

NATIONAL AUTOMOBILE DEALERS ASSOCIATION

WHO AND WHAT IS MOVING THE AUTOMOTIVE INDUSTRY IN 2023

Radio Advertising Bureau Live Presentation
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May 10, 2023



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DETROIT “BIG-THREE” PROFITS UP IN SHAKY ECONOMY

Q1 2023 net income healthy for O.E.M.'s

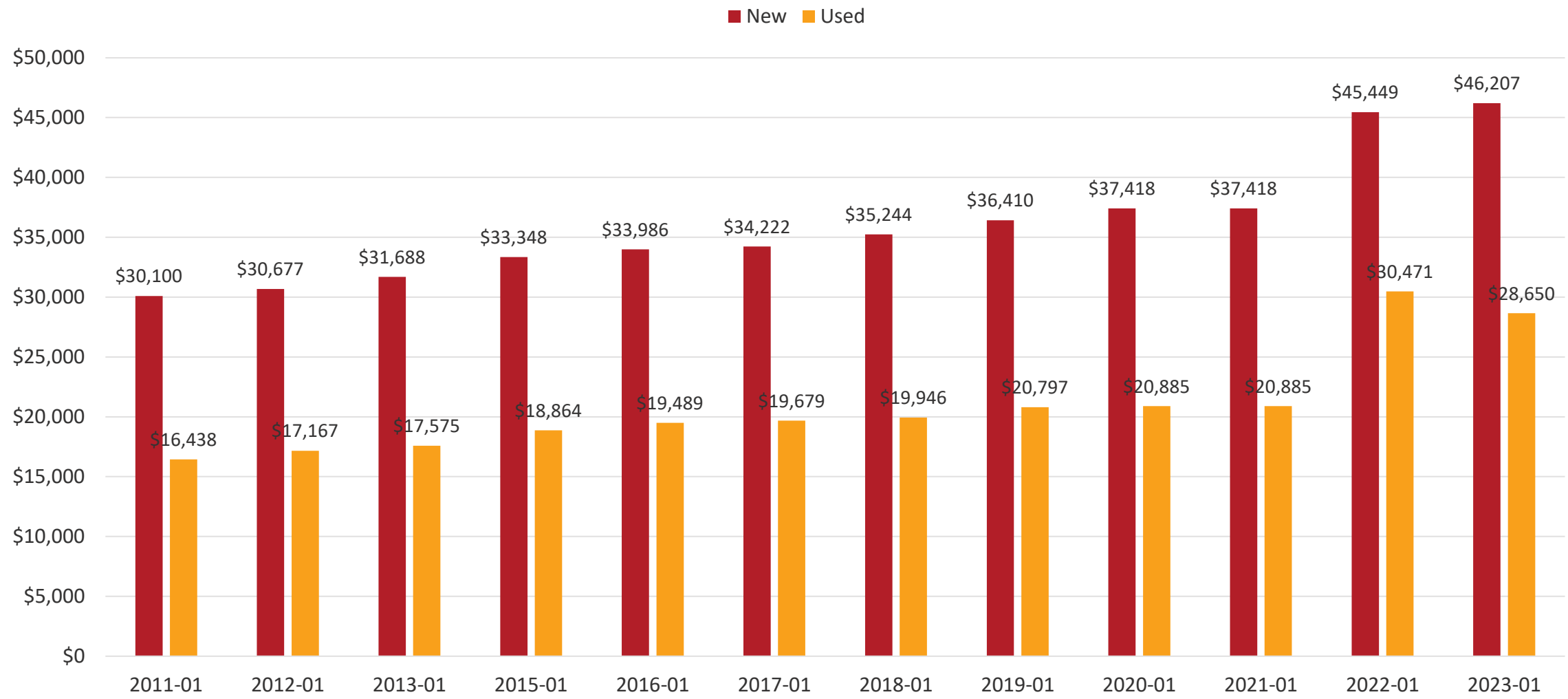
- Continued recovery from supply constraints helped 1st Quarter profits for General Motors, Ford Motor Company, and Stellantis.
- GM's revenue was up 11%, but net income declined -19% in the quarter to \$2.4 billion. Profit was reduced by \$875 million for employee buyouts.
- A week later Ford reported a \$1.8 billion quarterly net income on 20% higher revenue.
- In North America, Stellantis announced a 14% revenue increase in Q1.

FORD EXPECTS TO LOSE \$3 BILLION ON EVS THIS YEAR

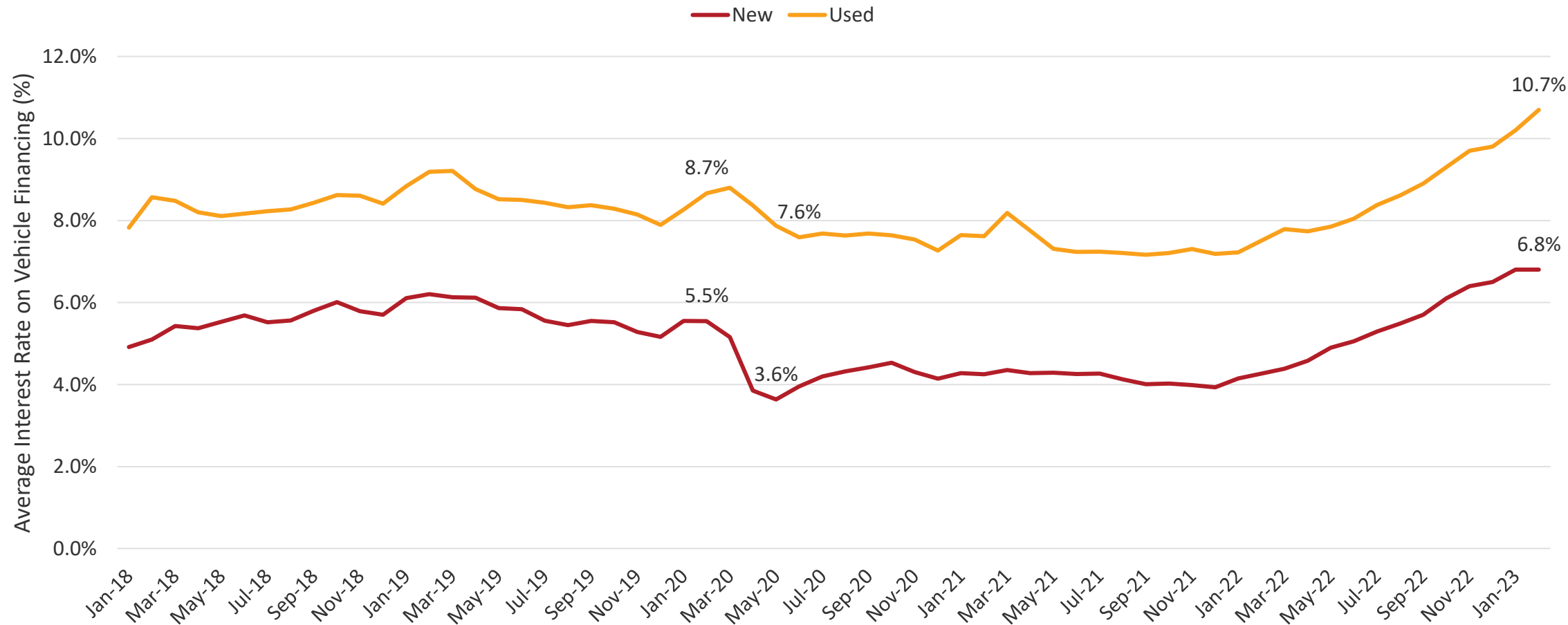
Company expects increased profits from ICE and commercial vehicles

- In March, **Ford projected losses from its EV unit, called Model e, will increase nearly 50% in 2023 from -\$2.1 billion last year** as it continues to invest in boosting production and developing next-generation products.
- **Ford expects earnings before interest and taxes of about \$7 billion this year for Ford Blue**, its internal combustion business unit, **and about \$6 billion for Ford Pro**, its commercial unit.
- Analysts and investors have long assumed the company's traditional gasoline-powered vehicle business has driven profits and helped fund investments in EVs and other mobility ventures.
- **This release marked the first time Ford has publicly broken out results for the three units**, created as part of a companywide reorganization in 2022, as it changes its financial reporting method.

RETAIL VEHICLE AVERAGE TRANSACTION PRICE

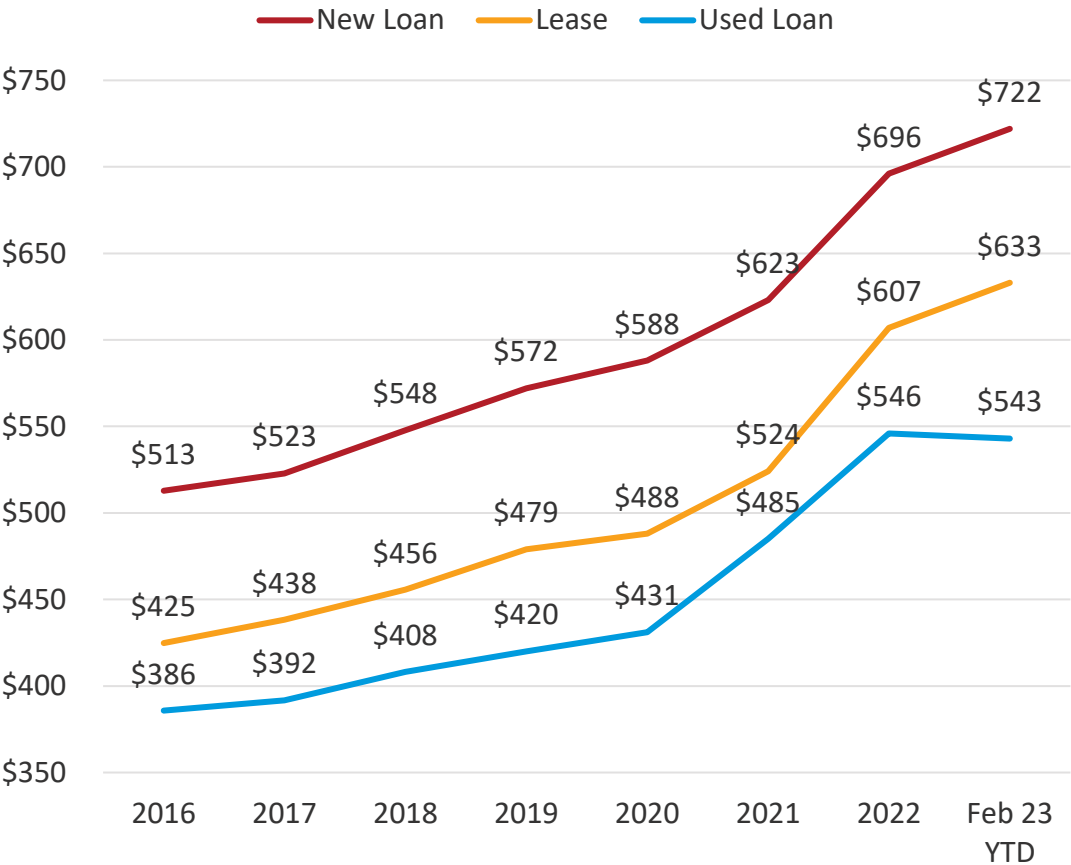


AVERAGE INTEREST RATE ON VEHICLE FINANCING

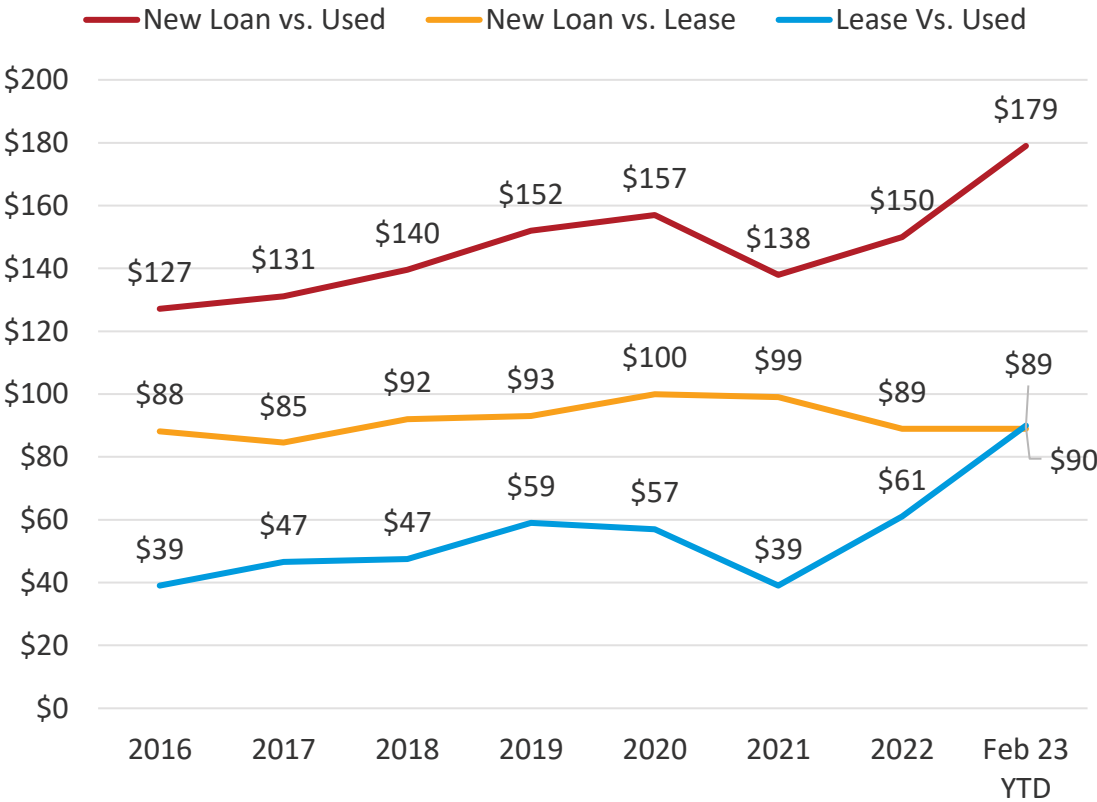


AVERAGE MONTHLY PAYMENTS

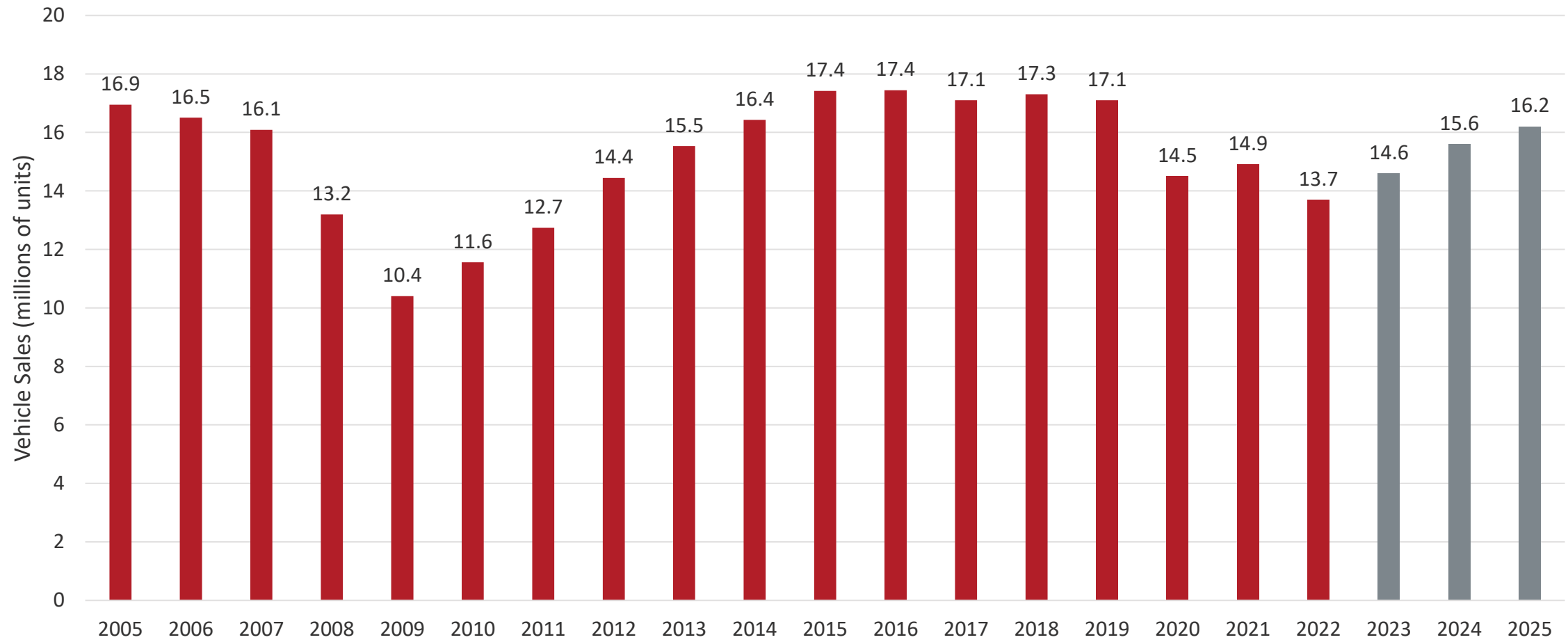
Average Monthly Payments



Payment Gap



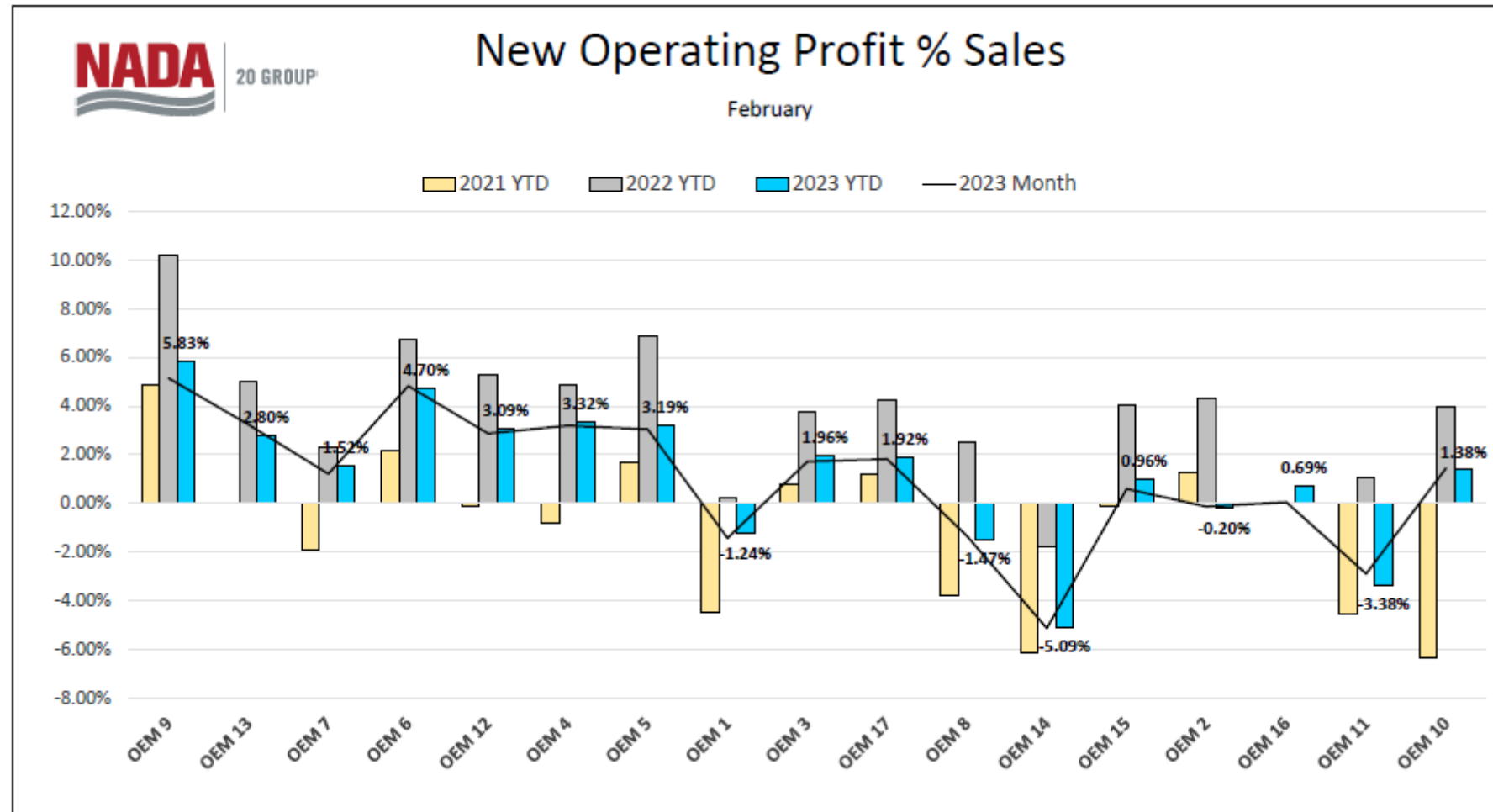
U.S. NEW LIGHT VEHICLE SALES AND FORECAST



CHIP SHORTAGES CONTINUE TO CUT PRODUCTION

2023 Production losses that are chip-related

Area	2023 YTD Losses	2023 Projected Loss
North America	567,711	1,149,405
China	234,881	309,472
Europe	230,683	702,380
Rest of Asia	63,516	528,173
South America	8,313	114,700
Middle East/Africa	6,530	23,123
Total	1,111,643	2,827,253



USED CAR SALES BY CHANNEL

	Franchised	Independent	Private Party	Total
2014	13,562,453	12,155,516	10,937,658	36,655,627
2015	14,131,633	12,850,783	11,034,015	38,016,431
2016	14,209,038	13,249,928	11,136,632	38,595,598
2017	14,404,377	13,694,878	11,156,622	39,255,877
2018	14,439,289	13,870,305	10,850,924	39,160,518
2019	14,937,110	13,982,455	10,849,037	39,768,602
2020	13,681,786	13,195,399	10,281,450	37,158,634
2021	14,714,858	14,208,095	11,623,287	40,546,241
2022	12,882,938	12,653,573	10,316,714	35,853,225

GET READY FOR A CHALLENGE IN USED CARS

Page 1 Editorial, Automotive News, January 27, 2023

- The flow of new vehicles picking up is giving dealers promise.
- But used-vehicles are a different story. Do the math:
 - From 2020 through 2022 U.S. retailers sold 43.5 million new vehicles.
 - That was a decline of 8.2 million new vehicles sold in 3 previous years. (*Down 11.2M in 4 yrs*)
- So that was 8.2 million vehicles that did not enter the pipeline to be a used vehicle in a few years.
- 8.2 million that will never potentially come off lease and become a shiny CPO.
- That's 8.2 million units that will:
 - Never reach an auction,
 - Never grease a sale by being a trade-in,
 - Never be old enough to need brake work, collision repair, a new fuel pump, need new tires, or even an oil change.
- Because they don't exist.
- The problem soon will be getting fresh pre-owned vehicles.
- Competition for what's available will intensify.
- Used cars have become a far more important factor in dealership profits than they were a decade ago.

MARCH '23 USED VEHICLE SALES DROP -3.9% FROM MAR '22

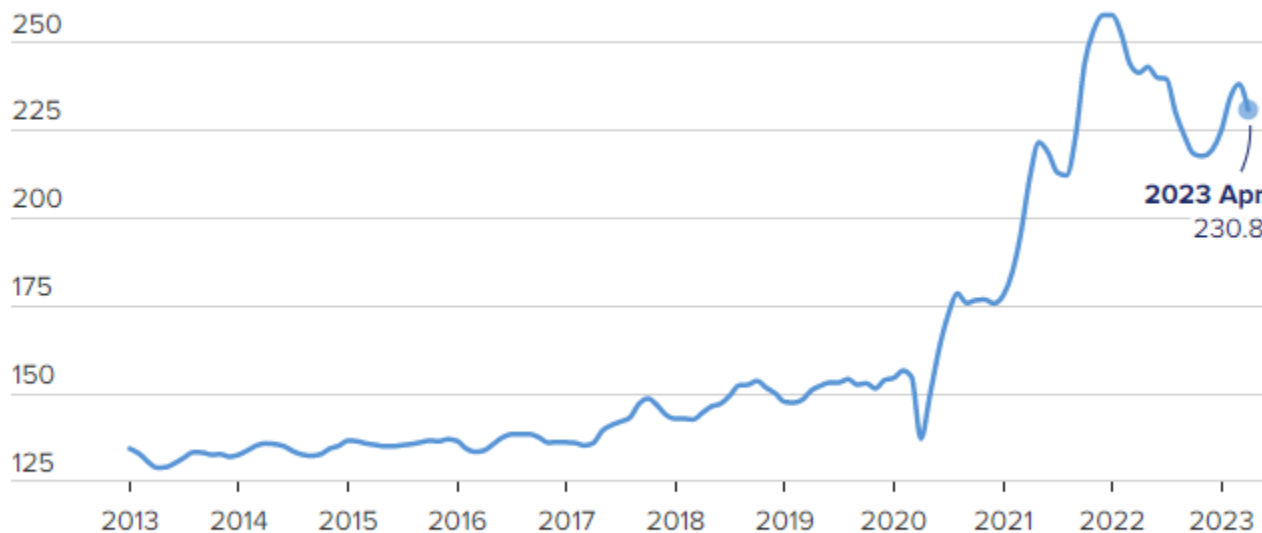
March sales down for all channels

- Monthly used sales for March were down -3.9%, or over -134,000 fewer units from March 2022.
- All channels were off – New Car & Used Car Dealers, and Private Sellers
- Total for all sales channels were 3,218,918 in March:
 - **New Car Dealers** sold 1,165,181, **down -5.0%**, or over -61,000 fewer than March '22. NC Dealers' monthly market share was 35.4%.
 - **Used Car Dealers** bettered New Dealers in March, with 1,168,327 sales which for them were **also -5.0% from Mar '22** but recorded a 35.5% March share.
 - **Private party sales** were **down almost -50,000** fewer than 'Mar '22, for a 27.9% Market Share.

APRIL USED VEHICLE PRICES FELL FOR THE FIRST TIME IN 2023

- Wholesale used vehicle prices declined last month for the first time this year, as automakers increase production of new cars and trucks.
- On May 5, Cox Automotive reported a -3% decline from March to April in its Manheim Used Vehicle Value Index, although levels remain elevated compared with historical figures.
- The index, which tracks vehicles sold at its U.S. wholesale auctions, is still up 5.2% from December but is down -4.4% from April 2022.

Manheim Used Vehicle Index

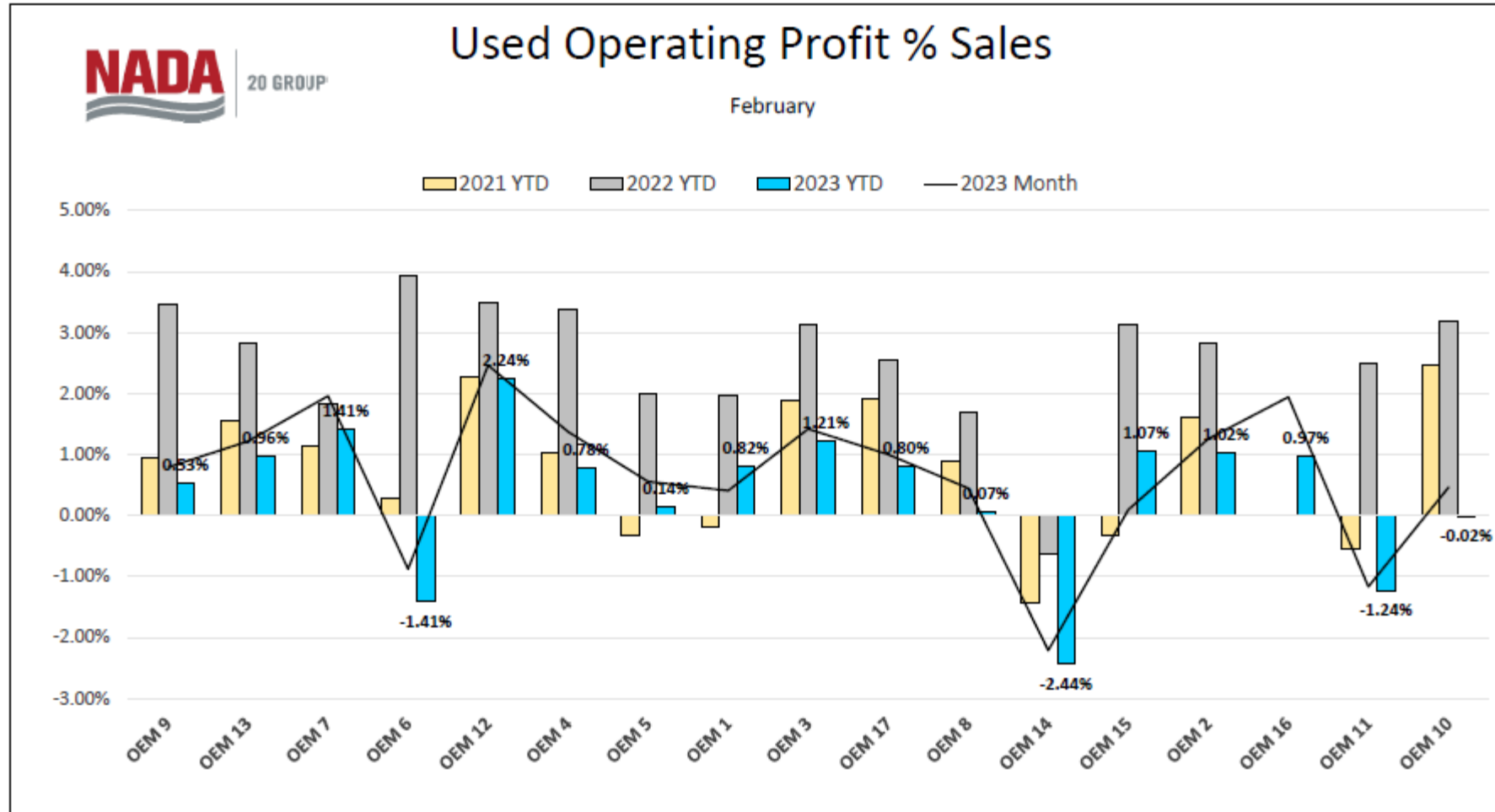


Note: January 1997 = 100

Chart: Gabriel Cortes / CNBC

APRIL SLOWDOWN START OF BROADER USED PRICE DECLINE

- April wholesale vehicle prices fell; the decline is likely not ending soon.
- That's according to indices by Black Book and Cox Automotive in early May, which signaled softening may only be the beginning of a broader slide.
- Black Book's Used Vehicle Retention Index came in for April down -0.1% from March and -5.3% from April 2022.
- Concerns of demand and affordability, with rising new inventory and incentives, put downward pressure on wholesale prices, Black Book said.
- Black Book "... expects wholesale prices to decline through the rest of the year even as the available used inventory will start to shrink in Q3 and Q4."
- Black Book's index has declined year-over-year for eight straight months, as has Cox Automotive's Manheim Used Vehicle Value Index.



PRICES, PROFITS DROPPING CHANGE DEALERS' STRATEGY

Survey of 264 Dealership Executives Jan. 16-23 choose 3 changes made:

Accepted less gross profit per used vehicle sold		47%
Reduced prices paid for trade-ins/wholesale inventory acquisitions		45%
Reduced retail prices		30%
Reduced used-vehicle department profit targets for the year		25%
Expanded options for sourcing used inventory		22%
Cut retail sales volume targets for the year		20%
Reduced overall used-vehicle inventory numbers		19%
Increased inventory of lower-priced, older used vehicles		14%

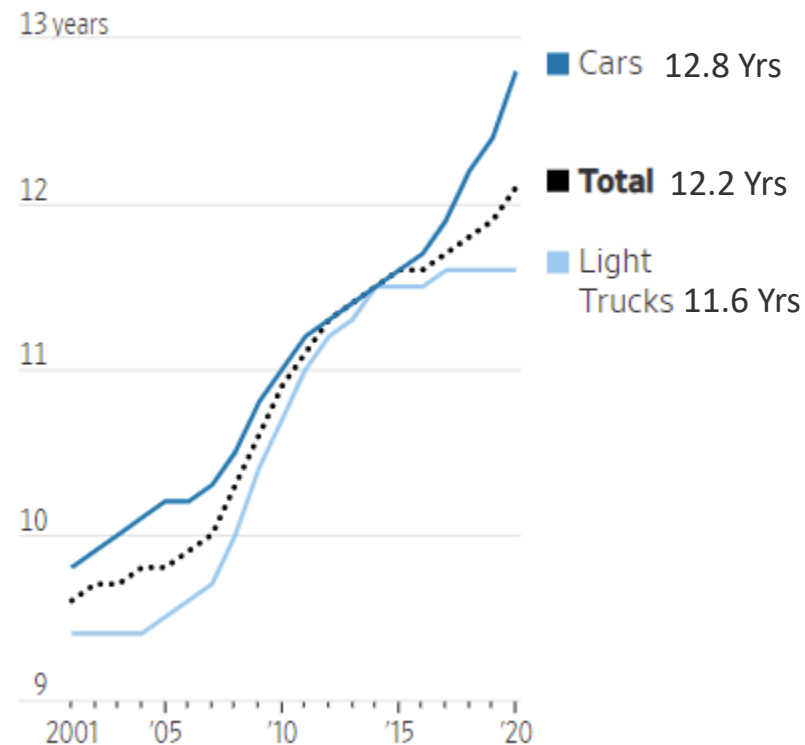
Increased the use of digital sales and sourcing tools for used vehicles		13%
Increased overall used-vehicle inventory numbers		10%
Cut expenses other than for head count in the used-vehicle department		9%
Other		5%
Expanded participation in automaker certified pre-owned programs		4%
Added dealership-branded certified pre-owned program		4%
Cut head count in the used-vehicle department		3%
Moved to a 1-price model for used vehicles		3%
Increased head count in the used-vehicle department		2%

AVERAGE AGE OF U.S. LIGHT VEHICLES RISES FOR FIFTH STRAIGHT YEAR

Average U.S. vehicle age rose to 12.2 years in 2022

- The average age of U.S. light vehicles in operation rose for a fifth straight year, S&P Global Mobility said in a report from May 2022.
- The average age rose to 12.2 years in 2022 — a nearly 2% increase from the average life in 2021 of just over 12 years, according to the research.
- The research shows the average age of vehicles has been increasing since 2011, highlighting a trend in popularity of older and higher-mileage vehicles.
- Data from Cox Automotive shows new-car dealers' sale of high-mileage vehicles grew 7% in Q1 '22. Previously, 150,000+ miles vehicles instead were auctioned to independent dealers.
- The U.S. vehicle fleet — which includes all light cars and trucks — increased by 3.5 million vehicles to a total of 283 million in 2022, according to S&P Global.

Average age of light vehicles in the U.S

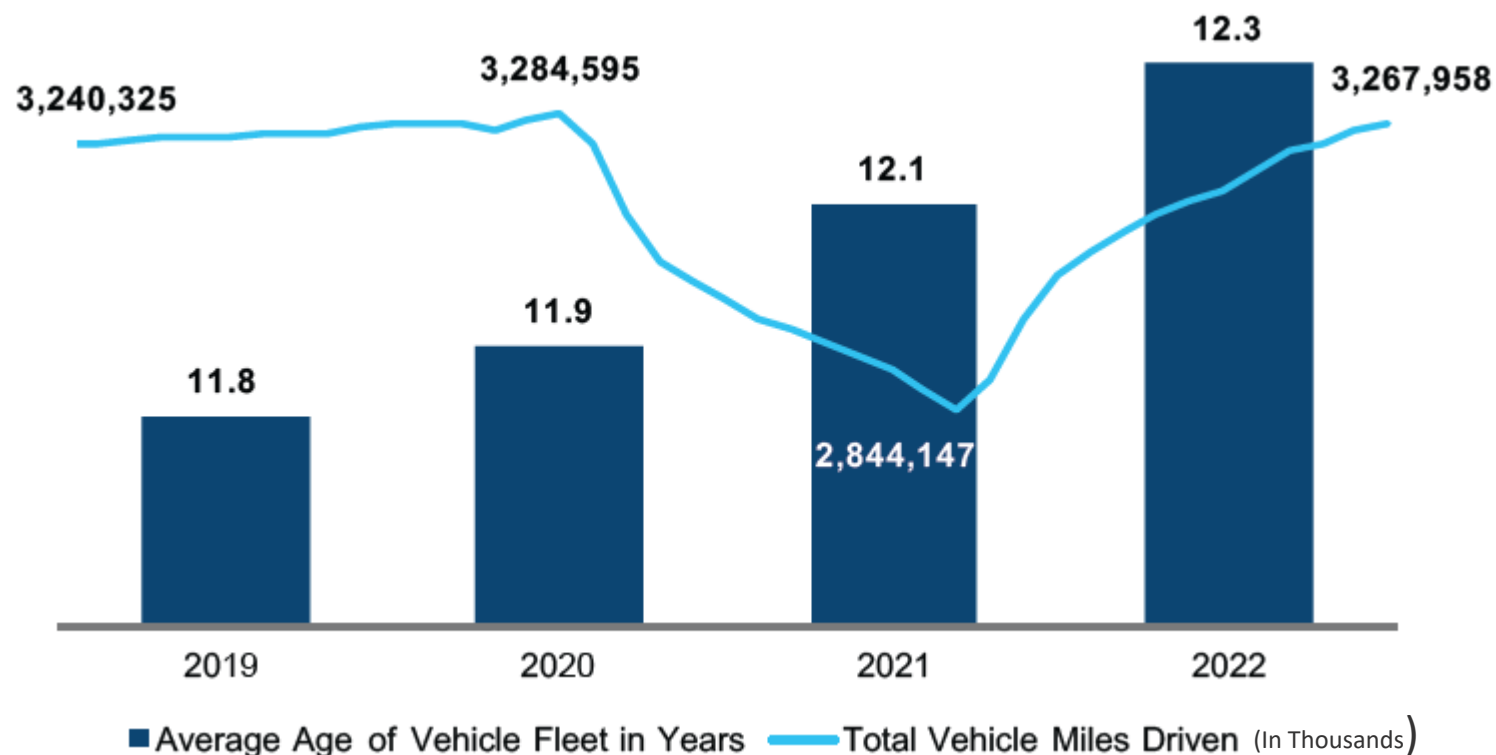


Source: IHS Markit

U.S. LIGHT-VEHICLE PARC

- Average age of vehicle on the road: 12.1 years (June 2021, IHS)
 - Reduction in new sales and an increase in scrappage driving age increase
- Vehicles in Operation: 280.6 million units (Q1 2021, Experian)
 - Up 1.4 million from Q4 2019 or 0.5%
 - Improving vehicle quality driving increase
- Average ownership length of a new vehicle: 79.3 months
- Average ownership of a used vehicle: 66 months.

TOTAL VEHICLE MILES DRIVEN IN US VS. AVERAGE AGE OF VEHICLE FLEET IN YEARS



Miles driven rebounded in 2022 even as the average age of vehicles rose to 12.3 years.

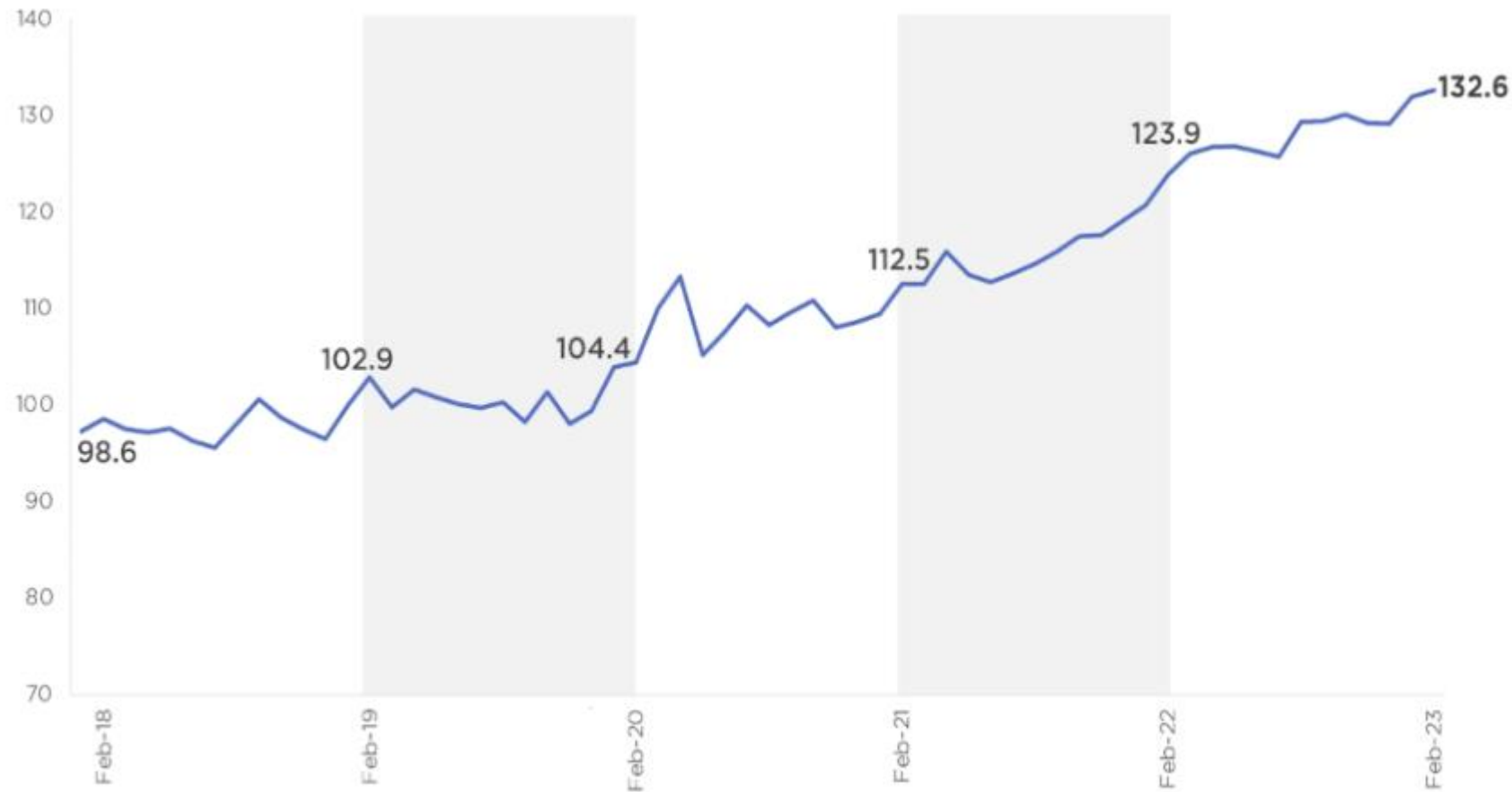
This generated a potential earnings tailwind from increased vehicle service revenue in 2022 and beyond, even if consumer demand softens.

CUSTOMER REPAIR ORDER VOLUME

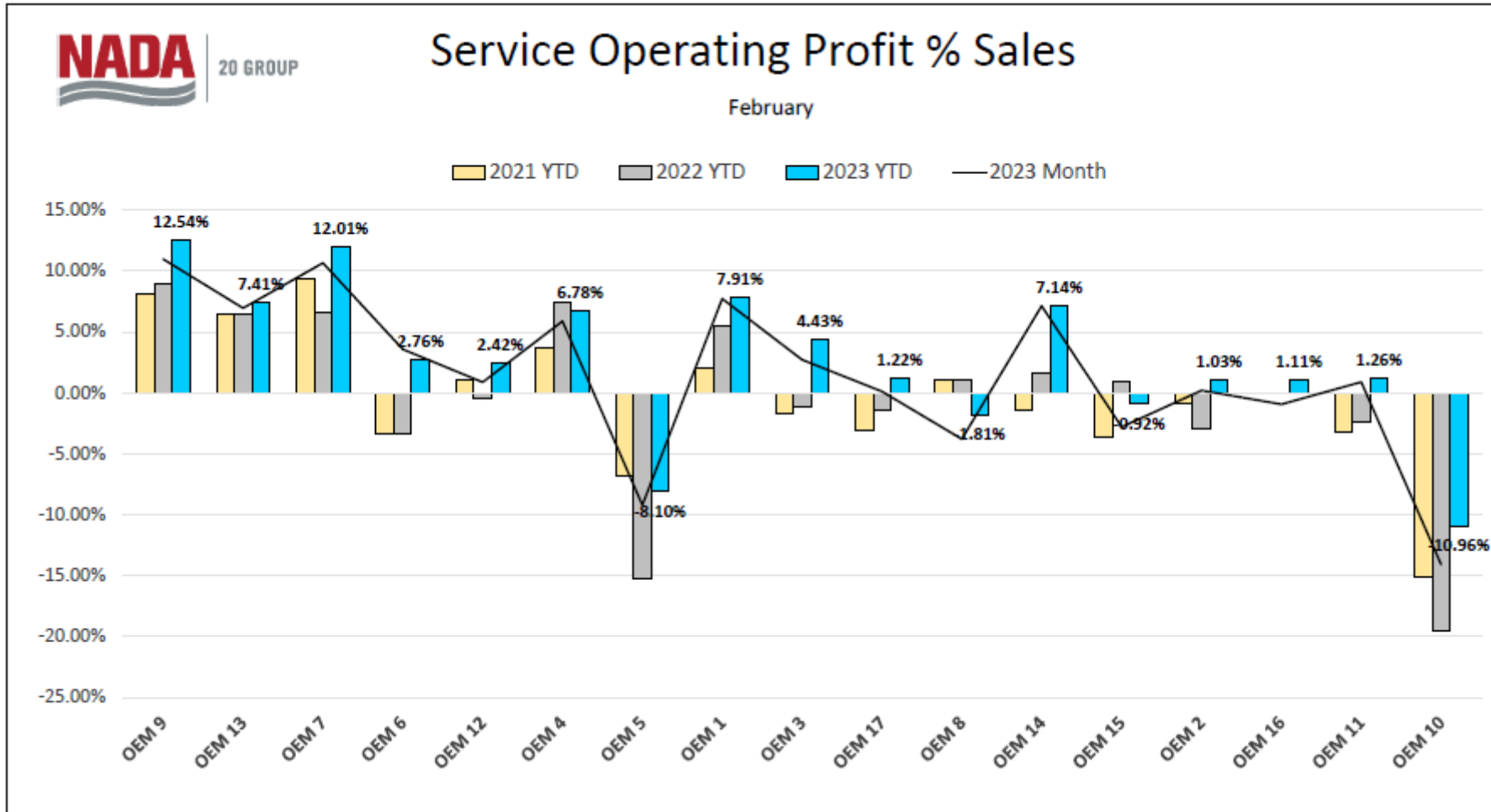
The index below from Cox Automotive's Xtime division shows how repair order counts have tracked since January 2019. A number greater than 100% means repair order counts in a given month increased compared with January 2019, while a number less than 100% means they decreased.



XTIME REPAIR ORDER REVENUE INDEX FOR FEBRUARY 2023



The latest Cox Automotive analysis of Xtime metrics showed that service activity decreased and service revenue increased month-over-month in February at U.S. franchised dealerships.





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