

# RumbleON Inc

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## RumbleON finds e-commerce niche in motorcycles, powersports and RVs

History doesn't repeat itself, but quite often it rhymes. As the process to buy and sell a vehicle changes with technology, we find it still resembles traditional methods. While such upstarts as Carvana Co (NYSE:CVNA) have turned the automotive market on its head, what's under the hood isn't all that different from tradition.

For those who wanted to buy or sell a used car outside the traditional dealership model, they had to check newspaper classified ads. Now we have moved past paper pages to internet pages, with both buyers and sellers having moved online. Even traditional dealers have made aggressive moves online. They had to do so in order to prevent customers from becoming "captive" to competitors.

Carvana has pivoted to include "capture" as part of its business model. The company has focused on acquiring used inventory from past customers, with the goal of turning them into repeat buyers. And it's working to the tune of \$2 billion in sales and a market cap exceeding \$8 billion.

An opportunity outside cars and trucks

But Carvana has already been discovered by the markets. Besides, the focus by Carvana and many others on selling cars and trucks has left an opportunity in the market for motorcycles, powersports and recreational vehicles. That's an opportunity that RumbleON Inc (Nasdaq:RMBL), a public company for less than two years, is aggressively pursuing.

RumbleON is an e-commerce company that uses technology to simplify how dealers and customers buy, sell, trade or finance pre-owned vehicles through a single online location. Its site, RumbleON, allows users to buy or sell anything with a VIN including but not limited to ATVs, off-road vehicles, boats, personal watercraft, scooters, mopeds, trikes, motorcycles, cars and trucks.

The company runs a tight ship operationally: no dealerships, no salespeople, no showrooms, no reconditioning centers, no fulfillment centers and value pricing. It accomplishes this by having third-party partnerships provide photos, reconditioning, condition reports and fulfillments.

RumbleOn now has regional partnerships in 17 markets across the country:

- Cincinnati

### Share Information

**Code:** RMBL

**Listing:** MCE

**Sector:** Consumer Services

**Website:** [www.rumbleon.com](http://www.rumbleon.com)

### Company Synopsis:

*RumbleON, Inc. , a development stage company, provides an e-commerce platform that facilitates consumers and dealers to buy, sell, trade, and finance pre-owned recreation vehicles. It primarily focuses on pre-owned Harley Davidson motorcycles and other powersports. The company also sells branded and other merchandise and accessories; and provides third-party financing.*

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With the RumbleON platform, sellers input their vehicle identification numbers, upload a few photos and add any other details. Within 15 minutes, RumbleON presents a cash offer. Sellers can either take the cash, sometimes delivered the same day, or they can use the value toward a trade from RumbleON's inventory.

Buying is fairly straightforward. RumbleON can assist with financing and delivers the purchased vehicle directly to the buyer's door for no charge in 48 states. Moreover, buyers have three days or 150 miles to decide if the purchases are right for them. If not, they can pay a restocking fee and return their purchase.

The existing market for motorcycles, powersports and RVs may be dwarfed by the \$765 billion car and truck industry, but at \$200 billion, it is still a respectable size. About half of the total addressable market occurs in peer-to-peer transactions. RumbleON's original platform required a buyer to buy from inventory - not from another peer.

RumbleON has recognized the potential limits of its existing platform. Earlier this month it announced RumbleON Classifieds, a consumer-only listing for peer-to-peer transactions. This is a platform exclusively for consumers to buy and sell powersports vehicles. In exchange for a low monthly listing cost, sellers receive such benefits as warranty services, shipping and a full inspection of what is being bought or sold is completed.

Highlights of RumbleON Classifieds include:

- **100% private party listings.** That means no dealer ads get priority just because they sell in high volume.
- **Free to start a listing.** Anyone listing a powersports vehicle gets a week for free.
- **Full suite of user tools and resources.** They include a pricing tool and best deals sorting.
- **Secure connection between sellers and buyers.** Artificial intelligence software has the ability to identify and weed out scammers, fake listings and inappropriate content.

The AI aspect is especially intriguing given all the scams associated with selling big-ticket items. But the system is too new to see feedback from users in terms of whether they noticed a difference.

The company is set to report fourth-quarter earnings next week, so investors will get an update on the current financial performance. In the third quarter, the company lost \$6.8 million on revenue of \$19.3 million. Unit sales of 2,875 equaled the total units sold during the first two quarters combined.

Wide predicted revenue range

RumbleON ended the third quarter with \$12.8 million in cash, plus it raised another \$7.1 million through a secondary offering at \$5.55 per share in February. For the fourth quarter, the company expects revenue of \$29 million to \$44

million on unit sales of 3,200 to 5,200 units. Wide ranges are somewhat typical of newer companies, but these ranges are wider than most. Investors will want to watch future guidance to determine if management has better visibility moving forward.

A second area of interest is the average selling price per unit. The third-quarter average selling price dropped to \$6,788 from \$7,113. About 60% of the sales were Harley-Davidson Inc (NYSE:HOG) bikes that carried an average price of \$8,517, while non-Harley-Davidson sales were only \$4,284. One short-term concern for not only revenue growth but profitability is that they may hinge on the popularity and value of Harley-Davidson motorcycles. A hiccup in the demand on these motorcycles for any reason could weigh significantly on RumbleON. In theory, this risk should lessen as overall sales volume increases as well as the product mix diversifies. The addition of RumbleON Classifieds should also alleviate this risk, but for the next year it needs to be watched.

Fortunately, investors won't have to wait long to get an update on performance. If the trends continue to rumble on higher, this \$118 million market cap company may prove to be an attractive investment vehicle for microcap traders.

-At the time of publication, Collins had no positions in the stocks mentioned-

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