

WELCOME!

COX
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Q3 2021 SALES FORECAST CALL

September 30, 2021

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AGENDA

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 Update: Electric Vehicles

Lea Malloy, Head of EV Battery Solutions, Cox Automotive Mobility

Market Performance: Used Vehicles

Kayla Reynolds, Economic and Industry Insights Manager

Affordability, Market Snapshot & Fall Playlist

Jonathan Smoke, Chief Economist and Resident DJ

Q&A

Presenters plus Michelle Krebs, Executive Analyst

OUR PURPOSE

Empower clients to thrive in a rapidly changing marketplace



Autotrader 

DEALER.COM 

Dealertrack 

 DICKINSON FLEET SERVICES
COX AUTOMOTIVE / MOBILITY

 F&I Express

 HOMENET
AUTOMOTIVE

 Kelley Blue Book

 Manheim

NEXTGEAR
CAPITAL

 SPIER'S
NEW TECHNOLOGIES
COX AUTOMOTIVE / MOBILITY

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

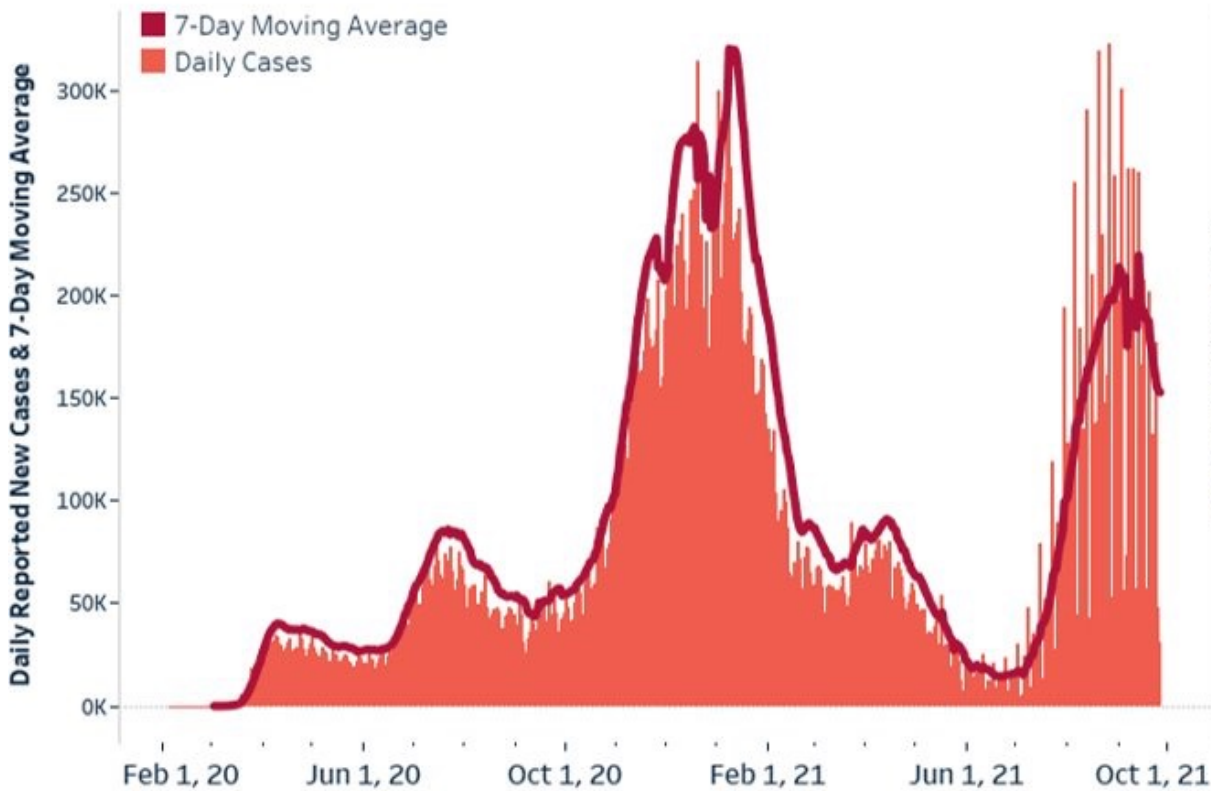
CHIEF ECONOMIST



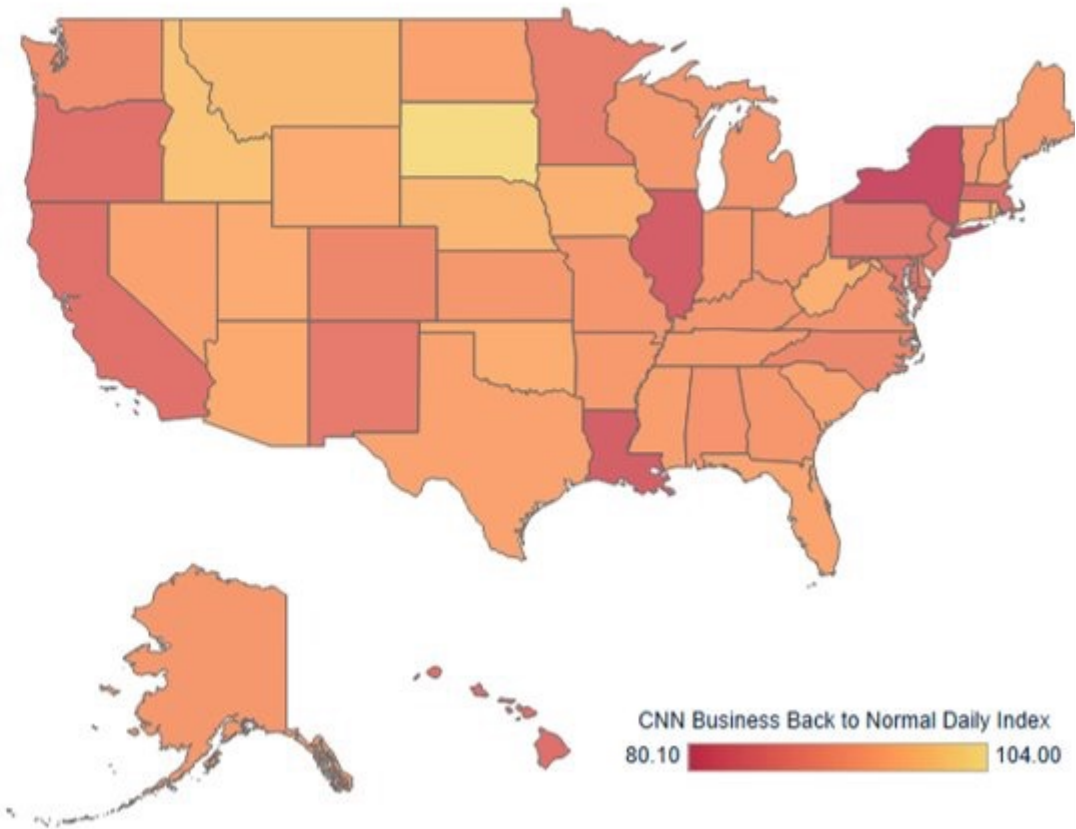
@smokeoncars

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STATE OF THE INDUSTRY: Daily New Cases Decrease, Back-to-Normal Index Stalls



Moody's-CNN Business Back-to-Normal Index



THE ECONOMY: Growth Strong But Not All Factors Green

Overall Economy

Real GDP Growth

+6.3%
(Q1 '21)

+6.6%
(Q2 '21)

+5.0%
(Q3 '21 F)



Employment Conditions

U3 Unemployment Rate

7.8%
(Sep '20)

5.2%
(Aug '21)

5.0%
(Sep '21 F)



Buyer Confidence

UofM Consumer Sentiment

80.4
(Sep '20)

71.0
(Sep Initial '21)



Wages

Earnings Growth

4.7%
(Aug '20)

4.3%
(Aug '21)



Buyer Ability





Disposable Income Y/Y

9.4%
(Jul '20)

2.7%
(Jul '21)



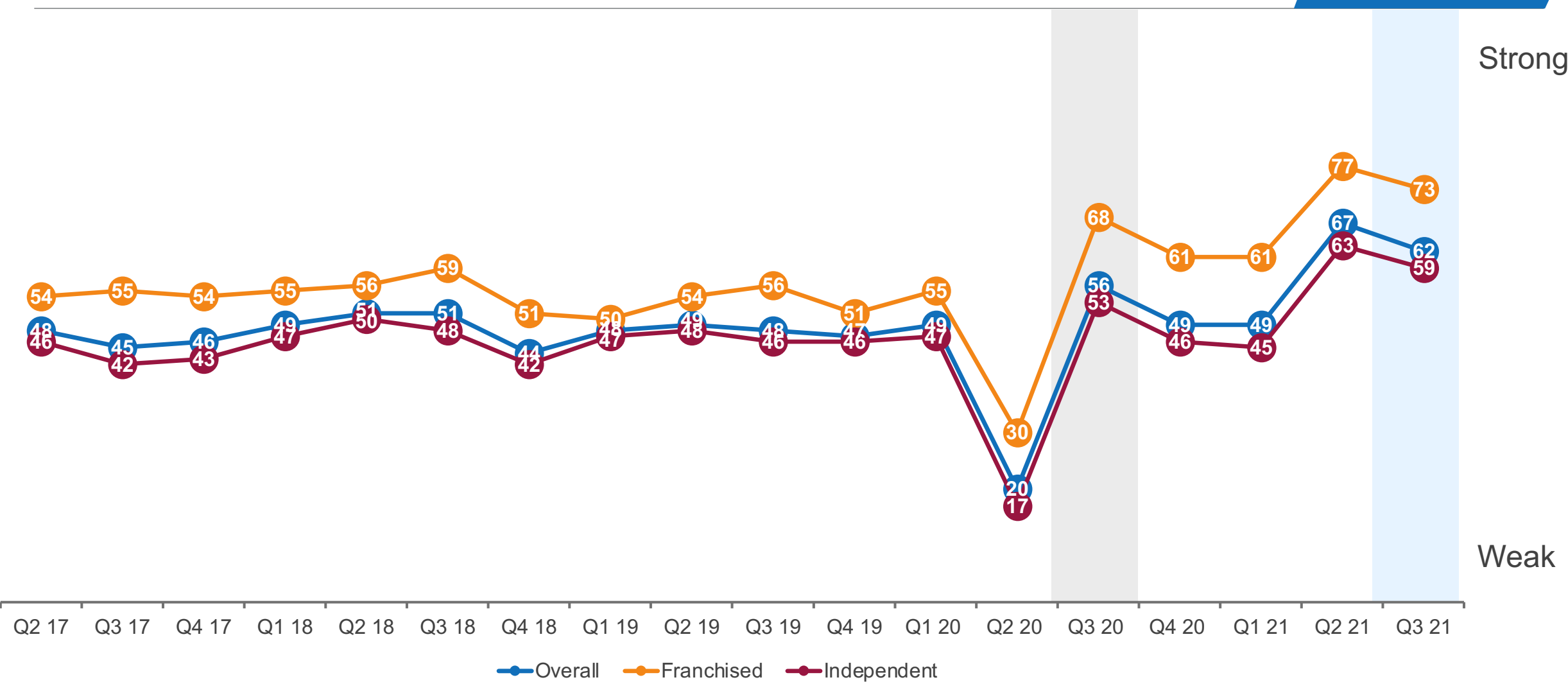
THE ECONOMY: Credit and Rates Remain Favorable

Auto Finance	FRBNY	\$136 billion (Q2 '20)	\$202 billion (Q2 '21)	
Interest Rates	Effective Fed Funds Rate	0.09% (Aug '20)	0.09% (Aug '21)	
Borrowing Costs	Average New Auto Loan Rate	4.64% (Aug '20)	4.29% (Aug '21)	
Mobility Costs	Average Retail Unleaded Gasoline Price	\$2.23 (Aug '20)	\$3.17 (Aug '21)	

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

Dealer Sentiment Index

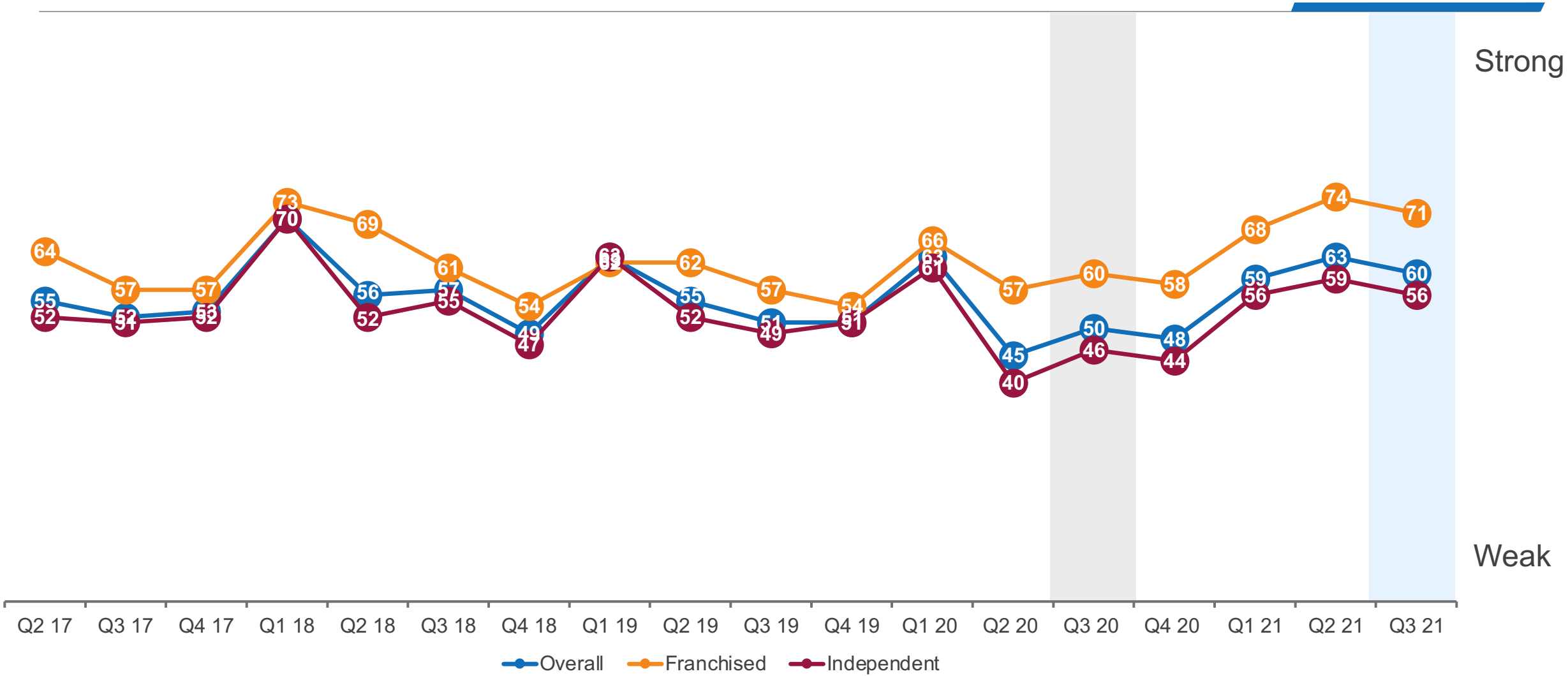
THIRD QUARTER 2021



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
THIRD QUARTER 2021



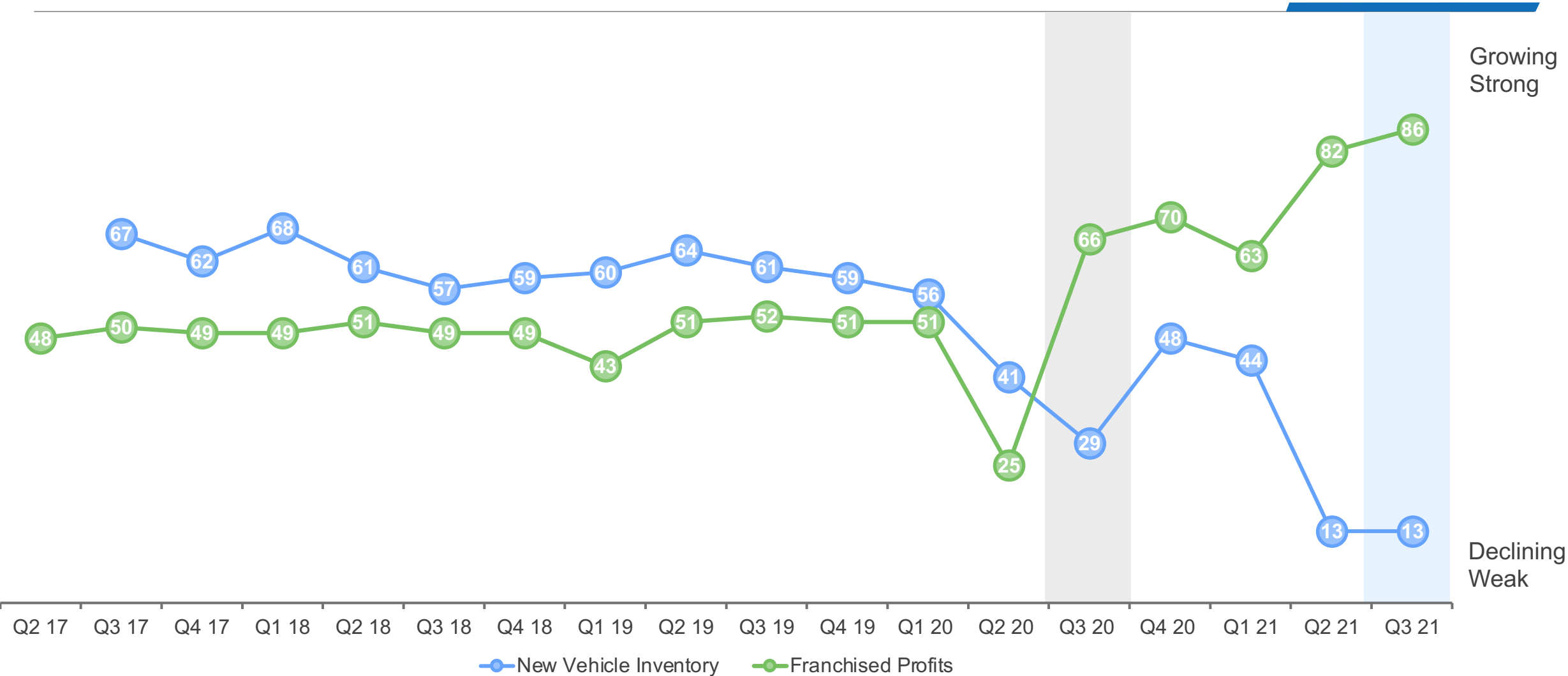
Note: Scale 1 - 100

Inventory/Profits

Q4: How would you describe your profits over the past 3 months?
Q8: How would you describe the current new-vehicle inventory levels?

Dealer Sentiment Index

THIRD QUARTER 2021



Note: Scale 1 - 100

MARKET PERFORMANCE: NEW VEHICLES

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CHARLIE CHESBROUGH

SENIOR ECONOMIST



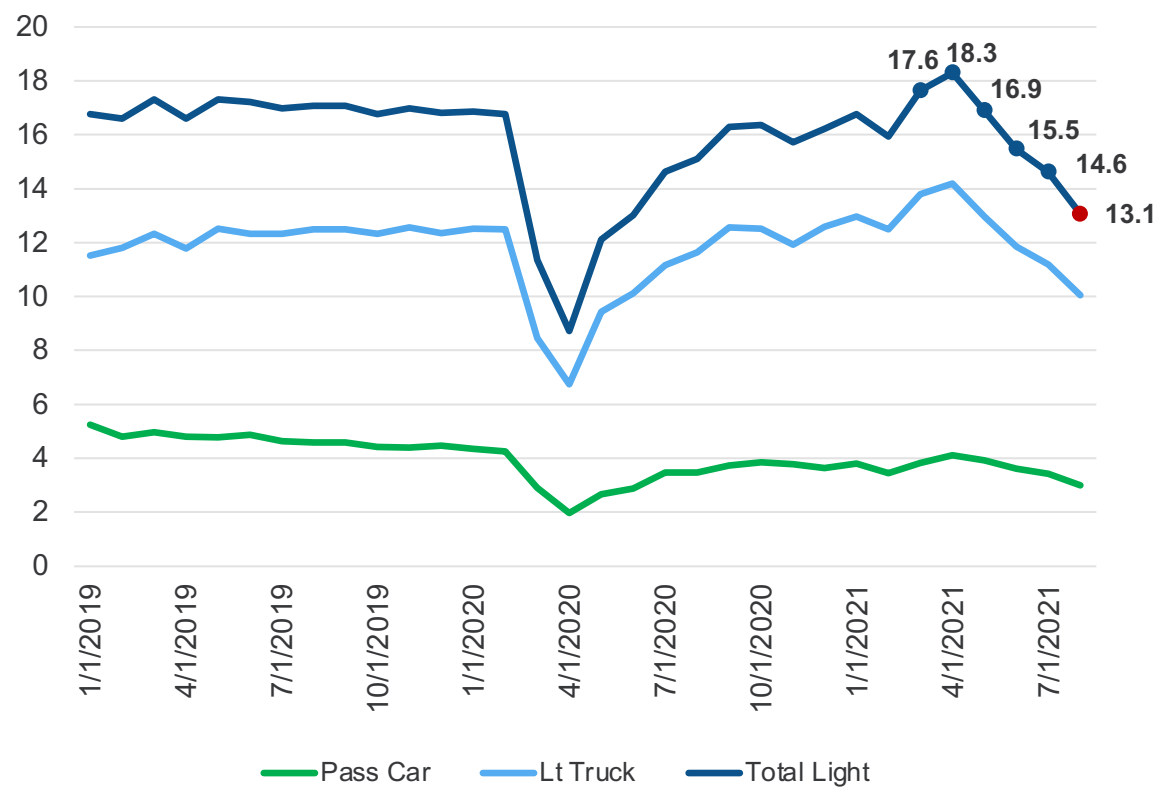
@Charlie_Ches

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YTD VEHICLE SALES: Yes, the Summer Drought Continues Into Fall

Sales falling quickly – YTD SAAR now 16.1 million, was 17.0 million just three months ago

Monthly Light Vehicle Sales SAAR (millions)



	YTD Sales (millions)				Monthly SAAR (millions)		
	Pass Car	Light Trucks	Total	Car Share	Car SAAR	Lt Truck SAAR	Total SAAR
YTD2019	3.3	8.1	11.4	28.9%	4.8	12.1	17.0
YTD2020	2.2	6.8	9.0	24.2%	3.2	10.4	13.6
YTD2021	2.5	8.2	10.7	23.1%	3.6	12.4	16.1
2021 v 2019	-25.6%	0.8%	-6.9%	-5.8%	-24.7%	2.6%	-5.2%
2021 v 2020	13.3%	20.6%	18.8%	-1.1%	12.7%	20.0%	18.3%

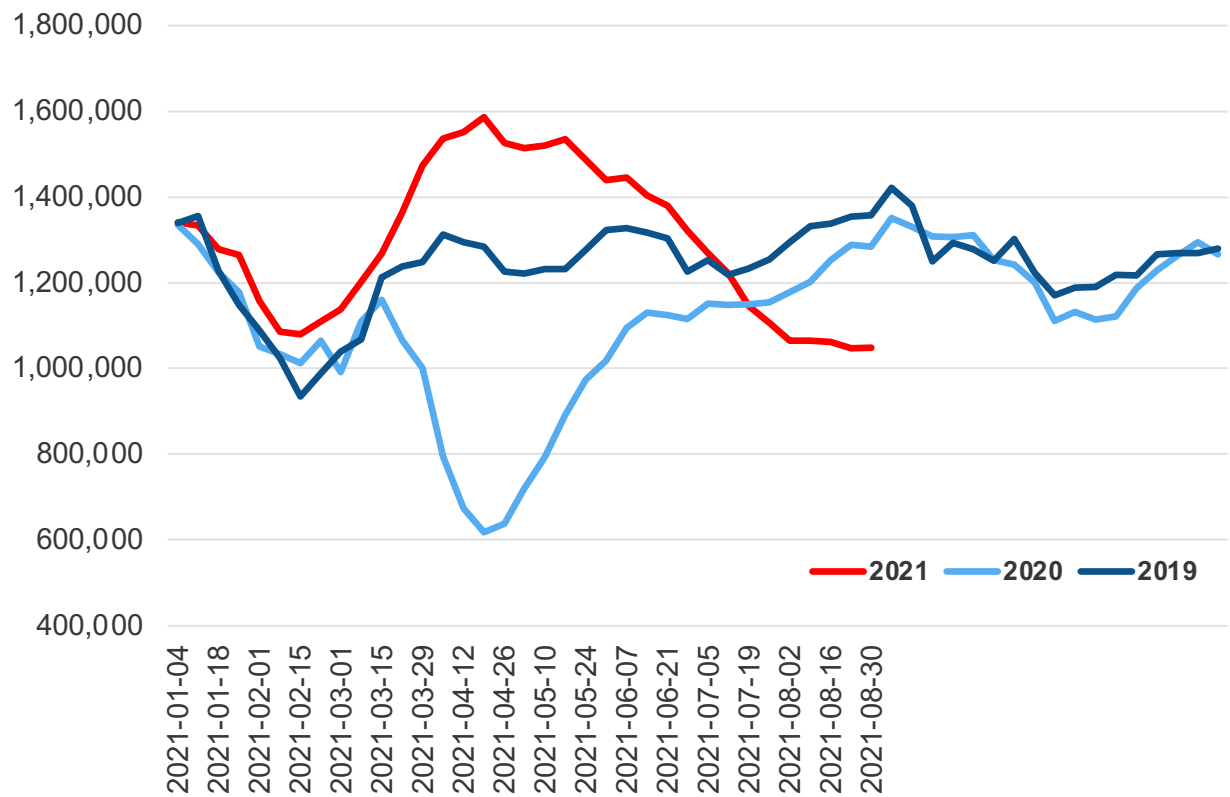
Current YTD SAAR:
2021: 16.1 million

Downside threat significant:
Possible 15.0 million – 15.5 million finish

SEPTEMBER FORECAST: Likely To Get Worse Before It Gets Better

Expect supply to improve mildly in Q4, and continue to improve throughout 2022, but no return to “normal” until 2023 – if ever

30-Day Retail Sales weekly



September Forecast
1.0 million sales
12.1 million SAAR

2021 Forecast
~~16.5~~ 15.5 million

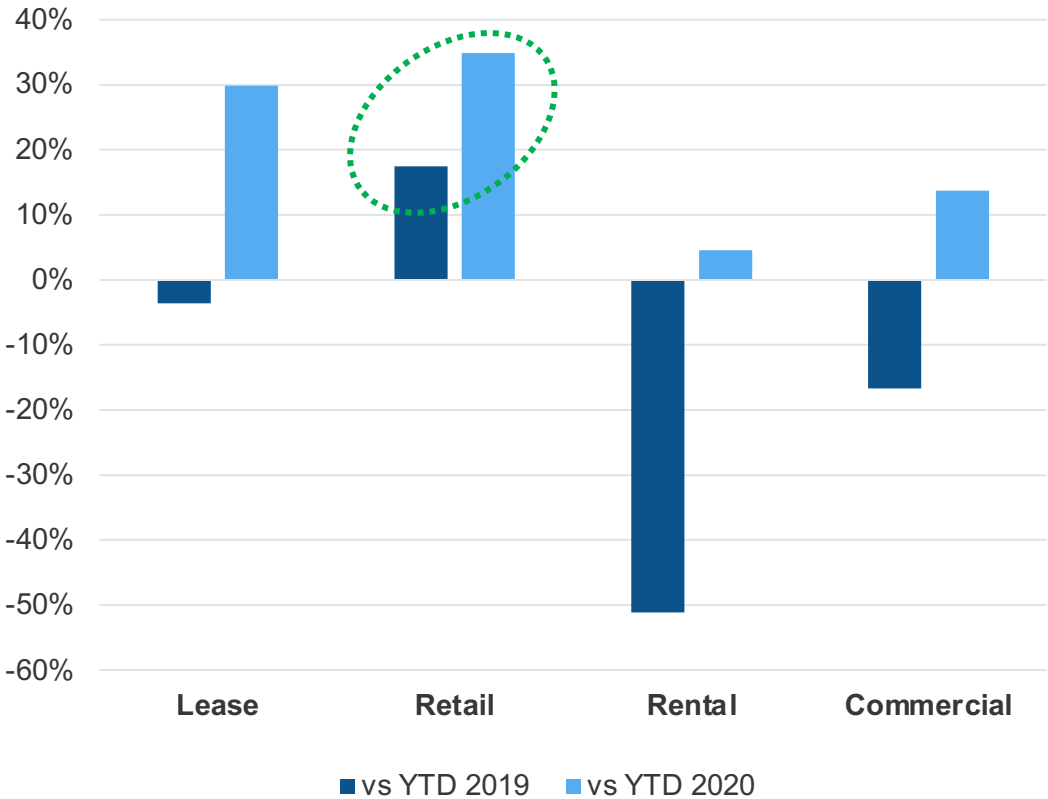
2022 Forecast
16.3 million

	SAAR In Millions	Volume in Millions
Q3-2019	17.1	4.3
Q3-2020	15.4	3.9
Q2-2021	16.9	4.4
Q3-2021	13.3	3.4
vs Q3-2019	-21.8%	-22.5%
vs Q3-2020	-13.6%	-14.0%
vs Q2-2021	-23.3%	-21.5%
Sep-19	17.2	1.3
Sep-20	16.3	1.3
Aug-21	13.1	1.1
Sep-21	12.1	1.0
vs Sept-19	-29.5%	-21.1%
vs Sept-20	-25.7%	-25.4%
vs Aug-21	-7.3%	-8.3%

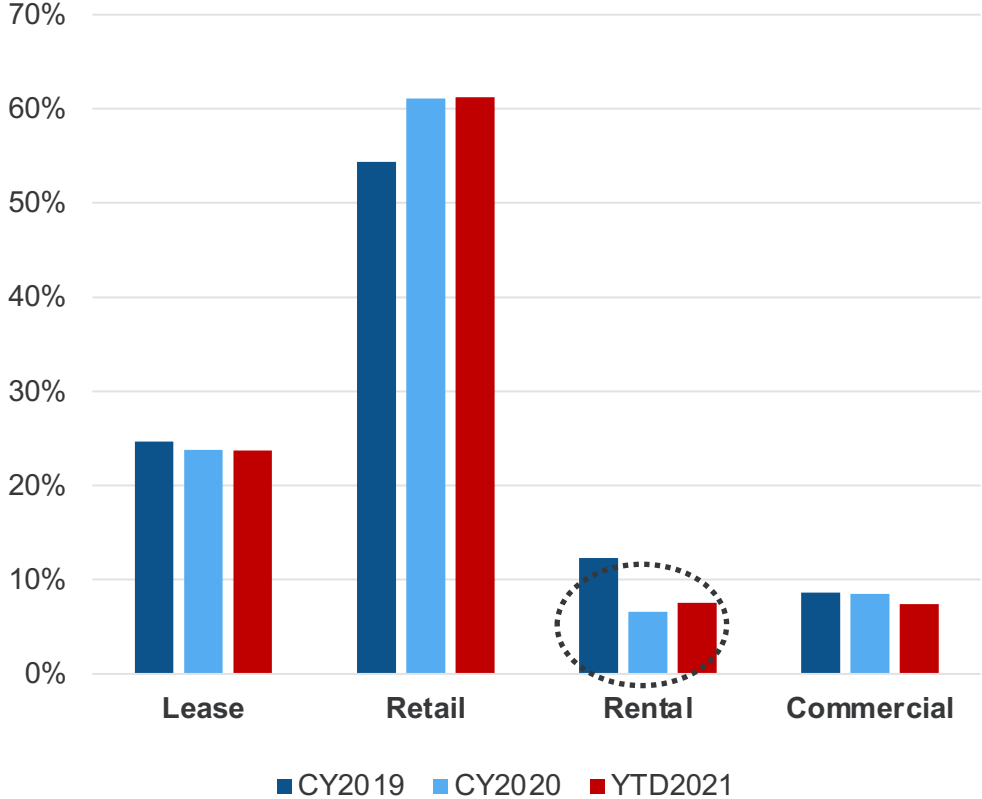
CHANNEL SALES: Retail Purchasing Up Big Over 2020, and 2019

Leasing improved but lagging – Fleet channels remain muted, maybe not by choice, and creates a unique opportunity for OEMs

YTD 2021 Change By Sales Channel Jan-June



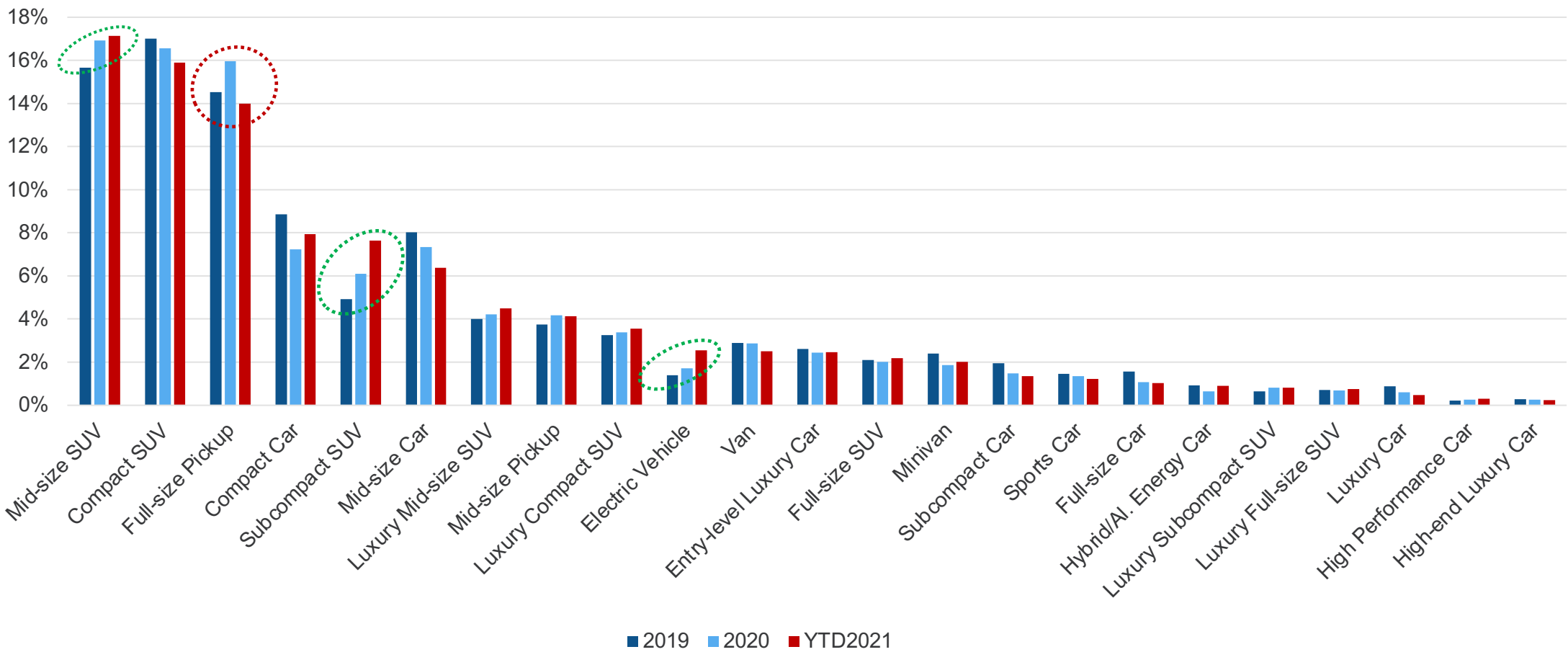
Channel Share of Total Sales



SEGMENT PERFORMANCE: Mid-Size SUV Building on Lead as Top Segment

Big trucks see huge decline from last two years; Subcompact SUV and Electrics making big gains in 2021

Segment Share of Total Sales

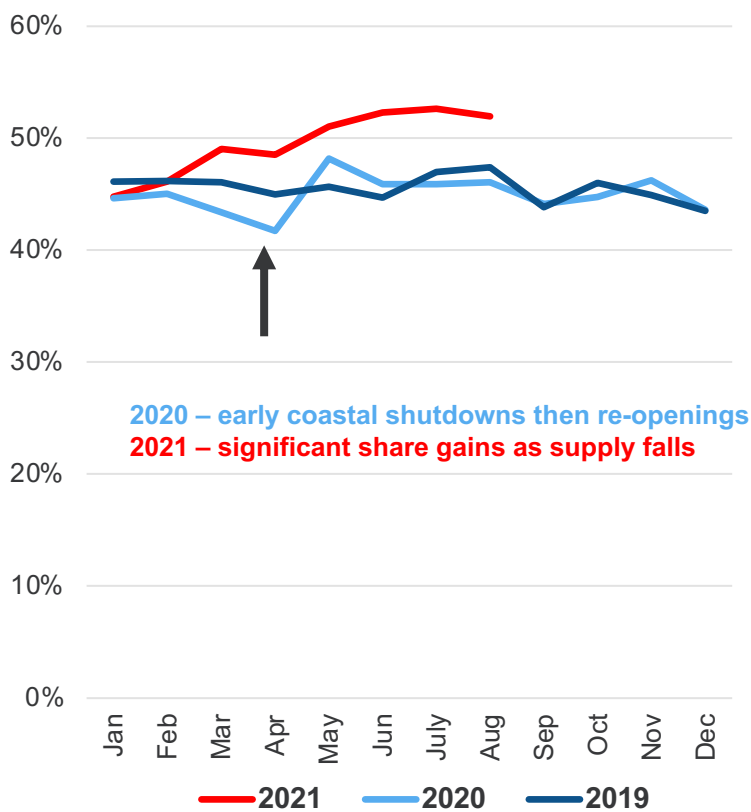


*Some low volume segments not shown

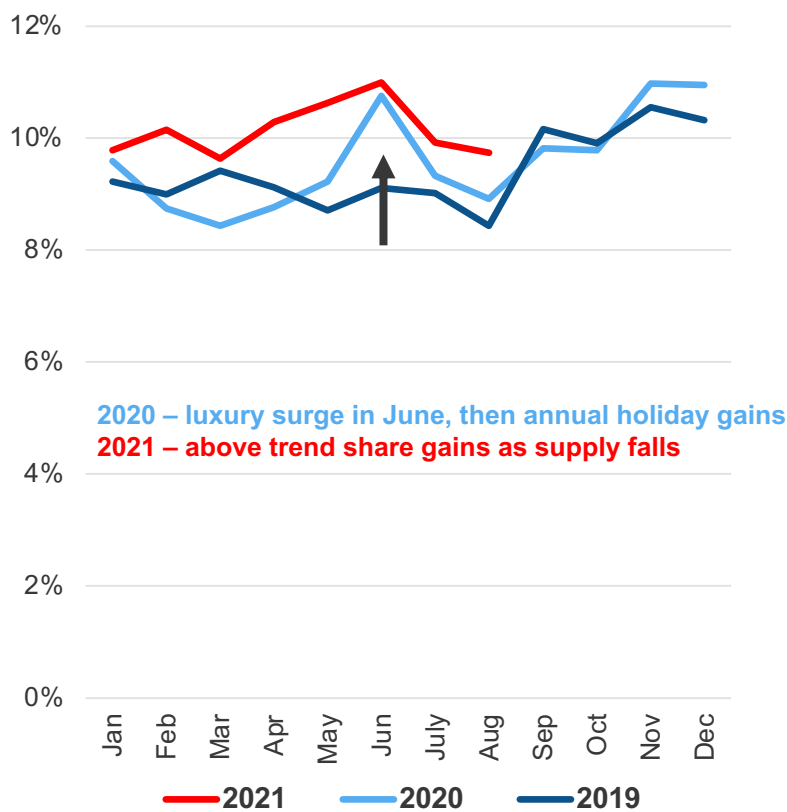
MARKET SHARE: American Brands Hit Hard and Early by Supply Crunch

Leasing improved but lagging – Fleet channels remain muted, and maybe not by choice

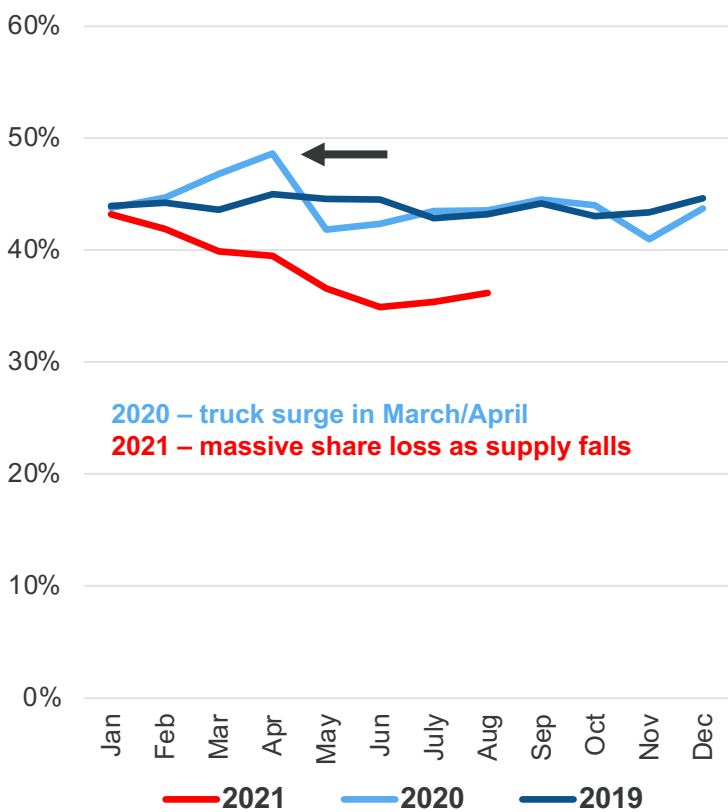
Asian Brands



European Brands



American Brands (no Tesla)



OEM PERFORMANCE: Toyota on the Road To No. 1 – Before Cuts

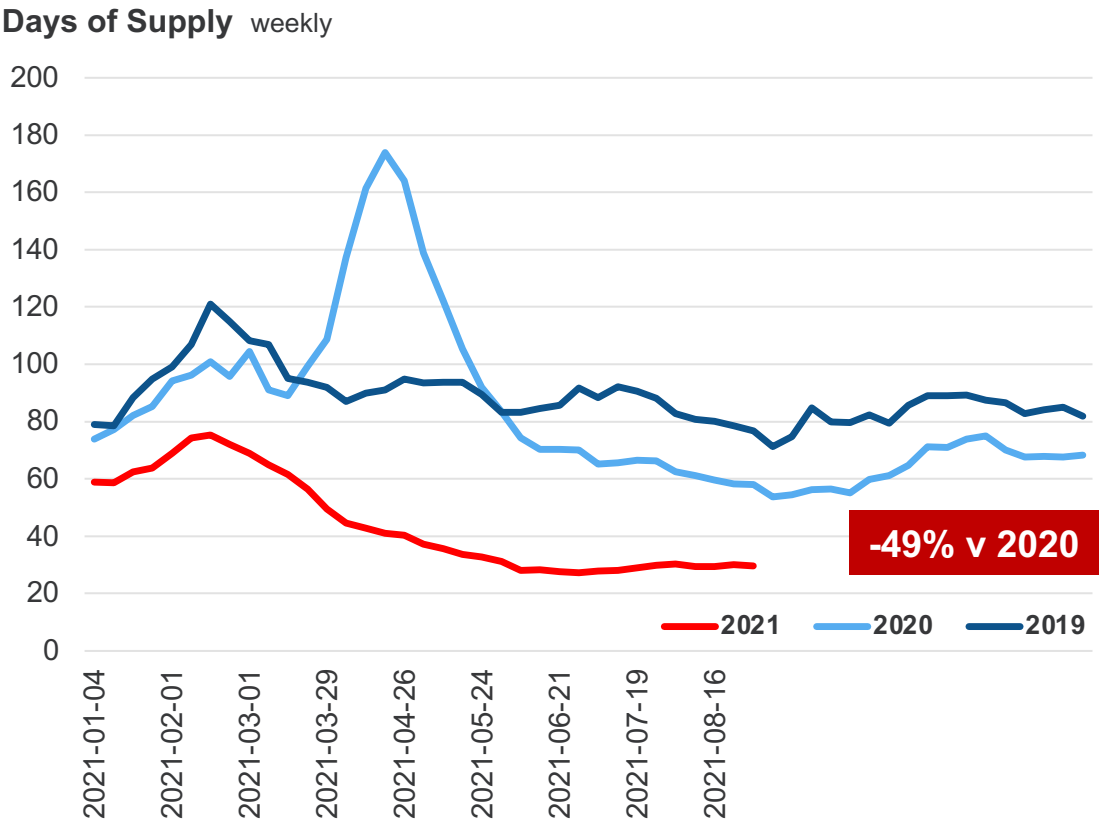
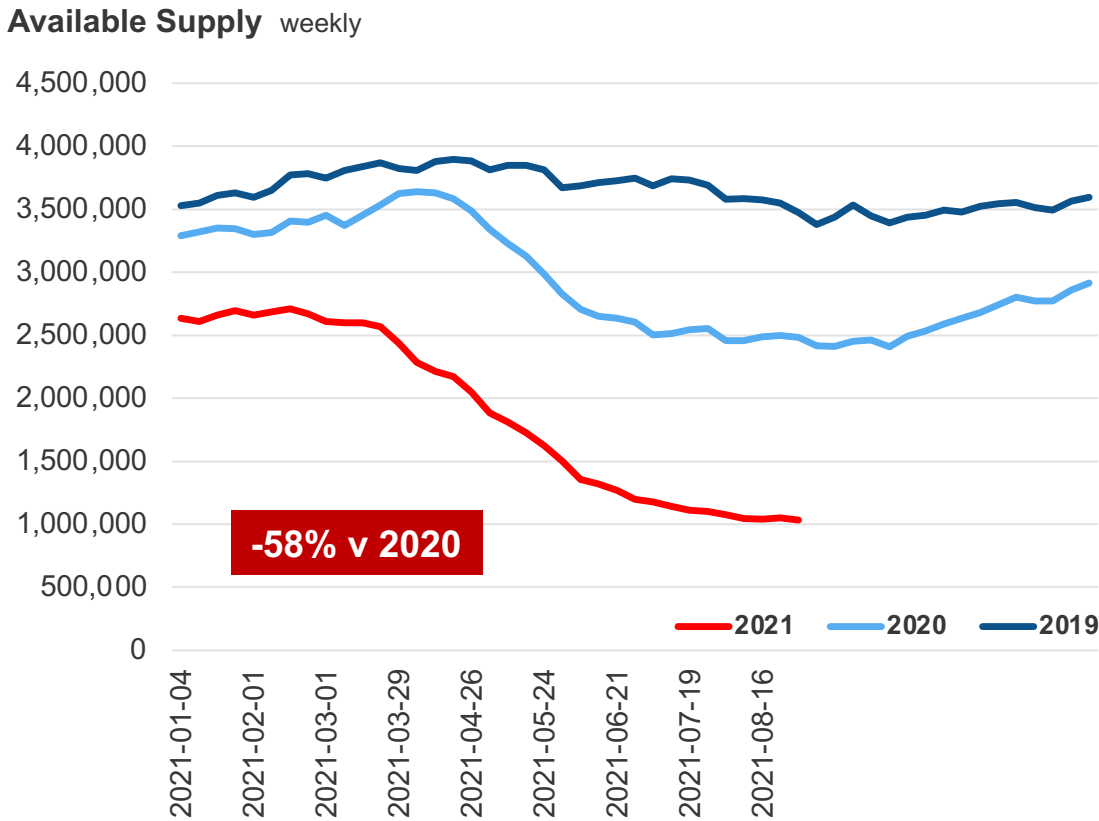
Toyota, Hyundai-Kia gaining market share while American brands – without Tesla – down over 5% so far in 2021

OEM	Q3 2021*	2021 vs 2019	2021 vs 2020	YTD 2021*	2021 vs 2019	2021 vs 2020	Share 2020	Share 2021	Difference
Toyota	586,822	-6.4%	5.1%	1,878,701	5.6%	29.4%	14.5%	16.0%	1.5%
GM	471,098	-36.0%	-28.9%	1,794,200	-16.4%	1.5%	17.4%	15.3%	-2.1%
Stellantis	392,568	-30.5%	-22.6%	1,347,531	-18.9%	2.0%	12.5%	11.5%	-1.0%
Ford	344,147	-40.3%	-37.3%	1,334,118	-26.2%	-10.8%	14.0%	11.4%	-2.6%
Honda	355,424	-17.2%	-8.5%	1,188,934	-1.4%	21.2%	9.2%	10.1%	0.9%
Hyundai Kia	367,875	9.3%	8.3%	1,172,819	19.1%	32.8%	8.4%	10.0%	1.6%
Nissan	208,239	-36.4%	-5.8%	791,940	-24.2%	20.7%	6.2%	6.8%	0.6%
VW	138,474	-16.3%	-7.6%	508,016	5.5%	28.5%	3.9%	4.3%	0.4%
Subaru	141,344	-23.9%	-16.6%	462,594	-11.9%	6.0%	4.2%	3.9%	-0.3%
Mazda	85,236	22.4%	14.5%	274,403	31.8%	35.0%	1.9%	2.3%	0.4%
BMW	79,774	-7.4%	1.4%	263,393	1.2%	32.0%	2.1%	2.2%	0.1%
Daimler	64,392	-28.3%	-24.4%	246,750	-2.7%	7.0%	2.2%	2.1%	-0.1%
Tesla	70,091	28.1%	25.8%	215,621	55.6%	56.9%	1.4%	1.8%	0.4%
Volvo	32,021	17.9%	5.5%	96,041	24.3%	30.5%	0.8%	0.8%	0.1%
Mitsubishi	22,536	-7.9%	-9.3%	75,913	-20.6%	4.5%	0.6%	0.6%	0.0%
Tata	17,682	-33.7%	-22.4%	73,897	-17.0%	10.2%	0.7%	0.6%	0.0%
Nation	3,377,722	-21.9%	-13.8%	11,724,870	-8.1%	13.0%	100.0%	100.0%	0.0%

* Q3 2021 and YTD 2021 are forecasts.

NEW VEHICLE INVENTORY: Can't Sell What Isn't There

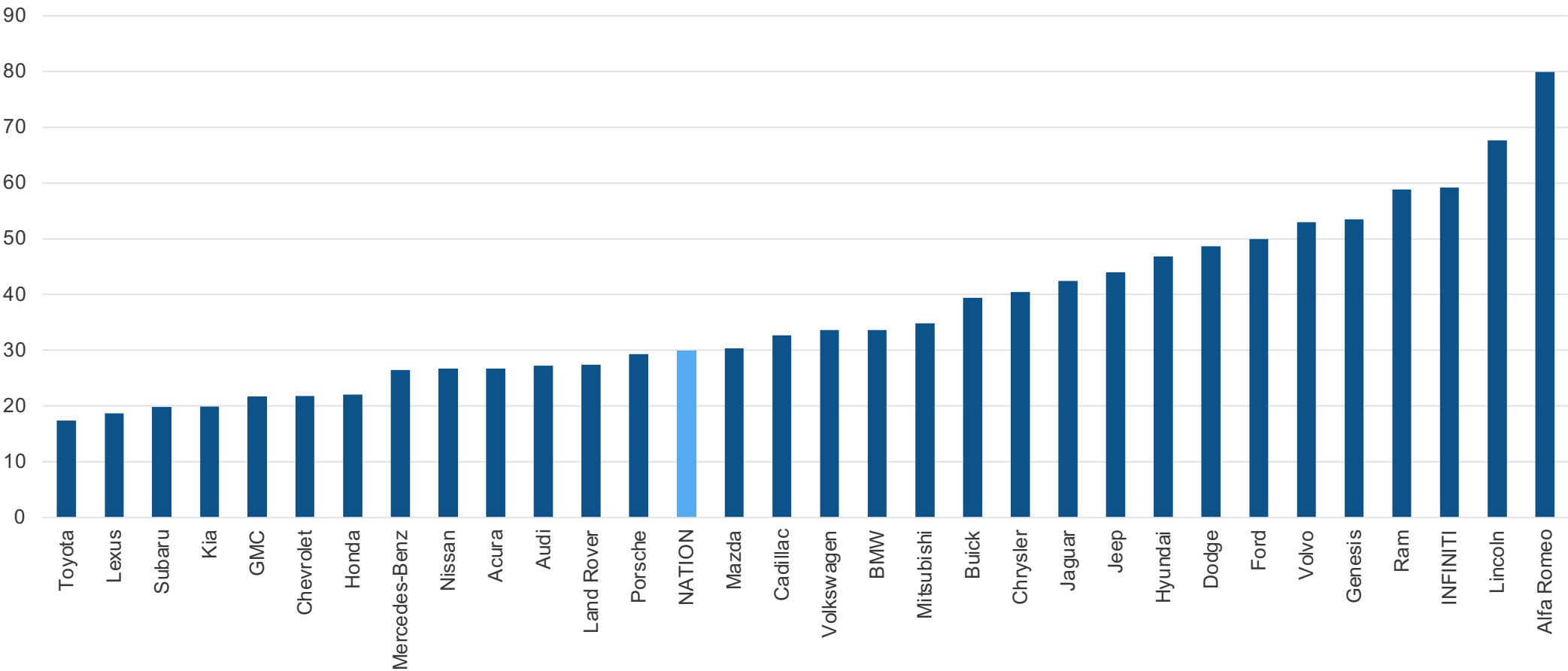
Supply situation bad – 1.4 million fewer vehicles than 2020, and over 2.5 million lower than 2019



BRAND INVENTORY: Supply Situation Varies Significantly

Among big brands, Toyota, Subaru tightest while Ram, Ford have more availability

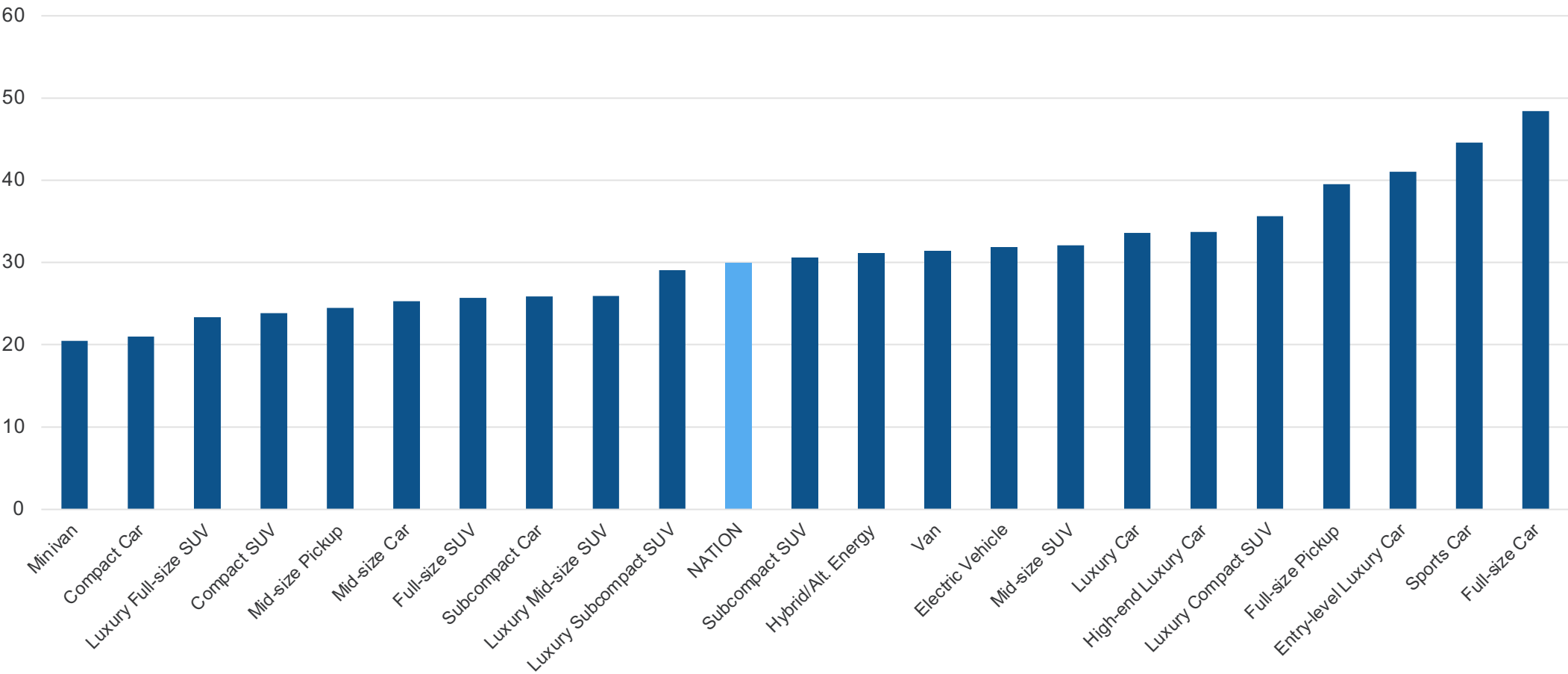
Days Of Supply



SEGMENT INVENTORY: SUVs Tight, Cars Less So

Full-size truck seeing improvement, but multiple product configurations means availability likely still challenged

Days Of Supply



TOP SELLING VEHICLE: F-Series Lead Has Shrunk

Toyota should be able to defend their titles, but announced 40% global production cuts could impact US market

Truck Race	Sales						End of Month Supply	
	<u>YTD 2021</u>	<u>Lead</u>	<u>CY 2020</u>	<u>Lead</u>	<u>CY 2019</u>	<u>Lead</u>	<u>Aug-21</u>	<u>Aug-20</u>
Ford F-Series	471,667		787,422		896,526		66,844	150,146
Ram Pickup	395,095	76,572	563,676	223,746	633,694	262,832	74,974	103,509
Chevrolet Silverado	377,596	94,071	586,675	200,747	570,639	325,887	38,232	75,832

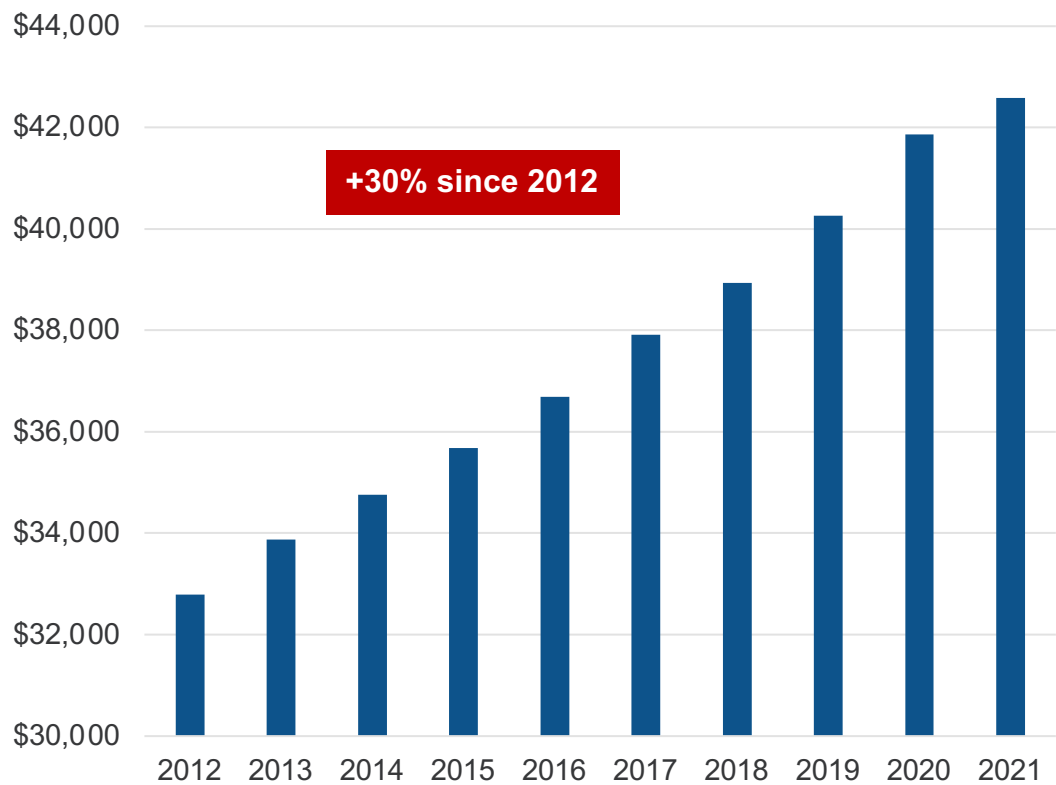
SUV Race	Sales						End of Month Supply	
	<u>YTD 2021</u>	<u>Lead</u>	<u>CY 2020</u>	<u>Lead</u>	<u>CY 2019</u>	<u>Lead</u>	<u>Aug-21</u>	<u>Aug-20</u>
Toyota RAV4	292,021		430,387		448,068		18,484	27,520
Honda CR-V	272,657	19,364	333,502	96,885	384,168	63,900	11,038	52,234

Car Race	Sales						End of Month Supply	
	<u>YTD 2021</u>	<u>Lead</u>	<u>CY 2020</u>	<u>Lead</u>	<u>CY 2019</u>	<u>Lead</u>	<u>Aug-21</u>	<u>Aug-20</u>
Toyota Camry	237,663		294,348		336,978		18,178	43,750
Honda Civic	200,928	36,735	261,225	33,123	325,650	11,328	9,163	38,749

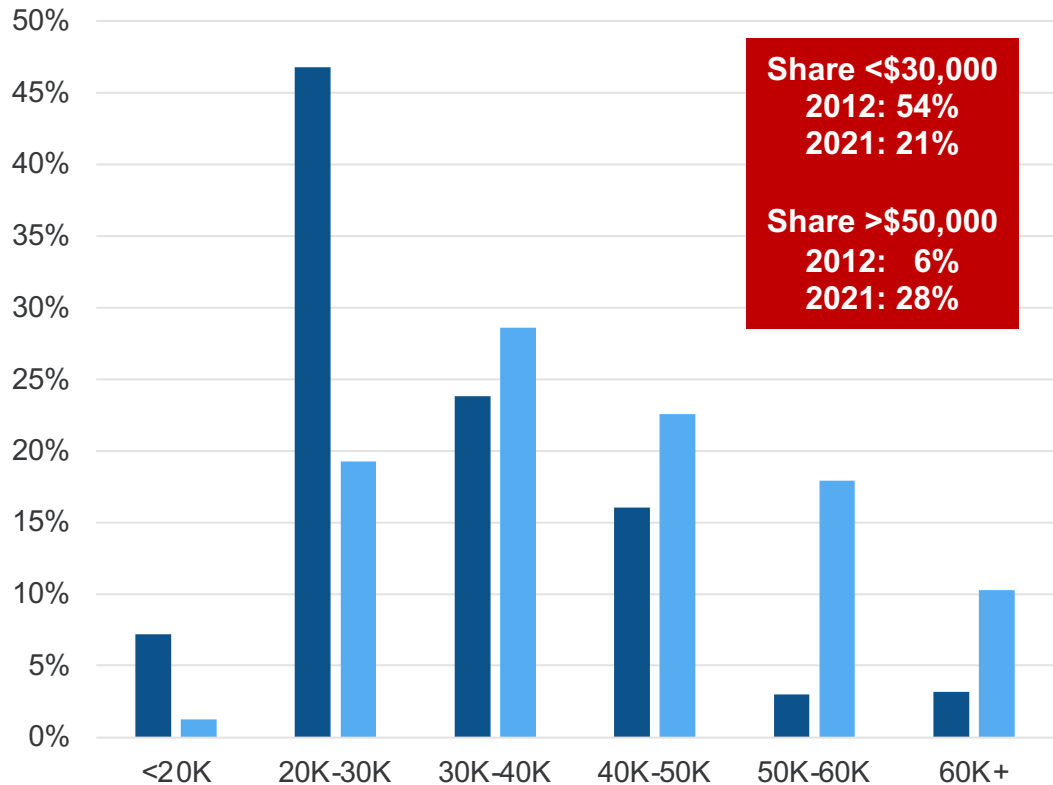
VEHICLE AFFORDABILITY: Rising Prices Transforming Marketplace

In 2012, 22% of the market was priced above \$40K – now 51%, value buyers forced into the Used market

Average Vehicle Sold MSRP



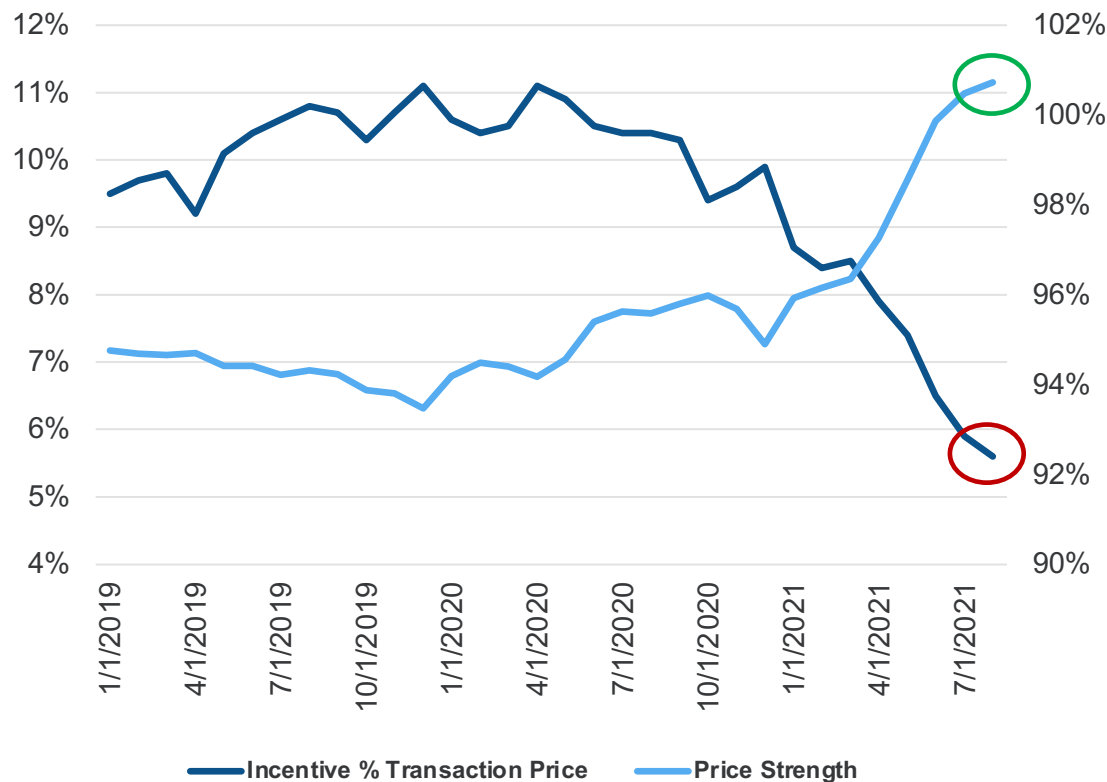
Share of Market by MSRP Price Range 2012 – 2021



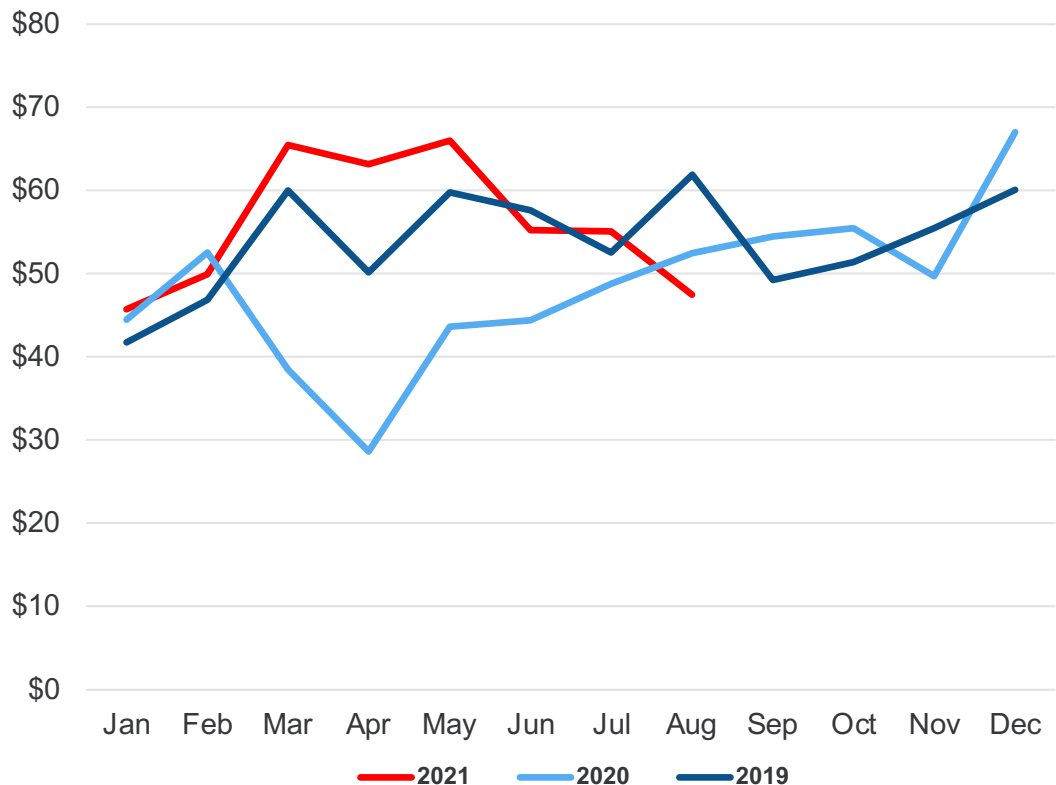
MONTHLY REVENUE: Strong Margins Can't Offset Lower Volumes

Discounting down but so are sales – lack of supply as holiday season approaches will constrain OEM profits

Incentive % of Transaction Price



Estimated Monthly Transaction Revenue (\$ billions)



MARKET UPDATE: ELECTRIC VEHICLES

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LEA MALLOY

HEAD OF EV BATTERY SOLUTIONS,
COX AUTOMOTIVE MOBILITY

EV SALES: Up in a Down Market, Again

	Q3 2021 Forecast	Q3 2020 Estimates	Change
Audi e-tron	945	2,296	-58.8%
BMW i3	467	616	-24.2%
Chevrolet Bolt EV/EUV	5,960	5,682	4.9%
Ford Mustang Mach-E	6,300	-	-
Hyundai Ioniq	470	375	25.3%
Hyundai Kona	1,429	777	83.9%
Jaguar I-Pace	123	299	-58.9%
Kia Niro	1,676	1,495	12.1%
Mini Cooper	439	49	795.9%
Nissan Leaf	2,398	1,916	25.2%
Polestar 2	458	-	-
Posche Taycan	1,854	1,858	-0.2%
Tesla Model 3	25,649	27,200	-5.7%
Tesla Model S	2,787	1,850	50.6%
Tesla Model X	3,352	1,250	168.2%
Tesla Model Y	38,303	25,400	50.8%
Volvo XC40	414	-	-
VW ID.4	6,536	-	-
Total EV	99,560	71,063	40.10%

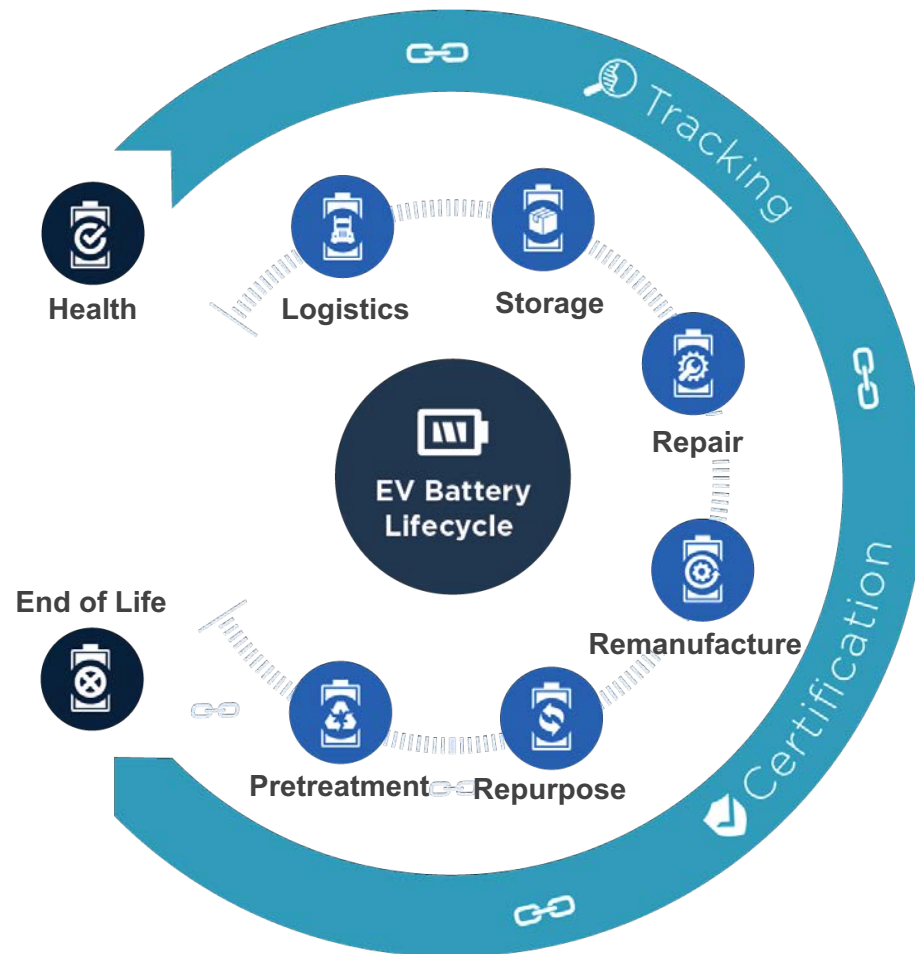
EV Sales	Volume	Y-o-Y Growth
Q1	98,832	44.8%
Q2	118,233	250.0%
Q3 (forecast)	99,560	40.1%
YTD	316,625	183.4%



EV IS DIFFERENT: Bringing Broad Implications to the Automotive Ecosystem

	ICE	EV
Vehicle Cost Structure	Powertrain is 13% of Vehicle Cost	Powertrain is 37% of Vehicle Cost , and headed down
Vehicle Value	Key driver is year and mileage Diagnostic capabilities are widespread	Key driver is battery health Minimal to no diagnostic capabilities
Salvage	Established salvage value chain	Salvage and recycling process not scaled Recycling is economically + environmentally critical
Residual Value	Large depreciation data history High-level confidence from consumers + banks	Minimal depreciation history Low confidence drives discounted values
Service and Diagnostics	Frequent, well-known maintenance schedule Service/repair capabilities are widespread	Evolving, high-tech service needs Limited service/repair capabilities Extended powertrain warranties

LIFECYCLE OF EV BATTERY SERVICES: Essential to Support Market Growth



Battery health

Guide to valuations and servicing recommendations

Remanufacturing

Battery remanufacturing or refurbishment per OEM standards

Logistics

Forward and reverse transport of packs between partners for servicing

Repurpose

Use of automotive battery packs in non-automotive environments

Pretreatment recycling

End-of-life treatment of packs

Storage

Monitored, climate-controlled pack storage

Tracking

Digital chain of custody for each EV battery



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MOBILITY



MARKET PERFORMANCE: USED VEHICLES

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KAYLA REYNOLDS

MANAGER, ECONOMIC AND INDUSTRY INSIGHTS



@AutoKayla

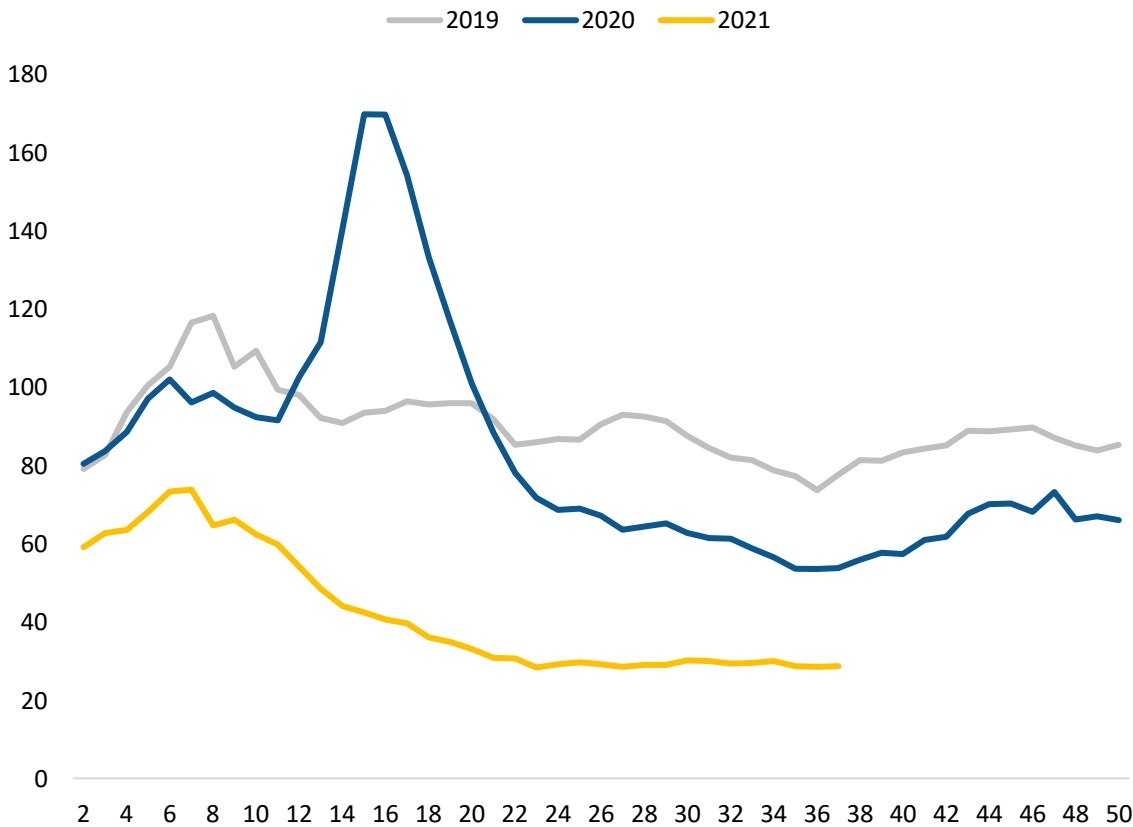
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QUARTERLY SALES PACE: Slowing After A Spring Frenzy

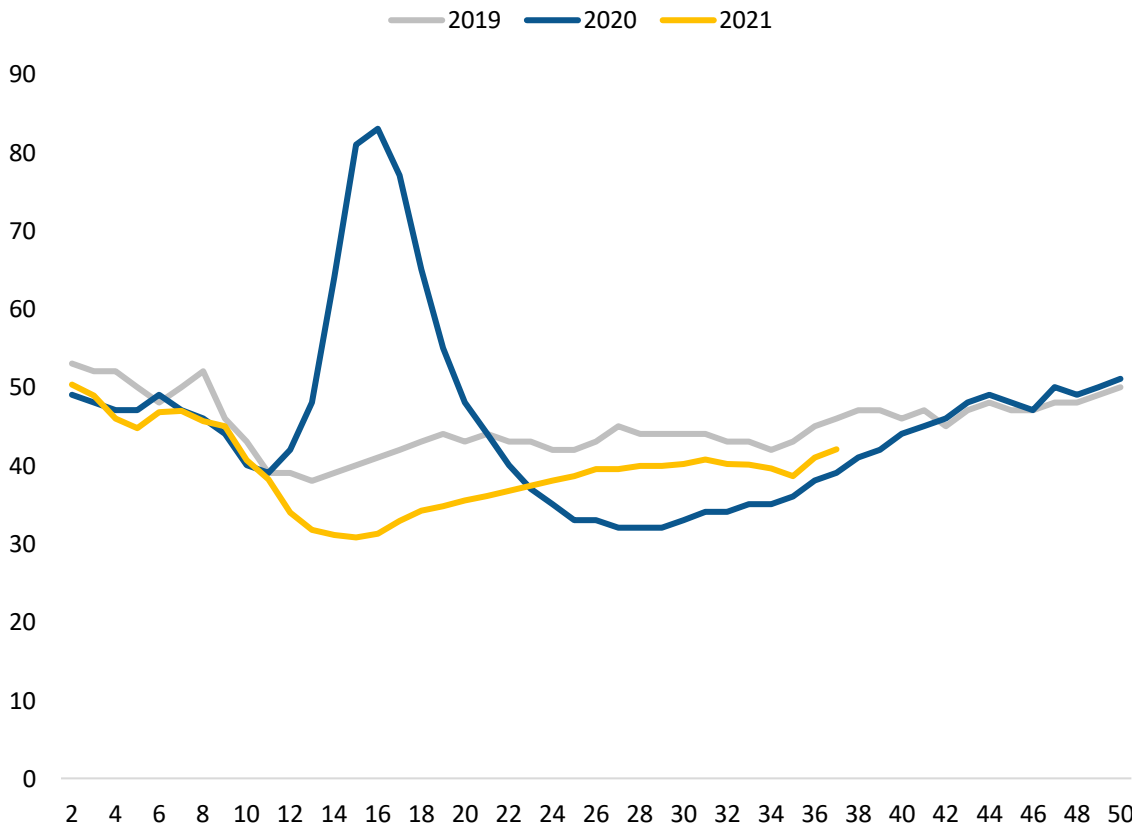
		Total Used SAAR	Retail Used SAAR
Q2	April	44.2	24.2
	May	44.0	24.0
	June	40.8	22.3
Q3	July	41.7	22.8
	August	35.7	19.5
	September Forecast	35.7	19.5

INVENTORY MANAGEMENT: Days' Supply Stabilizes

New Days' Supply

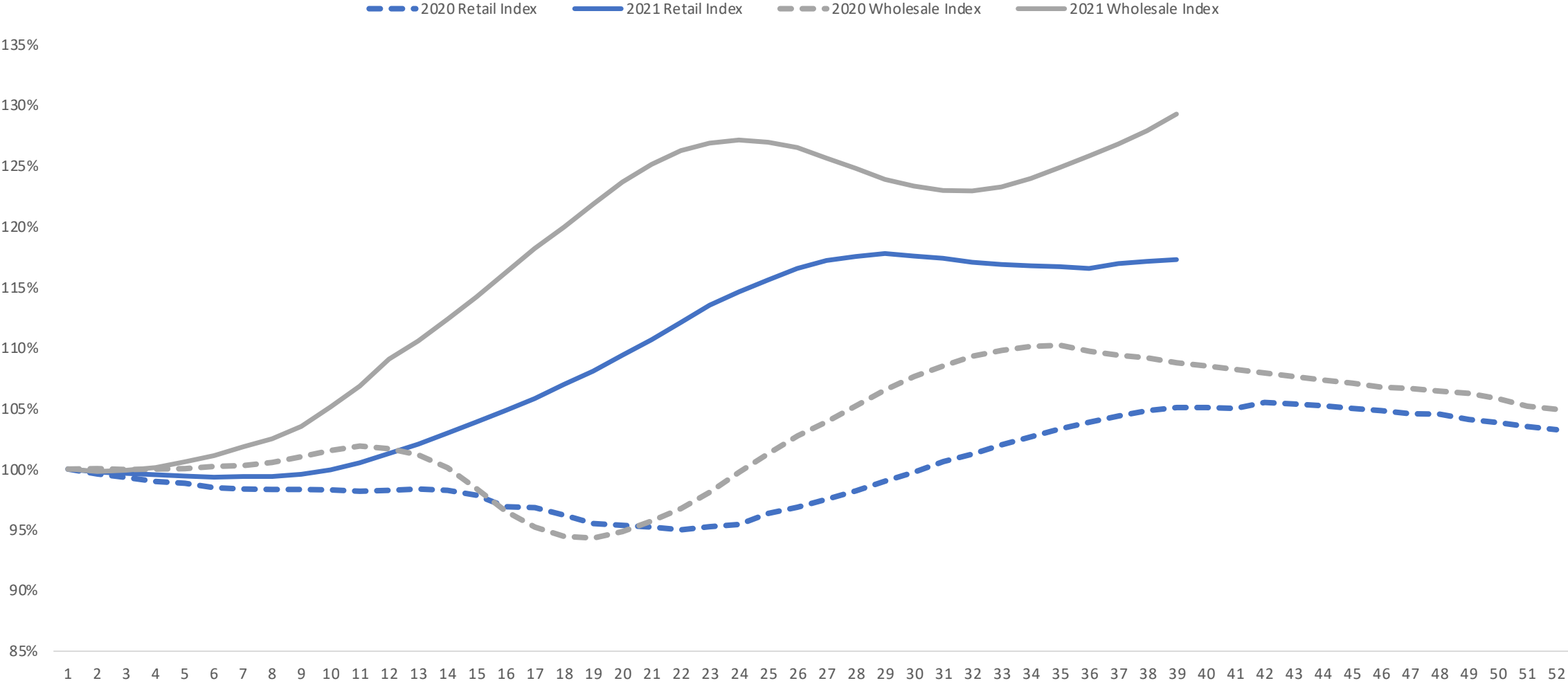


Used Days' Supply

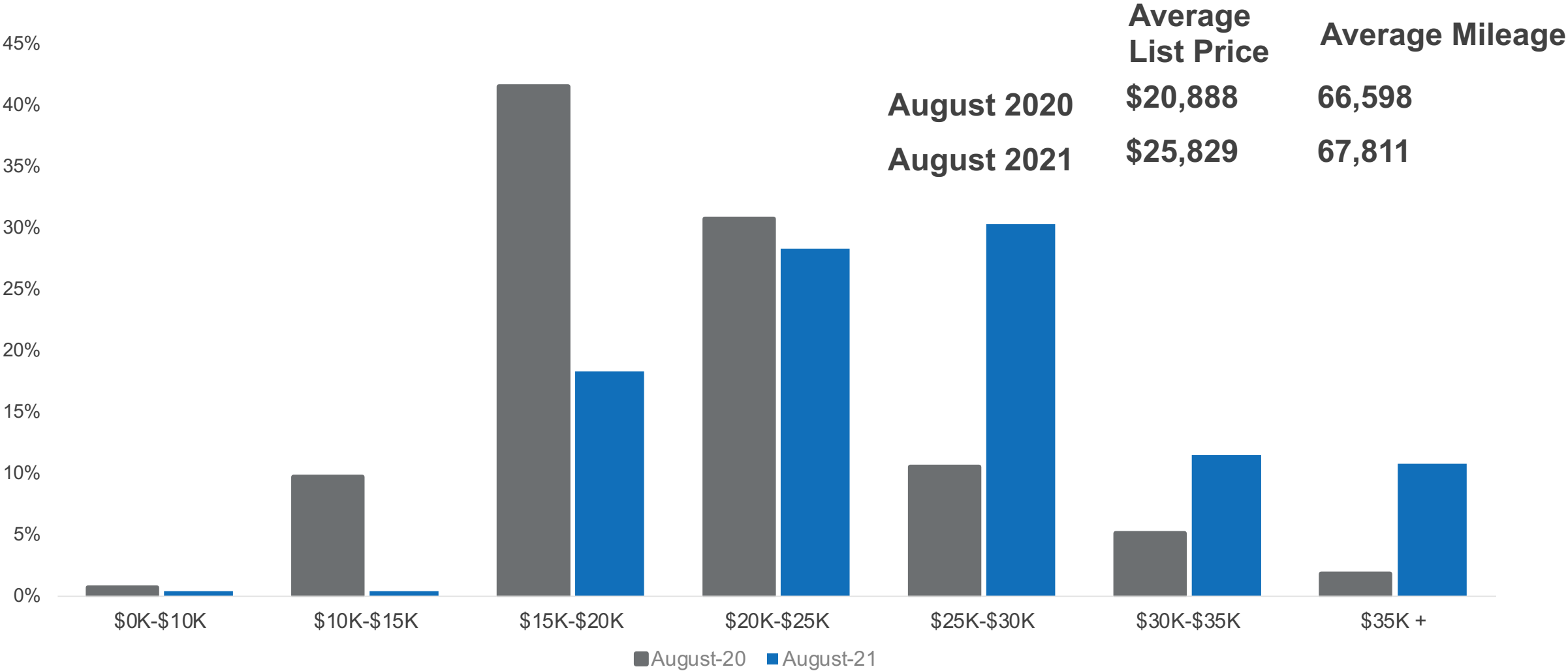


PRICE MOVEMENT: Upward Trend Leads to Record Highs

MY 2018 Retail and Wholesale Price Index

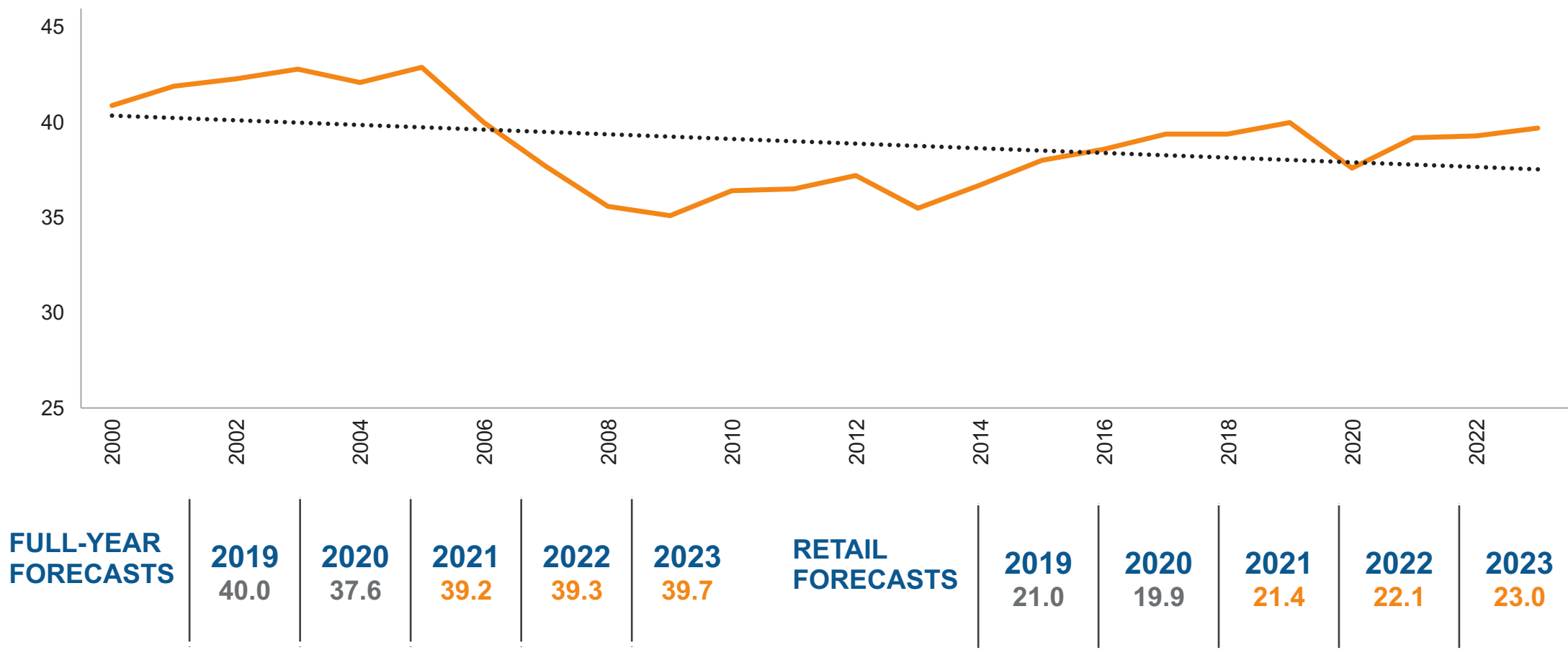


RETAIL INVENTORY: High Demand, Few “Affordable” Used Vehicles



USED-VEHICLE SALES AND FORECAST: Outlook Remains Positive

USED VEHICLE SALES OUTLOOK (MILLIONS)



AFFORDABILITY, MARKET SNAPSHOT & PLAYLIST

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JONATHAN SMOKE

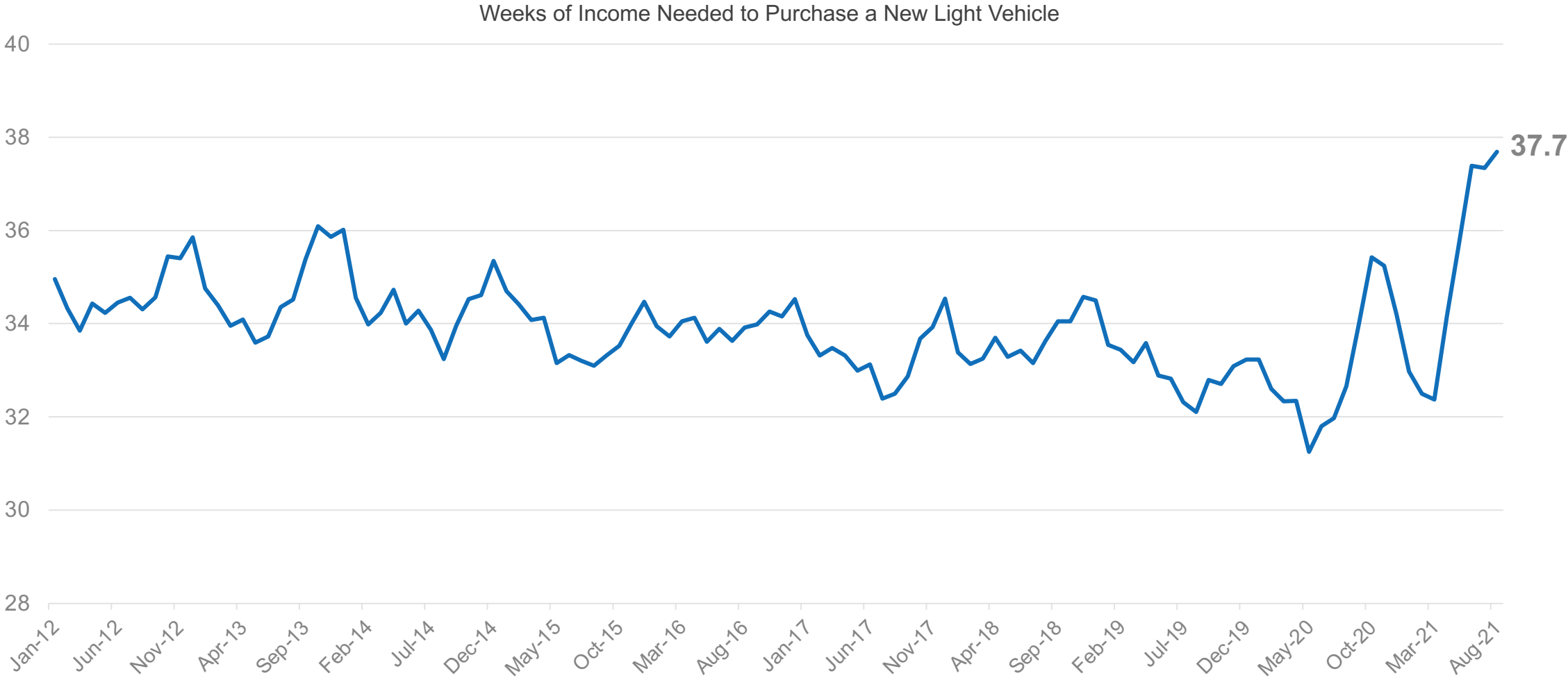
CHIEF ECONOMIST



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VEHICLE AFFORDABILITY: August Worse Than Any Month in Index Data

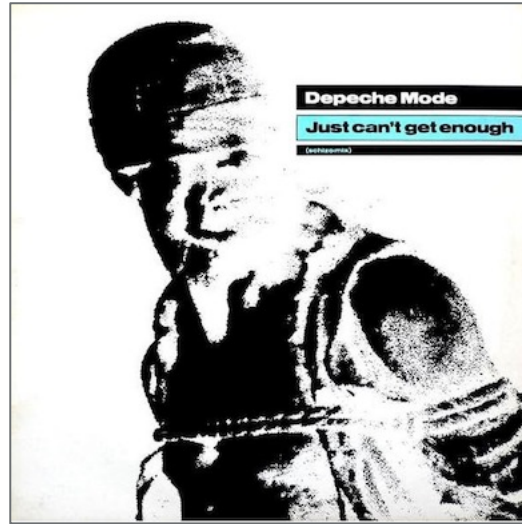


PLAYLIST: Four Fall Tunes Inspired by the '80s



**Some Like It Hot
by The Power Station**

U.S. Economy



**Just Can't Get Enough
by Depeche Mode**

Vehicle Inventory



**Higher Love
by Steve Winwood**

Vehicle Prices



**Opportunities (Let's
Make Lots of Money)
by Pet Shop Boys**

Profitable Growth

Q&A

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THANK YOU!

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