

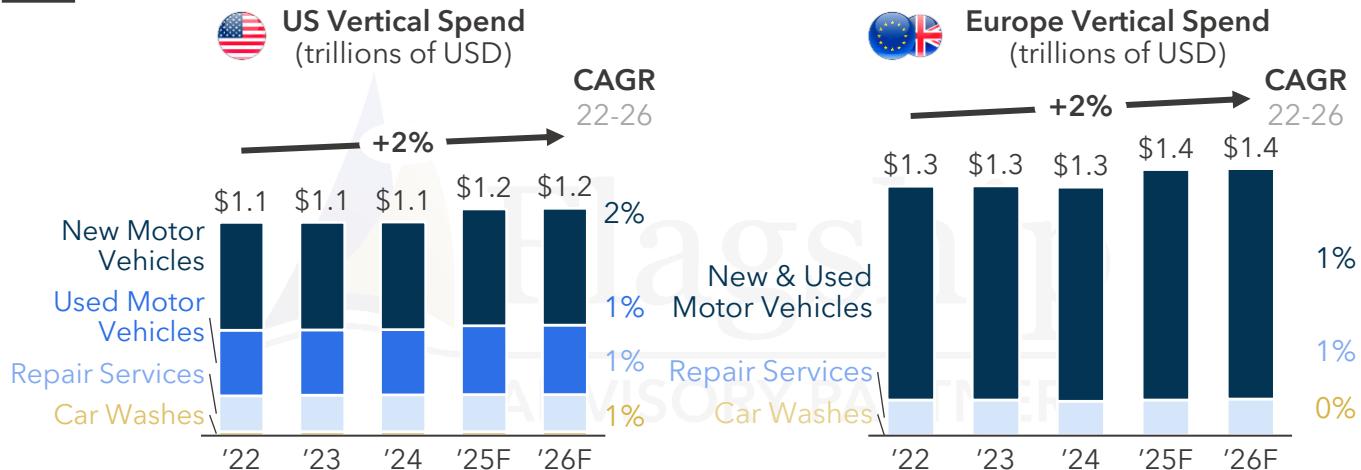
Embedded Fintech Vertical Snapshot: Automotive

1 Vertical Definition

Sub-Segment	Definition	Addressable (pymt use case)	Unaddressable (pymt use case)
New Motor Vehicles	Dealerships or resellers of new motor vehicles	<ul style="list-style-type: none"> Vehicle down payments and full payments Additional services and products 	<ul style="list-style-type: none"> Car loan payments Wholesale car purchases (emerging) Payout for trade-in or buyback
Used Motor Vehicles	Dealerships or resellers of used motor vehicles		
Repair Services	Body shop services and repairs	<ul style="list-style-type: none"> Purchase of parts & accessories Payment for service Repair financing 	<ul style="list-style-type: none"> Wholesale parts purchases Insurance payments for service Insurance payouts
Car Washes	Drive through cleaning services for vehicles	<ul style="list-style-type: none"> Purchase of car wash Monthly subscription of car washes Unattended was/vacuum 	<ul style="list-style-type: none"> Lease payments for car wash equipment
Car Rentals	Short-term rental of vehicles to consumers	<ul style="list-style-type: none"> Payment for rental Payment for additional coverage 	Adjacent but excluded

Note: Although the automotive sector can include fuel retail and EV charging, retail petrol and convenience stores have been excluded
Source: Flagship analysis

2 Vertical Spend



Note: Spend estimates include vehicle financing;
Source: IBIS World

General Commentary & Highlights

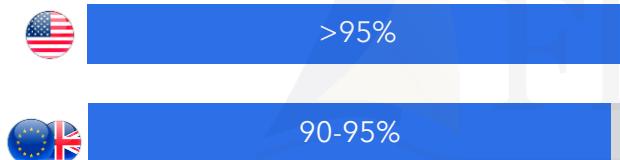
- High software usage:** The automotive industry is very dependent on software. 95% of companies use software to manage at least one part of their business in US and EU.
- Consolidated list of providers:** Most dealerships rely on dealer management systems (DMS) for end-to-end business management. Various point solutions also exist to service specific functions or business areas.
- Tender Mix:** Vehicle financing is largely un-addressable by PSPs, but remaining serviceable payment opportunity, is large, and card-centric (credit + debit covers 75% or more in the US and EU). This pool of volume largely originates from the service lane.
- In-car payments,** enable drivers to transact directly from their vehicles, are seeing increased adoption; however, usage remains largely confined to car washes and has not yet extended to repair services.

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Vertical Dynamics

Software Penetration (% of count of software)

■ Vended ■ Unvended



Tender Mix (Addressable Volume) (Directional, % of payment volume)

■ ACH/SEPA ■ Check ■ Other
■ Credit ■ Debit



Note: Tender mix estimates exclude vehicle financing
Source: Flagship Advisory Partners

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Leading Software Platforms

Established Competitors	Dealer Management Software (DMS)	Service - Lane SaaS	Car Wash Software
	QUORUM DMS		

Source: Flagship Advisory Partners

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Embedded Fintech Maturity

Relevant Fintech Products			Maturity	
	USA	EU	USA	EU
Acceptance	Online payments	✓	●	●
	POS payments	✓	●	●
	Billing payments	✓	●	●
Payout	AP (V-card)	✓	●	●
	AP (A2A)	✓	●	●
	Spend Mgmt. (card)	✗	○	○
	Spend Mgmt. (A2A)	✗	○	○
	Global	✗	○	○

Relevant Fintech Products			Maturity	
	USA	EU	USA	EU
	Consumer Financing	✓	●	●
	Business Lending	✗	●	○
	Business Accounts	✓	●	○
	Digital Wallet	✗	○	○
	FX	✗	○	○
	Payroll	✓	●	●
	Consumer insurance	✓	●	●

Source: Flagship Advisory Partners

Embedded Fintech Highlights

- **Vehicle financing generally not monetized by PSPs or SaaS:** Roughly 85-90% of a dealer's purchases involves financing, which resides on independent systems and lenders.
- **Room for product expansion:** Payment acceptance, consumer financing, and insurance are embedded by most platforms in the US and EU. Beyond these products, there are natural opportunities including payouts and lending.

NAVIGATING FINTECH INNOVATION

Flagship Advisory Partners is a boutique strategy and M&A advisory firm focused on payments and fintech. We serve clients globally and have a team of 40+ professionals who have a unique depth of knowledge in payments and fintech.



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