

J.D. POWER

COVID-19:

J.D. Power Auto Industry Impact Report



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Agenda











1. Retail Sales Impact Through April 12

2. Sales Outlook

3. Q&A

1. Retail Sales Impact Through April 12

IMPACT: Global Vehicle Sales (Thousands)

	March 2019	March 2020	% Change
World	8,913	5,539	-38% 
China	2,440	1,327	-46% 
U.S.	1,601	983	-39% 
Western Europe	1,864	884	-53% 
Japan	631	575	-9% 
Eastern Europe	371	324	-13% 
Brazil/Argentina	237	173	-27% 
Korea	154	169	+10% 
Canada	183	98	-46% 
Other	1,432	1,007	-30% 

INSIGHT

Sales Off (Nearly) Everywhere

Total sales are off in seven of the eight largest markets in the world.

Scale of global decline reflects challenges faced by Global Automakers.

China is entering the recovery phase and will experience higher sales in April.

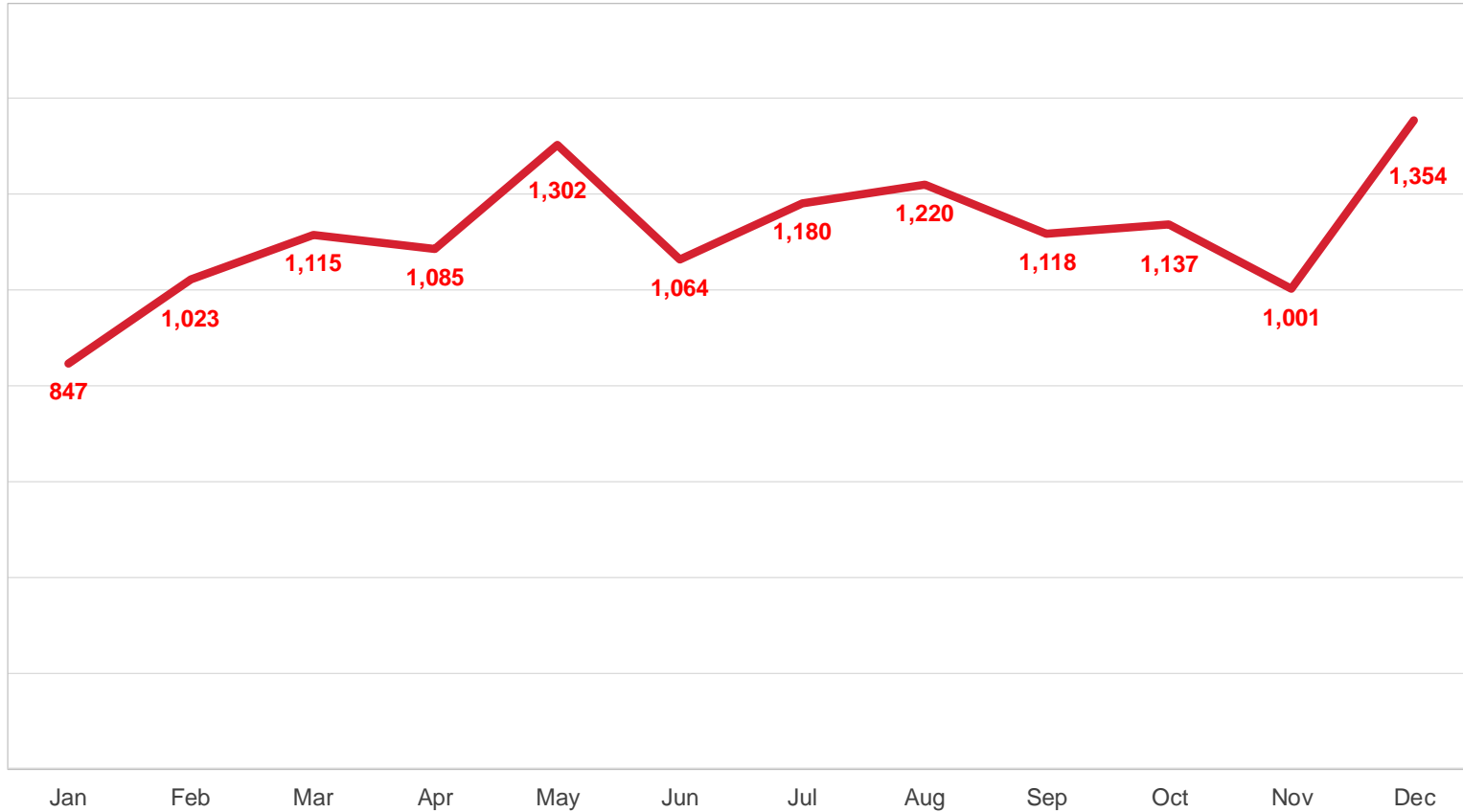
For Western Europe, April recovery will be determined primarily by when Dealership sales operations are permitted to re-open.

KEY TAKEAWAY

Global automakers are dealing with Global disruption to vehicle sales.

IMPACT: J.D. Power 2020 Pre-Virus Retail Forecast

Retail Sales Forecast (000s)



INSIGHT

2020 Pre-Virus Full Year Forecast

Prior to the escalation of COVID-19 in the U.S., J.D. Power expected annual total sales of 16.8 million and retail sales of 13.4 million, declines of 1.9% and 2.6% respectively from 2019.

Pre-Virus April Forecast

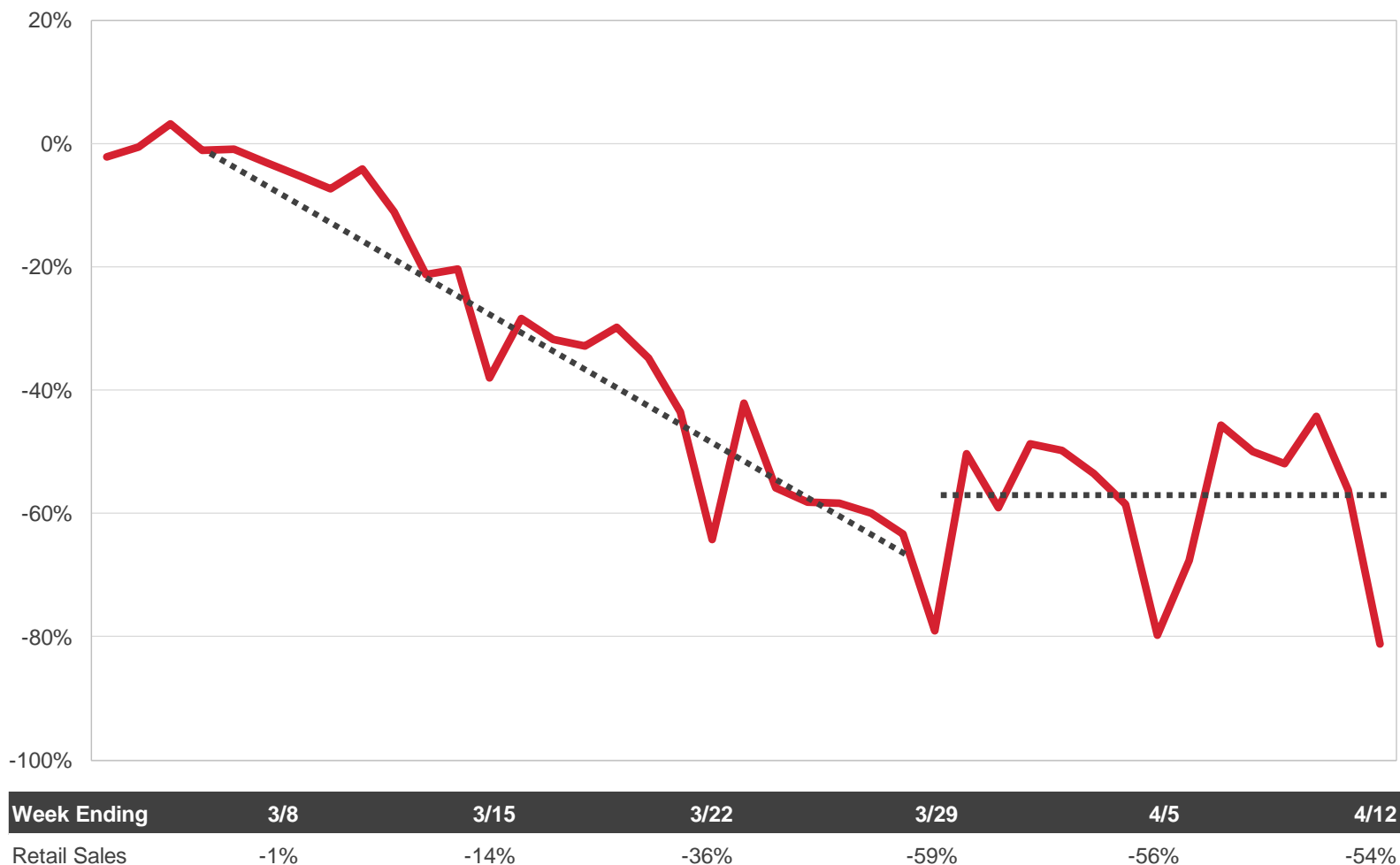
The pre-virus forecast for April 2020 was 1.36 million total sales and 1.09 million retail sales, declines of 0.8% and 1.1% respectively from April 2019.

KEY TAKEAWAY

Prior to the virus, April new-vehicle retail sales were forecasted to fall 1.1% from last year. This forecast is the baseline expectation for all sales analyses in this presentation.

IMPACT: National Retail Sales Daily Change

Retail Sales: Actual over/(under) Pre-Virus Forecast



INSIGHT

Weekly Change vs. Forecast

- March 8: -1% or 1,000 units
- March 15: -15% or 35,000 units
- March 22: -36% or 95,000 units
- March 29: -59% or 189,000 units
- April 5: -56% or 144,000 units
- April 12: -54% or 114,000 units

April Month-to-Date

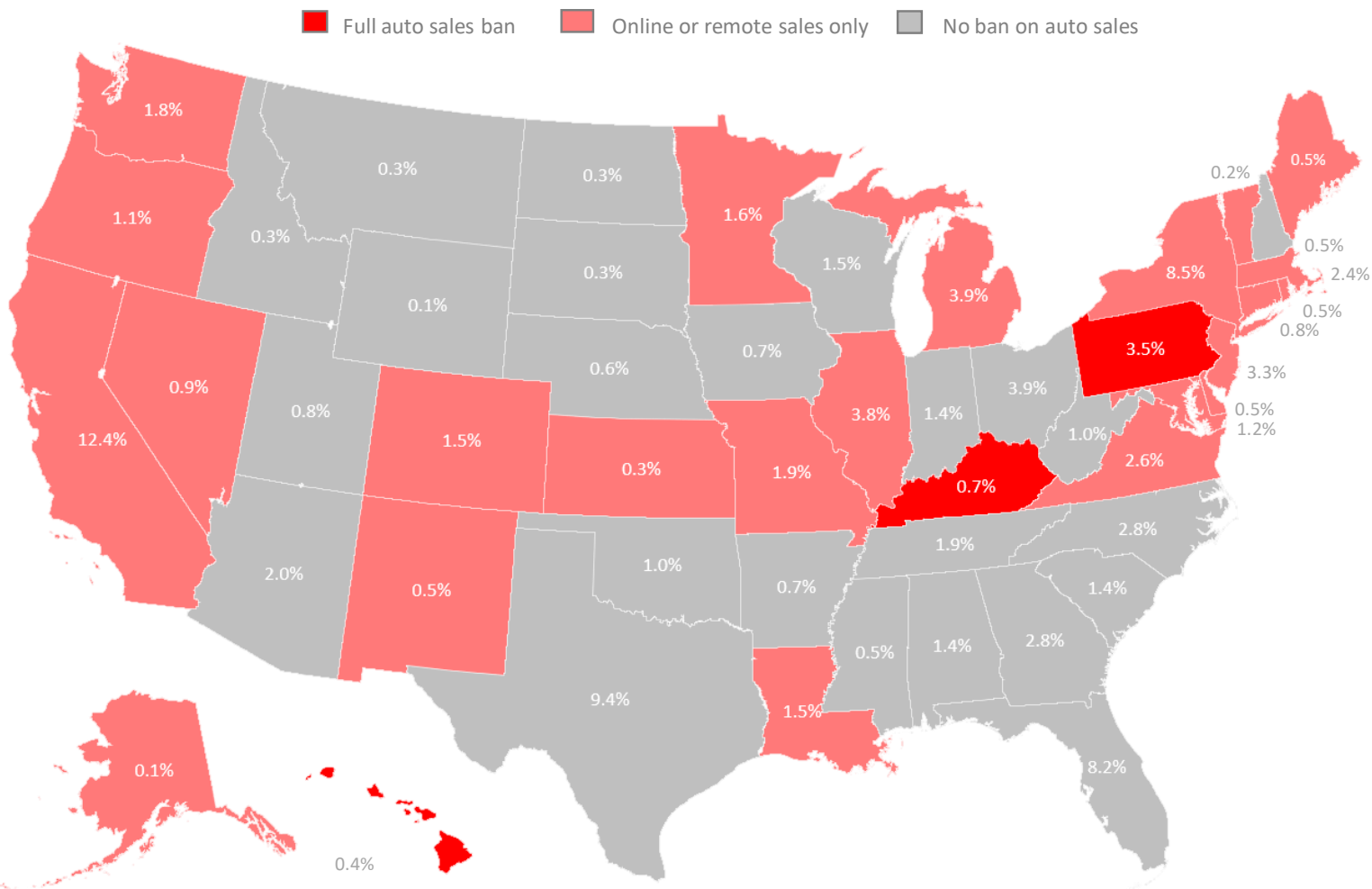
Retail sales through April 12 are 157,000 units, a decline vs. pre-virus forecast of 55% or 189,000 units.

Note: Easter Sunday experienced a large sales decline, but the volume impact was trivial as even pre-virus expectations for Easter Sunday sales were minimal.

KEY TAKEAWAY

Sales decline has stabilized at -55% for the last two weeks, significantly better than original expectations. 578,000 sales have been lost so far due to Virus effects.

IMPACT: Dealership Sales Operations by State



INSIGHT

Dealership Sales Operations

- 24 states (44% of 2019 sales) allow dealership sales operations to remain open
- 23 states (51%) allow only online or remote sales. Note: Michigan opened online sales this past week
- 3 states (5%) have full bans on auto sales

Severe Impact States vs Rest of Nation

While last week's national sales decline was 54%, sales excluding New York, Michigan and Pennsylvania were down only 45% from pre-virus forecast.

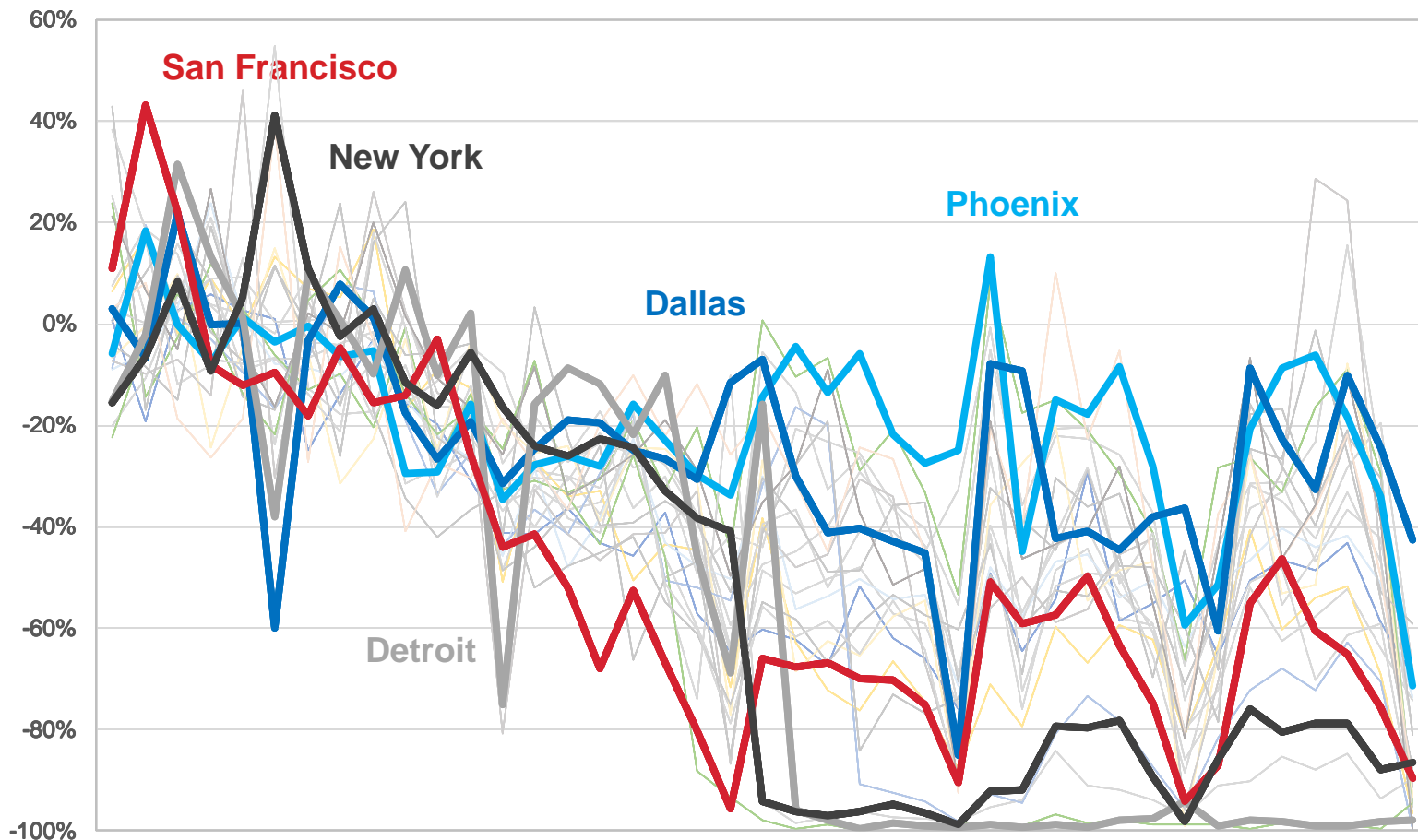
KEY TAKEAWAY

Majority of nation is down only 45% vs. forecast.

Industry retail sales are averaging about one sale per dealer per day, enabling appropriate safety protocols to be followed.

IMPACT: Sales Decline Has Stabilized in Most Markets

Retail Sales: Actual over/(under) Pre-Virus Forecast



Week Ending	3/8	3/15	3/22	3/29	4/5	4/12
New York	0%	-5%	-30%	-96%	-89%	-82%
San Francisco	-1%	-21%	-71%	-74%	-67%	-69%
Dallas	2%	-13%	-26%	-38%	-28%	-27%
Detroit	10%	1%	-19%	-86%	-99%	-99%
Phoenix	0%	-18%	-27%	-18%	-28%	-27%

INSIGHT

Dallas / Phoenix

Dallas and Phoenix remain resilient markets with sales dropping only 27% for the week of April 12th

San Francisco

Stabilizing at 70% declines

New York/Detroit

Near zero sales in these markets

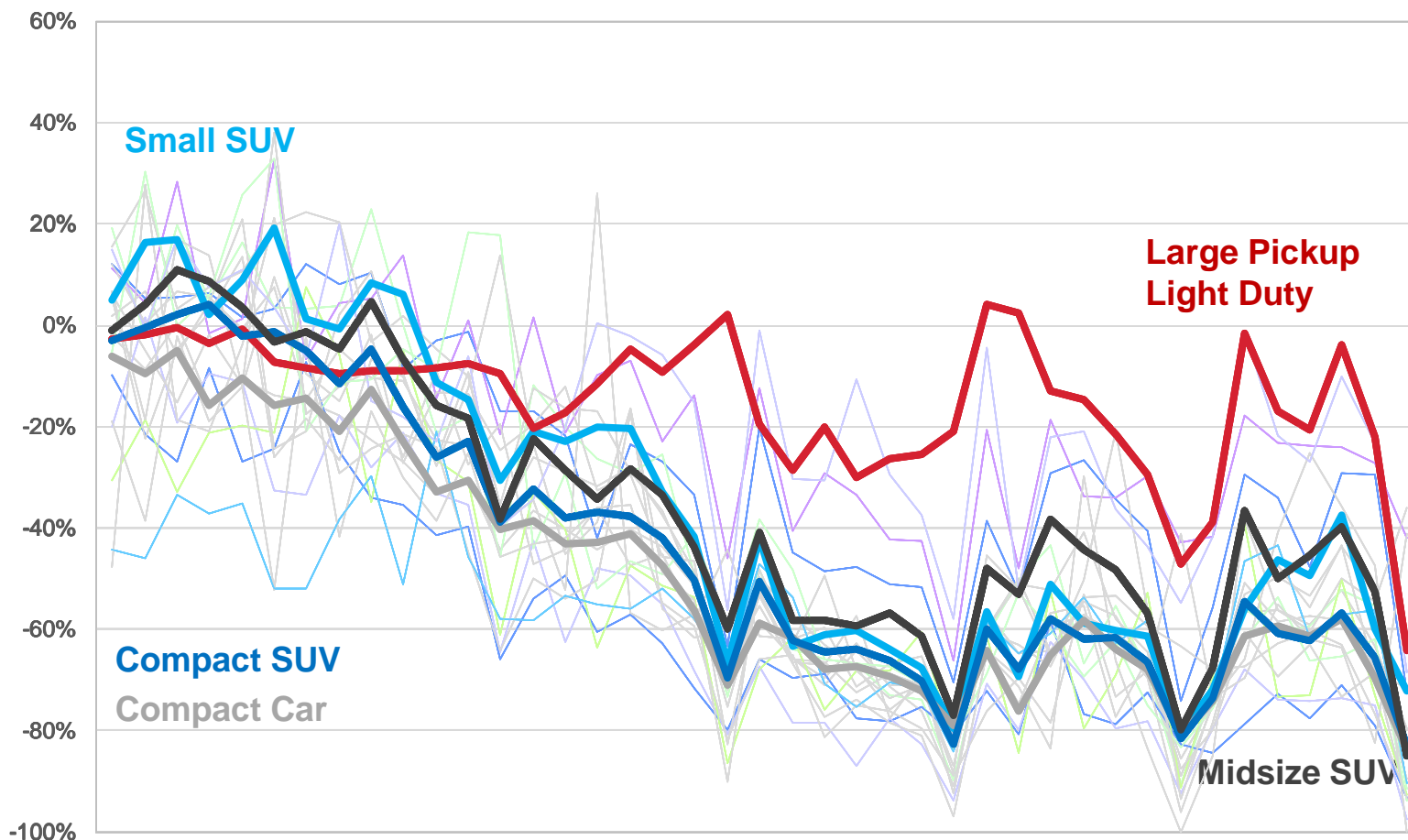
Note: Easter Sunday experienced a large sales decline, but the volume impact was trivial as even pre-virus expectations for Easter Sunday sales were minimal.

KEY TAKEAWAY

Regional disparity persists, but stabilization is evident across the nation. Reflects the efforts of Dealers to adapt to the environment.

IMPACT: Pickup Sales Exhibiting Greater Resilience

Retail Sales: Actual over/(under) Pre-Virus Forecast



Week Ending	3/8	3/15	3/22	3/29	4/5	4/12
Midsize SUV	5%	-11%	-35%	-58%	-52%	-50%
Compact SUV	0%	-17%	-43%	-65%	-65%	-63%
Large Pickup	-2%	-9%	-10%	-25%	-9%	-18%
Compact Car	-11%	-25%	-48%	-68%	-69%	-65%
Small SUV	10%	-5%	-31%	-62%	-63%	-55%

INSIGHT

Top Segments:

The top 5 segments (61% of 2019's retail sales) are down 52% for the week ending April 12 vs. forecast. Among these, only Large Pickup has shown any resilience

Light-Duty Pickup

LD Pickup sales for the week ending April 12 were down 18% compared to 54% for the industry. The resilience is driven primarily by the availability of unprecedented incentive programs on certain pickups, specifically loans with 0% APR for 84 months with deferred payments.

Key Source of Revenue & Profitability

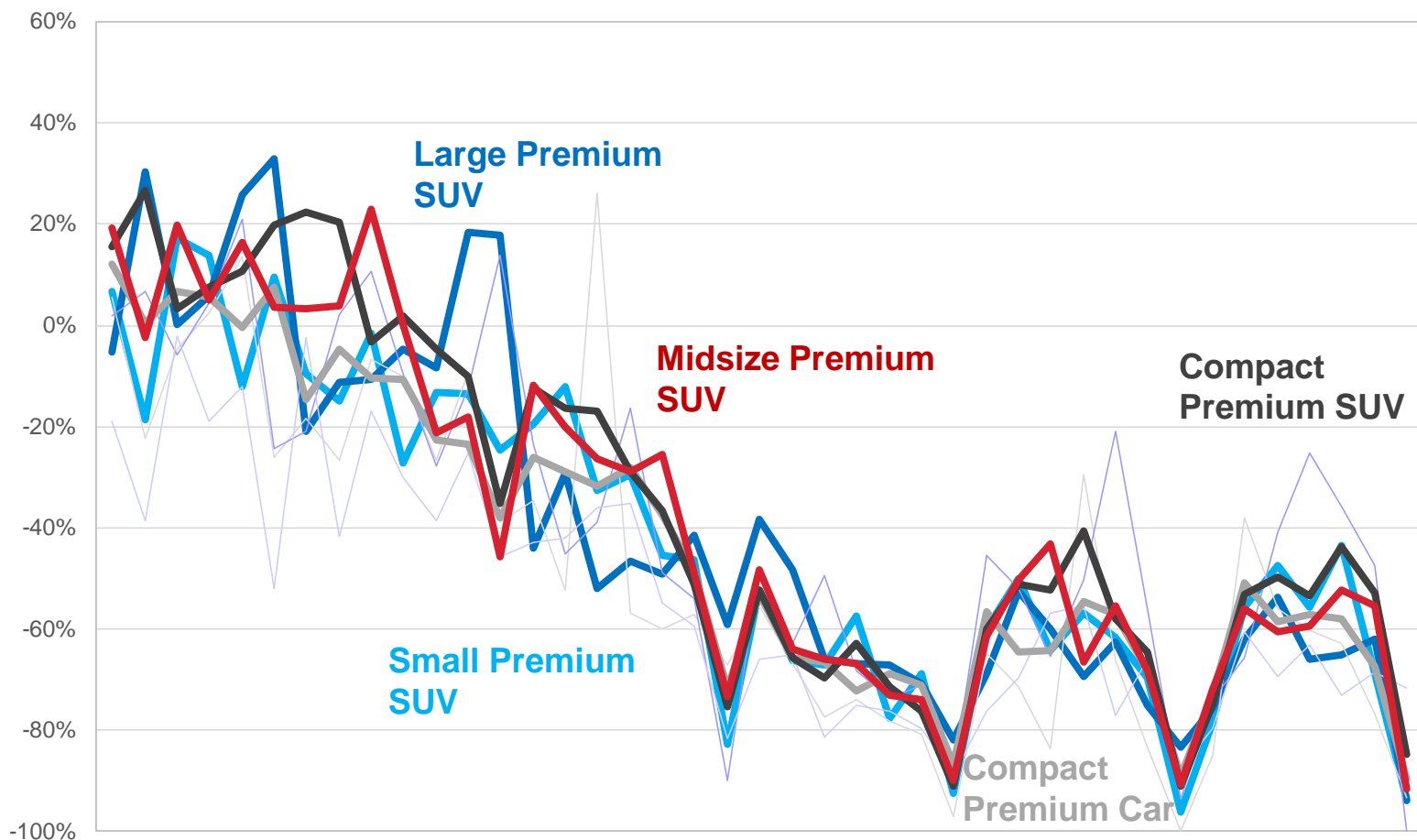
LD Pickups carry net transaction prices of \$42,000 and are among the most profitable vehicles sold by OEMs.

KEY TAKEAWAY

Pickups continue to be the most resilient segment.

IMPACT: Premium Sales Impacted Across All Segments

Retail Sales: Actual over/(under) Pre-Virus Forecast



INSIGHT

Top Segments:

These 5 premium segments typically constitute 86% of the premium industry and sales are down 60% the week of April 12th relative to pre-virus forecast.

All premium segments are experiencing similar sales declines.

A large number of premium vehicle shoppers are lessees who have extended their lease and will return to market in the near future.

Impact of Longer-Term Loans

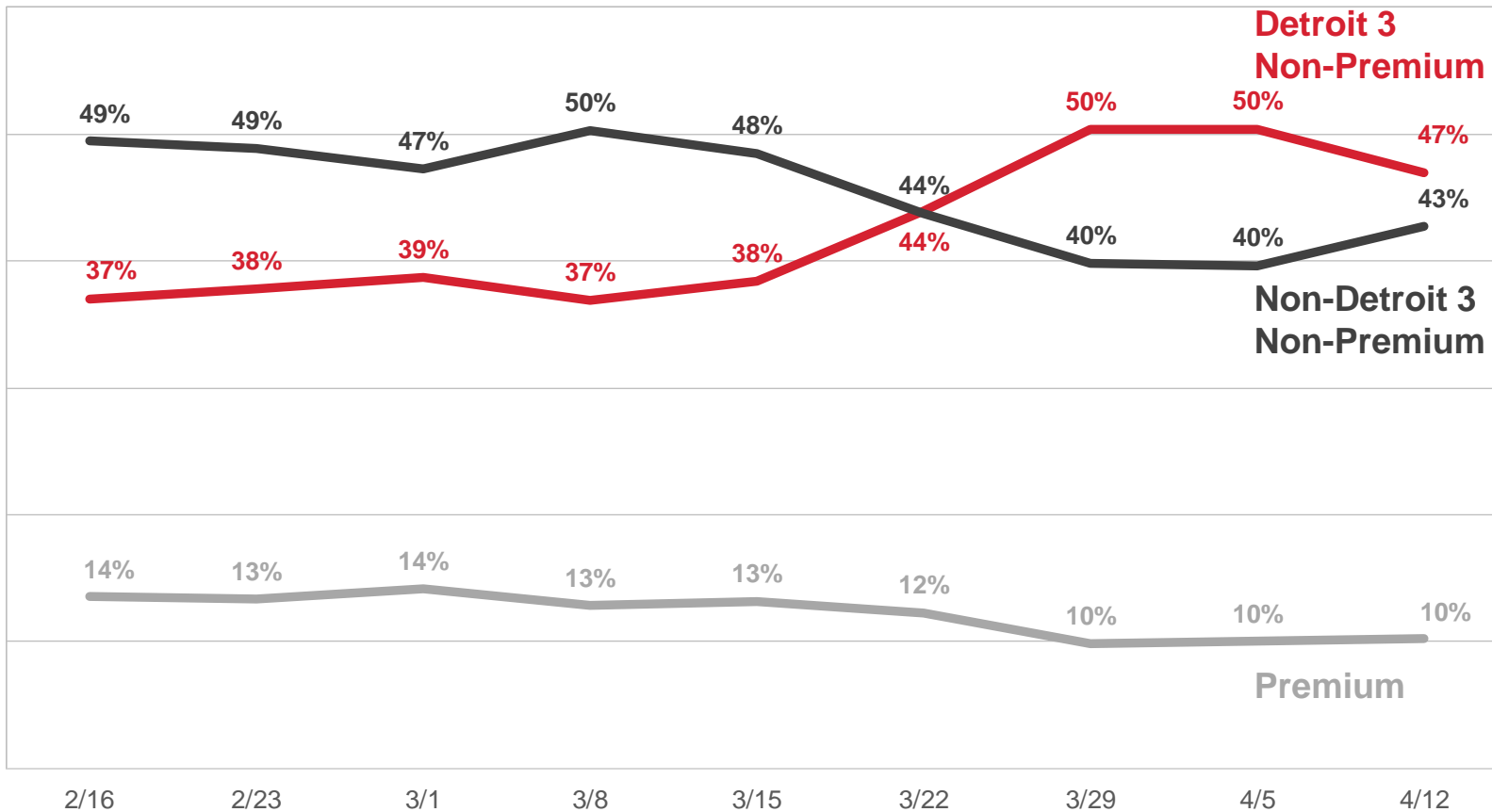
Select brands have launched 0% for 72 month loan programs. An increasing proportion of premium buyers are using these loans but the impact is less than the 0% for 84mo loans available on non-premium brands.

KEY TAKEAWAY

All premium segments declined steadily throughout March, and have stabilized the decline at 60% for the past two weeks.

IMPACT: Detroit 3 Sales More Resilient Than Other Manufacturers

Share of Industry Retail Sales



INSIGHT

GM, Ford, and FCA retail market share declined slightly in week ending April 12, but remained elevated vs. pre-virus levels.

The decline in Detroit 3 share was due to gains by other non-premium brands, several of whom have launched additional incentive programs

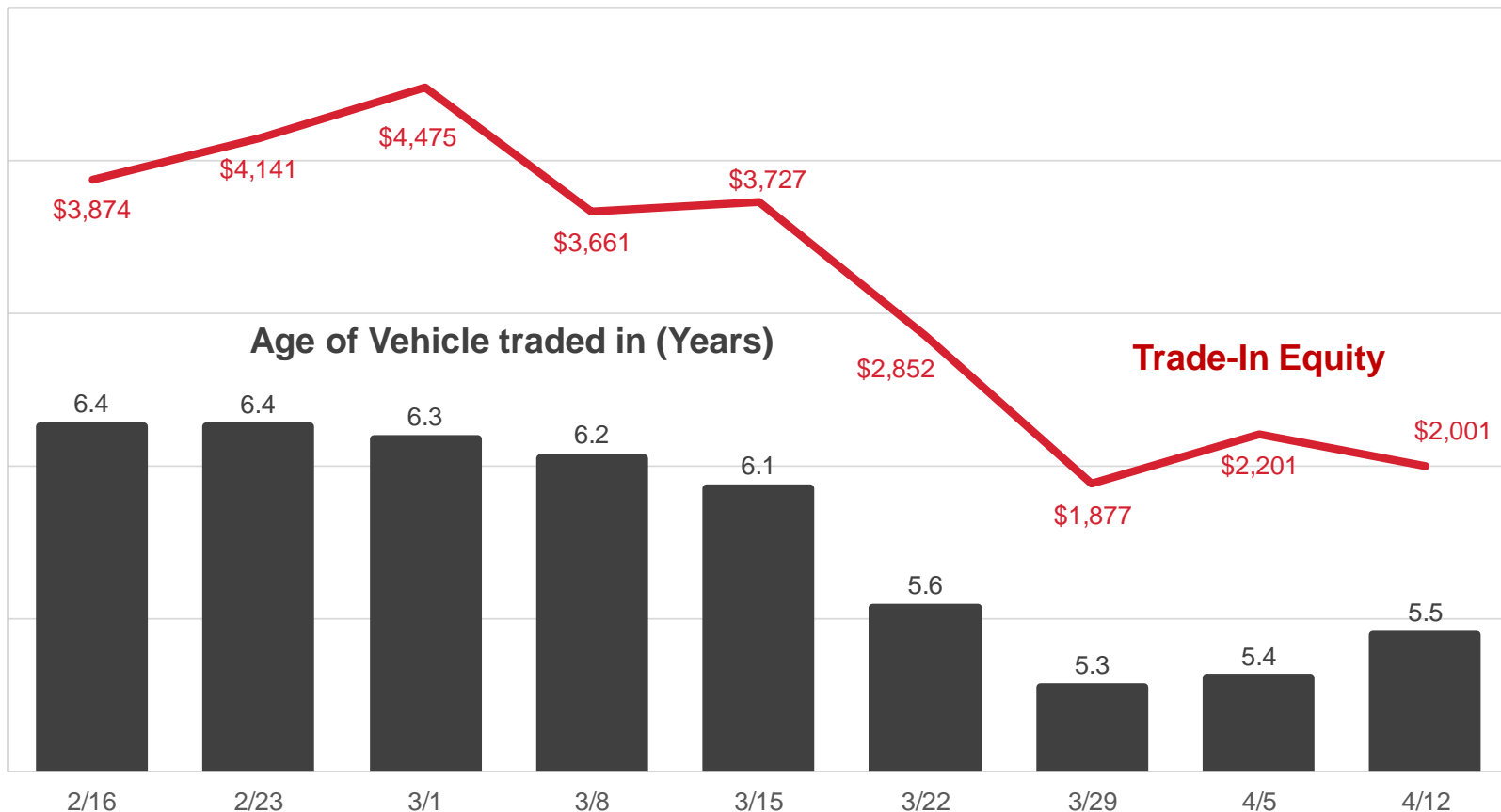
Premium brands' market share remains depressed, in part due to their heavier reliance on lease customers who are extending their leases.

KEY TAKEAWAY

Detroit 3 automakers were first to launch 84-month loan offers. However, Hyundai, Nissan, and Genesis have now introduced 0% for 84-month programs on select models.

IMPACT: Trade Equity and Trade-In Age Dropped Significantly

Average Trade-In Equity and Trade-In Vehicle Age



INSIGHT

Trade-In Age

The average age of all vehicles traded in dropped by nearly a full year since mid-March to the lowest level since the recession.

Trade-In Equity

The decline in equity likely reflects higher loan balances carried on younger vehicles traded in and lower trade values on used vehicles.

KEY TAKEAWAY

Incentive programs are helping keep monthly payments affordable despite buyers having less equity on their trade-in.

IMPACT: How Are Customers Leveraging 0% for 84M Incentives?

Actual Loan Terms for 0% for 84-Month Customers vs. Prior Purchase

		Vehicle Price	APR / Term	Total Down	Monthly Payment
Large Pickup Light Duty	Prior Purchase	\$38,330	5.0%, 74 months	\$5,181	\$590
	New Purchase	\$51,398	0%, 84 months	\$1,003	\$666
	Change	\$13,068	-5.0ppts, +10 months	-\$4,179	\$76
Midsize SUV	Prior Purchase	\$33,632	4.4%, 73 months	\$3,819	\$529
	New Purchase	\$43,729	0%, 84 months	\$607	\$569
	Change	\$10,098	-4.4ppts, +11 months	-\$3,212	\$39
Midsize Pickup	Prior Purchase	\$27,089	4.9%, 72 months	\$3,044	\$445
	New Purchase	\$35,703	0%, 84 months	-\$81	\$481
	Change	\$8,614	-4.9ppts, +12 months	-\$3,125	\$36
Small SUV	Prior Purchase	\$21,918	5.5%, 71 months	\$3,195	\$364
	New Purchase	\$27,599	0%, 84 months	-\$44	\$374
	Change	\$5,681	-5.5ppts, +13 months	-\$3,239	\$10

INSIGHT

With 0% for 84M incentive offers available, customers are purchasing more expensive vehicles, putting less money down, yet still achieving monthly payments near their prior vehicle payment.

In the case of Large Pickups, customers are selecting a \$13K more expensive vehicle and putting \$4K less money down. But by taking a 0%/84mo loan (with a 10 month longer term and 5ppt lower rate), they are only paying \$76 more per month.

For Small SUV, the monthly payment is even closer to being carryover at +\$10 despite \$6K more expensive vehicles and \$3K less down payment.

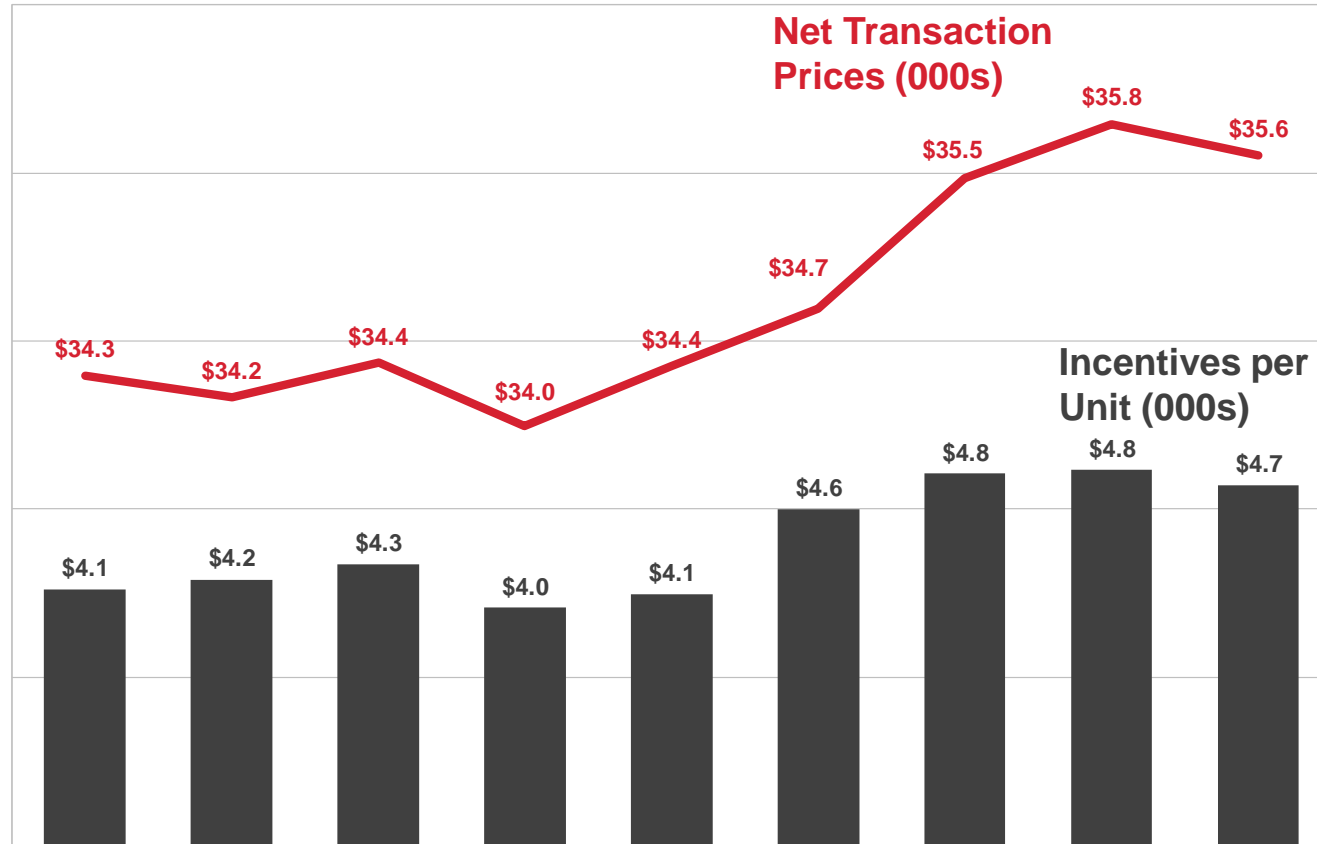
KEY TAKEAWAY

84mo Loans are helping customers put less money down, buy more expensive vehicles, yet keep monthly payments aligned with their prior vehicle.

Notes: Data compares the loan terms of customers who bought in Mar-20/Apr-20 with a 0% for 84mo loan, compared to the loan terms and payments of their previous purchase

IMPACT: Transaction Prices & Incentive Spend

Net Transaction Prices and Incentive Spending



Week Ending	2/16	2/23	3/1	3/8	3/15	3/22	3/29	4/5	4/12
Incentives % MSRP	10.2%	10.3%	10.4%	10.0%	10.0%	11.1%	11.3%	11.3%	11.2%

INSIGHT

Net Transaction Prices

Transaction prices reached their highest-level on record at \$35,800 during the week ending April 5. Prices declined slightly in week ending April 12 on lower pickup truck sales mix.

Incentive Spending

Incentives remained near record levels at \$4,700 per unit during the week ending April 12.

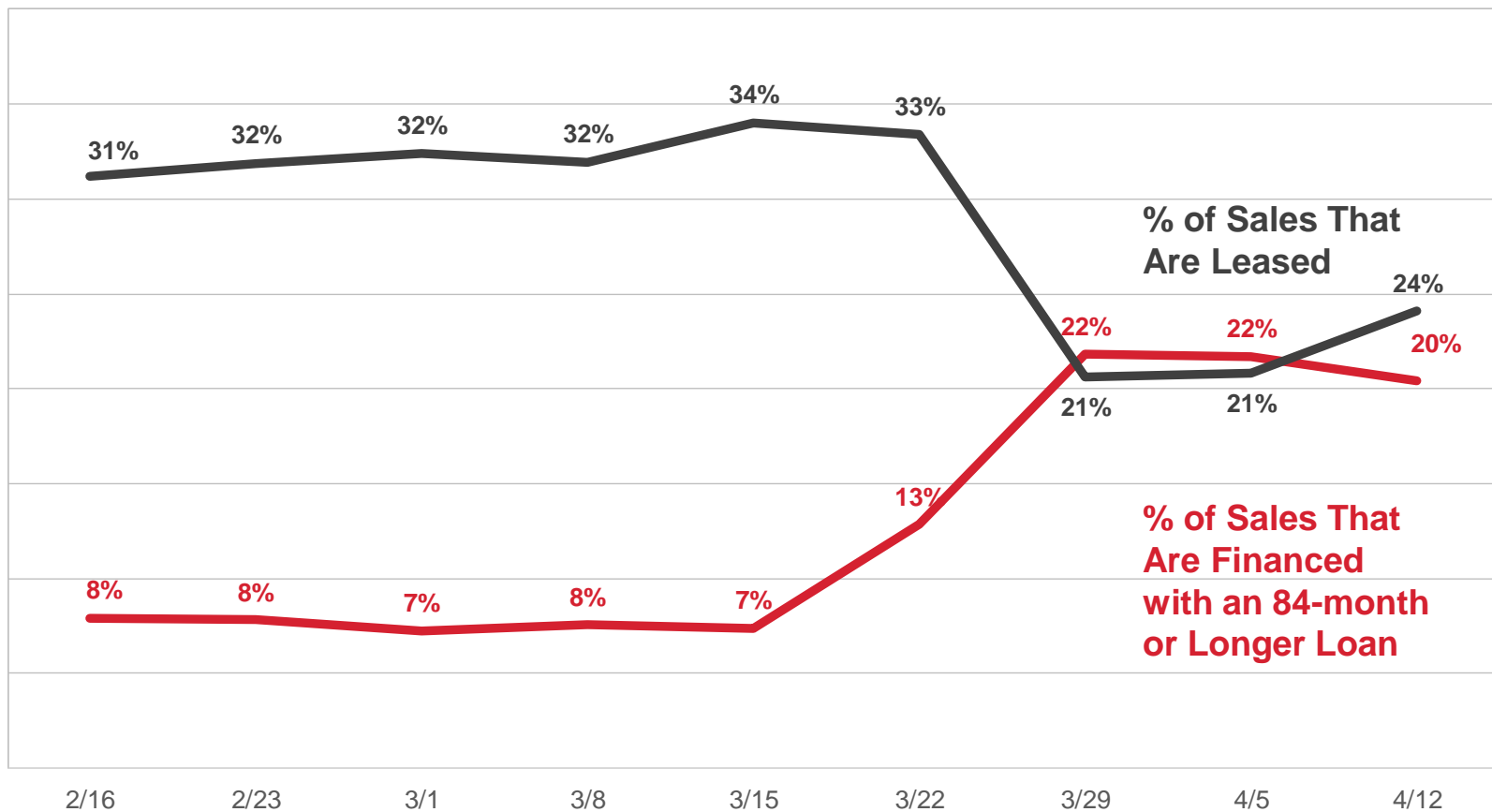
While average incentive spending declined week-over-week, the variance was driven largely by changes in vehicle mix rather than reductions in available offers.

KEY TAKEAWAY

Unlike previous downturns, COVID-19 has not yet led to lower prices. Price contraction remains a risk.

IMPACT: How People Are Buying Vehicles

Share of New Vehicle Sales by Purchase Type



INSIGHT

% of Buyers Taking 84-Month Loans

20% of buyers during the week ending April 12 took an 84-month loan, remaining near record-level and 3x pre-virus levels of 7-8%.

0% for 84-month loans are available on a variety of vehicles, but are particularly popular with pickup truck buyers. 41% of light-duty sales during the week ending April 12 had this term, compared to normal levels of 13-16%.

% of Buyers Leasing Their Vehicles

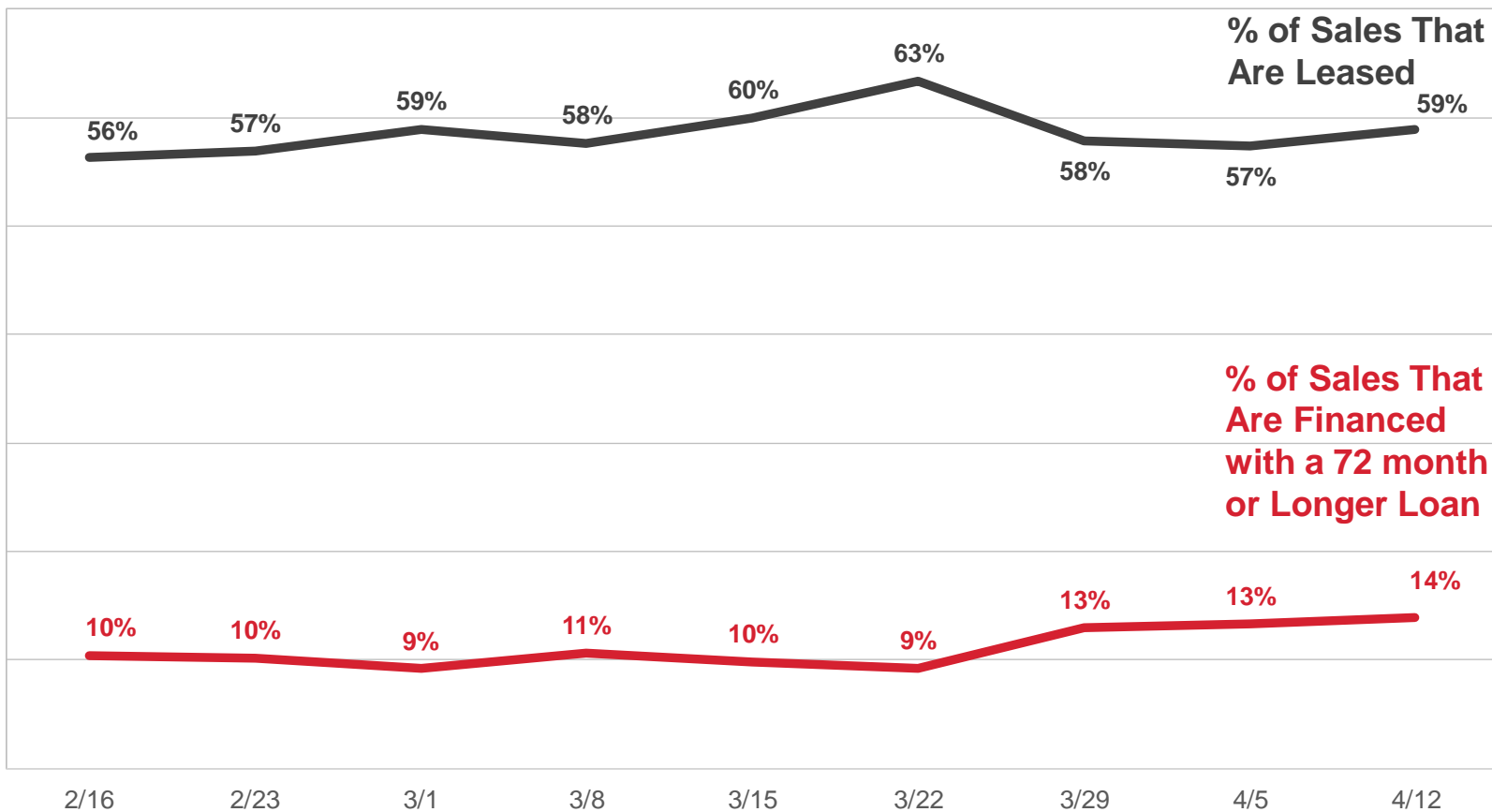
24% of buyers during the week ending April 12 took a lease, higher than prior two weeks, but remaining well below normal levels of 30-35%. The weekly increase is consistent with lower Detroit 3 sales mix and lower pickup mix, plus lessees who extended their lease beginning to return to market.

KEY TAKEAWAY

84-month loans are running 3x their pre-virus rate and leasing remains lower than normal levels, consistent with lessees extending their leases.

IMPACT: How People Are Buying Premium Vehicles

Share of New Vehicle Sales by Purchase Type



INSIGHT

% of Premium Buyers Taking 72 month or Longer Loans

14% of buyers during the week ending April 12 took a 72-month or longer loan, the highest ever level for premium and 40% above pre-virus levels.

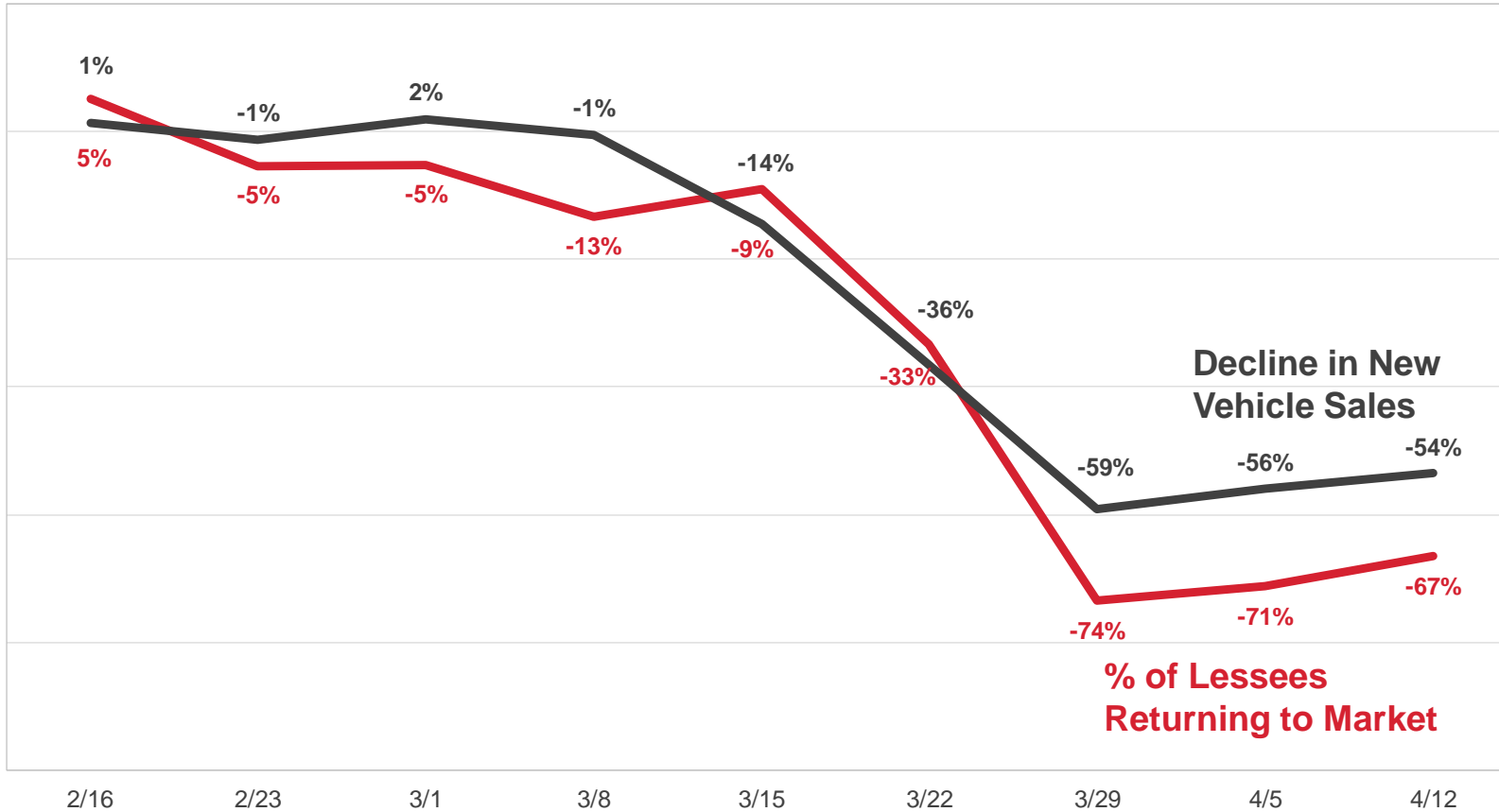
Unlike non-premium segments, 0% for 84 month loans are not currently available, with 0% for 72 month loans only available on a modest portion of premium vehicles.

KEY TAKEAWAY

While still low relative to mainstream vehicles, the number of luxury buyers opting for long-term loans is up 40% from pre-virus levels.

IMPACT: Lessees Starting to Return to Market

% of Lessees Returning to Market vs. Decline in New Vehicle Retail Sales



INSIGHT

Returning lessees in market dropped by 74% during the last week of March, a rate that is 15ppts worse than the new vehicle sales decline.

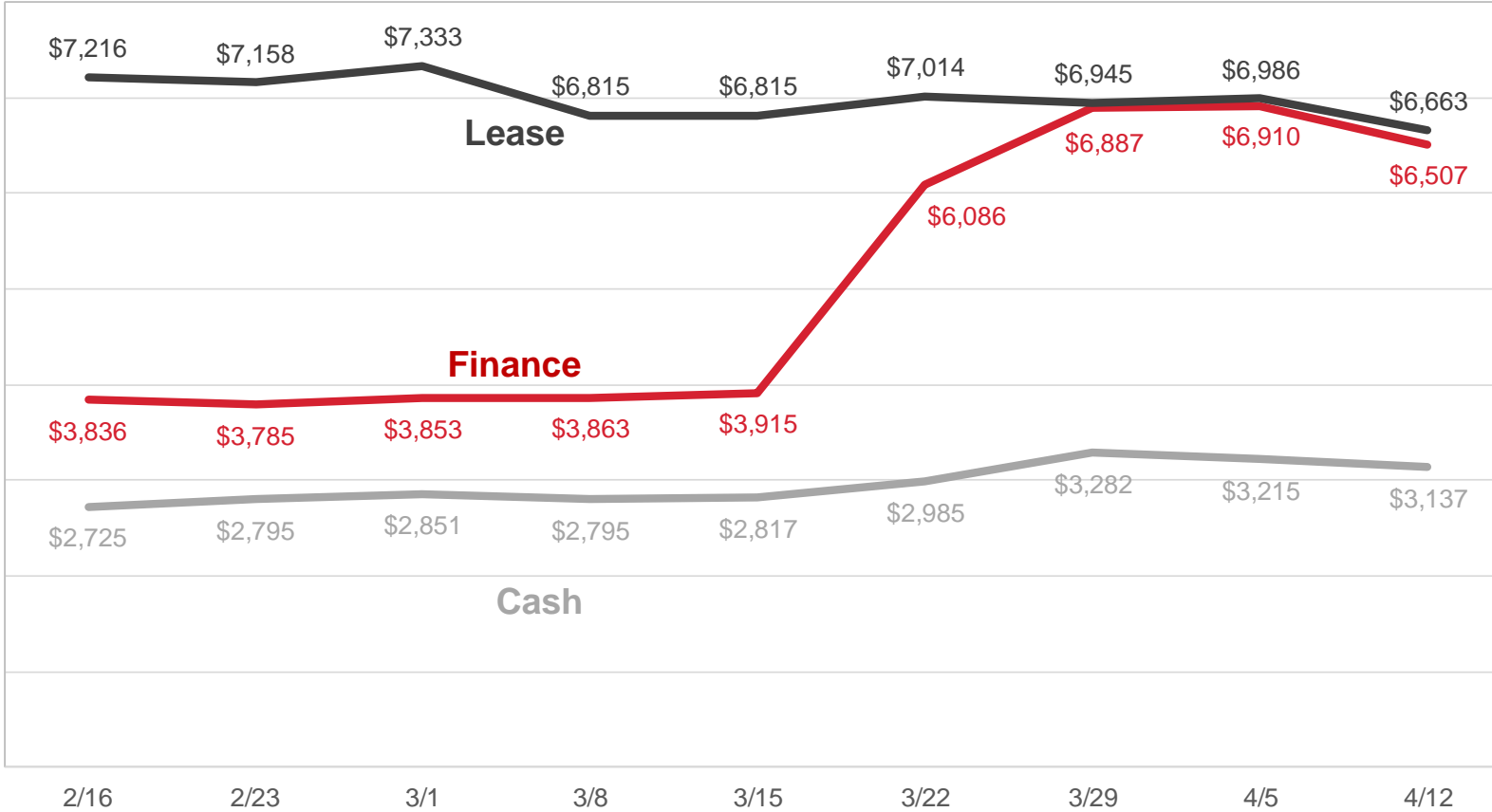
To start April, there has been a minor improvement in the number of lessees returning to market. They still lag overall all sales by 13ppts (-67% vs -54% in new vehicle sales).

KEY TAKEAWAY

Almost 75% of lessees have stayed out of the market due to their ability to extend leases. As April progresses, a gradual return to market is becoming apparent.

IMPACT: Loan Deals Have Improved, Cash/Lease Deals Stable

Incentive Spend per Unit by Sales Type



INSIGHT

0% for 84 months finance terms are the primary driver of the recent rapid escalation of incentives.

Discounts for Cash and Lease customers have not yet risen to match the escalation available to finance customers.

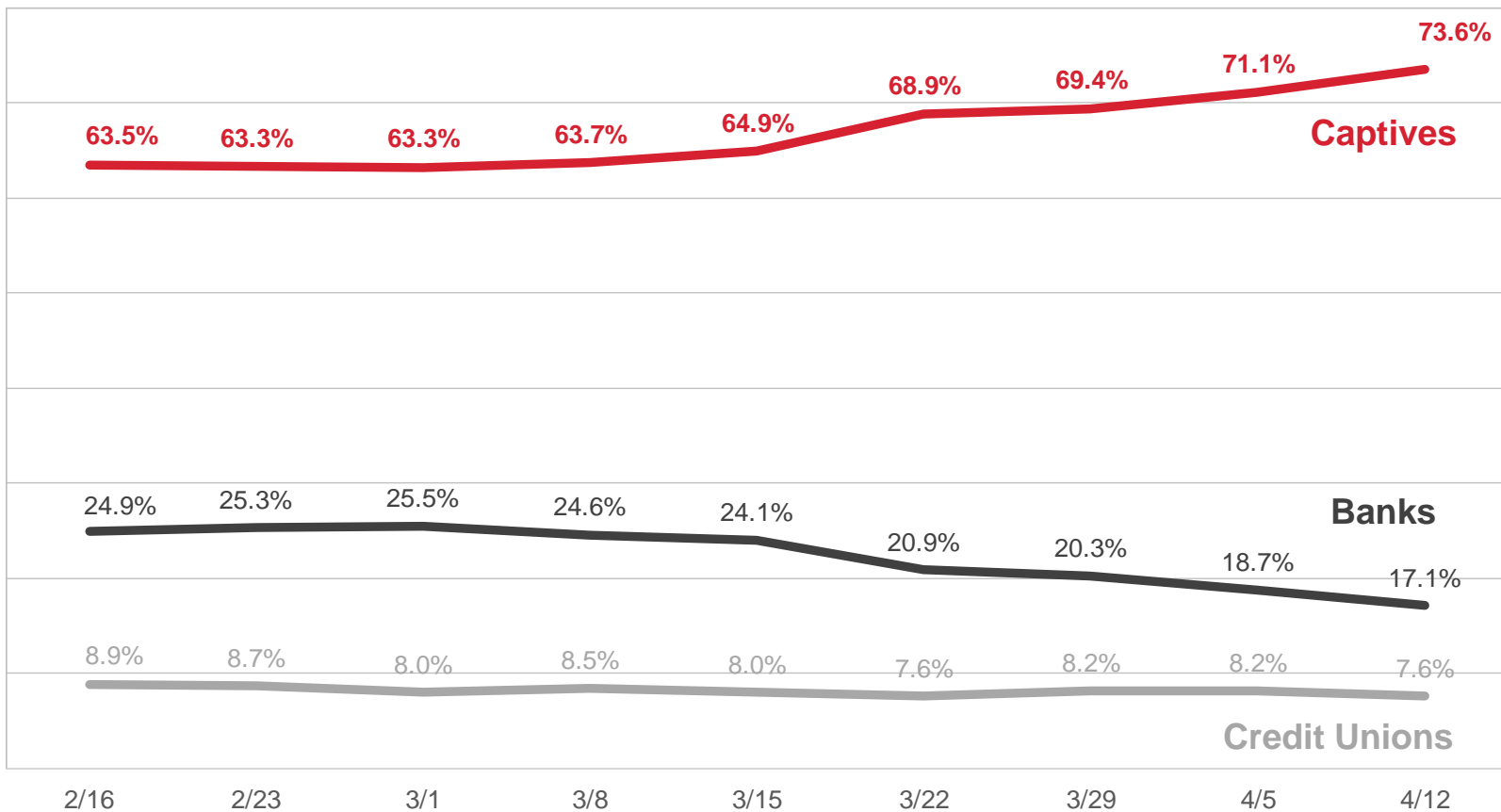
A key variable for the coming weeks and months will be the extent to which manufacturers maintain the current strategy vs. escalating Cash and Lease incentives..

KEY TAKEAWAY

The current dominant tactic of 0% for 84 months is appropriate to maintain sales though the current crisis. However, it is only relevant to non-cash and non-lease customers.

IMPACT: Captive Lenders Benefit From Strong APR Offers

Share of New Vehicle Loans and Leases



INSIGHT

Captive %

Captive lenders captured 74.2% of loans and leases in week ending April 12, the highest level in recent history.

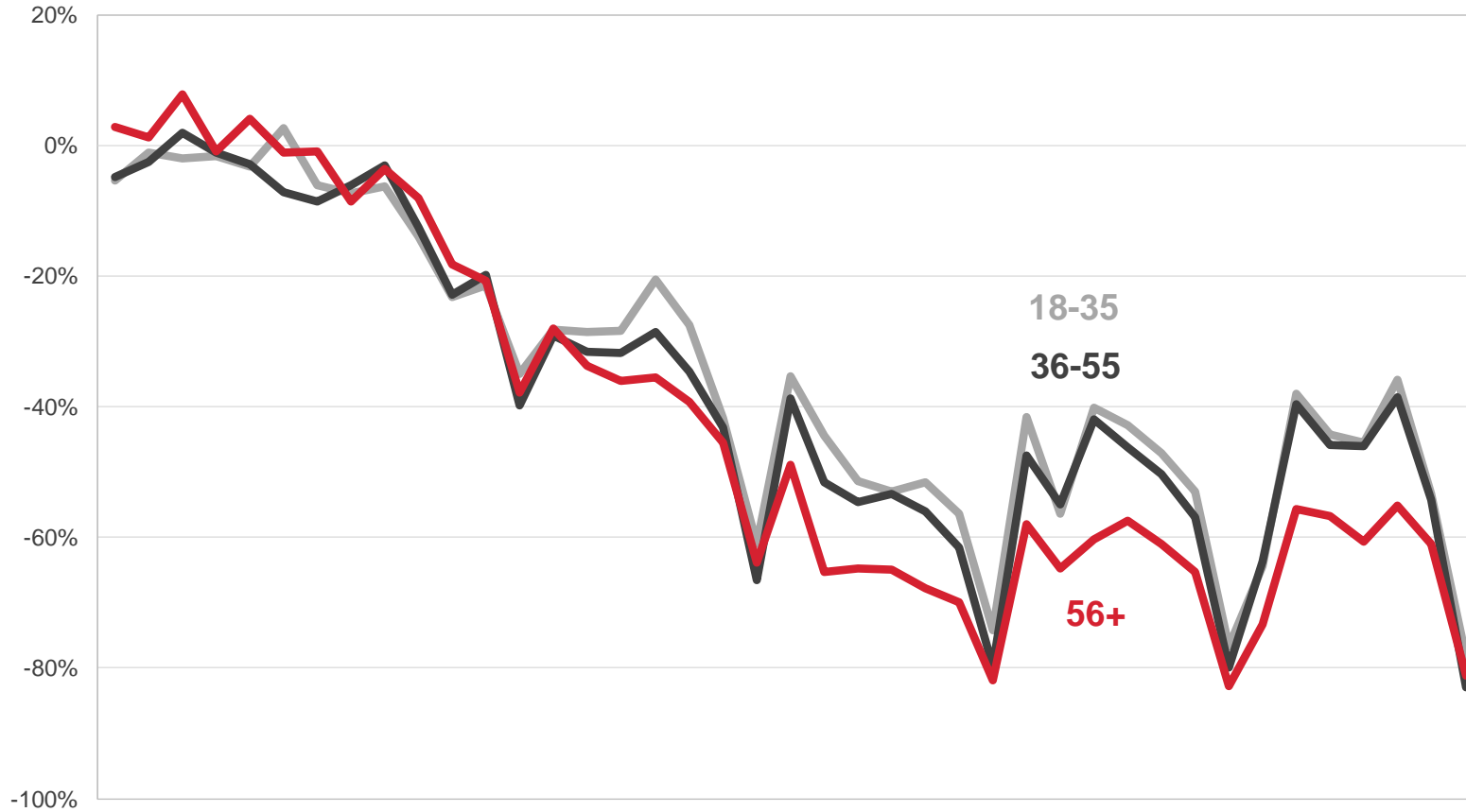
Higher captive mix is due to supported 84-month loans from the Detroit 3.

KEY TAKEAWAY

Strong finance offers are supporting sales and enabling captives to increase their share of loans.

IMPACT: 56+ Buyers Are Most Heavily Impacted

Retail Sales: Actual over/(under) Pre-Virus Forecast



Week Ending	3/8	3/15	3/22	3/29	4/5	4/12
18-35	-2%	-16%	-33%	-52%	-51%	-49%
36-55	-2%	-16%	-37%	-57%	-53%	-50%
56+	3%	-12%	-38%	-66%	-63%	-61%

INSIGHT

Sales Decline by Buyer Age

Since mid-March, retail sales to buyers 56+ years have declined at a faster pace than younger customers.

56+ accounted for 37% of new-vehicle sales in 2019 and was the only group that grew.

April Month-to-Date Sales Change

- 18-35 years: -49% or 41,000 units
- 36-55 years: -51% or 71,000 units
- 56+ years: -62% or 77,000 units

Week Ending April 12 Sales Change

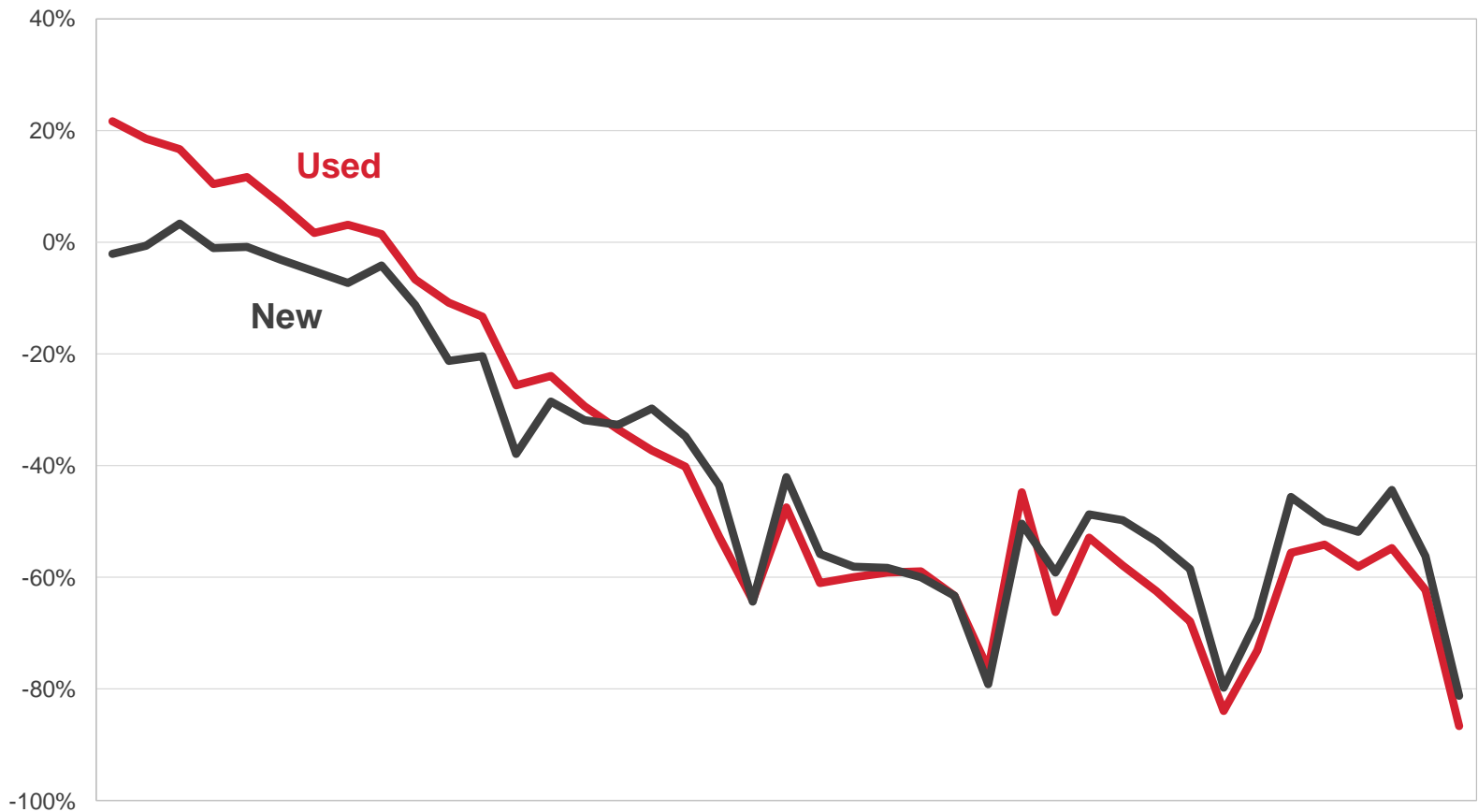
- 18-35 years: -49% or 24,000 units
- 36-55 years: -50% or 42,000 units
- 56+ years: -61% or 48,000 units

KEY TAKEAWAY

For the week ending April 12, retail sales to buyers 56+ years continued to underperform the rest of the industry by over 12ppts.

IMPACT: Used Vehicle Sales At Franchised Dealers

Retail Sales: Actual over/(under) Pre-Virus Forecast



Week Ending	3/8	3/15	3/22	3/29	4/5	4/12
Used	14%	-6%	-39%	-60%	-62%	-61%
New	-1%	-14%	-36%	-59%	-56%	-54%

INSIGHT

Month-to-Date Impact

Used-vehicle sales are falling at a similar rate to new vehicle sales.

Escalating Risk to Used Prices

Retail prices have been stable, but cash flow issues may drive prices down at dealerships able to operate.

Auction (wholesale) volumes have fallen sharply due to disruption to physical auction operations (see next slide).

Consequences if Prices Fall

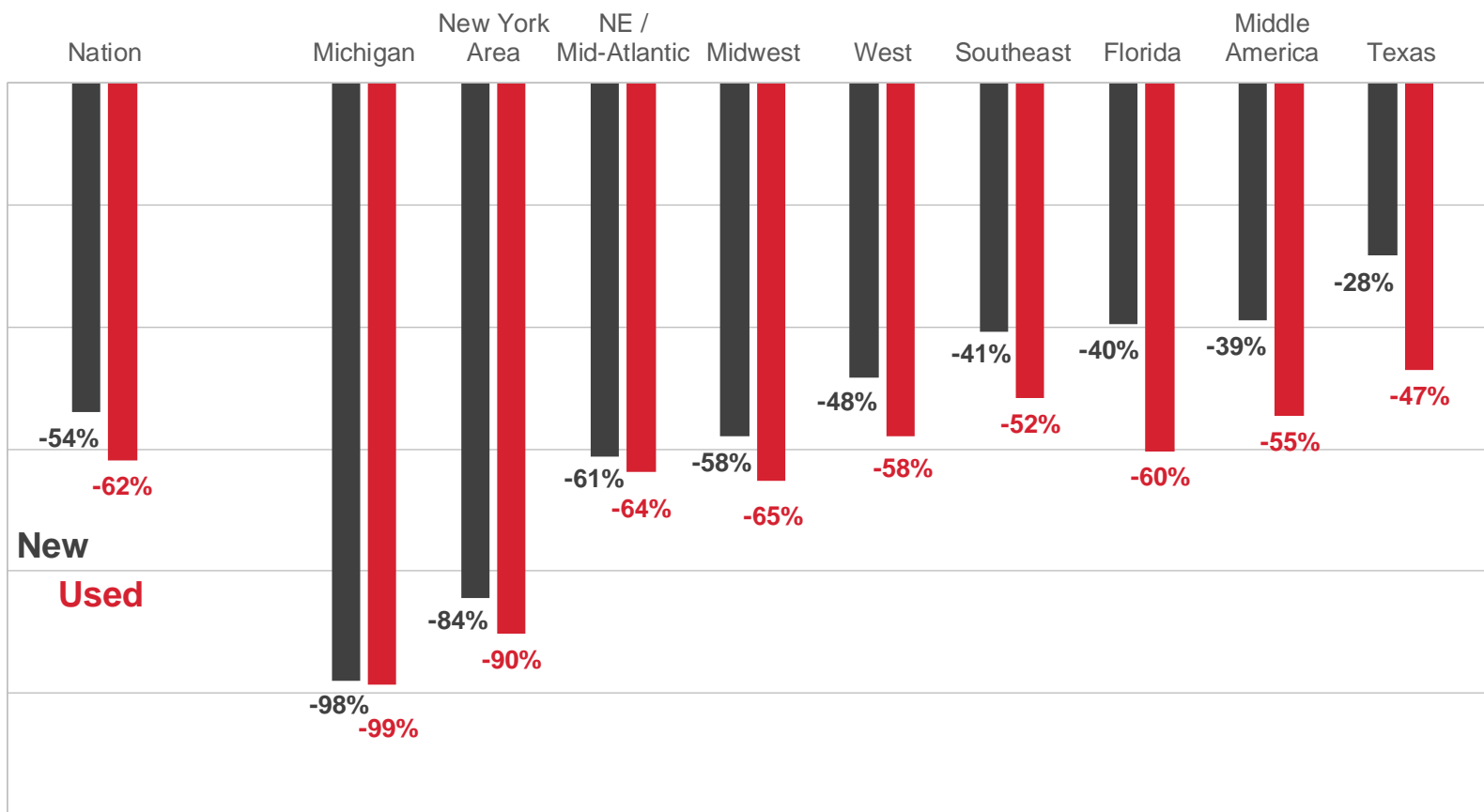
Losses on used vehicles in inventory will compound cash flow and profit issues for retailers. OEMs may realize losses on off-lease vehicles. Consumers will receive less for their trade-ins decreasing their purchasing power.

KEY TAKEAWAY

Used sales at franchised dealers fell faster than new sales in the past week: -61% vs. -54%.

IMPACT: Used Sales Declines Outpacing New Sales in All Regions

Retail Sales: Actual over/(under) Pre-Virus Forecast



INSIGHT

Used Sales by Region

Used sales declined at a faster rate in Texas, Florida, Middle America, and Southeast regions.

Markets/regions with stricter sales restrictions including NY, Pennsylvania, New England, and the west coast exhibit less disparity between new and used sales declines.

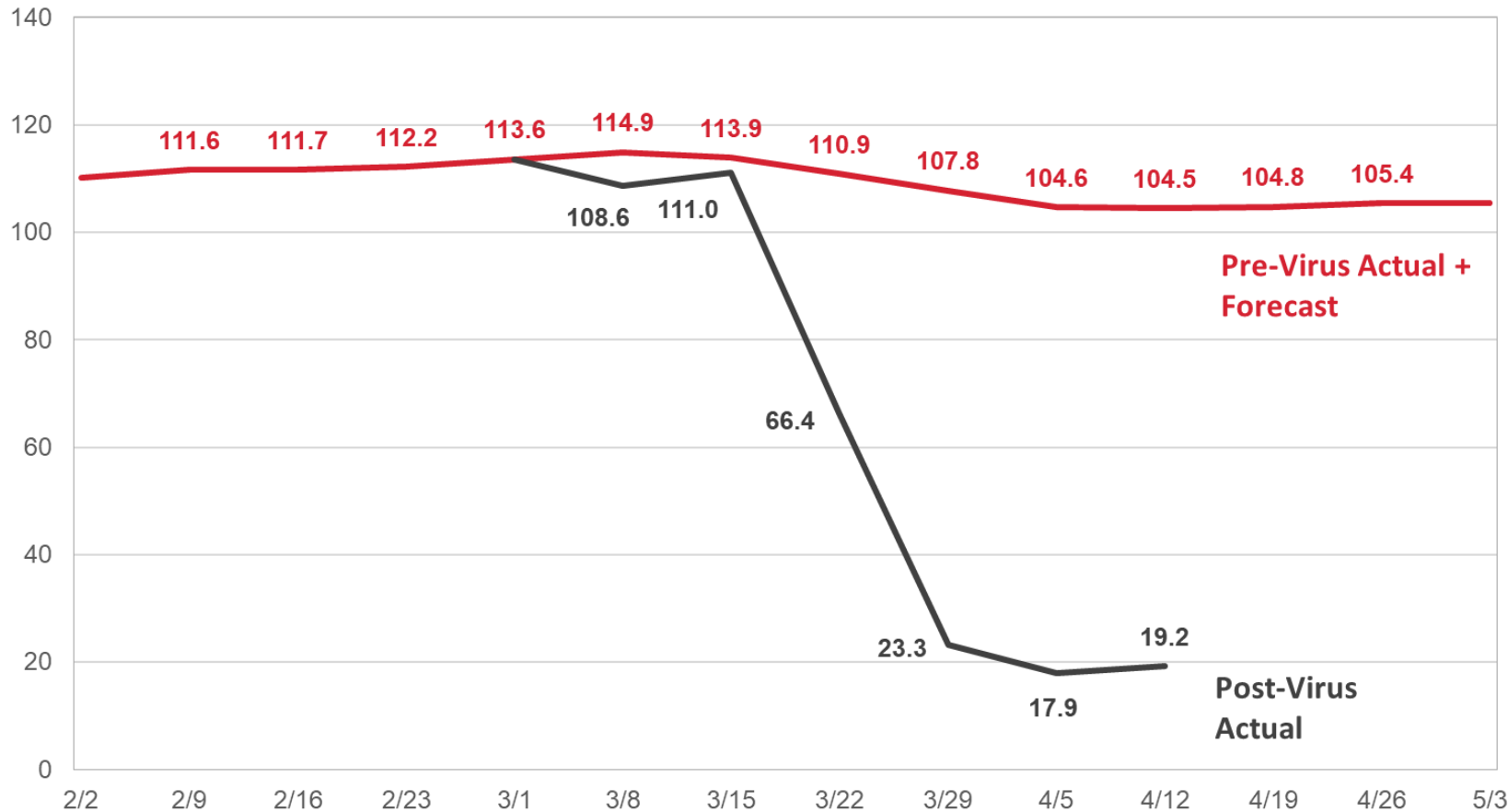
Stronger performance of new sales relative to used reflects the increased affordability of new vehicles due to 84-month loan programs, coupled with consumer concerns regarding the cleanliness of used vehicles.

KEY TAKEAWAY

Initial data indicates a significant number of used vehicle shoppers are switching to new vehicles.

IMPACT: Used Vehicle Auction Volume Constrained

Weekly Wholesale Auction Volume (000s)



INSIGHT

Wholesale Auction Volume Results

Wholesale auction volume remain severely constrained.

Volume over the first two weeks of April was 80% below both April 2019 and our pre-outbreak forecast.

Impact-to-Date

Auction volume has totaled fewer than 130,000 units since virus-related disruptions began in mid-March.

This reflects a decline of 300,000 units or 70% versus our pre-virus forecast and a loss of 340,000 units versus the same period in 2019.

KEY TAKEAWAY

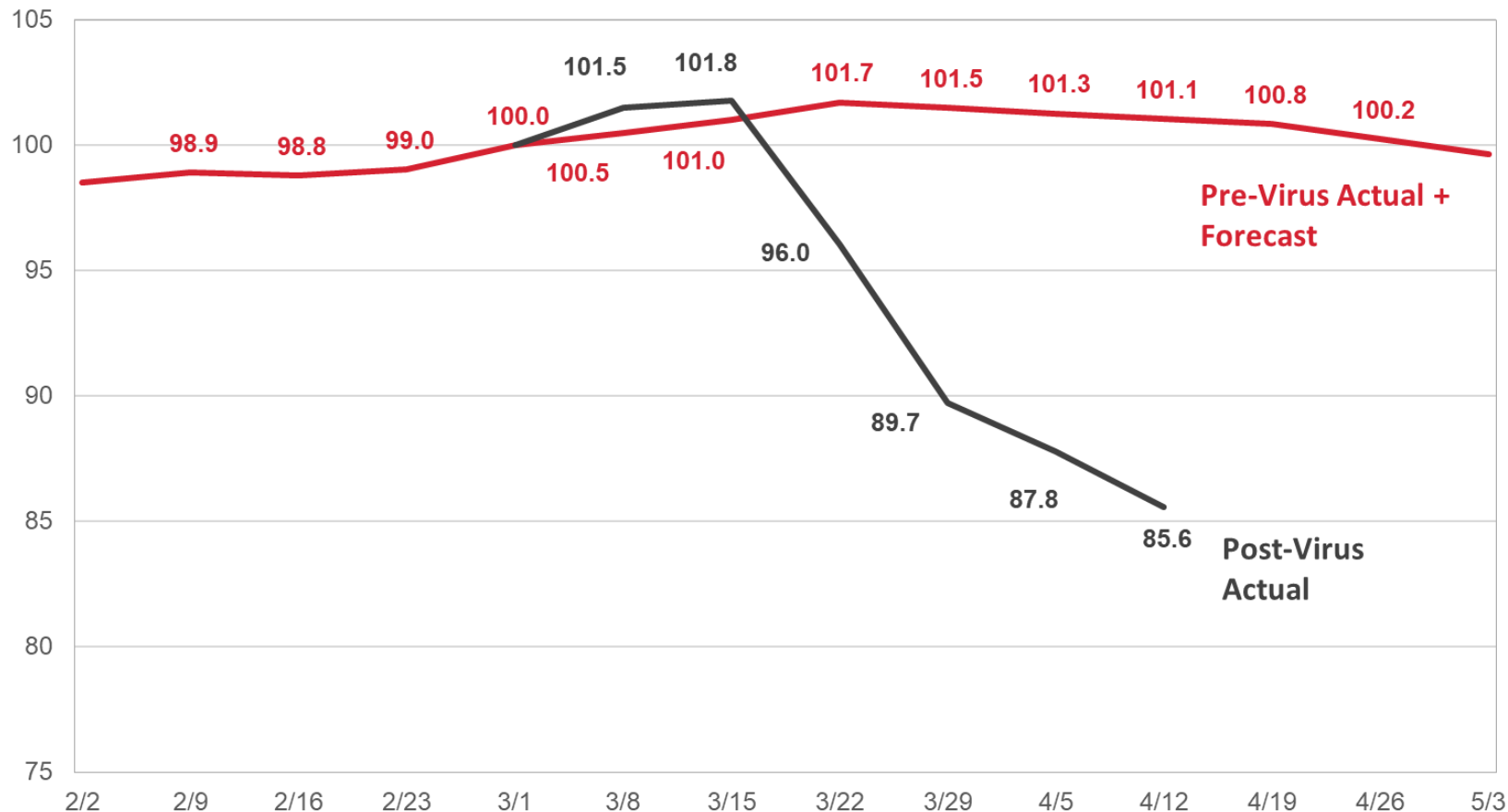
Auction volumes remain depressed. The restart of simulcast sales at a major auction house last week means wholesale auction activity has likely reached an inflection point.

Notes: Vehicles up to 8 years old; Simulcast and physical auction sales only; Lagging reported sales will impact previously reported results; Actual figures through March 1, 2020

IMPACT: Used Vehicle Auction Prices Continued Decline

Weekly Wholesale Auction Price Index

March 1 = 100



INSIGHT

Auction Prices Remain Depressed

Wholesale auction prices fell 2.5% the week ending 4/12, essentially matching the prior week's decline. Auction prices ended the week 16% below our pre-virus forecast.

Retail Price Performance

Used retail prices continue to outperform wholesale results, with prices falling 1% last week versus the week prior.

The difference in wholesale and retail price performance is due to a large disparity in sales activity. While both have been significantly disrupted, franchise dealer used vehicle sales were ~3x greater than wholesale sales over the past four weeks.

KEY TAKEAWAY

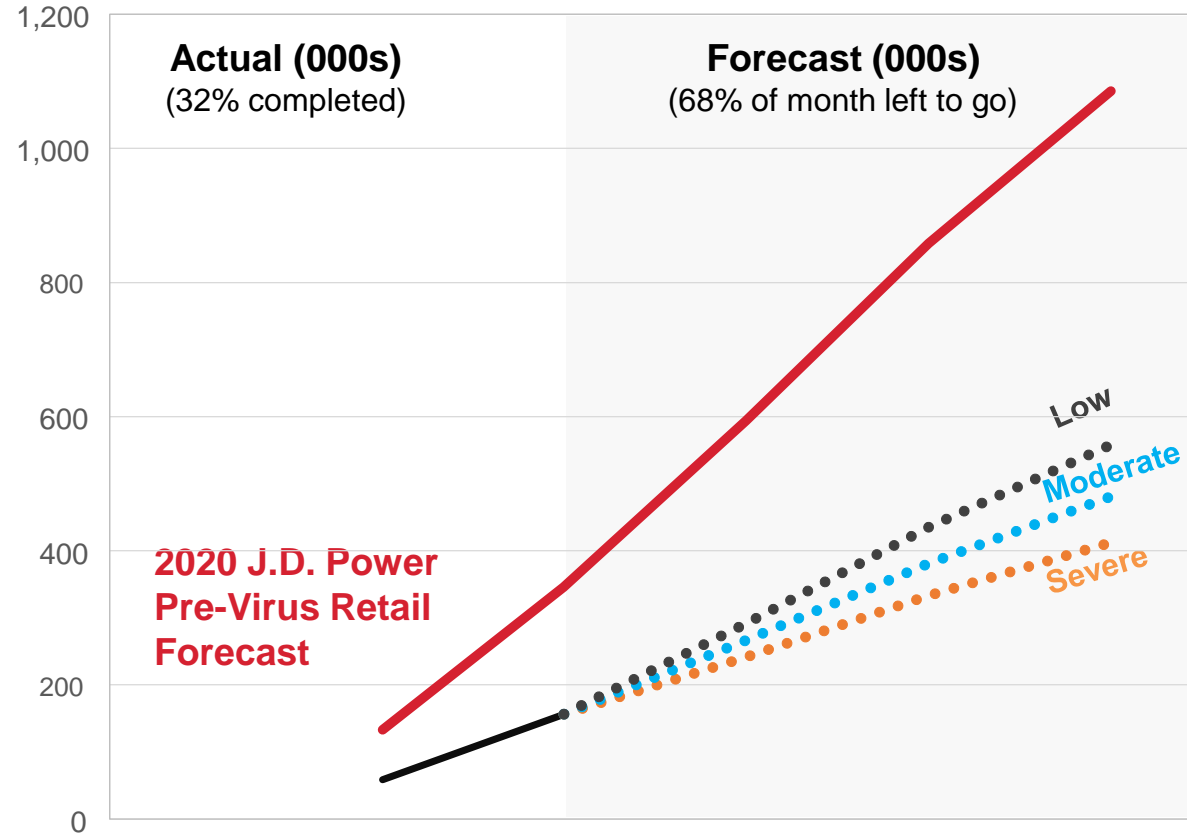
While wholesale volumes are extremely low, prices for those vehicles were down 16% last week.

Notes: Vehicles up to 8 years old; Simulcast and physical auction sales only; Lagging reported sales will impact previously reported results; Actual figures through March 1, 2020

2. Sales Outlook

OUTLOOK: April Full-Month Retail Sales Forecast

Retail Sales: Actual over/(under) Pre-Virus Forecast



Week Ending	4/5	4/12	4/19	4/26	4/30
Pre-Virus	133	346	594	858	1,085
Low	58	157	292	435	558
Moderate	58	157	266	382	482
Severe	58	157	243	334	412

INSIGHT

Comparison to April Forecast

J.D. Power April retail sales outlook is for 412,000-558,000 units. This is a decline of 49-62% from our pre-virus forecast, or a sales drop of up to 673,000.

Actual sales through April 12 has been 157,000 units. This leaves a balance of 254,000-401,000 units to go for the rest of April.

Comparison to April 2019

Compared to April 2019 retail sales of 1,055,100, this represents a decrease of up to 643,000, or a drop of up to 61%.

KEY TAKEAWAY

Sales are expected to decline 49–62% in April.

OUTLOOK: March–July Retail Sales Scenarios

INSIGHT

Sales Impact March-July

The virus is projected to remove 1.0-2.0 million sales over the five months of March-July. Key driver of actual outcome is duration and severity of stay home regulations.

Full-Year Outlook

Recovery/ full-year sales will be determined by:

- Deterioration of economic conditions
- Mitigation of economic conditions through government and OEM stimulus actions
- Recovery of sales postponed during March-July
- 2020CY retail sales: 11.2-12.5 million retail sales vs. baseline of 13.4 million
- 2020CY total sales: 12.5-14.5 million total sales vs baseline of 16.8 million

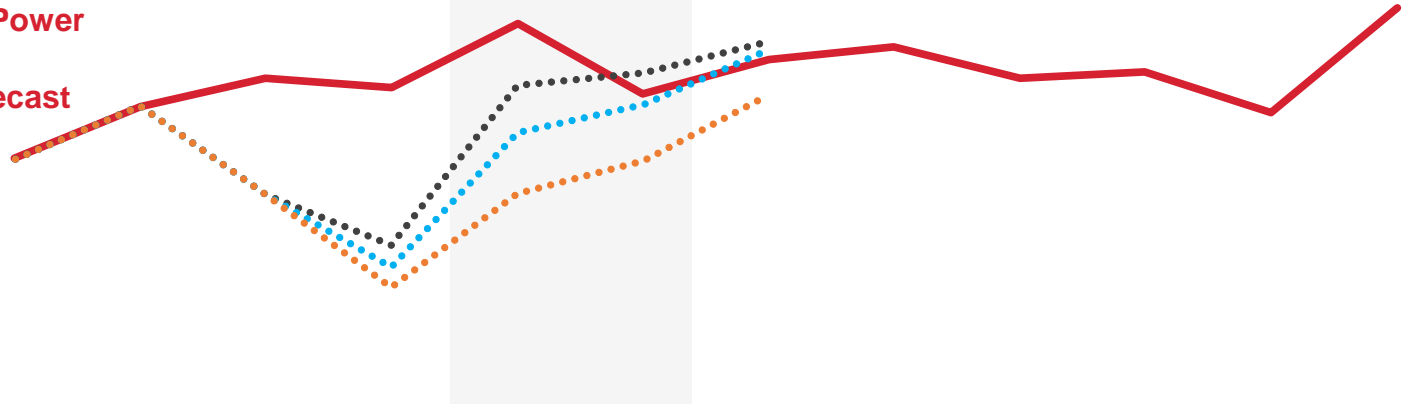
KEY TAKEAWAY

Potential for lost sales through July ranges from 1.0M – 2.0M units. Recovery of those units will be determined by a combination of factors

Sales Decline vs. Baseline

Sales Risk	RAMP UP		PLATEAU/RECOVER		NORMAL	Total Risk (through July)	
	%	UNITS	%	UNITS	%	UNITS	%
LOW	49%	16%	13%	1.0M			
MODERATE	56%	3%	18%	1.4M			
SEVERE	35%	62%	44%	21%	10%	26%	2.0M

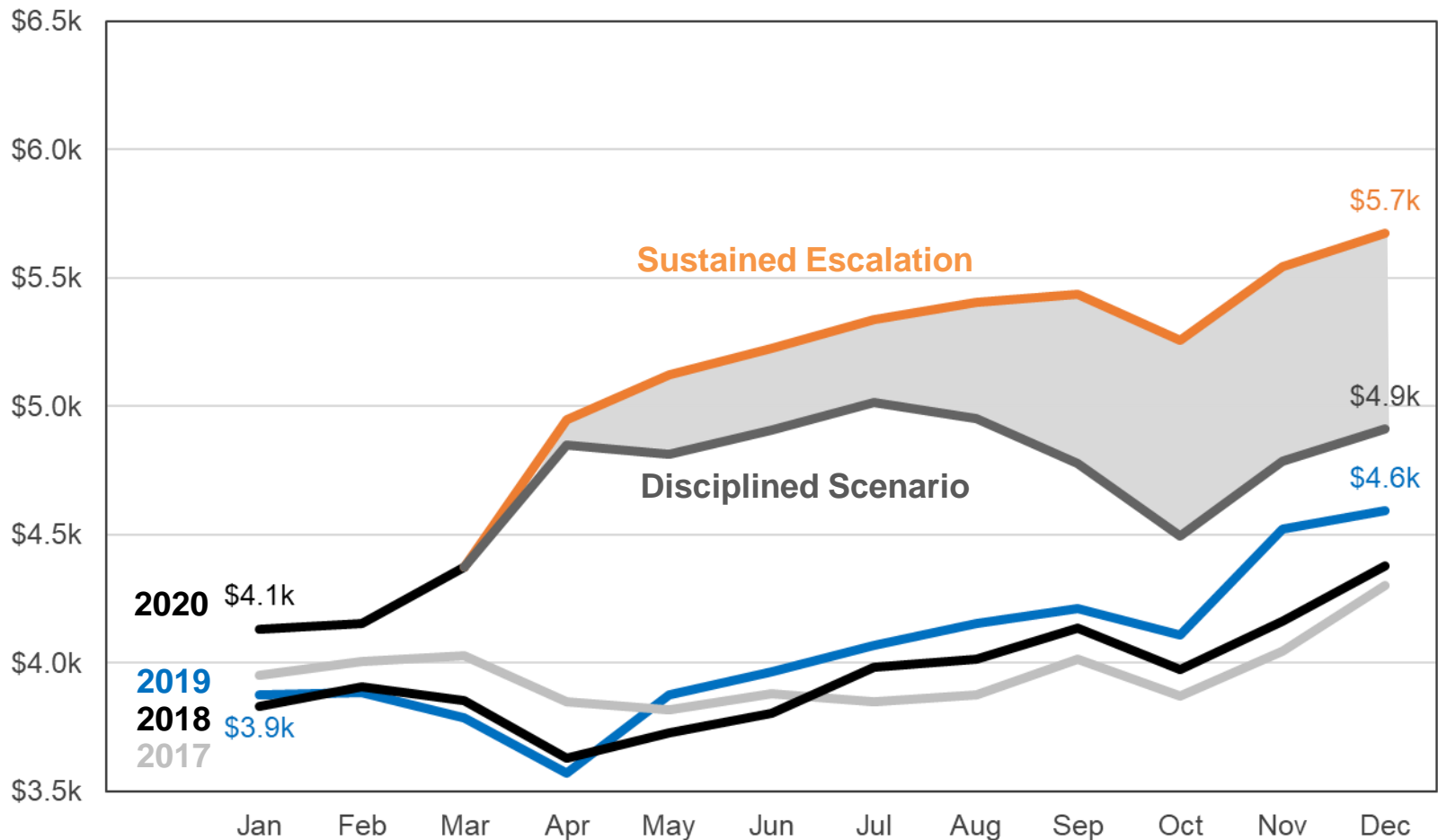
2020 J.D. Power Pre-Virus Retail Forecast



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Baseline			1.12	1.08	1.30	1.06	1.18					
LOW				0.56	1.09	1.14	1.24					
MODERATE				0.48	0.94	1.03	1.21					
SEVERE			0.73	0.41	0.73	0.84	1.06					
<u>Delta vs. Baseline</u>												
LOW				(0.53)	(0.21)	0.07	0.06					
MODERATE				(0.60)	(0.37)	(0.04)	0.03					
SEVERE			(0.39)	(0.67)	(0.57)	(0.22)	(0.12)					

IMPACT: Sustained Incentive Escalation A Future Threat

Incentive Spend Per Unit



INSIGHT

Incentive levels typically increase throughout the year peaking in December.

If the recent incentive escalation becomes the “new normal”, future escalation may compress or eliminate manufacturer profits on many vehicles.

Cashflow pressure requires high incentives to stimulate sales. Profit pressure will likely lead to reversion to lower incentive levels at some time during 2020. Recovery to 2019 incentive levels is unlikely in 2020.

Elevated new vehicle incentives depress used vehicle prices, creating further pressure on manufacturer profitability due to their residual value exposure on their lease portfolios.

KEY TAKEAWAY

Manufacturer incentive strategies will balance cash flow vs. profit pressure, but spending levels are unlikely to return to 2019 levels.

Each \$1,000 of incentive escalation equates to approximately \$3Billion of lost OEM profits per qtr.

OUTLOOK: New Vehicle Inventory

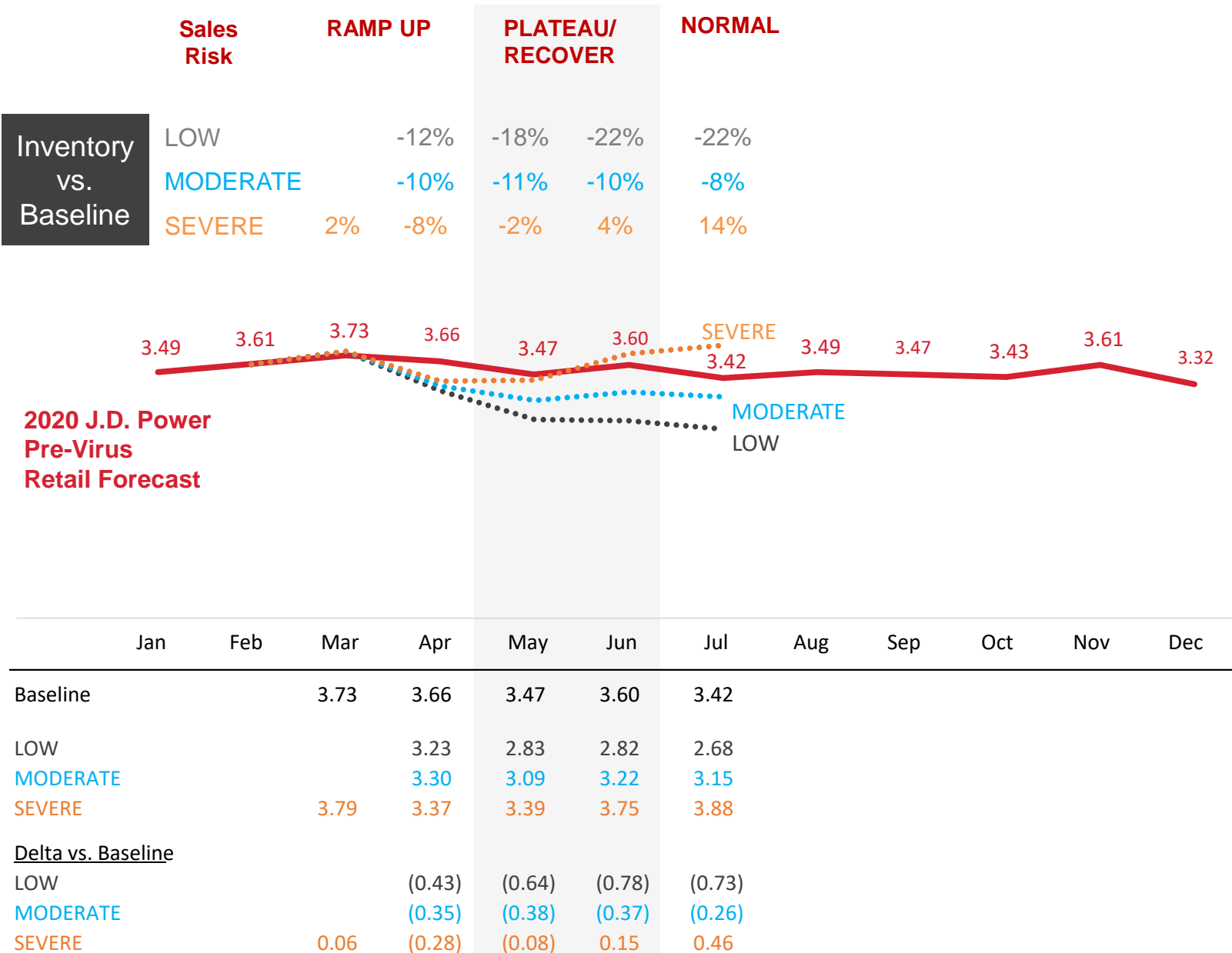
INSIGHT

Scenario Assumptions

Production outlook is uncertain but expectation is that shutdowns will continue through April and resume in May. May production will likely be at lower run rates and/or disrupted by supply chain issues once plants re-open.

Outcome

Inventory projections indicate that additional demand-driven production cuts will not be necessary over and above those already in effect. If sales rebound faster than expected, inventory may fall by 0.8 million units to the 2.7 million level. This remains a sufficient level for the overall industry since it equivalent to a 60 day supply. However, there will likely be constraints for select vehicles.



KEY TAKEAWAY

Production is expected to align with overall demand for most vehicles. Resumption of production in May is key to maintaining normal levels of supply.

3. Q&A

Next Briefing: April 22, 2pm EDT