



F&I Products Quarterly Update: 2023 Second Quarter



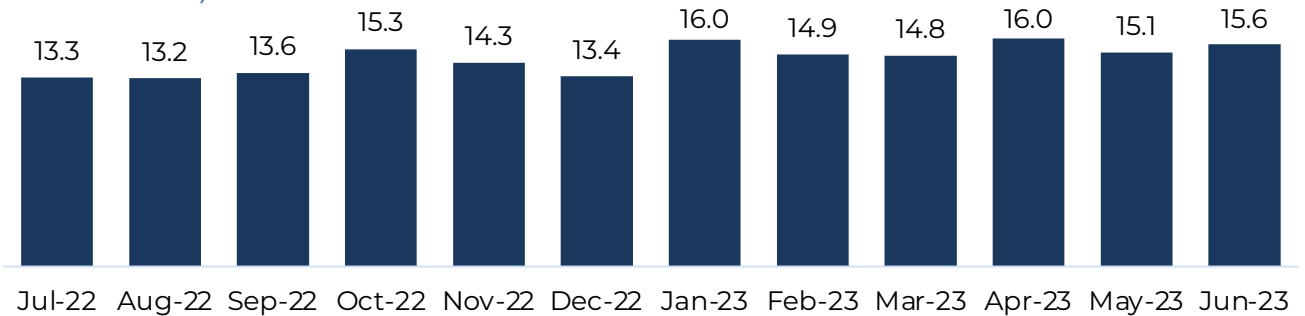
Mergers & Acquisitions
Capital Raising
coladv.com

NEW LIGHT-VEHICLE SALES (SAAR) INCREASED IN THE SECOND QUARTER OF 2023

New light-vehicle sales (SAAR) increased to 15.6MM units in Q2 2023 from 13.4MM units in Q2 2022, a 16.1% jump driven by higher inventory and incentive spending.

U.S. LIGHT VEHICLE SALES (SAAR)¹

(units in millions)

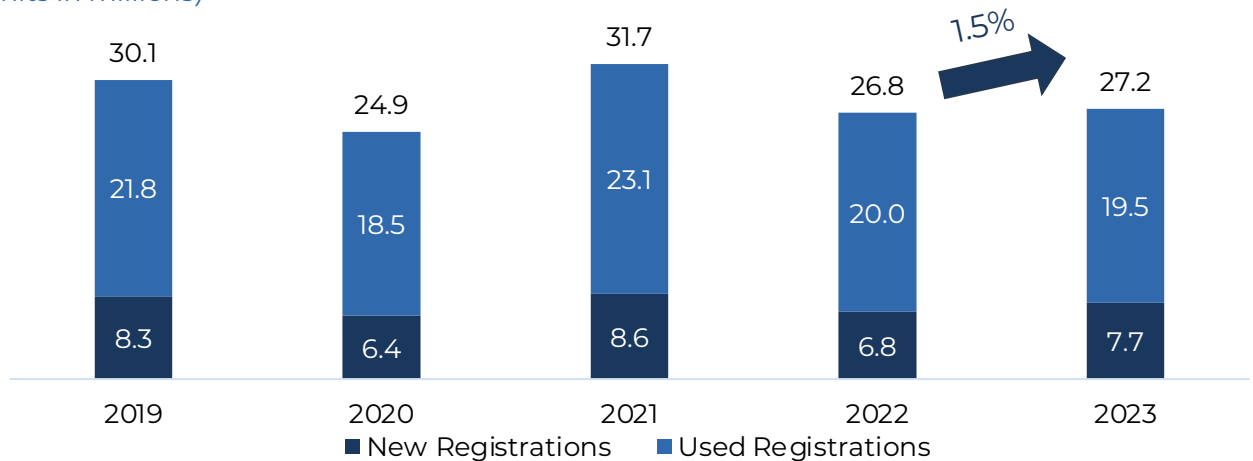


TOTAL VEHICLE REGISTRATIONS WERE UP NEARLY 2% THROUGH Q2 2023 COMPARED TO 2022 LEVELS

New registrations were up 13.2% through the second quarter of 2023 compared to the same period the previous year, while used registrations were down 2.5%. Total registrations were up a combined 1.5%. New registrations increased due to improved supply chain while used registrations declined due to lower transaction volumes and higher used vehicle prices negatively impacting those transactions.²

NEW AND USED VEHICLE REGISTRATIONS²

(units in millions)



¹FRED

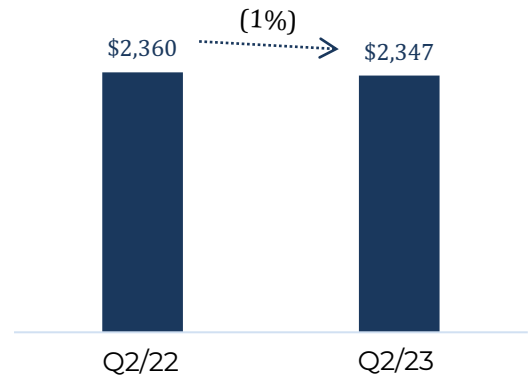
²Experian as of January through June of each year

SELLING F&I PRODUCTS WITH VEHICLES IS A PROVEN PATH TO INCREASING DEALER PROFITS

Dealers earn roughly \$5,100 of gross profit on the sale of a new vehicle itself (down 14% y-o-y). Additionally, Dealers can earn over \$2,300 on selling a vehicle service contract (VSC) or other F&I products, significantly boosting profitability.³

In Q2 2023, the six public dealership groups made an average of \$2,347 of F&I profit per vehicle on a same-store basis, a 1% decrease year-over-year.³ Experts have attributed this decline to increases in vehicle leasing and vehicle affordability issues.⁴

F&I PROFIT PER VEHICLE³



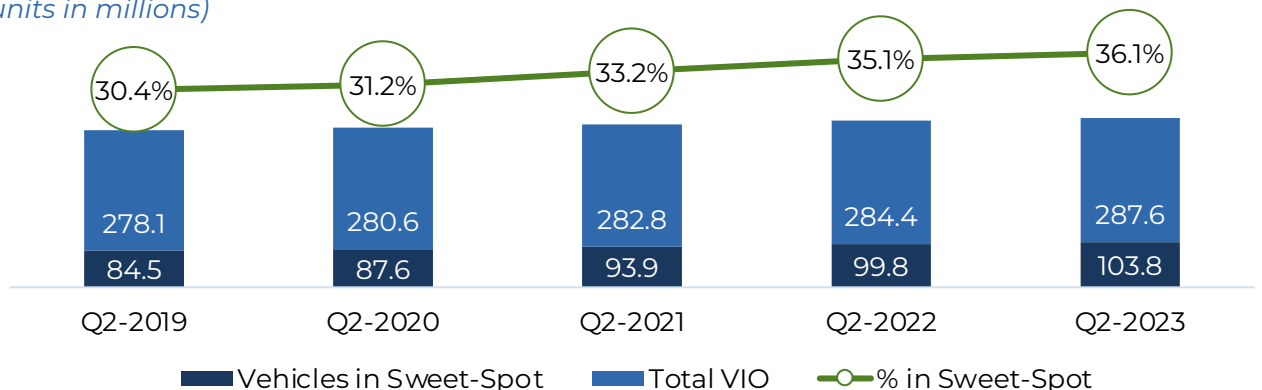
THE TOTAL VEHICLES IN OPERATION (“VIO”) IN THE F&I SWEET SPOT GREW 4.0% IN Q2 2023⁵

The F&I sweet spot is a direct reflection of the total addressable market for the F&I industry and is expected to continue to grow over the next several years.

VIO in the F&I sweet spot grew to 103.8 million from 99.8 million one year ago as of Q2 2023. Furthermore, the ratio of vehicles in the sweet spot to total VIO grew to 36.1% from 35.1% in Q2 2023. In Q1 2023, VIO in the F&I sweet spot hit its largest volume ever of 104.3 million. Experian expects the total VIO in the F&I sweet spot to continue to grow until 2026.

F&I SWEET SPOT⁵

(units in millions)



³Public Dealership Same Store Sales: AutoNation (NYSE: AN), Asbury Automotive Group (NYSE: ABG), Group 1 Automotive (NYSE: GPI), Lithia Motors (NYSE: LAD), Penske Automotive Group (NYSE: PAG), Sonic Automotive (NYSE: SAH)

⁴Automotive News

⁵Experian

RECENT M&A TRANSACTIONS IN THE F&I PRODUCTS INDUSTRY⁶

	TARGET	BUYER	CATEGORY
August 2023	Dealer Capital Group	APCO HOLDINGS <i>(Ontario Teachers' Pension Plan)</i>	F&I AGENCY
August 2023	LDR Enterprises	APCO HOLDINGS <i>(Ontario Teachers' Pension Plan)</i>	F&I AGENCY
August 2023	Option One	APCO HOLDINGS <i>(Ontario Teachers' Pension Plan)</i>	F&I AGENCY
August 2023	Relentless Dealer Services	APCO HOLDINGS <i>(Ontario Teachers' Pension Plan)</i>	F&I AGENCY
July 2023	Xzilon / Caring Brands International	REYNOLDS & REYNOLDS	F&I ADMIN

Colonnade clients in **bold**

Q2 2023 KEY U.S. AUTOMOTIVE TRENDS AND SALES HIGHLIGHTS⁷

- 1 Despite a dip in May, VSC sales have been recovering through the first half of 2023 and are greatly improving upon the downturn experienced in the second half of 2022
- 2 The number of vehicles in operation with an age of 8-11 years old is growing while the number of vehicles in operation aged 0-3 years old are decreasing due to lower volumes of new vehicle registrations in recent years
- 3 Electric vehicles now make up 2.7 million vehicles in operation while hybrids have grown to make up 7.6 million
- 4 Q2 2023 saw the biggest difference in new and used car sales in more than 18 months with a 60% new / 40% used split, potentially signaling that supply chain issues are resolving

⁶ PR Newswire, Business Wire

⁷ Experian, JM&A Group

COLONNADE IS A LEADING ADVISOR TO THE F&I PRODUCTS INDUSTRY


acquired

 COLONNADE


acquired

 COLONNADE


 INTEGRATED SERVICES GROUP
was sold to



 COLONNADE


was sold to

 COLONNADE


was sold to

 COLONNADE


was sold to

 COLONNADE


was sold to

 COLONNADE


was sold to

 COLONNADE


was sold to



 COLONNADE




acquired



 COLONNADE


acquired

 COLONNADE


was sold to

 COLONNADE


was sold to

 COLONNADE


was sold to

 COLONNADE


was sold to

 COLONNADE


was sold to

 COLONNADE

For more information on the F&I products industry, please contact:



Gina
Cocking
Managing Director
312.953.2658
gcocking@coladv.com



Jeff
Guylay
Managing Director
847.452.8315
jguylay@coladv.com



Greg
Makoid
Associate
312.870.6203
gmakoid@coladv.com



Brandon
Eckhardt
Analyst
312.425.8145
beckhardt@coladv.com



Matt
Magee
Sr. Account Executive
312.870.6204
mmagee@coladv.com



Colonnade Advisors LLC • 600 Cleveland Street • Suite 272
Clearwater, FL • 33755

Investment banking services provided through Colonnade Securities LLC,
member FINRA

Colonnade is an independent investment bank focused on the financial services and business services sectors. Colonnade provides expert, objective advice on mergers and acquisitions, private placements, fairness opinions, valuation opinions and corporate finance issues for privately held businesses, publicly traded companies and financial sponsors. Our senior bankers bring extensive transaction experience, industry expertise, a process orientation and a sense of urgency to each engagement.

This advertisement was prepared July 2023. It is not investment advice, and Colonnade undertakes no obligation to update the information contained herein.

Sources: SEC filings, regulatory filings, company presentations, FRED, Experian, Businesswire, PR Newswire, Auto Remarketing, Brown & Brown, Agent Entrepreneur, public disclosure, and Colonnade research

©2023 Colonnade Advisors LLC.

Copyright and Other Important Information

This document, including text, graphics, logos, icons, images and the selection and arrangement thereof, is the exclusive property of Colonnade Advisors LLC and is protected by U.S. and international copyright laws. Colonnade hereby permits you, unless you are an investment bank or other financial advisor, to download, copy, distribute, publish, reproduce, cite, link or post this document or its contents subject to the following conditions: 1) you retain on any material all copyright and other proprietary notices and 2) you do not modify this document or its contents in any way. Colonnade reserves all rights not expressly granted. This document and the information that it contains are produced by Colonnade Advisors LLC solely for general background information on the matters described. This document or any of its information may not be used for investment, valuation or accounting purposes. None of Colonnade or its representatives or affiliates has agreed to or has assumed any responsibility to provide you with investment advice, whether in a fiduciary capacity or otherwise.