



J.D. Power Used Vehicle Market Report

"A Market In Transition"

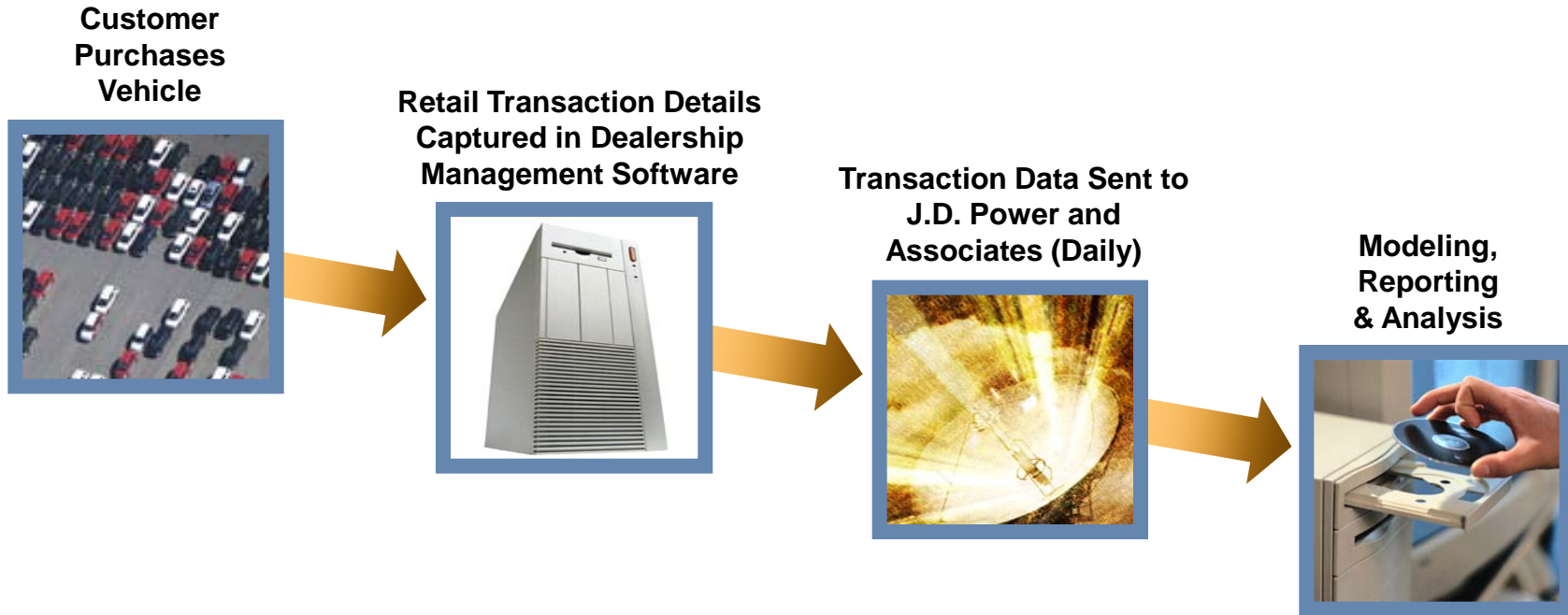
Stephan Schroeder, Senior Director

Joe Derkos, Director

Power Information Network

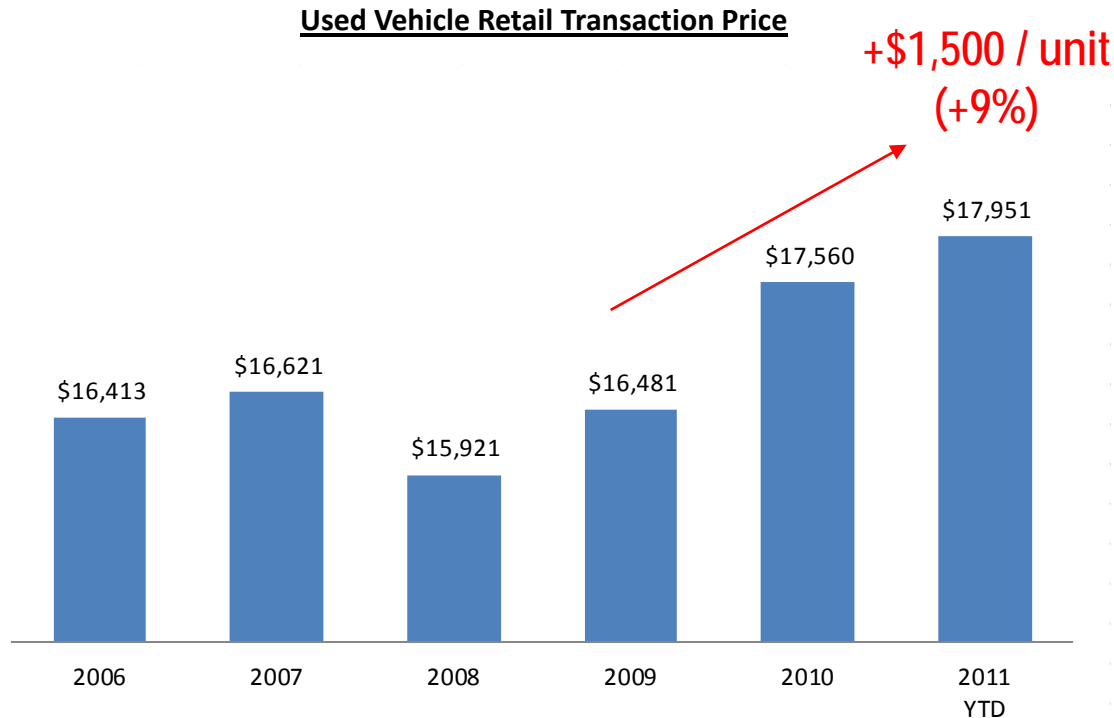
- Used Vehicle Market: 10 Key Trends & Near-term Outlook
- Why CPO?
- What does “best-in-class” CPO performance look like?

What is the Power Information Network (PIN)?



Electronic point-of-sale new and used retail transaction data from franchised dealers

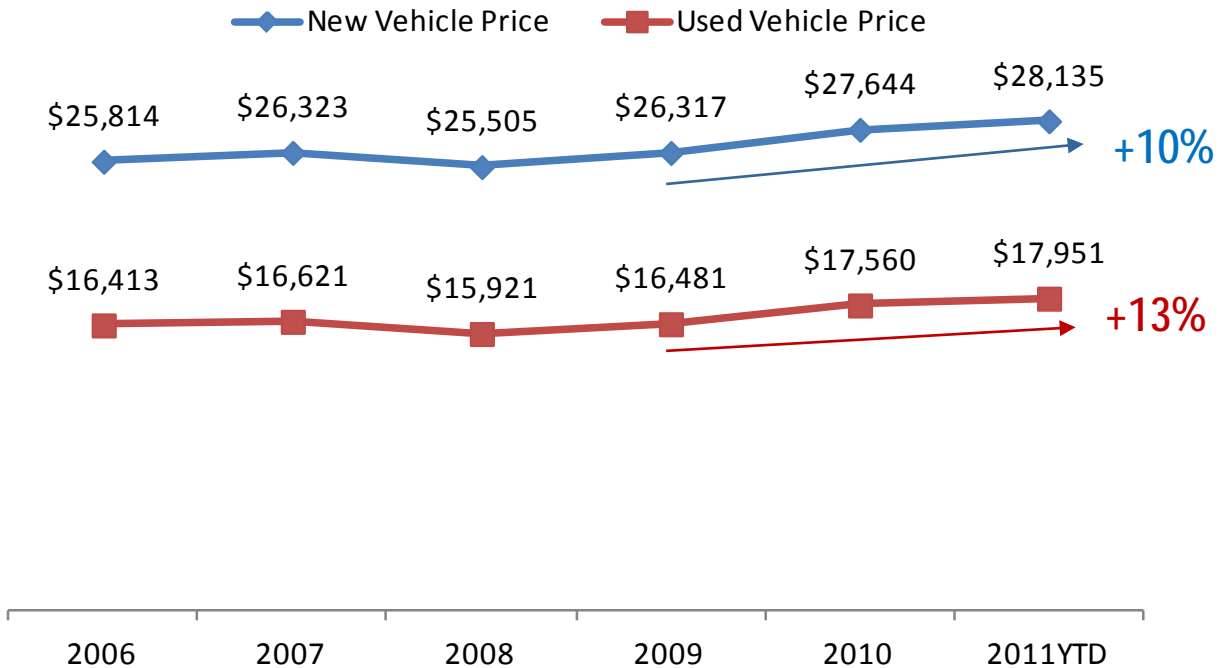
Key Trend 1: *Exceptional price growth*



Used vehicle prices have exhibited unprecedented growth to record levels

Key Trend 2: *Low incentives and higher prices on new vehicles*

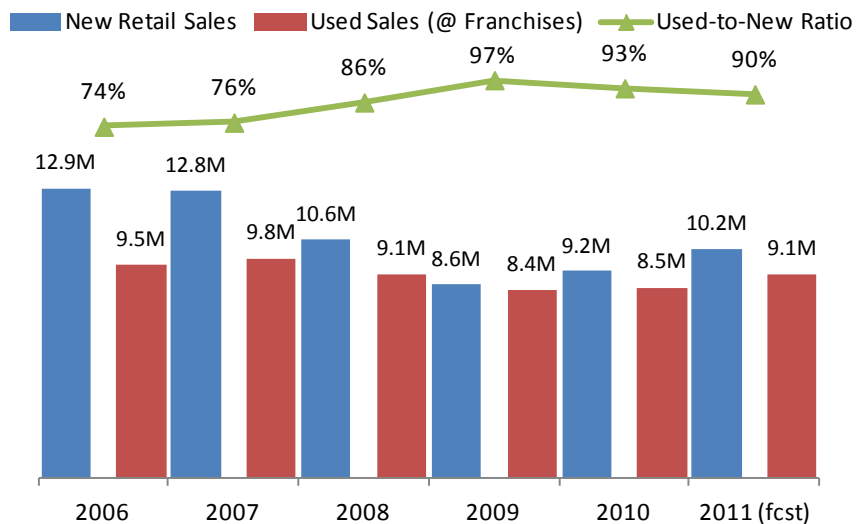
New & Used Vehicle Transaction Price and New Vehicle Incentives/Unit



Manufacturers are now focusing on selling fewer new vehicles, but at higher prices

Key Trend 3: Strong used vehicle demand

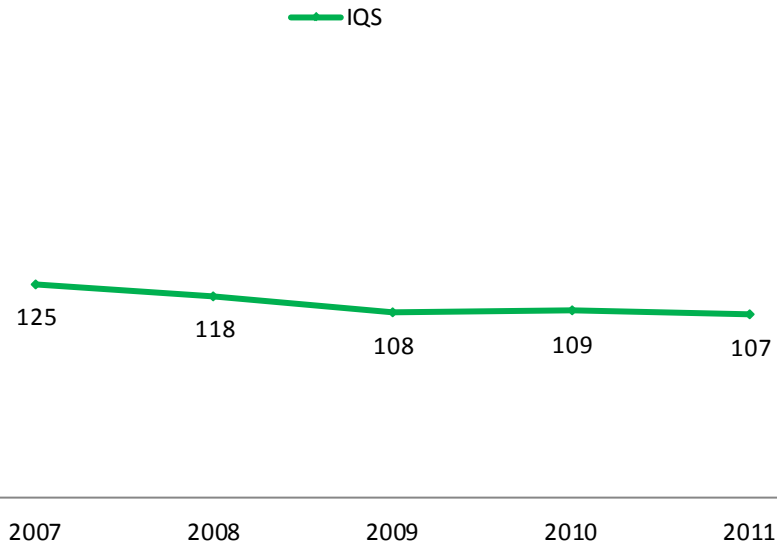
New and Used Vehicle Sales (at Franchised Dealers)



Used vehicle demand has benefitted from the tough economy

Key Trend 4: *Improved quality and desirability of new vehicles*

New Vehicle Quality (IQS) and Durability (VDS) [PP100]

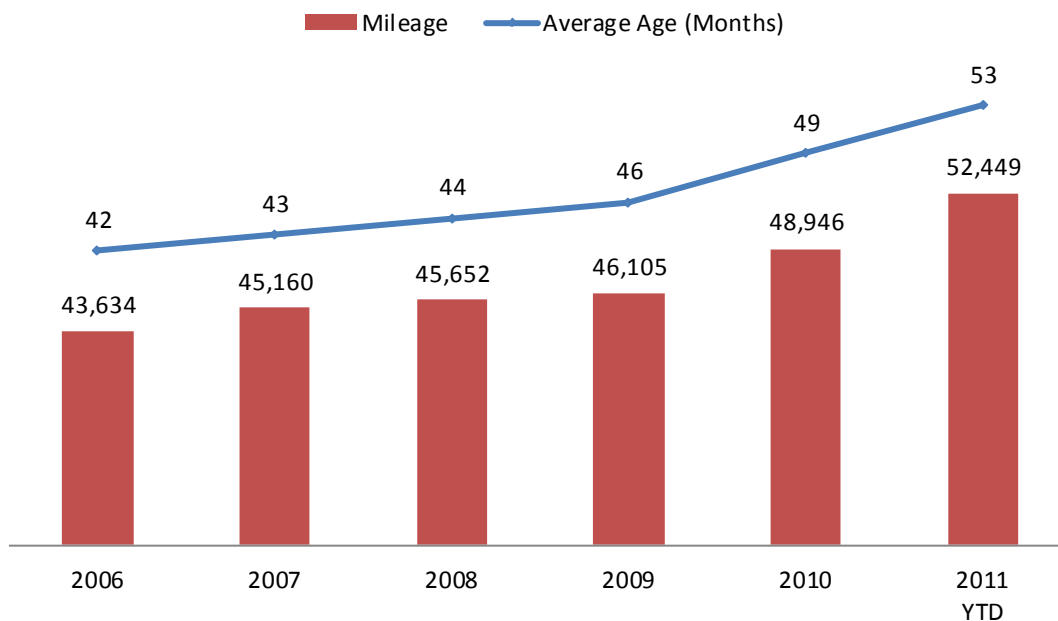


Source: JDPA 2007-2011 IQS, VDS, APEAL, CSI and 2007-2010 SSI studies

Rising quality is a structural driver of improved used vehicle pricing power

Key Trend 5: Older, higher mileage used vehicles

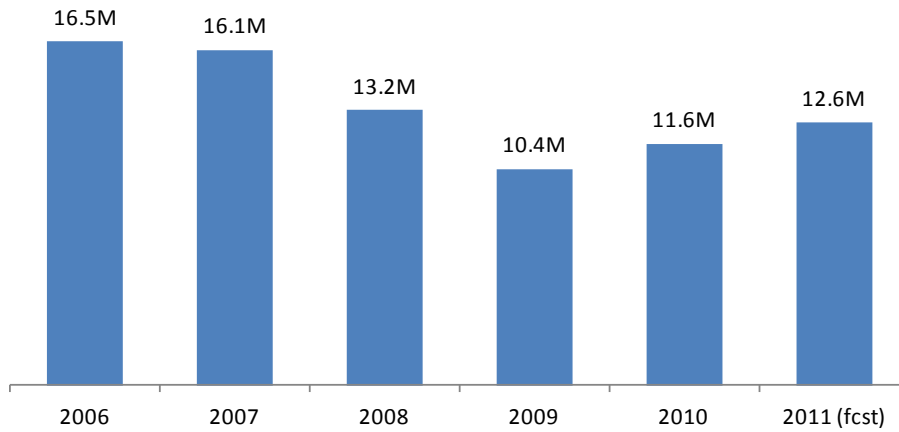
Average Age and Mileage of Used Vehicles



Recent model year, low mileage vehicles (ideal for CPO) are especially hard to find

Key Trend 6: *Reduced supply of used vehicles*

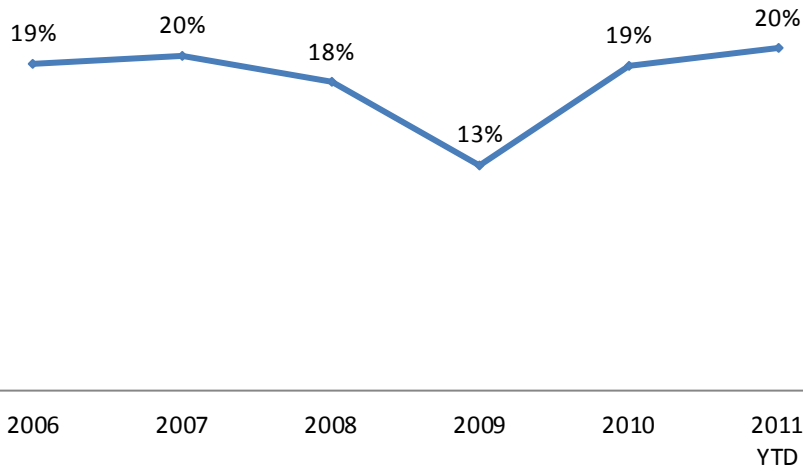
Total New Vehicle Sales



But key driver of strong pricing is reduced supply due to lower new vehicle sales

Key Trend 7: *Decline in leasing (and lease maturities)*

Lease % of New Vehicle Retail Sales

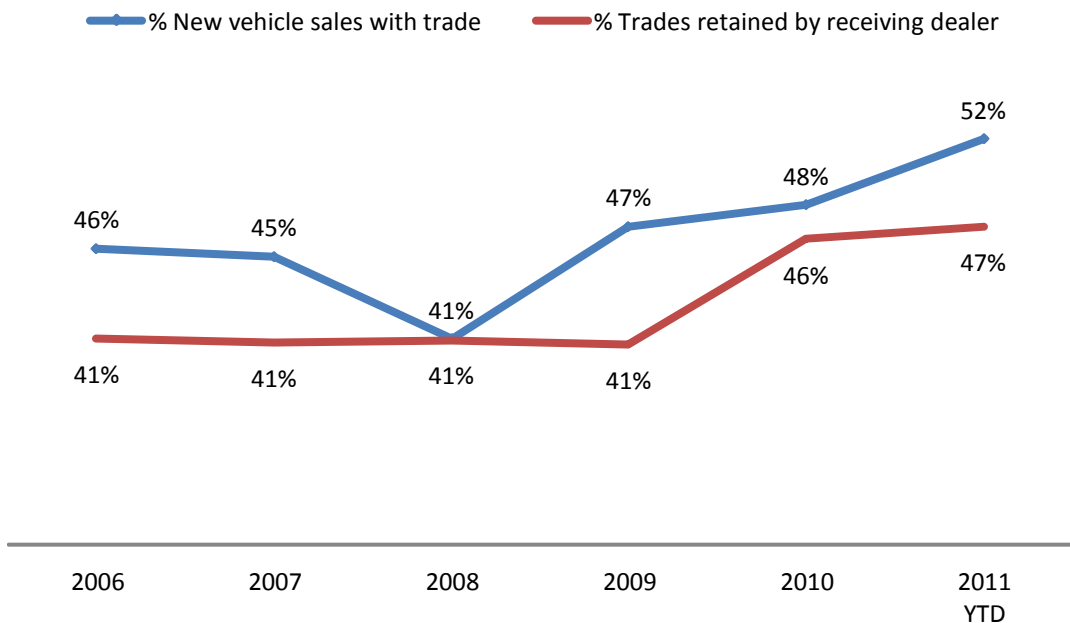


Lease Maturities

Large decline in leasing in 2008/9 greatly reduced a key source of quality inventory

Key Trend 8: Increase in trade-ins, and trade-in retention

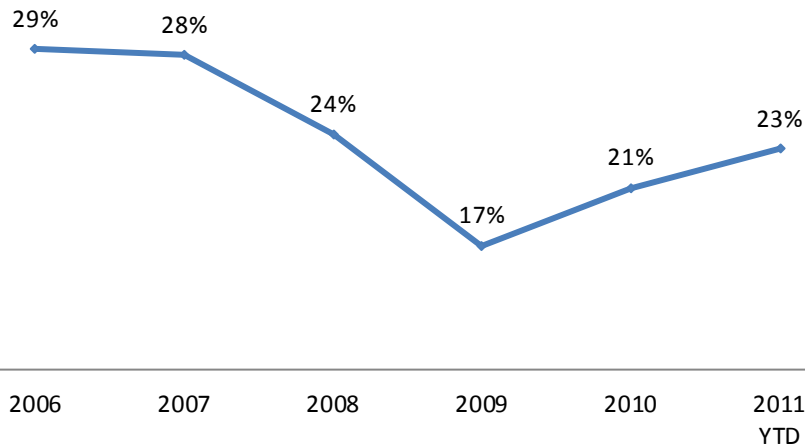
Dealer Trade-In Behavior



Retailers have responded to reduced supply by retaining more of their trades

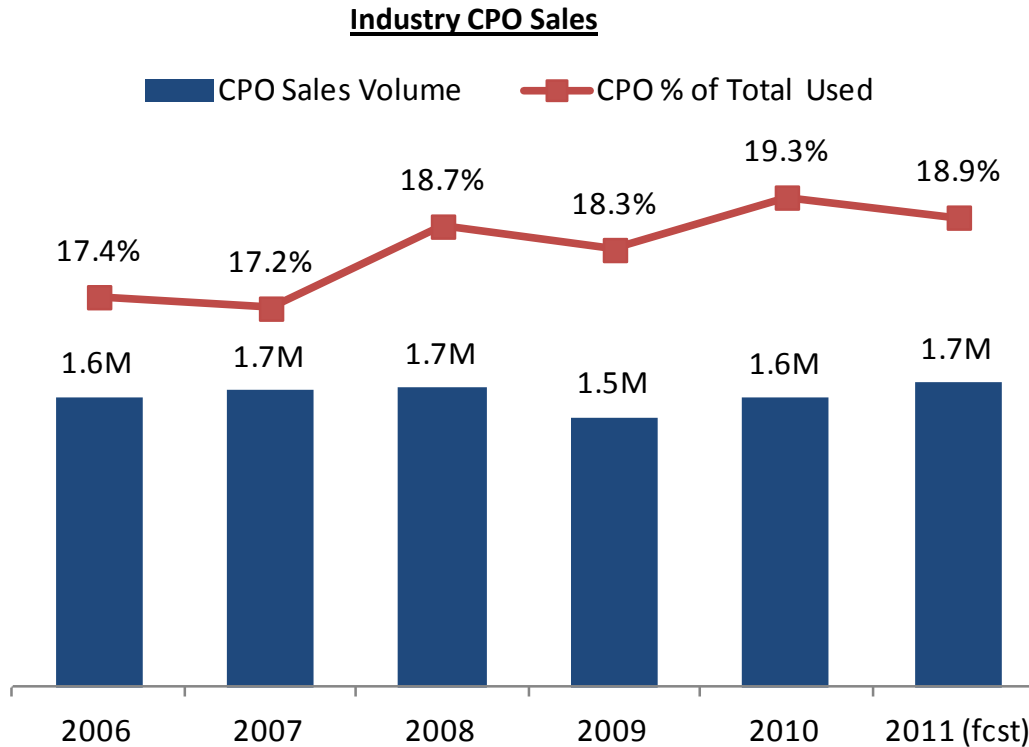
Key Trend 9: *Improving and more flexible financing options*

Sub-Prime % of Used Vehicle Buyers [D-Tier, FICO < 624]



Improved credit availability is helping lower credit buyers return to market and longer term loans are helping to offset higher prices

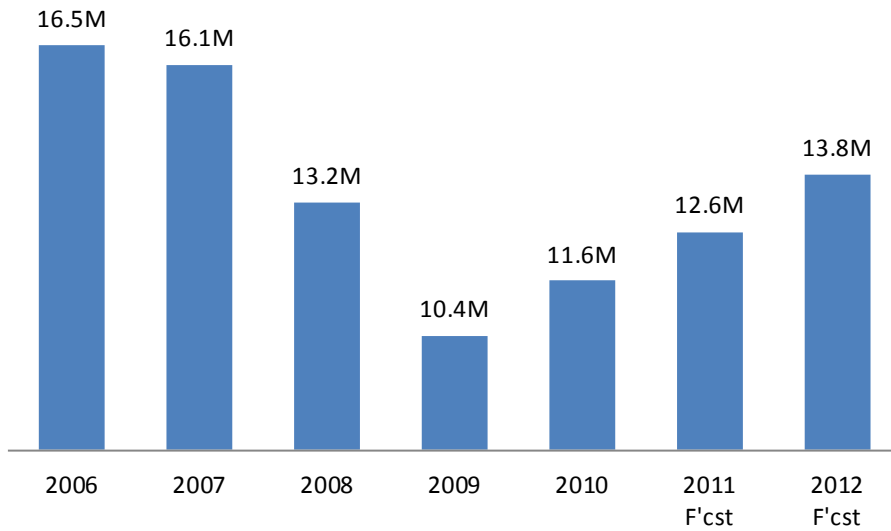
Key Trend 10: Limited used vehicle supply constricting CPO growth



CPO volumes are rising as new and existing programs gain momentum

Near Term Outlook: *Used vehicle supply will remain tight and prices high*

New Vehicle Sales Forecast [Total]



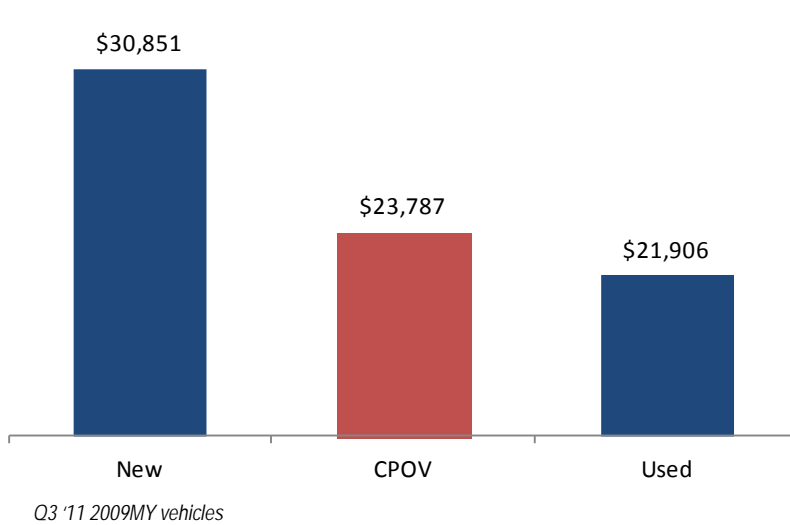
Yes, although new vehicle sales and leasing are recovering, used supply will only increase marginally in 2012.

Continued production discipline by OEMs will maintain new vehicle prices, helping support used prices.

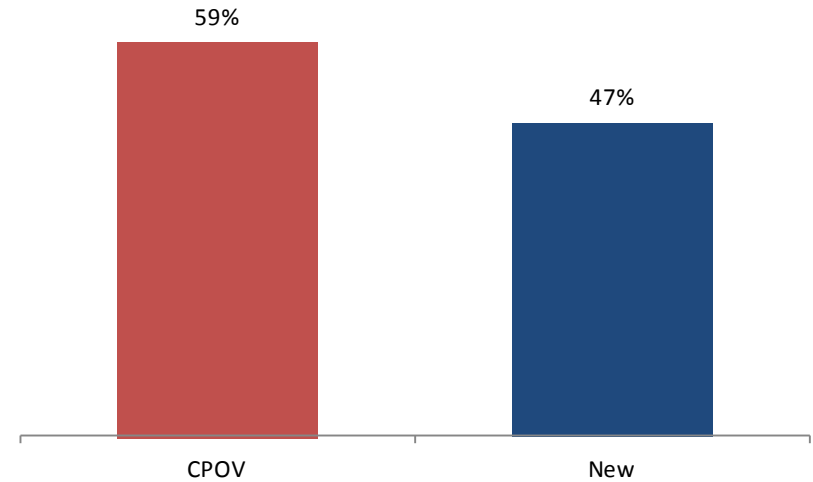
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Why CPO?: Source of new business

CPO Impact on Resale Price



% of Buyers New to Manufacturer

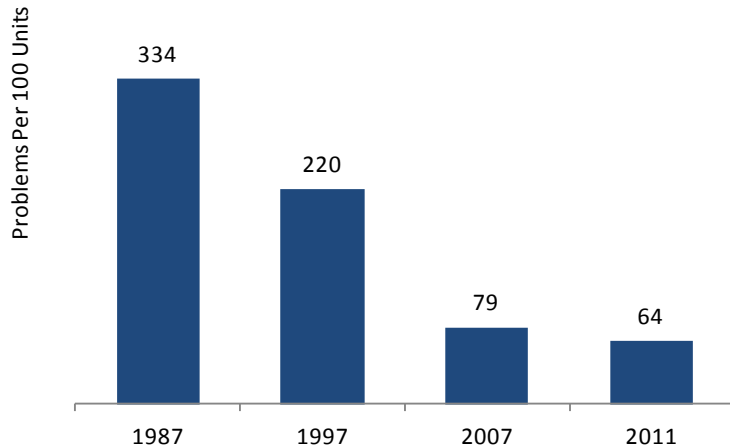


Higher resale prices and new customers make CPO an enabler of future success

Source: Power Information Network (PIN)

Why CPO?: Peace of mind

Quality Gap Between Best and Poorest Brands



Problems Per 100 Vehicles (PP100)

Problems Per 100 Vehicles (PP100)	Change
• Total Vehicle	17%
• Interior	35%
• Driving Experience	29%
• Exterior	27%
• Features/Controls/Displays	25%
• HVAC	21%
• Tires (from OE Tire Study)	19%
• Seats	15%
• Engine/Transmission	14%
• Navigation (from Navigation Study)	(21%)*
• Multimedia	(24%)

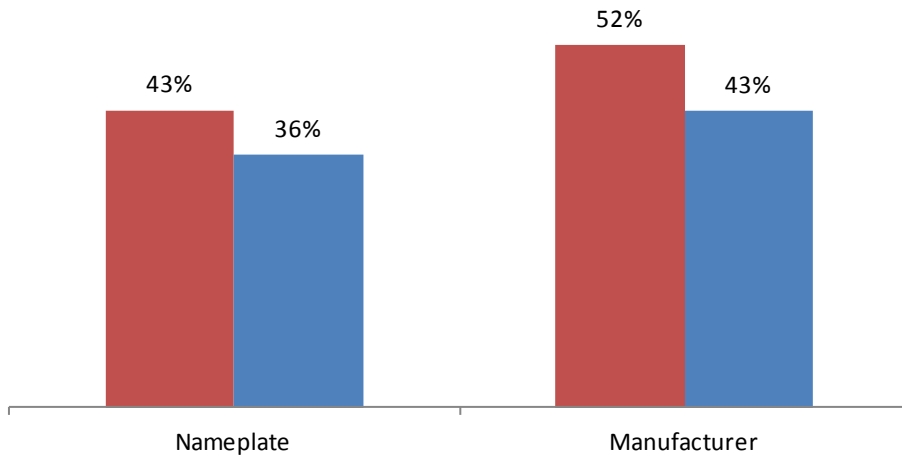
Shrinking quality gap means that all brands can compete in the CPO marketplace

* J.D. Power IQS, 2010 Navigation Usage and Satisfaction Study

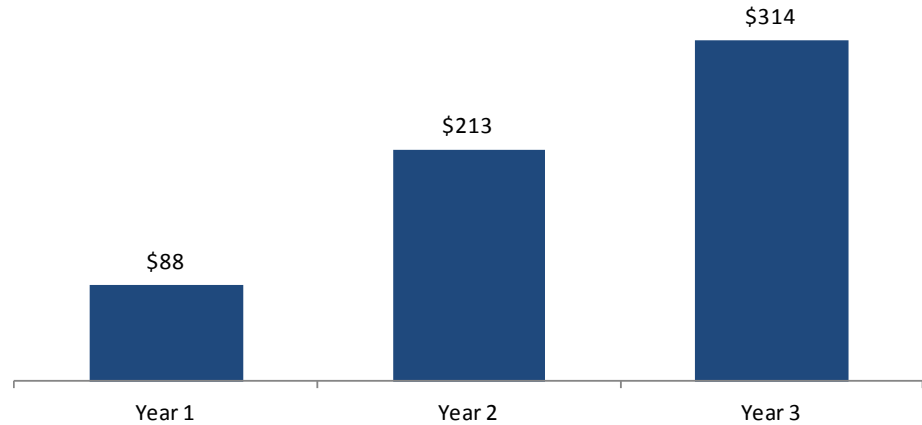
Why CPO?: Source of future business

CPO vs. Used Loyalty

■ CPOV ■ Total Used



Cumulative Average Consumer Maintenance Spend



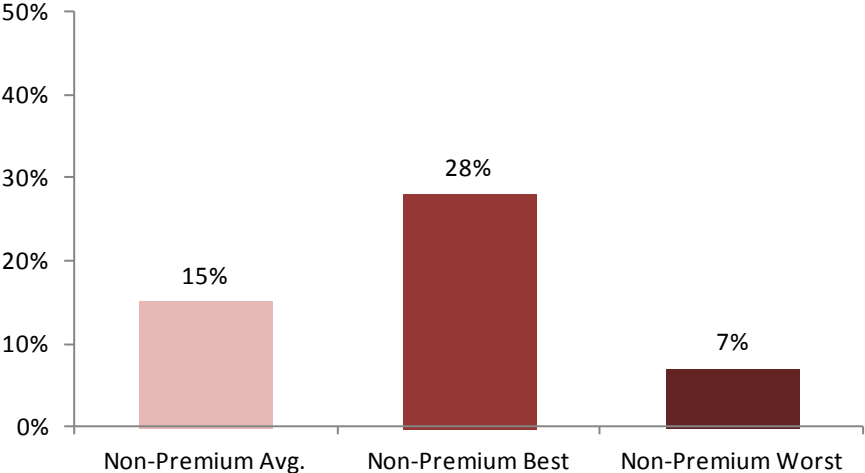
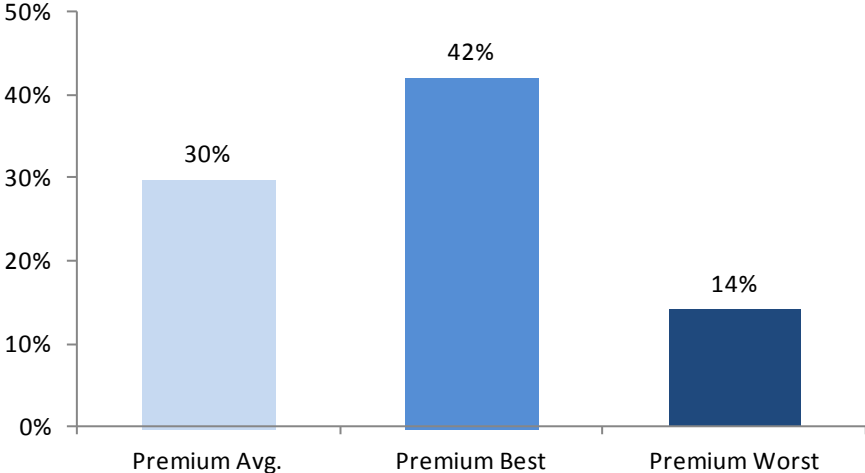
Superior loyalty performance and improved (captive) sales and service revenue

Source: Power Information Network (PIN)

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Best in Class: How do CPO sales compare to new sales?

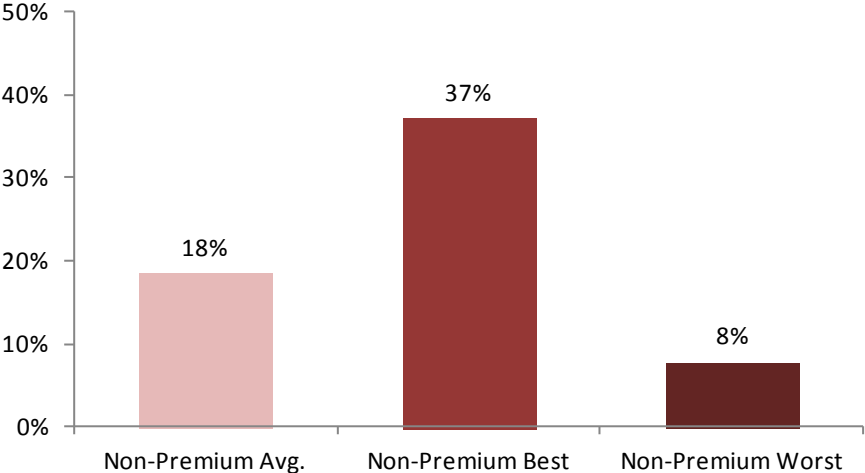
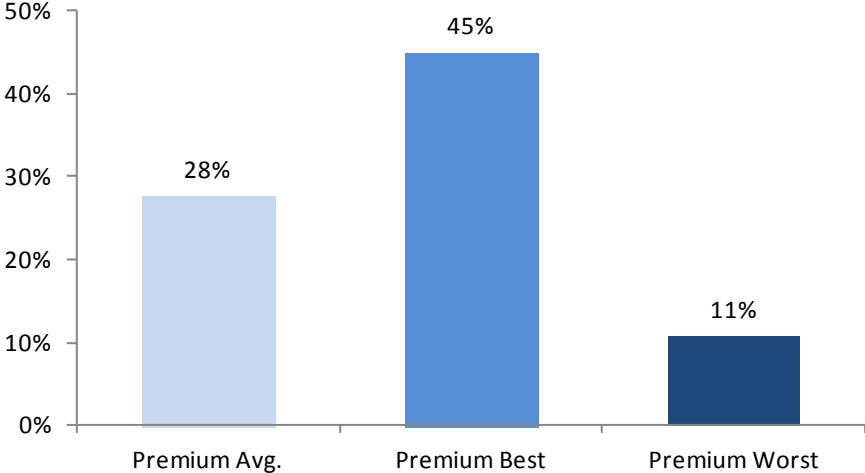
CPO as % of New Vehicle Sales



Source: Power Information Network (PIN), Q3 '11

Best in Class: *What proportion of used vehicles are certified?*

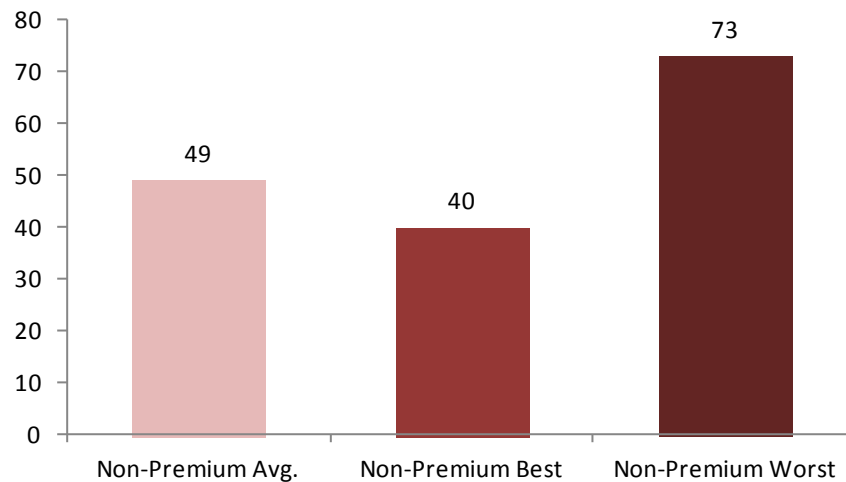
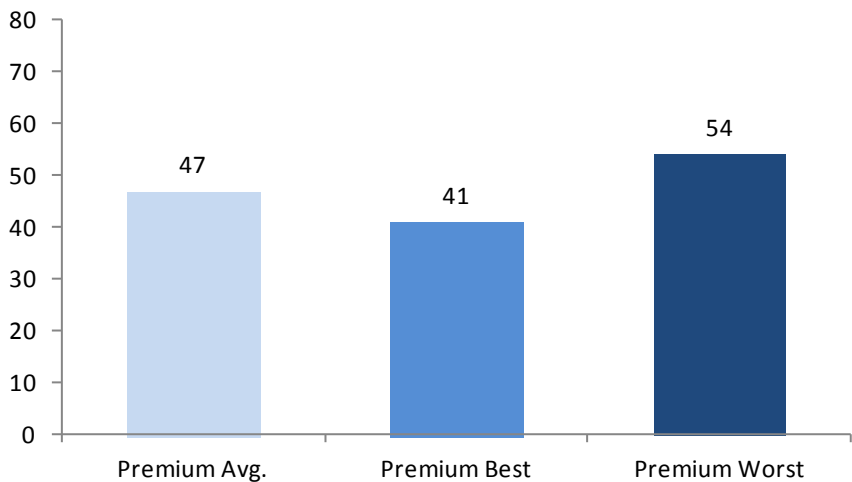
CPO as % of Total Used Sales at Franchised Dealers



Source: Power Information Network (PIN), Q3 '11

Best in Class: How quickly do CPO vehicles sell?

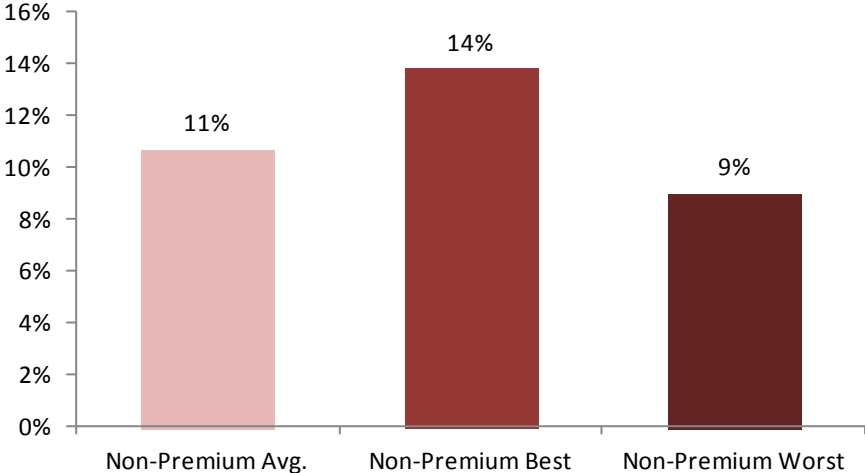
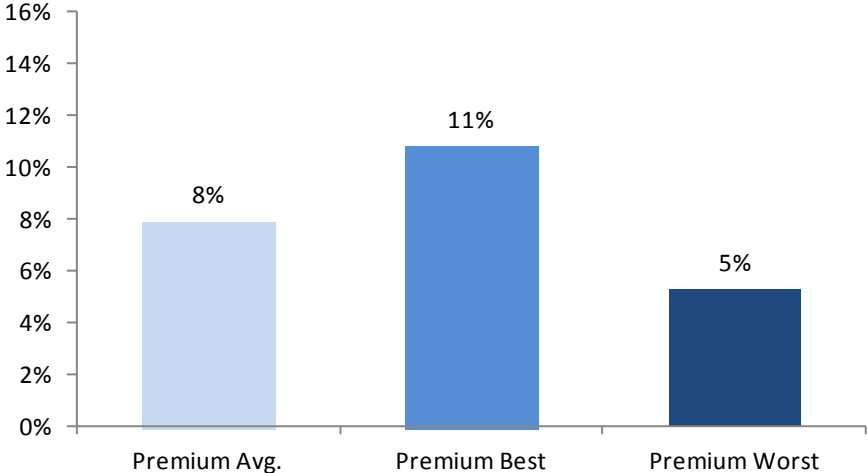
Days to Turn for CPO Vehicles



Source: Power Information Network (PIN), Q3 '11

Best in Class: How profitable are CPO vehicles?

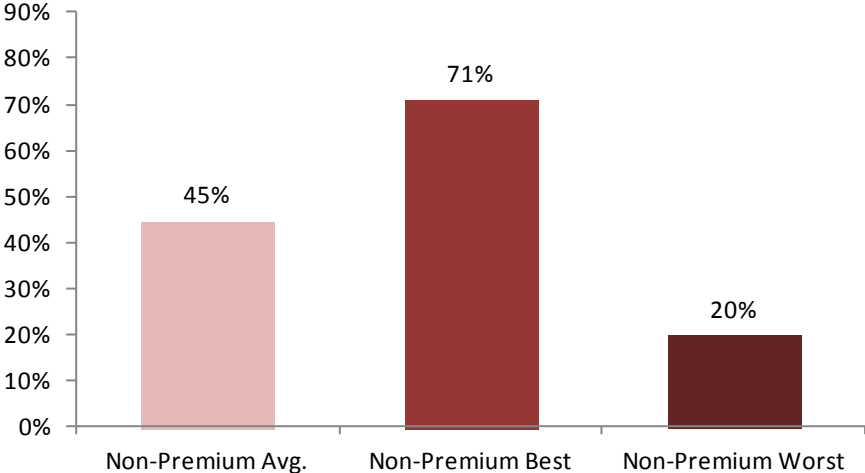
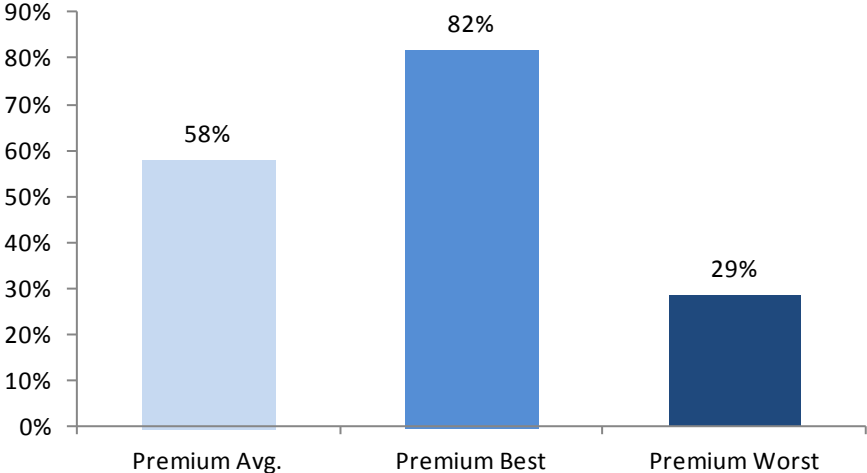
Profit Margin for CPO Vehicles



Source: Power Information Network (PIN), Q3 '11

Best in Class: How much are captive lenders utilized?

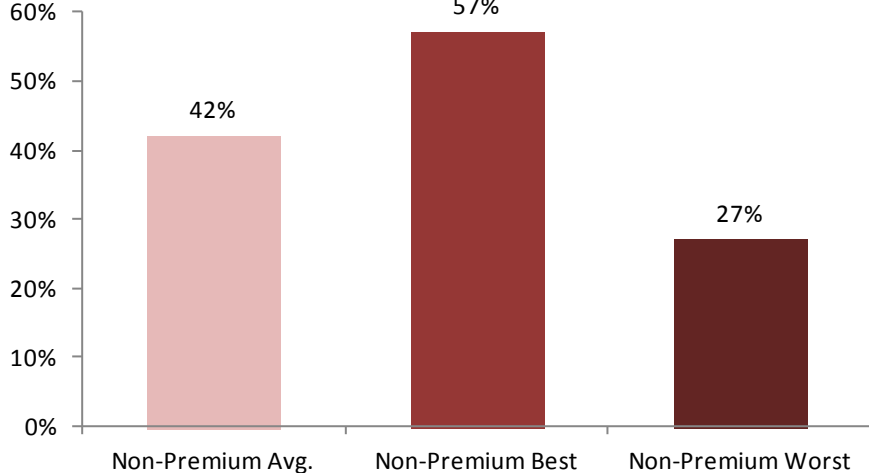
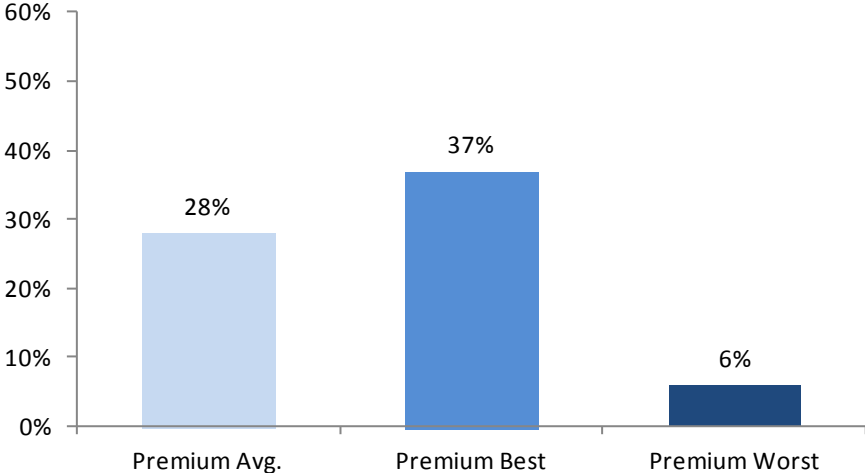
Captive Lender Penetration for CPO Vehicles



Source: Power Information Network (PIN), Q3 '11

Best in Class: How much is extended term financing utilized?

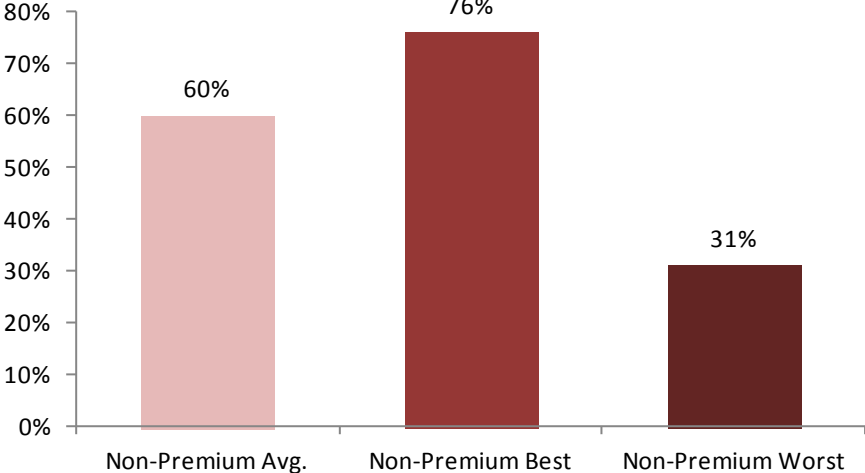
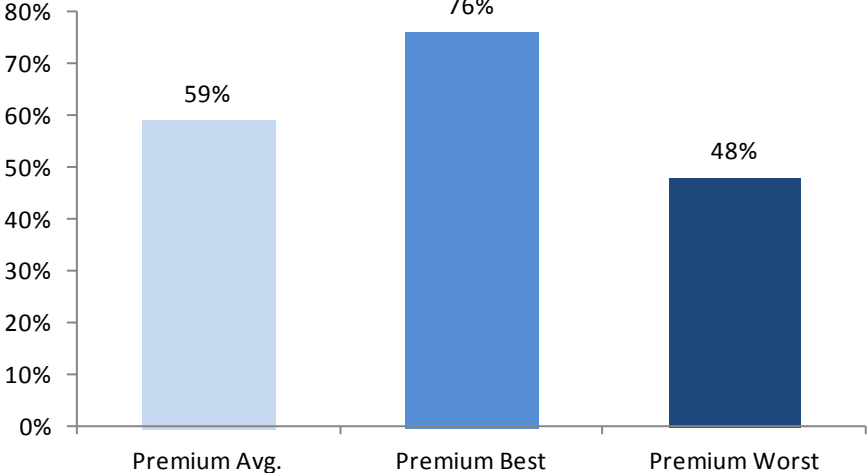
Extended Term (>60Mo) Finance Penetration for CPO Vehicles as % of CPOV Finance Sales



Source: Power Information Network (PIN), Q3 '11

Best in Class: How many new customers are purchasing CPO?

% of CPO Buyers New to the Manufacturer



Source: Power Information Network (PIN), Q3 '11

Summary

Source: Power Information Network (PIN)



Power Information Network