

## Here's how to win over auto tech investors

Technology entrepreneurs are taking aim at the \$1.2 trillion automotive industry in growing numbers to solve real pain points across a wide range of dealership processes. The quality of tech companies' leadership, cap tables and software tools has never been better, setting the stage for car dealers to drive operational improvement and enhance the customer experience in ways long envisioned.

But even with those advances, entrepreneurs must take care to listen to their advisors and keep winning over their investors. A key tenet for entrepreneurs in that pursuit: In the words of Taylor Swift, "never, ever, ever" overpromise and underdeliver on results or timetables, even when pressed to secure funding or capture market share.

Doing so is a critical mistake — the No. 1 stumble, really — that tech company leadership can make, especially during the startup phase, said Brodie Cobb, CEO of The Presidio Group.

"We love entrepreneurs and the auto tech space, and it's come a long way. But overpromising and underdelivering is the Achilles heel of startups," Cobb said. "Don't do it."

It can be the death knell for a fledgling tech company. The reality of developing complex technology is rarely linear. Unexpected challenges, regulatory hurdles and technical setbacks are inevitable, and startups that fail to account



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for these realities often find themselves struggling to meet unrealistic expectations. That erodes trust with investors, damages reputations with clients and ultimately jeopardizes the future of the company.

After all, the impetus for many a startup's failure is when its investors turn down calls for more capital, something they're more likely to do after seeing failure to deliver on promised results.

So what are investors looking for in the increasingly competitive field of auto tech and what separates startups that thrive from those that crash and burn? It's a complex equation, but some key themes are at the forefront.

To start, transparency is paramount. Be brutally honest when it comes to setting expectations. Investors want realistic projections, not pie-in-the-sky promises. Setting tangible milestones and implementing achievable steps on the path to progress are key.

If entrepreneurs do that and are then able to demonstrate incremental advancements and validate their progress with data while acknowledging challenges ahead, they will build credibility with their investors. Hiding problems or glossing over difficulties is a recipe for disaster. Investors appreciate candor and are more likely to support a team that's upfront about its challenges and has a plan for addressing them.



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— Sandy Schwartz, former head of Cox Automotive

Communicating both the good and the bad is crucial, said Sohum Doshi, principal at Argentum Group LLC, which has invested in about 100 companies, including automotive warranty processing platform WarrCloud.

“Be clear about what’s happening, not only the positives, but also be very clear about what’s not going well,” Doshi said. “That allows the board and the team to swarm on that problem and resolve it very quickly.”

In addition to transparency, investors are looking for experience. They often seek to make bets on entrepreneurs who have previously had successful exits, giving them valuable insight on how to navigate the startup journey. Those entrepreneurs should have strong sales and fundraising abilities and a demonstrated ability to put together the right team for each stage of the company’s growth. Being able to secure quality investors also matters. Having a functional cap table in place and patrons who are well matched to the mission of the startup bolster a company’s chance of success.

Finding the right mentors and being vulnerable with them are also important, said Sandy Schwartz, a longtime industry executive and retired head of Cox Automotive. Schwartz helmed that tech giant during its rollup phase as it acquired both startup and established auto tech vendors.

“No one can do this alone,” Schwartz said. “We don’t know it all, and we need help sometimes, but you need to have the right type of help that you click with.”

Above all, compelling technology with a unique value proposition and a viable go-to-market strategy are essential.

Securing patents, building a strong brand and clearly communicating the unique value proposition are crucial for attracting attention. Investors need to see a well-defined plan for reaching the target audience and achieving



**“How differentiated is the offering?”**

— Pearl Percy, chief corporate development officer for JM Family Enterprises

profitability. Entrepreneurs should be able to demonstrate that they understand their market, have a strategy for customer acquisition and can efficiently scale distribution to meet growing demand.

“Ultimately, these are such early-stage companies, it’s as much about the idea and the team,” said Pearl Percy, chief corporate development officer for JM Family Enterprises, which has invested in several auto retail tech startups. “So it is how big is the market and then how differentiated is the offering.”

**Bottom line:** In the fast-paced race to innovate, it’s easy to get caught up in the hype and make promises that are hard to keep. But in the world of auto tech, where investor confidence is the lifeblood of startups, overpromising and underdelivering is often a fatal mistake. By embracing transparency, focusing on realistic milestones, building a strong team and demonstrating a clear path to market, entrepreneurs can navigate the complexities of this dynamic landscape and steer their ventures toward success.

**What We Do**

The Presidio Group is an independent merchant banking firm focused on mergers and acquisitions, capital raising, and investments in the automotive retail and consumer mobility sectors. Our team has an exceptional breadth and depth of experience in the auto retail and technologies sectors as well as deep relationships in the broader corporate and financial communities. Our mission is to relentlessly put our clients’ needs first.



## DEALERSHIP TECH SPOTLIGHT

*Presidio highlights technology companies adding value to the auto retail ecosystem via products that improve the customer experience, drive revenue, increase efficiency and/or enhance profitability. This quarter we take a closer look at the market for online desking and sales software.*

# A2Z

A2Z Sync, an outgrowth of Schomp Automotive Group, was founded in 2014 as a customer-facing software solution for dealerships that connects the online and in-store vehicle buying experiences. Since its founding, A2Z, which is based in suburban Denver, has expanded significantly and is now the key automotive retail platform underpinning the Amazon Autos car-shopping marketplace.

Amazon Autos last December moved from a closed pilot to public launch mode with Hyundai dealerships in certain markets able to sign up to use the marketplace to sell new Hyundai vehicles. The platform facilitates Amazon customers to buy vehicles via the retail giant's trustworthy, secure and familiar interface.

"The customer can do almost everything online," said Matt Nuffort, director of Amazon Autos. "They can browse for vehicles, choose the vehicle they want, initiate a purchase, do a credit application and submit their application on Amazon."

A2Z and Amazon are pursuing seamless integration between the ecommerce platform and client dealerships' in-house systems as they aim to deliver a frictionless car-buying experience.

The number of dealerships using A2Z's technology is growing, and they now represent 26 different automakers. A2Z doesn't disclose its dealership count.

"The feedback has been pretty positive," A2Z Sync CEO Aaron Wallace said about the Amazon program. "There's definitely a lot of interest. We're right at the beginning, working through the hard parts and iterating on dealer feedback. A fully functioning omnichannel solution where dealers and consumers can fully transact is a massive undertaking. For instance, leasing and pre-owned vehicles are a focus of the program that we anticipate coming near term."

A2Z's technology has enabled the Amazon Autos program to expand rapidly to more than 50 U.S. markets, and more geographic inroads are coming, according to Nuffort. "At the moment, we reach 70% of the U.S. population," he said.

Beyond the Amazon program, A2Z's software has been used by many other dealerships to help them bridge their online and in-store sales processes.

While specific performance metrics have not been widely shared, A2Z's dealers have reported notable improvements in sales and operational efficiency after implementation of the platform. Key dealership groups have reported improved customer experience, higher new- and used-vehicle sales volumes, increased finance penetration rates and improved gross margins after adopting the software.

As the automotive landscape continues to evolve, A2Z Sync appears poised to play a role in reshaping the future of auto retail tech via its connection to Amazon Autos and its software's ability to link customers' online and in-store shopping experiences.

## RECENT AUTO TECH TRANSACTIONS

# Investments, acquisitions target AI services, digital tools and wholesale



**October 2024: BizzyCar**, provider of AI-driven recall software, raised **\$15 million** to accelerate growth and scale its platform to dealerships in North America. The investment round was led by DealerTire.



**November 2024: Yelp**, an online review site, acquired RepairPal, a listing site connecting consumers with auto repair shops and dealerships, for **\$80 million** to accelerate its offerings and expand to automotive services.



**December 2024: STELLA Automotive AI** secured **\$11.5 million** in convertible loan financing to drive market growth, expand its team and support ongoing product enhancement. The financing round was led by Reynolds and Reynolds, with participation from existing investors and new investors Sheehy Auto Stores and Butler Automotive Group.



**December 2024: TruVideo**, provider of an artificial intelligence-driven video and messaging product, secured a **\$40 million** investment from TZP Growth Equity to fund market expansion and enhance customer experience.



**December 2024: EvenFlow AI**, a service department software provider, raised a **\$1.5 million** seed round to further develop its service lane capacity and revenue optimization tools. Investors include Automotive Ventures and FM Capital.



**January 2025: Vitu**, a vehicle-to-government technology provider, acquired Dealertrack's registration and titling business from Cox Automotive for an undisclosed amount to enhance its capabilities for dealers, lenders and governments.



**January 2025: Orbee**, provider of data management and middleware software, secured financing from dealers Sam Pack Auto Group and Butler Automotive Group, raising an undisclosed amount to expand sales and customer support efforts and accelerate product development.



**January 2025: Cars Commerce** acquired wholesale auction platform DealerClub, spending **\$25 million**, plus an additional performance-based possibility of up to \$88 million, to expand into the wholesale market.



**January 2025: UVeye**, an AI-powered vehicle inspection systems provider, raised **\$191 million** in an extended Series D round of funding to accelerate expansion and scaling manufacturing capacity. The round was led by Woven Capital, with participation from UMC Capital, MyBerg, W.R. Berkley, Menora Mivtachim and More Investment House.



**January 2025: America's Group**, an auction services provider, acquired tech platform AuctionVcommerce for an undisclosed amount, bolstering the company's auction tools and experience level.