

Cox
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Market Insight Overview

April 2019

PHILIP NOTHARD
Customer Insight & Strategy Director - UK

“Welcome to the latest Market Insight Overview from Cox Automotive.

Every month, we provide automotive industry professionals with unique intelligence, supported by invaluable insight and market sentiment from our customers, that goes beyond the headlines to uncover what’s driving the new and used car sectors from wholesale, retail and funding perspectives. We hope our holistic analysis arms you with the essential knowledge needed to navigate the fast-paced, ever-changing automotive market.”

PHILIP NOTHARD

Customer Insight & Strategy Director - UK

Individually strong. Even better together.



Agenda

- Retail
- Wholesale
- Funding
- Outlook





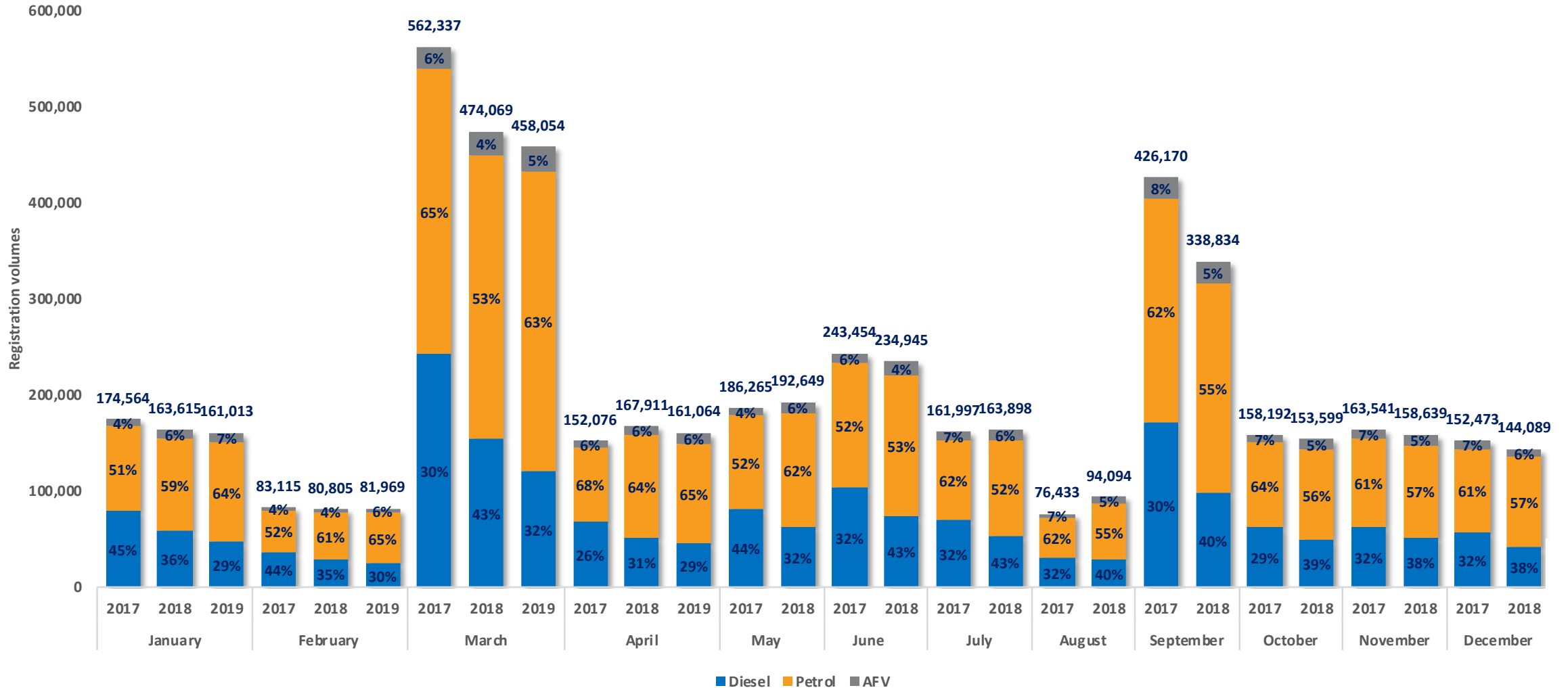
RETAIL



Retail

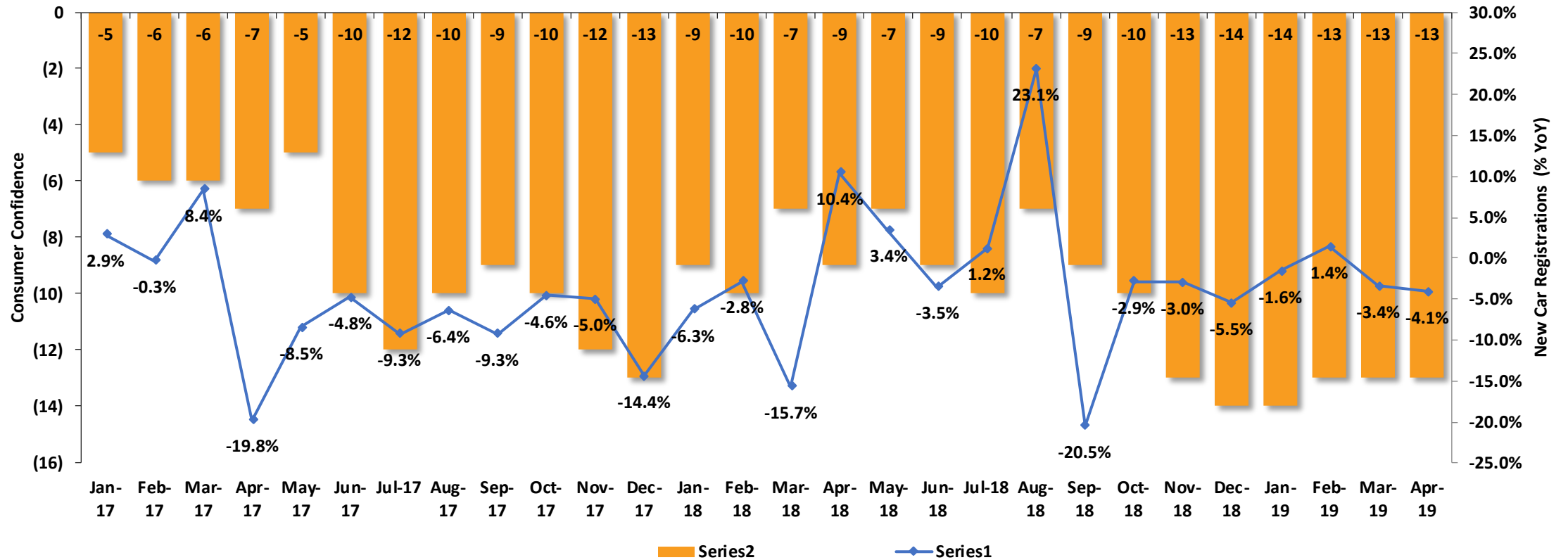
While April's new car figures may look disappointing, context is key, and when you take the prevailing economic and industry-specific headwinds into account, a fall of -2.7% year-to-date is actually a fairly solid performance

New Registrations - fuel type % share



SMMT show new car registrations down -4.1% in April, while the consumer confidence index in the UK held steady at -13 in April 2019, slightly below market expectations of -12

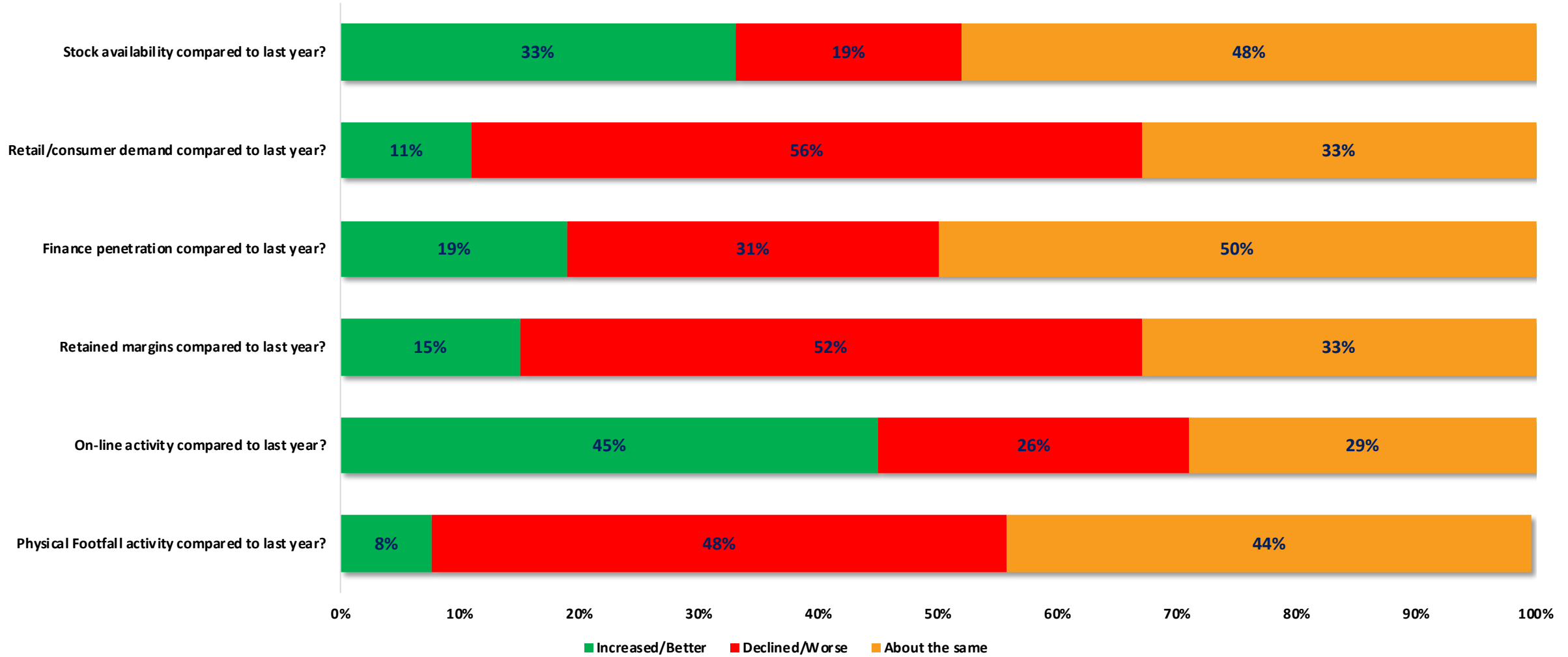
Consumer Confidence Index vs. New Vehicle Registrations



Retail



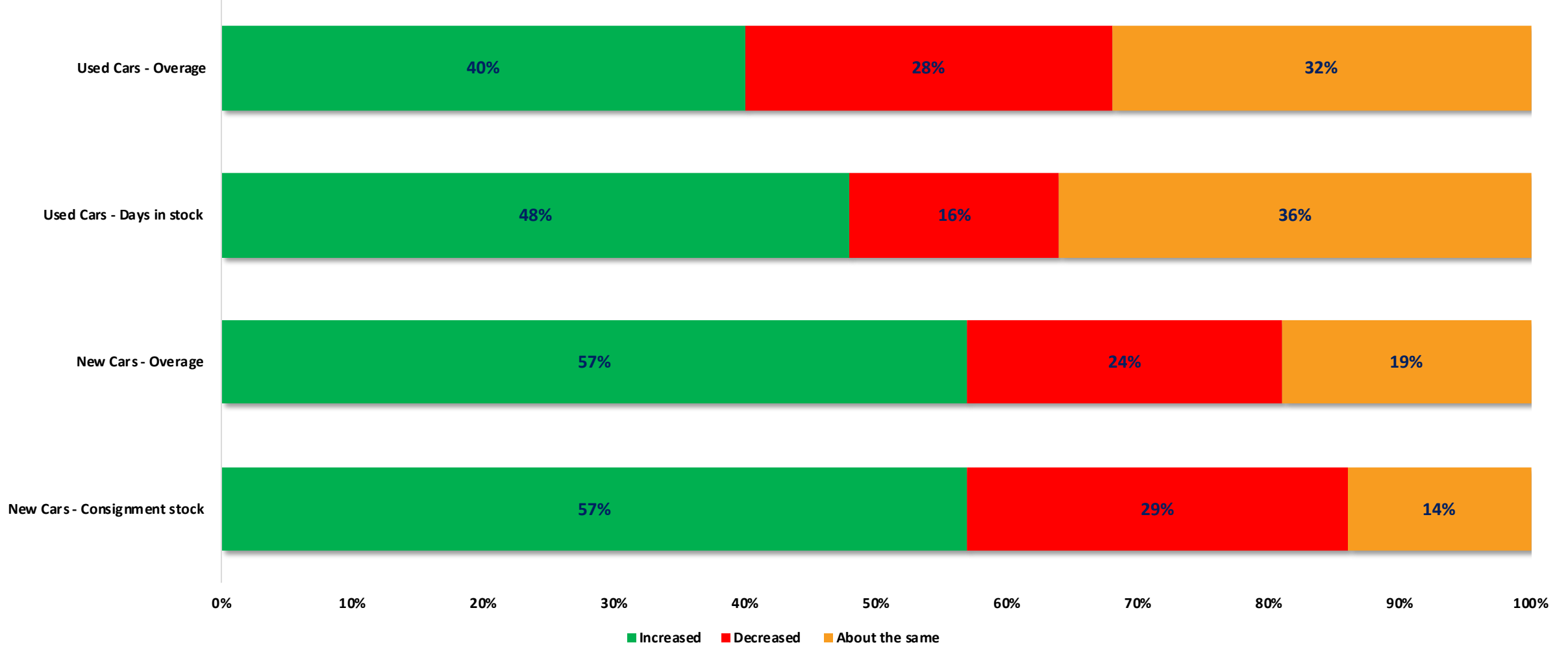
52% of dealers that responded to the Monthly Market Survey* reported a YoY margin decline in April, while 3% said margins had stayed the same, and just 15% reported an improvement



*State of the market dealer survey April '19

Retail

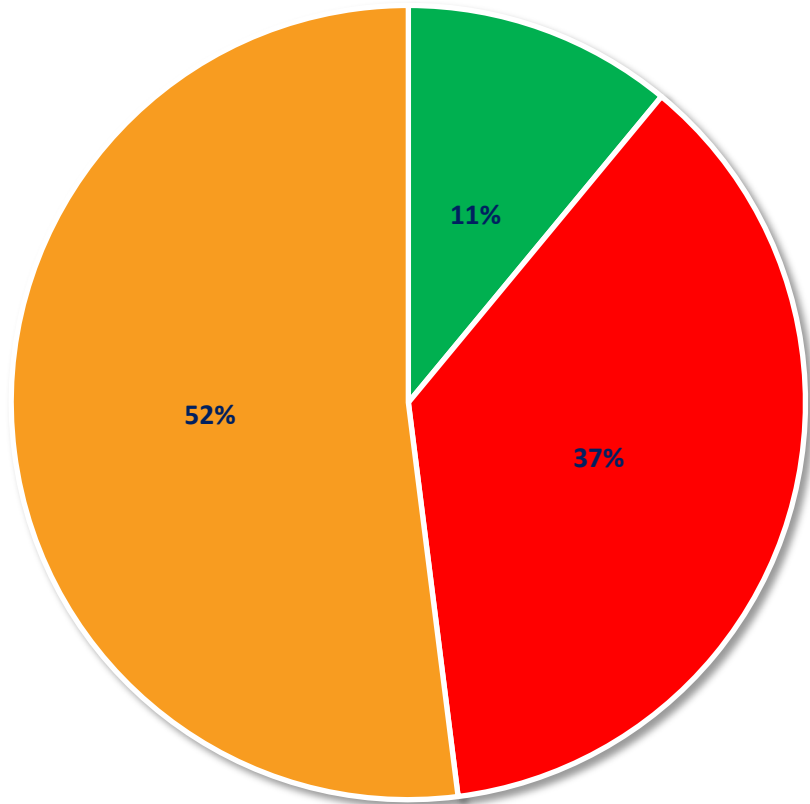
Challenges continue to face the new car market, as 57% of dealers indicate an increase in consignment stock. Used car strength shows signs of softening in April's Monthly Market Survey,* as 57% of dealers cite an increase in overage days in stock



*State of the market dealer survey April '19

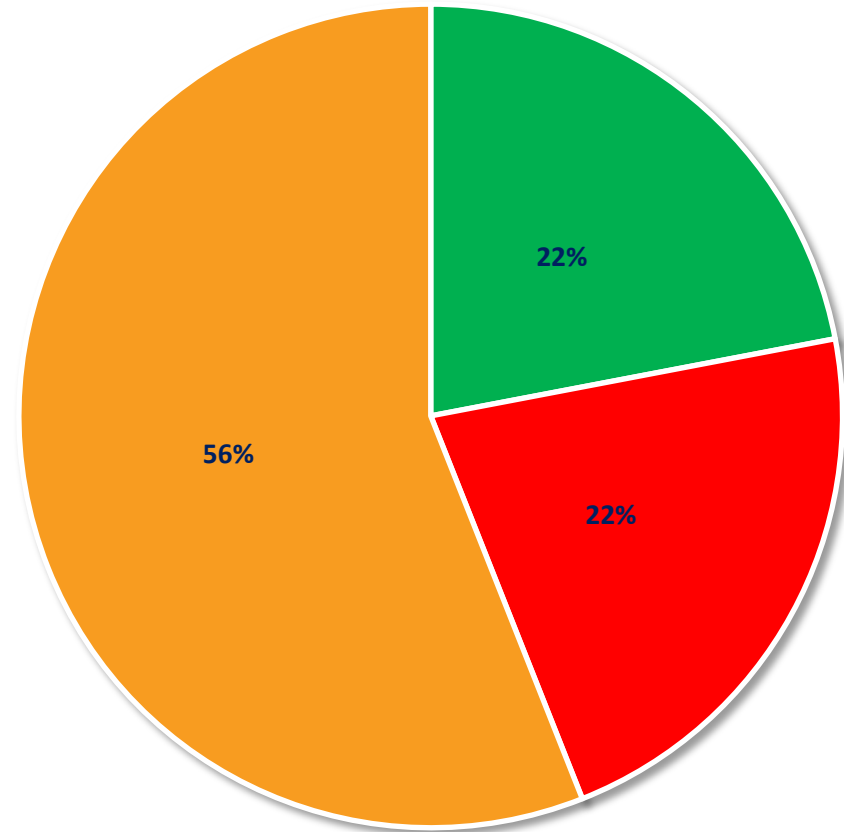
52% of dealers remain positive over the economic condition over the coming months whilst 56% are optimistic that sourcing stock will improve, as cited in the April Monthly Market Survey*

What are your expectations for economic conditions over the coming months?
(as a proxy for demand)



■ Improving ■ Declining ■ About the same

What are your expectations for sourcing used vehicles over the coming months (as a proxy for supply)?



■ Improving ■ Declining ■ About the same

*State of the market dealer survey April '19

RETAIL

Summary

- **While new car registration in the fleet market was up 2.9% in April, we know that this was largely driven by daily rentals, while traditional fleet and business sales are down around 9% YTD. This is a trend we expect to see continue**
- **Traditionally a quieter month than March, this April was also affected by the sunny weather over Easter, which undoubtedly affected consumer demand**
- **Reports that following Q1, there is increased activity and demand for marketing campaigns based on pre-registrations volumes, particularly from the European brands**
- **New car sales remain a key part of the story as an overall indicator of demand and a source of used inventory**
- **Looking ahead, the used car market remains robust and stable, and while we expect a softer market than we saw in Q1, we know there's still plenty of consumer demand for the right used cars**
- **Continued penalties on diesel vehicles in the new car market has also led to purchase deferrals as consumers wait for a greater choice of hybrid and electric vehicles from 2020 onwards**





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WHOLESALE

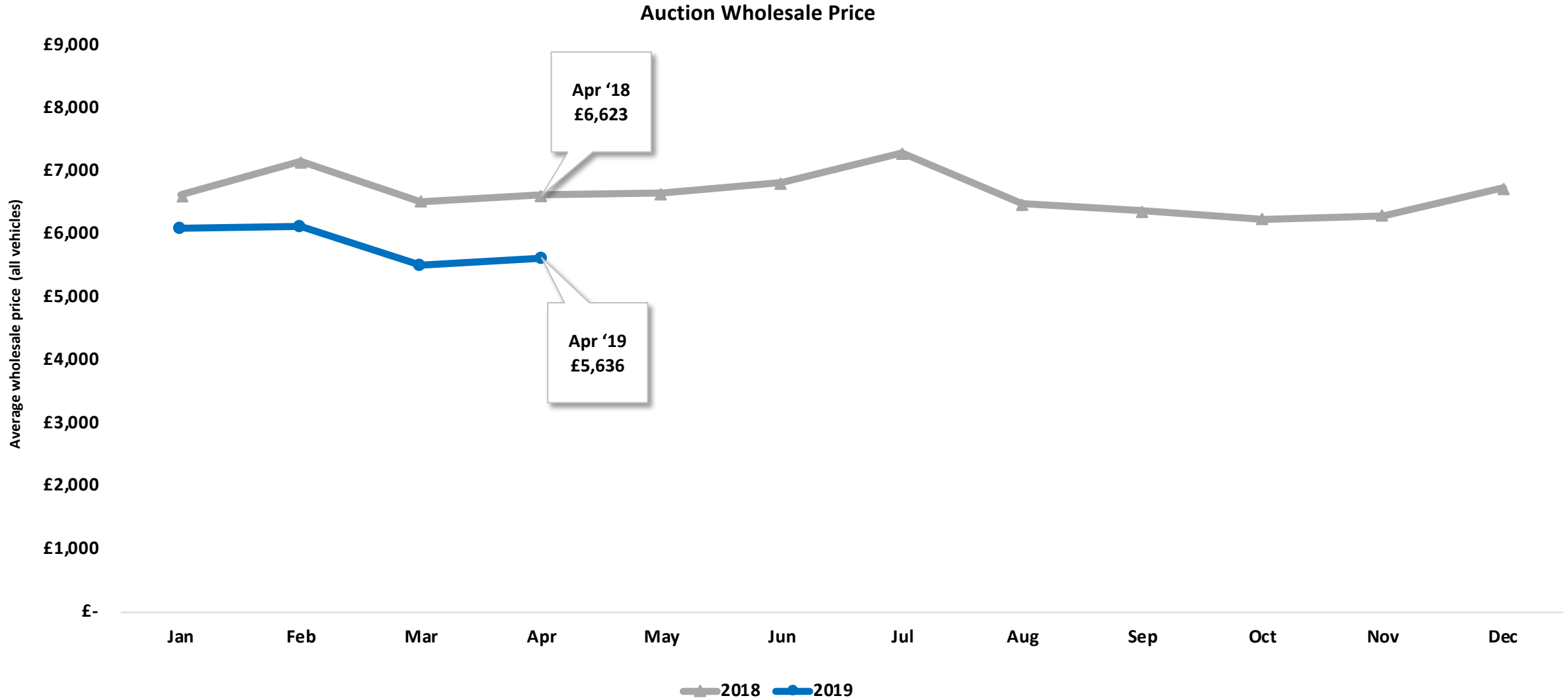


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Wholesale



Manheim saw vehicle volumes up slightly MoM, while the overall average price increased by 2.2%, although this is more likely to reflect a change in stock-mix than vehicle values



Wholesale

Average mileage for fleet vehicles sold through wholesale increased 22% YoY and 2.4% MoM whilst the overall mileages rose 15% YoY and 1.1% MoM



Average price

£5,636

↑ 2.2% MoM



Average age

87 months

↓ -0.6% MoM



Average mileage

69,368

↑ 1.1% MoM

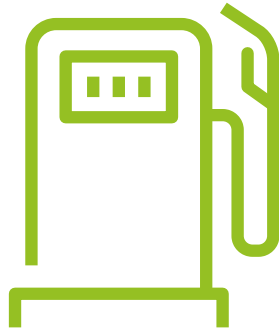


Wholesale

As with March's data, April showed a YoY increase in the average price of alternative fuel vehicles, whilst both petrol and diesel eased further as the reduction in the fleet product continues to influence the profile of vehicles



Wholesale Used Prices by Fuel Type



Petrol

£4,389

-13.4% YoY



Diesel

£6,753

-13.8% YoY

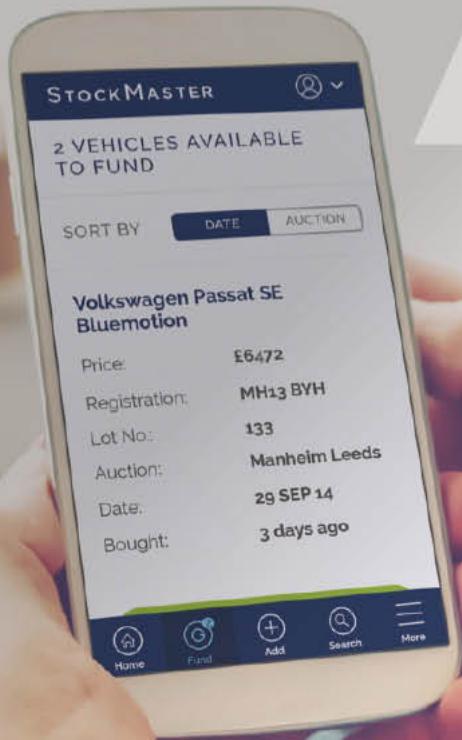


AVF

£10,424

4.1% YoY

- **WLTP uncertainty sees higher mileage cars hit the used market**
- **There is likely to be an influx of ex Manufacturer and Rental vehicles into the market soon which should ease the sourcing situation for Franchised Dealers and Car Supermarkets, but Fleet vehicles will remain in short supply throughout Q2**
- **Expectations that vehicle volumes will hold steady, and it's likely that sensitivity around price will remain, as both vendors and buyers adjust their expectations based on current market values**
- **Dealer-Auction.com report a 12% YoY increase in volume, a reflection of the increasing popularity of online wholesale channels**
- **Older Grade 4 and 5 cars have struggled to find homes because of the reconditioning investment, but ultimately Dealers have had to try and fill empty forecourt spaces**
- **Supply has improved in April and although the wholesale market has softened, there has been no material reduction in conversion rates that can occur in Q2, which suggests a current balance of supply and demand**

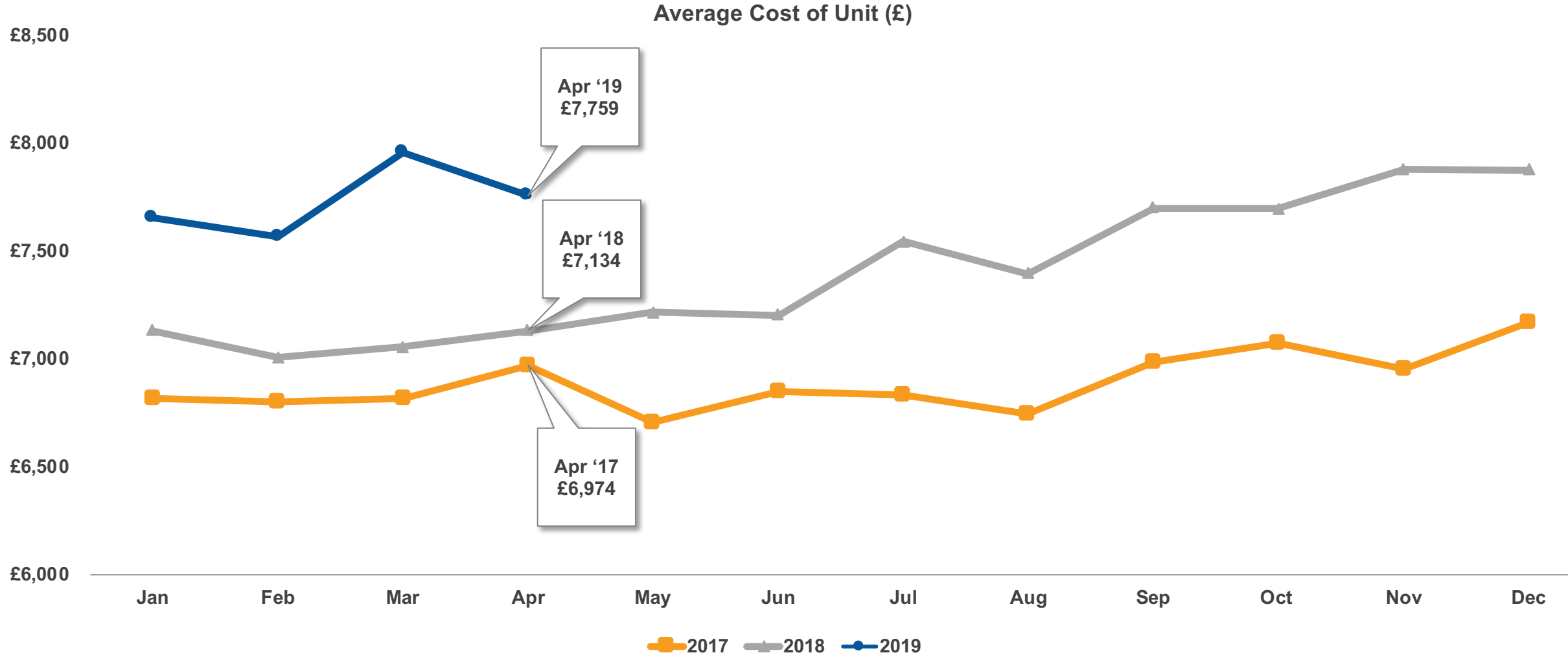


FUNDING



Funding

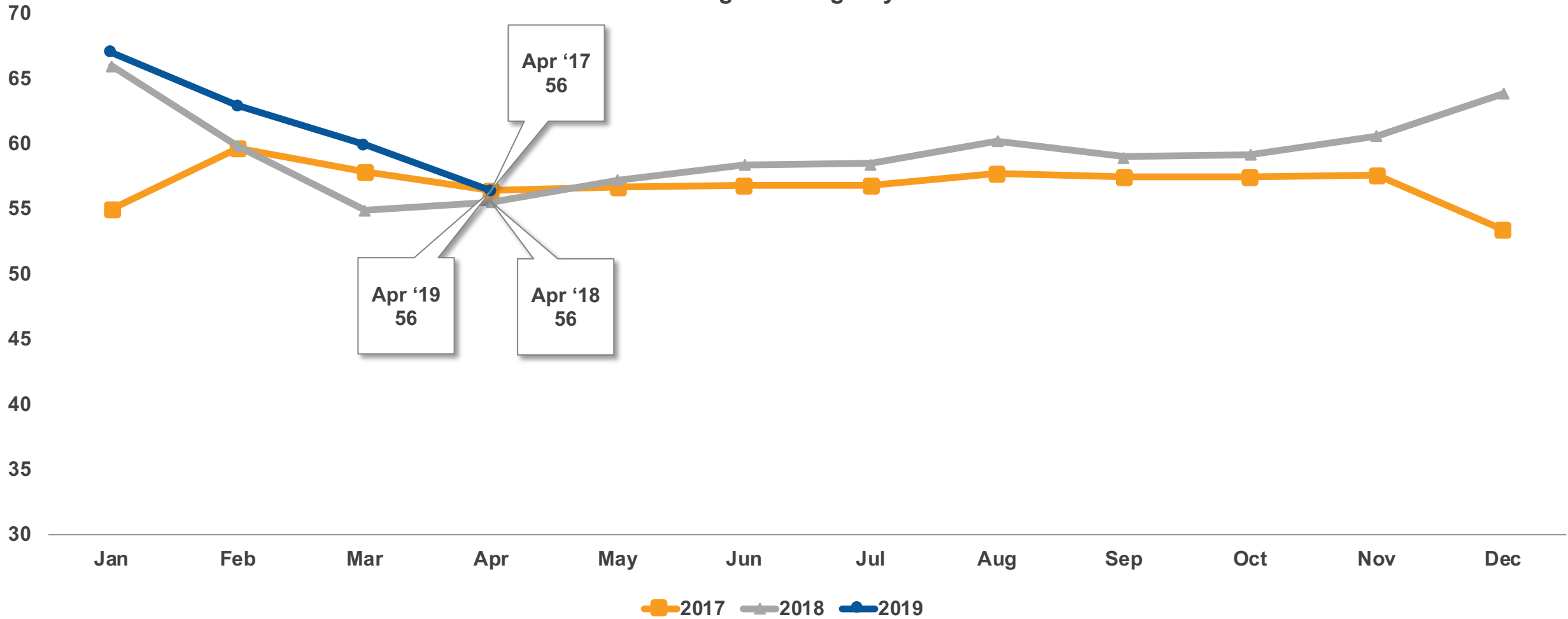
The average vehicle value drops slightly to £7,759 (down £200 MoM) whilst the average value in 2019 remains ahead of both 2018 and 2017



Funding

The average number of days in stock dropped to 56.4 (down -3.4 MoM), returning to levels experienced in 2018 and 2017

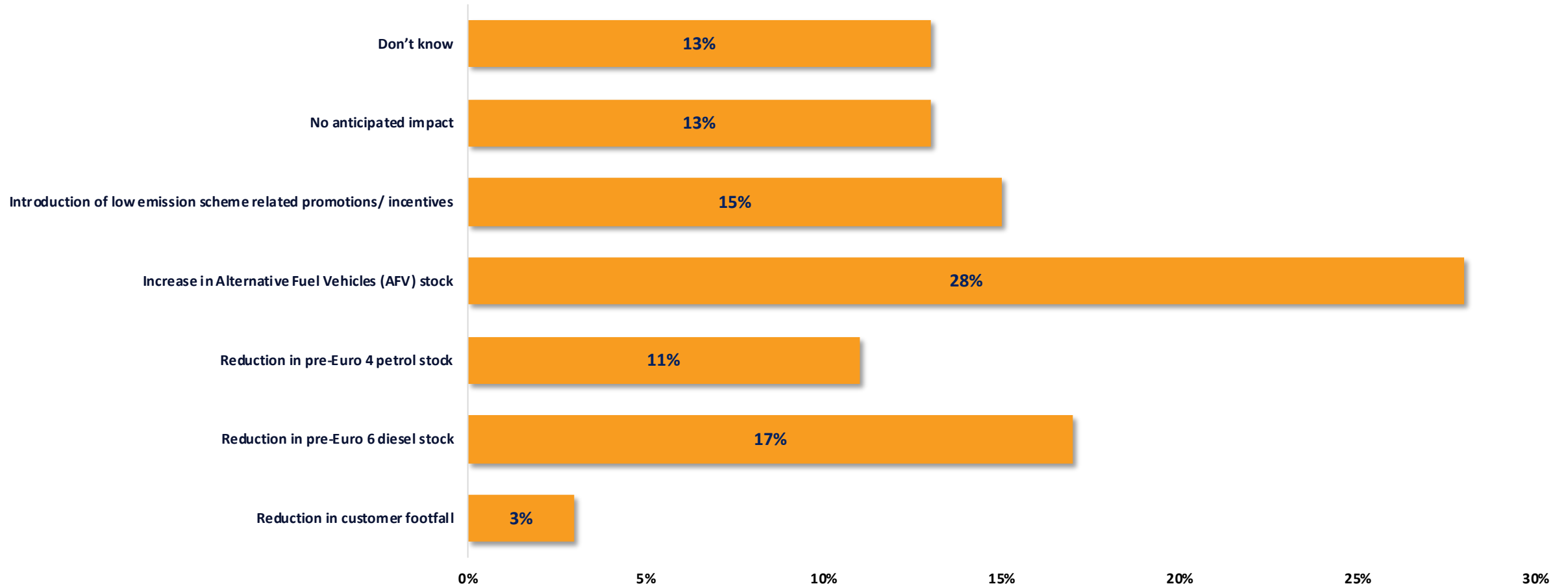
Average Holding Days



Funding

Almost one in three dealers are planning to increase their Alternative Fuel Vehicle (AFV) stock as a result of the newly introduced Ultra Low Emission Zone (ULEZ) and anticipated rollout of Clear Air Zones (CAZ)

The new Ultra Low Emission Zone (ULEZ) begins in London on April 8. Similar schemes in major cities around the UK will follow within the next 12 months. What impact, if any, do you think these schemes will have on your used car business?



Funding

The average age of funded units reduced marginally from the 6.5 years in 2018 to 6.1 years, while the average mileage increased to just over 60,000

April 2018



6.5 years

Ave. Age Funded



59,987

Ave. Mileage

April 2019



6.1 years

Ave. Age Funded



60,634

Ave. Mileage

The background features a dynamic, abstract composition. On the left, there are vibrant light trails in shades of blue, orange, and red, suggesting motion and energy. A large, white, triangular shape cuts across the center, creating a clean space for the text. On the right, there are several overlapping, horizontal bars in shades of blue and orange, adding a modern, layered aesthetic.

OUTLOOK

Increasing appetite for
Manufacturers and
Dealers to embrace
eCommerce

Demand grows for
advanced vehicle
imagery solutions to
drive online buyer
confidence

Dealers investing in PPC
advertising to drive sales
as consumers turn to
online for their next
vehicle

Wholesale Outlook

Our viewpoint – 2019 the wholesale market



Demand for retail-ready stock will drive efficiencies in vehicle services, assisted by enhanced imagery

An increasingly agnostic approach to physical and digital sales streams will emerge to complement changing buyer behaviours

Buyers will expect increased transparency to drive stock confidence, leading to more detailed vehicle descriptions and assurance checks

Funding Outlook

Our viewpoint – 2019 the funding market

A strong appetite for growth means cash flow remains a priority for dealers

An increased focus on digital integration is helping dealers to purchase stock hassle free from a variety of sources

Ease and flexibility remains key for dealers



THANK YOU

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