

THE STATE OF THE INDUSTRY

And what's to come

Bruce Thompson

CEO, Founder of CarOffer

OCTOBER 2021

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Uncharted Waters: Welcome to the Future!

- 18 months of COVID-19 have pushed auto industry evolution forward by at least a decade
- Dealers and OEMs have had to adapt to lockdowns, closures, chip shortages
- The age of digital retail is here
- Wholesale has experienced a paradigm shift

The screenshot displays the 'Auto Remarketing' website. At the top, there is a navigation bar with tabs for RETAIL, WHOLESALE, TECHNOLOGY, FINANCIAL, ANALYSIS, and MAGAZINE. The main headline is 'CDK Global buys Roadster'. Below this is a featured image of a desk with a laptop, glasses, and a calculator, with the text 'M&A MERGERS AND ACQUISITIONS' overlaid. A secondary headline reads 'Reynolds and Reynolds acquires digital retailing provider Gubagoo'. The article text states: 'Reynolds says the deal furthers its Retail Anywhere strategy. Gubagoo's products include live chat tools for dealership websites and a virtual retailing platform.' The article is dated Wednesday, Jun. 02, 2021, 03:45 PM and is by Joe Overby, Senior Editor. Below the article is a social media sharing bar with options for Twitter, Facebook, LinkedIn, Email, and Print. To the right of the article is a sidebar with a 'Lojack' advertisement for 'CUSTOM MARKETING CAMPAIGNS' and a 'SIGN UP FOR FREE NEWSLETTERS' section with checkboxes for 'Daily Summary (weekdays)', 'Weekly Summary (Mondays)', and 'Breaking News Alerts (as needed)'. There is also a checkbox for receiving email communications on editorial features, special offers, research, and events. An 'EMAIL ADDRESS' field is at the bottom of the sidebar.

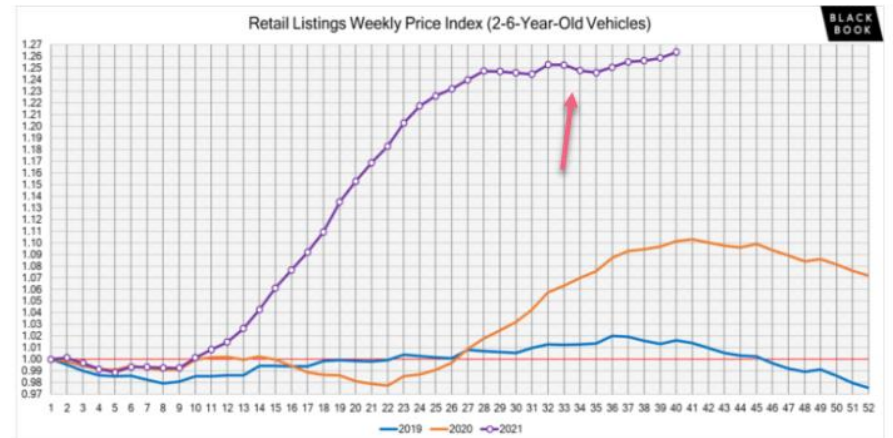
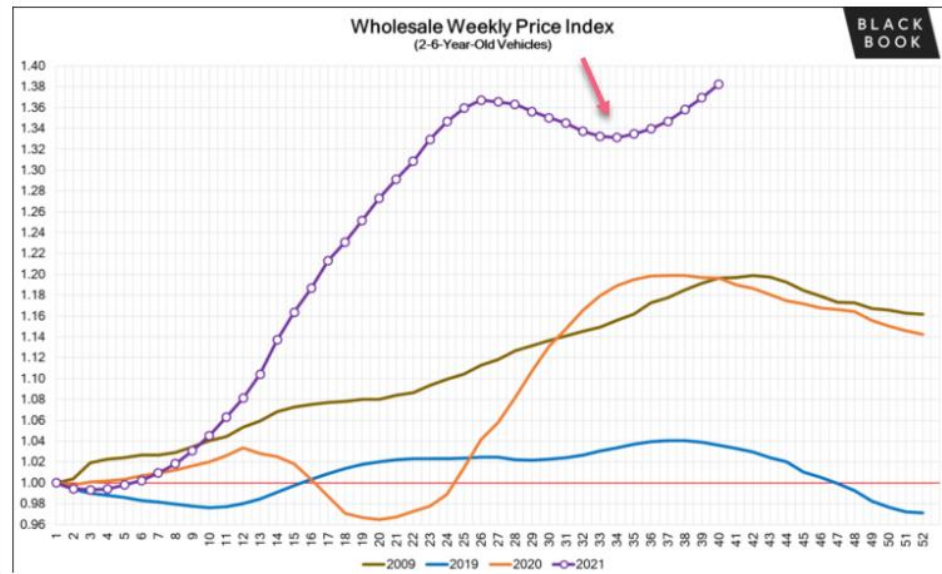
Pre-owned Wholesale Prices Hit Record High

- New car shortages, federal stimulus and pent up post-lockdown demand fueled a buying frenzy
- OEMs announced new car allocation reduction
- Hurricane Ida destroyed cars from LA to NJ



| Week End 9/4 | Week End 9/11 | Week End 9/18 | Week End 9/25 |
|--------------|---------------|---------------|---------------|
| -0.62% | -0.52% | +0.38% | +0.48% |

- Retail prices did not follow the wholesale dip in July/August
- Turn times remained at 34 days which is historically low
- Why would a dealer sell under these circumstances? The only thing that increases wholesale volume is aggressive offers



The Auction Industry Has Changed Forever

- Adesa has indicated they will be 100% online for the future
- The heyday of packed physical auction lanes may very well be over
- Dealer-to-dealer platforms are quickly becoming the preferred transaction agent
- KAR spent nearly \$1B acquiring TradeRev, Backlot, and CarWave



What to Expect

- New car shortages will continue into '22
- Pre-owned retail and wholesale prices will remain high – at least through spring '22
- The new car shortage will have a ripple effect on “Nearly New” and “Off-lease” for the next several years
- Dealer-to-dealer transaction platforms will continue to gain significant market share
- Brick-and-mortar supply will continue to be constrained as dealers keep lease returns and rental car companies will be prolonging their fleet lifecycles
- Digital wholesale and digital retail platforms will begin to merge as new supply channels of “direct-from-consumer” vehicles are created with strategic transactions like CarGurus and CarOffer

The CarGurus/CarOffer Combination Creates Powerful Synergies

- The line between digital wholesale and retail is merging quickly
- As we've seen historical volatility in pre-owned prices, our dealers have taken advantage of our tools and capitalized on regional market disparity

How?

- Dealers set disciplined buy orders using CarGurus' IMV within CarOffer's Buying Matrix, giving them a consistent supply of inventory to help meet target profit margins...EVERY TIME

Bidding Strategy: CarGurus | IMV | \$1,600 Profit Target

MAX SHIPPING COST: \$750 QUANTITY: 30 RANGE: 2019 - 2020

Edit 

Pick your book *

Auction J.D. Power BlackBook KBB **CarGurus**

Which adjusted value? *

Fair **IMV**

How do you want to adjust the offer? *

% Percentage \$ Amount **\$ Profit Target**

Would you like to adjust by price band? * Profit amount ⓘ

Yes **No** \$ 1600

Would you like to increase your offer on Certified Pre-Owned (CPO) vehicles? *

This will be in addition to the initial offer.

Yes **No** \$ 0

Would you like to place offers on Canadian vehicles? *

Yes **No**

Would you like to make offers on consumer vehicles? *

Yes No

Enter the MIN price per unit * Enter the MAX price per unit * How many total monthly units would you like to acquire? *

\$ 1 \$ 25500 30

What about transportation?

Max Transport Cost * Set Max Shipping Distance

\$ 750 750

From To No End Date

2021-02-24 2021-10-08

Sample Calculation
Example: Based on "Enter the MAX amount per unit".

| | |
|-----------------------|-----------------|
| CarGurus Adjusted IMV | \$25,500 |
| Inspection Fee | -\$95 |
| Buy Fee | -\$275 |
| Transportation (est) | -\$500 |
| Profit Target | -\$1,600 |
| Offer Price | \$23,030 |



The auto industry's first instant vehicle trade platform

The Buying Matrix & The Dealer Network

- CarOffer has developed a platform that enables dealers to pre-configure offers based on make, model, mileage, condition, score, color, logistics, etc.
- As of Q2, ~5,500 dealer rooftops were enrolled on the platform, including some of the nation's largest dealers
- Offers are instantaneous as automation replaces traditional manual processes



The Buying Matrix & The Dealer Network

- Billions of dollars in offers every day
- New inventory offers 24/7
- Select an offer to sell a car
- Similar to Amazon checkout experience
- Fresh trade integration is expected to increase appraisal win rate 20-30% instantly

The screenshot displays a car buying platform interface. At the top, there are navigation tabs for 'Inventory Offers' (556), 'Recommendations' (175), 'Get Offers' (106), 'Expiring Guarantees', and 'Expired'. Below this, a 'Buying Matrix' shows five categories: '90+ Days' (9 Units, \$269,593 Total Offers), '61-90 Days' (14 Units, \$377,285 Total Offers), '31-60 Days' (29 Units, \$1,077,868 Total Offers), '0-30 Days' (74 Units, \$2,247,432 Total Offers), and 'Wholesale' (56 Units, \$1,178,581 Total Offers). A summary box on the right indicates '182 Units*' and '\$5,170,759 Total Offers', with a red arrow pointing to it. The interface includes filters for 'View All', 'Default', and a search bar. Below the filters, there are icons for 'Premium Offer 164', 'Above Auction 228', 'Above ACV 201', 'Above Internet Price 22', 'Auto Accept 0', and 'Wholesale 56', along with a 'Reset' button. The main section is titled 'All Vehicles (201 units)' and shows '2 Selected' items for a total of '\$13,649'. Two vehicles are listed: a 2012 Chevrolet Malibu and a 2014 Chevrolet Sonic. Each vehicle listing includes details like miles, color, stock, age, VIN, internet price, ACV, auction price, days supply, turn time, MDS, and market turn time. To the right of each listing are 'Sell Today' and '45-Day Guarantee' options, both with 'Selected' buttons. A red arrow points to the 'Sell Today' button for the 2012 Chevrolet Malibu. On the far right, an 'Order Summary' box shows the items selected: '2012 Chevrolet Malibu' for \$5,637 and '2014 Chevrolet Sonic' for \$8,012, with a 'TOTAL SELL AMOUNT' of \$13,649. At the bottom of the summary are 'Clear', 'Continue to Step 2', and 'Review' buttons.

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*Why do a deal with CarGurus when CarOffer
was less than 2 years old?*

.....

37,000,000 reasons!

CarGurus' scale, combined with CarOffer's unique automated buying platform, enables us to level the playing field for our dealer partners so they can compete with the big box super retailers dominating the "buy from consumer" space



GLOBAL AVERAGE MONTHLY
UNIQUE VISITORS ¹

40.5M+

1 - Monthly average for Q2 2021

CarMax + Carvana Consumer Purchases Q1

- CarMax recently stated that 70% of all their retail vehicles were sourced from consumers
- They bought 364,263 cars from consumers in the 1st quarter of 2021
 - **113,000** vehicles per month
- We estimate Carvana is now buying 50,000 vehicles per month directly from consumers

CARMAX
Instant cash offers help lift revenue

continued from Page 3
for wholesale vehicles, Nash said. "As long as I've been doing this, those are the biggest jumps I can remember ever seeing," he added.

Nash said the company's high rate of "self-sufficiency," or the rate of retail vehicles it buys from customers, should help margins and pricing going forward.


CarMax bought 364,263 vehicles from consumers in its second quarter for a 59 percent increase over the year-earlier period. That made CarMax about 70 percent self-sufficient, Nash said.

About 188,000 of the vehicles were bought through the company's instant appraisal and purchase program, CarMax reported.

Counting cars
CarMax grew vehicle sales and the number of vehicles it bought from consumers in its 2nd quarter, with demand for inventory as high as ever. Here's a look at the numbers.

| |
|--|
| Total vehicle sales: 419,895* |
| Change vs. year earlier: Up 20% |
| Retail vehicle sales: 231,797* |
| Change vs. year earlier: Up 6.7% |
| Wholesale vehicle sales: 188,098** |
| Change vs. year earlier: Up 41% |
| Vehicles bought from consumers: 364,263 |
| Change vs. year earlier: Up 59% |

*2nd-quarter record **Quarterly record



CarMax reported revenue of \$7.99 billion in its second quarter, a rise of 49 percent. The company pointed to its omnichannel retail efforts, in particular its instant cash-offer tool, as a primary factor for its top-line success in the period.

CarMax also reported revenue from the sale of multiple electronic devices or in person, while having the experience personalized and consistent. CarMax completed the rollout of its omnichannel retail platform during the year-earlier quarter and continues to fine-tune it.

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That analogy comes from the online used-car retailer's [Online Car Buyer Report](#), which reports that Carvana sold 244,000 vehicles in 2020 – or one every 2.2 minutes on average. Sales volume rose 37 percent compared with 2019 – an impressive jump though a slowdown from triple-digit growth in prior years.

Maybe even more important is that [Carvana last year also bought a vehicle from a customer every 2.5 minutes on average for a total of 203,000 purchased during 2020](#). In the aforementioned report, Carvana touted its digital-first sales as a safe, contactless way for people to get rid of their vehicles.

Related Articles

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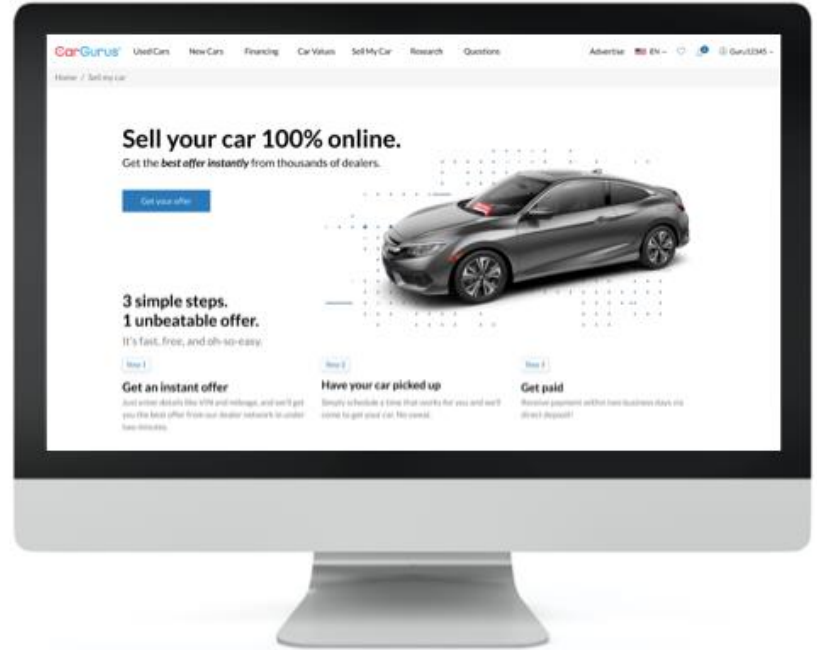
The average dealer does not have the national marketing scale to compete with the big box superstores.

UNTIL NOW!

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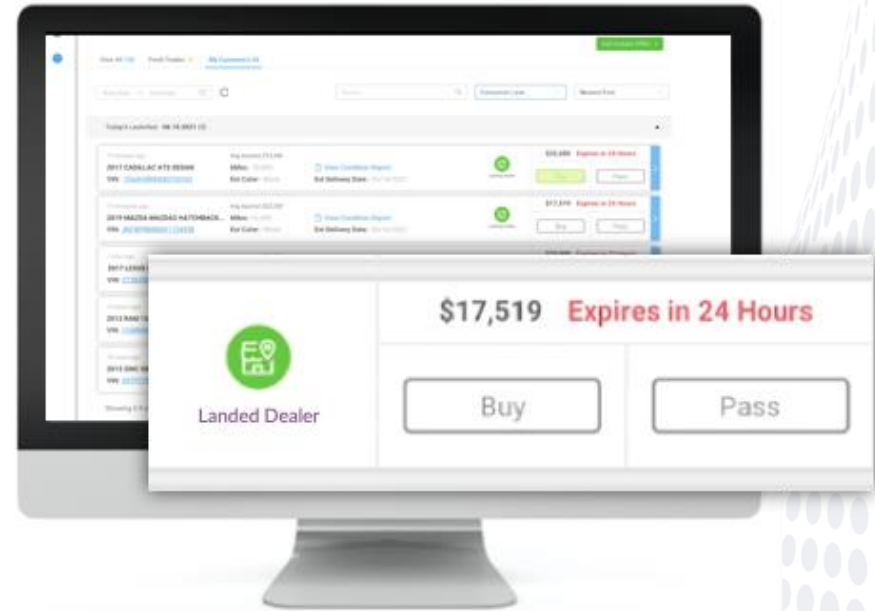
CarGurus Instant Max Cash Offer

- We created a new “Direct from Consumer” inventory channel for our dealer partners
- 100% of cars acquired go directly to our dealer partners
- Revolutionary "landing dealer" concept gives all dealers with a live Matrix equal opportunity



48 Hours to Buy or Pass IMCO Vehicles

- CarOffer will pickup and pay the customers for their cars with a White-Glove Concierge service
- The vehicles are routed with logic to the nearest participating CarOffer dealer (the "landing dealer")
- The dealer has 48 hours to keep the car at the winning Matrix offer or simply pass



ConsumerLane Trade-In Widget

- Put the power of CarGurus Instant Max Cash Offer on your own website with ConsumerLane
- Keep the car or sell it to us for a \$500 instant wholesale profit!
- All of the customers coming from your ConsumerLane widget are exclusively yours!



On CarOffer ConsumerLane:

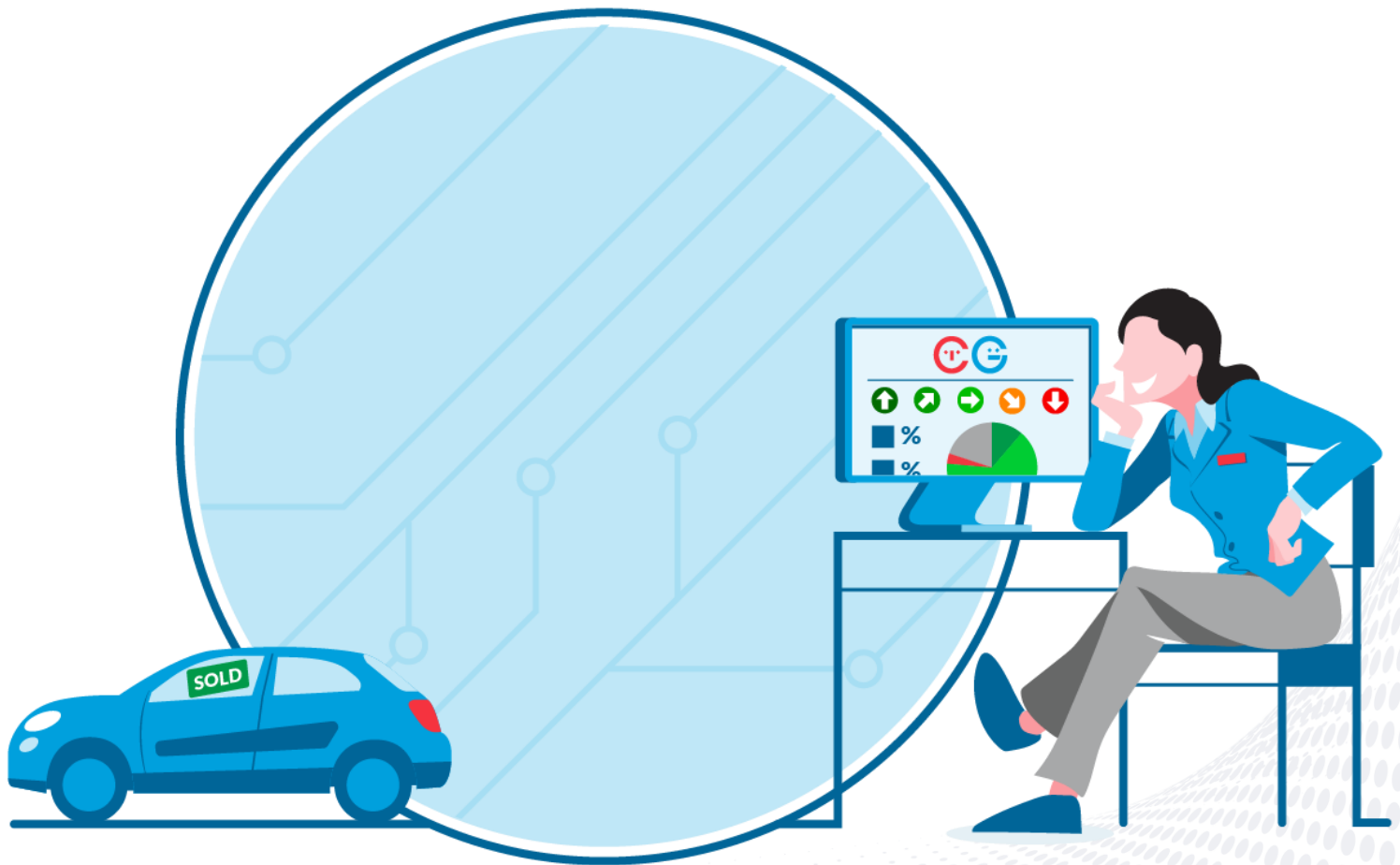
*“We piloted ConsumerLane and did a side-by-side comparison with other online appraisal applications. CarOffer’s product quickly distanced itself from the competition. **We’ve been able to buy many more cars from consumers with ConsumerLane, and those that don’t fit our retail criteria, we simply sell on the CarOffer platform with the click of a button.** It’s a very powerful and much needed product and it’s a win-win for our dealerships and our customers.”*

Jeff Dyke, President, Sonic Automotive

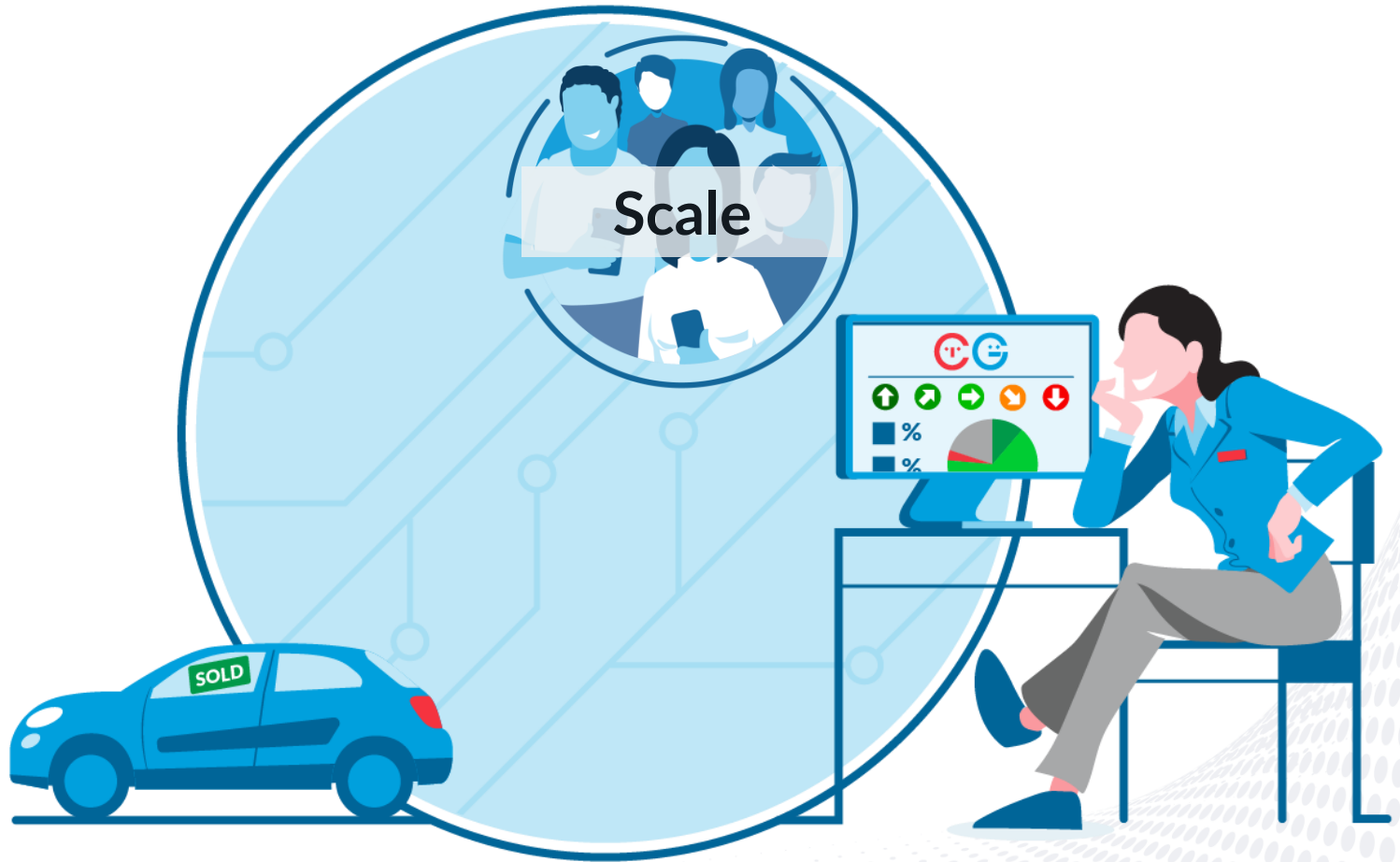


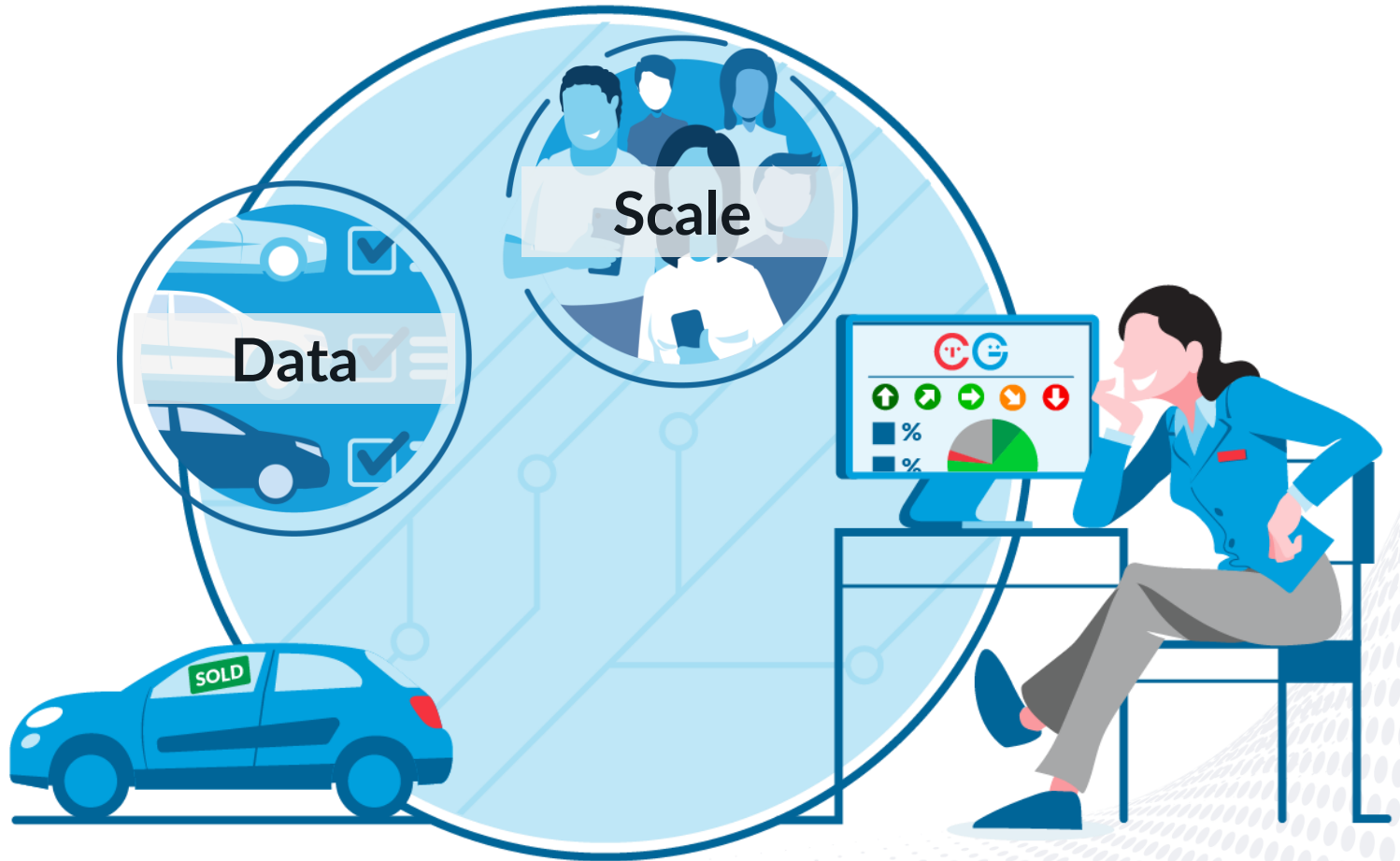
ANDREW GROCHAL

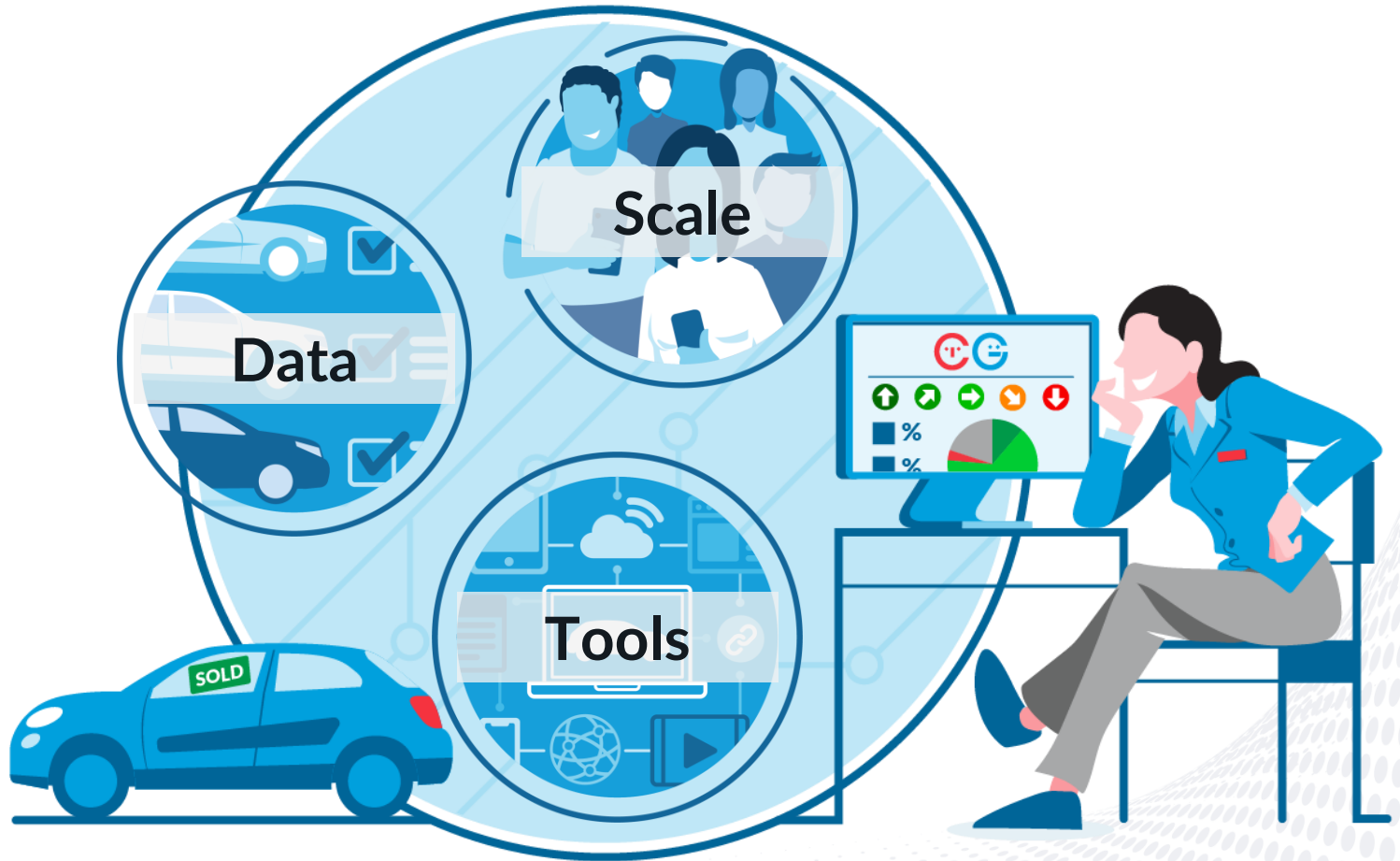
VP of Product Management, CarGurus



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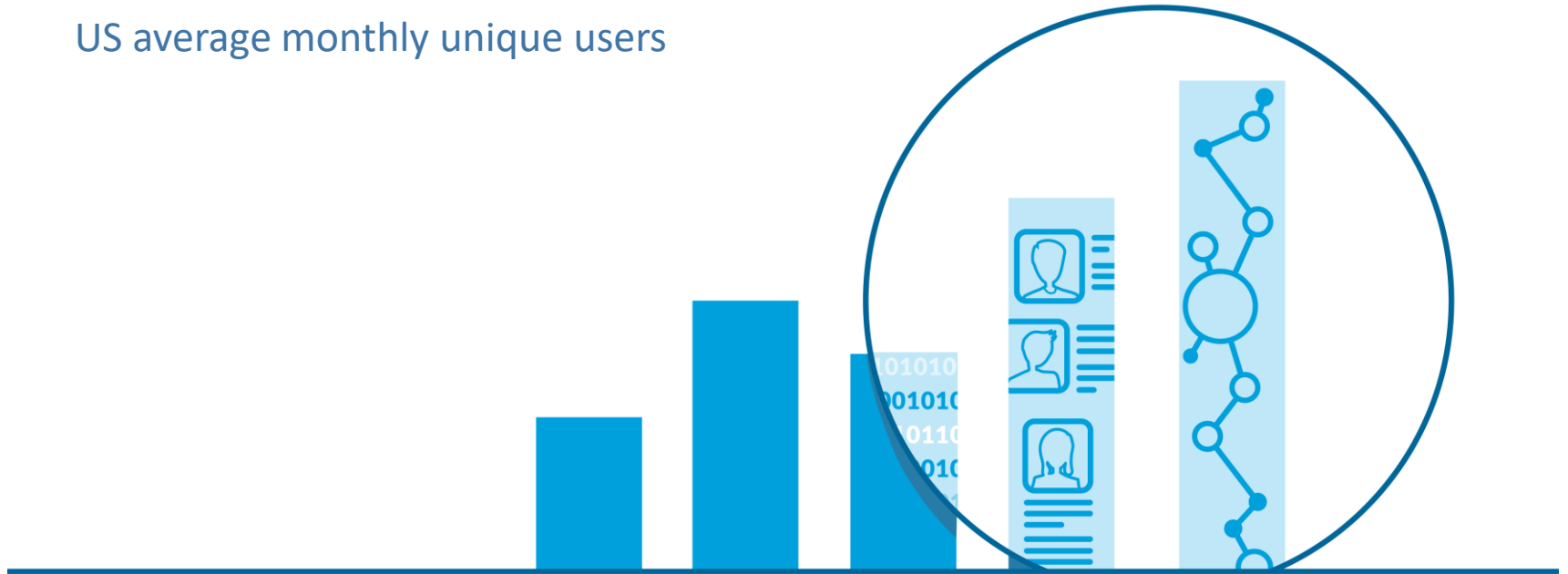
#1

in car listings available
among major US
third-party sites



32.9M

US average monthly unique users



50%

of total shopping time spent on automotive 3rd-party shopping sites



Great! Now tell us what you're willing to offer.

Pick your book *

| | | | | |
|---------|------------|-----------|-----|-----------------|
| Auction | J.D. Power | BlackBook | KBB | CarGurus |
|---------|------------|-----------|-----|-----------------|

Which adjusted value? *

| | |
|------|------------|
| Fair | IMV |
|------|------------|

\$25,000

Instant Market Value

- \$1,000

Profit Target

- \$275

Buy Fee

- \$95

Inspection

- \$250

Transportation




\$23,380

Your Offer

Deal rating

Instant wholesale offer

i New CarOffer Price in your Pricing Tool. [Learn more](#) **x**

| Name And Stock Id | Retail Price | CarOffer Price | Mileage | Days |
|--|--------------|--|---------|---------|
|  2019 Lexus NX 201300 | ➔ \$35,900 | \$36,202 Sell today | 6076 | 7 days |
|  2013 Honda CR-V 027438 | ➔ \$14,900 | \$14,184 Sell today | 106830 | 13 days |
|  2016 Honda Pilot 012727 | ➔ \$26,500 | \$26,670 Sell today | 55319 | 11 days |

Days on lot

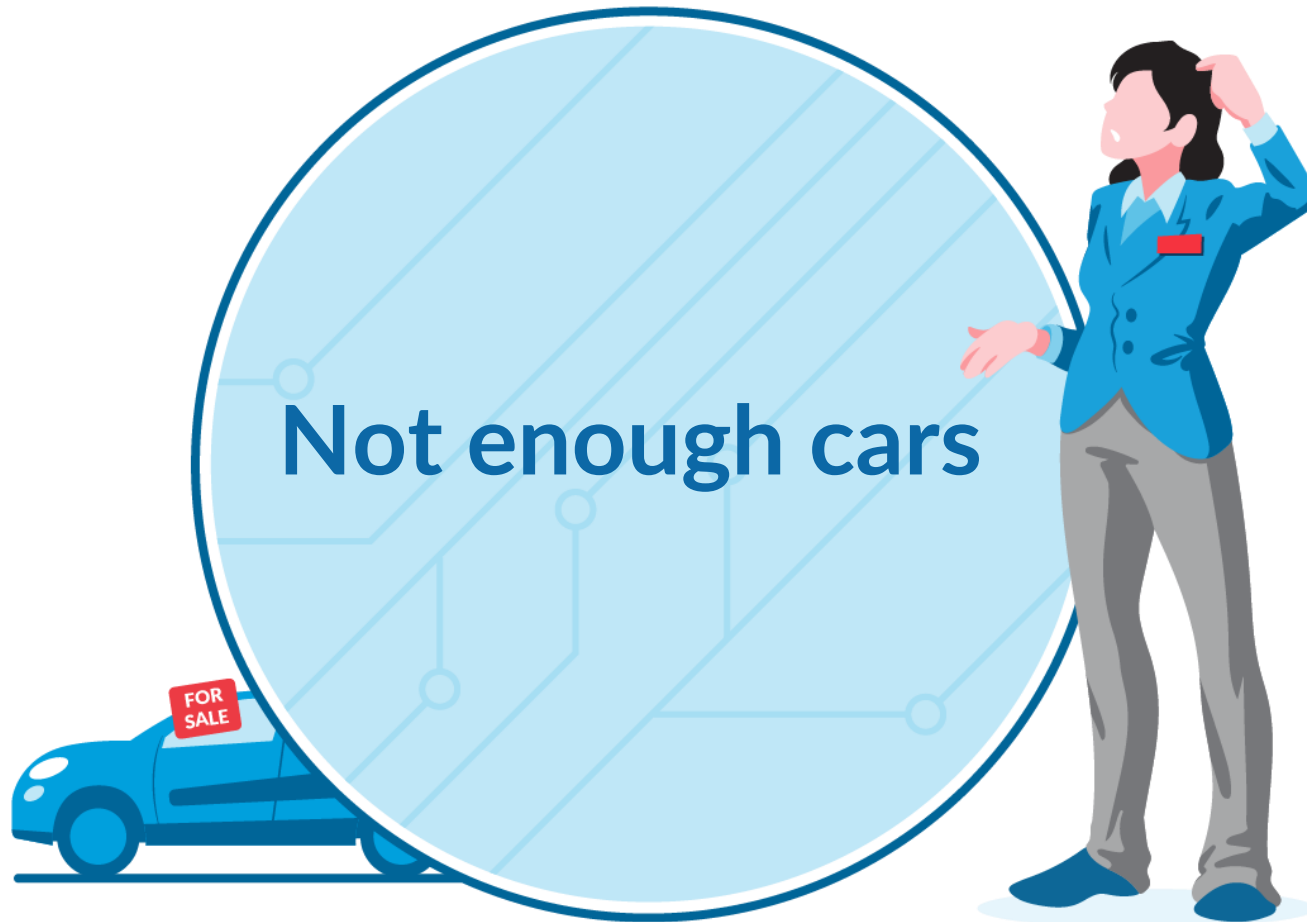
Retail price



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Introducing: CarGurus Instant Max Cash Offer

Fresh inventory in a changing acquisition landscape







Slow-moving inventory



CarGurus dealers get first access to local cars



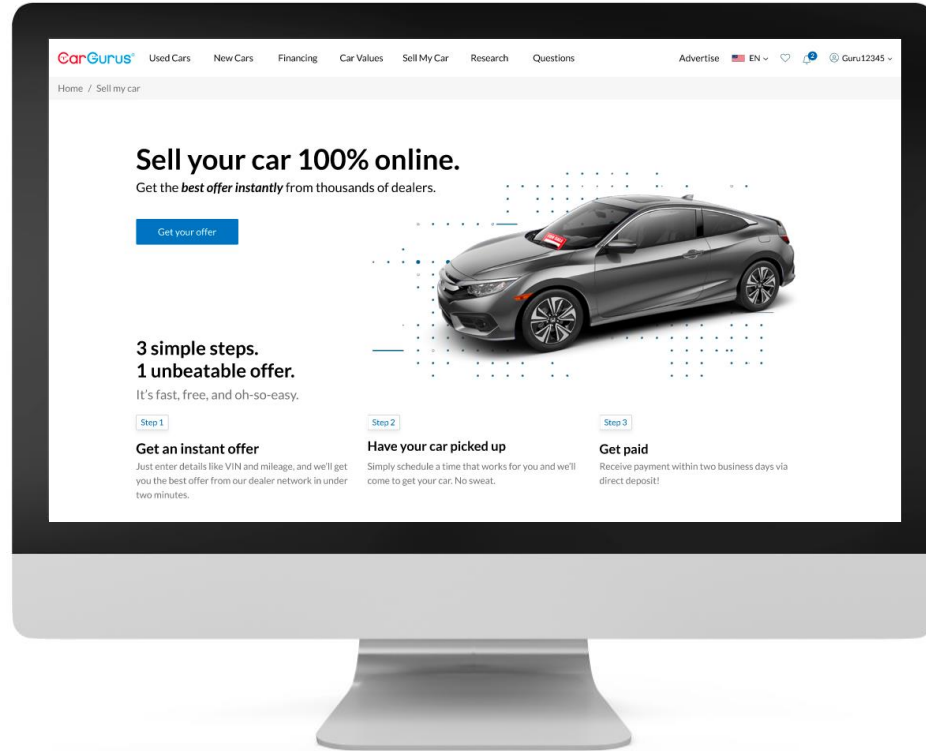
Bringing dealers the best experience

More and better cars

Saved time

Competition-free

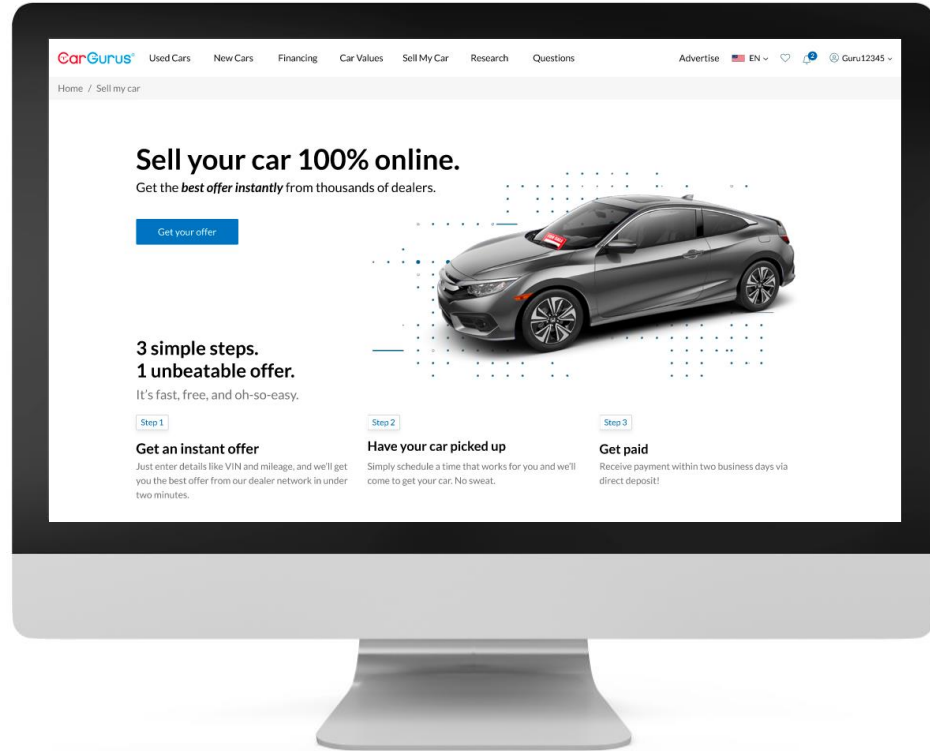
Free and automatic access



Bringing consumers the best experience

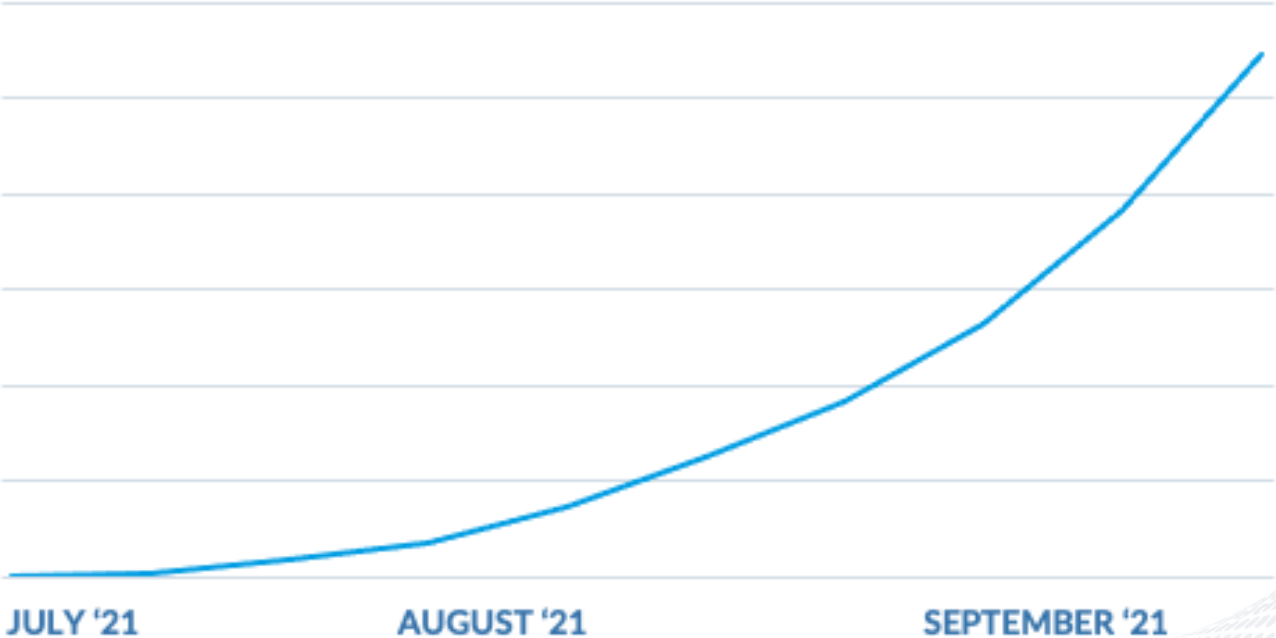
"It worked pretty seamlessly. Got the offer right away. And I feel like the best selling point of all was that I didn't have to go anywhere. You guys came to me. So that was awesome."

– Haong L.

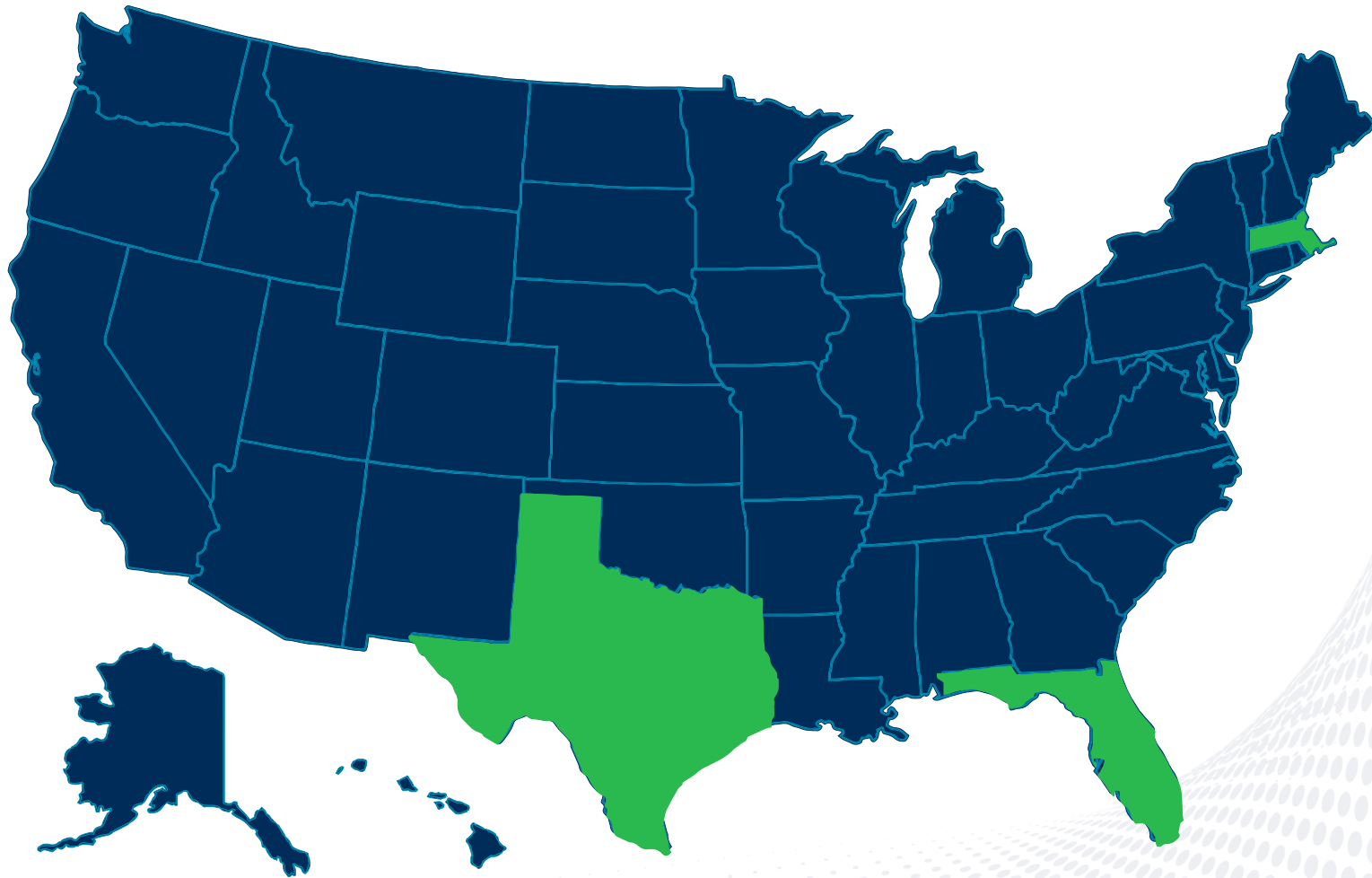


CG IMCO drives vehicle quality and volume

Total Transacted Vehicles

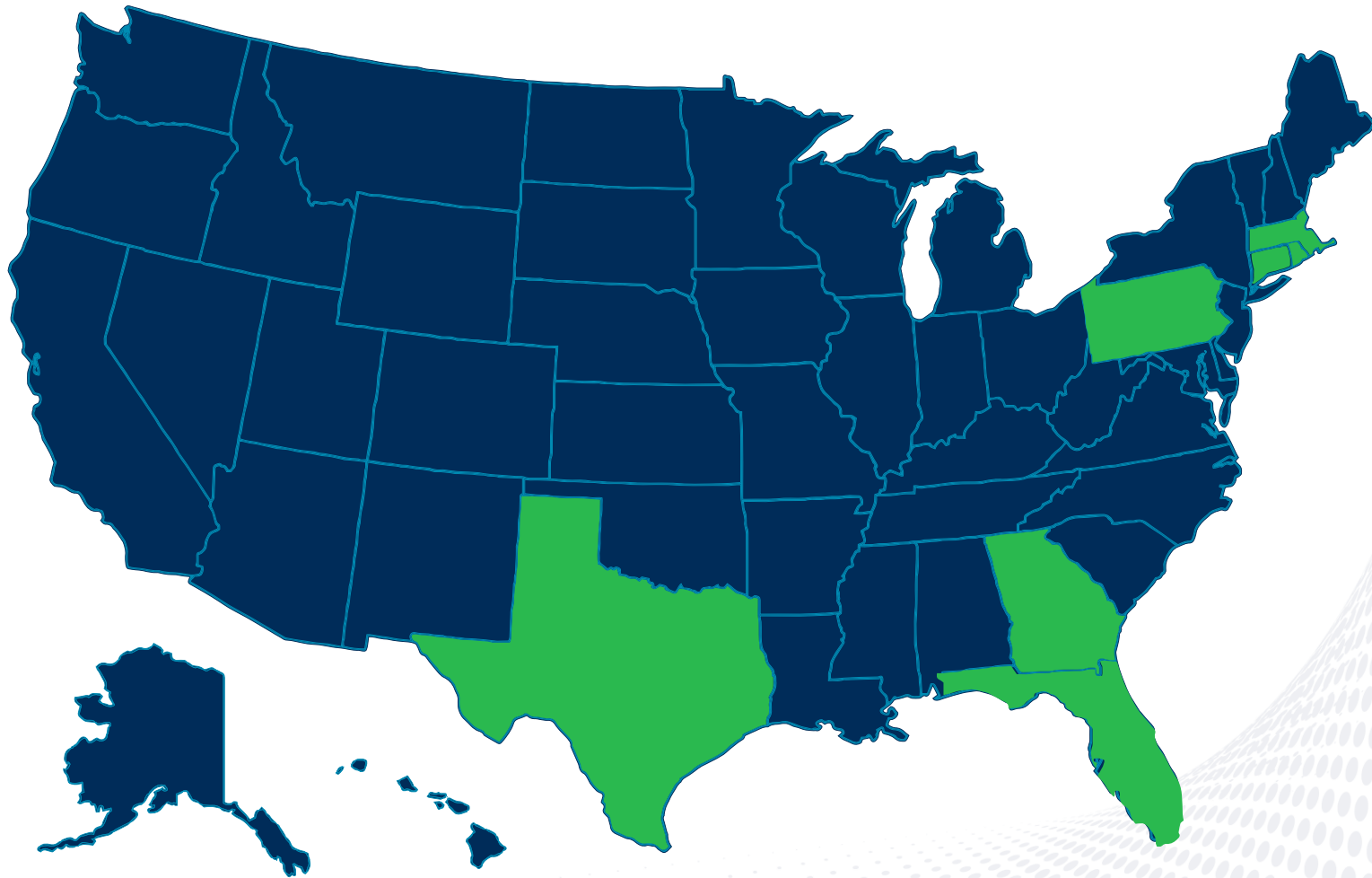


**JULY
2021**



#CGNAVIGATE

**SEPT
2021**



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“ CarGurus Instant Max Cash Offer has opened up a stream of access to consumer-owned vehicles. ”

IMED CHAHED, GENERAL MANAGER
MCGEE PRE-OWNED SUPERSTORE

#CGNAVIGATE



Where do we go from here?

Continuing to Grow

- 1** Launch CarGurus Instant Max Cash Offer nationally
- 2** Smarter tools to buy and sell inventory
- 3** Customer benefits from our partnership



carGurus



THANK YOU

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