

Colonnade Advisors F&I Products

*Quarterly Update
2020 Third Quarter*

Dealership Path to Profitability -
F&I Products to the Rescue

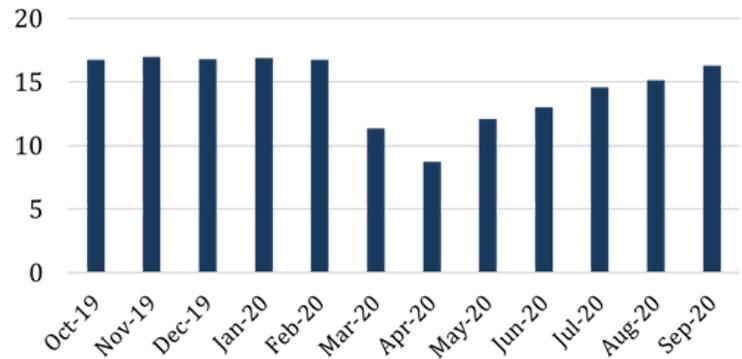
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New vehicle sales are rebounding

New light vehicle sales increased for the fifth straight month in September. The September SAAR of 16.3 million units is the first time that monthly sales have topped 16 million units since February 2020, though it represents a 4.3% decrease from September 2019.

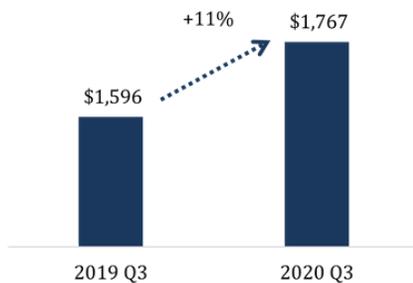
U.S. Light vehicle sales in millions (SAAR)



Through the first three quarters of the year, new light vehicle sales are down by 19% compared with the same period in 2019. Monthly SAAR bottomed out at roughly 8.6 million units in April 2020 (down nearly 50% from the prior year), levels last seen in early 2009.

Selling F&I products with new and used vehicles is a proven path to increasing dealer profits

F&I Profit per vehicle is up considerably (same store sales)



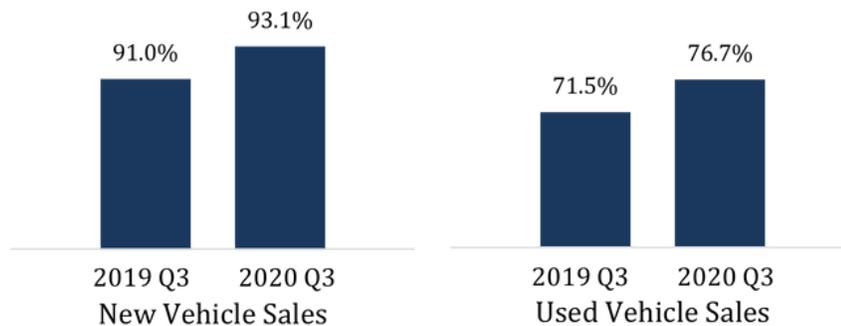
There are lots of ways for dealers to make money: move metal, sell F&I products, increase service and parts revenue, etc. Dealers make roughly \$2,200 on the sale of a new vehicle itself. Dealers can make another \$1,200 on the sale of a VSC or other F&I product, significantly boosting profitability. Dealerships understand that increasing attachment rates at the point of sale is critical.

Public dealerships have demonstrated a continued focus on improving F&I product penetration to bolster profitability. F&I profit per vehicle has increased considerably year over year, especially in the recent downturn. Each of the six public dealership groups increased F&I profit per vehicle on a same-store basis over the past year by 11%, reaching an average of \$1,767.

Dealers typically sell more F&I products in a downturn

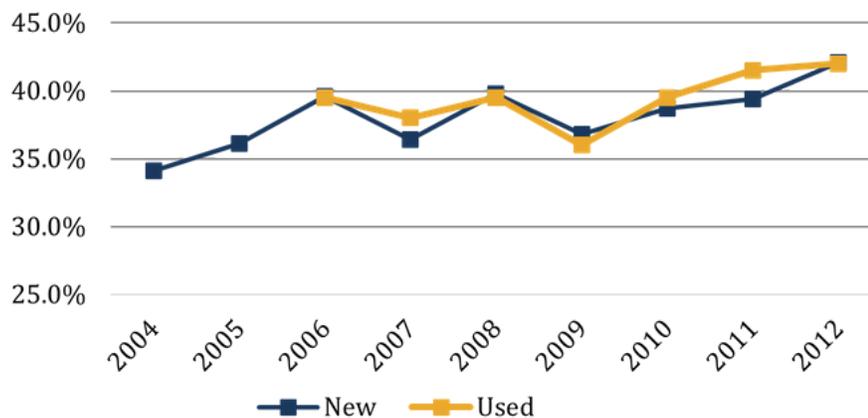
F&I penetration has grown markedly over the past two decades and remains high. Attachment rates on new vehicles total nearly 88% in 2019, more than double the rate two decades ago. Attachment rates on new vehicles increased to 93.1% in Q3/20, an increase of 2.3% year over year; and increased to 76.7% in Q3/20 on used vehicles, up 7.3% year over year. Dealers are capitalizing on consumer demand for F&I products to protect their primary source of transportation amidst ongoing pandemic concerns.

F&I Product penetration increased in Q3/20



Sales of F&I products are exceeding performance during the Great Recession, when VSC attachment rates fluctuated but remained strong.

New and used vehicle VSC penetration remained strong during the Great Recession



M&A Activity remains strong

M&A activity continues, with five transactions in the third quarter of 2020. Several more deals have closed in October, promising a busy fourth quarter.

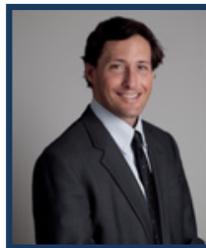
2020 Q3 M&A transactions in the F&I products industry

Date	Target	Buyer	Category
Aug-20	Excel Auto Partners	National Auto Care	Agency
Jul-20	Diversified Management Group	National Auto Care	Agency
Jul-20	Pivotal Solutions	Amynta	Agency
Jul-20	First Resource	Brown & Brown	Agency
Jul-20	National Automotive Experts	Portfolio Holdings (Abry Partners)	Administrator

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This advertisement was prepared December 1, 2020. It is not investment advice, and Colonnade undertakes no obligation to update the information contained herein.

Sources: SEC filings, regulatory filings, and company presentations, NADA, FRED, Business Wire, Auto Remarketing, PR Newswire, GlobeNewswire, public disclosure and Colonnade research

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