THE SUV SEGMENT OUTLOOK STUDY

FEBRUARY 2019

Has the SUV Market Peaked?

The SUV Market Does Not Appear to Be Peaking in the Short Term….However, There are Signs of Saturation

SUV Sales have grown 16% in the last 2 years. 6.5+ million units were sold in 2018

Are there indications of SUVs peaking?

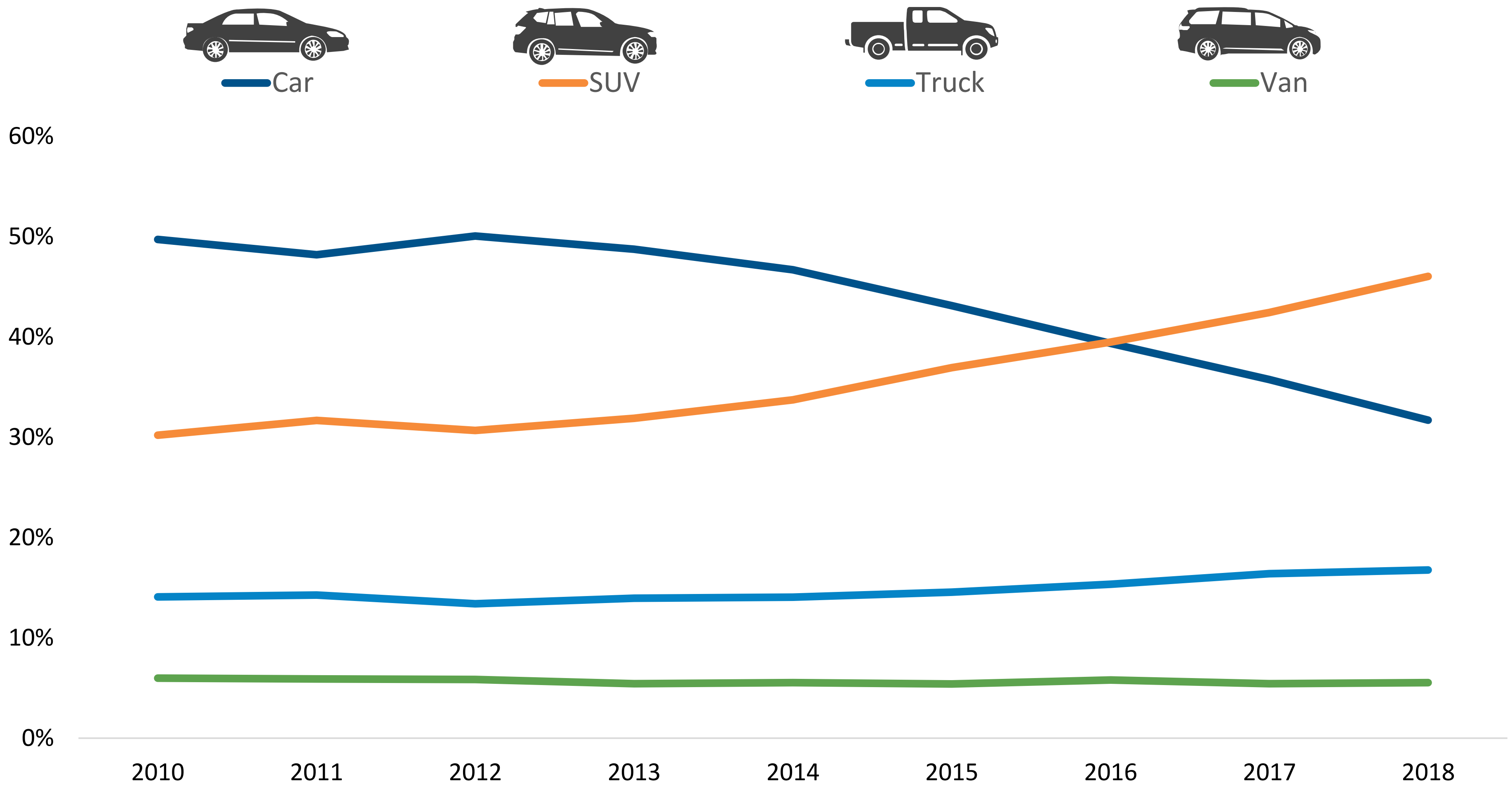
- Sales - 6.5+ million units and forecasted to grow
- Consideration - highest
- 4x as many SUVs from 30 years ago

Are there indications of SUV Saturation?

- Days supply increasing
- Average ATP increasing
- Increased competition from used market
- More SUV launches

Source: OEM Press Release Sales Data

Utility Sales Overtook Car Sales in 2016 and is Now the Most Popular Segment

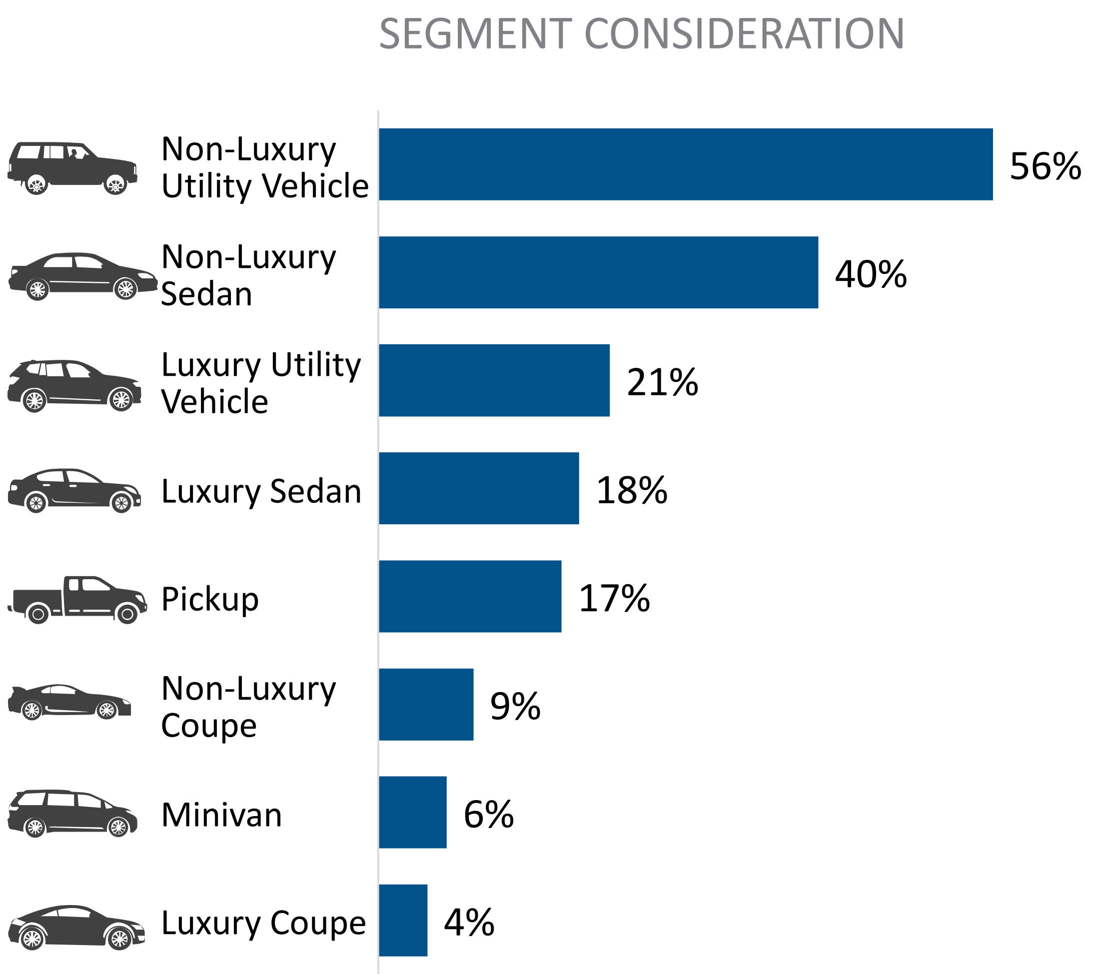


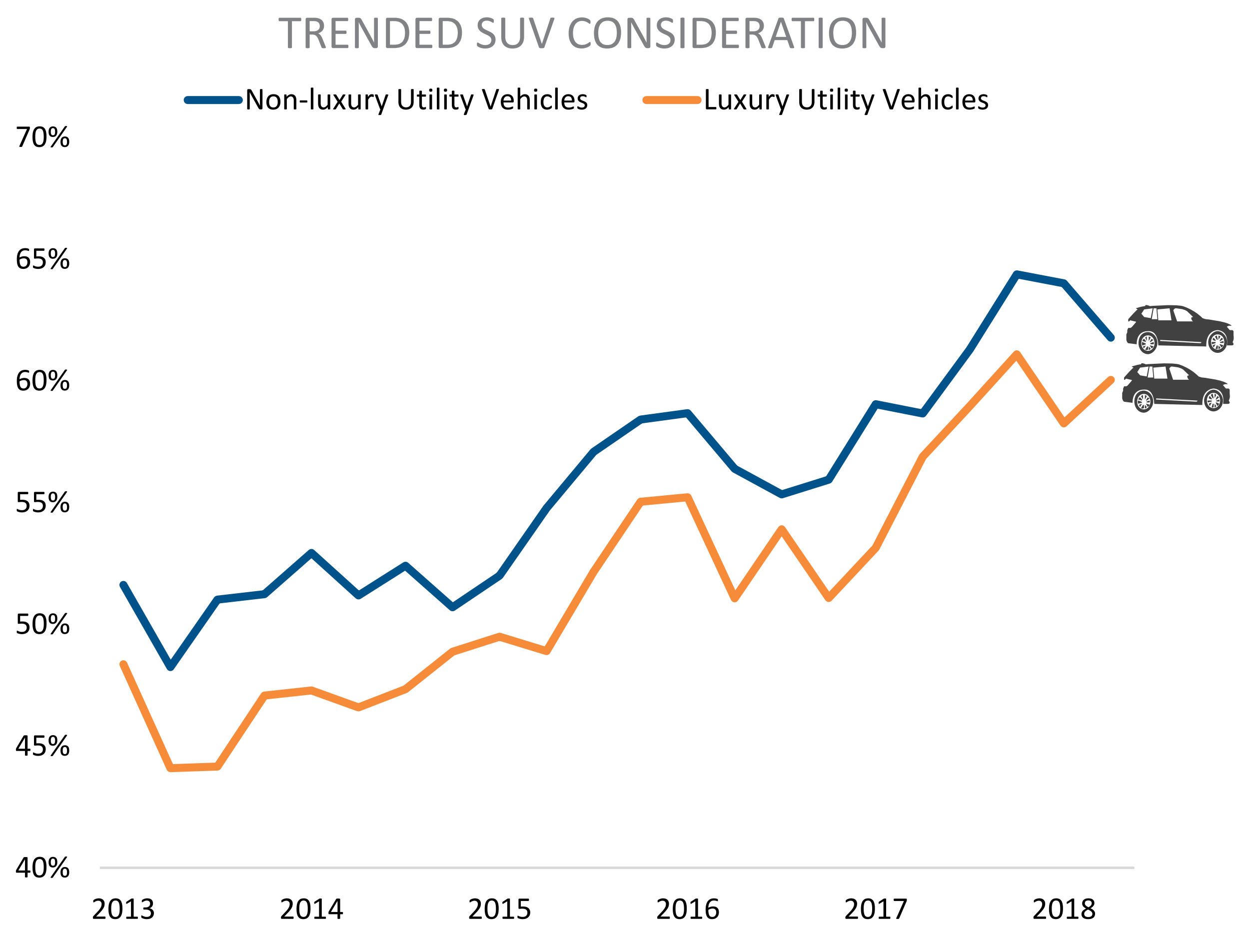
SUV Segment Shares Forecasted to Grow

Segment	2015	2025
COMPACT SUV	**20%**	**29%**
MID-SIZE SUV	**16%**	**18%**
COMPACT CAR	16%	13%
MID-SIZE CAR	20%	13%
MID-SIZE TRUCK	3%	4%
FULL-SIZE TRUCK	12%	14%

Source: IHS Markit, U.S. Automotive Sales Forecast April 2018

Consideration for SUVs Has Been Trending Upwards

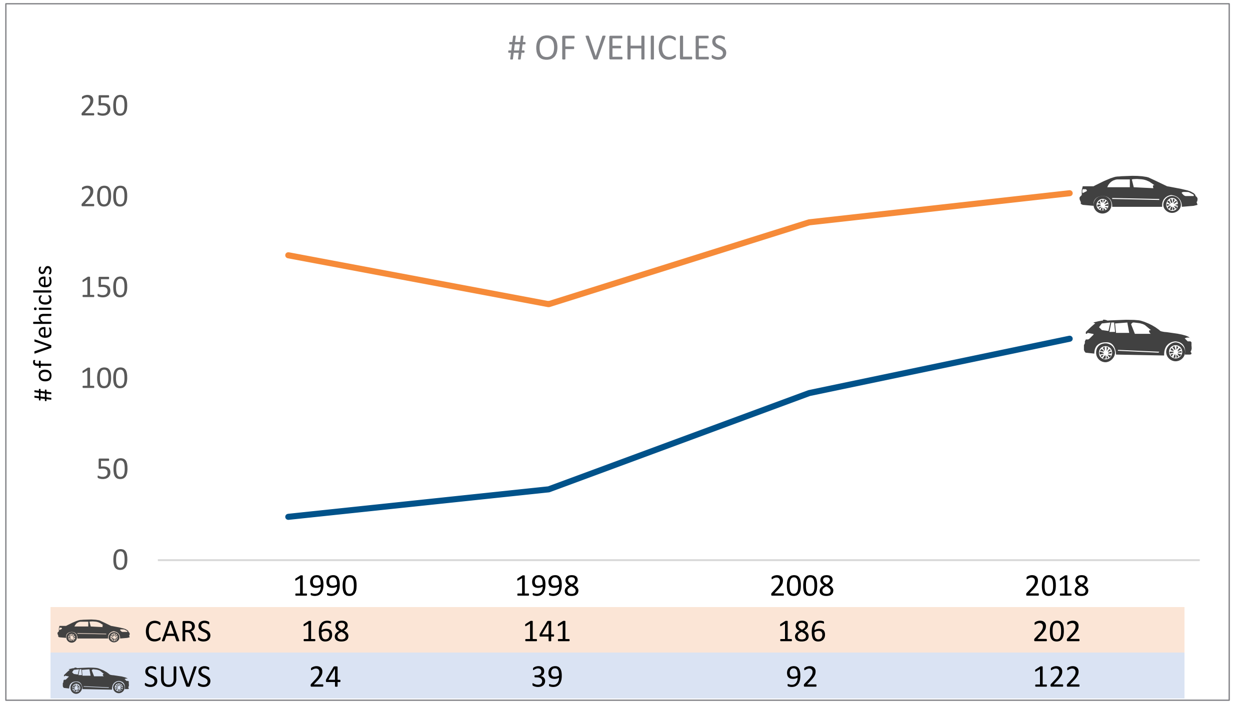




The Number of SUV Offerings Has Dramatically Increased in the Past 30 Years

NEW SUBCOMPACT SUV SEGMENT CREATED

SEGMENT	1990	1998	2008	2018
	Model Count			
Subcompact SUV				13
Compact SUV	10	10	20	18
Mid-size SUV	5	15	28	23
Fullsize SUV	7	6	11	8
Luxury Compact SUV			4	26
Luxury Mid-size SUV		3	16	23
Luxury Fullsize SUV	2	5	13	11
Grand Total	**24**	**39**	**92**	**122**



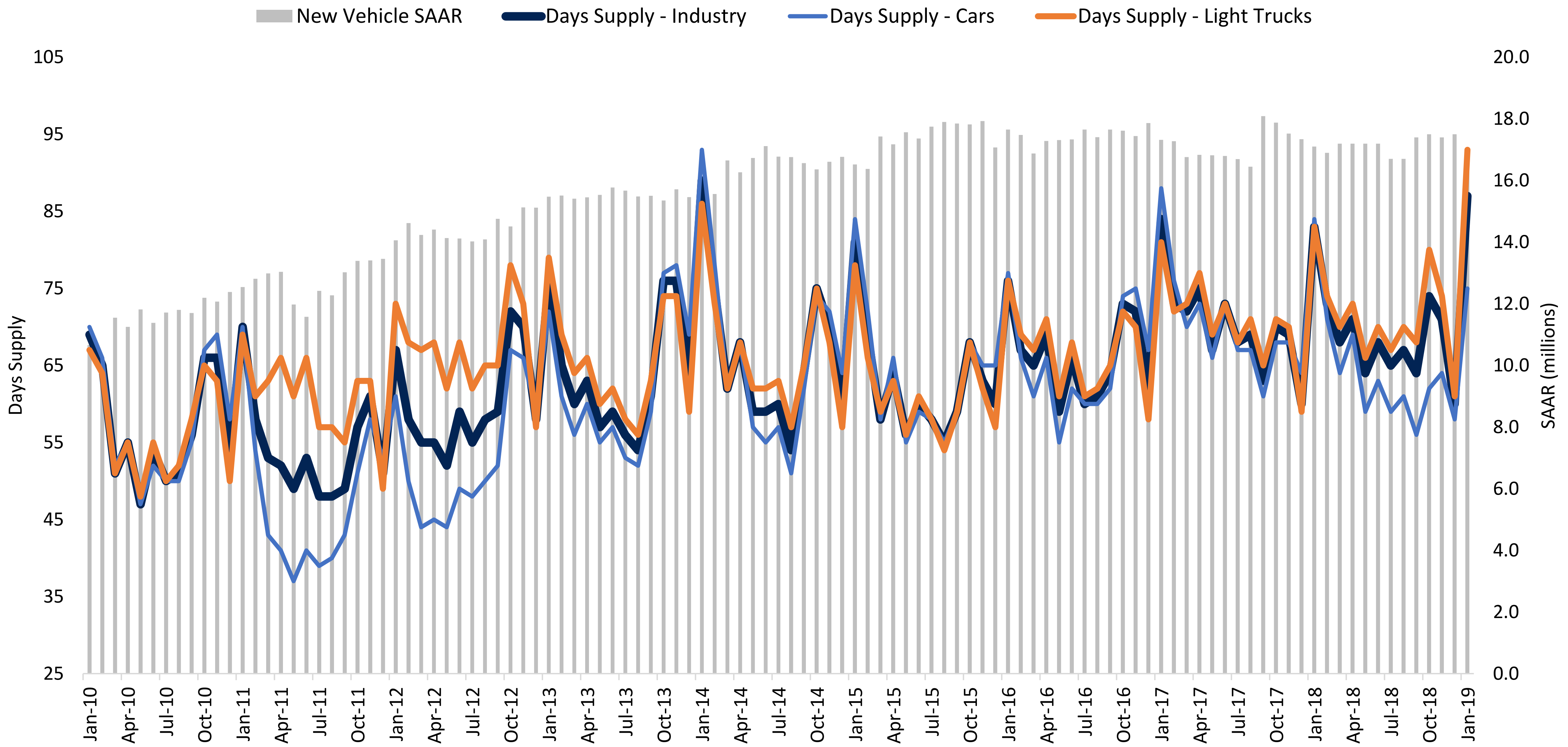
Consumers now have more SUV choices than they ever had before, especially in the smaller sizes that consumer really want.

There are now **4 times** as many SUVs as there were 30 years ago.

Even though there are more cars today, the segment has only grown by 20% since 1990.

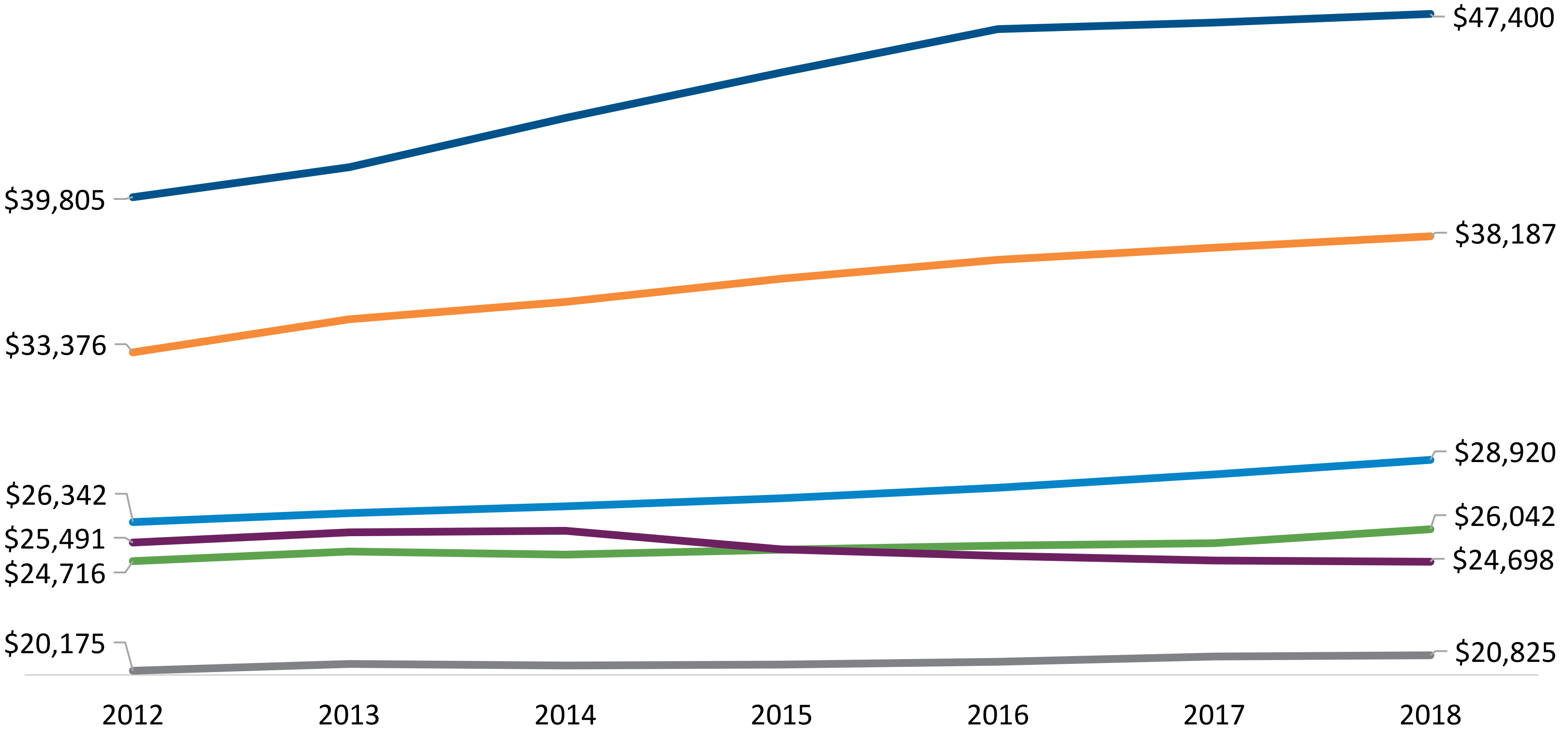
Data includes both luxury and nonluxury vehicles.

Growth May Be at Risk with the Current Days Supply for SUVs…



Average Transaction Price Continues To Rise

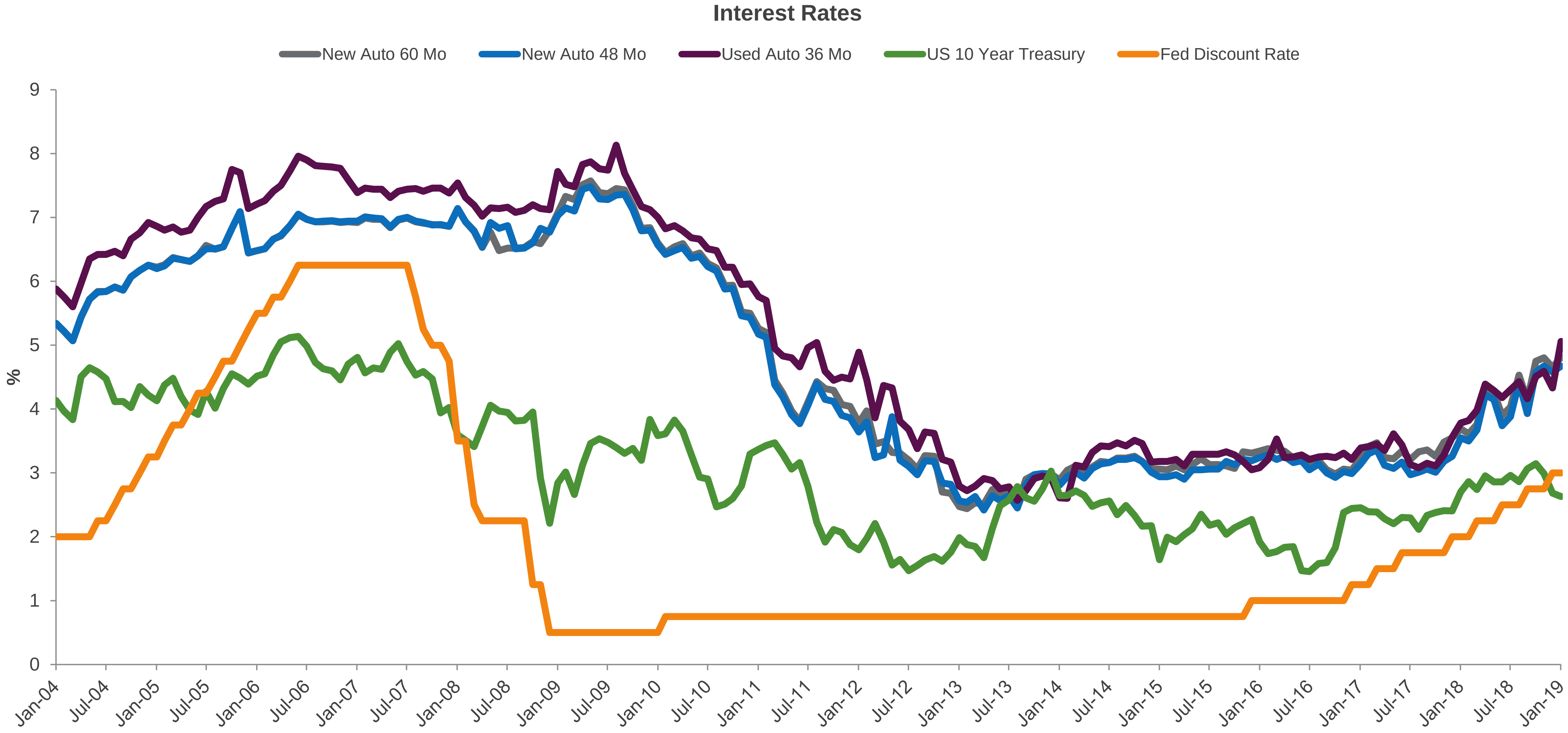
YoY ATP INCREASE/DECREASE



SEGMENT	% CHG
Full-size Pickup Truck	+19%
Midsize-SUV/ Crossover	+14%
Compact SUV/ Crossover	+10%
Mid-size Car	+5%
Subcompact SUV/ Crossover	-3%
Compact Car	+3%

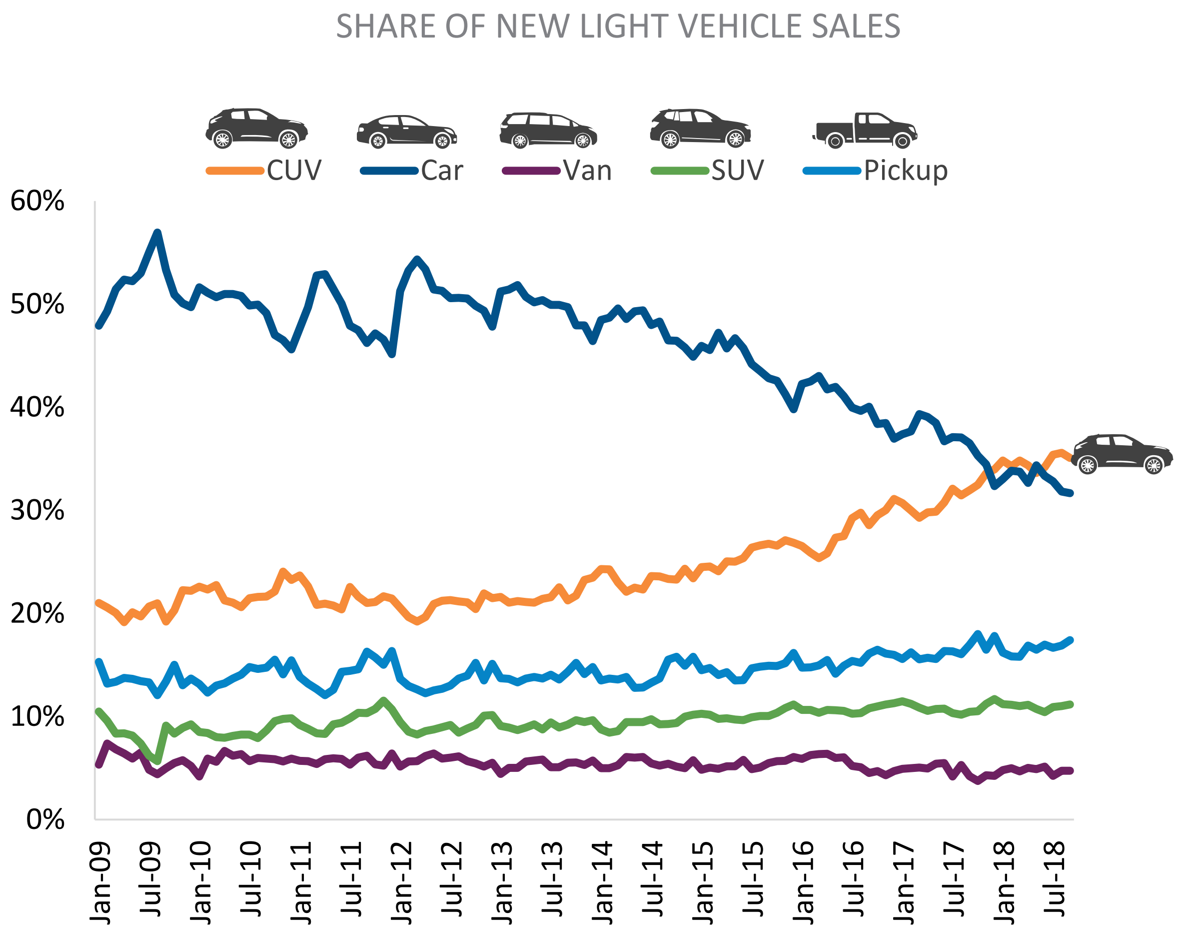
Source: Dealer Retail Transaction Data

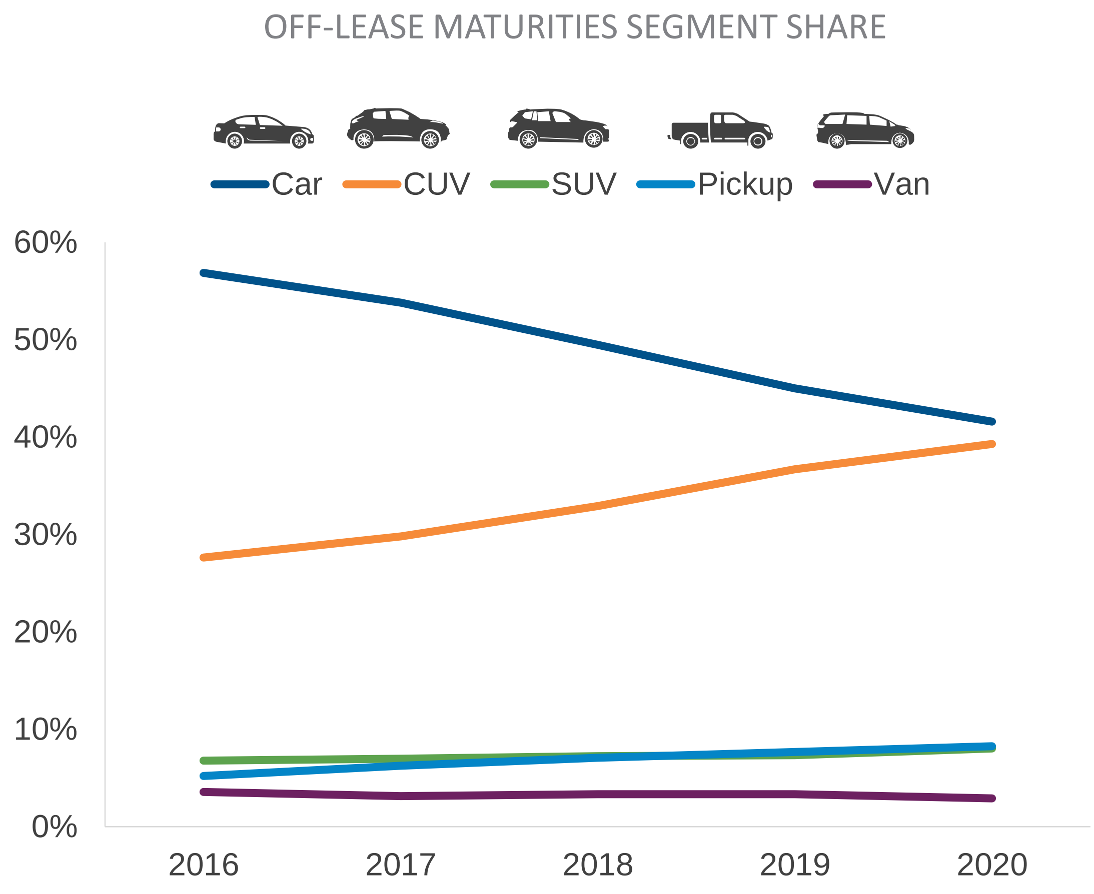
With Increased Days Supply and Rising Interest Rates, Affordability is Affected and May Impact SUV Sales



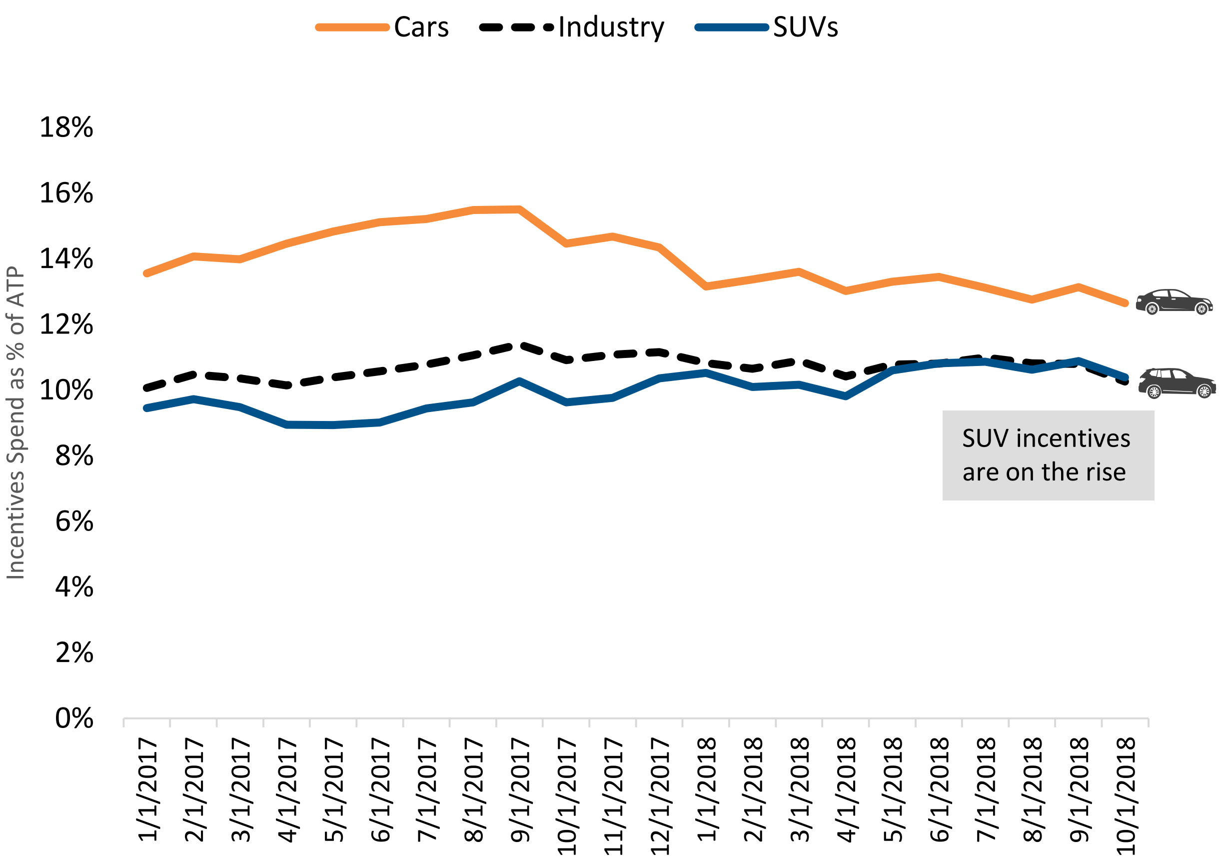
Source: Federal Reserve, Bankrate.com, Bloomberg

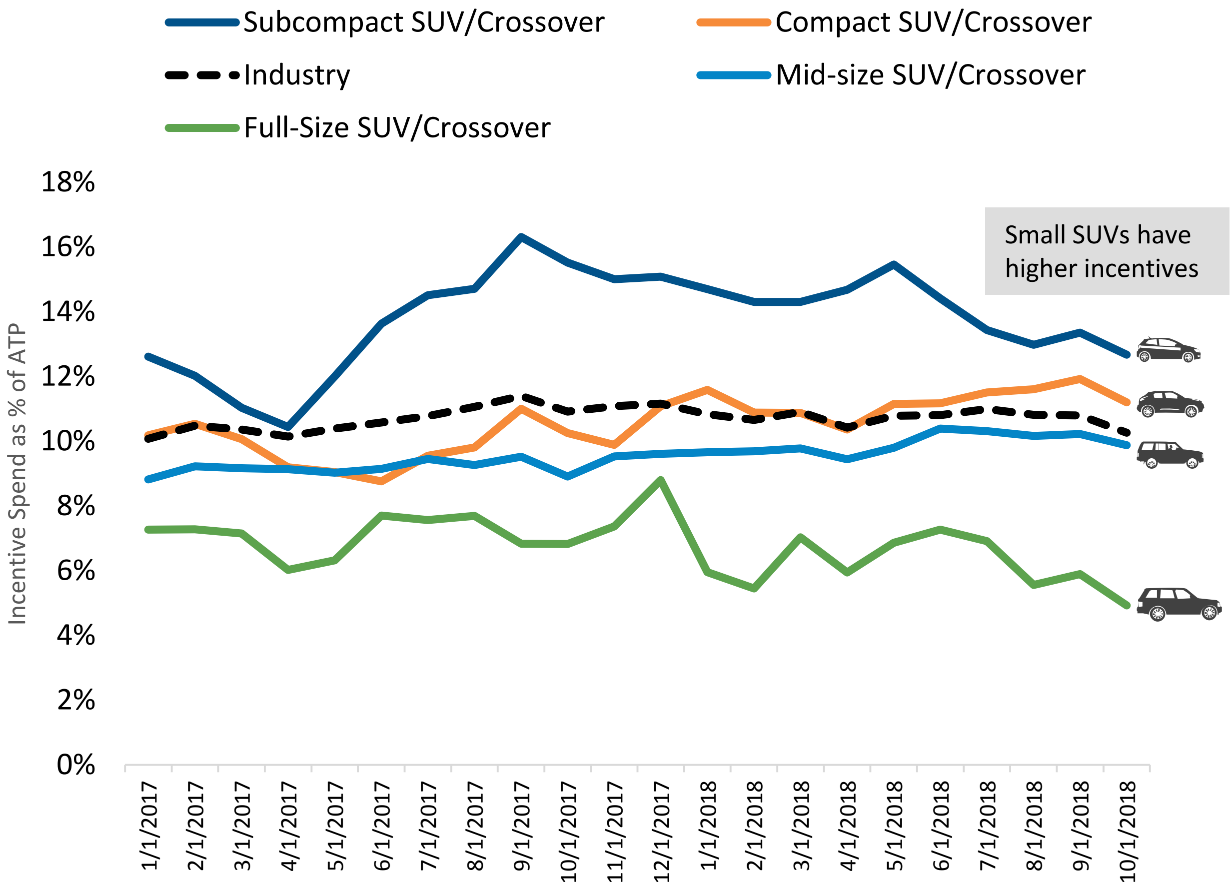
SUVs Continues Its Rise…But Will Face More Nearly-New Competition





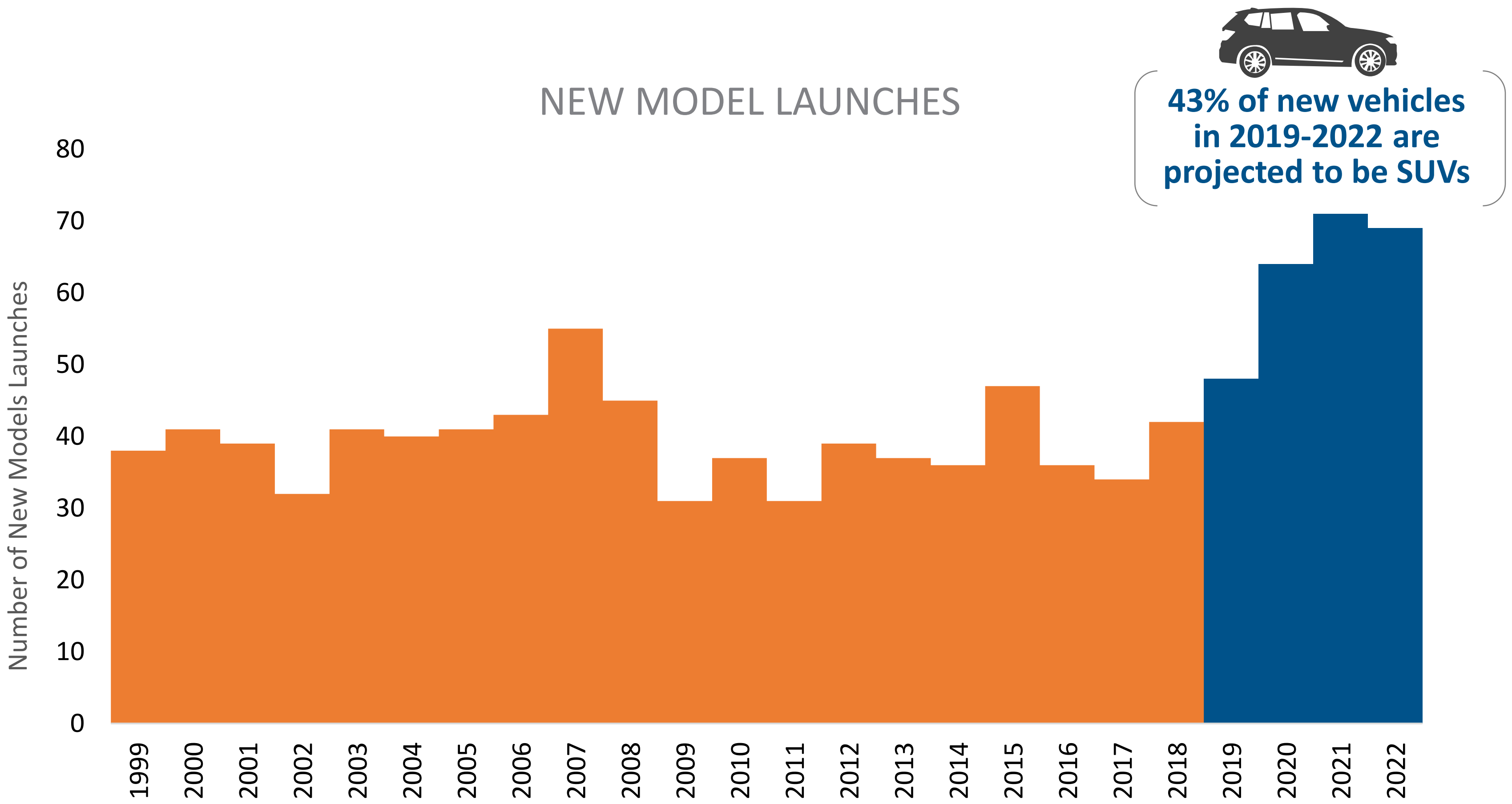
A Surplus of SUVs May Increase Incentive Spend





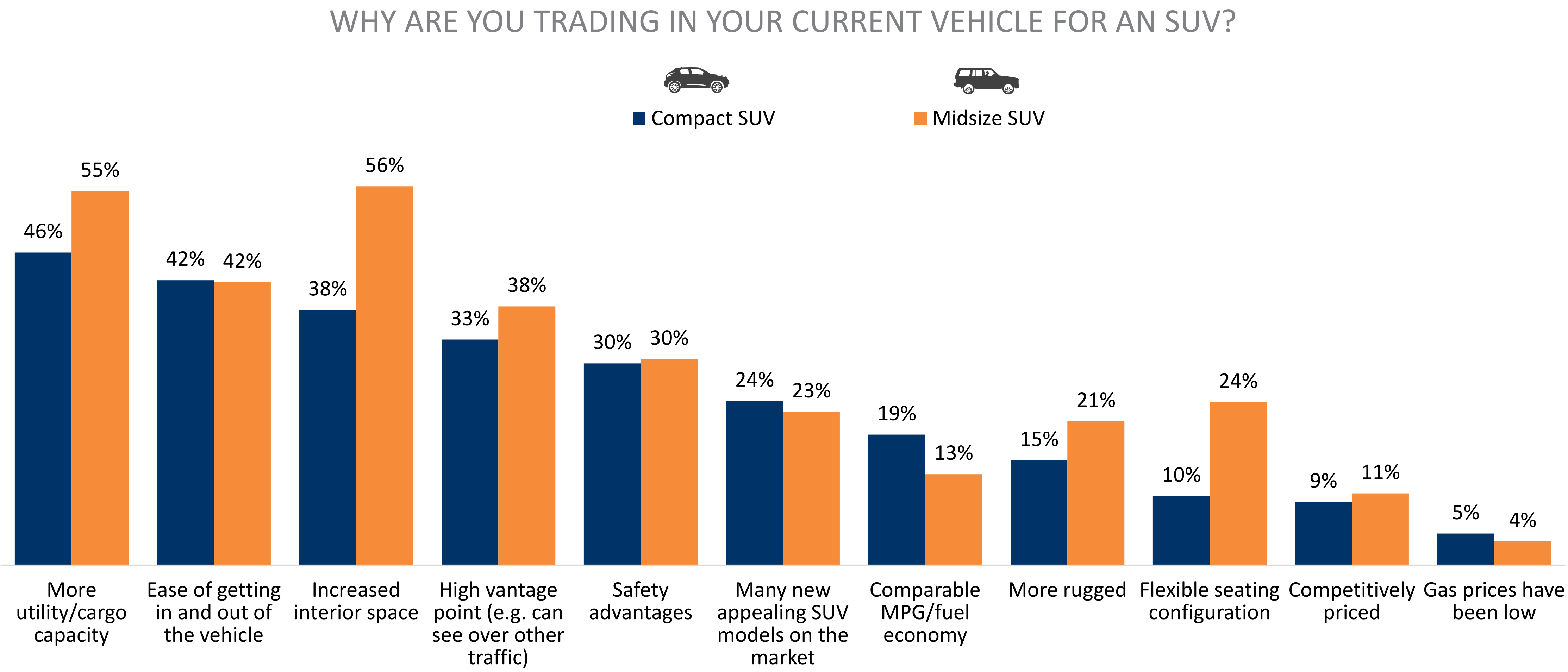
Source: Dealer Retail Transaction data (ATP), Motor Intelligence (Incentives)

And More are Expected to Hit the Market…Which Can Potentially Saturate the Market



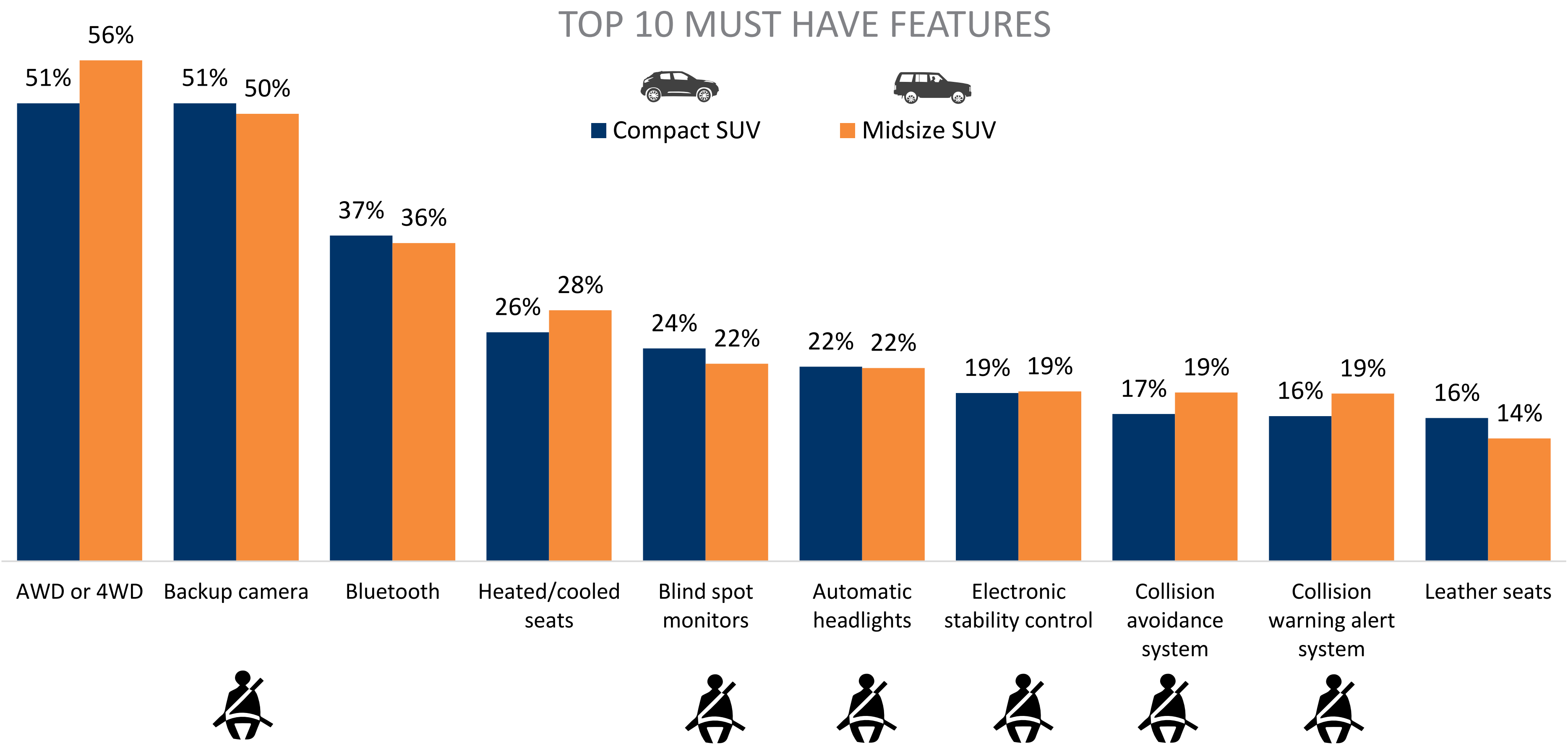
Why Are Shoppers Choosing SUVs?

People Are Trading In Their Cars For More Space and Ingress/Egress



Source: KBB.com Compact SUV Survey and Mid-Size SUV Survey, 2018
Q: Why are you trading in your current vehicle for an SUV? (Compact SUV N=344)
Q: Why are you trading in your current vehicle for an SUV? (Midsize SUV N=142)

Utility and Safety Features are Important to SUV Shoppers



	AWD or 4WD	Backup camera	Bluetooth	Heated/cooled seats	Blind spot monitors	Automatic headlights	Electronic stability control	Collision avoidance system	Collision warning alert system	Leather seats
Compared to Non-Lux Car Norms	19%	35%	37%	19%	18%	21%	16%	13%	12%	15%

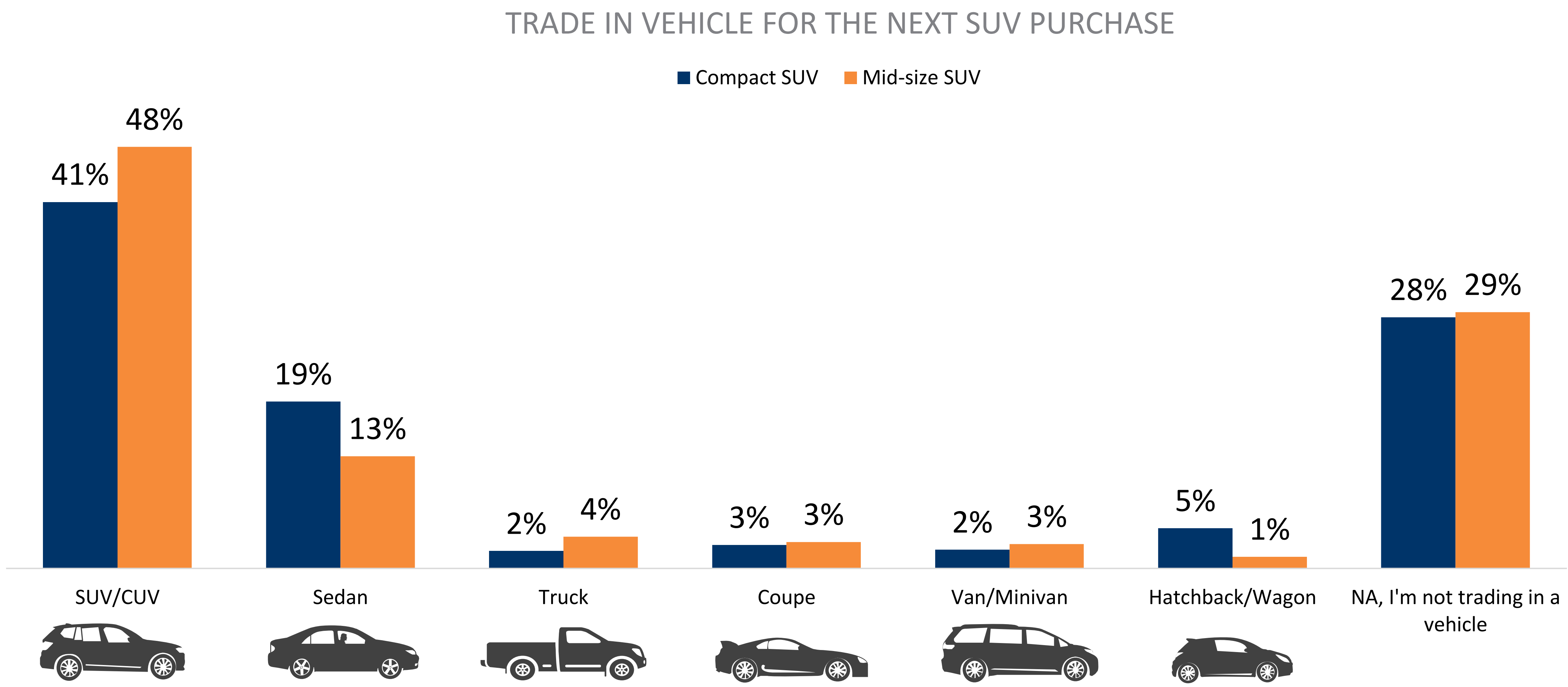
Reliability/Safety, Affordability, and Reputation are Essential to SUV Shoppers

Top 10 Most Important Factors When Considering Compact SUV & Mid Size SUV

Reliability	Fuel Economy
Best value for my budget	Driving performance
Safety ratings	Reviews/ratings/awards
Driving comfort	Good experience with past model
Good experience with vehicle's brand	Maintenance costs

Source: Compact SUV Survey and Mid-Size SUV Survey, 2018
Q: Which of the following factors is the MOST important to you when considering a compact/midsize SUV? (N=1320; N=835)

SUV Shoppers Are Replacing an SUV or Adding an SUV to the Household Fleet



Source: Compact SUV Survey and Mid-Size SUV Survey, 2018
Q: Regarding your next SUV purchase, what type of vehicle are you trading in for it? (Select all that apply.) (N=835)
Q: Regarding your next SUV purchase, what type of vehicle are you trading in for it? (Select all that apply.) (N=1320)

Compact SUV Owners are Looking to Upgrade as 32% are Looking to Defect to a Mid-Size SUV Based on KBB.com Traffic

COMPACT SUV

CROSS SHOPPING		DEFECTION	
Mid-Size SUV	15%	Mid-Size SUV	32.0%
Subcompact SUV	13%	Compact Car	10.5%
Compact Car	12%	Subcompact SUV	10.2%
Lux Compact SUV	9%	Full-Size Pickup	9.3%
Mid-Size Car	7%	Mid-Size Car	9.0%

Source: KBB.com Traffic, Q2 2018

Read as: Compact SUV shoppers are cross shopping Mid-Size SUVs at the rate of 15% and Compact SUV is defecting to Mid-Size SUV at the rate of 32%

Mid-Size SUV Owners are Defecting to a Smaller SUV or a Full-Size Truck Based on KBB.com Traffic

CROSS SHOPPING	
Compact SUV	20%
Lux Compact SUV	9%
Lux Mid-Size SUV	8%
Subcompact SUV	8%
Compact Car	6%

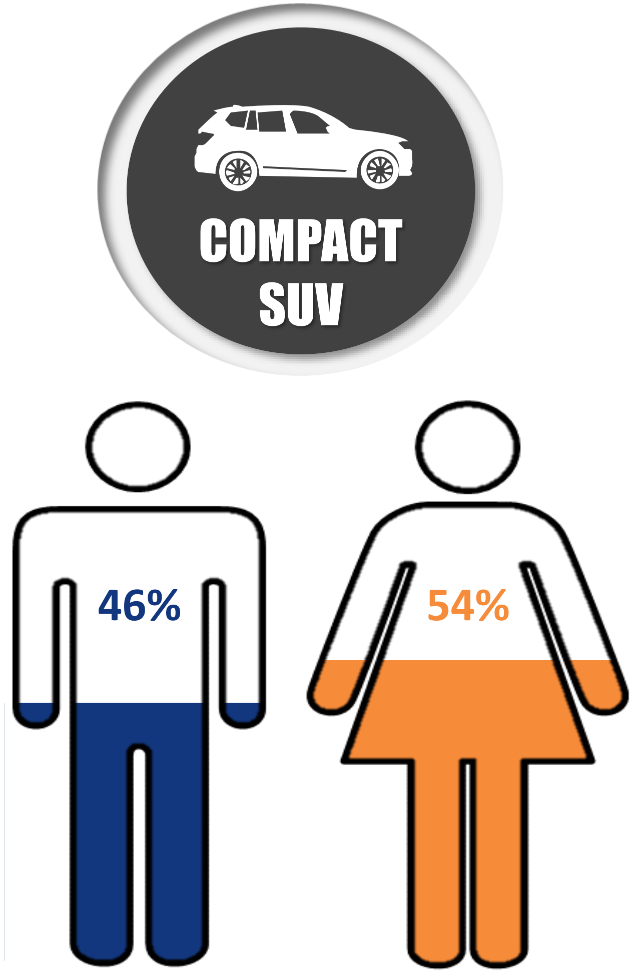
DEFECTION	
Compact SUV	27.1%
Full-Size Pickup	12.4%
Lux Mid-Size SUV	9.3%
Mid-Size Car	8.9%
Lux Compact SUV	8.4%

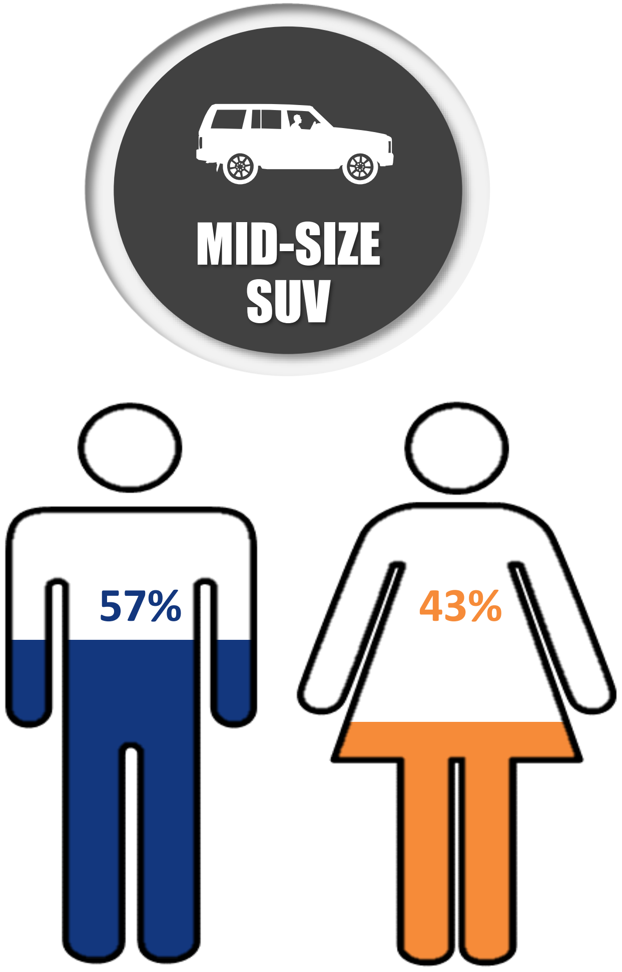
Source: KBB.com Traffic, Q2 2018

Read as: Mid-Size SUV shoppers are cross shopping Compact SUVs at the rate of 20% and Mid-size SUV is defecting to Compact SUV at the rate of 27.1%

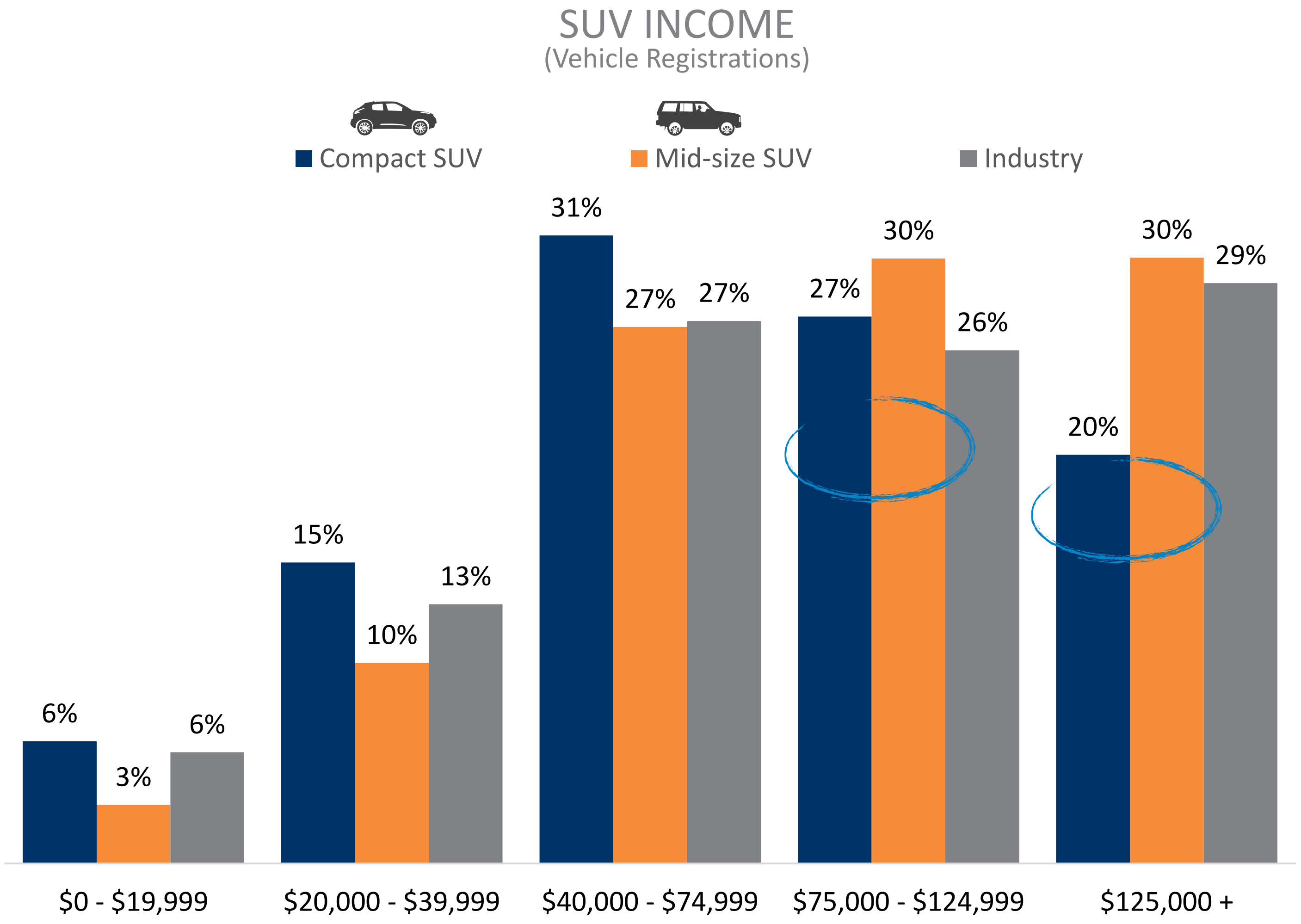
Who’s Buying SUVs?

Women Skew More Towards Compact SUV, Whereas Men Are Looking for More Ruggedness and Buying Mid-Size SUVs





SUV Owners – Income

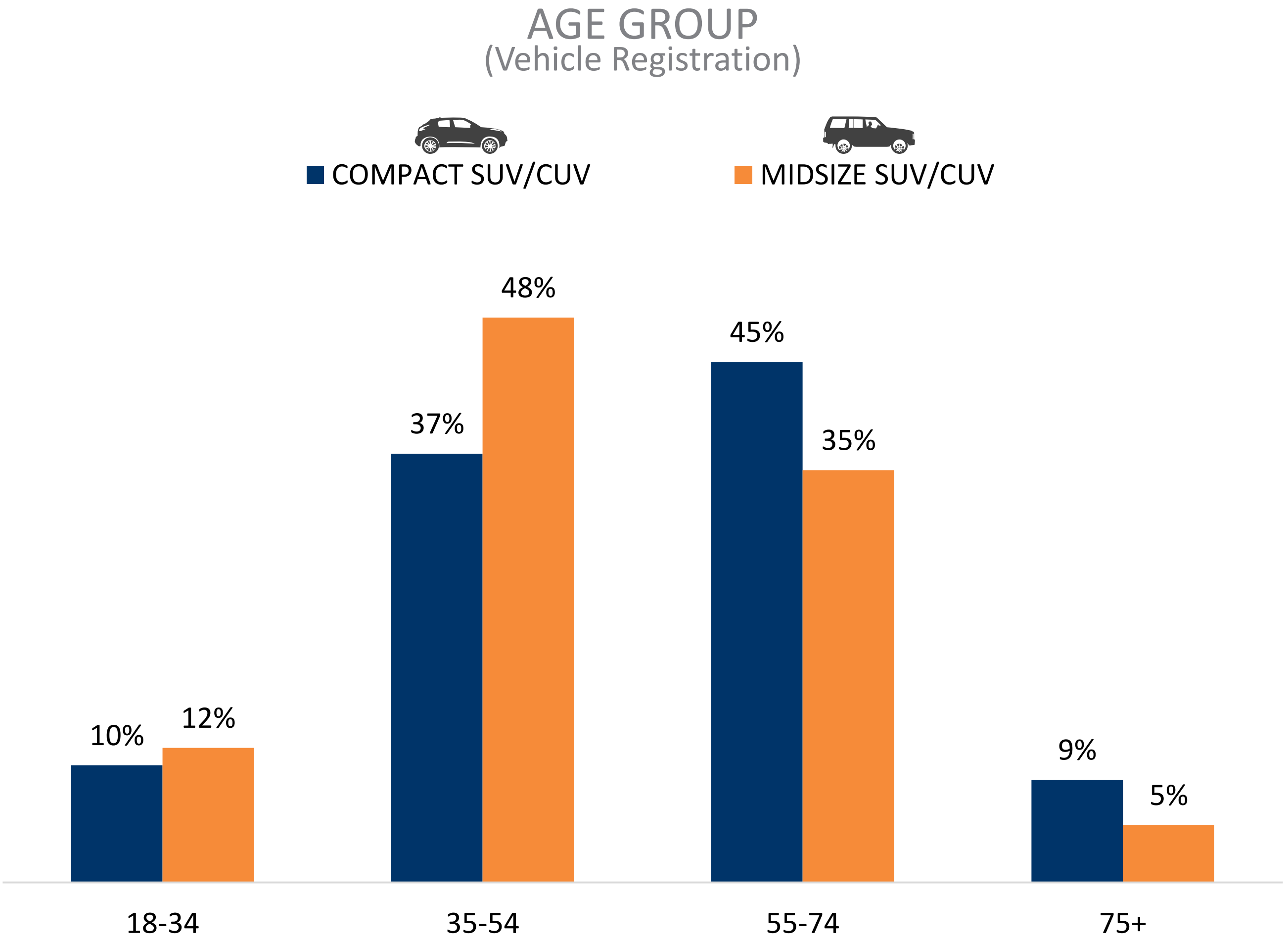


People making less money are drawn to the **more affordable Compact SUV segment**

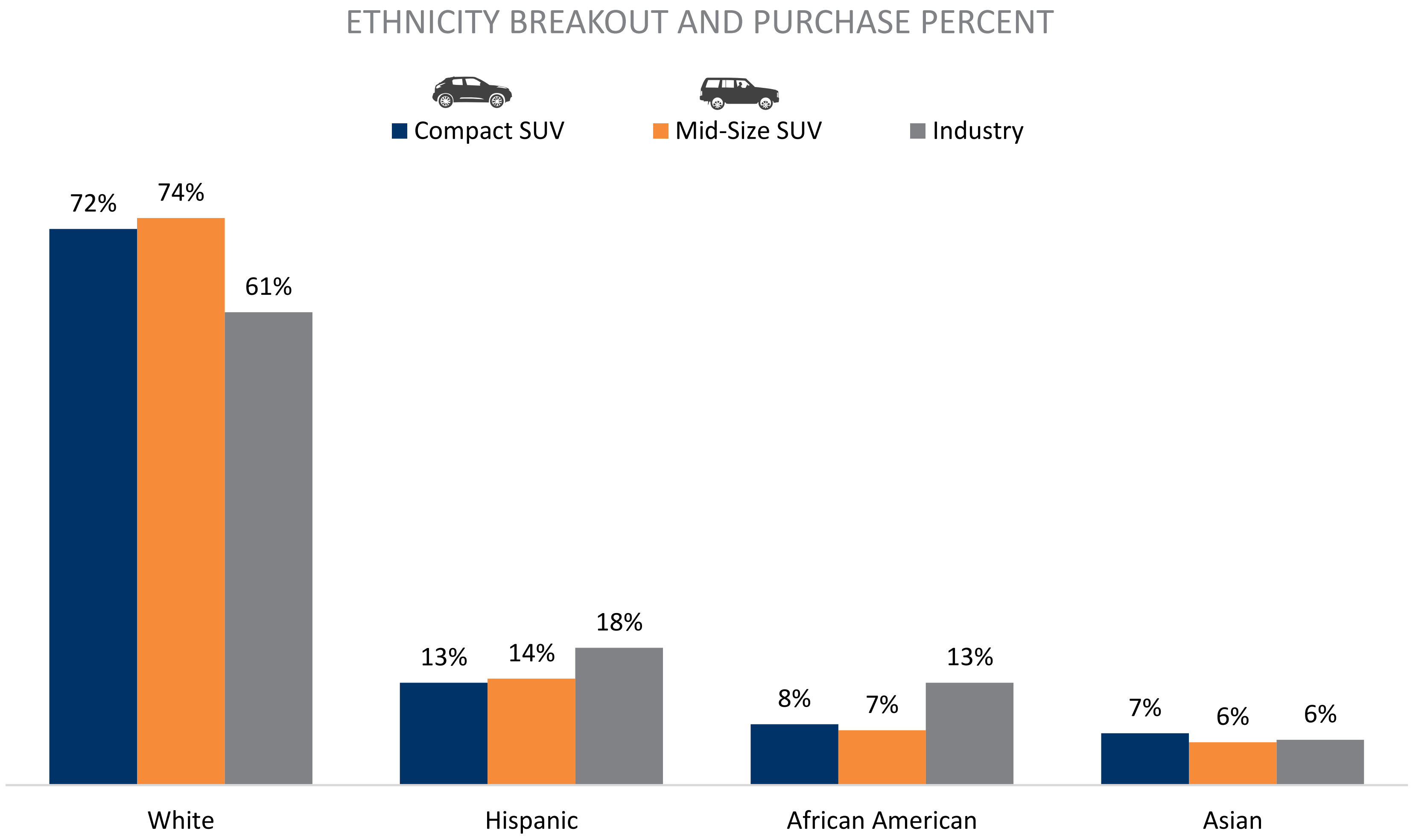
As income increases, **Midsize SUV ownership increases** (higher than industry average)

Source: IHS/Markit – New Retail Vehicle Registrations. Jan 2017 – March 2018

Majority of Mid-size SUV Buyers are Gen X; Compact SUV are Baby Boomers



Whites are Over-Indexing in SUV Ownership



Source: IHS/Markit – New Retail Vehicle Registrations. Jan 2017 – March 2018

Psychographics – Fence Sitters are More Similar to Car Considerers

More likely to be ABOVE Average

CONSIDERERS	Domestic Partisan	Eco-Conscious	Family Oriented	Financially Responsible	Image Conscious	Outdoorsy	Self-Confident	Techie	Thrill Seeker
Cars Only		+10%			+15%			+11%	+14%
Fence Sitter		+10%			+9%				
SUVs Only			+22%			+14%			

Which OEMs Are Succeeding or Are Challenged in Leveraging the Shift to SUVs in the Marketplace?

SUVs Have Disproportionally Helped Grow These Successful Brands

SALES % CHANGE
(2008 vs 2018)

	Overall Sales Change	Car Change	SUV Change
	+262%	+29%	**+640%**
KIA	+132%	+109%	**+196%**
	+70%	+24%	**+203%**
	+62%	-7%	**+968%**
NISSAN	+59%	+9%	**+173%**

Explosive SUV growth contributed to the overall brand sales

Source: OEM Press release sales data

Despite SUV Growth, Cars Have Diminished Impact in Overall Brand Success

SALES % CHANGE
(2008 vs 2018)

	Overall Sales Change	Car Change	SUV Change
	+27%	**-15%**	+77%
	+25%	**-63%**	+366%
	+25%	**-41%**	+207%
	+17%	**-13%**	+92%
	+17%	**-27%**	+158%
	+11%	**-39%**	+147%

Despite growth in SUVs, decline in car sales hindered overall brand growth

Source: OEM Press release sales data

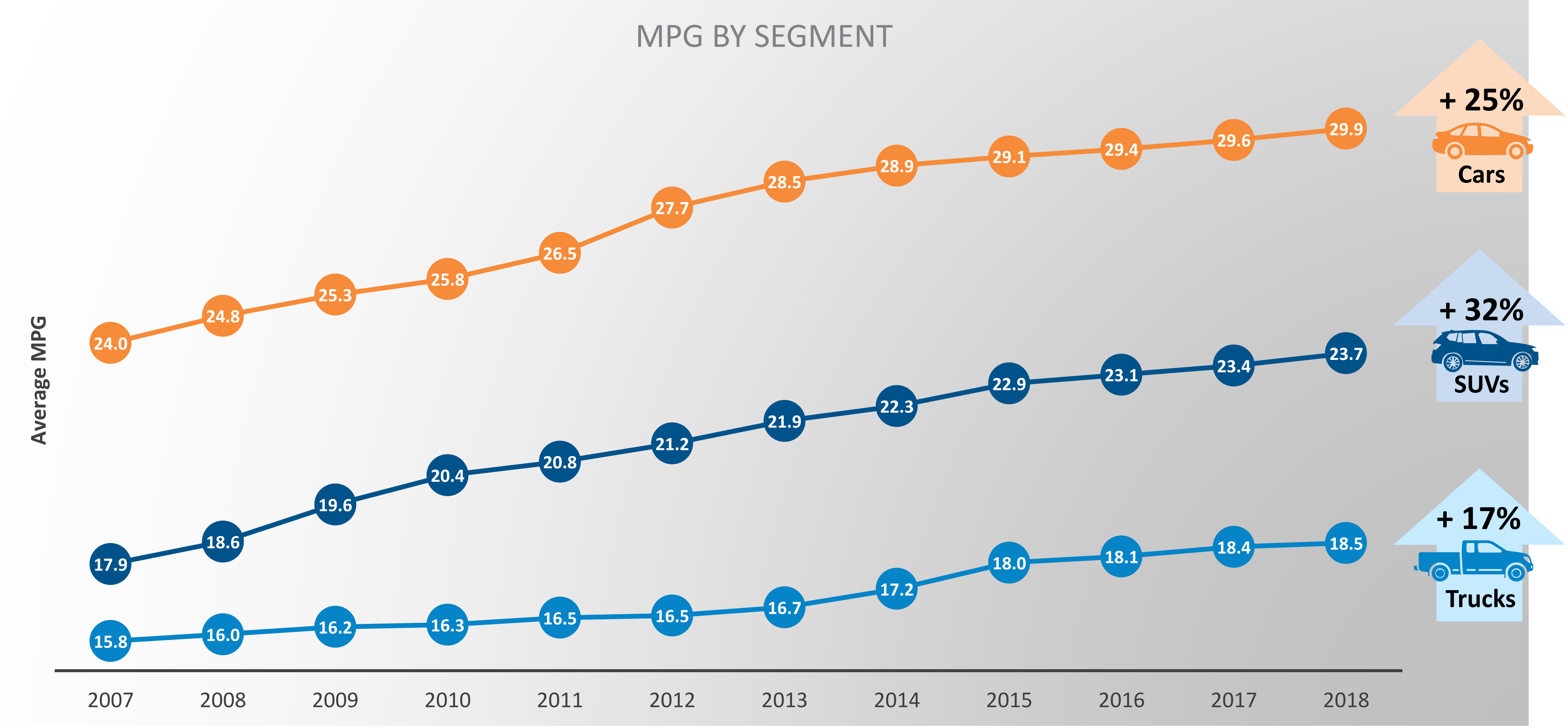
Negative Growth in Car Sales and Modest SUV Gains

SALES % CHANGE
(2008 vs 2018)

	Overall Sales Change	Car Change	SUV Change
DODGE	**-18%**	**-45%**	+53%

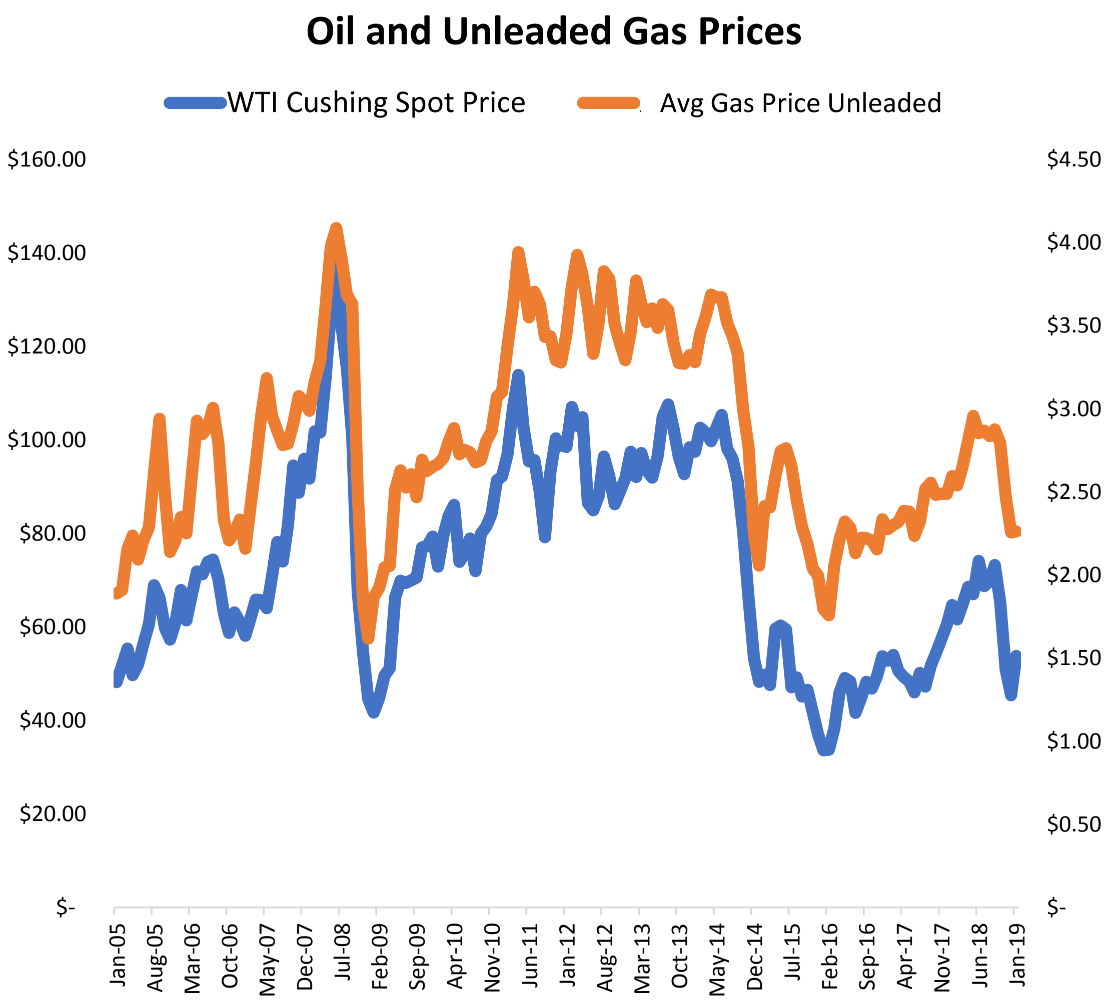
What Are OEMs Doing to Offset Spikes in Gas Prices?

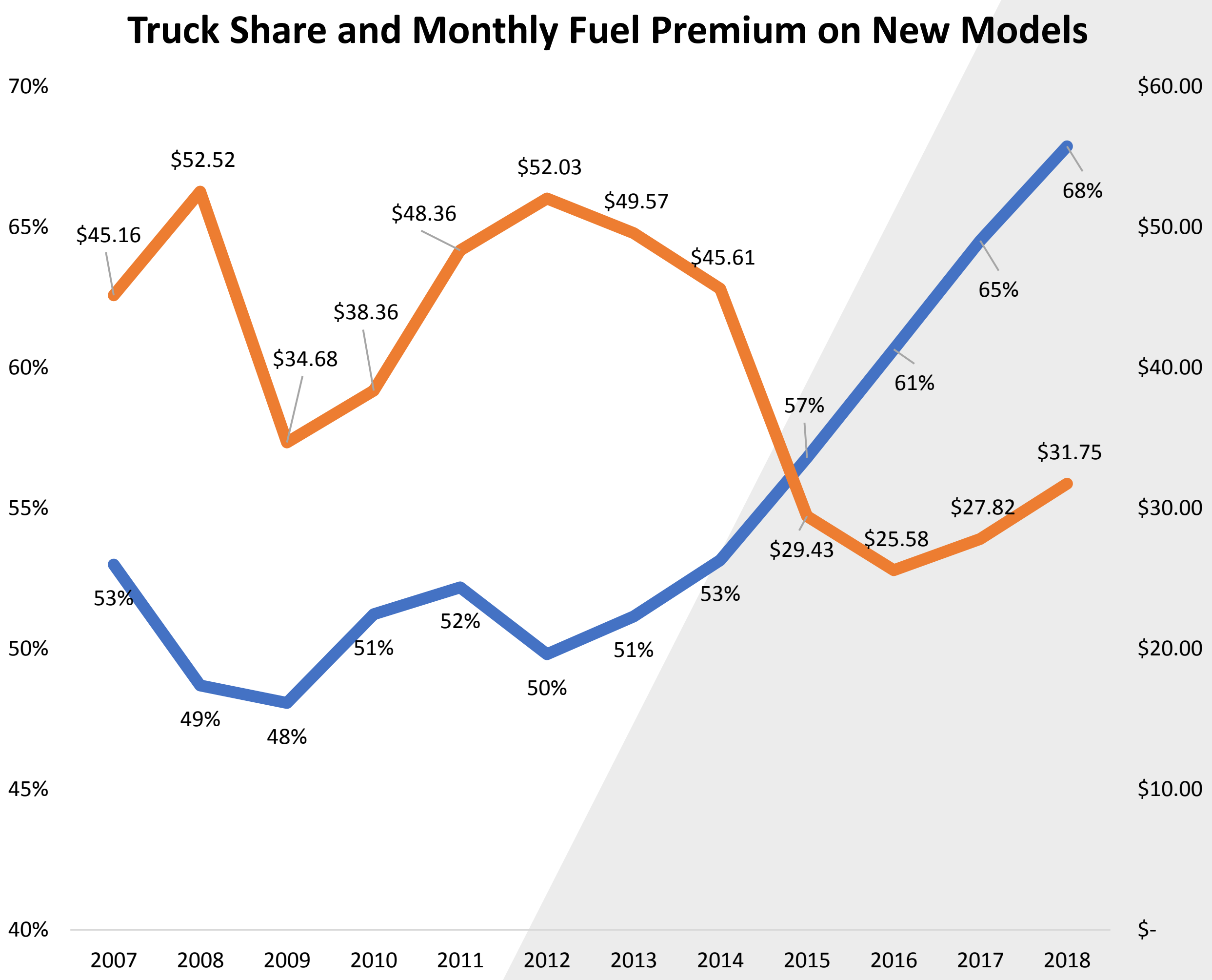
Fuel Economy Has Vastly Improved Among All Segments; SUV Made the Biggest MPG Change Over The Past 11 Years



Source: FuelEconomy.gov and KBB Automotive Insights

As MPG Improves for SUVs, There is Less Volatility in Light Truck Sales When Gas Prices Spike





In Continuing to Improve MPG in SUVs, OEMs are Launching Alternative Fuel SUVs in the Coming Years in Addition to New Brands Entering the Market

Electric Vehicle | Plug-in Hybrid | Fuel Cell

2019

e-Tron	Electric Vehicle
Kona	Electric Vehicle
Niro	Electric Vehicle
EQC	Electric Vehicle
Escape	Plug-in Hybrid
Corsair	Plug-in Hybrid
Levante	Plug-in Hybrid
Cherokee	Fuel Cell
Crosstrek	Fuel Cell

2020

GLC	Electric Vehicle
XC40	Electric Vehicle
CUV	Electric Vehicle
M Byte	Electric Vehicle
Bolt SUV	Electric Vehicle
Imx	Electric Vehicle
ID Crozz	Electric Vehicle
CUV	Electric Vehicle, Plug-in Hybrid
GLB	Plug-in Hybrid
CUV	Plug-in Hybrid
Regal Tour X	Plug-in Hybrid
Escape Energi	Plug-in Hybrid
Pilot	Plug-in Hybrid
Wrangler	Plug-in Hybrid
Aviator	Plug-in Hybrid
Forester	Plug-in Hybrid
XC40	Plug-in Hybrid

2021

CUV	Electric Vehicle
iNext	Electric Vehicle
X3	Electric Vehicle
CUV	Electric Vehicle
Model Y	Electric Vehicle
CUV	Electric Vehicle
SUV	Electric Vehicle
Equinox	Plug-in Hybrid
Terrain	Plug-in Hybrid
Cherokee	Plug-in Hybrid
Q4	Fuel Cell
CUV	Fuel Cell

2022

CUV	Electric Vehicle
HR-V	Electric Vehicle
CUV	Electric Vehicle
Cherokee	Electric Vehicle
CUV	Electric Vehicle
CUV	Electric Vehicle
Forester	Electric Vehicle
Polestar 3	Electric Vehicle
Expedition	Plug-in Hybrid
300 NX	Plug-in Hybrid
Sorento	Fuel Cell

2023+

X4	Electric Vehicle
CUV	Electric Vehicle
Mid-Lux CUV	Electric Vehicle
Near-Lux CUV	Electric Vehicle
CUV	Electric Vehicle
NX	Electric Vehicle
Macan	Electric Vehicle
CUV	Electric Vehicle
GV70	Plug-in Hybrid
G. Cherokee	Plug-in Hybrid
RX	Plug-in Hybrid
Rogue	Plug-in Hybrid
GV80	Plug-in Hybrid
Murano	Fuel Cell
4-Runner	Fuel Cell
C-HR	Fuel Cell

Source: Automotive News Future Pipeline, OEM websites

Key Takeaways

- The market shift from cars to SUVs continues, as 2018 was a stellar year for new SUV sales, closing out at 6.5+ million units. However, there are signs of SUV saturation with days supply and average ATP climbing up and more new product launches. Dealers and OEMs have the challenging task of balancing inventory and incentives to sustain sales.

- To effectively message to SUV shoppers, highlight must-have features that appeal most to them: AWD or 4WD, Backup Camera, Bluetooth, and Heated/Cooled Seats. Also, showcase aspects that capture their attention such as Spaciousness, Ingress/Egress, Higher Vantage Point, and Safety Advantages.

- Car and SUV Considerers significantly differ in their psychographic mindset. Fence sitters (those considering both Cars and SUVs) share similar values as Car Considerers. In order to persuade Fence sitters toward SUVs, the products should be environmentally friendly and have striking styling among other factors.

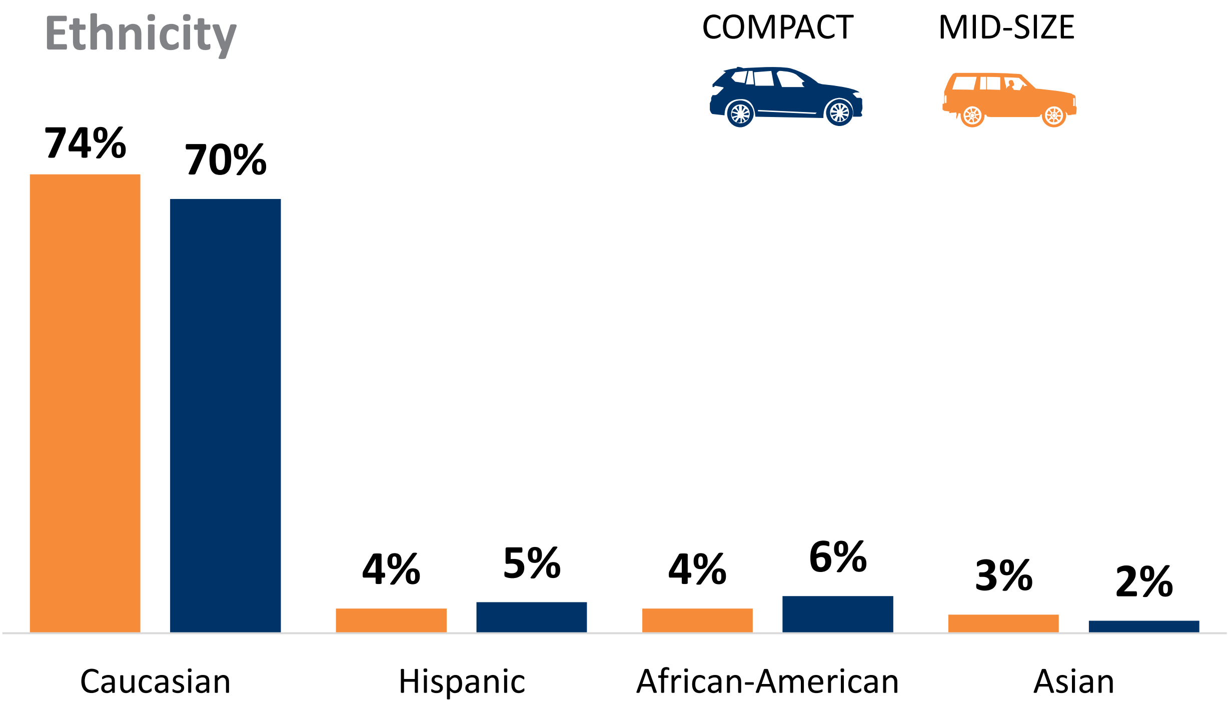
- With ongoing gas price fluctuations and the prediction of $3 per gallon, OEMs have been significantly improving fuel efficiency on SUVs in the last 10+ years. In continuing the trend of more fuel efficiency and meeting CAFÉ standards, OEMs are planning to launch a slew of alternative fuel SUVs.

APPENDIX

SUV Shopper Profile

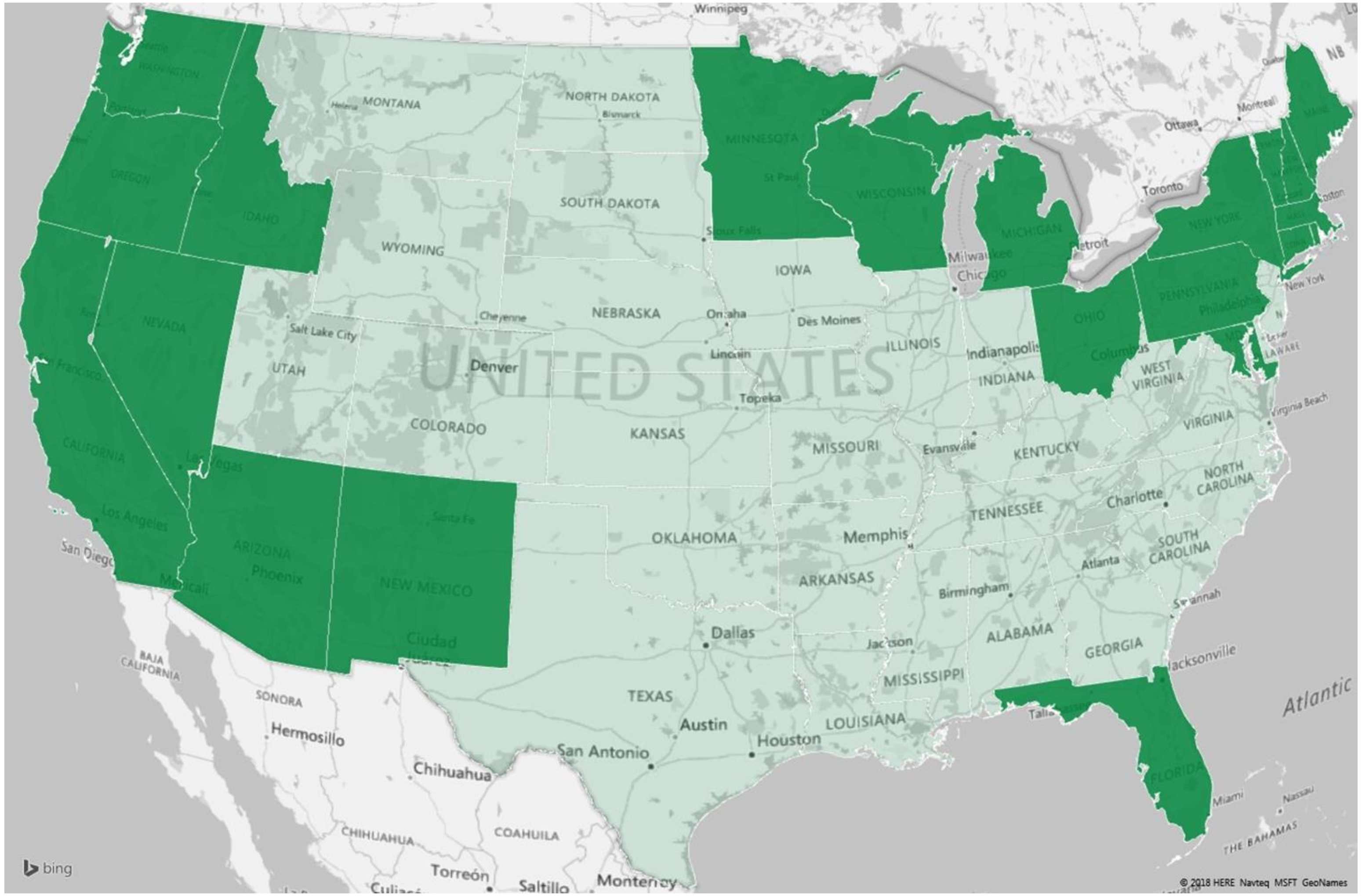
	Median Income	Gender (Male)	Median Age
COMPACT	65K	50%	58
MID-SIZE	70K	63%	54

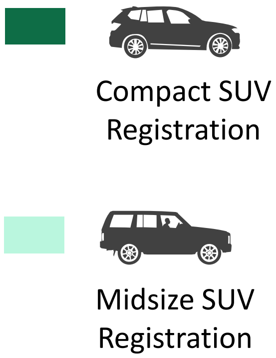
Ethnicity



Compact SUV Dominates the Coasts and New England States, While Midsize SUV Has A Strong Presence in the Central and Southern States

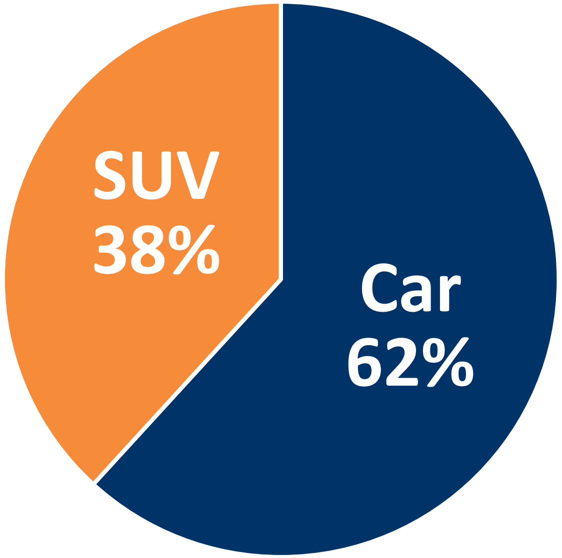
MID-SIZE & COMPACT SUV REGISTRATION SHARE





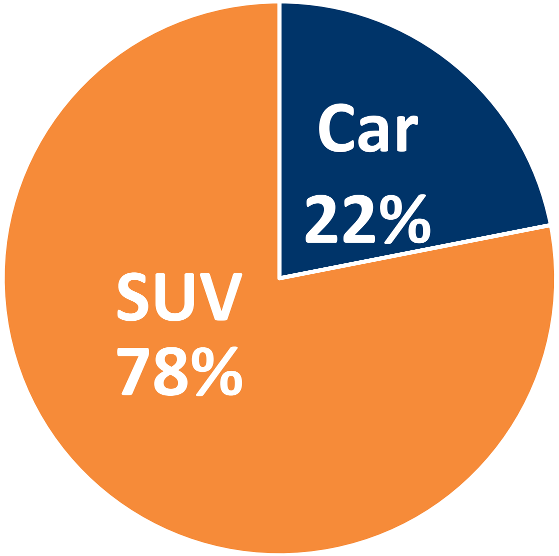
Top Selling Models By Brand: Subaru

2008 SUBARU SALES



32% Forester	6% Tribeca	36% Legacy	20% Impreza

2018 SUBARU SALES



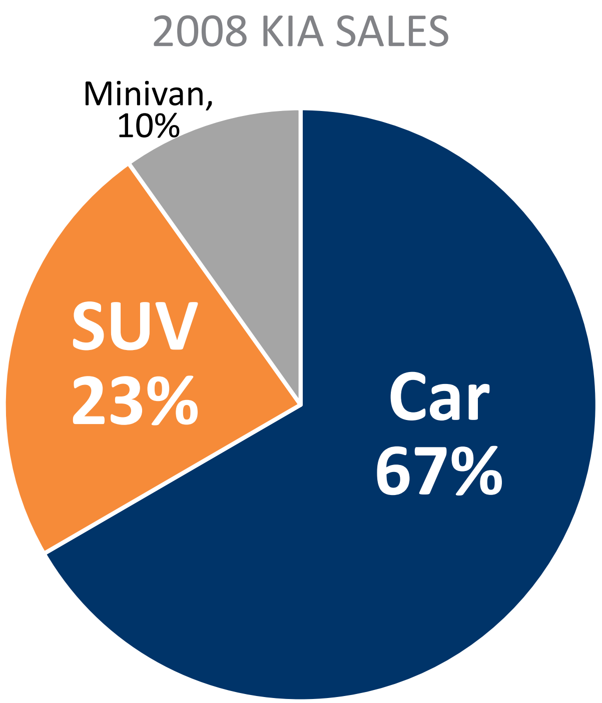




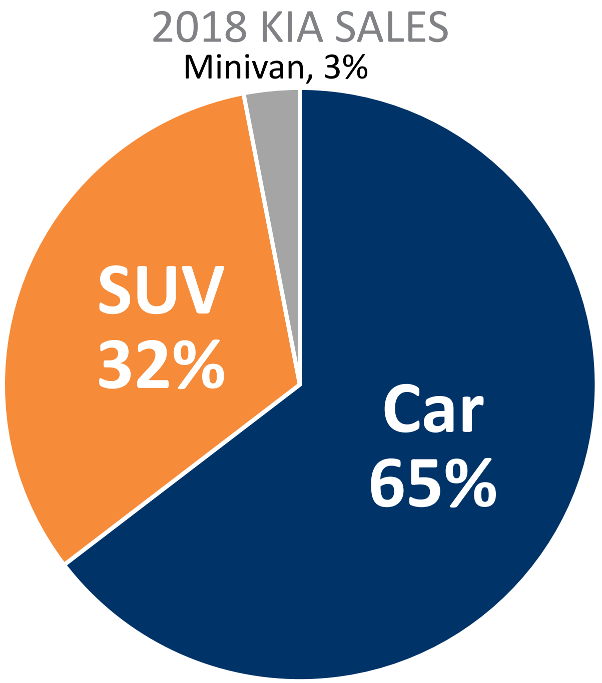
26% Outback	25% Forester	21% Crosstrek	6% Legacy	11% Impreza

Source: OEM Press release sales data

Top Selling Models By Brand: Kia



11% Sorento	12% Sportage	25% Spectra	16% Optima

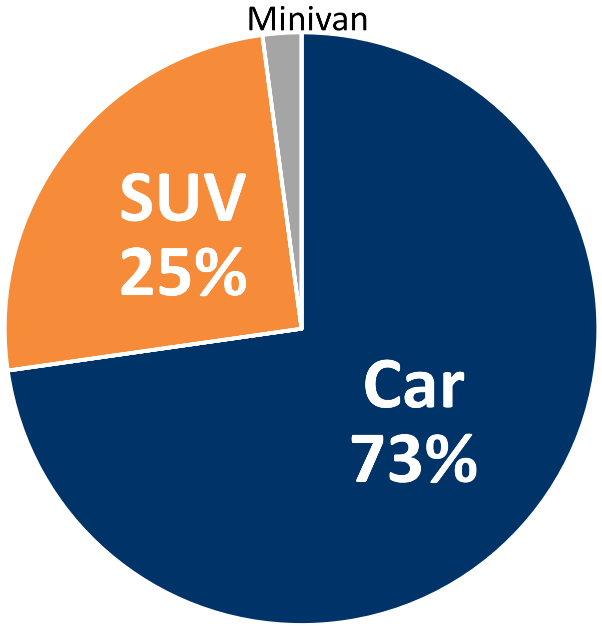


18% Sorento	14% Sportage	18% Soul	17% Optima	17% Forte

Source: OEM Press release sales data

Top Selling Models By Brand: Hyundai

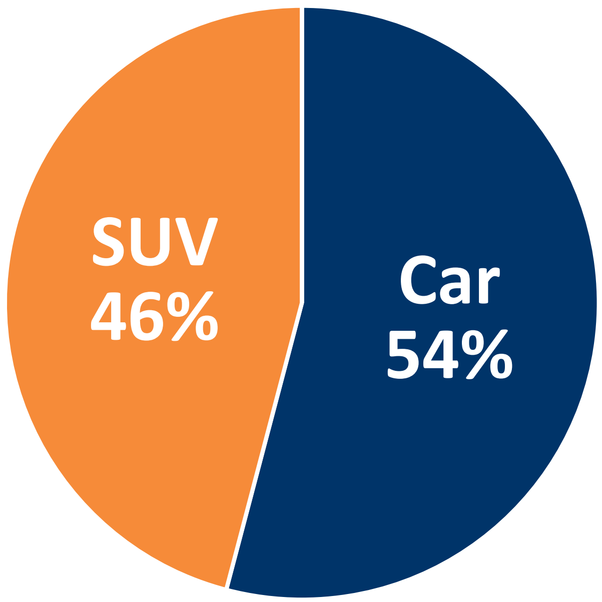
2008 HYUNDAI SALES



18% Santa Fe X	5% Tucson

29% Sonata	24% Elantra	13% Accent

2018 HYUNDAI SALES

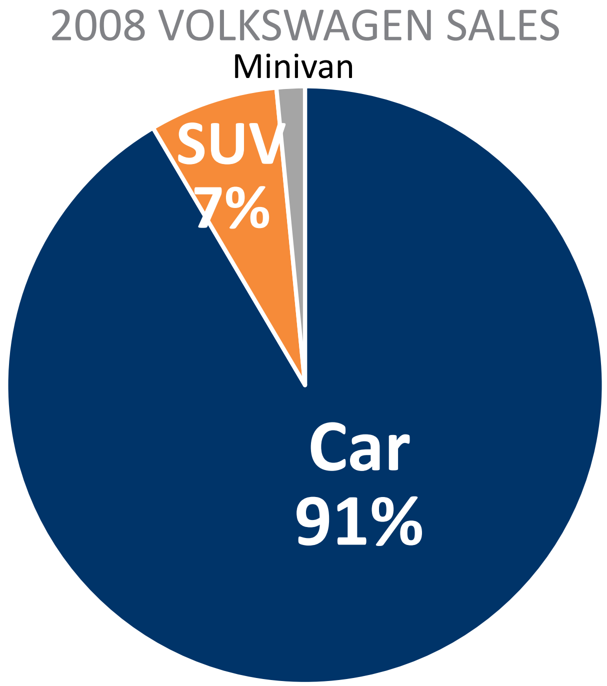



21% Tucson	14% Santa Fe

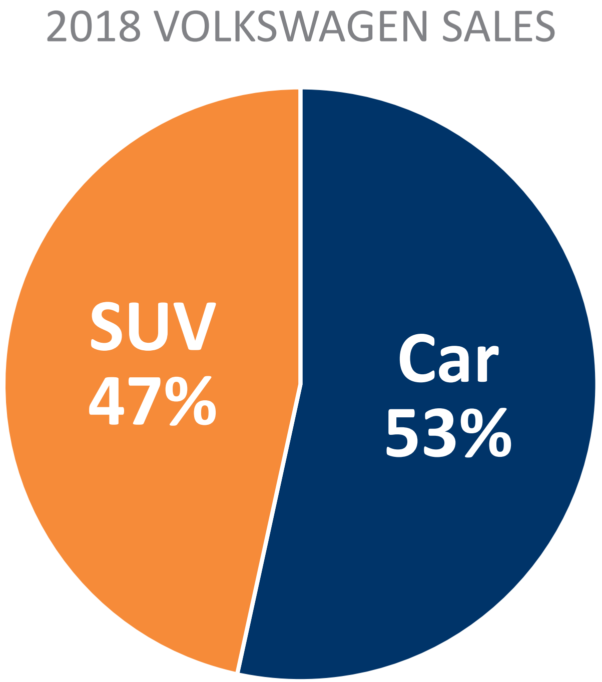

30% Elantra	16% Sonata

Source: OEM Press release sales data

Top Selling Models By Brand: Volkswagen



4% Tiguan	44% Jetta	13% Passat	12% Beetle



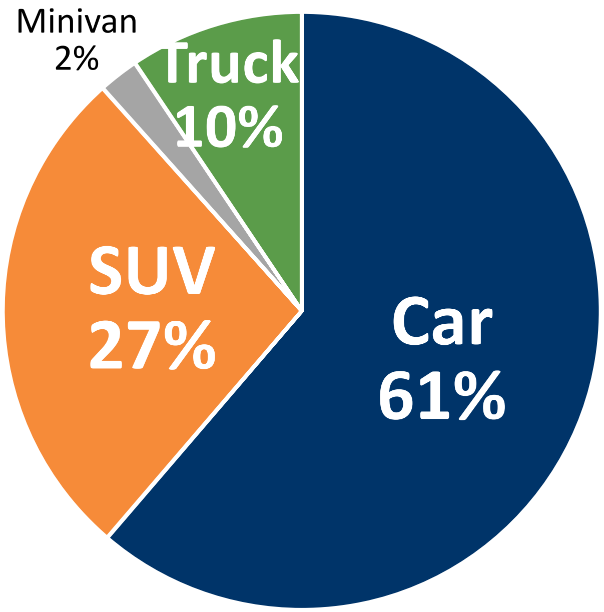



29% Tiguan	17% Atlas	26% Jetta	12% Passat

Source: OEM Press release sales data

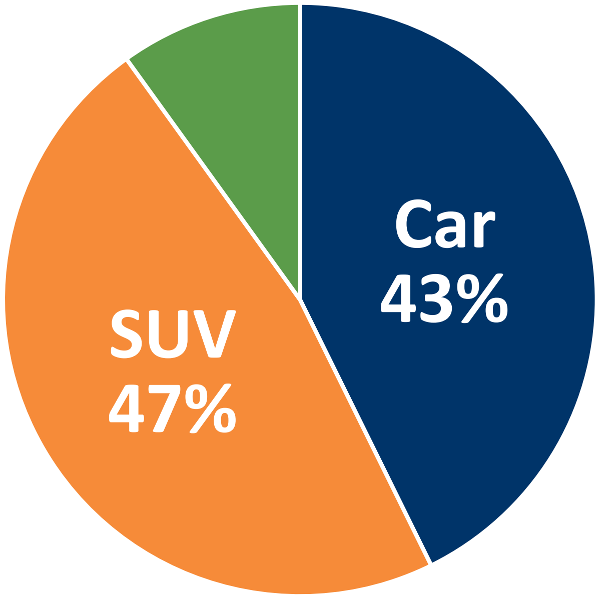
Top Selling Models By Brand: Nissan

2008 NISSAN SALES



9% Rogue	9% Murano	32% Altima	12% Sentra

2018 NISSAN SALES

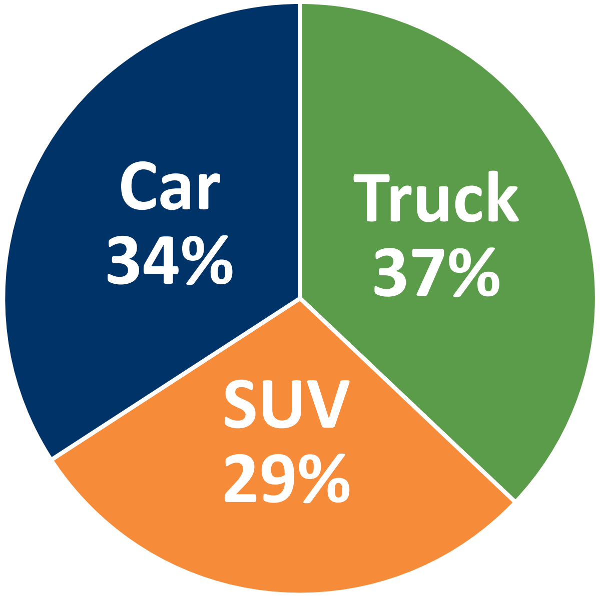


31% Rogue	16% Altima	16% Sentra

Source: OEM Press release sales data

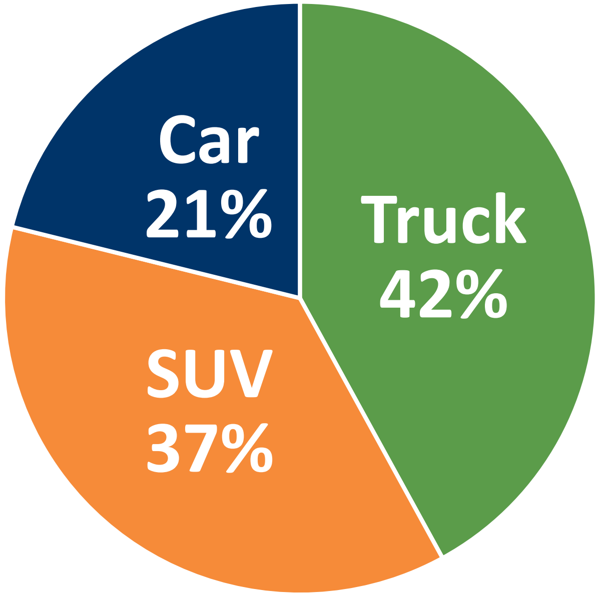
Top Selling Models By Brand: Ford

2008 FORD SALES



11% Escape	7% Edge	12% Focus	9% Fusion	33% F-Series

2018 FORD SALES

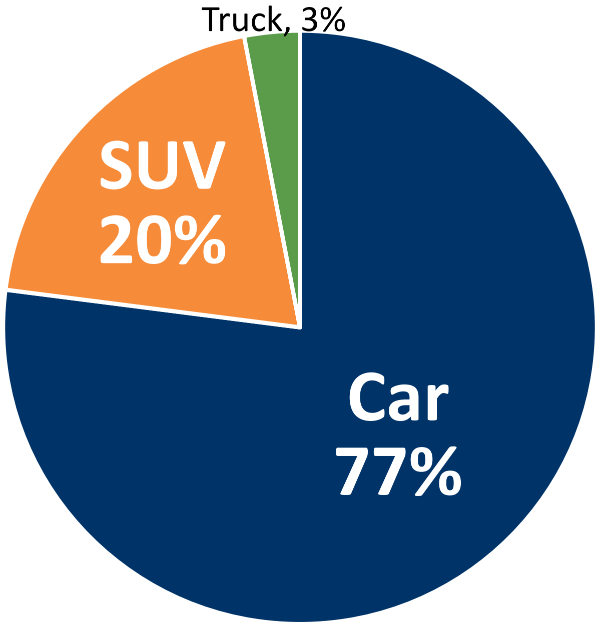


13% Escape	12% Explorer	8% Fusion	5% Focus	42% F-Series

Source: OEM Press release sales data

Top Selling Models By Brand: Mitsubishi

2008 MITSUBISHI SALES

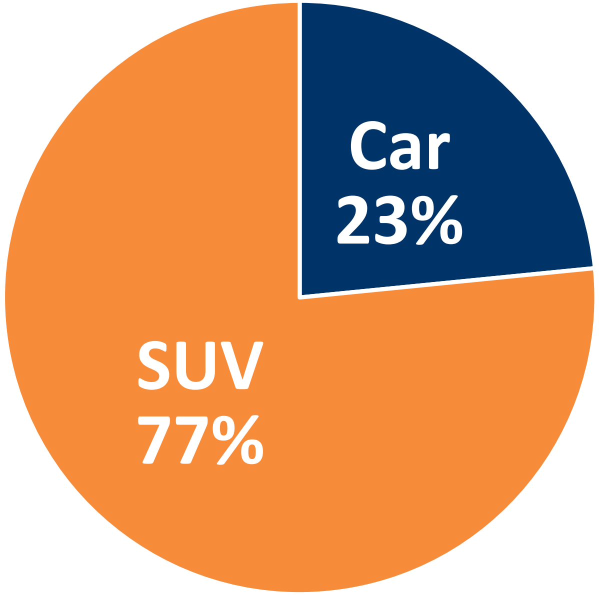


14%
Outlander

29%
Lancer

16%
Eclipse

2018 MITSUBISHI SALES



35%
Outlander

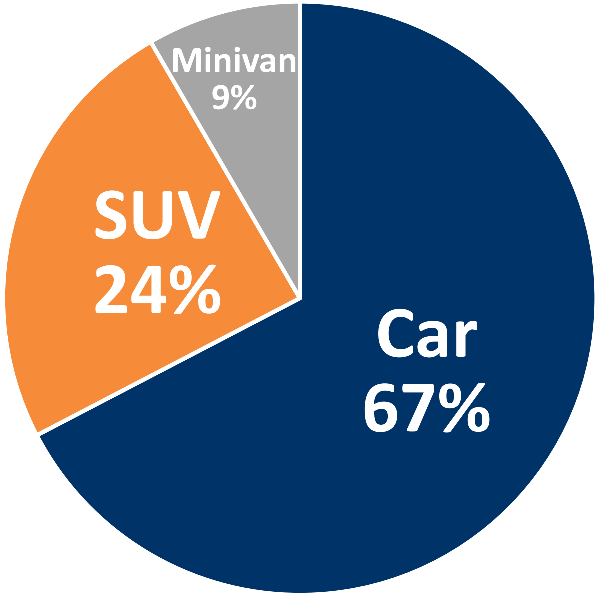
33%
Outlander Sport

21%
Mirage

Source: OEM Press release sales data

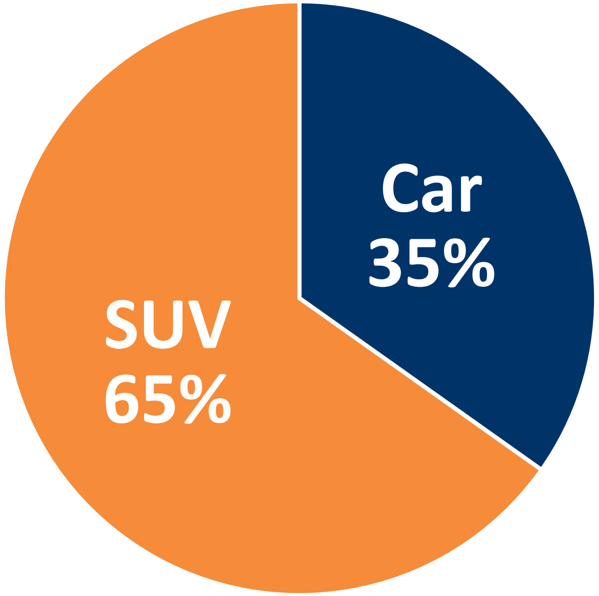
Top Selling Models By Brand: MAZDA

2008 MAZDA SALES



10% CX-7	10% CX-9	42% MAZDA3	20% MAZDA6

2018 MAZDA SALES

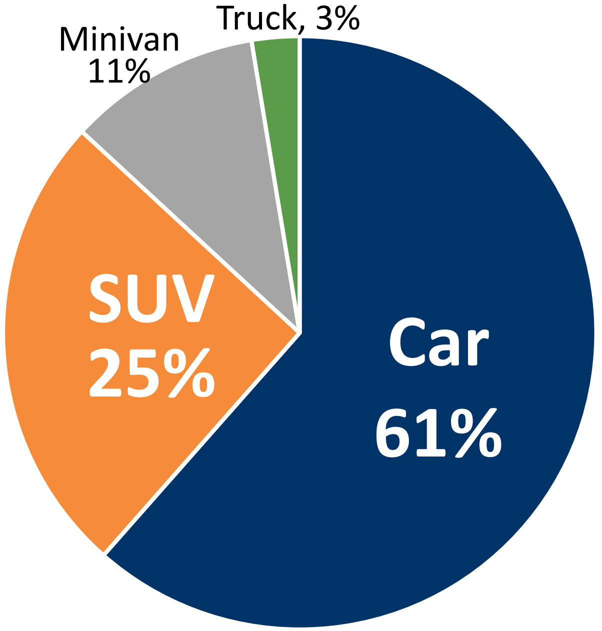





50% CX-5	9% CX-9	22% MAZDA3	10% MAZDA6

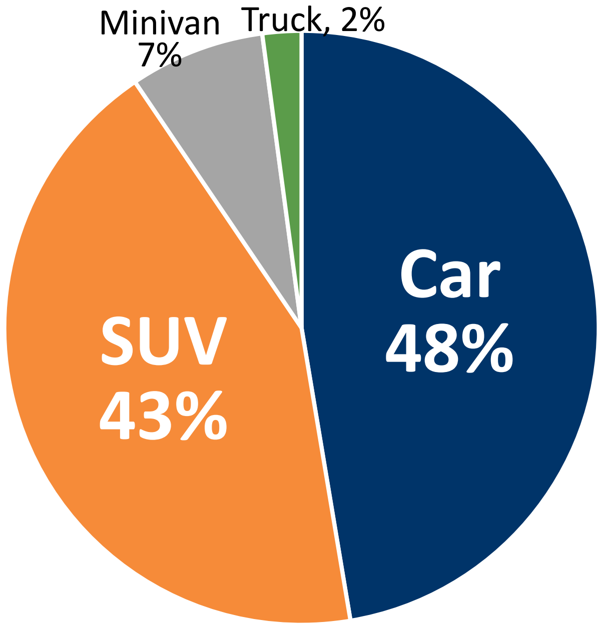
Top Selling Models By Brand: Honda

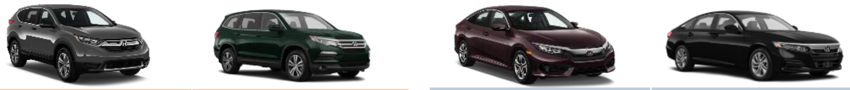
2008 HONDA SALES



15% CR-V	8% Pilot	29% Accord	26% Civic

2018 HONDA SALES

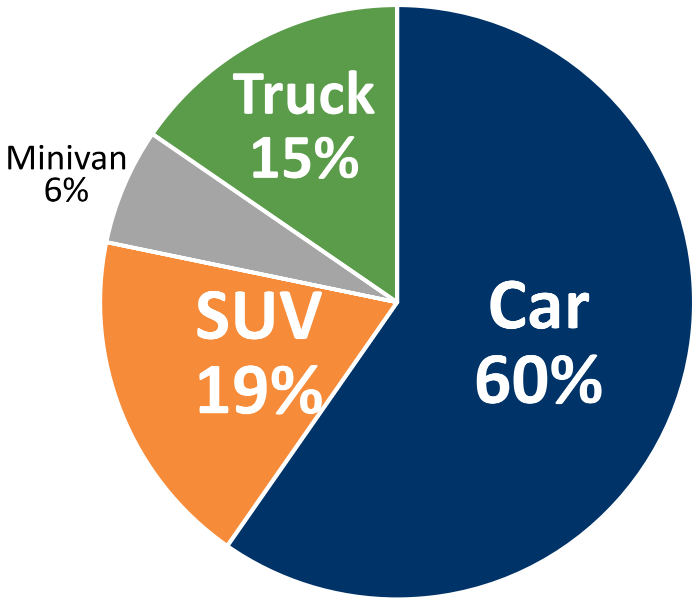




26% CR-V	11% Pilot	23% Civic	20% Accord

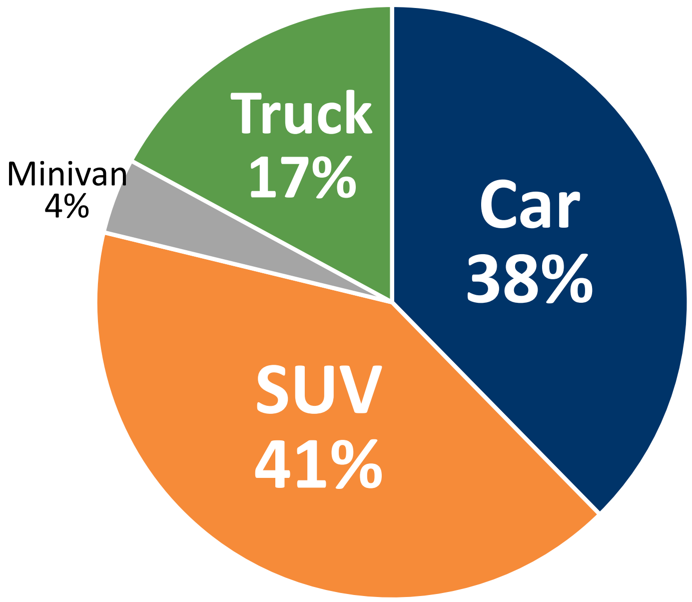
Top Selling Models By Brand: Toyota

2008 TOYOTA SALES



7% RAV4	5% Highlander	24% Camry	19% Corolla

2018 TOYOTA SALES

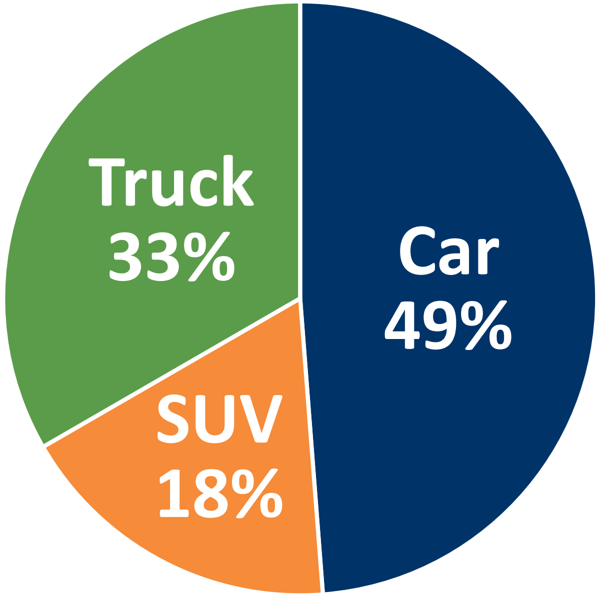


20% RAV4	11% Highlander	16% Camry	13% Corolla

Source: OEM Press release sales data

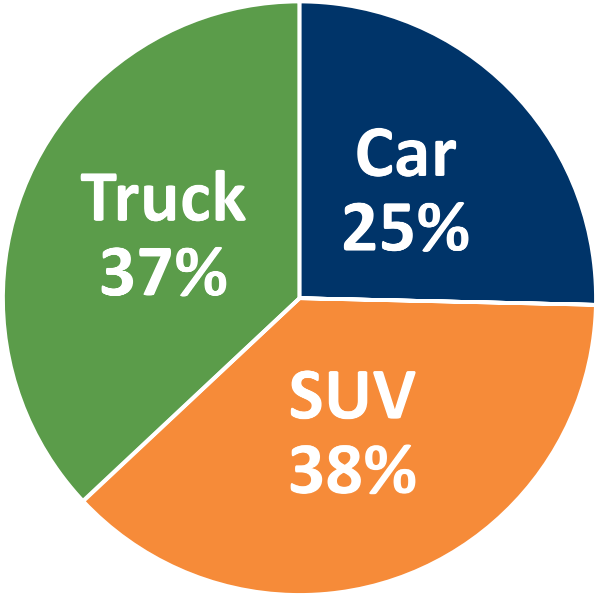
Top Selling Models By Brand: Chevrolet

2008 CHEVROLET SALES



6% Tahoe	5% TrailBlazer	16% Impala	11% Malibu	28% Silverado

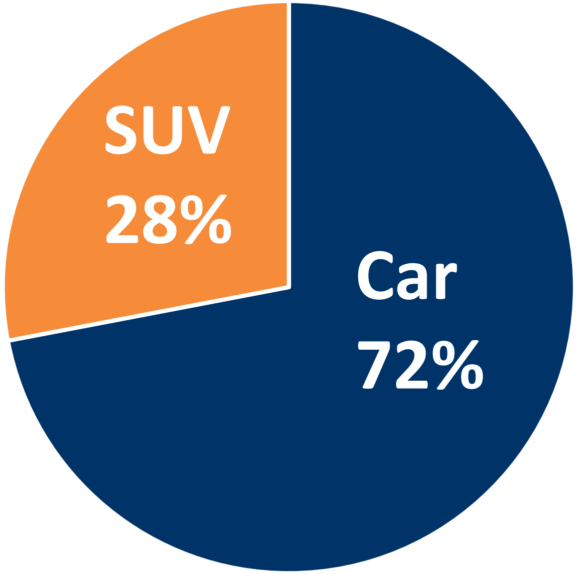
2018 CHEVROLET SALES



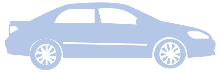
17% Equinox	8% Traverse	7% Malibu	7% Cruze	30% Silverado

Top Selling Models By Brand: Dodge

2008 DODGE SALES

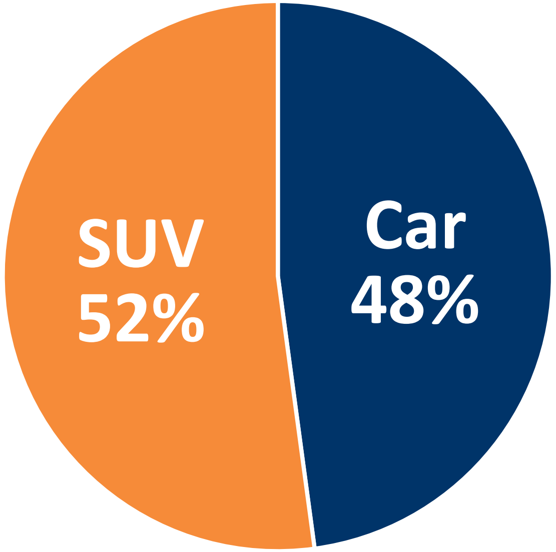


13% Journey	10% Nitro



26% Charger	23% Caliber

2018 DODGE SALES

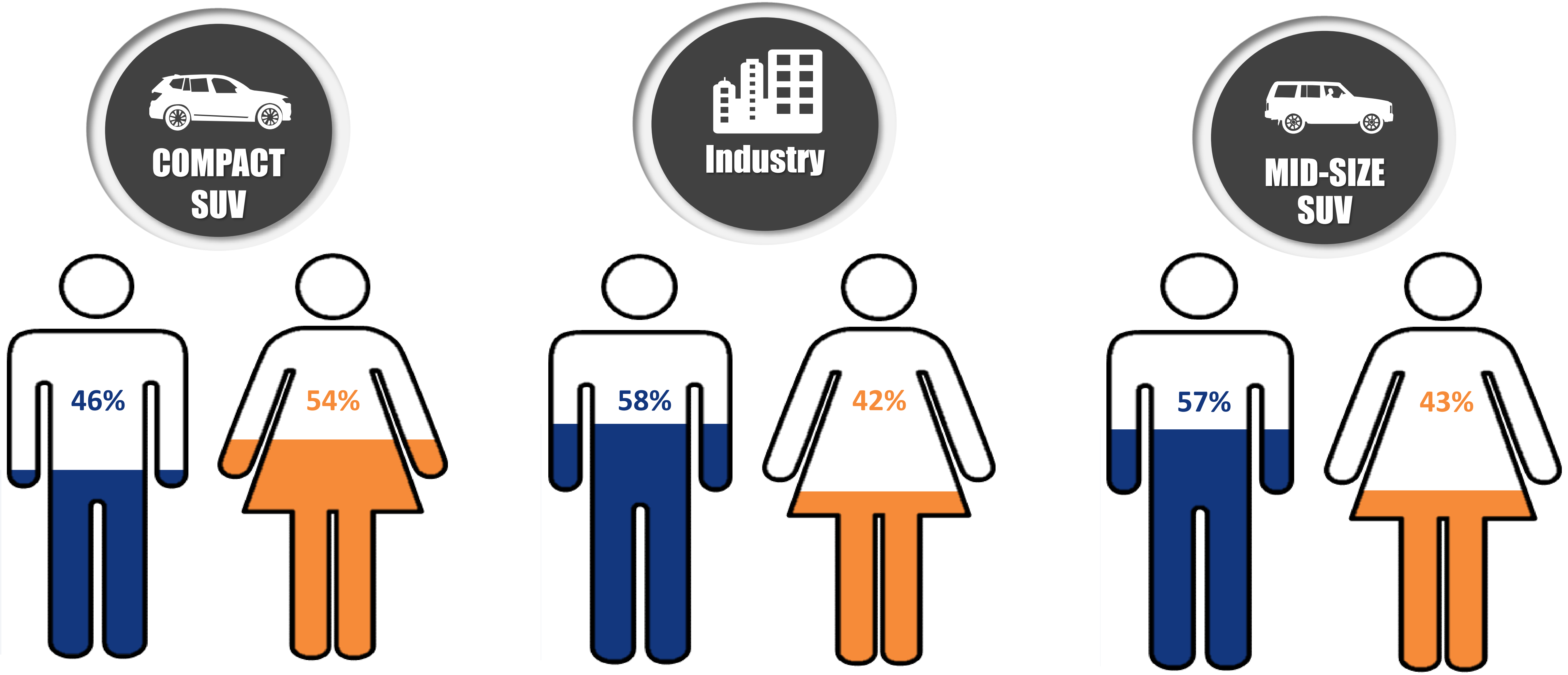



31% Journey	21% Durango


26% Charger	22% Challenger

Source: OEM Press release sales data

Compact SUV Shoppers Skew Female, Whereas, Mid-Size SUV Skews Male



Source: IHS/Markit – New Retail Vehicle Registrations. Jan 2017 – March 2018

SUVs Retain More Values Than Cars

Current auction retention values for 1 to 3-year-old models

CAR	RETENTION %	SUV	RETENTION %
Subcompact Car	49%	Subcompact SUV/Crossover	59%
Compact Car	55%	Compact SUV/Crossover	59%
Mid-size Car	53%	Mid-size SUV/Crossover	61%
Full-size Car	51%	Full-Size SUV/Crossover	61%
Overall Cars	**54%**	**Overall SUV**	**60%**

Source: KBB.com Auction Values, 8/31/2018

Compact and Midsize Cars Still Cost Less to Operate, Although the Gap With Utilities Has Narrowed

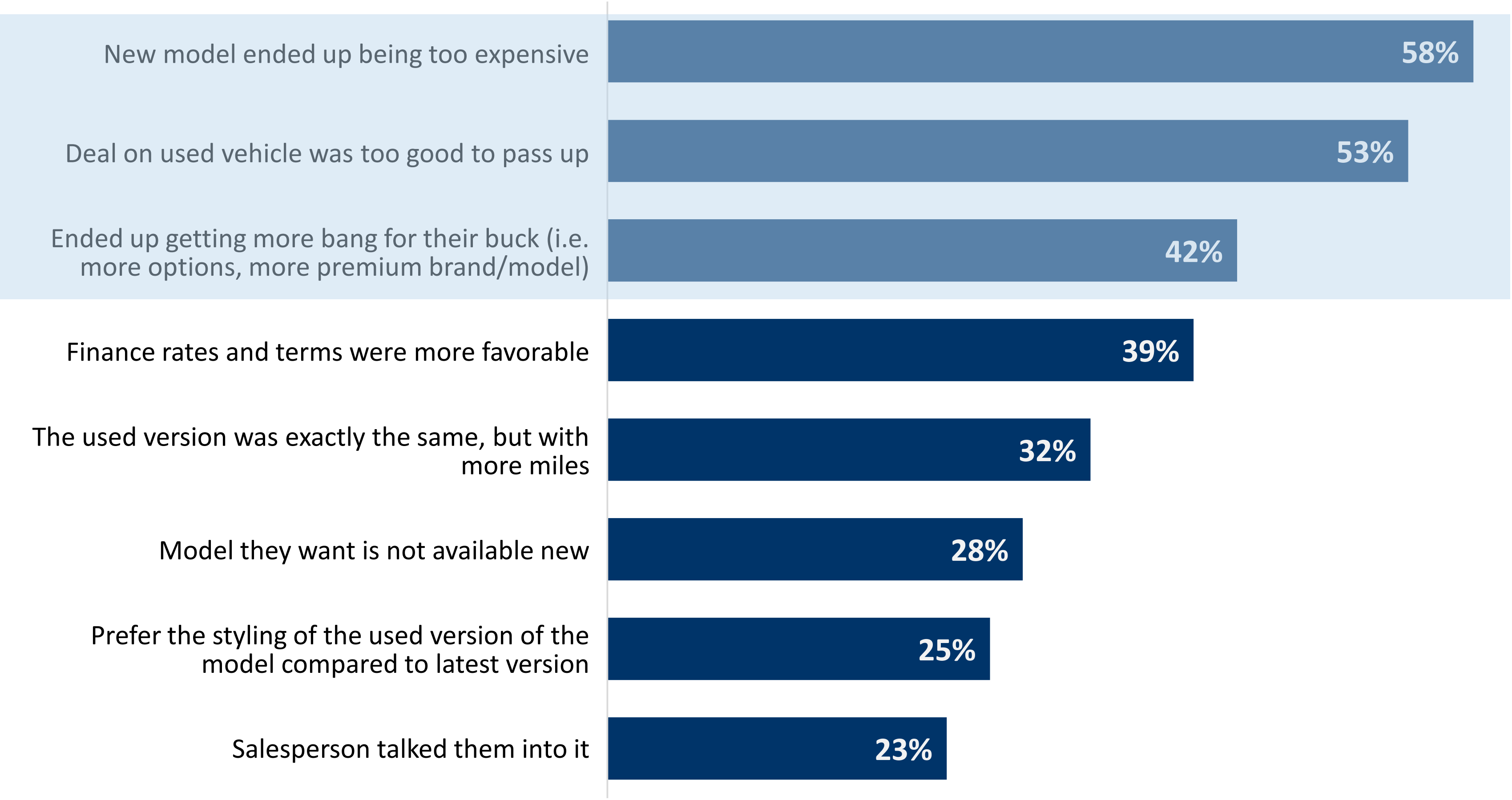
AVERAGE GAS COST

Segment	2007 Monthly Cost	2018 Monthly Cost	Difference	2018 Daily Cost
Compact Car 	$119.64	$94.30	$25.34	$3.14
Mid-size Car 	$147.28	$98.97	$32.90	$3.30
Compact SUV 	$132.09	$114.38	$33.12	$3.81
Mid-size SUV 	$181.15	$141.89	$39.26	$4.73

Source: FuelEconomy.gov and KBB Automotive Insights

Even When Considering New, Consumers Might Gravitate Towards Used Cars for the Value It Offers

REASONS SOMEONE SHOPPING NEW ENDS UP BUYING USED



KBB.com Interplay Between New and Used Survey N=2001
What do you think are the top 3 reasons someone shopping a new vehicle ends up buying a used vehicle instead?

SUV Milestones

1935: The Chevy Suburban offers a wagon body on a truck frame, kicks off its streak as longest-running nameplate in auto history

1960s: Brands from Int'l Harvester to Ford come to market with truck-based utility vehicles

1990: Ford ignites SUV market with family-focused Explorer

1996: Toyota introduces RAV4 as first pure crossover

1988-2000: Safety of truck-based utilities comes into question, as rollover news plagues Explorer, Trooper and Samurai

2002: After Isuzu-based Passport comes up short, Honda bets on CUV formula with Pilot

2008: GM introduces Lambda crossovers to replace BOF SUVs

Pre-1990s | 1990s | 2000s | 2010s

In the 2000s the industry made the switch from BOF* to unibody in earnest

1941: American Bantam's design for the military Jeep creates the original off-road utility vehicle

1980s: SUV market goes mainstream, with several entries including Blazer, Cherokee, Pathfinder and 4Runner following same formula

1997: Honda establishes size and execution mold for compact CUVs with CR-V

2000: Toyota establishes dual product strategy, introducing Highlander while keeping the 4Runner

2012: Nissan replaces BOF Pathfinder with crossover

2010: Ford replaces BOF Explorer with crossover

Source: Wikipedia

*Body-on-Frame (truck-based) construction; unibody construction is also known as car-based

Historically SUVs Have Faced Distinct Barriers to Adoption

Safety

Fuel Efficiency

Affordability

Most SUVs Were Converted to Car-Based Frame, Rollover Ratings Improved Significantly Across the Board and Shifted Safety Perception

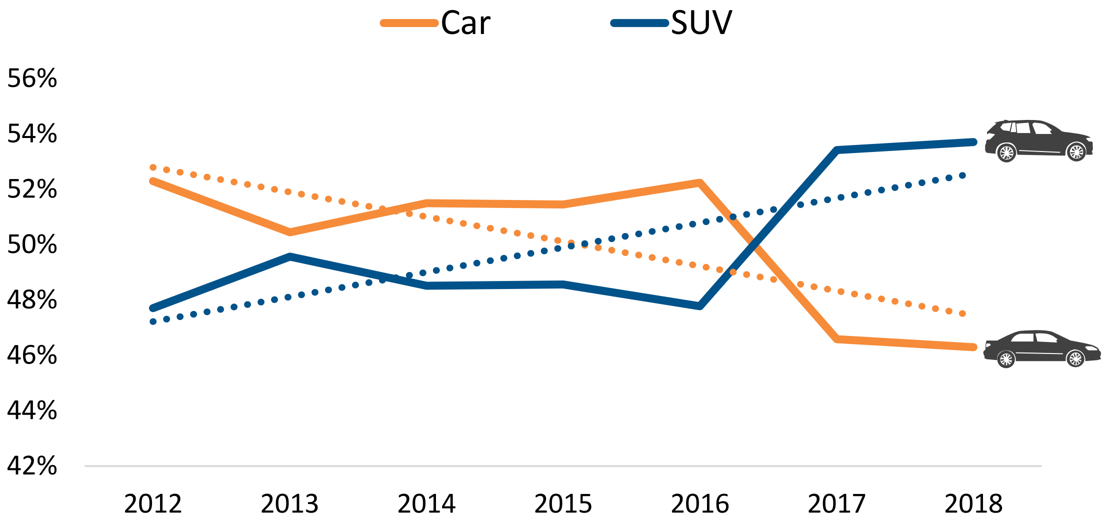
NHTSA RATINGS OUT OF 5 STARS

	Truck-Based	2009
	Chevy TrailBlazer	★★★
	Ford Explorer	★★★
	Nissan Pathfinder	★★★
	Toyota 4Runner	★★★
	Average	3

	Car-Based	2013
	Chevy Traverse	★★★★
	Ford Explorer	★★★★
	Nissan Pathfinder	★★★★
	Toyota Highlander	★★★★
	Average	4

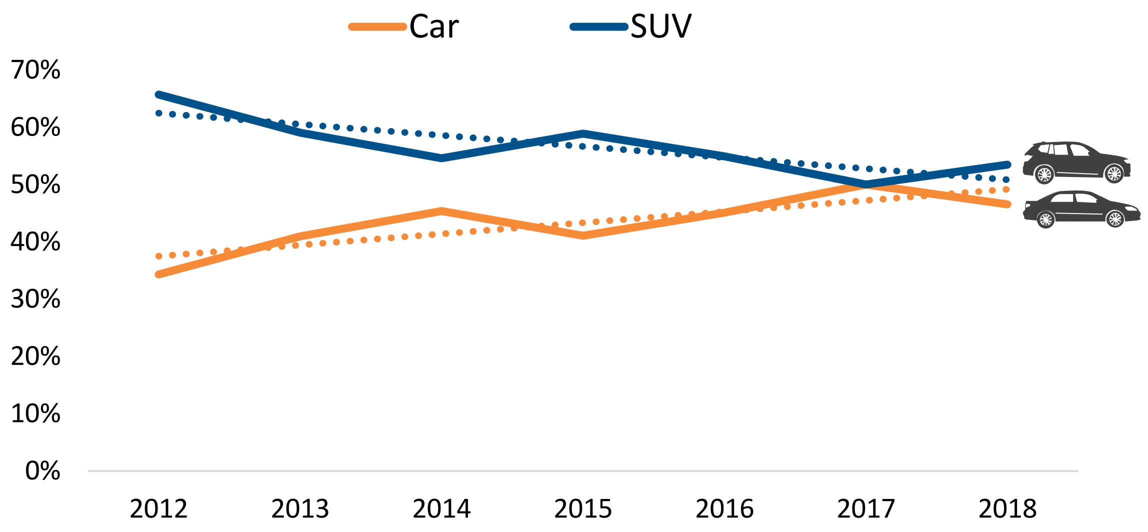
SUVs Are Now More Affordable than Previous Years

VEHICLES BETWEEN $30K-40K



More SUV offerings within the 30-40K price range now than 2012. More available in the lower price range.

VEHICLES WITHIN $40K-50K



SUVs in the 40-50K price range has gone down, more of an even mix with cars.

Source: Dealer Retail Transaction Datase Data. Sales for all segments (non-lux)

Drivers of All Segments Perceive SUVs to be Safer than Cars

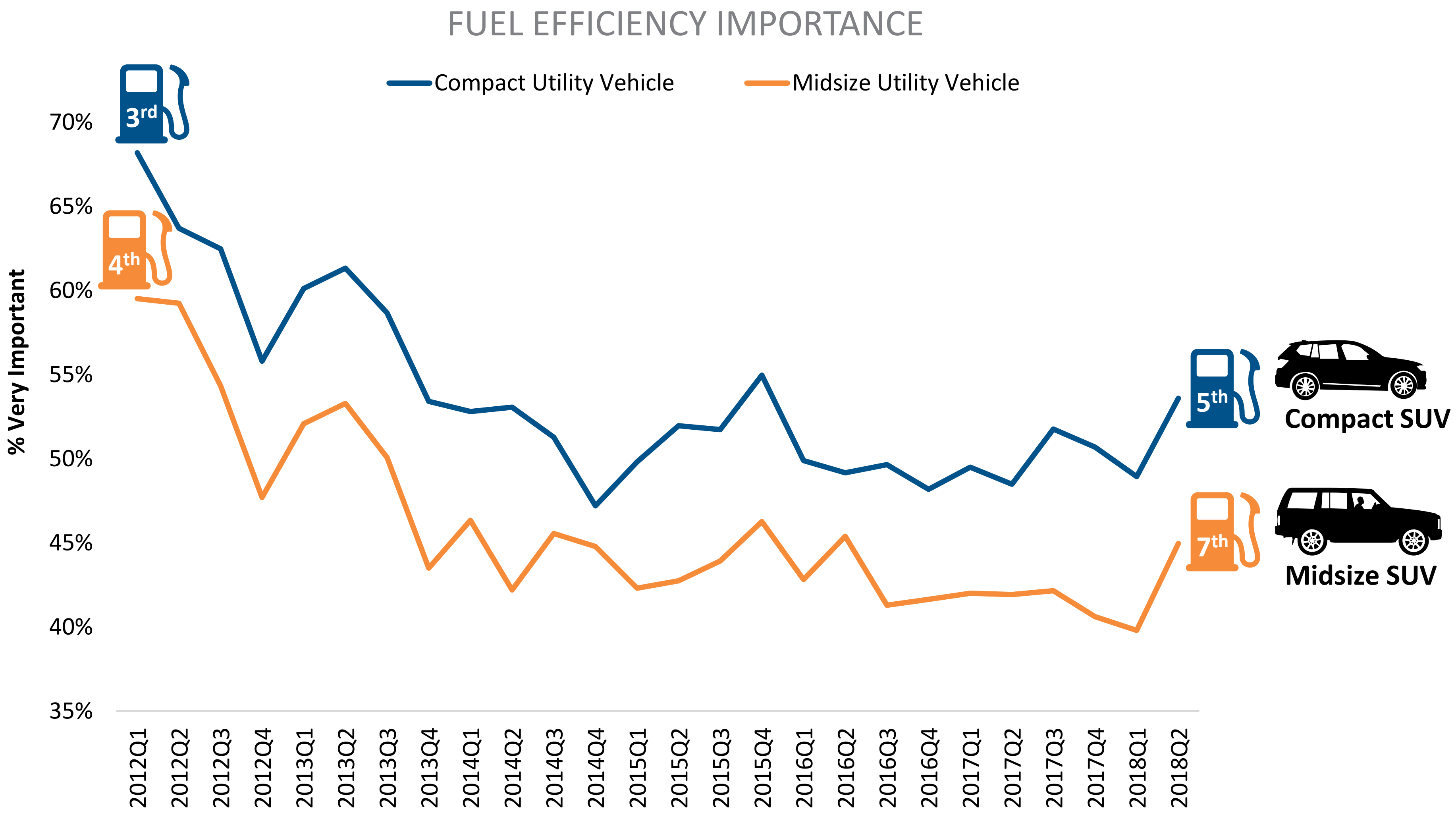
Which is safer?

PRIMARY VEHICLE	CAR	SUV
Car	**46%**	**54%**
SUV	**15%**	**85%**
Truck	**26%**	**74%**
Minivan	**25%**	**75%**
Wagon	**41%**	**59%**

- SUVs have a clear advantage in safety image, with many citing **size** and **visibility** as pluses

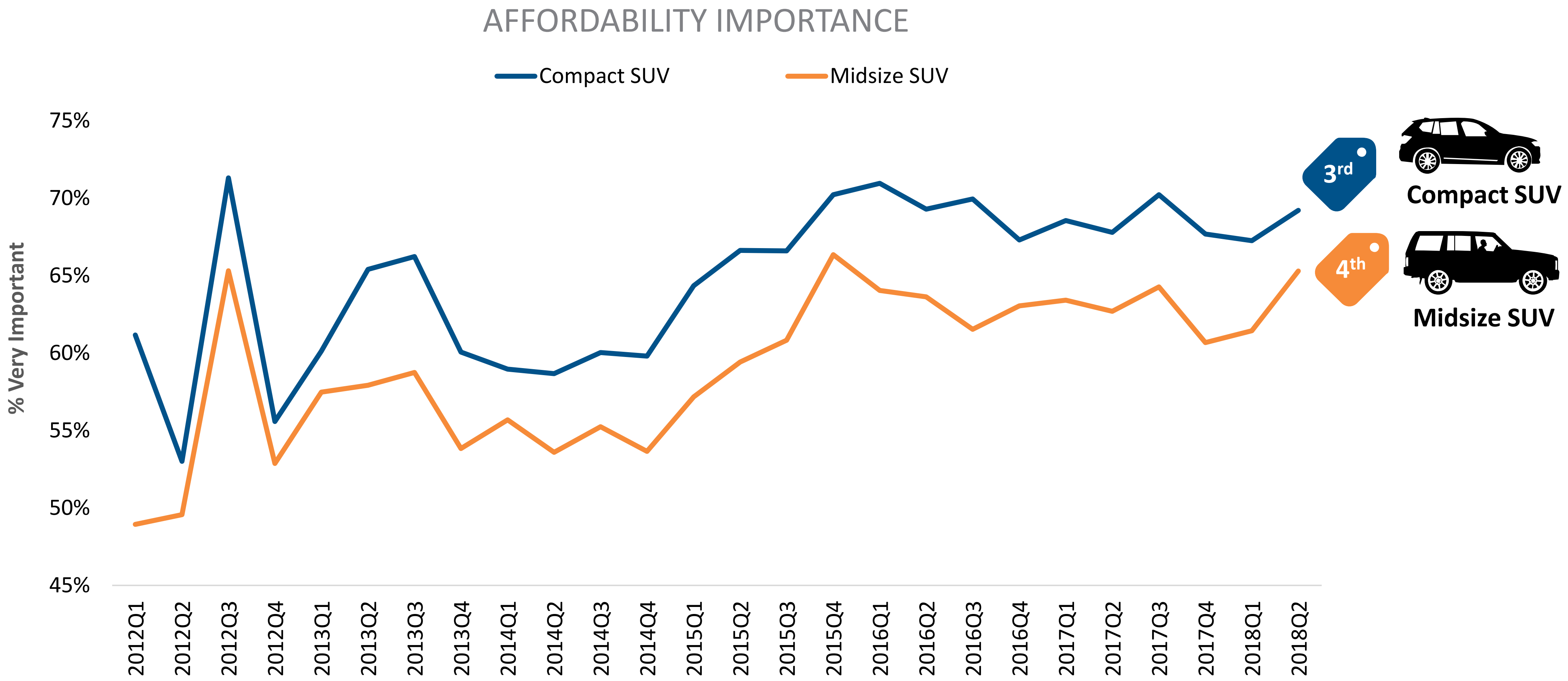
Source: KBB.com Core Segment Survey, April 2017, N=3813
Q: Between car and an SUV, which do you think is generally better on each of these factors?
Q: Why do you think [vehicle] is SAFER?

SUV Shoppers Are Placing Less Importance on Fuel Efficiency



Source: KBB.com Brand Watch
Please review the list below and rate how important each of the factors are to you in deciding your next new vehicle.

...And More Importance on Affordability



Source: KBB.com Brand Watch
Please review the list below and rate how important each of the factors are to you in deciding your next new vehicle.