

Market update

BVRLA

17th September 2020

Welcome and agenda

Agenda

1

What's happening with demand?

2

What's happening with used prices?

3

Will it continue?

What's happening with demand?

Many of the consumer insights are taken from our website and app - at a scale to be a useful proxy for UK automotive demand – with our pricing data taken from our Retail Price Index



UK's largest vehicle marketplace

10m monthly unique users, including 1.5m looking at new cars¹

3x larger than our nearest competitor²

15th most viewed website in the UK³



Significant time on site & app

60% of all minutes spent researching for a car is spent on Auto Trader⁴

14m app downloads¹

40x time spent on brand websites⁵



Auto Trader Retail Price Index

Data comes from over 1.9m vehicles per day

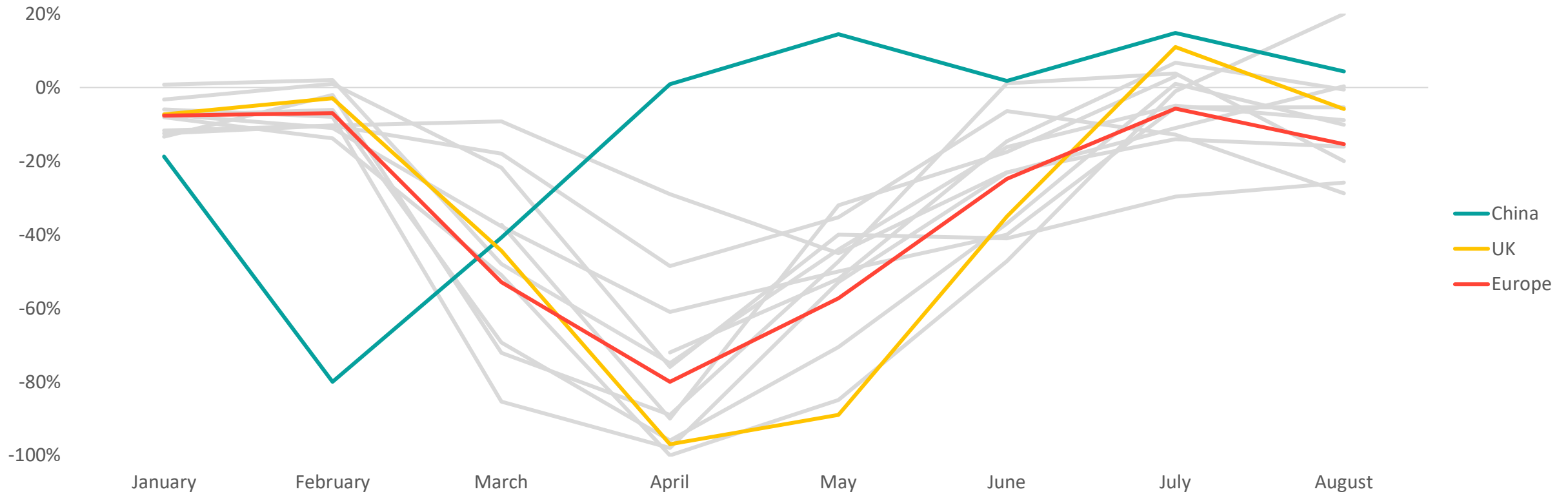
Auto Trader site data combined with retailer forecourt data and website data inc. OEMs, auctions and data from over 3,000 car dealer websites

What's happening
with demand?

What's happening with demand?

Globally, China has led the automotive recovery, with Western Europe still behind CY19, despite significant fiscal incentives in many countries

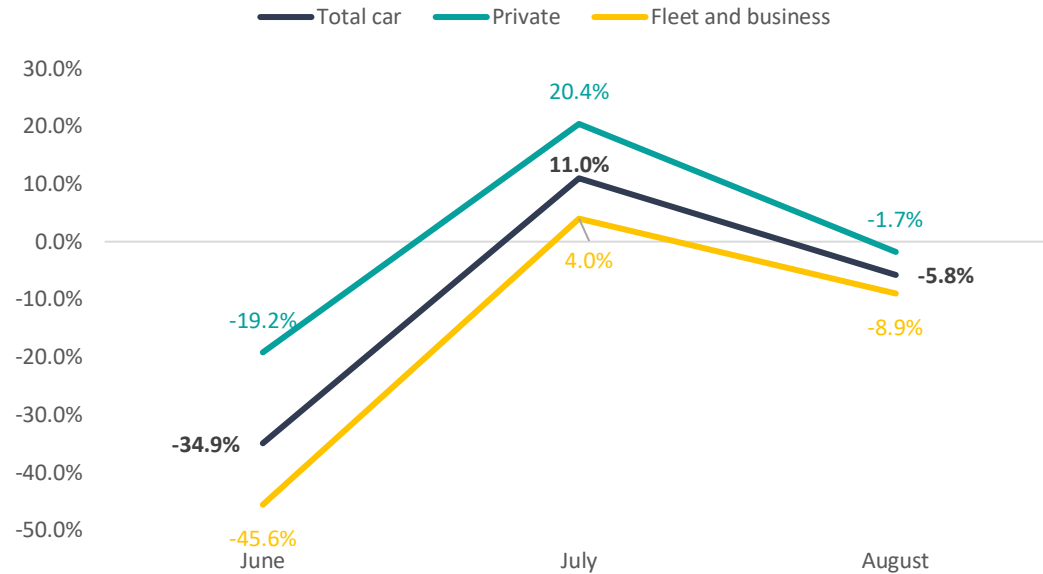
Year on year new car registrations by country by month
Split by country, highlighting China, UK and Western Europe



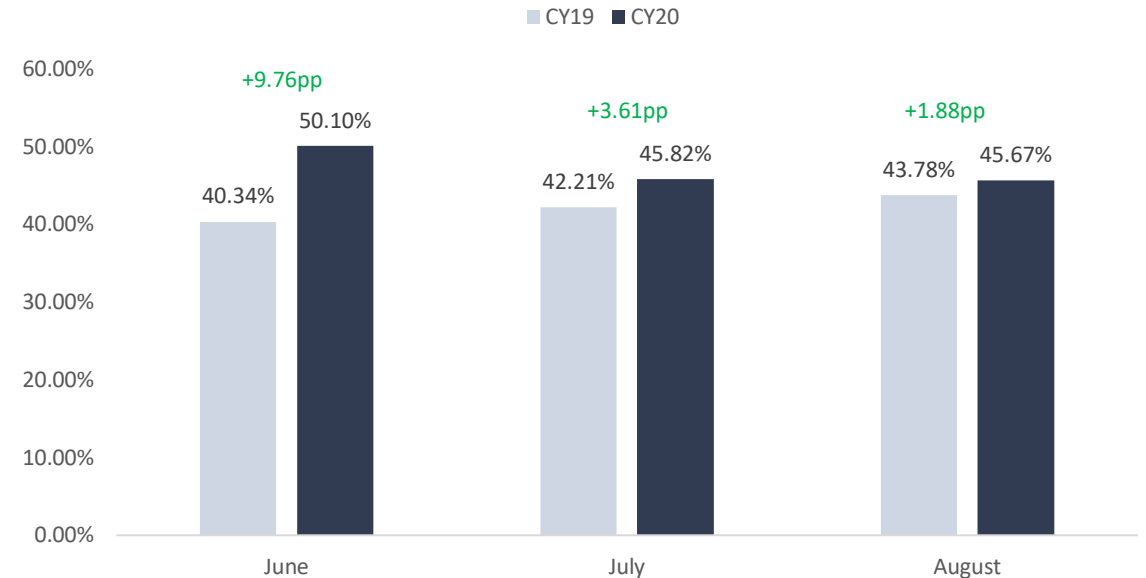
What's happening with demand?

In this context, and without a fiscal stimulus, the recovery of the UK new car market has been very impressive – driven by private retail sales with minimal month end push and limited short cycle business

UK YoY car registrations
Split by retail and fleet, SMMT data



UK private mix of car registrations
%, SMMT data



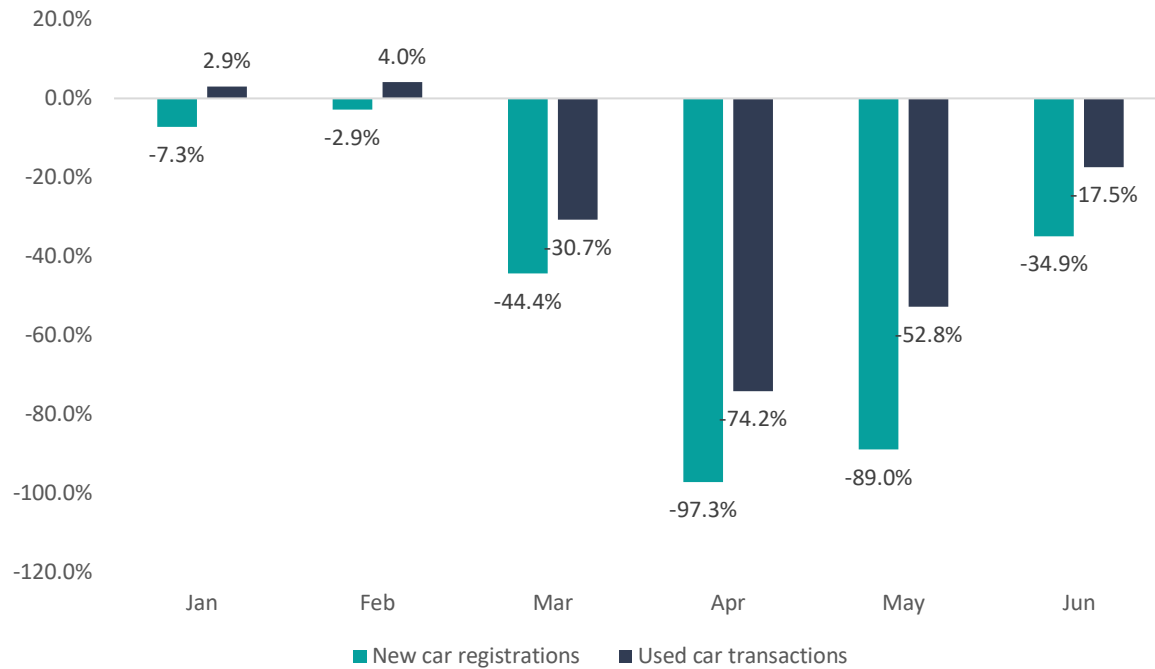
Month end push

Feedback from OEMs is that the % of registrations done in the last 2 days (a good proxy figure for the mix of self-registrations) is significantly down YoY

What's happening with demand?

The latest published data on used cars from the SMMT, combined with retailer and independent public statements, points to a very strong recovery in used car transactions

YoY used car transactions compared with YoY new car registrations
Jan-Jun, SMMT data



Recent results from large retailer groups & indies
Used car volumes



- Used volumes in July were +13.7% YoY



- Used volumes in July were +17.0% YoY



- Used volumes in July were +20.0% YoY

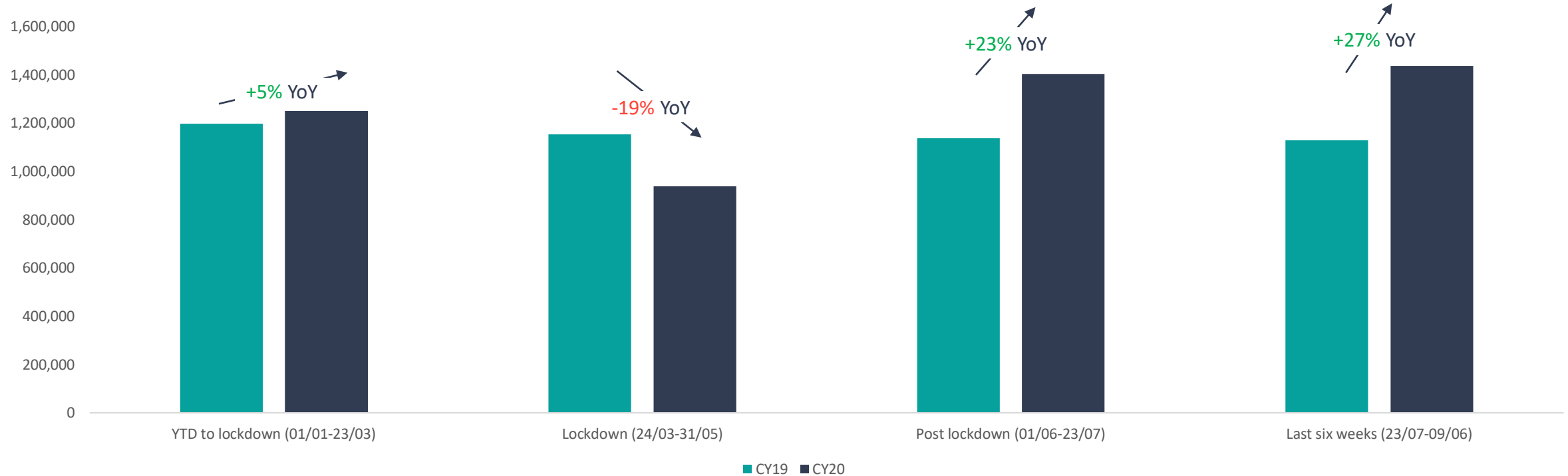


- Used volumes in August were +46.0% YoY

What's happening with demand?

On Auto Trader, we have seen demand reflected across new and used vehicles, with average daily unique users at an all time high and the last six weeks +27% vs. the same period last year

Auto Trader average daily unique users
CY19 and CY20, split by four different date ranges¹



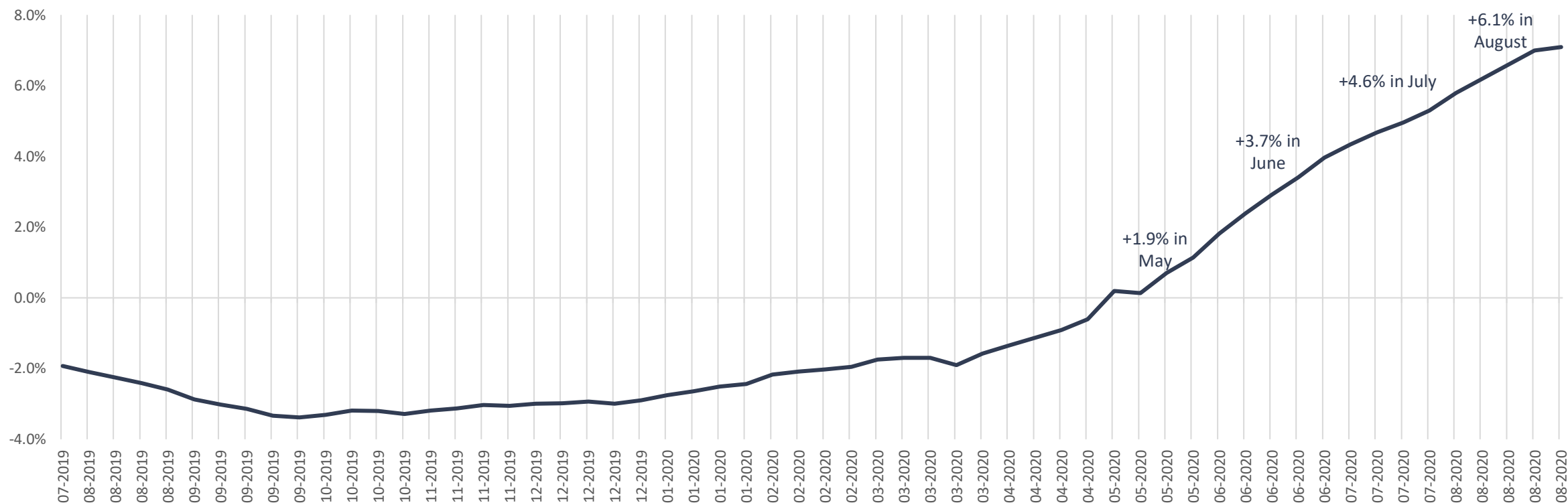
What's happening with used car prices?

What's happening with used car prices?

Given the strength of demand, and evident supply constraints, like for like vehicle prices¹ have materially increased, with August +6.1% YoY

Weekly year on year price movements

Like for like, removes impact of stock mix shift to reflect true value adjustments



Will it continue?

(The million-dollar question)

What factors will affect prices in the coming months?

The ending of the furlough scheme, wider economic uncertainty driven by COVID-19 and the UK-EU trading relationship are risks ahead



Furlough scheme & unemployment

9.6m people were placed on furlough between April and June - 32% of the eligible UK employments¹

The Bank of England forecasting unemployment to peak at 7.5% in Q4 - lower than the financial crash, but still highest since August 2013²



COVID-19 & the economy

GDP dropped 20.4% in Q2, with the largest GDP drop during the 2008 recession 2.1%³

Recent economic indicators point to a quick recovery but uncertainty over economic output remains due to COVID-19



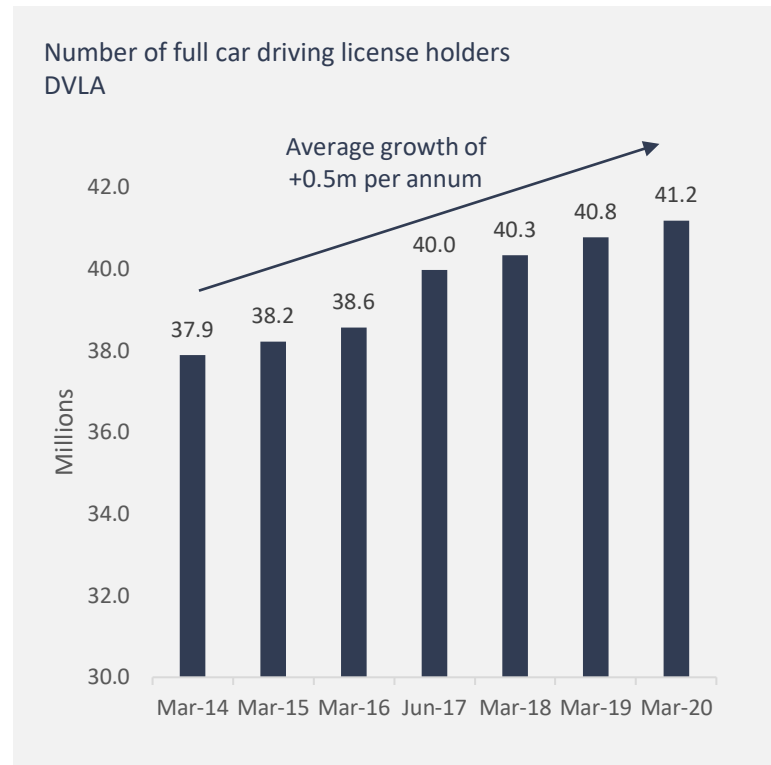
EU-UK trading relationship

Significant uncertainty remains over the future trading relationship between the UK and the European Union

Any tariffs will have a significant impact on the new car market

What factors will affect prices in the coming months?

1. Since 2013, the number of driving license holders has risen +0.5m p/a, we expect this to continue given the hesitation to use public transport & desire for personal space



+



Hesitation around use of public transport

In on site surveys we see that ~12% of customers are buying cars to avoid public transport¹



Additional car purchases

In on site surveys we also see that ~23% of customers are looking to add a vehicle to their household¹



Driving license backlog

There is currently a backlog of physical driving tests due to lockdown², so next year may be bumper year of growth

=

Increasing % of the UK population with a driving license pre-COVID

31% consumers³ are now saying owning a car is more important than it was pre-COVID

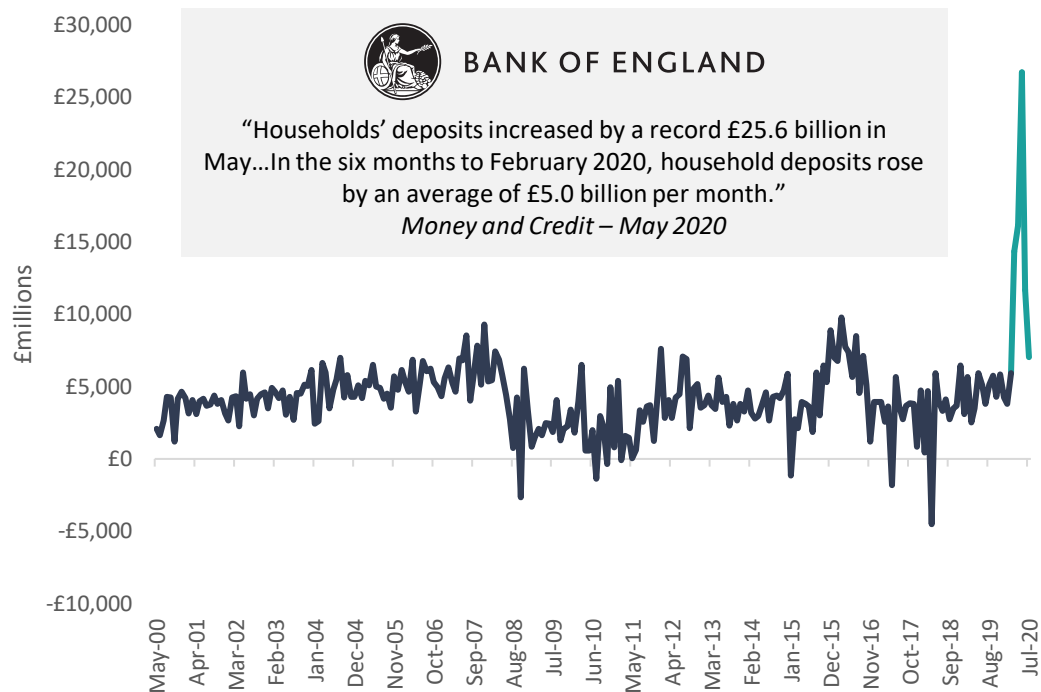
Therefore, cars per head will continue to rise

What factors will affect prices in the coming months?

2. Mid-high income households personal finances are in a better shape post-lockdown¹, with significant credit repayment during lockdown – a factor we didn't see in the GFC in 2009

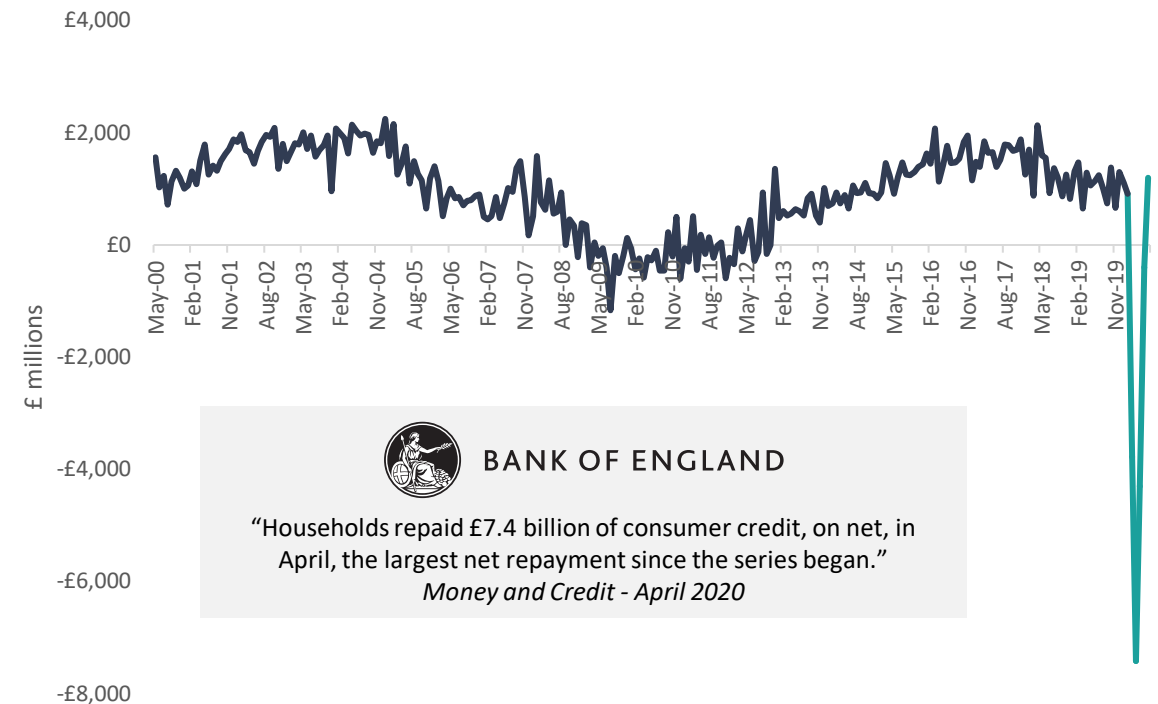
UK monthly money flows - households

Changes in the level of deposits held with banks and building societies - households



UK consumer credit flows - households

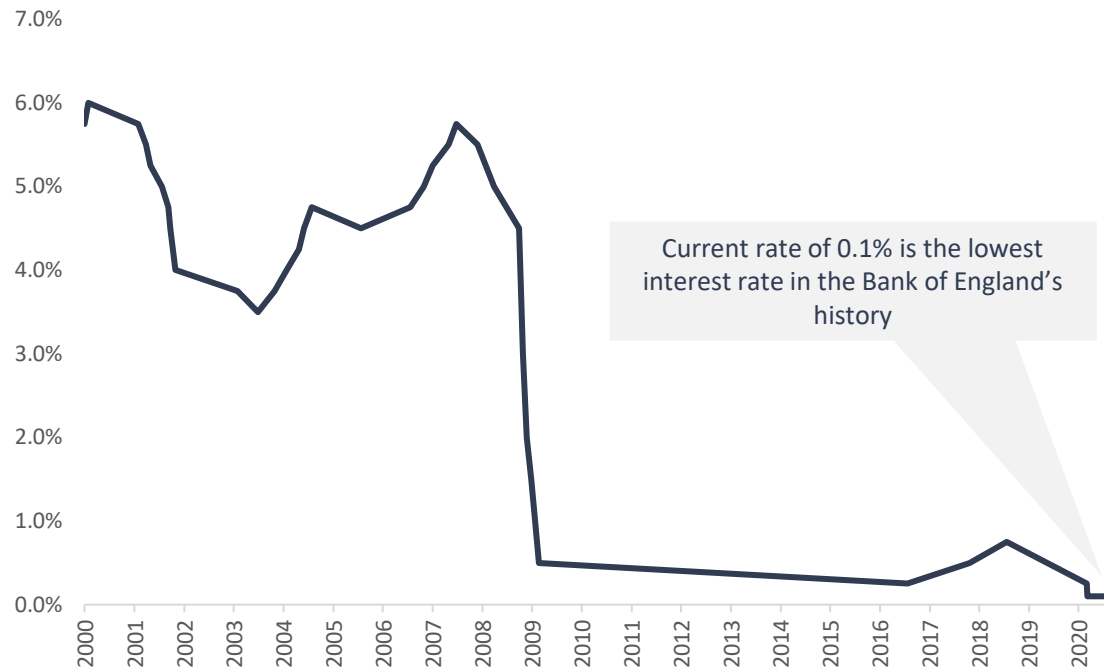
Change in household consumer credit



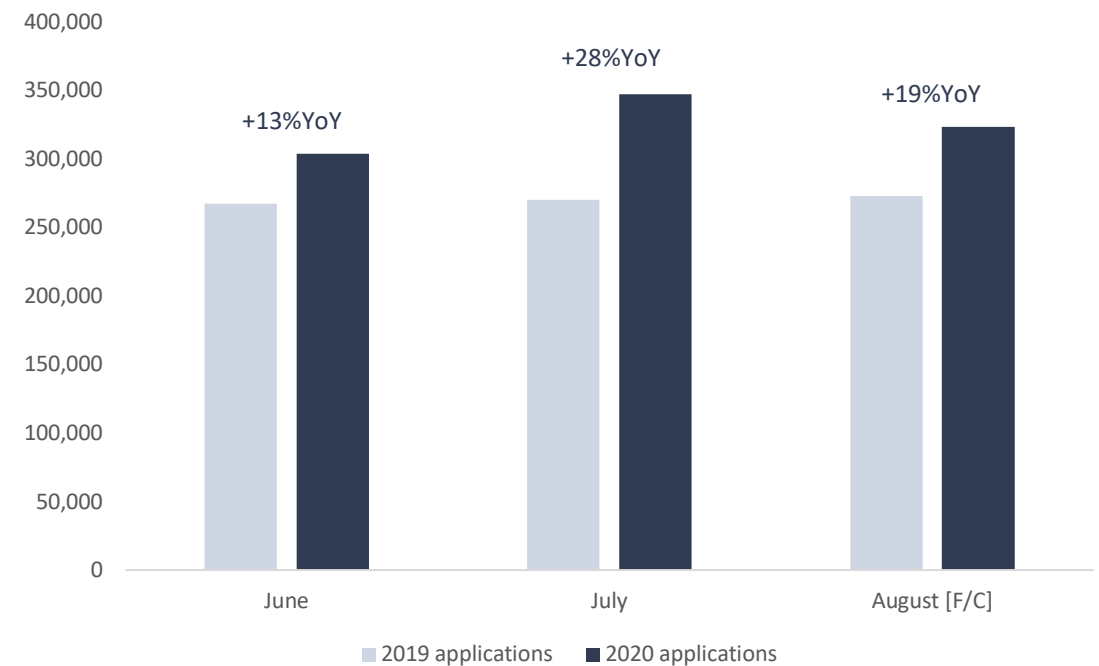
What factors will affect prices in the coming months?

3. Interest rates are at an all time low, and with attractive, flexible finance offers available, finance remains very attractive for new and used cars, including for renewing customers

Bank of England base rate
%



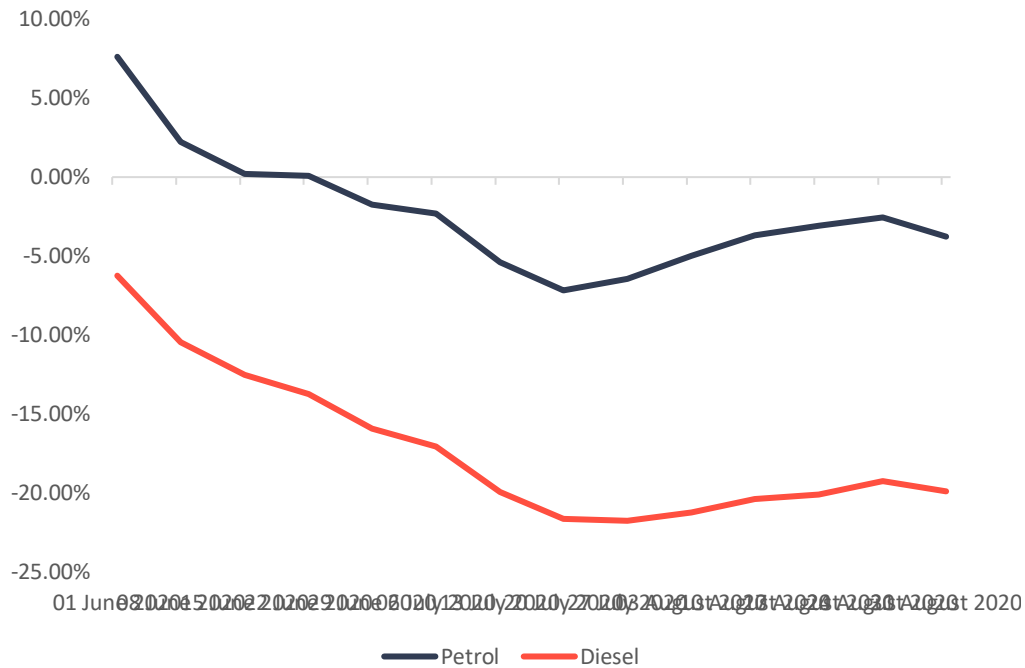
Experian data on car finance applications (PCP & HP)
2019 and 2020



What factors will affect prices in the coming months?

4. Supply has been constrained, and looks likely to remain constrained over the coming months

Supply year on year, Auto Trader market health
Petrol and diesel shown



Key factors over the coming months...



Less short cycle new vehicles into market
Limited new car supply (contrast GFC in 2009) means sales channel optimisation is inevitable = less supply in nearly new market



Physical auctions constrained by social distancing
Most physical auctions are still shut, with others operating a much reduced operation due to social distancing

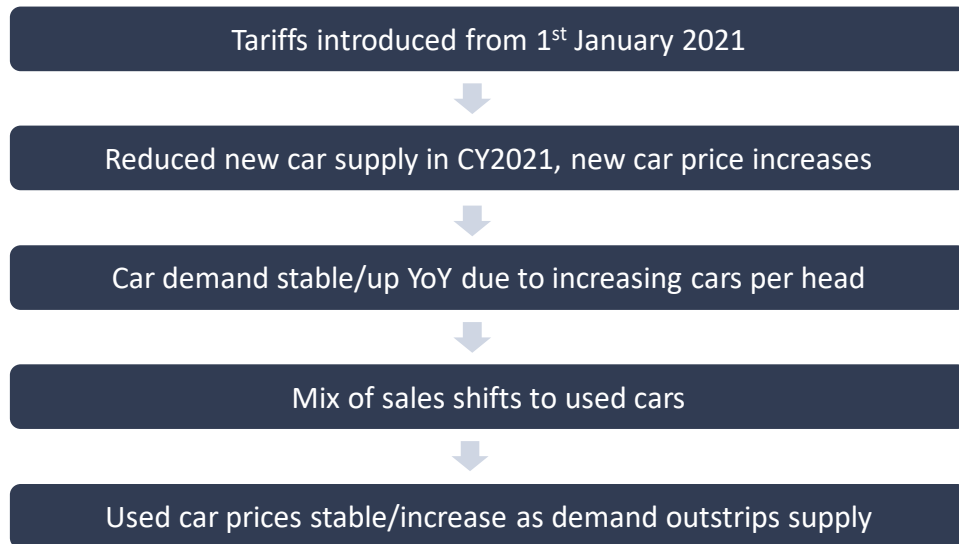


Fewer part exchanges
Franchise groups are reporting that the percentage of transactions with a part exchange is down as much as 15%

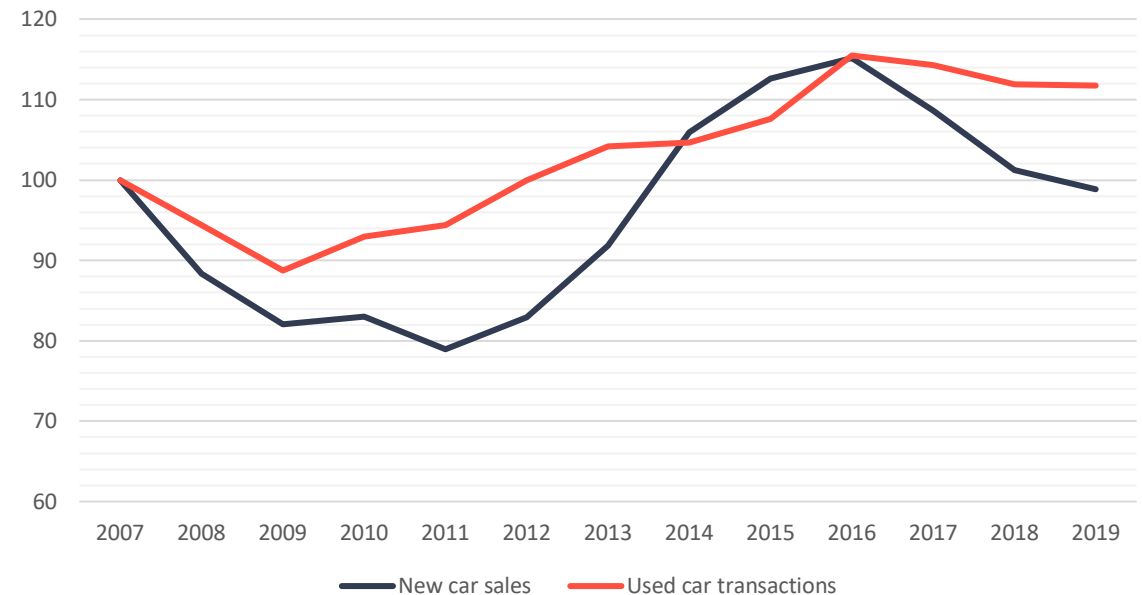
What factors will affect prices in the coming months?

5. If tariffs are introduced it's likely to be positive for used car prices as less new cars will enter the market - and used car sales volumes during the last recession were more resilient than new car sales

Impact of tariffs
A possible scenario



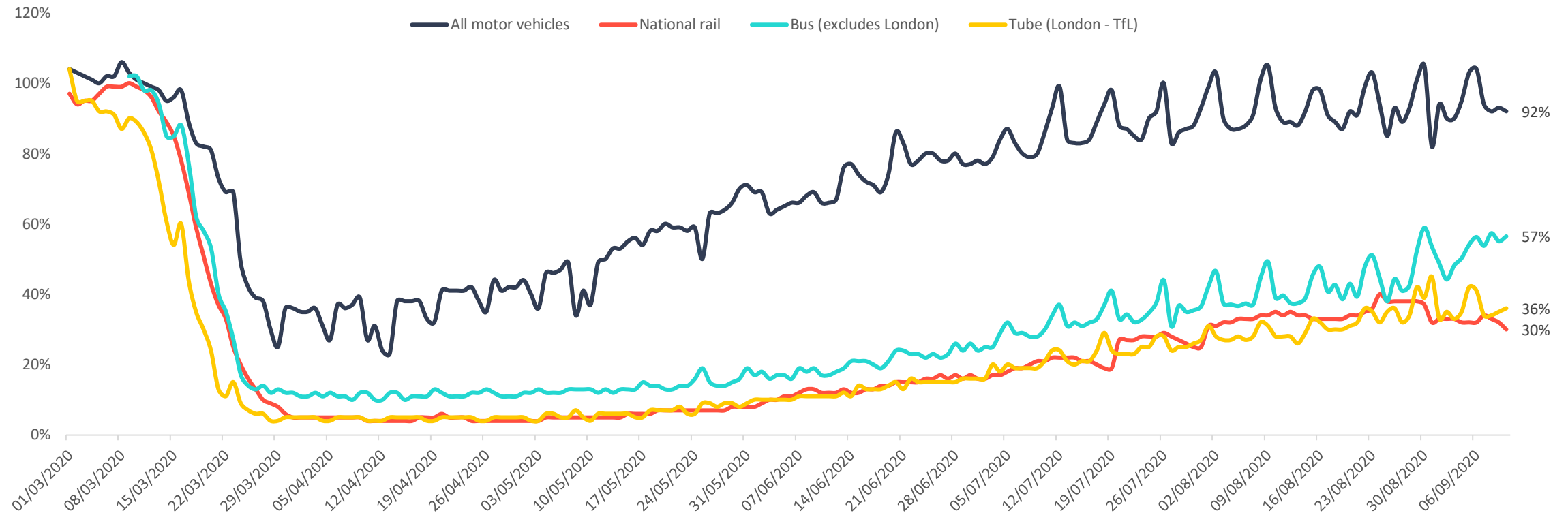
The impact on new and used car sales during/after the GFC
Indexed to 2007 new car reg's and used car transactions



What factors will affect prices in the coming months?

6. The latest DfT data shows that motor vehicle transport levels are close to pre-lockdown

Department for Transport: Use of transport modes in Great Britain
Figures are percentages of an equivalent day or week, data since 1st March

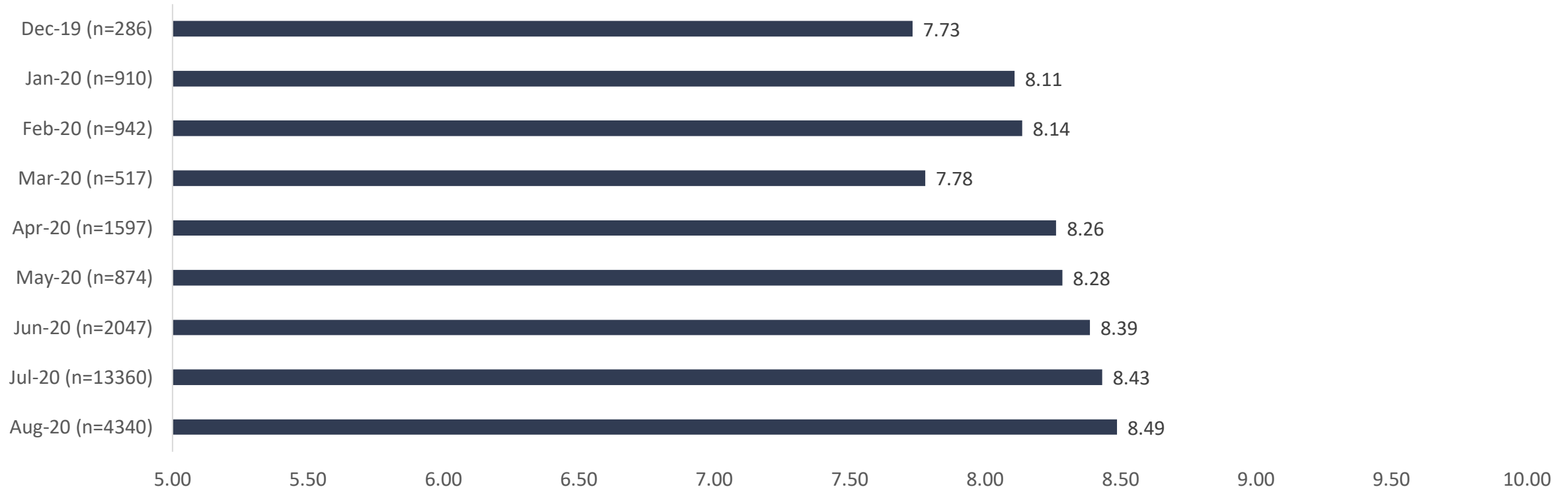


What factors will affect prices in the coming months?

7. Among those searching on our site, confidence in being able to afford their next car is now above pre-lockdown levels

Auto Trader on site survey: consumer confidence in ability to afford next car

On a scale of 1-10, how confident do you currently feel in being able to afford your next car? (1 = least confident)



What factors will affect prices in the coming months?

8. Our latest weekly data shows that demand remains high across new and used cars – i.e. there's no slowdown yet!

