

Due Diligence and Valuation Report

Arrowhead code: 79-02-01
 Coverage initiated: 22-Feb-2022
 This document: 22-Feb-2022
 Fair share value bracket: CAD 1.08 to CAD 1.32
 Share Price (18 Feb): CAD 0.74

Analyst

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Market Data

52-Week Range:	CAD 0.60 – CAD 1.49
52-Week Average Daily Volume:	774399.4
Market Cap. on date:	CAD 147.6 million

Financial Forecast (in CAD mn) (FY Ending – Dec)

	'22P	'23P	'24P	'25P	'26P
NI (mn)	6.9	16.2	22.8	27.3	30.0
EPS (CAD)	0.03	0.08	0.11	0.14	0.15

Company Overview

PowerBand Solutions, Inc (“PowerBand” or “the Company”) operates an online vehicle marketplace and financing platform where buyers can browse the vehicles listed by registered dealerships and choose from a wide range of leasing options for these vehicles. PowerBand’s flagship offering, DRIVRZ, is a suite comprising three technology-enabled solutions – DrivrzFinancial, DrivrzXchange (under pilot, to be expanded in Q1’22), and DrivrzLane (to be launched in Q1’22). DRIVRZ currently serves 1,200+ dealerships.

DrivrzFinancial is a vehicle financing and insurance technology. It is a dealership-oriented solution that aims to expand dealers’ addressable market and automate the financing process so that dealers’ involvement in the financing process is minimized and buyers get maximum financing flexibility. DrivrzXchange is a customer-to-customer (“C2C”) used vehicle auction and sales platform. DrivrzLane is a Software as a Service (“SaaS”)-based sales and marketing solution.

Key Highlights

1. PowerBand’s vision is to become a tech-enabled vehicle financing solutions provider that increases the efficiency of the vehicle financing process and minimizes dealers’ involvement in the process, so that dealers can exclusively focus on tasks that directly contribute to their sales growth.
2. The Company provides leases through its lease lines with Unify Financial Credit Union and Valley Strong Credit Union that add up to \$2 billion.



Company: PowerBand Solutions Inc.
 Ticker: TSXV: PBX
 OTCQB: PWWBF
 Headquarters: Canada
 President & CEO: Kelly Jennings
 Website: www.powerbandsolutions.com

3. Acquisitions have been a critical component of PowerBand’s growth and product line expansion. It has made five accretive acquisitions since 2018.

Key Strengths

Unlike most competitors, PowerBand has a zero-inventory business model as it helps dealers list their inventory on its website rather selling its own vehicles. As a partner rather than a competitor of vehicle dealerships, PowerBand uses its technology to assist dealers move their inventory faster through better financing options, digitization of the sales process, and improved marketing. Unlike most of its competitors, PowerBand does not make loans out of its own capital. Instead, it utilizes its lease lines with credit unions. Zero inventory and these lease lines allow the Company to operate with a smaller balance sheet and lower capital risk than its major competitors.

Key Risks

PowerBand is a pre-profit business with two of its major products yet to be launched and with unproven commercial potential. We believe that it will require a moderate amount of capital infusion in the coming quarters, especially for product development and marketing. The Company might face competition from technology companies, such as SoFi, that specialize in digitization of financial products and might want to enter online vehicle leasing. As a B2B2C business, PowerBand might also be adversely affected by an unpredictable US economic environment due to the emergence of new Covid variants. Rising price levels in the US and further anticipated interest rate hikes from the Fed are other potential challenges for the business. For these reasons, we believe that PowerBand has a moderate risk profile.

Valuation & Assumptions

Based on its due diligence and valuation estimates, Arrowhead believes that PowerBand’s fair share value lies in the CAD 1.08 to CAD 1.32 bracket, which has been calculated using a blended valuation method: with 50% weighting to a DCF method and 50% weighting to a Comparable Companies Valuation method. Our DCF model suggests a fair value of CAD 1.80, while a relative valuation provides a fair value of CAD 0.60.

Table of Contents

Investment Thesis.....	3
Company Presentation	5
News	11
Listing Information	13
Management and Governance	14
Products.....	17
Industry Analysis	19
Risk Profile Analysis.....	23
Financial Analysis.....	25
Valuation.....	31
Analyst Certifications	37
Appendix.....	38
Notes and References	39

Investment Thesis

Arrowhead is initiating equity research coverage of PowerBand Solutions, Inc. ("PowerBand") with the following investment highlights:

Dealer-Centric Approach to Digitize the Vehicle Leasing Process

PowerBand is developing an extensive suite of technology-enabled products that make the vehicle financing process more efficient, simplify the leasing process for customers, and take leasing out of dealerships. The Company's flagship offering DRIVRZ acts as a partner rather than a competitor to vehicle dealerships and assists them in moving their inventory faster through better leasing options, digitization of the sales process, and improved marketing. In addition to offering better leasing options and more visibility to dealerships, PowerBand's software encompasses a host of features such as integration with third-party applications to manage accounting, inventory, customer relationships etc. so that dealerships can continue working with the systems they are habitual of using and do not have to make an uncomfortable transition.

Moving Financing Out of Dealerships and Improving Efficiency of the Leasing Process

PowerBand aims to help vehicle dealerships devote more time and resources towards core business operations by leveraging its expertise in Finance and Insurance ("F&I") to move these operations out of dealerships. F&I is one of the most critical steps in the vehicle sales process and it is mostly handled by dealerships. However, dealerships are not ideally positioned to handle this since their expertise lies in acquiring and selling vehicles. They are often unable to offer attractive financing options and sufficient flexibility to their customers and yet end up blocking a significant amount of their capital and diverting excessive time and resources towards managing financing operations. In many cases, dealerships offer high-interest financing to buyers with low credit scores since they are unable to access alternative financing options. This increases dealership's financial risk and puts them in a disadvantageous position while securitizing their loans and leases. PowerBand's technology, DrivrzFinancial, can approve/decline a lease in eight seconds and fund the acquisition on the same day. PowerBand gives multiple leasing options to customers and the flexibility to change the lease terms later.

Lease Lines with Credit Unions

PowerBand finances leases through \$2 billion aggregate lease lines with credit unions. The backing of credit unions is one of PowerBand's greatest competitive strengths since it allows the Company to make more leases compared to larger competitors who offer leases out of their own capital (mostly debt). Additionally, credit unions provide funds at a lower cost, and partnering with credit unions has enabled PowerBand and its dealer partners to provide attractive leasing options to vehicle buyers. Credit unions can also provide leases on more used vehicles and to more customers than banks because they are not governed by federal and state-level lending laws and can, therefore, have less stringent underwriting criteria.

Zero Inventory Business Model Due to Focus on Finance

Unlike competing online vehicle sellers such as Carvana and Vroom, PowerBand does not buy and sell vehicles of its own. It helps its partner dealerships list their inventory on its website and move this inventory by offering attractive financing options to buyers. This allows PowerBand to operate with a much smaller capital base and many more Stock Keeping Units ("SKU"s) because it does not have to purchase

the vehicles listed on its platform. Instead, it spends on sales and marketing to bring maximum dealers on to its platform and increase its SKUs at a much faster rate than competitors. Additionally, PowerBand's leading competitors, such as Carvana and Carmax, are debt-heavy businesses since they raise debt to build their vehicle inventory. A zero-inventory model that leverages dealer partners' inventory allows PowerBand to operate with a smaller balance sheet and lower risk than its major competitors.

Company Presentation

PowerBand Solutions, Inc (“PowerBand” or “the Company”) operates an online vehicle marketplace and financing platform where buyers can browse the vehicles listed by registered dealerships and choose from a wide range of leasing options for these vehicles. PowerBand provides leases for these vehicles through its lease lines with Unify Financial Credit Union (“Unify Financial”) and Valley Strong Credit Union (“Valley Strong”) that add up to \$2 billion. The Company’s vision is to become a tech-enabled vehicle financing solutions provider that increases the efficiency of the vehicle financing process and minimizes dealers’ involvement in the process, so that dealers can exclusively focus on tasks that directly contribute to their sales growth.

PowerBand’s flagship offering, DRIVRZ, is a suite comprising three technology-enabled solutions – DrivrzFinancial, DrivrzXchange, and DrivrzLane. The platform currently serves 1,200+ dealerships. A brief description of each of DRIVRZ’s solutions is as follows:

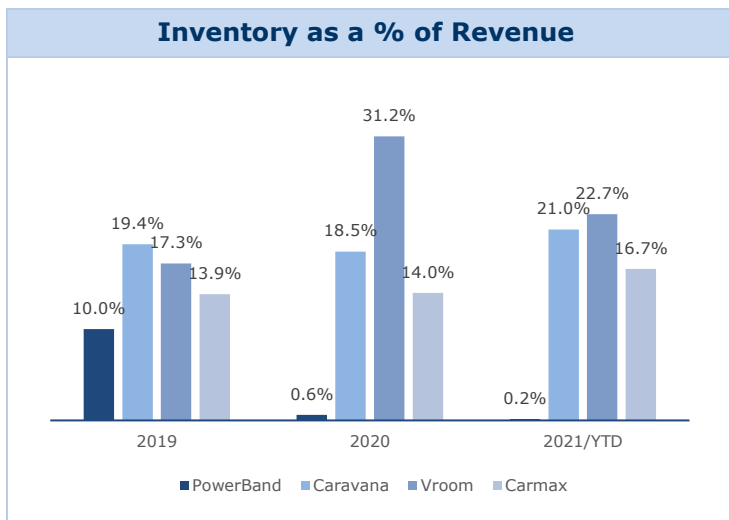
- 1. DrivrzFinancial:** DrivrzFinancial is a vehicle financing and insurance technology that was rolled out in Q3’20. It is a dealership-oriented solution that aims to expand dealers’ addressable market and automate the financing process so that dealers’ involvement in the financing process is minimized and buyers get maximum financing flexibility. Dealerships that are registered on DRIVRZ list their vehicles on the platform so that potential buyers can browse through them and select the vehicle they wish to lease. DrivrzFinancial provides buyers multiple leasing options on these vehicles and processes their application within 8 seconds through its proprietary technology.
- 2. DrivrzXchange:** DrivrzXchange is a C2C used vehicle auction and sales platform which has been tested in Northwest Arkansas and Nashville and will be launched in a major US city in Q1’22. The Company plans to expand into four additional US cities in Q3’22 and roll out nationwide by late 2023. DrivrzXchange allows customers to sell their used vehicles quickly and securely through a real-time online bidding process. Only buyers and sellers who are listed on the platform are allowed to participate in the bidding process and their identity is thoroughly verified during the registration process. The vehicles are also rigorously inspected before being listed on the platform and are further inspected and refurbished at DrivrzXchange’s concierge locations before being sold. DrivrzXchange also facilitates pickup and delivery of vehicles directly from the seller’s location through its logistics partner ACERTUS.
- 3. DrivrzLane:** DrivrzLane is a SaaS-based sales and marketing solution. The software helps dealerships digitize the entire vehicle purchase journey for their prospective buyers, right from browsing through the dealerships’ inventory to booking a test drive and completing their purchase. DrivrzLane also helps dealers with associated processes such as inventory management, and customer relationship management (“CRM”), by integrating with most of the leading third-party applications that automobile dealers use for these processes. PowerBand is developing DrivrzLane by adding capabilities and functionalities to IntellaCar, which it acquired in 2020. The solution is currently under development and the Company expects to roll it out in Q1’22.

Moving Financing Out of Dealerships: PowerBand aims to move F&I operations out of vehicle dealerships so that dealerships can devote more time and resources towards core business operations that directly improve the value proposition for their buyers and increase their revenue. F&I is one of the most critical steps in the vehicle sales process and it is mostly handled by dealerships. However, dealerships are not ideally positioned to handle this since their expertise lies in acquiring and selling vehicles. Dealerships are often unable to offer attractive financing options and sufficient flexibility to their

customers and yet end up blocking their capital and diverting excessive time and resources towards managing their financing operations. In many cases, dealerships offer high-interest financing to buyers with low credit scores since they are unable to access alternative financing options. This increases dealerships' financial risk and puts them in a disadvantageous position while securitizing their loans and leases.

Efficient Processing of Leases: Traditionally, customers visit a dealership to acquire a vehicle. The customer selects a vehicle and chooses a financing option, then the dealer completes the customer's application which is then submitted to the finance portal. The application submitted to the finance portal is then reviewed by the auto finance company. If the application is approved, the dealer is informed, who in turn informs the customer. This process is lengthy and takes hours. Through DRIVRZ, after the customer chooses the financing option and the dealer submits the application, DrivrzFinancial can approve/decline a lease in eight seconds and fund the acquisition on the same day. The dealership's involvement is reduced and the whole process is completed efficiently and quickly. Moreover, dealerships had very few financing options for customers who were looking for used vehicles on lease. PowerBand's platform showcases used vehicles available for lease and gives multiple options to customers to lease them. PowerBand also gives customers the flexibility to change the lease terms later.

Zero-Inventory Business Model: Unlike competing online vehicle sellers such as Carvana and Vroom, PowerBand does not buy and sell vehicles of its own. Instead, it helps the dealers on its platform list their inventory on its website and helps them move this inventory by offering attractive financing options to buyers. This allows PowerBand to operate with a much smaller capital base and many more SKUs because it does not have to purchase the vehicles listed on its platform. Instead, it spends on sales and marketing to bring maximum dealers on its platform and expand its SKUs at a much faster rate than competitors. As such, PowerBand essentially works with dealers and leverages their inventory instead of competing with them like other online vehicle sellers.



Additionally, PowerBand's leading competitors, such as Carvana and Carmax, are debt-heavy businesses since they raise debt to build their vehicle inventory. A zero-inventory model that leverages dealer partners' inventory allows PowerBand to operate with a smaller balance sheet and lower risk than its major competitors.

Company Milestones

Year	Event
2009	<ul style="list-style-type: none"> PowerBand Solutions Inc. was incorporated on September 29, 2009, under the name Marquis Ventures Inc.
2013	<ul style="list-style-type: none"> Completed CAD 0.35 million initial public offering ("IPO") and started trading on Toronto Stock Exchange ("TSX") under the ticker MQV.H
2018	<ul style="list-style-type: none"> PowerBand Solutions Global Dealer Services Inc., an Ontario based company, acquired Marquis Ventures in a reverse takeover Changed name from Marquis Ventures to "PowerBand Solutions Inc." Marquis Ventures started trading as PBX.V on TSX Acquired 1070879 B.C. Ltd, operating as Leadsorce Canada Entered a joint venture ("JV") with Hunt Automotive Group, which operated an online vehicle auction and remarketing platform named D2D Auto Auctions.
2019	<ul style="list-style-type: none"> Acquired 60% stake in DrivrzFinancial Holdings, LLC (Formerly MUSA Holdings, LLC)
2020	<ul style="list-style-type: none"> Launched "Driveaway" iOS app in collaboration with US Financier Bryan Hunt to help consumers easily sell vehicles from their smartphone, tablet, or computer Rolled out DrivrzFinancial solution Acquired 60% stake in IntellaCar Software LLC Signed a Letter of Intent ("LOI") to acquire 15% outstanding equity interest in CB Auto Group, Inc.
2021	<ul style="list-style-type: none"> Appointed Shibu Abraham as CFO, Steve Waller as Executive VP of Finance & Strategy, and Jon Lamb as President of North American Operations Appointed Jon Lamb as CEO of DrivrzFinancial Holdings, LLC Acquired the remaining 40% interest in DrivrzFinancial Holdings, LLC Started a pilot program for DrivrzXchange DrivrzFinancial Holdings LLC secured \$2 billion EV lease lines from Unify Financial Credit Union and Valley Strong Credit Union Acquired 7.5% stake in CB Auto Group, Inc. Dealerships registered on DRIVRZ platform crossed 1,000 and currently stand at 1,200+

Corporate Strategy & Future Outlook

PowerBand's strategy is to develop an extensive suite of technology-enabled products that make the vehicle financing process more efficient, simplify the financing process for customers, and take financing out of dealerships so that they can focus more on core activities. PowerBand's first on-market product DrivrzFinancial is a vehicle leasing platform where dealerships post their inventory and users select from several leasing options on the vehicles they would like to lease from this inventory. Leases are processed through the dealership's lease application software, which integrates with PowerBand's technology. The leases are financed through PowerBand's \$2 billion lease lines with credit unions. The Company is exploring more auto financing options that can be added to DrivrzFinancial and is in discussions with a few service providers to add insurance products to the platform. The Company also plans to add financing option for customers on its DrivrzXchange and DrivrzLane platforms. Some of the defining features of PowerBand's strategy are as follows:

Focus on Financing Over Sales: PowerBand's business model is distinct from leading competitors like Carvana and Vroom because it centers around vehicle financing rather than sales. Most of PowerBand's competitors act as digital showrooms that showcase their own inventory and compete with traditional dealerships. As showrooms, selling vehicles is their primary business objective and financing (mostly in the form of vehicle loans) is a value addition aimed at assisting sales.

In contrast, finance is the centerpiece of PowerBand's strategy and its online platforms act as a funnel that draw customers in. PowerBand does not carry any inventory of its own and works with dealerships rather than compete with them. The Company's DRIVRZ platform acts as a window to showcase the inventory of its partner dealerships. This allows the Company to showcase more SKUs on its platform without bearing significant inventory carrying cost and inventory risk like its competitors. Once customers select a vehicle and enter leasing discussions with the dealership, dealerships offer PowerBand's leasing options to them through their own credit submission platform. Unlike its competitors, PowerBand makes these leases out of its lease lines with credit unions rather than through its own capital.

Sophisticated Dealer-Oriented Technology: As a partner rather than a competitor of vehicle dealerships, PowerBand focusses on assisting dealerships move their inventory faster through better financing options, digitization of the sales process, and improved marketing. Going online with PowerBand deepens dealerships' market penetration since their inventory can be viewed by potential customers in a wider geographical area and these customers can complete most steps in the vehicle leasing process remotely from the comfort of their homes.

The software also comes with the DrivrzGarage direct marketing tool that sends an email to prospective buyers. The email contains a link to a webpage that has information about vehicles added by the dealership based on customer's preferences, market trend etc. This feature enables dealerships to sell their inventory directly to prospective buyers. The webpage also allows customers to start the vehicle appraisal or credit application process immediately. PowerBand will be rolling out the software in Q1'22 but the software already has registrations from a few dealers.

In addition to offering better leasing options and more visibility, PowerBand's software encompasses a host of features such as integration with third-party applications to manage accounting, inventory, customer relationships etc. so that dealerships can continue working with the systems they are habitual of using and do not have to make an uncomfortable transition.

Leveraging Lease Lines with Credit Unions: PowerBand finances leases through \$2 billion aggregate lease lines with credit unions. The backing of credit unions is one of PowerBand's greatest competitive strengths since it allows the Company to make more leases compared to larger competitors who offer

leases out of their own capital (mostly debt). Additionally, credit unions provide funds at a lower cost, and partnering with credit unions has enabled PowerBand and its dealer partners to provide attractive leasing options to vehicle buyers. Credit unions can also provide leases on more used vehicles and to more customers than banks because they are not governed by federal and state-level lending laws and can, therefore, have less stringent underwriting criteria.

Inorganic Growth Strategy: Acquisitions and intercorporate actions have been a critical component of PowerBand’s growth and product line expansion. The Company has made five accretive acquisitions since August 2018 including two in 2021 alone (see table below). PowerBand entered the auto finance space through the acquisition of 60% interest in MUSA Holdings, LLC in 2019. MUSA Holdings was selected by Tesla as its National Finance Partner in 2018. PowerBand acquired the remaining 40% stake in MUSA’s Holdings, LLC in 2020 and absorbed it into DrivrzFinancial when the DrivrzFinancial platform was rolled out in 2020. The Company has subsequently acquired stakes in companies like IntellaCar Solutions and CB Auto Group to expand its service portfolio and strengthen its market position. Additionally, the Company’s soon-to-be-launched platform DrivrzXchange (legal name D2D Auto Auctions) is a 50:50 JV with Hunt Automotive group.

All PowerBand’s acquisitions and intercorporate actions dovetail well into each other. We see them as significant steps in the Company’s journey towards becoming a comprehensive technology solution that digitizes the entire vehicle buying process and creates efficiencies for dealerships and their customers.

Key Acquisitions and Intercorporate Actions

Company	Date	Description
1070879 B.C. Ltd.	August 2018	PowerBand acquired 1070879 B.C. Ltd in August 2018. 1070879 B.C. Ltd. was operating as Leadsorce Canada. LeadSource is a next generation automotive private sale event marketing company.
D2D Auto Auctions	November 2018	The Company entered a 50:50 joint venture agreement with Bryan Hunt, who operates D2D Auto Auctions, an online auction and remarketing platform in the US. Bryan Hunt is the director of Fortune 500 company J.B. Hunt Transport.
MUSA Holdings, LLC	July 2019	PowerBand acquired 60% interest in MUSA Holdings, LLC through DrivrzFinancial Holdings, LLC. MUSA, a Tesla Motors leasing partner, is a Dallas-based fintech company that is industry-leading in the areas of vehicle acquisition, leasing, lending, and auction services.
IntellaCar Solutions, LLC	October 2020	The Company acquired 60% interest in IntellaCar Solutions LLC, that offers an extensive video and brochure library of vehicles, enabling users to review the vehicle details. This technology is used by car dealerships in the US.
MUSA Holdings, LLC	April 2021	The Company acquired an additional 40% interest in MUSA Holdings, LLC through DrivrzFinancial Holdings, LLC

CB Auto Group, Inc

July 2021

PowerBand acquired a 7.5% interest in CB Auto Group Inc. CB Auto Group provides two concierge car buying programs, CB Absolute Advantage and Union Auto Program to remove the stress and inconvenience during the car buying process.

News

[CB Auto Group's members get access to DrivrzXchange](#)

December 15, 2021

DrivrzXchange will allow CB Auto Group's members to buy or sell vehicles online. CB Auto Group has over 17 million union members and their families in its Union Auto Program, and more than 16 million "affinity" members nationwide in its Absolute Advantage platform. CB Auto Group's total membership from both platforms is more than 33 million members across the US who will now have access to DrivrzXchange.

[DrivrzLane signed a Contract with FinMkt to launch DrivrzCash](#)

December 7, 2021

PowerBand signed a Memorandum of Understanding ("MoU") with FinMkt, Inc. to launch DrivrzCash. With DrivrzCash, customers follow a link provided by the dealer to obtain upfront approvals without generating a credit report. Customers use these small loans to finance purchase of products and services offered by dealerships including various warranties, repairs, parts, and aftermarket accessories. Consumers use these tools to protect, maintain, and enhance their vehicle purchases.

[Premier Automotive Group to offer EV lease finance through DrivrzFinancial](#)

June 10, 2021

Premier Automotive will offer its dealerships and their customers lease financing through DrivrzFinancial for new and used EV. Premier Automotive is one of the USs' top automotive dealership groups.

[PowerBand and Atlis signed MoU to develop a marketplace for Atlis](#)

May 27, 2021

PowerBand and US electric truck maker Atlis Motor Vehicles intend to work together to develop a bespoke, white-labelled marketplace for Atlis, allowing buyers of Atlis XT trucks to purchase, lease, and insure their vehicles from any digital devices.

[DrivrzXchange partnered with ACERTUS to provide Vehicle Pickup and Delivery](#)

May 12, 2021

PowerBand's auction division, DrivrzXchange, entered into an agreement with ACERTUS, a North American automotive logistics and services company. Under the agreement, ACERTUS will pick up vehicles acquired or sold on DrivrzXchange, the virtual auction solution of DRIVRZ, and deliver them directly to the purchaser, across the US.

[DrivrzFinancial partnered with Roadster to provide automotive dealerships access to DRIVRZ](#)

May 7, 2021

DrivrzFinancial Holdings, LLC partnered with Roadster, the e-commerce provider, to provide vehicle leasing and finance solutions to Roadster's 7,000 dealership partners nationwide. Roadster's dealership partners can add the DrivrzFinancial leasing tool to their online experience, allowing buyers to calculate payments and receive DrivrzFinancial lease approvals.

[Unify Financial Credit Union and Valley Strong Credit Union approved \\$2 billion EV lease lines for DrivrzFinancial](#)

May 4, 2021

Unify Financial Credit Union and Valley Strong Credit Union have approved additional \$2 billion EV lease lines for DrivrzFinancial Holdings, LLC. Owing to these new EV lease lines, DRIVRZ has the potential to become the leading EV leasing platform in the industry.

[PowerBand, Allianz Partners, D&P Holdings Inc. entered into a MoU to sell insurance products](#)

March 11, 2021

PowerBand Solutions Inc. entered into a MoU with D&P Holdings Inc. and Allianz Partners, a global leader in business to business to consumer ("B2B2C") assistance and insurance solutions, to sell automotive specialty insurance products on the DRIVRZ virtual transaction platform. The non-binding MOU allows PowerBand, D&P Holdings Inc., and Allianz Partners to market a wide range of Finance & Insurance products at the start of the second quarter of 2021 for US and Canadian markets.

[PowerBand announced agreement with RouteOne](#)

February 4, 2020

PowerBand has entered into an agreement with RouteOne, allowing the dealers to access PowerBand's leasing platform through RouteOne. RouteOne provides a comprehensive suite of finance and insurance tools, ranging from credit applications and eContracting to digital retail and compliance, and maintains a footprint of over 18,000 automotive dealers and 1,500 finance sources.

Listing Information

PowerBand Solutions Inc., headquartered in Ontario, Canada and is listed on the TSX Venture Exchange – (TSXV: PBX.V) and on OTC Markets Group – (OTCQB: PWWBF)

Contacts

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E-mail	info@powerbandsolutions.com

Management's and Insider's Shareholding as on December 31, 2021

Equity Holder	No. of ordinary shares held	% Shareholding
Kelly Jennings	41,882,702	21.1%
Newbridge Capital Investments Ltd.	20,516,968	10.4%
Jon Noll Lamb	4,071,824	2.1%
Darrin Swenson	3,362,726	1.7%
Ivan Buzbuzian	1,575,000	0.8%
Jamie Chown	925,229	0.47%
Shibu Abraham	119,471	0.06%
Andrea Parliament	104,300	0.05%
Sean Severin	17,206	0.01%
Free Float	125,651,634	63.31%
Total	198,227,060	100%

Source: PowerBand

Management and Governance

Kelly Jennings

President, CEO & Director PowerBand Solutions

- Founded PowerBand
- Over 28 years of automotive experience
- Former owner and operator of numerous car dealerships in Canada
- Has developed software applications utilized by major retail and banking organizations

Darrin Swenson

COO & Director PowerBand Solutions

- COO of Hunt Automotive Group in the US
- Founder of two independent auto auctions companies
- Over 25 years of automotive and auction experience

Jamie Chown

CPO PowerBand Solutions

- Started working in automotive retail in 1998
- Responsible for PowerBand's product development and innovation since 2009
- Has also worked for a large group dealer in Canada as a Group Technology Manager

Sean Severin

CTO PowerBand Solutions

- 20 years of experience in the field of information technology for companies focusing on enterprise financial solutions, consumer, and commercial credit integrations
- Experience spans technology, product development, customer relations, and management operations

Shibu Abraham

CFO PowerBand Solutions

- Over 25 years of accounting and financial management experience for private and publicly traded companies on US and Canadian Stock Exchanges
- Received his CA designation from the ICA, his Certified Public Accountant ("CPA") from the American Institute of Certified Public Accountants ("AICPA"), and is an Associate Chartered Accountant ("ACA") from the Institute of Chartered Accountants of India ("ICAI")

Jon Lamb

CEO DrivrzFinancial

- Founded and served as CEO/President of numerous successful business entities
- Active board member and advisor to multiple ad tech and fintech organizations

Scott Schondau

CFO DrivrzFinancial

- Has 22 years of experience in Finance Industry
- Has served as Managing Director and similar senior management roles at Alex Brown (a division of Raymond James), Deutsche Bank, Guggenheim Partners, JPMorgan Chase, Bear Stearns, and Principal Financial Securities

Brent Green

CRO DrivrzFinancial

- Graduate from the University of Tennessee with over 20 years' experience in the Automotive Industry
- Worked at Cox Automotive in various roles such as Auction Operations, Sales Leadership
- Worked as VP of Sales in AutoTrader and Dealer.com brands

Bruce Polkes

CEO DrivrzLane Intellacar

- Over 25 years of marketing experience where he has bought insightful solutions to dealers and Original Equipment Manufacturer ("OEM"s) (such as Toyota, Lexus, Honda, and Acura)
- Leader in leveraging mobile technology to drive dealership sales and increase customer engagement

John Canales

President DrivrzLane Intellacar

- Entrepreneur, investor, software developer, and car dealer
- 20 years of hands-on experience running successful dealerships and over 12 years of experience selling integrated platform solutions

Steve Waller

Executive VP Finance & Strategy

- Served in the US Marines Corp
- Has senior executive experience leading M&As and has sourced, negotiated, and consummated more than \$5 billion in acquisitions and divestitures in the US and internationally

Ivan Buzbuzian

Director PowerBand Solutions

- Active participant in several private and public ventures
- Over 35 years of capital markets, operations, and management experience

Bill Butler

Director PowerBand Solutions

- Holds a CPA, CA
- Manages the Burlington, Ontario office of a regional accounting firm
- Strong background in accounting and assurance and deep understanding of the automotive dealership industry

Andrea Parliament

Director PowerBand Solutions

- Holds BA Hons, JD, and MBA
- Has a strong legal and business background
- Worked on Bay Street for a large national legal firm and Scotiabank
- Has served as a director in several for-profit and non-profit organizations

Steven Lee

Director PowerBand Solutions

- Over 25 years of experience in areas of asset backed financing and capital markets
- Founder and principal of Newbridge Financial Group established since 1997
- Originated and underwritten over \$3 billion of asset backed credit facilities working with many banks in Canada

Products

PowerBand is developing the DRIVRZ suite, which has three major components – DrivrzFinancial, DrivrzXchange, and DrivrzLane. DrivrzFinancial, which was launched in Q3’20 is the only component that is currently active. DrivrzXchange has been tested in Northwest Arkansas and Nashville and will be launched in a major US city in Q1’22. The Company plans to expand into four additional US cities in Q3’22 and roll out nationwide by late 2023. DrivrzLane is currently in advanced stages of development and the Company expects to roll it out in Q1’22. A brief description of each of these platforms is as follows:



DrivrzFinancial

DrivrzFinancial is a proprietary technology that provides various financing and insurance options for buyers of EVs, used vehicles, and new vehicles. It is a dealership-oriented technology that aims to offer attractive leasing options and automate the financing process so that dealers’ involvement in the financing process is minimized and buyers get maximum financing flexibility. DrivrzFinancial aims to make leasing a vehicle easier and more lucrative for auto dealerships and their customers by embedding modern technology into dealerships’ workflow and facilitating a more personalised service. DrivrzFinancial’s business model and workflow is illustrated below.



In addition to its state-of-the-art, internally developed technology, DrivrzFinancial’s most significant competitive advantage is that it already has leasing licenses in 43 states through its dealer network. Vehicle leasing companies in the US often struggle with obtaining leasing licenses due to the long and complex regulatory procedure. DrivrzFinancial’s Loan Origination System (“LOS”) is fully integrated with industry-leading credit application submission platforms RouteOne and Dealertrack, which are utilized by more than 80% of dealerships across the US.

Additionally, DrivrzFinancial is backed by two of the leading US credit unions with aggregate lease lines of \$2 billion and all the leases made through the platform are in strict adherence with these unions’ underwriting criteria and risk parameters as developed in collaboration with broker ALM First.

DrivrzXchange

DrivrzXchange, a 50:50 JV between PowerBand and Hunt Automotive Group, is a C2C sales platform where users can sell their vehicles through real-time bidding as well as on the spot. Sellers can check the estimated value of their vehicle before placing them on the platform through Kelley Blue Books valuation tool, which is integrated into the platform. Spot sales comprise "Buy it Now" and "Quick Cash Offer" options. Buy it Now is a listing option where sellers put their vehicles up for sale on the DrivrzXchange platform and quote a price for them and buyers who are interested in purchasing can reach out to the seller and complete the transaction through the platform. Quick Cash Offer, sellers can sell their vehicles instantly by accepting the received offer.

DrivrzXchange thoroughly verifies the buyers and sellers when they register on the platform and inspects the vehicles before they are listed on the platform. DrivrzXchange also maintains concierge locations where sellers drop off their vehicles. It carries out a final inspection and refurbishment of these vehicles at the concierge locations before buyers pick them up. DrivrzXchange also offers a door-to-door pickup and drop option and these logistics are handled by ACERTUS.

Listing on DrivrzXchange is free and the platform charges \$350 per transaction from the buyer. Buyers can sell the vehicle to DrivrzXchange within 7 days of the purchase provided certain conditions are met. In such cases, the vehicle does not go back to the seller and becomes a part of DrivrzXchange's inventory. PowerBand plans to integrate DrivrzXchange with DrivrzFinancial going forward so that buyers also get financing options for the vehicles they purchase through DrivrzXchange.

DrivrzLane

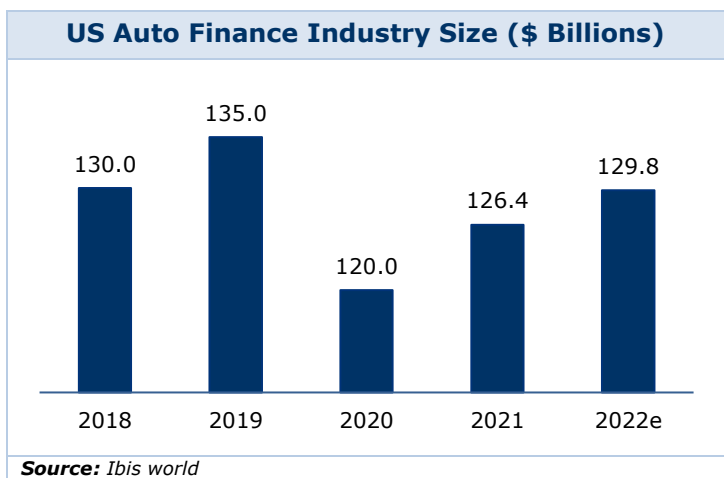
DrivrzLane is a SaaS-based sales and marketing software that is currently under development with an expected launch in Q1'22. The software helps dealerships digitize the entire vehicle purchase journey for their users, right from browsing through the dealerships' inventory to booking a test drive and completing the purchase. DrivrzLane's value added features and integration options allow dealerships to seamlessly operate DrivrzLane with third-party applications for inventory management, bookkeeping, CRM etc.

DrivrzGarage is one of the key value-added features on DrivrzLane. It is an email marketing tool that allows dealerships to create and send personalized webpages to their prospective buyers. These webpages showcase information such as vehicle specifications, photos, and videos for each vehicle. The customer can select the vehicle and start their credit application process or apply for an appraisal directly from the webpage. Dealerships can personalize their webpages for each prospect by handpicking vehicles based on each prospect's budget, style preference, requirements etc.

DrivrzCash is another value-added feature on DrivrzLane where customers can obtain upfront credit of up to \$30,000 from FinMkt Inc. for extended warranties, repairs, parts, aftermarket accessories etc., without a credit report.

Industry Analysis

The size of the global Auto Finance industry was \$245.6 billion in 2021 and is expected to reach \$385.4 billion by 2028 at an implied Compounded Annual Growth Rate (“CAGR”) of 6.5% between 2021 and 2028.ⁱ The US made up 51.5% of the global Auto Finance industry in 2021 with a size of \$126.4 billion and is expected to grow to \$129.8 billion in 2022, at an implied Year over Year (“YoY”) growth rate of 2.7%.ⁱⁱ The US Auto Finance industry is highly fragmented, with several banks, captives, credit unions, and other players offering financing options to buyers. Leases and Loans are the most common forms of auto



finance in the US and are offered for both new and used cars. New vehicles are mostly financed by captives whereas used vehicles are mostly financed by other players, including some unorganized players.

Auto Lending: The total outstanding automotive loan balance in the US increased from \$1.2 trillion in Q1’20 to \$1.3 trillion in Q1’21. Much of this growth was driven by captive lenders, whose market share increased from 23.8% in Q1’20 to 28.0% in Q1’21.ⁱⁱⁱ Auto loans account for nearly 10.0% of all household debt, the third-largest debt category after mortgages and student loans.^{iv}

Auto Leasing: The global Auto Leasing industry grew from \$69.3 billion in 2020 to \$73.3 billion in 2021, at an implied YoY growth rate of 5.8%. The industry is projected to reach \$123.9 billion by 2028, at an implied CAGR of 7.8% between 2021 and 2028. North America is the largest market for Auto Leasing, having 32.3% share in global Leasing market with a size of \$22.4 billion in 2020.^v In the US, 26.7% of new vehicles and 8.6% of used vehicles, respectively, were leased in Q1’21 compared to 30.7% and 9.8%, respectively, in Q1’20.^{vi}

Online Vehicle Sales: The size of the Online Car Dealers industry in the US was \$36.3 billion in 2021 and is expected to reach \$38.1 billion in 2022, at an implied YoY growth rate of 5.1%.^{vii} Due to growth in e-commerce, more people have started to buy things online. Although until now, people only bought low ticket items. People were hesitant to buy used cars from online platforms due to lack of trust, confidence, and reliability on quality and condition of used cars. Dealers are trying to find ways in which they can replicate the brick-and-mortar buying experience. Due to Covid-19, people are now willing to shop online even for high ticket items like used cars. There has been a change in consumer preference with respect to car buying process, from traditional brick-and-mortar stores to online platforms. Emergence of online platforms has added extra value to consumer’s buying experience by providing them with features such as availability of photos and videos of cars, factual data about service maintenance, accident history, and seamless online instant finance service. Some of the companies offering online used cars platforms have entered a hybrid model, wherein along with the online services, they are also providing an opportunity of physical inspection and test drives at a specific location so that prospective buyers can get a feel of the car and get confidence about the quality of used car.

However, a new wave of tech-savvy customers, especially between age of 25-40 years are appreciating features like easy and seamless documentation process, doorstep delivery, digitalized recommendation based on their driving behavior and lifestyle. Online platforms provide easy and smooth access to car

specifications, performance reports, and inventory information to customers to help them in making informed decisions. People generally prefer high touch experience, which is available at the dealerships, wherein a salesperson guides the consumer about the product. To replace such an experience on online platforms, dealers are providing features such as brochures, 360-degree imaging, frequently asked questions ("FAQs"), call and chat support.

Online Vehicle Financing: Over the past few years, technologies have evolved to such an extent that there are alternative ways of processing a credit application, which has resulted in an increase in efficiency and simplification of financing process. Some of the technologies like artificial intelligence ("AI") and big data analytics have been used by financiers to differentiate their offerings from traditional financiers. Now financing process has become faster, more transparent, and convenient. Online lending reduces the cost to originate, process, close, and deliver loans. Online financing also allows customers to use online tools, which enables them to plan their loans efficiently and make a smart borrowing decision. In online financing, it is easier for the applicant to fill out the application because financiers ask them for fewer data points, which helps them to process the application much faster. Online financiers because of their ability to automate and process a lot of data in quick time, have a quick decision-making process. They also have lower cost of operations in comparison to traditional financiers. Due to these reasons, online financiers have been able to reduce the processing time from several days to few hours or even few minutes in some cases.

Strengthening of Online Infrastructure: Automotive market is growing and getting more organized because car dealers are adopting digital means to attract customers, thereby providing better customer experience. Many automotive manufacturers and dealers in the US are making significant investments in digital technologies, ranging from tablet-based product guides to virtual reality ("VR") enabled applications to increase customer engagement. Dealers are evolving their marketing techniques and integrating technology to maximize their sales. Online financing services have come out as the most disruptive technology in Automotive industry. E-commerce penetration rate in the US used vehicle sales is far less than that in other retail sectors, even though used vehicle sales exceeds sales in other retail industries. This brings an opportunity for companies offering online platforms and services to gain market share in e-commerce for used vehicle market.

Key Growth Drivers

- 1. Rising Used Car Market:** The size of the used car market in the US was \$250.0 billion in 2020, and is expected to reach \$403.0 billion in 2026, at an implied CAGR of 8.2% between 2020 to 2026.^{viii} The used car market across the world is growing because of factors like growing preference of two-wheeler owners to upgrade to small and compact cars, easy availability of information about used vehicles through online platforms and increasing investment from automotive manufacturers for expanding their used car dealership network. Automotive manufacturers and dealerships are also taking cognizance of the rise in online sales of used vehicles and they are also taking proactive steps to start selling their vehicles through online platforms. For instance, Ford and General Motors will be launching Ford Blue Advantage and CarBravo, respectively for selling used vehicle through online mode.

As these car dealerships enter the online space, more trust will be created, which is expected to accelerate the online purchases of used cars. In addition to being available online, they also offer services like quality checks and repair work before selling the used cars. Improvements in technology have increased the durability and longevity of cars, raising the number of high-quality used cars that are available for sale.

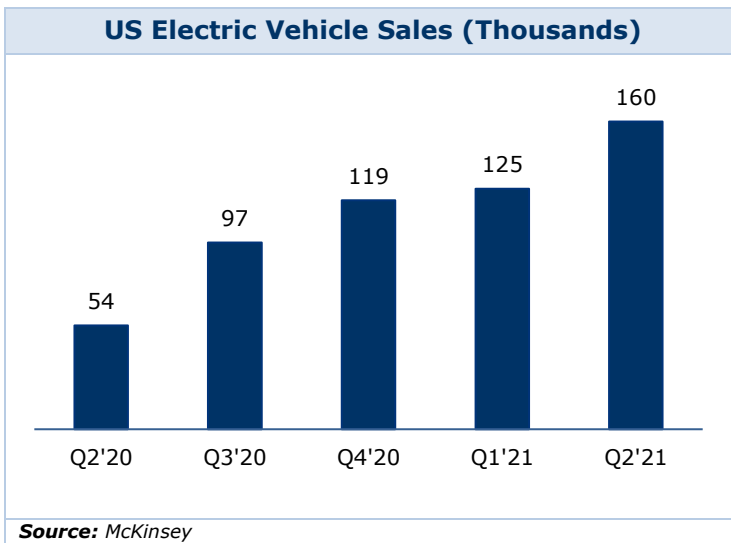
2. Rising Demand for Vehicle Leasing: In recent years, change in customers preferences have led to an upsurge in demand for car leasing. Option of upgrading the leased car frequently, maintenance costs being borne by dealer, and lower monthly lease payments in comparison to Equated Monthly Instalments (“EMIs”) are some of the factors fueling the growth of Vehicle Leasing industry.

Car leasing is increasingly being used by small businesses to meet the personal transportation requirements of employees. Car leasing does not require a substantial down payment, and cars are leased out for a fixed and shorter period, hence, an economical choice.

3. Easy Availability of Auto Financing: A recent development in auto dealerships is taking place, wherein dealerships’ operations are being unbundled. Dealers are no longer supposed to be responsible for every step of vehicle sales process. Some of these steps like financing loans require expertise and resources that dealers do not always possess, because financing is not their core business. Now, due to emergence of technology and migration to online platforms, a lot of specialist players are developing in the ecosystem who are helping to unbundle the operational process at the dealerships. One of the segments in which such specialization is happening is Finance, being one of the most important links in used car sale-purchase value chain. Such specialized finance players can offer more flexibility in comparison to traditional dealers, and they are well positioned in developing the loan or lease plans, since that is their core business unlike dealers. In Automotive industry, auto financing plays a major role in increasing the sales for the OEMs and dealers.

4. Rise in Demand of Electric Vehicles:

EV sales witnessed the fastest growth rate over the past few years because of shifting customer preference from conventional vehicles to EVs. The increasing focus of environmental regulatory bodies on reducing emissions from vehicles has forced the automotive companies to shift their focus towards EV. Although there was an overall slump in car sales worldwide in 2020, but there was increase in EV sales, with global sales exceeding pre pandemic levels by the end of Q3’20. EV sales increased nearly 200.0% between the Q2’20 and the Q2’21, contributing to a domestic



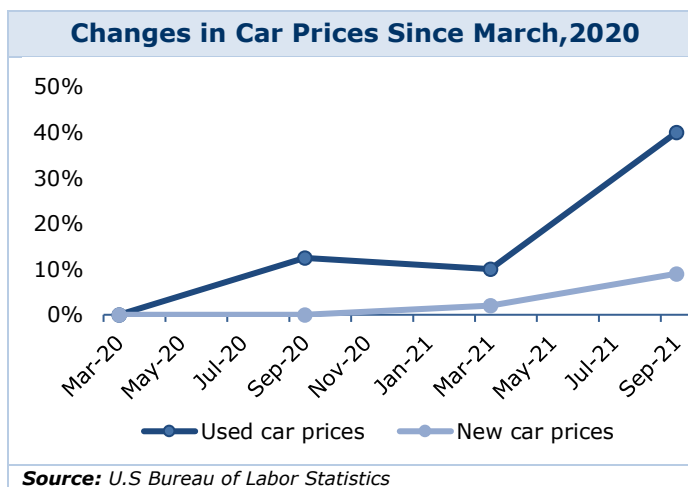
penetration rate of 3.6% in total vehicle sales. EVs are generally \$5,000 to \$10,000 more expensive in comparison to internal combustion engine (“ICE”) vehicles, which results in more buyers willing to take financing to buy EV.^{ix} Auto Financing companies can look for additional opportunities to offer an end-to-end EV leasing or financing solution that includes everything from financing the vehicle, home charger installation, and seamless commercial charging access, all in one monthly payment. Government of various regions are offering incentives and tax benefits to promote the adoption of EV. For instance, a green car loan is offered for purchase of EV. Green auto loans offer the buyers benefits like interest rate discounts and extended repayment terms, thereby making purchase of EV more attractive and financially feasible for customers, which ultimately leads to improving the business prospects and customer base of auto finance companies.

Key Industry Trends

- Rising Vehicle Prices:** The rising cost inflation has forced automotive manufacturing companies to increase vehicle prices in past few years. New car prices are also rising due to shortage of semi-conductor chips, which is a key input in manufacturing of cars, resulting in lower production of new vehicles. From March 2021 to September 2021 prices of new vehicle rose by 7.6%, which exhibits the largest annual percentage increase in more than 40 years.^x The increase in demand for vehicles coupled with lower supply further boosted vehicle prices.

Prices of used cars have increased by 30.0%

from March 2021 to September 2021. The average price for used cars rose to \$26,500 in June 2021, up 27.0%, from a year ago.^{xi} Increase in prices of new vehicles is also pushing customers to prefer used vehicles, because even with the increase in prices of used vehicles, it is still an economical alternative to new vehicles.



- Impact of Covid-19:** Covid-19 pandemic has accelerated the growth of online and digital means for business-to-consumer ("B2C") purchases. Also, due to the recession and unemployment caused by Covid-19, over 7.0% of outstanding car loans in the US were granted temporary relief in form of deferment.^{xii} However, the Auto Finance industry is expected to be back to pre-covid levels as companies are offering streamlined and easy online financing options to their customers. Auto financiers are also addressing the need of an increase in refinancing, mostly due to inability of customers to repay loans on time. A lot of people are finding it hard to afford cars or they are uncertain about taking financing for purchasing the cars due to the economic uncertainty. To ease this situation for the buyers and to maintain their sales, auto dealers and auto financiers have come up with more consumer friendly and convenient financing options.

Risk Profile Analysis

1. Market Risk

PowerBand is one of the early movers in the online sales and finance space for used vehicles. Although used vehicle finance is an established space with several legacy players, none of these players currently has a dominant online financing mechanism. Some banks have tried digitizing the vehicle lending and leasing process but have not been able to develop a robust end-to-end technology solution that could disrupt the market. Most of the leading online vehicle sales platforms, such as Carvana and Vroom, focus more on selling vehicles than on financing since they are in the business of buying and selling vehicles rather than assisting dealerships to move their inventory.

PowerBand is currently the only major online player that focuses on using technology to improve efficiencies in the financing segment of the used vehicle sales workflow. The Company is trying to create an economic moat by developing a superior technology offering that integrates across dealership functions and leverages its \$2 billion lease lines. PowerBand has differentiated itself by implementing a dealer-focused approach. The Company also provides dealerships a host of value-added services, such as marketing tools and logistics support for luxury vehicles, all in the hope of making itself an inseparable part of dealerships' workflow.

We feel that the Company might be able to build a highly defensible business if it is able to execute its vision well. However, it would need to continuously invest in technology and innovation to maintain its competitive edge against traditional lenders and larger online vehicle sales platforms that have advanced research and development ("R&D") programs and a large resource base.

The Company is also likely to face competition from technology companies, such as SoFi, that specialize in digital financing products and have a strong market position. Other categories of companies that might be well positioned to challenge PowerBand include brokers and distributors, Managing General Agents ("MGA"s) or Third-Party Administrators ("TPA"s), and Neo-bank with a strong technology base and expertise in developing digital financial services products.

Since PowerBand operates in a space where the levels of innovation, technological change, and competition from large players are rapidly increasing, we believe that despite its potentially disruptive business model, PowerBand has a MID-HIGH market risk profile at its current lifecycle stage.

2. Financial Risk

We believe that PowerBand will require a moderate amount of capital infusion in the coming quarters as it is a pre-profit business with two major products in their early lifecycle stages and unproven potential. Being an early-stage technology company, we anticipate that PowerBand would require substantial capital for new product development, technological improvements / additions to existing products, and marketing over the next few years, even after DrivrzLane and DrivrzXchange are fully rolled out. If the Company fails to arrange adequate capital to finance these requirements or if its products, especially DrivrzLane, do not achieve the success the Company expects, PowerBand's growth prospects might get substantially diminished. For these reasons, we believe the Company has a MODERATE financial risk profile.

3. Economic Risk

PowerBand's revenue primarily comes from the US. Due to the Covid-19 outbreak, sales of new vehicles in fell by 15.0% in 2020 compared to 2019.^{xiii} Although the market is recovering from the impacts of Covid, there is significant uncertainty due to the new variants of COVID-19. Additionally,

due to rising inflation in the US, the Federal Reserve recently increased interest rates and is expected to increase interest rates further in 2022.^{xiv} Increase in inflation coupled with an increase in interest rates is likely to increase the prices of vehicles and make financing more expensive. Vehicle prices might also increase due to the global semiconductor shortage and supply chain challenges. If these pressures continue, the demand for vehicle could fall. However, with new vehicles becoming more expensive, buyers might turn to used vehicles. This could act as a counterbalancing force for PowerBand. As such, we believe that PowerBand has a MODERATE economic risk profile.

4. Key Personnel Risk

PowerBand's leadership team is knowledgeable and has decades of experience in areas such as automotive financing, dealership operations, used car sales, car auctions, and information technology. The Company reinforced its management team in 2021 with the appointments of Shibu Abraham as CFO, Steve Waller as Executive VP of Finance & Strategy, and Jon Lamb as CEO of DrivrzFinancial Holdings, LLC. It now has dedicated senior management persons for managing its three products and most of the key business functions. Although we believe that PowerBand has a strong management team and does not over-rely on a few people for its current lifecycle stage, we believe that it will need to continue hiring and grooming strong talent to remain people independent as it grows. Consequently, we believe that the Company has MODERATE key personnel risk.

5. Vendor Risk

PowerBand has large lease lines from two credit unions through which it provides vehicle leasing options for its dealership partners' customers. Lease Origination Revenue was the largest contributor to the Company's total revenue in FY'20 and the first nine months of FY'21. The Company's ability to generate Lease Origination Revenue is directly related to the size of its lease lines with credit unions. If credit unions withdraw these lease lines for any reason, PowerBand will find it difficult to make new leases. Another source of vendor risk is if the vendor has a history of settling their dues late, but according to PowerBand's management, credit unions are prompt in settling their dues towards the Company. Therefore, we believe that the Company's overall vendor risk profile is MODERATE.

6. Legal Risk

PowerBand currently has two legal claims against it. In the most significant of these lawsuits, PowerBand's subsidiary MUSA Holdings, LLC was sued by an employee for breach of employment agreement. The Company expects to go to trial in this lawsuit by the end of Q1'22. In the second case, Advanced Media Solutions Limited served a Notice of Civil Claim, for which the Company filed a Counterclaim.

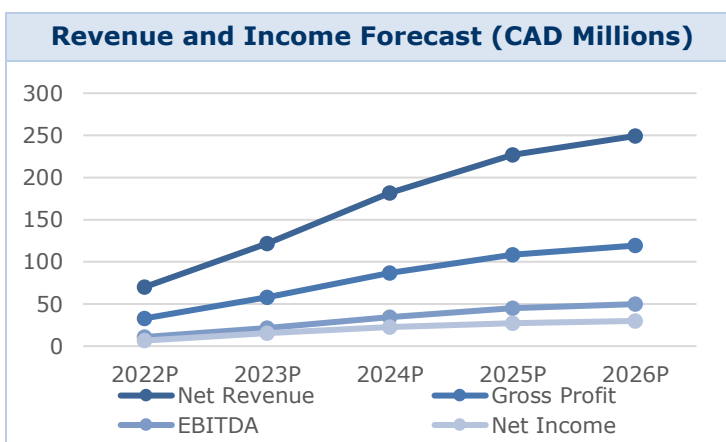
The combined damages amount claimed against the Company in both the cases is CAD 1.3 million (excluding the value of profit interest units as claimed in one of the above legal cases) and the Company expects the probability of the claims being successful to be very low in one of these cases with a claim amount of approximately CAD 0.9 million. However, the course of events once the trial begins can be protracted and cannot be predicted with any certainty. Any of these cases dragging on for long will have financial implications for the Company and may even increase the probability of an unfavorable verdict. For these reasons, we believe that the Company has a MID-LOW legal risk profile.

Financial Analysis

Revenue: PowerBand’s Revenue increased from CAD 0.2 million to CAD 3.0 million from FY’17 to FY’20, at an implied CAGR of 160.5%. This increase is mainly due to the launch of DrivrzFinancial in July’20 which is currently the Company’s largest revenue contributor. The Company expects to achieve a Revenue of approximately CAD 25 million in FY’21 (718.9% YoY growth) due to a sharp increase in lease originations, especially in December 2021. The Company expects lease originations of 7,000 to 9,000 in FY’22 and based on these estimates, we have projected its Revenue to reach CAD 70.1 million FY’22 from CAD 24.8 million in FY’21, at an implied 182.7%YoY growth rate. We have further projected the Company’s revenue to reach CAD 249.3 million by FY’26, at an implied CAGR of 37.3% between FY’22 and FY’26.

PowerBand’s Cost of Goods Sold (“COGS”) increased from CAD 0.3 million to CAD 1.8 million from FY’17 to FY’20, at an implied CAGR of 89.2%. However, as a percentage of Revenue, the Company’s COGS decreased sharply from 151.8% in FY’17 to 58.2% in FY’20. This can be primarily attributed to the growth of Lease Origination Revenue as it is a high margin business. We expect F&I to be an even more significant Revenue contributor for the Company going forward, resulting in a further fall in the Company’s COGS as a percentage of Total Revenue. Our projections suggest that the Company’s COGS could reach 54.3% of Revenue in FY’21 and 52.1% of Revenue by FY’26.

Profitability: The Company generated Gross Profit of CAD -0.1 million (-51.8% Gross Margin) in FY’17 and CAD 11.3 million (41.8% Gross Margin) in FY’20. We expect the Company’s Gross Margin to reach 45.7% in FY’21 and 47.9% in FY’26 and remain strong from thereon. PowerBand’s Selling, General, and Administrative (“SG&A”) Expenses increased from CAD 1.9 million to CAD 12.1 million from FY’17 to FY’20, at an implied CAGR of 84.6%.



Our projections suggest that the Company could achieve net profitability by 2022. The Company had an EBITDA of CAD -2.0 million in FY’17 which fell to CAD -6.2 million in FY’21. We project Company’s EBITDA Margin to reach 15.5% in FY’22 and gradually increase to 20% in FY’26 and remain strong from thereon, since its Revenue growth is likely to outpace the growth in its SG&A expenses.

We estimate the Company’s Net Loss to be CAD 9.4 million in FY’21. We projected a Net Profit of CAD 6.9 million in FY’22 and Net Profit of CAD 30 million in FY’26. PowerBand’s Net Margin improved from -424.1% in FY’20 to -37.8% in FY’21 and we have projected it to be 9.8% in FY’22 and 12.0% in FY’26.

Balance Sheet: PowerBand operates on an asset-light business model where it showcases and makes leases on its dealer partners’ inventory rather than building and selling its own inventory. As such, Inventories accounted for only 0.13% of Total Assets in FY’20, which is much lower than some of its main competitors. Non-Current Assets accounted for 75.7% of the Company’s Total Assets in FY’20. The Company has a low working capital cycle because it has managed to keep its Accounts receivable days and Inventory levels low. We have projected that the Company’s working capital cycle to remain constant at 11 days between FY’22 and FY’26, since its business is not fundamentally working capital intensive.

The Company had a cash balance of CAD 0.3 million in FY'17 and CAD 1.4 million in FY'20. As of FY'20, Goodwill and intangibles assets accounted for 52.6% of Total Non-Current Assets and 39.9% of Total Assets.

Capital Structure: PowerBand's Accumulated Deficit stood at CAD 23.3 million in FY'20 due to high losses over the years. PowerBand's share capital increased from CAD 3.9 million on December 31, 2017, to CAD 18.9 million as of December 31, 2020, as the Company raised significant equity capital between FY'18 and FY'20. The Company raised CAD 5.6 million debt in Q1'21 and we estimate that the Company might require a moderate amount of capital infusions in the coming quarters to finance its growth. We expect this amount to primarily be spent on sales & marketing, product development, and employee compensation as the business grows.

Income Statement – Historical

<i>(All figures in CAD 000s unless mentioned otherwise)</i>	2017	2018	2019	2020
Total Revenue	171	282	1,999	3,028
<i>YoY Growth %</i>		64.6%	608.8%	51.5%
Total Cost of Sales	260	-	1,912	1,762
<i>% of Total Revenue</i>	151.8%	0.0%	95.7%	58.2%
Gross Profit	(89)	282	86	1,266
<i>% of Total Revenue</i>	-51.8%	100.0%	4.3%	41.8%
Selling, General and Administrative Expenses				
Salaries and Wages	502	629	2,279	4,685
Professional Fees	442	247	1,716	3,701
Share based Compensation	-	792	815	1,957
Sales and Marketing	42	1,184	434	281
Total Office Expenses	72	315	362	569
Other SG&A Expenses	866	2,502	481	912
Total Selling, General and Administrative Expenses	1,924	5,669	6,086	12,105
<i>% of Total Revenue</i>	1123.1%	2010.3%	304.5%	399.7%
EBITDA	(2,013)	(5,387)	(5,999)	(10,838)
<i>% of Total Revenue</i>	-1174.9%	-1910.3%	-300.1%	-357.9%
Amortization Expense	279	377	917	1,511
Accretion Expense	204	209	226	408
EBIT	(2,496)	(5,973)	(7,142)	(12,758)
<i>% of Total Revenue</i>	-1456.7%	-2118.2%	-357.3%	-421.3%
Interest Expense	92	64	71	377
Total Non-Operating Expenses	(88)	538	1,129	34
EBT	(2,500)	(6,575)	(8,342)	(13,168)
<i>% of Total Revenue</i>	-1459.1%	-2331.7%	-417.3%	-434.9%
Income Tax Expense (Recovery)	(203)	-	(291)	(325)
<i>% of EBT</i>	8.1%	0.0%	3.5%	2.5%
Net Income / (Loss)	(2,297)	(6,575)	(8,050)	(12,843)
<i>% of Total Revenue</i>	-1340.8%	-2331.7%	-402.8%	-424.1%

Balance Sheet – Historical

<i>(All figures in CAD 000s unless mentioned otherwise)</i>	2017	2018	2019	2020
Current Assets				
Cash	269	311	243	1,403
Account Receivables, Net	11	4	995	1,297
Inventories, Net	-	-	200	18
Deposits	-	273	260	355
Other Current Assets	137	595	310	277
Total Current Assets	417	1,184	2,008	3,351
Non Current Assets				
Property and Equipment, net	-	-	309	426
Goodwill	-	-	173	2,661
Intangible Assets, net	883	1,421	1,632	2,853
Right-of-use Asset	-	-	4,673	3,913
Interest in Joint Venture	-	1,071	268	-
Investment	-	-	-	637
Total Non Current Assets	883	2,492	7,055	10,489
TOTAL ASSETS	1,301	3,676	9,063	13,839
Equity				
Share Capital	3,870	11,780	16,217	18,933
Obligation to issue shares	-	1,091	124	60
Reserves	562	1,354	1,445	3,568
Equity component of Convertible Debenture	-	-	101	-
Other Comprehensive Income	-	-	11	(1)
Accumulated Deficit	(5,191)	(11,766)	(19,576)	(23,257)
Non Controlling Interest	-	-	269	1,577
Total Shareholders' Equity	(759)	2,459	(1,409)	880
Current Liabilities				
Accounts payable and accrued liabilities	339	683	2,050	3,172
Short term loan	-	-	100	255
Deferred Revenue	-	-	200	18
Due to Related Parties	1,188	169	1,826	4,611
Current Portion of Lease Obligation	-	-	551	597
Government Assistance	-	-	-	624
Convertible Debentures	-	-	1,388	-
Federal Development Loan	94	18	-	-
Total Current Liabilities	1,621	870	6,115	9,276
Current Liabilities				
Federal Development Loan	18	-	-	-
Due to Related Parties	420	347	-	-
Long term Portion of Lease Obligation	-	-	4,356	3,683
Total Non Current Liabilities	438	347	4,356	3,683
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	1,301	3,676	9,063	13,839

Income Statement Summary – Projected

<i>(All figures in CAD 000s unless mentioned otherwise)</i>	2021 E	2022 P	2023 P	2024 P	2025 P	2026 P
Total Revenue	24,797	70,094	121,840	181,766	226,807	249,255
<i>YoY Growth %</i>	<i>718.9%</i>	<i>182.7%</i>	<i>73.8%</i>	<i>49.2%</i>	<i>24.8%</i>	<i>9.9%</i>
Gross Profit	11,333	32,927	57,895	86,787	108,487	119,308
<i>% of Total Revenue</i>	<i>45.7%</i>	<i>47.0%</i>	<i>47.5%</i>	<i>47.7%</i>	<i>47.8%</i>	<i>47.9%</i>
EBITDA	(6,184)	10,848	21,608	34,524	45,220	49,779
<i>% of Total Revenue</i>	<i>-24.9%</i>	<i>15.5%</i>	<i>17.7%</i>	<i>19.0%</i>	<i>19.9%</i>	<i>20.0%</i>
Net Income / (Loss)	(9,370)	6,867	16,174	22,785	27,258	29,956
<i>% of Total Revenue</i>	<i>-37.8%</i>	<i>9.8%</i>	<i>13.3%</i>	<i>12.5%</i>	<i>12.0%</i>	<i>12.0%</i>

Balance Sheet – Projected

<i>(All figures in CAD 000s unless mentioned otherwise)</i>	2021 E	2022 P	2023 P	2024 P	2025 P	2026 P
Current Assets						
Cash	1,234	3,613	15,698	33,634	56,904	84,291
Account Receivables, Net	3,629	2,881	5,007	7,470	9,321	10,243
Inventories, Net	36	102	175	260	324	356
Deposits	727	2,881	5,007	7,470	9,321	10,243
Other Current Assets	601	1,920	3,338	4,980	6,214	6,829
Total Current Assets	6,226	11,397	29,226	53,814	82,084	111,962
Non Current Assets						
Property and Equipment, net	527	411	906	1,487	2,135	2,835
Goodwill	2,590	2,590	2,590	2,590	2,590	2,590
Intangible Assets, net	2,066	1,496	1,988	2,526	3,096	3,690
Right-of-use Asset	3,289	2,764	2,323	1,953	1,641	1,380
Interest in Joint Venture	-	-	-	-	-	-
Investment	2,590	2,590	2,590	2,590	2,590	2,590
Total Non Current Assets	11,062	9,852	10,398	11,146	12,052	13,085
TOTAL ASSETS	17,288	21,248	39,623	64,960	94,136	125,047
Equity						
Share Capital	27,868	27,868	27,868	27,868	27,868	27,868
Obligation to issue shares	60	60	60	60	60	60
Reserves	4,051	4,051	4,051	4,051	4,051	4,051
Other Comprehensive Income	(108)	(108)	(108)	(108)	(108)	(108)
Accumulated Deficit	(32,628)	(25,761)	(9,586)	13,199	40,457	70,413
Non Controlling Interest	953	953	953	953	953	953
Total Shareholders' Equity	196	7,063	23,238	46,023	73,281	103,237
Current Liabilities						
Accounts payable and accrued liabilities	5,961	3,055	5,256	7,806	9,725	10,681
Deferred Revenue	78	78	78	78	78	78
Due to Related Parties	2,672	2,672	2,672	2,672	2,672	2,672
Current Portion of Lease Obligation	652	652	652	652	652	652
Current Portion of Long Term Debt	2,548	2,548	2,548	2,548	2,548	2,548
Government Assistance	60	60	60	60	60	60
Total Current Liabilities	11,971	9,065	11,266	13,816	15,735	16,690
Current Liabilities						
Long term Portion of Lease Obligation	3,209	3,209	3,209	3,209	3,209	3,209
Long Term Debt	1,911	1,911	1,911	1,911	1,911	1,911
Total Non Current Liabilities	5,120	5,120	5,120	5,120	5,120	5,120
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	17,288	21,248	39,623	64,960	94,136	125,047

Valuation

Equity value of PowerBand stands between **CAD 214.0 and 261.5 million**

Equity Value per share for PowerBand stands between **CAD 1.08 and 1.32**

(All figures in CAD thousands)

Valuation Approach	Variance	Equity Value as on 18-Feb-2022	Price per Share (CAD)
Downside Case	-10%	213,966	1.08
Base Case	0%	237,740	1.20
Upper Case	10%	261,514	1.32

Important information on Arrowhead methodology

The principles of the valuation methodology employed by Arrowhead BID are variable to a certain extent, depending on the sub-sectors in which the research is conducted. But all Arrowhead valuation research possess an underlying set of common principles and a generally common quantitative process.

With Arrowhead commercial and technical due diligence, Arrowhead researches the fundamentals, assets and liabilities of a company, and builds estimates for revenue and expenditure over a coherently determined forecast period.

Elements of past performance such as price/earnings ratios, indicated as applicable, are mainly for reference. Still, elements of real-world past performance enter the valuation through their impact on the commercial and technical due diligence.

We have presented the Discounted Cash Flow ("DCF") estimate approach for Free Cash Flow to Firm ("FCFF") valuation. We have also presented Comparable Company Analysis. The fair value bracket is built on the basis of these two methods.

Arrowhead BID Fair Market Value Bracket

The Arrowhead Fair Market Value is given as a bracket. This is based on quantitative key variable analyses such as key price analysis for revenue and cost drivers or analysis and discounts on revenue estimates for projects, especially relevant to projects estimated to provide revenue near the end of the chosen forecast period. Low and high estimates for key variables are produced as a valuation tool.

In principle, an investor comfortable with the high brackets of our key variable analysis will align with the high bracket in the Arrowhead Fair Value Bracket, and, likewise, in terms of low estimates. The investor will also note the company intangibles to analyze the strengths and weaknesses, and other essential company information. These intangibles serve as supplementary decision factors for adding or subtracting a premium in investor's own analysis.

The bracket should be taken as a tool by Arrowhead BID for the reader of this report and the reader should not solely rely on this information to make his decision on any particular security. The reader must also understand that while on the one hand global capital markets contain inefficiencies, especially in terms of information, on the other, corporations and their commercial and technical positions evolve rapidly. This present edition of the Arrowhead valuation is for a short to medium-term alignment analysis (one to twelve months).

Estimation of Equity Value

Value of PowerBand's equity has been arrived at using two approaches – Listed Comparable Analysis and DCF Valuation Approach. We have conducted the Listed Comparable Analysis using 2020 and expected 2022 valuation multiples. The results have been summarized in the table below.

(All figures in CAD thousands)

Valuation Approach	Equity Value as on 18-Feb-2022	Price per share (CAD)	Weight (%)
Listed Company Analysis (2020)	4,362	0.02	5%
Listed Company Analysis (2022E)	131,113	0.66	45%
DCF Valuation	357,042	1.80	50%
Weighted Average Equity Value	237,740	1.20	100%

1. Listed Company Analysis

Listed Comparable Analysis method operates under the assumption that similar companies will have similar valuation multiples such as EV/Sales, EV/EBITDA, P/E, and P/B. We have shortlisted companies similar in business with PowerBand based on parameters such as products and services, geography etc.

A list of available statistics for the companies was compiled, and the EV/Sales, EV/EBITDA, P/E, and P/B multiples were calculated for each of the comparable companies for 2020. Since most of the data was not normalized, we have left outliers in our calculations. We calculated the Company's value as of February 18, 2022, as well as December 31, 2022, using these multiples. We then discounted the value for December 31, 2022, to obtain the value as of February 18, 2022. The weighted average of the resulting multiples was then calculated and used as benchmark for valuing PowerBand.

The weights allocated to the comparable companies were based on the degree of their business match with the subject Company.

(All figures in CAD thousands)

Relative Valuation based on:	Weight	Equity Value as on 18-Feb-2022	Implied Share Price (CAD)
EV / Sales 2020	50%	2,952	0.01
P/B 2020	50%	5,773	0.03
Weighted Average Equity Value	100%	4,362	0.02

(All figures in CAD thousands)

Relative Valuation based on:	Weight	Equity Value as on 18-Feb-2022	Implied Share Price (CAD)
EV / Sales 2022E	25%	156,743	0.79
EV/ EBITDA 2022E	25%	154,778	0.78
P/E 2022E	25%	170,615	0.86
P/B 2022 E	50%	42,316	0.21
Weighted Average Equity Value	100%	131,113	0.66

Stock Exchange	Ticker	Company Name	Business Match %	EV/Sales	EV/EBITDA	P/E	P/B
Nasdaq Stock Market	AUTO	Autoweb, Inc.	70%	0.5	NM	NM	2.4
Nasdaq Stock Market	TRUE	Truecar, Inc.	70%	0.4	1.1	4.4	0.3
Nasdaq Stock Market	LOTZ	Carlotz, Inc.	65%	NM	NM	NM	44.2
Nasdaq Stock Market	LPRO	Open Lending Corporation	40%	21.7	NM	NM	88.6
Nasdaq Stock Market	SFT	Shift Technologies, Inc.	60%	NM	1.3	NM	NM
New York Stock Exchange	CARS	Cars.com Inc.	70%	2.9	NM	NM	4.6
Nasdaq Stock Market	CARG	Cargurus, Inc.	55%	7.1	37.4	52.3	10.5
Nasdaq Stock Market	VRM	Vroom, Inc.	50%	0.1	NM	NM	0.1
New York Stock Exchange	CVNA	Carvana Co.	60%	4.3	NM	NM	29.7
New York Stock Exchange	KMX	Carmax, Inc.	70%	1.7	25.1	22.9	7.4

New York Stock Exchange	AN	Autonation, Inc.	50%	0.6	12.6	17.7	3.5
Nasdaq Stock Market	CRMT	America's Car-Mart, Inc.	50%	1.1	6.2	5.9	2.2
Toronto Stock Exchange	EINC	E Automotive Inc.	80%	16.3	NM	NM	13.7
New York Stock Exchange	GPI	Group 1 Automotive, Inc.	50%	0.5	10.4	11.4	4.0
Nasdaq Stock Market	CPRT	Copart, Inc.	50%	10.6	22.9	31.0	8.1
Median				1.7	11.5	17.7	6.0
Mean without Outliers				2.5	15.4	27.1	6.3
Weighted Average without Outliers				2.5	16.1	27.2	6.6
Toronto Stock Exchange	PBX	PowerBand Solutions Inc.		49.3	NM	NM	169.6

1. Discounted Cash Flow (DCF) Approach

- **Valuation Methodology:** The Arrowhead fair valuation for PowerBand is based on the Discounted Cash Flow analysis using Free Cash Flows to the Firm.
- **Time Horizon:** The time period selected for valuation is 5 years (2022 – 2026).
- **Terminal Value:** Terminal value is based on terminal growth rate of 5.0%.

The following table calculates the weighted average cost of capital of PowerBand. The expected return on the market is assumed for the broader market. We have assumed additional 2% company-specific risk to account for the risk involved in taking PowerBand's business forward.

Weighted Average Cost of Capital

Valuation	
Perpetual Growth Rate	5.0%
Risk Free Rate (Rf)	2.0%
Beta	1.8
Expected Market Rate of Return	6.0%
Company Specific Business Risk	2.0%
Cost of Equity	11.1%
Interest Rate Paid on Debt	10.1%
Assumed Weight – Debt	25.0%
Assumed Weight – Equity	75.0%
Weighted Average Cost of Capital (WACC)	10.8%

The following table summarizes the FCFF computation for PowerBand, which is subsequently discounted by the Weighted Average Cost of Capital ("WACC").

FCFF (All figures in CAD thousands)					
	2022	2023	2024	2025	2026
Net Income	6,867	16,174	22,785	27,258	29,956
Add: Depreciation and Amortization	1,210	1,454	1,752	2,093	2,467
Add: Interest Expense x (1-Tax Rate)	619	619	619	619	619
Less: CAPEX	0	2,000	2,500	3,000	3,500
Less: Increase in Net Working Capital	5,698	3,543	4,102	3,081	1,536
Free Cash Flow to Firm (FCFF)	2,998	12,704	18,555	23,889	28,006
Terminal Value					503,344
Present Value of Free Cash Flow to Firm (FCFF)	2,705	10,340	13,626	15,826	16,739
Present Value of Terminal Value					300,842

(All figures in CAD thousands)

Valuation	
Enterprise Value as on 31-Dec-2021	360,079
Equity Value as on 31-Dec-2021	352,040
Equity Value as on 18-Feb-2022	357,042
Number of Shares Outstanding (in thousands)	198,755
Value per Share (CAD)	1.80

Analyst Certifications

We, Meenal Agarwal and Dhruv Sawhney, certify that all of the views expressed in this research report accurately reflect our personal views about the subject security and the subject company, based on the collection and analysis of public information and public company disclosures.

Important disclosures

Arrowhead Business and Investment Decisions, LLC received fees in 2021 and will receive further fees in 2022 from PowerBand Solutions Inc. for researching and drafting this report and for a series of other services to PowerBand Solutions Inc., including distribution of this report, investor relations and networking services. Neither Arrowhead BID nor any of its principals or employees own any long or short positions in PowerBand Solutions Inc. Arrowhead BID's principals intend to seek a mandate for investment banking services from PowerBand Solution Inc. in 2022 or beyond and may receive compensation for investment banking services from PowerBand Solutions Inc. in 2022 or beyond.

Aside from certain reports published on a periodic basis, the large majority of reports are published by Arrowhead BID at irregular intervals as appropriate in the analyst's judgment.

Any opinions expressed in this report are statements of our judgment to this date and are subject to change without notice.

This report was prepared for general circulation and does not provide investment recommendations specific to individual investors. As such, any of the financial or other money-management instruments linked to the company and company valuation described in this report, hereafter referred to as "the securities", may not be suitable for all investors.

Investors must make their own investment decisions based upon their specific investment objectives and financial situation utilizing their own financial advisors as they deem necessary. Investors are advised to gather and consult multiple information sources before making investment decisions. Recipients of this report are strongly advised to read the information on Arrowhead Methodology section of this report to understand if and how the Arrowhead Due Diligence and Arrowhead Fair Value Bracket integrate alongside the rest of their stream of information and within their decision making process.

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Should a security described in this report be denominated in a currency other than the investor's home currency, a change in exchange rates may adversely affect the price of, value of, or income derived from the security.

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Appendix

Glossary

C2C	Consumer-to-Consumer
SaaS	Software as a Service
F&I	Finance and Insurance
SKU	Stock Keeping Unit
IPO	Initial Public Offering
TSX	Toronto Stock Exchange
JV	Joint Venture
LOI	Letter of Intent
MoU	Memorandum of Understanding
B2B2C	Business to business to consumer
CPA	Certified Public Accountant
AICPA	American Institute of Certified Public Accountants
ACA	Associate Chartered Accountant
ICAI	Institute of Chartered Accountants of India
LOS	Loan Origination System
CAGR	Compounded Annual Growth Rate
FAQ	Frequently asked Questions
AI	Artificial Intelligence
VR	Virtual Reality
EMI	Equated Monthly Installments
ICE	Internal Combustion Engine
B2C	Business-to-Consumer
R&D	Research and Development
MGA	Managing General Agents
TPA	Third-Party Administrators
COGS	Cost of Goods Sold
SG&A	Selling, General, and Administration
DCF	Discounted Cash Flow
FCFF	Free Cash Flow to the Firm
WACC	Weighted Average Cost of Capital
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortization
YoY	Year over Year
OEM	Original Equipment Manufacturer
CRM	Customer Relationship Management

Notes and References

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