

Finding The Right Inventory

7 Proven Methods to Acquire Pre-Owned Inventory & Increase Profits

Presented by:



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Introduction

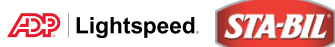
- Inventory = Sales
- Inventory Management = Profits

- Goal:

Share proven methods and resources from leading experts & dealers for finding, acquiring and managing pre-owned powersports inventory

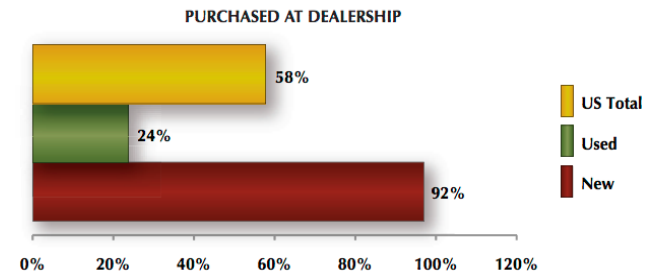


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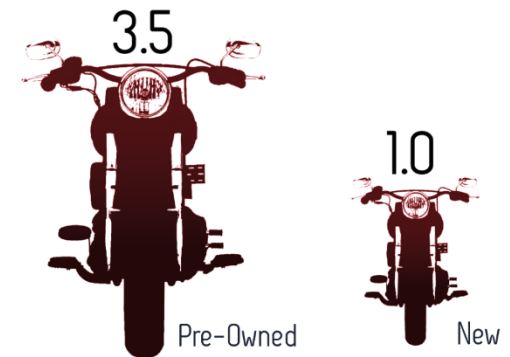
Why Is Pre-Owned Important?

- Offers Higher Margin Than New
 - Unique/Differentiated Product
 - Control Over Product Mix
- Unlimited Supply, Easier To Keep Fresh
 - Offerings Beyond Core Franchise
- Lower Price Point
 - Stepping Stone For New Customers
- No Franchise Rules Or Laws
 - Easier To Acquire, No Quotas, Easier To Dispose
- More Turns On Capital, Thus More Profit
- Add-on P&A, F&I, Service Revenue
- Way To Survive Tough Times



PRE-OWNED vs. NEW SALES

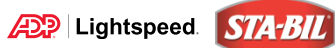
2014 On Road Stats



**Based on Polk Used and New registrations*



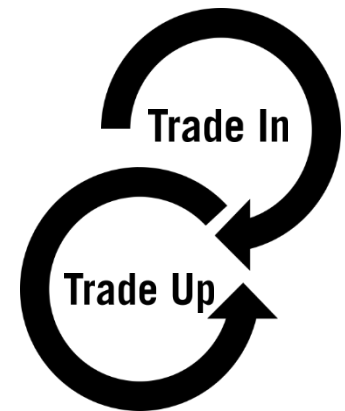
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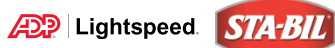
U.S. Dealers Already Sell \$1.9B/yr in Pre-Owned

#1: Take Every Trade

- Easiest, Readily Available Supply – Right At Your Doorstep
 - **What Are Your Stats?**
 - **Take Every Trade & Close More Deals**
 - **Have a Retail/Wholesale Plan for Every Unit**
- You Control the Price
 - **Be Smart & Use Market Data, Plan For Seasons**
- You Control the Product Mix
 - **Use Wholesale / Auction Channels Liberally**
- Have A Formal Appraisal Process & Tools
- Make It a Mantra Known to All
 - **Promote In-Store, External Signage, Advertisements, etc**



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Appraisal Process

- Why Do I Need A Process?
 - Ensure Consistency & Limit Vulnerability
 - Maximize Efficiency with Proper Tools
 - Reduce Hurdles, Maximize Buyer Comfort
 - Overcome Consumer Bias & Attachment
- Include Factors That Are Important to You
 - Owner Information
 - Vehicle Info & Condition
 - Loan Information, Title Information
 - Current Market Data!
- Value Guide is Critical!
- Either Avoid or Properly Treat Buried Units

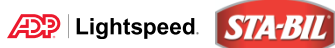
The image shows a smartphone displaying the Cyclepro mobile app interface. The app is titled "Cyclepro" at the top. The form includes the following fields and options:

- Lender Phone : [Text Input]
- Altered Title : Yes No
- Altered Odometer : Yes No
- Sight Unseen : Yes No
- Market Description : [Text Input]
- Est. Recondition : \$ [Text Input]
- Appraisal Value : \$ [Text Input]
- Printed Value : \$ [Text Input]
- Condition : Excellent

Navigation buttons at the bottom include "Back", "Save", and "Complete and Ready for Inventory".



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#2: Work Your Back Yard

Local Lenders

- Local Source of Inventory
 - Credit Unions & Regional Banks Love Pre-Owned
- Creates Virtuous Cycle of Loans & Inventory
- Yet Supply is Intermittent, At-Risk
- Leverage Existing Relations or Start From Scratch
 - Identify Primary Players
 - Prepare Value Proposition on Buy & Sell
 - Pursue and Follow Up
 - Make It Easy



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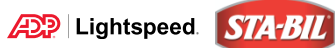
#2: Work Your Back Yard

Other Local Dealers

- One Man's Junk Is Another Man's Treasure
 - Enable Auto & Other Powersports Dealer Trades
- Can Be Competitive & Time Consuming
 - Be Prepared to Negotiate
 - Speed is King
 - Have Your Values & Checkbook Ready
- Have a Retail/Wholesale Plan for Every Unit
- Befriend Them All
 - Learn Preferences & Be Known for Yours



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#2: Work Your Back Yard

Wholesalers

- Helps Both Supply and Liquidation
 - Often Requires Both As Well
 - Varies with Season and Connections
- They Need to Make Money Too
 - Margin vs Convenience
- Highly Dependent Upon Individual
 - Requires Mutual Trust
 - Can Change At Any Time
- Know the Source, Know Your Values



#3: Buy At Auctions

- Second Easiest Source Overall
 - Wide Selection, All In One Place
 - Steady Supply / Virtual Warehouse
 - Values Are Always Market Price
 - Conserve Time, Capital, Resources
 - Reduces Prep Time
 - 100% Flooring Advance Rates
 - Can Buy Live or Online
- Be Sure to Preview Live or Online
- Auction Crew is There to Help You

The image shows two screenshots of the NPAeSale website. The top screenshot displays a grid of various items for sale, including motorcycles, ATVs, and trailers. The bottom screenshot shows the 'Simulcast Item Browse' search interface, which includes a search form with fields for Item #, Category, Make, Model, Year, and Price Range, along with a list of search results.

Item #	Year	Make	Model	Location	Price/Bid	Score	View/Watch
1000	2007	HONDA	VF750DA7 SHADOW SPIRIT	Unit Location: NPA Cincinnati	- Place Bid -	76	View Watch
1001	2009	HONDA	CMX250C9 REBEL	Unit Location: NPA Cincinnati	- Place Bid -	78	View Watch
1002	2010	HONDA	V13CDA STALLIONE	Unit Location: NPA Cincinnati	- Place Bid -	74	View Watch
1003	2014	HONDA	NSS300E FORZA	Unit Location: NPA Cincinnati	- Place Bid -	69	View Watch
1004	2010	HONDA	VF750DA SHADOW PHANTOM	Unit Location: NPA Cincinnati	- Place Bid -	86	View Watch
1005	2009	HONDA	NSA700A0 DN-01	Unit Location: NPA Cincinnati	- Place Bid -	85	View Watch
1006	2011	HONDA	PC1125	Unit Location: NPA Cincinnati	- Place Bid -	85	View Watch
1007	2012	HONDA	CMX250C9 REBEL	Unit Location: NPA Cincinnati	- Place Bid -	81	View Watch
1008	2012	HONDA	V13CXC FURY	Unit Location: NPA Cincinnati	- Place Bid -	84	View Watch
1009	2010	HONDA	NK11LDA ELITE	Unit Location: NPA Cincinnati	- Place Bid -	75	View Watch
1012	2009	HONDA	VF750C2P9 SHADOW SPIRIT	Unit Location: NPA Cincinnati	- Place Bid -	73	View Watch
1013	2009	HONDA	VF750C SHADOW AERO	Unit Location: NPA Cincinnati	- Place Bid -	83	View Watch



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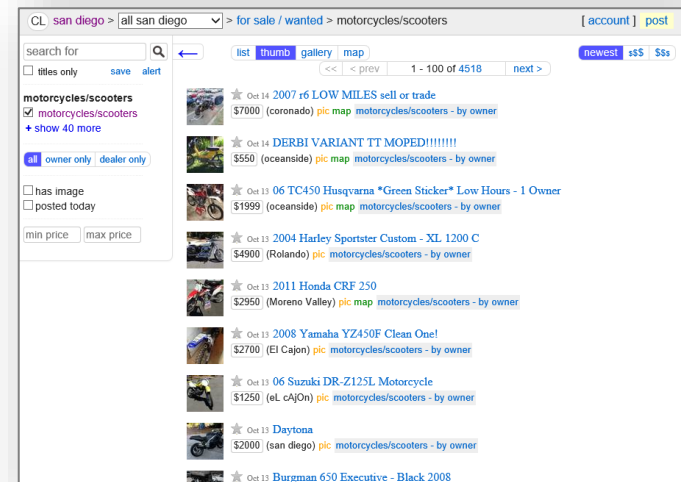
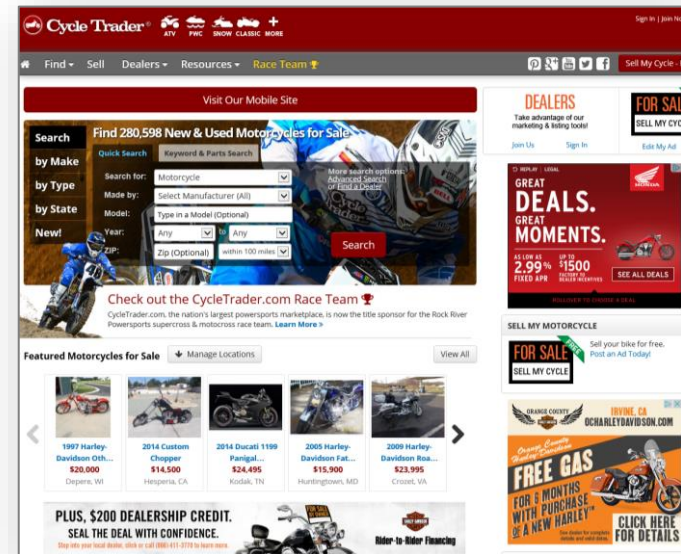
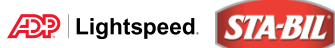


#4: Buy Off The Street

- Unlimited Supply, Yet Most Difficult
 - Recapture Share of Private-Party Deals
 - Opportunities to Capture New Sales Too
- Advertise! Signage, etc
- Create Calling Team & Deal Process
- Requires Dedication & Patience
 - Focused Team & Process, Tracking
 - Appraisal/Valuation Process, Trust
 - Requires Capital & Logistical Support



Brought to you by:

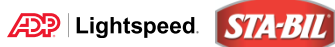


#5: Mine Your Customers

- Known Supply of Inventory & Data
 - Mine Customers w/Equity, Service Records, etc
 - Track & Rework Turndowns w/New Credit Programs
 - Leverage Service Visits
 - Promote at Events; Dedicated Event?
 - Also Creates Potential Fresh Sales
- Requires Dedication
 - Focused Team & Process, Tracking
 - Appraisal/Valuation Process
 - Requires Capital & Logistical Support
 - Requires Knowledgeable, Trusted Staff



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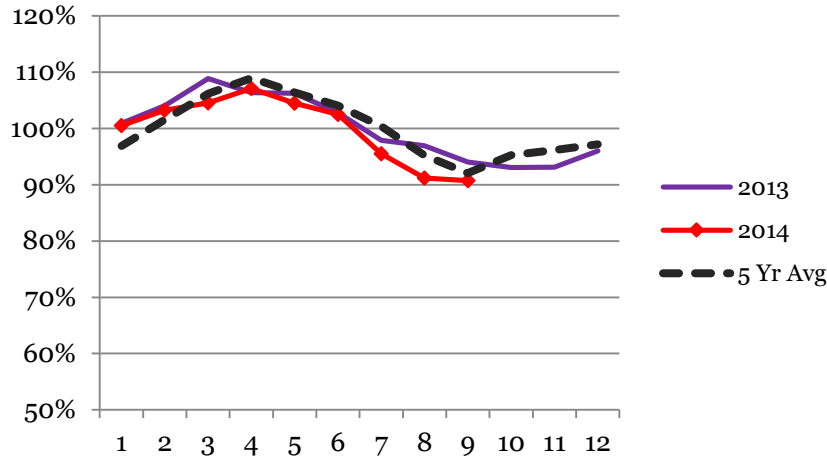
#6: Time It Right

- Seasons Are Real, Vary by Category
 - Another's Loss Can Be Your Gain
 - Can Shape All Acquisition Efforts
- Buy Low, Sell High Using Data
 - Think 60-90 Days In Future
 - Faster Turns in Spring, Slower in Fall
- Turn Times are Critical
 - What Are Your Stats?
 - Can Be Like Having 60% Bank Account
 - Don't Be Afraid to Lose Sometimes
 - 120 Day Max to Retail, Discount then Auction/Wholesale

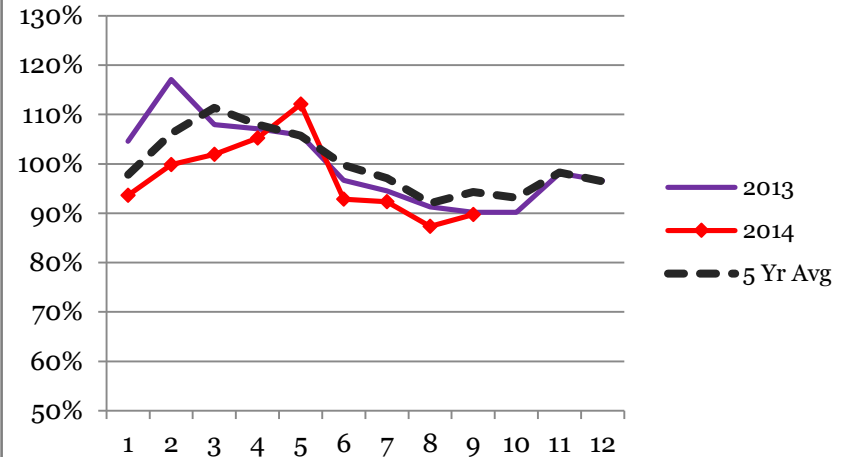


Wholesale Seasonality

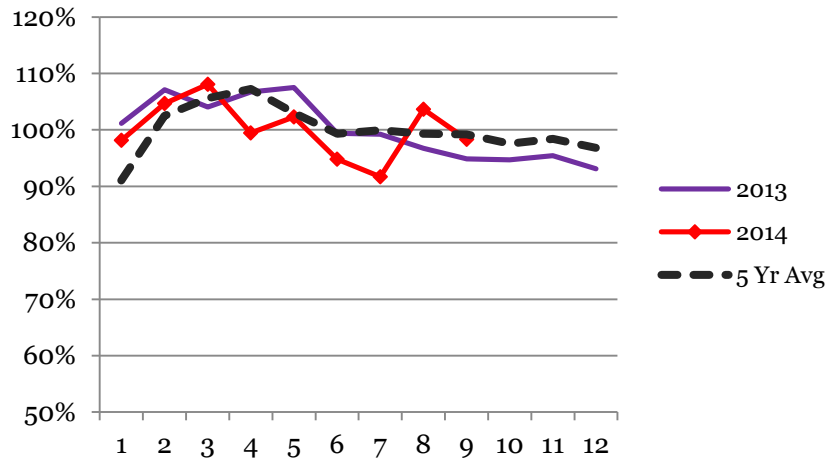
**Seasonal ASP
Cruiser-Domestic**



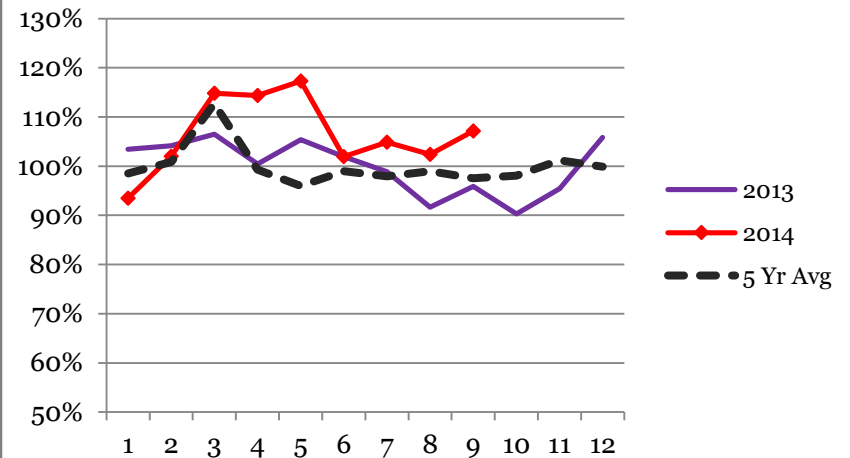
**Seasonal ASP
Cruiser-Metric**



**Seasonal ASP
Sport**



**Seasonal ASP
MX**



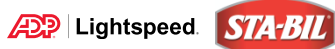
Inventory Velocity

- Gotta Sell to Make Money
 - Nothing happens when units sit on floor
 - Velocity = The more you sell, the more money you make

	1 Vehicle	10 Vehicles / Mo	Do Nothing
Sale Price	\$10,000	\$1,200,000	\$0
Unit Cost	\$8,200	\$1,008,000	\$0
Other Costs	\$300	\$36,000	\$0
Gross Profit	\$1,500	\$180,000 Per Year	\$0



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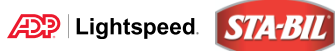
Inventory Turns

- What If You Could Have a 60% Bank Account
 - **Inventory Is Really Your Capital At Work**
 - If you put \$10,000 into a vehicle, you can make 15%
 - Put that \$10,000 into another vehicle, you make 15% again
 - Do that at least 4X per year, you make 60% on your money

	Bank CD	1 Vehicle per Year	4 Vehicles per Year
Capital	\$10,000	\$10,000	\$10,000
Profit	\$119	\$1,500	\$1,500 each
Annual Rate of Return (ROC)	\$119	\$1,500	\$6,000
	1.19%	15%	60%



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Time Is Money

- Holding Inventory to “Break Even” Actually Costs Money

	Normal Retail Sale	Wholesale in 60 Days	Hold for 6 Months
Sale Price (not incl F&I, etc)	\$10,000	\$8,500	\$0
Acquisition & Prep Cost	\$8,500	\$8,500	\$8,500
Gross Margin	\$1,500	\$0	N/A
Depreciation (2.5%/yr)	\$0	\$0	\$-125
Flooring Cost (Curtailement Fees & Int)	\$0	\$0	\$-560
Lost Turns (4X/yr)	\$0	\$0	\$-3,000
Adjusted Gross Profit	\$1,500	\$0	\$-3,685



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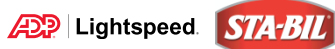


#7: Embrace Process & Tech

- Have Processes & Measure Them
 - Luck is Not a Strategy for Consistency & Profits
 - Scalable & Replaceable
 - Requires Ownership
 - Tied to Measurement & Benchmarks
- Embrace Technology & Tools
 - Market Values
 - Inventory Management, DMS & Websites
 - Customer & Lead Management (CRM)
 - New Generation of Tools is On The Horizon



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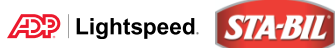


Market Values

- Market Values are Critical Ingredient
- Many Resources Exist
 - **NPA Value Guide™**
 - **NADA Guides**
 - **Motorcycle Industry Council**
 - **Market Reports, Magazines**
 - **DMS & 3rd-Party Tools**
- Know What Your Lenders Use



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NPA Value Guide

NATIONAL POWERSPORT AUCTIONS NPA

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NPA Value Guide

CURRENT REAL-TIME NPA MARKET PRICES

Specify the **YEAR** 2012

Time Duration 4 months Sale Location All Locations

VIN #

Records 1 - 1 of Year 2012 SUZUKI

Summary:

Current Whol Book	Units Sold	Score Range	Avg Value	Value Range
\$8,035	19	44-87	\$6,684	\$3,800-\$8,400

Condition Breakdown:

Condition	Units Sold	Score Range
90-100	-	-
80-90	12	80-87
70-80	4	78-79
60-70	1	66
50-60	1	55
40-50	1	44

Mileage Breakdown:

Condition	0-7500	7500-15000
90-100	-	-
80-90	\$5,400-\$8,400	\$7,600
70-80	\$6,200-\$6,800	-
60-70	-	\$5,300
50-60	\$3,800	-
40-50	\$4,200	-

Time Breakdown:

Month	Units Sold	Score Range
Oct	1	80
Sep	4	55-83
Aug	6	44-87
Jul	5	79-84
Jun	3	78-81

HARLEY-DAVIDSON DEALER EXCHANGE

HOME | REGISTER | SIMULCAST | BUY | SELL | MY ACCOUNT | TOOLS

CURRENT MOTORCYCLES ON HDDX

HARLEY DAVIDSON DEALER EXCHANGE

HARD ROCK SAN DIEGO HARIFVS

NPA Vehicle Value Guide

2012 HARLEY-DAVIDSON - FLHX STREET GLIDE

Time Duration 4 months Location All Locations

Summary:

Current Whol Book	Units Sold	Score Range	Avg Value	Value Range
\$10,000	78	57-88	\$15,516	\$6,400-\$18,000

Condition Breakdown:

Condition	Units Sold	Score Range	Avg Value	Value Range
90-100	-	-	-	-
80-90	64	80-86	\$15,902	\$13,800-\$18,000
70-80	12	74-79	\$14,283	\$6,400-\$16,400
60-70	-	-	-	-
50-60	1	57	\$10,800	\$10,800
40-50	-	-	-	-
30-40	-	-	-	-
20-30	-	-	-	-
10-20	-	-	-	-

Mileage Breakdown:

Condition	0-7500	7500-15000	15000-25000	25000+
90-100	-	-	-	-
80-90	\$14,000-\$18,000	\$14,800-\$17,800	\$10,800-\$16,800	-
70-80	\$14,100-\$16,400	\$14,700-\$15,500	-	-
60-70	-	-	-	-
50-60	-	\$10,800	-	-
40-50	-	-	-	-
30-40	-	-	-	-
20-30	-	-	-	-
10-20	-	-	-	-

Time Breakdown:

Month	Units Sold	Score Range
Oct	6	67-81
Sep	12	79-85



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SAMSUNG

NPA mobile

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Viewing 2013 HARLEY-DAVIDSON

Filter Results 43

- 2013 FLD-103 DYNA SWITCHBACK Value Range: \$8,000 - \$12,900
- 2013 FLHR ROAD KING Value Range: \$9,100 - \$16,400
- 2013 FLHR ROAD KING ANNIVERSAR Value Range: \$13,200 - \$18,100
- 2013 FLHRC ROAD KING CLASSIC Value Range: \$13,000 - \$18,700
- 2013 FLHRSE SCREAMIN EAGLE Value Range: \$14,000 - \$24,900
- 2013 FLHTC ELECTRA GLIDE CLSC Value Range: \$11,700 - \$28,500
- 2013 FLHTCU UL CLSC EL. GLIDE Value Range: \$13,500 - \$19,800

Traffic Log Pro
Process • Procedure • Accountability

NPA ValueGuide™

CyclePro

7:39 PM

Avg Value \$5,900

Mileage Breakdown

Condition	Value Range
0-7499	\$6,400-\$7,400
7500-14999	\$6,800-\$7,000
25000+	\$6,100

Condition

Condition	Avg Value
0-7499	\$5,700
7500-14999	\$5,800
15000-24999	\$6,200

Time Breakdown

Month	Score Range	Value Range	Avg Value
March	80 - 88	\$6,100 - \$7,400	\$6,857
February	76 - 88	\$6,200 - \$7,100	\$6,633
January	77 - 85	\$5,700 - \$6,500	\$6,233

Market Reports

NPA PRE-OWNED MONTHLY RECAP

Surprise, It's August

August is typically one of the weakest months of the year for Average Wholesale Price (AWP). Surprisingly, that was only partially true this year. August 2014 brought notable increases in AWP over 2013 for Sport motorcycles and most off-road categories (ATV's, MX and Side-by-Sides). The ATV categories rose 15% and the MX category rose 12% over 2013, while Side-by-Sides paralleled 2013 with no change overall. Sport bikes gained 7% over last year to the highest AWP since Feb 2014.

Conversely, both Domestic and Metric Cruisers softened as expected. Domestic cruisers went down by 6% while Metric cruisers experienced a lighter 4% decrease. Similar trends held true for the directional movement of AWP in August over the prior 3 month average - the Sport bike and most off-road categories rose unexpectedly, while Cruiser and other categories softened as usual.

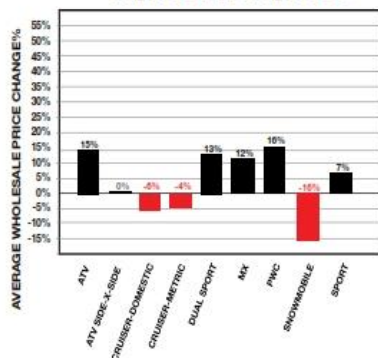
Note that Dual Sport motorcycles and PWC's also saw substantial growth year over year while the snowmobile category went down 16%. Unlike the categories above, these segments are highly unpredictable from month to month due to smaller volumes.

On The Horizon

We analyzed potential reasons for the atypical trends in off-road and Sport and found a number of contributing factors. One finding is that it is not materially volume-related - the number of vehicles offered and sold for off-road categories in August 2014 were roughly similar to that offered in 2013, while the number of Sport bikes sold was actually greater in 2014. The average condition and model age for off-road products did improve slightly, which explains part of the rise in AWP for those categories. For Sport bikes, the mix of quality and age over last year was roughly the same. However, the average ratio of AWP to NADA clean wholesale was roughly the same, suggesting that although the quality of product was similar year to year, the mix of models was not. Specifically, the AWP for Suzuki sport bikes rose almost \$700 per unit due to a higher ratio of more expensive models combined with higher demand for Suzuki sport bikes due to supply constraints within the overall market.

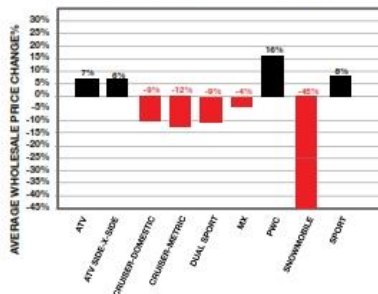
In general, we think that the rise in August AWP is temporary, especially after following 2 - 3 months of softer pricing than usual. There may still be higher demand for specific Sport bike brands and hard-to-find off-road product, but we expect AWP to drop back or remain flat for the surprise categories and that the typical softness will continue before beginning to recover later in the fall. Even though new model-year vehicles are entering the market, we believe consumers are still hungry for product and that excessive downward pressure on pre-owned prices will not be an issue. Now is still a great time to begin buying for the coming season while inventory is still a relative bargain - low mileage, pre-owned vehicles in good condition will always be in demand.

August '14 vs August '13



*Data includes all live and online transactions from all four NPA locations. Closed OEM auction data is excluded.

AUGUST vs 3 MONTHS PRIOR



All data provided by National Powersport Auctions. For more information, please visit www.npauctions.com or call 888.292.5339.



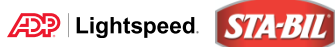
Conclusion

- Inventory Is Readily Available
- Process = Profits & Consistency
- Technology = Speed & Efficiency
- Data = Better Decisions & Competitive Edge

- *Pre-Owned Can Be Your Biggest Franchise*



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“Like having your own unique, high-margin franchise where you make the rules.”