

PARTNER THROUGH POSITIVE DISRUPTION

SUSAN MORITZ
VICE PRESIDENT, MARKETING AND BUSINESS DEVELOPMENT
NEXTGEAR CAPITAL



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“

Inventions have long since reached their limit, and I see no hope for further developments.

”



Julius Sextus Frontinus
Roman Engineer
10 A.D.

THE CAR BUSINESS HAS ENDURED **RADICAL** **CHANGE**



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HTTP://



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Global Economic Crisis

%Change
+3.76%
▼ -3.69%
▼ -3.14%
+2.80%
+2.65%
▼ -10.47%
▲ +7.53%
▲ +5.97%

US/EURO			
#YU-05	\$	8/12	182.492
			▼ -2.230
GV-T/R			-0.0039
OIKTP	€		▼ -0.592
A9-4			▼ -1.759
J&L8+			▼ -68.23
MK-31J			▼ -456.56
GD7C			▼ -8.354
			▼ -0.036
LWDA	€		▼ -2.603
16-S/D			▼ -4.695

4213.31
▼ -634.52

Share Price Falling ▼ 756.21\$ -96.87¥

▼ -2.603€
▼ -4.695
▼ -35.30
▼ -134.56£
▼ -3.5935



Capturing the
true number of
Independent
Dealers is like
Trying to Count
Fireflies at
Dusk.

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ROAD TO RECOVERY

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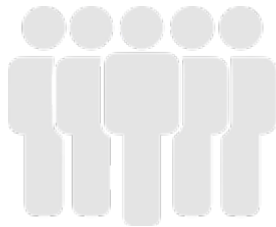




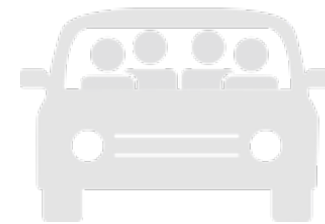
New Transportation Models



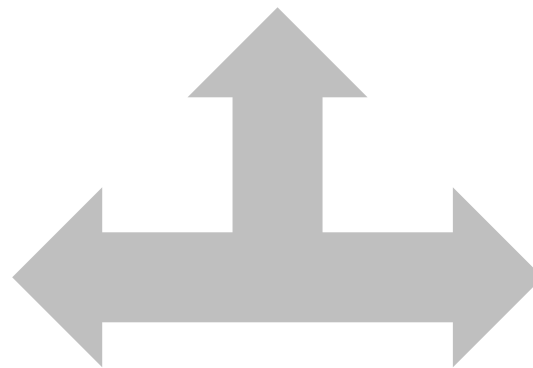
alternative ownership



car sharing



ride sharing



DriveNow

enterprise
CarShare



zipcar.

CAR
2GO

CITY CAR
SHARE.org



Getaround

RelayRides
let's drive



lyft

Side•car
a whole new way to get around

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Margins Are Contracting



Sales-weighted average for KMX *, AN, PAG, SAH, GPI, ABG, and LAD

*KMX shifted forward one month to correspond with calendar quarter

Source: Company filings

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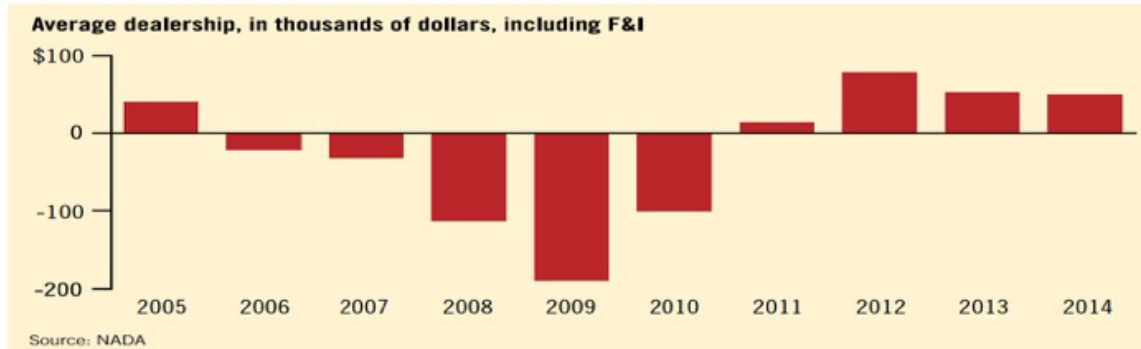


Used Car Sales **Impact** on Franchise Dealers

Used-vehicle department net profit



New-vehicle department net profit



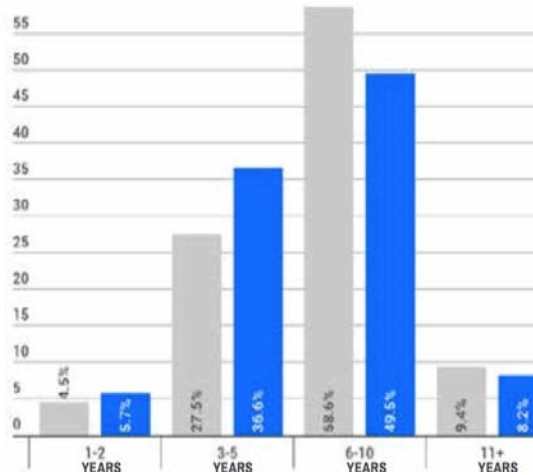
Source: 2014 NADA Report

Independent Dealer Trends

Selling Newer Vehicles

Age of Vehicles Sold

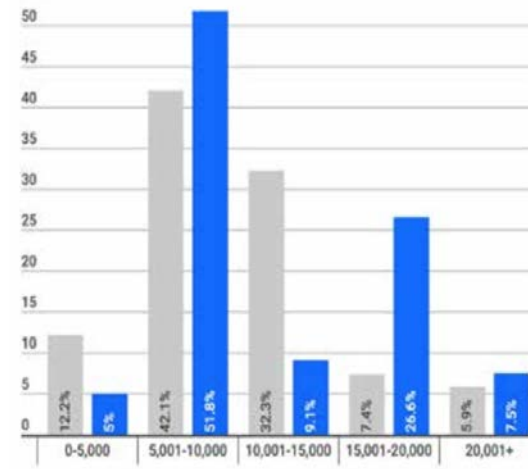
(PERCENTAGE OF RESPONDENTS) SOURCE: NIADA MEMBER SURVEY ● 2014 ● 2015



Shift in Retail Pricing

Average Retail Price

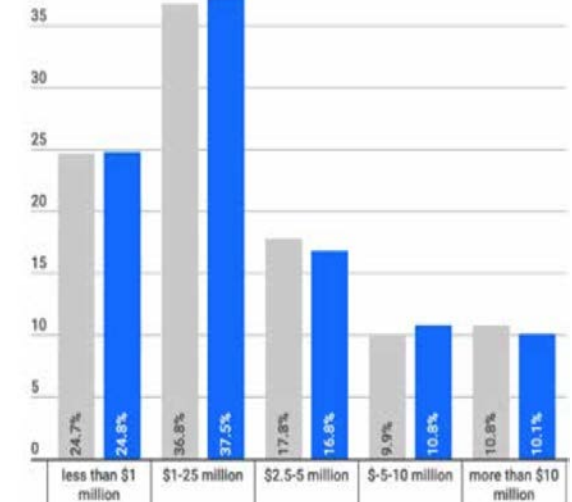
(PERCENTAGE OF RESPONDENTS) SOURCE: NIADA MEMBER SURVEY ● 2014 ● 2015



Sales Volumes Stay Flat

Annual Sales Volume

SOURCE: INFOGROUP ● 2014 ● 2015



Source: NIADA Used Car Industry Report 2016

Infuse Speed and Efficiency in the Wholesale & Retail Vehicle Life Cycle



The Wholesale Process Hasn't Changed

WHOLESALE OPERATIONS (DEALER)

INVENTORY IDENTIFICATION

ACQUISITION

FLOOR PLANNING

INSPECTION

DETAIL & RECON

MERCHANDISING

TRANSPORTATION/LOGISTICS

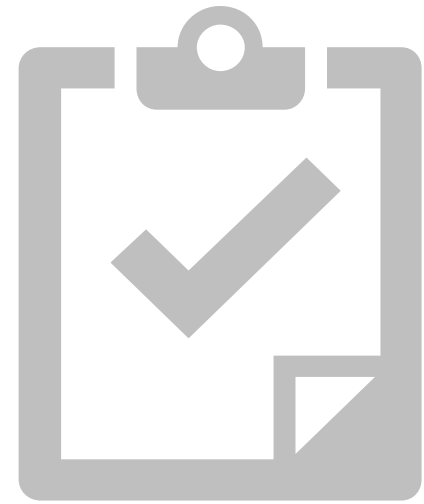
INVENTORY MANAGEMENT

10+
DAYS
TO MARKET

INVENTORY TURN
6-8x
PER YEAR

ONLY

52%



are satisfied with your **current** wholesale process

Source: Manheim Vehicle Solutions Study



IT'S TIME FOR RADICAL CHANGE TO YOUR PROCESS

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Improve Your Process, Become More Profitable

WHOLESALE OPERATIONS (DEALER)

INVENTORY IDENTIFICATION

ACQUISITION

FLOOR PLANNING

INSPECTION

DETAIL & RECON

MERCHANDISING

TRANSPORTATION/LOGISTICS

INVENTORY MANAGEMENT

3
DAYS
TO MARKET

INVENTORY TURN
12-16x
PER YEAR

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“It always seems
IMPOSSIBLE
until it’s done.”

Nelson Mandela

Speed to Market Correlates to Inventory Turn = Profitability

	Avg. # days to website w/photos	Avg. # days Autotrader w/photos	Avg. # days in inventory
DEALER A	1	1	22
DEALER B	11	9	35

Source: vAuto

Opportunity for Process Alternatives

72%



manage all wholesale activities internally

Source: Manheim Vehicle Solutions Study

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Improve Your Process, Become More Profitable

WHOLESALE OPERATIONS (DEALER)

INVENTORY IDENTIFICATION

ACQUISITION

FLOOR PLANNING

INSPECTION

DETAIL & RECON

MERCHANDISING

TRANSPORTATION/LOGISTICS

INVENTORY MANAGEMENT

3
DAYS
TO MARKET

INVENTORY TURN
12-16x
PER YEAR

Partner for Positive Disruption with **Floor Planning**

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THE CHALLENGE

Efficient use of floor planning to increase profit –
not expense

NOT

Like Giving Credit Cards
to College Students



THE OPPORTUNITY

Maximum cash flow

Pay off trade-ins

Finance from multiple buying channels



Dealer to
Dealer



Consumer
Purchases

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Used Vehicle Margins Decline Over Time

Mo/Yr	UNDER 30 DAYS			Mo/Yr	OVER 30 DAYS		
6/1	UNITS	FRONT GROSS	AVERAGE		UNITS	FRONT GROSS	AVERAGE
Cumulative total >	35	\$45,965	\$1,313		19	\$1,419	\$75
STOCK #				STOCK #			
EO57072A	1	\$750	750	B028626A	1	\$908	908
EB077145	1	\$2,037	2037	C224303	1	(\$190)	-109
E049506A	1	\$2,298	2298	7715661	1	(\$1,519)	-1519
E029073A	1	(\$329)	-329	A224195	1	(\$91)	-91
B084441A	1	\$790	790	Y210460	1	\$355	355
H531403A	1	\$3,288	3288	R688178	1	(\$1,687)	-1687

What Should You Look for in a Partner?

Not just a lender – a **consultative** partner

Technology & integration

Does your floor plan provider understand **your** business model?



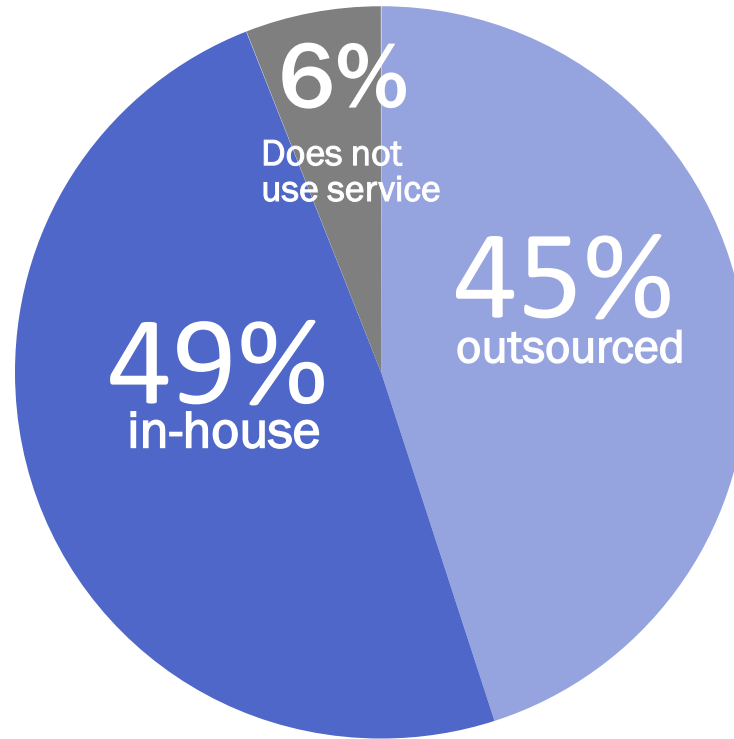
Partner for Positive Disruption with **Transportation & Logistics**

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Half of Dealers Use Dealership Resources for Transportation



Source: Manheim Vehicle Solutions Study

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5 Pointers to Improve Transportation Processes

- 1 Centralize with a provider who can **optimize loads** with carriers for best price
- 2 **Expand your buying radius** when using online channels
- 3 Leverage **technology integrations** with transportation partners to speed up transportation lifecycle
- 4 Minimize risk by ensuring your preferred carrier is **compliant** for insurance and safety ratings
- 5 Know your complete **acquisition costs**, including transport, up front

What Should You Look For in a Partner ?



TRANSPORTATION
MANAGEMENT SYSTEM



QUALIFIED CARRIER NETWORK

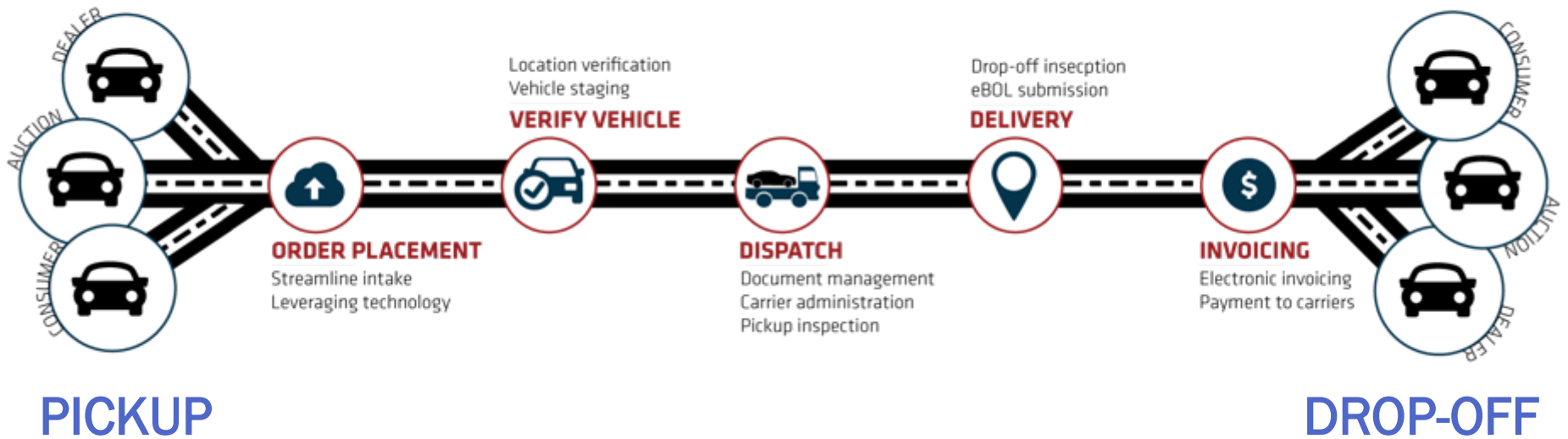


SHORT & LONG DISTANCE
TRANSPORTATION SOLUTIONS



UNDERSTANDS YOUR BUSINESS
AND HOW THEY CAN
COMPLEMENT

Data Informs Logistics & Automates the Process – Managing Costs, Improving Service, Moving Vehicles More Quickly



Centralized Transportation Process Results

AVERAGE DAYS TO DELIVER

	Pre-Centralized Transportation Provider	Post Pre-Centralized Transportation Provider	Improvement
Auction 1, New Mexico	9.43	5.00	4.43
Auction 2, Harrisonburg	12.25	6.26	5.99
Auction 3, Fredericksburg	8.61	5.58	3.03
Auction 4, Albany	11.85	5.65	6.20
Auction 5, California	10	4.68	5.32

50% Improvement
(approximate)

Source: Ready Logistics

Dealer Results

Average days to deliver ➤ 3.42 Days

Average distance ➤ 196 Miles

Average price per mile ➤ .95 Cents

Based on 1.1 million vehicles transported in 2015 across the remarketing marketplace inbound and outbound from auction

Source: Ready Logistics

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Your Bottom Line

500 vehicles
delivered in **3** days

.95 x 196 miles = \$186
\$93,000 annually

\$40/day holding cost x 3 days = \$120
\$60,000

vs.

500 vehicles
delivered in **6** days

.85 x 196 miles = \$166
\$83,000 annually

\$40/day holding cost x 6 days = \$240
\$120,000

Which would you rather...

\$10,000 transportation savings
or
\$60,000 additional holding costs?

Looking Ahead: Future Transportation Outbound Process Enhancements

- System automation between auction & transportation providers will eliminate post-sale activities
- Ability for dealer to floor plan transportation costs using line of credit with preferred lender
- Transport companies will work with auctions to provide extended arbitration window
- Dealer purchase protection delayed "start" to the guarantee

BUT THAT'S ONLY

1/2

the equation...



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The Process Hasn't Changed *Much*

RETAIL PROCESS (CONSUMER)

AWARENESS

RESEARCH/SHOPPING

TEST DRIVE

PRICING

FINANCE

TRADE-IN

CUSTOMER HANDLING

PARTS & SERVICE

CRM/LOYALTY

9.4
CARS
IN A LIFETIME

17:4002

Improving The **Experience** Can Shorten The Replacement Cycle & Encourage Dealership Visits



72%

would **visit dealerships more often** if the process improved



53%

would **buy a car more often** if the process improved

Source: Autotrader Car Buyer of the Future Study

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PRIMED



PERFECTLY
PRICED

vroom MORE POWER TO YOU

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Delivering Customer Happiness

Our business is
not just about the car



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Select Language Search Inventory

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Be a Happy Car Seller.

- Fast, Free Appraisals!
- No Appointment Needed!
- Written Offer Valid For 3 Days!

GET STARTED



RIGHT
NOW,
THIS
MEMBER

IS BUYING
THIS CAR.

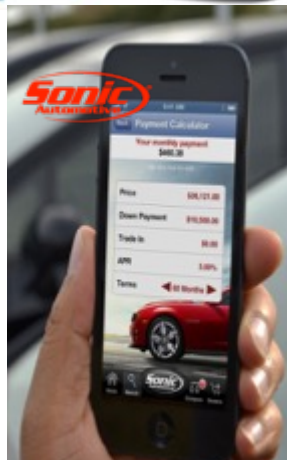


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EMAIL PHONE TEXTSMS

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FROM THE TIME YOU WALK IN
UNTIL YOU DRIVE AWAY

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YOU THE KEYS



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3 Days to Try
Zero Pressure to Buy



1 Choose Your Car

2 Test it for 3 Days

3 Make it Yours

The Process Hasn't Changed *Much*

RETAIL PROCESS (CONSUMER)

AWARENESS
RESEARCH/SHOPPING
TEST DRIVE
PRICING
TRADE-IN
FINANCE
CUSTOMER HANDLING
PARTS & SERVICE
CRM/LOYALTY

9.4
CARS
IN A LIFETIME

INCREASE OWNERSHIP

12
CARS
IN A LIFETIME

Partner for Positive Disruption in Pricing

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56%

Prefer to negotiate



Source: Autotrader Car Buyer of Future Study

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WHY?



BECAUSE

They say it's the only way to get the best deal or fair price

Source: Autotrader Car Buyer of Future Study

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Pricing Transparency Has Created New Challenges



Kelley Blue Book
PRICE ADVISOR

TRUECar®

Changing How Cars are Sold SM



Price PromiseSM

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Use Demand-Based Pricing Tools

FOR COMPETITIVE ADVANTAGE

Best practice RESULTS

228%

Above market for
SRPi /vehicle

&

206%

Above market for
VDP /vehicle

Source: vAuto

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Use Contextual Pricing For Customer Handling

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Prices based on the Kelley Blue Book Price provided from Kelley Blue Book.

Kelley Blue Book Instant Cash Offer

NO BRAINER PRICING

Kelley Blue Book Instant Cash Offer

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We want your car.
DGDG BuyCenter specializes in buying private party vehicles.

Over 4,000 New & Used Vehicles. All in one place.

Be Happy.



What Should You Look For In A Partner?

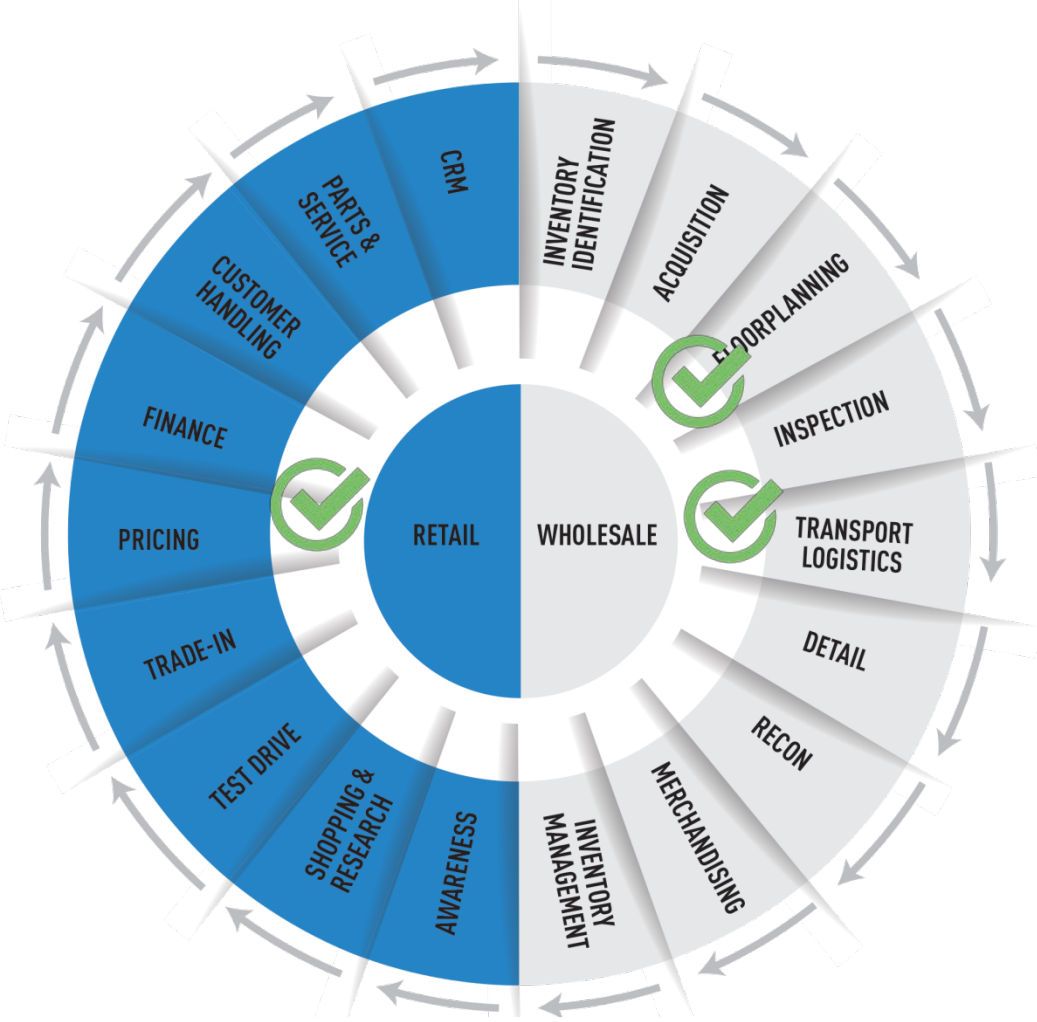
Competitive Pricing Partner

- Provides ongoing training, proactive coaching and support to **ensure results**
- **Real-time** information from an extensive list of data partners

Contextual Pricing Partner

- Reputation as a **trusted** pricing resource
- Full program integration and ongoing maintenance **support**





Infuse **Speed** and **Efficiency** in the Wholesale & Retail Vehicle Life Cycle

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