John Laudenslager

Thank you. Thank you, Melissa.

Good morning. We're going to talk today about the US Dealer business and how we are well positioned to grow. My name is John Laudenslager, and I'm responsible for the auto business in the US. I've got forty years in the automotive business, seventeen in retail, five with the number two provider in the US, and eighteen with the number one provider in the US.

In my former role, from 2014 to 2023, we grew five X to become the number one provider in the US. We have experience and success growing businesses exactly like iA American Warranty. Now, let's talk about some of the key takeaways hopefully you get today. One is we are a preferred partner offering a one-stop solution. We'll talk more about that throughout the presentation.

We do have a very robust and diversified business model that's supported by strong cross-border risk management team. We're going to get into our diversified business model, and that's something that you'll hear as a trend today is our diversification. We'll also tell you how, why, and where we're positioned to grow. So we go to market as iA American Warranty. We have about 5% market share in a very fragmented market with well over a hundred participants.

We hold the number eight position of those plus 100. 13% of the 17,000 new car dealers and 4% of the 30,000 used car dealers use one or more of our products. We are recognized throughout the industry for superior service as evidenced by the dealer choice awards. As you can see from 2022 to 2024, it increased from seven to nine.

Now we'll talk about our diversified business model and, again, that word diversification. We'll start with our products. We'll start with our products and you can see we offer virtually any product a dealer could want and or need. In the US, it all starts with the vehicle service contract. That is number one on every menu in the US. Diversification by vehicle type, basically, what that is, it's our portfolio mix. And as you can see, it's 46% new cars, 52% used cars, 2% other, the other is our RV and power sports business, which we believe there's some opportunities in. But let's focus on the new car and used cars, why that's important. One, protects us against concentration risk. In the event of an unfortunately, of another COVID type event, if a manufacturer goes on strike for some reason, we have parts issues, we have a nice balance in our portfolio to offset that and weather that. The other thing it does, it helps our earning patterns. New car warranties, five years to ten years in the US. Used car warranties, three months to five years. So we have a nice balance there as the used car earned warranties are in quicker.

And our diversification added distribution channels, we're going to talk more about this throughout the presentation and how we're uniquely positioned with this. But you can see in our dealer channels, 44%, agent thirty-four, and on around, and we like this balance. We do believe in the middle and the right columns, you're going to see that balance get even better over the next two years. A one-stop partner. What does that really mean?

You know, it means that everything that we do, goes toward the dealer and the consumer. We don't sell one policy. That's why we have to align and solution everything to that dealer and consumer, and we do. Most of our products will either complement and or enhance the manufacturer's warranties. And we'll talk more, in the presentation about how strong our relationships are and what we're doing to strengthen them.

Now on the right, you'll see a host of our products that we offer, but I'm going to talk more about this on the next page. So to increase dealer performance and enhance partnership alignment, really to break that down in the simplest form, our solutions provide revenue, profit, and retention for our dealer partners. That's the three things that are always top of mind for dealers in the US. We're going to talk a little more about the relationships on the next few slides, so I'll move over to the solutions.

We can tailor our solutions to any size dealer. You could have one dealership or you could have a hundred rooftops, and we'll have multiple solutions for you. Enhancing our dealer agility, speed to market, this is all about investing in our systems over the last three years, creating a rapid and seamless experience, and create an ease of doing business for our partners. And then, the bottom one, at the end of the day, whether it's the US, Canada, or wherever, it's all about maximizing the profitability in the F&I department and retention and profit in their service departments for the dealers. As you move to the right, this is one of our very unique value propositions in the US.

We're one of less than a handful of providers in the US that can provide all of these services. As an example, the number two provider in the US does not have an insurance company, so they have to go to people like us or others that have insurance companies to get their insurance. There are a number of large participants in the US who don't have training or field support, so they could come to us. They don't have admin capabilities. They don't have the ability to create reinsurance formations.

This uniquely positions us in the US among all the dealers, providers. What gets us there? We're going to talk about some ground floor activity, and this is where it all starts. We're going to talk about our training, our field support, and income development. And our training, as evidenced by the three dealer choice awards, we are a leader in the US market.

We're one of only a few that have a standalone state-of-the-art training facility. We also have multiple training facilities across the US. We will go into dealers to do in dealership training. We will take a room or a hotel room or a ballroom and have regional training. We will do whatever it takes to help our dealers and our partners.

Everything on this slide is driven toward F&I performance and profitability, and it works for dealers of every size. You talk about our field support and income development, these are the people that are consistently going into the dealerships, working with the dealer and every area across those dealerships to create a trust and loyalty continuum with iA American Warranty Group. They're involved in the sales process, positioning the deals to go back to the F&I department. They'll work with the F&I department to make sure they're maximizing those opportunities, getting the right product blends and the right per vehicle retail. They'll go to the service department to make sure that the claims are being submitted properly and adjudicated properly. And they also work with the back office to make sure the statements are correct, ready to submit on time so that the dealer can get paid and so that we can get paid.

Next, again, we're talking about diversified distribution channels. Again, you've heard this theme today. We're only one of handful or less that participate across every one of these distribution channels. Most people will participate in one, being the direct dealer channel or two, potentially the agent channel, but very few participate across all of them.

We're going to focus more today on the dealer channel and the DAC Third Party Channel, the bookends on this slide, because we were convinced that they are our growth accelerators for 2025 and 2026. Talked about the distribution model on how we earn, and this is again, you could see the highlights there. The dealer channel, we maximize every revenue stream in that channel. On the DAC channel, the Third Party Administrator channel, that's a fee-based business, and it's a volume business. You not only drive millions of dollars through there, you drive hundreds of millions of dollars through there with the right model.

So that's a tremendous opportunity for us, potentially the most upside in the business 2025 and 2026. We have a very solid base today. We will continue to solidify that base. We're going to have to because the growth that we're going to project through 2030. We have a very experienced leadership team. Combine that with the knowledge and the support of our Canadian colleagues, and we're very well positioned in that space. We're going to be very, very focused and disciplined on execution of our growth strategy as well as operational efficiencies. We've already talked about our contracts and that nice balance that we have. We do have a very strong risk model. 75% of our contracts are fully reinsured, and the funds are in a trust to assure payment of that.

We've recently implemented a proactive risk management model where we have a green, yellow, red scenario. As an example, if a book of business is priced at 85%, if it gets to 80%, it will start to turn yellow. We're going to be proactive about managing this to not have to be reactive when it hits 85%. And then again, we're going to leverage the twenty-five plus years of Canadian experience in dealer services. And when I say that, it's not only in the risk management. I'm going to leverage every area that I can in the Canadian expertise that's going to benefit our business. I'm looking forward to working with Gwen on potential cross-border opportunities because I know they're there. That's what I did for a while in my prior role.

Some trends in the market that we're seeing that are positive for our business. Talk about the SAR Seasonally Adjusted Rate of new car sales in the US for 2025 is $16.3 million. That's up 3% from 2024. We're seeing inflation receding, creating a better affordability model. If you look on the left of the slide, the higher vehicle inventory. Why is that there? Because it's important. It really contributes to what we do. Average day supply in the US of autos on a dealer's lot is seventy-five days. As a comparison, during COVID, it was zero to twenty days depending on the manufacturer. Again, dealers don't want these cars on their lot. They're paying floor plan interest on them. So what are they doing? They're discounting them, highly discounting them.

You combine that with OEM incentives, and sub in at rates, and you have a much more affordability model for the consumer. You also have a better opportunity to add our products on the financing of the deal. We're seeing increased interest and more confidence and extended warranties or VSCs in the US. Why? Cars are so expensive. Average payment is over $750. You have a high labor rate. You have high parts pricing. It's tough enough to have a $750 a month payment, then you add a thousand-dollar repair on it, which is not unusual today. Consumers would rather pay $40 to $50 a month than have to pay $1,750 a month. Also, Sean alluded to it, fragmented extended warranty market. We do believe in the next twelve to twenty-four months, you're going to see some potential strategic acquisitions at the market.

Now we're going to talk about the iA way just like everyone has today, and we'll start with our distribution. Told you earlier that we're going to be focused on the dealer channel and the DAC channel, the third-party administrator channel, and let me share with you why. That doesn't mean, by the way, that we're going to abandon or have any less focus on our agent channel or our national accounts channel. Okay? We think these two are growth accelerators. That's why we're going to be more focused on those.

So the reason for this is; one, I think there's tremendous opportunity to grow DAC, for some of the reasons I told you before; two, there's some market dynamics going on in the US. The number one and the number two provider in the US have reduced their service levels, the small and mid-sized dealer and the small and mid-sized TPAs.

That's really kind of the sweet spot that got them to where they are. They've just gotten so big that they're focused on the million dollar a year accounts and up. So we believe – by the way, two weeks ago, I sent an ad to my leadership team, and it was the number one provider in the US advertising for a virtual district manager, a virtual district manager. They will not go into dealerships. They will not provide in dealership service like we talked about earlier and all the value. They're going to do everything by phone. Very different model. We believe and we're convinced that there's an opportunity in that segment to conquest a good portion of those dealers because they're simply not going to accept that type of service because they have not reduced any of their fees. They've simply reduced their service.

Talk about the distribution channels. Again, very robust distribution channel, broad and robust product suite. Technology, we have to continue to invest in and enhance our technology. We have to do that in order to grow the way we anticipate growing to 2030. That will help us scale this business. So I know it's a target of 10% annual gross sales.

We are confident that we can either meet and or exceed that. We'll continue the momentum for our 2024 sales that were very good. Again, we've talked a lot about distribution and how we strengthen our relationships and the focus that we're putting on specific channels. F&I environment, we talked about how that is becoming more positive for our products and for the consumer. Efficiencies, again, all about innovation and automation, how to continue to invest and how to continue to enhance that.

Going to leverage the Canadian operations anywhere and everywhere we can. They're probably going to get tired of me, but that that's okay. Pricing, we're going to be very disciplined in our pricing. We're going to price it right from the beginning because as it begins, so it goes. We don't want to have to continue to have large price increases for our partners. That's not a formula for success. So we're going to price it right from the beginning, and we're going to be very proactive in managing it through the product cycle. Expansion, we talked about that, and we do again, we talked about acquisition. So I'm going to wrap it up with this.

We're very confident that we can grow this business, and we're confident that we can meet and or exceed our financial targets. Thank you.