

COX AUTOMOTIVE™

TRANSFORMING THE WAY
THE WORLD BUYS, SELLS
AND OWNS CARS

Wireless
Username: Madison
Password: Bro@dw@y#



2018 MID-YEAR REVIEW

June 27 // DETROIT

Welcome!

Wireless

Username: Madison

Password: Bro@dw@y#





COX AUTOMOTIVE PUBLIC RELATIONS

Chintan Talati
Senior Director, Cox Automotive

Mark Schirmer
Senior Manager, Cox Automotive

Dara Hailes
Manager, Cox Automotive

Andrew Nicolai
Director, Media Solutions

Lois Rossi
Senior Director, Inventory Solutions

Julie Shipp
Manager, Inventory Solutions

Mark O'Neil
Chief Operating Officer

Jessica Stafford
General Manager, Autotrader

Isabelle Helms
VP Research and Market Intelligence

Drew Heckman
Chief of Strategy, Flexdrive

Charlie Chesbrough
Senior Economist

Rebecca Lindland
Executive Analyst, Kelley Blue Book

Michelle Krebs
Executive Analyst, Autotrader

Zohaim Rahim
Manager, Research



COX AUTOMOTIVE LEADERSHIP

SCHEDULE OF EVENTS

2:00 p.m. State of the Industry

The Economy – [Charlie Chesbrough](#)

The CUV Tsunami – [Zohaim Rahim](#)

The Scores at Halftime – [Michelle Krebs](#)

Then and Now – [Michelle Krebs](#)

Q&A

3:00 p.m. Break

3:15 p.m. The State of Change

Predictions – [Mark O’Neil](#)

Accelerate – [Jessica Stafford](#)

Evolution of Mobility – [Isabelle Helms](#)

Subscription Landscape – [Drew Heckman](#)

Q&A – [Rebecca Lindland](#)

4:30 p.m. End





THE ECONOMY

Charlie Chesbrough | Senior Economist

BUYING CONDITIONS ARE FAVORABLE

U.S. ECONOMIC OUTLOOK

Consumer and business confidence high

Stock market high, corporate profits strong

Wages and employment improving

Elevated incentives supporting demand

Lots of new products/innovations

Housing prices have recovered

A man in a dark suit and light blue shirt is smiling and pointing at a tablet held by a woman with curly hair wearing a light blue button-down shirt. They are in an office setting with a colorful abstract painting in the background.

**OVER 56 MILLION VEHICLES WILL
BE SOLD IN 2018**

BUYING CONDITIONS ARE CHANGING

U.S. ECONOMIC OUTLOOK

Tighter monetary policy impacting economy

Buyers, dealers, OEMs, suppliers – costs rising

Oil price increase limiting tax reform gains

Margins weaker as incentives/inventory costs rise

Late stage in cycle – market fatigue

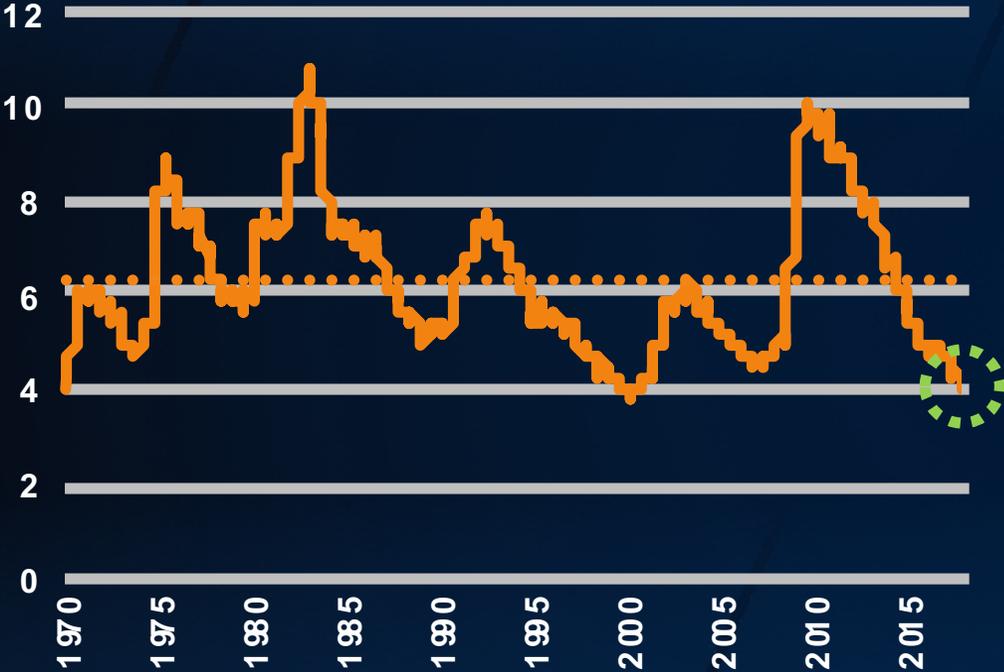
Inflation offsetting already slow wage growth



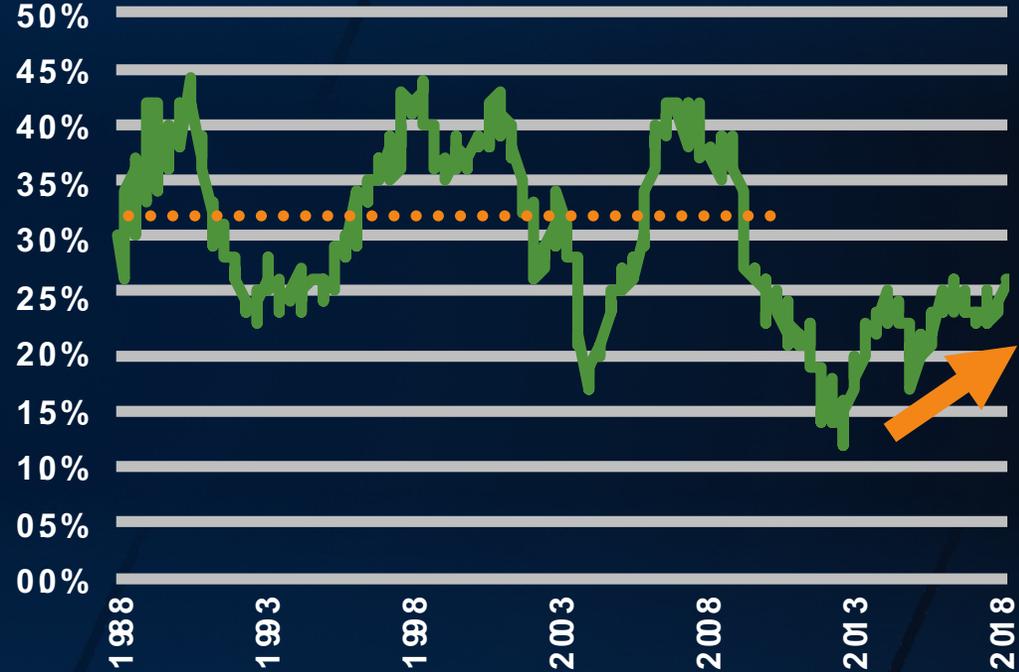
**VEHICLE DEMAND ROBUST,
BUT RISKS ELEVATED**

LABOR MARKET STRONG BUT NOT WAGES - YET

UNEMPLOYMENT RATE

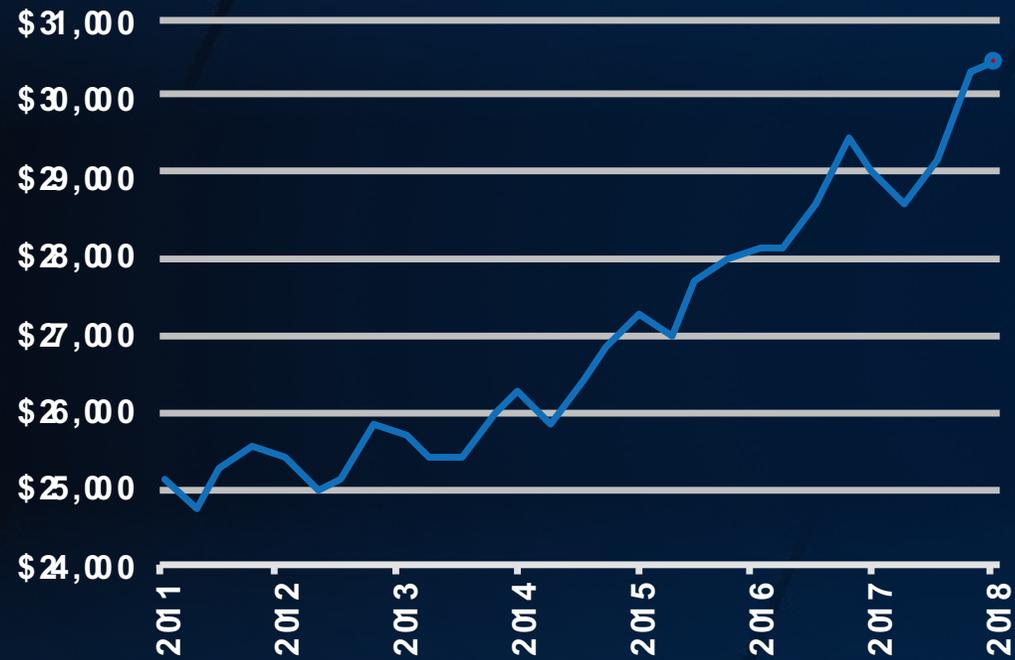


HOURLY WAGE GROWTH



SALES VULNERABLE TO INTEREST RATE INCREASES

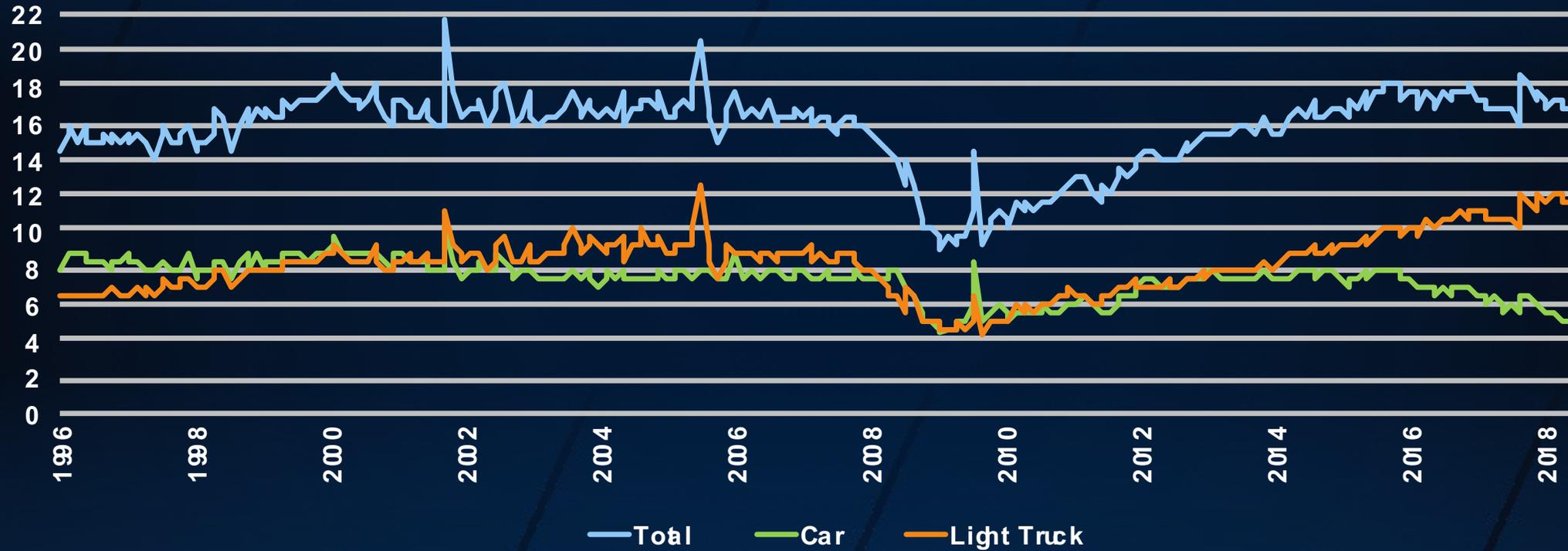
US AVERAGE AMOUNT FINANCED (NEW VEHICLE)



AUTO LOAN AVAILABILITY (NET PERCENTAGE YES)



JUNE SAAR EXPECTED TO RISE SLIGHTLY FROM MAY

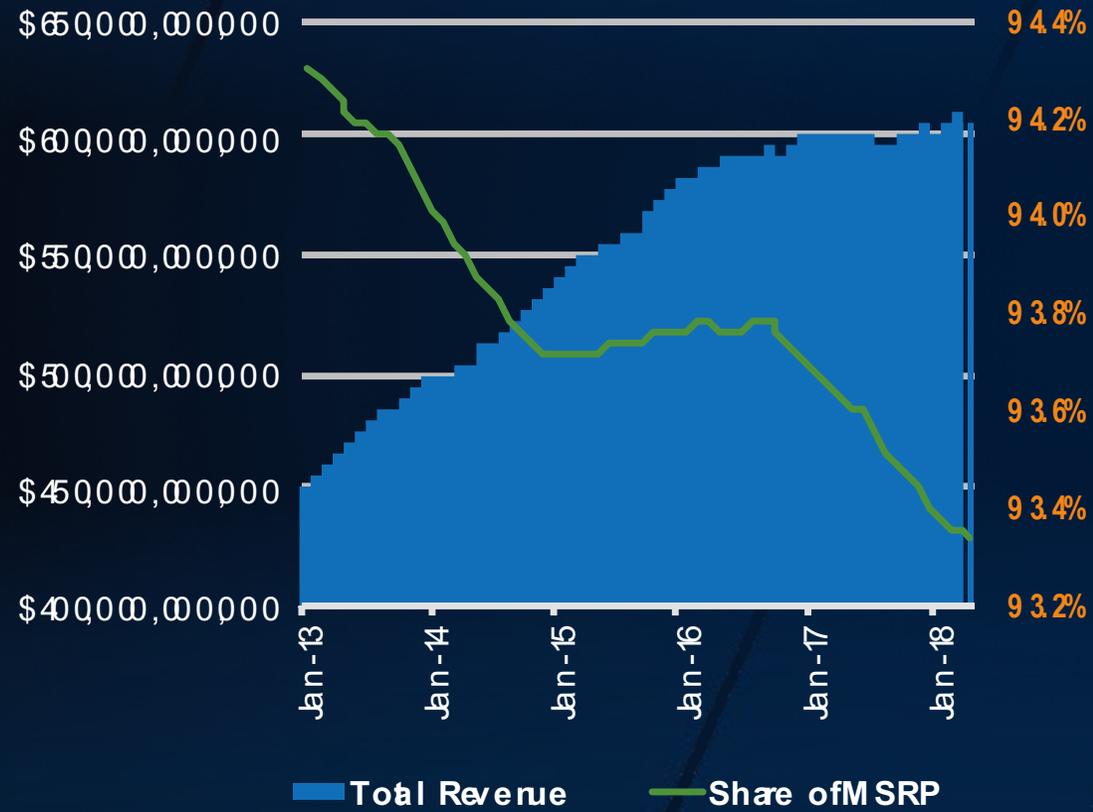


REVENUE GROWTH DECLINING BUT STILL POSITIVE

TOTAL REVENUE (SALES X TRANSACTION PRICE)

SHARE OF MSRP

REVENUE GROWTH (ANNUAL CHANGE)



SINCE THE RECORD NEW-VEHICLE SALES YEAR IN 2016

Gasoline price up 40%
or \$60/month (18 mpg/15k)

Cost of \$30,000/5-year loan
up \$500 or \$9/month

Amount borrowed now at \$30,500,
up \$1,871 or 7%

30-year mortgage up from 3.65%
to 4.40% \$130/month (300k)

Personal savings rate now at
2.8%, down from 4.9%

BUDGET

	Budget	Actual
\$	3,200.00	\$ 3.2
\$	900.00	\$
\$	4,100.00	

CONSUMER FINANCES
ARE CHANGING

THREAT TO NEW-VEHICLE VOLUME WILL INCREASE

Affordability becoming more difficult

Used-vehicle market providing a "value" alternative

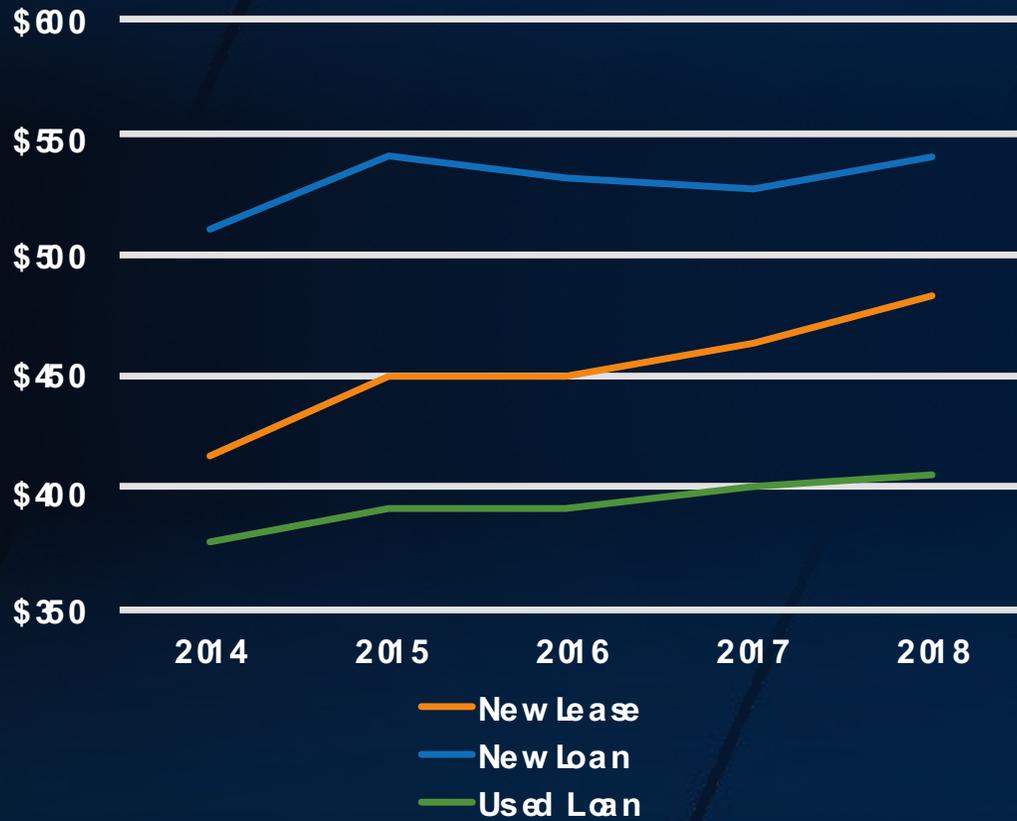
Off-lease vehicles don't reach peak volume until 2019



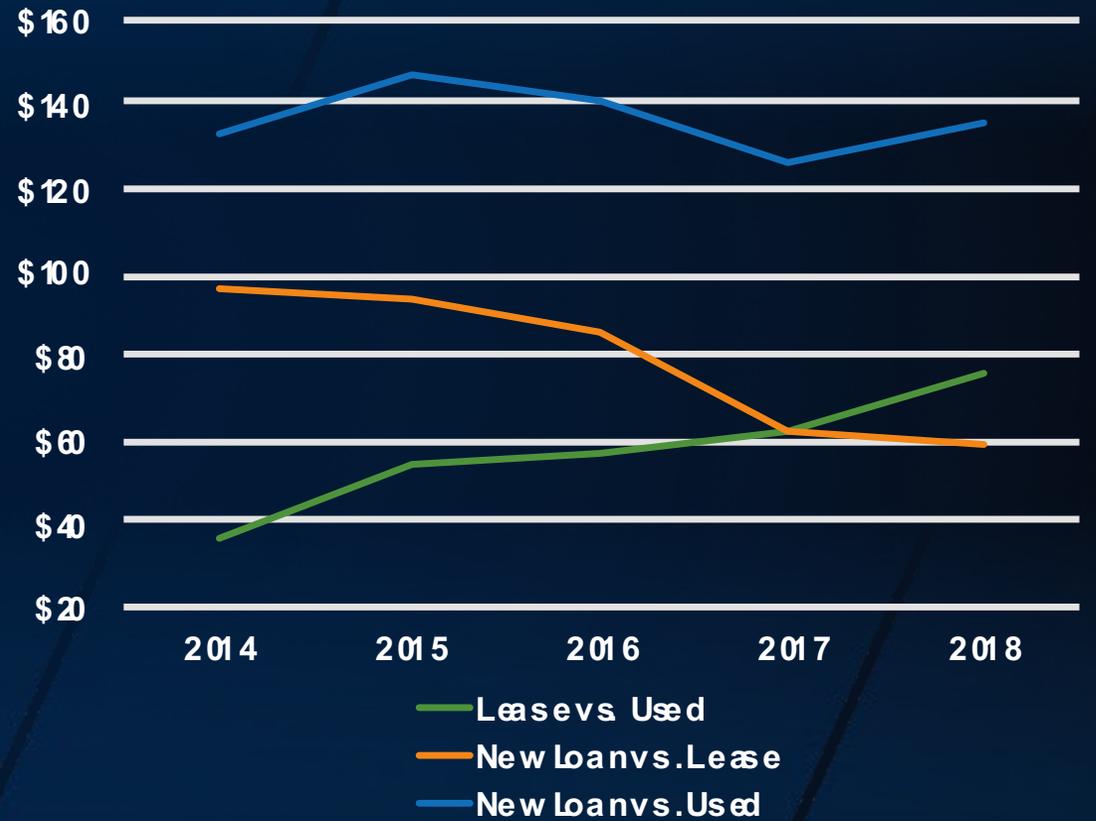
**HEADWINDS BLOWING
CONSUMERS TOWARDS
USED VEHICLES**

RISING LEASE PAYMENTS IMPACTING CHOICES

MONTHLY PAYMENT

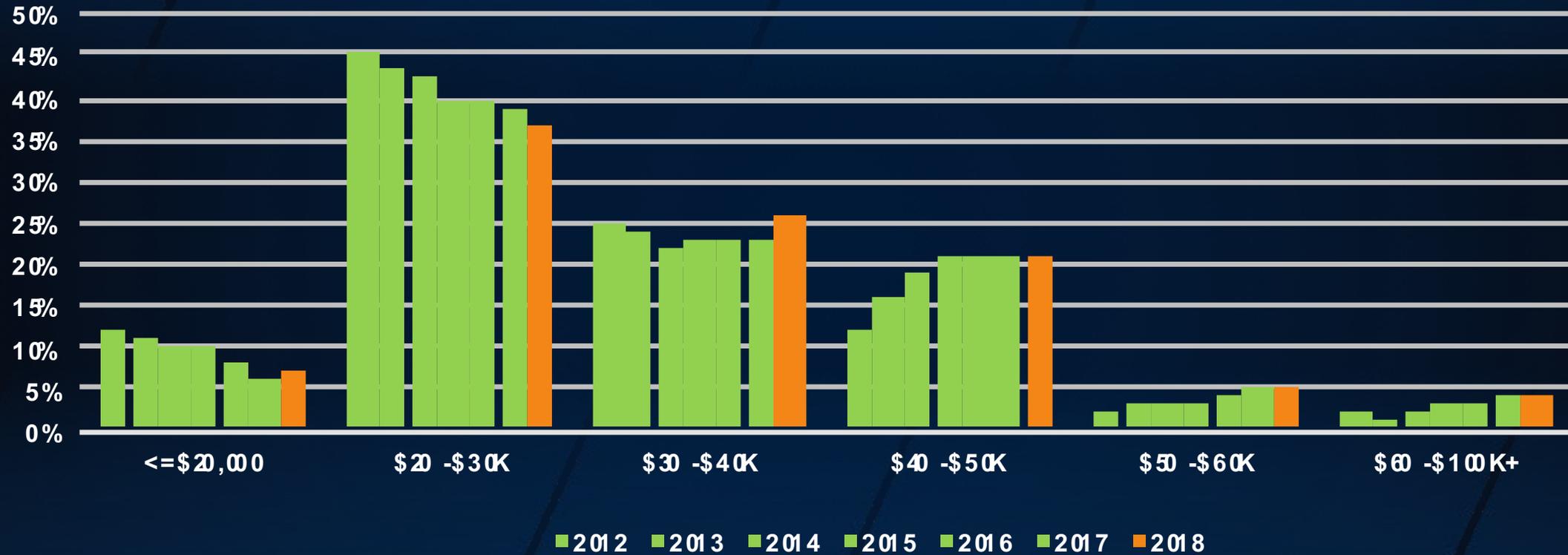


PAYMENT DIFFERENCES



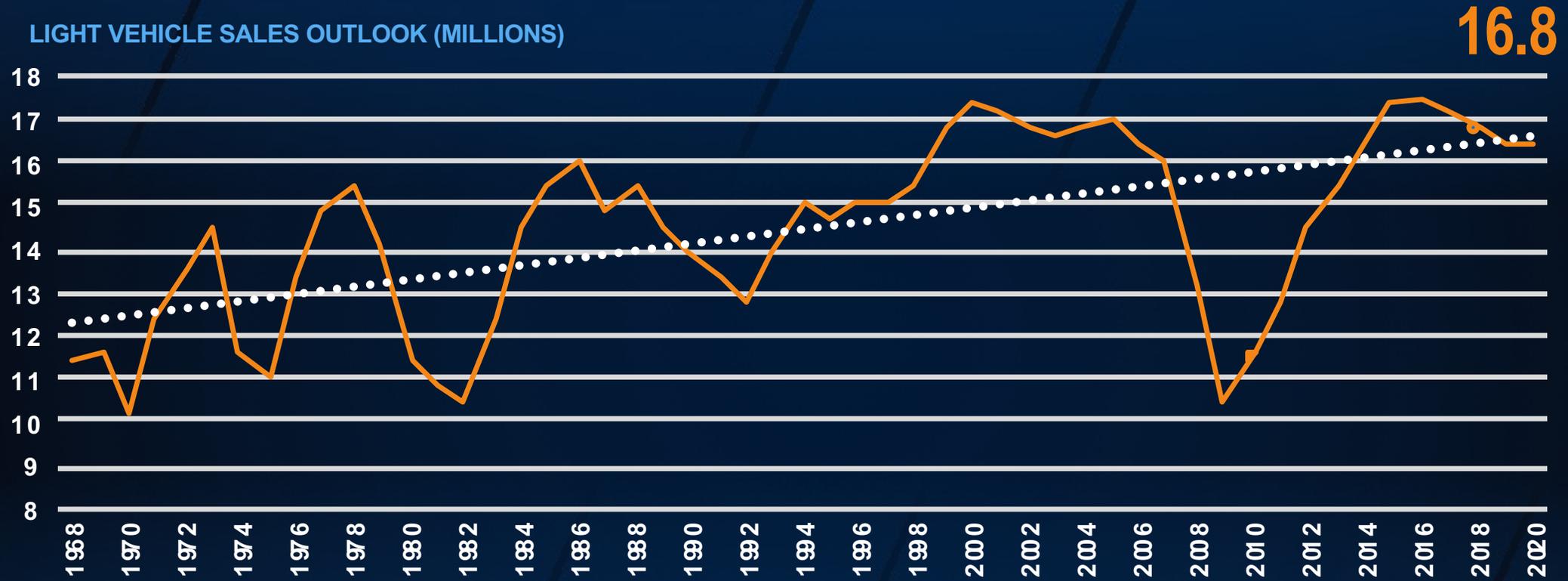
SHARE OF MARKET BELOW \$30,000 DECLINING RAPIDLY

TRANSACTION PRICE MARKET SHARE (2012-2018)



HEADWINDS LEAD TO MODEST DECLINE IN 2018

LIGHT VEHICLE SALES OUTLOOK (MILLIONS)



COX AUTOMOTIVE
FULL-YEAR FORECASTS

2018	2019	2020
16.8	16.4	16.5
(Up 100K from earlier forecast)		



THE CUV TSUNAMI

Zohaib Rahim | Manager
Economic & Industry Insights

USED SALES CONTINUE TO TREND HIGHER

USED-VEHICLE REGISTRATIONS (ANNUALIZED VOLUME)



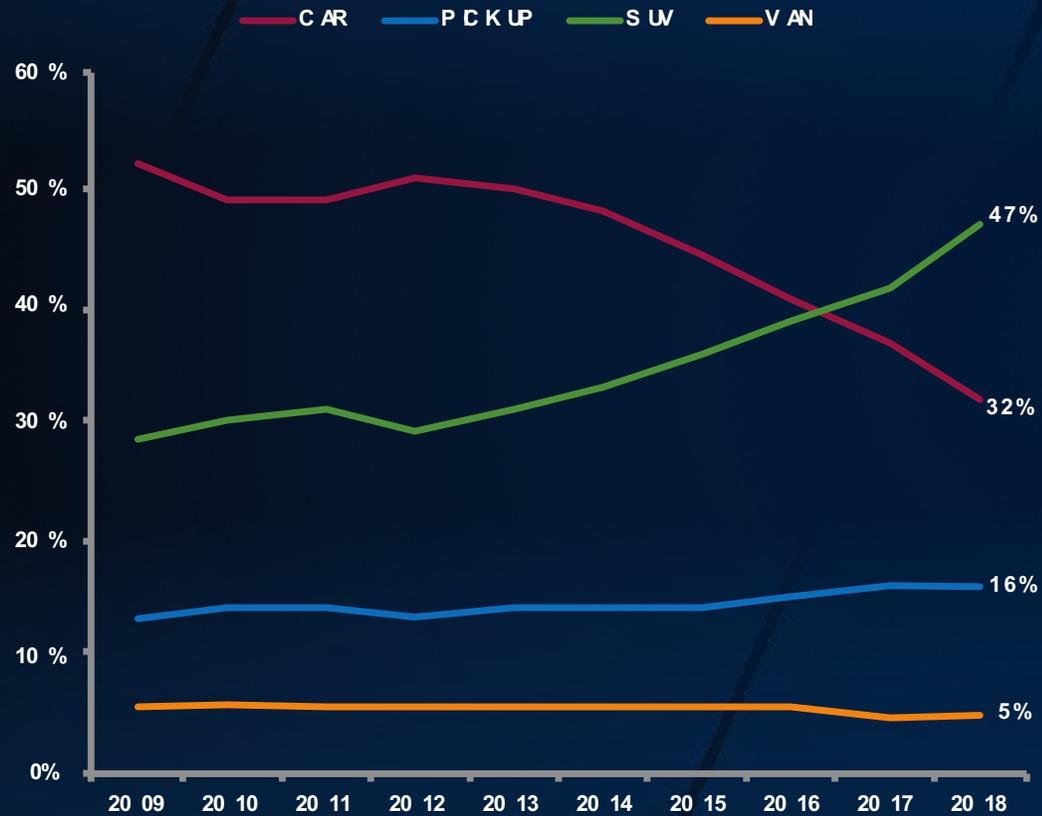
OFF-LEASE VOLUME REACHING PEAK

ESTIMATED OFF-LEASE MATURITIES (ANNUAL VOLUME, MILLIONS)

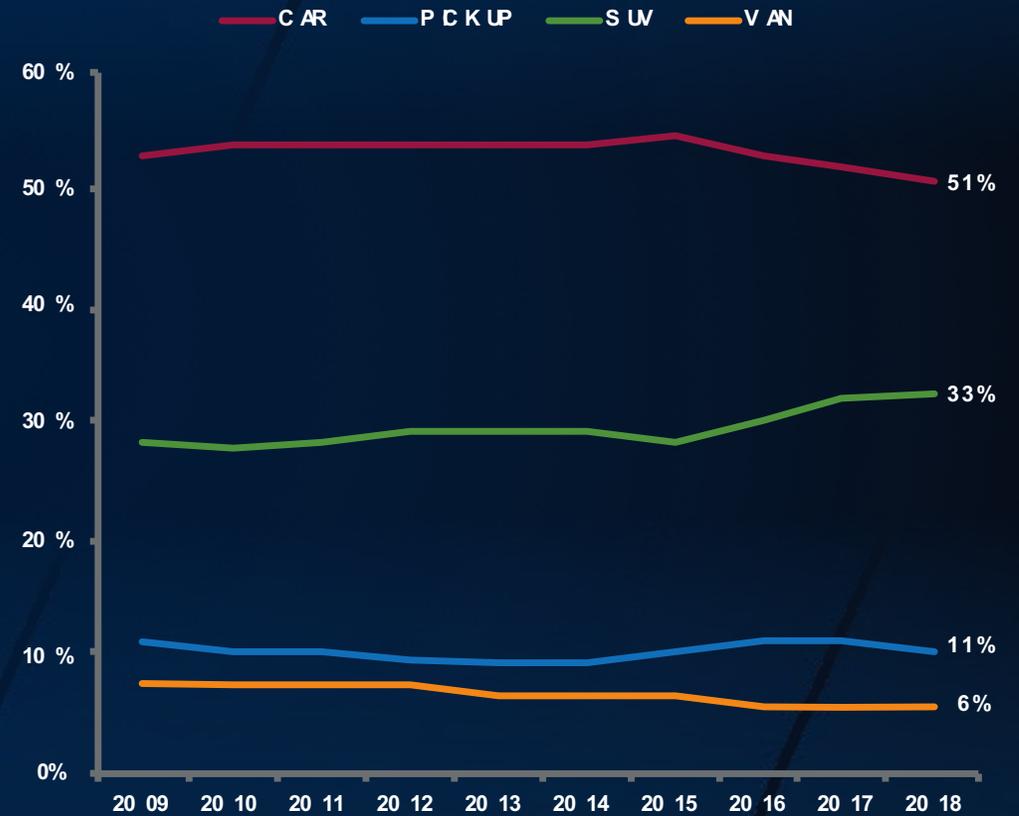


SHIFTING CONSUMER PREFERENCES BY TYPE

NEW-VEHICLE SALES BY CATEGORY

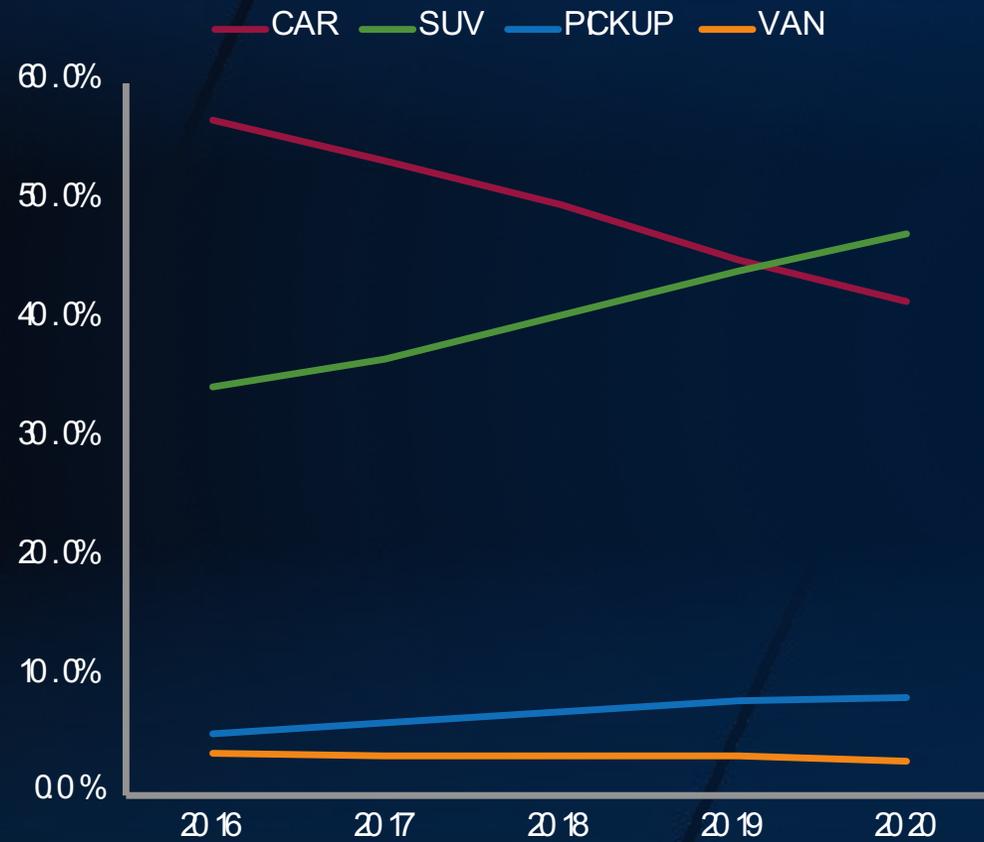


WHOLESALE-VEHICLE SALES BY CATEGORY (ANNUAL AVERAGE)

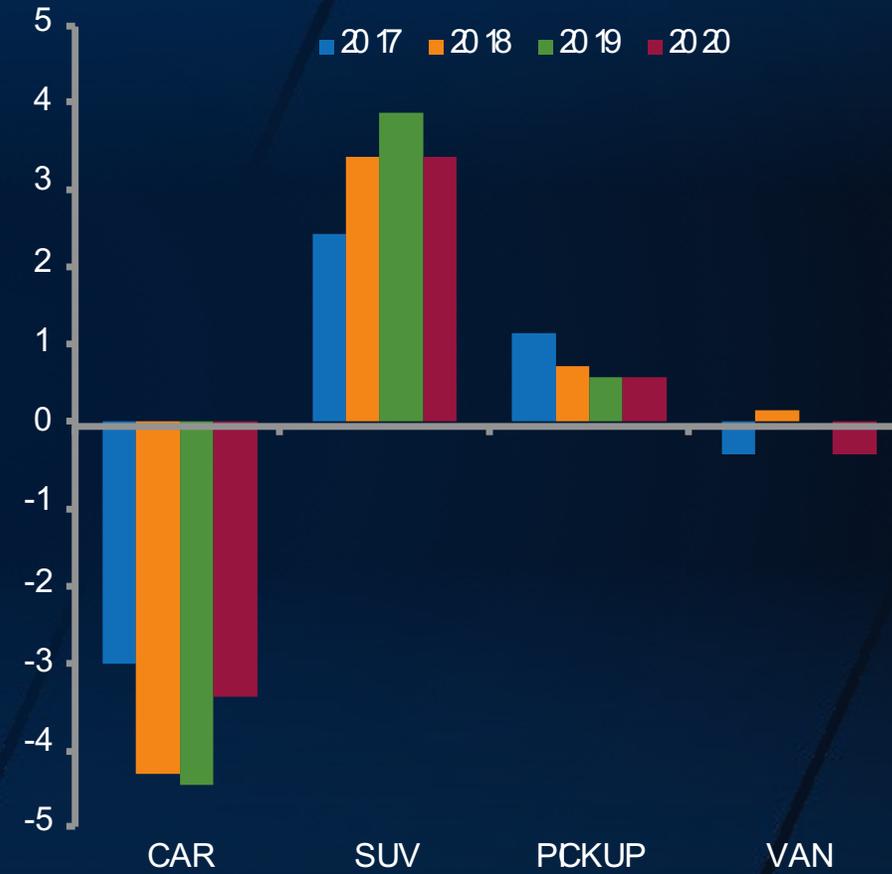


OFF-LEASE MIX CHANGING TO FEWER CARS AND MORE CUVs

SEGMENT SHARE

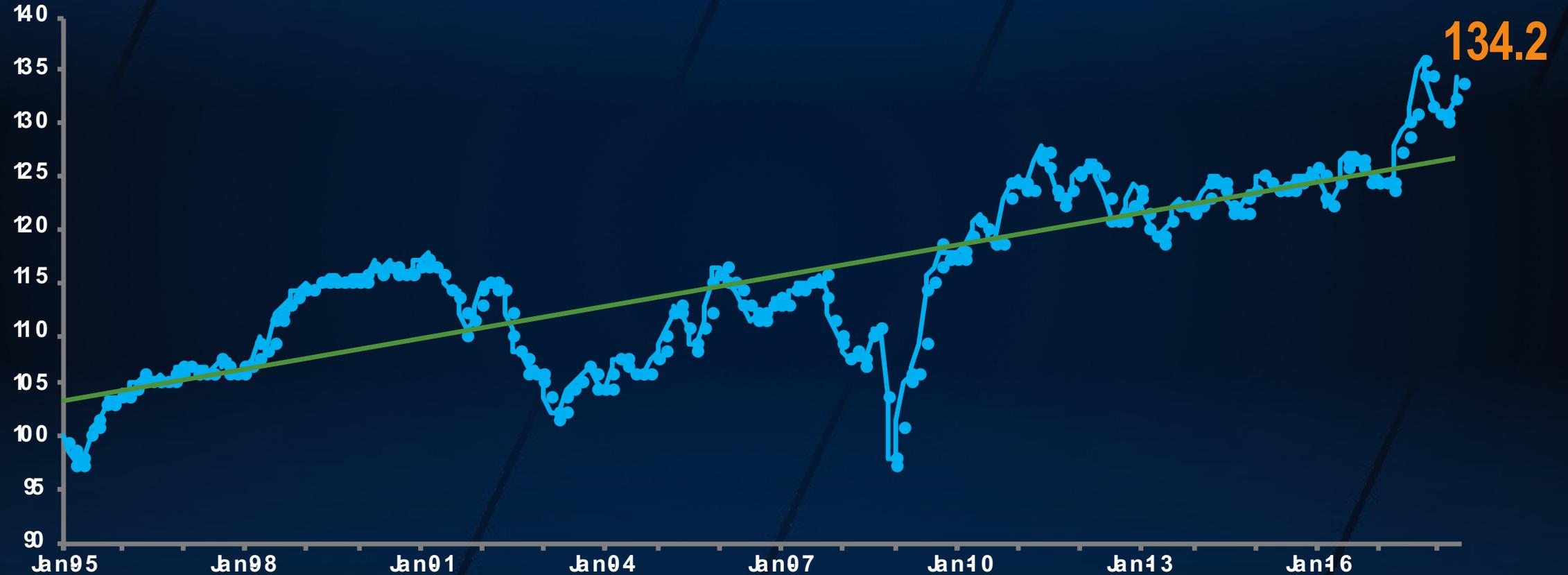


SEGMENT SHARE GROWTH



WHOLESALE PRICES UP SECOND CONSECUTIVE MONTH

MANHEIM USED VEHICLE VALUE INDEX



PRICE PERFORMANCE VARIED BY SEGMENT

MANHEIM USED VEHICLE VALUE INDEX – Y/Y CHANGE



NEW- AND USED-VEHICLE PRICING

NEW-VEHICLE AVERAGE TRANSACTION PRICE



WHOLESALE/USED-VEHICLE PRICE





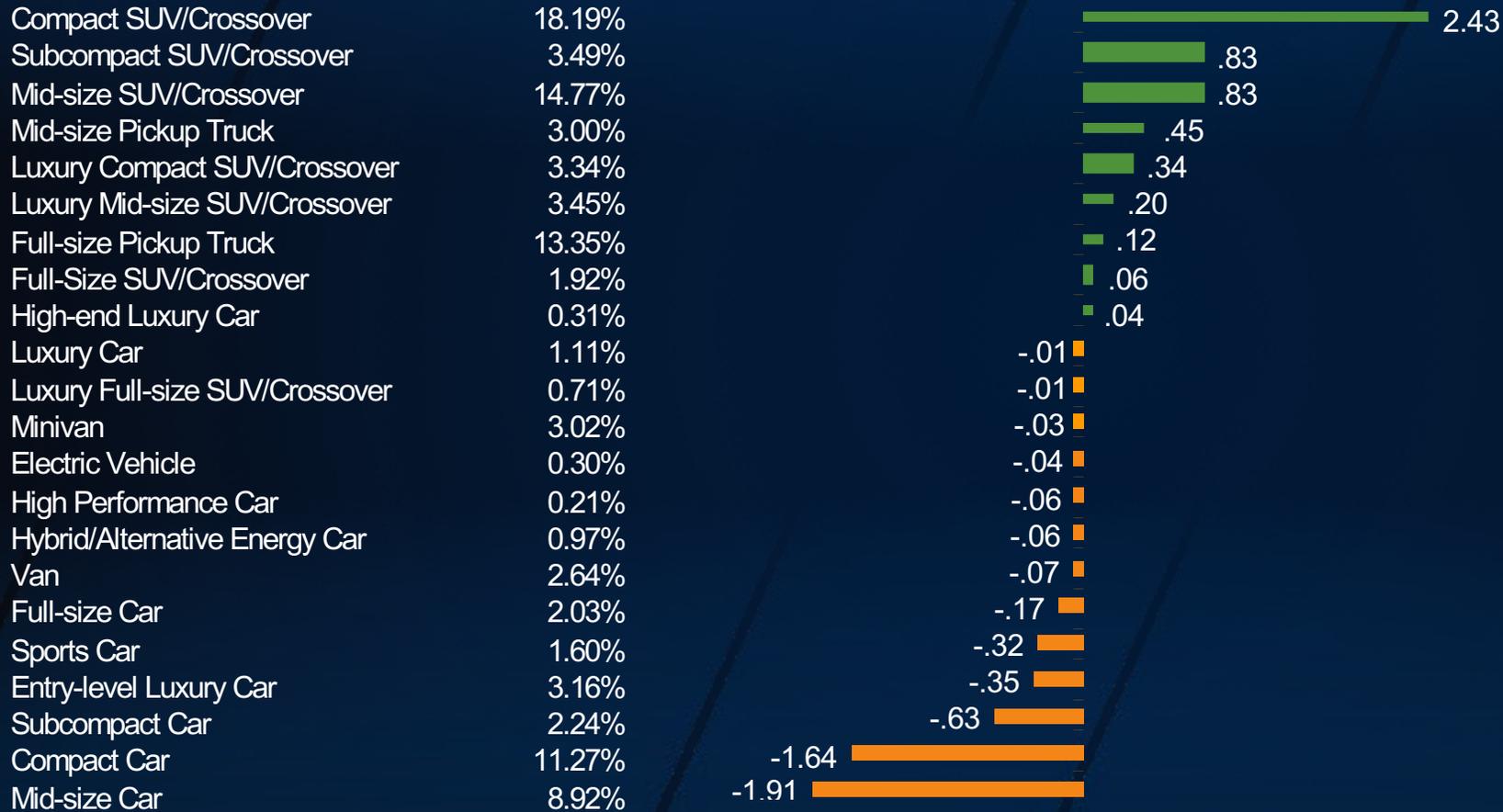
THE SCORES @ HALFTIME

Michelle Krebs | Executive Analyst, Autotrader

THE STRONG GROW STRONGER

SEGMENT & SHARE

LOSS / GAIN



KEY TAKEAWAY

Car share continues slide, led by midsize and compact car segments. How low will it go?

SUV/CUV sales keep rising, led by compact utilities now at 18% of the market

Full-size pickup truck sales hold steady; midsize trucks gain

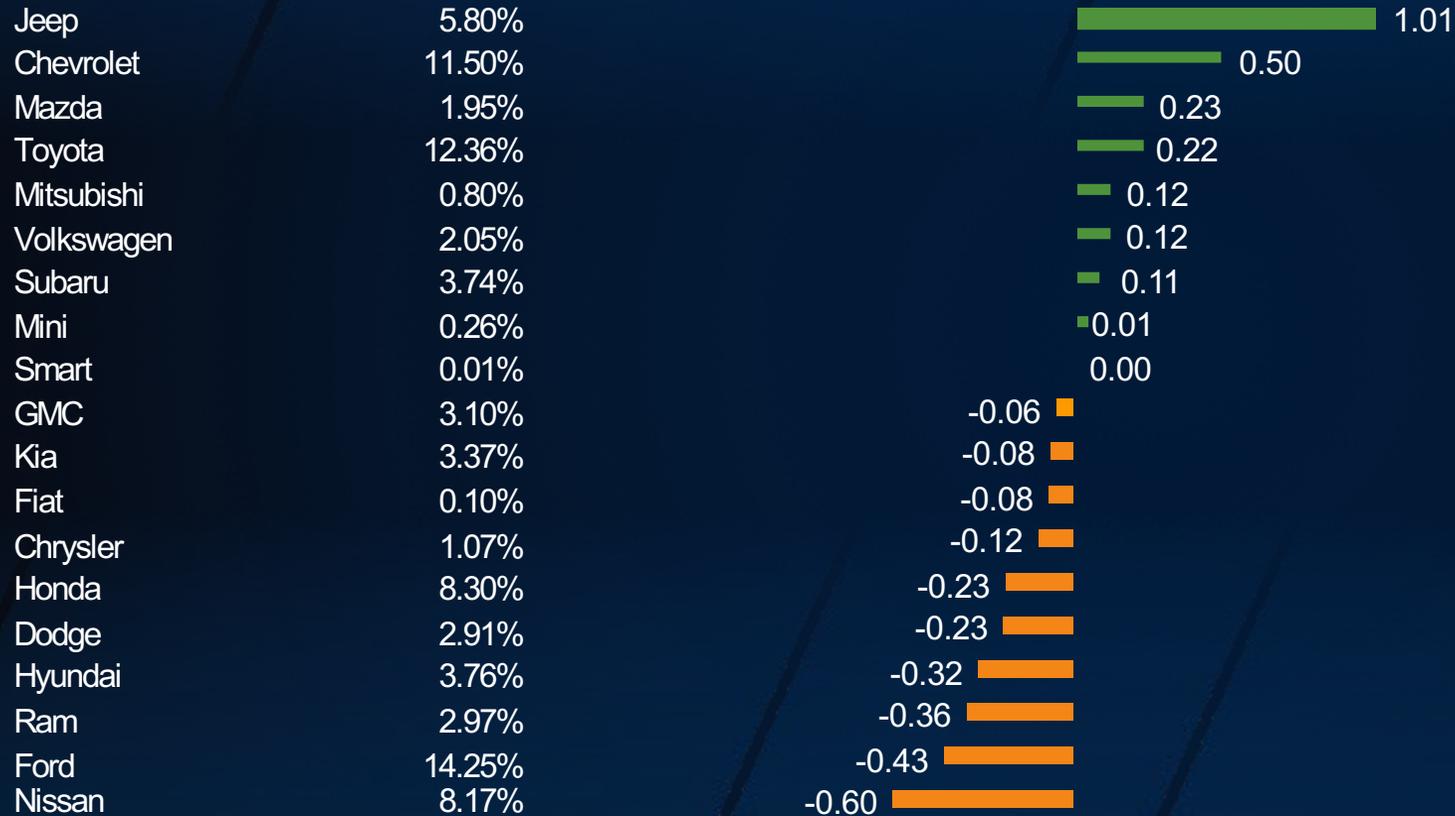
Top 3 segments – compact, midsize utilities plus pickups - account for 46% of total sales vs. 44% for all of 2017

JEEP, LITTLE GUYS GAIN



BRAND & SHARE

LOSS / GAIN



KEY TAKEAWAY

Jeep wrangles biggest market share gain, up 1 point, thanks to new models, including Wrangler, Compass

More non-luxury brands lose than gain

Most big brands flat to down; only Jeep, Toyota and Chevrolet up

Little guys made some gains: Mazda, Volkswagen, Mitsubishi

LUXURY HOLDS STEADY

BRAND & SHARE

LOSS / GAIN



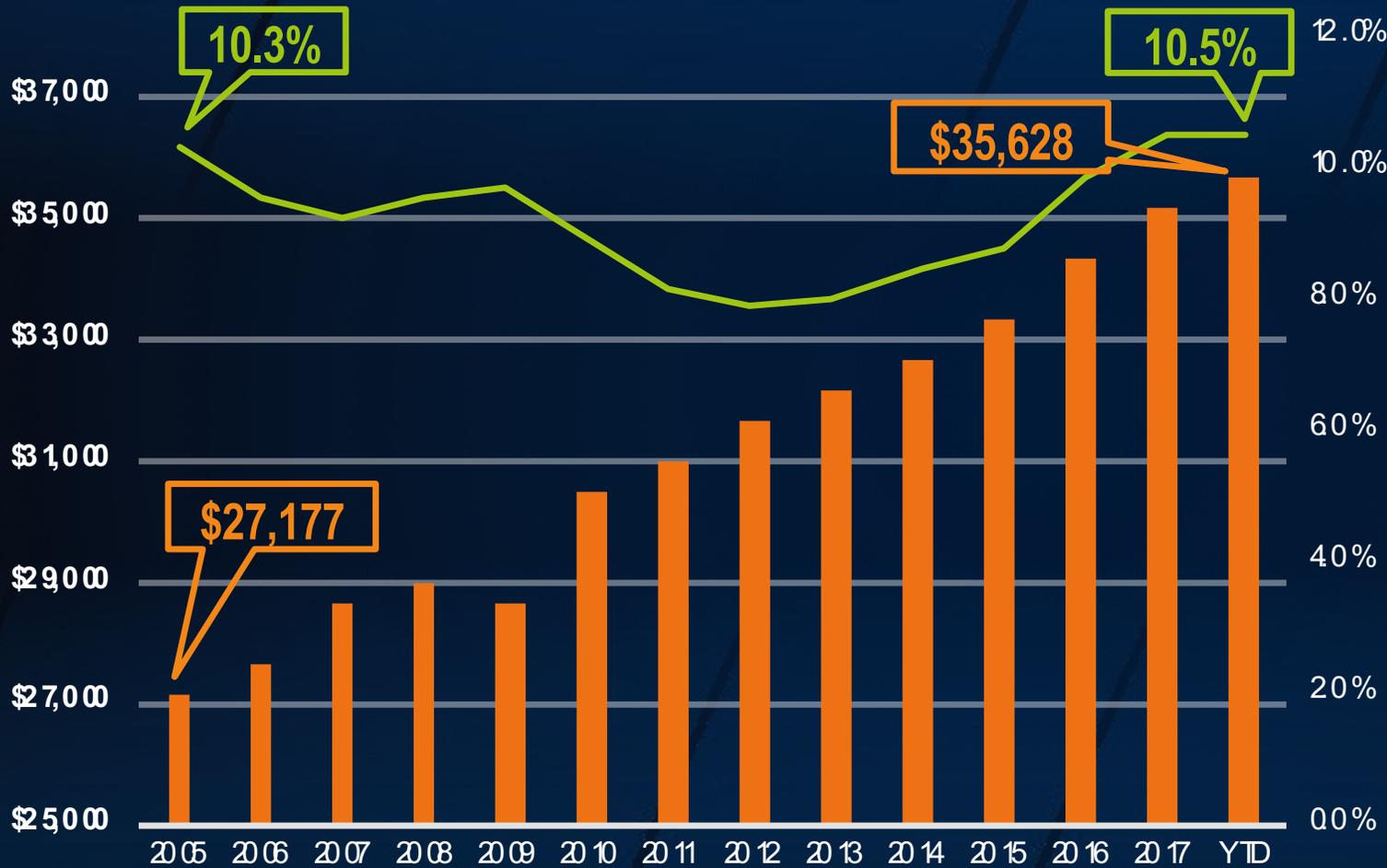
KEY TAKEAWAY

Luxury brands eke out more gains than declines; share movements minuscule

Some little guys gained: Volvo, Land Rover, Alfa Romeo

Volvo gained most thanks to new products

PRICES RISE AND SO DO INCENTIVES



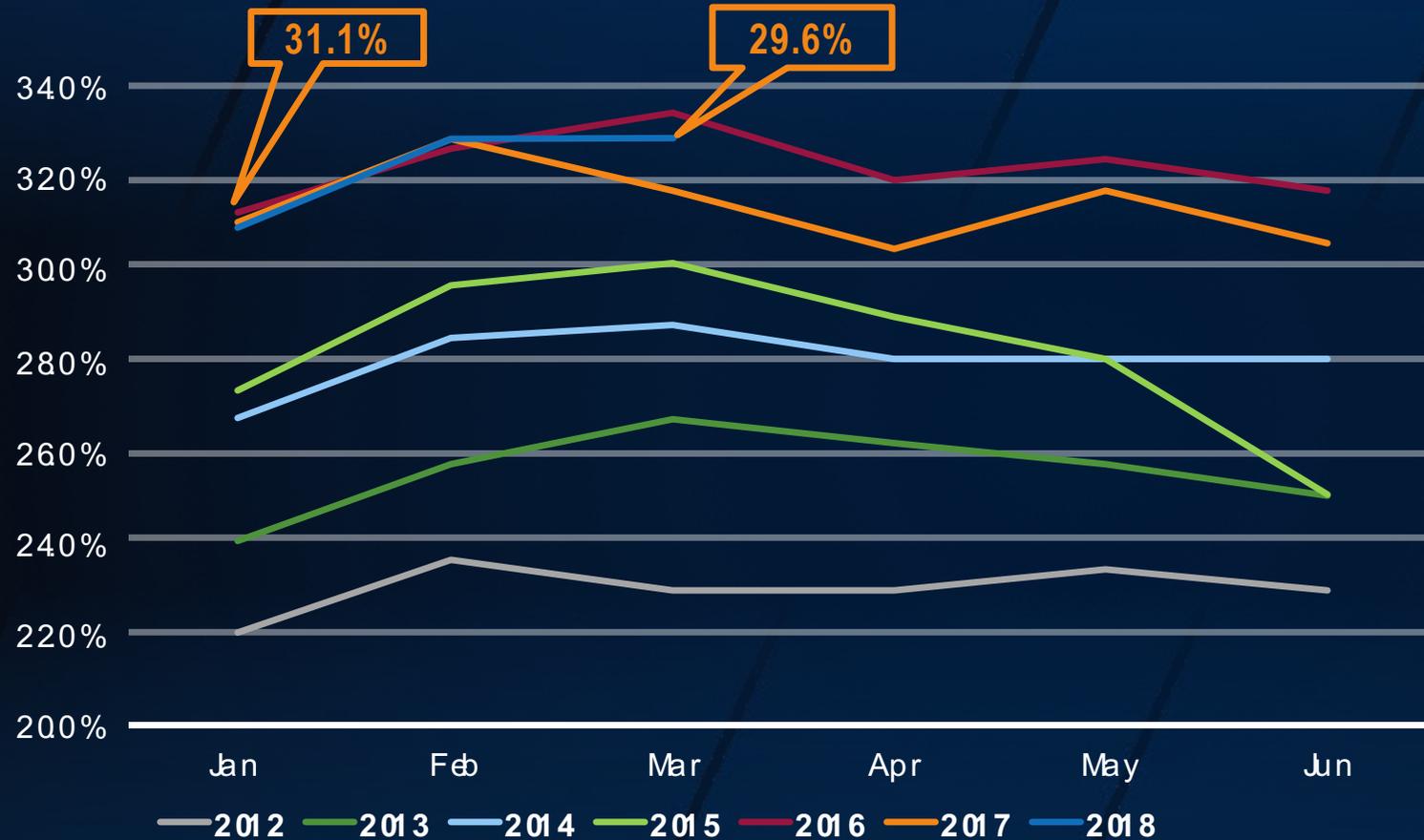
KEY TAKEAWAY

Transaction prices keep climbing as customers opt for well-equipped SUVs/CUVs

Incentives rise in dollars but same ratio to ATP as year-end 2017

Automakers plow incentives into leases

LENDING HAND PUSHES LEASING TO NEAR-RECORD HEIGHTS



KEY TAKEAWAY

Lease levels approaching 2016 record levels

Rising interest rates have pushed lease payments higher so automakers step in to subsidize

Luxury lease pull-aheads, leases to conquest competitors proliferate

Expected tsunami of off-lease utilities and new ute models coming on the market may drive higher incentives in those segments

PROGRESS REPORT: 2018

OUTPERFORMING:

Jeep – Wrangles biggest non-lux sales hike at +22% YTD



Volvo – How Swede it is! Biggest sales hike at 38% YTD, second to Alfa



Subaru – Love, dogs and three rows of seats



Volkswagen – With Dieselgate behind it, nowhere to go but up



UNDERPERFORMING:

Honda – Accord stalls. Dude, where's my incentive?



Tesla – Where's my mainstream-priced Model 3 EV?



Acura – Even a new RDX seems unable to save the brand



JURY STILL OUT:

Ford – Adios Fiesta and the bulk of Ford cars; Hello EcoSport



Hyundai – A host of stylish new CUV models show promise



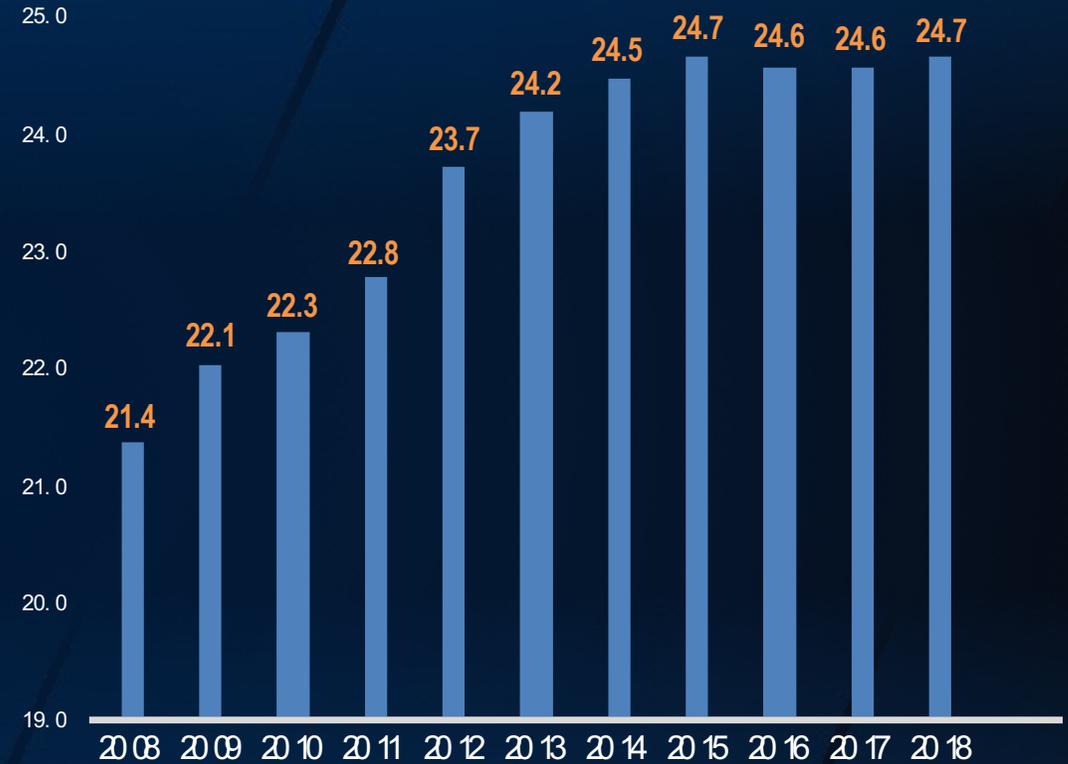
Cadillac – Awaiting the arrival of the XT4



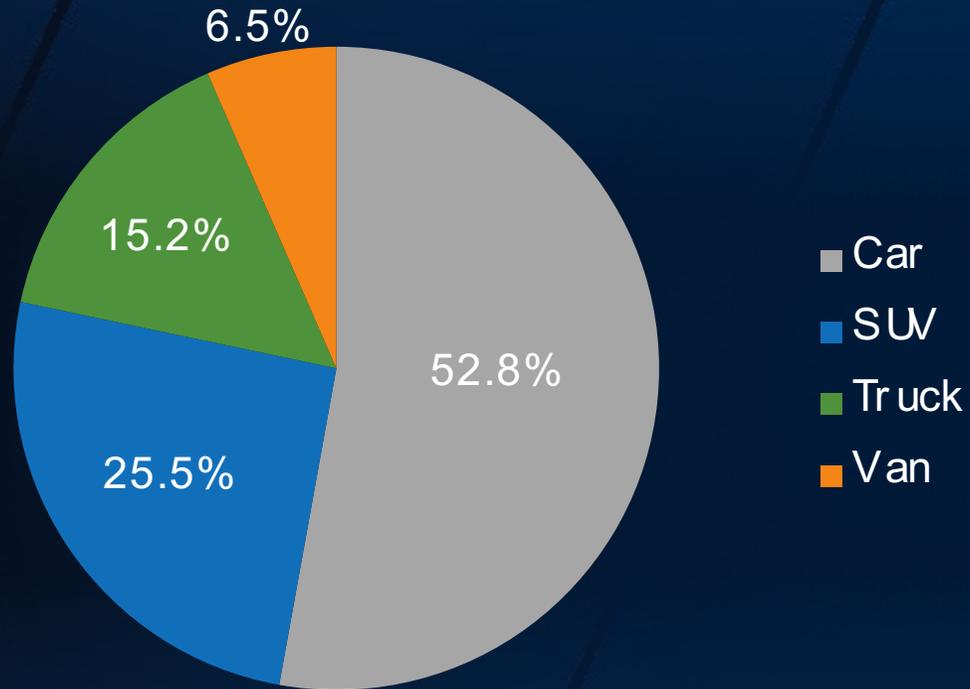
THEN (2008) AND NOW (2018): GAS PRICES

	CAR	SUV	TRUCK	VAN	OVERALL MPG
2008	24.8	18.6	16.0	17.8	21.4
2009	25.3	19.6	16.2	17.7	22.1
2010	25.8	20.4	16.3	18.0	22.3
2011	26.5	20.8	16.5	18.9	22.8
2012	27.7	21.2	16.5	19.1	23.7
2013	28.5	21.9	16.7	19.1	24.2
2014	28.9	22.3	17.2	19.2	24.5
2015	29.1	22.9	18.0	19.3	24.7
2016	29.4	23.1	18.1	19.4	24.6
2017	29.6	23.4	18.4	19.7	24.6
2018	29.9	23.7	18.5	19.6	24.7

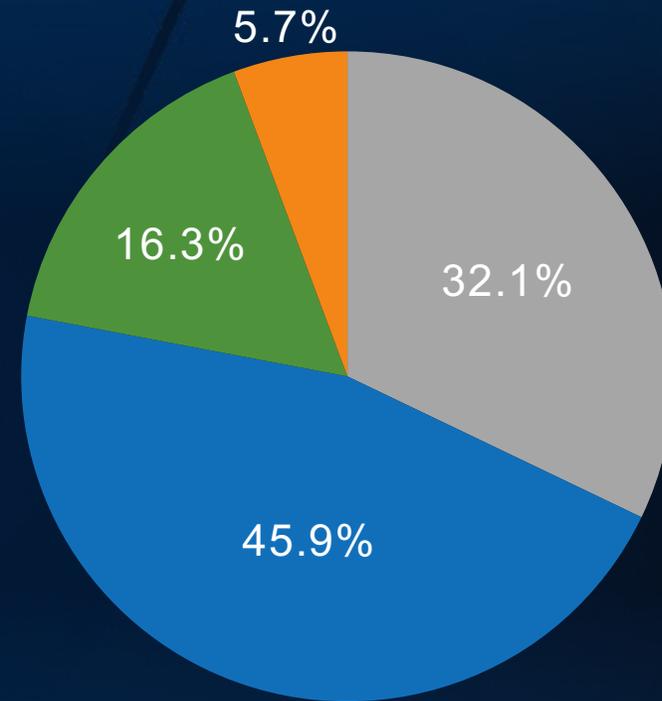
SUV fleet improvement: 24.7 percent
 CAR fleet improvement: 20.5 percent
 Truck fleet improvement: 13.7 percent



LOW GAS PRICES, IMPROVED FUEL ECONOMY DRIVE BUYERS TO UTILITIES



2008 Total Sales: 13,209,695



2018 6-Month Forecast: 8,529,085

COMPACT, MIDSIZE UTILITIES SUPPLANT COMPACT, MIDSIZE SEDANS

2008	SALES	SHARE
Mid-size Car	2,137,351	16.2%
Compact Car	2,129,686	16.1%
Full-size Pickup Truck	1,610,607	12.2%
Mid-size SUV/Crossover	1,481,137	11.2%
Compact SUV/Crossover	1,031,061	7.8%
Full-size Car	751,151	5.7%
Entry-level Luxury Car	721,530	5.5%
Minivan	613,633	4.6%
Subcompact Car	536,320	4.1%
Mid-size Pickup Truck	391,581	3.0%
Luxury Mid-size SUV/Crossover	384,743	2.9%
Full-Size SUV/Crossover	312,605	2.4%
Van	248,619	1.9%
Luxury Car	234,118	1.8%
Sports Car	200,302	1.5%
Hybrid/Alternative Energy Car	159,172	1.2%
Luxury Full-size SUV/Crossover	105,797	0.8%
High-end Luxury Car	69,251	0.5%
Luxury Compact SUV/Crossover	50,684	0.4%
High Performance Car	40,347	0.3%
GRAND TOTAL	13,209,695	100%

2018 (through May)	SALES	SHARE
Compact SUV/Crossover	1,278,692	18.2%
Mid-size SUV/Crossover	1,038,033	14.8%
Full-size Pickup Truck	938,102	13.3%
Compact Car	791,871	11.3%
Mid-size Car	627,342	8.9%
Subcompact SUV/Crossover	244,973	3.5%
Luxury Mid-size SUV/Crossover	242,736	3.5%
Luxury Compact SUV/Crossover	234,499	3.3%
Entry-level Luxury Car	221,847	3.2%
Minivan	212,464	3.0%
Mid-size Pickup Truck	210,681	3.0%
Van	185,404	2.6%
Subcompact Car	157,651	2.2%
Full-size Car	142,957	2.0%
Full-Size SUV/Crossover	134,764	1.9%
Sports Car	112,675	1.6%
Luxury Car	78,316	1.1%
Hybrid/Alternative Energy Car	68,377	1.0%
Luxury Full-size SUV/Crossover	50,141	0.7%
High-end Luxury Car	21,704	0.3%
Electric Vehicle	20,886	0.3%
High Performance Car	14,970	0.2%
GRAND TOTAL	7,029,085	100%

SOME THINGS CHANGE LITTLE, NOTABLY SHARE BY BRAND

2008	SALES	SHARE
GM	2,933,318	22.2%
Toyota Motor Co	2,197,564	16.6%
Ford Motor Co	1,920,171	14.5%
Fiat Chrysler	1,453,122	11.0%
American Honda	1,428,579	10.8%
Nissan NA	951,350	7.2%
Hyundai Kia	675,139	5.1%
VW	335,204	2.5%
BMW Group	303,190	2.3%
Mazda	263,949	2.0%
Daimler	249,583	1.9%
Subaru	187,697	1.4%
Mitsubishi	97,253	0.7%
Suzuki	84,862	0.6%
Volvo NA	73,102	0.6%
Tata	29,494	0.2%
Spyker	21,365	0.2%
Isuzu	4,753	0.0%
GRAND TOTAL	13,209,695	100%

JUNE YTD FORECAST	SALES	SHARE
GM	1,473,169	17.3%
Ford Motor Co	1,267,177	14.9%
Toyota Motor Co	1,179,707	13.8%
Fiat Chrysler	1,115,212	13.1%
American Honda	786,261	9.2%
Nissan NA	763,599	9.0%
Hyundai Kia	625,989	7.3%
Subaru	318,019	3.7%
VW	309,957	3.6%
Daimler	178,283	2.1%
BMW Group	172,469	2.0%
Mazda	166,031	1.9%
Mitsubishi	68,227	0.8%
Tata	60,231	0.7%
Volvo NA	44,754	0.5%
GRAND TOTAL	8,529,085	100%

KELLEY BLUE BOOK MOST RESEARCHED VEHICLES

(FULL YEAR 2008; FIRST 5 MONTHS OF 2018)

2008

1. Honda Civic
2. Honda Accord
3. Toyota Camry
4. Toyota Corolla
5. Nissan Altima
6. Honda CR-V
7. Toyota Prius
8. Toyota Highlander
9. Toyota RAV4
10. Mazda3
11. Toyota Yaris
12. Ford Escape
13. Honda Odyssey
14. Honda Pilot
15. Honda Fit
16. Ford Mustang
17. Chevrolet Malibu
18. Toyota Sienna
19. MINI Cooper
20. Volkswagen Jetta

2018

1. Honda CR-V
2. Honda Civic
3. Honda Accord
4. Toyota Camry
5. Toyota RAV4
6. Mazda CX-5
7. Subaru Forester
8. Ford F150
9. Subaru Outback
10. Nissan Rogue
11. Ford Focus
12. Jeep Wrangler
13. Toyota Highlander
14. Jeep Renegade
15. Jeep Grand Cherokee
16. Honda Pilot
17. Chevrolet Equinox
18. Ford Mustang
19. Toyota Corolla
20. Subaru Crosstrek



TOP-SELLING VEHICLES IN THE U.S.

RANK		2008	RANK		2018
1	F-Series	515,513	1	F-Series	371,934
2	Silverado	465,065	2	Silverado	237,148
3	Camry	436,617	3	Ram Pickup	189,997
4	Accord	372,161	4	Rogue	178,198
5	Corolla	351,007	5	RAV4	160,668
6	Civic	335,126	6	Camry	150,580
7	Altima	269,668	7	CR-V	146,274
8	Impala	265,840	8	Civic	144,897
9	Ram Pickup	245,840	9	Equinox	134,198
10	CR-V	198,505	10	Corolla	123,858
11	Focus	195,823	11	Escape	115,726
12	Cobalt	188,045	12	Accord	111,564
13	Malibu	178,253	13	Wrangler	110,382
14	Escape	168,851	14	Explorer	106,345
15	Sierra	168,544	15	Altima	96,836
16	Prius	158,884	16	Sentra	95,104
17	Fusion	147,569	17	Tacoma	93,970
18	Tacoma	144,653	18	Highlander	92,650
19	G6	140,240	19	Grand Cherokee	91,589
20	Tundra	137,249	20	Cherokee	91,286

Q & A

TAKE A BREAK