KARAuctionServicesInc

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Unidentified Participant: On behalf of Barclays, we welcome KAR Auction Service, and Eric, who is the CFO of the company, and Mike, the treasurer. Welcome to the conference. And without further ado, I'll turn it over to Eric.

Eric Loughmiller: Thanks, Chris, and thanks for coming, everybody. It's such a beautiful day at the Broadmoor, I'm surprised anybody's here. It was much more crowded this morning before lunch, I noticed, out these hallways.

Let me get started by talking a little about our business. First, we operate in three major business segments. The first segment is our used car auction segment, known as ADESA. And in the used car auction business, there are two major players: us and Manheim, which is a subsidiary of Cox Automotive, a private company. And we are the top two players and control about 70% market share, maybe even 75% nowadays.

Our second leg of our stool is insurance auto auctions, which is the salvage auction business, which has -- also operates in a duopoly, with about 80% share held by Insurance Auto Auctions and a public company called Copart, and as a co-leader we basically control about 80% of the market in the US and Canada.

And the third leg of the stool that I'd like to talk about is our floorplan financing business, and this business, while it's an independent finance company, really supports the other two businesses. It's floorplan financing providing dealers, independent dealers financing so they can carry inventory on their lots at a low cost, and I'll tell you a little more about this in a few minutes.

In 2017 we sold throughout these businesses about 5.5 million vehicles, generating $3.5 billion in revenue and about $838 million in adjusted EBITDA at a 24% margin on revenue. In terms of thinking about our company, we have really four investment, or in this case, lending theses that we'd like to bring forward. First, we're a unique industry, with fundamentals that generates consistent free cash flow. Part of what drives this consistent free cash flow is the business model. Our two auction businesses are consignment businesses. Therefore, we do not take ownership of the vehicles and do not

take risk on the principal value of those vehicles. That leads to a lot of consistent performance and ability to generate strong and repeatable margins and also have great visibility into the future in terms of what is the likely supply of vehicles.

We have strong and visible organic growth. You know, we've been adding to our businesses, but even without that, the organic growth fundamentals of this business are quite strong. We leverage technology and data analytics for long-term growth, and this is a key investment thesis for us right now. We've recently acquired some businesses that are not yet making money but have real high potential for making money down the road, and we feel very good about them being complementary to our business.

So in case you're wondering, well, why do you invest in a business that doesn't make money, we did the same thing in 2011 with a business called Openlane, who is now the leader, without question, in the world, in private label sales of off-lease vehicles for the captive finance companies and any other source of leasing vehicles. And that part of our business is generating significant profits in 2018.

And last, we have clear shareholder-friendly capital allocation framework. As we look at how we allocate capital, we first think of a dividend for our shareholders. We have sufficient capital remaining to support M&A, repay debt, and if there's no other uses that make sense to us, we've been buying back stock in the open market off and on throughout the year.

We are a unique industry with a very large really carpark. Carpark is what they call it. There are 290 million vehicles on the road. We add 20 million -- this is US and Canada, where our primary businesses are located -- 20 million new units per year, and we have about 13 million units that go off the road. So you see that on the left and right of the chart. Of the 13 million units, between 4 and 5 million of those units end up trading hands through salvage auctions: us, Copart, and independent auctions.

Now, with that growing base of cars, how many change hands in a year? We estimate about 44 million retail used car transactions are occurring in a year. At the bottom on the left you'll see 13 million are consumer-to-consumer, think Craigslist, you could list on eBay Motors. You have any number of sites where especially young people in major metropolitan areas might try to sell the car, and in their eyes or in their mind get retail value for the car. Actually, good luck. Hope you get retail value for the car, but there's other ways to sell.

Then there are 31 million units that are sold by dealers. That's in the US and Canada. Of those 31 million, where do they get those cars? They get 11 million from our auction platform. And 20 million, they're taking trades from consumers, the CarMax model, where they will give an appraisal on any vehicle and buy the car at that price for seven days. They may buy directly. They are sourcing inventory directly from the consumer in some fashion.

What's really interesting, though, is a number of those 20 million transactions are cars, including, by the way, at CarMax, that they don't intend to retail. And we estimate that about 5 million of those vehicles are exchanged dealer-to-dealer, and there's another under a million, but let's say rounded to a million, that CarMax sells at their own

auctions.

So we have an opportunity there, and I'll introduce to you an application called TradeRev, where we've introduced a platform into the US and Canadian markets that will help that dealer transact at a fair price, at a maximum price with other dealers. And TradeRev runs a 60-minute auction at point of sale. The dealer can do this while they're appraising the vehicle and attempting to close a retail transaction. They actually don't even have to own the car at the time that they launch the auction. They take anywhere from 10 to 20 beauty shots, provide a very brief description of the vehicle. They scan the VIN number, which populates what options are on the vehicle, what type of car it is, engine size. They will add to it mileage and a few other details, and that launches, again, a one-hour auction where they can find out the real value of that vehicle. And they can actually do price discovery on the TradeRev tool even if they don't intend to sell the car, and they will get access to real-time accurate pricing information on the value of a vehicle.

We talk a lot about the US wholesale marketplace. This chart gives you a long history, in my opinion, but we show you this for a very distinct reason. If you went back prior to 2002, you might have another 5 to 10 years what we sold between -- the industry sold between 9 and 9.5 million units per year, a very stable market. Then we ran into 2008, early 2009, where there was a complete disruption of financing, bankruptcy of major OEMs, uncertainty as to where the market was going, and we saw the beginning of a decline that we witnessed a couple of years later. And that you see bottoming out at 8 million units sold by the industry in 2011. That's two years following SAAR, or new car sales, dropping to 10.4 million units in 2009.

Since then, though, it's been a great story. Even during that period, our, KAR Auction Services', adjusted EBITDA did not decline in any year, and within the ADESA business, which is really where the whole cars are sold, only one year, 2011, showed a decline in revenue year-over-year. We were able to grow revenue in all other periods. So that's how stable this market is, because I will tell you, that would not have been the case had we taken principal risk on the vehicles. In fact, I probably wouldn't be up here in front of you if I'd taken principal risk on vehicles back then, I'd be looking for another job, because there was just no way to be in that business. It was a very difficult business to be in, because between gas prices, lack of availability of consumer credit, uncertainty.

Now, what we learned, if you had staying power, you really only had to make it through two or three quarters, and we started to see the benefit of the recovery in the used car market. Took a little bit longer for new car sales to come back, but two or three quarters we started to see, because people needed transportation, and the used car segment is very predictable. We have now grown this market to where there's 11 to 11.5 million units, and we would expect to see that number being very stable for an extended period of time.

How do we make money doing this crazy business of running auctions? Well, it's a consignment model. We get money from the buyer, we get money from the seller, we get money for anything we do. We're like that commercial, if you call and ask us a question, we may charge you something for it. But actually, it's a service-related business. When we add any value to the transaction, we're going to charge you a small fee for it. And what happens is these small fees add up at the ADESA business, on average, just under

$600 per vehicle for every car we sell, and at IAA, just under $500. I give you those numbers because those are very small numbers, but in our business that adds up to $3.5 billion, just under $3.5 billion last year.

And what did we do? We collected over $60 billion in cash on behalf of the sellers of those vehicles, and that means we distributed, call it $56.5 billion of cash to the sellers after we collected from the buyers, because we collect our fees from the money we collect in advance. We actually get the seller's money before they do, and so we can collect our fees before the car is given to the buyer.

We also add a lot of value-added services at ADESA. We have body shops, mechanic shops. We have a logistics platform called CarsArrive that transports over 3 million vehicles a year. We actually run a platform for the major financial institutions and captive finance companies that help, when there's a defaulted loan, connect them with skip tracing capabilities -- and by the way, we have a subsidiary that does that -- or we can connect you directly with a repo agent so that you can sit in the office at the captive finance company or bank, launch a repossession of a car, and have Dog the Bounty Hunter go get it for you. That's my favorite repo guy, is Dog the Bounty Hunter. He does a TV show.

But it could be anywhere. If you made the loan in Phoenix, Arizona, and talk to a lender this morning, they're based in Phoenix. (Inaudible) you make the loan in Phoenix, person relocates to Boise, Idaho. You don't have to know a repo agent in Boise, Idaho. You put it out on this platform, they will find where that car is located, find a repo agent that's in that local area, and pick up the car and then deliver it to a location of your choice, preferably an ADESA auction, if you'd like to know where I'd like it to go.

But we charge for all of these services. So our ancillary services are a big part of our revenue. In fact, a lot of our investors and lenders have been asking what's the future of the physical auctions. The future is very bright for the physical auctions. In 2007 when KAR put an LBO together of which Barclays was part of, we were generating $465 per car sold in the ADESA business. Substantially all of that was auction revenue. In our first quarter of 2018, we generated $820 at the physical auction and $117 in the online auction. We went from selling about 1.7 million cars to selling nearly 3 million cars, all at that -- and that $820 compares to the $465, because that was all physical. Of the $820, over half of that is additional services, not auction revenue.

Ironically, the auction revenue per vehicle sold in 2007 was just under $400 and in 2018 is just under $400. All the growth in our revenue is by providing value-added services, and I think that's an exceptional part of our business model. We're always finding ways to add value to the transaction. The whole car fundamentals are led by a number of things. The first driver is off-lease, and you can look at this chart, it's an annual chart. I have an even better chart that gives it to you by month. We have a predictable stream of lease returns. The average lease in the United States is three years; Canada, slightly longer.

These cars come back to market. The beauty of it is this is a self-fulfilling prophecy. When you lease a car, the OEM knows that three years later they're likely to have a wholesale transaction, but they also get a new car transaction, because it's a minority of

transactions where at the end of lease, the consumer will buy out the lease on that vehicle. Why? Well, you have to pay fair value for the car. Basically, when you lease a car, you pay for half the car over three years. If at the end of the lease you want the car, you pay for the other half of the car. So your choice is, will I pay for the other half of a three-year-old car or will I just go get a new car and pay for only half of it? And we know used car prices haven't moved up that significantly, and especially today, they're offering over $2,000 in incentives, probably getting the value down to about what it was three years ago. So course, a lot of these cars are returned and end up in our network.

Another part of -- besides off-lease is repos. I think we underestimate there's a record number of -- if you don't lease the car, your next alternative is to pay cash, and to pay cash, a very high percentage of retail transactions are through a loan through a financial institution. And we have over $1 trillion in auto loans in the market right now, and it's not that default rates are up. That is not true at all. In fact, default rates are very stable if not even down. But we have so many more cars with loans outstanding on them that just a low default rate results in over 2 million repos coming back to the used car auction wholesale network every year, and that number is continuing to grow.

Now, what's happening with our market, there is something going on that a lot of investors and lenders are focused on, is a shift, are more cars going to sell online. And the answer is yes, more cars are going to sell online, of course. Because if a car can sell online, why would you -- if you can pay $117, our average in Q1 for an online-only transaction, or you can pay your share of $820 if you go to the physical auction, which would you choose? If you could get the same value, you're going to sell it online.

So if -- the big if -- if you can get the same value, sell it online, which is why 90% of the online-only transactions are off-lease vehicles. Why? They're less than three years -- three years or less, less than 40,000 miles, one owner, well appointed, lots of options on the vehicles. They're not rental cars with manual seats and power locks and power windows, if you're lucky. They are cars that were driven by a consumer, and that car is in good condition. The maintenance was probably included in the first three years of the lease, so it's had oil changes, they have a service record. Great car to buy, very low risk.

Once you get beyond that car, change the mileage, change the year, uncertain owner, who owned it, who's going to stand behind the transaction, it starts to eliminate trust in buying online. And online buying is all about trust. Now, we can give you warranties and things like that. That doesn't help you when a car has 122,000 miles on it, it's eight years old, you don't know where it's been, you don't know what it looks like, you don't know if the picture's been doctored, because you're buying online. You're never touching the car. So that's one of the things.

So what we're seeing is while a lot of investors are saying, "Eric, there's more cars selling online." No, no, no. You're right, there are more cars selling. "Well, it's cannibalizing the physical auctions." Not true at all. In 2017, according to NAAA data, the National Automobile Auction Association, which is physical auctions, 10 million units were sold. The previous year -- only one year in the history of the industry have we had 10 million units sold. It was 2003. Many of you are too young to remember the aspects of 9/11 that followed it. It shut down the economy and our president had a program, put people back on the road, put people back to work. He had a motto that was more tricky than that.

They went out and sold a whole bunch of leases, and some of them short-term leases, to help America get back to work, because there was kind of a standstill post-9/11. In 2003 we started seeing all those cars starting to rotate through, and it was a great thing for us, and there were 10 million used car transactions with none -- none -- excluded for the online at the time. And now we're over 11 million, almost 11.5 million, of which over 1 million are online. And so what's happening is as these leases come back -- in 2007 there were 2.5 million leases written in the United States. In 2017, there were 4.5 million leases written in the United States.

What's happening is with this growth in the SAAR, the recovery from 2008, 2009 bottoming of the economy, leases were a big vehicle and they're coming back, and these are unprecedented numbers, and they're selling online cars that were never in the marketplace before. There is absolutely zero cannibalization of the physical auctions. We sold the same number as we sold in the peak year in the history of the industry last year, but we have more cars than we've ever had in history, and those cars that can sell online are selling online. So it's a great place to be, because we have a very significant market share in the private label online sales on behalf of the OEMs and their captive finance companies.

And the last thing is we've had a period of increasing used vehicle prices to highlight, and that is starting to subside. We are seeing declining used -- with all the supply, we all know the economics and we learned in Econ 101, supply and demand, supply exceeds demand, price drops until demand matches supply. Our marketplace operates exactly like that. The difference is, though, I have more three-year-old, low mileage vehicles now that are declining in value than I had before, so the average auction price that I get, because I don't -- I am agnostic as to what the car -- I sell units. I'm a transaction-based business.

So the average price paid for cars at auction is actually going up even though a like-for-like vehicle value is starting to decline. That is a very good situation because there's a high correlation between the values of vehicles sold at auction and my fees. So even though one car may decline in value, if I have more high-value cars, I'm making more fees on the transaction.

And the last input of this is the higher-value cars are more likely to use my ancillary services. You're going to spend money on a three-year-old off-lease car getting it in mint condition. So it's a great time to be in the market. We really like our position. Remember, I'm a transaction-based business, I am not a value-based business. And all of our cars sell. They sell. They have nowhere else to go. The captive finance companies, even the dealers, they've tried to -- if they can't retail the car, they need to move it to a different channel within the retail marketing of vehicles.

Let me cover salvage, and I'll get to -- because at the end, I'll tell you a little bit about a transaction where we're separating the salvage business, or at least our intent to. The salvage market fundamentals are spectacular. We've estimated long -- we could have 5 to 7% volume growth in a market that historically grew 2 to 4% at best. We're seeing the insurance companies total more auto accident claims. They're almost 19% last year in the fourth quarter, 19% in the first quarter of 2018. That means for every accident, nearly

one in five is a total loss, and our business, over 80% is selling total loss vehicles for the insurance companies. And you see that on the chart.

The 18% is the annual rate. The last two quarters of 2017 were nearly 19%, and it wouldn't surprise me if we see this number continuing to increase. Why? Because the average age of a vehicle, if you look in the lower left, the average age of a vehicle on the road is approaching 12 years. If you wreck your nine-year-old car, it doesn't take much damage before the collision repair costs eat up the value of the vehicle and your parts are worth more than the car getting repaired. So the insurance companies are totaling the car so that they can reduce their claims cost and get those parts back into the marketplace so the collision repair shop can fix the cars cost-effectively. Remember my number: 19%. So for every five accidents, there are four cars getting repaired and one car getting totaled.

38%, or between 35 and 40. I always say 38, but I think that's -- I'm not sure that's collision repair. It might be -- but about 35 to 40% of parts used in the collision repair industry are aftermarket recycled parts. They can't source all the parts because they're not always there. You won't wait three months to get your car back when they can find the part, so it's really a tough business but they're trying to find as many as they can.

And then, helping that marketplace, miles driven. We're driving more miles. And listen, the people from New York can talk to me about Uber, can talk to me about Lyft. That's still a mile driven, and we've seen those drivers. They still have accidents. I hope none of you are in the car when they do, but they are just as distracted as everybody else is. They're looking at their phone to see where their next ride -- looking at the directions, getting a call from who knows what on the other end of the phone. They're just our friends driving cars for money, and they're going to have accidents, and when they have an accident, they have an insurance carrier and the insurance carrier is going to total the car or repair the car. So car sharing might be a different story because that changes ownership; ridesharing does not.

And in fact, it's estimated that through ridesharing, we will continue to increase miles driven as the cost per mile for you to go places is cheaper than when you buy the car. If you don't have a car, it's hard for you to get in your car and go. But if you don't have a car but you have Uber, you can get in the car and go within minutes, especially in major metropolitan areas. So we think this will be a good trend for us, at least in the near to medium term. Long term, we'll see how it all plays out.

In my short-term financing business, let me just give you the highlights here. Average loan is 60 days. We have $1.8 billion out on the portfolio. We do not loan to franchise dealers because they have access to capital from their captive finance, and if they say no to them, why should we say yes? There's something we don't know. We also don't loan to the likes of CarMax, Penske, Sonic, Group 1, because they have access to capital from different sources. What we're trying to fill the gap on is the independent used car dealer that operates a single or maybe just a couple of locations. We only floorplan used cars. If they somehow get new car portfolio, we don't do that. And the average loan is only 60 days. And this is not an interest rate spread business entirely. There is an interest rate spread. We securitize about 80% of the portfolio, so we place it in the asset-backed commercial paper market indirectly through the banks.

But what's happening here is we're charging fees. We have a significant portion of -- what is it, Mike, about 60% now is fees? 55? We keep going down because interest rates are going up, which is good thing. But about 55% is fees, 45% is interest income, and then the interest rate spread has been expanding for us, because we can actually -- each new loan re-prices to the current market, and it's tied actually to prime, not LIBOR, because most of our independent used car dealers wouldn't know how to spell LIBOR. So we say Wall Street prime, because they can look that up, and it's a spread over Wall Street prime.

So we do a pretty good job of getting in a spread on this, but it's really the fees that drive the yield. And, you know, it's a great business. Very low loan losses. And in the back of the materials that Mike handed out to you, you will see on the next-to-last page the annual loan losses by year going back I think to 2008 or so. And -- if it's in the appendix. We usually have it in there. If not, you can look it up on our website. Loan losses in this portfolio for the last six or seven years have been running below 2%, and many in the low ones, and in the last cycle before the -- what we call the great recession, they were actually running typically about 3% with a jump up above that in the one year where we had significant losses in the second half of 2008.

But generally speaking, this has a very high-quality, very low turnover, very low loan losses. People ask, well, why do you want to finance business when the other business is more valuable? This is a service to our dealers. We focus our lending to cars bought at auction because we know that is the market value of the vehicle. We had an open auction where people bid the car. It's worth that, because, you know, it's not some dealer saying, well, I gave this guy $12,000 for that car when it -- well, it's only worth nine. Well, here, I've got the -- no. This is an honest transaction primarily through the auction.

One of the key concepts, though, of what we're doing as we transform our business at ADESA in particular is leveraging technology and data analytics for long-term growth. You can see here we've made a number of moves to get ready for this, but we have been focused on adding technology-related assets to our portfolio, because we believe this will be the future. I have the physical auctions. I have a cyclical recovery with significant off-lease volume coming back to the marketplace. But what am I going to do when all of that levels off? And what I'm going to do is take this to new markets, come up with a more efficient transaction, find ways to get revenue off of transit.

Autoniq is a great example. It's on your mobile device, you can sit at the auction, you can look up -- I'm looking at a four-year-old BMW. I want to know what is the book values of that car. I can get all kinds of information while I'm looking at the car. And you may not realize it, we sell a car at the auctions every 30 to 45 seconds. You don't have a lot of time to be, what's the value of that? You've got to have it readily available. You can also look, on the Autoniq, within 150 miles, are there any other cars like this being offered in the marketplace in the next 10 days. They have all the run lists for the independents, Manheim, and ADESA downloaded. These are the types of tools, and I always like to say my goal is not only to get revenue when they transact with ADESA, I want revenue when they transact with Manheim, when they transact with Southern Auto Auctions in Connecticut. Any auction where they're transacting, if I could get a piece of that revenue, that's what our business platform's all about.

And now we've added TradeRev and Drivin. Drivin is determining data and analytics that we can integrate into all of our platforms, helping the buyer and seller make better decisions on when to transact. That's the bottom line. At what time should I take that price, even though I thought it was worth more, or at what time should I not take that price because the car is actually worth more and I just don't know it, because that local market is not telling me that. And we're collecting data not just -- you know, you think about the users of this, it's a franchise dealer that knows his brand very well, but he doesn't know all the other brands. He doesn't know what's happening in the market; we do.

We have information on millions and millions of transactions all the time. We are able to get access to retail information, wholesale information, inventory information for certain dealers, and we can say, here's what your market looks like, create algorithms that help you determine what supply and demand attributes are changing today, not looking at a book that had a value that was six to eight weeks dated, and you're trying to guess what's it done since then. So that's what we're -- and we're integrating that with product like TradeRev, which are making it -- helping you get price discovery in 55 minutes while the customer is still trading in his car.

So all of these tools that we're putting together are intended to make the process more efficient, lower cost, and faster, because these are depreciating assets. Do you know that every day a car is on this earth, it gets lower in value? Every day. Now, we probably measure it in months, but every month a car depreciates, and so you need to get the transaction done as quickly as possible.

Here are some of our outlooks and our strategic priorities. In the interest of time - we've got about 10 minutes left. Do I go to 2:05? Or, no, two o'clock. We've got five minutes left. Our priorities really come around, we have strong visibility into growth, and how do we allocate capital. Our strategic priorities are first let's deploy capital effectively, return to our shareholders, support strategic growth, repay debt if that's the most cost-effective use of capital, buy back shares if we have excess capital. We generate cash all the time. We do not need to build up mountains of cash because we're going to have another mountain growing.

This is a cash business. There is no big AR, there is no big inventory. When you go to our balance sheet, you will think my DSO is about 100-and-some days. That is because our receivables are the gross value of the vehicle, and there's an offsetting payable. I don't give the payable up until I collect. Our fees are a fraction. Our average DSO is about five days. We do not let them take the car until they pay for it. So if they don't pay me and it shows as a receivable at a month-end, I just sell the car to somebody else the following week. I don't let them take the car until I have some guarantee of payment. As a result, we have strong free cash flow yield in this business, generating almost half a billion dollars in cash flows as we approach 2018.

Creating shareholder value, how do we do it? Focus on the customer, focus on operations, improving margins, and deploy capital in an efficient manner that has high returns. I'm going to stop there -- you can read about our financial results -- and take any questions you may have out in the audience. Chris has a question.

Unidentified Participant: Just on TradeRev, in terms of the capabilities that you have, is there any other tool that you're competing with out there today? And I would think, you know, you have your position pretty well with the backend function that you have, the transportation, the (inaudible). I guess outside of you or Manheim, who in the ecosystem is in a position to do this?

Eric Loughmiller: So, TradeRev is a mobile app focusing on dealer-to-dealer transactions, and when you define it that way there are several competitors. And no offense to them, but I call them ankle-biters. They have no platform, they have no property, but they have an app. Two kids in a garage can do this. The problem is, can they stand behind the transaction, do they have a buyer base established. So, currently, Manheim does not have an offering in this space. That makes me nervous, Chris, because they're big, they have all the capabilities of us, and I know if we're successful there's no doubt they'll be in this space. It's just a question of when.

Beyond that, there's a private equity funded firm on the East Coast based in Buffalo, New York, called ACV. There's a number of players in Canada, in the US as well. Appraisal Lane, eBlock. There's a bunch of them. None of them stand in the middle of the transaction like we do. None of them offer any services beyond the mobile application like we do. So we are spending a fair amount of money, as you saw in Q1, in our MD&A and our narrative. We are spending a lot of money because we need to get to the market first because nobody can compete with our offerings right now, and Manheim is not in the marketplace.

So we're excited about the ability to be first in the market, and we need to get there fast, and we're going to spend some of our profit. We're not taking capital, we're using our profit, and that was in our guidance for the year. We use that profit to build this market as quickly as possible. We think we have first mover advantage if we do that. And then it -- and it is a loss leader right now, but we are very confident within a few years it can make money. And again, that's a similar pattern to Openlane. Openlane had the same pattern. Get market acceptance, get the -- we call the flywheel going, and it becomes extremely profitable.

Unidentified Participant: And I guess just follow up on that, your last one. How long do you expect before the platform become mature, and is there a number of dealers that you could reach the critical mass at some point? And also, can you talk about or give us an update on how the dealer signup is going.

Eric Loughmiller: Well, again, this is being introduced in local markets. If you think about a dealer-to-dealer transaction with a mobile app, it's probably transacting within 150 miles of the car, and probably a large number within 50 miles of the car, because you have to go get the car, you have to pay for transportation. So you develop these markets city by city, region by region. We have had -- we've been successful at introducing into the 14 major metropolitan markets in Canada, because that's where the product was founded, and they are profitable in their most mature market.

There's no number to put on it, but we plan to get there fast. We've said in the next two to three years we expect it to break even and become profitable, and that's with a heavy

launch expense. The big cost is dealer acquisition cost, not operating cost.

With that, I think I'm out of time, so let's end it. We've got the next group coming in, and thank you very much for coming today.