Market Insight Overview

December & FY 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."

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Customer Insight & Strategy Director - UK

Individually strong. *Even better together.*

NEXTGEAR CAPITAL
dealerauction
MANHEIM
Modix
COX AUTOMOTIVE

Agenda

- Retail
- Wholesale
- Funding
- Outlook

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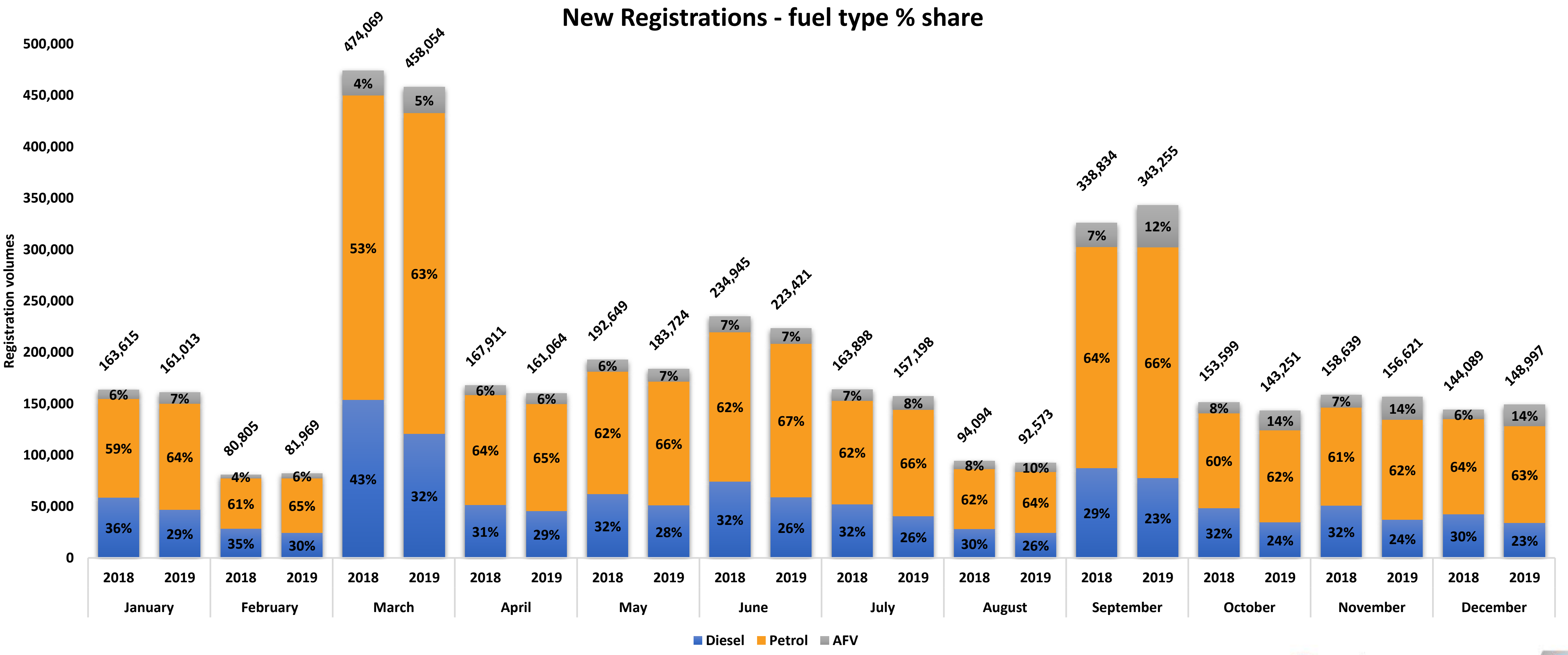
RETAIL

Retail

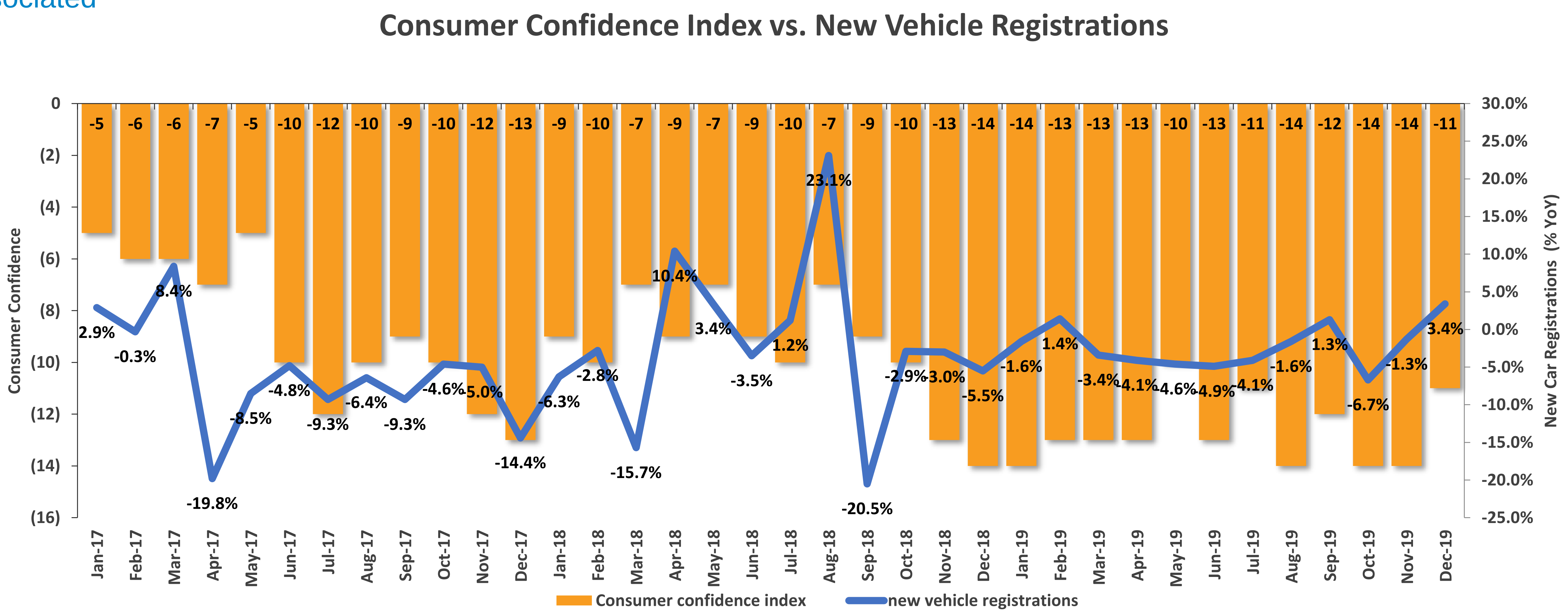
UK new car registrations fell -2.4% in 2019 to 2.3 million units. Although December ended the year on a positive with overall demand up +3.4%, figures suggest increased levels of tactical registrations due to pressures on market share and the 2020/21 CAFE legislation and the focus of many of the manufacturers on their EV volumes



Source: SMMT

Retail

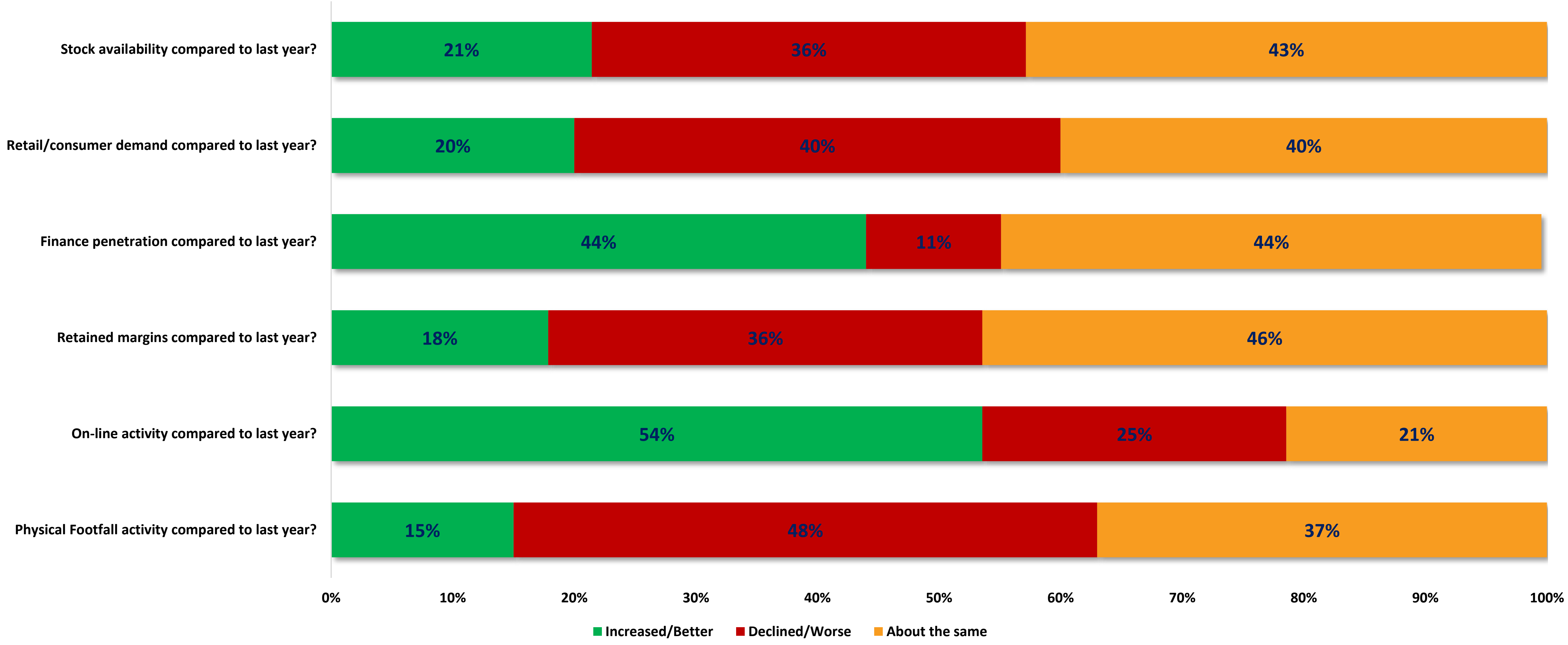
Consumer Confidence Index increased three points to –11 for December. Four measures increased, with the general economic situation increasing 7 points, and one measure decreasing. Although a similar hint of a positive market as the new car registrations, we know due to tactical strategies they are not necessarily associated



Source: SMMT & GfK

Retail

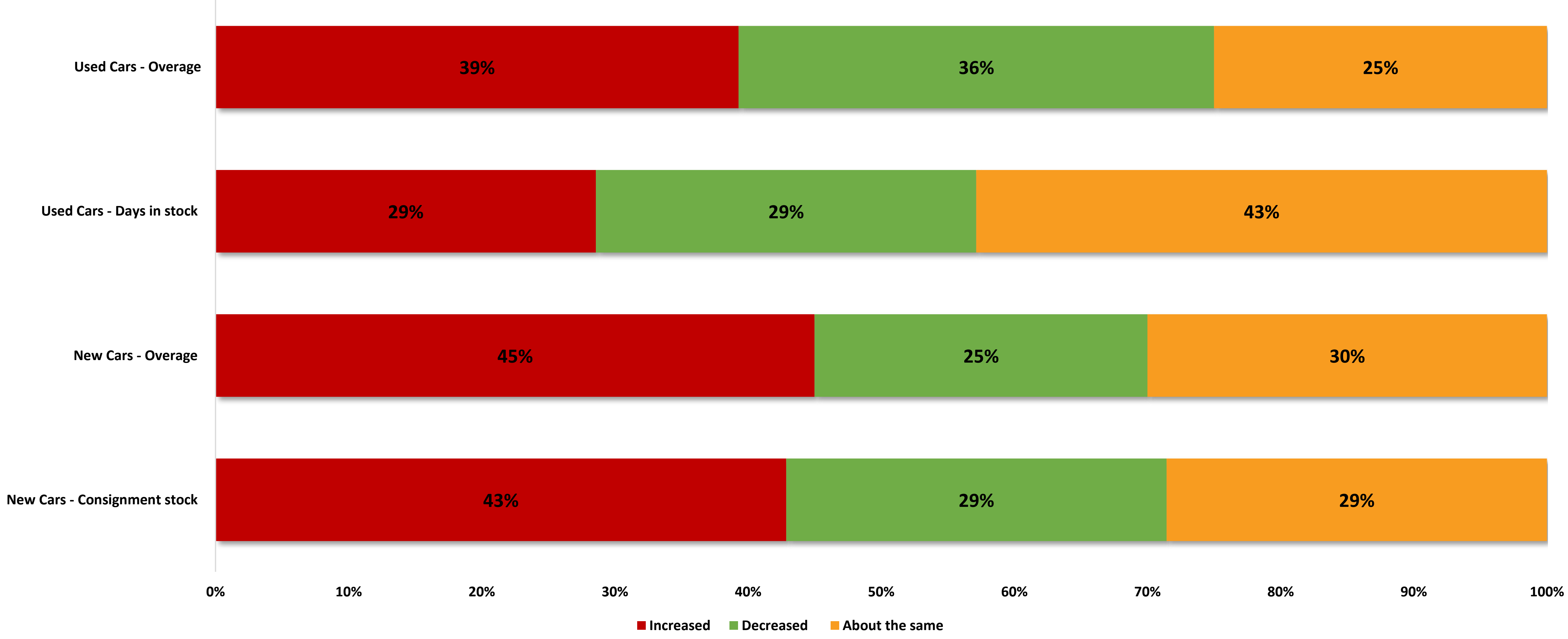
The latest dealer sentiment survey* from Modix, the digital marketing arm of Cox Automotive, reflects a challenging month for dealers in December, with over a third (36%) reporting a decline in margins and almost half (48%) citing a decline in footfall for the month



*State of the market dealer survey December '19

Retail

New car registration pressures are reflected in the December Monthly Market Survey*, as 43% of dealers* reported an increase in consignment stock, and 45% citing increased overaged new car stock. However used cars look more favourable, as 36% report a decrease in overage and 29% cite that the days in stock reduced as we entered 2020

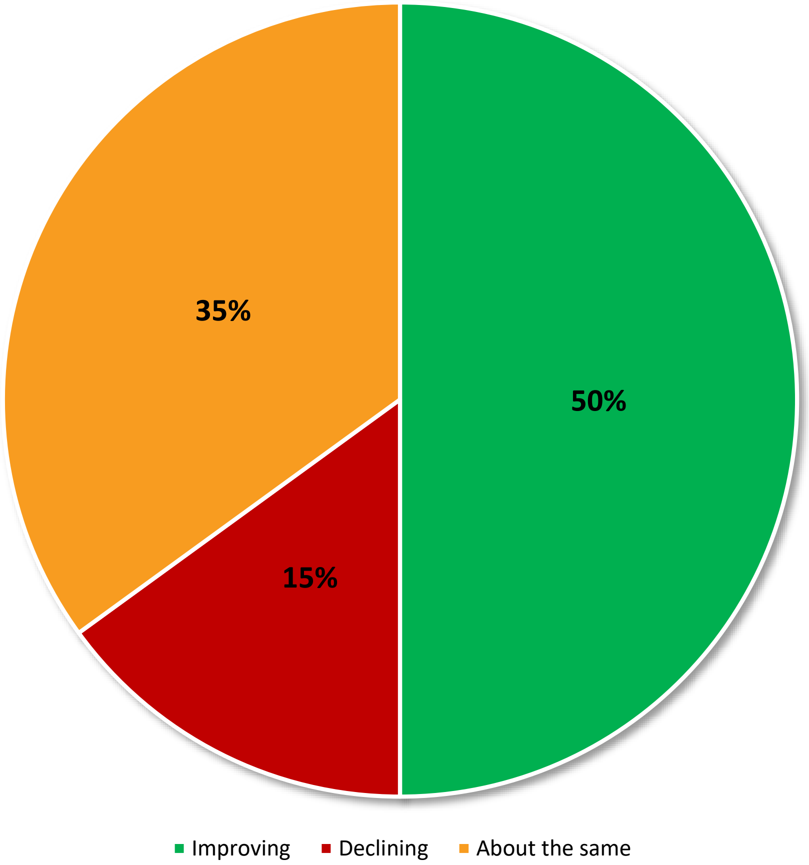


*State of the market dealer survey December '19

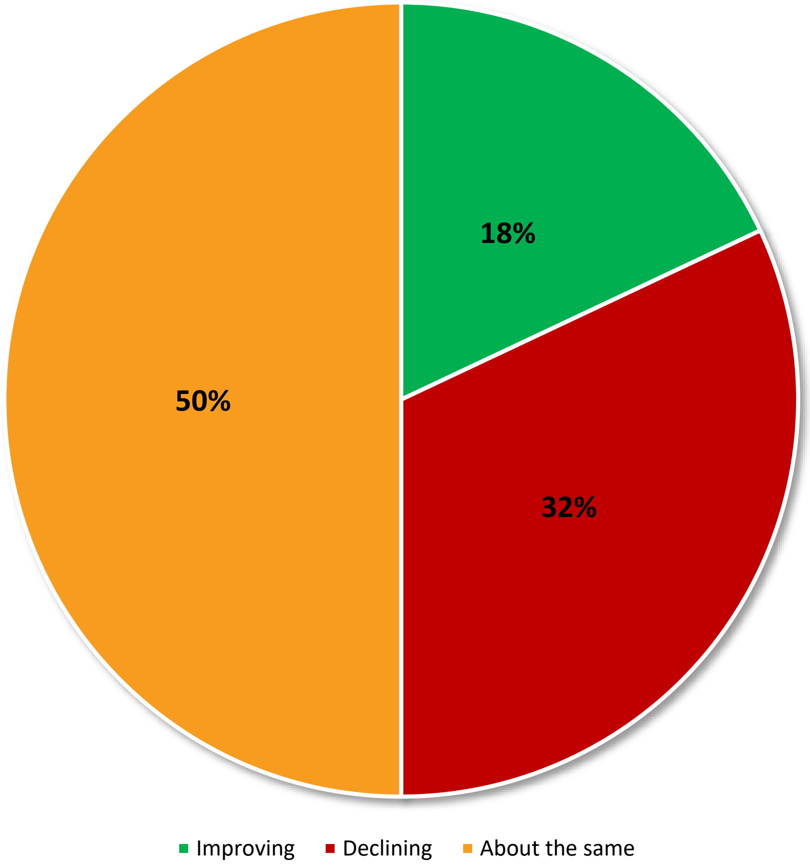
Retail

As with the positive move in the December Consumer Confidence Index, December Monthly Market Survey* cited a more positive economic outlook for the coming months, as 50% of dealers felt it will improve and 35% cited it will remain the same. Additionally, 50% reported that they expected sourcing stock to remain the same whilst 18% felt it could improve

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



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



*State of the market dealer survey December '19

RETAIL

Summary

- **2019 has been described as a roller-coaster year by many dealers across the sector, which has been reflected in many of the price and activity indicators**

- **The headline figure of the SMMT results is the 2019 year-end -2.4% decline, it's worth noting registration activity in December, the "quietest" month of the year, which was up 3.4%. Many brands seeing 20-40% growth, suggesting increased tactical/pre-regs activity ahead of the CAFE legislation**

- **The latest dealer sentiment survey from Modix, the digital marketing arm of Cox Automotive, suggests December was a challenging month for dealers**

- **First-time conversation declined slightly by -1.5%; however, it remained +3.0% compared to the same period in 2018 reflecting the supply and demand balance**

- **Data from Manheim reveals that average prices for petrol and diesel fell in line with the overall wholesale market. AFV continue to fluctuate due to both volumes and new entrants, as Hybrid prices rise 102.9% year-on-year and EVs increase 9.4% compared to November**

*State of the market dealer survey December '19

MANHEIM

WHOLESALE

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Wholesale

In December, Manheim reported average age and mileage remained relatively stable, showing little movement either MoM or YoY, with vehicles continuing to hover around the 6.5 to 7-year age bracket and just under 10,000 miles per year. And the average sold price at Manheim of £6,360 saw the year close out with the expected seasonal decline, down -3.1% MoM and -5.6% YoY

Average price	Average age	Average mileage
£6,360	**80.8 months**	**61,431**
-5.6% YoY	**+3.5% YoY**	**+0.6% YoY**

Wholesale - Fleet

Manheim reported the final month of the year was also marked by marginally older, higher mileage vehicles, with average mileage up +9% YoY and +0.2% MoM to 38,406 miles. with average prices down -4.8% YoY and -8.6% on November

Average price

£9,765

-4.8% YoY

Average age

40.7 months

+1.1% YoY

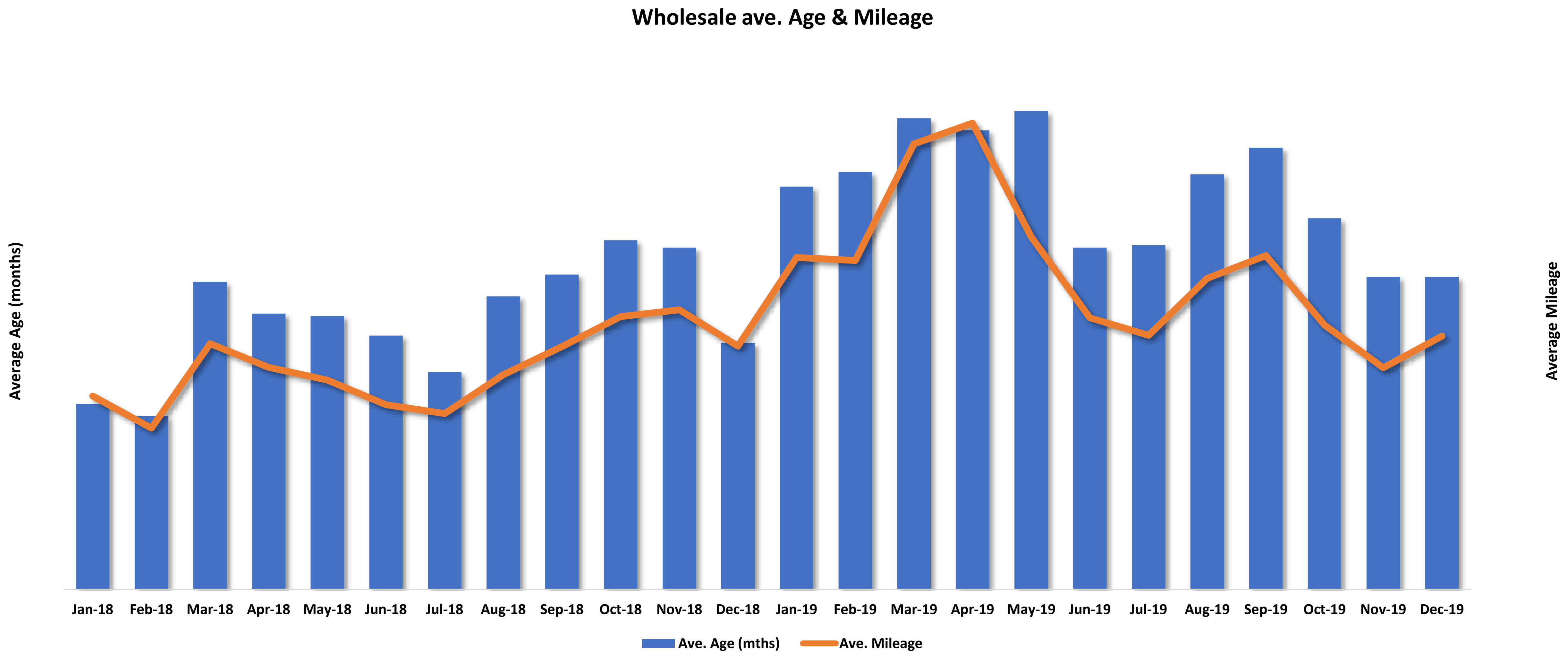
Average mileage

38,406

+0.2% YoY

Wholesale

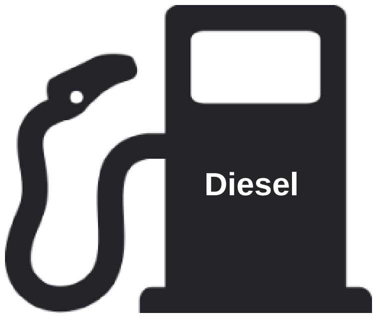
Both average mileage and age of stock within the wholesale sector in 2019 track ahead of 2018. With the average of 84.3 months compared to 79 (up +5.3) and average mileage 63,923 compared to 60,209 for 2018 (up +3,715)



Wholesale

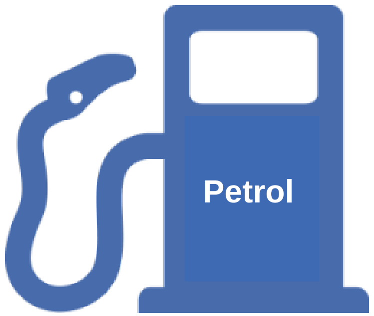
Average diesel values in the wholesale market continue to decline, according to data from Manheim, with the reduction in newer used diesel models entering the sector. This is a trend which is likely to continue for the foreseeable future. Indeed, the MoM declines for both petrol and diesel are reflective of the market

Wholesale Used Prices by Fuel Type



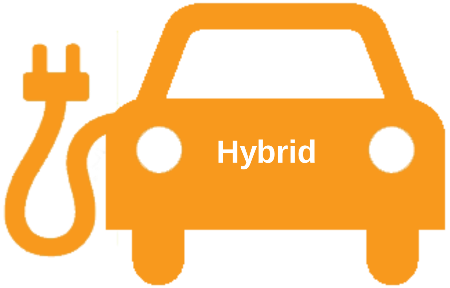
£7,394

-10% YoY



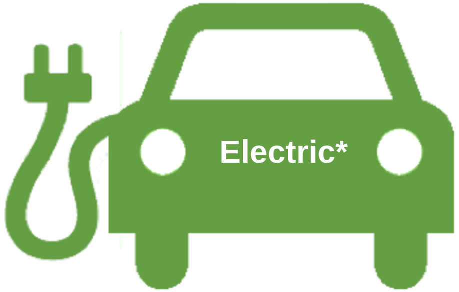
£5,145

+0.3% YoY



£13,325

+102.9% YoY*



£13,426

-28.5% YoY*

*Hybrid & EV £/% movements relative to lower volumes observed vs. ICE vehicles

Wholesale

The top 4 positions remained fixed throughout 2019 with switching taking place monthly in the bottom 6 places. The VW Golf finishes the year ahead of the Fiat 500 whilst the Audi A3 is pushed to 10th place

MANHEIM

1. Ford Fiesta
2. Ford Focus
3. Vauxhall Corsa
4. Vauxhall Astra
5. Volkswagen Golf
6. Fiat 500
7. Nissan Qashqai
8. Mercedes-Benz C Class
9. BMW 3 Series
10. Audi A3

*Manheim wholesale volumes all plates and mileages – Full-year ‘19

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WHOLESALE

Summary

MANHEIM

- Fleet wholesale volumes increased +1.2% Year on Year (YoY), with green shoots in the final month of the year as Month on Month (MoM) volumes rose +1.2%
- The trade-to-trade auction platform Dealer Auction.co.uk, reported volumes sold remained static YoY while conversion rates increased by +1.5% and Cap Clean performance also increased by +1% YOY
- Volumes down as vendors and retailers hold on to stock ahead of New Year
- Wholesale markets saw average prices fall, down -3.1% month-on-month and -5.6% year-on-year
- Quality remains key. If cars are presented and priced correctly, they will generally find a buyer in the auctions. As always, retail-ready standard vehicles will perform well, as buyers look to maximise turnover and reduce days in stock
- Looking ahead to 2020, expect the recent implementation of the CAFE legislation and Regulation (EU) 2019/631 to play a significant role in the behaviour of manufacturers, who must develop on a global scale an increased emphasis on reducing carbon emissions, and focus on meeting stringent 2021 targets

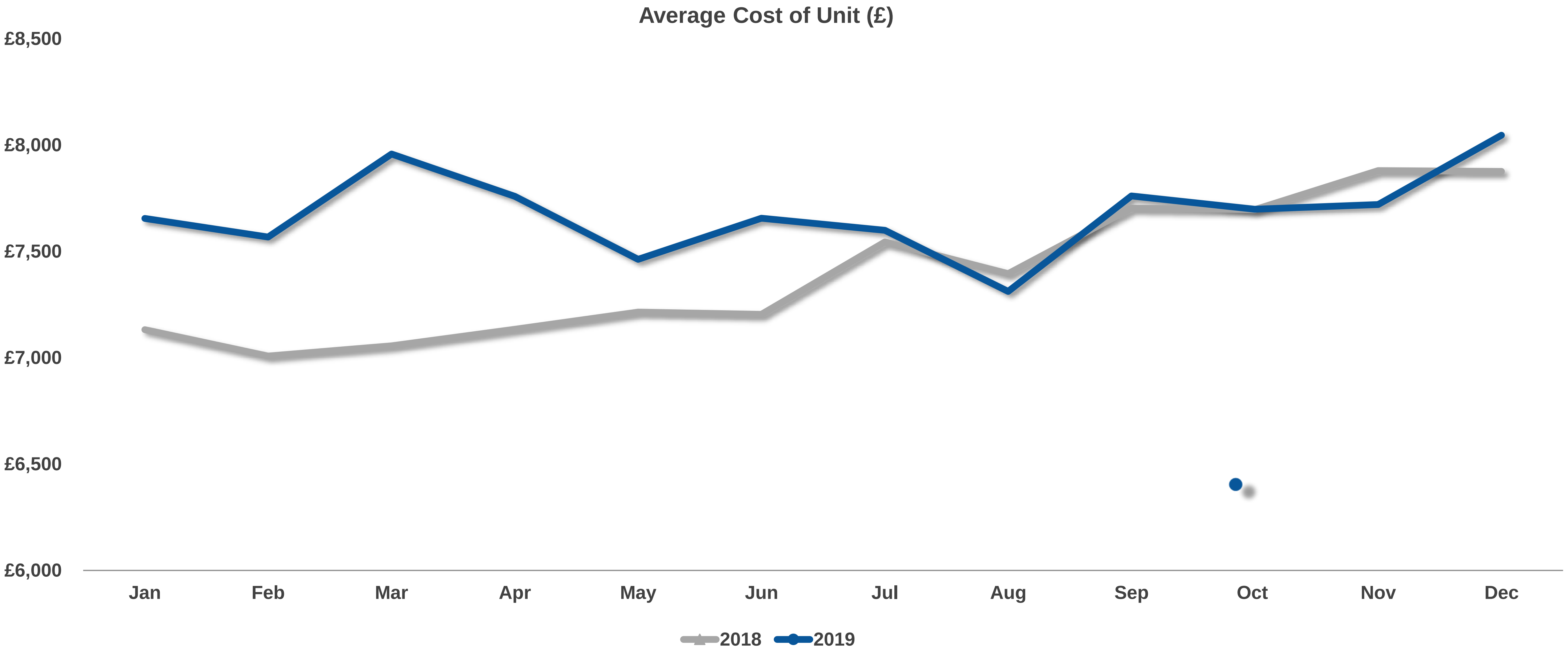
*State of the market dealer survey December '19

CAPITAL

FUNDING

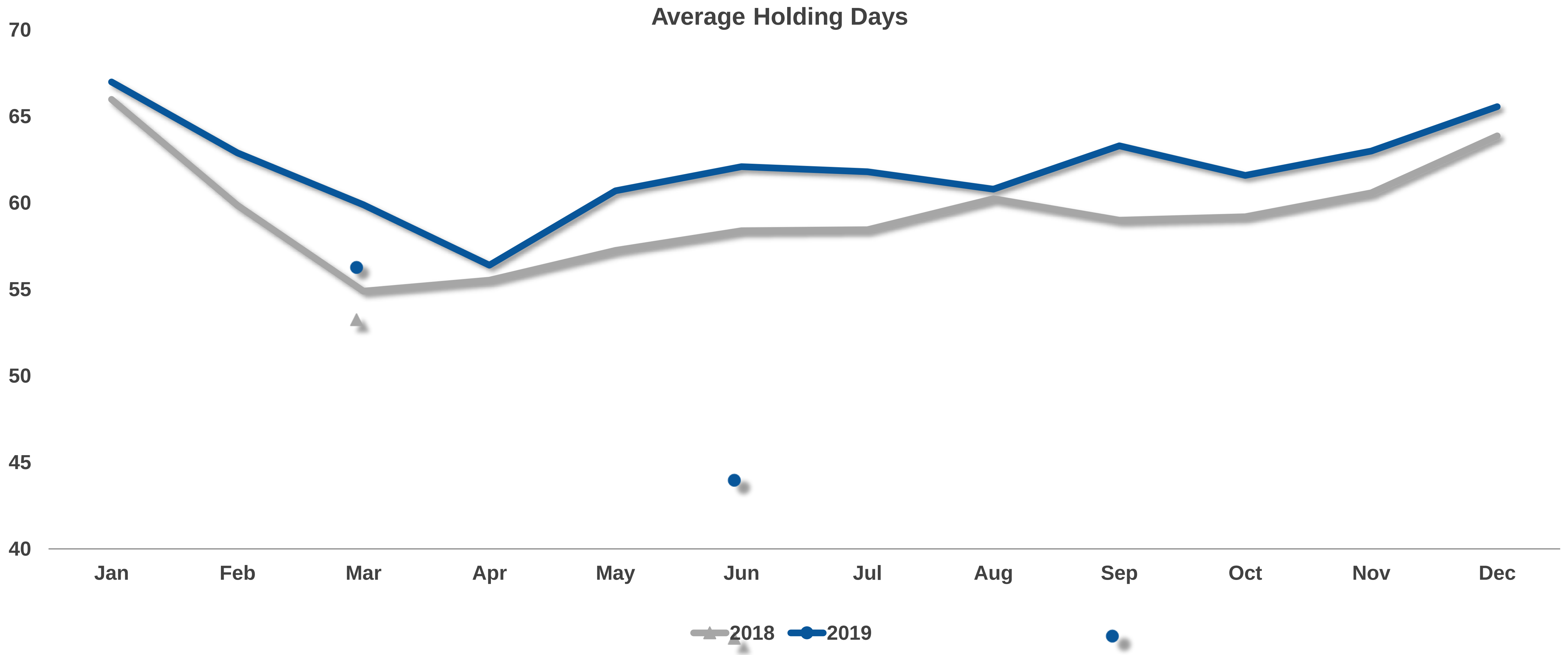
Funding

NextGear Capital, the leading provider of wholesale stock funding, saw the average cost of units funded track ahead of 2018 for the first half of the year before levelling to track at a similar YoY level throughout H2 and finishing the year at £7,679.88



Funding

The average number of days in stock increased to 65.6 (63 November 2019 and 63.8 December 2018). Continuing to reflect the increased days in stock in retailers profile observed throughout 2019 compared to 2018



Funding

Data from NextGear Capital, reports the average mileage declined marginally MoM to 61,014 and age remained broadly stable at 6.2 years, the same as the previous month. Average holding days rose +2.6 MoM, up to 65.6. Overall, both the age and mileage eased slightly 2019 compared to 2018

2018		2019	
6.3 years	**60,887**	**6.2 years**	**60,557**
Ave. Age Funded	Ave. Mileage	Ave. Age Funded	Ave. Mileage

THANK YOU

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