

# 2Q 2011 Results



New Cars Used Cars Car Buying Finance Auto News

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## New Cars

The decision to buy a new car can be intimidating. The prospect of performing a new car search can be exciting on one hand but frustrating on the other. With thousands of new cars on the market, how do you find the one that is the right fit for you? Autobytel.com will help guide your new car search by providing in-depth information along the way.



Search by Make / Model

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Select One

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August 4, 2011

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The statements made in the accompanying conference call or contained in this presentation that are not historical facts are forward-looking statements under the federal securities laws. These forward-looking statements, including, but not limited to the company's belief regarding achievement of positive cash flow or profitability for the third quarter of 2011, are not guarantees of future performance and involve assumptions and risks and uncertainties that are difficult to predict. Actual outcomes and results may differ materially from what is expressed in, or implied by, these forward-looking statements. Autobytel undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. Among the important factors that could cause actual results to differ materially from those expressed in, or implied by, the forward-looking statements are changes in general economic conditions; the financial condition of automobile manufacturers and dealers; changes in fuel prices; the economic impact of terrorist attacks, political revolutions or military actions; dealer attrition; pressure on dealer fees; increased or unexpected competition; the failure of new products and services to meet expectations; failure to retain key employees or attract and integrate new employees; actual costs and expenses exceeding charges taken by Autobytel; changes in laws and regulations; costs of legal matters, including, defending lawsuits and undertaking investigations and related matters; and other matters disclosed in Autobytel's filings with the Securities and Exchange Commission. Investors are strongly encouraged to review the company's Annual Report on Form 10-K for the year ended December 31, 2010, and other filings with the Securities and Exchange Commission for a discussion of risks and uncertainties that could affect the business, operating results, or financial condition of Autobytel and the market price of the company's stock. In addition, current year financial information could be subject to change as a result of subsequent events or the finalization of the company's financial statement close which culminates with the filing of the company's Annual Report on Form 10-K for the current year.

This presentation includes a discussion of "EBITDA," "Adjusted Operating Expenses," and "Cash Flow," which are non-GAAP financial measures. The company defines EBITDA as net income before (i) interest income (expense); (ii) income tax provision (benefit); and (iii) depreciation and amortization. The company defines Adjusted Operating Expenses as GAAP operating expenses adjusted for unusual, infrequent or non-recurring items. The company defines non-GAAP Cash Flow as EBITDA plus non-cash stock compensation related to the company's grant of stock options and other equity instruments. The company believes these non-GAAP financial measures provide important supplemental information to management and investors. These non-GAAP financial measures reflect an additional way of viewing aspects of the company's operations that, when viewed with the GAAP results and the accompanying reconciliations to corresponding GAAP financial measures, provide a more complete understanding of factors and trends affecting the company's business and results of operations. These non-GAAP financial measures are used in addition to and in conjunction with results presented in accordance with GAAP and should not be relied upon to the exclusion of GAAP financial measures. Management strongly encourages investors to review the company's consolidated financial statements in their entirety and to not rely on any single financial measure. Because non-GAAP financial measures are not standardized, it may not be possible to compare these financial measures with other companies' non-GAAP financial measures having the same or similar names. In addition, the company expects to continue to incur expenses similar to the non-GAAP adjustments described above, and exclusion of these items from the company's non-GAAP measures should not be construed as an inference that these costs are unusual, infrequent or non-recurring.

# Financial Overview

	2010					2011	
	Q1	Q2	Q3	Q4	FY	Q1	Q2
<b>Revenue (\$M)</b>	\$11.8	\$12.1	\$12.9	\$14.7	\$51.5	\$16.0	\$15.2
<b>Gross Profit (\$M)</b>	\$4.7	\$4.2	\$4.8	\$5.8	\$19.5	\$6.2	\$6.4
<b>Gross Margin</b>	40.2%	35.0%	36.8%	39.3%	37.8%	38.4%	41.7%
<b>Operating Expenses (\$M)</b>	\$4.1	\$7.5	\$7.9	\$9.0	\$28.5	\$6.6	\$6.1
<b>Adjusted Operating Expenses<sup>1</sup> (\$M)</b>	\$6.9	\$7.1	\$7.4	\$7.5	\$28.9	\$6.4	\$6.1
<b>Net Income / (Loss) (\$M)</b>	\$0.8	(\$3.0)	(\$3.1)	(\$3.3)	(\$8.6)	(\$0.6)	\$0.2
<b>EBITDA<sup>2</sup> (\$M)</b>	\$1.1	(\$2.7)	(\$2.8)	(\$2.6)	(\$7.0)	\$0.1	\$1.0
<b>Cash Flow From Operations (\$M)</b>	\$1.4	(\$2.2)	(\$2.9)	(\$0.6)	(\$4.3)	(\$1.2)	\$1.4
<b>Cash Flow<sup>3</sup> (\$M)</b>	\$1.3	(\$2.3)	(\$2.6)	(\$2.3)	(\$5.9)	\$0.4	\$1.2
<b>Cash<sup>4</sup> (\$M)</b>	\$26.1	\$23.9	\$10.3	\$8.8	\$8.8	\$7.5	\$8.6
<b>Closing Stock Price</b>	\$1.05	\$1.14	\$0.87	\$0.86	\$0.86	\$1.41	\$1.13

**Net Income, EBITDA, and Cash Flow POSITIVE in Q2 11**

<sup>1</sup> See slide 7 for Adjusted Operating Expense reconciliation

<sup>2</sup> EBITDA is equal to Net Income plus Interest, Taxes, and Depreciation and Amortization; See slide 4 for reconciliation

<sup>3</sup> Cash Flow is equal to EBITDA plus Non-Cash Stock Compensation; See slide 4 for reconciliation

<sup>4</sup> Cash decreased in Q3 2010 primarily as a result of the acquisition of Cyber Ventures / Autotropolis (\$9M) and a strategic investment in Driverside (\$1M)

# EBITDA and Cash Flow

	2010					2011	
	Q1	Q2	Q3	Q4	FY	Q1	Q2
Net Income / (Loss) (\$M)	\$0.8	(\$3.0)	(\$3.1)	(\$3.3)	(\$8.6)	(\$0.6)	\$0.2
Net Interest (\$M)	(\$0.0)	(\$0.0)	(\$0.0)	\$0.1	\$0.0	\$0.1	\$0.1
Depreciation & Amortization (\$M)	\$0.3	\$0.3	\$0.2	\$0.5	\$1.4	\$0.5	\$0.6
Taxes (\$M)	\$0.0	\$0.0	\$0.0	\$0.1	\$0.2	\$0.1	\$0.1
EBITDA <sup>1</sup> (\$M)	\$1.1	(\$2.7)	(\$2.8)	(\$2.6)	(\$7.0)	\$0.1	\$1.0

	2010					2011	2011
	Q1	Q2	Q3	Q4	FY	Q1	Q2
EBITDA <sup>1</sup> (\$M)	\$1.1	(\$2.7)	(\$2.8)	(\$2.6)	(\$7.0)	\$0.1	\$1.0
Non-Cash Stock Compensation (\$M)	\$0.2	\$0.3	\$0.2	\$0.3	\$1.1	\$0.2	\$0.3
Cash Flow <sup>2</sup> (\$M)	\$1.3	(\$2.3)	(\$2.6)	(\$2.3)	(\$5.9)	\$0.4	\$1.2

	2010					2011	2011
	Q1	Q2	Q3	Q4	FY	Q1	Q2
Cash Flow from Operations (\$M)	\$1.4	(\$2.2)	(\$2.9)	(\$0.6)	(\$4.3)	(\$1.2)	\$1.4

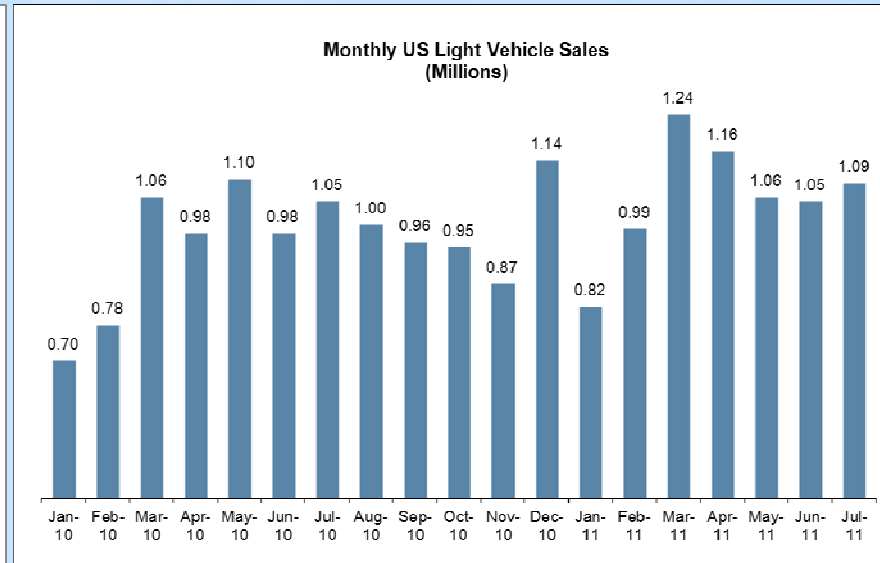
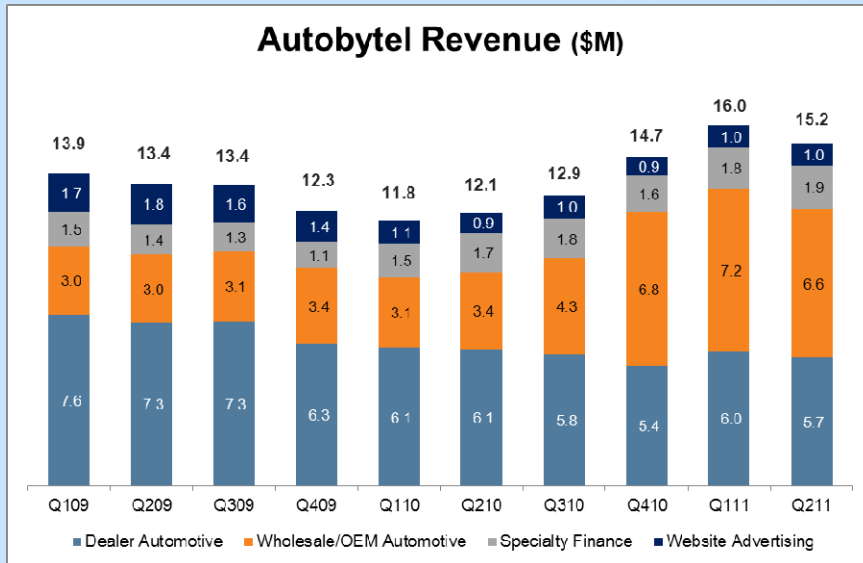
**Cash Flow from Operations POSITIVE in Q2 11**

<sup>1</sup> EBITDA is equal to Net Income plus Interest, Taxes, and Depreciation and Amortization

<sup>2</sup> Cash Flow is equal to EBITDA plus Non-Cash Stock Compensation

<sup>3</sup> Above financials are impacted by rounding to the nearest \$0.1M

# Revenue Results

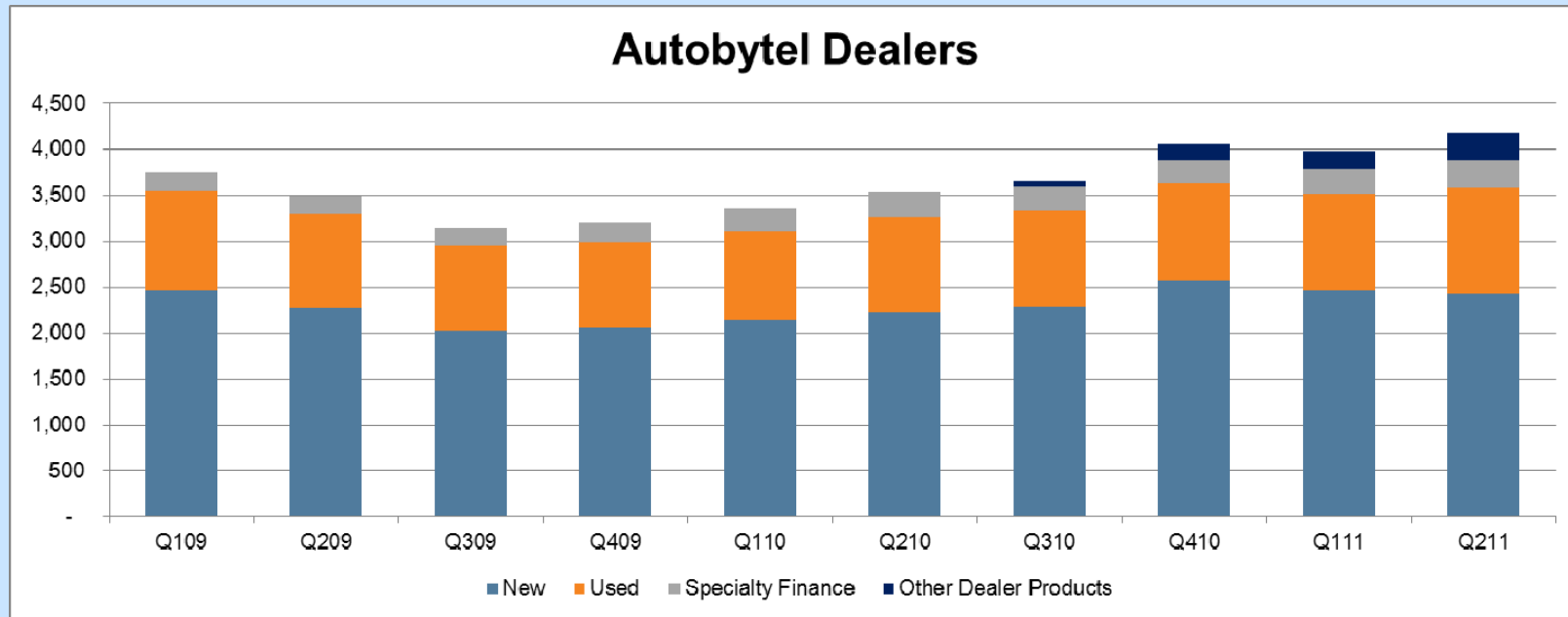


Source: J.D. Power and Associates

## Comments

- Dealer revenue down 6% Y-O-Y and down 5% sequentially as a result of the impact the Japanese earthquake and tsunami had on the Automotive Industry
- OEM and other wholesale purchase request revenue up 94% Y-O-Y, but down 8% sequentially also due to challenges in the overall Automotive Industry
- Specialty finance purchase request revenue up 10% Y-O-Y and 7% sequentially as credit markets continue to thaw and product mix and monetization improve

# Dealer Base



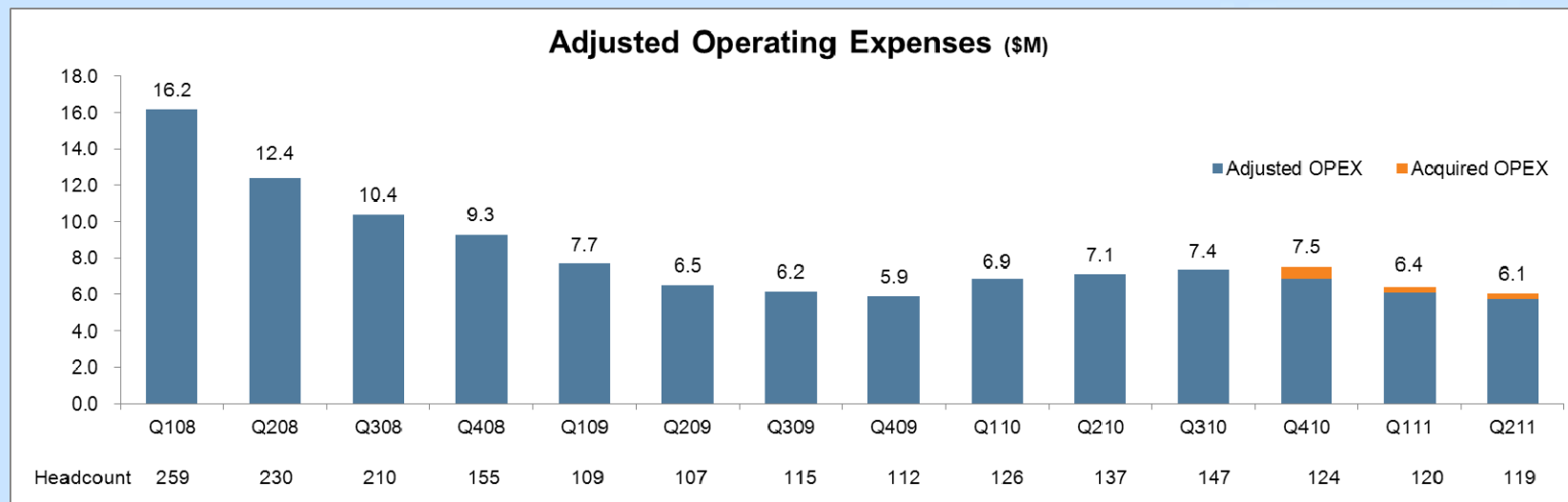
## Comments

- Retail New and Used franchises were up 10% Y-O-Y and 2% sequentially
- Specialty Finance dealers were up 13% Y-O-Y and 9% sequentially
- Dealers participating in other revenue products grew >50% sequentially

Total Dealer Base is the sum of Dealer franchises subscribing to our new vehicle Purchase Request programs, Dealer franchise groups and independent Dealers subscribing to our used vehicle Purchase Request program, Dealers subscribing to our finance Purchase Request program, and Dealers subscribing to our WebLeads+ program, with Dealers participating in more than one of these programs counted by the number of programs in which they participate.



# Operating Expenses



## GAAP Reconciliation

(\$ in millions)

	2010					2011	
	Q1	Q2	Q3	Q4	FY	Q1	Q2
GAAP Operating Expenses	\$4.1	\$7.5	\$7.9	\$9.0	\$28.5	\$6.6	\$6.1
Litigation Settlements <sup>1</sup>	2.8	0.0	0.1	0.1	2.9	0.1	0.3
Severance <sup>2</sup>		(0.4)	(0.1)	(1.0)	(1.4)	0.0	0.0
Acquisition Costs <sup>3</sup>			(0.4)	(0.3)	(0.7)	0.0	0.0
Acquisition Amortization <sup>4</sup>			(0.1)	(0.3)	(0.4)	(0.3)	(0.3)
<b>Adjusted OPEX</b>	<b>\$6.9</b>	<b>\$7.1</b>	<b>\$7.4</b>	<b>\$7.5</b>	<b>\$28.9</b>	<b>\$6.4</b>	<b>\$6.1</b>

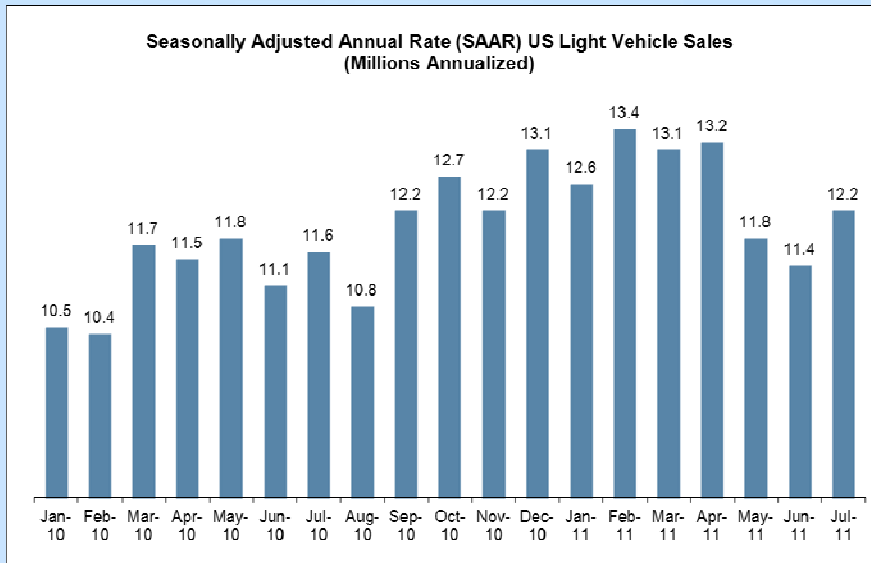
<sup>1</sup> Includes all patent and other litigation settlements

<sup>2</sup> Severance includes associated accelerated stock compensation of \$(0.1) and \$(0.1) for Q210 and Q410, respectively

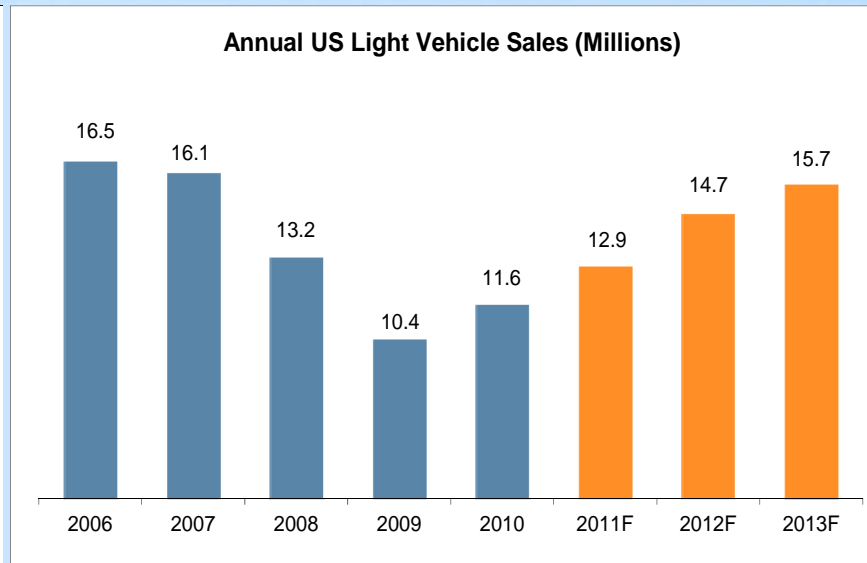
<sup>3</sup> Acquisition costs consist of professional fees associated with the acquisition of Cyber Ventures and Autotropolis during 2010

<sup>4</sup> Acquisition amortization relates to acquired intangible assets from Cyber Ventures and Autotropolis during 2010

# Auto Industry Sales



Source: Automotive News



Source: J.D. Power and Associates forecasts as of June 2 and July 21, 2011

## Comments

- Q2 2011 was a particularly difficult quarter for SAAR US Light Vehicle sales, well below the prior quarter average of 13.2M, and only 8% better than the prior year average of 11.2M
- Impact from the Japan earthquake and tsunami are still unknown, however appear to have bottomed out at 11.4M SAAR US Light Vehicle sales in June 2011
- AutoNation CEO Mike Jackson predicts a strong Q4 2011 with the SAAR as high as 14M in December 2011



# Auto Industry Impact - Japan

## Events

- March 11, 2011 – Magnitude 9.0 earthquake and resulting tsunami hit Japan
- April 2011 – Japanese Automakers see production volume drop by 50-80% from prior year levels
- April 2011 – J.D. Power holds its US Light Vehicle Sales forecast at 13.0M for 2011, while IHS and AutoNation reduce their forecasts to 12.8M and 12.5M
- May 2011 – Japanese Automakers see the loss of production improve to 50% of prior year levels
- June 2011 – J.D. Power reduces the US Light Vehicle Sales forecast to 12.9M for 2011
- July 2011 – Japanese Automakers at or nearing 100% of 2010 production levels

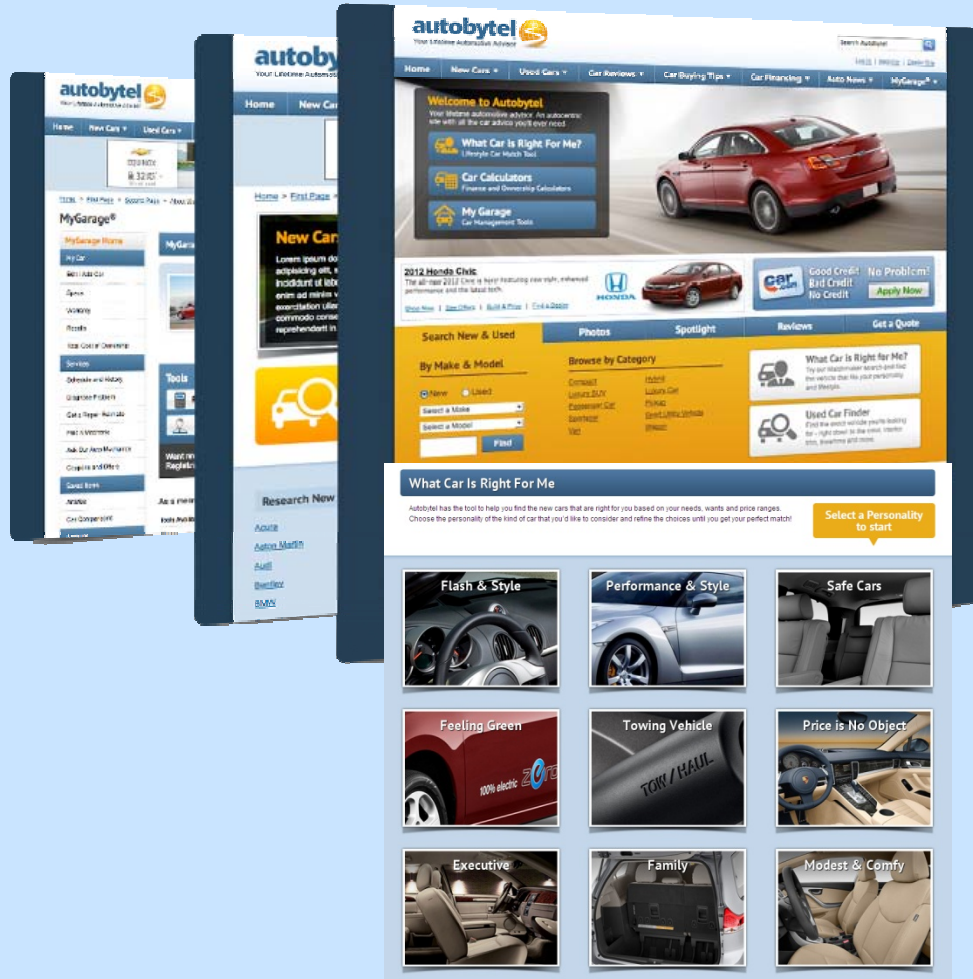
## Impact

- GM and Ford will lead US market share, particularly in small, fuel efficient vehicles
- Toyota share expected to continue to languish at post recall levels
- Hyundai – Kia US market share expanding
- Japanese Automakers regain 2010 production levels by the end of Summer pushing lost production from the 1<sup>st</sup> half of the year into the 2<sup>nd</sup> half of 2011

**The Japan impact, while significant in Q2 11, still appears to be a temporary setback in the automotive recovery**

Sources: Automotive News, IHS, J.D. Power and Associates

# The All New Autobyte.com



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