KAR Global

JOHN MURPHY: Well, thanks, everybody, for joining us late on a Friday afternoon at 5:30 for the last session of our Auto Summit here. We're very happy to have KAR Auction Services. KAR Auction Services is a leader in vehicle auctions in the US and dealer financing. The company has separated from its salvage auction business. So it's a standalone whole car business again, which I think is a very good development.

But that business is being augmented by the beginning stages of moving more and more of auctions online, and even possibly apps through businesses like TradeRev. Today, we're very happy to have Eric Loughmiller, executive vice president and CFO. And Eric, we really appreciate all the time today during the course of the day in doing meetings with investors, and certainly you being a real sport and doing the last session at 5:30. But we have a big audience here, so there's a lot to discuss. So thank you very much, Eric.

ERIC LOUGHMILLER: And thank you, John and Doug, for inviting me.

JOHN MURPHY: We wanted to open up with a first simple question. There's a lot of vehicles sitting in inventory at your auctions. You don't own them. We know; we understand that. But your sellers are sitting there, and there's a lot building up in your auctions. I'm just curious, very simply, how does this all ultimately get cleared? How long does it take? What level of pricing? What kind of change in mindset from buyers and sellers need to occur? How does this logjam simply get cleared?

ERIC LOUGHMILLER: Well, John, there's a couple of things. Number one, in our view, supply is going to exceed demand for some period of time. There are so many cars backed up, and they tend to be commercial cars. When I talk about cars in our inventory, it's commercial vehicles. Dealer cars, they can pull it out and go find an alternative-- retail it or sell it. But the commercial cars tell us there's quite a backlog.

And we know demand is off because people are staying home and the miles driven is down. So the question is, what will the consigners do? Will they will they look to take those vehicles and move them quickly, which would drive prices down? Any time supply exceeds demand, Econ 101 kicks in, and price has to be the variable that changes and declines.

To date-- and again, this is important-- the consigners have showed what I call prudence and discipline, and they're being very measured trying to make sure, because they aren't willing to sacrifice price to move higher volumes. They are probably-- I mean, not

Probably, they are sacrificing a little bit of price, but it's very small. We saw numbers through mid-April that said prices had dropped 12 and 1/2% from call it the pre-COVID levels. Maybe even a little bit more than that. I will tell you, what we've seen since the middle of April and on is the discipline of the consigners has kept that pricing in the neighborhood of 92% to 95% percent of pre-COVID prices is where I'd put the benchmark.

JOHN MURPHY: Wow.

ERIC LOUGHMILLER: And they're doing that by being disciplined. Which means, in certain events, they have a very low conversion rate. But we've had other events where, when the money is good, in the right market, where there's a shortage of inventory, they have a very high conversion rate when they can achieve that kind of performance.

So I think there's some discipline around it that will control it. We believe that there will be a strong supply of vehicles compared to demand at least through the end of the calendar year, and more than likely, it could go into early 2021.

JOHN MURPHY: So I mean, to clear the logjam, basically, what you're thinking is this is going to take time. I mean, this is going to take time and, hopefully, a retail market that is pretty good.

ERIC LOUGHMILLER: Yes, John. Or better. And that may be the issue why it takes so long. We've got the cars. We know they're going to sell. And again, a commercial car gets to our lot, it sells in our auction at some point in time, even if they have to run it two or three times to get good money for it.

What part of the logjam is, we have not provided any on-site ancillary services to improve the condition of the car since the closing of our auctions on March 23. This week, we've begun calling people back where we think, in many areas, we will be permitted-- although not at the scale we're accustomed to-- to begin doing some of the reconditioning work-- mechanic work, body shop work, detailing and reconditioning, cleaning the cars, vacuuming.

It'll be a slower process because of some of the safety issues that have come up-- how you have to disinfect vehicles after you've touched them and all of that stuff. But part of what has slowed the ability of these cars to be sold is we're running through the cars that are sale-ready, John, and you know that. They want to buy a car that they can retail as quickly as possible, and some of those cars need work before that happens.

So that'll help release some of the vehicles I am a little concerned about the rental car industry and the status of it. They've not been de-fleeting, even though their fleets are underutilized. That could also be a source of high supply in the near term, depending on what happens with the rental car companies in particular.

I don't like to name them. That's not my business. But there are some under significant stress that could have to de-fleet, and that would be an impact and increase supply. And in that case, you may be moving the cars quickly and driving the price down temporarily, which would cause other consigners like the captive finance companies and the banks to maybe take a more cautious view on how many cars they're willing to sell and make demand bring the car prices back up.

JOHN MURPHY: OK. That's very interesting. So you're saying the rental car companies have not taken the opportunity yet to de-fleet. I thought we had heard a month or two ago that they were starting to sell some of their higher-priced products and holding onto some of the older product. Was that just sort of a marginal factor in what you were seeing from them? Just curious; it sounds like it's changed.

ERIC LOUGHMILLER: I believe that would describe Avis, but I don't believe the rest of the industry was doing that as early as Avis did. And then, since the first two months, to be honest, all of them are stuck with the fleets not being utilized, and they're not monetizing them quite yet.

Now, the rental car industry has historically-- for the physical auction industry in particular, one of the smallest segments. They use alternative channels. They've tried to do many other things. Our marketplace will be the only place, if they have large volumes of cars to sell quickly, to do that, in my opinion, efficiently. It will be very difficult for them to do that.

Now, our marketplace would include using the open lane channel and selling direct to franchise dealers, as well as simulcast in the physical auction. And the competitors will have comparable offerings. We all could benefit from that. It's a very small part of our business. We're actually underrepresented in the rental category. But it probably would be some upside from what we have now.

The other thing, John, that I'd point out to you is the repo activity has been deferred by almost every lender-- well, all the lenders. Some are starting to repo cars again this week. Some are waiting till the end of the month and 1st of June. And some major banks have announced that they're deferring all repo activity until July 1. That will be another strong source where the cars are not yet in inventory, yet we know there are a backlog of supply coming to the industry and to us at a ADESA. That, again, will bolster supply in a period where demand is starting to recover but not fully recovered.

JOHN MURPHY: OK, that's very interesting. So that's another source of supply that's coming. So it seems like you've got a lot of commercial vehicles, which are the, mostly, lease, I guess, backing up on your lots. And then you have the rental car companies and the repo activity which is still on the come. So I mean, that exacerbates this supply issue that you have at your physical auctions, or vehicles that you're storing for consignors. It's a really interesting dynamic.

And when you look at all this, Eric, as you're managing this process, and storing all these vehicles, and processing them before fees are generated, how do you think about the near-term incremental costs of storing and processing before you get paid? Or is that the kind of activity that you can get or you can recover from your customer, either through higher fees when the vehicles ultimately sell, or for some kind of storage fees or something like that?

ERIC LOUGHMILLER: Well, John, we're a transaction-based business. Generally, we do not charge storage. That doesn't mean there aren't circumstances where it's appropriate, where they're going to store cars for a very extended period of time. And we haven't reached that point where we're talking to our customers about that.

We are tight on parking spots, especially in major metropolitan areas. And we're seeking short-term leases on alternatives. The good news is, there are plenty of locations with large parking facilities that aren't utilized right now, and it's perfect for us. And they don't expect to be utilized for some period of time. You know whether they be vacant shopping areas where businesses have shut down temporarily and there's no market for anybody new to go in there right now. So we can handle the short-term needs.

The other thing-- we have been able to use customer parking because we have not allowed customers onto the properties since March. So our facilities have some land we can use on a short-term basis, and we know that we can use it for a while. I'll get into the online auctions and how we move the cars and it works altogether.

But we think there's plenty of facilities. It's also a time in which the commercial real estate market, when they have these parts of the property, are looking for short-term leases because they don't want to use current price. It's a depressed market. They would prefer to get a short-term lease through this period of depressed valuations so that if the market recovers, they're not locked into a long-term lease. And so it's actually pretty advantageous for us right now to find alternatives to park vehicles and it won't be a big deal.

And the transactions increasing-- what I've talked about, having a steady stream of predictable transactions makes us more efficient in running the business, and we'll recover that cost very easily through our normal fee structure for selling the vehicles and all the work we do.

JOHN MURPHY: Got it, OK. So if we think of all this, I think it was on the last call you talked about being break even at 20-- I think was 20,000 units per week, as I recall. And is that on an operating, an EBITDA, or a cash flow basis?

ERIC LOUGHMILLER: John, I've used the story, it's like when you first get out of college, you feel like your checking account, you have money when it's positive, and you don't when it's 0 or less, right? So what we're measuring is the available cash in the bank account.

We have now gone-- I will be pleased to report we have gone-- I won't give you the number because I don't want to get anybody in trouble here-- but we have done cash flow positive last week, and the week before was break-even. It was actually very slightly positive. And this week, even with the payroll, we will be even more positive than last week.

So things are moving in the right direction. We got the benefit of reduced workforce through the furloughs. We have already, prior to this week, called back about 1,400 employees because of the activity picking up. We've also furloughed an additional 400, so net about 1,000 up. And over the next two weeks, we will be calling back a large number of employees as we're beginning to be able to provide services from some of our auction locations. And we need those employees to be on-site to process the vehicles and begin that.

So cash is cash, and it's available cash. I'm excluding from that the cash that's trapped within the securitization accounts temporarily as a result of the amendments I've got to the covenants and triggers in that agreement. I've agreed to hold the cash in the account until we are past this period of disruption, which I believe will be, for that, June 30, because that portfolio rightsizes is very quickly, and it's an issue I can talk to in a few minutes.

So it's positive cash in the bank. That includes the operations, working capital, capital expenditures. The only thing I'm excluding right now is my $36 and 1/2 million semiannual interest payment due June 1. But I am pleased to report I'm building cash up that might even satisfy that by the time I get to it.

On the earnings call, our available cash was about $100 million, and I can report we have kept the number above that and have actually grown from that number-- I don't think I should give a specific number-- since then, and that earnings call was just last week. So I really feel good about where we're at. And we have also--

JOHN MURPHY: That's very helpful.

ERIC LOUGHMILLER: --we have not drawn any, we have not drawn on the revolver even for a temporary daily need. So we've been very disciplined.

JOHN MURPHY: That's incredibly helpful. And those 11,000 workers that you furloughed, you're basically saying you net brought back 1,000 so far. You know, it's hard to say what normal is these days, but if you were to think about returning to pre-COVID levels, and deeming that normal-- might take a bit of time to get there, or maybe not given the inventory that you've got in your backlog-- how many of those workers come back? And is there an opportunity to be much more efficient over time and take costs down structurally?

ERIC LOUGHMILLER: Well, John, we have the opportunity to take costs down structurally. But we've been working on that prior to the COVID-19 crisis, right? So it's probably given us an opportunity to wipe the slate clean, bring our cost structure down to a level well below what we could sustain, and then bring it back up, as opposed to eliminate costs that we're incurring week-to-week.

So I'm not saying it's easy, but it will be a little easier task to take cost out of an organization when you've stripped it down to the bare bones and are now saying, what costs do I bring back? With that, we would like to bring every employee back. The problem is, the businesses are changing throughout the world. And through technology and how we're learning to use the technology through this COVID crisis, we may not need all the positions that we had in February of 2020.

But what I would like to say is we would love to have the volume and have jobs for everybody, and we'll just have to see how it plays out. At this point in time, our employees that are being called back, some are not coming back, and that's creating opportunities for other. So there may be enough self-selection here where people are finding other things that we don't have to talk about how many people we don't call back. It's still a question we can't answer. And as you know, we would love to have everybody back in the organization whenever that's possible.

JOHN MURPHY: OK, that's helpful. And when you think about your buyer base being independent dealers, as well as the demand at those dealers, I'm just curious how they are faring, because most of these buyers are-- most of them are smaller businesses. They may have gotten run over in this crisis, or maybe not, depending on how their business is doing. I'm just curious-- your buyer base, and then, also, one step further down, the retail buyer of a used vehicle and what you're seeing there, that will ultimately be the driver of clearing this inventory.

ERIC LOUGHMILLER: Well this-- call it recession, the COVID recession, does look quite a bit different than the shock we had in 2008 and early 2009. At that point, there was not capital

available for businesses temporarily. I mean, it was very uncertain. And if you needed capital, the cost was extremely high.

We also didn't see a shutdown in retail. Miles driven wasn't impacted materially. It was down a little bit, but not much. And so behavior by the consumer wasn't much different, other than they were uncertain about their economic future. There were foreclosures. There were repossessions. But we probably got through it over a reasonable period of time, but it was a bit extended-- probably 12 to 18 months.

What we're experiencing now is a bigger shock. It's a bigger decline. But we also saw retail stop to zero. So they couldn't sell the cars and use the money for payroll, and we lose our collateral. So we're actually seeing our dealer base, and the dealer base as a whole, independent and franchise dealers, we think are-- and we also had stimulus. They had access to funds that might keep them in business. So ironically, looking at AFC, our default rate is actually below our expected default rate pre-COVID-19. In fact, it's declining. The default rate is going down. And we believe it's in part our dealer assistance program, where we're deferring principal and fee payments up through June 1, for curtailments, which means the extension of a loan if it matures and the car has not been sold.

So we've helped them on the cash flow, not creating a liquidity crisis. But also, that prevents them from selling the cars and saying, gosh, I can't make the payment. I'm going to use this money for payroll, and we'll deal with it later. So we're in a little bit better spot.

I will raise a caution flag. We actually don't think the dealers have yet felt the brunt of what's happening because of all the assistance they're getting from our industry, from PPP loans, from wage credits, if they kept people on, that they might have been eligible for. So we're a little concerned that it's deferred-- we've kicked the can down the road.

But we also will tell you, it looks like a healthier outcome is likely. If dealers were on the edge before COVID-19, they're not making it. That is where the losses are coming from. The losses I pulled forward into Q1 was a dealer that we were trying to work with, and the minute this retail market hit, we had to repo the cars. We recorded the loss, and we talked about the $5 million I pulled back from April activity. It was the first weekend in April that we had to take that action, and we recognize that loss.

But across the board, we're seeing dealer strength. We are actually back-- this week, our pay-offs-- and by the way, our portfolio, the securitization has paid down 200 million dollars in the past month, and pay-offs have exceeded floorings, which shows a responsible activity in a period of low retail.

We are now back to where new floorings are getting very close to equaling pay-offs, which means the dealers are making transaction and paying off their floor plan and then, in theory, restocking the inventory because there's adequate demand. That's a demonstration that the market is getting healthy. And I'm doing that with an unusually low default rate that we measure on a weekly basis.

So things are looking good. I'm a little nervous about the June, July, and August when these deferral programs run out, if they've run out of PPP money that they used to support their business. We'll see if they can run their business without as much working capital as they may have had in the past. But I think we'll do fine. I'm pretty sure.

There is a situation right now, whether it demand comes back. I don't think we'll see the shock of closings of the independent dealers. I think there is a possibility those that are on, call it, weak legs will look to consolidate, because we know the major national retailers are looking to expand their used car footprints. All of them have talked about it. So perhaps there will be consolidation.

All of it will be driven by demand-- not by COVID-19, not by PPP. If there's no demand, the businesses won't make it. And the losses won't be great. As long as they keep the collateral available to us, it'll be minor.

JOHN MURPHY: That's a very interesting dynamic I think that Doug Carson had a couple of cap structure and balance sheet questions. Dougie, are you one?

DOUG CARSON: Yep, sure am. Thanks so much for staying with us here at this late hour. There's been a lot of interest from bondholders in your story, and I guess I'll direction some questions to the balance sheet.

And the first question is, how do you feel about your liquidity? It seems like the cash flow seems-- there's some upside to it, it appears. So one is liquidity, and two is your balance sheet leverage. And we can start there.

ERIC LOUGHMILLER: Yeah, Doug, and thank you for hosting tonight as well. Our liquidity is actually improving over the last two weeks And you were at a stage where you measure week-to-week. And I will tell you, it's moving in the right direction by a meaningful number, so I'm getting greater confidence. And having $250 million of cash at the end of March when we talked about it-- of available cash. That's not our balance. Our balance sheet cash is much greater than that. And that excludes cash trapped in the securitization, which will free up here in the near term over the next two, three months. And that's another $50 to $60 million that will become available that I currently call "trapped" or "restricted" because of the securitization agreement. That is comfortable.

I've got a revolver that has not been drawn, and I have terms of that revolver that I'm discussing with the bank the appropriate terms to measure access to the revolver during a period of really, really unprecedented performance across all of the business. How do you factor that in? And those conversations are going well.

So while I don't have anything to tell you specific, I am confident that we will have access to our revolver through the period of COVID-19, and then it will be available to us as the business starts to recover and grow, where I'll have a working capital need that, perhaps, needs capital.

Relative to balance sheet, I'm sensitive to the fact that at three times levered, roughly, EBITDA may decline here in the near term. Even though we've not provided guidance, clearly, the

business won't support the EBITDA being comparable to last year, or equal to, or greater than, like it normally would be.

As I look at that, I think our leverage is adequate for us. I think our capital structure makes sense, with the half of our debt in term loan and half in unsecured bonds that are due in 2025. I really have no near-term issues, and I do believe that our leverage level is completely acceptable for the level of cash we can generate in this business, including when I'm operating at a substantially lower level than normal and generating cash on a weekly basis. That is meaningful and will give us the resources to grow.

With that said-- and this is probably what you're interested in-- We also realize that at these times, having additional capital available as a security blanket is beneficial. And while we're not talking about anything specific, many of our advisors, including your institution, are talking to us, and we know that the debt markets, in certain ways, are available once we can demonstrate where the path to recovery is. So, we feel we will also have access to capital should additional capital be needed at any point in the growth cycle.

But right now, we feel comfortable with our position. All of our capital resources are available to us and will remain available to us. And we feel we can fight this off for an extended period of time. Our goal has always been to have adequate resources to get through 2021 if this COVID-19 issue continues at that length of period. Now, it's showing some signs of recovery. But what if there's a second wave? We need not to get ahead of ourselves on this recovery.

DOUG CARSON: Right. It sounds cautious and smart. As we think about, maybe, even 2021, if we were able to pull through some broader improvement in the economy, and you guys are generating some cash, maybe help us think about the decision tree and what it would look like for capital deployment, where you could direct cash to acquisitions, share buybacks, dividends, debt reduction. I know I'm getting a little bit ahead of myself, but in the event you come into some cash, what do you think the next step would be?

ERIC LOUGHMILLER: Well, my crystal ball is very foggy for 2021. But let's just use your assumption, not mine, that things are getting back to normal. I think we would have considerations around all the levers of capital deployment that we've used in the past. I think it's unlikely, until we are in a very secure capital position, that we would use funds to buy back stock. Realistically, even at the prices of our stock right now, that would not be a prudent deployment today, because we need to make sure we have the working capital available to grow, and that will be a use of cash for some period of time.

But by the time we get to '21, under your assumption that things are getting back to normal, it will start to then turn into a generator of working capital, our balance sheet will. And at that point, we'll look at it. We have temporarily suspended our dividend. We'll be evaluating the appropriateness of paying a dividend at some point in time. Again I am not committing one way or the other whether we will, but that will be back on the table.

We will also be looking-- we have a pipeline of acquisitions that we're considering. It's obvious we're not interested in doing acquisitions at this point in time when we're focused on reducing

our cost, managing the cash flows of the business. We're being very, very conservative in that regard.

And then, our CAPEX has been pulled back. As I said on the earnings call, we will want to drive more CAPEX into the operating businesses to support the growth we're looking at and to continue this transformation of our business into a digital platform-oriented marketplace, and again, with large physical locations, but digital platforms that enable the transaction to become increasingly efficient with a lower-cost delivery of our services.

So you know, I think all avenues will be open to us. Those that are discretionary will be later in the recovery cycle than those that would be, shall we say, necessary-- like CAPEX, like making sure that we consider our shareholders at the right time in terms of returning capital as it's available, in some form or fashion. All of those will be taken in priority order as we get back to-- and by the way, when our businesses are generating the cash flow, not potential capital transactions that we might have just talked about.

DOUG CARSON: Right. That was a good framework for us to follow. And in the interest of time, I'll turn it back over to John. Thank you for those answers.

ERIC LOUGHMILLER: Thank you, Doug.

JOHN MURPHY: Thanks. OK, switching to, maybe, the online phenomenon here, Eric. You've heavily invested in your online sales channel the past few years, openly simulcast TradeRev, Cars on the Web. You're seeing more of the business go online.

I was just curious, over time, what are your thoughts? Could it ultimately be the entire business, as far as the actual transaction? And how do you think about real estate in the context of that?

ERIC LOUGHMILLER: Well, the one thing we're learning is the real estate is as important today-- and we have not run a physical auction since March 16, the week before March 16. We have not run cars through the lane since March-- what would that have been? March 13. And the land is a very important asset as you end up with these differences in supply and demand, John.

So the difference is, what's the purpose of the land? It's not to run the auction. Is to store the vehicles, to improve the value of the vehicles through reconditioning work, provide a more efficient transaction for the buyer and seller to have a marketplace where they can effectively do their business at the lowest cost possible. And the land contributes to that.

Interestingly-- you pointed that out-- all of the tools that we put in place that are expanding the digital footprint of our capabilities could not have been better timed than they were, because they're in place. Even in Europe, where we were a relatively small player, we're seeing our platform be high in demand as people are looking to return to business over there, and it's actually not returning quite as quickly as what we're seeing in some parts of the US. Canada is also behind the US relative to returning to work, and they're just starting.

So I think our investment was very timely, I know people would question how much you're spending, but guess what? Since March 16, 100% of our transactions have been with online buyers. It was only 58%-- which is still a very important and positive number-- in 2019. We're at 100% for now, what, eight, nine weeks?

And I can tell you, while there may be less than 100% as people come back to the processes, we are pretty confident it will be greater than 58%, as buyers have gotten used to transacting. Can you imagine-- none of us are commuting to our jobs right now. How much time have we saved? And are we really saying, can I be more productive?

That doesn't mean we won't commute to our jobs again. But what I'm saying is, once you've learned of the efficiency, why are you going to a three-hour auction event to bid on 10 or 12 cars? It's like a football game. We have to watch all the time in between the plays to see a few seconds of football every 45 seconds to a minute. Well, why? You can be doing other things.

And so I think we've introduced efficiency that will be productive for the marketplace and the we'll see a greater adoption of online buying, where they don't feel the need to go to the physical auction. But that will not reduce the need for space. We've learned in these times-- it happened in '08, '09-- our space was one of the most important assets we had.

As the consigners, their option is, if I have to sell the car because I can't sit it somewhere, I have to take a lower price, and it hurts my business. So we're adding-- the land is adding value to the consigners, in particular.

JOHN MURPHY: I think that's pretty obvious. I mean, when you think about the sales channels, particularly TradeRev, which is a little bit of a sore spot in it's ramp-up or profitability, I'm just curious-- are you seeing any changes in TradeRev profitability? Or is there a lot of buying, even, on TradeRev at the moment?

But could an event like this help turn TradeRev profits positive sooner rather than later, and is there a time frame for that? Because it seems like that might be a tool that gains more traction in this-- or maybe not. I mean, what are your early thoughts and experiences on that?

ERIC LOUGHMILLER: Well, let's talk about two markets-- US and Canada. Canada, we had a strong position, and we're growing. And Canada, to be honest, has not recovered at the pace of the US yet. And our TradeRev, I believe, has shown its value in the marketplace. We've furloughed a lot of employees, and we are delivering, actually, higher volumes in the US with fewer people, which equates to, at a minimum, less losses and, perhaps, a faster path to profitability. If we can continue that.

And you are correct. These types of-- you cannot go to a physical auction, which makes all of the online platforms at least something you're willing to try, and it works on some. And you will find that it will not get more money for the car in all circumstances, if any. And sometimes, it gets less money, and you need to wait for more liquid market than that marketplace might have on that given point in time.

So I think it's fitting very well into the value proposition of ADESA dealer consignment initiatives. You know, we've combined them. We have been using the ADESA dealer consignment sales team, which is a combination of TradeRev people and ADESA salespeople. And they have been assisting the dealers with loading cars, and doing the condition reports, and launching the auctions.

And that has shown up as a very positive event in the United States, where I think our growth is higher than it was pre-COVID. The dip in TradeRev was not as deep as the physical locations, and its recovery was faster, which is very good news for us. And we've done that with a much smaller employee base than we had going into this. Now, those employees will be coming back, but we hope they're coming back as we continue to grow the volume levels at a more accelerated pace.

JOHN MURPHY: OK, that's very helpful. And I think in the interest of--

ERIC LOUGHMILLER: Oh, John? John?

JOHN MURPHY: Yep?

ERIC LOUGHMILLER: John, could I add one thing? Our conversion rate--

JOHN MURPHY: Absolutely.

ERIC LOUGHMILLER: --on TradeRev is also going up above where it was historically. So the cars they're loading are cars that they are really having a high opportunity to sell. That is the most positive aspect. We're seeing the people identify where that's the right platform. They're putting the right cars on it, more of them, and we're selling a higher percentage of those cars listed-- all positive outcomes for TradeRev here over the last six weeks.

JOHN MURPHY: So it seems like the online sort of conundrum is proving out to be a real positive for you. You're gaining traction on some of these products like TradeRev that have been a little bit stuck in the mud, and they're making progress. But there is an ever-increasing, obvious need for the real estate to store the vehicles.

So it almost seems like this is the shining a light on the business model, as you have it set up, is set up for this transition in whatever way it goes. But your traditional land is more valuable, and now your online offerings are becoming more valuable. So it just seems like we've got to gut through the second quarter and some tough times here in the near-term, but ultimately, the business is really proving out. I mean, it seems like it's working out-- it ultimately is working out pretty well.

ERIC LOUGHMILLER: Yes, John. And you've raised a couple of points. And let me speak to the contrarian view that I have to address periodically. Will the digital marketplace devalue the asset you have in physical footprint and also, then, not cover the fixed cost that you have associated with that?

And what you just demonstrated is exactly true-- no. Both have become more valuable in a situation like we're in, and that allows us to prove the marketplace, how the value of combining the physical assets and the ability for you to manage the value of your fleet when you dispose of it, with a digital platform that makes the process more efficient, and therefore the buyers can bid more money because there's more money available for the par than the friction in the transaction-- transportation, all the different things-- all of that works together, where we think we have the best collection of assets to serve the entire marketplace.

We will have competition. We don't underestimate our competition, ever. But the combination of those assets is what's most powerful and allows us to serve a broader customer base, handle more volume, and handle it with getting the best outcomes.

In a situation where there's a shortage of vehicles, you can sell any car, and you'll always get the money. That's not most market conditions for our industry. We're usually trying to match supply and demand so that we don't degrade price. We're able to do that with the combination of assets that we have.

JOHN MURPHY: Well, on that note, we appreciate the time, Eric. Very interesting session here. We thank you very much for the informative session, once again, all the time you've given us today, and wrapping up a little after almost 6:15 on a Friday afternoon shows real dedication. And we've had a lot of interest online here. I think we've had about 50 people in the virtual room. So you know, your comments and insight have been not lost on people. There's a lot of interest.

So thank you very much for all the time, and thank you, everybody, for listening today. This wraps up our Auto Summit, and we look forward to seeing everybody-- talking to everybody soon, but seeing everybody soon in physical form, and certainly having this summit in physical form next year if at all possible. We love talking Eric and everybody else online, but it would be even better in person.

So thank you, everybody. Thank you, Eric, and thanks, everybody, for joining us.

DOUG CARSON: Thanks, everybody. Take care.

ERIC LOUGHMILLER: And thank you, John and Doug.

[MUSIC PLAYING]