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AUTOMOTIVE™

WELCOME!

**Q3 2020 U.S. AUTO SALES
FORECAST CALL**

September 28, 2020

Cox AUTOMOTIVE

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

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 HOMENET
AUTOMOTIVE

 Kelley Blue Book

 Manheim

NEXTGEAR
CAPITAL™

PIVOT

 RideKleen

vAuto
LIVE MARKET VIEW

VinSolutions

∞xtime

TODAY'S AGENDA

The Economy – Jonathan Smoke, Chief Economist

Q3 New-Vehicle Sales Forecast and Inventory – Charlie Chesbrough, Senior Economist

Used-Vehicle Sales and Values – Zo Rahim, Manager, Economics & Industry Insights

COVID-19: How Has Behavior Changed? – Vanessa Ton, Sr. Manager, Industry Intelligence

Outlook and Q4 Playlist – Jonathan Smoke, Chief Economist

Q&A








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OUR ECONOMY

Jonathan Smoke
Chief Economist

OUR ECONOMY: Signals Reflect Slowing Momentum

Overall Economy	GDP Growth	-31.2% (Q2 '20)	2.6% (Q3 '20)	24% (Q3 '20 F)	
Employment Conditions	U3 Unemployment Rate	3.7% (August '19)	8.4% (August '20)		
Buyer Confidence	UofM Consumer Sentiment	93.2 (September '19)	78.9 (September '20)		
Wages	Earnings Growth	3.5% (August '19)	4.7% (August '20)		
Buyer Ability	Disposable Income Y/Y	3.0% (July '19)	9.5% (July '20)		

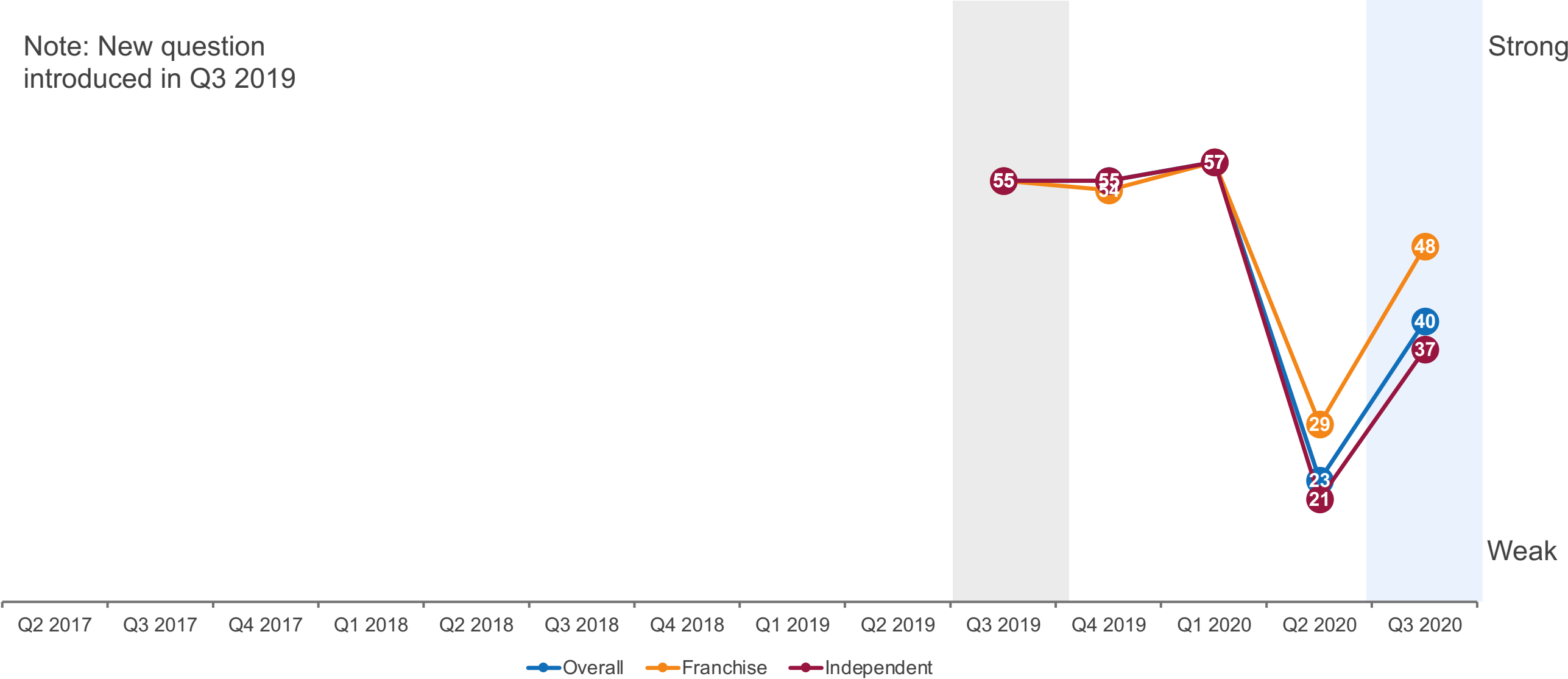
OUR ECONOMY: To V or Not to V, That is (Still) the Question

Auto Finance	FRBNY	\$155.5 billion (Q2 '19)	\$135.9 billion (Q2 '20)	
Interest Rates	Effective Fed Funds Rate	2.13% (August '19)	0.05% (August '20)	
Borrowing Costs	Average New Auto Loan Rate	6.23% (August '19)	4.64% (August '20)	
Mobility Costs	Average Retail Unleaded Gasoline Price	\$2.58 (August '19)	\$2.23 (August '20)	

How would you describe the **current U.S. economy?**

Dealer Sentiment Index
THIRD QUARTER 2020

Note: New question introduced in Q3 2019

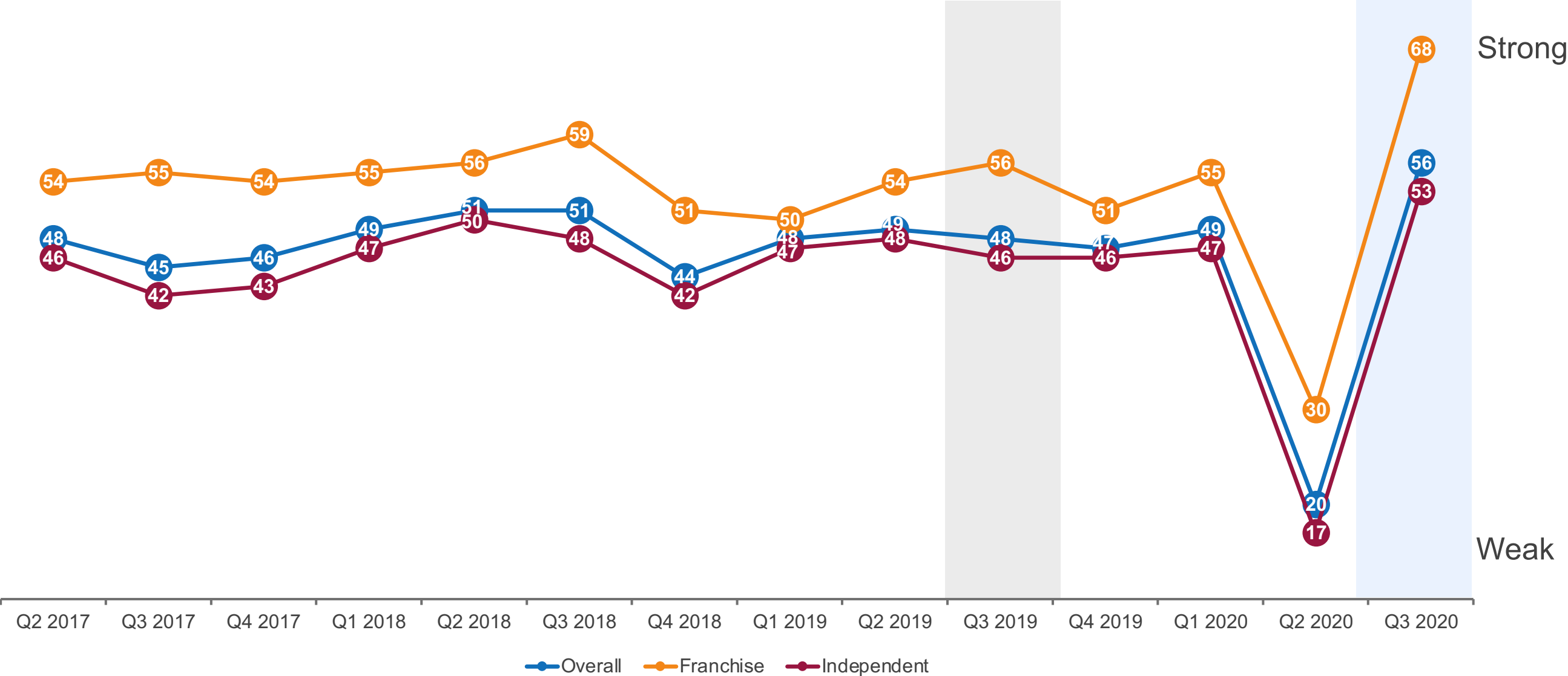


Note: Scale 1 - 100

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

Dealer Sentiment Index

THIRD QUARTER 2020

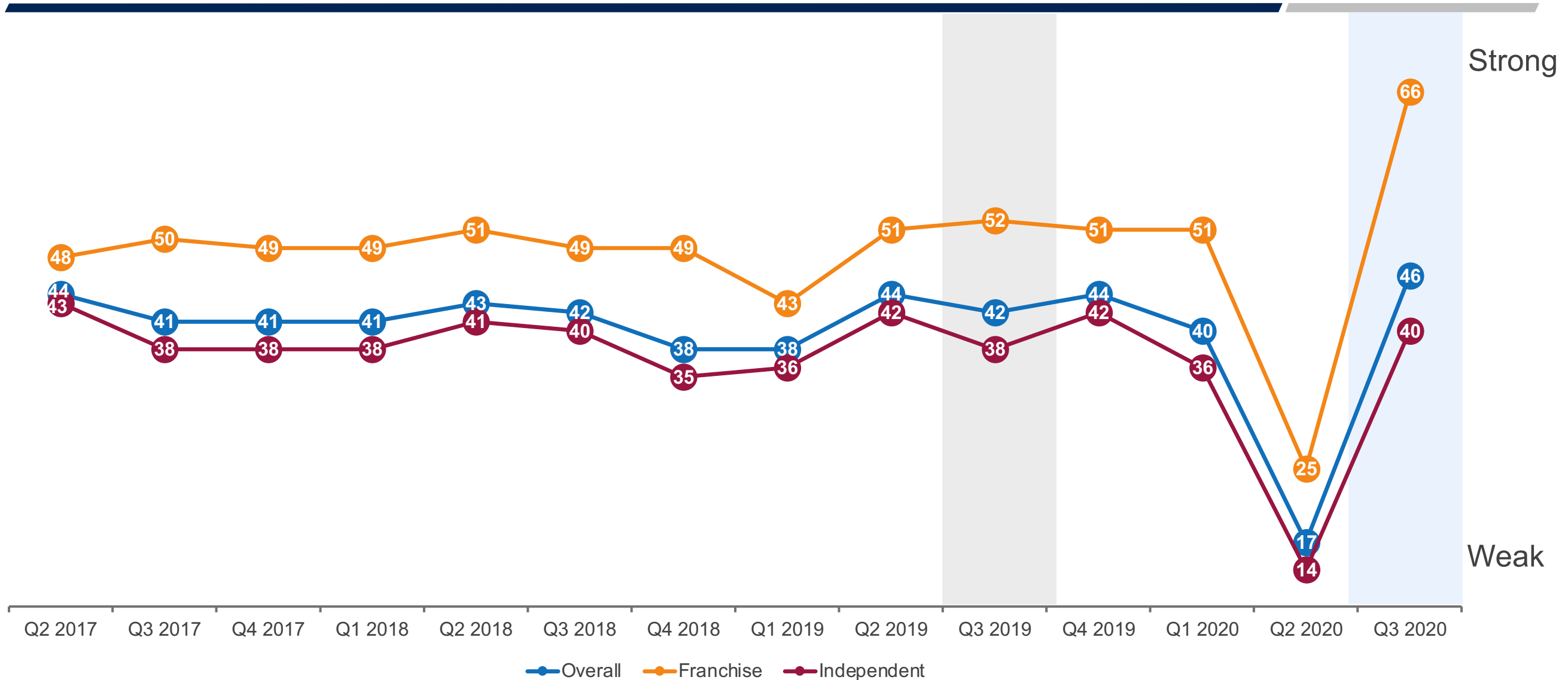


Note: Scale 1 - 100

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

Dealer Sentiment Index

THIRD QUARTER 2020

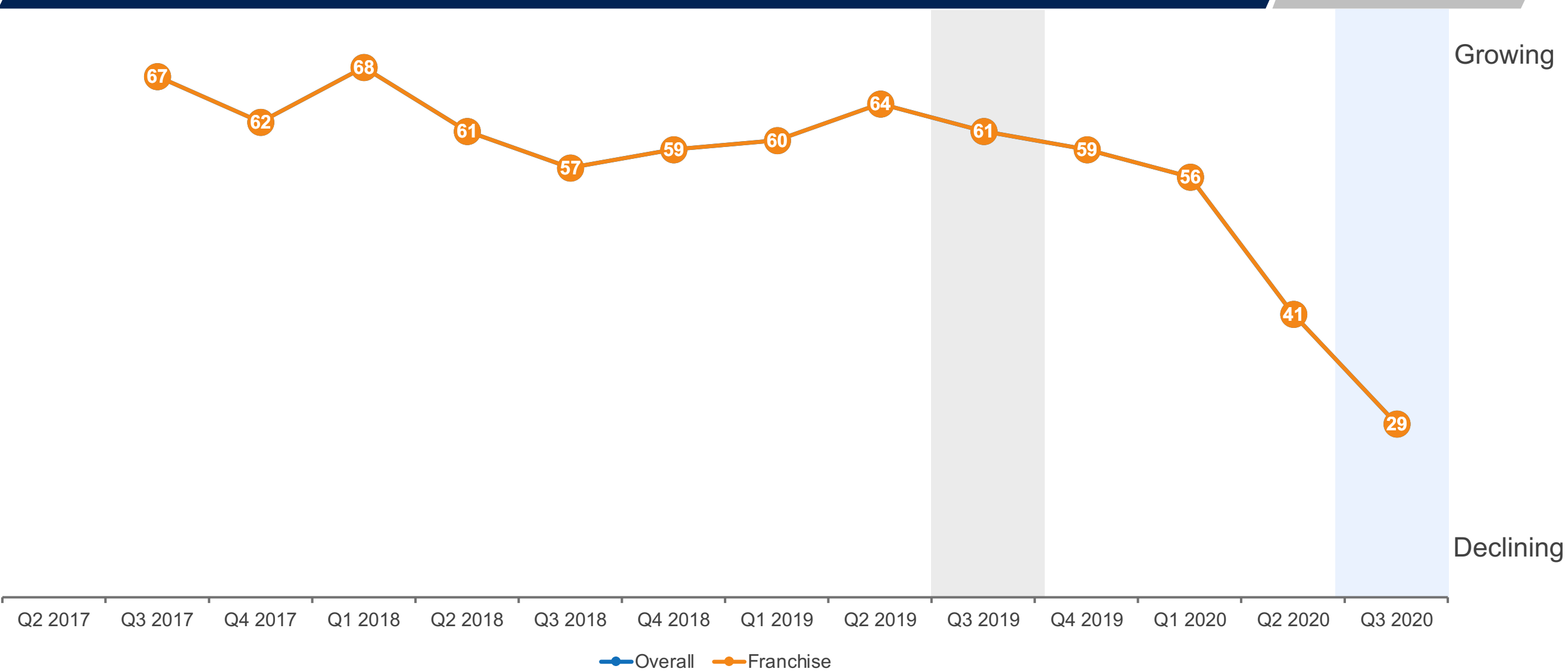


Note: Scale 1 - 100

How would you describe the current new-vehicle inventory levels?

Dealer Sentiment Index

THIRD QUARTER 2020

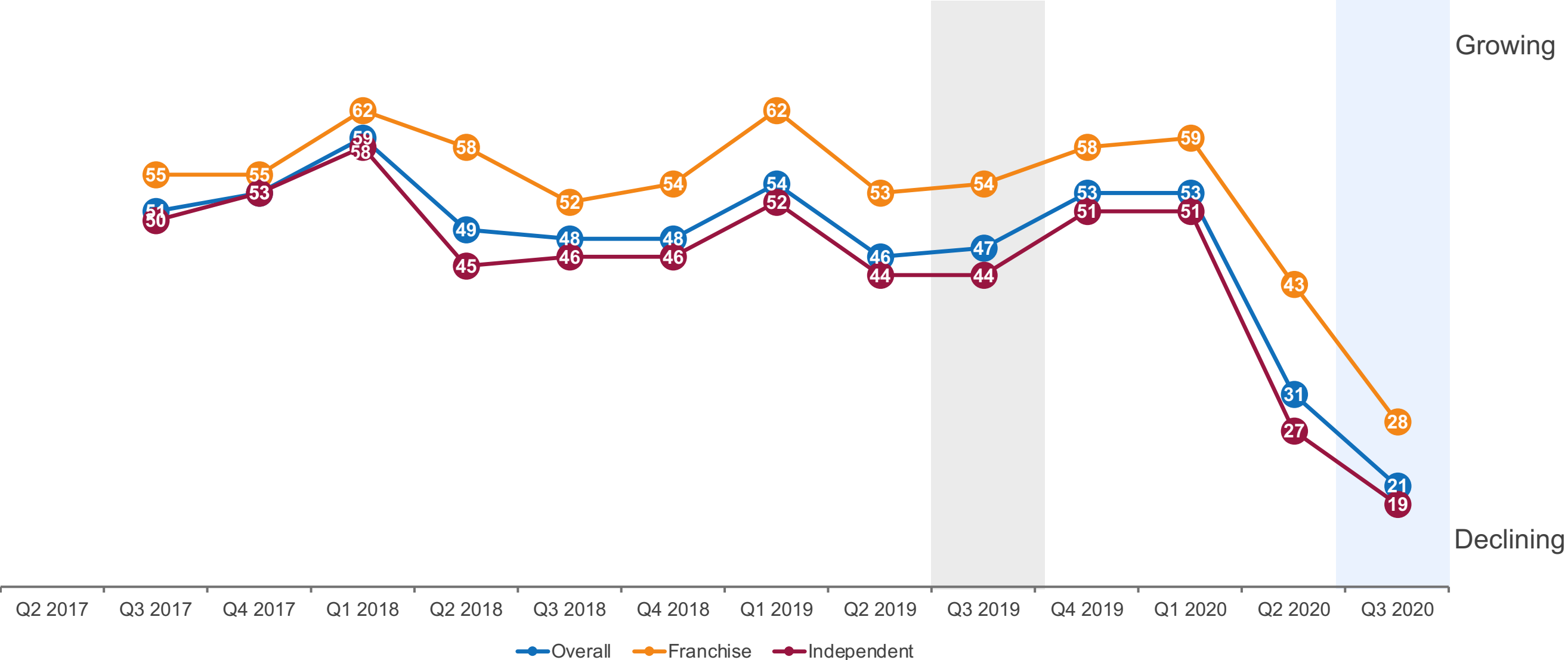


Note: Scale 1 - 100

How would you describe the current used-vehicle inventory levels?

Dealer Sentiment Index

THIRD QUARTER 2020



Note: Scale 1 - 100



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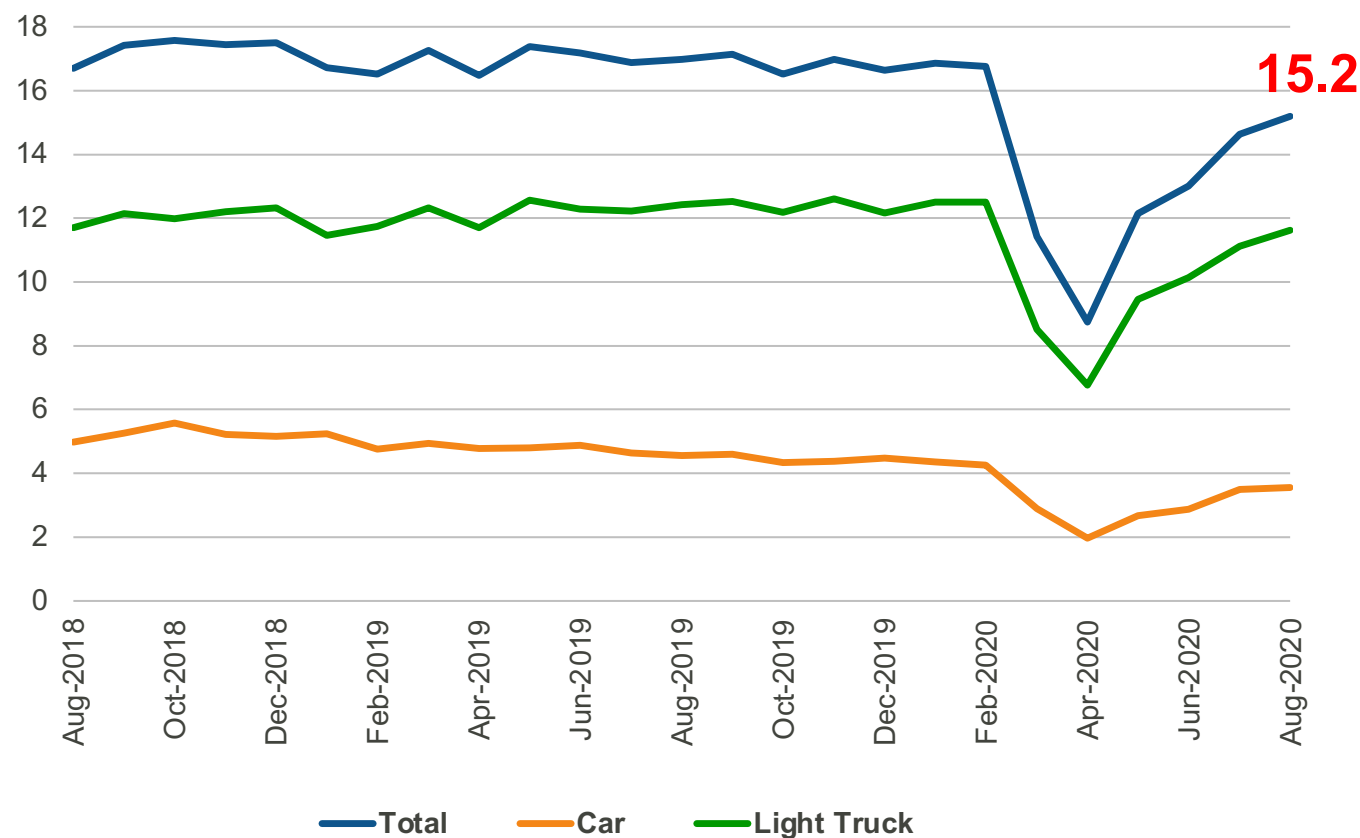
Q3 NEW-VEHICLE FORECAST AND INVENTORY

Charlie Chesbrough
Senior Economist

NEW SALES SAAR: September Continues the Recovery

Does recovery continue or do sales slow as headwinds build?

Monthly Light Vehicle Sales SAAR (millions)



2020 Monthly Volume

	Cars	Trucks	Total	Car Share
January	-17.1%	8.1%	0.2%	25.8%
February	-5.2%	13.3%	7.9%	25.6%
March	-45.1%	-34.6%	-37.8%	26.6%
April	-57.9%	-40.9%	-45.9%	23.2%
May	-43.1%	-23.4%	-29.1%	23.0%
June	-43.0%	-20.6%	-27.1%	22.8%
July	-22.9%	-7.1%	-11.5%	23.9%
August	-29.2%	-15.5%	-19.1%	23.2%
YTD	-34.0%	-16.4%	-21.5%	24.3%

September SAAR Forecast:

15.5 million

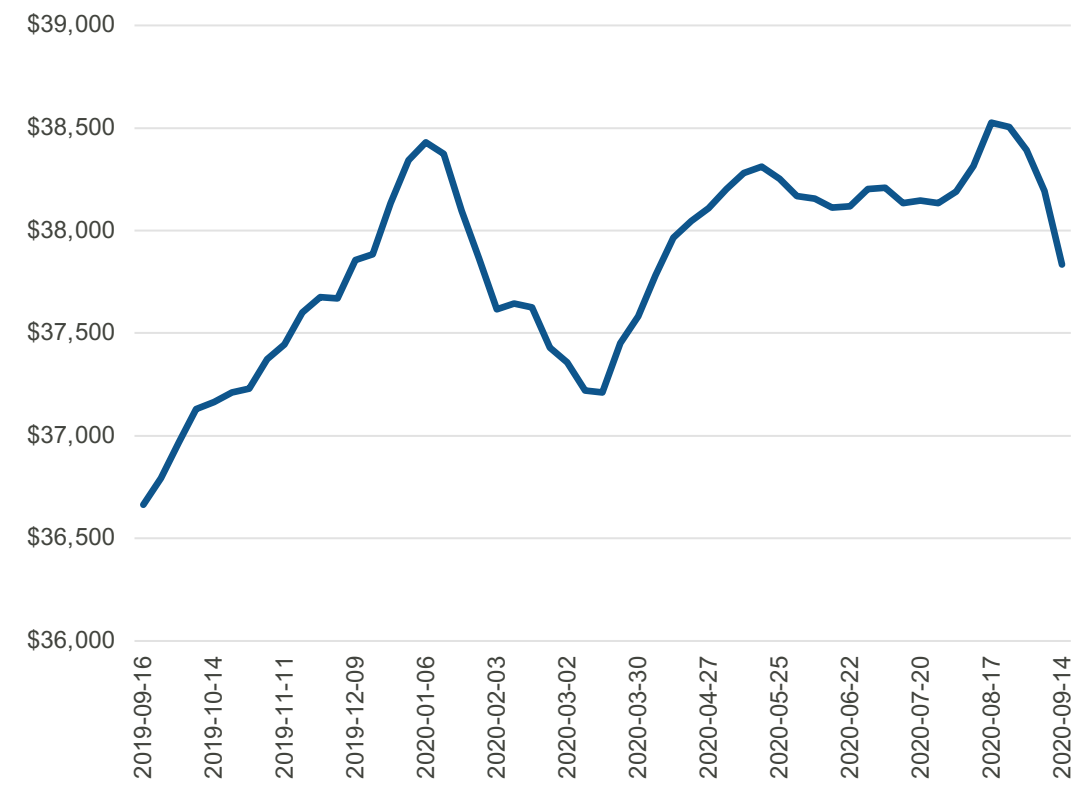
-9.3% Y-O-Y

Volume -0.3%

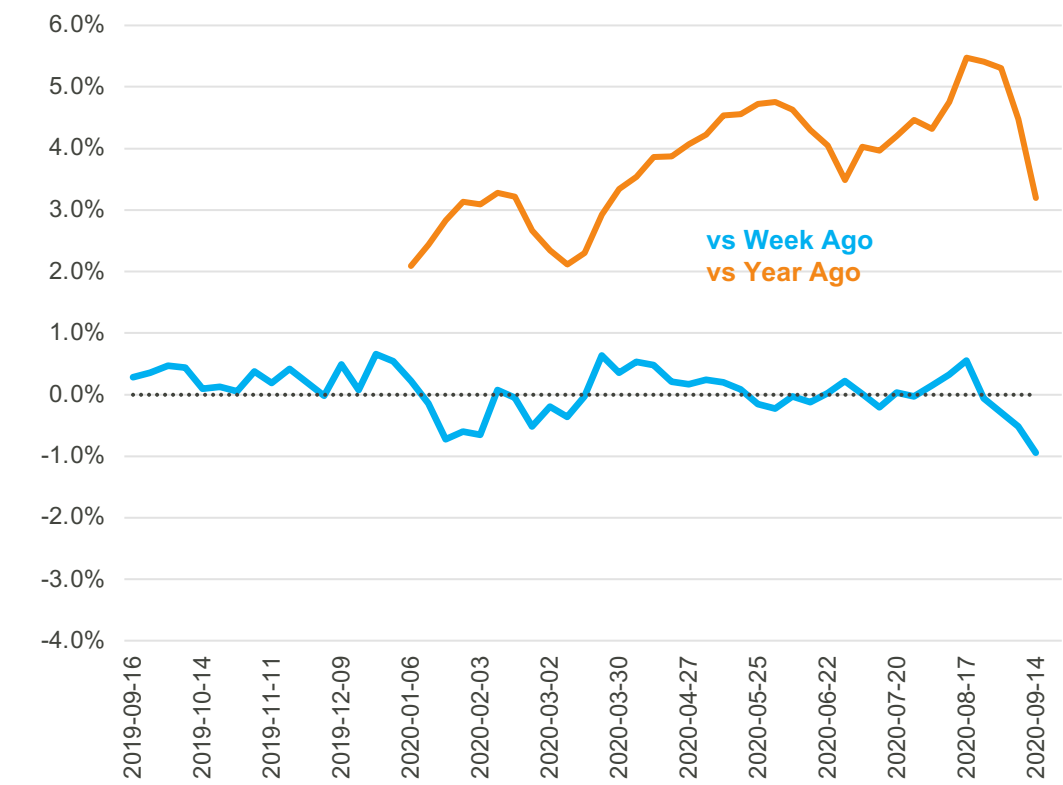
NEW VEHICLE LIST PRICE: Returned to Trend but Now Falling

Post pandemic price surge now moderating – less discounting and less availability likely having impact

Average List Price based on 30 day sales



Change In List Price vs 1 week prior, 1 year prior



OEM PERFORMANCE: After Q3, YTD Sales Down 19.6%

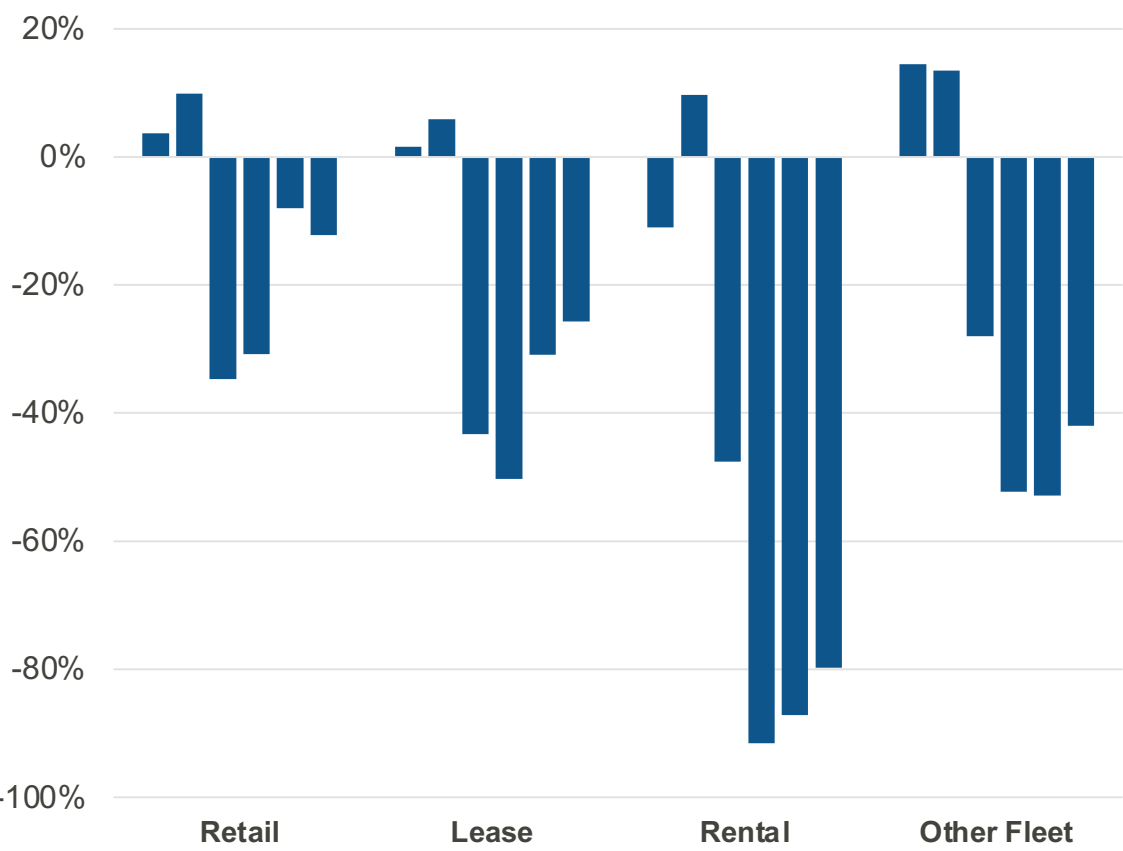
Strong quarter expected from H-K and Volvo as Nissan's struggles continue

<u>OEM</u>	<u>19-Sep</u>	<u>20-Sep</u>	<u>Change</u>	-	<u>Q3 2019</u>	<u>Q3 2020</u>	<u>Change</u>	-	<u>YTD 2019</u>	<u>YTD 2020</u>	<u>Change</u>
Tesla	23,025	20,000	-13.1%		54,700	54,800	0.2%		138,575	136,500	-1.5%
Mazda	18,838	20,000	6.2%		69,612	70,174	0.8%		208,167	199,043	-4.4%
Volvo	9,180	10,000	8.9%		27,169	30,075	10.7%		77,289	72,811	-5.8%
Hyundai Kia	98,129	115,000	17.2%		336,684	343,149	1.9%		984,795	886,623	-10.0%
Subaru	51,659	55,000	6.5%		185,804	164,343	-11.6%		525,330	431,452	-17.9%
Ford	173,000	170,000	-1.9%		576,006	529,759	-8.0%		1,807,460	1,476,690	-18.3%
Honda	113,925	130,000	14.1%		429,214	391,375	-8.8%		1,206,209	983,662	-18.5%
GM	212,000	215,000	1.3%		735,651	636,264	-13.5%		2,144,972	1,741,960	-18.8%
Toyota	169,656	185,000	9.0%		627,194	546,325	-12.9%		1,779,302	1,440,101	-19.1%
VW	48,290	48,000	-0.6%		165,383	145,522	-12.0%		481,688	389,629	-19.1%
Nation	1,279,193	1,275,000	-0.3%		4,326,868	3,825,887	-11.6%		12,757,759	10,260,719	-19.6%
Daimler	32,002	25,000	-21.9%		89,766	75,816	-15.5%		253,683	201,350	-20.6%
Fiat Chrysler	179,000	165,000	-8.1%		565,034	498,249	-11.8%		1,661,074	1,312,103	-21.0%
J-LR	9,490	7,000	-26.2%		26,666	20,869	-21.7%		89,071	69,213	-22.3%
BMW	30,972	24,000	-22.5%		86,157	71,723	-16.8%		260,180	189,444	-27.2%
Mitsubishi	7,722	6,000	-22.3%		24,474	18,759	-23.4%		95,574	66,519	-30.4%
Nissan	101,244	80,000	-21.0%		327,354	228,685	-30.1%		1,044,390	663,619	-36.5%

MARKET CHANNELS: Stage of Recovery Phase Varies Greatly

Retail sales holding up relatively well compared to Lease while all Fleet activity remains depressed

Monthly Annual Change Jan – Jun 2020

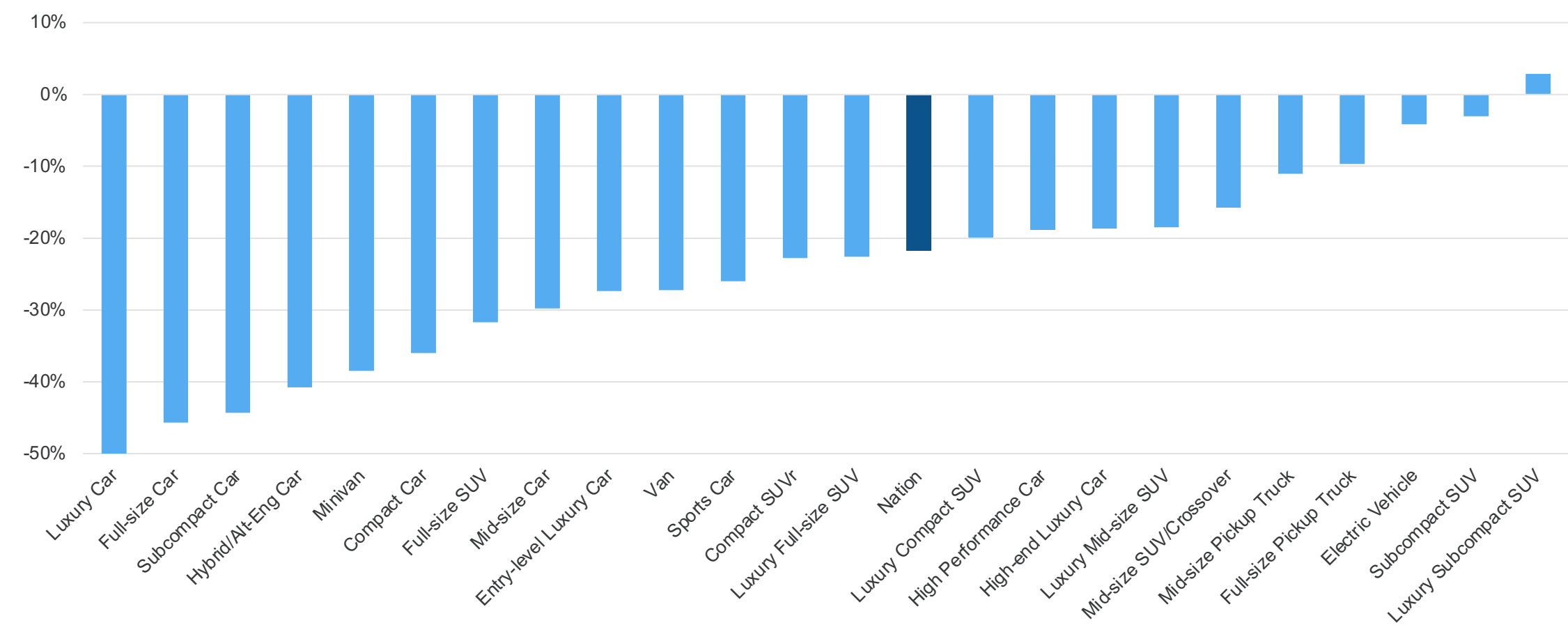


Sales	Retail	Lease	Rental	Other Fleet
YTD Change (Jun)	-13.0%	-25.7%	-54.0%	-28.4%
Market Share	Retail	Lease	Rental	Other Fleet
YTD2019	50.9%	24.3%	16.3%	8.5%
YTD2020	58.3%	23.8%	9.9%	8.0%
Difference	7.4%	-0.5%	-6.4%	-0.5%

SEGMENT YTD SALES: Lower Prices Products Underperforming

Pickups doing well while many Car segments lag behind

YTD 2020 Change In Sales vs YTD 2019



VIRUS IMPACT: State Losses Varied During Peak Crisis Period

State closures dramatically impacted sales activities on East and West Coasts

Nation -37%

Pennsylvania -65%

New York -53%

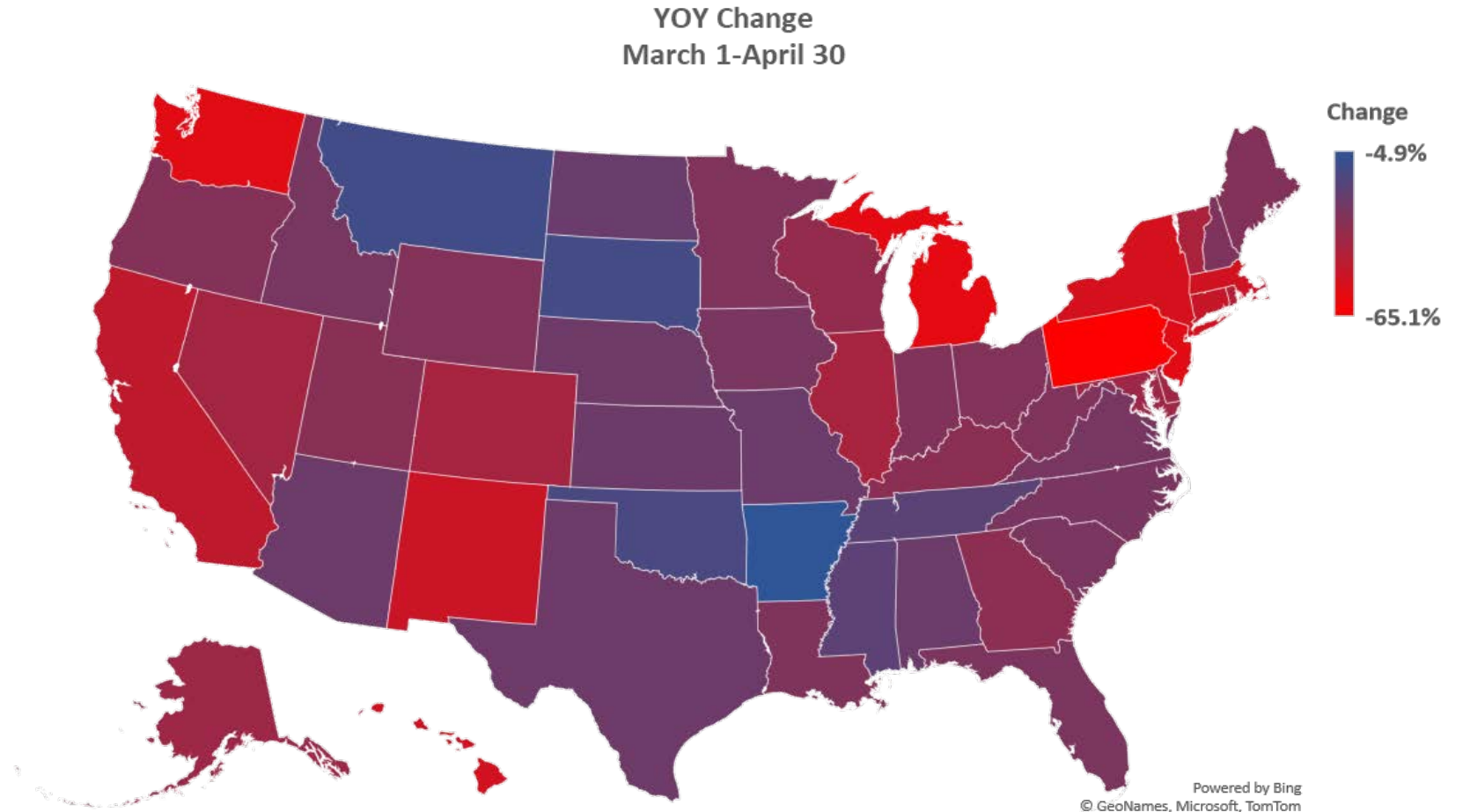
California -47%

Texas -23%

Arkansas -5%

Montana -10%

Oklahoma -13%



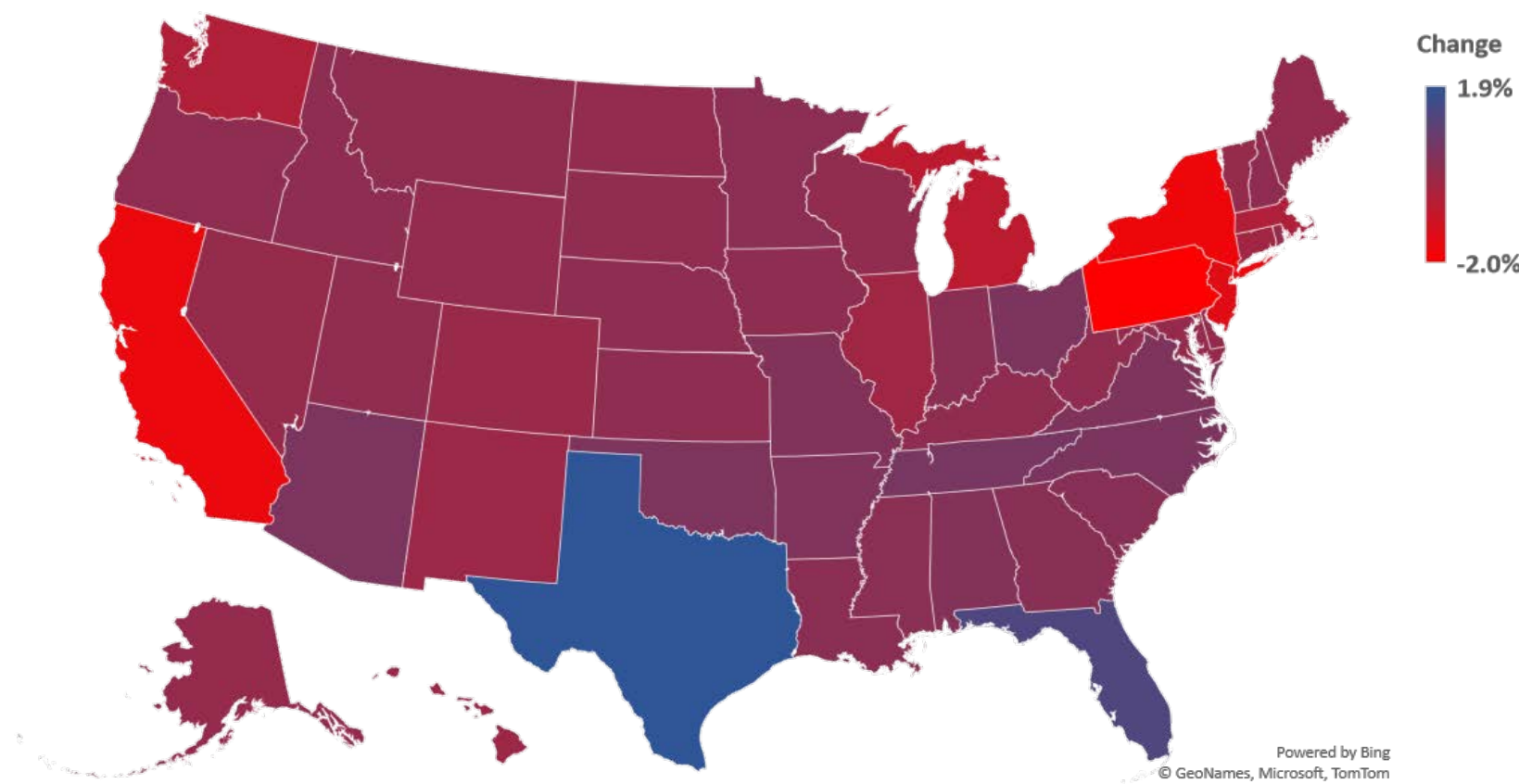
MARKET SHARE CHANGED: Shutdown Impact Significant

State closures dramatically impacted sales activities on East and West Coasts

YOY Market Share Gain
Mar 1 - Apr 30

Pennsylvania -2.0%
New York -1.7%
California -1.7%

Texas +1.9%
Florida +1.3%



VIRUS RECOVERY: Early Success Catching Up to Some States

Colors changing for many states but not always in a positive direction

Nation -15%

New Mexico -36%

Georgia -24%

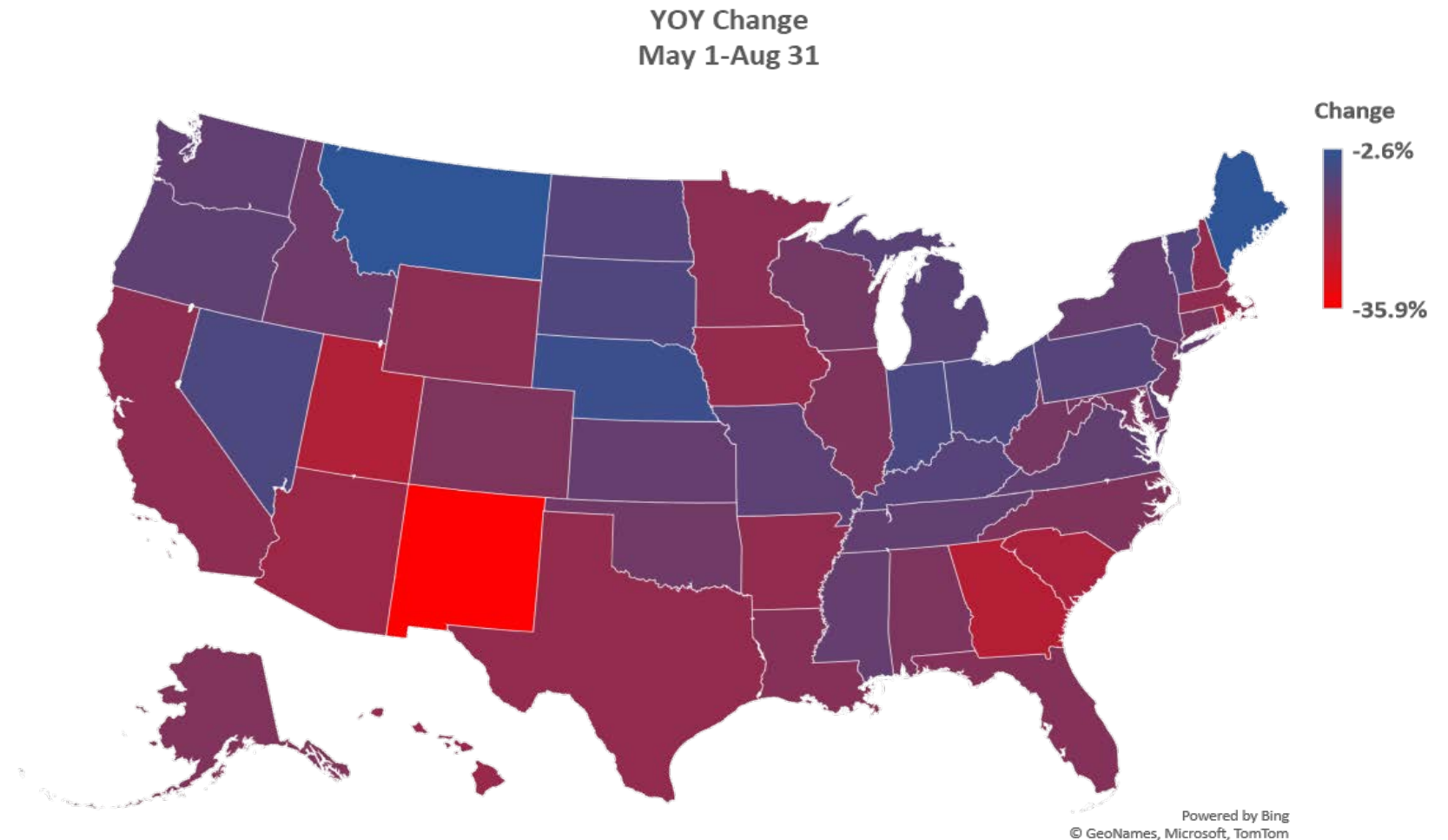
Utah -23%

Texas -19%

Maine -3%

Montana -3%

Nebraska -5%

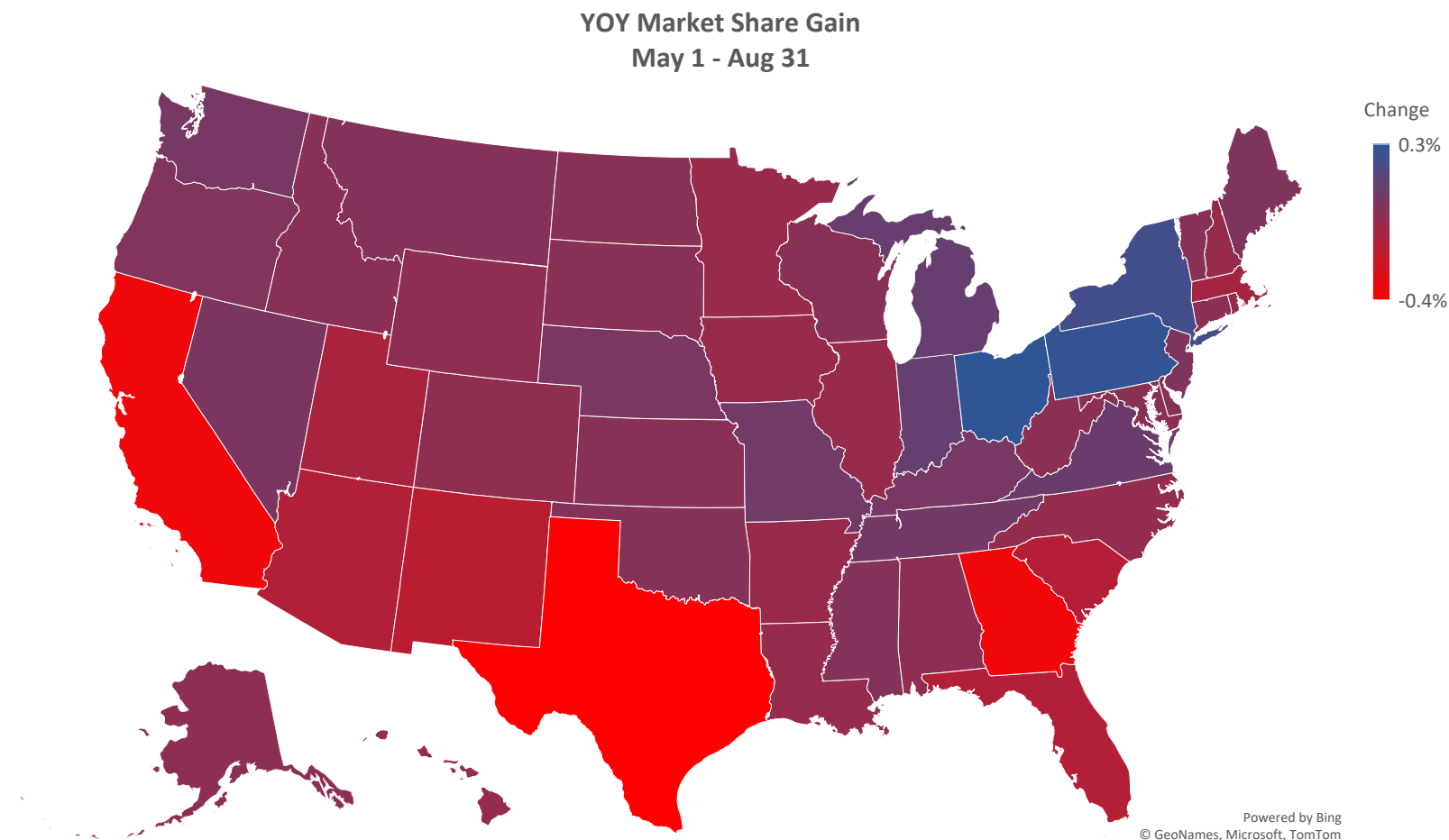


MARKET SHARE CHANGES DURING RECOVERY: Payback Time

Relatively weaker sales pace in late-hit COVID markets allowing others to regain lost ground.

Texas -0.4%
Georgia -0.4%
California -0.4%

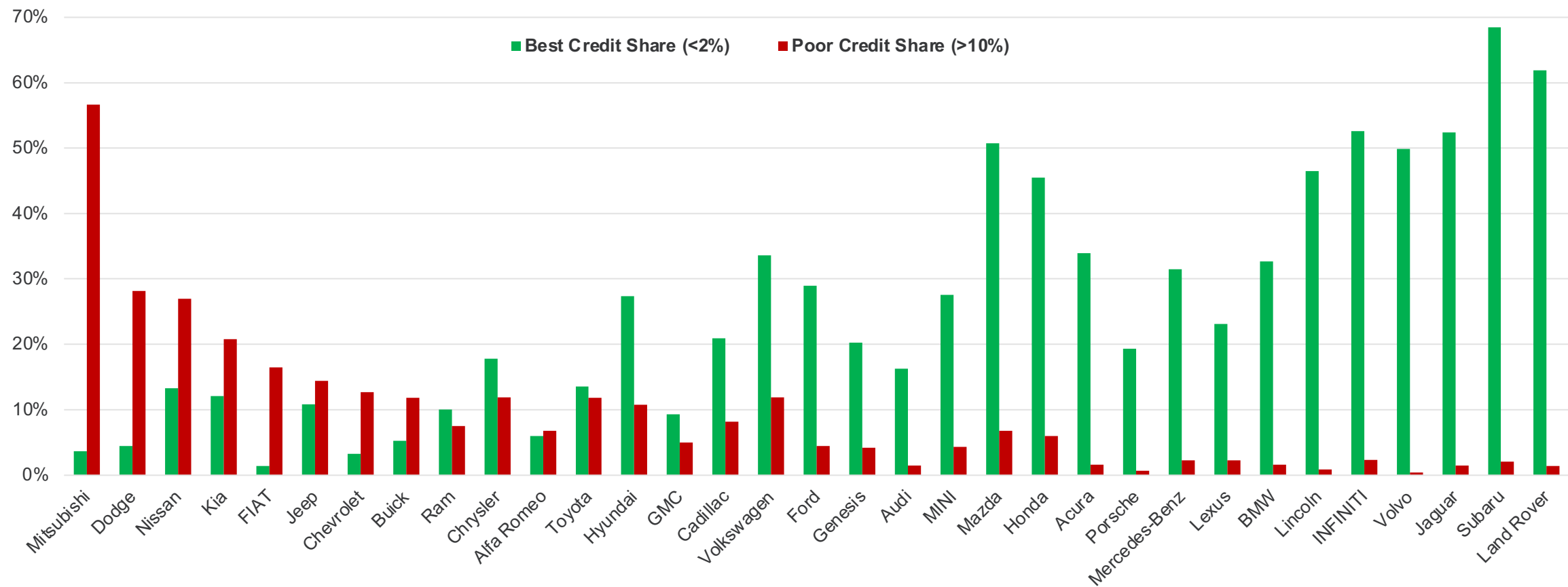
Ohio +0.3%
New York +0.3%
Pennsylvania +0.3%



BRAND INTEREST RATES: Economic Threat Varies Across Brands

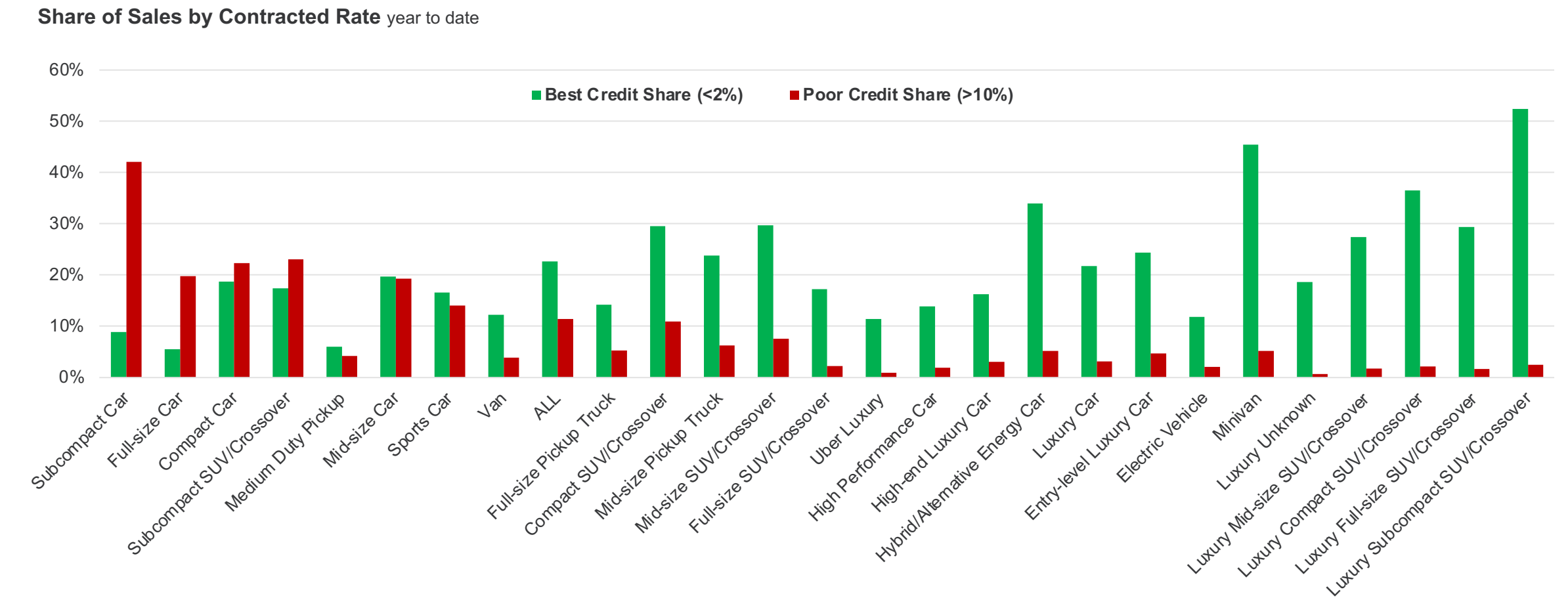
Subaru and Land Rover have large “good credit” customer base – unlike Mitsubishi/Dodge/Nissan

Share of Sales by Contracted Rate year to date



SEGMENT INTEREST RATES: Economic Threat For Some Segments

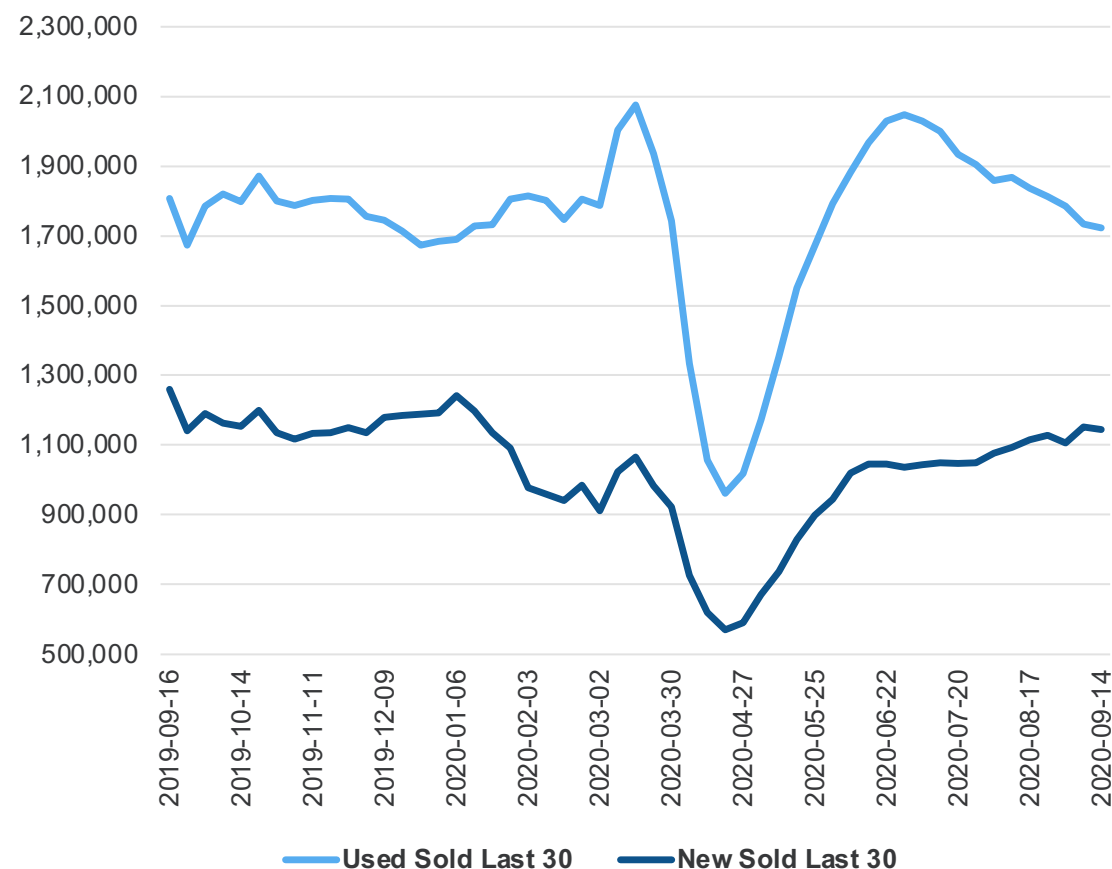
Subprime/lower credit buyers face greater headwinds if job losses persist and credit availability wanes



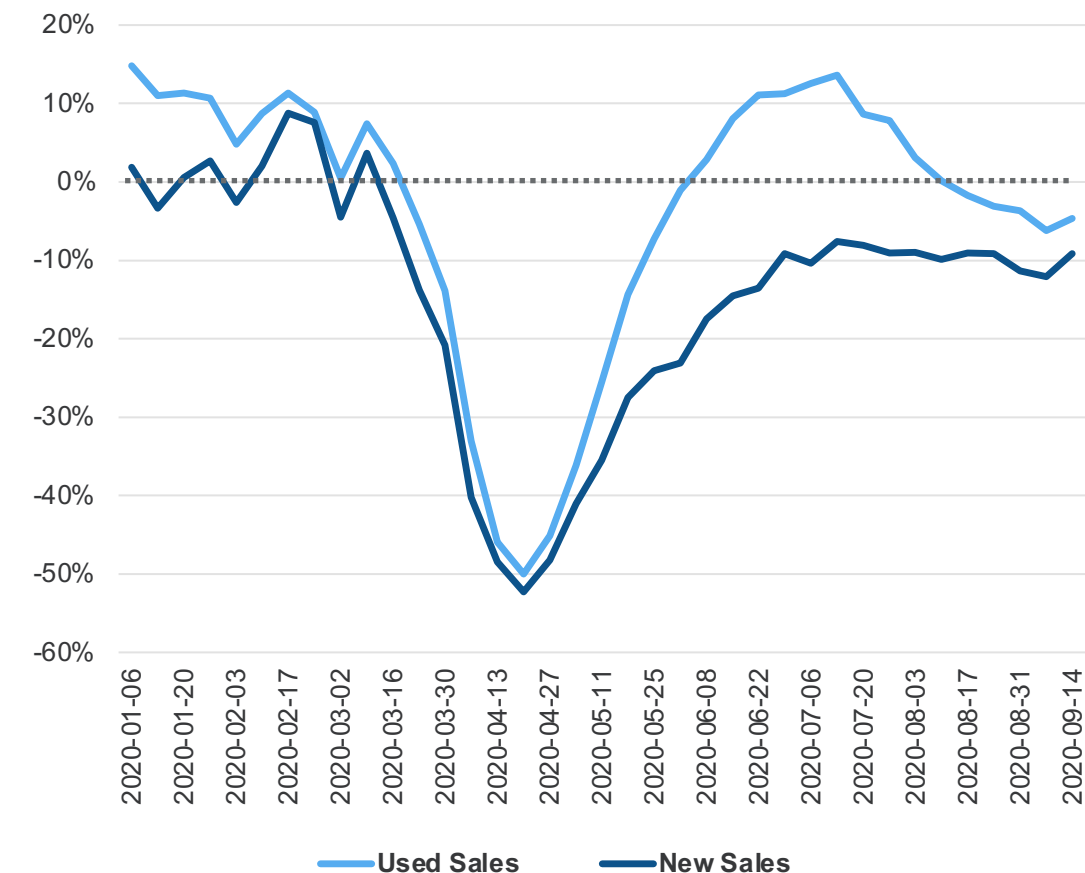
STATUS OF MARKETS: New and Used Recovering at Varied Paces

Based on 30-day sales, market bottomed week of April 20th; Used now weakening while New improves

Rolling 30 Day Retail Sales weekly last 12 months



Annual Change



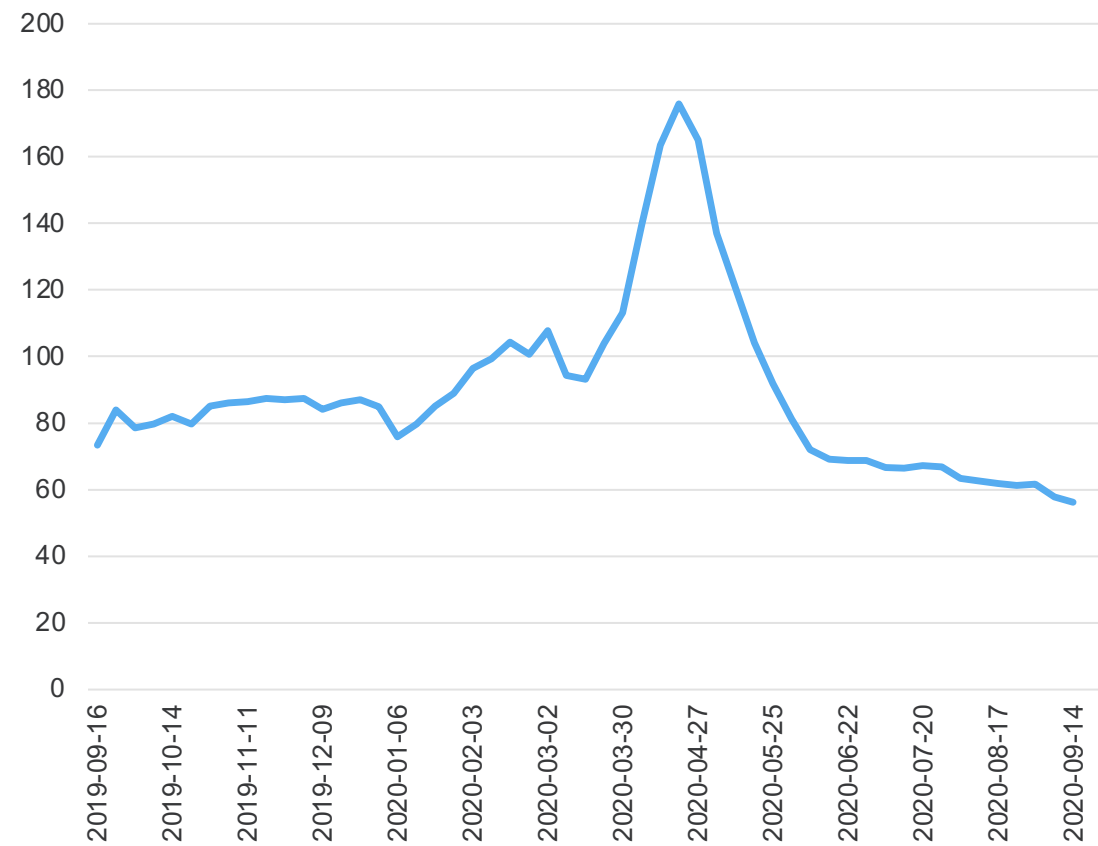
NEW VEHICLE INVENTORY: The Next Recovery Hurdle

With plants opening slowly, and sales pace improving, available supply still falling

Available Supply weekly, last 12 months



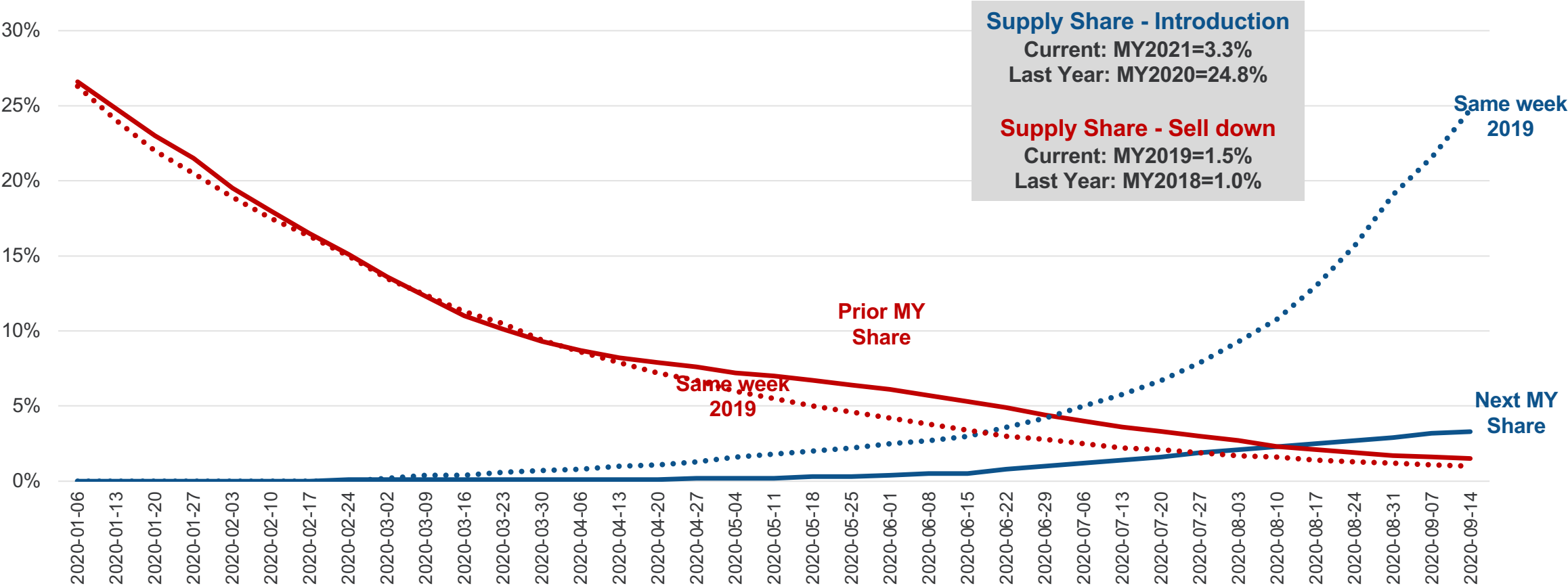
Days Of Supply weekly, last 12 months



NEW VEHICLE INVENTORY: Model year Rollover Way Behind

Shutdown of factories, and offices, has delayed product introductions and strategies – consolidation next?

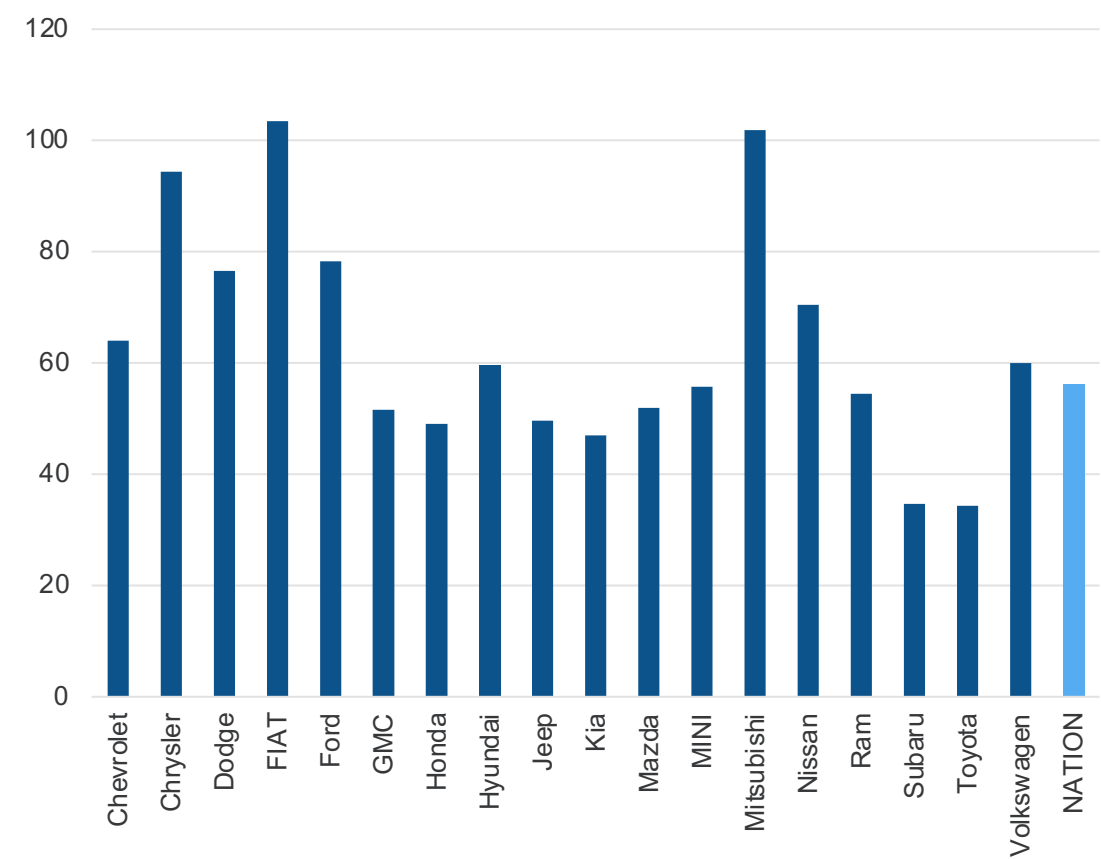
Inventory Share By Model Year weekly, CY2020 vs CY2019



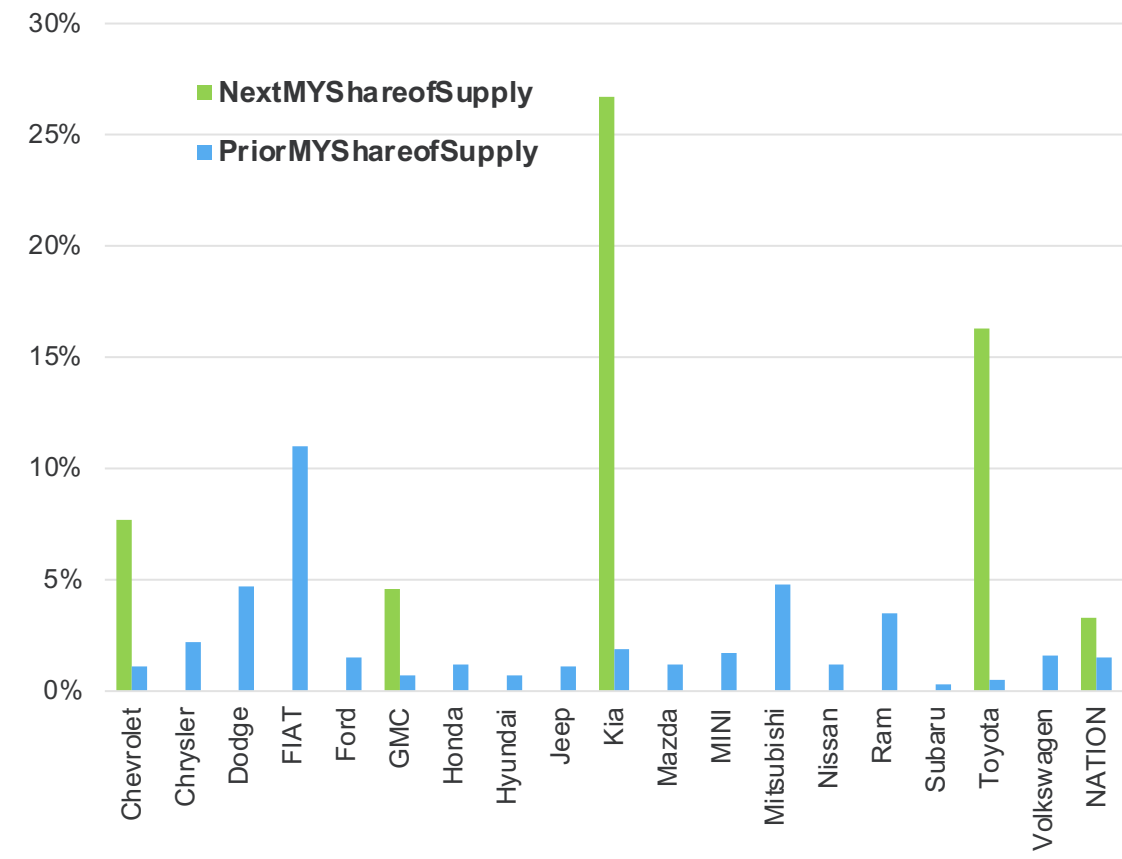
BRAND INVENTORY: Supply Situation Varies Significantly

Toyota, Subaru low on inventory while Mitsubishi, FIAT high

Days' Supply



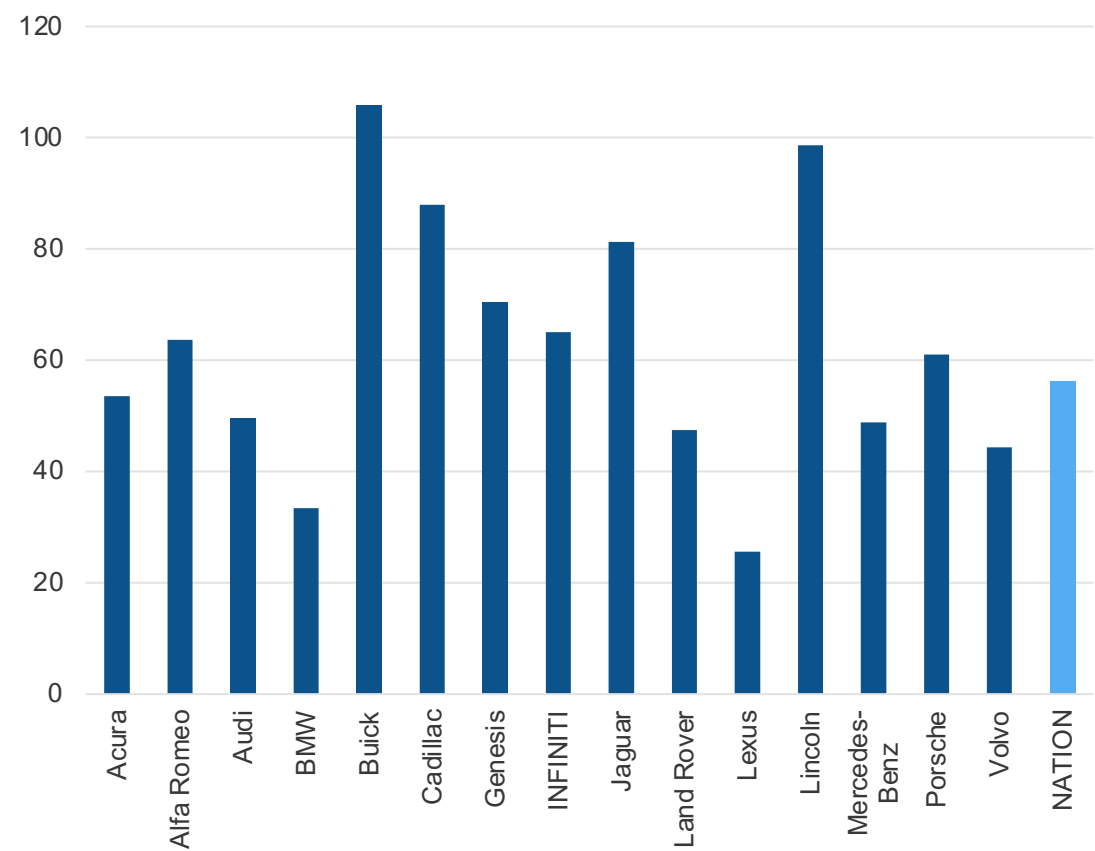
Model Year 2019 and 2021 Inventory Share



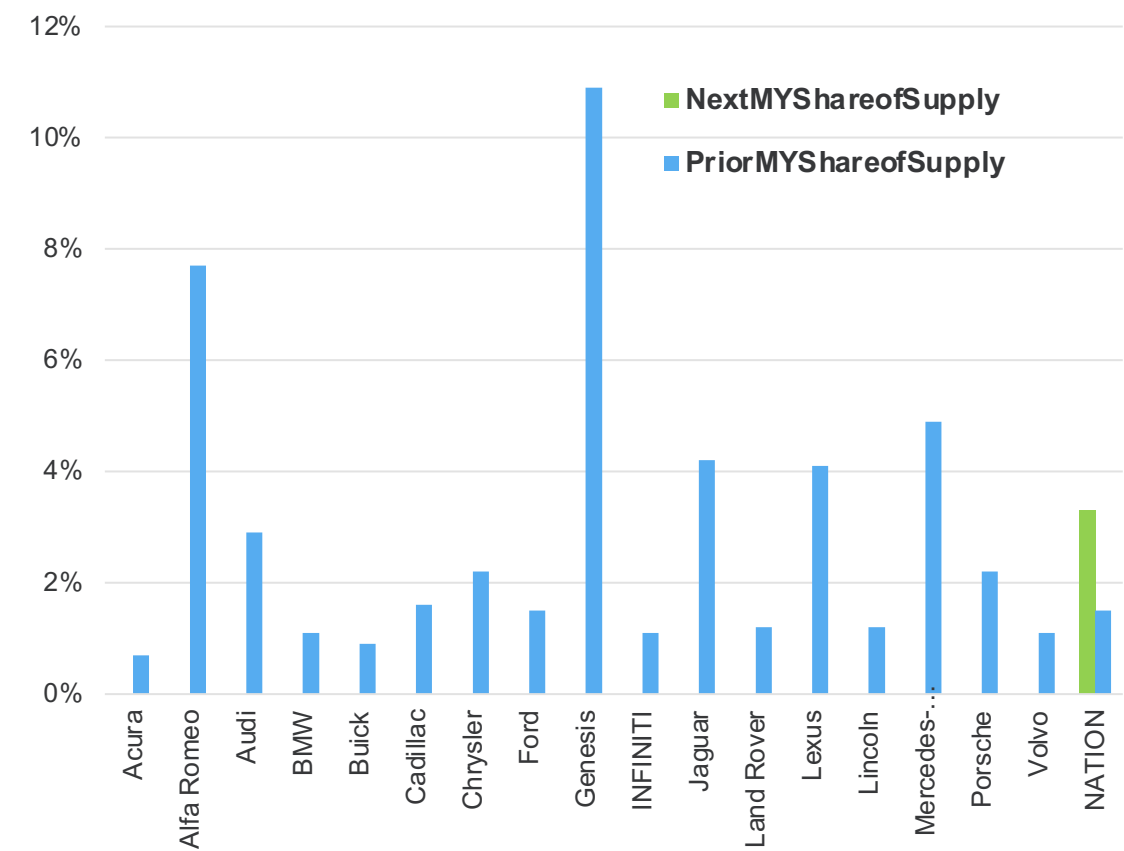
LUXURY INVENTORY: Supply Situation Varies Significantly

BMW, Lexus low on inventory while Buick, Lincoln are high – and no new products yet in market

Days' Supply



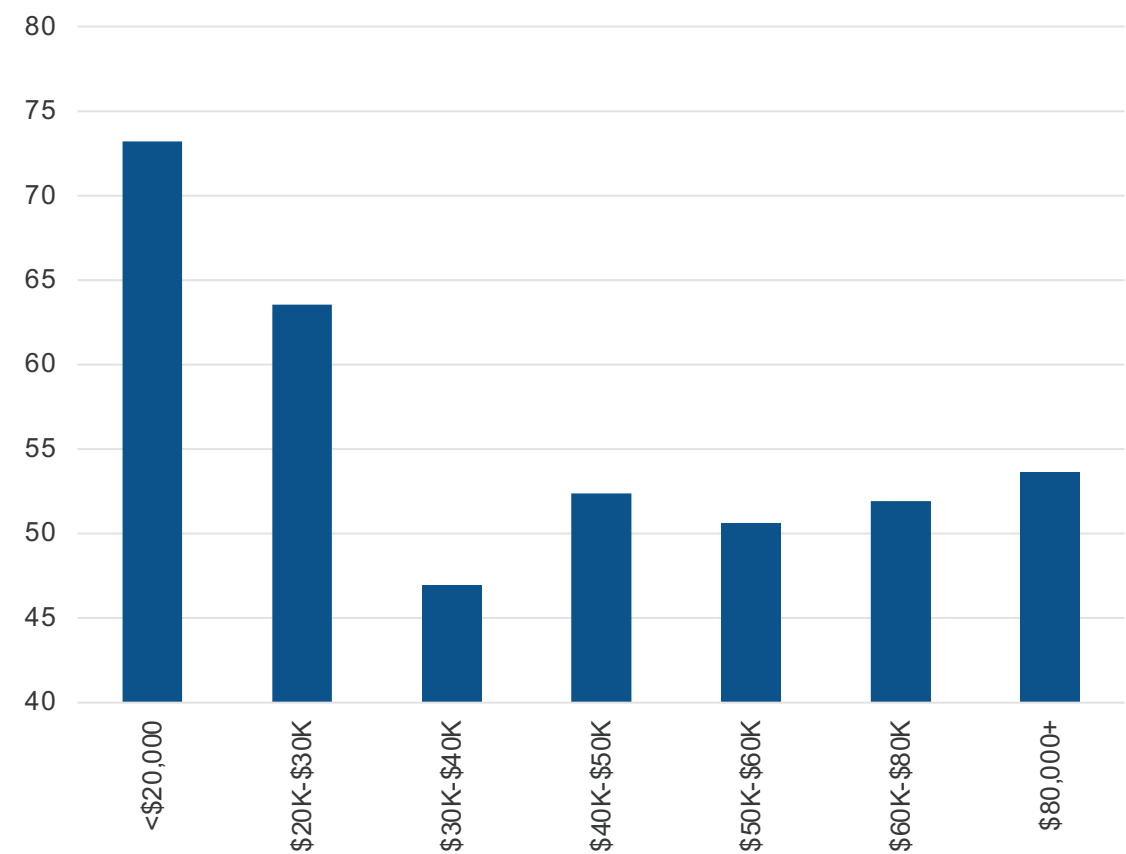
Model Year 2019 and 2021 Inventory Share



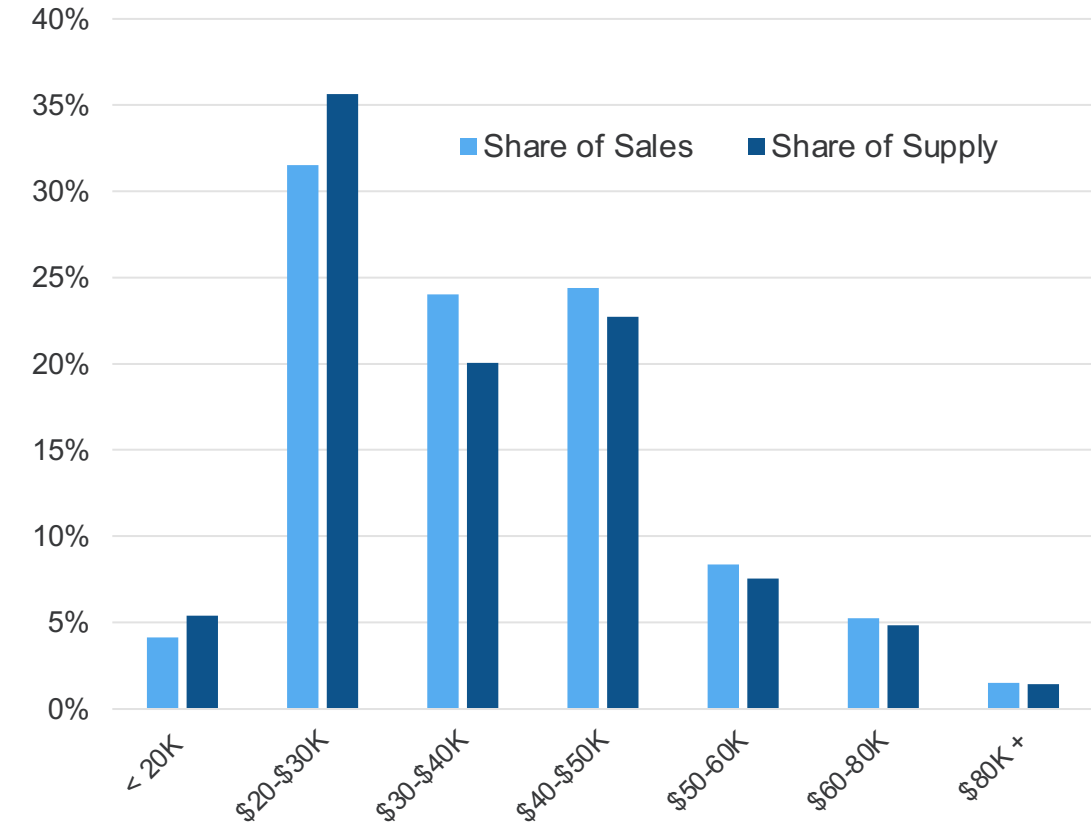
PRICE SEGMENT INVENTORY: Below \$30K has High Supply

Sales of vehicles \$30-\$50K have been relatively strong while low priced products are weak

Days' Supply



Share of Sales Last 30 Days and Current Supply





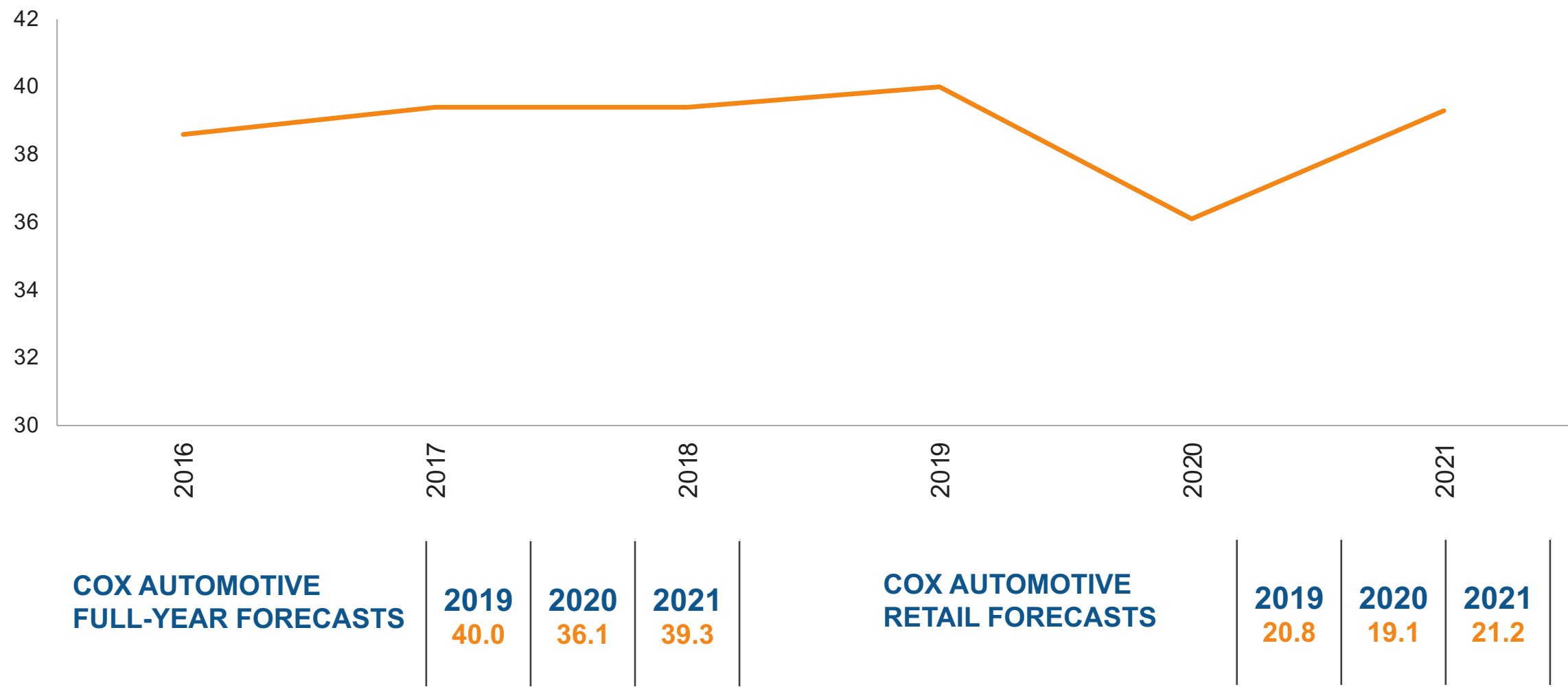
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USED-VEHICLE SALES AND VALUES

Zo Rahim
Manager, Economics & Industry Insights

USED SALES: Fall Less Than New And Rebound Faster

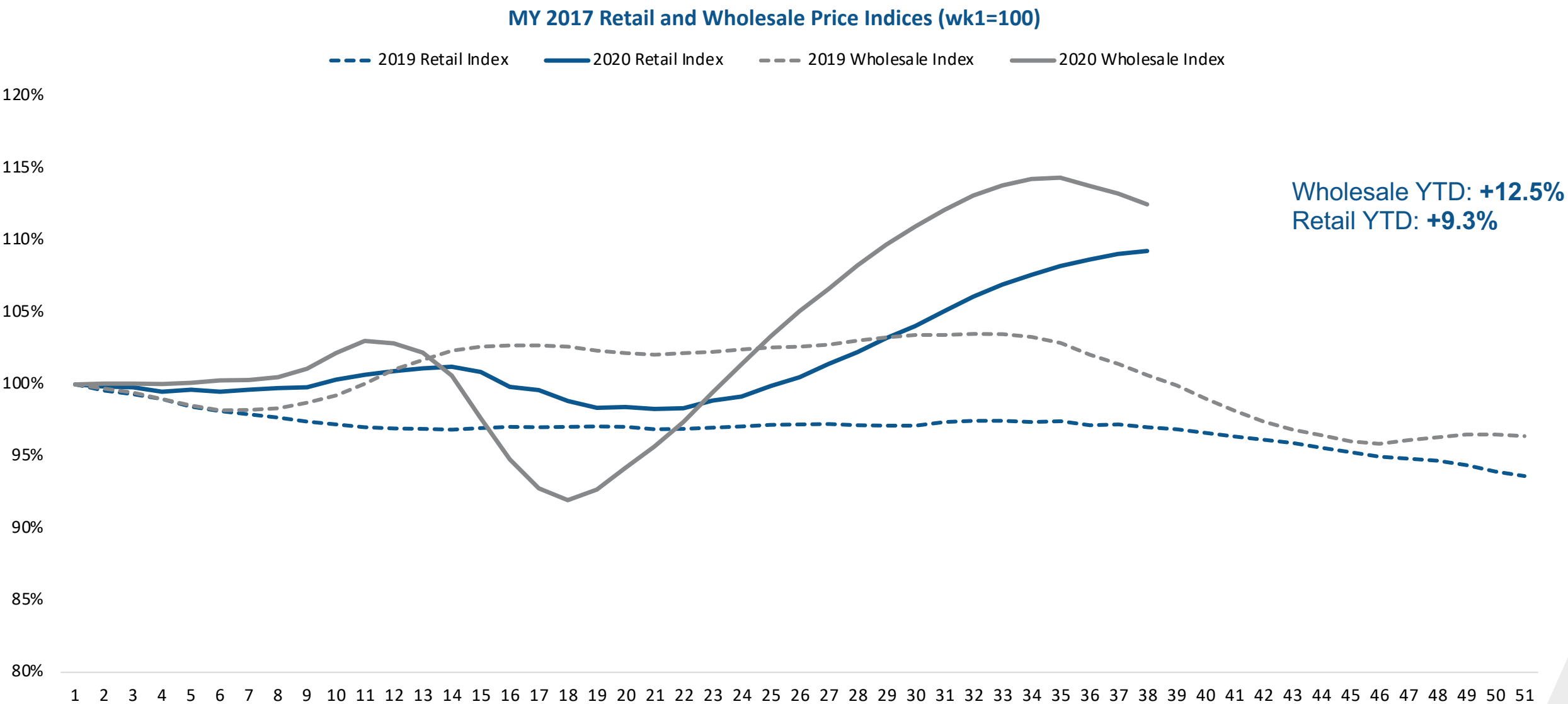
USED VEHICLE SALES OUTLOOK (MILLIONS)



MID-SEPTEMBER MANHEIM INDEX: Sees A Decline

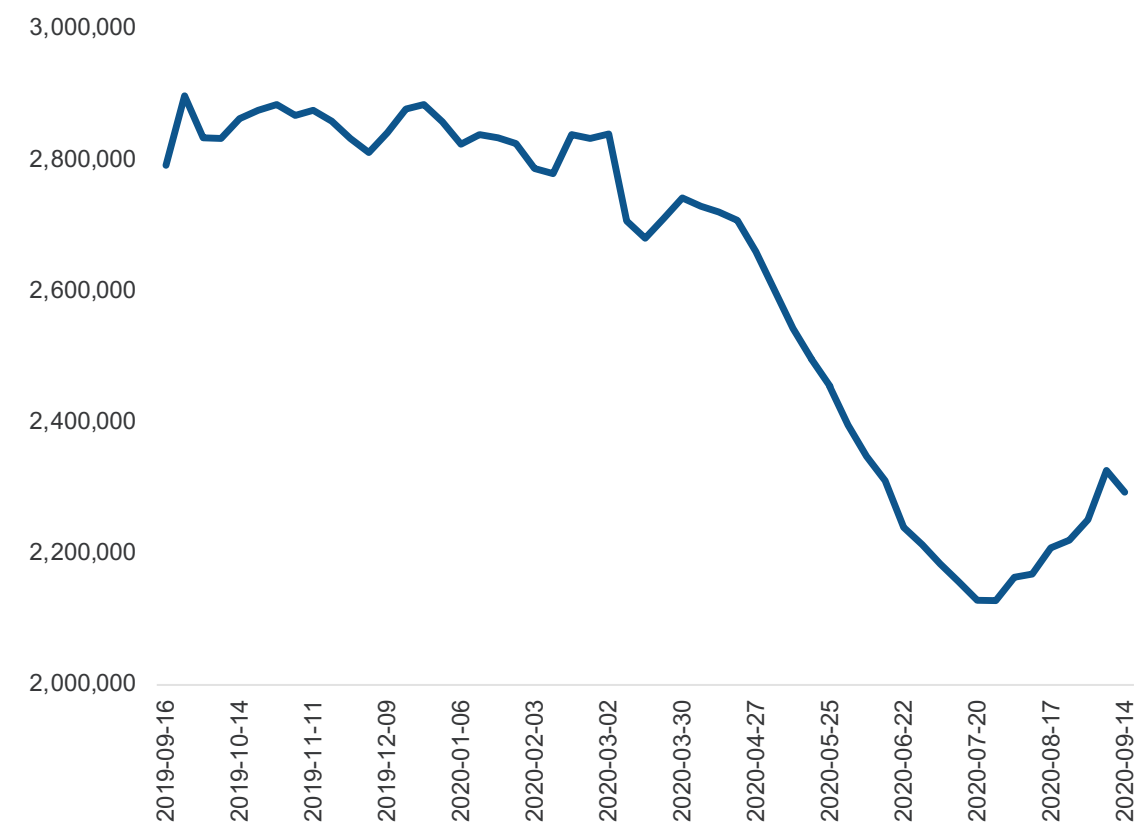


WHOLESALE PRICES: Continue Declining

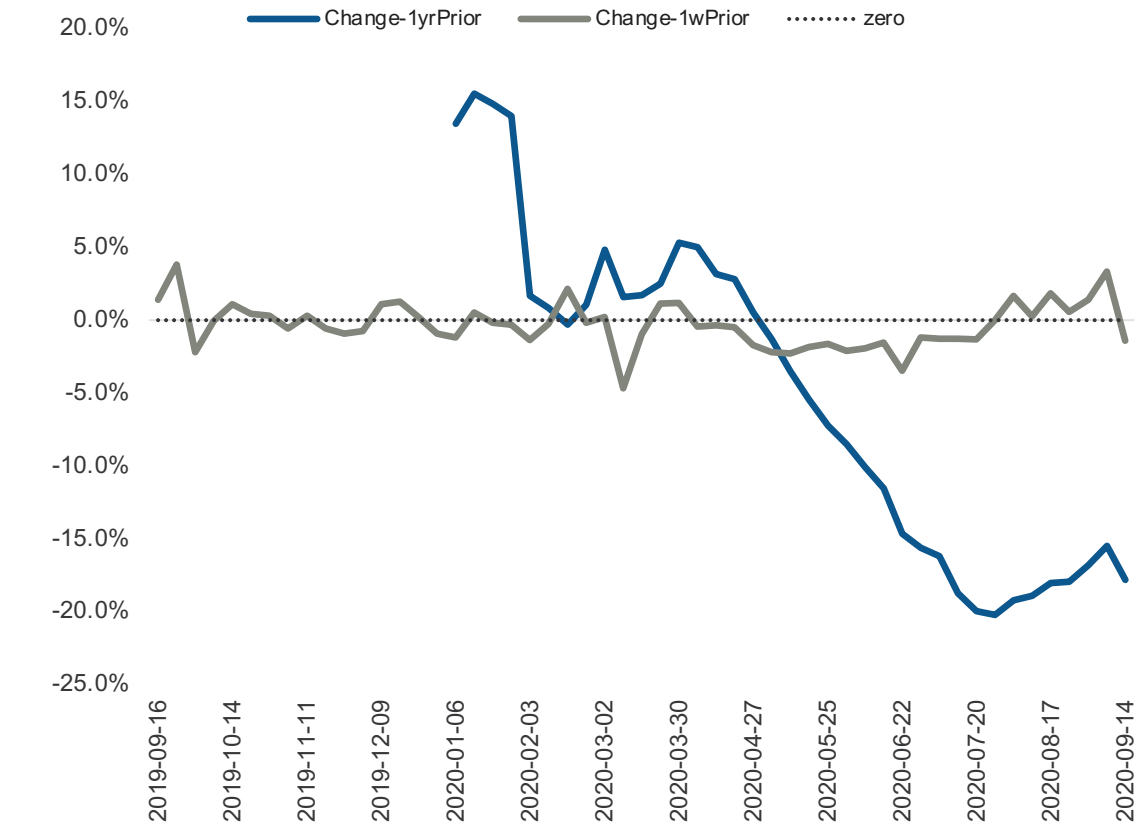


USED INVENTORY: Improved, but Drawing Down Quickly

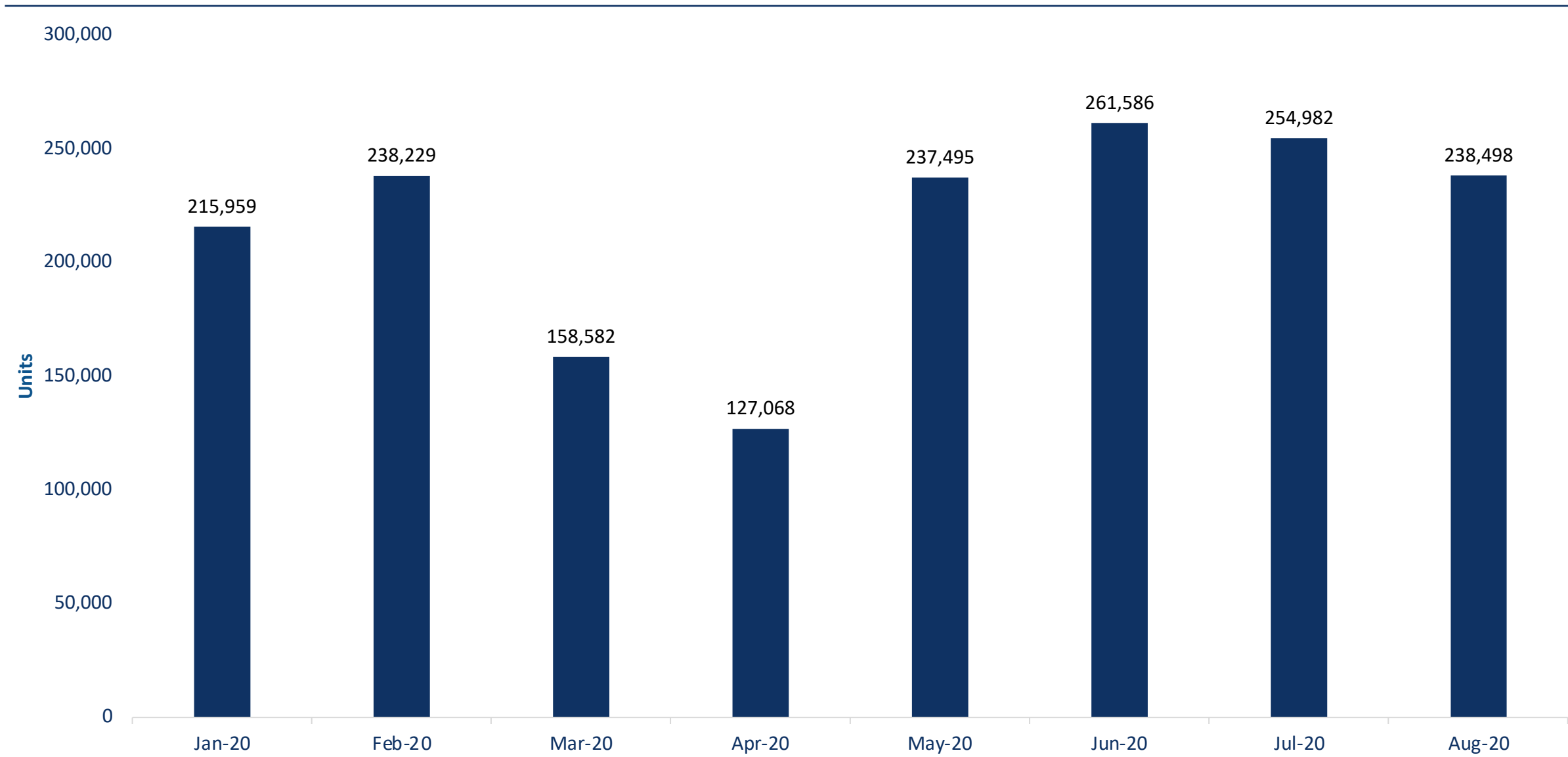
Available Supply weekly, last 12 months



Change In Supply vs 1 week prior, 1 year prior



CPO SALES: Rebound



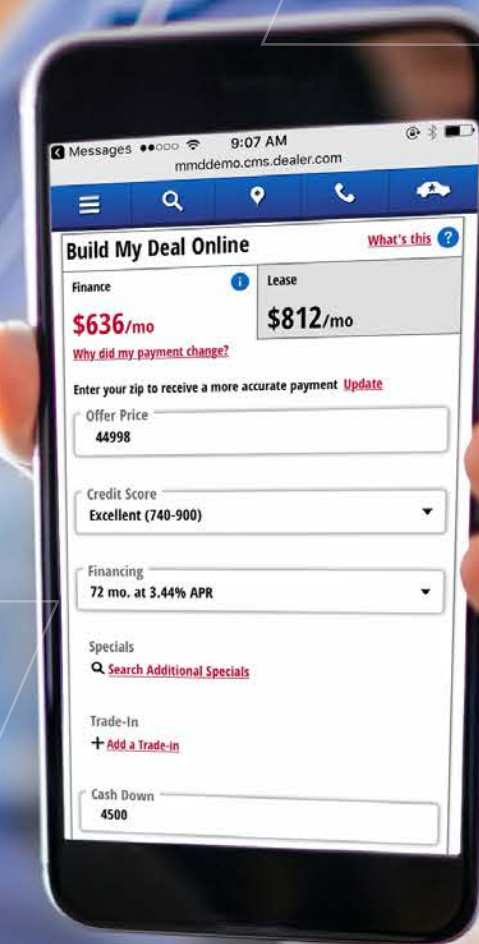


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COVID-19: HOW HAS BEHAVIOR CHANGED?

Vanessa Ton
Senior Manager, Industry Intelligence

#1 THE PANDEMIC ACCELERATED THE ADOPTION OF DIGITAL RETAILING



ONLINE SHOPPING: Booming In All Industries, Including Auto

47%

of COVID-19 buyers did more steps online than in the past

60%

of shoppers want to do more purchase steps online*

80%

of franchise dealers expect to see more consumers buy vehicles online in the future

74%

increase in shoppers submitting deals online since Jan. 2020

75%

franchise dealers have a digital retailing solution in place

** Compared to the last time they purchased a vehicle at a franchised dealership*

A close-up photograph of a person's hands holding a black smartphone. The person's fingers are positioned as if they are about to tap or are tapping the screen. The background is a blurred city street at night, with warm, out-of-focus lights from buildings and street lamps. The overall color palette is dominated by cool blues and purples, with the warm lights providing a contrast. The image has a modern, digital feel.

#2 THE SHIFT TO DIGITAL RETAILING REQUIRES DIFFERENT STAFFING

SHIFT: Digital Retailing Redefined the Needed Skillsets

47%

(May 15-18)



57%

(Sept. 14-18)

Percent of dealers placing greater emphasis
on hiring digital / tech-savvy skillsets

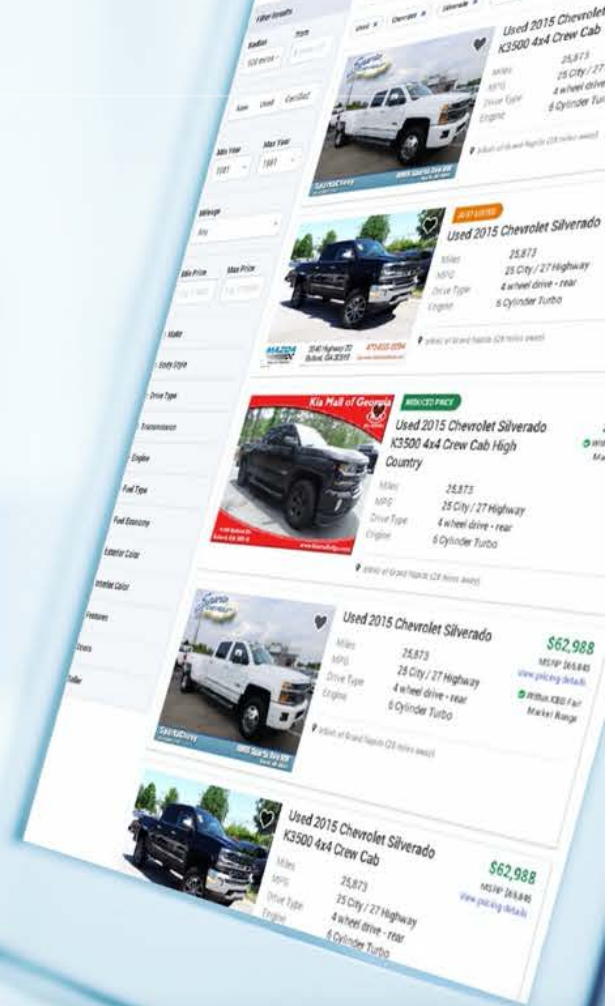
62%

of dealers changed
their communication
strategy with leads

33%

of dealers made staff
changes to better align
to new model

#3 THE PANDEMIC CREATED NEW WAYS OF DOING BUSINESS



TOUCHLESS SERVICES: More Desirable, More Revenue

60%

of dealers offer Service Pickup and Delivery (SPUD) Services

19%

of owners who had their vehicle serviced since COVID used SPUD

48%

of vehicle owners who have used SPUD had more services completed

90%+

of vehicle owners are satisfied with their SPUD experience

47%

of owners are likely to pay \$20 for SPUD services



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2020: THE END IS NEAR

Jonathan Smoke
Chief Economist

2020
FORECASTS

13.9M

NEW SALES

12.0M

NEW RETAIL SALES

3.2M

NEW LEASE
VOLUME

36.1M

USED SALES

19.1M

USED RETAIL SALES

2.6M

CPO SALES

27%

LEASE
PENETRATION

1.9M

FLEET SALES

+8.3%

MANHEIM USED
VEHICLE VALUE
INDEX

LOOKING AHEAD: Our Fourth Quarter Playlist



F2020 (Radio Edit) by Avenue Beat

I DON'T KNOW ABOUT
EVERYONE ELSE, BUT
I'M KINDA DONE. CAN
WE JUST GET TO 2021?



Upside Down by JVKE

“UP, DOWN, UP, DOWN,
TURN MY STOMACH
UPSIDE DOWN...” THE
NEXT FEW MONTHS
ARE UNCERTAIN.



Overwhelmed by Royal & the Serpent

WITH NO NEW HELP
IN SIGHT, THE
UNEMPLOYED WILL
BE OVERWHELMED.



OK Not to Be OK by Marshmello and Demi Levato

IN THE SPRING AND
SUMMER, DEALERS DID
OK, WHEN THE WORLD
WAS NOT OK.



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QUESTIONS?



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THANK YOU!

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