Vehicle Market Insights

Manheim Used Vehicle Value Index Call – April 7, 2021

Jonathan Smoke & Zo Rahim
Special Guest: Scott Maybee
Cox Automotive

**OUR PURPOSE**
Empower clients to thrive in a rapidly changing marketplace

**OUR VISION**
Transform the way the world buys, sells, owns and uses vehicles

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**INVENTORY**
- Autotrader
- Dealertrack
- Kelley Blue Book
- Dealer.com
- Xtime

**RETAIL**
- Homenet Automotive
- VinSolutions

**FINANCIAL**
- NextGear Capital

**MOBILITY**
- Pivot
- Clutch
- RideKleen
Covid-19 Daily Case And Vaccination Trends

Source: Cox Automotive
Continuing Claims At 3.8 Million Nationally

Source: U.S. Department of Labor
Consumer Sentiment Improved In March

Morning Consult’s Index of Consumer Sentiment on Monday was down 11.9% since February 29, 2020.

ICS Value (7-Day Average)

Source: Morning Consult
Retail Sales Recovery Estimates

2020 and 2019 % Change vs. 2019 in Retail Sales by Week

New Y/Y 20
Used Y/Y 2020
New 21/19
Used 21/19

Week 2
Week 3
Week 4
Week 5
Week 6
Week 7
Week 8
Week 9
Week 10
Week 11
Week 12
Week 13
Week 14
Week 15
Week 16
Week 17
Week 18
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Week 37
Week 38
Week 39
Week 40
Week 41
Week 42
Week 43
Week 44
Week 45
Week 46
Week 47
Week 48
Week 49
Week 50
Week 51
Week 52

Source: Cox Automotive
Sales Impact Varies by DMA As Evidenced By Unique Credit Apps

April 5, 2020 (vs same-week 2019)

April 4, 2021 (vs same-week 2019)
NEXTGEAR CAPITAL

Auto industry’s largest independent finance company

Established in 2012

Headquartered in Carmel, Indiana

Employs 700+ team members across the nation

Credit lines accepted at 1,000+ physical and online auctions, including non-Manheim locations
NextGear Capital Serves MORE Independent Dealers Than Any Other Lender

- $3.0 Billion in Receivables
- 20,000+ Dealer Clients
- 35% Manheim Transactions
- $15 Billion in Annual Originations
- 1.2+ Million Vehicles Floor Planned
- 65% Independent Auctions & Dealer Transactions
Independent Dealers Drive Value Across the Economy

- Nearly 60K Private Businesses
- More than ½ of retail used vehicle sales
- 60-70% of Auction Purchases
- Dealers are in and part of their communities
- Provide Transaction Services

Affordable Transportation Options

Dealers are in and part of their communities.
Current Challenges for Independent Dealers

- Record wholesale price increases
- Lag in retail price increases
- Increased competition at auction
- Online Competitors
- But…more sourcing options
- And higher consumer demand!
Opportunities for Independent Dealers & The Industry

Independent Sales Expected to Thrive

Used Vehicle Sales Breakout (millions)

Driven by Growth in Older Vehicle Inventory

Supply of 5-12 Year Old Inventory (millions)
Manheim Used Vehicle Value Index

**Concept:**
A single measure of used vehicle price change that is independent of underlying segment shifts in the characteristics of vehicles being sold

**Steps:**
- All Manheim U.S. sales
- Classify by market segment
- Account for differences in mileage
- Weight to provide smoother segment mix
- Seasonally adjust
Wholesale Prices Jump With Spring Bounce

Prices in March increased 5.87% from February 2021 and were up 26.2% compared to March 2020.
Year-Over-Year Performance in New Territory This Spring

Year-over-year price performance much stronger than prior post-recession peak

Source: Manheim/Cox Automotive
Manheim Index versus Mix & Quality Adjusted New Vehicle Price with 3 ½ year Lag

Used vehicle prices back above the historical new vehicle price relationship trend

Source: Bureau of Labor Statistics, Manheim/Cox Automotive
Wholesale Used Vehicle Prices vs. New Vehicle Prices

Source: Kelley Blue Book/Cox Automotive

January 2012 = 100
2021 Weekly Price Trend Starts Strong

Prices started to rise in week 5, well ahead of normal “spring bounce” pattern

3-Year-Old Model MMR Index by Week

Source: Manheim/Cox Automotive
Retention Values Accelerated Further Up

Retention values are up 12 percentage points compared to last year at the end of March

Source: Kelley Blue Book/Cox Automotive (1 to 3 year-old models)
Percent Change in Wholesale Prices for Major Market Segments

All major segments saw year-over-year gains in March

Source: Manheim/Cox Automotive
Average price for rental risk units sold in March up 8% y/y and flat m/m

Source: Manheim/Cox Automotive
## Distribution of Rental Risk Vehicles

<table>
<thead>
<tr>
<th></th>
<th>2019 Q1</th>
<th>2020 Q1</th>
<th>2021 Q1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of unique year, make, model,</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>body configurations sold</td>
<td>3,030</td>
<td>3,390</td>
<td>3,149</td>
</tr>
<tr>
<td>Share accounted for top 10 YMMB</td>
<td>11.7%</td>
<td>11.8%</td>
<td>12.0%</td>
</tr>
<tr>
<td>Share accounted for top 25 YMMB</td>
<td>22.0%</td>
<td>21.4%</td>
<td>22.6%</td>
</tr>
<tr>
<td>Number of YMMB to reach 50% share</td>
<td>114</td>
<td>113</td>
<td>117</td>
</tr>
</tbody>
</table>

Source: Manheim/Cox Automotive
Average mileage for rental risk units in March was up 46% compared to a year ago and up 27% m/m
Rental Risk Units Sold by Condition

Source: Manheim/Cox Automotive
Rental Risk Units Sold by Segment

Source: Manheim/Cox Automotive
Manheim Market Report (MMR) Vehicle Insights

Price trends on top selling vehicles in March at Manheim showed strong increases on all vehicles over the last 30 days (March 2 – April 1). All vehicles saw strong monthly appreciation and big year-over-year gains.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Source (Rank)</th>
<th>Category</th>
<th>Subcategory</th>
<th>Vehicle</th>
<th>1-Apr</th>
<th>Past 30 Days</th>
<th>Last Year</th>
<th>Current Dep</th>
<th>L12M Dep/Mo</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>All</td>
<td>SUV</td>
<td>SUV Midsize</td>
<td>2018 NISSAN ROGUE AWD 4D SUV SV</td>
<td>$18,250</td>
<td>$17,900</td>
<td>$13,700</td>
<td>2.0%</td>
<td>2.8%</td>
</tr>
<tr>
<td>2</td>
<td>All</td>
<td>Luxury</td>
<td>Luxury Car Premium</td>
<td>2018 MERCEDES-BENZ C CLASS 4D SEDAN C 300</td>
<td>$24,100</td>
<td>$23,900</td>
<td>$21,700</td>
<td>0.8%</td>
<td>0.9%</td>
</tr>
<tr>
<td>3</td>
<td>All</td>
<td>Luxury</td>
<td>Luxury Car Premium</td>
<td>2018 MERCEDES-BENZ C CLASS 4D SEDAN C 300 4MATIC</td>
<td>$25,600</td>
<td>$25,100</td>
<td>$21,100</td>
<td>2.0%</td>
<td>1.8%</td>
</tr>
<tr>
<td>4</td>
<td>All</td>
<td>SUV</td>
<td>SUV Midsize</td>
<td>2018 NISSAN ROGUE AWD 4D SUV S</td>
<td>$16,550</td>
<td>$16,300</td>
<td>$12,300</td>
<td>1.5%</td>
<td>2.9%</td>
</tr>
<tr>
<td>5</td>
<td>All</td>
<td>Pickup</td>
<td>Pickup Lite Duty Full</td>
<td>2018 FORD F-150 4WD V6 CREW CAB 2.7L XLT</td>
<td>$36,300</td>
<td>$35,600</td>
<td>$26,400</td>
<td>2.0%</td>
<td>3.1%</td>
</tr>
<tr>
<td>1</td>
<td>Dealer</td>
<td>Midsize Car</td>
<td>Midsize Car Premium</td>
<td>2015 NISSAN ALTIMA 4C 4D SEDAN S</td>
<td>$6,900</td>
<td>$6,775</td>
<td>$4,650</td>
<td>1.8%</td>
<td>4.0%</td>
</tr>
<tr>
<td>1</td>
<td>Lease</td>
<td>SUV</td>
<td>SUV Midsize</td>
<td>2018 NISSAN ROGUE AWD 4D SUV SV</td>
<td>$18,250</td>
<td>$17,900</td>
<td>$13,700</td>
<td>2.0%</td>
<td>2.8%</td>
</tr>
<tr>
<td>1</td>
<td>Rental</td>
<td>Compact Car</td>
<td>Compact Car Premium</td>
<td>2018 NISSAN SENTRA 4D SEDAN S</td>
<td>$9,850</td>
<td>$9,650</td>
<td>$8,025</td>
<td>2.1%</td>
<td>1.9%</td>
</tr>
</tbody>
</table>

Source: Manheim/Cox Automotive
Wholesale Supply Will Remain Below Peak

2020 saw an 11% decline in wholesale inflows caused by declining retail sales, record low repo rates, and a depressed rental market; 2021 is seeing improving flows but not back to normal. Just as other flows get closer to recovery by 2023, off lease will plunge 18% from the lagged effect of the decline in 2020.

Estimated Wholesale Volumes by Inflow Channel (Annual Volume)

Source: Manheim/Cox Automotive

Dealer Off Lease Repo Rental Risk Factory/Other Total

- 2014: 8.0 (8.0) 1.2 (1.2) 1.4 (1.4) 1.2 (1.2) 0.9 (1.0) 14.7
- 2015: 8.5 (8.5) 1.0 (1.0) 1.4 (1.4) 1.3 (1.3) 1.5 (1.5) 13.7
- 2016: 8.7 (8.7) 1.4 (1.4) 3.0 (3.0) 1.6 (1.6) 3.4 (3.4) 15.5
- 2017: 8.9 (8.9) 1.7 (1.7) 3.9 (3.9) 1.6 (1.6) 3.4 (3.4) 16.1
- 2018: 8.8 (8.8) 1.7 (1.7) 3.9 (3.9) 3.9 (3.9) 16.6
- 2019: 8.7 (8.7) 1.7 (1.7) 4.1 (4.1) 4.1 (4.1) 16.9
- 2020: 7.8 (7.8) 1.7 (1.7) 4.1 (4.1) 4.1 (4.1) 15.1
- 2021: 8.5 (8.5) 1.4 (1.4) 1.6 (1.6) 4.0 (4.0) 15.7
- 2022: 8.8 (8.8) 1.3 (1.3) 1.7 (1.7) 4.0 (4.0) 16.3
- 2023: 8.9 (8.9) 1.4 (1.4) 1.7 (1.7) 3.3 (3.3) 15.8

Million Units

Dealer Off Lease Repo Rental Risk Factory/Other Total

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Non-luxury vehicles have seen the strongest start to 2021

Non-Luxury 3-Year-Old Model MMR Index by Week

Source: Manheim/Cox Automotive
2021 Luxury Weekly Price Trend Saw Initial Declines

Luxury vehicles have been underperforming with depreciation to start the year but now also rising strongly.
2021 Weekly Price Trend Very Strong For One-Year-Olds

One-year-old vehicle prices also up strongly

1-Year-Old Model MMR Index by Week

Source: Manheim/Cox Automotive
Thank You

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