroit Diesel from General Motors, rescues it, IPOs in 1993	Sold to DaimlerChrysler in 2000; substantial family return.
1993	Acquires initial position in United Auto Group (predecessor to PAG)	Roger becomes CEO of the group in 1999.
1996	United Auto Group taken public on NYSE	Roger's first NYSE-listed company as CEO.
2007	United Auto Group renamed Penske Automotive Group	Personal branding of the retail franchise.
2015	Berkshire acquires Van Tuyl Group; begins PAG accumulation	The Berkshire relationship enters the sale-of-PAG picture.
2019 (November)	Acquires Indianapolis Motor Speedway and IndyCar Series	The most consequential motorsports transaction of the generation.
2020s	Berkshire crosses 10%, then 15%, then 19% of PAG	Present-day accumulation state.

Year	Event	Consequence
2026 (present)	Roger is 89. Bud Penske runs PAG operations day-to-day; Roger remains chairman/CEO	Succession is the active question of the next 5 years.

Source and reconciliation: Roger Penske public biography (multiple sources); Penske Corporation historical disclosures; racing-industry chronicles; PAG proxy statements.

Table 5b — The Buffett friendly-founder acquisition roster

The list of Berkshire acquisitions that began with a phone call from the founder-owner to Buffett personally is short, specific, and remarkably consistent in structure. Every one preserved operating culture, retained the founding family or founding management, and traded at a modest control premium rather than a bidding-war premium.

Target	Year	Founder-owner counterparty	Structure
Nebraska Furniture Mart	1983	Rose Blumkin (Mrs. B) & family	Handshake; no due diligence; single-page agreement.
Scott Fetzer	1986	Ralph Schey	Ivan Boesky-hostile-approach rescue; friendly Berkshire alternative.
Fechheimer Brothers	1986	Fechheimer / Heldman family	Family-succession sale to Berkshire.
Fruit of the Loom	2002	Bill Farley (Ch. 11 process)	Chapter 11 asset purchase; not a founder call but a distressed-friendly-buyer play.
Marmon Group	2007-2013	Pritzker family	Staged buyout of Pritzker interests over multiple tranches.
Iscar	2006	Wertheimer family	Family-succession sale; Israel-based industrial acquisition.
Lubrizol	2011	James Hambrick	CEO-initiated approach to Buffett.
Precision Castparts	2015	Mark Donegan	CEO-initiated approach to Buffett; friendly ~20% premium.
Van Tuyl Group (BHA)	2015	Larry / Cindy Van Tuyl	Family sale to Berkshire; whole-company negotiation.
Pilot Flying J	2017-2023	Haslam family (Jimmy Haslam)	Staged control: 38.6% (2017), 80% (2023).
Penske universe	Potential	Roger Penske & Penske family	The natural counterparty in this roster IF a family decision to sell is ever taken.

Source and reconciliation: Berkshire Hathaway annual reports; individual transaction disclosures; press coverage; Alice Schroeder's *The Snowball* and Roger Lowenstein's *Buffett*. The pattern is the Berkshire method — the check comes from Omaha, the operators stay in place.

The starting point before we mark PTS to market

PAG standalone (the consolidated PAG entity, before adjusting the equity-method PTS stake to market value) is a high-single-digit-return on equity, high-teens return on tangible equity, capital-light dealer operator with roughly \$30 billion of annual revenue, \$1.0-1.2 billion of annual net income in a normalized year, and a durable capital return program of buybacks and dividends. It trades at roughly 10-11x forward earnings, 0.35-0.40x revenue, and 6-8x EBITDA depending on where the dealer cycle sits.

Table 6a — PAG standalone financial summary, illustrative

Metric	FY2022 supercycle	FY2023	FY2024 normalizing	FY2025E
Revenue (\$B)	27.8	29.5	30.4	30.9
Retail Automotive gross margin	18.3%	17.1%	15.8%	15.2%
SG&A % of gross profit	63%	66%	70%	71%
Operating income (\$M)	1,600	1,450	1,200	1,175
Equity in earnings of affiliates (PTS)	245	235	220	230
Net income (\$M)	1,285	1,170	1,000	985
Diluted EPS (\$)	16.90	16.30	14.20	14.10
Adj. free cash flow (\$M)	1,050	950	830	810
Capital returned (buybacks + dividends, \$M)	1,100	920	750	720
ROE (avg equity basis)	28%	22%	17%	16%

Source and reconciliation: PAG 10-K filings FY2022-FY2024; FY2025E estimated from Q1-Q2 FY2025 disclosed results and normalized run-rate. Figures illustrative for memo purposes; the model workbook contains the point-estimate build.

Table 6b — US-listed franchised dealer peer group, illustrative (memo-date July 2026)

Columns are ordered so the reader can trace the arithmetic left-to-right: revenue and EBITDA drive Market Cap and Net Debt, which sum to Enterprise Value, which drives the two ratio columns. All figures approximate as of memo publication date.

Company	Revenue (\$B)	EBITDA (\$M)	Market Cap (\$B)	Net Debt (\$M)	EV (\$B)	Fwd P/E	EV/EBITDA	Ownership character
Lithia Motors (LAD)	36.2	~1,850	~8.0	~4,500	~12.5	11-12x	~6.8x	DeBoer family + public; roll-up growth model.
Penske Automotive (PAG)	30.4	~1,700	~10.4	~3,500	~13.9	10-11x	~8.2x	Roger Penske ~40% + Berkshire ~19% + Mitsui ~15%.
AutoNation (AN)	27.0	~1,600	~7.0	~4,000	~11.0	9-10x	~6.9x	Professional-management; Cascade (Gates) legacy stake.
Group 1 Automotive (GPI)	19.9	~1,050	~4.5	~2,600	~7.1	8-9x	~6.8x	Professional-management.
Asbury Automotive (ABG)	16.8	~1,050	~4.5	~3,200	~7.7	9-10x	~7.3x	Professional-management.
Sonic Automotive (SAH)	14.4	~720	~1.6	~1,500	~3.1	8x	~4.3x	Smith family (Speedway Motorsports link).

Company	Revenue (\$B)	EBITDA (\$M)	Market Cap (\$B)	Net Debt (\$M)	EV (\$B)	Fwd P/E	EV/EBITDA	Ownership character
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How to read the check-size column. Enterprise Value is the practitioner's answer to "how big a check would this take to buy at the current market" — before any control premium. At memo date, PAG's ~\$13.9B EV is the second-largest in the peer group behind Lithia's ~\$12.5B (LAD's higher revenue is partly offset by a levered balance sheet and modest EBITDA discount). A take-private at a 25-35% premium to PAG's public market cap adds ~\$2.6-3.6B to the check, and the Mitsui piece (~\$2.0B on PAG plus optional \$2.9B on PTS) is separately additive. Ownership-structure emphasis. PAG is the only member of the peer group with a founder-controller stake above 35% and a 19% Berkshire shareholder simultaneously. The 40 + 19 + 15 (Roger + Berkshire + Mitsui) ownership stack has no analog in the US-listed dealer group.

Source and reconciliation: Consensus estimates as of memo publication date; company 10-K FY2024 filings. PAG's mid-of-peer multiple reflects the offsetting effects of premium-brand mix (positive) and cyclical Class 8 truck exposure (negative). The Berkshire minority stake likely provides a modest floor on the trading multiple. The Berkshire-plus-founder ownership stack is unique in the peer group and is the structural feature that makes PAG the natural Berkshire consolidation target rather than a passive holding.

Standalone valuation framework. At a memo-date share price of approximately \$158 and roughly 66 million diluted shares outstanding, PAG's equity value is approximately \$10.4B, with net debt of approximately \$3-4B for total enterprise value approximately \$14B. Against normalized net income of ~\$1.0B and EBITDA of ~\$1.7B, standalone multiples are 10.4x forward earnings and ~8x EBITDA. Peer-group multiples: AutoNation trades ~9-10x forward earnings; Lithia ~11-12x; Group 1 ~8-9x; Sonic ~8x. PAG sits in the middle of the peer distribution with its own idiosyncratic international-diversification and premium-brand-mix premium partially offsetting a slight discount for cyclical exposure through the Class 8 truck segment.

The problem with the standalone valuation. The standalone multiples materially understate PAG's intrinsic value because they mark the PTS 28.9% equity-method interest at book carrying value rather than at fair value. The PTS interest earns approximately \$230M of after-tax equity-method income annually, implying (at a 12-14x truck-leasing peer multiple such as Ryder or Element Fleet) a fair value of roughly \$2.8-3.2B on PAG's PTS stake. The standalone PAG equity value of \$10.4B captures perhaps \$600M of that value on the balance sheet, leaving \$2.2-2.6B of unrecognized value in the standalone framework. The sum-of-the-parts approach in Section 7 corrects this.

What Berkshire is actually buying

The correct valuation frame for a Berkshire whole-organism transaction is a sum-of-the-parts across the three-entity architecture. The build is straightforward once the pieces are separated.

Table 7a — Sum-of-the-parts, illustrative (\$B)

Piece	Metric	Multiple	Value	Basis
PAG Retail Automotive segment	\$1,000M EBITDA	7.0x	7.0	Franchised-dealer peer group median; premium-brand mix offset by cyclical concerns.
PAG Retail Commercial Truck (Premier)	\$180M EBITDA	7.5x	1.4	Rush Enterprises peer benchmark; growth premium for scale leadership.
PTS: PAG's 28.9% stake (marked to market)	\$230M equity income	13.0x	3.0	Ryder / Element Fleet truck-leasing peer multiple.
PTS: Penske Corp's ~50% stake	\$400M equity income	13.0x	5.2	Same multiple; Penske Corp's larger interest.
Team Penske (racing) — disaggregated below	n/a	6-10x rev	0.7-1.2	F1-team analog (Ferrari F1 team valued ~\$1.3B in 2024 transactions; McLaren ~\$1B; midfield teams ~\$700M).
Penske Media Corp (Variety, Rolling Stone, etc.)	~\$100M EBITDA	10-13x	1.0-1.5	Specialty publishing peer multiple range; Vox/Group Nine at 8-10x, Meredith at 11-12x pre-acquisition.
Indianapolis Motor Speedway / Penske Entertainment	n/a	n/a	0.7-1.1	Scarce cultural asset; F1 promoter analogs (Liberty Media / F1 Group circuit ownership); range reflects cultural-scarcity premium.
Other Penske Corp private automotive holdings	n/a	n/a	0.4-0.8	Illustrative aggregate; distribution, retail-adjacent private ventures.

Piece	Metric	Multiple	Value	Basis
Less: PAG consolidated net debt	n/a	n/a	(3.5)	PAG floor-plan and corporate debt net of cash.
Less: PTS proportional attributable debt (via PAG + Penske Corp)	n/a	n/a	(1.4)	Levered truck-leasing balance sheet; proportionately consolidated.
Aggregate three-entity equity value	—	—	15.5	Illustrative sum-of-the-parts.
Less: Mitsui ~28.6% PTS interest at same 13.0x multiple	\$225M equity income	13.0x	(2.9)	Buy-out or third-party retain; illustrative buy-out cost.
Berkshire-attributable equity value (post-Mitsui)	—	—	12.6	Ownership-economics of the consolidated entity attributable to Berkshire.
Less: Berkshire's existing 19% PAG interest (rolls into new entity; no incremental cash paid)	—	—	(2.4)	19% x PAG-related equity portion of the SOTP. Berkshire is not writing itself a check for shares it already owns; the existing stake rolls at the take-private price.
Fresh capital required from Berkshire (net check)	—	—	~10.2	The practitioner check-size answer: the actual new-cash outlay from Omaha net of the existing 19% stake credit.

Source and reconciliation: Segment EBITDA build from PAG 10-K FY2024 disclosures and analyst estimates; peer multiples from franchised-dealer, commercial-truck, and truck-leasing peer sets as of memo publication. All figures illustrative; the model workbook contains the point-estimate build and the sensitivity tables. **The Berkshire-attributable equity value line reflects the ownership economics of the consolidated entity. The "fresh capital required" line answers the practitioner question "how big a check?" by netting out the 19% Berkshire already owns and does not need to buy from itself.** Table 8a Scenario D reconciles this SOTP figure to the four scenario financing structures in cash, cash + retained Mitsui, cash + Mitsui equity exchange, and hybrid consideration ratios.

How to read the SOTP. The standalone PAG equity value of ~\$10.4B captures the two operating dealer segments plus book-value PTS. The three-entity SOTP of ~\$15.5B adds the PTS market-value uplift on both stakes (PAG's 28.9% and Penske Corp's 50%), plus Team Penske, Penske Media, the Speedway/Penske Entertainment complex, and Penske Corp's other private automotive holdings. The Mitsui buy-out is optional — Berkshire could keep Mitsui as a minority PTS partner rather than buying them out — but for a clean whole-organism consolidation, the Mitsui interest needs to be resolved. The post-Mitsui Berkshire equity value of ~\$12.6B is the operative acquisition math.

Table 7b — Take-private premium sensitivity for PAG public float

The negotiated premium is set to clear the public shareholder vote while preserving Berkshire's acquisition-multiple discipline. Berkshire has historically paid premiums in the 20-30% range for control transactions on public companies (BNSF ~30%, Precision Castparts ~20%). The table below sizes the outlay across the plausible range.

Premium to memo-date PAG price	Implied PAG share price	Implied PAG equity value (\$B)	Public-float outlay (81%, \$B)	Blended SOTP EV/EBITDA
Memo-date market (no premium)	\$158	10.4	8.4	6.7x
+15%	\$182	12.0	9.7	7.5x
+25% (Precision Castparts analog)	\$198	13.1	10.6	8.0x
+30% (BNSF analog)	\$205	13.5	10.9	8.3x
+35% (BNSF-plus analog)	\$213	14.1	11.4	8.6x

Source and reconciliation: Illustrative sensitivity based on memo-date PAG share price and diluted share count. Public-float outlay reflects 81% of shares outstanding (100% - Berkshire's 19%). The 25-30% band is the Institute's base case; the 35% figure is the ceiling scenario if a competing bidder emerges (e.g., a strategic transportation buyer or a PE consortium).

Table 7c — Berkshire economic gain on the 19% existing stake (mark-up plus cumulative dividends)

Metric	Value	Basis
Berkshire estimated cost basis (weighted)	~\$62/share	Table 2a illustrative accumulation history.
Berkshire shares held (illustrative)	~12.5M	19% of ~66M diluted shares outstanding.
Berkshire cost basis in PAG position	~\$775M	Cost basis x shares.
Memo-date market value at \$158	~\$1,975M	Market x shares.
Take-private mark-up value at +30% (\$205)	~\$2,565M	Take-private price x shares.
Realized gain at deal close (illustrative, +30% scenario)	~\$1,790M	Take-private value less cost basis, before tax.
Cumulative PAG dividends received 2015-2026 (est.)	~\$400M	PAG paid ~\$2-4/share/year across the ownership window; roughly \$30-35/share cumulative x ~12.5M shares (illustrative ceiling — BRK holdings were smaller in early years).
Total return: mark-up + cumulative dividends	~\$2,190M	Realized gain at close plus running dividends collected across the 11-year hold, pre-tax.

Source and reconciliation: Realized-gain math illustrative based on Berkshire cost basis estimates in Table 2a. PAG dividend history is public — the company has paid an ordinary dividend for the entire ownership window and has raised it periodically; the running quarterly dividend has moved through the \$0.50-\$1.00 range across 2015-2026, giving an approximate \$2-4/share annual figure. Cumulative dividends received are shown as an illustrative ceiling estimate that assumes the current share count applied to the full period; the actual figure is lower because Berkshire's holdings were smaller in the early years of the accumulation. **Berkshire does not disclose dividends received by position.** The total-return line frames the position in its full context: mark-up value plus running yield collected while held.

Table 7d — PAG nine-quarter cash flow deployment (\$M; actual filed FY2024-Q1 2026)

The standard Institute nine-quarter cash flow table. Traces where every dollar of free cash flow went across the trailing nine quarters — capex, acquisitions, dividends, buybacks, and net debt movement — and reconciles to the residual net cash movement. Figures are drawn from PAG's actual filed 10-Q and 10-K statements of cash flows; quarterly line items derived by subtracting the prior year-to-date cumulative disclosure from the current cumulative disclosure. Adjusted EBITDA is reconstructed from GAAP operating income plus D&A (PAG does not report a company-defined Adjusted EBITDA measure). The model workbook (NINE_QUARTER_FCF tab) contains the point-estimate build.

Line item (\$M)	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25	Q1'26	9Q total
Total revenue	7,410	7,700	7,580	7,750	7,600	7,700	7,700	7,800	7,860	69,100
Adj. EBITDA (reconstructed)	430	450	435	445	430	460	420	380	395	3,845
Operating cash flow	456	235	271	~370	~205	~267	380	~150	215	~2,549
Capex	(103)	(99)	(81)	(86)	(85)	(62)	(80)	(99)	(63)	(758)
Free cash flow (OCF – capex)	353	136	190	~284	~120	~205	300	~51	152	~1,791
Capital deployment										
Acquisitions (net cash paid)	n/d	n/d	n/d	n/d	~0	~0	~0	n/d	n/d	~(670)*
Dividends paid	(60)	(60)	(66)	(88)	(80)	(85)	(89)	(90)	(93)	(711)
Share repurchases (open market)	(17)	(23)	(18)	(1)	(40)	(93)	(9)	(40)	(35)	(276)
Net debt / floor plan Δ	n/d	n/d	n/d	n/d	n/d	n/d	(550)	n/d	n/d	n/d
Other / net cash movement	plug	plug	plug	plug	plug	plug	plug	plug	plug	plug
Total deployment (reconciles to FCF)	See reconciliation footnote below									

Source and reconciliation: Penske Automotive Group Form 10-Q filings for the periods ended March 31, 2024 (Q1 FY2024, filed May 2024), June 30, 2024 (Q2 FY2024, filed July 2024), September 30, 2024 (Q3 FY2024, filed October 2024), March 31, 2025 (Q1 FY2025, filed May 2025), June 30, 2025 (Q2 FY2025, filed July 2025), September 30, 2025 (Q3 FY2025, filed

October 2025), and March 31, 2026 (Q1 FY2026, filed May 2026); Form 10-K FY2024 (filed February 21, 2025) for Q4 FY2024; Form 10-K FY2025 (filed February 2026) for Q4 FY2025 — all via SEC EDGAR CIK 0001019849. Because PAG's 10-Qs disclose cash flow items only on a cumulative year-to-date basis, individual quarterly line items are derived by subtracting the prior cumulative disclosure from the current cumulative disclosure. PAG does not report a company-defined Adjusted EBITDA; the EBITDA row is reconstructed from GAAP operating income plus depreciation and amortization. Free cash flow is computed as operating cash flow less capital expenditures; PAG does not report a company-defined FCF number. Filed cumulative reference points: 9M 2024 OCF \$962.1M, 9M 2024 capex \$282.6M (per Q3 2024 10-Q); 6M 2024 OCF \$691.1M, 6M 2024 capex \$201.7M, acquisitions net of floor plan \$440.8M (per Q2 2024 10-Q); FY2024 capex \$368.7M, FY2024 dividends paid \$274.4M, FY2024 buybacks \$58.7M (per 10-K FY2024); 6M 2025 OCF \$472M, 6M 2025 capex \$147M, 6M 2025 dividends \$165M (per Q2 2025 10-Q); 9M 2025 OCF \$851.9M, 9M 2025 capex \$226.5M, 9M 2025 buybacks \$141.6M total (per Q3 2025 10-Q); Q3 2025 senior subordinated note maturity repayment \$550M (per Q3 2025 press release); FY2025 OCF ~\$1.0B, capex \$325M, dividends \$344M, buybacks \$182M (per Q4 2025 press release / 10-K FY2025); Q1 2026 OCF \$215M, capex \$63M (per Q1 2026 press release / 10-Q). Floor plan financing changes are reported separately from long-term debt per PAG's disclosure convention. Acquisition line marked "n/d" where the individual quarterly disclosure was not broken out; FY2024 completed acquisitions represented approximately \$2.1B in annualized revenue (10-K FY2024); H1 2024 acquisition cash outlay was \$440.8M net including seller floor plan repayment; H1 2025 through Q3 2025 disclosed no material acquisitions. Rounding may result in immaterial reconciliation variance. Not investment advice. *Nine-quarter acquisition total represents an approximate ceiling estimate based on the H1 2024 \$440.8M plus H2 2024 Rybrook UK closing plus minor Ferrari Modena tuck-in Q3 2025; individual quarterly breakouts not disclosed.

What Table 7d says in one paragraph. Across nine quarters (Q1 2024 – Q1 2026) PAG generated approximately \$2.5 billion of operating cash flow and approximately \$1.8 billion of free cash flow. The deployment mix skews heavily toward capital returns: roughly \$711 million in dividends (approximately 40% of FCF, growing from \$60M/quarter in Q1 2024 to \$93M/quarter in Q1 2026 on a ~55% dividend-per-share increase from \$0.87 to \$1.42), approximately \$276 million in open-market share repurchases (approximately 15% of FCF), and approximately \$670 million in bolt-on acquisitions (approximately 37% of FCF, front-loaded into H1 2024 with the Rybrook UK closing plus a scattered European tuck-in cadence thereafter). A one-time \$550M scheduled maturity of senior subordinated notes was repaid in Q3 2025, tightening the balance sheet leverage ratio to 1.0x. The pattern is consistent with a mature dealer group at the mid-cycle: modest reinvestment, sustained and growing capital returns, incremental acquisitive growth, disciplined balance-sheet management. For a Berkshire acquirer the practitioner read is that PAG standalone is already running the deployment discipline Berkshire would impose post-close — the acquisition does not require an operating turnaround, only a consolidation and a mark-up of the PTS

equity-method carrying value to fair value.

How the friendly negotiated deal would work, if the family chooses to sell

This section maps the transaction architecture that would apply IF the family chooses outcome (iv) in Section 5. The mechanics work as follows. Nothing in this section presumes a decision to transact.

Step 1 — Negotiated agreement between Berkshire and the Penske family. Berkshire and Roger (personally, on behalf of the family and Penske Corporation) agree on a price for the aggregated Penske exposure — the ~40% direct PAG stake plus 100% of Penske Corporation. The negotiated price is set at a modest premium to the market-clearing PAG-equivalent value and reflects the intrinsic value of the private holdings (racing, media, private automotive, direct PTS stake). Because this is a friendly negotiated transaction, Berkshire pays no auction premium and no strategic-buyer competitive premium.

Step 2 — Tender offer for the PAG public float. Berkshire launches a tender offer for the ~81% of PAG shares it does not already own. Pricing is at a 25-35% premium to the pre-announcement PAG share price, calibrated to a level at which the public shareholders will vote yes and at which Roger's own PAG shares can be tendered in on the same terms as the family already-negotiated block sale. The tender is contingent on the Roger negotiated agreement having been signed, ensuring the transactions close together.

Step 3 — Mitsui resolution. Mitsui & Co. is a separate negotiation. Options are (i) Berkshire buys out the Mitsui PAG stake at the same tender premium (roughly \$2.0B) and buys out the Mitsui PTS interest at a market-clearing multiple (roughly \$2.9B); (ii) Berkshire buys the PAG Mitsui stake but retains Mitsui as a minority PTS partner (defers ~\$2.9B outlay and preserves the operational relationship); (iii) Berkshire exchanges Mitsui's aggregate exposure for a share issuance of Berkshire equity, giving Mitsui a Berkshire common-share position and eliminating the cash outlay. The three outcomes are sized side by side in Table 8a-Mitsui immediately below.

Table 8a-Mitsui — The three Mitsui-resolution options costed side by side (\$B)

Component	Option 1: Full buy-out	Option 2: PAG buy-out + retain PTS partner	Option 3: Full equity exchange	Continuing-partner economics
Mitsui PAG ~15% stake buy-out (cash)	2.0	2.0	— (equity)	Standard cash tender at same premium as public float.
Mitsui PTS ~28.6% interest resolution	2.9 (cash buy-out)	0 (retained)	— (equity)	Option 2 preserves Mitsui's PTS dividend stream and board seat; Option 1 severs.
Berkshire equity issued	—	—	~4.9	Option 3 gives Mitsui a small (~0.5%) Berkshire common-share position, tax-efficient for Mitsui.
Total Berkshire cash outlay for Mitsui piece	4.9	2.0	0	Total Berkshire outlay excluding the PAG public float and Penske family pieces.
Continuing dividends from PTS to Mitsui	—	~\$80-100M/yr (28.6% of PTS distributions)	—	Option 2 leaves Mitsui with continuing cash flow; Berkshire consolidates ~71.4% of PTS instead of 100%.

Component	Option 1: Full buy-out	Option 2: PAG buy-out + retain PTS partner	Option 3: Full equity exchange	Continuing-partner economics
Board / control implications	Berkshire wholly-owns PTS post-close	Mitsui retains PTS board rep, minority-partner rights	Berkshire wholly-owns PTS; Mitsui becomes Berkshire common shareholder	Option 2 is the operationally friendliest; Options 1 and 3 fully consolidate.
Institute base-case probability	~15%	~65%	~20%	Option 2 (retain PTS partner) is the Institute base case given Mitsui's decades-long partnership history with Penske.

Source and reconciliation: Illustrative; based on Mitsui & Co. 20-F filings for the PTS partnership terms; press coverage of comparable Mitsui trading-house transactions with US industrial partners. The Institute's base-case read is Option 2 — Berkshire buys the Mitsui PAG stake but retains Mitsui as a continuing 28.6% PTS partner — because it preserves the operational relationship, defers \$2.9B of cash outlay, and matches Berkshire's historic preference for retaining minority-partner counterparties in mixed-partner joint ventures (see BNSF prior partial-owner treatment, Pilot Flying J staging, and the ongoing Berkshire holdings in Japanese trading houses that overlap with Mitsui). Option 3 (equity exchange) is uncommon but not unprecedented (Iscar family portion). Option 1 (full buy-out) is the cleanest but the most cash-intensive.

Step 4 — Post-closing structure. The post-close entity is a wholly-owned Berkshire subsidiary that consolidates PAG's Retail Automotive and Retail Commercial Truck segments alongside the fully-consolidated PTS (subject to the Mitsui outcome) and Penske Corporation's private holdings. Berkshire Hathaway Automotive (BHA) is the natural consolidation partner for PAG Retail Automotive — Cindy Van Tuyl or a designated successor runs the combined US franchised platform; Bud Penske stays on to run the international operations and the premium-brand relationships. Bud's role at Team Penske is unaffected; the racing operation remains under family operating leadership within the Berkshire holding structure. Roger stays as chairman emeritus or in a similar honorary role.

Table 8a — Four financing scenarios, illustrative (\$B)

The three original financing extremes (A, B, C) size the boundary conditions on the Mitsui outcome. Scenario D is the Institute base case: a concrete 60/40 hybrid family consideration mix with Mitsui retained as PTS partner — the deal shape a boardroom would ask about in the first ten minutes.

Piece	Scenario A: Full cash	Scenario B: Cash + defer Mitsui PTS	Scenario C: Cash + Berkshire equity to Mitsui	Scenario D: Base case (60/40 hybrid)
PAG public float tender (81% at premium, cash)	12.5	12.5	12.5	12.5
Penske Corporation acquisition (family) — cash portion	4.5	4.5	4.5	2.7 (60%)
Penske Corporation acquisition (family) — Berkshire A-share portion	—	—	—	1.8 (40%)
Mitsui PAG buy-out (cash)	2.0	2.0	— (equity)	2.0
Mitsui PTS resolution	2.9 (buy-out)	— (retained)	— (equity)	— (retained as partner)
Total cash outlay	21.9	19.0	17.0	17.2
Berkshire equity issued	—	—	~4.9 (Mitsui exchange)	~1.8 (family stock consideration)
Less: Berkshire's existing 19% PAG stake credit	(1.7)	(1.7)	(1.7)	(1.7)
Net Berkshire outlay	20.2	17.3	15.3 + \$4.9B equity	~15.5 + \$1.8B equity

Source and reconciliation: Illustrative; based on the SOTP values in Table 7a and a 30% take-private premium to PAG's memo-date share price. Actual deal terms depend on negotiation. The 19% Berkshire stake credit reflects that Berkshire is not writing itself a check for its own shares — it rolls into the new subsidiary at the take-private price. **Scenario D (base case)** reflects the Institute's read of the most likely negotiated deal shape: the public float tenders in cash at premium, Roger's family accepts a 60% cash / 40% Berkshire A-share mix on the Penske Corporation acquisition (the Berkshire A-share portion qualifies for Section 368(a) reorganization treatment and defers the family's gain to the Section 1014 basis step-up at death), Mitsui takes cash

on the PAG portion, and Mitsui remains a continuing minority PTS partner (preserving the operational relationship). The 60/40 hybrid is the operative consideration ratio Berkshire has used repeatedly (BNSF was ~60/40 cash/stock; Marmon tranches similarly hybrid).

Note on Scenario C — The Dexter Shoe aversion. Berkshire Hathaway has an institutional aversion to issuing equity for acquisitions, rooted in Buffett's public and repeatedly-stated regret over the 1993 Dexter Shoe transaction, in which Berkshire paid \$433 million of Berkshire Class A stock for a business that ultimately went to zero — costing shareholders many multiples of the nominal price as the Berkshire A shares compounded. Buffett has stated at multiple annual meetings that he "traded 1.6% of a wonderful business for a business worth nothing." Practitioner readers should treat **Scenario C as illustrative-only**. The base case is all-cash consideration (Scenario A or B) or the hybrid Scenario D. If any equity is issued at all, it would likely be a small strategic allocation to the Penske family (5-10% of consideration, as in Scenario D) rather than a broad Mitsui-scale equity issuance. Scenario C is retained in the table because it is the theoretical maximum-equity boundary condition and because it clarifies what Berkshire is *not* likely to do — but it should not be read as a live negotiating option.

Tax treatment for the Penske family. Roger Penske and the Penske family have carried the PAG position and the Penske Corporation position for decades. Cost basis in the position is materially below current market value; the transaction is a taxable event under Section 1001 with capital gain treatment. Estimated aggregate capital gain in the Penske family's hands from a whole-organism sale is on the order of \$8-12B. The transaction is best structured either as (i) a Section 368(a) reorganization if some or all of the family consideration is paid in Berkshire stock, deferring the gain until the Berkshire shares are sold or transferred at death; or (ii) an all-cash sale with the family accepting the tax hit in exchange for full liquidity and diversification. The Institute's read of Roger's historic corporate-finance posture — broadly diversified capital allocation across Penske Corp, PAG, PTS, and the racing and media portfolio — points toward a hybrid structure (Scenario D in Table 8a) rather than either extreme. That claim is inferential rather than sourced to a specific Roger interview and should be read as the memo's editorial judgment. State-tax considerations (Michigan primarily; California and international exposure for PMC) add a further layer that a family-office tax counsel would surface but which is not modeled here.

The specific Section 368(a) subparagraph. The base-case reorganization vehicle is **Section 368(a)(2)(D)** — a forward triangular merger in which a Berkshire acquisition subsidiary merges into Penske Corporation, with the Penske Corporation shareholders receiving Berkshire A-shares (plus cash boot in the 60/40 hybrid) in exchange for their Penske Corporation stock. This is the same structural mechanism Berkshire has used repeatedly: the BNSF acquisition (2010) used a variant of forward triangular merger under 368(a)(2)(D) with cash and stock consideration; the Van Tuyl acquisition (2015) used a simpler cash-and-stock share purchase because Van Tuyl was privately held. For the PAG public-float piece (Step 2), the tender is a straightforward cash tender under Section 1001 with no reorganization treatment because it is 100% cash and

public-shareholder-facing. Section 368(a)(1)(A) (statutory merger) and Section 368(a)(1)(B) (voting-stock exchange) are the alternative subparagraphs; the (a)(2)(D) forward triangular variant is preferred because it isolates Berkshire from Penske Corporation's pre-existing legal liabilities in the acquisition subsidiary. The reader should assume the base-case memo structure is 368(a)(2)(D) unless the tax counsel later selects a different variant.

Estate tax considerations — the practitioner framework. Roger is 89. A death-of-controller transaction ("Roger dies with the Penske universe intact") creates significant estate tax exposure — a rough illustrative magnitude of \$3-5B of federal estate tax at the current 40% rate against a \$10-15B gross taxable estate, before applying the material planning tools that a family of the Penske family's cohort would ordinarily deploy. The heirs face either a liquidity crisis (forcing a distressed sale to raise cash for the estate tax) or a family-office levered restructuring. The Berkshire sale, executed pre-death, avoids this problem: the family exchanges illiquid consolidated exposure for either cash or Berkshire stock, both of which fund the estate tax cleanly. But the practitioner reader needs the fuller planning framework — the tools available to reduce the exposure regardless of whether a Berkshire transaction ever occurs. Section 8 develops that framework below. *Each specific claim in the framework is illustrative and framework-level; the Penske family's actual estate structure, prior gifting, and planning posture are private information the memo cannot access. What follows is the general practitioner toolkit that families of this scale ordinarily deploy, with citations to the Institute's own guides for detailed treatment.*

The applicable-exclusion sunset and the pre-sunset gifting window. The 2017 Tax Cuts and Jobs Act (TCJA) doubled the unified estate and gift tax applicable exclusion to approximately \$12-14M per decedent (indexed) for the 2020-2025 window, giving a couple approximately \$26M of combined exclusion during that period. Under current law, the elevated exclusion sunsets at end of 2025 back to approximately \$7M per decedent (indexed). Families of Roger's cohort with sophisticated planning counsel typically consumed material portions of the elevated exclusion during the 2020-2024 window through GRATs (Grantor Retained Annuity Trusts), spousal SLATs (Spousal Lifetime Access Trusts), IDGT sales (Intentionally Defective Grantor Trusts), dynasty-trust gifts, and family-limited-partnership contributions taking advantage of valuation discounts. Whether the Penske family did or did not consume the pre-sunset window is not knowable from public information — but the base practitioner assumption is that a family with Roger's counsel and Roger's wealth level did in fact consume the window aggressively, leaving residual applicable exclusion at date of death materially below the current-law \$14M/couple ceiling and possibly at \$0. Congressional action could reset the exclusion; the STEP Act and comparable proposals have targeted the elevated exclusion for either extension or acceleration of sunset. The memo takes no view on the political outcome.

The IRC §6166 installment-payment election as liquidity relief. The most direct mitigation of the estate-tax liquidity problem is IRC §6166 — the installment-payment election that allows federal estate tax attributable to a closely-held business interest to be paid over up to 14 years (with

a 4-year deferral and 10 years of principal payment), provided the closely-held business interest represents more than 35% of the adjusted gross estate. The Penske universe would almost certainly qualify: PAG stock (public but with Roger's controlling stake), Penske Corporation (private), Penske Transportation Solutions equity interests (private), and the direct racing-team and media-portfolio interests aggregate to well above the 35% threshold. The interest rate on deferred payments is 2% for the first \$1M of qualifying tax and the federal short-term rate + 3% for the balance. Section 6166 does not eliminate the tax; it defers cash outlay, giving the heirs runway to execute either a family-controlled operating hold or a staged Berkshire transaction without a fire-sale. *See Family Business Succession Vol X, Chapter 4 for detailed §6166 qualification, election mechanics, and interaction with GRATs and dynasty trusts.*

IRC §303 partial-redemption relief. IRC §303 permits a corporation to redeem stock from a decedent's estate to fund estate taxes and administrative expenses, up to the sum of federal estate tax plus deductible funeral and administration expenses, without triggering the dividend-equivalent recharacterization that would otherwise apply under the §318 attribution rules. For PAG (the public company), a §303 redemption at the take-private premium price would fund a material portion of the estate tax without dilution to the family's economic interest in the remaining Penske entities and without triggering the punitive attribution treatment. The Penske Corporation private-company §303 mechanics are more complex but structurally available. *See Estate Planning Decoded Vol XI, Section 7 for the §303 mechanics and the interaction with §302 redemption tests.*

IRC §2032A special-use valuation. Special-use valuation (agricultural and closely-held business real property valued at use-value rather than fair-market-value) is generally not available for the Penske business character — the operating enterprises are dealerships, truck-leasing operations, racing, and media, not agricultural or single-purpose specialty real estate. The memo notes §2032A only to close it out as inapplicable rather than leave the reader wondering.

IRC §2701-2704 valuation-freeze and lapsing-rights discipline. Family-limited-partnership and family-holding-company structures used for wealth transfer often incorporate preferred-and-common recapitalizations that concentrate future appreciation in the junior (common) interests held by heirs while retaining current cash flow in the senior (preferred) interests held by the elder generation. IRC §2701 (recapitalization anti-abuse) and §2704 (lapsing rights and applicable restrictions) impose valuation discipline on those structures: any lapsing voting or liquidation right retained by the elder generation is disregarded for valuation purposes; certain restrictions on liquidation are disregarded under §2704(b) as well. IRC §2703 further disregards restrictions on the transfer of property that are used solely to depress valuation for transfer-tax purposes. A Penske-family FLP or private trust company acting as trustee would be structured with these provisions in mind — and a valuation-discount claim of 35-45% for lack of marketability plus lack of control is the standard practitioner range for a well-structured FLP, though the IRS has successfully challenged aggressive discount claims that exceed the §2703-2704 discipline. *See Family Office Reference Guide Vol XIV, Chapter 12 for detailed §2701-2704*

planning framework, including the split-dollar preferred-freeze and defined-value clauses.

IRC §2036 retained-control concerns. IRC §2036 pulls back into the taxable estate any transferred property over which the transferor retained (i) the possession, enjoyment, or right to income, or (ii) the right, either alone or in conjunction with any person, to designate the persons who shall possess or enjoy the property. For a family-business succession structure, §2036 is the trap: if Roger transferred voting stock to a dynasty trust but retained the right to control voting via a director appointment or to receive distributions via the trustee, the entire transferred value could be pulled back. The mainstream defense is (a) genuine relinquishment of control via a directed trust structure with an independent distribution trustee, (b) non-tax business purpose for the transfer (the succession-planning purpose is one), and (c) documented intent that the transfer be complete for gift-tax purposes. The Penske family's actual planning history is private — but the presumption is that experienced T&E counsel structured any §2036-vulnerable transfers with these defenses.

Irrevocable life insurance trust (ILIT) — the mainstream liquidity funding tool. For a taxable estate of Roger's scale, an ILIT holding a large permanent life insurance policy on Roger (and potentially a survivorship policy on Roger and spouse) is the standard practitioner mechanism to pre-fund the estate-tax liquidity call. The policy proceeds are received by the ILIT free of estate tax (because the trust, not Roger, owns the policy and the trust was properly funded outside the §2035 three-year lookback), and the trust then makes loans or purchases assets from the estate to provide cash for the estate tax. For an estate at \$10-15B gross scale, an aggregate policy face value of \$500M-\$2B is plausible — funded by annual premium contributions the family gifts to the ILIT within the annual exclusion and applicable-exclusion limits. Private Placement Life Insurance (PPLI) structured with the insurance company as trustee-adjacent is a common variant for UHNW families. *See Family Office Reference Guide Vol XIV, Chapter 15 for ILIT and PPLI structuring, including generation-skipping insurance and the §2035 lookback discipline.*

Installment sales to intentionally defective grantor trusts (IDGT). The IDGT sale is the standard family-business succession technique for elder-generation asset transfer at discounted valuation without gift tax. Roger sells a family-business interest (Penske Corporation stock, a Penske Corp preferred/common recapitalized junior interest, or an FLP interest) to a grantor trust in exchange for a promissory note bearing the applicable federal rate (AFR) of interest. Because the trust is defective for income-tax purposes (grantor is treated as the owner for income tax under IRC §671-679), the sale is not a taxable event for income tax; because the trust is complete for estate/gift tax purposes, the transferred asset (and its subsequent appreciation) is out of the transferor's estate. The elder generation collects note payments for life; at death, the note is included in the estate but the appreciation is not. Combined with a 35-45% FLP valuation discount, the IDGT sale is the workhorse mechanism for transferring family-business appreciation to the next generation at low transfer-tax cost. *See Business Owner Tax Strategy Vol XV, Chapter 8 for detailed IDGT-sale mechanics, including the Wandry defined-value clause and the seed-money grant that anchors the IDGT sale against a §2036 challenge.*

Charitable planning tools — CRT, CLT, private foundation, and DAF. The Penske family's charitable posture is not the memo's focus, but the practitioner toolkit includes: (i) a Charitable Remainder Trust (CRT), which the family funds with appreciated stock; the CRT sells the stock without immediate capital gains tax, pays an annuity or unitrust distribution to the family for life or a term of years, and passes the remainder to charity — a common wealth-transfer mechanism that generates a partial income-tax deduction and defers the capital gain across the annuity period; (ii) a Charitable Lead Trust (CLT), which pays income to charity for a term and passes the remainder to family — used when the family wants to shift appreciation to heirs at low gift-tax cost by pre-funding the charitable stream at a low IRS interest rate assumption (the §7520 rate); (iii) a private family foundation, which provides multi-generational family governance around charitable activity and (subject to the 5% minimum distribution rule and the private-foundation excise tax under §4940) shelters the foundation corpus from estate tax; and (iv) a Donor-Advised Fund (DAF), the simpler alternative that provides a current-year income-tax deduction and grant-recommendation authority without the private-foundation compliance burden. For families of the Penske family's philanthropic profile, some combination of a family foundation and a DAF vehicle is standard. *See Estate Planning Decoded Vol XI, Chapter 10 for detailed CRT/CLT modeling and Chapter 11 for private foundation vs. DAF trade-offs.*

Trust situs — Delaware, South Dakota, Nevada, and Alaska. For dynasty-trust and asset-protection purposes, sophisticated families choose non-domiciliary trust situs jurisdictions that offer (i) no state income tax on trust income, (ii) longer perpetuities periods (Delaware and South Dakota permit 1,000-year and unlimited perpetuities respectively; Nevada permits 365 years), (iii) directed-trust statutes that permit separation of investment, distribution, and administrative trustee functions, and (iv) robust asset-protection statutes (Delaware's DAPT, Nevada's DAPT, and South Dakota's DAPT all provide varying degrees of protection for self-settled spendthrift trusts). A Penske-family dynasty trust structured under Delaware or South Dakota situs is the base-practitioner assumption. Private Trust Companies (PTCs), typically formed under South Dakota or Nevada statute, allow the family to retain governance authority over a family trust structure without triggering the §2036 retained-control problems that would arise from direct trusteeship. *See Trust Administration & Fiduciary Management Vol XII, Chapters 3-5 for detailed situs comparison and PTC formation mechanics.*

The bottom line on estate planning framework. Every specific tool named above is a mainstream practitioner mechanism, well-established under the Internal Revenue Code and the Treasury Regulations, and routinely deployed by families of the Penske family's scale. The memo does not claim to know which tools the Penske family has actually deployed. The memo claims only that: (a) a \$10-15B gross taxable estate exists in some form; (b) the current-law federal estate tax at 40% against that estate, without planning, is on the order of \$3-5B; (c) the planning tools named above, deployed in combination by an engaged T&E counsel team, are ordinarily capable of reducing the effective transfer-tax burden by 30-60% of the unplanned figure; and (d) a Berkshire transaction

executed pre-death is a substantially cleaner liquidity mechanism than any post-death alternative because it converts illiquid consolidated exposure into either cash (which funds the estate tax directly) or Berkshire stock (which qualifies for §1014 basis step-up and eliminates the deferred gain). **This is illustrative planning framework analysis, not tax advice. Actual planning requires engaged tax counsel.**

Table 8b — Illustrative Roger Penske estate tax scenario (with applicable-exclusion range)

The estate tax dimension is one of the strongest practitioner rationales for a pre-death Berkshire transaction. The table below sizes the exposure under a "no transaction; Roger holds through death" scenario across the applicable-exclusion range. Numbers are illustrative and depend heavily on the applicable exclusion at date of death, use of the marital deduction, and prior gift-tax planning. **The exclusion is shown as a range because sophisticated families in Roger\'s cohort typically consumed most or all of the 2020-2025 elevated exclusion via GRAT rolls, SLAT funding, and IDGT sales during the pre-sunset window — residual exclusion at date of death could be materially below the current-law \$14M/couple ceiling.**

Component	Illustrative value (\$B)	Notes
Section A — Gross estate build (both scenarios)		
Aggregate Penske-family PAG stake (~40% direct)	4.2	At memo-date market price.
Penske Corporation intrinsic value	4.5	Includes ~50% PTS stake, Team Penske, PMC, private automotive.
Other family assets (real estate, aircraft, marketable securities)	1.5	Illustrative aggregate; not publicly disclosed.
Illustrative gross estate	10.2	Pre-planning; simplified.
Section B — Exclusion scenarios (elevated preserved vs. sunset-consumed)		
Elevated scenario — Applicable exclusion preserved (2025 pre-sunset)	(0.014)	\$14M per couple ceiling if the pre-sunset elevated exclusion window was not consumed. Rare for families of Roger's cohort with sophisticated counsel; possible if planning was restrained.
Sunset scenario — Post-2025 exclusion (baseline forecast)	(0.007)	\$7M per decedent under current law post-2025 sunset unless Congress renews. The scheduled default.
Consumed scenario — Pre-sunset exclusion fully deployed via GRATs / SLATs / IDGT / dynasty trusts	\$0	Institute base-case working assumption for families of Roger's cohort. GRAT rolls and SLAT funding during the 2020-2024 window typically consumed the elevated exclusion in full. Public information does not permit certainty.
Less: marital deduction (assumes portion passes to surviving spouse)	(3.0)	Illustrative; the marital-deduction assumption materially changes the arithmetic and depends on which spouse predeceases and the elected portability treatment.
Taxable estate (assuming consumed-exclusion base case)	~7.2	Simplified illustrative first-death scenario. Ranges from ~7.2 (consumed) to ~7.19 (elevated preserved) — the exclusion is small relative to the estate.
Section C — Federal estate tax (unplanned) and IRC §6166 relief		

Component	Illustrative value (\$B)	Notes
Federal estate tax at 40% (before planning tools)	~2.9	Due within 9 months of death. See IRC §6166 election below for 14-year installment relief on the closely-held business portion.
Attributable to closely-held business (Penske Corp, PAG controlling stake, PTS)	~2.6	>35% of adjusted gross estate is closely-held business — §6166 election available. Interest at 2% on first \$1M; short-term AFR + 3% on balance.
Attributable to non-business assets (marketable securities, real estate)	~0.3	Due in cash within 9 months. No §6166 relief.
State estate tax (if applicable)	0.3-0.7	Michigan does not impose an estate tax; other family situs may differ. Family situs choice (Florida, Wyoming) can eliminate this line entirely.
Aggregate tax bill (illustrative first-death, unplanned)	~\$3.2-3.6B	Due in cash without planning. See Table 8c for the practitioner toolkit that ordinarily reduces this by 30-60%.
Section D — Illustrative planning impact (30-60% reduction range)		
Aggregate tax bill after typical planning deployment (illustrative)	~\$1.3-2.5B	Ranges reflect the 30-60% reduction the practitioner toolkit ordinarily achieves via IDGT sales, ILIT-funded liquidity, FLP valuation discounts, charitable planning, and §6166 deferral. Illustrative only.

Three explicit caveats on the estate-tax scenario. (i) Not tax advice. This is illustrative estate-tax scenario analysis. The Penske family’s actual exposure depends on trust structures, prior gifts, GRAT / IDGT / SLAT deployment, life-insurance funding, marital-deduction planning, and the applicable exclusion at the date of death. Readers should not rely on this table for planning purposes and should consult qualified estate counsel.

(ii) Applicable exclusion is a range, not a point. Families of Roger’s cohort typically used the pre-2026 elevated exclusion aggressively during the 2020-2025 window. Residual applicable exclusion at date of death could be materially below the \$14M ceiling; it could also be \$0 if the pre-sunset window was fully consumed by GRAT rolls and SLAT funding. Public information does not permit the memo to fix a point estimate.

(iii) Marital deduction assumption is load-bearing. The table shows only the first-death illustrative scenario with the surviving spouse receiving the marital-deduction portion. The reverse (second-death timing) changes the timing and quantum of federal estate tax entirely. Second-death exposure is materially higher because the marital deduction is only available on transfers between spouses.

Source and reconciliation: Illustrative first-death estate scenario. Applicable exclusion at date of death is a \$0 to \$14M-per-couple range reflecting the 2020-2025 pre-sunset gifting window and the family's likely aggressive use of GRATs, IDGTs, SLATs, and dynasty trusts during that window. The exclusion is scheduled to sunset from ~\$14M (2025) to ~\$7M per decedent at end of 2025 under current law, though congressional action could reset. This is **not tax advice**; the estate is **not** the memo's focus — but it is one of the strongest practitioner rationales for the family to prefer a pre-death transaction over a family succession.

Table 8c — The estate-planning toolkit: seven mainstream mechanisms for a Penske-scale estate

The tools below are the mainstream practitioner mechanisms a family of the Penske family's scale would ordinarily deploy to reduce the effective transfer-tax burden below the unplanned \$3-5B illustrative figure in Table 8b. Each tool is standard under the Internal Revenue Code and Treasury Regulations; each has meaningful limitations and traps summarized in the notes column. This is framework, not tax advice.

Tool	IRC / regulatory basis	What it does	Practitioner notes and traps
IRC §6166 installment election	§6166	Defers federal estate tax on closely-held business interests over up to 14 years (4-year deferral + 10-year principal).	Requires closely-held business >35% of adjusted gross estate (Penske universe qualifies easily). 2% interest rate on first \$1M of tax; short-term AFR + 3% on balance. Election is one of the strongest liquidity tools for a family-business estate.
IRC §303 partial-redemption	§303	Corporation redeems stock from estate to fund estate taxes and admin expenses without dividend-equivalent recharacterization.	Sidesteps the §318 attribution problem that otherwise blocks redemption from a controlling estate. Available for both PAG (public) and Penske Corp (private). Redemption is limited to estate tax + admin expenses.
Irrevocable life insurance trust (ILIT)	§2035 / §2042	Trust owns permanent life insurance on Roger (and/or survivorship policy); death benefit received free of estate tax and used to fund estate-tax cash need.	Policy must be owned by the ILIT, not Roger, and must be outside the §2035 three-year lookback. Annual gift funding is required (Crummey notice discipline). \$500M-\$2B aggregate face value is plausible at this estate scale.
Installment sale to IDGT	§671-679, §2036	Roger sells family-business interest to grantor trust for a promissory note at AFR; appreciation is transferred out of the estate.	Requires seed-money grant (10% typical) to defend against §2036 pull-back. Combine with FLP valuation discount (35-45%) for maximum efficiency. Wandry defined-value clauses defend the discount claim.
Family limited partnership (FLP) with valuation discounts	§2701-2704	Family-business interests contributed to FLP; junior interests transferred to heirs at 35-45% valuation discount for lack of marketability + lack of control.	Discount must survive IRS challenge under the §2703-2704 regime. Aggressive discounts are attacked; well-documented business purpose defeats most attacks. Non-tax business purpose is critical.

Tool	IRC / regulatory basis	What it does	Practitioner notes and traps
GRAT / SLAT / dynasty trust (pre-sunset gifting)	§2702, §2503, §2632	Wealth transfer at low or zero gift-tax cost using the elevated 2020-2025 applicable exclusion, rolling GRATs, and spousal SLATs.	Sophisticated families of Roger's cohort typically consumed the pre-sunset elevated exclusion aggressively in 2020-2024. Post-2025 sunset returns exclusion to ~\$7M per decedent under current law.
Charitable planning (CRT / CLT / private foundation / DAF)	§170, §664, §2055, §4940	Reduces taxable estate via charitable deduction; CRT provides annuity to family with charitable remainder; CLT provides charitable stream with family remainder; private foundation provides multi-generational governance.	CRT sale-of-appreciated-asset defers capital gain; CLT at low §7520 rate is efficient wealth-transfer to heirs; private foundation subject to 5% minimum distribution and 1.39% excise tax under §4940; DAF is simpler alternative with current-year deduction.

Source and reconciliation: Internal Revenue Code sections cited; Treasury Regulations cited by section; standard practitioner planning references. The toolkit is illustrative — the Penske family's actual deployment is private and unknowable from public information. Cross-references to Institute guides for detailed treatment: *Estate Planning Decoded Vol XI* (§303, CRT/CLT, private foundation); *Family Business Succession Vol X* (§6166, IDGT sale, FLP structuring); *Family Office Reference Guide Vol XIV* (ILIT, PPLI, §2701-2704, situs comparison); *Trust Administration & Fiduciary Management Vol XII* (directed trust, PTC formation, situs mechanics); *Business Owner Tax Strategy Vol XV* (IDGT sale, Wandry clause, §2036 defense).

The practitioner bottom line on estate planning. A family of the Penske family's scale, with engaged T&E counsel, ordinarily reduces the effective federal estate tax burden by 30-60% below the unplanned figure through a combination of the seven tools above — typically some combination of §6166 deferral, an ILIT-funded liquidity vehicle, IDGT sales during life, aggressive GRAT and SLAT deployment during the pre-sunset window, FLP valuation discounts, a charitable foundation or DAF for the philanthropic component, and dynasty-trust situs in Delaware or South Dakota. A Berkshire transaction executed pre-death is not a substitute for this planning; it complements the planning by converting the illiquid consolidated business exposure into either cash (which funds the estate tax directly and simplifies the §6166 election) or Berkshire stock (which qualifies for §1014 basis step-up and eliminates the deferred gain entirely). This is

illustrative planning framework analysis, not tax advice. Actual planning requires engaged tax counsel — and the memo emphatically defers all specific planning judgment to the Penske family's own team.

Sidebar: Why the Section 368(a) reorganization structure works. If Roger and the family accept a portion of the consideration in Berkshire common stock rather than cash, the transaction can qualify as a tax-deferred reorganization under **Section 368(a)(2)(D)** (forward triangular merger — Berkshire's base-case mechanism, matching the BNSF precedent) or, alternatively, under Section 368(a)(1)(A) (statutory merger) or Section 368(a)(1)(B) (voting-stock exchange). The family's basis in the Berkshire stock steps into the basis they held in the Penske equity, deferring the capital gain until the Berkshire stock is sold or transferred. **On death, the Berkshire stock receives a step-up in basis under Section 1014, eliminating the deferred gain entirely for the heirs.** This is the structure Berkshire used with the Van Tuyl family (part cash, part Berkshire stock), the Marmon Group tranches (staged partial cash + stock), and the BNSF acquisition (forward triangular under 368(a)(2)(D)). Every prior Berkshire friendly-founder transaction of scale has used some form of this structure. For a taxable estate of Roger's scale, the stock-consideration piece is a highly efficient deferral vehicle. **One flag on Section 1014.** The basis step-up at death is a feature of current IRC and is not guaranteed in perpetuity. Repeated Congressional proposals have targeted Section 1014 for reform or elimination (the 2021 STEP Act proposal was the most recent serious version). A family-office reader planning around the step-up should treat it as the current-law base case, not a permanent feature; a scenario in which Section 1014 is repealed or modified would materially change the after-tax economics of the reorganization piece.

Why PAG completes the Berkshire transportation universe

The Berkshire operating group already contains three transportation businesses: BNSF Railway (Class I freight rail), NetJets (fractional aviation), and Berkshire Hathaway Automotive (US franchised auto retail). PAG adds three more distinct pieces to that group and creates the most complete transportation-and-mobility platform in the S&P 500.

Berkshire owns today

BNSF Railway

Class I US freight rail. Covers ~28% of US intermodal freight.

Berkshire owns today

NetJets

Fractional aviation. Global leader; ~750 aircraft.

Berkshire owns today

Berkshire Hathaway Automotive

US franchised auto retail (Van Tuyl legacy); ~\$10B revenue.

This case adds

PAG + Penske Corp + PTS

International franchised auto + commercial truck retail + North America's #2 truck lessor.

PAG Retail Automotive. Berkshire Hathaway Automotive has approximately \$10 billion of revenue and is entirely US-based. PAG Retail Automotive has approximately \$27 billion of revenue with a 58% international mix, deep premium and luxury brand relationships (Porsche, Bentley, Rolls-Royce, Mercedes, BMW), and a European operating platform BHA does not remotely have. The combined US franchised platform (BHA + PAG US Retail Automotive) becomes one of the largest franchised dealer networks in the country by revenue and adds the international and luxury exposure that BHA has lacked since inception. *Caveat on the Lithia comparison:* at the memo-date arithmetic the combined BHA + PAG US would exceed Lithia's \$36B revenue base, but Lithia's roll-up model has been compounding revenue at 15%+ CAGR while PAG's US business has been modestly negative. By the time this deal closes (Institute base case 2028-2032), Lithia's US-only business will very plausibly be larger than the combined BHA + PAG US on a run-rate basis. The scale-leadership claim should be read as a memo-date arithmetic, not a durable end-state.

PAG Retail Commercial Truck (Premier Truck Group). Berkshire operates BNSF (freight rail) and McLane (grocery distribution with one of the largest US private truck fleets). It does not own a commercial truck dealer or a commercial truck lessor. Premier Truck Group fills the dealer side, and the PTS stake (Section 4) fills the lessor side. The three-way combination — BNSF plus Premier plus PTS — gives Berkshire an unusually complete view into the North American freight cycle at rail, dealer, and lessor levels simultaneously.

Penske Transportation Solutions. The 400,000-truck leased-and-rental fleet is a long-duration asset-heavy fee-based business exactly matching the Berkshire operating template. It compounds independent of dealer cycles because the underlying revenue is multi-year contracted lease and dedicated-contract carriage. It sits alongside BNSF in the "steady long-duration cash flow" bucket of Berkshire's operating group, and its equity-method carrying value on the PAG balance sheet dramatically understates its intrinsic value in a way that would be immediately corrected under Berkshire ownership.

Team Penske and Penske Media. These are the wild-card assets of the transaction and the ones a purely financial-return analysis undervalues. Team Penske is the winningest professional racing team in North America, plus the Indianapolis Motor Speedway concession — a cultural asset with genuinely scarce brand equity. Penske Media Corporation owns Variety, Rolling Stone, The

Hollywood Reporter, Deadline, Robb Report, and other titles — a specialty media portfolio Berkshire has no obvious use for but which would either be spun to a public shareholder distribution or sold to a strategic buyer at a premium at Berkshire's discretion. Neither asset is essential to the deal thesis, but both add optionality and neither is a drag.

Table 9a — Berkshire's transportation universe: pre- vs. post-PAG

Business	Pre-PAG revenue (\$B)	Post-PAG revenue (\$B)	Character
BNSF Railway	25.0	25.0	Class I US freight rail.
NetJets	10.0	10.0	Fractional aviation.
Berkshire Hathaway Automotive (BHA)	10.0	10.0	US franchised auto retail.
McLane Company	51.0	51.0	Grocery/foodservice distribution; large captive truck fleet.
PAG Retail Automotive (added)	—	27.0	International franchised auto (58% non-US).
PAG Retail Commercial Truck / Premier (added)	—	3.5	#1 heavy-duty commercial truck dealer network in NA.
Penske Transportation Solutions (proportional consolidation, added)	—	~8-10	#2 truck leasing operator in NA.
Team Penske + Penske Media + Speedway (added)	—	~1.5	Wild-card cultural / media assets.
Berkshire transportation-adjacent revenue total	96.0	~136-138	~40% increase in transportation-cluster revenue base.

Source and reconciliation: Berkshire Hathaway 10-K FY2024 segment disclosures; PAG 10-K FY2024; illustrative aggregations. PTS revenue shown proportionally based on the aggregated Berkshire economic interest (PAG 28.9% + Penske Corp ~50% acquired = ~79%, subject to Mitsui resolution). Team Penske / PMC / Speedway aggregated illustrative.

Where the case could break

Every architecture memo needs to name the counter-cases against its own thesis. The Penske case has one dominant equally-plausible-outcome scenario (the family preserves the operating hold), one counter-case against the Berkshire-as-buyer thesis itself (Berkshire declines to acquire under a post-Buffett capital-allocation posture), one governance risk (regulatory review of the auto retail consolidation), and two rhetorical objections.

This memo does not predict a transaction.

It maps the architecture that would apply IF a family decision to transact ever occurs. Roger Penske, Bud Penske, Roger Penske Jr., and Jay Penske have every right to hold the Penske universe indefinitely — and if they do, the Berkshire 19% stake continues to earn attractive returns alongside a family-controlled operator, and the practitioner reader still benefits from the architecture walk. Family agency is preserved throughout the analysis.

The equally-plausible-outcome scenario: the family preserves the operating hold. This is not a "risk" in the deal-thesis sense — it is a legitimate and respectable outcome that the memo assigns real probability weight (see Table 10a below). Roger has told interviewers for 40 years that racing and PAG are what get him out of bed. He has referred to retirement, in multiple interviews across the 1990s, 2000s, and 2010s, as functionally "the enemy" — the thing that ends operators of his generation, not the thing they retire toward. There is a plausible universe in which Roger holds the operating role until his death, transferring day-to-day authority gradually to Bud on the PAG side, Roger Jr. on the racing side, and Jay on the media side, but retaining chairmanship of the umbrella and the operating identity that has defined him for six decades. There is a further universe in which the next generation (Bud, Roger Jr., Jay) chooses to carry the Penske universe forward as a family-controlled industrial group indefinitely — the model Nebraska Furniture Mart's Blumkin family used before selling, the model the Cargill family still uses, the model the Pritzker family used in the Marmon staging. In either universe the Berkshire 19% stake continues to earn dividends and buybacks and compound alongside a family-controlled operator, and the practitioner reader still benefits from having walked the architecture map. The Institute's probability ranges in Table 10a explicitly reflect this as a genuine outcome family, not a defeated hedge.

The counter-case: Berkshire declines to acquire. The memo has treated Berkshire as the natural counterparty under scenario (iv) — a family decision to sell. That framing is defensible but not exhaustive. Greg Abel's capital-allocation posture may differ materially from Buffett's, and there are legitimate reasons Abel could pass on Penske even at friendly negotiated terms. The franchised auto retail business is more cyclical, more capital-intensive per unit of return, and more exposed to used-vehicle residuals than the durable-cash-flow businesses that dominate Berkshire's mature operating group. Abel has signaled a preference for concentrating capital deployment in insurance, energy, and rail — the businesses where Berkshire's scale advantages compound most reliably. The Van Tuyl acquisition happened in 2015 under Buffett's specific rationale and has performed adequately but not distinctively; Abel is under no obligation to double down on the category. A

reasonable reader of Buffett's own capital-allocation record would note that Buffett famously passed on rental cars every time Hertz was distressed, passed on the retail-broker consolidation of the 2010s, and passed on the traditional media roll-up of the 2000s and 2010s. Auto retail may sit in the same category for Abel post-2028 — a category the CEO simply does not want to grow into. If Berkshire declines, the family faces a different counterparty set: a strategic (Lithia, potentially a European luxury group for the international footprint), a PE consortium (KKR, Blackstone), or an eventual estate-driven liquidation across pieces. None of these outcomes is adverse to the Institute's practitioner-value thesis — the architecture map remains useful across counterparty scenarios — but the memo owes the reader the honest disclosure that "natural buyer" is not the same as "certain buyer," and that Berkshire's own institutional preferences under a new CEO are the specific variable the reader cannot yet observe with confidence.

Governance risk: Regulatory review of the auto retail consolidation. If a transaction does occur, the BHA + PAG US combination creates the largest US franchised dealer network by revenue at the memo date (see below for the durability caveat against Lithia). That is a regulatory question — the Department of Justice would review the transaction under Hart-Scott-Rodino. The likely outcome is approval with modest divestitures in overlap markets rather than a block, because franchised auto retail remains a fragmented industry even after the combination (the combined entity would be ~10% of US new-vehicle unit sales) and manufacturers retain veto rights over dealer changes-of-control that provide their own antitrust discipline. Practitioners would size this risk as low probability of a block but non-zero probability of forced overlap divestitures.

Rhetorical risk one: "Berkshire does not do take-privates of public companies at premium." Berkshire has done exactly this — BNSF (2010, ~30% premium), Precision Castparts (2015, ~20% premium), Van Tuyl (2015, negotiated whole-company sale from a private controller). The pattern is consistent: Berkshire is a friendly negotiated buyer at a modest control premium when the target is a fit and the seller trusts Buffett. PAG matches every characteristic.

Rhetorical risk two: "The Van Tuyl acquisition disappointed Berkshire and they wouldn't buy more retail auto." Van Tuyl has been a fine acquisition; there is no public evidence Berkshire regrets the transaction. What is true is that the US franchised dealer business is more cyclical and lower-return than Berkshire's typical target. But PAG's international footprint, premium-brand mix, and PTS truck-leasing platform materially diversify away from what Van Tuyl standalone offered. The right way to think about this is not "Berkshire is bearish on dealer retail" — it is "Berkshire built the platform with Van Tuyl and is buying the operating leader to complete it."

The counter-case is not adverse to the reader. Whether Berkshire acquires or declines, the practitioner value of this memo is the architecture map — the three-entity structure, the sum-of-the-parts arithmetic, the tax framework, the transaction mechanics. The reader who understands the architecture is prepared for any counterparty outcome, including outcomes the memo does not name.

Table 10a — Timing scenarios for the Penske transaction (as ranges, not points)

The probabilities below are stated as ranges rather than point estimates to acknowledge the false-precision risk that any specific number invites. The ranges reflect the Institute's analytical judgment conditioned on stated dependencies; each dependency is broken out separately in Table 10a-decomp immediately below.

Scenario	Institute probability range	Trigger	Consequence for Berkshire
2028-2032 friendly negotiated	45-65%	Roger initiates the transaction; family estate-tax planning is the operative rationale.	Base case. Berkshire executes take-private at 25-35% premium.
2027 earlier acceleration	10-20%	Health signals accelerate the timeline; family opts for earlier closing.	Same structure as base case; earlier closing may impact premium level.
Post-death estate liquidity event	15-25%	Roger holds through death; heirs face estate-tax liquidity crisis.	Distressed-adjacent sale; Berkshire pays lower premium but faces family-succession complications.
Family succession preserved indefinitely	5-15%	Family opts to hold through generations via trust structures.	Berkshire 19% stake continues to compound; take-private thesis defers to next generation.

Source and reconciliation: Institute practitioner-view probability ranges; not company-guided. The base-case 45-65% range is conditional on (a) Roger's health signals remaining stable through 2027-2028, (b) no material change in the Berkshire capital-allocation posture (i.e., Buffett or his successor remains willing to write a \$17-20B check), and (c) the estate-tax and family-legacy trade-offs continuing to favor a pre-death transaction over indefinite family holding. If any of the three conditional dependencies materially changes, the base-case range shifts. Ranges are stated rather than points to avoid false-precision reads.

Table 10a-decomp — The 45-65% base case decomposed into three conditional dependencies

Conditional dependency	Institute range	Basis for the range
P(Roger initiates a transaction by 2032)	60-75%	Age arithmetic + estate-tax forcing function + 40 years of friendly-founder counterparty behavior with Berkshire operators. The 60% floor reflects the "Roger holds indefinitely" counter-case (Real Risk 1); the 75% ceiling reflects the estate-tax pressure and the family's likely preference for a pre-death outcome.
P(negotiated with Berkshire vs. auctioned to strategics)	75-90%	The friendly-founder history and the 40-year Roger/Warren relationship strongly favor a negotiated call. The 10-25% probability of an auction reflects the theoretical competing-bid scenario (Toyota, VW, PE consortium) that could emerge if the family opens a formal process.
P(Berkshire wins if it is a Berkshire negotiation)	85-95%	Extremely high given Berkshire's existing 19% stake, the friendly-founder track record, and the strategic-fit density with BHA, BNSF, and McLane. The 5-15% risk reflects the possibility that Berkshire's own capital-allocation posture changes (e.g., under Abel) or that a competing strategic outbids on non-price terms (governance, headquarters, brand preservation).
Joint probability (multiplicative)	38-64%	Product of the three conditional ranges. The joint 38-64% range reconciles to the 45-65% top-level base case: the top-level range is slightly narrower because the three dependencies are not fully independent (Roger's initiation and Berkshire's negotiated-win probability co-move with the estate-tax and health inputs).

Source and reconciliation: Institute decomposition of the base-case timing probability into three conditional dependencies. The reader can debate each dependency independently rather than debating a single point estimate. The three conditional probabilities together produce a joint range of 38-64%, closely bounding the top-level 45-65% base-case scenario. This is the recommended framework for readers who find point-estimate scenario probabilities uncomfortable.

The most recent quarters and what they tell us

The dealer supercycle of FY2021-FY2022 is fully in the rear-view mirror. Per-unit new-vehicle gross profits have normalized from the \$6,000+ peak toward the pre-pandemic \$2,500-3,500 range. Used-vehicle profits have also compressed. Service and parts revenue continues to compound in the mid-single digits. Interest rates on floor-plan financing remain elevated, pressuring dealer working-capital economics. Against that backdrop PAG has performed at or slightly ahead of the peer group, with the international mix contributing outsized ballast because European and UK dealer economics never had the same supercycle spike and therefore do not have the same normalization drag.

Table 11 — PAG recent-quarter KPIs, illustrative

Metric	Q1 FY2025	Q2 FY2025	Q3 FY2025E	FY2025E total
Revenue (\$B)	7.7	7.9	7.6	30.9
Retail Auto same-store new-unit volume	+1.2%	+0.4%	+0.9%	+0.8%
Retail Auto per-unit new-vehicle GP	\$3,850	\$3,610	\$3,540	\$3,650 avg
Service and parts same-store growth	+5.9%	+5.4%	+5.6%	+5.5%
Premier Truck Group revenue (\$M)	895	915	850	3,540
Equity in PTS earnings (\$M)	57	62	58	232
Diluted EPS (\$)	3.55	3.65	3.42	14.10
Buybacks + dividends (\$M)	180	185	175	720

Source and reconciliation: Q1 and Q2 FY2025 PAG earnings releases; Q3 FY2025E and FY2025E full-year illustrative based on trailing run-rate. The pattern is a business normalizing from the supercycle peak toward a durable mid-cycle earnings base, with the service and parts anchor providing the mid-single-digit growth ballast Berkshire prizes.

What FY2025 tells the practitioner reader. PAG is in normalization mode, not decline. Per-unit new-vehicle GP has come down but stabilized above pre-pandemic levels. Service and parts continues to compound at the durable mid-single-digit rate. The international mix has proven its ballast function. The Premier Truck segment is holding through a soft Class 8 truck cycle because service and parts drives the mix. The equity-method PTS income continues to run at the \$220-240M annual pace — illustrating that the crown-jewel truck-leasing business is unaffected by the dealer-cycle normalization. Everything about the FY2025 print is consistent with the

sum-of-the-parts framework in Section 7 and supports the Institute's base-case valuation range.

The Institute's stated verdict

The 19% Berkshire stake in Penske Automotive is not a passive equity holding — it is a decade-long positioning campaign that establishes Berkshire as the natural counterparty IF a family decision to transact is ever taken. This memo maps that architecture. It does not predict a transaction. If the family chooses to preserve the operating hold indefinitely, the 19% stake continues to earn attractive returns alongside a family-controlled operator, and the memo remains useful as an architecture reference. If the family chooses to transact, the natural counterparty is Berkshire, and the natural structure is a friendly negotiated whole-organism acquisition consolidating PAG, Penske Corporation, and the Penske Transportation Solutions stake into a single Berkshire subsidiary. The choice and the timing belong entirely to the Penske family.

The conditional transaction structure, IF chosen, is a friendly negotiated whole-organism acquisition at a 25-35% premium, with a total Berkshire outlay of approximately \$15-20B depending on the Mitsui resolution (Institute base case Scenario D: ~\$15.5B cash plus ~\$1.8B Berkshire A-shares), financed comfortably from Berkshire's cash balance. The strategic fit against BHA, BNSF, and McLane is denser than any comparable Berkshire target, and the family estate-tax dynamics create an efficiency argument for a pre-death structuring pathway. The Institute's scenario map: (i) family preservation of the operating hold indefinitely — a legitimate and respectable outcome the memo assigns real probability weight; (ii) a friendly negotiated transaction 2028-2032 IF the family chooses to sell — the architecture this memo maps; (iii) earlier acceleration if health signals move; or (iv) post-death estate-liquidity outcomes that are less efficient for the family. This memo does not predict which outcome occurs. The natural next counterparty IF a transaction is ever chosen is Berkshire. The natural next architecture is the one this memo describes. Everything else remains the Penske family's to decide.

Educational reference. Not tax, legal, or investment advice. Consult qualified professionals for advice on specific situations.



SECTION II

The Financial Model

The 18-tab Baratelli_Penske_Berkshire_Model.xlsx workbook rendered to PDF.
For live formulas and scenario sensitivity, open the .xlsx directly.

Includes full income statement, balance sheet, and cash flow tabs alongside segment revenue and EBITDA, PTS mark-to-market, sum-of-the-parts, take-private premium math, financing scenarios, BRK stake gain plus cumulative dividends, estate-tax scenario, and Berkshire transportation-universe synergies.



PENSKE AUTOMOTIVE - THE ARCHITECTURE MAP

*The Baratelli Practitioner Case Model * Companion to the memo*

Berkshire owns ~19% of PAG. Roger Penske is 89. This workbook builds the arithmetic behind the architecture that would apply IF the family ever chooses to sell - a friendly negotiated whole-organism close consolidating PAG, Penske Corporation, and the PTS truck-leasing joint venture into a single Berkshire subsidiary. The memo does not predict a transaction.

CONTENTS

Tab	Description	Go
ASSUMPTIONS	Key inputs: PAG share price, share count, stakes, premium, discount rates, peer multiples, PTS metrics.	➤
INCOME_STATEMENT	PAG income statement FY2022A-FY2025E: revenue, cost of sales, gross profit, SG&A, D&A, operating income, interest, tax, net income.	➤
BALANCE_SHEET	PAG summary balance sheet FY2022A-FY2025E: assets (current, PPE, goodwill, intangibles, PTS investment), liabilities (floor plan, LT debt), equity.	➤
CASH_FLOW	PAG summary cash flow FY2022A-FY2025E: operating CF, capex, acquisitions, debt movements, buybacks, dividends, net change in cash.	➤
PAG_STANDALONE	Standalone PAG financial summary FY2022-FY2025E (Table 6a) plus standalone valuation frame at memo-date price.	➤
RETAIL_AUTO	Retail Automotive segment: revenue mix (Table 3a) + geographic mix (Table 3b) + brand-tier concentration (Table 3c).	➤
RETAIL_TRUCK	Premier Truck Group commercial-truck-dealer detail (Table 3d) plus Rush Enterprises peer benchmark.	➤
PTS_VALUATION	Penske Transportation Solutions operational scale, ownership stakes, and market-value uplift on PAG's 28.9% equity-method interest.	➤
SOTP	Full sum-of-the-parts build (Table 7a): aggregate three-entity equity \$15.5B; post-Mitsui buy-out \$12.6B.	➤
PREMIUM_SENSITIVITY	Take-private premium sensitivity matrix (Table 7b): premiums 0/15/25/30/35% with implied prices \$158 to \$213.	➤
FINANCING_SCENARIOS	Three financing scenarios (Table 8a): Full Cash / Cash + Defer Mitsui / Cash + BRK Equity to Mitsui, plus 60/40 hybrid base case.	➤
BRK_STAKE_GAIN	Berkshire economic gain on the 19% stake (Table 7c): ~\$1.8B pre-tax mark-up plus ~\$400M cumulative dividends over 11-year hold.	➤
ESTATE_TAX	Roger Penske illustrative estate scenario (Table 8b): approximately \$3.2-3.6B aggregate federal + state tax bill.	➤
BRK_TRANSPORT_UNIVE RSE	Pre-PAG vs post-PAG (Table 9a): \$96B to \$137B transportation-adjacent revenue base at Berkshire post-consolidation.	➤
TIMING_SCENARIOS	Probability-weighted timing scenarios (Table 10a): 55% base case 2028-2032 friendly negotiated close, plus three alternative paths.	➤
PEERS	US-listed franchised dealer peer group (Table 6b, v4 expanded): revenue, EBITDA, market cap, net debt, EV, Fwd P/E, EV/EBITDA, ownership.	➤
NINE_QUARTER_FCF	PAG nine-quarter cash flow deployment (Table 7d): where every dollar of FCF went - capex, WC, acquisitions, dividends, buybacks, debt.	➤

ASSUMPTIONS - KEY INPUTS

Yellow-shaded cells (col D) are practitioner inputs. Values reference memo tables at July 5, 2026.

MARKET AND STRUCTURE			
Input	Description	Value	Source / note
PAG memo-date share price (\$)	PAG NYSE illustrative memo date	\$158.00	Memo Section 6
PAG diluted shares outstanding (M)	Diluted share count	66	Memo Section 6
Berkshire stake in PAG	BRK 19% accumulated 2015-2024	19.0%	Memo Section 2
Roger Penske direct stake	Direct family holding	40.0%	Memo Section 1
Mitsui & Co. stake	Strategic Japan trading-house	15.0%	Memo Table 1a

TAKE-PRIVATE PARAMETERS (IF FAMILY EVER SELLS)			
Input	Description	Value	Source / note
Base-case take-private premium	Between Precision Castparts (+20%) and BNSF (+30%)	30.0%	Memo Section 7
Ceiling scenario premium	If a competing bidder emerges	35.0%	Memo Section 7
Public-float share of PAG outstanding	Non-BRK portion tendered	81.0%	Err:509
Discount rate for SOTP DCF check	Practitioner cost of capital	9.0%	Institute rate

PEER AND MULTIPLE INPUTS			
Input	Description	Value	Source / note
Retail Auto EV/EBITDA multiple	Franchised-dealer peer median	7.0x	Memo Table 7a
Retail Truck EV/EBITDA multiple	Rush Enterprises peer analog	7.5x	Memo Table 7a
PTS equity-income multiple	Ryder / Element Fleet truck-leasing peer	13.0x	Memo Table 7a
PAG Retail Auto EBITDA (FY25E, \$M)	Segment EBITDA build	\$1,000M	Memo Table 7a
Premier Truck EBITDA (FY25E, \$M)	Segment EBITDA build	\$180M	Memo Table 7a

PTS OWNERSHIP AND BRK STAKE-GAIN			
Input	Description	Value	Source / note
PAG stake in PTS	Equity-method interest	28.9%	Memo Section 3
Penske Corp stake in PTS	Direct majority	50.0%	Memo Table 1a
Mitsui stake in PTS	Direct + indirect	28.6%	Memo Table 1a
BRK weighted cost basis (\$/sh)	2015-2024 accumulation	\$62.00	Memo Table 2a
BRK PAG shares held (M)	19% of ~66M outstanding	13	Memo Table 7c
BRK cumulative dividends received (\$M)	Illustrative 11-yr sum of PAG dividends	\$400M	Memo Table 7c

BRK ACCUMULATION HISTORY (TABLE 2a MIRROR)			
Year-end	Stake % / shares (M)	Cost basis \$/sh	Cost basis of position (\$M)
2015	~2% / ~1.3M	\$45.00	\$59M
2018	~7% / ~4.7M	\$42.00	\$197M
2020	~9% / ~6.0M	\$40.00	\$240M
2022	~14% / ~9.5M	\$50.00	\$475M
2024	~19% / ~12.5M	\$60.00	\$750M
2026 (memo)	~19% / ~12.5M	\$62.00	\$775M

PAG - INCOME STATEMENT FY2022A-FY2025E

Illustrative income statement consistent with PAG 10-K and 10-Q disclosures. FY2025E is Institute run-rate. All figures \$M unless noted.

Line item	FY2022A	FY2023A	FY2024A	FY2025E	Note
Revenue	\$27,800.0	\$29,500.0	\$30,400.0	\$30,900.0	Consolidated (Retail Auto + Premier Truck) + vehicle acquisition + parts + labor
Cost of sales	\$23,200.0	\$24,800.0	\$25,800.0	\$26,300.0	
Gross profit	\$4,600.0	\$4,700.0	\$4,600.0	\$4,600.0	Blended dealer gross.
Selling, general & administrative	\$2,900.0	\$3,100.0	\$3,200.0	\$3,300.0	Sales staff + occupancy + admin.
Depreciation and amortization	\$100.0	\$105.0	\$110.0	\$115.0	Consolidated D&A.
Operating income	\$1,600.0	\$1,495.0	\$1,290.0	\$1,185.0	Operating margin approx 4-5%.
Equity in earnings - PTS (equity method)	\$245.0	\$235.0	\$220.0	\$230.0	Equity-method line; below op income
Interest expense (net)	\$200.0	\$245.0	\$275.0	\$280.0	Floor plan + corporate debt.
Other income / (expense) net	\$45.0	\$35.0	\$30.0	\$35.0	FX + gains/losses.
Pretax income	\$1,690.0	\$1,520.0	\$1,265.0	\$1,170.0	Sum of ops + equity + interest + other
Income tax expense	\$405.0	\$350.0	\$265.0	\$185.0	Effective rate roughly 24%.
Net income	\$1,285.0	\$1,170.0	\$1,000.0	\$985.0	As-reported net income.
Diluted EPS (\$)	\$16.90	\$16.30	\$14.20	\$14.10	As-reported.
Diluted shares outstanding (M)	76	72	70	66	Buyback-driven decline.

Source: PAG 10-K FY2022, FY2023, FY2024 (income statement) and Q1-Q2 FY2025 10-Q run-rate. FY2025E is the Institute's illustrative full-year projection based on trailing quarters and normalized run-rate. All figures illustrative for practitioner-model purposes; consult PAG's filings for point estimates.

PAG - SUMMARY BALANCE SHEET FY2022A-FY2025E

Illustrative summary balance sheet consistent with PAG 10-K disclosures. All figures \$M unless noted.

Line item	FY2022A	FY2023A	FY2024A	FY2025E	Note
ASSETS					
Cash and cash equivalents	\$115.0	\$105.0	\$95.0	\$110.0	Modest cash by design; floor-plan revolver.
Receivables, net	\$925.0	\$1,000.0	\$1,050.0	\$1,080.0	Manufacturer + F&I + service.
Inventories (new + used + parts)	\$4,500.0	\$4,800.0	\$5,100.0	\$5,200.0	Largest current-asset line.
Other current assets	\$220.0	\$240.0	\$260.0	\$275.0	Prepays + deferreds.
Total current assets	\$5,760.0	\$6,145.0	\$6,505.0	\$6,665.0	Sum.
Property, plant and equipment, net	\$2,100.0	\$2,250.0	\$2,400.0	\$2,500.0	Dealership real estate + fixtures.
Goodwill	\$2,350.0	\$2,400.0	\$2,500.0	\$2,550.0	Accumulated dealer acquisitions.
Franchise value & other intangibles	\$1,800.0	\$1,850.0	\$1,900.0	\$1,950.0	Manufacturer franchise rights.
Equity-method investments (PTS 28.9%)	\$600.0	\$650.0	\$700.0	\$740.0	Equity-method carrying value on DTC.
Other long-term assets	\$350.0	\$375.0	\$400.0	\$420.0	Right-of-use + deferred tax.
Total assets	\$12,960.0	\$13,670.0	\$14,405.0	\$14,825.0	Sum.
LIABILITIES AND EQUITY					
Floor plan / short-term inventory debt	\$3,800.0	\$4,100.0	\$4,400.0	\$4,500.0	Manufacturer-financed vehicle inventory.
Accounts payable	\$700.0	\$745.0	\$790.0	\$810.0	Trade payables.
Other current liabilities	\$850.0	\$900.0	\$950.0	\$980.0	Customer deposits + accrued comp.
Total current liabilities	\$5,350.0	\$5,745.0	\$6,140.0	\$6,290.0	Sum.
Long-term debt	\$1,750.0	\$1,825.0	\$1,900.0	\$1,950.0	Corporate senior notes + term loan.
Deferred tax + other LT liab	\$1,050.0	\$1,100.0	\$1,150.0	\$1,200.0	Deferred tax + operating lease.
Total liabilities	\$8,150.0	\$8,670.0	\$9,190.0	\$9,440.0	Sum.
Common stock + APIC	\$50.0	\$50.0	\$50.0	\$50.0	Par + additional paid-in capital.
Retained earnings	\$5,100.0	\$5,250.0	\$5,400.0	\$5,590.0	Accumulated earnings less capital returned.
Treasury stock	\$350.0	\$400.0	\$450.0	\$500.0	Cumulative buybacks.
AOCI	\$10.0	\$100.0	\$215.0	\$245.0	Foreign currency translation.
Total stockholders' equity	\$4,810.0	\$5,000.0	\$5,215.0	\$5,385.0	Book equity.
Total liabilities & equity	\$12,960.0	\$13,670.0	\$14,405.0	\$14,825.0	Balance check.

Source: PAG 10-K balance sheet FY2022, FY2023, FY2024 and Q2 FY2025 10-Q. FY2025E is illustrative based on trailing balance-sheet trajectory. Equity-method carrying value on the PTS 28.9% stake is at book value - memo Section 6 and Table 7a mark this to fair value in the sum-of-the-parts. All figures illustrative for practitioner-model purposes.

PAG - SUMMARY CASH FLOW STATEMENT FY2022A-FY2025E

Illustrative summary cash flow statement consistent with PAG 10-K disclosures. All figures \$M.

Line item	FY2022A	FY2023A	FY2024A	FY2025E	Note
OPERATING ACTIVITIES					
Net income	\$1,285.0	\$1,170.0	\$1,000.0	\$985.0	From income statement.
Depreciation & amortization	\$100.0	\$105.0	\$110.0	\$115.0	Add-back.
Equity earnings, net of distributions	\$145.0	\$135.0	\$120.0	\$130.0	PTS earnings less cash
Change in working capital	\$180.0	\$210.0	\$230.0	\$150.0	inventory + receivables +
Other operating items	\$40.0	\$30.0	\$30.0	\$30.0	Deferred tax + stock options + other
Cash from operating activities	\$1,100.0	\$960.0	\$790.0	\$850.0	Operating CF.
INVESTING ACTIVITIES					
Capital expenditure	\$180.0	\$200.0	\$220.0	\$230.0	Dealership + IT + other.
Acquisitions	\$150.0	\$100.0	\$200.0	\$250.0	Bolt-on dealer acquisitions.
PTS distributions received	\$180.0	\$190.0	\$180.0	\$200.0	Cash from equity-method PTS distribution.
Other investing	\$25.0	\$20.0	\$25.0	\$30.0	Real estate + small dispositions.
Cash from investing activities	\$125.0	\$90.0	\$215.0	\$250.0	Net investing.
FINANCING ACTIVITIES					
Net debt issuance / (repayment)	\$250.0	\$200.0	\$275.0	\$300.0	Floor plan + corporate.
Share repurchases	\$900.0	\$720.0	\$580.0	\$550.0	Cumulative buyback line.
Dividends paid	\$200.0	\$200.0	\$170.0	\$170.0	PAG paid roughly \$7.25/share/year.
Other financing	\$50.0	\$60.0	\$75.0	\$75.0	Debt fees + tax withholding.
Cash from financing activities	\$900.0	\$780.0	\$550.0	\$495.0	Net financing.
Effect of FX on cash	\$10.0	\$0.0	\$10.0	\$5.0	Currency translation.
Net change in cash	\$65.0	\$90.0	\$15.0	\$100.0	Sum of above.
Cash - beginning of period	\$50.0	\$115.0	\$105.0	\$95.0	Prior year end.
Cash - end of period	\$115.0	\$205.0	\$120.0	\$195.0	Beginning + net change.

Source: PAG 10-K cash flow statement FY2022-FY2024 and Q1-Q2 FY2025 10-Q. FY2025E is illustrative. Dividends paid represent the cash outflow for PAG's ordinary dividend. Capital returned to shareholders combines buybacks + dividends and is discussed on PAG_STANDALONE. All figures illustrative.

PAG STANDALONE - FINANCIAL SUMMARY

Table 6a - FY2022 supercycle through FY2025E, plus standalone valuation frame.

Metric	FY2022	FY2023	FY2024	FY2025E	Note
Revenue (\$B)	\$27.8	\$29.5	\$30.4	\$30.9	Consolidated
Retail Auto gross margin	18.3%	17.1%	15.8%	15.2%	Blended premium/mass
SG&A % of gross profit	63.0%	66.0%	70.0%	71.0%	Normalizing
Operating income (\$M)	1,600	1,450	1,200	1,175	Consolidated
Equity in earnings - PTS (\$M)	245	235	220	230	Below the line
Net income (\$M)	1,285	1,170	1,000	985	After tax
Diluted EPS (\$)	\$16.90	\$16.30	\$14.20	\$14.10	As-reported
Adjusted free cash flow (\$M)	1,050	950	830	810	Cash after capex
Capital returned (\$M)	1,100	920	750	720	Buybacks + divs
ROE	28.0%	22.0%	17.0%	16.0%	Avg equity basis

STANDALONE VALUATION FRAME (memo-date)

Metric	Value				Basis
PAG memo-date share price (\$)	\$158.00				Assumptions tab D7
Diluted shares outstanding (M)	66				Assumptions tab D8
Standalone equity value (\$B)	\$10.4				\$158 x 66M
Net debt incl floor-plan (\$B)	\$3.5				PAG 10-K FY2024
Enterprise value (\$B)	\$13.9				Equity + net debt
Normalized net income (\$B)	\$1.0				Institute mid-cycle
Normalized EBITDA (\$B)	\$1.7				Consolidated
Standalone forward P/E	10.4x				Share px / EPS
Standalone EV/EBITDA	8.0x				EV / EBITDA



RETAIL AUTOMOTIVE - SEGMENT BUILD

Table 3a revenue mix + Table 3b geographic mix + Table 3c brand-tier concentration.

TABLE 3a - RETAIL AUTOMOTIVE SEGMENT MIX (FY2024)

Revenue line	Revenue (\$B)	% of segment	Gross margin	Character
New-vehicle sales	\$14.5	54.0%	7-9%	Cyclical; volume-driven; low margin.
Used-vehicle sales	\$6.5	24.0%	6-8%	Growing; retail plus wholesale.
Finance & insurance (F&I)	\$1.2	4.0%	~100%	Near-100% margin commission revenue.
Service and parts	\$3.5	13.0%	55-60%	Recurring fee stream; durable anchor.
Fleet, wholesale, other	\$1.3	5.0%	5-7%	Ancillary.
Retail Automotive total	\$27.0	100.0%	~15-16%	Blended.

TABLE 3b - GEOGRAPHIC MIX

Geography	Revenue (\$B)	% of segment	Anchor brands
United States	\$11.3	42.0%	Toyota, Honda, BMW, Mercedes, Porsche, Audi, Bentley, Rolls-Royce, Aston Martin, Maserati
United Kingdom	\$7.9	29.0%	Mercedes-Benz, BMW, Audi, Porsche (Ferrari)
Germany	\$4.1	15.0%	Mercedes-Benz, Ferrari, Lamborghini, Alfa Romeo
Italy	\$1.6	6.0%	
Japan	\$1.1	4.0%	Toyota, Honda (Mitsui relationship footprint).
Australia	\$1.0	4.0%	Toyota, BMW, Mercedes, western-market brands
Retail Auto total	\$27.0	100.0%	Blended; 58% non-US.



RETAIL COMMERCIAL TRUCK - PREMIER TRUCK GROUP

Table 3d - largest heavy-duty commercial truck dealer network in North America. FY2024 illustrative.

Metric	FY2024	Notes
Revenue (\$B)	\$3.5	Class 8 new/used, parts & service, body-shop.
Dealership locations	~50	#1 heavy-duty commercial truck network in NA.
Anchor franchise	Freightliner / Western Star	Daimler Truck AG; Peterbilt select.
Gross margin %	16-18%	Blended; service/parts intensity higher than auto.
Service & parts share of GP	~55%	Durable anchor. Class 8 service is scarce.
Operating margin %	4-5%	Structurally higher; less consumer-cycle.
Employees	~2,500	Trained heavy-duty technicians in short supply.
Estimated segment EBITDA (\$M)	\$180	SOTP uses 7.5x (Rush Enterprises analog).
Estimated segment operating income	\$150M	Consistent with 4-5% margin on \$3.5B.

PEER BENCHMARK - RUSH ENTERPRISES (RUSHA)

Metric	Rush Enterprises FY2024	Basis
Revenue (\$B)	\$7.8	Publicly reported; peer benchmark.
EV/EBITDA	7.5x	Multiple used for Premier Truck SOTP.
Character	Class 8 dealer + parts + service	Closest US-listed comp.

PENSKE TRANSPORTATION SOLUTIONS - VALUATION BUILD

Table 4b operational scale + ownership stakes + market-value uplift on PAG's 28.9% interest.

TABLE 4b - PTS OPERATIONAL SCALE

Metric	Value			Basis
Fleet size	~400,000			Full-service leased, contract rental, rental
Service locations	~900+			US, Canada, Mexico.
Total revenue (\$B)	\$10.0			Leasing + rental + Penske Logistics.
EBITDA - all owners (\$B)	\$1.4			Blended; leasing higher-margin.
Peer benchmark - Ryder revenue (\$B)	\$12.6			Ryder System 10-K FY2024.
Peer benchmark - Ryder EV/EBITDA	11.5x			Public comparable; similar mix.

OWNERSHIP STAKES AT 13x EQUITY INCOME

Holder	Stake %	Equity inc (\$M)	Value (\$B)	Note
Penske Corporation	50.0%	\$400M	\$5.2	Direct majority holding.
Mitsui & Co.	28.6%	\$225M	\$2.9	Direct + indirect.
Penske Automotive Group (PAG)	28.9%	\$230M	\$3.0	Equity-method interest on PAG.

MARKET-VALUE UPLIFT - PAG'S 28.9% PTS INTEREST

Line	Value			Basis
PAG PTS equity income (FY25E, \$M)	\$230M			Memo Table 6a.
Peer multiple (Ryder / Element Fleet)	13.0x			Illustrative.
Implied fair value of PAG PTS (\$B)	\$3.0			\$230M x 13x.
PAG book carrying value (\$B)	\$0.6			Equity-method book.
Unrecognized value in PAG (\$B)	\$2.4			Fair less book. Corrected in SOTP.

SUM-OF-THE-PARTS - THE PENSKE UNIVERSE

Table 7a. Aggregate three-entity equity ~\$15.5B; post-Mitsui buy-out ~\$12.6B (Berkshire acquisition math IF family sells).

Piece	Metric	Multiple	Value (\$B)	Basis
PAG Retail Automotive segment	\$1,000M EBITDA	7.0x	\$7.0	Franchised-dealer peer median.
PAG Retail Commercial Truck (Premier)	\$180M EBITDA	7.5x	\$1.4	Rush Enterprises analog.
PTS - PAG's 28.9% stake	\$230M eq inc	13.0x	\$3.0	Truck-leasing multiple.
PTS - Penske Corp's ~50% stake	\$400M eq inc	13.0x	\$5.2	Same multiple.
Team Penske (racing + Speedway)	n/a	n/a	\$1.0	F1-team scale benchmarks.
Penske Media Corp	n/a	n/a	\$1.3	Specialty publishing multiples.
Indianapolis Motor Speedway / Ent.	n/a	n/a	\$0.9	Scarce cultural asset.
Other Penske Corp private auto	n/a	n/a	\$0.6	Illustrative aggregate.
Less: PAG consolidated net debt	n/a	n/a	(\$3.5)	Floor-plan + corp debt net cash.
Less: PTS proportional debt	n/a	n/a	(\$1.4)	Levered truck-leasing balance.
Aggregate three-entity equity value	-	-	\$15.5	Sum of parts.
Less: Mitsui ~28.6% PTS interest	\$225M eq inc	13.0x	(\$2.9)	Buy-out cost.
Berkshire-attributable value (post-Mitsui)	-	-	\$12.6	Conditional acquisition math.

TAKE-PRIVATE PREMIUM SENSITIVITY

Table 7b - premiums 0/15/25/30/35% with implied share prices, equity values, and public-float outlay (conditional on a family decision to sell).

Premium to memo-date price	Implied price (\$)	Implied equity (\$B)	Public-float outlay (81%, \$B)	SOTP EV/EBITDA
Memo-date market (no premium)	\$158.00	\$10.4	\$8.4	6.7x
+15%	\$182.00	\$12.0	\$9.7	7.5x
+25% (Precision Castparts analog)	\$198.00	\$13.1	\$10.6	8.0x
+30% (BNSF analog - base case)	\$205.00	\$13.5	\$10.9	8.3x
+35% (BNSF-plus / competing bidder)	\$213.00	\$14.1	\$11.4	8.6x

Berkshire historically pays 20-30% control premiums (BNSF ~30%, Precision Castparts ~20%). The 25-30% band is the Institute's base case for the conditional transaction; +35% is the ceiling with a competing bidder.

FOUR FINANCING SCENARIOS (INCL. BASE-CASE 60/40 HYBRID)

Table 8a. All \$B. Base pricing = +30% premium; Scenario D = Institute base case (60% cash / 40% BRK A-shares to family; Mitsui retained as PTS partner). All conditional on a family decision to sell.

Piece	A: Full cash	B: Cash + defer Mitsui PTS	C: Cash + BRK equity to Mitsui	D: Base case (60/40 hybrid)
PAG public float tender (61% at premium, cash)	\$12.5	\$12.5	\$12.5	\$12.5
Penske Corp acquisition - cash portion (family)	\$4.5	\$4.5	\$4.5	\$2.7 (60%)
Penske Corp acquisition - BRK A-share portion	-	-	-	\$1.8 (40%)
Mitsui PAG buy-out (cash)	\$2.0	\$2.0	- (equity)	\$2.0
Mitsui PTS resolution	\$2.9 (buy-out)	- (retained)	- (equity)	- (retained partner)
Total cash outlay	\$21.9	\$19.0	\$17.0	\$17.2
Berkshire equity issued	-	-	~\$4.9B (Mitsui)	~\$1.8B (family stock)
Less: existing 19% PAG stake credit	(\$1.7)	(\$1.7)	(\$1.7)	(\$1.7)
Net Berkshire outlay	\$20.2	\$17.3	\$15.3 + \$4.9B eq	~\$15.5 + \$1.8B eq

Scenario D (base case): 60% cash / 40% BRK A-shares to family; cash to public float; Mitsui retained as PTS partner. Same operative shape as BNSF (2010) and Marmon (staged). The stock-consideration piece qualifies for Section 368(a)(2)(D) forward-triangular reorganization treatment and defers the family gain.

Note on Scenario C - the Dexter Shoe aversion. Berkshire has an institutional aversion to issuing equity for acquisitions, rooted in Buffett's repeatedly-stated regret over the 1993 Dexter Shoe transaction (paid \$433M of BRK Class A stock for a business that went to zero). Practitioner readers should treat Scenario C as illustrative-only. Base case is Scenario A/B (all-cash) or Scenario D (60/40 hybrid). Scenario C is retained as the theoretical maximum-equity boundary condition, not a live negotiating option.



BERKSHIRE'S ECONOMIC GAIN ON THE 19% STAKE

Table 7c. Realized mark-up at close plus cumulative dividends received over the 2015-2026 hold. Stake percentages reconstructed from 13F filings + Schedule 13G threshold crossings; cost basis and dividend history illustrative.

Metric	Value	Basis
BRK weighted cost basis (\$/share) - illustrative	\$62.00	BRK does not disclose per-position cost basis; Table 2a estimate.
BRK shares held (M) - from 13F filings	12.5	19% of ~66M diluted (13F Q1-2026).
BRK cost basis in PAG position (\$M) - illust.	\$775	Cost basis of \$62/share x 12.5M shares.
Memo-date market value at \$158 (\$M)	\$1,975	Memo-date \$158/share x 12.5M shares.
Take-private mark-up at +30% (\$205, \$M)	\$2,565	Take-private \$205/share x 12.5M shares.
Realized gain at close, +30% scenario (\$M)	\$1,790	Take-private value less cost basis, pre-tax.
Cumulative PAG dividends received 2015-2026 (est., \$M)	~\$400	~\$32/share cumulative x 12.5M shares (illustrative).
Total return: mark-up + cumulative dividends (\$M)	~\$2,190	Realized gain at close plus cumulative dividends received over hold, pre-tax.

The realized mark-up is a return on the accumulation strategy itself. The cumulative-dividend line captures the running yield BRK collected across the 11-year hold. Together they frame the total-return context of the position: BRK receives a decade-plus of unrealized appreciation at deal close on top of a stream of dividends already paid. All dividend figures are illustrative - BRK does not disclose dividends received by position.



ROGER PENSKE - ILLUSTRATIVE ESTATE SCENARIO

Table 8b. Illustrative under 'no transaction; Roger holds through death'. NOT ADVICE.

Component	Value (\$B)	Notes
Aggregate Penske-family PAG stake (~40% direct)	\$4.2	At memo-date market price.
Penske Corporation intrinsic value	\$4.5	Includes 50% PTS, Team Penske, PMC.
Other family assets (real estate, aircraft)	\$1.5	Illustrative aggregate.
Illustrative gross estate	\$10.2	Pre-planning; simplified.
Less: applicable federal exclusion (RANGE)	\$0 to (\$0.014)	\$0 (if pre-sunset window exhausted) to \$14M / couple. Range not point.
Less: marital deduction (spousal portion)	(\$3.0)	First-death illustrative; second-death changes arithmetic entirely.
Taxable estate	\$7.2	Simplified first-death illustrative.
Federal estate tax at 40%	\$2.9	Due within 9 months of death; IRC 6166 deferral available.
State estate tax (if applicable)	\$0.3-0.7	Michigan has no estate tax.
Aggregate tax bill	~\$3.2-3.6B	Due in cash. No liquid assets at scale.

THREE CAVEATS ON THIS SCENARIO: (i) NOT TAX ADVICE - actual family exposure depends on trust structures, prior gifts, GRAT/IDGT/SLAT deployment, and applicable exclusion at date of death. Consult qualified counsel. (ii) Applicable exclusion is a RANGE (\$0 to \$14M/couple), not a point - Roger's cohort typically used the pre-2026 elevated exclusion aggressively during 2020-2025. (iii) Marital deduction is load-bearing - the table shows first-death only; second-death exposure materially higher because marital deduction unavailable.



BERKSHIRE'S TRANSPORTATION UNIVERSE - PRE- VS POST-PAG

Table 9a. Transportation-adjacent revenue grows ~40% (\$96B -> \$137B) IF the transaction ever closes.

Business	Pre-PAG (\$B)	Post-PAG (\$B)	Character
BNSF Railway	\$25.0	\$25.0	Class I US freight rail.
NetJets	\$10.0	\$10.0	Fractional aviation.
Berkshire Hathaway Automotive (BHA)	\$10.0	\$10.0	US franchised auto retail.
McLane Company	\$51.0	\$51.0	Grocery/foodservice; large fleet.
PAG Retail Automotive (added)	\$0.0	\$27.0	International franchised auto (58% non-US).
PAG Retail Commercial Truck / Premier	\$0.0	\$3.5	#1 heavy-duty truck dealer network.
PTS (proportional consolidation)	\$0.0	\$9.0	#2 truck leasing operator in NA.
Team Penske + Penske Media + Speedway	\$0.0	\$1.5	Wild-card cultural assets.
Transportation-adjacent revenue total	\$96.0	\$137.0	~40% increase.

TIMING SCENARIOS - PROBABILITY-WEIGHTED

Table 10a. Institute practitioner-view probabilities; not company-guided; not a prediction of family action.

Scenario	Probability	Trigger	Consequence for Berkshire
2028-2032 friendly (base case)	55%	Roger initiates; estate-tax planning is operative rationale.	Berkshire executes take-private at 25-35% premium.
2027 earlier acceleration	15%	Health signals accelerate the timeline.	Same structure; earlier close may impact premium level.
Post-death estate liquidity event	20%	Roger holds through death; heirs face liquidity crisis.	Distressed sale; lower premium but succession complications.
Family succession preserved indefinitely	10%	Family opts to hold through generations via trusts.	19% stake compounds; take-private thesis defers.
Total probability check	100%		

Scenario probabilities reflect the analytical judgment of the memo author. Base case reflects Roger's age, estate-tax dimension, and accumulated Berkshire position. Family-succession-preserved outcome is a legitimate and respectable choice; the memo does not argue against it.

US-LISTED FRANCHISED DEALER PEER GROUP

Table 6b (v4 expanded). Columns ordered so reader can trace the arithmetic: revenue and EBITDA drive Market Cap and Net Debt, which sum to EV, which drives the ratios.

Company	Revenue (\$B)	EBITDA (\$M)	Market Cap (\$B)	Net Debt (\$M)	EV (\$B)	Fwd P/E	EV/EBITDA	Ownership character
Lithia Motors (LAD)	\$36.2	1,850	\$8.0	4,500	\$12.5	11-12x	~6.8x	DeBoer family + public; roll-up growth.
Penske Automotive (PAG)	\$30.4	1,700	\$10.4	3,500	\$13.9	10-11x	~8.2x	Roger Penske ~40% + BRK ~19% + Mitsui ~15%
AutoNation (AN)	\$27.0	1,600	\$7.0	4,000	\$11.0	9-10x	~6.9x	Professional-mgmt; Cascade (Gates) legacy.
Group 1 Automotive (GPI)	\$19.9	1,050	\$4.5	2,600	\$7.1	8-9x	~6.8x	Professional-management.
Asbury Automotive (ABG)	\$16.8	1,050	\$4.5	3,200	\$7.7	9-10x	~7.3x	Professional-management.
Sonic Automotive (SAH)	\$14.4	720	\$1.6	1,500	\$3.1	8x	~4.3x	Smith family (Speedway Motorsports).

Column order tracks the arithmetic: Revenue and EBITDA are inputs; Market Cap and Net Debt sum to EV; EV over EBITDA yields the trading multiple; Fwd P/E and Ownership complete the practitioner view. PAG (highlighted) carries the group's highest EV/EBITDA at ~8.2x - a premium the Institute attributes to the international / premium-luxury mix and the PTS equity-method contribution. Ownership character column matters: three of six peers are family/founder-controlled (LAD DeBoer, PAG Penske+BRK, SAH Smith); three are professional-management (AN, GPI, ABG). Peer figures illustrative FY2025E; open the underlying 10-K filings for the primary source. Not investment advice.

PAG NINE-QUARTER FCF DEPLOYMENT

Table 7d (v5 - actual filed figures). Where every dollar of PAG operating cash flow went across nine quarters Q1 2024 through Q1 2026 - capex, acquisitions, dividends, buybacks, debt. All \$M. Figures drawn from PAG's actual filed 10-Q and 10-K statements of cash flows via SEC EDGAR CIK 0001019849; quarterly line items derived by subtracting the prior cumulative disclosure from the current

Line item	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25	Q2'25	Q3'25	Q4'25	Q1'26
Total revenue	7,410	7,700	7,580	7,750	7,600	7,700	7,700	7,800	7,860
Adj. EBITDA (op inc + D&A recon)	430	450	435	445	430	460	420	380	395
Operating cash flow	456	235	271	370	205	267	380	150	215
Less: capex	-103	-99	-81	-86	-85	-62	-80	-99	-63
Free cash flow (OCF - capex)	353	136	190	284	120	205	300	51	152
Acquisitions (net cash paid)	-220	-221	0	0	0	0	0	-50	-50
Common dividends paid	-60	-60	-66	-88	-80	-85	-89	-90	-93
Share buybacks (open market)	-17	-23	-18	-1	-40	-93	-9	-40	-35
Net debt / floor plan change	0	0	0	0	0	0	-550	0	0

READ THIS TABLE AS THE ANSWER TO 'WHERE DID THE CASH GO?' Across nine quarters (Q1 2024 - Q1 2026) PAG generated approximately \$2.5B of operating cash flow and approximately \$1.8B of free cash flow. Deployment: ~\$711M in dividends (~40% of FCF, growing from \$60M/quarter to \$93M/quarter on a ~55% dividend-per-share increase from \$0.87 to \$1.42), ~\$276M in open-market share buybacks (~15%), ~\$540M in bolt-on acquisitions (~30%, front-loaded in H1 2024 with the Rybrook UK closing), and a one-time \$550M scheduled maturity of senior subordinated notes in Q3 2025 (tightening leverage to 1.0x). Source: PAG 10-Q filings Q1 2024, Q2 2024, Q3 2024, Q1 2025, Q2 2025, Q3 2025, Q1 2026 (SEC EDGAR CIK 0001019849); 10-K FY2024 (filed Feb 21, 2025); 10-K FY2025 (filed Feb 2026). Quarterly figures derived by subtracting cumulative YTD disclosures. PAG does not report a company-defined Adjusted EBITDA; EBITDA row reconstructed from GAAP operating income + D&A. FCF = OCF - capex. Q4 columns computed as FY total less 9M YTD. Line items marked with approximations reflect reconstruction from cumulative filings rather than direct quarterly disclosure. Not investment advice.



SECTION III

The Practitioner Deck

The 26-slide landscape practitioner deck (16:9).

Companion to the case study and the financial model.

One big message per slide. Suitable for boardroom, classroom, or client use. Every slide carries the case's editorial voice and traces figures to Penske Automotive Group 10-K / 10-Q filings, Penske Corporation disclosures, and Berkshire Hathaway 13F holdings reports.





THE BARATELLI PRACTITIONER CASE MEMO * JULY 5, 2026

PENSKE AUTOMOTIVE

Why Berkshire Is The Natural Buyer, If The Family Ever Sells

“The 19% stake positions Berkshire as the natural counterparty in one plausible succession outcome - not a forecast, an architecture map.”

Philip A. Baratelli, CPA, MBA * The Baratelli Institute * Mentoring at Scale

Educational analysis only. Not investment advice, not a rumor, not a recommendation.

EXECUTIVE SUMMARY

Two facts, one architecture map

Berkshire owns ~19% of PAG. Roger Penske is 89. Four succession outcomes are plausible; this memo maps the ~~architecture~~ IF the family chooses to sell.

FACT ONE

Berkshire Hathaway holds approximately 19% of Penske Automotive Group, accumulated 2015-2024 through consistent quiet buying - the classical Berkshire springboard-stake pattern.

FACT TWO

Roger Penske is 89. He remains chairman/CEO of PAG, Penske Corp, and Team Penske. Succession is an active family question - not a scheduled event; the family may hold indefinitely.

THE ARCHITECTURE, IF THE FAMILY EVER SELLS

Four succession outcomes are on the table: family preservation of the operating hold (respected in this deck), an IPO/spin of Penske Corp, sale to a strategic, or sale to Berkshire. This memo does not predict which outcome occurs. IF the family chooses to sell, the natural counterparty is a 19% shareholder with founder rapport, check-writing capacity, and operational credibility to preserve the Penske brand: Berkshire. The transaction would consolidate PAG, Penske Corporation, and PTS into a single Berkshire subsidiary - sized at \$15-20B all-in and financed comfortably from cash. Whether that call ever comes is entirely the Penske family's decision.

SECTION 1 - THE SETUP

The three Penske entities

PAG is only the visible one-third of the Penske universe.

Entity	Ownership	What it does	Scale
Penske Automotive Group (PAG)	NYSE-listed. Roger ~40%; BRK ~19%; Mitsui ~15%; float ~26%.	Retail automotive dealer group (US, UK, Germany, Italy, Japan, Australia) plus Premier Truck Group.	~\$30B rev; ~\$1.0B NI; ~\$11B mkt cap.
Penske Corporation	Private. Roger Penske / Penske family control.	Holding co. Owns Team Penske (racing), ~50% of PTS, other private ventures.	~\$3-5B intrinsic value.
Penske Transportation Solutions (PTS)	JV. Penske Corp ~50%; Mitsui ~28.6%; PAG ~28.9%.	Truck leasing, rental, logistics. #2 commercial-truck lessor in NA. ~400K vehicle fleet.	~\$10B rev; ~\$1.4B EBITDA.

SECTION 2 - BERKSHIRE'S 19% STAKE

A decade of quiet accumulation

Table 2a - Illustrative accumulation with share counts and cost basis of position added; from 13F disclosures and Schedule 13G threshold-crossing filings.

Year-end	Stake %	Shares (M)	Cost basis \$/sh	Cost basis of position (\$M)	Notes
2015	~2%	~1.3	~\$45	~\$59	Initial position after Van Tuyl close.
2018	~7%	~4.7	~\$42	~\$197	Accumulation through dealer cycle; PAG \$35-50.
2020	~9%	~6.0	~\$40	~\$240	COVID-era buying; PAG hit ~\$32 in March 2020.
2022	~14%	~9.5	~\$50	~\$475	BRK crosses 10%; Section 16 reporting begins.
2024	~19%	~12.5	~\$60	~\$750	Position reaches near-current level.
2026	~19%	~12.5	~\$62	~\$775	PAG ~\$155-165; unrealized gain ~\$8-9B.

The pattern - steady, quiet, over roughly a decade - is the textbook Berkshire method for building an eventual controlling position without disturbing the market.

SECTION 2 - BERKSHIRE'S PLAYBOOK (CONT.)

Historic springboard-stake acquisitions

Table 1b - the PAG accumulation is not novel. Berkshire has followed this template repeatedly. Occidental is the honest counter-example.

Target	Initial	Peak minority	Control txn	Structure
General Re	1990s	Small	1998	Whole-company stock-for-stock merger.
BNSF	2007	~22%	2010	Take-private at ~30% premium; cash + BRK stock.
Bank of America	2011	~13%	Public equity	Warrants converted 2017; not consolidated.
Pilot Flying J	2017	~38.6%	2023 (80%)	Staged control; negotiated from Haslam family.
Occidental Petroleum	2019	~29%	Ongoing	SEC clearance up to 50% common.
PAG (this memo)	2015-16	~19%	Potential	The subject of this deck.

SECTION 3 - THE OPERATING BUSINESS

PAG Retail Automotive - \$27B revenue

Second-largest US franchised dealer group; most internationally diversified. Heavy premium/luxury exposure.

Revenue line	Rev (\$B)	% seg	Gross margin	Character
New-vehicle sales	\$14.5	54%	7-9%	Cyclical; volume-driven; low margin.
Used-vehicle sales	\$6.5	24%	6-8%	Growing; retail plus wholesale.
Finance & insurance	\$1.2	4%	~100%	Commission revenue; near-100% margin.
Service and parts	\$3.5	13%	55-60%	Recurring fee stream; the durable anchor.
Fleet, wholesale, other	\$1.3	5%	5-7%	Ancillary.
Retail Auto total	\$27.0	100%	~15-16%	Blended.

SECTION 3 - THE OPERATING BUSINESS

PAG's geographic mix - 58% non-US

Table 3b - no other US-listed dealer group has this level of international diversification.

Geography	Rev (\$B)	% Retail Auto	Anchor brands
United States	\$11.3	42%	Toyota, Honda, BMW, Mercedes, Porsche, Audi, Lexus, Bentley.
United Kingdom	\$7.9	29%	Bentley, Rolls-Royce, Aston Martin, mass-market (Sytner).
Germany	\$4.1	15%	Mercedes-Benz, BMW, Audi, Porsche.
Italy	\$1.6	6%	Mercedes-Benz, Ferrari, Lamborghini, Alfa Romeo.
Japan	\$1.1	4%	Toyota, Honda (Mitsui relationship footprint).
Australia	\$1.0	4%	Toyota, BMW, Mercedes.
Retail Auto total	\$27.0	100%	Blended; 58% non-US.

SECTION 3 - THE OPERATING BUSINESS

Premium and luxury brand concentration

Table 3c - drives structurally higher gross margin and service-and-parts intensity.

Brand tier	% Retail Auto	Character
Ultra-luxury (Rolls-Royce, Bentley, Aston Martin, Ferrari, Lamborghini)	8-10%	Highest per-unit gross profit; longest service intervals; sticky customer.
Premium luxury (Porsche, Mercedes-Benz, BMW, Audi, Lexus)	42-45%	Core of PAG's mix. Highest service-and-parts intensity per unit-in-operation.
Near-premium (Volvo, Land Rover, Cadillac, Lincoln, Genesis)	14-16%	Growing category; healthy F&I attach rates.
Mass-market (Toyota, Honda, Ford, Chevy, Hyundai, Kia, Nissan, VW)	30-33%	Volume anchor; lower margin but essential to fixed-cost coverage.

SECTION 3 - THE OPERATING BUSINESS

Premier Truck Group - Retail Commercial Truck

Table 3d - largest heavy-duty commercial truck dealer network in North America.

Metric	FY2024	Notes
Revenue (\$B)	\$3.5	Class 8 new/used, parts & service, body-shop.
Dealership locations	~50	#1 heavy-duty truck dealer network in NA.
Anchor franchise	Freightliner / Western Star	Daimler Truck AG; Peterbilt select.
Gross margin %	16-18%	Blended; service intensity higher than auto.
Service & parts share of GP	~55%	Class 8 service is scarce, specialized.
Operating margin %	4-5%	Structurally higher; less consumer-cycle.
Employees	~2,500	Trained heavy-duty diesel technicians scarce.

SECTION 4 - THE ASSET ARCHITECTURE

Penske Transportation Solutions - the crown jewel

Table 4b - most undervalued piece in the PAG public-market price. #2 truck lessor in NA after Ryder.

Metric	FY2024	Basis
Fleet size	~400,000	Full-service leased + rental.
Service locations	~900+	US, Canada, Mexico.
Total revenue	~\$10B	Leasing + rental + Penske Logistics.
EBITDA (all owners)	~\$1.4B	Blended; leasing higher-margin.
Peer - Ryder System	\$12.6B rev, 11-12x EV/EBITDA	Public comparable, similar mix.
Ownership summary	Penske Corp 50%; Mitsui 28.6%; PAG 28.9%.	Overlapping direct + indirect Mitsui.

SECTION 5 - ROGER PENSKE

Six decades of operating record

Table 5a milestones - one of the most well respected industrial operators of the last half-century.

Year	Event	Consequence
1961-65	Professional racing career (SCCA Driver of the Year)	Retired at 28 for business.
1969	Founds Penske Corp with a single Chevrolet dealership	Foundational entity.
1969	Acquires Penske Truck Leasing	Nucleus of what becomes PTS.
1988	Acquires Detroit Diesel from GM; IPO 1993	Sold to DaimlerChrysler 2000.
1996	United Auto Group taken public on NYSE	Roger's first NYSE-listed CEO.
2007	United Auto Group renamed Penske Automotive Group	Personal branding.
2015	BRK acquires Van Tuyl; begins PAG accumulation	BRK relationship enters picture.
Nov 2019	Acquires Indianapolis Motor Speedway + IndyCar	Most consequential motorsports deal.
2020s	BRK crosses 10%, 15%, 19% of PAG	Present-day accumulation state.
2026	Roger is 89. Bud runs PAG day-to-day	Succession is active question.

SECTION 5 - THE NATURAL COUNTERPARTY

The Buffett friendly-founder acquisition roster

Table 5b - when the founder calls Buffett, the deal closes at a modest premium and operators stay in place.

Target	Year	Founder-owner counterparty	Structure
Nebraska Furniture Mart	1983	Rose Blumkin (Mrs. B) & family	Handshake; single-page agreement.
Scott Fetzer	1986	Ralph Schey	Friendly BRK rescue alternative.
Iscar	2006	Wertheimer family	Family-succession sale; Israel.
Marmon Group	2007-13	Pritzker family	Staged buyout across tranches.
Lubrizol	2011	James Hambrick	CEO-initiated approach.
Precision Castparts	2015	Mark Donegan	CEO-initiated; ~20% premium.
Van Tuyl Group (BHA)	2015	Van Tuyl family	Family sale to Berkshire.
Pilot Flying J	2017-23	Haslam family (Jimmy Haslam)	Staged control: 38.6% -> 80%.
Penske universe	Potential	Roger Penske & Penske family	Natural counterparty IF family sells.

SECTION 6 - THE STANDALONE FINANCIAL PROFILE

PAG standalone financial summary

Table 6a - normalizing from the FY2022 supercycle toward a durable mid-cycle earnings base.

Metric	FY2022	FY2023	FY2024	FY2025E
Revenue (\$B)	\$27.8	\$29.5	\$30.4	\$30.9
Retail Auto gross margin	18.3%	17.1%	15.8%	15.2%
SG&A % of gross profit	63%	66%	70%	71%
Operating income (\$M)	\$1,600	\$1,450	\$1,200	\$1,175
Equity in earnings - PTS (\$M)	\$245	\$235	\$220	\$230
Net income (\$M)	\$1,285	\$1,170	\$1,000	\$985
Diluted EPS (\$)	\$16.90	\$16.30	\$14.20	\$14.10
Adj. free cash flow (\$M)	\$1,050	\$950	\$830	\$810
ROE	28%	22%	17%	16%

SECTION 6 - STANDALONE VALUATION

US-listed franchised dealer peer group (v4 expanded)

Table 6b - columns ordered so reader can trace arithmetic; EV column answers 'how big a check to buy'.

Company	Rev (\$B)	EBITDA (\$M)	Mkt Cap (\$B)	Net Debt (\$M)	EV (\$B)	Fwd P/E	EV/EBITDA
Lithia (LAD)	\$36.2	~1,850	~8.0	~4,500	~12.5	11-12x	~6.8x
Penske (PAG)	\$30.4	~1,700	~10.4	~3,500	~13.9	10-11x	~8.2x
AutoNation (AN)	\$27.0	~1,600	~7.0	~4,000	~11.0	9-10x	~6.9x
Group 1 (GPI)	\$19.9	~1,050	~4.5	~2,600	~7.1	8-9x	~6.8x
Asbury (ABG)	\$16.8	~1,050	~4.5	~3,200	~7.7	9-10x	~7.3x
Sonic (SAH)	\$14.4	~720	~1.6	~1,500	~3.1	8x	~4.3x

SECTION 7 - THE SUM-OF-THE-PARTS

What Berkshire is actually buying (IF family sells)

Table 7a - aggregate three-entity equity value ~\$15.5B; post-Mitsui ~\$12.6B is the conditional acquisition math.

Piece	Metric	Multiple	Value (\$B)
PAG Retail Automotive segment	\$1,000M EBITDA	7.0x	\$7.0
PAG Retail Commercial Truck (Premier)	\$180M EBITDA	7.5x	\$1.4
PTS - PAG's 28.9% stake	\$230M equity income	13.0x	\$3.0
PTS - Penske Corp's ~50% stake	\$400M equity income	13.0x	\$5.2
Team Penske (racing + Speedway)	n/a	n/a	\$1.0
Penske Media (Variety, Rolling Stone)	n/a	n/a	\$1.3
Indianapolis Motor Speedway	n/a	n/a	\$0.9
Other Penske Corp private auto	n/a	n/a	\$0.6
Less: PAG consolidated net debt	n/a	n/a	(\$3.5)
Less: PTS proportional debt	n/a	n/a	(\$1.4)
Aggregate three-entity equity value	-	-	\$15.5
Less: Mitsui ~28.6% PTS at 13x	\$225M equity income	13.0x	(\$2.9)
Berkshire-attributable (post-Mitsui)	-	-	\$12.6
Less: BRK existing 19% PAG (rolls in)	-	-	(\$2.4)
Fresh capital required (net check)	-	-	~\$10.2

B

SECTION 7 - THE SUM-OF-THE-PARTS

PAG nine-quarter cash flow deployment

Table 7d - the Institute standard nine-quarter FCF table. Actual filed figures Q1 2024 - Q1 2026 from SEC EDGAR CIK 0001019849 (10-Q + 10-K).

Quarter	Rev (\$M)	OCF	Capex	FCF	Acq.	Div.	Buyback	Debt
Q1'24	7,410	456	(103)	353	n/d	(60)	(17)	0
Q2'24	7,700	235	(99)	136	n/d	(60)	(23)	0
Q3'24	7,580	271	(81)	190	n/d	(66)	(18)	0
Q4'24	7,750	~370	(86)	~284	n/d	(88)	(1)	0
Q1'25	7,600	~205	(85)	~120	~0	(80)	(40)	0
Q2'25	7,700	~267	(62)	~205	~0	(85)	(93)	0
Q3'25	7,700	380	(80)	300	~0	(89)	(9)	(550)
Q4'25	7,800	~150	(99)	~51	n/d	(90)	(40)	0
Q1'26	7,860	215	(63)	152	n/d	(93)	(35)	0
9Q sum	69,100	~2,549	(758)	~1,791	~(540)	(711)	(276)	(550)

SECTION 7 - THE SUM-OF-THE-PARTS

Take-private premium sensitivity

Table 7b - BNSF paid ~30%, Precision Castparts ~20%. The 25-30% band is the base case if a transaction occurs.

Premium	Price	Equity value	Float outlay (81%)	SOTP EV/EBITDA
Memo-date (no premium)	\$158	\$10.4B	\$8.4B	6.7x
+15%	\$182	\$12.0B	\$9.7B	7.5x
+25% (Precision Castparts analog)	\$198	\$13.1B	\$10.6B	8.0x
+30% (BNSF analog - base case)	\$205	\$13.5B	\$10.9B	8.3x
+35% (competing bidder ceiling)	\$213	\$14.1B	\$11.4B	8.6x

SECTION 7 - BERKSHIRE'S OWN STAKE

BRK gain on the 19% stake - mark-up plus dividends

Table 7c - realized mark-up ~\$1.8B at close, plus illustrative \$400M cumulative dividends across the 11-year hold.

Metric	Value	Basis
BRK weighted cost basis in PAG	~\$62/share	Table 2a accumulation history.
BRK shares held	~12.5M	19% of ~66M diluted.
BRK cost basis in PAG position	~\$775M	Cost basis of \$62/sh x 12.5M shares.
Memo-date market value at \$158	~\$1,975M	Memo-date \$158 x 12.5M shares.
Take-private mark-up at +30% (\$205)	~\$2,565M	Take-private \$205 x 12.5M shares.
Realized gain at deal close (+30%)	~\$1,790M	Take-private value less cost, pre-tax.
Cumulative PAG dividends 2015-2026 (est.)	~\$400M	\$2-4/sh/yr x ~12.5M shares (illustrative ceiling).
Total return (mark-up + dividends)	~\$2,190M	Realized gain plus running yield, pre-tax.

The mark-up captures decade-plus unrealized appreciation at close; the dividend line captures the running yield BRK collected while holding.

SECTION 8 - TRANSACTION ARCHITECTURE

The three financing scenarios (Scenario C illustrative-only)

Table 8a - all amounts \$B. Scenario C reduced in weight given BRK's Dexter Shoe aversion (see caveat).

Piece	A: Full cash	B: Cash + defer Mitsui PTS	C (illust.): Cash + BRK equity
PAG public float tender (81%)	\$12.5	\$12.5	\$12.5
Penske Corp acquisition	\$4.5	\$4.5	\$4.5
Mitsui PAG buy-out	\$2.0	\$2.0	-(equity)
Mitsui PTS buy-out	\$2.9	-(retained)	-(equity)
Total cash outlay	\$21.9	\$19.0	\$17.0
Berkshire equity issued	-	-	~\$4.9 (Mitsui exchange)
Less: 19% PAG stake credit	(\$1.7)	(\$1.7)	(\$1.7)
Net Berkshire outlay	\$20.2	\$17.3	\$15.3 + \$4.9B equity

Note on Scenario C - the Dexter Shoe aversion. BRK has an institutional aversion to issuing equity, rooted in Buffett's regret over the 1993 Dexter Shoe transaction (\$433M of BRK Class A stock for a business that went to zero). Practitioner readers should treat Scenario C as illustrative-only. Base case is Scenario A/B (all-cash) or the 60/40 hybrid Scenario D (see model).

SECTION 8 - THE ESTATE TAX DIMENSION

Roger Penske illustrative estate scenario (with exclusion range)

Table 8b (M4) - exclusion shown as elevated/sunset/consumed scenarios; Institute base case is 'consumed' for a family of Roger's cohort.

Component	Value (\$B)	Notes
Aggregate Penske-family PAG stake	\$4.2	At memo-date market price.
Penske Corp intrinsic value	\$4.5	~50% PTS, Team Penske, PMC, private auto.
Other family assets	\$1.5	Real estate, aircraft, marketable securities.
Illustrative gross estate	\$10.2	Pre-planning; simplified.
Exclusion - Elevated preserved	(\$0.014)	\$14M/couple ceiling; rare for Roger cohort.
Exclusion - Sunset baseline (post-2025)	(\$0.007)	\$7M/decedent under current law.
Exclusion - Pre-sunset consumed (base case)	\$0	GRAT/SLAT/IDGT deployment; Institute base case.
Less: marital deduction	(\$3.0)	Depends on planning structure and portability.
Federal tax at 40% (before planning)	\$2.9	See IRC Sec.6166 election for closely-held relief.
State estate tax	\$0.3-0.7	MI has none; other situs may differ.
Aggregate tax bill (unplanned)	~\$3.2-3.6B	See Table 8c for practitioner toolkit.
After typical planning (30-60% reduction)	~\$1.3-2.5B	Illustrative planning impact via toolkit.

SECTION 8 - ESTATE PLANNING FRAMEWORK

The practitioner toolkit for a Penske-scale estate

Table 8c - seven mainstream planning mechanisms per the estate-planning committee review. Illustrative framework, not tax advice.

Tool	IRC basis	What it does
IRC Sec.6166 installment election	Sec.6166	Defers estate tax on closely-held business up to 14 yrs; requires >35% AGE.
IRC Sec.303 partial-redemption	Sec.303	Corp redeems stock to fund tax; sidesteps Sec.318 attribution.
Irrevocable life insurance trust (ILIT)	Sec.2035 / Sec.2042	Policy owned by ILIT; death benefit funds liquidity call free of estate tax.
Installment sale to IDGT	Sec.671-679, Sec.2036	Sell to grantor trust at AFR; transfer appreciation out of estate.
Family limited partnership (FLP)	Sec.2701-2704	Junior interests transferred at 35-45% discount for LOM+LOC.
GRAT / SLAT / dynasty trust	Sec.2702, Sec.2503	Wealth transfer using elevated pre-sunset exclusion window.
Charitable planning (CRT/CLT/PF/DAF)	Sec.170, Sec.664, Sec.2055	Reduces taxable estate via charitable deduction; multi-vehicle.

Deploy tools together to reduce effective transfer-tax burden ~30-60% below unplanned figure. See Estate Planning Decoded Vol XI, Family Business Succession Vol X, Family Office Reference Guide Vol XIV, Trust Administration & Fiduciary Management Vol XII, Business Owner Tax Strategy Vol XV.

SECTION 9 - THE BERKSHIRE PORTFOLIO FIT

Berkshire's transportation universe - pre- vs post-PAG

Table 9a - post-PAG transportation-adjacent revenue grows ~40% (\$96B -> \$137B) IF the transaction ever closes.

Business	Pre-PAG (\$B)	Post-PAG (\$B)	Character
BNSF Railway	\$25.0	\$25.0	Class I US freight rail.
Netjets	\$10.0	\$10.0	Fractional aviation.
Berkshire Hathaway Automotive (BHA)	\$10.0	\$10.0	US franchised auto retail.
McLane Company	\$51.0	\$51.0	Grocery/foodservice distribution.
PAG Retail Automotive (added)	-	\$27.0	International franchised auto.
PAG Retail Commercial Truck / Premier	-	\$3.5	#1 heavy-duty truck dealer.
PTS (proportional consolidation)	-	\$9.0	#2 truck leasing operator.
Team Penske + Penske Media + Speedway	-	\$1.5	Wild-card cultural / media.
Transportation-adjacent revenue total	\$96.0	\$137.0	~40% increase.

SECTION 10 - EQUALLY-PLAUSIBLE OUTCOMES

Timing scenarios - probability-weighted

Table 10a - Institute practitioner-view probabilities; not company-guided; not a prediction of family action.

Scenario	Prob range	Trigger	Consequence for Berkshire
2028-2032 friendly (base)	45-65%	IF Roger initiates; estate-tax planning is operative rationale.	Berkshire executes take-private at 25-35% premium.
2027 earlier acceleration	10-20%	Health signals accelerate the timeline.	Same structure; earlier close may impact premium.
Post-death estate liquidity	15-25%	Roger holds through death; heirs face liquidity crisis.	Distressed sale; lower premium; complications.
Family succession preserved	5-15%	Family opts to hold through generations via trust structures.	19% stake compounds; take-private thesis defers indefinitely.



SECTION 10 (CONT.) - THE COUNTER-CASE

Real risk: Berkshire declines to acquire

Abel's capital-allocation posture may differ from Buffett's. The memo owes the reader the honest disclosure that ~~'natural buyer'~~ is not the same as 'certain buyer.'

WHY ABEL MAY PASS

Abel is under no obligation to double down

- Franchised auto retail is more cyclical and more capital-intensive per unit of return than Berkshire's durable-cash-flow operating group.
- Abel has signaled a preference for concentrating capital in insurance, energy, and rail - where Berkshire's scale advantages compound most reliably.
- Van Tuyl (2015) was Buffett's specific rationale; performance has been adequate but not distinctive. Abel is not required to extend the category.
- Buffett's own record includes passes on rental cars (Hertz), retail-broker consolidation (2010s), and traditional media roll-ups (2000s and 2010s). Auto retail may sit in the same category for Abel post-2028.

IF BERKSHIRE DECLINES

A different counterparty set - not an adverse outcome

- Strategic: Lithia for the US retail platform; potentially a European luxury group for the international footprint.
- PE consortium: KKR, Blackstone, or a mixed-lead buyout structuring the three entities in staged closes.
- Estate-driven liquidation: pieces sold across counterparties over time under heirs' direction rather than a single whole-organism close.
- None of the three is adverse to the practitioner-value thesis. The architecture map - three-entity structure, SOTP arithmetic, tax framework, transaction mechanics - remains useful across every counterparty scenario.

SECTION 10 (CONT.) - THE FOUR OUTCOMES

Four succession outcomes - equally respectable

The memo assigns real probability weight to each. Outcomes (i)-(iii) are not adverse cases; the family's ~~operating agency~~ is preserved throughout.

OUTCOME (i)**Family succession preserved**

The most respected outcome. Trust structures pass PAG and Penske Corporation to the next generation. The 19% Berkshire stake compounds quietly alongside. No transaction; take-private thesis defers indefinitely.

OUTCOME (ii)**IPO or spin of Penske Corporation**

The family monetizes Penske Corporation through a public-market listing or a PAG spin. Provides liquidity without ceding operating control. Berkshire's PAG stake continues; the natural-counterparty thesis remains dormant.

OUTCOME (iii)**Sale to strategic**

A manufacturer, a competing dealer roll-up, or a PE consortium bids for PAG or the full three-entity structure. Berkshire's 19% stake becomes a target of the acquirer's structuring rather than the acquirer itself.

OUTCOME (iv)**Sale to Berkshire**

The natural-counterparty case. 19% stake, 40-year Roger/Warren relationship, operational fit with BHA and NetJets, balance-sheet capacity. Take-private at 25-35% premium; family receives cash + BRK A-share consideration.

THE INSTITUTE'S STATED VERDICT

The 19% stake positions Berkshire as the natural counterparty in one plausible succession outcome - not a forecast, an architecture map. The Penske family retains full operating agency; family succession, an IPO or spin of Penske Corporation, and a sale to a strategic are each equally respectable choices and this memo assigns them real probability weight.

IF the family ever chooses to sell, the architecture already in place - 19% stake, 40-year Roger/Warren rapport, operational overlap with BHA and NetJets, Berkshire balance-sheet capacity - makes Berkshire the natural counterparty. Timing and choice are entirely the family's.