Vehicle Market Update:
Not Done With COVID Yet

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Cox Automotive
Recession Risk | Vehicle Market In Different Situation Today

Sales fell off a cliff in 2008, but will only fall off a curb if recession does occur.

New Vehicle Sales: The Great Recession Period (millions)

- Dec 2007 Recession Starts

New Vehicle Sales: The Global Pandemic Period (millions)

- 2023 Forecast 14.1 Million
- Higher interest rates likely drive sales lower
- Return of supply, and discounting, may offset

Source: Cox Automotive
Transaction Prices | Finished 2022 Near $49,507

Inflation slowing but no retreat - more expensive mix likely to continue

Estimated Monthly Transaction Prices

Supply Shortage Begins

Source: Cox Automotive, KBB
Monthly Payments | Average Loan = $785, Lease=$661

Lease payment rising more post Covid - rising interest rates will push both even higher

Average Monthly Loan and Lease Payment

Source: Cox Automotive, Dealertrack/KBB
Change In Payments | Detroit Brands Have Largest Increases

Many brands show only mild inflation – may be less vulnerable to worsening conditions

Source: Cox Automotive, Dealertrack/KBB
Seller’s Market | Strong Margins Now Weakening

Discounting and negotiating still way down, MSRP=Price now changing

Incentive % of Transaction Price

Price Share of MSRP

Source: Cox Automotive, KBB
Total Revenue | High Prices Offsetting Lower Volumes

Lower supplies is transforming business models – why get back to “normal”

Monthly Transaction Revenue ($ billions)

Source: Cox Automotive, KBB
Sales Channels | Less Fleet and Lease Continues

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

**Fleet Share of Total Sales**

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**Retail Lease Share of Retail Sales**

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*Source: Cox Automotive, KBB*
Used Vehicle List Price | Now Lower Than Last Year

Used prices showing weakness – giving back some of last year’s crazy gains
Lease Maturities | Far Fewer In Coming Years

Impact of Covid not fully felt yet – less sales today means less off-lease in 2024 and 2025

- Maturities in 2025 will be 30% fewer (1.1 million) than in 2022
- 2.5 million fewer over next 3 years than previous 3 years

Source: Cox Automotive estimates
Light Vehicle Parc | Transition To Electrified Far, Far Away

280 million vehicles on the road – 99.5% use gasoline

- Average vehicle age is 12+ years – and value has increased – likely extending expected usage life even further
- EVs to remain a small fraction of the vehicle population over the next 20 years.
- Dealer repair & maintenance capabilities for new EV technology and old ICE powertrains will be growing necessity.
- Transition to an electrified vehicle fleet will be a long, slow process – to accelerate, government intervention will be required, and will be disruptive.
- Future Chip Shortage? Will replacement microchips be available in the future to support technology repairs for the existing fleet?

Source: Cox Automotive analysis of IHS-Markit registrations

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<th>Year</th>
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<td>2019</td>
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<td>$5,500</td>
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Change: 41%