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Market Overview
H1 & June 2018

Philip Nothard



THE VEHICLE LIFECYCLE



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MOVE

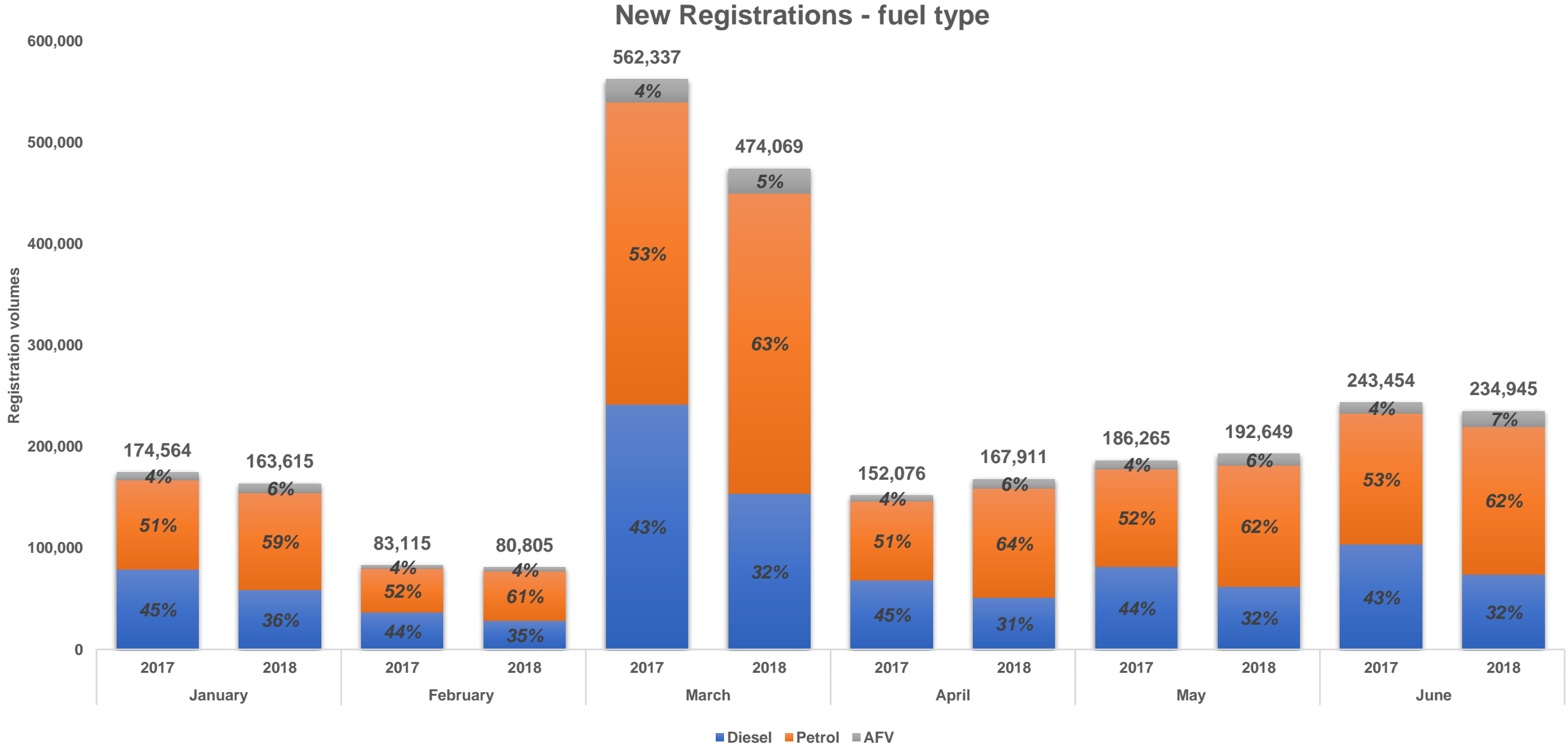
AGENDA

- Retail
- Wholesale
- Funding
- Dealers
- Outlook

// Market Overview

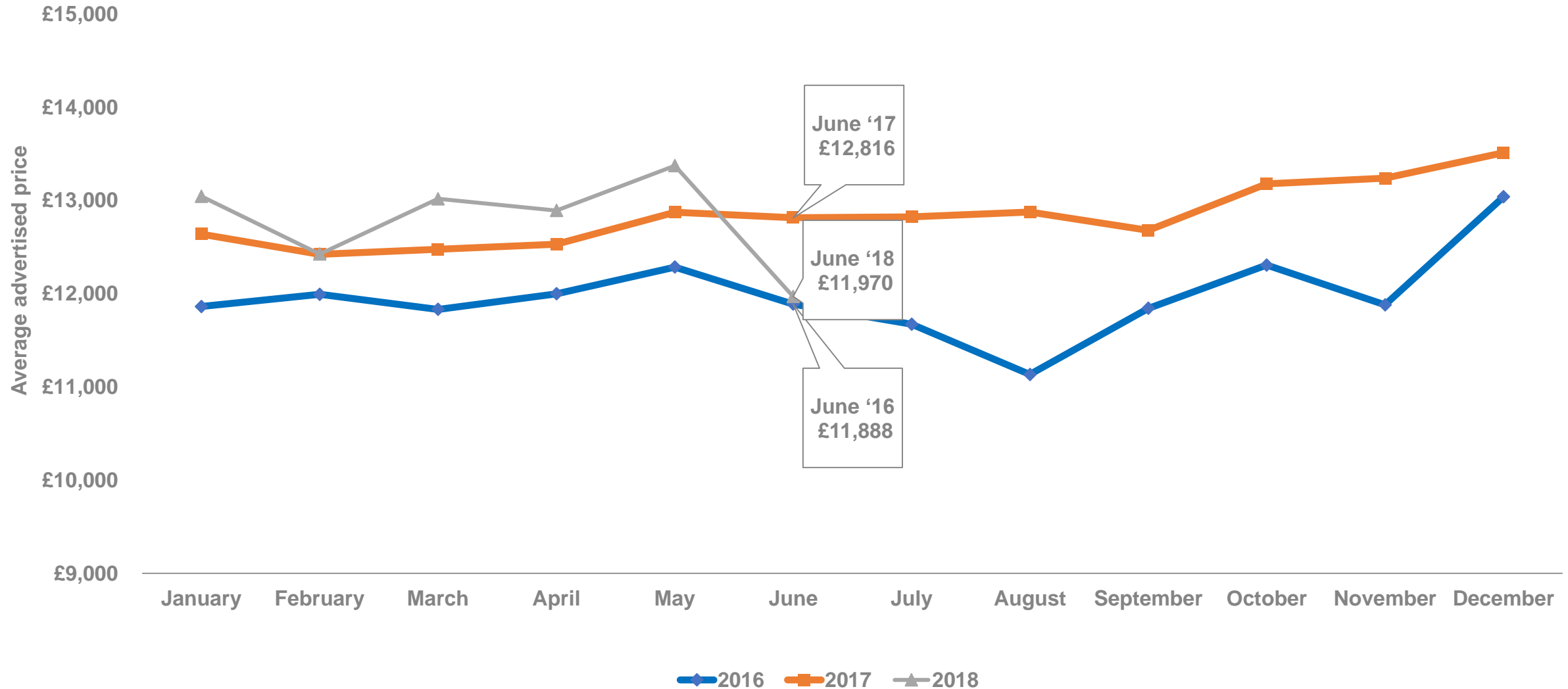
Retail

A modest -3.5% drop to 234,945 registrations. Strong growth of petrol sales, but plug-ins can't offset heavy diesel drops



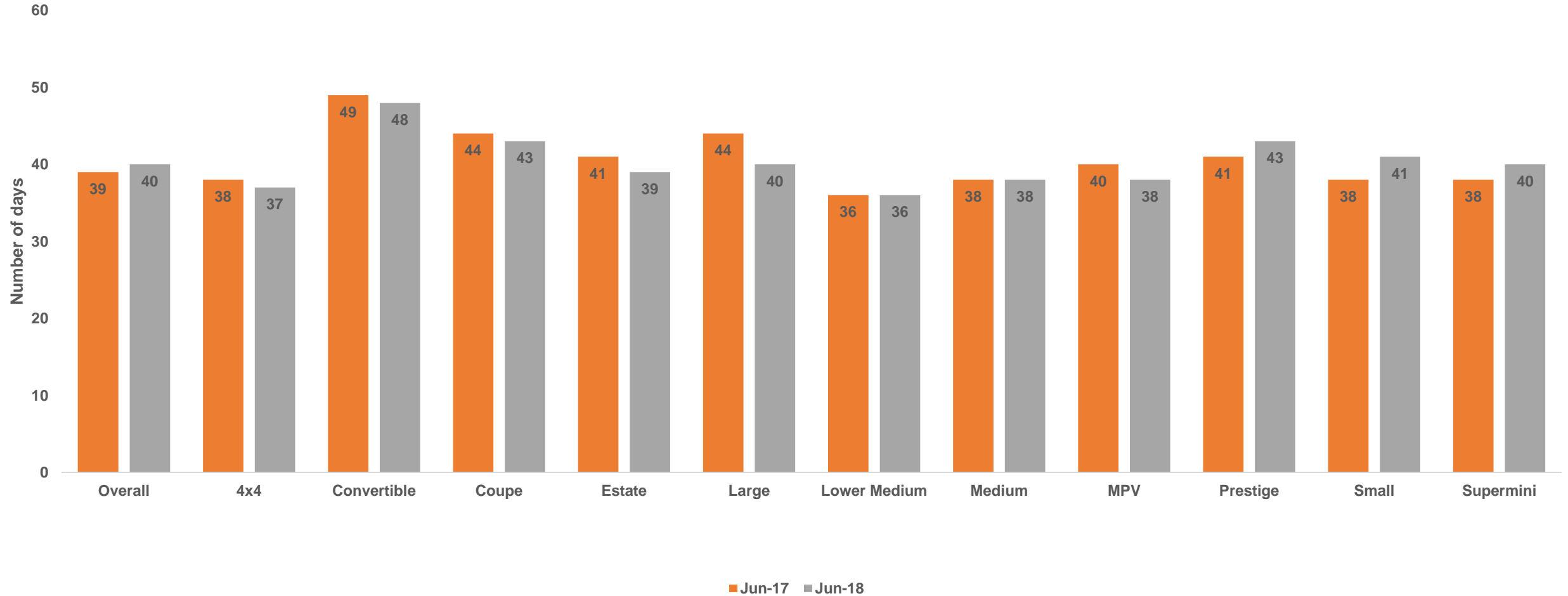
A slower retail market, with a reduction in average sold prices of vehicles, down 10% since May, from £13,373 to £11,970

Retail Used Car Price Performance (as listed on Motors.co.uk)

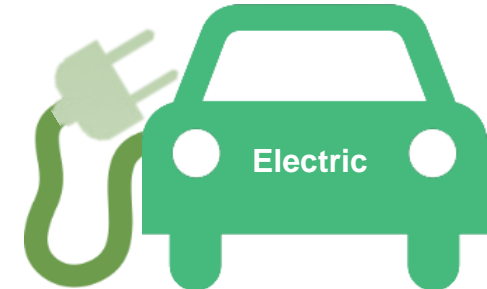
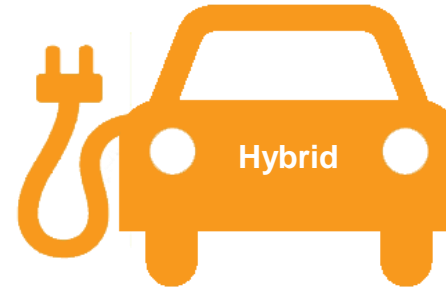
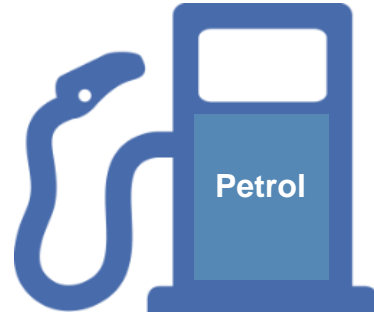
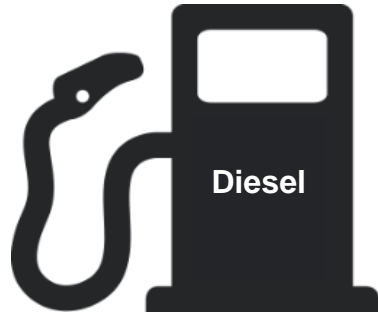


Days in stock increased overall, but not consistent across all sectors with a 4-day reduction in large vehicles

Retail days in stock June '17 vs. '18
(as listed on Motors.co.uk)



Diesel stock is selling quicker than in 2017 but volume continues to fall year-on-year



Stock Volume

June '18 – 49.92% of total
June '17 – 57.38% of total

Vehicle Views

June '18 – 47.07% of total
June '17 – 48.71% of total

Days in stock

June '18 – 39 days
June '17 – 42 days

Stock Volume

June '18 – 48.69% of total
June '17 – 41.08% of total

Vehicle Views

June '18 – 51.61% of total
June '17 – 49.80% of total

Days in stock

June '18 – 38 days
June '17 – 36 days

Stock Volume

June '18 – 1.17% of total
June '17 – 1.27% of total

Vehicle Views

June '18 – 0.97% of total
June '17 – 1.16% of total

Days in stock

June '18 – 46 days
June '17 – 35 days

Stock Volume

June '18 – 0.22% of total
June '17 – 0.27% of total

Vehicle Views

June '18 – 0.35% of total
June '17 – 0.33% of total

Days in stock

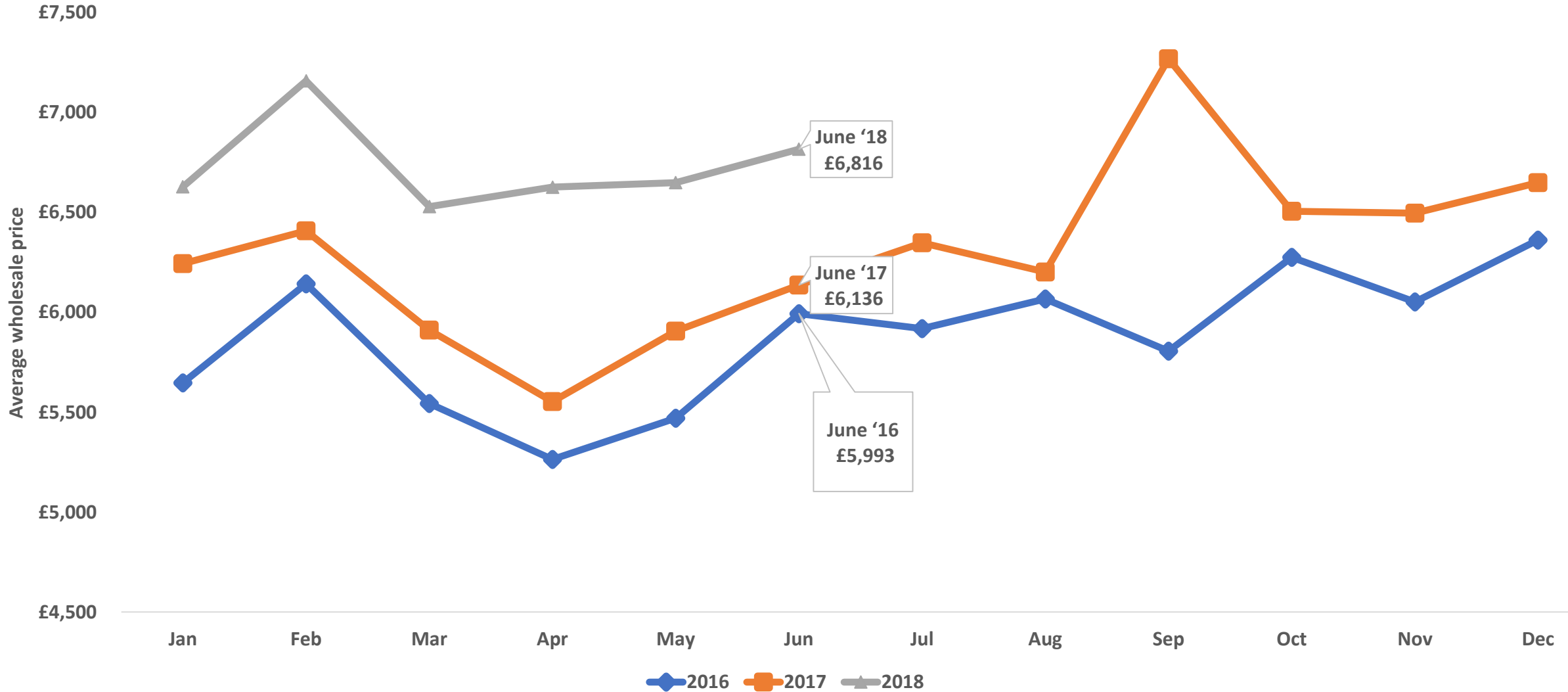
June '18 – 40 days
June '17 – 49 days

Retail

- *Independent dealers performed well and sold stock two days faster on average than their franchise counterparts year-on-year*
- *Supermarkets suffered a small setback with vehicles taking five days longer to sell year-on-year and average volume rising*
- *Dealers continue to better manage their diesel stock following negative headlines over emissions*
- *Hybrid vehicles continue to struggle with days in stock increasing by 11 days year-on-year however electric vehicles reduce by 9 days*

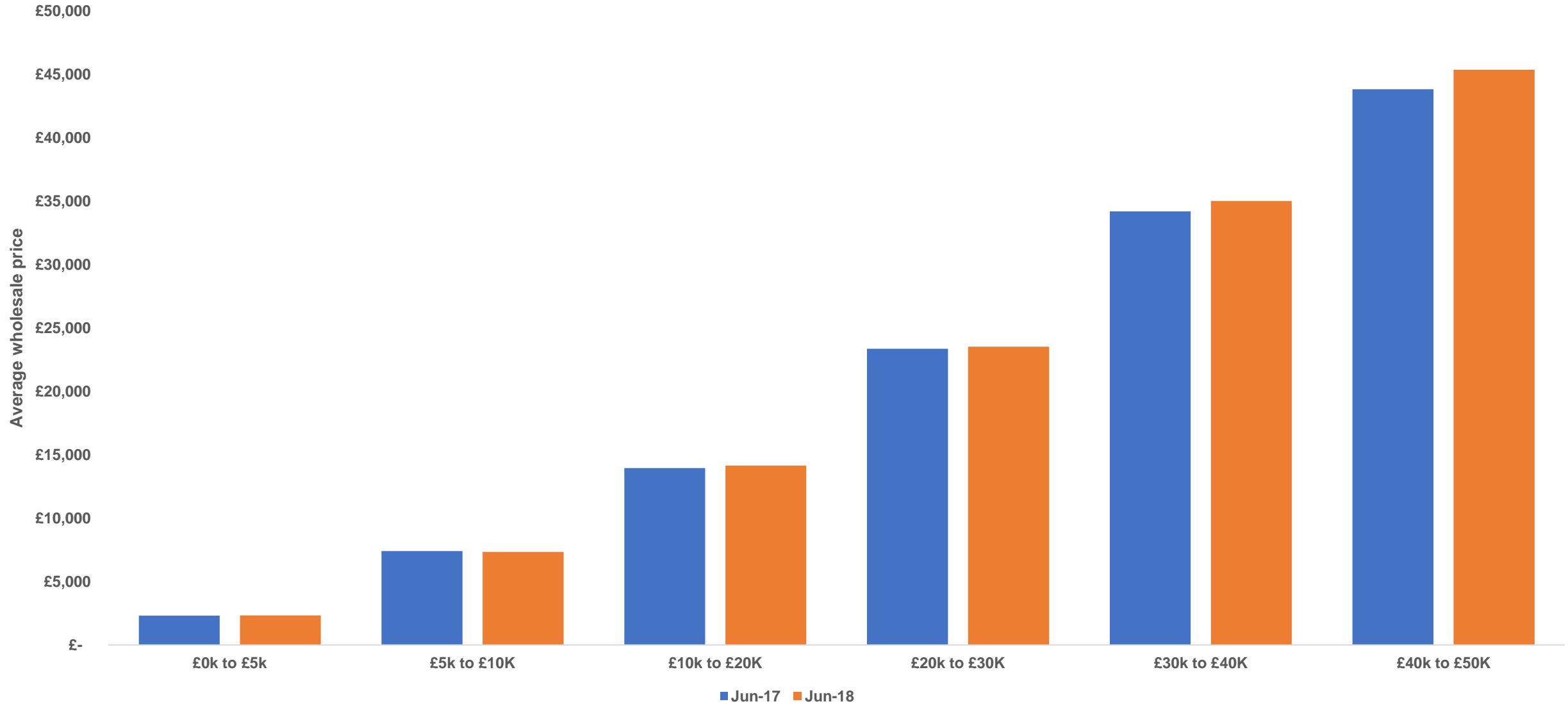
Wholesale

Auction Wholesale Price



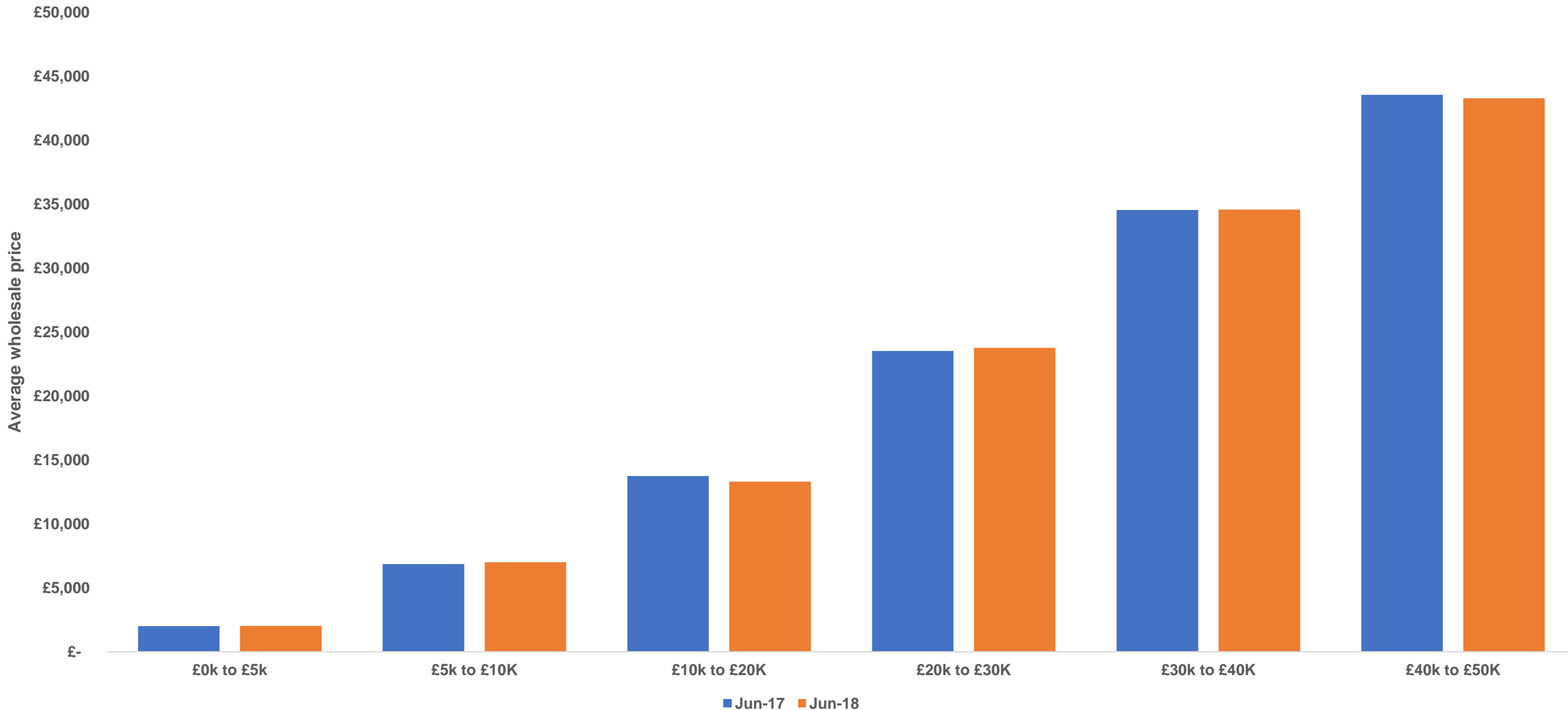
Diesel prices throughout the wholesale market remains stable overall with marginal increases in both £30k - £40k & £40k - £50k

Diesel Wholesale Used Prices June '17 vs. '18



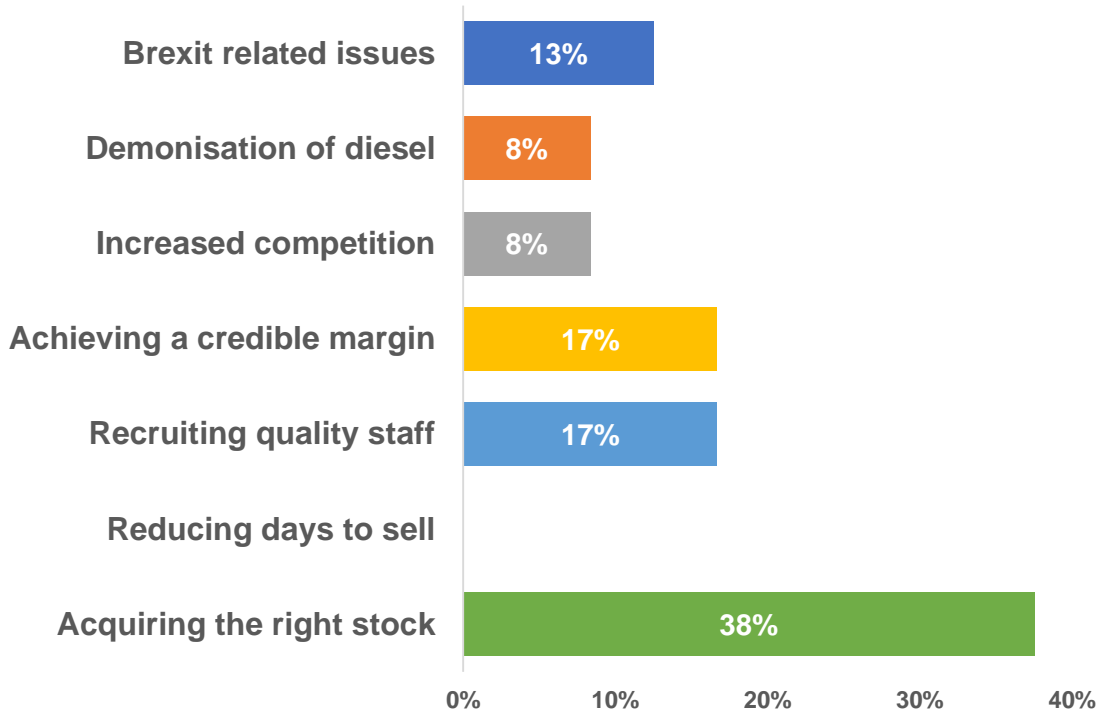
Petrol wholesale prices overall remain stable with a -3.11% easing in the £10k - £20k price banding

Petrol Wholesale Used Prices June '17 vs. '18

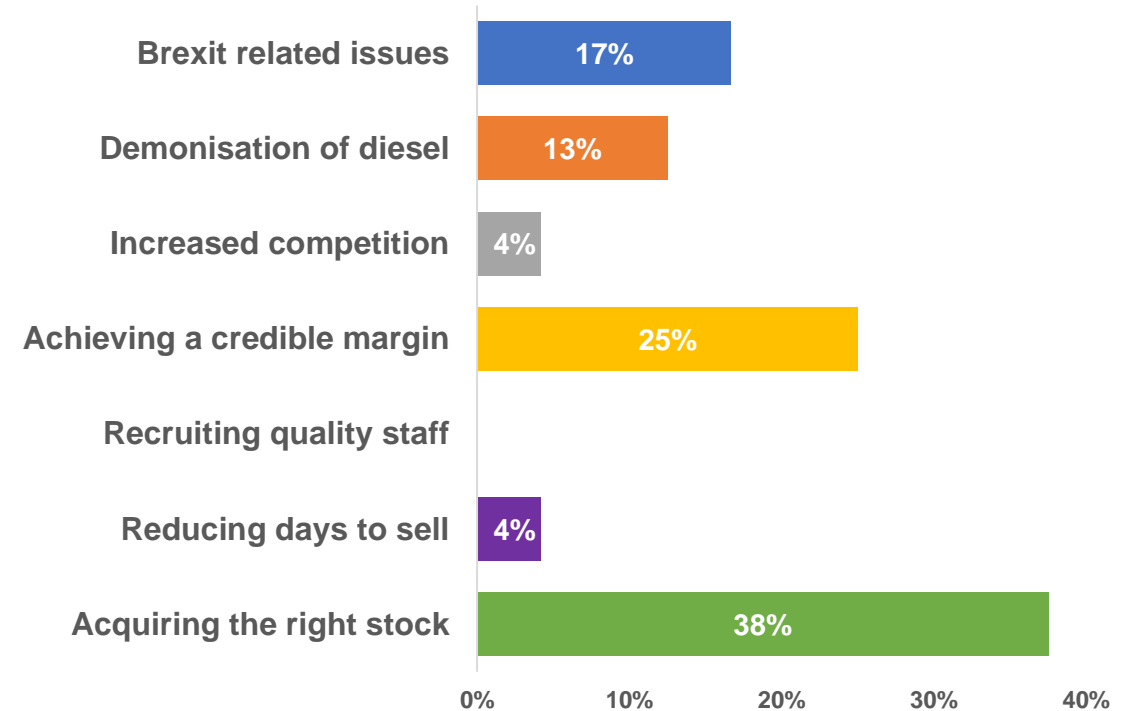


Biggest commercial challenge for your used cars business

Looking back at the first six months of 2018, what would you say has been the biggest commercial challenge for your used cars business?



Looking ahead to the remainder of 2018, what do you think will be your biggest commercial challenge for your used cars business?



*State of the market dealer survey June '18

Wholesale

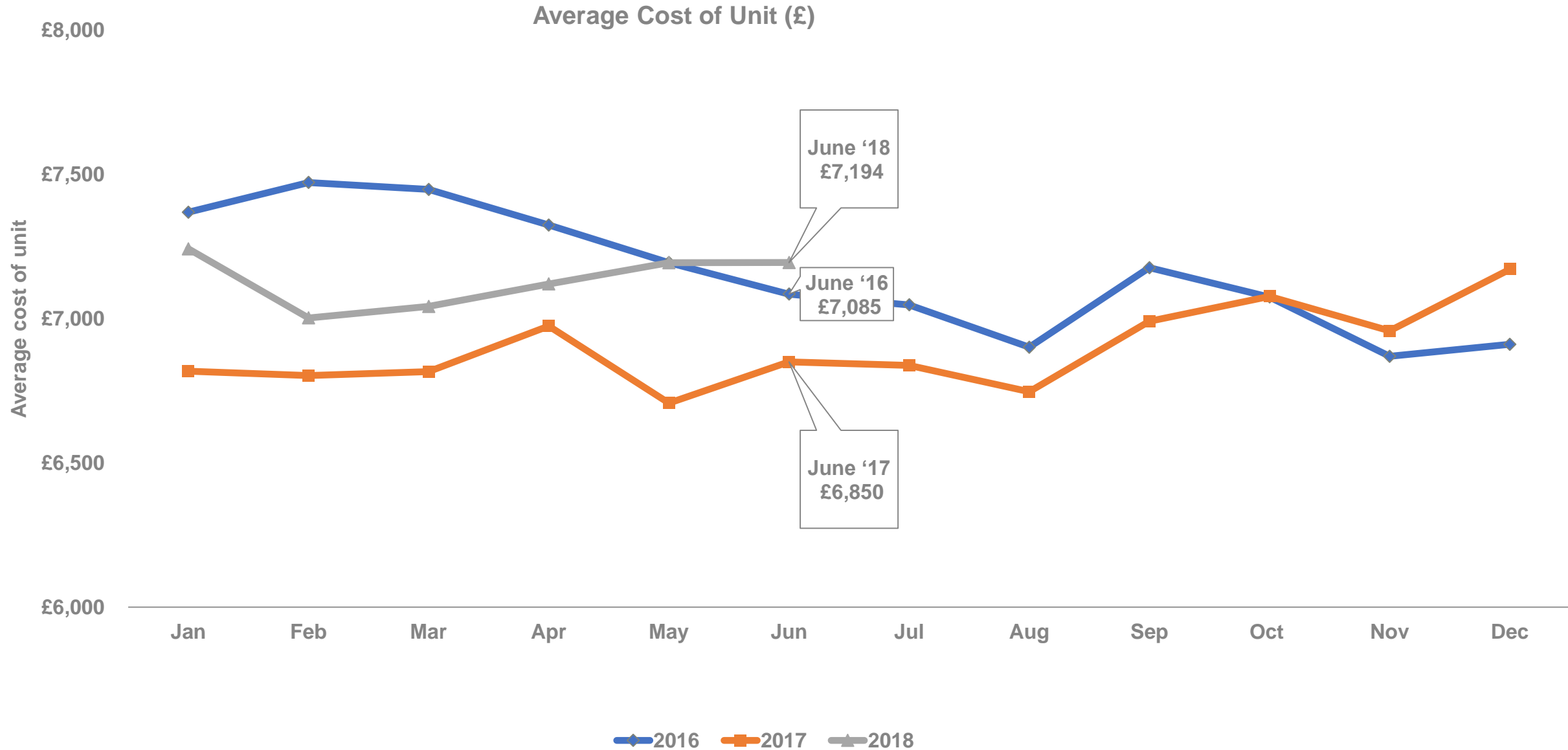
- *The average sold price continues to increase, up 3% from £6,649 in May to £6,816 in June*
- *Wholesale volumes in the £10k to £20k price bracket experienced a double-digit growth of 16% reflecting the demand for quality, mid-market vehicles*
- *Diesel wholesale volumes reflected the overall increase in the mid-range (£10k to £20k) price bracket with a 14% year-on-year increase*
- *Dealer Auction volumes increased 19% year on year, while average sales price increased 11%, to £4,523*

Funding



Funding

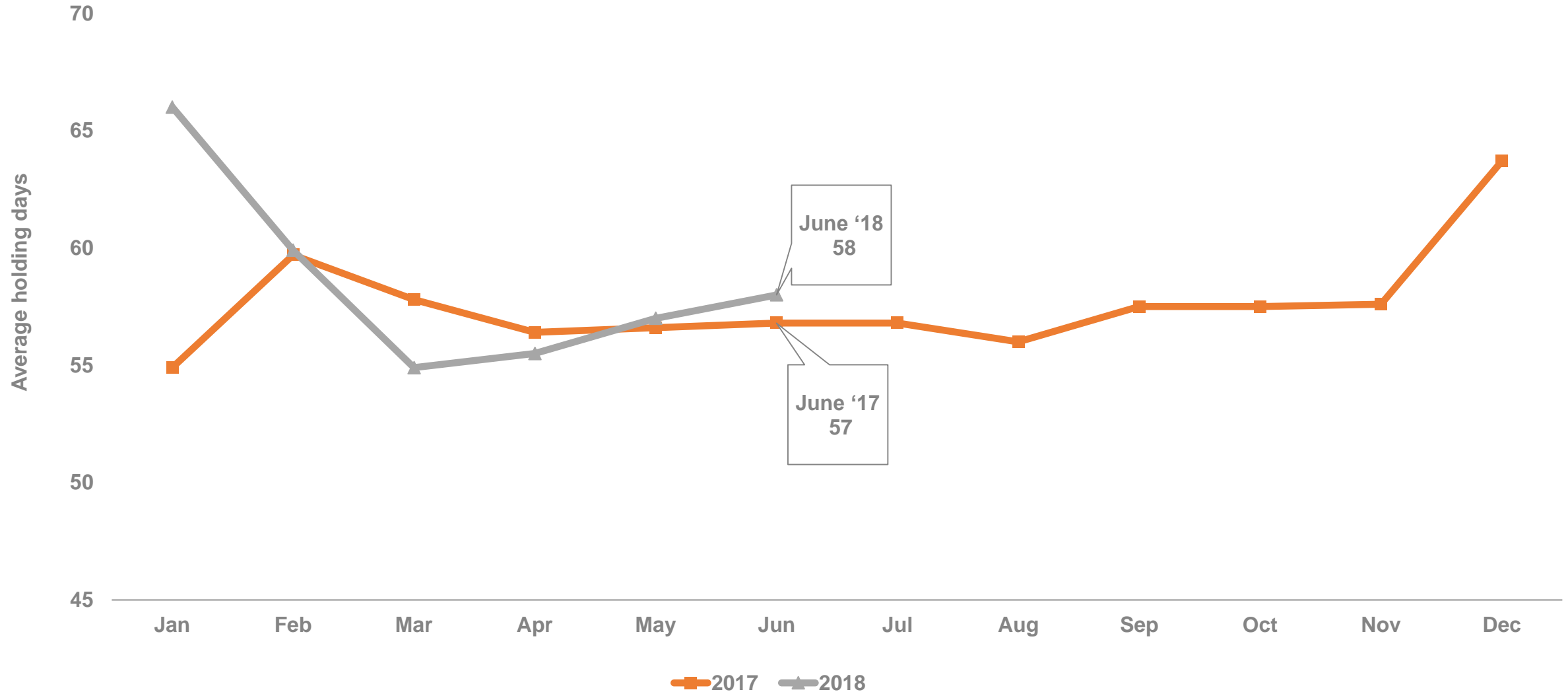
The average cost per unit increased 4.8% year on year to £7,194



Funding

Average holding days increased slightly to 58 - one more than the previous month

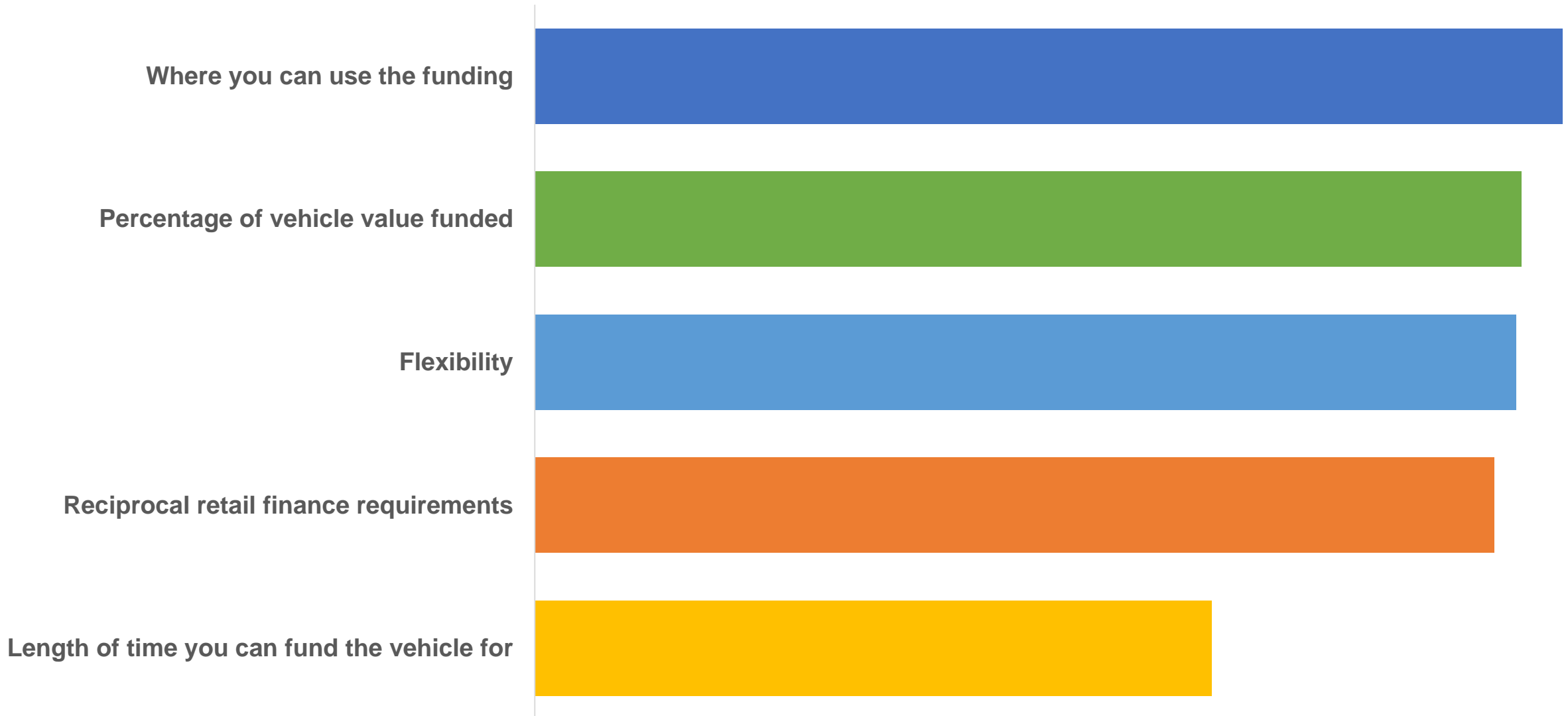
Average Holding Days



Funding

Dealers* rank use of funding, flexibility and the percentage of vehicle value funded as the top three factors

How important are the following when considering wholesale finance?



*State of the market dealer survey June '18

Funding

A -4.2% decrease on average age, and a minor 0.4% increase in average mileage

Stock funding

June 2017



6.3 years

Ave. Age Funded



60,163

Ave. Mileage

June 2018



6.0 years

Ave. Age Funded



60,384

Ave. Mileage



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Auctions

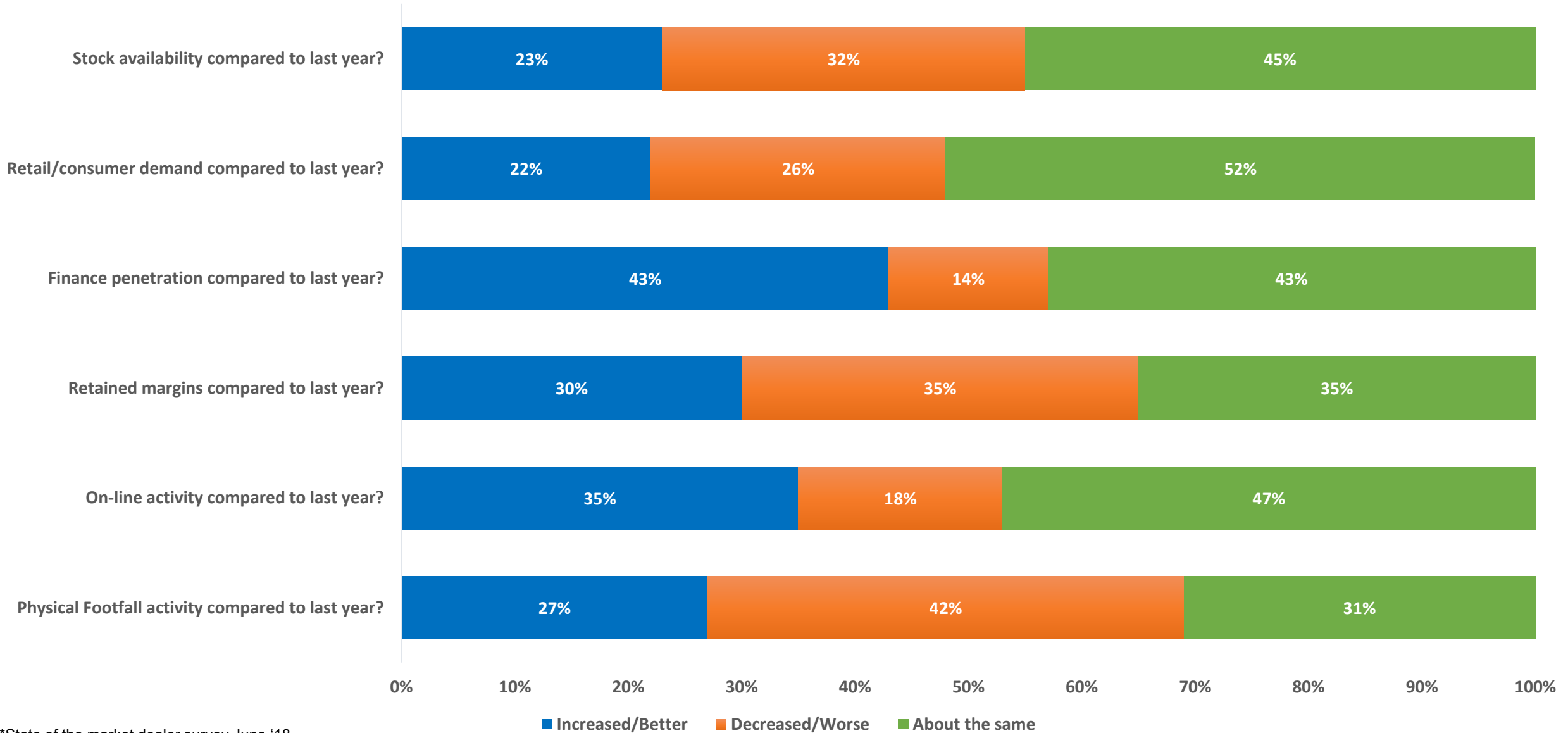


TODAY'S
VEHICLES

Dealers

Dealers

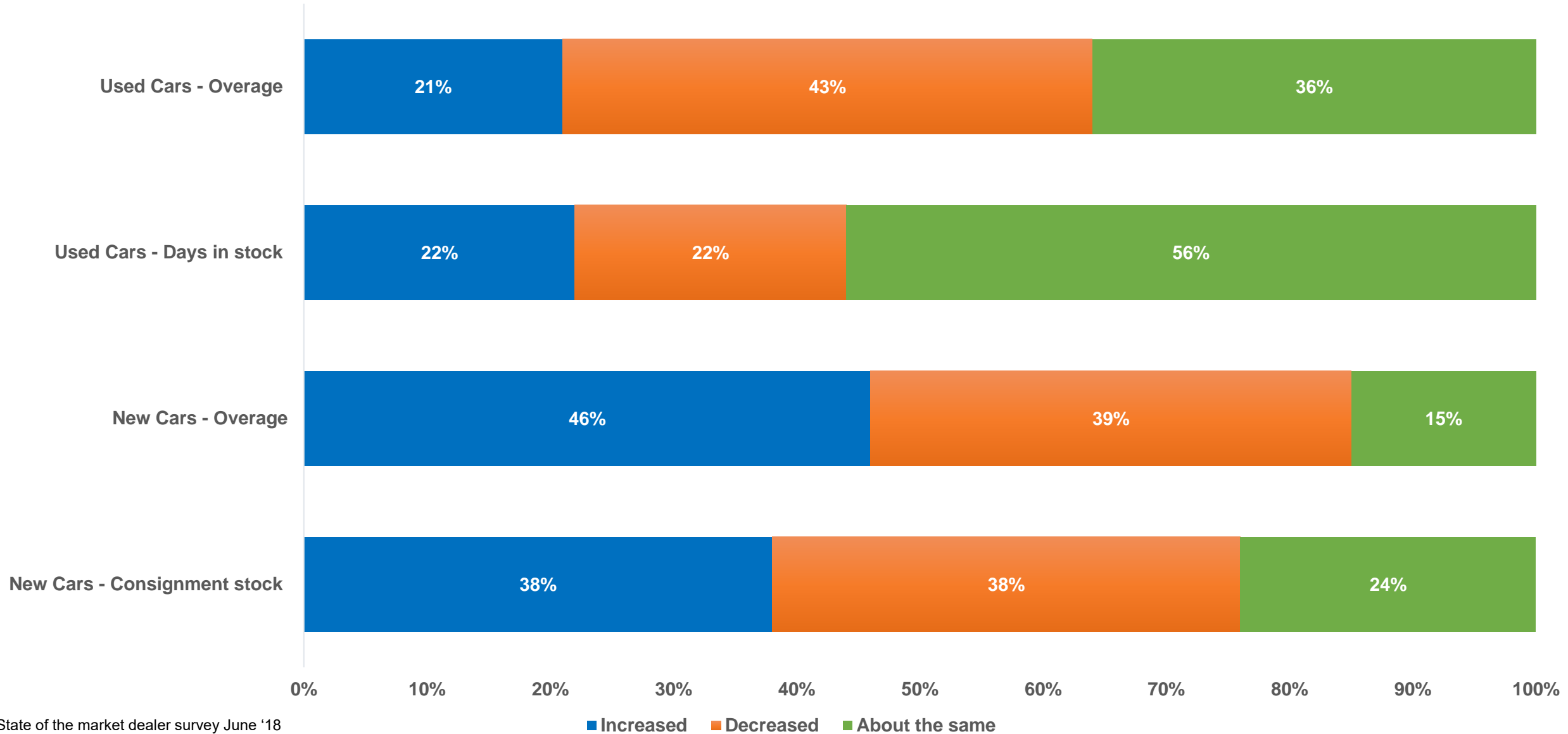
Third* of dealers reported margin improvement. In addition, nine out of ten indicated stock availability had increased compared to 2017



*State of the market dealer survey June '18

Dealers

46%* of dealers indicated an increase in overage for new cars and one in five reported used cars days in stock had increased

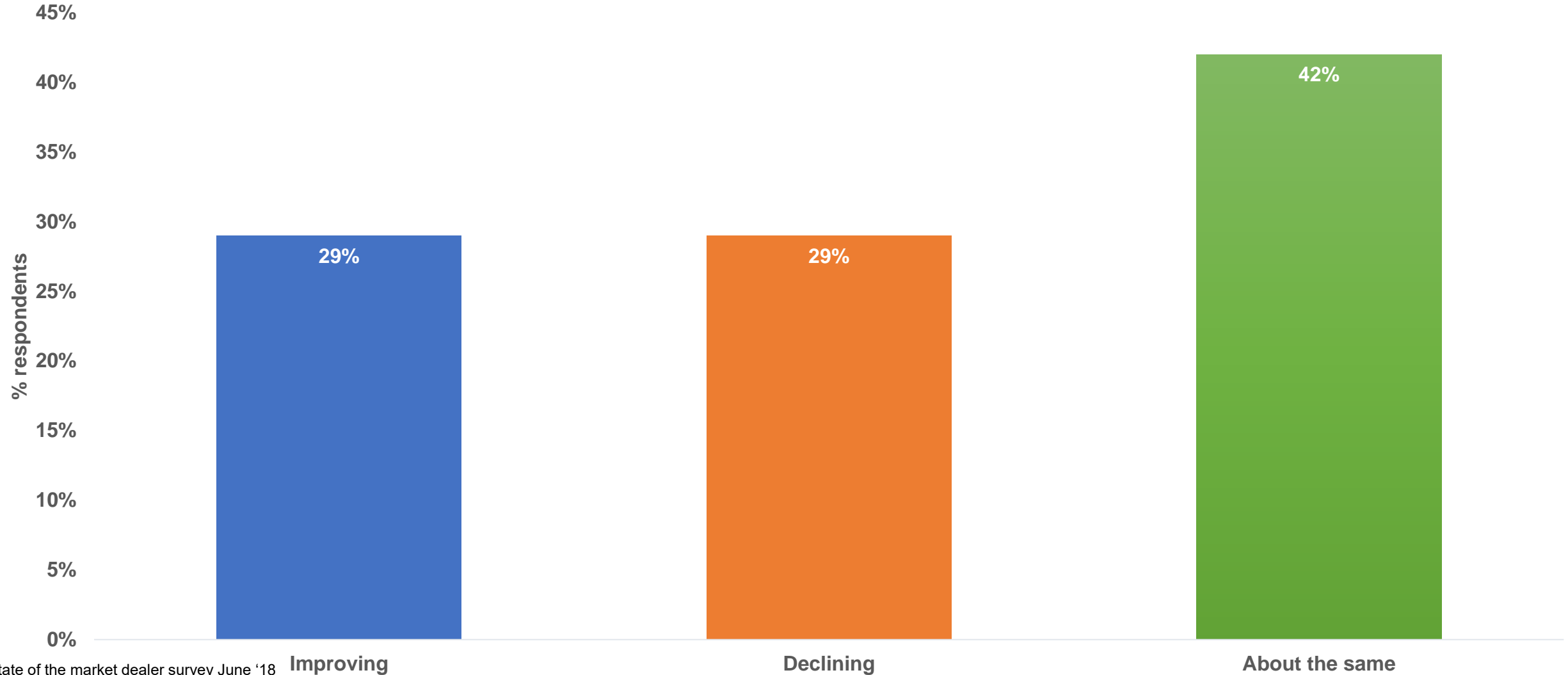


*State of the market dealer survey June '18

Dealers

The economic outlook between those anticipating improvement and declining remain split at 29%*

What are your expectations for economic conditions over the coming months?
(as a proxy for demand)

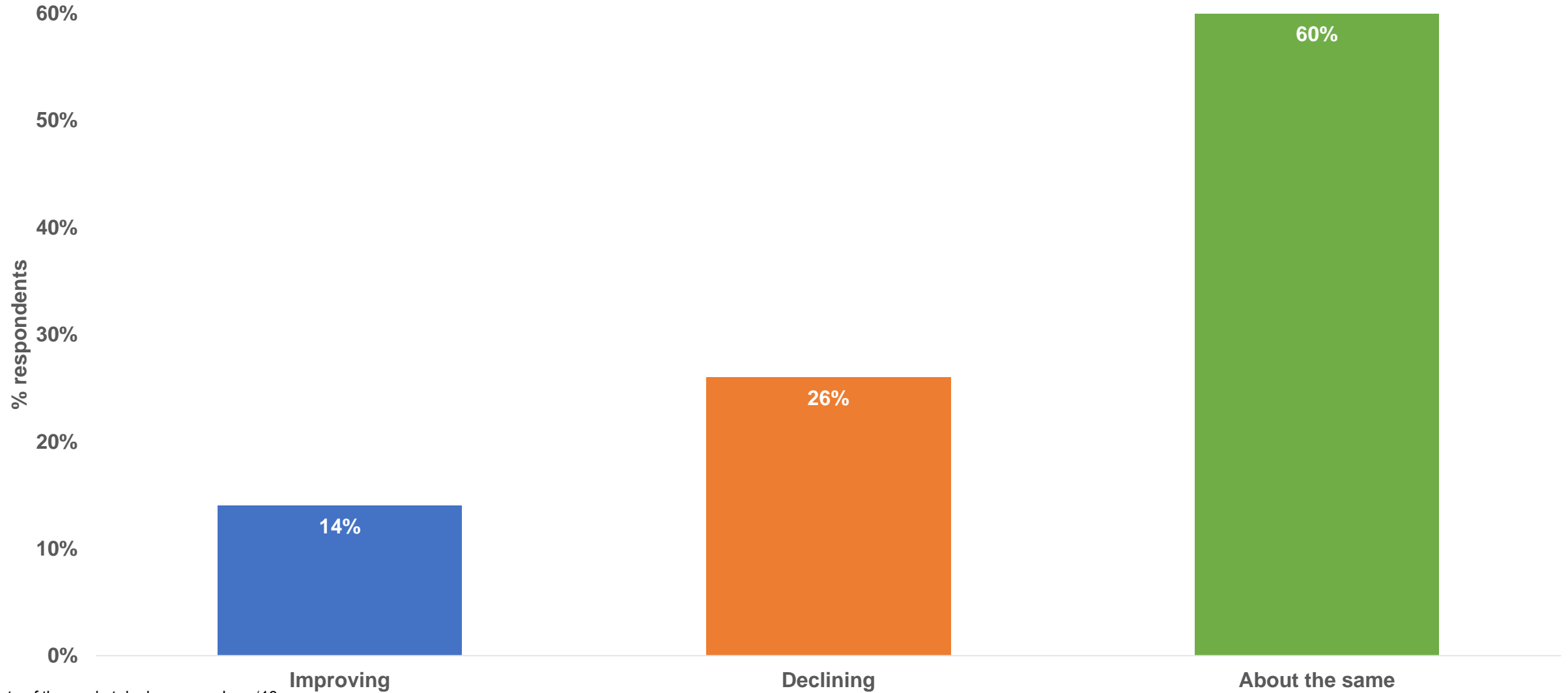


*State of the market dealer survey June '18

Dealers

26%* of dealers envisage sourcing stock to worsen while 14% foresee improvement over the coming months

What are your expectations for sourcing used vehicles over the coming months?
(as a proxy for supply)



*State of the market dealer survey June '18

// Market Overview

Outlook

Retail

Used cars sales to improve as consumers are confused over updated tax rules for new vehicles

Dealers urged to adjust stock volumes to match consumer demand for smaller used cars

Strong appetite for vehicle insight from dealers, to support both buying and selling

Outlook

Our viewpoint – 2018 the wholesale market



Wholesale

An increase in the diversity of stock acquisition through physical and digital channels

Scale operations will drive demand for refurb and retail-ready through efficiency and logistics costs

An increasing desire for enhanced imagery and 'ready for retail' inventory

Funding

Cash flow and digital integration remain priority for dealers in the year ahead

Dealers are looking for complementary sources to ensure they have sufficient liquidity to buy the stock they need

Ease and flexibility remains key for dealers

Dealers

Further dealership consolidation in line with the long term trend of declining franchised dealer numbers

Improving the digital retailing experience and enabling consumers to do more online to provide a competitive edge is increasingly important

Challenging environment of evolving technology and ever changing consumer expectations



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THANK YOU

