

DEALER SENTIMENT INDEX

FIRST QUARTER

— 2018 —

Cox
AUTOMOTIVE™

BACKGROUND

Data for the Cox Automotive Dealer Sentiment Index (CADSI) is gathered via an online survey.

The Q1 results were based on 896 dealer respondents. The survey was conducted from January 29 to February 12, 2018.

Dealer responses were weighted by dealership type and volume of sales to be representative of the national dealer population.

The CADSI was introduced in Q3 2017 by Cox Automotive. This is the third published report. The next quarterly report will be released in June 2018.

KEY TAKEAWAYS

While dealers are more positive about the current market than they were in Q4 of 2017, their expectations for the next quarter (Q2 2018) are up substantially.

The index for the next three months was 70, indicating substantially more dealers expect conditions to be strong in the future compared to those who believe conditions will be weak.

Other significant improvements include a decline in pressure to lower prices, an increase in dealers' ability to get credit, and increases in new- and used-vehicle inventory levels.

Perceptions of the new-car sales environment by franchise dealers remains one of the most positive

areas of dealer sentiment, as the new-vehicle sales index increased from Q4 2017 to Q1 2018.

The Q1 2018 CADSI also included questions about recent tax reform legislation coming from Washington, D.C. The findings were interesting. See slides 19-23.

The majority of dealers expect the 2018 tax reform plan to have a positive impact on their business, as their customers will have more disposable income.

Franchises were the most positive about tax reform and were more likely to cite tax reform as an opportunity to invest more in employees.

Q1: How would you describe the current market for vehicles in the areas where you operate?

OVERALL SCORE

49

Q4 2017: 46

0

50

100

Weak

Average

Strong



FRANCHISE DEALERS

Q4 2017: 54



INDEPENDENT DEALERS

Q4 2017: 43

Q2: What do you expect the market for vehicles in your area to look like 3 months from now?

OVERALL SCORE

70

Q4 2017: 53

0

50

100

Weak

Average

Strong



FRANCHISE DEALERS

Q4 2017: 57



INDEPENDENT DEALERS

Q4 2017: 52

Q3: How do you rate the customer traffic to your dealership over the past 3 months?

OVERALL SCORE

35

Q4 2017: 34

0

50

100

Weak

Average

Strong



43

FRANCHISE DEALERS

Q4 2017: 45



33

INDEPENDENT DEALERS

Q4 2017: 31

Q4: How would you describe your profits over the past 3 months?

OVERALL SCORE

41

Q4 2017: 41

0

50

100

Weak

Average

Strong



FRANCHISE DEALERS

Q4 2017: 49



INDEPENDENT DEALERS

Q4 2017: 38

Q5: *How would you describe your ability to get credit to operate your business over the past 3 months?*

OVERALL SCORE

61

Q4 2017: 57

0

50

100

Difficult

Average

Easy



FRANCHISE DEALERS

Q4 2017: 68



INDEPENDENT DEALERS

Q4 2017: 54

Q6: How would you describe the cost of running your dealership over the past 3 months?

OVERALL SCORE

67

Q4 2017: 67

0

50

100

Declining

Average

Growing



68

FRANCHISE DEALERS

Q4 2017: 69



66

INDEPENDENT DEALERS

Q4 2017: 66

Q7: How would you describe your dealership's current fixed capital investment levels?

OVERALL SCORE

56

Q4 2017: 54

0

50

100

Growing

Average

Declining



FRANCHISE DEALERS

Q4 2017: 64



INDEPENDENT DEALERS

Q4 2017: 51

Q8: How would you describe the current new-vehicle sales environment?

OVERALL SCORE

65

Q4 2017: 61

0

50

100

Poor

Average

Good



FRANCHISE DEALERS

Q4 2017: 61



INDEPENDENT DEALERS

Q4 2017: N/A

Q9: How would you describe your dealership's current new-vehicle inventory levels?

OVERALL SCORE

68

Q4 2017: 62

0

50

100

Declining

Average

Growing



FRANCHISE DEALERS

Q4 2017: 62



INDEPENDENT DEALERS

Q4 2017: N/A

Q10: How would you describe the current used-vehicle sales environment?

OVERALL SCORE

56

Q4 2017: 55

0

50

100

Poor

Average

Good



FRANCHISE DEALERS

Q4 2017: 67



INDEPENDENT DEALERS

Q4 2017: 51

Q11: How would you describe your dealership's current used-vehicle inventory levels?

OVERALL SCORE

59

Q4 2017: 53

0

50

100

Declining

Average

Growing



FRANCHISE DEALERS

Q4 2017: 55



INDEPENDENT DEALERS

Q4 2017: 53

Q12: How much pressure do you feel to lower your prices?

OVERALL SCORE

62

Q4 2017: 67

0

50

100

Less

Average

More



FRANCHISE DEALERS

Q4 2017: 67



INDEPENDENT DEALERS

Q4 2017: 67

Q13: How would you describe your dealership's current staffing levels?

OVERALL SCORE

54

Q4 2017: 52

0

50

100

Declining

Average

Growing



FRANCHISE DEALERS

Q4 2017: 55



INDEPENDENT DEALERS

Q4 2017: 51

What Are The Top Factors Holding Your Business Back?

OVERALL RANK

1	Market Conditions	40%	
2	Credit Availability for Consumers	36%	
3	Competition	35%	
4	Expenses	28%	
5	Limited Inventory	27%	
6	Consumer Transparency in Pricing	16%	
7	Consumer Confidence	15%	↓
8	Regulations	11%	
9	Staff Turnover	10%	
10	Interest Rates	9%	↑
11	Dealership Systems/Tools	8%	↑
12	Credit Availability for Business	7%	
12	Too Much Retail Inventory	7%	
14	OEM Mandates/Restrictions	6%	



What Are The Top Factors Holding Your Business Back?

FRANCHISE DEALER RANK

1	Competition	41%	
2	Market Conditions	37%	
3	Staff Turnover	24%	
4	OEM Mandates/Restrictions	22%	
5	Expenses	21%	
6	Credit Availability for Consumers	20%	
7	Limited Inventory	16%	
7	Consumer Transparency in Pricing	16%	
7	Consumer Confidence	16%	
10	Interest Rates	10%	↑
10	Dealership Systems/Tools	10%	
12	Regulations	8%	
13	Too Much Retail Inventory	7%	
14	Credit Availability for Business	0%	



What Are The Top Factors Holding Your Business Back?

INDEPENDENT DEALER RANK

1	Market Conditions	41%
1	Credit Availability for Consumers	41%
3	Competition	33%
4	Limited Inventory	31%
5	Expenses	30%
6	Consumer Transparency in Pricing	16%
7	Consumer Confidence	15%
8	Regulations	12%
9	Credit Availability for Business	10%
10	Interest Rates	9%
11	Dealership Systems/Tools	8%
11	Too Much Retail Inventory	8%
13	Staff Turnover	5%



TAX REFORM *Impact*



Q: *How will recent tax reform impact your business in the next 3 months?*

OVERALL SCORE

77

0

50

100

Negative

Average

Positive



FRANCHISE DEALERS



INDEPENDENT DEALERS

Tax Reform Overall Impact On Business (Breakout Numbers)

OVERALL

Positive Impact 59%

No Impact 36%

Negative Impact 5%

FRANCHISE

Positive Impact 68%

No Impact 31%

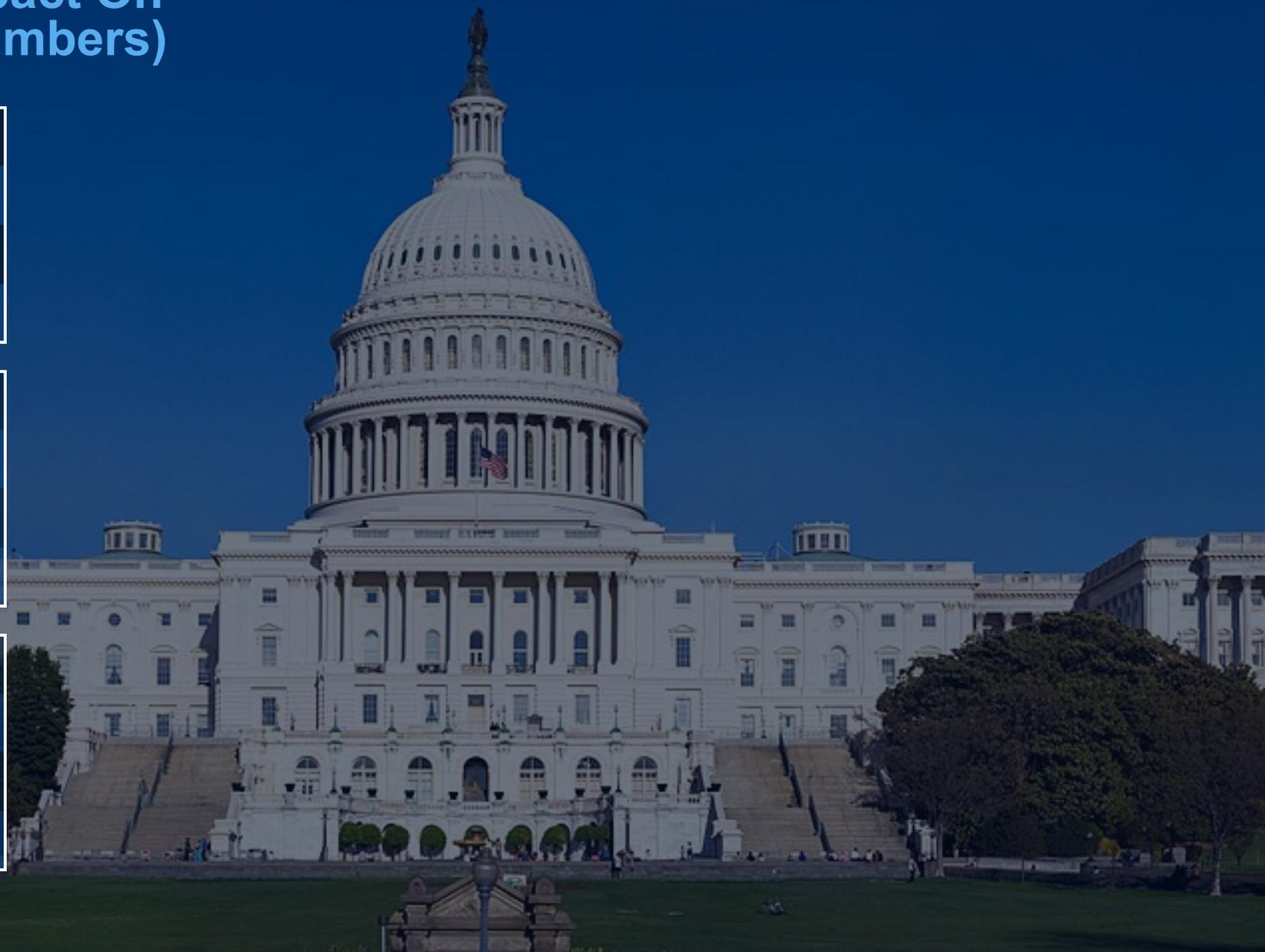
Negative Impact 1%

INDEPENDENT

Positive Impact 57%

No Impact 38%

Negative Impact 5%



Reason Tax Reform Will Have a POSITIVE Impact On Business?

OVERALL RANK

1	Customer have more disposable income	74%
2	U.S. Economy will be stronger	63%
3	Dealership will be more profitable	49%
4	Lower effective income tax for dealership	44%
5	Dealership can invest more in the business	36%
6	Dealership can invest more in employees	28%

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