

A young man and woman are standing outdoors next to a silver car. The man is on the left, wearing a light blue button-down shirt and dark jeans, looking towards the woman. The woman is on the right, wearing a white t-shirt, a grey cardigan, and blue jeans with a red belt, smiling back at him. The car is partially visible on the right side of the frame. The background is bright and slightly blurred, suggesting an outdoor setting like a dealership.

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*Wholesale Market Insights  
Through June 2018*

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Jonathan Smoke & Zo Rahim - Cox Automotive

# COX AUTOMOTIVE™

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## *Manheim Used Vehicle Value Index*

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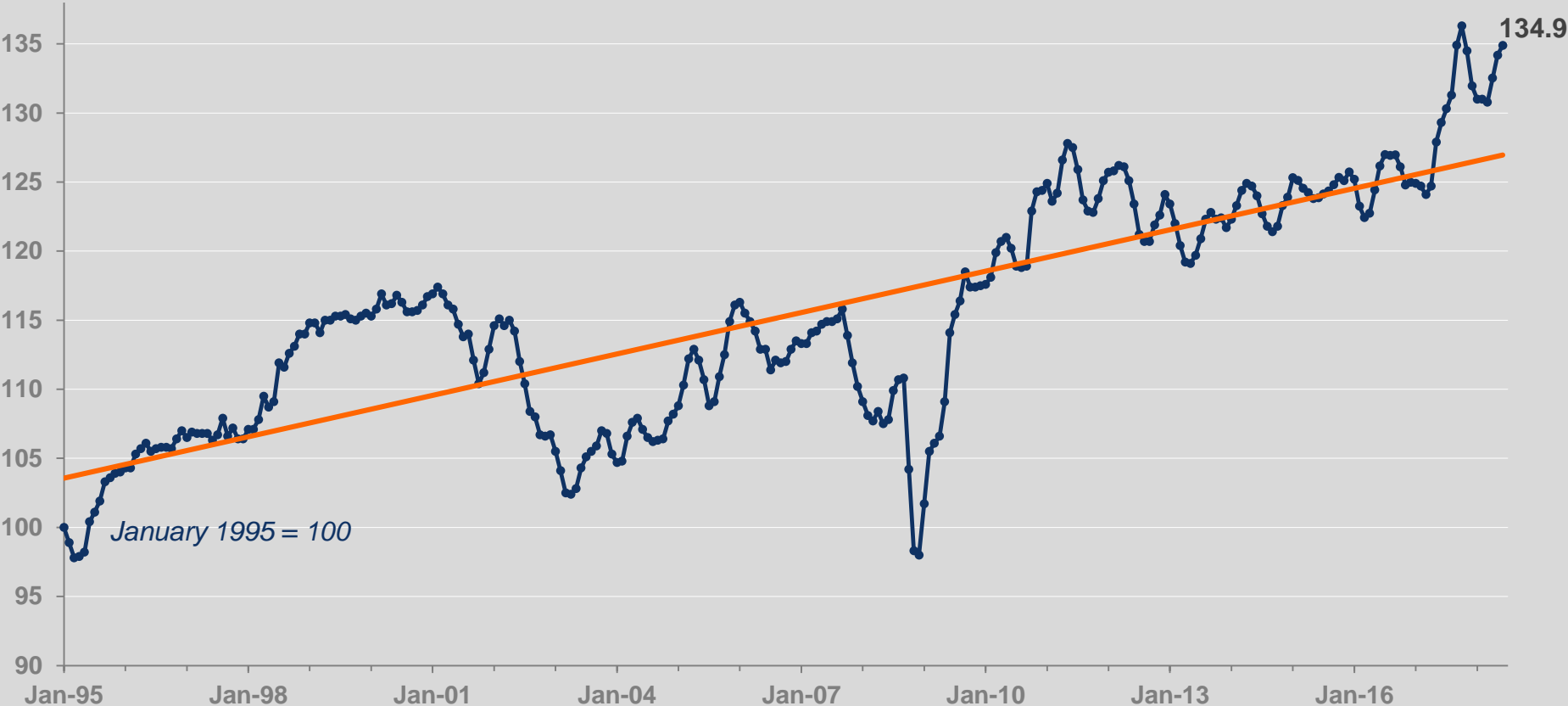
**Concept:** A single measure of used vehicle price change that is independent of underlying segment shifts in the characteristics of vehicles being sold

**Steps:**

- All Manheim U.S. sales
- Classify by market segment
- Account for differences in mileage
- Weight to provide unchanging segment mix
- Seasonally adjust

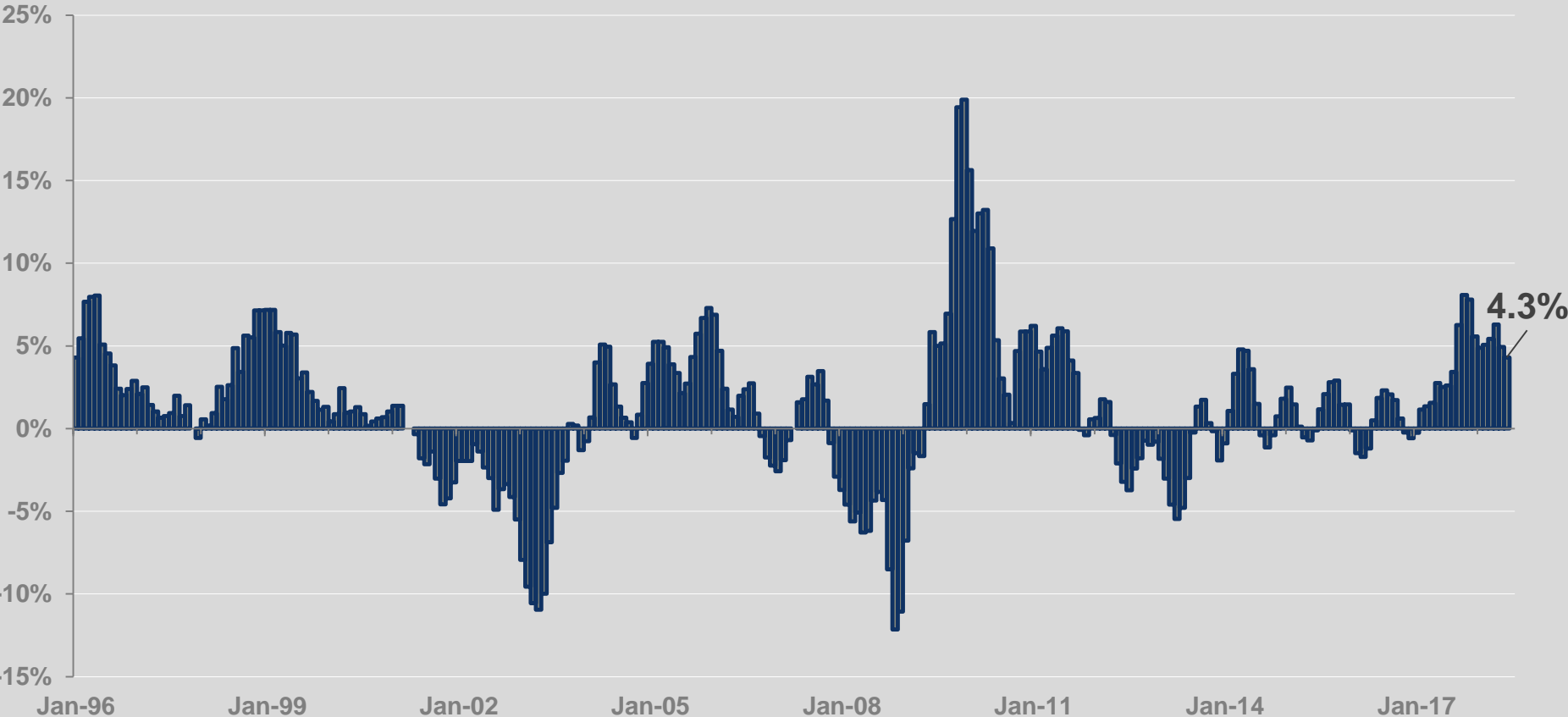
# Manheim Used Vehicle Value Index Up Third Consecutive Month

Prices in June increased 0.5% versus May 2018 and were up 4% compared to June 2017



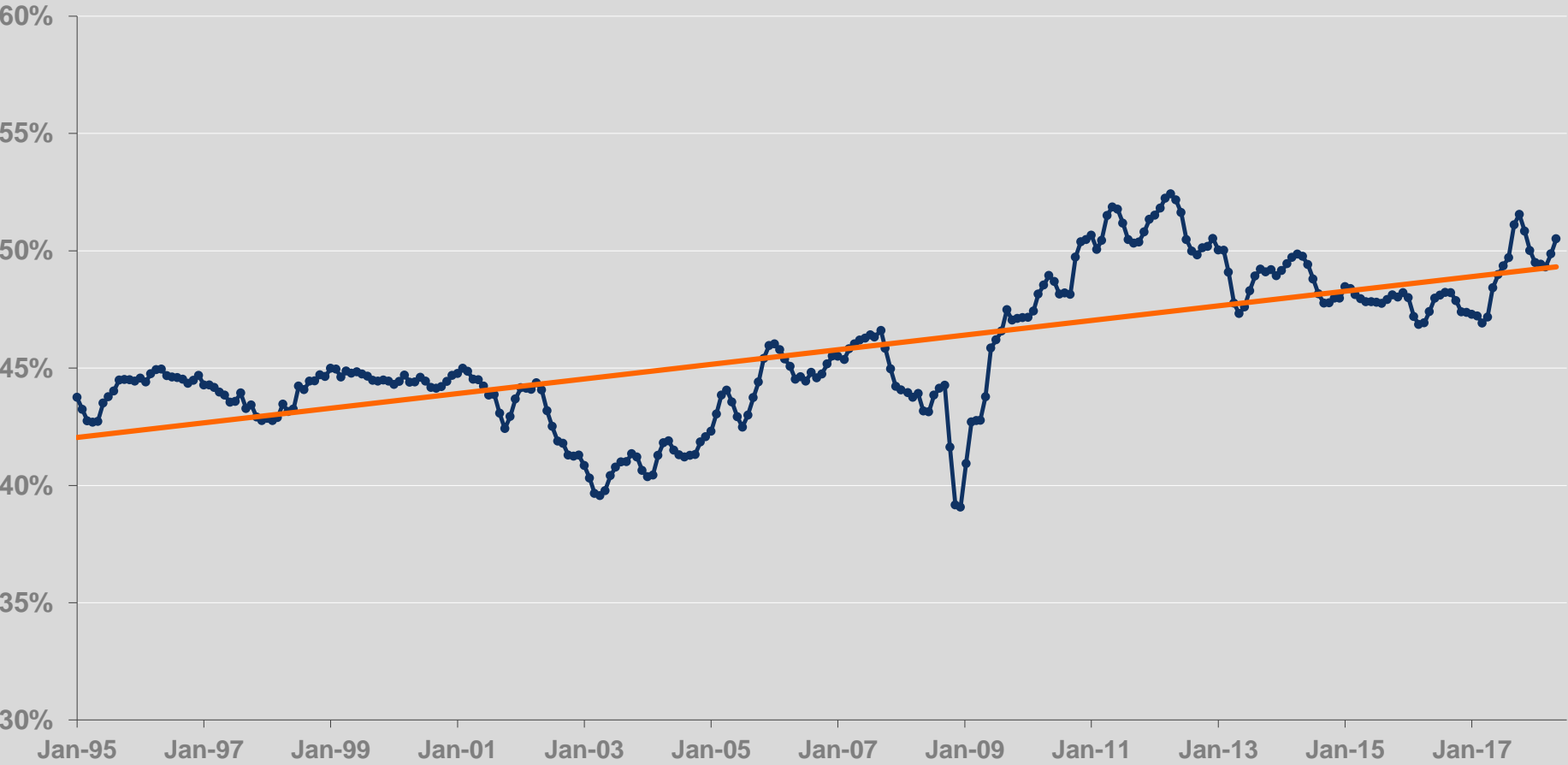
# Manheim Used Vehicle Value Index – Y/Y Trend

Year-over-year price performance has been much stronger than average over the last 12 months



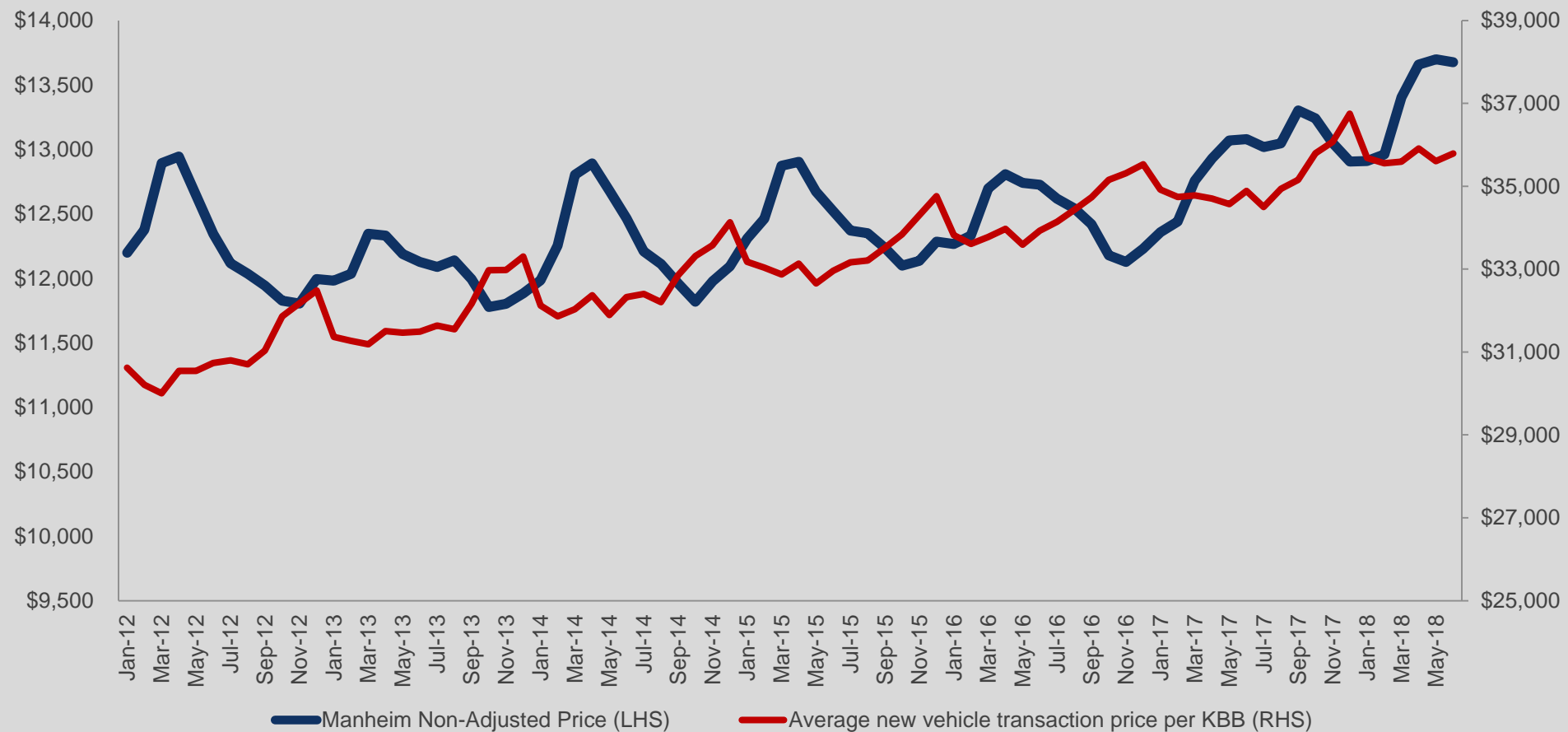
# Manheim Index versus Mix & Quality Adjusted New Vehicle Price with 3 ½ year Lag

After recent increases, used prices have shifted above the new vehicle price trend



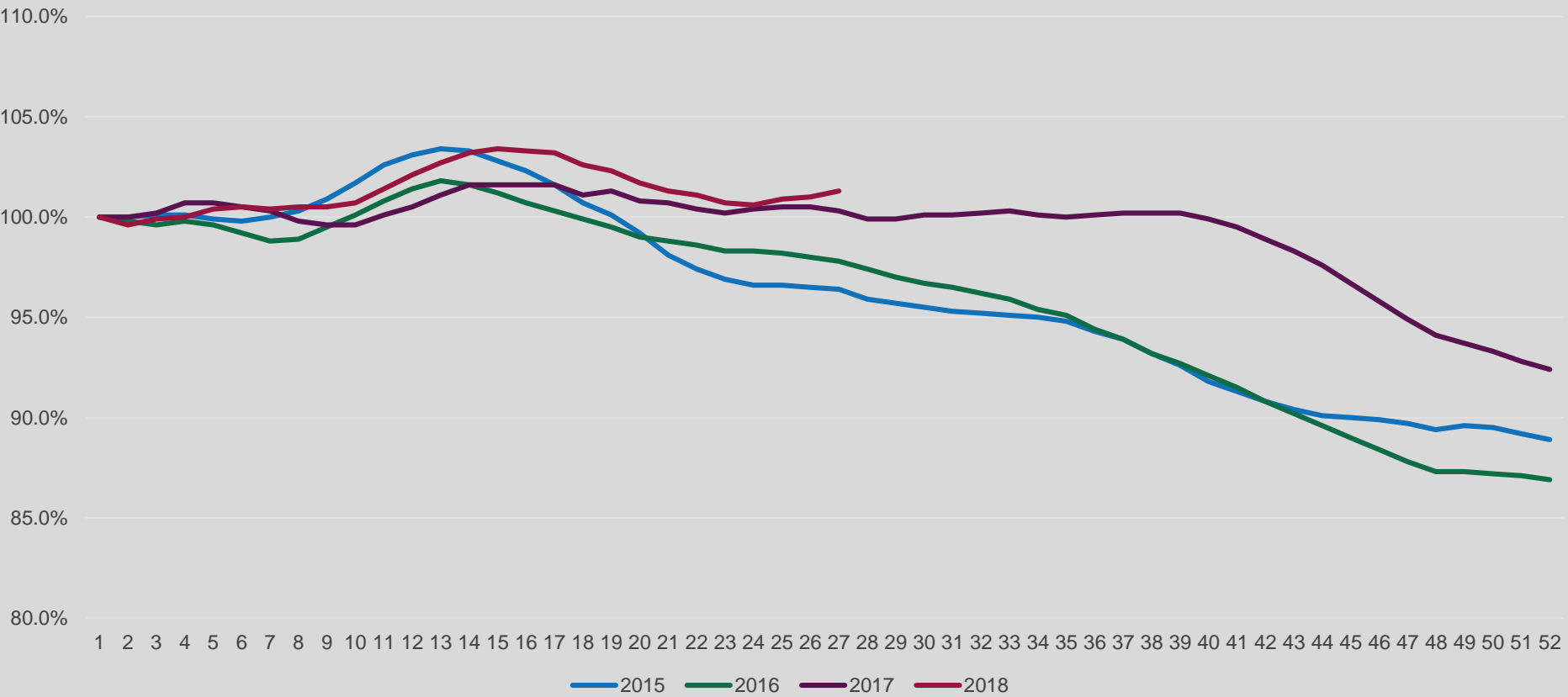
# Wholesale Used Vehicle Prices vs. New Vehicle Prices

Y/Y new prices now up 3% while wholesale up 5% and inflation up 2%



# 3-Year-Old Vehicles Saw Abnormal Depreciation Pattern in 2017

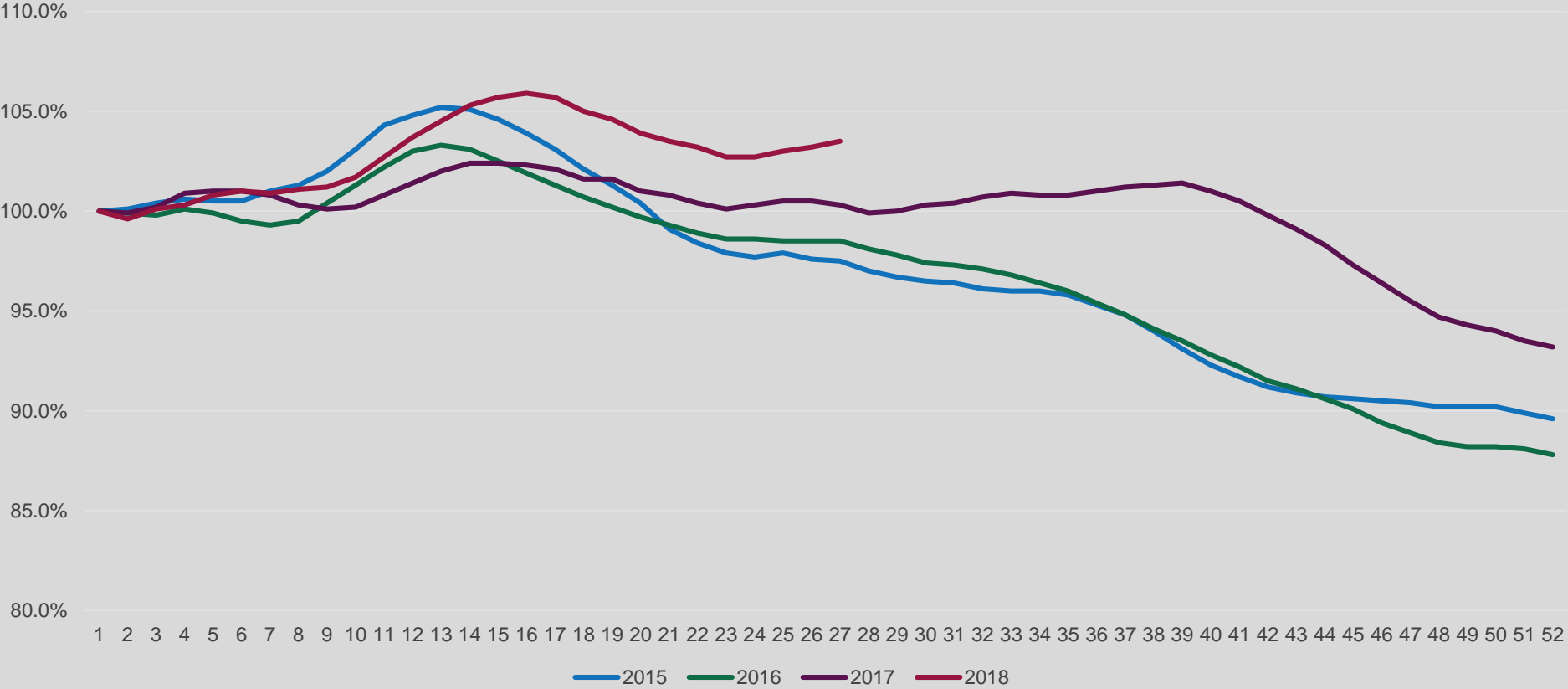
2018 saw a strong spring bounce and now another upward trend  
3-Year-Old Model MMR Index by Week





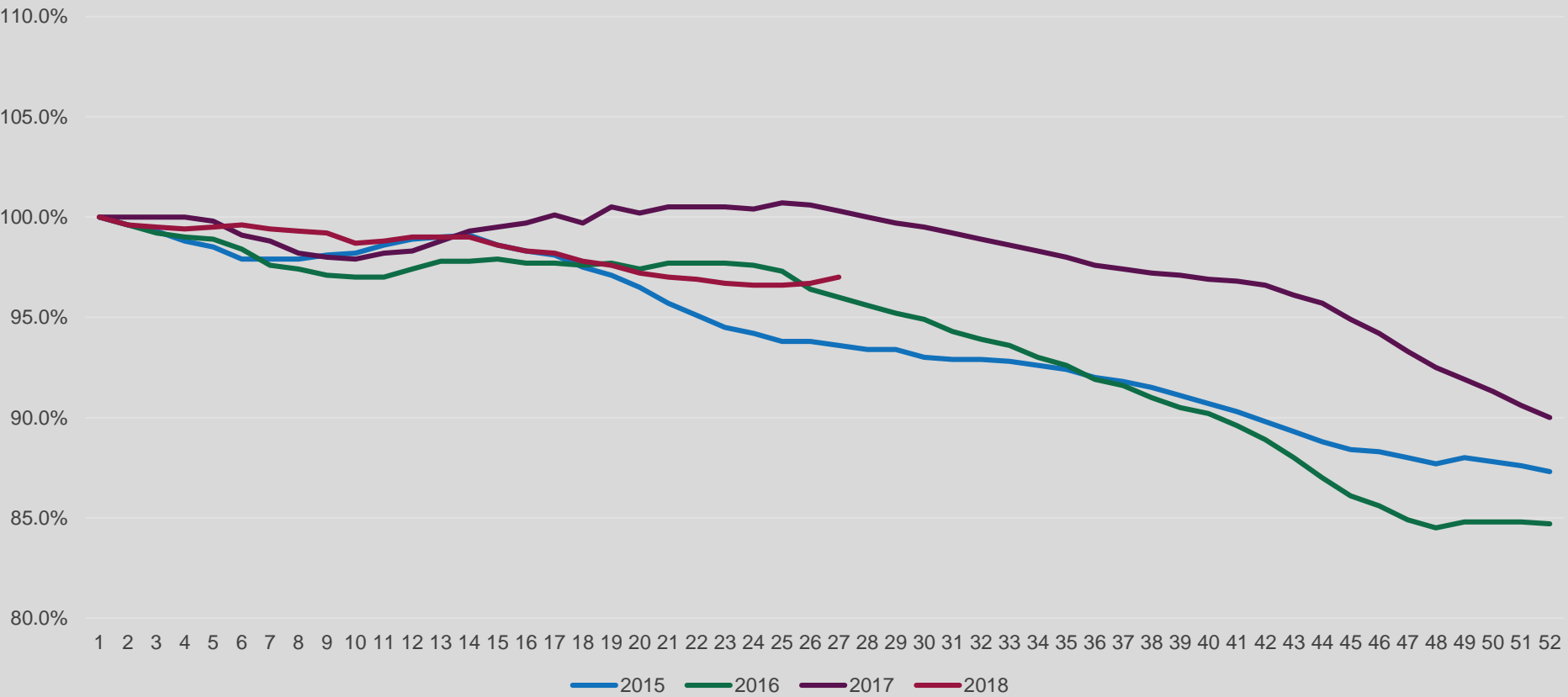
# 3-Year-Old Vehicles Saw Abnormal Depreciation Pattern in 2017

Non-Luxury 3-Year-Old Vehicles have seen a strong second quarter  
3-Year-Old Non-Luxury Model MMR Index by Week

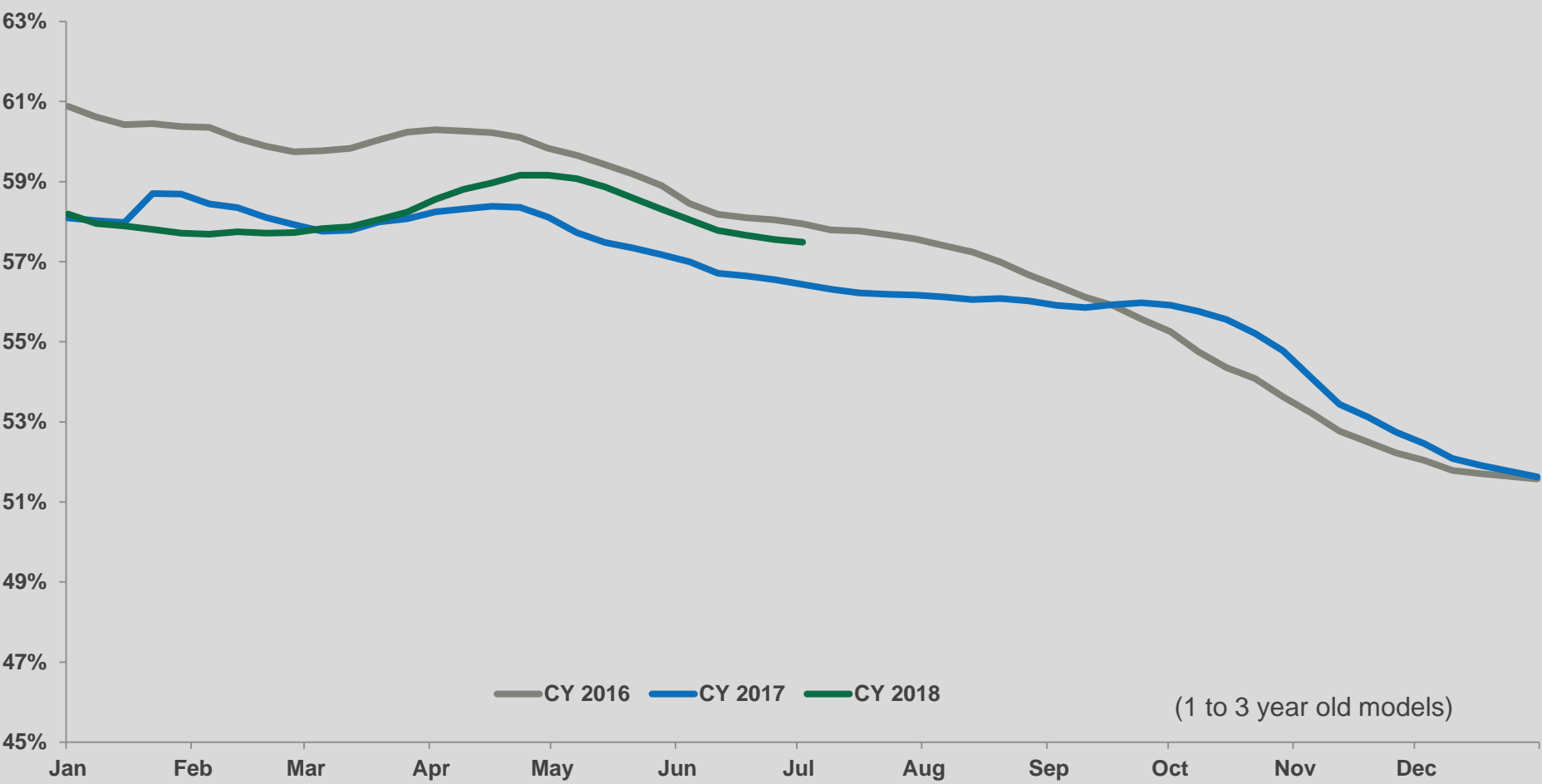


# 3-Year-Old Vehicles Saw Abnormal Depreciation Pattern in 2017

Luxury 3YO models have not seen the same strength but now on upward trend  
3-Year-Old Luxury Model MMR Index by Week



# Retention Values Now Up From Last Year

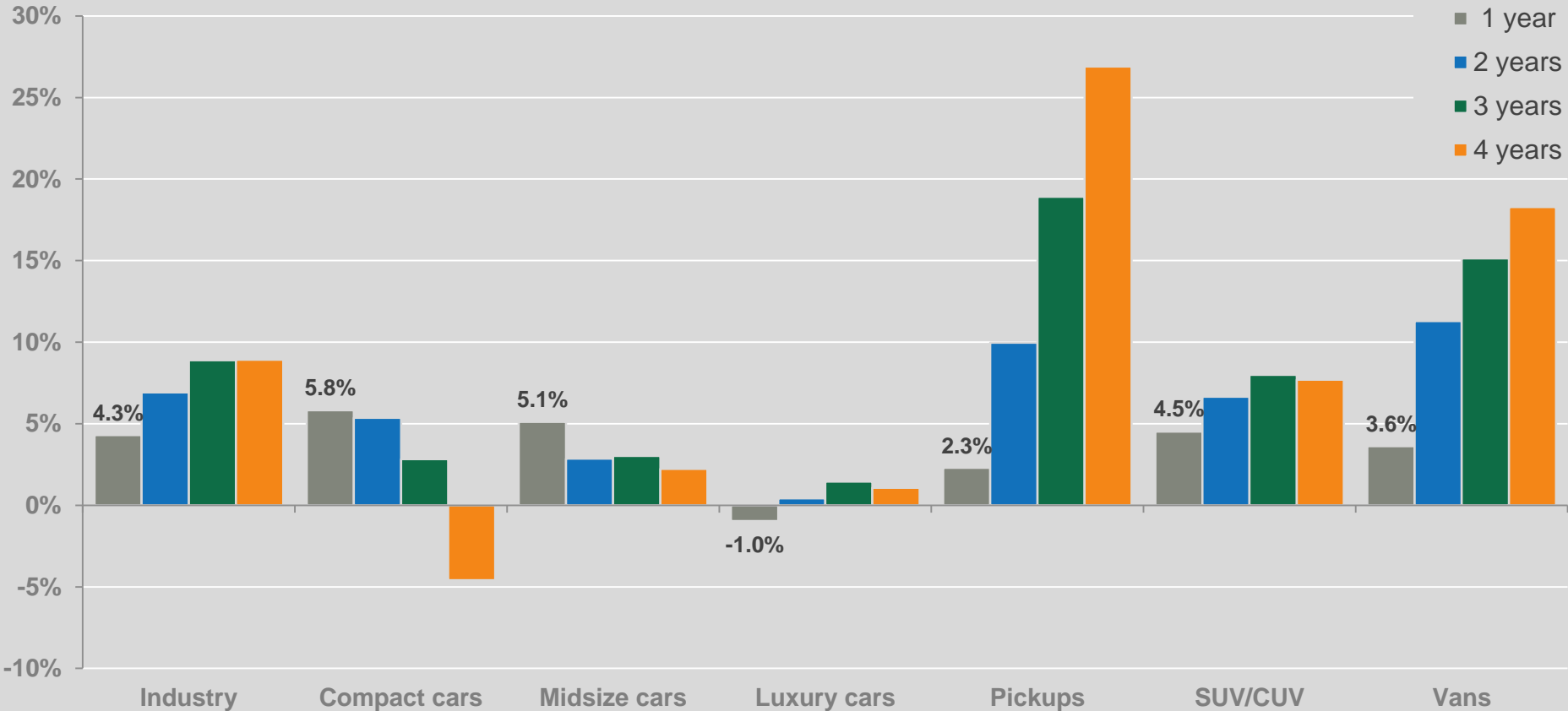


— CY 2016 — CY 2017 — CY 2018

(1 to 3 year old models)

# Percent Change in Wholesale Prices for Major Market Segments

Most major segments saw year-over-year gains in June

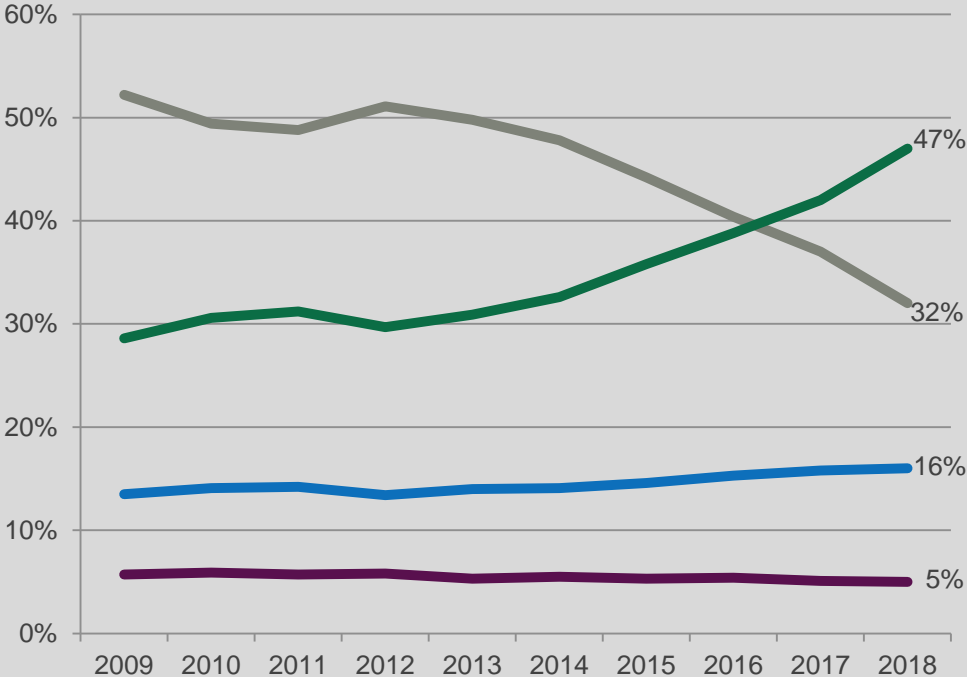


# Shifting Consumer Preferences Not Reflected in Used Volumes

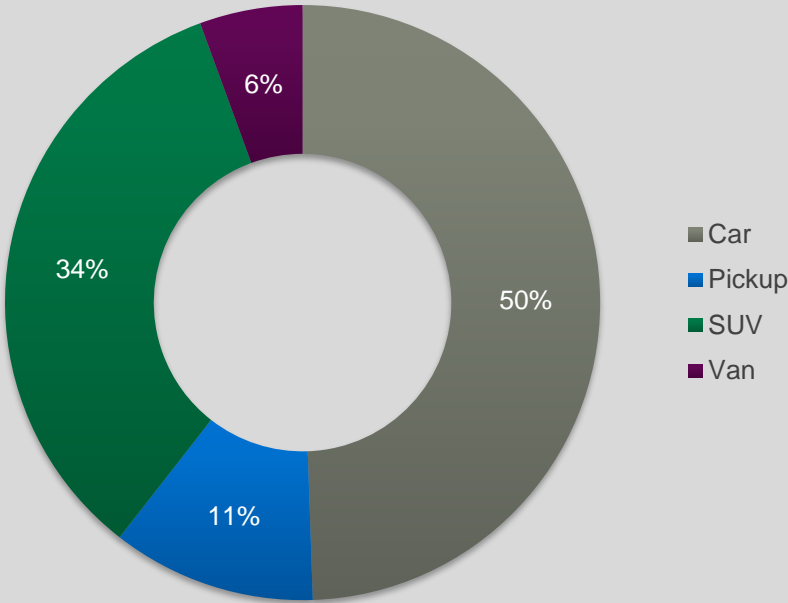
Cars still dominate the wholesale market, while the SUV reigns supreme in new

### New Vehicle Sales by Category

CAR PICKUP SUV VAN

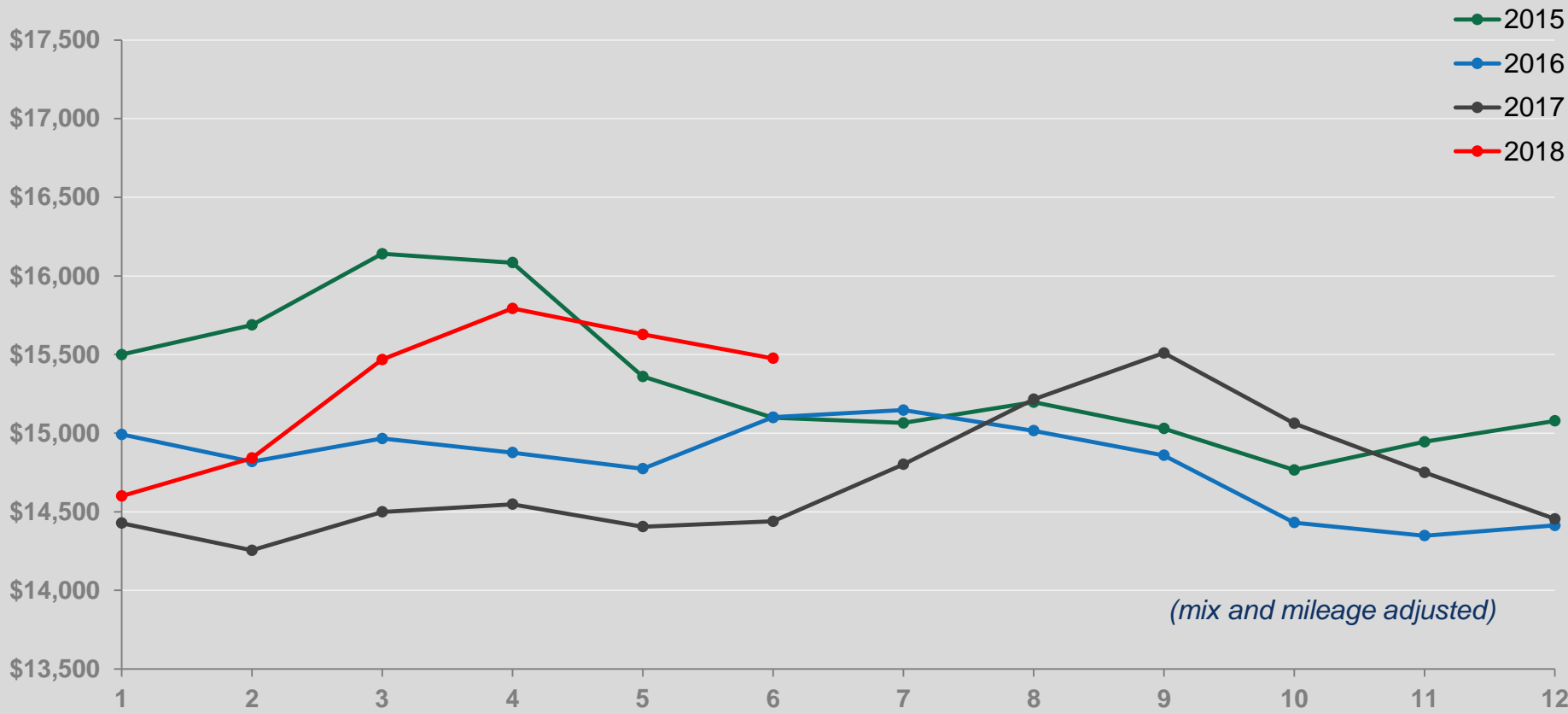


### Manheim Sales in June



# Average Auction Price – Rental Risk Units

Average price for rental risk units sold in June up 7% y/y and down 1% m/m



# Average Mileage – Rental Risk Units Sold at Auction

Average mileage for rental risk units sold in June was up 5% y/y

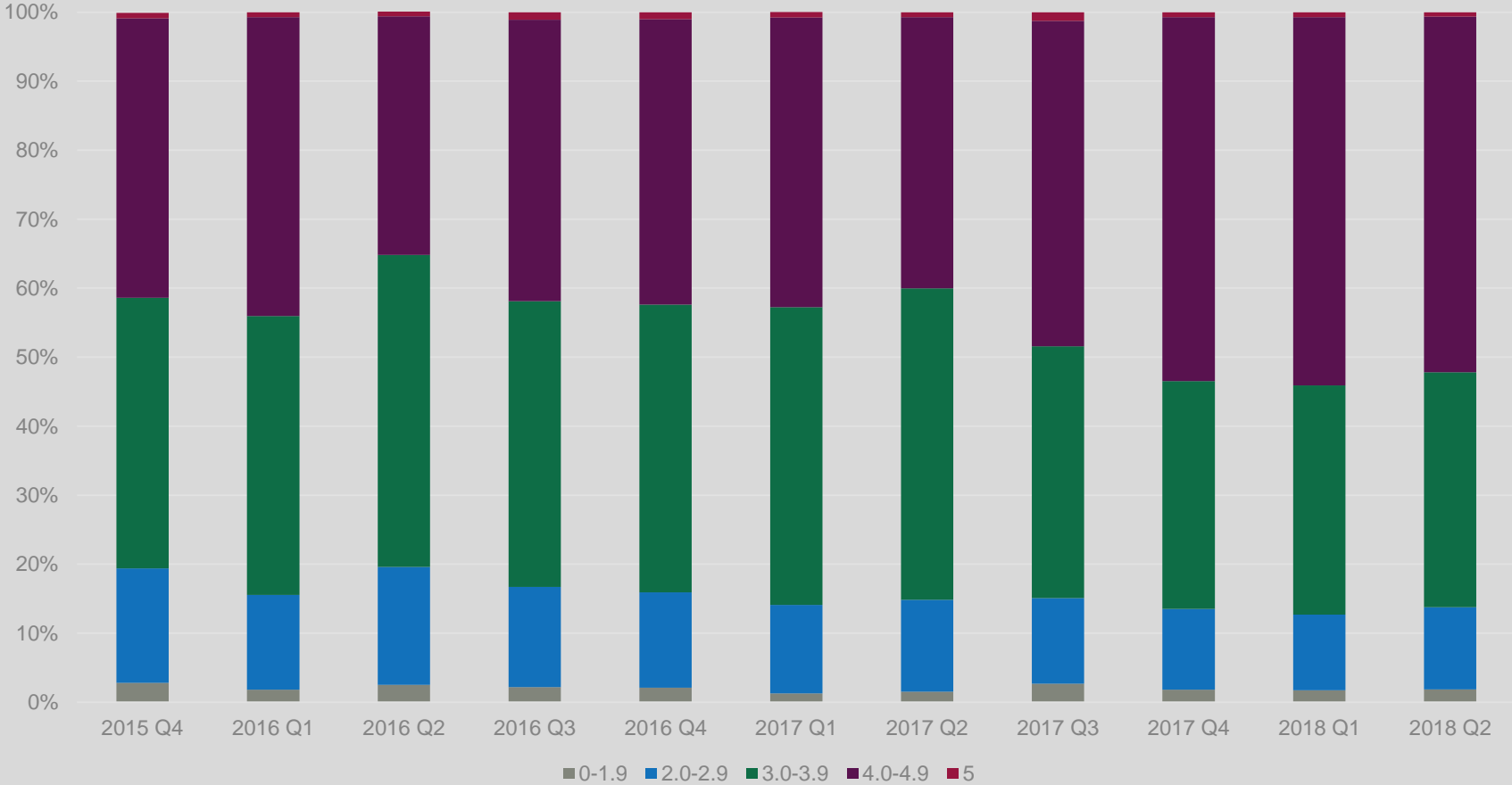


# Distribution of Rental Risk Vehicles

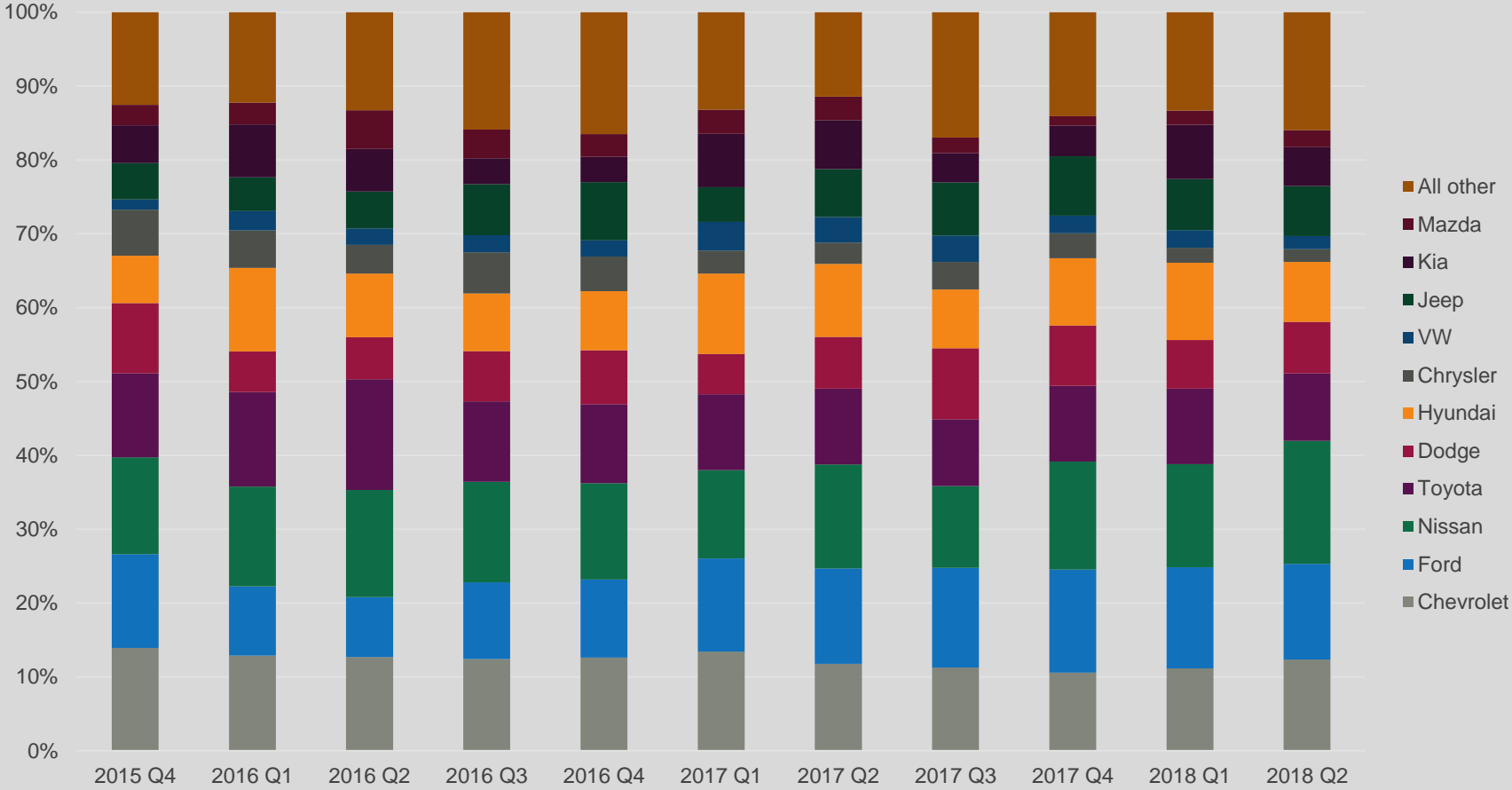
	2016 Q2	2017 Q2	2018 Q2
Number of unique year, make, model, body configurations sold	3,469	2,624	3,023
Share accounted for top 10 YMMB	20.0%	16.0%	13.5%
Share accounted for top 25 YMMB	33.0%	29.6%	22.9%
Number of YMMB to reach 50% share	66	70	109



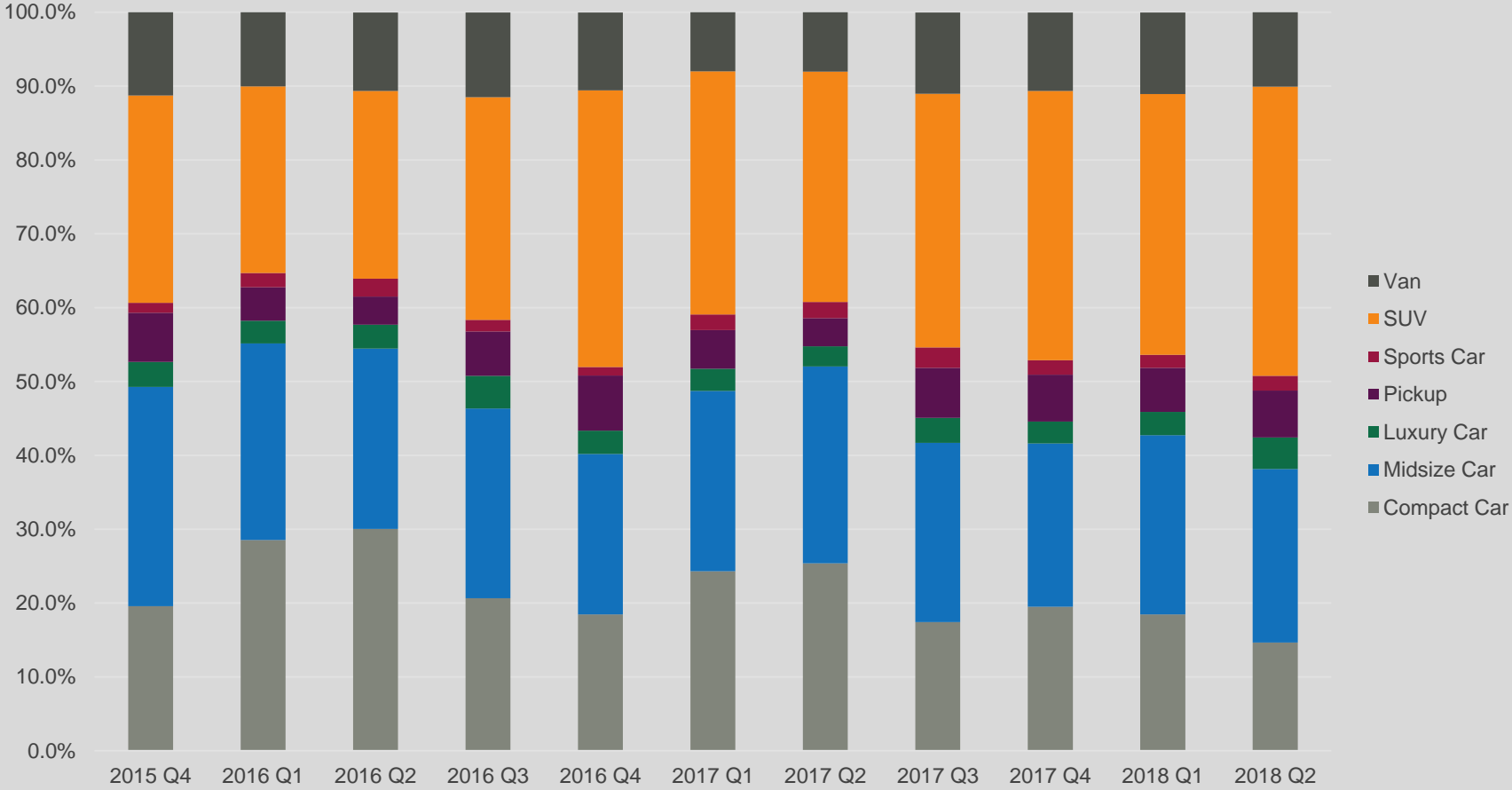
# Rental Risk Units Sold by Condition



# Rental Risk Units Sold by Make



# Rental Risk Units Sold by Market Segment



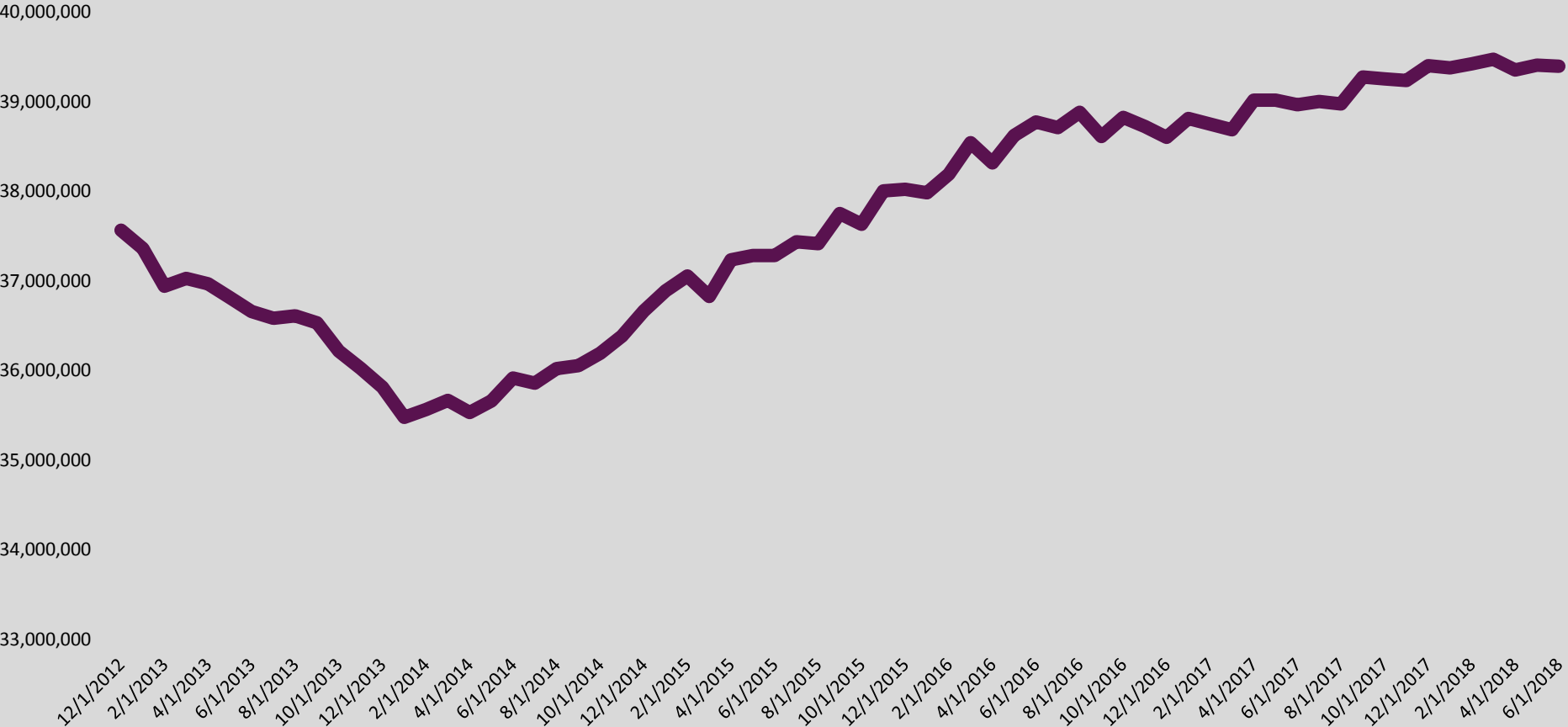
# Manheim Market Report (MMR) Vehicle Insights

Most top selling vehicles in June at Manheim showed no depreciation or even appreciation in the last 30 days (June 2- July 2), while depreciation over the last 12 months has been varied.

Rank	Source(Rank)	Category	Subcategory	Vehicle	2-Jul	Past 30 Days	Last Year	Current Dep	L12M Dep/Mo
1	All	Midsized Car	Midsized Car Premium	2015 NISSAN ALTIMA 4C 4D SEDAN S	\$10,600	\$10,600	\$10,650	0.0%	0.0%
2	All	Midsized Car	Midsized Car Entry	2018 KIA OPTIMA 4D SEDAN 2.4L LX	\$14,850	\$15,100		-1.7%	
3	All	Midsized Car	Midsized Car Entry	2018 KIA FORTE 4D SEDAN LX	\$12,650	\$12,900		-1.9%	
4	All	Luxury	Luxury Car Premium	2015 MERCEDES-BENZ C CLASS 4D SEDAN C300	\$21,100	\$21,000	\$26,500	0.5%	-1.7%
5	All	Van	Van Compact	2017 CHRYSLER PACIFICA 4D WAGON TOURING-L	\$20,600	\$20,500	\$24,600	0.5%	-1.4%
1 Dealer	Dealer	Midsized Car	Midsized Car Premium	2015 NISSAN ALTIMA 4C 4D SEDAN S	\$10,600	\$10,600	\$10,650	0.0%	0.0%
1 Lease	Lease	Midsized Car	Midsized Car Premium	2015 NISSAN ALTIMA 4C 4D SEDAN S	\$10,600	\$10,600	\$10,650	0.0%	0.0%
1 Rental	Rental	Midsized Car	Midsized Car Entry	2017 CHEVROLET MALIBU 4D SEDAN 1LT	\$13,650	\$13,600	\$15,600	0.4%	-1.0%

# Used Sales Have Plateaued at a 39.4 Million Annualized Rate

Annualized Used Vehicle Sales





## *Dealer Sentiment Points to Increasing Challenges*

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Cox Automotive's Q2 2018 Dealer Sentiment Index indicated that dealers were more positive about the current market than last year or last quarter, but their expectations for the next quarter (3Q 2018) were less optimistic than 90 days ago.

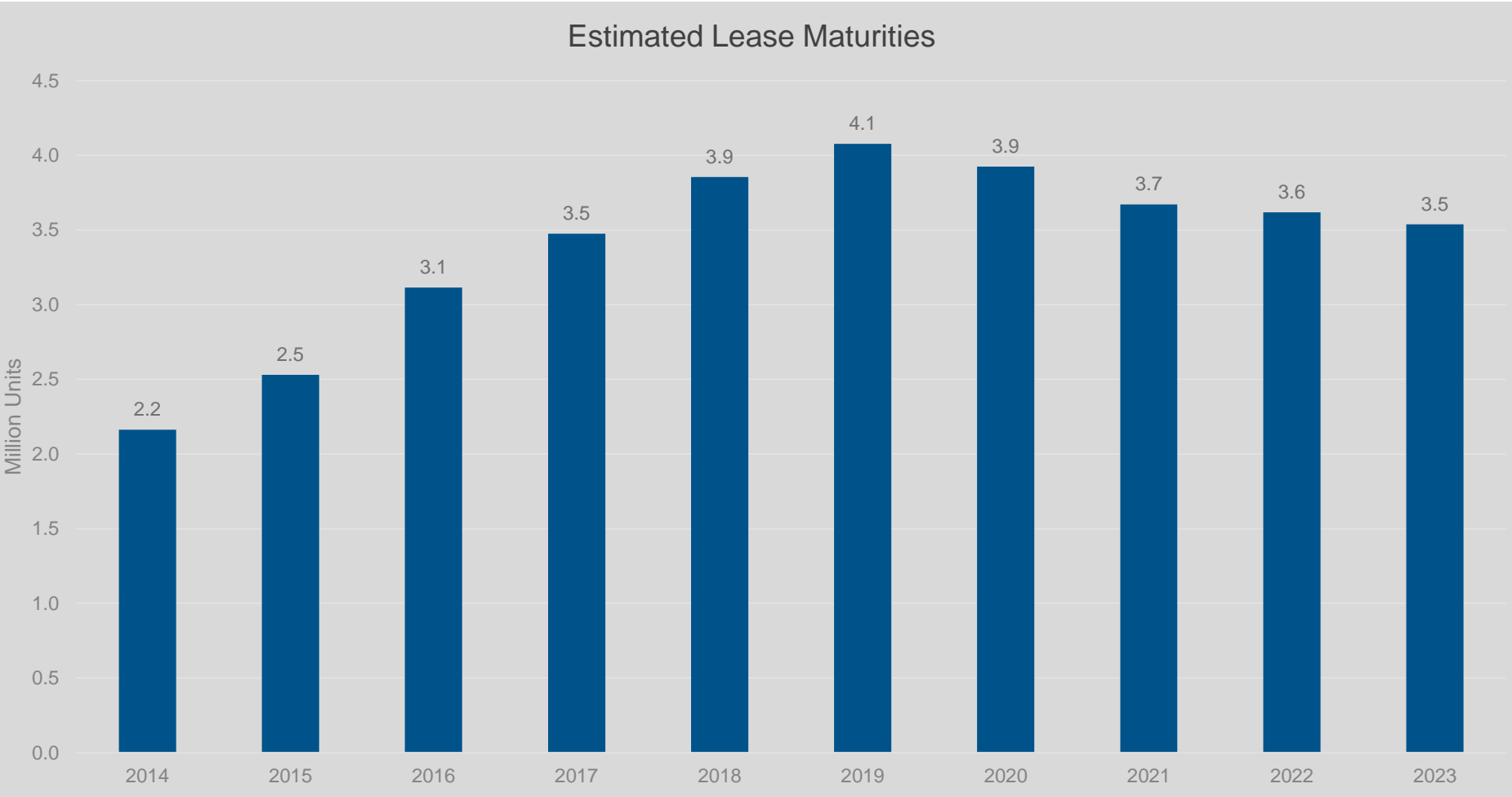
The index for the next three months was 56, still positive, with more dealers expecting conditions to be strong in the future compared to those who believe conditions will be weak. The index was far more positive at 70 in Q1.

Higher costs, inventory concerns and rising interest rates are likely driving dealers to believe the best times in this cycle may soon be in the rearview mirror.

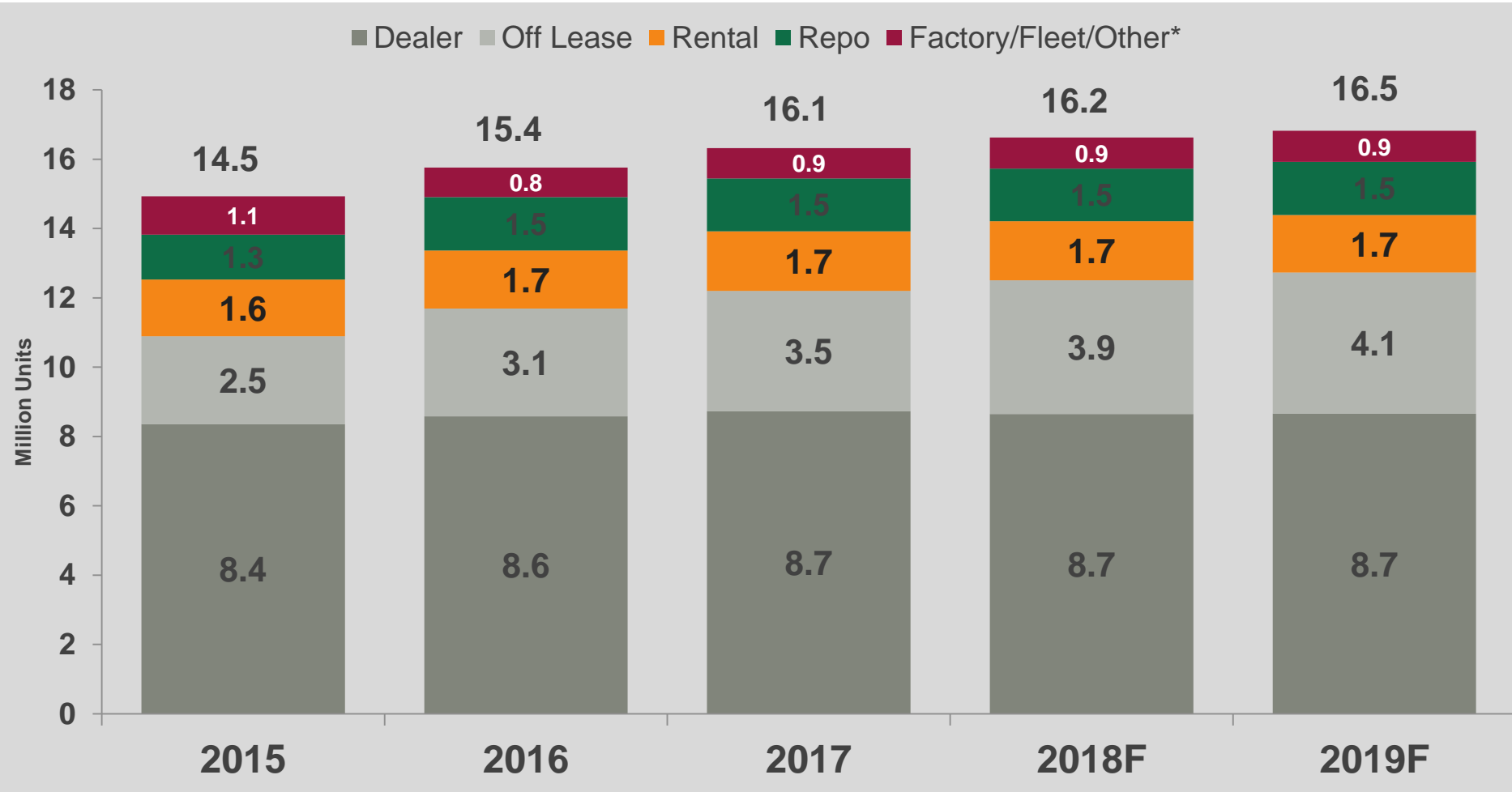
Franchises remain more positive than Independents. In fact, the decline in optimism was driven mostly by Independents.

Of note for the wholesale market, Independents reported that used vehicle inventory was declining.

# Growth of Off-Lease Is Decelerating and Nearing a Peak

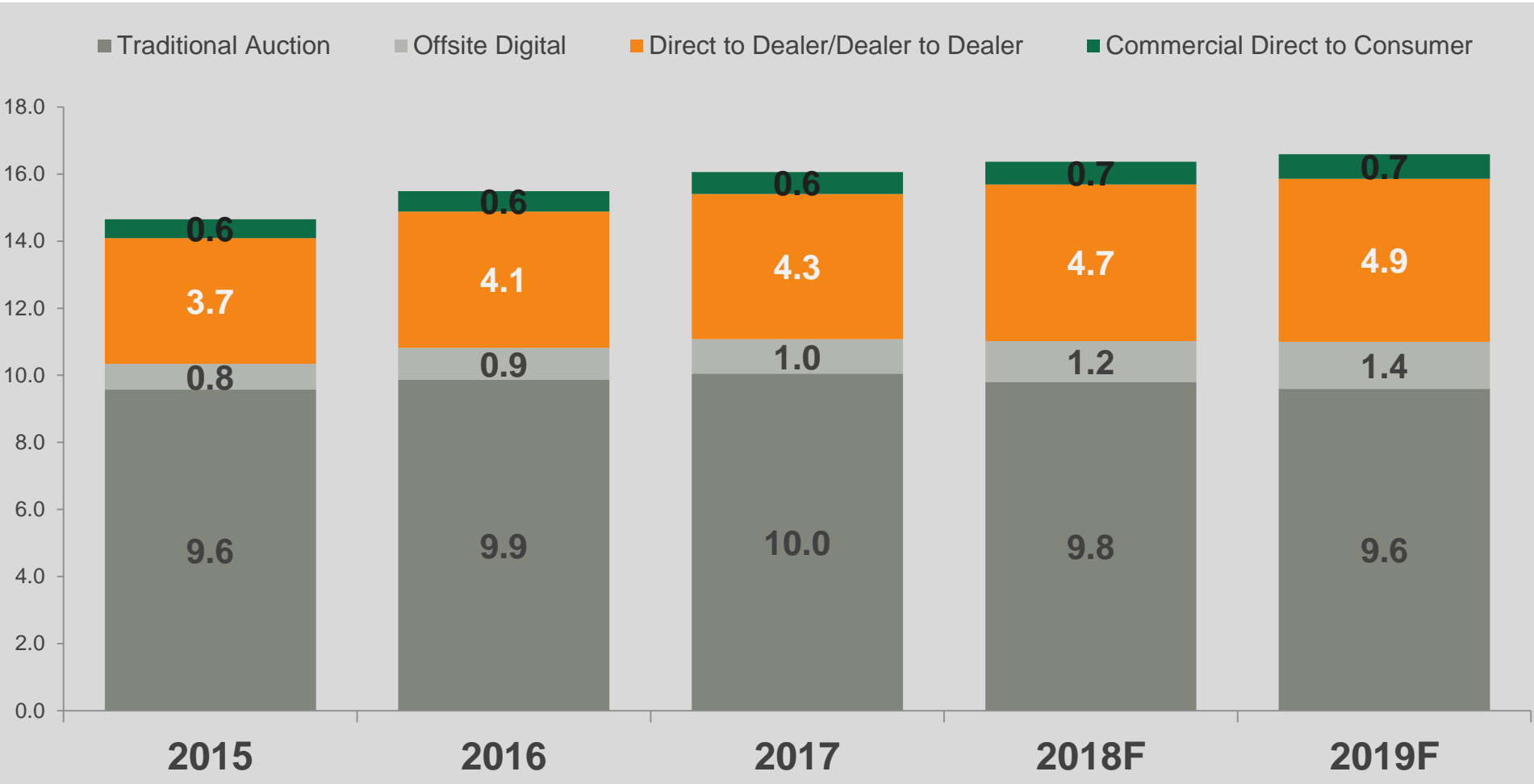


# Wholesale Market Expected to See Only Minor Growth





# Channel Growth Is Digital and Upstream





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