



AUTOMOTIVE

Transforming the way the world buys, sells, owns and uses cars



RIDEKLEEN

VAuto

VinSolutions

xtime

43M+ **UNIQUE VISITORS** Monthly on 13,000+ Dealer.com Websites

60+%

OF U.S.

FRANCHISE

DEALER WEBSITES

Operated by Dealer.com

67% OF ALL **CAR BUYERS** Use Autotrader or KBB.com

34,000

Employee

Across the Globe

\$58B+ **VEHICLE VALUES SOLD ANNUALLY** Through Manheim

52M+ **FINANCED TITLES** Managed by Dealertrack

RMS/AUTOMOTIVE.

140+* **DEALERTRACK DMS**

Integration Partners

† Source: Dealer.com Internal Data, 2017

* Source: Dealertrack Internal Data, as of June 2018

22,000+ **DEALERS USE THE DEALERTRACK F&I PLATFORM**

to Connect Online Deals to Showroom Sales

4.3M +**MONTHLY** SERVICE

Xtime 2016 Monthly Average

APPOINTMENTS

OUR TEAM

Jonathan Smoke

Chief Economist

Charlie Chesbrough

Senior Economist

Michelle Krebs

Senior Industry Analyst

Eric Ibara

Director, Residual Values & Cost To Own

Vince Zappa

President, Clutch Technologies

Shirley Powell

SVP, Communications,
Community & Industry Relations

Chintan Talati

Senior Director, Public Relations

Mark Schirmer

Director, Public Relations

Dara Hailes

Manager, Public Relations

Lisa Aloisio

Director, Retail Solutions PR



SCHEDULE

State of the Industry and Trends Ahead

- Economy Jonathan Smoke
- Industry Vital Sign Charlie Chesbrough
- Segment & OEM Performance Michelle Krebs / Eric Ibara
- Trends 2020 Jonathan Smoke
- Vision 2025 Jonathan Smoke / Michelle Krebs

Alternatives to Traditional Ownership

- Vince Zappa
- Sonya Harbaugh, Co-Founder & CEO Steer
- Q&A with Team





2020 Industry Insights Breakfast

January 13 // Detroit, MI

JONATHAN SMOKE

CHIEF ECONOMIST



OUR ECONOMY: Signs Of Slowing, But Still A Good News Story

Overall Economy	GDP Growth / FRBNY	1.2% (Q4 '19)	1.1% (Q4 '18)	
Employment Conditions	U3 Unemployment Rate	3.5% (Dec '19)	3.9% (Dec '18)	
Buyer Confidence	UofM Consumer Sentiment	99.3 (Dec '19)	98.3 (Dec '18)	
Wages	Earnings Growth	2.9% (Dec '19)	3.2% (Dec '18)	
Buyer Ability	Disposable Income Y/Y	4.6% (Nov '19)	6.1% (2018)	





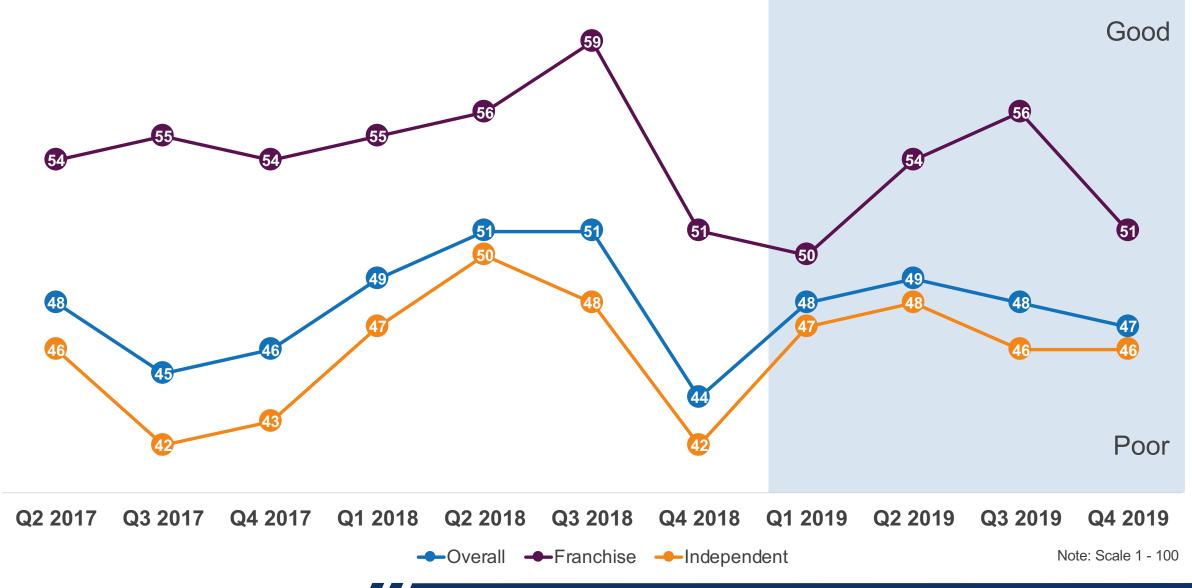
OUR ECONOMY: Signs Of Slowing, But Still A Good News Story

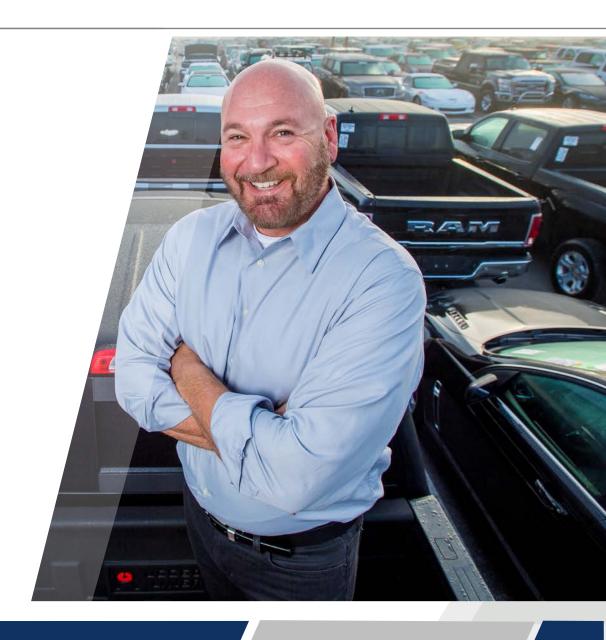
Auto Finance	FRBNY	\$1.32T (Q3 '19)	\$1.27T (Q4 '18)	
Interest Rates	Effective Fed Funds Rate	1.55% (Dec '19)	2.27% (Dec '18)	
Borrowing Costs	Best Available Rate New Auto Loan	4.63% (Dec '19)	4.65% (Dec '18)	
Mobility Costs	Average Retail Unleaded Gasoline Price	\$2.59 (Dec '19)	\$2.37 (Dec '18)	



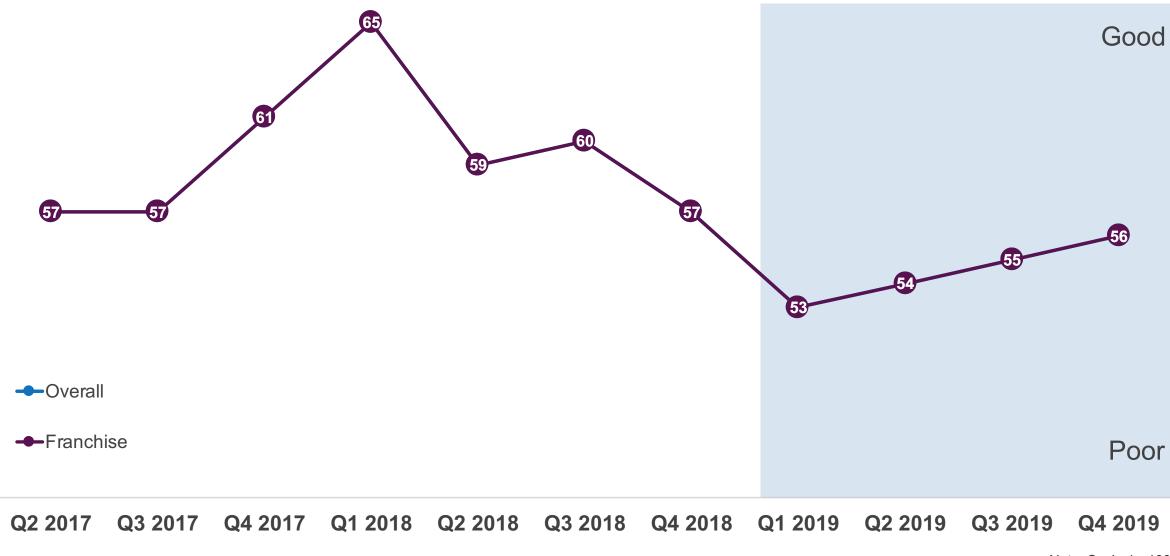


DEALER SENTIMENT: Overall Market Conditions in 2019





DEALER SENTIMENT: New-Vehicle Sales Environment 2019





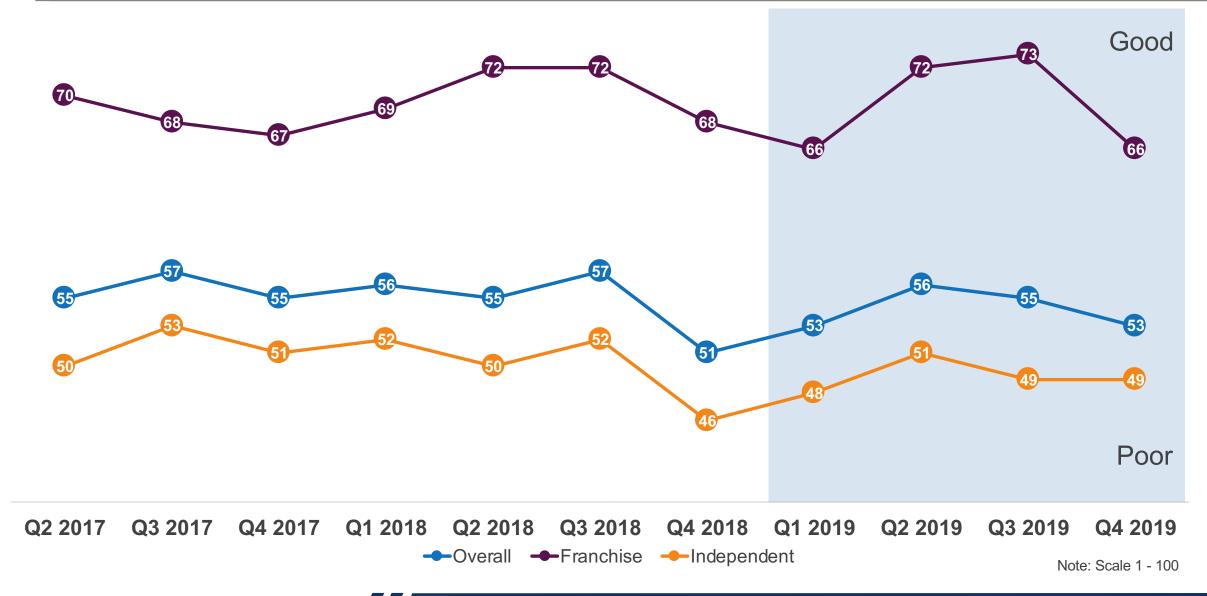
Note: Scale 1 - 100

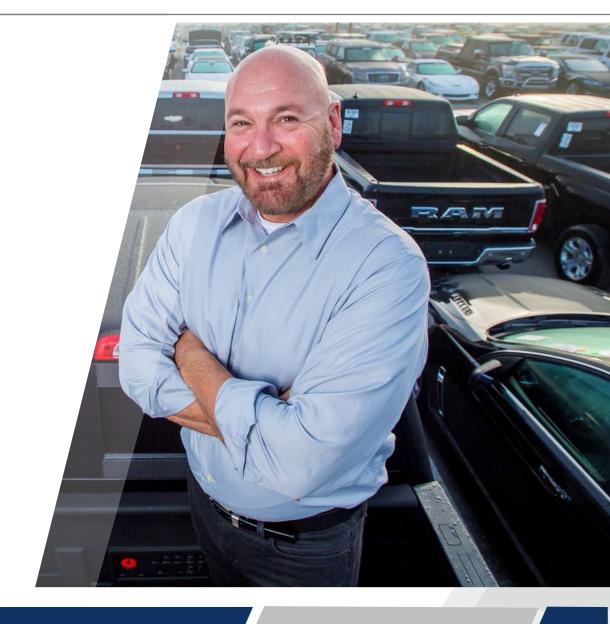
DEALER SENTIMENT: New-Vehicle Inventory Levels 2019



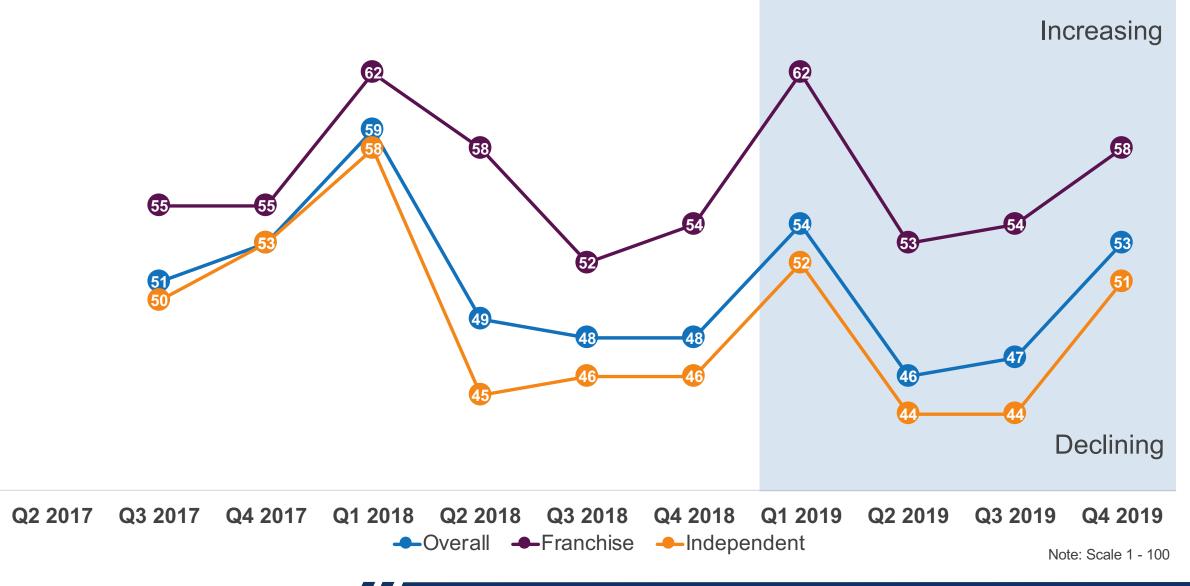


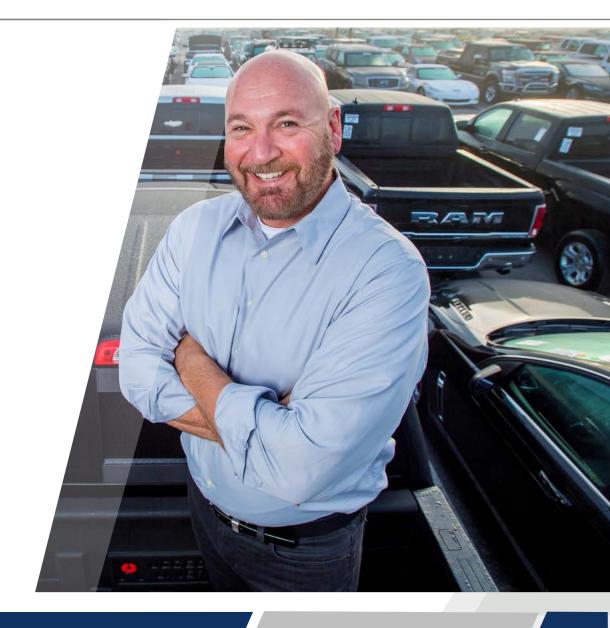
DEALER SENTIMENT: Used-Vehicle Sales Environment 2019





DEALER SENTIMENT: Used-Vehicle Inventory Level 2019





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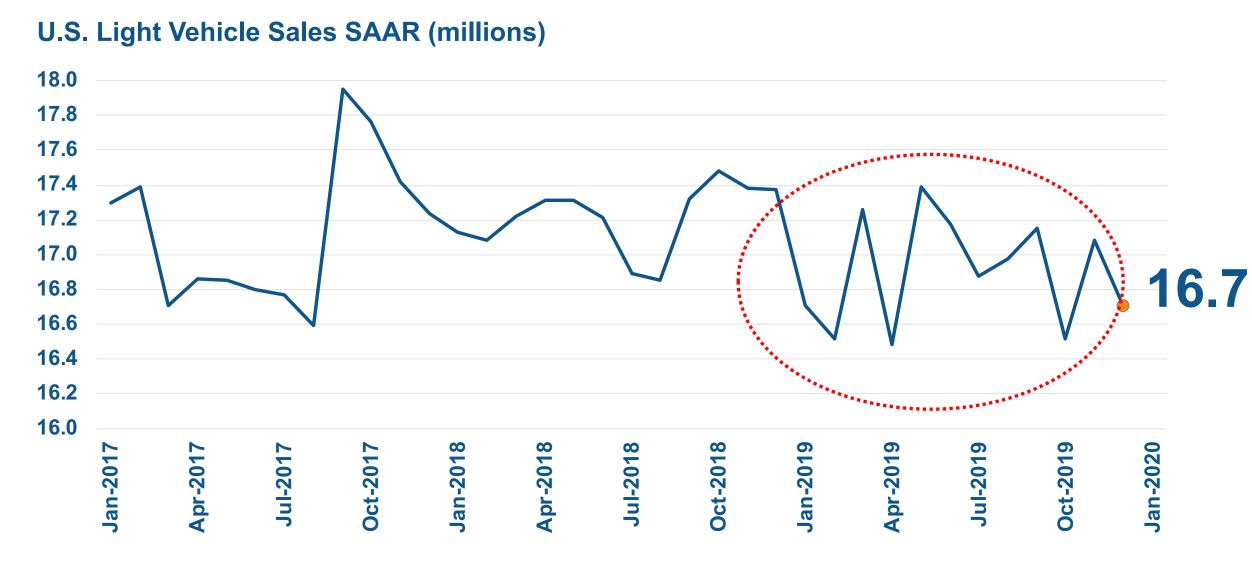
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CHARLIE CHESBROUGH

SENIOR ECONOMIST



MONTHLY SAAR: 17 Million Sold In 2019 But A Rollercoaster To Get There





SALES CHANNELS: Stable Top Line, But Changes Are Happening

	Volume	Change vs Prior Year	Lease	Purchase	Rental Fleet	Other Fleet	Lease Share	Fleet Share
CY2017	17.1 m	-1.9%	-2.9%	0.6%	-11.7%	0.1%	30.2%	17.6%
CY2018	17.2 m	0.5%	0.1%	-1.6%	9.6%	5.1%	30.6%	18.9%
YTD 2019*	17.0 m	-1.4%	-2.5%	-5.4%	13.3%	10.5%	31.6%	21.8%

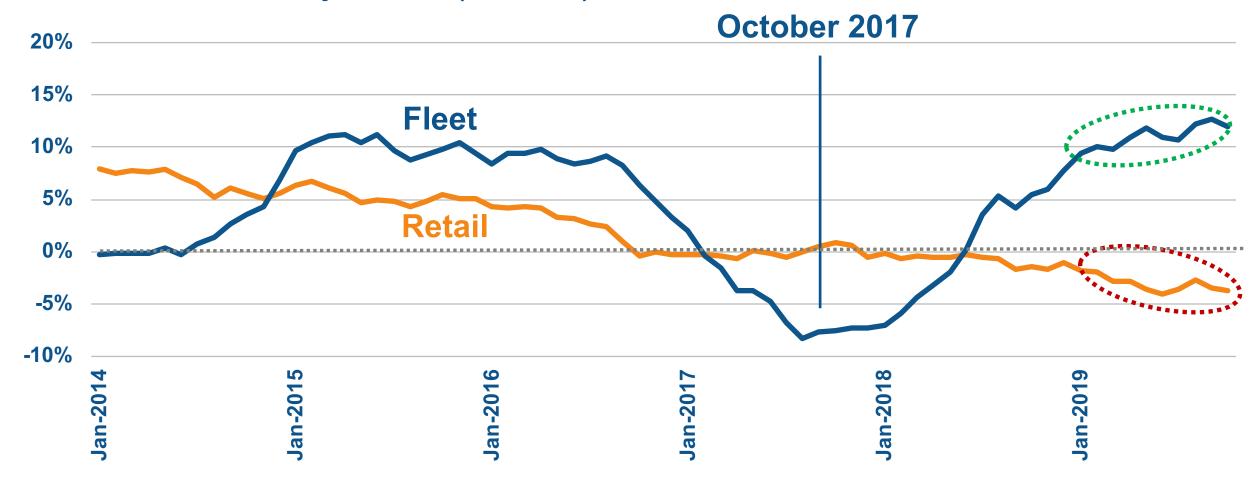
^{*}Channel sales through October

Vehicle Affordability Tax Reform

TAX REFORM IMPACT: Fleet Growing As Retail Contracts

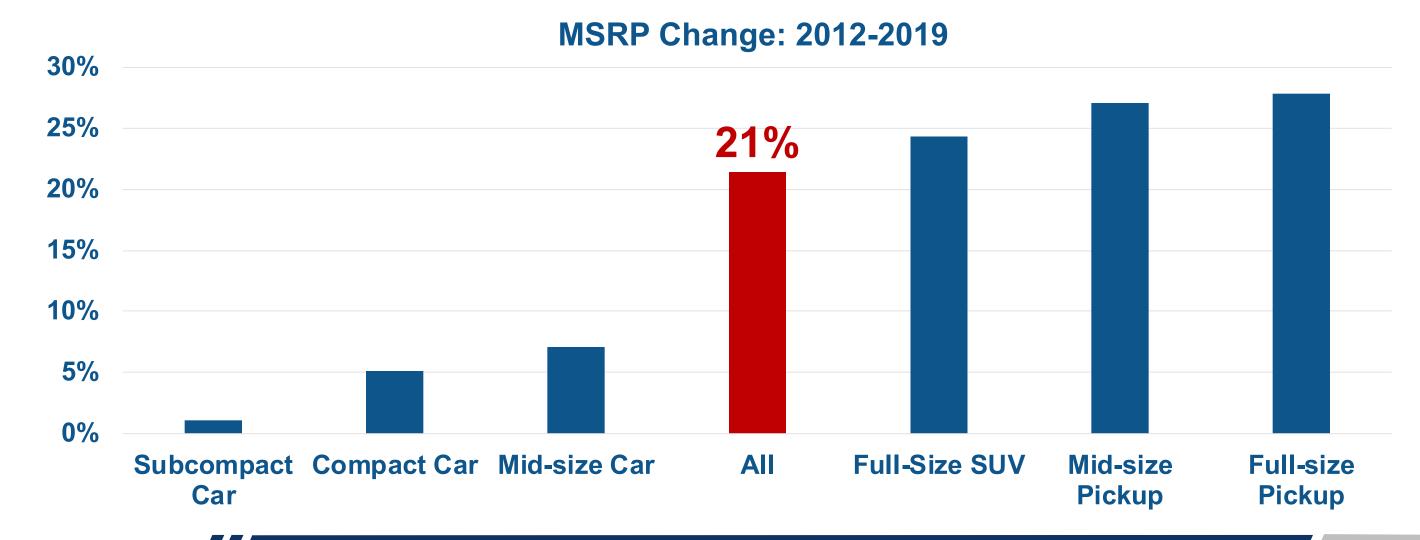
Depreciation allowances increased significantly for business use vehicles purchased post October 2017

Vehicle Sales Growth By Channel (12m total)



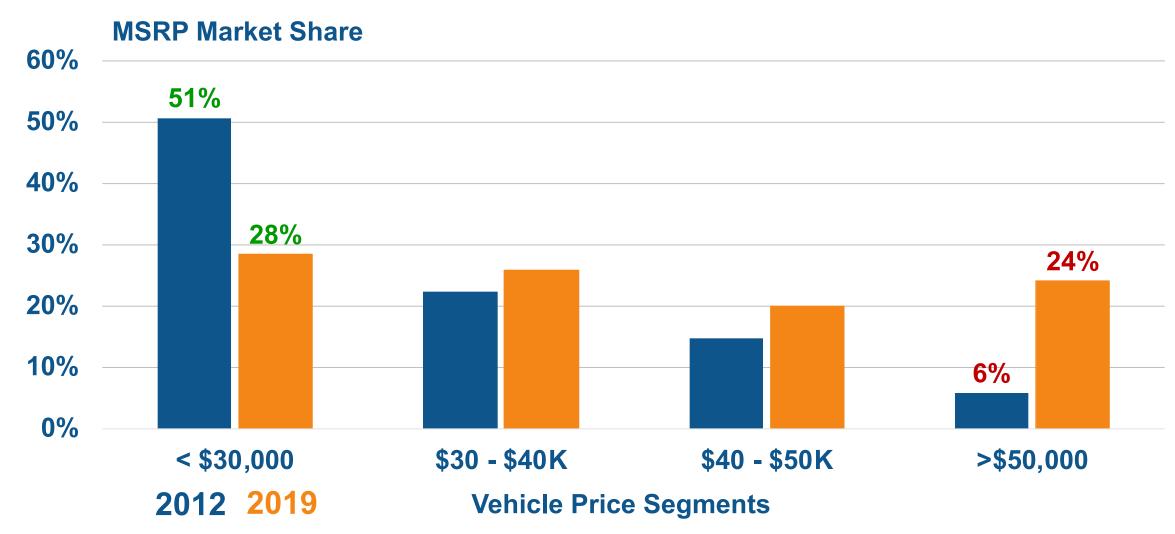
SEGMENT PRICING: Living Large Vehicles = Biggest Increases

High-end products likely on front lines if / when economy turns



AFFORDABILITY ISSUES: Higher Prices Make Industry Vulnerable





Monthly Payment 60m@4%

\$25K = \$460

\$50K = \$920

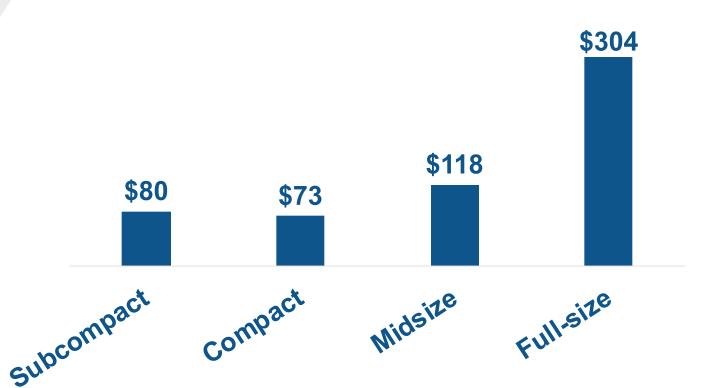
MONTHLY PAYMENTS: Differences Drive Consumer Choices

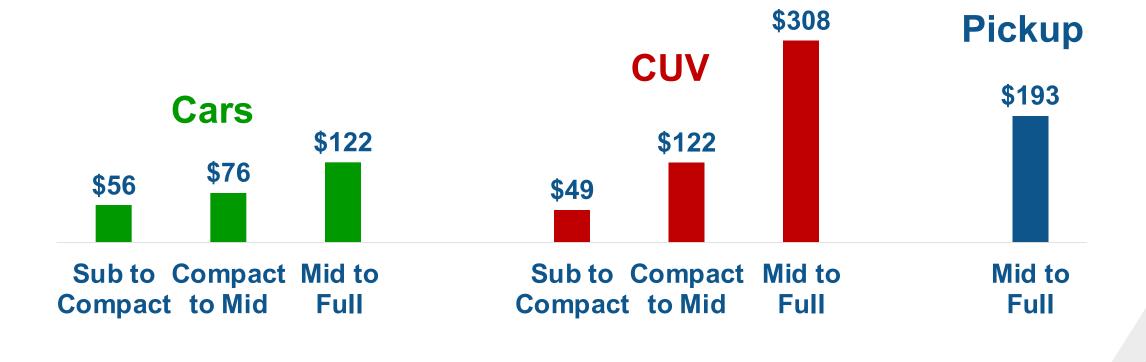
Rising lease payments will lead some potential buyers to used market



RECESSION RISK: Segment Shifts, Upsizing Likely To Suffer

Monthly Payment Premium



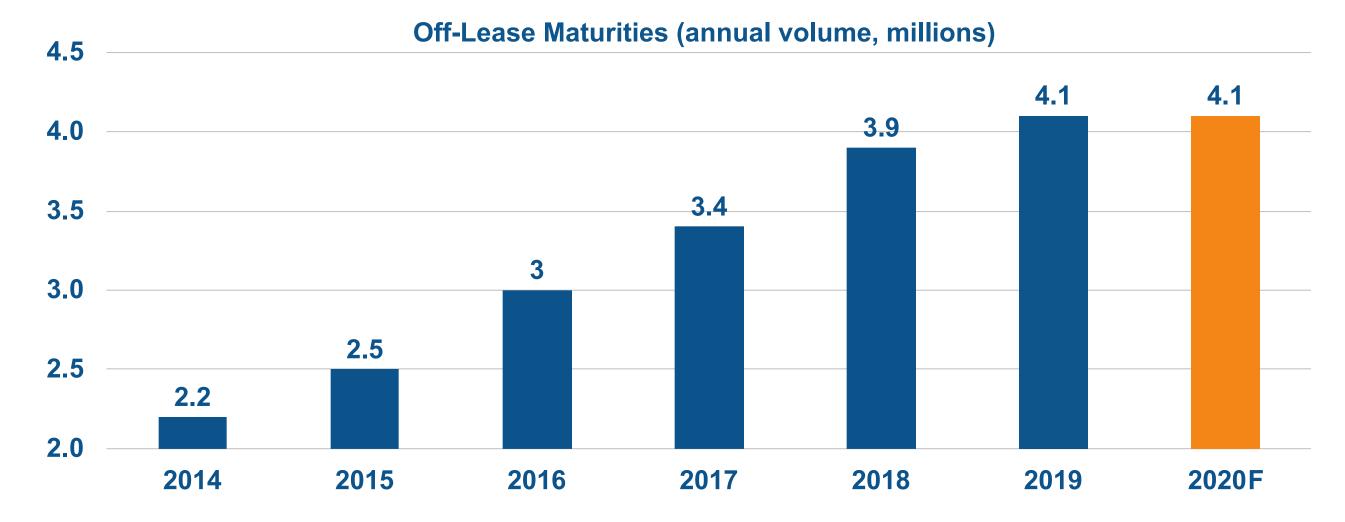


Switch: CUV vs Car

Upsize: Larger Vehicle

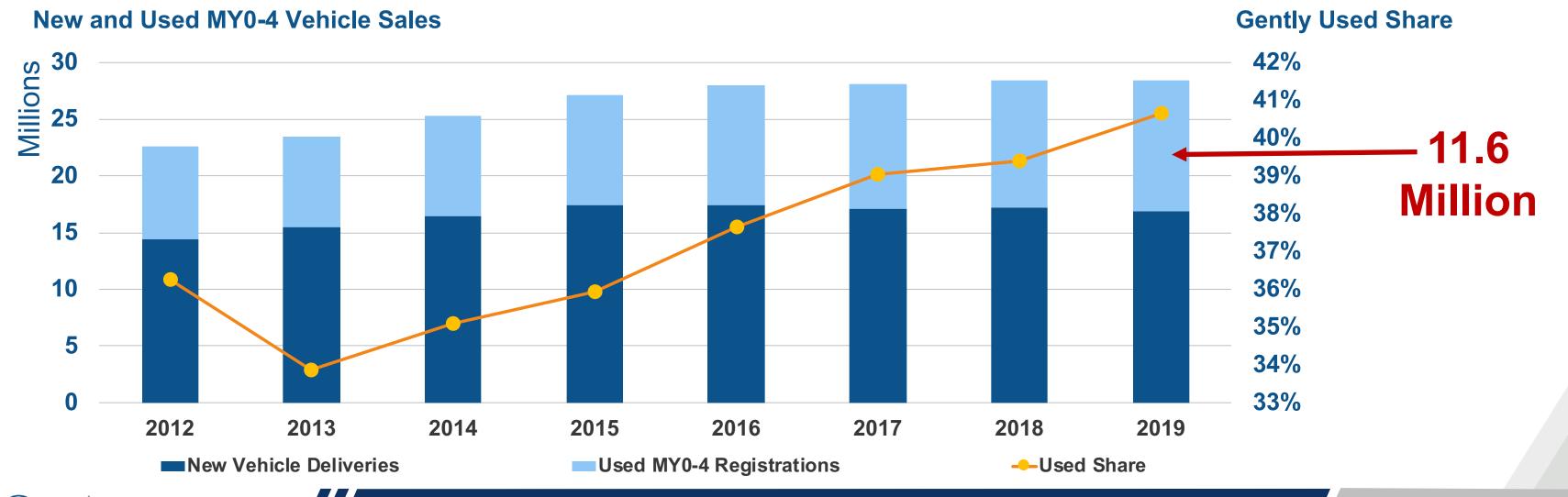
SELF-COMPETITION: Off-Lease Vehicles A Major Headwind For New

Lots of competition from previous model years – similar product selling at significant discount



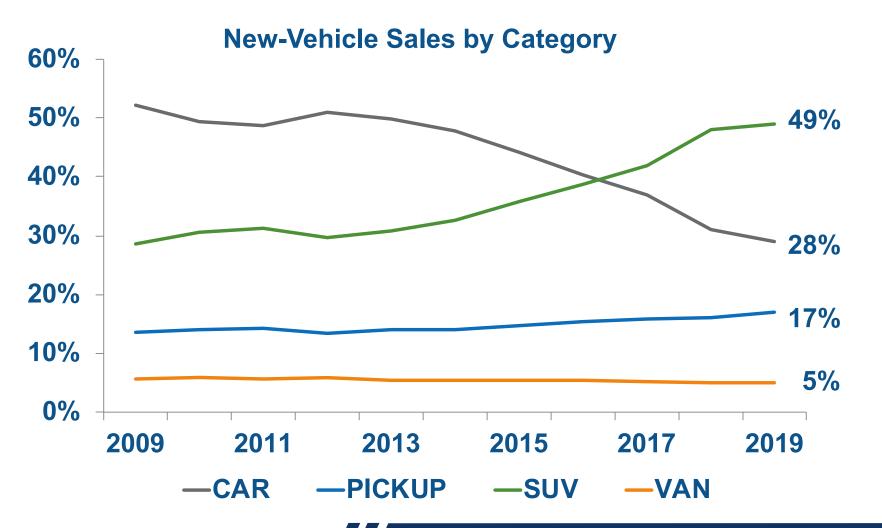
THE POTENTIAL MARKET: New + "Gently Used" = 28 Million Vehicles

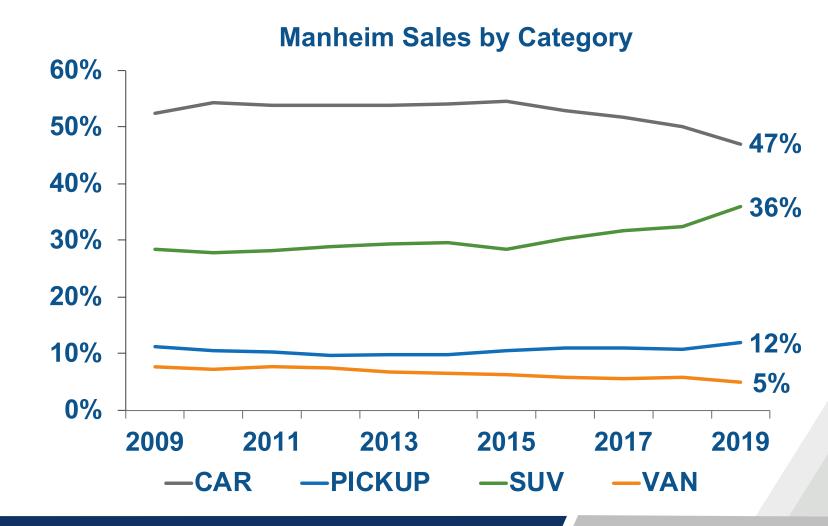
Previous lease and fleet strategies providing growing headwind for new sales



AUCTION IMBALANCE: More Competition For New Coming From Used

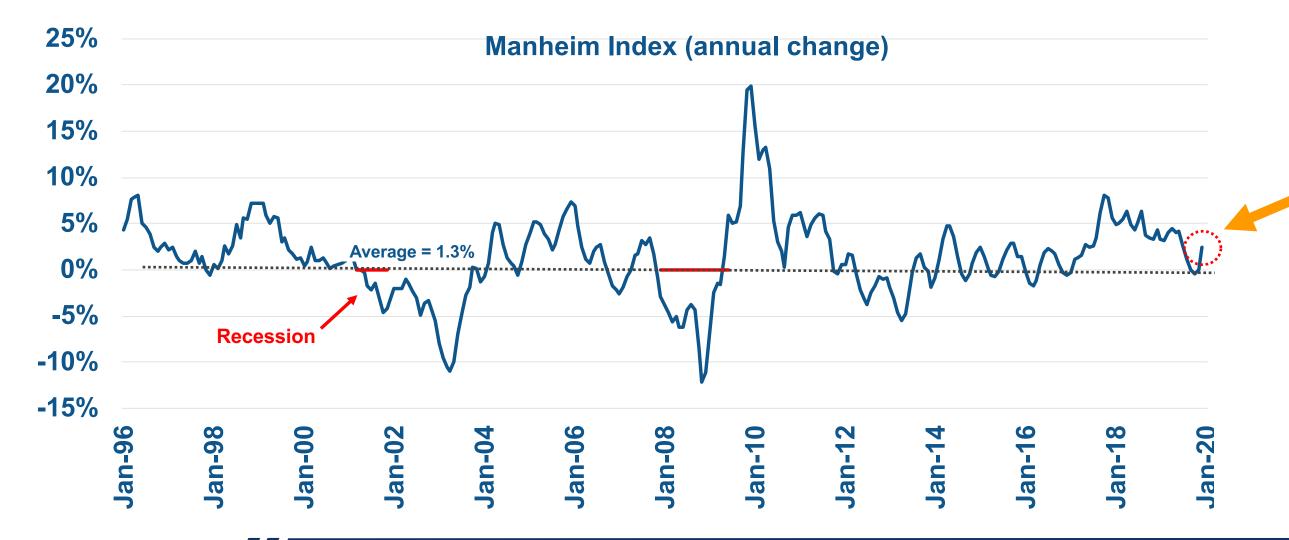
SUVs lead new-vehicle sales while cars still dominated the used-vehicle market – for now





AUCTION MARKET: Prices Growing Again After Brief Decline

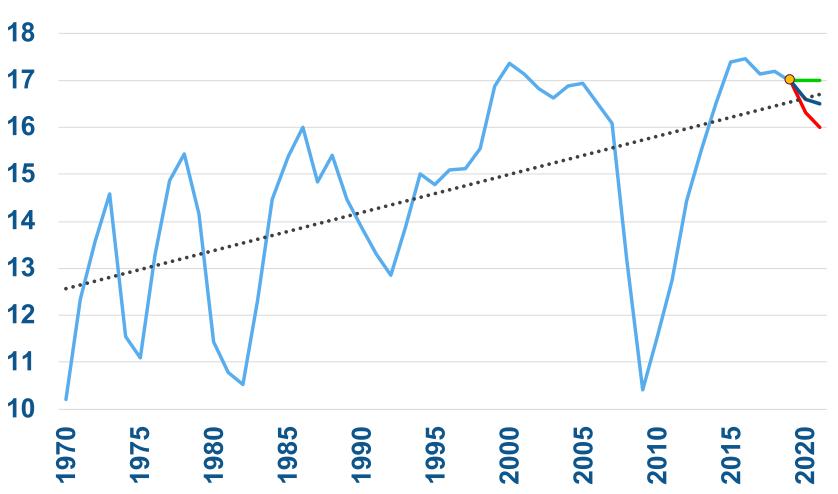
Canary for the industry? Negative price growth could indicate a weakening economy



Negative Growth In October and November but jump in December

U.S. SALES FORECAST: Mild Decline Expected As Risks Remain Elevated

New Light Vehicle Sales (millions)



- Base View Mild economy-wide decline in 2020 and 2021, negative retail growth offset by elevated fleet volume.
- Optimistic Little inflation from wage growth, fleet continues to expand, tariff war resolved, recession avoided.
- **Pessimistic** Yield inversion leads to credit tightening, equities crash from political uncertainty, trade war intensifies, fleet sales and consumer spending contracts.

Cox Automotive 2020 Forecast 16.6 million

SUMMARY: A Solid Year Expected In 2020, But Risks Increasing

- New sales fall in 2020 to 16.6 million a healthy number given high transaction price
- Biggest threats:
 - Limited upside potential in fleet and lease activity
 - Growing affordability issues
 - Increased competition from "gently used" vehicles
 - Demand saturation: 85 million sold over last 5 years
- Used market expected to fall slightly in 2020 to 39.4 million. Supply constraints from new-vehicle sales since 2016 peak, coupled with lingering recession effects for older model years, limits growth potential.



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MICHELLE KREBS

SENIOR INDUSTRY ANALYST

ERIC IBARA

DIRECTOR, RESIDUAL VALUES & COST TO OWN



SEGMENT SHARE: SUVs & Trucks Remain Red Hot, Cars Not; EVs Hold Despite New Entries



- Mid-size SUV 1.0%
- Mid-size Pickup 0.7%
- Full-size Pickup 0.6%
- Luxury Mid-size SUV 0.5%
- Subcompact SUV 0.5%
- Van (Full-Size) 0.3%
- Lux Compact SUV 0.2%
- Electric Vehicle 0.1%
- Full-Size SUV 0.1%



- High Perf Car
- High-end Lux Car
- Lux Full-size SUV
- Lux Subcompact SUV
- Subcompact Car



- Sports Car (0.2%)
- Hybrid/Alt Fuel Car (0.2%)
- Luxury Car (0.2%)
- Entry Lux Car (0.3%)
- Full-size Car (0.3%)
- Compact SUV (0.4%)
- Minivan (0.4%)
- Mid-size Car (0.5%)
- Compact Car (1.5%)



NON-LUXURY SHARE: Ram's Breakthrough Year; Subaru Strong; Hyundai/Kia Ride SUV Wave



- Ram- 0.8%
- Hyundai 0.2%
- Honda 0.2%
- Kia 0.2%
- Subaru 0.2%
- GMC 0.1%
- VW- 0.1%



- Fiat
- Mitsubishi
- Mini
- Toyota



- Mazda (0.1%)
- Dodge (0.2%)
- Jeep (0.2)
- Chrysler (0.2%)
- Chevrolet (0.3%)
- Ford (0.3%)
- Nissan (0.6%)



LUXURY SHARE: Volvo, Lincoln stand out; Infiniti Struggles



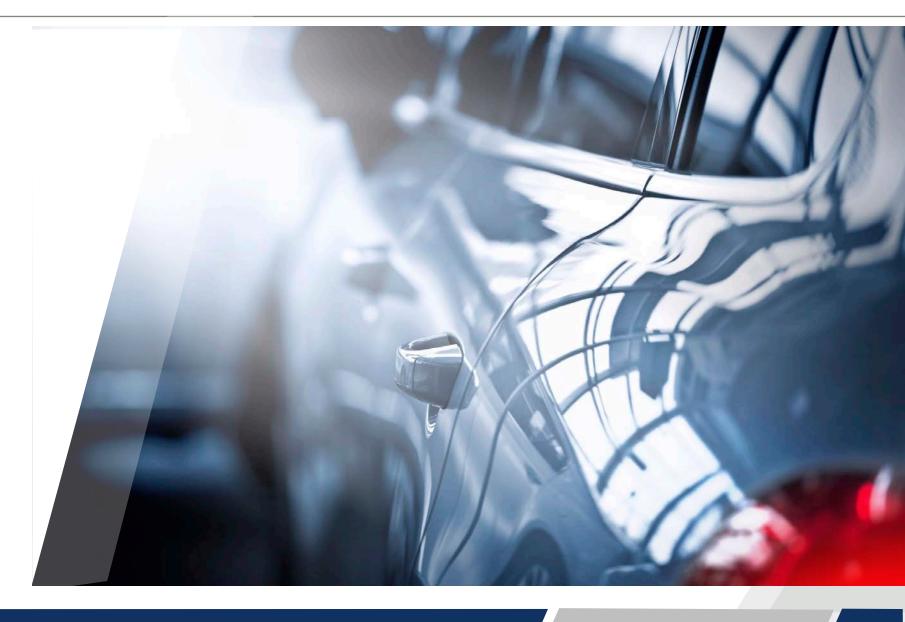
- BMW 0.5%
- **Genesis** 0.5%
- Volvo 0.4%
- *Lincoln* 0.4%
- Porsche 0.2%
- Land Rover 0.1%



- Audi
- Cadillac
- Jaguar
- Telsa



- Acura (0.1%)
- Buick (0.1%)
- Lexus (0.1%)
- Mercedes-Benz (0.1%)
- Tesla (0.1%)
- Alfa Romeo (0.2%)
- Infiniti (1.3%)



U.S. NEW-VEHICLE SALES: Who We're Watching in 2020



Nissan – Turmoil as Ghosn condemns the company. Will Nissan make move forward after the Ghosn era?



Ford – Ford fumbled recent launches. Are they back on track? More importantly, will Ford smoothly execute F-Series launch?



FCA – What will the merger bring? And how do they address declining Alfa Romeo, Fiat, Chrysler and Dodge brands?



Volkswagen – Survived a crisis and showing signs of health? But can it survive a switch to EVs?



Tesla – Everyone is watching, always, and the stock is near \$500.

Model Y launch, and that pickup truck? And regulatory missteps?

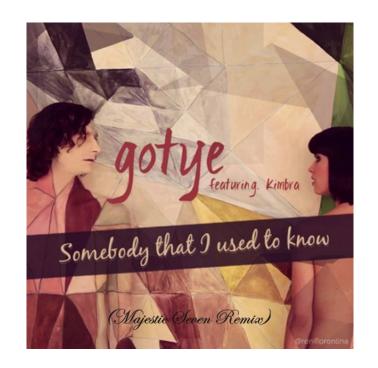
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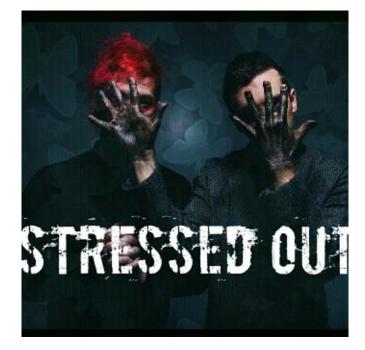
TRENDS TO WATCH IN 2020



LOOKING AHEAD: Four Trends in Music from "The Teens"



SLOWING ECONOMIC GROWTH,
BUT NO RECESSION?



SUBPRIME AUTO
LOANS REACH
RECORD
DELINQUENCY RATE



NO FED MOVEMENT IN 2020, AUTO RATES HOLD STABLE?



WILD CARDS FOR 2020









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VISION 2025

AKA DISRUPTION? WHAT DISRUPTION?



VISION 2025: Disruption? What Disruption?

Industry Volume

17.0 Million

2019

EV Share

1.5%

2019

Average Trans Price

\$38,948

Q4 '19

Gallon of Gas

\$2.59

\$2.59

Car Share

26%

Q4 '19

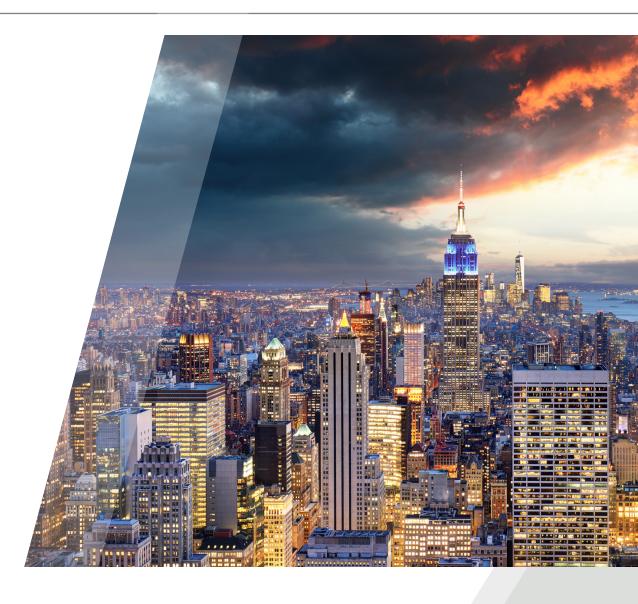
Brands in Market

16

KBB

Level 5 Autonomy

0



VISION 2025: Disruption? What Disruption?

Industry Volume

17.2 Million

17.0m

EV Share

5.9%

1.5%

Average Trans Price

\$39,393

\$38,948

Gallon of Gas

\$3.28

\$2.59

Car Share

33.1%

26%

Brands in Market

14

16

Level 5 Autonomy

Restricted Use Cases

Threats / Disruptors

Dealers:

- (1) Affordability (2) Economy
- (3) Alternatives to Ownership

Media:

(1) Affordability (2) Alternatives to Ownership (3) Electrification

OEMs:

- (1) Affordability (2) Infrastructure.
- (3) Electrification



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VINCE ZAPPA

PRESIDENT, CLUTCH TECHNOLOGIES

SONYA HARBAUGH

CO-FOUNDER AND CEO STEER





Huge impacts across the industry are driving a shift from ownership to access...

AUTONOMOUS VEHICLES

NEW TRANSPORTATION MODELS



ELECTRIFICATION

MILLENNIAL SPENDING PREFERENCES

...But What Does the Everyday Consumer Want?

The spectrum of mobility



Ownership Access

Ownership

Leasing

Hybrid Models

Subscription Models

Rental

Sales and Leasing

Ownership +

Vehicle-Based Subscriptions

Plan-Based Subscriptions

Rental on Demand



















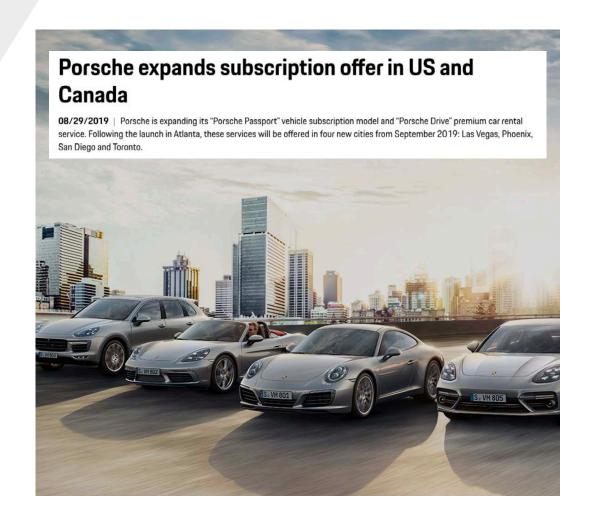


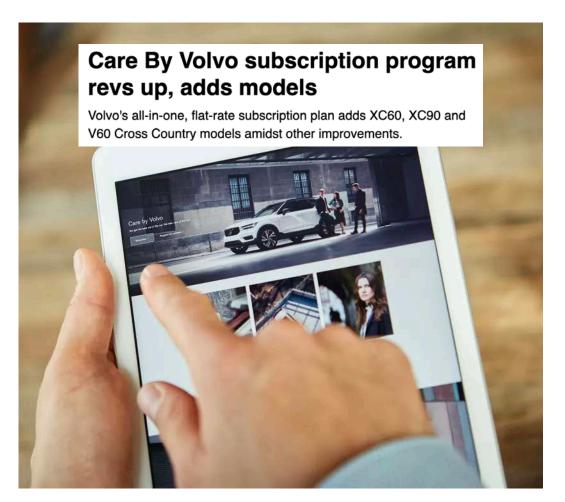


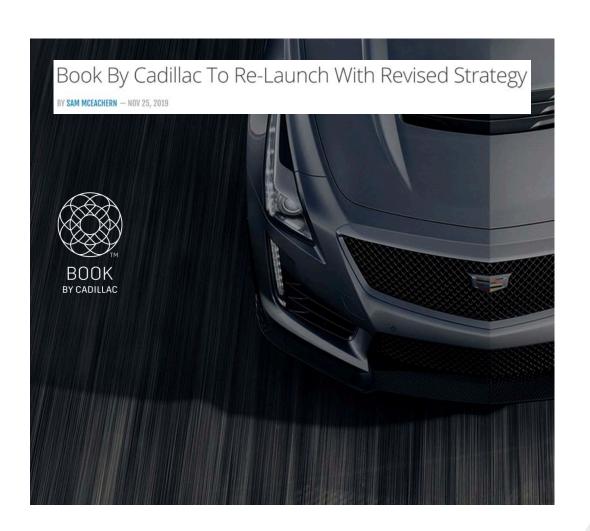




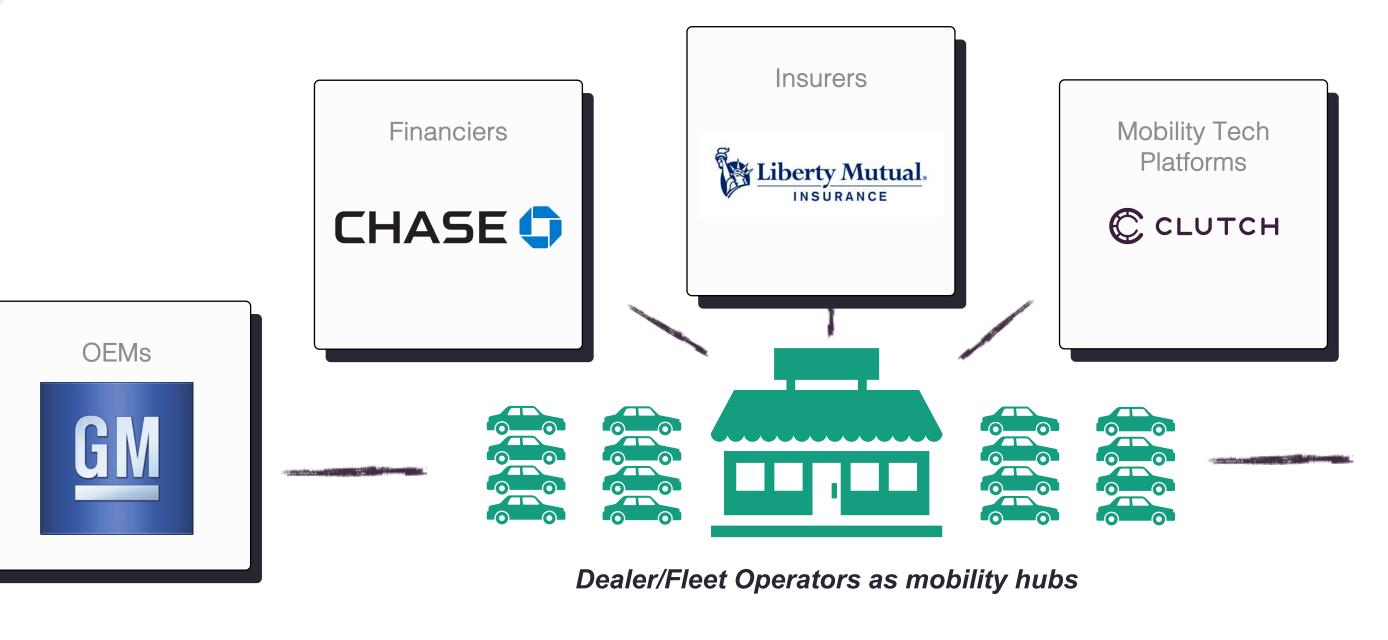
New entrants and expansion on tap for 2020







Putting it all together requires an ecosystem









STEER FAST FACTS

16

Different EVs in fleet

70%

Members new to EVs

55

Metric tons GHGs offset



THE SOLUTION: ALL-INCLUSIVE, FLEXIBLE STEER SUBSCRIPTION







STEER SUBSCRIPTION PLANS







✓ Insurance

✓ Door-to-door delivery

✓ Maintenance

✓ Car swaps

✓ Repairs

✓ Month-to-month

✓ No mileage limits

√ Charging support





What's next?



#steerwithus





