Arbitrage

Presented by CyberCalc

August 2007
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In economics and finance, **Arbitrage** is the practice of taking advantage of a price differential between two or more markets: a combination of matching deals are struck that capitalize upon the imbalance, the profit being the difference between the market prices. Statistical arbitrage is an imbalance in expected values. A casino has a statistical arbitrage in almost every game of chance that it offers. In the pre-owned auto market, dealers use arbitrage to identify vehicles priced significantly less than their current market value. And while traditional arbitrage is practiced every day at the auctions, dealers are missing out on the upshot. Statistical arbitrage - the real opportunity - lies in how all of this applies to leasing.

So how does statistical arbitrage apply to leasing? In the case of new vehicles it really doesn't. However, ***huge*** opportunities exist in the pre-owned market because lease payments are dependent upon the relationship between acquisition cost and residual value. Quite often, a vehicle's current wholesale value and its residual align in such a way that it presents an opportunity for significant profit on a short-term lease at a very low payment.

It is important to note only a few pre-owned vehicles lease well at any given time. But the ones that do are "knock outs." The tedious nature and time required to find these opportunities without automation is mind boggling and simply not practical. Consequently, dealers have traditionally looked at pre-owned leasing as a "court of last resort." In turn, they are leaving a great deal of money on the table and unnecessarily brooming deals that could otherwise be turned into loyal customers.

Now there is Arbitrage. Arbitrage systematically scans and compares current wholesale market values with current residuals to identify the highest value opportunities. It alerts you to low payment and high advance scenarios that are so important in attracting customers, shortening trade cycles, alleviating negative equity and generating higher gross profit.

The saying goes, "Knowledge is power." Imagine what you could do to your competition if you knew you could lease an SL for $350 / mo or a PT Cruiser for $110 / mo. How about a Porsche Boxster for $245 / mo or a Dodge Crew Cab 4x4 for $295? These are just some examples of past opportunities and why **Arbitrage** is such a compelling and revolutionary new program.

And while highlighting opportunities is very valuable in and of itself, we are also enlisting wholesalers, auctions, consigners and off-lease lenders' remarketing departments to create a true, online marketplace whose sole purpose is to move vehicles of opportunity to Arbitrage customers. With Arbitrage, not only will you know where your opportunities are, you will have access to sources of inventory that can turn potential into reality!

The average late-model, $15,000 pre-owned vehicle generates 21% more gross profit than a $28,000 new car or truck.

Dallas Morning News
October, 2006

"It's a lot easier to sell new cars in some ways. You get on the Internet and order a bunch of cars from the factory. With used, you really have to understand your market <u>but you have total control.</u>"

Don Herring – Don Herring Auto Group, Texas

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