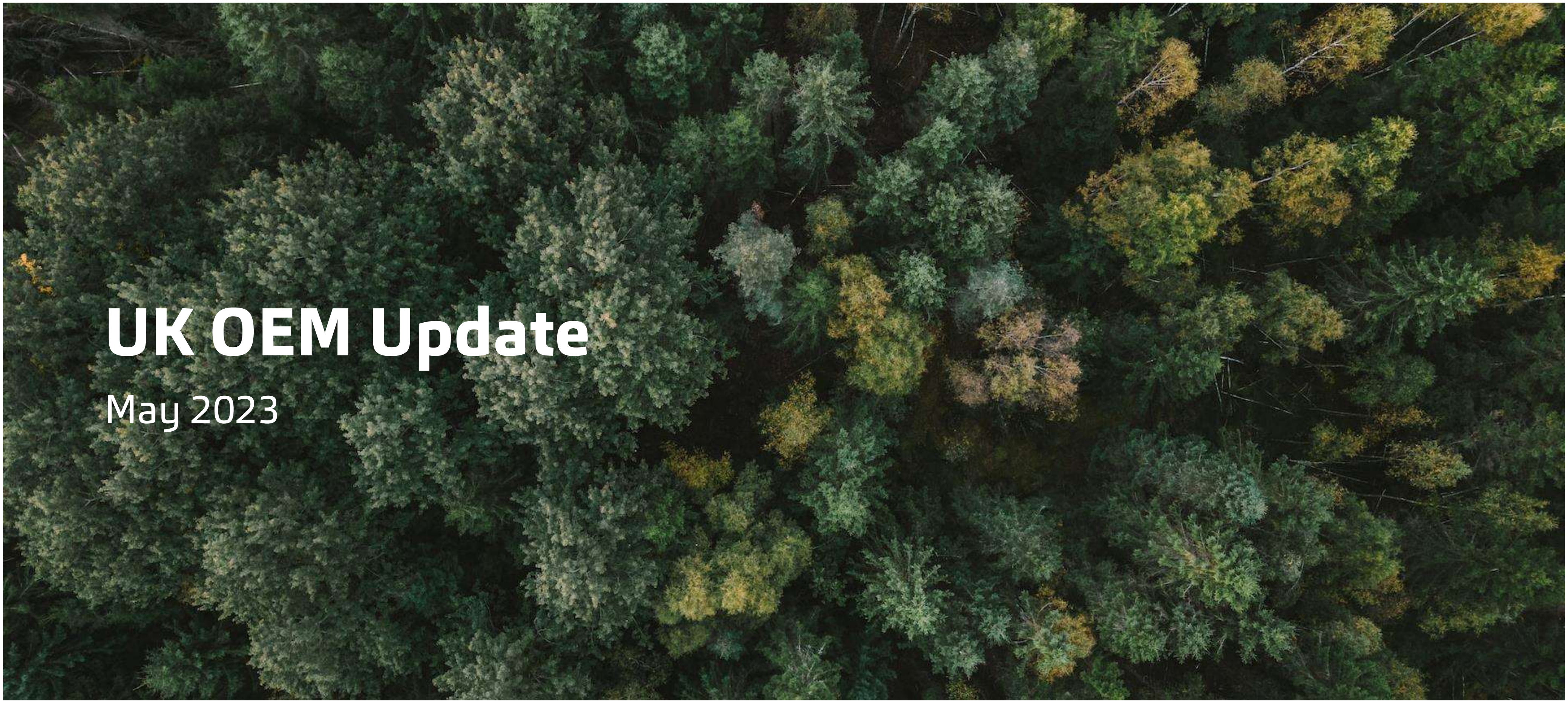


UK OEM Update

May 2023

Now, for tomorrow

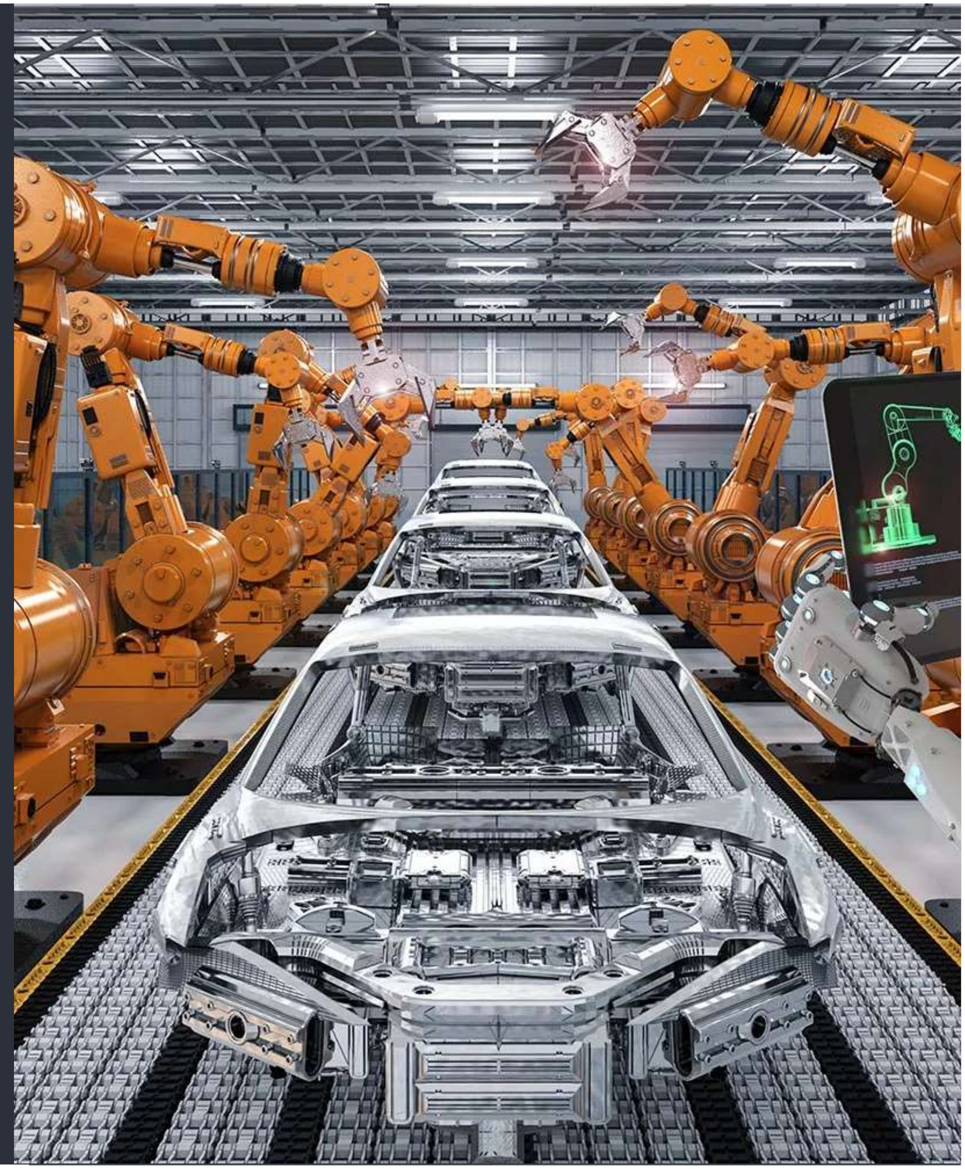
mha | An independent member of bakertilly INTERNATIONAL

Three Key Challenges for OEMs

1 **ZEV Mandate**

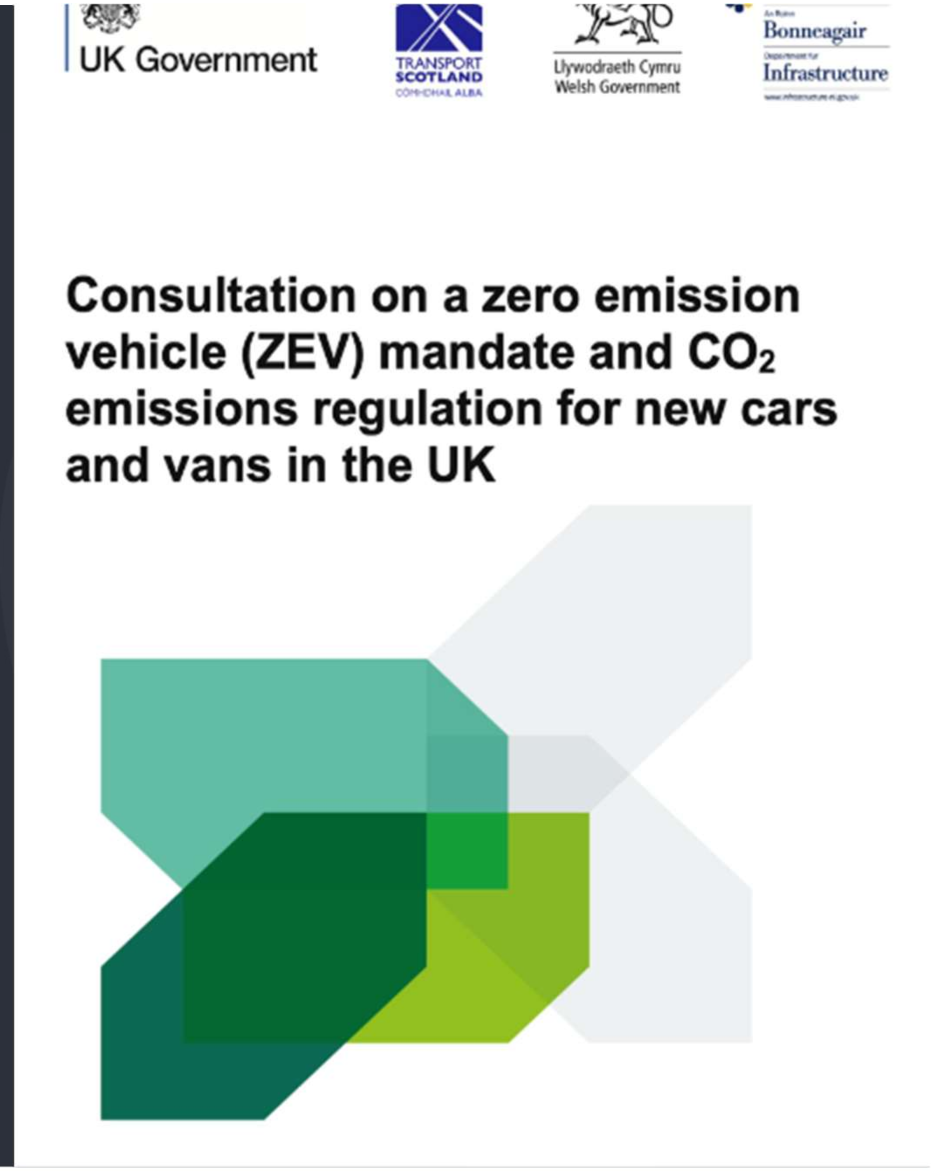
2 **Reducing Distribution Cost**

3 **New Entrants**



Part 2 of Consultation ends today

"CAFE was tough enough, this could finish us"


UK Government

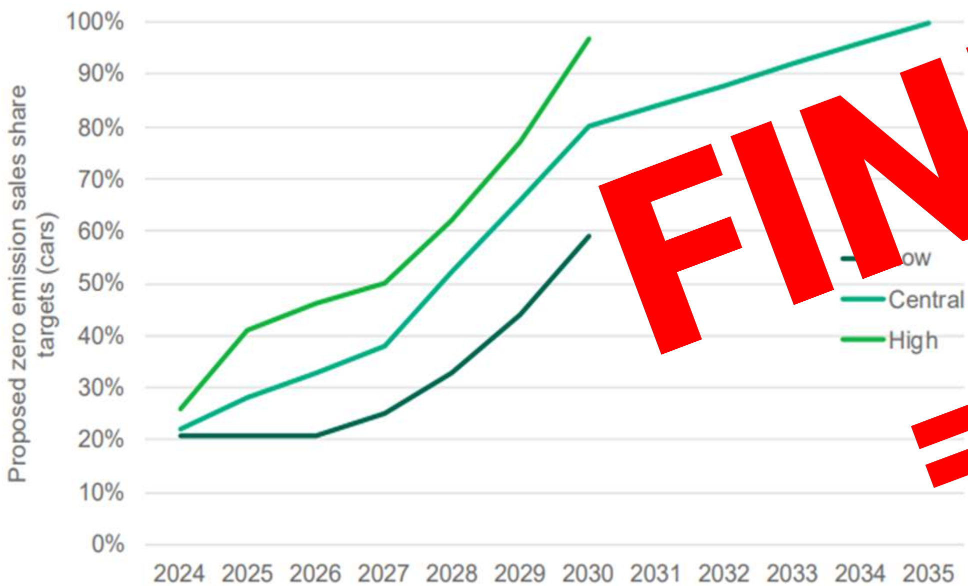
TRANSPORT SCOTLAND

Llywodraeth Cymru Welsh Government

Bonneagair Infrastructure

Consultation on a zero emission vehicle (ZEV) mandate and CO_2 emissions regulation for new cars and vans in the UK

Trajectory, Banking and Borrowing



Annual targets

2024: 22%	**2025: 28%**	**2026: 33%**	**2027: 38%**	**2028: 52%**	**20[illegible]: 66%**
2030: 80%	**2031: 84%***	**2032: 88%***	**2033: 92%***	**[illegible]34: [illegible]**	**[illegible]035: 100%***

Department for Transport *Target will be legally adopted in a future policy

FINE = £15,000pu

If a manufacturer exceeds their target and has excess allowances, they may be banked for use in following years
- Allowed 2024-2030 without limit
- Banked allowances expire if not used after 3 years
- In-year allowances must be used before banked allowances
- Banked allowances may be traded but retain "expiration date

If a [illegible] meet their target, they may [illegible]ow [illegible]ture years sales, with conditions
- [illegible] 20[illegible]4-2026 only (deficit must be made up in [illegible]027)
- Borrowed allowances may not exceed set percentage of annual targets:
- 75% in 2024, 50% in 2025, 25% in 2026
- Each borrowed allowance must be repaid with 3.5% interest, compounded annually

Current status, OEM options, likely outcomes

Total UK		1,614,063		267,196			
Rank	Brand	Total	Market Share %	BEV	BEV % of Sales	22%	Gap
1	Volkswagen	131,850	8.2%	19,552	14.8%	29,007	9,455
2	Ford	126,826	7.9%	4,502	3.5%	27,902	23,400
3	Audi	110,144	6.8%	13,379	12.1%	24,232	10,853
4	BMW	108,624	6.7%	21,481	19.8%	23,897	2,416
5	Toyota	102,181	6.3%	438	0.4%	22,480	22,042
6	Kia	100,191	6.2%	16,368	16.3%	22,042	5,674
7	Vauxhall	83,691	5.2%	11,332	13.5%	18,412	7,080
8	Mercedes-Benz	80,910	5.0%	14,504	17.9%	17,800	3,296
9	Hyundai	80,419	5.0%	14,449	18.0%	17,692	3,243
10	Nissan	76,711	4.8%	10,746	14.0%	16,876	6,130
11	Tesla	54,622	3.4%	54,622	100.0%	12,017	0
12	Peugeot	52,264	3.2%	9,663	18.5%	11,498	1,835
13	MG	51,050	3.2%	16,607	32.5%	11,231	0
14	Skoda	48,848	3.0%	5,537	11.3%	10,747	5,210
15	MINI	45,854	2.8%	7,425	16.2%	10,088	2,663
16	Land Rover	43,180	2.7%	0	0.0%	9,500	9,500
17	Volvo	36,506	2.3%	4,556	12.5%	8,031	3,475
18	Renault	32,286	2.0%	7,003	21.7%	7,103	100
19	Citroën	28,487	1.8%	3,596	12.6%	6,267	2,671
20	Dacia	27,221	1.7%	0	0.0%	5,989	5,989

Sell More Electric Vehicles
- Affordability for the mass market is huge issue
- Supply issues not fully resolved
- Public debate is increasingly negative

Sell Less ICE Vehicles
- Reduce volume allocations for UK
- Take the share loss

Buy ZEV Credits from another OEM
- Strengthen Tesla, MG,BYD Commercial position

Borrow ZEV Credits
- Mortgage the future for first 3 years

Tactical registrations increase

More Evs units for rental and leasing

Supply restricted for UK EV laggards

UK market volumes to remain below 2m

Three Key Challenges for OEMs

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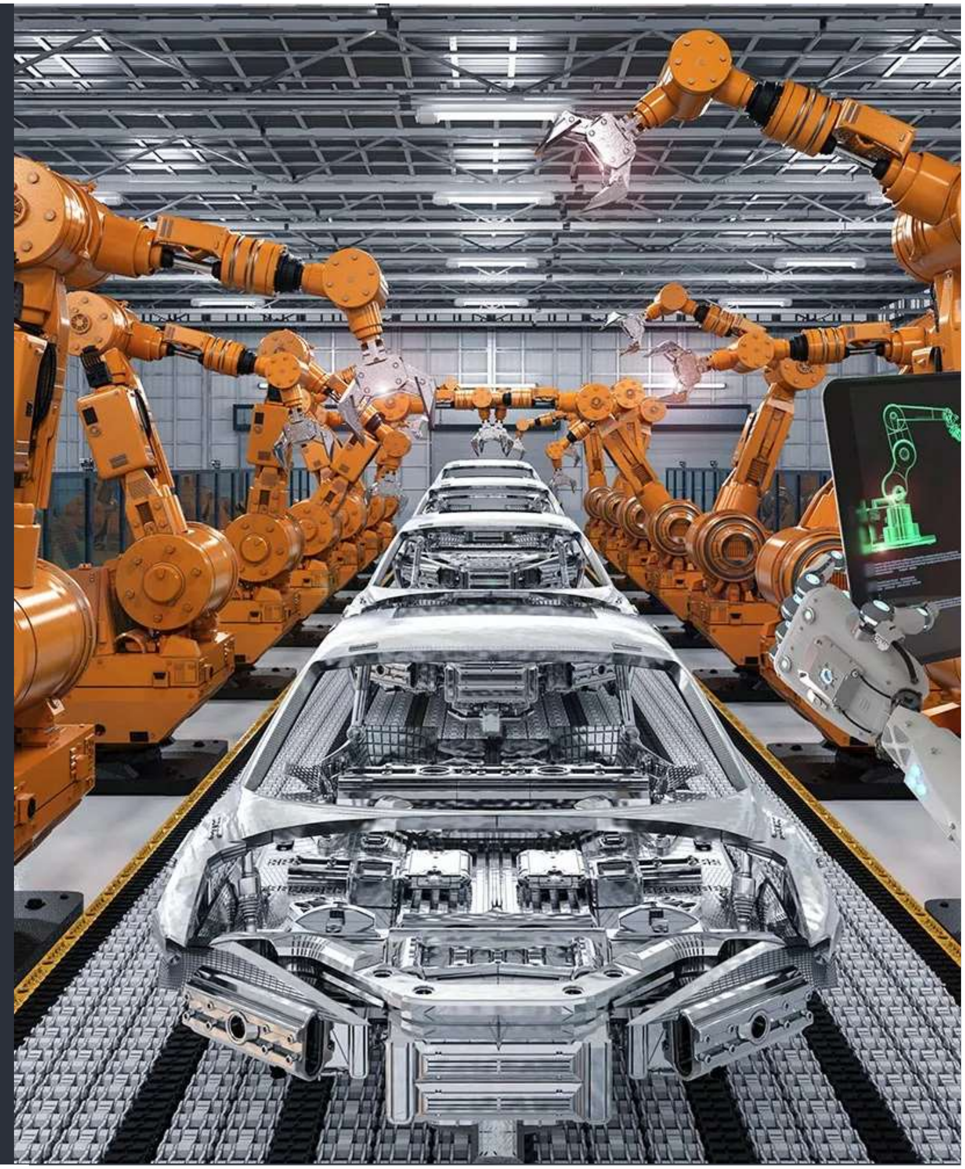
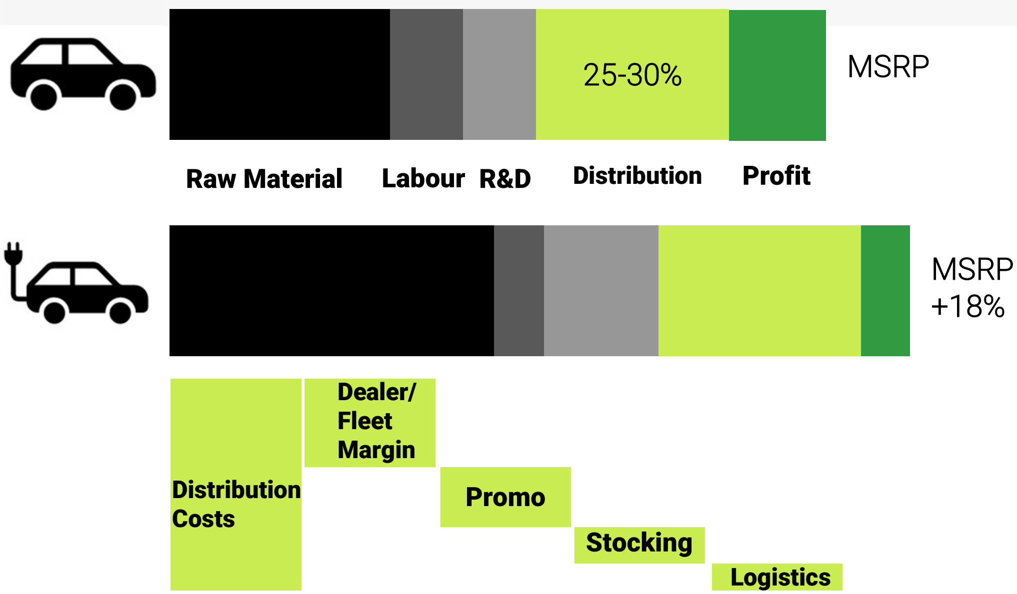


Distribution Costs

The Problem



The Solution?

New Car Agency Sales

The current state of play

Dealer Positives	Dealer Concerns
New Car Stock Funding	Reduced Margin
OEM Debtor Management	Trade In valuation / stock access
Marketing Costs	Volume loss to competition

Mercedes adoption 3 months in and model is working. Volumes are behind market growth but similar to 2022. GP is however down on 2022 but in line with pre pandemic levels. Dealers looking to multi-franchise locations as longer-term viability hedge.

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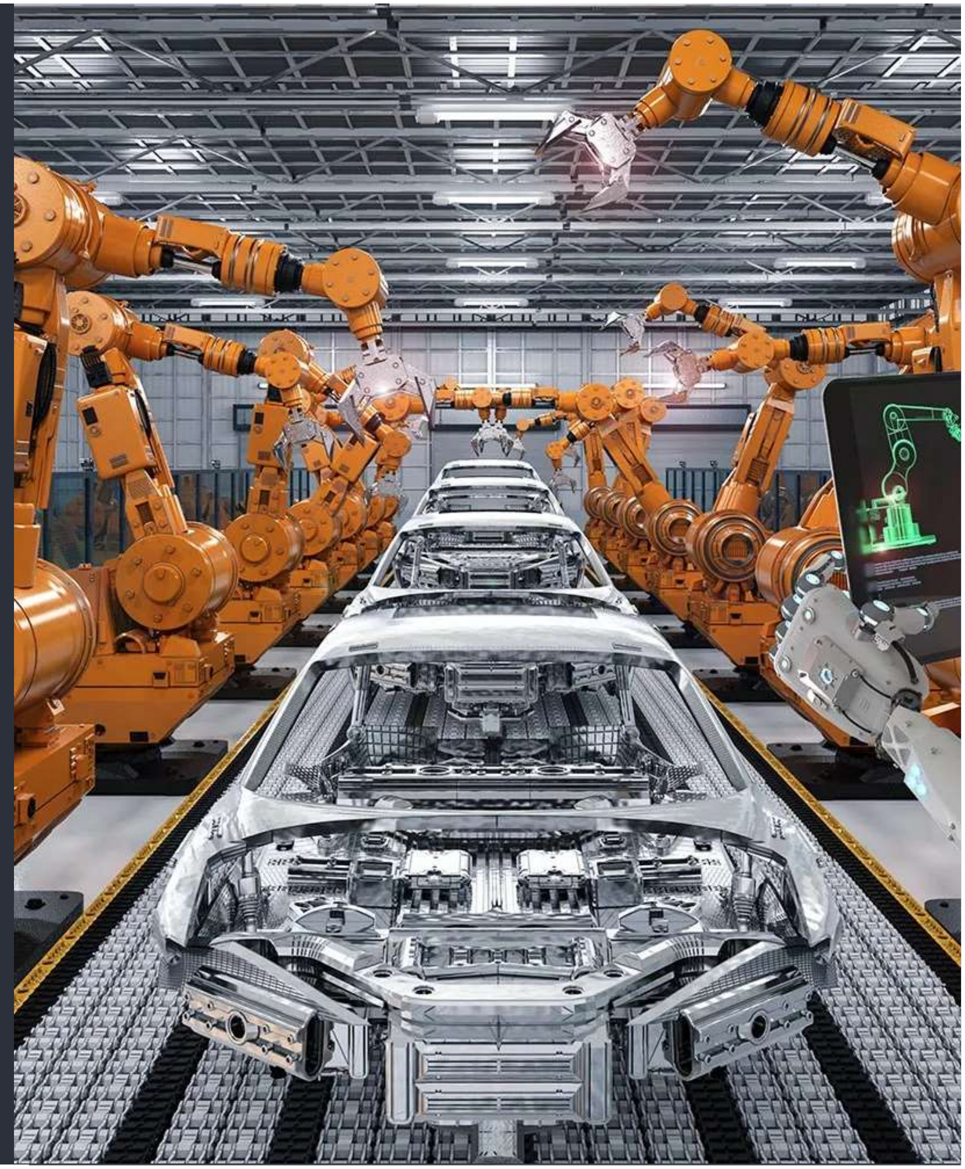
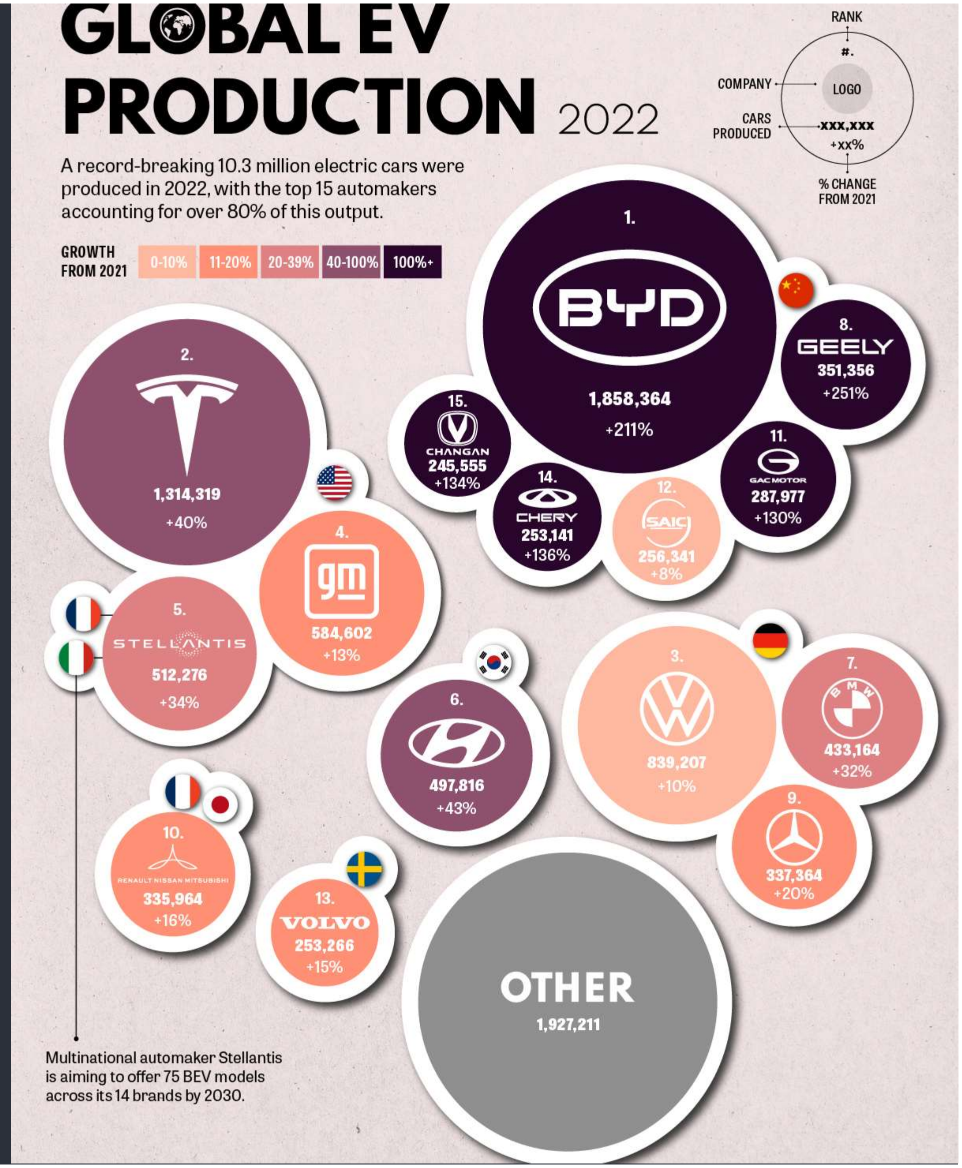


Who will be the next MG?

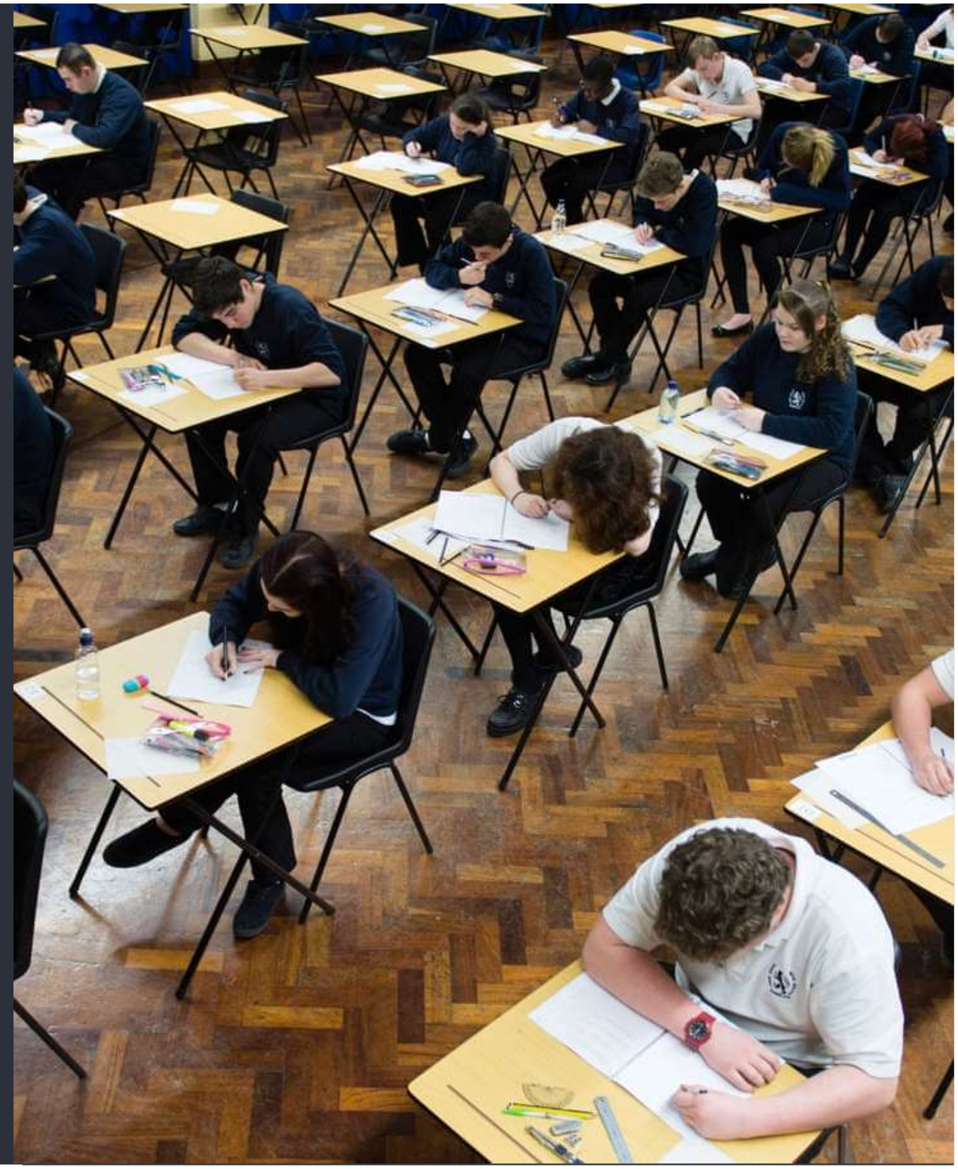
- MG have demonstrated what is possible in the UK market
- March 2023 49% growth YOY, 4.2% share – still supply constrained
- Could outsell Vauxhall in 2023
- BYD, ORA, NIO, CHERY, FISKER on their way

Q:Who gets squeezed?

A: Everyone (unless they solve loyalty issues)



How many OEMs get pass marks?



OEM Scorecard

Brand	Share March 23	Sales per dealer	ZEV Readiness	NFDA	Average
Tesla	15	0	1	0	4.0
BMW	7	2	5	4	4.5
Kia	4	6	12	1	5.8
Mercedes-Benz	9	4	9	3	6.3
Volkswagen	1	3	16	13	8.3
MG	11	16	2	5	8.5
Toyota	5	5	19	6	8.8
Hyundai	8	11	8	8	8.8
Audi	3	1	18	14	9.0
Nissan	6	9	14	7	9.0
MINI	16	14	6	2	9.5
Volvo	17	7	10	9	10.8
Skoda	12	10	11	11	11.0
Ford	2	13	20	12	11.8
Land Rover	13	8	17	10	12.0
Peugeot	14	15	4	15	12.0
Vauxhall	10	12	15	16	13.3