



April 28, 2017

Dear Fellow Stockholders,

2016 was another banner year for Autobytel, highlighted by record revenues and our ongoing commitment to provide high-quality products for our dealer and OEM customers. This commitment was further reflected by our increased investment in internal-lead generation capabilities and new traffic sources, which we expect will result in accelerated growth of our clicks and leads products. In 2016, we also rolled out the new beta version of our usedcars.com site and completed the integration of the Dealix and AutoWeb acquisitions from 2015, each of which brought us very important strategic assets.

Our acquisition of AutoWeb in October 2015 provided us with additional talent, cost-effective technology and development resources. More importantly, AutoWeb brought us a fast-growing, advertising-related click product that has strengthened our position in the automotive digital landscape. This high-growth product has also exposed Autobytel to the much larger search and pay-per-click auto market.

Our click product continues to grow at a very strong rate, with revenues up more than 300% in 2016. We also experienced approximately 98% customer retention, further validating the exceptional quality of its high-intent consumer traffic. We have been very methodical in our rollout of this product, having only introduced it to a small number of our customers thus far. However, we plan to make it available to many more of our thousands of dealer and OEM customers in 2017.

When we acquired Dealix in May 2015, we added an extensive network of dealers and bolstered our used car practice with Dealix' usedcars.com consumer-facing website. This site represents the core of our nascent used car leads and used car clicks business. In fact, the used car industry represents less than 10% of our revenues today even though the volume of annual used car sales in the U.S. is generally 2 to 3 times that of new car sales.

During the third quarter of 2016, we launched a new beta version of usedcars.com with fully responsive technology and mobile-friendly application. We remain very excited about the strength of the usedcars.com domain and expect our continued investment will make it the premier used vehicle destination for consumers, providing an even stronger growth path in the months and years ahead.

In the 2016 third quarter, we also began increasing our investment in traffic acquisition to bolster our leads business with high-quality, in-market consumers, as well as increase the volume of consumers to our click product. The result of this investment was reflected by our 16% sequential increase in clicks during the fourth quarter of 2016 despite the typical seasonal headwinds. And because of our ongoing commitment to lead quality, we are continuing to focus on enhanced methodologies to increase meaningfully the mix of internally-generated leads from the current 80% level, while only utilizing volume from a small number of trusted suppliers who share our high standard of quality.

At the end of the 2016 fourth quarter, we divested our specialty finance leads product. This divestiture enables us to further dedicate time and resources to our core vehicle leads and fast-growing click products for both new and used vehicles.

Our overall market presence remained strong in 2016 as we estimate that sales from consumers submitting leads through Autobytel's network accounted for approximately 5% of all new light vehicle retail sales in the U.S. and approximately 2% of all used car sales. We also expanded our leads program with nearly every OEM on our platform and continue to deliver leads to all major OEMs, with the exception of one luxury brand that has yet to launch a leads program with its dealers.

Accounting for leads that we deliver to OEMs, we're delivering leads to approximately 22,000 dealer franchises, which includes all of our direct retail dealers. We believe these metrics illustrate the breadth of our dealer footprint and our expanding influence in the automotive industry.

We expect 2017 to be a year of growth and continued investment for Autobytel. Specifically, we will focus on investments in technology, including investment in our consumer acquisition technology, the AutoWeb ad platform, and our consumer facing websites – which include car.com, autoweb.com, Autobytel.com and usedcars.com. We will also maintain our keen focus on providing our dealer and OEM customers with high-quality, high-intent car buyers. Finally, we remain committed to helping our customers sell more cars and trucks while simplifying the consumer's path to purchase – be it through new or used car leads, clicks, or one of our many value-added product offerings.

On behalf of our board of directors and management team, I would like to extend our deepest appreciation to our hard-working employees who helped make 2016 an exceptional year for Autobytel, as well as express gratitude for the continued support of our loyal stockholders and customers.

Sincerely,



Jeffrey H. Coats
President and Chief Executive Officer

This letter contains forward-looking statements. These statements are based on Autobytel's current expectations, assumptions, estimates and projections about the company's business and industry, and involve known and unknown risks, uncertainties and other factors that may cause the company's or the company's 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," "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. These forward-looking statements include, but are not limited to, (i) the company's expectations with respect to the usedcars.com website; and (ii) the company's plans and expectations with respect to 2017. Autobytel's 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 the company's control, including but not limited to, Autobytel's ability to integrate successfully Dealix and AutoWeb, and those factors discussed in the company's 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. Statements regarding past performance and not be indicative of future results. Except to the extent as may be required by law, Autobytel undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date of this letter.
