



# REPORTS

LATEST ECONOMIC INDICATORS

2015  
Year End  
Review



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Kontos**

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Services

Timely market analysis keeps our customers and associates informed of trends in the vehicle remarketing industry.



Monthly commentary on  
[ADESA.com/kontos-kommentary](http://ADESA.com/kontos-kommentary)

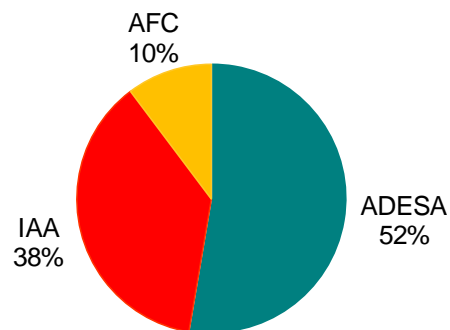


The cover of the 2015 Midyear Review report. The title "PULSE" is written vertically in large, bold, teal letters. To the right of the title, the text "LATEST ECONOMIC INDICATORS" is written vertically in smaller black letters. The top left corner features the text "2015 MIDYEAR REVIEW" in white on a teal background. The cover is composed of several images: a car on an assembly line, a row of cars in a parking lot, a person working at a computer, Canadian currency (10 and 5 dollar bills), a truck on a road, and a car's engine compartment. The ADESA logo is at the bottom left.

# Leading Provider of Vehicle Auction Services in North America



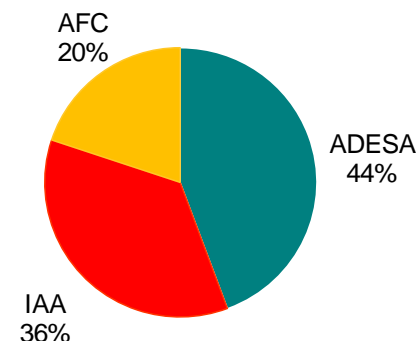
## 2015 Revenue by Segment



## 4.4mm vehicles sold in 2015

Revenue	\$2,640mm
Adj. EBITDA	\$650mm
% margin	24.6%

## 2015 Adj. EBITDA by Segment<sup>(1)</sup>



### Whole Car Auctions

- 2015 Revenue: \$1,377mm
- 2015 Adj. EBITDA: \$329mm
- Adj. EBITDA margin: 23.9%

### Salvage Vehicle Auctions

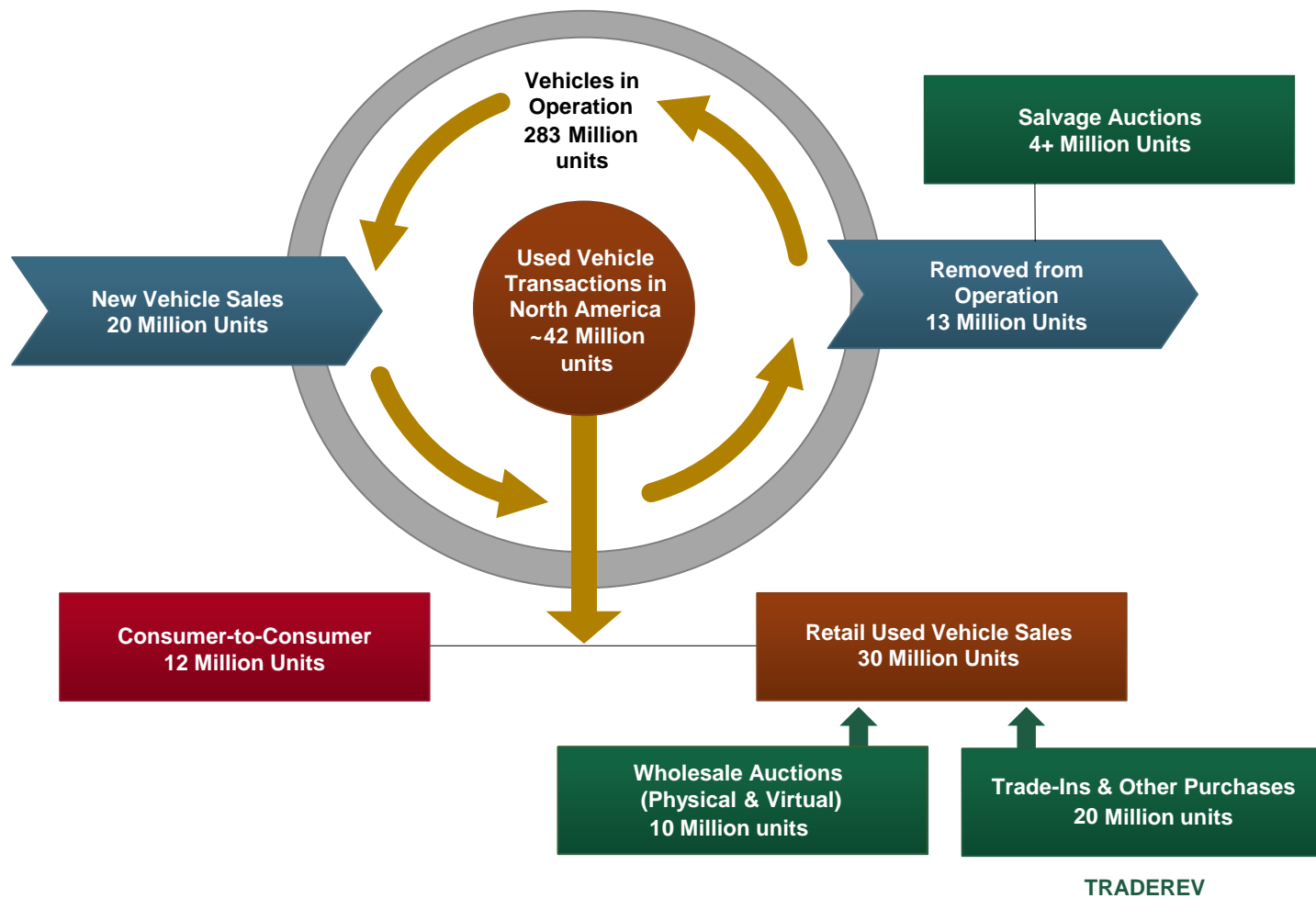
- 2015 Revenue: \$995mm
- 2015 Adj. EBITDA: \$265mm
- Adj. EBITDA margin: 26.7%

### Vehicle Floorplan Financing

- 2015 Revenue: \$268mm
- 2015 Adj. EBITDA: \$147mm
- Adj. EBITDA margin: 54.9%

(1) Excludes \$91 million of holding company costs.

# The North American Car Parc: Vehicle Remarketing is a Large and Growing Market



Source: National Auto Auction Association, R.L. Polk & Co., National Automobile Dealer's Association, DesRosiers Automotive Consultants and Management estimates

- \* Instant valuation
- \* Dealer-to-dealer transactions
- \* Fresh Trades



# PULSE

RETAIL VEHICLE MARKETS



## The Retail Market

New and used vehicle sales are back to pre-recession levels.

Retail new and used vehicle sales were at record levels in 2015.



New and Used Vehicle Sales - U.S.  
(000s of Units Sold)

	YTD Through December		Increase/(Decrease)	
	2015	2014	Amount	%
New Vehicle Sales	17,471	16,523	948	5.7%
<u>Used Vehicle Sales</u>	39,443	38,845	598	1.5%
Franchised Dealers	14,648	14,390	257	1.8%
Independent Dealers	13,319	12,866	453	3.5%
Private Individuals	11,476	11,588	(112)	-1.0%
Total Vehicle Sales	56,914	55,367	1,546	2.8%

Source: Automotive News Data Center, National Automobile Dealers Association, and ADESA Analytical Services.

Retail used vehicle sales are up about twice as much as new vehicle sales so far this year.



New and Used Vehicle Sales - U.S.  
(000s of Units Sold)

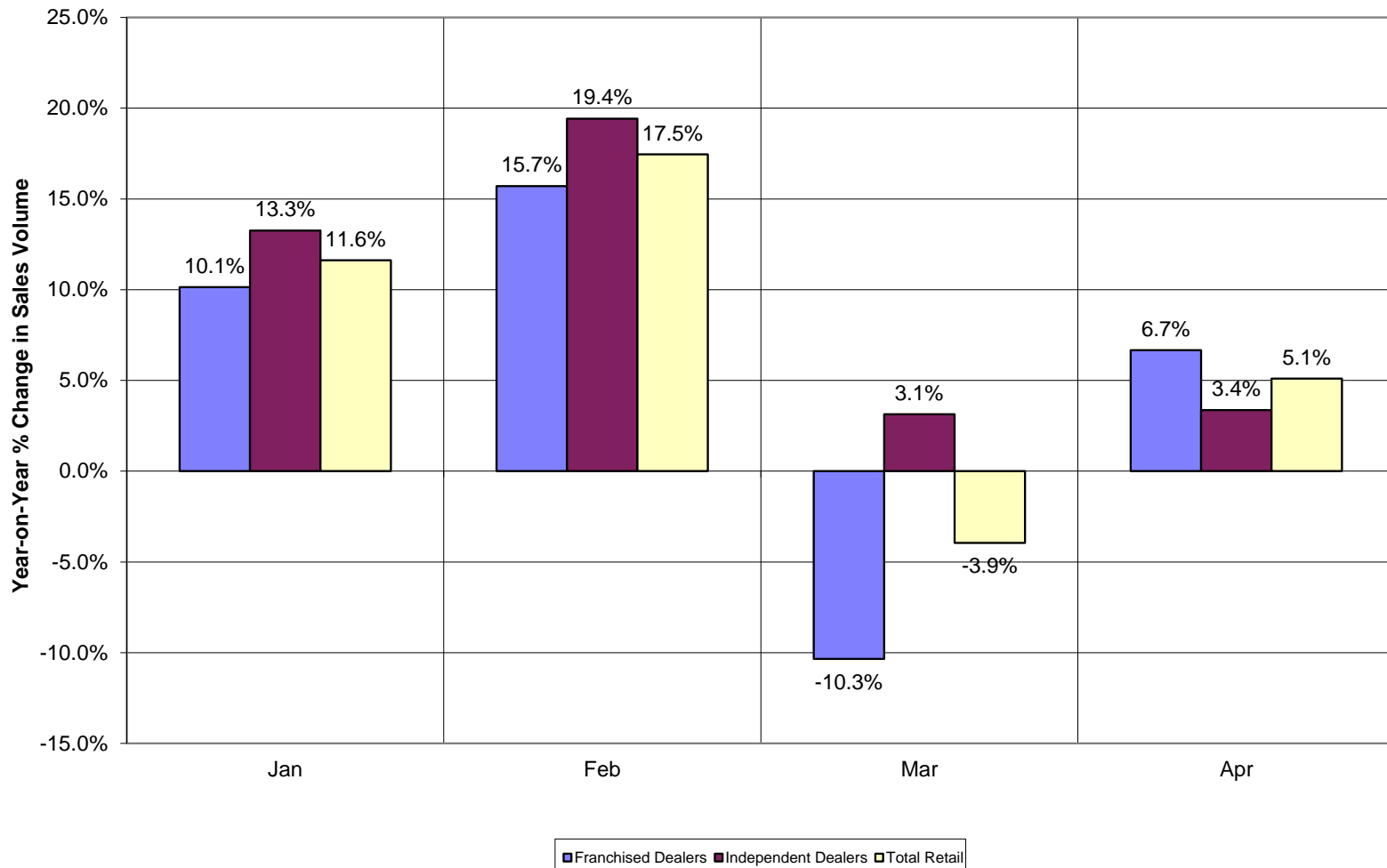
	YTD Through April		Increase/(Decrease)	
	2016	2015	Amount	%
New Vehicle Sales	5,594	5,413	181	3.3%
<u>Used Vehicle Sales</u>	10,257	9,669	588	6.1%
Franchised Dealers	3,764	3,596	168	4.7%
Independent Dealers	3,494	3,229	265	8.2%
Private Individuals	2,999	2,845	155	5.4%
Total Vehicle Sales	15,851	15,082	769	5.1%

Source: Automotive News Data Center, National Automobile Dealers Association, and ADESA Analytical Services.

# Retail used vehicle sales recovered in April from the early Easter holiday in March.



### Retail Used Vehicle Sales Trends





**Certified Pre-Owned (CPO) sales hit a new record in 2015 and made up over 20% of all used vehicles sold by franchised dealers so far this year.**



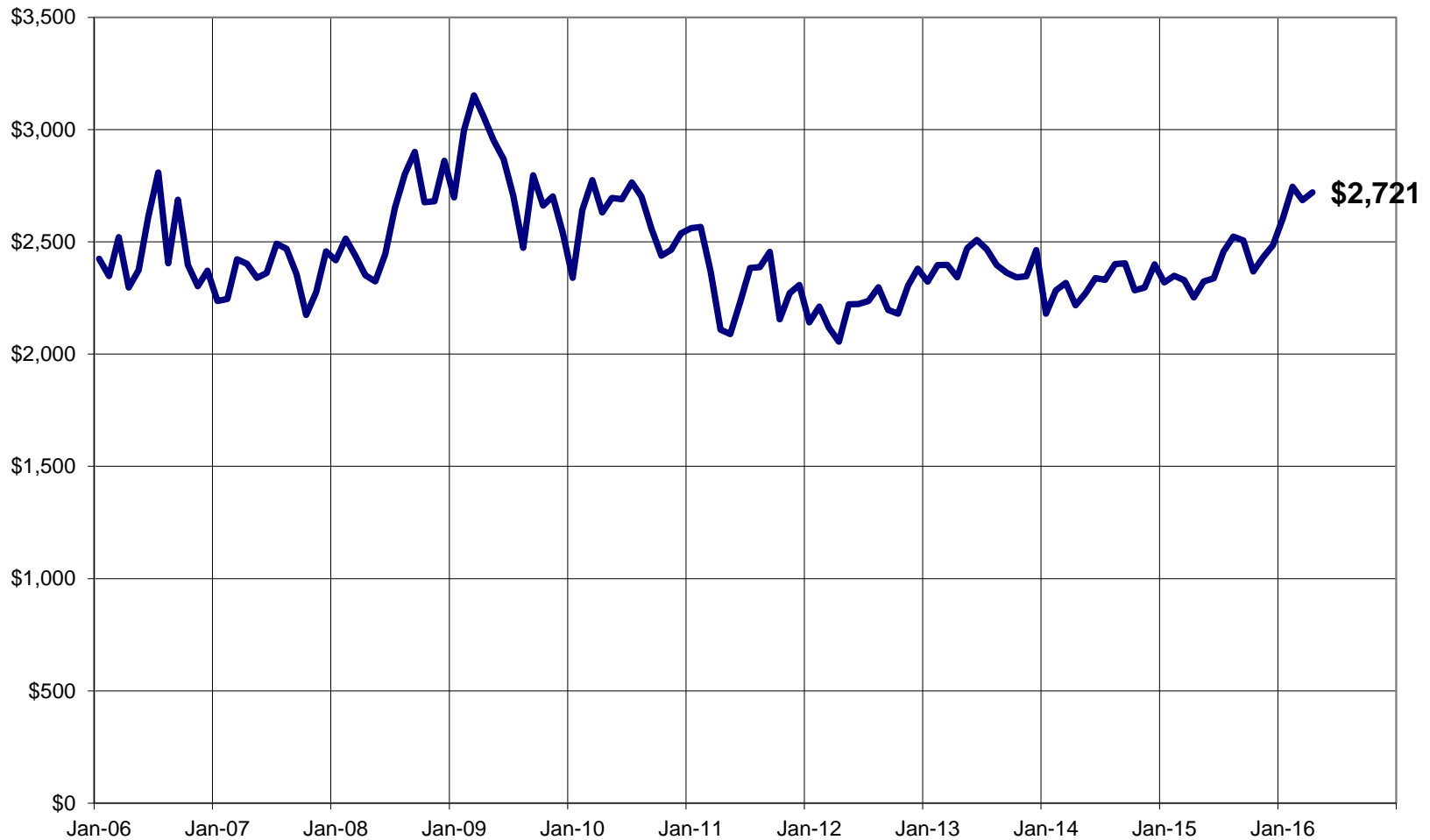
	YTD Through December		Increase/(Decrease)	
	2015	2014	Amount	%
Certified Sales	2,553,549	2,340,752	212,797	9.1%
<u>% of:</u>				
New	14.6%	14.2%		
Franchised Used	17.4%	16.3%		
Total Franchised	8.0%	7.6%		
Retail Used	9.1%	8.6%		

	YTD Through April		Increase/(Decrease)	
	2016	2015	Amount	%
Certified Sales	879,211	830,005	49,206	5.9%
<u>% of:</u>				
New	15.7%	15.3%		
Franchised Used	23.4%	23.1%		
Total Franchised	9.4%	9.2%		
Retail Used	12.1%	12.2%		

Incentives may be climbing, as OEMs battle for market share amidst signs that new vehicle sales may have peaked.



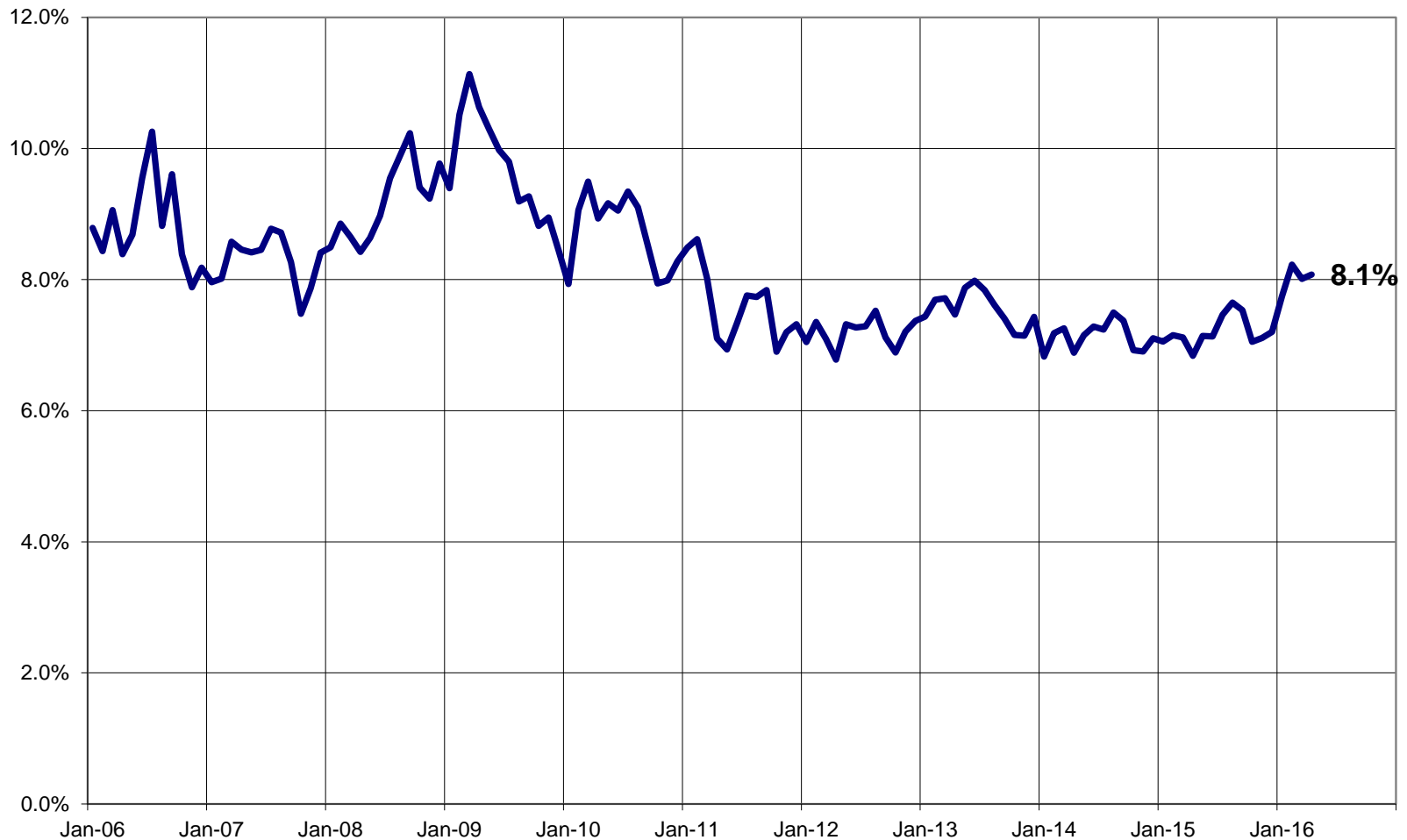
Average New-Vehicle Incentives



Incentives as a percentage of the average new-vehicle transaction price are still lower than before and during the recession, though they're climbing.



Average New-Vehicle Incentive as a Percentage of Average Transaction Price



# PULSE



## Wholesale Vehicle Supply Outlook

“Today’s new car is tomorrow’s used car.”



LATEST  
ECONOMIC  
INDICATORS

# Sources of wholesale used vehicle supply

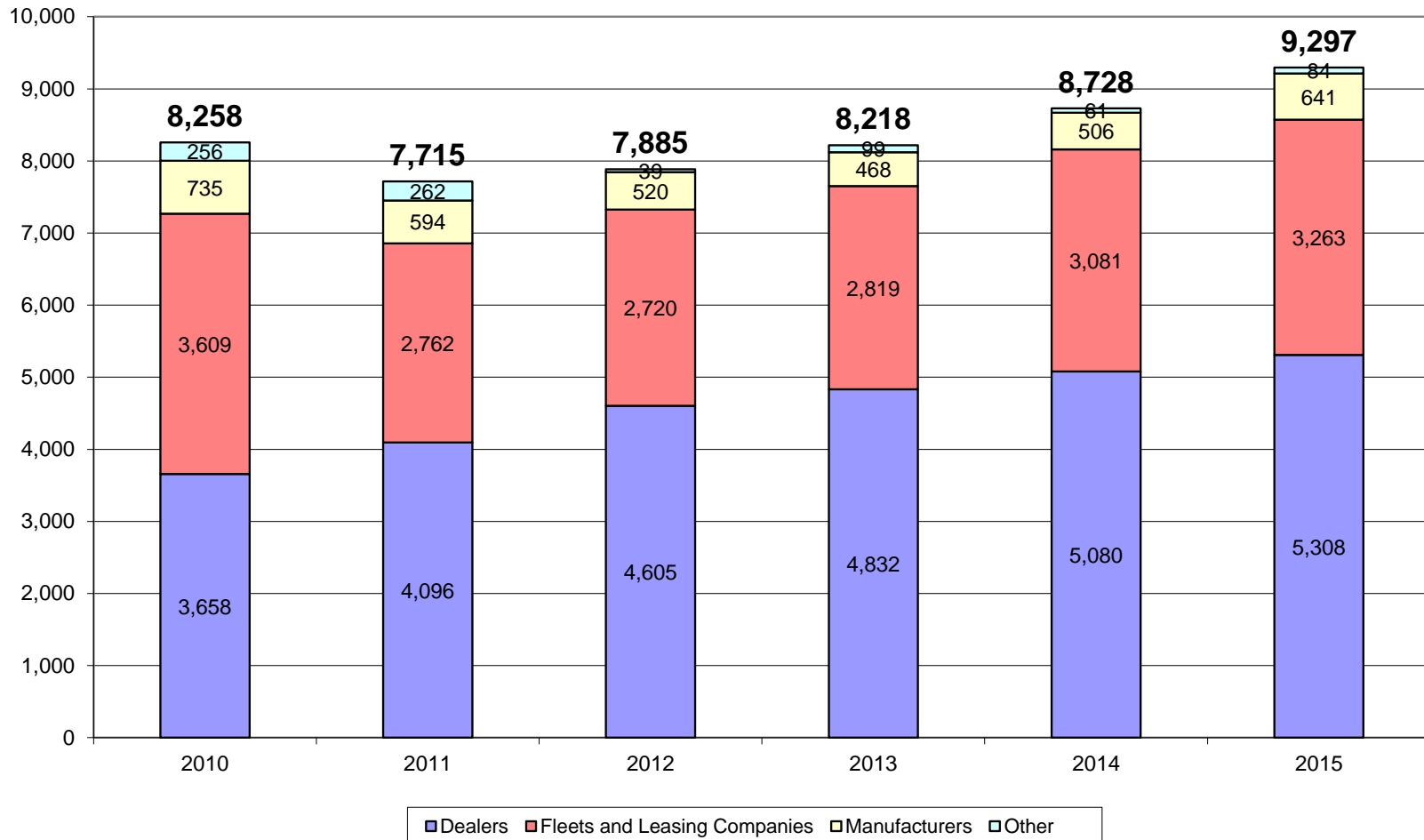


- Rental
- Off-lease
- Repo
- Commercial fleet
- Dealer Consignment

The decline in new vehicle sales in 2008-09 was reflected in the tight wholesale supplies of used vehicles in 2011-12. Since then, supplies have been recovering and will continue to grow in 2016-17.



**U.S. and Canada Auction Sales Volumes by Source  
(000s of Units)**





Rental and commercial fleet sales were up in 2015, commensurate with new vehicle sales growth in general.

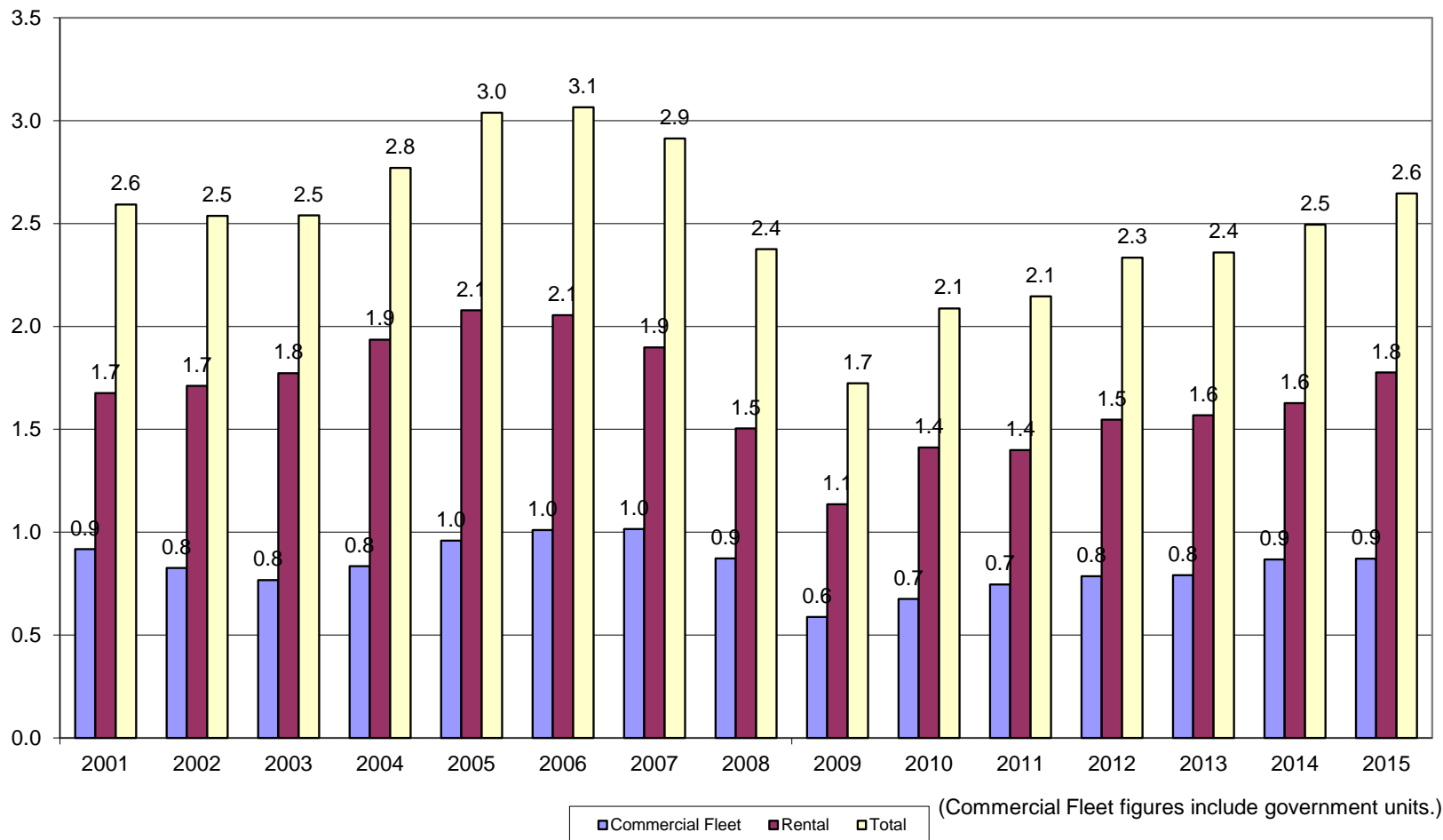


	Sales Volume		'15 vs '14 Variance	
	2015	2014	Units	%
Rental	1,775,850	1,627,123	148,727	9.1%
Commercial	629,269	614,896	14,373	2.3%
Government	241,713	250,176	-8,463	-3.4%
Total	2,646,832	2,492,195	154,637	6.2%

Rental and commercial fleet sales have not quite gone back to their pre-recession and GM/Chrysler bankruptcy levels.



Fleet Sales by Manufacturers  
(Millions of Units)



Some manufacturers are more dependent on fleet sales than others; hence, we see proportionately and absolutely more of their off-fleet vehicles at auction.



<b>Retail vs. fleet sales</b>					
Estimated retail and fleet volume for Dec. 2015 vs. Dec. 2014					
	12 mos. 2015	12 mos. 2015	12 mos. 2014	12 mos. 2014	12 mos.
	% retail	% retail	% retail	% retail	% change
<b>Retail:</b>	retail sales	share	retail sales	share	% change
General Motors	2,404,500	78%	2,231,100	76%	7.8%
Toyota Motor	2,276,000	91%	2,171,800	91%	4.8%
Ford-Lincoln	1,883,200	72%	1,786,100	72%	5.4%
FCA US	1,747,000	78%	1,649,400	79%	5.9%
American Honda	1,554,800	98%	1,510,100	98%	3.0%
Nissan N.A.	1,266,600	85%	1,186,700	86%	6.7%
Hyundai-Kia	1,123,000	81%	1,089,800	83%	3.1%
<b>Top 7</b>	<b>12,255,100</b>	<b>82%</b>	<b>11,625,000</b>	<b>82%</b>	<b>5.4%</b>
	12 mos. 2015	12 mos. 2015	12 mos. 2014	12 mos. 2014	12 mos.
	% fleet	% fleet	% fleet	% fleet	% change
<b>Fleet:</b>	fleet sales	share	fleet sales	share	% change
Ford-Lincoln	729,900	28%	694,800	28%	5.1%
General Motors	677,900	22%	703,900	24%	-3.7%
FCA US	496,900	22%	441,200	21%	12.6%
Hyundai-Kia	264,500	19%	216,200	17%	22.4%
Toyota Motor	223,300	9%	201,900	9%	10.6%
Nissan N.A.	218,300	15%	200,200	14%	9.0%
American Honda	31,700	2%	30,800	2%	3.0%
<b>Top 7</b>	<b>2,642,500</b>	<b>18%</b>	<b>2,489,000</b>	<b>18%</b>	<b>6.2%</b>

Source: Automotive News.

Fleet dependence may be increasing again, though it is important to consider how much is rental versus commercial.



<b>Retail vs. fleet sales</b>					
Estimated retail and fleet volume for April 2016 vs. April 2015					
	4 mos. 2016	4 mos. 2016	4 mos. 2015	4 mos. 2015	4 mos.
	% retail	% retail	% retail	% retail	% change
<b>Retail:</b>	retail sales	share	retail sales	share	% change
General Motors	737,200	78%	695,600	73%	6.0%
Toyota Motor	673,000	86%	676,900	87%	-0.6%
Ford-Lincoln	570,600	65%	574,600	70%	-0.7%
FCA US	535,400	71%	534,300	77%	0.2%
American Honda	496,400	98%	454,700	98%	9.2%
Nissan N.A.	399,800	76%	390,900	82%	2.3%
Hyundai-Kia	357,400	82%	343,600	79%	4.0%
<b>Top 7</b>	<b>3,769,800</b>	<b>78%</b>	<b>3,670,600</b>	<b>79%</b>	<b>2.7%</b>
	4 mos. 2016	4 mos. 2016	4 mos. 2015	4 mos. 2015	4 mos.
	% fleet	% fleet	% fleet	% fleet	% change
<b>Fleet:</b>	fleet sales	share	fleet sales	share	% change
Ford-Lincoln	306,400	35%	242,600	30%	26.3%
FCA US	215,400	29%	160,600	23%	34.1%
General Motors	206,100	22%	257,500	27%	-20.0%
Nissan N.A.	124,300	24%	86,600	18%	43.5%
Toyota Motor	107,200	14%	102,100	13%	5.0%
Hyundai-Kia	80,900	18%	90,800	21%	-10.8%
American Honda	10,100	2%	9,300	2%	9.2%
<b>Top 7</b>	<b>1,050,400</b>	<b>22%</b>	<b>949,500</b>	<b>21%</b>	<b>10.6%</b>

Source: Automotive News.

Rental and commercial fleet sales grew more than retail sales so far this year.



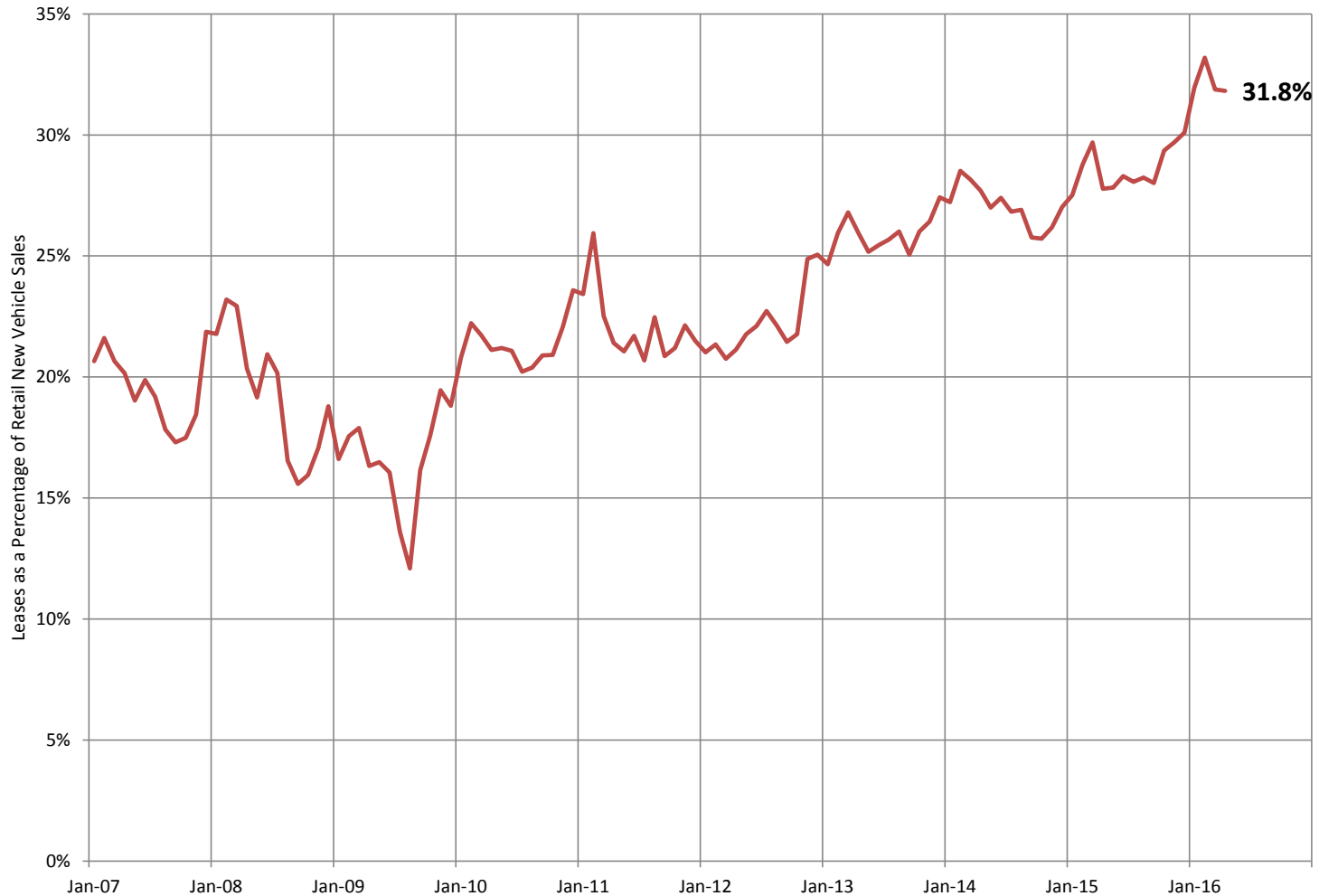
## March YTD

	Sales Volume		'16 vs '15 Variance	
	2016	2015	Units	%
Rental	563,483	503,416	60,067	11.9%
Commercial	179,586	153,226	26,360	17.2%
Government	68,974	47,944	21,030	43.9%
Total	812,043	704,586	107,457	15.3%

Lease penetration has climbed to over 30% of retail new vehicle sales.



Edmunds Lease Penetration Rates





Lease penetration is especially high for luxury brands.



## BY THE NUMBERS

### Luxury buyers still favor leasing

Lease levels for luxury brands have surpassed 40 percent for most of the past decade.

Year	Luxury brands lease %	Mainstream brands lease %	Lease % of all new cars retailed
2015*	45.8%	22.0%	25.1%
2014	44.1%	20.2%	23.3%
2013	45.0%	18.9%	22.2%
2012	41.4%	15.5%	18.7%
2011	42.0%	15.2%	18.6%
2010	40.4%	15.1%	18.6%
2009	36.6%	9.8%	13.3%
2008	44.6%	14.9%	18.8%
2007	43.8%	15.5%	19.4%
2006	43.0%	15.2%	18.9%
2005	37.4%	12.8%	15.9%

\*January-June

Source: TrueCar

Source: Automotive News  
F&I Report

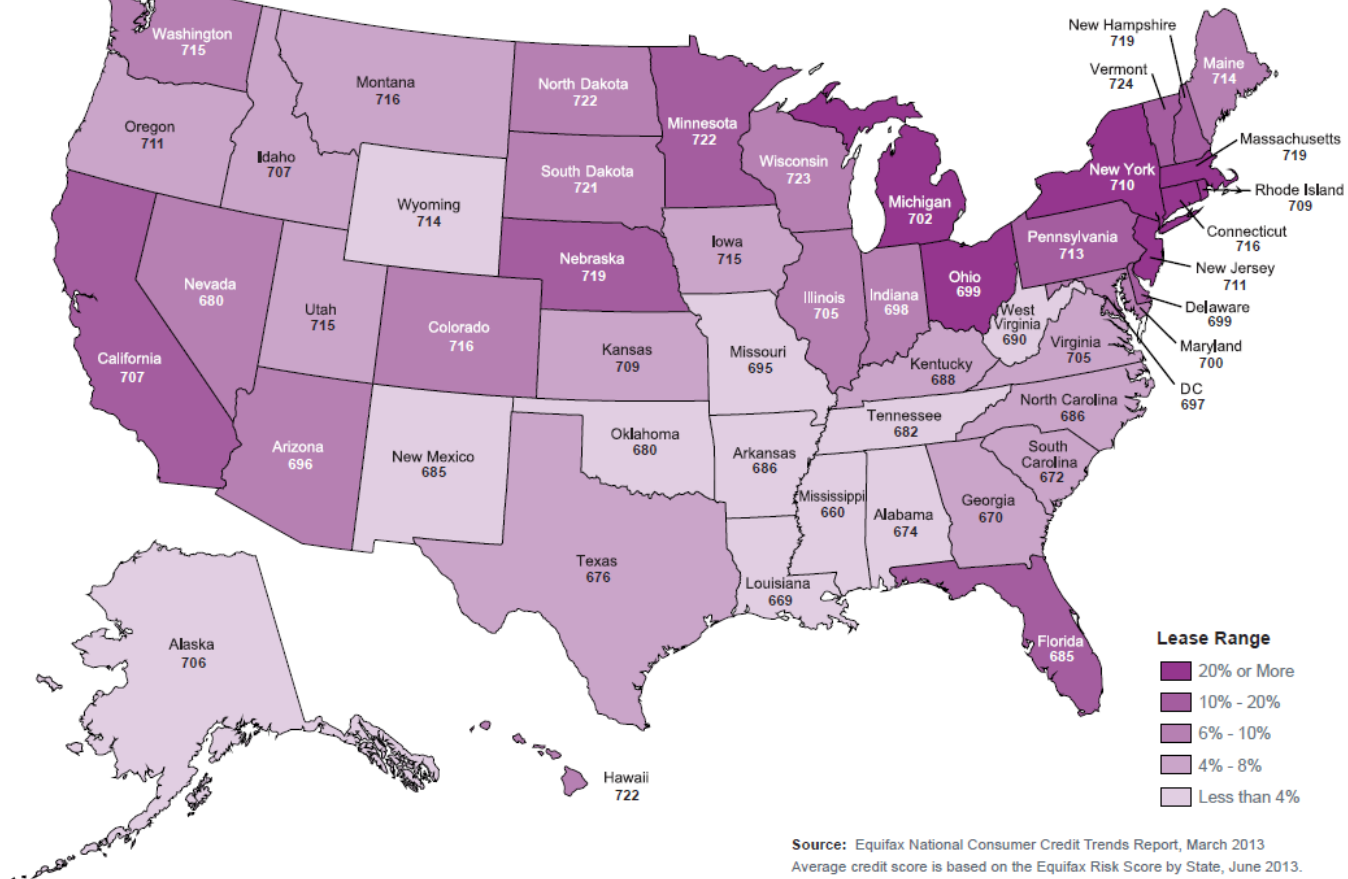
Today's off-lease units follow a similar geographic distribution as yesterday's lease originations.



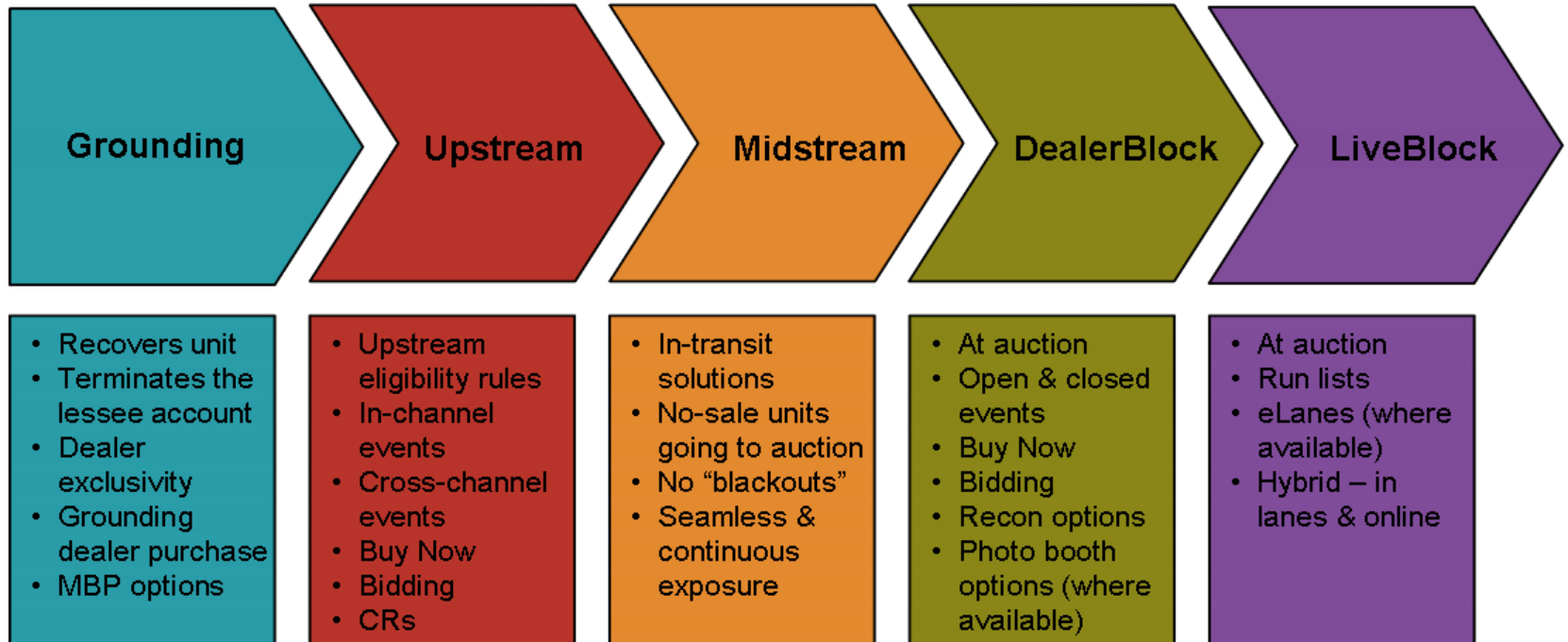
## EQUIFAX®

### % of 2013 Originations that are Leases

Average credit score by state correlated to lease percentages



# Responding to the challenge of greater supply: Cascading remarketing channel optimization

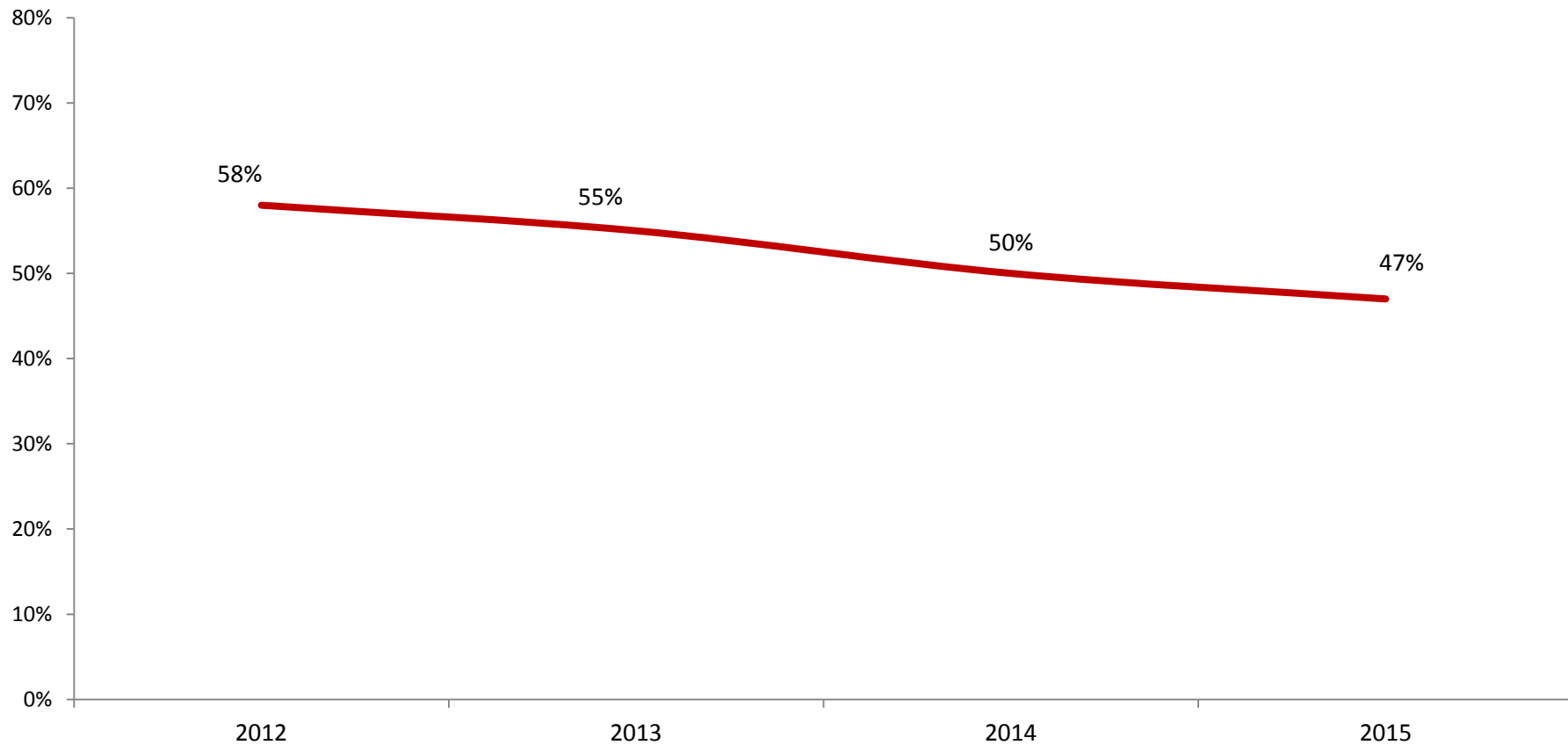


- Channel optimization seamlessly leverages the key points in the remarketing lifecycle to increase sales opportunities by cascading from channel to channel while avoiding vehicle exposure “blackouts.”
- Allows captives to satisfy franchise dealer requirements for preferred access to off-lease volume, followed by open access to a broader audience.
- Key in optimizing is developing a robust, market-based pricing mechanism.

# ADESA US Upstream 4-Year Summary



## Offlease Sales as a Percent of Listings



Outstanding loans and leases have now topped one trillion dollars.



## BY THE NUMBERS

### 90-plus day delinquencies edge up

Although auto loan and lease originations jumped in the second quarter, 90-plus day delinquencies rose only slightly, according to the latest Household Debt and Credit Report from the Federal Reserve Bank of New York.

<b>LOANS AND LEASES</b>	<b>Q2 2015</b>	<b>Q2 2014</b>	<b>Change</b>
<b>Originations</b>	\$119 billion	\$101 billion	17.8%
<b>Outstanding</b>	\$1.01 trillion	\$910 billion	11%
<b>90-plus day delinquencies</b>	<b>Q2 2015</b> 3.4%	<b>Q2 2014</b> 3.3%	

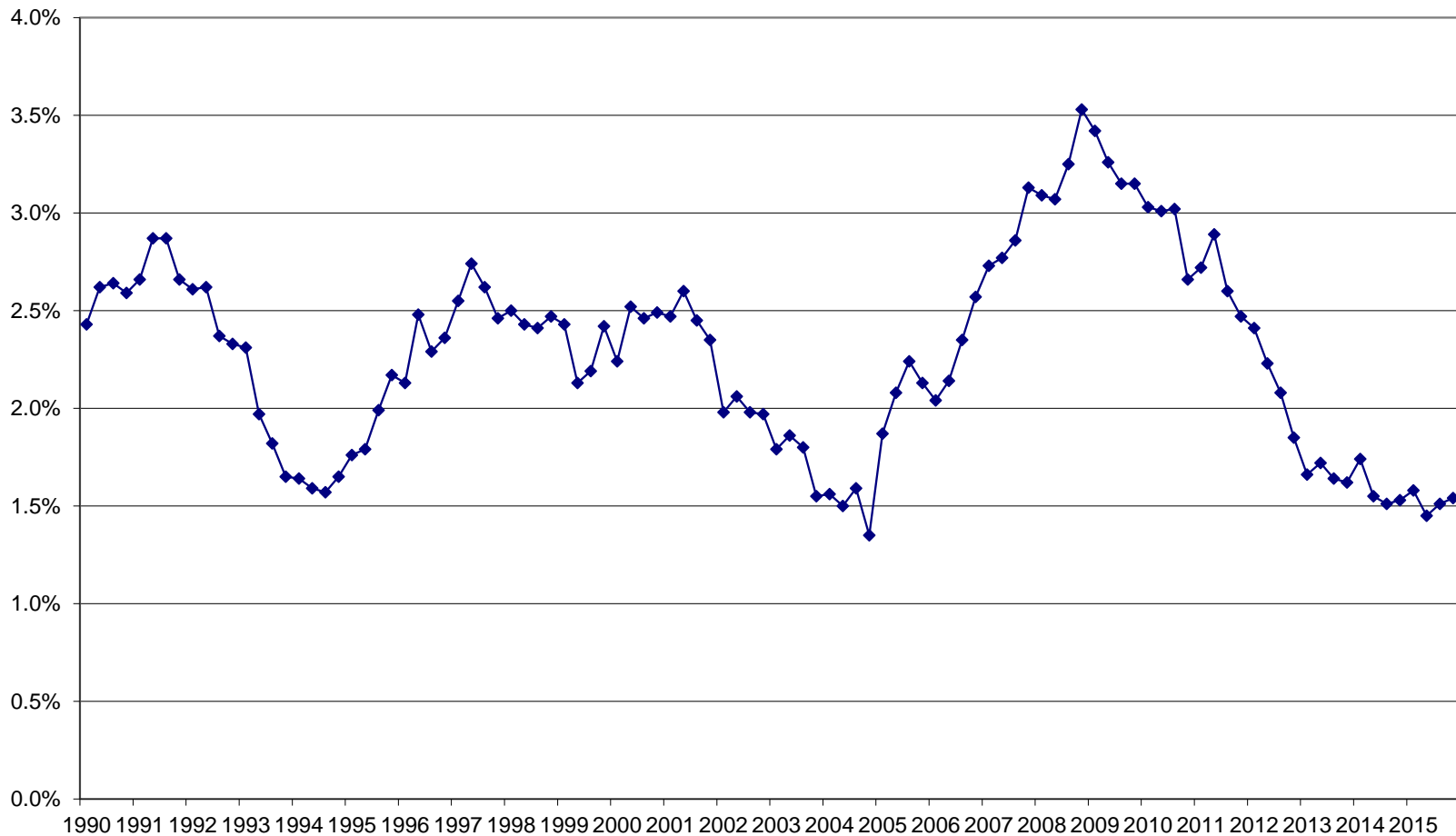
Source: Federal Reserve Bank of New York

Source: Automotive News F&I Report

# Delinquency and default rates remain relatively low.

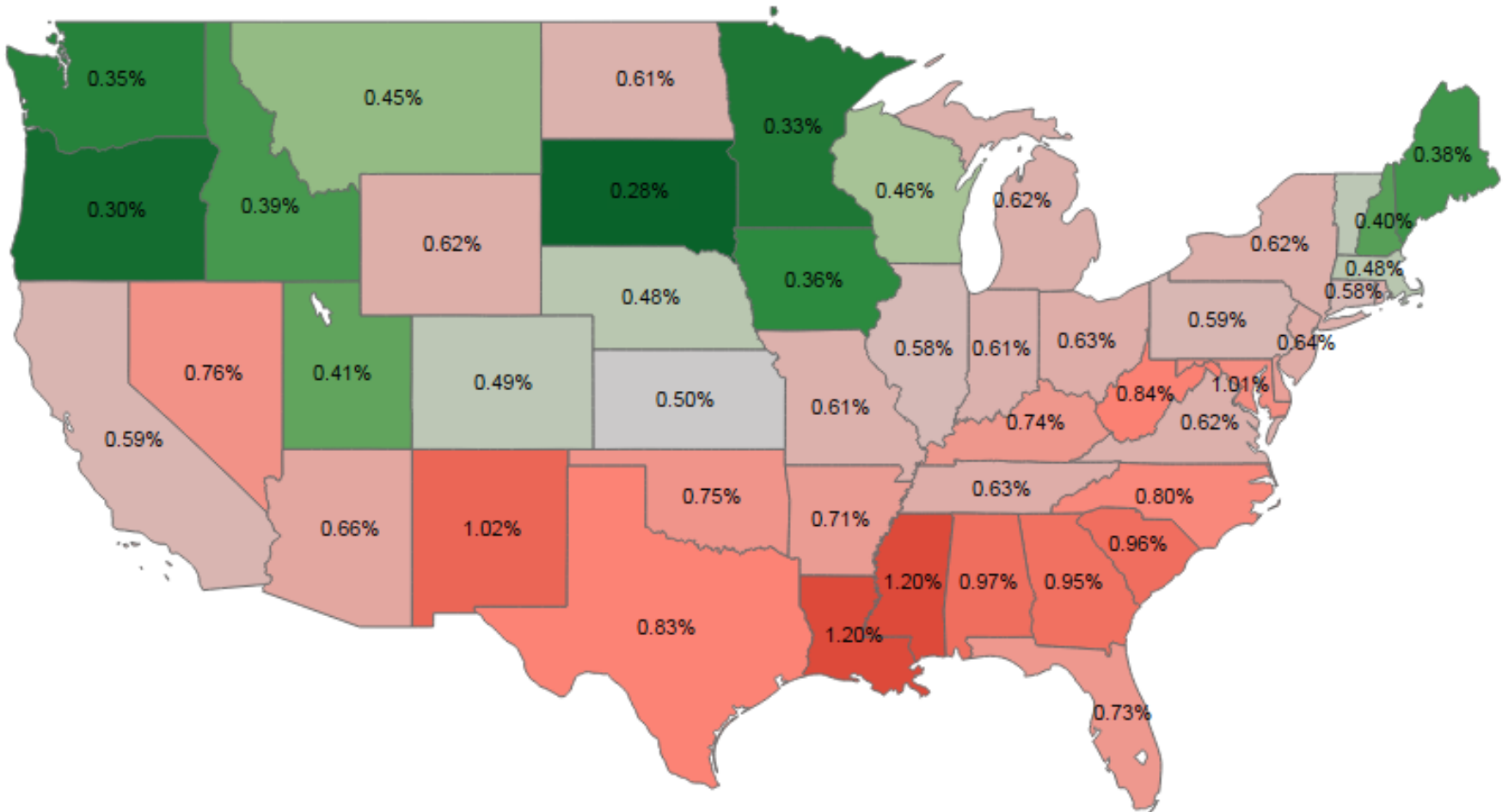


**Indirect Auto Loan Delinquency Rates**  
**- Quarterly % of Loans 30 Days or More Overdue -**

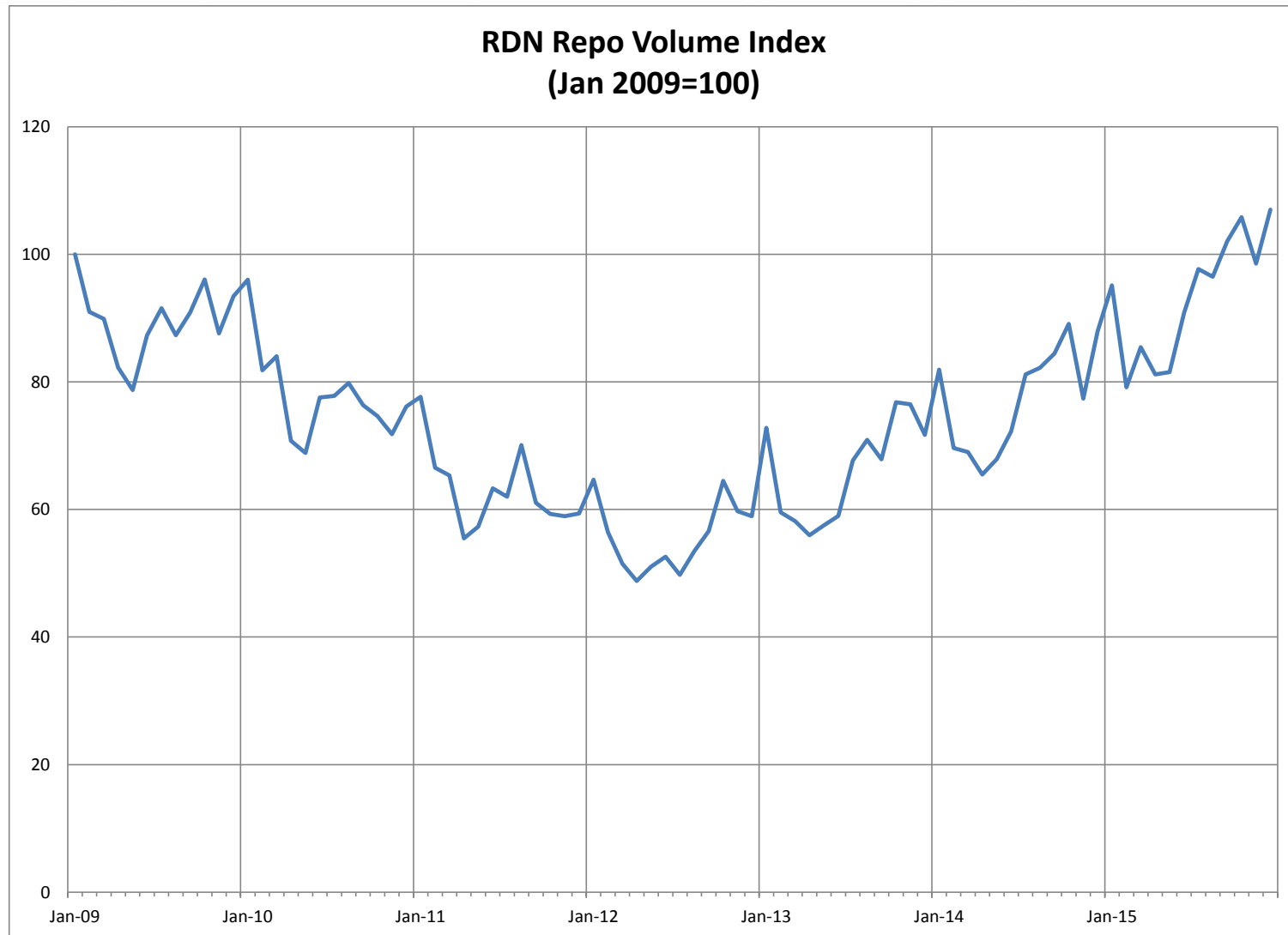




# 60 Delinquencies by State per Experian



Data from our Recovery Database Network (RDN) affiliate indicates repos are rising.



# PULSIF

WHOLESALE VEHICLE MARKETS



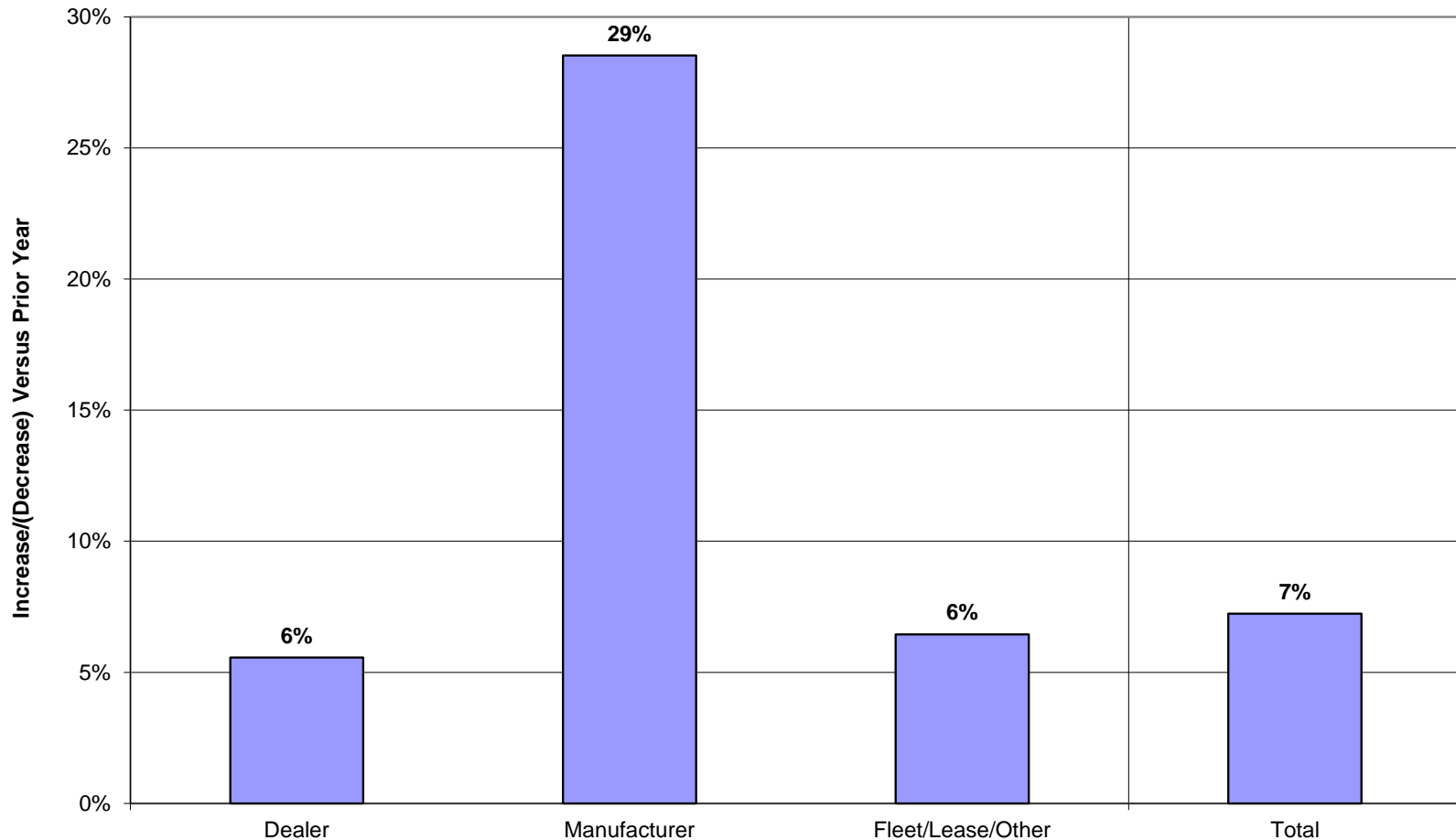
## The Wholesale Market

Continued growth in supply will depress prices.

Auction volumes were up about 7% in 2015. Volumes sold by manufacturers were inordinately higher due to the delayed remarketing of vehicles recalled in 2014 that were released for sale in 2015.



**U.S. Auction Industry Sales Volume by Seller Type  
(Year-to-Date December 2015)**



Signs of the traditional Spring tax-season market appeared in March and April, as average wholesale prices rose both on an sequential and annual basis. Yet price softening driven by supply growth remains visible particularly in the car segments.



### Wholesale Used Vehicle Price Trends

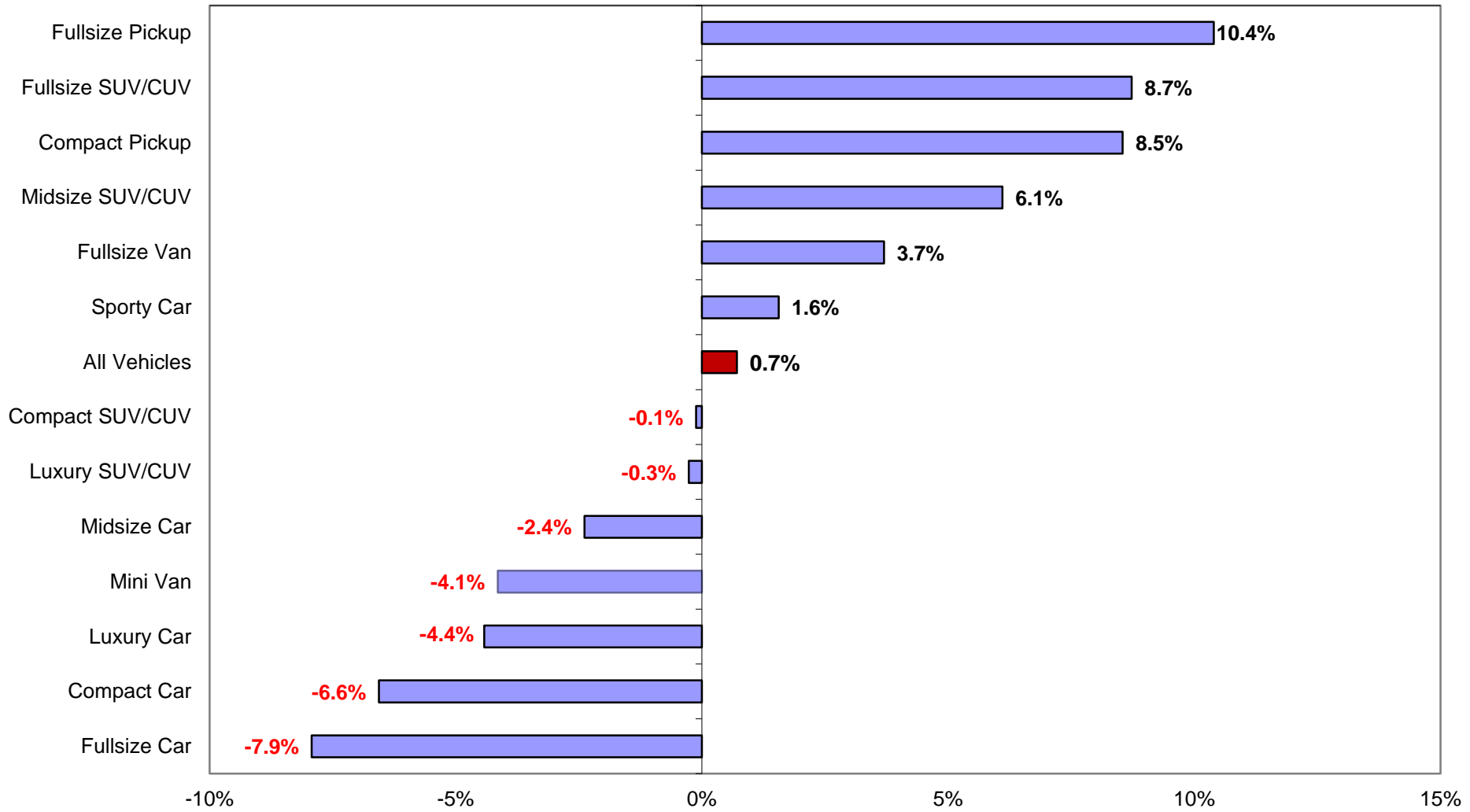
	Average Prices (\$/Unit)			Latest Month Versus:	
	Apr-16	Mar-16	Apr-15	Prior Month	Prior Year
<b>Total All Vehicles</b>	<b>\$10,881</b>	<b>\$10,793</b>	<b>\$10,703</b>	<b>0.8%</b>	<b>1.7%</b>
<b>Total Cars</b>	<b>\$9,056</b>	<b>\$9,078</b>	<b>\$9,396</b>	<b>-0.2%</b>	<b>-3.6%</b>
Compact Car	\$7,009	\$7,050	\$7,271	-0.6%	-3.6%
Midsize Car	\$8,137	\$8,107	\$8,219	0.4%	-1.0%
Fullsize Car	\$7,872	\$7,803	\$8,180	0.9%	-3.8%
Luxury Car	\$13,862	\$13,636	\$14,214	1.7%	-2.5%
Sporty Car	\$14,424	\$14,517	\$14,284	-0.6%	1.0%
<b>Total Trucks</b>	<b>\$12,835</b>	<b>\$12,657</b>	<b>\$12,150</b>	<b>1.4%</b>	<b>5.6%</b>
Mini Van	\$8,599	\$7,939	\$8,166	8.3%	5.3%
Fullsize Van	\$13,459	\$12,769	\$12,563	5.4%	7.1%
Compact SUV/CUV	\$11,059	\$11,065	\$11,111	-0.1%	-0.5%
Midsize SUV/CUV	\$11,625	\$11,311	\$10,712	2.8%	8.5%
Fullsize SUV/CUV	\$13,230	\$13,372	\$12,195	-1.1%	8.5%
Luxury SUV/CUV	\$19,144	\$18,857	\$19,015	1.5%	0.7%
Compact Pickup	\$8,678	\$8,614	\$8,107	0.7%	7.0%
Fullsize Pickup	\$15,919	\$15,773	\$14,595	0.9%	9.1%

Source: ADESA Analytical Services. March revised

The market is bifurcated: trucks are selling at strong wholesale prices while prices for cars are depressed.



Percent Change in Average Wholesale Price by Model Class - 2016 vs 2015  
(YTD Through April)

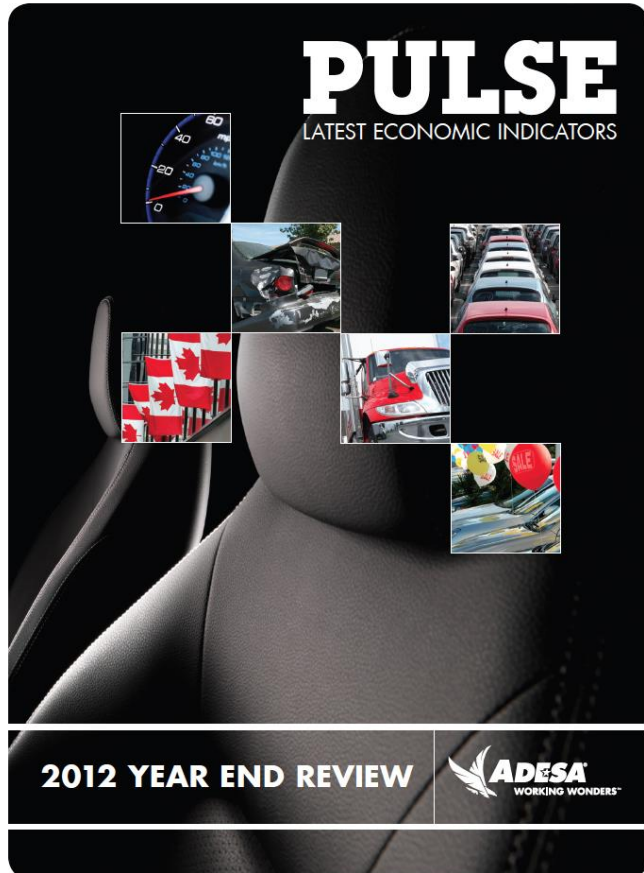








# 2016 US Outlook



**“The wholesale market will gradually shift from a seller’s market to a buyer’s market.”**

- Solid U.S. economy, but an election year and global issues translate into uncertainty.
- Solid new vehicle sales at ~17 million.
- Wholesale used vehicle supply growing overall (~5-7% yoy) and in all segments:
  - Rental: modest growth
  - Off-lease: significant growth
  - Repo: modest growth
  - Commercial Fleet: flat to modest growth
  - Dealer consignment: modest growth
- Wholesale prices soften ~3-5% yoy.