



# Buckle Up for a Roller-Coaster Ride

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# Cox Automotive™



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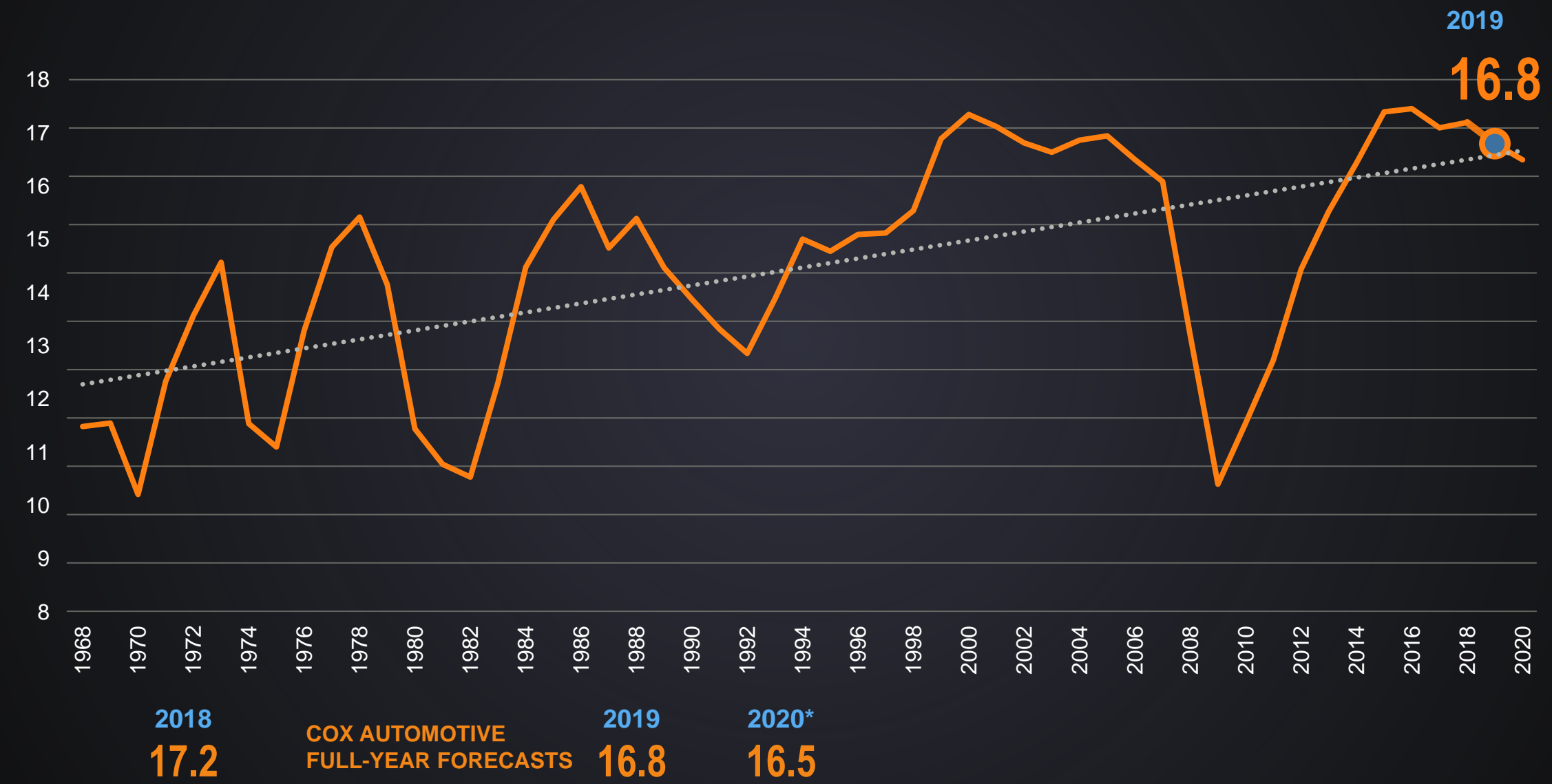




# Light Vehicle Market Outlook February 2019

COX  
AUTOMOTIVE™

# New Vehicle Sales Forecast for 2019



Source: Cox Automotive, December 2018

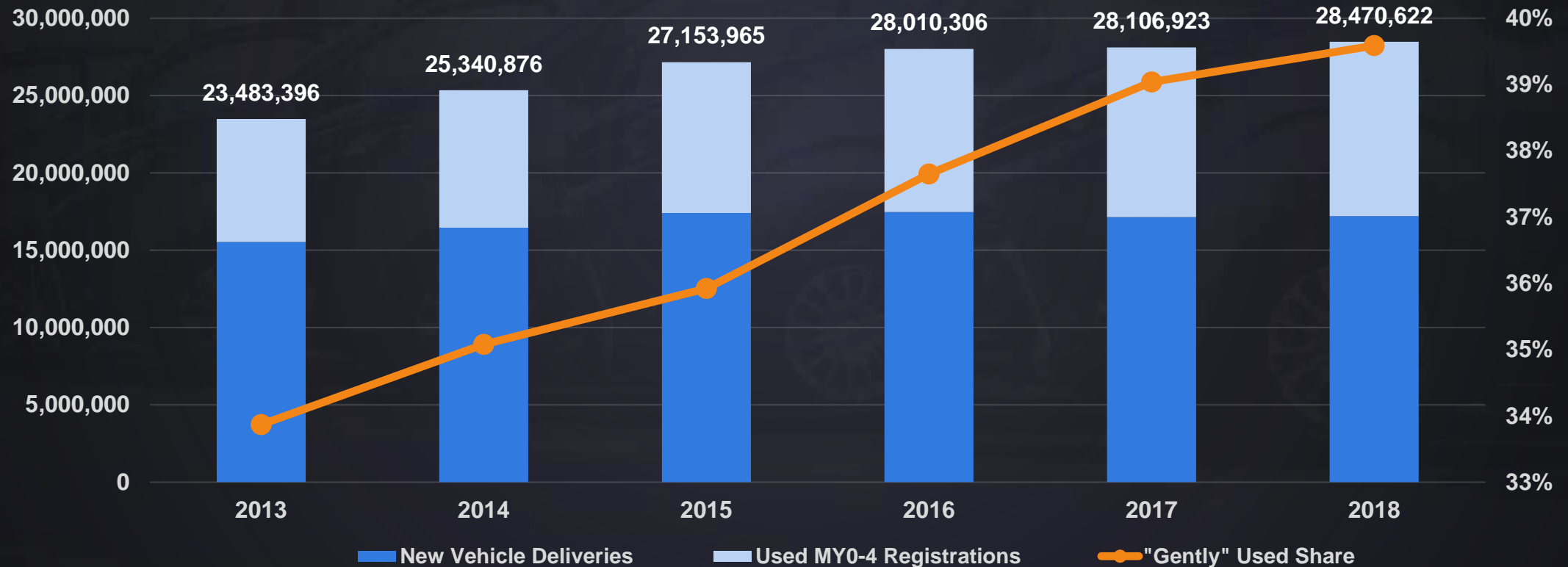
# Vehicle Shopper Perspective

## Market Consideration Above 28,000,000

New Light Vehicle and MY0-4 Used Light Vehicle Demand Strong, Importance of Used Rising

### COMBINED NEW AND USED MY0-4 VEHICLE MARKET

"Gently" Used Share



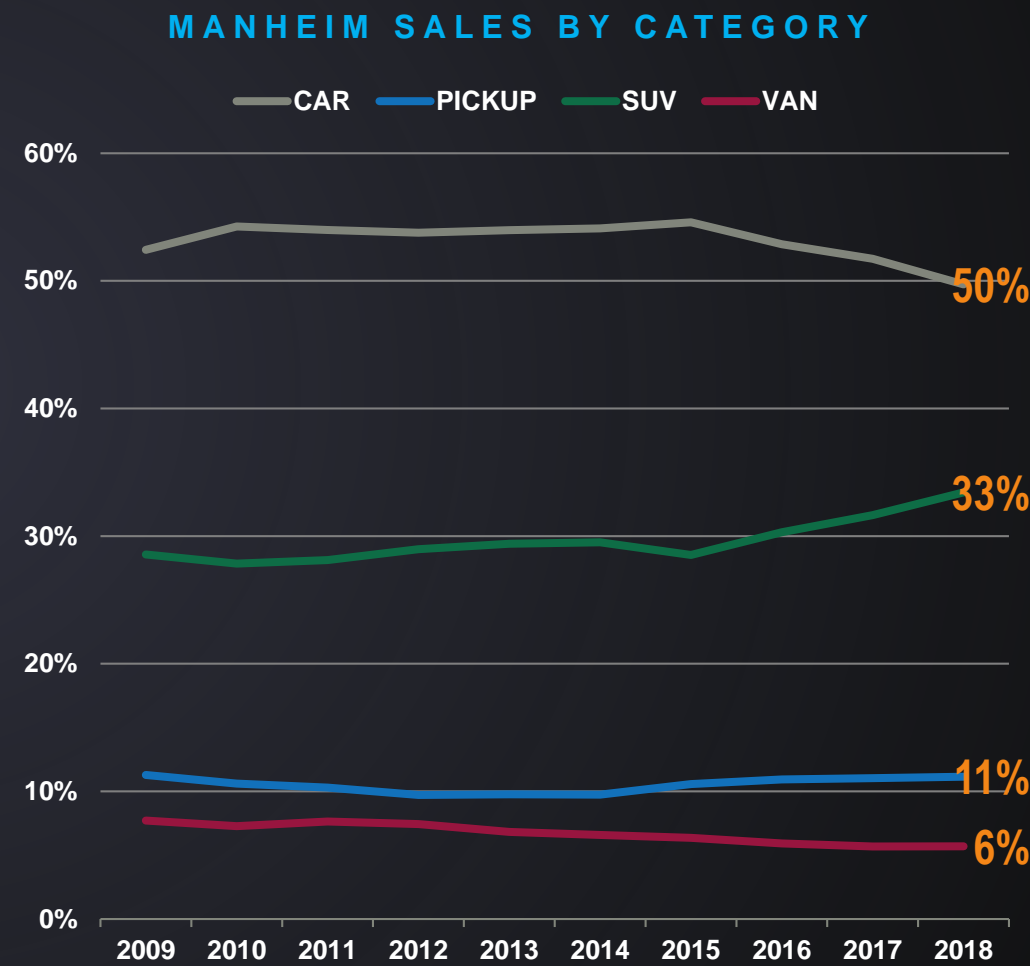
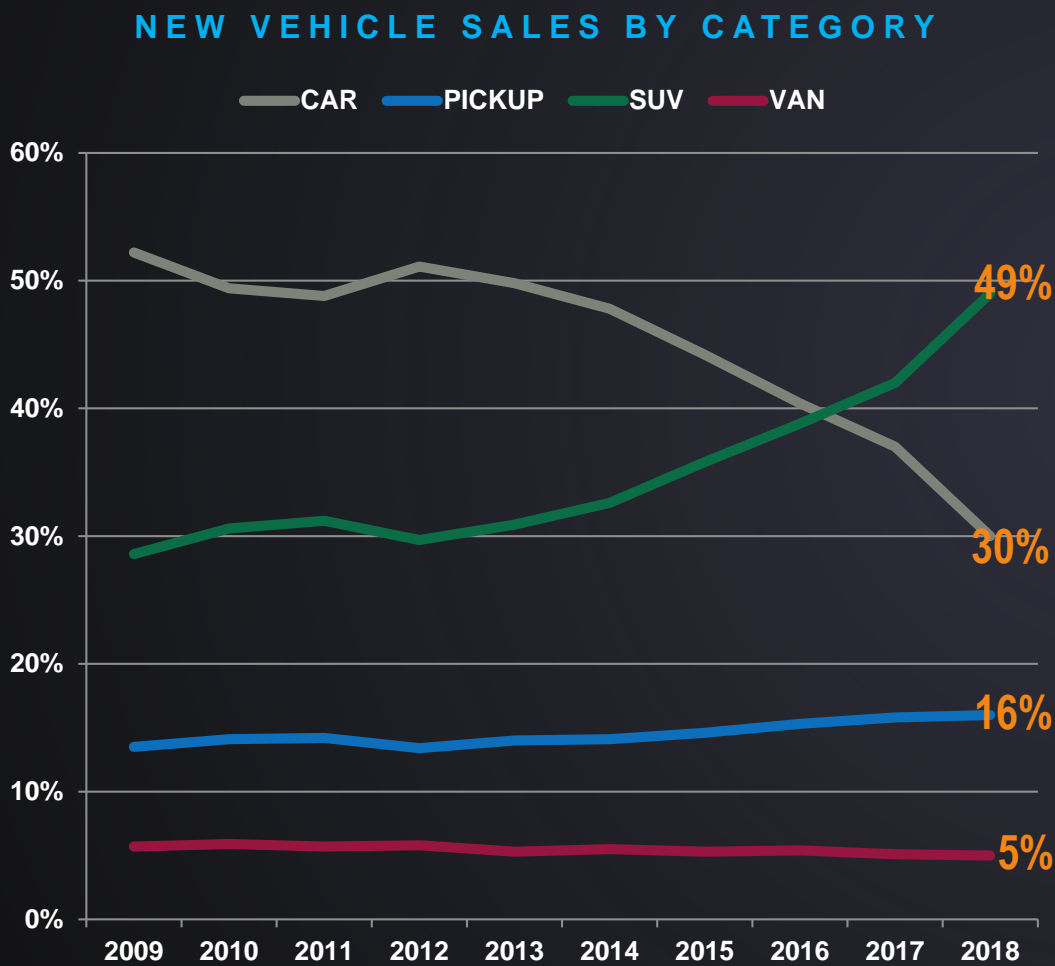
# Estimated Lease Maturities





# Decline of Cars Not Reflected in Wholesale Market Volumes

The SUV reigns supreme in new vehicle sales while cars still dominated the used car market



# 2019: New and Used Buying Conditions Become Less Favorable



Labor Markets  
Consumer Confidence  
Product Choice



Credit Availability  
Gasoline Prices  
Tax Reform Impact  
Vehicle Prices  
Inventories



Equity Markets  
Monetary Policy  
Fiscal Policy  
Housing Market

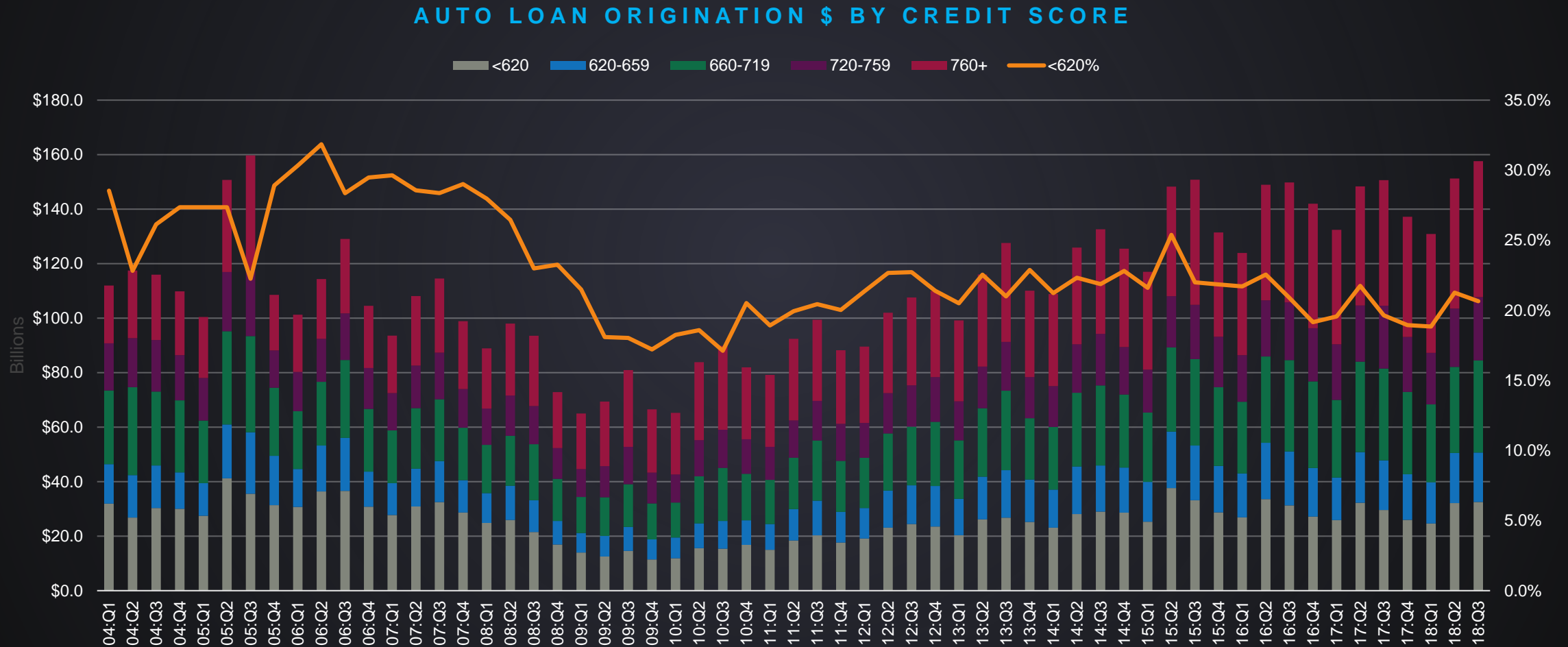


# Interest Rates and Tightening Credit

# Easier Lending Supported Peak Auto Sales

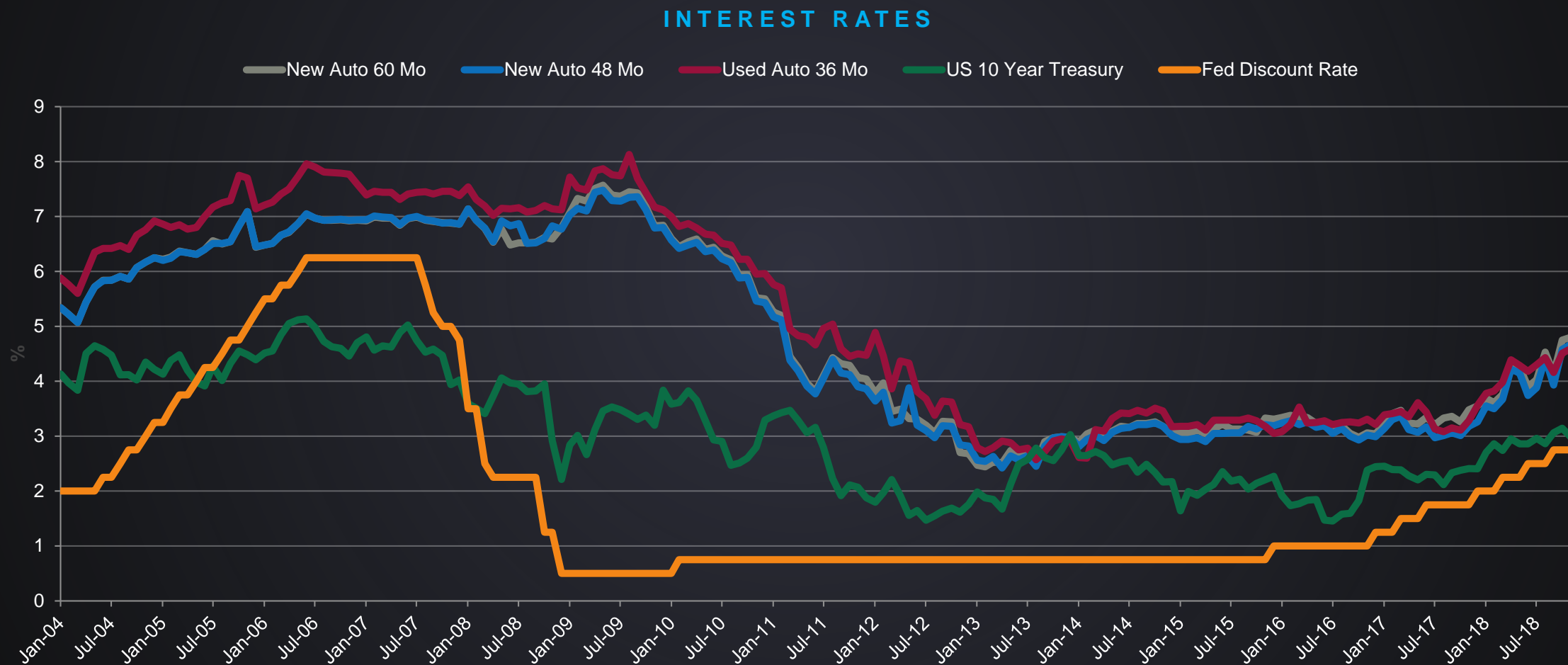
(LENDING EXPANDED IN Q3)

Lending grew by 4.6% Y/Y in Q3 by 10% gains in subprime and 8% gains in 760+ \$ volumes

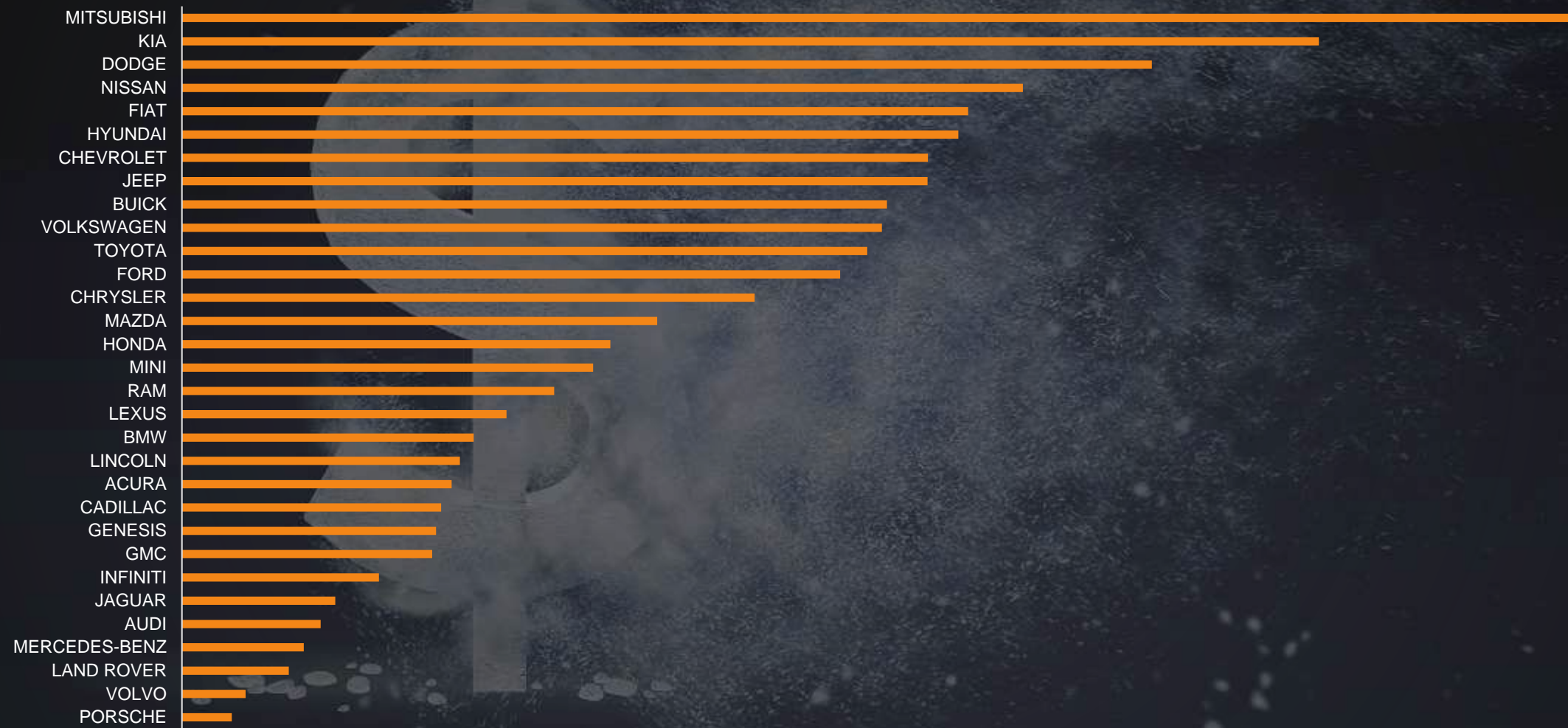


# “Best Available” Auto Rates at Seven-year High

The discount rate ended 2018 up 1% while best available auto rates were up more and up 2.4% from absolute low



# Subprime Penetration Varies by Brand

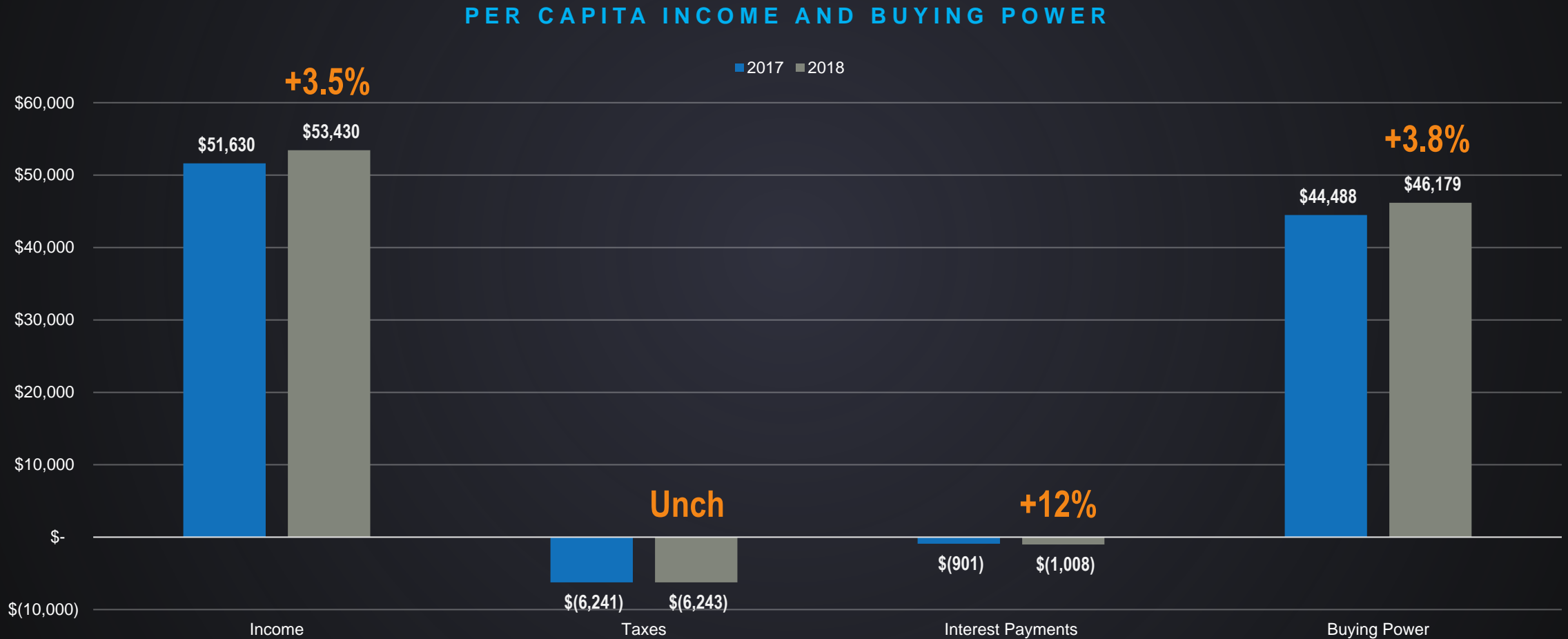




# Trouble with Tax Refunds

# Tax Reform Boosted Disposable Personal Income

Lower tax rates effectively allowed average income gains to translate into equivalent gains in spending



# Implications of Underwithholding

## MORE THAN 102 MILLION FILERS RECEIVED A REFUND IN 2018 FOR 2017 TAXES

Millions of households likely to be in a different position relative to tax refunds than they are accustomed

## THE AVERAGE REFUND LAST YEAR WAS ALMOST \$2,800

The average refund is likely to be smaller

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Consumer spending likely to be negatively impacted

Consumer credit conditions likely to deteriorate

Updated W4 will lead to higher withholdings and lower disposable income





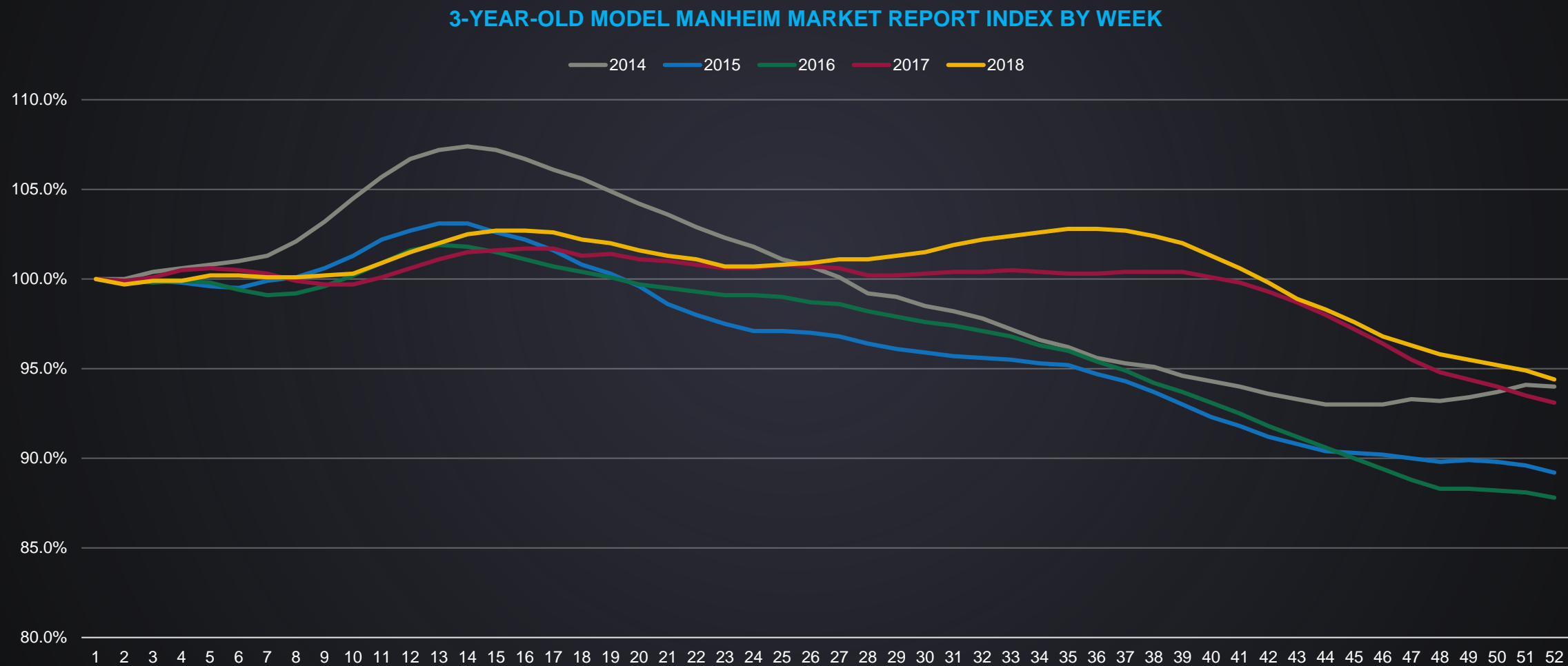


# Trade & Tariffs



# Vehicle Prices Already Impacted by Tariffs

11 weeks of appreciation in the summer brought prices to a new equilibrium reflecting an average 2% increase in value





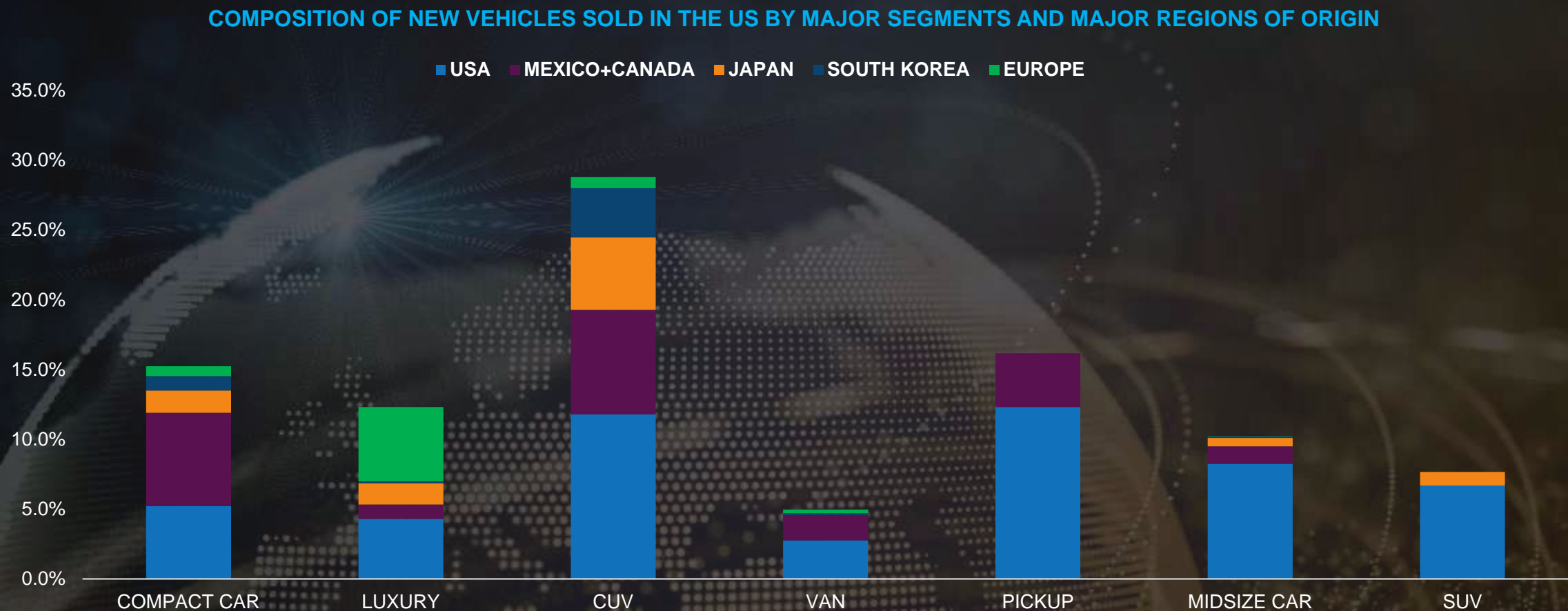
# Negative Impact of Import Tariffs

|  | Q4 2018 | Q3 2018 |
|--|---------|---------|
| Higher prices on all used vehicles as market adjusts | 61%     | 60%     |
| Higher prices on imported vehicles                   | 57%     | 55%     |
| Higher prices on all new vehicles as market adjusts  | 40%     | 48%     |
| Lower (or delayed) used vehicle sales                | 28%     | 23%     |
| Lower (or delayed) new vehicle sales                 | 26%     | 27%     |
| Higher prices on domestic vehicles                   | 25%     | 25%     |
| Other  | 5%      | 3%      |
| No Concerns  | 2%      | 4%      |

Q: What, if any, positive impacts would imposing tariffs on imported vehicles and parts have on your business? Please select all that apply.



# The US Market is Heavily Dependent on a Complex Global Supply Chain



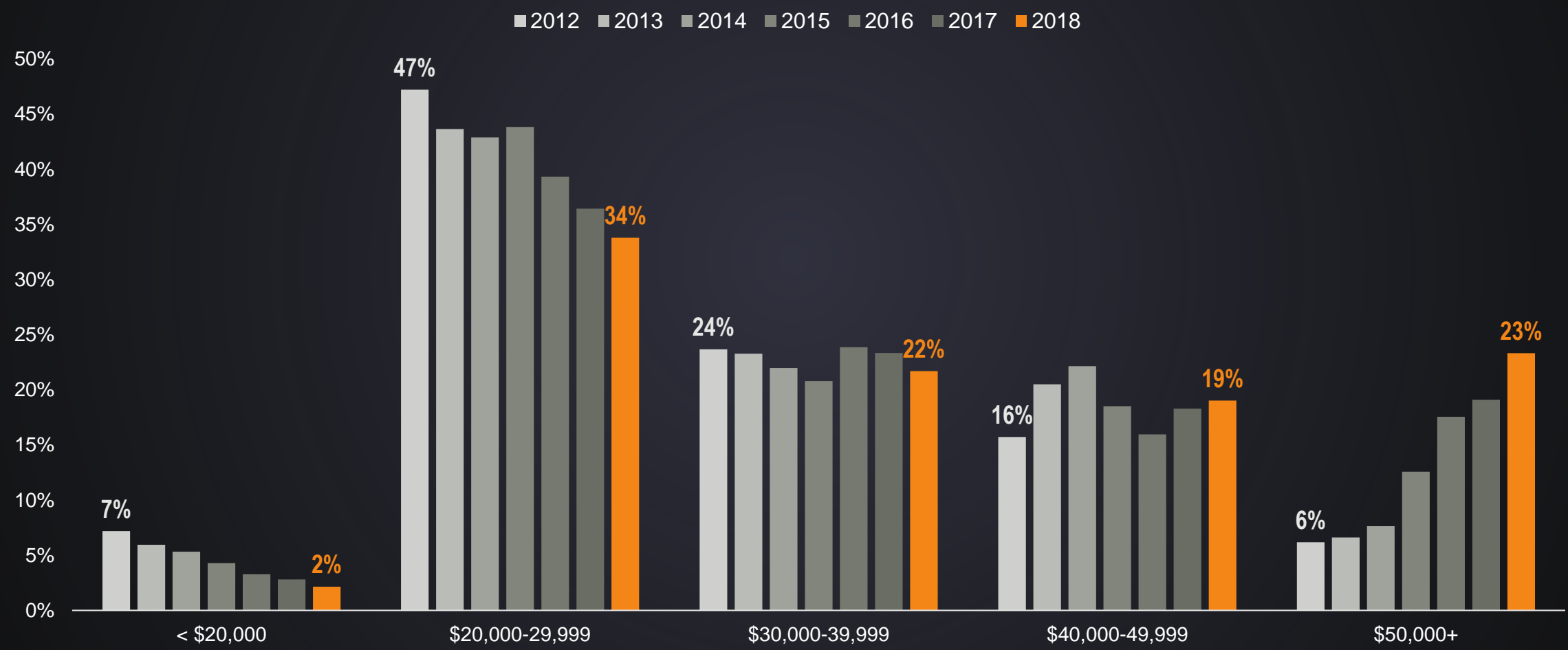
Source: Cox Automotive estimates based on IHS Markit Registrations



# Changing New Vehicle Market

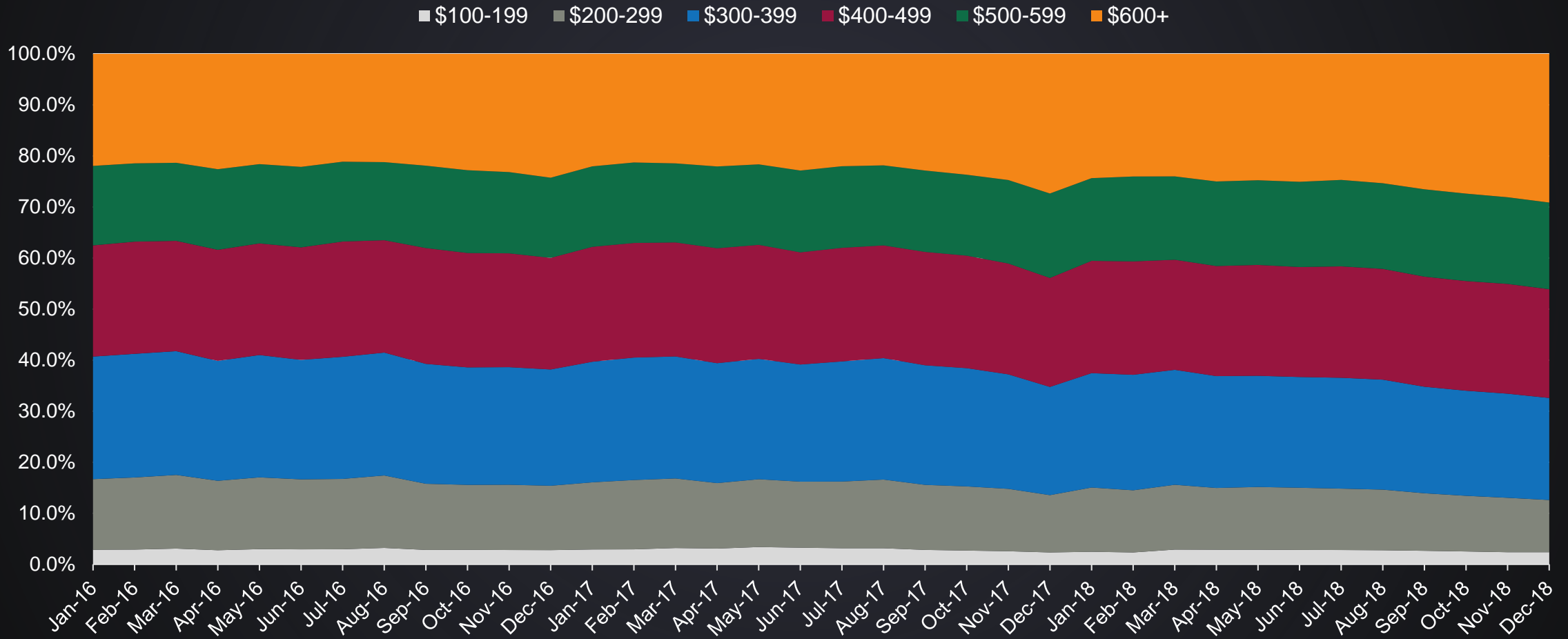


# Share of New Vehicle Sales Under \$30,000 MSRP Declining



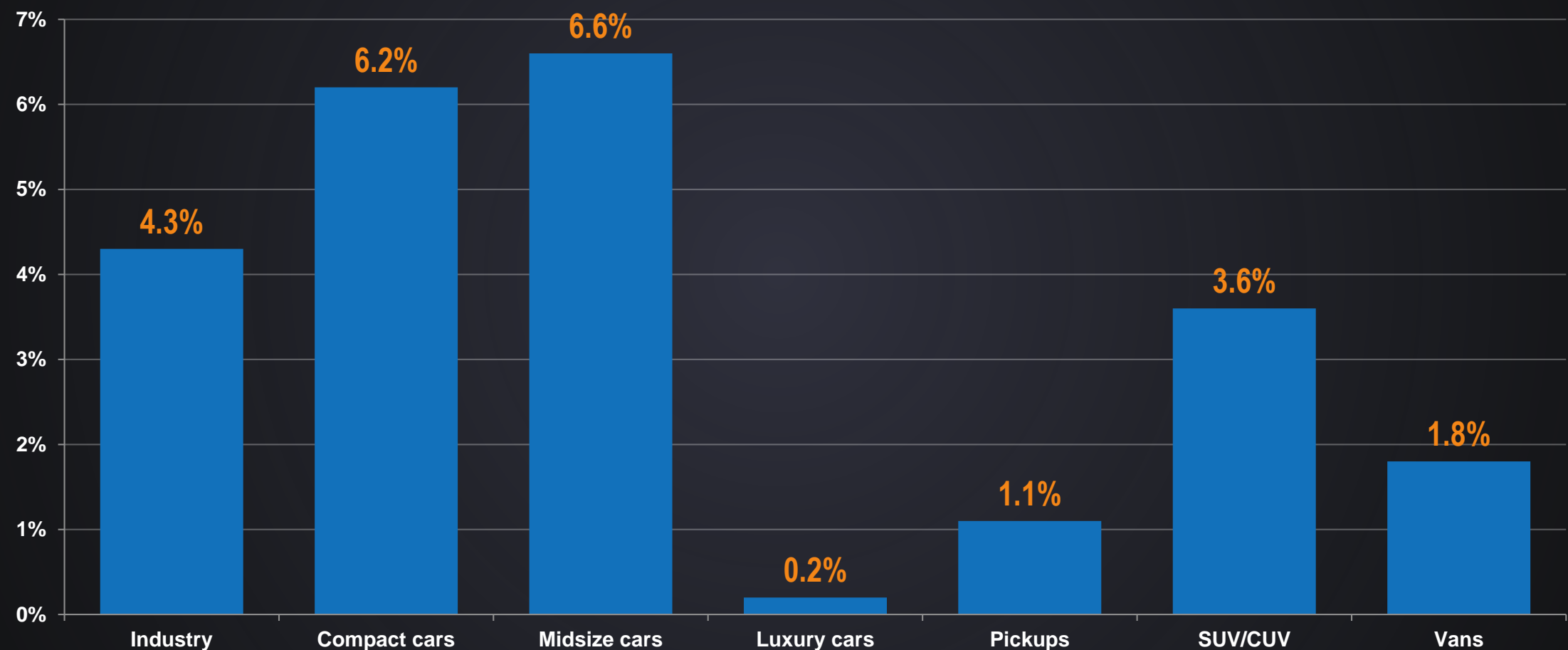
# Share of New Vehicle Monthly Payments **Over \$600** Increasing

The average payment on a new vehicle reached \$533 in 2018 or 10.2% of median household income



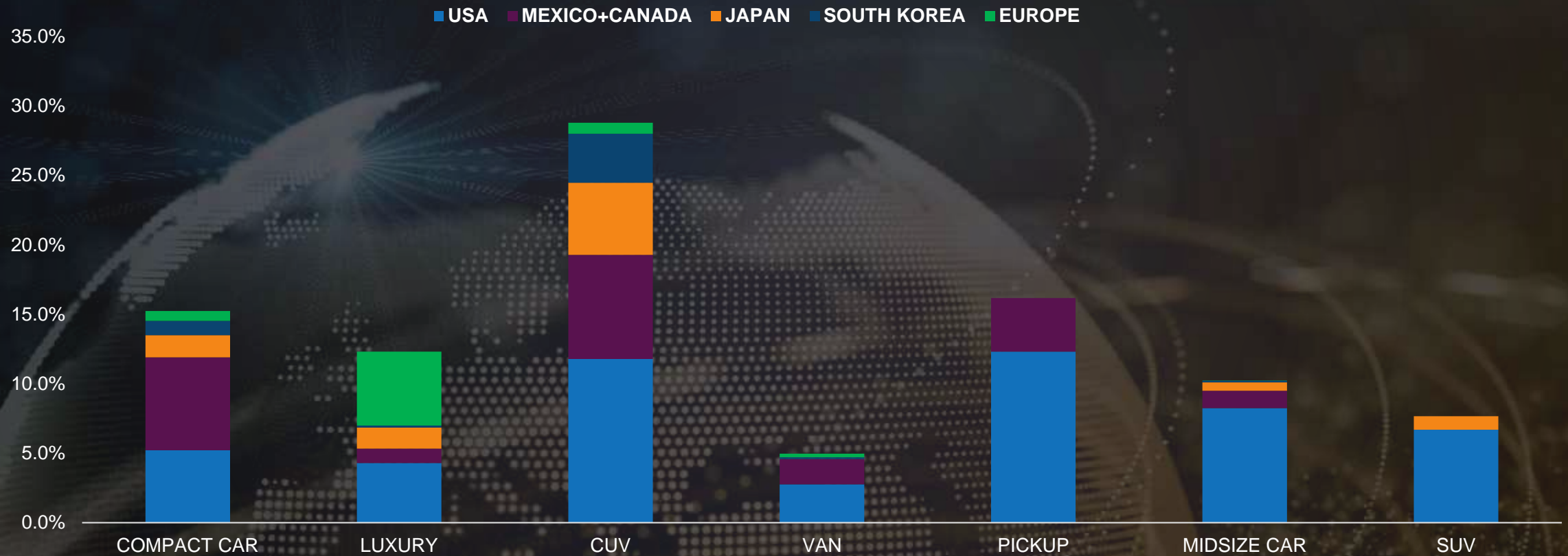
# Affordable Cars Outperforming other Segments

Percent change in Manheim Used Vehicle Value Index year-over-year December 2018



# The US Market is Heavily Dependent on a Complex Global Supply Chain

COMPOSITION OF NEW VEHICLES SOLD IN THE US BY MAJOR SEGMENTS AND MAJOR REGIONS OF ORIGIN





# PAVING THE WAY TO THE EVOLUTION OF MOBILITY

# *The Cost Benefit of Ownership is Eroding*

**“Owning/Leasing a  
Vehicle is Becoming  
Too Expensive”**  
*% Agree*

**42%**  
2015

**48%** ↑  
2018





# Consumer Attitudes About Vehicle Ownership Are Changing

**“Having Transportation is Necessary, but Owning a Vehicle is Not”**

% Agree

**35%**

2015

**39%** ↑

2018

Source: 2018 Cox Automotive Evolution of Mobility Study

*1/3 of Consumers Are Open  
to New Mobility Options*

**33%**

**“I’m open to exploring new  
transportation methods”**  
*(vs. 67% I like to own)*





**Thank You!**

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