



F&I Products Quarterly Update: 2022 Fourth Quarter



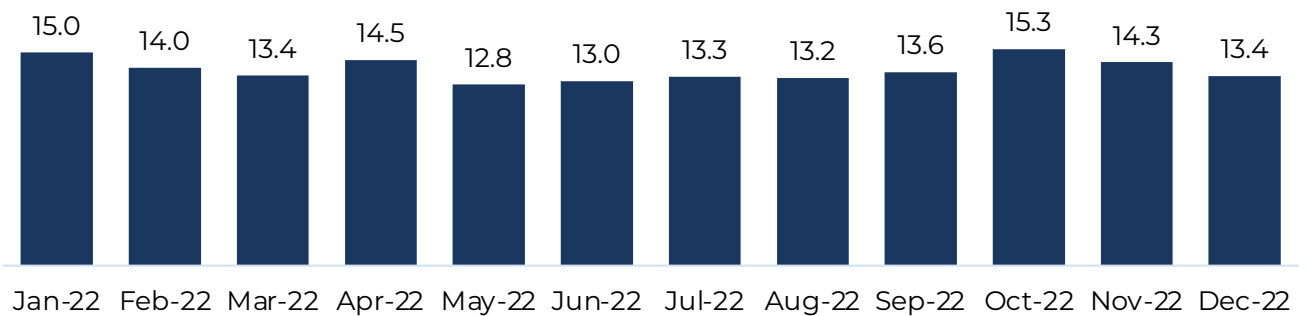
Mergers & Acquisitions
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NEW LIGHT-VEHICLE SALES (SAAR) NOTICEABLY INCREASED IN THE FOURTH QUARTER OF 2022

New light-vehicle sales (SAAR) increased to 14.33MM units in Q4 2022 from 13.40MM units in Q4 2021, a 7.0% jump.

U.S. LIGHT VEHICLE SALES (SAAR)¹

(units in millions)

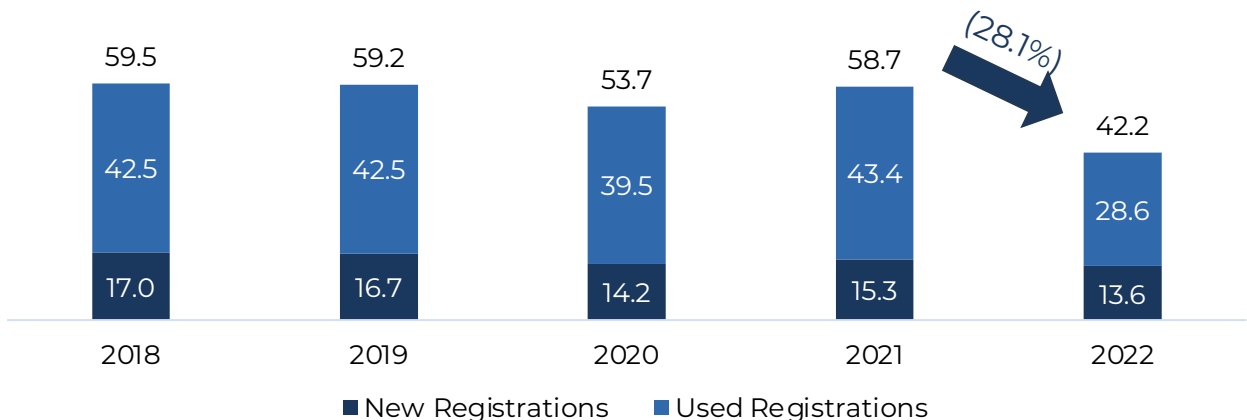


VEHICLE REGISTRATIONS WERE DOWN 28% THROUGH Q4 2022 COMPARED TO 2021 LEVELS

New registrations were down 11.1% through the fourth quarter of 2022 compared to the same period the previous year due lower vehicle inventories and poor economic factors, while used registrations were down 34.1%. Total registrations were down a combined 28.1%.²

NEW AND USED VEHICLE REGISTRATIONS²

(units in millions)



¹FRED

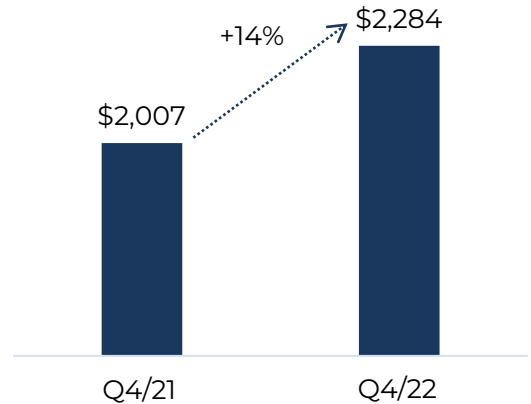
²Experian as of January through December of each year

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

Dealers earn roughly \$6,000 of gross profit on the sale of a new vehicle itself (up 30% y-o-y as a result of high consumer demand). Additionally, Dealers can earn nearly \$2,300 on selling a vehicle service contract (VSC) or other F&I products, significantly boosting profitability.³

Public dealerships have continued to focus on improving F&I product penetration to bolster profitability. In Q4 2022, the six public dealership groups made an average of \$2,284 of F&I profit per vehicle on a same-store basis, a 14% increase year-over-year.³

F&I PROFIT PER VEHICLE³



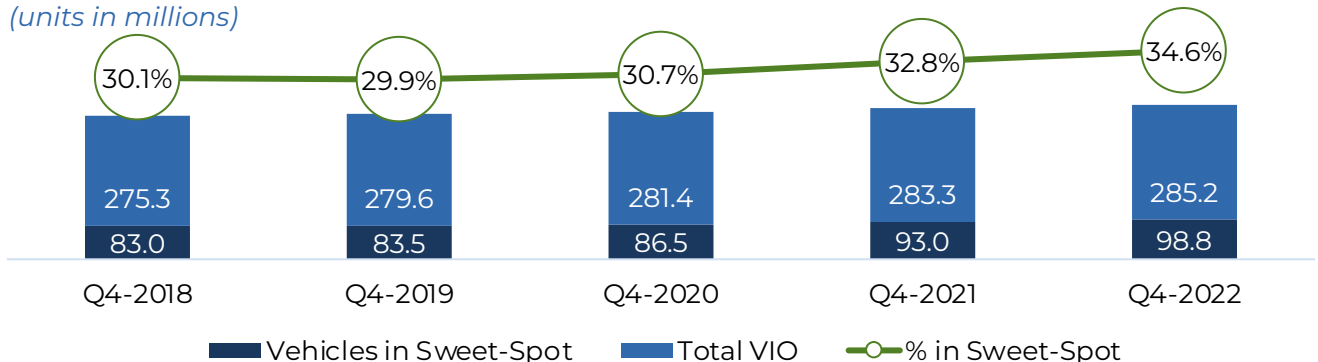
THE TOTAL VEHICLES IN OPERATION (“VIO”) IN THE F&I SWEET-SPOT GREW 6.2% IN Q4 2022⁴

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 to surpass a previous high of 104M in 2011.⁴

VIO in the F&I sweet-spot grew to 98.8 million from 93.0 million one year ago as of Q4 2022. Furthermore, the ratio of vehicles in the sweet-spot to total VIO grew to 34.6% from 32.8% in Q4 2022.

F&I SWEET-SPOT⁴

(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)

⁴Experian

2022 Q4 M&A TRANSACTIONS IN THE F&I PRODUCTS INDUSTRY⁵

	TARGET	BUYER	CATEGORY
January 2023	AMERICAN GUARDIAN WARRANTY SERVICES	REYNOLDS & REYNOLDS	F&I ADMIN
December 2022	DIRECT DEALER SERVICES	PCF INSURANCE SERVICES (HGCC)	F&I AGENCY
November 2022	FINANCE BUILDERS	BROWN & BROWN DEALER SERVICES (Brown & Brown)	F&I AGENCY
October 2022	CARCHEX	RUSSELL PLACE PARTNERS	D2C F&I MARKETER

Colonnade clients in **bold**

Q4 2022 KEY U.S. AUTOMOTIVE TRENDS AND SALES HIGHLIGHTS⁶

- 1 Both new and used car dealerships experienced significant year-over-year growth in foot traffic, as new dealerships saw an increase of 17% and used dealerships saw an increase of 18%
- 2 The average new car loan amount increased 4.0% year-over-year in Q4 2022, while the average used car loan amount increased 1.4% year-over-year
- 3 Electric vehicle registration volume kept climbing Q4 2022. Tesla had 4 of the top 5 EV models by new registrations, and Toyota had 8 of the top 20 hybrid models by new registrations

⁵ PR Newswire, Business Wire

⁶ Gravy Analytics, Experian

COLONNADE ADVISED REYNOLDS & REYNOLDS ON ITS ACQUISITION OF AMERICAN GUARDIAN WARRANTY SERVICES IN JANUARY 2023

TRANSACTION DETAILS

Reynolds & Reynolds' management pride themselves on providing services that drive profits for their dealer clients. They viewed F&I as a logical expansion of their product set and a means of differentiating their automotive retail offerings.

In order to make the leap into F&I, Reynolds & Reynolds desired to acquire an admin of significant scale that would allow them to enter the market in a big way – enter American Guardian Warranty Services.



AGWS was evaluating a change in ownership and was excited about partnering with an innovative, tech-forward firm like Reynolds & Reynolds. The combination proved to be a perfect match.

ABOUT REYNOLDS & REYNOLDS

Reynolds & Reynolds is a leading provider of automobile dealership software and services. Headquartered in Dayton, Ohio, Reynolds features the industry's only Retail Management System with products in over 70% of U.S. dealerships.

For more details on this transaction, please visit: <https://coladv.com/colonnade-advises-the-reynolds-and-reynolds-company-on-its-acquisition-of-american-guardian-warranty-services/>

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

has acquired

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Valiant Acquisition Corporation

COLONNADE SECURITIES LLC

INTEGRATED SERVICES GROUP
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has been acquired by an investment group led by management and

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This advertisement was prepared March 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

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