

RESIDUAL VALUES

Insights & Opinions from Automotive Industry Leaders



Interview with Dave Magers

What's your backstory?

I was a typical American kid who grew up in Pontiac, Illinois. My father was a telephone man, who started out climbing telephone poles and ended up in management, and my mother was a florist. I inherited my business sense from my father and my artistic side from my mother. I got my toughness from my older sister, who beat the stuffing out of me most of my childhood. Growing up, I expected to play professional sports in nearly every sport and gave my attention to all of them in high school. Consequently, I was not particularly good at any one of them, but that wasn't for lack of trying.

What got you started in accounting as a career?

I was always kind of a math whiz in high school. The summer between my sophomore and junior years, I got a job at the local Holiday Inn as the night desk clerk, and the job had some audit responsibilities as well, and I became enamored with accounting. When I got out of high school, I decided to pursue a career in accounting, which was my major in college.

When I graduated from college, I passed the CPA exam, went back to school, got an MBA with an emphasis

in finance. Then I spent 37 years in the insurance and financial services industry, and really loved every minute of it. Before joining Mecum, I was CFO for COUNTRY Financial, a \$25 billion company with around 4,000 employees and 3,000 captive agents.

How did you make the transition from financial services to the car auction business?

I had been with the Illinois Farm Bureau family of companies, and with COUNTRY Financial, for nearly 37 years and was 57 years old at the time. My plan was to stay with the company for the next 8 years as a C-suite executive, then at mandatory retirement at age 65, I would retire and go play with cars. I had always been a car guy.

Around 2010, I was introduced to Dana Mecum by COUNTRY Financial's former head of marketing. He called me one day and said, "I have a friend who's in the car auction business. He doesn't really like dealing with business issues. His business is really starting to take off, and he has a lot of questions. Can you answer his questions from time to time, and provide advice?"

Although I knew nothing about car auctions at the time, I agreed to

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CEO
Mecum Auctions



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meet with Dana, who showed up in my company's fancy executive office wearing jeans and a Mecum hat. Dana was no more intimidated by our office environment than someone who'd been working there for years. He projected an unspoken, honest message that I respected: "I am who I am. I'm not trying to impress you. Accept me, or not, for what you see." We had a great conversation and really connected.

Over the next three years or so, Dana would ask me various business questions, which I helped him with, in exchange for a free bidder badge at Mecum auctions. At one point, Dana called me and said, "I want to focus all my attention on buying and selling cars and having auctions. I'd like you to be CEO of the company, to handle all the business matters that I don't want to do."

That started me thinking it might be time to leave something that was I very good at for a very long time to do something that I'm very passionate about, involving cars. I knew Dana was the kind of guy who I would enjoy working with, so we worked out the details over a few months and decided to make it happen.

How did your wife feel about the career change?

Unfortunately, I had forgotten that there was another person who might have an opinion about that. I remember the day when I said to my wife, "Honey, guess what I'm going to do?" She isn't a risk-taker, and her initial response was not enthusiastic. But now that she's gotten to know

Dana and the Mecum family and the organization, and she's seen how happy I've been with my second career, she would tell you that it was a great decision for both of us.

How and when did you become a "car guy?"

I remember my first interest in cars started in 1965 when my dad bought a brand new Mustang 2+2 Fastback, black with black interior. I was 10 at the time, and my dad and I went to a high school football game, where that car got more attention than the football game did. That was the first time most of that crowd had ever seen the 2+2 Mustang.

My dad loved cars because he grew up in a car family, and my grandfather and all three of my uncles were mechanics at a Chevrolet garage. My dad never met a car he didn't love and had a hard time selling a car, so if he bought a car, it hung around for quite some time. I don't think we ever had fewer than four cars at our house, parked on a side yard, on the driveway and in the garage. Eventually, he expanded our garage to put more cars in, which is a sure sign that you're hooked.

I also was into motorcycles growing up, but that came to an end when my wife made me commit to her in writing, before we were married, that I would never again own a motorcycle, or jump out of airplanes. I've been married to her for 38 years now, which suggests that I've kept those promises.

What's it like to work with Dana Mecum?

Dana's a character. You know what he's thinking all the time. There are no hidden agendas. He's a showman who says he doesn't like business, but he's a great businessman. He's obviously the premier auctioneer in the auction business for collector cars. He knows auctions inside and out.

When people ask me to describe our relationship, I tell them, "It's a bit like a riverboat gambler, and the CPA come together." He's at one end of the risk spectrum and I'm at the other end, and somehow we get together in the middle. Whenever there's a very successful entrepreneur that's driven like Dana, when an outsider comes in to assume day-to-day management of the company, it's never easy. It took Dana and me around six months or so to find our equilibrium and to be comfortable with our various roles, but it's worked just spectacularly since then as evidenced by our tremendous success.

Is it true that it took Mecum 15 years to make a profit in the auction business?

I've not seen all the financial statements over the history of the company. I know the company was successful, even marginally for its first 20 years, from 1988 to 2008. Then with the move of Mecum Auctions to television in 2008, the company took a big leap forward; starting in 2013, we began to make heavy investments in our brand and



infrastructure, and the business has exploded. Every year sets a new performance record.

Dana Mecum has been quoted as saying that entertainment can be 25 times the size of your regular business. What did he mean by that?

We're always going to be an auction company and continue to improve and grow our auctions, both in size and in number, in the U.S. and eventually internationally. We have a secondary business segment called Mecum Media. Our thinking is that the live car auction business is relatively finite; there are only so many venues and only so many weekends. At some point in time, you can't get much bigger because of those constraints. But the entertainment side of our business is infinite. There are so many things that we can do, and we are prioritizing those opportunities and moving forward in a very systematic and organized manner. The scope of influence that the Mecum brand has with auto enthusiasts around the world is so vast now, it presents us with the unique opportunity to greatly expand the collector market for the industry as a whole, and that really motivates us to push the envelope every year.

What are the keys to Dana Mecum's success?

Dana's success has been based on three well-founded principles. First, he's pursued a career and built a business based on his passion for cars. Dana has always done what he

loves. Secondly, he's accomplished what very few entrepreneurs can do, which involves putting ego aside and allowing other people to assume responsibility for business tasks they don't enjoy.

Perhaps most importantly, Dana is well-grounded, has passed along his personal values and work ethic to his family and created an enterprise that includes them. Mecum is a big business, but this isn't a financial venture for the Mecum family—it's a shared passion. There are a number of Mecum family members involved in the business, with Dana, his wife, Patti, and their four sons at the core. Dan runs our tractor auctions, Ben has several administrative responsibilities and runs our sponsor program, Harry is our CFO, and Frank is responsible for consignments and is out front with Dana on the auction block. It's a great family to work with because there's no sibling rivalry, everybody is working towards a common goal, and that's a very unusual dynamic in a family company.

What differentiates Mecum from other auction houses?

I get asked that comparison question often, and my answer is always the same. We don't spend time comparing ourselves to others. We don't spend any time or energy paying any attention at all to what other auction companies are doing, or trying to compete with them. In the 10 years I've been here, I don't remember ever having a conversation with my senior staff where we've brought up another

auction company and looked at what another auction company was doing or not doing. We focus all of our attention on perfectly executing our own goals and strategies. When you're competing, somebody wins and somebody loses, and we want all the auction companies to do well because we want the industry to do well. We believe a rising tide lifts all boats. All that being said, if there was one word that describes how we are different than the others, it would be "family." We pride ourselves on the fact that our auctions are family friendly with an "everyone welcome"-type atmosphere. The collector car hobby doesn't exist solely for the pleasure of the wealthy and elite. Car enthusiasts come from all walks of life, and just as our business operates as a family affair, our auction events are treated with the same regard. If you are in to cars, we share that same passion, and we welcome you to be part of the Mecum experience.

Hasn't Mecum historically specialized in American muscle cars?

We grew up primarily selling Corvettes and American muscle cars, but now we cross the entire spectrum from \$10,000 to the sky. American-made, European-made, Japanese-made: it doesn't really matter; they're in our portfolio someplace. For example, when you arrive at an auction in Kissimmee, Florida, you're going to find something you like, no matter who you are, so that we don't get pigeonholed as trying to serve a specific clientele with only the offering that they're interested in.



Our core demographic is everybody. It doesn't matter what make, what model, what size pocketbook you have, where you live in the country, we want to have something for you at a Mecum auction so that you always feel like you're welcome at a Mecum auction, you are part of the family, and there's a reason for you to be there. If you start with that premise, you can't just be American muscle cars. You can't just be pickup trucks. You can't just be Duesenbergs. There's going to be something for you, at this Mecum auction, or an upcoming Mecum auction, at some point in time.

How much does Mecum pay to broadcast its auctions on television?

Mecum does not buy television time. We have our own television production crew and produce our own TV shows. We lease our own television production trucks. We produce our own television programs and then we license our auctions for a fee to the network for them to broadcast. This is an example of the entertainment value of the business. Not only are we producing content in the live auctions, but we also have television shows called "Mecum Presents," and "Mecum Top Ten," which are about major vehicles, collections and collectors.

The network can put in their own advertising, and as a part of the relationship, we keep a limited number of advertising spots for ourselves. We use a couple of spots

to promote Mecum in general, and we keep some for our exclusive sponsors, including State Farm, Dodge, Gold Eagle 303, Coker Tire, NPD and Kendall Oil. They get one 30-second commercial spot per hour, for every hour we're on TV, plus a variety of other assets as a part of their sponsorship.

What impact did the pandemic have on Mecum?

In any business, there are many things going on at any one time and things you know you need to do, but you never quite get around to them because you're so busy. This is particularly true in our business, when every two weeks or so, we've got an auction coming up someplace. We don't get a lot of time in between to focus on things that need to take place inside the business themselves. The positive side of the pandemic is that it created the necessity, and a little bit of time, to think about some of those things that we had never gotten around to pulling the trigger on, and now we had to, and we had some time to think about it.

In March of 2020, we woke up to a completely different world. Within a couple of days, I started having teleconferences with my 11 senior management managers every morning. We went from, "We need to close down, and we don't know for how long," to "Let's see what this looks like post-pandemic," to "Maybe we could hold an auction during a pandemic and do it safely." We went back to live auctions in late June of 2020.

First, we made a lot of changes, including temperature checks at the door; affidavits that people entering had to sign; mask mandates, hand-washing stations. We changed to table seating with two chairs six feet apart, and the tables six feet apart. We put plexiglass in front of any interaction between Mecum employees and Mecum customers. We implemented a new touchless car check-in service for consignors, and a new settlement process so as a buyer, you could raise your hand, the hammer falls, you win the car, go home. We send you all the paperwork, we deliver the car in one of our Mecum Transport trucks. We perform the entire transaction without you ever having to come in close contact with a Mecum employee. We can even finance for you through our new Mecum Financial Services offering.

The pandemic also was the catalyst to completely revise our internet auction bidding system, so that it was in real-time. Now, if you participate via the internet, you're looking at the auctioneer and the auction and the cars, just as if you're sitting in the front row of the auction. The auctioneer has a camera on the podium, knows who you are, and can speak directly with you. Pre-pandemic, we normally would have about 50 internet bidders registered for an auction, and for that first Indianapolis auction we held in June 2020, we had 1,700 internet bidders registered. More importantly, those internet bidders have not reduced the number of people who are participating in the



chairs, but rather expanded the congregation of bidders looking to buy cars with Mecum.

As we went through the rest of the year, we had several record-setting live events. We were the only company that had figured out how to continue operating live and in-person, and because of that, we garnered a lot of new customers and a lot of new business. We firmly and successfully positioned ourselves as the only auction company that carried on with live auctions, and also provide consumers with the ability to participate in any way they felt most comfortable doing so.

Did the pandemic affect Mecum's sell-through rate?

For a reserve auction company, if your sell-through rate is somewhere in the mid-60s, you're doing very well. Prior to the pandemic, Mecum's average would be in the 72% to 75% range for an auction. Now we've been running at 87%, primarily because there are more people participating, either in person or remotely, which helps the prices to get past the reserve.

What are some of the current misunderstandings regarding car auctions?

The biggest misconception is that online-only auctions are going to replace live auctions. We believe there's a place for everyone: people who enjoy the social aspects of live events; people who are strictly transactional; and people who enjoy

both ways to engage in their passion for cars. The other misconception is that all internet auctions are timed, like eBay auctions, and people don't realize that there are also live internet auctions. At Mecum, we do both types of internet auctions, plus we offer telephone bidding and of course live, in-attendance bidding as well. Our advertising slogan is "Live Auctions, All Ways."

Will the declining availability of used cars have any impact on your business?

The good news in the collector car auction business is that you get more than one chance to sell or buy a car. We often see cars that come back to auction, after a few years have passed. The supply turns over, but more importantly, it's estimated that there are 25 million collector cars in the United States. We'll take about 17,000 to auction a year, and we are the world's largest collector car auction company in terms of car quantity. It would take a long time to get to 25 million at 17,000 a year, particularly if we get to sell them more than once. Inventory is never going to be a problem, and neither is demand. Perhaps directly related to the new car supply chain issues, we are experiencing a significant uptick in activity with low-production specialty vehicles. Those who are lucky enough to get their hands on anything newer and special have recognized that bringing these cars to market by consigning them with Mecum can generate pretty significant returns as a result.

Will the declining number of people who can drive a standard transmission have a negative impact on older collector cars?

It may have the opposite effect. As manual transmission becomes rarer, more people may want to learn to use it. The challenge and thrill of driving that Hurst shifter is always going to be there because it's so unique. Humans tend to gravitate toward the unique, particularly if you're one that has a collector hobby. Additionally, Resto Mods and custom cars are growing in popularity and give enthusiasts the best of both worlds. They have the look of the collector vehicle, with the modern technology and drivetrain of a brand new vehicle.

Do you have a personal philosophy that serves as a source of inspiration or motivation?

For a very long time, my wife and I have always tried to live our lives based on the simple philosophy of "leave it better than you found it." We both believe that the world would be a much better place if everyone strove to achieve that goal. But of course, that's very difficult to achieve. We all need to continue to strive for it.

Can you provide an example of how you've both helped to "leave it better?"

We've both been very lucky in our lives and careers. We helped to build



a beautiful, new Community Cancer Center that's treating thousands of people a year, and we're very proud of that. We are also proud Illinois State University alums and do as much as we can for students there. Perhaps most significantly, because we have been too busy with our careers to have our own children, Karen and I decided that we needed to build a new Children's Hospital of Illinois. So we both chaired that campaign, and in 2012, that facility was opened. Karen is working on a big fundraising gala for the hospital that's scheduled for later this month.

Any words of advice for someone starting out in any type of business?

Over the last 10 years or so, the advice I've given to students has been about versatility, and the lesson I offer is related to cars. Very simply: sometimes you need to get off the interstate and take the back roads to reach your destination, and careers paths are the same thing. Your career has a starting point and an ending point, but you won't get from one end to another in a straight line over your life. You're

going to look back and see that you wandered off your intended path constantly. By "get off the interstate," I'm suggesting that you take opportunities to explore new things. Don't come out of a university and think, "I'm going to be an accountant my entire life." When opportunities present themselves, take a risk. Follow what you're passionate about. You need to be versatile, to have a look around and keep your mind open. Don't put blinders on and think that the only path forward is straight ahead. It's a wandering path, and that's what makes life interesting.



Dave's Biography

Dave Magers has served as chief executive officer of Mecum Auctions since 2013. Having always been a "car guy," Dave brings a wealth of valuable knowledge and experience into the Mecum mix with more than 40 years of experience in the business and financial sector. A certified public accountant, Dave holds a bachelor's degree in accounting and a Master of Business Administration; he has served as an active board member for several respected organizations and has also been awarded for his work in philanthropy.

