AUTOMOTIVE VENTURES

AUTO INTEL REPORT \\ MARCH 2021

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INTRO

MAR 2021

AUTOMOTIVE VENTURES INTEL REPORT

WELCOME TO THE

AUTOMOTIVE VENTURES INTEL REPORT

MARCH 2021

In this issue, I answer a question that I hear frequently, “What are you doing at Automotive Ventures?”

I also attempt to answer a second question that I also hear frequently in conversation, “What’s my company worth?”

We have a special Op-Ed from two guest contributors, Jim Roche from WarrCloud and Tully Williams from The Niello Company.

In addition to a new slate of “Companies to Watch” for March, I’ve added a couple of interesting data visualizations in the “Company Valuations” section. I hope you enjoy.

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.

Have a great month,

Steve Greenfield
steve@automotiveventures.com

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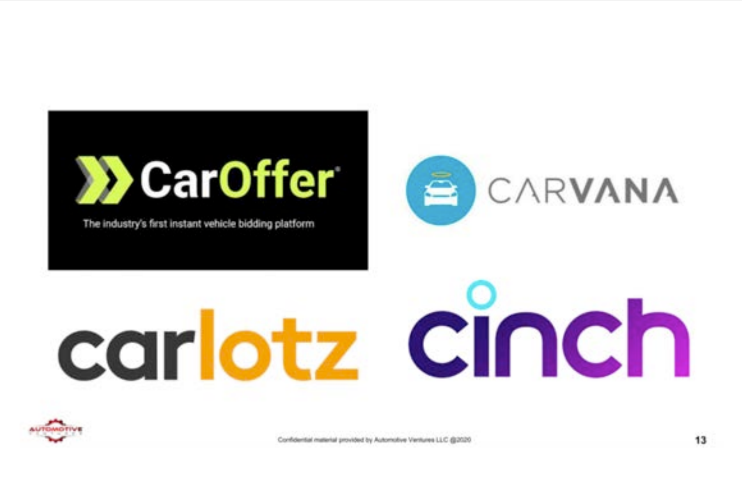
WHITEPAPERS AVAILABLE



AUCTION DISRUPTORS ↓

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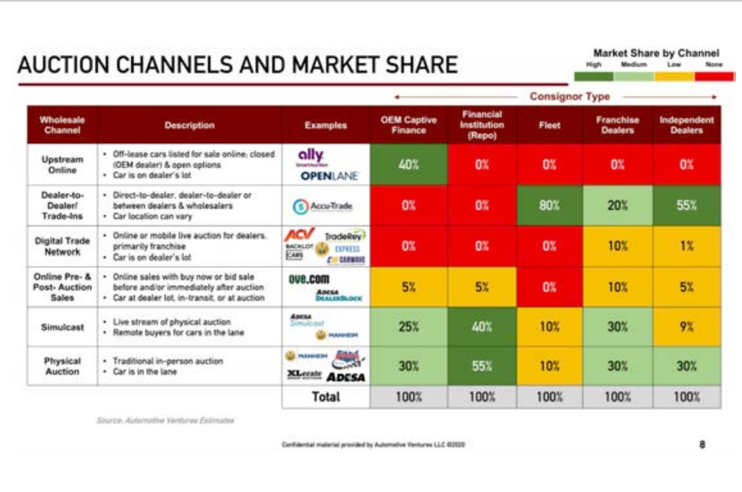

WHOLESALE AUCTIONS ↓

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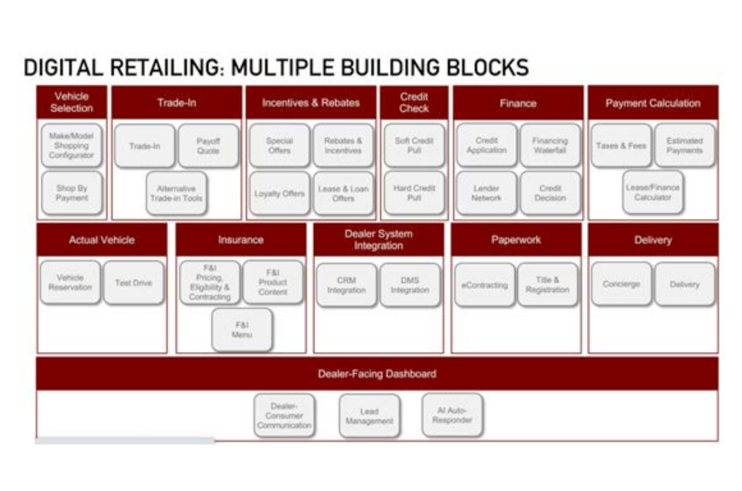

DIGITAL RETAILING ↓

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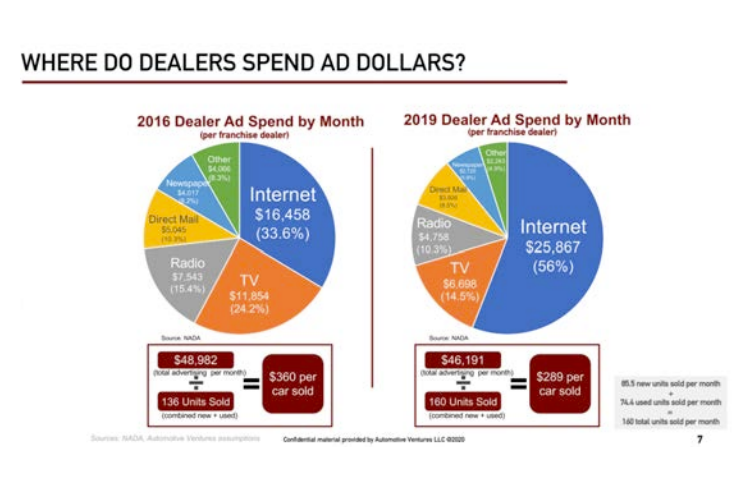


AUTOMOTIVE ADVERTISING ↓

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

INDUSTRY TRENDS

INDUSTRY TRENDS

COVID-19	The U.S. FDA has approved the Johnson & Johnson single-shot coronavirus vaccine, making a total of three approved vaccines. At time of publication, the NY Times reports that 7.5% of the U.S. population is fully vaccinated, and 15% have received at least one dose.
CAR SALES	TrueCar and IHS Markit estimate 16.0m new vehicle sales for 2021. Edmunds forecasts 15.5m. This compares to 14.5m in 2020. A global shortage of microchips may reduce new car sales by up to 1.3m vehicles.
ELECTRIC	Electric vehicles are hot, based on Tesla's market cap, the Biden Administration's endorsement, OEMs forecasting aggressive numbers, and a slew of EV OEMs going public via SPAC, including Nikola, Canoo, Lordstown Motors, Fisker, Lucid and rumors of Rivan's $50b+ listing.
MARGIN COMPRESSION	Even before coronavirus, car dealers continued to experience year-over-year declines in profit margins. Margins were artificially inflated during COVID due to a shortage of supply for both new and used cars. Employee turnover continues to be a costly problem.
M&A HEATS UP	The latter half of 2020 brought many companies to market, as acquirers became confident and wanted to capitalize on strong markets. Physical dealership buy/sell activity is brisk, and the SPAC market is on fire. 2021 should be a strong year for investment and M&A.

IN THE NEWS

IN THE NEWS

ACV Auctions, Backed by SoftBank, Files to Go Public
Feb 26, 2021
BARRON'S

Lucid Motors valuation soars to $62 billion
Feb 22, 2021
Automotive News

AutoNation cashes out of Vroom stake
Feb 16, 2021
Seeking Alpha α

BlackRock-Backed Online Car Dealer Cazoo Weighs London IPO
Feb 19, 2021
Bloomberg

Will SPACs Outpace Traditional IPOs This Year?
Feb 17, 2021
crunchbase news

Rivian aims for IPO this year, report says
Feb 9, 2021
Automotive News

The CapStreet Group Announces Investment in TradePending
Feb 15, 2021
CISION PRWeb

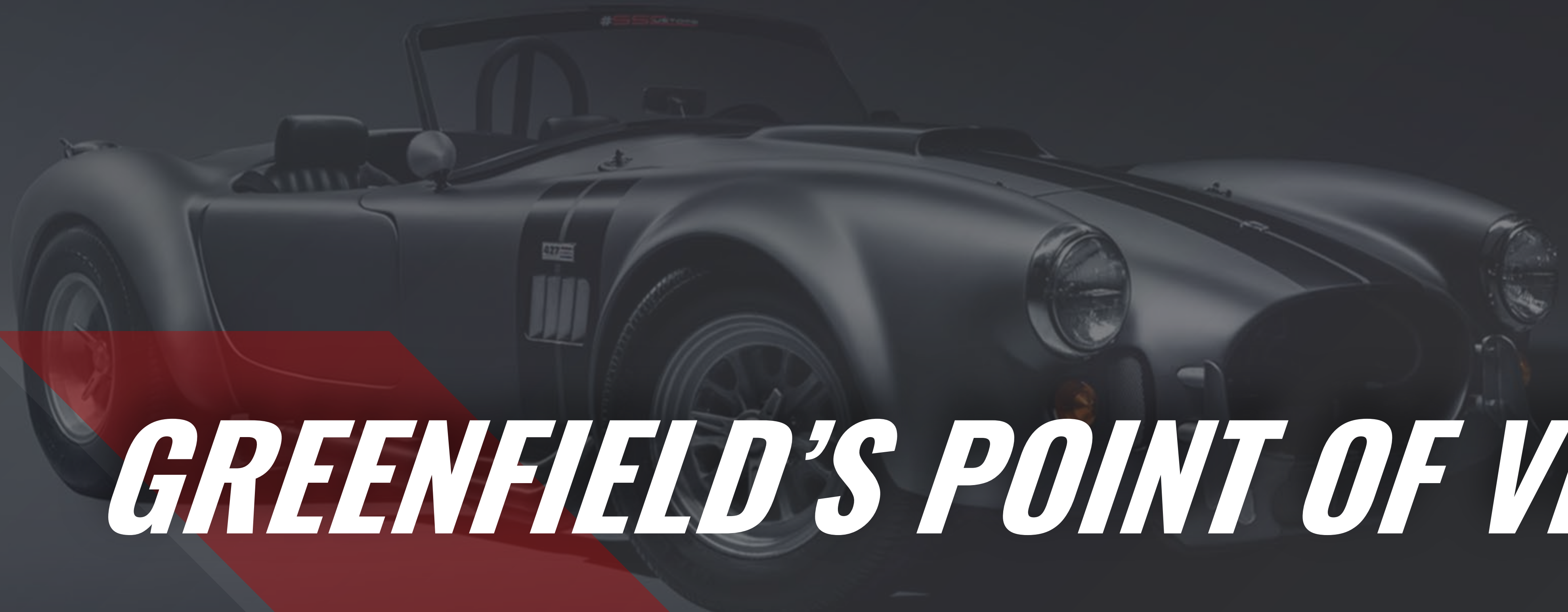
AEye becomes latest lidar company to go public via SPAC
Feb 17, 2021
TechCrunch

Vista's Solera Is in Talks to Go Public Via Apollo SPAC
Feb 4, 2021
Bloomberg

Israeli data automotive firm Otonomo to go public in $1.4 bln SPAC deal
Feb 1, 2021
REUTERS

As Legacy Automakers Rev Up Electric Vehicle Investments, Startups Are Ripe Acquisition Targets
Feb 16, 2021
crunchbase news

CCC Information Services to Go Public in $6.5 Billion SPAC Merger
Feb 3, 2021
THE WALL STREET JOURNAL



GREENFIELD’S POINT OF VIEW

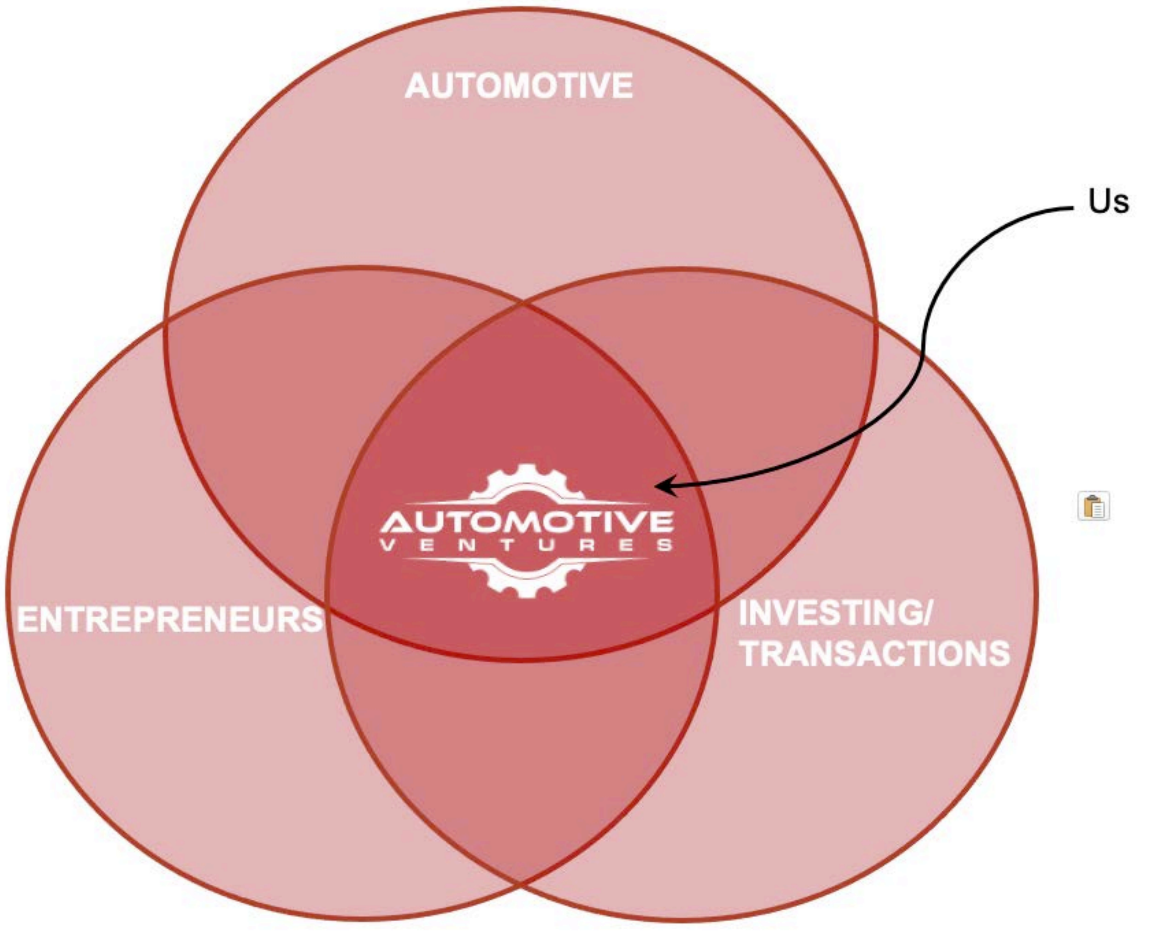
GREENFIELD'S POINT OF VIEW

What Are You Doing At Automotive Ventures?

I have the pleasure of catching up frequently with Private Equity and Venture Capital fund managers, as well as companies looking to either acquire or sell. While you may have picked up a copy of our Auto Intel Report, watched my weekly "Friday Five" segments on CBT News, or seen my LinkedIn commentary on the auto industry, it may not be immediately apparent what our actual business is. Since I've been getting the question a lot, let me take a minute to walk you through what we're doing here at Automotive Ventures.

Beyond cats and motorcycles, I love two things more than anything else. I love working with entrepreneurs and I love deals. Having the opportunity to work with both within the automotive space is how I've found resonance with the universe.

During my 20+ years in the automotive industry, I've recognized a lack of good resources available for both



Automotive Ventures is an alignment of passions

GREENFIELD'S POINT OF VIEW

entrepreneurs and acquirers; information on investments being made, acquisitions, who is buying what, and valuations paid.

From my perspective, entrepreneurs have a hard enough job finding product/market fit, raising money, figuring out their marketing/sales go-to-market strategy, and differentiating from their competition. I strongly believe they need better information to help them navigate through their journey; resources to help identify the total addressable market for dealership advertising and SaaS spend; the competitive landscape for the various segments of the market; how best to build their business and position themselves in the market to maximize outcomes and optimize their value when they're ready to sell; intelligence on which companies might ultimately be acquirers of their business and what those different acquirers might pay in terms of valuation.

Beyond this lack of industry intelligence, there's little doubt that automotive is entering a period of accelerated change. Industry experts will talk about the impact that electrification, connectivity, autonomy, and subscription models will have across the entire automotive supply chain. More immediately, we are witnessing changes in consumer shopping behavior that are impacting dealerships, OEMs and the vendors that sell into them. All of this without considering the positioning of the big tech giants (Google, Facebook, Amazon and Apple) and what impact we'll see from them in the near term.

So, we set out to address these two industry issues: the thirst for market information, and the change coming to the automotive industry over the next decade. Automotive Ventures aims to be the beacon to provide context and resources to ensure industry players can navigate ambiguity toward success over the coming years.

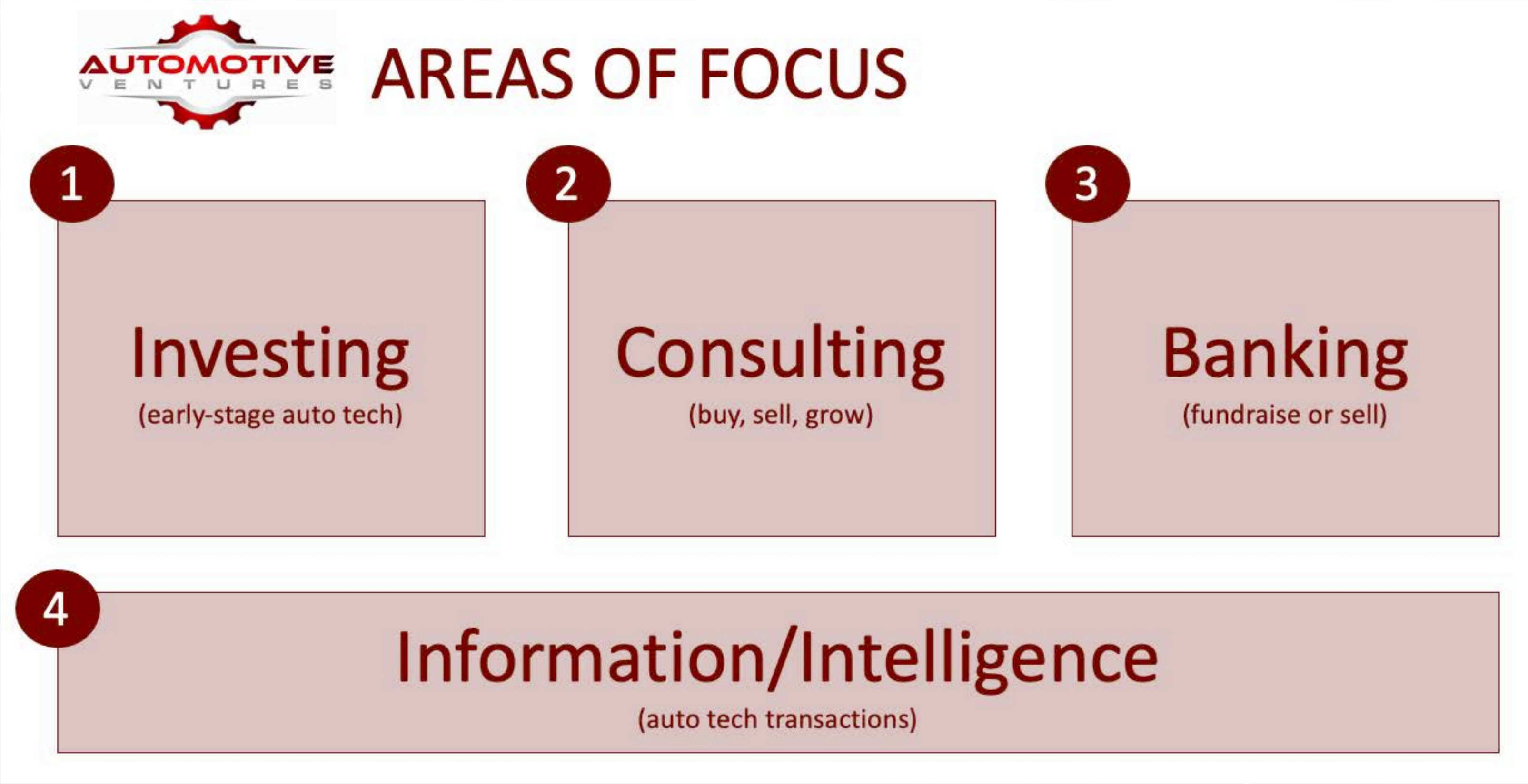
Four Areas of Focus

As such, Automotive Ventures has four areas of focus:

1. Making investments into early stage auto tech companies
2. Providing strategic consulting services to help companies buy, sell or grow
3. Providing Investment banking services for those looking to raise money or realize their best exit scenario
4. Industry Intelligence to support all three areas above

The goal is to provide auto tech entrepreneurs with a continuum of service across their entire lifecycle.

GREENFIELD'S POINT OF VIEW



Introducing Investment Banking Services: Progress Partners

In order to provide investment banking services for clients, I'm thrilled to announce that I have joined the Progress Partners team as a Managing Director.

Progress Partners is a full-service merchant bank that works with emerging technology companies to build value for the digital future. The firm leverages its trusted relationships to unlock insights for buyers and sellers to complete M&A transactions, raise debt or equity capital, and develop strategic growth plans. We are genuine experts who value entrepreneurial leadership and technology to build and realize superior value for our clients. The firm primarily operates in the US and Canadian markets and secondarily in the UK and across Western Europe.

I've joined the Progress Partners team because together we can optimize outcomes for entrepreneurs,

GREENFIELD'S POINT OF VIEW

dedicating our resources to deliver the best outcome for you and your business. We have a strong team that is committed to ensuring great options and outcomes for entrepreneurs.

I have first-hand experience of being on the other side of the table with investment bankers who have literally left tens of millions of dollars of value on the table during negotiations. I believe that entrepreneurs deserve the absolute best outcome for themselves, their teams and their families. I look forward to helping company founders reach the outcomes they deserve.

How do we help entrepreneurs who are exploring exits?

1. We have a team of genuine experts who value entrepreneurs and their companies
2. We have trusted relationships with the right people to open doors, get the meeting and ensure the right companies are in the bidding process
3. We have the right people on the team, and deliver outsized outcomes from engaging the right experts and thought leaders and professionals

Whether you're looking to raise money or sell your business let me know how I can help. I am personally committed to the best outcomes for automotive technology entrepreneurs and their teams.

Wrapping Up

At Automotive Ventures, we will continue to publish content that helps you understand and navigate through the ambiguity and change coming to the industry. And we will continue to offer services to entrepreneurs to ensure they can build the best businesses and achieve the best outcomes when they're ready to sell.

It's an exciting time to be in an industry that is going to see more change in the next 10 years than it's seen in the past 100. No matter where you are in the ecosystem, we can help. I look forward to taking this journey with you.

Thank you for your continued support.

Until next month,

Steve Greenfield
CEO and Founder
Automotive Ventures

AUTO TECH LANDSCAPE

AUTOMOTIVE TECHNOLOGY LANDSCAPE

TRAFFIC GENERATION (awareness & direct-response)

Traditional Media
GANNETT, TEGNA, HEARST, CBS RADIO, Entercom, RAYCOM Media, DOW JONES, LEE ENTERPRISES, Clear Channel, COX, CUMULUS, FOX, abc RADIO, digitalfirst, iHeart MEDIA, NBC, GateHouse Media

Advertising Agencies
PureCars, TURNKEY, RAYCOM Media, SOKAL, M, DEALER WORLD, Appearance, REUNION Marketing, herman, FORCE, STRATEGIC, C-4 Analytics, GSM, stream, naked lime, MOORE & SCARRY

Digital Advertising
BRING A TRAILER, OfferUp, letgo, ebay MOTORS, ROLLICK, Autotrader, cars.com, CarGurus, Google, Google AdWords, TRADER INTERACTIVE, edmunds, AUTOLIST, BLUE BOOK, TrueCar, carzing, autoweb, CAR AND DRIVER, carsforsale, TruckTractorTrailer

Advertising Technology
HEARST AUTOS, tapClicks, Outsell, HELIX, Appearance, spincar, LOTLINX, TapClassifieds, zerosum, EPSILON, SPEED SHIFT MEDIA, PureCars, DEALER TEAMWORK, V12, AUTOLEADSTAR, eBizAutos, 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, kain, Stuker, College of Automotive Management, DealerSolutions, David Lewis & Associates, Inc.

RETENTION (retain as service/repeat customer))

Customer Retention Tools
iprecheck, Spireon, TeamVelocity, xtime, DataClover, HELIX, Dominion DEALER SOLUTIONS, Experian Automotive, Affinitiv, AutoLoop, DealerSocket, elead, DEALERWING, Outsell, automotiveMastermind, AutoAlert, 3birds

SOFTWARE

Social / Reputation Management
salesforce marketing cloud, SOCIALDEALER, reputation.com, SNAPEI, DealerRater, Friendemic, ActivEngage, DIGITAL AIR STRIKE, SureCritic, PODIUM, MXS SOLUTIONS

Vehicle Acquisition / Auctions
ACV, Manheim, Accu-Trade, THE APPRAISAL LANE, GMF DealerSource, CARVANA ACCESS, carmax AUCTIONS, boost acquisition, CarOffer, Block, DEALERSLINK, drivably, TRADEHELPER, TradeRev, KAR GLOBAL, 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
CarAdvise, eAdvisor, DEALER-FX, PARTSEDGE, singlethread, UpdatePromise, Sotera, AutoAlert, PureCars, sunbit, tekmetric, CM, Your Mechanic, RECON VELOCITY, DigniFi, eAdvisor, RAPIDRECON, REVOLUTION PARTS, 3birds, OECconnection, DataClover, xtime, myKaarma, Affinitiv, DealerSocket, PartsEye, openbay, PAL, truvideo, dynatron, RecallMasters, RECONTRAC

Workforce Management
DrivingSales, auto motoHR, ADP, Hireology

Dealer Websites
DEALERON, MXS SOLUTIONS, jazel, CDK Global, nabthat, fusionZONE, DEP DEALER E-PROCESS, DEALERINSPIRE, Dominion, DealerSocket, DEALER.COM, eBizAutos

F&I Technology
cbc, 700Credit, StoneEagle, MARKETSCAN, MAXIMTRAK, DigniFi, PEN, ZURICH, F&I EXPRESS, VisionMenu, DARWIN, DealerScience, RouteOne, Dealertrack, eLEND SOLUTIONS

Automotive Data
experian, CARFAX, Black Book, JATO, EVOX IMAGES, VinAudit, MARKETCHECK, Sotera, Carleton, frogdata, MOTOR, alg, autodata, Chrome Data, izmocars, MARKETSCAN, IHS Markit, OFFERLOGIX, EQUIFAX, dataone, RecallMasters, Motive Retail, ALLDATA, TransUnion, COX AUTOMOTIVE

Vehicle Subscription
fair, SIXT+, Hertz MY CAR, JUSTDRIVE, Subscribe, MOBILITI, REVOLVE, PORSCHE PASSPORT, LESS, Audi select, CARE BY VOLVO, DriveItAway, ACCESS, FreshCar, BORROW, BOOK, Mercedes-Benz Collection, CLUTCH, LMP SUBSCRIPTIONS

Desking
CDK Global, VinSolutions, Dealertrack, elead, ProMax, MARKETSCAN, Reynolds & Reynolds

Inspections
VINTEL

Merchandising Support
FLOWFOUND, SnapCell, REDLINE, WheelsTV, CarStory, FlickFusion, icc, Experian Automotive, UNITYWORKS, TRU IMAGES, evn, HomeNet, spincar, Dominion, Kcite, BLACKWIDOW IMAGING, MAX DIGITAL

Digital Retailing
PRODIGY, DealerSocket, CARSATO, DEP, F&I EXPRESS, ActivEngage, Dealertrack, digitalmotors, AUTO NAVIGATOR, WebBuy, CDK Global, Gubagoo, RODO, TAGRAIL, modal, Capital One, clearlane, FRIKINtech, Cox Automotive, autohub, AutoFi, DARWIN, truPayments, MAXIMTRAK, fastlane, MOTOINSIGHT, Joydrive, Gomoto

Inventory Management
AUTHENTICOM, MAX DIGITAL, DEALERVAULT, Lotpop, DEALERSLINK, vAuto, Dominion, eBizAutos, REDLINE, icc, CDK Global, HomeNet, drivably, Inventory+, LOT TECH, CHROMACARS, Kcite, dealercue

Online Retailing
CARMAX, gettacar, CARVANA, SHIFT, vroom

Vehicle History
VinAudit, NMVTIS, DMVdesk, Experian Automotive, CARFAX

Registration & Titling
vitu, ATC, Dealertrack, TITLEDIRECT, Dealer Doc, AVRS, FIVE64, CVR, DLRdmv, Sotera, autopoint, TitleTec, STATE DMV, REVIVER

Dealer Management System (DMS)
CDK Global, Reynolds & Reynolds, ADVENT, QUORUM, Autosoft, DealerBuilt, PBS, Adam SYSTEMS, AutoMate, Dealertrack, TEKION

Dealer Website Engagement
KBB.COM, ROADSTER, edmunds, cars.com, eAuto Appraise, REDLINE, ORBEE, MOBAUTO, autohub, Cartender, ActivEngage, Pureinfluencer, modal, digitalmotors, Black Book, MAX DIGITAL, CarNow, truPayments, DealerScience, Gubagoo, TRADEPENDING, DRIVE IT NOW, DEALER TEAMWORK, PODIUM

Process Improvement
Hireology, KPA, vAuto, auto motoHR, PowerDealer, nextup, A2Z SYNC, DealerDOCX, Lotpop, Strategic Source, xoxlo, WarrCloud, PROACTIVE DEALER SOLUTIONS, frogdata, DEALEROPS, REVERSE RISK, axcessa, cbc, STROLID, TRAVER, suresale

Peer-to-Peer (P2P)
TRED, cars.com, instamotor, CarGurus, OfferUp, blinker, SWAP MOTORS, Autotrader

Vehicle Imaging
Click-Ins, BLACKWIDOW IMAGING, MONK, RAVIN, UVEYE

Vehicle Insurance
DEALERPOLICY, SURE, gabi, COVERHOUND

Customer Relationship Management (CRM)
360 CONVERGE, DriveCentric, crmsuite, MOMENTUM, DEALERTEAM, DEALERPEAK, Reynolds & Reynolds, Oplogic, DealerSocket, elead, CDK Global, DEALERMINE, ASTUTE, Affinitiv, VinSolutions, Dominion, ProMax, VTENZA, Selly Automotive

Media Attribution
clarivoy, SPEED SHIFT MEDIA, Semcasting, VistaDash, HELIX, el toro, J.D. POWER 020 ANALYTICS, AutoID, experian, foureyes, DRIVENDATA

Phone Call Management
CarCode, CALLREVU360, CallSource, Marchex, InteractiveTel, CAR WARS, Calldrip, WhosCalling, PHONE NINJAS

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

Connected Car
Zubie, LYNKD, LoJack, 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, MATRIX, KEYper Systems, Key-Box, SECURITY KEY AUTOMOTIVE, KEYTRAK

Vehicle Appraisal
MAX DIGITAL, Accu-Trade, eAuto Appraise, autohub, Kelley Blue Book KBB.COM, TRADEPENDING, Black Book

Floor Planning
ally, afc, US AUTO CREDIT, CarBucks FLOOR PLAN, AFS AUTO FINANCE SOLUTIONS, Westlake FLOORING SERVICES, BANK OF AMERICA, CITY AUTO FINANCE, NEXTGEAR CAPITAL, CHASE, WELLS FARGO AUTO, Auction Credit

Remote Service
REPAIR SMITH, SIMPLETIRE, SparkCharge, spiffy

Vehicle Management
RECON VELOCITY, LoJack, Spireon, Quickride, TRUESPOT, RAPIDRECON, MDL autoMation

Vehicle Transportation
RunBuggy, DRIVER, ACERTUS, SBDS, SuperDispatch, CONVOY, REDCAP, SocialAuto TRANSPORT, BIZZY CAR, DOPPLER

2021 TRANSACTIONS

FEBRUARY 2021 TRANSACTIONS

RECOGNI — $48.9m Funding Round — WRVI CAPITAL
Artificial intelligence hardware for autonomous vehicles.

AEYE — $2b SPAC by CANTOR Fitzgerald
Lidar startup for use in autonomous and driver assistance in passenger.

TRADEPENDING — Recapitalization by CAPSTREET
Powers trade-in leads and manages online inventory.

SBD SWEETIE BOY DELIVERS — Investment By CIT GAP FUNDS (CENTER FOR INNOVATIVE TECHNOLOGY)
Transports vehicles for dealerships and consumers.

ENEVATE — $81m Series E — Fidelity INVESTMENTS
Silicon-dominant lithium-ion battery technology.

metropolis — $41m Financing — 3L
Automated parking lot management.

nextmv — $8m Series A Led by FIRSTMARK CAPITAL
Optimizes and tests decision models for logistics companies.

AKASOL — Acquisition by BorgWarner
Battery systems for commercial and off-road vehicles.

LUCID — $12b SPAC by CHURCHILL CAPITAL IV
EV maker Lucid to go public through Michael Klein's SPAC.

DIESEL MINNESOTA — Acquisition by DICKINSON FLEET SERVICES
DFS acquires Diesel Minnesota for undisclosed amount.

swift NAVIGATION — $50m Series C — NEA
Precise positioning technology for autonomous vehicles.

SmartHop — $12m Series A — USV
Brings the company's total funding to date to $16.5 million.

PlusAi — $200m Series B
Financing from Guotai Junan Intl., Hedosophia, and Wanxiang Group.

HYZON — $2.7b SPAC by DCRB+
Hydrogen fuel-cell powered zero-emission commercial vehicles.

volta — $2b SPAC by Tortoise Acquisition Corp. II
SPAC shares spiked as much as 47% when merger announced.

pony.ai — $100m Series C Extension
Self-driving car startup.

microvast — $3b SPAC by THC
Deal implied an equity valuation of $3 billion.

Solera — SPAC by APOLLO
In talks to go public for more worth in 2016 ($6.5b).

CCC — $6.5b SPAC by DRAGONEER
Collision repair data and software.

DEALERPOLICY — $30m Series B — 3L
Will use to develop insurance and expand team.

SQUARE ROOT — Acquisition by CDK Global.
Helps OEM field managers understand and act on data patterns.

otonomo — $1.4b SPAC by SOFTWARE ACQUISITION GROUP
Sources data from over 20 million vehicles.

tu simple — IPO
Autonomous trucking company filed paperwork to go public.

gettacar — $25m Financing — 3L, LUXOR CAPITAL
Car buying site now bringing its fundraising total to $48 million.

adasThink — Acquisition by asTech
Uses vehicle ID number to properly identify the vehicle's build information.

XOS — $2b SPAC by NextGen Acquisition Corporation
The deal values the combined equity at $2 billion.

carbiz — Acquisition by Sonic Automotive
Adding to EchoPark footprint, deal expected to triple sales volume.

King USED CAR — Acquisition by Sonic Automotive
Adding to EchoPark footprint, now stretches into the Northeast.

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	AutoMate $260m sale to DealerSocket
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)	TRUCK HERO Acquisition L CATTERTON	chargepoint Public Offering (SPAC)	revolos acquired by Protective	IHS Markit $44.0b sale to S&P Global	RIDECELL $45m Series C FORTROSS VENTURES
RIVIAN $2.5b Financing	RAVIN 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	CMC acquired by NATIONAL AUTO CARE	TEKION $150m Financing Advent International	DONLEN $875m sale to ATHENE	ATC Investment PGF polarispartners
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 Auctions $55m Financing Durable Capital Partners	metromile $1.3b SPAC C&CO INSU II	ACTASYS $5m Seed Round Volvo NEXTGEAR VENTURES
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	LIGHTNING eMOTORS $823m SPAC GigCapital3
vroom IPO	eOriginal Trust the Asset. Trust the Transaction. €231m Acquisition Wolters Kluwer	CLUTCH $7m Financing	CARVANA Offers 5.0m Class A stock	Carketa $1.375m Financing	conversica $20m Financing	Atlantic acquired by LMP Automotive	drivably Financing PORSCHE VENTURES	THE APPRAISAL LANE acquired by Reynolds & Reynolds	RIDE VISION $7m Financing OurCrowd	THE ROUTING COMPANY $5m Financing THE ENGINE
AEVA $2.1b SPAC InterPrivate	pony.ai $267m Financing Ontario Teachers' Pension Plan	Provizio $6.2m Financing	modal $15m Series A HONDA	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	UHNDER $45m Financing
Auto Group Powerband Solutions $5m Financing	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	finn.auto €20 million Series A	ARRIVAL $5.4b+ SPAC CIIG Merger Corp	CarOffer $275m Acquisition CarGurus	SHOPWARE $15m Series A INSIGHT PARTNERS	RECURRENT $3.5m Financing Wireframe Ventures
CarStory $120m Acquisition vroom	CarDr.com $5.0m Financing redfortcapital	YOSHI $23m Financing VENTURES	OUSTER $1.9b SPAC Colonnade	CloudTrucks $20.5m Series A CAFFEINATED CAPITAL	INNOVIZ TECHNOLOGIES $1.0b+ SPAC	tusimple $350m Financing VectoIQ	CRISPIFY $700k Financing avis budget group	Swiftly Investment JMI Equity	EVBOX Plug into your future $1.4b SPAC TPG	AutoLeap $8m CAD Seed Round Threshold

WHAT'S MY COMPANY WORTH?

STEVE GREENFIELD

»»WHAT'S MY COMPANY WORTH?

What's My Company Worth?

I get this question multiple times per week. Often the question arises from the current environment of lofty valuations for public SaaS companies (16.5x average revenue run-rate, according to SaaS Capital), frothy public markets, and the atmospheric valuations of companies like Carvana.

Why Are Valuations So High?

Investors have become enamored with SaaS/Cloud businesses for good reason. These companies generally charge a monthly subscription or some type of recurring fee, which means they deliver predictable revenue. They often experience low churn. As the cloud model is becoming widely accepted, many SaaS/Cloud companies are also growing revenue very fast. They often have very high gross margins (i.e., their cost of goods sold for incremental customers is very low).

Fast growth, high gross margins, and dependable, recurring revenue makes for an attractive business model. And investors have taken notice.

There are other "macro" factors that are supporting our current high valuation environment:

Market Size - The total addressable market for SaaS is much larger now, providing more confidence that startups can grow to a scale even bigger than previously anticipated.

Digital Transformation - COVID has accelerated the adoption of many SaaS products as companies have been forced to work in a distributed fashion, driving up growth rates.

Interest Rates - With the Fed interest rate effectively at 0%, investors have been challenged with finding asset classes that provide returns, with many willing to pay a higher price to achieve the same outcome.

Money Supply - With so many stimulus dollars flooding the system, and not a corresponding drop in overall incomes, the money has to go somewhere, and many people have put it in the stock market, thereby driving up valuations.

But What About Non-SaaS Businesses?

I had a call a couple of weeks back with an entrepreneur who's built a very impressive business. But he's struggling with how to evolve the business from being perceived as a pure service business into something that's more either tech-enabled or SaaS.

This is a conversation that I have frequently with founders. Reacting to the lofty valuations that pure SaaS players are achieving, many entrepreneurs are trying to reconcile their valuations versus pure SaaS, and absorb the implications on the evolution of their business; seeking guidance on how they might allocate resources to evolve their business model from service to tech-enabled service and ultimately SaaS -- to maximize value when they do decide to exit.

WHAT'S MY COMPANY WORTH?

Decisions like this can't take place in isolation from a perspective on how the automotive industry is going to evolve and how to ensure the company's positioning will continue to stay relevant based on the future of Automotive retail.

Given the frequency of these conversations, I thought I'd take a few minutes here to provide some perspective on how buyers value different types of revenue.

Let's start by recapping the 5 most important metrics for SaaS companies.

1. Monthly Recurring Revenue
2. Churn
3. Cost Per Acquisition
4. Average Revenue Per Customer
5. Lifetime Value of Customer

If we contrast these metrics across non-SaaS businesses, we can start to see why differences in valuations emerge.

Business Model	Revenue Multiple
Pure SaaS	10.0x+
Tech-Enabled Services	3.0x-5.0x
Pure Services	1.0x-2.0x

Multiples 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

Sales multiples for Service industries typically range from 1.0x to 2.0x revenues, depending upon profitability. Why this stark difference between revenue multiples for SaaS vs. Service companies? In some ways, Service revenue is the opposite of the recurring, predictable, low-churn revenue of a SaaS business.

A simpler way of thinking about the point is to say that SaaS companies have higher quality revenue than other companies. Why not bet on companies that get to keep more of their revenue?

›››WHAT'S MY COMPANY WORTH?

SaaS companies command high multiples because, at scale, their operating margins can be 30-40 percent (or greater) and contribution margins on revenue are usually 80-95 percent.

For entrepreneurs who come from a pure Service business model, they should explore ways to enable their business models with technology, which can drive higher gross margins, but also (ideally) create opportunities for defensible intellectual property in their businesses. All of this will be rewarded with greater valuations in the form of higher revenue multiples.

How Do You Maximize the Value of Your Business?

I have firsthand experience helping entrepreneurs ensure better exits over the past 20 years. Some of my most memorable include:

One entrepreneur who was in the process of selling his company to a large strategic player that I helped navigate through sticky negotiations to deliver the best outcome to the entrepreneur and his team.

One entrepreneur who I helped position to have his proverbial cake and eat it too, by cleaving his business into two parts and selling both to different parties. It's important for companies to understand how to best to focus their efforts in the near term to assure a much better outcome for them when they do decide to sell.

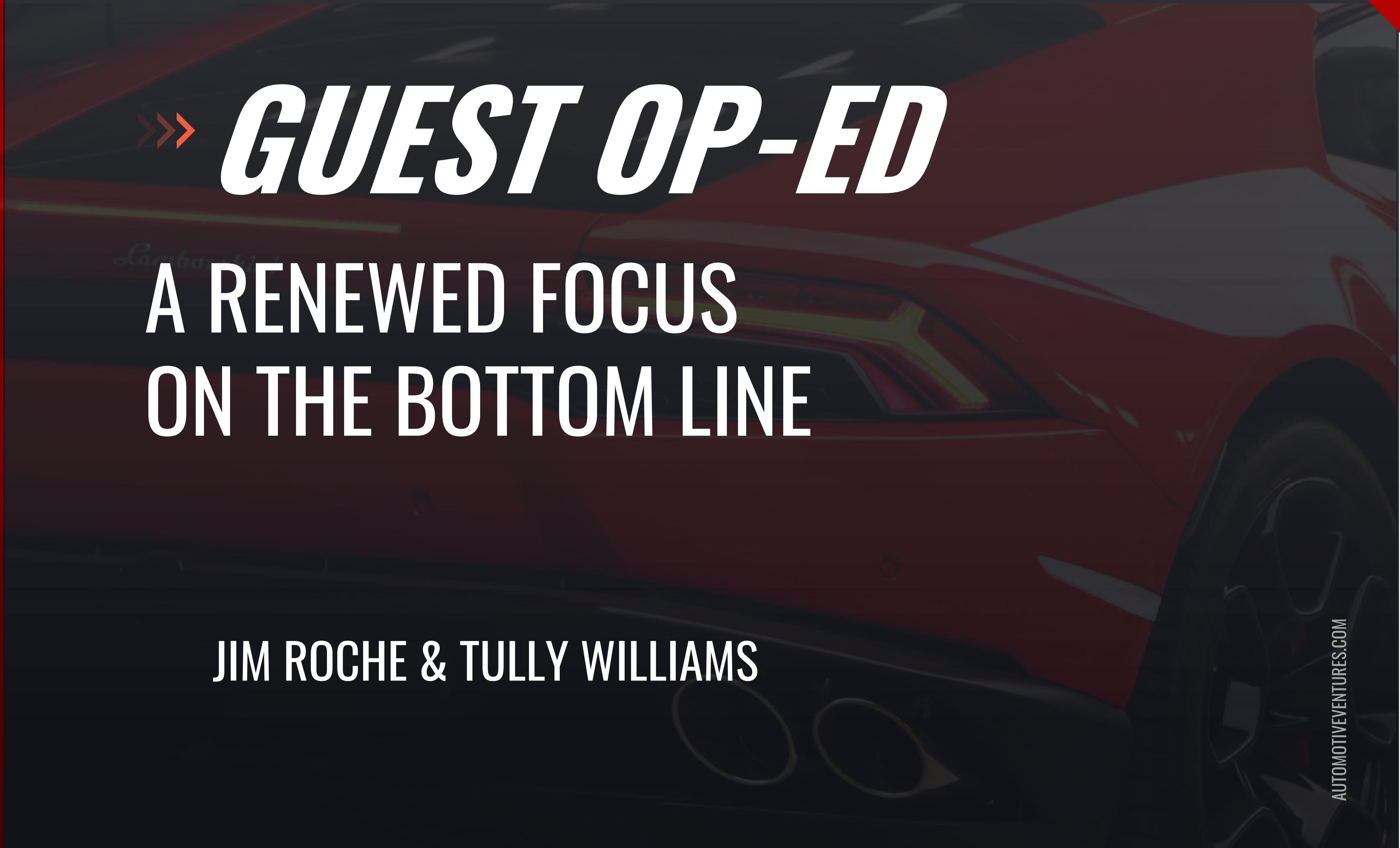
One entrepreneur who needed the encouragement to stay the course and focus on key areas of value creation to ensure a much better outcome at exit. This resulted in an outcome two years later that was 5x the value he had on the table just two years prior.

I've seen firsthand what can go wrong with post-acquisition integration. One of the companies I helped acquire lost their founder/CEO after just six months, due to a number of compounded blunders from the acquiring company's executive team. Experience has taught me where acquisitions can go sideways, and the best way to protect the entrepreneur and their team to ensure (and de-risk) the best outcome.

One of the acquisitions I oversaw had a founder who became increasingly paranoid as we got closer to final signatures. He was specifically focused on how to structure a deal in a way that achieved his objectives yet protected his downside/risks. Again, experience allows me to help entrepreneurs think through different scenarios to ensure the best outcome.

Where to Make Investment Bets

I look forward to working with you and your team to ensure that you achieve the best possible outcome on exit, and start taking the steps now to ensure that your company is optimally valuable to the right buyers when you do decide it's time to sell.



GUEST OP-ED

A RENEWED FOCUS ON THE BOTTOM LINE

JIM ROCHE & TULLY WILLIAMS

GUEST OP-ED • JIM ROCHE & TULLY WILLIAMS

A Renewed Focus on the Bottom Line

The books are closed on 2020 and we've already got a good start on 2021. Consensus prediction is 15.5M new vehicles sales, which is better than the 14.5M of 2020 but still a far cry from the 17M to which we've become accustomed. Expect the biggest variable ops problem – margin compression – to rear its ugly head again in 2021, this long-term trend will reassert itself as inventories continue to normalize in the coming months.

Continued margin erosion explains why in 2019 for the first time, fixed operations comprised more than half of total dealership gross – 50.2% to be exact. (NADA Data: 2019)

But there are storm clouds on the horizon for dealer service as well:

Source: vAuto

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- EV's have far fewer moving parts than internal combustion engines, which over time will reduce service revenue potential.
- Dealers continue to be plagued by a lack of customer loyalty, which drives up advertising costs and hurts profitability.

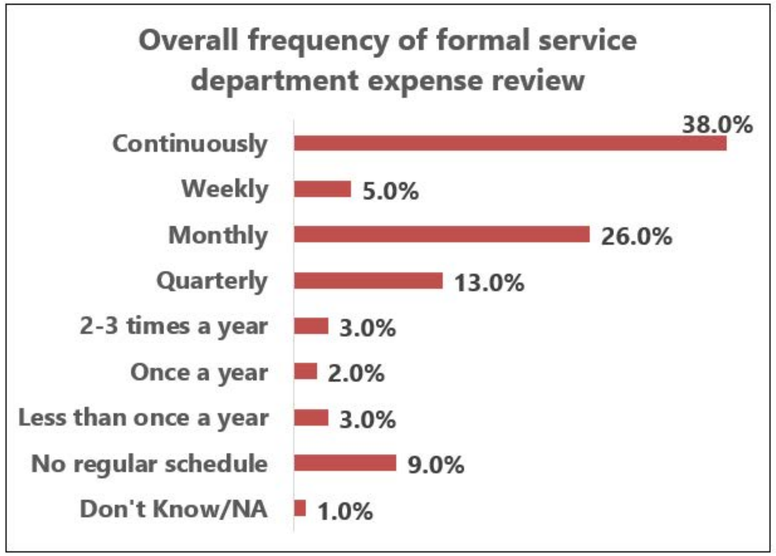
These factors (and more) are the reasons why 2021 must be the year of the bottom line.

Over-focusing on top-line growth is hurting your business – keep in mind the overall objective for your dealership (or any business) is *profitable* growth. This means that your focus must be balanced between top and bottom lines. Too much time spent on dollars per RO, discounts to drive customers into the lane, service marketing or the MPI without thoughtfulness on maintaining and growing your gross will lead to a hollowing out of your profit margin.

Dealers are becoming increasingly aware of this – recent research performed by WarrCloud, Inc. shows that 69% of dealers do a formal review of service department expenses on a monthly-basis at least – with 38% of dealers reviewing them *continuously*. Establish and improve your focus on this area, unnecessary expenses can often lead to disappointing profits.

Tully Williams, Parts & Service Director for the Niello Company, (12 stores based in Sacramento, CA) states "When you look at expenses, you have to ask yourself 'do I have control over this expense?' 9 out of 10 times the answer is no. Headcount expense you can control, so you should ask yourself 'do I have too many people and is their pay plan too rich?' But it's very important not to look at the total expense, but at the ratios of the expense to the gross. Important ratios include techs/advisor ratio, techs/support personnel ratio, parts counter/techs, support people/revenue and more."

The starting point is clear: the single largest expense category in almost every dealership is headcount. For decades, we in the automotive industry have been turning to technology to automate processes, increase productivity and drive profitable growth. Not surprisingly, one of the 2021 Predictions from the January issue of the Automotive Ventures Intel Report is, "the next wave of automotive tech will automate processes", "helping dealers and OEMs to automate



Source: WarrCloud

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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."

An important example of an area of service that is underutilizing technology is factory warranty processing. 81% of dealers utilize at least one full-time dedicated person to process warranty, with several support people and/or back-ups. The average dealer has 1.6 FTE's handling warranty processing and on average it takes 11 minutes to fully process one claim - this results in 6.1% of the warranty RO being consumed by processing costs. With warranty claims up 38.3% over the last 5 years and 92% of dealerships believing that in the future warranty will either increase or remain constant, this is an area that is overdue for applying technology to improve profitability.

Mr. Williams of Niello continued "for warranty, the typical dealership does $120,000 in warranty work per

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month at about 46% gross. 6% warranty processing costs reduces your warranty gross profit by 13% - that's really high. We go store to store every month or two and we dissect the heck out of the numbers to ensure that our ratios are in line. It's an important and overlooked discipline you must establish and maintain. We have 12 stores, so little changes add up to big dollars very quickly. If you have over 50% or more of gross tied up in headcount, you're not going to make any money."

It seems clear: One of the main objectives for dealer leadership in 2021 is to establish well-defined expense ratios in service and create a consistent review process to analyze and improve your ratios. This bottom-line focus will prepare you for the next unanticipated market shift and will drive improved gross profits in 2021 and beyond.

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Jim is a fixed ops expert and serial entrepreneur. He has commercialized several SaaS businesses, most recently as part of the exe team at Xtime. Previously, he was Founder and CEO of Auto Point and SVP of Newgen Results. He has published two books: "Fast Lane – How to Accelerate Service Loyalty and Unlock it's Profit-Making Potential" and "Fast Break – How to Create a Customer-Centric Operating Philosophy".

Tully Williams
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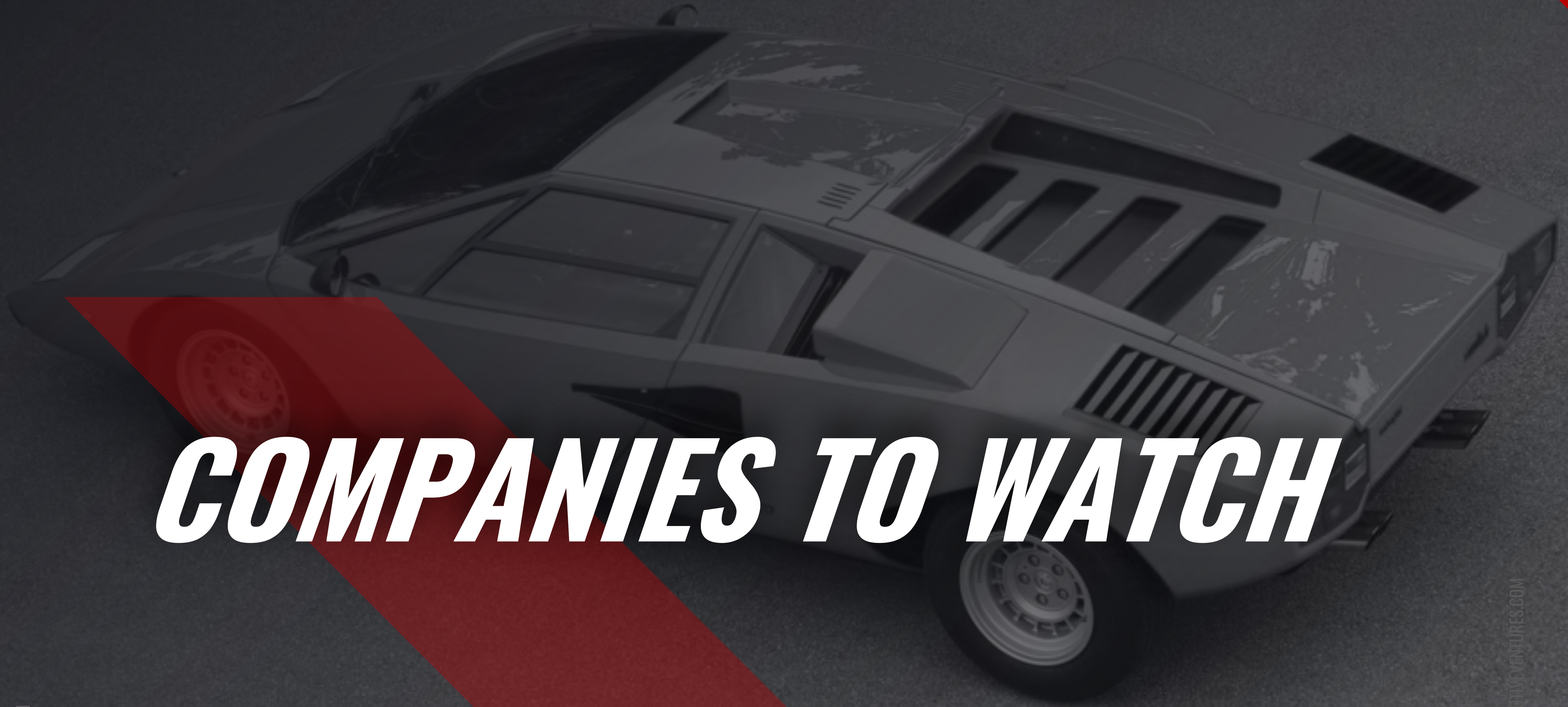
916-643-7356

Tully Williams is the Parts & Service Director for The Niello Company, where he oversees the operation for the region's largest privately held automotive dealer group consisting of 10 roof tops and 9 luxury brands including Acura, Audi, BMW, Jaguar, Land Rover, MINI, Porsche, Volkswagen and Volvo.



COMPANIES TO WATCH

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RecalRabbit

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According to NHTSA there are over 60 million cars in the US with Recalls. The average cost of a recall is $548. That is over $31.5 billion worth of revenue sitting out there waiting for dealers to capture. RecallRabbit uses technology to help car dealers capture passive revenue from automotive recalls.

2020 COMPANIES TO WATCH

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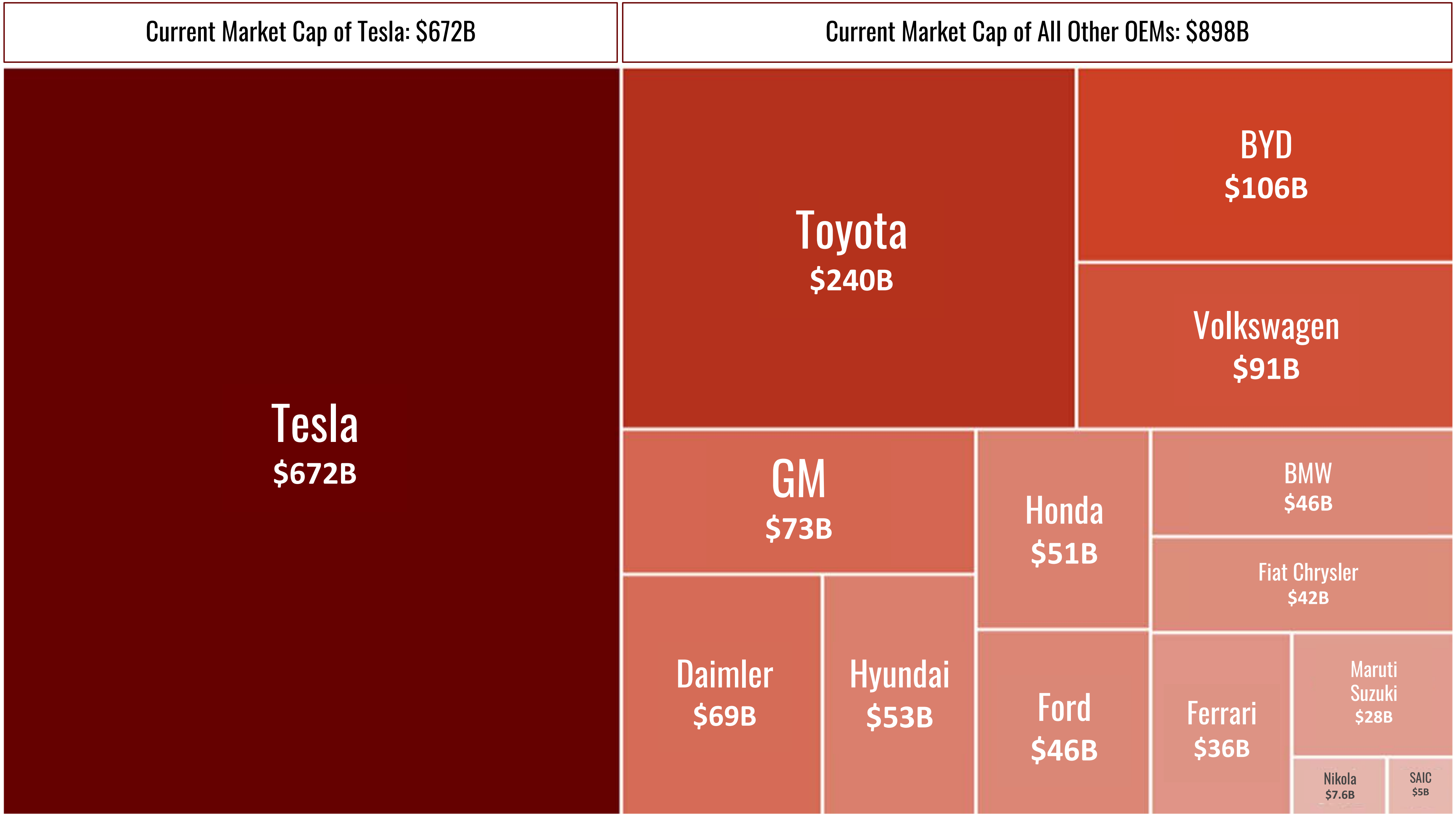
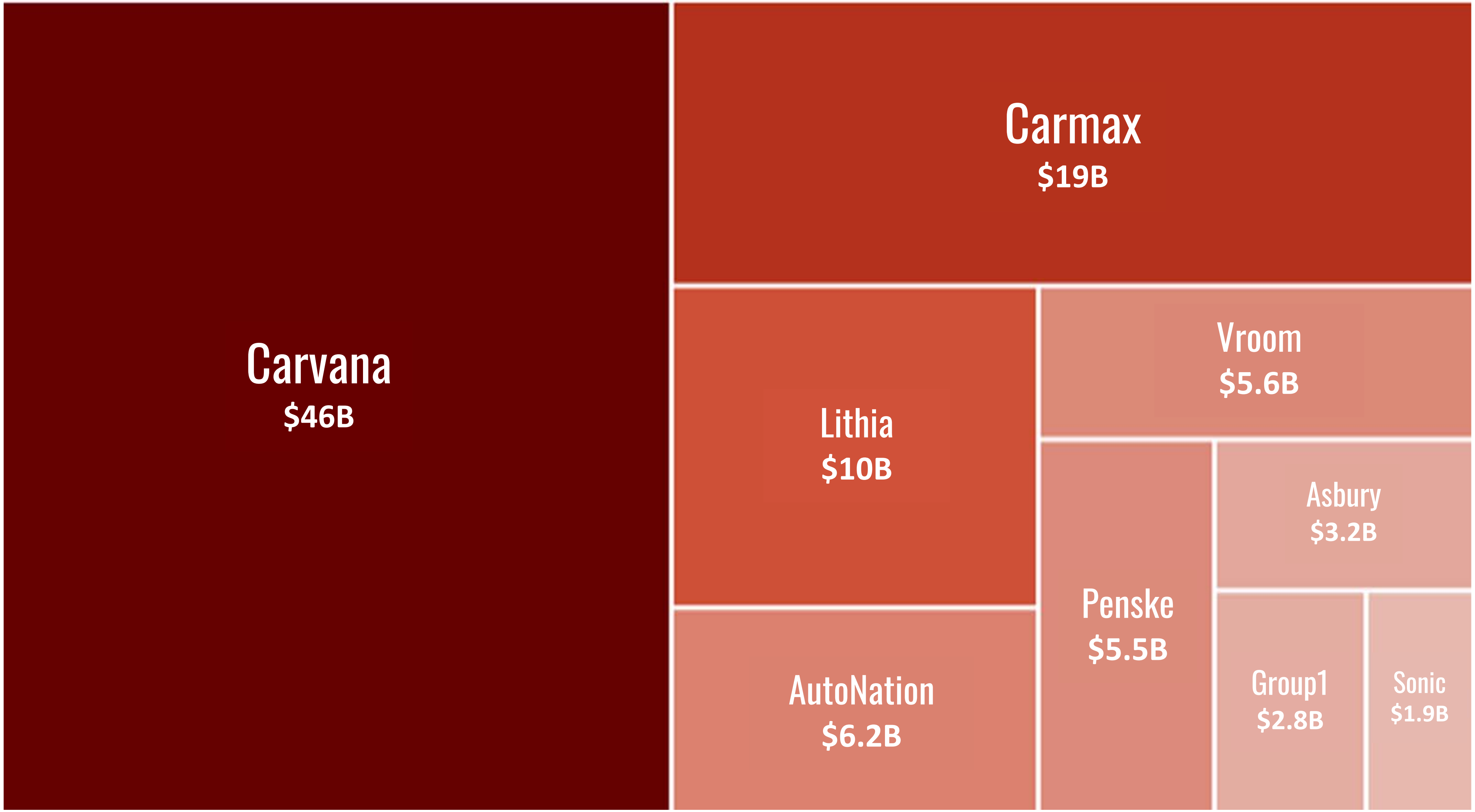
COMPANY VALUATIONS

AUTOMOTIVE OEMS: TESLA VS REST

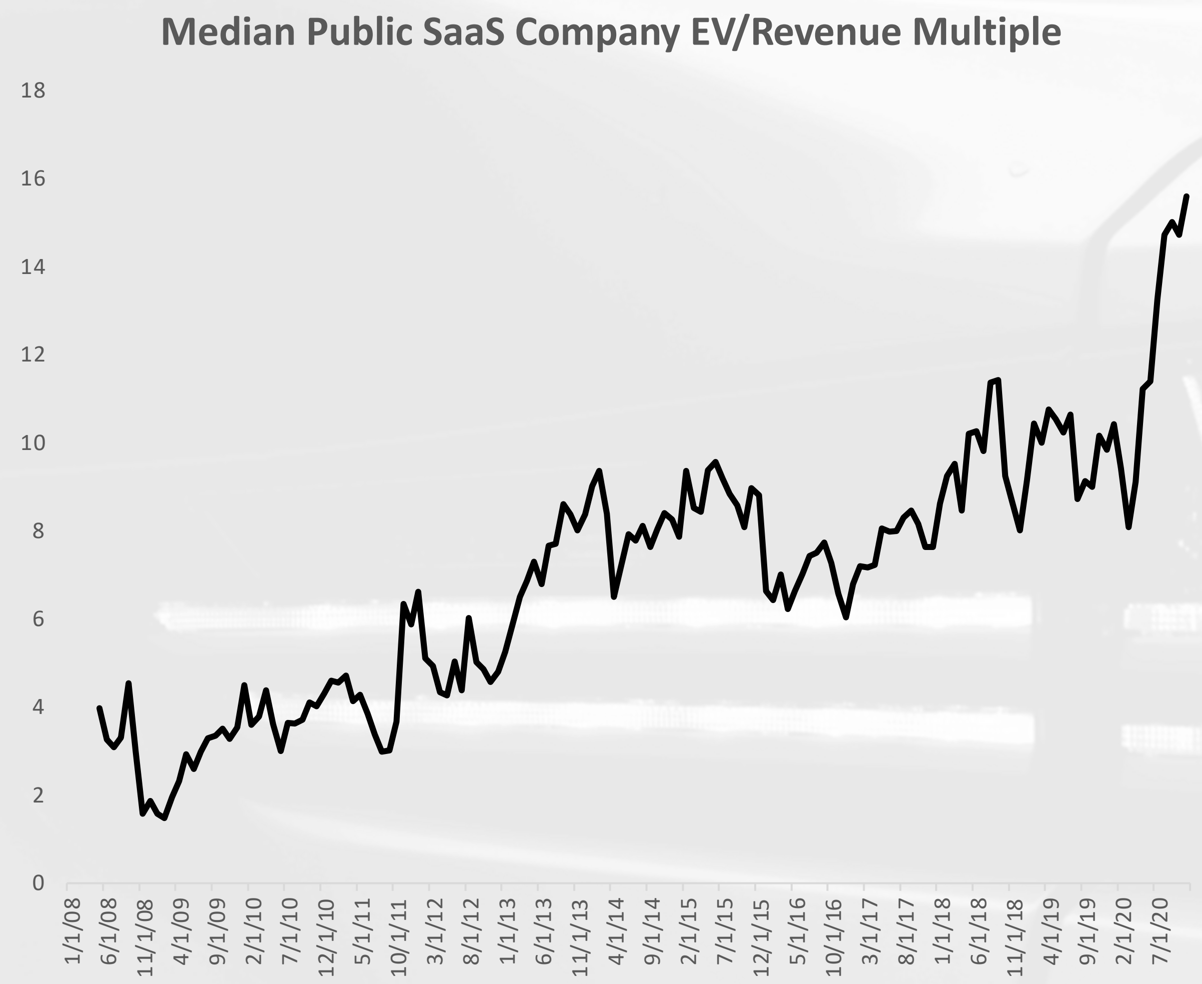


AUTOMOTIVE RETAILERS: CARVANA VS REST

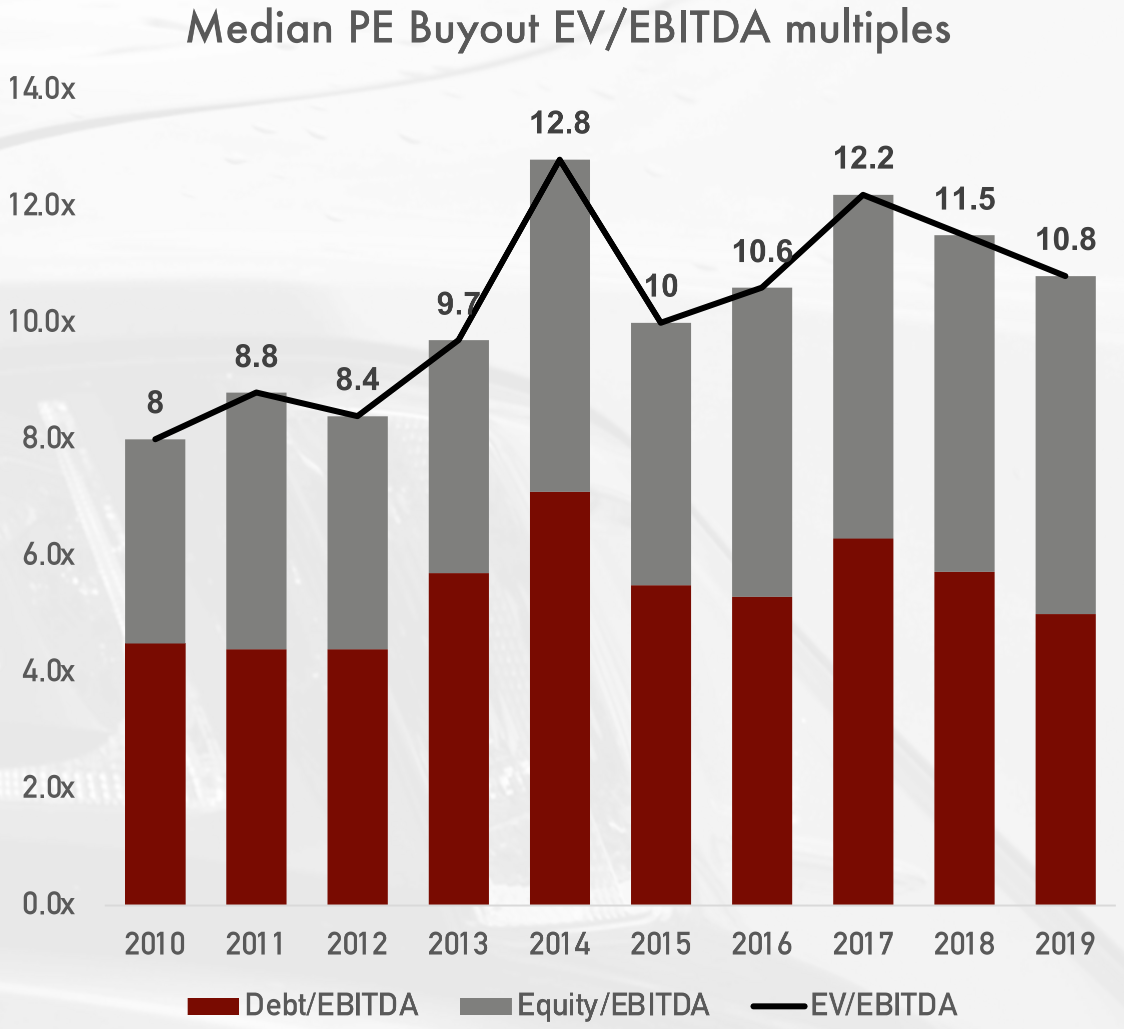
Current Market Cap of Carvana: $46B	Current Market Cap of Other Dealers: $55B



PUBLIC MARKET SAAS AND PE BUYOUT MULTIPLES



Source: The SaaS Capital Index



Source: PitchBook

AUTOMOTIVE TECHNOLOGY TRANSACTION MULTIPLES

Business Model	Revenue Multiple
Pure SaaS	10.0x+
Tech-Enabled Services	3.0x-5.0x
Pure Services	1.0x-2.0x

Multiples 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

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