AUTOMOTIVE VENTURES

AUTO INTEL REPORT \\ JANUARY 2021

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INTRO

JAN 2021

AUTOMOTIVE VENTURES INTEL REPORT

WELCOME TO THE

AUTOMOTIVE VENTURES INTEL REPORT

JANUARY 2021

This month is a special edition, given we're kicking off 2021 with a refreshed name for the report and a new look & feel.

In this issue, we review the big trends of 2020, the top 10 automotive technology deals of the year, and a prediction of the 10 big trends and deals of 2021.

We have a special Op-Ed guest contribution from Greg Richeson from Bald Guy F&I.

As always, please send me a note if there's anything I've missed, or if there's any content that I can add in future editions that will be helpful.

I hope you enjoy,

Steve Greenfield
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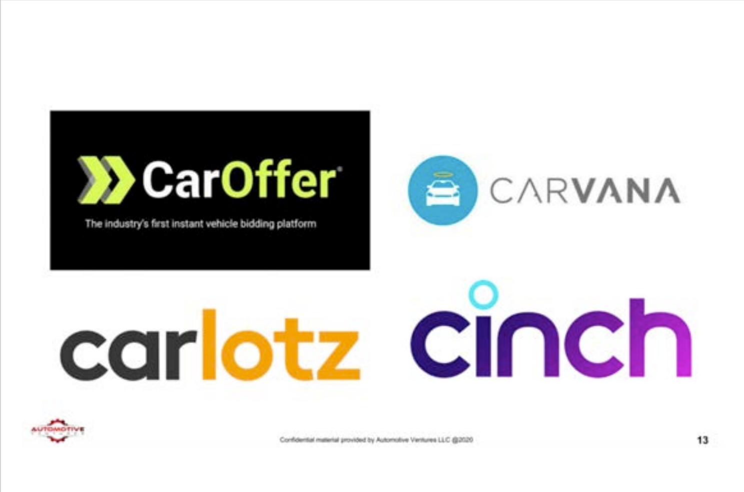
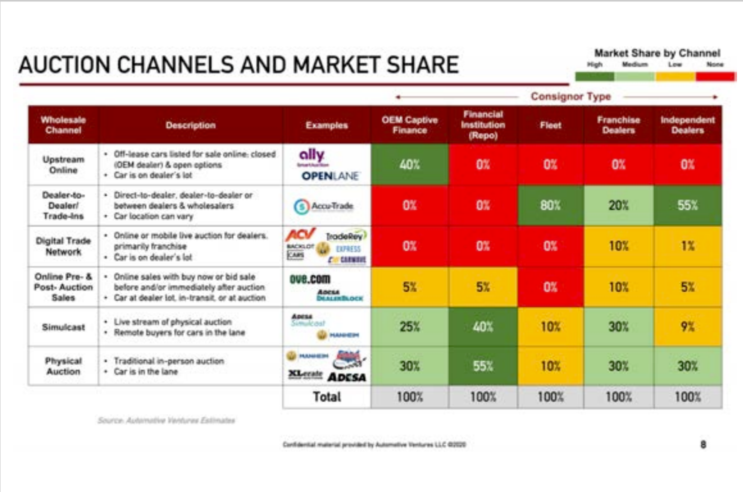
WHITEPAPERS AVAILABLE



AUCTION DISRUPTORS

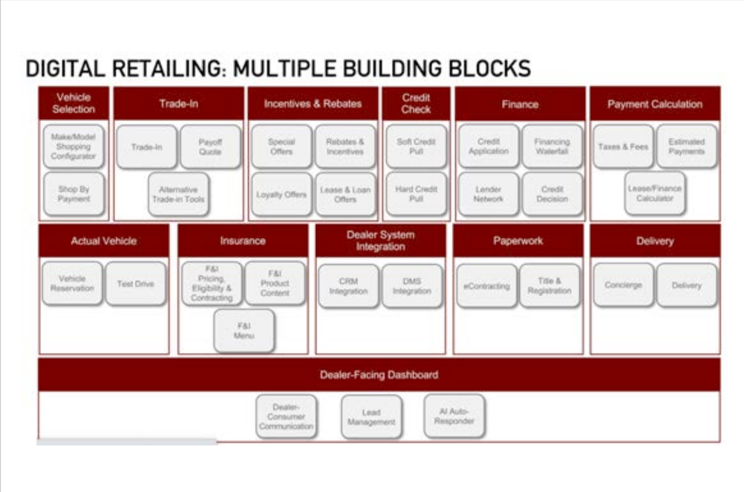
FREE TO DOWNLOAD



Wholesale Channel	Description	OEM Captive Finance	Financial Institution (Repo)	Fleet	Franchise Dealers	Independent Dealers
Upstream Online	Off-lease cars listed for sale online: closed (OEM dealer) & open options; Car is on dealer's lot	40%	0%	0%	0%	0%
Dealer-to-Dealer/ Trade-Ins	Direct-to-dealer, dealer-to-dealer or between dealers & wholesalers; Car location can vary	0%	0%	80%	20%	55%
Digital Trade Network	Online or mobile live auction for dealers, primarily franchise; Car is on dealer's lot	0%	0%	0%	10%	1%
Online Pre- & Post- Auction Sales	Online sales with buy now or bid sale before and/or immediately after auction; Car at dealer lot, in-transit, or at auction	5%	5%	0%	10%	5%
Simulcast	Live stream of physical auction; Remote buyers for cars in the lane	25%	40%	10%	30%	9%
Physical Auction	Traditional in-person auction; Car is in the lane	30%	55%	10%	30%	30%
Total		100%	100%	100%	100%	100%

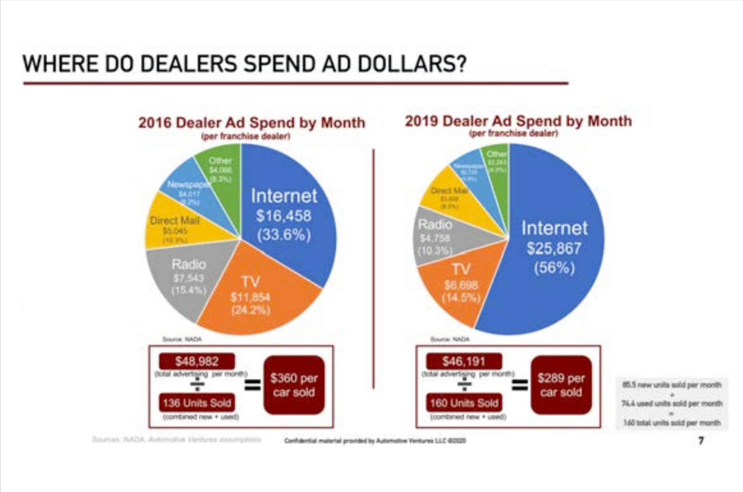
WHOLESALE AUCTIONS

FREE TO DOWNLOAD



DIGITAL RETAILING

FREE TO DOWNLOAD



AUTOMOTIVE ADVERTISING

FREE TO DOWNLOAD

AIM GROUP DIGITAL RETAILING REPORT

FREE TO DOWNLOAD

WE LOOK AT:

- How the pandemic accelerated adoption
- Its impact on dealers, OEMs, marketplaces and vendors
- How big it will grow, how fast, and who's doing it now
- The report includes nearly 100 charts and graphics, with:
- Five case studies of auto dealers offering ecommerce
- Profiles of five vendors providing the back-end tools
- A directory of more than 50 vendors globally
- A look at international e-commerce efforts in automotive
- Details about Amazon, the potential "wild card" in car sales

DOWNLOAD

POINT OF VIEW

It's a brand-new year, which always provides a good reason to reflect and reset. As a result, we've taken the liberty to rebrand this publication "The Auto Intel Report" and revamp our look & feel. I look forward to getting your thoughts and feedback.

As we enter 2021, I thought we would take the opportunity to cover three different sections in this issue:

1. Ten themes that impacted automotive in 2020
2. Top automotive technology deals of 2020
3. Predictions of what's to come in 2021

In addition, I'm very excited to welcome a new guest contributor in this month's issue, Greg Richeson from Bald Guy F&I, who will share how dealers should be looking at maximizing profit through their F&I departments. I hope you enjoy his contribution.

Please check out my two weekly shows on CBT News: The "Friday Five", where I recap the week's automotive technology M&A deals, and "Founders Focus", where I interview entrepreneurs for an intimate conversation about their journeys and the great companies they've built.

At Automotive Ventures, we are focusing a lot of our efforts on identifying and helping early-stage companies that have great founding teams, are attacking large total addressable markets (TAM), and have a unique, defensible solution and go-to-market approach. We hope to do our part to both strengthen the automotive technology early-stage ecosystem and help to provide entrepreneurs and their companies a better chance of not only surviving but thriving.

We also spend a lot of our time consulting with clients who are either looking to acquire or invest in companies in the automotive technology space. If you have needs in this area, please don't hesitate to reach out to us.

Thank you for your continued support.

Until next month,

Steve Greenfield
CEO and Founder
Automotive Ventures

AUTOMOTIVE TECHNOLOGY LANDSCAPE

TRAFFIC GENERATION (awareness & direct-response)

Traditional Media
Gannett, Tegna, Hearst, CBS Radio, Entercom, Raycom Media, Lee Enterprises, Dow Jones, Clear Channel, Cox, Cumulus, Fox, abc Radio, digitalfirst, iHeart Media, NBC, GateHouse Media

Advertising Agencies
PureCars, Turnkey, Sokal, M, Dealer World, Adpearance, Reunion Marketing, herman, Force Marketing, Strategic, C-4 Analytics, GSM, stream, naked lime, Moore & Scarry

Digital Advertising
Bring a Trailer, Rollick, OfferUp, letgo, ebay Motors, Autotrader, cars.com, CarGurus, Google, edmunds, Google AdWords, Autolist, Trader Interactive, Blue Book, TrueCar, carzing, autoweb, Car and Driver, carsforsale, TruckTrader

Advertising Technology
Hearst Autos, tapclicks, Outsell, Helix, Adpearance, TapClassifieds, spincar, Lotlinx, zerosum, Epsilon, Speed Shift Media, PureCars, Dealer Teamwork, V12, AutoLeadStar, Dealer X, 3birds, AutoSweet, Tecobi

CONVERSION (converting consumer traffic to sale)

Mystery Shopping
Pladoogle, Pied Piper, Maritz Research, Intelli Shop, J.D. Power, imyst, DealerSynergy

In-Store Training
Proactive Dealer Solutions, NADA, Corymosley, ncm Associates, DealerSynergy, Automotive Dealership Institute, J.D. Power, Tewart, JN, Sturer, kain, DealerSolutions, David Lewis & Associates, Inc.

RETENTION (retain as service/repeat customer))

Customer Retention Tools
iprecheck, Spireon, Team Velocity, xtime, DataClover, Dominion Dealer Solutions, Helix, Affinitiv, Experian Automotive, AutoLoop, DealerSocket, elead, Dealerwing, Outsell, automotiveMastermind, AutoAlert, 3birds

SOFTWARE

Social / Reputation Management
salesforce marketing cloud, Social Dealer, DealerRater, reputation.com, Snapshot, ActivEngage, SureCritic, Podium, Digital Air Strike, MXS Solutions

Vehicle Acquisition / Auctions
GMF DealerSource, ACV, Manheim, Accu-Trade, Carvana Access, CarMax Auctions, The Appraisal Lane, boost acquisition, CarOffer, E-Block, DealersLink, drivably, TradeHelper, TradeRev, KAR, Backlot Cars, Carwave, otolane, Vettx, VAN

E-Contracting
eOriginal, CDK Global, Dealertrack

Email Handling & Chat
Auto Labs, CarNow, LivePerson Automotive, carLABS, conversica, 360, Pulsar AI, propel, Digital Air Strike, Matador

Service & Parts
CM, CarAdvise, singlethread, eAdvisor, Dealer-FX, PartsEdge, sunbit, Your Mechanic, ReconVelocity, UpdatePromise, Solera, AutoAlert, PureCars, tekmetric, DataClover, RapidRecon, Revolution Parts, 3birds, OEConnection, DigniFi, xtime, mykaarma, Affinitiv, DealerSocket, openbay, PAL, truvideo, dynatron, RecallMasters, Recontrac

Workforce Management
auto motoHR, ADP, Hireology

Dealer Websites
Remora, MXS Solutions, DealerOn, CDK Global, DEP, fusionZone Automotive, Jazel, DealerInspire, Dominion, DealerSocket, Dealer.com

F&I Technology
CBC, 700Credit, Fusion, StoneEagle, Market Scan, Maximtrak, State DMV, DigniFi, PEN, F&I Express, VisionMenu, Darwin, DealerScience, RouteOne, Dealertrack, eLend Solutions

Automotive Data
Experian, Carfax, Black Book, Jato, Evox Images, alg, CCC, autodata, Solera, Carleton, frogdata, Motor, Chrome Data, izmocars, IHS Markit, OfferLogix, Equifax, dataone software, Market Scan, RecallMasters, Motive Retail, Allant, TransUnion, Cox Automotive

Vehicle Subscription
fair, Sixt+, Hertz My Car, Subaru Just Drive, Revolve, Porsche Passport, Borrow, Book by Cadillac, Less, Subscribe with enterprise, Audi select, Mobiliti, Care by Volvo, DriveItAway, Access by BMW, FreshCar, Mercedes-Benz Collection, Clutch, LMP Subscriptions

Desking
CDK Global, Dealertrack, VinSolutions, elead, Reynolds & Reynolds, ProMax, Market Scan

Merchandising Support
Flowfound, SnapCell, RedLine, WheelsTV, CarStory, FlickFusion, icc, Experian Automotive, Unity Works, Tru Images, evn, HomeNet, spincar, Dealer Specialties Dominion, Kcite, Blackwidow Imaging, Max Digital

Digital Retailing
Prodigy, DealerSocket, CarSaver, DEP, F&I Express, Auto Navigator Capital One, WebBuy, ActivEngage, Dealertrack, digitalmotors, CDK Global, RoPo, Tagrail, clearlane, FrikinTech, modal, Roadster, Darwin, Cox Automotive, AutoFi, truPayments, Maximtrak, fastlane, Motoinsight, Joydrive, DealerScience, Gomoto

Inventory Management
Max Digital, Dealer Vault, Lotpop, DealersLink, vAuto, icc, Dealer Specialties Dominion, Autopilot Tech, eBizAutos, Authenticom, HomeNet, drivably, Inventory+, Chromacars, Kcite, dealercue

Online Retailing
Carmax, gettacar, Carvana, Shift, vroom

Vehicle History
NMVTIS, VinAudit.com, DMVdesk, Experian Automotive, Carfax

Registration & Titling
vitu, ATC, Dealertrack, AVRS, Title Direct, DealerDoc, CVR, DLRdmv, Solera, autopoint, TitleTec, Reviver, State DMV

Dealer Management System (DMS)
CDK Global, Reynolds & Reynolds, Advent, Quorum, Autosoft, DealerBuilt, PBS, Adam Systems, AutoMate, Dealertrack, Tekion

Dealer Website Engagement
eAutoAppraise, RedLine, Orbee, KBB.com, Roadster, edmunds, Mobauto, autohub, Cartender, ActivEngage, foureyes, AutoLeadStar, modal, CarNow, digitalmotors, Black Book, DealerScience, Max Digital, truPayments, Gubagoo, TradePending, Drive It Now, Dealer Teamwork, Podium

Process Improvement
Hireology, KPA, vAuto, auto motoHR, PowerDealer, nextup, A2Z, Sync, Lotpop, Strategic Source, dealerintelligence, DealerDOCX, DealerOps, oxlo, frogdata, axcessa, Trader Tower, Reverse Risk, CBC, Strolid, suresale

Peer-to-Peer (P2P)
Tred, CarGurus, Shift, cars.com, instamotor, Swap Motors, OfferUp, letgo, blinker, Autotrader

Vehicle Insurance
gabi, Coverhound, DealerPolicy, Sure

Customer Relationship Management (CRM)
360 Converge, DriveCentric, crmsuite, Momentum, Reynolds & Reynolds, Dealer Peak, Dealertrack, Oplogic, DealerSocket, elead, CDK Global, DealerMine, Affinitiv, VinSolutions, Dominion, ProMax, Vtenza, Selly Automotive

Media Attribution
clarivoy, Speed Shift Media, el toro, Semcasting, VistaDash, Helix, AutoID, Experian Automotive, foureyes, J.D. Power 020 Analytics, DrivenData

Phone Call Management
PowerDealer, CarCode, InteractiveTel, CallRevu360, CallSource, Marchex, Car Wars, Calldrip, WhosCalling, Phone Ninjas

P2P Rentals
Motorhome Republic, RVshare, RVezy, Outdoorsy, Turo, getaround

Connected Car
Zubie, LoJack, LinkD, Reviver, CarIQ, TrueSpot, Spireon

Accessories
Velocity Tech Solutions, Reynolds & Reynolds, Insignia, Add the Socks, autodata, Auto Accessory Configurator, Interactive Garage, Icon Media

Key Systems
Reynolds & Reynolds, CDK Global, Southwest Solutions Group, Morse Watchmans, Key Control Systems, KeyTrak, Matrix, KEYper Systems, Key-Box

Vehicle Appraisal
Max Digital, Accu-Trade, autohub, Kelley Blue Book KBB.com, TradePending, Black Book

Floor Planning
ally bank, afc, US Auto Credit, CarBucks, AFS, Westlake Flooring Services, Bank of America, City Auto Finance, NextGear Capital, Chase, Wells Fargo Auto, Auction Credit

Remote Service
RepairSmith, spiffy

Vehicle Management
LoJack, ReconVelocity, Quickride, MDL, TrueSpot, Spireon, RapidRecon

Vehicle Transportation
RunBuggy, Driver, Acertus, SBD, SuperDispatch, Convoy, Redcap, Social Auto Transport, BizzyCar, Doppler

TEN THEMES THAT IMPACTED AUTOMOTIVE IN 2020

»»10 THEMES THAT IMPACTED AUTOMOTIVE IN 2020

Looking back on the year, we have a lot to choose from, but here are the top ten themes that most impacted the automotive industry.

1. COVID Crisis

The rapid spread of the coronavirus forced auto factories across North America to shut from March into May. Thousands of dealers and other small businesses received emergency federal aid. Office workers began working remotely — and many are expected to continue doing so well into 2021. Dealerships, some of which temporarily had to close all or parts of their operations under government order, reinvented themselves with new sales and service processes that minimized face-to-face interactions.

2. Resilient Auto Sales

Vehicle sales were hit hard by the pandemic before showing surprising resilience throughout the remainder of the year. After starting the year strong, they plunged to an annualized rate of just 8.8 million in April amid state- and local-government ordered dealership shutdowns. But sales shot higher again as homebound consumers flocked to generously discounted pickups and SUVs, and commuters wary of public transit opted for a privately owned vehicle instead.

The annualized selling rate returned to more than 16 million by September and has stayed in that range since, despite lingering vehicle shortages caused by the spring factory closings and a fall surge in coronavirus cases around the country.

3. The Convenience Economy

While COVID forced millions of people to shelter in place, consumers spent more time and money online

"It's impossible to imagine a future 10 years from now where a customer comes up and says, 'Jeff I love Amazon; I just wish the prices were a little higher,' [or] 'I love Amazon; I just wish you'd deliver a little more slowly.' Impossible. And so, the effort we put into those things, spinning those things up, we know the energy we put into it today will still be paying off dividends for our customers 10 years from now. When you have something that you know is true, even over the long term, you can afford to put a lot of energy into it."

- Jeff Bezos

»10 THEMES THAT IMPACTED AUTOMOTIVE IN 2020

watching Netflix, viewing ads on Google and Facebook pages, filling Amazon shopping carts, exploring online learning, finding home-exercise options, and turning to online video games. Ecommerce became a lifeline for millions of people reluctant to leave their homes, as its adoption accelerated by close to a decade in a matter of months.

After years of talking about the possibilities of online sales, dealers were forced to embrace digital retailing efforts to keep selling vehicles while in many cases showrooms were forced to closed (or consumers wanted to avoid visiting them). Public dealership groups launched online brands such as Lithia's "Driveway" and Asbury's "Clicklane. Wholesale auctions also pivoted to digital formats; KAR sees the change as a permanent safety and efficiency improvement, while Manheim has resumed limited in-person auctions. Online players such as ACV Auctions, TradeRev and CarOffer saw tremendous growth.

Dealership service departments rolled out more contactless options, from mobile check-in capabilities to mobile service vans. While auto repair generally was considered an essential service during the spring shutdowns, dealerships expanded their use of pickup and delivery of customers' vehicles, bringing greater convenience at a time when customers were concerned about health and safety.

The interest in online selling buoyed Carvana's stock price this year, generated a lot of interest from investors outside the automotive industry, and provided tailwinds for Vroom and Shift to go public. Vroom raised $468 million through its initial public offering in June. Shift Technologies went public via a special-purpose acquisition company, or SPAC, in October. That same month, CarLotz announced it would go public through a reverse merger, which is expected to close in the first quarter of 2021.

4. EV Investments

2020 saw numerous electric vehicle (EV) manufacturers take the opportunity to go public, notably via SPACs. This year saw Fisker, Nikola, Canoo, Lordstown Motors, and Hyliion go public.

Many of the legacy OEMs indicated they were aggressively increasing their bets on EVs. GM boosted its planned spending on electric and autonomous vehicles by 35 percent to $27 billion through 2025. Volkswagen committed $41.5 billion through 2025 just for battery-powered vehicles. Ford is spending $11.5 billion on EVs and hybrids through 2022. Hyundai and Kia are planning to spend a combined $43 billion through 2025 on EVs, purpose-built vehicles and other new technology.

5. COVID Cancels Conventions

This year would have been my 22nd National Auto

10 THEMES THAT IMPACTED AUTOMOTIVE IN 2020

Dealer Association (NADA) show in a row, and it's sad that I'll miss it. It just won't be the same attending virtually. NADA weekend is one of my favorite of the year, as I get to see industry folks that I otherwise never get to catch up.

In addition to NADA shifting to virtual, so have the big auto shows. It started with the Geneva auto show's last-minute cancellation and snowballed from there. New York, Los Angeles and Detroit were all show-less in 2020.

As a result, automakers had to find new, digital ways to create excitement and awareness for new vehicles. Software vendors needed to find new ways to prospect dealer customers.

6. Unprecedented Profits

Rolling the clock back to the beginning of the pandemic, I would have predicted that we were in for a hard year which might see thousands of dealerships go out of business, as consumer demand disappeared. Ironically, the opposite happened -- dealers and OEMs reported record profitability in Q3 2020.

Tight new and used inventory supply occurred as both supply dried up (auctions were either closed or running at partial capacity and new car plants were forced to close for some time) and demand strengthened. Both factors drove record profits across the dealer body and strong third quarters for most automakers, as they didn't have to discount vehicles, and gross profit per car held strong.

7. Markets and SaaS Valuations at All Time Highs

The S&P 500, the Dow Jones industrial average and the tech-heavy Nasdaq all ended 2020 at or near their record highs, even as a deadly pandemic claimed the lives of more than 340,000 Americans and left millions jobless and without enough to eat.

Wall Street's resurgence has been fueled by the largest federal government stimulus ever, historic support from the Federal Reserve and optimism about how quickly the economy is likely to bounce back next year as coronavirus vaccines become widely distributed. Investors have largely ignored the ongoing pain on Main Street, including pronounced unemployment, overrun hospitals and battered small businesses. On the eve of the new year, nearly 10 million people remain out of work, and we face a jobs crisis worse than anything seen during the Great Recession.

Investors are focused on the future. Stocks are a forward-looking mechanism. They don't care about what is happening right now or what happened in the past. Goldman Sachs predicts growth of 5.9 percent next year — the best annual increase since 1984. And the unemployment rate is expected to fall

10 THEMES THAT IMPACTED AUTOMOTIVE IN 2020

to 5 percent, according to the Federal Reserve, meaning 2 million more people could return to work. Corporate earnings are forecast to balloon in the second half of the year, and crucially, stocks remain appealing for many investors because interest rates are so low, making them more attractive than other kinds of assets, such as bonds.

The market's gains have also been driven largely by a handful of superstar stocks, a scenario eerily reminiscent of the dot-com era. Three of the biggest tech giants — Apple, Amazon and Microsoft — accounted for more than half of the S&P 500's return in 2020. Absent the top 24 companies, which are dominated by tech and digital services, the S&P 500 return would have been negative in 2020.

As technology stocks have led the market higher, Software-as-a-Service (SaaS) multiples have hit an all-time high. The median public SaaS company valuation multiple was at 15.6 times Annual Recurring Revenue Run-Rate (ARR) as of year end, the highest it's ever been. Multiples are high due to a convergence of factors, including monetary easing, trillions of dollars chasing investable targets, and an adoration of the SaaS business model.

8. Tesla Soars

2020 was a great year for both Tesla and Elon Musk. Elon is now the world's second-richest person, as Tesla became the most valuable automaker by far, eclipsing long time No. 1 Toyota by 150 percent at the start of December. The California company opened its first plant in China and started construction in Germany and Texas, and Tesla remains the fastest growing auto brand, in the U.S. as well as worldwide.

Tesla's buoyant market capitalization ($669 billion at the start of 2021) has fueled more interest in other EV manufacturers, many of which went public in 2020 via SPAC.

9. Blurring of Lines Between Retail and Wholesale

I've spoken numerous times about the blurring of lines between wholesale and retail, which seems to be happening at an accelerated pace.

Maybe the best example of this blurring is CarGurus' investment in a majority of CarOffer at a $275 million valuation. The move will allow CarGurus to provide a more end-to-end used car solution for their dealers, who can now source, appraise, price, advertise and dispose of used cars on their lot. This should allow CarGurus to go deeper into dealers' wallets and make the product stickier (i.e., less churn).

Another trend in 2020, which really came to the forefront due to months of used inventory supply shortages are services that enable dealers to source private seller ("for sale by owner") vehicles. Companies playing in this space include Drivably, Vettx, Boost Acquisition and Vehicle Acquisition Network (VAN). Dealers no longer need to solely rely on sourcing used vehicles from auctions or through dealer trades.

Companies who might have historically been viewed as dealers are starting to blur lines into the wholesale auction space. The largest retailer of used vehicles, CarMax, runs the third largest auction company in the country, with over 70 locations. CarMax sells over 400 thousand wholesale vehicles per year through these auctions. And remember that CarMax made a $50 million dollar investment in online shopping site Edmunds in early 2020, which raised a lot of eyebrows.

Carvana launched CarvanaACCESS in 2020, powered by Manheim's OVE. Like CarMax, Carvana needs an efficient way to dispose of trade-ins and aged inventory they don't need.

Finally, used car consignment company CarLotz announced that it will be going public in early 2021 via SPAC, with a vision of offering fleet cars directly to consumers.

10. 2020 is The Year of the SPAC

SPACs, often called blank-check companies, took the opportunity in 2020 to disrupt the traditional IPO market. SPACs are flourishing in the electric vehicle (EV) market, helping startups to avoid the complexity and strenuous paperwork associated with the traditional IPO. Many EV companies chose to go public this year via reverse mergers with SPACs, a faster, simpler and less demanding process than the conventional means of making a debut on the stock market.

We will exit 2020 with over 473 IPOs, a nearly quadrupling of IPO count, and the most in any calendar year, ever. The next closest year was back in 2000 with 397 IPOs -- at the peak of the Dot.Com bubble.

Much of the interest in the automotive space has been fueled by Carvana's high market capitalization, as well as a COVID-inspired interest in online automotive shopping experiences. Specifically, Vroom IPO'd earlier this year, followed by competitor Shift Technologies going public via SPAC. And we already mentioned that CarLotz is coming to market shortly. All of these players are enjoying the tailwind of Carvana's stock price being up 200% in 2020 to just shy of a $50 billion dollar market cap.

Only time will tell if consumer demand can support all of the EV automakers that went public in 2020. But in the meantime, it definitely was the YEAR OF THE SPAC, and I don't see this trend slowing down as we enter 2021.

TOP AUTOMOTIVE TECHNOLOGY DEALS OF 2020

TOP AUTOMOTIVE TECHNOLOGY DEALS OF 2020

Let's now turn to the largest and most important automotive technology deals of 2020 and put them into context. Counting downwards:

Deal #10: AutoList acquired by CarGurus

Automotive classified site AutoList was acquired by CarGurus for an undisclosed amount -- to add both incremental users and consumer audience to help fortify CarGurus' position as market leader.

This may have been a small deal by size, but was the first acquisition by CarGurus, and signaled their interest in inorganic growth. CarGurus would execute a much larger acquisition later in the year…but we'll get to that transaction in a bit.

Deal #9: TrueCar divesting ALG to J.D. Power

At number 9, we have TrueCar divesting the ALG business to J.D. Power for $135 million dollars.

TrueCar bought ALG, which provides residual value forecasting and other analytics services, back in 2011 from DealerTrack.

In August, J.D. Power CEO Dave Habiger said ALG will complement Power's existing data and analytics tools and valuation expertise.

Both JD Power and AutoData now sit under global Private Equity player Thoma Bravo, who seems to be executing a strong thesis around automotive data players.

It'll be interesting to see how active Thoma Bravo and their JD Power platform are in 2021.

Deal #8: Hearst's acquisition of BringATrailer

At number 8, we highlight one of my absolute favorite websites -- as Hearst, the parent company of the Car and Driver and Road & Track brands, acquired BringATrailer.

If you love cars, like I love cars, there's no better site out there than BringATrailer.com. That daily list of new cars and auctions ending soon is my favorite morning email to read.

Bring A Trailer has set the bar for building a community around a passion point. What co-founders Randy Nonnenberg and Gentry Underwood have developed is truly special, and what they deliver to their audience is so much more than transactional. They've built a community, developed trust and have become an invaluable part of the automotive landscape.

Thank you BringATrailer for feeding my addiction each and every day!

TOP AUTOMOTIVE TECHNOLOGY DEALS OF 2020

Deal #7: Vroom's acquisition of Vast

The deal, announced late this year, is worth approximately $120 million dollars, and is expected to close in January 2021.

CarStory provides artificial intelligence-based analytics and digital services to the auto retail industry with the aim of providing the most complete accurate view of predictive market data.

Vroom chief executive officer Paul Hennessy says that the addition of CarStory will strengthen and extend the reach of the company's ecommerce platform.

Deal #6: Vroom and Shift going public

Carvana's soaring market capitalization has been a result of executing a brilliant consumer experience, as well as a COVID-inspired interest in online automotive shopping experiences. The combination of Carvana's market cap, as well as a COVID-inspired migration of consumers to ecommerce in general, helped to fueled the public offerings of both Vroom and Shift Technologies in 2020.

Deal #5: IHS Market selling to S&P Global

At number 5, we have the largest deal of the year by size, with IHS Markit selling to S&P Global in an all-stock transaction that values IHS Markit at an enterprise value of $44 billion, which includes $4.8 billion of net debt.

S&P Global and IHS Markit explained that their unique and highly complementary assets will leverage cutting-edge innovation and technology capability, including Kensho and the IHS Markit Data Lake, to enhance the customer value proposition and provide the intelligence customers need to make decisions with conviction.

This is a big deal for the automotive data space, as IHS Markit owns the old R.L. Polk business, as well as Carfax and AutomotiveMastermind.

Deal #4: BackLot Cars' sale to KAR Global

At number 4, we have a really big transaction in the wholesale auction space: BackLot Cars' sale to KAR Global. KAR Global reached a deal to purchase BacklotCars, an online dealer-to-dealer wholesale platform, for $425 million.

This deal augments what is already a number of digital marketplaces under KAR, which has purchased such entities as TradeRev, DRIVIN and CarsOnTheWeb in recent years, and acquired OPENLANE about a decade ago.

TOP AUTOMOTIVE TECHNOLOGY DEALS OF 2020

The addition of BackLot Cars to TradeRev will help them compete better against ACV Auctions, which is rumored to be going public within the next month.

The wholesale auction space is near and dear to my heart, and a hot space currently -- and I love seeing some of these big deals happening in the B2B marketplace segment.

Deal #3: Tekion is now valued at over $1 billion

At number 3, we have Tekion raising $150 million dollars, and now valued at over $1 billion. This year's Series C round was led by global PE player Advent International.

Other investors in the latest round were Index Ventures, Exor (which is the holding company of Fiat Chrysler and Ferrari), Airbus Ventures, and FM Capital.

Tekion is aiming to solve the issue of technology fragmentation that has plagued the industry for decades. With its modern cloud-based platform complete with a centralized accounting system built on a secure data platform, Tekion says dealers can access their company's data from anywhere while also providing seamless access to vendors via its set of APIs.

Tekion has the two biggest SaaS companies in the space clearly in its sites: CDK Global and Reynolds & Reynolds.

Tekion will definitely be a disruptive force in the industry for us to keep our eyes on.

Deal #2: CDK Global's divestiture of their international operations

At number 2, we have a deal that is going to fuel some additional M&A in the space, as CDK Global divests their international operations for $1.45 billion to private equity firm Francisco Partners.

The Chicago-based company says it will focus on its core North American operations and repay debt as it considers future capital investments.

CDK's international business, has operations in Europe, Asia, the Middle East and South Africa.

The sale is expected to close in the third quarter of its 2021 fiscal year, and will add over $1 billion dollars to CDK's war chest for acquisitions. It'll be interesting to watch what they decide to acquire as a result of this strategic move.

TOP AUTOMOTIVE TECHNOLOGY DEALS OF 2020

Deal #1: CarGurus' acquisition of CarOffer

CarGurus, a leading global online automotive marketplace, late last year announced it entered into a definitive agreement to acquire a 51% interest in CarOffer at an enterprise valuation of $275 million dollars, with the ability to buy the remaining equity interest in the company over the next three years.

CarOffer is an automated instant vehicle trade platform that is disrupting the traditional wholesale auction model with technology that enables dealers to bid, transact, inspect and transport seamlessly. The acquisition will add wholesale capabilities to CarGurus' portfolio of dealer offerings, creating a complete and efficient digital solution for dealers to sell and acquire vehicles at both retail and wholesale. The company noted that the expansion to wholesale is a key component of CarGurus' overall platform strategy, which also includes acceleration of a robust digital retail offering for dealers and consumers.

This deal supports my evolving thesis of the blurring of lines between wholesale and retail, and this is a great example of this evolution in the space.

Congratulations to Bruce Thompson and the CarOffer team for what might both be the fastest creation of wealth and the fastest exit in the industry.

Honorable Mention: Waymo raising $3.0 billion

You sometimes hear about startups raising money at a billion-dollar valuation. But how often do you hear about startups ACTUALLY RAISING over a billion dollars?

Well, it happened early last year, as Alphabet's self-driving car company Waymo raised a whopping $3.0 billion in their first external funding round.

The round was led by Silicon Valley investment firms Silver Lake and Andreessen Horowitz, as well as AutoNation -- who disclosed that they invested over $50 million in Waymo.

The external funding is a sign that some of Alphabet's "Other Bets" companies like Waymo need much more capital than Alphabet is willing to provide on its own. Most "Other Bets" companies are funded through revenues generated by Alphabet's cash cow Google, which makes most of the company's profits thanks to its dominant digital ads business.

2021 PREDICTIONS

2021 PREDICTIONS

I've always enjoyed writers who take a stab at predicting what's going to happen over the coming year. I've respected those even more who look back at the end of the year and reflect on how accurate their predictions played out.

For 2021, I wanted to kick off the year by providing some thought-provoking predictions for our readers. I hope you enjoy and that these evoke some interesting thoughts, debate and discussion.

Prediction 1: America Gets Back to Work

Despite major upheaval in 2020, the U.S. economy seems to be primed for recovery, growth and continued adaptation to a new normal. Some industries will continue to suffer as long as the pandemic lasts—and beyond. Commercial-real-estate companies and bricks-and-mortar retailers are reinventing themselves for a new work-from-home, shop-from-home age.

When it is safe for business to resume as usual, the economy could take off. Americans have accumulated $2 trillion in new savings deposits since February, according to the Federal Reserve. That is more than 10% of gross domestic product waiting to be spent.

Meanwhile, our leap into the future of work will create new opportunities. Now that remote work is more widely accepted, many employees will no longer be tied to high-cost urban centers that previously held a monopoly on certain kinds of jobs. They'll be able to move to places where one can actually build houses and raise a family comfortably. And as more people vote with their feet, state and local governments will have to become more responsive, whether on taxation and housing policy, school quality or police accountability.

People will continue to save time and money formerly spent on commuting. We could start to see exciting new uses of physical space that employers no longer need. Office buildings could be converted into housing, parking garages into outdoor parks and parking lanes into bicycle paths.

America had a rough year, but we might look back on 2020 as the start of a new, even more resilient, more inclusive and more sustainable boom.

Prediction 2: M&A and IPOs Continue at Torrid Rates

Investors are feeling emboldened by a more stable administration in the White House, the stated long term, low interest rate policy of the Fed, line of sight on a recovery from the pandemic, and over $1 trillion of uninvested capital ("dry powder") sitting on the sidelines within Private Equity and Venture Capital funds, looking for a home.

2021 PREDICTIONS

As a result, we will see strong interest in M&A in 2021. Acquiring companies will look to supplement their R&D efforts, accelerate product roadmaps, find products to cross-sell and accelerate revenue growth through acquisition.

We will also see strong interest in taking companies public, given the strength of the markets, and of valuations.

Investor enthusiasm for electrification and autonomous-driving technology is strong right now, and it is an opportune time for electric vehicle companies to raise capital from public market investors, as valuations in the space are high. Because they offer quicker time to market and less scrutiny, SPACs are an attractive listing option for electric vehicles companies and, more broadly, highly capital-intensive startups in the pre- to early revenue stages.

Sentiment toward SPAC debuts could shift as direct listing and alternative listing options gain momentum. In late 2020, the SEC approved NYSE direct listings to include a primary capital raise concurrent with the first trade. This inability to raise capital in a direct listing has been the main argument against more companies pursuing this pathway to the public markets. With that barrier on the path to removal and the continued success of completed transactions, we expect more companies planning to go public will take advantage of the benefits of a direct listing, especially larger technology startups.

Prediction 3: Reynolds Goes Public Via SPAC

The current challenges facing CEO and owner Bob Brockman regarding a $2 billion tax evasion case, coupled with his alleged health issues, makes for a strong case for Reynolds & Reynolds to change ownership in 2021. Given their already aggressive pricing tactics in the market and strong profitability, it will be hard for a Private Equity sponsor to model out increasing revenue or cutting costs.

With the large number of SPACs currently looking for companies to take public, Reynolds may be a very attractive candidate in 2021, especially as public markets and SaaS valuations stay strong.

Prediction 4: Tekion Acquired by Salesforce.com

Tekion is the current darling of the automotive SaaS segment, attempting to take on huge incumbents Reynolds & Reynolds and CDK Global. Tekion, a cloud technology company and provider of a software-as-a-service DMS they call their "Automotive Retail Cloud", recently announced its Series C financing round of $150 million dollars at over a $1 billion valuation. The funding round was led by global Private Equity firm Advent International.

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Rumors (or maybe hopes?) of Salesforce.com entering the dealer software solution market have circulated for years. A takeout of Tekion might provide a fast path for Salesforce to find a like-minded disruptor to accelerate its entrance into both the DMS and CRM segments.

Prediction 5: Amazon Acquires Carvana

I've believed for years that Carvana would be a natural acquisition target for Amazon, the latter having struggled for some time around how they could provide driveway delivery of vehicles without forcing the consumer to interact face-to-face with the dealer.

Carvana has proven they can accomplish this at scale with Carvana-owned vehicles. The missing puzzle piece is how Carvana is going to convince dealers to list their inventory on the platform (first with used cars, but then with new cars). Once they figure this out, they will become a compelling acquisition candidate for a big player like Amazon. And if Amazon is interested, it's likely that Walmart might be.

Could this be the year that Carvana is sold to a strategic buyer? I'm betting so.

Prediction 6: Polishing Brass Won't Cut It Any Longer

I love the automotive technology space.

But the barriers to building software have lowered dramatically, and it's now extremely easy to launch a technology company. This, coupled with the fact that consumer and automotive data via APIs are readily available, means that we're continuing to see more and more new software companies emerge solving narrower and narrower "pain points" in the industry.

I love to see innovation in the space, but many of these new companies emerging with weaker value propositions may never make it. While the number of automotive technology startups increases, so will their failure rate.

Prediction 7: Storm Clouds on the Horizon

One of my favorite movies is Interstellar. I particularly like the scene where they land on the water planet where time moves at a relatively compounded rate (7 years per hour). I often think of the scene on that planet where they discover, "those aren't mountains...they're waves."

To me, it seems like the auto industry can clearly see a number of waves of uncertain magnitude and distance on the horizon. Autonomy. Electrification. Connected Cars. Vehicle ownership. Margin compression brought on by consumer demand for

2021 PREDICTIONS

transparency and better buying experiences. Online car shopping sites.

While we cannot be certain of the size of these swells nor when they will hit, we can be sure they're out there brewing, and they're inevitably coming towards us.

When I joined Cox Enterprises, a large portion of their revenue (and a significant portion of the family's wealth) was tied up in their newspaper assets. Pre-internet, newspapers sold at 15x EBITDA. The internet came along and decimated the newspaper business. The 2008 downturn compounded the issue.

Back in 2008, TV Guide, once a very profitable magazine franchise, was sold for $1. The buyer was willing to absorb ongoing operating losses. In 2017, the New York Daily News sold for $1, with the buyer assuming all of the paper's operational and pension liabilities.

It's hard to be able to judge how disruptive emerging forces will be on automotive players: the OEMs, dealers and vendors. But we'd all better keep our wits about us to monitor the horizon and prepare for the inevitable storms brewing.

Prediction 8: Blurring of Lines Between Wholesale and Retail

I firmly believe that we're going to continue to witness a blurring of lines between wholesale and retail automotive channels.

Dealers will find creative ways to source used vehicles from any and all channels.

Fleet owners will look for creative ways to dispose of cars quicker, easier, most cost effectively and at prices closer to retail.

2021 will find us with a publicly listed ACV Auctions, who will have the capital to make bold moves in the space.

We will also see the competing third-party advertising marketplaces react to CarGurus' acquisition of CarOffer, through either acquisitions of their own or partnerships with big players like Manheim, ADESA or ACV.

I predict that publicly-listed ACV Auctions – who has a lot of momentum due to strong revenue growth – will establish a partnership with one of the large consumer-facing marketplaces and with multiple dealer groups.

Prediction 9: Consumer Focus

One of the areas of innovation we'll see in 2021 is

2021 PREDICTIONS

around delivering consumer convenience in the car buying process. Not necessarily by any of the well-known incumbents, but by new players who can potentially disrupt these legacy players.

Many of the so called "Digital Retailing" experiences in the market simply provide the dealer with an enhanced lead (enhanced with trade-in, credit score, or finance vs. lease intent); part of the resistance to real change has been that neither consumers nor dealers have quite been ready to hand over full control (or reveal information) to the counterparty.

Leveraging the momentum of COVID-fueled consumer demand for online experiences, we will see new entrants to the market providing true ecommerce automotive shopping experiences, with a specific focus on a superior consumer convenience.

Prediction 10: The Next Wave of Automotive Tech Will Automate Processes

The automotive space has always fostered a healthy amount of innovation. Just walk around the convention floor at NADA each year to get a sense of the sheer volume of technology companies that support dealers and OEMs.

Whereas much of the focus in the past has been on helping dealers achieve incremental sales ('Variable Ops"), the next wave of automotive tech will be on helping dealers and OEMs to automate processes and reduce costs. In many cases this will be by reducing vendor cost and complexity, reducing headcount, or making existing headcount far more efficient.

Entrepreneurs would be wise to concentrate efforts on these areas, and investors will want to keep an eye on companies focused on this space.

Wrap Up

Well, there you have it. I hope you've enjoyed reading over my attempt to predict what this next year will hold for the automotive space.

We'll see how many of these predictions play out in 2021, and I'll be prepared to grade myself at the end of this year. In any case, we're in for a very exciting year ahead of us.

2020 TRANSACTIONS

DECEMBER 2020 TRANSACTIONS

RIDECELL — $45m Series C — FORTROSS VENTURES
Details: Mobility platform for fleets, motor pools, and trucking and logistics companies.

SHOPWARE — $15m Series A — INSIGHT PARTNERS
Details: Helps auto-repair shops streamline operations inside and outside of the shop.

YOSHI — $23m Financing — GM VENTURES
Details: On-demand vehicle maintenance service.

modal — $15m Series A — HONDA
Details: e-commerce platform for automotive dealers and brands

CarDr.com — $5.0m Financing — redfortcapital
Details: Gives lenders, dealers, and buyers comprehensive vehicle health and valuation.

ATC (Powering out-of-state title & registration) — Investment — PGF polarispartners
Details: 50 state Title and Registration and every county in the US.

AutoLeap — $8m CAD Seed Round — Threshold
Details: Helps auto repair shops manage all aspects of their operations.

eOriginal (Trust the Asset. Trust the Transaction.™) — €231m Acquisition — Wolters Kluwer
Details: Enables lenders to create, store and manage digital assets.

CarStory — $120m Acquisition — vroom
Details: Automotive data company will help Vroom with vehicle price, description and demand.

OUSTER — $1.9b SPAC — COLONNADE ACQUISITION CORP
Details: Makes lidar sensors for self-driving cars and smart cities.

ACTASYS — $5m Seed Round — VOLVO NEXTGEAR VENTURES
Details: Automotive sensor cleaning system for autonomous vehicles.

RECURRENT — $3.5m Financing — Wireframe VENTURES
Details: Independent verification of battery life and range.

CRISPIFY — $700k Financing — avis budget group
Details: Monitors in-cabin air quality, identifying viruses and bacteria, including COVID-19.

TRUCK HERO — Acquisition — L CATTERTON
Details: Leading provider of aftermarket accessories for pickup trucks and Jeep vehicles.

CloudTrucks — $20.5m Series A — CAFFEINATED CAPITAL
Details: Helps truck owners and operators efficiently manage their businesses.

LIGHTNING eMOTORS — $823m SPAC — GigCapital3™
Details: Designs and builds medium-duty commercial electric vehicles and powertrains.

REVIVER — Financing — BLACK STAR FUND
Details: Electronic license plate that digitizes and automates the DMV renewal process.

EVBOX (Plug into your future) — $1.4b SPAC — TPG PACE BENEFICIAL FINANCE
Details: Hardware & software, to operates network of 190,000 EV charge ports in 70 countries.

finn.auto — €20 million Series A
Details: Vehicle subscription service with fixed monthly prices.

INNOVIZ TECHNOLOGIES — $1.0b+ SPAC
Details: Maker of lidar, laser sensors used in autonomous vehicles.

THE ROUTING COMPANY — $5m Financing — THE ENGINE (Built by MIT)
Details: Builds dynamic routing & vehicle mgmt solutions for transit providers.

UHNDER — $45m Financing
Details: Makes digital 4D software-defined imaging radar tech for autonomous vehicles.

CarOffer — $275m Acquisition — CarGurus
Details: Used car trading platform to help dealers acquire and dispose of inventory.

Swiftly — Investment — JMI EQUITY
Details: Cloud-based big data platform for public transit data and operations.

tusimple — $350m Financing — VectoIQ
Details: Self-driving electric commercial trucks in China and USA.

2020 TRANSACTIONS

ebay classifieds group acquired by Adevinta	alg acquired by J.D. POWER	AUTO1 GROUP $300m Financing	WAYMO $3.0b Financing	DigniFi $14m Financing	XOS $20m Financing	carlotz $827m SPAC Acamar Partners	BACKLOT CARS acquired by KAR GLOBAL	AURORALABS $23m Financing	CDKGlobal (international) $1.45b sale to FP Francisco Partners
Volvo Invests in Circulor	icc inventory command center acquired by J.D. POWER	BRING A TRAILER acquired by HEARST AUTOS	shopmonkey $25m Financing	KARMA $100m Financing	LUMINAR Public Offering (SPAC)	LUMINAR Financing DAIMLER	chargepoint Public Offering (SPAC)	revolos acquired by Protective	IHS Markit $44.0b sale to S&P Global
RIVIAN $2.5b Financing	RAVN Financing	Fisker $50m Financing	Dealers Auto Auction acquired by MAG McConkey Auction Group	AUTOLIST acquired by CarGurus	BLACKWIDOW IMAGING $1.5m Financing	ROOT $724.4m IPO	Coffeen Management Company acquired by NATIONAL AUTO CARE	TEKION $150m Financing Advent International	DONLEN $875m sale to ATHENE
Park Place Dealerships acquired by ASBURY Automotive Group	CANOO Public Offering (SPAC)	Fisker Public Offering (SPAC)	abs auto auctions Acquired by MAG McConkey Auction Group	Imperial Car Supermarket acquired by CAZOO	CAZOO $311m Financing	RVshare $100m+ Financing KKR Tritium	ami acquired by NATIONAL AUTO CARE	ACV $55m Financing Durable Capital Partners	metromile $1.3b SPAC INSU II
ENVISICS $50m Financing GM SAIC	SHIFT Public Offering (SPAC)	LORDSTOWN Public Offering (SPAC)	CARVANA Offers 13.3m Class A stock	BitAuto易车 Taken Private by Tencent腾讯	Acerta $7.0m Financing	ROMEO POWER TECHNOLOGY $1.33b SPAC RMG	CPS acquired by auto experience	getaround $140m Financing	LUNEWAVE $7m Financing FM CAPITAL
vroom IPO	vroom 9m share offering	CLUTCH $7m Financing	CARVANA Offers 5.0m Class A stock	Carketa $1.375m Financing	conversica $20m Financing	acquired by LMP Automotive	drivably Financing PORSCHE VENTURES	THE APPRAISAL LANE acquired by Reynolds & Reynolds	RIDE VISION $7m Financing OurCrowd
AEVA $2.1b SPAC InterPrivate	pony.ai $267m Financing Ontario Teachers' Pension Plan	Provizio $6.2m Financing	CARVANA $1.1b Senior Notes Offering	NUVVE Public via SPAC	forevercar Acquired by CUNA MUTUAL GROUP	Routematch acquired by Uber	ELMS $1b+ SPAC Forum Merger III Corporation	Gatik $25m Financing Wittington Ventures	SENSE PHOTONICS $6m Financing
Auto Group $5m Financing POWERBAND Solutions	PWI Preferred Warranties Inc. $24.5m Acquisition Kingsway Financial	nuro $50m Financing T.RowePrice	SEFI StoneEagle F&I Majority Investment BV Battery Ventures	Signal $20m Financing Kayne Anderson Capital Advisors, L.P.	Lightico $13m Financing OX	ARRIVAL $118m Financing BlackRock	ARRIVAL $5.4b+ SPAC CIIG Merger Corp		

GUEST OP-ED

Maximizing dealership profitability and valuation through the finance and insurance (F&I) department

GREG RICHESON

»GUEST OP-ED • GREG RICHESON

How are a dealership's profitability and valuation maximized through the finance and insurance (F&I) department?

In my thirty years of working for dealerships across the country, I have found that most dealer principals and general managers (GMs) have difficulty answering this question. While most are in tune with balance sheets and income statements that tell the story of current profitability and asset-based valuations, there remains a sense of mystery concerning genuinely profitable F&I results**. How are maximized results consistently achieved, and how do these optimized results contribute to a dealership's overall valuation?** Whether an owner is interested in selling their dealership soon or merely hopes to bolster the net profit on their financial statement, **the quickest and most guaranteed approach to achieving this is through a concentrated focus on F&I department improvements.**

The pretax profit margin on F&I income is incredibly high. The driving factor for such a high-profit margin exists due to the little overhead expenses that emerge from the F&I department. Interest expense, inventory, logistics, and several other costs present in separate revenue streams are not incurred when generating income in the F&I department. Gauged by my expertise**, the reality of F&I revenue is that for every dollar of gross profit the finance department creates, the dealership retains approximately $0.55 – $0.65 of that income to the pretax net.**

With the aforementioned high-profit margin, slight improvements can have a considerable impact on the income statement. According to the Haig Report, "public companies earned $1,742 per vehicle retailed in F&I gross profit in Q3 2020, up an impressive $170 (10.8%) from Q3 2019." If a rooftop is selling 2,400 vehicles per year, that 10.8 percent increases gross income by $408,000, and with a pretax profit margin of 60 percent, that is $245,000 to the bottom line. Public companies certainly differ from privately owned retailers, but these numbers that show a small lift in per vehicle retail (PVR) can produce sizable results. A $170 increase in any company's F&I department is more than obtainable, and an optimized F&I department can typically generate a substantial amount more. **Relatively small improvements hugely impact pretax profits, and not only does this bolster cash flow, but it also has a leveraged effect on increasing a dealership's valuation.**

Determining valuation typically begins with an asset-based estimate, which reviews the objective items—the fair market value of assets minus the fair market value of liabilities. A subjective layer known as the "blue sky" value exists beyond this base. As defined by Mercer Capital, the definition of blue sky is as follows: "Any intangible/goodwill value of the automobile dealership over/above the tangible book value of the hard assets is referred to as blue sky value. Typically, blue sky value is measured as a multiple of pre-tax earnings, referred to as the blue

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sky multiple."

There are two major publications that track the blue sky multiple—the Haig Report, published by Haig Partners and The Blue Sky Report, published by Kerrigan Advisors. Currently, both publications point to an average multiple of about 5.0. And, concerning the example above, the 10.8 percent increase **could contribute over $1.2 million to the dealership's valuation.** That's a material impact from a small lift and exhibits the direct correlation between the real-time profitability of a franchise—and the goodwill value has an immense impact on asking and selling prices. **Put quite simply, every dollar counts. And there is no greater potential than a dealership's F&I department.**

The profitability of any business is the entire reason for its existence

My personal experience in dealerships has been firsthand, wearing nearly every hat within the variable side of the store. I have acted as a salesperson, new and used car manager, finance manager, GM, partner, and F&I director. The breadth of my experience has provided me with insight into each of the operational sub-businesses within a dealership. From sales to parts, service, body shop, and a focus in the F&I department, I have come to the overwhelming conclusion; **with the highest net-to-gross ratios, no department can compete with the level of profitability or the increase in valuation that a dealership will retain from an investment in their F&I department.**

Regardless of the dealership's goal, the most impactful way to accomplish success is by building a backbone for the store—through an F&I team. Consistent delivery of a high-yielding, sustainable PVR is only possible with a well-trained F&I team that has a clear understanding of which strategies will maximize every deal, every time. **A dealership's ability to deliver with consistency is the single, most surpassing influence on ROI.**

When analyzing a store for underutilized F&I profit centers, I am amazed at the millions of dollars that are often ignored or missed. That said, **the roadmap to maximizing profitability lies in the nuances of procedures, training, accountability, and culture.** Identifying missed opportunities, highlighting profitable areas, and implementing proven strategies and training can assure a higher net PVR from an F&I department. It can be done well and ethically.

Despite COVID-19, many franchises have had a highly profitable year merely because they are focusing on applying F&I to achieve an increase in the bottom line. When analyzing your financial statement, can you identify the reasons why your F&I department is profitable? More importantly, can you acknowledge how profit is being achieved and sustained? Can your business continue to operate without having a plan in place that will illuminate your highest net profit center and bring it to the financial bottom line? Is your dealership leaving value on the table?

GUEST OP-ED • GREG RICHESON

Through taking the time to dive deep into the many facets of the F&I department—while holistically embracing its idiosyncrasies—companies can employ beneficial strategies for maximizing the bottom line and valuation. Once established, strong and consistent processes are the cornerstone to sustainable, long-term successes. **In most cases, we see a 30–50 percent increase in both the F&I PVR and gross profit when adhering to these practices. For companies willing to provide a roadmap for incorporating productive and profitable habits, a minimum uptick of 10.8 percent is not only feasible but also realistically attainable.**

About The Author

Greg Richeson is a highly motivated professional with expertise in finance and sales management and thirty years of experience in the automotive industry. He has a proven track record of training, with exceptional results in business and sales growth. Greg is a participant leader, specializing in portfolio management, problem-solving, bank relationship building, rehashing skills, and multifaceted training techniques.

In 2020, Greg founded Bald Guy F&I to optimize efficiency and maximize profitability for automotive F&I departments by providing achievable solutions, seamless training, and ongoing support. Greg is an accomplished, accountable professional and family man. He enjoys practicing for hockey games with his son Liam, daddy-daughter dates with his daughter Charlotte, happy hour porch conversations with his wife Kate, and spending time with friends and family.

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COMPANIES TO WATCH

COMPANIES TO WATCH

DEALERWING

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Service retention marketing creates specific, targeted campaigns that drive traffic, and simultaneously and consistently purges the dealer's database. Dealers experience strong ROI and cut costs by reducing extraneous and duplicate marketing efforts.

NEMODATA

www.nemodata.ai

Works with Fortune 500 enterprise fleets, telematic companies, Tier 1 suppliers, and OEMs to provide data driven, dynamic maintenance schedule specific to each vehicle; eliminates catastrophic roadside breakdowns and increases fleet capacity by 150%. Earning additional $5,000 per truck, every year.

PARKMYFLEET.COM

Your Fleet Our Care

www.parkmyfleet.com

Provides fast and scalable solutions that can expand or contract based on parking and storage needs. Real Estate partners have footprint in every US market and major metro. Thousands of acres in our inventory and can "flex" to accommodate vehicles for as little as 30 days or up to 5 years.

TRAVER CONNECT

Automotive Customer Retention Solutions

https://traverconnect.com

Outsourced Service BDC. 100% of calls answered, pre-sell recommendations made, and increase in appointments. All contribute to absorption, increases in average RO, and CSI. Turns the service BDC into a profit tool, not an expense. 100% self-funding: increases the service dept top and bottom lines.

TECOBI

www.tecobi.com

Provide advanced communication and advertising solutions for auto dealers. Take control of your dealership's SMS/Text conversations and increase response rates to direct mail and other forms of advertising.

STROLID

STRONG PROCESS. SOLID RESULTS.

www.strolid.com

Dealers can outsource their BDC/Call Center while improving response rate, close rate, sales and customers satisfaction all while reducing costs.

truvideo

https://truvideo.com/

Video communication platform that allows dealers to virtually bring the customer into the service area and see what the technician sees. Service customers typically see increased revenue of between 10%-35% through transparency and trust.

MONK

https://monkvision.ai/

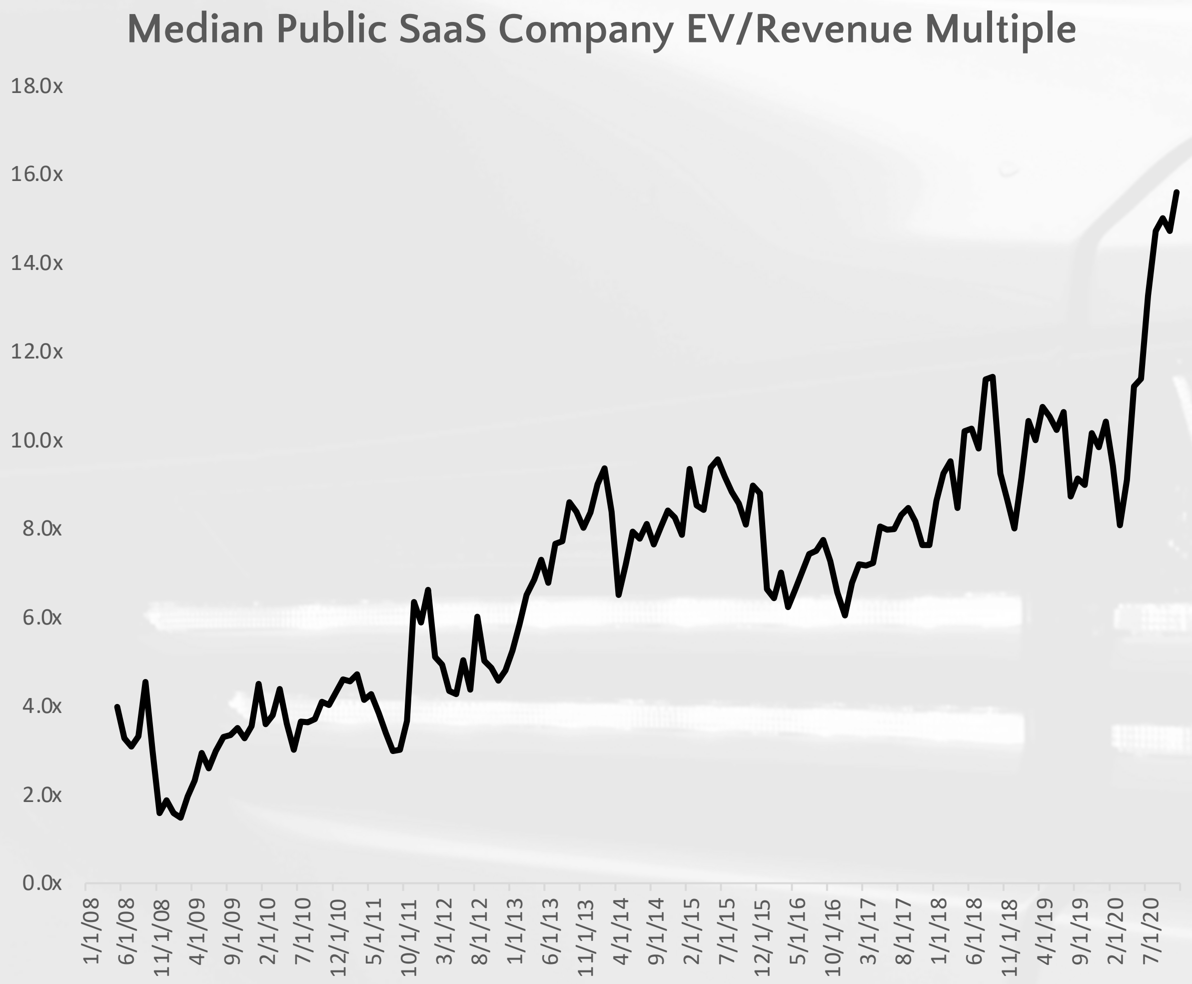
Creating trust between buyer and seller whenever an item changes hands, thanks to AI & computer vision. Detects damages on any vehicle from photographs, Delivers solution for a fraction of the traditional price.

2020 COMPANIES TO WATCH

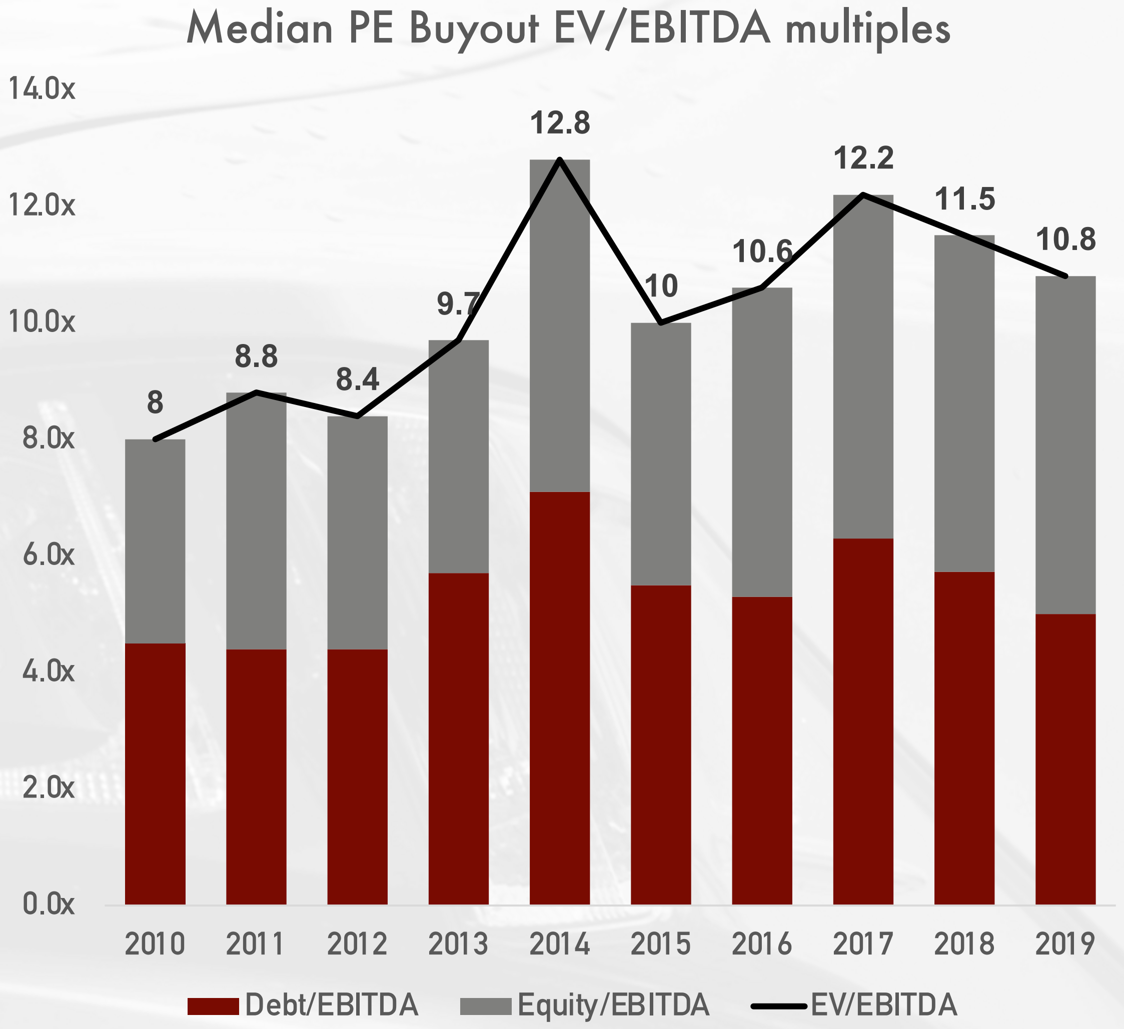
autohub www.autohub.io/	ADVENT RESOURCES www.adventresources.com	Quickride www.goquickride.com	DEALERPOLICY www.dealerpolicy.com	gettacar www.gettacar.com	360 CONVERGE https://360converge.com	suresale www.suresale.com	FLUENCY www.fluency.inc
SQUARE ROOT https://square-root.com/	ATC POWERING OUT-OF-STATE TITLE & REGISTRATION https://autotitling.com	TRUE SPOT Location is Everything www.truespot.com	REVIVER www.reviver.com	TRUSCORE www.tscpo.com	WORK TRUCK SOLUTIONS www.worktrucksolutions.com	Matador https://matador.ai	IAS Integrated Auction Solutions www.integratedauctionsolutions.com
FIXD https://get.fixdapp.com/	AutoFi www.autofi.com	DRIVENDATA www.driven-data.com	PARTSEDGE www.partsedge.com	VinAudit www.vinaudit.com	Spireon www.spireon.com/	DealerDOCX Powered by AACT-1 www.dealerdocx.com	WarrCloud www.warrcloud.com
DigniFi www.dignifi.com/	DARWIN www.darwinautomotive.com	A2Z SYNC www.a2zsync.com	inSearchX www.insearchx.com	Lotpop www.lotpop.com	WheelsTV http://wheelstvnetwork.com	zerosum https://zerosum.ai	DataClover https://dataclover.com
PRIVACY4CARS www.privacy4cars.com/	digitalmotors www.digitalmotors.com	dealerintelligence www.dealerintelligence.com	AUTO GROUP www.cbautogroupinc.com	boost acquisition www.boostacquisition.com	ONEAUCTIONVIEW www.oneauctionview.com	RunBuggy https://runbuggy.com	REVOLUTION PARTS www.revolutionparts.com
GENERATIONS DIGITAL www.generationsdigital.com	PRODIGY THE FUTURE OF AUTOMOTIVE RETAIL https://getprodigy.com	spiffy www.getspiffy.com	BLACKWIDOW IMAGING www.blackwidowimaging.com	ACERTUS Relentless Drive to Deliver www.acertusdelivers.com	winfooz www.winfooz.com	CarOffer www.caroffer.com	DriveCentric https://drivecentric.com
Carleton www.carletoninc.com	eDEALER DIRECT www.edealerdirect.com	PAVE https://pave.bot	INSIGNIA www.insigniagroup.com	curbside https://curbside.ai	RAVIN www.ravin.ai	UNDERSTORY https://understoryweather.com	asTech https://astech.com
AUTOLEADSTAR www.autoleadstar.com	CARWAVE YOUR TRUSTED CAR DEALERSHIP NETWORK www.carwave.com	OFFERLOGIX https://offerlogix.com	Motive Retail www.motiveretail.com	blinker www.blinker.com	evn https://evnusa.com	SocialAuto TRANSPORT www.socialautotransport.com	

COMPANY VALUATIONS

PUBLIC MARKET SAAS AND PE BUYOUT MULTIPLES

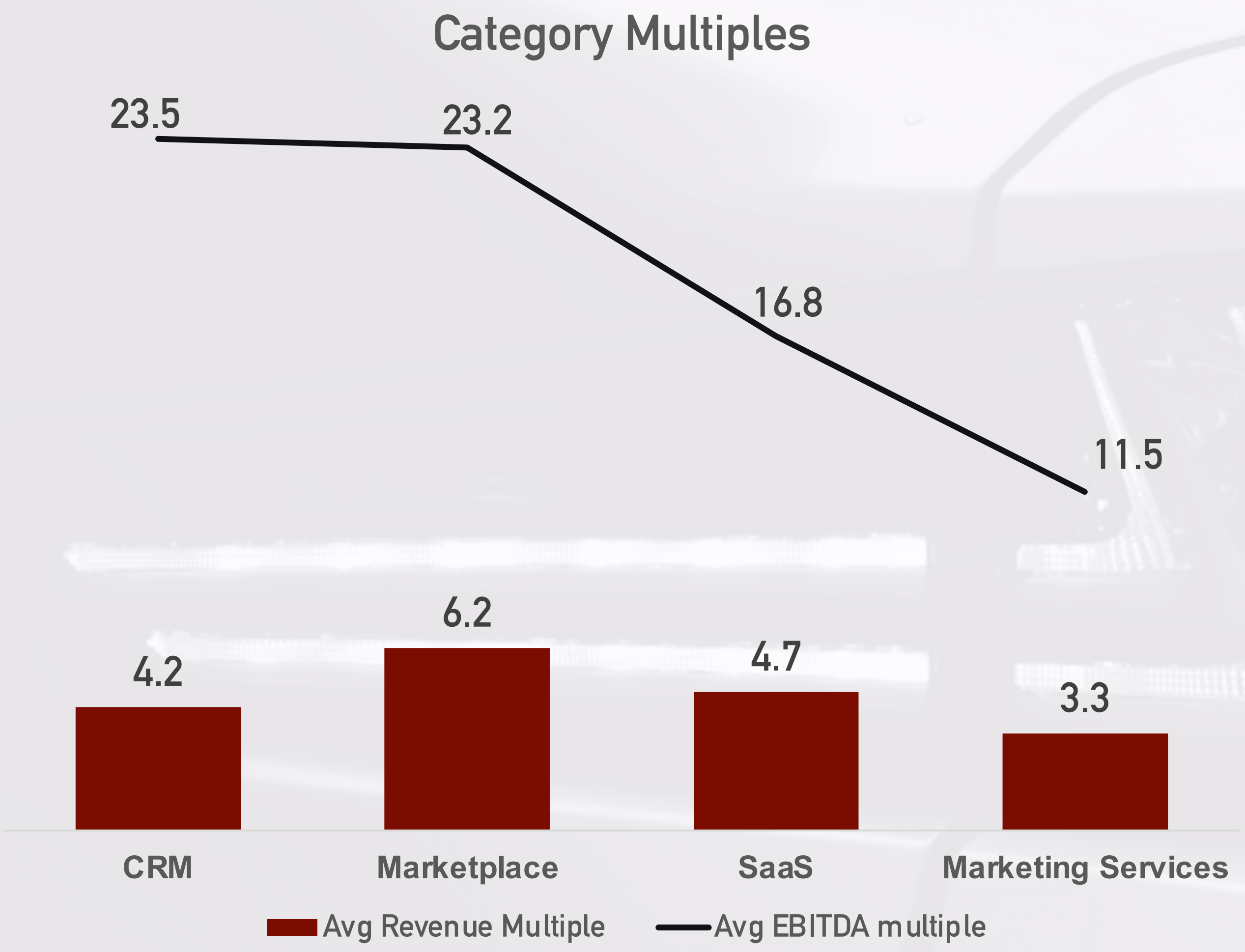


Source: The SaaS Capital Index



Source: PitchBook

AUTOMOTIVE TECHNOLOGY TRANSACTION MULTIPLES



Source: Automotive Ventures Data Over Trailing 10 Years of Automotive Technology Transactions

Multiples are typically higher for companies that have:

1. Predictable, recurring revenue
2. Low churn
3. High gross margins
4. High growth rates
5. High annual revenue growth
6. Strong upsell opportunities

AUTOMOTIVE PUBLIC COMPANY DATA

Company	Ticker	Stock Price	Market Cap ($ M)	Net Debt ($ M)	Enterprise Value	Enterprise Val to Revenue	Enterprise Val to EBITDA
AUTOMOTIVE MARKETPLACES							
AutoWeb Inc.	AUTO	2.47	35.14	5.52	38.61	0.46	–
CarGurus Inc.	CARG	31.73	3,720.74	-102.01	3,548.29	6.53	26.86
Cars.com LLC	CARS	11.30	847.62	672.89	1,409.42	2.54	10.4
RumbleON Inc.	RMBL	30.20	68.81	88.68	118.86	0.24	–
TrueCar Inc.	TRUE	4.20	457.44	-138.53	316.67	0.98	18.04
Carsales.com Ltd	CAR	20.01	3,724.38	303.28	4,059.76	13.72	28.22
Auto Trader Group plc	AUTO	5.96	7,643.52	350.61	7,730.16	28.53	28.49
AUTOMOTIVE SAAS							
CDK Global Inc.	CDK	51.83	6,363.58	2,521.2	8,776.38	4.4	13.42
PowerBand Solutions Inc.	PBX	0.29	28.46	6.14	34.66	19.86	–
ONLINE DEALERSHIPS							
Carvana Co.	CVNA	239.54	45,706.2	1,454.76	20,027.62	9.13	–
Vroom Inc.	VRM	40.97	4,834.06	-43.96	3936.96	3.59	–
TRADITIONAL DEALERSHIPS							
AutoNation Inc.	AN	69.79	5,920.19	5,983.9	10,272.69	0.51	8.95
CarMax Inc.	KMX	94.46	16,346.5	15,875.34	31,466.37	1.61	19.47
Group 1 Automotive Inc.	GPI	131.14	2,229.39	3,314.2	4,902.69	0.44	8.24
Lithia Motors Inc.	LAD	292.67	7,825.08	3,717.2	11,477.68	0.91	13.52
Penske Automotive Group Inc.	PAG	59.39	4,760.6	8,730.9	11,928.2	0.5	10.63
Sonic Automotive Inc.	SAH	38.57	1,701.07	2,602.24	3,788.59	0.35	8.32
AUTO MANUFACTURERS							
Fiat Chrysler Automobiles N.V.	FCAU	18.09	28,000	-3,017.39	27,774.4	0.41	2.85
Ferrari N.V.	RACE	188.65	50,565.4	–	52,814.61	17.58	39.58
Ford Motor Company	F	8.79	35,838.7	134,433	164,930.72	1.14	22.08
General Motors Company	GM	41.64	59,870.3	84,095	150,915.3	1.22	14.74
Honda Motor Co. Ltd.	HMC	28.25	51,974.9	45,921.3	102,465.44	0.01	9.16
Nikola Corporation	NKLA	15.26	6,315.99	-80.93	5,413.28	–	–
Nissan Motor Co. Ltd.	NSANY	10.79	22,266.2	59,082.51	82,079.09	0.01	66.42
Tesla Inc.	TSLA	705.67	631,473	8,429	633,574.07	22.29	136.22
Toyota Motor Corporation	TM	154.57	21,5100	88,800.95	366,937.5	0.01	11.02

AUTOMOTIVE VENTURES, LLC PROVIDES EXPERT ADVICE AND COMPREHENSIVE SERVICES TO PLAYERS IN THE AUTOMOTIVE TECHNOLOGY ECOSYSTEM

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