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# INDUSTRY INSIGHTS Q1 2021

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# AGENDA

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**Time Check: 90 Minutes**

**Intro & Cox Automotive**

Mark Schirmer, Director, Public Relations

**The Economy**

Jonathan Smoke, Chief Economist

**Market Performance: New Vehicles**

Charlie Chesbrough, Senior Economist

**Market Performance: Used Vehicles**

Zo Rahim, Manager, Economic & Industry Insights

**Outlook and Playlist**

Kayla Reynolds, Industry Intelligence Analyst

Jonathan Smoke, Resident DJ

**Q&A**

All



# OUR PURPOSE

Empower clients to thrive in a rapidly changing marketplace



Autotrader 

 CLUTCH

DEALER.COM

Dealertrack 

 F&I Express

 HOMENET  
AUTOMOTIVE

 Kelley Blue Book

 Manheim

NEXTGEAR  
CAPITAL

PIVOT

 RideKleen

vAuto  
LIVE MARKET VIEW

VinSolutions

∞xtime



# OUR VISION

Transform the way the world buys, sells, owns and uses vehicles



# THE ECONOMY

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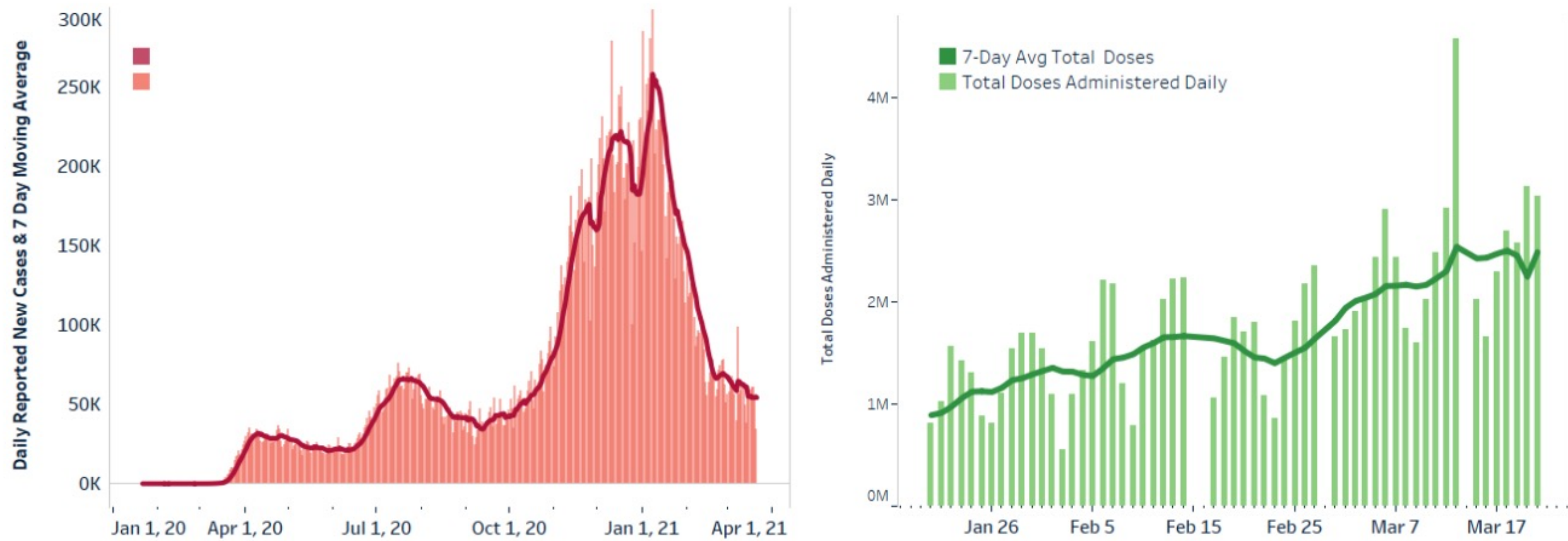
# JONATHAN SMOKE

CHIEF ECONOMIST





# COVID-19 PANDEMIC: Improving Circumstances for 2021



# BIDEN ADMINISTRATION: The American Rescue Plan and other Agenda Items

- Stimulus
- Infrastructure
- Regulation
- Taxes





# THE ECONOMY: Macro Signals Turning More Favorable

<b>Overall Economy</b>	<b>GDP Growth / FRBNY</b>	<b>+33.4% (Q3 '20)</b>	<b>+4.3% (Q4 '20)</b>	<b>+5.0% (Q1 '21 F)</b>
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<b>Employment Conditions</b>	<b>U3 Unemployment Rate</b>	<b>4.4% (Mar '20)</b>	<b>6.2% (Feb '21)</b>	<b>6.0% (Mar '21 F)</b>
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<b>Buyer Confidence</b>	<b>UofM Consumer Sentiment</b>	<b>89.1 (Mar '20)</b>	<b>84.9 (Mar '21)</b>
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<b>Wages</b>	<b>Earnings Growth</b>	<b>3.0% (Feb '20)</b>	<b>5.3% (Feb '21)</b>
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<b>Buyer Ability</b>	<b>Disposable Income Y/Y</b>	<b>3.9% (Feb '20)</b>	<b>5.0% (Feb '21)</b>
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# THE ECONOMY: Macro Signals Turning More Favorable

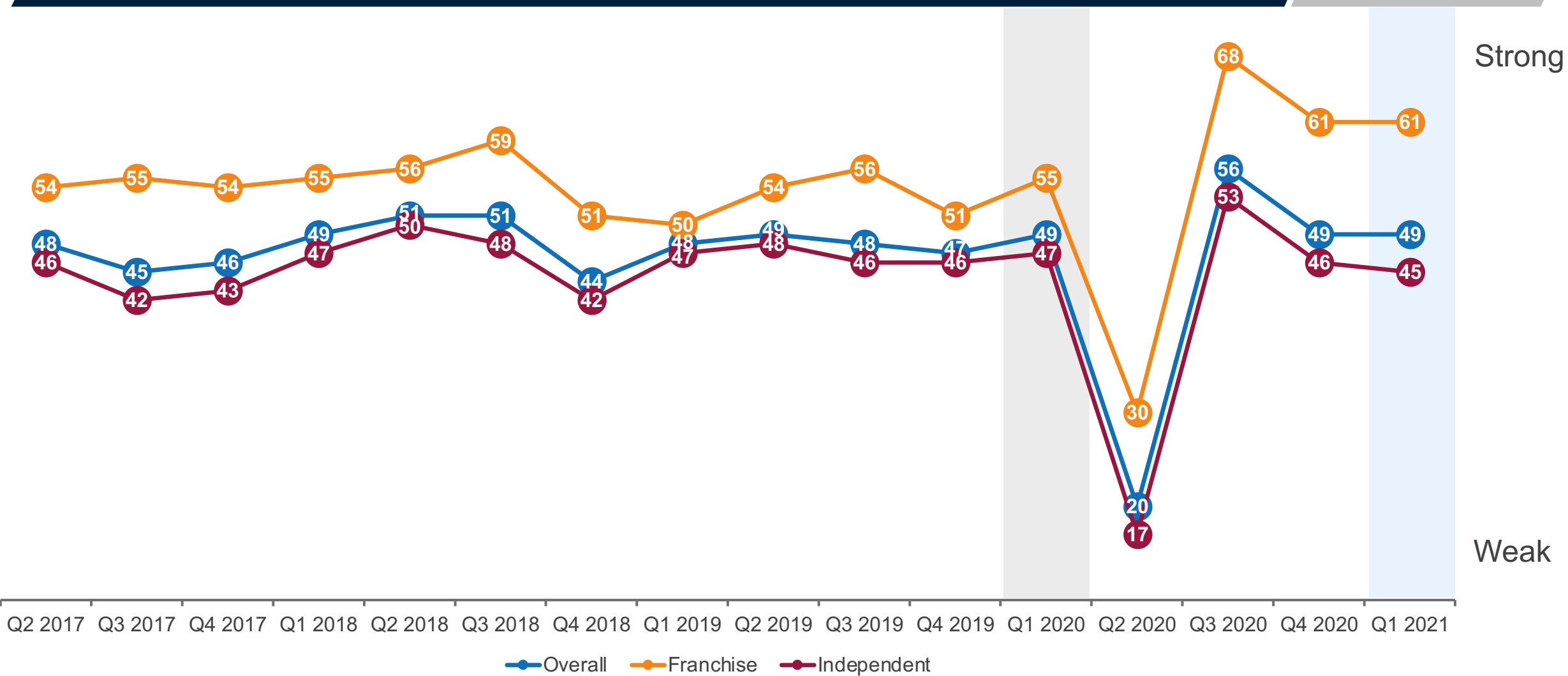
<b>Auto Finance</b>	<b>FRBNY</b>	<b>\$159 billion (Q4 '19)</b>	<b>\$162 billion (Q4 '20)</b>	
<b>Interest Rates</b>	<b>Effective Fed Funds Rate</b>	<b>1.58% (Feb '20)</b>	<b>0.09% (Feb '21)</b>	
<b>Borrowing Costs</b>	<b>Average New Auto Loan Rate</b>	<b>6.70% (Feb '20)</b>	<b>4.12% (Feb '21)</b>	
<b>Mobility Costs</b>	<b>Average Retail Unleaded Gasoline Price</b>	<b>\$2.44 (Feb '20)</b>	<b>\$2.72 (Feb '21)</b>	



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

# Dealer Sentiment Index

FIRST QUARTER 2021



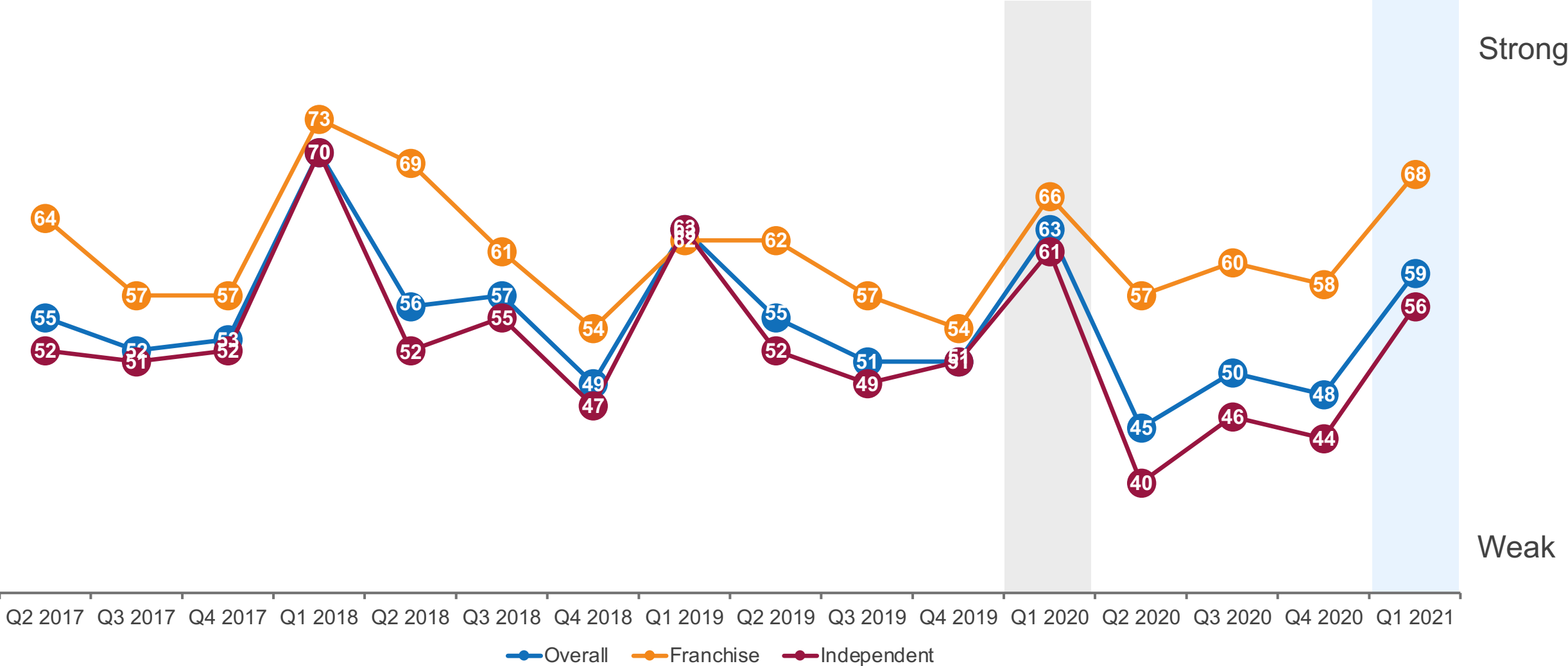
Note: Scale 1 - 100



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

# Dealer Sentiment Index

FIRST QUARTER 2021



Note: Scale 1 - 100



# MARKET PERFORMANCE: NEW VEHICLES

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# CHARLIE CHESBROUGH

SENIOR ECONOMIST



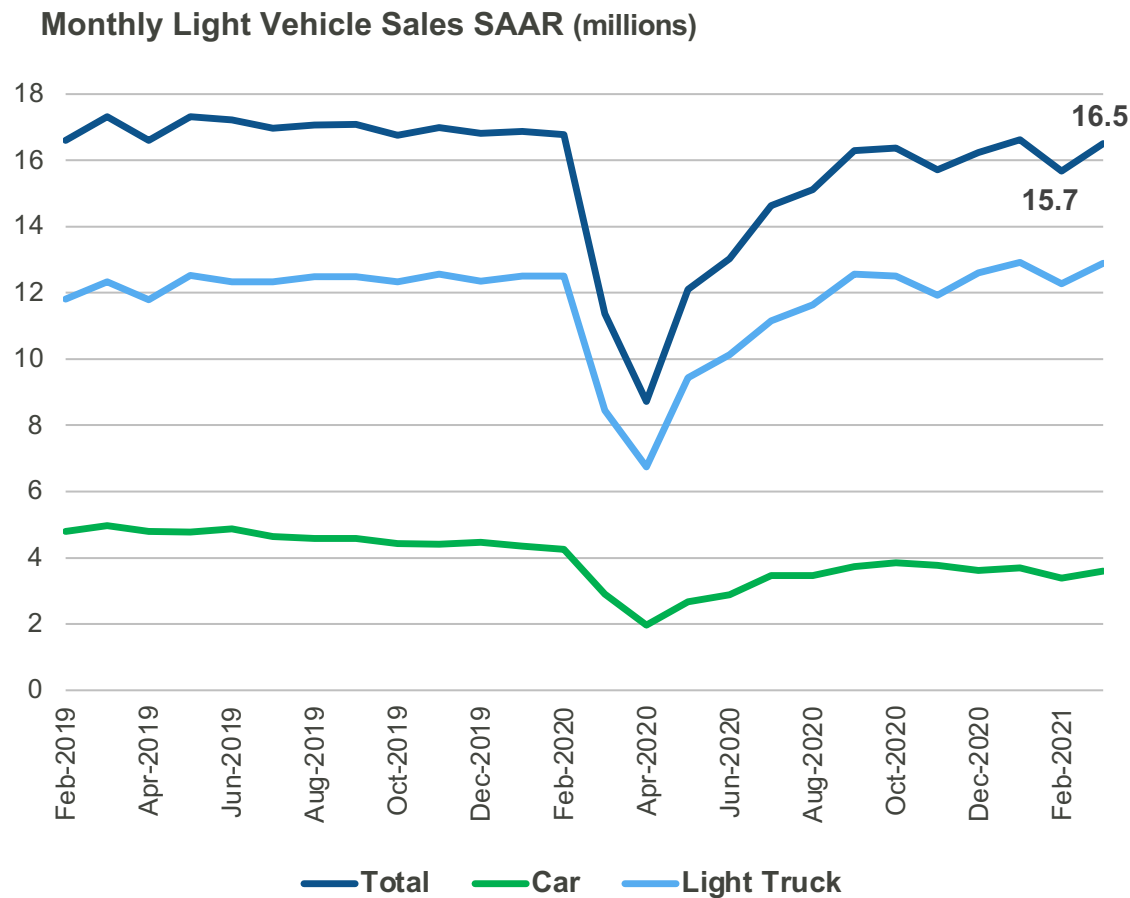
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# NEW-VEHICLE SALES SAAR: March Expected To Rise After Weak February

March is expected to improve from weather-impacted February and will certainly improve from last year.



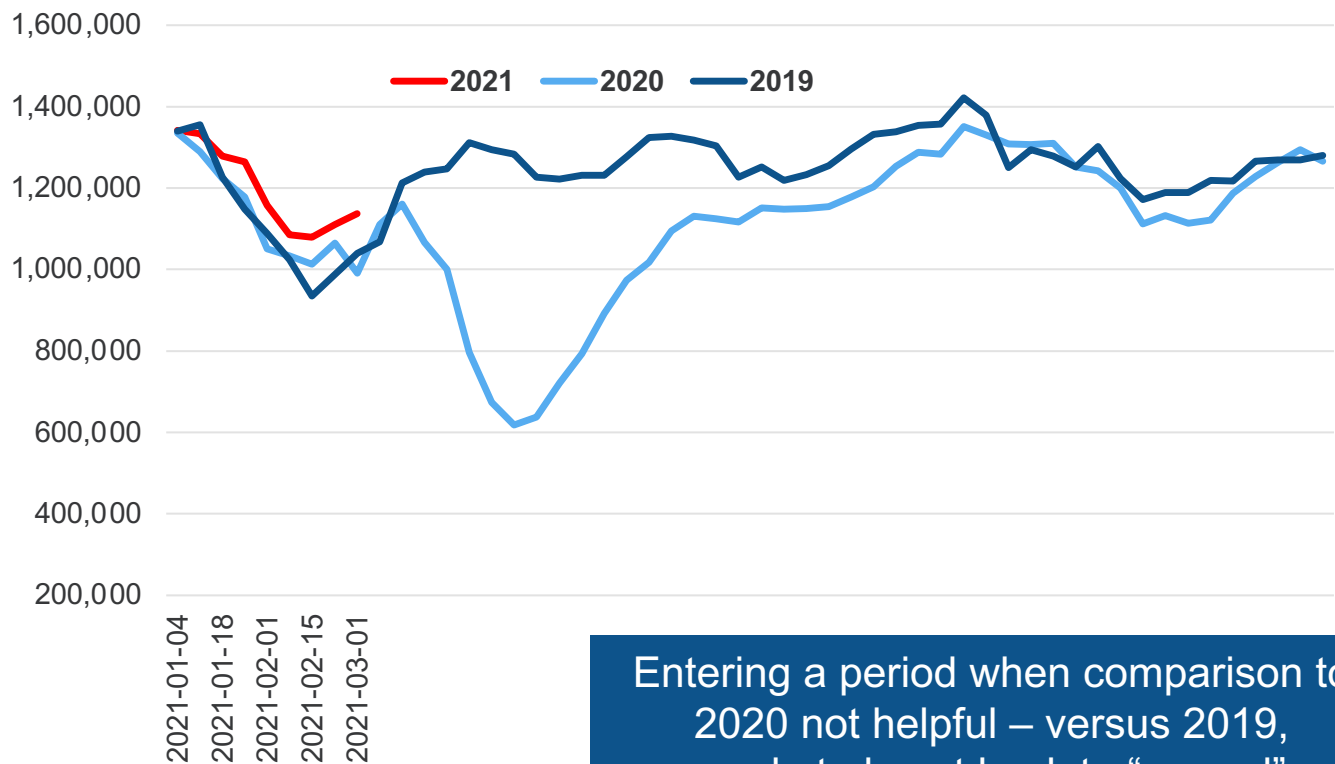
Sales (millions)	Passenger Car	Light Trucks	Total	Car Share
CY2019	4.7	12.2	17	27.8%
CY2020	3.4	11.1	14.5	23.5%
Change	-27.7%	-9.7%	-14.8%	-4.2%
Q1 2020	0.9	2.6	3.5	26.0%
Q1 2021	0.8	2.9	3.8	22.0%
Change	-8.8%	13.9%	8.7%	-4.0%
March 2020	0.27	0.73	0.99	26.8%
March 2021	0.33	1.15	1.48	22.0%
Change	22.6%	59.3%	49.5%	-4.8%



# MARKET STATUS: Pace Looking Strong As Spring Selling Season Begins

Tracking data reveals robust retail sales, which should look more like 2019's path than last year's.

Retail New Vehicle Sales weekly, 30-day rolling



Entering a period when comparison to 2020 not helpful – versus 2019, market almost back to “normal”

## Monthly SAAR

Mar-20	11.4
Feb-21	15.7
Mar-21	16.5

## Total Sales – Millions

Q1 2019	4.0
Q1 2020	3.5
Q4 2020	4.2
Q1 2021	3.8
vs Q1 2019	-4.9%
vs Q1 2020	+8.7%
vs Q4 2020	-9.8%



# OEM SALES VOLUME: Difficult To Evaluate Q1 Performance

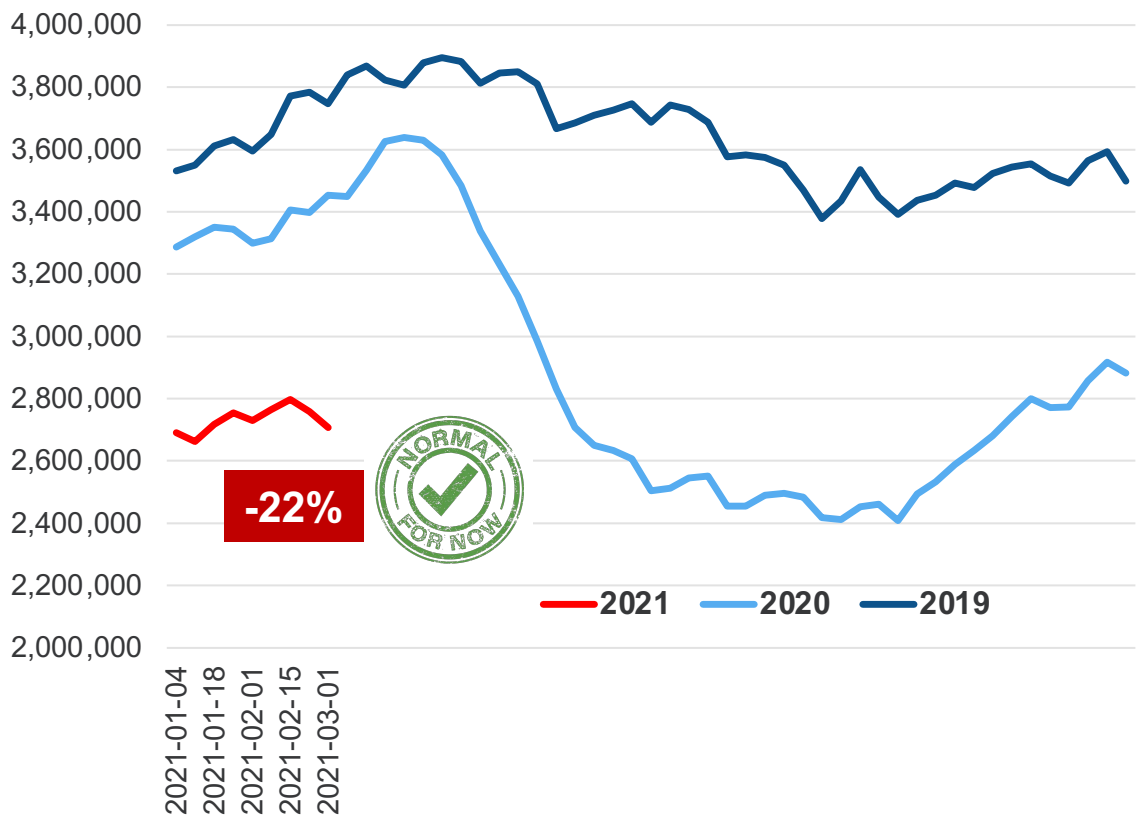
Almost everyone is selling better than one year ago – and the market has changed if compared to two years ago.

OEM	2019	2020	Change		Q1 2019	Q1 2020	Q1 2021	Change vs 2019	Change vs 2020		Share Q1 2019	Share Q1 2020	Share Q1 2021
GM	2,877,530	2,535,178	-11.9%		664,974	616,412	651,832	-2.0%	5.7%		16.8%	17.8%	17.3%
Toyota	2,381,027	2,110,492	-11.4%		543,365	495,126	575,288	5.9%	16.2%		13.7%	14.3%	15.2%
Ford	2,360,896	1,997,522	-15.4%		576,081	504,437	489,991	-14.9%	-2.9%		14.5%	14.5%	13.0%
Stellantis	2,203,201	1,820,554	-17.4%		498,301	446,737	470,401	-5.6%	5.3%		12.6%	12.9%	12.5%
Honda	1,608,042	1,346,786	-16.2%		369,660	298,783	327,135	-11.5%	9.5%		9.3%	8.6%	8.7%
Hyundai	1,319,388	1,224,552	-7.2%		283,283	272,630	312,915	10.5%	14.8%		7.1%	7.9%	8.3%
Nissan	1,345,665	899,215	-33.2%		365,836	257,606	257,877	-29.5%	0.1%		9.2%	7.4%	6.8%
Subaru	700,118	611,942	-12.6%		156,754	130,591	156,027	-0.5%	19.5%		4.0%	3.8%	4.1%
VW	646,880	567,848	-12.2%		148,701	127,933	149,544	0.6%	16.9%		3.7%	3.7%	4.0%
Mazda	278,552	279,076	0.2%		70,833	67,670	84,467	19.2%	24.8%		1.8%	1.9%	2.2%
BMW	360,130	306,071	-15.0%		82,723	64,465	75,501	-8.7%	17.1%		2.1%	1.9%	2.0%
Daimler	357,967	325,912	-9.0%		78,644	75,266	75,106	-4.5%	-0.2%		2.0%	2.2%	2.0%
Tesla	192,325	183,000	-4.8%		29,900	33,600	70,750	136.6%	110.6%		0.8%	1.0%	1.9%
Volvo	108,091	110,129	1.9%		22,058	19,485	28,528	29.3%	46.4%		0.6%	0.6%	0.8%
Tata	125,787	97,405	-22.6%		35,250	25,429	25,439	-27.8%	0.0%		0.9%	0.7%	0.7%
Mitsubishi	121,046	87,387	-27.8%		42,067	35,563	21,837	-48.1%	-38.6%		1.1%	1.0%	0.6%
NATION	16,986,645	14,503,069	-14.6%		3,968,430	3,471,733	3,772,640	-4.9%	8.7%		100.0%	100.0%	100.0%

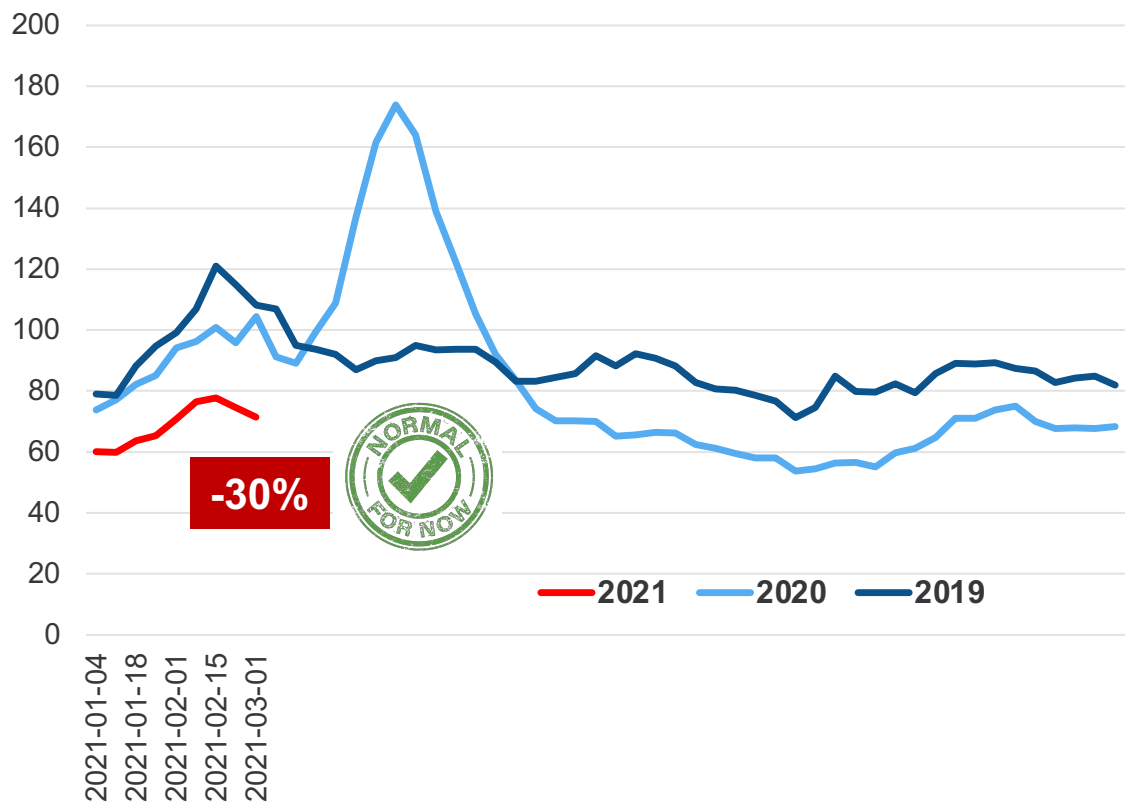
# NEW INVENTORY: Supply Tight Heading Into Spring

Sales could be constrained if buyers can't find what they want – tight supply is “normal for now.”

Available Supply weekly



Days of Supply weekly

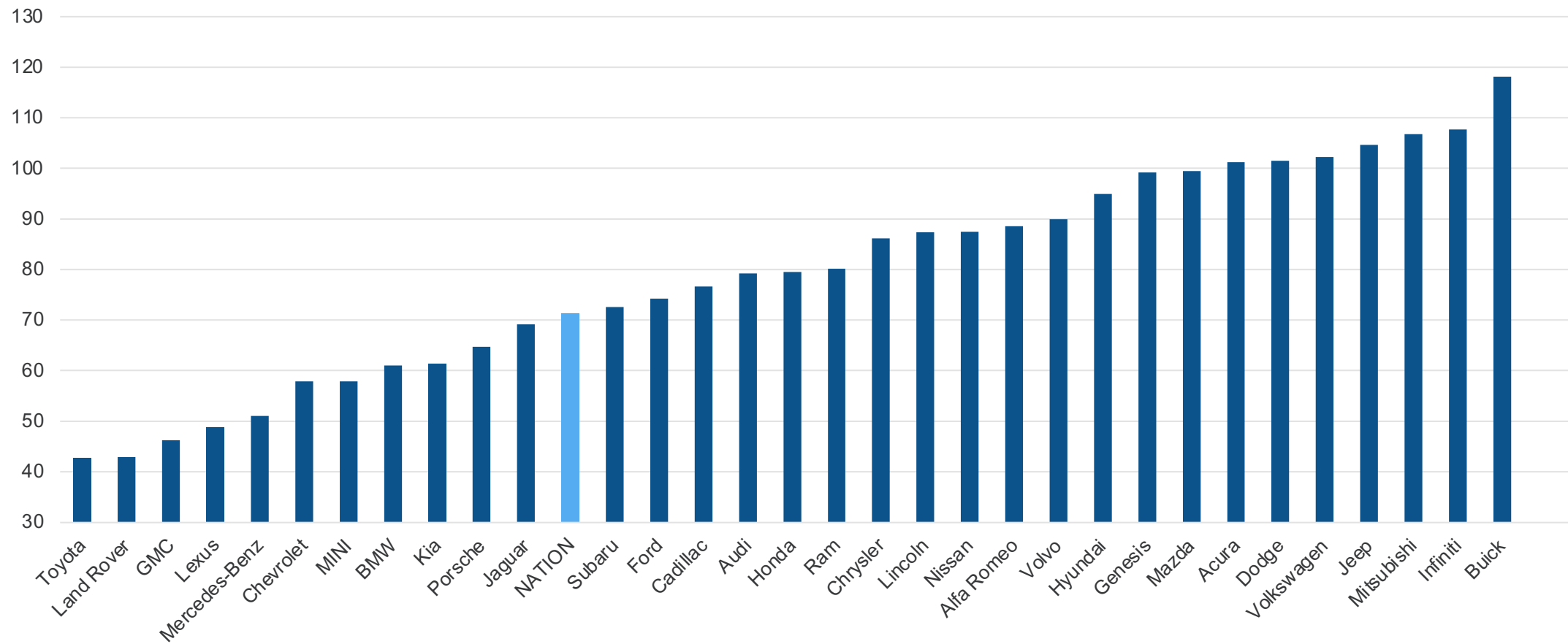




# BRAND INVENTORY: Supply Status Varies Substantially

Some of the most affordable brands in the market also have the most abundant inventory.

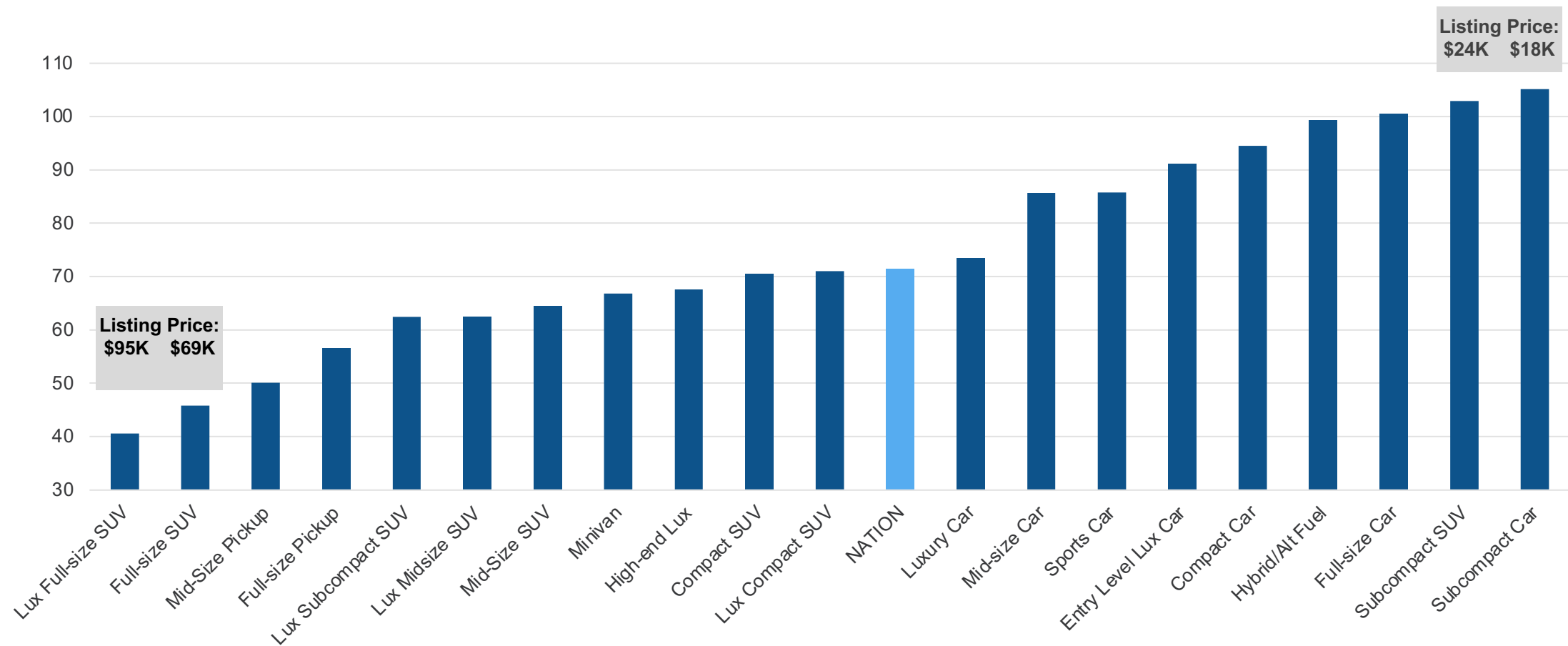
Days of Supply



# SEGMENT INVENTORY: Abundant Supply For Lower Priced Products

Pickups and luxury CUVs are in tight supply while cars are not.

Days of Supply

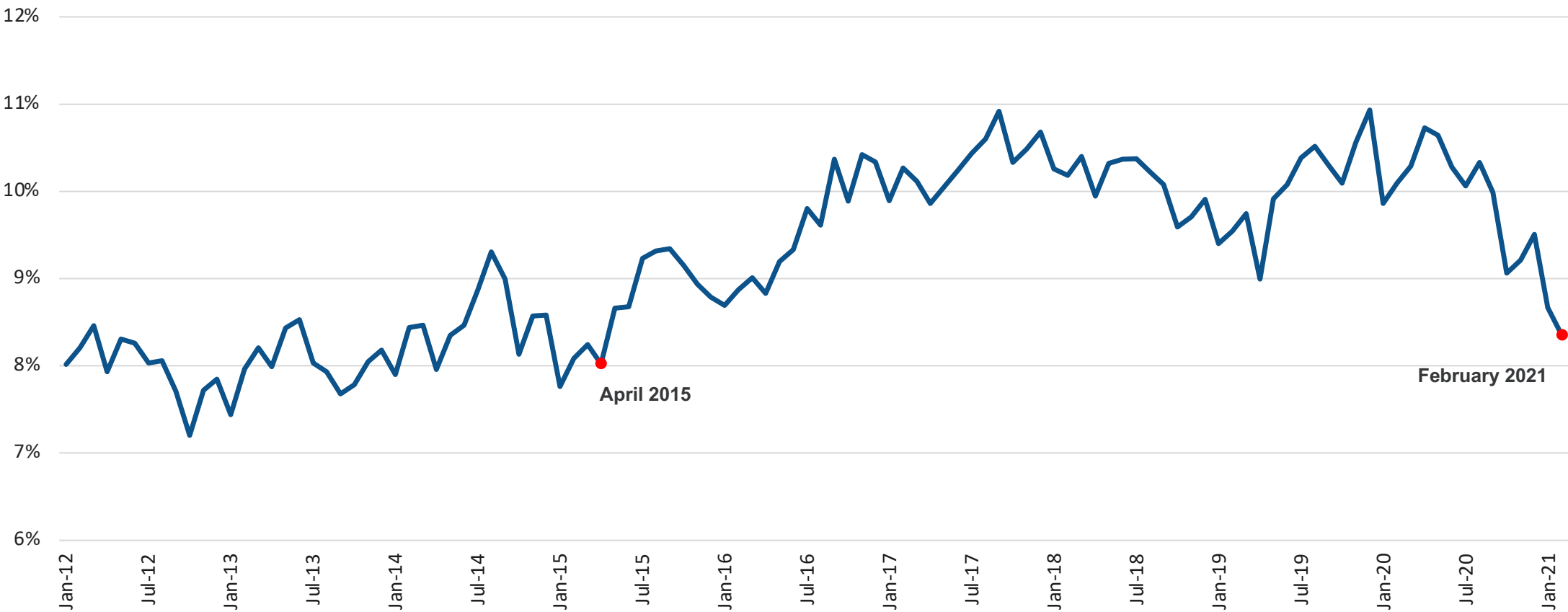




# INCENTIVES: Low Supply Does Have Its Advantages

Incentives near 6-year low in February.

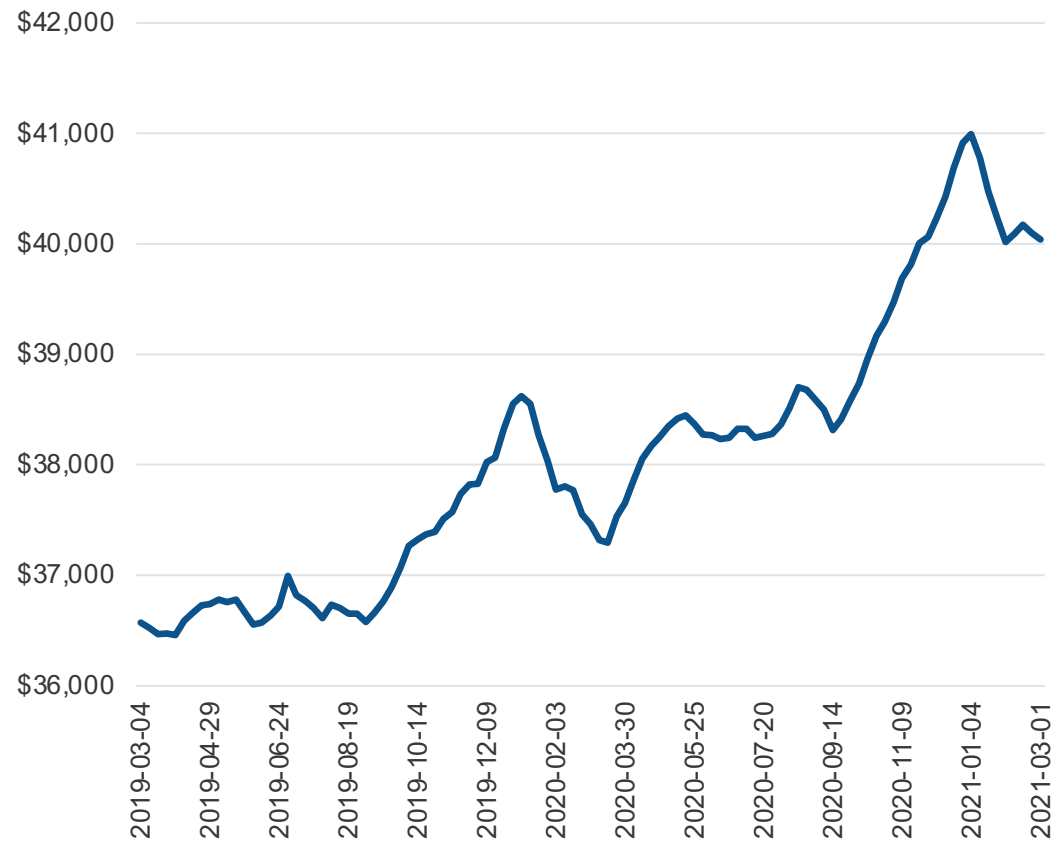
Incentives as a % of Average Transaction Price



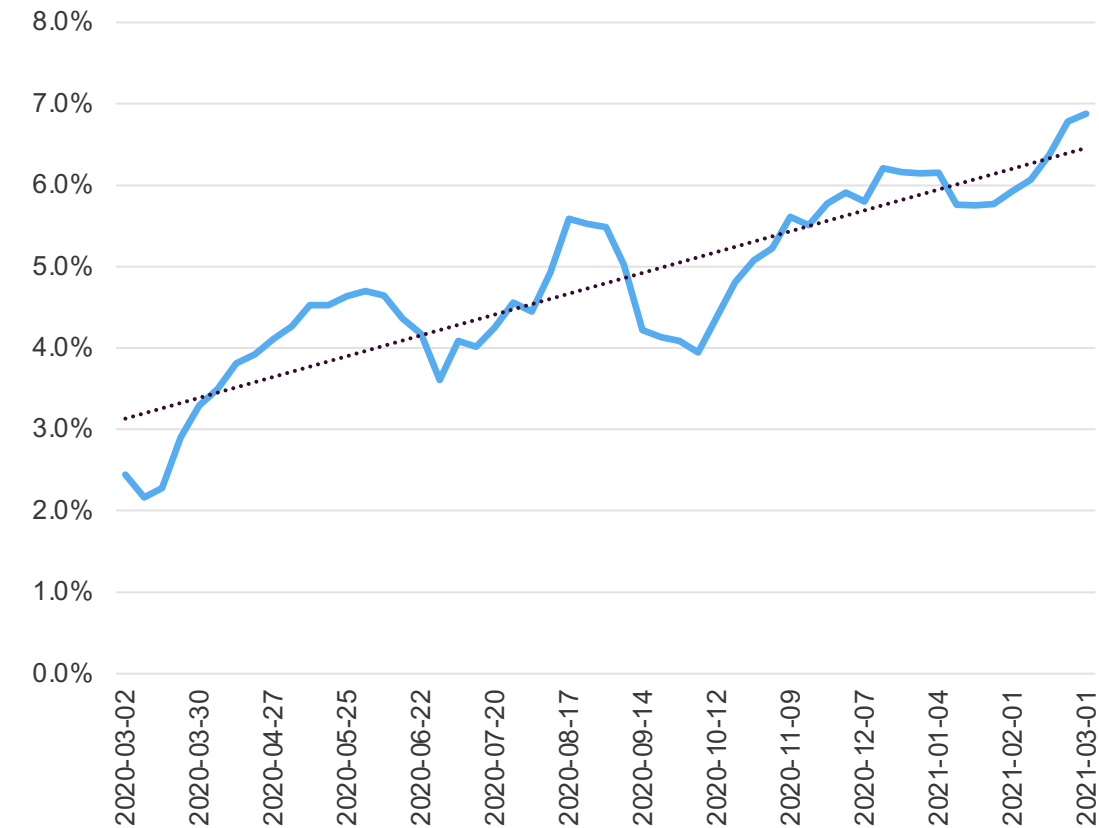
# VEHICLE PRICE: Down After Reaching \$41,000, But Trending Higher, Faster

Seasonality is helping to lower prices since the holidays – price growth is still climbing.

Average Listing Price weekly, last 24 months



YOY Change weekly, last 12 months

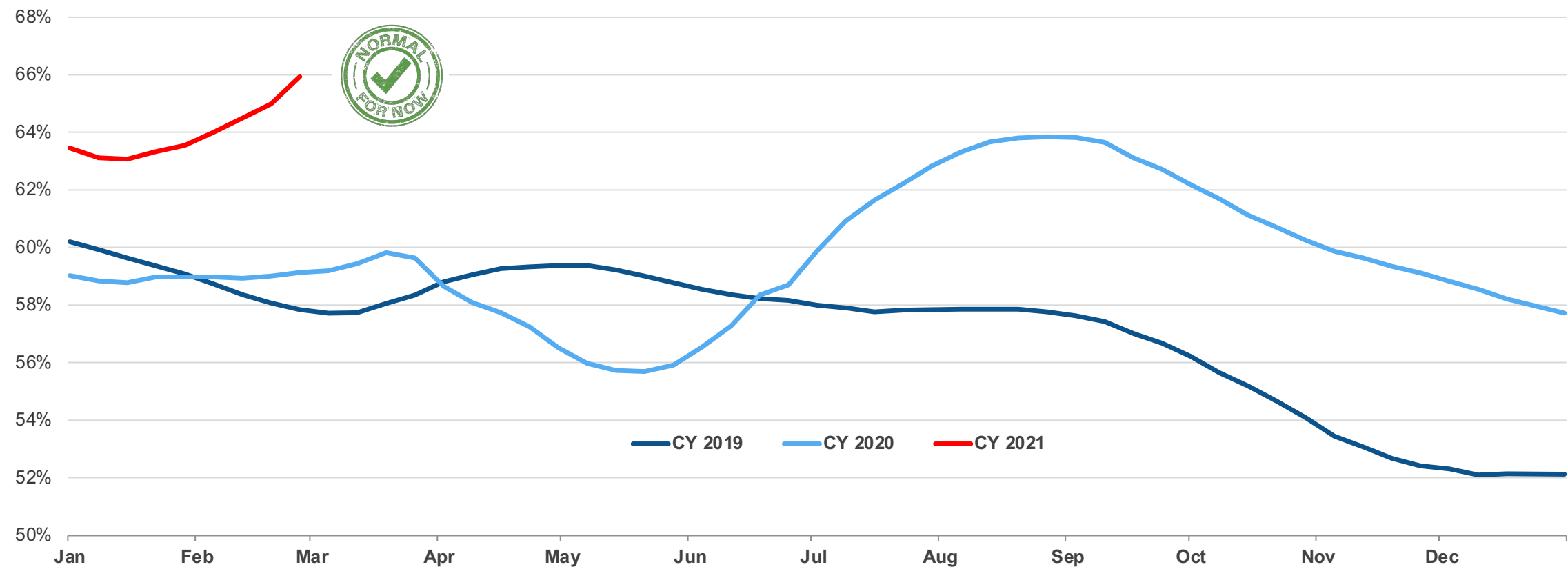




# RETENTION VALUES: Large Value Shift As Inventories Tightened Last Year

February retention values ended up 5.2 percentage points compared to last year.

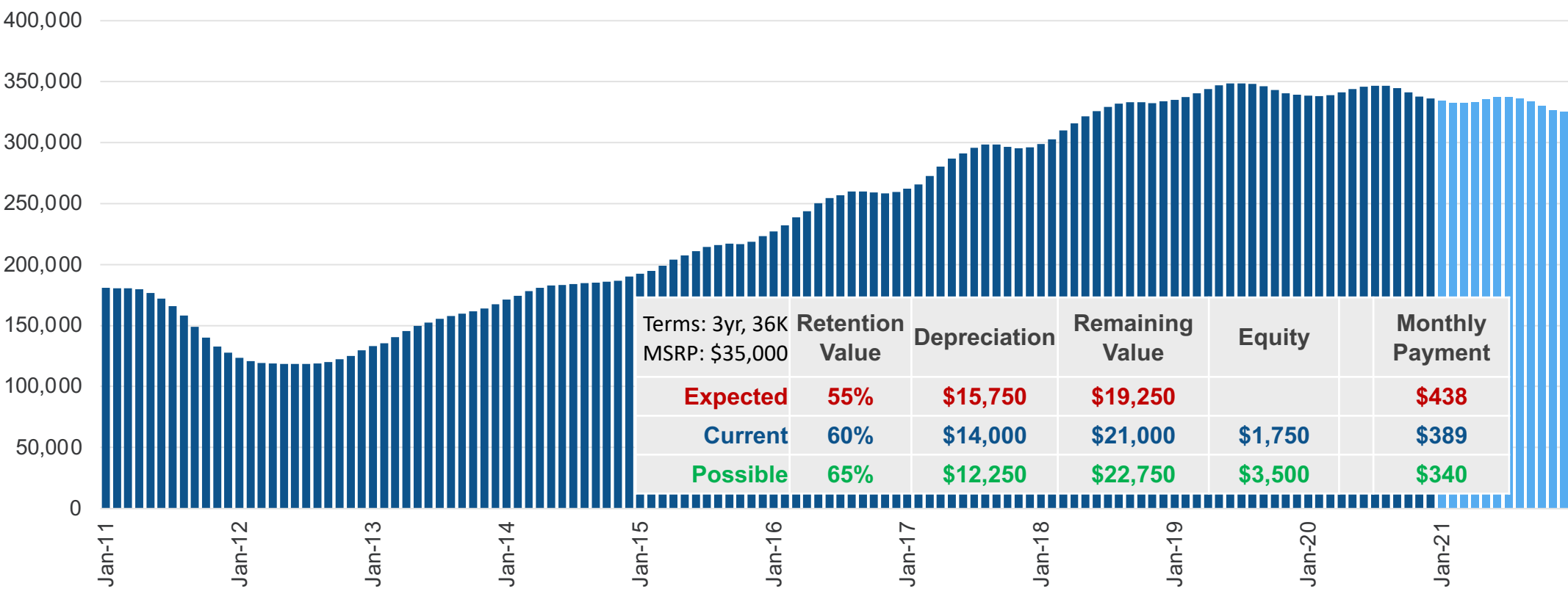
Retention Value 3-yr-old vehicles



# LEASE MATURITIES: Post Peak But Still Elevated – And Now More Valuable

Over 4 million off-lease vehicles returning to market in 2021, many with higher retention values than forecast.

Monthly Lease Maturities

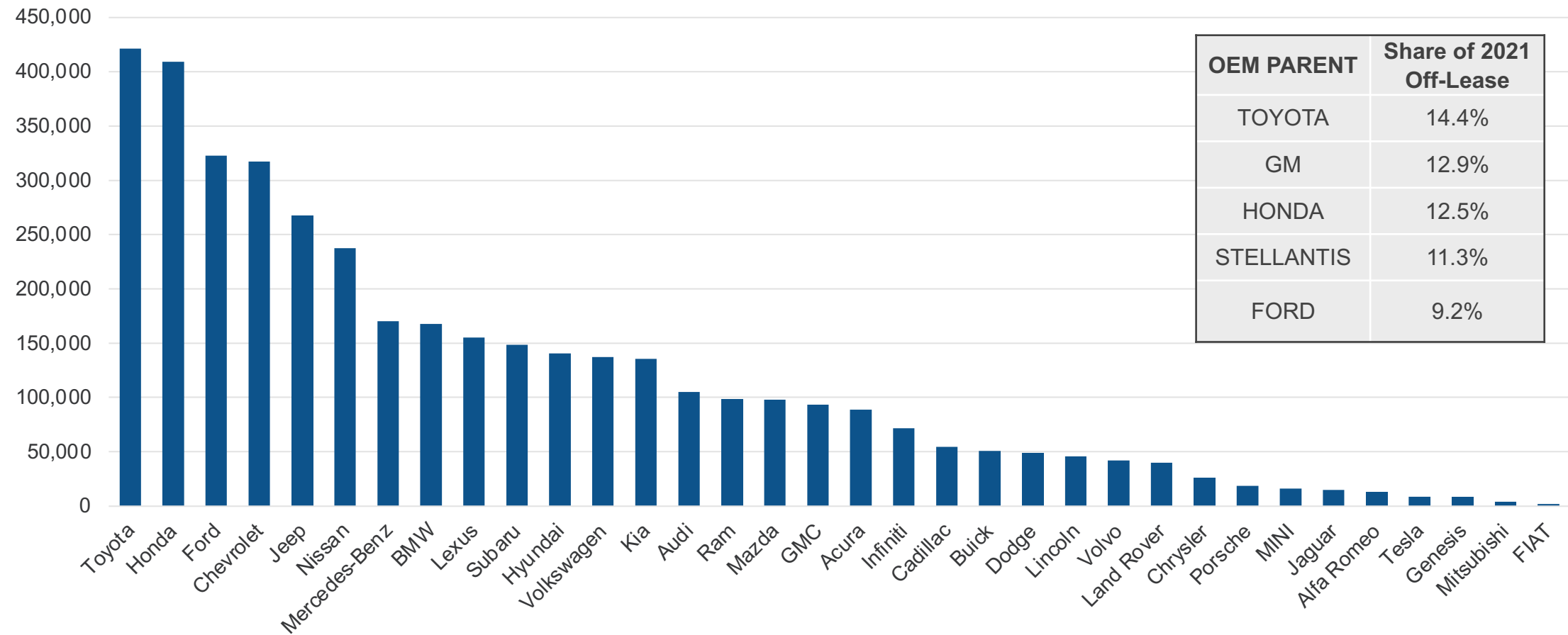




# MATURITIES FORECAST: Off-Lease Volume Varies Greatly By Brand

Effectively managing returning customers will be a big challenge and bigger opportunity in 2021.

Lease Maturities CY2021



# MARKET FORECAST: Over 55 Million Vehicle Sales Expected In 2021

Leasing should provide strong growth for franchised dealers, and the used market will provide an opportunity for all.

<i>In millions</i>	<u>2019</u>	<u>2020</u>	<u>Volume Change</u>	<u>2021</u>	<u>Volume Change</u>
<b>Total Vehicles Sold</b>	<b>57.0</b>	<b>51.6</b>	<b>-9.5%</b>	<b>55.4</b>	<b>7.4%</b>
<b>New Total</b>	<b>17.0</b>	<b>14.5</b>	<b>-14.7%</b>	<b>16.1</b>	<b>11.0%</b>
Fleet	3.3	2.0	-37.6%	<b>2.5</b>	22.1%
Retail	13.7	12.4	-9.2%	13.6	9.7%
<i>Retail Lease Share</i>	<i>29.9%</i>	<i>26.8%</i>	<i>-18.4%</i>	<i>29.0%</i>	<b>18.7%</b>
<b>Used Total</b>	<b>40.0</b>	<b>37.1</b>	<b>-7.3%</b>	<b>39.3</b>	<b>5.9%</b>
<b>Franchised Retail</b>	<b>23.9</b>	<b>22.0</b>	<b>-7.9%</b>	<b>23.9</b>	<b>8.6%</b>
Used Share	42.8%	43.6%		<b>43.1%</b>	

Government stimulus/ infrastructure spending, more certainty lifts consumer demand

Vaccines/economic recovery, 2017 tax reform lifts commercial demand



# MARKET PERFORMANCE: USED VEHICLES

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# ZO RAHIM

MANAGER, ECONOMIC & INDUSTRY INSIGHTS



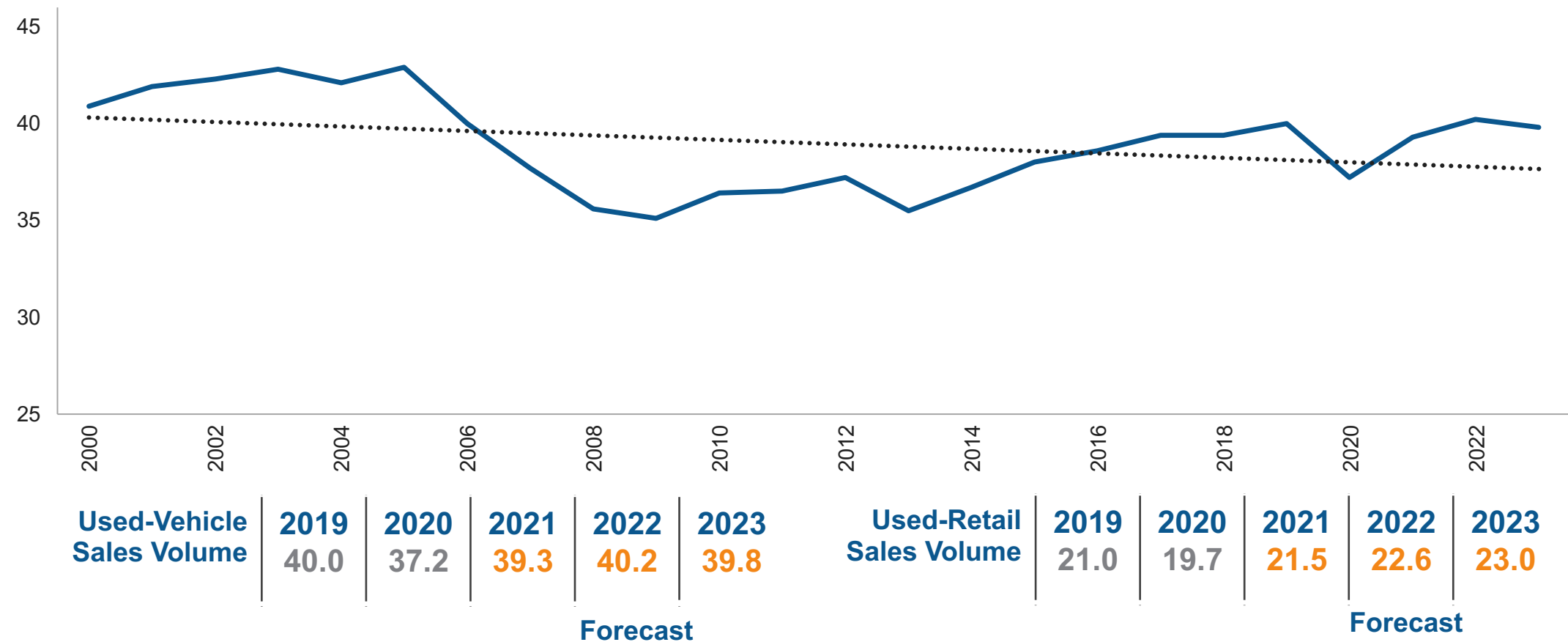
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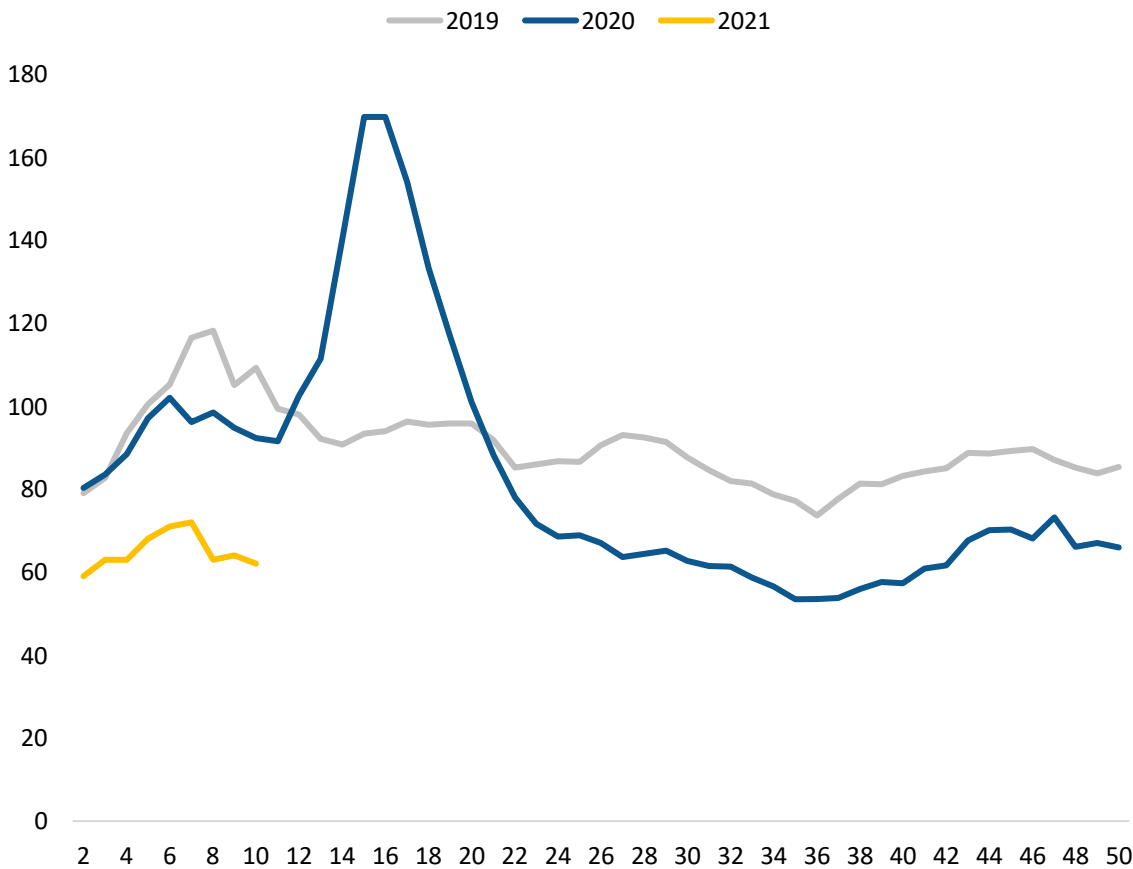
# Used Retail Market Reaches Full Recovery In 2021

USED-VEHICLE SALES OUTLOOK (MILLIONS)

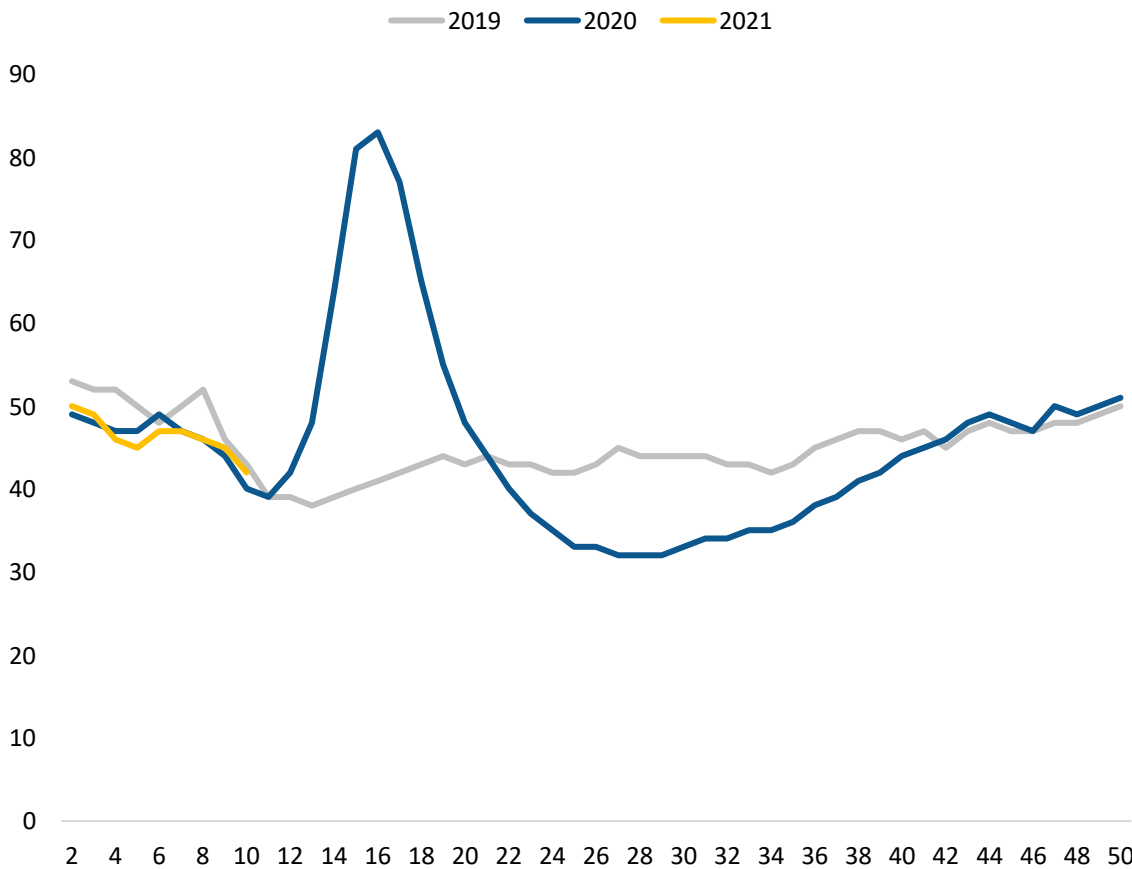


# Retail Supply Remains Tight

New Days' Supply

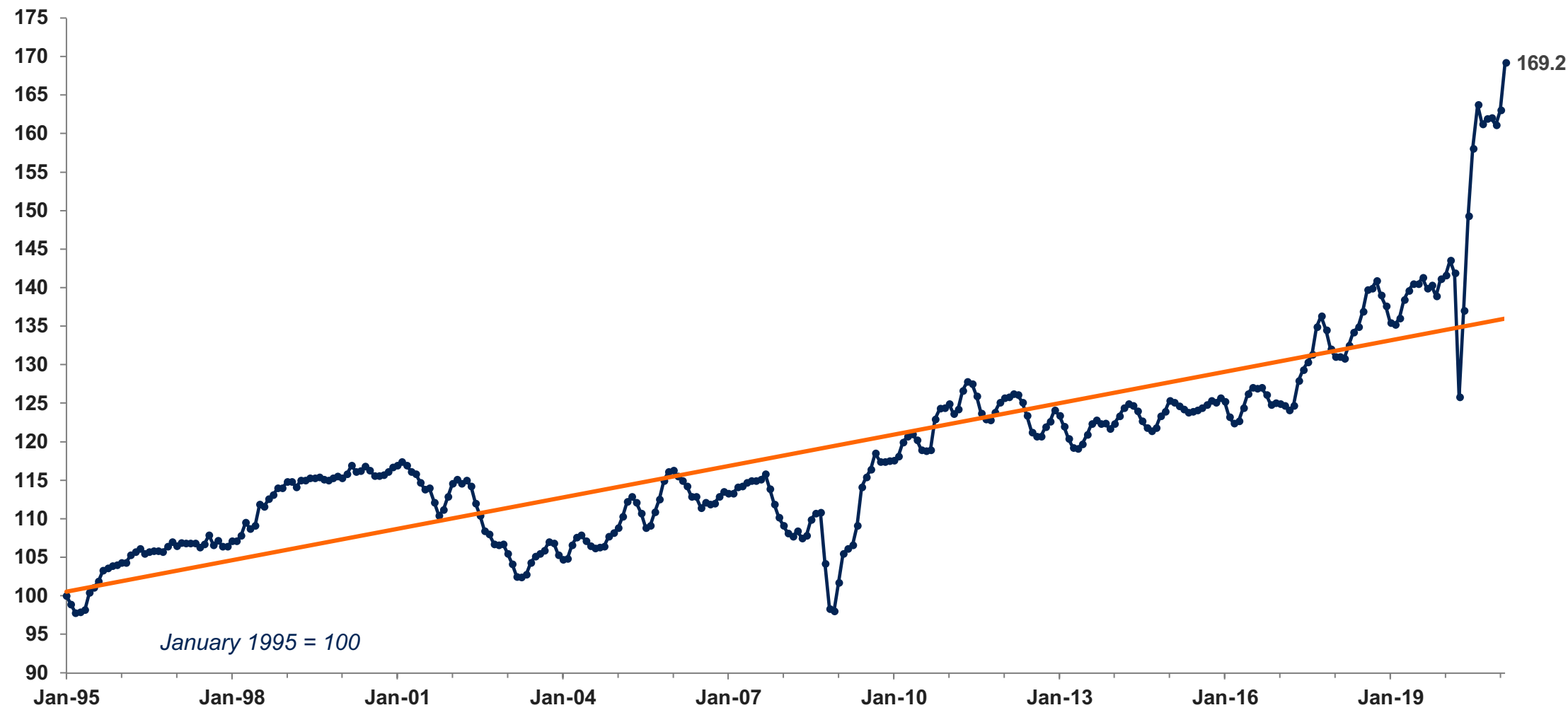


Used Days' Supply



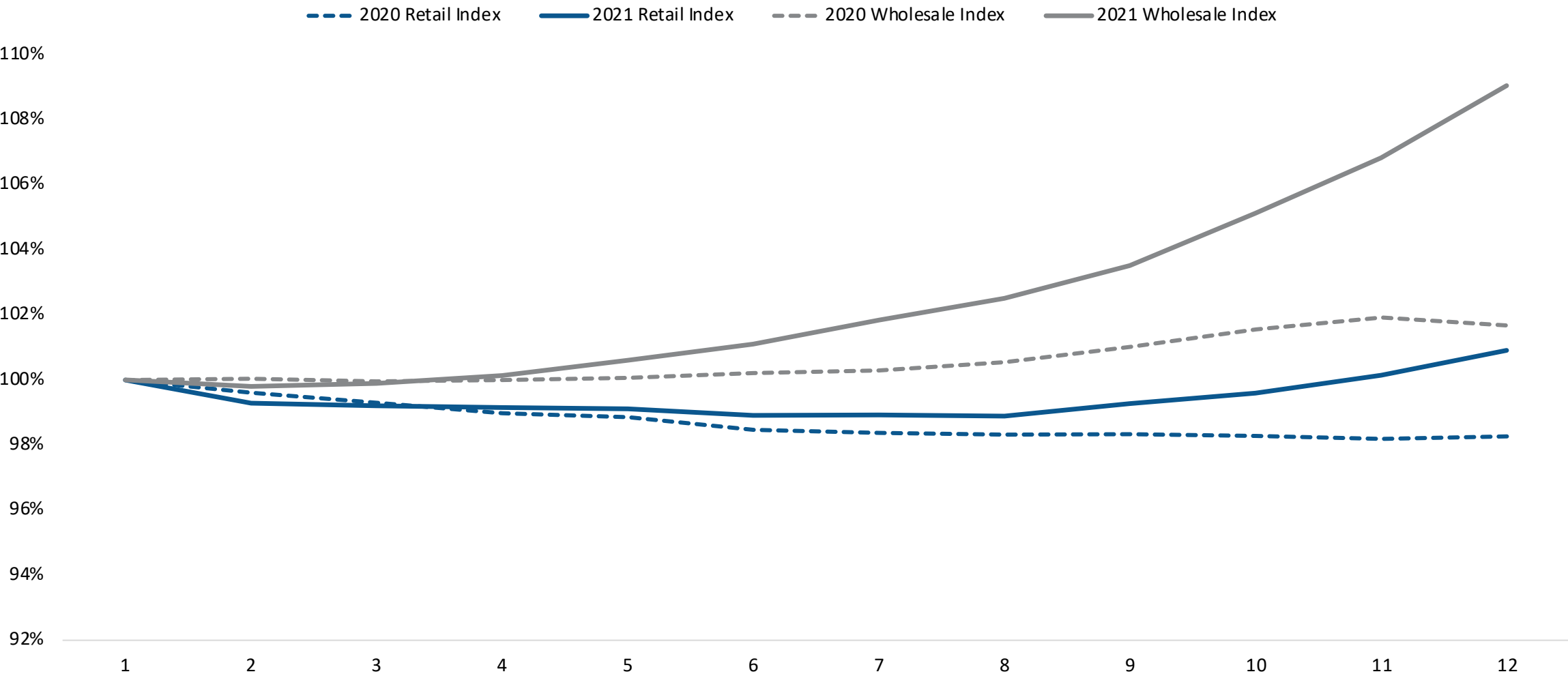


# Wholesale Prices Jumping With Spring Bounce



# Used Vehicle Prices Moving Higher

MY 2018 Retail and Wholesale Price Index





# OUTLOOK AND PLAYLIST

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# KAYLA REYNOLDS

Industry Intelligence Analyst

# JONATHAN SMOKE

Resident DJ



Cox AUTOMOTIVE





# 2021 PREDICTIONS STUDY: Six Predictions for the Automotive Market



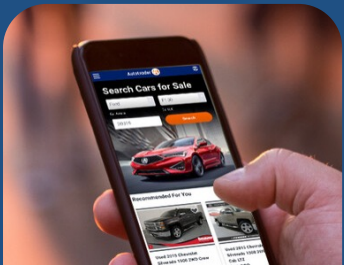
**#1: Even with a vaccine, things won't "return to normal" in 2021.**



**#2: Auto industry will emerge stronger from the pandemic.**



**#3: Inventory will remain tight through 2021.**



**#4: 2021 is the tipping point for digital retailing.**



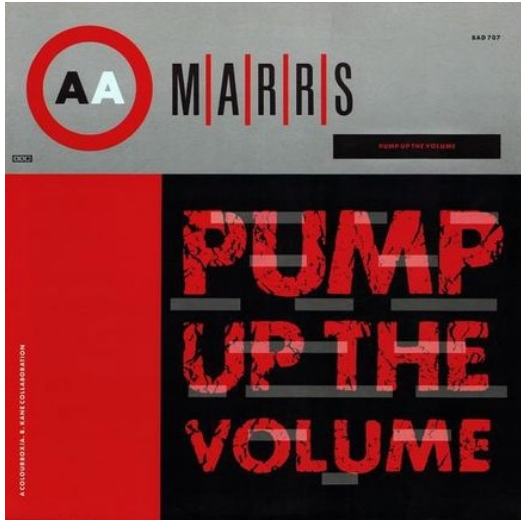
**#5: New competition will slow Tesla's growth.**



**#6: Vehicle ownership increases, ride-sharing & ride-hailing declines.**

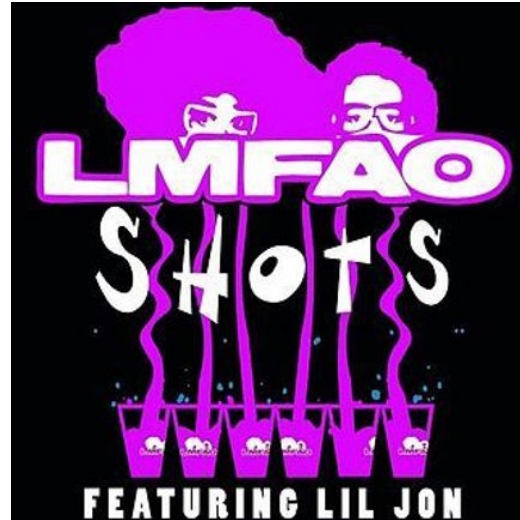


## PLAYLIST: Some Sweet Songs for Spring



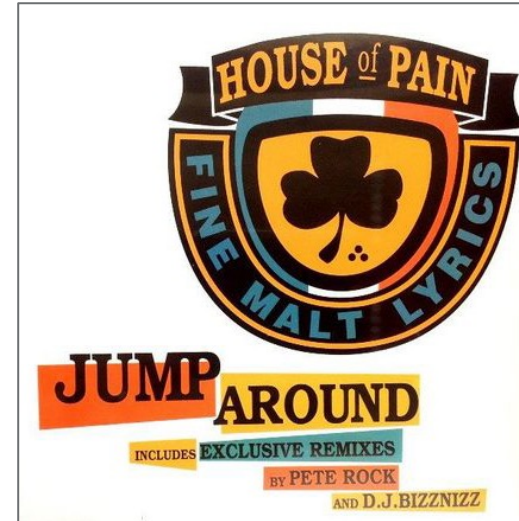
**Pump Up the Volume**  
by M/A/R/R/S

The Stimulus



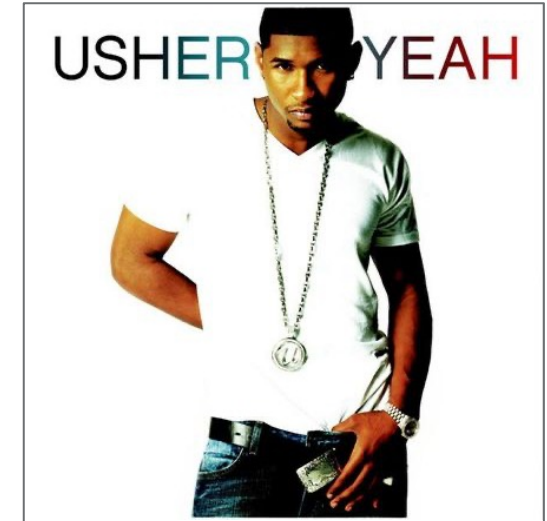
**Shots**  
by LMFAO and Lil Jon

The Vaccines



**Jump Around**  
by House of Pain

Vehicle Prices



**Yeah!**  
by Usher, Lil Jon and  
Ludacris

Dealer performance,  
including fixed operations



Q&A

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# THANK YOU!

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