

HAVEN'T YOU FOLKS HEARD?  
THE RECESSION IS OFFICIALLY  
OVER!





MANHEIM CONSULTING

*Accelerate Your Business*

# Supply and Demand Trends in the Wholesale Market





# Topics / Conclusions

- **Used Vehicle Prices**

- “What appears today to be abnormal pricing, is, in fact, normal. And, what was once considered normal, was, in fact, a period of abnormality”

- **Economy**

- Debt, deficits, downgrades, defaults, drachmas





## Concept:

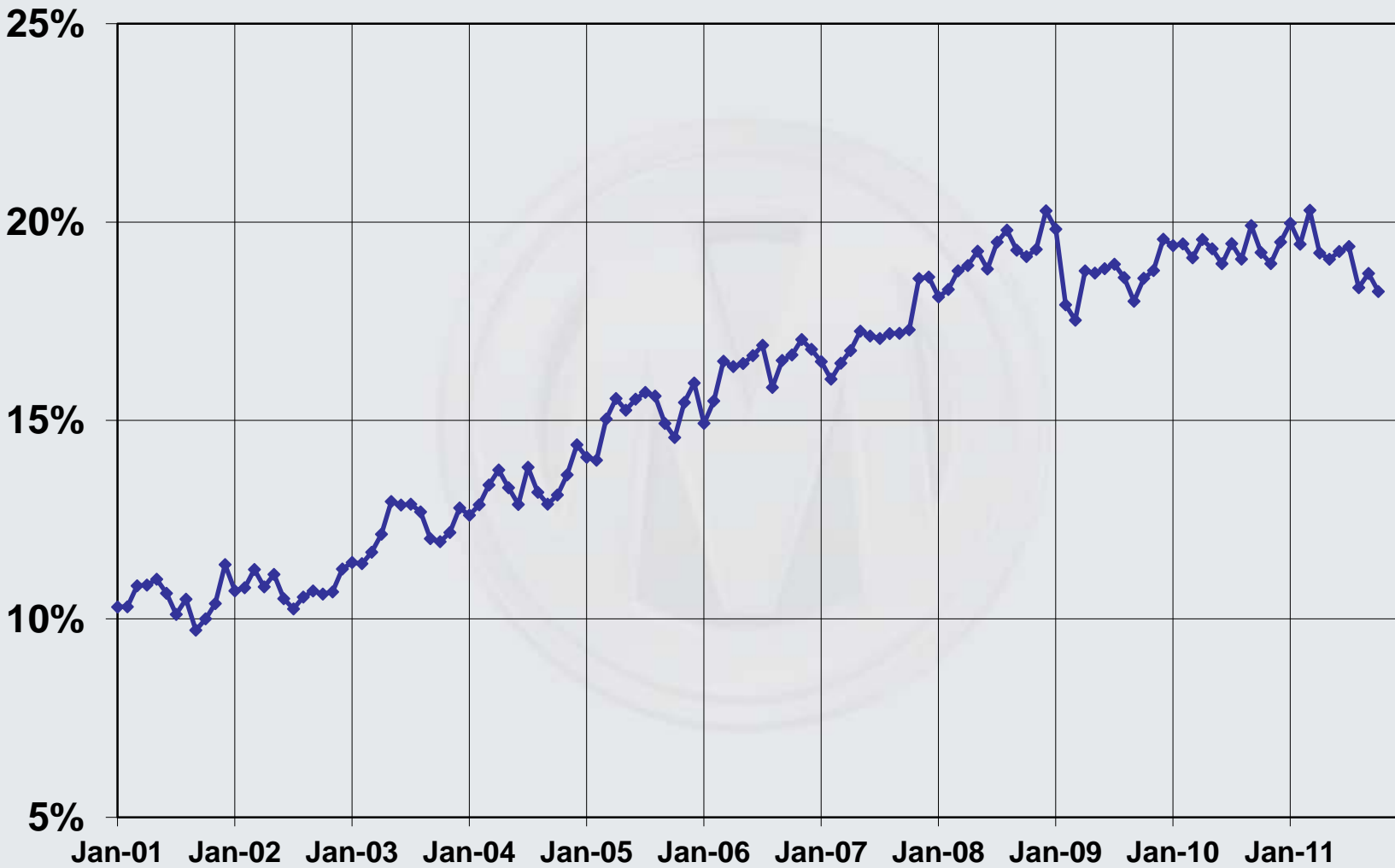
A single measure of used vehicle price change that is independent of underlying shifts in the characteristics of vehicles being sold

## STEPS:

- All Manheim U.S. sales (5+ million annually)
- Classify by market segment
- Account for shifts in mileage
- Weight to provide unchanging mix
- Seasonally adjust



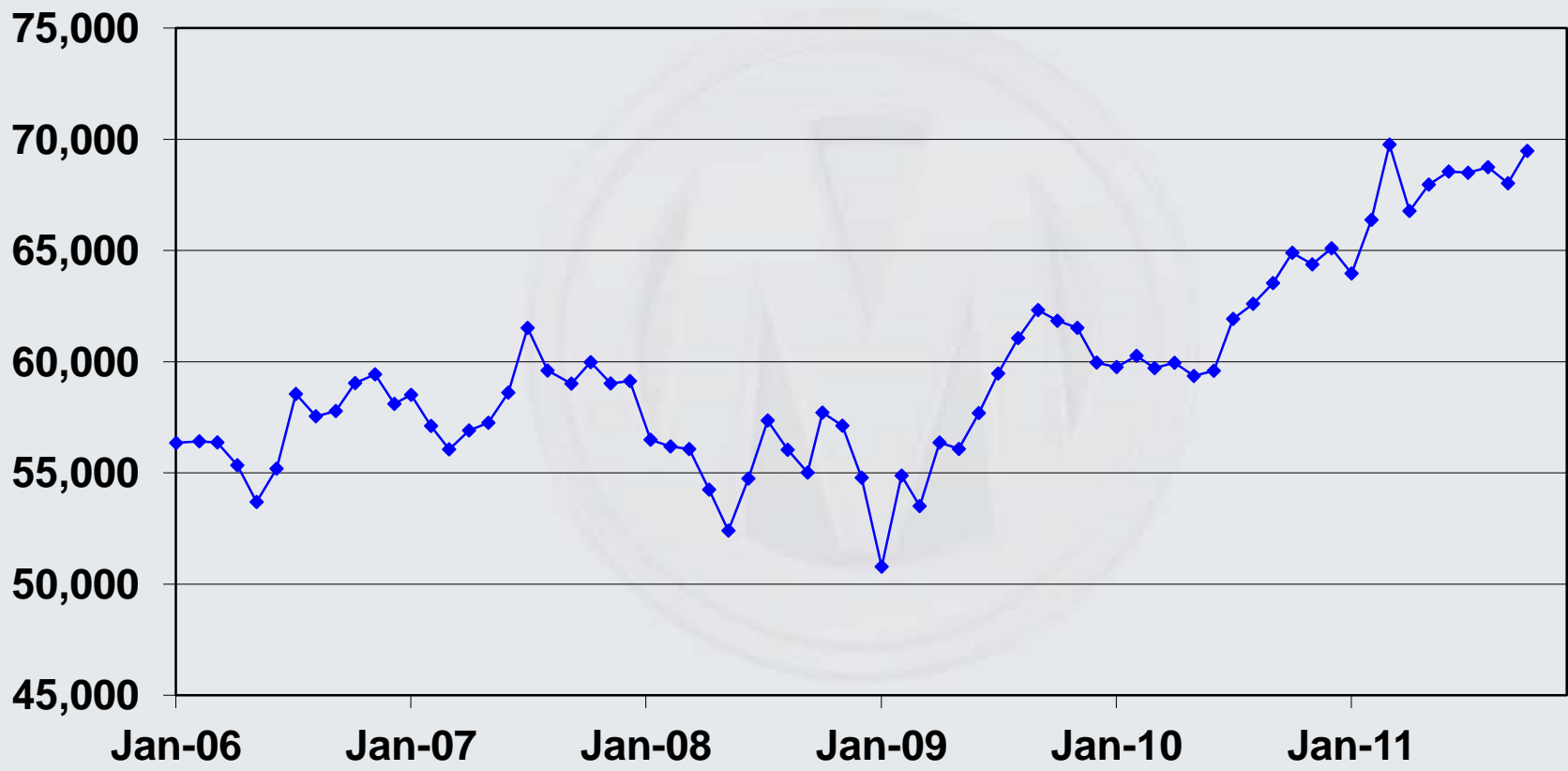
# Luxury Vehicles as % of Total Auction Sales



Source: Manheim Consulting



# Average Mileage - Compact Cars Sold at Auction



Source: Manheim Consulting



# Average Mileage - Fullsize SUV Sold at Auction



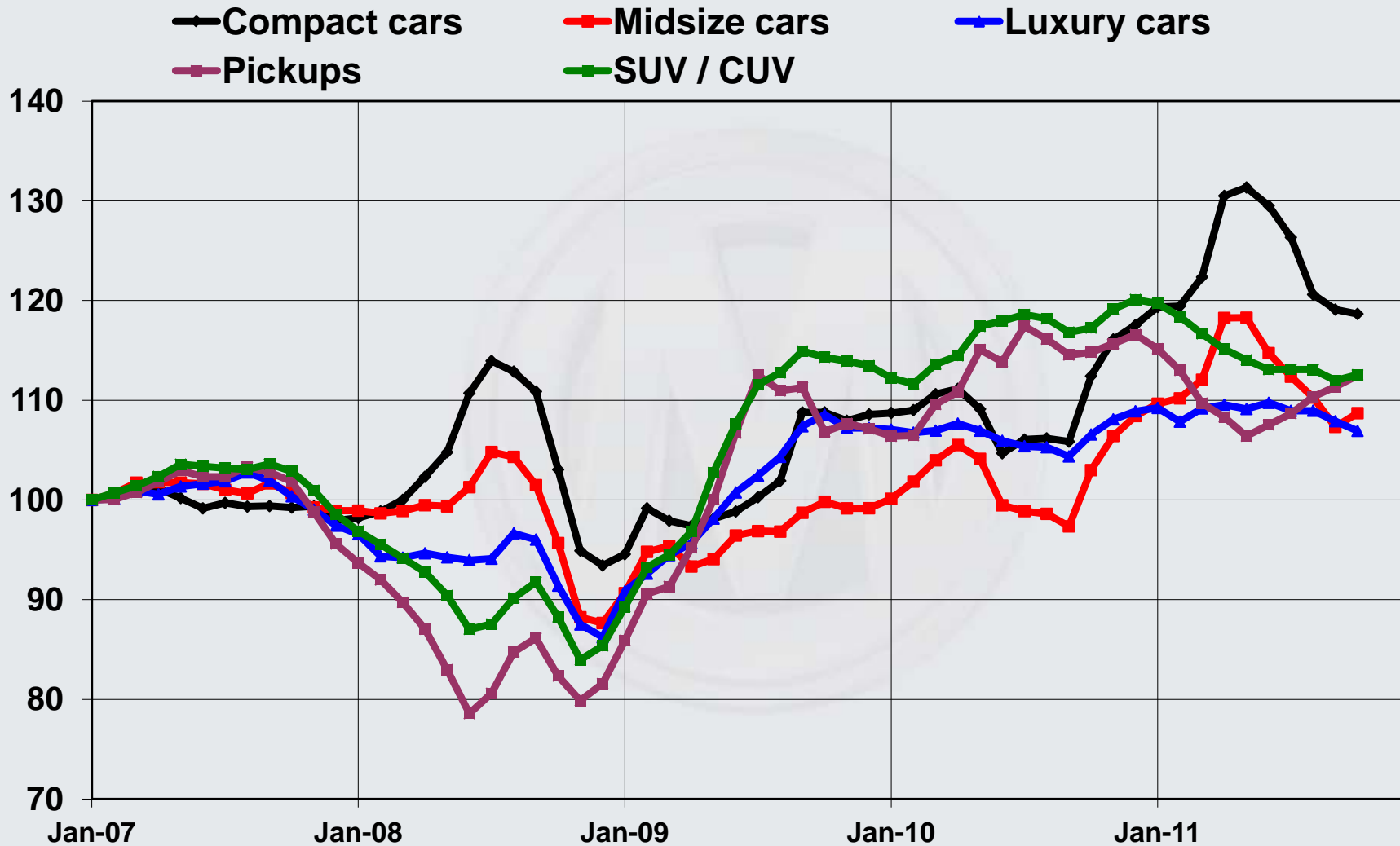
Source: Manheim Consulting



# Used Vehicle Price Trends – Selective Market Classes - January 2007 = 100



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Source: Manheim Consulting



# Manheim Used Vehicle Value Index



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January 1995 = 100



Source: Manheim Consulting



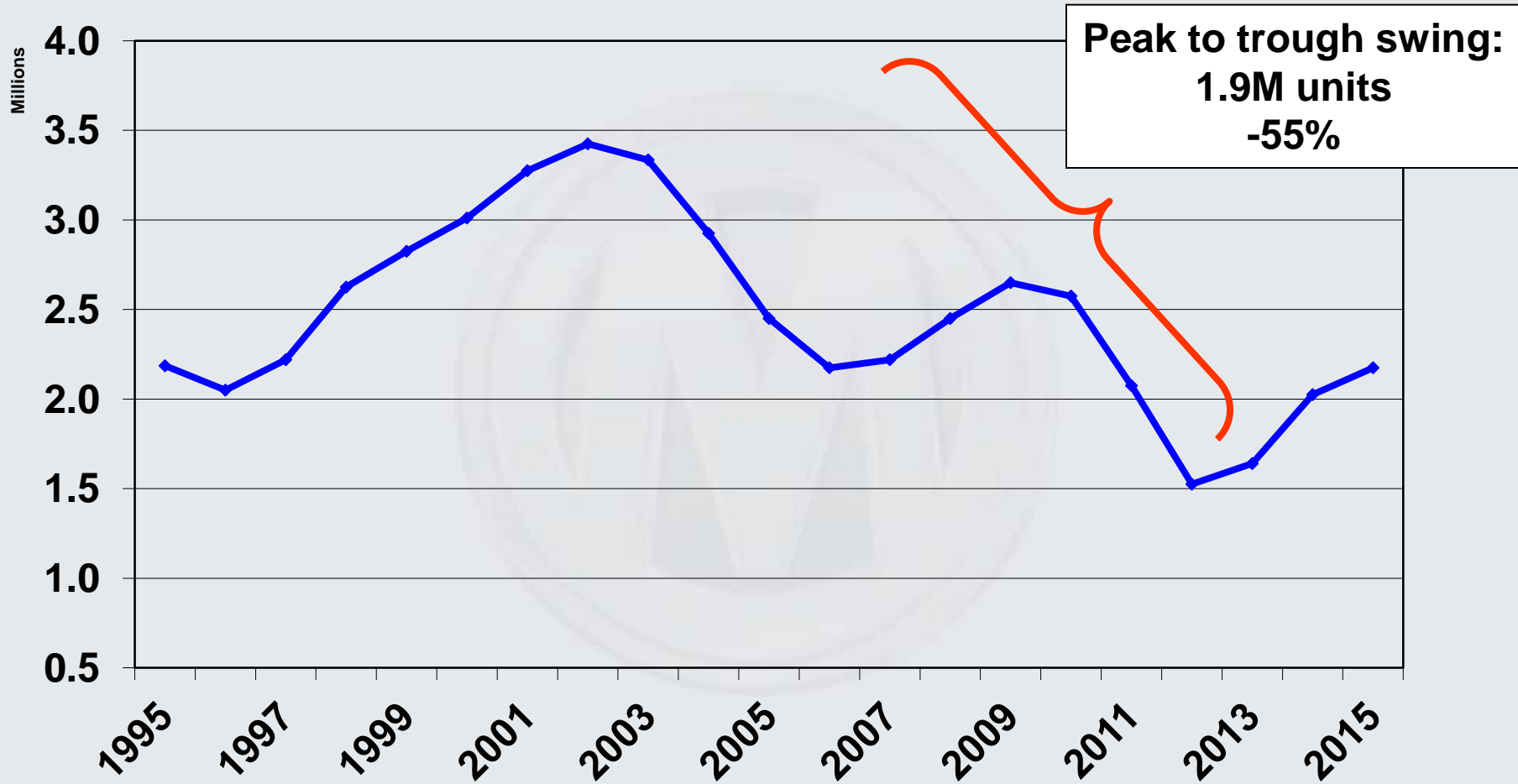
# Total Wholesale Supply: Off-rental



Source: Manheim Consulting



# Total Wholesale Supply: Off-lease



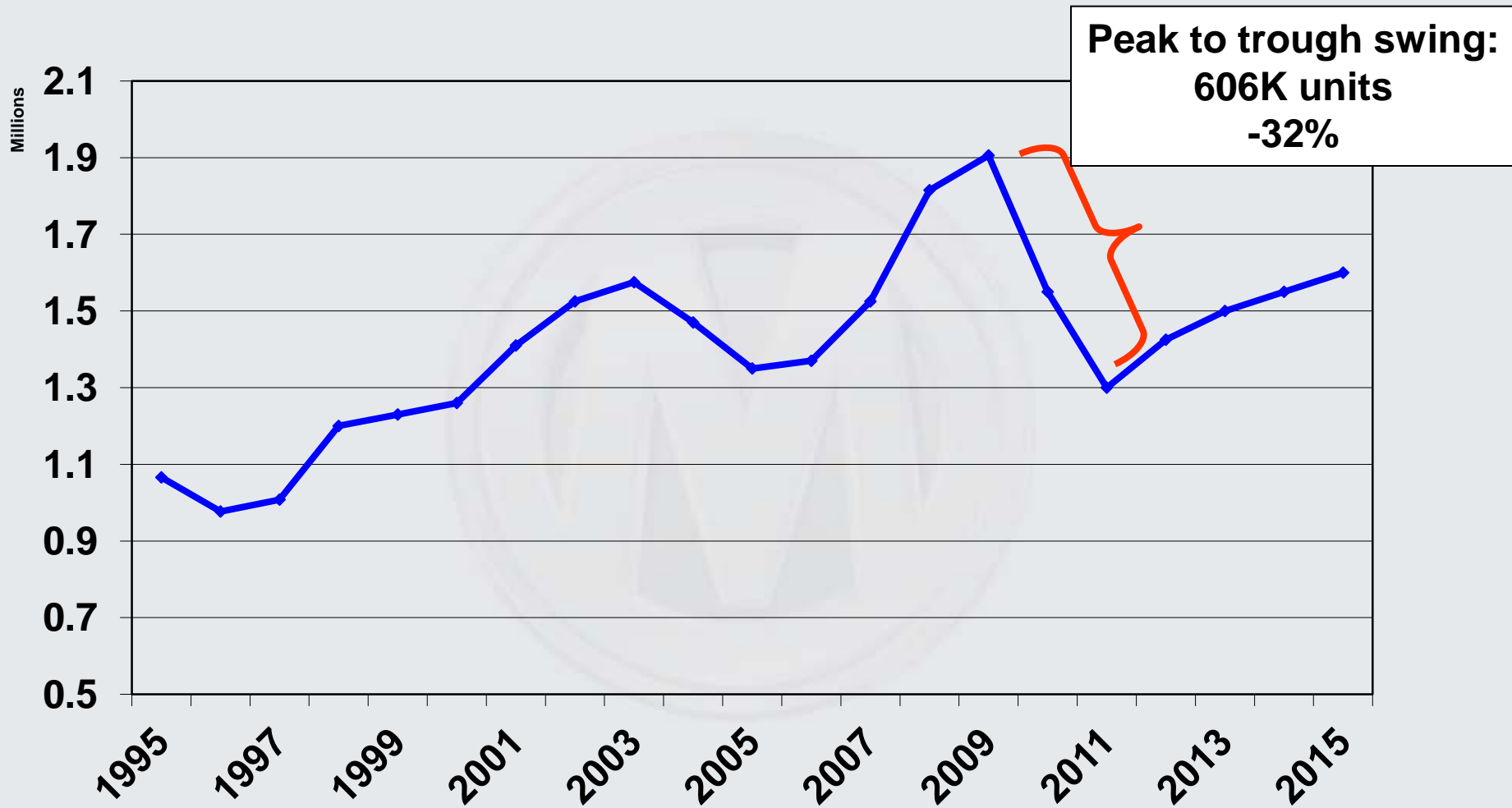
Source: Manheim Consulting



# Total Wholesale Supply: Repossessions



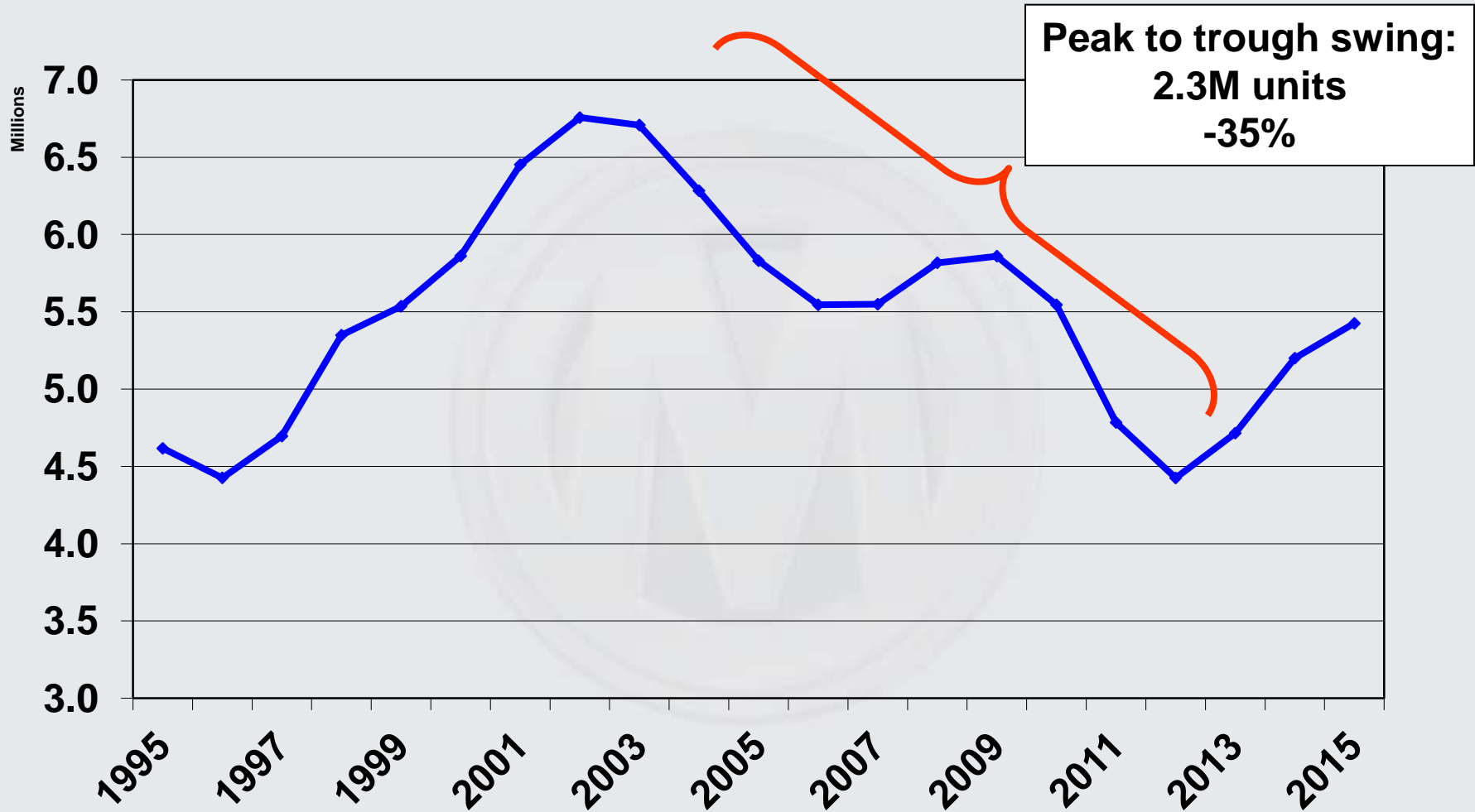
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Source: Manheim Consulting



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



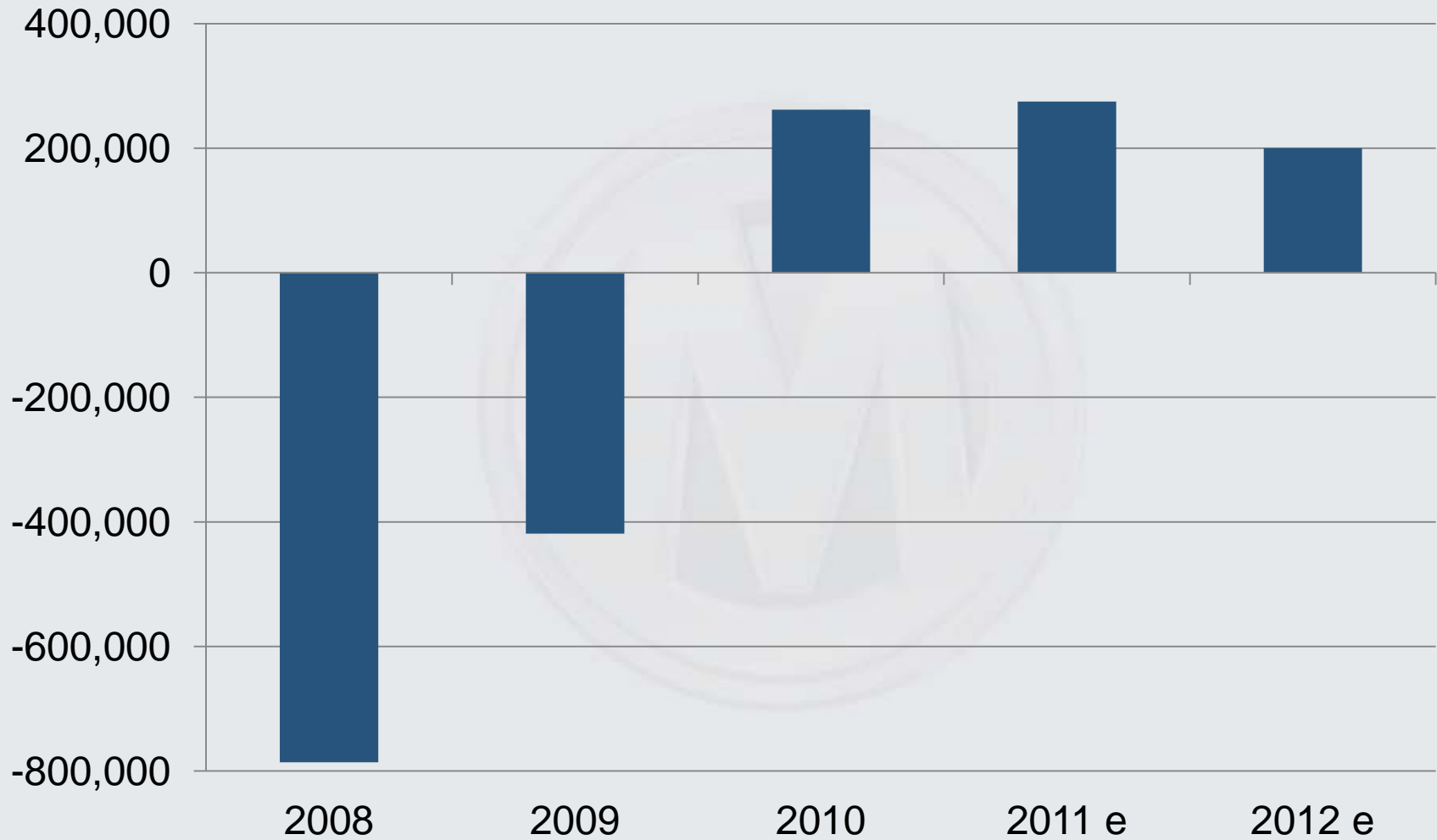
Source: Manheim Consulting



# Unit Change in Dealer-Consigned Vehicles Sold at NAAA Auctions



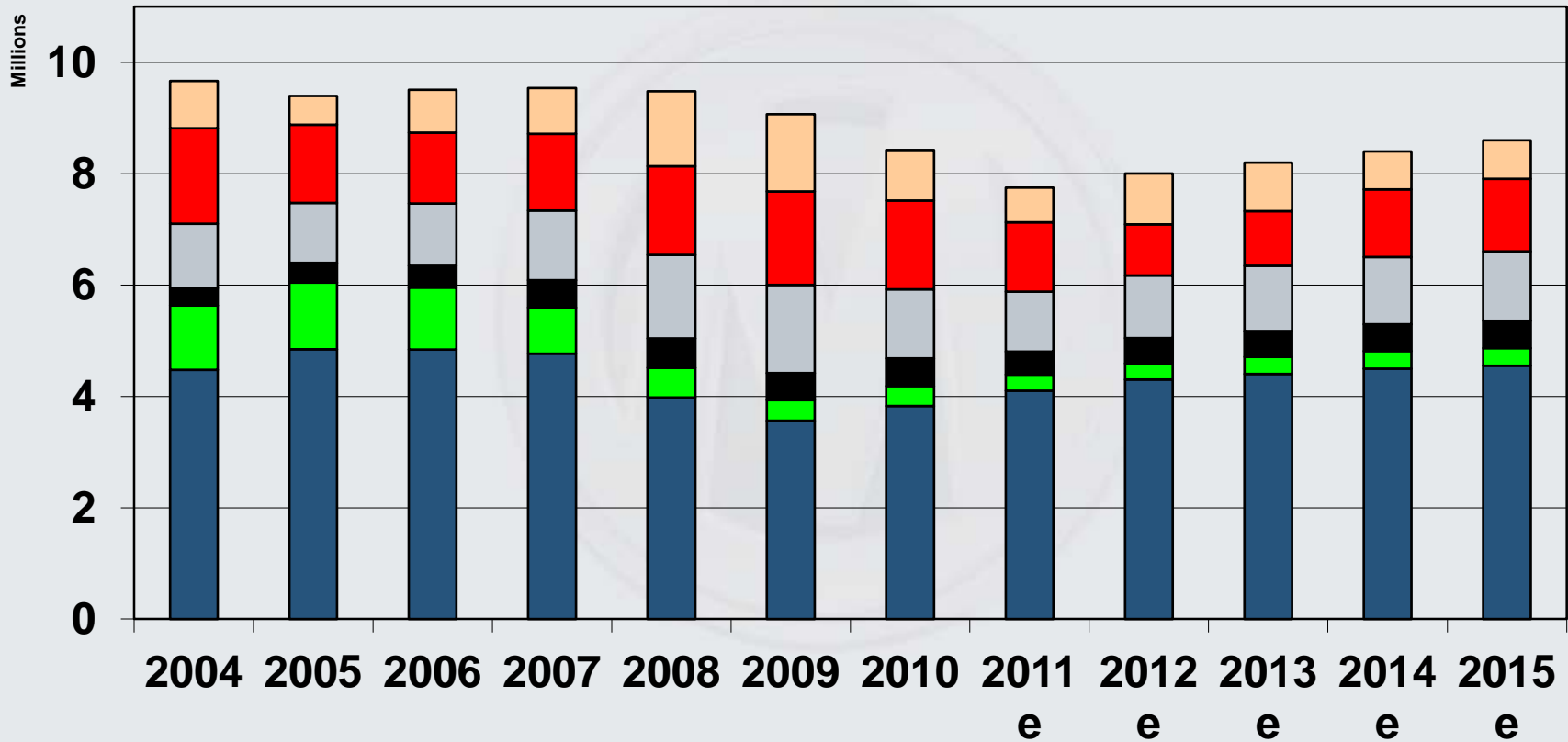
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**Source: NAAA & Manheim Consulting**



# Auction Volumes



Source: Manheim Consulting





***“What appears today to be abnormal pricing, is, in fact, normal. And what was once considered normal, was, in fact, a period of abnormality”***

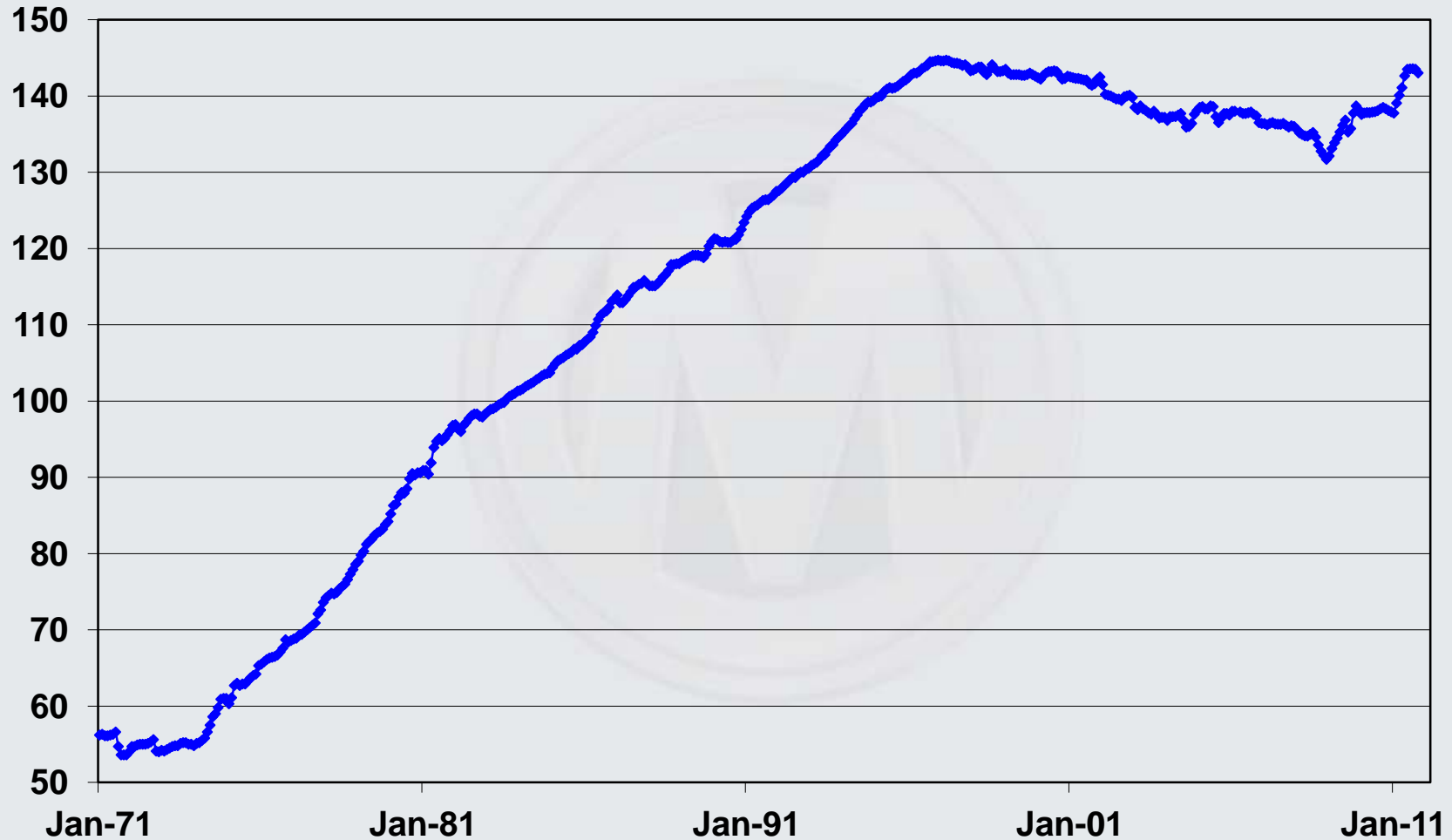


# New Vehicle CPI

1982-1984 = 100



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Source: Bureau of Labor Statistics



# Year-over-Year Percent Change in New Vehicle CPI



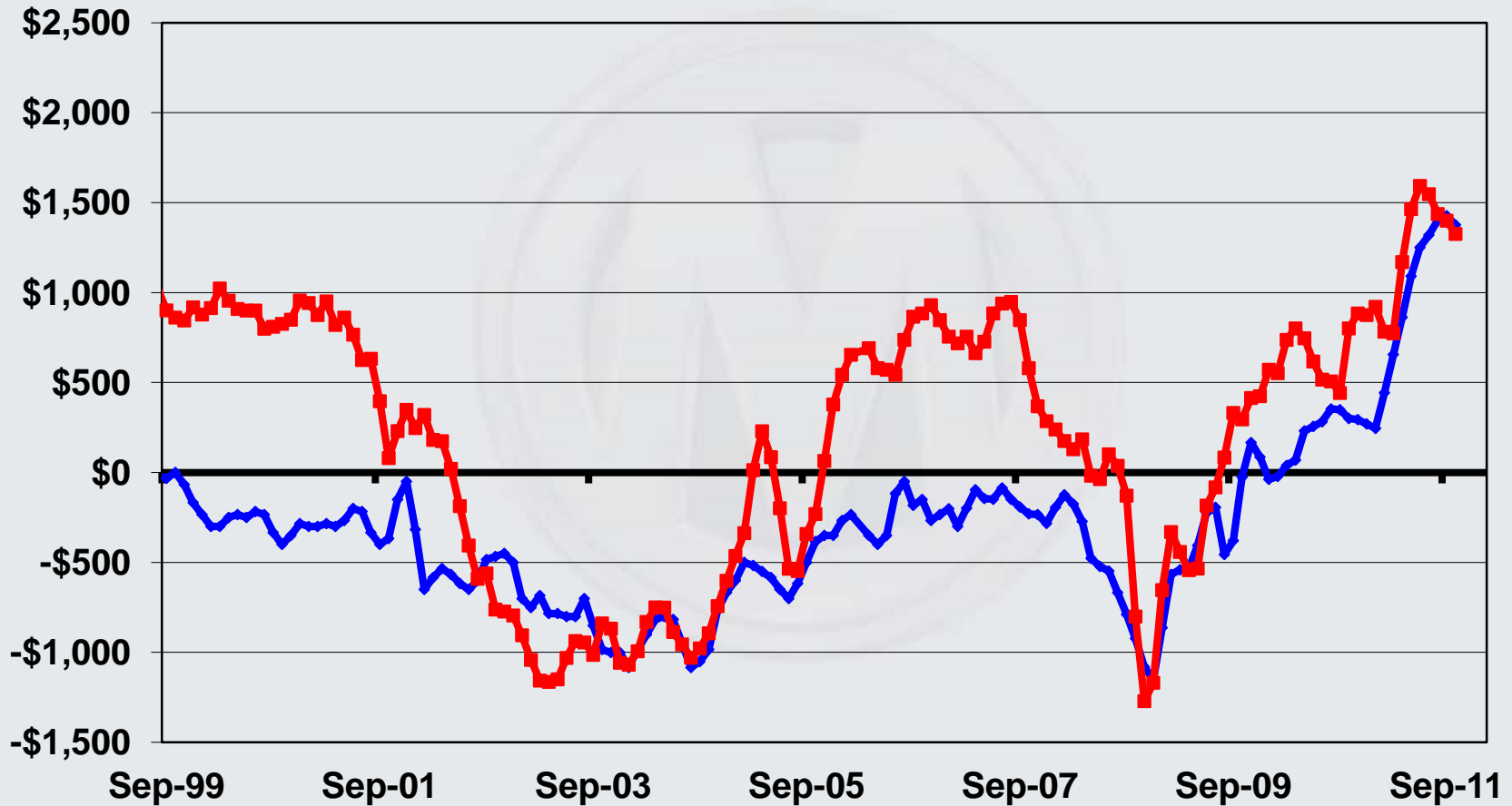
Source: Bureau of Labor Statistics



# Dollar Change Over 3 ½ Years in New Vehicle CPI and Manheim Index



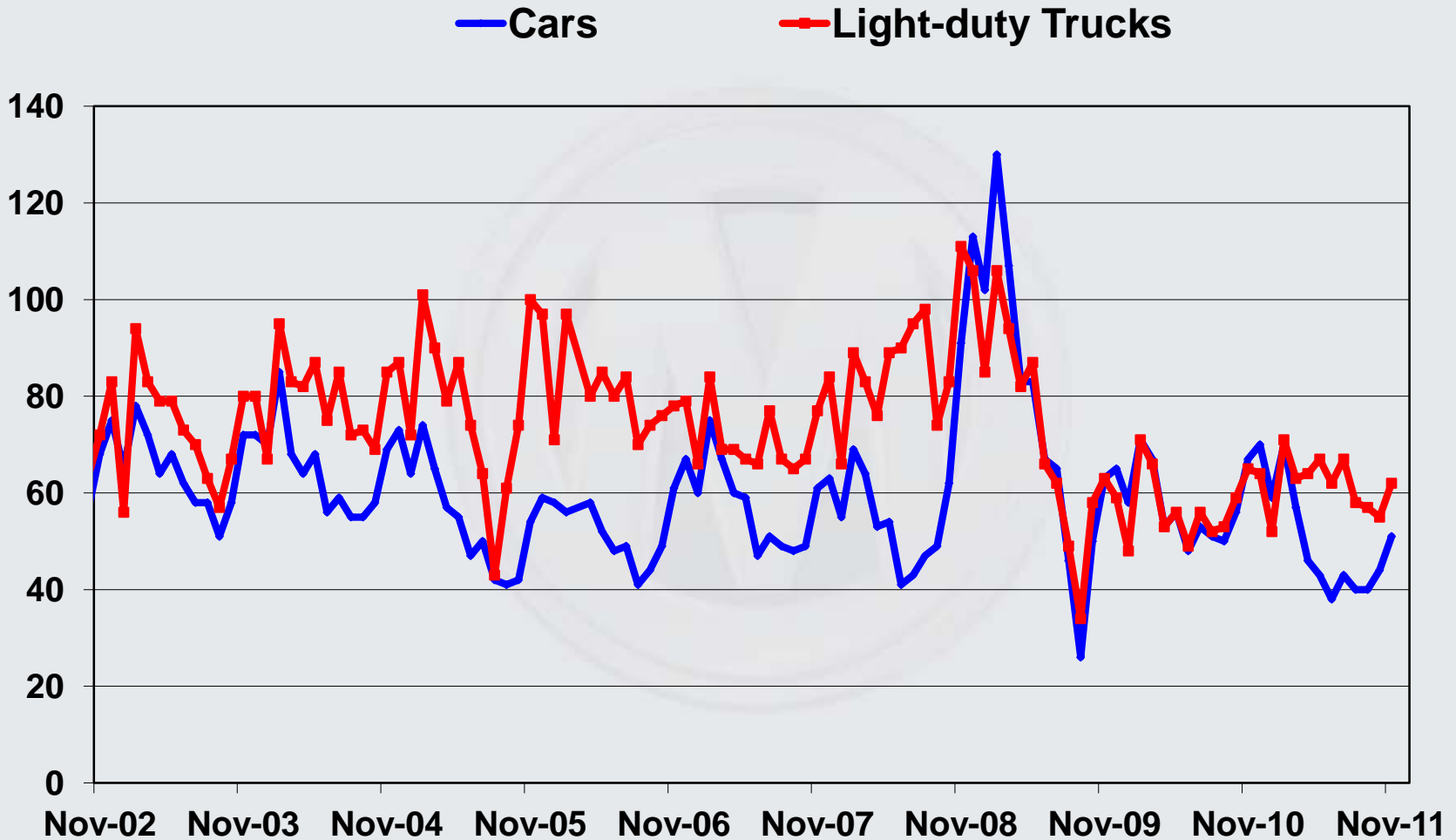
**— New Vehicle CPI**      **— Manheim Index**



Source: Bureau of Labor Statistics & Manheim Consulting



# New Vehicle Inventory Days Supply



Source: Automotive News



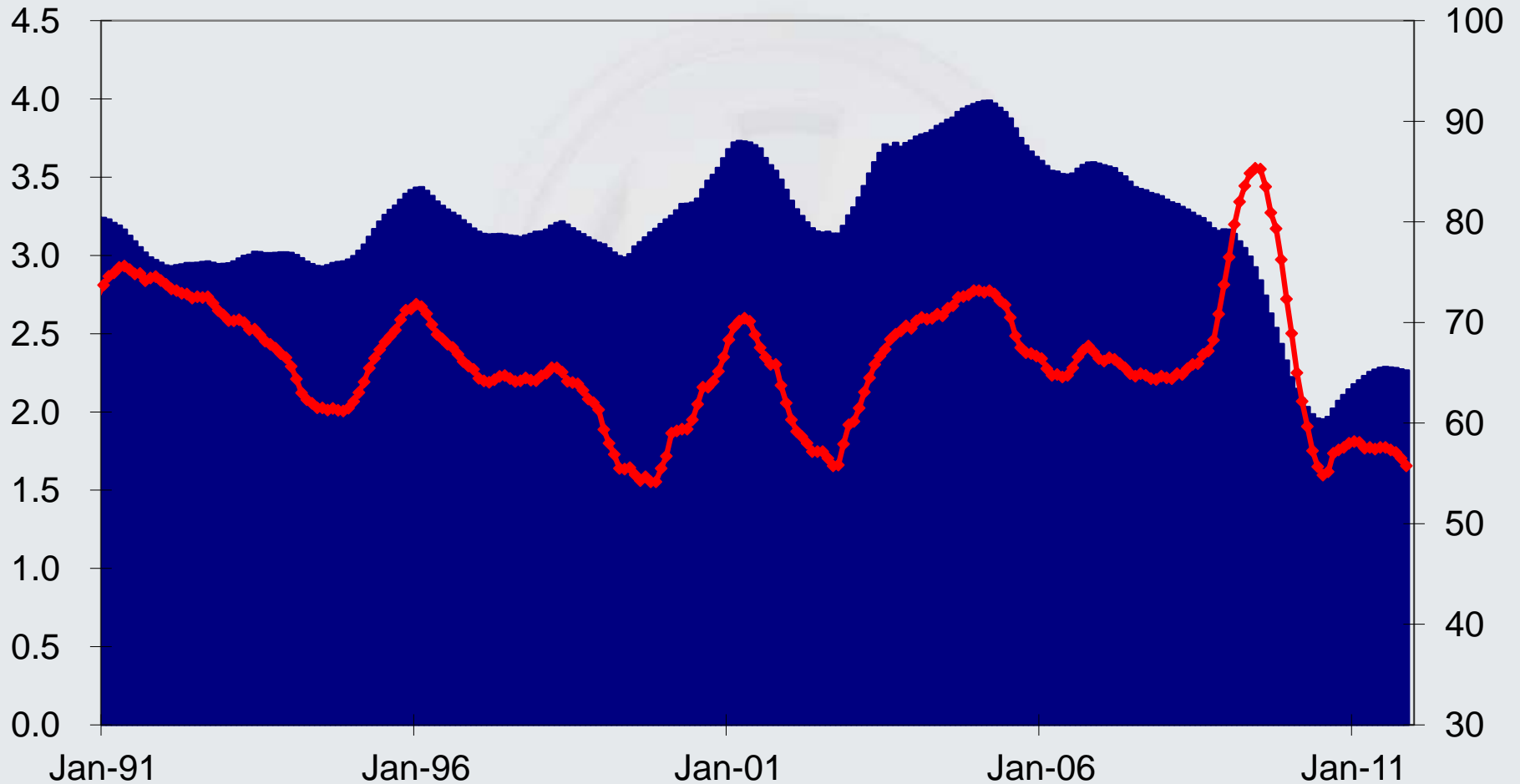
# New Vehicle Inventory

## 12-month moving average



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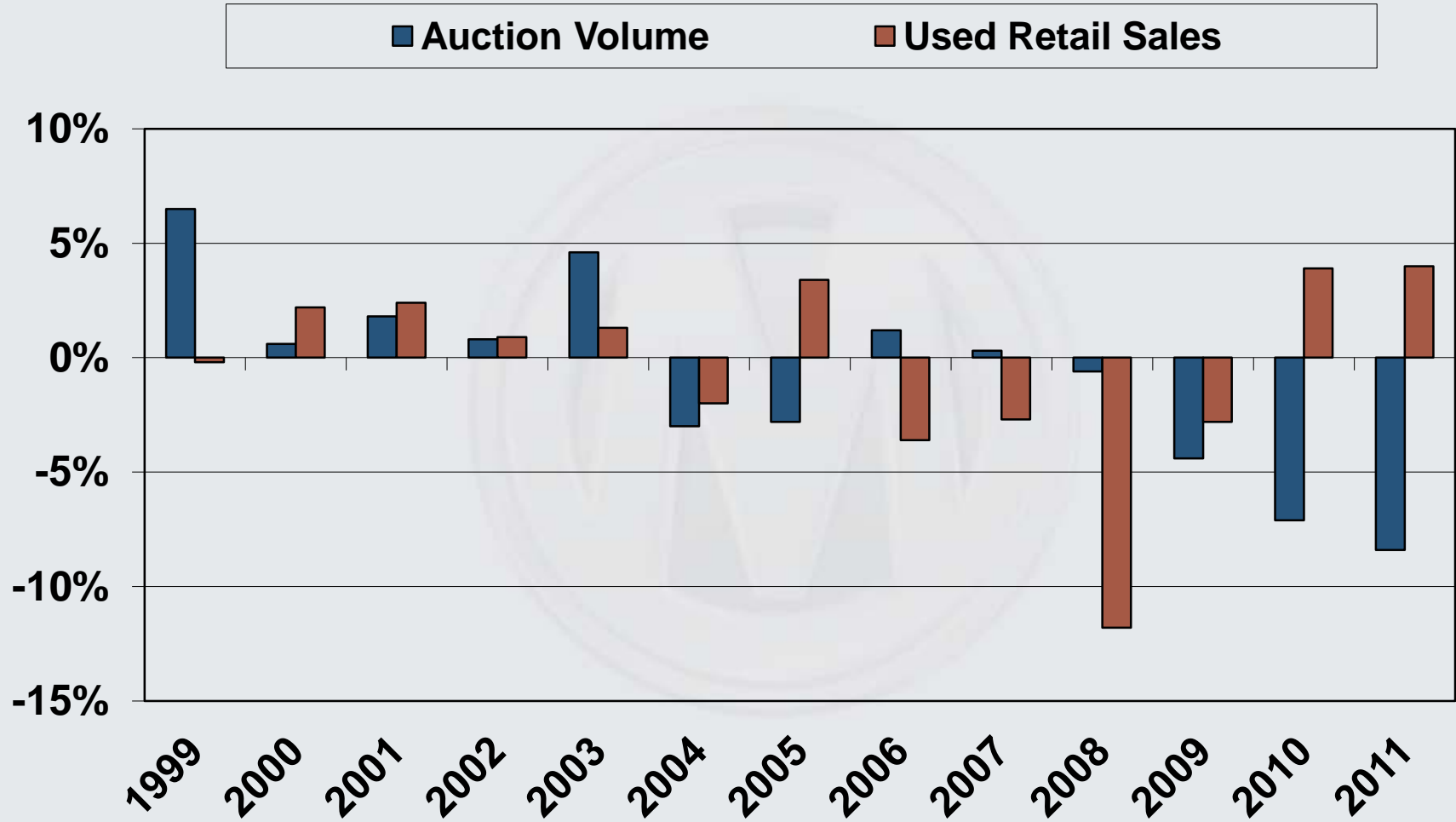
Inventory Days Supply



Source: Automotive News



# Percent Change in Auction Volume vs. Percent Change in Used Retail Sales



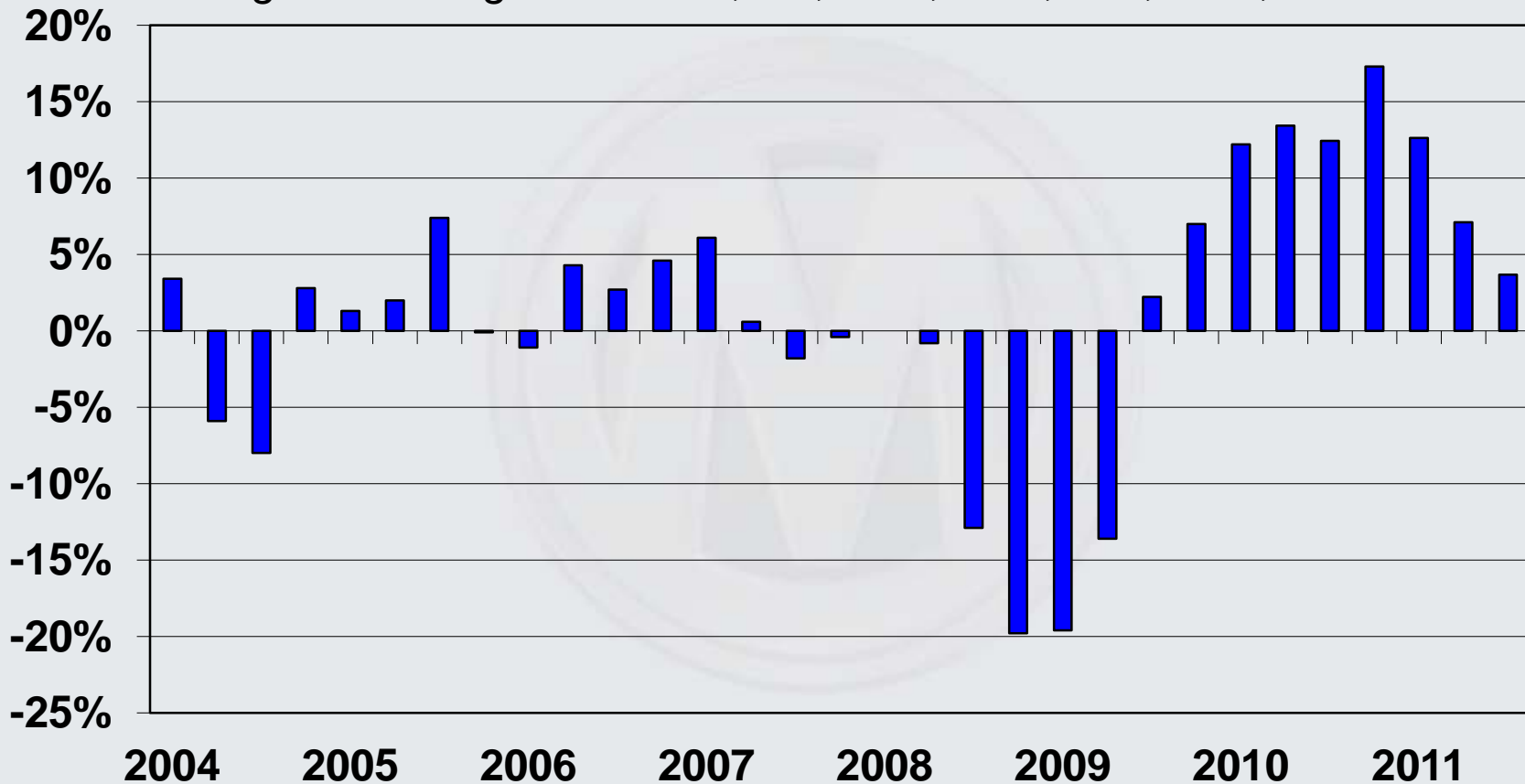
Source: National Auto Auction Association & CNW



# % Change Used Units Retailed – Same Store Basis (Publicly-traded Dealership Groups)



*Weighted average for KMX \*, AN, PAG, SAH, GPI, ABG, and LAD*



*\*KMX shifted forward one month to correspond with calendar quarter*

*Source: Company filings*

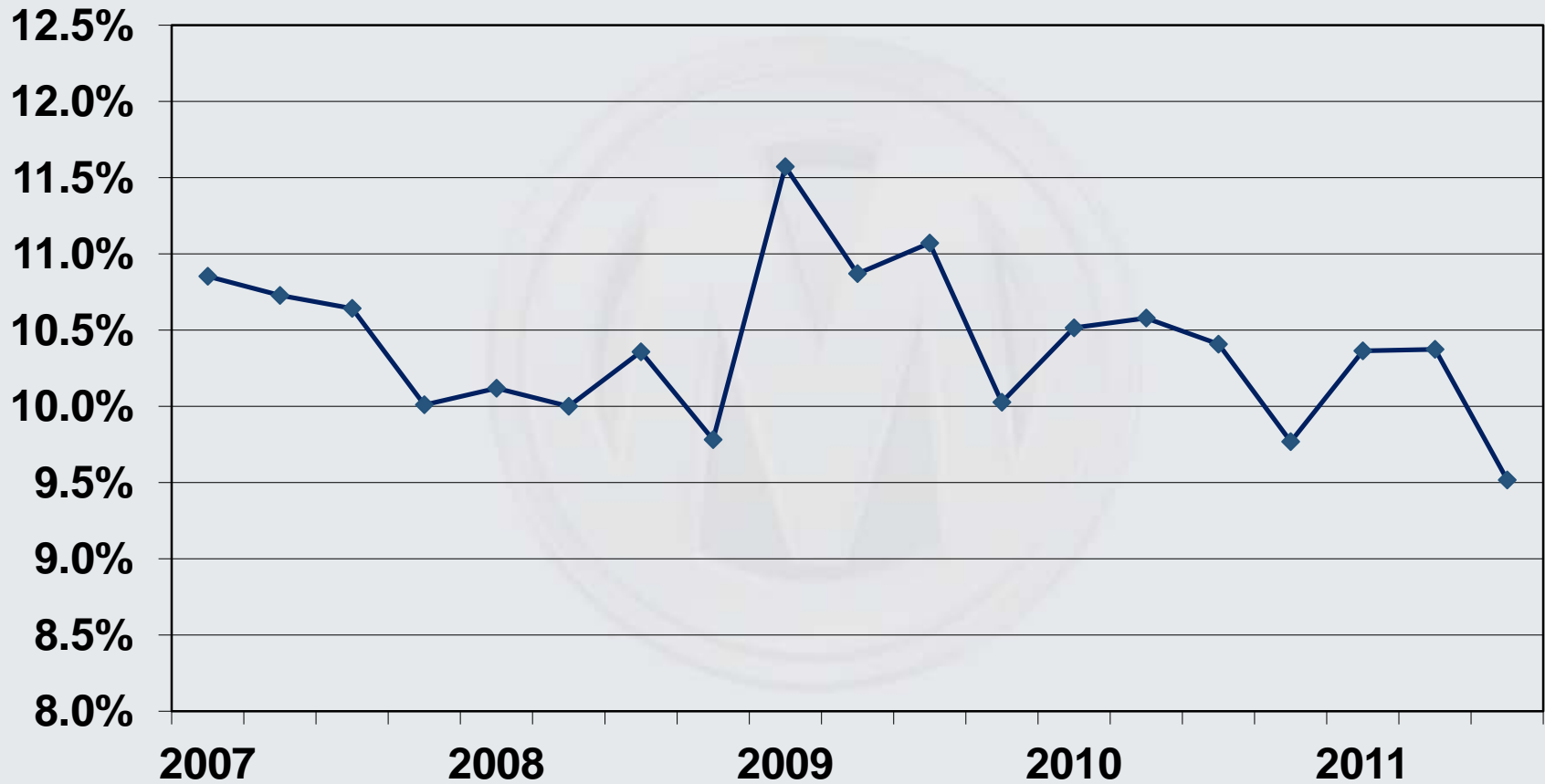


# Used Vehicle Retail Gross Margin (Publicly-traded Dealership Groups)



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*Sales-weighted average for KMX \*, AN, PAG, SAH, GPI, ABG, and LAD*



*\*KMX shifted forward one month to correspond with calendar quarter*

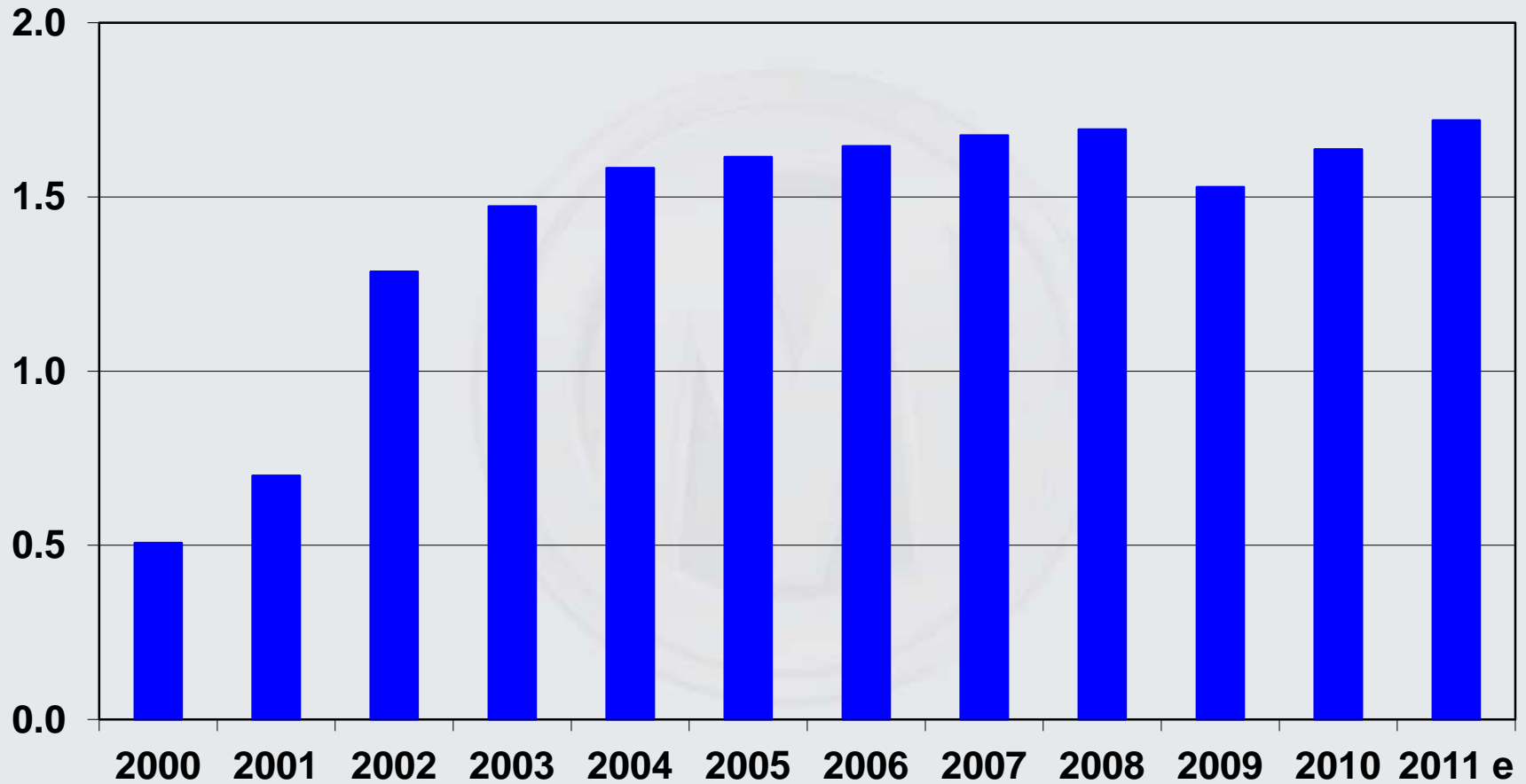
*Source: Company filings*





# Certified Pre-Owned Sales

In Millions



*Source: Automotive News*

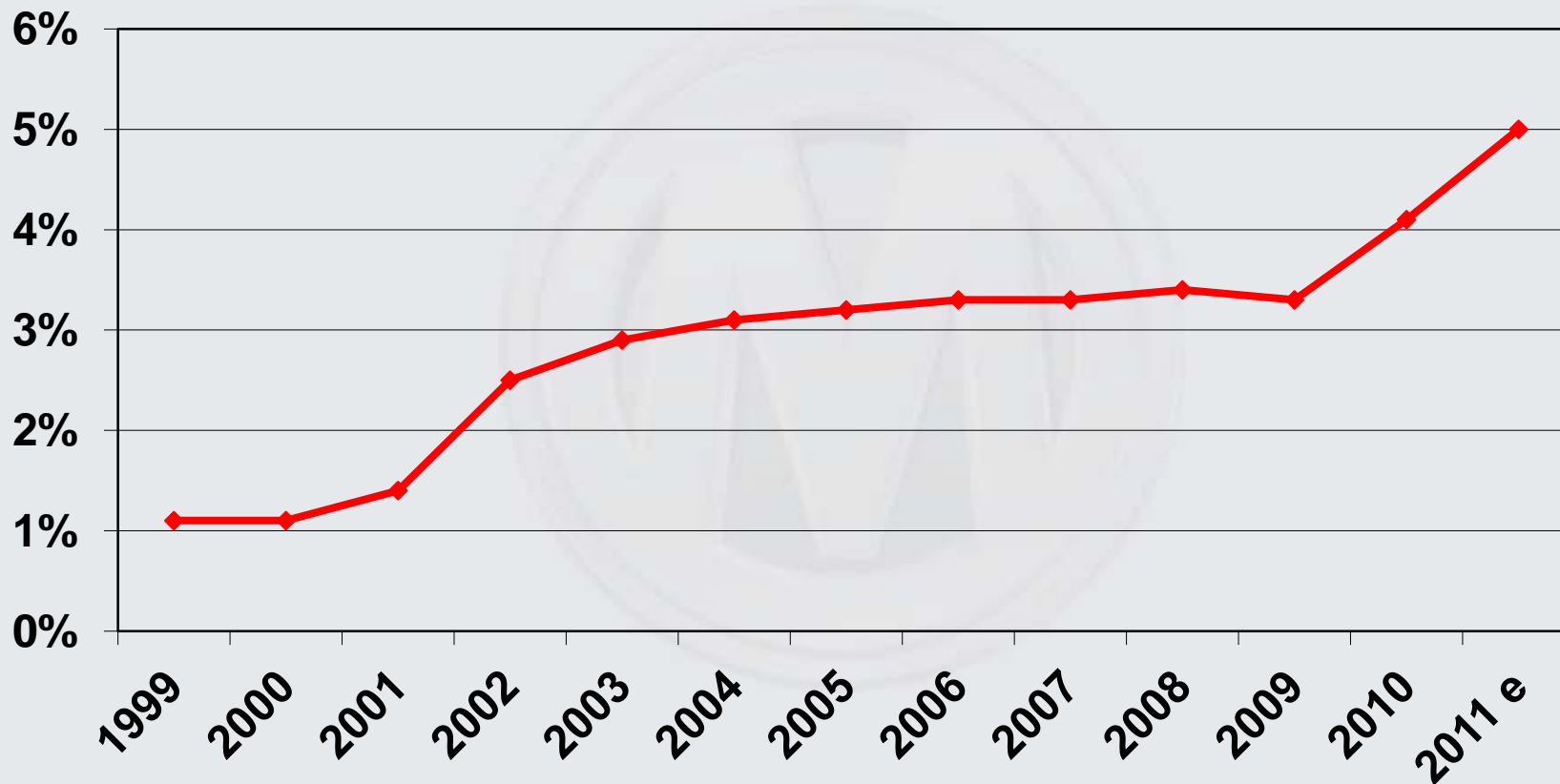


# CPO Sales as % of New Vehicle Sales Over the Prior Three Years



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◆ Total Industry



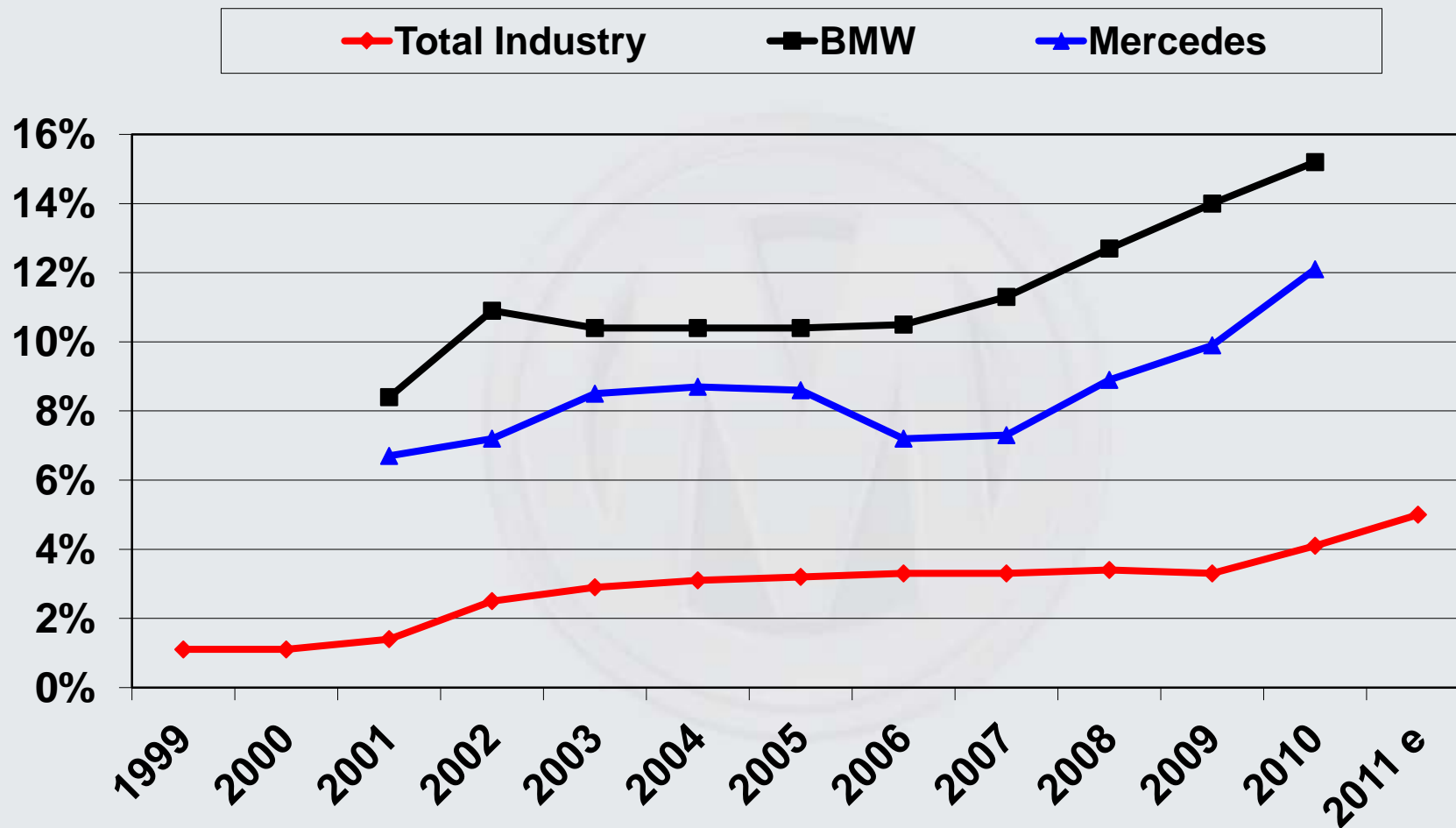
Source: Manheim Consulting



# CPO Sales as % of New Vehicle Sales Over the Prior Three Years



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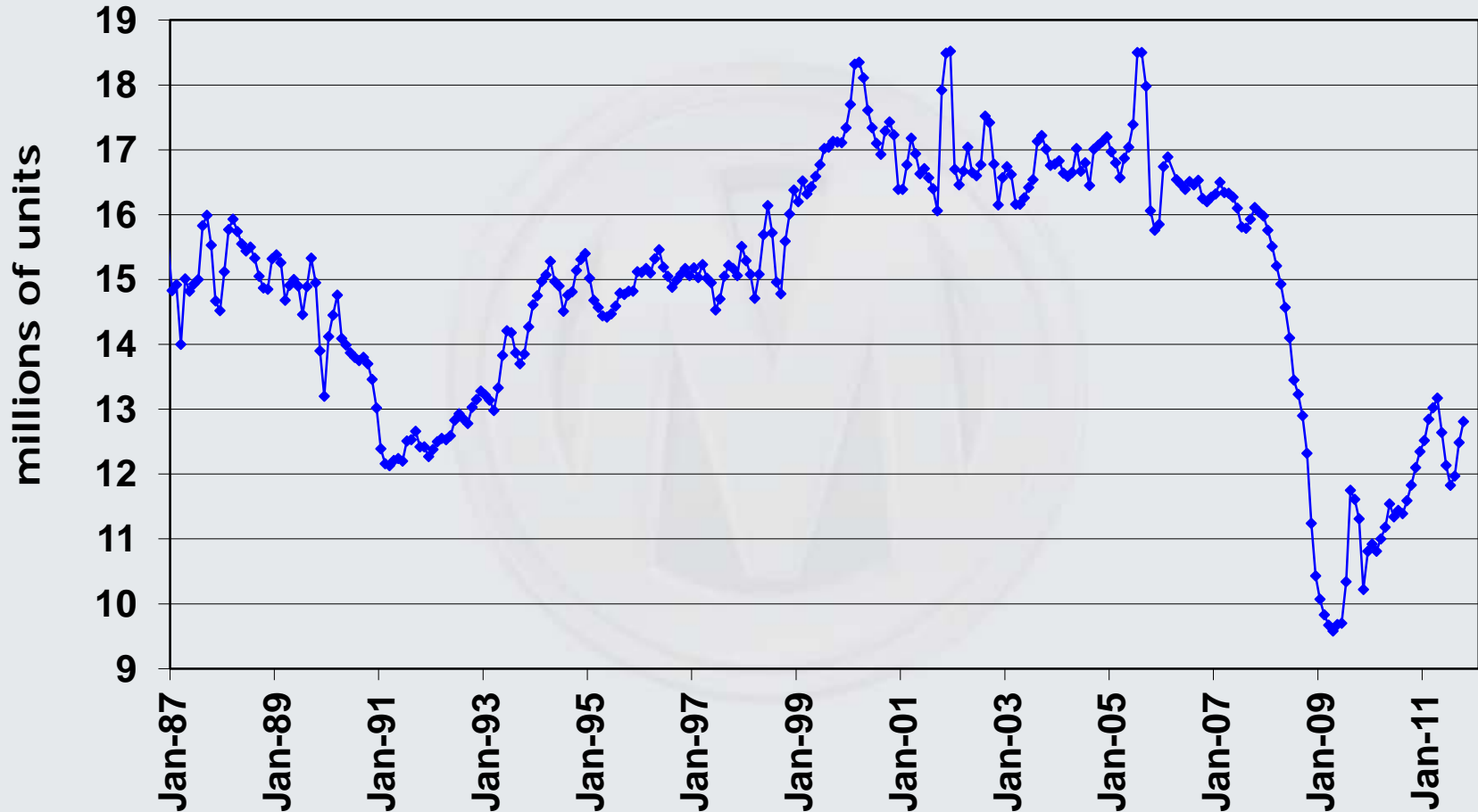
Source: Manheim Consulting



# New Car & Light-Duty Truck Sales



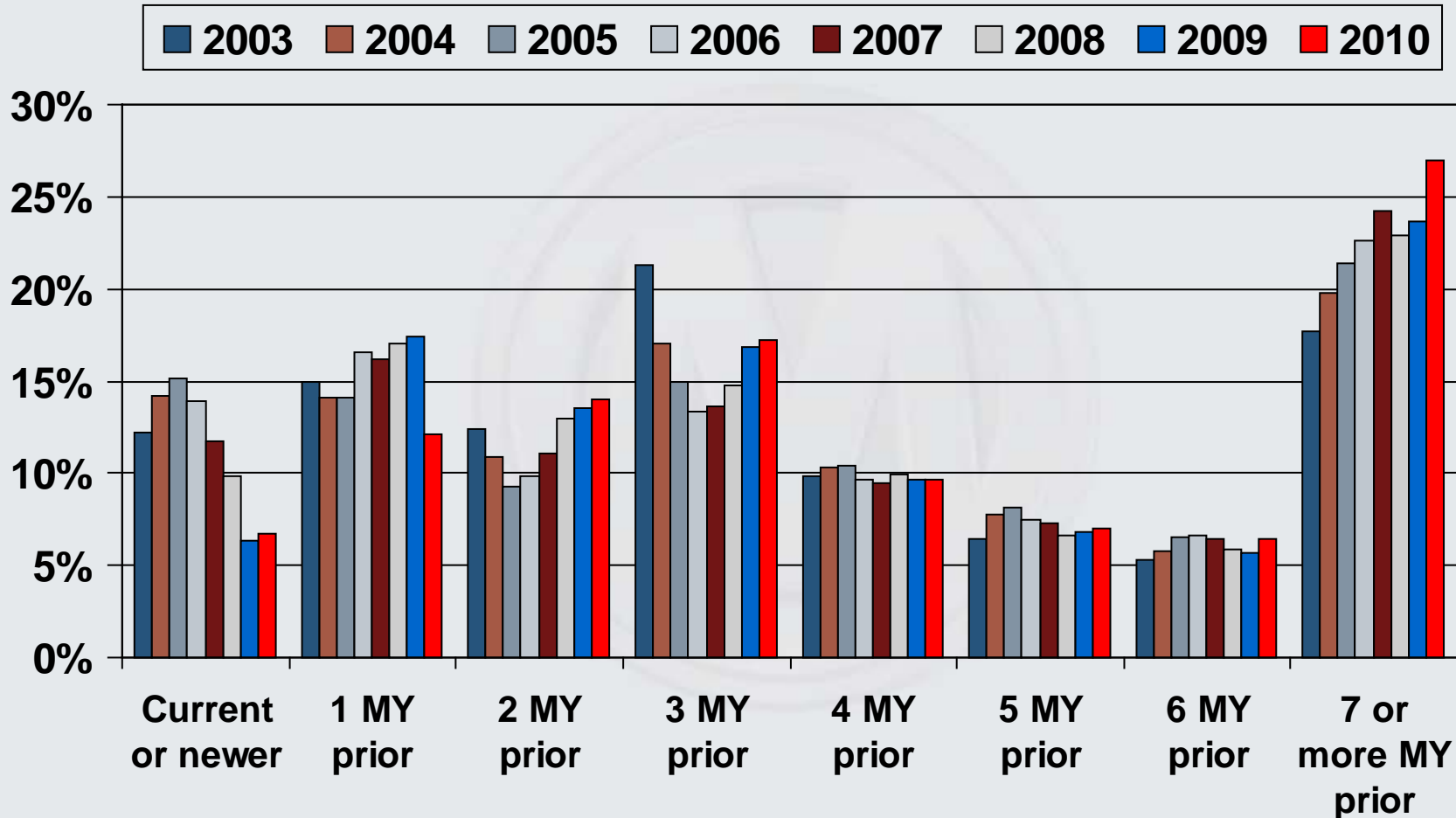
Seasonally Adjusted Annual Rate - 3-Month Moving Average



Source: Automotive News



# Percent Distribution of Auction Sales By Model Year



Source: Manheim Consulting





# Recent Events

- Debt ceiling “debate”
- S&P downgrades the U.S.
- Federal Reserve defines “extended period”
- Federal Reserve’s “Operation Twist”
- European sovereign debt issue intensifies and spreads





# The recovery: an upward slanted “W”

## *The reasons why:*

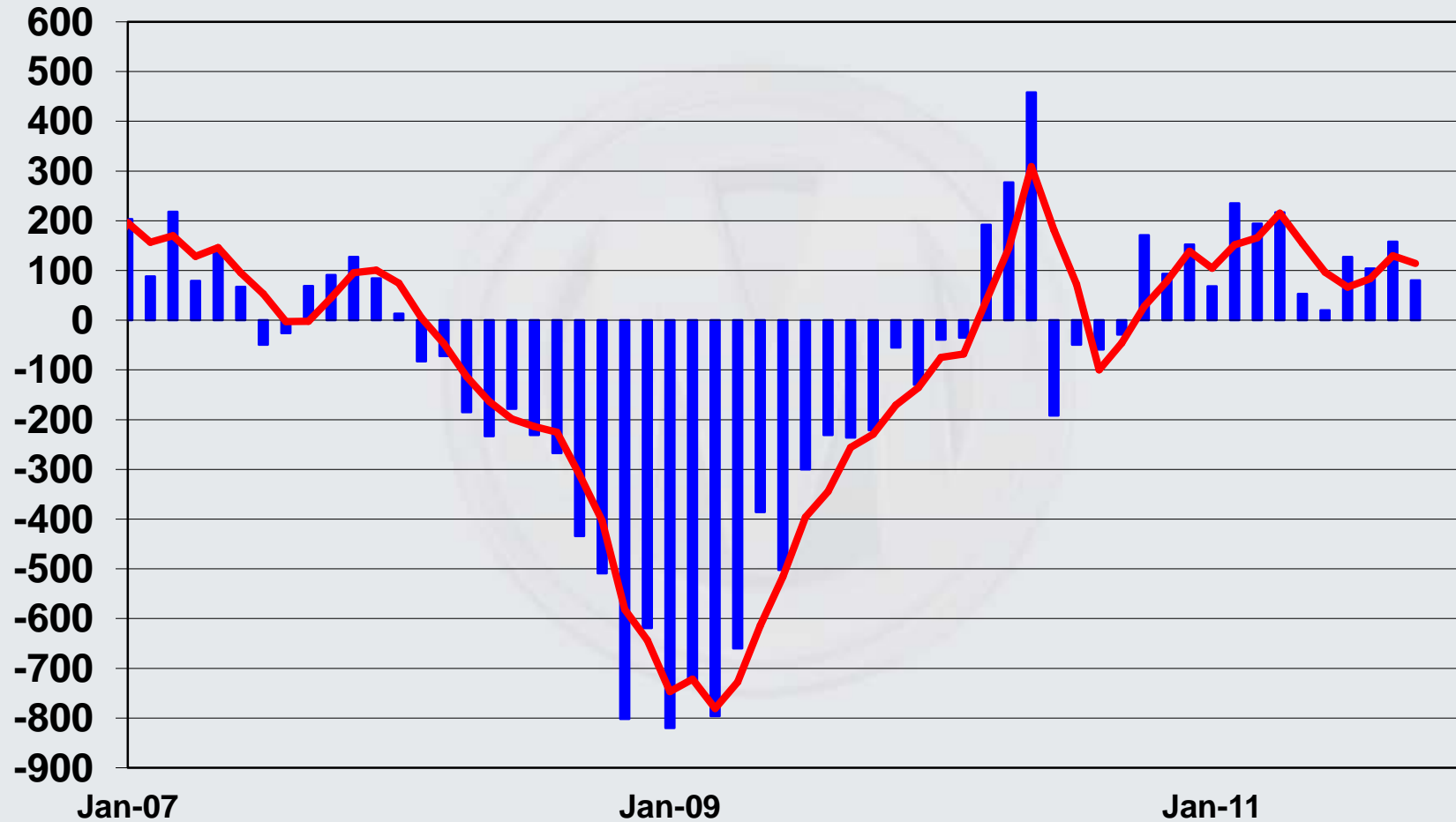
- Financial crisis leaves lasting scars
- De-leveraging is slow and painful process
- Policymakers add obstacles and uncertainty
- Unpredictable events in a global economy
- Housing remains dormant
- Employment losses were enormous



# Monthly Employment Growth



### Monthly Change in Nonfarm Payrolls (in thousands)



Source: Bureau of Labor Statistics



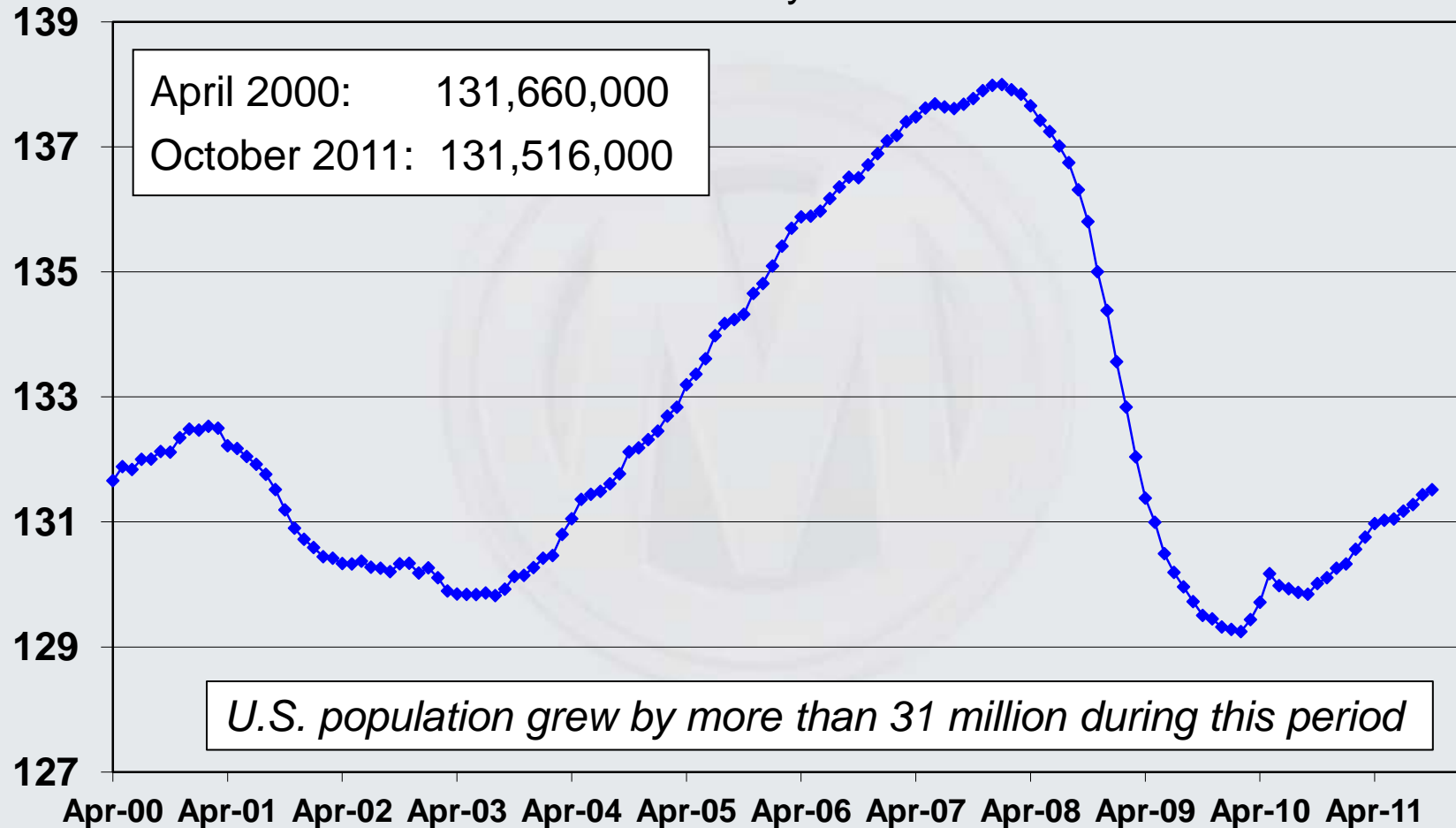


# A Lost Decade?

*No a lost decade plus one and counting*



Total U.S. Nonfarm Payrolls – in Millions

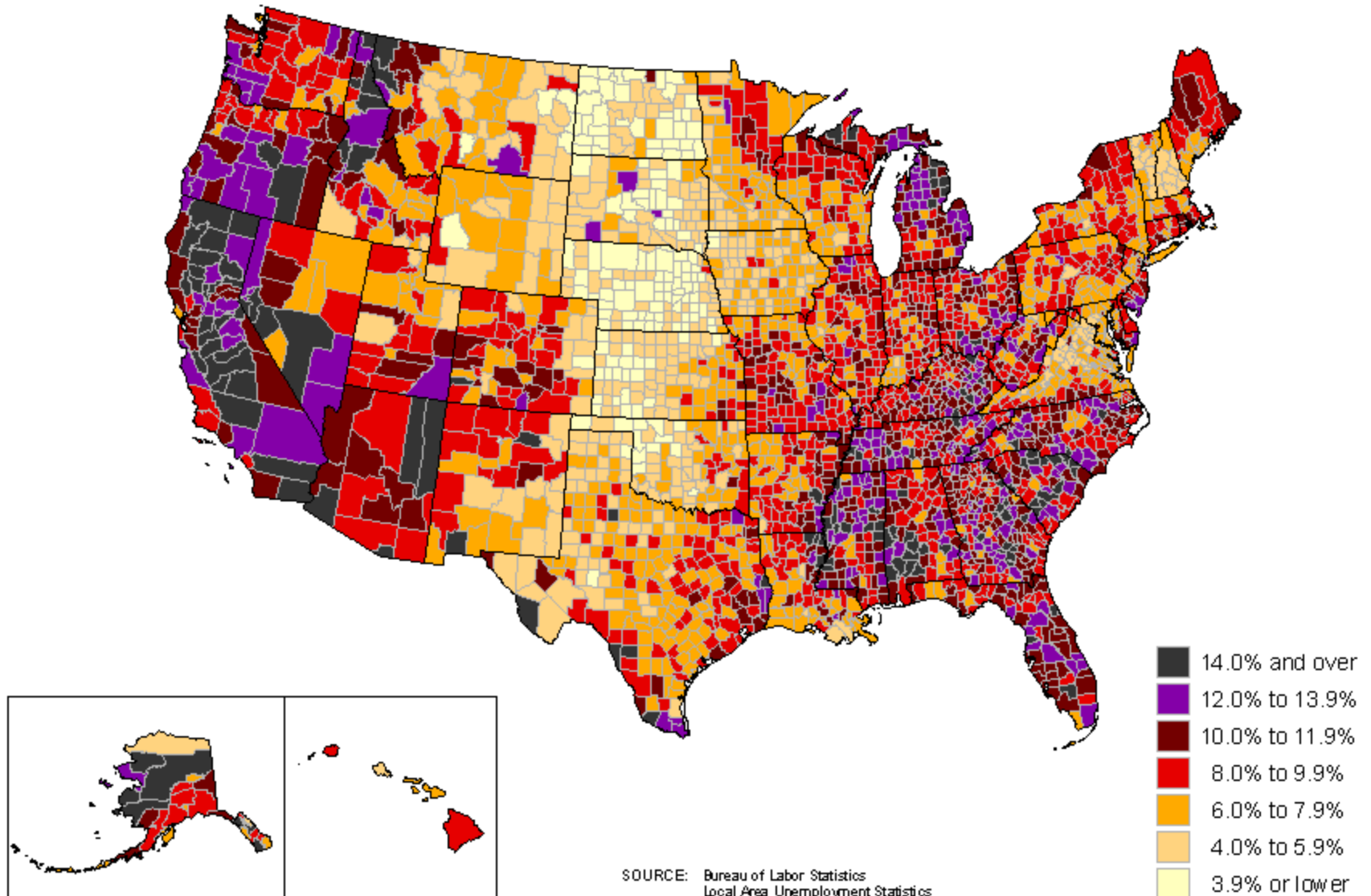


Source: Bureau of Labor Statistics



# Unemployment rates by county, October 2010 – September 2011 averages

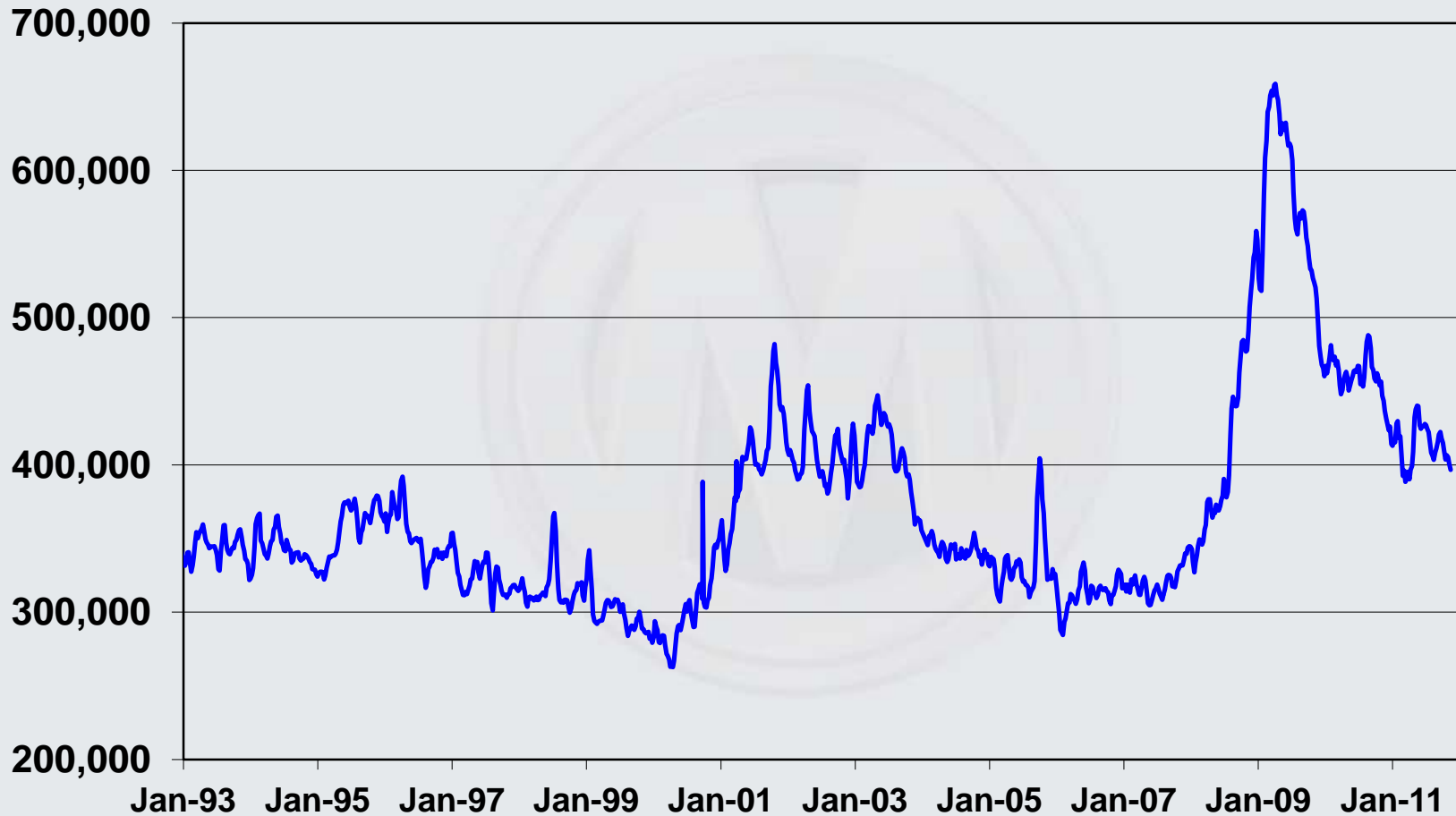
(U.S. rate = 9.2 percent)



# Initial Jobless Claims - Four-Week Moving Average



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Source: Bureau of Labor Statistics



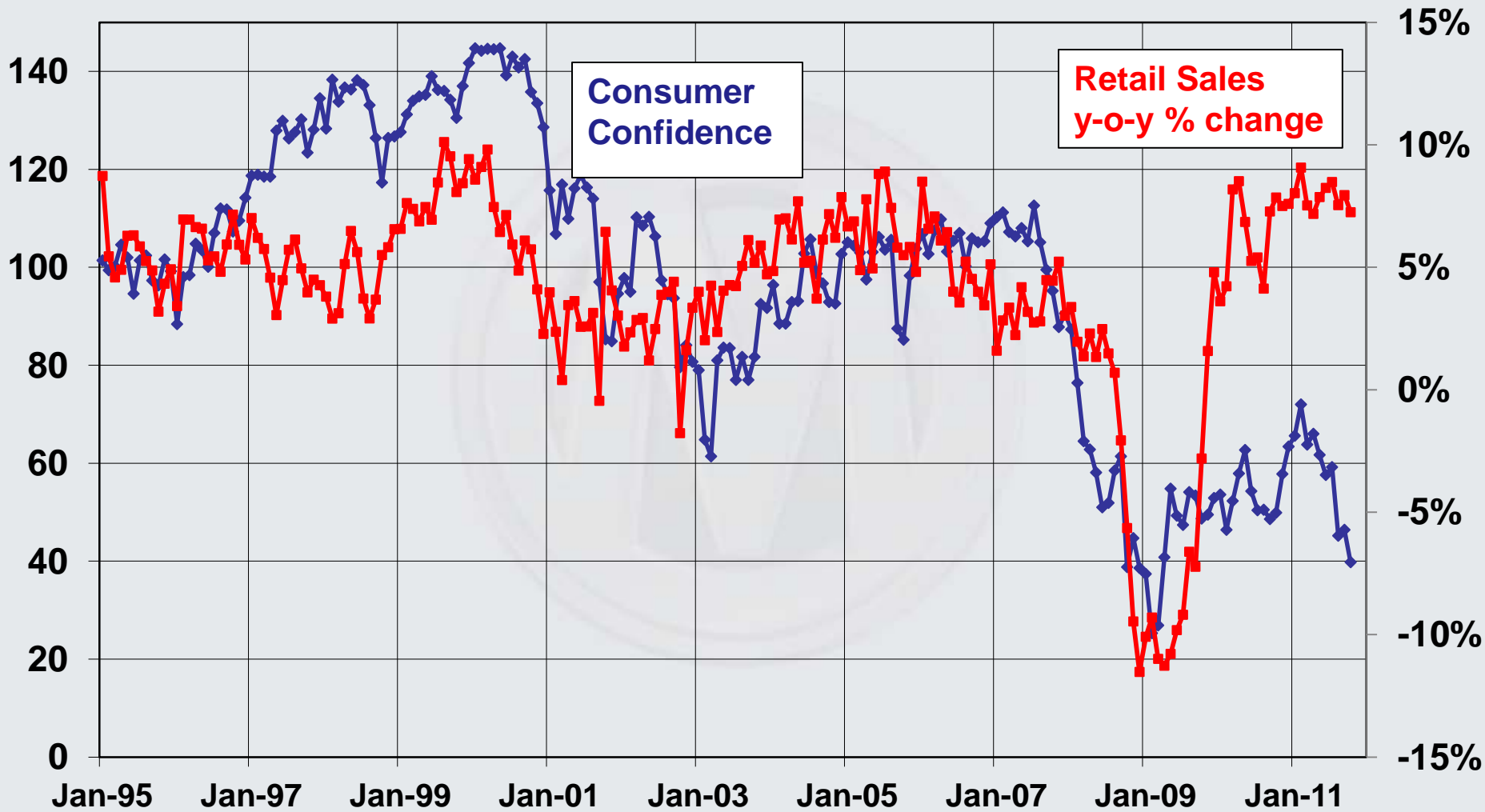
# Consumer Confidence



Source: Conference Board



# Retail Sales versus Consumer Confidence

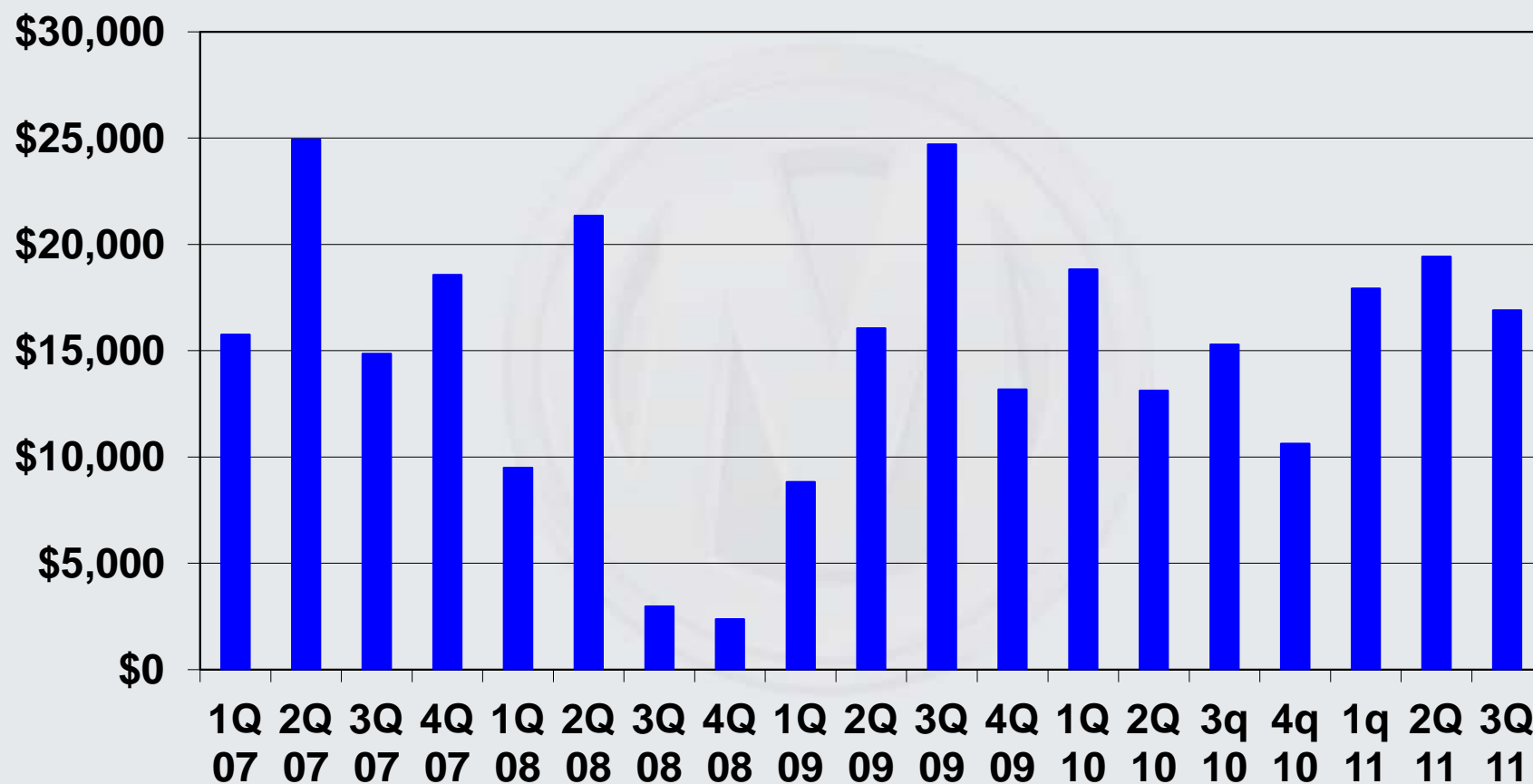


Source: Conference Board & Dept of Commerce





# Auto ABS Issuance (in billions)



Source: Securities Industry and Financial Markets Association





# Growth in Household Net Worth

Percent Change from Previous Quarter



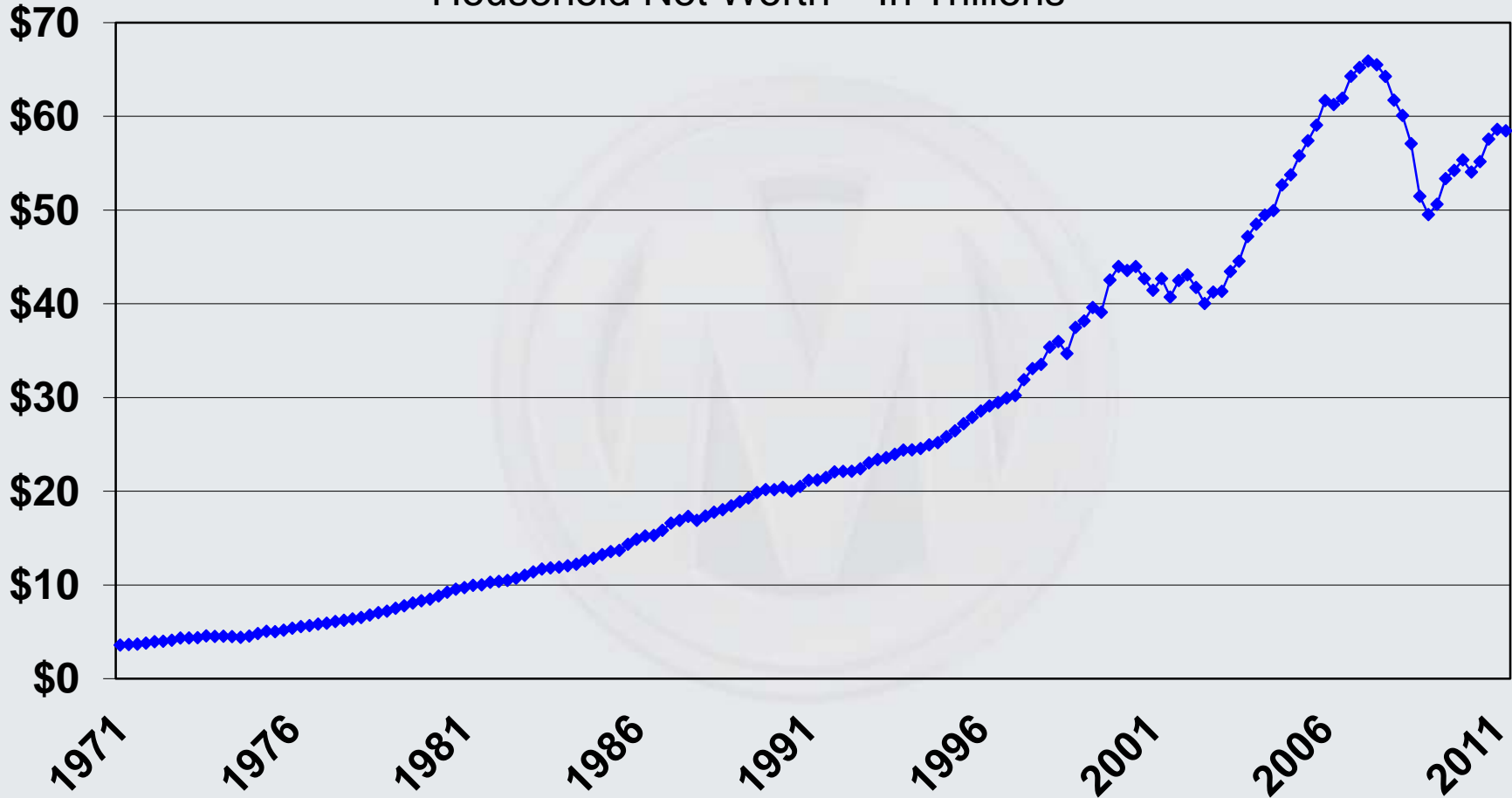
Source: Federal Reserve Board



# Household net worth recovers, but remains \$7.4 trillion below its peak.



### Household Net Worth – In Trillions



Source: Federal Reserve Board





# Summary

- Wholesale values reflect fundamentals, not a bubble
- Used retail market outperforms the economy.
- Economy continues at stall speed.

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