OPENLANE, Inc.

Second Quarter 2026 Earnings

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CORPORATE PARTICIPANTS

Bill Wright – *Vice President of Investor Relations*

Peter Kelly – *Chief Executive Officer*

Brad Herring – *Chief Financial Officer*

PRESENTATION

Operator
Good day, and welcome to OPENLANE’s Second Quarter 2026 Earnings Conference Call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press star then one on a touchtone phone. 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 of Investor Relations. Please go ahead.

Bill Wright
Thank you, operator. Good morning, everyone. Welcome to OPENLANE's Second Quarter 2026 Earnings Call. With me today are Peter Kelly, CEO of OPENLANE, and Brad Herring, 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 are 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, unless otherwise specifically noted.

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

Peter Kelly
Thank you, Bill. And thank you, everyone, for joining the call today. I'm very pleased to report on OPENLANE's strong second quarter results. I'll begin with a few highlights from the quarter and an update on our strategy and outlook, and then Brad will walk you through our financial and operational performance and provide you with more detail around our updated guidance for 2026.

OPENLANE's performance in the second quarter represents meaningful contributions from all parts of our organization, and clearly demonstrates the powerful growth engine the company has built. Our strategy remains sound. Our execution remains focused. Our investments are generating the expected outcomes. And the unique characteristics of our digital model are resonating with customers and further differentiating OPENLANE in the market.

During the second quarter, OPENLANE's positive momentum continued to accelerate, growing consolidated revenue by 15% and delivering adjusted EBITDA of $103 million, an increase of 19%. These results were led by strong marketplace performance in both dealer and commercial, and another solid quarter from our finance business, AFC.

In the Marketplace segment, we grew overall vehicles sold by 27%, increased GMV by 41% to $10.5 billion, and delivered $57 million in adjusted EBITDA, representing a 27% increase. In our dealer-to-dealer business, we grew vehicles sold by 13% overall. Volume contracted in Canada, but grew by approximately 31% in the United States. The U.S. growth was the result of our go-to-market investments, our expanding customer base, our technology advantage, and the unique combination of inventory offered across our marketplace.

In the commercial business, we saw a 39% increase in vehicles sold. Again, a good portion of this was driven by the addition of our latest private label customer earlier this year. But excluding that step function increase, we still saw commercial vehicle sales grow by 14% during the quarter. I want to emphasize that we remain in the very early days of the off-lease inflection, and we expect to see year-on-year growth in off-lease volumes throughout the remainder of 2026 and beyond.

Moving to our Finance segment, AFC also had another good quarter across the board, growing loan transactions, active dealers, and average receivables managed, while holding the loan loss rate to 1.2% and generating $46 million in adjusted EBITDA, an increase of 10%. Now, I would like to point out that while I consider these to be strong results, they would, in fact, have been even stronger had it not been for the significant increases in diesel prices that negatively impacted our transport margins.

That said, I'm very pleased that, in spite of that headwind, OPENLANE delivered record growth in multiple areas, outperformed the industry, captured additional market share, expanded our dealer base and demonstrated the strength, resilience, and adaptability of our team and our digital operating models. All of this gives me confidence in raising our 2026 consolidated adjusted EBITDA guidance to the range of $385 million to $400 million.

Now, let me turn to our outlook and strategy. As I mentioned at the start of the call, our strategy and investments are delivering results, and we remain committed to advancing our three strategic priorities. First, 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, delivering the best technology, innovative products and services that help our customers make informed decisions and help achieve better outcomes. And third, delivering the best customer experience, keeping our marketplace fast, fair, and transparent, making it easy for customers to transact, and making OPENLANE the most preferred marketplace.

And I'll touch on each of these in a little more detail. First, in terms of offering the best marketplace, we continue to make significant gains across all core metrics. On the dealer side, we delivered the sixth straight quarter of double-digit increases in new buyers, sellers, and unique vehicles listed, each of which were up over 20% in the United States and reached all-time OPENLANE highs. We continue to onboard new rooftops for many of the nation's largest dealer groups, while increasing transactions with our existing major dealer accounts. We also increased volumes purchased and sold among some of the largest independent dealer groups in the country. And AFC's registration of independent dealers onto the OPENLANE marketplace also grew significantly during the quarter, bringing the total AFC dealer base enrollment on OPENLANE to over 60%.

On the commercial side, our commercial customers continue to seek strategies to sell more vehicles through OPENLANE digital channels. Buyers in our private label program grew 20% during the quarter, a positive signal of sustained demand for the off-lease inventory only available on OPENLANE. Additionally, more than two-thirds of our private label franchise dealers have now been activated as buyers or sellers in OPENLANE's open marketplace. And this helped drive a 75% increase in the number of commercial vehicles sold in that most valuable U.S. open sale channel during the quarter.

One note on commercial: used vehicle values remained elevated in Q2, which is generally a positive for both the dealer business and for AFC. But it also drove an increase in lease equity values, which slowed the rate of vehicles flowing down to the more valuable channels of the off-lease waterfall. Our expectation remains, however, that consumer payoffs should generally decline over time as off-lease maturities increase and end of lease equity contracts.

From a best technology perspective, we continue to expand the utility and application of OPENLANE intelligence, our human and AI enhanced capabilities that are aimed at delivering actionable insights that improve customer decision making. In Canada, more than 800 dealers have enrolled in MyLot, our subscription-based SaaS inventory management tool that we launched in Q1. Our Absolute Sale feature remains a customer favorite, now accounting for over 60% of all open sale transactions in the U.S., and now generates over $900 in additional price realization per vehicle for sellers using this feature. And while not a new product, we are rolling out a fully redesigned auction management system in Canada. This replaces legacy physical auction technology with a highly integrated, highly efficient system that significantly modernizes our digital marketplace and customer experience in Canada.

And finally, speaking of customer experience, we continue to advance human and AI capabilities aimed at improving customer interactions with OPENLANE. During the second quarter we released a new feature in the U.S. that gives dealers a clear dashboard view of their entire portfolio of vehicles purchased, sold, listed, and active bids on OPENLANE. We also launched a new mobile arbitrations option, where dealers can submit photos and video evidence directly from their phones. And we began installing a new phone system that enables a more accurate routing and resolution of customer calls, while helping us monitor less tangible metrics such as dealer sentiment.

At the end of Q2, our transactional NPS scores across all geographies remained in the Great to Excellent range. Once again, our U.S. seller NPS achieved the highest scores, indicating exceptional customer loyalty and brand satisfaction. And our brand awareness and preference scores on internal and third-party surveys also continued to rise during the quarter.

So, as we look into the second half of 2026, I believe there is still a lot of opportunity for OPENLANE, and I'm very optimistic about our ability to execute our strategy with precision. We anticipate a relatively stable dealer market, with our value proposition and strong execution enabling continued gains in volume, market share, and wallet share. Our 2025 go-to-market investments in dealer-to-dealer continue to ramp up towards full productivity, and we're leaning into additional investments in 2026 based on that success. Our Canadian business is successfully leveraging its leading market position, and our new revenue-generating products and services are gaining traction and momentum.

As stated earlier, we expect off-lease supply to scale throughout the year, and OPENLANE will be a primary beneficiary of this cyclical recovery. We will continue to balance growth and risk management at AFC. And finally, while we continue to monitor geopolitical and other macro factors that could impact our industry, we believe that our business model is resilient, adaptable, and highly capable of navigating new economic or industry challenges should they arise.

So, at the risk of repeating myself from our last few calls, OPENLANE remains well positioned in the market, and we're executing a strategy that is delivering results, winning customers, and outpacing the industry. Because of that, I believe the key elements of our value proposition for investors remain very compelling.

OPENLANE is a scalable digital marketplace leader, focused on making wholesale easy for automotive dealers, manufacturers and commercial sellers. There is a large addressable market for our services, and OPENLANE is uniquely well positioned with commercial customers and with franchised and independent dealers. We continue to gain brand awareness and preference according to internal and third-party surveys. Our technology advantage is a competitive differentiator. Our floor plan finance business, AFC, is a high-performing business that is synergistic with the marketplace. We generate

significant cash flow and have a strong balance sheet, and we believe that 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.

Brad Herring
Thanks, Peter, and welcome to everyone joining us today. For the quarter, we reported total revenues of $555 million, representing growth of 15%. Revenue growth was primarily driven by growth in our Marketplace segment, which I'll cover shortly. Consolidated adjusted EBITDA for the quarter was $103 million, which represents an increase of 19%. I'll go into more details on adjusted EBITDA performance within the discussions about each business segment.

With respect to cash flows, our trailing 12-month adjusted free cash flow totaled $226 million. This represents a trailing 12-month adjusted free cash flow conversion rate of 62%, which is just below our expected range of 65% to 75% The variance to our expectation was primarily due to stronger than anticipated growth in the AFC receivable balance, that used approximately $45 million of cash off our balance sheet.

Moving to the performance of our business segments, I'll start with the Marketplace. In Q2, our Marketplace transacted GMV totaled $10.5 billion, which represents growth of 41%. Within that overall GMV growth of 41%, our dealer GMV grew 15% to $2.8 billion. A key driver was a 58% increase in GMV in the U.S., which consisted of a 31% increase in units sold and a 21% increase in average vehicle values. Growth in units sold was nearly equally weighted between buyers that are new to our marketplace and those that have been transacting for at least 12 months.

Canada dealer GMV decreased by 15%, which was split nearly equally between lower units sold and lower average vehicle values. The decline in Canada was due to a pull forward of volume and increases in vehicle values that we saw in the first half of last year, as the market reacted to the passage of new tariffs. GMV in the commercial business increased 53% to $7.7 billion. The key driver of growth in the commercial business was a 69% increase in our U.S. commercial GMV, which was driven almost entirely by higher units sold. The increase was driven by the onboarding of the new OEM that we mentioned last quarter and an acceleration of U.S. lease maturities.

Canada commercial GMV grew 17%, split nearly equally between an increase in units sold and increase in average vehicle values. Auction and related revenues were $259 million, which represents growth of 21%. As a quick reminder from our Investor Day discussion, we define yields as a function of our auction and related revenues divided by GMV.

Starting with the dealer business, overall dealer yields were relatively flat at 5.65%. U.S. dealer yields have dropped approximately 100 basis points to 6.14%, exclusively driven by a 21% increase in average vehicle values, that I highlighted earlier. On a per unit sold basis, revenue generation in U.S. dealer has increased by 4%.

Canada dealer yields were up approximately 60 basis points, to 4.62%, due to pricing revisions and lower average vehicle values. Per unit revenues in Canada dealer were up 5%.

Moving to our commercial category, overall commercial yields were 1.28%, which are down approximately 16%. The drop was driven by a change in mix, as now the U.S. makes up 77% of our commercial GMV compared to 70% a year ago. U.S. commercial yields declined approximately 4 basis points to 0.63%. The decrease was mostly due to an increase in consumer payoffs, as the trended decline in lease equity temporarily stalled in the quarter with a rise in used car prices. We continue to expect commercial yields to improve over time as mix normalizes, but as we've mentioned in a number of forums, the improvement in yield will not be linear and will take time to play out.

Canada commercial yields have increased approximately 17 basis points to 2.93%, despite a 9% increase in average vehicle sales prices. SaaS and other revenues in the quarter were $73 million, which is up 16%, due mostly to increases in our subscription and remarketing service in the repo space.

Rounding out the revenues in the Marketplace segment, our purchase vehicle sales grew 17% to $115 million. The increase was mostly concentrated in the U.S., as our vehicles sold revenue will largely track with our growth in GMV.

Adjusted EBITDA in the Marketplace segment was $57 million, which represents an adjusted EBITDA margin of 13%. That represents growth of 27% in adjusted EBITDA and 80 basis points of expansion in the adjusted EBITDA margin, as the scalable characteristics of our digital model expand our profitability profile.

It's worth noting that the impact of volatile fuel prices pressured our margins in the quarter by over 100 basis points. We anticipate these pressures to subside once fuel prices stabilize.

In our Finance segment, the average outstanding receivables managed in the quarter was $2.6 billion, which is up 9%. Growth in the average balance was driven by a 7% increase in floor plans outstanding and a 4% increase in average vehicle values. Net finance margin for the quarter was 12.8%, which is down 80 basis points. The decrease is a function of transactional fees that remain largely fixed despite increases in vehicle values.

The annualized provision for credit losses in Q2 was 1.17%, a 42 basis point improvement from last quarter and a 28 basis point improvement from last year. The improvement was a result of a reduction in net write-offs coupled with higher managed receivable balance. The culmination of changes in the receivable balance, yields, and credit losses resulted in an adjusted EBITDA for the Finance segment of $46.5 million, which is up 10%.

There are a few items to mention with regard to capital structure. In the quarter, the remaining Series A preferred shares converted to common shares in accordance with the terms of the original issuance. This conversion eliminates the Series A preferred from our capital structure, including its quarterly cash dividend, and adds 17.1 million common shares to our issued and outstanding share count. Note that on a non-GAAP perspective, we have been consistently treating the Series A preferred as if it was converted to common shares, so the non-GAAP share count we have provided remains consistent at approximately 126 million shares.

On share buybacks, in the quarter we repurchased 602,000 shares at an average price of $36.39. This brings our year-to-date share repurchases to 1.56 million shares acquired at an average price of $30.73.

From a liquidity perspective, we ended the quarter with an unrestricted cash balance of $190 million and capacity of over $400 million on our existing revolver facilities.

Moving along to our guidance for the year, we are raising our full year 2026 expectations for adjusted EBITDA from a range of $365 million to $385 million to a revised range of $385 million to $400 million. The upward revision to guidance includes a few key components. First, the increase reflects the strong momentum we are seeing in our U.S. dealer and commercial businesses. Although we do anticipate growth rates in U.S. dealer to temper some in the back half of the year due to more challenging comps.

Second, we will be expanding our go-to-market investments in Q3 and Q4 to drive continued share gains in U.S. dealer, as we have not yet seen any indication that the return on these investments are starting to diminish.

Third, this revised guidance reflects a continuation of volatile fuel prices that impact our transportation business, as well as a continuation of the current waterfall mix in U.S. commercial.

Finally, the revised guidance factors in strong portfolio growth, an updated outlook on interest rates and lower risk metrics from our Finance segment.

To summarize, we are very proud of our growth this quarter. We continue to set internal records in our U.S. dealer business, and we begin to capitalize on our market-leading position in the U.S. off-lease category. We are very encouraged with the results of our go-to-market investments that continue to push adoption of digital solutions in the wholesale space and gain additional share of wallet from our existing customers. We are equally pleased with the finance segment's performance, as it provides powerful synergies to our marketplace, while growing the portfolio without compromising credit standards.

With that, I'll turn it over to the operator for questions.

QUESTIONS AND ANSWERS

Operator
Thank you. We will now begin the question and answer session. To ask a question, you may press star then one on your touchtone phone. 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 would like to withdraw your question, please press star then two. Please limit yourself to one question and one follow-up. At this time, we will pause momentarily to assemble our roster.

The first question today comes from Alex Perry with Bank of America. Please go ahead.

Jack Joyce
Hi. This is Jack Joyce on for Alex Perry. Thanks for taking our questions. First one from us: You highlighted U.S. dealer vehicles sold increased 31%, significantly outpacing the industry. Could you further talk about where those share gains are coming from? Is it primarily from traditional physical auctions or competing digital marketplaces?

Peter Kelly
Yes, thank you, Jack. This is Peter. Appreciate the question. You know, we were very pleased with the performance of the business in the quarter, the dealer business, particularly in the U.S.. Thirty-one percent was our best year-on-year performance, I think, well, for many, many years, let's say, and extends a string of double-digit quarters with double-digit growth in the U.S. So, we're pleased with that. So, definitely it seems to be part of a trend at this point.

You know, where is the share coming from? I'd say principally we view it as dealers who are adopting digital, who might previously have used physical. You know, we don't have the full set of data for Q2 yet. We do know that physical auction dealer volumes in the U.S. were slightly negative, I think low single digit decline, whereas ours grew, you know, the percentage we talked about, 30%. We don't have all the data on our other digital competitors at this point, so we can't really comment on that.

But I guess what I'd say, if I view over the last number of quarters, we've seen digital platforms gaining share versus physical, but OPENLANE capturing the lion's share of that digital growth. That's basically how I'd characterize what we've seen. And again, we'll have a more complete picture in about a week on the full totality of Q2 numbers.

Again, we're pleased with the trend line we're seeing. I think a secular shift from physical to digital is part of our investment thesis here at OPENLANE and part of our strategy. We're committed to continue to lean into this space. Brad talked about investments we're making to continue that growth, so that's going to be very much a focus for the company going forward as well.

Jack Joyce
That's incredibly helpful. Thank you. And a quick follow-up. You said the 2025 go-to-market investments are ramping toward full capacity, and now you're leaning into additional investments in 2026. How much incremental expense is embedded in the revised 2026 outlook? Thank you.

Brad Herring
Hey, Alex, this is Brad. I'll take that. So we did mention we're going to make some more of those investments in the back half of this year, given the trajectory that the earlier waves of those investments have put us on. So, if you look for the back half of this year, I think you're in a mid-single digit range, but it's going to annualize more consistent with what we've talked about in previous discussions, probably in the mid-double digits, you know, mid-teens range on an annualized basis. But in the back half of 2026, think of a mid-single digit number.

Operator
The next question comes from John Babcock with Barclays. Please go ahead.

John Babcock
Good morning. Thanks for taking my questions. First of all, you mentioned the impact on off-lease volumes from the higher equity values, and I was wondering if you might be able to quantify that to some extent. And also, vehicle values were up a decent bit in 1Q, recognizing, I guess, off-lease volumes would have been notably different there. But just kind of curious if you could maybe frame the quarter over quarter impact.

Peter Kelly
Yes, thank you, John. So I guess at a high level, what have we seen over the last six months? We saw vehicle values increase quite substantially over the course of Q1, and then remain relatively high in Q2. They didn't really increase further. Maybe they peaked out in late April, and there's been a slight decline since, but nonetheless at elevated levels.

So what that has meant, and there's some industry analysis on this, the amount of equity in a typical off-lease vehicle increased between the end of Q1 and the end of Q2. I believe on a typical ICE vehicle it increased $300, $400, and on a typical EV it's an equity loss, but the deficit declines by about $1,000 on a typical EV. That's end of Q1 point in time versus end of Q2. And one of the theses we have is consumer payoffs will decline over time. Well, that didn't happen in Q2, okay, because of that increased equity.

And then, while our sales were quite strong, and obviously we had 39% growth in commercial volumes in the quarter, so the totality of sales was strong, but again, associated with that higher equity position, the mix of sales skewed towards grounding dealer payoff type sales, and we didn't see the flow down through the waterfall that perhaps we might have expected to see, and we still expect to see in the future.

But in any case, that was kind of a summary. It really comes down to the fact that vehicle prices remain strong, consumers continue to have some equity in these vehicles, particularly for the ICE portfolio, and when vehicles are returned, franchise dealers view them view them as very attractive and buy them as early as they can in the process, hence the high percentage. And that's a little negative to us in mix, even though it's good for us in terms of volume.

John Babcock
All right, thanks. That's helpful. And then just my follow-on. Do you have any thoughts in terms of when the Canada dealer-to-dealer market might turn around?

Peter Kelly
Yes, I'm hopeful that we're going to see an improved performance up there in the second half of this year. We were, and Brad mentioned this in his comments, we've been lapping some tough comps in Q1 and Q2 in Canada, and a lot of that was driven by the tariffs and some pull forward effects that we saw last year in Canada. If we look at our two-year growth number for dealer in Canada, it's still quite positive. So if we compare Q2 of ‘26 versus Q2 of ‘24, we're still seeing growth.

So I think that one-time effect of the tariff-related pull ahead and stuff will soon be behind us. The Canadian economy, it's still not great, but it doesn't seem to be getting worse. It seems to maybe be turning the corner. So my hope is that maybe by the end of this year we're back in a sort of a D-to-D growth realm in Canada. I think it will be low single digits if we are, but that's what we're aiming towards. You know, so a couple of more quarters, but the decline should be getting less in each of those two quarters.

John Babcock
All right, sounds good. Thank you.

Peter Kelly
Thank you, John.

Operator
The next question comes from Jeff Lick with Stephens. Please go ahead.

Jeff Lick
Good morning. Thanks for taking my question. Peter and Brad, I wanted to dive into a little bit more on the up 31% in the U.S. for dealer. Peter, you had made a comment about unique inventory and also made comments about double-digit increase in buyers, sellers, new vehicles retailed. I guess as you think about it, the new business, or the growth, can come from success in your go-to-market strategies. It can come from success in bigger penetration with your current customers. And it also can come from the unique blend, or relationship, you have inside the dealership, meaning the lease return business, as almost like a catalyst for better dealer business. I wonder if you can break some of that apart and just try to help us out with, when you're growing 31% and the market is shrinking, you know, I don't think digital penetration grew 31%. So could you help us out there, what do you think is driving that?

Peter Kelly
Yes, thanks, Jeff. I appreciate that. Listen, we're very pleased with the quarter. As I mentioned, 31% is a large number. I do expect some deceleration in that number, because we're going to be lapping some big quarters. So I don't know that it's a sustainable number, but nevertheless we're very pleased with the trajectory the business is on and how it's performed over the last six or eight quarters. So I feel like we've got a good playbook. We understand what's working. We're leaning into that, getting very good customer feedback, both buy-side and sell-side, in terms of how the platform is performing for them and the results that they're getting.

Maybe just a couple of things on the components of that. You know, Brad alluded that on the buy-side of the equation, the growth is roughly 50/50 between new buyers added in the last 12 months and growth with an existing cohort of buyers who were active on the platform more than 12 months ago. So that's a buy-side metric, but again, speaks to gaining share with long term buyers, gaining wallet share, but also then activating new buyers that are also helping drive growth.

I think the situation on the sell-side is very similar to that. I've been pleased with the traction we've been making with major dealer groups. And major dealer groups is really the top 150 dealer groups in the nation, so a pretty large number of organizations. But our growth with major dealers has been even stronger than our headline growth in the category overall, and that was the case again in Q2. So I think the larger groups are very receptive to the idea that digitization should be a bigger part of their business in the future, they see OPENLANE as a leader in that. They're very interested in working with us, and we've been doing well there as well. So feel good about that.

And then I think the other part of the strategy we touched on at Investor Day, and in other discussions, is leveraging the network of independent dealers that are active on the AFC platform, on the floor plan business. So making progress on that front too. We're now up to 60% of those dealers registered. Not all of those are buying, but the number that is buying is also growing.

So, all of these things are driving the strategy and driving the growth. And I think the good news is there's a long runway here. I don't see that we're anywhere close to a finish line. We're still a relatively small share in terms of the market overall, and a lot of opportunity ahead.

Jeff Lick
And maybe just to ask a simpler question: Is there anything about your commercial business, I mean, obviously, look, you're in, I think you've even said something around like 18,000 dealerships on the lease return business, or something close to that, if you've got 70%, 75% market share and there's 18,000 dealerships. I mean, you're in those dealerships. You obviously wanted to be in those dealerships. You've been in there for a long time. You have a great relationship. Is there any halo effect about that business that gives you an advantage, even a dealer wants to give you inventory to sell because for some reason it's in their best interest as it relates to your relationship with them in the lease return business?

Peter Kelly
Yes, well, listen, I think that commercial business is obviously very important to us, and I do think there is a bit of a halo effect, Jeff, as you mentioned it, as you describe it. It's something I've talked about in other conversations as well. But I will say it's sort of indirect. I think one thing is, when the OEM, or the capital finance company, has chosen us, that's a sort of a validation of our brand in the eyes of that franchise dealer network that have franchises in that brand. I just think it it's an endorsement. You know, even though it's not an endorsement for the D-to-D business, it's a de facto endorsement, like OPENLANE is a good company, the technology is good, we've chosen them. So I think that helps.

There isn't really a direct connect. We don't put the dealer vehicle into the private label, or anything like that. The businesses are quite separate. But I do think it's a credibility builder. Obviously, it gives us some insight into the dealership, the type of volume they have, how big off-lease is for their business. They're already set up on our system with a username and password, so activation is very, very easy. So I do think there are inherent advantages in that, Jeff. And again, just as I mentioned with AFC, it's part of an organized process. We want to get all of these private label franchise dealers active on OPENLANE, and I think in my remarks I said we're now up to 75% have been activated either as a buyer or a seller in the OPENLANE marketplace. So again, that's another statistic we're actively working.

Jeff Lick
And then lastly, real quick, you made a comment that you're gaining traction with large independent retailers on the sell-side. I mean, there's only a couple of large independent retailers, and generally they

tend to be buyers more than sellers. Any tidbits or additional color into what that dynamic entails?

Peter Kelly
Yes, well, I guess I'd say, Jeff, first of all, I want to clarify. My intention there was to speak specifically to more buy-side activity. The two entities you're thinking of would be buyers in our system, not sellers. I just want to be clear on that.

There are other, what I will call large organizations that we classify as large independents that do act as sellers, but they're not franchise dealers. So commercial businesses that have maybe different multiple locations and are selling used vehicles, but they're not franchise dealers. There are some entities like that. And again, I'd say you'd count them on two hands. But we've been making good traction with some companies like that as well.

Jeff Lick
Awesome. Thanks very much for taking my questions. Best of luck in the rest of the year.

Peter Kelly
Thank you, Jeff.

Operator
The next question comes from Rajat Gupta with J.P. Morgan. Please go ahead.

Rajat Gupta
Great. Thanks for taking the questions. I just want to follow up on the transport margins, and impact to the overall margins this quarter. Was that a form of indirect incentives, that you're not passing on some of the fuel costs? I'm curious if some of that comes back later this year or early next year. And then I have a quick follow-up.

Brad Herring
Hey, Rajat, it’s Brad. I'll take that. We certainly expect that to come back and kind of normalize as soon as the fuel price variability slows down. It has to do with the timing of pricing resets. As a broker, we're obviously farming these transports out to providers, and as they raise prices, we matched price increases throughout the quarter, but there's a timing lag between how those price increases actually flow through the system. So it negatively affected us in the quarter, but our approach was always focus on facilitating the transaction itself first. We didn't want to inhibit growth, so we focused really highly on the attach rates of how we maintained transporting cars that are being sold in the auction, rather than trying to overprice it and lose potential volumes of transactions and diminish some customer activity.

We did give up a little bit in the quarter, we mentioned it on the call. But we do expect as soon as prices start to normalize, that that variability of those pricing resets will get back to normal and we'll see those numbers get back to where they should be.

Rajat Gupta
Got it. That's helpful. And just on D-to-D in the U.S., it seems like digital penetration in general seems to be hitting some sort of tipping point, inflection point. Do you see this as an opportunity to maybe ramp up go-to-market investments even further? I know in the past you said the returns on those are extremely high, so I'm curious if that is something we should expect to see, because you're also calling for some decel in that rate of growth, which is understandable with the tough comps. But it looks like some sort of pickup in go to market again, or acceleration, can maybe help you sustain those kind of rates. So just curious what your thoughts are on that. Thanks.

Peter Kelly
Yes, listen, we've definitely observed sort of an acceleration in this over the past, you know, six to eight quarters, let's say. And that obviously has continued into Q2, and I think we've been the principal beneficiary of that, as I mentioned, capturing the majority share of that additional digital volume. That has coincided with various sequences of go-to-market investments that we've made, and we've discussed in other calls, Rajat, as you're aware. So I think there's some cause and effect there. We're continuing to lean into that. So, if I think of the situation right now, I'd say the most recent wave of resources added in late ‘25 and first quarter of ‘26, I'd say those are still ramping to full productivity, but they've made good progression up that curve at this point.

And then, as Brad mentioned, we are making additional investments in the current quarter and into Q4, with a view to the ‘27 and 2028 plan for the company. So that's happening right now. I will say, some of that investment is a little bit different to prior cohorts. We're going to have, I'd say, a 50/50 operational versus sales focus on that, because with this volume growth we've scaled a lot of transportation, customer service, arbitration handling, all the stuff that goes, title handling, inspections is huge, obviously, we inspect more than all the cars we sell because we don't sell all the cars we inspect. So the operational management of that, and making sure those KPIs are really strong, is very important to us and very important to our customers. So, I guess, long story short, we are making investments today that are, I'd say, 50/50 sales in markets where we think there's opportunity, and 50, I'll say, operational infrastructure for the platform overall. But feel good about that.

Brad, do you want to add to that?

Brad Herring
Yes, I'll just add to that, Rajat. The only other comment I would make is, yes, the rate is diminishing, but the amount of units we're adding is relatively consistent. So we're happy with the amount of units we're adding to the platform. We also think about the capacity for being able to make these investments and getting employees trained and getting them onboarded, you know, we're trying to be very disciplined with that. We don't want to get ahead of ourselves and build up too much infrastructure that has to get dialed back down later. So we really like these numbers, not only from the ability to get them in the market effectively, but also the timing of how we can actually get these onboarded, get them traded and get them up to speed in a productive way.

Rajat Gupta
Understood. That's great color. And I'll get back in queue. Thank you, and good luck.

Peter Kelly
Thanks, Rajat.

Operator
The next question comes from Bob Levick with CJS Securities. Please go ahead.

Bob Levick
Good morning. Obviously, some really strong growth in the SaaS and other revenue, which kind of stepped up. That was a bit of a surprise. I think you said it was partly repo. And then you also talked about a launch of a SaaS tool in Canada. So I don't know if that's related, but could you talk a little bit about the growth in the SaaS and other, and those drivers, including repo, in this Canadian launch?

Brad Herring
Yes, Bob, this is Brad. I'll take that. Most of that growth was in the repo sector, not necessarily in Canada. We really like the deployment of that Canadian product in the SaaS space. It's still in its very early stages.

In terms of ARR numbers, it's certainly not going to make the radar yet. But we're watching it closely, and we expect it to over time, and I'll let Peter talk some more about that in a second. But when you look at the actual increase in the SaaS and other line, it was mostly related to some revamps we've done in some of our repo businesses. You know, we do some remarketing and we do some software activity in that repo space that has gotten a lot of attention. We've made some changes in that business, and we're actually we're starting to reap the benefits of that.

Peter Kelly
Yes, agreed with that. I guess just a comment on the SaaS program in Canada. Listen, we're very pleased. The product is MyLot. It's a SaaS-based inventory management system for OPENLANE dealers, launched in Q1. I think I said on the call we're up to over 800 subscribers at this point, so we're ahead of our internal projection at the time of launch. And we're focused on obviously growing the subscriber base, but we're also focused on enhancing the product, increasing the utilization of the product, getting feedback from those early adopters and making sure the product is useful for them.

The subscription package includes access to the product, access to the OPENLANE Market Guide, the Used Vehicle Value Guide for Canada, and it also includes some slightly discounted sell and buy fees for subscribing dealers. So it's kind of geared towards expanding the product set, broadening the offering creating a more predictable revenue stream with the dealer, but also increasing share of wallet with the dealer's business. That's the strategy behind the product, and we're very pleased with how it's tracking.

Bob Levick
Okay, great. And then just back to U.S. commercial off-lease, I know there was a bit of a stall with the higher equity in the quarter, but in general, obviously, there's been more off-lease coming on for a bit. You have a strong position, are showing great growth, even independent of the OEM that's relaunching. Can you talk a little bit about what you're seeing in this wave? Again, knowing that the waterfall stalled a little bit here, but in general, when you get past the closed dealers, the online open versus physical, and the need for reconditioning, is there enough flowing through to get a sense of if you can pull a little away from the physical and reconditioning and sell more in the online open yet, or when should we understand that trend?

Peter Kelly
Yes, it's a good question, Bob. You know, I guess I'd say a few things. One is, despite what we saw in Q2, which again I'd say was more of a pause, if you like, in the trend, which we would see of lower consumer payoffs, etc., our long-term view is that that is the direction it's going to travel. I don't think anything's changed fundamentally in our assessment of where this is headed. So we're obviously keenly interested in the second half of this year and then all of ’27, as volumes get back into higher maturity levels than we've seen for many years. So that's our thesis there.

In terms of selling these cars in the open sale, I think our volumes of commercial sold in the open sale were up 75% year-on-year. So that's significant. But it’s the law of small numbers here still, Bob. These are not massive volumes. But we're seeing improving conversion rates for, I'd say, many sellers. I don't know if it's all sellers, but certainly for many sellers we're seeing conversion rates up. And yes, most cars we sold, and we sold close to half a million cars in the quarter, are un-reconditioned.

So my view is dealers have invested a lot in their service bay and fixed operations over the last decade or two, it's a big profit center for dealers, so they have capacity to do this reconditioning themselves, and they know the reconditioning that they want to do. So I'm not that concerned about that. But you're right. As things go forward, we're focused on maximizing our conversion there. To me, it's more driven by, is the seller putting a reasonable price expectation on this vehicle, as opposed to is the vehicle reconditioned or not? I think we have a very liquid buyer base across all 48 states, if you like. Any vehicle that's on there and priced right will attract a lot of interest, whether it's a repo, rental, off-lease vehicle, or dealer vehicle, we've got a buyer audience that is on those cars. But the buyers recognize immediately if the car is overpriced. And if the car is overpriced, they're going to move to the next one. So I think it's really getting the pricing equation right that's the key, not the reconditioning.

Bob Levick
Okay, super. Thank you.

Peter Kelly
Thanks, Bob.

Operator
The next question comes from Craig Kennison with Baird. Please go ahead.

Craig Kennison
Hey, good morning. Thanks for taking my question. It's been a helpful call so far. I think you mentioned that a meaningful portion of your growth actually came from adding new dealers to the platform. I'm curious, as you evaluate those additional dealers, why are they choosing OPENLANE? What are the top two or three reasons they are making that decision?

Peter Kelly
That's a very good question, Craig. I'd say a good part of it at this point is I think they're hearing good word of mouth feedback from other dealers, you know? I've talked on calls like this in the past about our focus on NPS scores, we have buyer scores, seller scores and I think I said in the call they're in the good to excellent range, so I'm very focused on making sure we have strong NPS scores. And those are driven by the totality of our offering, the technology, but also the way we're managing the customer relationship, the way we solve problems for the dealers, the transportation, all that stuff. It all feeds into that. So we're very focused on that. Making wholesale easy is the purpose statement here, and that's what we're trying to do.

I think that word of mouth helps. Our sales team, I think, is effective in explaining to the dealer, a lot of dealers, maybe they've been going to the physical auction for 20, 30 years, and that's great. And we're not saying that should go away, but we're saying we're at a point in the world where there's so much business being done digitally that if that's all you're doing, then you're missing out on a significant amount of inventory that you should be looking at. Or if you're a seller, you're missing out on a significant buyer audience that's no longer going to those auctions.

So we're able to make that argument through data and through sharing, at a high level, the types of [audio drop] that we're generating. And then we obviously trial, you know maybe to get a new buyer on board or a new seller, maybe they get a 30-day or a 60-day deal to try, at low risk, maybe some buy fee credits, things like that. So I think all that is working and effective.

The argument that I think is resonating with dealers is this one that, if I'm not doing this, I'm missing out. I may still love the physical, and that's what I know. But I also know that not every dealer that I used to see there three years ago is still there, a certain amount of the audience has moved, and to be successful, I need to be able to interact and work in both environments. And that’s something we try to convince them of.

Craig Kennison
Thanks. And as a second question, on the arbitration tool, that sounds like a great innovation to make it easier to submit images of damages. But does making it easier to pursue arbitrage claims risk, just drive

more arbitrage claims? And how do you manage that? Can you compare images, pre-sale to post-sale, using AI, to prove that disclosure was made, things like that?

Peter Kelly
Yes, it's a very good question, Craig. And obviously that was something that was on our mind as we deployed that tool. We want to make wholesale easy, and as part of that we want to make arbitration easy. But we don't want a ton of arbitrations, right? We want to keep everybody sort of acting in good faith in this marketplace. So it's something we're looking at. I don't think we've seen a spike because of that, or anything like that. But it's something we want to manage.

You know, related to that, Craig, we do offer, and we've talked about this on prior calls as well, various buyer and seller protection offerings on either side, as described guarantees and no return policies, that kind of stuff. So we use the data there a lot. These programs are designed to protect dealers. If there's a car, maybe 1 out of 10 or 1 out of 20, you buy a car, you've got a problem, we're going to take care of it. But if it's 4 out of every 10 cars you're buying, then we're going to have a conversation with that dealer and say, “Hey, that's not why the program was designed. It's not a chance to have the car delivered and see if you like it. That's not really what we're trying to do here.” And generally our customers understand if we need to have that conversation. And if they don't, we can always just move on, right? And they can move on.

So we try to manage it. And obviously data is a big part of that, and AI plays a role there too. You know, one of the things that this tool enables is, as the dealer is loading information, there's an AI layer telling them, “It looks like you've got a legitimate claim or sufficient info,” or not. “I don't see it yet, so I'm going to need some more before you submit this.” So those are part of the tool as well.

Craig Kennison
Great, thank you.

Peter Kelly
Thanks, Craig.

Operator
The next question comes from Brett Jordan with Jefferies. Please go ahead.

Brett Jordan
Hey, good morning, guys.

Peter Kelly
Good morning, Brett.

Brett Jordan
Good morning. When you think about the competitive landscape in dealer-to-dealer, obviously you guys are getting a lot of share, and maybe the competitor response looking at the share gain going to you might be to ratchet up competition. How do you think about that? Transportation years ago was sort of a tool to drive traffic with free transport, you know, what does an ACBA or Copart Dealer Services or Manheim Express do when they see this market share consolidating to you and the risk that they're left out at the end? Do you see promotion? Are they getting more aggressive on price? What's the landscape?

Peter Kelly
Yes, it's a good question. I guess what I'd say, first of all, we operate in a competitive market, and I think our customers have a lot of choice. So that's something we deal with every day. We're very mindful of

that. We try not to spend too much time thinking about any one competitor. We try to focus on our strategy and our customers and our technology, or the totality of our offering, to make wholesale easy for our customers. And that's been effective. That's helped us grow our business and that's helped us generate a good return for our shareholders. So that’s what our focus is.

We obviously pay attention to how our customers price their offering. I would say the pricing in the marketplace, for the most part, I think is rational. And I think those types of activities, which I've seen in the past, I wouldn't say they're typical, but they don't really endure, in my opinion. Yes, dealers will move to try something if there's free transport or zero buy fee, but they don't necessarily stay. I would say they don't typically stay. They stay because of results. Our customers, whether they're commercial or dealers, are businesses, and they're doing business with us because we're delivering good results for them. And that shows up in numbers. You know, and they're smart and sophisticated, and they can figure that out.

So that's kind of what we're doing. That's where the focus is. We try not to have too many gimmicks. In that, we try to be just very straightforward and have a very strong offering that's priced reasonably well, and we'll deal with the competition as it comes. Yes, I guess that's kind of how I see it.

Brad, do you want to add anything to that?

Brad Herring
No, I think that's good. We do the majority of our decisions kind of agnostic to some of those pressures. We do it on what we need to do to run our own business. So that just kind of reiterates the point Peter's making.

Brett Jordan
When you think about the TAM, the total number of dealers out there you could do business with that have done digital product, whether that's yours or somebody else's, I guess what percentage of the addressable market do you think has tested digital?

Peter Kelly
Okay. Let me just add one more qualification to the last question. If I look at the quarter we just had, here's what I feel really good about: we grew our volumes, we grew our revenue, we made investments and we increased our profitability, right? So we did all four. I think we're doing a good job of growing our business, but growing it in a profitable way and generating sufficient capital that we can invest in future growth, invest in our platforms and return capital to shareholders. So that's a great equation that this company has, and obviously we want to keep delivering on that well into the future.

In terms of your question on how many have tested digital, you know, I would say in the franchise world it's well over 50%, right? Well over 50% have tested. And I think on the D-to-D side, is around 30% of the of the TAM at this point, digital versus physical, it's like a 30/70. And that's not the entire TAM, but that's a lot of the TAM. But it's not that 30% of dealers are selling 100% of their cars. It's like 70% of dealers are selling 50% of their cars, or whatever the math is to get you to 30%.

On the independent side, I actually think it's less. If I look at the AFC portfolio, I mentioned there's 60% of the dealers are now registered with OPENLANE, about one-third of those, or 20% of the total, are actually buying cars in the quarter. Okay. So that means 80% of those independent dealers on AFC did not buy a car on OPENLANE in Q2, right? And when we talk to those guys, they're still largely physical, or even if they're digital, they're buying cars through these simulcast tools out of physical auctions. So there's a big sort of coal theme, if you like, to mine there, and to go and work and convince that independent dealer population that they can buy cars in a very low risk way, be protected, great selection, you know, conveniently from their dealership, without having to go and leave the dealership every

Wednesday or Thursday or Friday. So that's something we're focused on.

Brett Jordan
Great, I appreciate that. Thank you.

Peter Kelly
Thanks, Brett.

CONCLUSION

Operator
This concludes our question and answer session. I would like to turn the conference back over to Peter Kelly for any closing remarks.

Peter Kelly
Well, thank you, everybody. Appreciate you all being on the call today, and I appreciate your continued interest in OPENLANE. As I said at the beginning of the call, I believe we've built a powerful growth engine here at OPENLANE, that our strategy, our investments, and our execution are delivering positive results and differentiating us in the marketplace. As I look ahead, I see a lot of opportunity for this company. I believe we're well positioned on all fronts to capture those opportunities, and that's what the focus will be. I look forward to updating you all again on our next call, and I hope you all have a great rest of your day. Thank you very much.

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