






# Gaining traction: Why tire retail is on a roll



The US retail tire sales and service sector is experiencing robust consolidation. A steady demand for tires and auto maintenance, combined with a fragmented store landscape, has attracted both strategic industry buyers and private equity investors. In this document, we explore the current M&A landscape within the industry, examining why there’s growing interest, what makes tire dealers particularly enticing for investors, potential cautionary signals to keep in mind, and the synergies fueling these transactions.

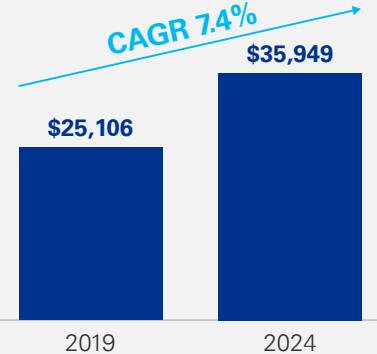



has been acquired by



**June 2025**

**US tires and rubber car aftermarket\***  
(\$ million)



\*Market volume represents units of tires sold each year. Market value is the average tire price multiplied by the volume of tires.  
Source: Marketline

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<ul style="list-style-type: none"> <li>Private company sales and majority recapitalizations</li> <li>Corporate divestitures/spin-offs</li> <li>Private equity sell-side and buy-side advisory</li> </ul>	<ul style="list-style-type: none"> <li>Debt private placements</li> <li>Capital structure analysis and debt issuance advice</li> <li>Equity private placements</li> </ul>	<ul style="list-style-type: none"> <li>Distressed M&amp;A</li> <li>Debt modifications and amendments</li> <li>Debt capacity analysis</li> </ul>	<ul style="list-style-type: none"> <li>Financial due diligence</li> <li>Strategic advisory services</li> <li>Economic and valuation services</li> <li>M&amp;A tax services</li> </ul>



# Key market drivers behind consolidation

## Highly fragmented market

The tire sales and service retail industry remains highly fragmented, with thousands of independent outlets—presenting the opportunity for larger players to roll up regional dealers and gain share quickly. The industry's fragmented nature means that buying stores is a critical growth strategy. By consolidating, companies can achieve better volume pricing and a broader network to serve customers.

## Abundance of investor capital

The automotive aftermarket, including tire retail, has caught the eye of many private equity firms in recent years. Investors are flush with dry powder and have been fueling consolidation as they look for promising returns in a steady industry. At the same time, many tire store owners (often family-run businesses) are nearing retirement or were prompted by the challenges of the pandemic to consider an exit. This supply of willing sellers, combined with cash-rich buyers, has created a fertile environment for M&A.

## Steady, non-discretionary demand

Post the COVID-19 pandemic, Americans are driving more miles and the average vehicle age has hit record highs. Therefore, replacing tires and performing basic auto services such as brakes replacements and oil changes are an essential, recurring need for drivers. The inherent stability of demand encourages M&A as buyers can be confident that the customer need is not going away.

## Efficiency and modernization needs

Smaller independent shops face rising costs (labor, technology, compliance) and evolving customer expectations (e.g., online scheduling, mobile tire services). Many lack the resources to invest in modern equipment or digital platforms. Being acquired by a larger platform can provide scale efficiencies and technology upgrades that are increasingly required to stay competitive.



# Attractive attributes for investors

## Recurring revenue and loyal customers

Tire retailers enjoy a high rate of repeat business—drivers typically need new tires every few years and periodic services much more frequently. This creates a predictable revenue stream with built-in customer stickiness. Importantly, these purchases are often safety-critical and non-discretionary. Investors value this recession-resilient, recurring demand, which underpins consistent cash flow.

## Strong margins and cash flow

Tire retail and service can be very profitable at the unit level. Maintenance services (like alignments, brakes) often carry high gross margins, often at 50% or more. Tire sales, while competitive, benefit from manufacturers' incentive programs and high inventory turns. These businesses typically collect payment upfront while managing inventory tightly, resulting in healthy cash flow and limited receivables. These financial characteristics (good margins, cash up front) make the businesses appealing for both corporate acquirers and leveraged buyouts.

## Consolidation upside (roll-up economics)

Because the field is fragmented, investors see an opportunity to create value through consolidation. A common private equity play is to buy a platform and add on smaller rivals at lower valuation multiples, then later exit at a higher multiple once the business has greater scale. This "multiple arbitrage" can yield significant returns. Strategic buyers also benefit: by consolidating, they can later command more market power or even go public at a premium. The potential to unlock value by merging many small pieces into one efficient whole is a key attractive feature for investors in this industry.

## Defensive and essential industry

Auto maintenance is widely considered to be non-discretionary—it holds up even when the economy softens, because driving isn't optional for most Americans. People may drive a bit less in a recession, but they generally cannot ignore a flat tire or failed brakes. This resilience was evident in recent years; despite economic uncertainty and even pandemic disruptions, the auto service sector bounced back quickly. Furthermore, the rise of new vehicle technologies (like EVs) will still require tires and maintenance services, so the long-term relevance of these shops is secure.



# Potential red flags or risks in deals

Investors perform careful due diligence on targets in this space. Some common red flags and risks that can affect deal value or future performance include:



**Poorly maintained assets:** Outdated service equipment, run-down facilities, or neglected vehicle fleets (for mobile service units) can signal deferred investment. This implies the buyer must spend heavily on capex post-acquisition. Buyers will closely inspect the condition and age of lifts, tire changers, alignment machines, etc. If a target's shops need major upgrades, that's a risk that can eat into returns.



**Customer concentration:** While most tire shops serve a broad consumer base of individual customers, some rely on a few large accounts (e.g., a rental car company or a municipal fleet). Losing one major contract could hit revenue hard. Diversification of customers is key; any over-reliance on a handful of accounts will be flagged during diligence.



**Lack of technological adoption:** In today's market, being tech-savvy is increasingly important for efficiency and customer satisfaction. If a target has no online appointment booking, no digital vehicle inspection reports, weak inventory systems, or uses an antiquated point-of-sale system, it may lag competitors. Post-deal, the buyer will need to invest in modern systems—effectively an added cost. The integration of new technology also carries execution risk if the existing team has no prior experience with it.



**Environmental and regulatory compliance:** Tire retailers must properly dispose of old tires, oil, and other hazardous materials. Any non-compliance (e.g., improper tire dumping, lack of permits) can create legal liabilities and cleanup costs. Environmental due diligence is important—discovering issues can delay or derail a deal. Similarly, compliance with labor laws and automotive repair regulations (like state inspection rules, licensing, proper documentation of employees) needs to be vetted.



**Macroeconomic and financing risks:** While the tire service business is resilient, it's not completely immune to broader economic factors. From an operating perspective, if inflation drives tire costs up significantly, consumers may trade down to cheaper tires or push their tires a bit longer, which could squeeze short-term sales. Additionally, in a severe recession, people might defer some maintenance (within safety limits).



**Integration and culture fit:** When acquiring multiple small businesses, retaining their customer relationships and staff is vital. If an acquirer imposes too many changes too fast, they risk alienating loyal customers or causing key employees to leave. Failure to integrate smoothly can result in lost sales and lower performance than projected.

# Synergy levers and strategic benefits

For serial acquirers, whether strategic buyers or PE-backed consolidators, M&A offers clear synergies and benefits



**Geographic expansion and market density:** Rather than growing one store at a time, buying a regional chain gives a platform a ready-made footprint. More stores in a region also mean denser market coverage, which improves efficiency of advertising and distribution. Expanding geography through M&A is especially valuable in a fragmented market—it's the fastest way to build a national brand.



**Economies of scale:** Size brings clout in this business. A larger combined company can negotiate better volume pricing from tire manufacturers and parts suppliers. It can spread fixed costs such as IT and accounting systems over more stores, lowering the overhead per location. Bulk marketing campaigns and shared distribution logistics also drive down cost per unit.



**Service offering expansion and cross-selling:** A strategic acquisition can broaden the menu of services and products a company offers. For example, a tire-focused chain might buy a business known for brakes and alignments, allowing it to offer more one-stop shop convenience. Or a company strong in consumer tire sales might acquire a fleet services provider, adding commercial accounts to its mix. By cross-selling complementary services to each other's customer bases, the combined entity can increase revenue per customer.



**Omnichannel and digital synergies:** As consumer behavior evolves, having both a strong online presence and physical service capabilities is a strategic imperative. A standout example is Discount Tire's acquisition of Tire Rack in 2021, which merged a brick-and-mortar giant with an e-commerce leader to create an omnichannel powerhouse and enabled a seamless tire-buying-to-installation experience. Similarly, other acquisitive firms have pursued tech synergies by acquiring companies with advanced POS software or mobile service units. The strategic logic is to combine digital strengths with physical scale, which allows customers to buy online and install locally.



**Talent and knowledge acquisition:** Often overlooked, a strategic buyer may acquire a company as much for its people and processes as for its physical assets. In a service business, skilled technicians, managers with local relationships, and an established business reputation are invaluable. Acquiring a well-run company can effectively mean acquiring a playbook for success that can be replicated elsewhere.

# Conclusion

The US retail tire and service industry presents a compelling consolidation story. The fundamental drivers—a fragmented but essential service market, with stable demand and opportunities for efficiency at scale—have made it a magnet for both strategic expansions and private equity investment. Investors are attracted to its consistent cash flows and the value that can be unlocked through growth and integration. While careful attention must be paid to operational risks and market conditions, the trend of mergers and acquisitions in this space has strong momentum. Recent years have already reshaped the competitive landscape, and going forward we can expect further consolidation as the larger platforms jockey for market leadership and newer entrants continue to roll-up remaining independents. For stakeholders—whether business owners or investors—staying aware of these M&A developments is crucial, as the “rolling” consolidation shows no signs of coming to a stop.



## Our expertise

Our team’s broad experience within the retail tire industry enables us to provide valuable guidance in the planning and execution of M&A processes, as well as structuring optimal transaction terms. We have a proven track record of success in this niche market and are confident in our ability to help you capitalize on the opportunities presented by this dynamic sector. Please contact us to discuss your specific objectives and explore potential M&A opportunities.

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