



# Q1 MANHEIM USED VEHICLE VALUE INDEX CALL

April 7, 2023

COX AUTOMOTIVE

# THE POWER OF COX AUTOMOTIVE

Harnessing the power of connected data for game-changing results

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# PRESENTERS



**Mark Schirmer**, Director, Corporate Communications

**Jonathan Smoke**, Chief Economist

**Jeremy Robb**, Senior Director, Economic and Industry Insights

**Chris Frey**, Senior Manager, Economic and Industry Insights





# JONATHAN SMOKE

Chief Economist



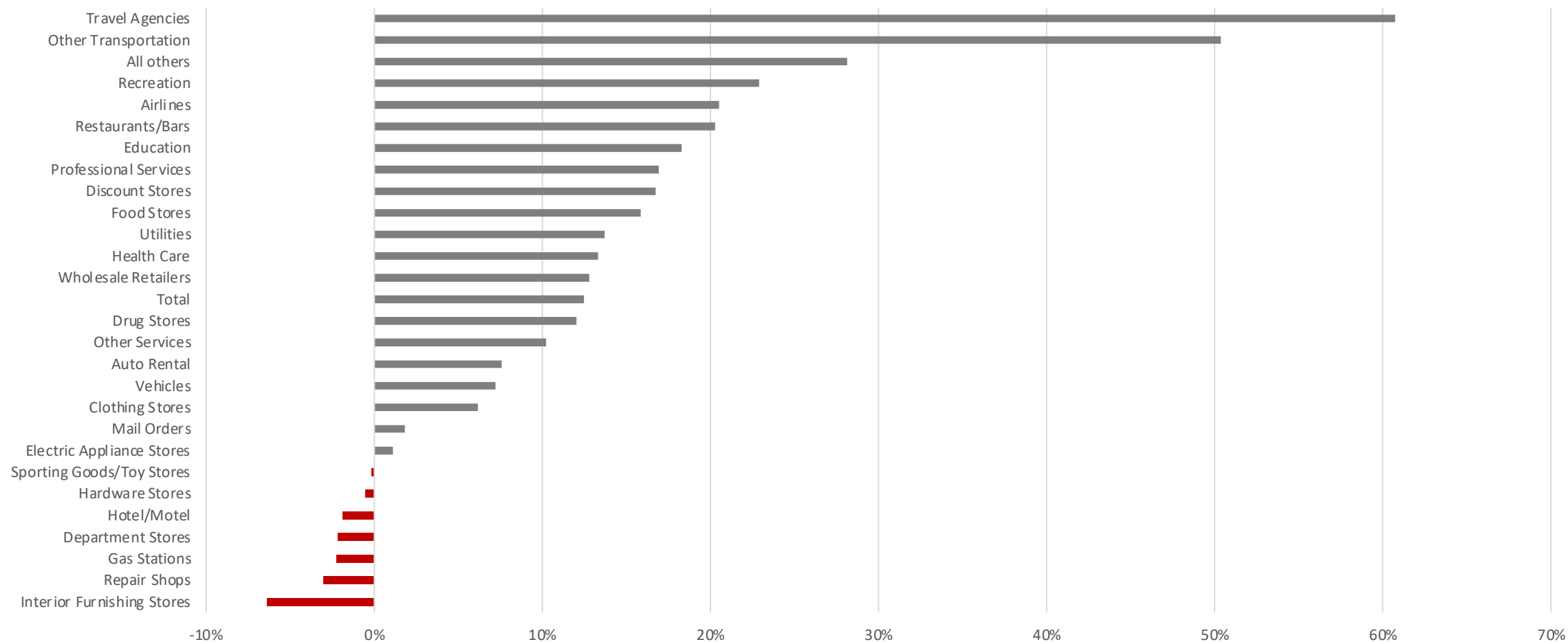
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# CONSUMER SPENDING SLOWING BUT STILL STRONG IN TRAVEL

Total spending in mid-March was up 12% y/y with strength in travel, dining out, and services

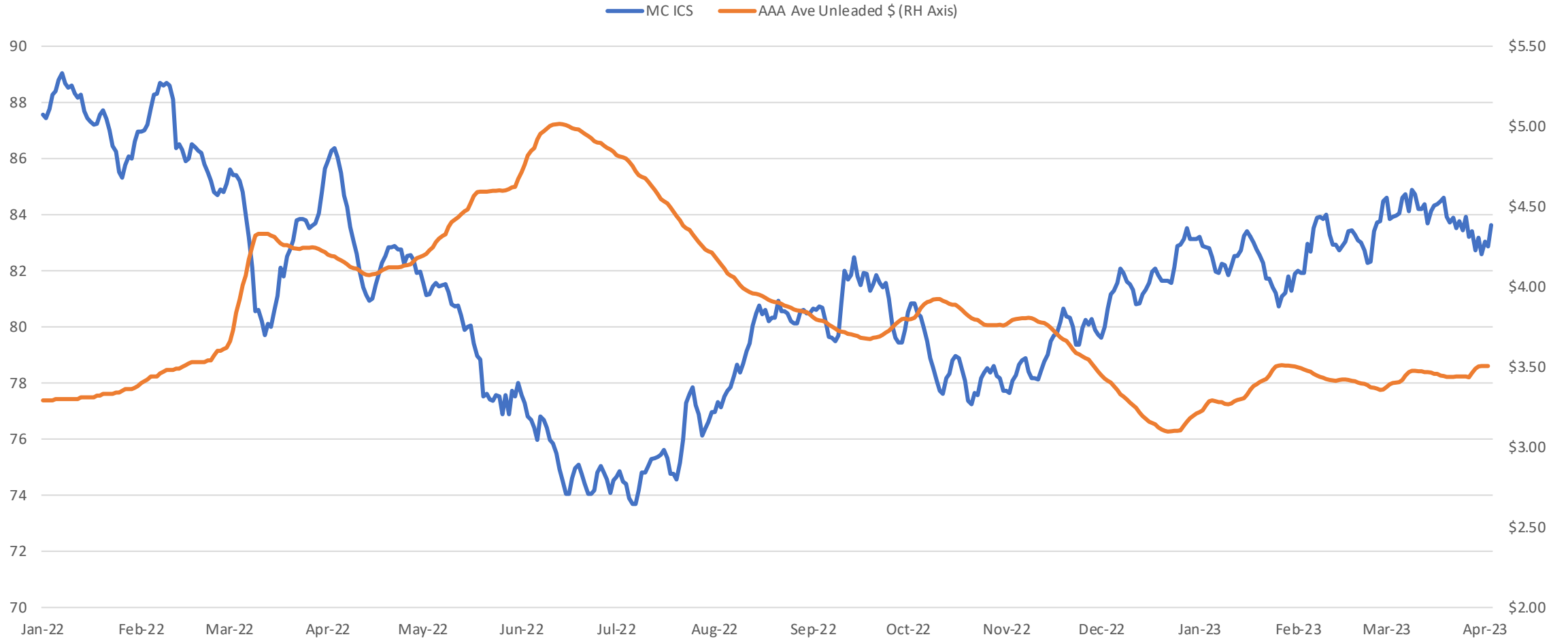
Y/Y Spending % Change for Week Ending March 18, 2023



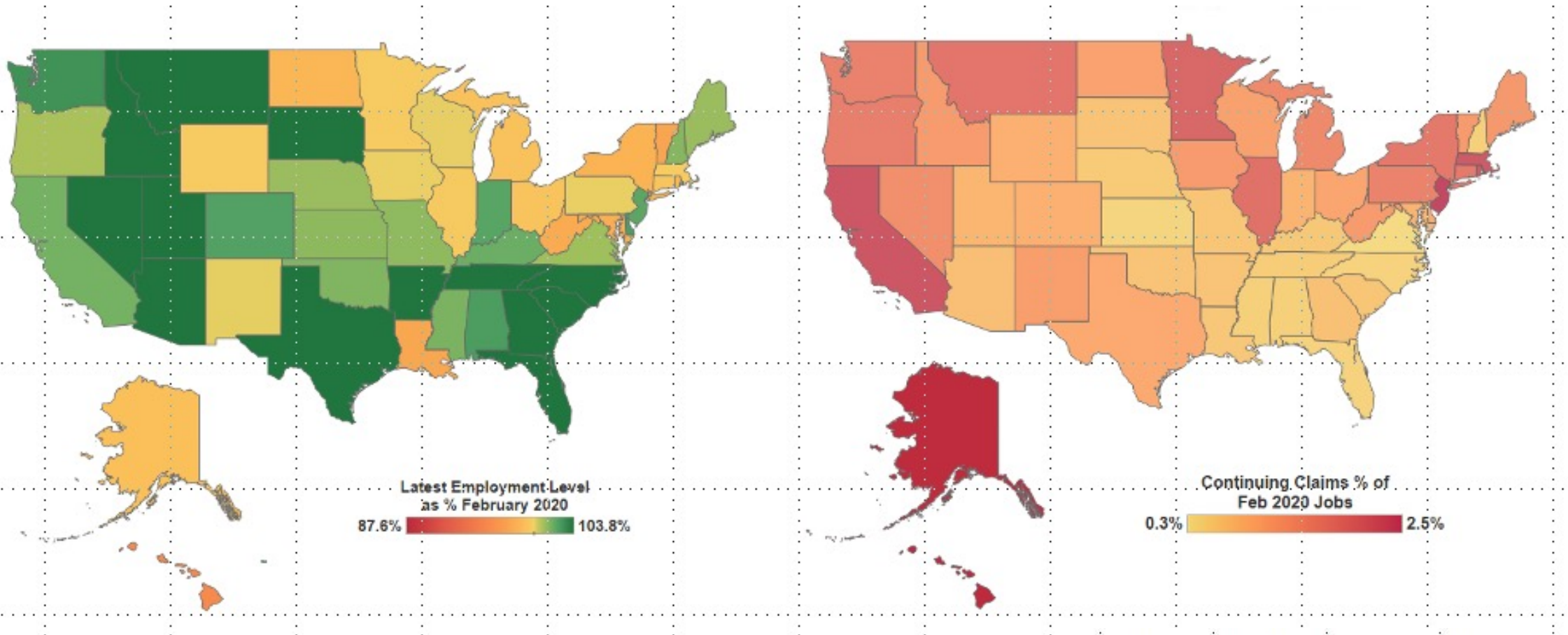
# CONSUMER SENTIMENT DECLINED IN MARCH

The Index of Consumer Sentiment increased 3.2% in February but declined 2.2% in March

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



# CONTINUING CLAIMS AT 1.82 MILLION NATIONALLY



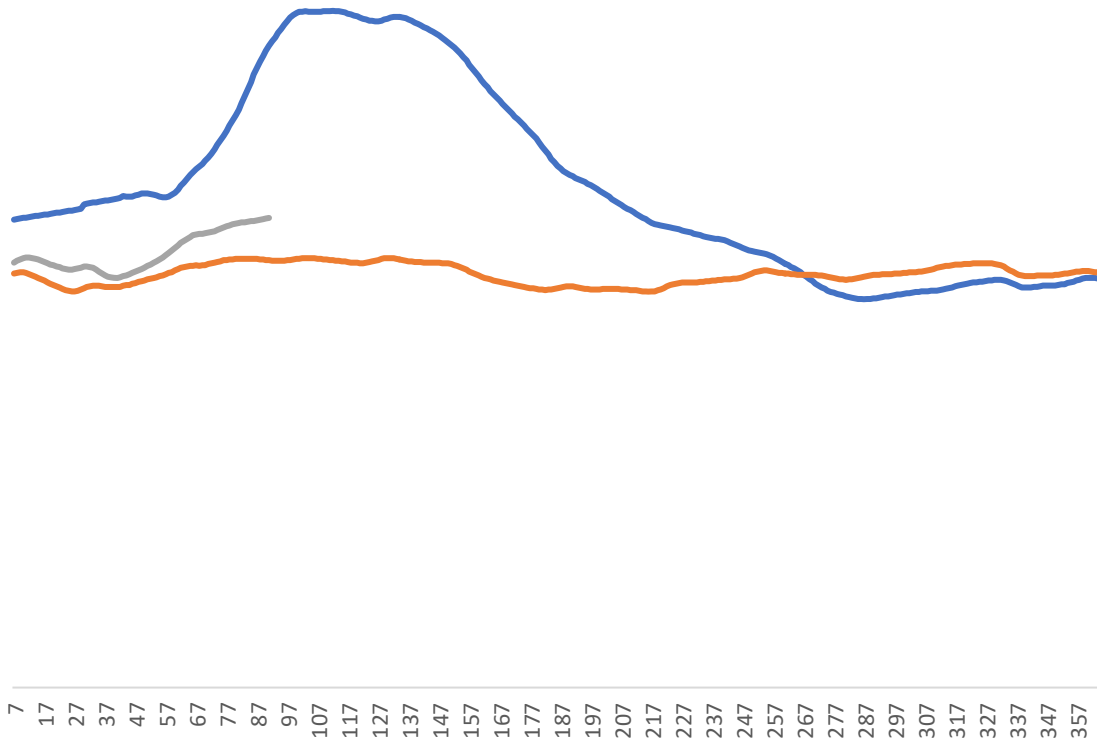
NOTE: Latest Employment Numbers for February 2023; Continuing Claims Unemployment Data for Week Ending March 18

# RETAIL VEHICLE SALES ESTIMATES

Compared to last year, new sales last week were up 10%, and used sales were down 6%

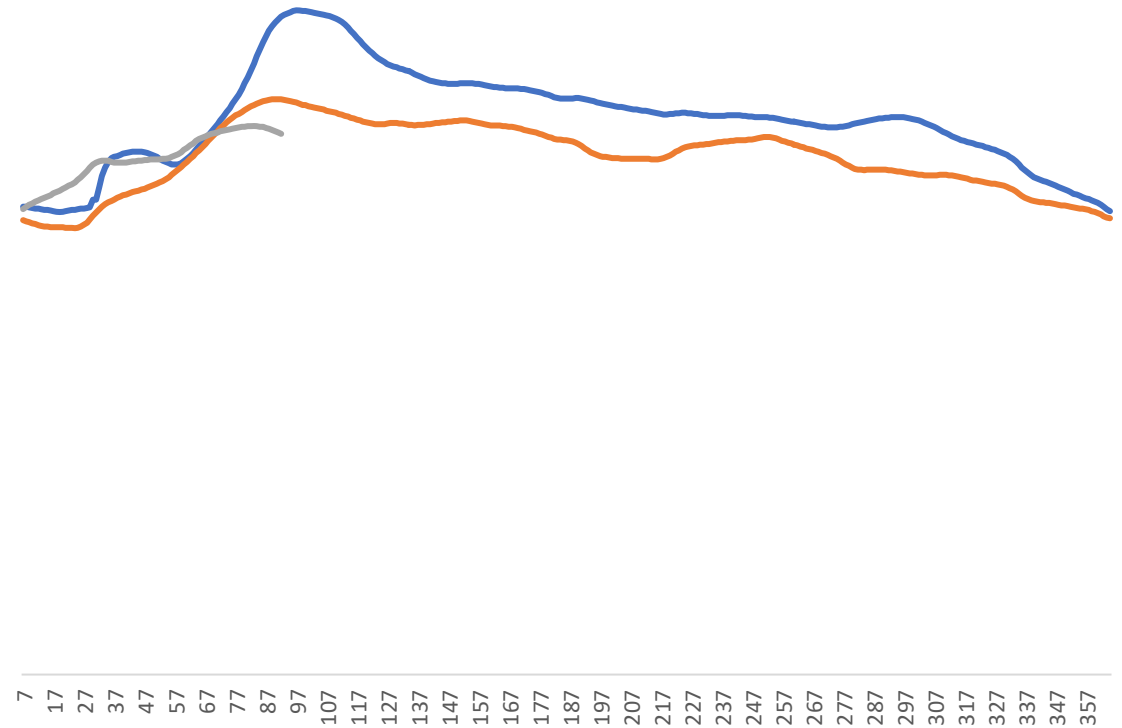
Retail New Sales

— 2021 — 2022 — 2023



Retail Used Sales

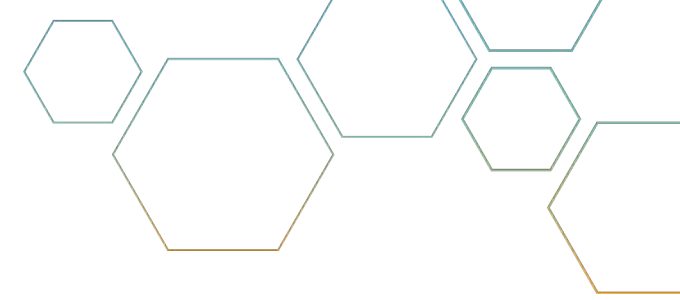
— 2021 — 2022 — 2023



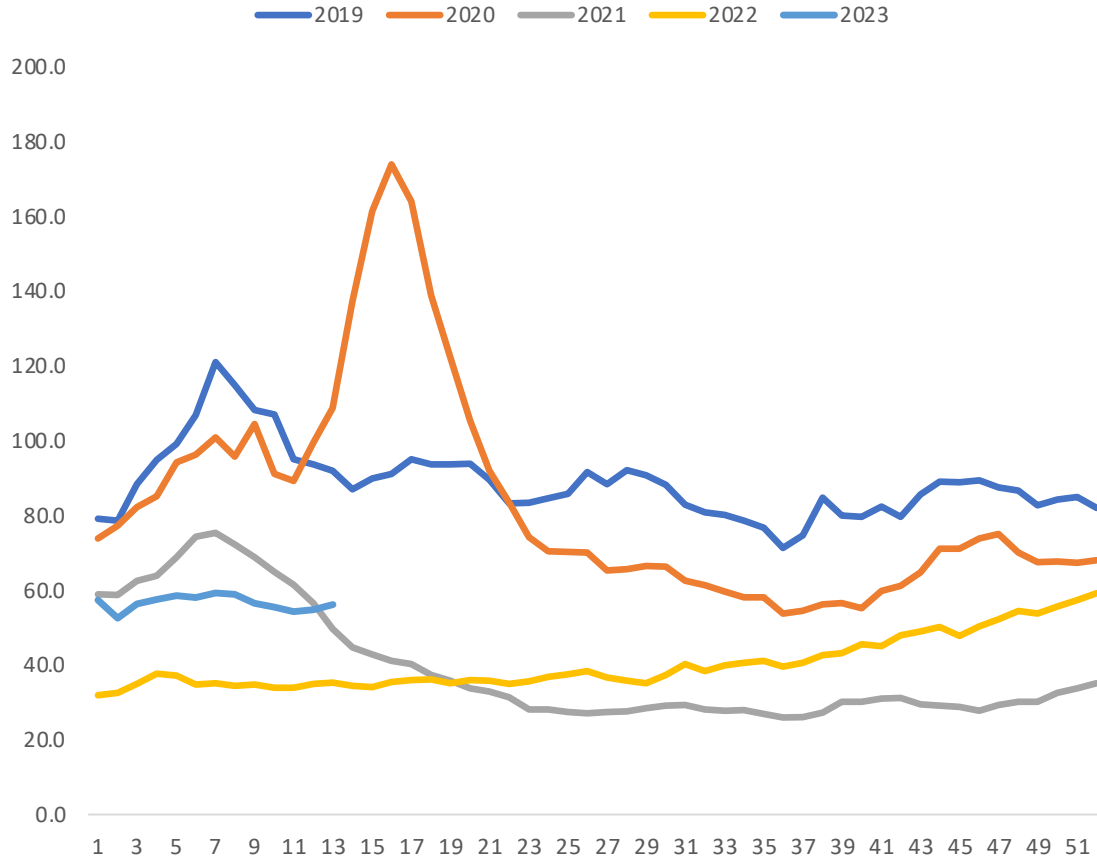


# SUPPLY TIGHTER SO FAR IN 2023

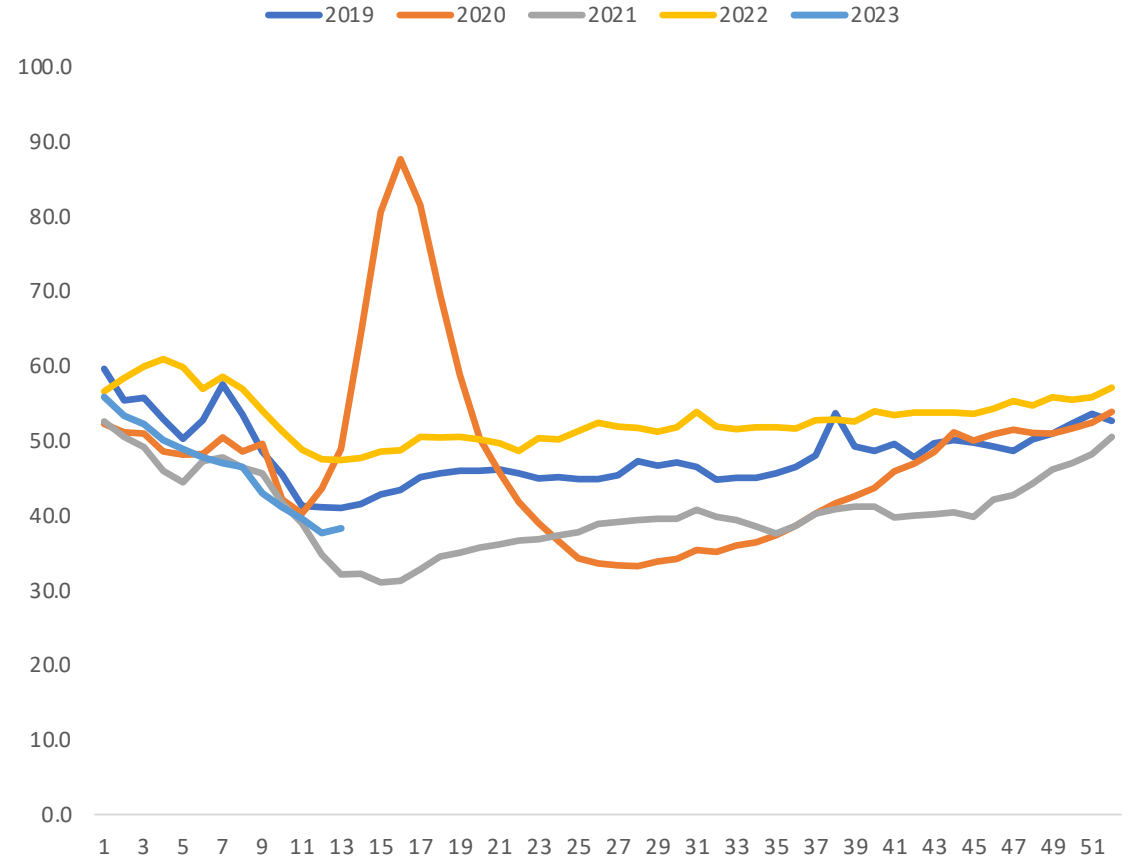
New supply up 21 days y/y and unchanged from February; used supply down 9 days y/y and down 3 days from February



New Days' Supply



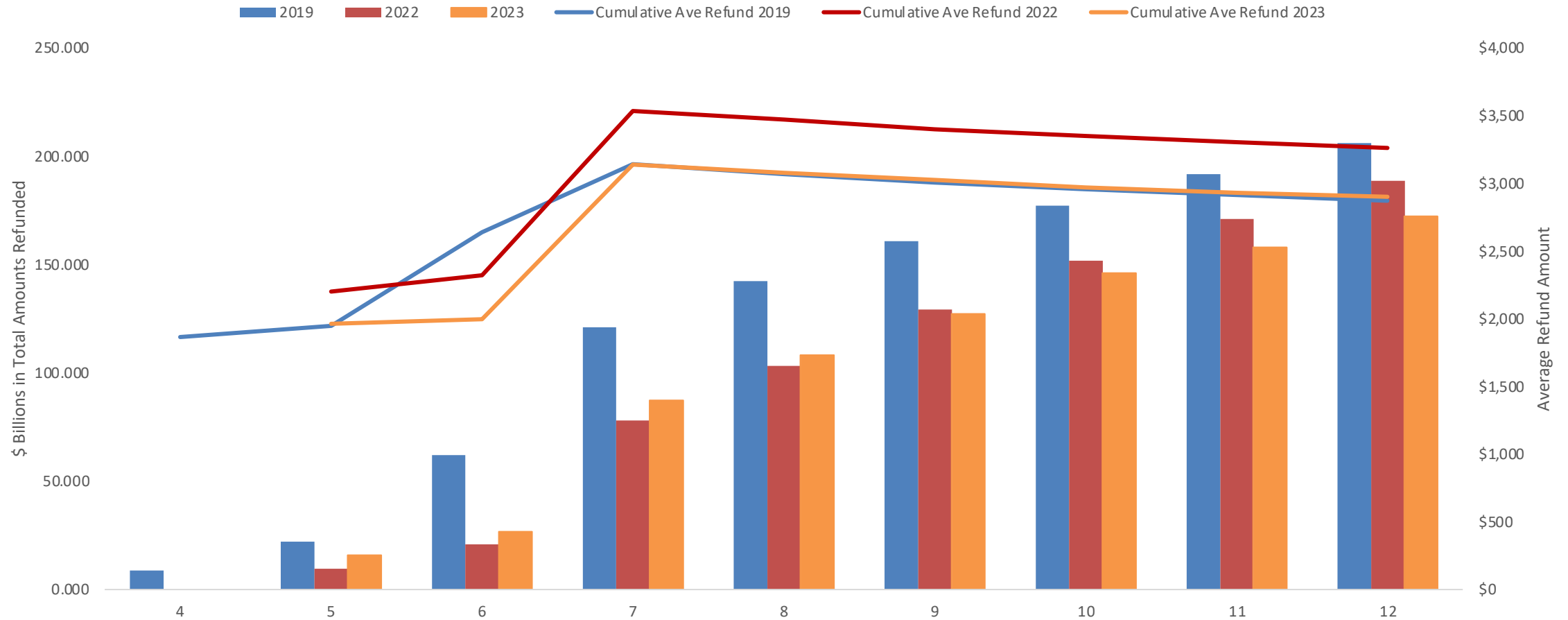
Used Days' Supply



# TAX REFUND AMOUNTS DOWN SUBSTANTIALLY

9% less has been disbursed compared to last year, and the average refund is down 11%

Cumulative Refunds Issued and Ave Refund Amount by Week  
(week 12 was week ending March 24, 2023)





# JEREMY ROBB

Senior Director, Economic and Industry Insights

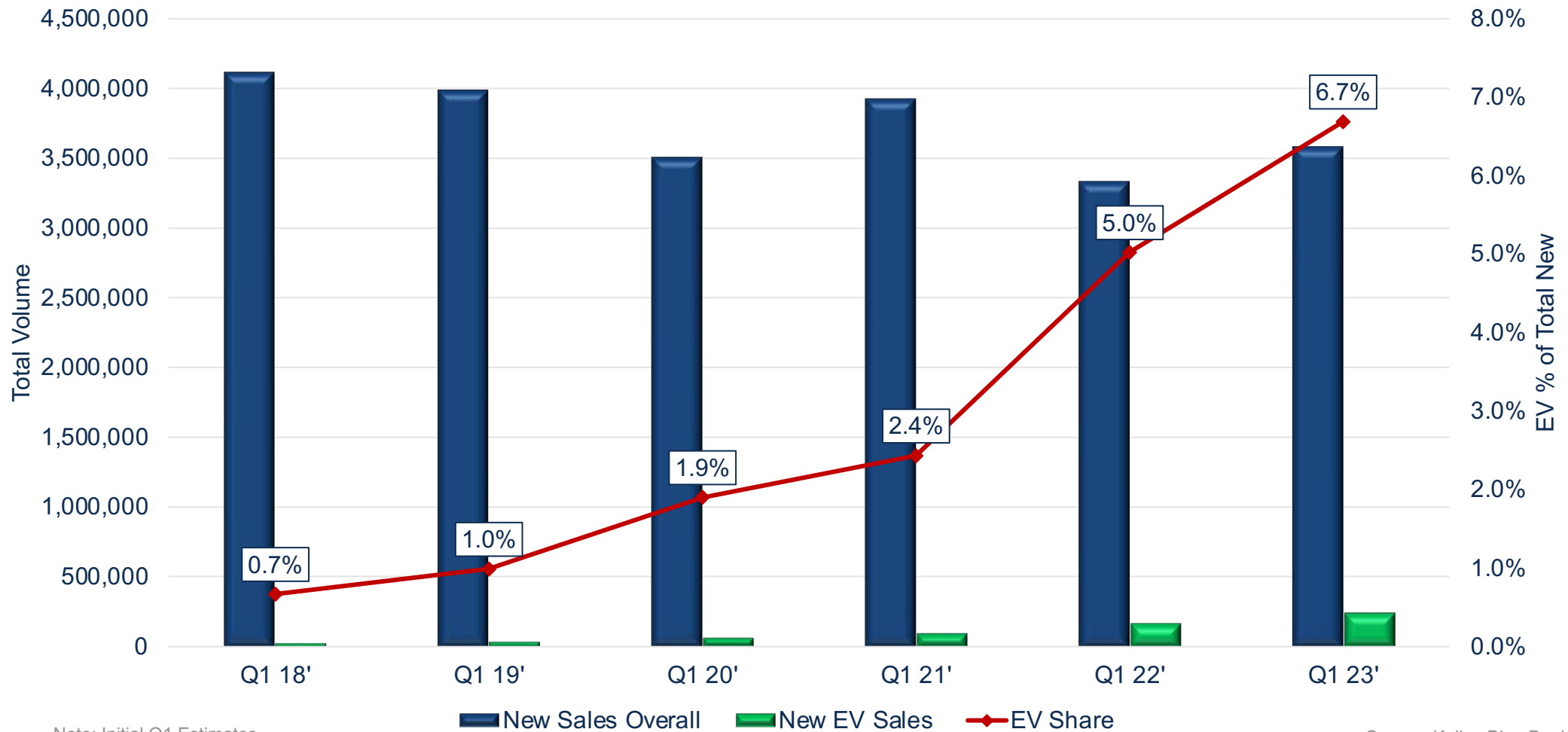


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# NEW EV SALES HIT CRITICAL MASS

Through Q1, EV sales are 6.7% of all New Vehicle Sales, rapidly increasing as a segment

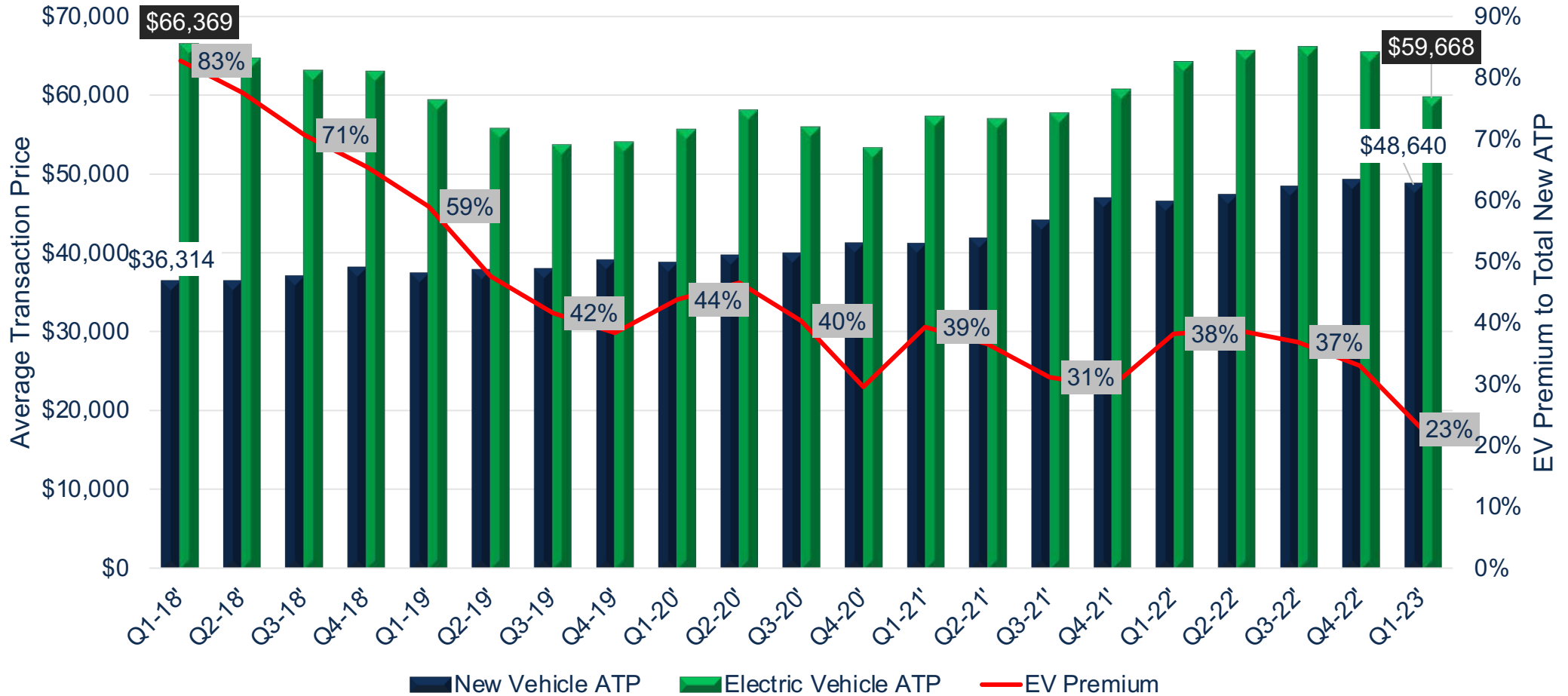


Note: Initial Q1 Estimates

Source: Kelley Blue Book

# EV PRICE PREMIUM DECLINES AGAINST INDUSTRY

The EV premium continues to decline, as overall new vehicle prices increase

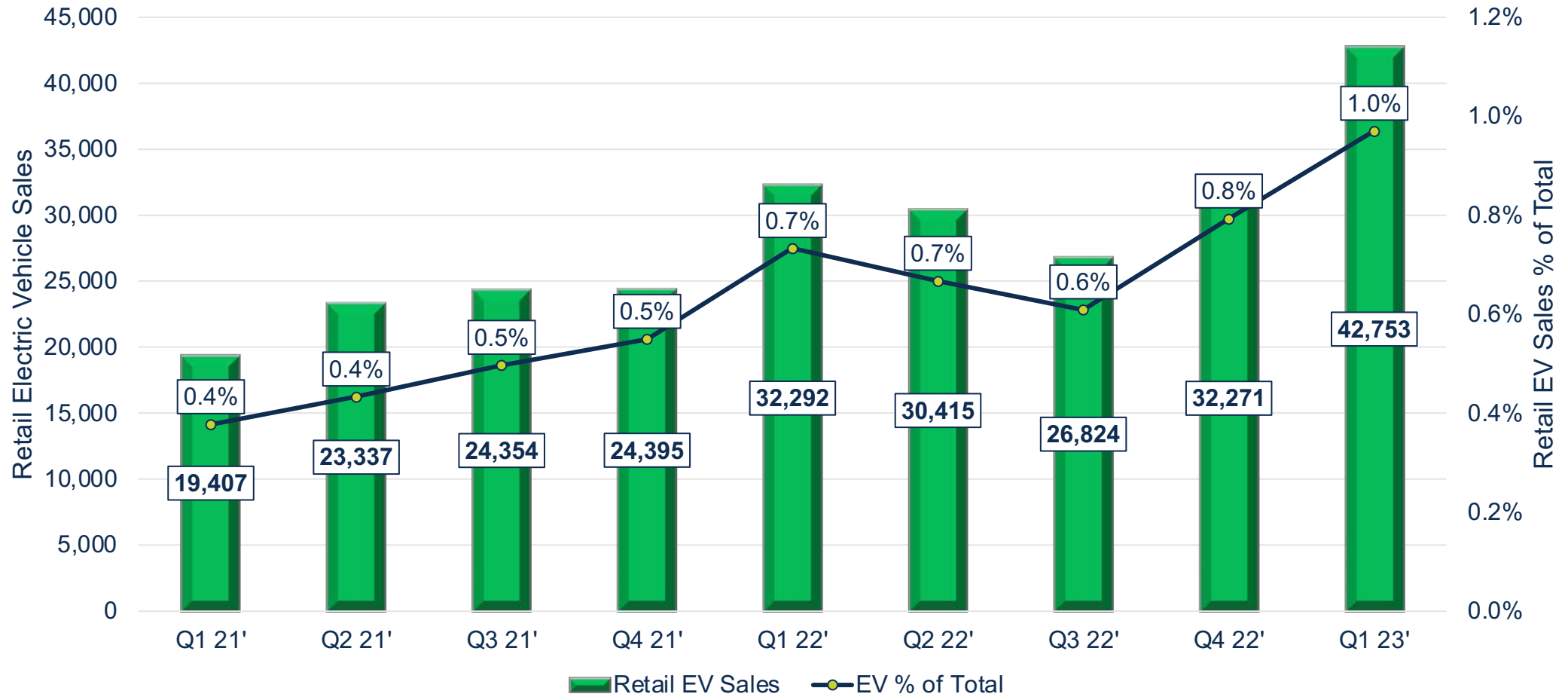


Source: Kelley Blue Book



# CONSUMER PURCHASES OF RETAIL USED EVS

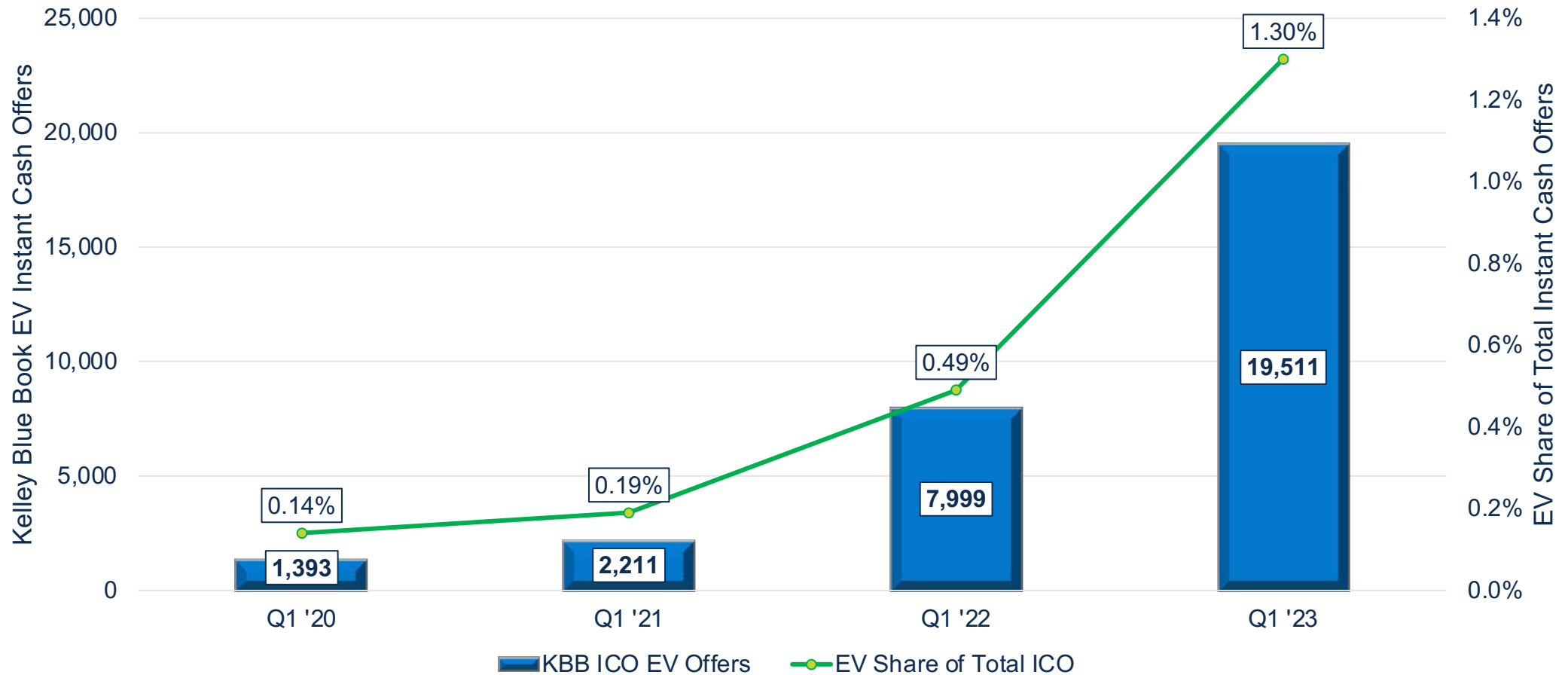
Retail EV sales increase rapidly with consumer adoption, +32% Y/Y and +120% vs Q1 2021



Source: Cox Automotive

# KELLEY BLUE BOOK INSTANT CASH OFFERS: EV'S

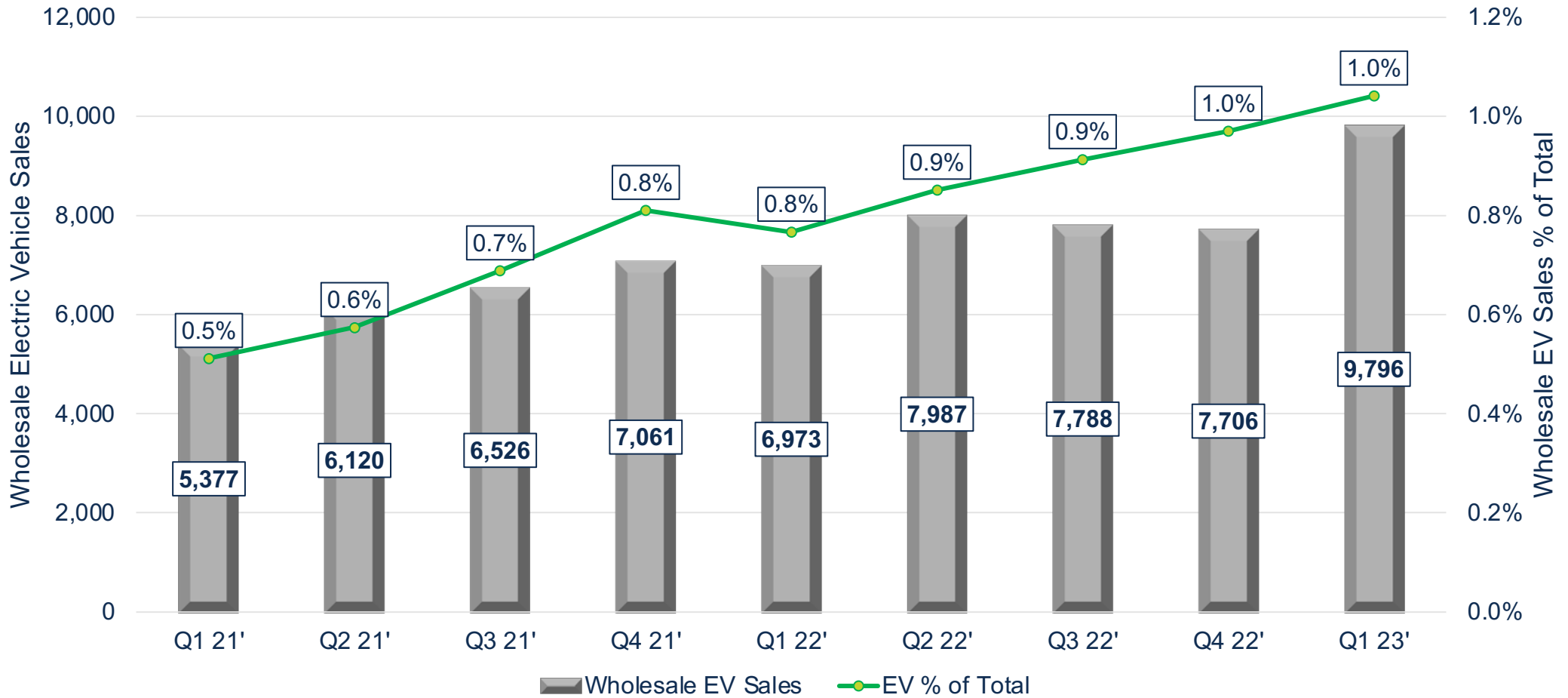
Interest in EV valuations is on the rise as market increases



Source: Cox Automotive / Kelley Blue Book

# WHOLESALE EV TRANSACTIONS

EV sales at wholesale continue to grow rapidly, +40% Y/Y and +82% vs Q1 2021



Source: Manheim



# CHRIS FREY

Senior Manager, Economic and Industry Insights



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# MANHEIM USED VEHICLE VALUE INDEX

## Concept

A single measure of used vehicle price change that is independent of underlying segment shifts in the characteristics of vehicles being sold

## Steps

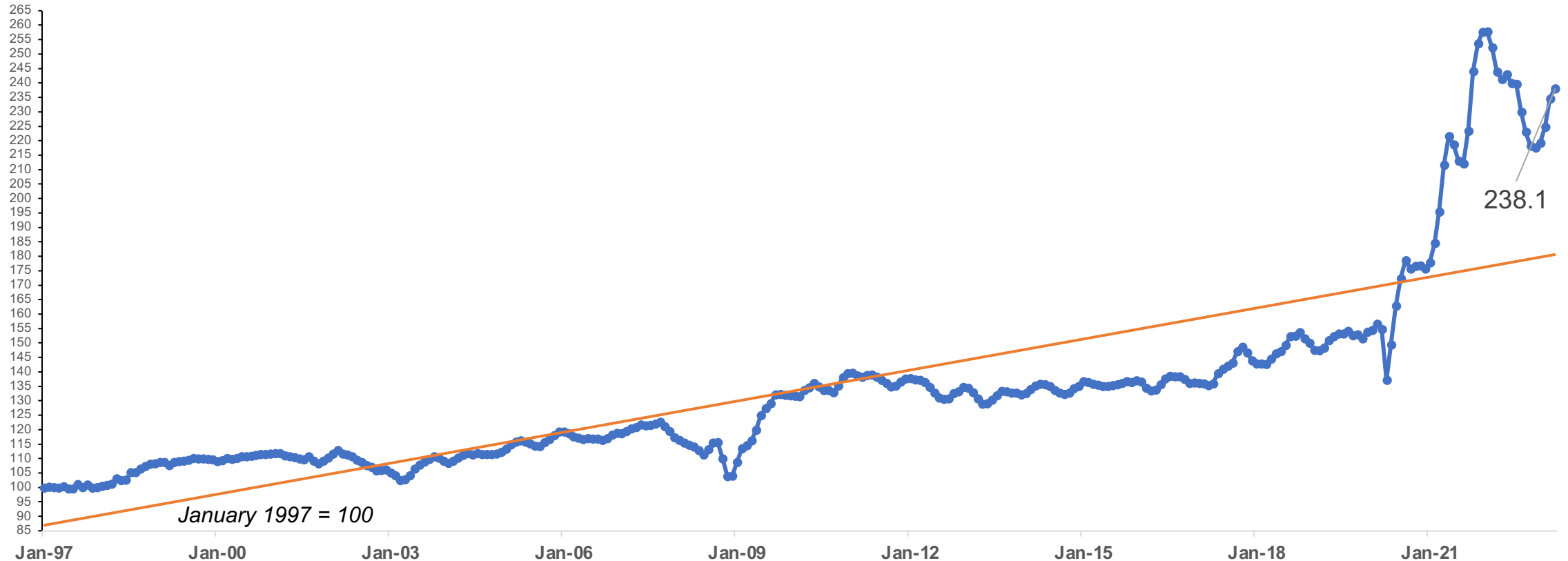
1. All Manheim U.S. sales
2. Classify by market segment
3. Account for differences in mileage
4. Weight to provide smoother segment mix
5. Seasonally adjust





# WHOLESALE VEHICLE VALUES RISE IN MARCH, BUT ARE SLOWING

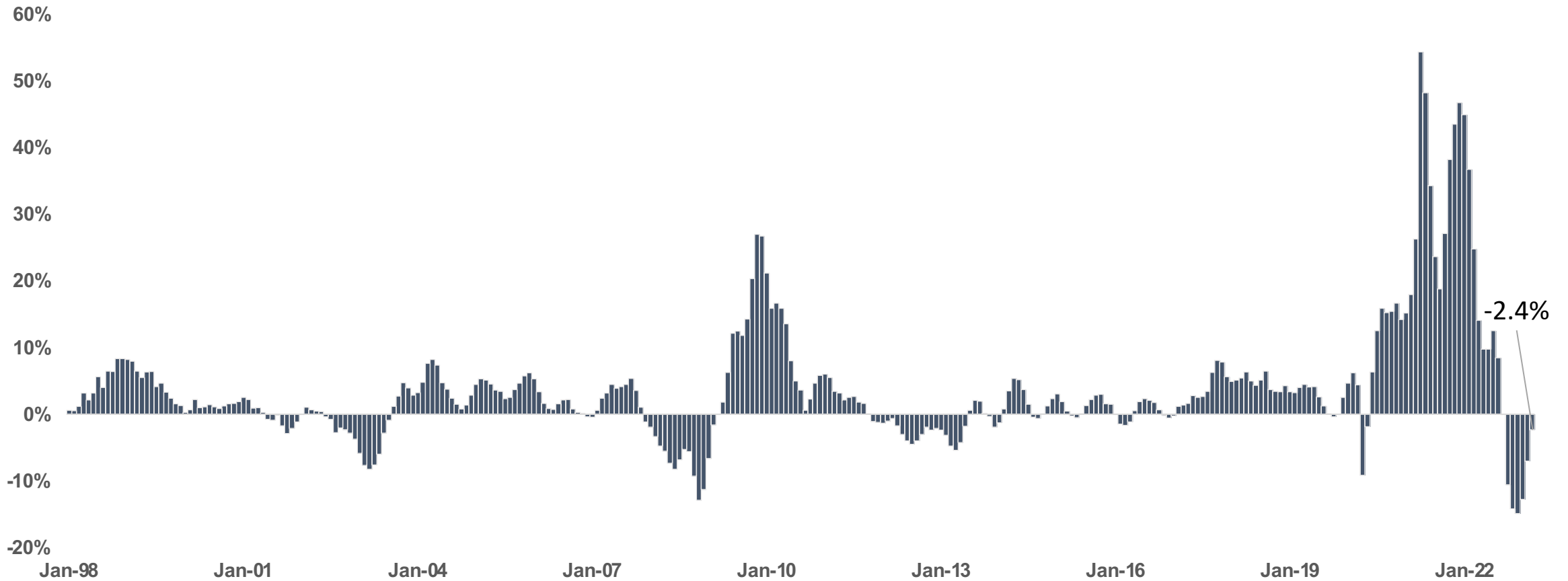
Prices in March increased 1.5% from February but were down 2.4% from March 2022.



Source: Manheim

# YEAR-OVER-YEAR PERFORMANCE NEARING PARITY WITH 2022

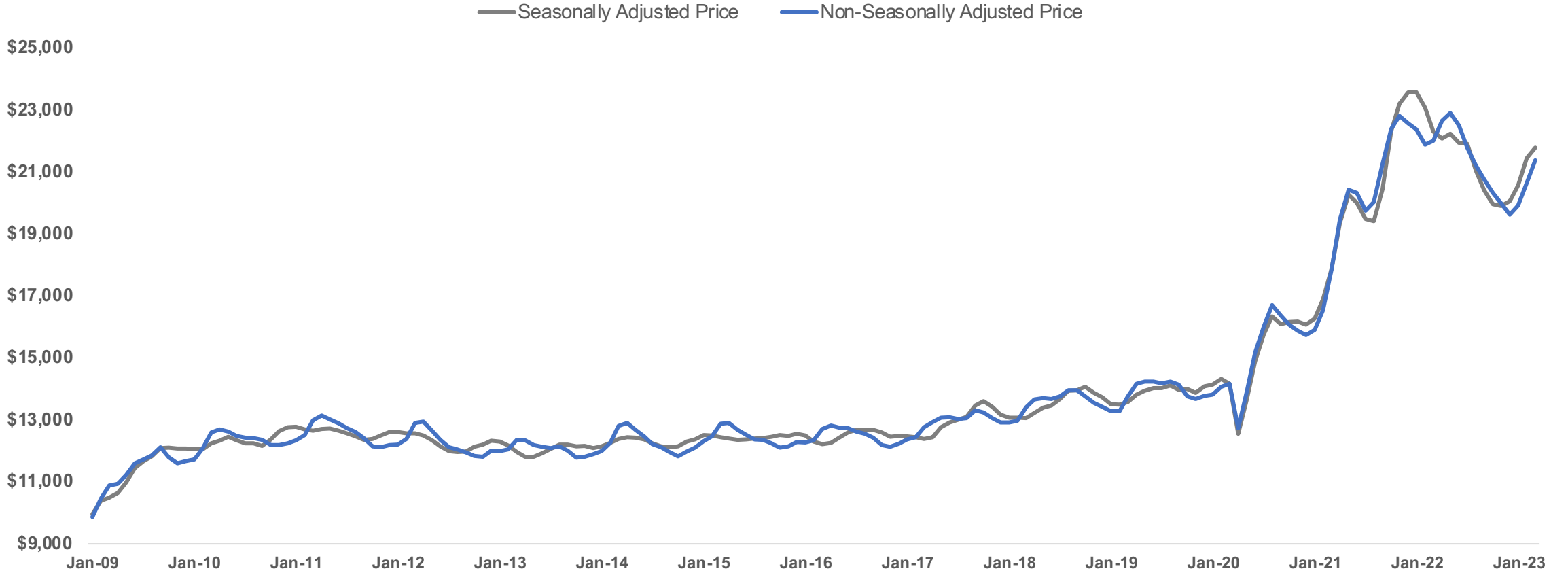
Year-over-year price differences have been shrinking in 2023 with strong Q1 at auction.



Source: Manheim

# SEASONALLY ADJUSTED PRICE LOSING STEAM AT START OF CALENDAR SPRING

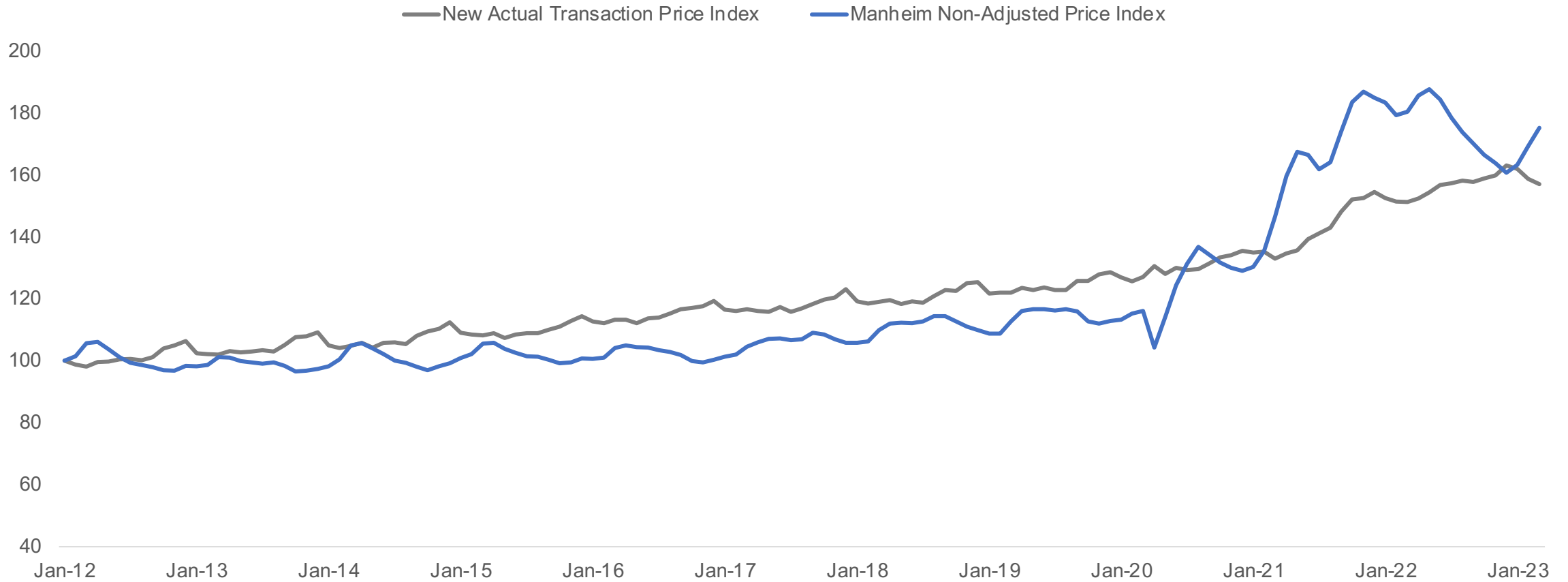
While adjusted prices led non-adjusted since December, adjustment impact is narrowing.



Source: Manheim

# WHOLESALE PRICE VS. KBB NEW ATP

Divergence in prices began in December and has accelerated this spring.



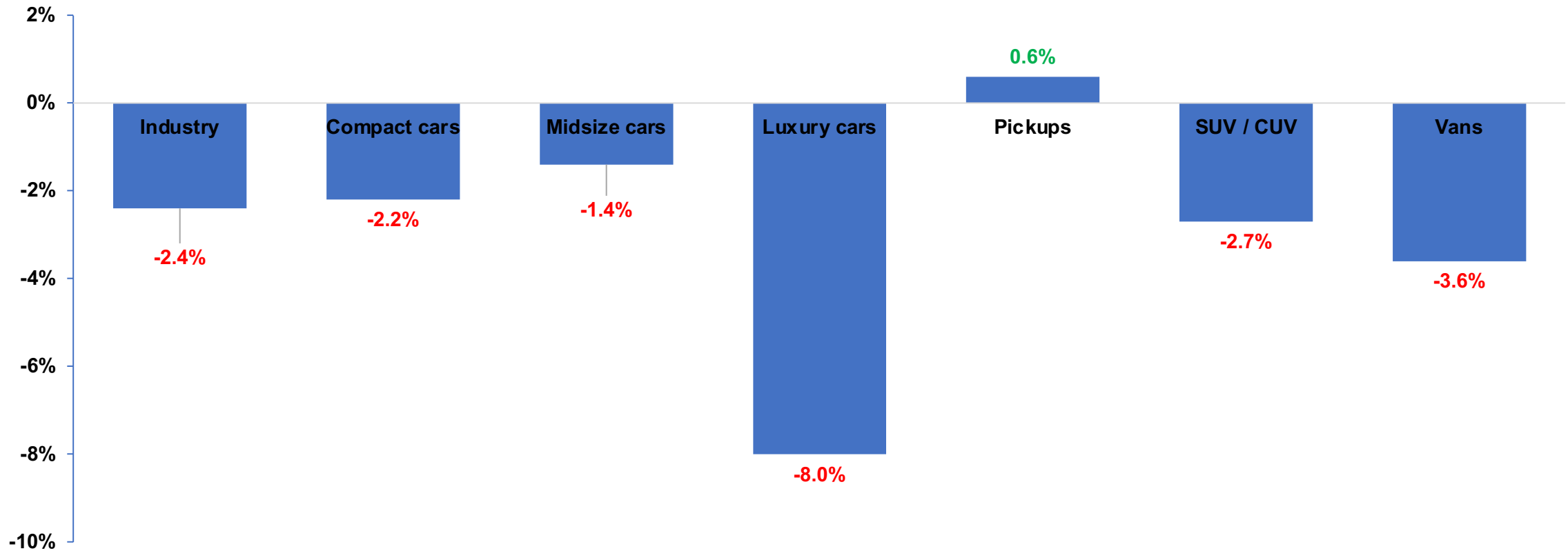
Source: Manheim, KBB

# AFFORDABILITY STILL SUPPORTING CARS, WITH PICKUPS SURPRISING TO THE UPSIDE



Spring Market strength a reversal from Q4 2022 declines; Luxury cars have largely lagged other segments.

Percent Change in Manheim Index Year Over Year March 2023



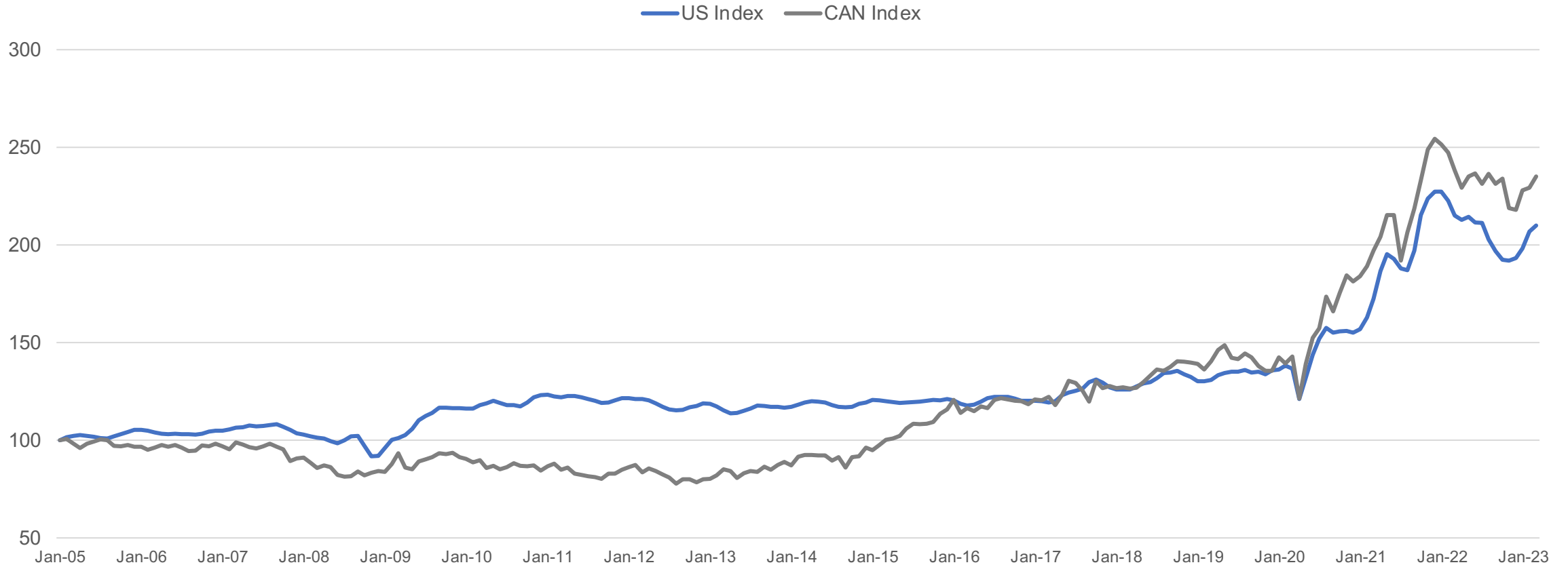
Source: Manheim





# WHOLESALE PERFORMANCE, U.S. VERSUS CANADA

Since December, U.S. Index outpacing Canada Index by 0.8% through March.



Source: Manheim



# JEREMY ROBB

Senior Director, Economic and Industry Insights

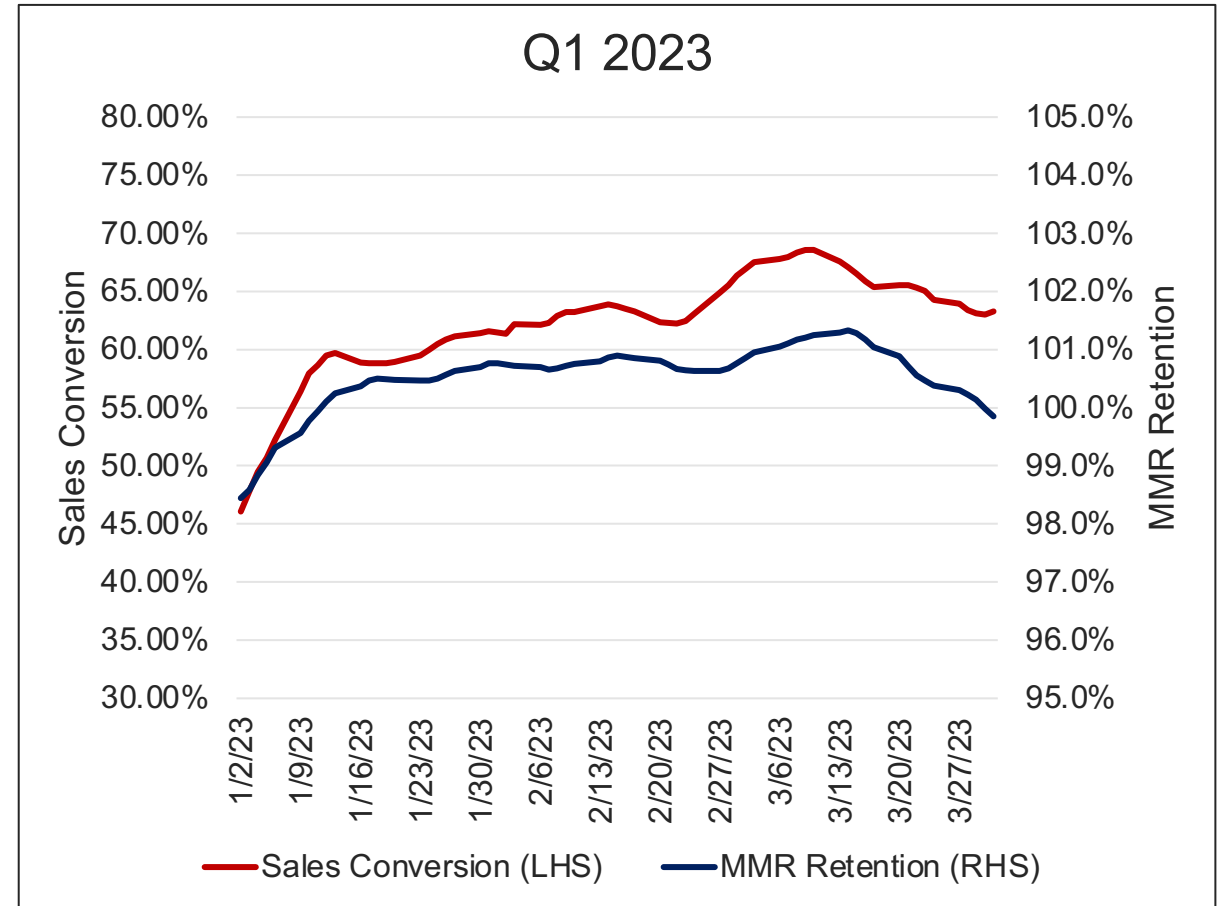
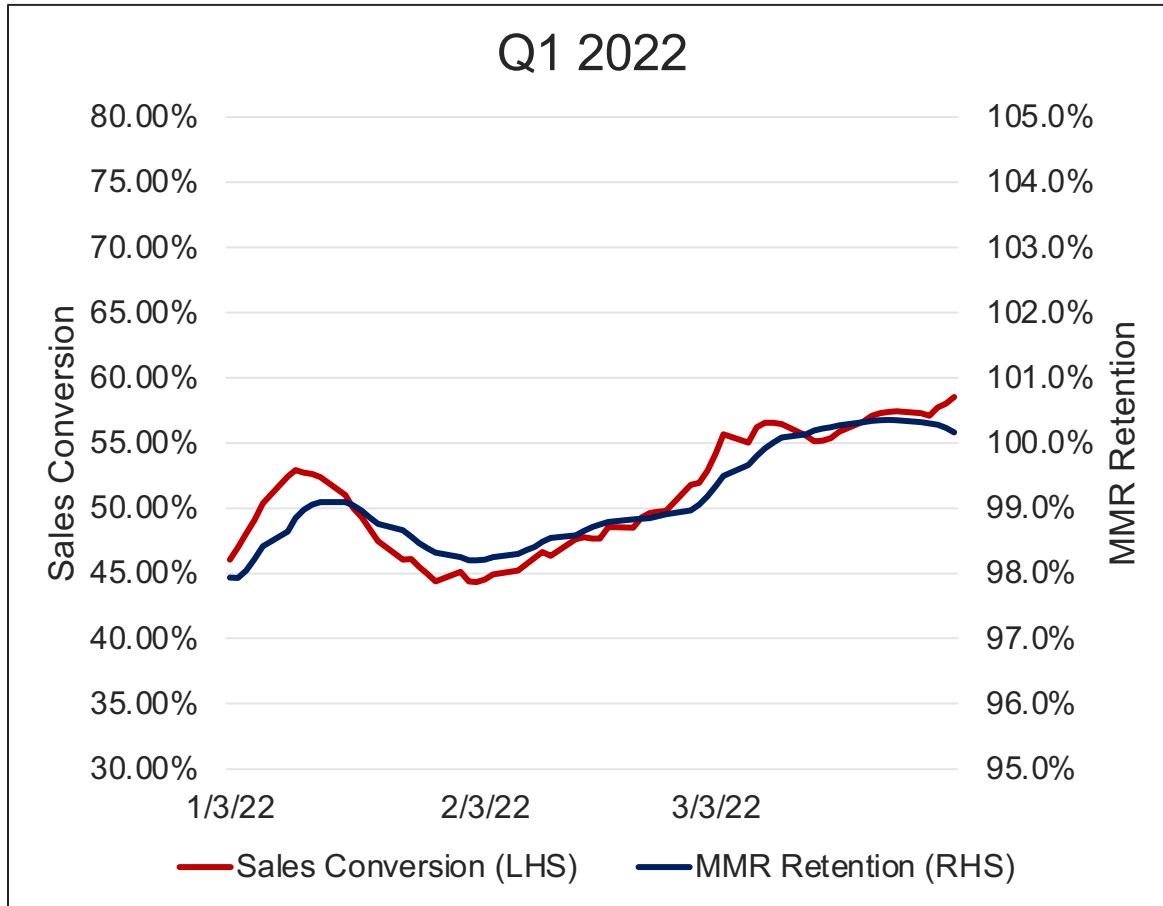
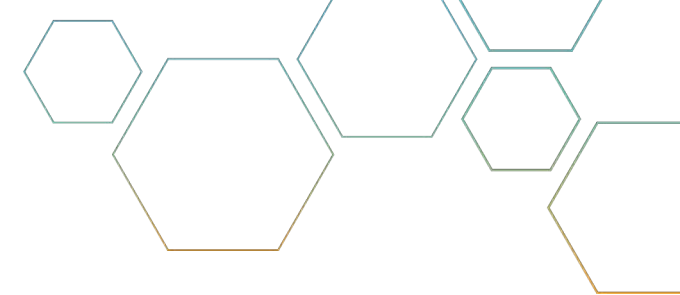


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# MMR RETENTION & SALES CONVERSION

Sales Conversion peaked in early March as MMR Retention hit a high one week later



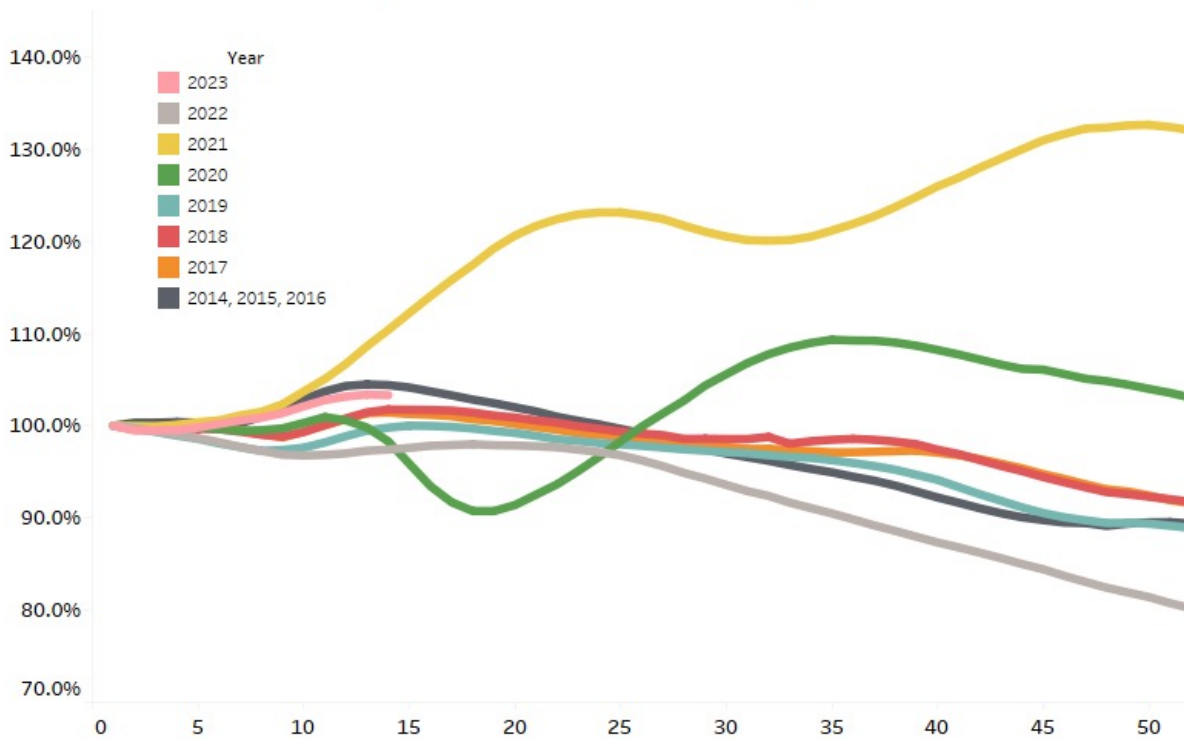
Source: Manheim



# OVERALL WHOLESALE MMR VALUE TRENDS

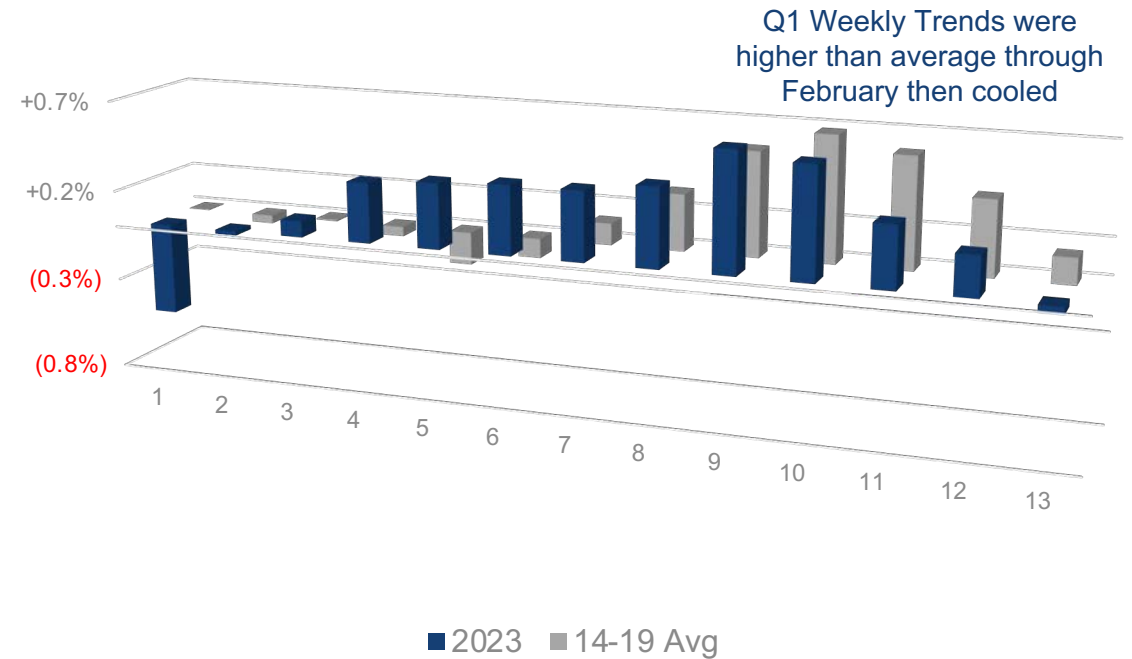
Values began rising more quickly at the start of the year then tapered

## Overall MMR Index Trends (All Model Years)



## Weekly Change in Resale Value

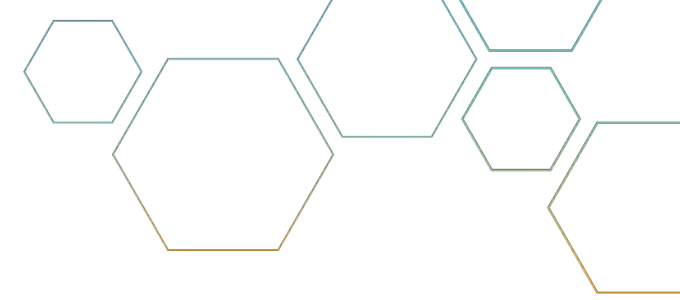
All Model Years



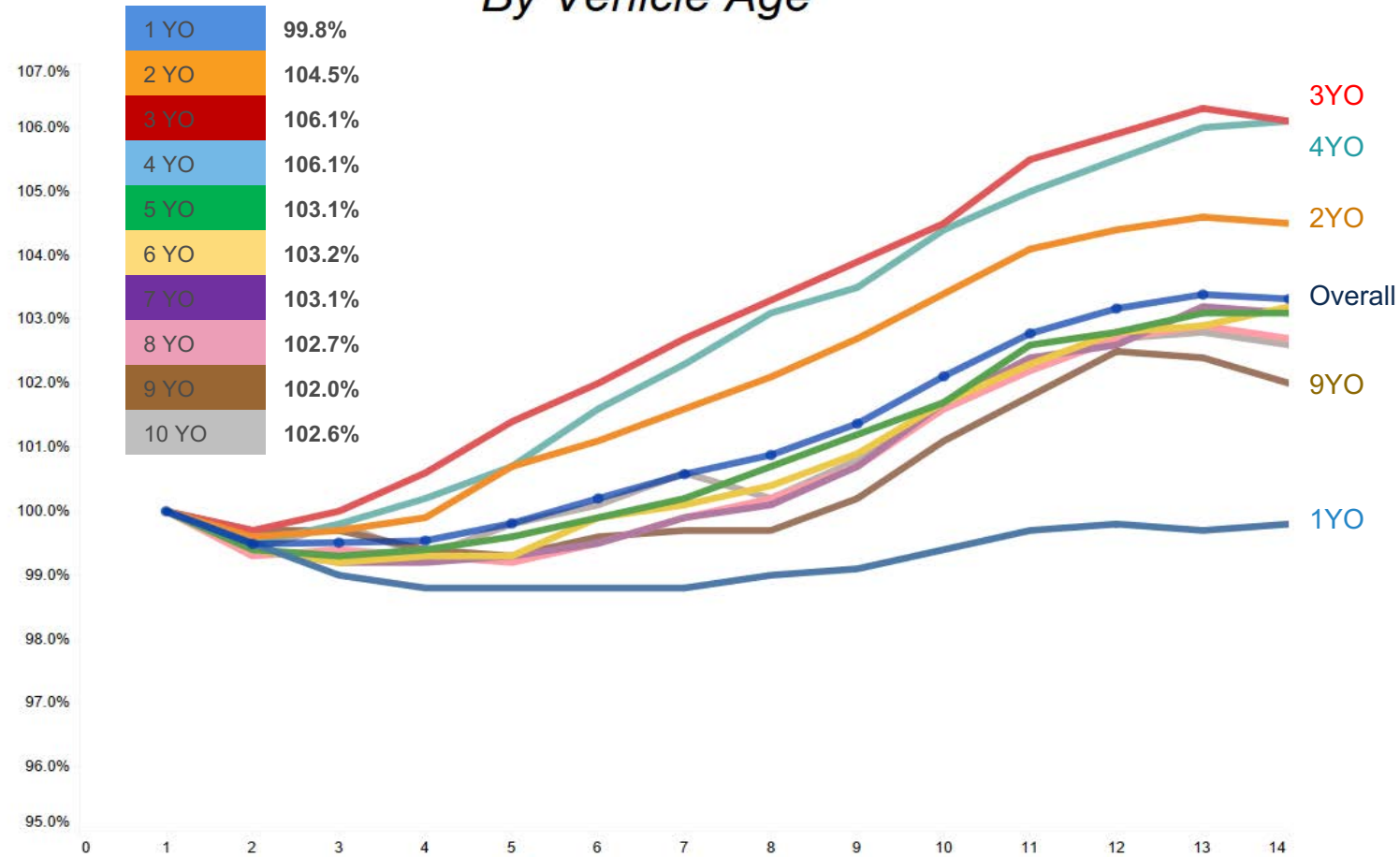
Source: Manheim

# MMR RESALE VALUE TRENDS BY AGE

In 2023, appreciation in the 3YO and 4YO outpace other age groups



**2023 MMR Index by Week**  
*By Vehicle Age*



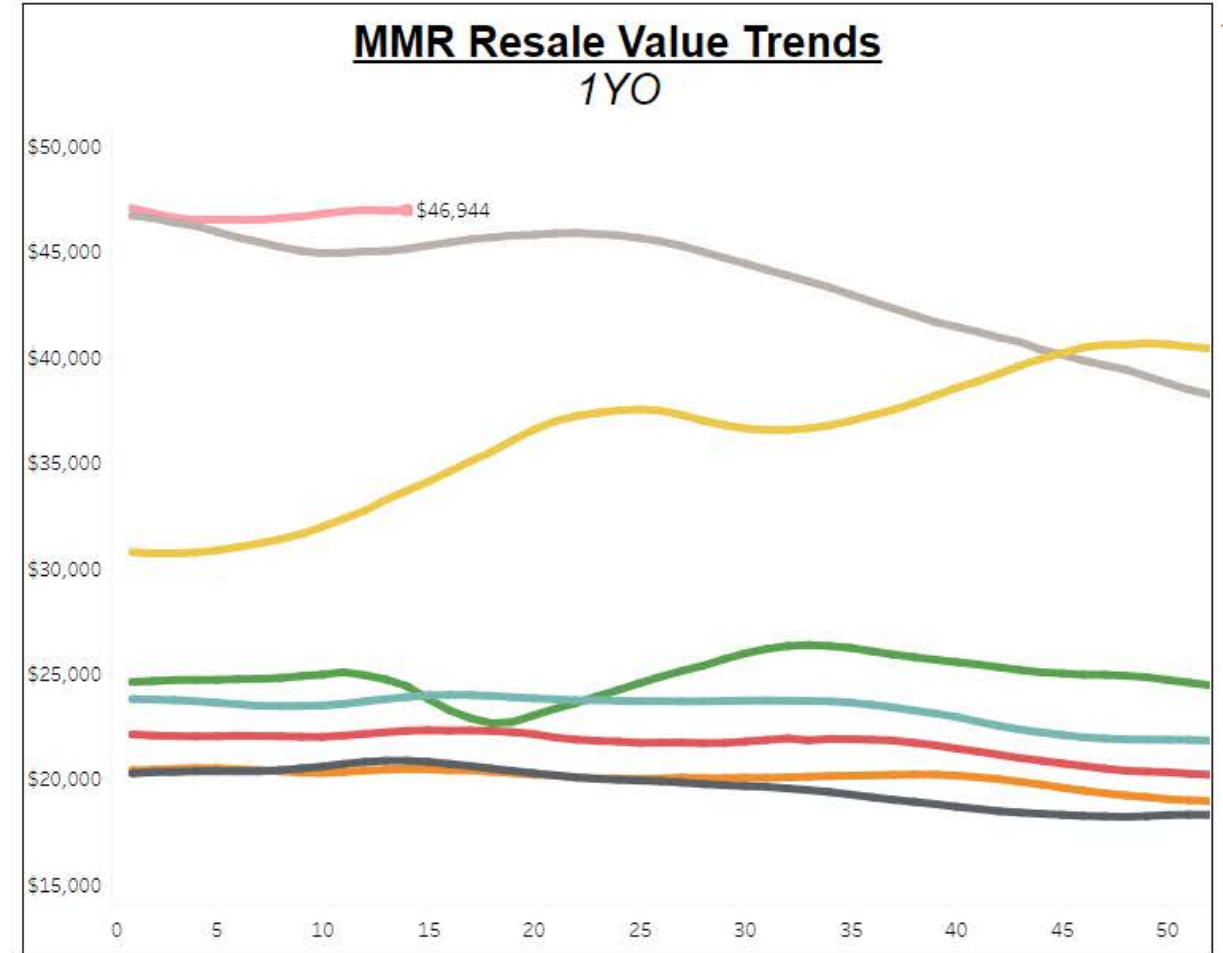
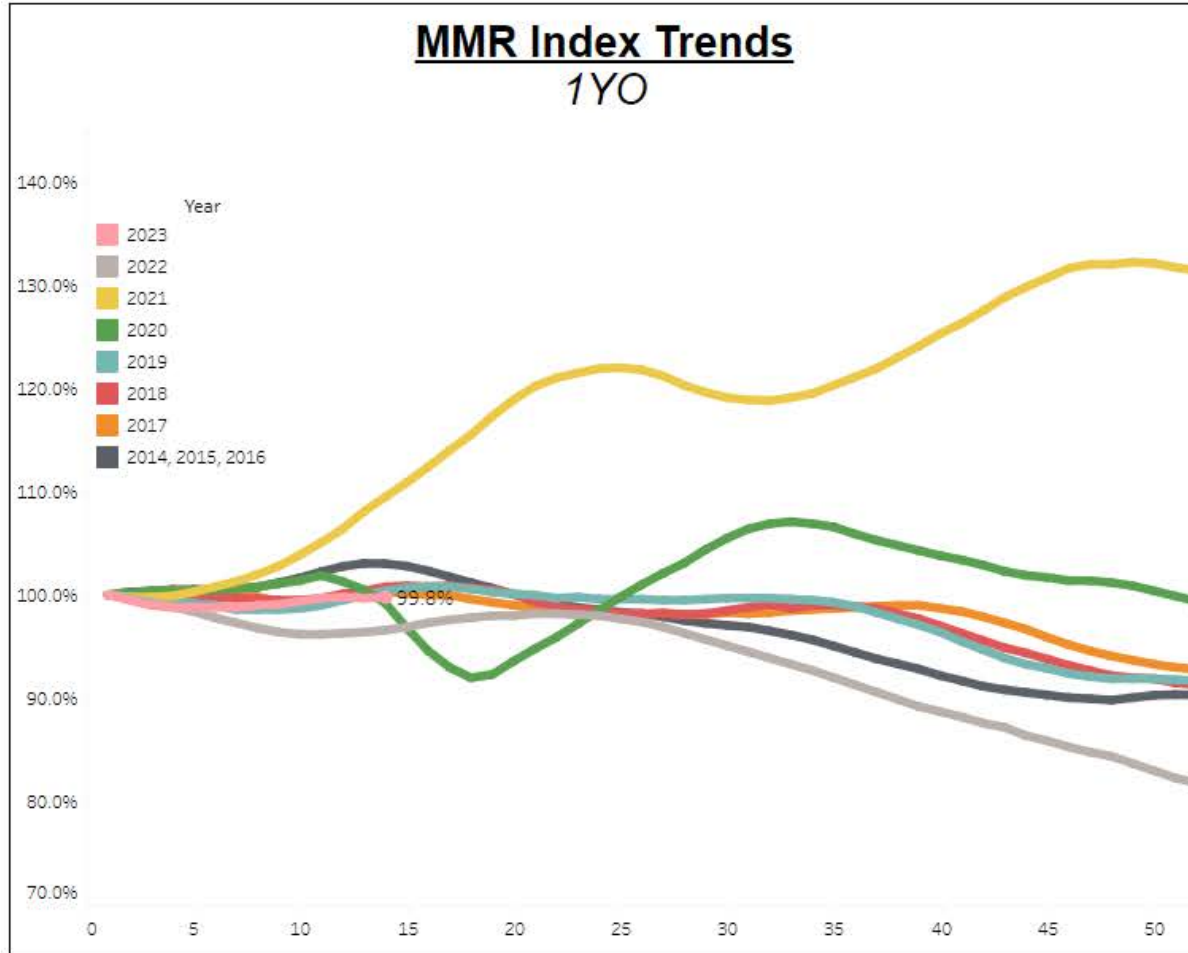
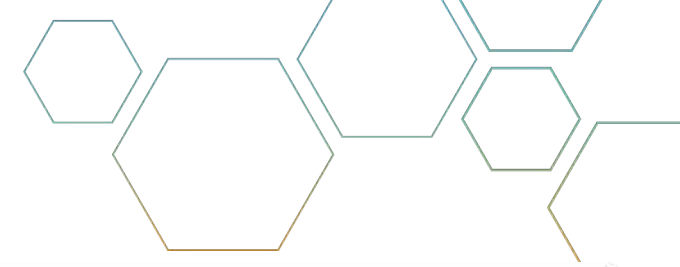
Source: Manheim





# 1YO MMR INDEX & RESALE VALUE TRENDS

Resale Values for the near new unit are higher than any point in history

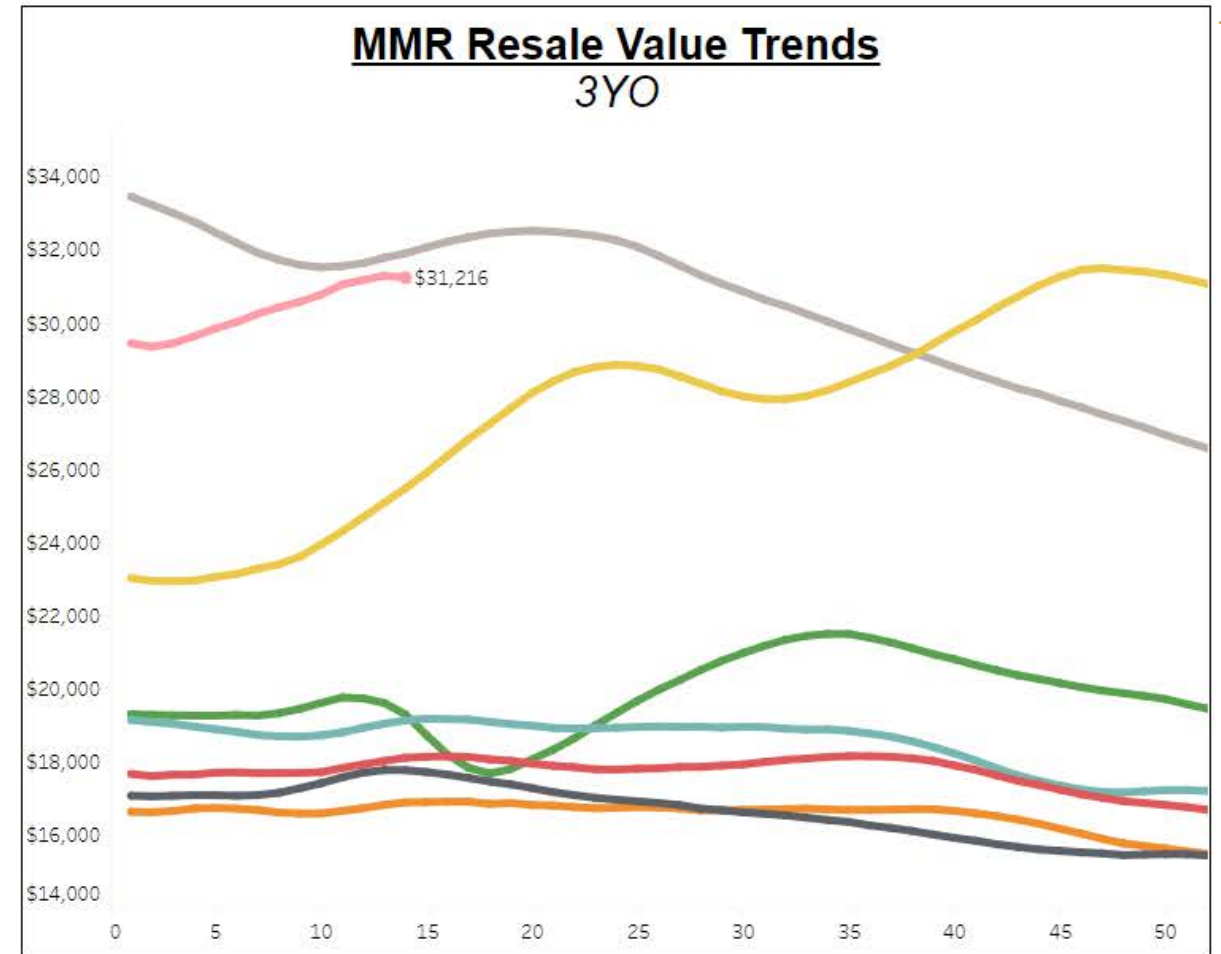
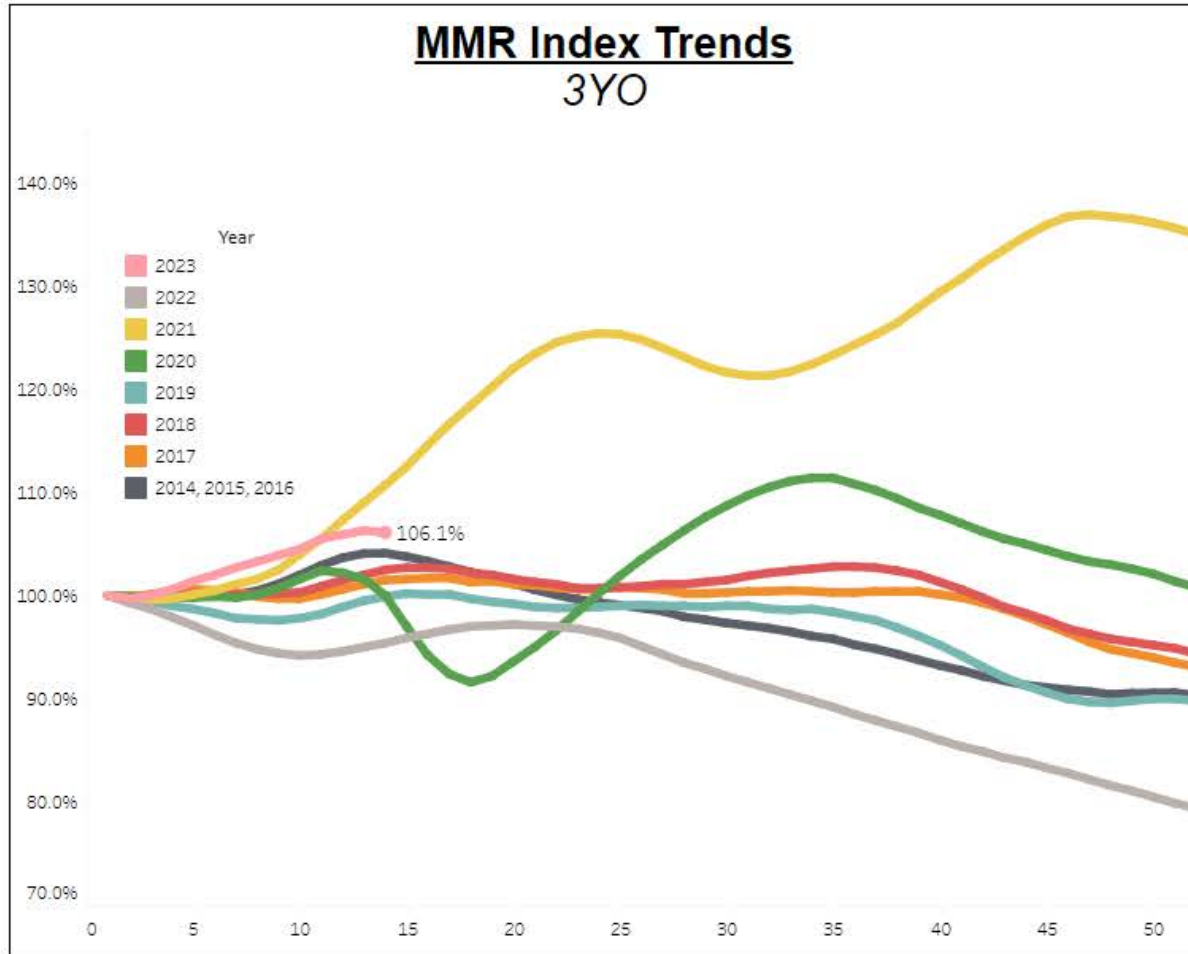
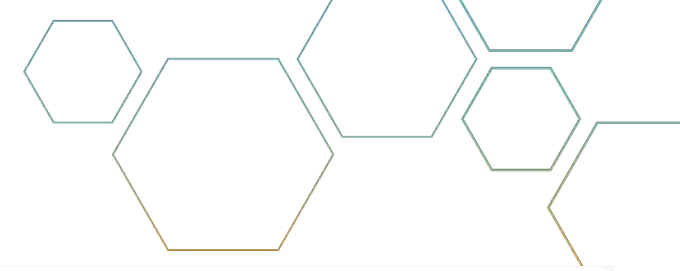


Source: Manheim



# 3YO MMR INDEX & RESALE VALUE TRENDS

3 YO resale values have been rising steadily and are just under 2022 values

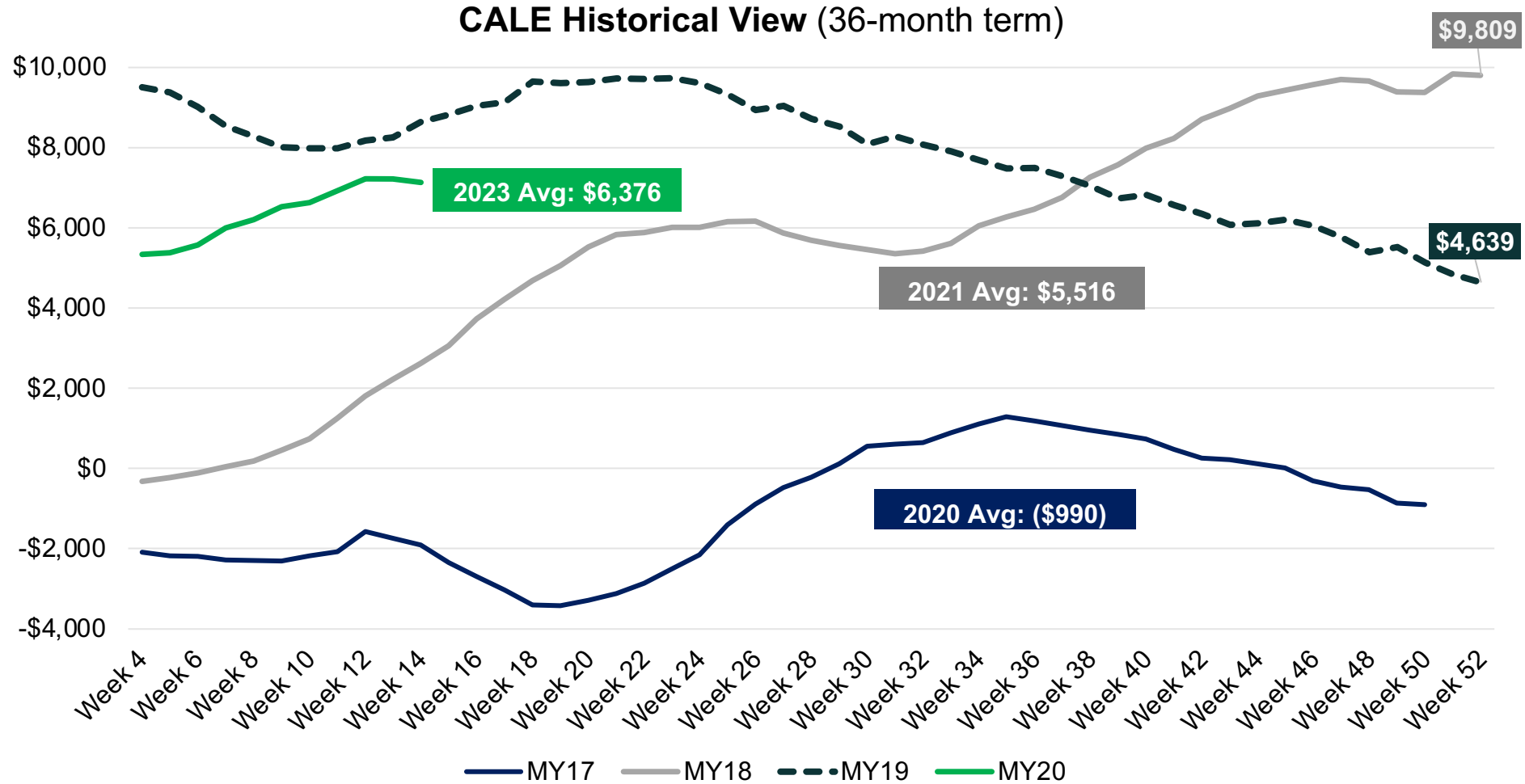


Source: Manheim



# CALE CLIMBS HIGHER IN Q1 WITH VALUES

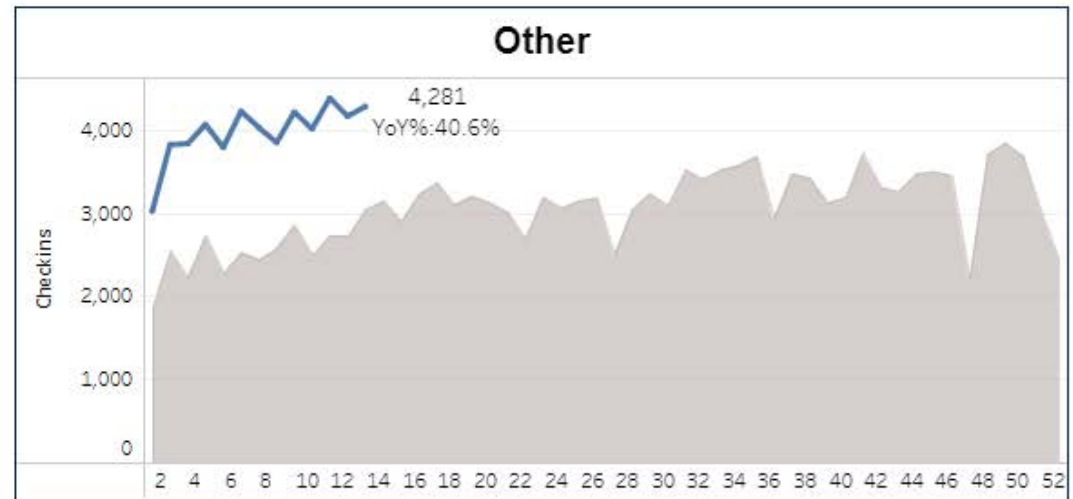
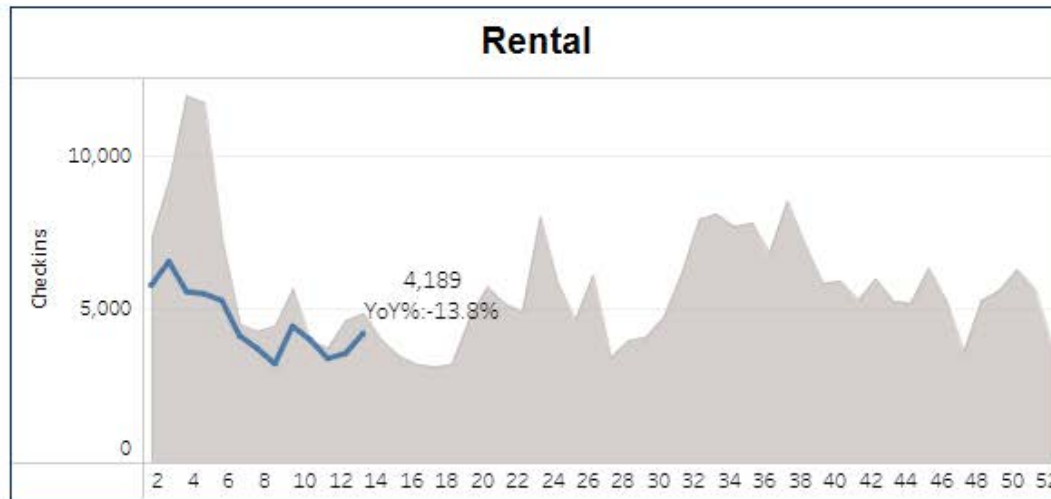
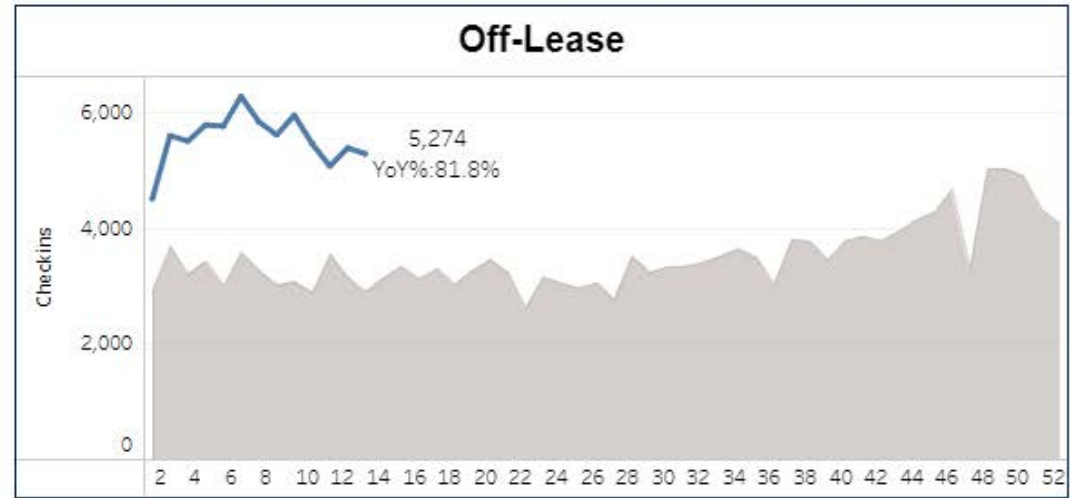
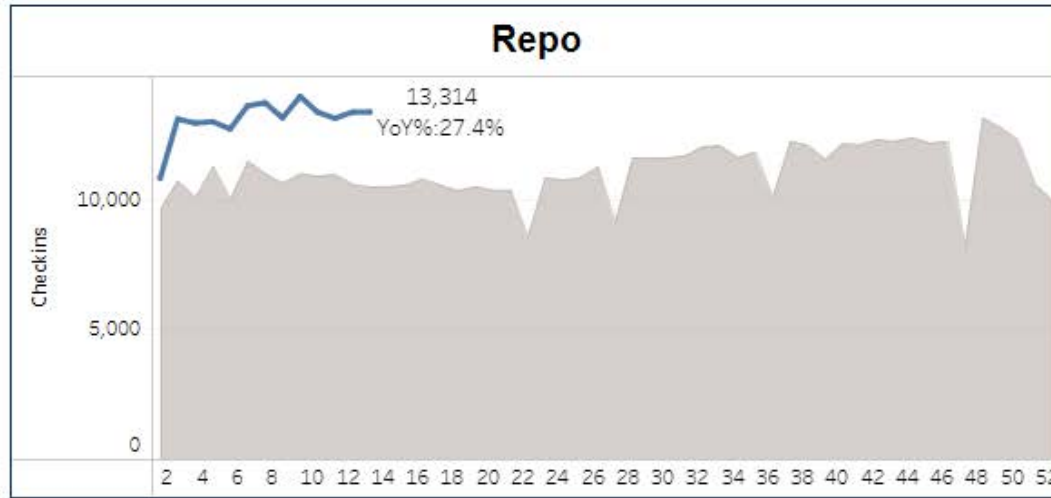
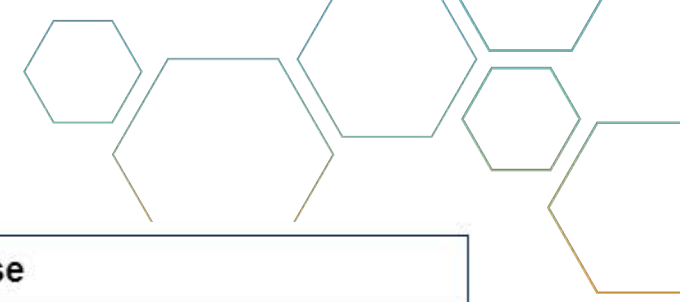
Lease equity continues to remain elevated, giving lease customers options



Source: Manheim & Dealertrack

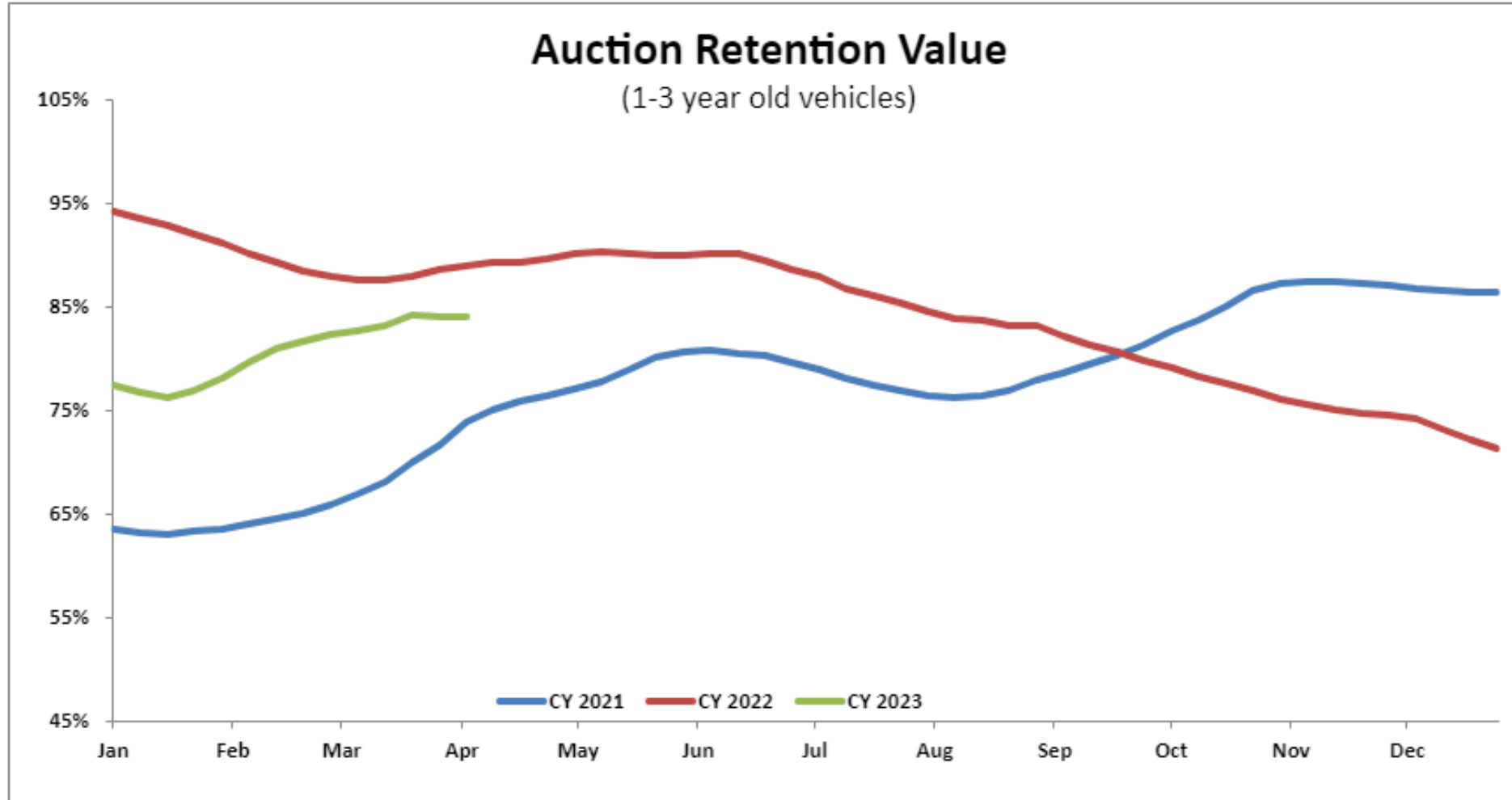
# COMMERCIAL SUPPLY INCREASES

Commercial Check-Ins to Auction continue to run higher Y/Y driven by Repo and Off-Lease



# RETENTION VALUES AT AUCTION

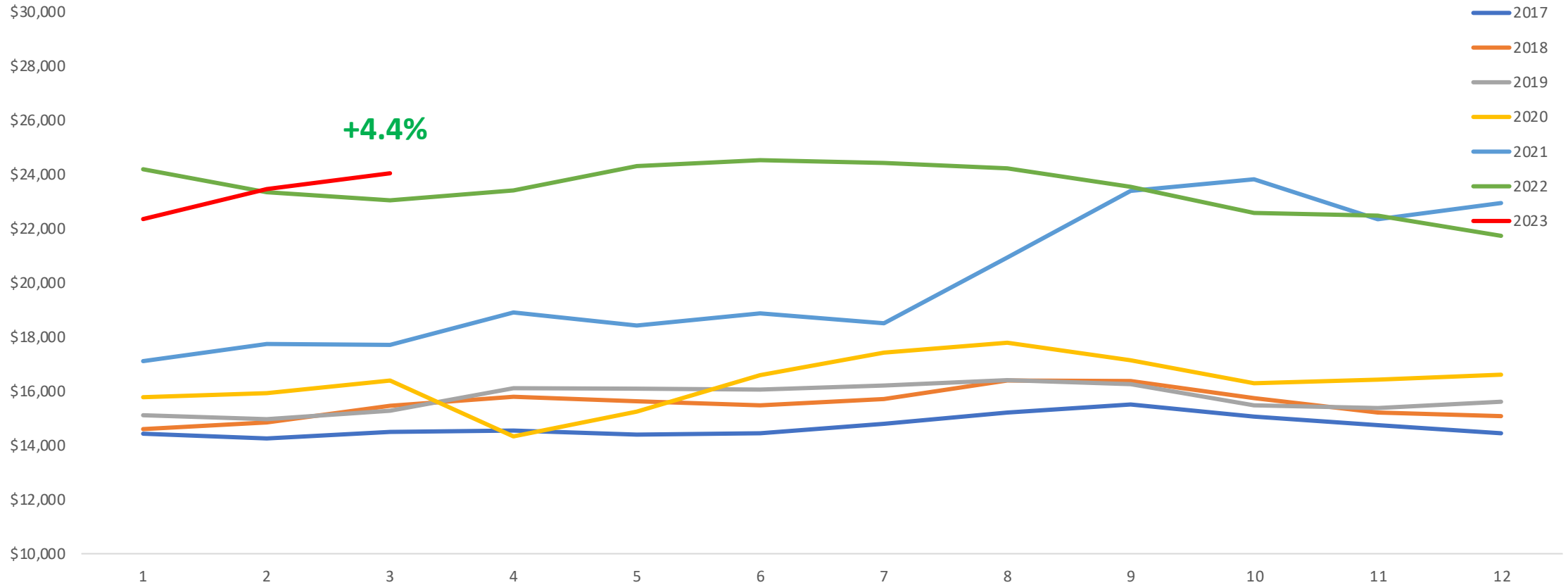
While retention values are below last year, they continue to remain elevated



Source: Kelley Blue Book

# RENTAL RISK AVERAGE AUCTION PRICES

Prices for units sold in March were up 4.4% year-over-year and up 2.5% from February.



Source: Manheim

# RENTAL RISK VEHICLE VARIETY REPRESENTED IN SALES

Configuration count much higher as de-fleeting of older, auction-purchased units return.

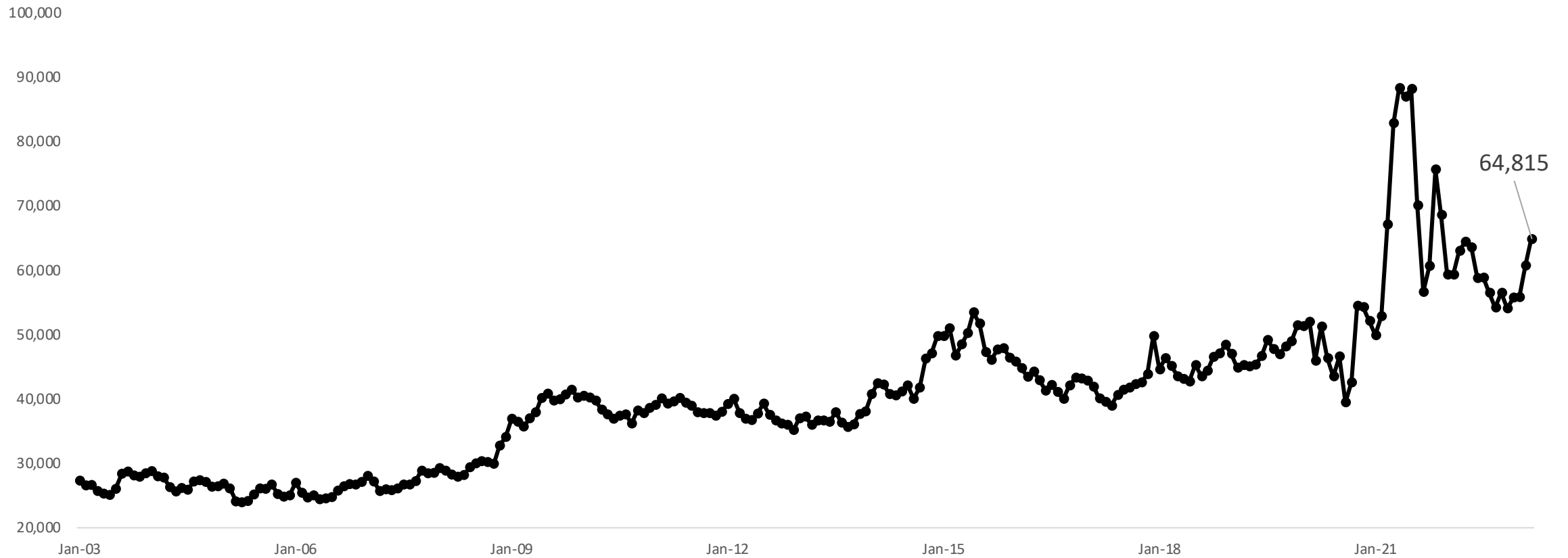
	2021 Q1	2022 Q1	2023 Q1
Number of unique year, make, model, body configurations sold	3,149	2,976	4,263
Share accounted for top 10 YMMB	12.0%	18.1%	11.4%
Share accounted for top 25 YMMB	22.6%	30.8%	20.5%
Number of YMMB to reach 50% share	117	68	145

Source: Manheim



# RENTAL RISK AVERAGE MILEAGE

Average mileage in March was up 2.9% from a year ago and up 6.8% from February.



Source: Manheim

# RENTAL RISK SALES CONDITION

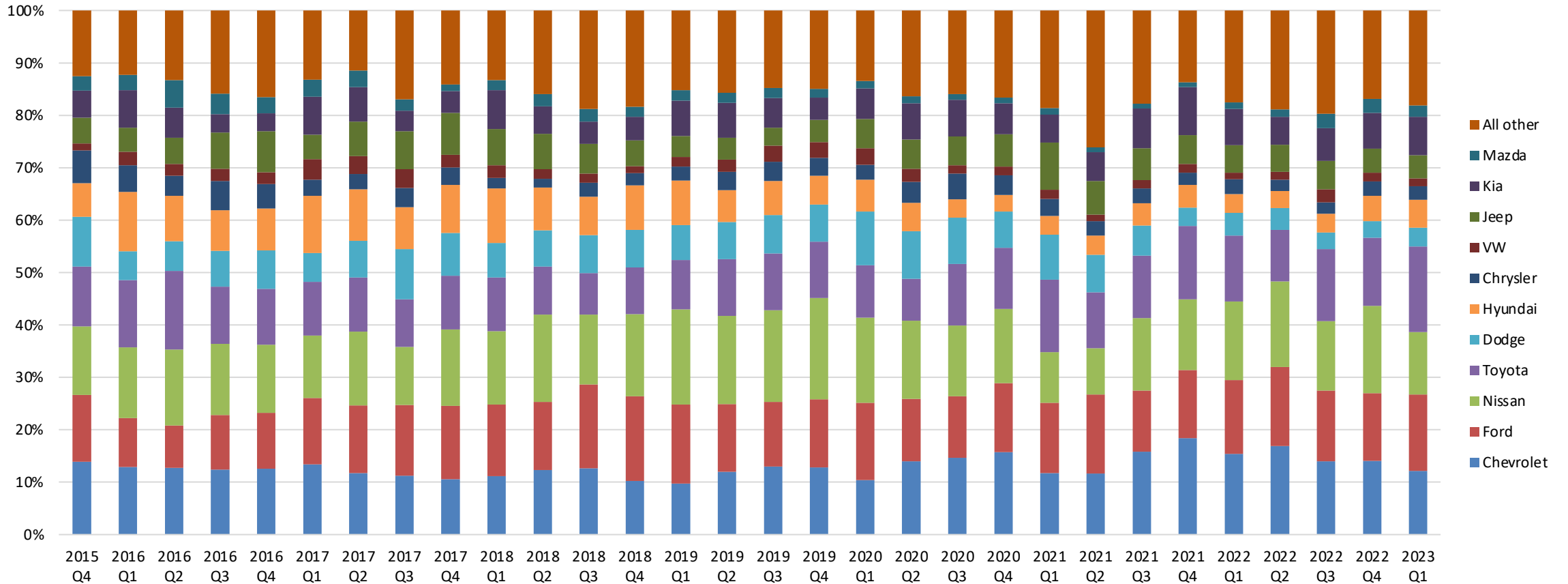
Very similar to Q2 of 2022, with little change from Q4 2022 to Q1 2023.



Source: Manheim

# RENTAL RISK SALES BY MAKE

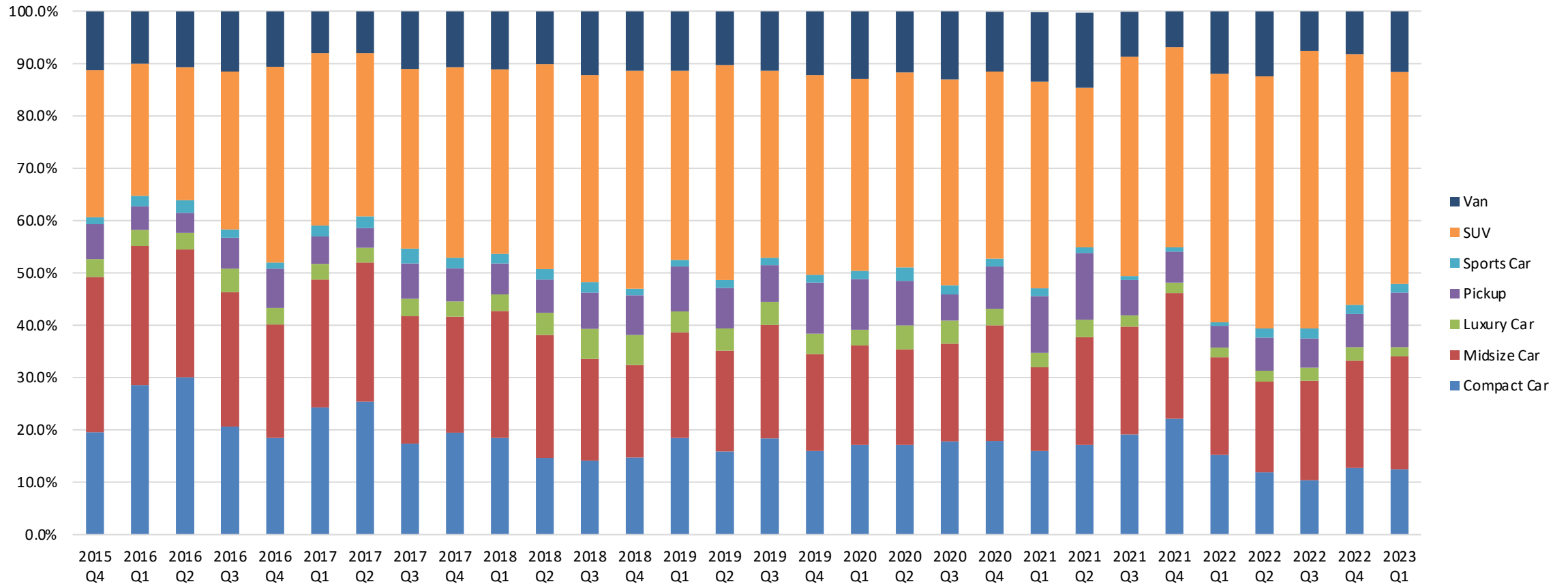
Toyota had largest share in Q1 2023, with a big drop in Nissan from Q4 2022.



Source: Manheim

# RENTAL RISK SALES BY VEHICLE SEGMENT

Trend from Q3 2022 remains intact – SUVs down, Vans, Pickups, and Midsize cars gain.



Source: Manheim

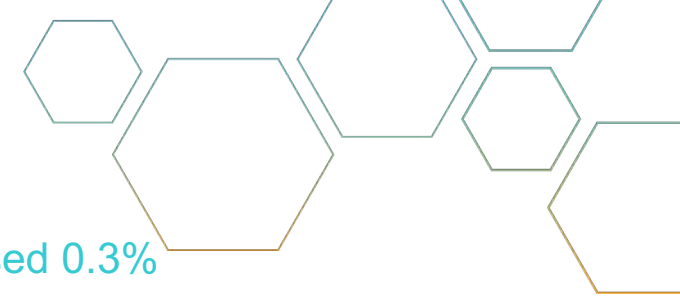
# MANHEIM INSIGHTS ON TOP VOLUME VEHICLES

Price trends on top-selling vehicles in March at Manheim showed mostly increasing values for the month

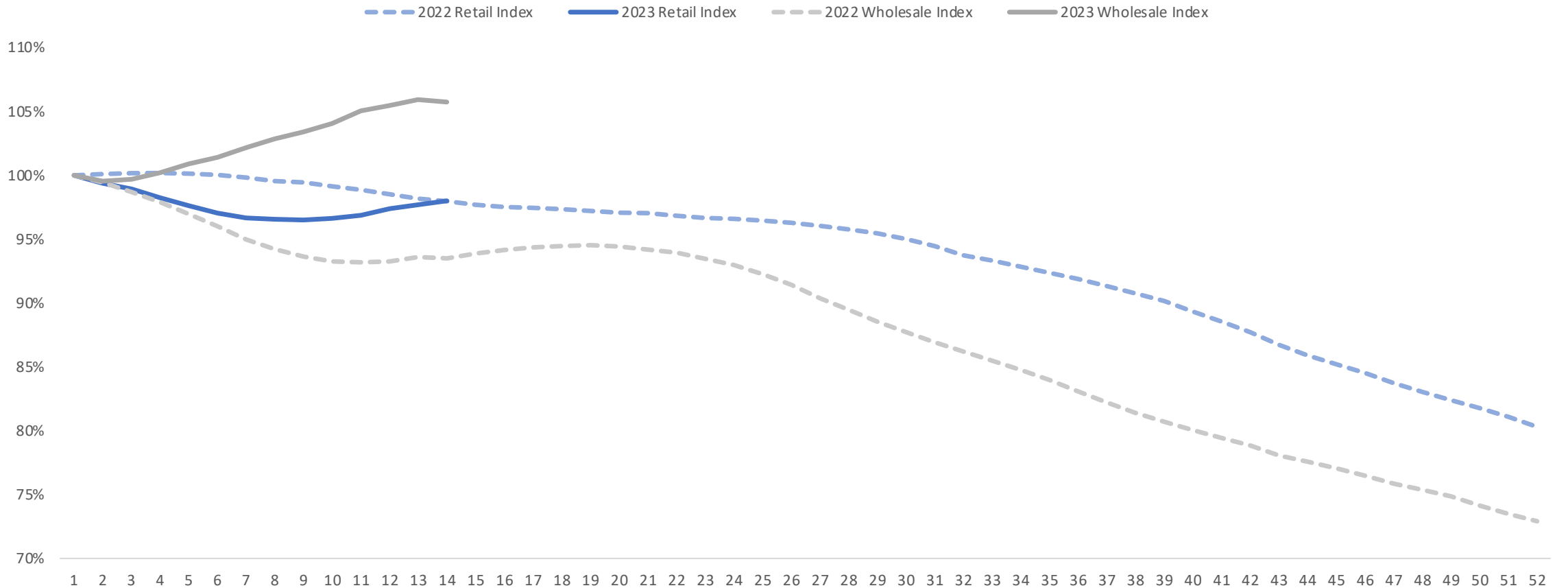
Rank	Source(Rank)	Category	Subcategory	Vehicle	3-Apr	Past 30 Days	Last Year	Current Dep	L12M Dep/Mo
1	All	SUV	SUV Midsize	2020 FORD EXPLORER 4WD 4C 4D SUV XLT	\$32,300	\$31,900	\$38,400	1.3%	-1.3%
2	All	SUV	SUV Midsize	2020 CHEVROLET EQUINOX FWD 4D SUV 1.5 LT	\$21,500	\$21,700	\$24,300	-0.9%	-1.0%
3	All	Compact Car	Compact Car Premium	2020 TOYOTA COROLLA 4D SEDAN LE	\$17,950	\$17,650	\$19,850	1.7%	-0.8%
4	All	Compact Car	Compact Car Premium	2021 TOYOTA COROLLA 4D SEDAN LE	\$20,600	\$20,300	\$22,700	1.5%	-0.8%
5	All	Compact Car	Compact Car Premium	2020 HYUNDAI ELANTRA 4D SEDAN SEL	\$16,250	\$16,200	\$18,800	0.3%	-1.1%
1 Dealer	Dealer	Compact Car	Compact Car Premium	2021 TOYOTA COROLLA 4D SEDAN LE	\$20,600	\$20,300	\$22,700	1.5%	-0.8%
1 Lease	Lease	SUV	SUV Midsize	2020 FORD EXPLORER 4WD 4C 4D SUV XLT	\$32,300	\$31,900	\$38,400	1.3%	-1.3%
1 Rental	Rental	Midsize Car	Midsize Car Premium	2020 TOYOTA CAMRY 4C 4D SEDAN LE	\$20,100	\$19,700	\$23,500	2.0%	-1.2%

# WHOLESALE USED PRICES NOW DECLINING, RETAIL INCREASING

The average MY 2020 wholesale price declined 0.2% last week, average retail price increased 0.3%

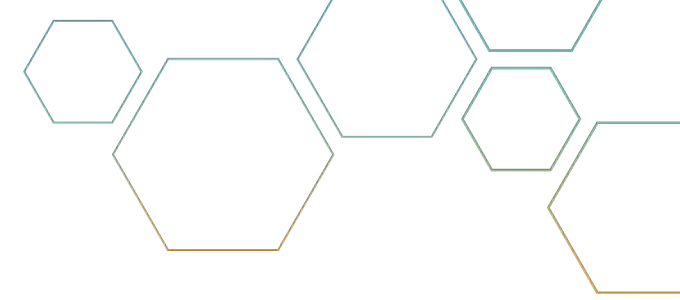


MY 2020 Retail and Wholesale Price Indices

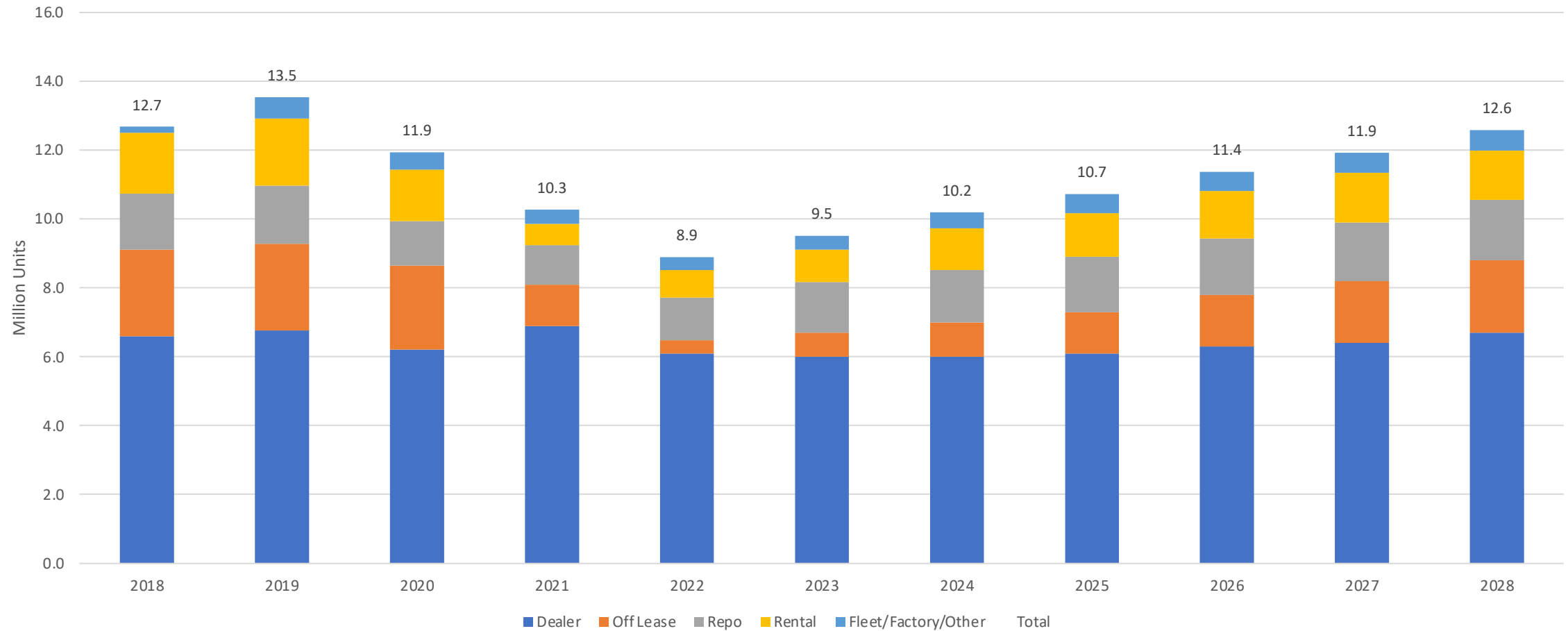


# WHOLESALE FLOWS BOTTOMED IN 2022

After 13% decline in 2022, the wholesale market should see a slow and gradual recovery to 2018 levels by 2028



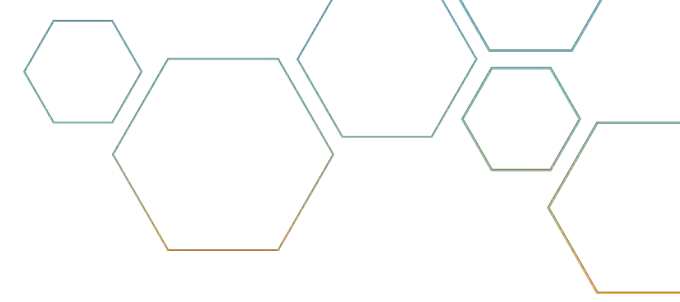
Estimated Wholesale Volumes by Inflow Channel (Annual Volume)



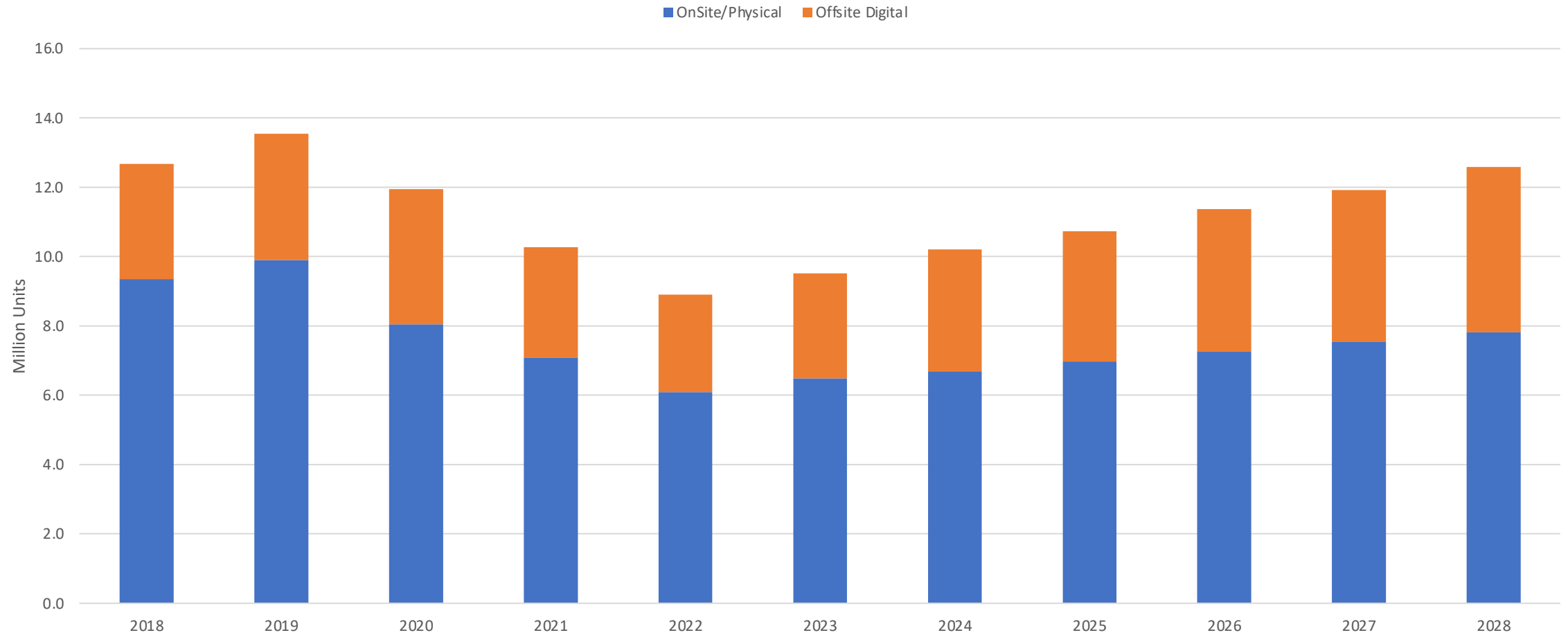


# ON-SITE PHYSICAL AUCTION MARKET DOES NOT FULLY RECOVER

With gradual shift to more transactions offsite and fully digital, onsite volumes in 2028 expected to be 20% below 2019

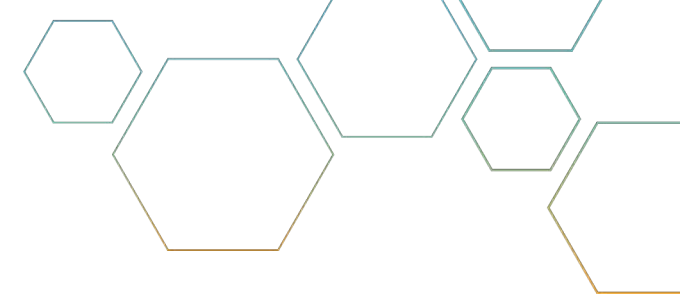


Wholesale Onsite/Physical vs. Offsite

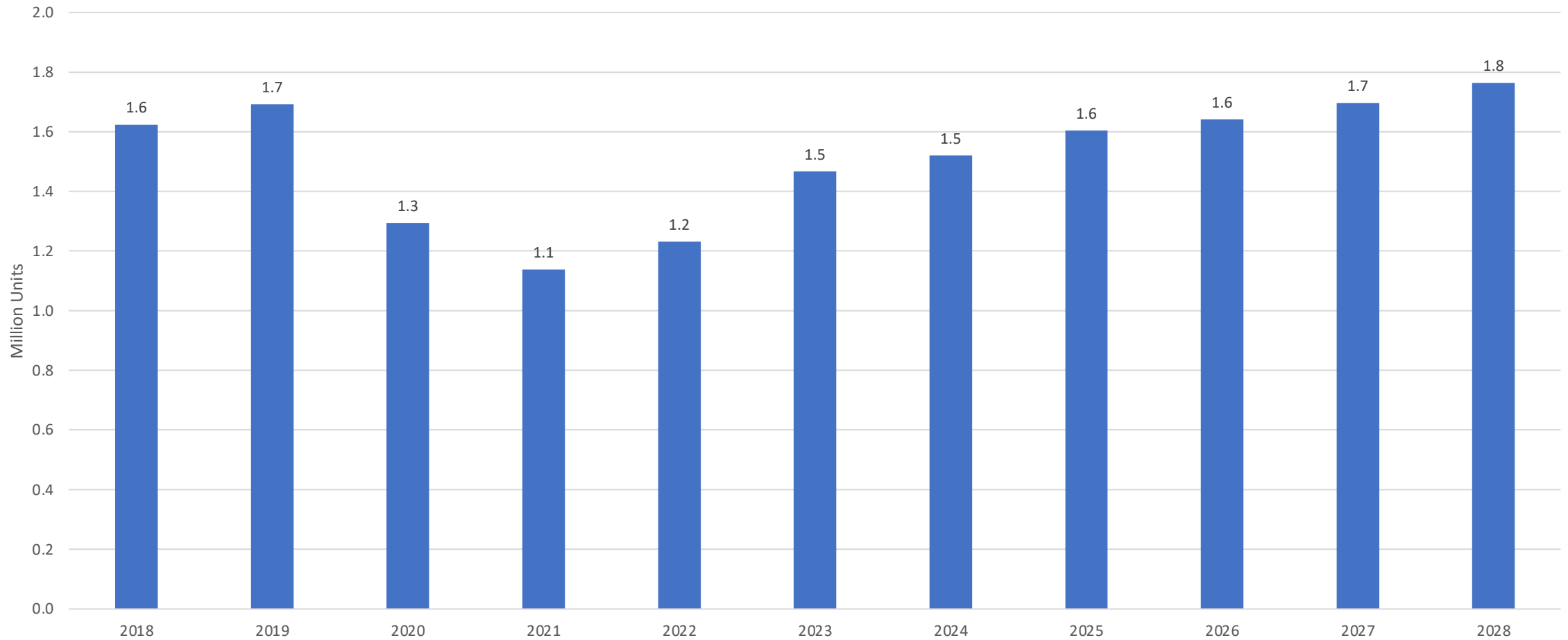


# REPOS DIP IN 2020-2021 FOLLOWED BY SLOW RECOVERY

Near term limited by smaller subprime loan base; longer term expects normal default rates by credit tier



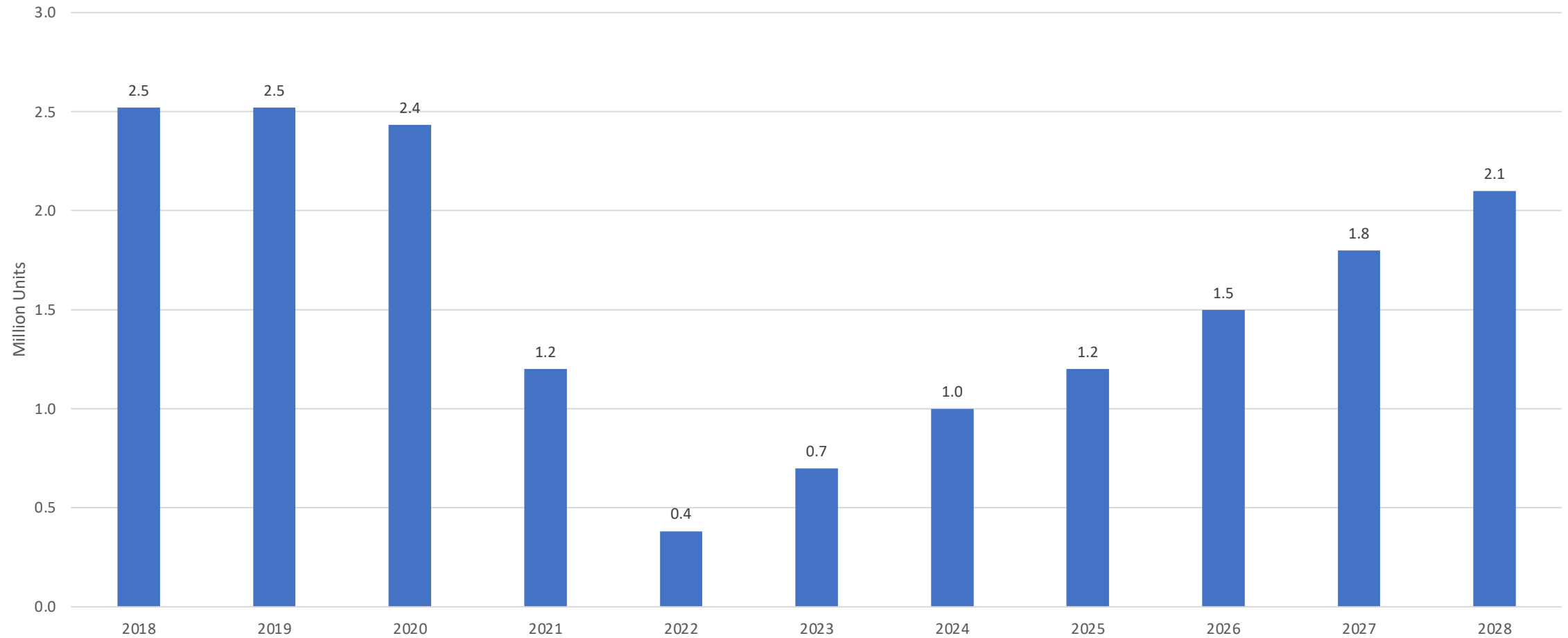
Estimated Repossession Volumes



# OFF-LEASE RETURNS COLLAPSED WITH RECORD VALUES

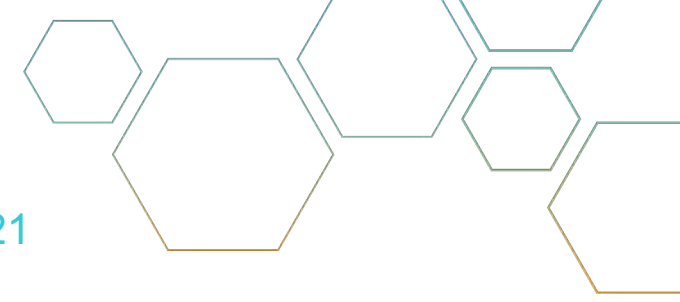
Return rate hit historical low of 11% in 2022 vs. 62% in 2019; now lease maturities are falling

Off Lease Returns

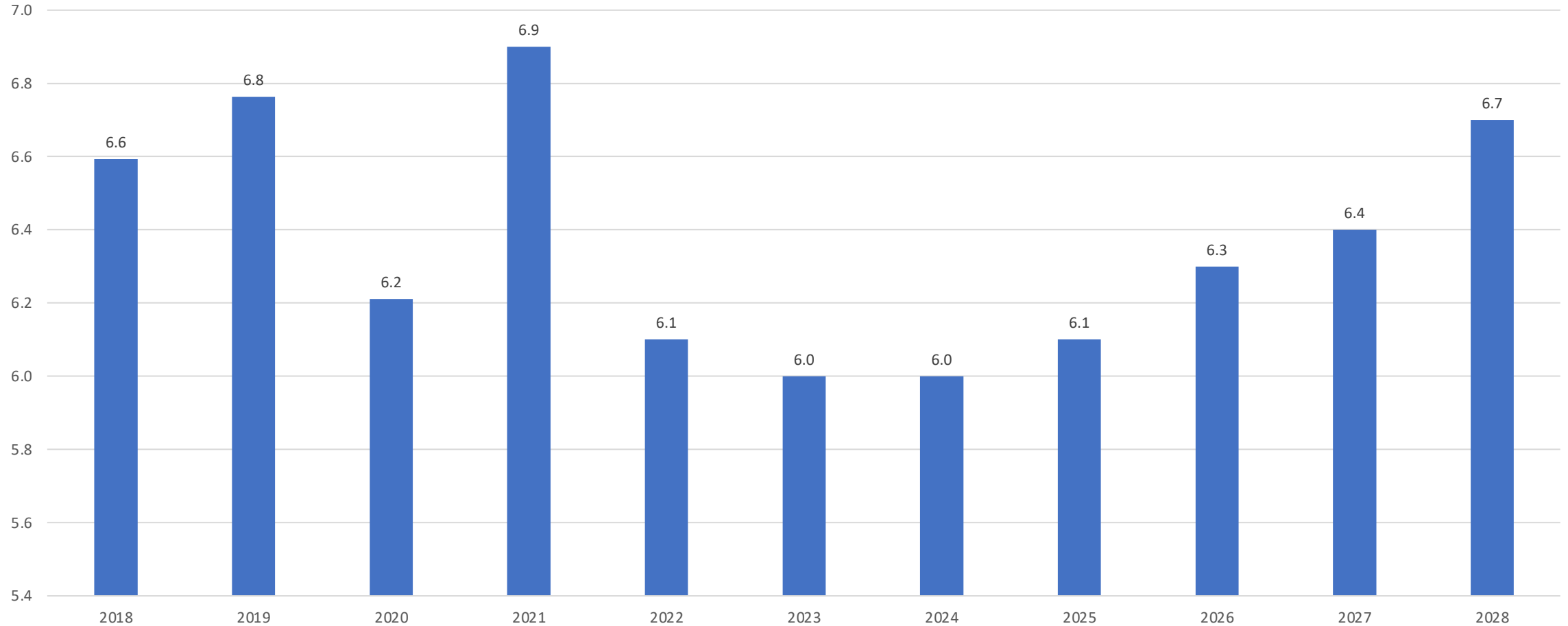


# DEALER VOLUMES PEAKED IN 2021; NOW CHALLENGED BY DECLINE IN OFF-LEASE

Off-lease arbitrage and record retail sales powered 11% jump in dealer consignments in 2021

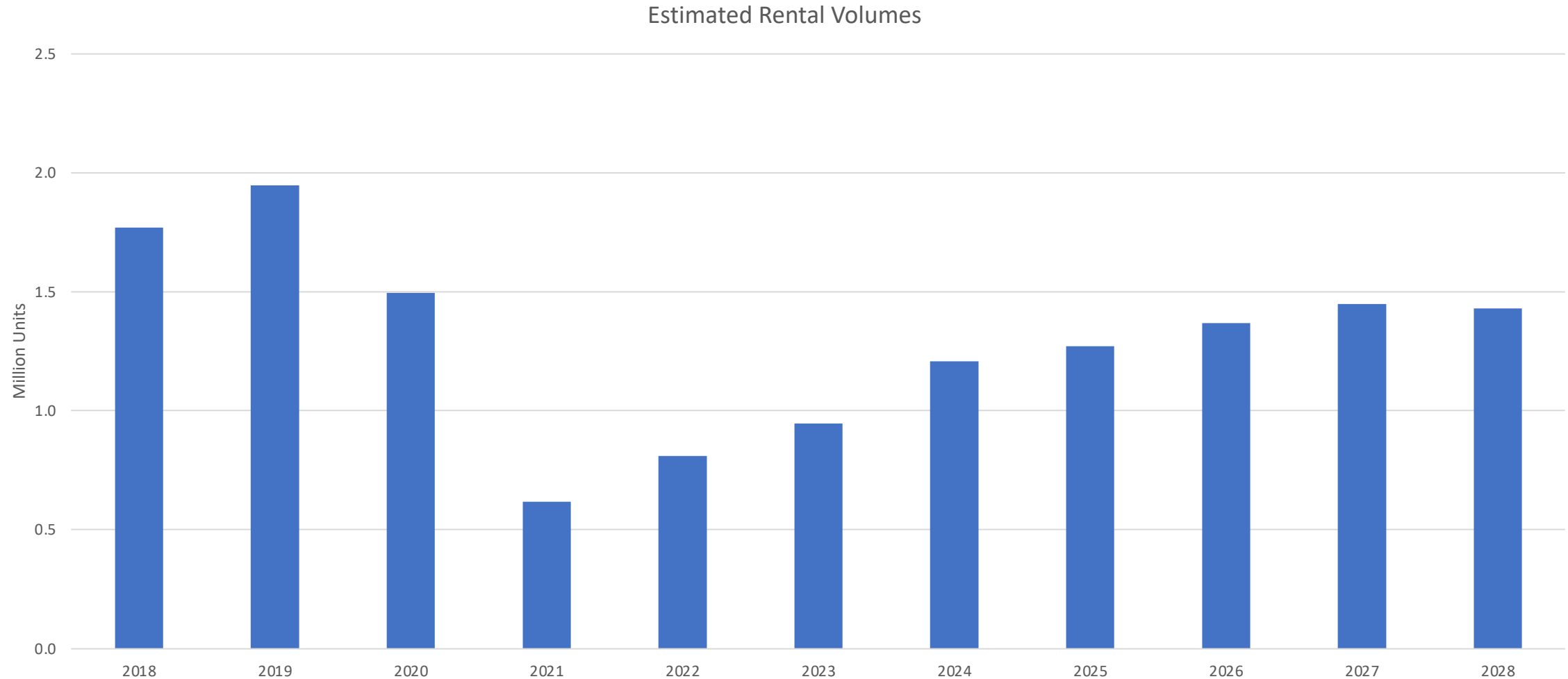


Estimated Dealer Volumes



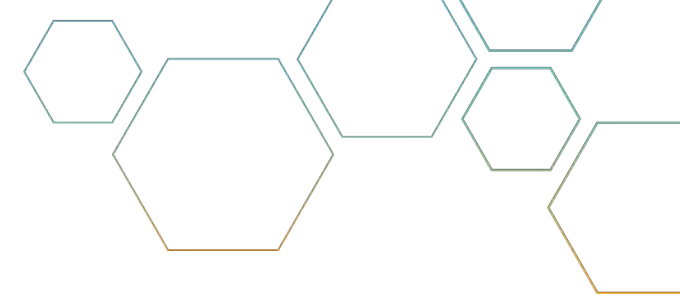
# RENTAL VOLUMES RECOVERING WITH IMPROVING SALES INTO FLEET

Total fleet size expected to return to pre-pandemic levels by 2027 as share of new market recovers

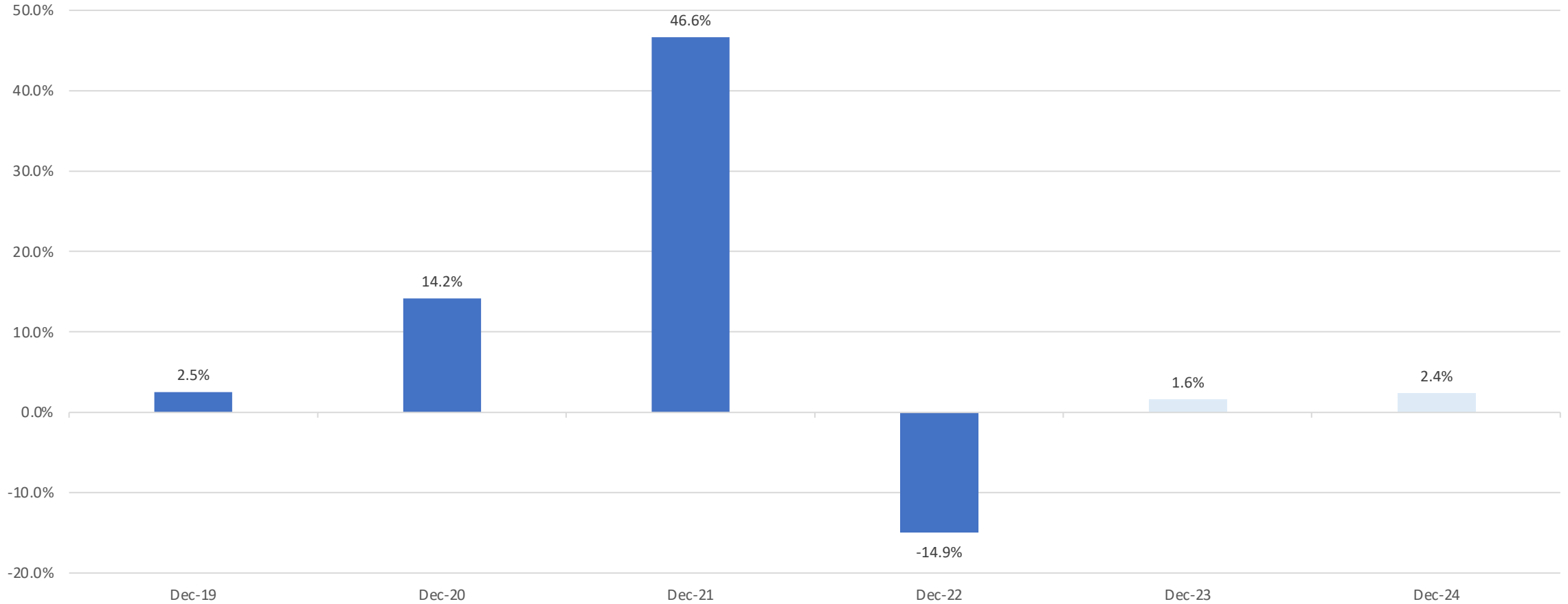


# USED VEHICLE VALUE OUTLOOK NOW STRONGER FOR 2023

Strong start followed by weaker spring and summer leads to a close to average year on Manheim Index



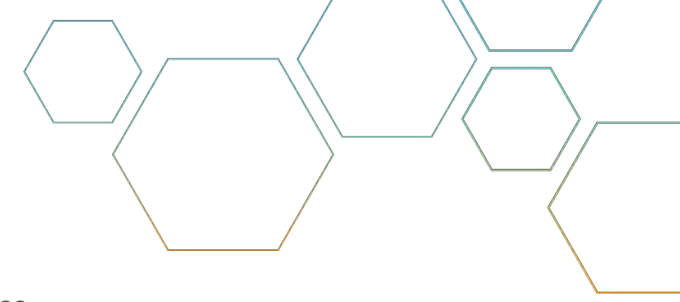
Y/Y % Change Manheim Index, As Of December



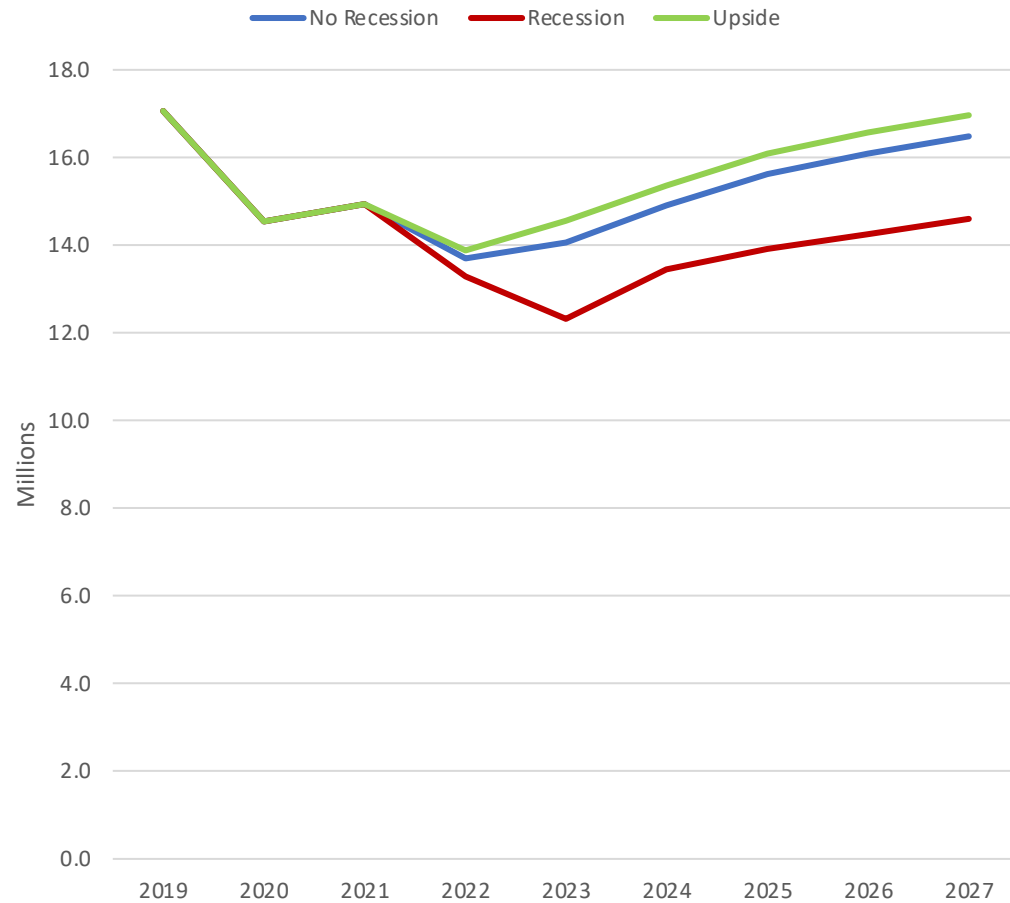


# FORECAST RANGE NEEDED WITH RECESSION 50/50

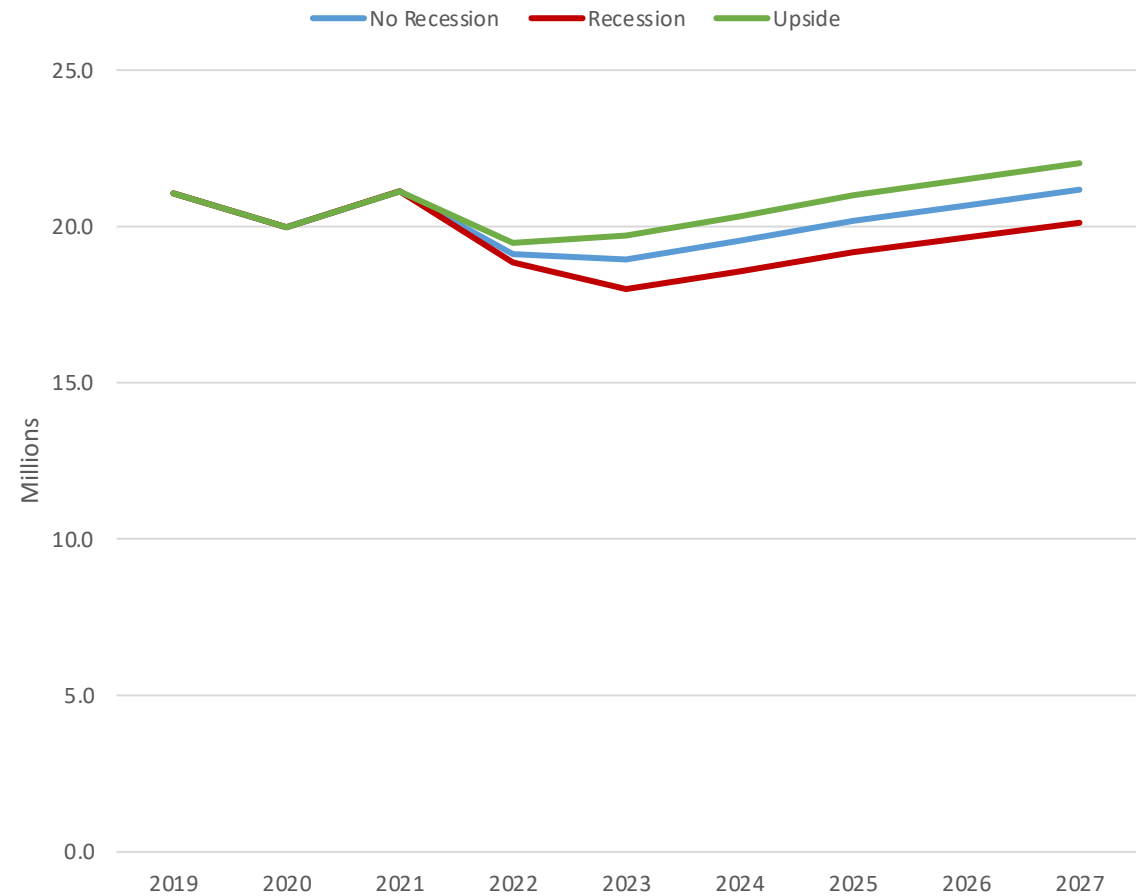
Minimal upside potential with most likely outcome between soft landing and recession



### New Vehicle Sales

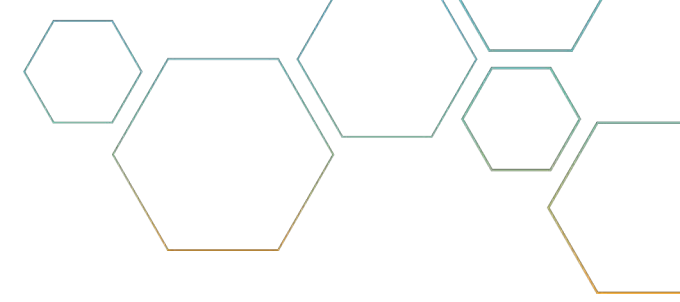


### Used Retail Sales

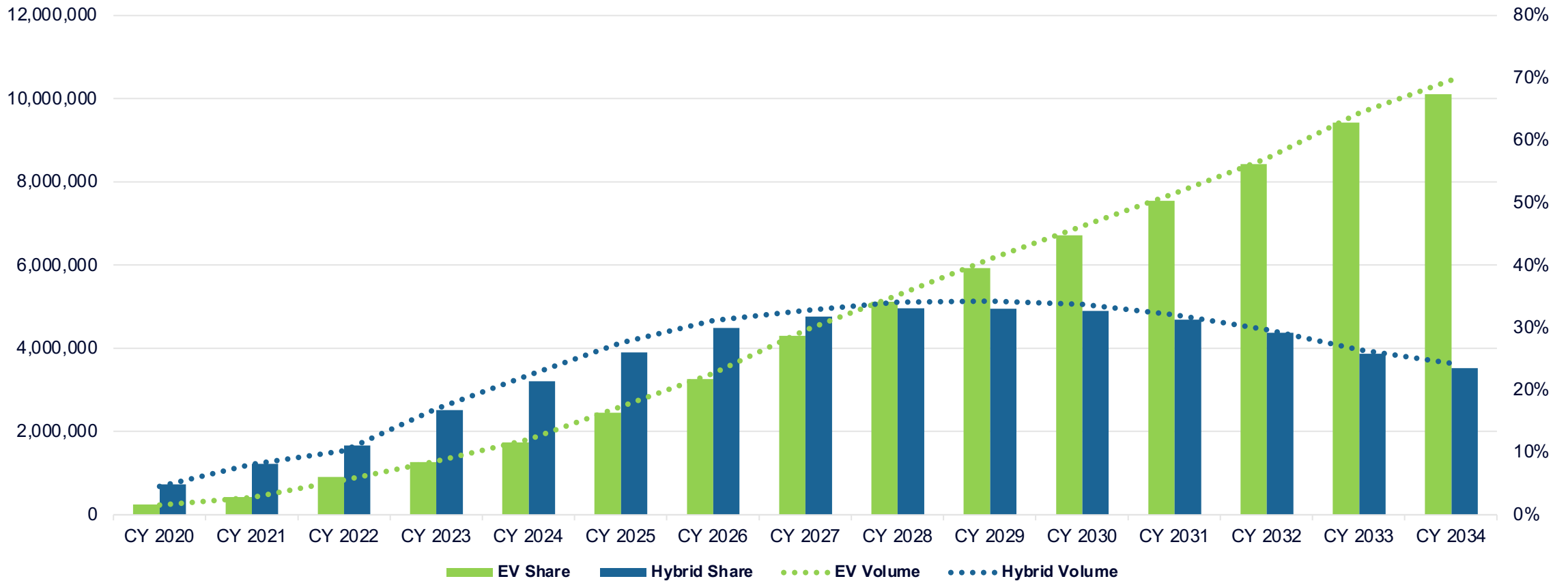


# EV & HYBRID VOLUME FORECAST | 4.4 MILLION BEVS BY 2027

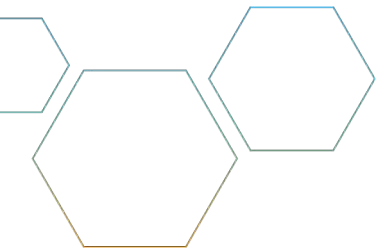
Gains in hybrids only temporary as only pure EV growth expected to continue



Propulsion System Forecast



2023  
FORECASTS  
Q2 Update



New

**14.2M**  
NEW SALES

(original 2023: 14.1M)

New

**12.0M**  
NEW RETAIL SALES

(original 2023: 11.9M)

**2.2M**  
FLEET SALES

(2022: 1.8M)

New

**2.5M**  
NEW LEASE  
VOLUME

(2022: 2.3M)

**21%**  
LEASE  
PENETRATION

(2022: 19%)

**2.4M**  
CPO SALES

(original 2023: 2.2M)

New

**36.2M**  
USED SALES

(original 2023: 35.6M)

New

**19.2M**  
USED RETAIL SALES

(original 2023: 18.9M)

New

**+1.6%**  
DEC 2023 Y/Y MANHEIM  
USED VEHICLE  
VALUE INDEX

(original 2023: -4.3%)



**Q&A**

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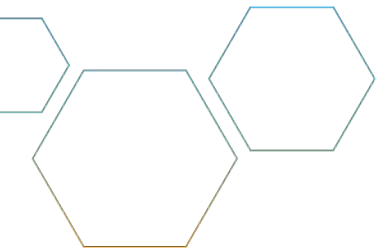
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# THANK YOU FOR ATTENDING!

Contact us with questions or to speak with an expert:

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