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PIVOT

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vAuto  
LIVE MARKET VIEW

VinSolutions

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# AGENDA

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**The Industry & The Way Forward** – Sandy Schwartz, President and CEO

**The Economy** – Jonathan Smoke, Chief Economist

**New Vehicle Sales** – Charlie Chesbrough, Senior Economist

**Used Vehicle Sales** – Zo Rahim, Manager of Economic & Industry Insights

**A Changing Landscape** – Michelle Krebs, Executive Analyst

**Outlook and Summer Playlist** – Jonathan Smoke, Chief Economist

**Q&A**



# MID-YEAR REVIEW 2020: The Way Forward

**Sandy Schwartz**  
President and CEO

**TURNING MASSIVE  
CHALLENGES INTO  
MEANINGFUL CHANGE**

**THE WAY  
FORWARD**

*Driven by* COX AUTOMOTIVE

# THE WAY FORWARD

Driven by COX AUTOMOTIVE

## ACCELERATE DIGITAL ADOPTION TO MEET CONSUMER DEMAND

- CREATE THE TOUCHLESS CAR BUYING EXPERIENCE CONSUMERS WANT
- NURTURE MEANINGFUL LONG-LASTING SERVICE RELATIONSHIPS
- FREE UP TIME AND RESOURCES TO BETTER SERVE CUSTOMERS

## REAL-TIME MARKET INSIGHTS TO FUEL YOUR BUSINESS

- GAIN AN UNDERSTANDING OF THE MARKET TODAY SINCE THE PANDEMIC
- ENABLE DECISION-MAKING FOR YOUR BUSINESS BASED ON INSIGHT
- SHARPEN YOUR UNDERSTANDING OF YOUR CUSTOMERS BASED ON CONSUMER SENTIMENTS GATHERED

## BE HUMAN AT YOUR CORE

- MAKE CONTINUED SAFETY THE TOP PRIORITY FOR YOUR EMPLOYEES AND CUSTOMERS
- NURTURE RELATIONSHIPS AND DEEPEN CUSTOMER TIES BY GIVING BACK TO YOUR COMMUNITY
- CHOOSE BUSINESS PARTNERS THAT SHARE YOUR VALUES, COMMITMENT TO COMMUNITY AND VISION



# MID-YEAR REVIEW 2020: The Economy

Jonathan Smoke  
Chief Economist

# OUR ECONOMY: To V or Not to V, That is the Question

Overall Economy	GDP Growth / FRBNY	3.1% (Q2 '19)	-5.0% (Q1 '20)	-39% (Q2 '20 F)	
Employment Conditions	U3 Unemployment Rate	3.6% (May '19)	13.3% (May '20)		
Buyer Confidence	UofM Consumer Sentiment	100 (May '19)	72.3 (May '20)		
Wages	Earnings Growth	3.3% (May '19)	6.7% (May '20)		
Buyer Ability	Disposable Income Y/Y	4.7% (April '19)	14.4% (April '20)		

# OUR ECONOMY: To V or Not to V, That is the Question

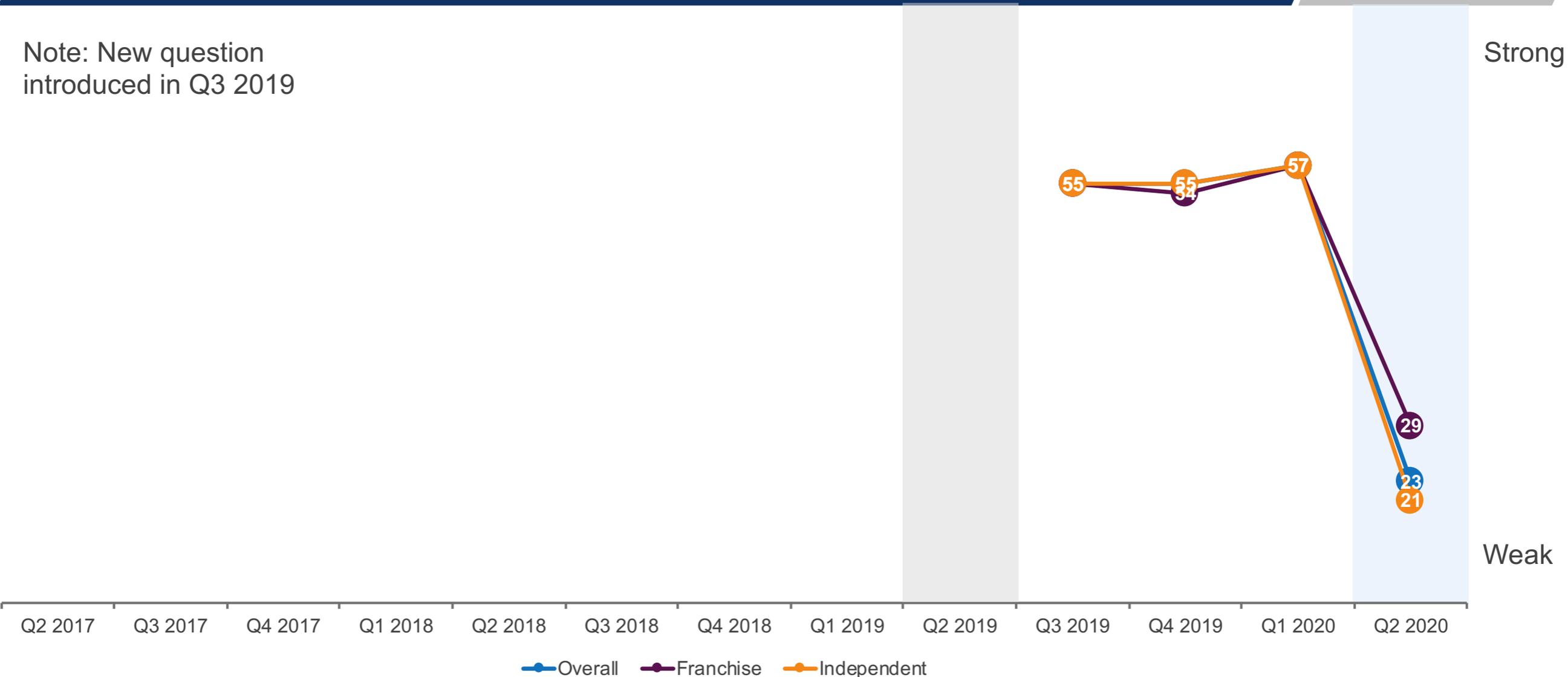
Auto Finance	FRBNY	\$139.1 billion (Q1 '19)	\$150.3 billion (Q1 '20)	
Interest Rates	Effective Fed Funds Rate	2.39% (May '19)	0.05% (May '20)	
Borrowing Costs	Average New Auto Loan Rate	6.30% (May '19)	4.56% (May '20)	
Mobility Costs	Average Retail Unleaded Gasoline Price	\$2.82 (May '19)	\$1.98 (May '20)	

# How would you describe the current U.S. economy?

# Dealer Sentiment Index

SECOND QUARTER 2020

Note: New question introduced in Q3 2019

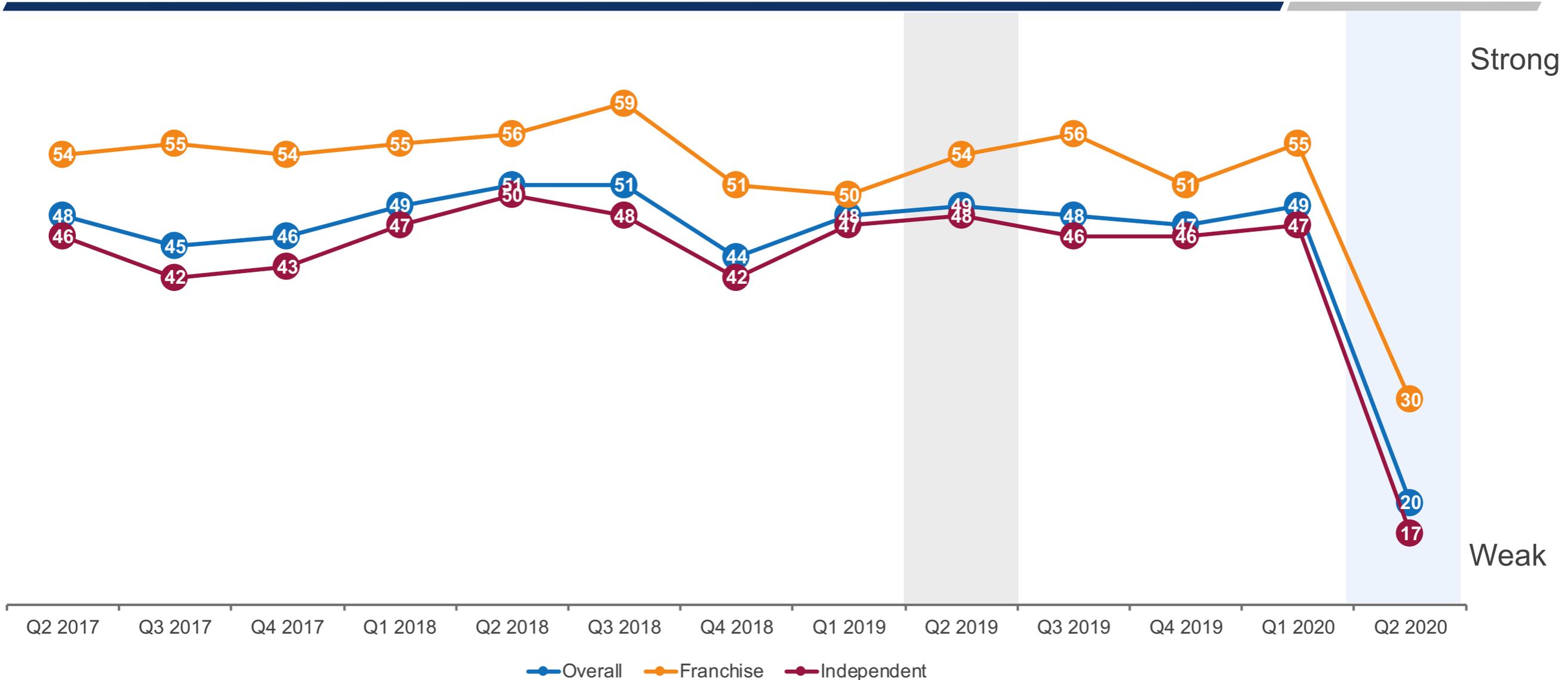


Note: Scale 1 - 100

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

# Dealer Sentiment Index

SECOND QUARTER 2020

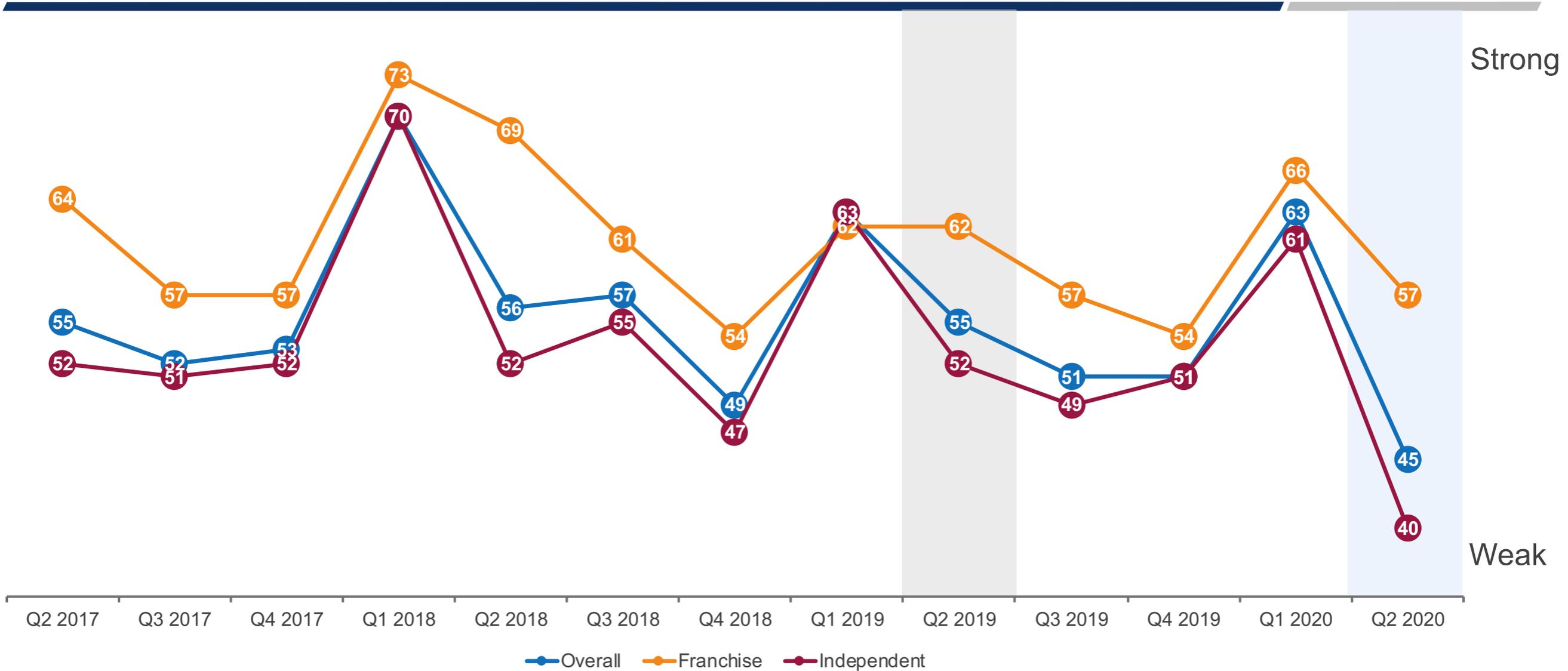


Note: Scale 1 - 100

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

# Dealer Sentiment Index

SECOND QUARTER 2020

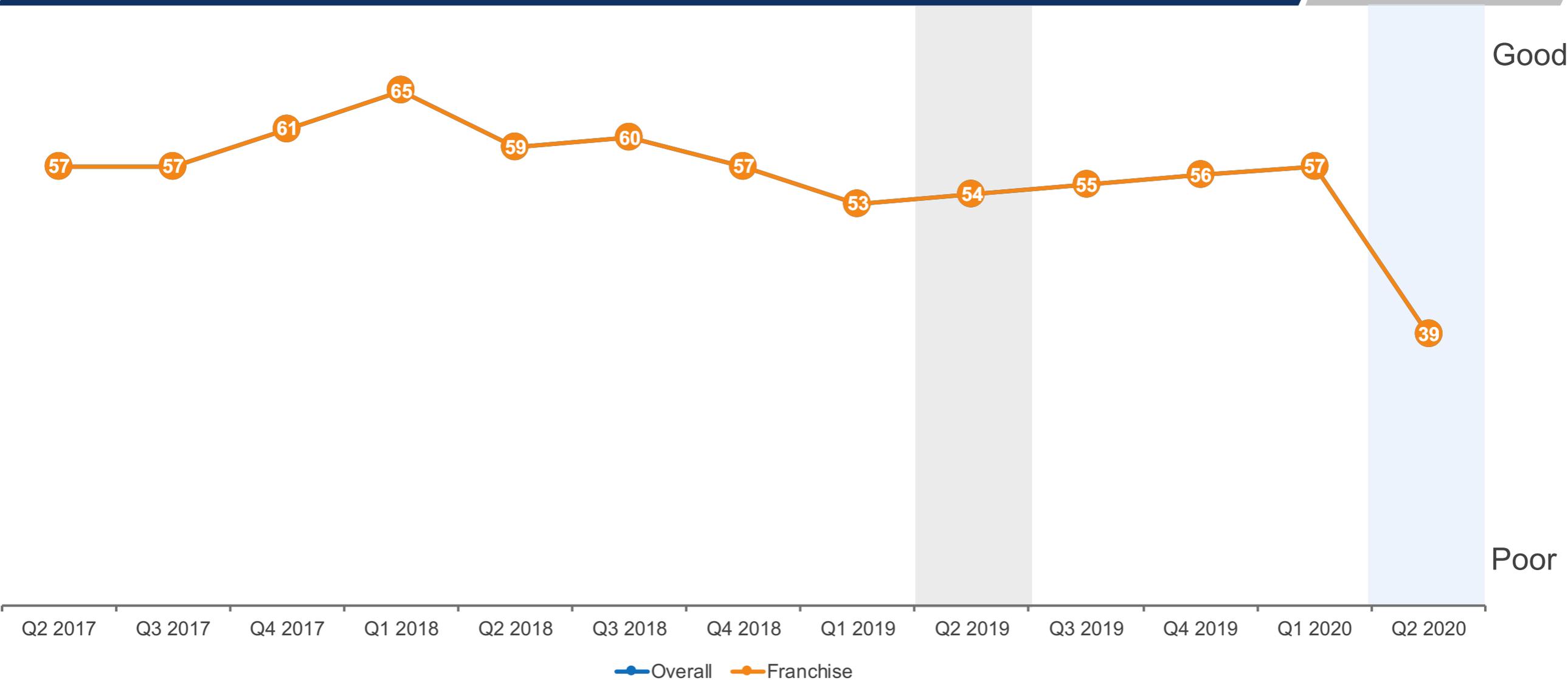


Note: Scale 1 - 100

*How would you describe the current new-vehicle sales environment?*

# Dealer Sentiment Index

SECOND QUARTER 2020

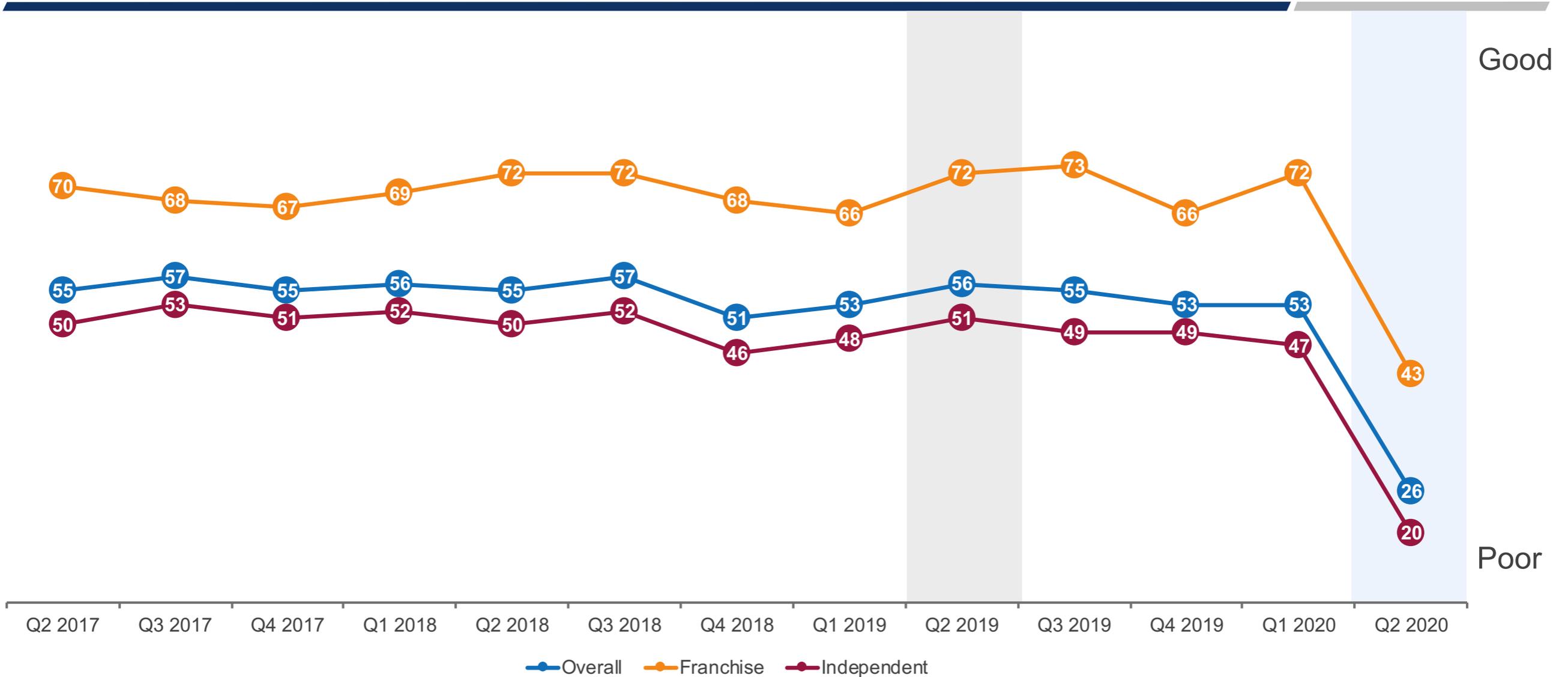


Note: Scale 1 - 100

How would you describe the current used-vehicle sales environment?

# Dealer Sentiment Index

SECOND QUARTER 2020



Note: Scale 1 - 100

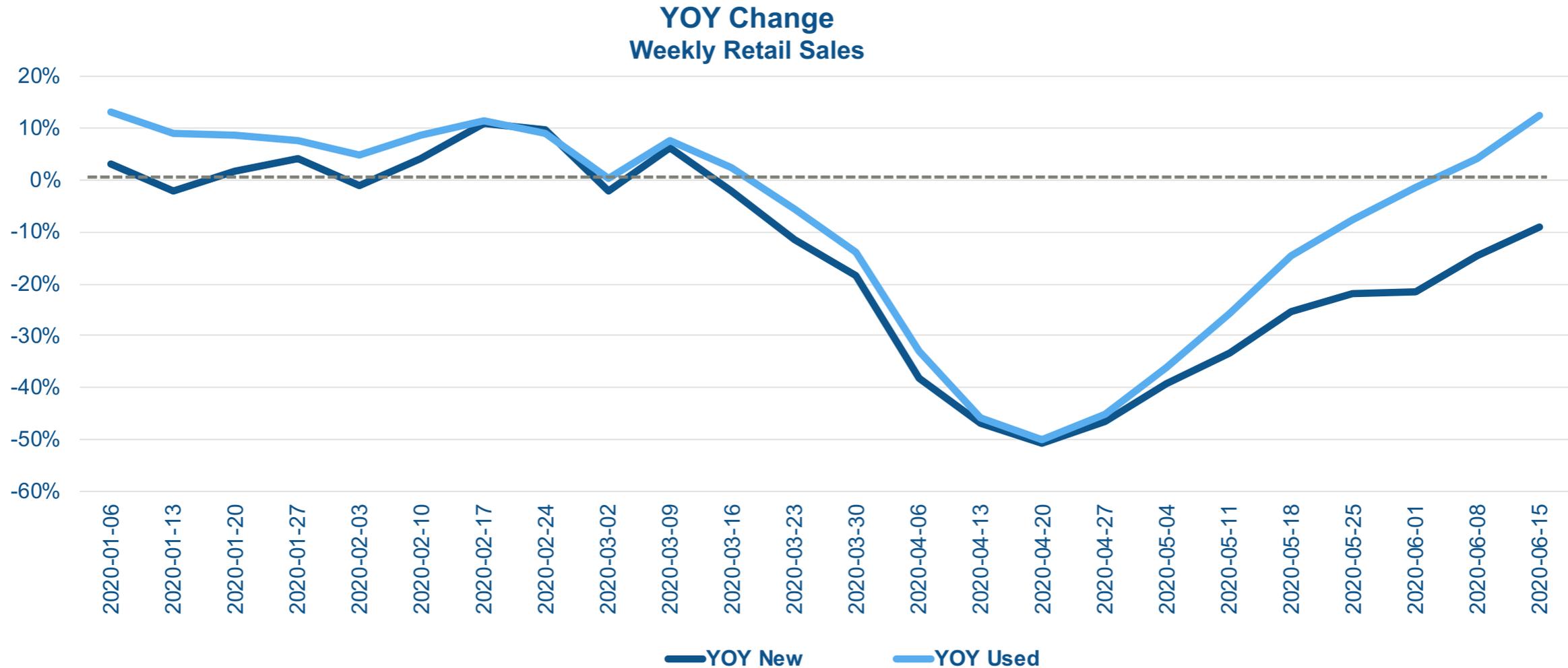


# MID-YEAR REVIEW 2020: New Vehicle Sales

**Charlie Chesbrough**  
**Senior Economist**

# COVID-19 MARKET IMPACT: **New vs Used**

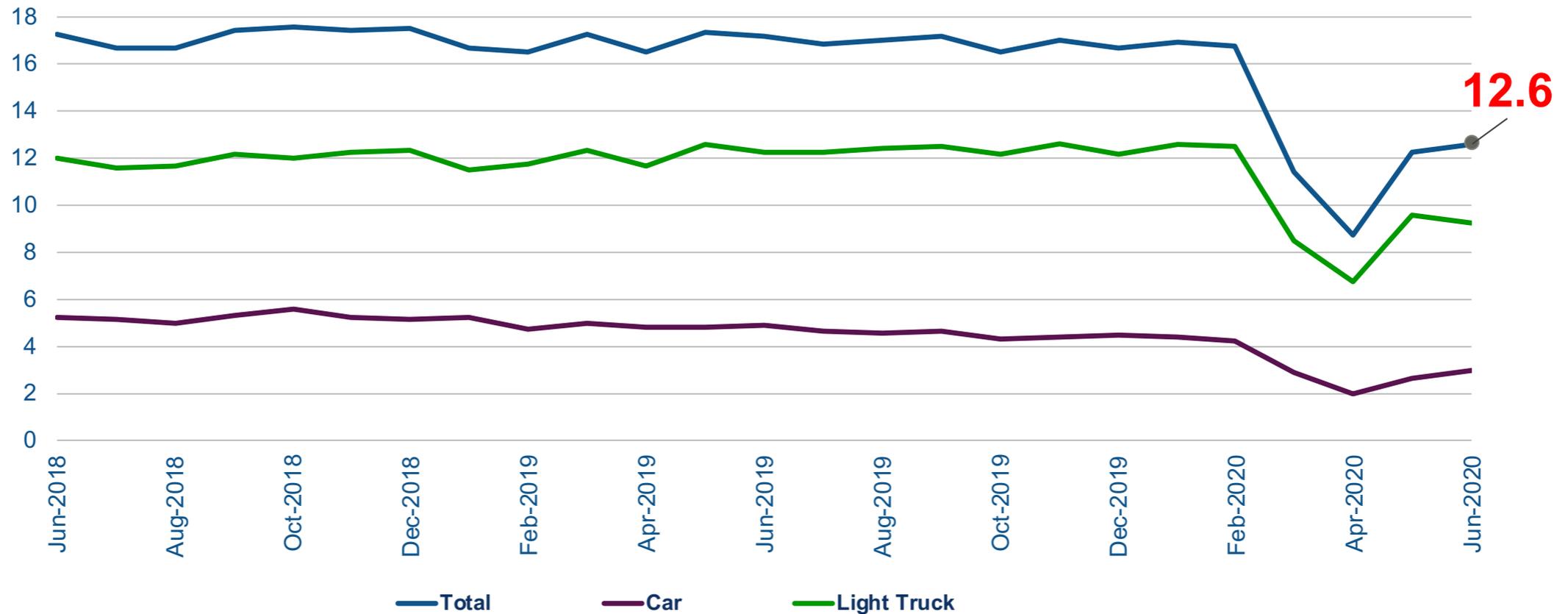
Based on 30-day sales, market bottomed week of April 20; Used now showing YOY gains while New still contracting



# FORECAST: June Improves, But Not Much

Supply constraints may limit market gains this month, especially pickups

### Monthly Light Vehicle Sales SAAR (millions)



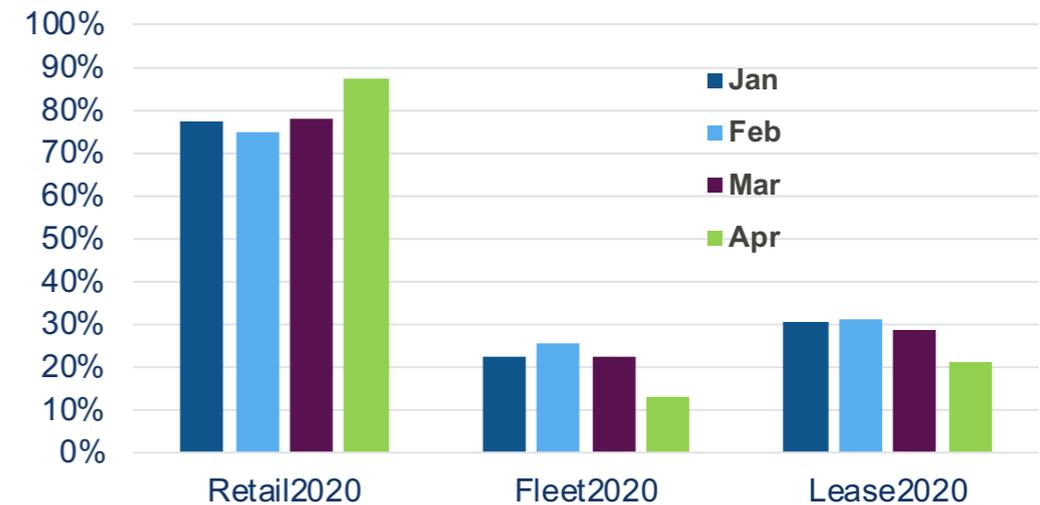
# CHANGING CHANNELS: Retail Gains, Fleet Drops

Fleet likely to remain suppressed through the year, and 0% offers will be tough competition for retail leasing

### Sales Change 2019 vs 2020



### Market Share by Channel



	Retail	Fleet	Retail Lease
Jan	3.6%	-3.2%	4.3%
Feb	-0.1%	0.5%	-3.7%
Mar	-36.2%	-40.3%	-42.5%
Apr	-42.0%	-69.1%	-58.8%
YTD	-20.2%	-28.2%	-26.9%

	Retail	Fleet	Lease
Jan	77.6%	22.4%	30.2%
Feb	74.7%	25.3%	30.9%
Mar	77.9%	22.1%	28.4%
Apr	87.2%	12.8%	21.1%
YTD	78.5%	21.5%	28.2%

# FORECAST: A Tale of Product, Geography, Incentives & Supply

OEM	June 2019	June 2020	Change	Q2 2019	Q2 2020	Change	H1 2019	H1 2020	Change
GM	253,000*	175,000	-31.0%	744,316	488,774	-34.3%	1,409,321	1,105,206	-21.6%
Ford	218,000*	150,000	-31.4%	644,498	424,366	-34.2%	1,231,454	938,980	-23.8%
Toyota	202,352	155,000	-23.4%	608,392	404,749	-33.5%	1,152,108	900,496	-21.8%
FCA	206,000*	135,000	-34.5%	597,685	362,291	-39.4%	1,096,040	809,059	-26.2%
Honda	135,901	110,000	-19.1%	407,208	288,728	-29.1%	776,995	587,513	-24.4%
Hyundai Kia	122,507	105,000	-14.3%	359,413	276,265	-23.1%	648,111	549,040	-15.3%
Nissan	123,504	70,000	-43.3%	351,185	181,352	-48.4%	717,036	438,958	-38.8%
Subaru	61,512	50,000	-18.7%	182,772	132,608	-27.4%	339,526	263,199	-22.5%
VW	56,339	40,000	-29.0%	167,294	109,831	-34.3%	316,305	238,267	-24.7%
Mazda	22,828	20,000	-12.4%	67,722	55,873	-17.5%	138,555	123,543	-10.8%
Daimler	29,275	18,000	-38.5%	85,039	50,236	-40.9%	163,917	119,006	-27.4%
BMW	34,862	17,000	-51.2%	91,230	45,208	-50.4%	174,023	109,900	-36.8%
Tesla	25,700	10,000	-61.1%	53,975	24,350	-54.9%	83,875	80,550	-4.0%
Mitsubishi	12,317	4,000	-67.5%	29,030	10,902	-62.4%	71,100	46,465	-34.6%
Tata	8,485	5,000	-41.1%	27,155	15,272	-43.8%	62,405	44,604	-28.5%
Volvo	9,934	6,000	-39.6%	28,062	18,866	-32.8%	50,120	38,351	-23.5%
<b>NATION</b>	<b>1,523,786</b>	<b>1,070,000</b>	<b>-29.8%</b>	<b>4,444,976</b>	<b>2,889,671</b>	<b>-35.0%</b>	<b>8,430,891</b>	<b>6,393,137</b>	<b>-24.2%</b>

# VIRUS IMPACT: State-Level Sales Loss

Hardest hit COVID-19 states also suffered huge market declines as shutdowns and concern varied across the country

**Nation -45%**

**Pennsylvania -72%**

**New York -63%**

**California -56%**

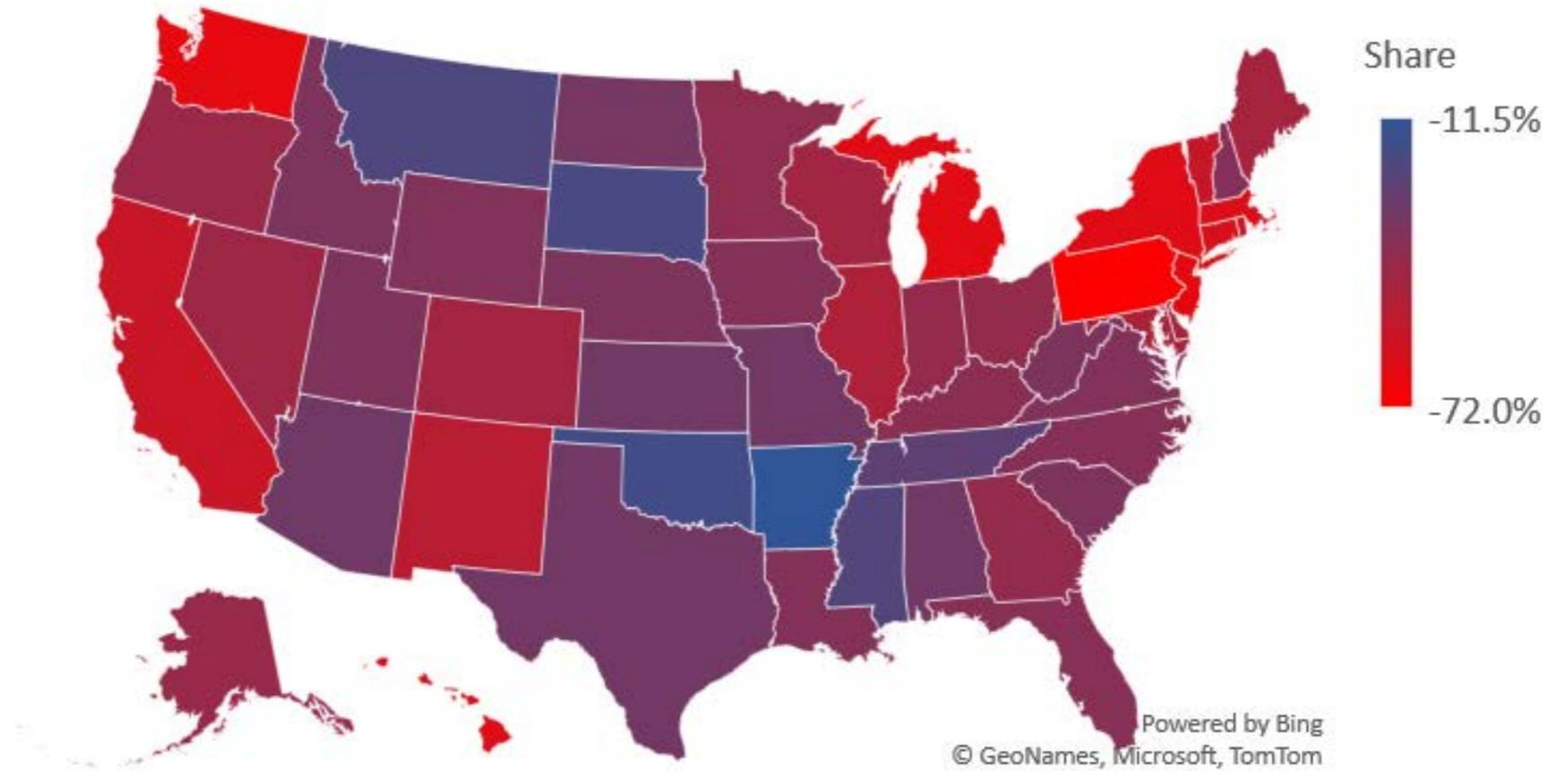
**Texas -31%**

**Arkansas -12%**

**Oklahoma -17%**

**S Dakota -19%**

**YOY Change  
March 1-April 30**



# VIRUS IMPACT: State-Level Market Share Changes

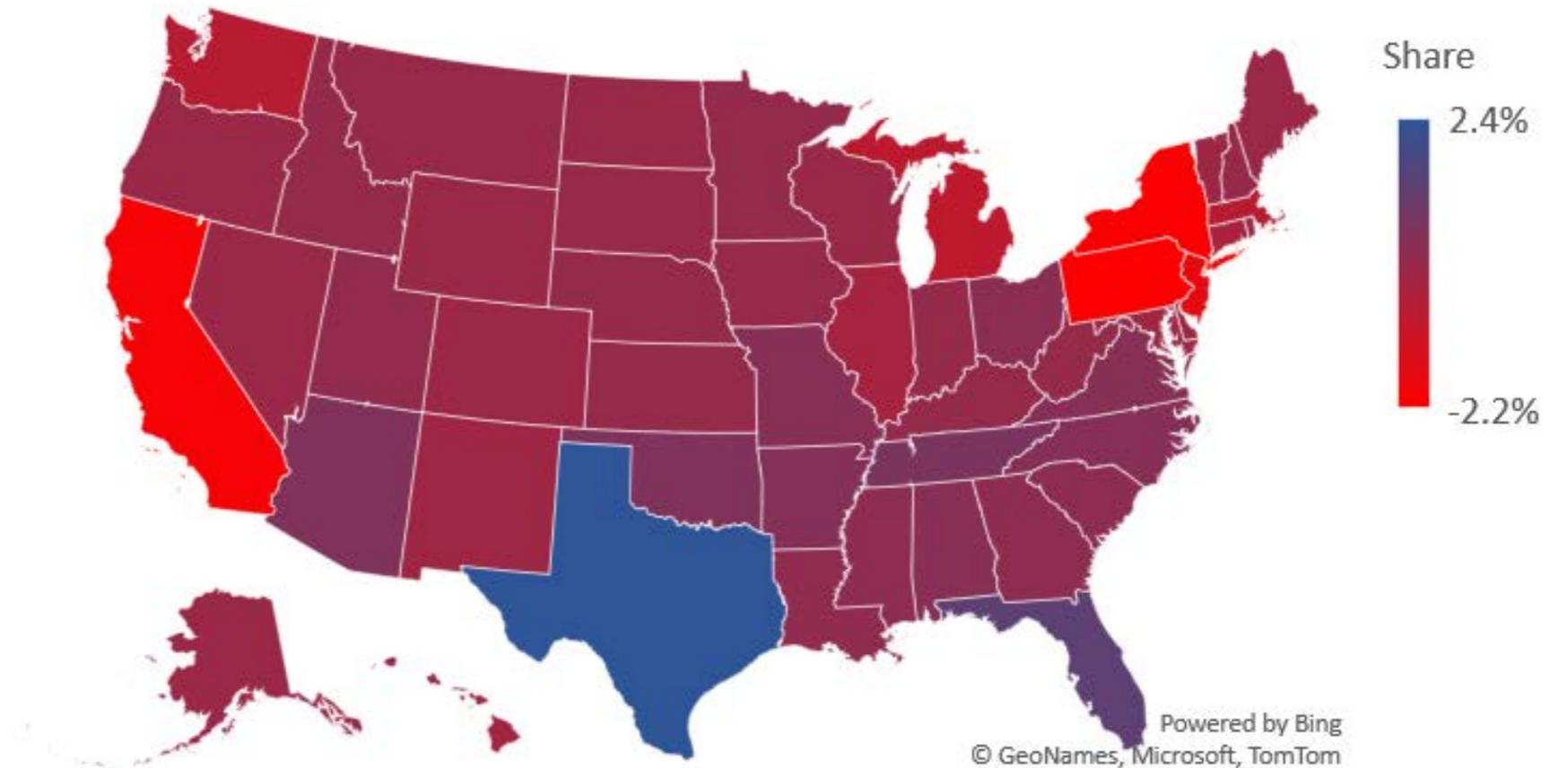
Largest southern states gain significant market share, impacting Brand and Segment performance

**Pennsylvania -2.2%**  
**New York -2.1%**  
**California -2.0%**

**Florida +1.3**

**Texas +2.4%**

YOY Change  
March 1-April 30



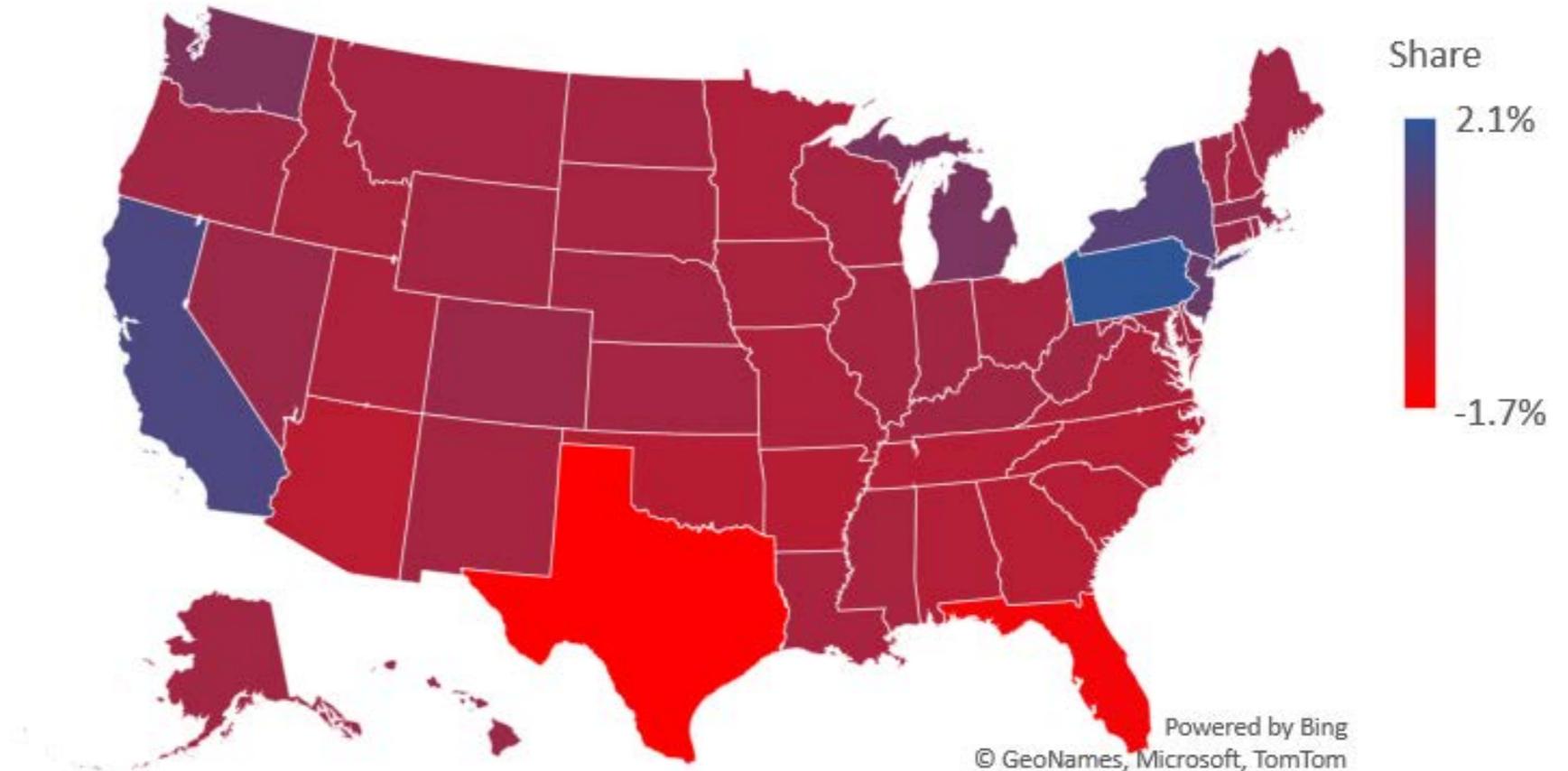
# VIRUS IMPACT: Market Share Changing Again In Recovery Phase

Since May 1, hardest hit states gaining lost ground as pace of rebound rises

Prior/Post Change  
Mar 1-Apr 30 vs May 1-June 15

**Pennsylvania +2.1**  
**California +1.6%**  
**New York +1.3%**

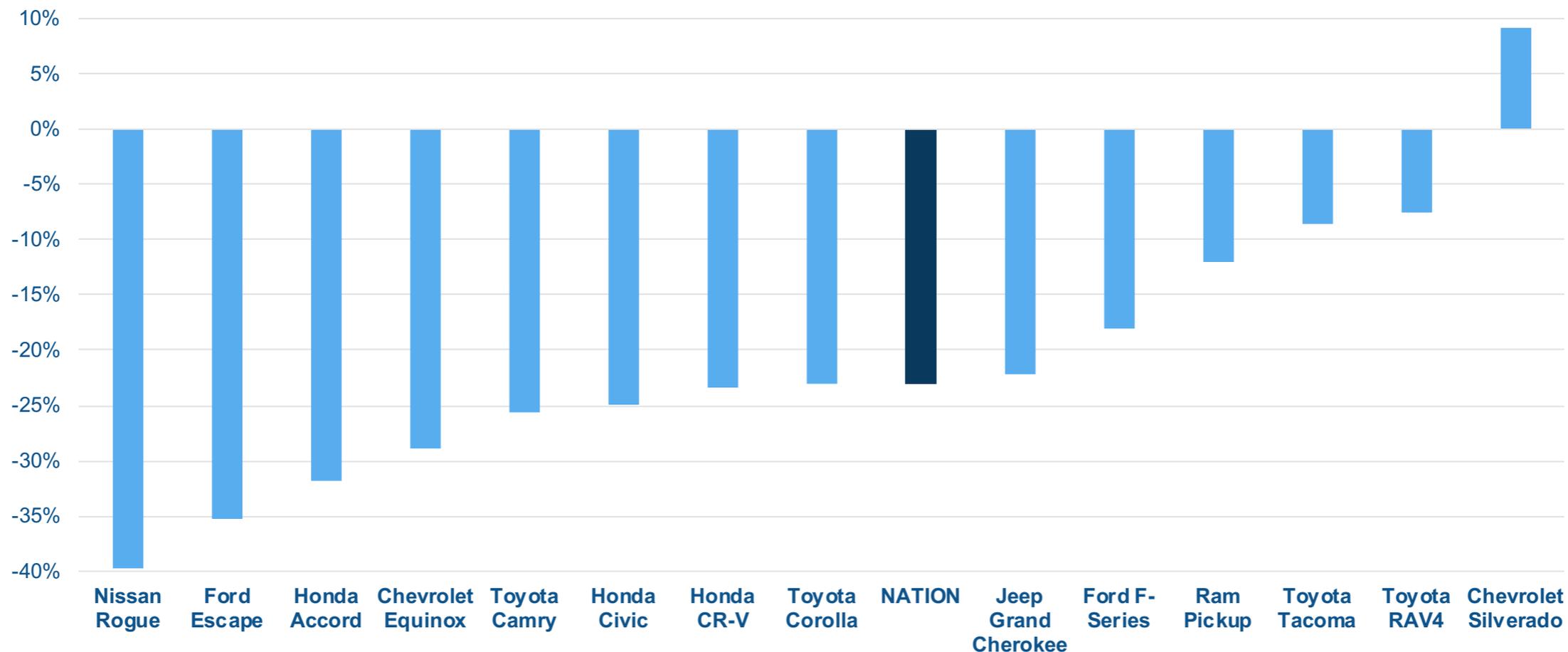
**Florida -1.5%**  
**Texas -1.7%**



# LARGE VOLUME PRODUCTS: Pickups Outperforming

Less fleet activity and geographic closures affecting market – along with 0% financing

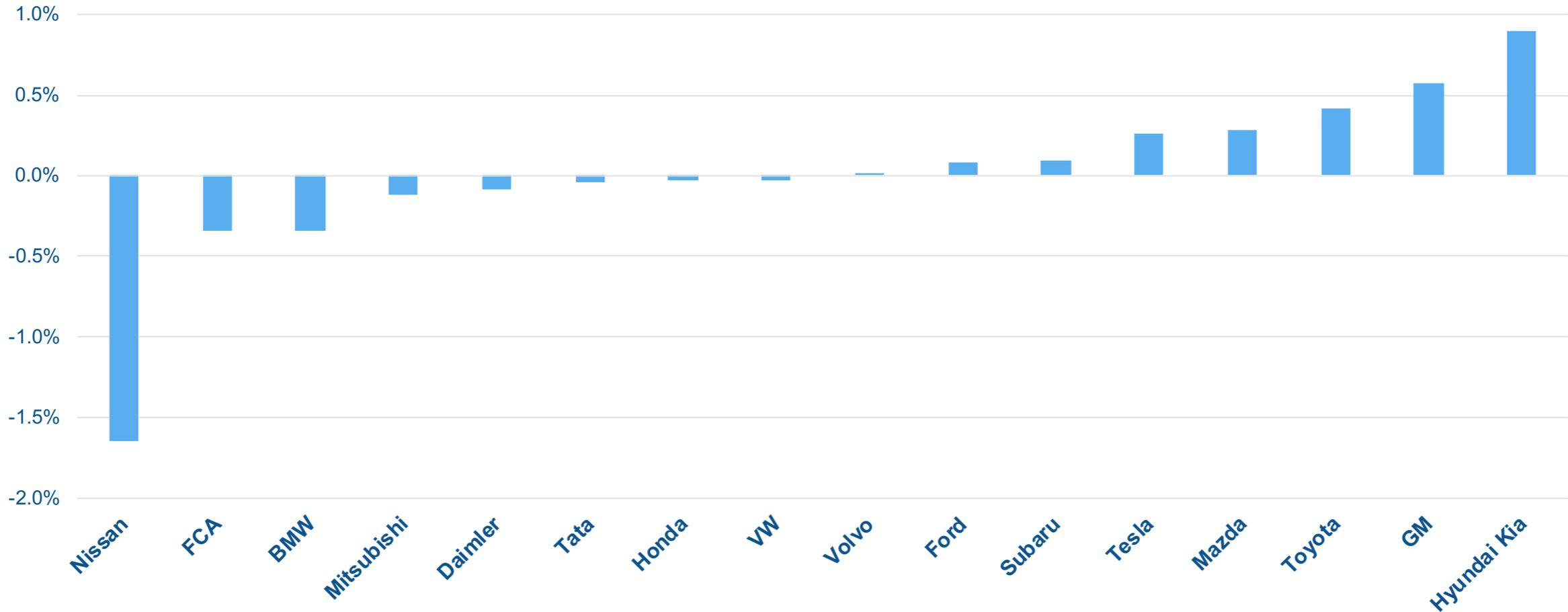
Sales Change (YTD2019 vs YTD2020)



# MARKET SHARE: Many Changes, Many Causes

Hyundai-Kia gaining from SUVs, GM from Trucks, while Nissan losing from collapse of Rental Fleet activity

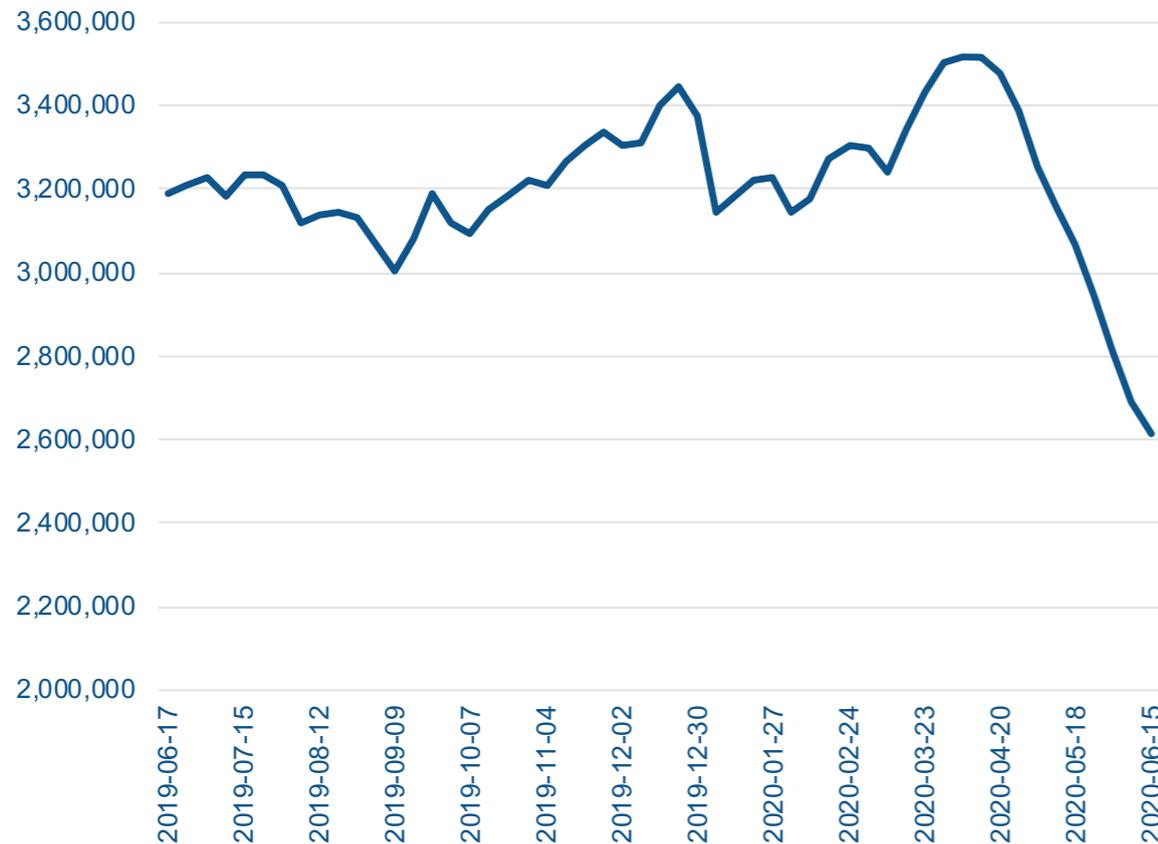
Market Share Change (H1 2019 vs H1 2020)



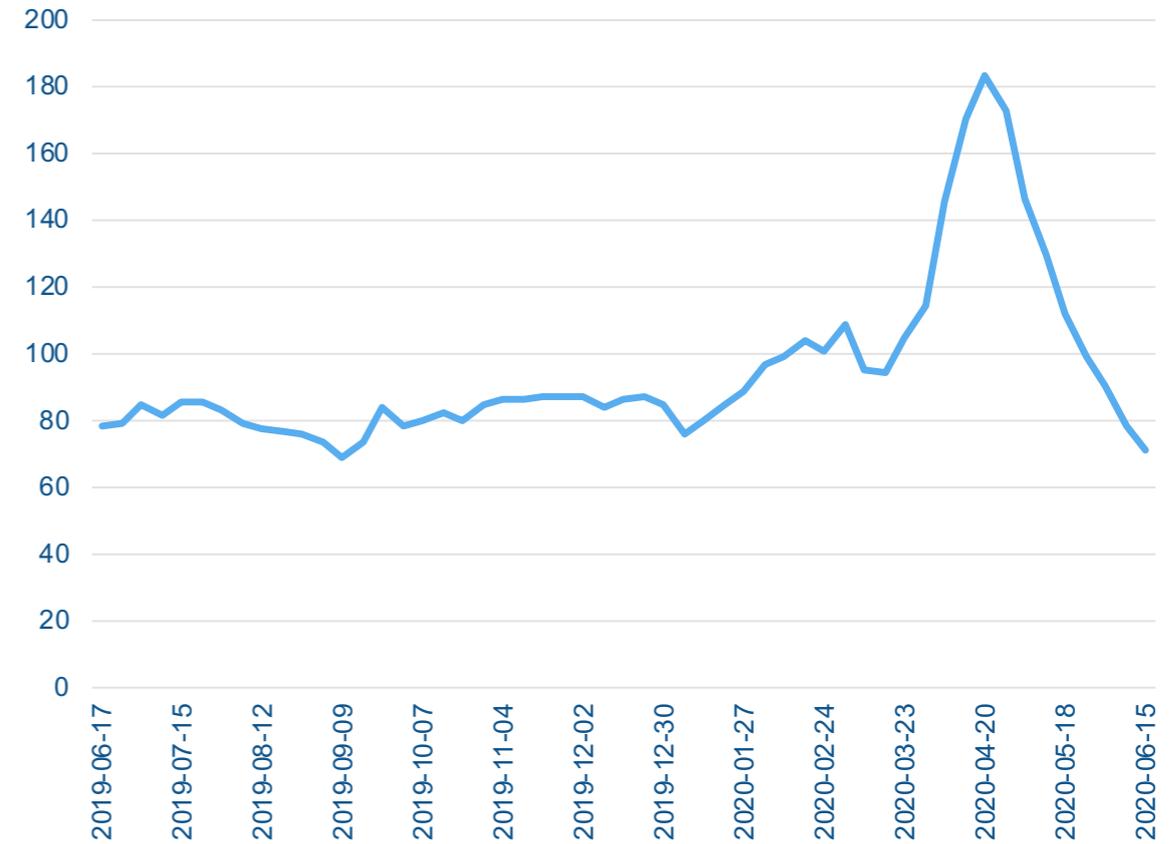
# INDUSTRY INVENTORY: The Next Recovery Hurdle

With plants starting to open, and sales pace improving, available supply dropping quickly

### Available Supply Last 12 Months



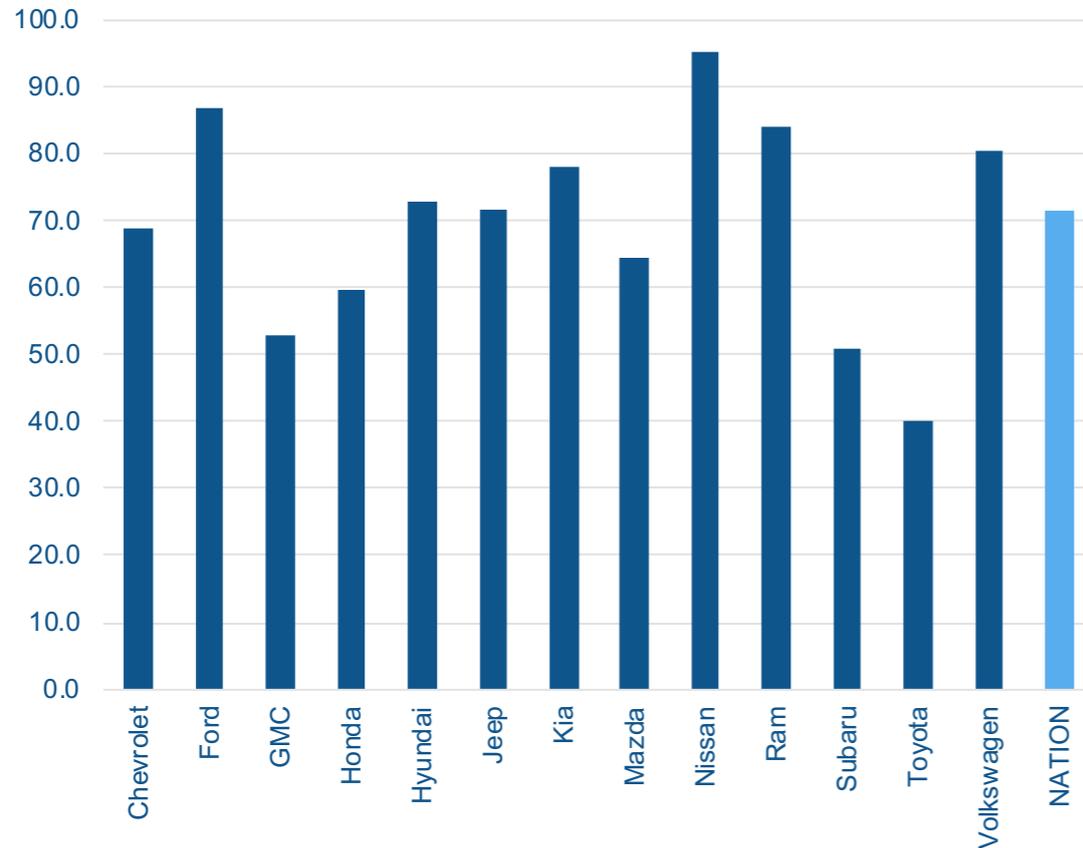
### Days' Supply Last 12 Months



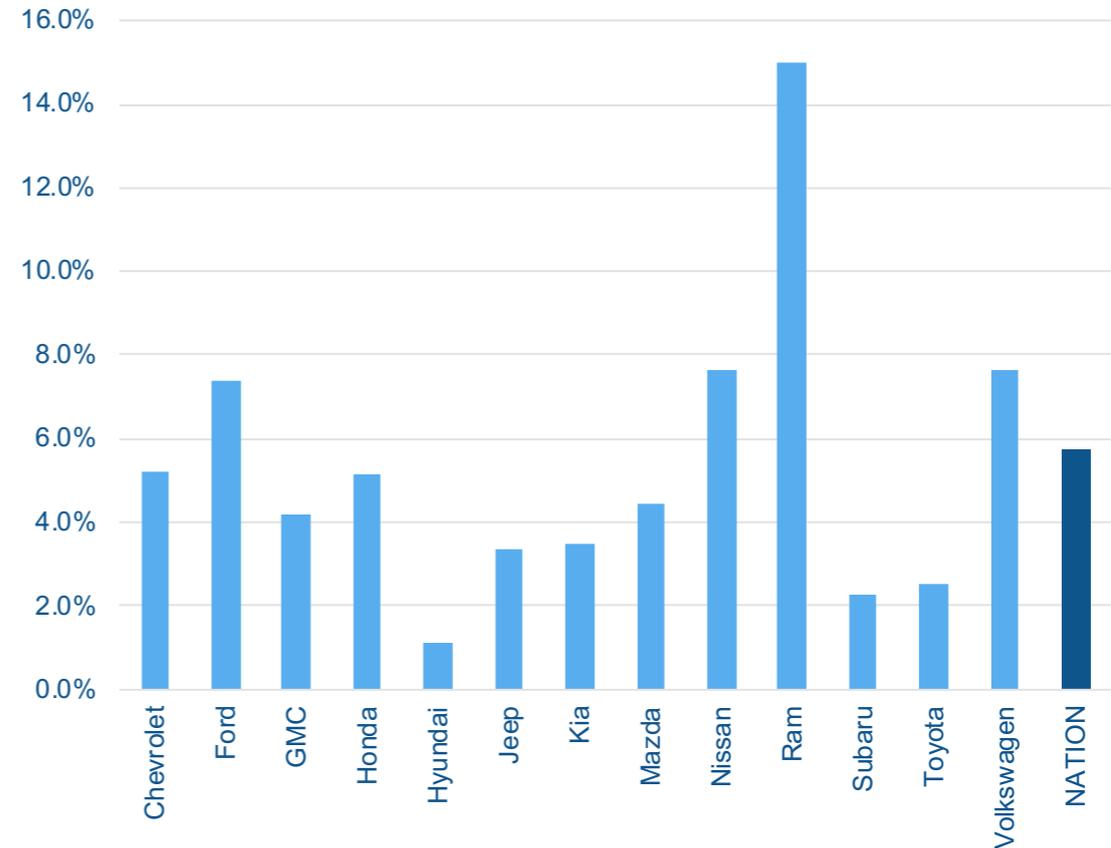
# BRAND INVENTORY: Supply Varies Significantly

Toyota, Subaru, GMC low on inventory, Nissan, Ford highest

Days' Supply



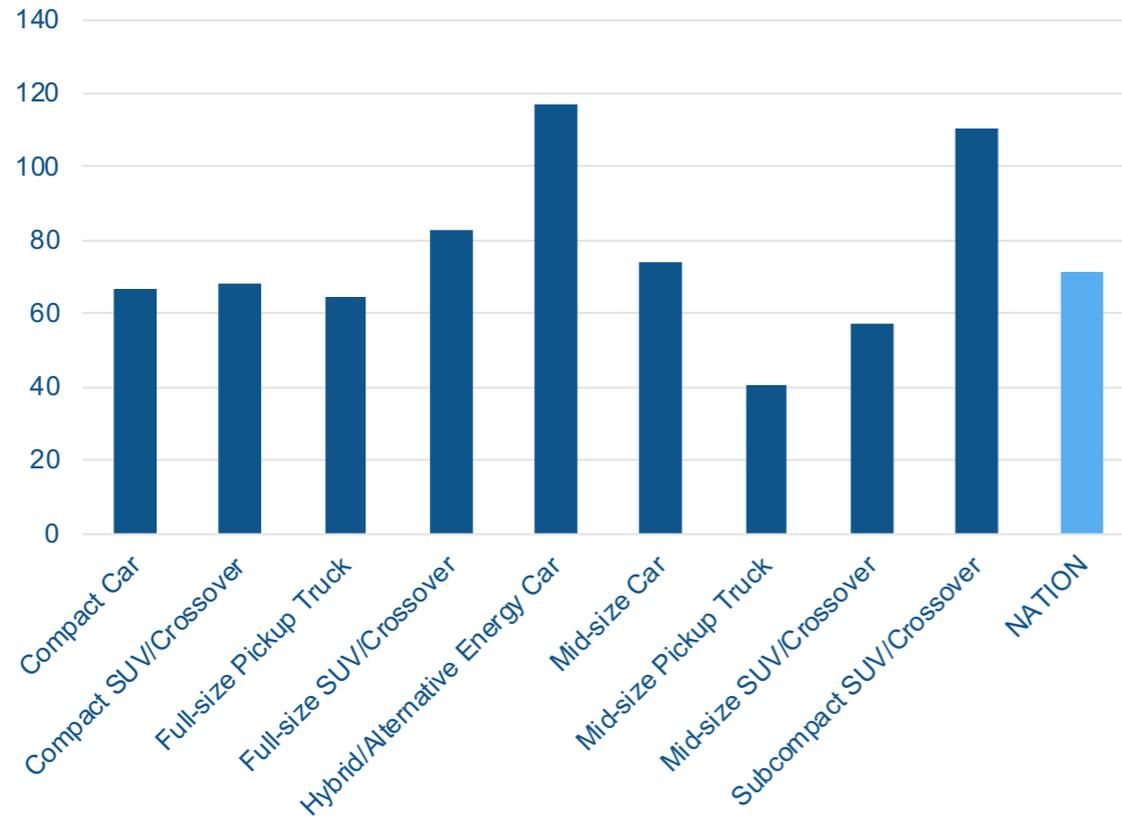
Old Model Year Inventory Share



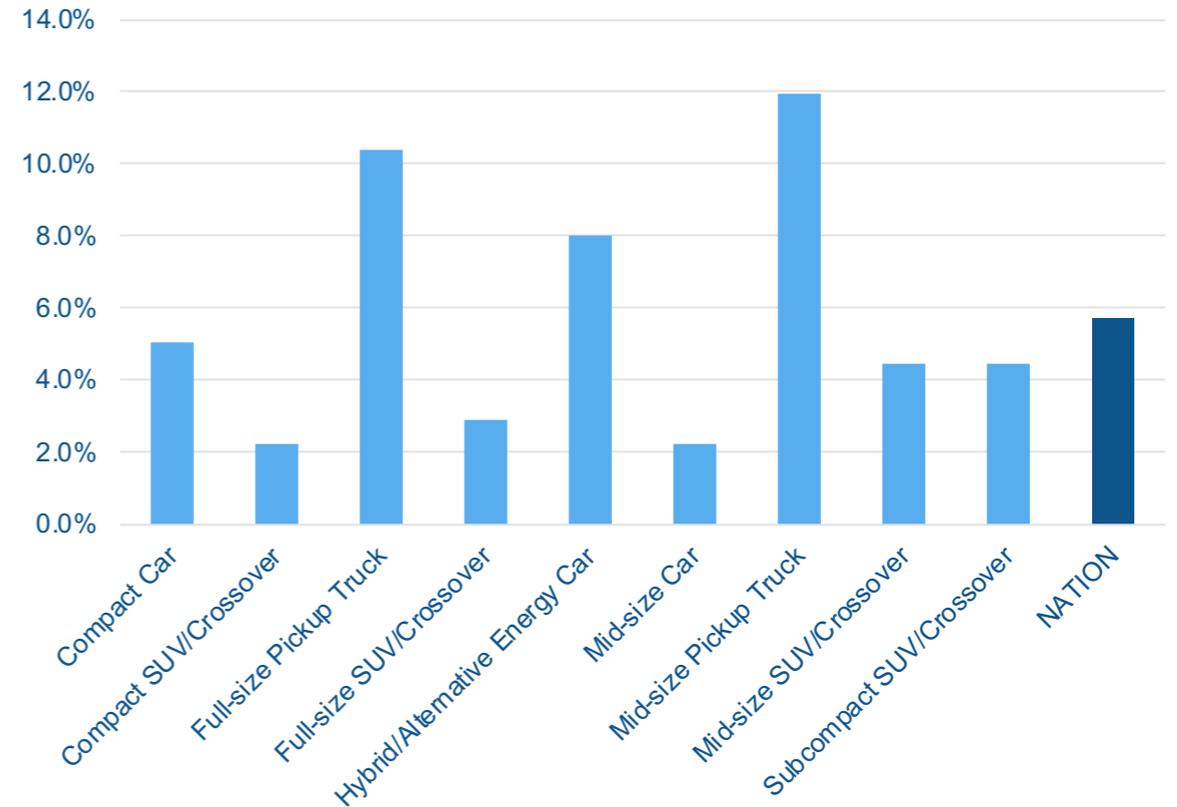
# SEGMENT INVENTORY: Trucks In Tight Supply

Subcompact CUV and Hybrids lagging other products; Pickups have most old product but likely not a problem

Days' Supply

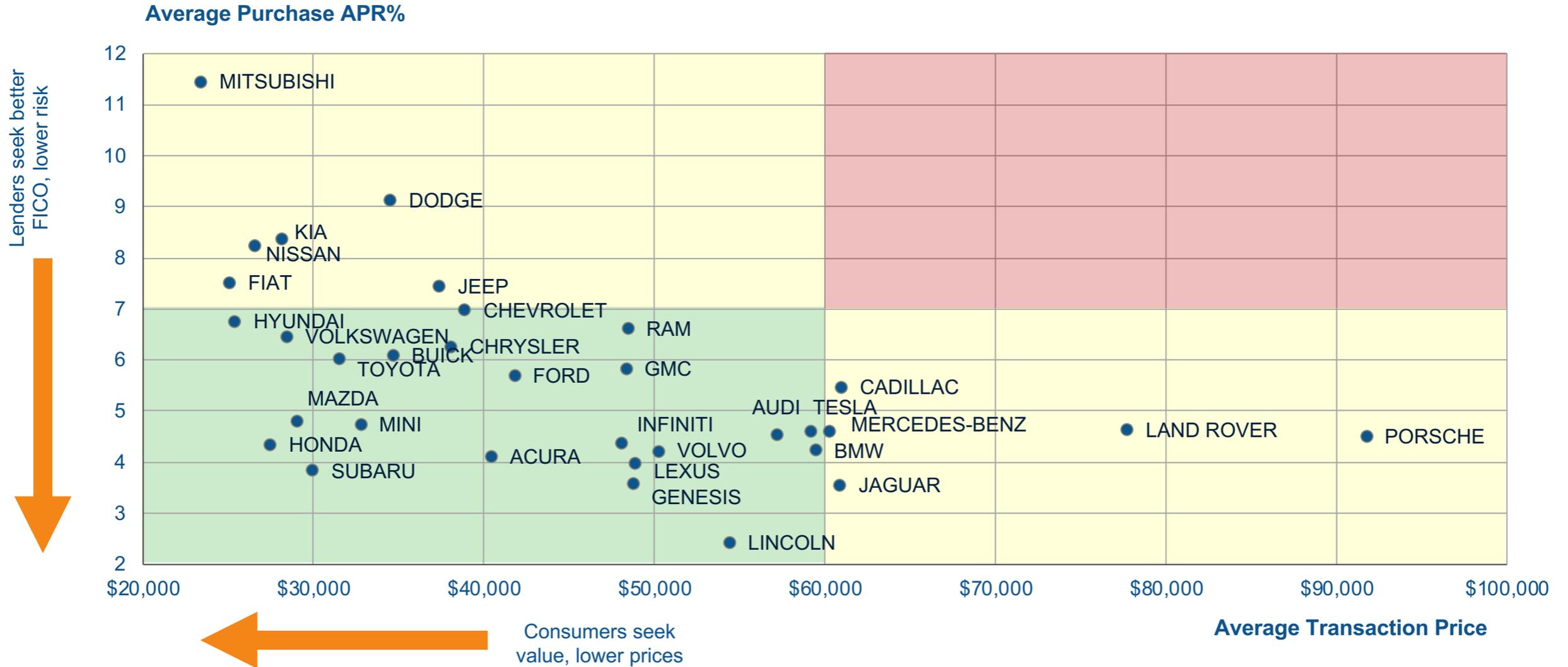


Old Model Year Inventory Share



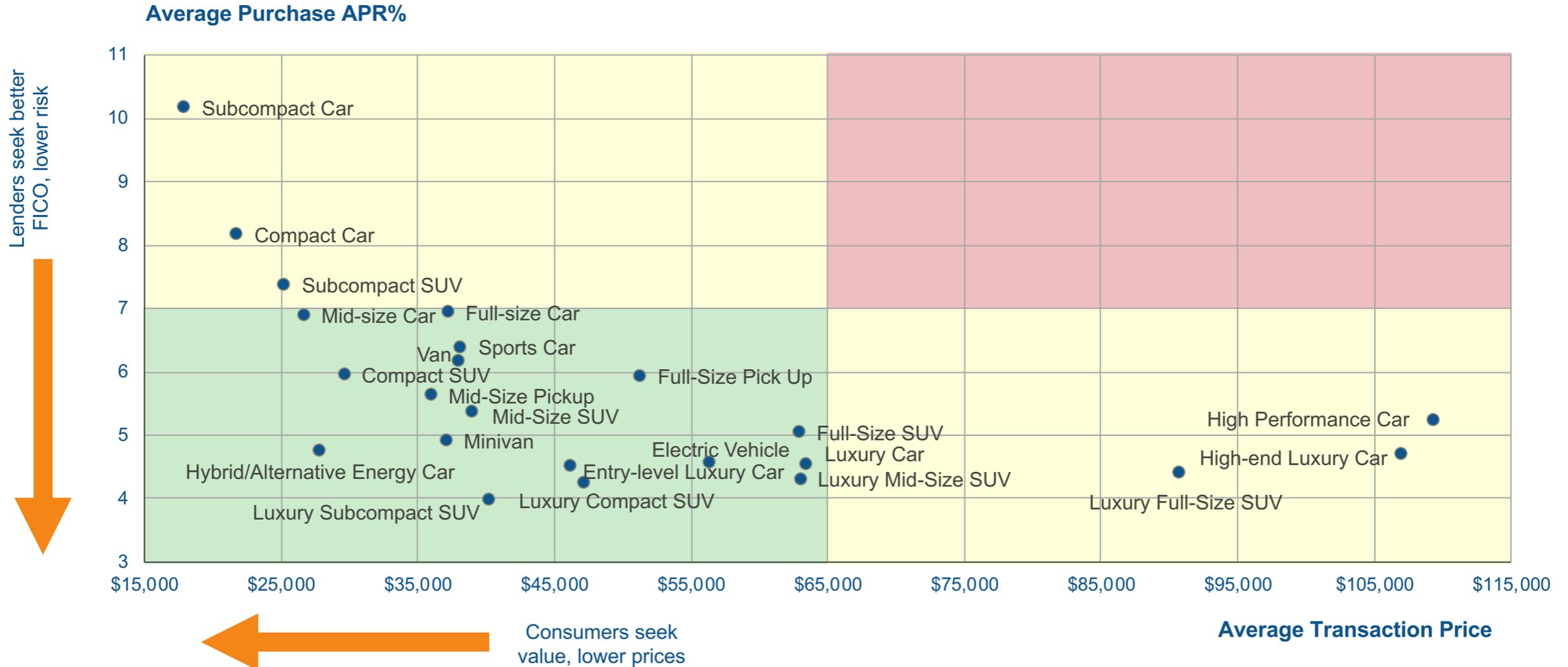
# CONSUMERS UNDER PRESSURE: Brand Vulnerability

In a recession, consumers seek value, lower prices; lenders seek better FICO, lower risk



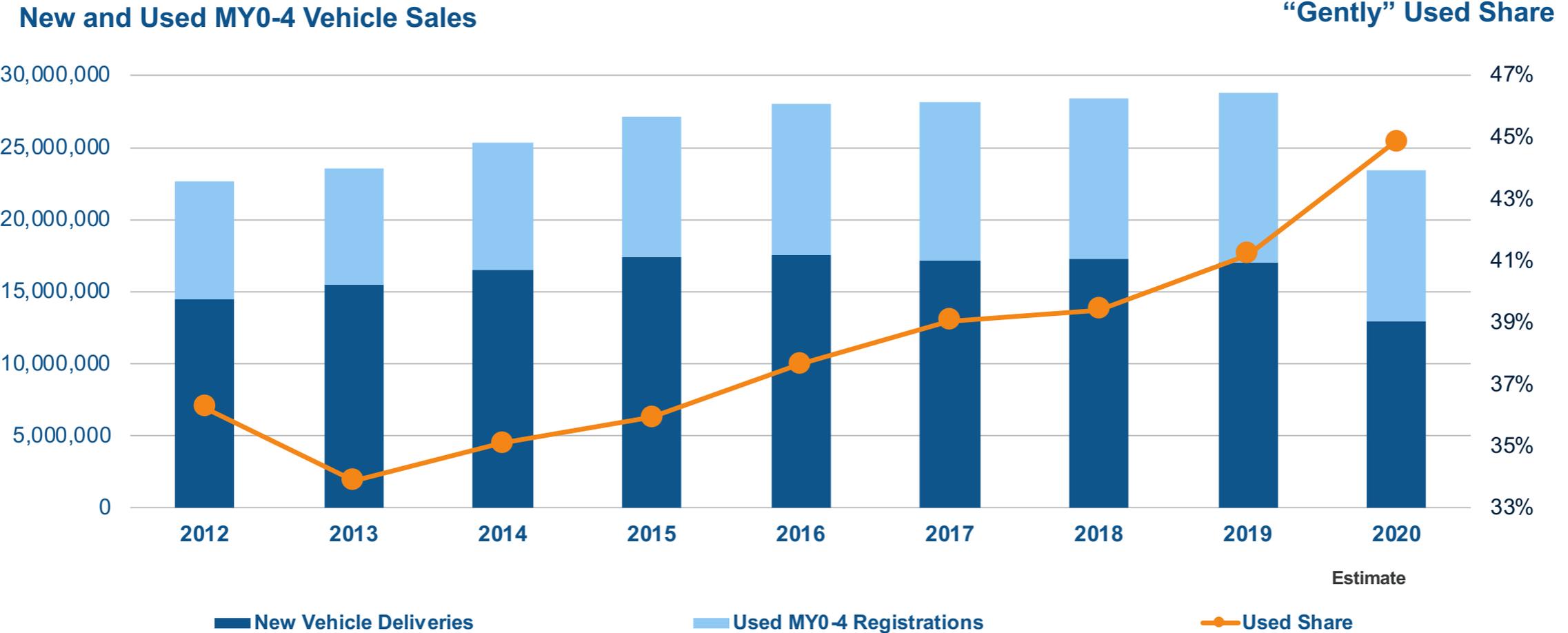
# CONSUMERS UNDER PRESSURE: Segment Vulnerability

In a recession, consumers seek value, lower prices; lenders seek better FICO, lower risk



# POTENTIAL MARKET: Value In Used Will Compete With New

New light vehicle + used MY0-4 uncovers full market potential – “self-competition” increasing

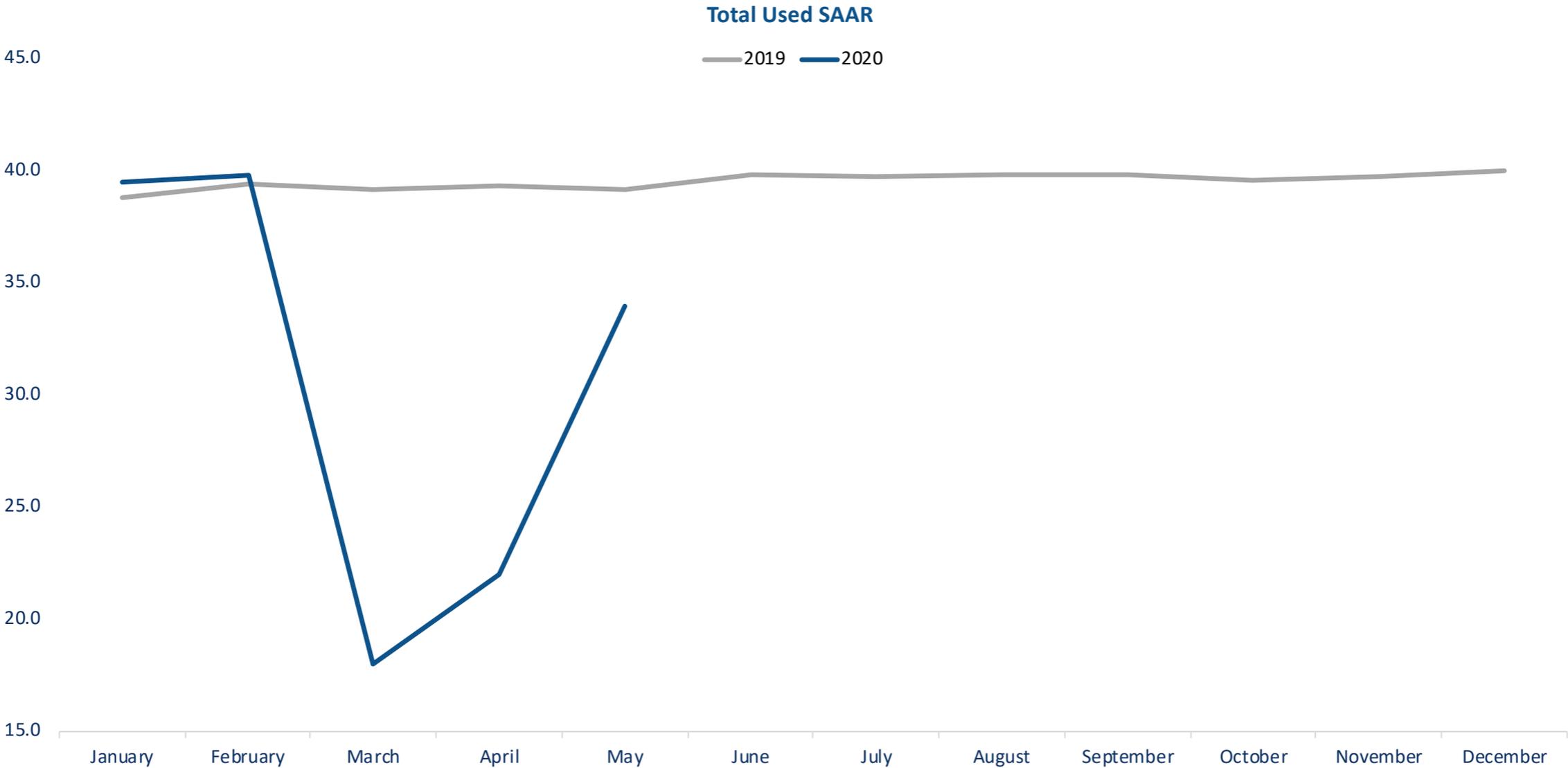




# MID-YEAR REVIEW 2020: Used Vehicle Sales

Zo Rahim  
Manager, Economic &  
Industry Insights

# USED SALES: Recovery

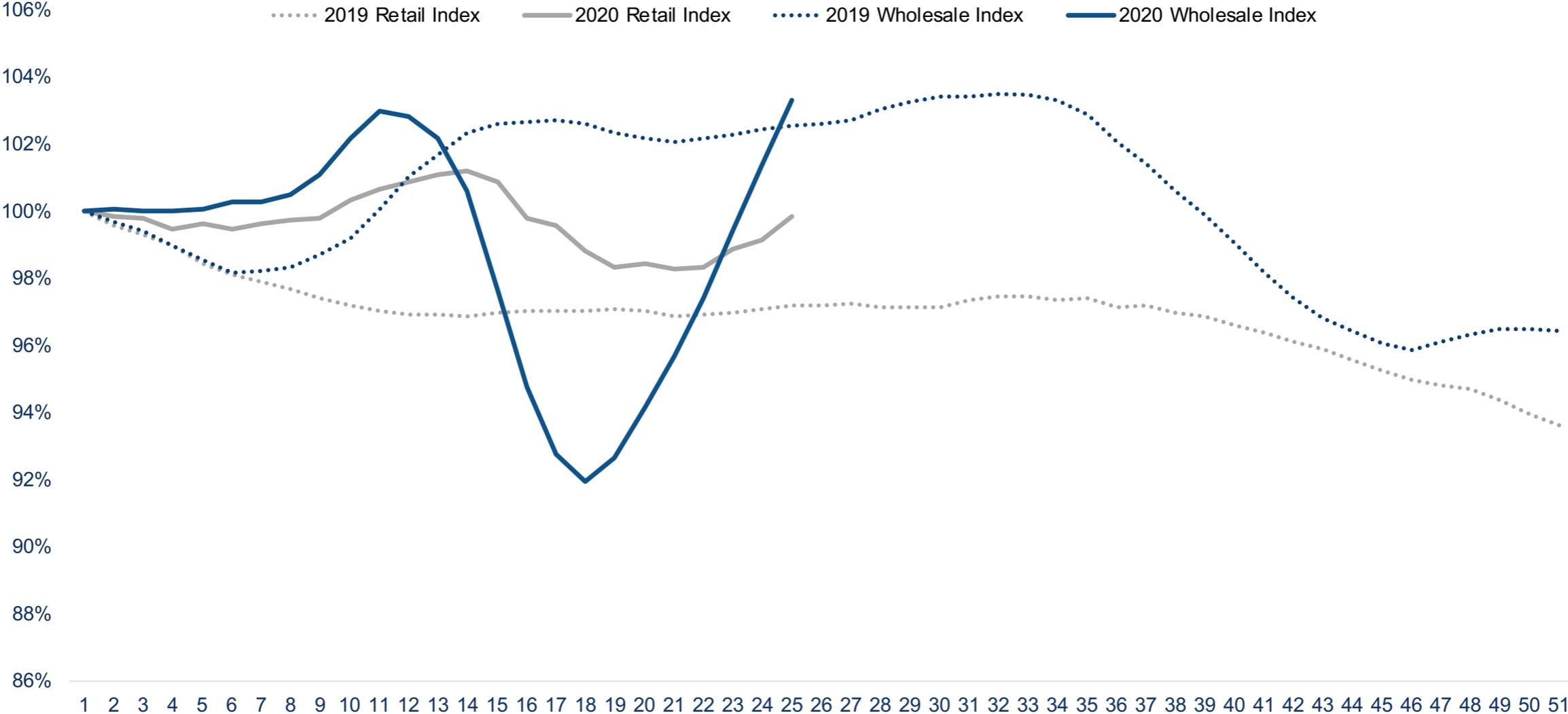


# MID-JUNE MANHEIM INDEX: Sees Strong Increase



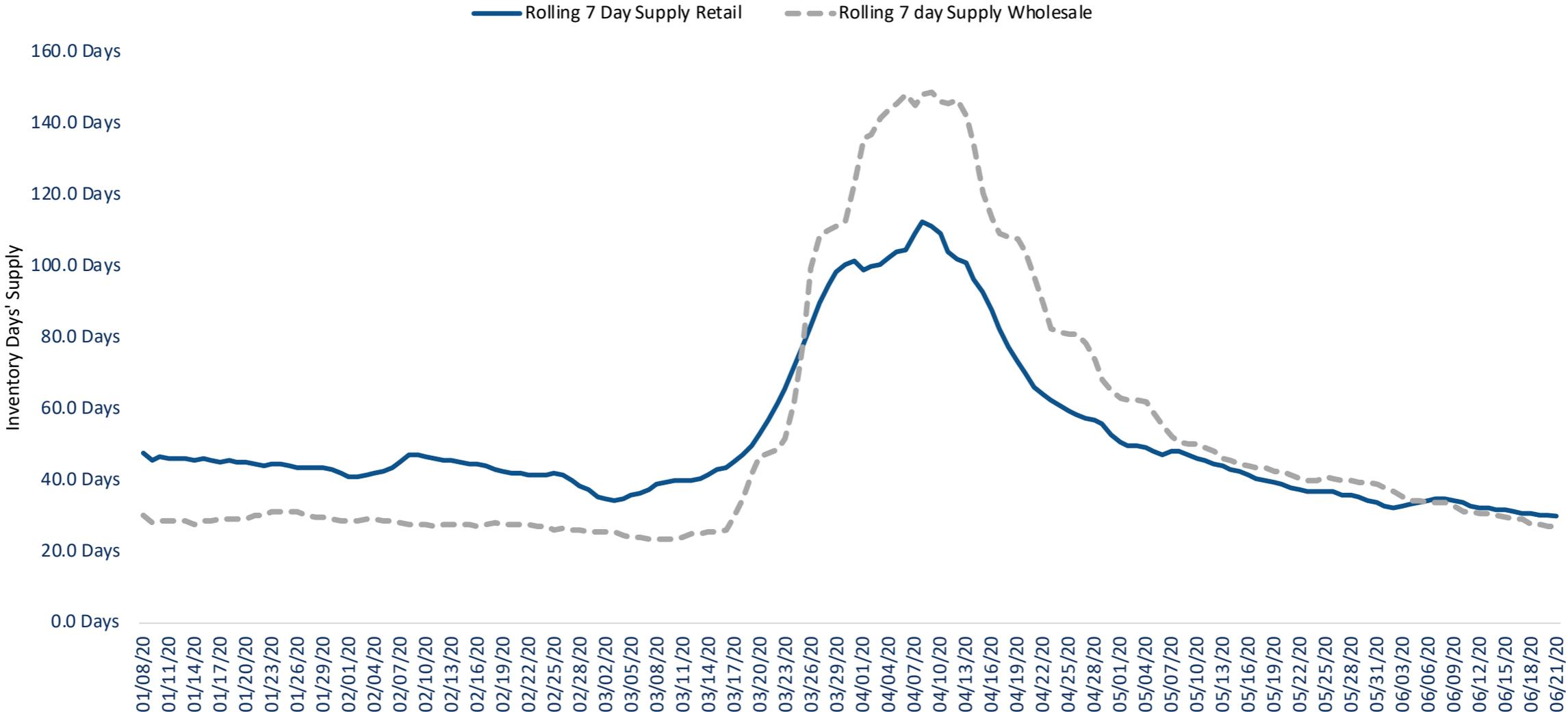
# WHOLESALE PRICES: Are Now At Highest Point

MY 2017 Retail and Wholesale Price Indices (wk1=100)

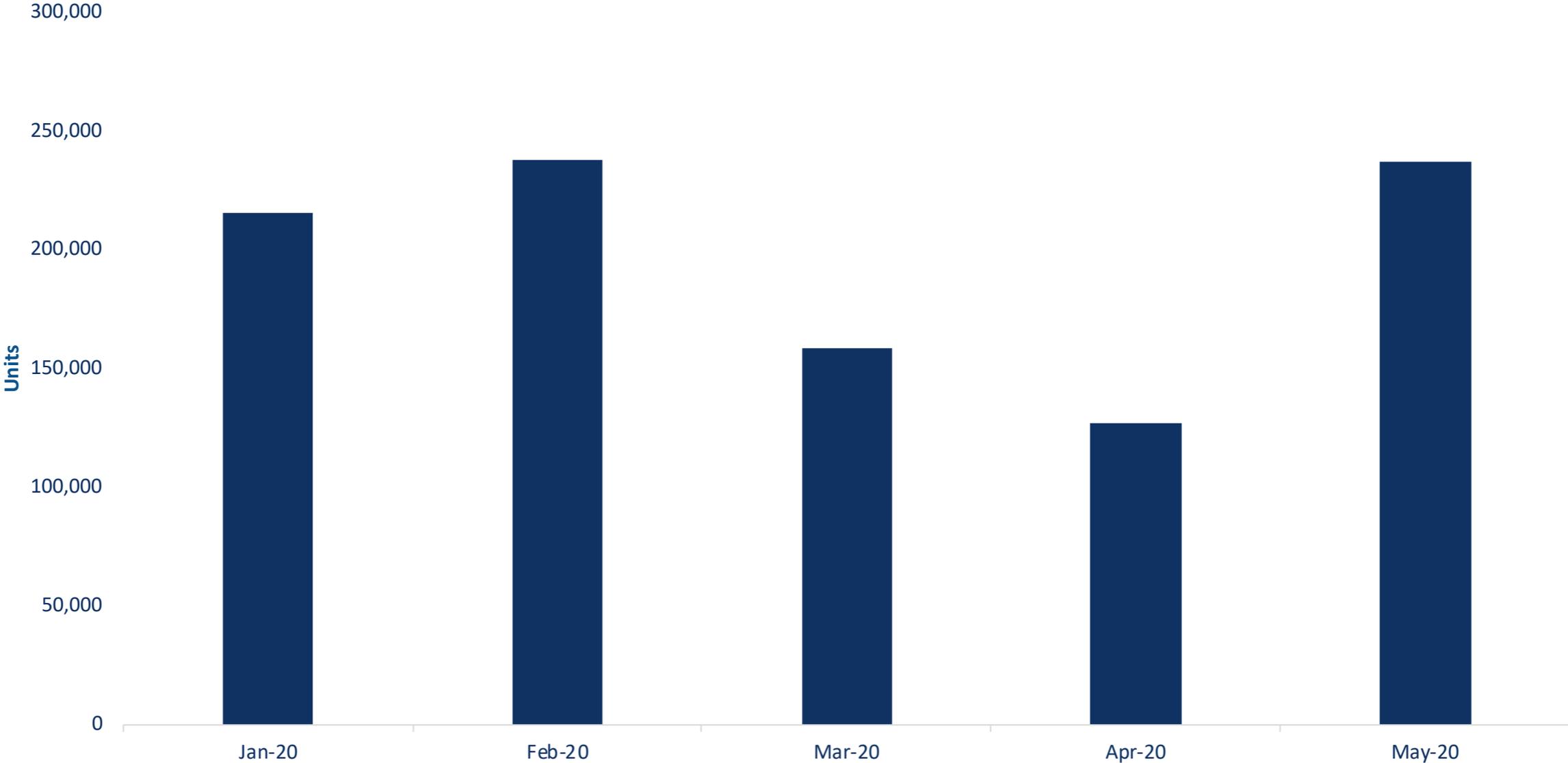


# USED INVENTORY: Down

Days Supply Wholesale Inventory and Retail Inventory



# CPO SALES: Rebound



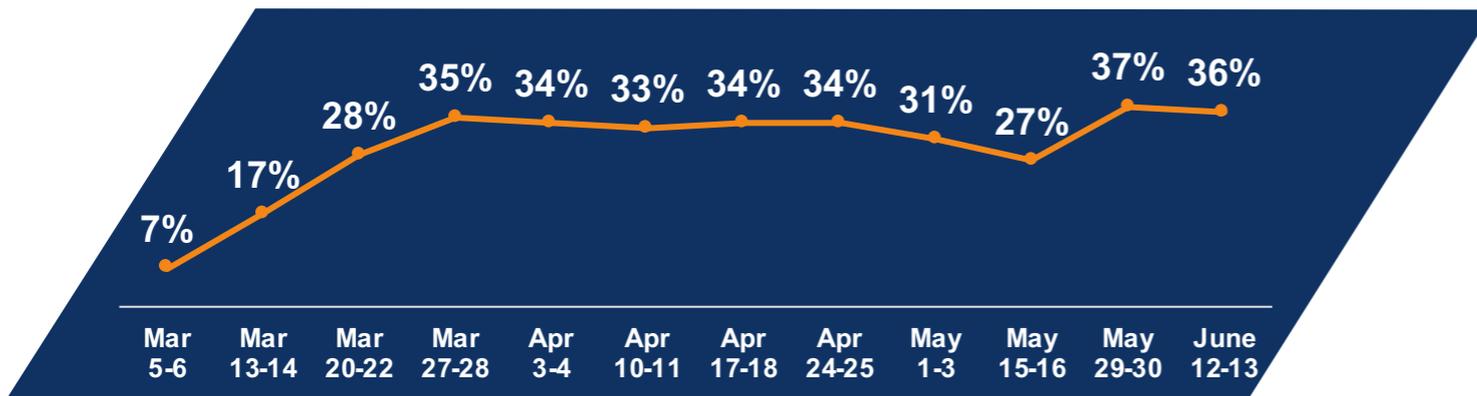


# MID-YEAR REVIEW 2020: A Changing Landscape

**Michelle Krebs**  
**Executive Analyst**

# A CHAOTIC ENVIRONMENT: An Uptick in Purchase Delays

## Delaying Vehicle Purchase/Lease\*

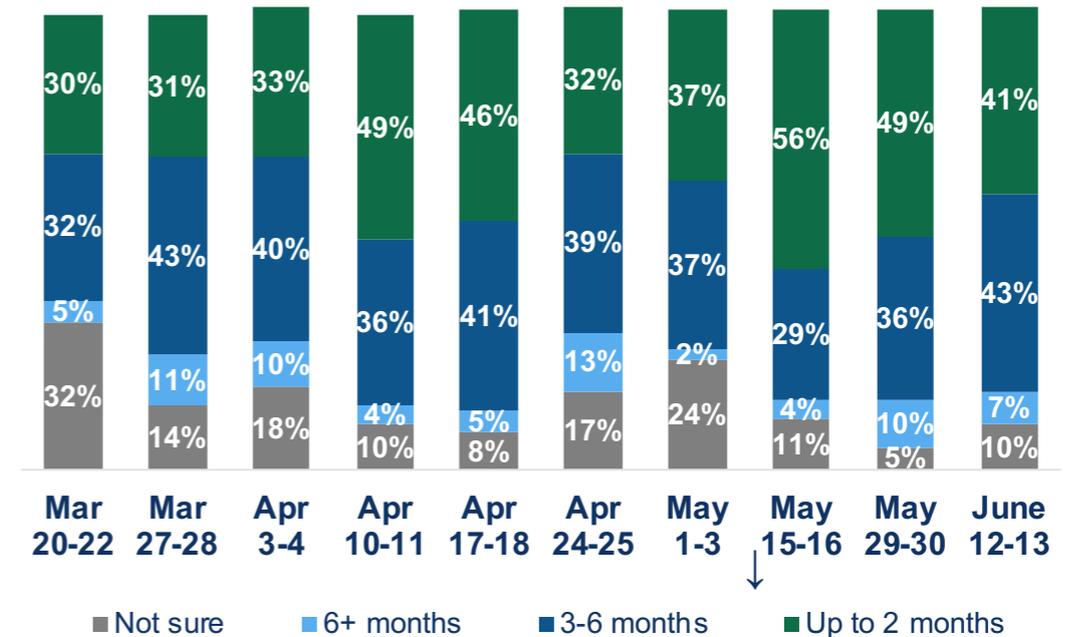


### Factors At Work

- General uncertainty in the market
- Civil unrest
- Continued unemployment concerns
- Potential for a 2nd wave

## Anticipated Delay in Vehicle Purchase\*\*

(among those planning to delay purchase)



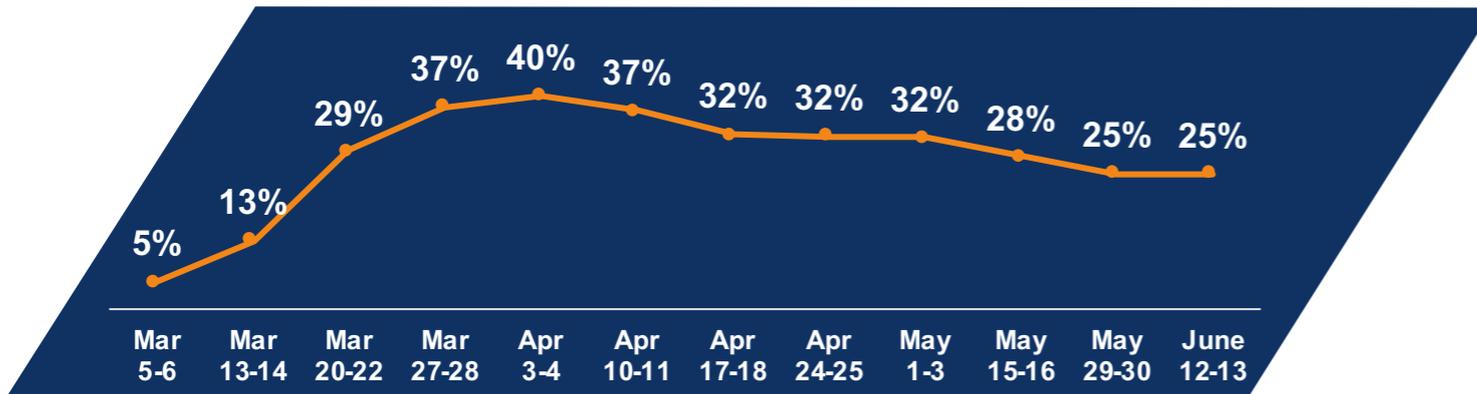
\*\*Among 6-month auto intenders who will delay purchasing/leasing a vehicle

\*Among 6-month auto intenders

Q10. Have you done, or do you think you will do any of the following because of the coronavirus? \*Note: Added "have done" in Wave 4  
 Q17a1. How do you anticipate the coronavirus will change the timing of when you purchase or lease a vehicle, if at all?

# A CHAOTIC ENVIRONMENT: Flattened the Decline in Service Delays

## Delaying Vehicle Service/Repair\* (% consumers that said "Yes")



## Types of Vehicle Service/Repair Being Delayed\*\*

**95%**

are delaying vehicle maintenance

**52%**

are delaying vehicle repair

Q10. Have you done, or do you think you will do any of the following because of the coronavirus? \*Note: Added "have done" in Wave 4  
Q18b. What type(s) of vehicle service/maintenance have you delayed or plan to delay?

\*Among vehicle owners

\*\*Among those who would delay vehicle service

# A CHAOTIC ENVIRONMENT: A Peak in Digital Retailing Activity

**81% / 78%**  
 (Franchise) (Independent)



**% of dealers are going beyond just conducting business in their physical location**

**77% / 45%**  
 (Franchise) (Independent)



**% of dealers with Digital Retailing solutions in place\***

Q24. How, if at all, is your dealership currently selling vehicles?

Q14. Does your dealership currently have a digital retailing solution in place?

# A CHAOTIC ENVIRONMENT: Changes the Buying Experience

How this experience compared to past experiences?

**58%** Much/somewhat better

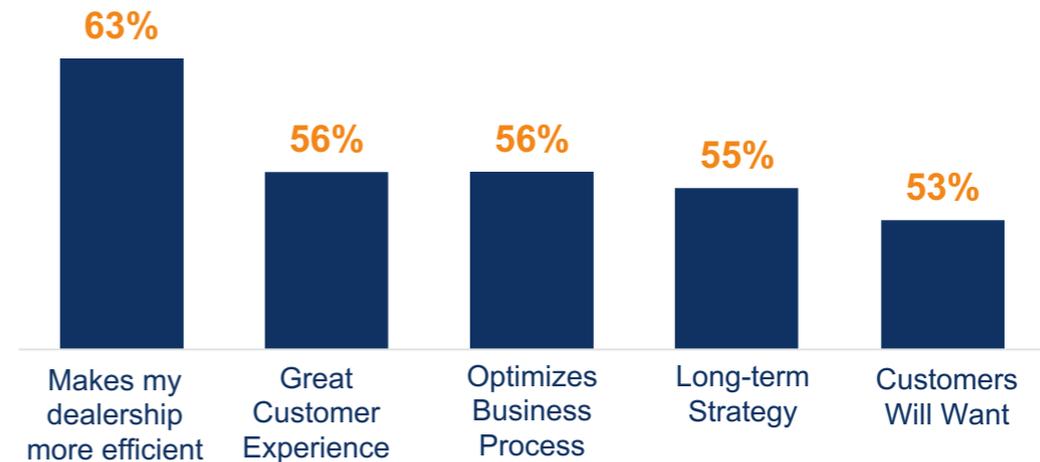
**35%** About the same

**6%** Somewhat worse

How was it better: Consumer Voice

- "It was way faster and easy."
- "Because of the coronavirus I believe the whole process was faster and the dealership was certainly less crowded."

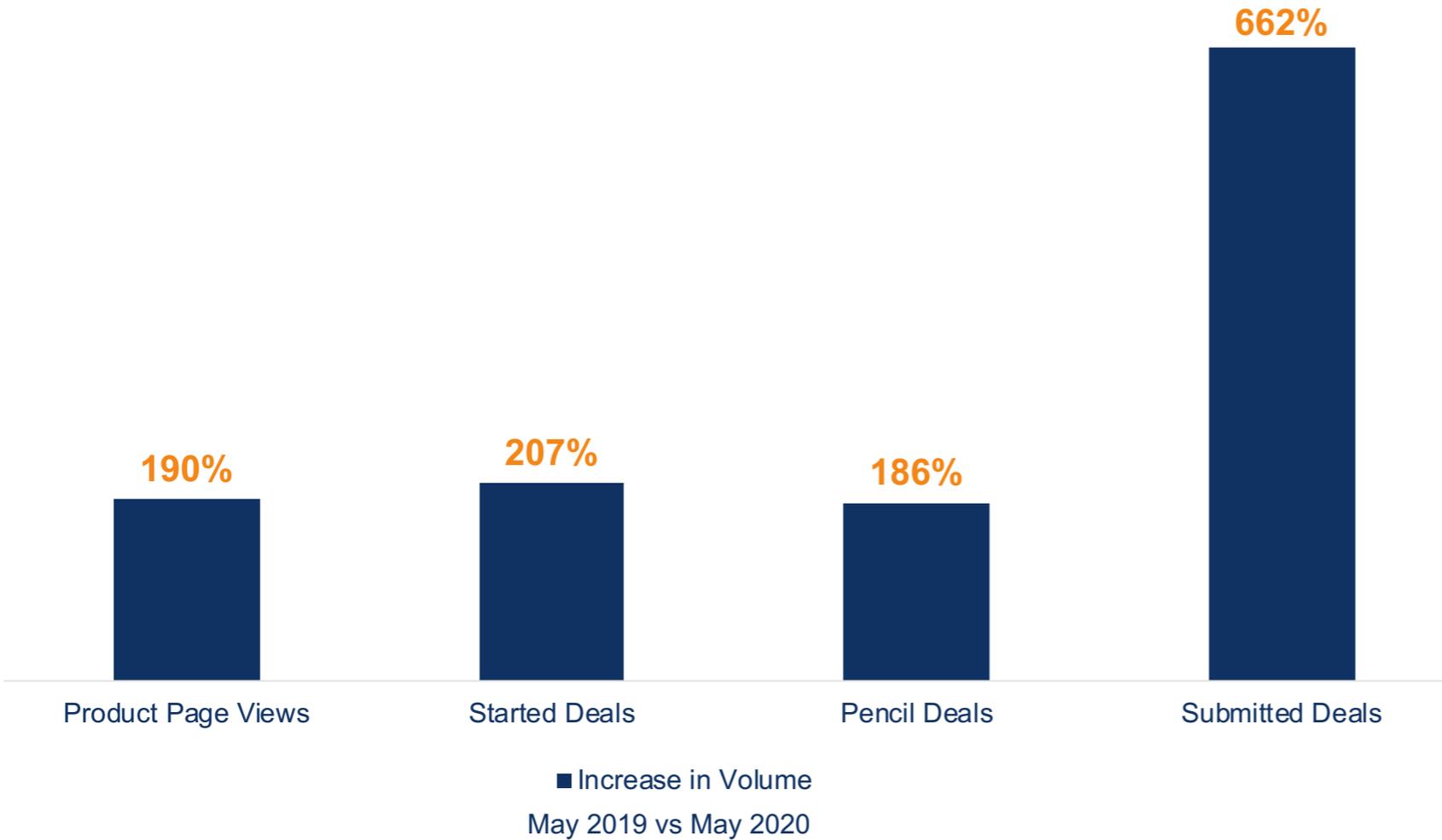
Top reason dealers plan to continue with Digital Retailing



Q11c. Overall, how did your recent vehicle purchase experience compare to the last time you purchased a vehicle?

Q11d. Why was your recent vehicle purchase experience better than the last time you purchased a vehicle?

# DIGITAL RETAIL KEY INDICATORS: Year-Over-Year Growth





# MID-YEAR REVIEW 2020: Outlook and Summer Playlist

Jonathan Smoke  
Resident DJ

2020  
FORECASTS

**12.9M**  
NEW SALES

**34.1M**  
USED SALES

**18.0M**  
USED RETAIL SALES

**2.0M**  
CPO SALES

**4.1M**  
LEASE MATURITIES

**3.4M**  
NEW LEASE  
VOLUME

**24%**  
LEASE  
PENETRATION

**1.3M**  
FLEET SALES

**+2.3%**  
MANHEIM USED  
VEHICLE VALUE  
INDEX

# LOOKING AHEAD: Our Summer Playlist



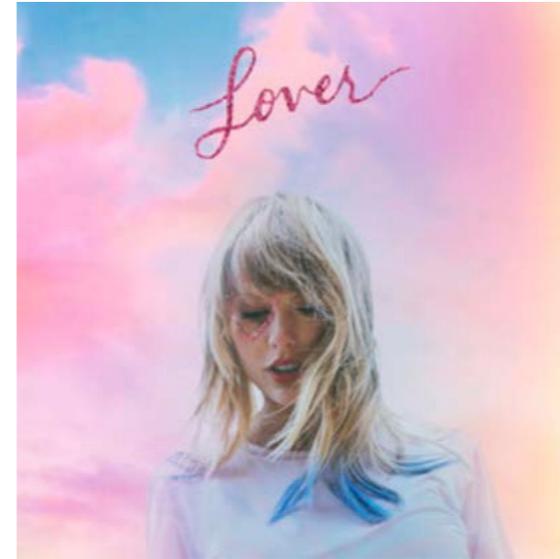
**Sunday Best**  
by Surfaces

A Salute To Dealer  
Optimism, Innovation  
And Resiliency



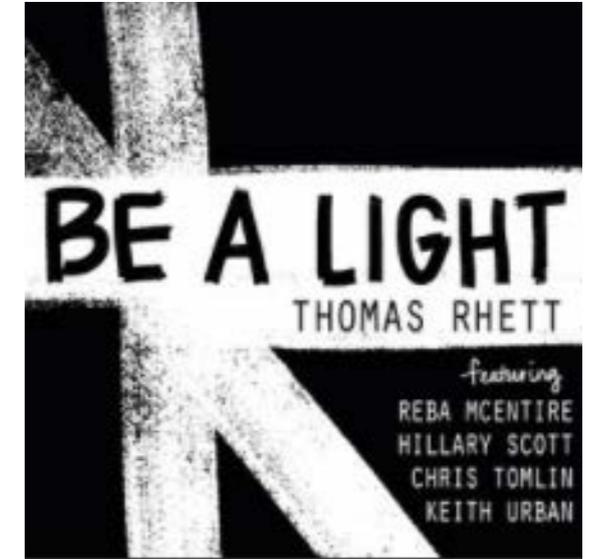
**Break My Heart**  
by Dua Lipa

Risk Of New  
Outbreaks In  
Many States



**Cruel Summer**  
by Taylor Swift

A Rocky Road Ahead  
with Everything from  
Unemployment to  
Election Politics



**Be a Light**  
by Thomas Rhett et al

Because It's The  
Right Thing To Do

# Q&A

# Thank You!

## Contact Information:

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