



# Q3 Manheim Used Vehicle Value Index Call

October 7, 2022

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# Presenters

**Mark Schirmer**, Director, Corporate Communications

**Jonathan Smoke**, Chief Economist

**Chris Frey**, Senior Manager, Economic and Industry Insights

**Jeremy Robb**, Senior Director, Market Insights and Business Solutions, Cox Automotive

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# Jonathan Smoke

Chief Economist

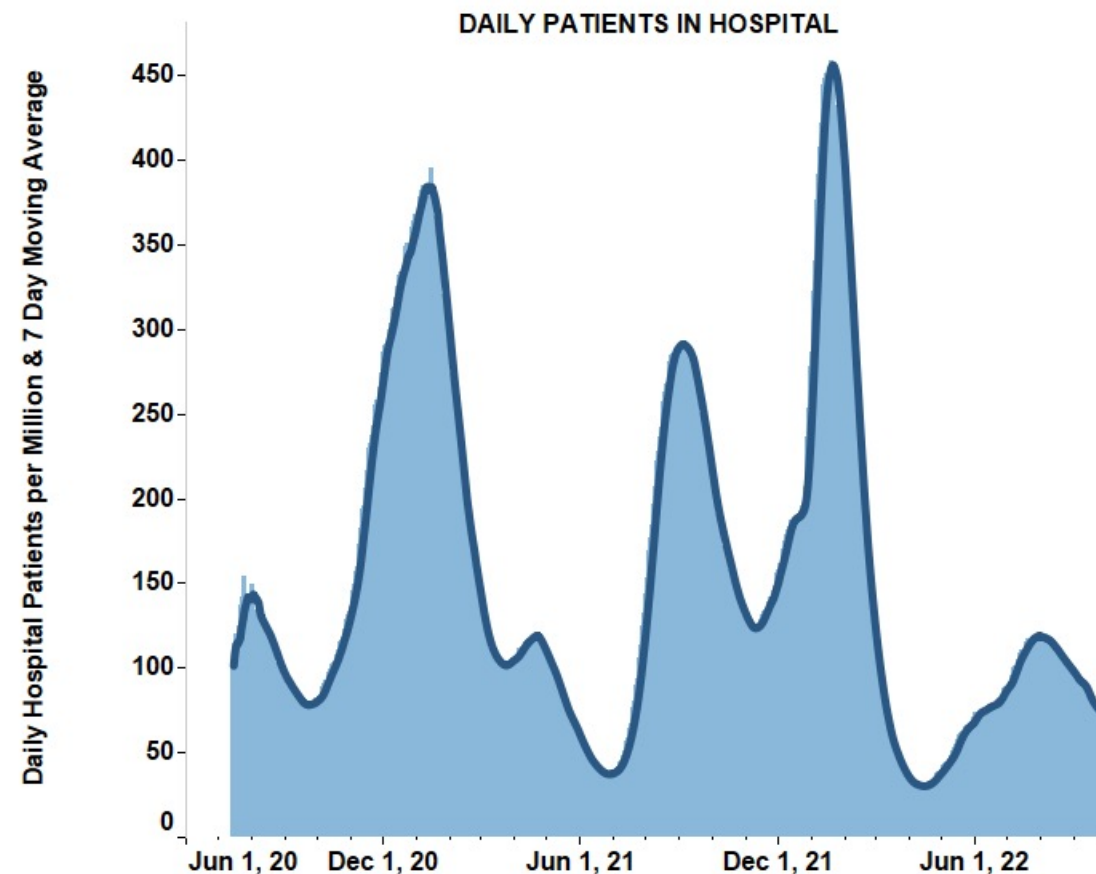
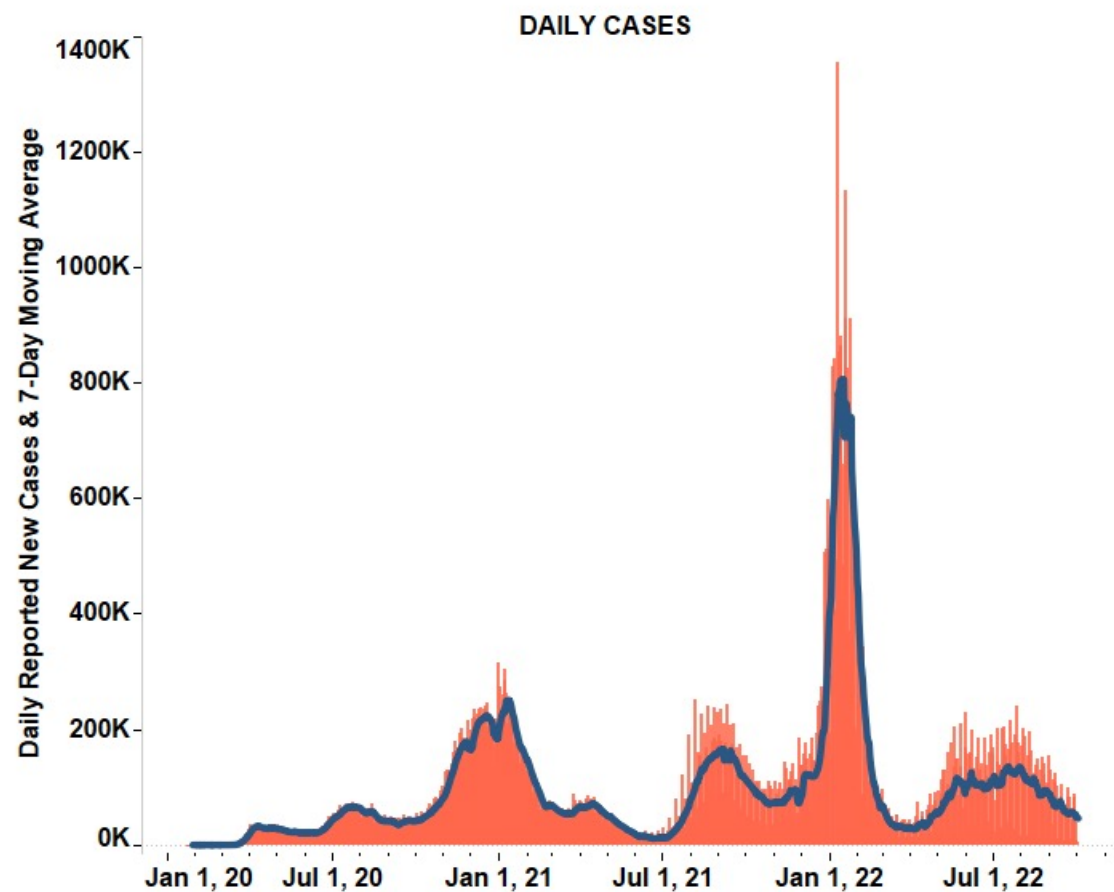
 @smokeoncars

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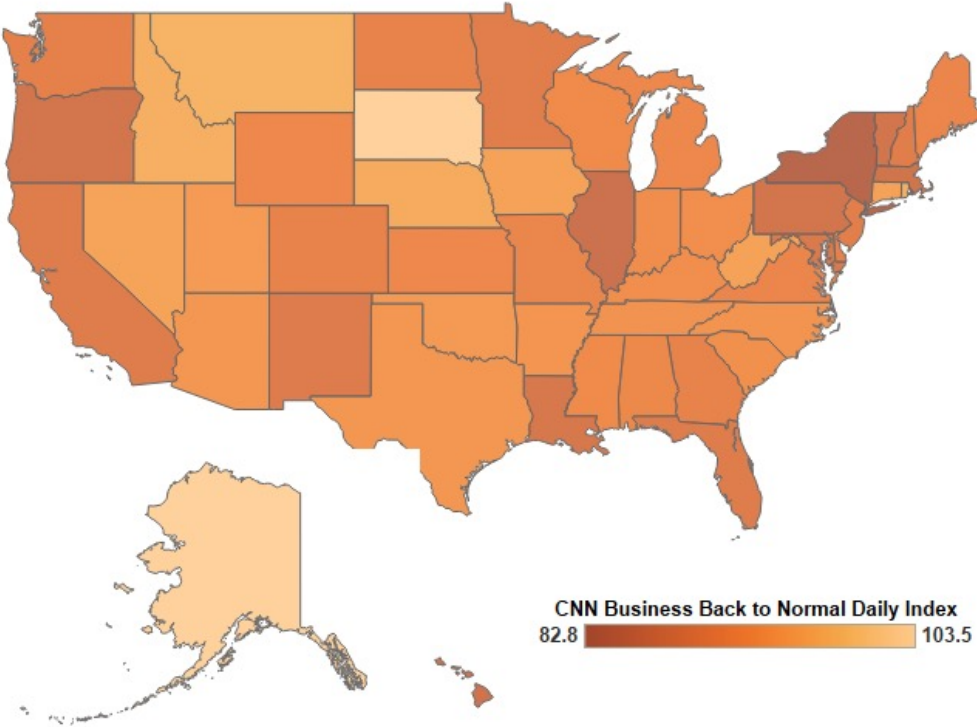
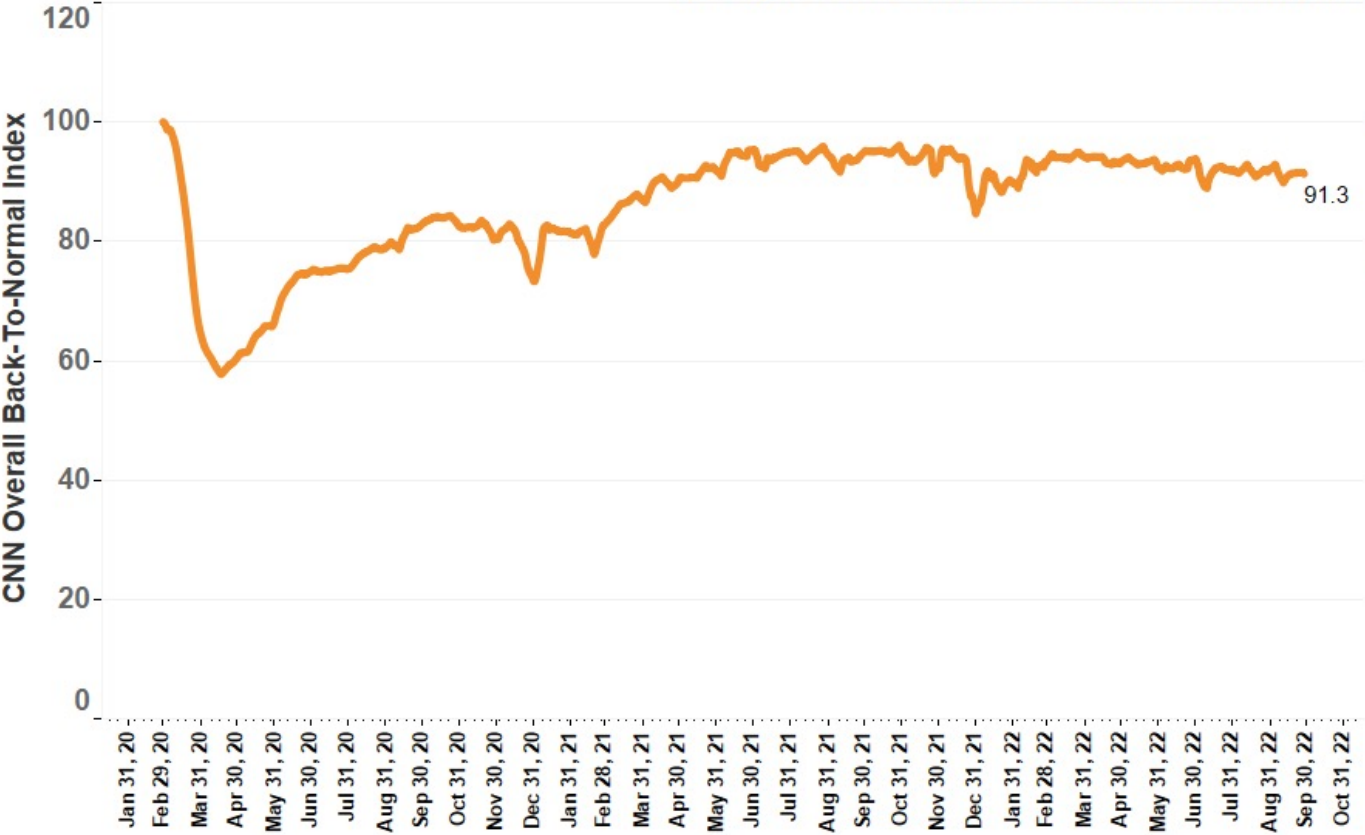
# COVID-19 Daily Cases and Hospitalization Trends



# Economic Activity Has Plateaued

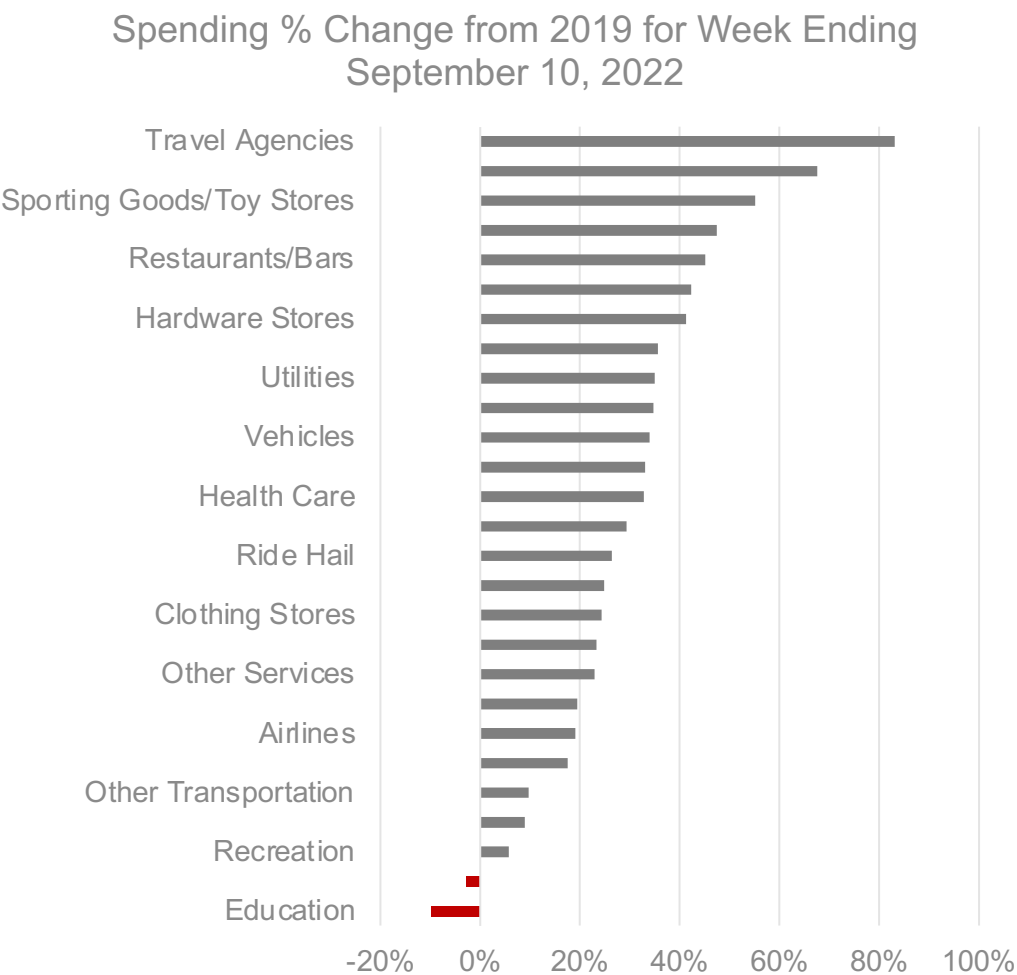
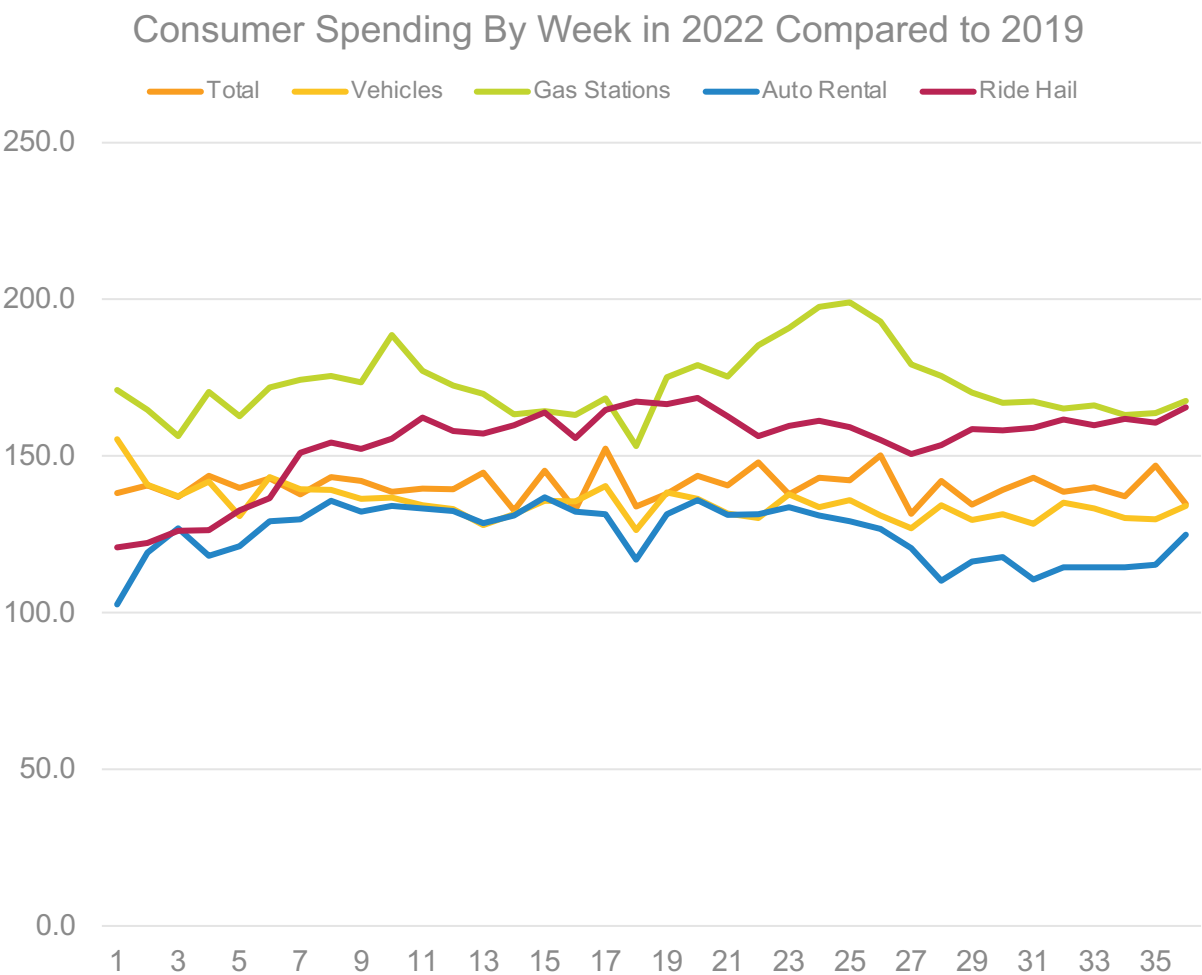


Moody's-CNN Business Back-To-Normal Index (February 29 = 100)



# Consumer Spending Remains Strong

Total spending in 2022 has substantially exceeded 2019 spending levels in most categories; no sign of pullback



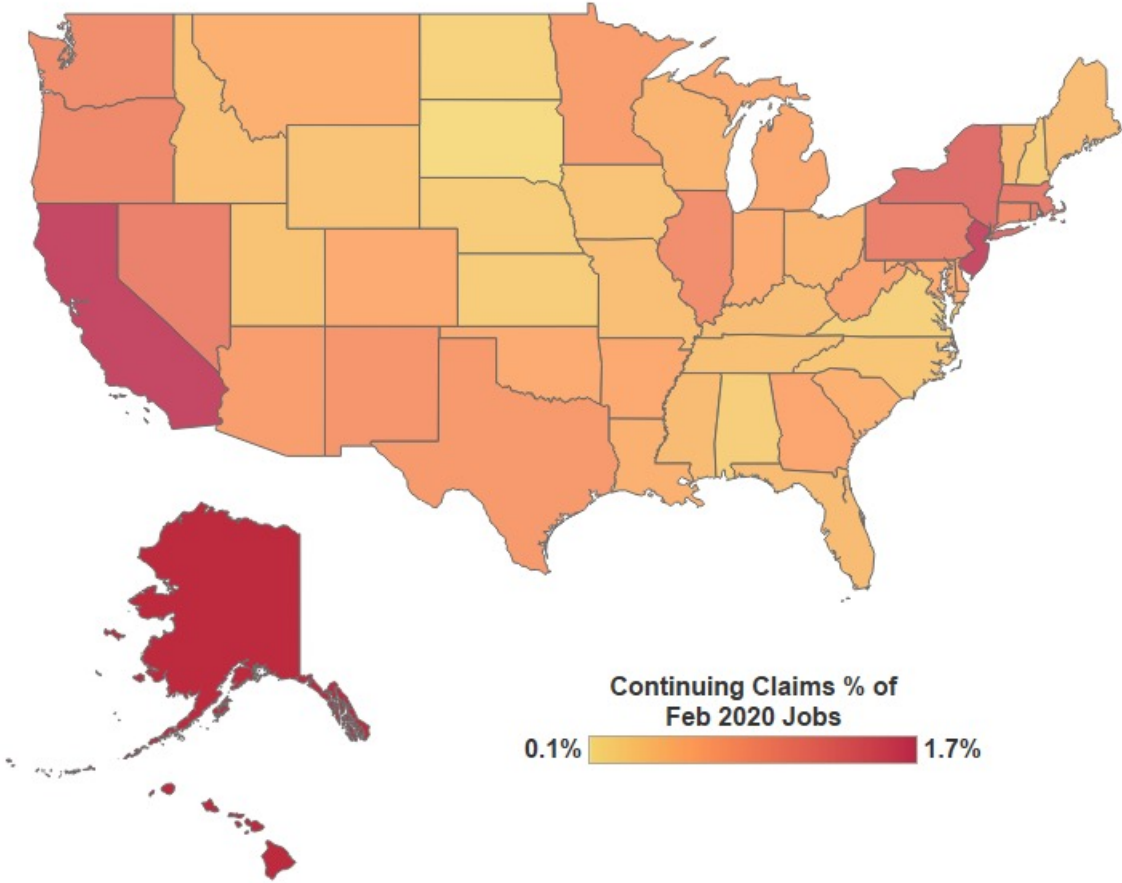
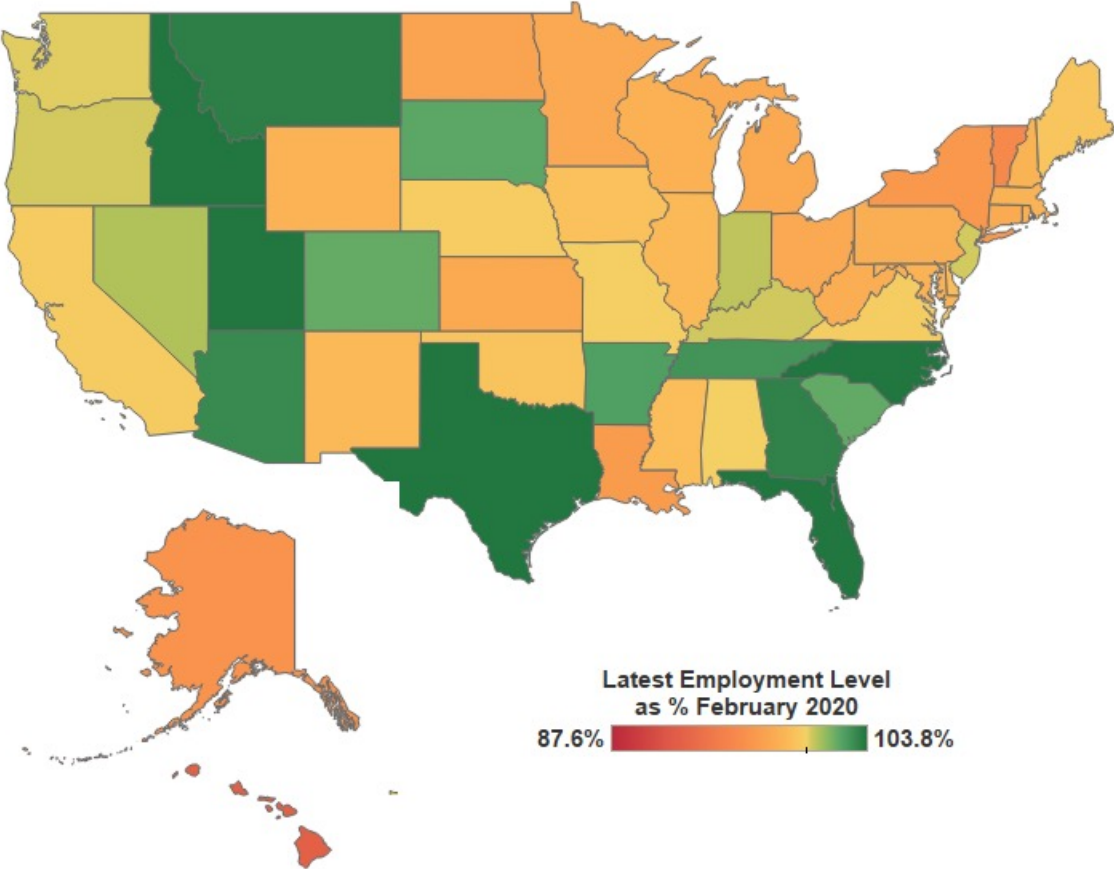
# Consumer Sentiment Up From Spring Low

The Index of Consumer Sentiment declined 0.7% in September but was up 1.0% week over week



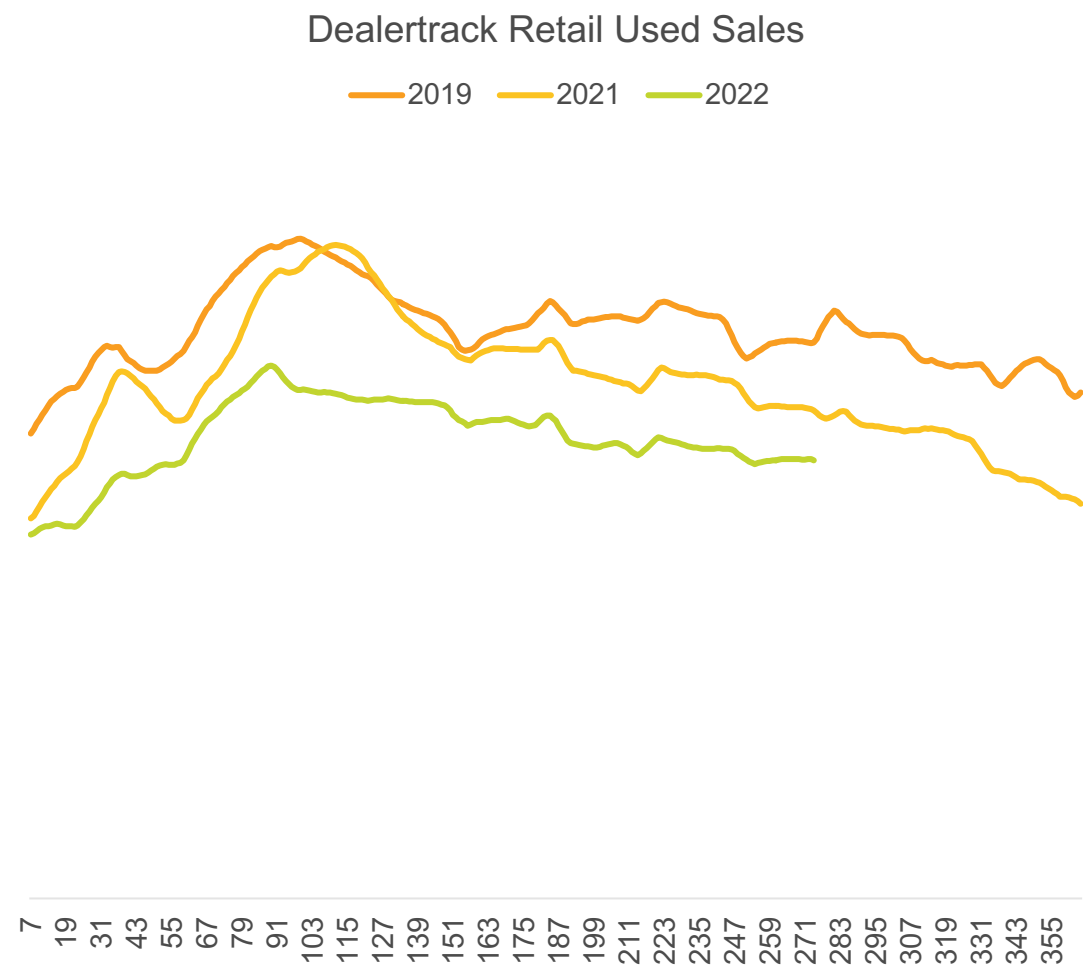
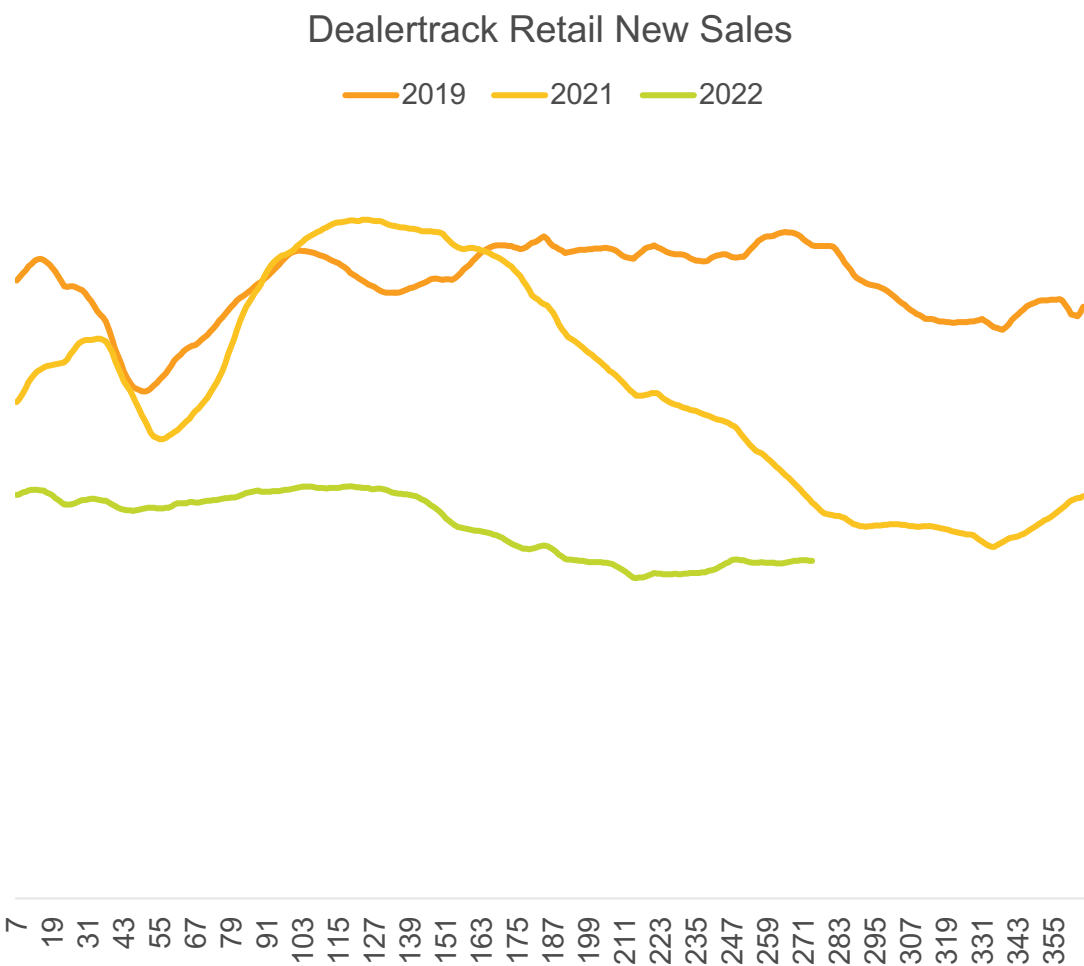


# Continuing Claims at 1.35 Million Nationally



# Retail Vehicle Sales Estimates

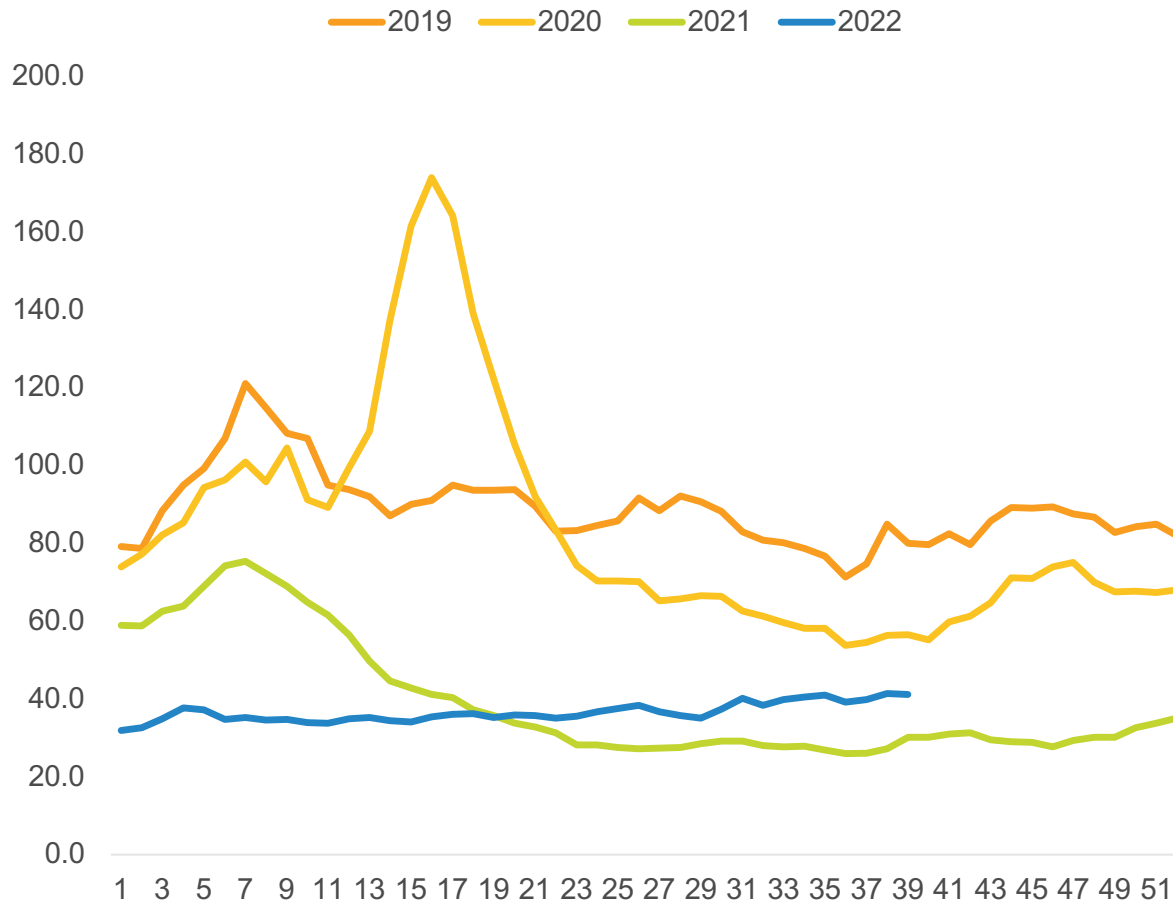
New sales volumes were flat w/w, and performance y/y improved; used sales were also flat w/w and improved y/y



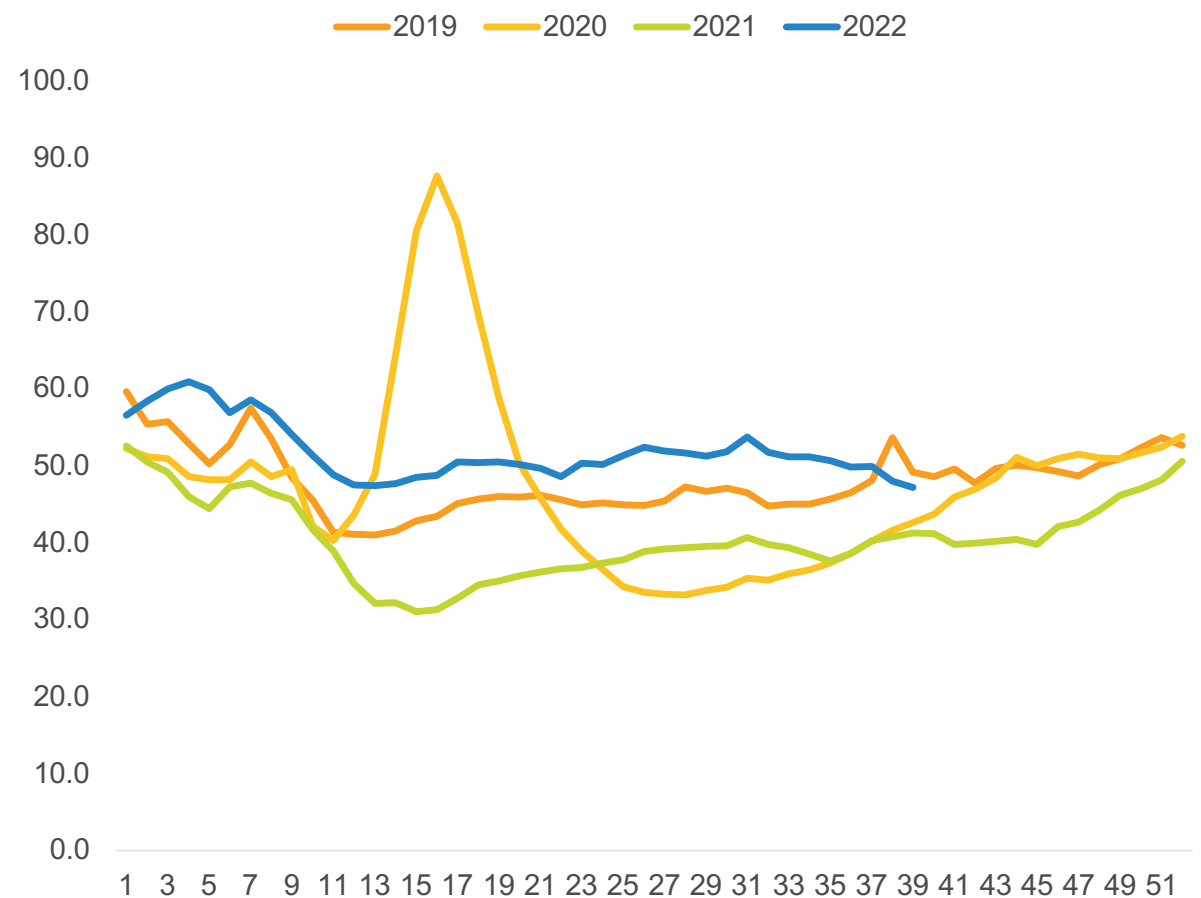
# Retail Supply Building in New; More Normal in Used

New supply is 11 days higher y/y and used supply is 6 days higher; both are higher from more units and lower sales

New Days' Supply



Used Days' Supply





# Chris Frey

Senior Manager, Economic and Industry Insights

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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





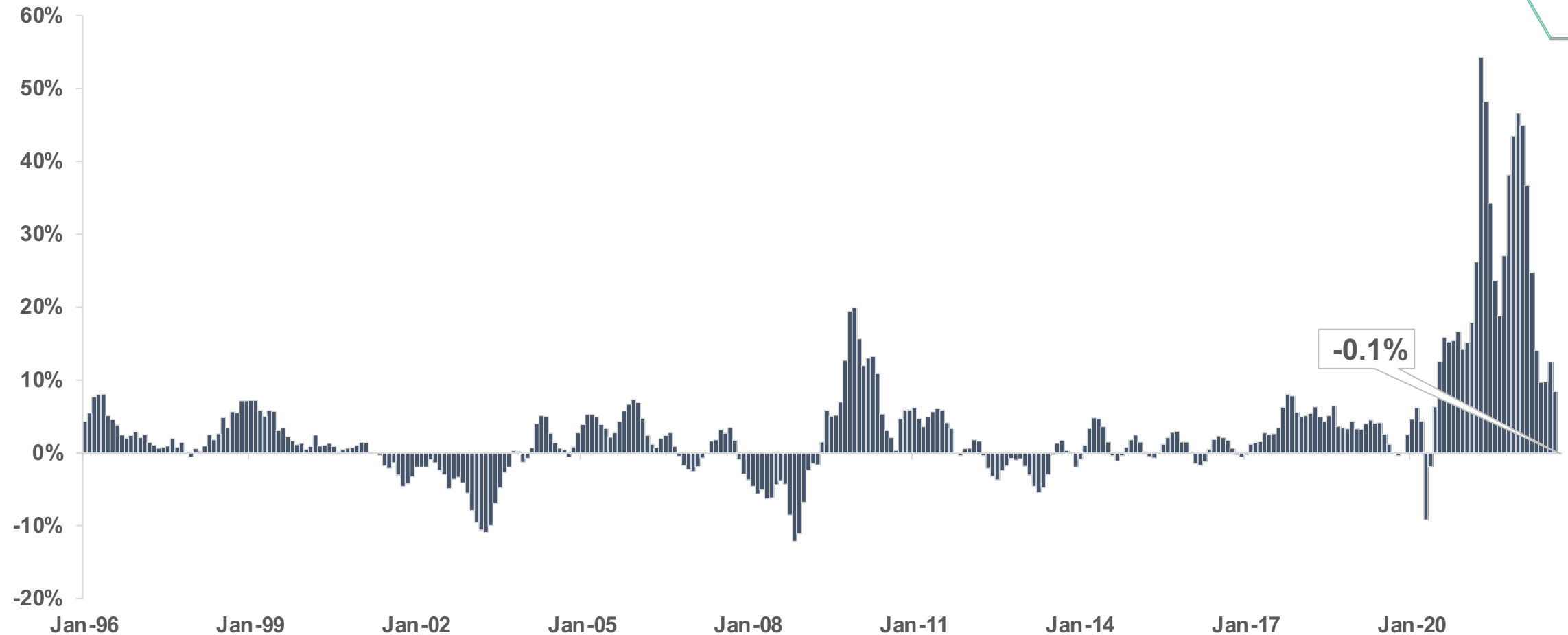
# Wholesale Vehicle Values Continue Large Decline into September

Prices in September decreased 3.0% from August 2022 and were down 0.1% compared to September 2021.



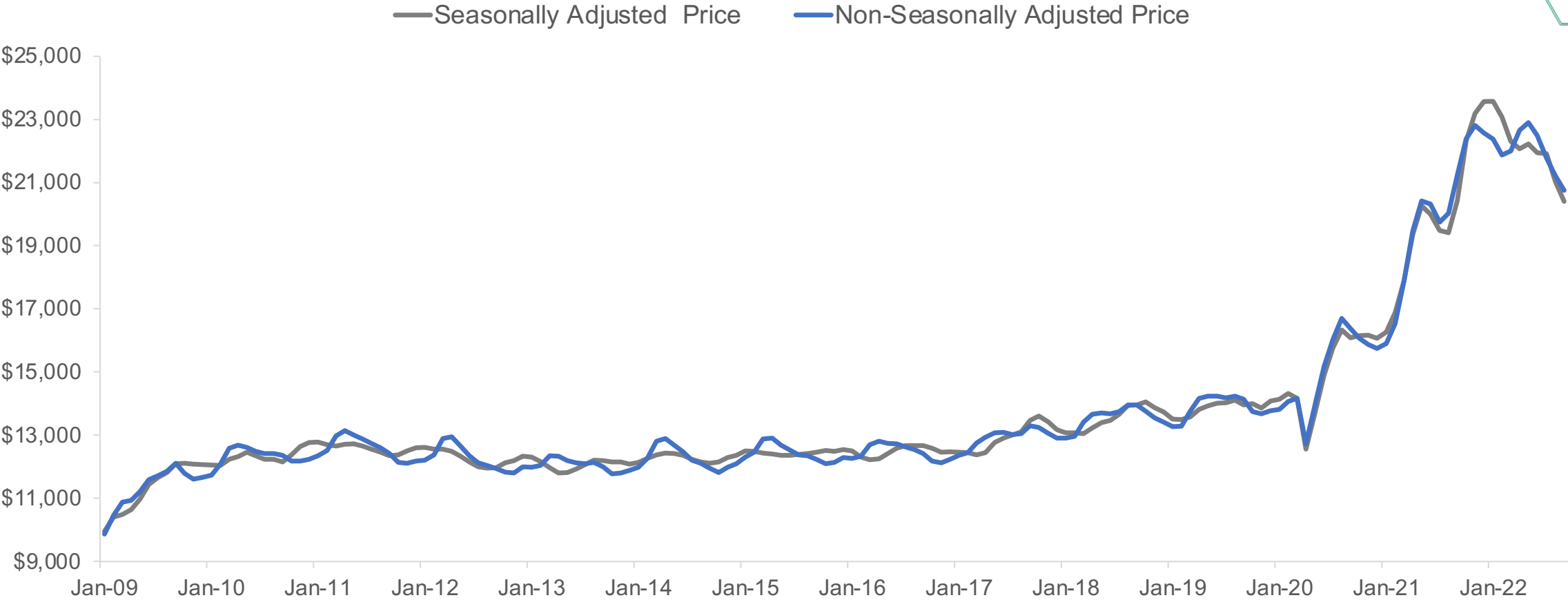
# Year-Over-Year Performance No Longer Elevated

Year-over-year price performance turned negative from higher base from 2021.



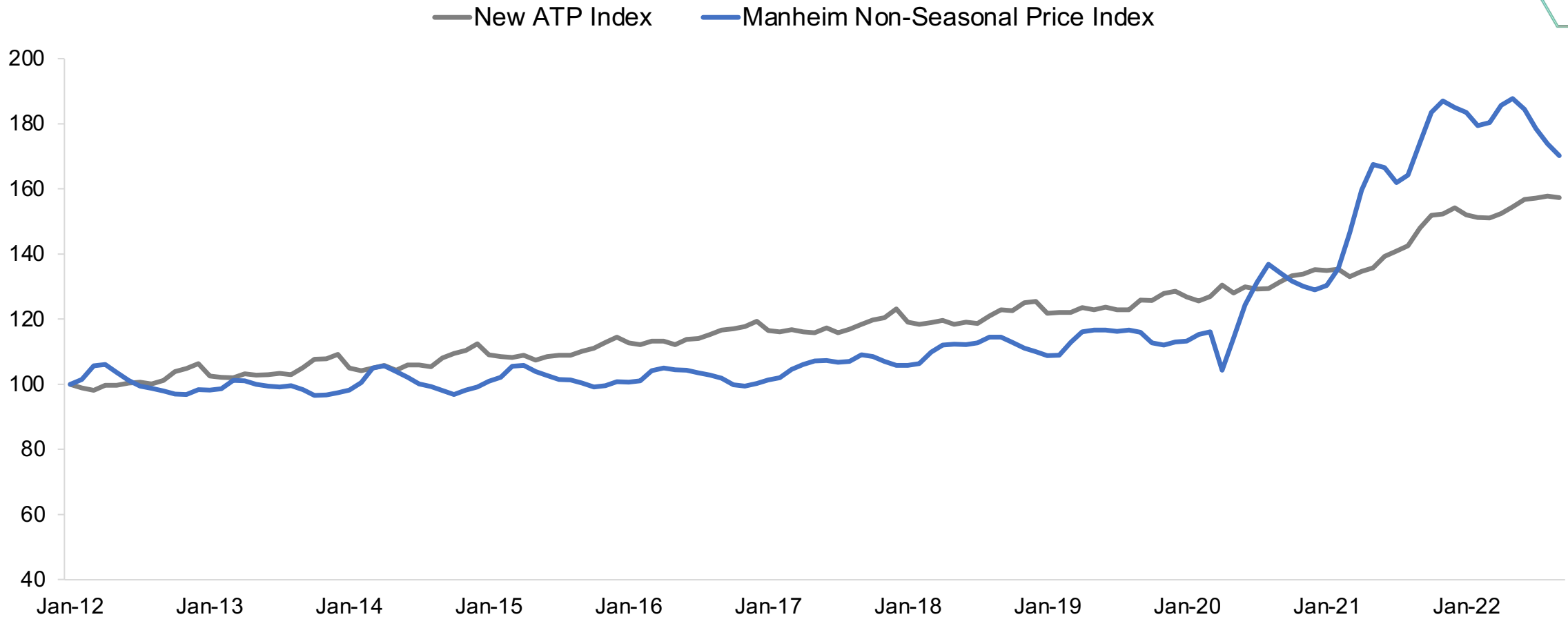
# Seasonal Adjustment Missed Most of Spring Market

Adjusted prices moved lower through Q3 while non-adjusted now catching up rapidly.



# Wholesale Used Vehicle Prices Versus New-Vehicle Prices

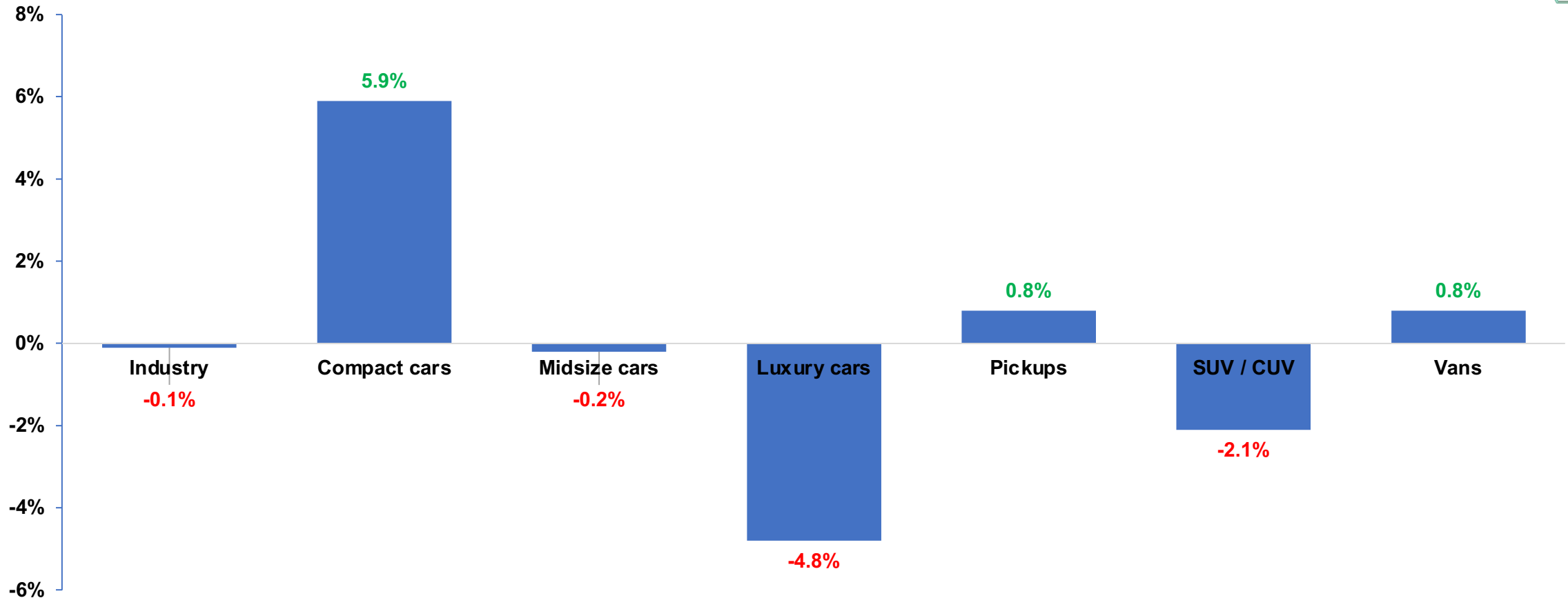
Wholesale prices continue moving lower, while new-vehicle prices simply flatten through Q3.



# Lower-Priced and Work-Related Units Fared Best in September

Vans lost most ground since June 2022; Compacts are only other segment that remained positive since then

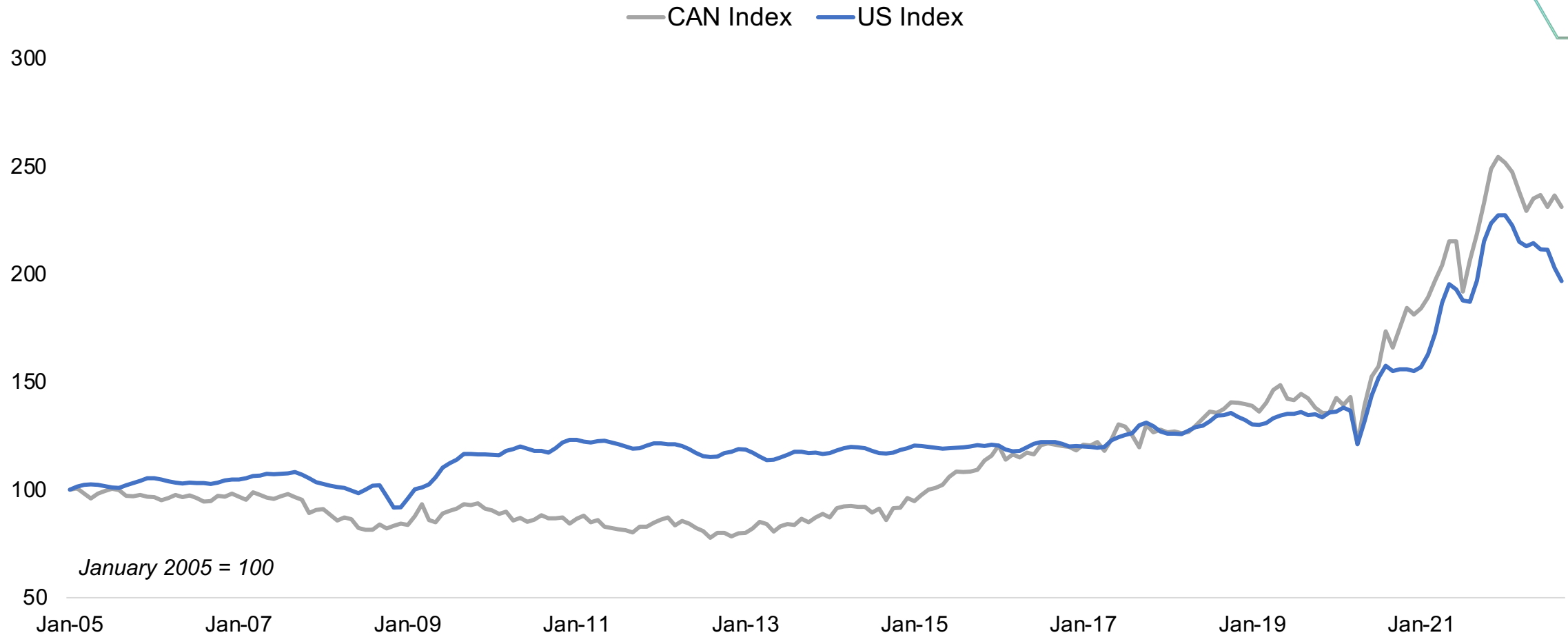
Percent Change in Manheim Index Year Over Year September 2022





# Wholesale Performance, U.S. Versus Canada

U.S. had stronger price performance for several years; Canada has shown more strength and stability since April.





# Jeremy Robb

Senior Director, Market Insights & Business Solutions,  
Cox Automotive

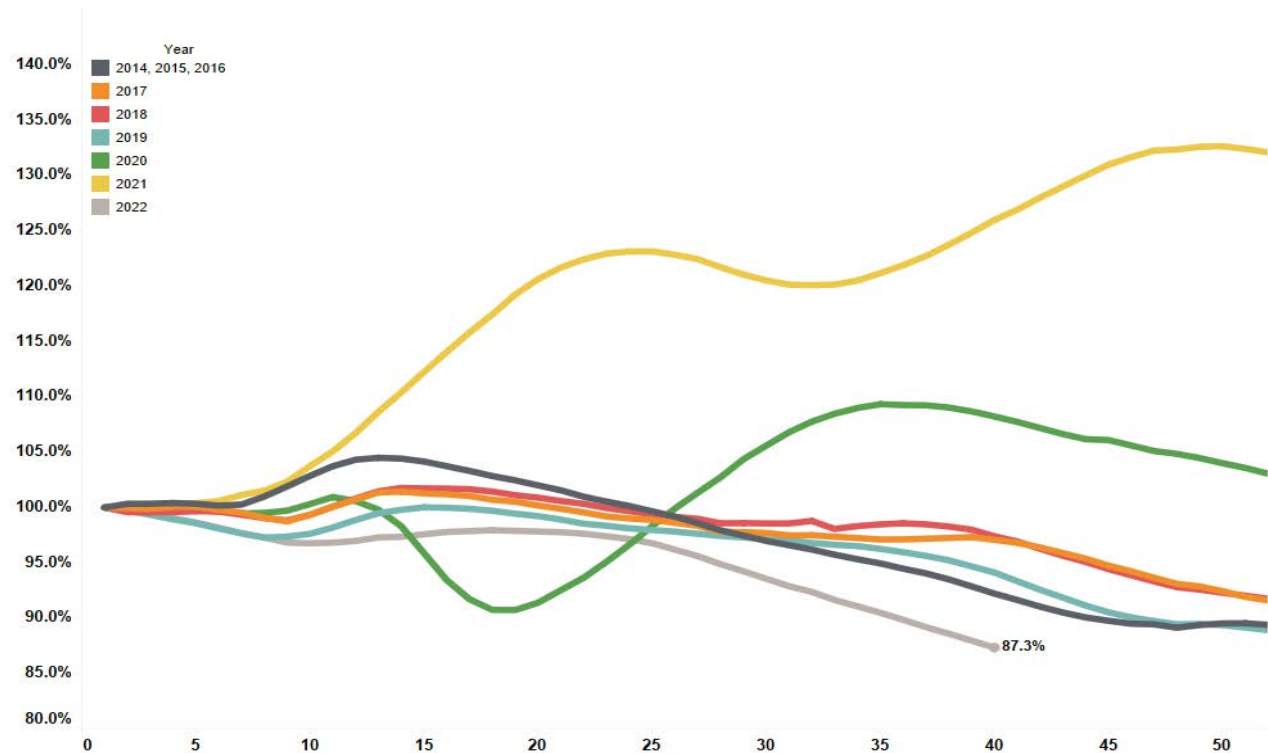
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# For the 3<sup>rd</sup> Quarter, Declines In MMR Have Been Higher Than Normal

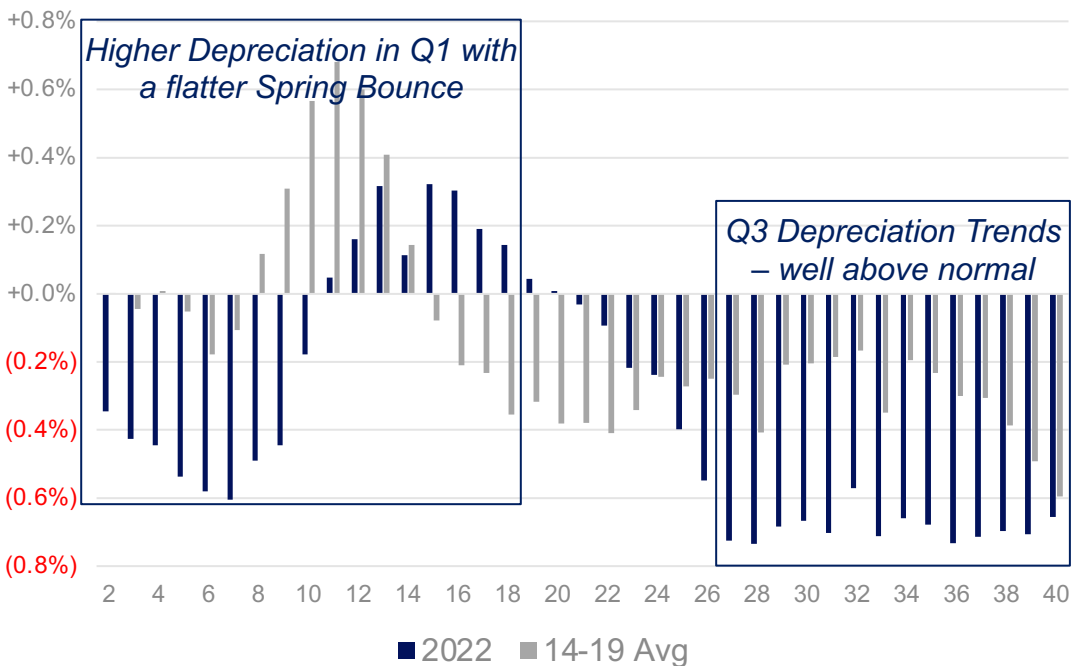
Weekly declines in Resale Value have been almost half a point more than usual seasonal trends

## Overall MMR Index Trends (All Model Years)



*Resale Values bucked seasonal patterns  
by a wide margin in Q3*

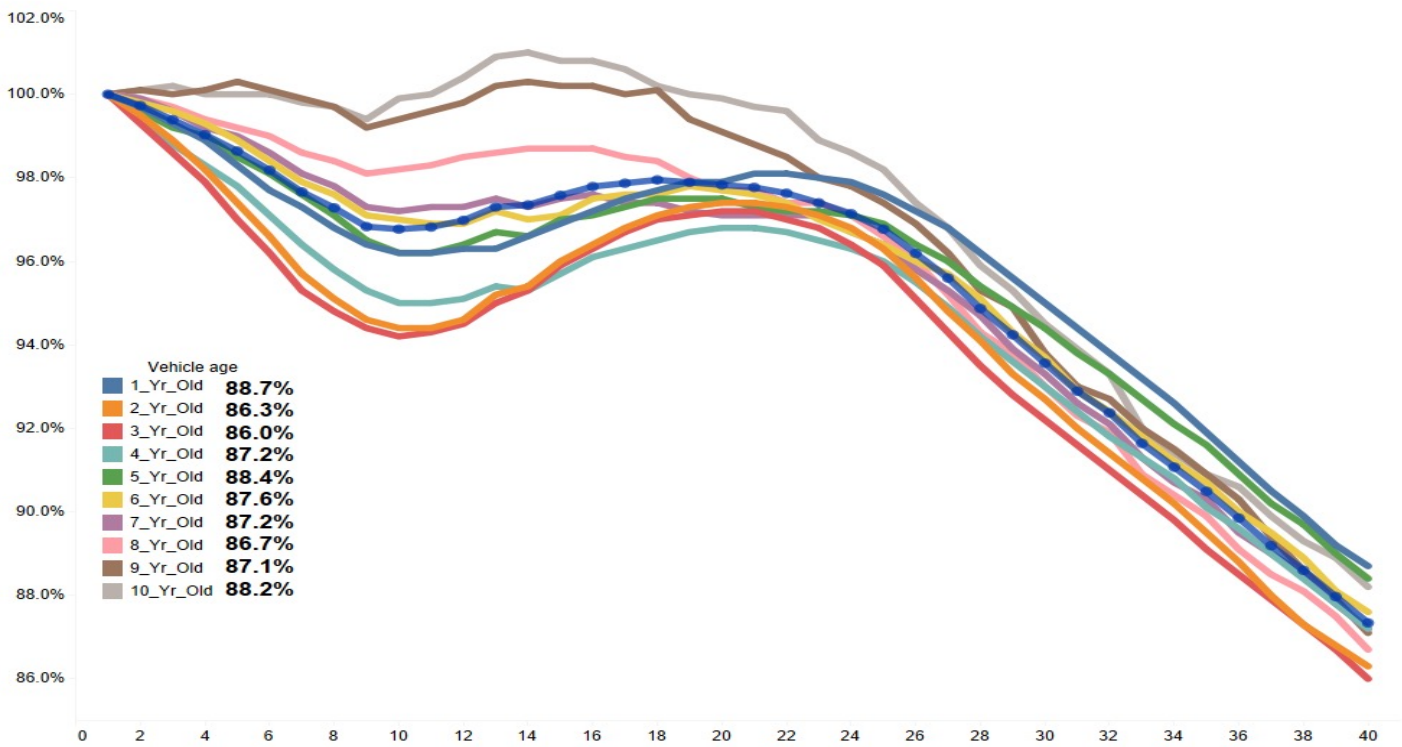
## Weekly Change in Resale Value All Model Years



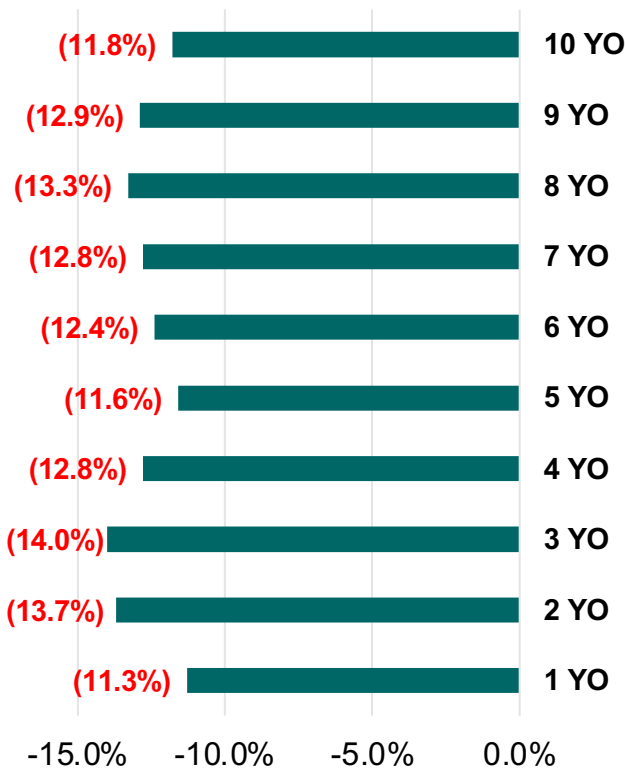
# Across All Ages, Depreciation Patterns Have Been Consistent in Q3

All age groups declined virtually the same over the quarter, dropping by 8.8% vs end of Q2

**2022 MMR Index by Week**  
*By Vehicle Age*

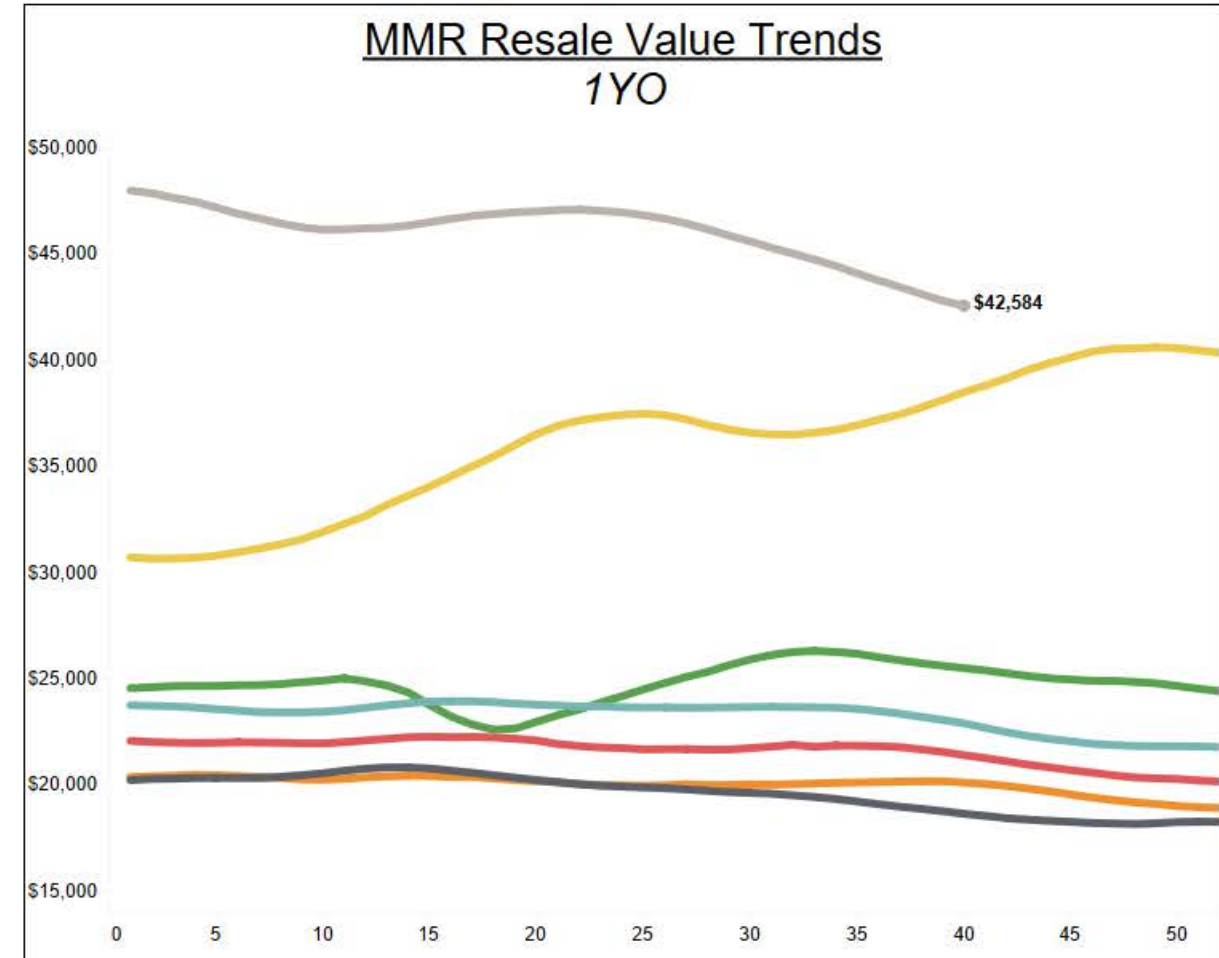
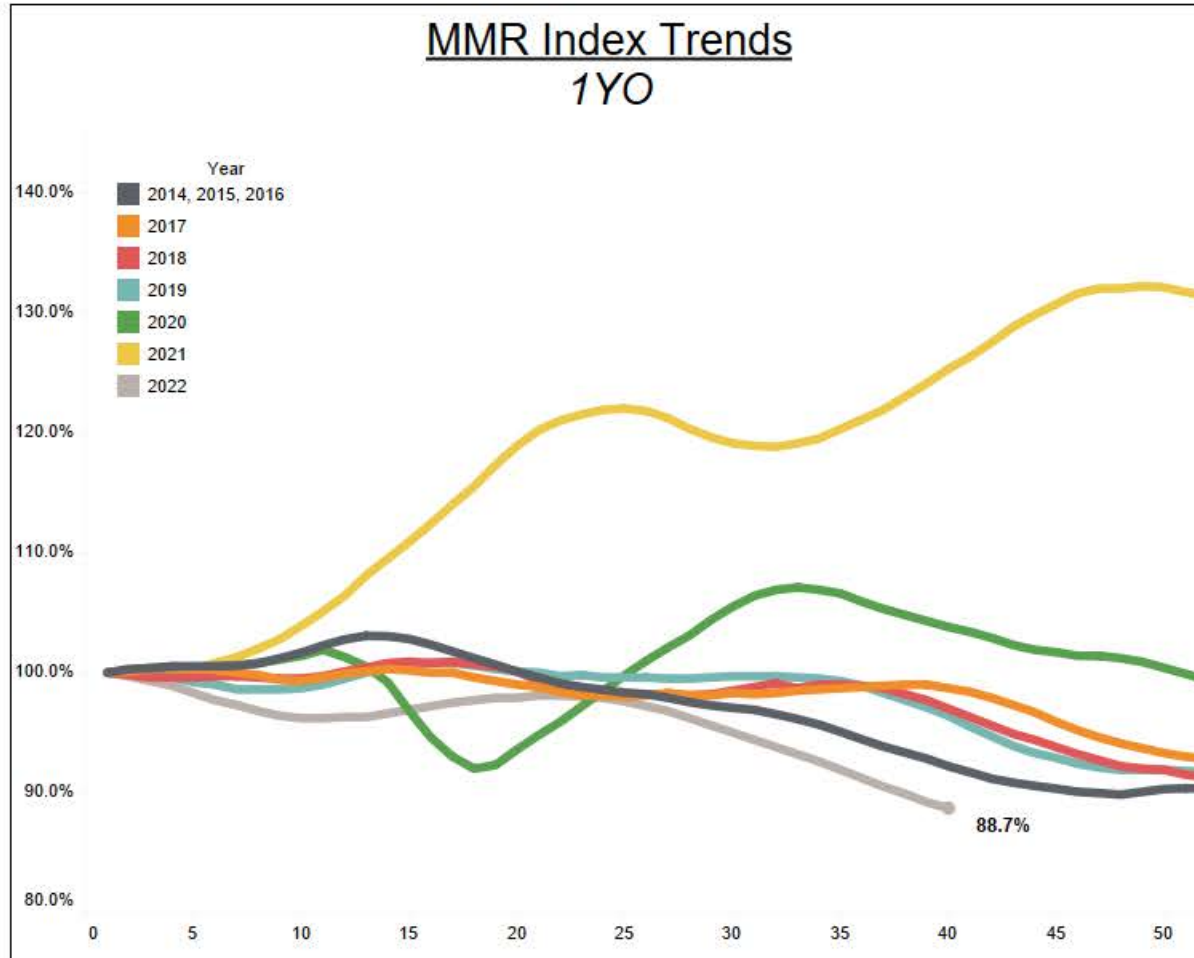


**2022 YTD Value Change**  
*Through September 30, 2022*



# 1-Year-Old MMR Index Trends

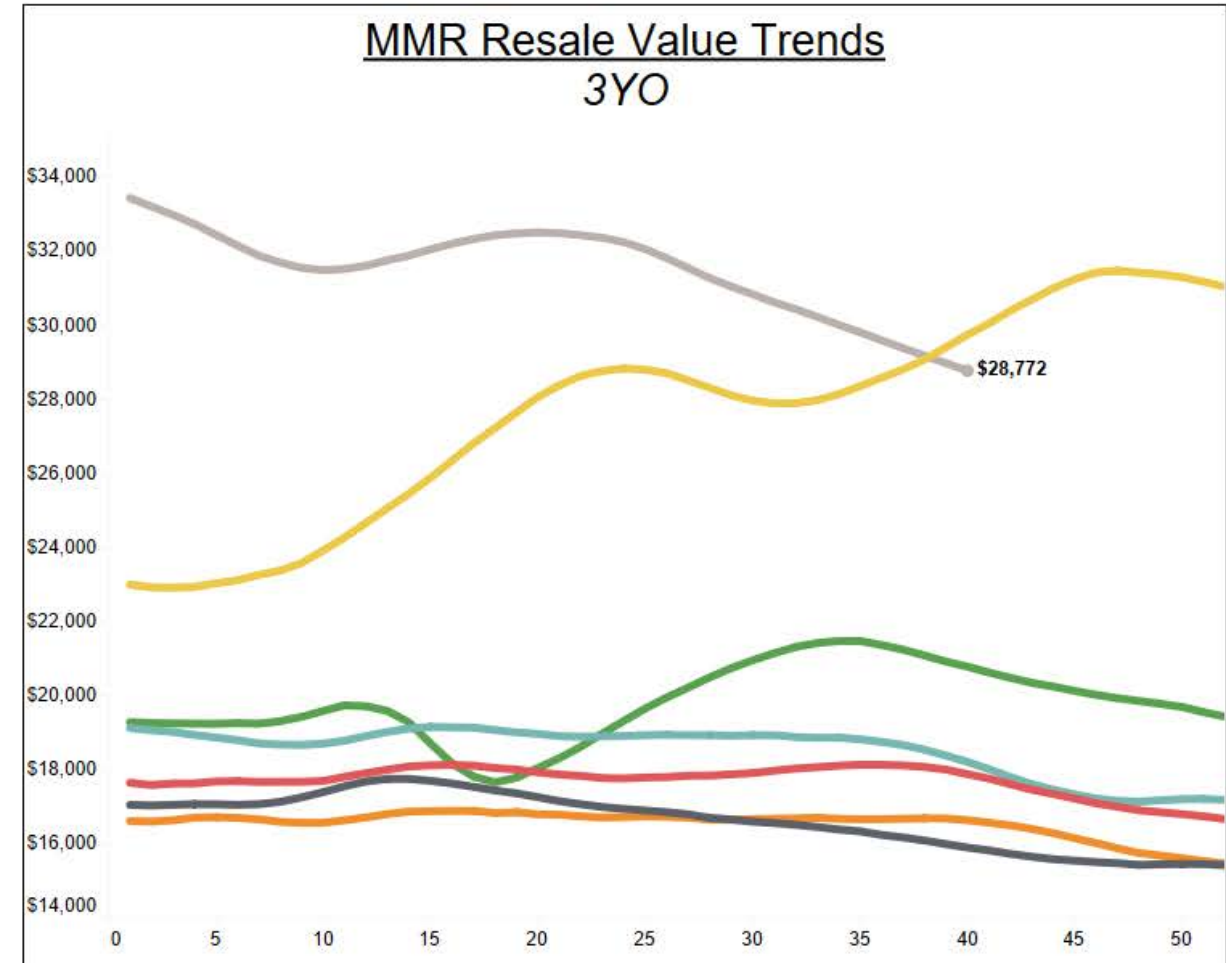
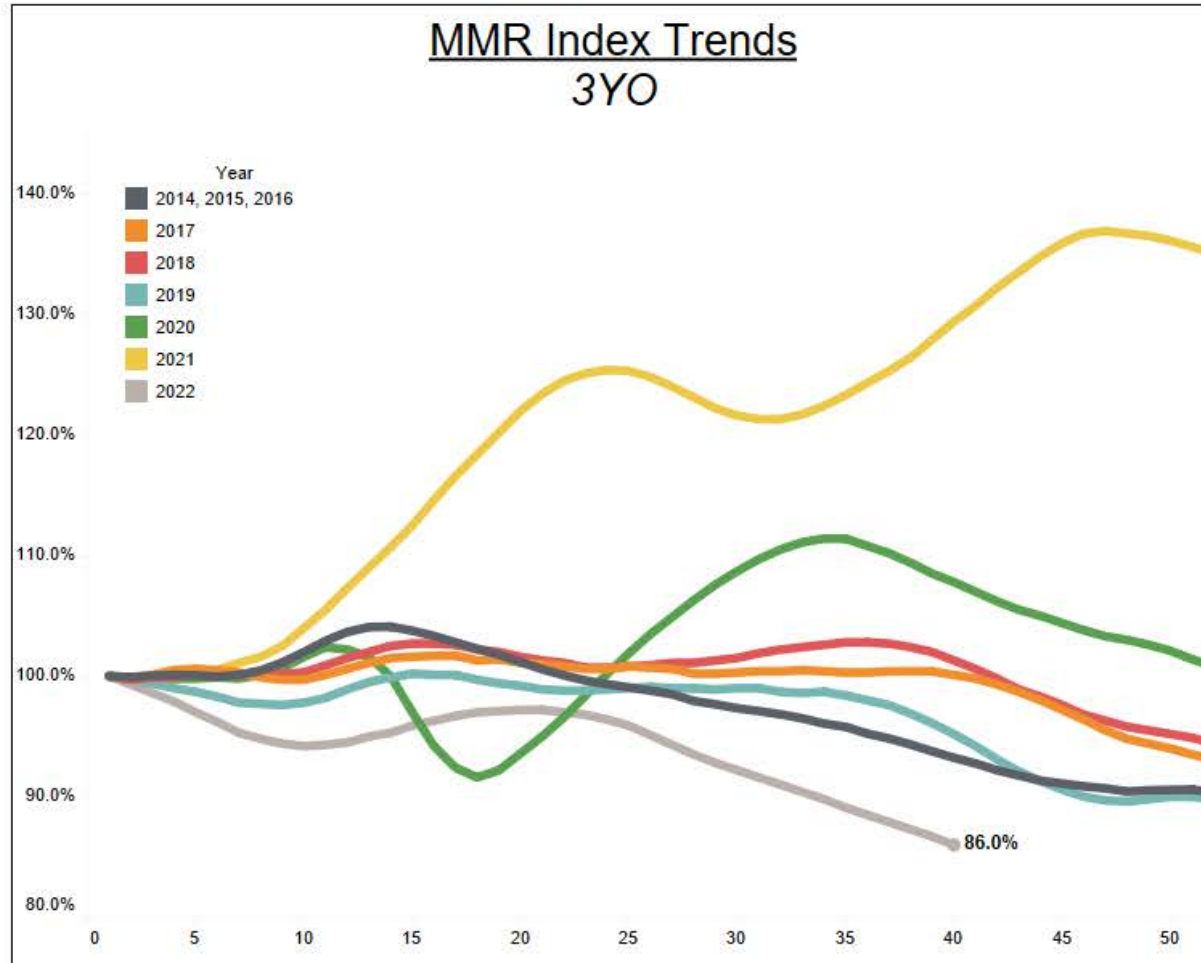
Q3 depreciation has been higher than normal – but overall values remain elevated versus 2021





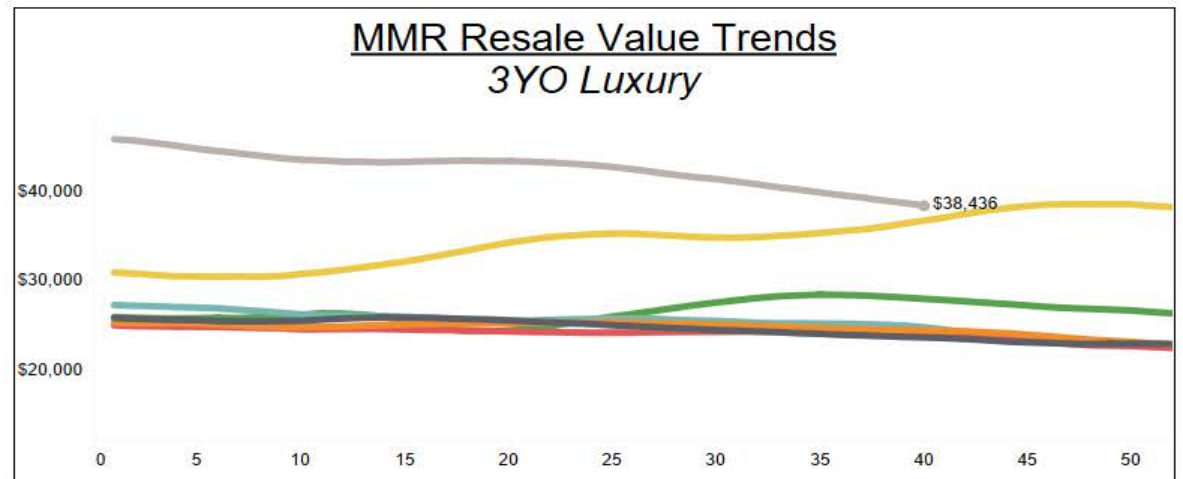
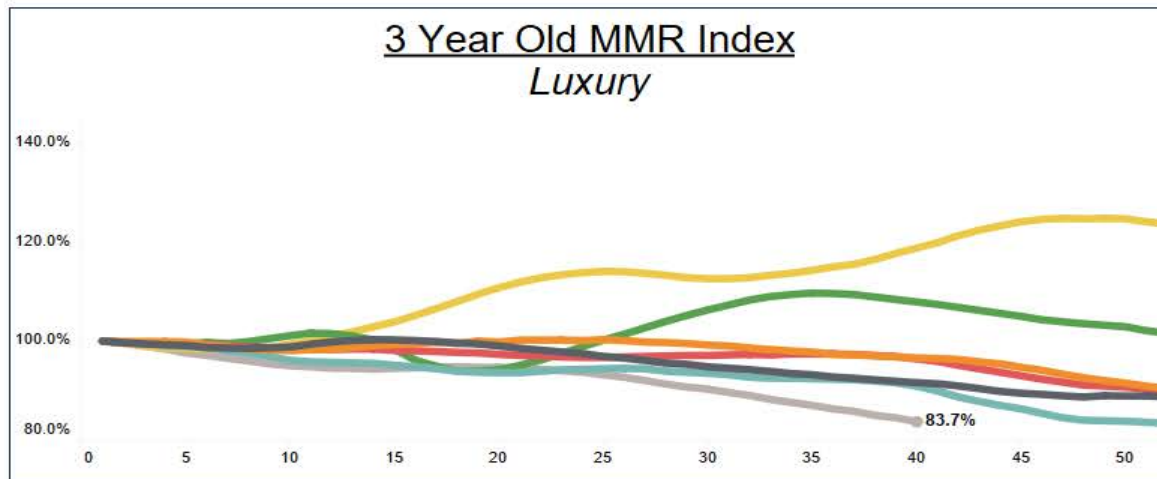
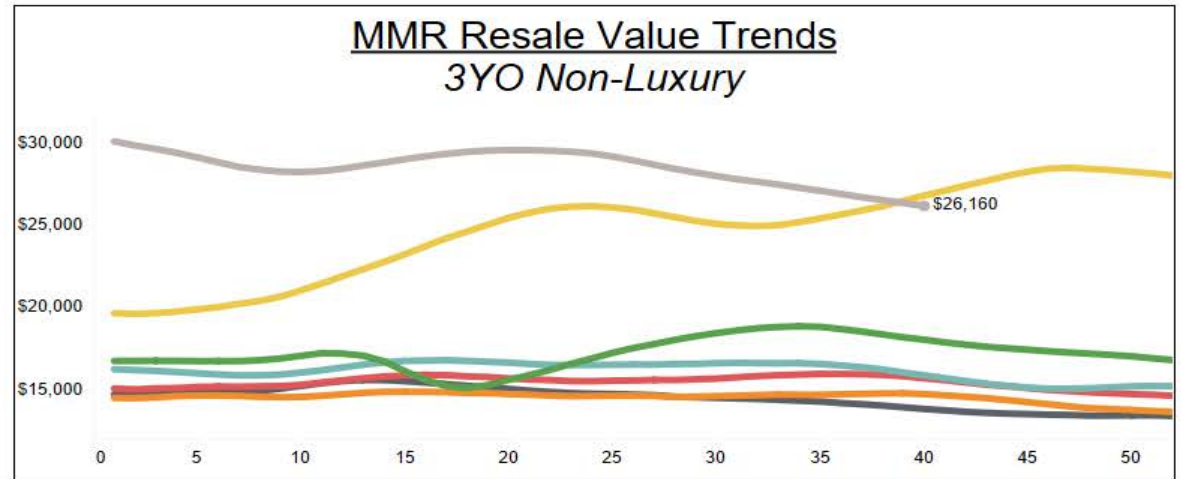
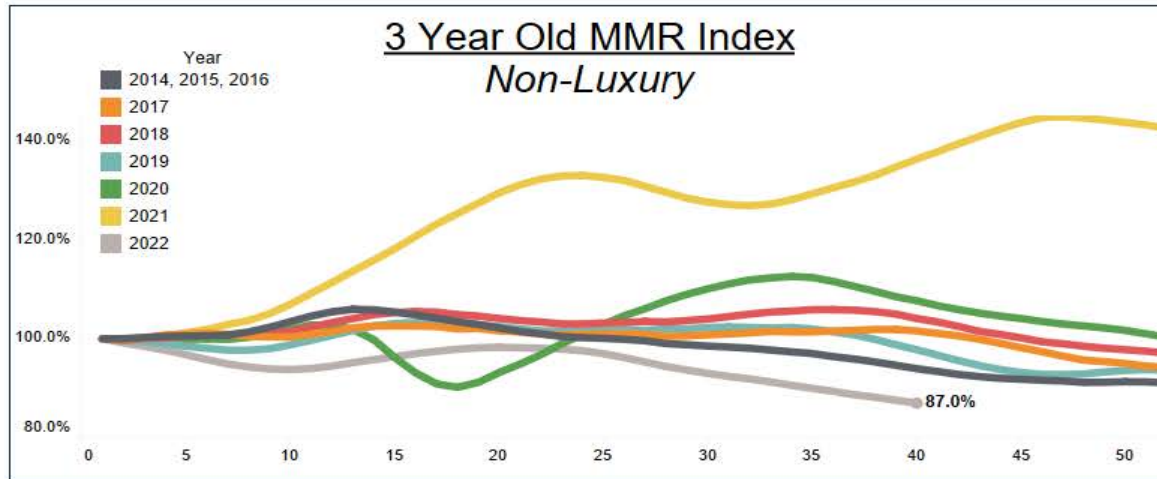
# 3-Year-Old MMR Index Trends

Depreciation on 3YO models outpaced other age groups but Resale Value continues to remain historically high



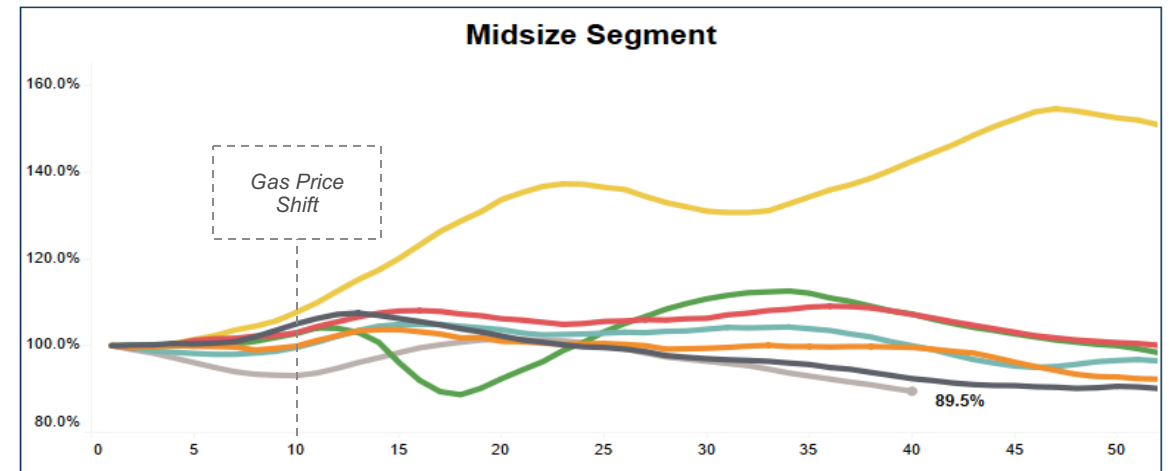
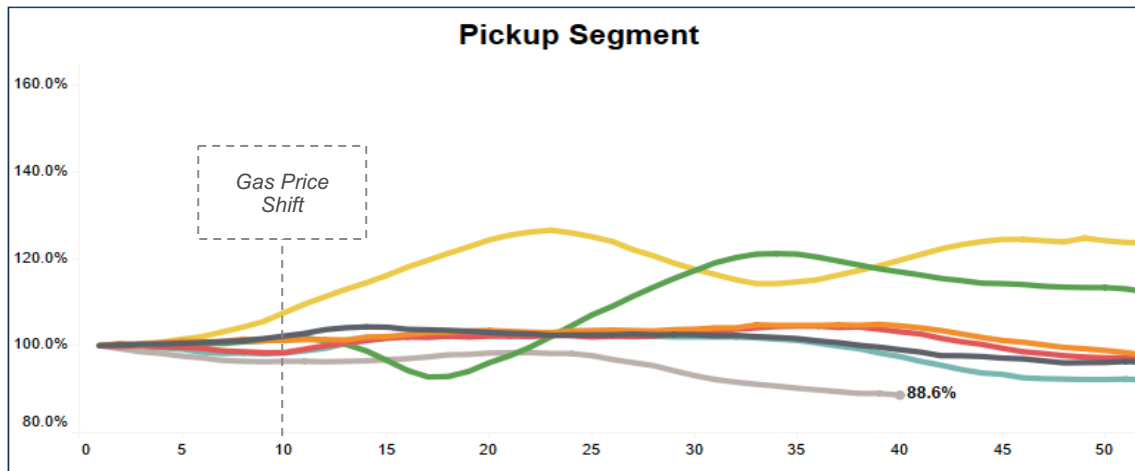
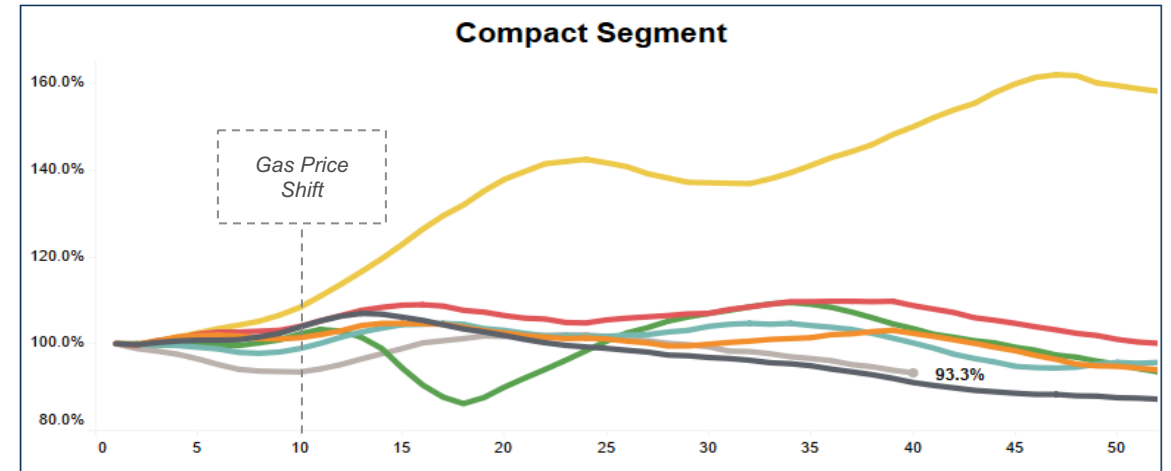
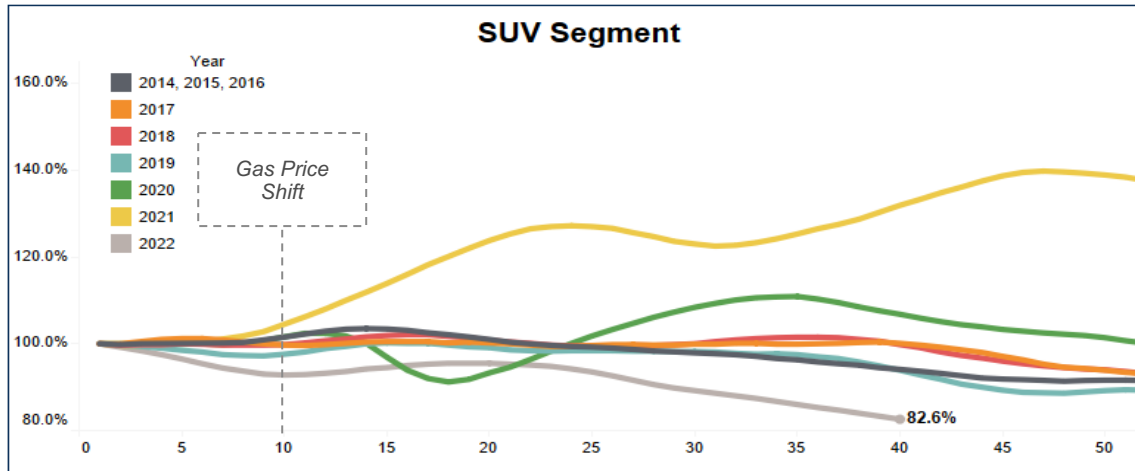
# 3-Year-Old MMR Index for Luxury & Non-Luxury

Both Luxury and Non-Luxury 3YO segments declined by ~ 9 points over the last quarter



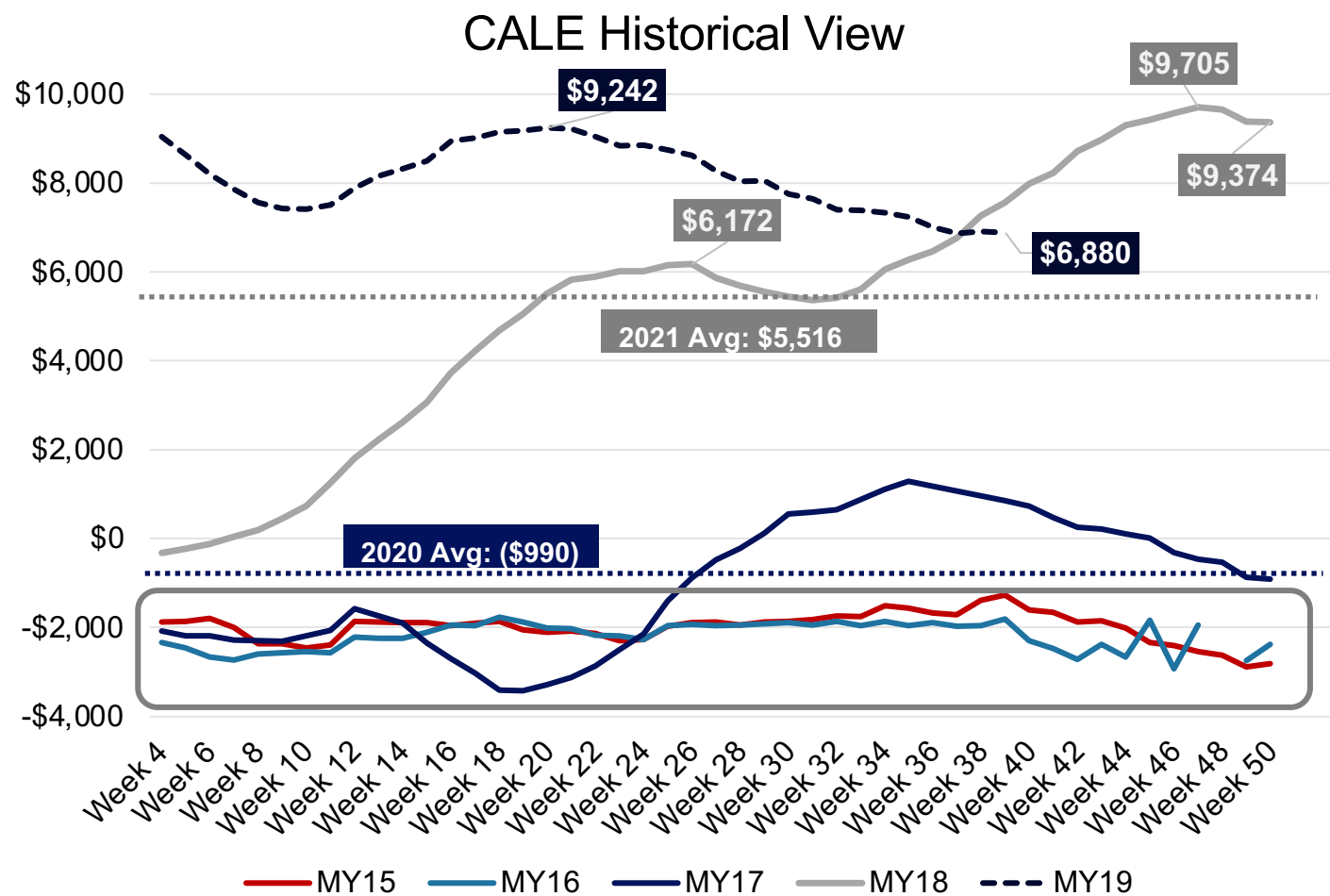
# 3-Year-Old MMR by Segment

3YO SUVs have seen higher depreciation than other segments this year



# Maturing Leases Continue to Show Historic Equity Positions

CALE trends have been declining on 36M term leases but remain extremely elevated relative to pre-Covid timeframes



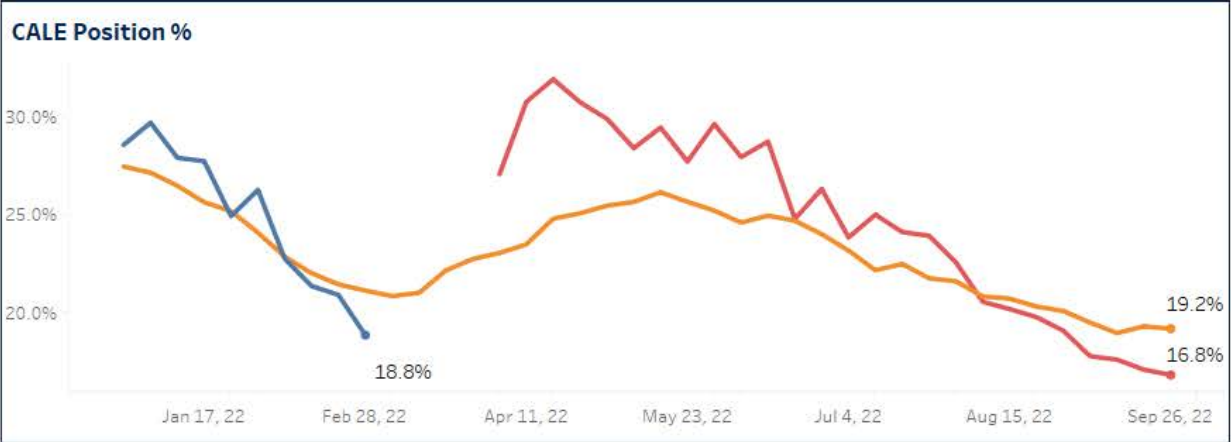
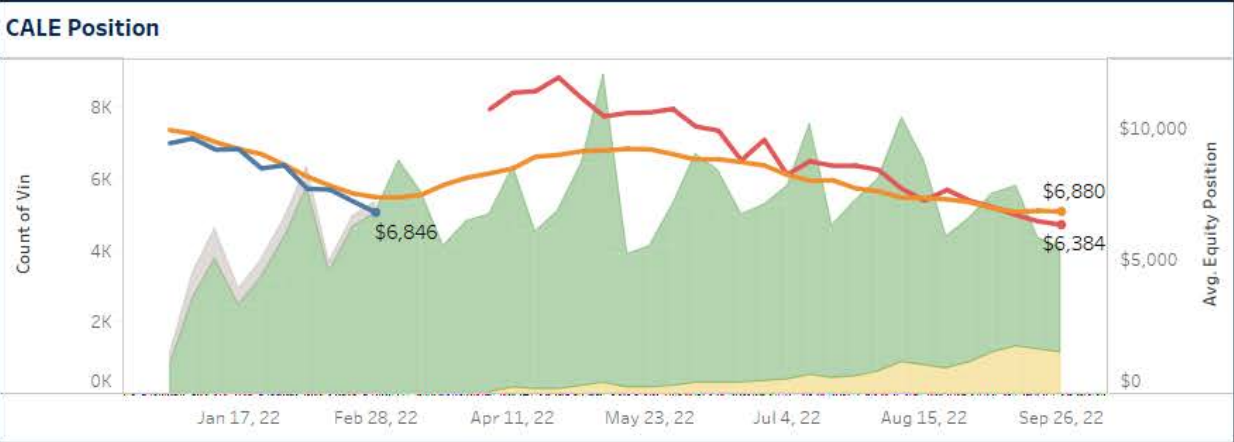
**CALE = Cox Automotive Lease Equity Position**

Measures the difference between Wholesale MMR at Maturity and Residual Value for 36-month term leases

Pre-pandemic, Lease Equity was typically negative (\$1,500) to (\$2,000) at lease maturity

# Components of CALE – Maturing Residuals Flat, MMR Down

Lease equity has trended down since spring, with MY20s now lower than MY19s



## MMR and Residual Value

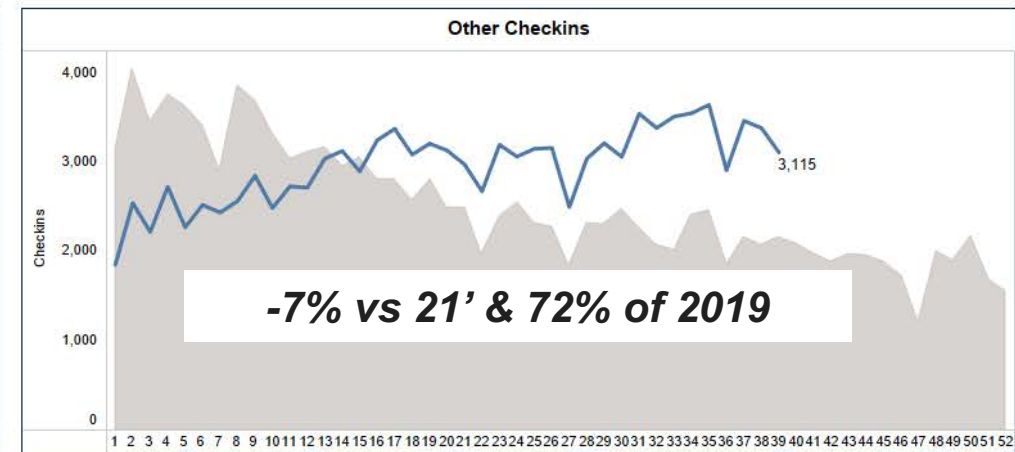
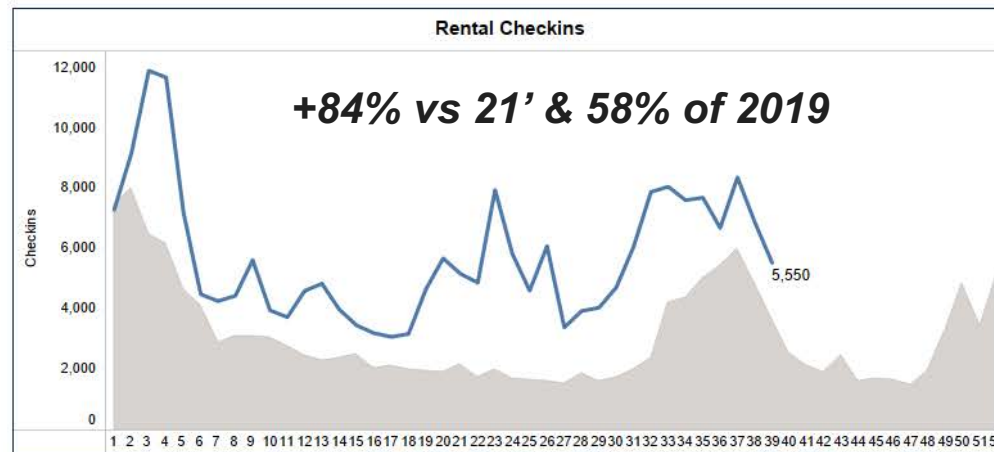
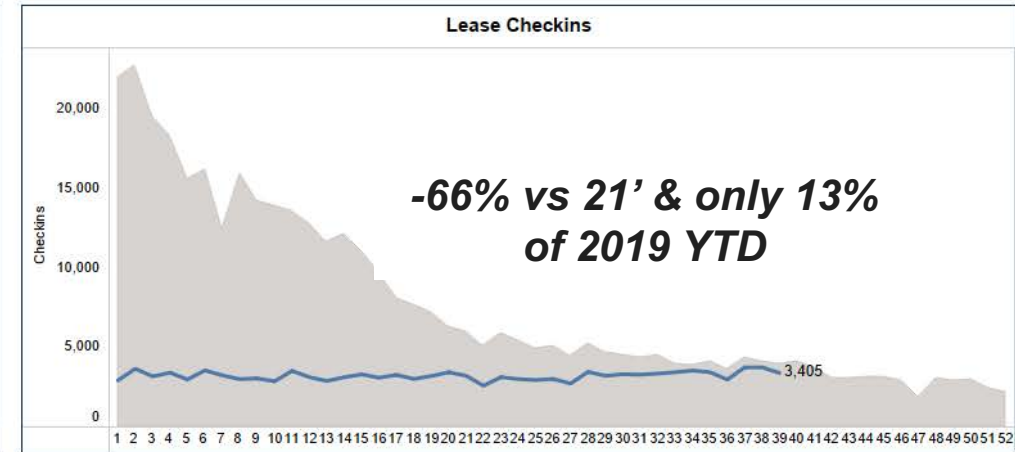
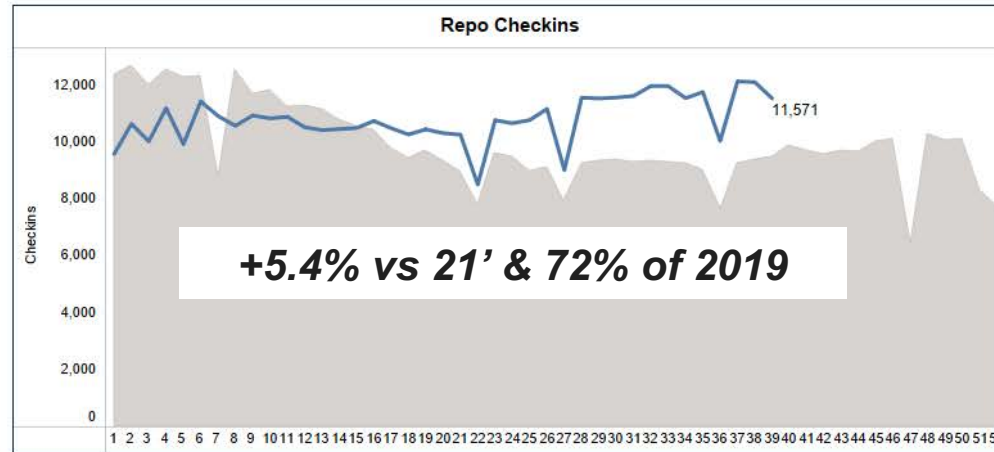




# Commercial Supply Is Moving Up Ever So Slowly

Repo check-ins have picked up in Q3 while Rental check-ins run ahead of 21', but Off-Lease remains very low

## Wholesale Commercial Checkin Volume

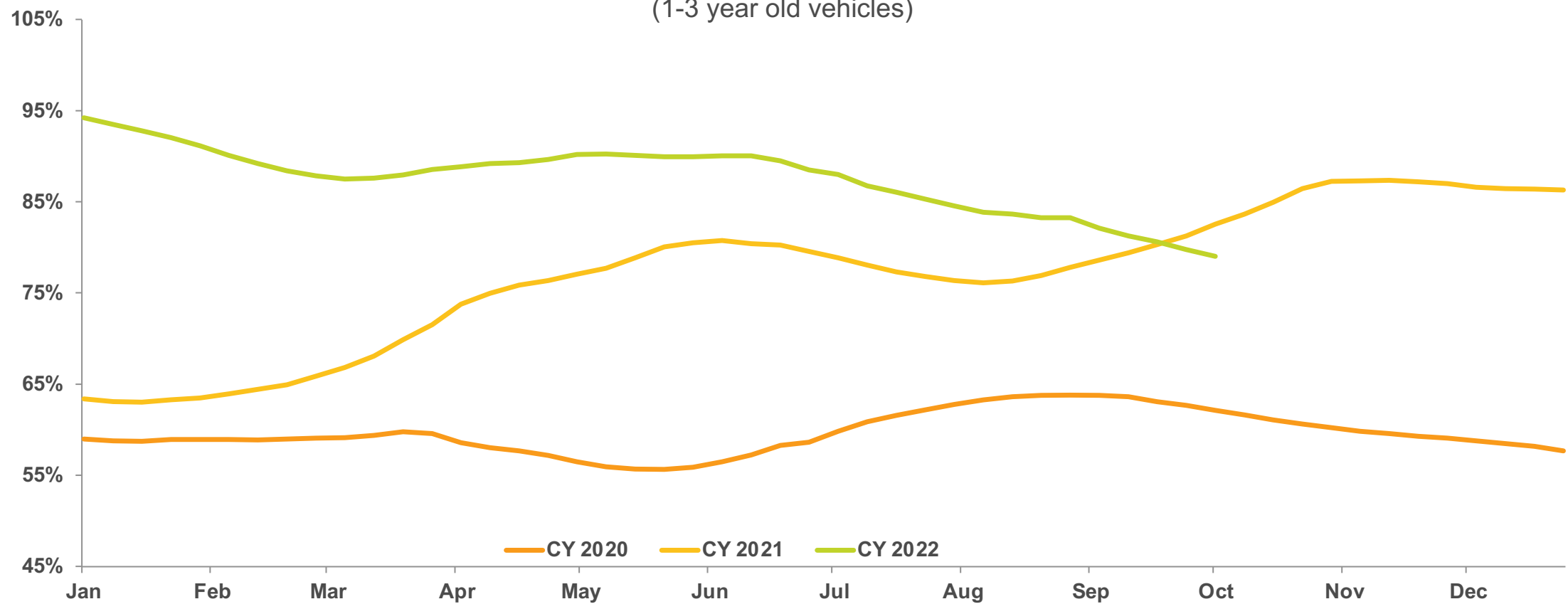


# Retention Values Now Lower Than Last Year

Retention values peaked at 94% in January; value declines in 3Q end with 79%

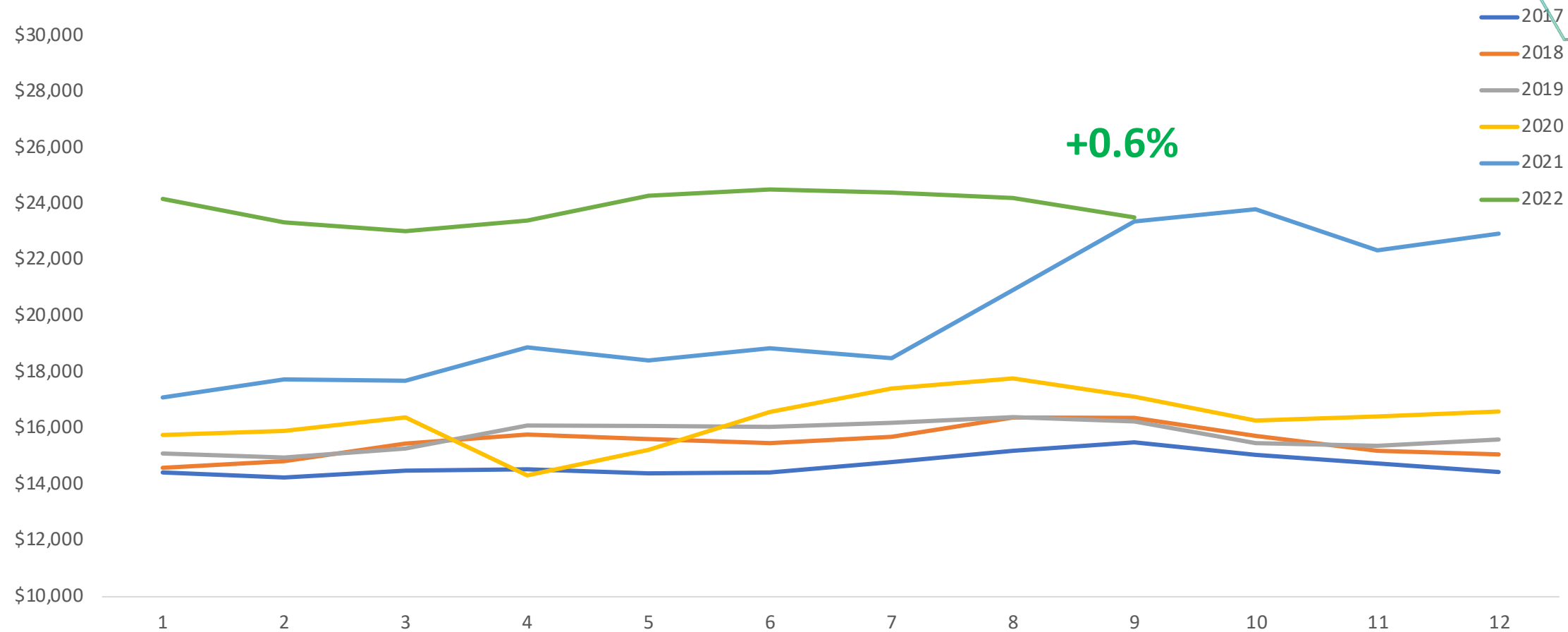


**Auction Retention Value**  
(1-3 year old vehicles)



# Rental Risk Average Auction Prices

Average price for rental risk units sold in September up just 0.6% year over year and down 2.9% from August.



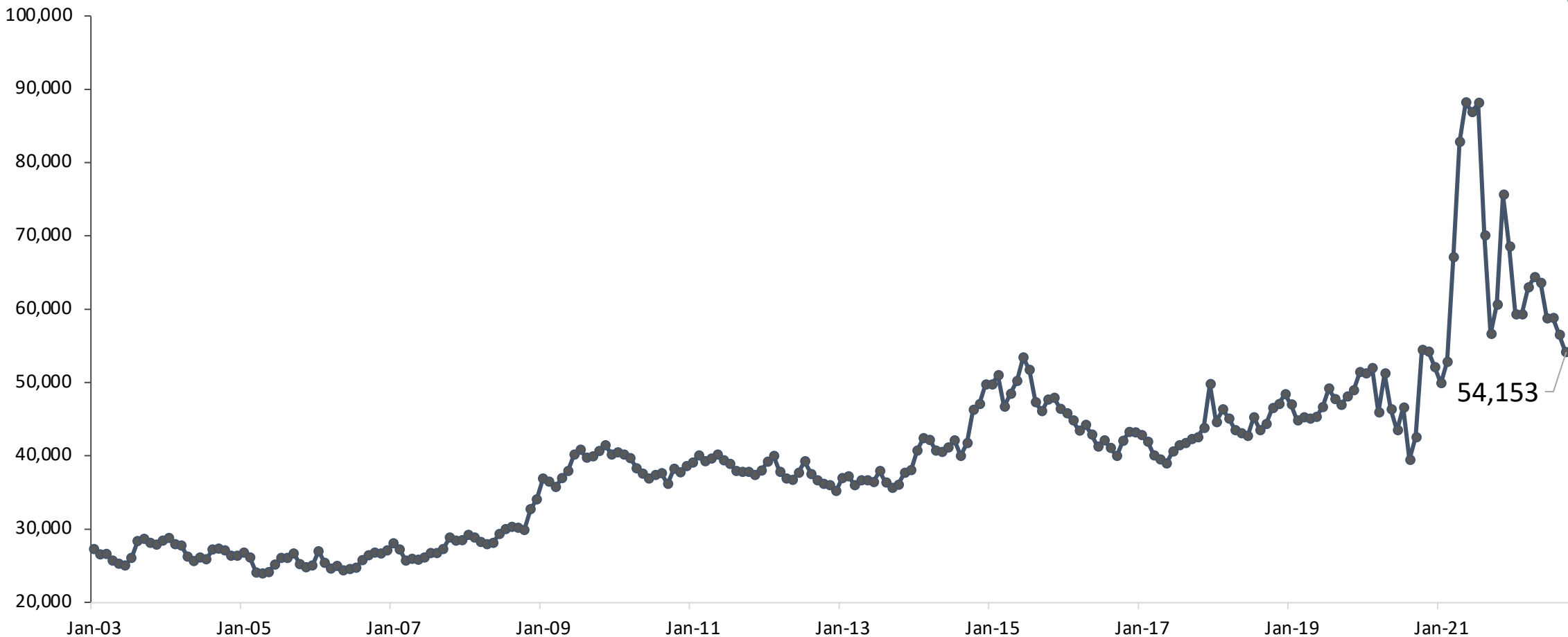
# Rental Risk Vehicle Variety Represented in Sales

Configuration count approaching 2020 levels, though top 10 to 25 shares are still below early pandemic percentages.

|  | 2020 Q3 | 2021 Q3 | 2022 Q3 |
|--|---------|---------|---------|
| Number of unique year, make, model, body configurations sold | 3,903   | 2,890   | 3,892   |
| Share accounted for top 10 YMMB                              | 16.9%   | 17.2%   | 10.9%   |
| Share accounted for top 25 YMMB                              | 30.0%   | 30.0%   | 19.7%   |
| Number of YMMB to reach 50% share                            | 75      | 77      | 128     |

# Rental Risk Average Mileage

Average mileage for rental risk units in September was down 4% compared to a year ago and down 4% from August.



# Rental Risk Sales Condition

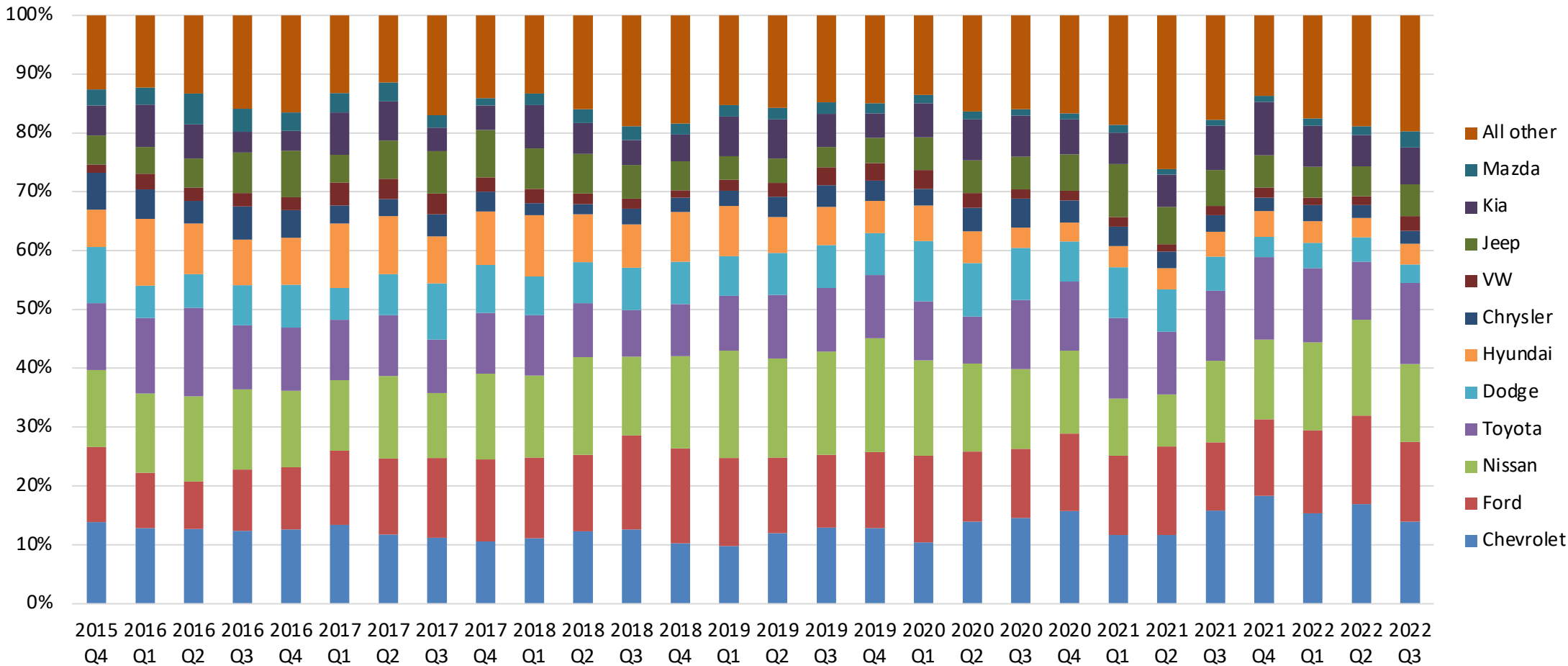
Q3 2022 distribution almost identical to Q1 2022; more 4+ and fewer 2.0 – 2.9 from Q2.





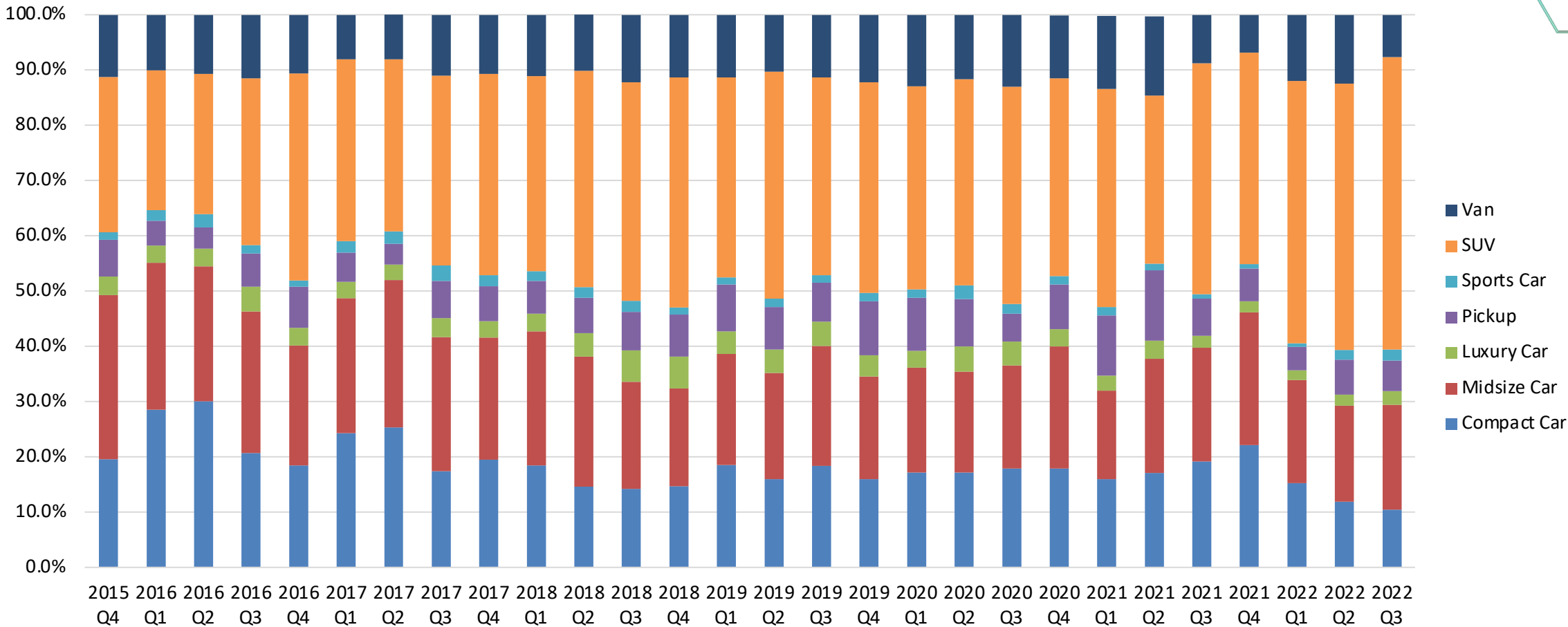
# Rental Risk Sales By Make

In a reversal, Chevy, Nissan, and Ford lost 1.6% to 3.0% share since Q2, while Toyota share rose almost 4%.



# Rental Risk Sales By Vehicle Segment

Largest gainers were SUVs and midsize cars; Vans and compact cars lost the most share.



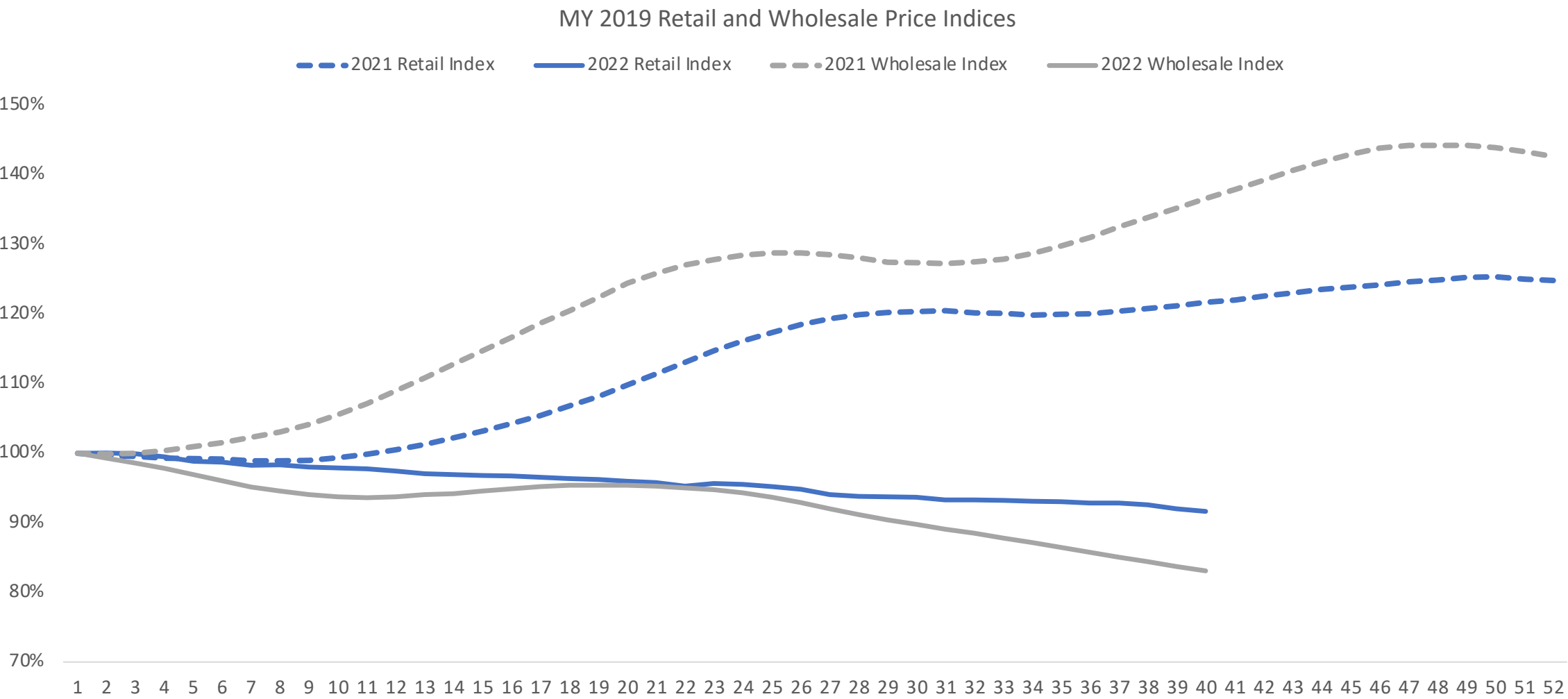
# Manheim Insights on Top Volume Vehicles

Price trends on top selling vehicles in September at Manheim showed mainly declining values for the month and year

| Rank     | Source(Rank) | Category     | Subcategory           | Vehicle                                 | 3-Oct    | Past 30 Days | Last Year | Current Dep | L12M Dep/Mo |
|----------|--------------|--------------|-----------------------|---|----------|--------------|-----------|-------------|-------------|
| 1        | All          | Midsized Car | Midsized Car Entry    | 2020 CHEVROLET MALIBU 4D SEDAN LT       | \$17,000 | \$17,600     | \$20,800  | -3.4%       | -1.5%       |
| 2        | All          | Compact Car  | Compact Car Premium   | 2020 TOYOTA COROLLA 4D SEDAN LE         | \$17,550 | \$17,900     | \$19,900  | -2.0%       | -1.0%       |
| 3        | All          | Midsized Car | Midsized Car Premium  | 2020 NISSAN ALTIMA FWD 4D SEDAN 2.5L S  | \$17,600 | \$18,150     | \$21,300  | -3.0%       | -1.4%       |
| 4        | All          | Pickup       | Pickup Lite Duty Full | 2020 FORD F150 4WD V6 CREW CAB 2.7L XLT | \$38,300 | \$38,600     | \$42,300  | -0.8%       | -0.8%       |
| 5        | All          | Compact Car  | Compact Car Premium   | 2021 TOYOTA COROLLA 4D SEDAN LE         | \$20,700 | \$21,000     | \$23,400  | -1.4%       | -1.0%       |
| 1 Dealer | Dealer       | Pickup       | Pickup Lite Duty Full | 2020 FORD F150 4WD V6 CREW CAB 2.7L XLT | \$38,300 | \$38,600     | \$42,300  | -0.8%       | -0.8%       |
| 1 Lease  | Lease        | Compact Car  | Compact Car Premium   | 2017 CHEVROLET SONIC 4D HATCHBACK LT    | \$9,425  | \$9,250      | \$10,450  | 1.9%        | -0.8%       |
| 1 Rental | Rental       | Midsized Car | Midsized Car Entry    | 2020 CHEVROLET MALIBU 4D SEDAN LT       | \$17,000 | \$17,600     | \$20,800  | -3.4%       | -1.5%       |

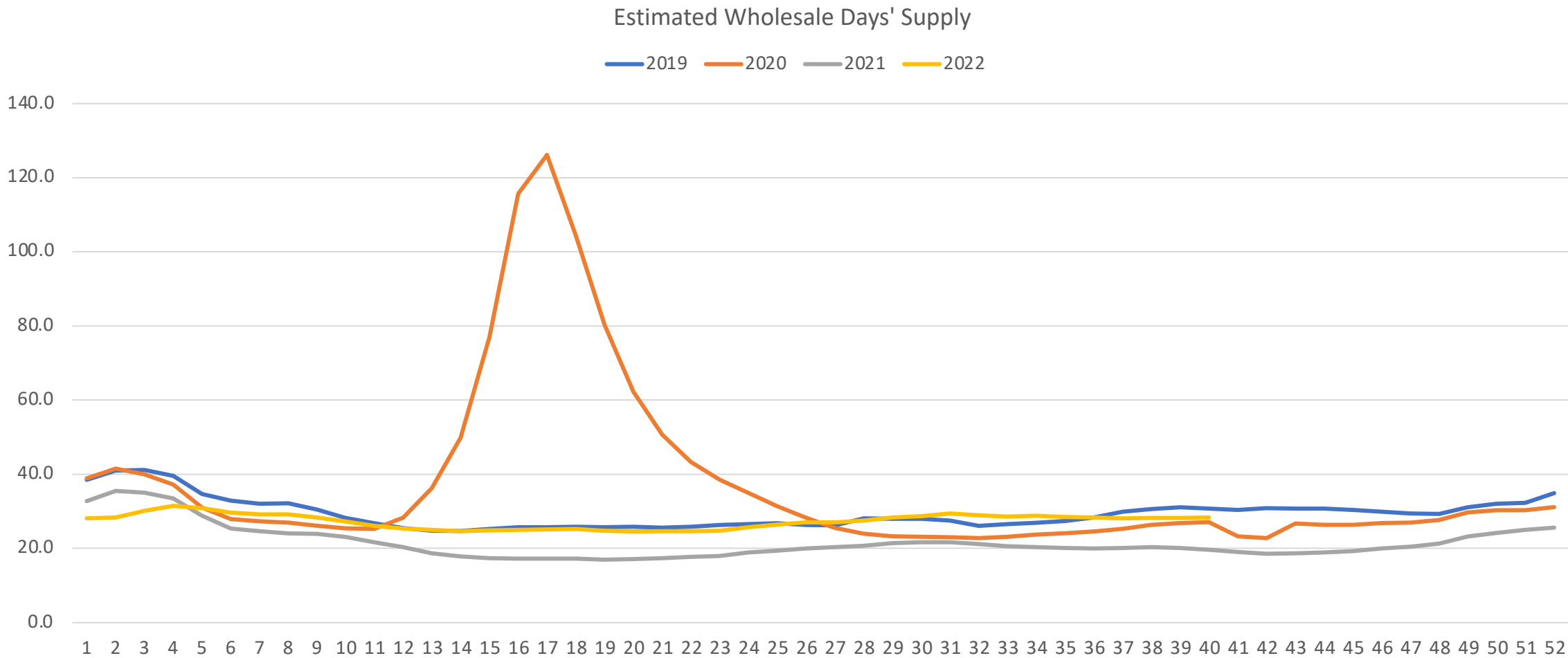
# Wholesale Used Prices Continue Above Normal Depreciation

The average MY 2019 wholesale price more than normal throughout the summer, but retail declined less



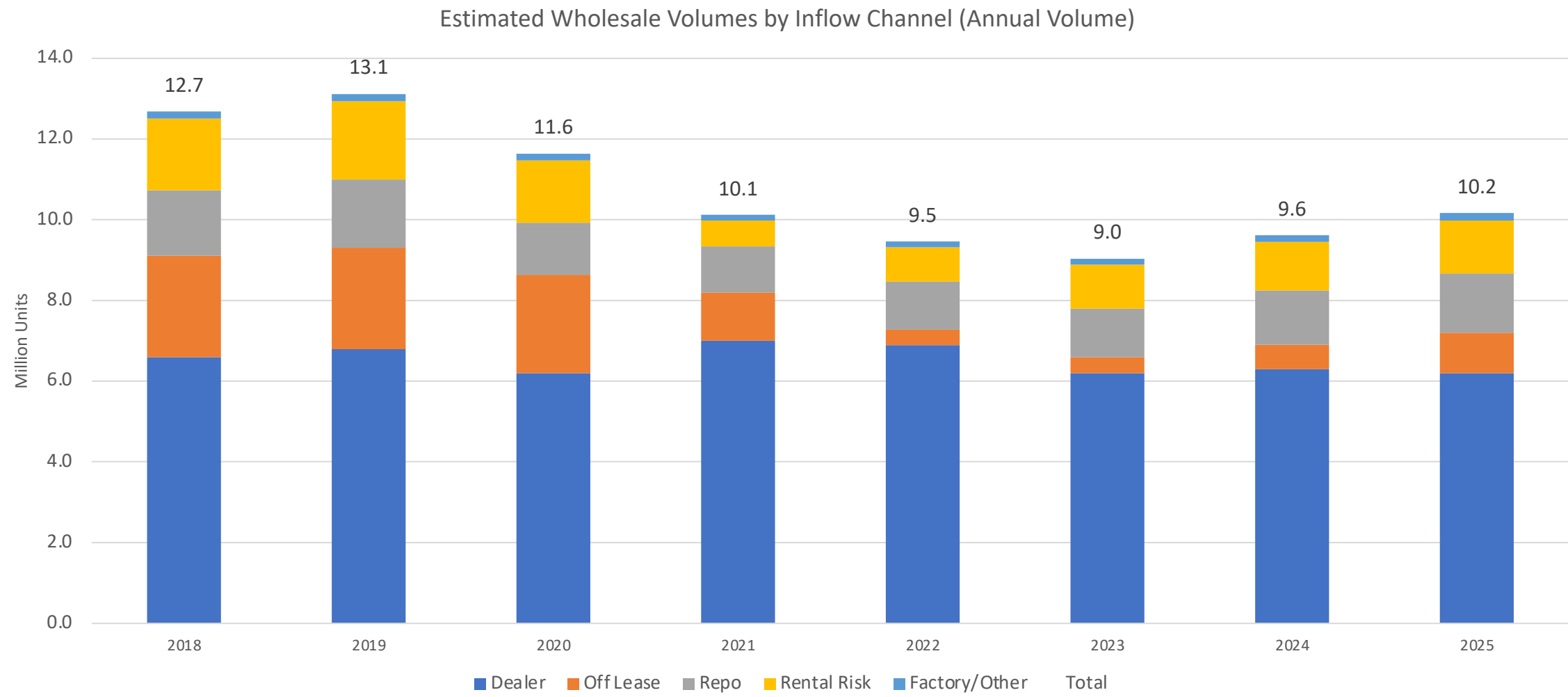
# Wholesale Days' Supply Returns to Normal

Level of supply suggests more balance between sellers and buyers after buyer friendly summer



# Wholesale Flows to Bottom in 2023

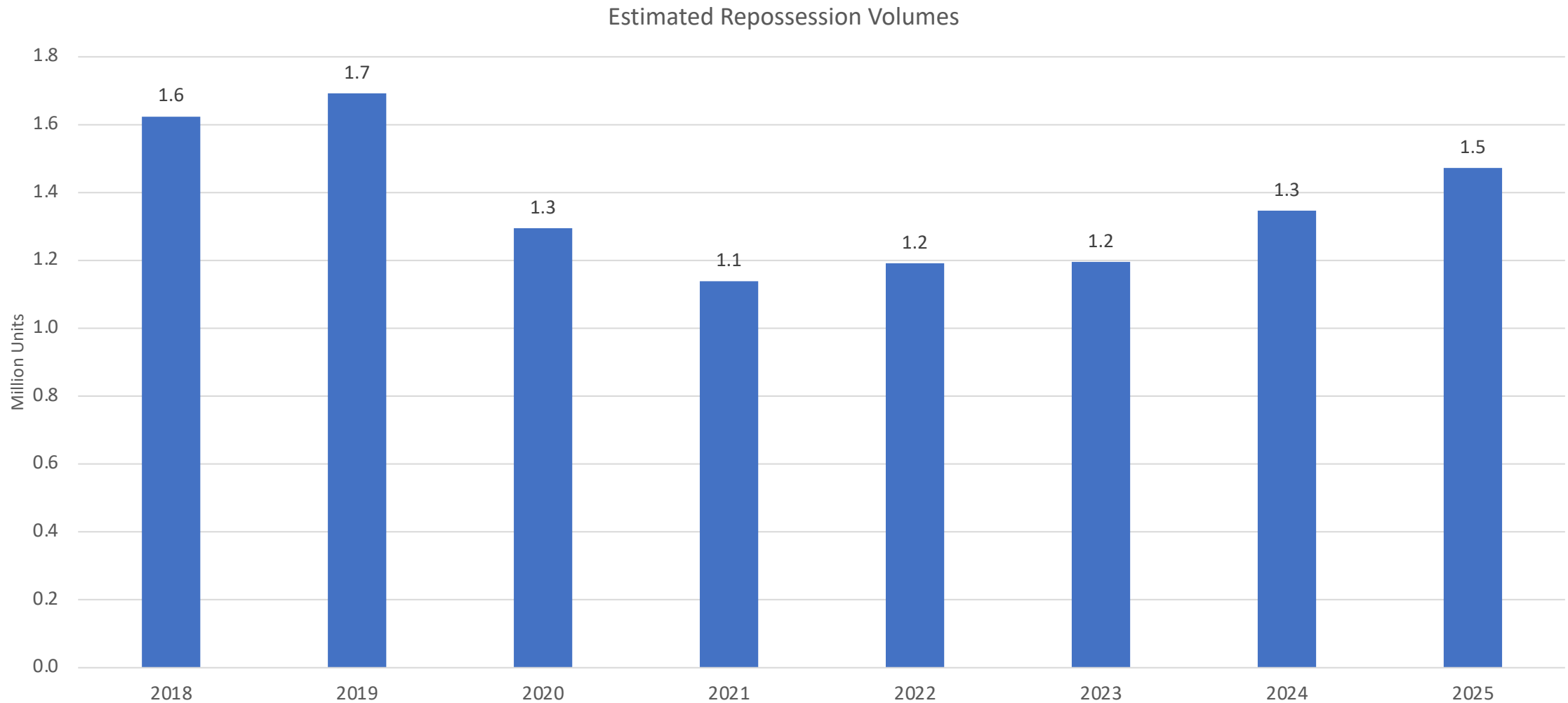
After a 7% decline in 2022, 2023 will decline another 4.5% as dealer consignments slow but commercial grows





# Repo Dip in 2020-2021 Followed by Slow Recovery

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



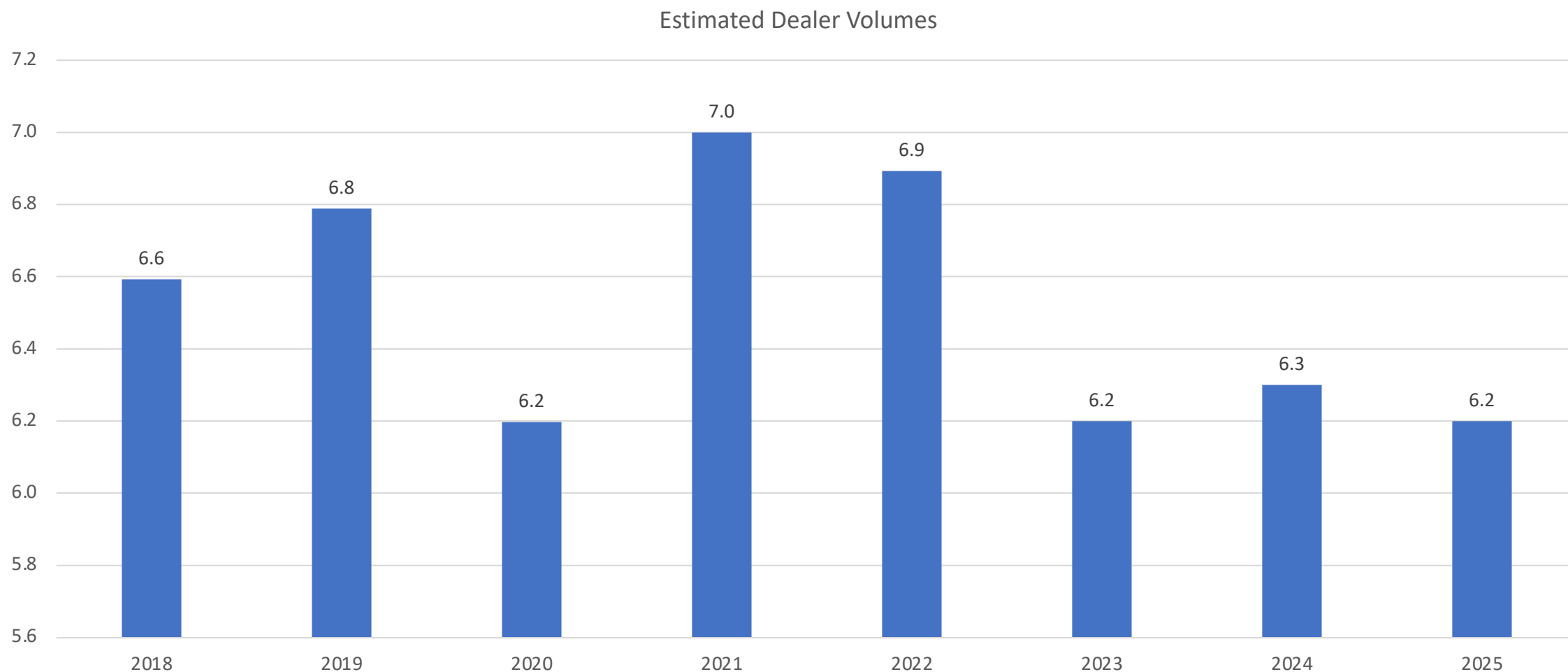
# Off Lease Returns Collapsed with Record Values

Return rate expected to hit historical low of 9% in 2022 following 28% in 2021; normal is >60%



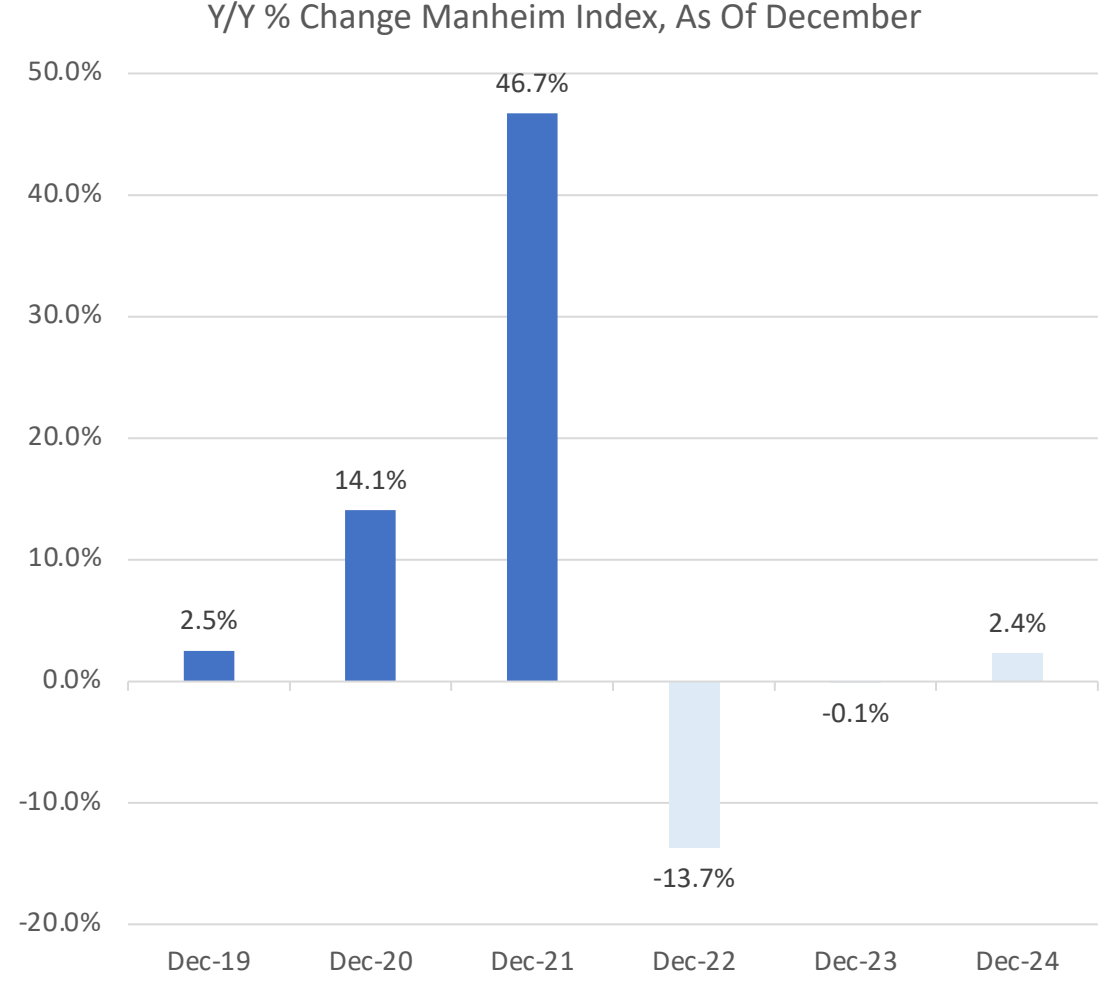
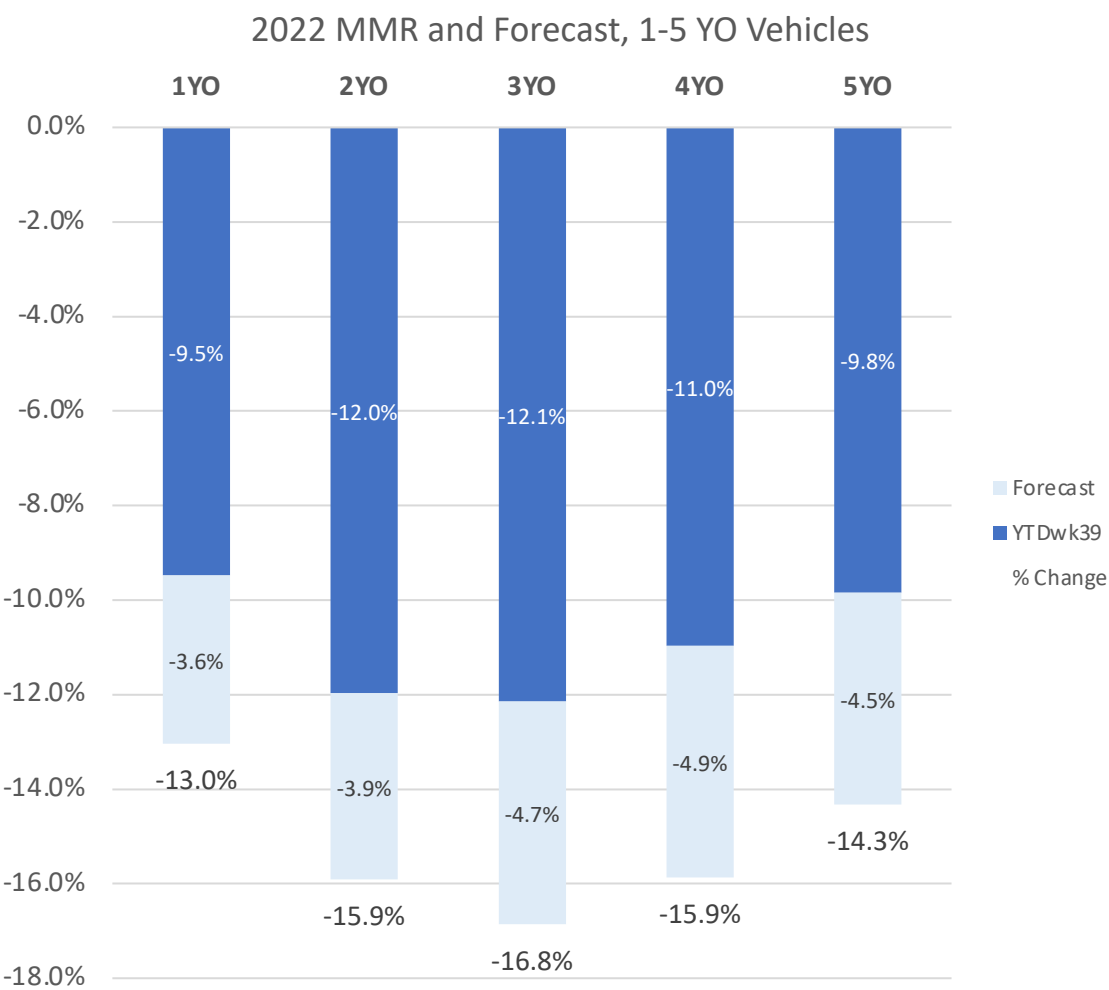
# Dealer Volumes Surged in 2021

Off-lease arbitrage and record retail sales powered 13% jump in dealer consignments in 2021



# Used Vehicle Value Outlook

Depreciation normalizing for vehicles in 2022; Manheim Index to see two below normal years for price change



## 2022 FORECASTS Q3 UPDATE

New  
**13.7M** ↓  
NEW SALES

New  
**11.9M** ↓  
NEW RETAIL SALES

**1.8M**  
FLEET SALES

New  
**2.3M** ↓  
NEW LEASE  
VOLUME

New  
**19%** ↓  
LEASE  
PENETRATION

New  
**2.4M** ↑  
CPO SALES

New  
**36.3M** ↓  
USED SALES

New  
**19.1M** ↓  
USED RETAIL SALES

New  
**-14%** ↓  
DEC 2022 Y/Y MANHEIM  
USED VEHICLE  
VALUE INDEX

↓ Indicates change from Q2 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

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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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