



# Q2 Manheim Used Vehicle Value Index Call

July 8, 2022

COX AUTOMOTIVE



# Presenters

**Mark Schirmer**, Director, Corporate Communications

**Jonathan Smoke**, Chief Economist

**Derek Hansen**, Vice President of Operations, vAuto

**Kevin Chartier**, Vice President, Manheim Consulting

# The Power of Cox Automotive

Harnessing the power of connected data for game-changing results



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 F&I Express

**FYUSION**

 Kelley Blue Book

 Manheim

**NEXTGEAR**  
CAPITAL

 **SPIERS  
NEW  
TECHNOLOGIES**

vAuto  
LIVE MARKET VIEW

VinSolutions

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**DRIVEQ**  
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# Jonathan Smoke

Chief Economist

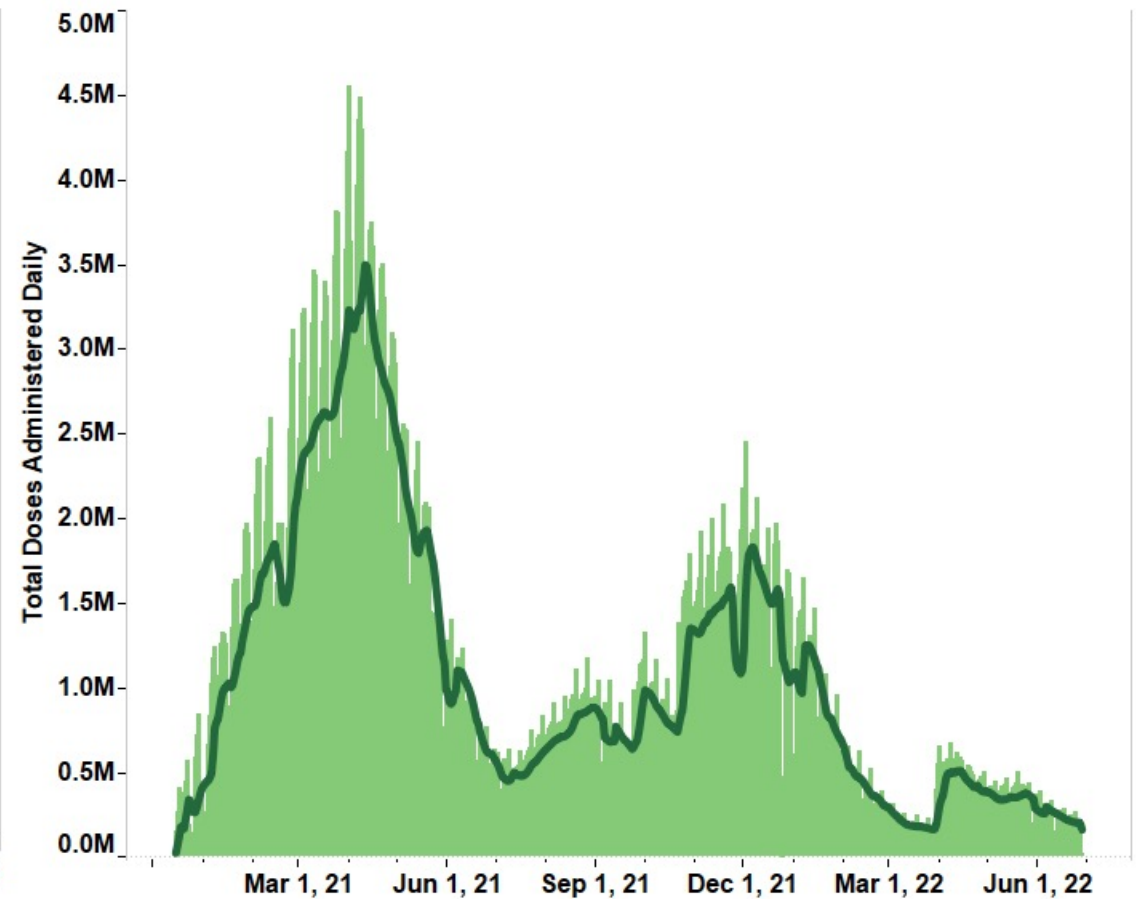
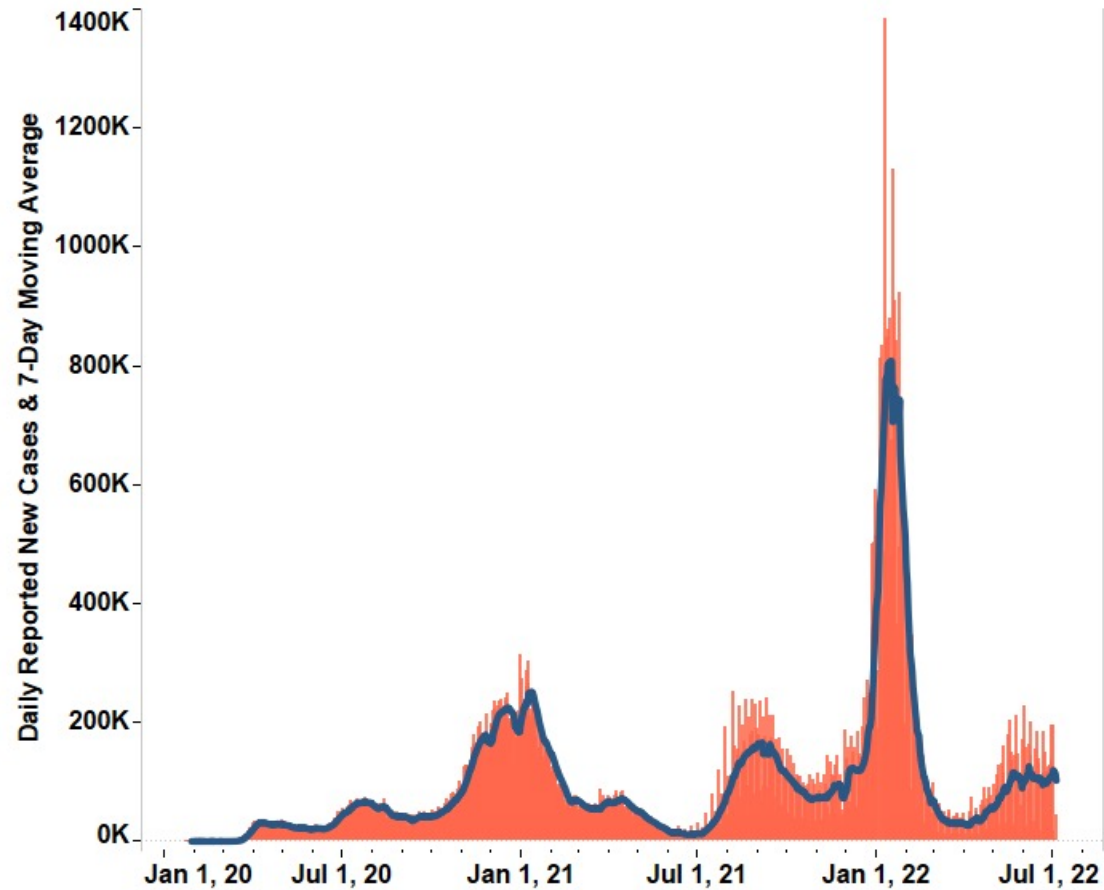
 @smokeoncars

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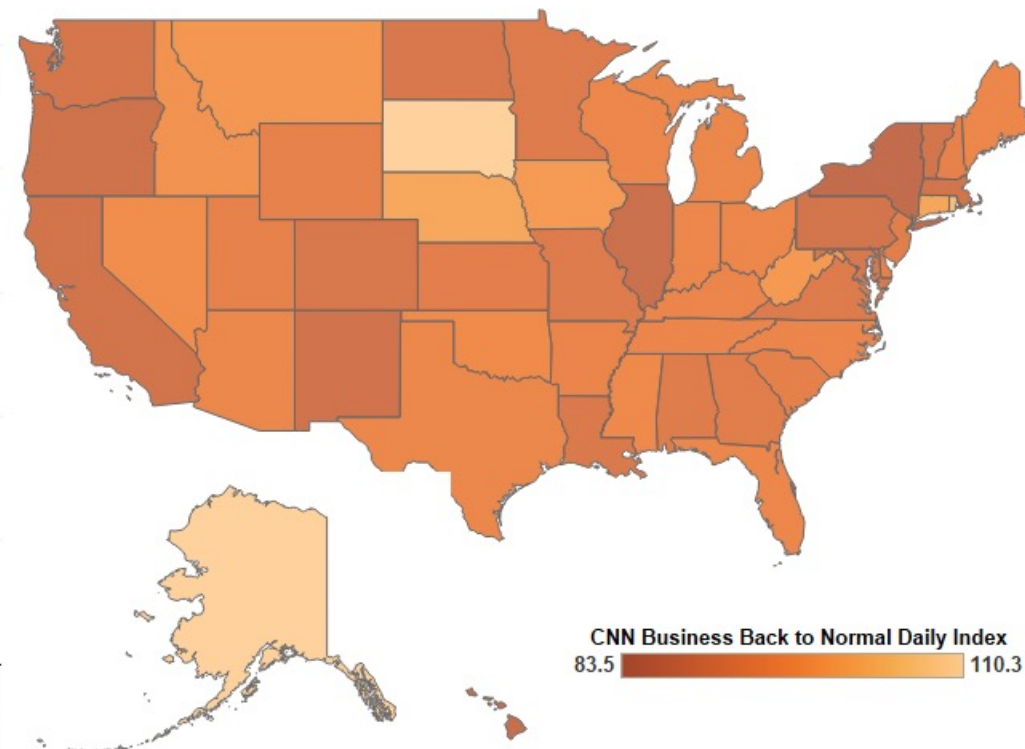




# COVID-19 Daily Cases and Vaccination Trends



## A decorative graphic consisting of several overlapping hexagons. The hexagons are outlined in teal, orange, and grey, creating a layered, geometric pattern. Some hexagons are solid outlines, while others are partially filled or have different line weights. The overall effect is a modern, abstract design.



# Consumer Sentiment Near Record Low

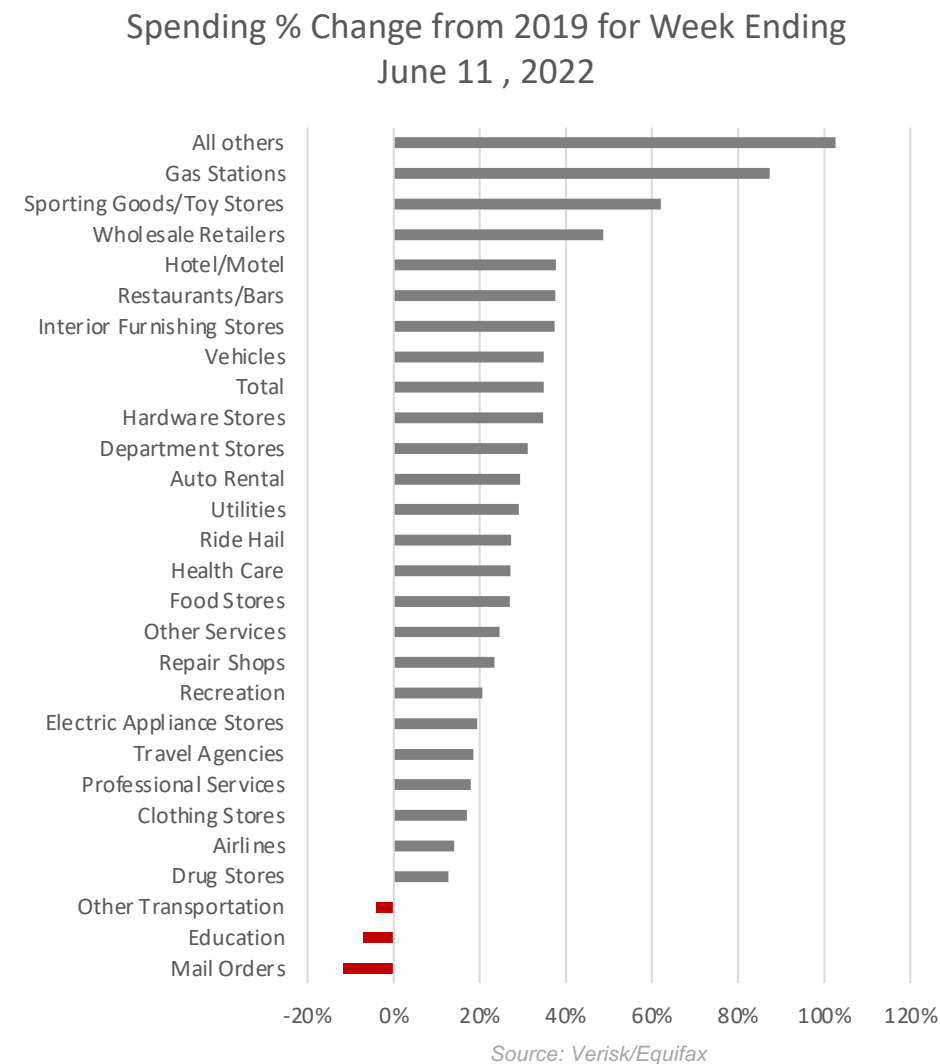
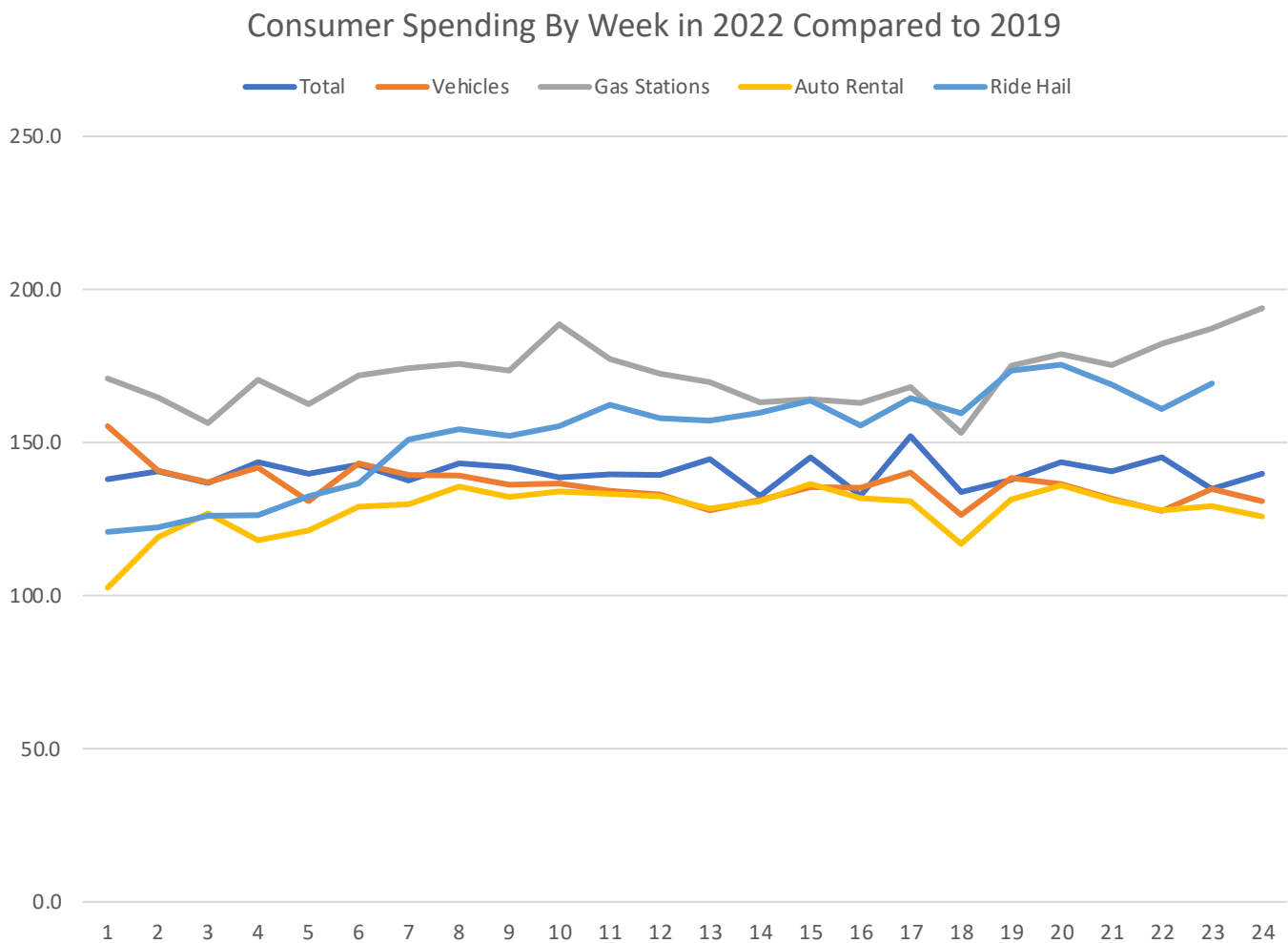
Morning Consult's Index of Consumer Sentiment on July 4 had declined 0.5% w/w



 **MORNING CONSULT**

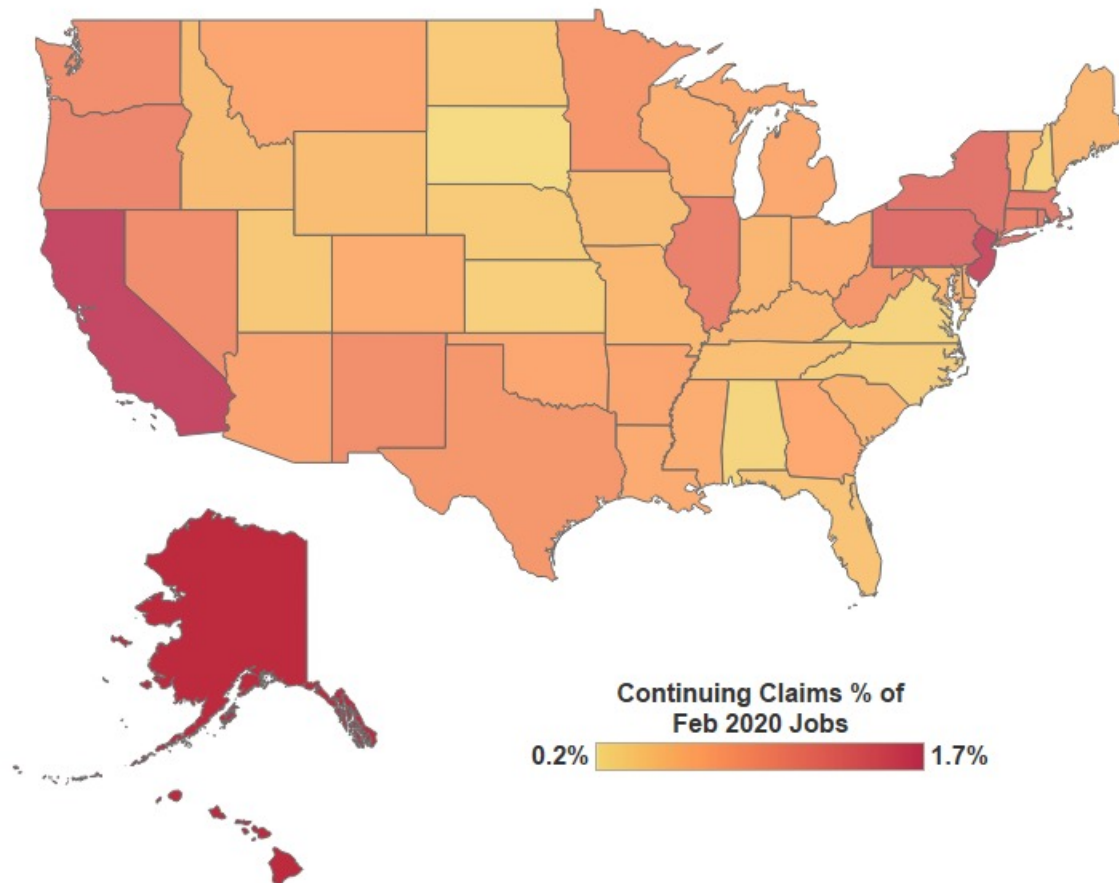
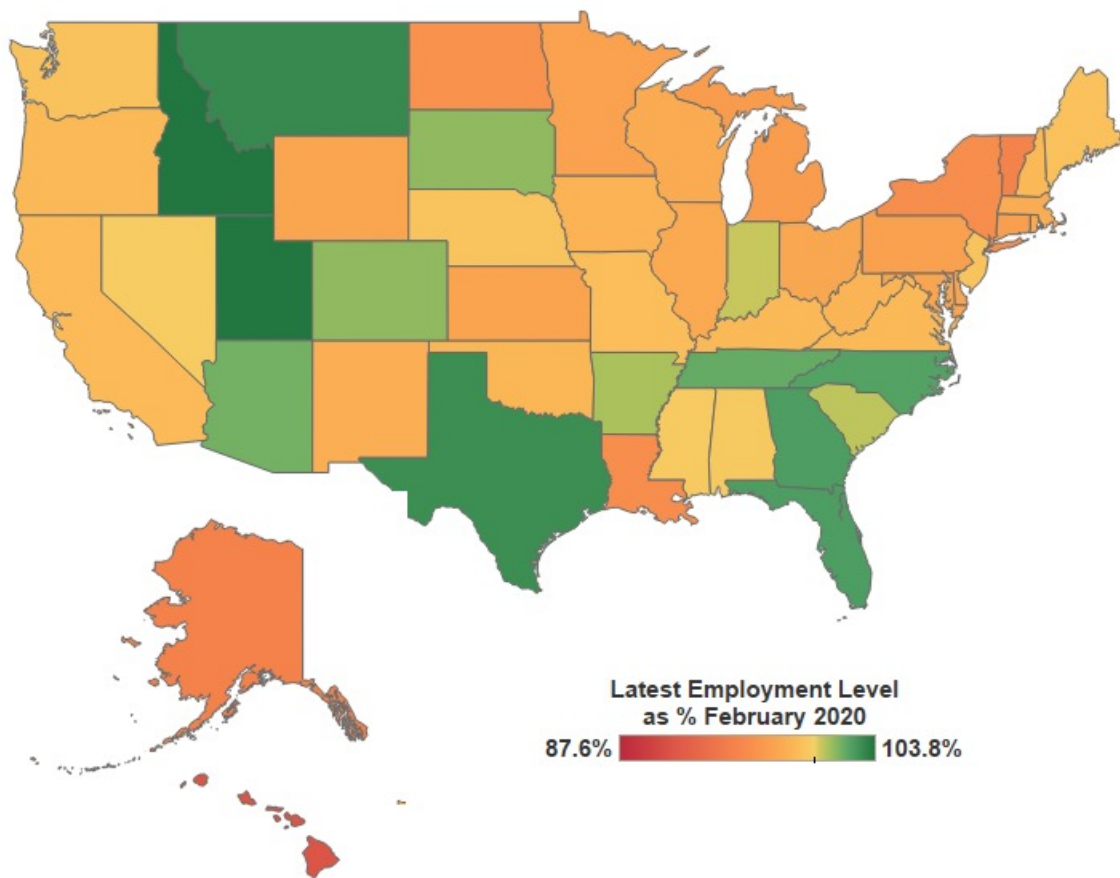
# Consumer Spending Remains Strong

Total spending in 2022 has exceeded 2019 spending levels in almost all categories; no sign of collapse



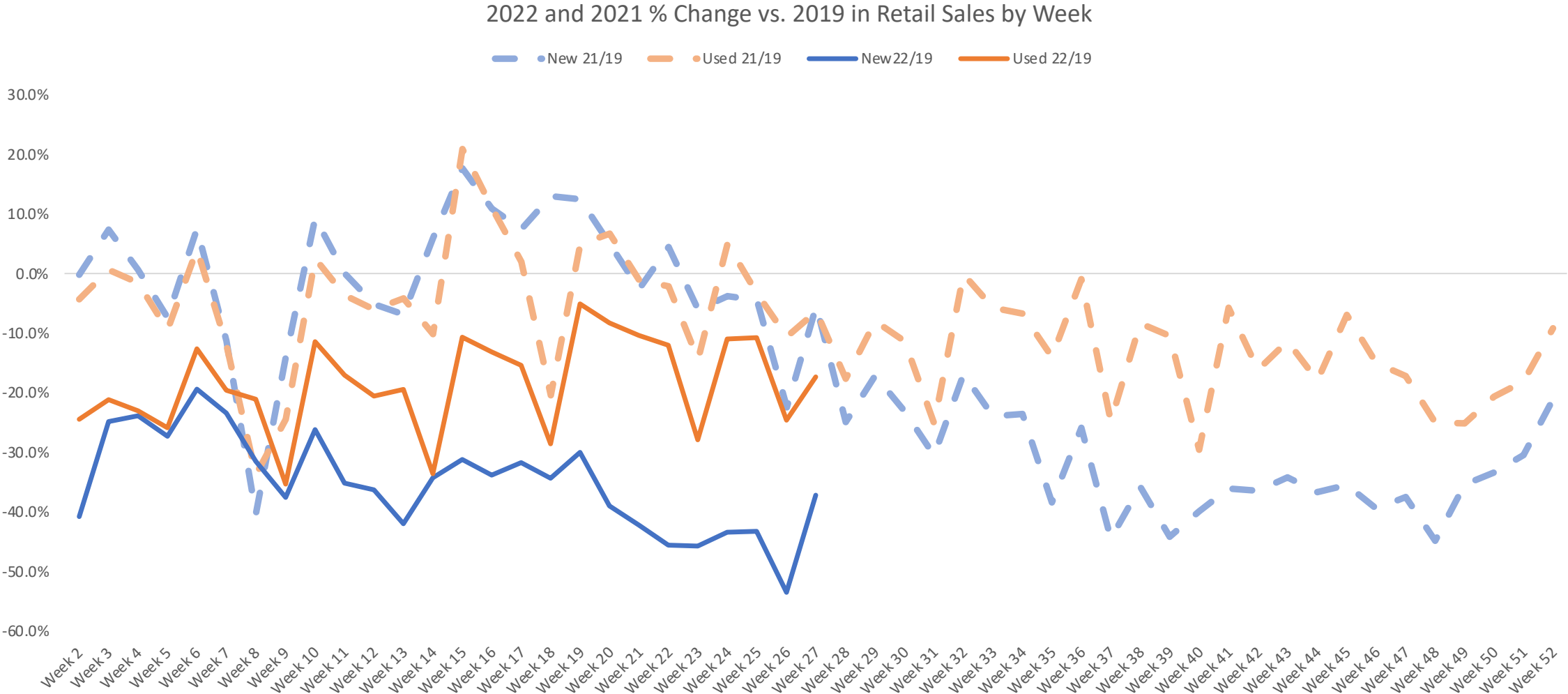


# Continuing Claims at 1.3 Million Nationally



NOTE: Latest Employment Numbers for May 2022; Continuing Claims  
Unemployment Data for Week Ending June 11

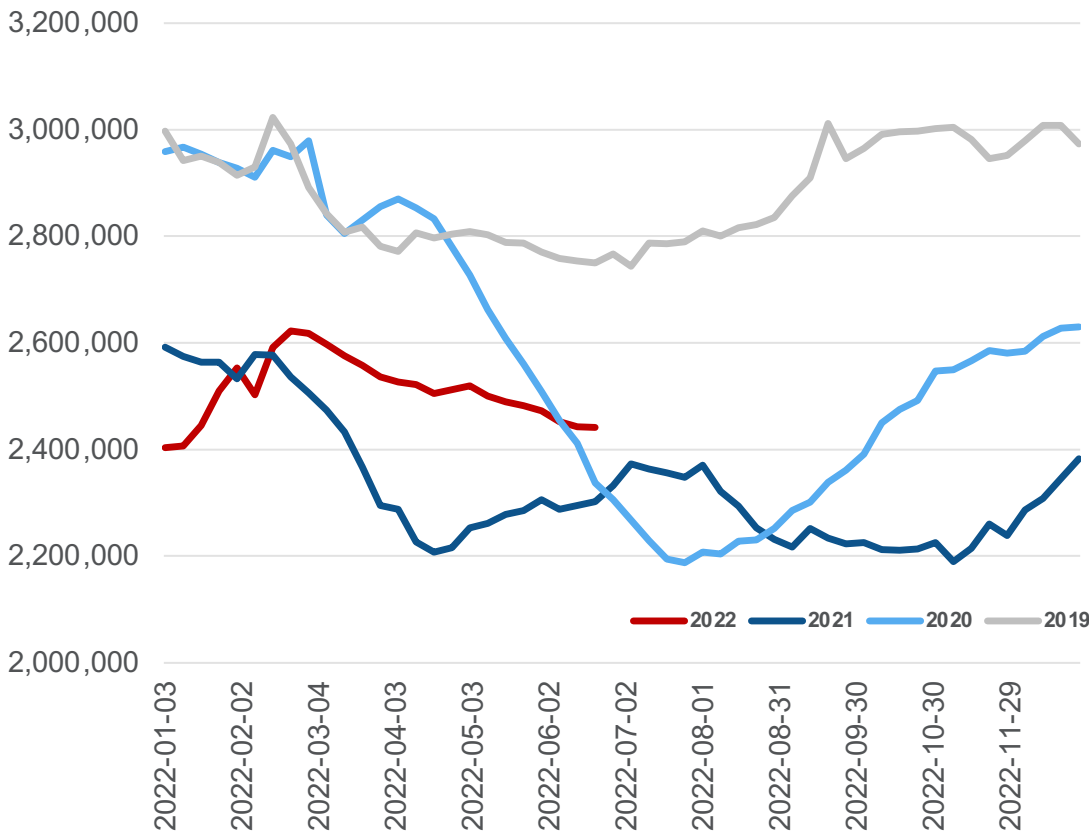
# Retail Sales Estimates



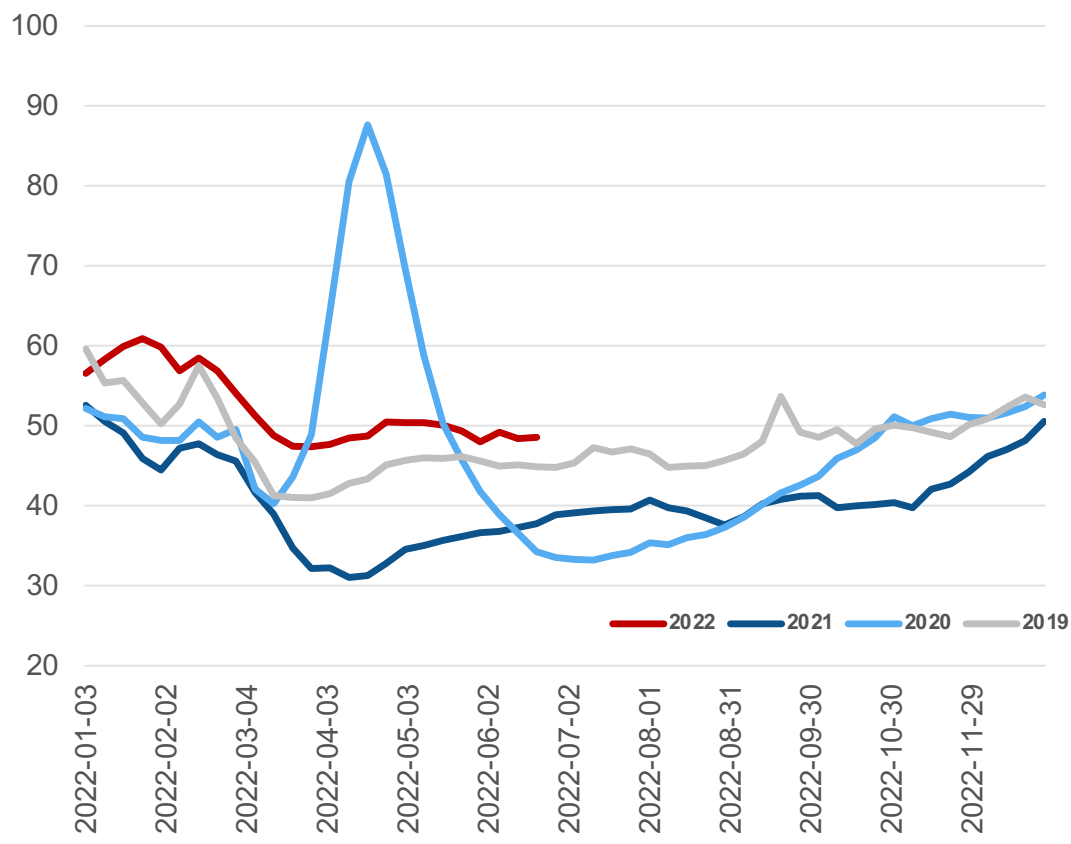
# Used Days' Supply Only Slightly Above Normal

Days' supply at 48 days at end of June, same as end of May, up 9 days from last year, but only up 3 days from 2019

Available Supply weekly



Days of Supply weekly





# Derek Hansen

Vice President, Operations, vAuto

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# WHY

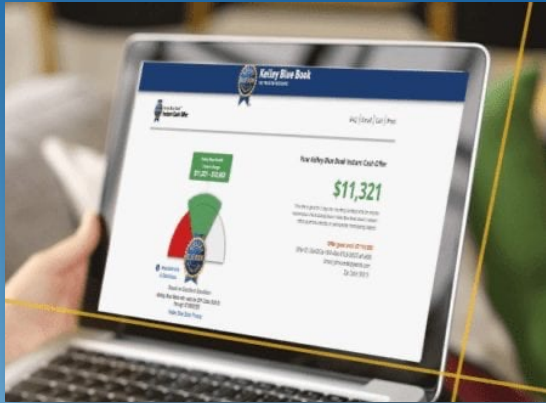
# UPSIDE<sup>TM</sup>

by COX AUTOMOTIVE

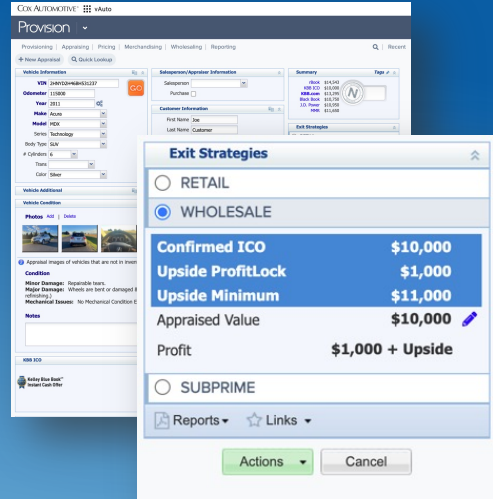




# HOW UPSIDE WORKS



Consumer generates a Kelley Blue Book Instant Cash Offer



Dealer sees the guaranteed Upside offer in vAuto Provision



Manheim comes to dealer's lot to inspect and list the vehicle



Inventory is listed on UpsideDirect.com, OVE.com and Manheim.com



# GOOD FOR SELLERS AND BUYERS

## Seller Benefits:

- Guaranteed at least \$300 over the Kelley Blue Book Instant Cash Offer
- If vehicle sells for more than guaranteed, they get the lion's share of the profit
- Cox Automotive does all the listing legwork
- Once the vehicle is listed, it's out of the seller's hands for good

## Buyer Benefits:

- Wide variety of vehicles available to purchase
- Comprehensive and consistent vehicle condition disclosure
- Every listing starts at 50% of MMR with NO reserve
- Any vehicle that doesn't match the condition report is easy to return

# REAL EXAMPLE

**\$8,400**

Kelley Blue Book  
Instant Cash Offer

**\$9,300**

Upside Minimum  
to Dealer

**\$4,500**

Starting Bid in Upside Direct  
Marketplace (50% of MMR)

**\$11,800**

Selling Price After  
Receiving 25 Bids

**\$2,200**

Additional Upside  
Profit Share

**\$3,100**


Total Profit  
to Dealer



**UPSIDE**<sup>TM</sup>Direct

**2016 FORD FUSION SE HYB**  
3FA6P0LUXGR318616  
85,720mi • 2WD • 4 Cyl • Auto  
**CR 3.0**  
Pickup GA - Atlanta

☐ White ☒ Gray

	Score 93	Similar Vehicles 79 - 89	Owners 1	Accidents 0	Titl
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# UPSIDE RESULTS TO DATE

**20K**

BIDS PLACED IN THE  
FIRST SIX UPSIDE  
DIRECT SALES; AVG OF  
17.8 BIDS PER VEHICLE

**28K**

USERS HAVE LOGGED  
INTO THE MANHEIM  
MARKETPLACE TO VIEW  
UPSIDE INVENTORY

**\$600K**

PAID OUT TO SELLERS  
ABOVE THE UPSIDE  
MINIMUM IN THE FIRST  
SIX SALES



# WHAT'S NEXT FOR UPSIDE

- Currently available for sellers in Atlanta and Chicago markets
- Launching soon for sellers in Ohio, then Detroit
- More markets coming throughout 2023







# Manheim Index and Key Trends

Jonathan Smoke & Kevin Chartier

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# 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

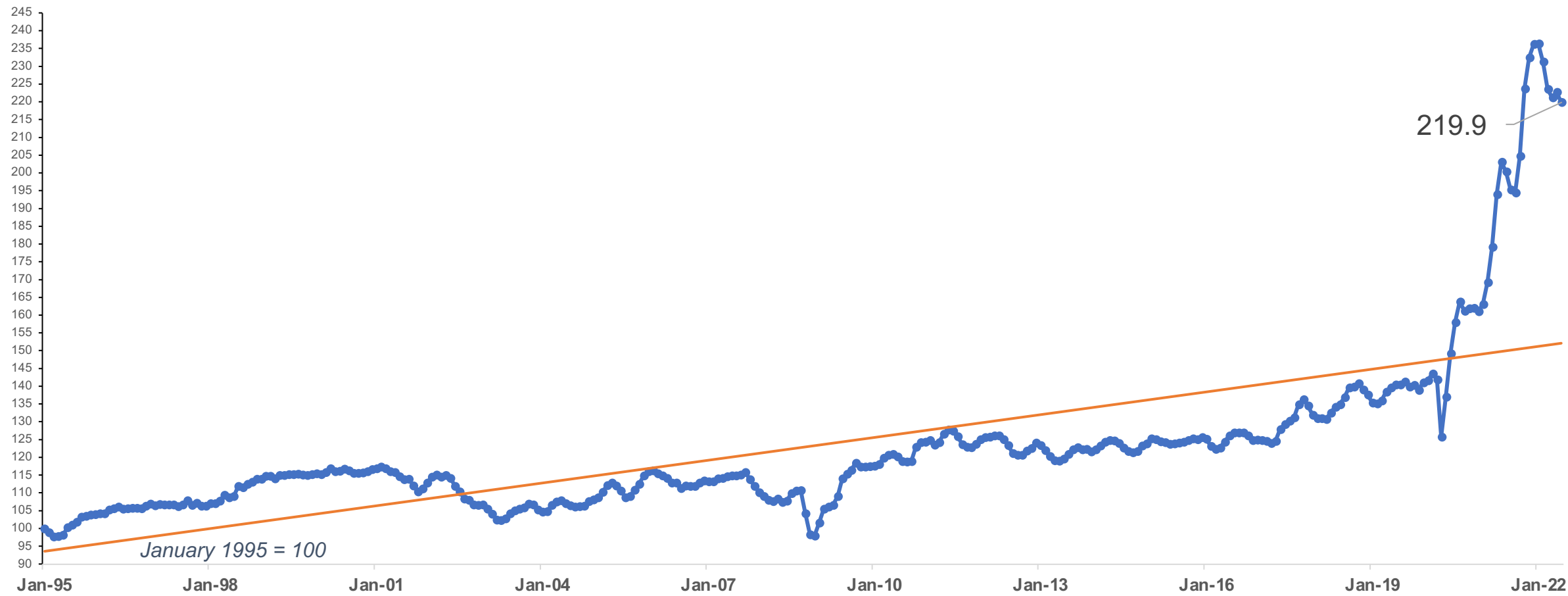
## Steps

1. All Manheim U.S. sales
2. Classify by market segment
3. Account for differences in mileage
4. Weight to provide smoother segment mix
5. Seasonally adjust



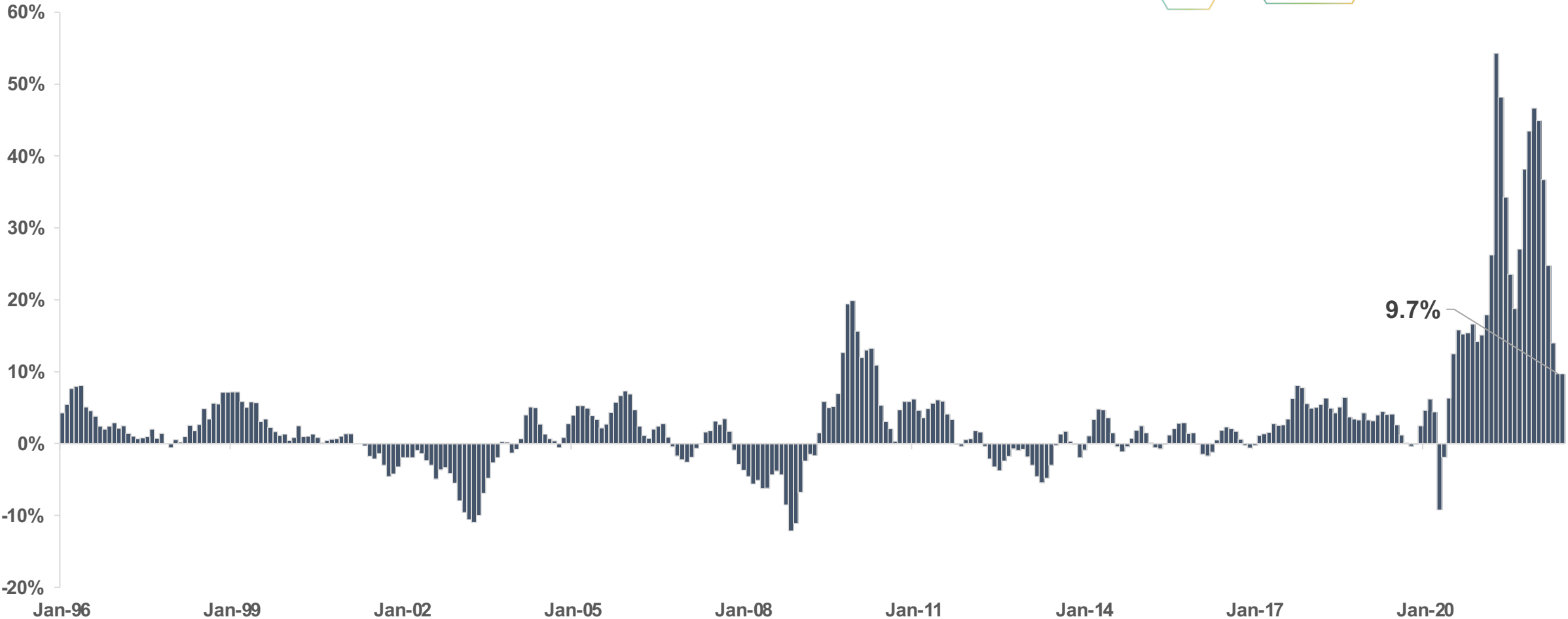
# Wholesale Vehicle Values Decrease in June

Prices in June decreased 1.3% from May 2022 but were up 9.7% compared to June 2021



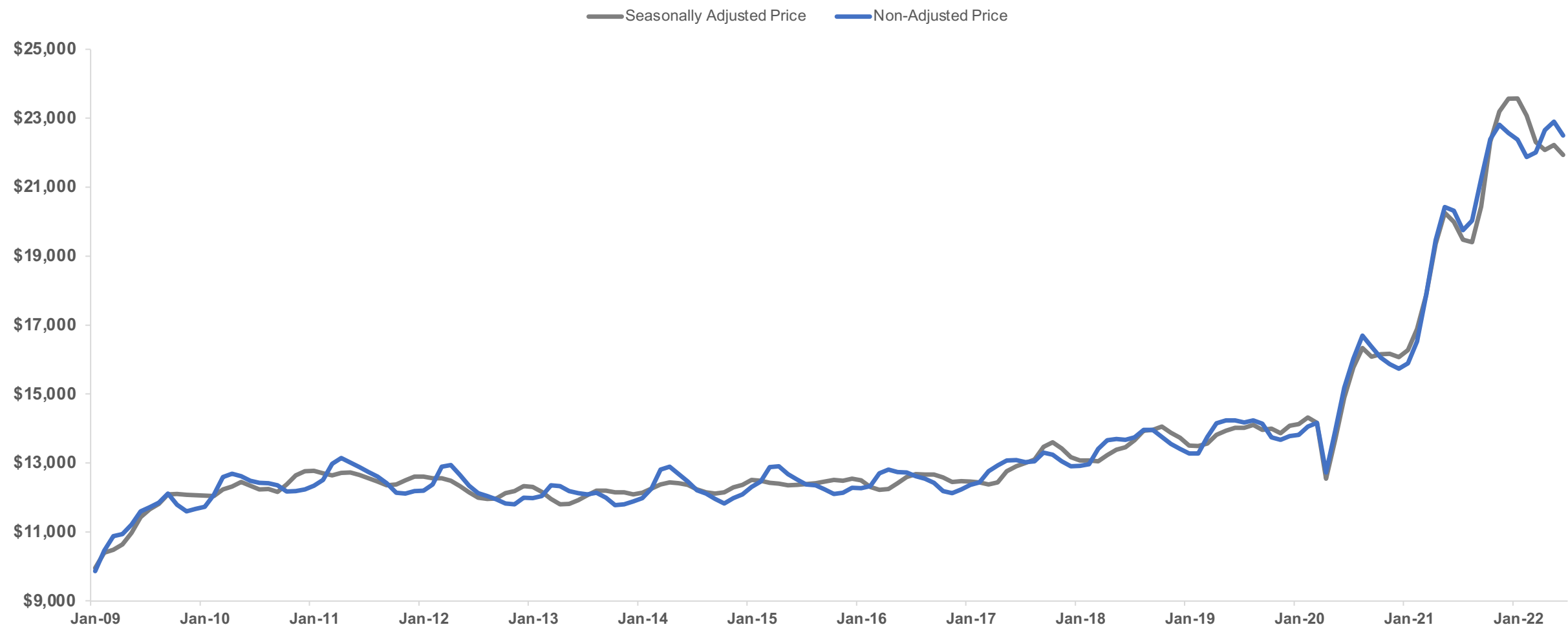
# Year-Over-year Performance Remains Elevated

Year-over-year price performance flat with May against decline in values in June 2021



# Seasonal Adjustment Expected Greater Spring Uplift

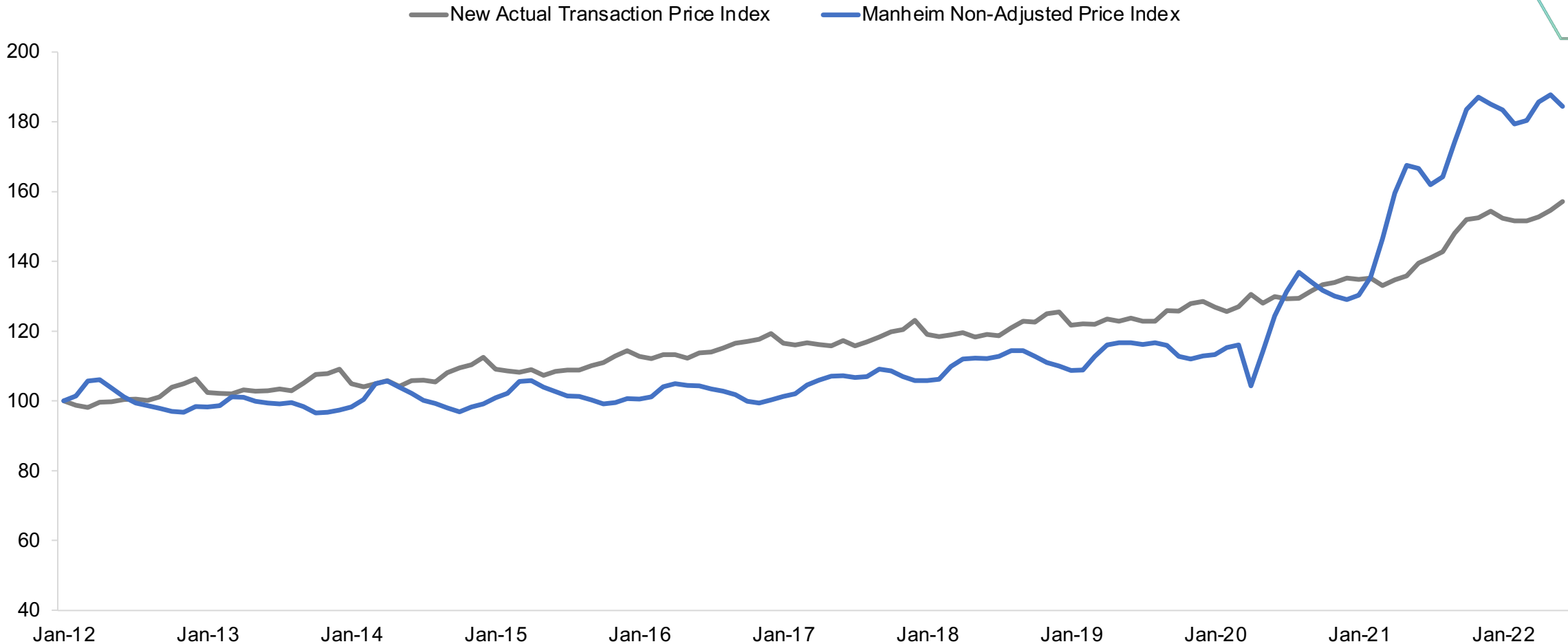
Adjusted prices were more negative in Q2, while non-seasonally adjusted prices were more positive





# Wholesale Used Vehicle Price Index Versus New-Vehicle Price Index

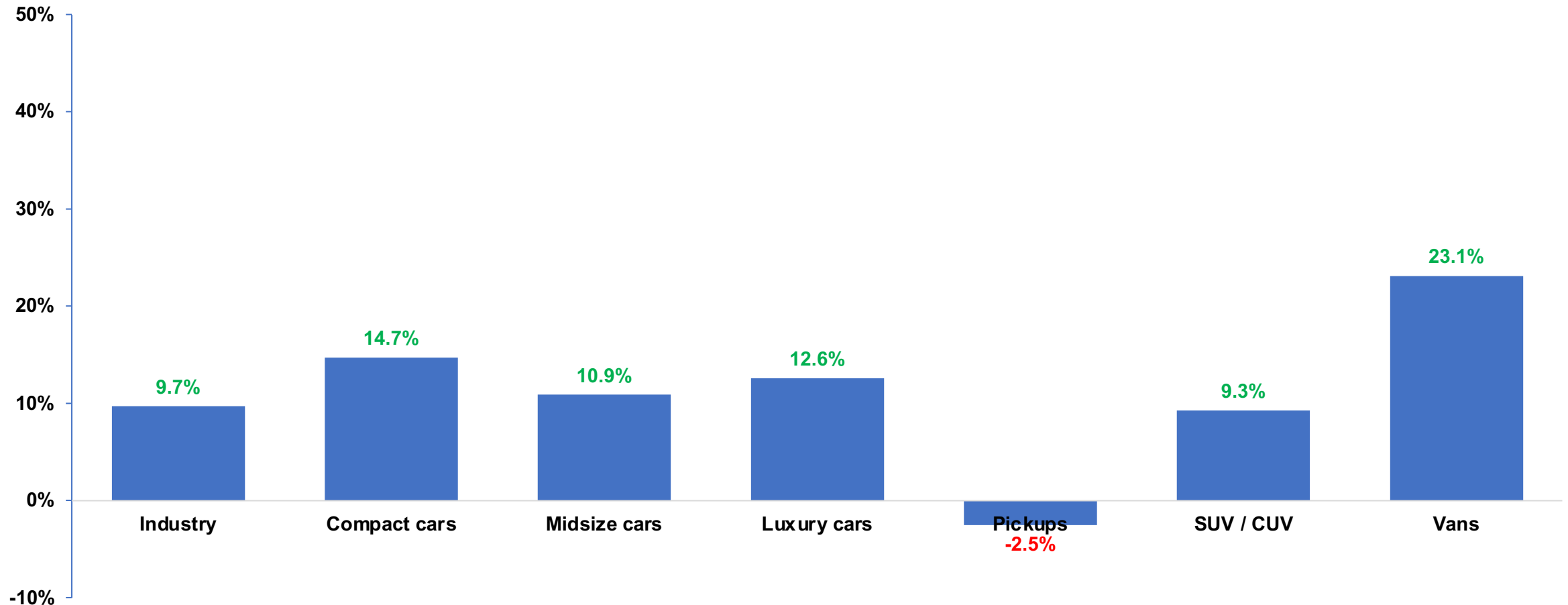
New retail prices continue upward after winter pause; wholesale lower for first half despite some up months



# Vans Continue Outperforming Other Segments, Again

Pickups lost ground since March 2022, while cars and vans outperform

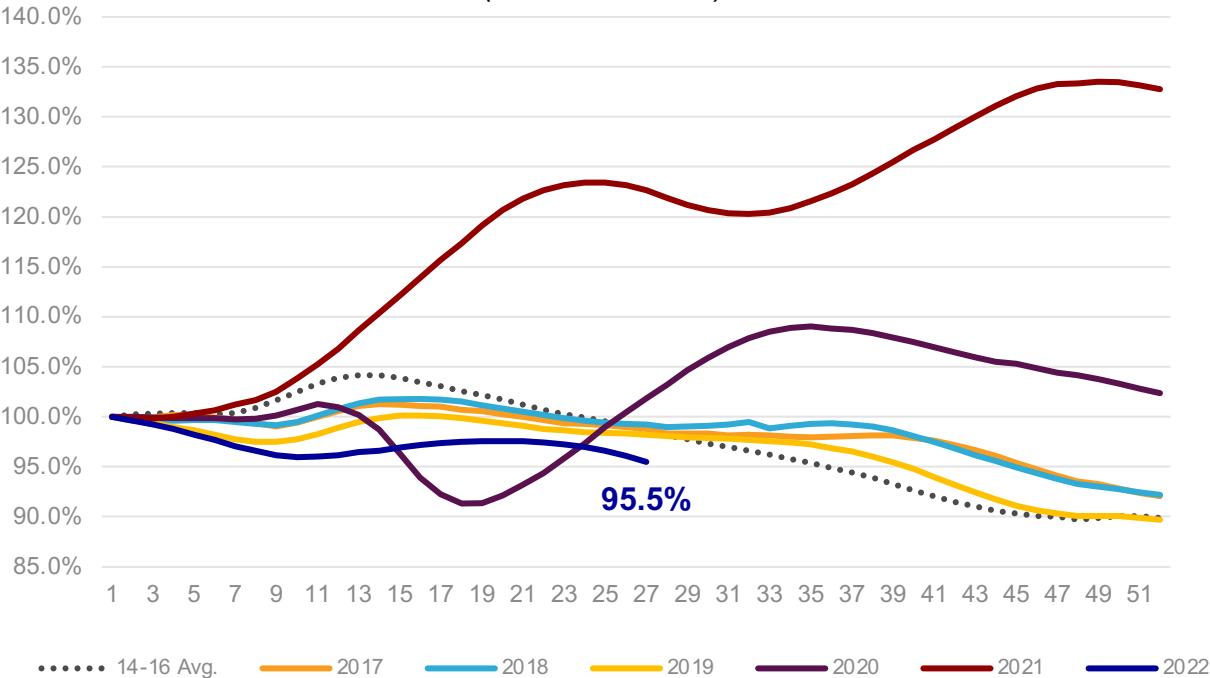
Percent Change in Manheim Index Year Over Year June 2022



# Later, Flatter Spring Selling Season in 2022

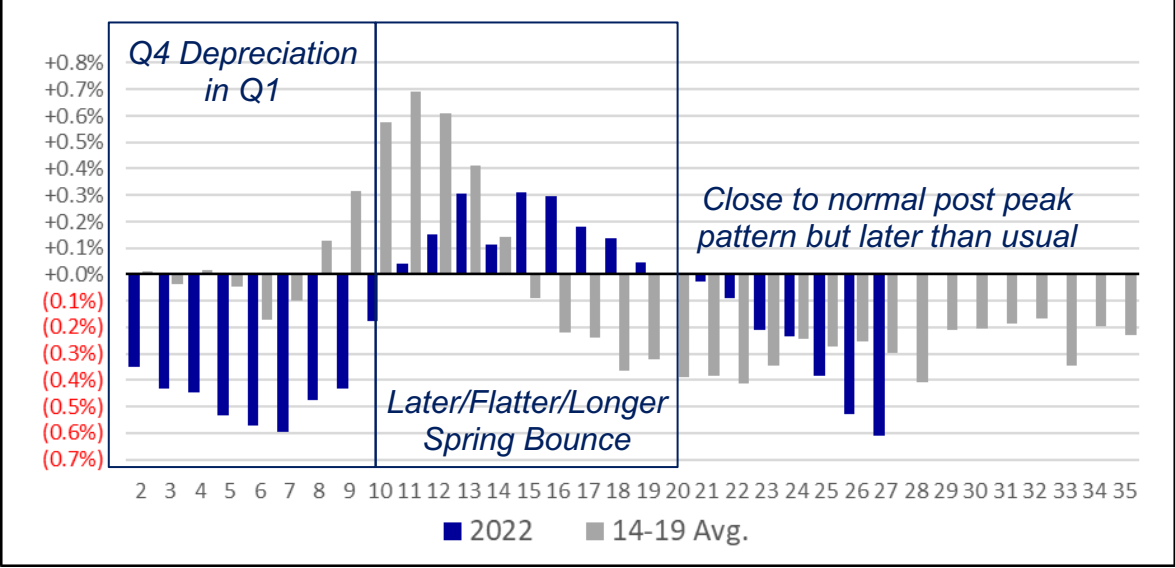
Following close to normal “post peak” spring seasonal pattern after peaking in week 20 (mid-May)

**Overall MMR Index Trends**  
(All Model Years)



Resale Values are NOT following typical seasonal patterns in 2022

**Weekly Change In Resale Value**  
All Model Years

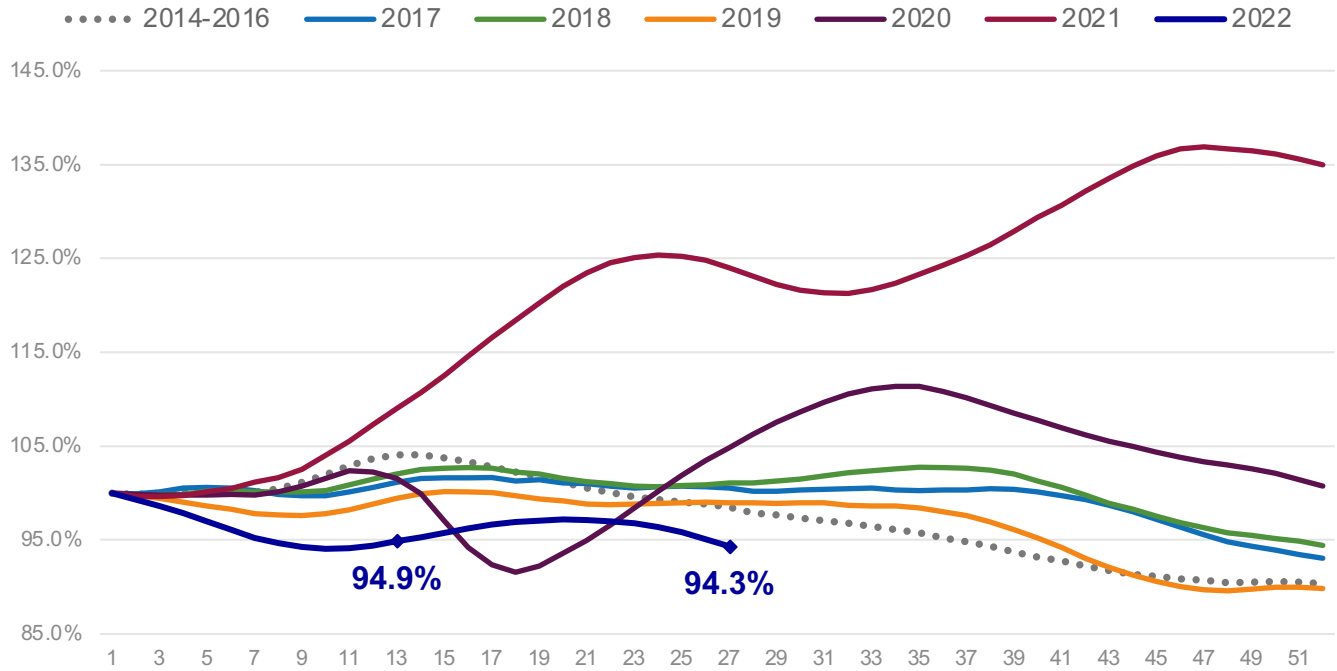


# 3-Year-Old MMR Index Trends

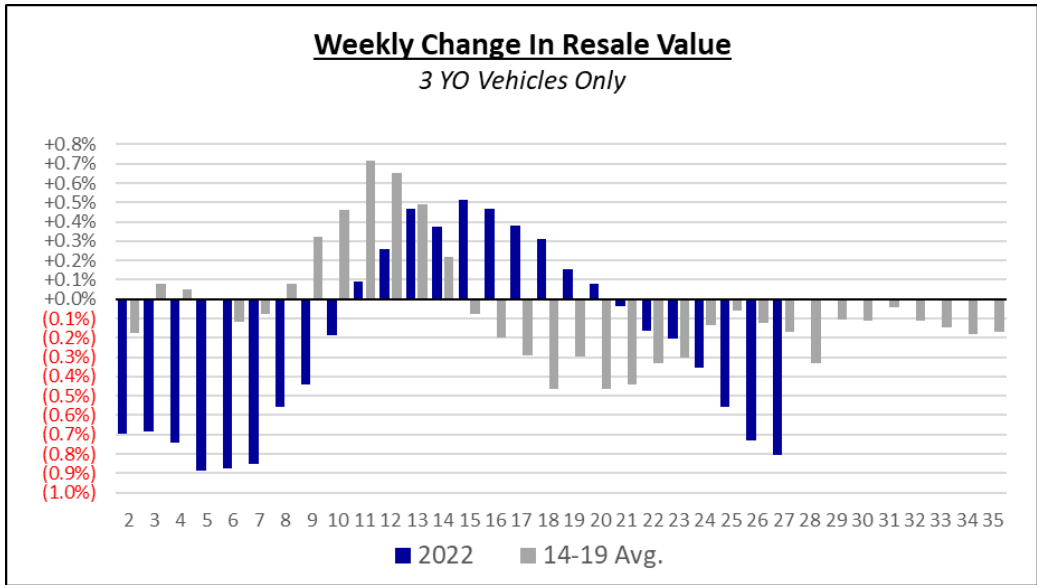
Stronger than typical “post-peak” depreciation on 3-year-old vehicles as we exit June



**3-Year-Old Model MMR Index by Week**



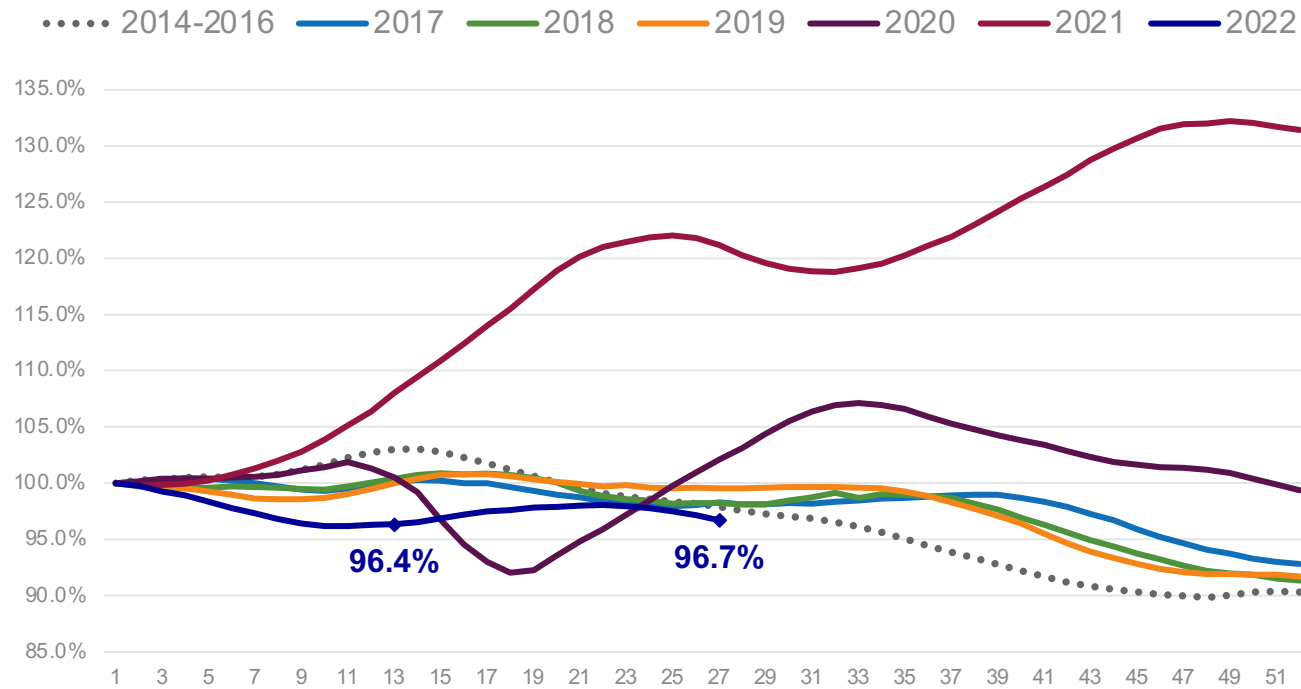
**Weekly Change In Resale Value**  
3 YO Vehicles Only



# 1-Year-Old MMR Index Trends

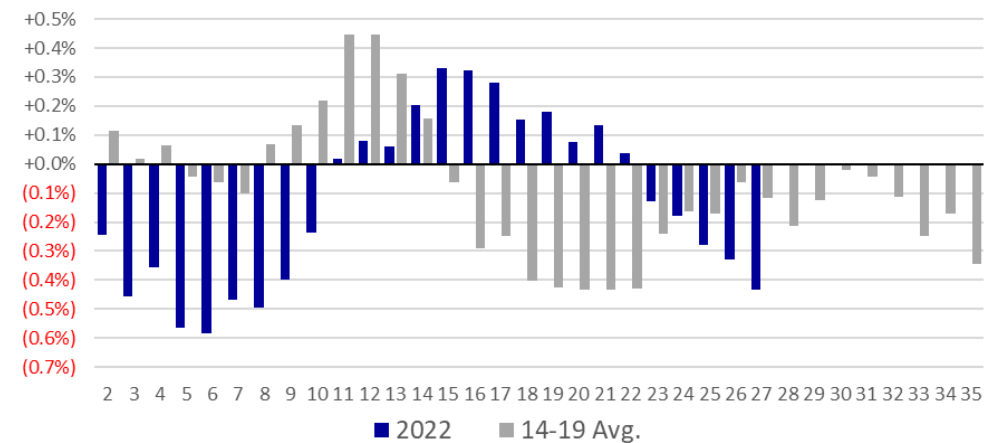
Weaker/longer spring bounce followed by normal post-peak depreciation pattern

## 1-Year-Old Model MMR Index By Week



## Weekly Change In Resale Value

1 YO Vehicles Only

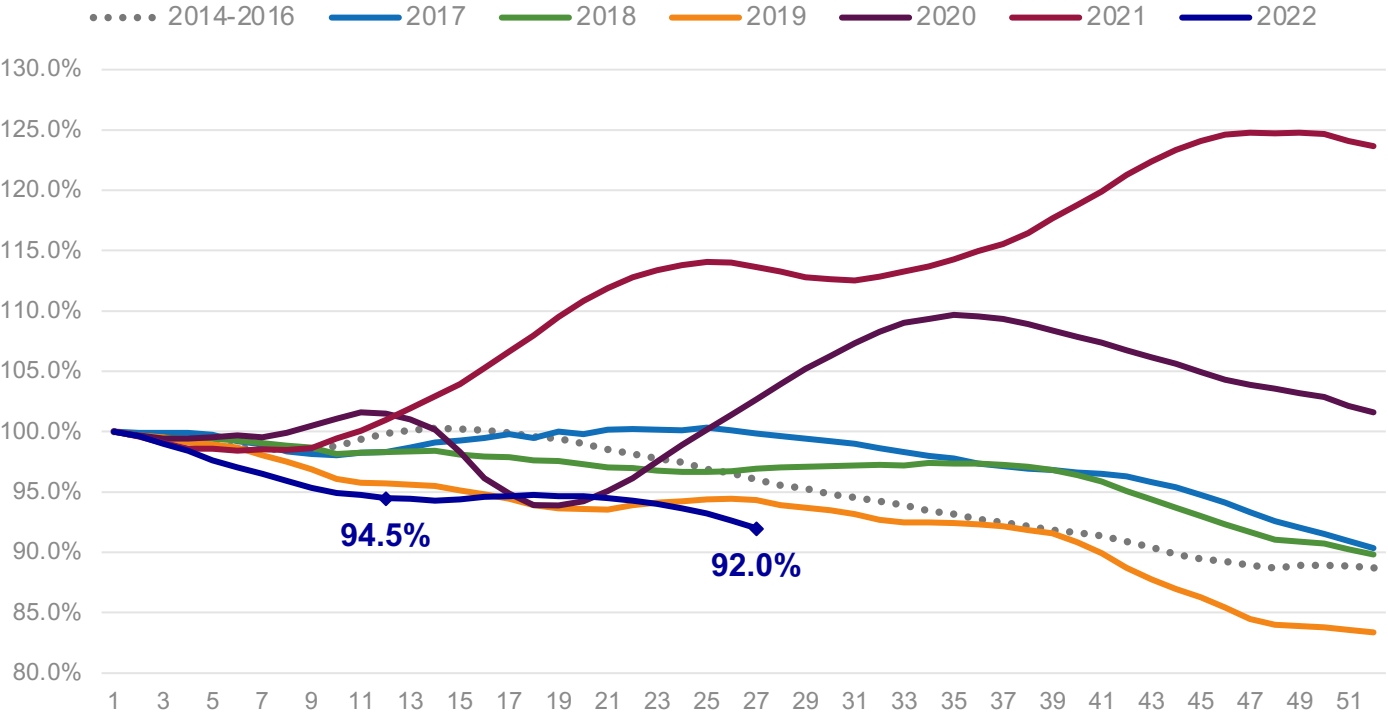




# 3-Year-Old Luxury Vehicle MMR Index Trends

Post spring peak depreciation pattern much steeper for luxury vehicles

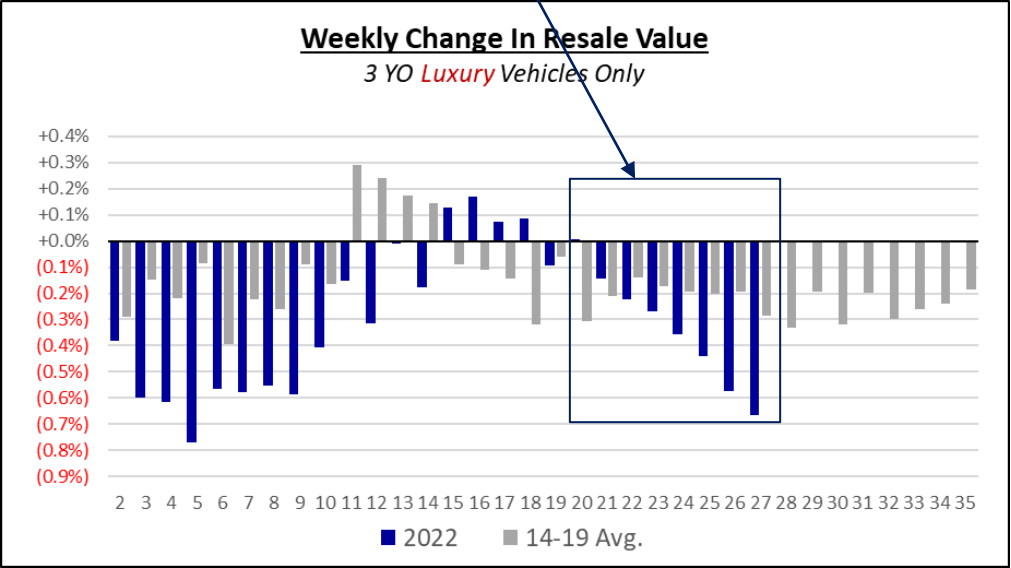
3-Year-Old Luxury Vehicle MMR Index By Week



Total Wk 20-27 Depreciation

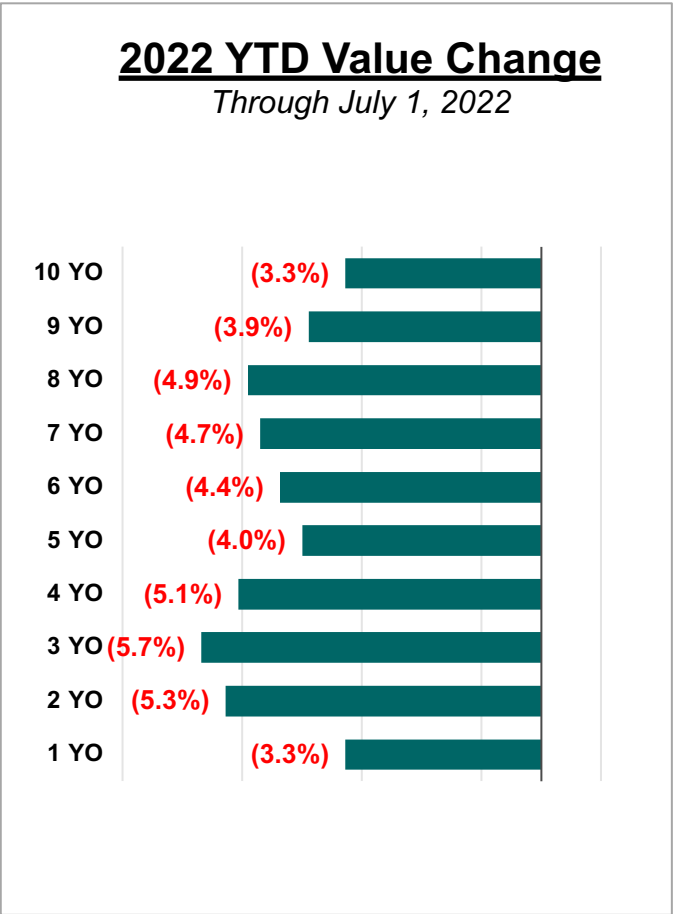
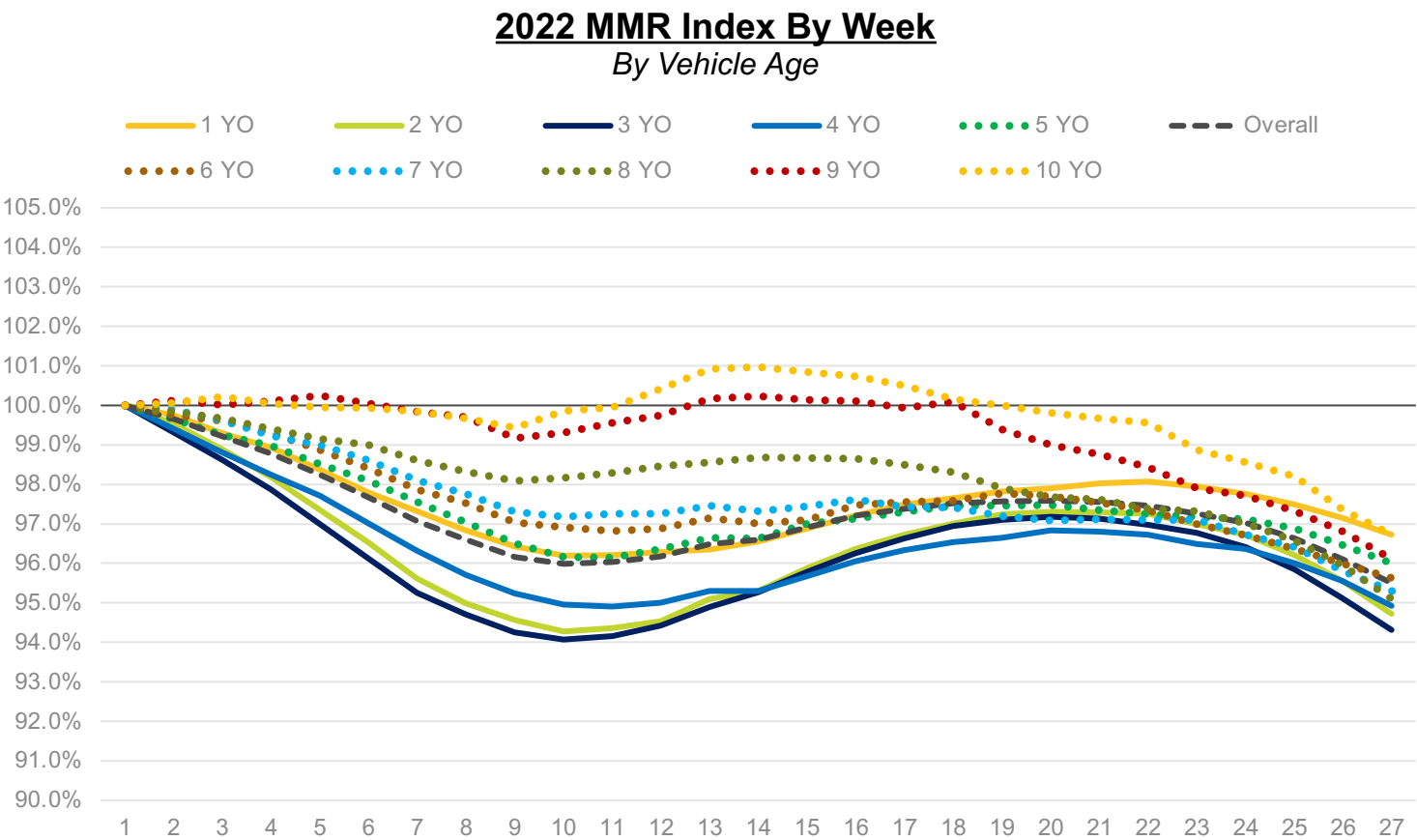
14-19 Avg.	2022
-1.7%	-2.7%

Weekly Change In Resale Value  
3 YO *Luxury* Vehicles Only



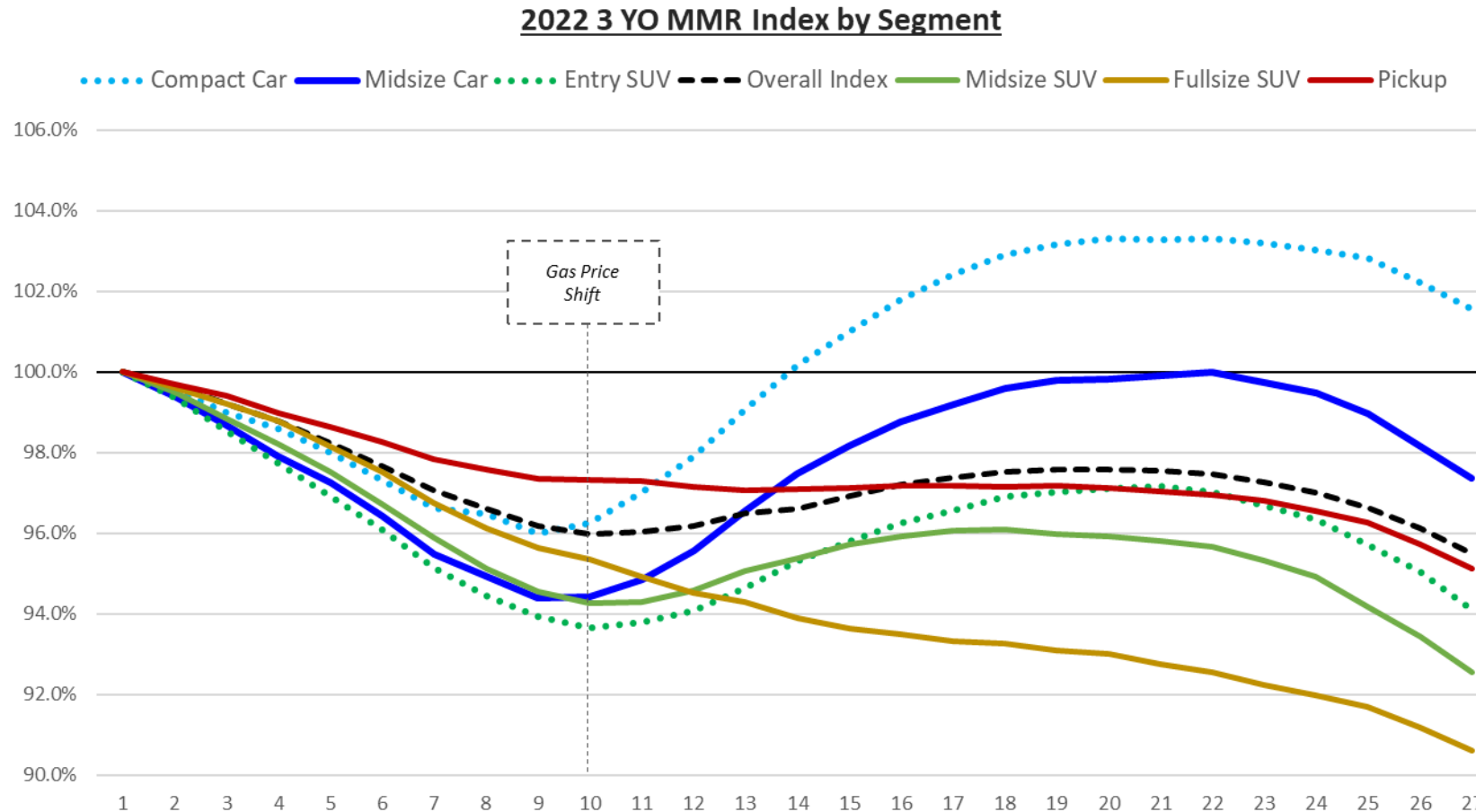
# 2022 Depreciation Patterns Differ Greatly By Age Group

Older vehicles turned down earlier and sharper in Q2; YTD value changes are converging which is more normal



# Still No Clear Evidence Of Price Shifts Due To Accelerating Gas Prices

Most vehicle segments continue to follow a delayed but typical spring pattern

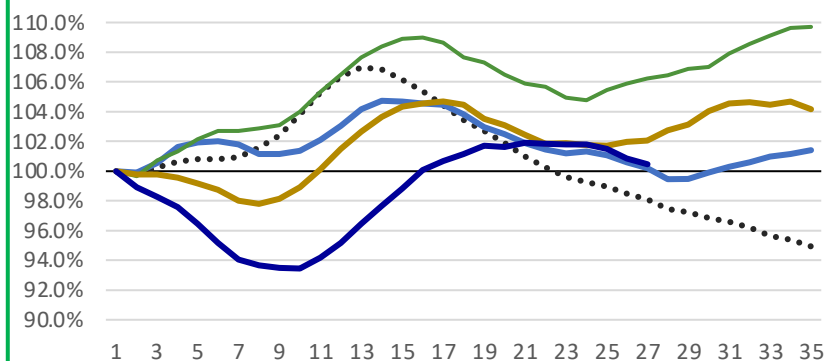


# Pricing Trends Are Not Showing A Demand Shift Into Fuel Efficient Vehicles

Truck & Full-Size SUV Weakness Likely More Affordability Related

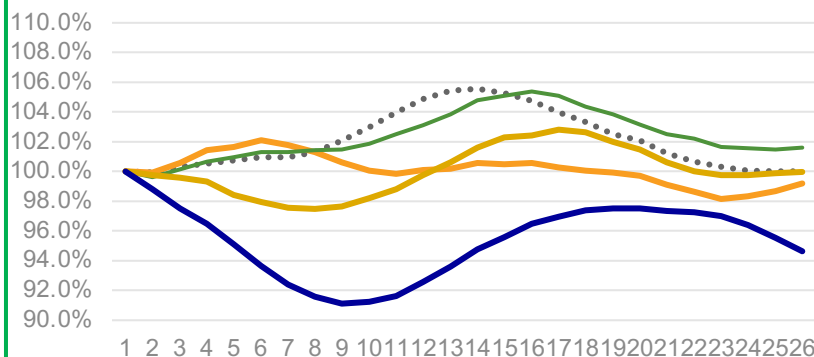
**3-Year-Old MMR Index by Week**

*Compact Cars*



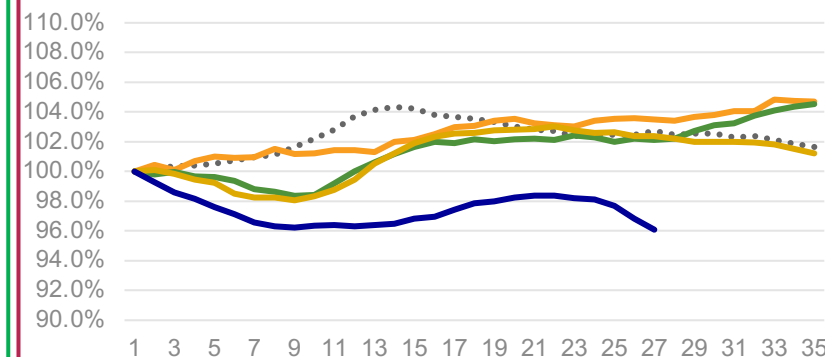
**3-Year-Old MMR Index by Week**

*Entry SUVs*



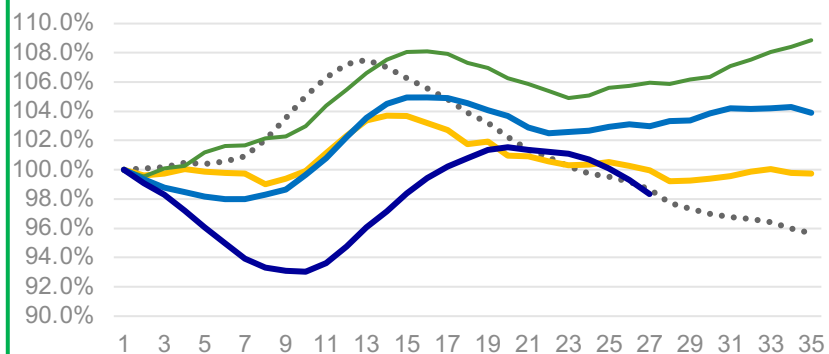
**3-Year-Old MMR Index by Week**

*Pickups*



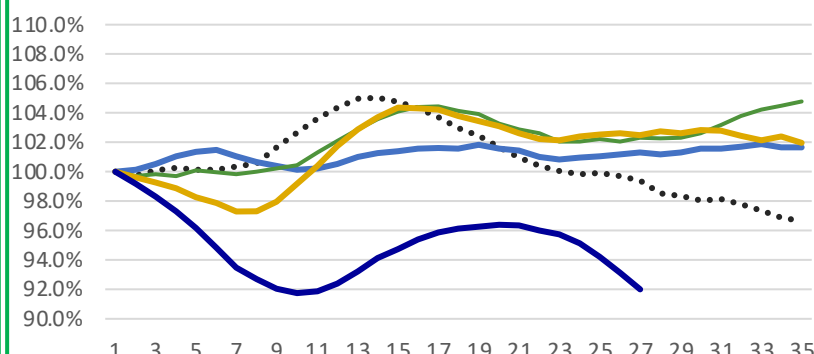
**3-Year-Old MMR Index by Week**

*Midsize Sedans*



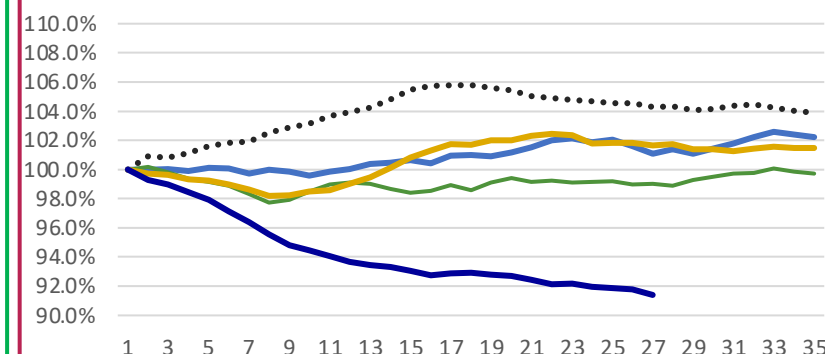
**3-Year-Old MMR Index by Week**

*Midsize SUVs*



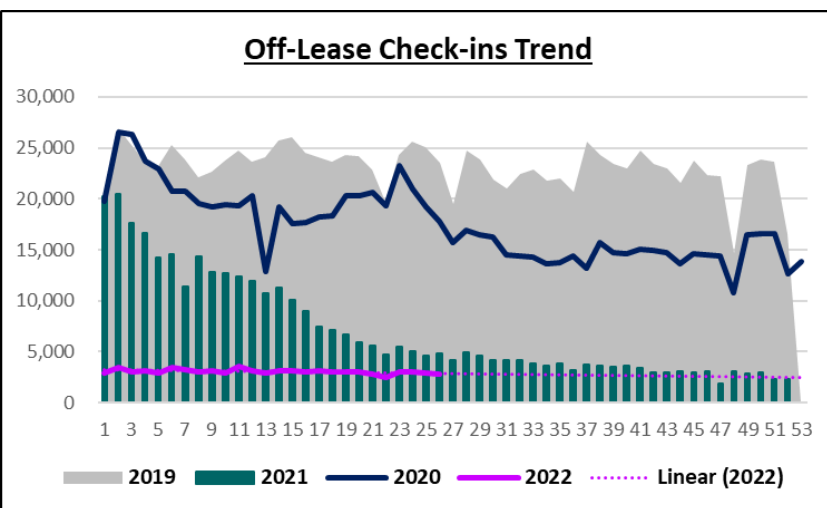
**3-Year-Old MMR Index by Week**

*Full-Size SUVs*



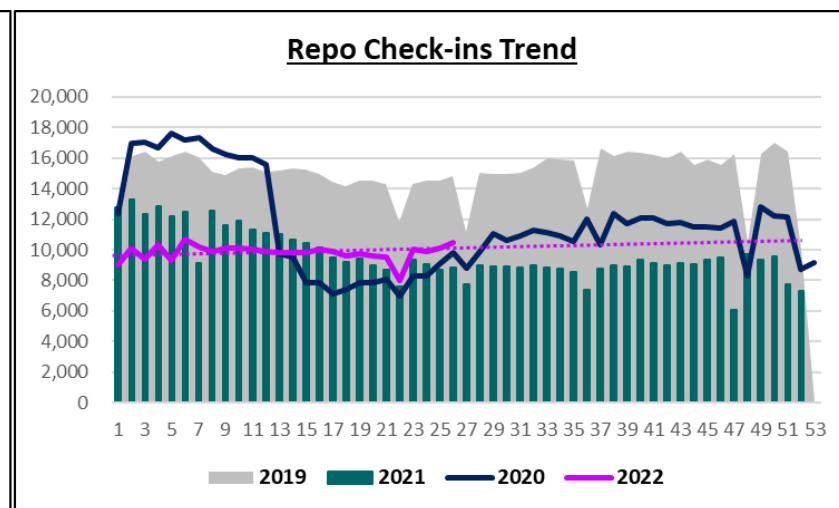
# Commercial Supply Sources Remain Well Below Historical Norms

Repos following long, slow recovery path while Rental recovers a bit and Off-lease remains near all-time lows



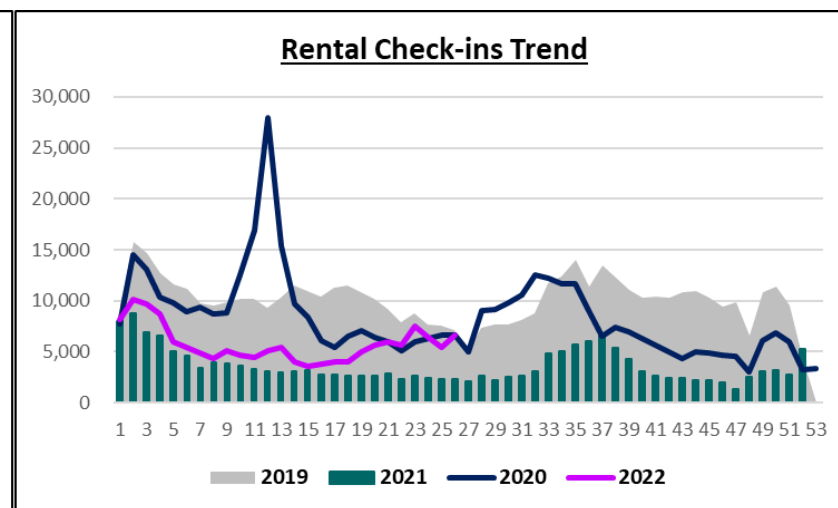
**YTD 16% of 2019**

*No Change in Off-Lease check-ins trends as equity positions remain near historic highs*



**YTD 81% of 2019**

*Repo Volumes Slowly Recovering But Still Well Below Pre-Covid Levels*

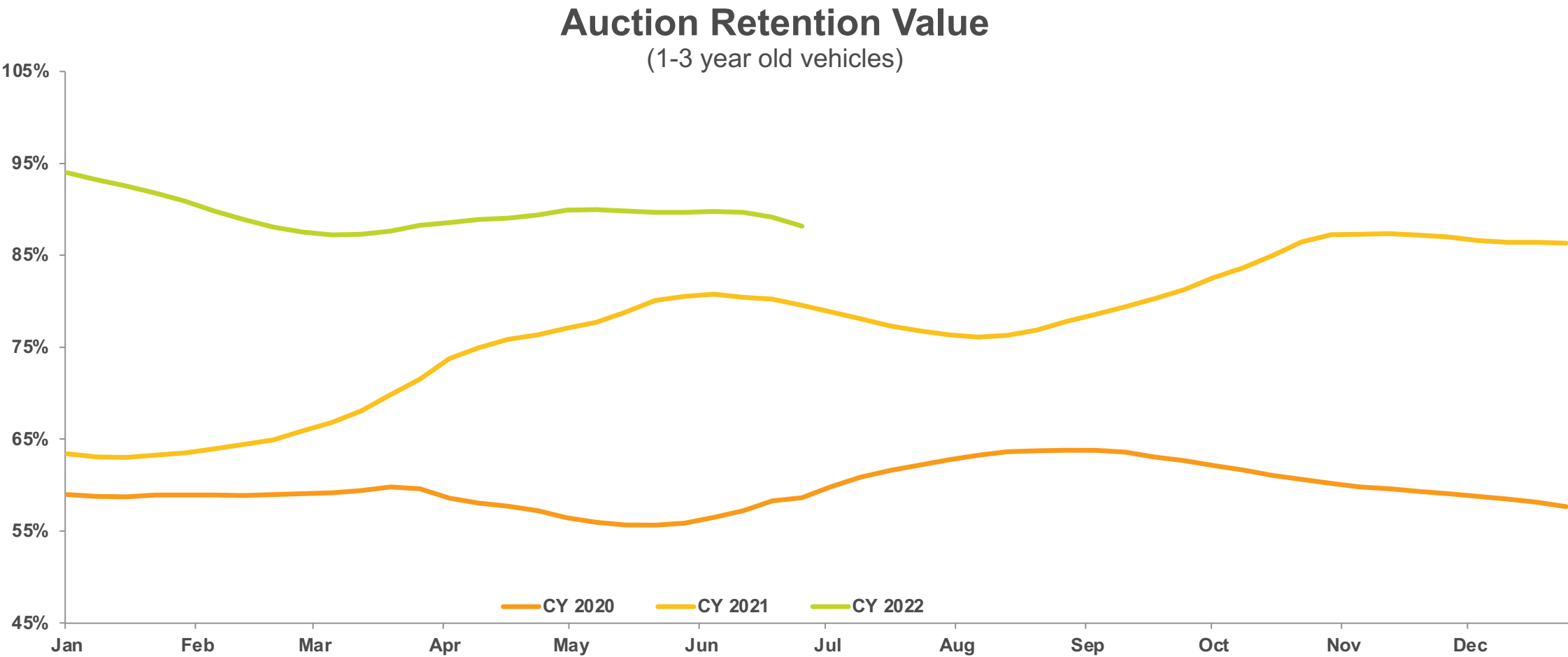


**YTD 65% of 2019**

*Rental De-Fleeting volumes rising recently but the de-fleeted vehicles are older with higher mileage than the historical norm*

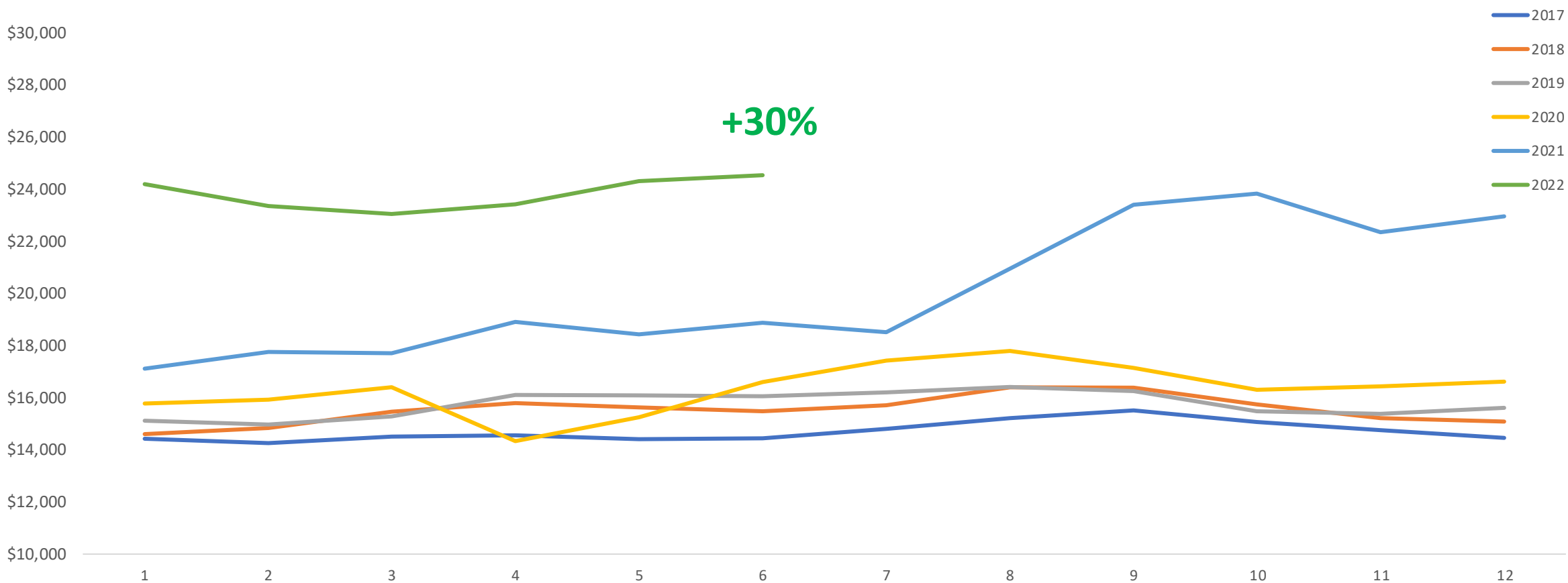
# Retention Values Now Slowly Coming Down

Retention values peaked at 94% in January; now 88%



# Rental Risk Average Auction Prices

Average price for rental risk units sold in June up 30% year over year and up 1% month over month





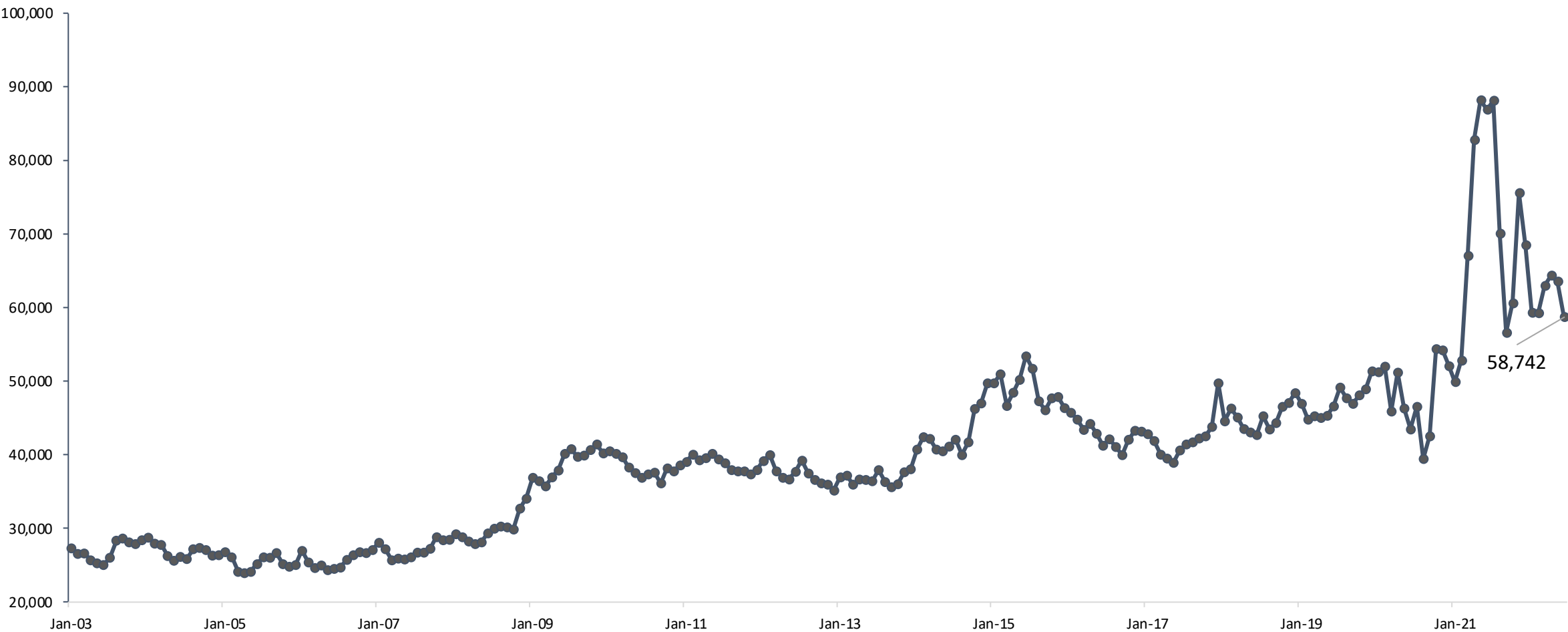
# Rental Risk Vehicle Variety Represented in Sales

Configuration distribution moving back toward 2020 levels, but with >10% more variety in YMMB sales

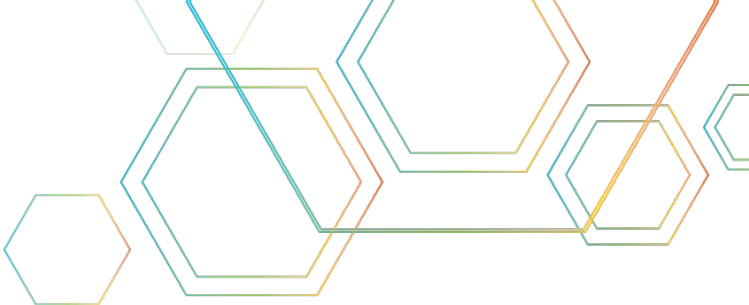
	2020 Q2	2021 Q2	2022 Q2
Number of unique year, make, model, body configurations sold	3,090	2,800	3,472
Share accounted for top 10 YMMB	14.0%	10.0%	13.9%
Share accounted for top 25 YMMB	25.9%	18.7%	24.5%
Number of YMMB to reach 50% share	86	204	94

# Rental Risk Average Mileage

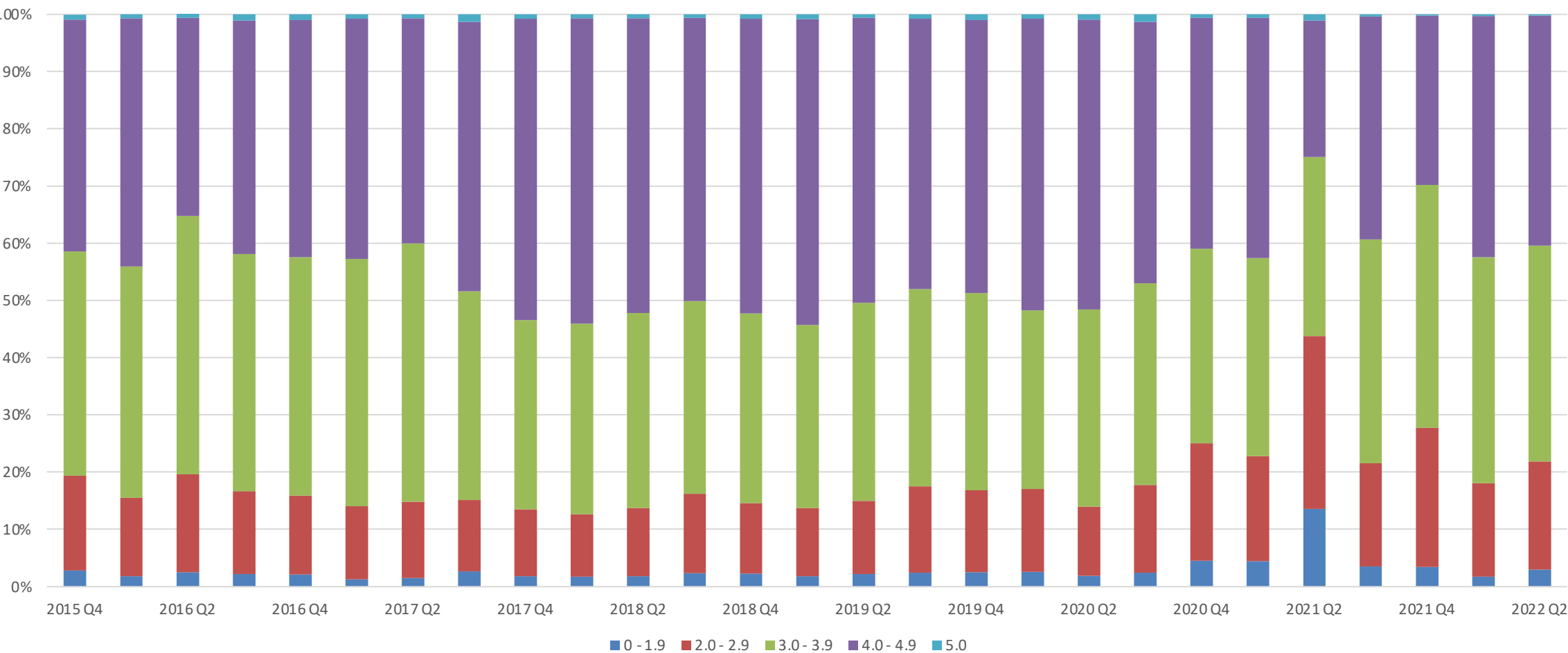
Average mileage for rental risk units in June was down 32% compared to a year ago and down 8% month over month



# Rental Risk Sales Condition



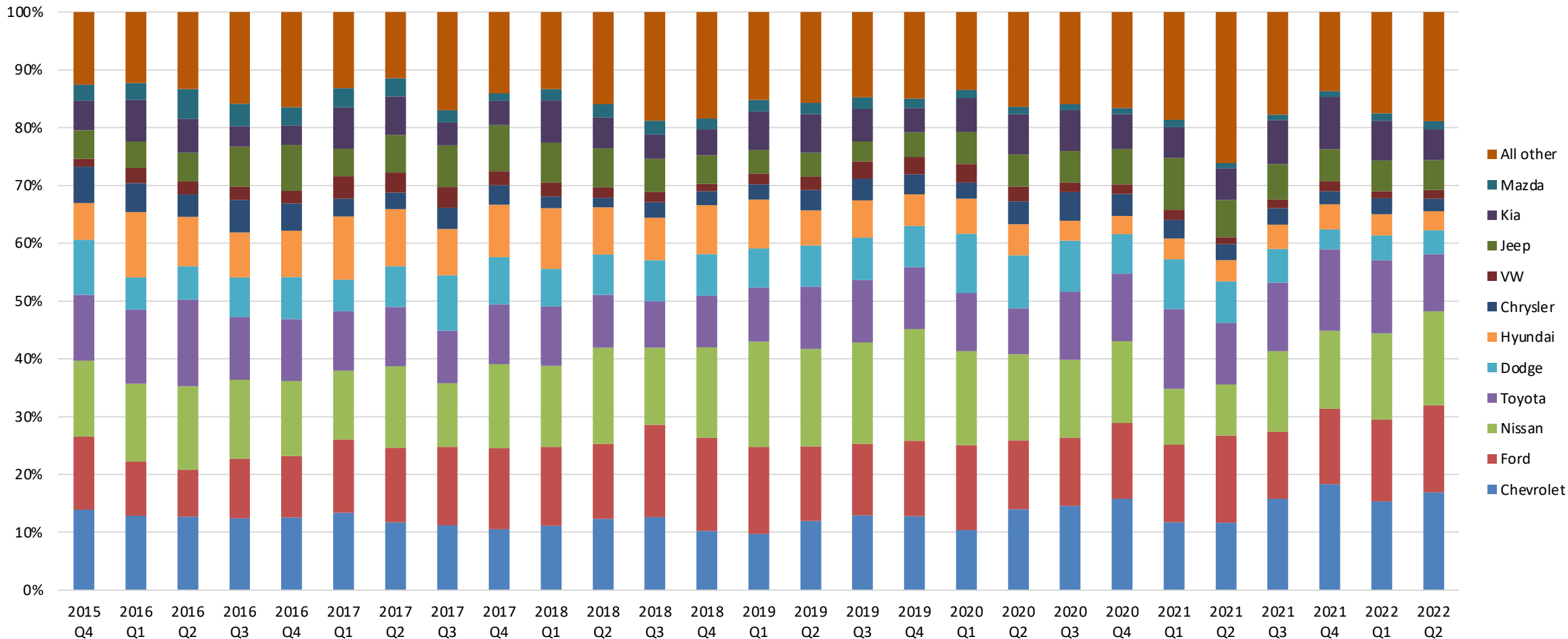
Q2 2022 distribution almost identical to Q3 2021



# Rental Risk Sales By Make



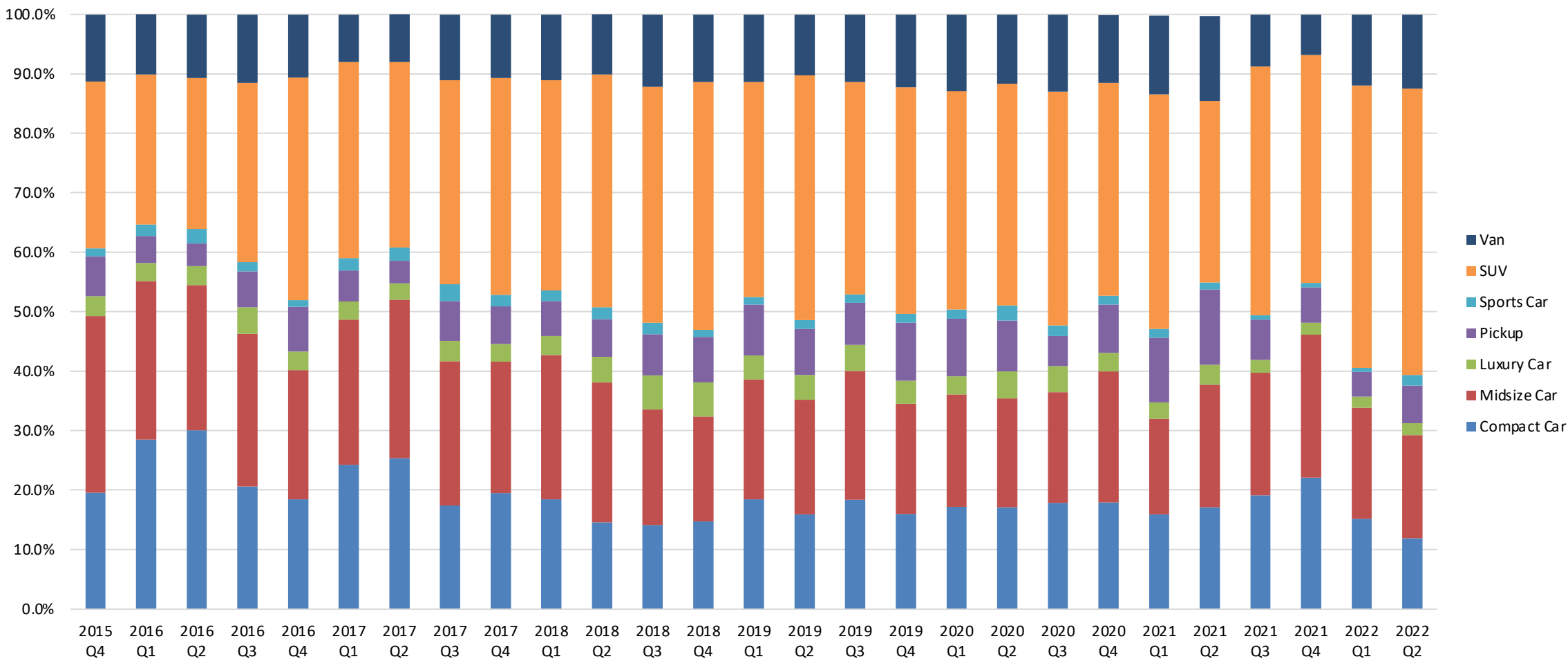
Chevy, Nissan, and Ford increased share by 1%+ since Q1, while Toyota share declined nearly 3%



# Rental Risk Sales By Vehicle Segment



Pickup, Sports Car share increased from Q1, while Compact and Midsize Car share declined again



# Manheim MMR Insights on Top Volume Vehicles

Price trends on top selling vehicles in June at Manheim showed declining values for the month

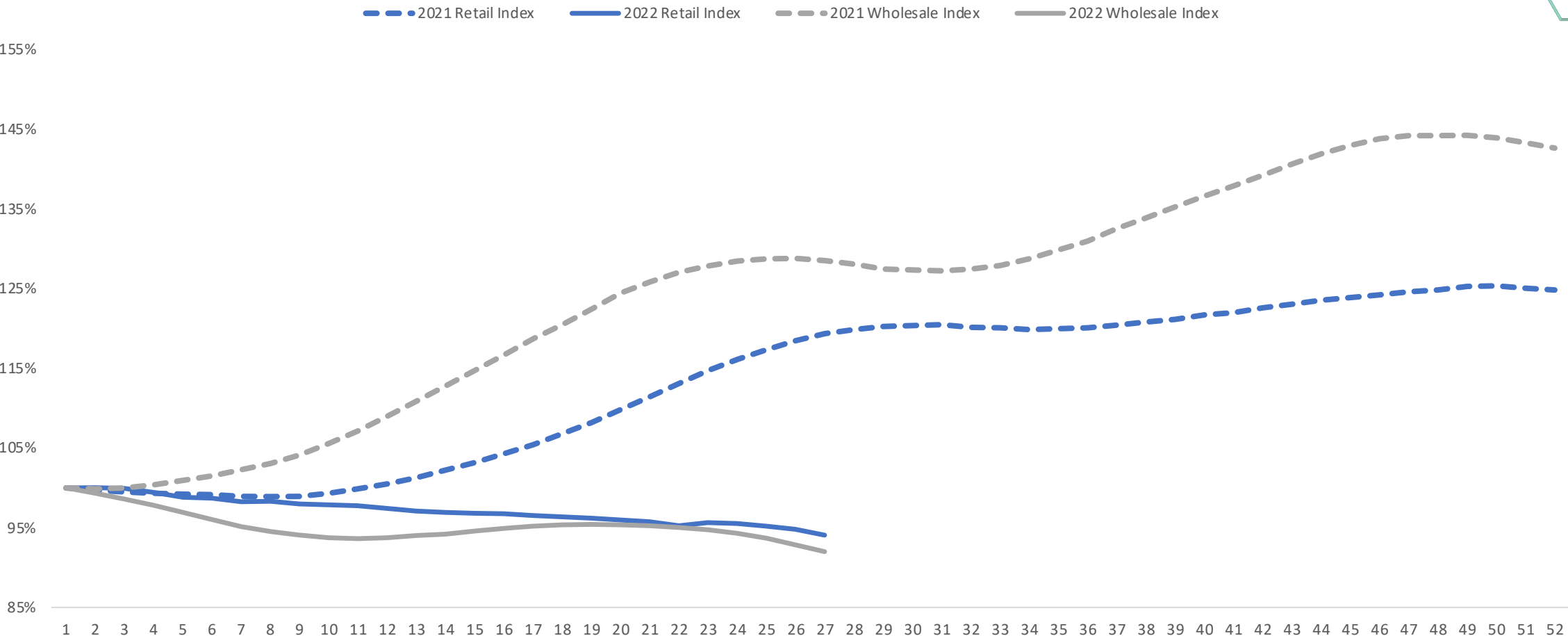
Rank	Source(Rank)	Category	Subcategory	Vehicle	1-Jul	Past 30 Days	Last Year	Current Dep	L12M Dep/Mo
1	All	Midsize Car	Midsize Car Entry	2020 CHEVROLET MALIBU 4D SEDAN LT	\$20,700	\$21,000	\$18,800	-1.4%	0.8%
2	All	Compact Car	Compact Car Premium	2020 TOYOTA COROLLA 4D SEDAN LE	\$20,200	\$20,300	\$18,150	-0.5%	0.9%
3	All	SUV	SUV Midsize	2019 CHEVROLET EQUINOX FWD 4D SUV 1.5L LT	\$20,100	\$20,800	\$20,400	-3.4%	-0.1%
4	All	Midsize Car	Midsize Car Premium	2020 NISSAN ALTIMA FWD 4D SEDAN 2.5L S	\$22,900	\$23,000	\$22,000	-0.4%	0.3%
5	All	SUV	SUV Midsize	2020 CHEVROLET EQUINOX AWD 4D SUV 1.5L LT	\$23,000	\$23,600	\$21,200	-2.5%	0.7%
1 Dealer	Dealer	SUV	SUV Midsize	2019 CHEVROLET EQUINOX FWD 4D SUV 1.5L LT	\$20,100	\$20,800	\$20,400	-3.4%	-0.1%
1 Lease	Lease	SUV	SUV Luxury	2019 VOLVO XC90 AWD 4D SUV T6 MOMENTUM	\$38,900	\$39,800	\$43,500	-2.3%	-0.9%
1 Rental	Rental	Midsize Car	Midsize Car Entry	2020 CHEVROLET MALIBU 4D SEDAN LT	\$20,700	\$21,000	\$18,800	-1.4%	0.8%



# Three-Year Old Average Prices Now Seeing Above Average Declines

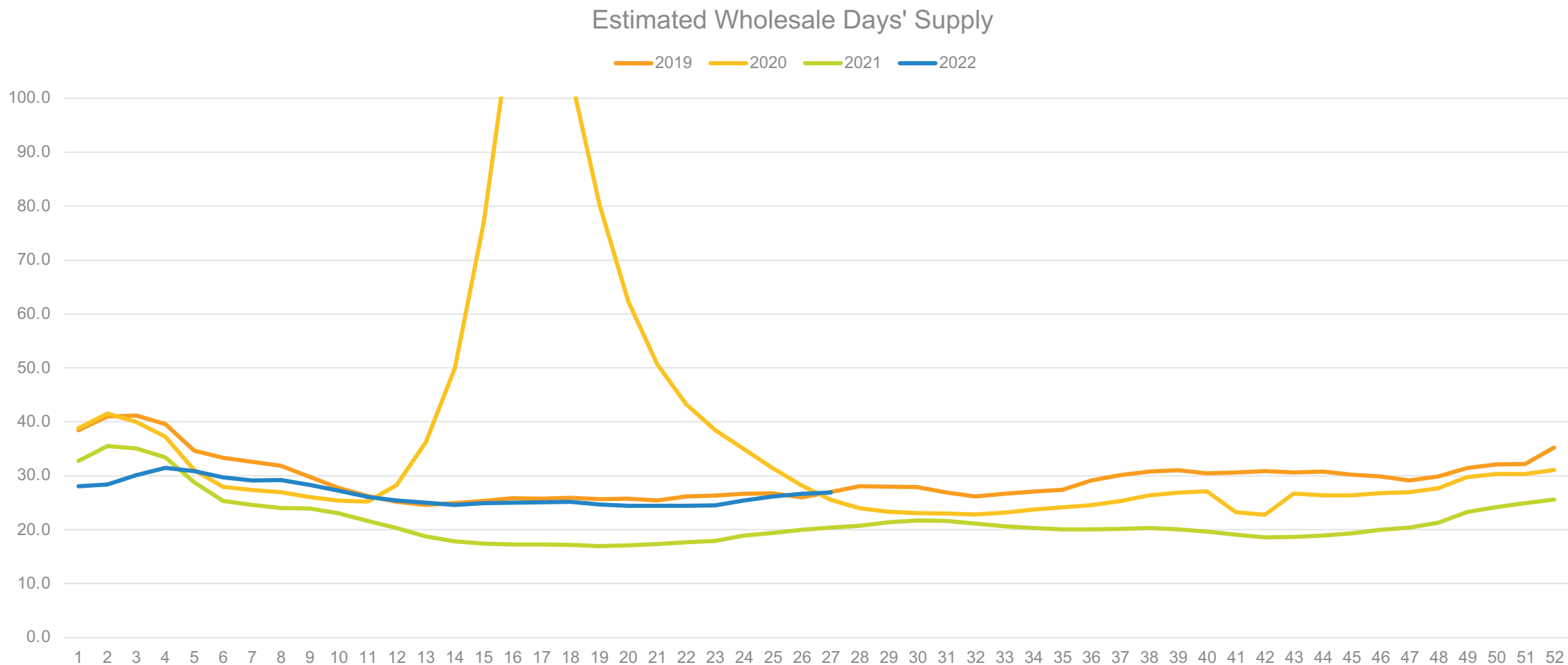
Following spring uplift in wholesale prices, last two weeks have seen higher than normal declines

MY 2019 Retail and Wholesale Price Indices



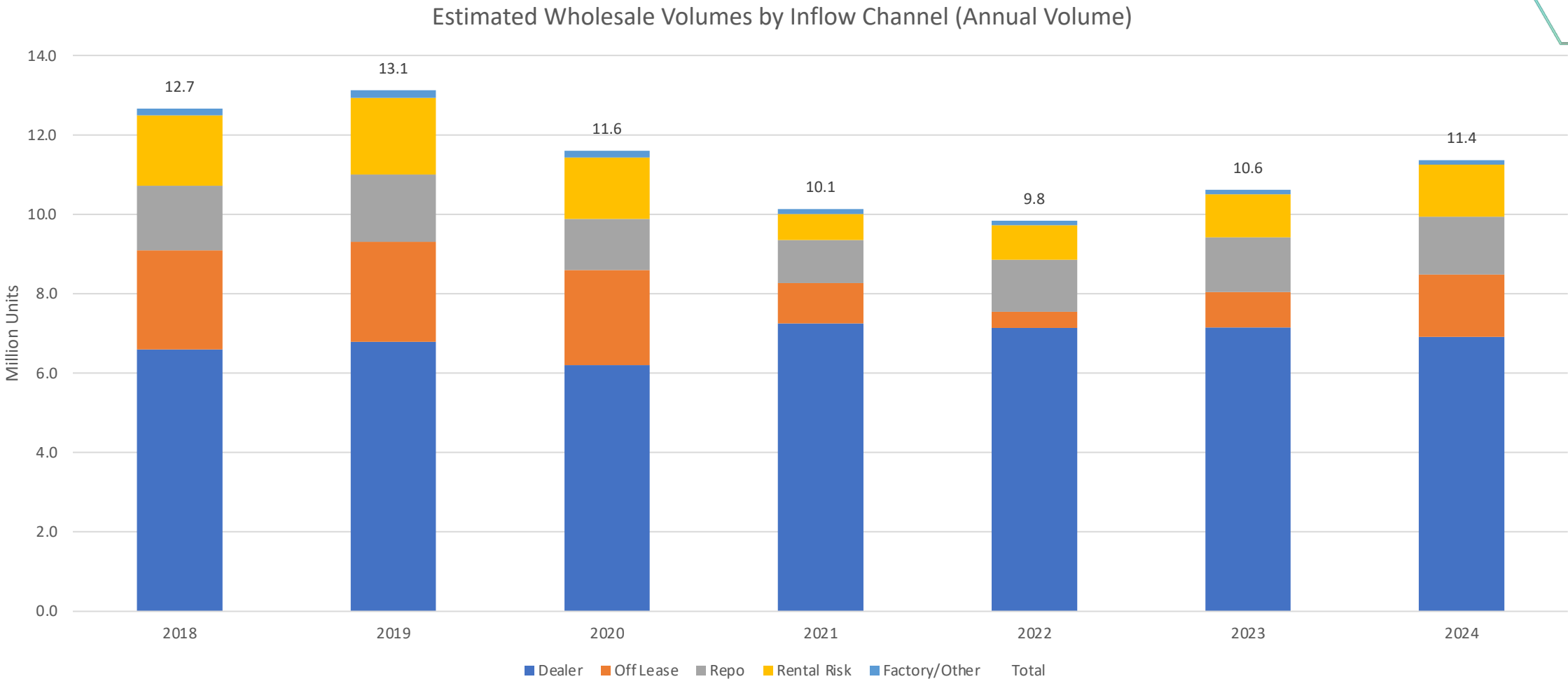
# Wholesale Days' Normalized This Spring

Level of supply suggests balance between sellers and buyers



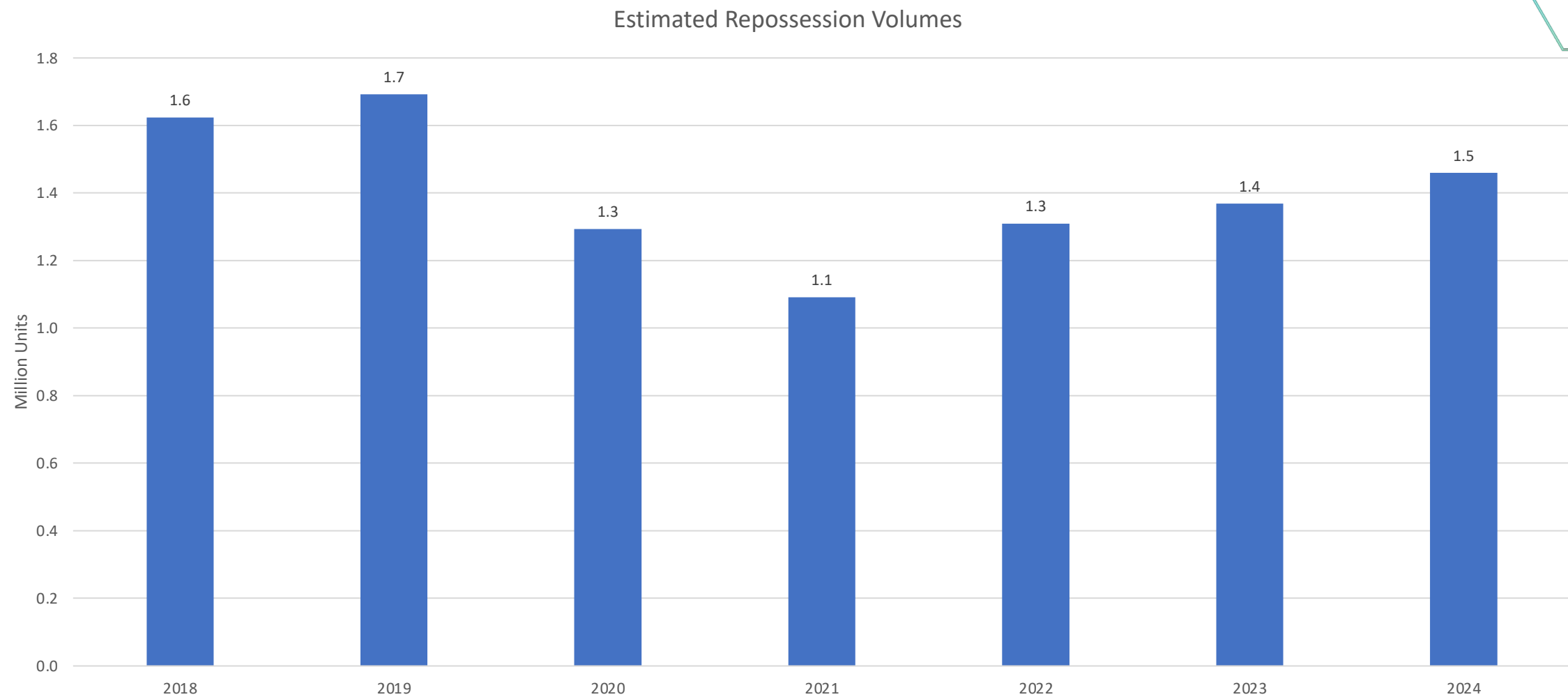
# Wholesale Flows at Tightest Point

2022 will see 3% decline from 2021; recovery begins in 2023 but remains below 2019 through 2024



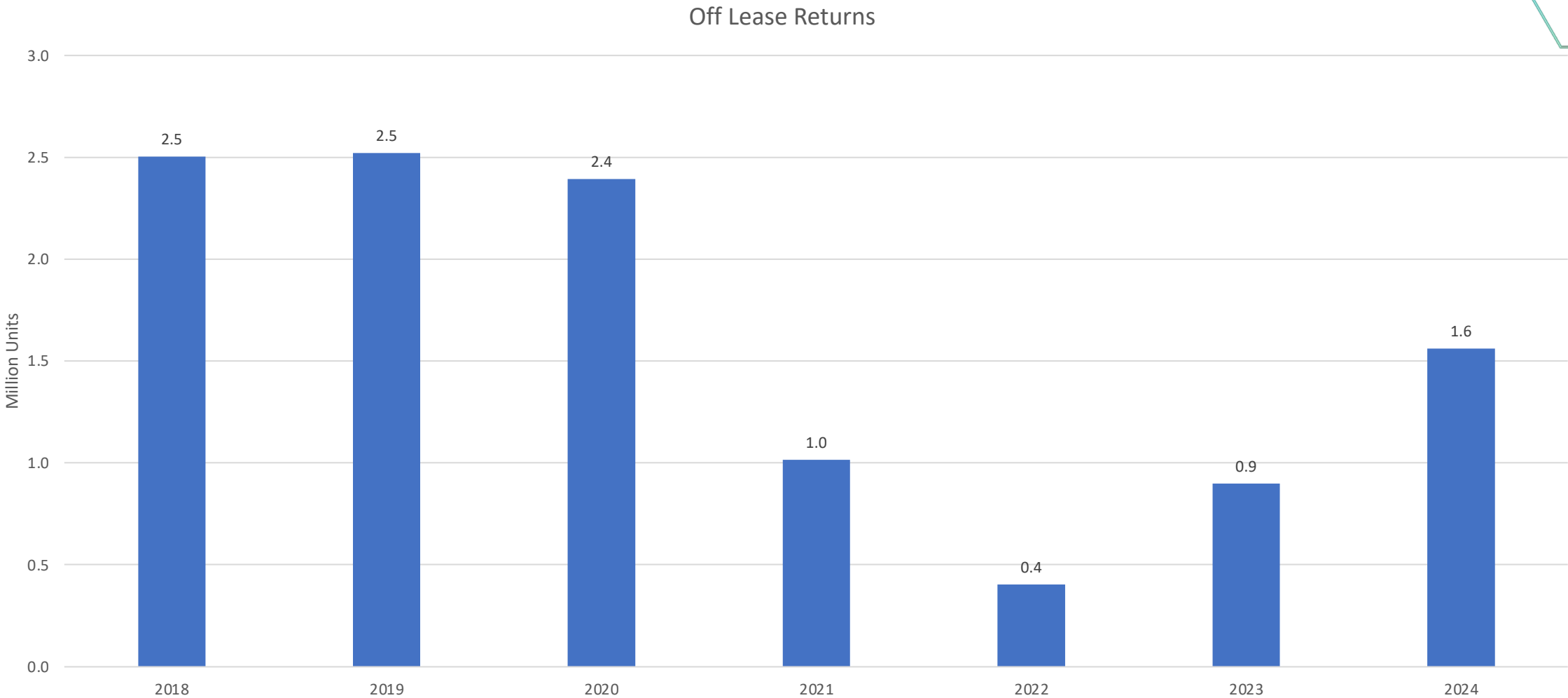
# Repo Dip in 2020-2021 Followed by Slow Recovery

Repossessions in 2020 and 2021 impacted by stimulus support, accommodations, and record values



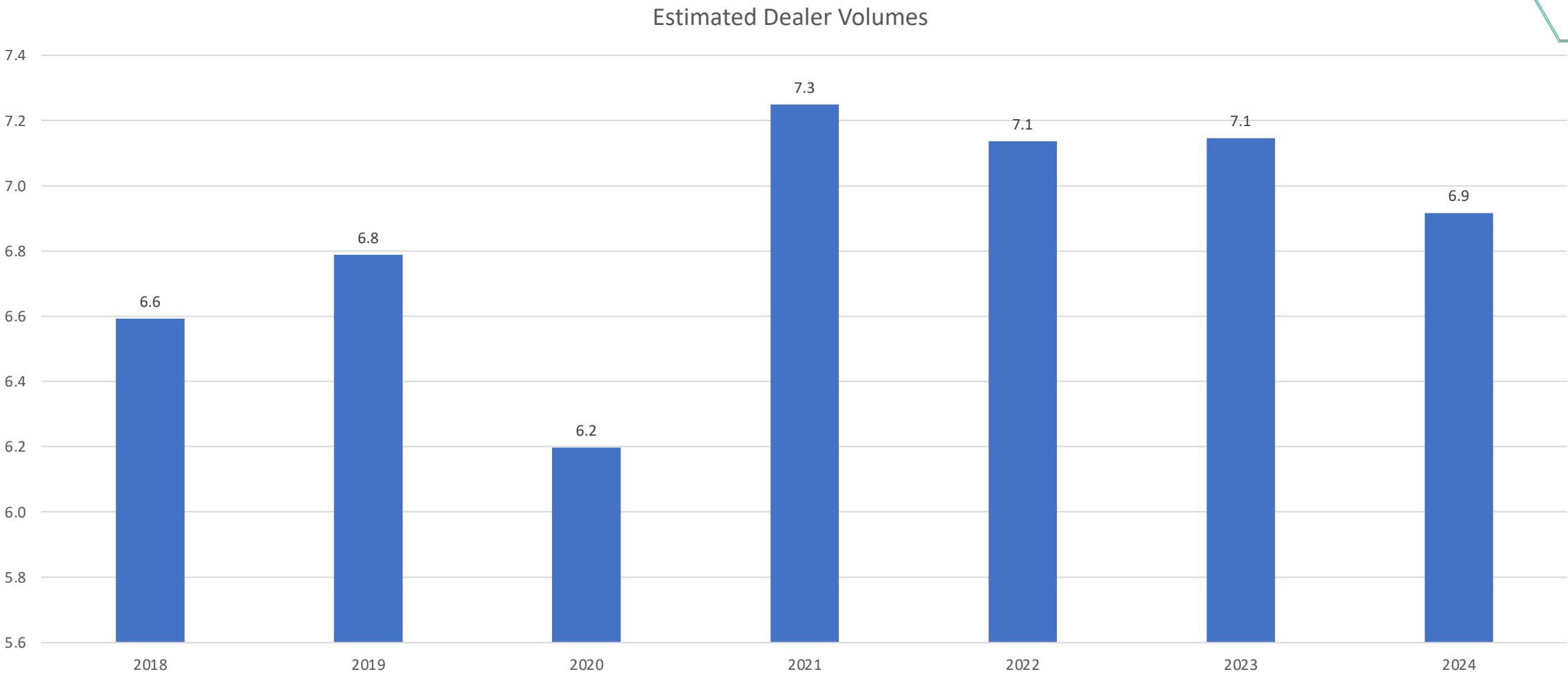
# Off Lease Peaked in 2019 and Collapsed with Record Values

Return rate expected to hit historical low of 10% in 2022 following 15% in 2021; normal is >65%



# Dealer Volumes Surged in 2021

Off-lease arbitrage and record retail sales powered 18% jump in dealer consignments in 2022





## 2022 FORECASTS Q2 UPDATE

New  
**14.4M** ↓  
NEW SALES

New  
**12.6M** ↓  
NEW RETAIL SALES

New  
**1.8M** ↓  
FLEET SALES

New  
**2.7M** ↓  
NEW LEASE  
VOLUME

New  
**21%** ↓  
LEASE  
PENETRATION

New  
**2.3M** ↓  
CPO SALES

New  
**37.1M** ↓  
USED SALES

New  
**19.6M** ↓  
USED RETAIL SALES

New  
**-6%** ↓  
DEC 2022 Y/Y MANHEIM  
USED VEHICLE  
VALUE INDEX

↓ Indicates decrease from Q1 forecast



## Q&A

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# More Auto Industry Data and Insights from Cox Automotive

The go-to source for insights based on the largest breadth of first-party data in the automotive ecosystem

**Cox Automotive Newsroom:** [www.coxautoinc.com/newsroom/](http://www.coxautoinc.com/newsroom/)

Fresh content from Chief Economist Jonathan Smoke and the Industry Insights team is published regularly.

**Auto Market Snapshot:** [www.coxautoinc.com/marketsnapshot](http://www.coxautoinc.com/marketsnapshot)

This dashboard is a one-stop dashboard for the most recent data points our team is tracking.

**From the Newsroom:** [www.coxautoinc.com/signup](http://www.coxautoinc.com/signup)

The Cox Automotive biweekly newsletter, published every other Tuesday, is a round-up of news from Cox Automotive and perspectives from its analysts and experts on topics dominating the automotive industry.







# Thank you for attending!

**Contact us with questions or to speak  
with an expert:**

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