

**OPENLANE**

**Q4 2025 Earnings Call**

**February 18, 2026 at 8:30 a.m. Eastern**

**CORPORATE PARTICIPANTS**

**William Wright** - *Vice President of Investor Relations*

**Peter Kelly** - *CEO & Director*

**Bradley Herring** - *Executive VP & CFO*

## **PRESENTATION**

### **Operator**

Good morning, and welcome to OPENLANE's Fourth Quarter 2025 and Full Year Earnings Call.

All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing star then zero on your telephone keypad. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star then one on your telephone keypad. To withdraw your question, please press star then two. Please note this event is being recorded.

I would now like to turn the conference over to Bill Wright, Vice President, Investor Relations. Please go ahead.

### **William Wright**

Thank you, operator. Good morning, everyone. Welcome to OPENLANE's Fourth Quarter 2025 and Full Year Earnings Call. With me today are Peter Kelly, CEO of OPENLANE and Brad Herring, EVP and CFO of OPENLANE.

Our remarks today include forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve risks and uncertainties that may cause our actual results or performance to differ materially from such statements. Factors that could cause such differences include those discussed in our press release issued today and in our SEC filings.

Certain non-GAAP financial measures as defined under the SEC rules will be discussed on this call. Reconciliations of GAAP to non-GAAP measures are provided in our earnings materials and available in the Investor Relations section of our website. Please note that all financial and operational metrics presented during this call are on a year-over-year basis, otherwise specifically noted.

With that, I'll turn the call over to Peter.

### **Peter Kelly**

Thank you, Bill. Good morning, everyone. I'm pleased to be here today to share OPENLANE's strong fourth quarter and 2025 full year results. I'll start with a few highlights and my outlook for the year ahead, then Brad will walk through our detailed financials and the specifics around our 2026 guidance.

At the start of 2025, I challenged the OPENLANE team to achieve four key goals: grow our customer base, grow vehicle transaction volumes, improve our financial performance and position OPENLANE for long-term success. I'm very pleased that we exceeded our expectations on each of these goals. Our fourth quarter and full year results are proof points to the strength of OPENLANE's strategy, and we continue to execute that strategy with focus and conviction. By doing so, we are making wholesale easy for our customers and further differentiating OPENLANE in terms of dealer preference, market share and our pace of growth.

During the fourth quarter, we grew consolidated revenue by 9% and delivered adjusted EBITDA of \$76 million, which was a 5% increase over the prior year. This was driven by strong performance in the marketplace business with both Commercial and Dealer customers as well as a strong Q4 performance by AFC. As a reminder, these results were achieved against the prior year that included contributions from the Automotive Keys business that we divested during the fourth quarter of 2024.

In our Dealer-to-Dealer business, we delivered 9% year-on-year unit growth in the fourth quarter, but very different dynamics and performance between the US and Canadian markets. In Canada, we saw a

weaker macroeconomic and automotive retail environment in Q4, and this resulted in fewer Dealer-to-Dealer vehicles sold in Canada compared to one year ago. In the United States, however, OPENLANE's positive momentum in Dealer-to-Dealer continued to accelerate. In Q4, we outperformed the industry, gained share and our year-on-year growth rate increased from the high teens in Q3 2025 to over 20% in Q4, the highest year-on-year growth rate we've seen in Dealer-to-Dealer for many years.

On the Commercial Vehicles side, the 2% decline in volume was less of a decline than we had anticipated. And actually, we saw Commercial volumes inflect in December, reinforcing my expectations that we have turned the corner on Commercial volumes, and we will see Commercial volume growth in the current quarter, Q1 2026.

Our Finance segment also had a great quarter, growing loan transaction units and average receivables managed while holding the loan loss rate to 1.6% and increasing adjusted EBITDA by 6% year-on-year. All of this contributed to what I consider a very strong and very compelling performance by OPENLANE in 2025.

On a full year basis, OPENLANE sold nearly 1.5 million vehicles, generated \$1.9 billion in total revenue, \$333 million in adjusted EBITDA and \$392 million in cash flow from operations. This strong financial performance was driven by positive contributions across the entire business. Our Marketplace segment delivered a 15% increase in Dealer-to-Dealer volumes, a 13% increase in Auction and Related fees revenue, and a 17% increase in adjusted EBITDA for the full year 2025. Our gross merchandise value also increased by 6% to \$29 billion, another powerful proof point of the velocity that OPENLANE is building. The Finance segment also had a standout year, holding loan losses to 1.6%, near the bottom end of our historical range and generating 11% growth in adjusted EBITDA.

In summary, I believe our fourth quarter and full year results further reinforce the strength and scalability of OPENLANE's digital operating model. The investments we've made in people, technology and the OPENLANE brand are further differentiating us in the market and compounding our growth. This, coupled with several encouraging factors I will discuss in a few moments, fuels my confidence in OPENLANE's ability to deliver long-term growth, profitability and shareholder value. So now let me turn to our strategy and outlook for 2026.

OPENLANE's strategy is anchored in our purpose, which is to make wholesale easy so our customers can be more successful and we're making wholesale easy by focusing on three enabling priorities: first, by delivering the best marketplace, expanding our depth and breadth with more buyers and more sellers and offering the most diverse commercial and dealer inventory available; second, by delivering the best technology, innovative products and services that help our customers make informed decisions and achieve better outcomes; and third, by delivering the best customer experience, keeping our marketplace fair, fast and transparent, making it easier for customers to transact and making OPENLANE the most preferred marketplace. While we will continue to evolve our approach to fit the market and the needs of our customers, our core strategic priorities will remain the same in 2026, and I firmly believe our continued focus on these priorities will help us navigate any uncertainty in the market while capturing the opportunities ahead.

So now let me turn to our outlook for 2026, and I'll begin with the US Marketplace, which will be the primary driver of OPENLANE's growth this year and the primary focus of our investments and execution. Let's start with Commercial, where I can confidently predict off-lease volume growth beginning in the current quarter, growth we expect to sustain throughout the year. Given our strong market position supporting the majority of off-lease programs in North America, OPENLANE will be a primary beneficiary of this off-lease return. Additionally, there are several factors that we believe will positively compound this tailwind.

First, new lease origination rates were healthy throughout 2025 as they were in 2024. This should extend a stable supply of off-lease vehicles through 2028 and beyond. Second, consumer lease equity is at its lowest level in recent years, which should meaningfully reduce consumer and grounded dealer payoffs, allowing a greater percentage of vehicles to reach the OPENLANE marketplace. Third, several Commercial customers have expressed a desire to increase online conversion to avoid the time and cost associated with physical auctions. So, we plan to expand some of our successful pilots from last year and pursue launching them with additional customers in 2026. And finally, I'm very pleased to announce that our latest Commercial Private Label program is now officially live, bringing in more than 900 new dealers to OPENLANE.

Moving to our US Dealer-to-Dealer business, we will continue to execute the successful playbook that, based on our analysis of publicly available data, drove meaningful market share gains in 2025 and volume growth that significantly outpaced the industry. From a TAM perspective, we anticipate a relatively stable dealer-to-dealer market in 2026 and a continued migration towards digital channels. We believe our value proposition in terms of speed, ease and better outcomes for dealers positions us well to capture a greater share of the millions of dealer transactions still conducted at physical auctions and through other digital and wholesale channels. And here's why. First, we expect to see compounding benefits from our sales staff hired in 2024 and in 2025 as they establish OPENLANE into new markets and expand market share and wallet share in existing OPENLANE geographies.

Next, in Q4 and for the full year, our digital marketing and inside sales teams' drove record new dealer registrations, record unique vehicle listings and record buyer and seller engagement. Those teams are well primed and already executing on aggressive 2026 plans. We will also focus on growing private label franchise dealer participation as buyers and sellers in the OPENLANE open sale marketplace. This cross-pollination effort grew engagement by double digits in 2025 and will remain a core focus in 2026.

Next, as we continue to gain traction on wallet share with some of the largest dealer groups across North America, we will look to win new high-value target accounts while expanding our 2025 pilots with other customers into multi-store programs. And again, one of the greatest growth opportunities within our control is further leveraging the 15,000 independent dealer relationships at AFC, which I will speak to in just a moment. But first, I'll just touch briefly on Canada and Europe.

As I mentioned earlier, Canadian new car retail sales declined in the fourth quarter and again in January 2026. Given our strong market position in Canada, we are susceptible to these external market and economic shifts, so from a volume perspective, we expect marketplace volumes in Canada to be relatively flat. We expect our business to benefit from operational efficiencies, pricing elasticity and the release of new revenue-generating, non-transaction-based products and services. And in Europe, while our Marketplace business remains a smaller contributor to OPENLANE's overall results, we expect modest growth in volume to drive EBITDA growth in 2026.

Turning to AFC. AFC is a category leader that made significant contributions to OPENLANE in 2025. As we look to 2026, we expect some headwinds from a lower interest rate and a higher risk environment that Brad will discuss in a few minutes. And while our target loss range remains at an industry low of 1.5% to 2.0%, even small upward movements within that range could impact AFC's performance. We expect a solid performance from AFC in 2026. We expect that to be moderated by these headwinds and our own deliberate responsible balance between risk and growth.

We also still see a significant opportunity for AFC to help power OPENLANE marketplace growth in 2026. We had promising early successes on this front in 2025, cross enrolling hundreds of new and active AFC dealers, recommending OPENLANE vehicles to AFC dealers whenever a floor plan loan is paid off and

integrating our technologies to enable bundled promotions and offerings. With these strategies proven out, we are now full speed ahead in 2026. Sales teams have shared incentive-based goals around dealer enrollment and engagement, and our marketing and technology teams are working more closely than ever to capitalize on this unique opportunity.

On the technology front, we continue to advance our pipeline of innovation aimed at empowering our customers with technologies, data and insights. We are injecting AI and our decades of wholesale transactional data into key areas such as vehicle recommendations, predictive pricing and inventory management. And by combining these innovations and our teams under the recently announced OPENLANE Intelligence umbrella, we're able to develop, scale and bring new solutions to market more quickly than ever.

From a brand perspective, while we operate a leading digital business, we recognize the strength of our customer relationships is a foundational pillar of our success and of our future growth. Our focus on the customer experience drove 2025 transactional NPS scores that were consistently in the great to excellent range. We continue to make gains in brand awareness, penetration and preference according to our own dealer surveys. And we began 2026 as the most preferred digital pure-play marketplace for franchise dealers based on the most recent third-party research.

And finally, we entered 2026 operating from a position of financial strength. During the fourth quarter, we completed the repurchase of over 50% of the convertible preferred stock to the benefit of our remaining shareholders. Add to this our strong 2025 earnings and cash flow, our performance gives me great confidence in the future of this company. The business is growing with strong cash flow characteristics that enable OPENLANE to fund organic growth investments, manage what is a very low level of debt and return capital to shareholders.

So just to summarize, OPENLANE had a very strong year, and we are well positioned to capture the opportunities of 2026, and we're executing a strategy that is resonating with our customers. Because of that, I believe the key elements of our value proposition for investors remain very compelling. OPENLANE is a highly scalable digital marketplace leader focused on making wholesale easy for automotive dealers, manufacturers and commercial sellers. There is a large addressable market in North America and Europe, and OPENLANE is uniquely well positioned in both dealer and commercial. Our customer surveys and third-party research indicate that we are the most preferred pure-play digital marketplace in the industry. Our technology advantage is a competitive differentiator.

Our Floorplan Finance business, AFC, is a high-performing business that is highly synergistic with the marketplace. We are cash flow positive with a strong balance sheet, and we believe our business has the capability to deliver meaningful growth, profitability and cash generation over the next several years.

So with that, I will now turn the call over to Brad.

### **Bradley Herring**

Thanks, Peter, and good morning to everyone joining us today. Before I get into results, I want to mention some changes to our financial statements that you will see reflected in our earnings release material and 10-K. Specifically, we have consolidated all of our revenue streams that are associated with volumes transacted on our digital platform into a single line called Auction and Related Fees. Nonvolume-driven revenue streams in our Marketplace segment have been renamed SaaS and Other revenues. This change is part of an overall effort to improve transparency into the drivers of our Marketplace business that we're going to be discussing in more detail at our Investor Day on March 3 in Fort Lauderdale. There were no changes to purchased vehicle sales, finance revenue or total revenues. For comparative purposes, our earnings slides include quarterly revenue streams in this revised view going back to Q1 of

2023.

Moving on to our results for the quarter, we reported total revenues of \$494 million, which represents growth of 9% over the same quarter last year. Revenue growth in the quarter was heavily concentrated in the Marketplace segment, which I'll discuss more in a minute. Consolidated adjusted EBITDA for the quarter was \$76 million, which represents an increase of 5% over the same quarter last year. I'll break down the EBITDA results with the discussions of each particular business segment.

As I mentioned on previous calls, we'll be discussing adjusted free cash flow conversion on a rolling 12-month basis due to the inherent volatility in our quarterly cash flow numbers. As a reminder, this volatility is driven by calendaring impacts within the settlement processes of our Marketplace segment as well as the seasonal expansion and contraction of our receivables portfolio within our Finance segment. With that context, our reported conversion rate for the calendar year 2025 was 89%. This conversion rate benefited from some year-end timing considerations in our working capital accounts that when normalized results in a conversion rate of 74%.

I've mentioned before that we expect our trailing 12-month free cash conversion rate of around 75%. However, with the addition of our debt instrument in Q4, we are revising that number to an adjusted free cash flow conversion rate between 65% and 70%. It's important to note that this revision is entirely related to a change in the mapping of our financing cost as a portion of our dividend payment has now shifted to a tax deductible interest payment. The absolute cash generation of the business remains largely unchanged.

Moving to the performance of our business segments, I'll start with the Marketplace. In Q4, we transacted GMV totaling \$7.1 billion, which represents growth of 8% over the same quarter last year. Year-over-year growth in GMV is comprised of 8% growth from our Dealer customers and 7% growth from our Commercial customers. Auction and Related revenues, which I mentioned before, now includes all volume-related fees associated with our digital platform were \$206 million, up 12% over the same quarter last year.

Consistent with recent quarters, the primary drivers of revenue growth were higher volumes in the US dealer business, combined with some modest price increases put in earlier in 2025. Offsetting that growth was macro pressures in Canada that decreased year-over-year volumes. SaaS and Other revenues in the quarter were \$62 million, which is down 10% from the same quarter last year due to the December 2024 divestiture of our Keys business. Excluding the impact of that transaction, our SaaS and Other revenues were up 2%.

Q4 adjusted EBITDA for the Marketplace segment was \$32 million, which represents an adjusted EBITDA margin of 8.2%. This reflects 2% year-over-year growth in adjusted EBITDA and a 60 basis points decrease in the adjusted EBITDA margin. On a year-over-year basis, margins were depressed due to a higher mix of Purchased Vehicle revenue, go-to-market investments and incremental variable compensation driven by strong 2025 performance. Excluding the divestiture of our Keys business in Q4 of 2024, the year-over-year comparatives would have been 10% growth in adjusted EBITDA and consistent margins.

In our Financing segment, the average outstanding receivables managed in the quarter was \$2.5 billion, which is up 9% year-over-year. Year-over-year growth was driven by a 4% increase in the average vehicle value and a 2% increase in transaction counts. Net yield for the quarter was 13.2%, which is down 50 basis points year-over-year. The decrease was primarily attributable to a 90-basis point decrease in transaction fee yields driven by an increase in loan values, partially offset by higher net interest spreads.

The Q4 provision for credit losses was 1.6%, which is consistent with our results from last quarter and 24 basis points lower than last year. With regard to our loan loss provision, we reiterate a target loss rate in the 1.5% to 2.0% range. The culmination of the changes in the portfolio balance, the net yield and loss provision are an adjusted EBITDA for the Finance segment of \$44 million, which is up 6% over the same quarter last year.

With respect to capital considerations, I'll highlight the previously mentioned repurchase of our Series A convertible preferred shares that we closed on October 8. As a result of that transaction, we ended the quarter with \$550 million in debt outstanding and a fully diluted share count of 125 million shares. Consistent with our previous disclosures, the 125 million fully diluted share count assumes full conversion of the remaining Series A preferred shares. In addition to closing the buyback of the Series A preferred shares, in Q4, we repurchased 369,000 shares of our common stock, bringing our full year share repurchases to 1.8 million shares at an average price of \$24.71 per share.

With regard to liquidity, we ended the quarter with an unrestricted cash balance of \$142 million and capacity of over \$400 million on our existing revolver facilities.

I want to take just a minute to highlight 2 specific items that are flowing through our GAAP financials for the quarter. First, the repurchase of the Series A preferred shares resulted in a deemed dividend of approximately \$242 million. This deemed dividend is charged directly to retained earnings. And while it does not impact GAAP net income, it negatively affects our Q4 GAAP EPS by \$2.20 per share.

Second, based on our improved profitability and outlook, we concluded it is no longer necessary to maintain a valuation allowance against certain deferred tax assets. As a result, we recorded a noncash tax benefit, which increased GAAP net income by \$35 million and GAAP EPS by \$0.32 per share. Neither of these items impacted our adjusted EBITDA, adjusted free cash flow or adjusted operating net income per share figures.

Now that we've covered the highlights for the quarter, I want to move on to setting expectations for 2026. I'll start with the numbers, then provide some additional context of how we got there.

For 2026, we expect adjusted EBITDA to land between \$350 million and \$370 million. That represents a range of growth from 5% to 11%. Nearly all of the growth in adjusted EBITDA is expected to come from the Marketplace segment, which we anticipate to grow between mid and upper teens. The growth in the marketplace is a function of high conviction in our ability to win share in our US Dealer business; and our ability to capitalize on our strong position in the US Commercial business as those secular tailwinds turn in our favor.

We also have to recognize that because of our strong presence in Canada, our results there are more aligned with overall macro conditions. We expect the macro conditions in Canada to remain challenged into 2026 and therefore, predict our growth opportunities in Canada will be limited.

With respect to our Finance segment, we anticipate 2026 to be largely flat to 2025 due to a number of factors. Working in our favor is the ongoing growth in our loan portfolio as we continue to onboard new dealers and asset values continue to rise. As headwinds, we anticipate net yield pressure from anticipated rate cuts and a risk environment that gradually returns to more normal levels.

In summary, OPENLANE delivered yet another solid quarter of results. These results represent the coordinated efforts of our nearly 5,000 employees executed on a consistent mission to make wholesale easy for our customers. Looking into 2026, we have a large number of things to feel good about, including

strong momentum in the US dealer market, the recovery of our commercial customer category and continued contributions from our finance segment.

I can't close the call without a final plug for our upcoming Investor Day on March 3 in sunny and warm Fort Lauderdale, where we are looking forward to providing more information on our markets, our business, our technology and our financials.

Now, I'll turn the call back to the operator for questions.

## **QUESTION AND ANSWER**

### **Operator**

We will now begin the question-and-answer session. To ask a question, you may press star then one on your telephone keypad. If you're using a speakerphone, please pick up your handset before pressing the keys. If at any time your question has been addressed and you'd like to withdraw your question, please press star then two.

At this time, we will pause momentarily to assemble our roster.

The first question comes from Jeff Lick with Stephens.

### **Jeffrey Lick**

Good morning and thanks for taking my questions. Congrats on a great quarter and a great year.

Peter, if you break your Marketplace business down into Dealer and Commercial, it appears that as we exit 2025, both of those line items are probably going better than you expected at the beginning of the quarter and certainly at the beginning of the year. I was wondering if maybe you could just take both of them and why do you think they're going so well and things that you guys have done internally and then maybe market tailwinds as well?

### **Peter Kelly**

Thank you, Jeff. I appreciate the question. Thanks for the good wishes there.

Listen, I feel really good about the quarter and the year. And I think you're right. I feel really good about how we're positioned in the Marketplace with both Dealer and Commercial. I think we're at a great point in both. I'll start with Commercial.

As we've spoken about for a number of years now, we're expecting off-lease maturities to increase in 2026 and again in '27, with '28 as another strong year, so a good outlook for off-lease maturities. But compounding that, we see average lease equity at the end of those leases has declined, so payoffs from consumers and dealers are declining, which means a higher percentage of those vehicles are entering our platform. And also, because of that equity situation that I just described, lower lease and equity, those vehicles tend to flow deeper in our funnel where we monetize them at higher rates, so we get a better mix of transactions there as well. And as I mentioned, we've onboarded a new customer.

So, the outlook for volumes is strong. The decline in Q4 was less than I had expected. And I'm confident at this point that we'll see commercial volume growth starting in Q1. I knew there was some ambiguity on that on the last call, whether it would be Q1 or Q2 or when, but I'm confident it will be in Q1. So, I think Commercial looks really strong. Customer relationships are strong. Conversion rates are strong. I feel really good about that.

And then over on the Dealer side, the 9% growth in Q4, on face of it was a deceleration versus Q3.

However, an actual fact in the United States, which is the biggest market and the core growth opportunity, it was an acceleration. Our dealer volumes accelerated, our year-on-year growth accelerated in Q4 versus Q3 and we're accelerating off big underlying numbers at this point, so I feel really good on that.

What's driving that growth? I think that was part of your question. I think it's a lot of the things that we've talked about in other calls that we continue to execute on. It's making sure the technology is great, that the platform is easy to use for sellers and for buyers. They've got a good tool set to transact vehicles in the marketplace. Obviously, our go-to-market investments, which we've increased starting in the middle of 2024 continue to pay off, so we stepped up on those go-to-market investments as well in Q4, added some resources, which are really just getting onboarded and trained right now.

Customer feedback, the focus on customer experience is a real important focus here. Customer feedback and NPS scores are very strong. That's something we look at critically all the time. So, I think that's generating some word of mouth, some brand recognition, some increased awareness with dealers that put us in a good position.

Canada was a little bit of a headwind on dealer volumes in Q4, as I mentioned in my remarks, but fundamentally, we've got a great position in that market. And even though Q4 was weak and January continued in a similar vein, we've actually seen a little bit of improvement in Canada late January and into February, so we're starting to trend back towards last year's numbers. And last year was a very strong comp, the first half of last year in Canada was very strong. So again, put all those together, I feel really optimistic and positive about the trends that we're seeing.

### **Jeffrey Lick**

And just a quick follow-up on Commercial. On the last call, you had talked about units in the open auction lane, the final phase of the waterfall, Commercial units were already up year-over-year. I'm assuming that that's the case now. And you talked about in your prepared remarks about certain OEMs being more open to using a digital disposition method as opposed to taking it to the physical. Any details there would be helpful because that really is where the sizzle is in the Commercial business.

### **Peter Kelly**

Thanks, Jeff. Commercial volumes have been flowing deeper in the funnel, as I mentioned. The growth in Commercial in our open sale has been strong. It was again close to a double year-on-year in Q4. Obviously, top of the funnel didn't double, top of the funnel was actually down a little bit in Q4. Total Commercial volumes were down a little bit in Q4, 2%, but Commercial volumes sold in the open channel were up almost double or maybe even a little bit more than double, but approximately double, let's say, in the fourth quarter.

So again, that a very positive sign. I think it speaks to some of the trends we've talked about in terms of consumer equity, but it also speaks to the strength of the marketplace and that we've got a marketplace that can convert these vehicles into cash, into transactions; we can do that quickly at low cost for the seller. We can do it for ICE vehicles, we can do it for EV vehicles, we can do it for hybrids. So I feel really positive about that. I think that's going to be a long-term positive for this company.

### **Operator**

The next question comes from John Babcock with Barclays.

### **John Babcock**

Thanks for taking my questions. Just quickly, you mentioned that your growth accelerated during the fourth quarter. I'm just kind of curious, how did the US perform through the earlier part of '25? I mean

were you up in that 20% growth range? I don't know if there's a way you might be able to benchmark how you performed earlier.

**Peter Kelly**

Thanks, John. We don't disclose the exact number, but I think through my prepared remarks, and I'm going a little bit from memory here, in the early part of the year I think the US growth rate in Dealer-to-Dealer was approximately the same as our publicly reported growth rate in Dealer-to-Dealer. In Q3, I recall saying that I think our total growth rate in Dealer was like 15%, our US growth rate was high teens. And then as I just said in Q4, our US growth rate in Dealer-to-Dealer Q4 was above 20%. So, we've seen an acceleration in our year-over-year US Dealer-to-Dealer growth rate throughout 2025. And obviously, that's very positive and I think it reflects some of the actions we've taken, but we'll have to see how it trends in 2026. But I feel really good about the strength of the offering and the feedback getting from customers as well as the volume trends.

**John Babcock**

Okay. That's very helpful. And then next, weather was pretty bad in the back half of January here. I'm just kind of curious, does that impact your volumes meaningfully? Or how should we think about that for 1Q?

**Peter Kelly**

Weather can impact volumes for sure, and there were weather impacts from that. That was a pretty aggressive and widely distributed storm, let's just say, so that impacted retail sales and it impacted volumes.

But on the other hand, John, I think in any Q1, there's going to be one bad weather week somewhere in some part of the country at least. So, there's always some weather impacts in Q1, it's just a question of when they hit. So, I definitely think that's behind us now. But if I were to look at our sales by week, clearly, our weakest week year-to-date would have been that weak, but I think it's recovered and we move on. So I'm not concerned about it.

**John Babcock**

Okay. That's very helpful. And then last question before I turn it over. There's been a lot of discussion about AI and its potential to disrupt industries over the last week, two weeks or so. I was wondering if you might be able to talk about how you're thinking or planning ahead for that and also what you're doing ultimately to position the business such that, that disruption hopefully won't have a meaningful long-term impact for you?

**Peter Kelly**

Thanks, John. Listen, fundamentally, I think AI will be more of an enabler for our business model than a disruptor. I think the core aspects of our digital marketplace that we're a network effect business with buyers and sellers, we're dealing with significant assets to take up real physical space and have to be moved and inspected, I think those are fundamental facts on the ground about our marketplace, but I think AI can help us deliver improved technology solutions that benefit our customers. And that's why I see it as an enhancer and enabler and an accelerator in some respects.

We're leaning into AI across our organization. I'd say we're leaning into it in three principal areas. The first one would be in our engineering and software development operations. We're certainly leaning in more aggressively there. Our team is actively using it to help them design products, write code, test code, and accelerate our time to market for new software products as well as accelerate the time for technology consolidation, which is another thing we've been looking at here.

We're also using it in certain customer-facing areas. We have AI deeply integrated into the inspection

reports, both on the visual identification of damage through the photographs, we have AI looking at that. We have AI on the audio recording of engine noise. We have AI involved into the coding of the onboard diagnostic codes that we take through the readouts, and we're also starting to leverage AI in terms of pricing advisory for sellers and buyers as well as vehicle recommendations for buyers when they log on to the Marketplace.

And then the third area we're looking at AI is, I'd say, in operations. Obviously, with 1.5 million vehicles sold last year, it's 1.5 million titles processed. There's a lot of customer calls that go with that. There's funds flow between sellers and buyers and all that sort of stuff. So, there's a significant operation capability here and opportunities for further efficiencies in those processes as we leverage AI tools within those areas.

So, listen, I feel fundamentally optimistic as to the benefits. Obviously, it's a landscape that's changing weekly, so we have to stay close to it, which is what we're doing and we'll continue to do that.

### **Operator**

The next question comes from Rajat Gupta with JPMorgan.

### **Rajat Gupta**

Great. I have a question on the guide, if you could unpack that a little bit. I know you gave us some color on Canada and Europe. I'm curious what's embedded, I'm sorry if I missed it, what's embedded for volume growth in the US in the guide and split between Dealer and Commercial for the full year? Any more details you could give us there. And also within that, what's your market share growth expectation in Dealer for 2026?

### **Bradley Herring**

Rajat, this is Brad. I'll take the first part of that on guidance, and then I'll let Peter talk about some market share dynamics.

With the guide, we're not disclosing anything specifically around volume related to Dealer or Commercial, but we were pretty prescriptive around what the guide represents, which is really a continuation of what we're seeing in the US Dealer business. Obviously, the recovery in the Commercial business, mainly coming from US. We do expect Canada to be relatively flat year-over-year, just given some of the macro conditions there and same with AFC, and I mentioned some of the key reasons there.

What's important to understand when you think about our guide for next year is how that growth profile is changing a little bit over 2025. In some respects, especially when you look at the Marketplace business, we're expecting similar growth in terms of EBITDA performance in '26 over '25 with respect to percentage gains. We grew the mid-teens for '25 in the marketplace. We're expecting to either stabilize at that number or even increase that number into 2026 off of a bigger base, so we're really proud of the fact of how that Marketplace business is going to grow. But a fair amount of the growth in '25 came from AFC, which we don't expect to repeat in '26. If you remember, a lot of that EBITDA performance in '25 was related to improvement in the credit situation and loss provisions, which we don't expect to recur for next year.

So, we feel good about the guide. It's really driven by, like Peter mentioned, the US Dealer business, US Commercial business. But at the end of the day, we feel the marketplace is still going to have another stellar year just like it did in '25.

### **Rajat Gupta**

Yes. Understood. Thanks, Brad.

**Peter Kelly**

Rajat, I'll comment just a little on volume. It's not easy to get a firm number on all the different wholesale channels across this industry to get a precise market share number. We track our volumes vis-a-vis competitors, we track our volumes vis-a-vis AuctionNet. So, I think for the year overall last year, our US Dealer volumes grew north of 15%. I think our total dealer volume was 15% growth, but our US volume was higher than that. I believe AuctionNet dealer-to-dealer volumes, which is really physical auction dealer-to-dealer volumes in the US, grew around 4%. So, within that, you can see that there's a share gain, if you like, for OPENLANE. We grew north of 15%. The physical auction D2D industry grew 4%. We saw a widening gap in Q4. Our growth accelerated into north of 20%, and I believe physical auction dealer volumes declined 4%, I think, in Q4.

On prior calls, I've talked that on a long-term basis, we'd like to be outgrowing the industry by the mid- to high single digits on a consistent basis. I still think that's a reasonable kind of number to use. Clearly, we've done better than that in recent quarters. And obviously, we're going to continue to do the very best we can, but I haven't sort of moved off that expectation as a long-term kind of what investors should expect over, say, a 1-, 2-, 3-year period.

**Rajat Gupta**

Understood. Fair enough. Just to follow up on the SG&A side. I think you mentioned earlier that you're expecting to start to lever a lot of those investments that you made last year as they mature. I'm curious, is 2026 more of just leveraging a lot of the prior year's investments? Is this another big investment year that's embedded in the guide? I'm curious if you could dive into that a little bit.

**Peter Kelly**

Well, I'll start and then Brad can get into the numbers, but I'll just start at sort of a maybe a strategic level. Our SG&A investments have been principally focused in the US market and have had a particular focus, I'll say, on the D2D marketplace and share growth there and obviously we can see positive results from that. We've also done a number of waves of those investments starting in the middle of 2024 and the most recent one really at the end of last year into the current quarter, and it does take time for those to ramp up and really get productive. So, we can certainly see some early indications of impact in the sort of a 60- to 90-day framework, but I think you really have to be a year in before you really start to see it mature and really start to get to a fuller level of performance. So, there is that going on. I'll also say we've tried to fund those investments by reducing SG&A in other parts of the business.

I guess what I'd say is we're not looking to have to continue to do incremental waves. At some point, we think the SG&A growth should plateau out and the volume growth should hopefully continue, so we expect to see some continued separation there. We're going to be watching carefully for that. I do not have at this moment another wave planned in our 2026 plan, so I think we're going to run with what we've got for the most part. But obviously, we'll monitor and see. To the extent we're continuing to see very strong benefits, we'll keep that under consideration, but that's my thinking on it.

Brad, do you want to speak to it?

**Bradley Herring**

Rajat, I'd add a little bit of color to that. So, when you look at SG&A, '26 versus '25, there's a couple of moving parts. One, we've talked before about the incremental variable comp that will actually kind of peel off when we get into 2026, it will not recur in 2025, so that's going to be a good guide favorability for SG&A. You are going to see, to Peter's point, more of the annualization of our '25 go-to-market investments. There's some slight increments that are being added, but the impact of '26 is mostly going to be the annualization of investments that were made mostly in the back half of '25, so you will see some incremental adds there. But then to Peter's point, also, there are some ongoing efficiency exercises

around consolidations of some tech stacks and some functionality that's going to be funding some of that as well. So those are kind of the big three moving parts in that SG&A pool.

**Operator**

The next question comes from Bob Labick with CJS Securities.

**Bob Labick**

Good morning. Congratulations on the quarter and outlook.

Peter, in your prepared remarks, you talked about off-lease vehicles ending with negative equity. I think it's like close to negative \$1,000 for the first time in a very long time and thus flowing deeper through the funnel. You also talked about some pilot programs you did in 2025 to increase online conversion. I was hoping maybe you could expand a little bit about the pilot programs and what you can do to increase online conversion and how you see that playing out this year and beyond.

**Peter Kelly**

Yes. Thank you, Bob. Appreciate the good wishes there.

Let me start with the negative equity. I'm sure we're looking at similar data to what you're referencing there. We've seen negative equity decline. One public source shows it actually first time in the negative territory at the end of last year, first time in a long time. I think that's actually a mix. I think the equity situation within our customers' portfolios remains, I'll say, widely distributed. So, let's say, EVs heavily negative equity. An increasing numbers of vehicles sort of in the zone of close to 0 or low levels of equity, and then some vehicles remaining still significantly a lot of positive equity; some brands, some vehicle types. So, it's maybe a more widely distributed variation bell curve than would be typical given the different types of vehicles in those portfolios. But nevertheless, in aggregate, it has trended down, and I think it's going to continue to do so for all types of vehicles in my view. So, I think the outlook there looks positive.

We're going to into that in more detail, by the way, in our Investor Day here in a few weeks as well. We'll talk more about the impacts here.

Some of the pilots, I guess, what I'd say, Bob, at the highest level, what we're trying to do is get our Commercial sellers to engage in a more digital auction, use our Marketplace to really discover what the true market demand is for that vehicle and drive higher conversions, which is kind of what dealers do. When a dealer has a wholesale unit, they've got a view that I think this car should be worth the X, I paid the consumer X when I bought it as a trade-in, but I'm not really sure. I'm going to put it in the Marketplace and I'm going to see what the market brings. And dealers have learned that our Marketplace, the liquidity of the Marketplace, the number of buyers, the tools like Absolute Sale will get them full market value, very competitive outcomes versus any other channel, and we'll do it fast and we'll do it at a low cost.

And we're trying to get our Commercial sellers to really experience that same type of situation. Because Bob, as you probably know in the past, our Commercial sellers kind of have this waterfall process, they kind of set a price and then it's there for the buyer to sort of take it or leave it. And if the price is set too high, then obviously we don't have a buyer for that car, it's going to go downstream to a physical auction. And in all probability, it's going to sell for less than that price the seller was asking for. So, we're trying to engage the seller in those kind of price discovery tools.

We had pilots running with a number of brands in 2025. Those pilots gained traction over the course of the year. I'd say, fundamentally, we're trying to expand that and drive two things. One is a very strong conversion rate for commercial vehicles overall, but an increasing percentage of those vehicles selling in the open marketplace channel, which obviously benefits our sellers, benefits our buyers, but benefits our

business as well.

**Bob Labick**

Yes. That's really exciting. I think that's a huge opportunity as you can continue to grow that.

And then just as my follow-up, and you mentioned this. And I think actually, looking at off-lease volumes in a little more detail for next year, the growth is in EVs and plug-ins and a little hybrids and ICE might even be down a little bit. How have your experiences been so far with off-lease EVs, given, as you said, the very high negative equity because of the rapid depreciation in the incentives given before? So how has the experience been so far with EVs? And what do you expect that to look like through '26 and beyond?

**Peter Kelly**

Thanks, Bob. Our experience to this point has been very good with EVs. We're still early days, so I don't know that I've got enough data to say this is clearly locked in, and this is all done and dusted, but it gives me a lot of confidence for what we're seeing.

So, what are we seeing with EVs right now? First of all, we're seeing our overall conversion rate on EVs from commercial sellers is, to all intents and purposes, the same as our overall conversion rate for ICE. It's actually a couple of percentage points lower, but immaterial. The conversion rate on both types of vehicles today in our portfolio is in the upper 60% to low 70%. But we're seeing EVs, because of the lower equity, and this is something we've talked about generally for vehicles, but because they have lower equity, they're flowing deeper in the funnel, so we're actually converting the EVs more, not at the grounding dealer level, more at the non-grounding and open sale level, which obviously has a nice revenue mix impact for us. So, again, I'm not saying I would lock in on either of those things as the way it's going to be forever, but it's the way it is today, and I feel really good about that as we're going into a higher volume season here over the next 3, 4, 5, 6 quarters with these types of vehicles.

I'll also say that having talked to our commercial sellers, they recognize that they are going to be underwater vis-a-vis the residual value. In most cases, I think they've accounted for that ahead of time because this was something that was foreseen. They also recognize these vehicles probably aren't appreciating in value, so they really need to liquidate them as quickly as they can. And ultimately, they and their dealer base have to find a price point at which these cars are going to move back into the retail channel as used EVs, so they're very, I think, practical about it. Like, I don't want these cars accumulating in some parking lots somewhere thinking they're going to go up in value, that's not going to happen. I better sell them today and OPENLANE is a great partner to help me do that.

So, we're sort of working very collaboratively with our sellers to achieve those outcomes, and I feel really good about where we're at so far.

**Operator**

The next question comes from Gary Prestopino with Barrington Research.

**Gary Prestopino**

Peter, a couple of questions here. First of all, great growth on the Dealer side for the year, I believe it was 15% in units, right? So could you possibly parse that out on both the same-store basis and new dealer additions, what's driving that growth? Can you give us some idea of how that's shaped out in 2025?

**Peter Kelly**

Thanks, Gary. I appreciate that.

I guess, first of all, we don't disclose same-store as part of our quarterly cycle, but here's what I will say. We're very pleased with the dealer growth. The dealer growth has also been driven by equivalent growth in the number of sellers participating in our Marketplace in any given quarter. So, again, we saw a north of 20% growth in active sellers in our US Marketplace in Q4. Also, the number of buyers active in our Marketplace, that growth was also north of 20% in Q4, the number of active buyers in our US Marketplace. And the increase in customers helps drive the increase in growth. But we also find that when we onboard a new customer, particularly on the sell side, they don't come in as a mature customer on day one. It takes some time to ramp up to a level where they're generating a comparable volume to the rest of our customer base.

So, listen, I feel really good about the stickiness of our platform. I feel really good about the NPS scores we're getting. I certainly feel great about the customer enrollment. And again, we've talked about leveraging the private labels, leveraging AFC, leveraging the go-to-market resources that are driving those customer adoption rates, and all those things together are contributing to the volume growth that we're delivering.

**Gary Prestopino**

Okay. And you also said you onboarded a new client in Commercial this quarter or last quarter. Is that correct?

**Peter Kelly**

Current quarter, Gary. I think in the last call, I said it would be in Q1. So, I can confirm it did happen in January, a very successful launch and excited to see that live.

**Gary Prestopino**

Was that an OEM or was that a financial institution?

**Peter Kelly**

It was an OEM, a multibrand OEM.

**Gary Prestopino**

That's great to hear. And then just lastly, I don't know if you have any data on this, but are you starting to see more new dealers come into the fold, particularly on the buy side, that just really exclusively sell EVs and hybrids? I mean, there's a couple of dealers out here in the western suburbs of Chicago that are strictly selling EV cars. Are you seeing more and more of that nationwide?

**Peter Kelly**

We're seeing a little bit of that. That's true, Gary. I just on the last question talked about EVs. So, when I drill in and look who is buying these EVs, I'll say it's a mix. Some of them are being bought by regular franchise dealers who just think this is a high quality EV, like a retailer, 2 years old, 3 years old. Some of them are bought by independents, but some of those independents, you can just tell by their name that they are exclusively EV focused. And obviously, they look at a profit opportunity here that these are high-quality vehicles, one owner, low mileage, and they can buy them in our wholesale market and sell them retail in their market, just like you described. So yes, we're certainly seeing some of that, Gary.

**Operator**

The next question comes from Craig Kennison with Baird.

**Craig Kennison**

Good morning. Thanks for taking my questions. You've really addressed most of them already, but I thought I'd ask for an update on Europe.

**Peter Kelly**

Thanks, Craig. Good to hear from you.

Europe had a strong year last year. It was its best ever year in our business, so it was a contributor to the good results that we delivered. It's a relatively smaller part of our business. It's less than 10% of our total transactions; however, it does show up a lot in the Purchased Vehicle number because a lot of those European transactions move across border. And because of the cross-border implications of that, we have to take ownership of the vehicle for a week or two while it's going through that process, so it shows up there.

But listen, it had a very strong year. And I believe in 2026, we can continue to grow those volumes. I'd say our growth expectations are modest, but those modest growth expectations hopefully will drive another record year for our European business in 2026.

**Craig Kennison**

Thanks. And then there's a line item in your adjustments to EPS for ERP, if you could just give us an update on what you're doing to implement ERP and what you hope to accomplish there?

**Bradley Herring**

Sure, Craig. I'll take that. This is Brad.

We are moving down the path of doing some ERP consolidations. It's a byproduct of some acquisitions that were made over the last number of years. We are still running a handful of ERPs attached to those acquisitions, so we're going to consolidate those with a central provider. That's going to go on this year and next year.

There's a couple [audio drop]. So consolidation creates some more efficient back-office capabilities and also it solidifies a lot of our data collection. We do some data translation [audio skip]. We kicked that off at the end of '25. I'm not sure if that went on mute and you got some of that, Craig?

**Craig Kennison**

I caught some of it. Some of it was on mute, but I'm getting the drift.

**Bradley Herring**

Yes. Just think of ERP for consolidation, data consistency, 2-year program kicked off into '25. By the time we get done with mid to late '27, we should be pretty wrapped up.

**CONCLUSION**

**Peter Kelly**

Okay. I think that's all the time we have for questions today. I apologize for the technical issues in the last minute or two here. But listen, I appreciate you being on the call. I appreciate your continued interest in our company. I know we've mentioned it a few times on the call, but I want to give one more plug for our upcoming Investor Day event: March 3, 2026, Fort Lauderdale, Florida, runs from 8:30 to noon. You can find out more details on our Investor page or by contacting Bill Wright, our VP of Investor Relations. We hope to see you there, so you can learn more about our business, our leadership and our strategy. We're going to go into more depth on all of those things.

Listen, I'm excited about 2026. There are many opportunities for OPENLANE this year and beyond as Commercial volumes reflect and as our Dealer business continues to gain momentum. And because of that, I remain confident in our position for growth and our ability to deliver long-term shareholder value.

Thank you again. Have a great day.

**Operator**

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.