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

Source: Cox Automotive
JOBS RECOVERY  APPROACHING HISTORIC LOWS

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

Source: New York Federal Reserve Consumer Credit Panel/Equifax
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

Source: Bankrate.com, US Federal Reserve, Bloomberg, Dealertrack
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
Rs sentiment 47 points higher than Ds in February 2020 – now 51 points below: Who is “in market” likely changing.
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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

December Sales
1.2 Million Sold
SAAR 12.4 million

2021 FINISH
14.9 Million

Source: Cox Automotive, BEA Vehicle Sales
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

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%

Source: Cox Automotive, BEA Vehicle Sales
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

Source: Cox Automotive VMA Database
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)

Source: Cox Automotive/KBB
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

Price Growth

Share of Market by MSRP Price Range  2012 – 2021

Source: Cox Automotive KBB
“LUXURY” MARKET  MERCEDES ONCE RULED – NOW IT’S FORD

Competition rising with more brands entering higher price points
ZERO PERCENT FINANCING  AN IMPORTANT POST-COVID TOOL

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

0% Financing Share of Auto Loans

Source: Cox Automotive
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

Incentive % of Transaction Price  Price Share of MSRP  Estimated Monthly Transaction Revenue ($ billions)

Incentive % Transaction Price  Price Strength

Source: Cox Automotive, KBB, Dealertrack
Q1: How would you describe the current market for vehicles in the areas where you operate?

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

Growing
Strong
Declining
Weak

New Vehicle Inventory
Franchised Profits

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

Source: vAuto /Cox Automotive VMA Database
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

Source: vAuto /Cox Automotive VMA Database
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)

Source: Cox Automotive/Kelley Blue Book
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

Source: Cox Automotive Estimates
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