

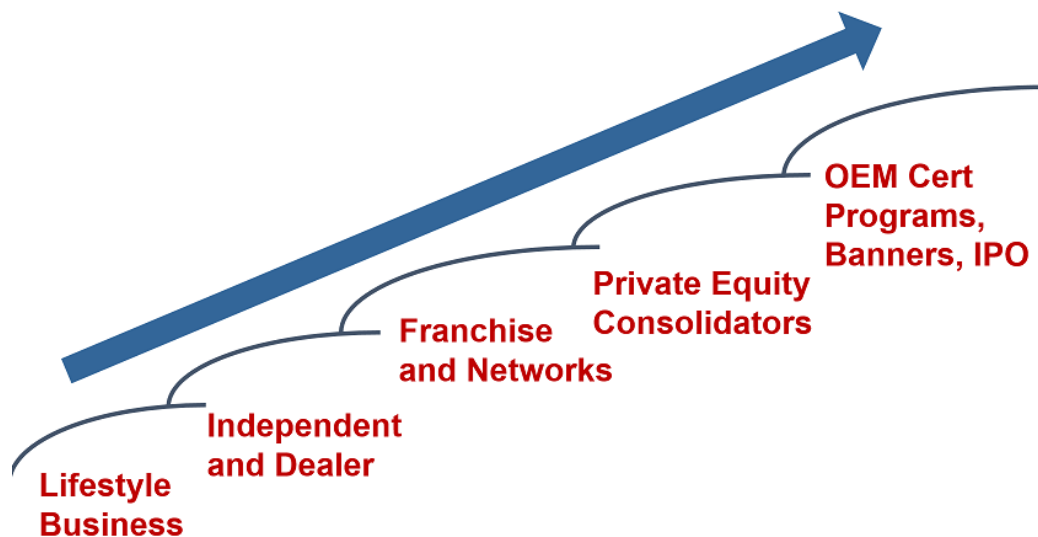
For Immediate Release

December 30, 2019

A 2018 Profile of the Evolving U.S. and Canada Collision Repair Marketplace

The 13th annual white paper, *A 2018 Profile of the Evolving U.S. and Canadian Collision Repair Marketplace*, is now available.

The auto physical damage industry is at a complex intersection, where we see all segments related to the auto physical damage ecosystem managing the benefits and risks associated with the continued migration from traditional legacy businesses to a multitude of digital new age business models. Adjusting and normalizing to this new age marketplace is driving accelerated change, creating uncertainty, and unmasking opportunities for growth while sometimes facilitating a planned business and industry exit or forcing reluctant capitulation.



U.S. Collision Repair Industry

In 2018, the U.S. collision repair industry market grew 1.65 percent from 2017. Since 2006 when we initiated our projected target addressable market, TAM, analysis our market size estimates for collision repair grew approximately \$7.0 billion with a CAGR of 1.74 percent. In the near term, we expect the total industry market size to move in a forward direction and expect growth of 1.25 to 2.50 percent for 2019 and 2020.

Multiple Location Operator, MLO, Consolidation

Unlike the slowdown that we witnessed from 2015 through 2017 with multiple-location operator, MLO, acquisitions by the four multi-regional consolidators (Caliber, Boyd-Gerber, ABRA, and Service King), 2018 saw an increase in acquisitions by the four consolidators as well as some super regionals. In early 2019, the largest ever private equity deal within the collision repair industry closed when Caliber Collision and ABRA finalized their merger, creating a more than 1,000-location MLO with a presence spanning 37 states.

The busiest and most dramatic year for MLO transactions is 2019, with revenue transferred through MLO acquisitions north of \$1.8 billion. Even if the ABRA transaction revenue is removed from the current \$1.8 billion in total revenue, 2019 will be the second year of an upward trend.

The super regionals and regional consolidators, like Classic Collision and Joe Hudson, have also turned up their M&A activity in the last 15 months. We expect an Illinois-based MLO, Crash Champions, which recently closed its private equity investment relationship with A&M Capital to be on the hunt for MLO, single-location, brownfield, and Greenfield expansion opportunities. Service King continues to sit on the sideline, it has now been two years without any MLO acquisitions, as they focus internally. Caliber and Boyd have been the most active and aggressive consolidators in 2018 and 2019.

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U.S. Top 10 Repairers - 2018		
MLO	Independents	Dealers
Caliber	Caliber	Auto Nation
Service King	Service King	Hendricks
Boyd/Gerber	Boyd/Gerber	Berkshire-VT
ABRA Corporate	ABRA Corporate	Penske
Auto Nation	Joe Hudson	Asbury
Hendricks	Cook's Collision	Group 1
Berkshire - VT	Classic Collision	Carl Sewell
Joe Hudson	Pro Care	Sonic
Penske	Mike Rose	Faulkner
Cook's Collision	Pacific Elite	Terry Taylor AMSI

Canadian Collision Repair Market

Although the number of collision repair locations in Canada has declined steadily over the past six years, repair revenue has remained relatively flat. We do see the combined \geq \$10M MLO independent, dealer, banner, franchise network segment revenue increasing at the expense of smaller operators. Average revenue per location is considerably lower than the U.S., and severity for both repairable and total loss continues to hold steady with an upward trend bias for the immediate future.

The banner organization CSN Collision Centers maintained its first-place ranking within the All Repairers and Franchise and Banners segments. The All Repairers segment Top 10 organizations, which are also represented within the combined \geq \$10M MLO independent, dealer, banner, franchise, network segment, represents 77.7 percent of the industry's revenue and 30.0 percent of the industry's repair facilities.

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Canada Top-Ranked Repairers - 2018		
All Repairers	Franchisors & Banners	Independents & Dealers
CSN Collision Centers	CSN Collision Centers	Boyd
Fix Auto	Fix Auto	Craftsman
CARSTAR	CARSTAR	Kirmac
Boyd	CarrXpert	Auto Canada
CarrXpert	Maaco	Speedy
Craftsman		Herbers
Kirmac		Gabriel
Auto Canada		Colorworks
Speedy		Birchwood
Maaco		Murray Group

When comparing the market size and share for the property and casualty insurance and auto repair segments for the U.S. and Canada, there are clearly significant differences in the size of many categories. The U.S. collision repair market size on a U.S. dollar basis remains 15 times the size of the Canadian market and there are almost 7 times more repair facilities for the total addressable market in the U.S.

The U.S. and Canadian auto insurance markets are highly consolidated, with the Top 10 private carriers controlling the lion's share of premiums written and shouldering the majority of claims processed and settled. The U.S. private passenger P&C insurance industry, as well as the auto-only insurance segment, remain much larger in scale than the Canadian market for all other categories.

There are a number of secular trends that exist today that will continue to have a material impact and influence on the collision repair industry and within the broader constellation of the connected auto physical damage industry segments.

- Transformative auto insurance industry - insurtech claims processing models reinforce insurers' preferred business economics
- Private equity's buying spree and continued influence

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- OEM certification program proliferation; place your bets on which repair standard (insurer, OEM, hybrid) and whose authority will prevail
- Time is right for business diversification, differentiation and segmentation
- Connected car: IoT, telematics, 5G, ADAS, autonomous, electric vehicle movement
- Technician shortage-sourcing, recruitment and retention has morphed into search, seize, capture, train, and retain at all costs
- Artificial intelligence, machine learning, computer vision

We believe that the market segments profiled within our report will continue to gain share within the collision repair industry and expand their revenue base, both through organic growth and acquisitions.

Our annual report, *A 2018 Profile of the Evolving U.S. and Canada Collision Repair Marketplace*, is now available. The report contains the complete results of our research and analysis for 2018, including over 65 charts and graphs throughout 80 pages with historical trends and a future view.

The report can be purchased by contacting Mary Jane Kurowski of The Romans Group LLC at maryjane@romans-group.com