



MANHEIM CONSULTING



Recon opportunities for units sold for \$5,000 or less

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Objective of Study:

Evaluate opportunities for Recon Repair that would have a positive ROI on units that are selling for \$5,000 or less

Methodology and Data Sample:

Sample:

Evaluated recon repairs on units that sold for \$5000 or less in the United States between January and May 2011. Units sold in Specialty, TRA sales or flagged as Salvage were excluded. The sample was limited further to units with condition reports resulting in 105,565 units in sample. Recon ROI was calculated only on the 40,205 units with Pre and Post Condition reports.

Methodology:

The average MMR % achieved at each Post-condition value was determined. This MMR% was then applied to the pre-condition grade to determine the effective MMR dollar lift. Recon charges included mechanical, paint & body and trim repairs. The Recon ROI was calculated as the MMR dollar Lift divided by the recon spend. This portion of the analysis could only be completed on units that received a Post-Sale inspection. The repairs were further evaluated on units that showed an increased condition grade to determine the types of repairs that effectively resulted in a positive Recon ROI and increased grade. These types of repairs were evaluated on all units with Condition reports to extrapolate recon opportunities on vehicles in this category.

Executive Summary:

Overall units sold for \$5,000 or less with pre and post condition reports had average damage estimates of \$2,700 with an average of \$82 in recon repairs. These units reflected a Recon ROI of \$1.03. A higher ROI in Recon was found in units with the condition code >3.0 with a Recon ROI of \$1.13 with average repairs of only \$75. Twenty three percent of the units with post-inspections showed an increased condition grade after repairs. These units had average damage estimates of \$2,092 and average repairs of \$159 resulting in increased grades of .43. These units reflect an average return on recon investment of \$2.35.

The following types repairs account for 67% of the repairs done on these vehicles:

- Engine Repair
- Tires
- Gas/Oil/Fluids
- Batteries
- Glass Replacement/Repairs
- De-Id / Decal removal
- Warning Lights
- Keys
- Headlights
- Wheel covers
- Bumper Repair/Covers

Damages of this type that were not repaired for vehicles in this price range reflect an estimated \$106.2 million opportunity for recon.

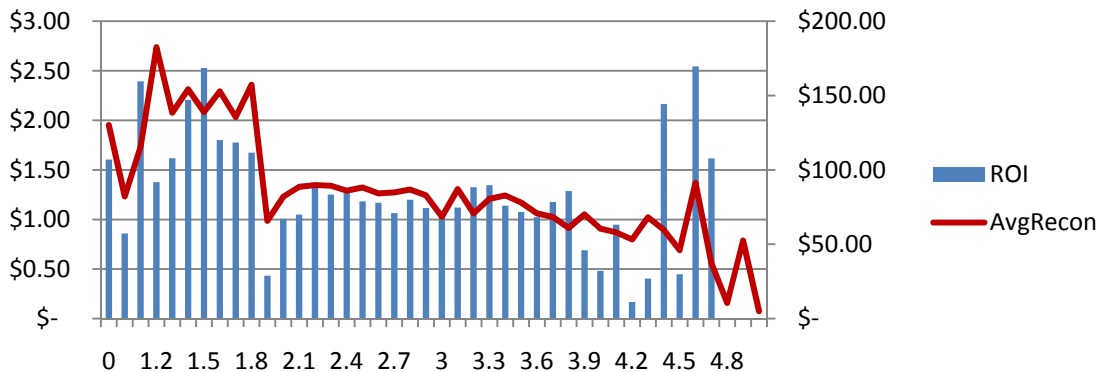




Return on Recon Investment:

38% of the units sold for \$5,000 or less received a Pre and Post sale inspection. The average estimated damage on these units was \$2,700. Units had an average of \$82 in recon repairs. These units reflect an average return on recon investment of \$1.03.

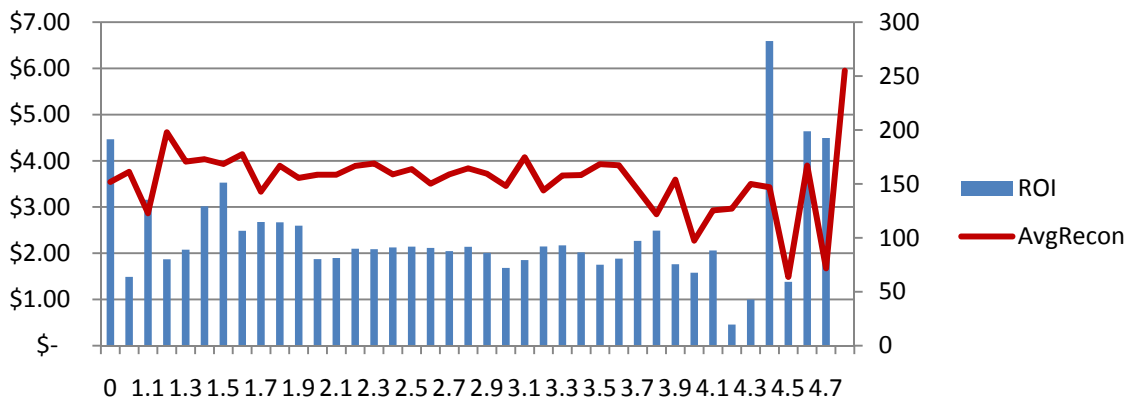
**Average Return for \$1 in Recon investment
For units with Pre-Post sale inspections**



Units with increased condition grade as a result of recon:

23% of the units with pre and post inspections had increased grades as a result of recon repairs. These units had average estimated damages of \$2,092. The average recon repairs were \$159 resulting in average increase in condition grade of .43. These units reflect an average return on recon investment of \$2.35

**Average Return for \$1 in Recon investment
For units with Increased Condition Grades**

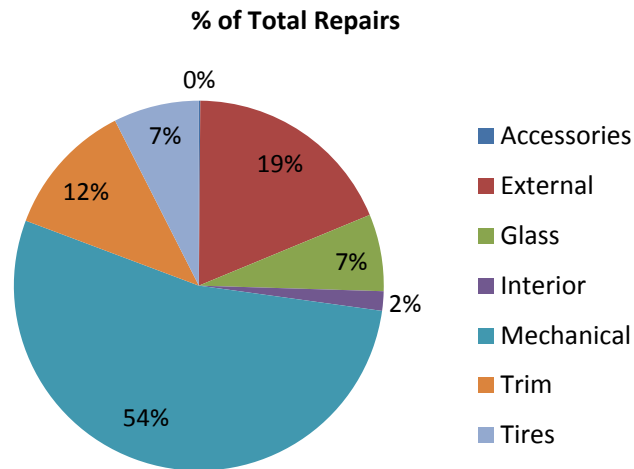




Repairs on units increased condition grade:

Units with increased condition grades were evaluated to determine the types of repairs that resulted in increased values. While many repairs are done in combination so it is difficult to say with certainty that one caused increased value more than others the following repairs were done most frequently on units that resulted in a positive ROI for units in this price range.

Area of Repairs:



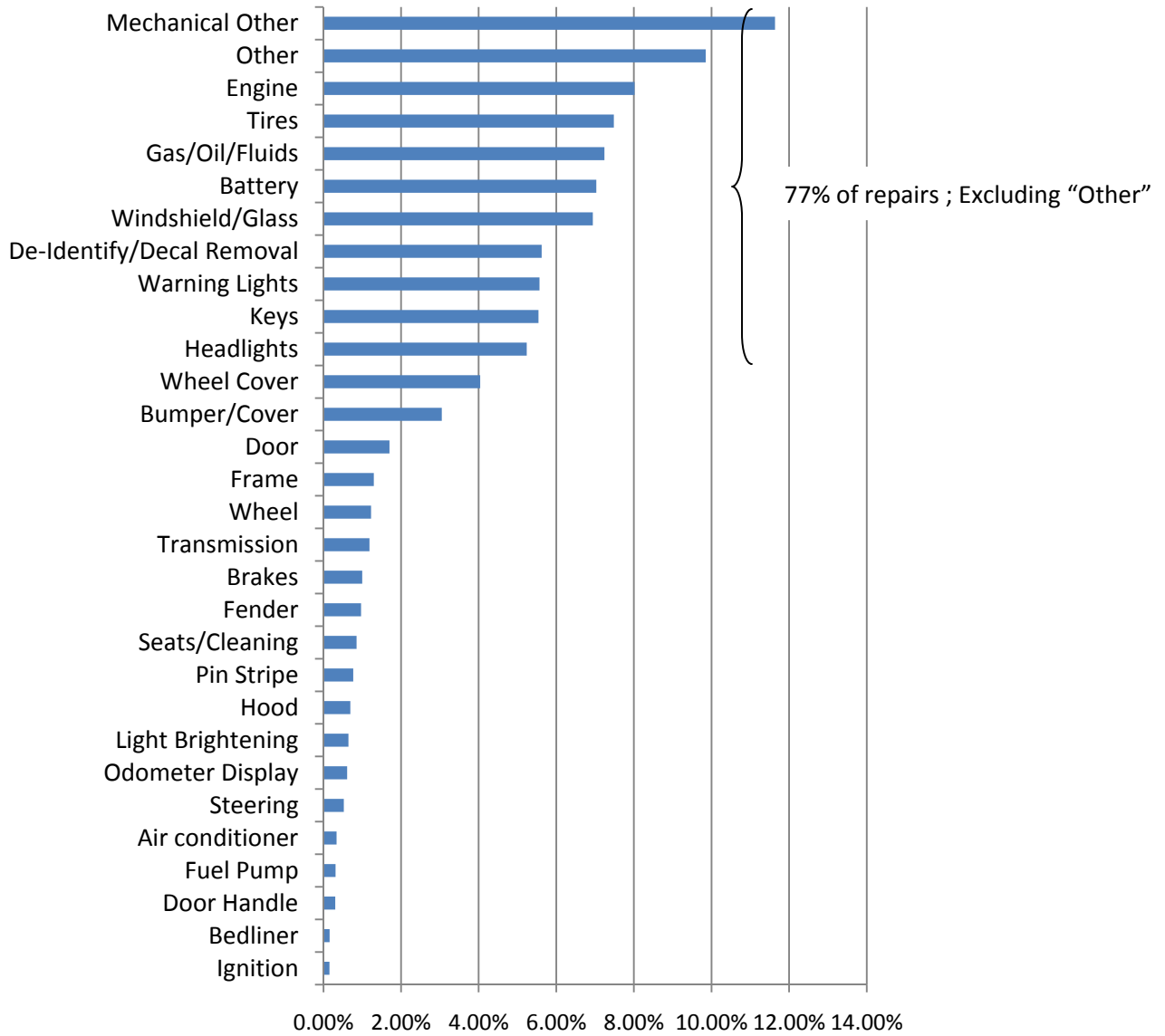
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Types of Repairs:

**Type of Repairs as % of Total Repairs
On units with increased Condition Grade**

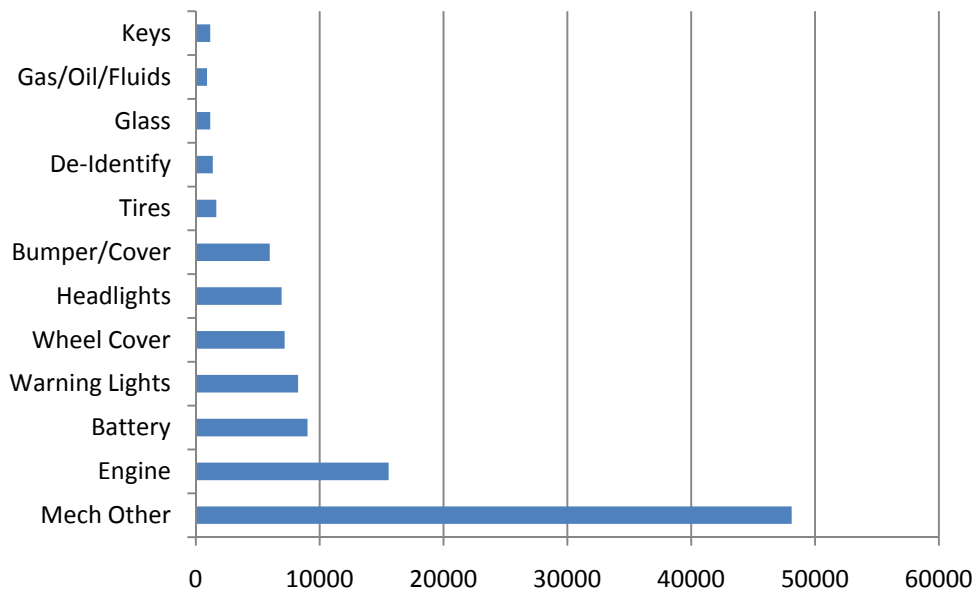




Evaluation of unrepaired damage for top repairs:

The top repairs types that resulted in positive condition changes that were unrepaired on units with Condition reports were extrapolated and annualized against total sales volume for units sold for \$5000 and under.

Annualized Recon Opportunity by Repair Type (in thousands)



Damage Estimated in the top 12 categories (Excluding “Other”) that was not repaired on units with condition reports totaled \$44.2 million. The Estimated recon opportunity is \$106.2 million annually for vehicles sold for \$5,000 or less with Condition reports.

