

The Market Landscape

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Presentation Overview

/ Current Market

- New Cars – UK
- Used Cars – UK
- New & Used – EU/International

/ US Recovery

/ Outlook

Current Market

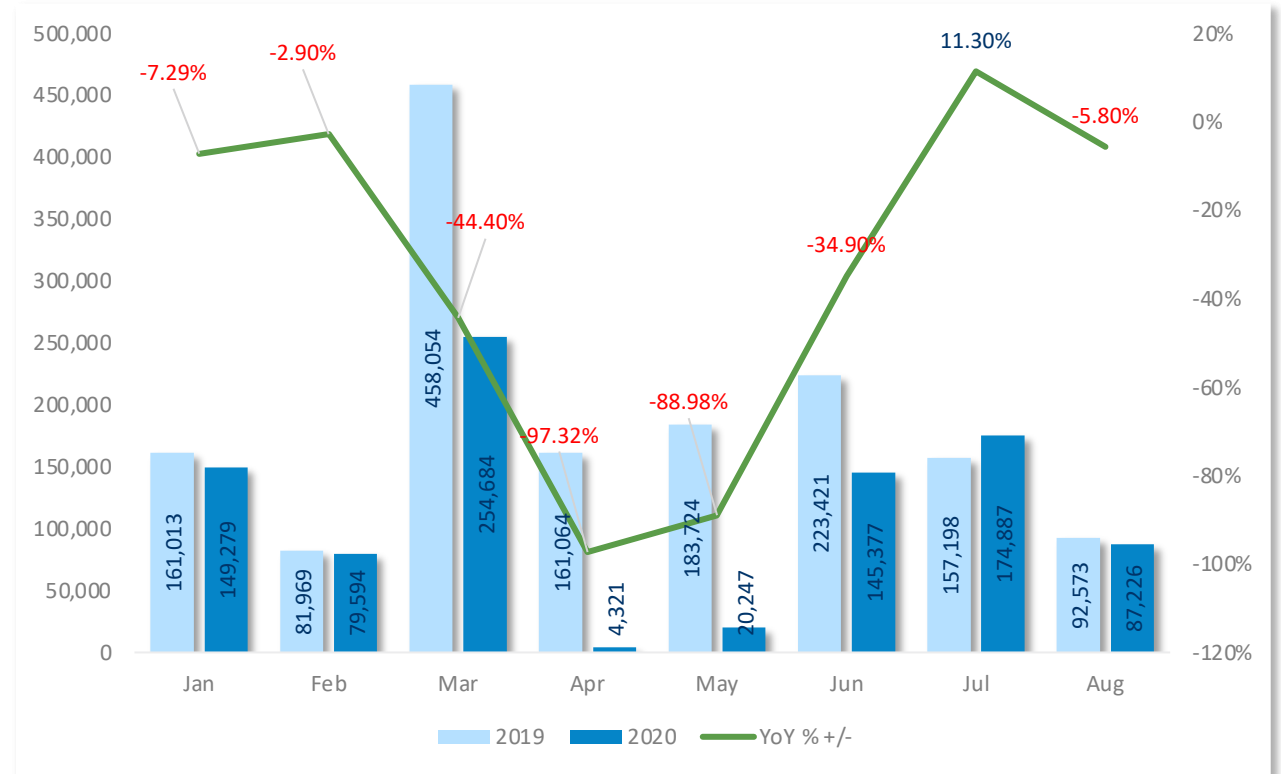
New Cars - UK

New car market - UK

Registrations currently down **-39.7%** YTD and the SMMT forecast **-30%** down by end of 2020

- Lost 600k registrations during COVID-19 lockdown and YTD
- Production constraints for OEMs due to lost efficiencies and supply chain issues
- SMMT reduce the 2020 full-year outlook to **-30%**, representing more than £20 billion of lost sales
- Rental experience new consumer behaviours and vehicle usage
- Order take healthy across the network, but concerns remain regarding supply
- OEMs focus on maximising 2020 recovery ahead of the threat of tariffs

Registrations 2019 vs. 2020



Source: SMMT

Current Market

Used Cars - UK

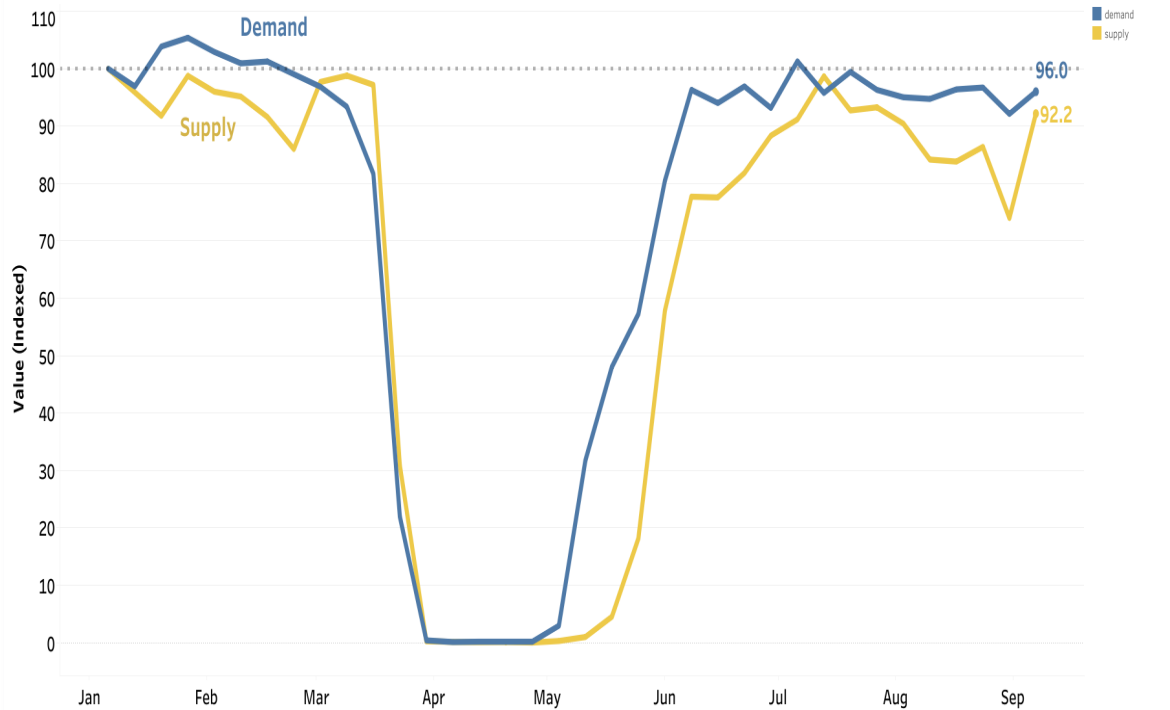
Wholesale activity



Caution increases on Q4, whilst values remain healthy with supply constraints

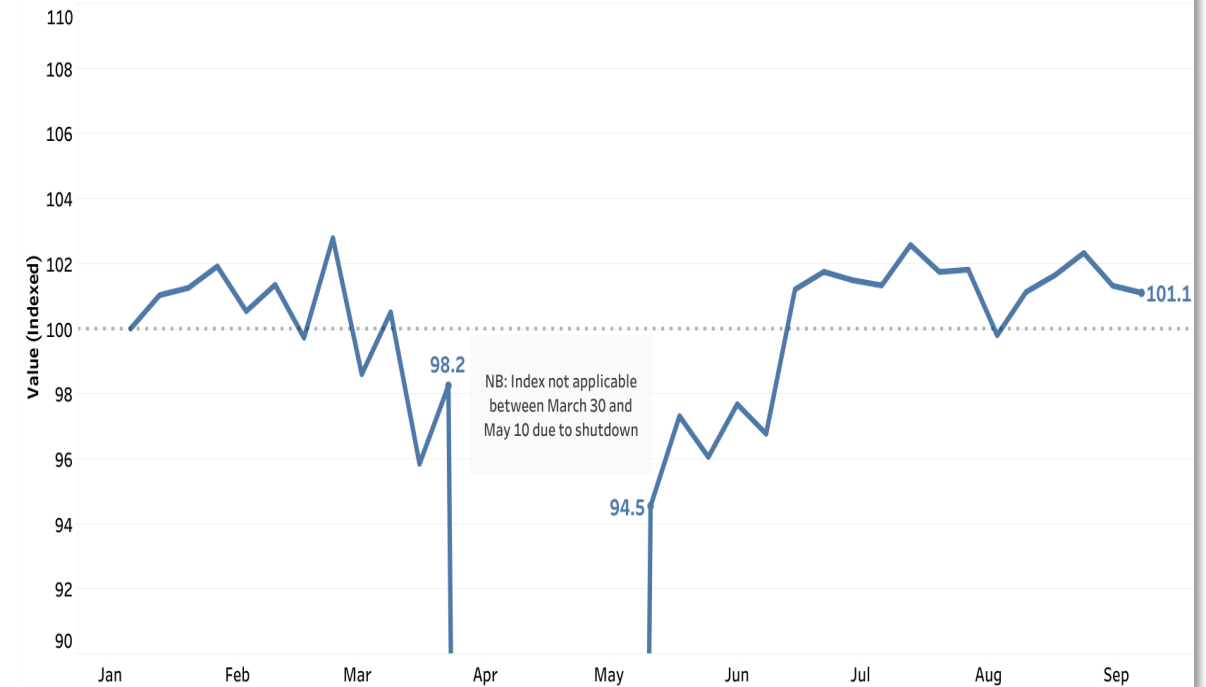
- **Supply** returns to mid-July volumes, an increase of 18.2 indexed points following a post-lockdown low
- **Used car prices** remain healthy following a rise of 3.9 indexed points, as supply aligns with demand
- **Poor conditioned** used vehicle values continue to weaken, and values of 10-year+ are forecast to reduce
- **Online auctions** continue to offer customers buying efficiencies and multi-sale opportunities

Supply and Demand for Wholesale Used Vehicles (all vehicle types)



Used Car Price Index

Based on performance of 2-4 year old, 50-70k mileage cars

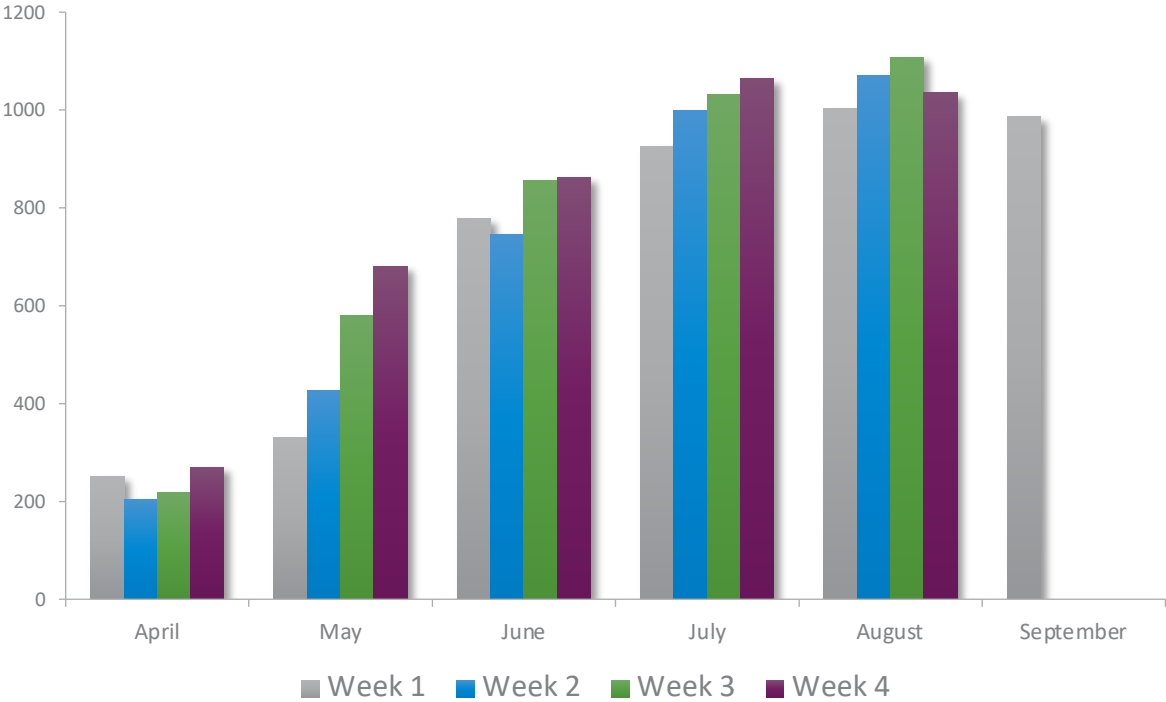


Dealer Auction results

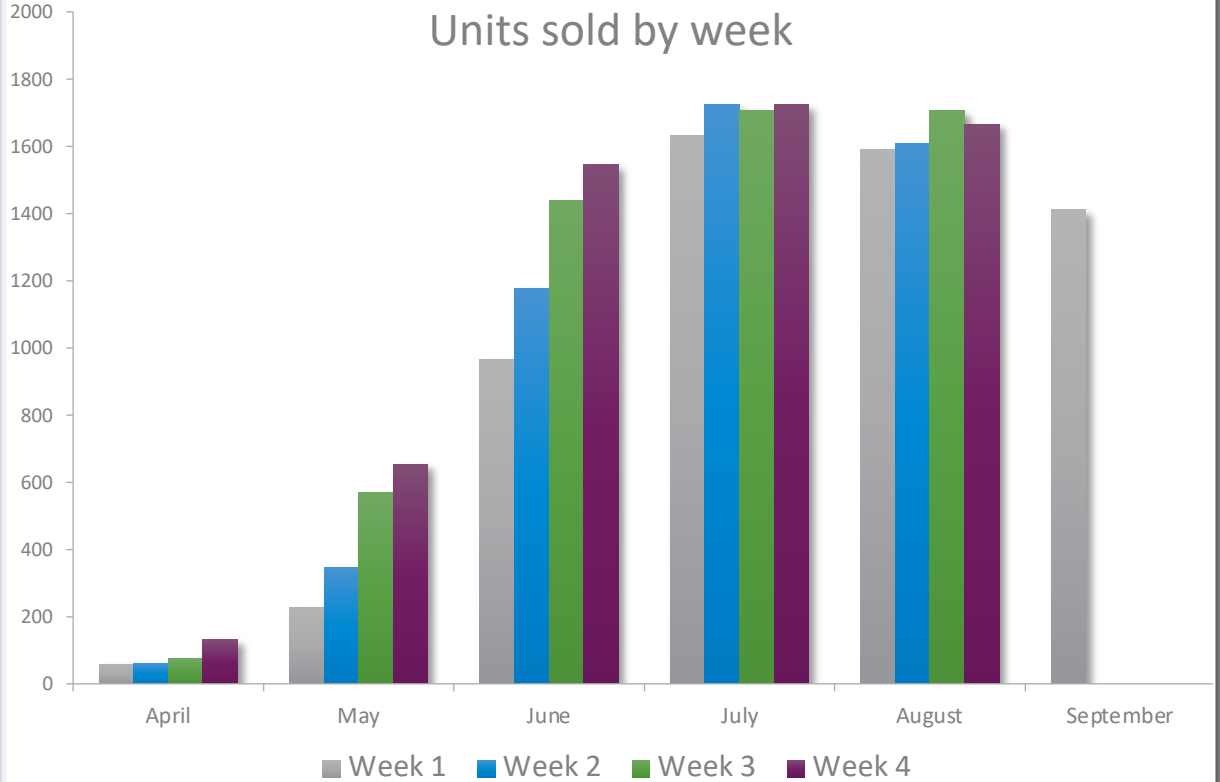
Pent-up demand drive sales return to pre-lockdown volumes



Running auctions by week



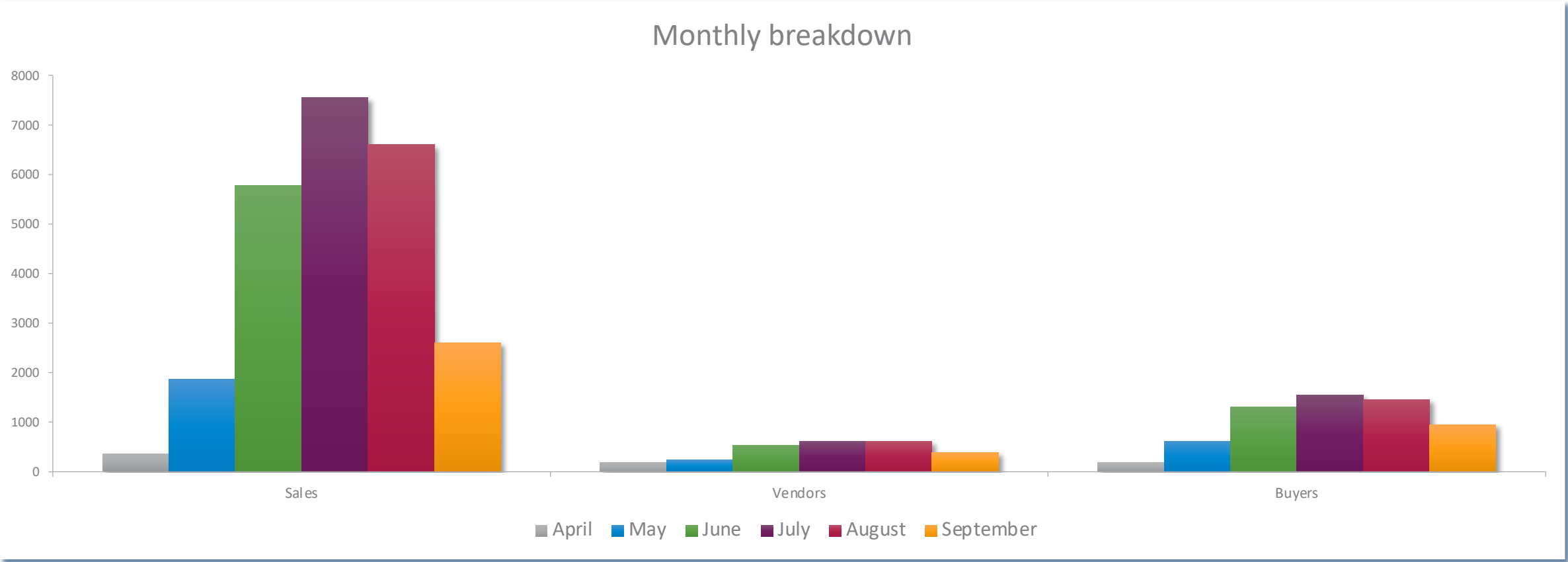
Units sold by week



Dealer Auction results



Mid-September performance illustrates the demand for quality retail stock



A period of volatility ahead for values



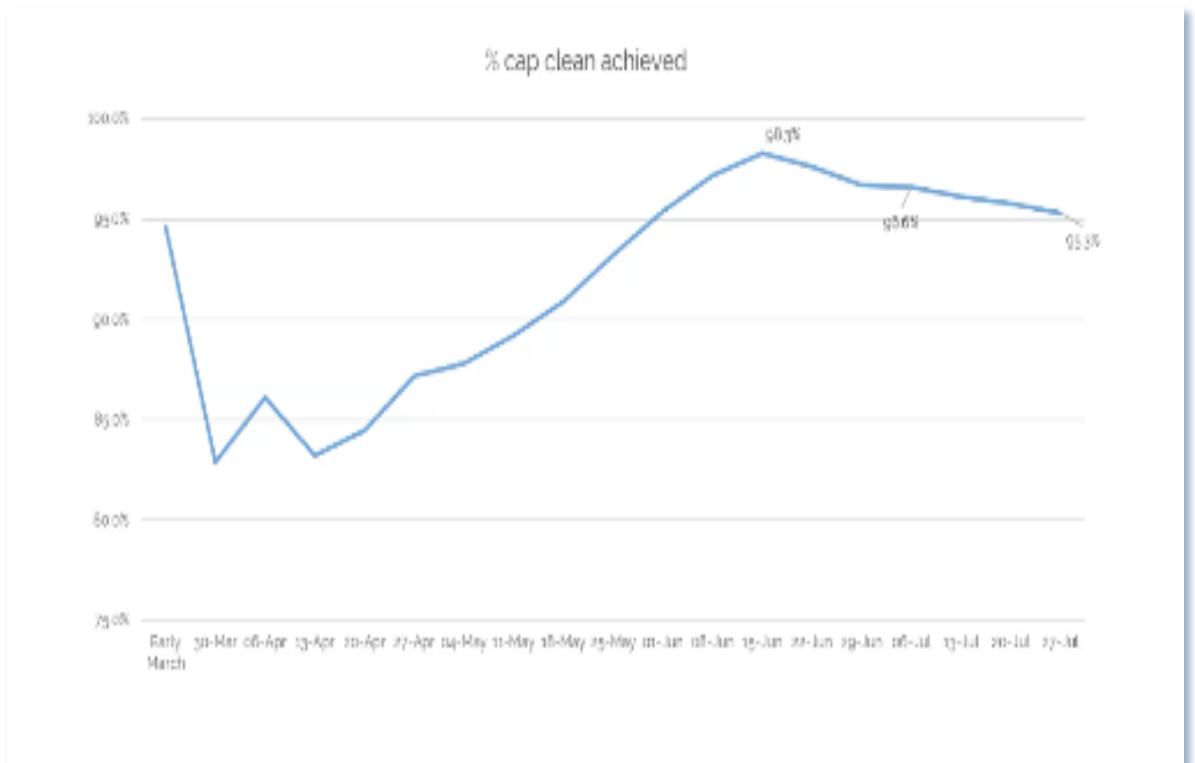
COVID-19 causes an unseasonably strong used car market

- Values highest YTD since the 2009 financial recovery (2009 - +10.7% YTD)
- The unseasonal market continues – market proceeding with caution into Q4 and Q1 2021
- Pressure on low graded (4/5/U) vehicles as buyers become more selective and impact of lockdown public nervousness eases

Black Book 3yr/60k movements

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2020	-0.2	0.6	1.1	-2.2	0.0	0.0	0.3	0.4	0.2				0.2
2019	-1.7	-0.7	-0.6	-0.9	-2.3	-3.1	-2.1	-2.2	-1.0	0.4	-0.6	-0.6	-14.6
2018	-1.1	-0.2	1.0	0.4	-0.8	-1.3	-0.6	-0.7	-0.3	0.0	-0.6	-1.5	-3.6
2017	-1.6	-0.6	-0.0	-0.1	-1.6	-1.5	-1.4	-0.5	-0.2	0.5	-1.2	-2.0	-7.5
2016	-1.8	-0.5	0.4	0.1	-1.4	-1.9	-1.0	-1.6	-0.7	-0.2	-1.3	-2.0	-8.4
2015	-2.2	-0.3	0.1	0.0	-1.7	-1.6	-1.4	-1.2	-0.6	-0.7	-2.2	-2.6	-8.8
2014	-0.7	-0.2	0.5	0.5	-1.7	-1.6	-0.9	-1.0	-0.5	-0.7	-2.0	-3.1	-5.6
2013	-1.5	-0.1	0.2	0.3	-1.8	-1.9	-1.4	-1.6	-0.8	0.3	-1.1	-1.9	-8.7
2012	0.0	0.5	1.0	-1.0	-1.8	-1.7	-1.0	-0.2	-0.4	-0.3	-1.2	-1.8	-4.5
2011	1.0	1.4	0.6	-0.9	-4.6	-3.8	-2.9	-1.4	-1.7	-1.4	-1.5	-1.8	-12.4
2010	0.4	-1.0	0.9	0.7	-0.5	-3.9	-3.2	-3.0	-2.4	-0.0	-3.1	-1.5	-11.9
2009	-3.8	-0.2	3.3	6.8	0.1	0.0	1.1	1.6	1.7	-0.1	-3.0	-4.2	10.7
2008	-1.8	-0.6	-1.2	-1.0	-2.5	-4.5	-4.1	-4.9	-3.3	-4.1	-3.5	-3.0	-23.9

% CAP clean achieved



Source: cap hpi

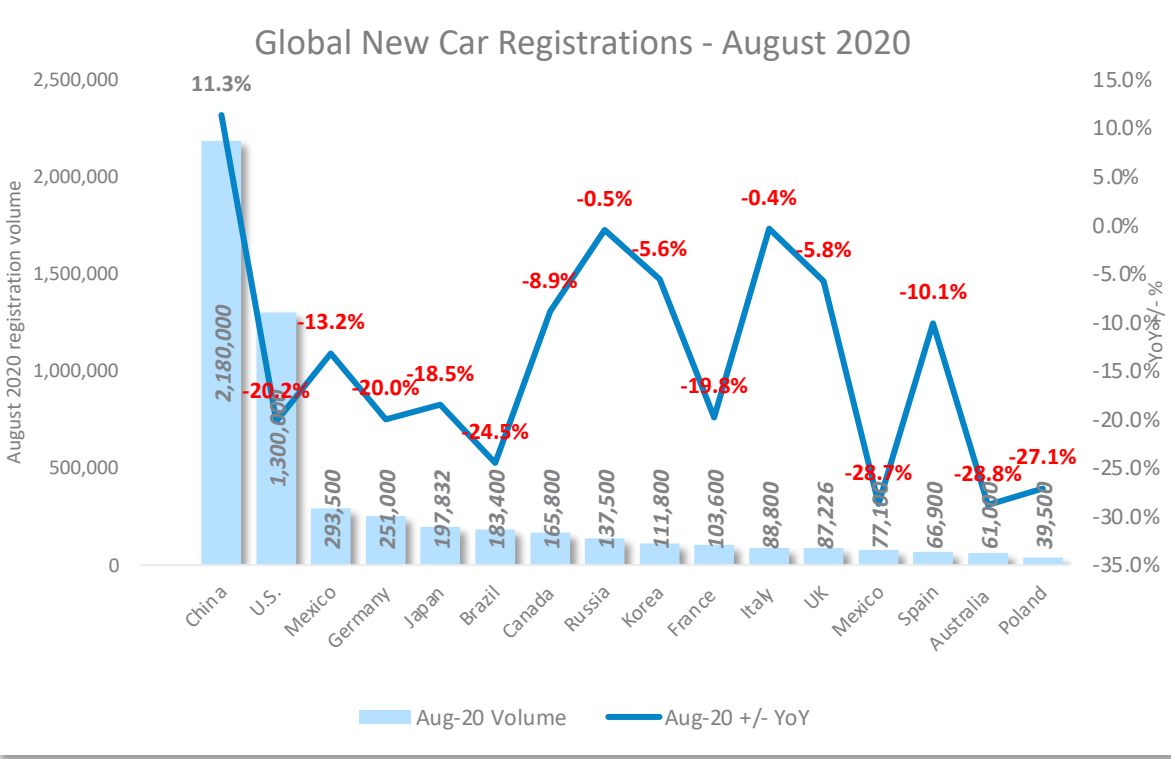
Current Market

New and Used – E.U./International

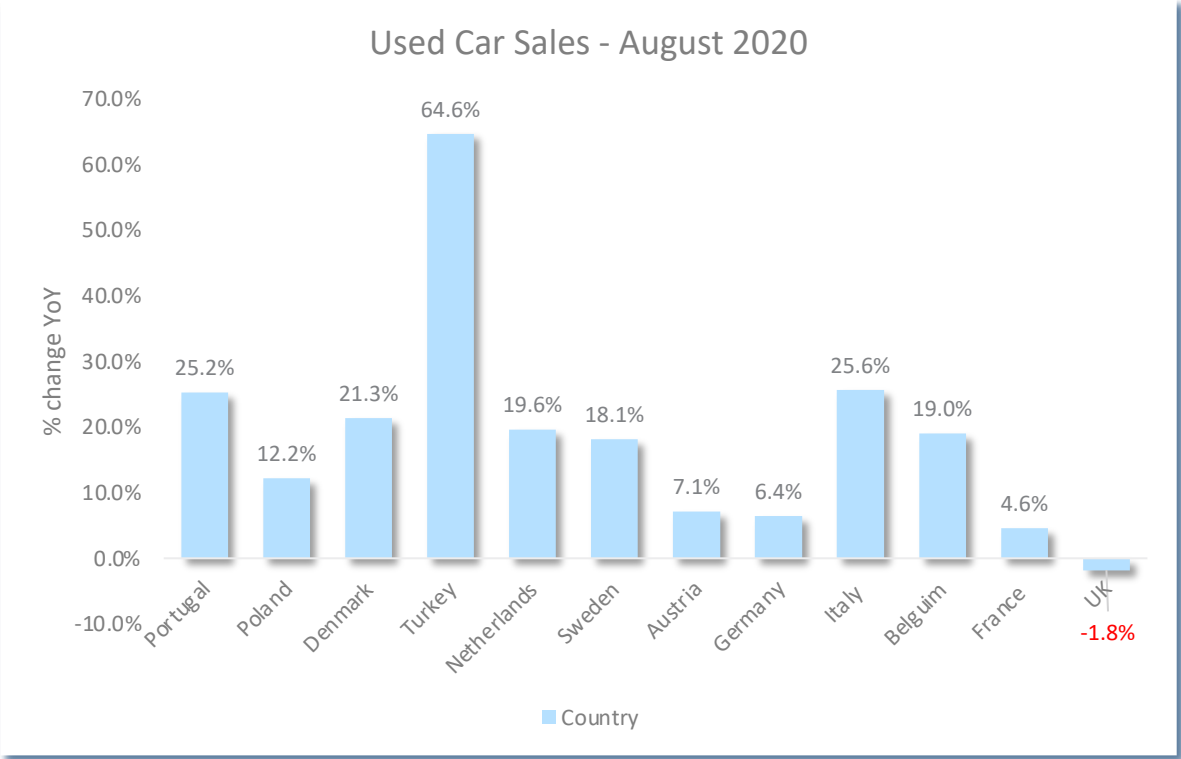
New & Used car market – E.U./International

European market facing -25% decline in sales in 2020

- Majority of the global automotive sector in the red
- Concerns increase for the U.K. new car market as we approach the Brexit deadline and lack of clarity
- The E.U. will potentially experience a decline of 3 million units in 2020, down from 12.8 million in 2019 to 9.6 million - -25%



Source: SMMT and Marklines

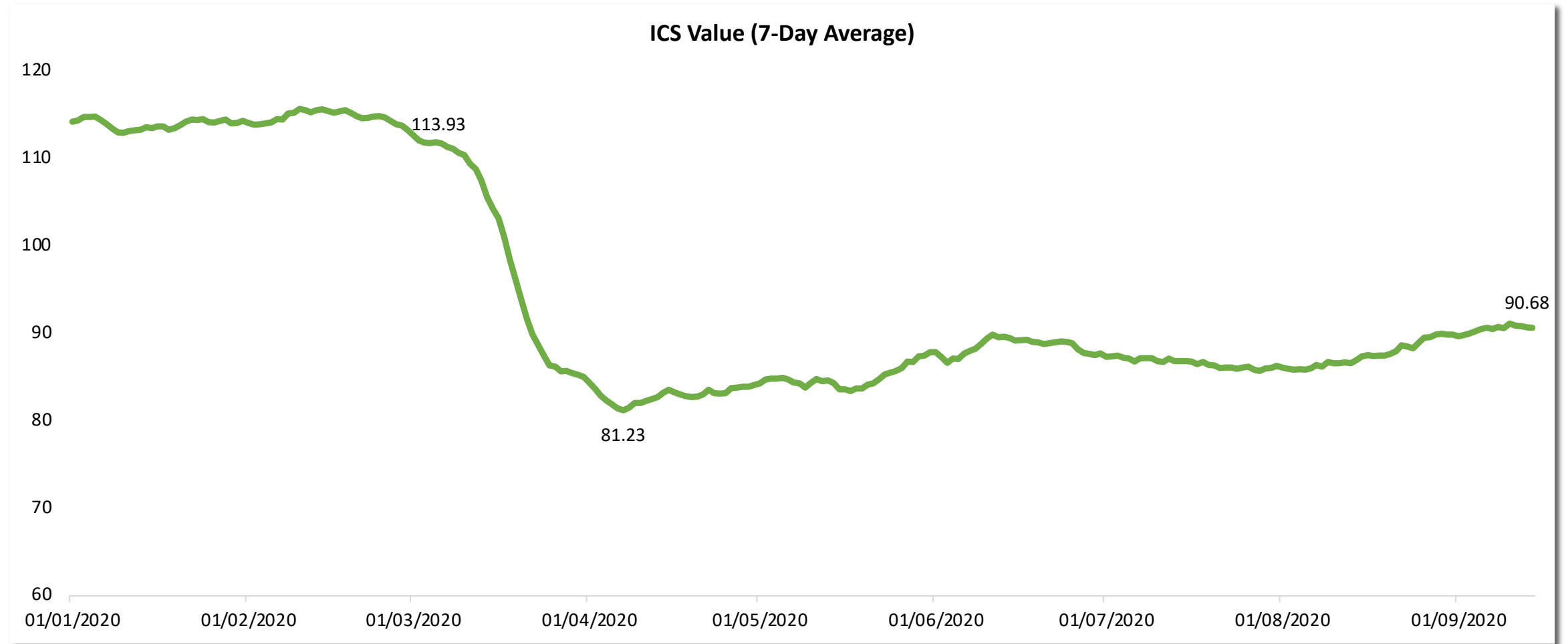


Source: INDICATA Market Watch COVID-19 August 20

U.S. Recovery

Consumer Sentiment improved again last week

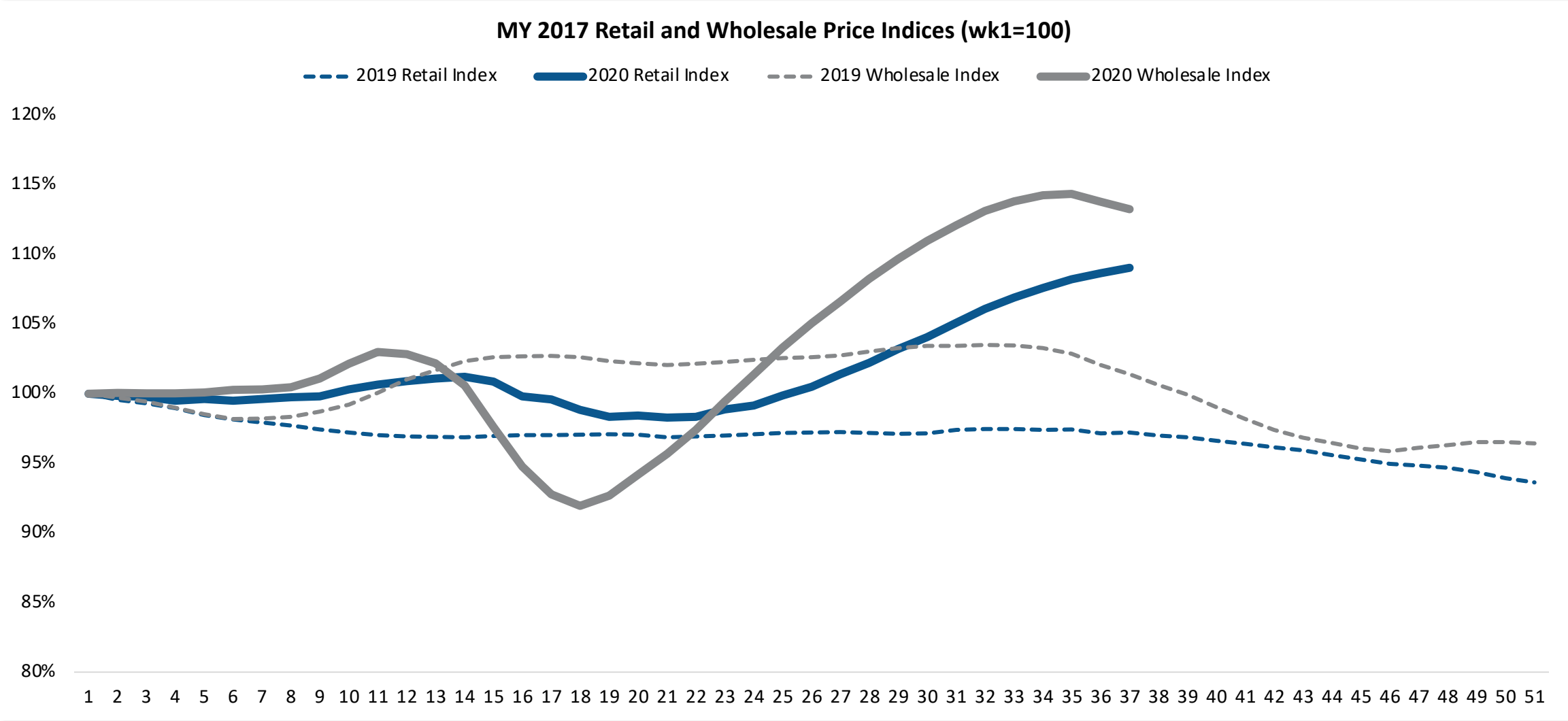
Morning Consult's Index of Consumer Sentiment on Monday (14th September) was down 20.0% since February 29



Source: Cox Automotive Inc & Morning Consult

U.S. Recovery

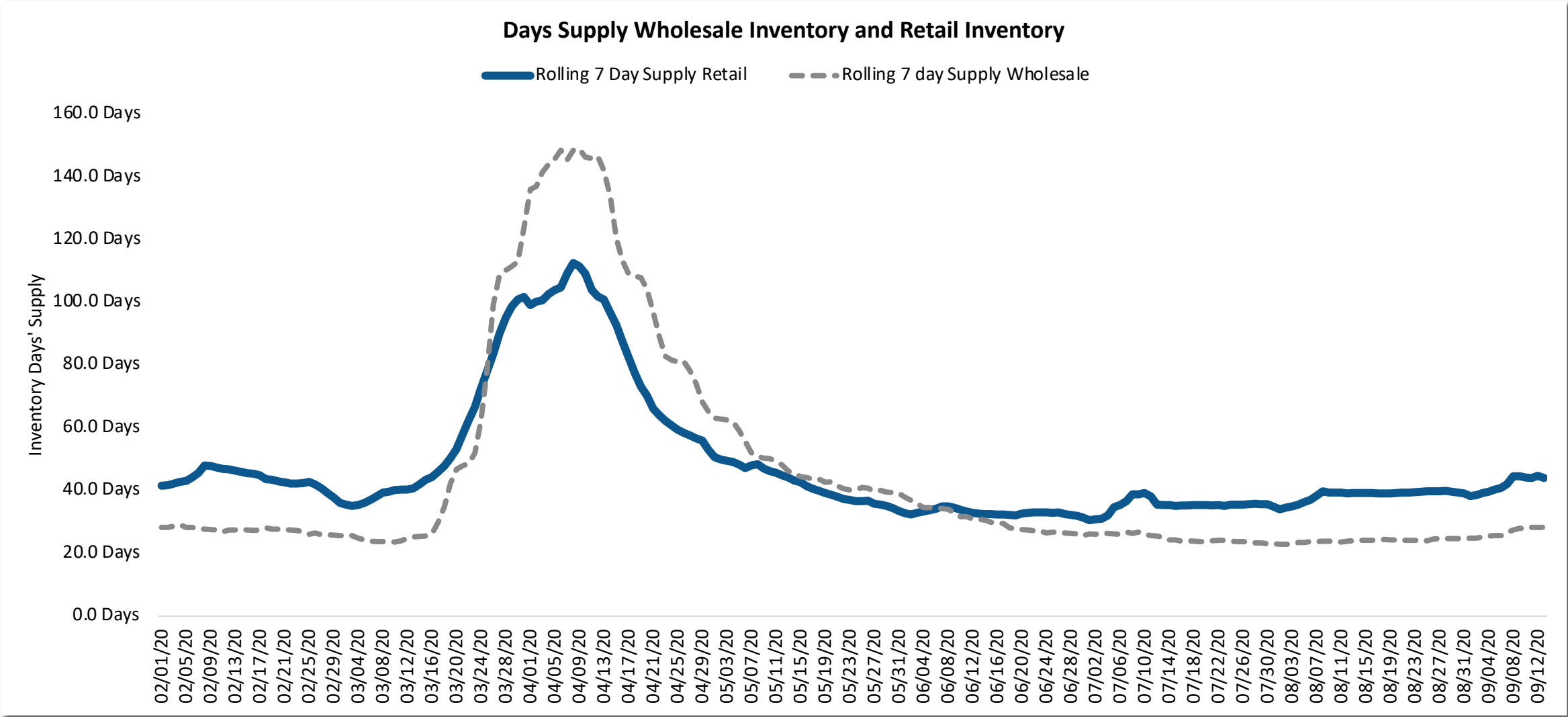
Wholesale Used Prices now declining



Source: Cox Automotive Inc

U.S. Recovery

Used inventory down - actual inventory levels are down YoY for both retail and wholesale

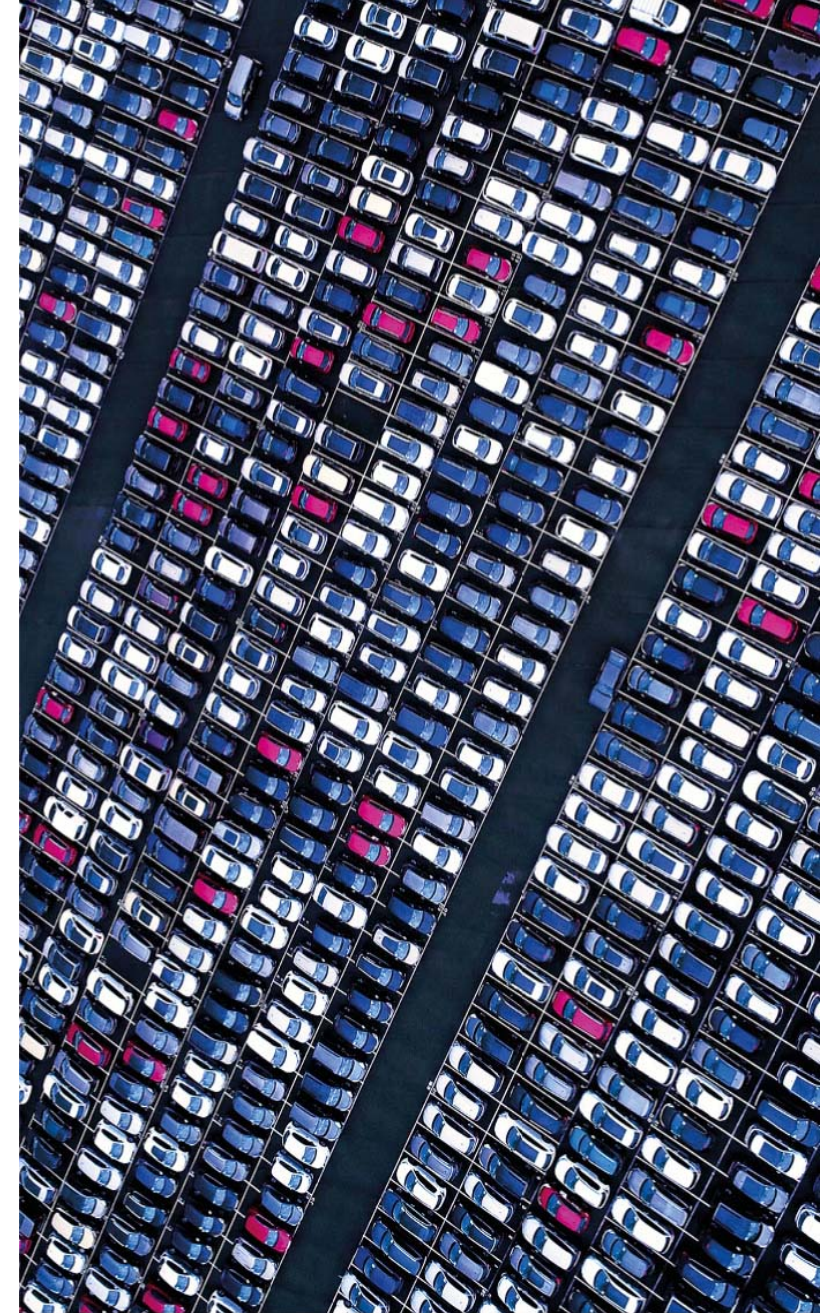


Source: Cox Automotive Inc

U.S. Recovery

COVID-19 impact

- / Coronavirus uncertainty amid mixed conditions, the daily new COVID-19 case trend continues to fall and all key metrics are moving in the right direction
- / Wholesale used vehicle prices (on a mix-, mileage-, and seasonally adjusted basis) decreased by 0.9% in the first 15 days of September compared to August
- / Both retail and wholesale supply have increased modestly in recent weeks
- / The average price for rental risk units sold at auction in the first 15 days of September was up 6% year-over-year. Rental risk prices down 3% compared to August
- / Inventory, or lack thereof, continues to be the biggest issue for dealers
- / Overall, sales are softer in September—continuing what started in August



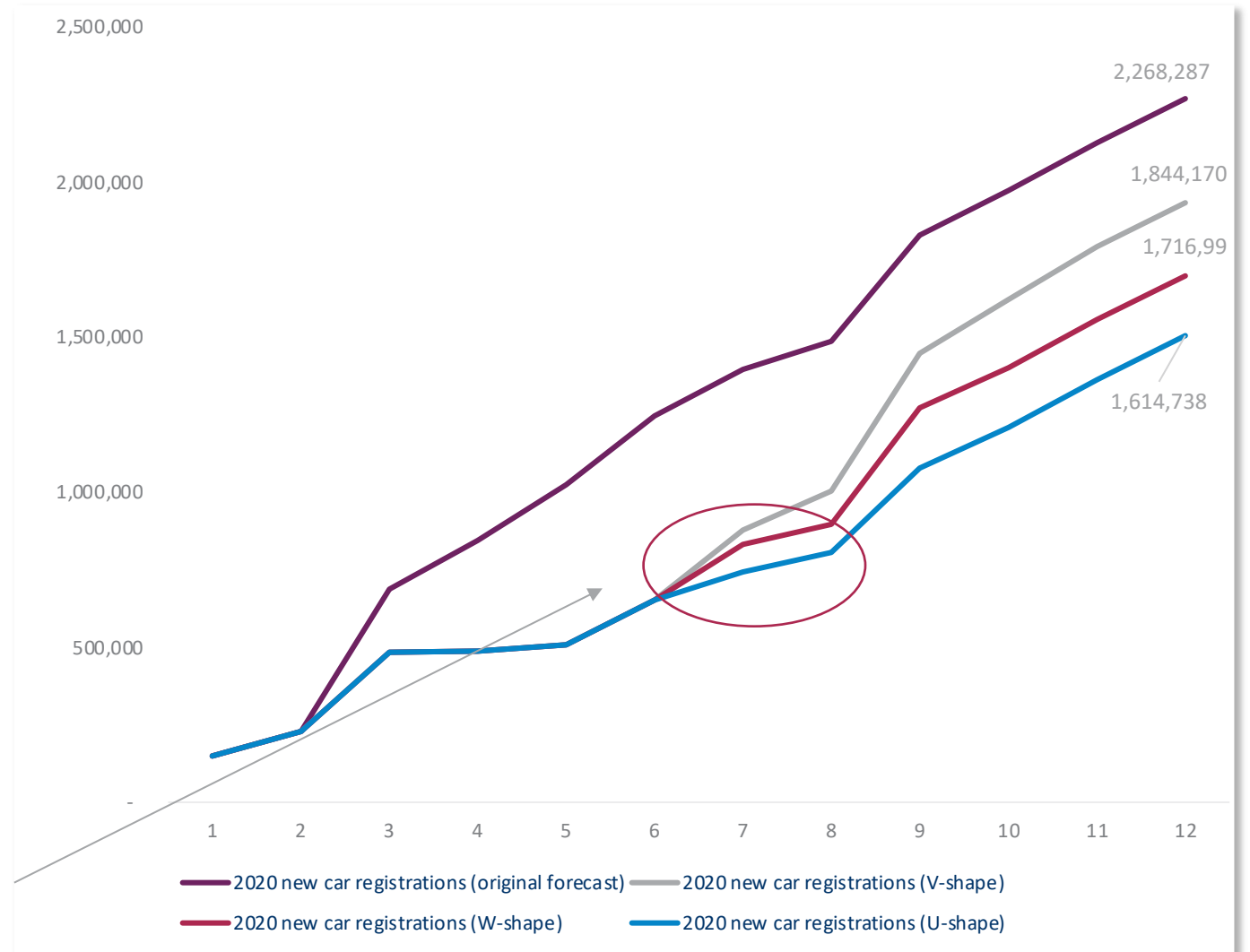
Outlook

New car volumes scenarios

U.K. 2020

- We initially forecast 2.27m new car registrations
- In the “W-shape” recovery we expect, down **-23.8%/1,716,999 m**
- Concurs with SMMT forecast (**-30.6%/1,603 m**) issued July 2020 actuals released, showing **-39.7%** YoY decline
- Actual recovery will be determined by:
 - When and how can dealers trade again?
 - Will there be sufficient consumer demand?
 - How many vehicles will be supplied?

In all scenarios, year-to-date **-39.7%** actuals



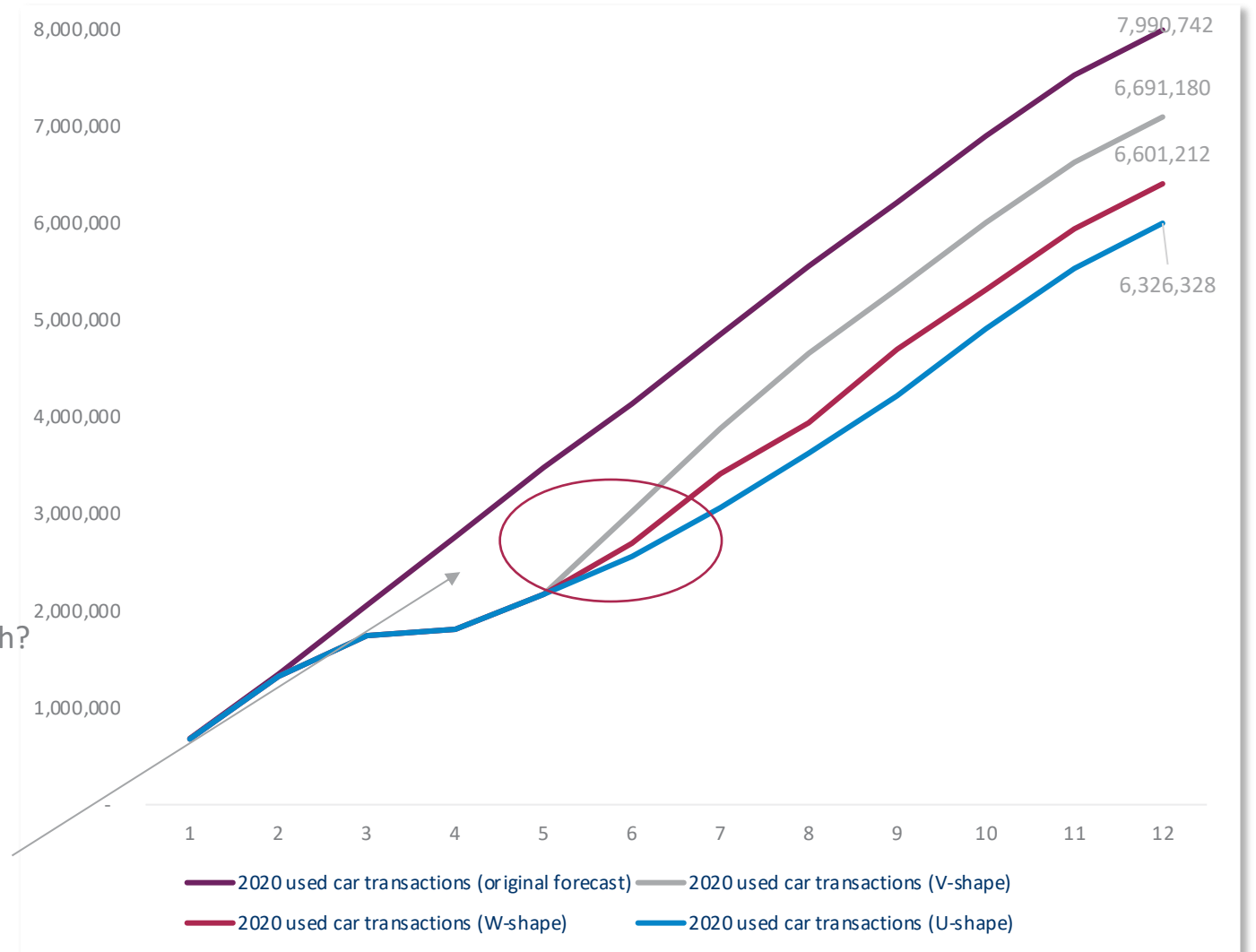
Source: Cox Automotive COVID-19 recovery forecast

Used car volume scenarios

U.K. 2020

- We initially forecast 7.99m used car transactions
- In the “W-shape” recovery we expect, down **17%**
- No 3rd party views published and no actuals yet published for 2020 Q3, showing post-lockdown recovery
- Less impact on used than new as not relying on a production that was already constrained
- Actual recovery will be determined by:
 - How can dealers trade in quarter 4?
 - Will there be sufficient consumer demand post furlough?
 - The challenges facing supply

In all scenarios, assumed year-to-date - **28.7%** (Q1/2)

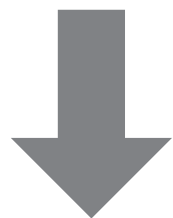


Source: Cox Automotive COVID-19 recovery forecast

A challenging economic outlook

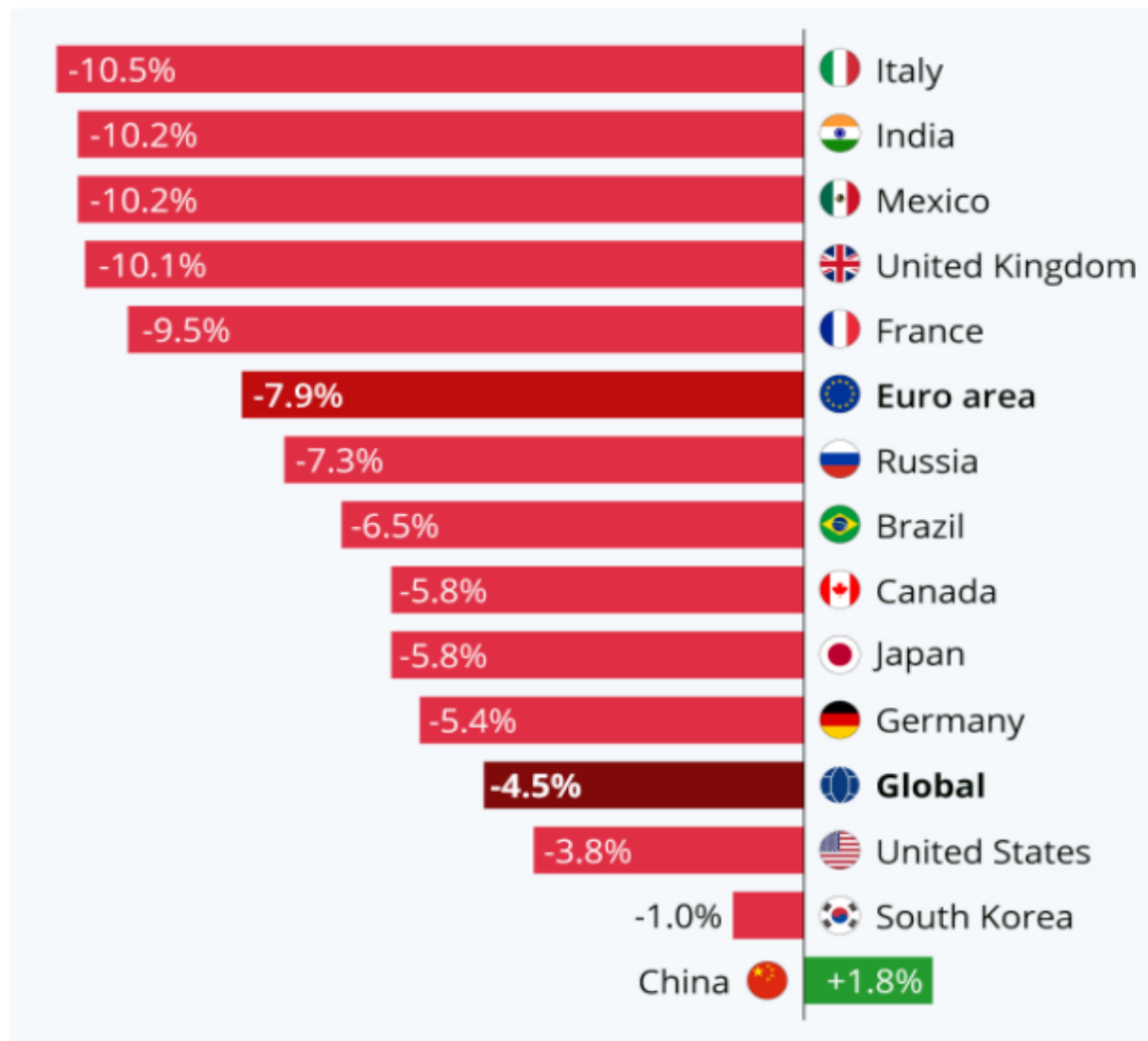
GDP Growth will Slow Sharply as Temporary Supports are Removed

- A 'no deal' Brexit – a no free trade deal with Europe
- Rising unemployment from 3.9% to 9% - 695K since lockdown & 2020 forecast 3 m
- Annual house prices change from 2% to -3.1%
- Furlough costing U.K. government £14bn every month
- Crisis expected to cost the UK £300bn April 20/21
- Crisis-related packages will cost £130bn this year



- Increase taxes
- Decrease spending
- More borrowing

Projected change in GDP in 2020



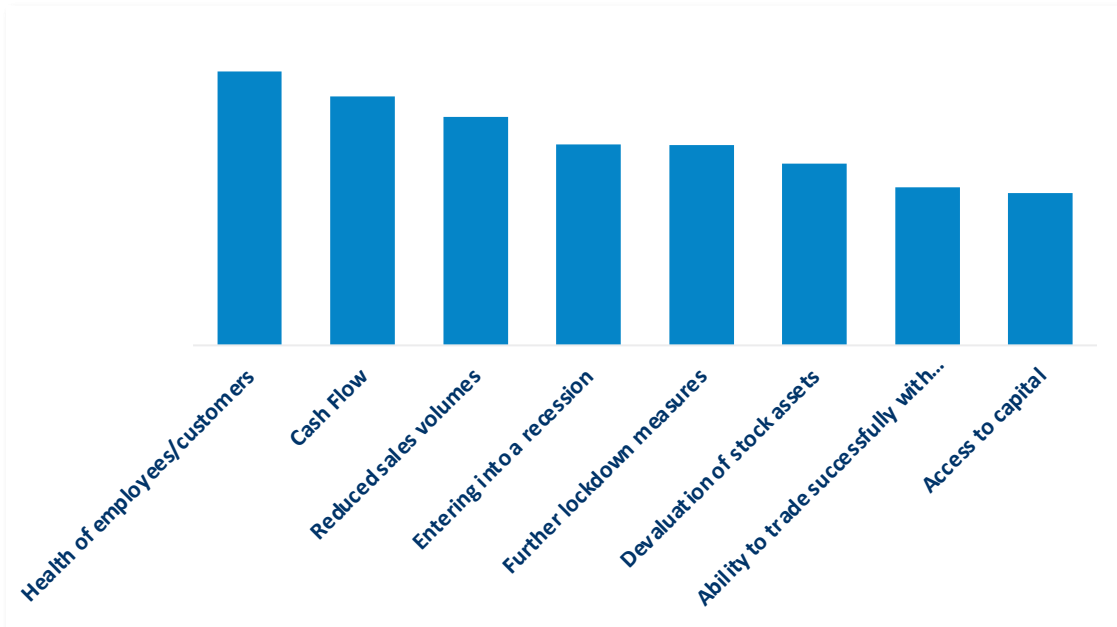
Source: OECD/Statista September 2020

Retailers anticipating the emergence of new trends

Dealers are expecting a change in consumer buying behaviours

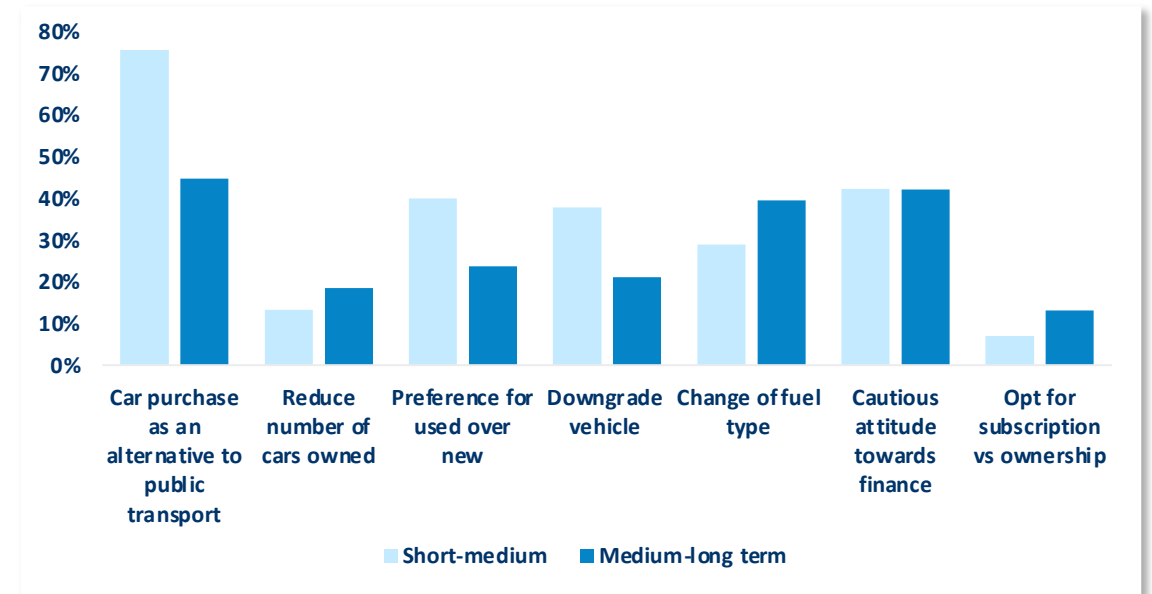
- **The expectation of consumer caution** towards finance
- **Accelerating consumer trends** already in place pre-pandemic
 - Move towards subscription vs ownership
 - Attitude towards fuel type
- **A move towards used cars** in the short term; potential supply constraints and affordability causing negativity towards new
- **Avoidance of public transport** in short to medium but returning in the long term
- **Concerns towards cash flow**, as access to capital lowest worry

Post lockdown, what are your greatest concerns for your business?



Source: Cox Automotive Dealer Survey May 2020

Which of the following buyer behaviors do you believe will change as a direct result of Covid-19?



Key trends

Shared mobility

- OEMs return to mobility as a priority through consolidation and collaboration

Green 'scrappage' agenda

- Sector stimulus unrealistically focused on electric vehicle growth

Digitisation

- Acceleration in efficiencies and eCommerce (wholesale & retail)

New and Used supply constrained

- Without Government stimulus packages, new car outlook is bleak

Consumer demand uncertain

- Pent up demand but fears of unemployment

Weaknesses exposed

- Business consolidation accelerated

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