



2019

THE YEAR AHEAD

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J.D. POWER

What is PIN?

PIN services are built on a foundation of cleansed and normalized transaction data

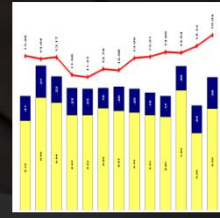
Customer
Purchases
Vehicle

Transaction Details
Captured in Dealership
Management Software

Transaction Data Sent to
J.D. Power and
Associates (Daily)

Modeling,
Reporting &
Analysis (Clients)

PowerDealer local
market
performance
(Dealers)



Over 4,000 franchises

1-in-4 vehicles sold

15+ years history

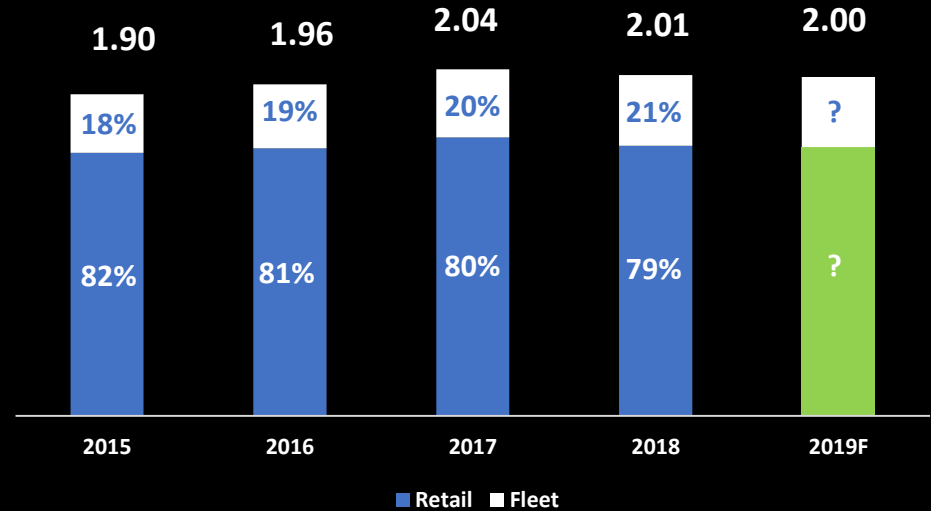
Over 8M transactions

1. New Vehicles
2. Lease Returns
3. Used Vehicles
4. Conclusion

VOLUME:

Retail is declining,
but the market is
still strong

Industry Retail Sales (Millions)*

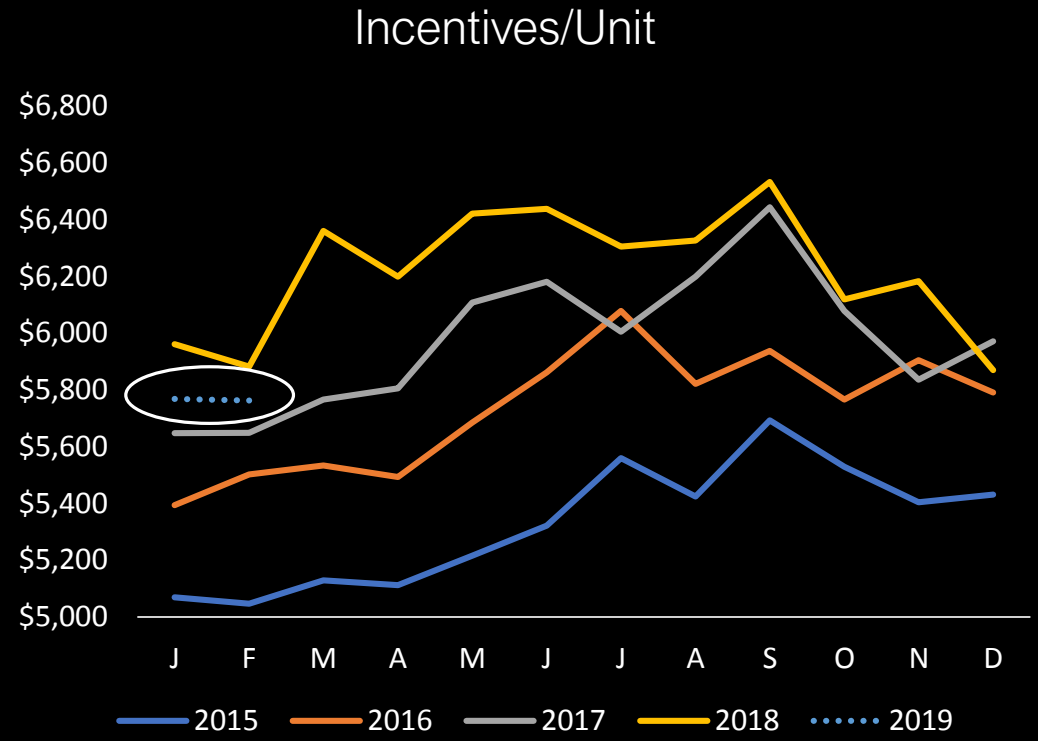


Source: LMC Automotive Forecast

* Includes Tesla

INCENTIVES:

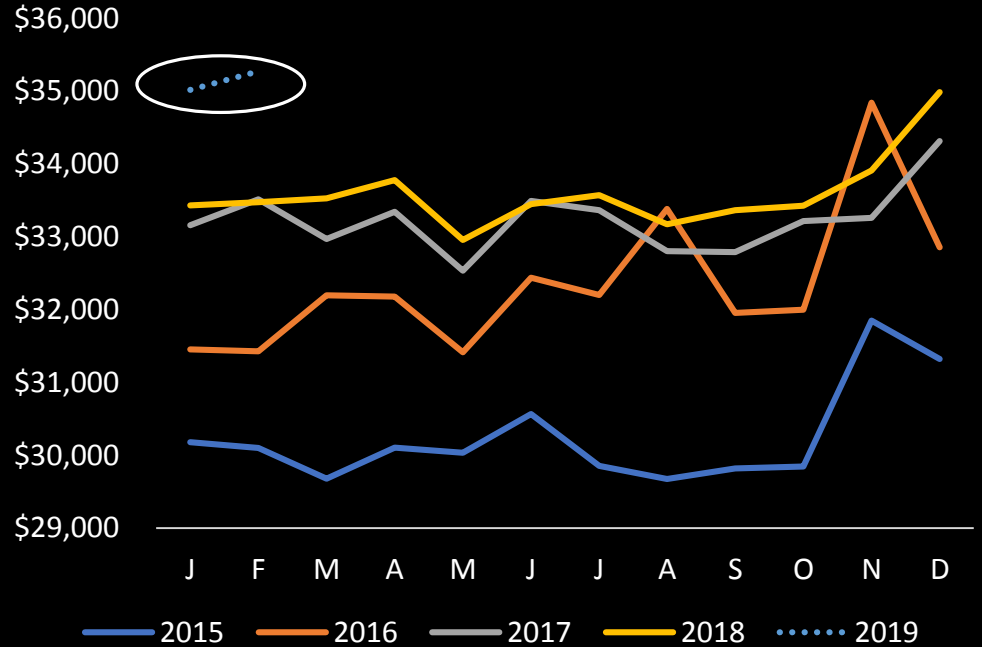
First decline in years...may drive pricing up



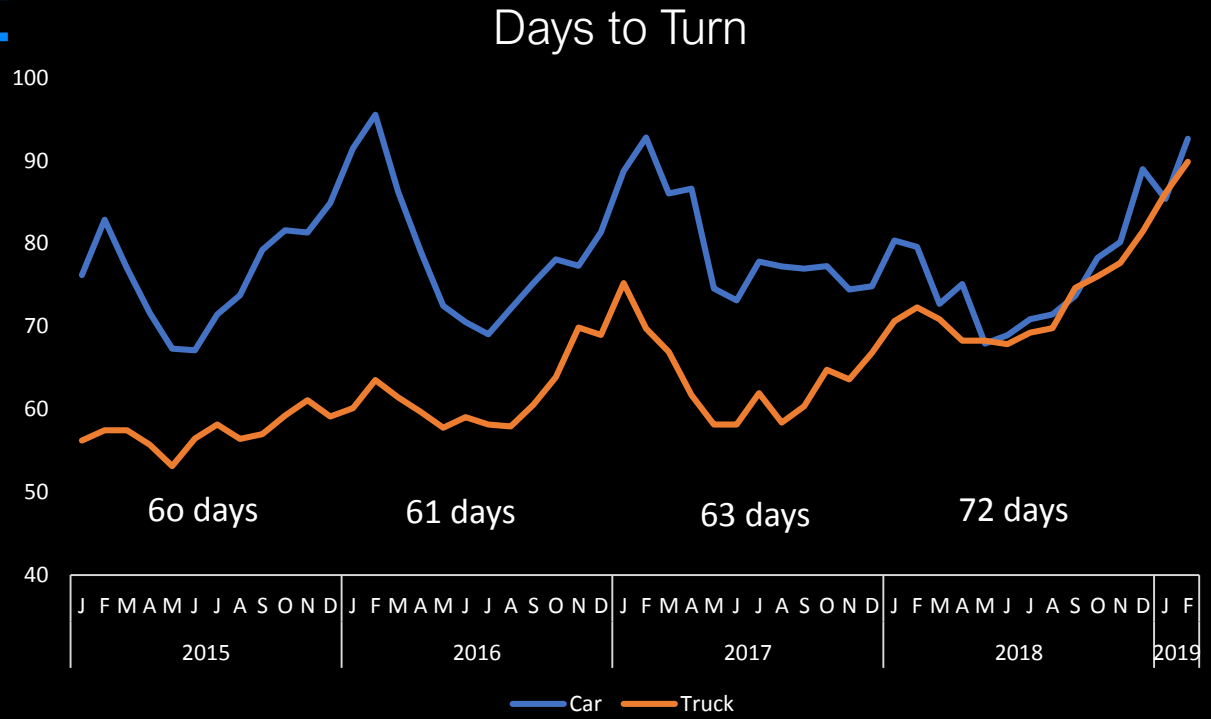
PRICES:

Hitting new records,
but now with
affordability
concerns

Transaction Price Net of Incentives



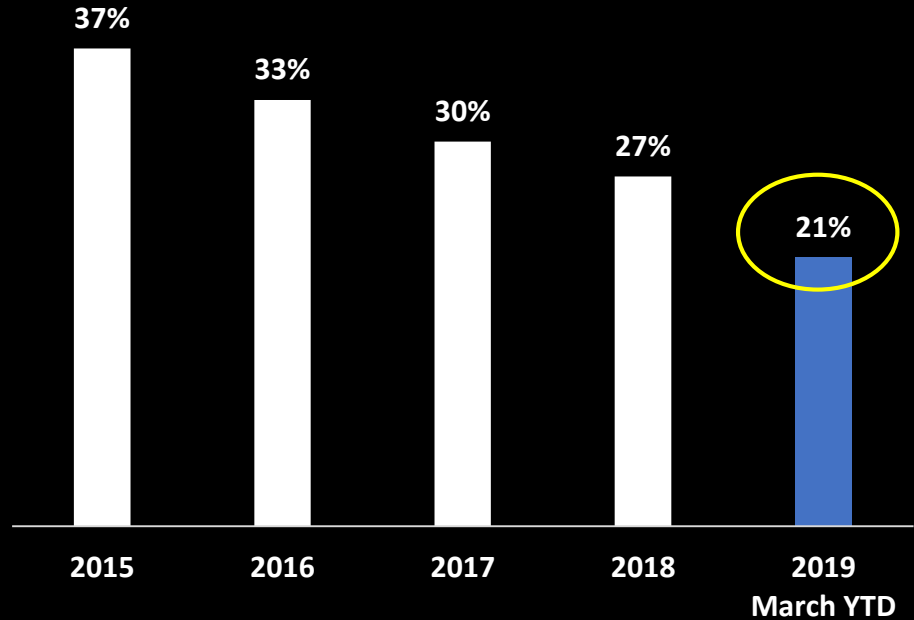
DAYS TO TURN:
Car inventory
under
control...utilities
are not



QUALITY OF SALES:

Utility vehicle shift mostly embraced

Car % of Retail Sales

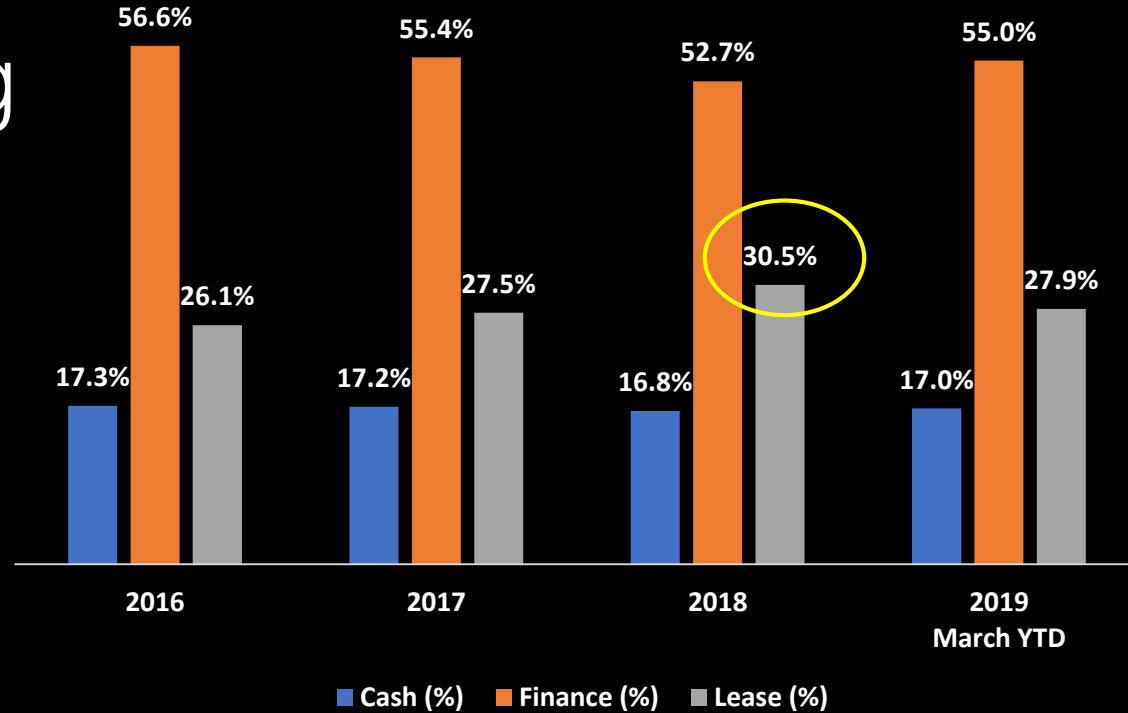


exo-Ford & GM
Model rundown

TYPE OF SALE:

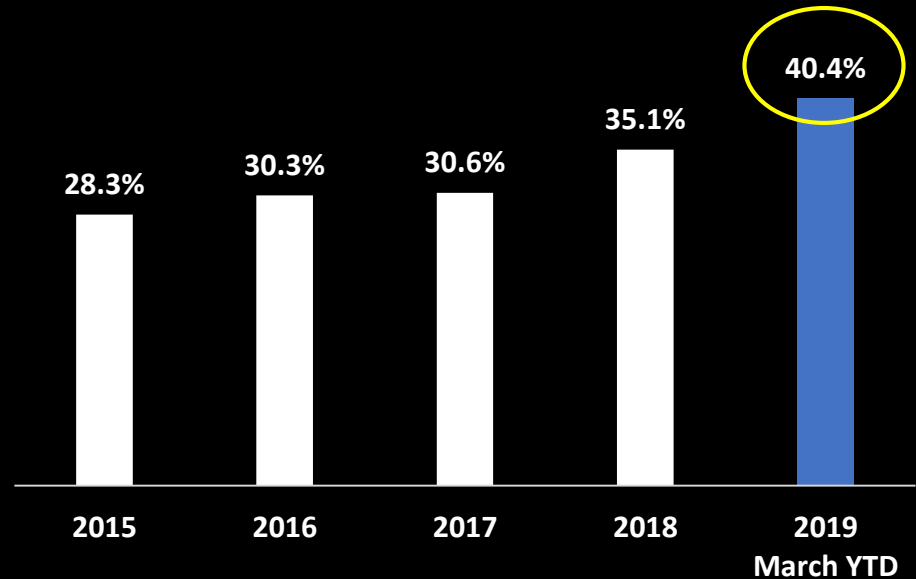
Leasing still rising overall

Type of Sale %

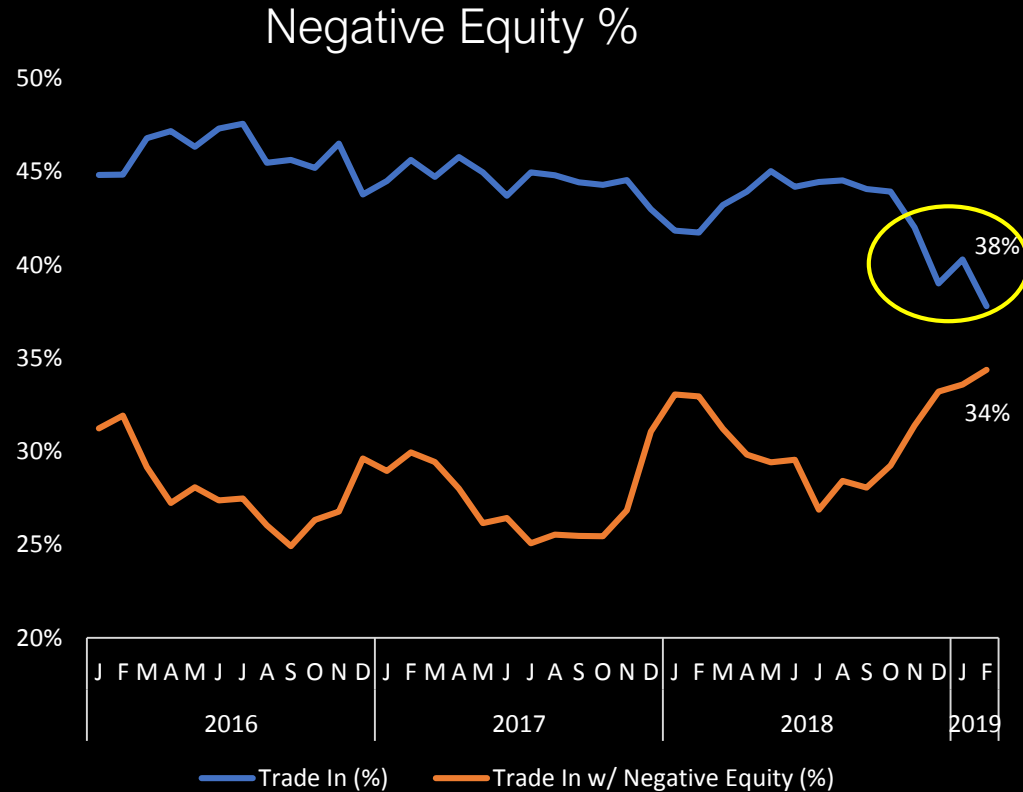


60 Month Leasing: Shifting returns to the secondary market

Lease Term 60 Month
Mainstream Brands

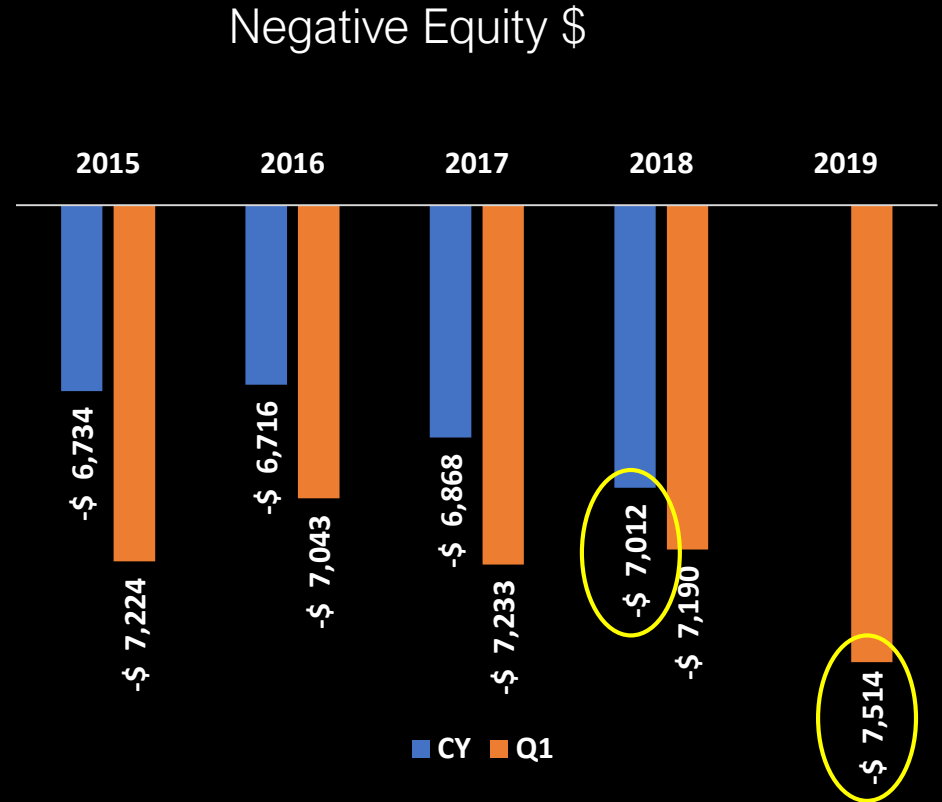


BUYER EQUITY:
More consumers showing up 'under water' on their loan



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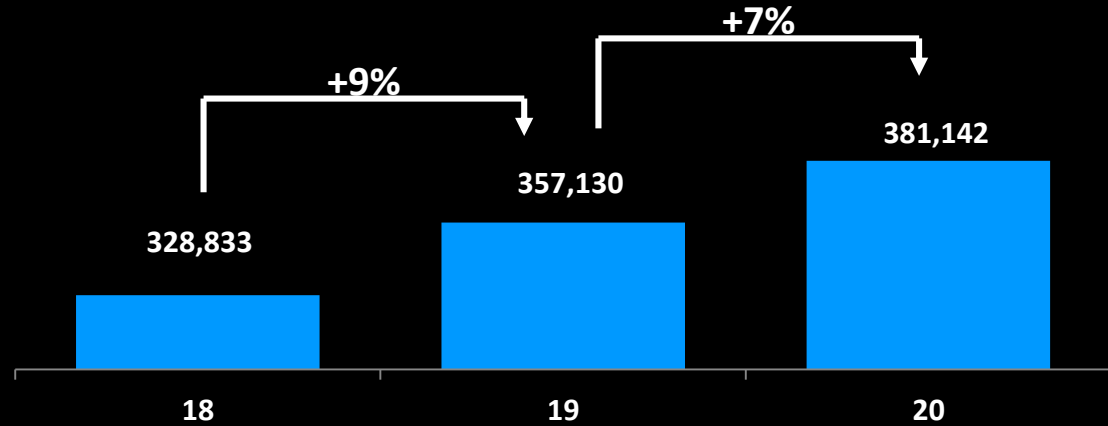


LEASE RETURNS

LEASE RETURNS:

Growth continues unabated

Retail Lease Returns

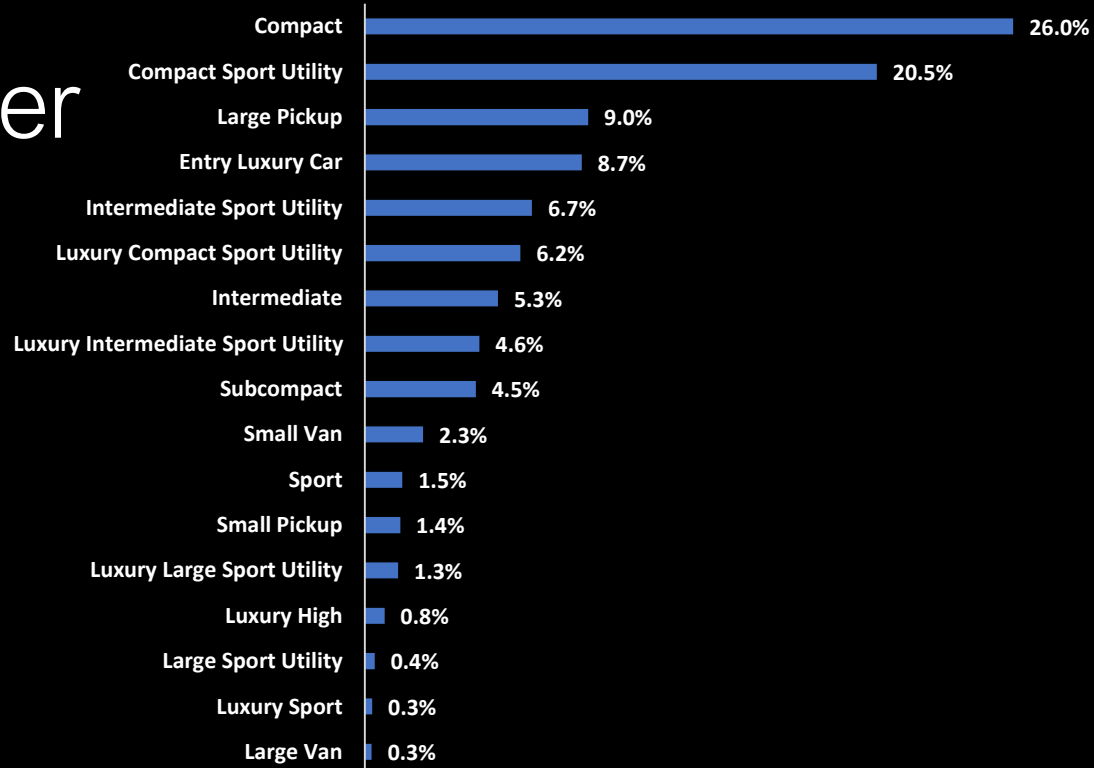


Less than 50% of 60mth terms are reset/ren

LEASE RETURNS:

'Compacts' are over 50% of off-lease volume

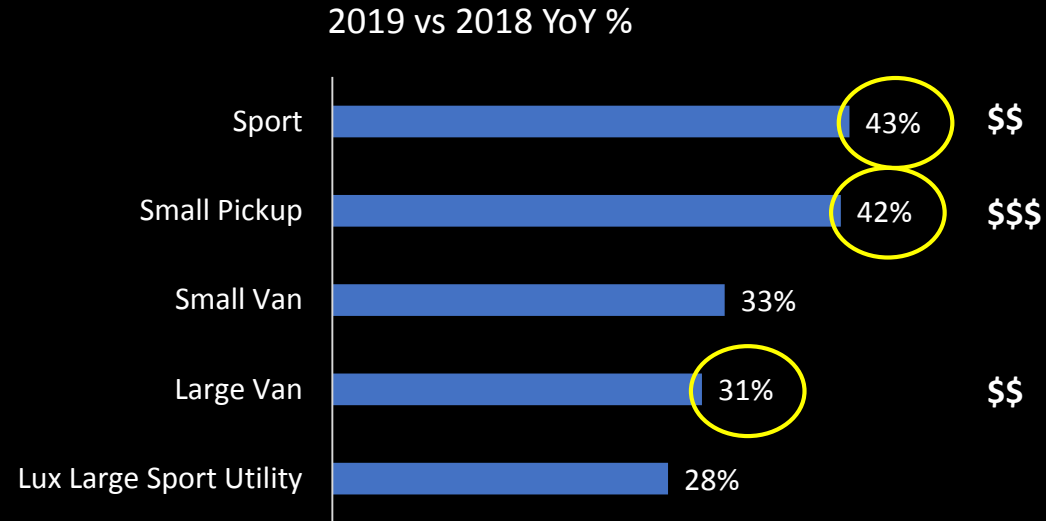
Lease Returns by Segment - 2019



LEASE RETURNS:

What profit drivers are growing?

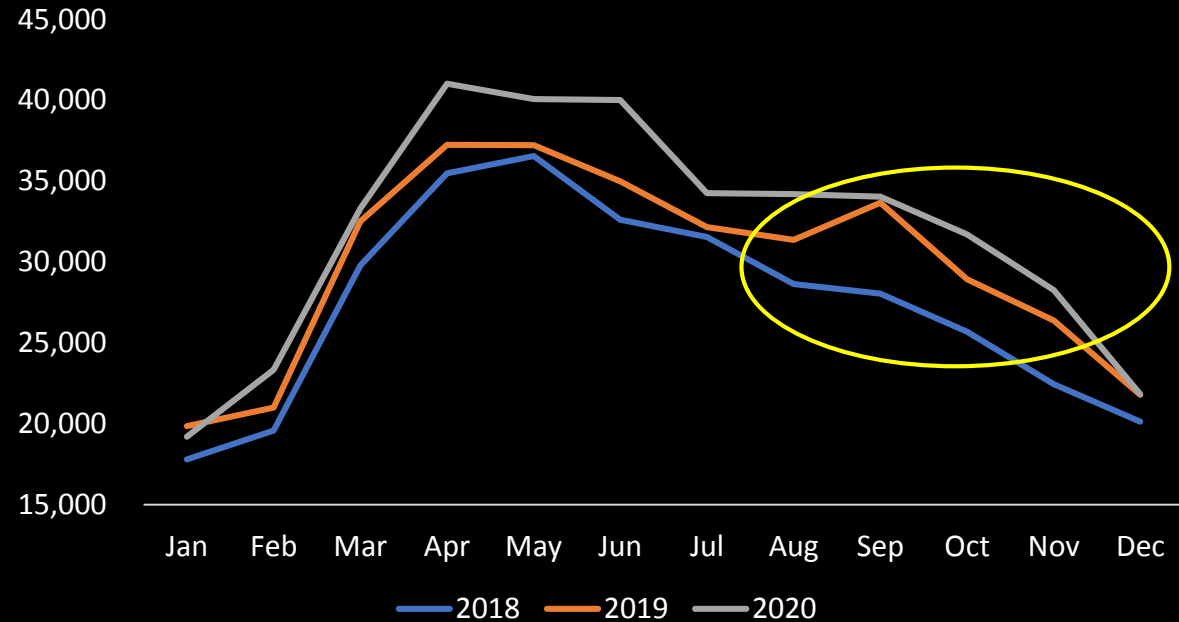
Retail Lease Returns by Segment



LEASE RETURNS:

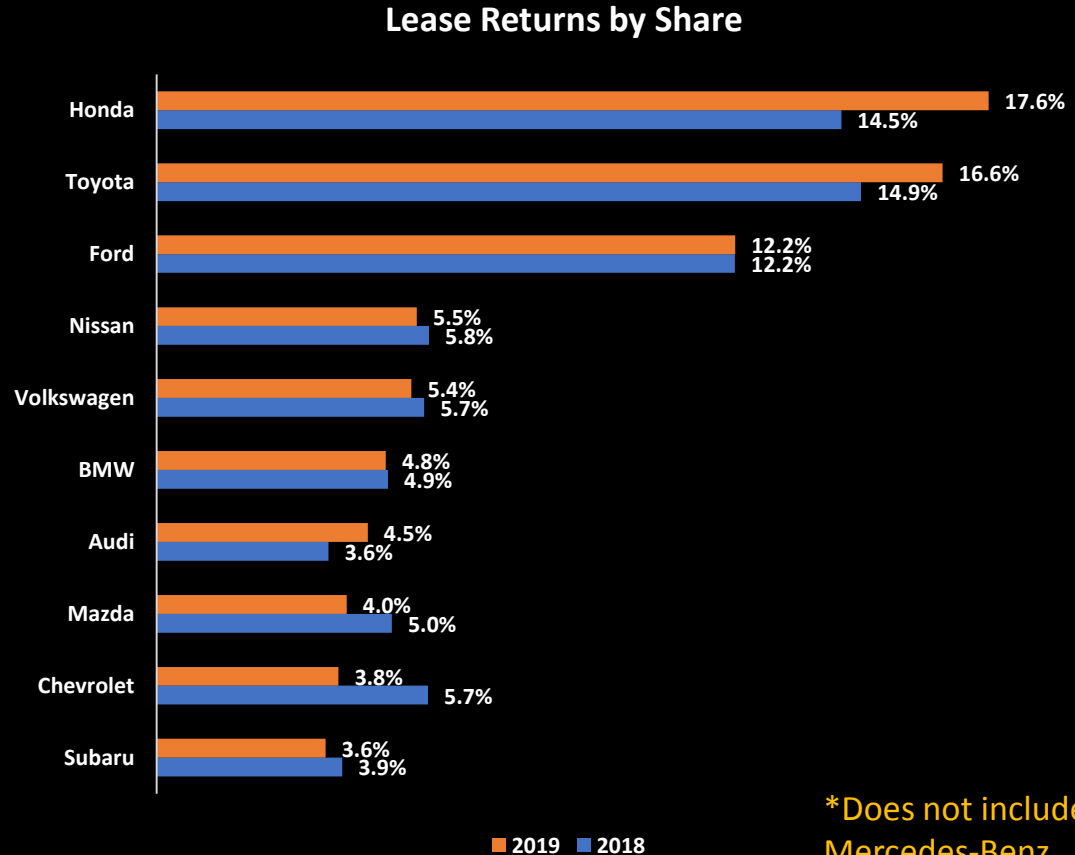
Seasonality to
adjust Q3 & Q4

Retail Lease Returns



LEASE RETURNS:

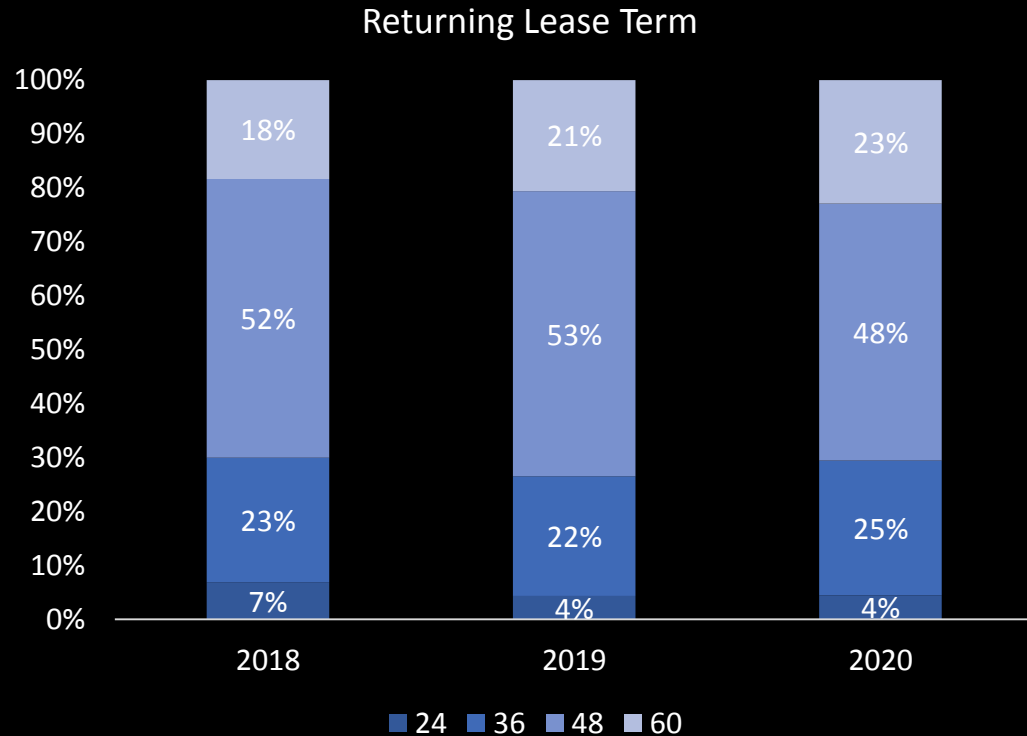
Honda and Toyota
returning much
more volume



*Does not include
Mercedes-Benz

LEASE RETURNS:

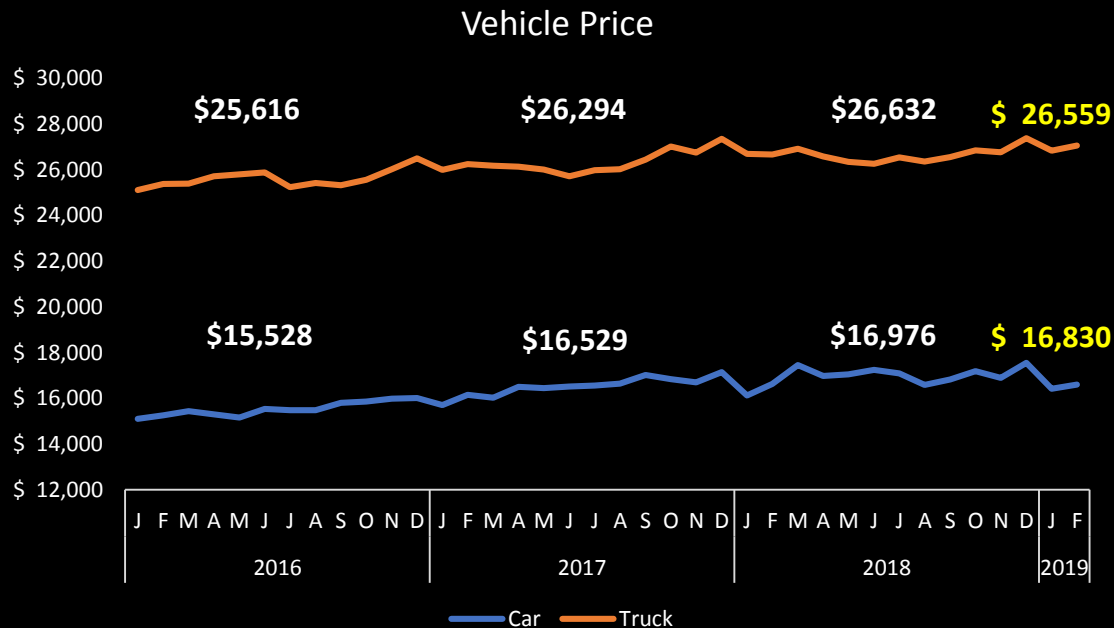
60 month term
increasing in
population



USED VEHICLES

PRICING:

Stable growth,
But gap to new
pricing widening

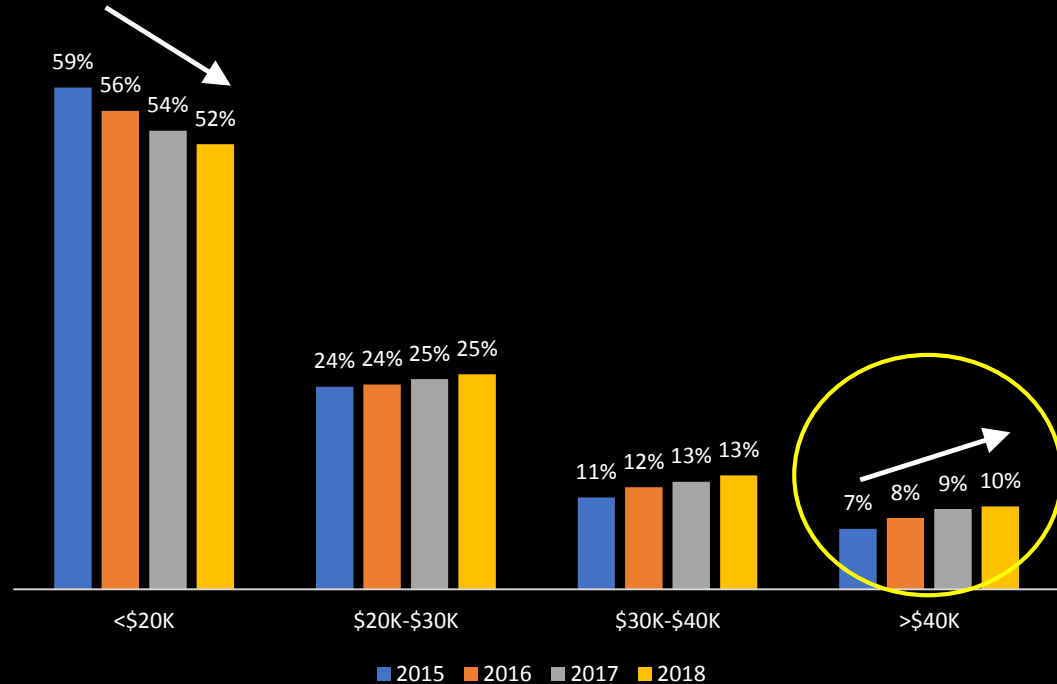


	CY14	CY15	CY16	CY17	CY18	CYTD19
Used-to-New Price Ratio:	63%	60%	59%	59%	58%	58%

VOLUME BY PRICE POINT:

Pricing bands are shifting

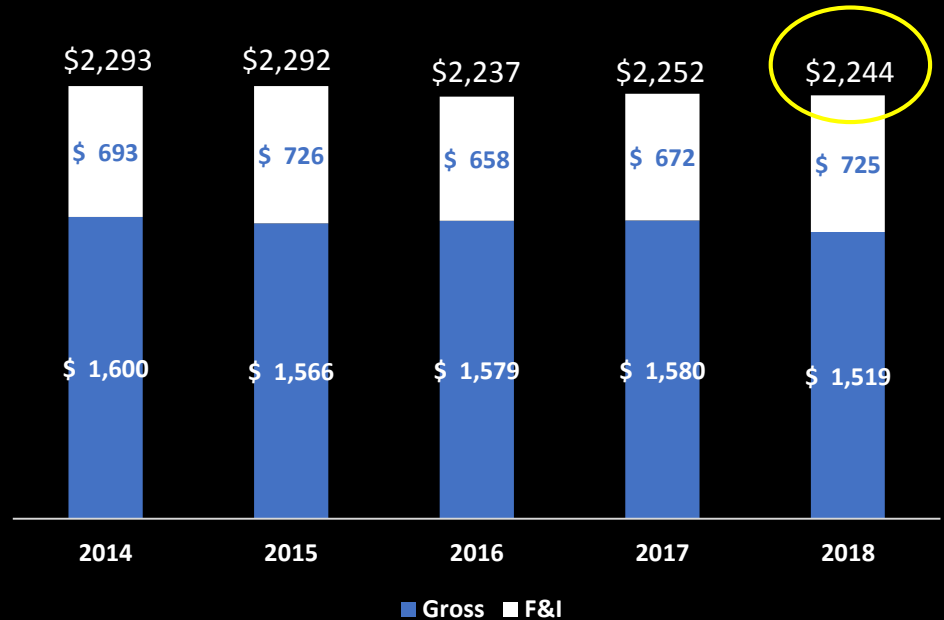
Used Vehicle by Price Band



USED MARGINS:

Stable over-all, F&I growing, front-end slightly down

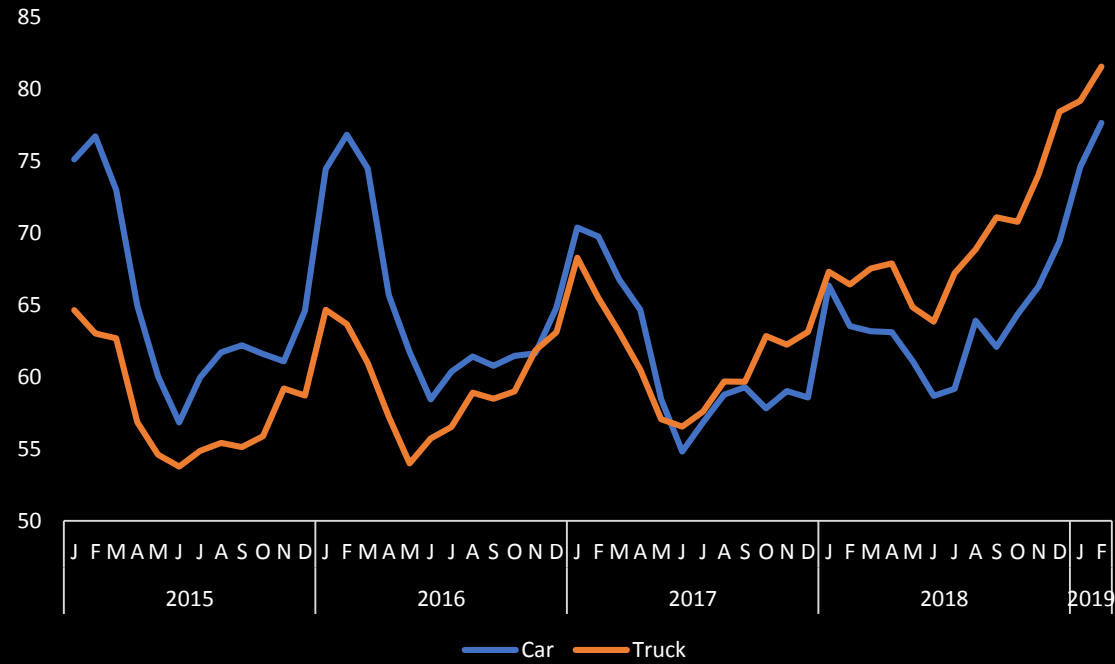
Retailer Used Vehicle Profit Per Unit



USED VEHICLES:

Turn rate is slowing...trucks too.

Used Vehicle Days to Turn

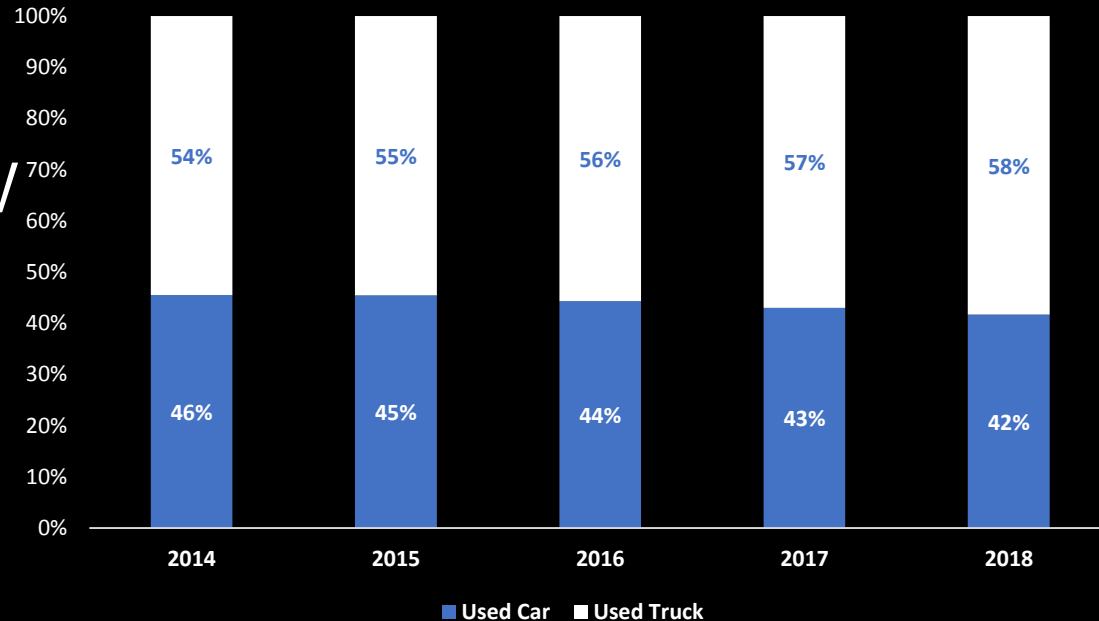


Used Passenger Car (days):	64	65	61	63
Used Light Truck (days):	58	59	61	69

USED VEHICLES:

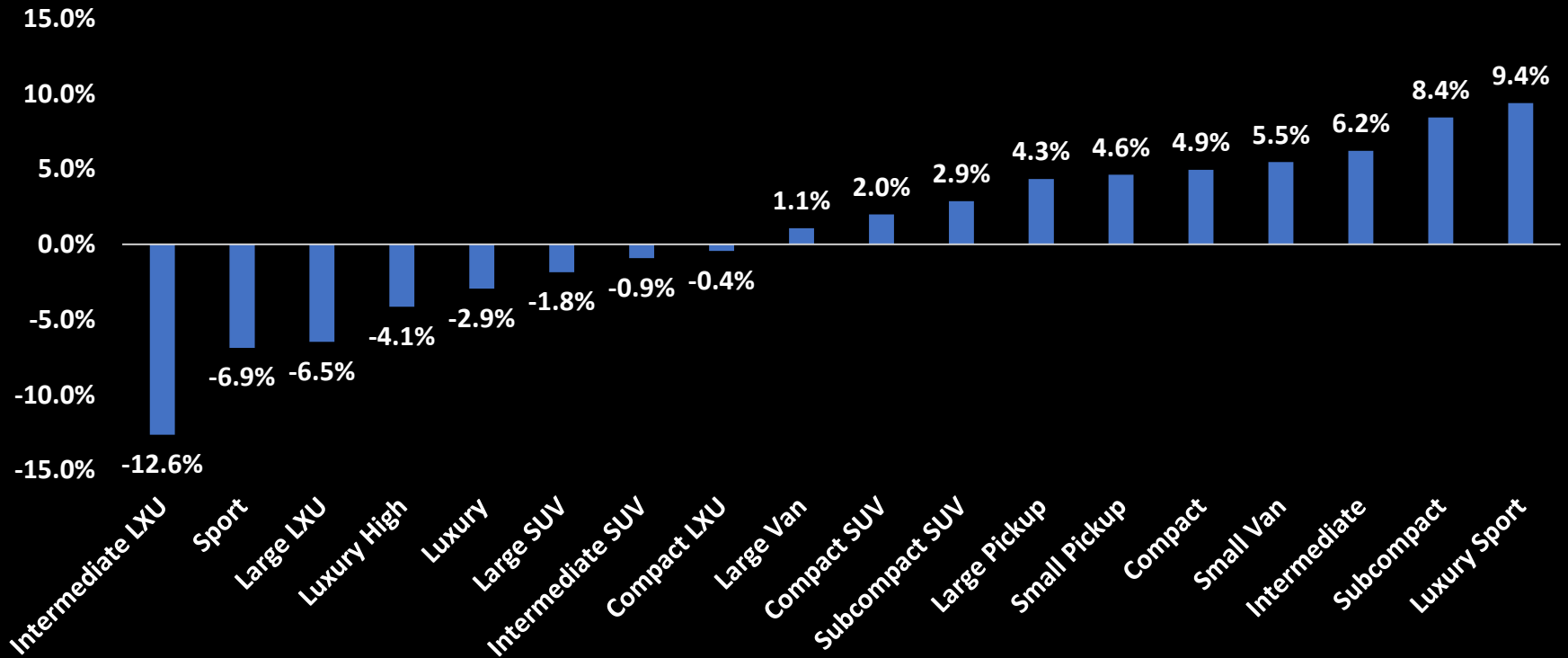
Inflow of trucks
and utilities is slow

Used Vehicle Sales @ Franchised Dealers



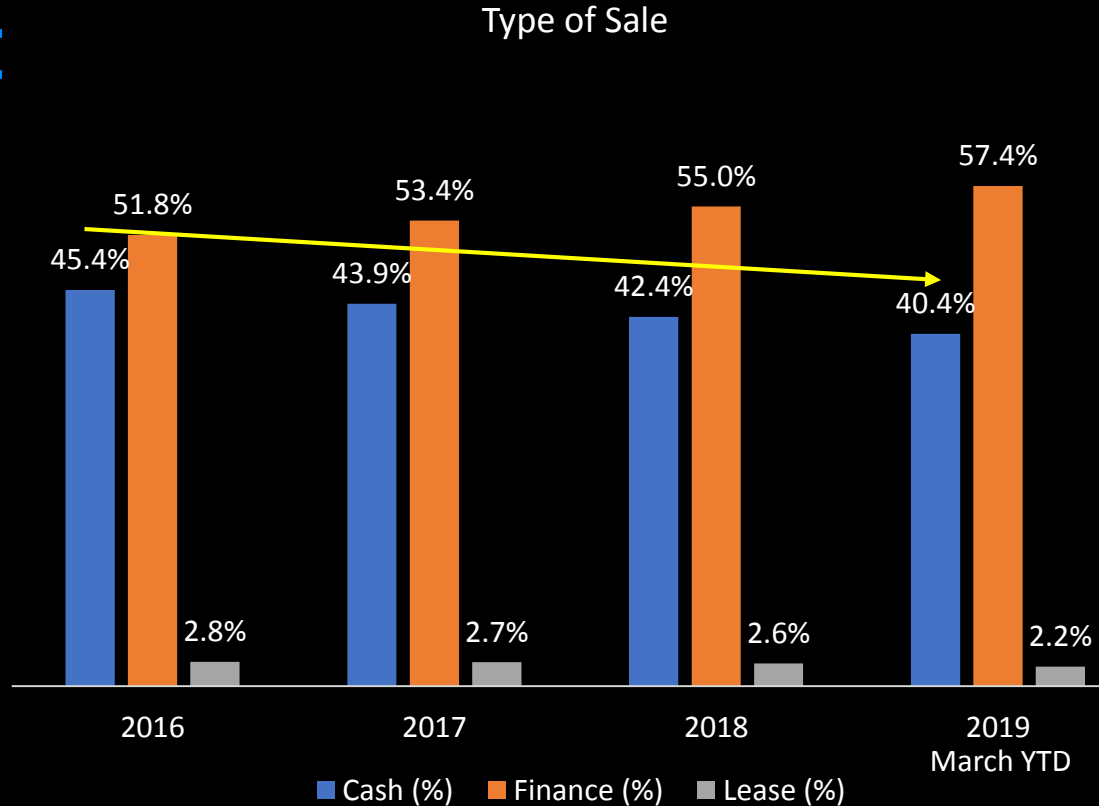
Recall 80/20 ratio for new

3 Year-Old Vehicle Price Δ 1Q 2019 vs 1Q 2018



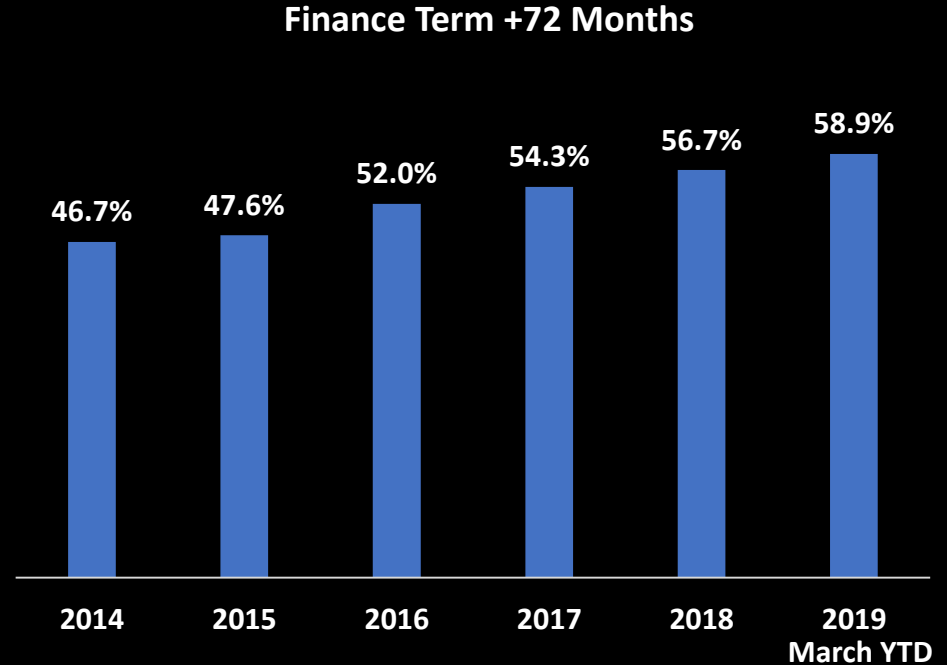
USED VEHICLES:

Dealers capturing greater share of financing needs



USED VEHICLES:

More Canadians
taking longer terms



PIN CPO Index

		CPO
Days to Turn	↓	31 Days
Vehicle Gross	↑	30.6%
F&I Income	↑	45.3%
Gross Profit as a % of Vehicle Cost	↑	2.8 Points
Disposer Loyalty to Dealer	↑	13.3 Points

*Based on 74,450 Used Vehicle transactions between 2015 and 2018

Key Takeaways

- Average used vehicle pricing still predicted to rise...truck switch, less C&I, less trades, new/used price ratio allows headroom.
- The 60 month lease wave is yet to be felt; older, higher mileage, more worn (maybe) vehicles will be coming back...in the order of 200,000+ units per year at retail.
- Market is currently stable-to-up; decrease in new vehicle retail may provide some lift to used in terms of affordability and accessibility.
- Profitability in the secondary market should be higher. Upside on financing reserve.
- CPO continues to be the most efficient way to approach secondary market.

Thank You

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