CEOCFO Interviews & News!

 Issue: August 3, 2007

Carbiz began by creating and developing software solutions and training programs to standardize many things in franchise operations for the sub-prime, "buy-here pay-here" used car dealer, but has now expanded their business by opening their own dealerships with a Fifteen by 2010 goal

"Fifteen in 2010"

Technology
Business Software & Services
(CBZFF-OTC: BB)

Carbiz Inc.

7405 North Tamiami Trail
Sarasota, FL 34243
Phone: 941-952-9255

Carl Ritter
Chairman and CEO

BIO:
Mr. Ritter co-founded Carbiz, leading an acquisition strategy to consolidate 11 competitive businesses in the United States and Canada. The resulting company is a dominant software provider in the North American automotive dealer market. Mr. Ritter also led the successful launch of the company's retail auto finance division in 2004. He has extensive experience in the retail automotive industry, operating several dealerships as president and dealer principal, and serving in senior management positions in the industry in Canada.

Company Profile:
Based in Sarasota, Florida, Carbiz is a leading provider of software, training and consulting solutions to the United States automotive industry. Carbiz's suite of business solutions includes dealer software products focused on the "buy-here pay-here," sub-prime finance and automotive accounting markets. Carbiz also operates "buy-here pay-here" dealerships in Florida through its Carbiz Auto Credit division that are wholly-owned or joint venture companies. Capitalizing on expertise developed over 10 years of providing software and consulting services to "buy-here, pay-here" businesses across the United States, Carbiz entered the market in 2004 with a location in Palmetto, Florida. Carbiz has added two more credit centers since -- in Tampa and St. Petersburg -- and Carbiz seeks to expand its operations in Florida in the future.

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com

CEOCFO: Mr. Ritter, what was your vision when you founded CarBiz, and where are you today?

Mr. Ritter: "When we began the company I saw an underserved marketplace looking after dealers that were involved in the sub-prime and "buy-here pay-here" finance sectors. Although there were many legacy systems and software applications, and training and consulting opportunities available for franchise dealers, the market was lacking those kinds of services for a marketplace that is greater than $50 billion a year in transactions. Therefore, that was the impetus to begin. Carbiz began creating and developing software solutions and training programs that would standardize many of the things that you see in franchise operations for the sub-prime, "buy-here pay-here" used car dealer. Today, after working through the development cycles of many products, and honing them and refining them, and because it is a dynamic industry continuing to refine and develop along the way, we saw the opportunity to participate by opening our own group of "buy-here pay-here" dealerships. We did that for two reasons. Initially the thought was that we could have our own laboratory where we could test theories, get real results and add to the substantial database that we already have from all of our customers across the country, where you get some real world experience. We thought that would garner us more knowledge and provide the ability to be better service providers. The businesses we noted were very profitable and could create some substantial results, so we decided to pick a super regional approach and select the state of Florida, for among many reasons it has great demographics. The idea was to open a chain of "buy-here pay-here" dealerships similar to the Carmart model that started in Arkansas and do it in Florida. That was the impetus for that division. We are moving forward aggressively on both fronts with some pretty solid success."

CEOCFO: What does ‘Fifteen-and-2010’ represent?

Mr. Ritter: “Our new marketing mantra is ‘Fifteen-and-2010’. That represents our goal to be operating fifteen “buy-here pay-here” dealerships in the state of Florida by the year 2010. We currently have 3 so that means we need to open 12 more by 2010. We have plans and are finalizing location selections right now for the two we expect to open this year.**”**

CEOCFO: What are the biggest challenges in the “buy-here pay-here” industry?

Mr. Ritter: “I don’t believe this is an easy business. The “buy-here pay-here” business is something that fortunately we have refined policies and procedures for over many years of real world operations in serving our customers. It all starts with solid underwriting and creating a set of proprietary underwriting criteria that works for the customers and clientele that are not bankable; it is not just pulling the credit score. All of our customers, and all of the customers in this marketplace, have poor credit scores or they would not be in the sub-prime sector. We look for ways to get these people financed and frankly we feel that we provide a valuable service, because many of these people couldn’t work if they didn’t have transportation. Without money, they have no access to transportation. We look for good people that have bad credit or no credit, due to circumstances either beyond their control or within their control. The difference between us and traditional financers is that we look for ways to say yes to this segment of the marketplace. We then work very hard on executing a collection process that is friendly and fair and respectful to people, but that makes it possible for them to be successful. This is because we find if we help them through the payment process, and get that first car paid for, our chances of selling them a second one and financing it go up dramatically. As a result, we have a high percentage of return and referral business.”

CEOCFO: Getting a “good” car is always a problem and the additional maintenance costs are also a difficulty for people on tight budgets; how do you address those issues?

Mr. Ritter: “We are talking about people on a tight budget to begin with, and now are making car payments as well. If the transmission goes or some other major repair is necessary, where do they find that money? The fact of the matter is it is our money out on the street, so we need to make sure first of all that we check the cars and try to put out a car that is going to run successfully and reliably for the term of the loan, and doesn’t have any impending disaster. If the customer can’t drive the car because of mechanical problems, the chances of them paying us for it are diminished dramatically. Therefore, we have a vested interest in checking all the cars before we put them on our lots and we do that. That being said, there are some cases where things go wrong. There are lots of pieces to the puzzle and although the car loans are just under two years a lot could happen in that time period. However, if for example something such as the transmission goes and it is a several hundred dollar repair, in many cases we will work with the customer and help them finance that repair, adding it to the loan or we may make other arrangements to help keep that car driving and providing them with transportation. Our business doesn’t end the day they drive the car off the lot. We have to work with those clients right through majority of the contract. That is a part of the “buy-here, pay-here” concept, because when they buy the car they come and make the payments at the lot every week or every other week depending on their contract. That allows us to develop personal relationships, keep on top of the situation and know when there are problems so that we can be proactive and help them through those challenging periods.”

CEOCFO: What attracts someone to Carbiz location as opposed to any of the other “buy-here pay-here”?

Mr. Ritter: “We stand out far above traditional “buy-here pay-here” dealers. With regard to our dealer clients, there are many good quality dealers that utilize our business model and run very effective businesses. Unfortunately there are also unscrupulous dealers, as there are in any other business. Sometimes the business models some of our competition is ‘lets sell a customer a car, as soon as the customer doesn’t pay for the car we will repossess it and sell it to someone else’. Their idea is to keep rolling over the car at the expense of the customer; however, that is not our business model. Our operations are standardized so they look like a franchised operation, they are neat, people are in uniforms and they are well trained. All of our store managers are college graduates; our personnel have standardized policies and procedures. We measure customer satisfaction and we do all the sort of things at a Carbiz lot that customers come to expect in a new car dealership.

“We stand out far above traditional “buy-here pay-here” dealers. With regard to our dealer clients, there are many good quality dealers that utilize our business model and run very effective businesses. Unfortunately there are also unscrupulous dealers, as there are in any other business. Sometimes the business models some of our competition is ‘lets sell a customer a car, as soon as the customer doesn’t pay for the car we will repossess it and sell it to someone else’. Their idea is to keep rolling over the car at the expense of the customer; however, that is not our business model. Our operations are standardized so they look like a franchised operation, they are neat, people are in uniforms and they are well trained. All of our store managers are college graduates; our personnel have standardized policies and procedures. We measure customer satisfaction and we do all the sort of things at a Carbiz lot that customers come to expect in a new car dealership. Therefore, it is a very professional and respectful methodology and that is one of the reasons we have such a high customer satisfaction rating.” - Carl Ritter

Therefore, it is a very professional and respectful methodology and that is one of the reasons we have such a high customer satisfaction rating."

CEOCFO: You recently became a public company; why was this the time and how have you fared?
Mr. Ritter: "The changes are enormous; however, the levels of scrutiny and the controls were always in-place. It is much more expensive to have a public company than a private company, but our plan is to have pretty aggressive expansion and we felt that the public model was the easiest or best way to accomplish that. We have an entirely scalable model, where we have one division that is a service provider to dealers, providing thousands of dealers all across the country with software and training in that huge vertical market of $50 billion a year. That division currently generates about $3 million a year in recurring revenue. It has been growing historically at 15% a year and is a rock solid piece of the puzzle that will see continued growth. But that is not interesting enough for a public company as they need to have much greater numbers than that. Our car lots as we open them do about $1 million a year in revenue and retain about $150 thousand in earnings and they are entirely scaleable. As we roll out our "Fifteen in 2010" expansion project, our goal would equate to $15 million in automotive revenue, with another $3 to $5 million in software revenue. Therefore, we are now talking about growth from $3 million to $20 million over about a three-year period. That is pretty aggressive growth that if successful can garner some solid return on investment in the capital markets. It is also a great way to be measured, because every single quarter we release our financials, people will be able to see what level of growth and what our run rate is to see if we can be on track for those targets. It is good for everybody, it keeps the focus on growth as well as our fundamental business principle and it is a good rock solid business."

CEOCFO: Do you see acquisitions as part of your strategy?
Mr. Ritter: "Not in the car lot side. Underwriting was one of the greatest criteria for the growth of the car lots and I like to underwrite my own business, so I do not see acquisitions as part of our strategy on the car lot side. Acquisitions have been our strategy on the software side and we have made several small acquisitions over the lifespan of the company. We will continue to look for the right fit as long as the synergy is there and the acquisitions could be accretive. We will not make acquisitions just to grow the top line; they will need to be accretive. We are not on an aggressive panic to look for acquisitions, but we are always aware of who and what companies are in the market place and whether they would make sense or not. Although we are not in any active discussions and have none on the radar screen, it certainly is not something that is off the table."

CEOCFO: You mentioned the quality of your personnel; how do you attract people to the used car business, which does not always have a positive reputation?
Mr. Ritter: "We have a training and software division and we are a public company with lots of accounting and management positions. It is quite a dynamic company, pretty young, with a bright group of people. We have consistently recruited from colleges. I am involved in lecturing several courses on entrepreneurial work in many business and MBA classes around the country and have been for many years. We have hired many of our best people right out of college and have helped to develop and grow them. Some of our up and coming rising star managers who have been with us for pretty close to ten years, we hired right out of college. We like to hire them early, develop them ourselves, put them into our structure and hopefully provide the kind of opportunity that we think exists with the company."

CEOCFO: What happens after 2010?
Mr. Ritter: "We have the new plan; something in 2015,"

CEOCFO: Why should potential investors be interested now and what might not jump off the page that people should really get?
Mr. Ritter: "The buy-here pay-here" part of the auto finance or sub-prime market has never been on the radar screen in the capital market. However, in the last short period of time, we are beginning to see that change. First, we have a $50 billion a year sector and the fastest growing market sector in the automotive business, which is a staple of the world economy, beginning to emerge under the capital markets radar screen. We have American Car-Mart that trades on NASDAQ, under the ticker symbol CRMT, which has great multiples and has been there a long time and in addition we have seen two or three new entries including Carbiz jump into the markets and capital markets. We have seen new lenders, new investment banks, and fund managers beginning to pay attention and provide us with access to capital, which we have recently attained. We now have all the capital that we need to see through our business plan. With more capital available in that market place, we are going to see that sector grow and we are going to see more and more attention. Anytime something moves from off the radar screen to on the radar screen, there is an arbitrage of value that is added. In addition, these are very profitable and scaleable businesses so that they can grow incredibly fast. I do not know the percentage from $4 million dollars in revenue to $24 million in revenue over three years, but it is a big number. It is certainly not pie in the sky. The number of business and investment opportunities out there that can garner those kind of results organically, without going out and doing acquisitions, which invariably are more challenging, are few and far between. I also think that if you watch the DOW that there are a lot of high valuations out there and I think anytime that happens, people are concerned about bubbles, so the real estate market is obviously not the place to put money these days. It is interesting that there is some young, new, speculative plays that have fallen from the mentals and provide at least that risk part of peoples portfolio, an opportunity for real growth."

Carbiz Inc.
7405 North Tamiami Trail
Sarasota, FL 34243
Phone: 941-952-9255