



Vehicle Market Outlook

January 2022

Charlie Chesbrough

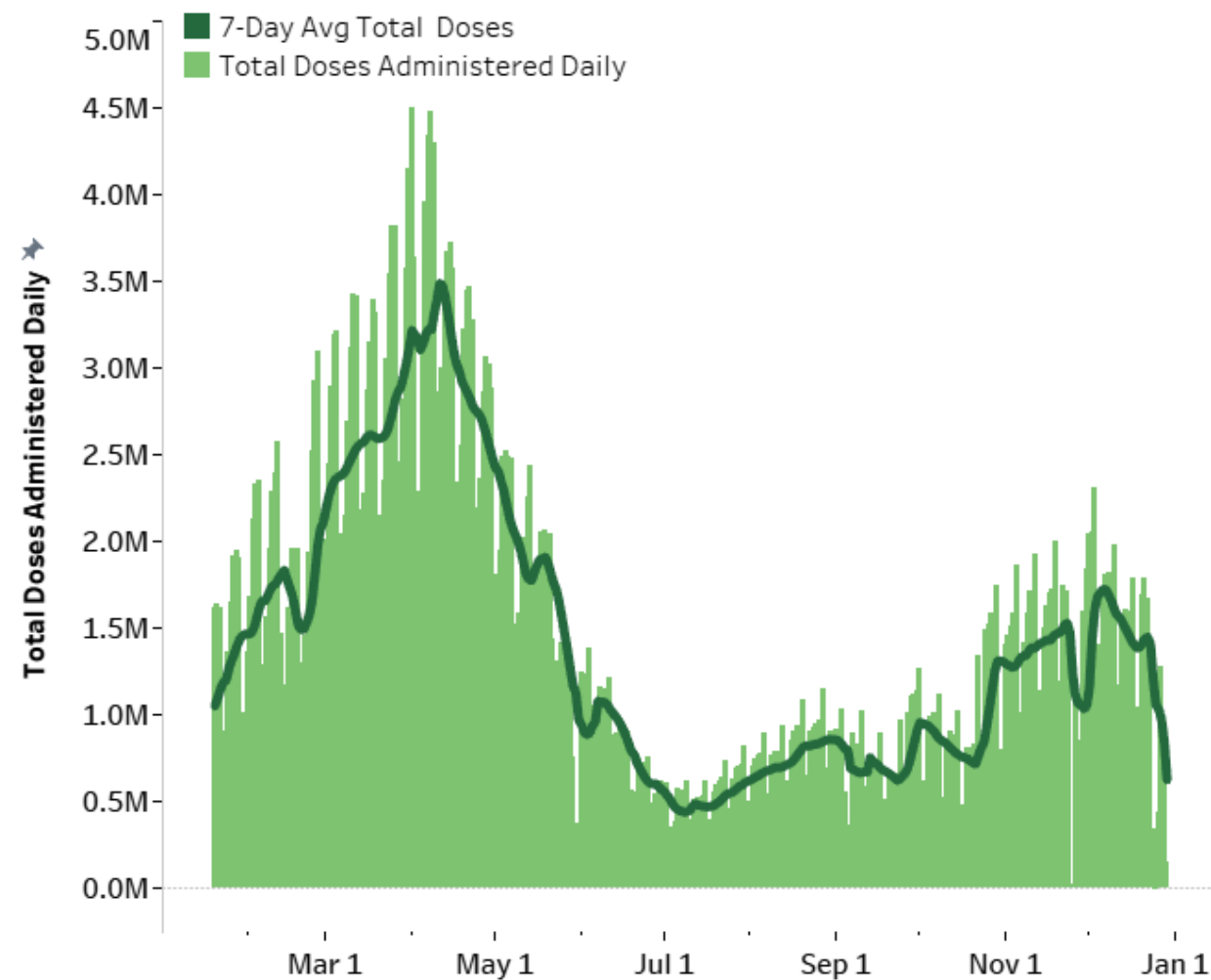
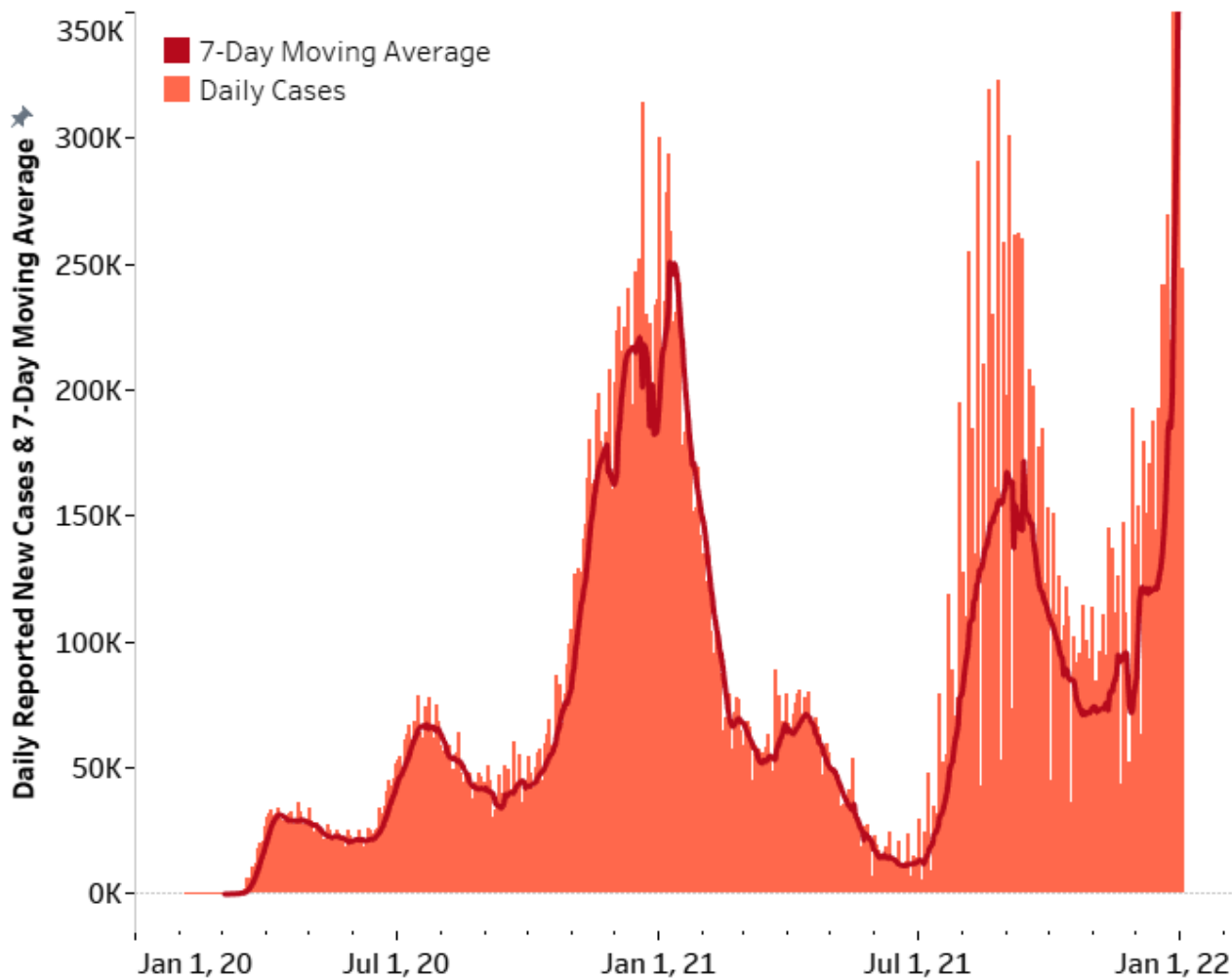
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AGENDA

- **Status of US Economy – Hot and Getting Hotter**
- New Vehicle Market – Where We've Been and Where We're Going
- Used Vehicle Market – The Inflation Poster Child

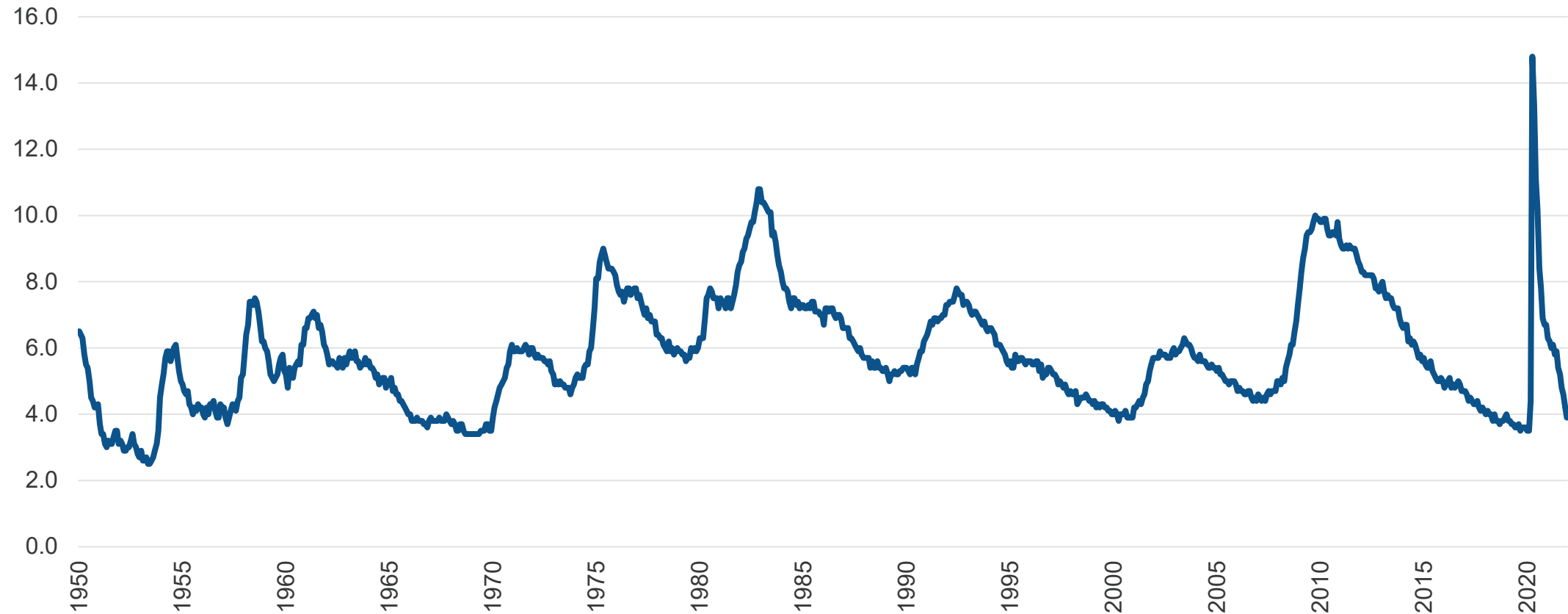
COVID-19 DAILY CASE AND VACCINATION TRENDS



JOBS RECOVERY APPROACHING HISTORIC LOWS

December job creation disappoints – only 199K created, half of expected, but unemployment declined to 3.9%

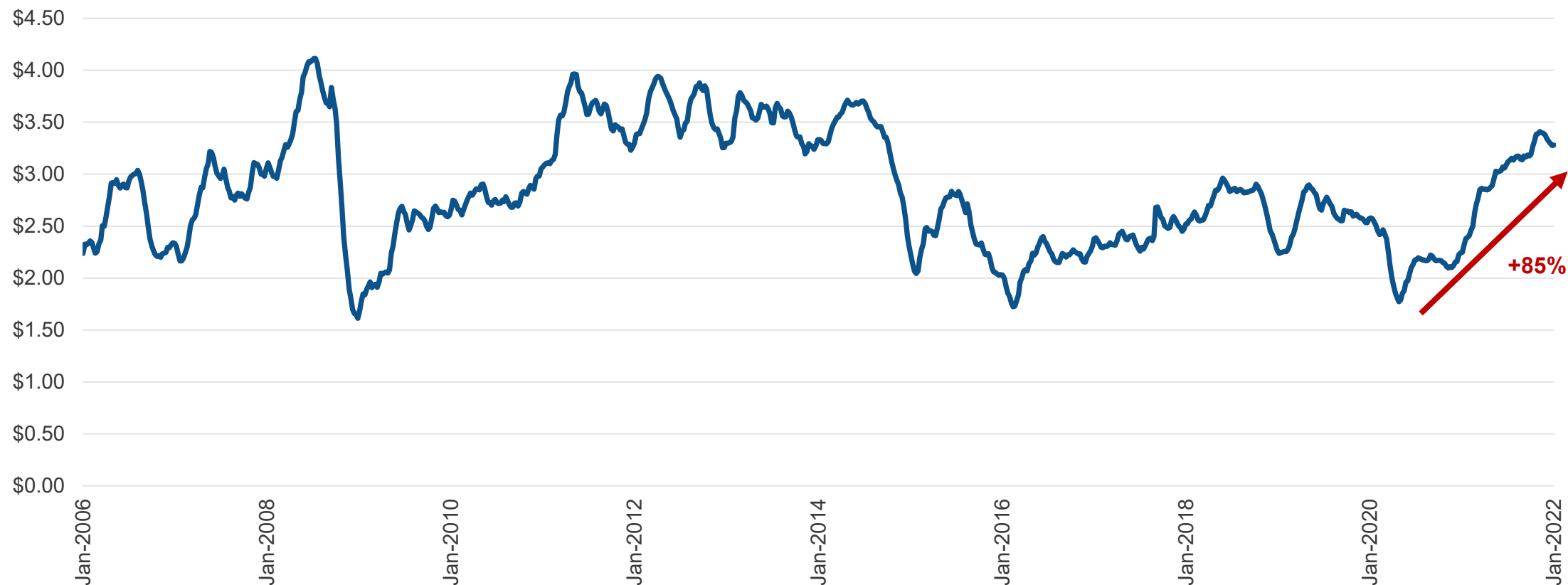
Unemployment Rate



GAS PRICES RISING AND HIGHEST IN 7 YEARS

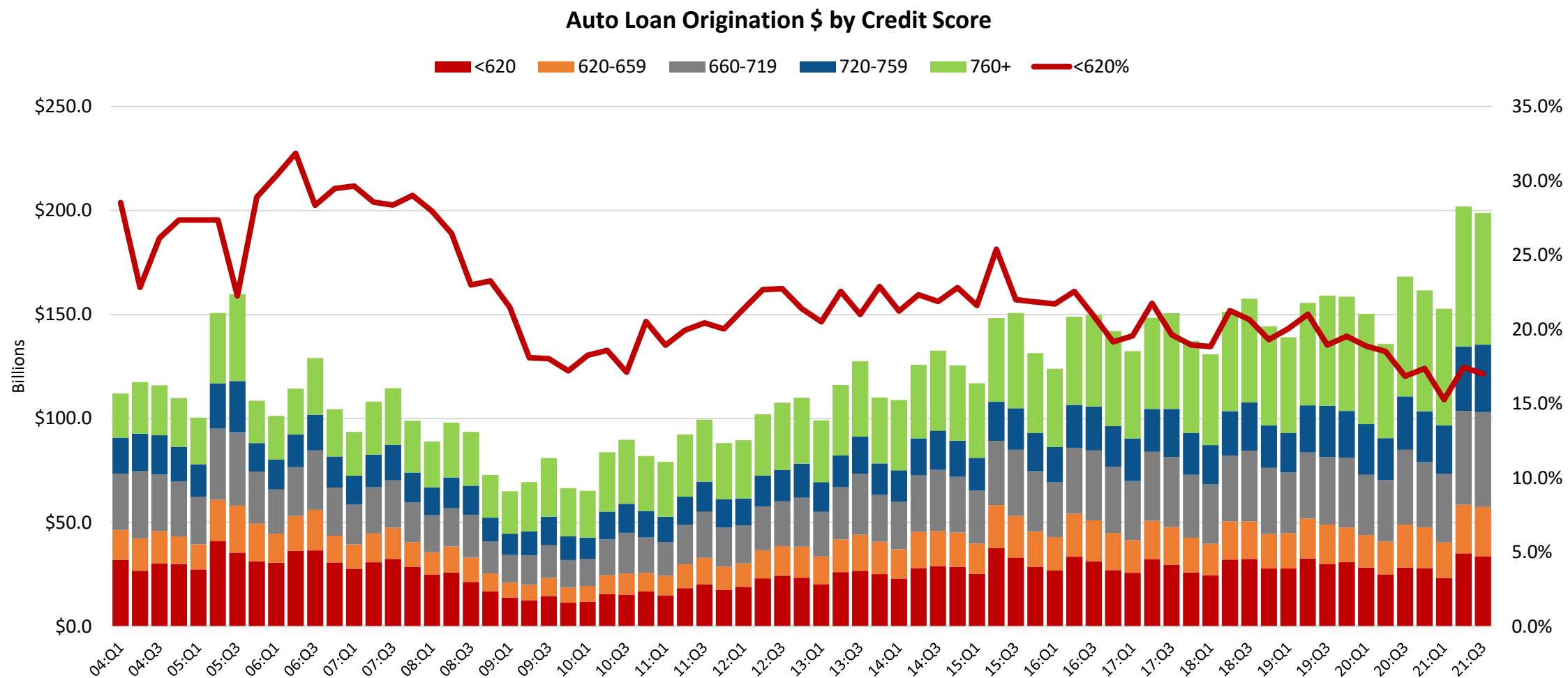
Average weekly gas price at \$3.28, now up 85% from pandemic low in April 2020 – highest since October 2014

Regular Unleaded Gasoline weekly



AUTO LENDING EXPANDED ACROSS ALL CREDIT TIERS THIS YEAR

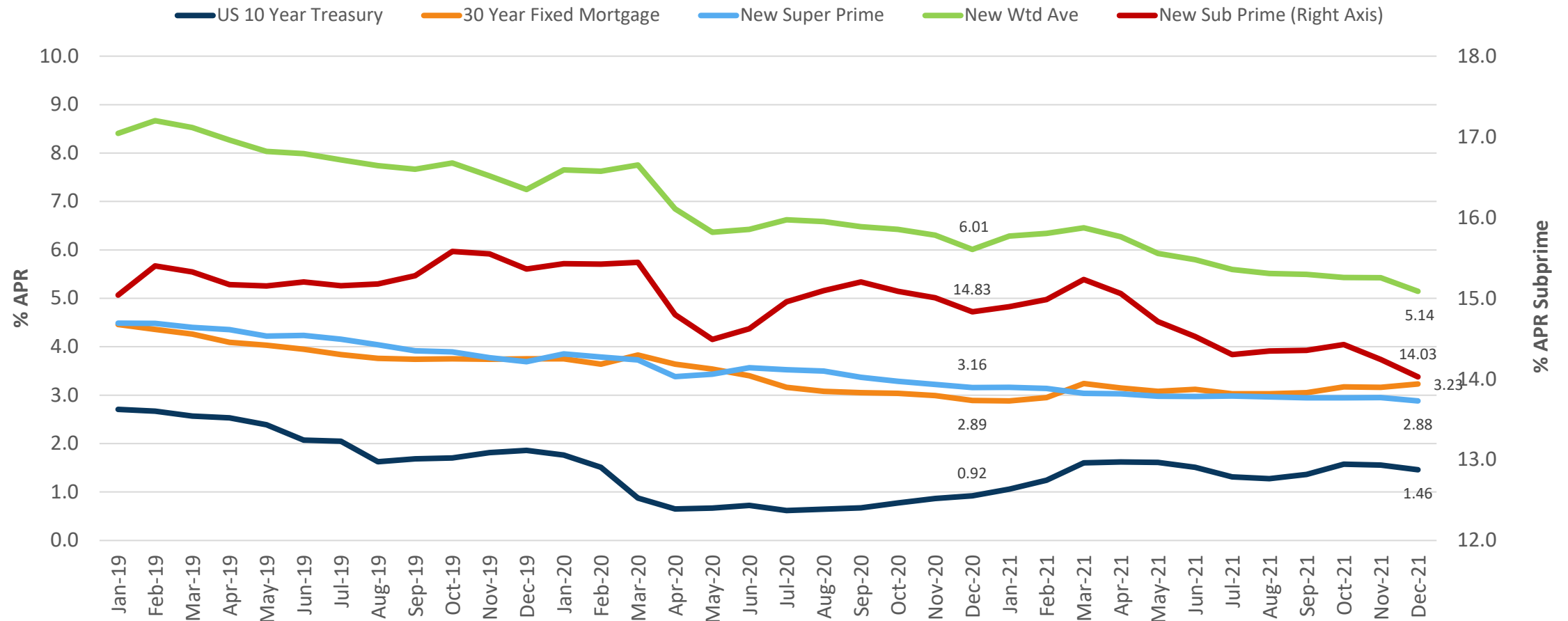
Auto lending declined 1.5% in Q3 from Q2 but \$ originations remain near record levels – Subprime remains low



AUTO LOAN RATES HIT NEW LOWS IN DECEMBER

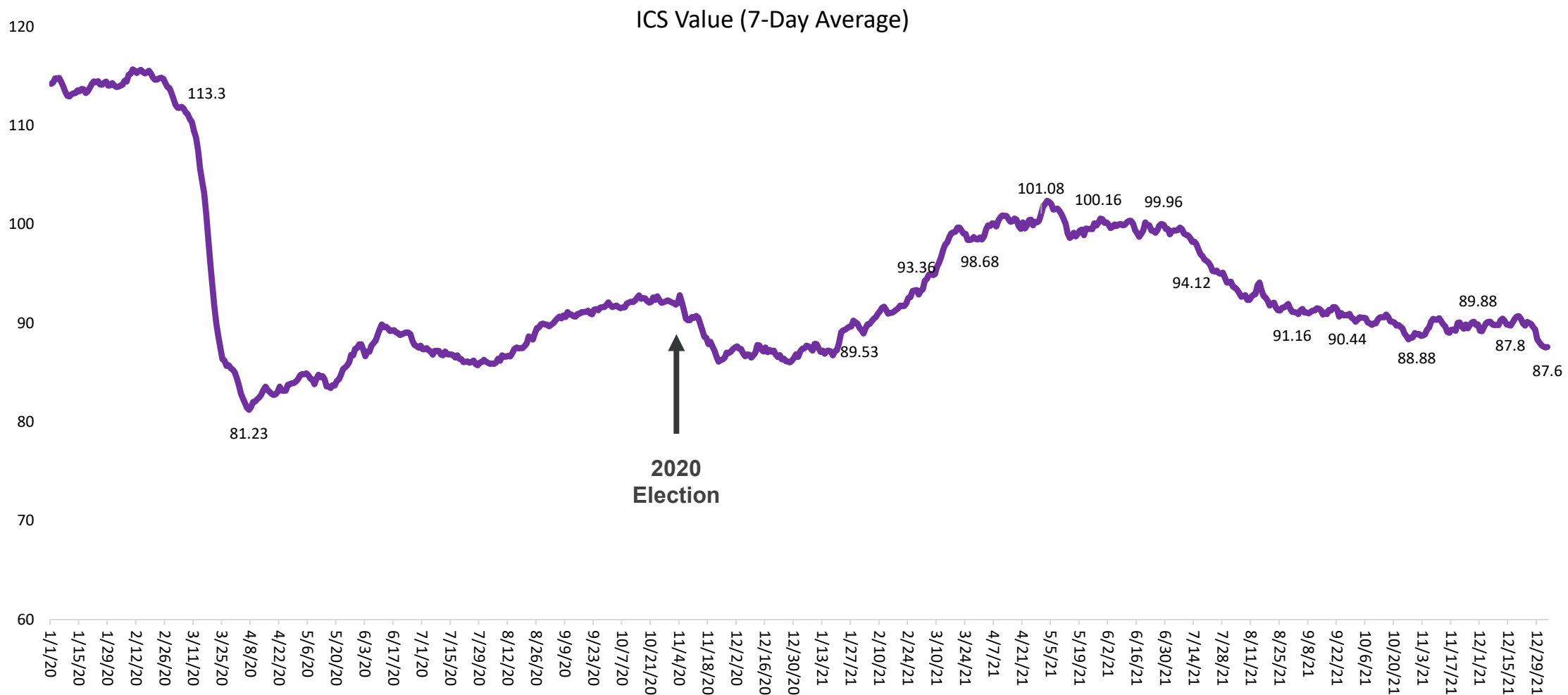
Average auto were lower in 2021 against 2020 and are very attractive historically

10-Year vs. Mortgage and New Auto Loan Rates



CONSUMER SENTIMENT WEAK SINCE HITTING POST COVID PEAK IN Q2 2021

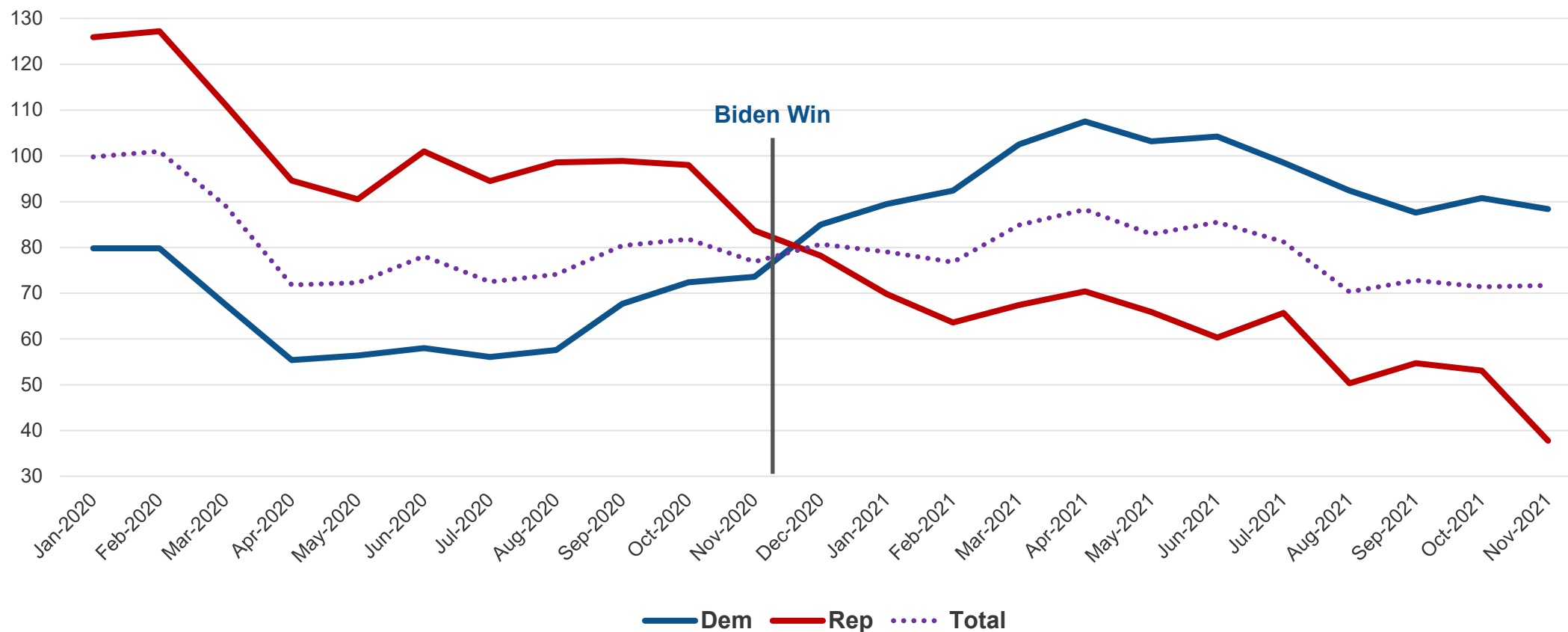
Falling since post pandemic peak in early May – still down 20% from February 2020



POLITICAL SENTIMENT LITTLE CHANGE ON THE SURFACE, MASSIVE BELOW

Rs sentiment 47 points higher than Ds in February 2020 – now 51 points below: Who is “in market” likely changing

Consumer Sentiment By Political Affiliation



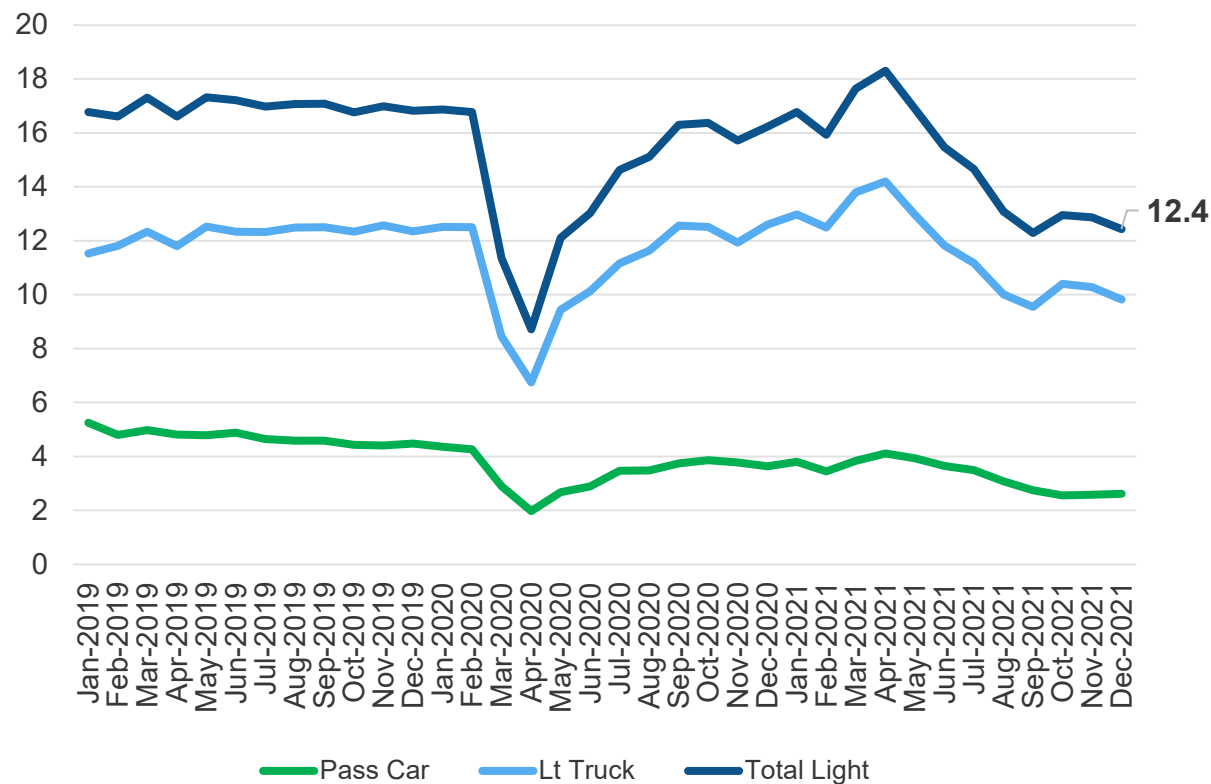
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DECEMBER SALES LATE SURGE LIFTS SALES – A LITTLE

Monthly volume averaging just above 1.0 million since August with November the lowest – hit 1.2 million in December

Monthly Light Vehicle Sales SAAR (millions)



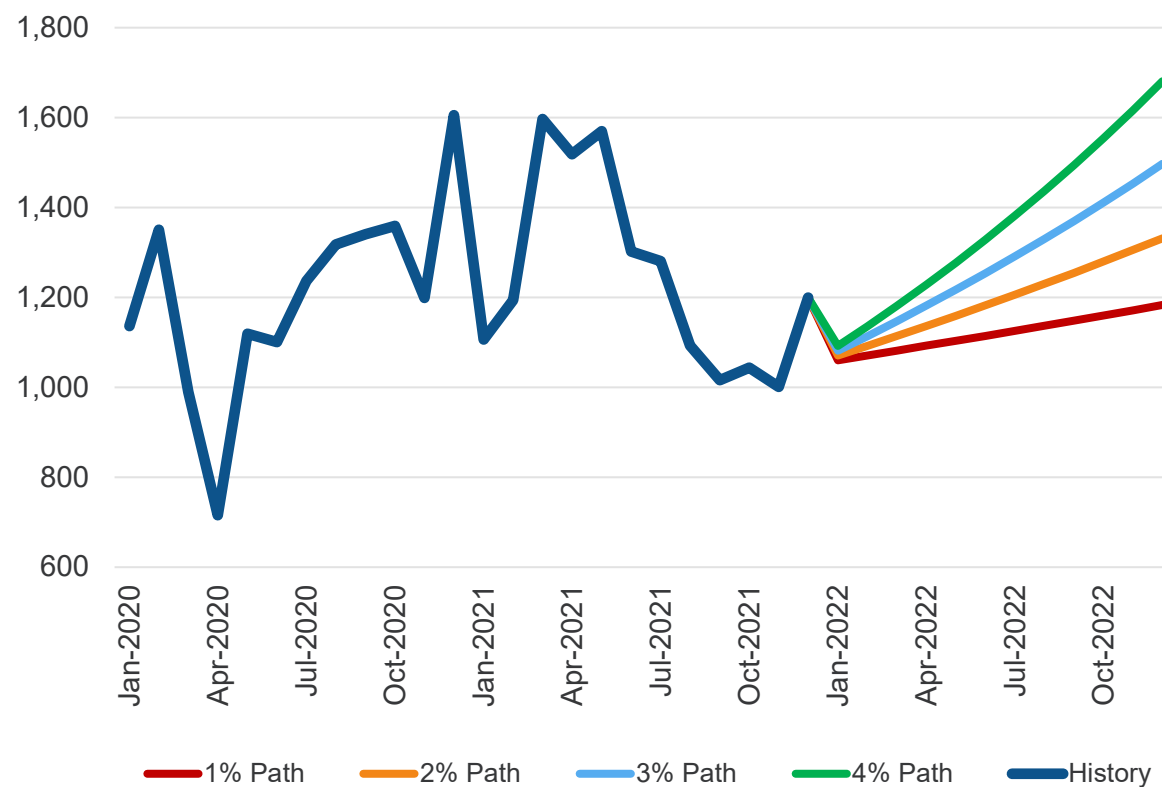
December Sales
1.2 Million Sold
SAAR 12.4 million

2021 FINISH
14.9 Million

2022 VEHICLE MARKET OUTLOOK DEMAND IS THERE IF SUPPLY CAN BE TOO

How quickly the supply chain can recover will drive the market – should ramp up through the year

Monthly Light Vehicle Sales (thousands)



Supply/Sales grows from current level at:

4% pace = 16.4 million

3% pace = 15.3 million

2% pace = 14.4 million

1% pace = 13.5 million

Cox Automotive 2022 Outlook:

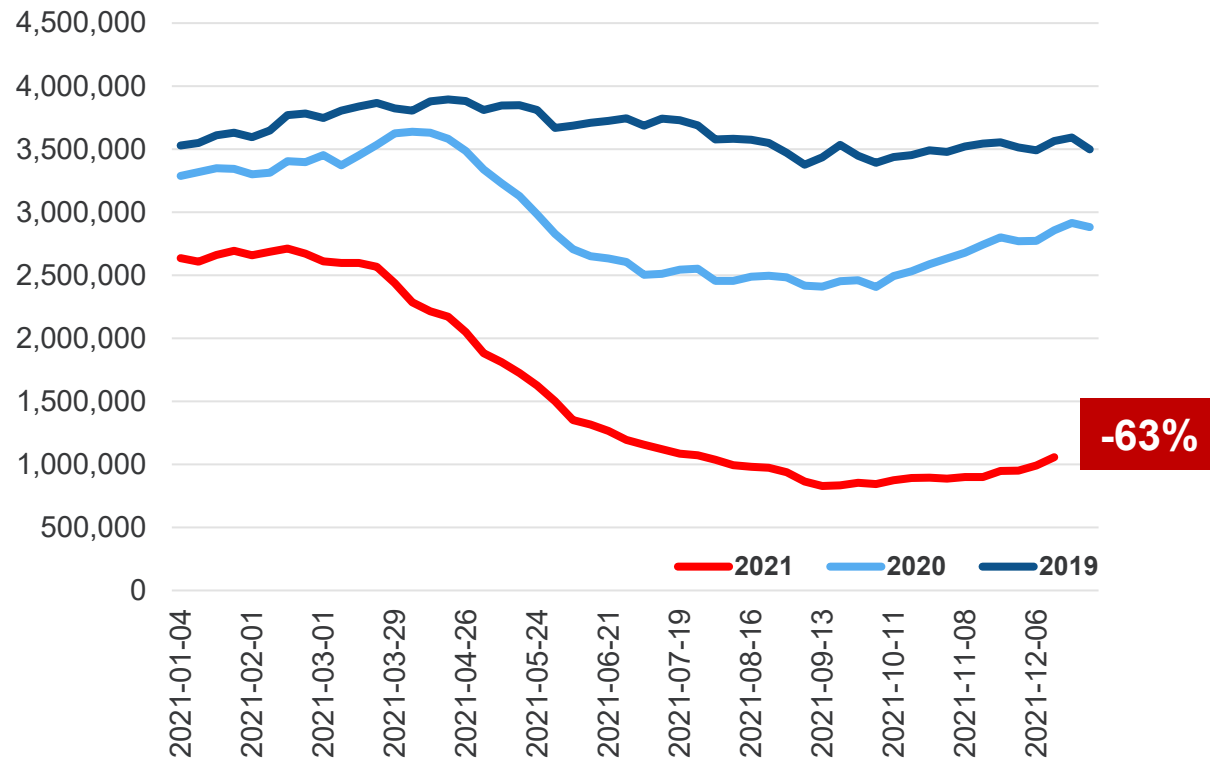
16.0 million sales

+7.3%

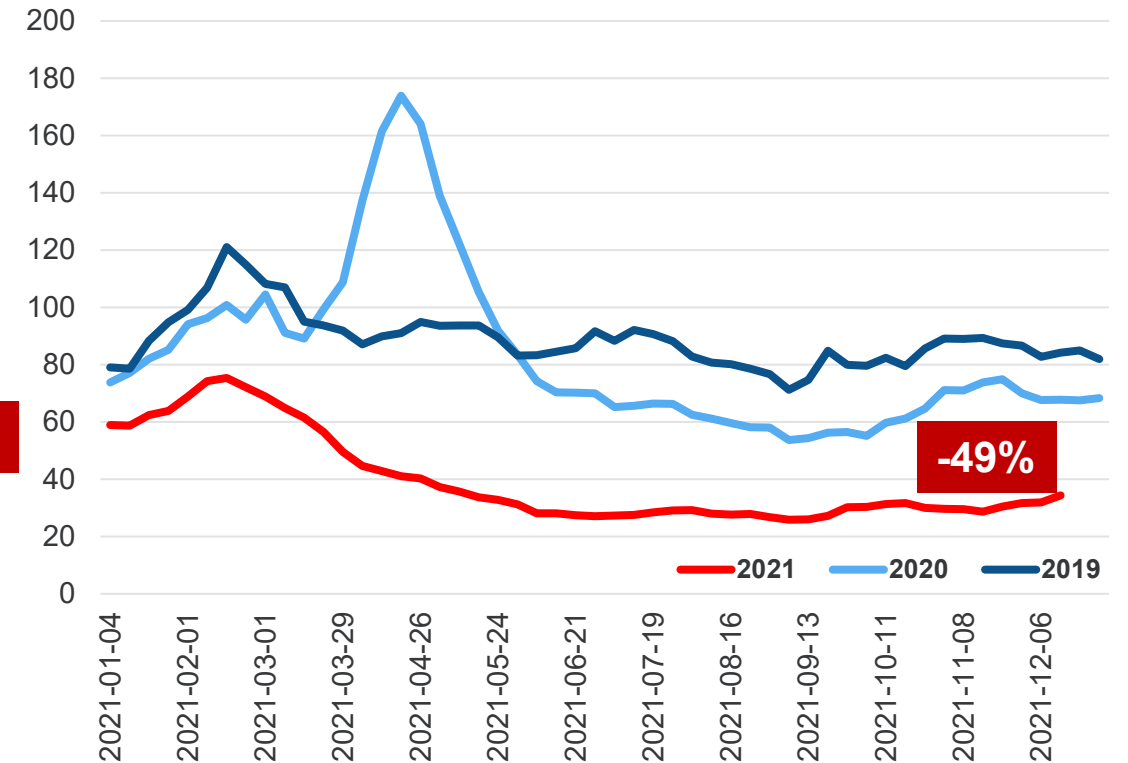
NEW VEHICLE INVENTORY DAYS OF SUPPLY REMAIN LOW

Supply situation bad – 1.8 million fewer vehicles than 2020, and over 2.5 million lower than 2019

Available Supply weekly



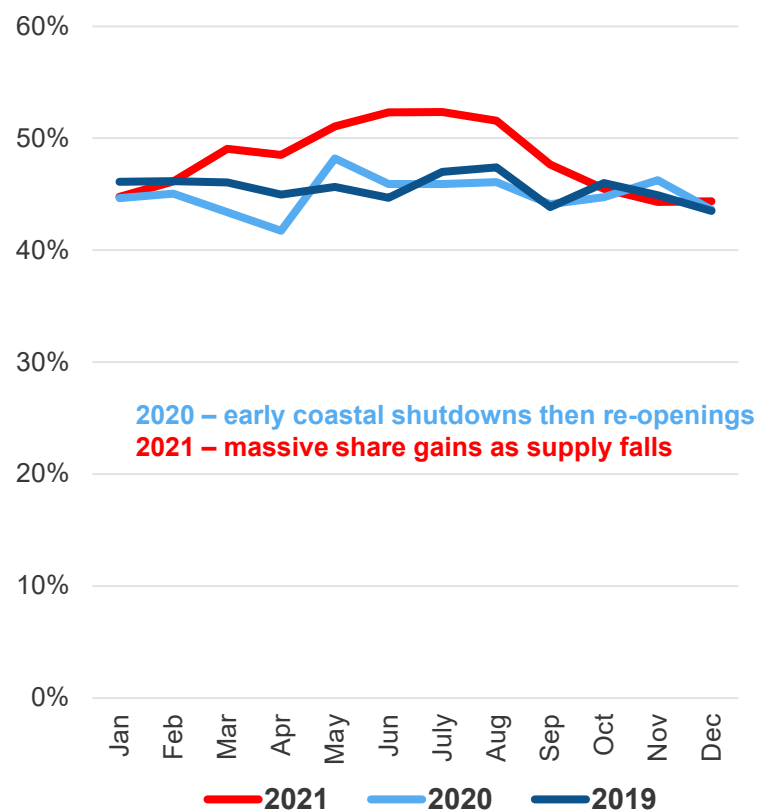
Days of Supply weekly



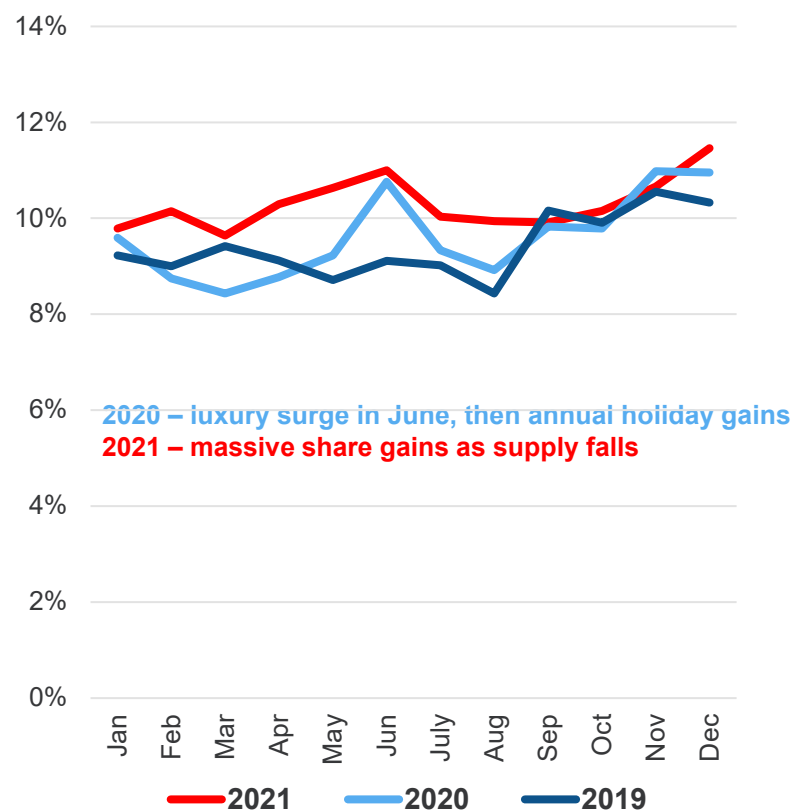
MARKET SHARE ASIAN/EU BRANDS GAINED SHARE THIS YEAR – AT FIRST

OEMs hit early are now recovering share – 2022 likely to be a volatile year again as pace of stock rebuild will vary

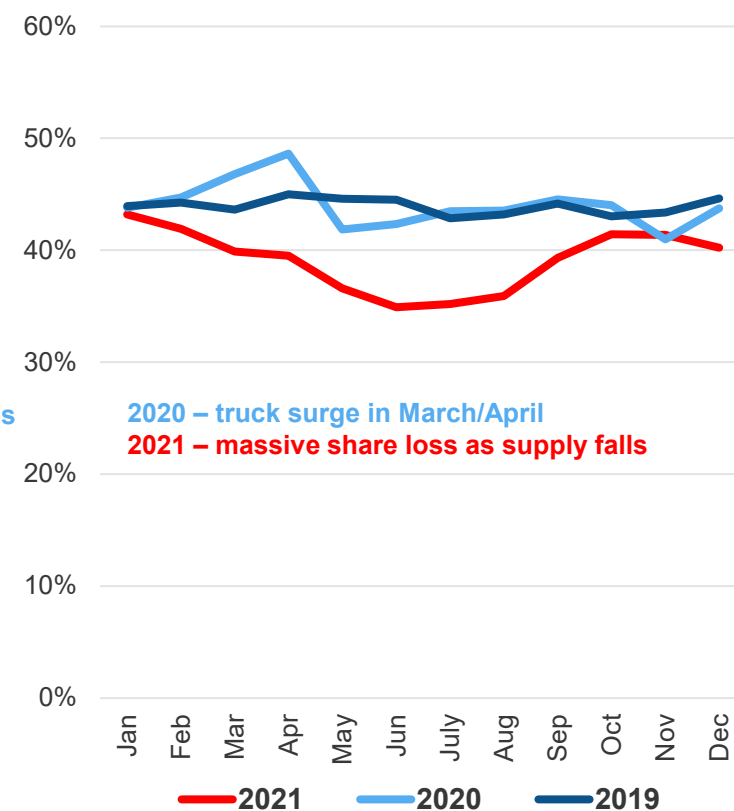
Asian Brands



European Brands



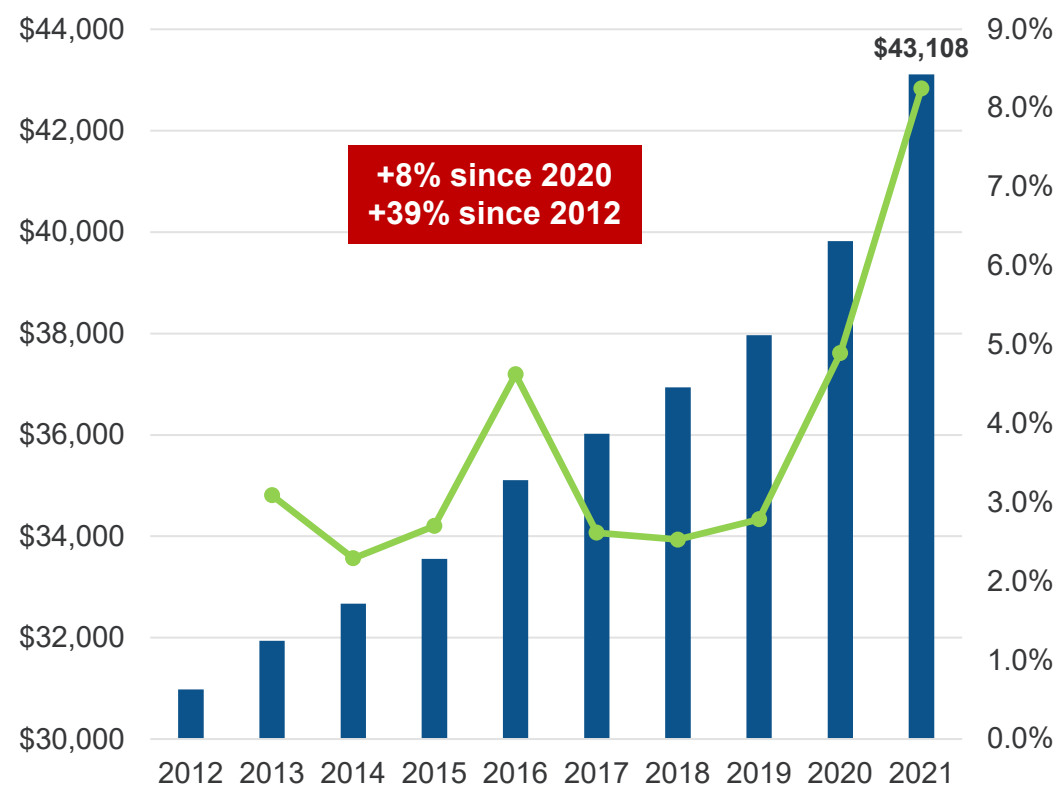
American 3 Brands (no Tesla)



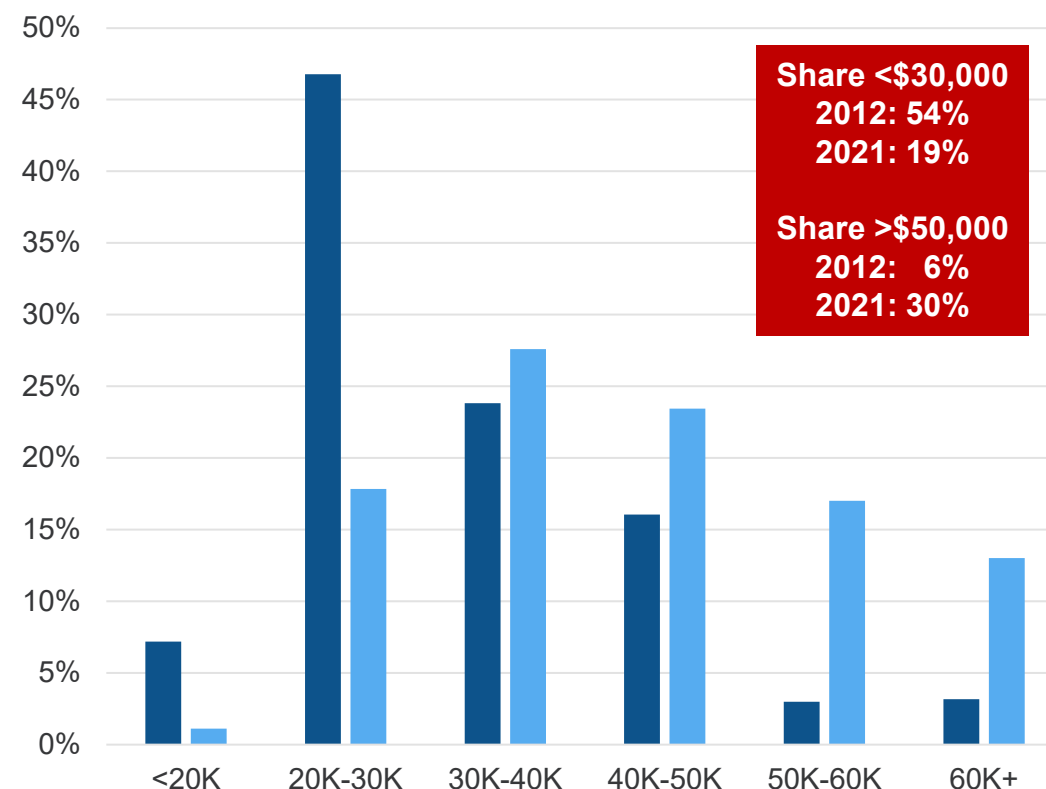
AFFORDABILITY PANDEMIC ACCELERATED SHIFT TO EXPENSIVE PRODUCTS

YTD 2021, 19% nameplates sold were priced below \$30,000, down from 54% in 2012 and down 24% from just last year

Average Vehicle Transaction Price



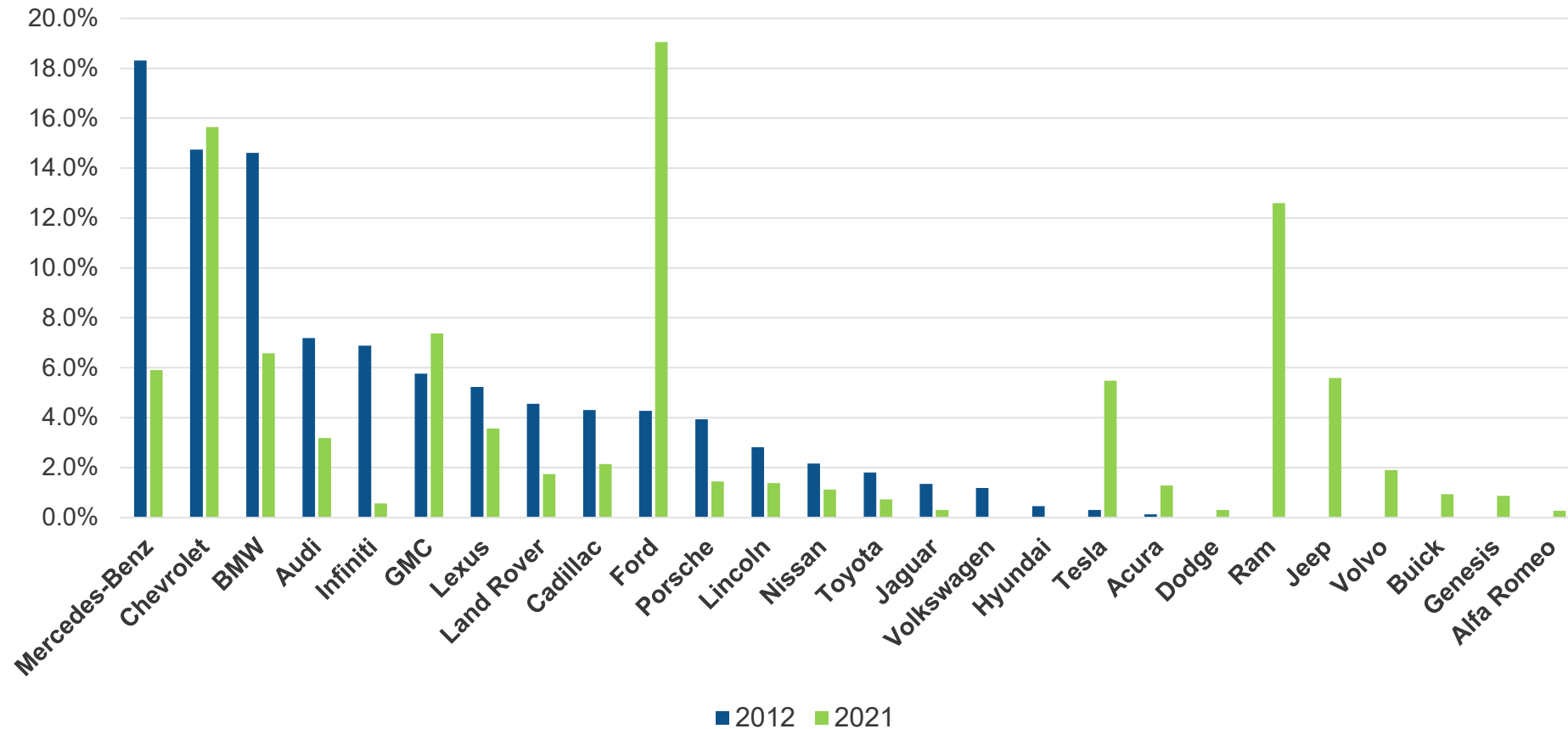
Share of Market by MSRP Price Range 2012 – 2021



“LUXURY” MARKET MERCEDES ONCE RULED – NOW IT’S FORD

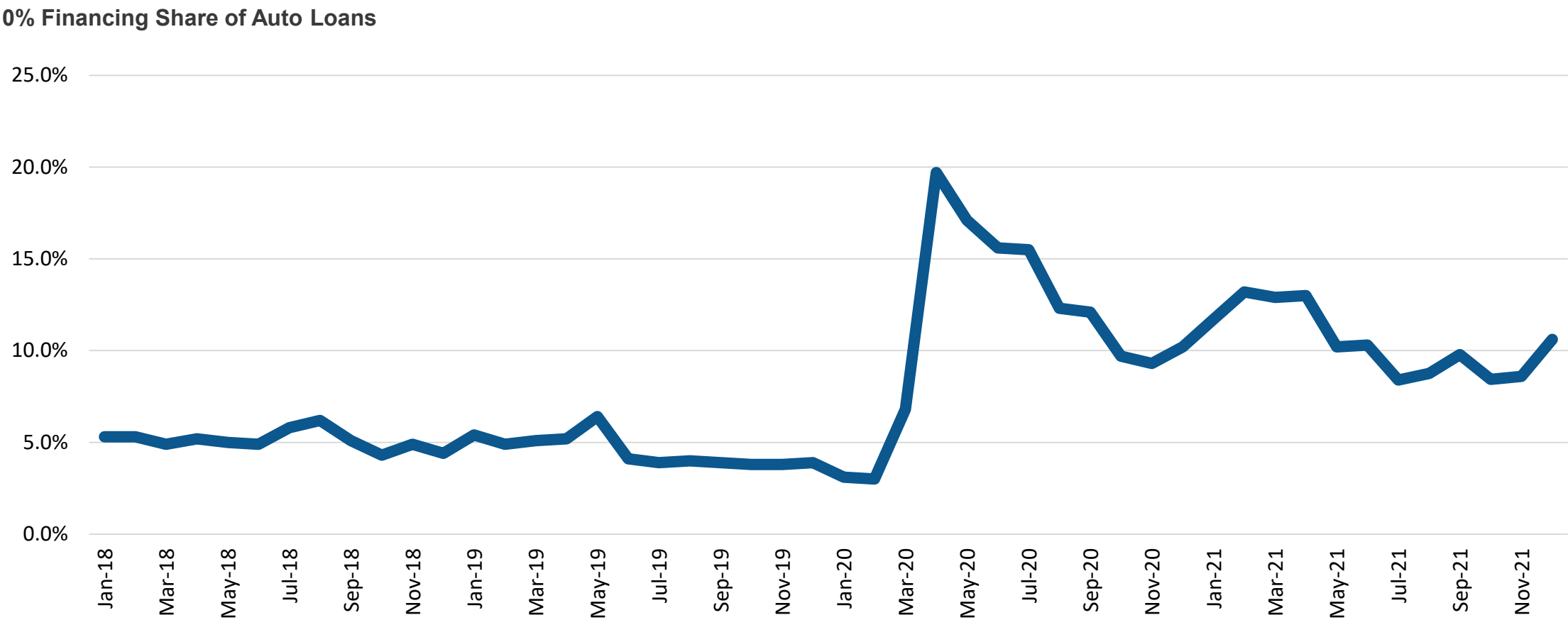
Competition rising with more brands entering higher price points

Share of MSRP \$50K+ Market



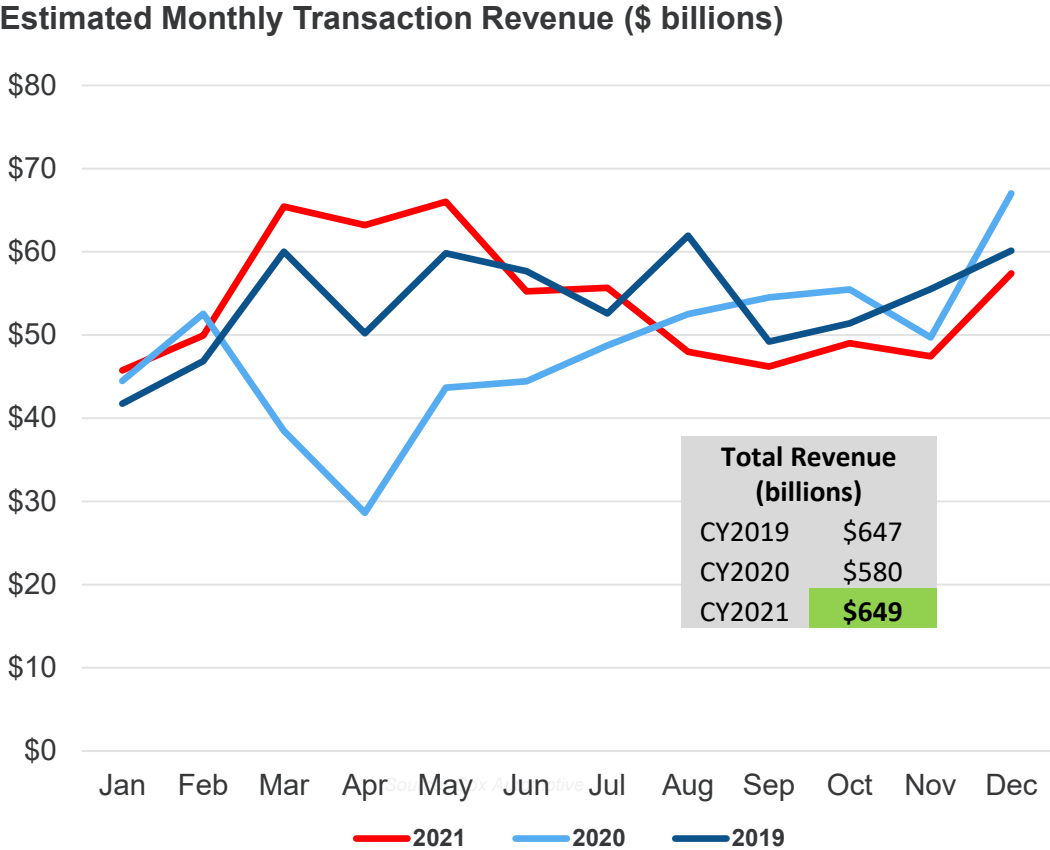
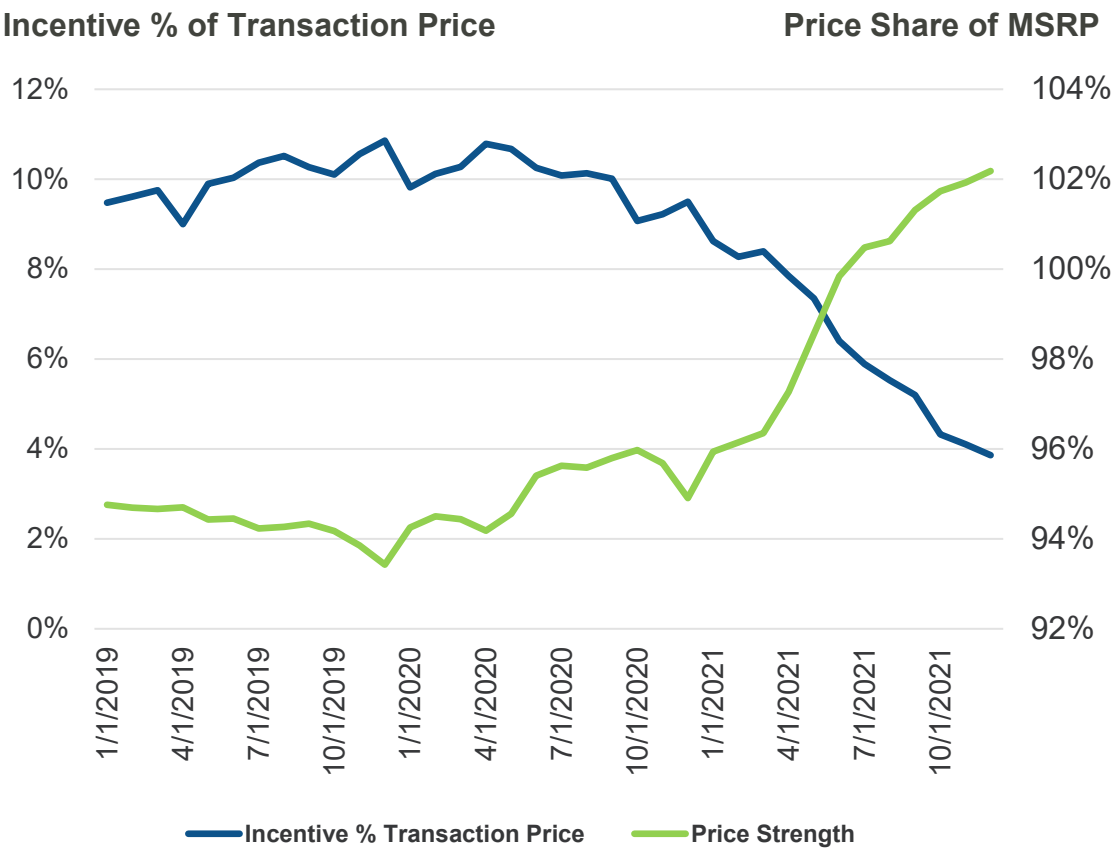
ZERO PERCENT FINANCING AN IMPORTANT POST-COVID TOOL

Peaked at 20% in April 2020, trending lowing since but remains elevated



MARKET REVENUE HIGH PRICES OFFSETTING LOWER VOLUMES

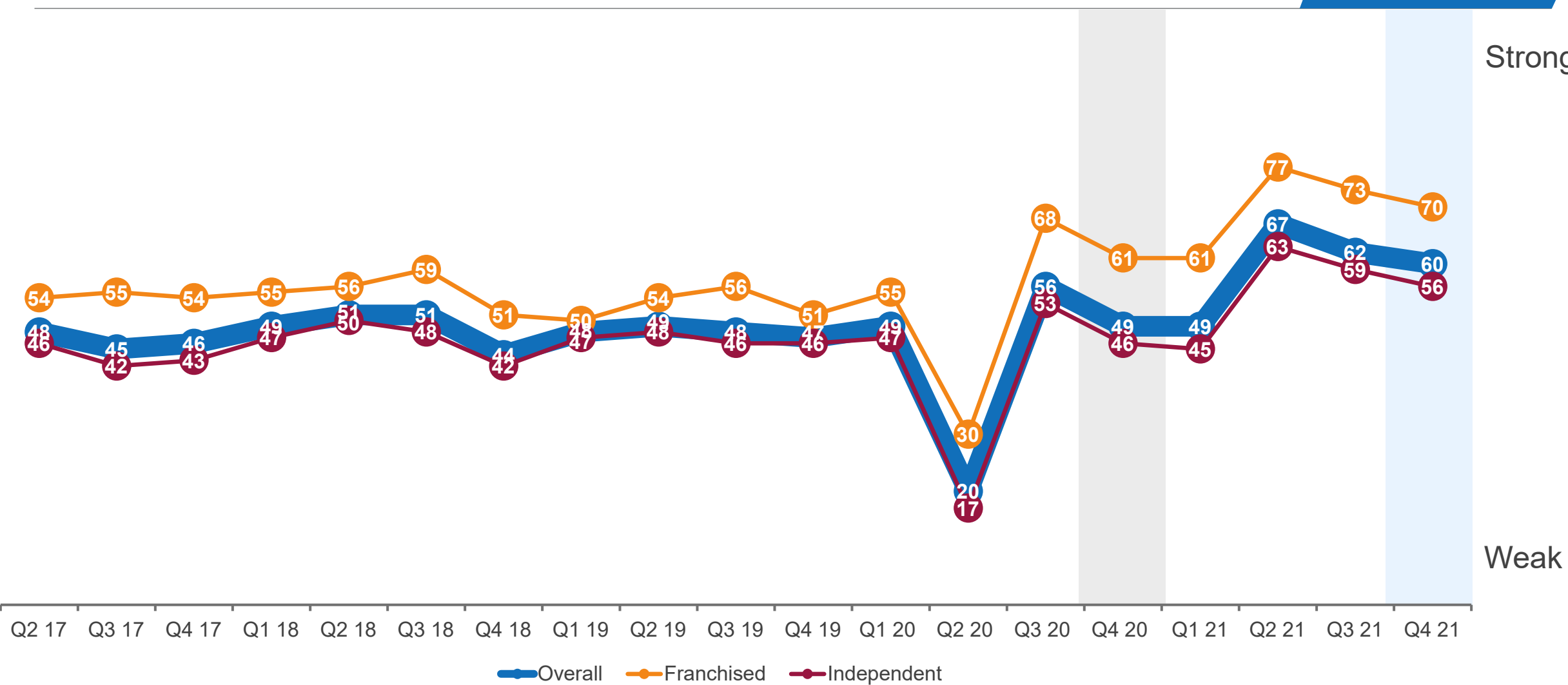
No hurry to return to “normal” - Industry revenue higher than 2019 with nearly 2 million fewer vehicles sold



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

Dealer Sentiment Index

FOURTH QUARTER 2021



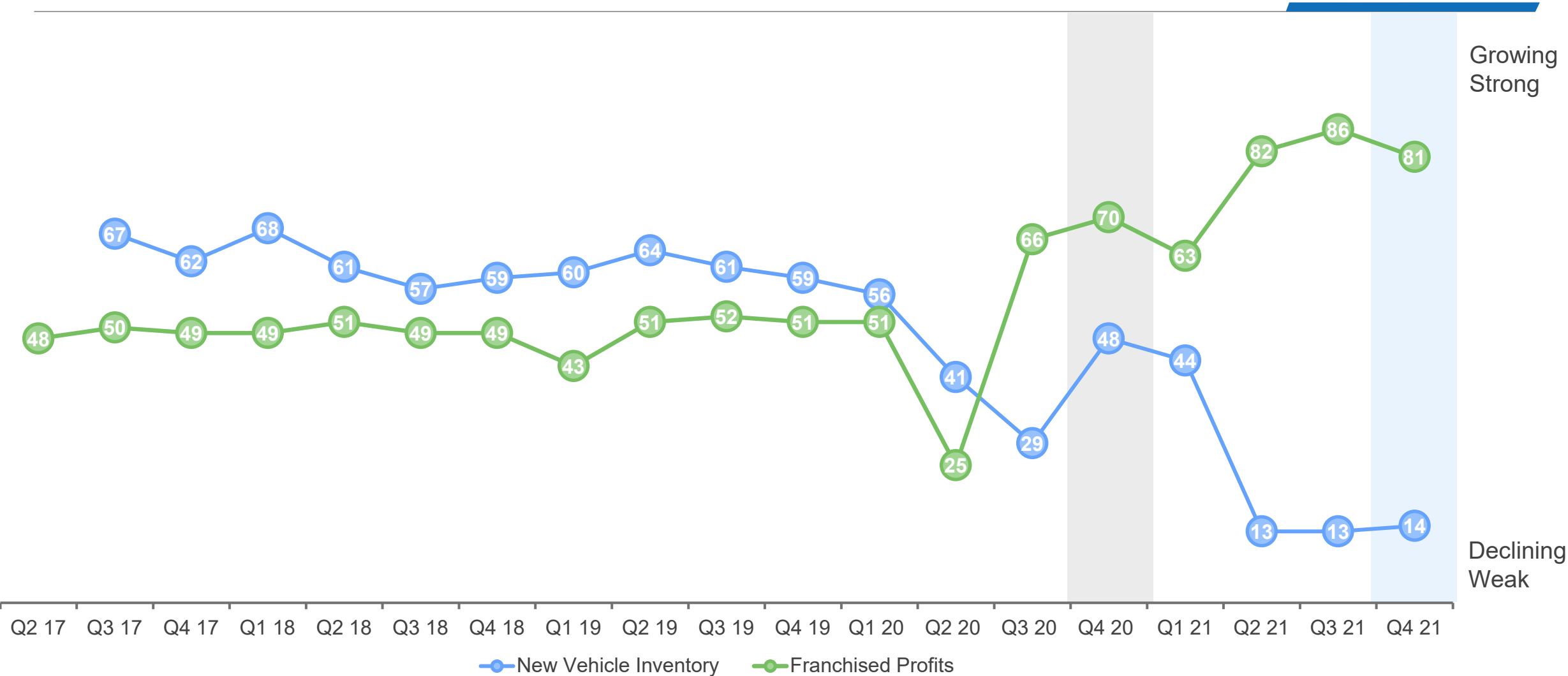
Note: Scale 1 - 100

Inventory/Profits

Q4: How would you describe your profits over the past 3 months?
Q8: How would you describe the current new-vehicle inventory levels?

Dealer Sentiment Index

FOURTH QUARTER 2021



Note: Scale 1 - 100

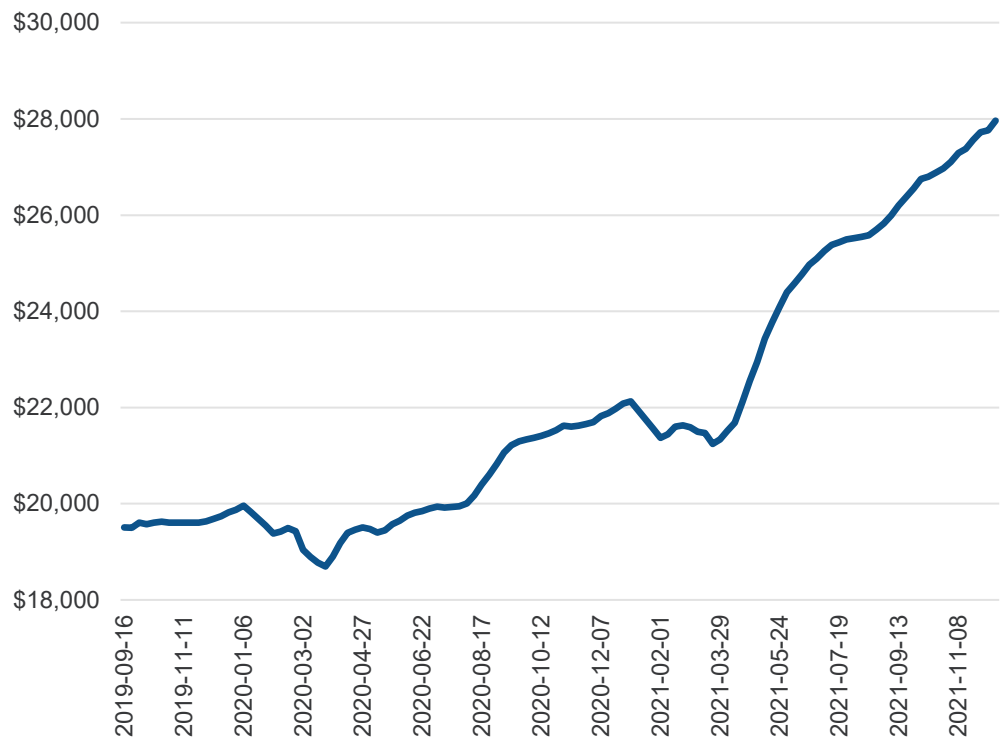
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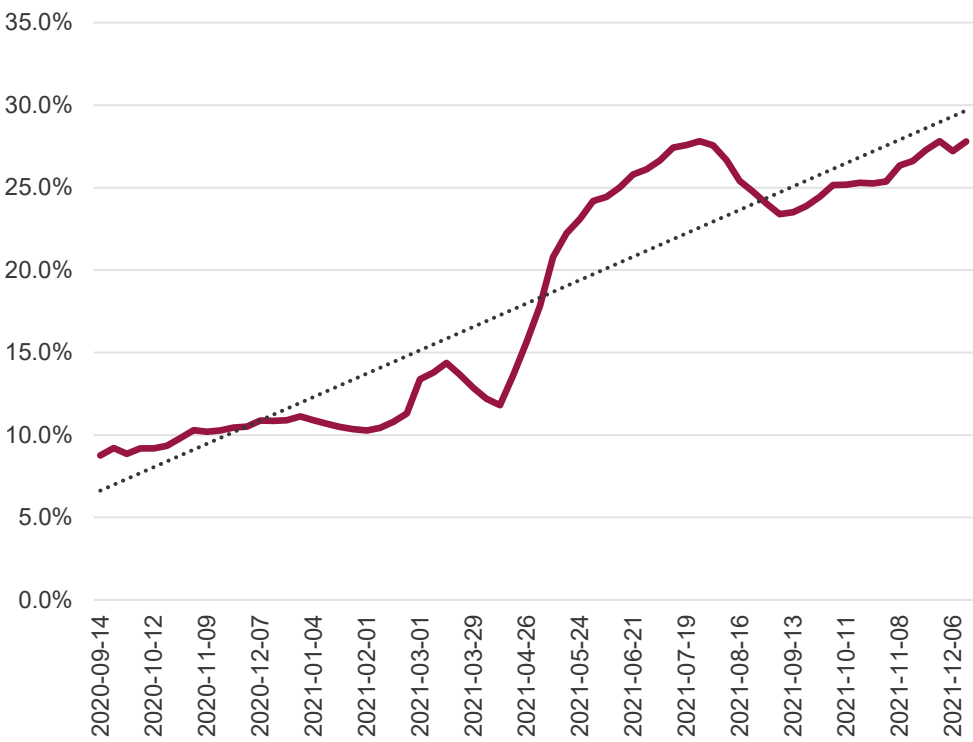
USED VEHICLE LIST PRICE NEAR \$28,000, PRICES CONTINUE TO INCREASE

Pace of price inflation starting to go up again

Average List Price based on 30 day sales



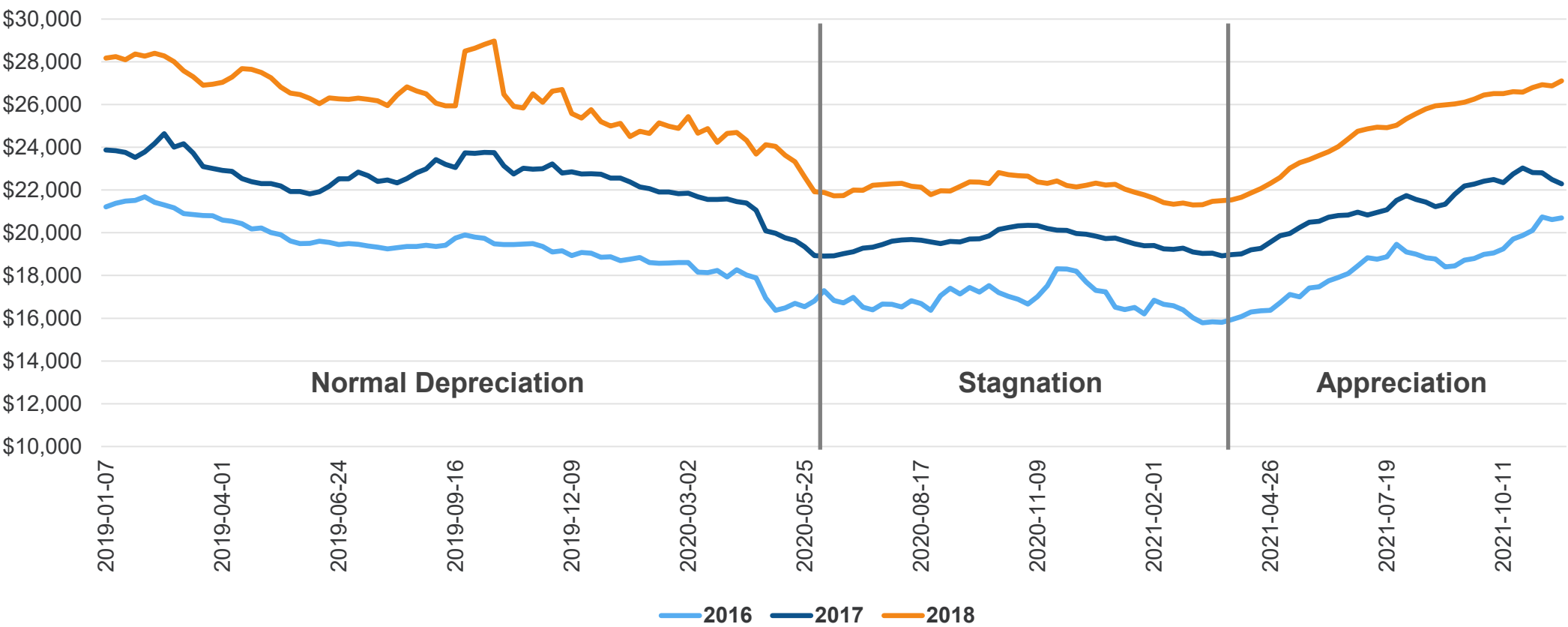
Change In List Price vs 1 year prior



USED VALUE EXAMPLE VOLVO - DEFYING GRAVITY

Tight vehicle inventories driving up used prices on thin supply – unlikely to change until new market constraints lifted

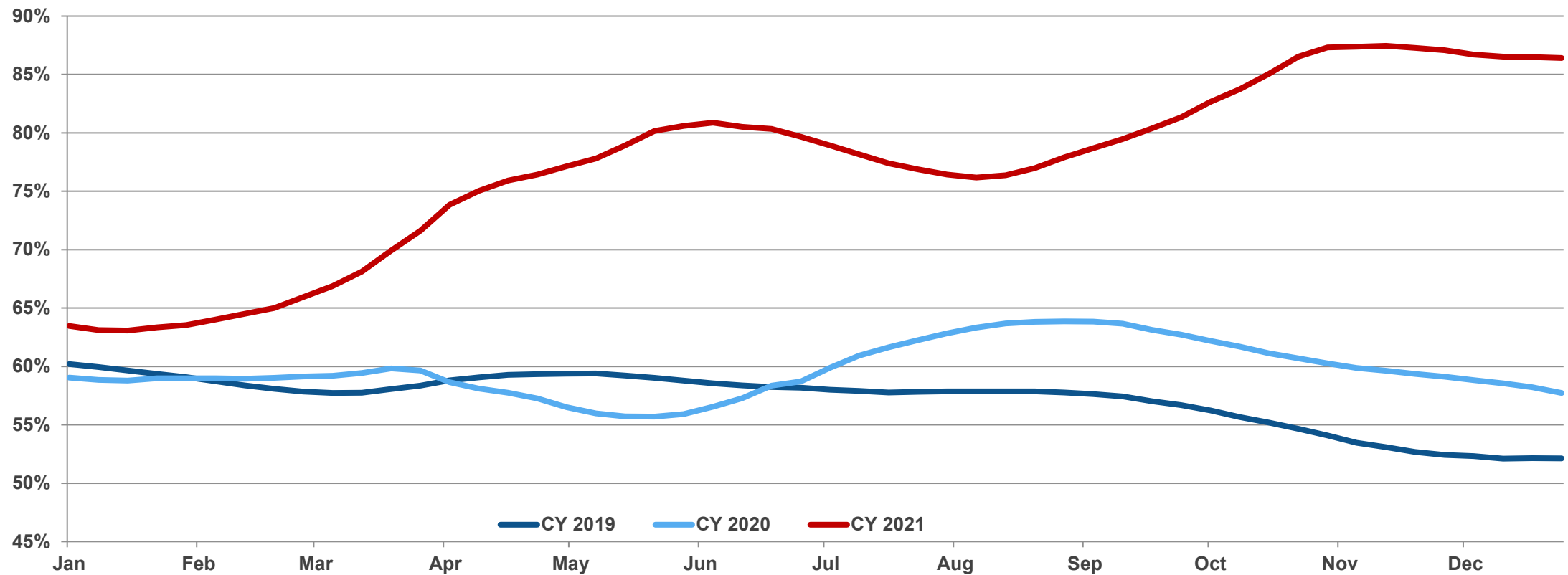
Used Volvo S60 List Price by Model Year



RETENTION VALUES NEAR NEW RECORD

Retention values peaked up 22 percentage points vs. 2019 in June, but now near record +35 percentage points

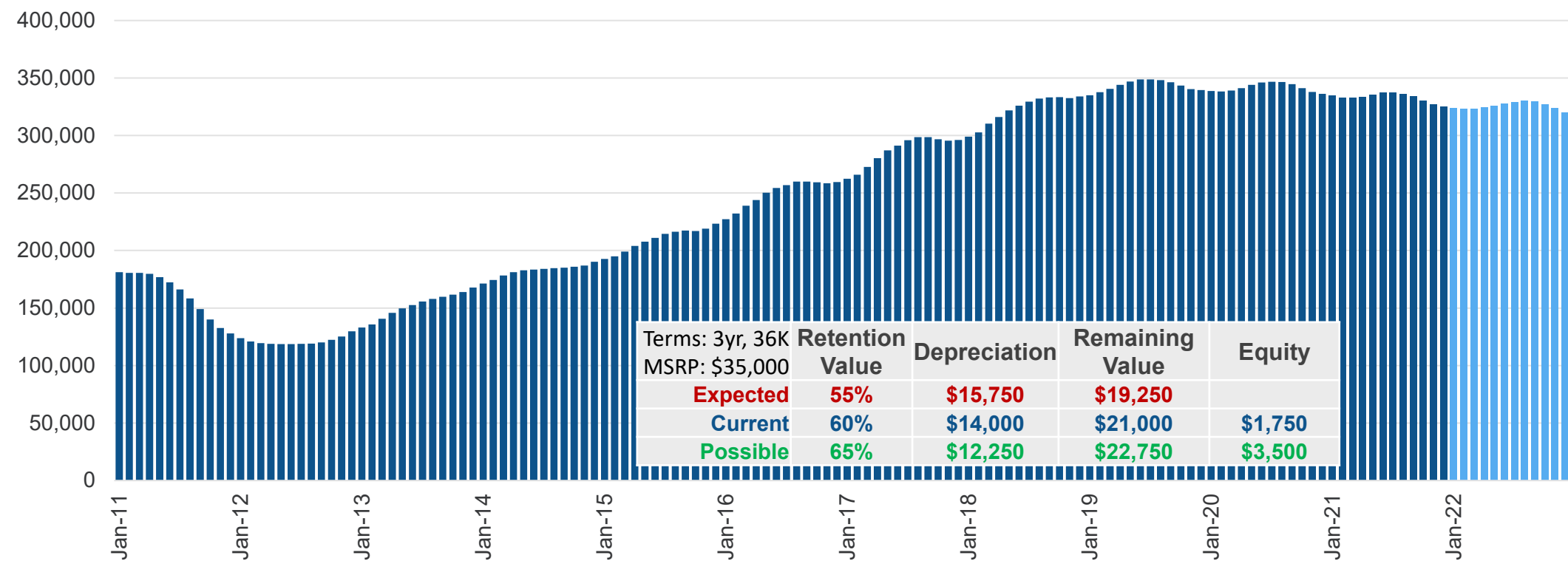
Auction Retention Value (1-3 year old vehicles)



LEASE MATURITIES OFF-LEASE VOLUME NOW POST PEAK BUT STILL HIGH

Over 3.9 million off-lease in 2022 and many will have much higher retention values – and only 3.3 million in 2023

Monthly Lease Maturities



SUMMARY

- Demand for vehicles in 2022 to remain robust thanks strong economic growth, improving labor markets, and exciting new products.
- Biggest threats to 2022 remain COVID and the economy – new variants could disrupt the economic recovery and supply chain, and higher interest rates likely to impact affordability.
- Key questions for 2022:
 - How quickly can the industry re-stock dealer lots
 - How much do manufacturers really want to