Franchised new light vehicle dealers

- $862 Billion
Franchised new light vehicle dealers

- $862 billion
- 1,110,700 people
Franchised new light vehicle dealers

- $862 billion
- 1,110,700 people
- 17.7 million
Franchised new light vehicle dealers

- $862 billion
- 1,110,700 people
- 17.7 million
- April SAAR 17.32 million
Employment

(Monthly non-farm employment change, in thousands, SA)
We need more workers
We need more work
Oil markets

OIL WTI, U.S. $

Forecast

Historical

2013
2014
2015
2016

NATIONAL AUTOMOBILE DEALERS ASSOCIATION
Gasoline & Diesel

Gasoline Price per Gallon, in U.S. $, FOB New York Harbor

ULS No. 2 Diesel Price per Gallon, in U.S. $, FOB New York Harbor

Historical Gasoline  Forecast Gasoline

Historical Diesel  Forecast Diesel
2015 Cars Vs. Light Trucks
(% of Total Light Vehicle Sales)

Cars: 44%
Light Trucks: 56%
2016 YTD Cars Vs. Light Trucks
(% of Total Light Vehicle Sales)

Cars: 41%
Light Trucks: 59%
New vehicle forecast
Used vehicle sales forecast
(Number of motor vehicles sold, in millions)

- Private Party
- Used Car Dealers
- New Car Dealers

2010: 35.7
2011: 40.4
2012: 40.4
2013: 40.4
2014: 40.4
2015: 40.4
2016 F: 40.4
2017 F: 40.4
2018 F: 40.4
Used vehicle sales forecast
(Number of motor vehicles sold, in millions)

Private Party | Used Car Dealers | New Car Dealers

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</thead>
<tbody>
<tr>
<td>Sales</td>
<td>13.2</td>
<td>13.3</td>
<td>13.8</td>
<td>14.4</td>
<td>14.4</td>
<td>14.6</td>
<td>14.6</td>
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NATIONAL AUTOMOBILE DEALERS ASSOCIATION
Vehicle Prices
Average transaction price

$33,420

Prices outpace wages

<table>
<thead>
<tr>
<th>Year</th>
<th>Wages</th>
<th>Light Vehicles</th>
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</thead>
<tbody>
<tr>
<td>2012</td>
<td>1.9%</td>
<td>0.8%</td>
</tr>
<tr>
<td>2013</td>
<td>2.1%</td>
<td>2.8%</td>
</tr>
<tr>
<td>2014</td>
<td>2.0%</td>
<td>2.7%</td>
</tr>
<tr>
<td>2015</td>
<td>1.9%</td>
<td>3.1%</td>
</tr>
</tbody>
</table>
Loan terms
Continuous improvement

Average Age of the US Light Vehicle Fleet, Years
A bigger chunk

AVERAGE MONTHLY PAYMENT AS SHARE OF MONTHLY PERSONAL INCOME, INFLATION ADJUSTED, 2009 $
Net equity position in 2005

31 Months
Net equity position in 2015

42 Months
Profitability
Profitability – then and now

2.0% 2.2%

6.6% 7.0%

PRE-TAX NET PROFIT

Average  Top 10 Percent

2006  2014
Profitability

- 1.9%
- 7.0%
- 8%

Bottom 10 Percent
Top 10 Percent

2014
Efficient operations are key

- Customer Relationship Management
Efficient operations are key

- Customer Relationship Management
- Inventory
Efficient operations are key

- Customer Relationship Management
- Inventory
- Hours
Efficient operations are key

- Customer Relationship Management
- Inventory
- Hours
- Human Capital
Human Capital

• $3.8 million average annual dealer payroll
Human Capital

- $3.8 million average annual dealer payroll
- Human capital has returns, just like financial capital
Human Capital

• $3.8 million average annual dealer payroll

• Human capital has returns, just like financial capital

• Unlike financial capital humans have increasing returns to scale
Returns on human capital

Average Annual Wage Non-Manager Positions, Nominal U.S. $
Returns on human capital

Average Annual Wage Non-Manager Positions, Nominal U.S. $

2011: $47,000
2012: $48,000
2013: $49,000
2014: $50,000

CAGR 3.1%
Dealership employee productivity

CAGR 1.8%
Returns on human capital

- Employees have a return on human capital that is almost twice as high as high employers.
Dealers pay more than the rest

Dealership Workforce Study vs. US Median Median Weekly Wage over the years 2011 to 2014.
Annual employee turnover

Annual Turnover, % of Labor Force

- Sales Consultant: 72%
- Service Advisor/Writer: 41%
- All Positions: 39%
- F&I Manager: 37%
- Sales Manager: 26%
- Service Technician: 24%
- Service Manager: 23%
- Parts Consultant: 17%
- General Manager/Operator: 16%
- Parts Manager: 11%
Median employee tenure

- Parts Manager: 12.2 years
- General Manager/Operator: 9.1 years
- Service Manager: 6.9 years
- Parts Consultant: 5.7 years
- Sales Manager: 4.0 years
- Service Technician: 3.9 years
- F&I Manager: 3.0 years
- All Positions: 2.7 years
- Service Advisor/Writer: 2.4 years
- Sales Consultant: 1.5 years
Wage Growth

• Wages are rising at nearly twice the national average
Wage Growth

- Wages are rising at nearly twice the national average
- Wages are far higher than the national average over $10,000 year
Wage Growth

• Wages are rising at nearly twice the national average
• Wages are far higher than the national average over $10,000 a year
• Turnover is almost triple the national average
Wage Growth

• Wages are rising at nearly twice the national average
• Wages are far higher than the national average over $10,000 a year
• Turnover is almost triple the national average
• Tenure is less than ¼ the national average
Turnover of a top performer

- **Sales Consultant**: 41%
- **Service Advisor/Writer**: 31%
- **All Positions**: 20%
- **F&I Manager**: 23%
- **Sales Manager**: 18%
- **Service Technician**: 20%
- **Service Manager**: 15%
- **Parts Consultant**: 12%
- **General Manager/Operator**: 8%
- **Parts Manager**: 10%

**Annual Turnover, % of Labor Force**
Generational differences

- Millennials - 31% of employment 2014, up 4%
Generational Differences

• Millenials - 31% of employment 2014, up 4%

• Turnover higher among millennials
What do millennials want?

• Jobs that pay salaries
What do millennials want?

• Jobs that pay salaries

• They don’t want to work on commission