



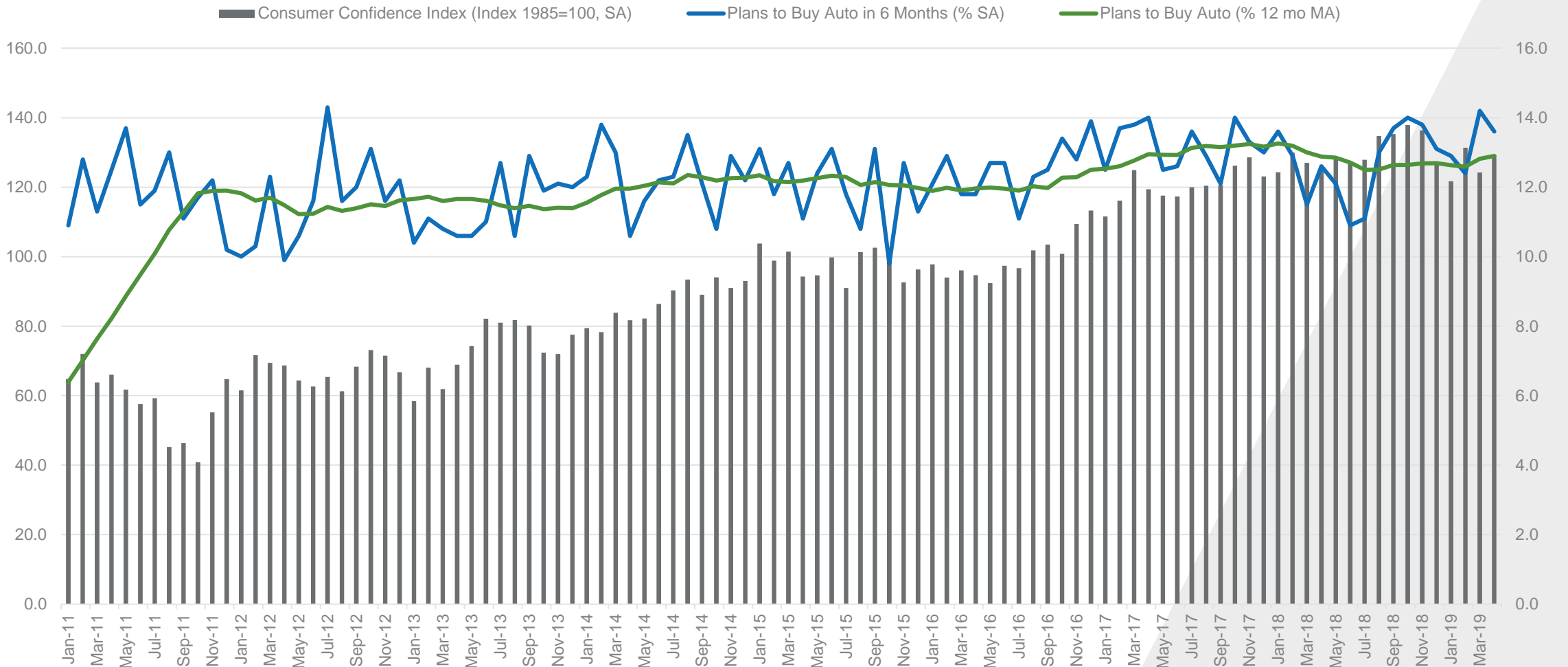
Key Short- and Long-Term Trends

Jonathan Smoke | Chief Economist, Cox Automotive

COX
AUTOMOTIVE™

CONSUMER CONFIDENCE UP IN APRIL; DOWN AND UP PATTERN YTD

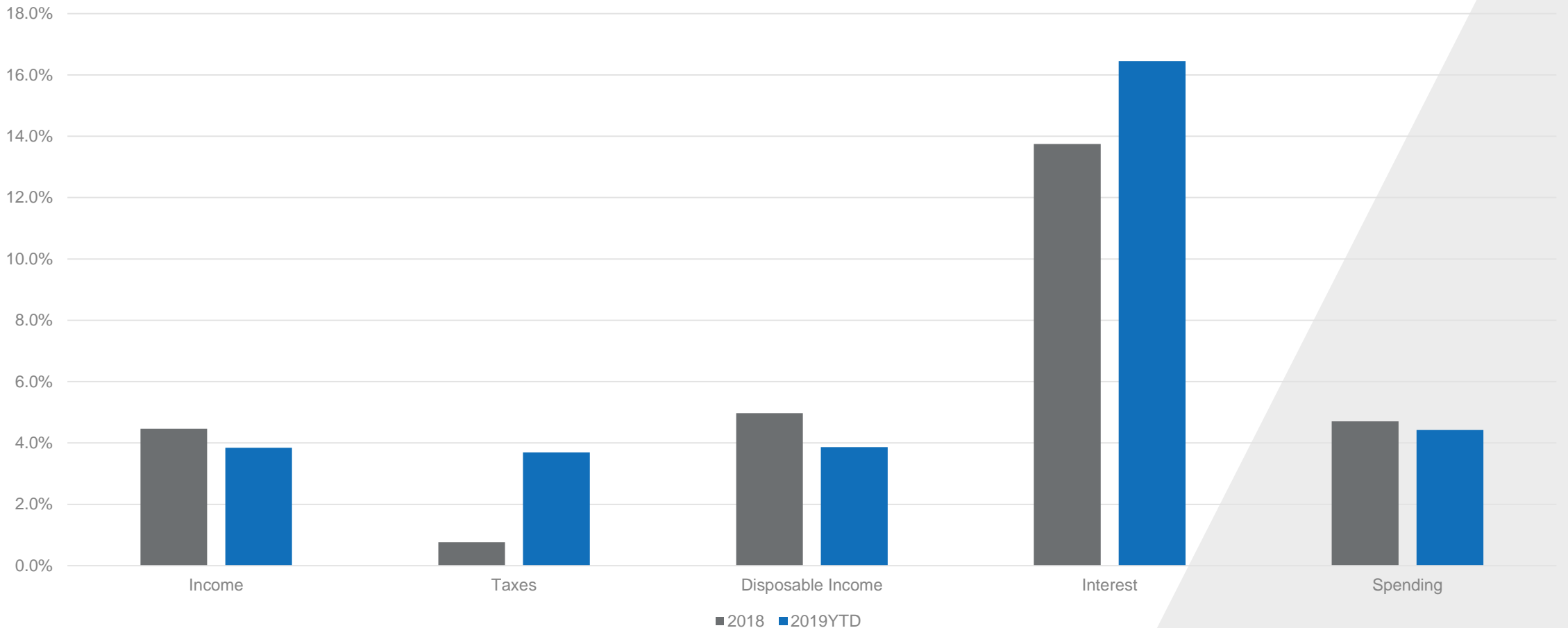
Plans to purchase an auto have also been on a roller coaster ride and declined in April



LAST YEAR'S TAX REFORM **BOOSTED DISPOSABLE PERSONAL INCOME**

Disposable income and spending now growing more slowly while spending on interest continues to rise (up 16.5% y/y)

Personal Income and Spending, 2018 Growth vs. Growth Y/Y in March

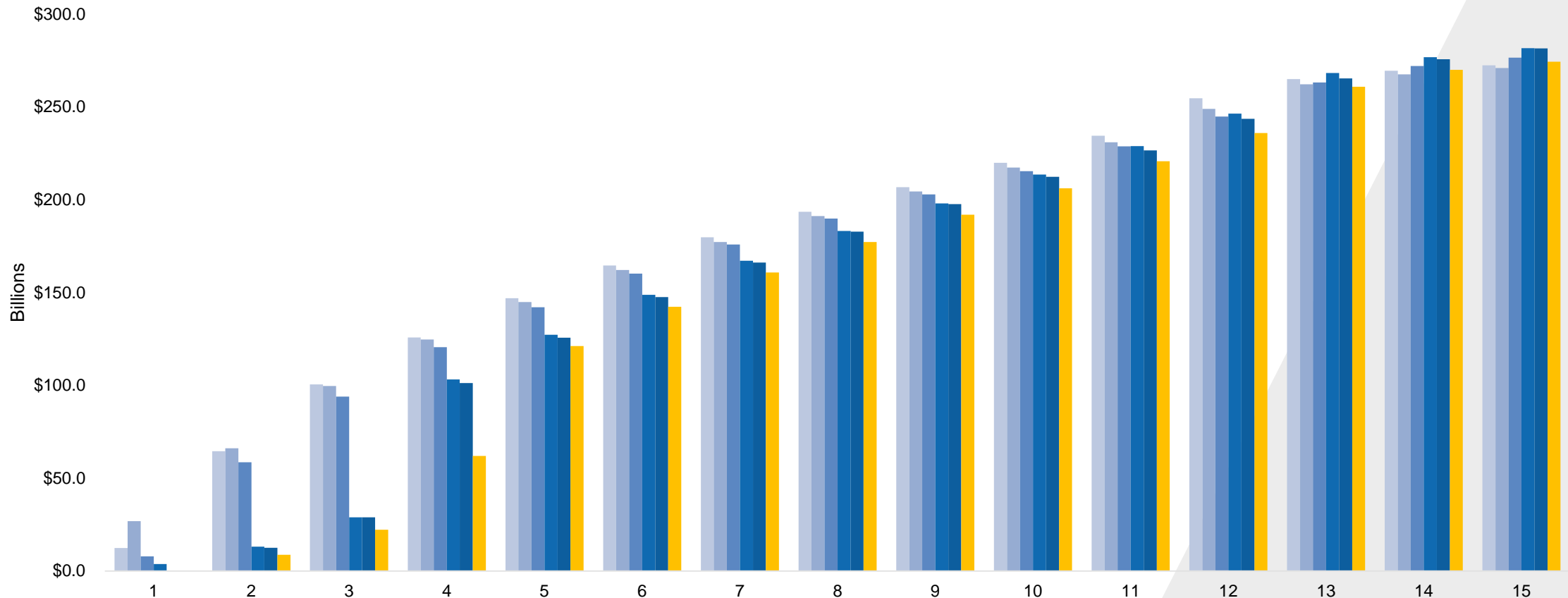


SLOWER AND LOWER TAX REFUNDS THROUGH MAY 3

Total refunds in 2019 are down \$7.2 billion or 2.6% and the average refund is down 1.6%

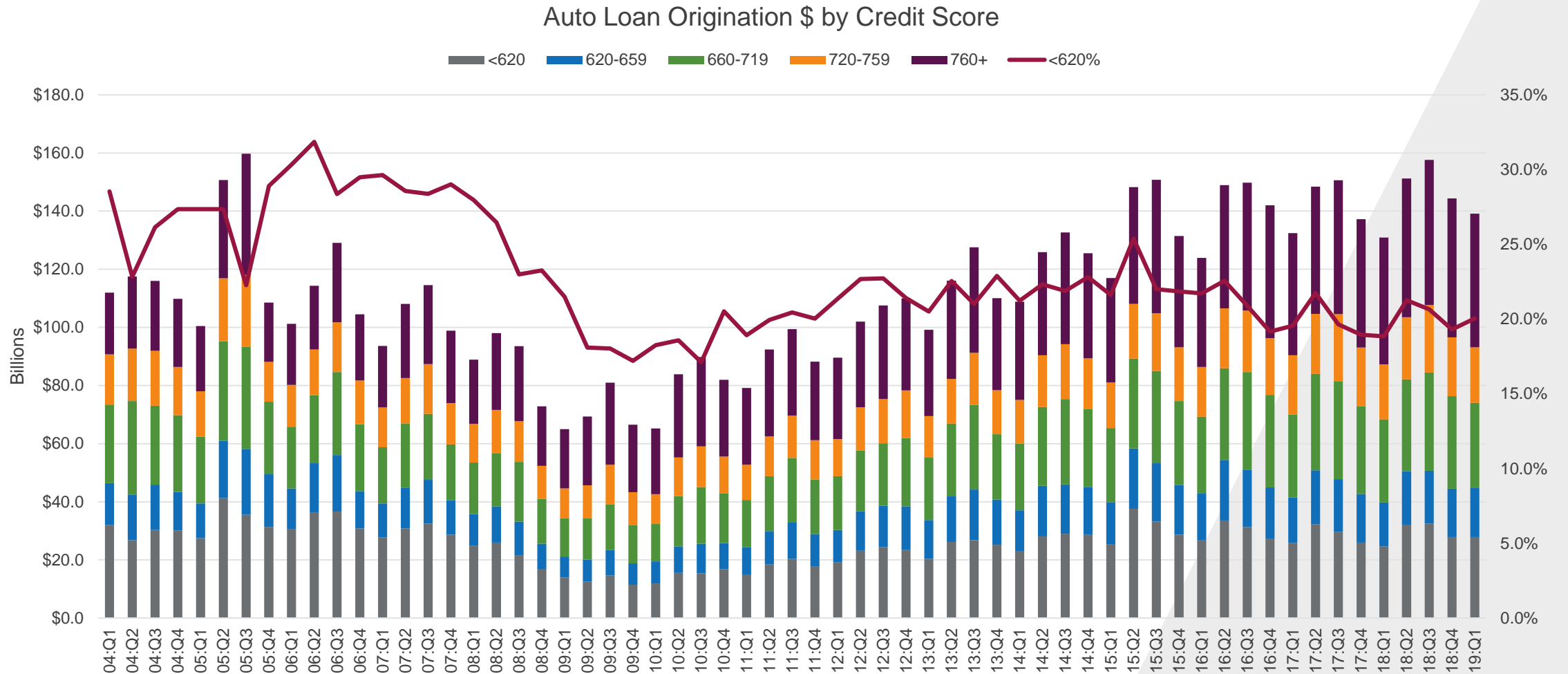
Amount of Refunds (Cumulative)

■ 2014 ■ 2015 ■ 2016 ■ 2017 ■ 2018 ■ 2019



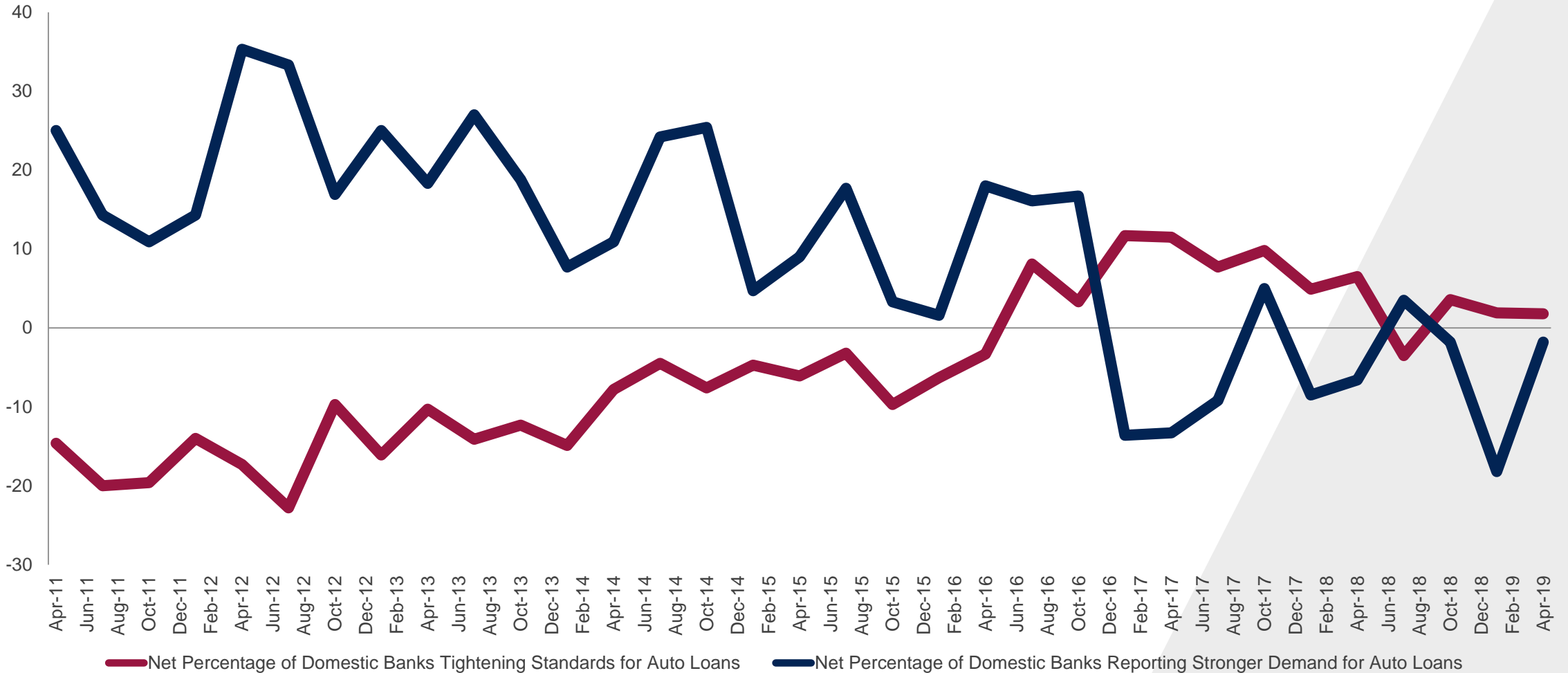
EASIER LENDING SUPPORTED GROWTH IN '18; LENDING UP Y/Y IN Q1

Auto lending grew 6.3% y/y in Q1 led by 13% gains in subprime (<620) and 12% gains in near prime (620-659)



AUTO LOAN DEMAND SAW SUBSTANTIAL DECLINE TO START 2019

Banks reported moderate tightening of standards in 1Q and 2Q; demand for auto loans declined as a result



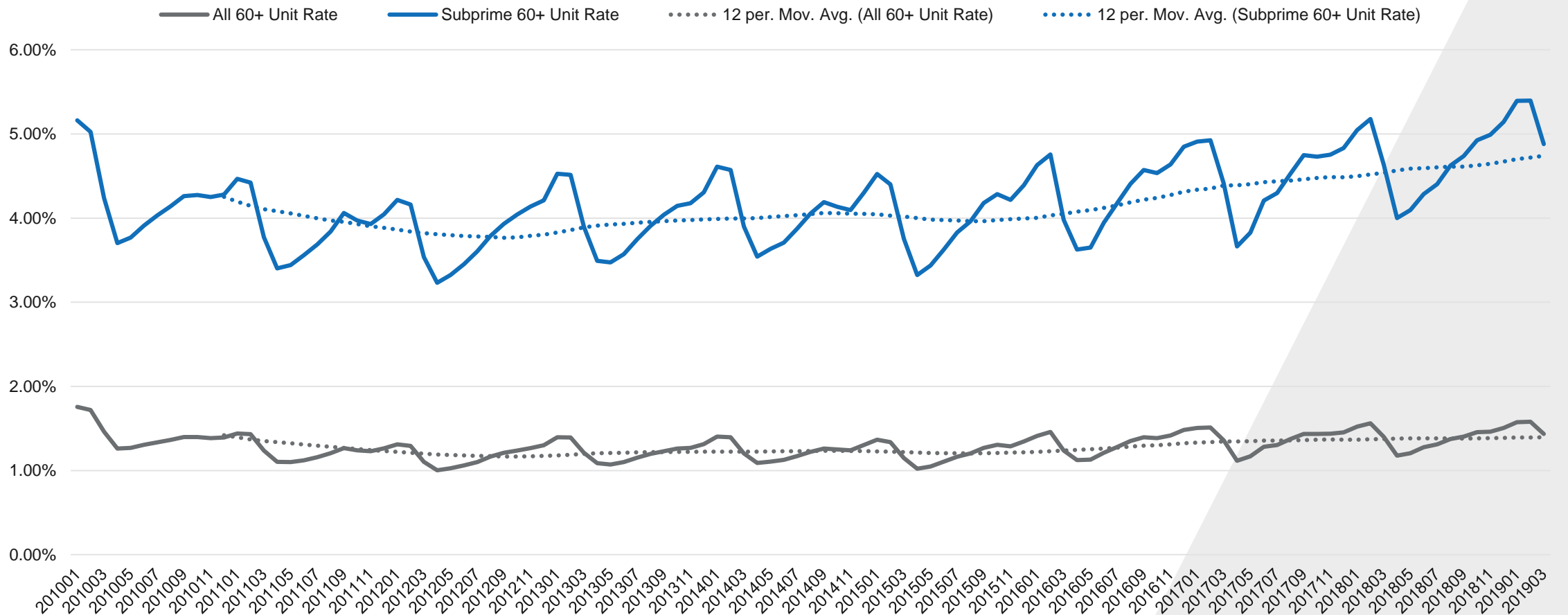
Net Percentage of Domestic Banks Tightening Standards for Auto Loans

Net Percentage of Domestic Banks Reporting Stronger Demand for Auto Loans

SUBPRIME AUTO LOANS HAVE RISING DELINQUENCY RATE

Subprime delinquency rate improved in March from February but higher y/y and highest level for March in 10 years

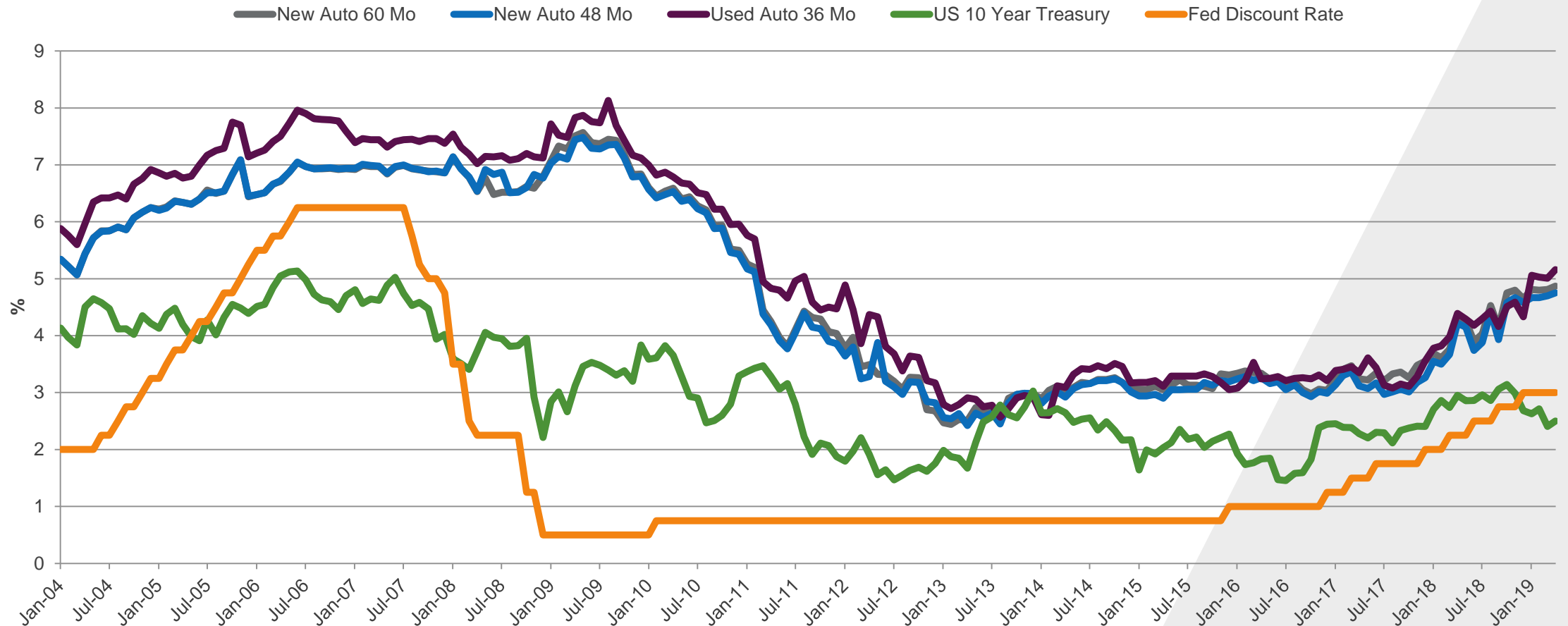
AUTO LOAN SEVERE DELINQUENCIES UNIT RATE



“BEST AVAILABLE” AUTO RATES **CONTINUE TO PUSH HIGHER**

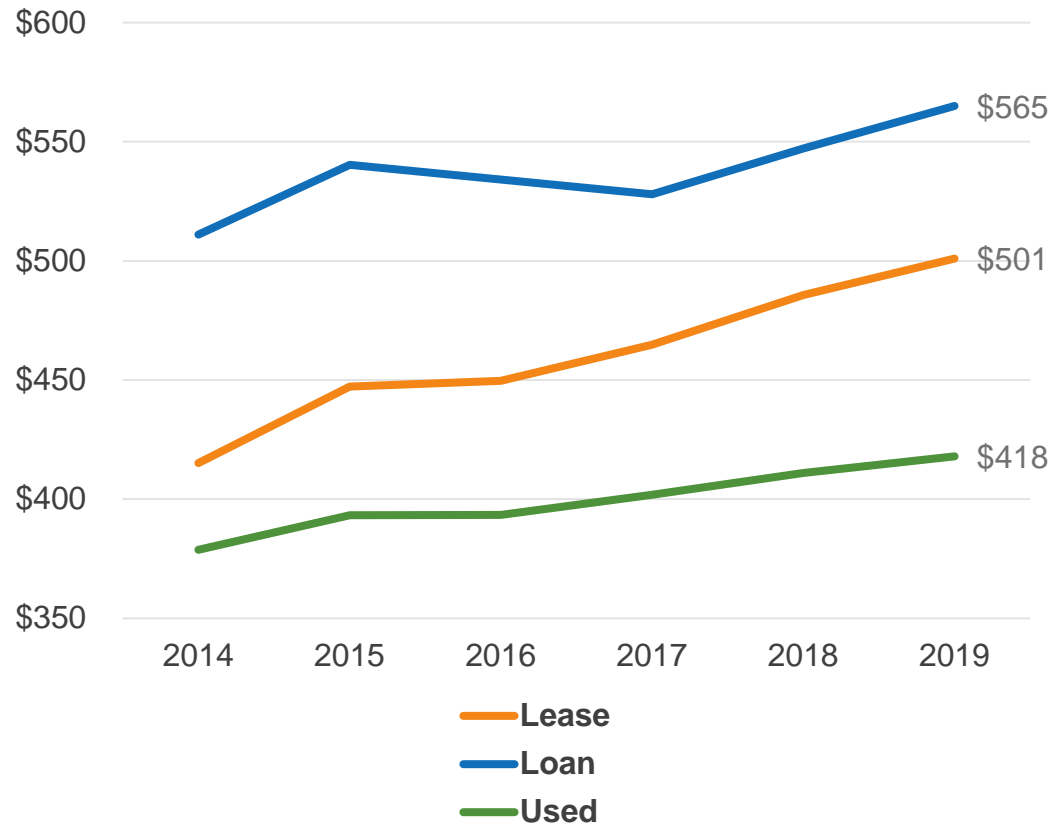
Since October, auto rates have drifted higher by 12 basis points even though Treasury yields have declined by 64 BPs

Interest Rates

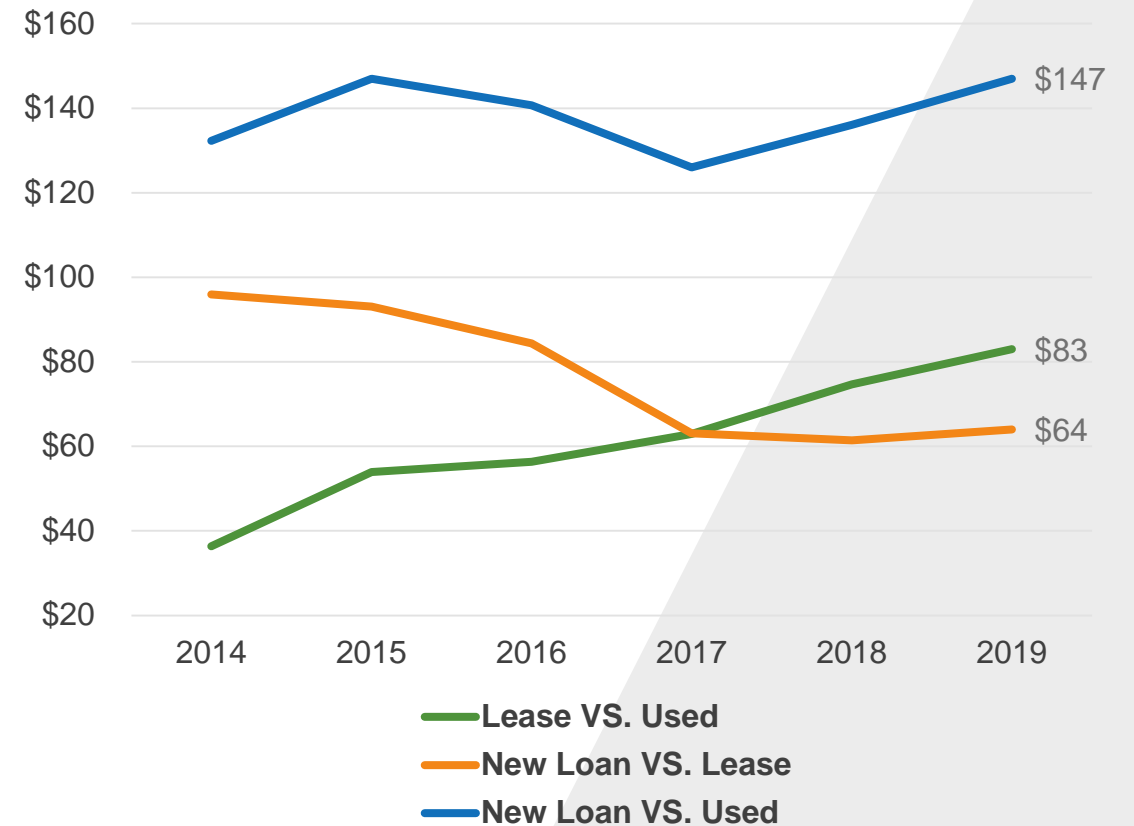


PAYMENT INFLATION CONTINUES TO IMPACT CONSUMERS

MONTHLY PAYMENT



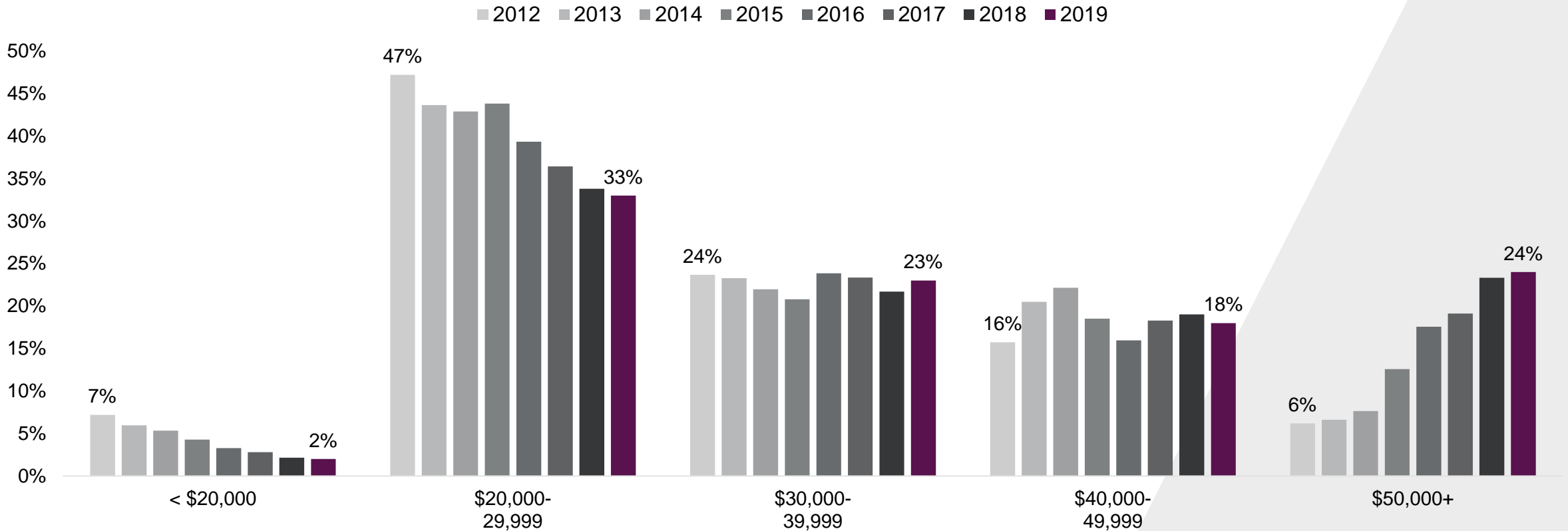
PAYMENT DIFFERENCES



AFFORDABILITY CONTINUES TO WORSE

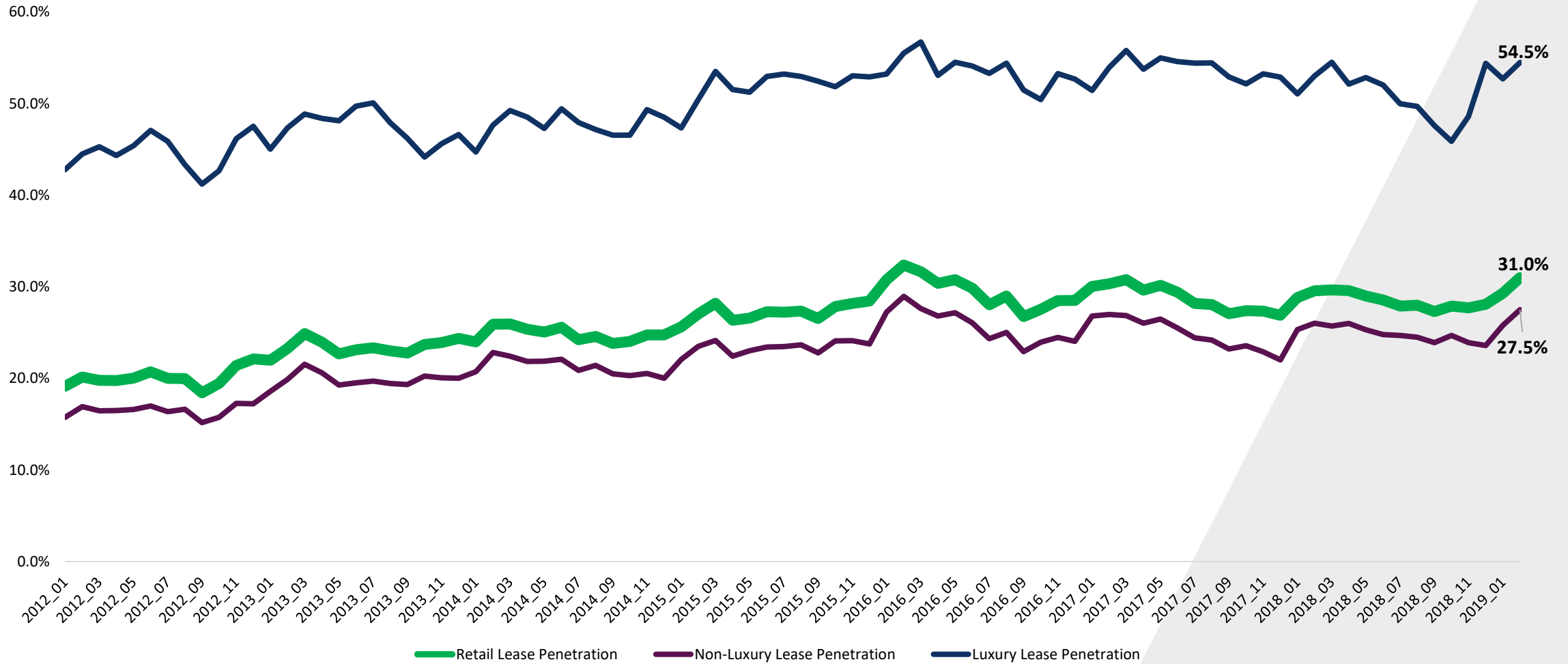
The rise in dominance of the SUV has contributed to a substantial shift away from lower priced vehicles

CONTINUED SHIFT TO EXPENSIVE VEHICLES



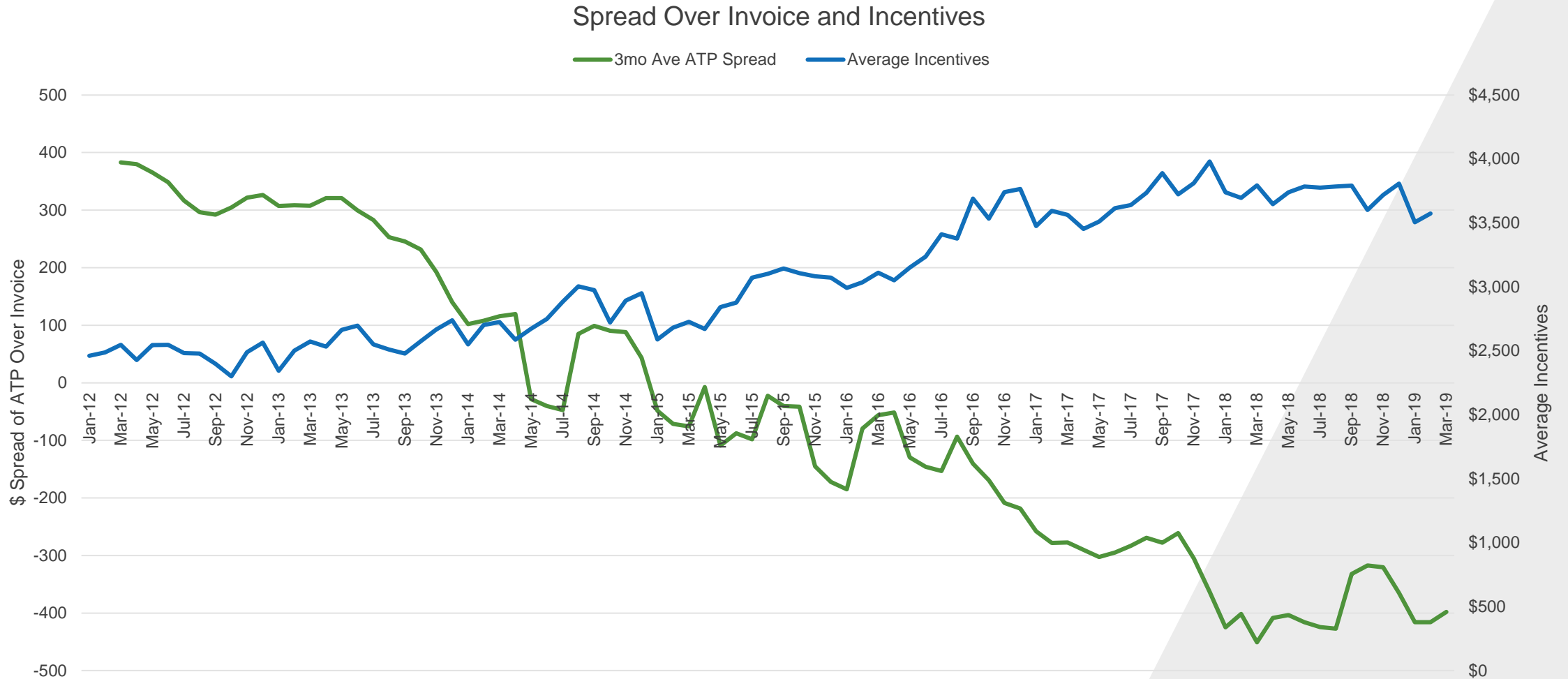
LEASE PENETRATION INCREASING IN 2019

Leasing segments bouncing back in recent months and approaching peak in luxury



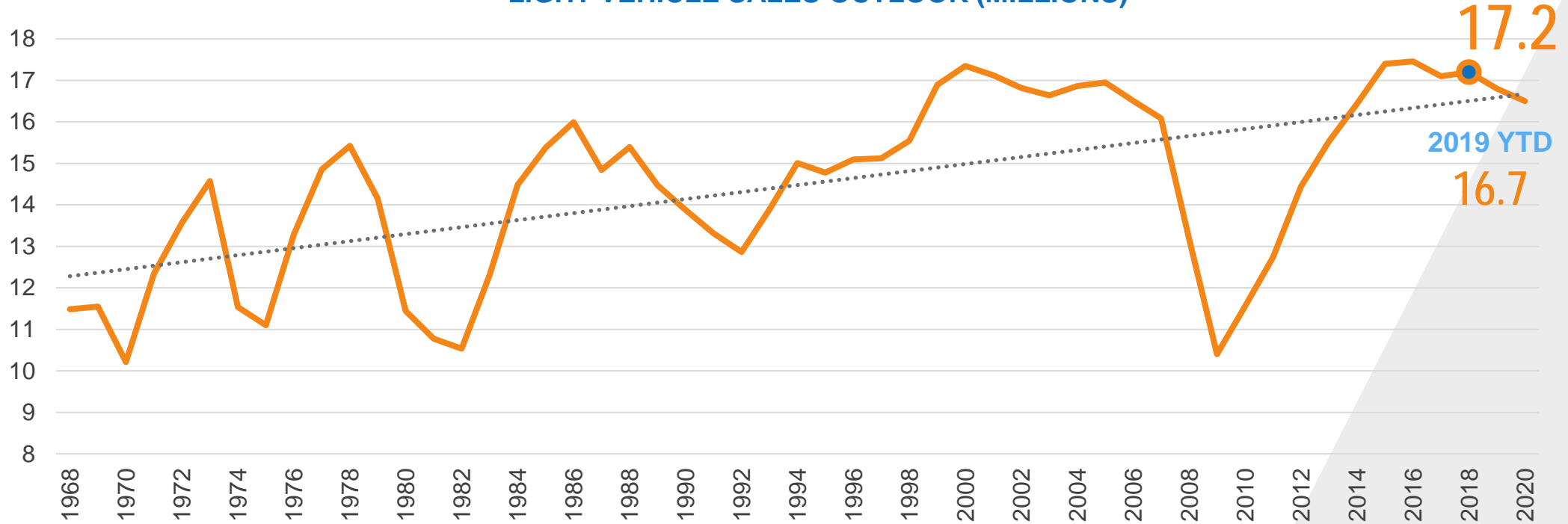
INCENTIVES AND DISCOUNTING LOWER IN SECOND HALF OF 2018

Average price spread to invoice trend moving up slightly as incentives also see small increase in March



NEW VEHICLE SALES RESUME MODERATE DECLINE TREND

LIGHT VEHICLE SALES OUTLOOK (MILLIONS)



| COX AUTOMOTIVE FULL-YEAR FORECASTS | 2018 | 2019 | 2020* |
|------------------------------------|------|------|-------|
| | 17.2 | 16.8 | 16.5 |

FLEET MORE STRATEGIC

Market Declines Would Be Worse...

FLEET SALES **UP**

4%

VS.

RETAIL SALES **DOWN**

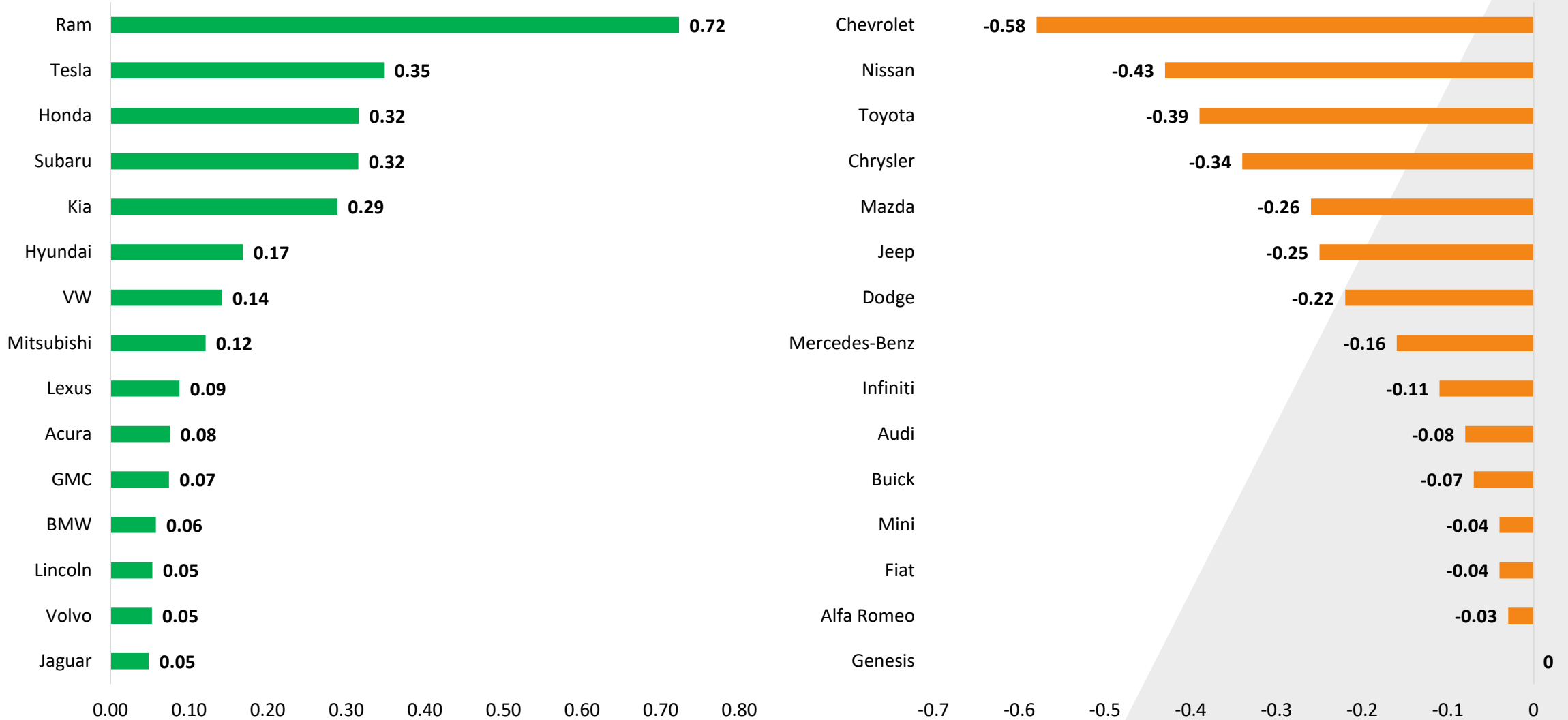
4%

**THE MARKET HAS BEEN
SUPPORTED BY GROWTH IN
FLEET SALES**

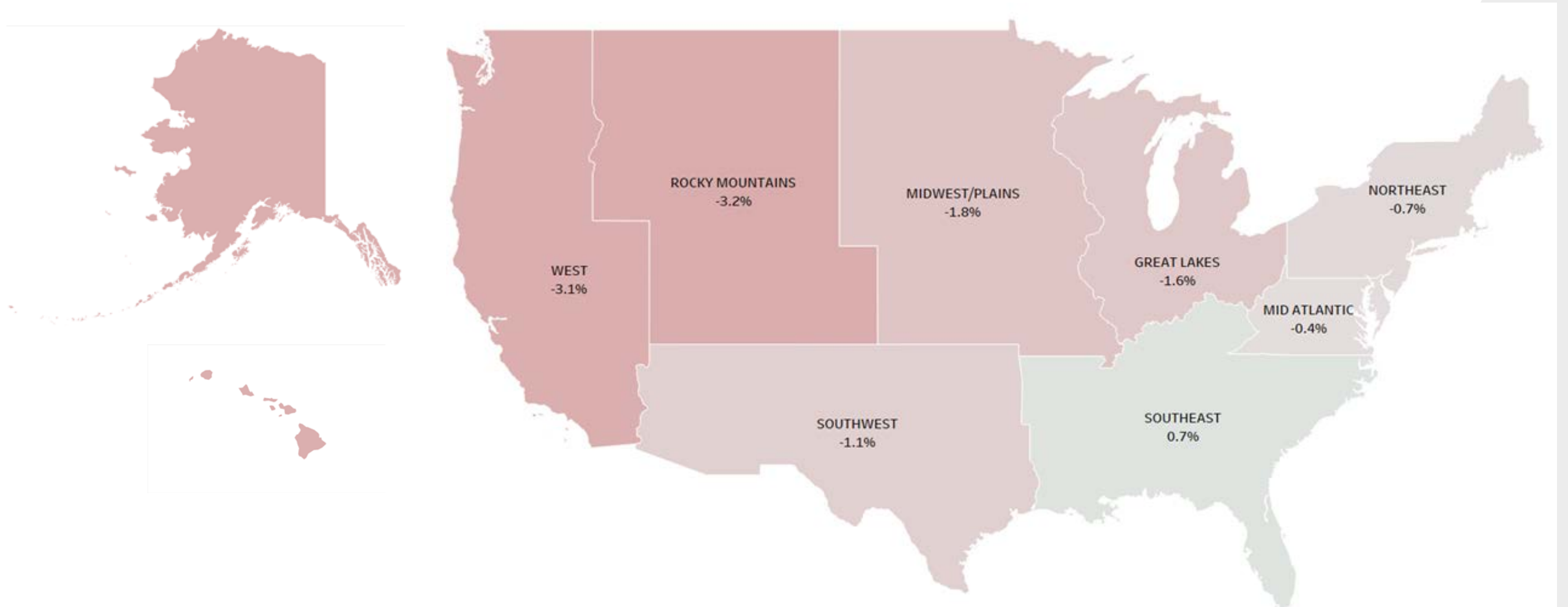


NEW VEHICLE MARKET SHARE YTD 2019 – TOP BRANDS BY SHARE GAIN/LOSS

YTD April 2019

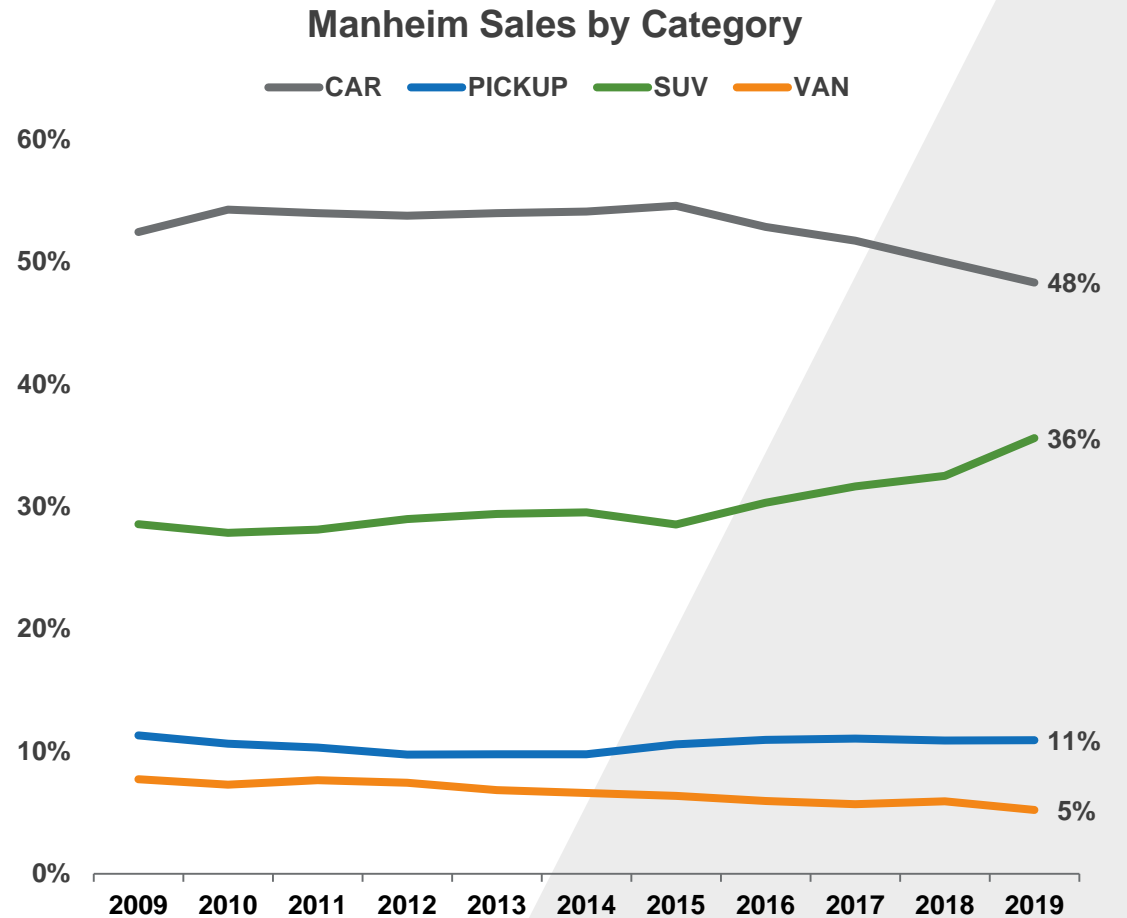
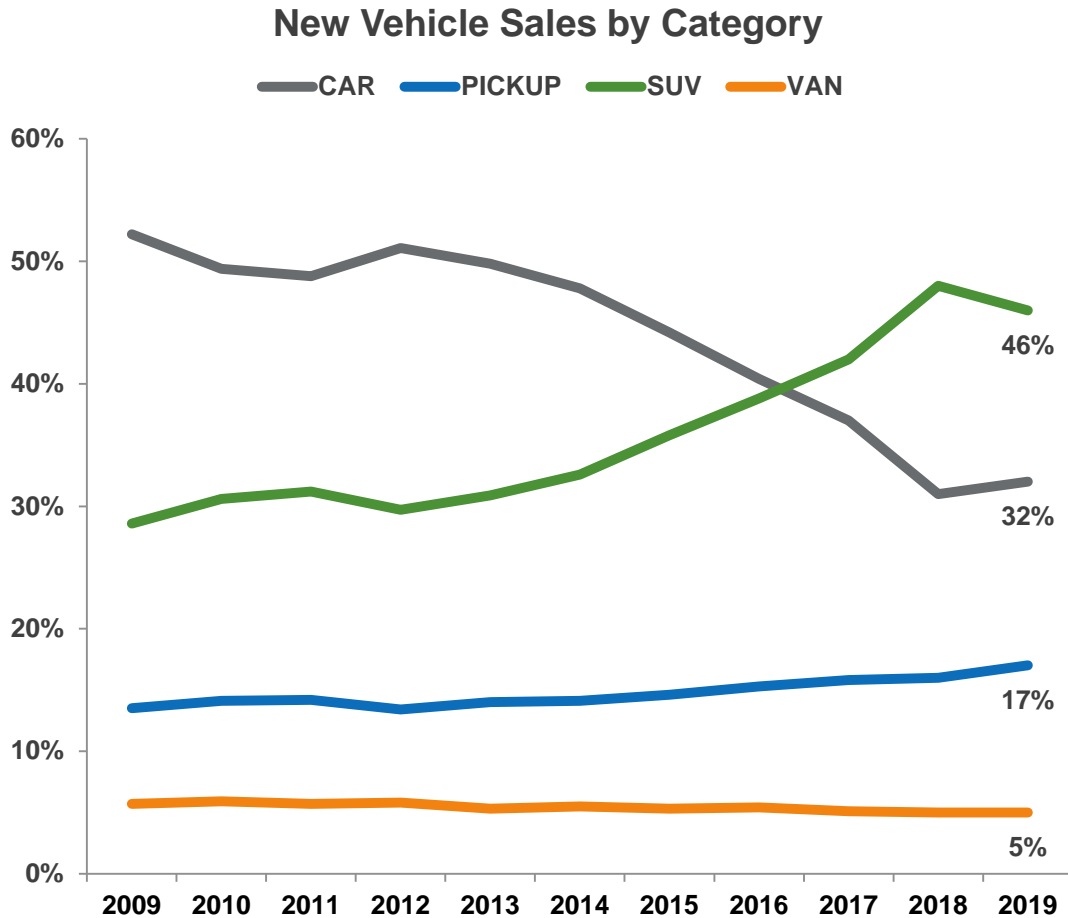


RETAIL NEW VEHICLE REGISTRATIONS – YOY % CHG (12 mos ending Feb 2019)

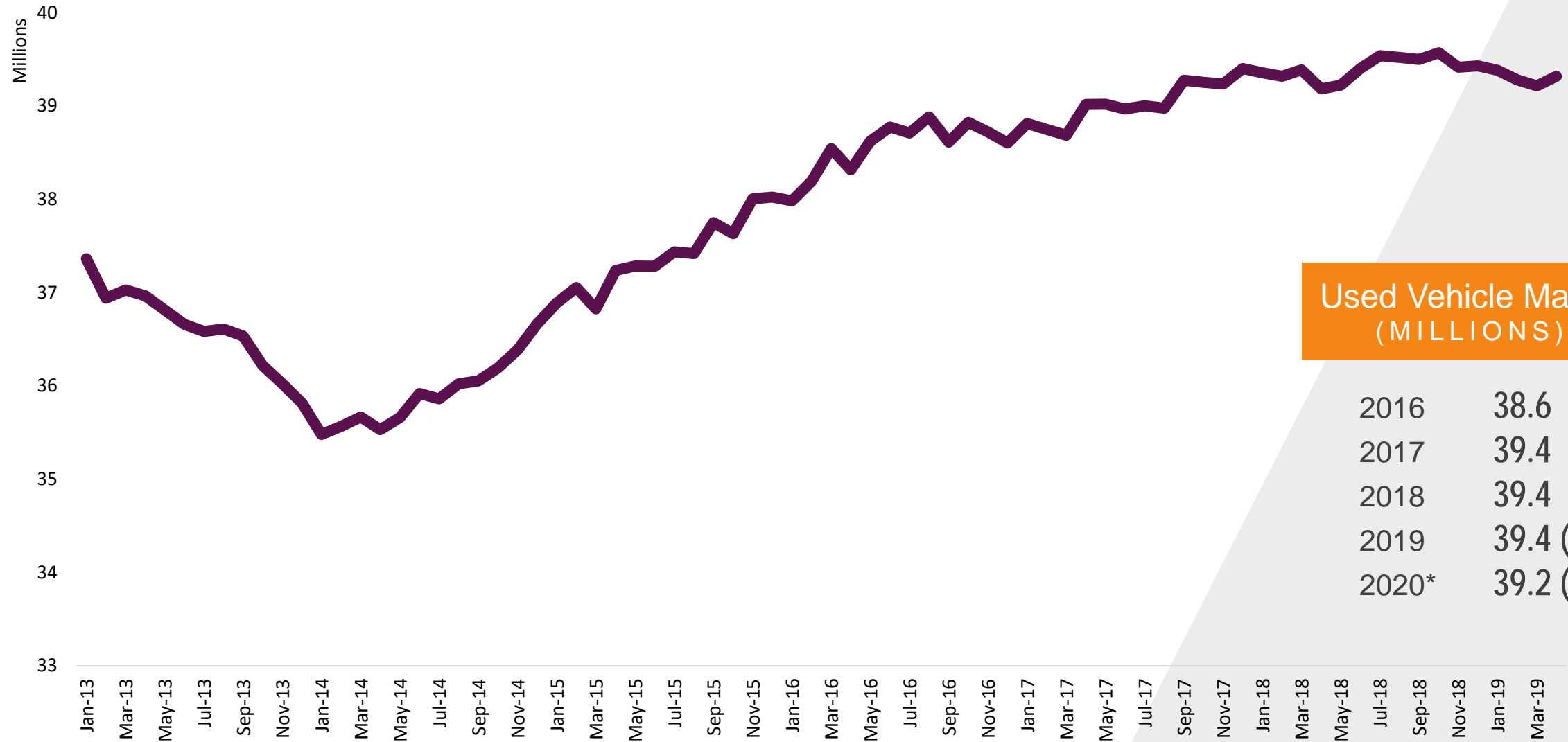


DECLINE OF CARS **NOT AS SEVERE (YET)** IN WHOLESALE MARKET VOLUMES

The SUV reigns supreme in new vehicle sales while cars still dominated the used car market

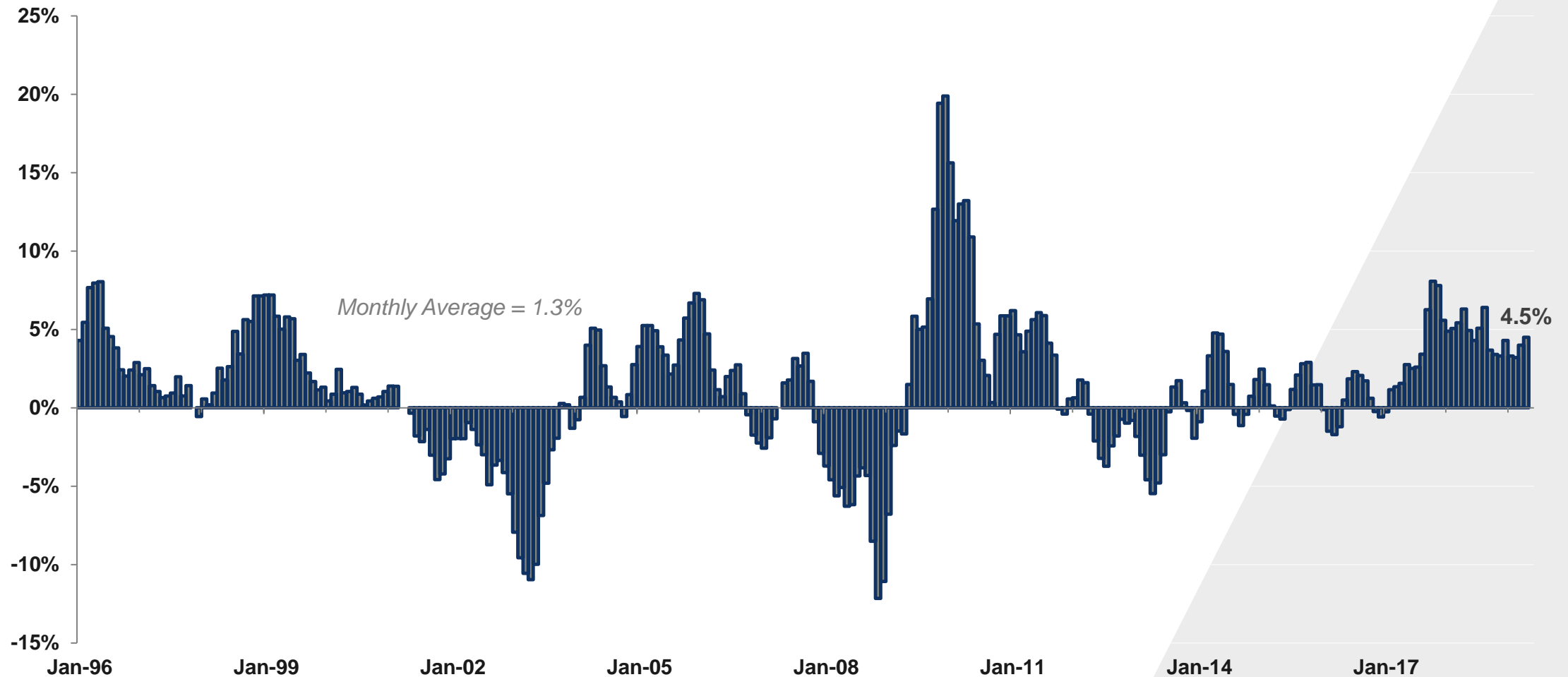


USED SALES PEAKING



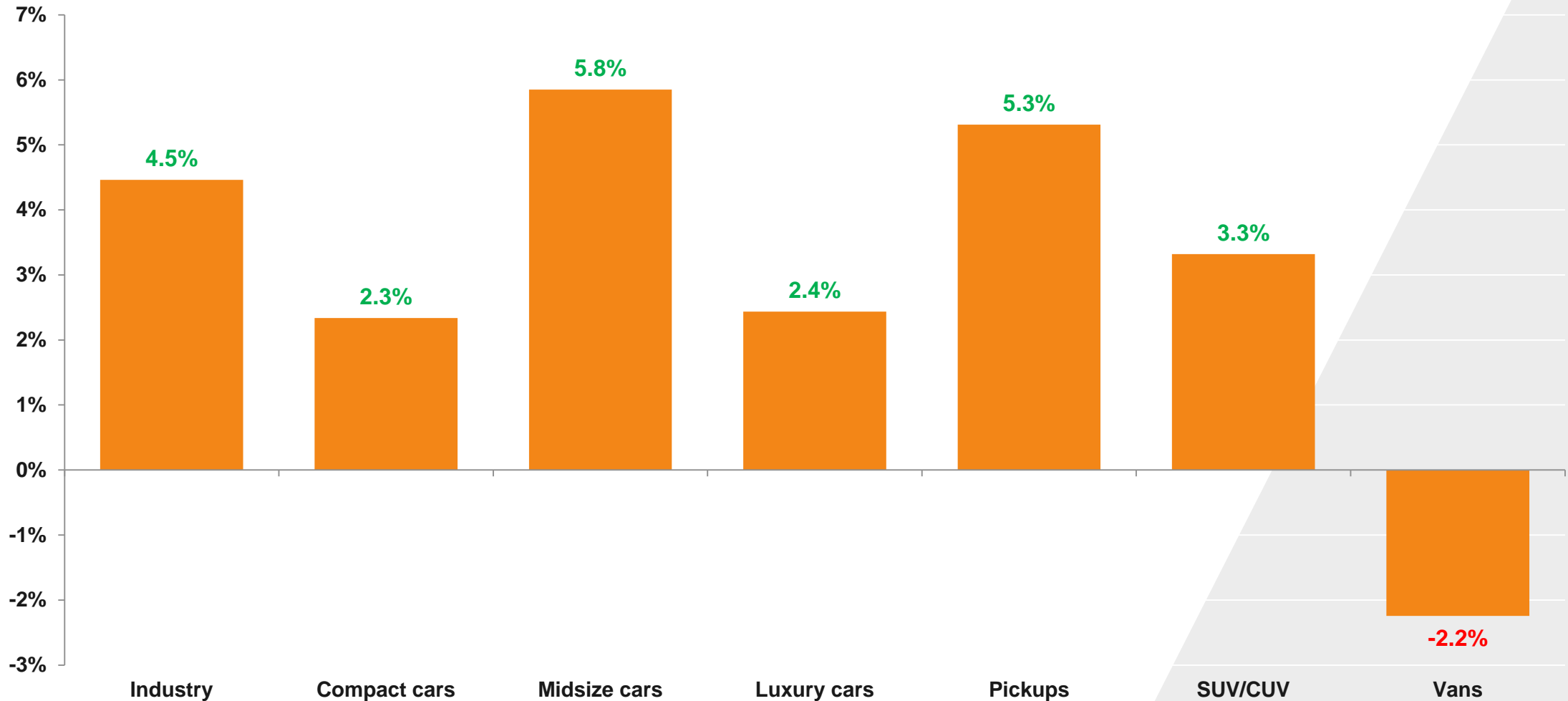
USED VEHICLE VALUES **CONTINUE TO STAY ABOVE AVERAGE**

Year-over-year price performance on Manheim Used Vehicle Value Index has been stronger than average for 2 years



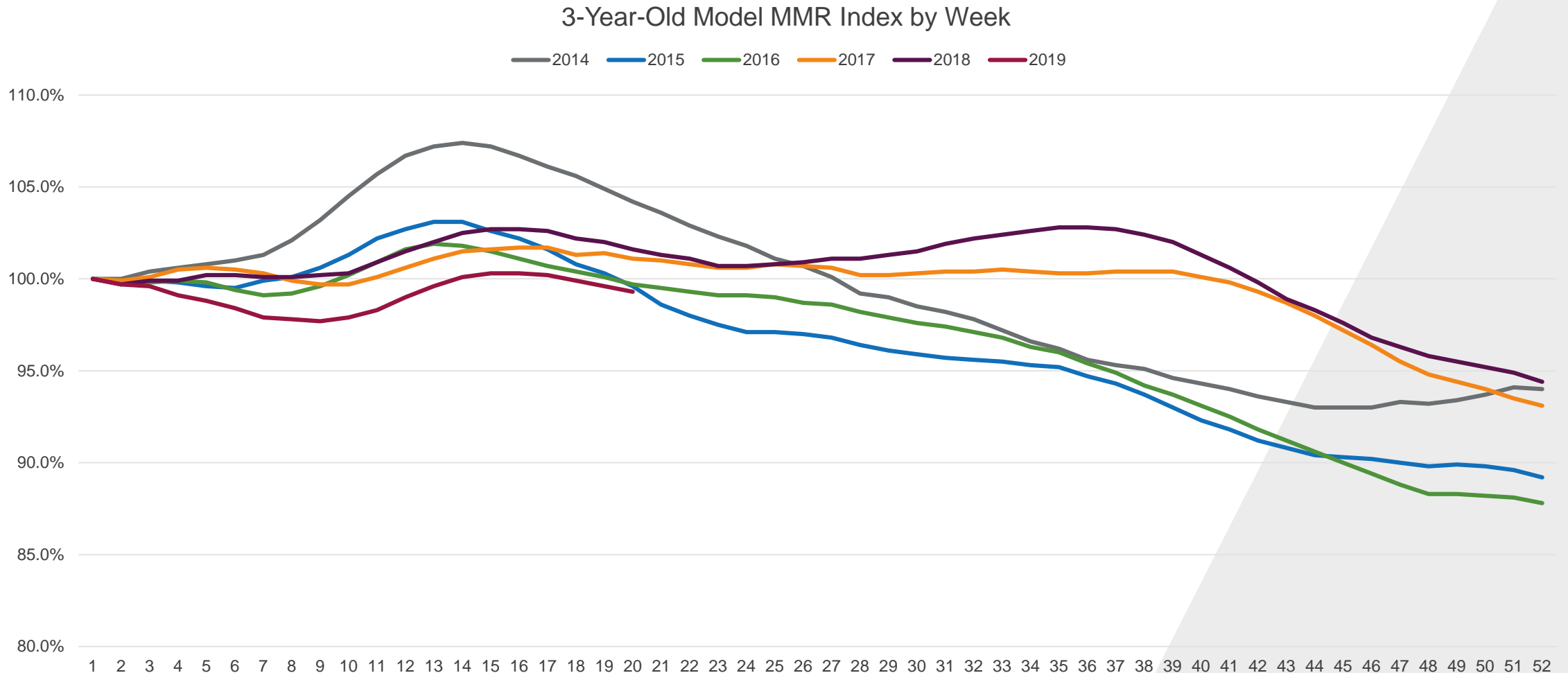
(MOST) AFFORDABLE CARS CONTINUE OUTPERFORMING OTHER SEGMENTS

PERCENT CHANGE IN MANHEIM INDEX YEAR-OVER-YEAR APRIL 2019



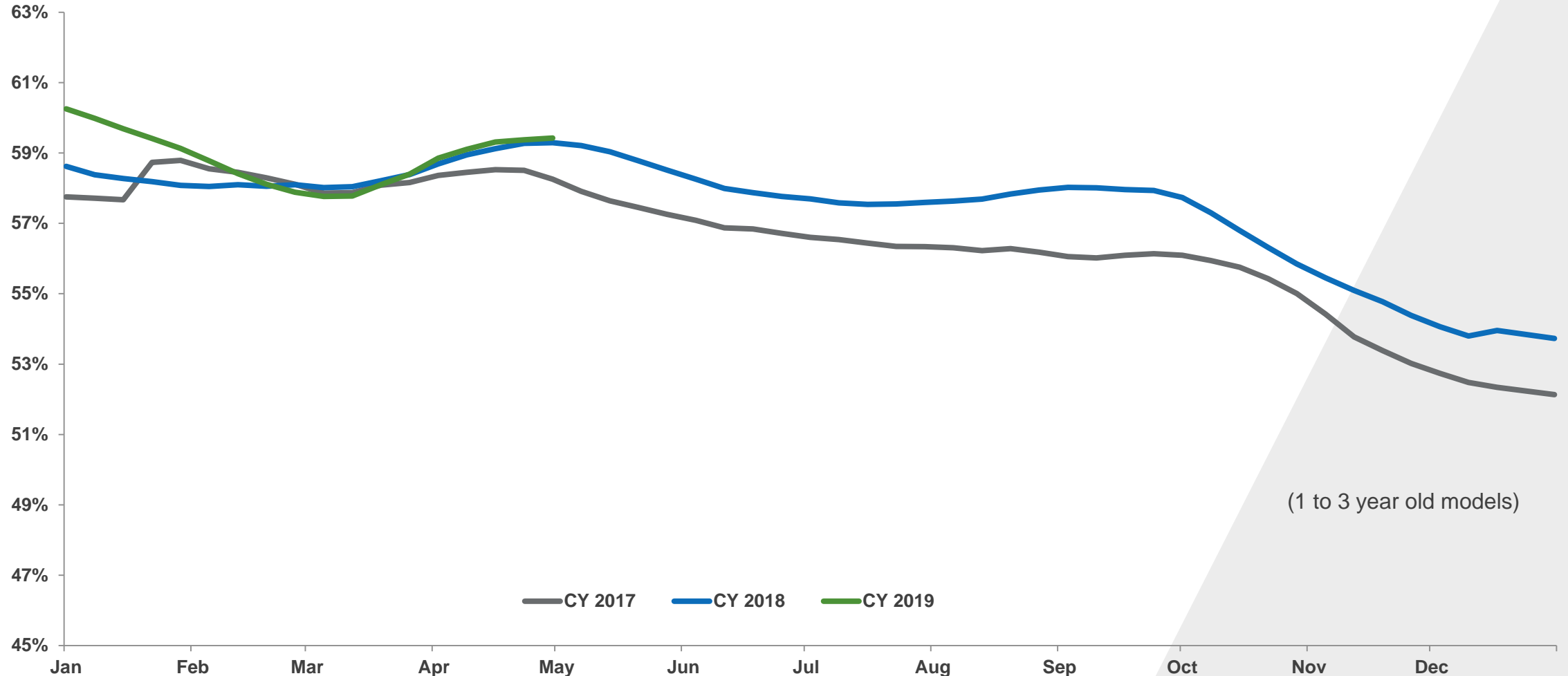
2019 WEEKLY PRICE TREND STARTED WEAK BUT STRONG BOUNCE

Much higher than normal depreciation for start of year, then strong spring bounce, and now steady depreciation



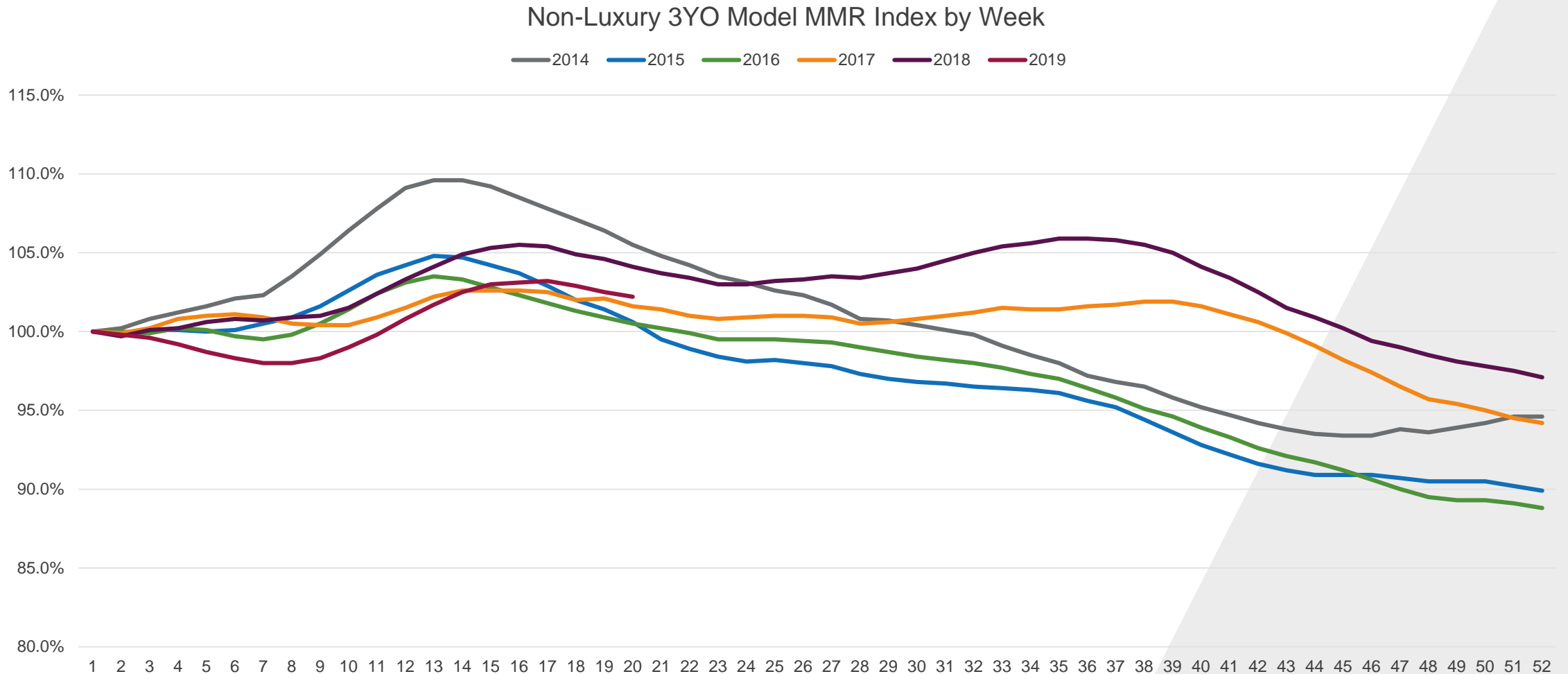
RETENTION VALUES HOLDING UP RELATIVE TO LAST YEAR

Adjusting for MSRP and fixing the basket of vehicles by what was sold now just above last year



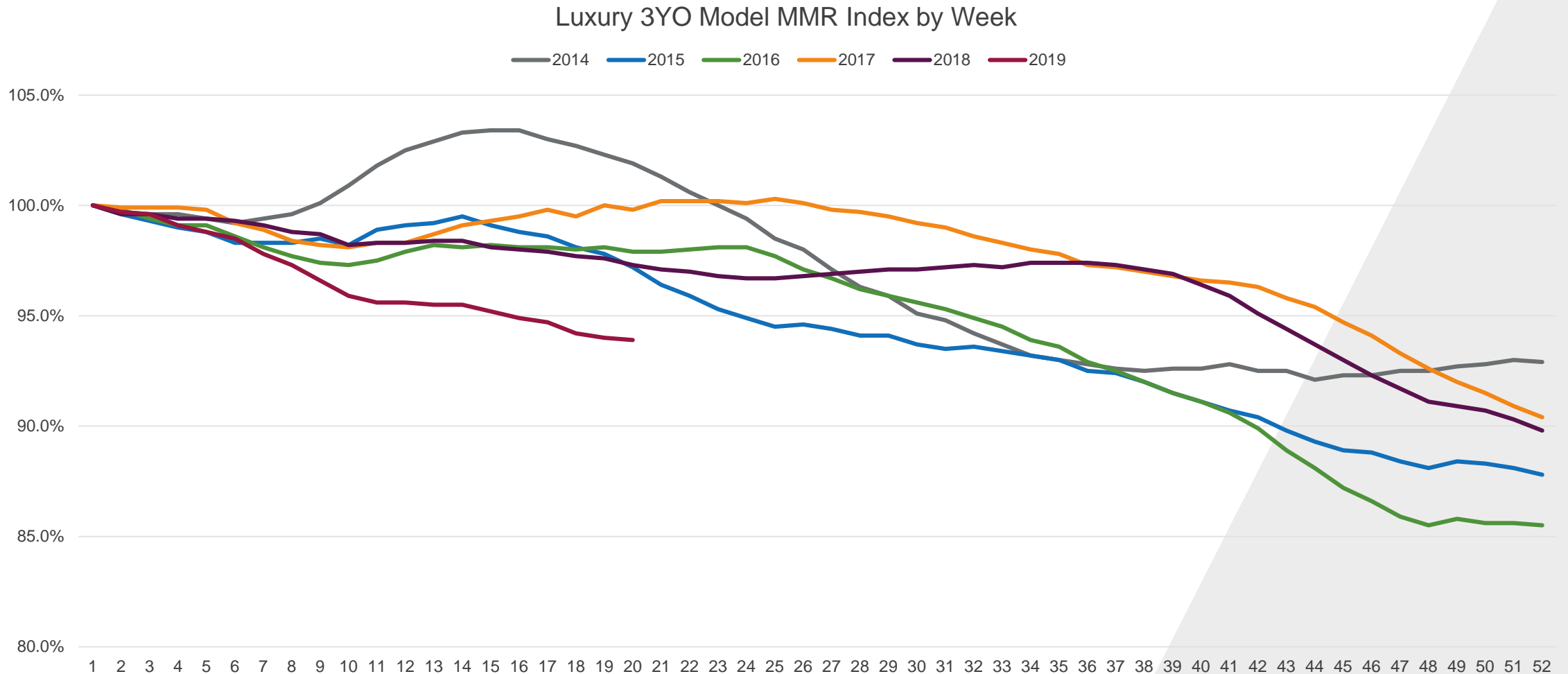
2019 WEEKLY PRICE TREND SAW BIGGER BOUNCE IN NON-LUXURY

Much higher than normal depreciation for start of year but bounce then elevated prices



2019 WEEKLY PRICE TREND WORSE FOR LUXURY

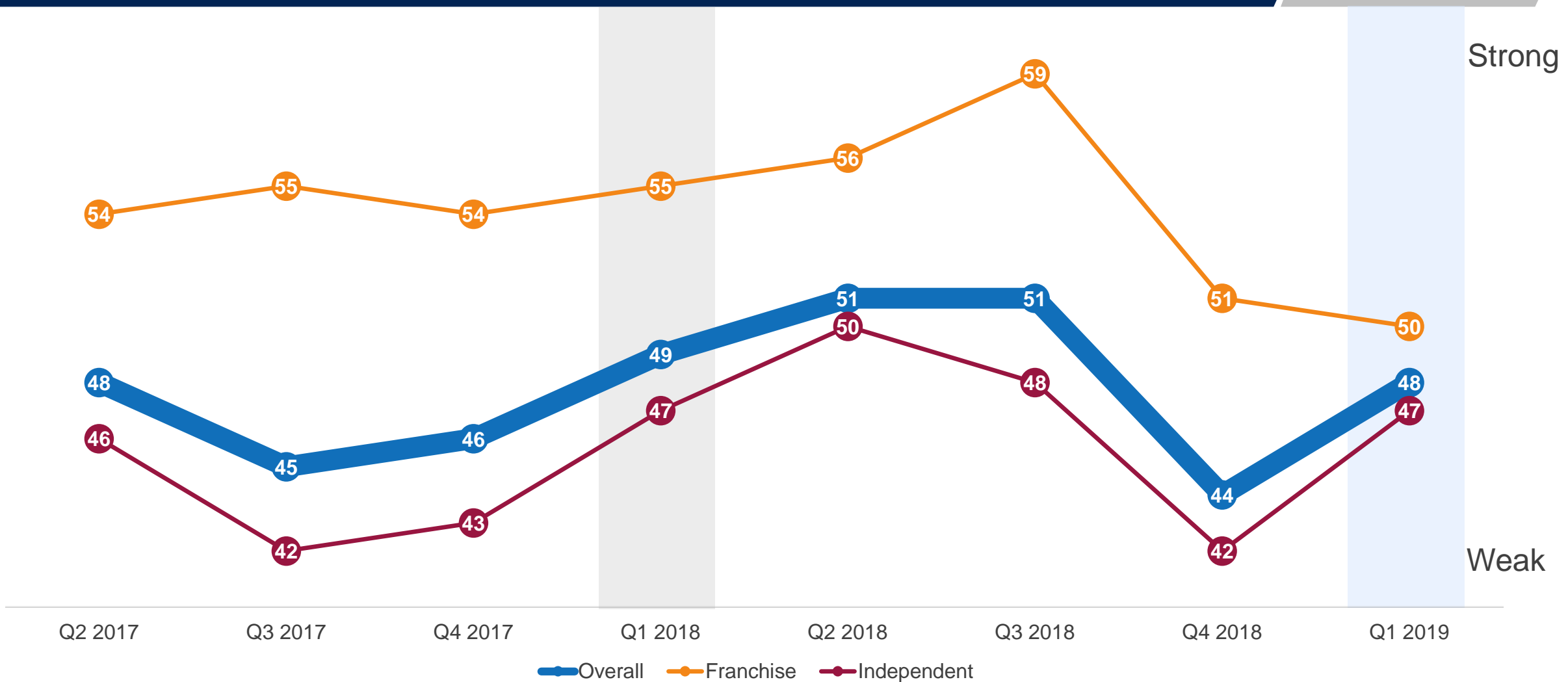
Much higher than normal depreciation for start of year; now seeing more typical depreciation



Q1: How would you describe the current market for vehicles in the areas where you operate?

Dealer Sentiment Index

FIRST QUARTER 2019

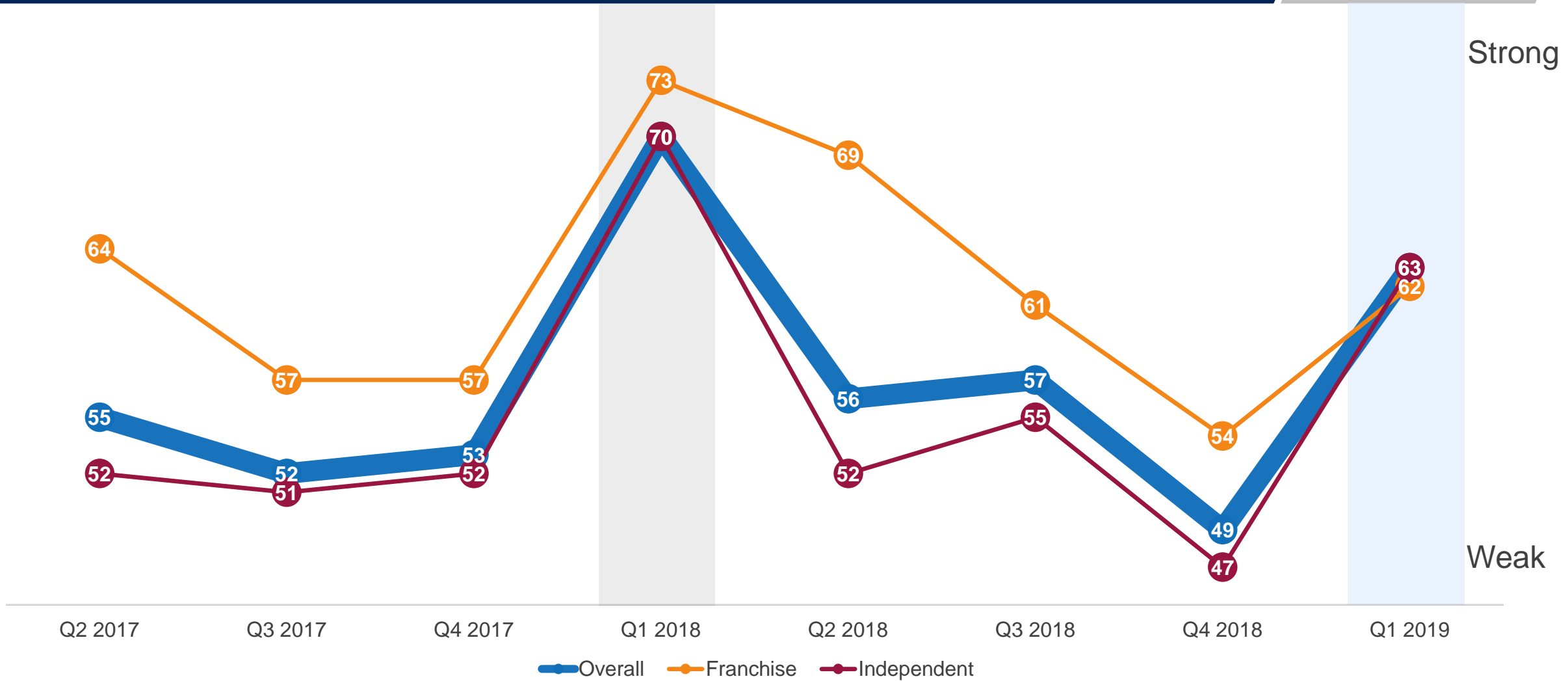


Note: Scale 1 - 100

Q2: What do you expect the market for vehicles in your area to look like 3 months from now?

Dealer Sentiment Index

FIRST QUARTER 2019



Note: Scale 1 - 100

What are the Factors Holding Back Your Business?

Dealer Sentiment Index

FIRST QUARTER 2019

OVERALL RANK

| | | Q1 '19 | Q4 '18 | Q1 '18 |
|----|--|--------|--------|--------|
| 1 | Market Conditions | 45% | 44% | 40% |
| 2 | Competition | 37% | 33% | 35% |
| 3 | Credit Availability for Consumers | 33% | 36% | 36% |
| 4 | Expenses | 30% | 27% | 28% |
| 5 | Limited Inventory | 29% ↓ | 35% | 27% |
| 6 | Interest Rates | 22% | 23% | 9% |
| 7 | Consumer Confidence | 24% ↑ | 19% | 15% |
| 8 | Consumer Transparency in Pricing | 14% | 12% | 16% |
| 9 | Staff Turnover | 11% | 11% | 10% |
| 10 | Regulations | 10% ↑ | 7% | 11% |
| 11 | Credit Availability for Business | 7% | 8% | 7% |
| 12 | Dealership Systems/Tools | 6% | 6% | 8% |
| 12 | Tariffs on Imported Vehicles and Parts | 6% | 6% | N/A |
| 12 | Too Much Retail Inventory | 6% | 6% | 7% |
| 15 | OEM Mandates/Restrictions | 5% | 5% | 6% |
| 16 | 2018 Tax Law Changes* | 4% ↑ | 2% | N/A |

Significant decrease vs previous quarter

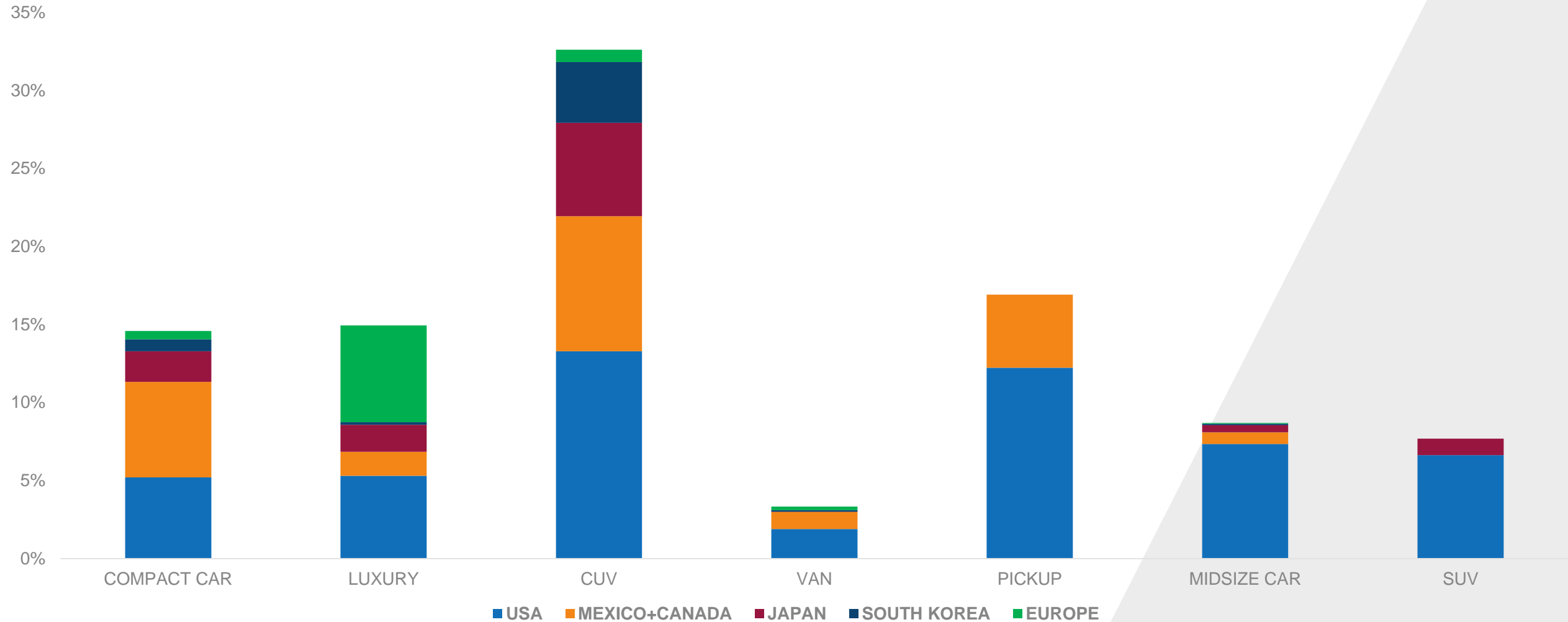


Significant increase vs previous quarter



INDUSTRY DEPENDENT ON GLOBAL SUPPLY CHAIN

Composition of New Vehicles Sold Retail in 2018 in the US by Major Segments and Major Regions of Origin



TARIFF ACTIONS & KEY DATES

Ratification of USMCA (ITC Report Delivered)

Section 232 Tariff on Imported Autos and Parts
(Action on EU and Japan Postponed Nov. 18)

China Trade Deal (March 4; TBD)

EU Trade Deal

Japan Trade Deal

UK Trade Deal Post Brexit?



CONSUMER ATTITUDES ABOUT VEHICLE OWNERSHIP ARE CHANGING

**“Having Transportation is
Necessary, but Owning a
Vehicle is Not”**

% Agree

35%

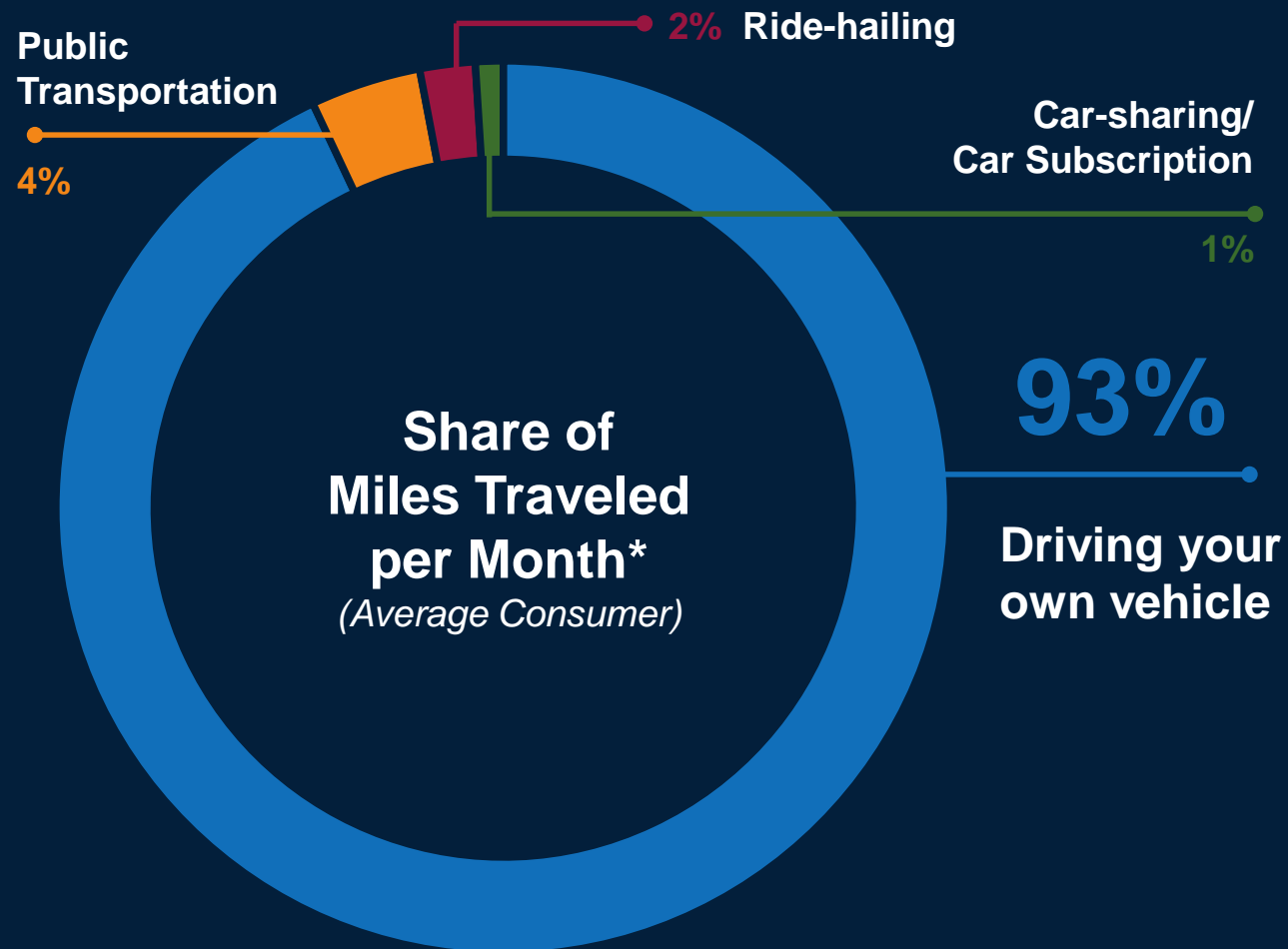
2015

39%↑

2018



CONSUMER-OWNED VEHICLES DOMINATE TRANSPORTATION



*only includes transportation methods shown on this slide (excludes other methods such as Taxi/cab, Car rental, Borrowing a vehicle, Carpooling, Motorcycle/scooter)

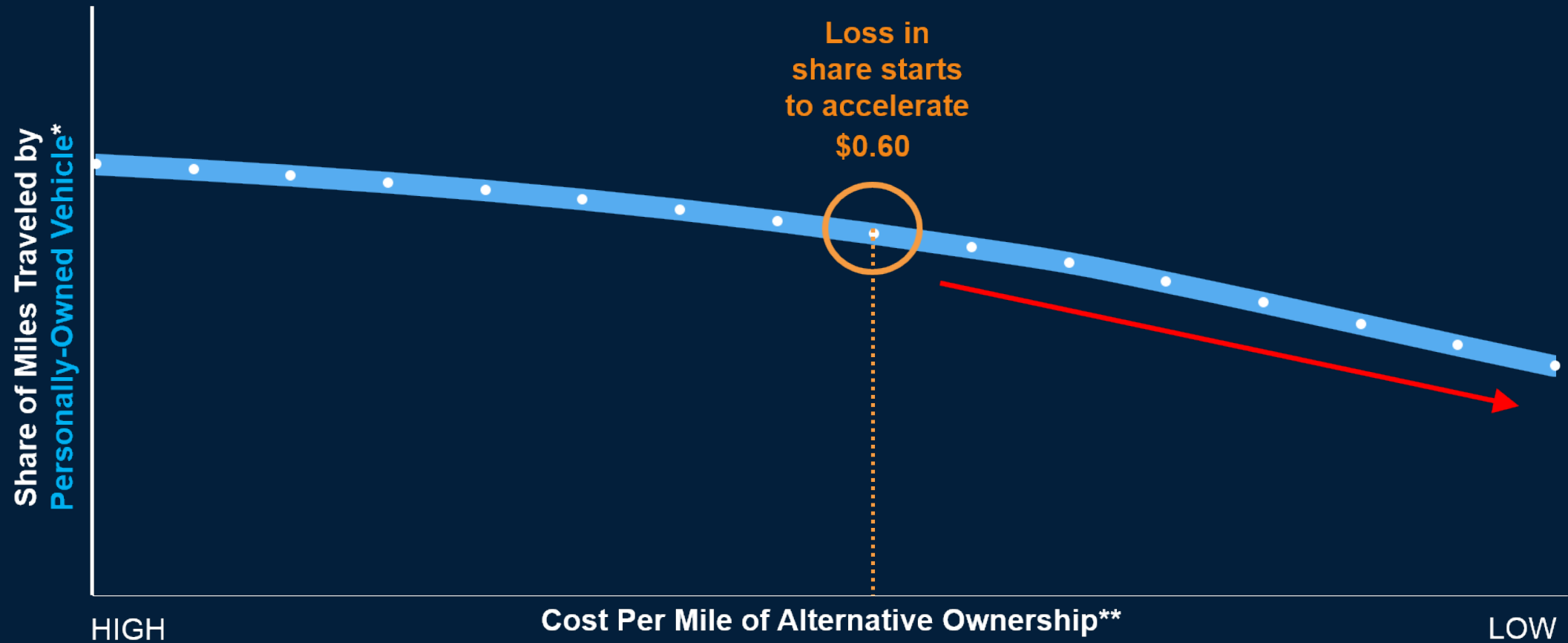
INCREASED ACCESS TO ALTERNATIVES IMPACTS NEW VEHICLE RETAIL SALES

When Personally-Owned
Vehicles Drop To
72% of Miles Traveled...

...New Vehicle Retail
Units Sold Are Expected to
Drop by 6%



SHARE OF MILES TRAVELED BY PERSONAL VEHICLE FALLS AS AVERAGE PRICE OF ALTERNATIVE OWNERSHIP MODELS DROP



*Personal Vehicle Ownership cost held constant at current cost (\$0.50)

**Alternative Ownership includes Car Subscription, Car-sharing, and Ride-hailing. The Alternative Ownership (Net) is comprised of their optimal solutions, with Autonomous driver used for Ride-hailing



70%

of consumers who purchased or leased from a dealer did not return for service in the past year

THANK YOU!

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