



April 27, 2012

Dear Fellow Stockholders:

2011 capped a milestone year and was an inflection point for Autobytel's business.

We posted our first full-year of profitability since 2004, generated 24% year-over-year revenue growth, and generated nearly \$3.2 million of EBITDA¹. These accomplishments are primarily the result of executing against our internal objectives and an improving automotive industry. I am gratified by our progress and our ability to emerge from what was one of the most challenging periods in the history of auto sales. We are looking ahead with a sense of optimism about Autobytel's future performance.

Core Business Resonating with Customers

Our commitment to improving the quality of the purchase requests we deliver to our OEM and auto dealer customers – namely, the rate at which sales close as a result of those purchase requests – has resulted in significant budget allocation increases to us from OEM and large dealer accounts. The primary factor driving improved lead quality has been our ability to increase the percentage of purchase requests generated directly from our own websites compared with purchase requests we acquire from third parties. For 2011, approximately 70% of all purchase requests we delivered were generated from Autobytel-owned websites, up from just 11% two years ago. This is an important fundamental change in our business, not only because internally-generated purchase requests are typically of higher quality than those purchased from most third parties, but because they reduce our consumer acquisition costs and drive margins higher.

Our internal data, customer surveys, R.L. Polk study results, and reports from many customers consistently indicate that Autobytel's self-generated purchase requests outperform by as much as one-and-a-half times what we believe represents an industry average closing rate of between 6% and 8%. The significance of this differential cannot be overstated. The number one reason that dealers and OEMs buy our purchase requests is because they convert at a significantly higher rate.

Authoritative Online Content Driving Traffic

We are pleased with our progress in attracting consumers to Autobytel.com through our completely redesigned website. Our commitment to producing highly credible, authoritative content on Autobytel.com is driving greater and deeper consumer traffic and engagement, and importantly, helping improve purchase request quality. Launched in June 2011, the redesigned site included significant enhancements to its design, usability, content and shopping tools. Additionally, the launch reset the bar with our OEM advertisers, driving recent improvement in selling our ad inventory, in some cases at higher prices.

¹EBITDA (\$3.2 million) is a non-GAAP financial measure defined as net income (\$0.4 million) before interest income/expense (\$0.3 million), income tax provision/benefit (\$0.3 million), and depreciation and amortization (\$2.1 million).

We continue to elevate the site's appeal by incorporating new and ever-evolving features, including our What Car is Right for Me shopping tool, exclusive video reviews, which exceeded 1 million views on the Autobytel YouTube channel in just 3 months, as well as a customizable vehicle ownership section called MyGarage. The addition of mobile capabilities is anticipated during the second quarter of this year. We partnered with AutoNation, America's largest auto retailer, to offer our newest web site features, "Sell Your Car," a program that provides consumers with a hassle-free way to sell their vehicles online, and "Ultimate Test Drive," which allows consumers in some states to test drive used rental vehicles from Avis and Budget and obtain hassle-free prices if a consumer is interested in purchasing a vehicle.

We are also pleased to announce the return of the "Autobytel Car and Truck of the Year Awards." Our highly regarded editorial staff honored the 2 winning vehicles, in addition to 12 subcategory winners. We presented the awards to top OEM executives at the Chicago Auto Show in February 2012, and as a result, several of them are using our awards in national consumer and dealer campaigns. The awards, along with other Autobytel-branded consumer content, such as our special Valentine's Day "Hottest Car" feature editorial, our "Favorite Cars in the Color Green" feature segment in honor of St. Patrick's Day, and fun surveys designed to increase consumer interaction with our site, have been picked up nationally across multiple media outlets. These efforts and the additional exposure received through OEM and media channels generated both traffic and page view increases, thus further establishing the Autobytel brand with American consumers.

Our unique consumer promise of being "Your Lifetime Automotive Advisor"TM across multiple channels is extending our reach beyond the once every three-to-five year time frame for in-market car buyers, while creating new revenue opportunities throughout the vehicle ownership lifecycle.

Rapidly Recovering Auto Market

The auto industry is emerging from a very difficult period. Annual vehicle sales are projected to grow at a compound average rate of 7% through 2015, propelled by pent-up demand, replacement of aging vehicles, strong expected new car introductions and expanding consumer financing availability. Improving SAAR (seasonally adjusted annual rate) reports for automotive sales for the first quarter of 2012 resulted in forecasts calling for U.S. light vehicle sales of between 13.5 million and 14.7 million for 2012.

At the same time, total automotive ad spend is expected to reach \$17.0 billion for 2012, \$3.8 billion of which will be online. It is anticipated that by 2015, online automotive ad spend will reach nearly \$6.0 billion.

Given that third party sites, including Autobytel.com, have become as critical as television and print in the car shopping process, automotive marketers are investing where they are likely to generate the greatest return. In fact, internet purchase requests are proven to be highly effective versus traditional media buys, with the average cost of marketing per vehicle sold at approximately \$600 for TV, newspaper and radio, versus \$300 via the internet. For the quarter ended March 31, 2012, we experienced the highest purchase request volume since the first quarter of 2008. With improving purchase request quality and by leveraging the growing auto market, I believe Autobytel is well positioned to generate improved operating performance.

The Autobytel Resurgence

Last year, we said that our core automotive purchase request business had been re-invigorated. With the automotive industry on a positive trajectory and Autobytel.com generating increased consumer traffic, combined with ongoing enhancements to purchase request quality, we are optimistic about our ability to leverage opportunities as they arise and anticipate growth in revenue and profitability as we build upon the solid foundation we have laid over the last several years.

On behalf of Autobytel's Board of Directors and our hard-working employees, I extend deep appreciation to our stockholders, customers, business partners and consumers for your ongoing support and loyalty.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Coats', with a stylized flourish at the end.

Jeffrey H. Coats
President and Chief Executive Officer

This letter contains forward-looking statements. These statements are based on our current expectations, assumptions, estimates and projections about our business and our industry, and involve known and unknown risks, uncertainties and other factors that may cause our or our industry's results, levels of activity, performance or achievement to be materially different from any future results, levels of activity, performance or achievements expressed or implied in or contemplated by the forward-looking statements. Words such as "believe," "forecast," "anticipate," "expect," "intend," "plan," "will," "may," "should," "estimate," "predict," "guidance," "potential," "continue," "goal," "objective" or the negative of those terms or other similar expressions, identify forward-looking statements. Our actual results and the timing of events may differ significantly from those discussed in the forward-looking statements as a result of various factors, many of which are beyond our control, including but not limited to, those discussed in our annual and quarterly reports filed with the Securities and Exchange Commission under the caption "Risk Factors." Because of these factors, risks and uncertainties, we caution against placing undue reliance on forward-looking statements. Except to the extent as may be required by law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date of this letter.

