

## **A 2014 Profile of the Evolving North American Collision Repair Marketplace**

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Today's collision repair industry continues to be influenced and impacted by the convergence of numerous dynamic macro-market influences including a surge of disruptive technologies, corporate globalization, multi-segmented consolidation within the auto physical damage ecosystem, and private equity's impact funded by readily available cash and inexpensive financing. These influences, coupled with the high-octane velocity of change all around us, are driving the need for constant transformation, the kind that most of us struggle to keep up with on a daily basis.

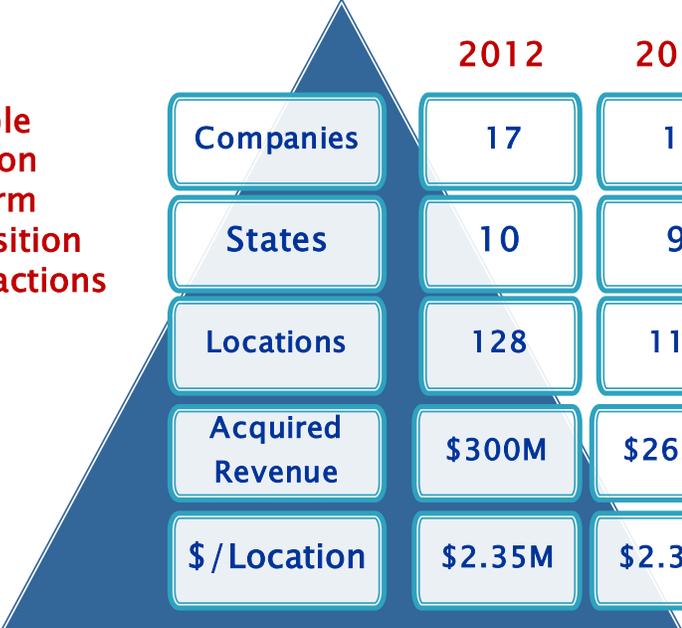
There's a debate going on within the collision repair industry as to just how fast consolidation is taking place. We suggest that the speed at which consolidation is evolving is relative, depending on each constituent group or market segment's perspective and what metrics are used to measure consolidation's pace.

- For MSO consolidators, the speed of consolidation is probably extremely fast to aggressive. Market share expansion matters and so does satisfying private equity's requirement for ongoing incremental growth.
- Suppliers might see consolidation causing more centralized decision making with fewer organizations. The speed of consolidation may be viewed as too fast or aggressive.
- For private equity firms and investment bankers, the speed might be seen as extremely aggressive or explosive because of the increasing number of deals and, more importantly, the deals they would like to see come to fruition in the near future.
- For insurers, depending on your company size, the number of claims you process and the claims processing and settlement model you use, repairer DRP, MSO Strategic Partner Program, Concierge, or a large appraiser staff model, consolidation may be too fast or not fast enough.
- For associations, affinity groups or media organizations who may be losing membership or readership, consolidation may seem very fast or aggressive; these groups would probably like to see it slow down.

## United States

In 2014, U.S. MSO consolidator acquisition activity for multiple-location platform transactions was very aggressive and involved acquisitions of 28 MSOs by 4 MSO consolidators with 261 locations in 24 states. These platform transactions transferred \$964 million of revenue during 2014 with average revenue per location of \$3.31 million.

Through late August 2015, MSO consolidator platform acquisitions represented \$382 million, a slower year-over-year run rate than in 2014. This acquisition activity for multiple-location platform transactions involved 18 companies, represented by 4 MSO consolidators and 14 acquired MSO collision repair organizations, with 126 locations in 15 states averaging \$3.03 million per location.



|  | 2012    | 2013    | 2014    | 2015    |
|--|---------|---------|---------|---------|
| <b>Multiple Location Platform Acquisition Transactions</b> |         |         |         |         |
| Companies  | 17      | 17      | 32      | 18      |
| States   | 10      | 9       | 24      | 15      |
| Locations  | 128     | 113     | 261     | 126     |
| Acquired Revenue   | \$300M  | \$265M  | \$964M  | \$382M  |
| \$/Location  | \$2.35M | \$2.35M | \$3.31M | \$3.03M |

Source: The Romans Group LLC

Three of the largest platform transactions year-to-date in 2015 involved Caliber with the acquisitions of Craftsman and Pohanka in the Virginia and Maryland markets and ABRA's purchase of Kadel's from its private equity partner KCB Management with locations in the Washington, Oregon and Idaho markets. Two of the most recent acquisitions in August 2015 were Service King's acquisition of Riverdale, with eight locations in the highly-consolidated Chicago market, and

ABRA’s acquisition of Lehman’s with six locations in their highly-concentrated headquarter market of Minneapolis.

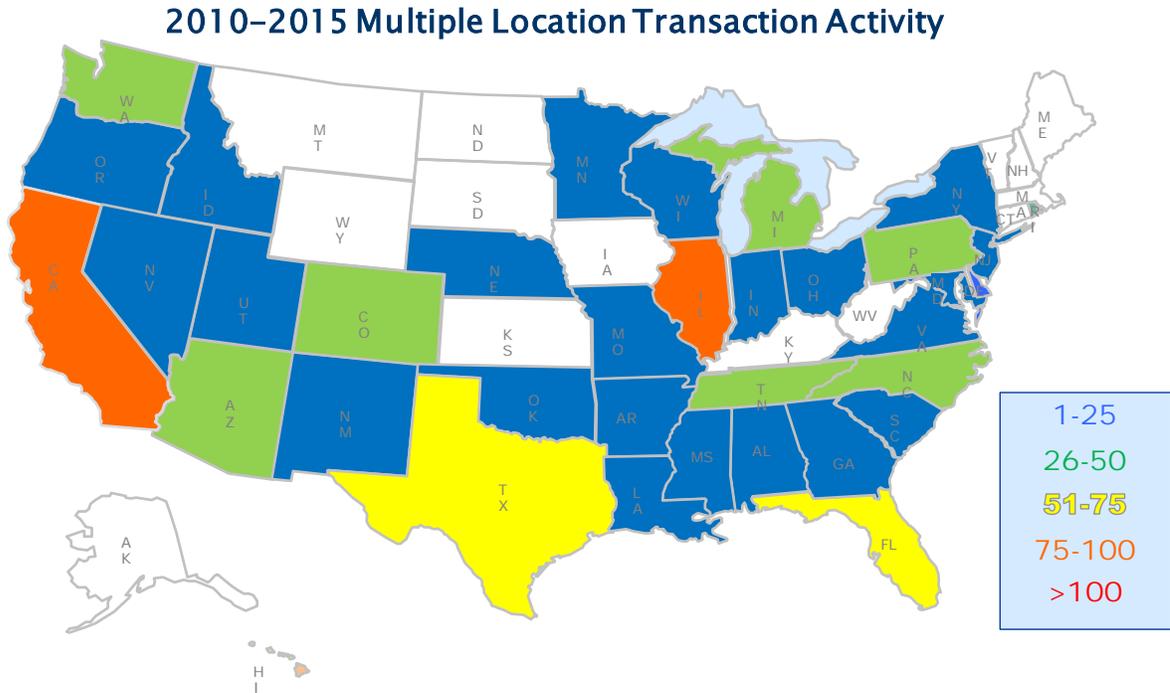
As consolidation continues to drive collision repair industry contraction, four MSO consolidators, ABRA, Boyd/Gerber, Caliber, and Service King stand out as the primary buyers, or disruptors, vying for multi-location and multi-region platform acquisitions. With its recent acquisition of the Van Tuyl car dealership business, which included 32 collision repair locations, Berkshire Hathaway could become the fifth MSO consolidator if its announced future acquisitions materialize targeting privately-owned dealers including some that operate body shops. Additionally, AutoNation has stepped up its own acquisition strategy for dealer groups and has acquired three larger dealer organizations in 2015.

In addition to Brownfield and Greenfield locations which helped expand and build out the breadth and depth of some of their existing markets, MSO consolidators also ramped up their single-location acquisitions in 2014 and 2015. We see a continued trend with MSO consolidator’s growth strategies that step up their focus on increased market density and coverage through “build outs or tuck-ins,” involving acquisition of individual shops, constructing Greenfields and Brownfields, and expansion with franchisees in smaller-tier markets

| MSO Repair Center Growth  |              |                   |                             |                   |              |                          |                             |                         |
|---|--------------|-------------------|-----------------------------|-------------------|--------------|--------------------------|-----------------------------|-------------------------|
| Company   | Market Share | Center Count 2014 | MSO Platform Locations 2014 | Business Model    |              | Center Count 8-28-15 YTD | MSO Platform Locations 2015 | # of States 8-28-15 YTD |
|   |              |                   |                             | Corp. + Franchise | Body + Glass |                          |                             |                         |
|  | 0.8%         | 271               | 48                          |                   | ✓            | 326                      | 6                           | 17                      |
|  | 0.6%         | 206               | 63                          | ✓                 | ✓            | 318                      | 41                          | 23                      |
|  | 0.7%         | 234               | 25                          |                   |              | 313                      | 47                          | 13                      |
|  | 0.7%         | 221               | 100                         |                   |              | 251                      | 24                          | 22                      |
| <b>Total</b>  | 2.8%         | 932               | 236                         |                   |              | <b>1208</b>              | <b>118</b>                  |                         |
| <b>All Others</b>   | 97.2%        | <b>33,500</b>     | <b>N/A</b>                  |                   |              |                          |                             |                         |

Boyd Gerber: North America 288 locations/17 states  
 Boyd Gerber: Canada 38 locations/5 provinces  
 ABRA 318 = 264 Corporate + 54 Franchise

Since 2010, with the exception of the Northeast and the far north-central states, the majority of the U.S. was impacted by some level of multiple-location platform merger and acquisition activity.



The  $\geq$ \$20 million U.S. multiple-location operators, MLOs, continue to grow their market share and brands relatively faster than other segments of the collision repair industry. This growth is mainly driven by private equity’s sustained interest in the U.S. collision repair industry. The current private equity and strategic investors in MSO organizations through July 2015 are reflected in the following chart.

## Current Private Equity/Strategic Investors with U.S. MSOs

| MSO                 | Private Equity/Strategic Investor |
|---------------------|-----------------------------------|
| ABRA                | Hellman & Friedman                |
| Caliber             | Omers                             |
| CARSTAR             | Champlain Capital                 |
| Driven Brands/Maaco | Roark Capital                     |
| Service King        | Blackstone & Carlyle Group        |
| Joe Hudson          | Carousel                          |
| Van Tuyl            | Berkshire Hathaway                |

Historically, private equity investment in an organization involved a more lengthy investment horizon, typically a five-to-ten-year cycle. However, some of the more recent collision repair investments have experienced a shorter hold time. The following chart reflects a history of private equity and strategic investors in independent and dealer MSOs and franchise organizations. It should be noted that KCB Management, a longer-term investor within the industry, recently closed the sale of Kadel's Auto Body to ABRA Auto Body and Glass in June 2015.

|      | ABRA                       | Caliber | CARSTAR           | Driven Brands<br>Maaco | Joe<br>Hudson | Kadels    | Service<br>King | Van Tuyl           |
|------|----------------------------|---------|-------------------|------------------------|---------------|-----------|-----------------|--------------------|
| 1997 | GE Capital                 |         |                   |                        |               |           |                 |                    |
| 2001 | William Blair & Nat'l City |         |                   |                        |               |           |                 |                    |
| 2006 | Prudential                 |         |                   |                        |               | KCB Mgmt. |                 |                    |
| 2008 |                            | ONCAP   | Champlain Capital | Carousel               |               |           |                 |                    |
| 2011 | Palladium                  |         |                   | Harvest Partners       |               |           |                 |                    |
| 2012 |                            |         |                   |                        |               |           | Carlyle         |                    |
| 2013 |                            | OMERS   |                   |                        |               |           |                 |                    |
| 2014 | Hellman & Friedman         |         |                   |                        | Carousel      |           | Blackstone      |                    |
| 2015 |                            |         |                   | Roark Capital          |               |           |                 | Berkshire Hathaway |

## **United States ≥\$10 Million MLO Profile**

Our profile of the ≥\$20 million and \$10-\$19 million multiple-location collision repair operators, MLOs, as well as how we arrive at our addressable industry market size includes:

- Independent and dealership MLO collision repair operators processing ≥\$20 million or more in revenue annually within the U.S. market
- Independent and dealership MLO collision repair operators processing \$10-\$19 million in revenue annually within the U.S. market
- Multiple-location networks (MLNs) that include collision repair conversion and multi-segment customer-focused franchisor Maaco along with franchise consolidator network MSOs CARSTAR, ABRA and Fix Auto.
- Professionally-managed MLO operators providing performance-based, brand-recognized and competitively-differentiated collision repair services
- Companies focused on achieving top-tier, self-managed, and customer-required top-ranked performance results, high customer satisfaction, and consistent and sustainable quality repairs
- Businesses that tend to pursue multiple customer segments for collision repair revenue including property and casualty insurance DRP, automotive dealer, accident management, rental car, and direct-pay consumers
- Organizations typically incorporating strategic planning as part of their proactive approach to their business, market development and growth
- Operators practicing business process improvement and operations excellence and managing the organization by incorporating and integrating all functional areas such as finance, personnel, operations, sales and marketing, and technology as a minimum foundation for their business platform
- Companies investing in training and equipment that supports current and future repair methods and processes, new and redesigned vehicle model materials and certification requirements
- Companies that are inclined to continually leverage technology to better compete in the marketplace

Both the ≥\$20M MLO and the \$10-\$19M MLO collision repair profiles used for this analysis *exclude* repair facilities that focus exclusively or primarily on expedited paint and cosmollision, glass repair only, mechanical only, non-collision specialty repair, ethnic niches, and auction-ready vehicle repair. We do recognize that within these segments some companies continue to be in various stages of strategic growth, transformation and transition to business models approaching

that of an insurance company DRP or diversified customer collision repair segment platform.

There are various types of multiple-location networks, MLNs, that are not specifically identified such as the integrated and outsourced auto physical damage and glass networks Safelite and LYNX APD; accident management firms such as The CEI Group and PHH Arval; business process outsourcing providers such as The Innovation Group; consumer advocacy and management networks like Assured Performance; peer performance groups including PPG's Para Kaizen, Vision One Group, and the Coyote Performance Group; and cooperative marketing groups. Most of their customer base revenue is included in our market sizing through the established segment profiles.

### **2014 U.S. ≥ \$20M MLO Market Segment Key Findings**

- The 81 ≥\$20M MLO organizations:
  - Processed 19.2 percent of the \$32.3 billion in revenue nationally for insurance and customer-pay collision repairs
  - This annual revenue represents \$6.2 billion; a significant increase of \$1.3 billion over 2013
  - The 1,899 production facilities represent 5.7 percent of the estimated 33,500 collision repair locations nationally
  - On average, the ≥\$20M MLOs process \$3.3 million per location; over three times the average of \$964,179 for all repairers
- When combining the ≥\$20M MLO organizations and the four franchise branded consolidator MLN networks:
  - They represent nearly \$7.4 billion or 22.6 percent of the \$32.3 billion collision repair market
- When the ≥\$20M MLO organizations are combined with the MLN networks and the \$10M-\$19M MLO segment:
  - These combined three segments represent \$9.0 billion, or 27.9 percent of the \$32.3 billion collision repair market
- Within the top ten ≥\$20M MLOs, five are independent and five are dealer organizations
  - These top ten MLO organizations account for 65.9 percent of all ≥\$20M MLO locations which is up from 58.7 percent compared to 2013

- They represent 61.3 percent of all  $\geq$ \$20M MLO revenue or \$3.8 billion, nearly 12.0 percent of the \$32.3 billion market, which is up from 8.8 percent of the market in 2013
- The top ten independent MLOs represent \$3.1 billion in revenue; 50.7 percent of all  $\geq$ \$20M MLO revenue
  - Their 1,072 locations account for 56.5 percent of all  $\geq$ \$20M MLO locations
- The top ten dealer MLOs represent \$1.3 billion, or 21.5 percent, of this segment's revenue; and 336, or 17.7 percent, of the total number of locations within the  $\geq$ \$20M segment.
  - The 28 dealer  $\geq$ \$20M MLOs process \$1.9 billion in revenue through 480 locations; an average revenue of \$3.96 million per location.
  - These 28 dealer  $\geq$ \$20M MLOs represent about 5.7 percent of the total U.S. collision repair market revenue

### **U.S. Collision Repair Market**

The three market segments,  $\geq$ \$20M MLO, \$10-\$19M MLO, and the franchise multiple-location networks (MLNs), together represent a marketplace annual revenue of \$9.0 billion.

| <b>U.S. Market Segments - 2014</b>          | <b>Annual Revenue</b> |
|---|-----------------------|
| <b><math>\geq</math>\$20M MLO</b>           | <b>\$6.2 B</b>        |
| <b>Multiple Location Networks – MLN/MSO</b> | <b>\$1.1 B</b>        |
| <b>\$10-\$19M MLO/MSO</b>                   | <b>\$1.7 B</b>        |
|   |                       |
| <b>Total</b>                                | <b>\$9.0 B</b>        |

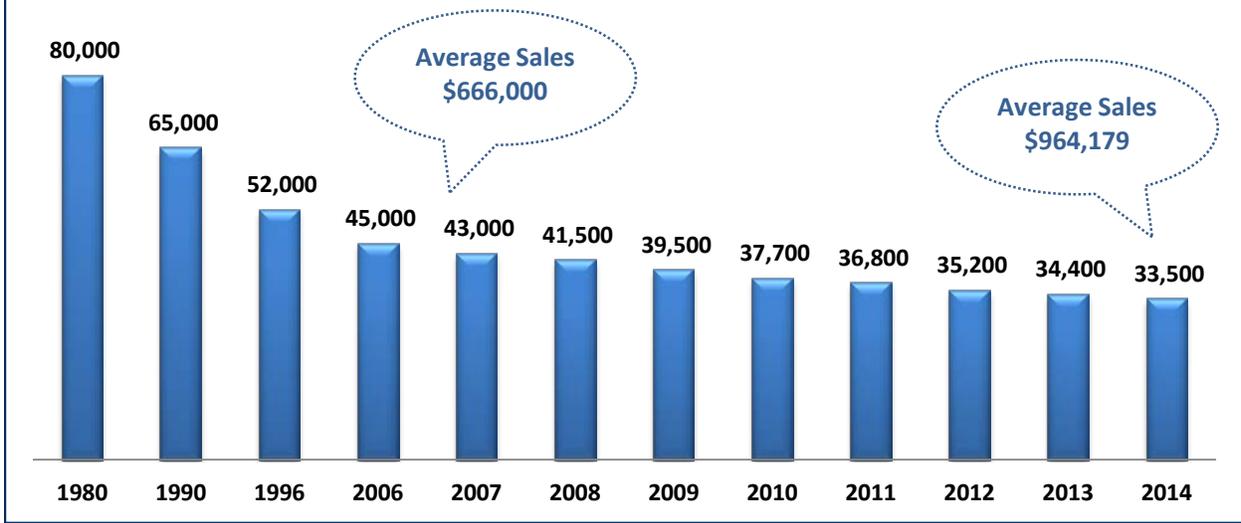
The \$9.0 billion total for these three segments represents 27.9 percent of the annual collision repair revenue processed for 2014 which is up from 23.6 percent in 2013. As these combined segments trend closer to representing 30 percent of industry revenue, the marketplace more closely approaches what might be considered to be a more consolidated and less fragmented collision repair industry.

### **U.S. MLO-MSO-MLN Segmentation**

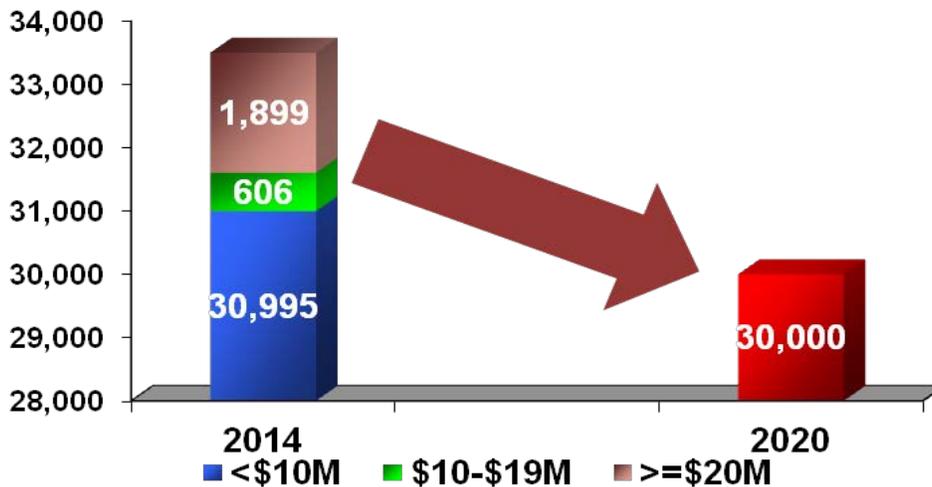
| Segments                                | 2013-14<br>%<br>Change | 2006-14<br>CARG | Annual        |               | Revenue       |
|---|------------------------|-----------------|---------------|---------------|---------------|
|   |                        |                 | 2014          | 2013          | 2006          |
| ≥\$20M MLO                              | 26.5%                  | 11.0%           | \$6.2B        | \$4.9 B       | \$2.7B        |
| Multiple Location<br>Networks – MLN/MSO | 10.0%                  |                 | \$1.1B        | \$1.0B        | \$1.1B        |
| \$10-\$19M MLO/MSO                      | 13.3%                  |                 | \$1.7B        | \$1.5B        | N/A           |
| <b>Total</b>                            | <b>21.6%</b>           | <b>11.4%</b>    | <b>\$9.0B</b> | <b>\$7.4B</b> | <b>\$3.8B</b> |

Our estimated U.S. market size for the number of independent and dealer collision repair locations at year end 2014 is 33,500. This estimate continues to reflect the long-term decline which began in the late 1980s; a decline of 57 percent over the past 30 years. Since the beginning of the U.S. recession in 2008, there has been a reduction of approximately 8,000 independent and dealer-operated collision repair facilities within the United States, a 19.3 percent decline.

## U. S. Collision Repair Market Size Independent and Dealer-Operated Locations



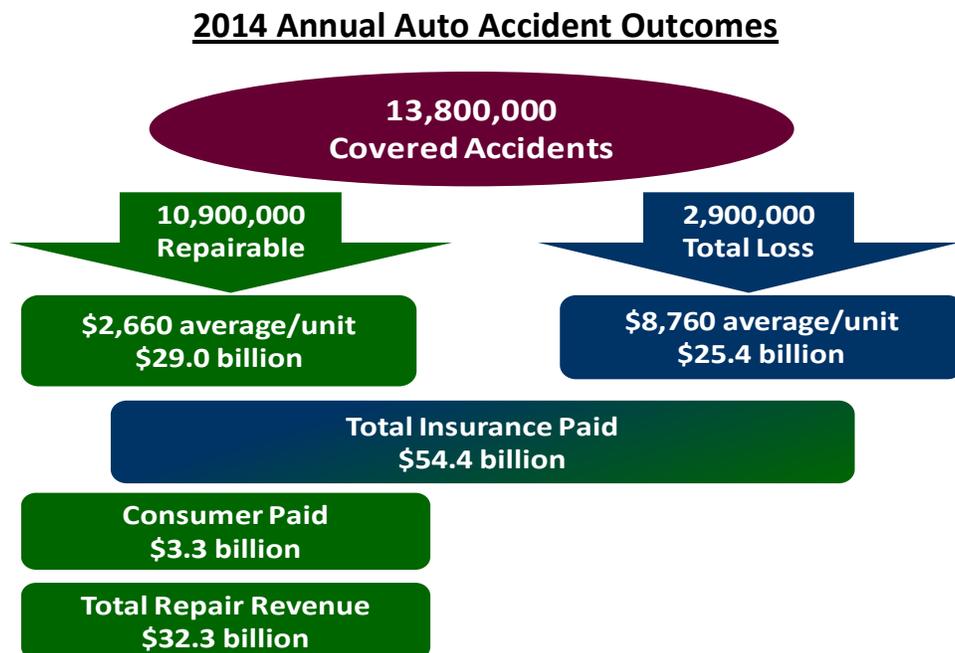
We anticipate that market share will continue to shift to the  $\geq$ \$10M MLOs and to the franchise multiple-location networks. As in other consolidating industries such as home building and hardware, and the drug store/pharmacy industries, there will be room for successfully-operated specialty, micro-market, and hometown collision repair facilities separate from and within MLO markets. This market share shift will eventually move the industry toward a less fragmented and capacity-normalized model with significant market share concentrated within the  $\geq$ \$10M MLOs and in the franchise multiple-location networks. Approaching 2020, these trends in contraction and consolidation will continue to move the industry closer to the 30,000 collision repairer level.



Based on our longitudinal research and analysis involving published third-party industry sources, property and casualty insurance, the private sector, government sources, and industry knowledgeable and experienced professionals; we continue to ascertain that there is no one certain number that is universally recognized or accepted as being the “correct” number for estimating the auto repair claims market size.

There continues to be a wide range of opinions, anecdotal information, and various government and private sector data reporting used in determining a meaningful and relevant collision repair market size. Additionally, data reported to the various agencies are not inclusive of all potential contributors. Examples include insurance companies opting out of sources such as Insurance Services Office, ISO; Property Casualty Insurers, PCI; data information providers representing only their specific customer base, and data that is reported several years in arrears by government agencies.

Our proprietary approach yielded an estimate for 2014 insurance-paid, repairable claims expenditures of \$29.0 billion with a conservative approximation of consumer-paid repairs at \$3.3 billion, resulting in combined insurance and consumer-paid claims for the repairable vehicle market segment of approximately \$32.3 billion repair revenue.



Frequency, claims count, and total cost of repair all increased in 2014 despite the fact that the market size has been relatively flat since 2006 when we began tracking this data. Auto claims reported in 2014 were up across the nation and caused by extreme cold, snow, hail, and severe thunderstorms along with an increase in miles driven. Repair costs have also continued to rise steadily over the last few years.

While the average age of a vehicle is now 11.7 years, the total number of new cars sold over the last few years has been steadily climbing and is forecasted to be between 17 and 17.5 million in 2015 compared to the 16.5 million sold in 2014 which had been the highest since 2006. As newer cars take over the current aging fleet of vehicles on the road, the likelihood of sustained higher claims counts improves since newer cars are repaired more frequently and total out less often than older ones. Predicting the direction of auto accident frequency and repairable claims is challenging due to the constant tug of war between dynamic events such as severe weather and changes in miles driven competing with industry structural trends such as accident avoidance and changing demographics which are already in place and growing in their influence. We believe that a gradual downward accident frequency trend will continue over the long term, supported by variables such as quickly changing attitude shifts away from car ownership and driving, safety and accident avoidance technology, growing urbanization, and telematics just to name a few. Nevertheless, the potential for future success is considerable for those repairers who can capture, sustain and grow market share.

The profile of the U.S. collision repair market and the  $\geq$ \$20 million segment has changed considerably since 2006. This MLO segment now represents 19.2 percent of the U.S. collision repair market, up 10.1 basis points from 9.1 percent market share in 2006.

## U. S. Collision Repair Market - 2014

Dollars in Millions

|   | <u>2014</u> | <u>2006</u> | <u>Change</u> |
|---|-------------|-------------|---------------|
| Total Collision Repair Locations                        | 33,500      | 45,000      | -11,500       |
| Total Collision Repair Revenue                          | \$32,300    | \$30,000    | 2,300         |
| <br>  |             |             |               |
| Total Number of ≥\$20M MLOs                             | 81          | 57          | 23            |
| <br>  |             |             |               |
| <b><i>MLO Locations</i></b>                             |             |             |               |
| Total ≥\$20M MLO Locations                              | 1,899       | 959         | 996           |
| <br>  |             |             |               |
| % of MLO Locations to 33,500 Collision Repair Locations | 5.7%        | 2.0%        | 3.7           |
| <br>  |             |             |               |
| <b><i>MLO Revenue</i></b>                               |             |             |               |
| Total ≥\$20M MLO Revenue                                | \$6,193     | \$2,728     | \$3,465       |
| ≥\$20M MLO Share of Total Collision Repair Revenue      | 19.2%       | 9.1%        | 10.1          |

Smaller and non-MLO repairers, those with total collision repair revenue below \$20 million annually, vary widely in claims revenue processed per location. For the top ten independent and dealer ≥\$20M MLOs, the average repair revenue per location significantly surpasses that of their smaller and non-MLO counterparts at \$3.0 million versus \$881,543 or about 3.5 times the average ≥\$20M MLO revenue per location. These top ten repair organizations, comprised of five independent and five dealer MLOs, have 1,252 or 65.9 percent of the ≥\$20M MLO locations and \$3,798 million or 61.3 percent of the revenue processed within the \$6.2 billion ≥\$20M MLO segment.

## U.S. Top 10 ≥\$20M Multiple Location Operators - 2014

Dollars in Millions

| <u>MLO</u>        | <u>2014<br/>Rank</u> | <u>2006<br/>Rank</u> | <u>Type</u> |
|-------------------|----------------------|----------------------|-------------|
| Caliber Collision | 1                    | 8                    | Independent |
| Boyd/Gerber U.S.  | 2                    | 1                    | Independent |
| Service King      | 3                    | 11                   | Independent |
| ABRA Corp.        | 4                    | 2                    | Independent |
| AutoNation        | 5                    | 3                    | Dealer      |
| Van Tuyl          | 6                    | 4                    | Dealer      |
| Hendricks         | 7                    | 5                    | Dealer      |
| Group 1           | 8                    | 9                    | Dealer      |
| Penske            | 9                    | -                    | Dealer      |
| Cook's Collision  | 10                   | -                    | Independent |

|  | <u>2014</u> | <u>2006</u> | <u>Change</u> |
|--|-------------|-------------|---------------|
| <b><u>Locations</u></b>                    |             |             |               |
| Top 10                                     | 1,252       | 461         | 791           |
| % of All Collision Repair Locations        | 3.7%        | 1.0%        | 2.7           |
| % of all ≥\$20M MLO Locations              | 65.9%       | 51.6%       | 14.3          |
| <b><u>Revenue</u></b>                      |             |             |               |
| Top 10                                     | \$3,798     | \$1,292     | \$2,506       |
| % of All Collision Repair Revenue          | 11.8%       | 4.3%        | 7.5           |
| % of All ≥\$20M MLO Revenue                | 61.3%       | 47.4%       | 13.9          |
| <b><u>Average Revenue per Location</u></b> |             |             |               |
| Top 10                                     | \$3.0       | \$2.8       | \$0.2         |
| All Collision Repairers                    | \$1.0       | \$0.7       | \$0.3         |
| All ≥\$20M MLOs                            | \$3.3       | \$2.6       | \$0.7         |

The top ten independent ≥\$20M MLOs have 1,072, or 56.5 percent, of ≥\$20M MLO locations and \$3,142 million, or 50.7 percent, of the \$6.2 billion ≥\$20M MLO revenue. At \$2.9 million, the average revenue per location for this group is over three times that of the average collision repairer nationally.

**U.S. Top 10 Independent ≥\$20M MLOs - 2014**  
Dollars in Millions

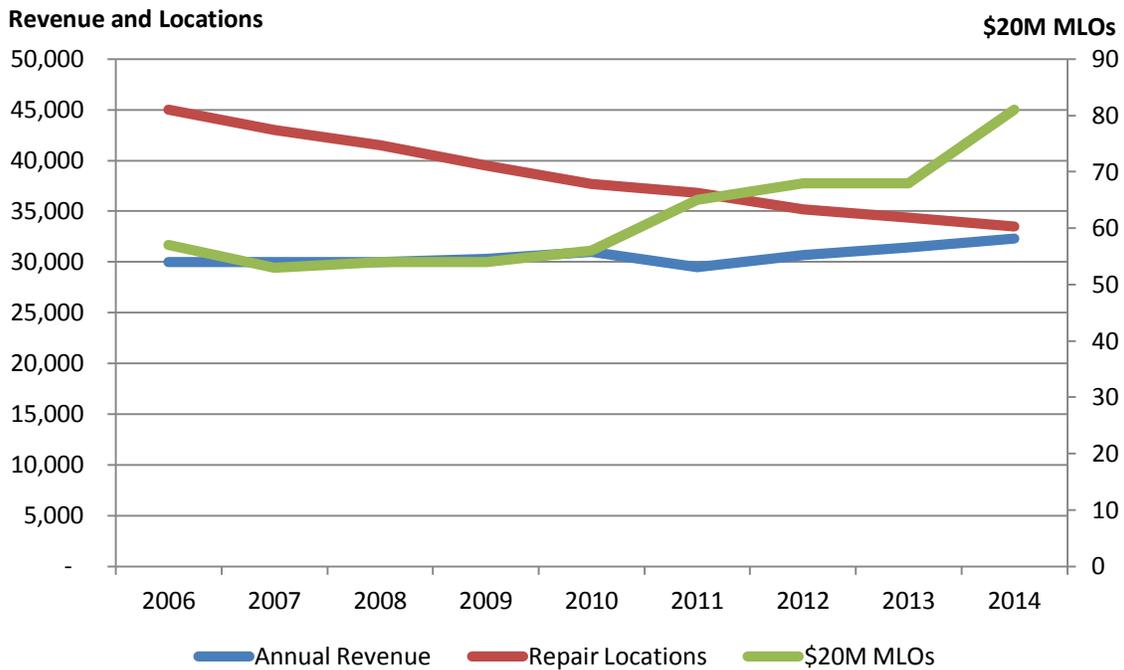
| <u>Rank</u> | <u>2014</u>         | <u>2006</u>        |
|-------------|---------------------|--------------------|
| 1           | Caliber Collision   | Caliber Collision  |
| 2           | Boyd / Gerber U.S.  | ABRA               |
| 3           | Service King        | Sterling Auto Body |
| 4           | ABRA Corp.          | Boyd / Gerber (US) |
| 5           | Cook's Collision    | Service King       |
| 6           | Classic Collision   | True2Form          |
| 7           | Elite Group         | Cars Collision     |
| 8           | Kadels              | Collision Revision |
| 9           | Sterling Collision* | Cook's Collision   |
| 10          | Joe Hudson          | Kadels             |

|  | <u>2014</u> | <u>2006</u> | <u>Change</u> |
|--|-------------|-------------|---------------|
| <b><u>Locations</u></b>                    |             |             |               |
| Top 10                                     | 1,072       | 388         | 684           |
| % of All Collision Repair Locations        | 3.2%        | 0.9%        | 2.3           |
| % of All Independent Locations             | 4.0%        | 1.1%        | 2.9           |
| % of All ≥\$20M MLO Locations              | 56.5%       | 40.5%       | 16.0          |
| <b><u>Revenue</u></b>                      |             |             |               |
| Top 10                                     | \$3,142     | \$927       | \$2,215       |
| % of All Collision Repair Revenue          | 9.7%        | 3.1%        | 6.6           |
| % of All Independents                      | 12.7%       | 6.3%        | 6.4           |
| % of All ≥\$20M MLO Revenue                | 50.7%       | 34.0%       | 16.7          |
| <b><u>Average Revenue per Location</u></b> |             |             |               |
| Top 10 Independent                         | \$2.9       | \$2.4       | \$0.5         |
| All Collision Repair                       | \$1.0       | \$0.7       | \$0.3         |
| All Independents                           | \$0.9       | \$0.5       | \$0.4         |
| All ≥\$20M MLO                             | \$3.3       | \$2.6       | \$0.7         |

\*Note: Sterling was acquired by Service King in April of 2014. Their ranking here represents their year-to-date revenue at the time of acquisition.

Since 2006, the total number of  $\geq$ \$20 million MLO organizations has trended up, largely due to increased industry consolidation, while the number of repair facilities declined and annual revenues were fairly flat.

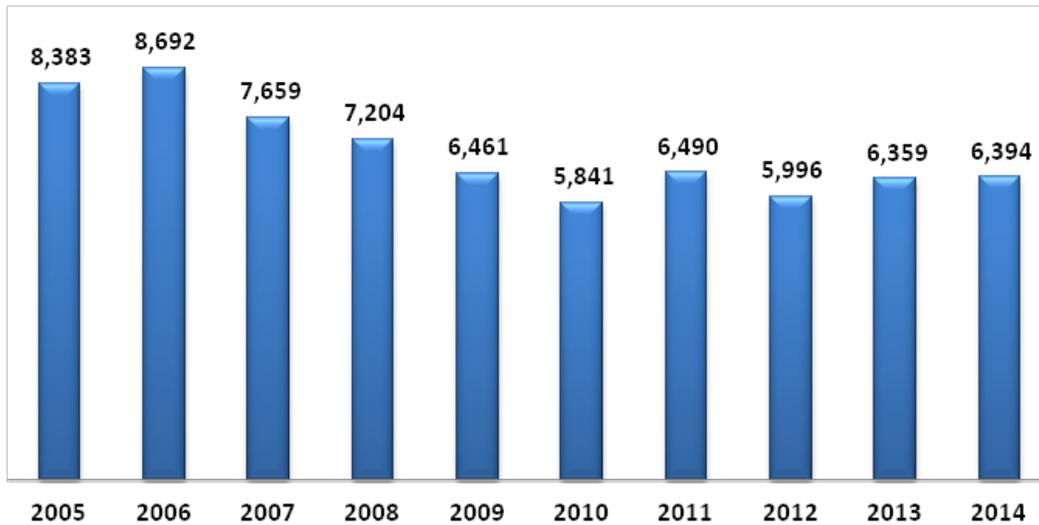
### U. S. 2006-2014 $\geq$ \$20M MLO Revenue, Location and Organization Trends



As a result of the significant number of  $\geq$ \$20 million MLOs acquired during 2014 and 2015, we expect that the number of  $\geq$ \$20M MLO repair organizations will reverse this upward trend in the near future.

In 2014, \$24.8 billion in revenue was processed by approximately 27,106 independent collision repair locations. The National Automobile Dealers Association, NADA, estimates that 6,394 dealers processed \$7.5 billion in collision repair revenue in 2014, an increase of \$0.5 billion over 2013.

## U. S. Dealer-Operated Collision Repair Facilities



Source: NADA

Despite the recent upward trends, the total number of new car dealerships operating collision repair facilities has declined significantly since 2006. NADA's estimated 6,394 dealer-operated collision repair facilities at the end of 2014 represents a decline of 26 percent, or 2,298 fewer dealer collision repair operators from 2006 when there were 8,692 dealer-operated collision repair facilities.

## U. S. Dealers Operating On-Site Body Shops

|  | 2014    | 2013    | 2012    | 2011    | 2010    | 2009    | 2008    | 2007    |
|--|---------|---------|---------|---------|---------|---------|---------|---------|
| <b>Total Dealers*</b>                        | 16,396  | 17,665  | 17,635  | 17,540  | 17,700  | 18,460  | 20,010  | 20,770  |
| <b>Dealers Operating On-Site Body Shops</b>  | 39%     | 36%     | 34%     | 36%     | 33%     | 35%     | 36%     | 37%     |
| <b>Estimated Number of Dealer Body Shops</b> | 6,394   | 6,359   | 5,996   | 6,314   | 5,841   | 6,461   | 7,204   | 7,685   |
| <b>Dealer Body Shop Revenue (billions)</b>   | \$7.5   | \$7.0   | \$6.9   | \$6.8   | \$6.4   | \$6.6   | \$7.3   | \$9.5   |
| <b>Estimated Average Revenue (thousands)</b> | \$1,173 | \$1,101 | \$1,151 | \$1,077 | \$1,096 | \$1,021 | \$1,016 | \$1,236 |

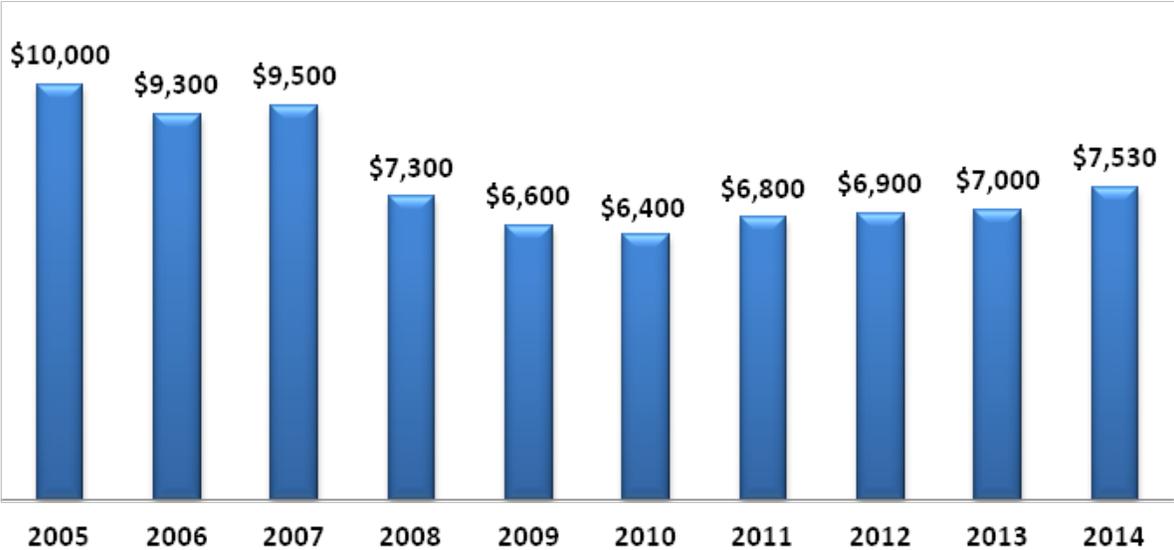
Source: NADA

\*Note: Prior to 2014, Total Dealer counts included heavy truck dealers. NADA data profiles their membership which represents roughly 88% of all U.S. dealerships.

Looking at the dealership share of the collision repair marketplace, and according to NADA, dealer revenue derived from collision repair work has increased to \$7.5 billion from \$7.0 billion in 2013, but is down \$2.0 billion, or 20.7 percent, since 2007. The average revenue per location has improved to \$1,173 million which is the highest since 2007.

### U. S. Dealer-Operated Collision Repair Revenue

Dollars in Millions



Source: NADA

Top ten dealer  $\geq$ \$20M MLO performance also exceeds their smaller and non-MLO counterparts at a repairs-processed average of \$4.0 million per location versus \$1.0 million per location for smaller and non-MLO dealer repairers. The trend for both the independent and dealer groups is toward higher revenue per location in the MLO versus non-MLO segments. The top ten dealers represent 336 locations, 17.7 percent, and \$1.3 billion, 21.5 percent, of the  $\geq$ \$20M MLO segment. Auto Nation and Van Tuyl continue to hold the top two positions since 2006.

**U.S. Top 10 Dealer ≥\$20M MLOs - 2014**  
Dollars in Millions

| <u>Rank</u> | <u>2014</u>       | <u>2006</u>       |
|-------------|-------------------|-------------------|
| 1           | Auto Nation       | Auto Nation       |
| 2           | Van Tuyl          | Van Tuyl          |
| 3           | Hendricks         | Sonic             |
| 4           | Group 1           | Group 1           |
| 5           | Penske            | Penske            |
| 6           | Asbury            | Asbury            |
| 7           | Sonic             | Carl Sewell Group |
| 8           | Carl Sewell Group | Bill Heard        |
| 9           | Faulkner          | Lithia            |
| 10          | MileOne           | DARCARS           |

|  | <u>2014</u> | <u>2006</u> | <u>Change</u> |
|--|-------------|-------------|---------------|
| <b><u>Locations</u></b>                    |             |             |               |
| Top 10                                     | 336         | 253         | 83            |
| % of All Collision Repair Locations        | 0.1%        | 0.6%        | -0.5          |
| % of All Dealer Locations                  | 5.3%        | 3.0%        | 2.3           |
| % of All ≥\$20M MLO Locations              | 17.7%       | 28.4%       | -10.7         |
| <b><u>Revenue</u></b>                      |             |             |               |
| Top 10                                     | \$1,346     | \$851       | \$495         |
| % of All Collision Repair Revenue          | 4.2%        | 2.8%        | 1.4           |
| % of All Dealers                           | 17.9%       | 6.8%        | 11.1          |
| % of All ≥\$20M MLO Revenue                | 21.5%       | 31.2%       | -9.7          |
| <b><u>Average Revenue per Location</u></b> |             |             |               |
| Top 10 Dealer                              | \$4.0       | \$3.4       | \$0.6         |
| All Collision Repair                       | \$1.0       | \$0.7       | \$0.3         |
| All Dealers                                | \$1.2       | \$1.2       | \$0.0         |
| All ≥\$20M MLO                             | \$3.3       | \$2.6       | \$0.7         |

## **U.S. Franchise Market Segment Key Findings**

When combined, the  $\geq$ \$20 million MLO and franchise network segments, including ABRA, CARSTAR, Fix Auto, and Maaco, represent the following:

- These two segments have combined annual revenue of \$7.3 billion, or 22.6 percent of the industry market
- The franchise-only segment has revenue of \$1.1 billion and 789 franchise locations nationally; both revenue and locations have been relatively flat over the last few years
- The combined segments of the  $\geq$ \$20 million MLOs and franchise networks represent 2,596 locations, or 7.7 percent of the industry's 33,500 locations
- Maaco has the broadest national coverage with locations in more states than any of the other three franchisors individually. There are a number of locations that are DRP capable within their larger network offering auto body repair and cosmetic car repair and paint.
- ABRA's franchise network is part of a strategy that builds out primarily second- and third-tier cities to support existing markets or as early entrants for new or expanding markets. ABRA is the only independent MSO that goes to market with a combined independently-owned and franchise-owned, multiple-region, multiple-market platform.
- CARSTAR remains the largest of the U.S. MSO franchise organizations based on annual repair revenue
- As a franchise organization, Fix Auto competes in the MSO/MLO segment with its franchise network. Fix's Collision Repair Experts, CRX program and services, is positioned separately from its fully-branded, franchised locations and network

| <b>U. S. Collision Repair Market – 2014</b>   |          |
|---|----------|
| <b>≥\$20M MLO and Franchise Networks</b>  |          |
| <b>Dollars in Millions</b>  |          |
| Total Collision Repair Locations  | 33,500   |
| Total Collision Repair Revenue  | \$32,300 |
| <b><i>Locations</i></b>   |          |
| Total Franchise Networks  | 789      |
| Total ≥\$20M MLO Locations Including Franchise Networks   | 2,596    |
| Share of ≥\$20M MLO Locations, Including Franchise Networks, to 33,500 Collision Repair Locations | 7.7%     |
| <b><i>Revenue</i></b>   |          |
| Total Franchise Networks  | \$1,094  |
| Total ≥\$20M MLO Including Franchise Networks   | \$7,287  |
| Share of ≥\$20M MLO Including Franchise Networks to \$32,300M Collision Repair Revenue            | 22.6%    |

### **U.S. \$10-\$19M MLO Market Key Findings**

This group of MLOs represents the next level segment of the broader U.S. market. A number of MLOs from this segment have grown and moved into the ≥\$20M group since 2006. These MLOs compete not only on a local-market basis, but also with the regional and larger multi-platform MLOs. They each bring an entrepreneurial and customized approach to how they succeed and compete as they continue to grow their businesses both organically and through new locations in order to remain competitive or to position themselves as merger or acquisition candidates.

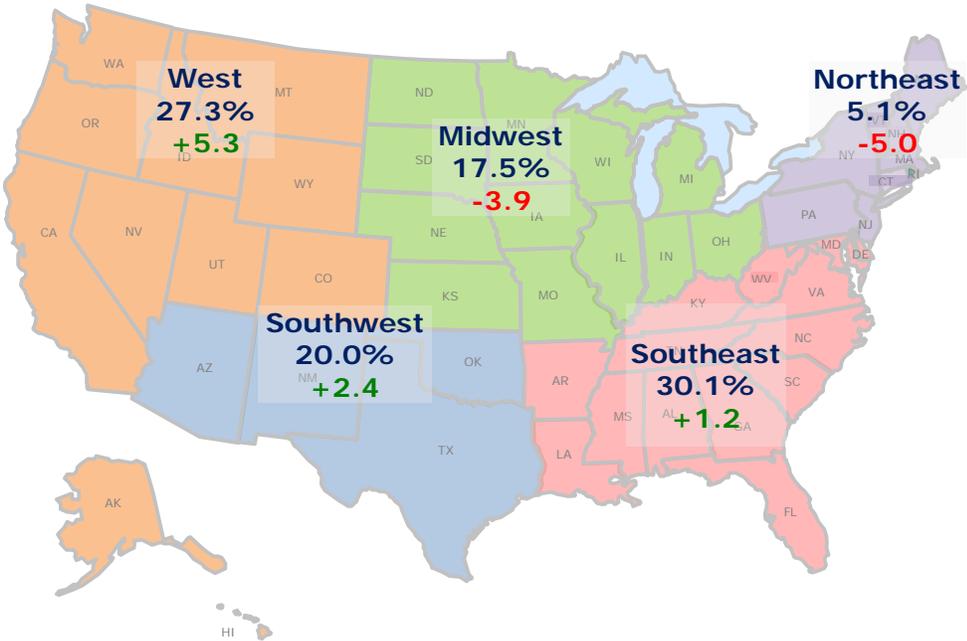
The 127 \$10-\$19M MLO organizations:

- Represent \$1.7 billion in revenue which is 5.3 percent of the \$32.3 billion in annual collision repair revenue
- Represent 606, or 1.8 percent, of the 33,500 collision repair locations
- Average \$2.8 million per location compared to average revenue for the  $\geq$ \$20 million independents of \$3.1 million per location and the  $\geq$ \$20 million dealer average revenue of \$3.9 million

| <b>U.S. Collision Repair Market - 2014</b>                     |          |
|--|----------|
| <b>\$10-\$19M MLO</b>  |          |
| <b>Dollars in Millions</b>                                     |          |
| Total Collision Repair Locations                               | 33,500   |
| Total Collision Repair Revenue                                 | \$32,300 |
| <br>   |          |
| Total Number of \$10-\$19M MLOs                                | 127      |
| <br>   |          |
| <b><u>Locations</u></b>  |          |
| Total \$10-\$19M MLO Locations                                 | 606      |
| % of MLO Locations to 33,500 <i>Collision Repair Locations</i> | 1.8%     |
| <br>   |          |
| <b><u>Revenue</u></b>  |          |
| Total \$10-\$19M MLO Revenue                                   | \$1,725  |
| \$10-\$19M MLO Share of Total Collision Repair Revenue         | 5.3%     |

Our geographic market representation for the ≥\$20 million MLOs is highest in the Southeast at 30.1 percent. The lowest \$20M MLO representation continues to be in the Northeast at 5.1 percent which is down 5 percentage points from its 2006 share of 10.1 percent.

**2014 Market Share and Change versus 2006**



| <b>≥\$20M Multiple Location Operator Regional Representation</b>   |             |                  |                |                  |                  |
|--|-------------|------------------|----------------|------------------|------------------|
|  | <b>West</b> | <b>Southwest</b> | <b>Midwest</b> | <b>Northeast</b> | <b>Southeast</b> |
| Number of ≥\$20M MLO Repairer Organizations Represented in Region  | 30          | 24               | 21             | 13               | 30               |
| Percent of ≥\$20M MLO Repairer Organizations Represented in Region | 37.0%       | 29.6%            | 25.9%          | 16.0%            | 37.0%            |

- Of the 81 ≥\$20M MLO organizations, 48 do business in only one state. Of those 48 organizations, 36 are independents and 12 are dealers.
- The West and the Southeast have the highest ≥\$20M MLO representation; 30 MLOs are present in each region with at least one location which represents 37.0 percent of ≥\$20M MLOs.

The 81 companies represented in ≥\$20M MLO segment are changing more frequently due to the active number of acquisitions, most significantly since 2012. Annual revenue and the number of locations among this group has been increasing year over year as a result of industry consolidation and contraction. Relative to the other top ten MLOs, we continue to see market share growth and higher revenue ranking since 2006, especially among MSO consolidators ABRA, Caliber, Boyd, and Service King. At their current pace of acquisitions, and coupled with their Greenfield and Brownfield expansion, we expect each of these MSO consolidators to achieve annual revenue near or in excess of \$1.0 billion annually in 2015.

When ranking the top ten MSOs within their respective categories, there are four independent consolidators, one franchise and five dealers in the all repairer MLO/MLN/Franchise category. CARSTAR is the sole MSO from the franchise category in the top ten lists for 2014. For the independent-only category, Caliber is in the first position while ABRA’s corporate-owned locations moved to fourth place. Auto Nation held its long-standing number one ranking in the dealer category.

| U.S. Top 10 Repairers - 2014 |                     |             |
|------------------------------|---------------------|-------------|
| MLO/MLN/Franchise            | Independents        | Dealers     |
| Caliber                      | Caliber             | Auto Nation |
| Boyd/Gerber                  | Boyd/Gerber         | Van Tuyl    |
| Service King                 | Service King        | Hendricks   |
| ABRA Corporate               | ABRA Corporate      | Group 1     |
| CARSTAR                      | Cook’s Collision    | Penske      |
| Auto Nation                  | Classic Collision   | Asbury      |
| Van Tuyl                     | Elite Group         | Sonic       |
| Hendricks                    | Kadel’s             | Carl Sewell |
| Group 1                      | Sterling Collision* | Faulkner    |
| Penske                       | Joe Hudson          | MileOne     |

\*Note: Sterling was acquired by Service King in April of 2014. Their ranking here represents their year-to-date revenue at the time of acquisition.

## **Canada**

Canada's overall market size for both private insurance and consumer-paid vehicle repair revenue was \$2.7 billion for 2014, down 3.6 percent from 2013. The total number of repair locations, at 5,100, was down 7.3 percent. These results continued their long-term downward trend. The combined Canadian franchise, banner, and  $\geq$ \$10M multiple-location operator segments in Canada represent a significant 68.5 percent share of the private insurer repairable vehicle market, as compared with the U.S. where these segments represent a significantly smaller, but growing, share of the market at 27.9 percent.

The total banner and franchise networks continue to dominate with a 49.5 percent share of the market compared to the  $\geq$ \$10M multiple-location independent and dealer operators at 19 percent. Although the banner and franchise networks have a significant 3.7 times more locations than the  $\geq$ \$10M multiple-location operators, the average revenue per location for the banner and franchise networks is \$1.4 million compared to the  $\geq$ \$10M multiple-location operators average of \$2.0 million.

Key findings for the total  $\geq$ \$10M multiple-location independent and dealer operators and banner and franchise networks include:

- While the  $\geq$ \$10M segment saw half of the revenue increase of the banner and franchise networks as compared to 2012; in terms of real growth, the  $\geq$ \$10M segment grew 23.3 percent during that time versus 17.6 percent for the banner and franchise networks.
- Their combined growth of almost \$300 million took place during a period when the total market trended down by approximately \$100 million.
- The trend toward a highly-consolidated Canadian industry continues to be clearly evident by the increasing market share that these segments represent.

| Canadian Market                   | Revenue (millions) |                 | Locations    |                 |
|-----------------------------------|--------------------|-----------------|--------------|-----------------|
|                                   | 2014               | Change vs. 2012 | 2014         | Change vs. 2012 |
| Total ≥ \$20M                     | \$341              | \$ 44           | 152          | -               |
| Total \$10-\$19M                  | \$173              | \$ 53           | 103          | 28              |
| Total ≥\$10M MLO                  | \$514              | \$ 97           | 255          | 28              |
|                                   |                    |                 |              |                 |
| Total Banners/Networks            | \$1,336            | \$ 200          | 936          | 69              |
|                                   |                    |                 |              |                 |
| Total ≥\$10M MLO/Banners/Networks | \$1,850            | \$297           | 1,191        | 97              |
|                                   |                    |                 |              |                 |
| <b>TOTAL CANADA</b>               | <b>\$2,700</b>     | <b>-100</b>     | <b>5,100</b> | <b>-100</b>     |

Key Findings for the ≥\$10 million top ten MLO franchise and banner networks:

- There are four independents, three franchise, two banners, and one dealer organization represented.
- Together they repair \$1.6 billion in revenue through 1,076 production locations.
- Significant growth has been achieved within this segment since 2012. While locations have grown by 7 percent, revenue has increased by 18 percent.
- Share of market has also increased for both revenue and locations; with these ten companies representing 60.6 percent of the Canadian collision repair market revenue for 2014 and 21.1 percent of the 5,100 repair locations nationally.
- Average revenue per location for this group is \$1.5 million compared to \$264,000 for all other repairers in Canada
- While Collision Solutions Network continues to hold the number one ranking, Fix Auto, Assured Automotive and Auto Canada have all advanced in their standing over the past two years.

## Canada Top 10 MLO/Franchise & Banner Networks - 2014

Dollars in Millions

| <u>Rank</u> | <u>2014</u>                 | <u>Type</u> | <u>2012</u>                 |
|-------------|-----------------------------|-------------|-----------------------------|
| 1           | Collision Solutions Network | Banner      | Collision Solutions Network |
| 2           | Fix Auto                    | Franchise   | CarrXpert                   |
| 3           | CARSTAR                     | Franchise   | CARSTAR                     |
| 4           | CarrXpert                   | Banner      | Fix Auto                    |
| 5           | Assured Automotive          | Independent | Boyd Autobody & Glass       |
| 6           | Boyd Autobody & Glass       | Independent | Assured Automotive          |
| 7           | Craftsman                   | Independent | Craftsman                   |
| 8           | Auto Canada                 | Dealer      | ACG Atlantic                |
| 9           | Maaco                       | Franchise   | Maaco                       |
| 10          | ACG Atlantic                | Independent | Hammer Group                |

|  | <u>2014</u> | <u>2012</u> | <u>Change</u> |
|--|-------------|-------------|---------------|
| <b><u>Locations</u></b>                    |             |             |               |
| Top 10                                     | 1,076       | 1,006       | 70            |
| % of CA 5.1M Locations                     | 21.1%       | 16.8%       | 4.3           |
| <b><u>Revenue</u></b>                      |             |             |               |
| Top 10                                     | \$1,637     | \$1,387     | 250           |
| % of CA \$2.7M Revenue                     | 60.6%       | 49.5%       | 11.1          |
| <b><u>Average Revenue per Location</u></b> |             |             |               |
| Top 10                                     | \$1.5       | \$1.4       | 0.1           |
| All CA Collision Repair                    | \$0.5       | \$0.5       | -             |

Key findings for the top five franchise and banner networks:

- This segment is represented by two banners and three franchise organizations.
- These five networks process \$1.34 billion in annual revenue; the largest single repair segment within Canada at 49.5 percent of the private passenger insurer collision repair market
- When combined with the  $\geq$ \$10M MLO, these segments reflect 68.5 percent of the Canadian collision repair market
- Average revenue per location is \$1.4 million compared to the \$0.5 million for all Canadian collision repairers

| <b>Canada Top 5 Franchise &amp; Banner Networks - 2014</b> |                    |                    |                      |
|--|--------------------|--------------------|----------------------|
| <b>Dollars in Millions</b>                                 |                    |                    |                      |
| <b><u>Company</u></b>                                      | <b>Rank</b>        |                    | <b><u>Type</u></b>   |
|  | <b><u>2014</u></b> | <b><u>2012</u></b> |                      |
| Collision Solutions Network                                | 1                  | 1                  | Banner               |
| Fix Auto   | 2                  | 4                  | Franchise            |
| CARSTAR  | 3                  | 3                  | Franchise            |
| CarrXpert  | 4                  | 2                  | Banner               |
| Maaco  | 5                  | 5                  | Franchise            |
|  | <b><u>2014</u></b> | <b><u>2012</u></b> | <b><u>Change</u></b> |
| <b><u>Locations</u></b>                                    |                    |                    |                      |
| Top 5  | 936                | 867                | 69                   |
| % of $\geq$ \$20M MLO/Fran/Banner/Network                  | 86.1%              | 85.1%              | 1.0                  |
| % of Canadian Collision Repair Locations                   | 18.4%              | 14.7%              | 3.7                  |
| <b><u>Revenue</u></b>                                      |                    |                    |                      |
| Top 5  | \$1,336            | \$1,136            | 200                  |
| % of $\geq$ \$20M MLO/Fran/Banner/Network                  | 79.7%              | 79.3%              | 0.4                  |
| % of Canadian Collision Repair Revenue                     | 49.5%              | 40.6%              | 8.9                  |
| <b><u>Average Revenue per Location</u></b>                 |                    |                    |                      |
| Top 5  | \$1.4              | \$1.3              | 0.1                  |
| All CA Collision Repair                                    | \$0.5              | \$0.5              | -                    |

Key findings for the ≥\$10 million independent and dealer MLO segments:

- The top ten repairers include seven independent operators and three dealer organizations.
- These top ten operators account for \$395 million, or 14.6 percent of total private Canadian insurer industry repair revenue, through only 186 or 3.6 percent of the repair locations. Revenue and locations for this group increased since 2012, both in whole numbers and share of the entire Canadian market.
- Ranking is consistent with 2012 with the exception of Herbert's moving ahead of Birchwood.
- This top ten repairer group had average revenue per location of \$2.1 million compared to the broader market with \$529,412 per location

**Canada Top 10 ≥\$10M Independent and Dealer MLO - 2014**  
Dollars in Millions

| <u>Company</u>         | <u>Rank</u> |             | <u>Type</u> |
|------------------------|-------------|-------------|-------------|
|                        | <u>2014</u> | <u>2012</u> |             |
| Assured Automotive     | 1           | 1           | Independent |
| Boyd                   | 2           | 2           | Independent |
| Craftsman              | 3           | 3           | Independent |
| Auto Canada            | 4           | 4           | Dealer      |
| ACG Atlantic Auto Body | 5           | 5           | Independent |
| Gabriel                | 6           | 6           | Dealer      |
| Herbert's              | 7           | 8           | Independent |
| Birchwood              | 8           | 7           | Dealer      |
| Colorworks             | 9           | 9           | Independent |
| Kirmac                 | 10          | 10          | Independent |

|  | <u>2014</u> | <u>2012</u> | <u>Change</u> |
|--|-------------|-------------|---------------|
| <b><u>Locations</u></b>                    |             |             |               |
| Top 10                                     | 186         | 165         | 21            |
| % of ≥\$10M Companies                      | 72.9%       | 77.1%       | -4.2          |
| % of Canadian Collision Repair Locations   | 3.6%        | 2.8%        | 0.6           |
| <b><u>Revenue</u></b>                      |             |             |               |
| Top 10                                     | \$395       | \$331       | 64            |
| % of ≥\$10M Companies                      | 76.8%       | 78.8%       | -2.0          |
| % of Canadian Collision Repair Revenue     | 14.6%       | 11.8%       | 2.8           |
| <b><u>Average Revenue per Location</u></b> |             |             |               |
| Top 10                                     | \$2.1       | \$2.0       | 0.1           |
| All CA Collision Repair                    | \$0.5       | \$0.5       | -             |

Key findings for the top ten ≥\$20M dealer MLOs:

- The top ten dealers represent \$164 million with average revenue of \$2.1 million through 77 locations
- These 77 locations represent 50.7 percent of all ≥\$20M MLOs while their \$164 million in annual revenue reflects a 48.1% share of the ≥\$20M MLOs

| <b>Canada Top 10 ≥\$20M Dealer MLOs - 2014</b> |                    |                    |                      |
|--|--------------------|--------------------|----------------------|
| <b>Dollars in Millions</b>                     |                    |                    |                      |
| <b><u>Rank</u></b>                             | <b><u>2014</u></b> | <b><u>2012</u></b> |                      |
| 1  | Auto Canada        | Auto Canada        |                      |
| 2  | Gabriel            | Wheaton Group      |                      |
| 3  | Birchwood          | Gabriel            |                      |
| 4  | Dilarwi Group      | Murray Group       |                      |
| 5  | Kaizen             | Dilarwi Group      |                      |
| 6  | Wheaton Group      | Priestner          |                      |
| 7  | Murray Group       | Steele Group       |                      |
| 8  | Steele Group       | Birchwood          |                      |
| 9  | Go Auto            |                    |                      |
| 10   | McManes Auto Group |                    |                      |
|  | <b><u>2014</u></b> | <b><u>2012</u></b> | <b><u>Change</u></b> |
| <b><u>Locations</u></b>                        |                    |                    |                      |
| Top 10   | 77                 | 45                 | 32                   |
| % of All Collision Repair Locations            | 1.5%               | 0.1%               | 1.4                  |
| % of All ≥\$20M MLO Locations                  | 50.7%              | 29.6%              | 21.1                 |
| <b><u>Revenue</u></b>                          |                    |                    |                      |
| Top 10   | \$164              | \$137              | \$27                 |
| % of All Collision Repair Revenue              | 6.1%               | 4.9%               | 1.2                  |
| % of All ≥\$20M MLO Revenue                    | 48.1%              | 46.1%              | 2.0                  |
| <b><u>Average Revenue per Location</u></b>     |                    |                    |                      |
| Top 10 Dealer                                  | \$2.1              | \$3.0              | -0.9                 |
| All Collision Repair                           | \$0.5              | \$0.5              | -                    |
| All Dealers                                    | \$2.1              | \$2.0              | 0.1                  |
| All ≥\$20M MLO                                 | \$2.2              | \$2.0              | 0.2                  |

When ranking the repairers across the different segments, Collision Solutions Network has the number one position in the All Repairers and the Franchisor & Banner categories. The first four positions in the All Repairers segment are represented by banner and franchise organizations.

| Canada Top-Ranked Repairers - 2014 |                       |                        |
|------------------------------------|-----------------------|------------------------|
| All Repairers                      | Franchisors & Banners | Independents & Dealers |
| Collision Solutions                | Collision Solutions   | Assured Automotive     |
| Fix Auto                           | Fix Auto              | Boyd                   |
| CARSTAR                            | CARSTAR               | Craftsman              |
| CarrXpert                          | CarrXpert             | Auto Canada            |
| Assured                            | Maaco                 | ACG Atlantic           |
| Boyd                               |                       | Gabriel                |
| Craftsman                          |                       | Herberts               |
| Auto Canada                        |                       | Birchwood              |
| Maaco                              |                       | Colorworks             |
| ACG Atlantic                       |                       | Kirmac                 |

## U.S. and Canada Consolidated North America

When comparing the property and casualty insurance and auto industry, top ten insurers' market share, and the collision repair industry location population and market size for Canada and the U.S. we find two vastly different markets. The U.S. collision repair market size is nearly 12 times the Canadian private insurer market size and about 10 times larger when the government-sponsored insurance market from the three provinces, British Columbia, Saskatchewan and Manitoba, are included. Canada's top ten private insurers have 76.1 percent market share compared to the U.S. with 71.1 percent.

|   | U.S.      | Canada           |
|---|-----------|------------------|
| Private P&C insurance company premiums                | \$489.70B | \$43.0B          |
| Private P&C insurance company auto premiums           | \$189.3B  | \$21.2B          |
| P&C auto insurance companies*                         | 108       | 77, 3 government |
| Top 10 private insurance company premium market share | 71.1%     | 76.1%            |
| Collision repair market size                          | \$32.3B   | \$2.7*           |
| Collision repair shop population                      | 33,500    | 5,100            |

\*Private, non-Government Insurers with market share

A macro overview of 2014 consolidated U.S. and Canada reveals collision repair revenue processed of \$10.8 billion in the three key market segments within a consolidated North American market size of \$35 billion.

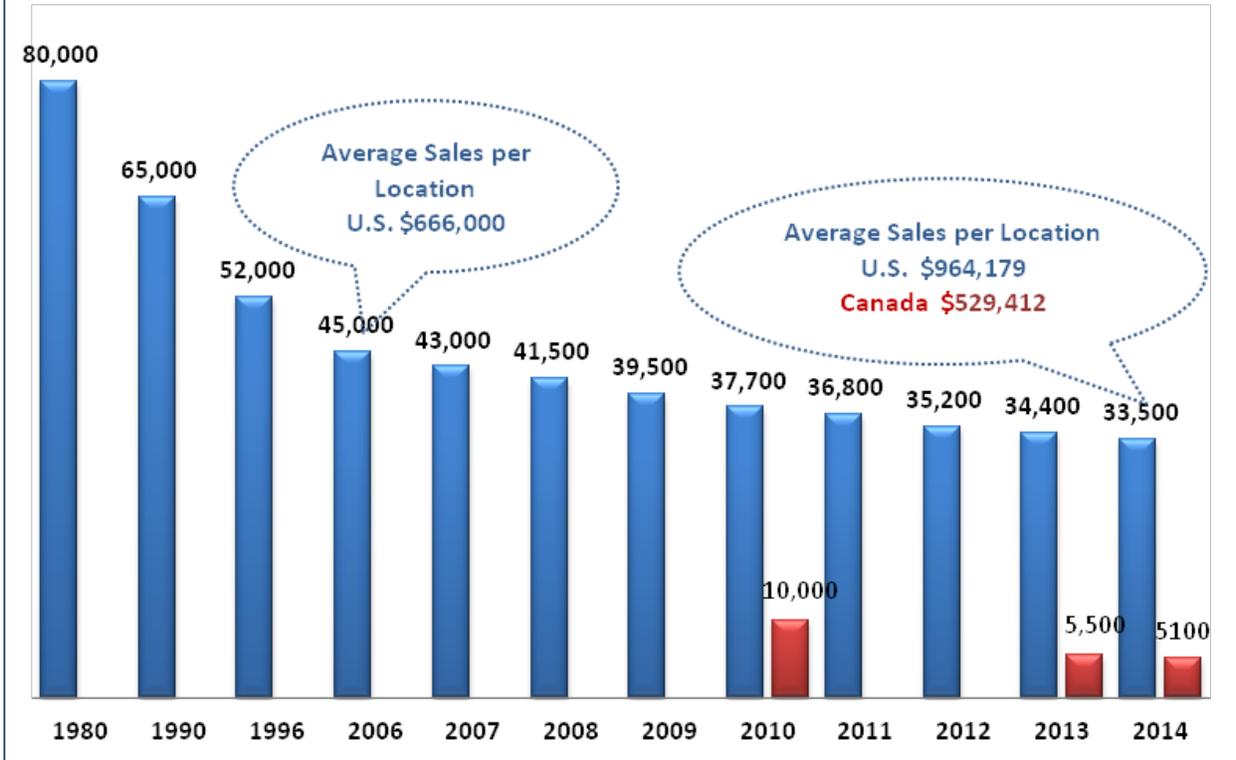
| U.S.-Canada Market Segments – 2014 |              |              |               |
|------------------------------------|--------------|--------------|---------------|
| Dollars in Billions                |              |              |               |
| Market Segment                     | U.S.         | Canada       | Total Revenue |
| ≥\$20M MLO                         | \$6.2        | \$0.3        | \$6.5         |
| Multiple Location Networks         | \$1.1        | \$1.3        | \$2.4         |
| \$10-\$19M MLO/MSO                 | \$1.7        | \$0.2        | \$1.9         |
|                                    |              |              |               |
| <b>Total</b>                       | <b>\$9.0</b> | <b>\$1.8</b> | <b>\$10.8</b> |

Within the U.S. market, independent and dealer MLOs are the dominate business models. In Canada, the franchise and banner networks continue to dominate the market. Although the U.S. has seen an increase in its consolidation within the MLO segments, Canada remains significantly more consolidated at 68.5 percent of the total collision repair market versus 27.9 percent, four basis points over 2013, for the U.S. The combined revenue of \$10.9 billion is 31.0 percent of total market revenue for the U.S. and Canada.

| <b>U.S. and Canada MLO, Franchise &amp; Banner Network Revenue - 2014</b>           |             |               |              |
|---|-------------|---------------|--------------|
| <b>(Dollars in Millions)</b>  |             |               |              |
|   | <b>U.S.</b> | <b>Canada</b> | <b>Total</b> |
| <b>Total ≥\$20M MLO</b>   | \$6,193     | \$341         | \$6,534      |
| <b>Total \$10-19M MLO</b>   | \$1,725     | \$173         | \$1,898      |
| <b>Total ≥\$20M and \$10-\$19M MLO</b>  | \$7,918     | \$514         | \$8,432      |
| <b>Total Franchise /Banner Networks</b>   | \$1,094     | \$1,336       | \$2,430      |
| <b>Total MLO/Franchise/Banner Networks</b>  | \$9,012     | \$1,850       | \$10,862     |
| <b>Total Collision Repair Market</b>  | \$32,300    | \$2,700       | \$35,000     |
| <b>Total MLO/Franchise/Banner Networks Percent of Total Collision Repair Market</b> | 27.9%       | 68.5%         | 31.0%        |

Since 2010, Canada has seen the loss of almost 50 percent of its collision repairer locations, dwindling from 10,000 to 5,100. Compared to the U.S., the average annual repair revenue per location is also almost 50 percent less at \$529,412 compared to the U.S. with average revenue of \$964,179.

## U. S. and Canada Collision Repair Market Size



Reviewing the top MLOs for the U.S. and Canada, four U.S. independents hold the top spots followed by franchise and banner organizations. These top ten companies together represent 14.0 percent of the combined U.S.-Canada collision repair revenue; a share that has increased 3.1 basis points in the past two years.

## U.S.-Canada Top 10 Multiple Location Operators - 2014

Dollars in Millions

| <u>2014</u>                 | <u>Rank</u> | <u>Location</u> | <u>Type</u> |
|-----------------------------|-------------|-----------------|-------------|
| Caliber Collision           | 1           | US              | Independent |
| Boyd/Gerber                 | 2           | US              | Independent |
| Service King                | 3           | US              | Independent |
| ABRA Corporate              | 4           | US              | Independent |
| Collision Solutions Network | 5           | Canada          | Banner      |
| CARSTAR                     | 6           | US              | Franchise   |
| Maaco                       | 7           | US              | Franchise   |
| Fix Network                 | 8           | Canada          | Franchise   |
| Auto Nation                 | 9           | US              | Dealer      |
| CARSTAR                     | 10          | Canada          | Franchise   |

|  | <u>2014</u> | <u>2012</u> | <u>Change</u> |
|--|-------------|-------------|---------------|
| <b><u>Locations</u></b>                    |             |             |               |
| Top 10                                     | 2,506       | 1,967       | 539           |
| % of US-CA Collision Repair Locations      | 6.5%        | 4.8%        | 1.7           |
| <b><u>Revenue</u></b>                      |             |             |               |
| Top 10                                     | \$4,888     | \$3,415     | 1,473         |
| % of US-CA Collision Repair Revenue        | 14.0%       | 10.9%       | 3.1           |
| <b><u>Average Revenue per Location</u></b> |             |             |               |
| Top 10                                     | \$2.0       | \$1.7       | 0.3           |
| All US-CA Collision Repair                 | \$0.9       | \$0.8       | 0.1           |

Ranking all repairers for the U.S. and Canada, and consolidating those that operate in both countries, four operate in both the U.S and Canada while four are in the U.S. only and two are solely in Canada. These top ten combined repair organizations represent \$5,689 billion, or 16.3 percent, of the \$35,000 billion North American collision repair market revenue managed through 2,933 locations, just 7.6 percent of 38,600 North American collision repair locations.

## U.S.-Canada - Top 10 Consolidated MLOs - 2014

Dollars in Millions

| <u>Company</u>              | <u>2014 Rank</u> | <u>Location</u> | <u>Type</u>             |
|-----------------------------|------------------|-----------------|-------------------------|
| Boyd/Gerber                 | 1                | US-CA           | Independent             |
| ABRA                        | 2                | US              | Independent & Franchise |
| Caliber                     | 3                | US              | Independent             |
| CARSTAR                     | 4                | US-CA           | Franchise               |
| Service King                | 5                | US              | Independent             |
| Collision Solutions Network | 6                | CA              | Banner                  |
| Fix Network                 | 7                | US-CA           | Franchise               |
| Maaco                       | 8                | US-CA           | Franchise               |
| Auto Nation                 | 9                | US              | Dealer                  |
| CarrXpert                   | 10               | CA              | Banner                  |

| <u>Locations</u>                      | <u>2014</u> | <u>2012</u> | <u>Change</u> |
|---------------------------------------|-------------|-------------|---------------|
| Top 10                                | 2,933       | 2,429       | 504           |
| % of ≥\$20M Companies                 | 77.7%       | 72.1%       | 5.6           |
| % of US-CA Collision Repair Locations | 7.6%        | 5.9%        | 1.7           |

| <u>Revenue</u>                      | <u>2014</u> | <u>2012</u> | <u>Change</u> |
|-------------------------------------|-------------|-------------|---------------|
| Top 10                              | \$5,689     | \$4,280     | 1,409         |
| % of ≥\$20M Companies               | 63.5%       | 58.7%       | 4.8           |
| % of US-CA Collision Repair Revenue | 16.3%       | 12.8%       | 3.5           |

There will be no shortage of challenges and opportunities when it comes to what the future holds throughout the auto physical damage ecosystem. MSOs will continue to contend with constructive transformation, the inevitable heavy lifting associated with integrating newly-acquired multiple and single repair units, especially in terms of how quickly they can adapt and can be assimilated into the acquiring MSO's culture and larger organization structure. The challenge and opportunity is to successfully accomplish this while performing consistently and systematically to operational, financial, marketing, and other functional business area targeted goals and objectives.

Can MSOs sustain the aggressive expansion and market share growth that has been built primarily over the last three to five years through larger MSO platform transactions? There are still some 200 ≥\$10 million annual revenue operators in the U.S.; however, the pool of those repair organizations that are interested in selling, and those that the MSOs are willing to acquire, is starting to narrow.

In the meantime, these expanding MSOs have developed and implemented call center capabilities that allow them to partner with insurance clients where they can provide a broad range of services or other capabilities including FNOL, third party warm transfers between insurers and insureds, and glass management. Additionally, they work with strategic partners to provide electronic auditing, centralized repair appointments and management of capacity utilization across local and broad market areas.

MSOs have built centralized databases that produce data-rich reports and analytics that help them manage the enterprise while comparing and contrasting multi-regional markets and individual repair centers on a competitive performance basis. They adopt and use the results to market and sell their enterprise value propositions.

The size and scale of these organizations allows them to centrally purchase, manage, test, and implement software, hardware and other innovative technology, providing economies of scale as they roll out and implement their technology across their broad, multi-regional network of repair centers. Their information technology group is not just a department. The department and its capabilities become a strategic advantage when working with suppliers, insurance company customers and other strategic partners.

Of critical importance is researching, sourcing, recruiting, developing, nurturing, and retaining employees while providing sustainable competitive and secure jobs. In the case of upwardly mobile employees, they recognize the importance of providing a career path environment with opportunities including greater functional responsibility, cross training, and competitive base/incentive/equity compensation.

The future for all MSOs will include maintaining and improving strong operational processes that reinforce the ability to consistently and effectively manage and integrate a concentrated group of insurer customers and their various DRP requirements and processes over a large-scale repair center network. They will need to do this while maintaining and balancing high performance metrics, quality repairs and high NPS customer satisfaction with best-in-class competitive peer marketplace competition rankings across the enterprise platform.

For a deeper review and analysis of the broader auto physical damage ecosystem, please refer to a recent paper written in May 2015 by Stephen Applebaum and Vincent Romans, [Disruption in the Automotive Ecosystem: What to Expect and How to Survive and Win](#)

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