



# **F&I Products Quarterly Update: 2024 Fourth Quarter**



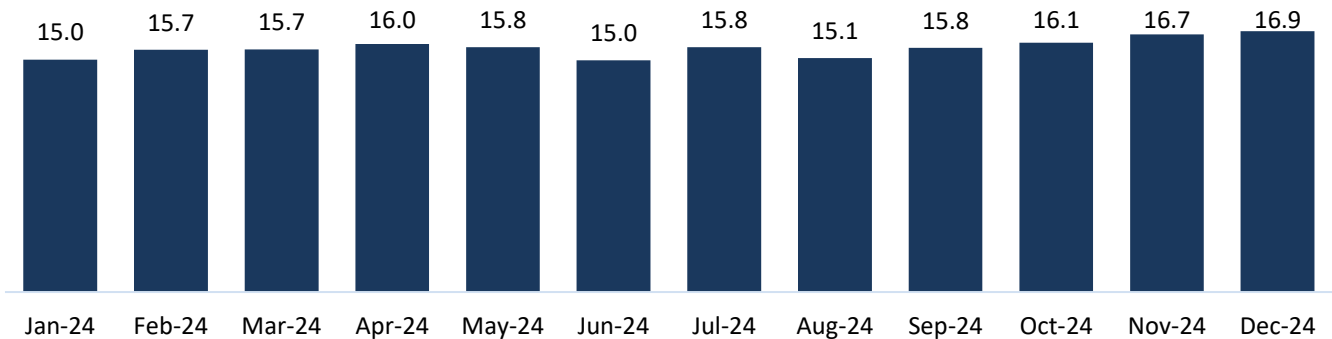
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## NEW LIGHT-VEHICLE SALES (SAAR) INCREASED IN THE FOURTH QUARTER OF 2024

New light-vehicle sales (SAAR) averaged 16.5M units in Q4 2024—up 6.3% year-over-year. December 2024 marked the highest monthly SAAR since May 2021.

### U.S. LIGHT VEHICLE SALES (SAAR)<sup>1</sup>

(units in millions)

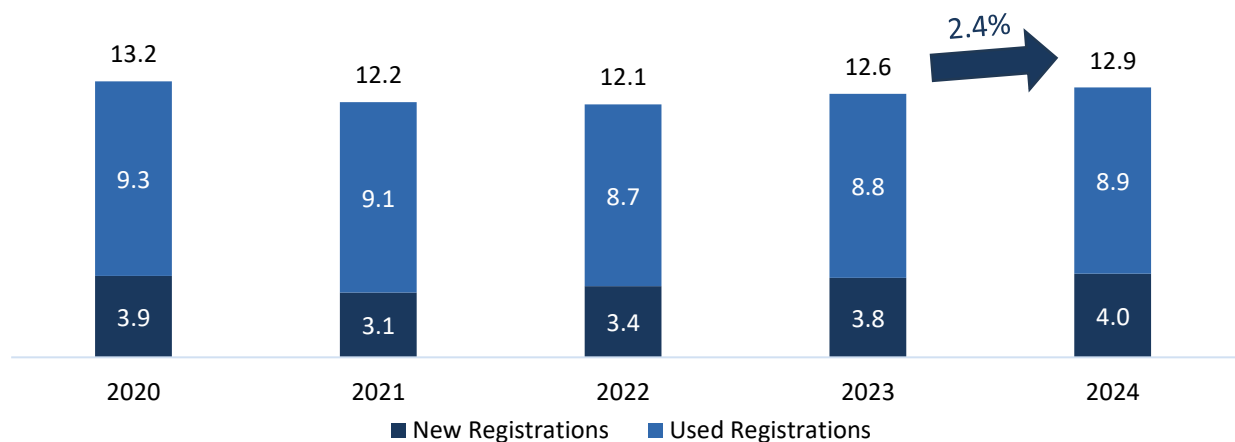


## TOTAL VEHICLE REGISTRATIONS UP 2.4% IN Q4 2024 COMPARED TO 2023

Total vehicle registrations rose 2.4% year-over-year in Q4 2024, driven by a 5.3% increase in new registrations, while used registrations saw only a 1.1% gain. The growth in new registrations reflects continued recovery from prior supply constraints, supported by higher OEM incentives, improved dealer inventories, and easing interest rates.

### NEW AND USED LIGHT VEHICLE REGISTRATIONS<sup>2</sup>

(units in millions)



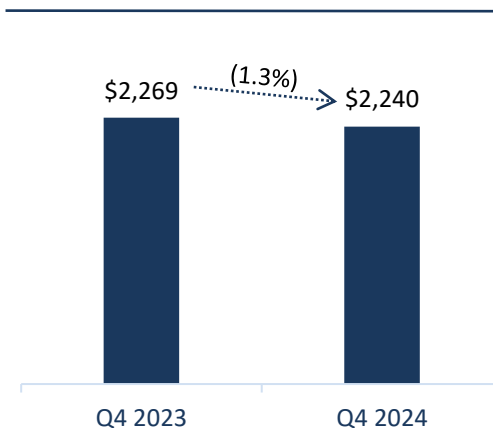
<sup>1</sup>FRED, seasonally adjusted annual rate

<sup>2</sup>Experian as of October through December of each year

## F&I PRODUCTS SOLD WITH VEHICLES PROVIDES DEALERS WITH ADDITIONAL PROFITS

Dealers generate roughly \$3,600 in gross profit per vehicle retailed (PVR), and can add approximately \$2,200 PVR through vehicle service contracts (VSCs) and other F&I products.<sup>3</sup> Among the top six public dealership groups, same-store F&I profit averaged \$2,240 PVR in Q4 2024, a 1.3% y-o-y decline,<sup>3</sup> due to tighter underwriting standards and a normalization of consumer credit, which led to fewer high-margin subprime originations.<sup>4</sup> Additionally, persistently high interest rates and vehicle prices have left little room for expensive VSCs to be bundled into auto loans.

### F&I PROFIT PER VEHICLE<sup>3</sup>

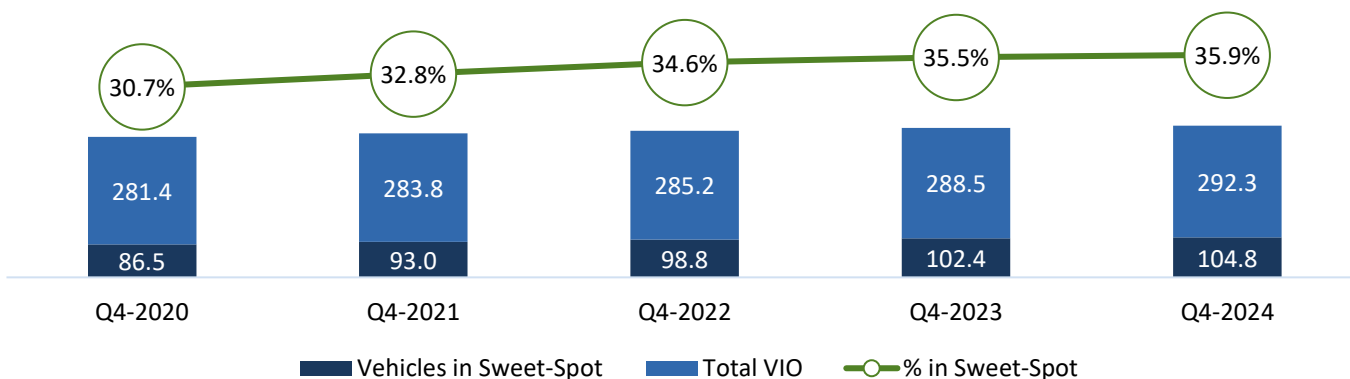


## THE TOTAL VEHICLES IN OPERATION (VIO) IN THE F&I SWEET SPOT GREW 2.3% IN Q4 2024<sup>5</sup>

The F&I “sweet spot” refers to the total addressable market for the F&I industry, consisting of 6- to 12-year-old vehicles that have aged out of OEM warranties for repairs. VIO in the F&I sweet spot increased by 2.4 million to a total of 104.8 million in Q4 2024. The ratio of vehicles in the sweet spot to total VIO has risen steadily over the last five years, growing by an average of 1.0% q-o-q. Experian predicted in 2023 that VIO in the sweet spot would continue to grow until 2026.

### F&I SWEET SPOT<sup>5</sup>

(units in millions)



<sup>3</sup>Public 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)

<sup>4</sup>AutoNation (NYSE: AN) press releases

<sup>5</sup>Experian

## RECENT M&A TRANSACTIONS IN THE F&I PRODUCTS INDUSTRY

DATE	TARGET	BUYER	CATEGORY
July 2024	SAFE-GUARD PRODUCTS	HELLMAN & FRIEDMAN	F&I ADMIN
June 2024	RIDER'S ADVANTAGE	APCO HOLDINGS, LLC ( <i>Ontario Teachers Pension Plan</i> )	F&I AGENCY
June 2024	CAPITAL ADMINISTRATIVE PROFESSIONALS, LLC	APCO HOLDINGS, LLC ( <i>Ontario Teachers Pension Plan</i> )	F&I ADMIN
May 2024	<b>CRYSTAL FUSION TECHNOLOGIES</b>	APCO HOLDINGS, LLC ( <i>Ontario Teachers Pension Plan</i> )	F&I ADMIN
March 2024	DEALERMAX	BROWN & BROWN ( <i>NYSE: BRO</i> )	F&I AGENCY
December 2023	CILAJET	VSS GROUP ( <i>Kinderhook Industries</i> )	F&I ADMIN
December 2023	AUTOMOTIVE BUSINESS SOLUTIONS (ABS)	BROWN & BROWN ( <i>NYSE: BRO</i> )	F&I ADMIN
August 2023	DEALER CAPITAL GROUP	APCO HOLDINGS, LLC ( <i>Ontario Teachers Pension Plan</i> )	F&I AGENCY
August 2023	LDR ENTERPRISES	APCO HOLDINGS, LLC ( <i>Ontario Teachers Pension Plan</i> )	F&I AGENCY

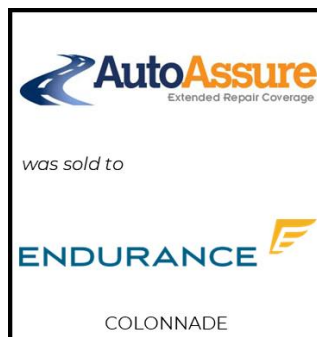
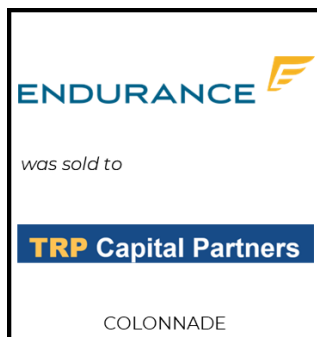
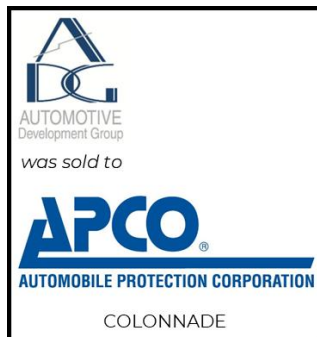
Colonnade clients in **bold**

## Q4 2024 KEY U.S. AUTOMOTIVE TRENDS AND SALES HIGHLIGHTS<sup>6</sup>

- For the first time in 2024, VSC penetration rates saw year-on-year growth this quarter, closing December with a modest 0.2% increase compared to the 2023 year-end penetration rate
- In Q4 2024, average loan-to-value (LTV) ratios rose by 55 basis points year-over-year to 110.41% for new vehicles, while used vehicle LTVs declined by 726 basis points to 117.29%
- VSC penetration rates were down 1.8% at the end of Q4 2024 compared to the end of Q3, driven by a 2.8% month-over-month drop in December that offset modest gains in October and November
- As parts, labor, and overall ownership costs rise, many vehicle owners are holding onto their vehicles longer and seeking coverage to protect against future repair expenses, driving demand for VSCs

<sup>6</sup>Experian, JM&A Group

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





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Sources: SEC filings, company presentations, FRED, Experian, JM&A, public disclosure, and Colonnade research

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