KAR Auction Services, Inc.

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3:10 p.m. ET

Matt Fassler: Good afternoon. I'm Matt Fassler from Goldman Sachs and I have the pleasure today of introducing members of the Senior Management Team of KAR Auction Services.

We have on my far left, Eric Loughmiller. Eric is the Chief Financial Officer of the company. He joined in April 2007 so seven and a half years ago. Sitting directly to my left is Jim Hallett who is the Chief Executive Officer of the company. He has been with the company for the better part of 20 years, first joined in 1993 and those of you who know Jim know that he has a rich, intense and in depth background in the whole car auction business.

This company needs very little introduction for those of us who follow it. It is a fascinating business with leadership roles in three different segments, obviously the whole car business through Odessa, the salvage business through IAAI, and of course, AFC in the auto finance business.

It is a synergistic model particularly as it relates to the finance business and as we think about market leadership positions, as we think about constructive competitive dynamics, as we think, quite frankly we'll talk more about this in a conference that is really being dominated by ecommerce and rightly so, in the retail sphere, a company that has been very aggressive in being the protagonist in the disruption of the vis-to-vis channel with acquisitions and with very hard work in this regard.

Jim and Eric have agreed to go right into Q&A so – I'm sorry, John Peisner to my far left who wasn't up on the stage, who oversees Investor Relations for the company.

We are going to go right into Q&A and I have a number of questions and we have a good group here and I am sure that you will have some as well.

Matthew Fassler: I think it's fair to say from my own dialog with investors and probably from our dialog amongst ourselves too, one of the dominant themes that you are dealing with and that we are dealing with is vehicles making their way to physical auction.

The good news is that through your acquisitions and your investments you have fantastic market share at the top of the funnel, as you describe it. Due to market dynamics and other factors, physical auction has been growing at a slower rate.

I know in your conference call, not to have too long of an intro here, you said I'm out of the prediction business as it relates to that dynamic but let's just talk about the factors that are driving activity at different points of the funnel.

Jim Hallett: I think there is a – we are in the middle of a cyclical recovery where we are having a number of lease returns starting to come back to the marketplace and in our particular case, we represent about 90% of the manufacturers and OEM finance arms with their private label programs meaning selling their vehicles on our technology which is the OPENLANE technology.

With those vehicles coming back, the primary buyers of these vehicles are the franchise dealers and these are off-lease cars and what we are finding is the franchise dealers are buying these cars at higher volumes than what we had anticipated. That is where we are going here, I think that is what you are asking, Matt, and quite frankly, we felt and as Matt said, I am out of the predicting business, we felt that with these additional volumes coming back that more vehicles would work their way through the funnel as we talk about and get to physical auction and we haven't really seen that. What we have seen is we have seen more of these vehicles being bought at the top of the funnel so just for the sake of those who may not be familiar, let me talk about the funnel a little bit.

When an off-lease vehicle is returned, it immediately comes to one of our private label platforms so that means we get the car first and we say it starts at the top of the funnel, if you will, and the very first place that it stops is it stops in a closed cage – thank you. The very first place it stops is in a closed online auction, closed online auction meaning that car is being offered just to dealers of that manufacturer so for example, Honda selling vehicles to Honda dealers as they come off lease.

It stays in that venue for a couple days and then it would move to what we call an online open sale and when it goes into the online open sale, which is the next level of the funnel, the vehicle is now eligible to all dealers to buy, all franchise dealers of any nature as well as all the independent dealers in the country. So it goes from a few thousand dealers in a closed sale to about 57,000 eligible dealers in an open sale and then if it doesn't sell in the open sale, then the vehicle goes to a physical sale in which case it could go to one of our physical sales or it could go to one of our competitors' sales.

We have two opportunities to sell that car before it goes to a physical sale and the dynamic that we are seeing is we had felt with the additional volume coming in in 2014 that we would see more of these cars wind up at a physical sale and in our case, why that is important to us is the economics get better as you go through the funnel. The economics at the top of the funnel are very thin and then as you go through the funnel, the economics get much better so obviously, from our perspective we would like to see more cars get to the physical sale.

Also, when they get to the physical sale they tend to use what we call the ancillary services that we provide so whether it be reconditioning work or paint and body work, mechanical work, other services that we provide, we pick up additional revenues when it gets to the physical sale. We haven't seen that happen but to speak of that, I thought that we would see more cars being sold in the physical sale late in the second half of 2014. It hasn't happened. More of these cars are being bought by the franchise dealers in the closed environment but what I do think will continue to happen is I think as you see the continuation of these off-lease volumes coming, we get another 700,000 off-lease cars returning in 2015. In 2016, we get an additional 500,000 returning. We are seeing residual values at higher levels than actual market values and with that being said, I think we will get to the point where these vehicles will continue to make their way through the funnel and we will see more cars at physical auction.

Matt Fassler: I know you guys talk to dealers. Dealers are, some dealers and customers and I'm sure you talk to the OEMs as well. What is your sense of what their appetite is for CPOs? Sometimes we talk to dealers and they say we never have enough great cars like the ones that are in CPO but obviously, there is some limit. CPO is not 100% of their mix so if that is input to this equation, where do you think that stands?

Jim Hallett: Matt, that is a good point and what we have seen is we have seen CPO volumes rise dramatically I think as a result of the downturn. Franchise dealers got much better at merchandising used cars and especially merchandising CPO cars. In fact, Eric, you pointed out an article that came out recently where a CPO car was selling for $2,400 more on average than a non-CPO car and so I think that has caused more of this volume to be eaten at the top of the funnel by the franchise dealers because they have been able to take these cars and CPO these cars and as they CPO these cars, they are able to make larger margins and larger grosses on those CPO cars.

Matt Fassler: Also on this front, I am going to start to move the conversation to used car pricing but only in a very limited way initially.

One of the theses we also hear would be that when used car prices were rising in value, of course the dealers would want to take whatever they could and they make money when they are sleeping on those cars, sort of the opposite of the paradigm of used cars. Now, the most prominent used car index that we have access to which is run by, and published by your competitor, by Manheim, would say that prices are starting to decline and that all of the sudden this inventory is a little less desirable for the dealers.

Do you think that makes a difference in terms of their appetite for cars in closed auctions or is getting ahold of those quickly and (inaudible)?

Jim Hallett: I think no question, I think prices will decline and I think as prices decline, again the dealers will pass on more of these vehicles in the closed environment and more getting into the other channels.

Matt Fassler: And then to the extent that used car prices fall, if you think throughout your business, what does it mean for your economics? If you could just sort of refresh us on how the transactional economics work and if pricing influences your top line – that is used car prices, not your own prices – used car prices impact your top line or your margin profile.

Jim Hallett: In our situation, a car has to move $500 to $1,000 in sale price to change our economics. When we sell a vehicle we charge the dealer a buyer fee based on the selling price of the car and those bands, they are usually in a band of $500 to $1,000 so a car would have to move pretty significantly to affect our economics.

Matt Fassler: In a world where the top line, at least from a physical auction perspective, maybe isn't gushing the way that would be optimal, what are you able to do to enhance your profits per transaction? This is a question that relates both to the physical channel and also to online. Is there some help or cost optimization or something else that you could deploy?

Eric Loughmiller: Yes, over the past seven years we have really worked on getting more of our cost structure variables so that we can move it with the volume whether that be at a location or within the services within the location.

Here, the optimization and I think we accomplished quite a bit in the second quarter this year by adding 6% volume growth at Odessa and 8% EBITDA growth in the same enterprise despite this mix being more heavily weighted towards online than what we might have expected at the beginning of the year and the key is can we maintain that cost structure in line with wherever the

cars are selling and Jim, in 2011 when we announced the open lane deal said listen, we are not going to dictate through pricing or other means where the customer sells the car. We just want to have the best platform on which they sell that car and as a result, Matt, to your question, we are able to kind of optimize this.

You talk about ecommerce. In our particular circumstance, it may get a lower revenue dollar but it has a higher margin profile both at the gross profit and the EBITDA line and more importantly, on the online platform of the cars listed, we have very significant market share. It is much greater than what we have at the physical auction.

We think the trade is fair – right, Jim? – that the market share more than offsets the reduced revenue per vehicle and the gross profit. We just manage it to keep our costs in line, keep that SG&A fixed and drive that top line growth no matter what venue the car is selling in.

Matt Fassler: A year ago and to some degree since then, you discussed opportunities to provide this intermediation in the consumer to consumer market. You sort of described what was in essence of being unregulated, this unintermediated swap meet and talked about the competencies you have and the real estate you have and the services you provide as having the potential to play a role in individual sell to one another and given the size of the market and the very minimal capital that you would have to commit to do this, it seemed like a grand slam idea though granted, one that you would have to sort of work your way into so what is that going to look like if it something that is still on your minds?

Eric Loughmiller: I am going to start and then hand it over to Jim to talk about an opportunity that came out of this. This is a great idea. The difference is when you deal with consumers, and this is a retail conference so many people here know more about this than we do, there is advertising and marketing that is outside of what we have to do with a limited set of franchise and independent dealers that we deal with.

What we learned in the process is a consumer transaction is very valuable and it led us into the consumer dealing with the dealer in a trade-in and again, the group looking at this, we found an opportunity just as large that utilizes our expertise and requires, while it may have been a capital light investment as Matt mentioned, the operating costs relative to advertising and marketing would have been far greater than anything we have ever done and it led us to an investment in TradeRev which really gets to the consumer transaction with the dealer and how that dealer may interact with that consumer on pricing a trade.

Jim, can you take over and walk you through how TradeRev is a bigger market? It's even bigger than the 13 million consumer to consumer units.

Jim Hallett: If you take a look on page four, there is a slide that can show you the chart I'm talking about but the auction industry is 9 million to 10 million and it's on an annual basis. If you take a look at the bottom right hand corner of page four, in the dealer to dealer market, there is 20 million to 22 million vehicles that transact between dealer to dealer that don't even come to an auction and we want to find a way that we can stand in the middle of those dealer to dealer transaction and what TradeRev is is TradeRev does that.

When we think of all the things that we do well in the physical auction business and even the online auction business, things like transferring funds, transferring title, arranging transportation, handling arbitration, extending financing, all the things that we do in the physical auctions, we think why can't we do that in these dealer to dealer transactions? Why can't we take a slice of that business?

What TradeRev does is TradeRev is the technology that allows the dealer to take a snapshot of the VIN plate and a couple images of the car immediately while the dealer is conducting business. While you are in the showroom buying a car, he can be appraising your car, take a picture of it, take a scan of the VIN number and take that and push it out to a network of buyers and you can push it out on a local basis, on a regional basis, on a national basis and as you push that out to a network of buyers, you are instantaneously starting a bidding process to buy that trade-in before the dealer has even taken the vehicle in so what you've got, you've gotten a guaranteed appraisal and what we are going to do is we put that technology in place and now we are going to stand in the middle of that transaction so we are going to guarantee the transaction between the two dealers.

We are going to guarantee the transfer of funds, guarantee the transfer of title. We are going to arrange for the transportation. We are going to arrange for the financing. We are going to do all those things so whatever slice of that market you want to take, of that 20 million unit market, there is a real opportunity we think to really create a real shift in the industry with this new product.

Matt Fassler: If you could just shed a little bit more light on TradeRev, at what stage of its own development is this business in today?

Jim Hallett: It is pretty much in its infancy. This was the company that was started in Canada by an automobile dealer that knows and understands this business extremely well. The technology, they have been working on it since 2009. It made a lot of sense for us to buy this technology rather than try and create it on our own. It has been rolled out in a couple major markets in Canada and it is in its infancy in two or three other markets in Canada up to about a total of five markets in Canada now and we are just getting ready to roll it into the first couple markets here in the U.S.

So again, very much in the early stages – overall, it is a $30 million investment with much of that investment, much of that purchase price going into working capital and the rollout of the business but we think it has a great opportunity to really produce some very, very impactful results.

Eric Loughmiller: And let me add, it is already cash flow positive in that short tenure. That is the exciting part is that this is so scalable. Basically, there is no fixed infrastructure. They are able to use technology through the cloud and it scales with more volume or less volume. You scale up and down. It has been a fantastic model they have built which means we can accelerate the process. We made a $30 million investment. A substantial amount of that though is staying in the business to fund the rollout into new markets because left to their own, it would have taken years and years and years. We can accelerate that. We have the relationships, as Jim mentioned, and can really get this thing going and Matt, it will be a powerful tool because it only requires volume to go cash flow positive. It doesn't require a lot else.

Matt Fassler: Not to belabor it, at what point of the transaction does the dealer decide to put the car into the system?

Jim Hallett: You mean put the car into the system right at the point of appraisal?

Matt Fassler: Does that create an obligation to sell it or just an option to sell it?

Jim Hallett: It is an option to sell it because a dealer always has the right to retain the vehicle so if he chooses to retain it, he can retain it. Otherwise, he can declare it as being sold.

Matt Fassler: I have one more question on this before we move on. Obviously, that is a car that in the ordinary course you might have ended up auctioning anyway on their behalf so how do you think about the

tradeoff between getting the vehicle earlier in this process, earlier in the disposition process relative to getting it when it moves somewhat more downstream?

Jim Hallett: There is a possibility that there is going to be some cannibalization of the physical auction but it is going to be far outweighed by the number of transactions that are going to take place on TradeRev.

Eric Loughmiller: And Matt, this is 20 million to 22 million that aren't using the auction now. We estimate that about half of those transactions are already changing hands between dealers and this will be a more efficient and timely process for that to occur with the dealer taking less financial risk so when the bidding occurs by a potential buyer, he knows that car might not be for sale in the first bid. He then is made aware of when the car is actually for sale. It is a subscription based service for the buyer. It is really important to understand that but he is going to express interest. He may say it is worth this much to me, incenting that dealer to sell to him. He is getting identification of inventory and discovery of prices, very valuable on both sides of the transaction.

Matt Fassler: It's a nice tangent for our discussion here, unanticipated, thank you.

I am going to move on to one last question about whole car. A number of months ago after the big conference in Vegas, the industry came out with what to my amateur eye was an extremely confusing game plan to bring multiple auction companies together in a single platform. It is probably my deficit not understanding it but I think it is a little complex though. Where does this effort stand today and where do you think it goes?

Jim Hallett: Just to recap, what customers were looking for was they were looking to, rather than list cars on just one platform, they would list cars on multiple platforms and there is really I guess four platforms in the industry so could they all have vehicles listed on all platforms at the same time with synchronized bidding on all platforms and this was an initiative that we took on as an industry and we have been heading down that path and I can say that there is nothing to update other than the fact that we are still in discussion, still trying to figure it out. It is extremely complex. Not only is the technology complex but the economics get complex and there is lots to be sorted out yet and really no update at this point in time.

Matt Fassler: Great, understood. Let's move on then to the salvage opportunity. Actually, one other question on whole car. As you look at overseas opportunities, what value do you think you could add in the whole car business and frankly, the salvage business if you were to look at opportunities outside the U.S.?

Eric Loughmiller: I think that one of the biggest things that we would lead with is we would lead with our technologies. I think we have three or four technologies that would play very, very well in international markets, that the international markets don't have. In many cases, the international markets have lagged behind with technology and in fact, they have resisted it much as we did probably ten or 15 years ago but it is inevitable that it is going to come and I think when you take a look at our OPENLANE platform, that would do well in the international markets. Our AuctionTrac which is a GPS tracking technology would do well. Our AutoVIN, our leasing inspection technology would do very well.

TradeRev, I got a call no later than ten minutes after the press releases from an international player saying could that work here and the fact of the matter is TradeRev is a product that could go worldwide, could work in most any market so I think as we look at the international markets, we would look to lead with technology, again not to deny brick and mortar. We don't think brick and mortar is dead. We might complement technology and brick and mortar together. We think the real opportunity for us and the opportunities that we have been looking at have basically been with

a technology slant to it and I can tell you over the last seven years, we have been in every market that you would expect us to be in.

We have established relationships. Folks certainly know who we are and we know who they are and we are having numerous conversations about how we may advance those discussions.

Matt Fassler: What factors do you think are going to drive the salvage channel in aggregate over the next year or two? You are having a very good year in that arena. What do you think makes that tick?

Eric Loughmiller: The collision repair industry is probably in the strongest position it has been in in years in terms of demand for their service and so Matt, what we've got is an interesting – and we have new car sales. We have some higher value cars coming back to the marketplace. We've got a number of claims moving in the right direction relative to our business not relative to us as drivers and severity remains strong because of technology in cars so there is everything that is helping us understand that there is going to be a high demand for aftermarket recycled parts and as a result, it figures into the algorithms when an insurance company says what are we going to do? Are we going to total, loss, or repair this car?

One of the interesting statistics that Jim and I talk to investors about all the time is you think about the number of cars we are processing through the salvage business, well over 1.5 million or so a year, those are one out of seven cars that have an insurance claim. 14% of claims result in a total loss and get processed through the salvage auction and that makes up over 80% of the market, of the salvage auction business. Those cars are providing the parts to repair six cars that had a claim that are intended to be repaired so Matt, what is driving this is that equation, as you know, is very strong for the values in the salvage industry, the recovery of claims cost by the insurer and the result is it is kind of a self-perpetuating model – the more demand there is for parts, the more they are going to want to total to create the parts because that aftermarket recycled part has the lowest sell price and the highest margin for every element of the supply chain of its use including the insurance company, including the intermediary that transacts the business, the LKQs of the world that are taking those parts and distributing them and the collision repair shop that is using the part in repair and the consumer is getting the lowest priced repair.

It is quite an astounding model in that we get to participate in because we have become, in the U.S. and Canada, the primary – us and our competitor – the primary intermediary to get these parts moved around cost effectively.

And the volumes, it is a steady growth business. We are coming off of a couple very mild winter seasons which kind of probably dampened the supply so our growth rate currently looks a little better. If you were to plot this over a ten year period, it is probably more stable and what has happened is that 4% growth we talk about long term that we have been experiencing, we go above and below that line like this and we happen to be in a cycle that we are moving out of from below to above that line but the growth trajectory is not something that is really out of bounds when you look over ten years. It is over one or two though.

Matt Fassler: And then the last business I am going to ask you about obviously is your third business and that is AFC and I guess the high level question I would ask you is what factors are likely to influence the direction of earnings at AFC? Should we think about interest rates? Should we think about competition? Should we think about the values in either your Odessa or salvage businesses as we try to map out the trajectory of that revenue and earnings stream?

Eric Loughmiller: We look at the number one factor as industry volumes at Odessa because that, over 80% of the vehicles that they are floor planning are cars bought at auction whether it be Odessa or its competitors. We are agnostic as to where they acquire the car.

Next would be competition. Our largest competitor in the used car auction business owns our largest competitor in this capital finance floor plan business for independent used car dealers so competition would be second.

And third would be interest rates and in fact, I would tell you that interest rates is a low hurdle in terms of impact on our business primarily because it is a fee driven business more than an interest rate business. It is not your classic finance company. These loans turn in 60 days or less and they tend to be fee driven with interest income being about one-third of the revenue source and fees being about two-thirds.

Matt, those would be the factors I would put in order with the volume growth. What is interesting is in the declining volume periods, we were actually growing market share which is kind of odd because that hadn't happened in a while but that is because we had capacity in relation to the rest of the market. As everything was recovering we were able to loan into a very strong used car marketplace with the capacity. Now we are back to probably moving more in line with industry growth, maybe a little better but the market share capture is not as significant as our competition has created some capacity subsequent to those couple of years where we outgrew everybody.

Matt Fassler: Before I open it up to the room I want to go through a bit of a lightning round with a couple of questions that we are asking most of the companies, all the companies here.

If you think about the environment for the second half of 2014 relative to the second quarter, is it your expectation that the environment for you all is the same, better environment, or a tougher environment?

Eric Loughmiller: I don't see any reason why it would change in the second half.

Matt Fassler: Okay, the direction of operating margin over the next 12 months for your business, higher, lower, or the same?

Eric Loughmiller: Our operating margin driven by Odessa should be improving because of the cyclical recovery. It is really a function of volume not cost structure that would create that and it is driven by Odessa but that affects, that is our largest business unit and it affects the consolidated margins.

Matt Fassler: Great, and then capital allocation – very serious question – you've got the existing business. You've got new capacity. There is M&A, buybacks, dividends, pay-down. Those are the, that is sort of an exhaustive list. How would you prioritize your allocation for your next dollar of free cash to deploy?

Eric Loughmiller: I think, Matt, we are going through that prioritization right as we speak and as we have been saying throughout the course of the day and throughout the course of many conversations, there is really nothing off the table. We have said that we are obviously not going to continue pay down debt. We are below our three times target and especially with today's interest rate environment but I think all those things are available. We have done a deep dive strategic review in all of our business units. We have targets on the acquisition list.

As you know, we pay a very healthy dividend as we speak now. There is the opportunity to do a stock buyback at some point in time if that was something that proved to be of most value at the time but the thing that we are not going to do is we are not going to think short term and we are not going to react to the quarter and we are going to look at the long term health and welfare of the business and make decisions based on those and prioritizing as such.

Matt Fassler: And the last of these four questions and it is a very different kind of answer for you than maybe for a retailer, as you think about the impact of ecommerce and if you were to force rank, you have the impact on your revenue. You have the impact on your margin rate and then the impact on your cost structure. Where would you say the impact is greatest for KAR Auction Services?

Eric Loughmiller: Again, we are different than a retailer. We have a unique environment, Matt. We have a significant amount of ecommerce that occurs in our marketplace and so the greatest impact is really on market share which drives revenue and gross profit percentage. The revenue per unit is lower but the margin is higher and so with the mix, and our market share is so high, it actually contributes highest at the operating income level. A little pressure on the percent but I think it is highest on the profits which actually substantiates our strong and consistent free cash flow generation in this business. We don't get disintermediated and it is not price competition like you might see in retail.

Matt Fassler: We have a few more minutes. I have other questions but we have a mic. We might have some interest from the audience, starting in back, please.

Unidentified Audience Member: This is a longer term question. How do you guys think about driverless car technology and how that might affect your businesses as a whole, certainly your salvage one but how do you think about it from a long term perspective of what you guys do and what that could mean for your business?

Eric Loughmiller: There are still going to be cars, right? There are 275 million cars on the road today that require a driver, that have the current safety features. It will be a long term change when we go to collision avoidance systems and driverless cars and all the things going on.

What is really interesting is we have had these safety features comes out. It has actually increased the turnover in vehicles. It has increased collision repair because it takes less physical damage to have significant repairs so in the long run, it's hard to anticipate. I have seen a lot of information. We do an insurance leadership summit as part of IA every fall and a couple of years ago they do a thing on this. In the long run, it's all about saving humans not saving vehicles and so a lot of these features end up with damage which is good for us. It turns over the car. It does increase it and it takes less physical damage to have a total loss so that is good for IA. When you have a total loss, you need a new car. That is good for the marketplace.

At this point I think it is so long term it is not something that will impact us and if anything, it probably creates opportunity. As people start getting intrigued and turn over their car and trade in their old car, our marketplace will be perfect for moving that old car into a different segment of the market. That is what we do at Odessa.

We will have to let it play out. There is a lot of studies going on about drivers not being attentive in those cars. Does it create a more dangerous situation? So the question is can we, can one person be driverless if not everybody is driverless and I think we have to answer those.

I just saw an article, it is 30 years away before it can be a significant part of the car park just based on new car sales. It is really long term.

I just got the five minute warning.

Matt Fassler: Other questions?

Unidentified Audience Member: At Odessa you guys have always talked about how as used car prices fall, you will see that offset obviously with the increased volumes. How does that kind of offset itself? How much do

you think used car prices fall relative to that volume benefit? How low do you think they go and how soon do you think they start to collapse?

Eric Loughmiller: Talk about declining used car prices, they are declining modestly if you look at the absolute dollars and in fact, there are more high value cars than there used to be so the average sale price of vehicles might actually be going up but a like-for-like car is going down.

We have always been a transaction volume business. The values of the vehicles in any of our businesses are a little bit irrelevant. I won't say irrelevant. If it drops – in 2008 in the summer, gas prices went to $4.00 a gallon and SUV prices dropped. In some cases, 60% to 80% of the value was lost because they couldn't sell them. That would cause an impact but these changes we're seeing, 3% declines, that is an adjustment to the supply and our marketplace is where that gets recognized and actually, it is good for our businesses to have more volume, wider prices, as long as it is a gradual decline and the market can respond to it meaning the sellers are willing to sell the car because that is the value.

Matt Fassler: I'll ask another question if we don't have others, maybe find one that is still on my list.

Is there an imperative in your view to further accelerate the deployment of technology across your businesses? You acquired OPENLANE and you have an investment in TradeRev. When we did a visit to one of your operations in Massachusetts, met with your new head of Odessa and he seemed reasonably focused on deploying ecommerce, mobile apps for example, to make the whole process more efficient. Where do you think you are as an enterprise across your businesses in using technology to the ultimate capacity or ultimate ability that you have?

Jim Hallett: I think like most businesses, we are all technology companies. We just happen to focus on selling cars and I think that we need to continue to invest in as much technology as we possibly can, enhance the technologies that we have and to find new and improved ways of doing business through technology and I think OPENLANE was a significant boost for us. It absolutely changed our Company overnight in terms of market perception not only with our customers but also with our employees. I think that my hopes are that you will see the same with TradeRev and then I think you will see us continue to add more technology related products. Eric, do you want to add to that?

Eric Loughmiller: No, I think the imperative is we are at a unique point where speed is of the essence, right Jim? I will give you just one quick stat. Three years ago we probably, and I don't probably have this exactly right but we probably sold less than 10% of our vehicles online. Last quarter we sold 38% of our vehicles, Jim? In three years' time you can see how that shifted very, very quickly.

Jim Hallett: We will make it four years and then he is right.

Matt Fassler: Next up we have Best Buy in the Grand Ballroom, Urban Outfitters in the Terrace Room. Please join me in thanking the gentlemen from KAR Auction Services.