

Wholesale Market Insights

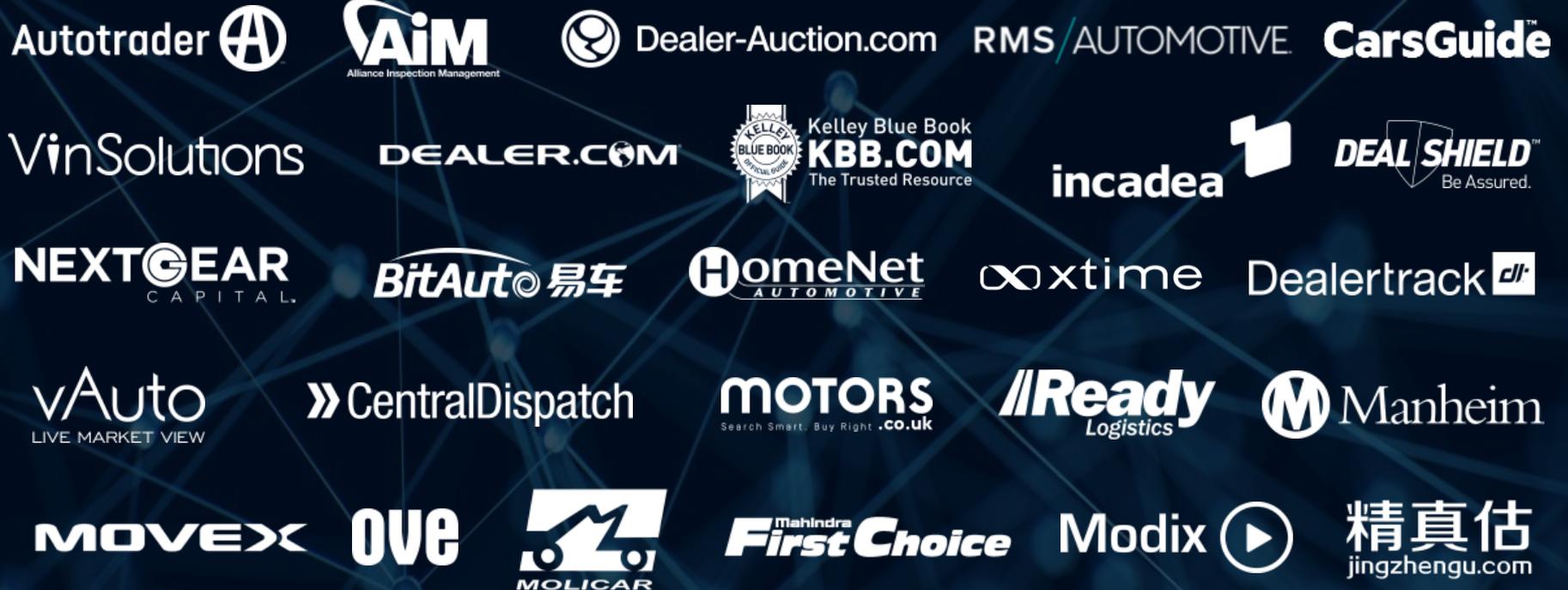
Through March 2019

Jonathan Smoke & Zo Rahim



COX AUTOMOTIVE™

TRANSFORMING THE WAY THE WORLD BUYS, SELLS & OWNS CARS



Manheim Used Vehicle Value Index

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

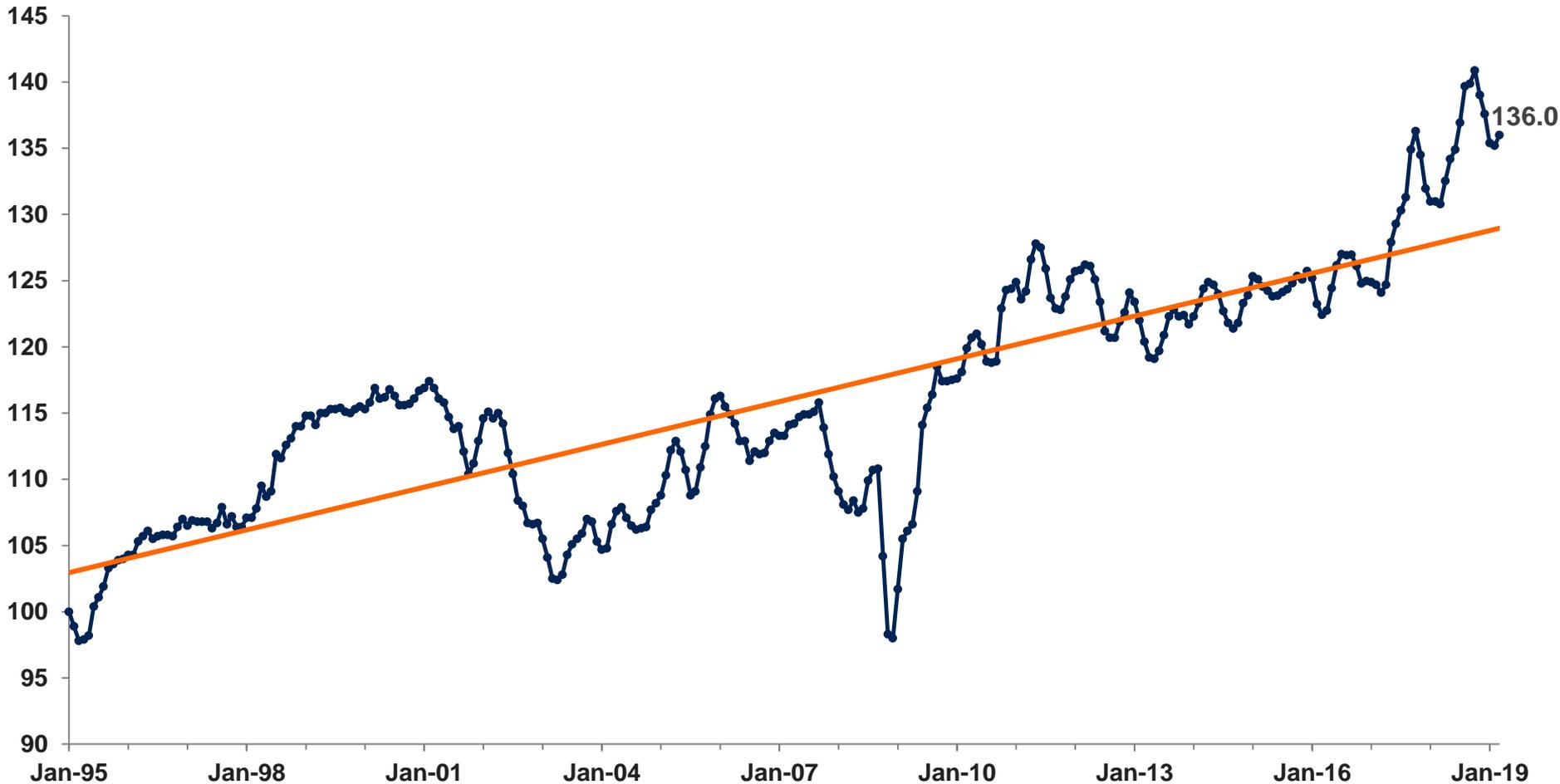
Account for differences in mileage

Weight to provide smoother segment mix

Seasonally adjust

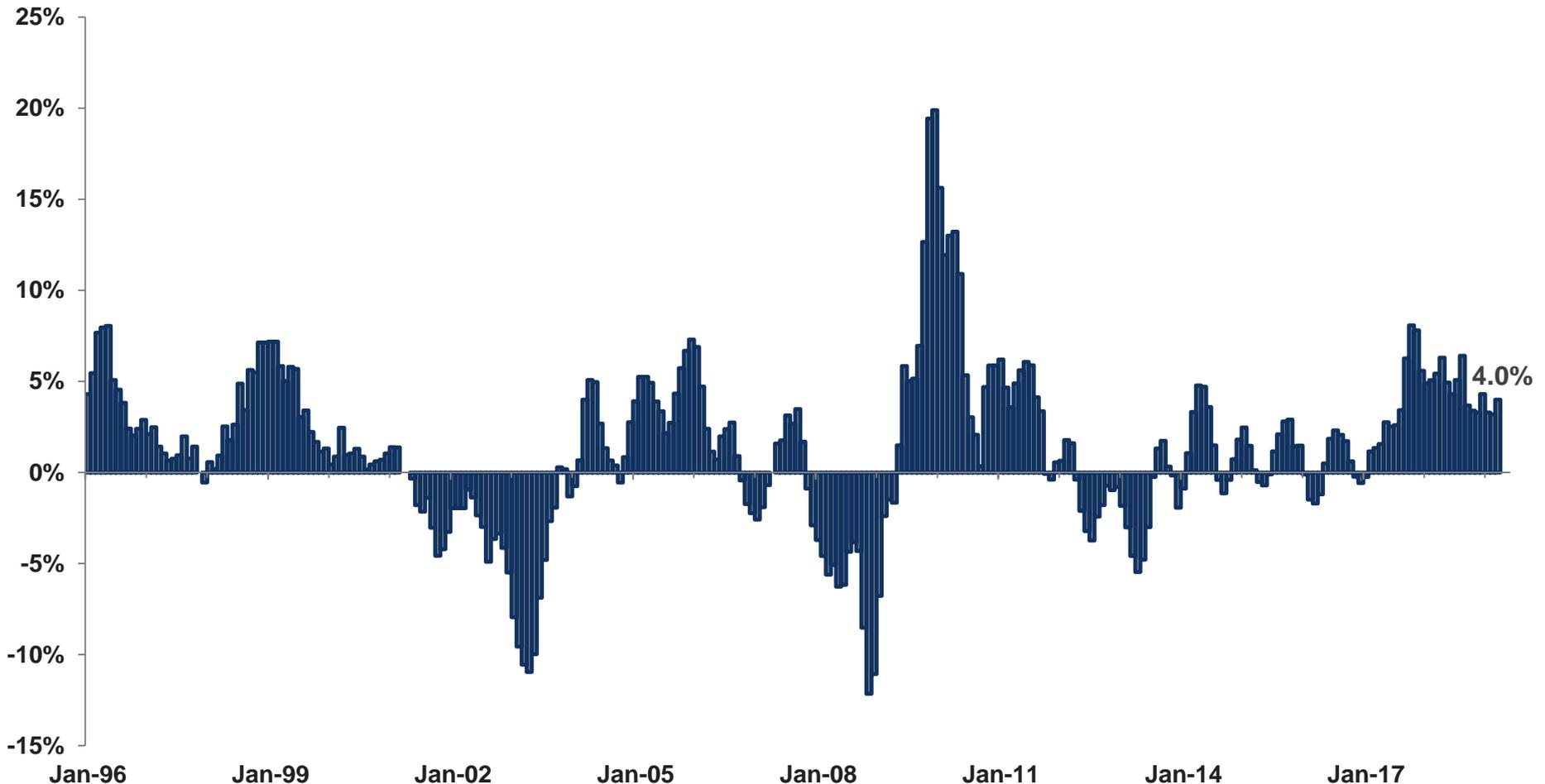
Used Vehicle Values Rebound with Start of Spring Bounce

Prices in March increased 0.58% versus February 2019 and were up 4.0% compared to March 2018



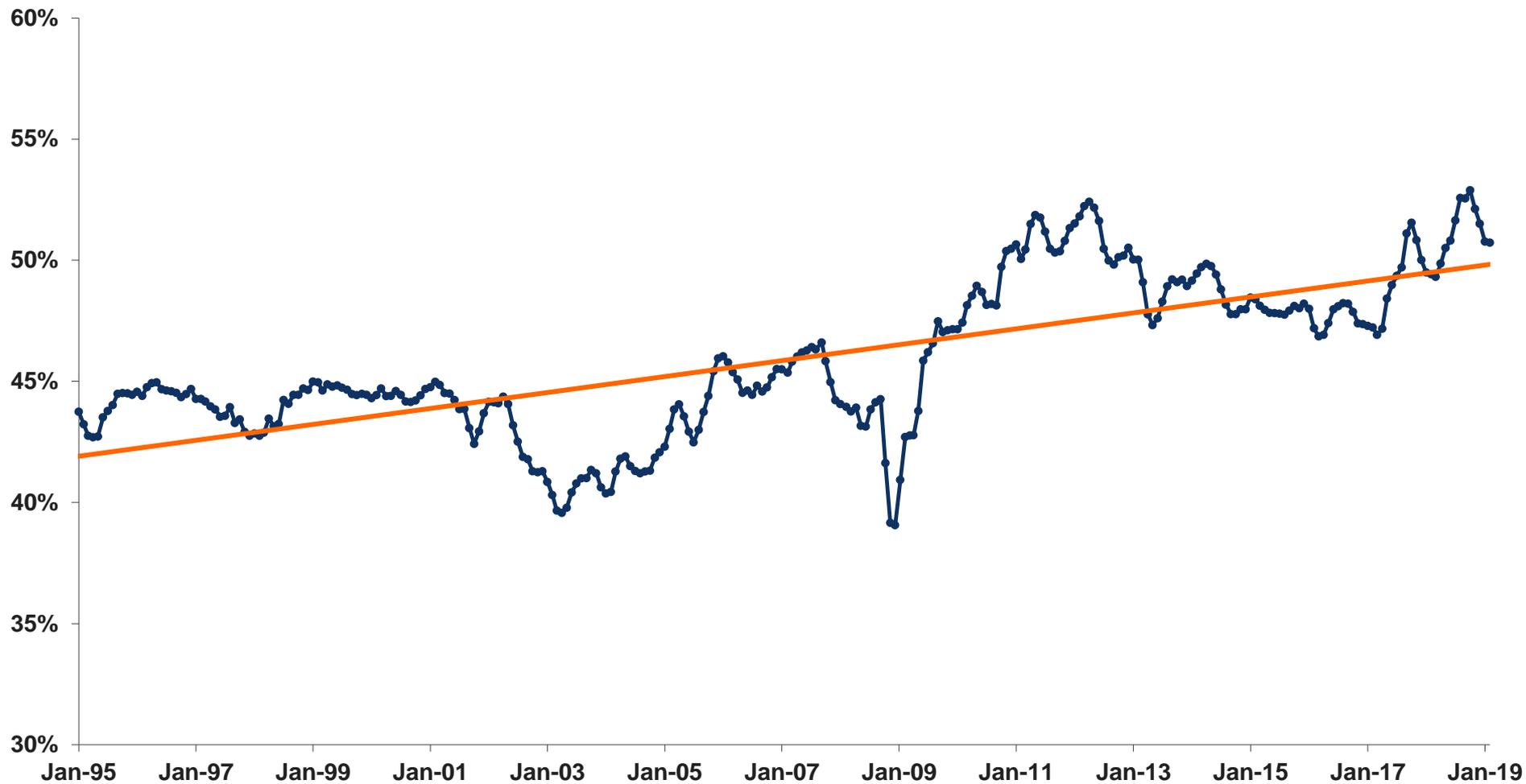
Used Vehicle Values Continue to Stay Above Average

Year-over-year price performance has been much stronger than average over the last 24 months

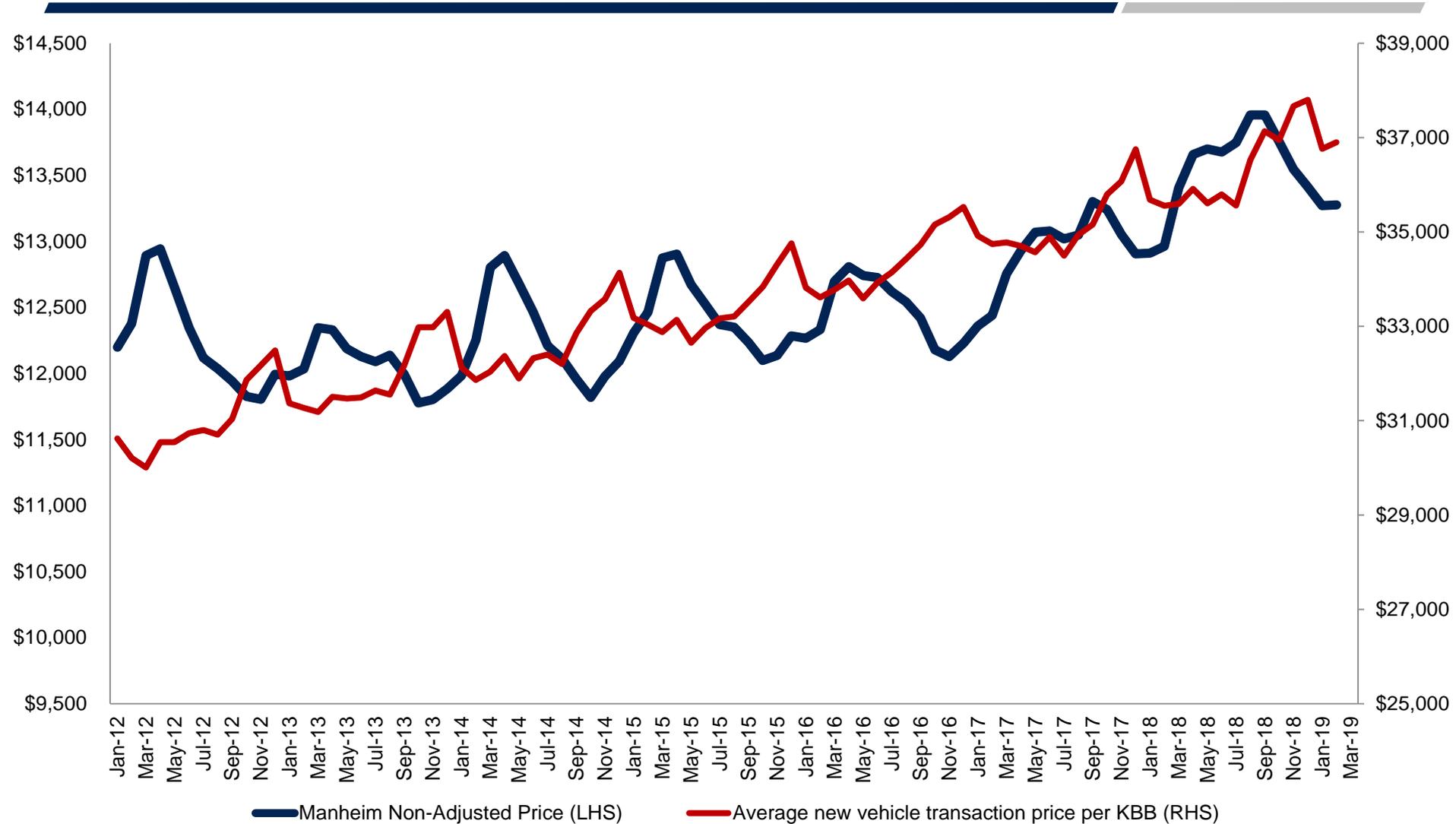


Manheim Index versus Mix & Quality Adjusted New Vehicle Price with 3 ½ year Lag

Used vehicle prices back closer to historical new vehicle price relationship trend



Wholesale Used Vehicle Prices vs. New Vehicle Prices

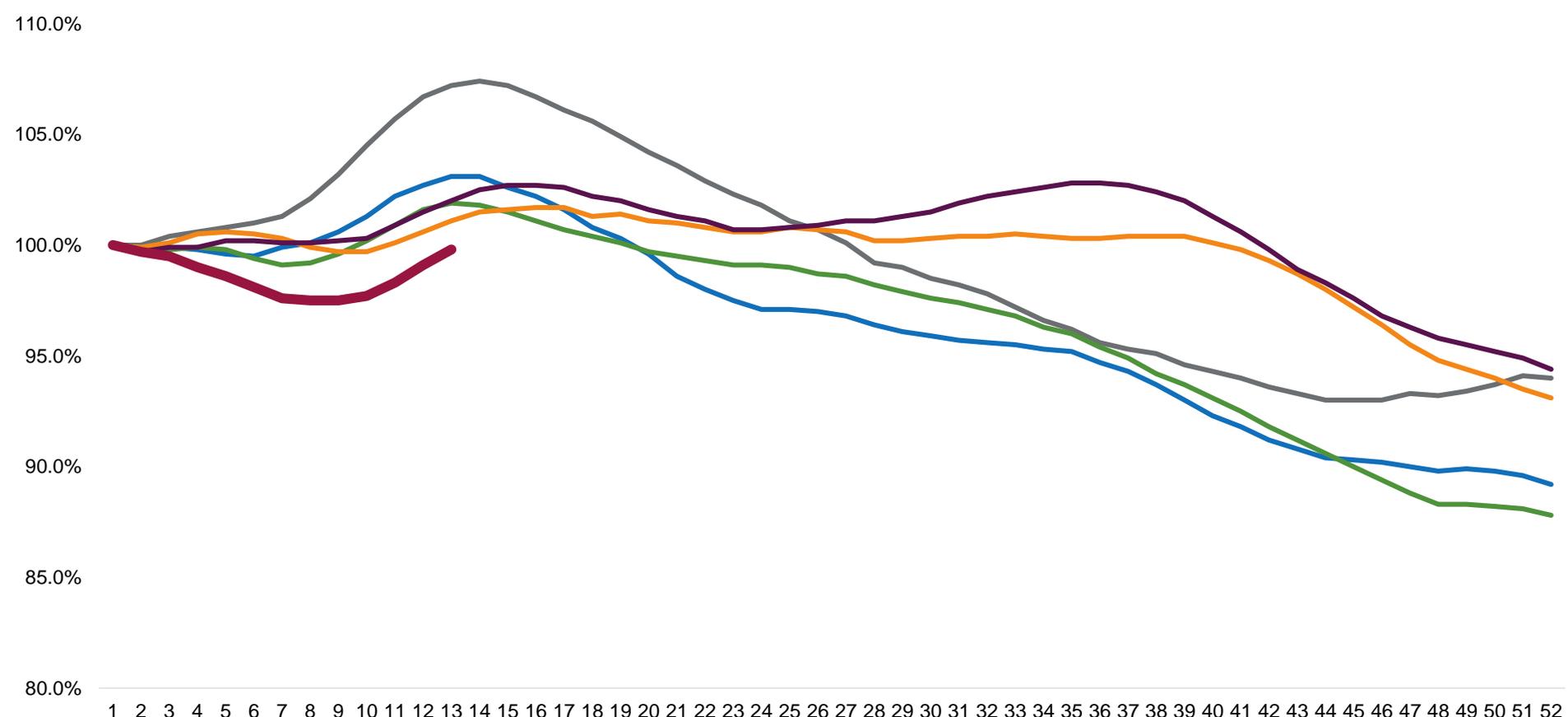


2019 Weekly Price Trend Started Weak But Now Moving Up

Much higher than normal depreciation for start of year led to lower prices but prices have since turned

3-Year-Old Model MMR Index by Week

— 2014 — 2015 — 2016 — 2017 — 2018 — 2019

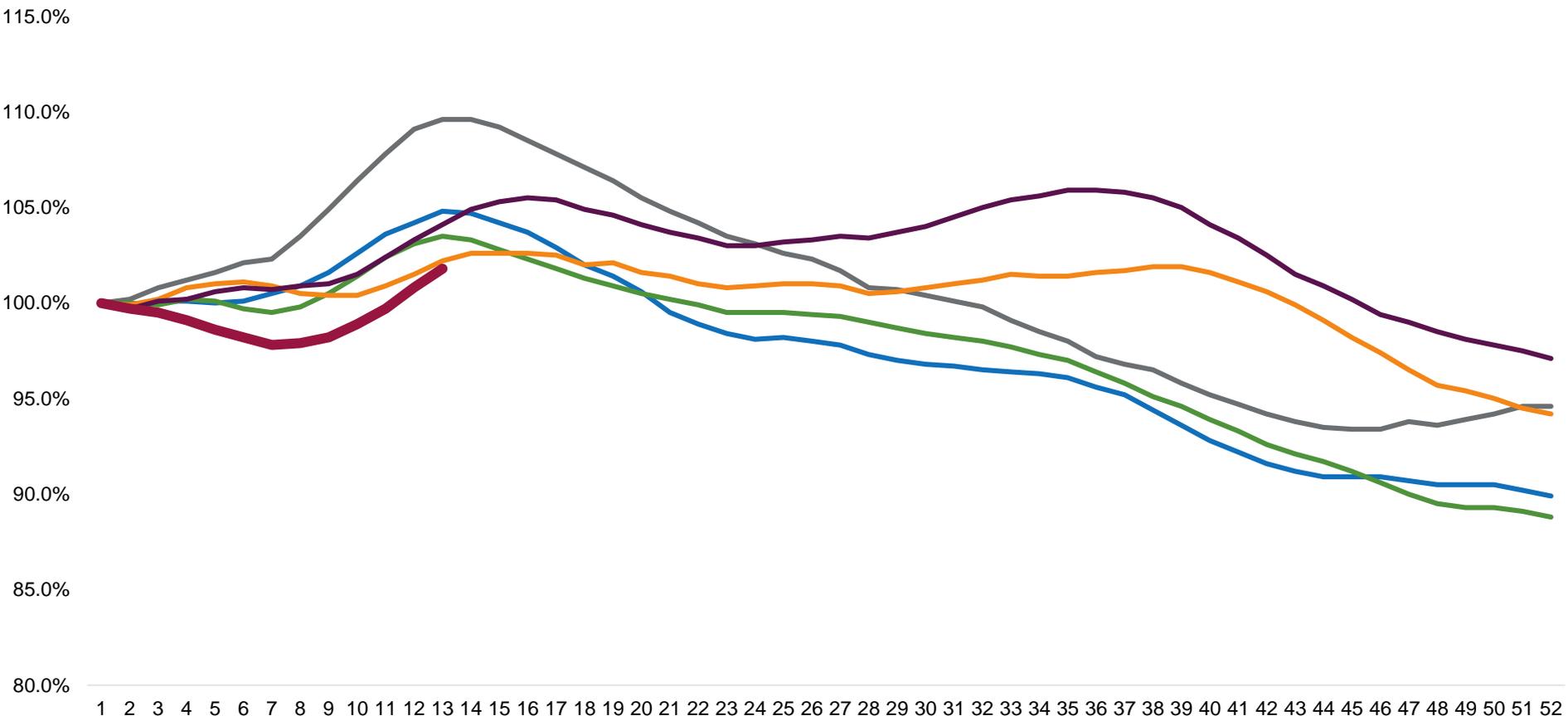


Spring Bounce Most Pronounced in Non-Luxury

Much higher than normal depreciation for start of year but now also improving

Non-Luxury 3YO Model MMR Index by Week

— 2014 — 2015 — 2016 — 2017 — 2018 — 2019

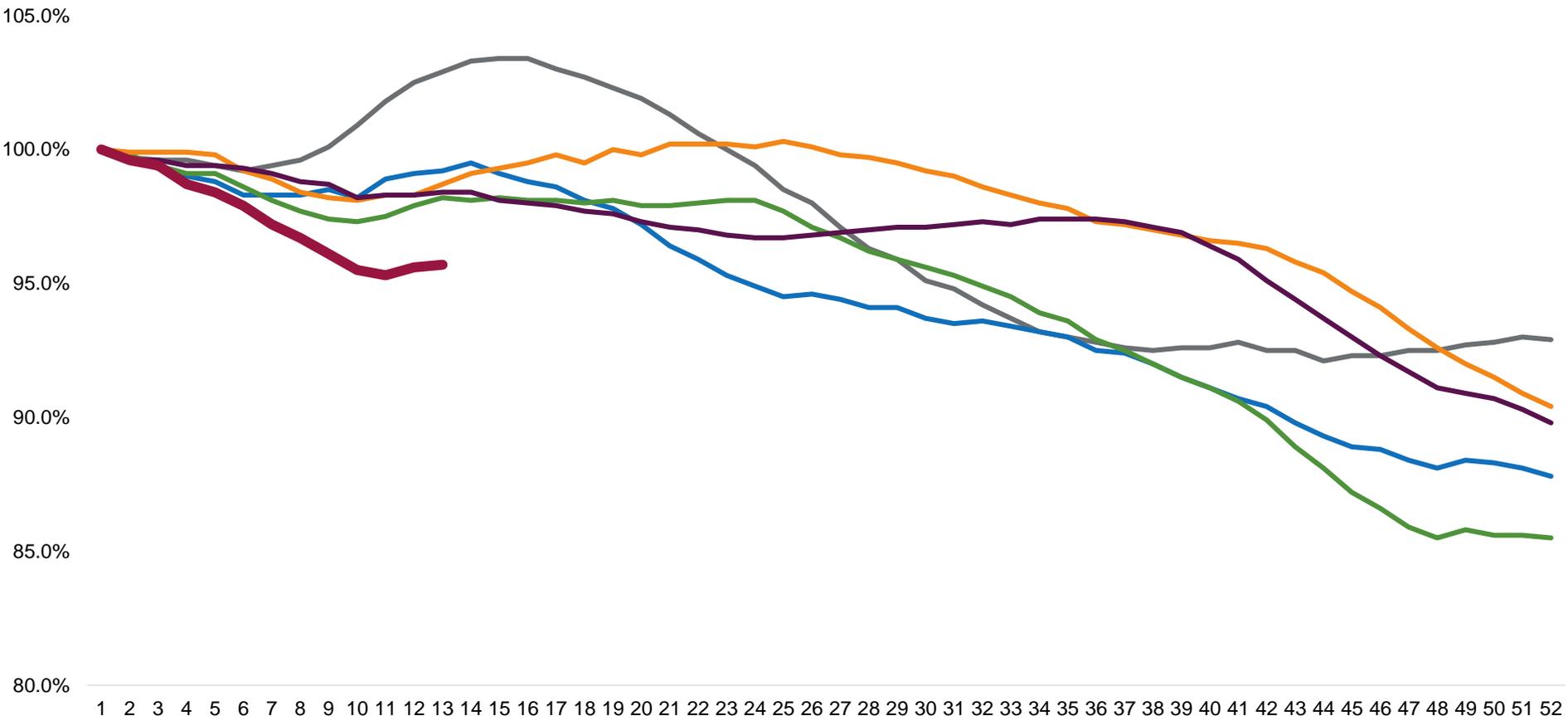


Luxury Seeing Far Less Bounce

Much higher than normal depreciation for start of year but now also improving

Luxury 3YO Model MMR Index by Week

— 2014 — 2015 — 2016 — 2017 — 2018 — 2019

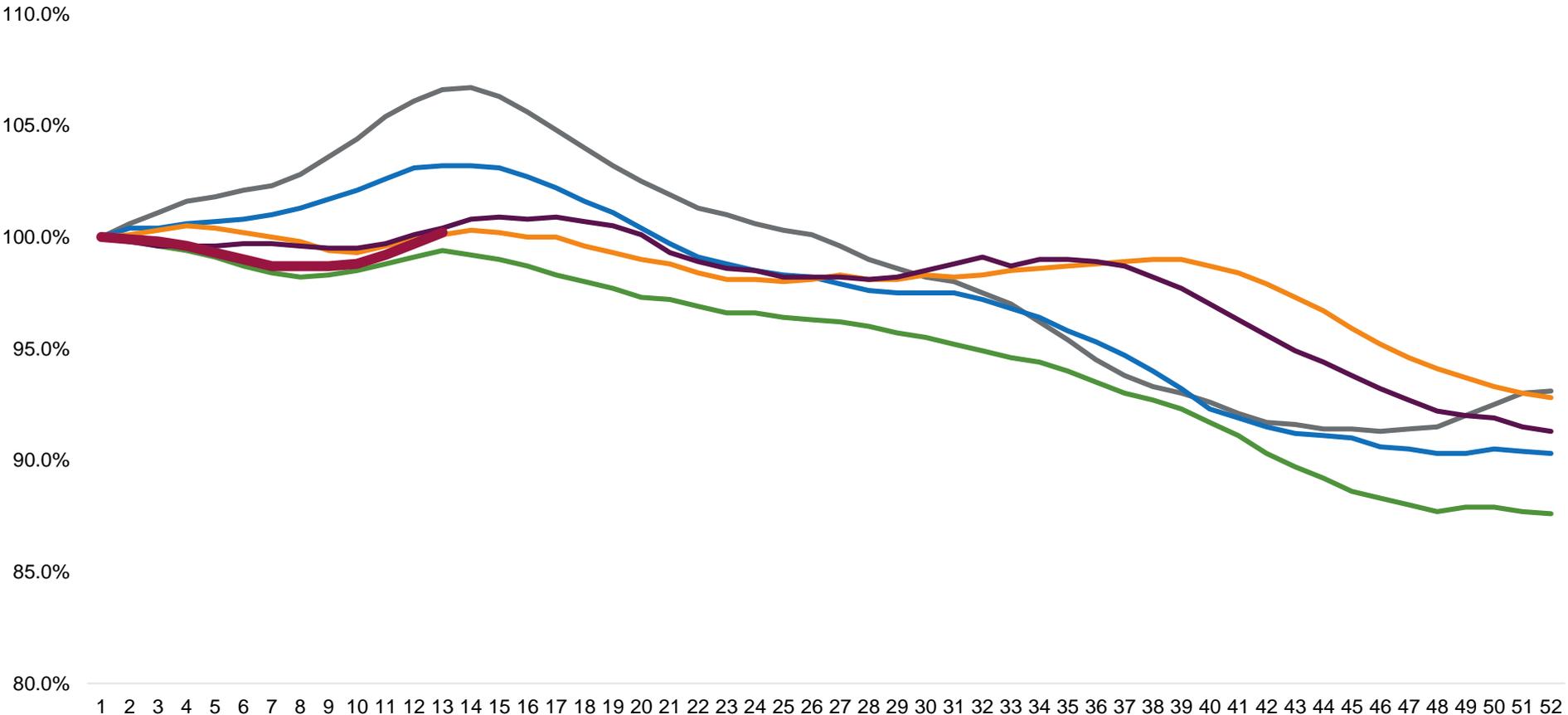


2019 Weekly Price Trend Less Severe On One-Year-Old Vehicles

One-year-old vehicles saw less pronounced depreciation with much lower volumes and now on up trend

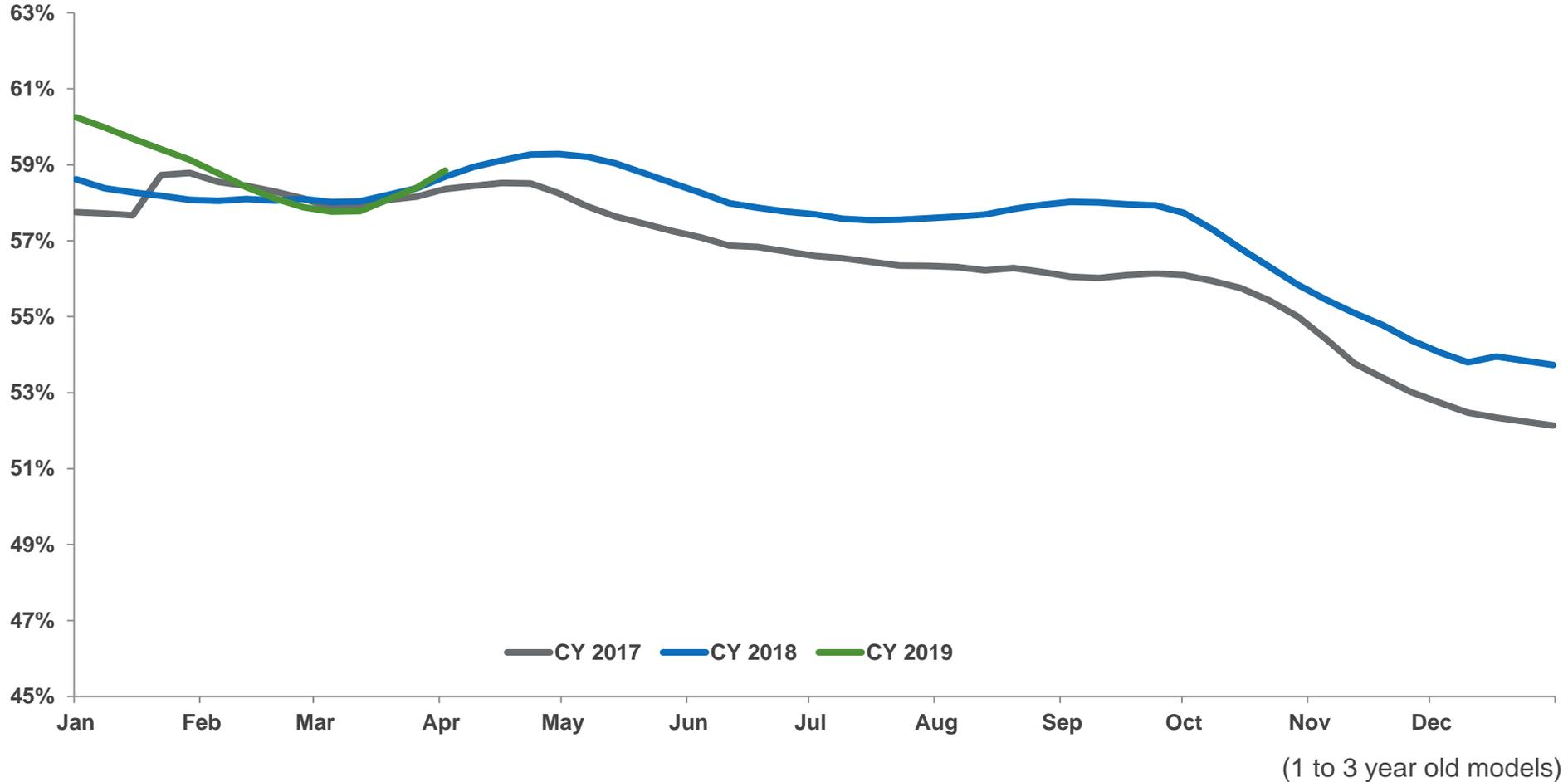
1-Year-Old Model MMR Index by Week

— 2014 — 2015 — 2016 — 2017 — 2018 — 2019



Retention Values Trended Lower to Start the Year

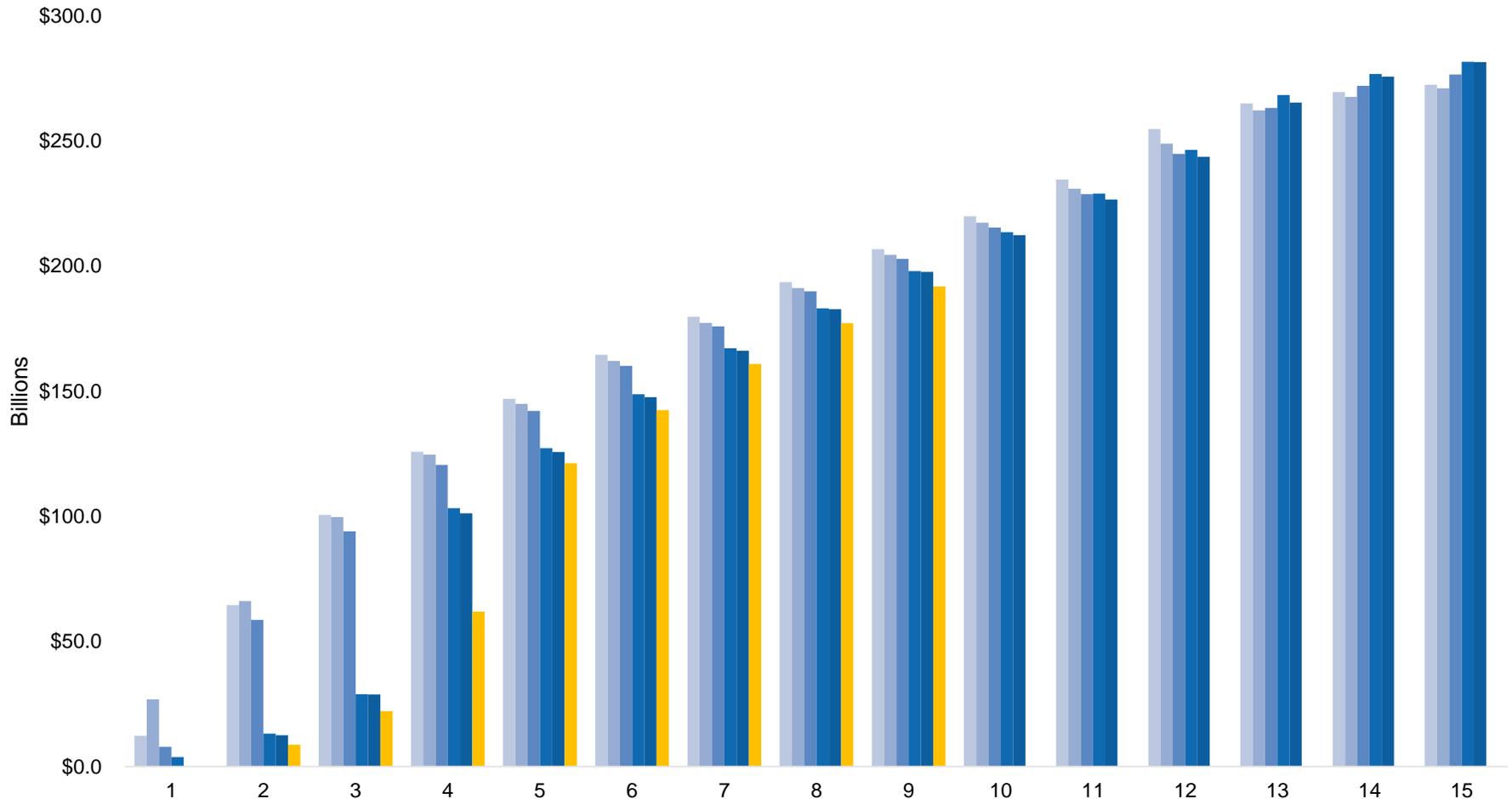
Adjusting for MSRP and fixing the basket of vehicles by what was sold now just above last year



Tax Refunds by Week in Recent Years

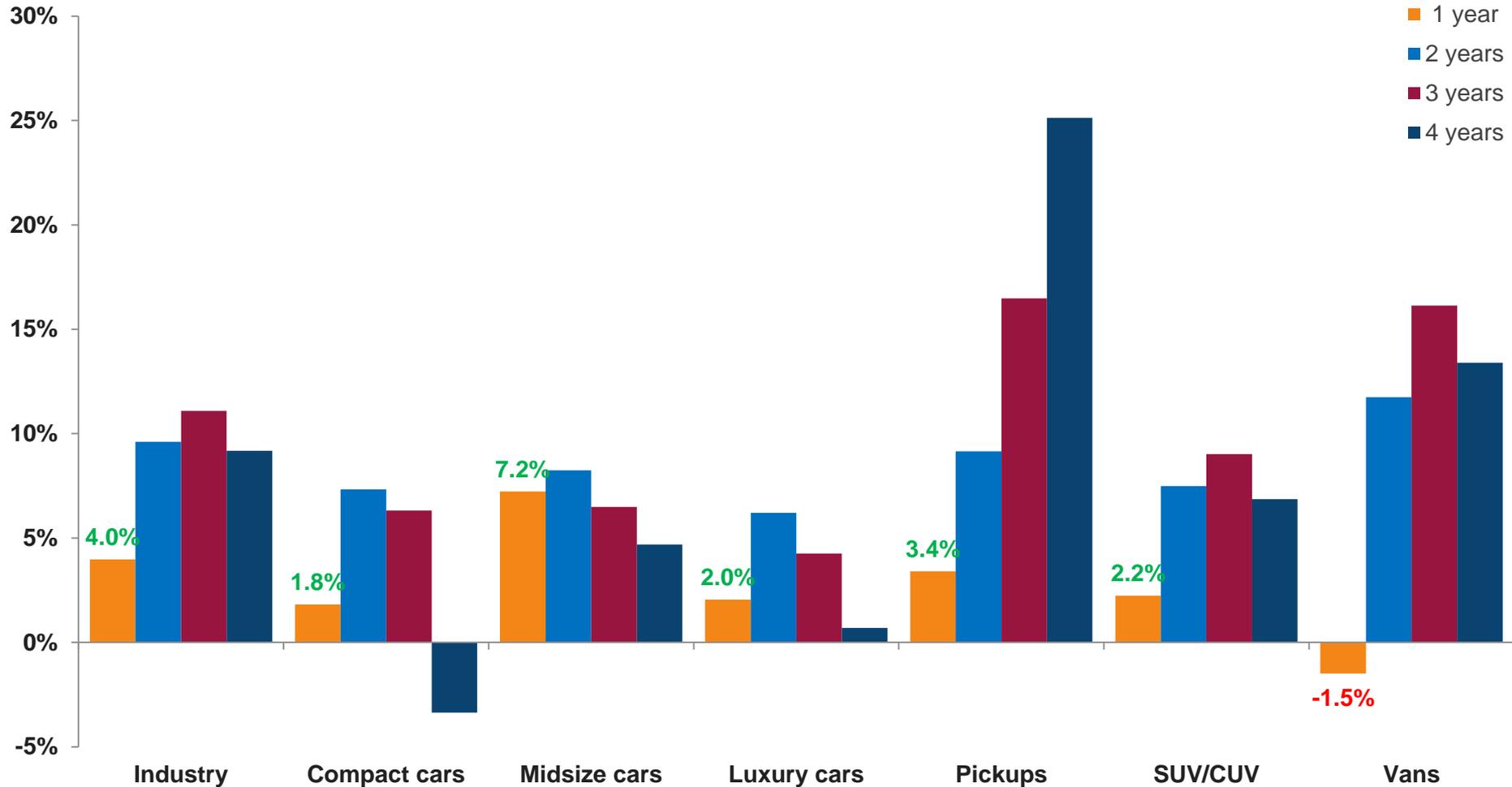
Amount of Refunds (Cumulative)

2014 2015 2016 2017 2018 2019



Percent Change in Wholesale Prices for Major Market Segments

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

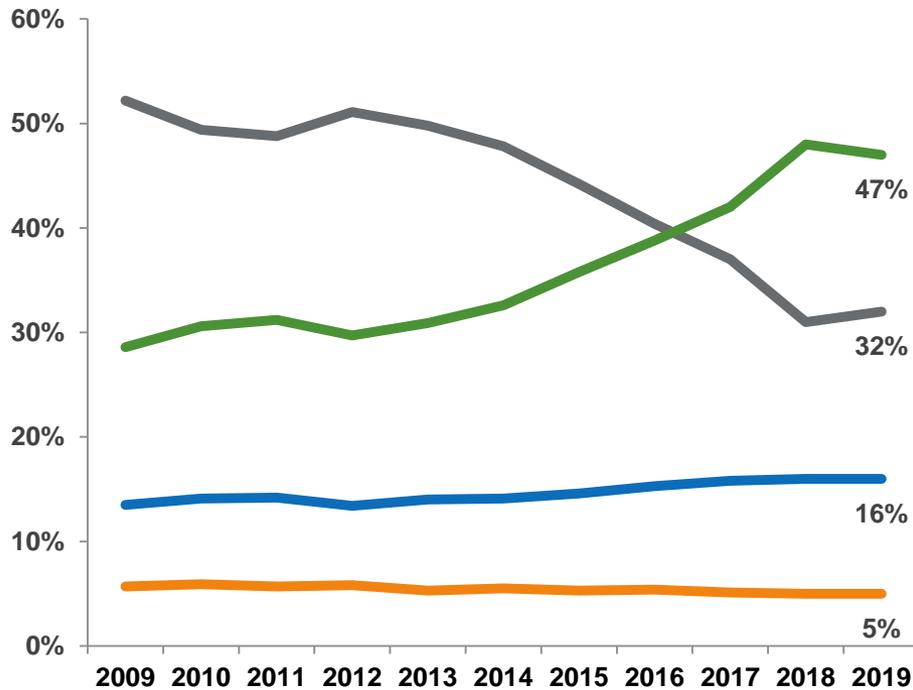


Shifting Consumer Preferences Not Reflected in Wholesale Market Volumes

The SUV reigns supreme in new vehicle sales while cars still dominated the used car market

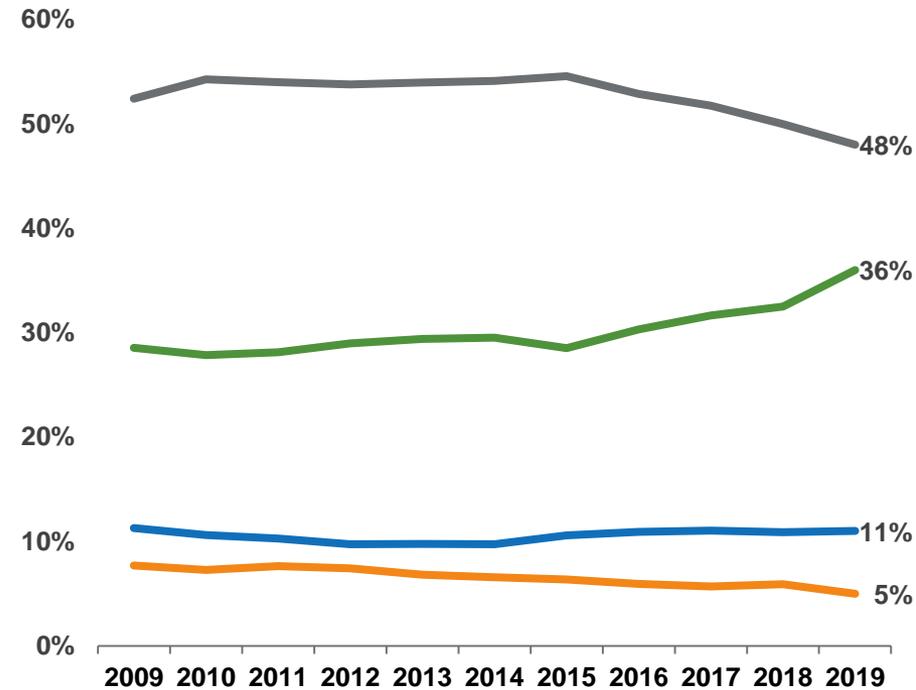
New Vehicle Sales by Category

CAR PICKUP SUV VAN



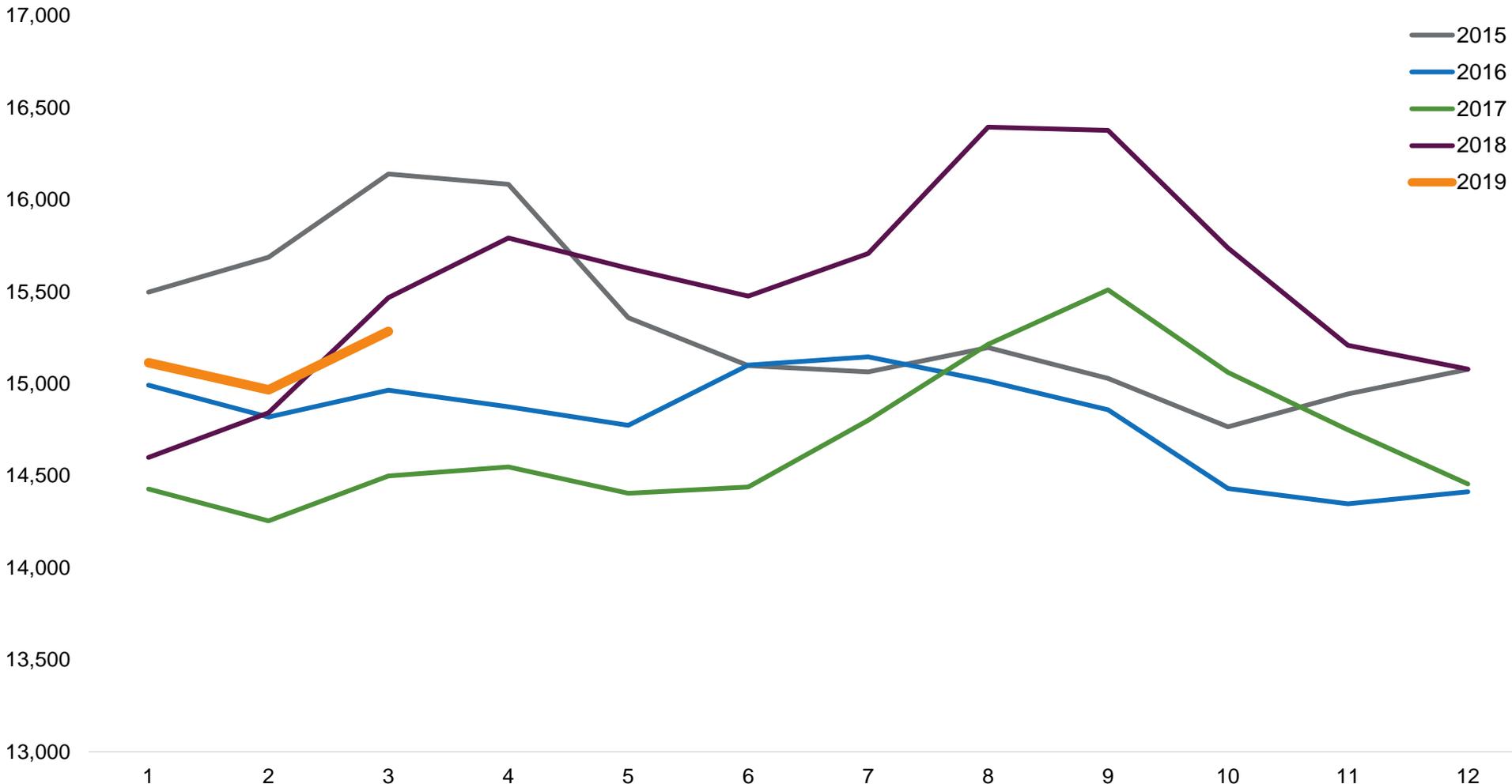
Manheim Sales by Category

CAR PICKUP SUV VAN



Average Auction Price – Rental Risk Units

Average price for rental risk units sold in March down 1% y/y and up 2% m/m



Average Mileage – Rental Risk Units Sold at Auction

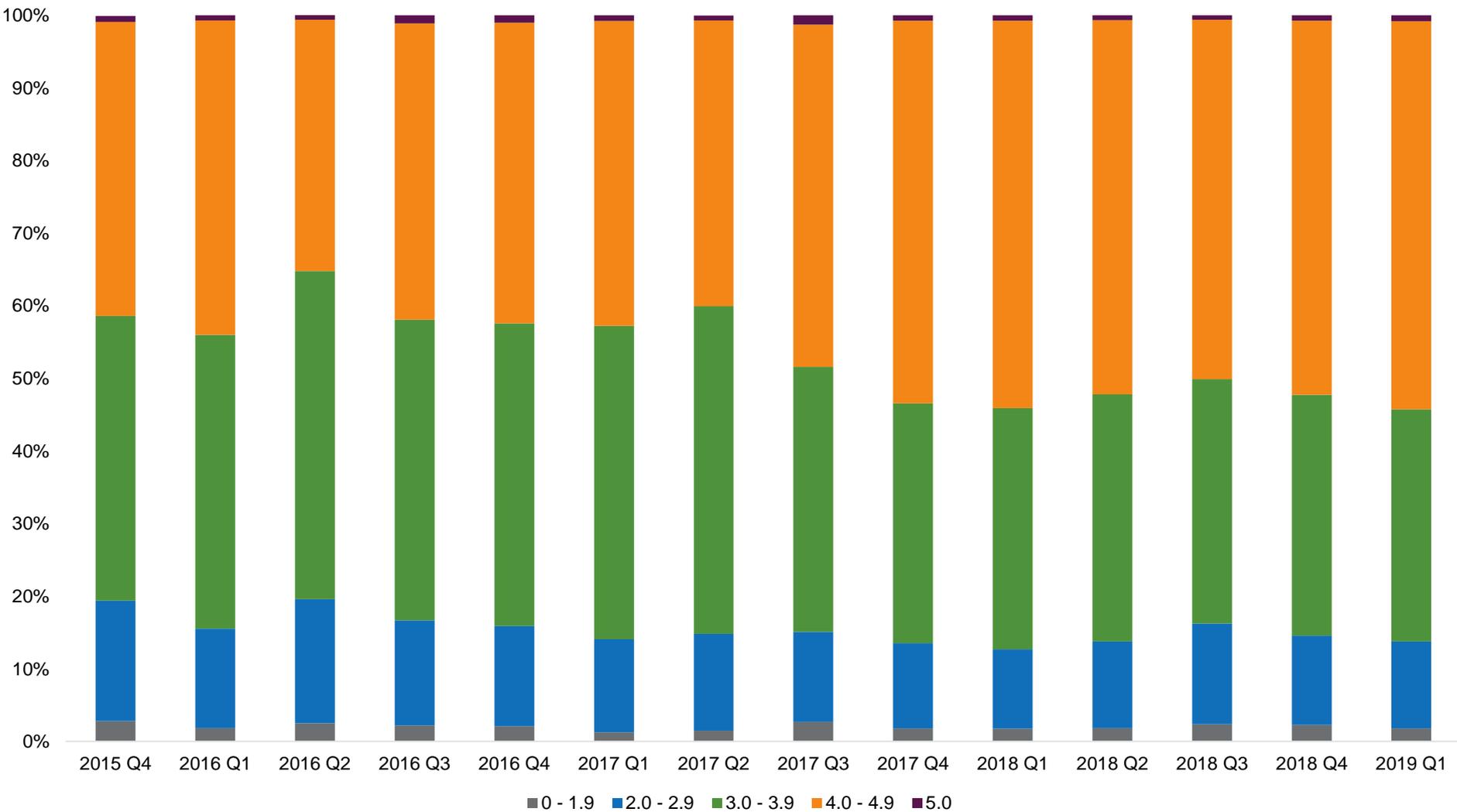
Average mileage for rental risk units in March was up 0.4% compared to a year ago and up 1% m/m



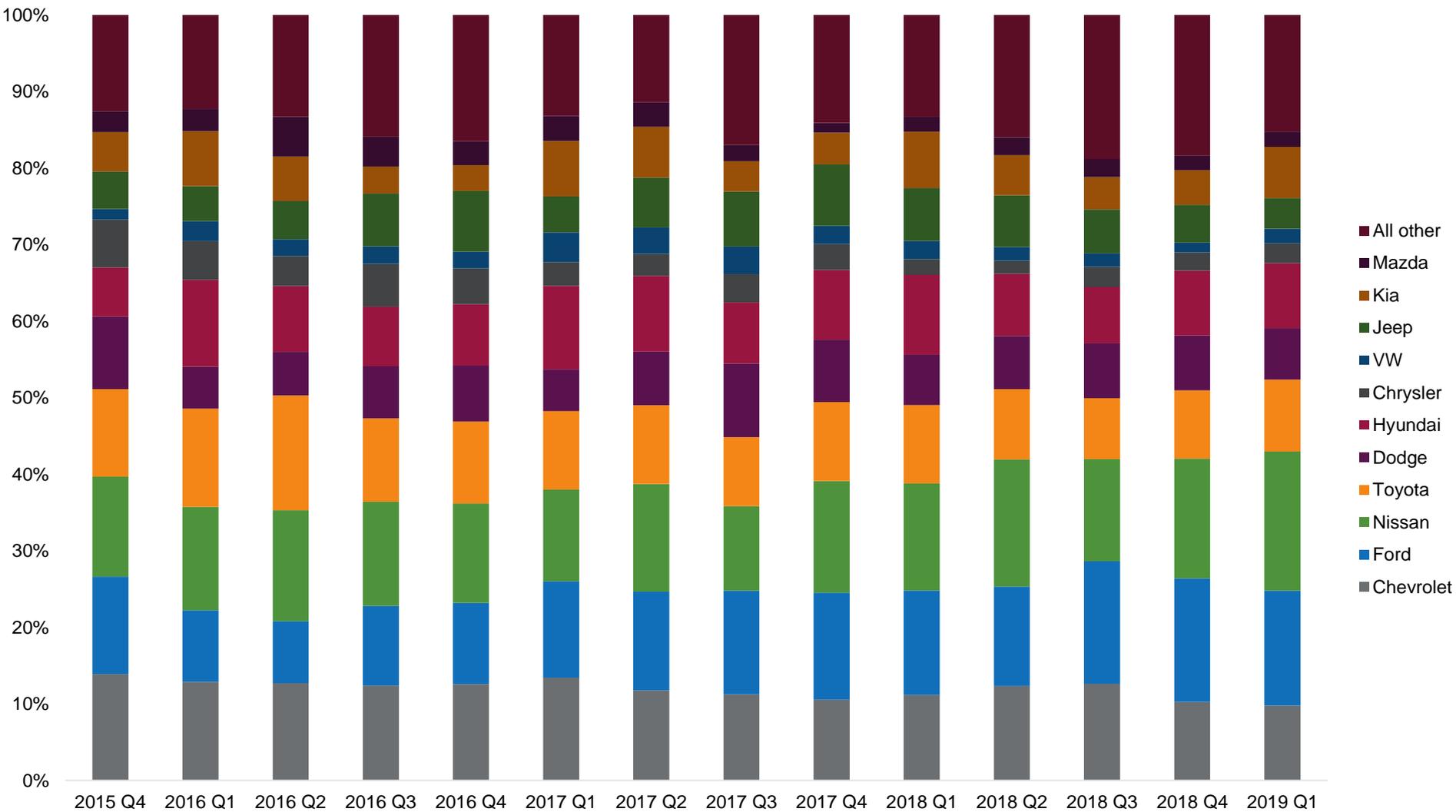
Distribution of Rental Risk Vehicles

	2017 Q1	2018 Q1	2019 Q1
Number of unique year, make, model, body configurations sold	2,736	3,005	3,030
Share accounted for top 10 YMMB	13.4%	13.1%	11.7%
Share accounted for top 25 YMMB	25.1%	23.3%	22.0%
Number of YMMB to reach 50% share	82	108	114

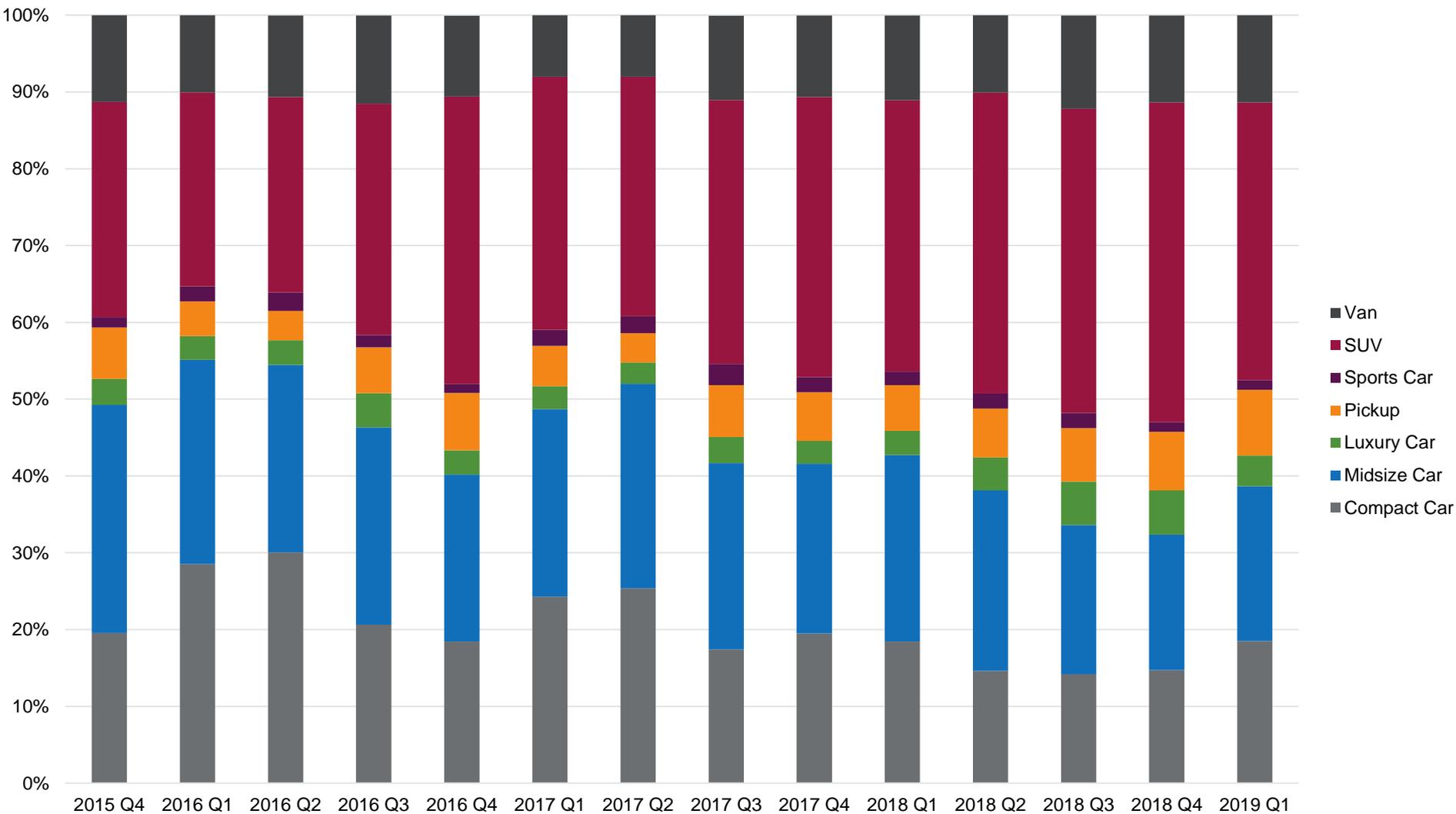
Rental Risk Units Sold by Condition



Rental Risk Units Sold by Make



Rental Risk Units Sold by Segment

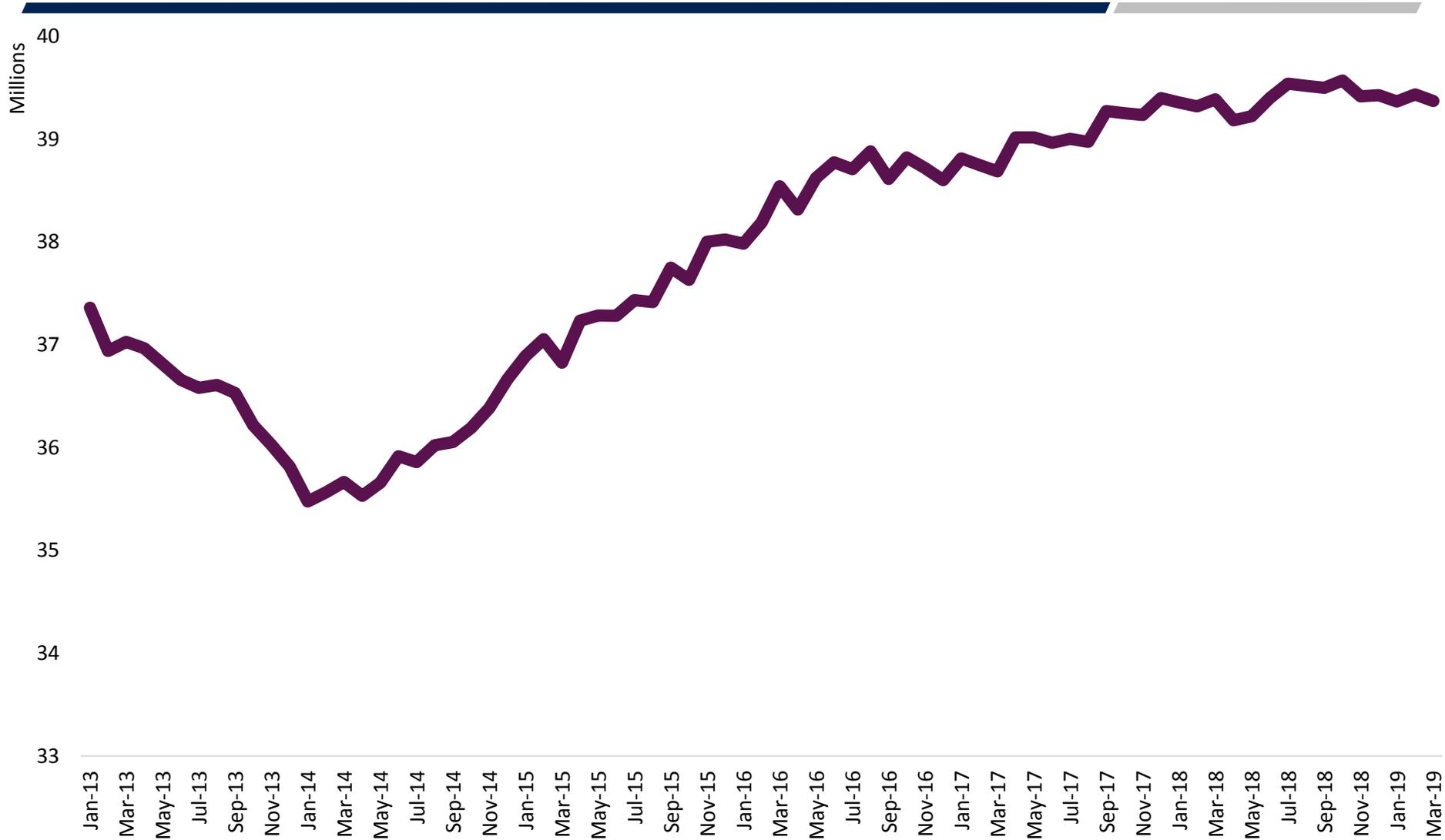


Manheim Market Report (MMR) Vehicle Insights

Top selling vehicles in March at Manheim saw mixed levels of depreciation in the last 30 days (March 2 – April 1) as non-luxury vehicles appreciated while luxury saw high depreciation rate. Prices year-over-year were more comparable but luxury remained the worst performer.

Rank	Source(Rank)	Category	Subcategory	Vehicle	1-Apr	Past 30 Days	Last Year	Current Dep	L12M Dep/Mo
1	All	Luxury Car	Luxury Car Premium	2016 MERCEDES-BENZ C CLASS 4D SEDAN C300 4MATIC	\$20,500	\$21,000	\$24,600	-2.4%	-1.4%
2	All	Compact Car	Compact Car Premium	2016 FORD FUSION FWD 4D SEDAN 2.5L SE	\$11,300	\$11,100	\$12,250	1.8%	-0.6%
3	All	Midsize Car	Midsize Car Premium	2016 NISSAN ALTIMA 4C 4D SEDAN S	\$10,950	\$10,700	\$11,300	2.3%	-0.3%
4	All	Midsize Car	Midsize Car Premium	2015 NISSAN ALTIMA 4C 4D SEDAN S	\$9,200	\$9,000	\$10,550	2.2%	-1.1%
5	All	SUV	SUV Midsize	2016 NISSAN ROGUE AWD 4D SUV 2.5L SV	\$15,200	\$14,900	\$15,850	2.0%	-0.3%
1 Dealer	Dealer	Midsize Car	Midsize Car Premium	2015 NISSAN ALTIMA 4C 4D SEDAN S	\$9,200	\$9,000	\$10,550	2.2%	-1.1%
1 Lease	Lease	Luxury Car	Luxury Car Premium	2016 MERCEDES-BENZ C CLASS 4D SEDAN C300 4MATIC	\$20,500	\$21,000	\$24,600	-2.4%	-1.4%
1 Rental	Rental	Compact Car	Compact Car Premium	2017 NISSAN SENTRA 4D SEDAN SV	\$10,650	\$10,400	\$12,000	2.4%	-0.9%

Used Vehicle Sales Plateau



Q1 2019 Cox Automotive Dealer Sentiment Index

Overall dealer sentiment rebounded this quarter according to the CADSI, but the current market index stayed in negative territory with a score of 48.

The improvement from last quarter's more negative score of 44 was statistically significant. Year-over-year, the current market index was down only one point.

Expectations for the next quarter also rebounded, more than reversing decline in dealer optimism in Q4 of 2018. The increase in expectations was statistically significant from last quarter, but the expectations index remains significantly lower than year-ago levels, when optimism was at an all-time high for the study.

Dealers cited the government shutdown, concerns about tax refunds and auto tariffs, and winter weather as all influencing their sentiment. Market conditions, consumer confidence, and interest rates are the key measurable differences relative to this time last year

when peak optimism was based largely on expectations of strong demand fueled by tax reform.

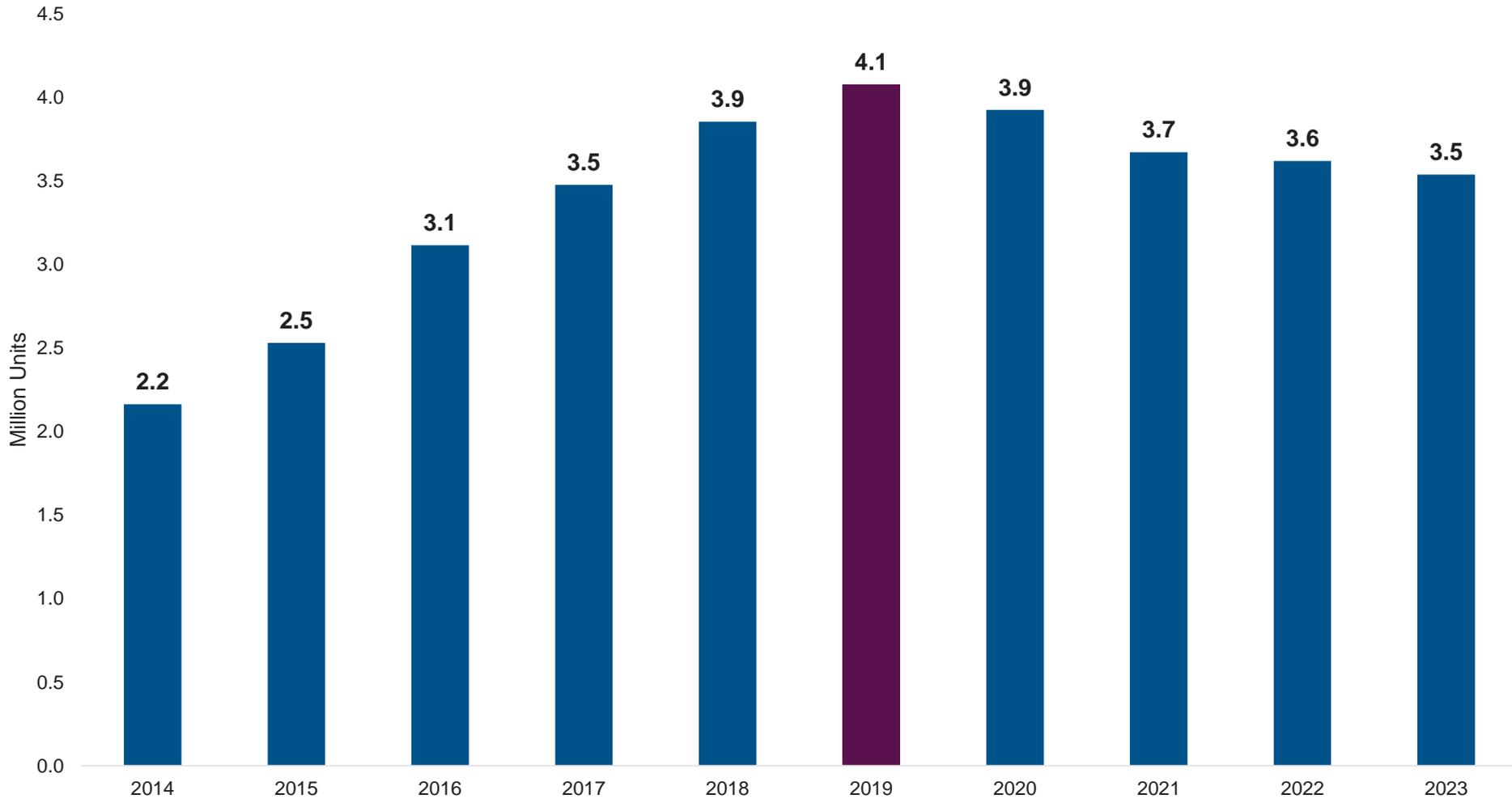
“We’ve seen a turnaround in dealer sentiment and the outlook for the future this quarter compared to the fourth quarter,” said Cox Automotive Chief Economist Jonathan Smoke. “However, gone is the euphoria we saw this time last year as views of new and used sales are lower.”

The top 5 factors holding back the business across all dealers remained the same in Q1 2019 as Q4 2018, but relative positions changed.

Market Conditions held the top spot as the most cited negative factor. Competition moved into second place, pushing Credit Availability for Consumers into third. Expenses moved into the fourth place as Limited Inventory slid to fifth.

Growth of Off-Lease Is Decelerating and Nearing a Peak

Estimated Lease Maturities



TARIFF ACTIONS & KEY DATES

Ratification of USMCA (Report on April 19)

Section 232 Tariff on Imported Autos and Parts
(Details by May 18; 15 days to implement)

China Trade Deal (March 4; TBD)

EU Trade Deal

Japan Trade Deal

UK Trade Deal?



Thank You

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Economic Industry Insights

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