



Q3 Industry Insights and Sales Forecast Call

September 28, 2022

COX AUTOMOTIVE



Agenda

Time Check: 90 Minutes

Intro & Cox Automotive

Mark Schirmer, Director, Corporate Communications

The Economy

Jonathan Smoke, Chief Economist

Market Performance: Used Vehicles

Chris Frey, Senior Manager, Economic and Industry Insights

Market Performance: New Vehicles

Charlie Chesbrough, Senior Economist

2022 Predictions & Playlist

Jonathan Smoke, Chief Economist and Resident DJ

Q&A

w/ Michelle Krebs, Executive Analyst

Rebecca Rydzewski, Research Manager

The Power of Cox Automotive

The world's largest automotive services provider



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Autotrader 

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MOBILITY

DEALER.COM

Dealertrack 

 F&I Express

FYUSION

 Kelley Blue Book

 Manheim

NEXTGEAR
CAPITAL

 SPIERS
NEW
TECHNOLOGIES

vAuto
LIVE MARKET VIEW

VinSolutions

∞xtime

DRIVEQ
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The Economy

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Jonathan Smoke

Chief Economist

 @smokeoncars

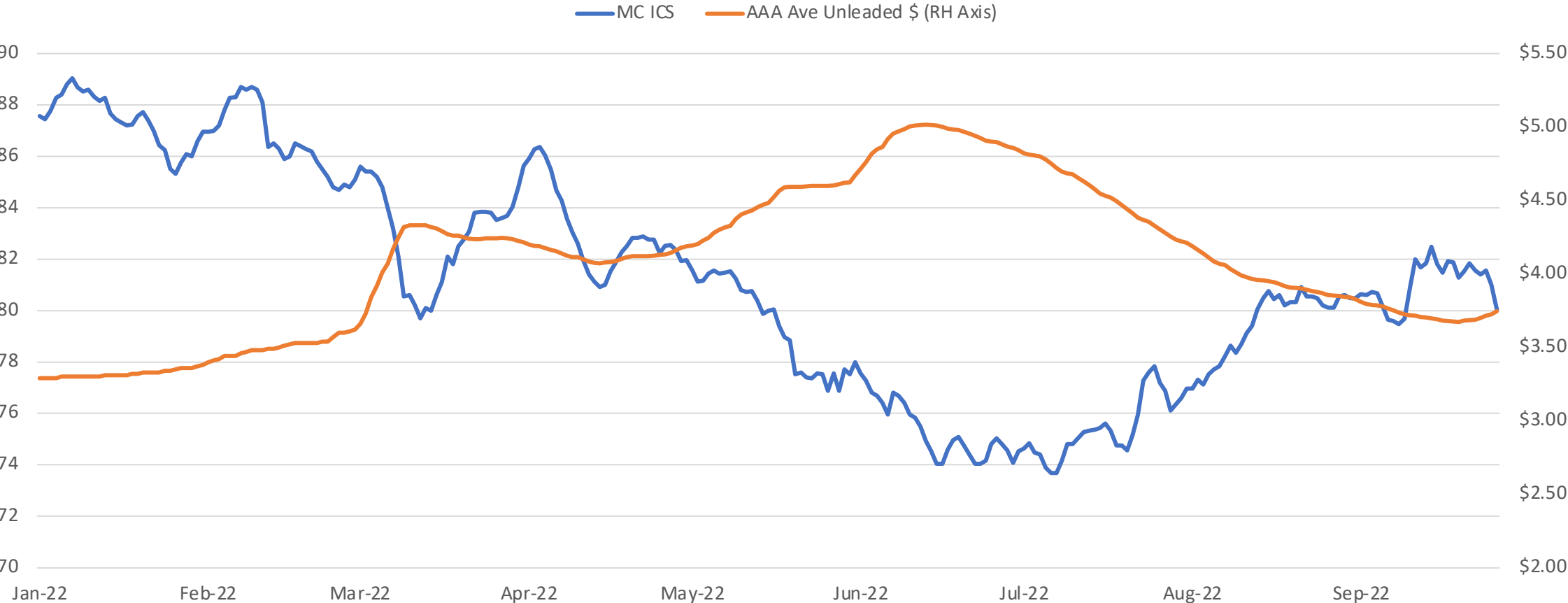
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State of the Industry

Sentiment had been improving until last week

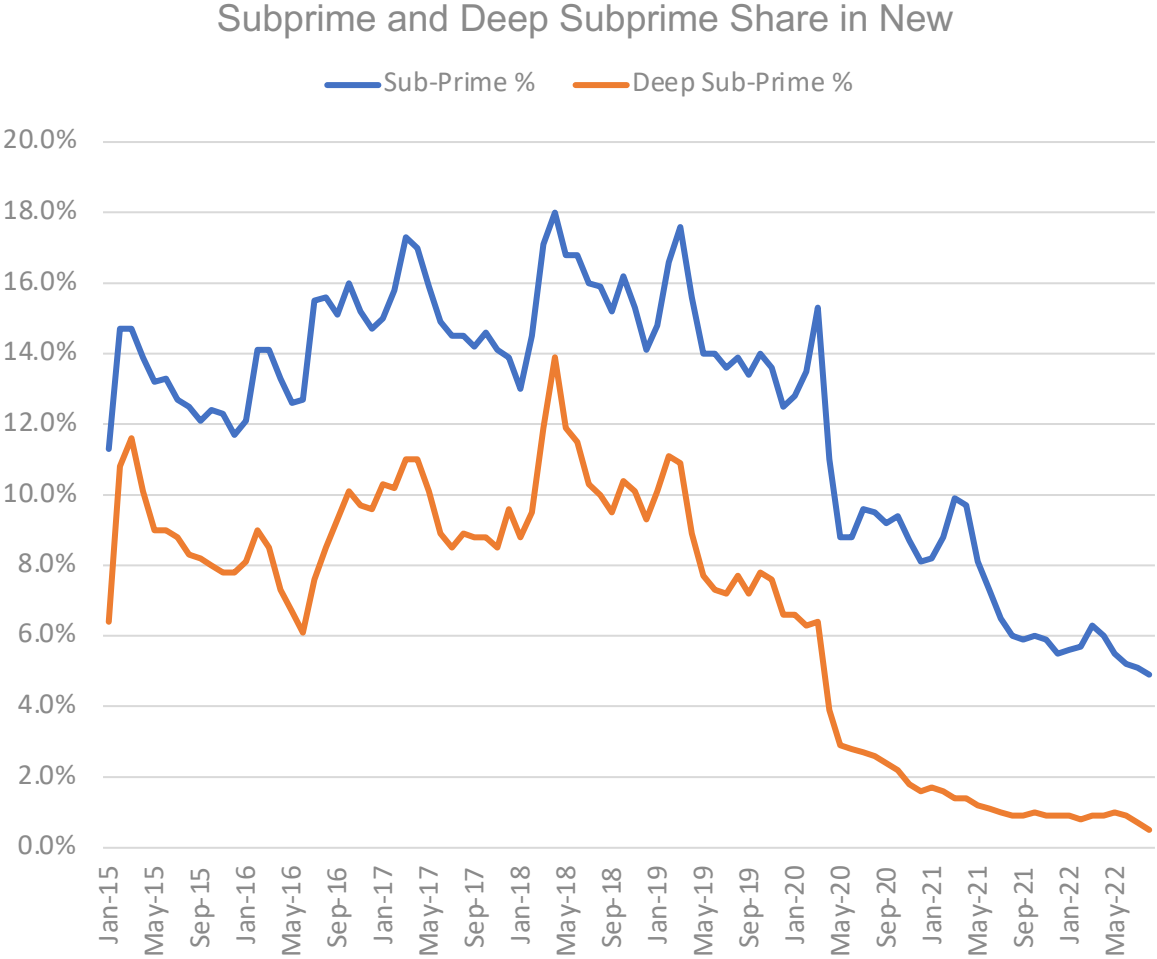
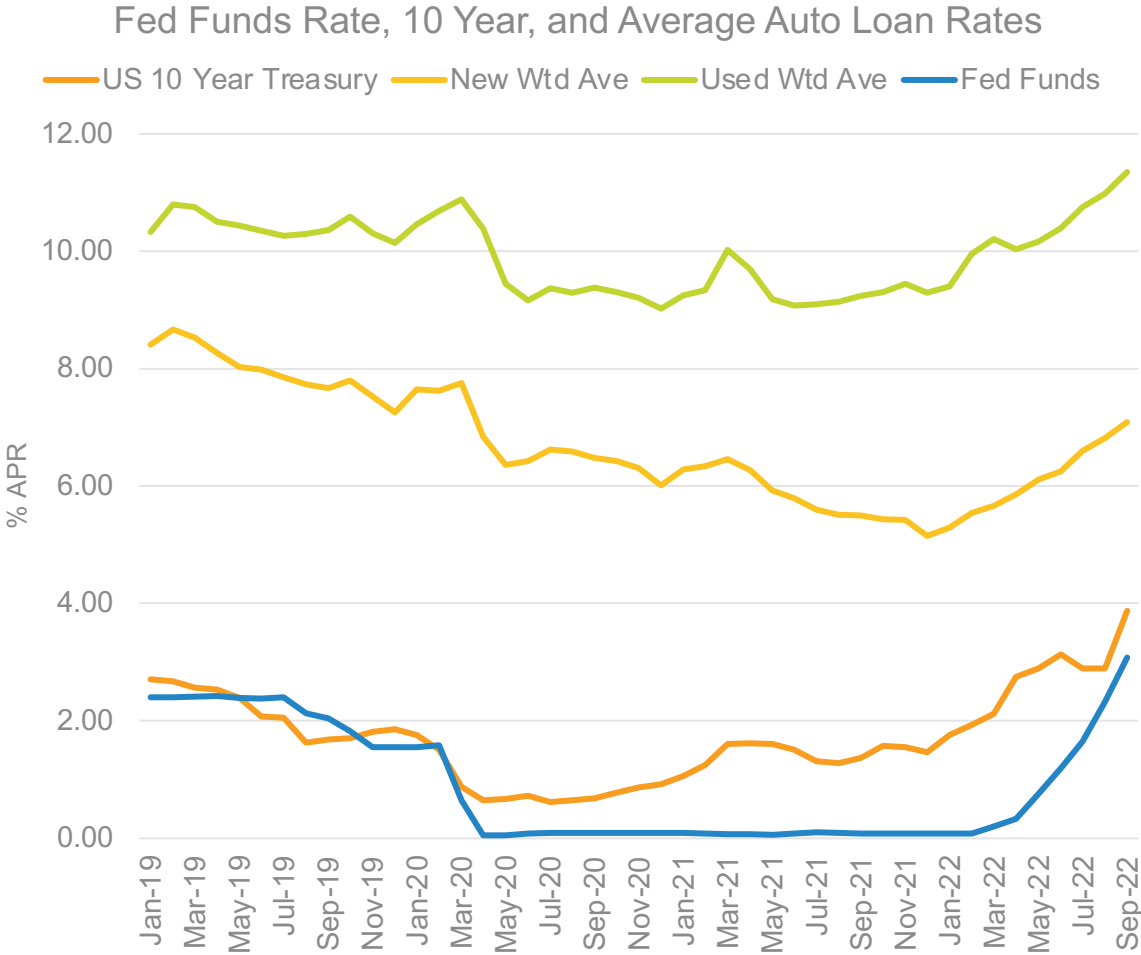
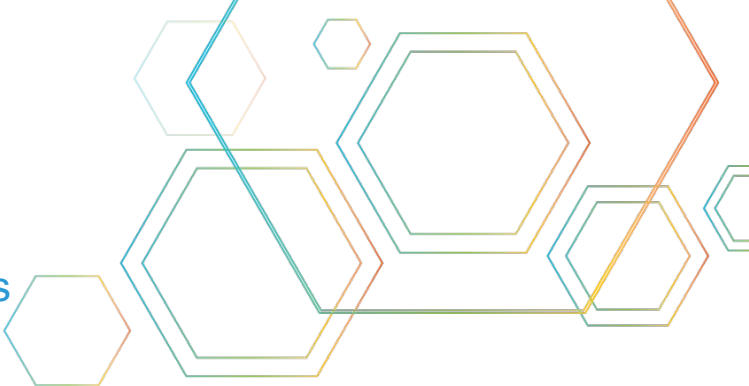


Morning Consult Index of Consumer Sentiment vs. Average Price of Unleaded









State of the Industry

Fastest and largest increases in interest rates since 1981 resulting in affordability crisis







The Economy



Overall Economy	Real GDP Growth	+2.3% (Q3 '21)	-0.6% (Q2 '22)	+1.3% (Q3 '22 F)	
Employment Conditions	U3 Unemployment Rate	5.2% (Aug '21)	3.5% (Jul '22)	3.7% (Aug '22)	
Buyer Confidence	UofM Consumer Sentiment	72.8 (Sep '22)	58.2 (Aug '22)	59.5 (Sep '22 P)	
Wages	Earnings Growth	4.3% (Aug '21)	5.2% (Jul '22)	5.2% (Aug '22)	
Buyer Ability	Disposable Income Y/Y	1.5% (Jul '21)	2.3% (Jul '22)		

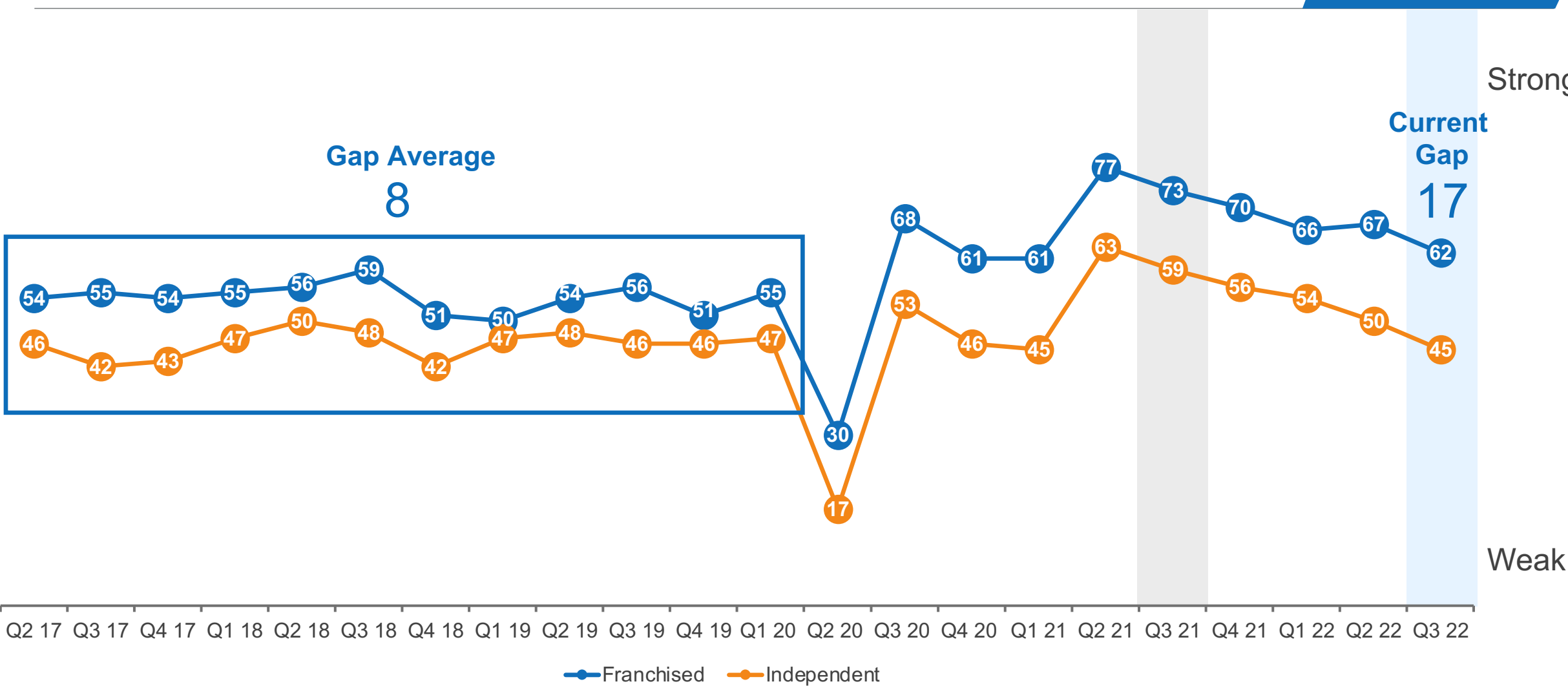
The Economy

Auto Finance	FRBNY	\$202 billion (Q2 '21)	\$199 billion (Q2 '22)		
Interest Rates	Effective Fed Funds Rate	0.08% (Sep '21)	3.08% (Sep '22)		
Borrowing Costs	Average New Auto Loan Rate	5.49% (Sep '21)	7.09% (Sep '22)		
Mobility Costs	AAA Average Retail Unleaded Gasoline Price	\$3.19 (Sep '21)	\$3.83 (Aug '22)	\$3.73 (Sep 25)	

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

Dealer Sentiment Index

THIRD QUARTER 2022



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

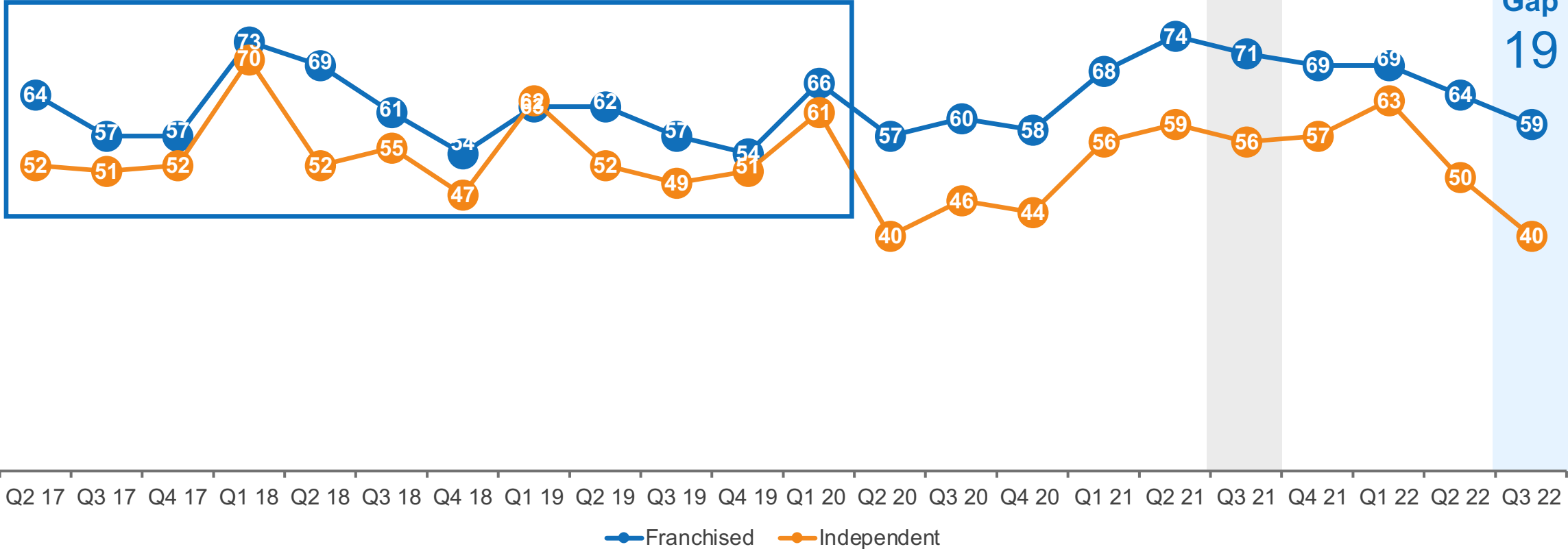
THIRD QUARTER 2022

Gap Average
7

Current Gap
19

Strong

Weak

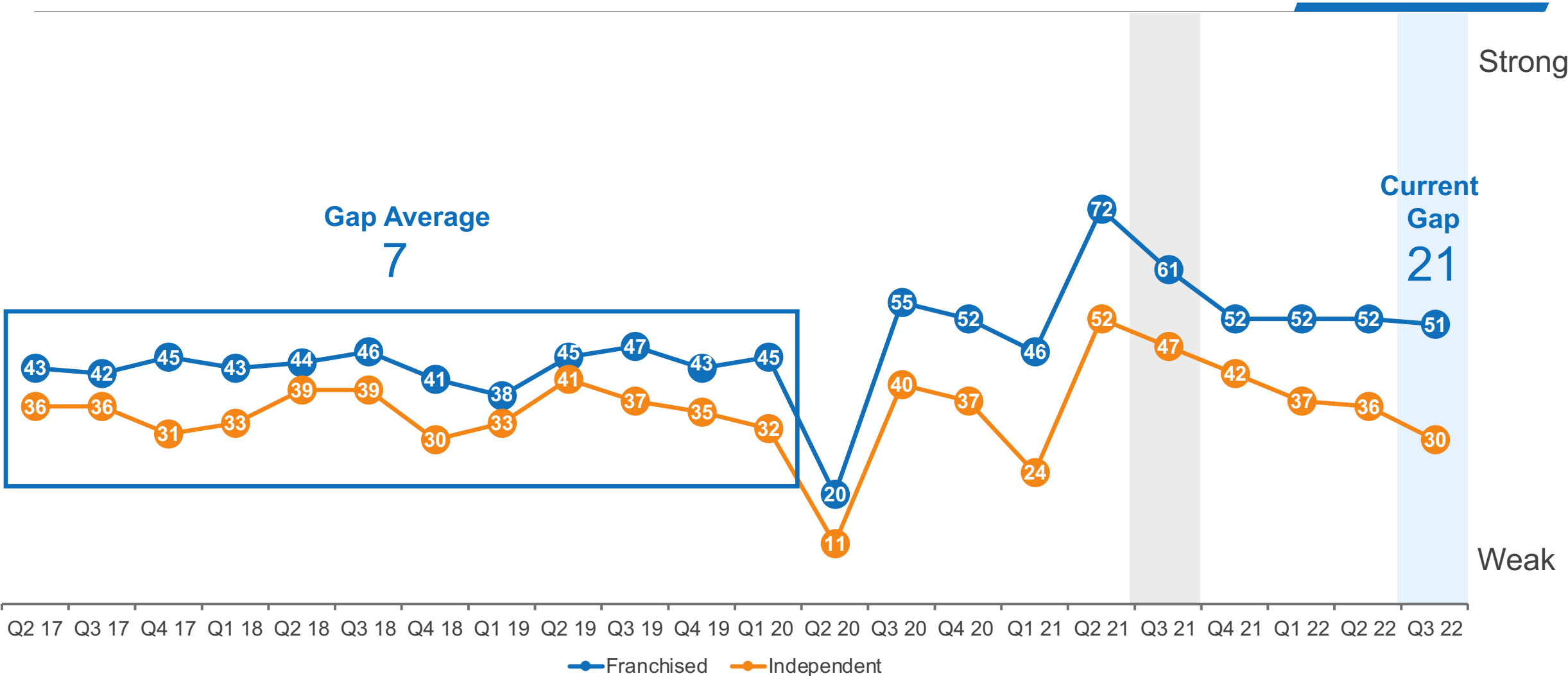


Note: Scale 1 - 100

How do you rate the customer traffic to your dealership over the past 3 months?

Dealer Sentiment Index

THIRD QUARTER 2022

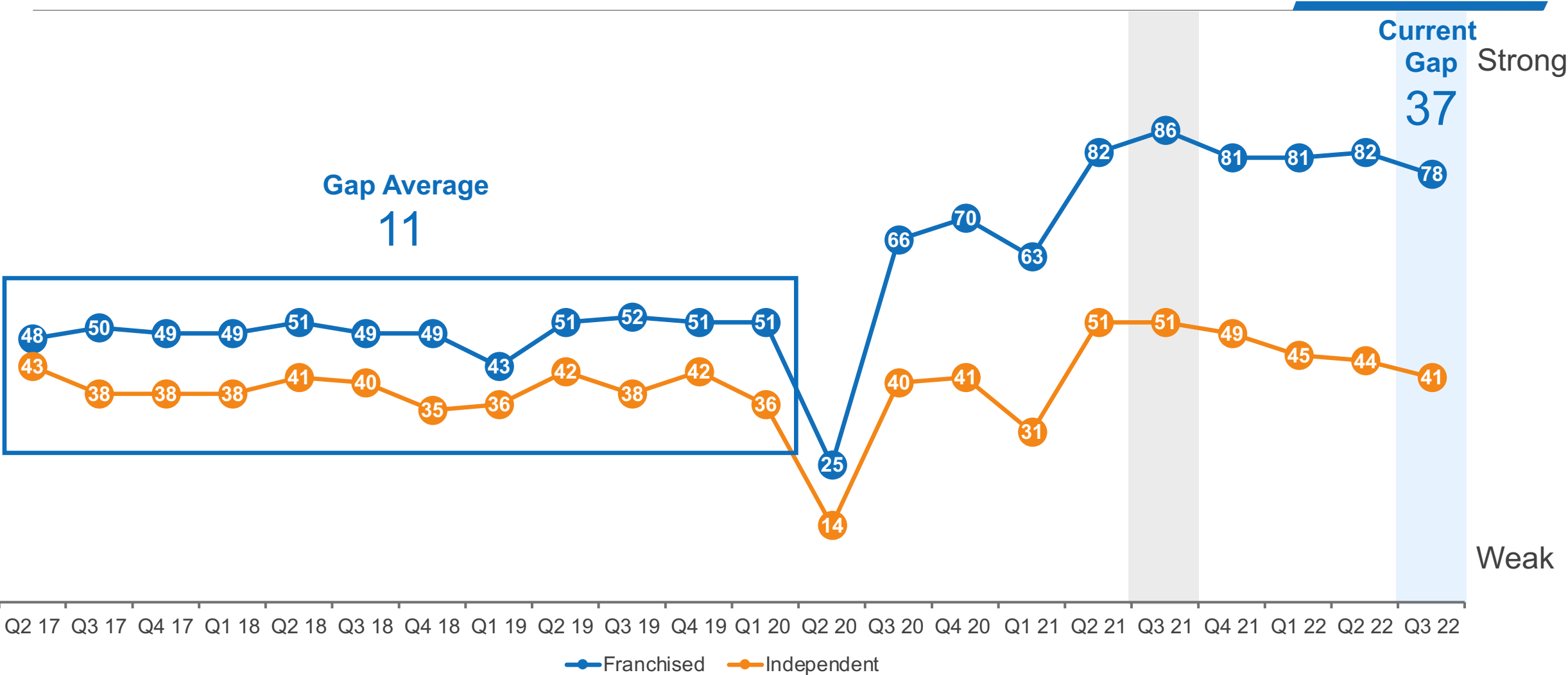


Note: Scale 1 - 100

Dealer Sentiment Index

THIRD QUARTER 2022

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



Note: Scale 1 - 100

Dealer Sentiment Index

THIRD QUARTER 2022

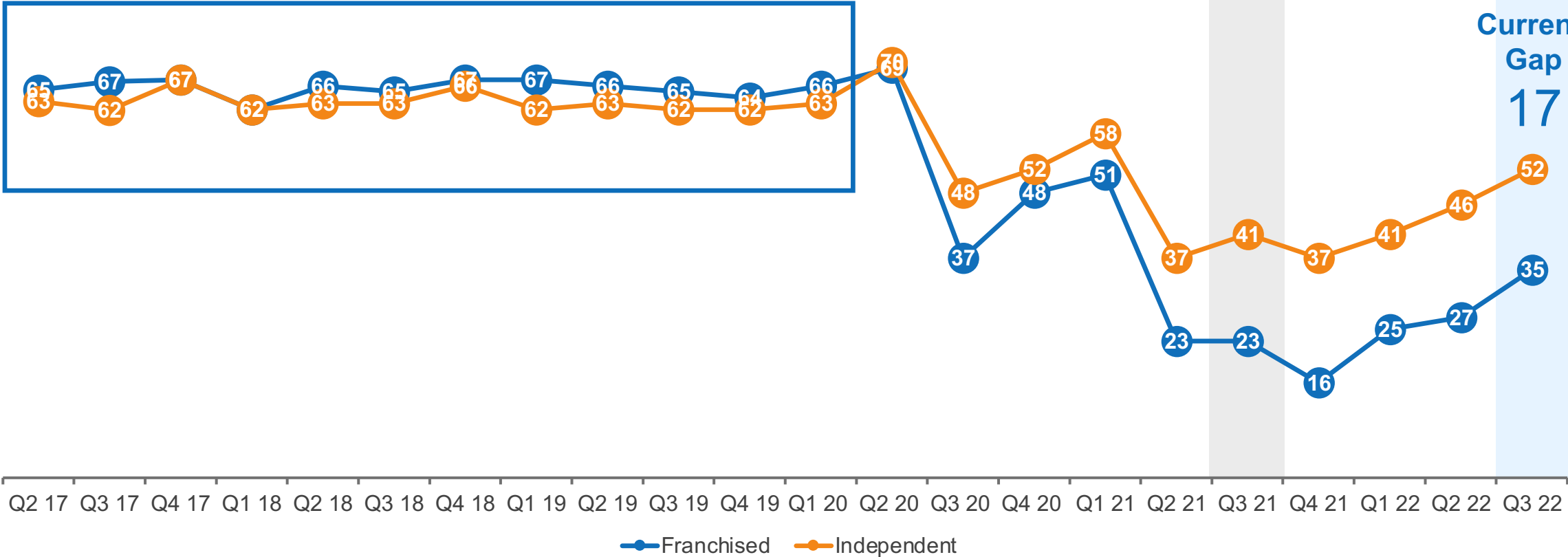
How much pressure do you feel to lower your prices?

Gap Average
2

More

Current
Gap
17

Less



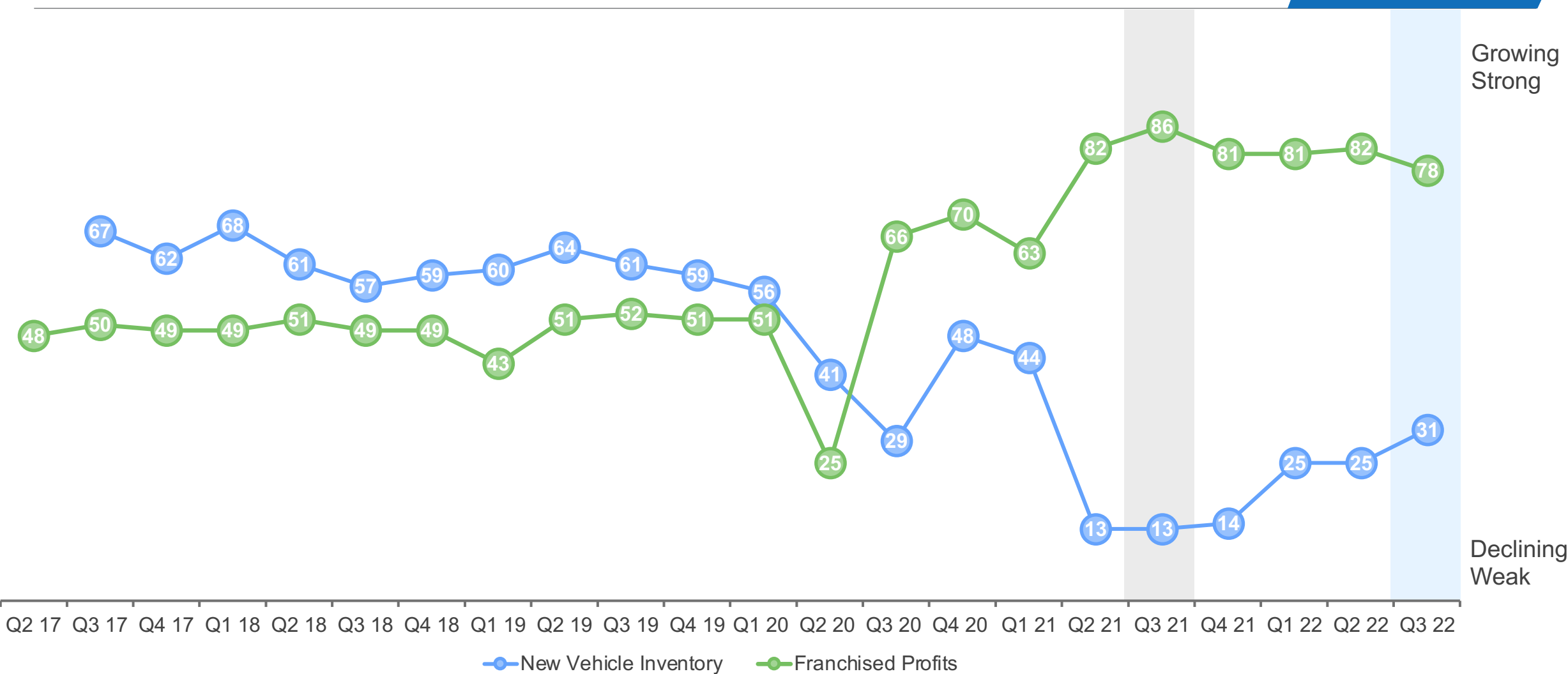
Note: Scale 1 - 100

Inventory/Profits

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

Dealer Sentiment Index

THIRD QUARTER 2022



Note: Scale 1 - 100



Market Performance: Used Vehicles

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Chris Frey

Senior Manager, Economic and Industry
Insights

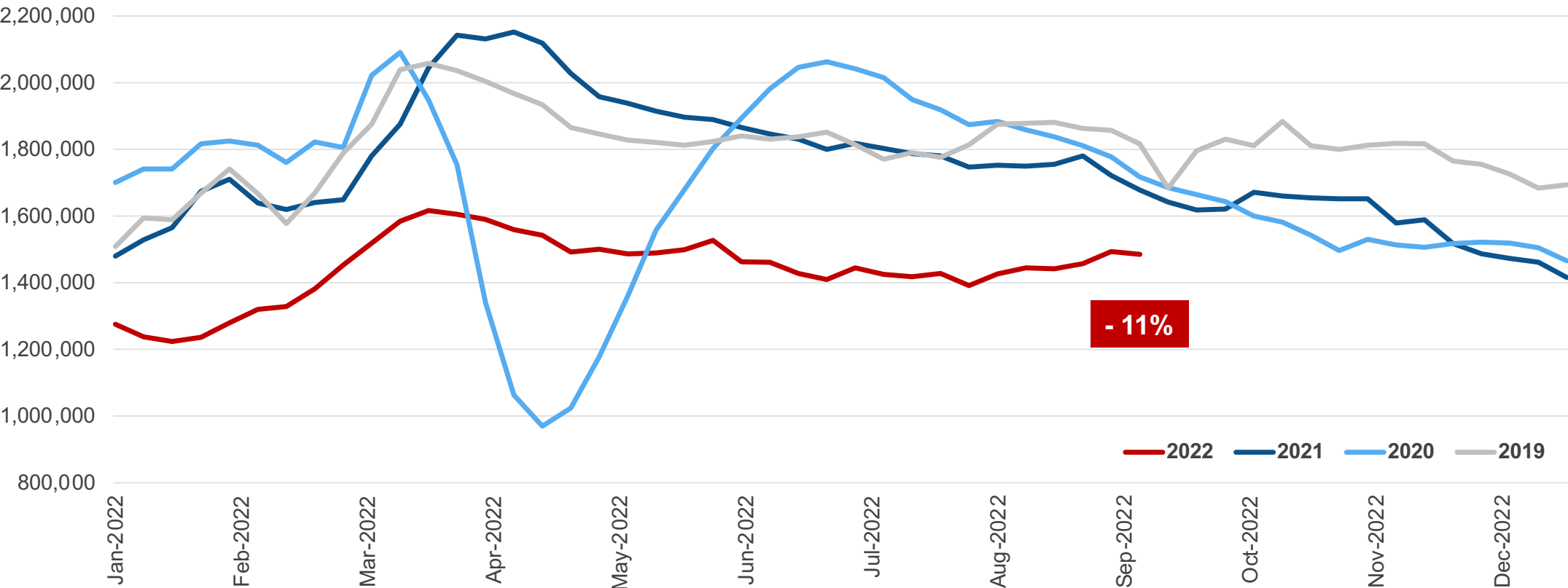
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Used-Vehicle Sales | Down 11% From Last Year

Sales showing some relative strength going into fall selling season



Rolling 30 Day Retail Sales weekly



- 11%

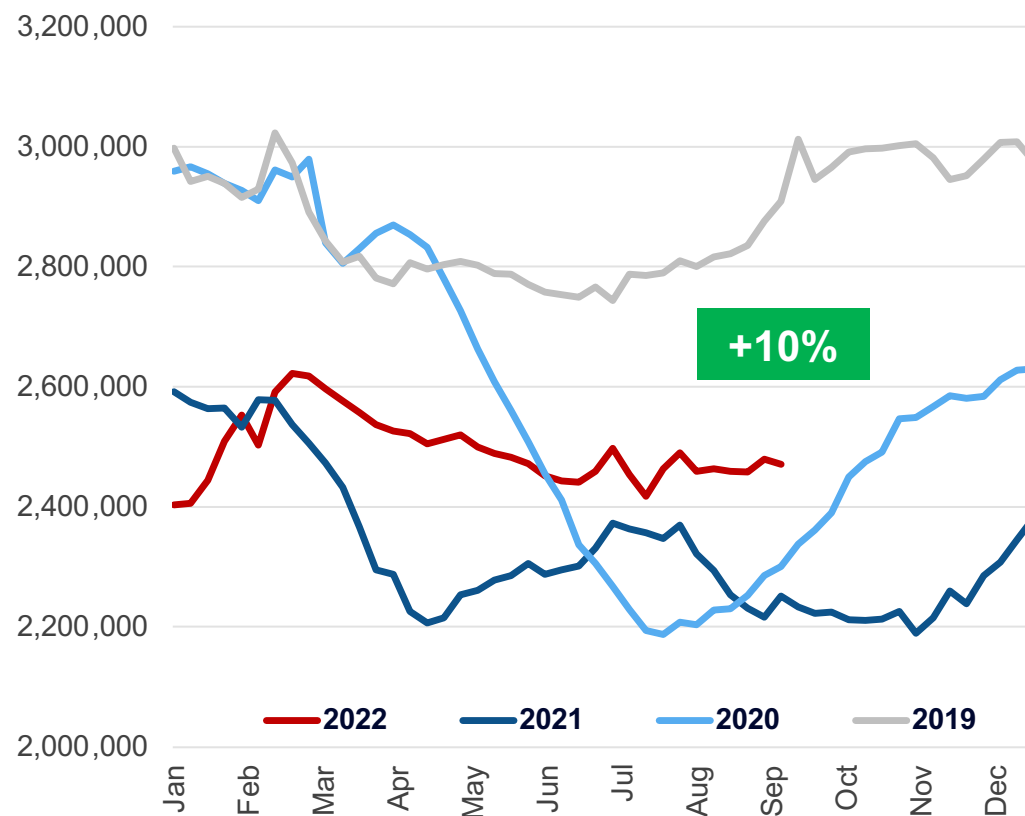
— 2022 — 2021 — 2020 — 2019

Used-Vehicle Inventory | Higher By 10% Over Last Year

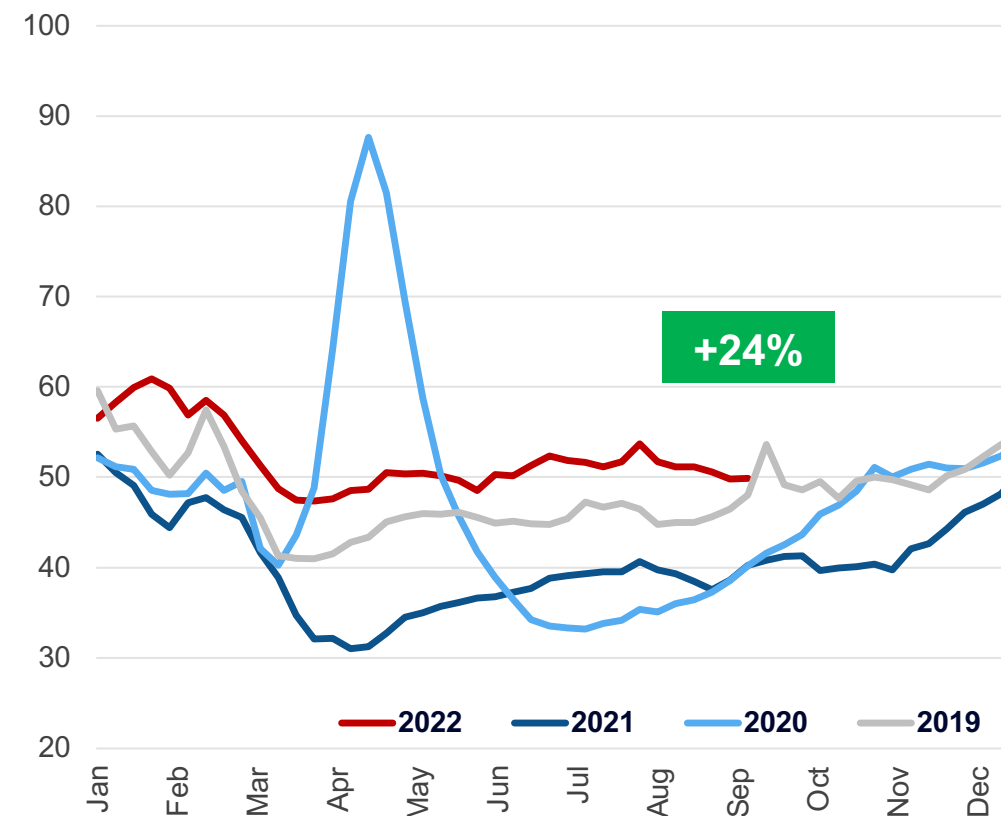
Lower sales matched 2019 levels for this time of year



Available Supply weekly

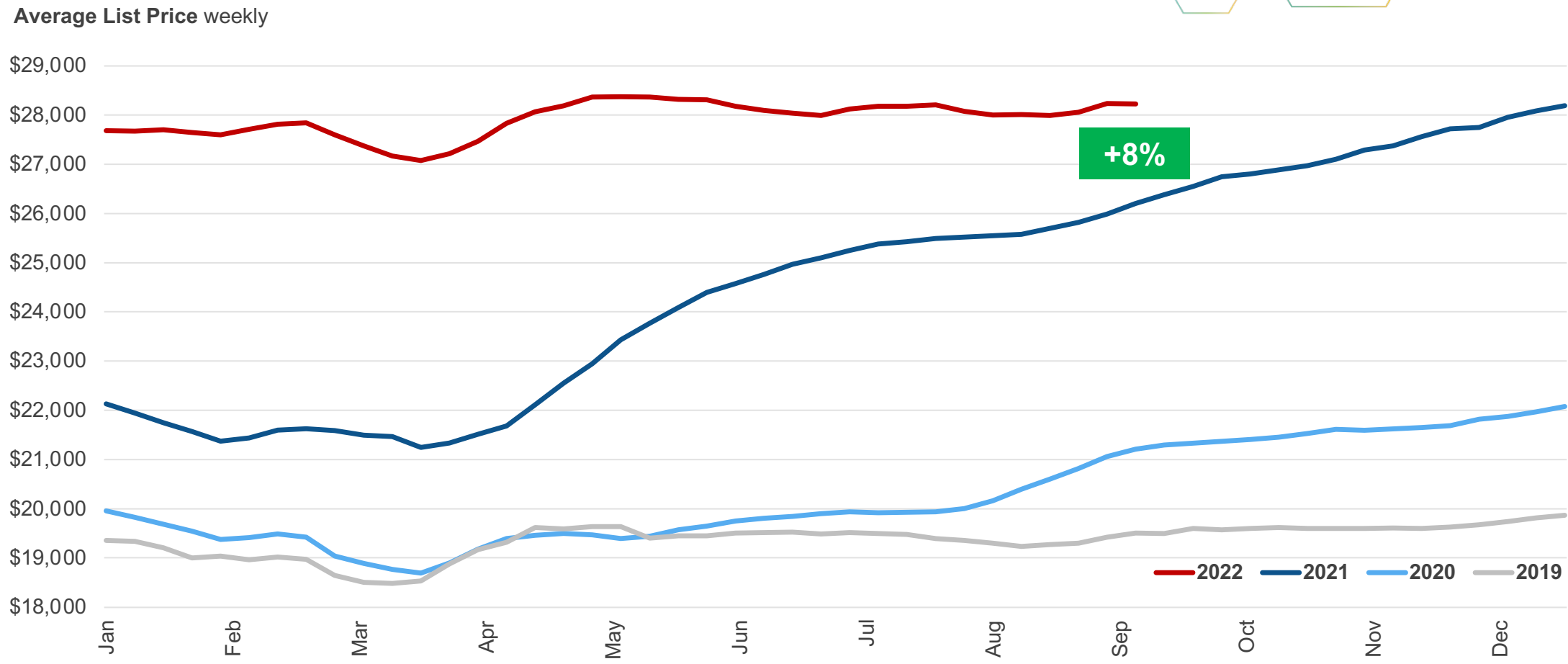
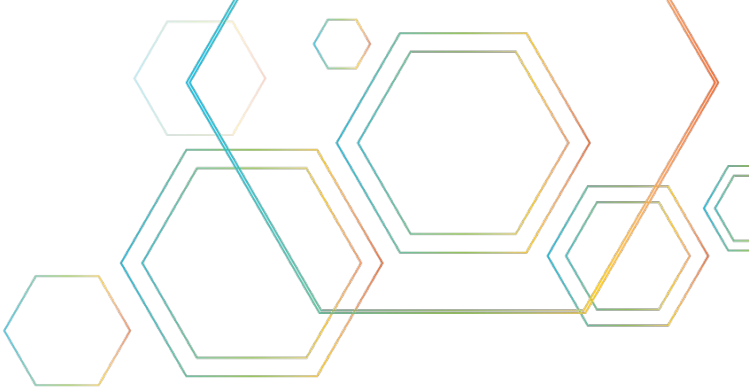


Days of Supply weekly



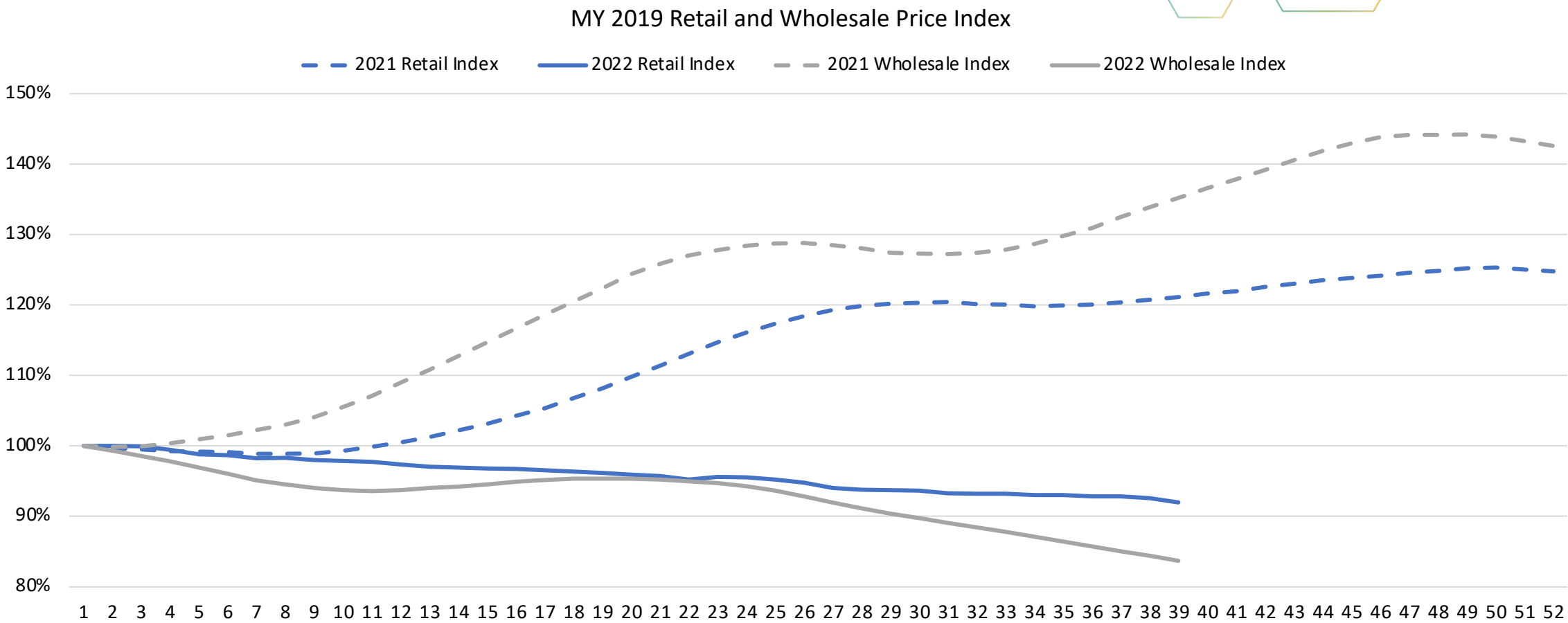
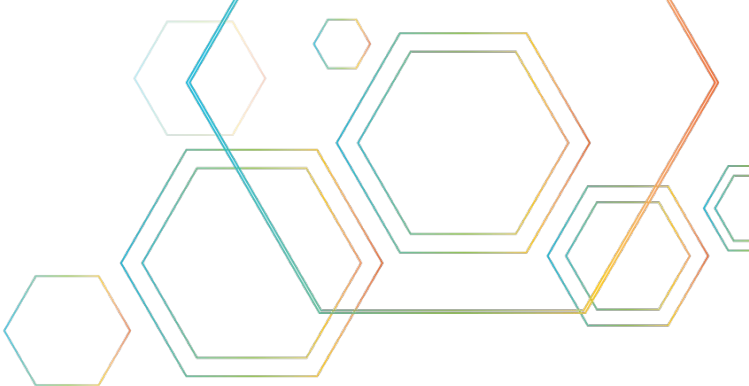
Used-Vehicle Listing Price | Up 8% From Last Year

Price growth slowing as we approach last year's price ramp



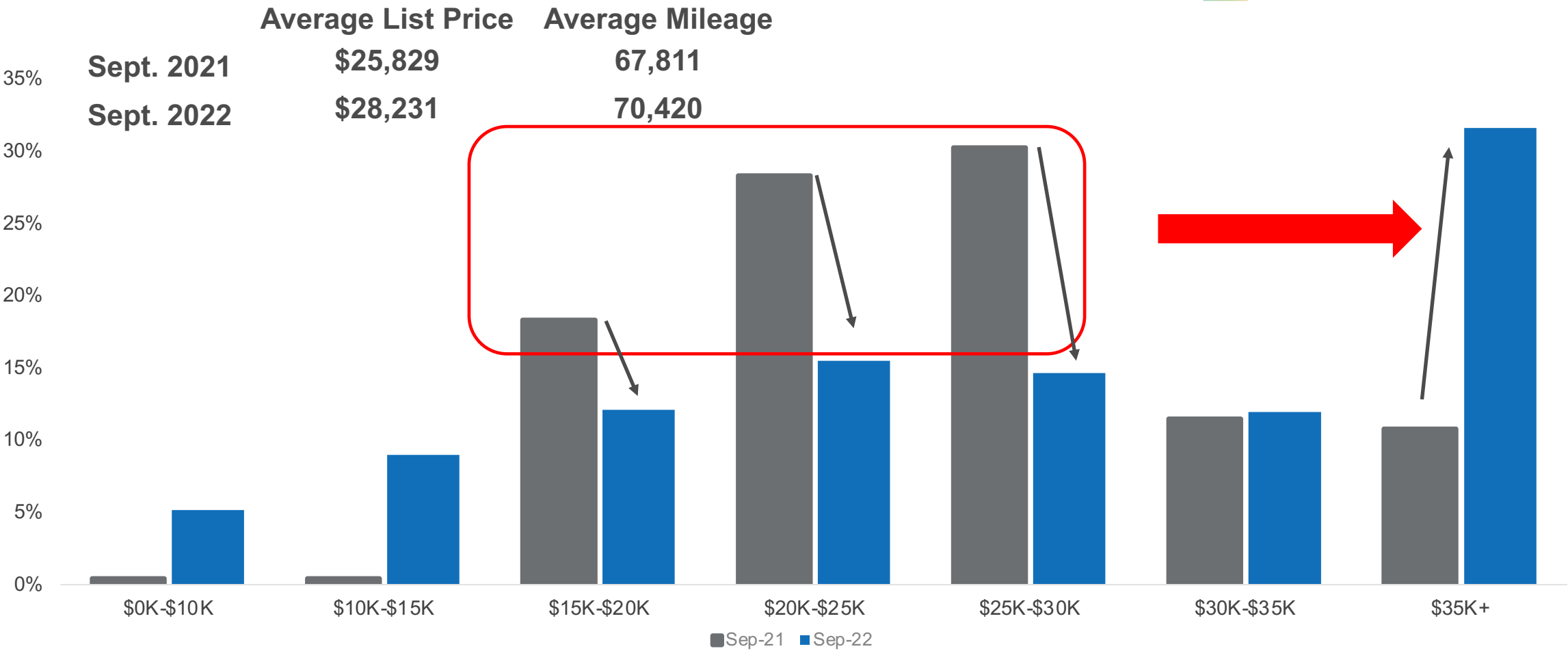
Price Movement | Wholesale Declining Slightly More Than Normal Since June

Retail index showing steadiness, while the wholesale-to-retail gap is increasing



Retail Inventory | Same Affordability Story as in Q2

Highest price bucket had the largest share of inventory

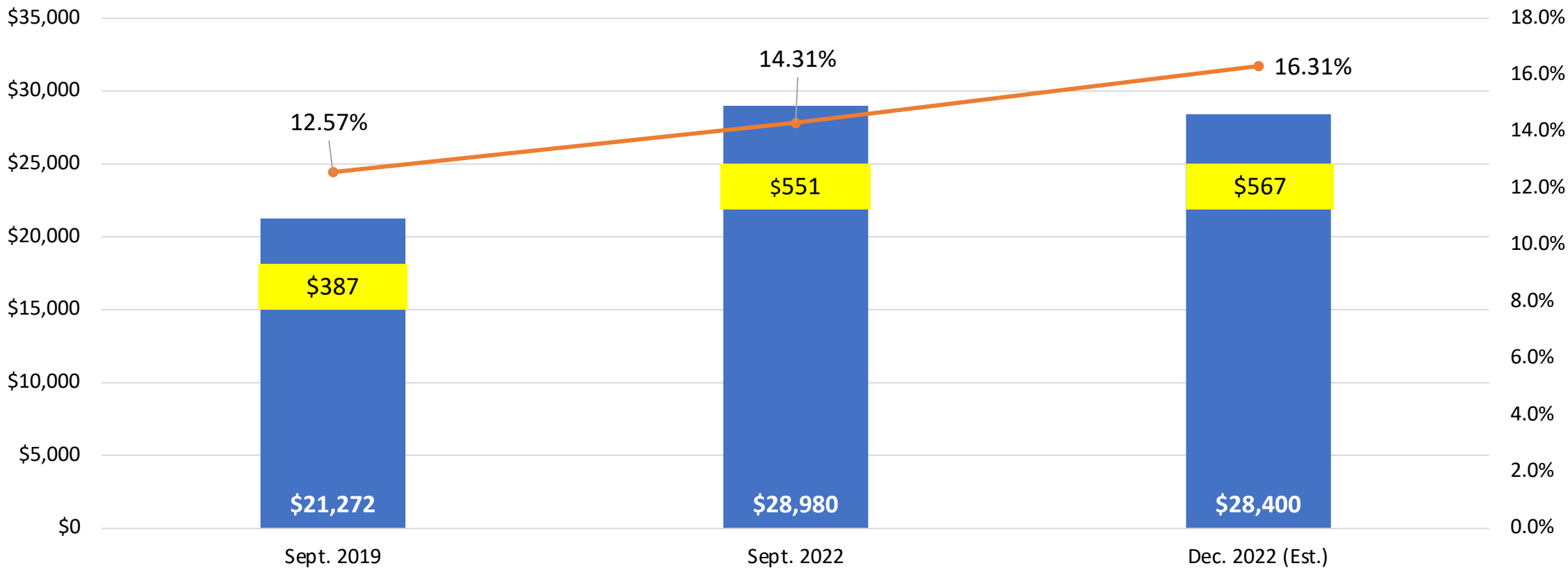


Used Monthly Payments | +42% since 2019, ~47% by Year-End

Affordability a concern while prices remain high and interest rates inch up

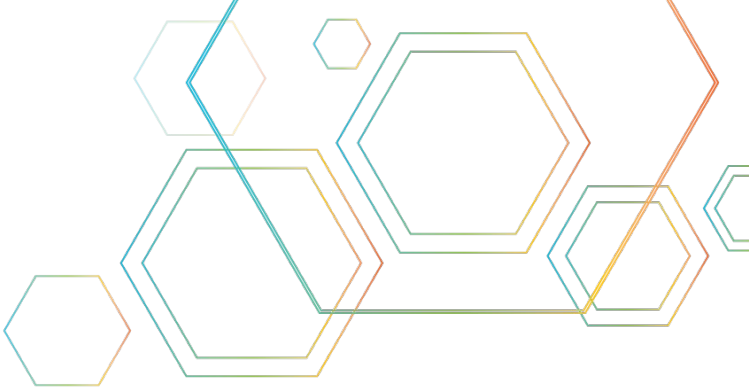


Average Used Price, Rate, and Monthly Payment

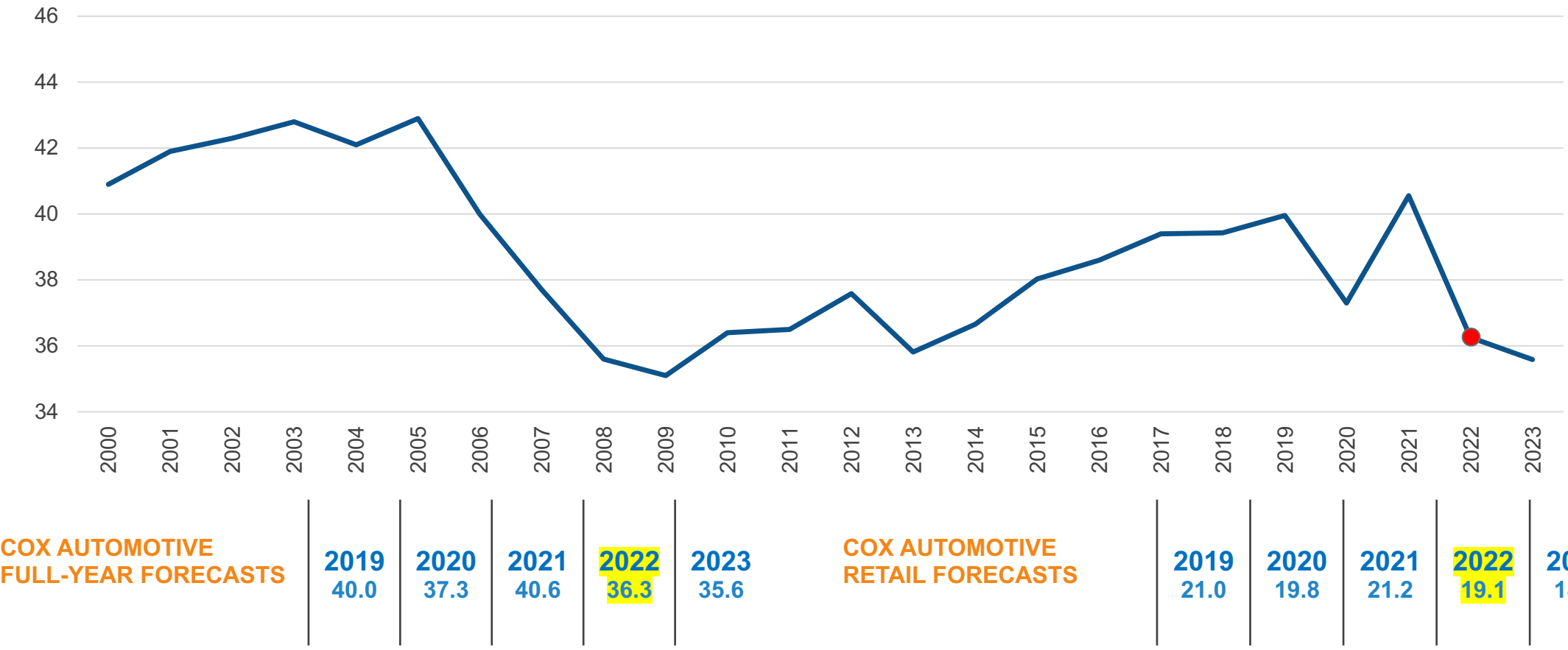


Used-Vehicle Outlook | Large Decline in 2022 Expected

High prices, higher rates, less trades, no stimulus checks all lead to fewer sales



USED-VEHICLE SALES OUTLOOK (MILLIONS)





Market Performance: New Vehicles

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Charlie Chesbrough

Senior Economist



Charlie.Chesbrough@coxautoinc.com

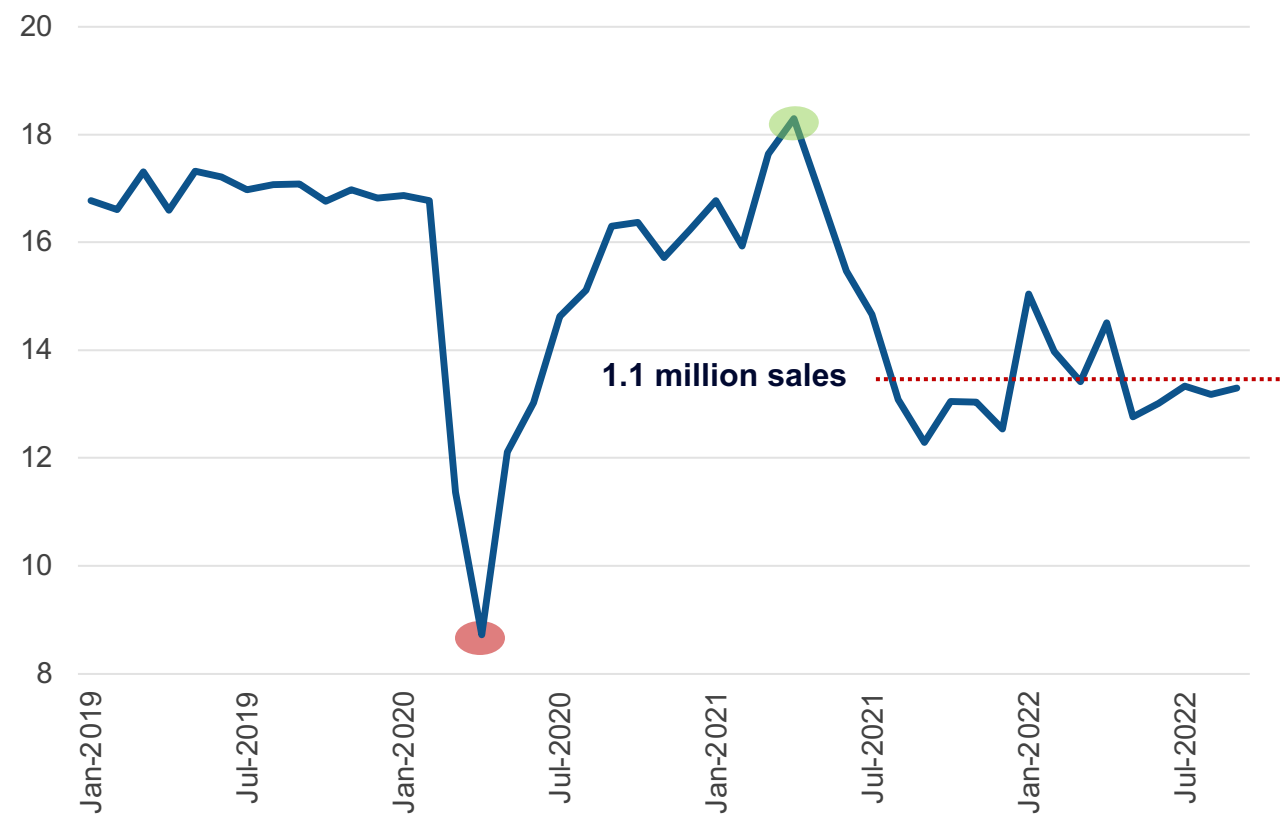
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New-Vehicle SAAR | Little Change Expected in September

Monthly sales stuck at 1.1 million level since August of last year



Monthly Light Vehicle Sales SAAR (millions)



	<u>Sales</u> Millions	<u>SAAR</u> Millions
Sep-21	1.02	12.3
Sep-22	1.10	13.3
Change	8.3%	8.2%
Q3 2021	3.4	13.3
Q2 2022	3.5	13.4
Q3 2022	3.4	13.3
Change Y/Y	-1.0%	-0.6%
Change Q/Q	-3.8%	-1.2%

2022 Forecast
16.0 million
15.3 million
14.4 million
13.7 million

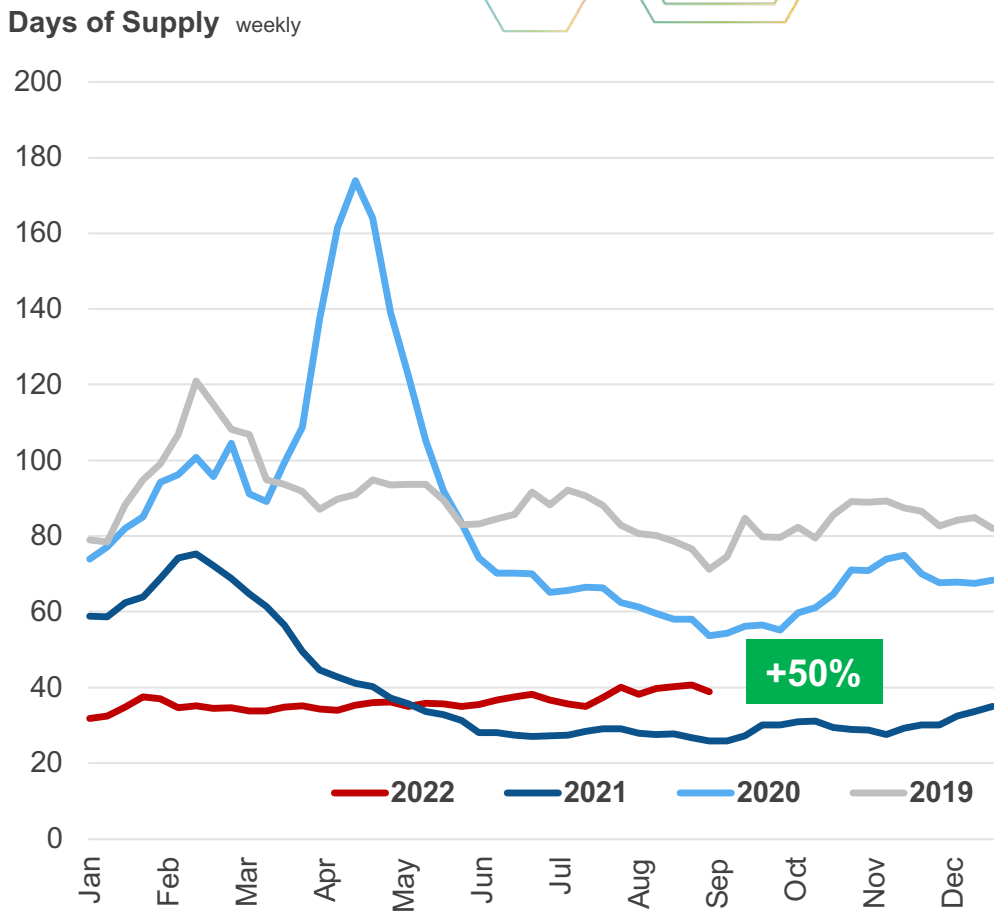
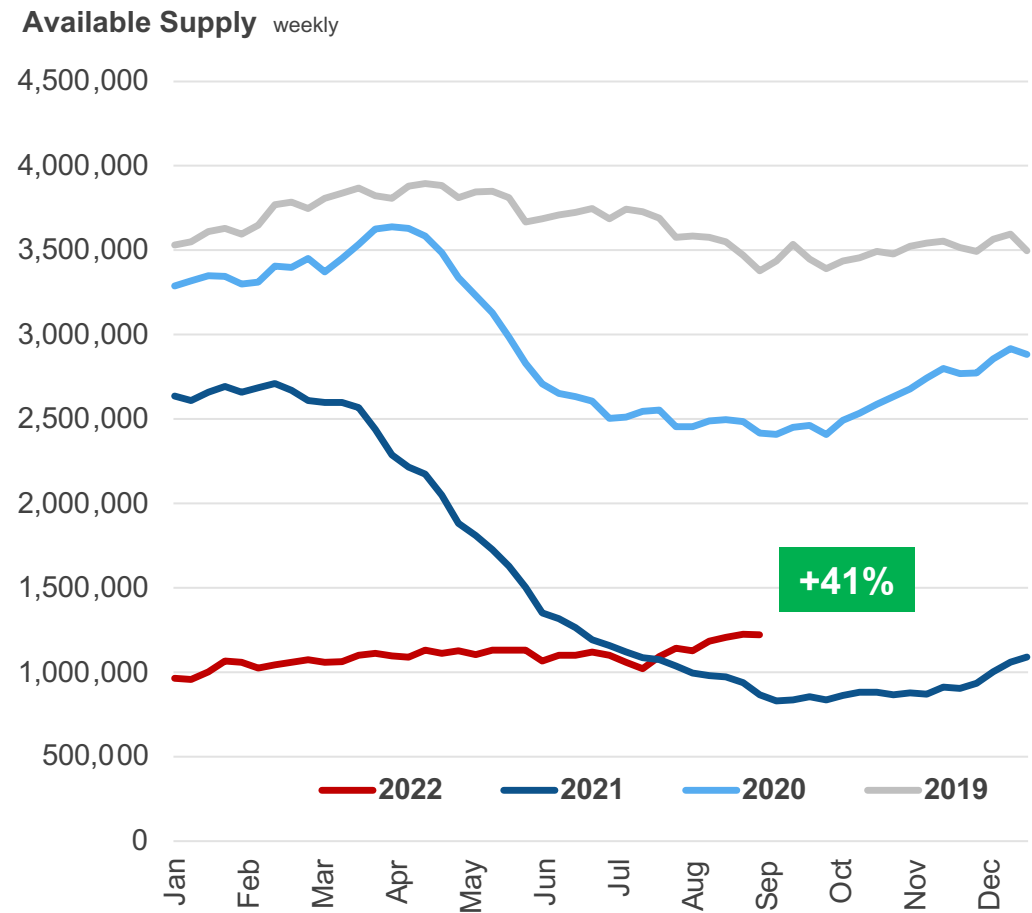
OEM Performance | GM Likely Wins Q3, but Down From Q2

Ford, Hyundai had a relatively strong quarter while Honda, Nissan had big declines

OEM	Q3 2021	Q2 2022	Q3 2022	Change Y/Y	Change Q/Q	YTD 2021	YTD 2022	Change	Share YTD 2021	Share YTD 2022	Difference
General Motors	443,117	578,639	539,028	21.6%	-6.8%	1,766,219	1,626,789	-7.9%	15.0%	15.9%	0.9%
Toyota	566,005	531,105	513,846	-9.2%	-3.2%	1,857,884	1,559,543	-16.1%	15.8%	15.2%	-0.6%
Ford	397,644	480,558	473,595	19.1%	-1.4%	1,387,615	1,383,327	-0.3%	11.8%	13.5%	1.7%
Hyundai	370,536	380,282	390,689	5.4%	2.7%	1,175,480	1,093,564	-7.0%	10.0%	10.7%	0.7%
Stellantis	410,917	408,521	388,481	-5.5%	-4.9%	1,365,880	1,202,223	-12.0%	11.6%	11.7%	0.1%
Honda	345,914	239,789	211,326	-38.9%	-11.9%	1,179,424	717,533	-39.2%	10.0%	7.0%	-3.0%
Nissan-Mitsubishi	222,754	205,043	163,462	-26.6%	-20.3%	859,832	595,986	-30.7%	7.3%	5.8%	-1.5%
Volkswagen	135,629	145,822	159,232	17.4%	9.2%	505,163	418,594	-17.1%	4.3%	4.1%	-0.2%
Subaru	141,552	131,449	135,747	-4.1%	3.3%	462,802	399,542	-13.7%	3.9%	3.9%	0.0%
Tesla	91,693	130,047	126,844	38.3%	-2.5%	237,223	386,634	63.0%	2.0%	3.8%	1.8%
BMW	82,064	84,036	85,925	4.7%	2.2%	265,683	250,551	-5.7%	2.3%	2.4%	0.2%
Daimler	71,185	98,835	84,905	19.3%	-14.1%	253,543	259,679	2.4%	2.2%	2.5%	0.4%
Mazda	84,046	60,535	72,299	-14.0%	19.4%	273,213	215,102	-21.3%	2.3%	2.1%	-0.2%
Geely	32,436	30,055	22,402	-30.9%	-25.5%	96,456	76,724	-20.5%	0.8%	0.7%	-0.1%
Tata	19,064	12,545	13,837	-27.4%	10.3%	75,279	44,575	-40.8%	0.6%	0.4%	-0.2%
Rivian	1	4,467	4,859		8.8%	1	10,553		0.0%	0.1%	0.1%
Lucid	0	482	652		35.2%	0	1,594		0.0%	0.0%	0.0%
Nation	3,414,557	3,522,210	3,387,127	-0.8%	-3.8%	11,761,697	10,242,511	-12.9%	100.0%	100.0%	0.0%

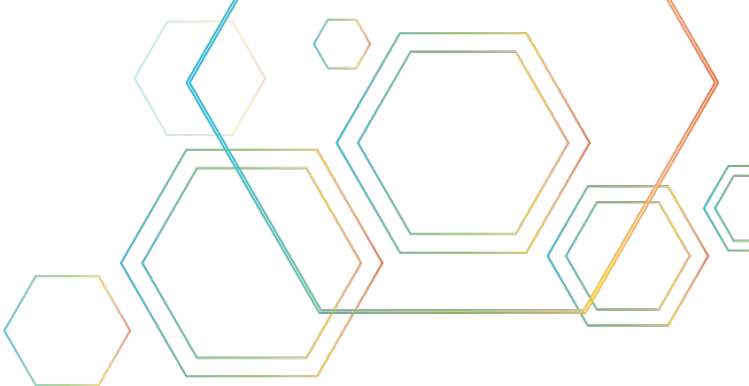
New-Vehicle Inventory | Now Up 41% From Last Year

Supply situation slowly improving – now nearly 350K more vehicles than in 2021

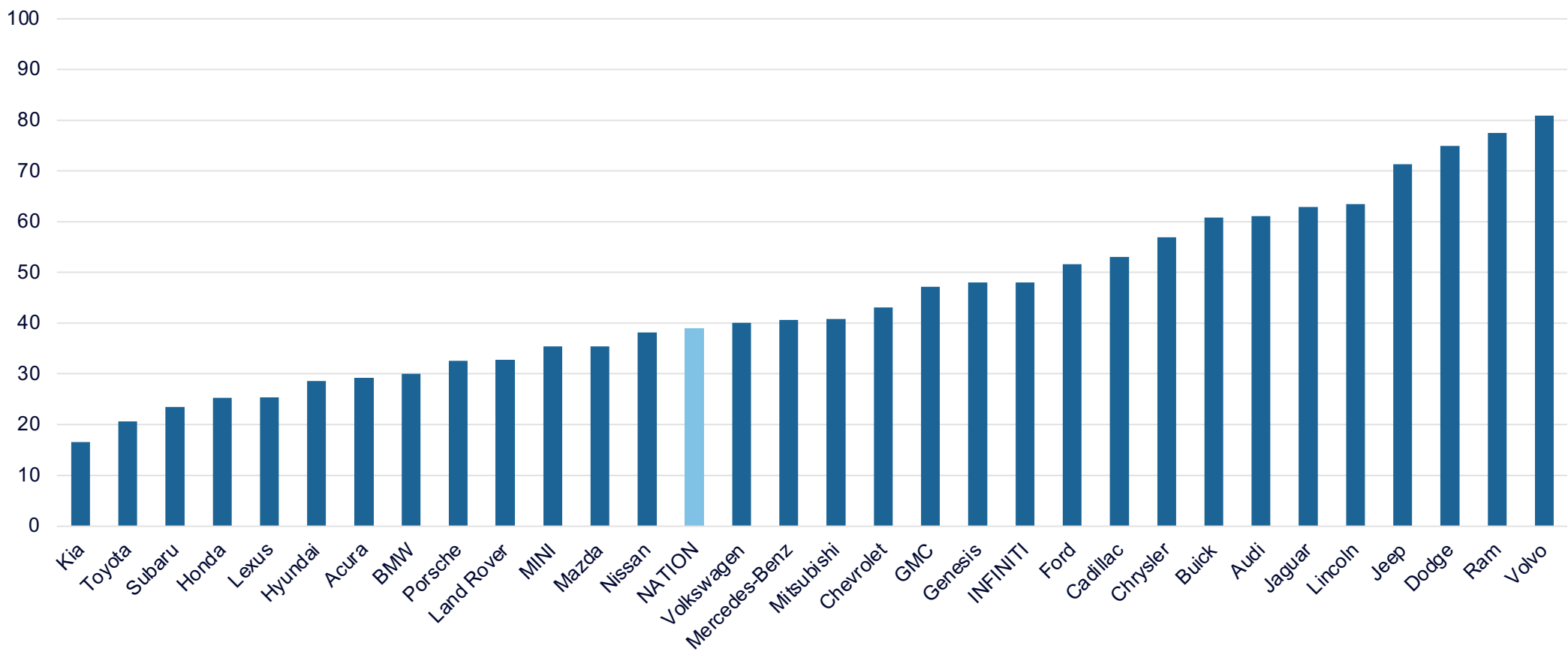


Brand Inventory | Supply Situation Varies

Kia, Honda, Toyota continue to have extremely tight supplies



Days Of Supply

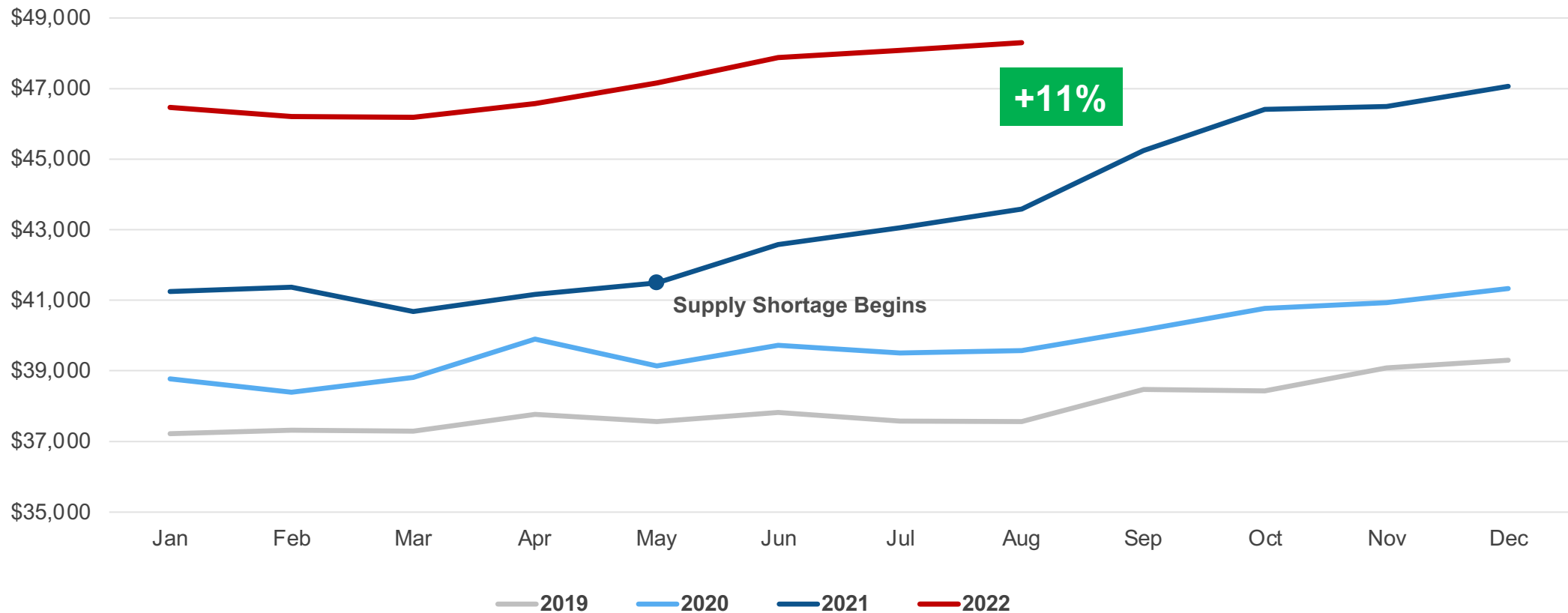


Transaction Prices | Now At \$48,301 – And Still Rising

Vehicle inflation to slow, but more expensive mix will continue

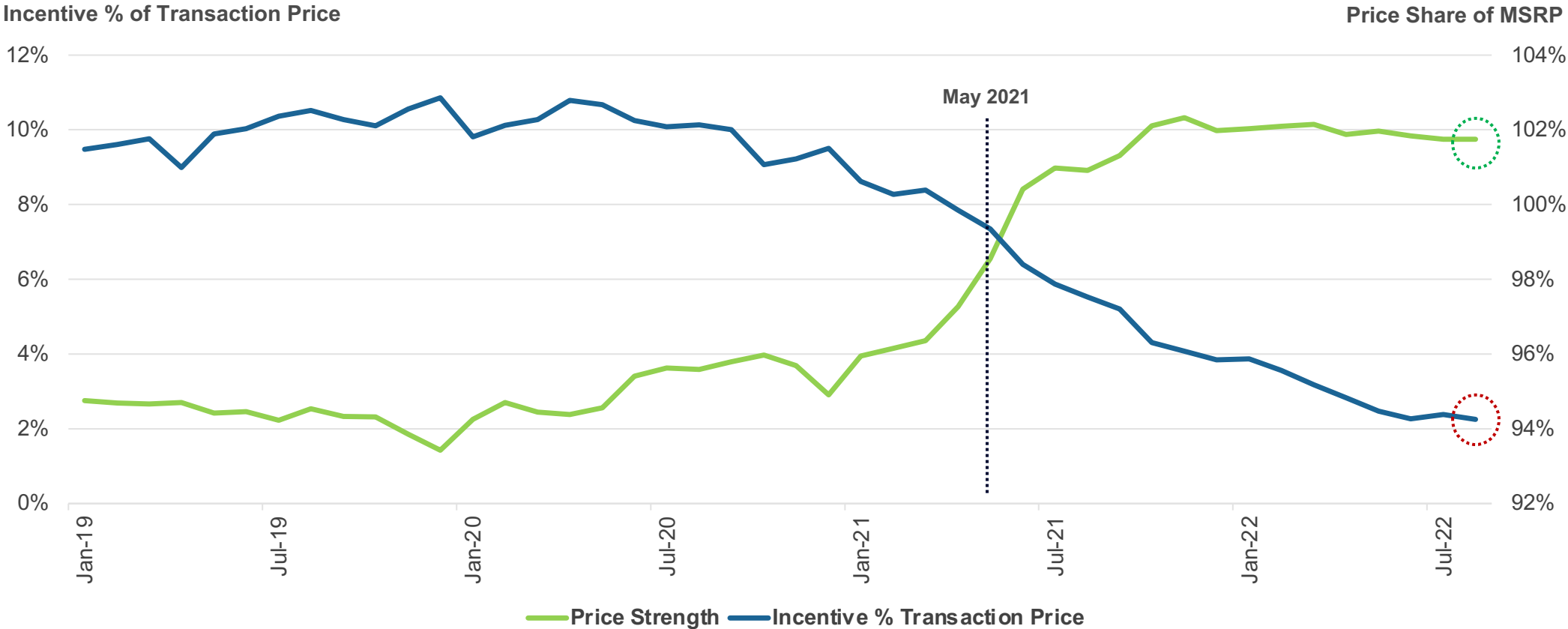


Estimated Average Transaction Prices



Seller's Market | Strong Margins Continue in 2022

Discounting and negotiating way down, MSRP is the price

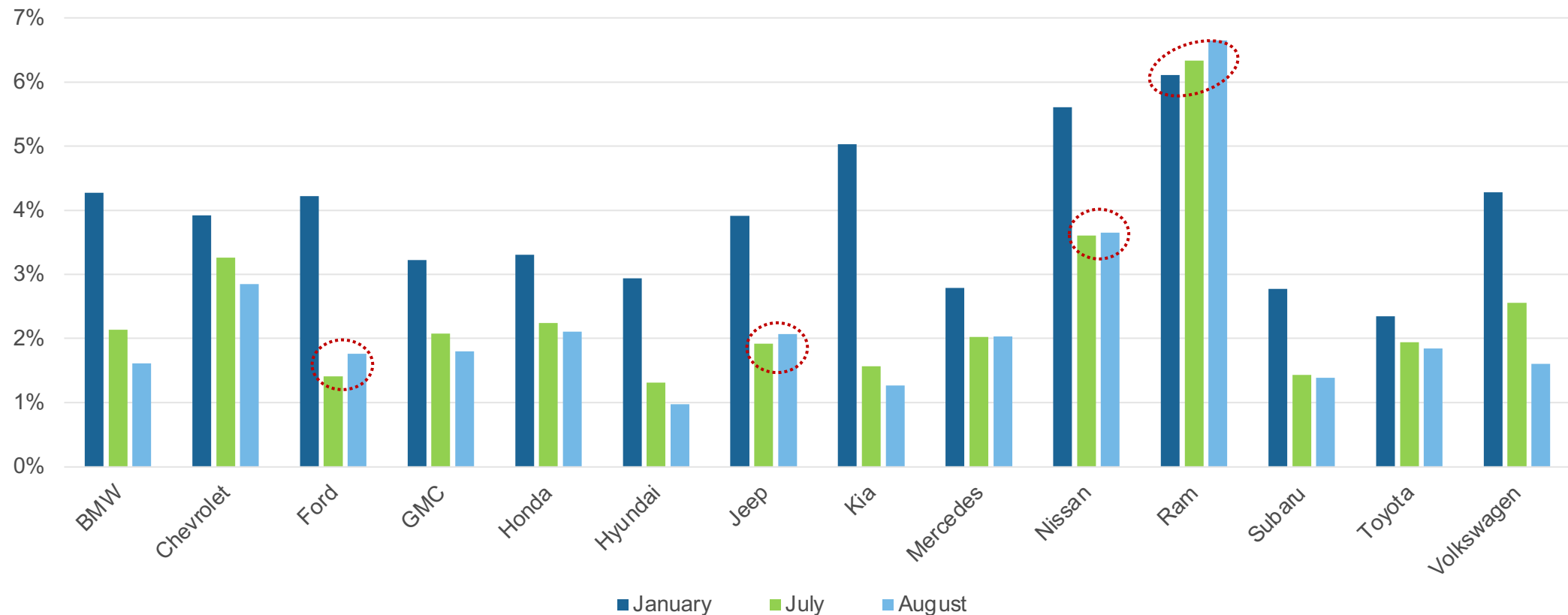


Brand Incentives | Nearly All Have Lowered Since January

Ram, Jeep and Ford ticking up in August: Key metric to watch as inventory rebuilds



Incentive % of Transaction Price (January – August 2022)

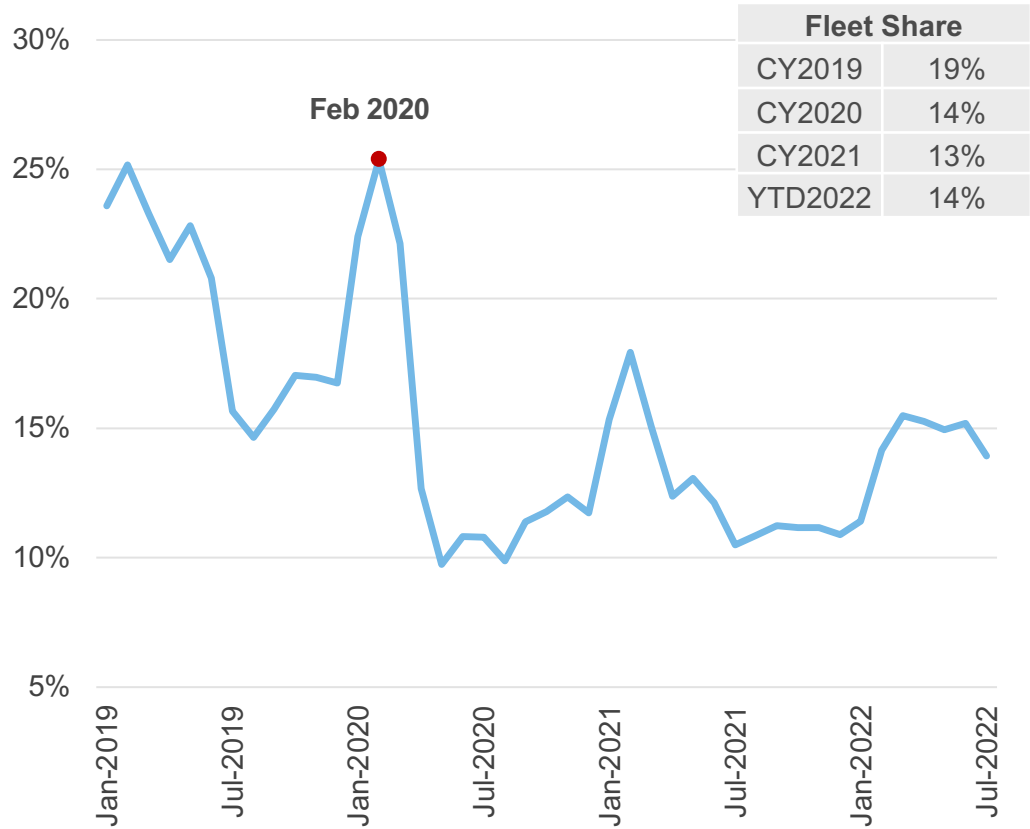


Sales Channels | Less Fleet and Lease Continues

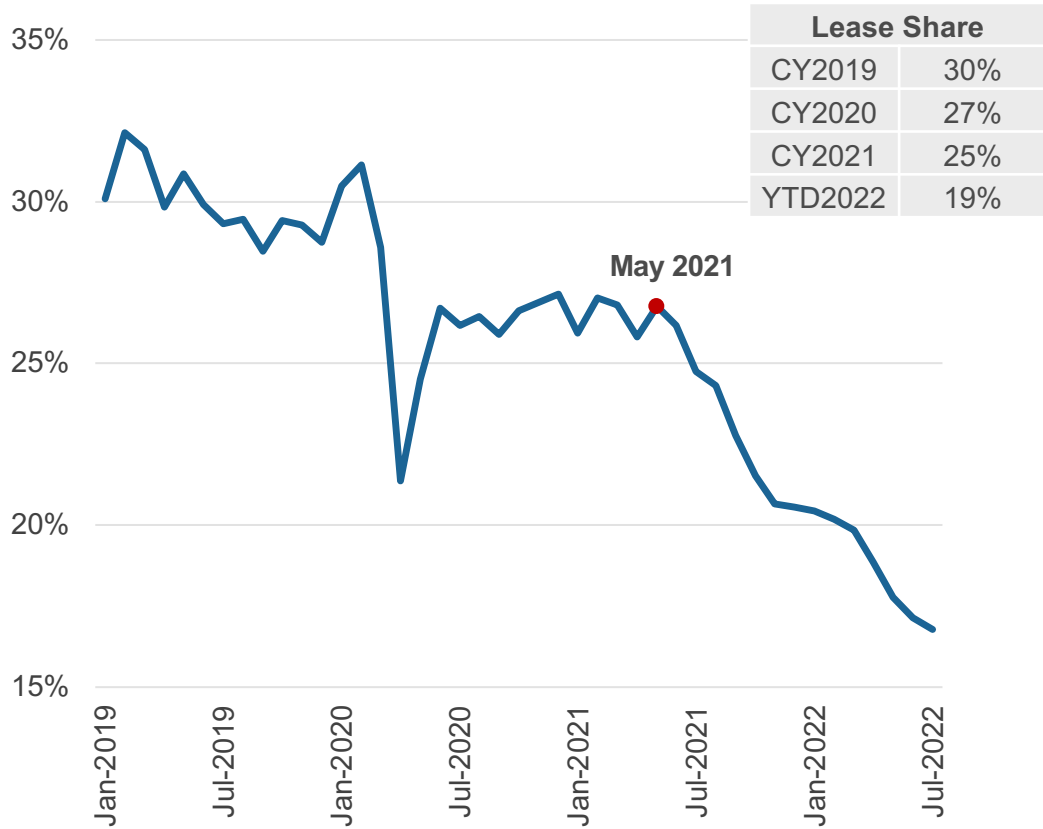
Constrained supply keeping these sales low - offers future opportunities for OEMs



Fleet Share of Total Sales

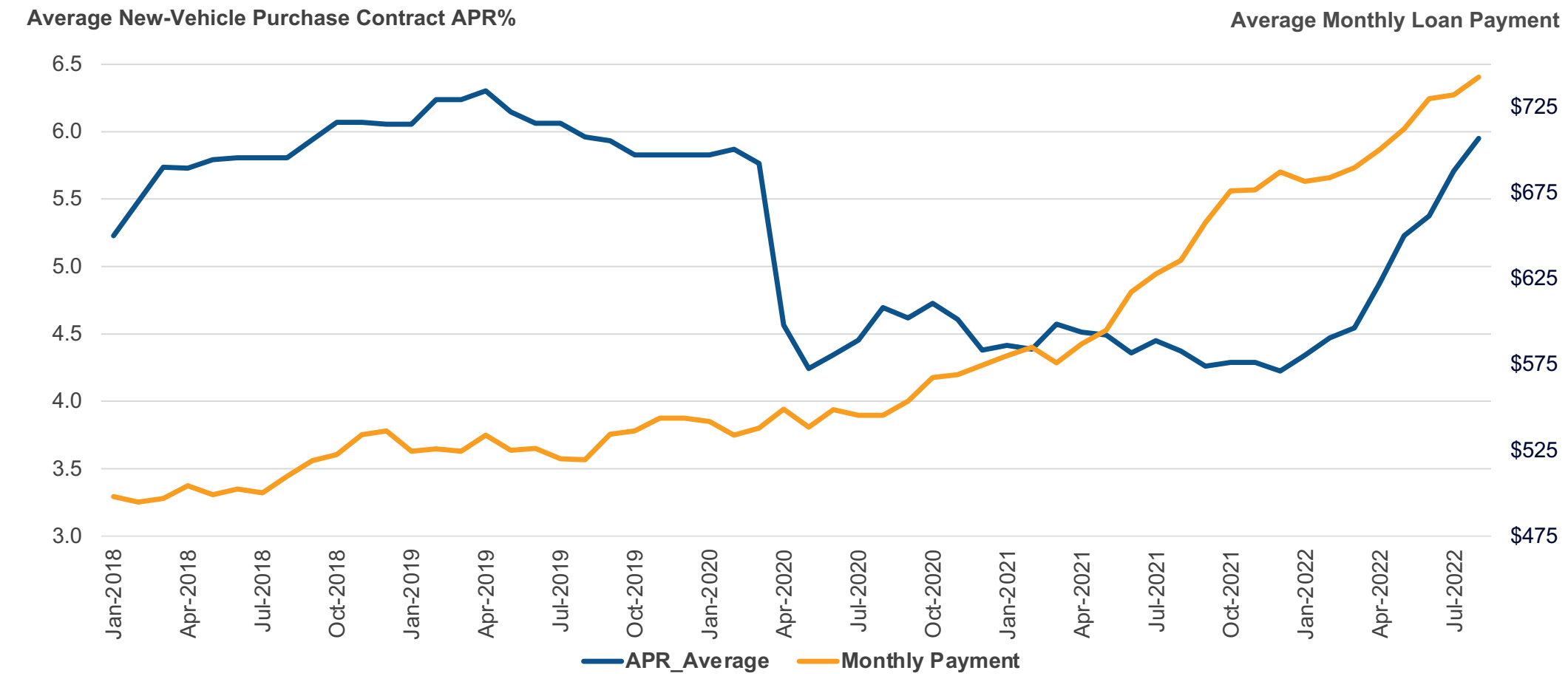


Retail Lease Share of Retail Sales



Vehicle Affordability | Rising Interest Rates and Payments

Initially post-Covid, expensive product mix lifted monthly payments but now rising rates are

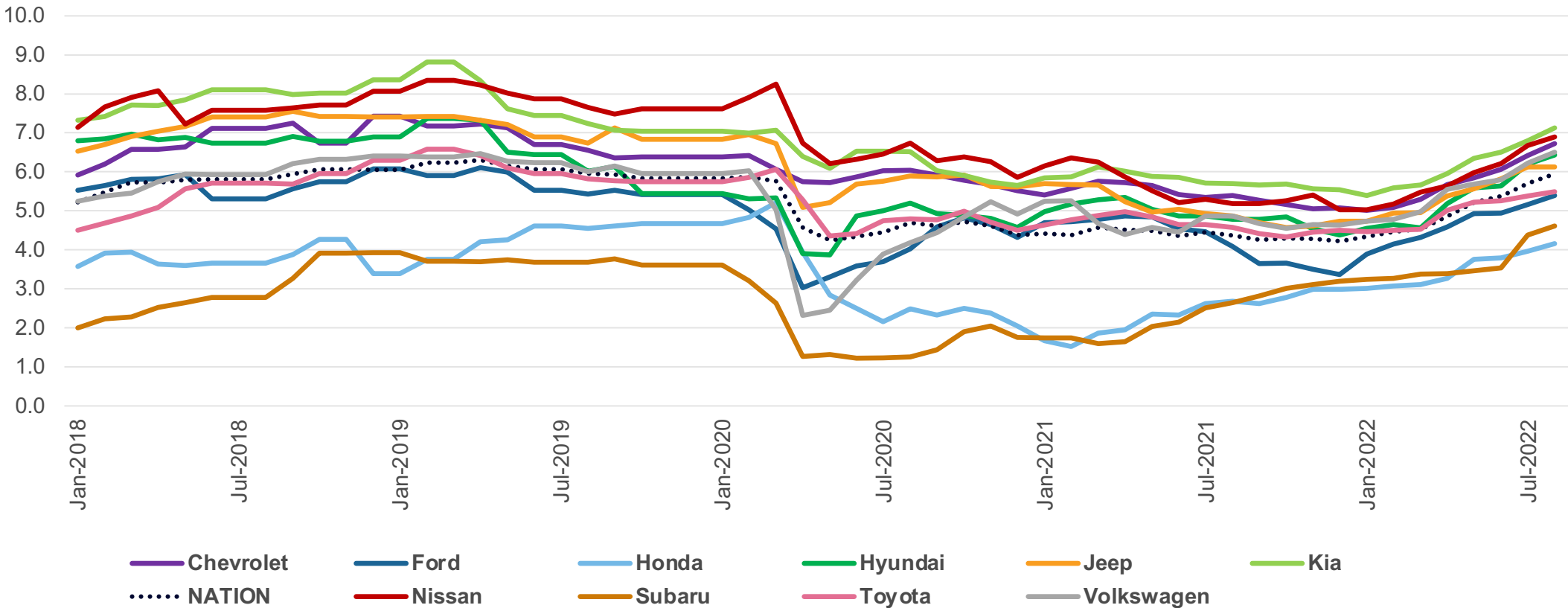


Big Brand Loan APRs | All Now Rising

Average rate consolidating post pandemic – brands competing for “same” customer



Average New-Vehicle Purchase Contract APR%





2022 Predictions and Playlist

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Jonathan Smoke

Chief Economist

 @smokeoncars

COX AUTOMOTIVE

Ten Predictions for 2022

B-

-1



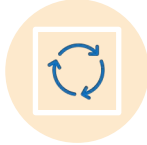
#1: Vehicle Demand Will Remain Robust

-10



#6: Lease Demand Will Improve in 2022

✓



#2: Used-Vehicle Values Will Depreciate Again, After the Spring

✓



#7: Robust Service Revenue Opportunity Will Continue

-2



#3: Tight Vehicle Supply Will Gradually Improve

✓



#8: Dealership Consolidation Will Continue

✓



#4: EV Growth Will Outpace Industry

✓



#9: Consumer Shift to Online Becomes Dominant

✓



#5: Auto Loan Rates Will Rise

✓



#10: Direct Sales Model Will Force Dealers to Adapt

2022 FORECASTS Q3 UPDATE

New
13.7M ↓
NEW SALES

New
11.9M ↓
NEW RETAIL SALES

1.8M
FLEET SALES

New
2.3M ↓
NEW LEASE
VOLUME

New
19% ↓
LEASE
PENETRATION

New
2.4M ↑
CPO SALES

New
36.3M ↓
USED SALES

New
19.1M ↓
USED RETAIL SALES

New
-14% ↓
DEC 2022 Y/Y MANHEIM
USED VEHICLE
VALUE INDEX

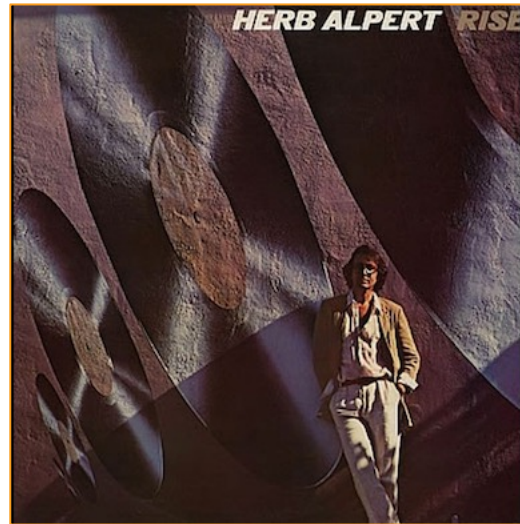
↓ Indicates change from Q2 forecast

Fall 2022 Playlist



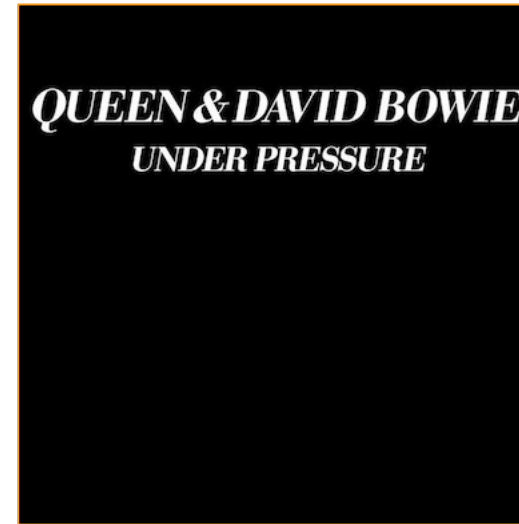
Break My Soul
By Beyonce

Resilient Consumers



Rise
By Herb Alpert

**Inventory Rising Finally
As Rates Keep Rising**



Under Pressure
By Queen and
David Bowie

**Affordability Hurting
Demand**



Bad Decisions
By benny blanco, BTS,
and Snoop Dogg

**The Fed and
Interest Rates**



Q&A

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More Auto Industry Data and Insights from Cox Automotive

The go-to source for insights based on the largest breadth of first-party data in the automotive ecosystem

Cox Automotive Newsroom: www.coxautoinc.com/newsroom/

Fresh content from Chief Economist Jonathan Smoke and the Industry Insights team is published regularly.

Auto Market Snapshot: www.coxautoinc.com/marketsnapshot

This dashboard is a one-stop dashboard for the most recent data points our team is tracking.

From the Newsroom: www.coxautoinc.com/signup

The Cox Automotive biweekly newsletter, published every other Tuesday, is a round-up of news from Cox Automotive and perspectives from its analysts and experts on topics dominating the automotive industry.





Thank you for attending!

Contact us with questions or to speak with
one of our experts:

Dara Hailes

Senior Manager

Cox Automotive Corporate Communications

dara.hailes@coxautoinc.com

Mark Schirmer

Director

Cox Automotive Corporate Communications

mark.schirmer@coxautoinc.com

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