Top Trends That Will Drive the Used Vehicle Market

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OBJECTIVES

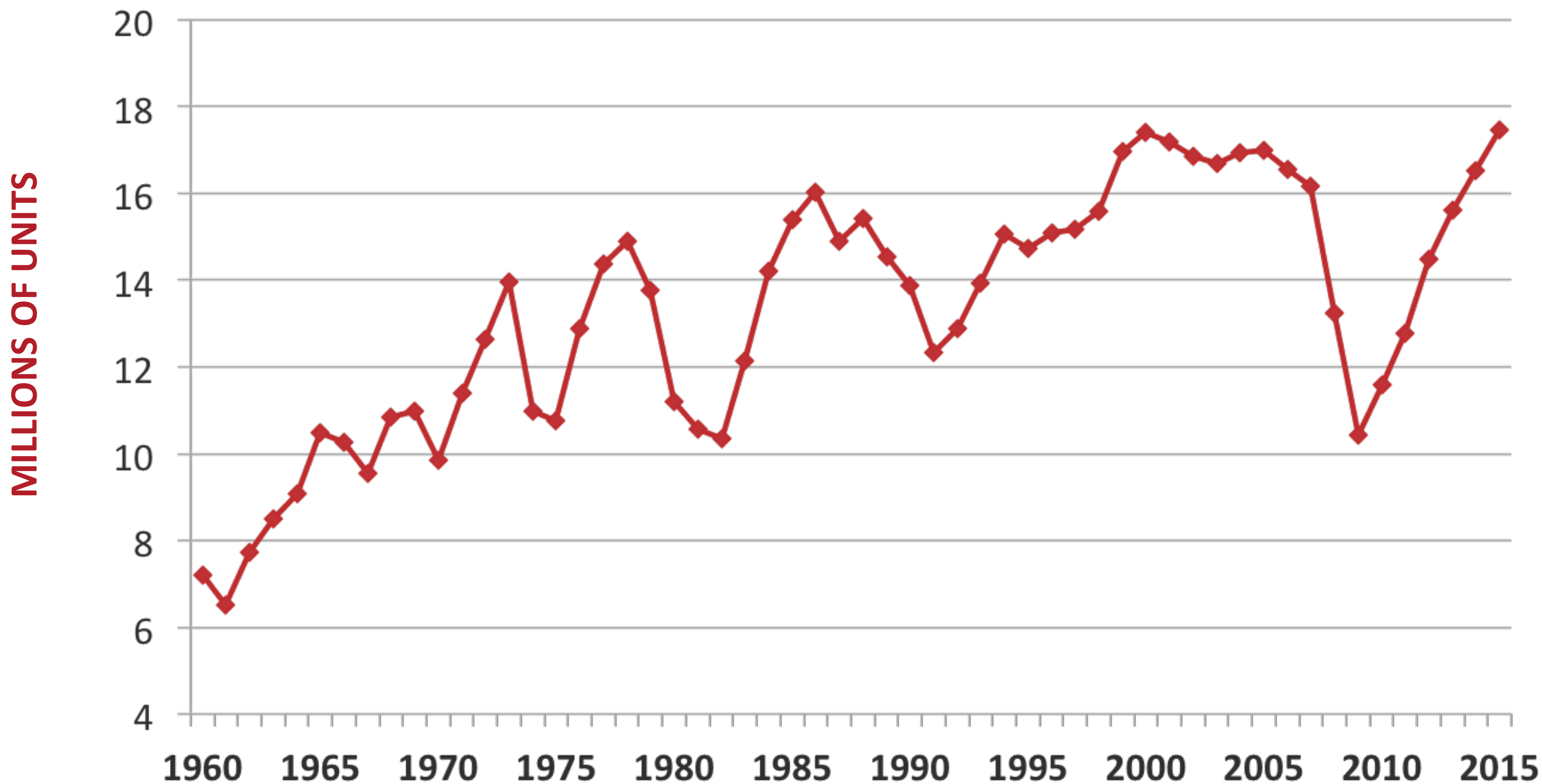
- Identify key industry trends and used car market shifts impacting the automotive ecosystem
- Share 7 tips to drive efficiency into your wholesale operations

THEME

Coming increases in wholesale supplies will put pressure on wholesale pricing and, more importantly, retail margins.

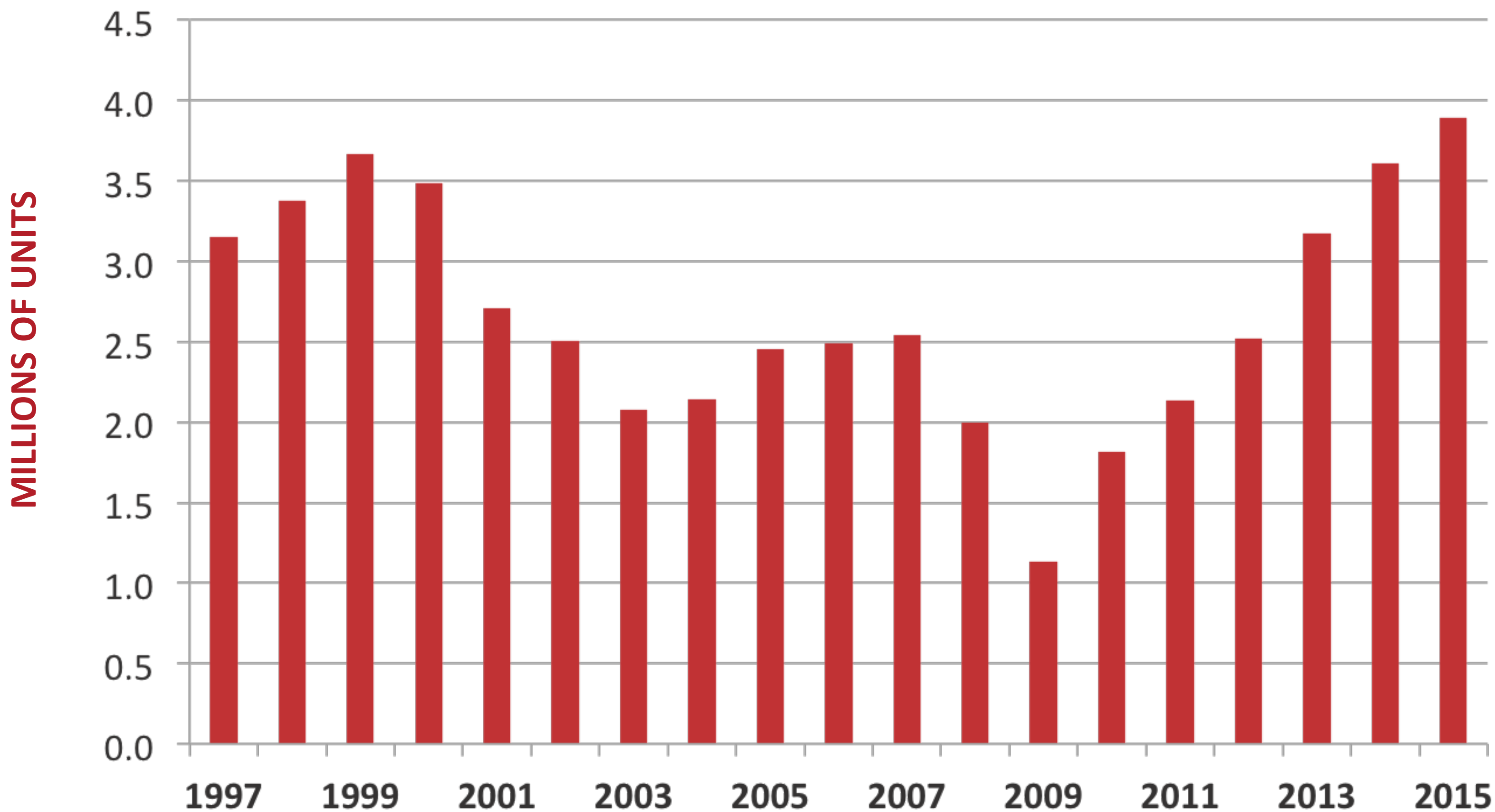
To relieve that pressure dealers will need to secure and manage inventory more efficiently and effectively.

Used Vehicle Production



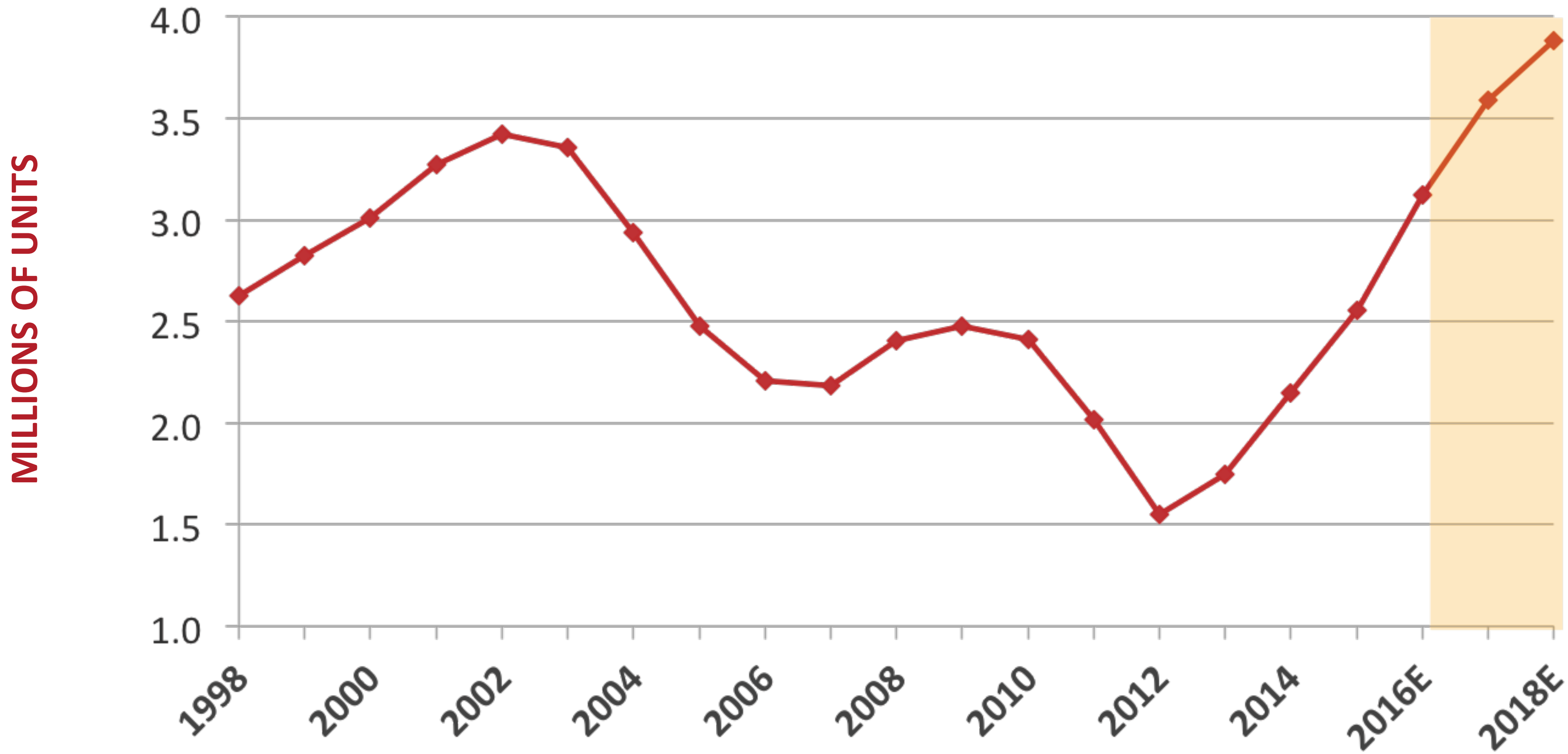
Source: Automotive News

New Vehicle Lease Originations



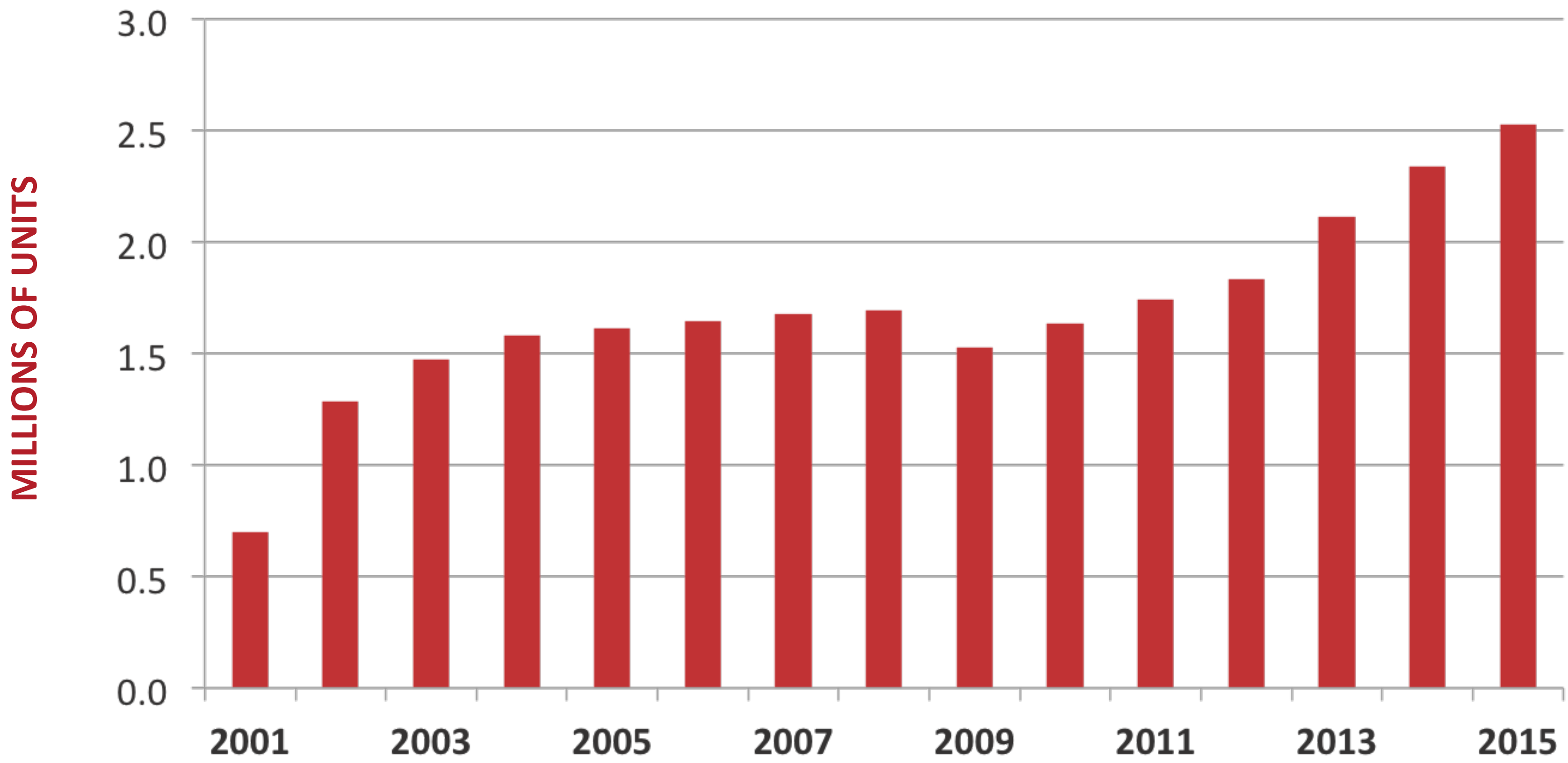
Source: Manheim Consulting

Total Wholesale Supply: Off-lease



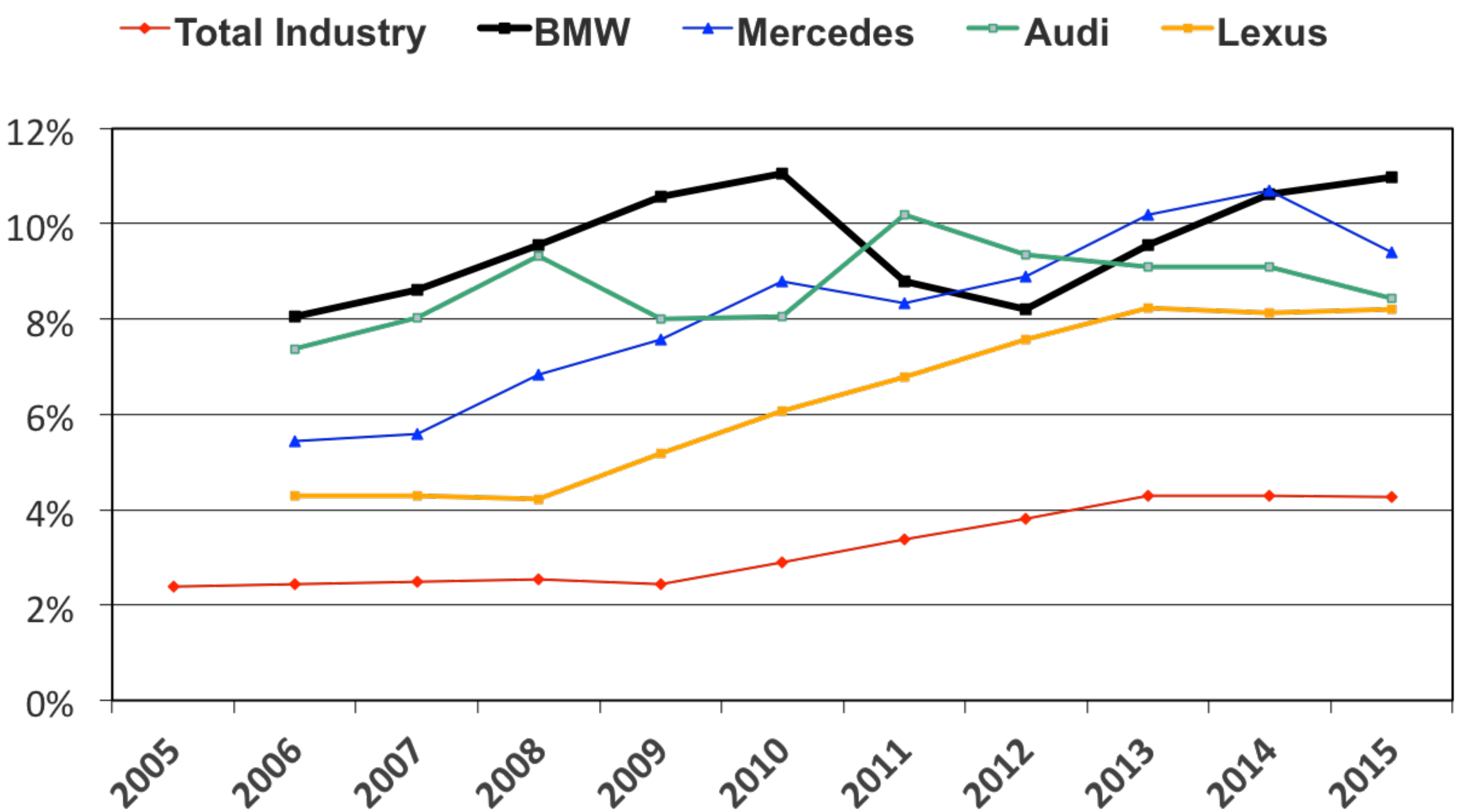
Source: Manheim Consulting

Certified Pre-Owned Sales



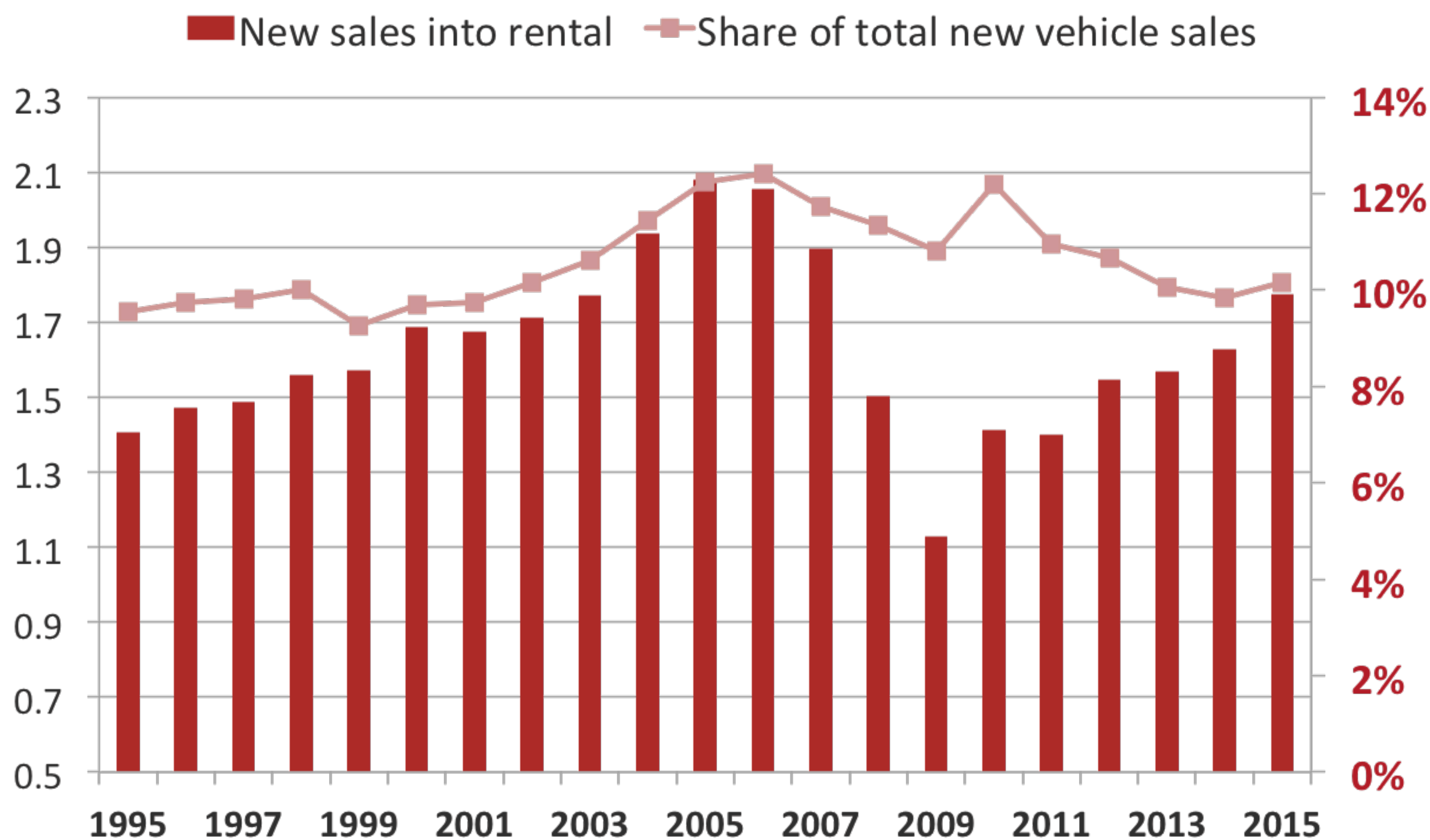
Source: Automotive News

CPO as % of New Vehicle Sales Over Prior 4 Years



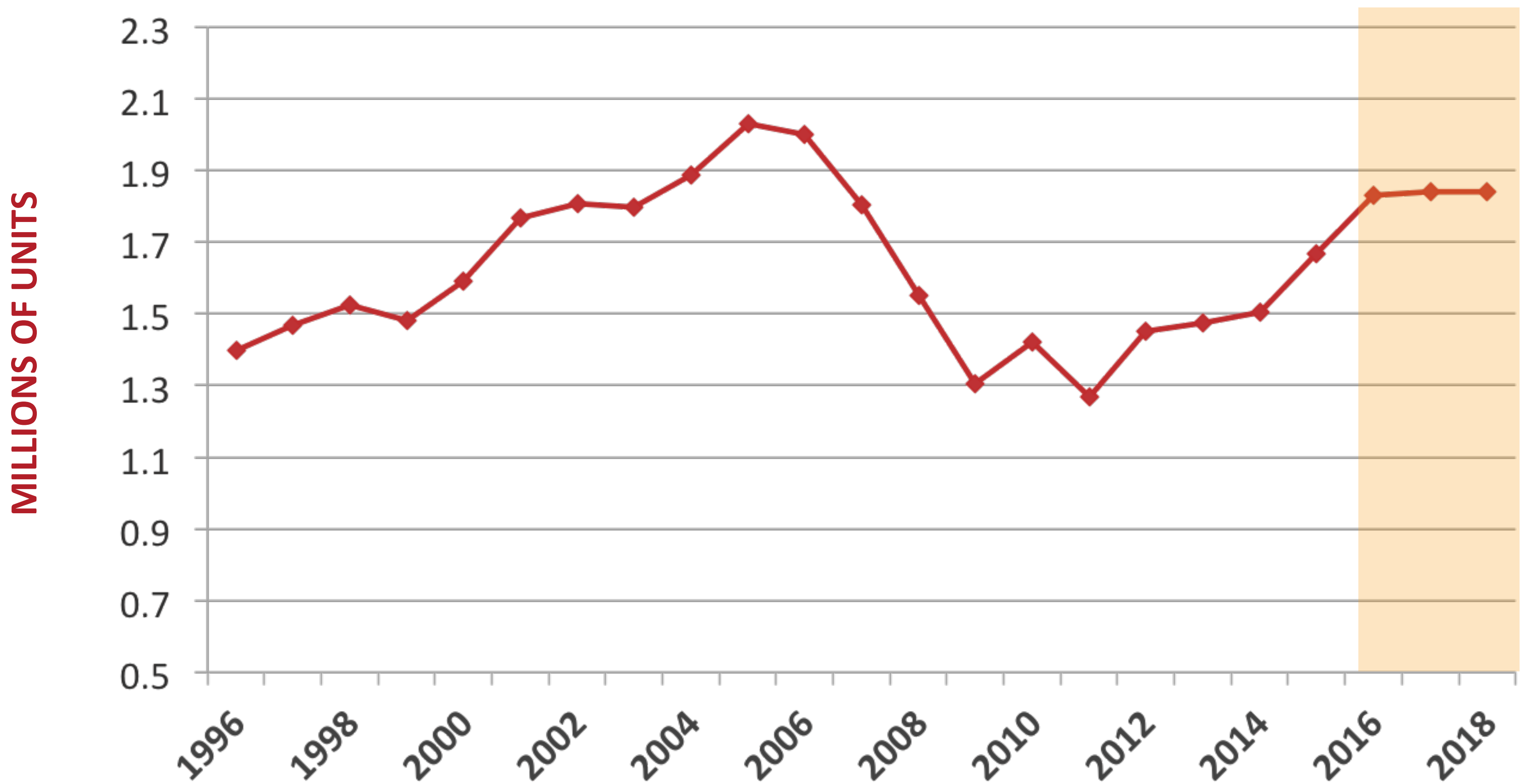
Source: Manheim Consulting

New Vehicle Sales into Rental



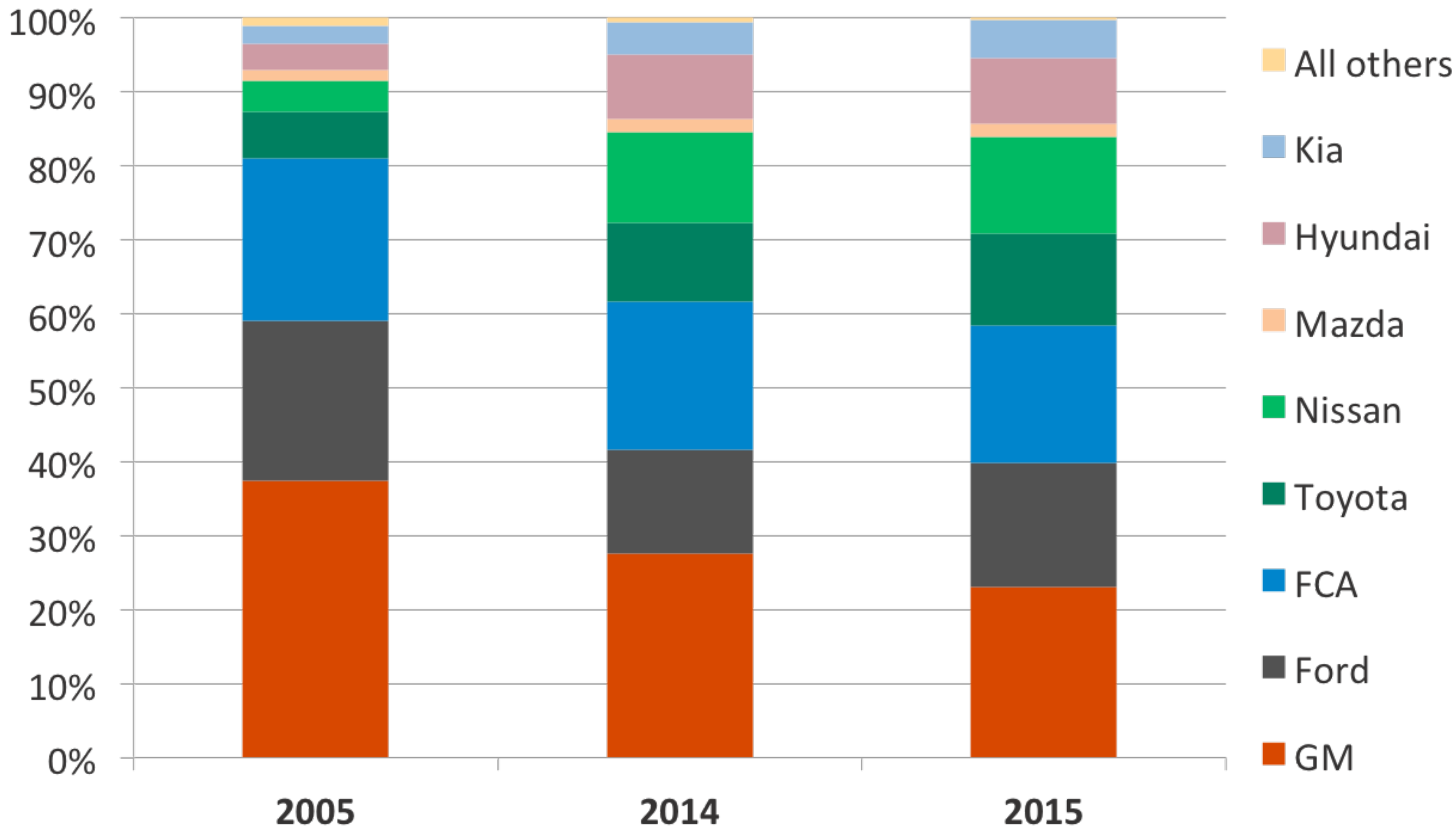
Source: Auto Rental News & Automotive News

Total Wholesale Supply: Off-rental



Source: Manheim Consulting

Distribution of New Vehicle Sales into Rental by Manufacturer



Source: Bobit Business Media

Rental Risk Vehicles Remarketed at Auctions

	2011 Q3	2014 Q3	2015 Q3
Number of unique year, make, model, body configurations sold	2,216	3,303	3,756
Share accounted for top 10 YMMB	28.2%	17.3%	15.6%
Share accounted for top 25 YMMB	46.5%	21.7%	26.9%
Number of YMMB to reach 50% share	31	86	85

Source: Manheim Consulting

The Retail Financing Market

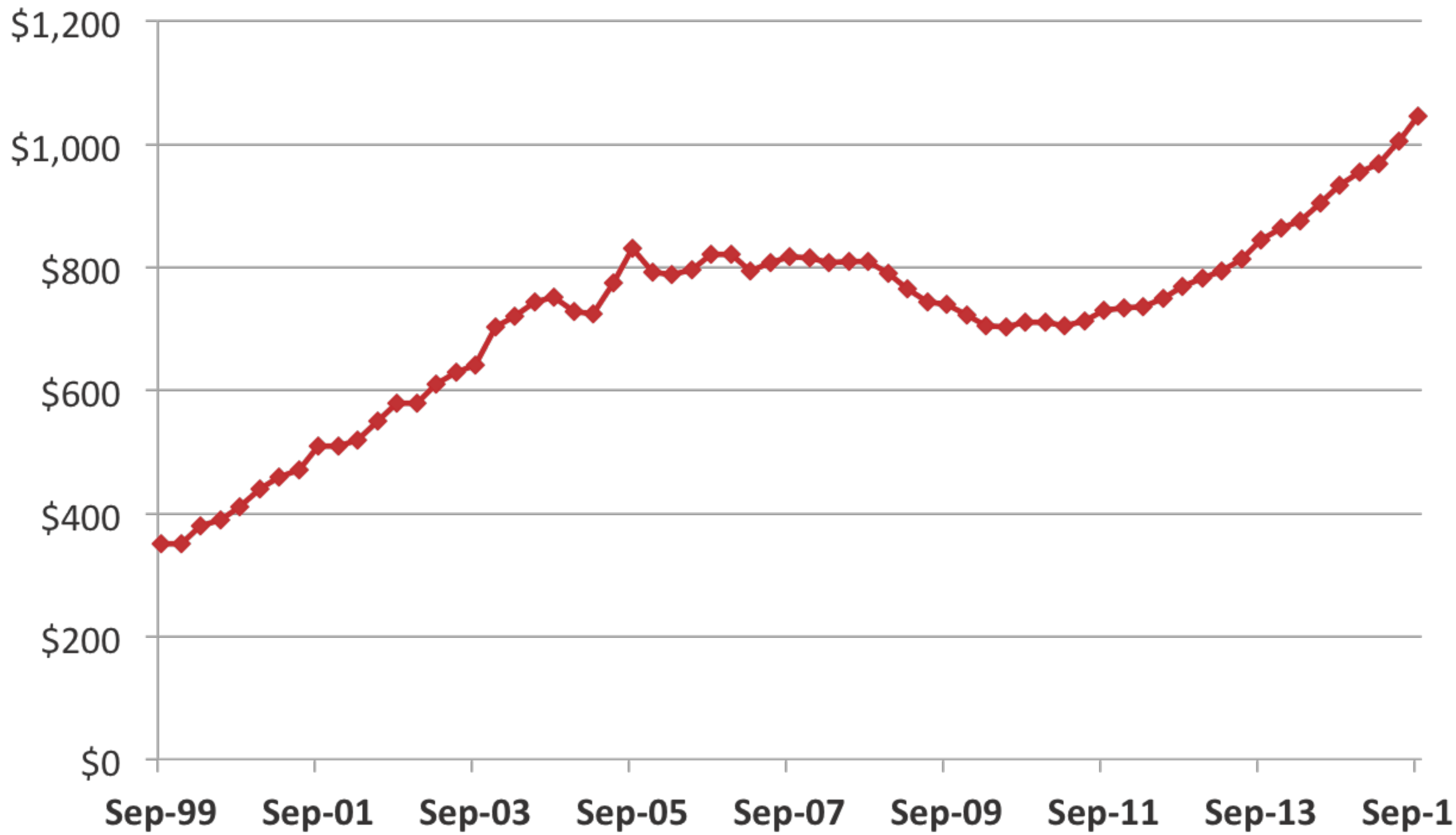
LONGER **LOANS** WITH

LOWER **DOWNS** TO

LOWER **FICOS**

RECORD **LEASE** PENETRATION

Auto Loans Outstanding

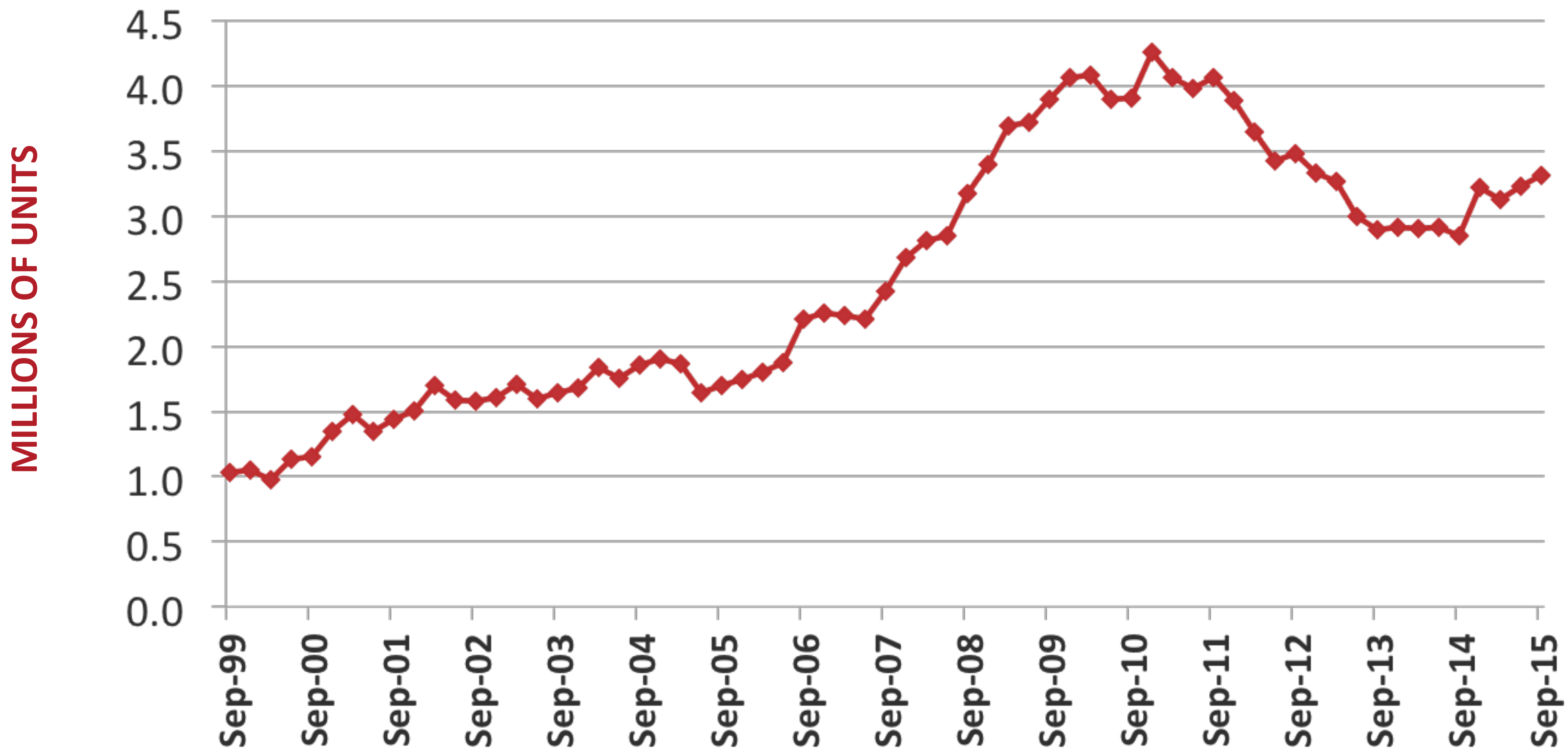


Source: Federal Reserve Bank of New York

S&P Auto Credit Default Index

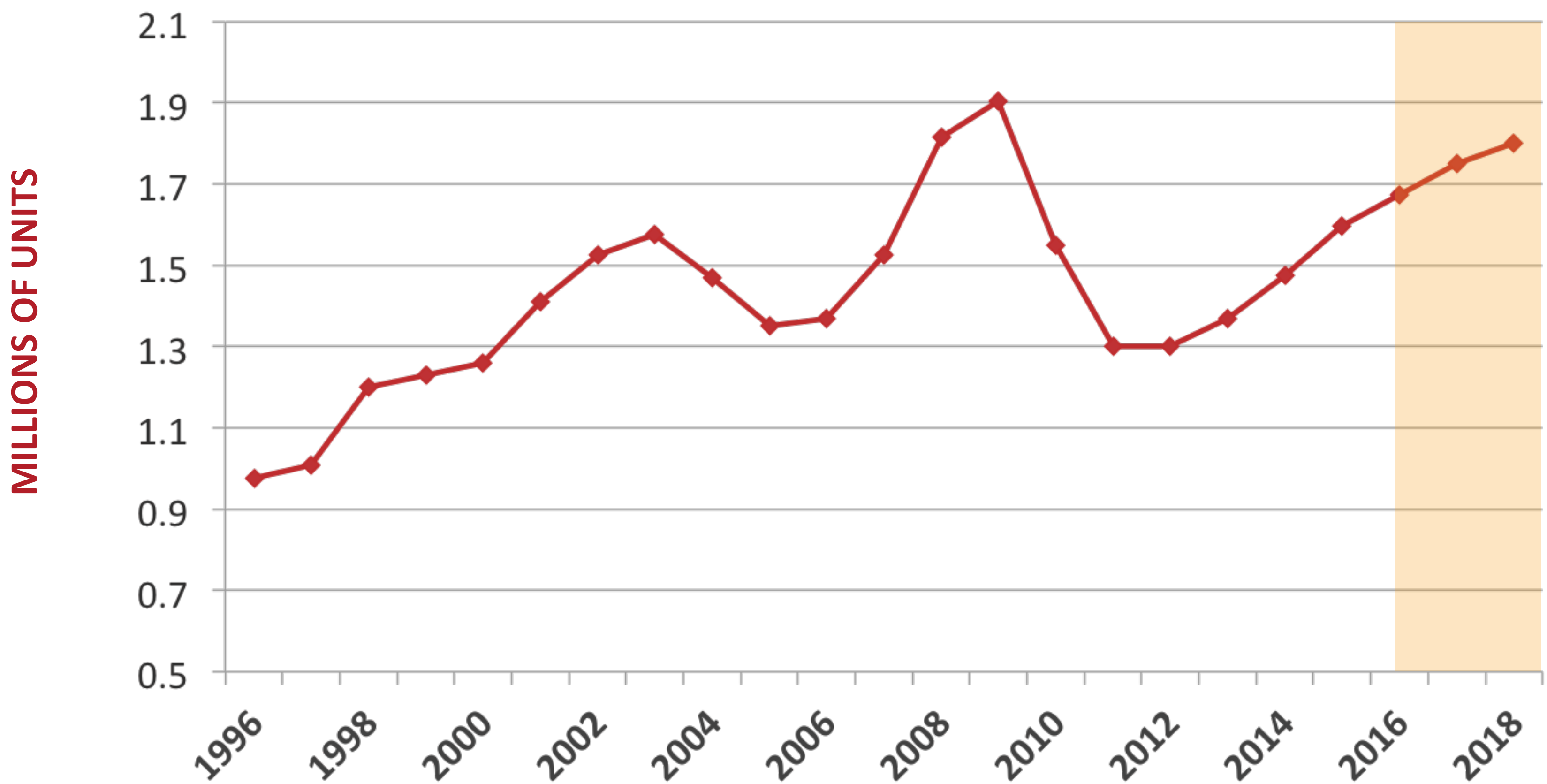
Source: S&P

Number of Auto Loans Outstanding 90+ Days Delinquent



Source: Federal Reserve Bank of New York

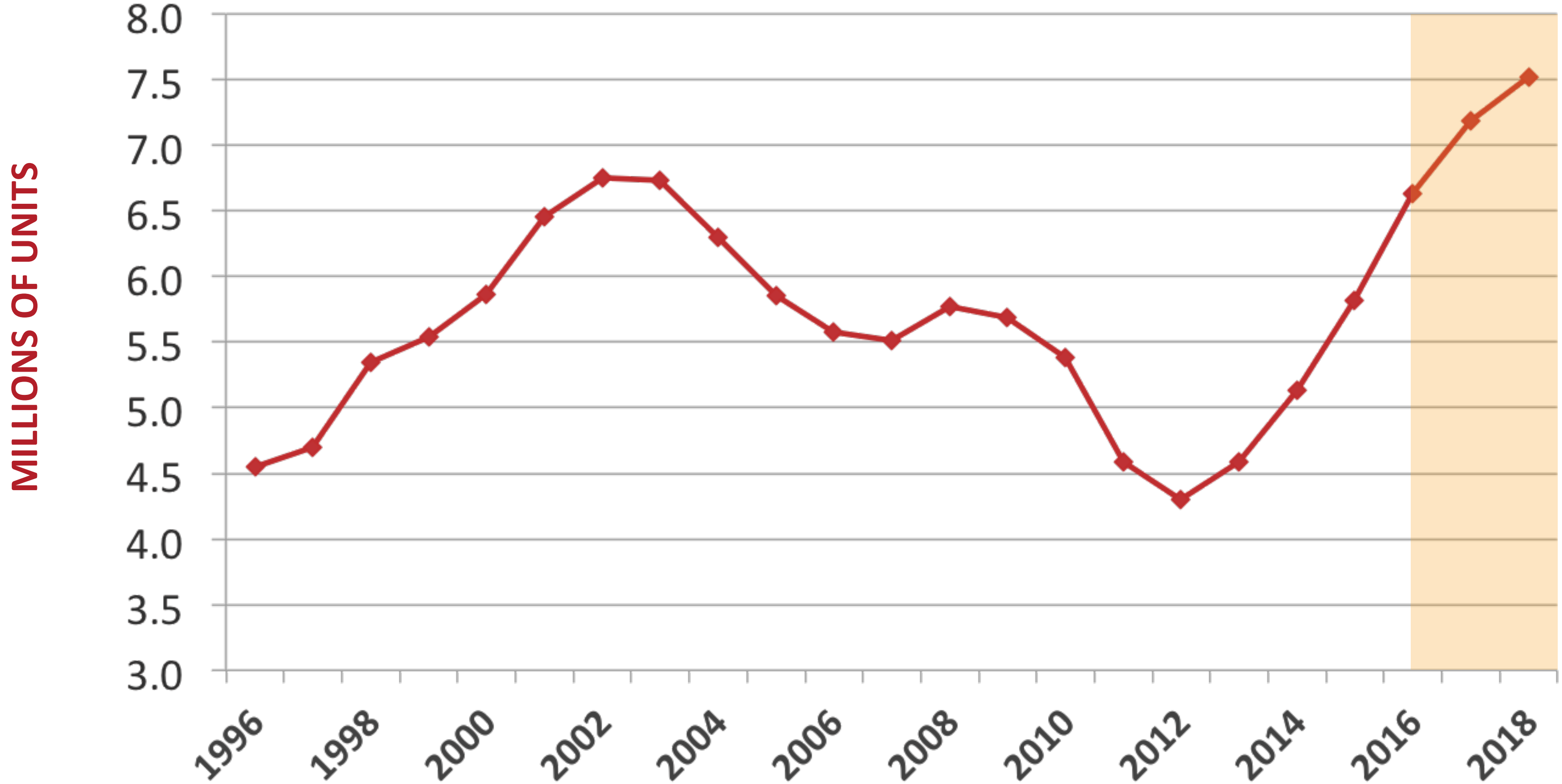
Number of Repossessions



Source: Manheim Consulting

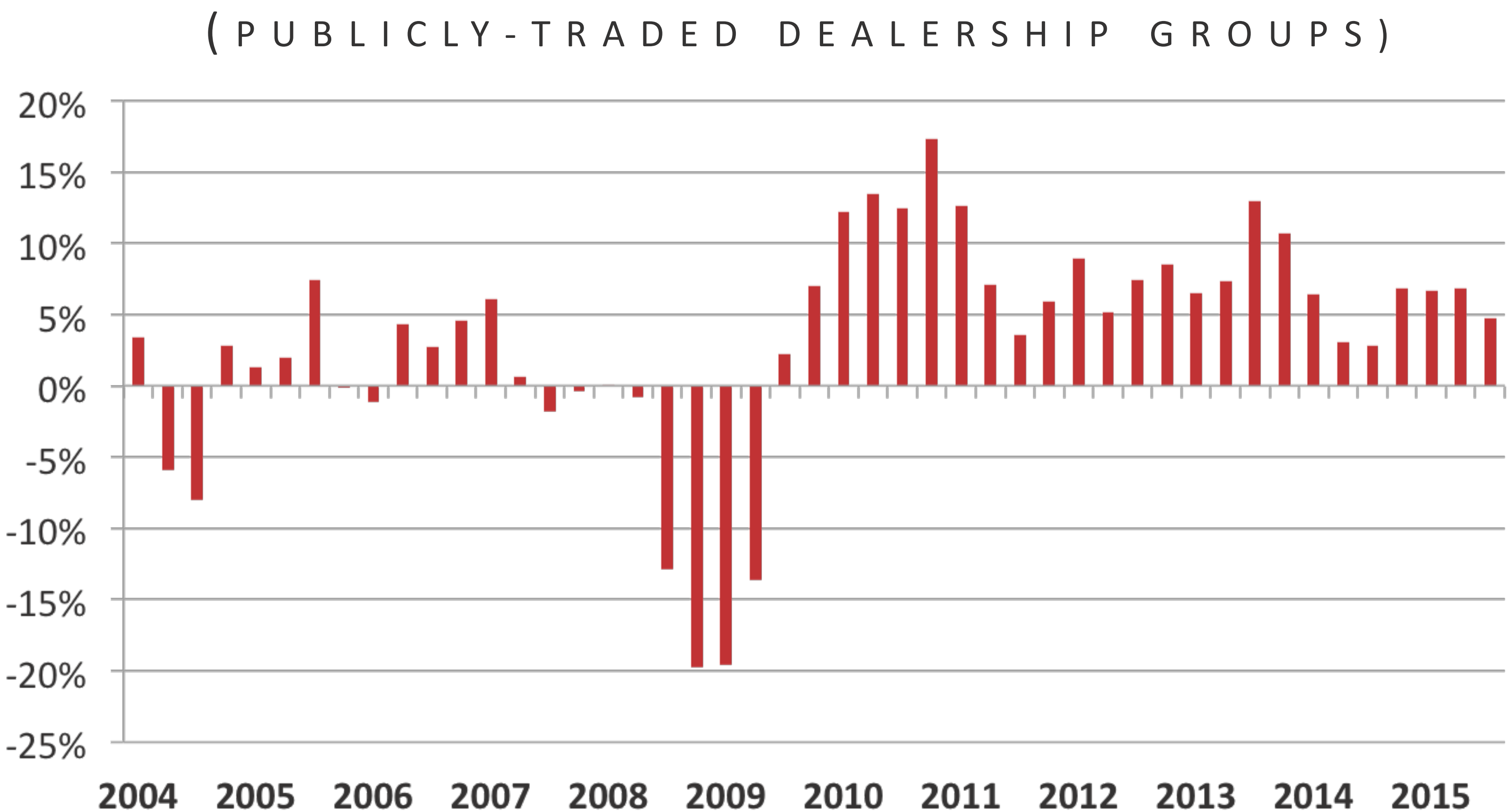
Total Wholesale Supply: Off-rental, Off-lease, & Repos

But the total wholesale market is more than 20 million transactions per year



Source: Manheim Consulting

% Change Used Units Retailed – Same Store Basis

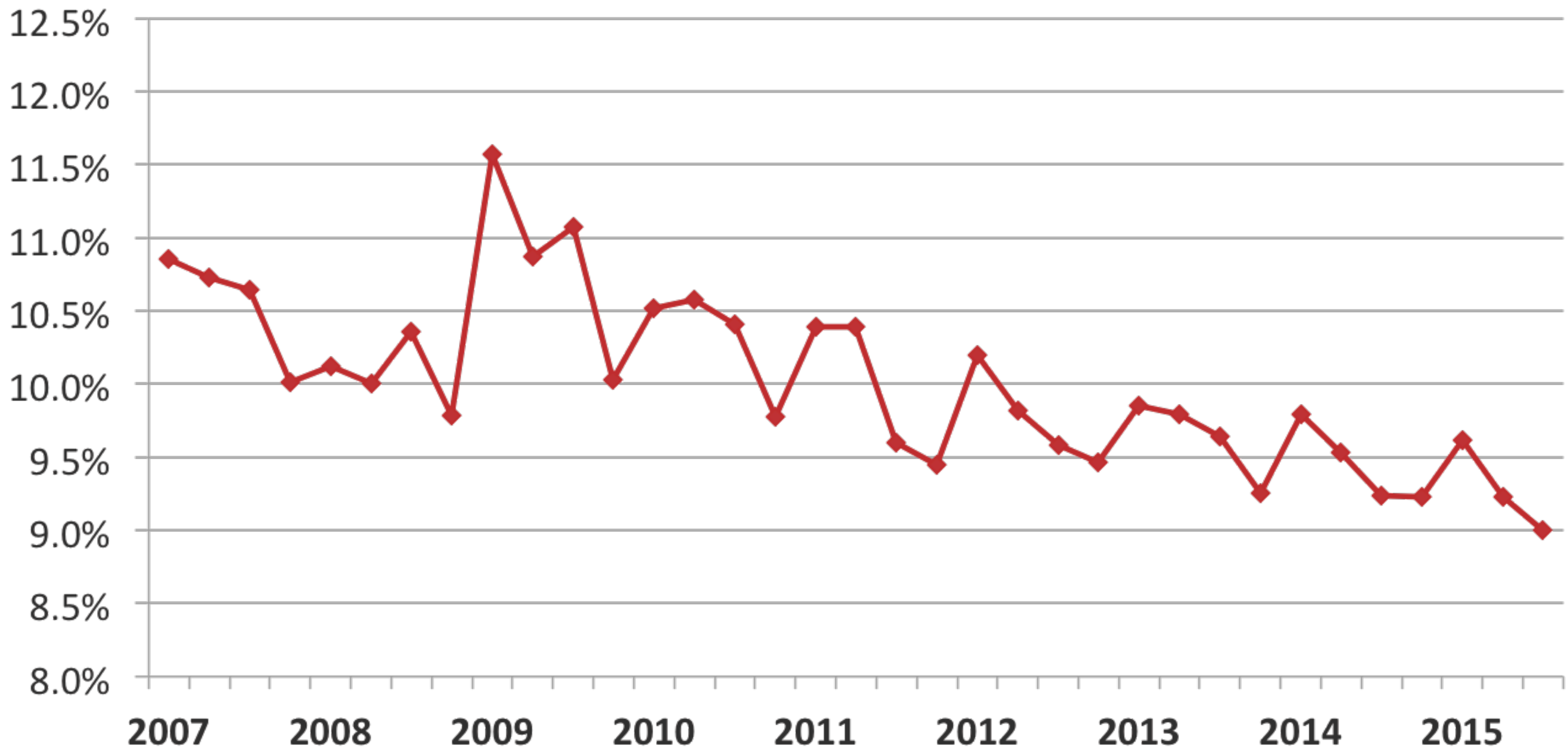


Source: Company filings

*KMX shifted forward one month to correspond with calendar quarter
Weighted average for KMX *, AN, PAG, SAH, GPI, ABG, and LAD

Used Vehicle Retail Gross Margin

(PUBLICLY-TRADED DEALERSHIP GROUPS)



Source: Company filings

**KMX shifted forward one month to correspond with calendar quarter*
*Sales-weighted average for KMX *, AN, PAG, SAH, GPI, ABG, and LAD*

Current State of Dealership Sales & **Profitability**

What did we Hear?

- Used Car Sales expected to continue to soar
- Off lease volumes are high
- Lot of opportunity with CPO

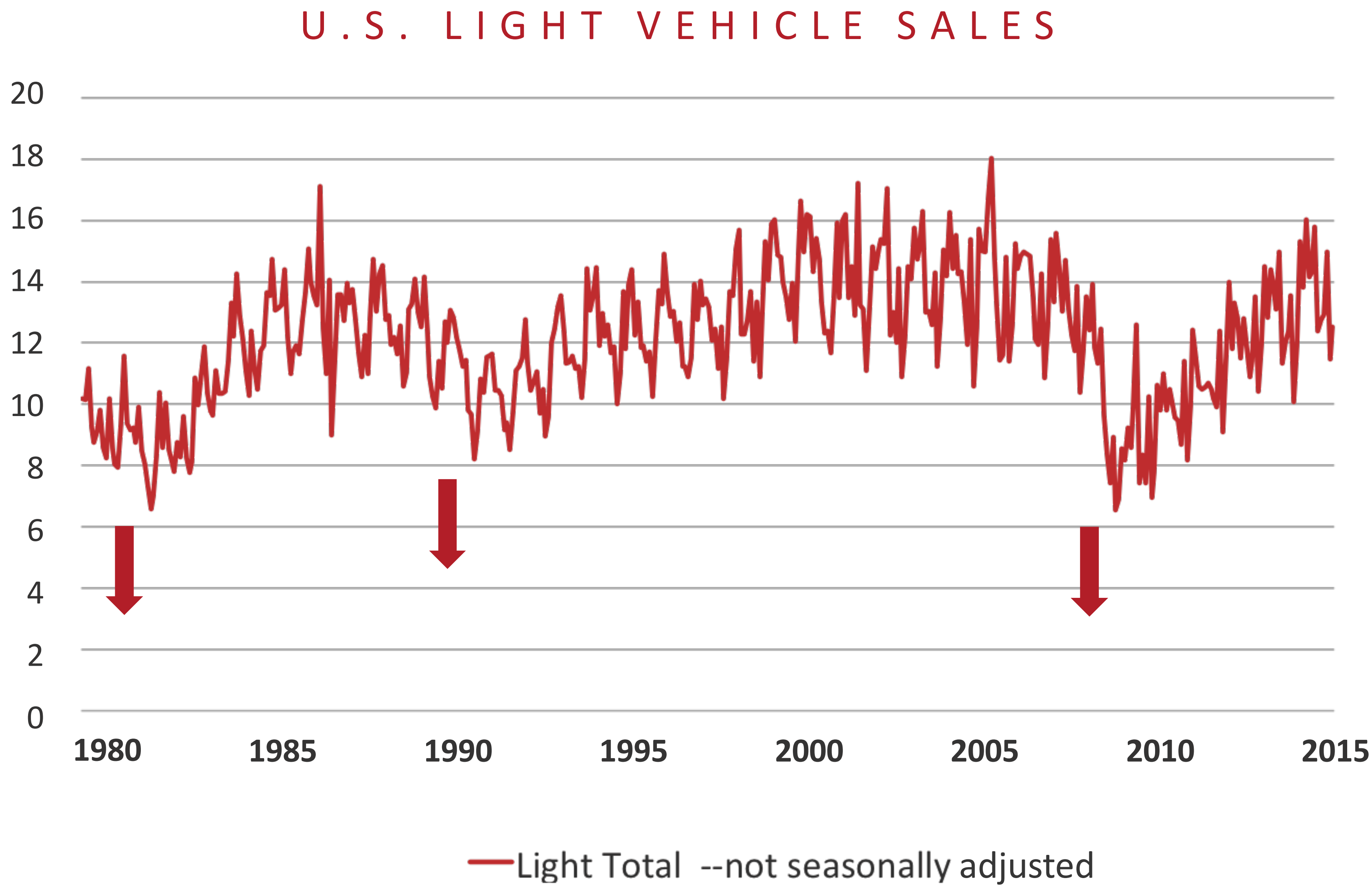
Margins Continue to Decline

Source: Company filings

**KMX shifted forward one month to correspond with calendar quarter*
*Sales-weighted average for KMX *, AN, PAG, SAH, GPI, ABG, and LAD*


Current State of
Car Buying

A Cyclical Market: What Goes Up Must Come Down



Source: Bureau of Economic Analysis (BEA)

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Consumers spend

14 hrs

44 min

shopping for a car

with

59%

of it online

They visit

an average of

5.2

sites

77%

that did visit a dealer group site also visited a third-party site

Source: 2016 Car Buyer Journey Study

70%

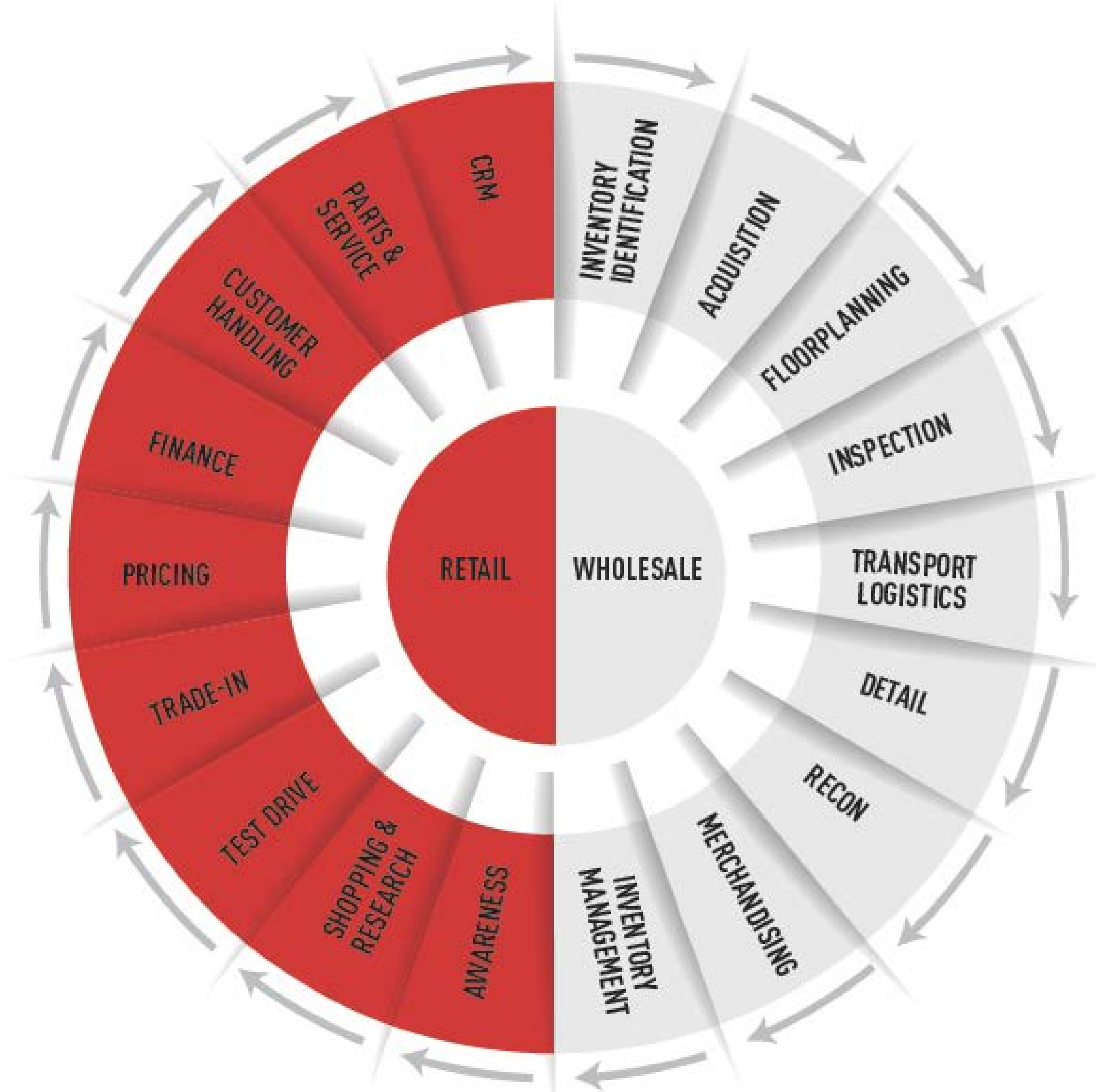
of car buyers did not know what vehicle they wanted when they started shopping

71%

purchased the vehicle they then intended to buy

Source: 2016 Car Buyer Journey Study

Driving Efficiency Wholesale and Speed can Protect Profitability



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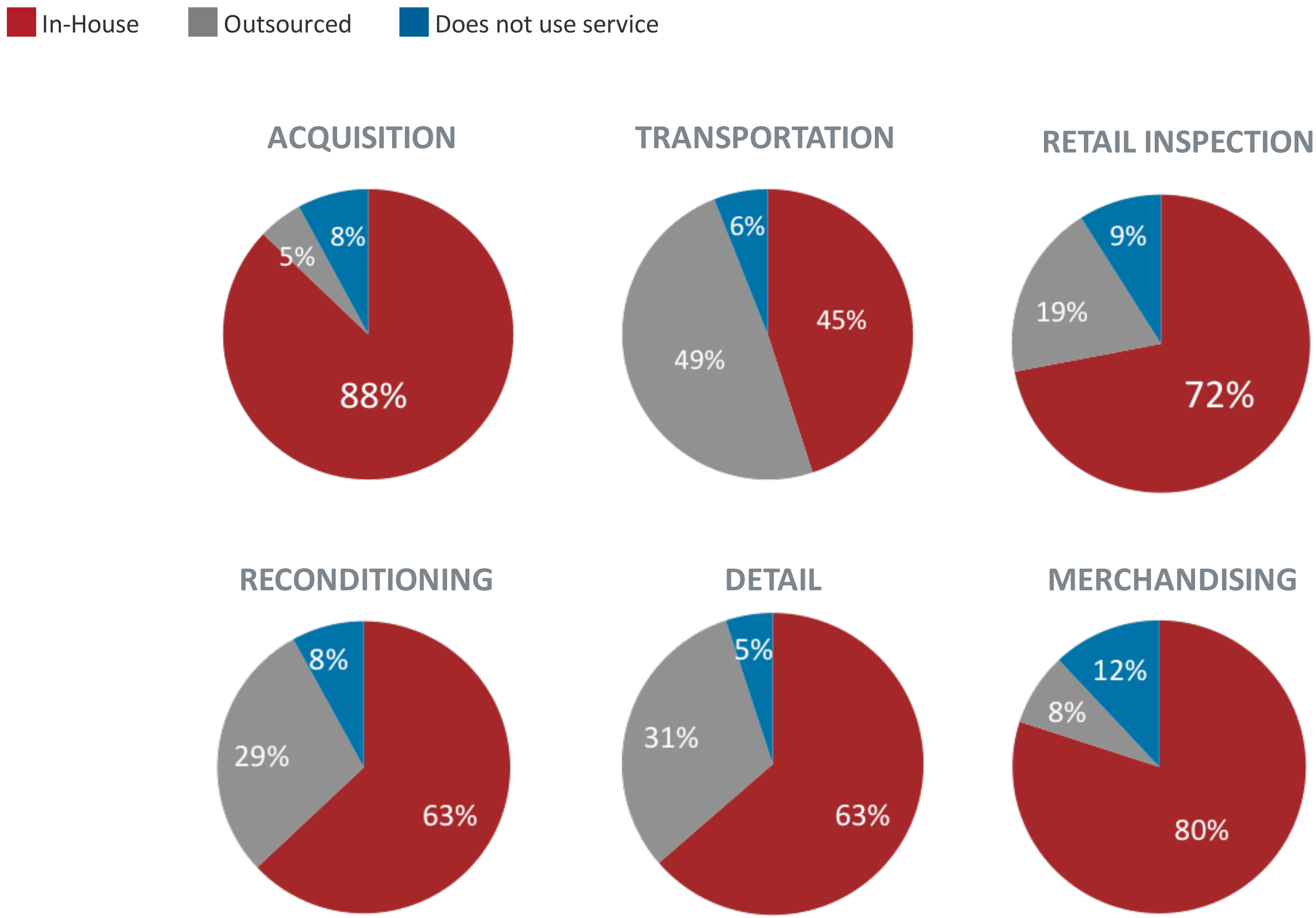
Current Wholesale Activities



Source: Manheim Vehicle Solutions Study

ONLY 52%

are satisfied with your current wholesale process

Source: Manheim Vehicle Solutions Study

7 Ways to Speed Up Your WHOLESALE OPERATIONS

#1 Use stocking tools to identify in-demand vehicles

#2 Use online channels to buy

#3 Use condition reports & purchase protection to prevent arbitration

#4 Get vehicles reconned & detailed at the auction

How quickly are you getting your vehicles reconned & detailed?

7-10

Number of days it takes the average dealer to recon

Source: vAuto

<3 Number of days it takes the top 20%

Source: vAuto

#5 Get your vehicles online before leaving the auction

How quickly are you getting photos up online?

12.5

Average number of days for listings to appear with photos

Source: vAuto

4

Average number
of days for
top 20% of dealers

Source: vAuto

Speed to Market Correlates to Inventory Turn = Profitability

	Avg. # days to website w/photos	Avg. # days Autotrader w/photos	Avg. # days in inventory
DEALER A	1	1	22
DEALER B	11	9	35

Source: vAuto

#6 If you can’t get vehicles online before leaving the auction, detail them before recon, take pictures and get them online!

#7 Tweak your transportation & logistics model

7 Tips Summary

1. Use stocking tools to identify in-demand vehicles
2. Use online channels to buy
3. Use condition reports & purchase protection to prevent arbitration
4. Get vehicles reconned & detailed at the auction
5. Get your vehicles online before leaving the auction
6. If you can’t get vehicles online before leaving the auction, detail them before recon, take pictures and get them online!
7. Tweak your transportation & logistics model

Change now while times are good

Questions?

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