

# The Economic Outlook & New Car Retailing

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Los Angeles, CA  
November 2015

# On the Front Lines

## I. Economic Outlook

## II. Drivers of Future Demand

## III. The New Car Dealership

# On the Front Lines

## **I. Economic Outlook**

## **II. Drivers of Future Demand**

## III. The New Car Dealership

# On the Front Lines

## I. Economic Outlook

## II. Drivers of Future Demand

## III. The New Car Dealership

A vertical American flag is positioned on the left side of the slide, partially visible. The main content is on a dark blue background.

# Key Economic Indicators

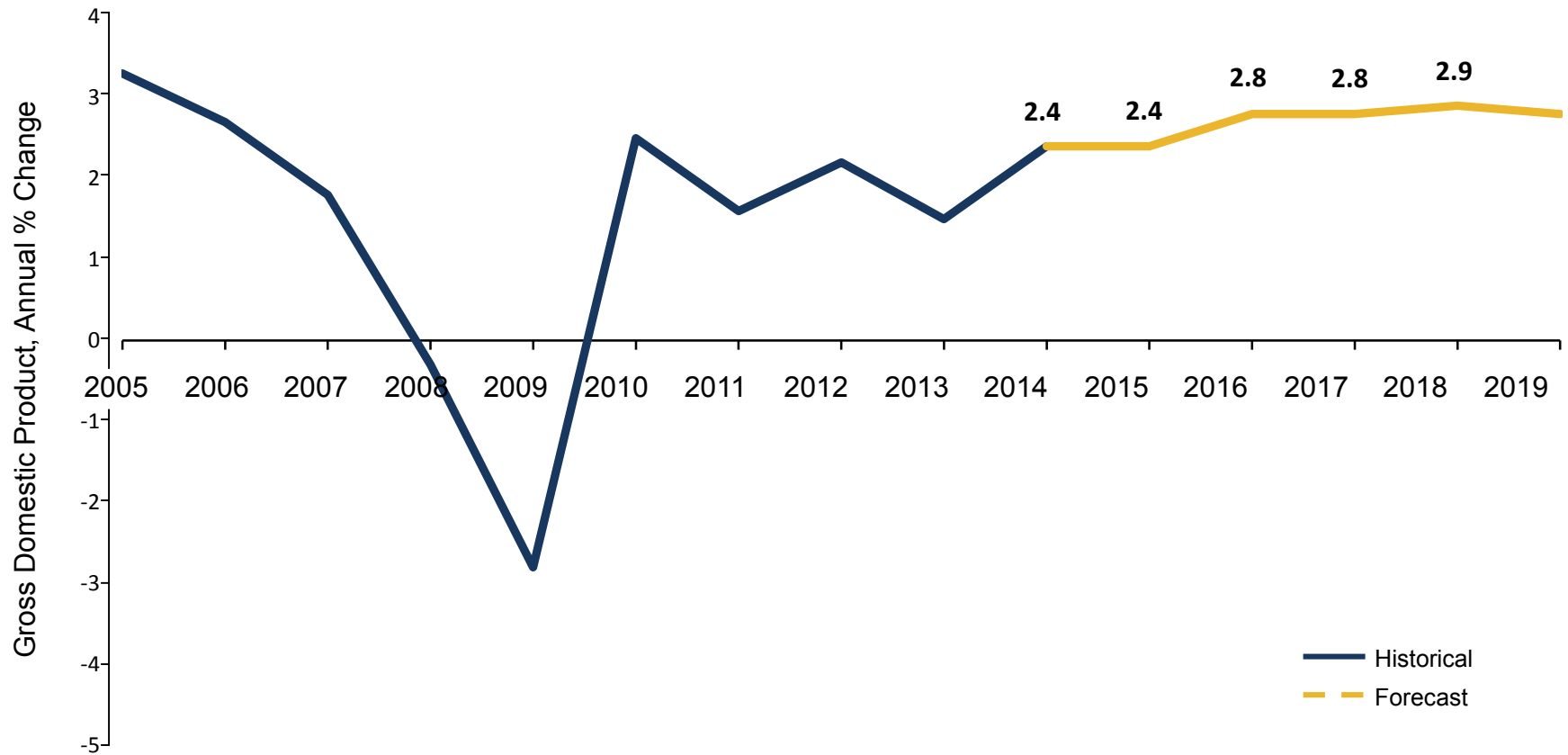
## Current Conditions

GDP	●
Employment	●
Consumer Confidence	●
Equities Markets	●
Housing Market	●
Oil Prices	●
Industrial Production	●
Automotive Sales	●

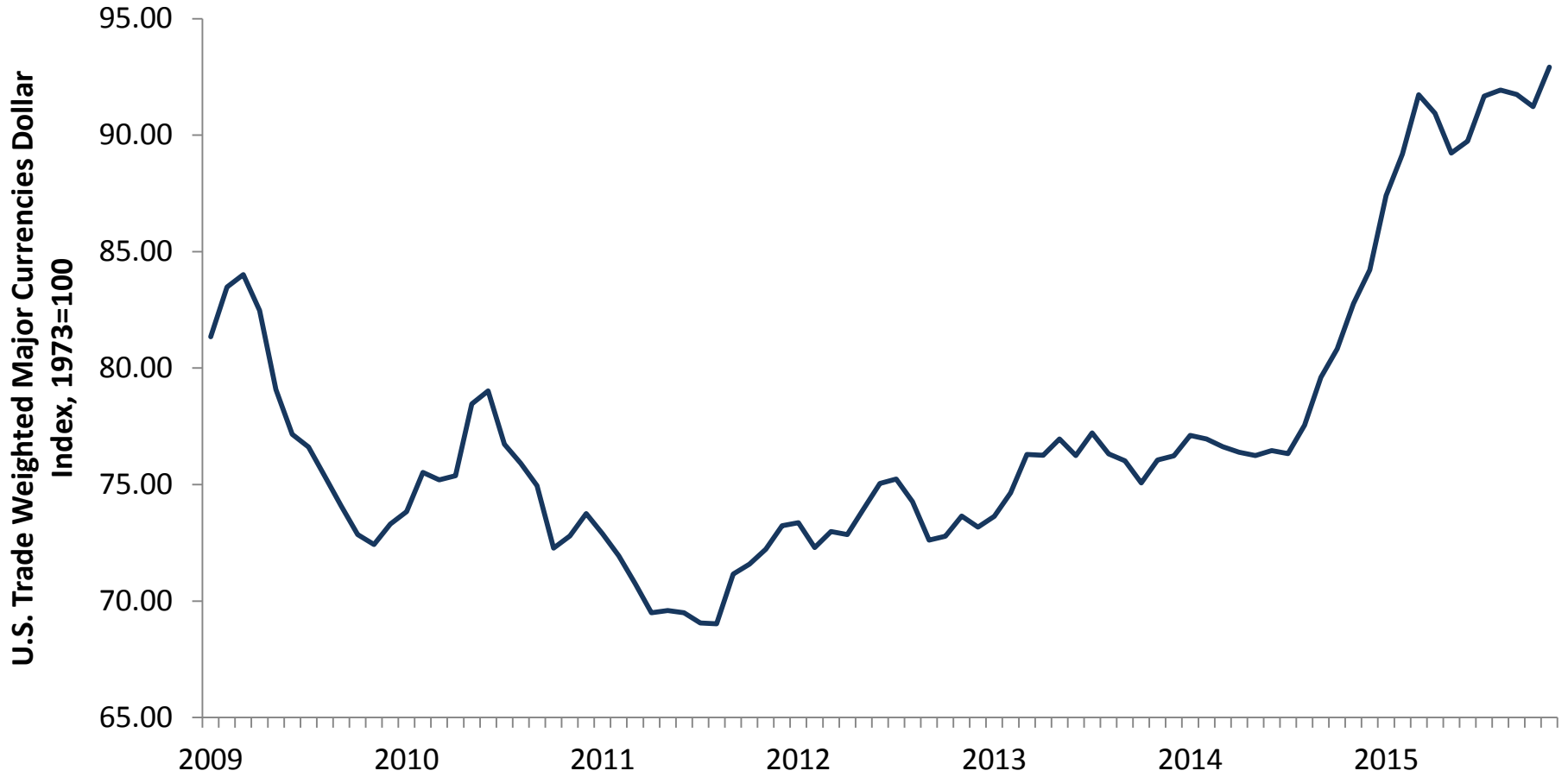
● Negative  
● Neutral  
● Positive

# U.S. GDP Outlook

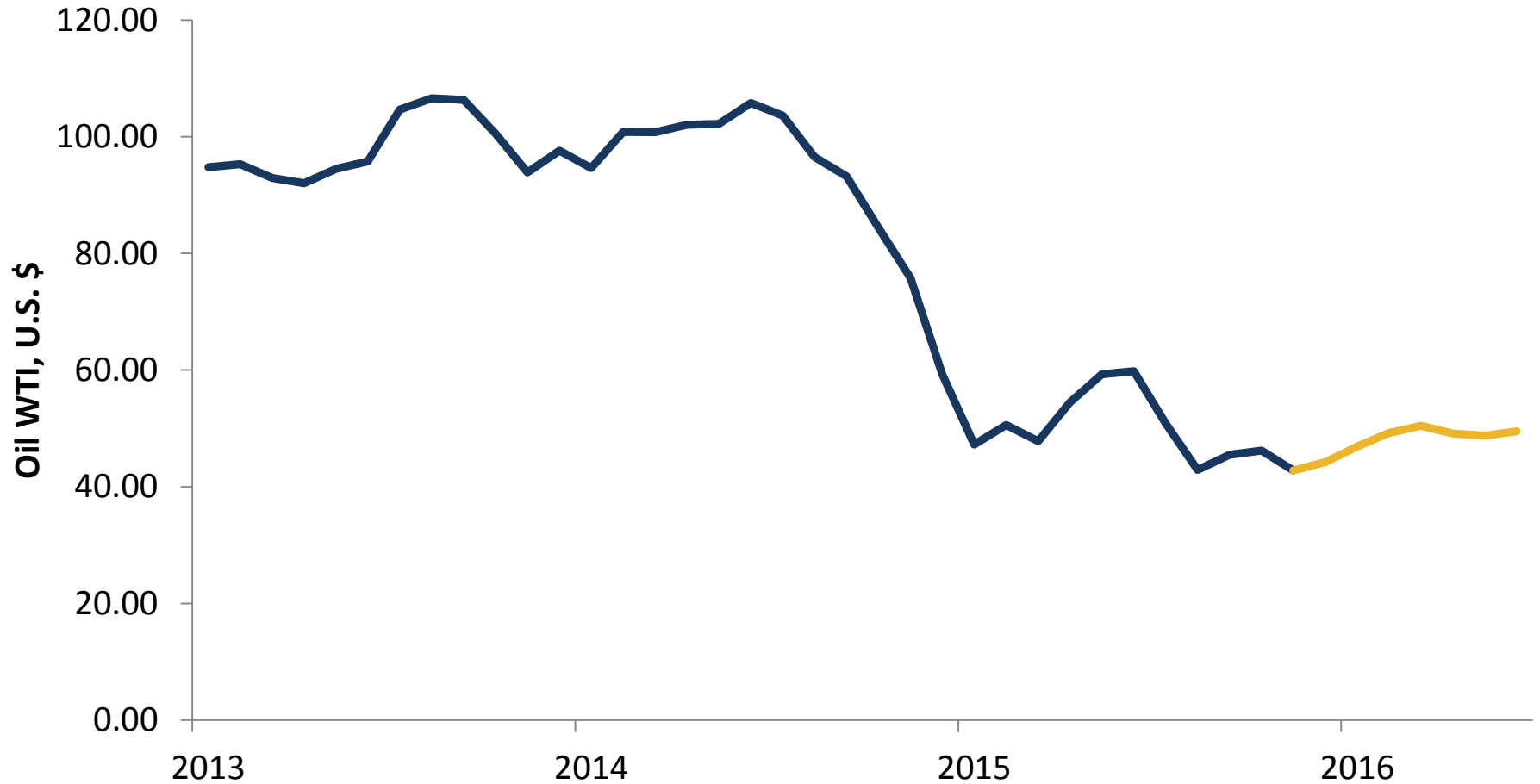
(through 2019)



# Rising Dollar



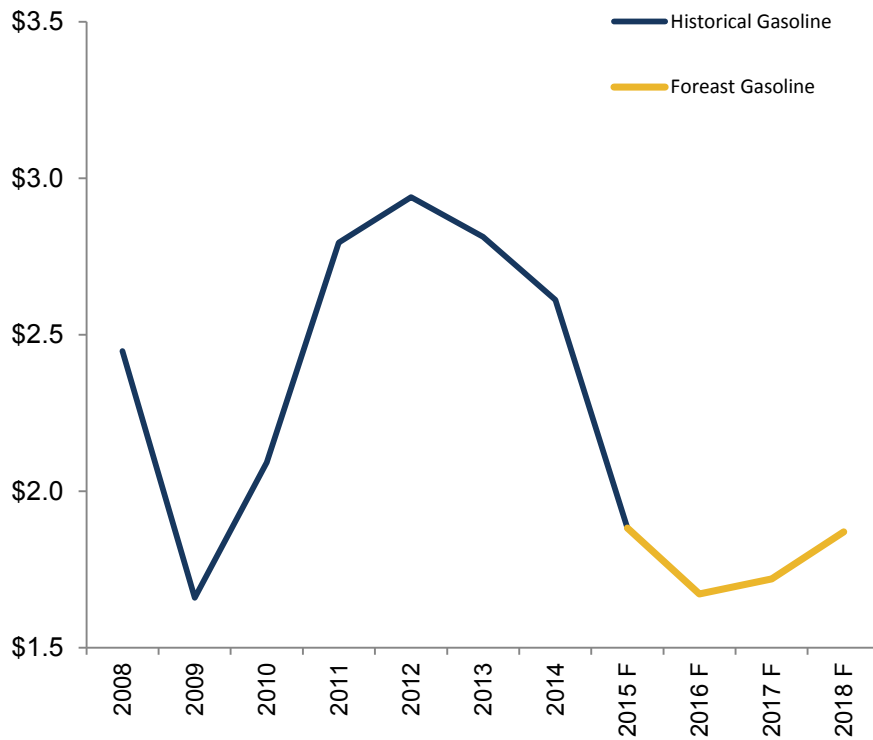
# Oil Markets



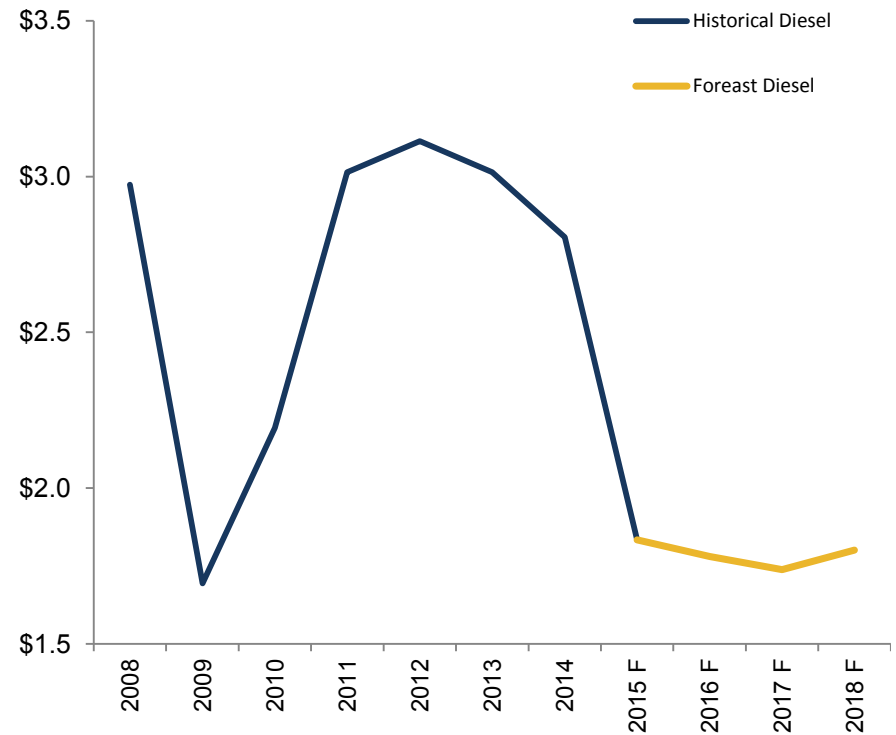


# Gasoline & Diesel

Gasoline Price per Gallon, in U.S. \$, FOB New York Harbor



ULS No. 2 Diesel Price per Gallon, in U.S. \$, FOB New York Harbor

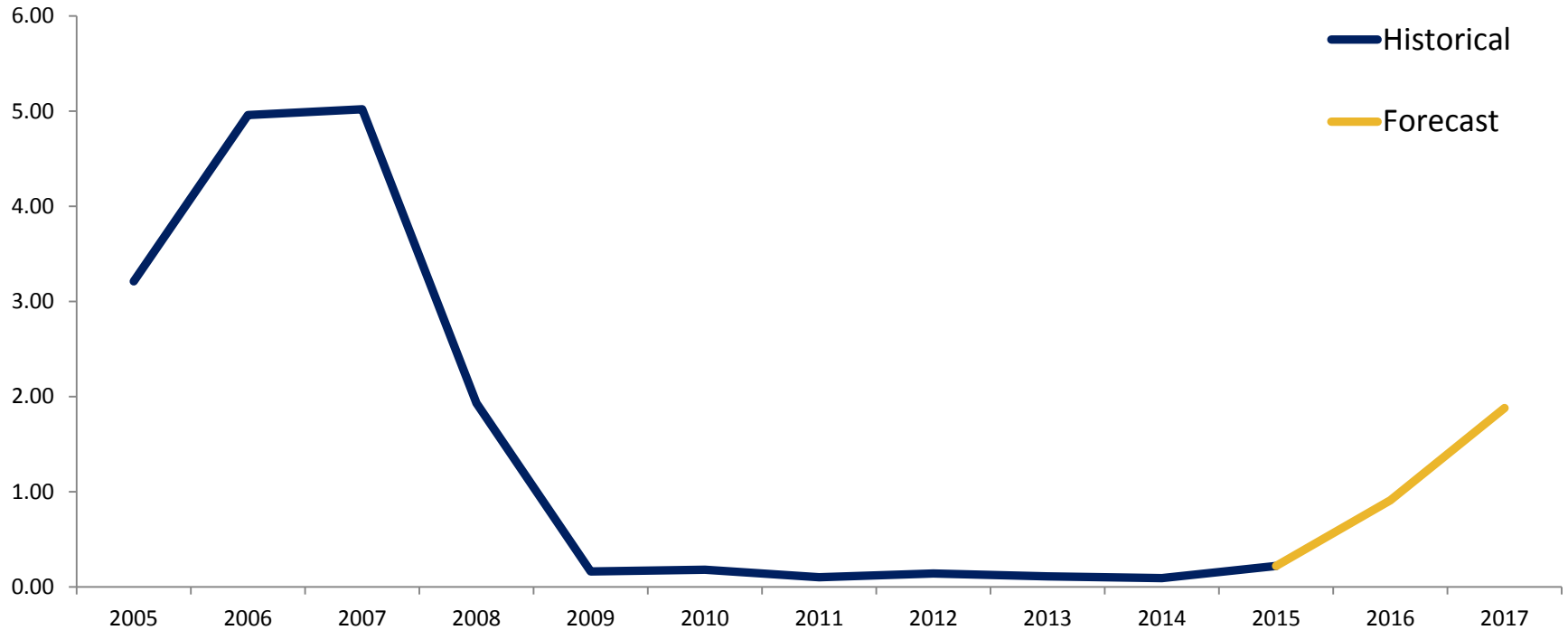


# Inflation

(PCE Deflator, Annual Change, %)

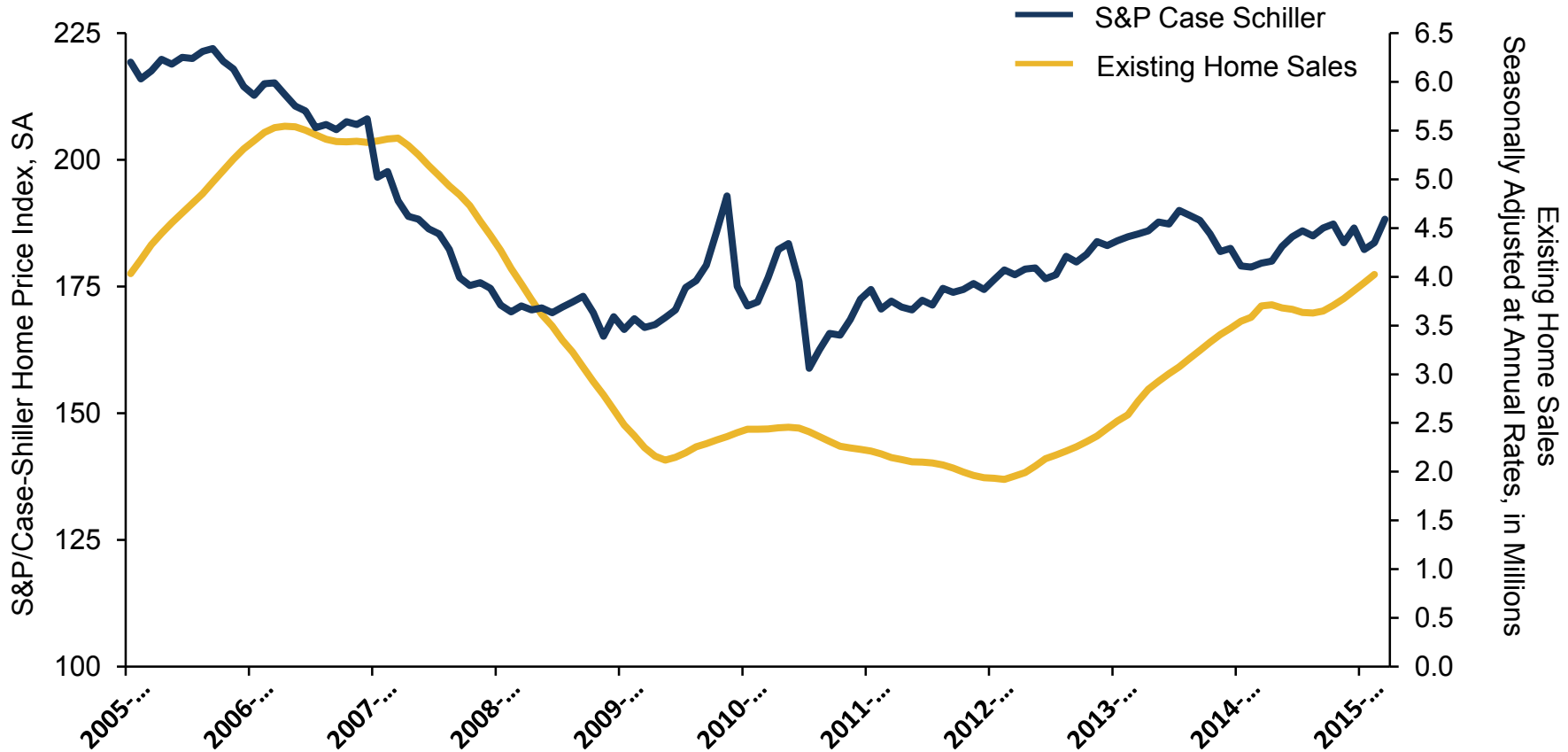


# Federal Funds Rate



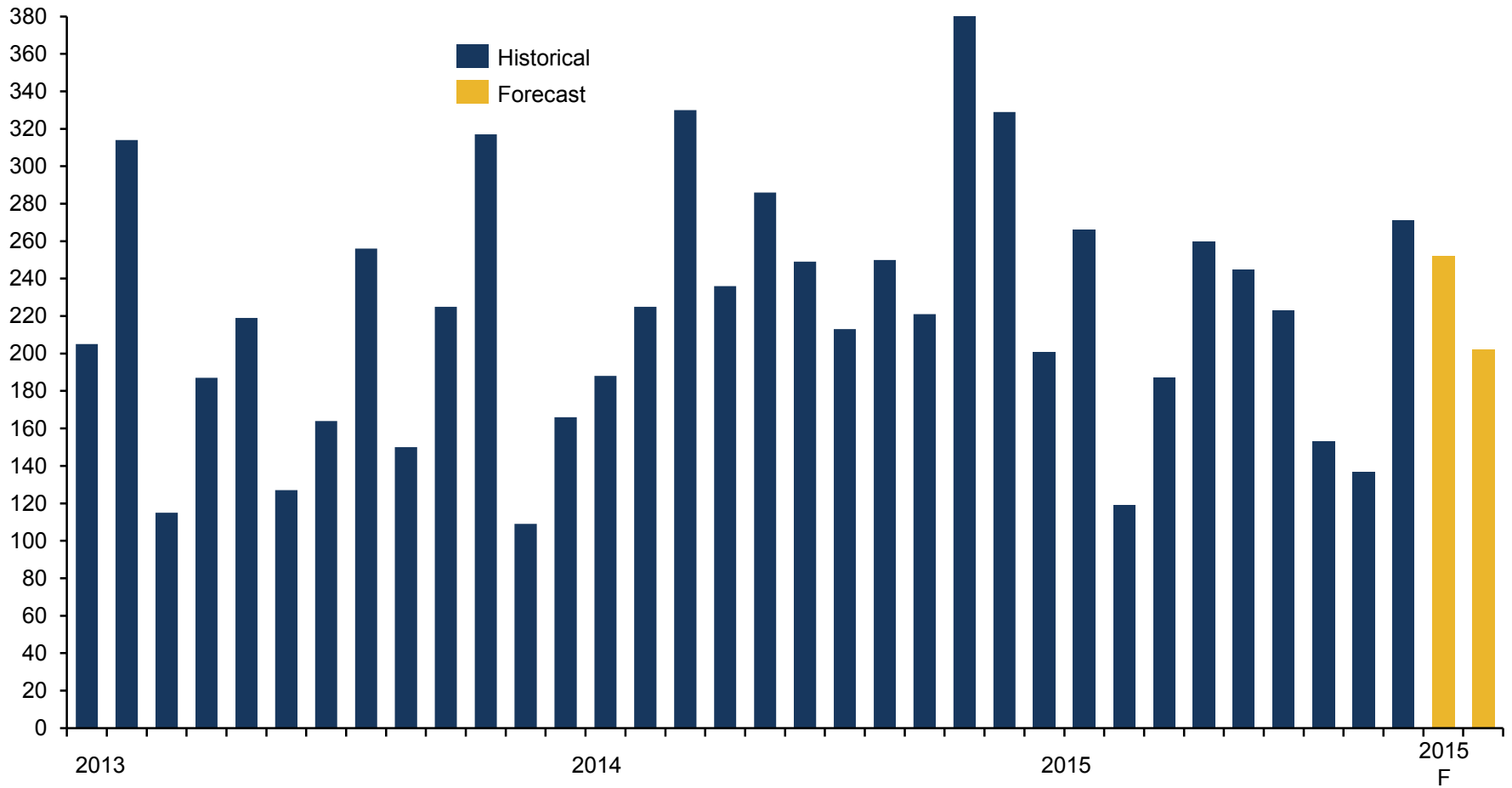
# Home Prices

(S&P/Case-Shiller Home Price Index, 20 City Composite, SA)

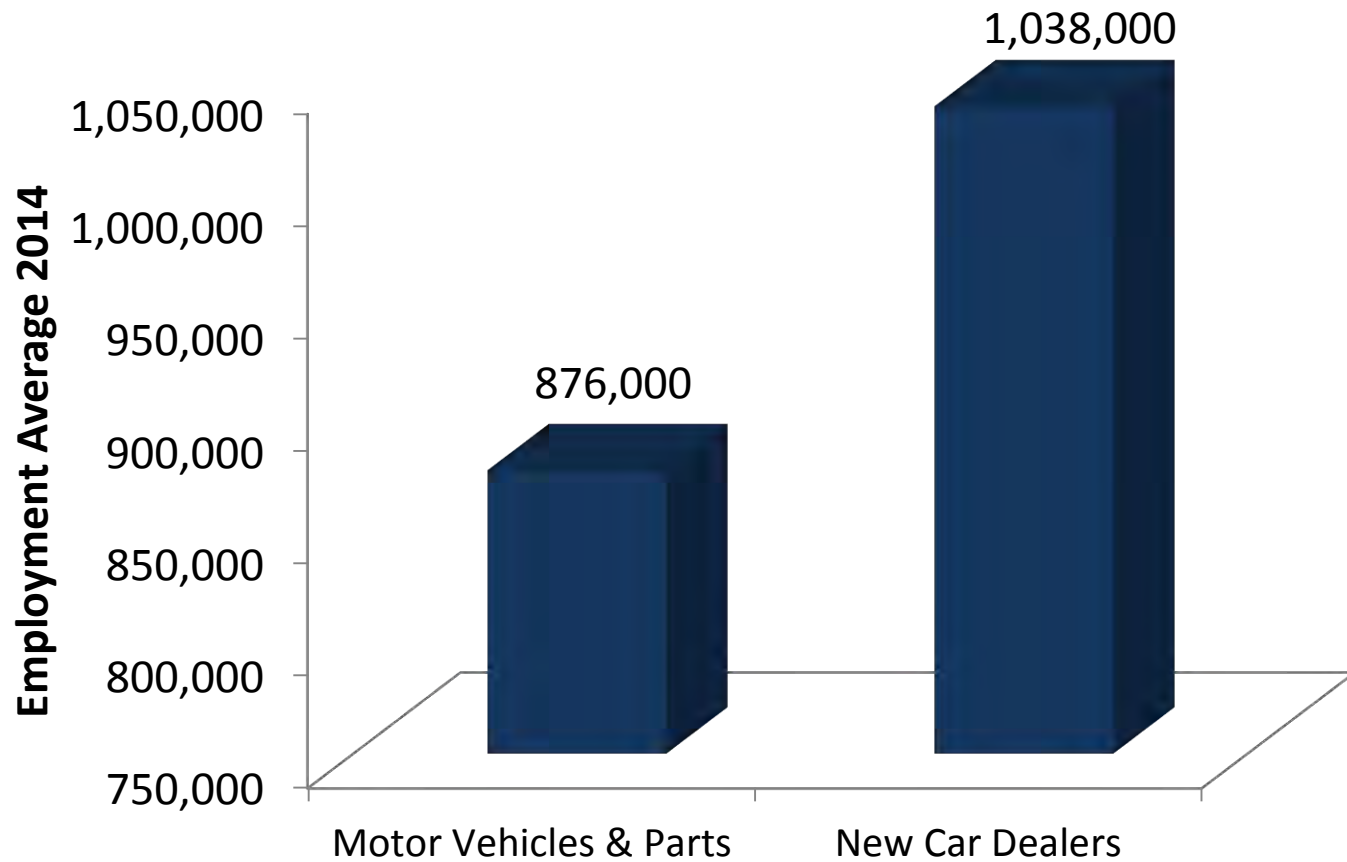


# Employment

(Monthly Non-Farm Employment Change, in Thousands, SA)

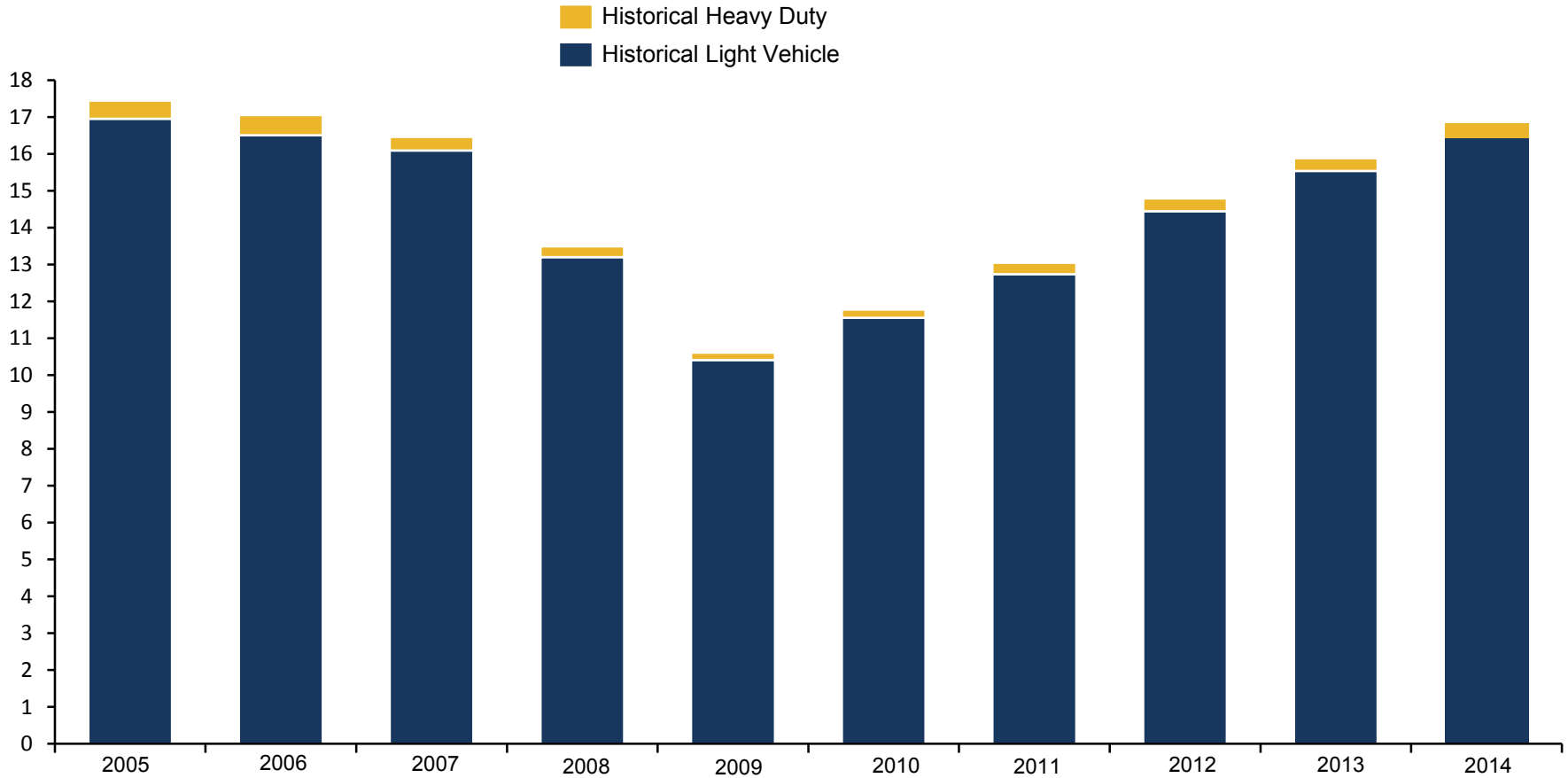


# Retailing As An Employer



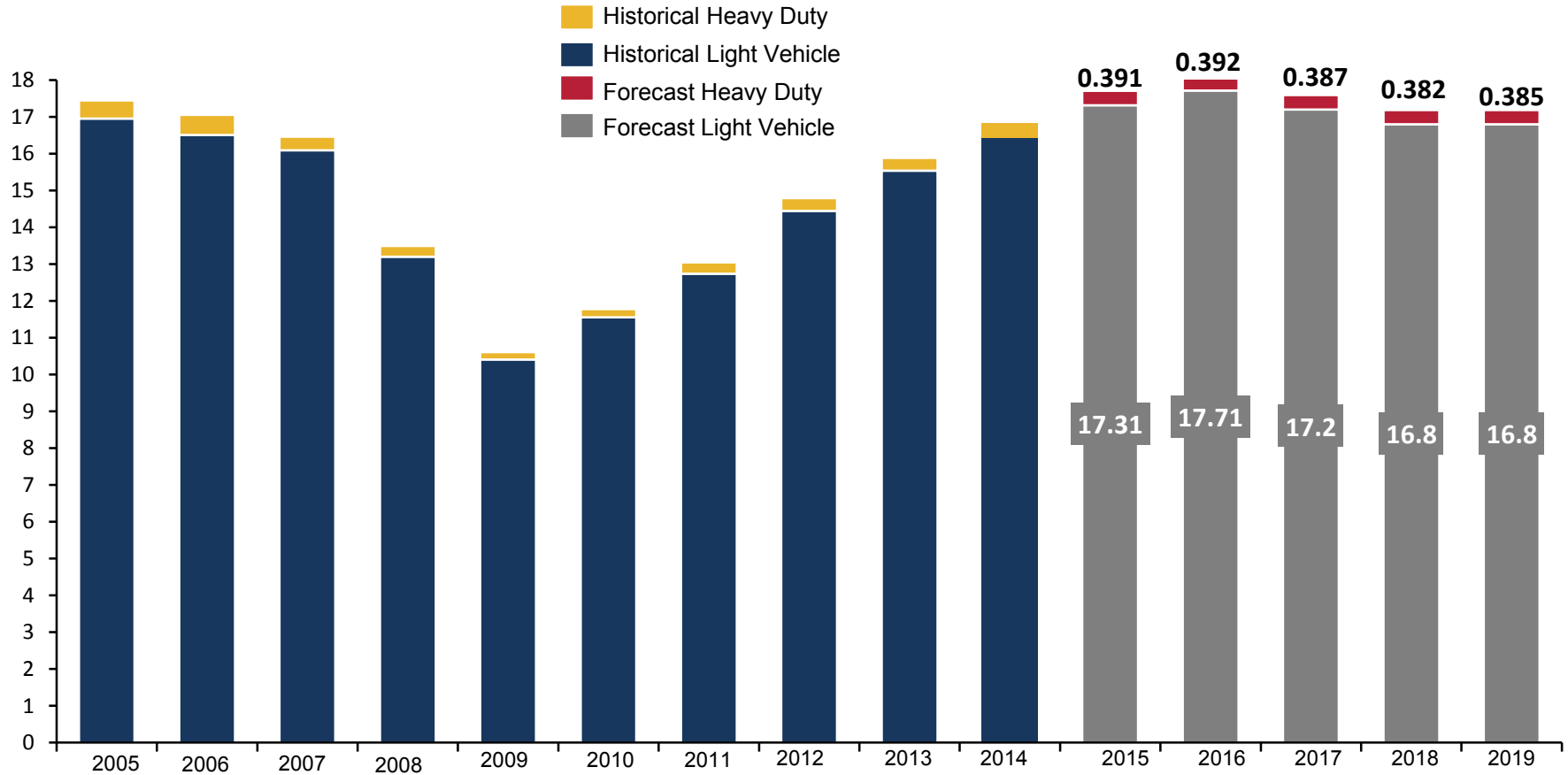
# New Vehicle Sales

(Number of Motor Vehicles Sold, in Millions)



# New Vehicle Forecast

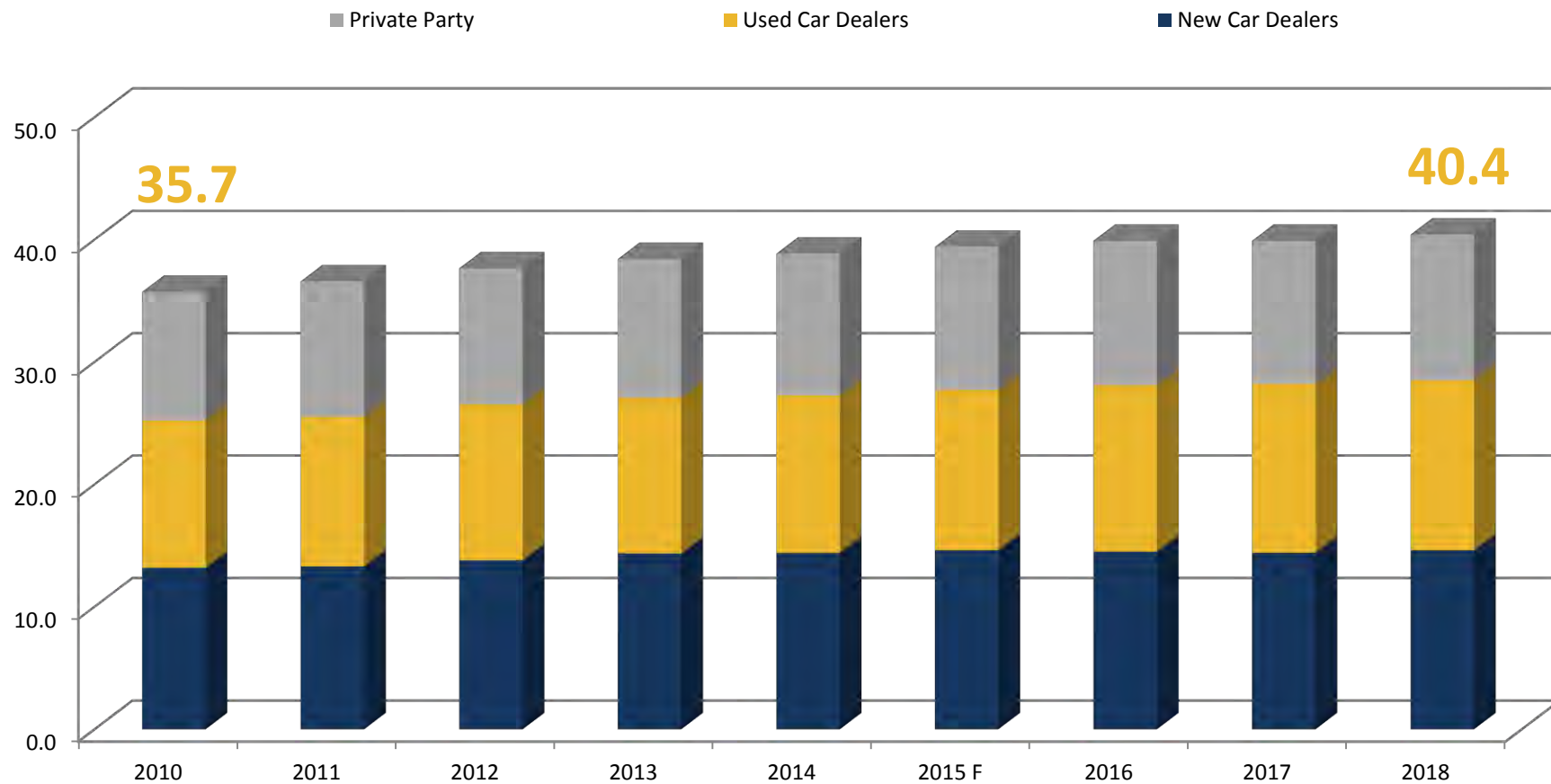
(Number of Motor Vehicles Sold, in Millions)





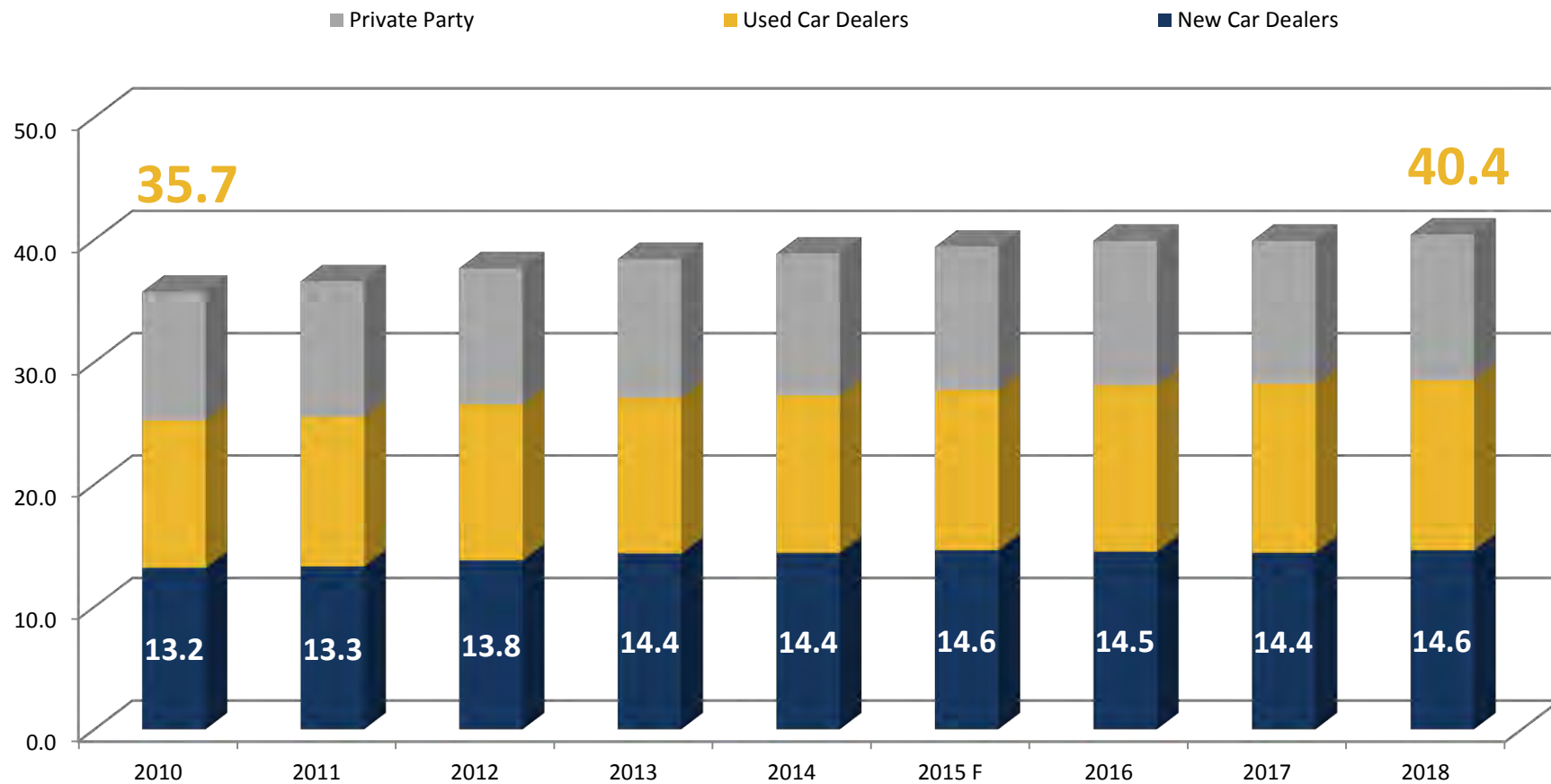
# Used Vehicle Sales Forecast

(Number of Motor Vehicles Sold, in Millions)



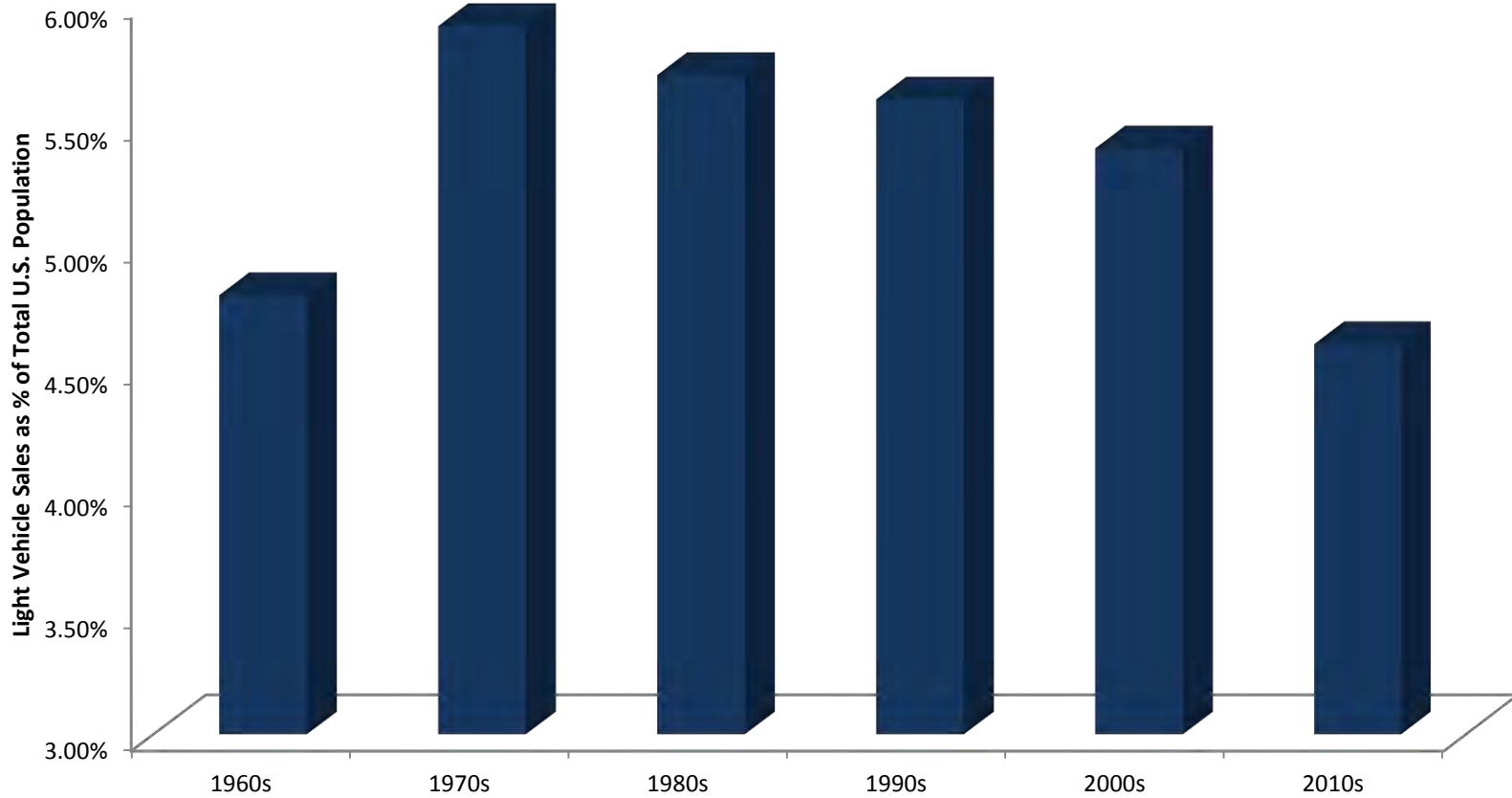
# Used Vehicle Sales Forecast

(Number of Motor Vehicles Sold, in Millions)



But...

# New Vehicle Purchasers



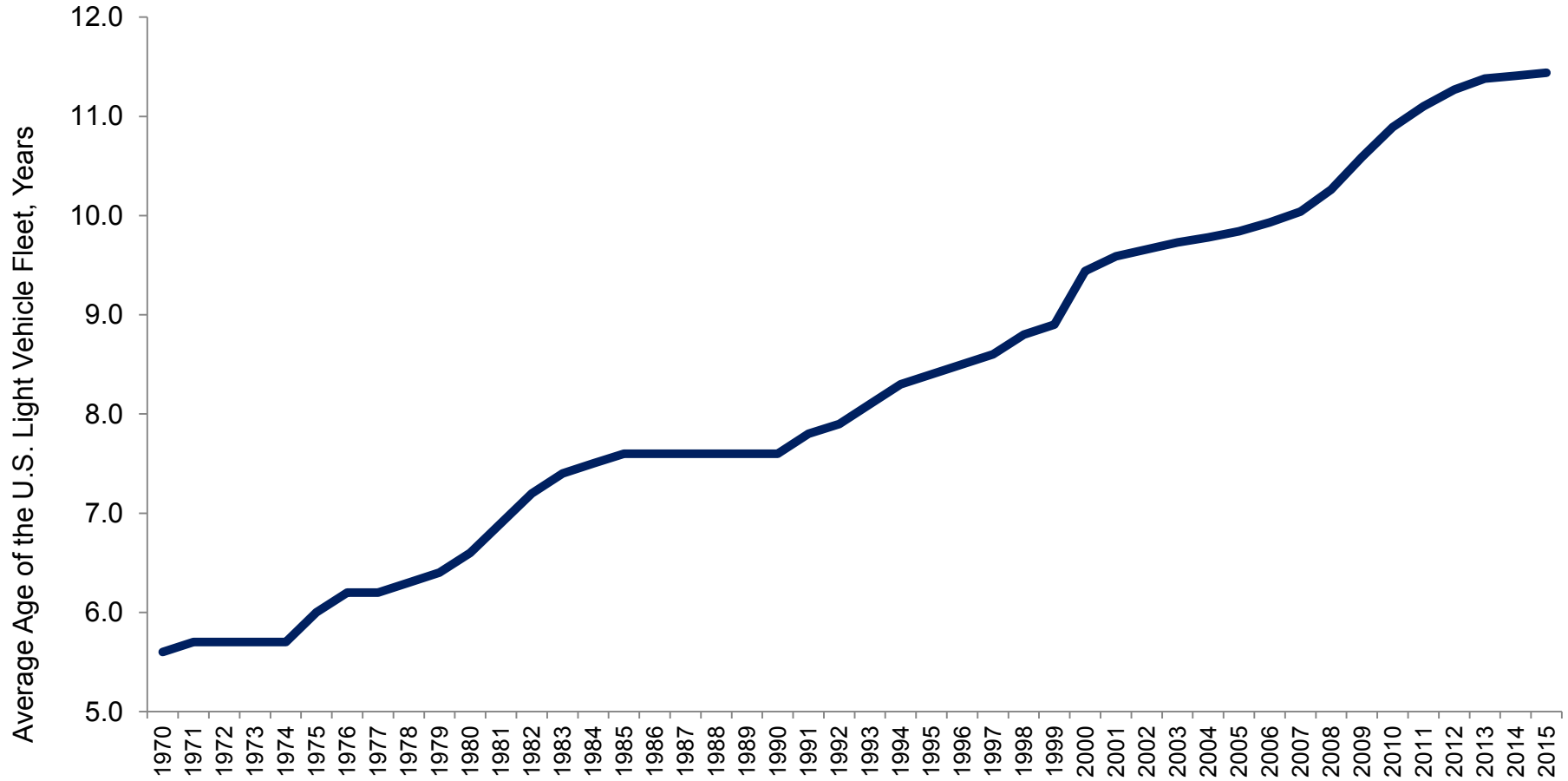
# New Vehicle Purchasers

5.3%

Older & Richer  
Than Average

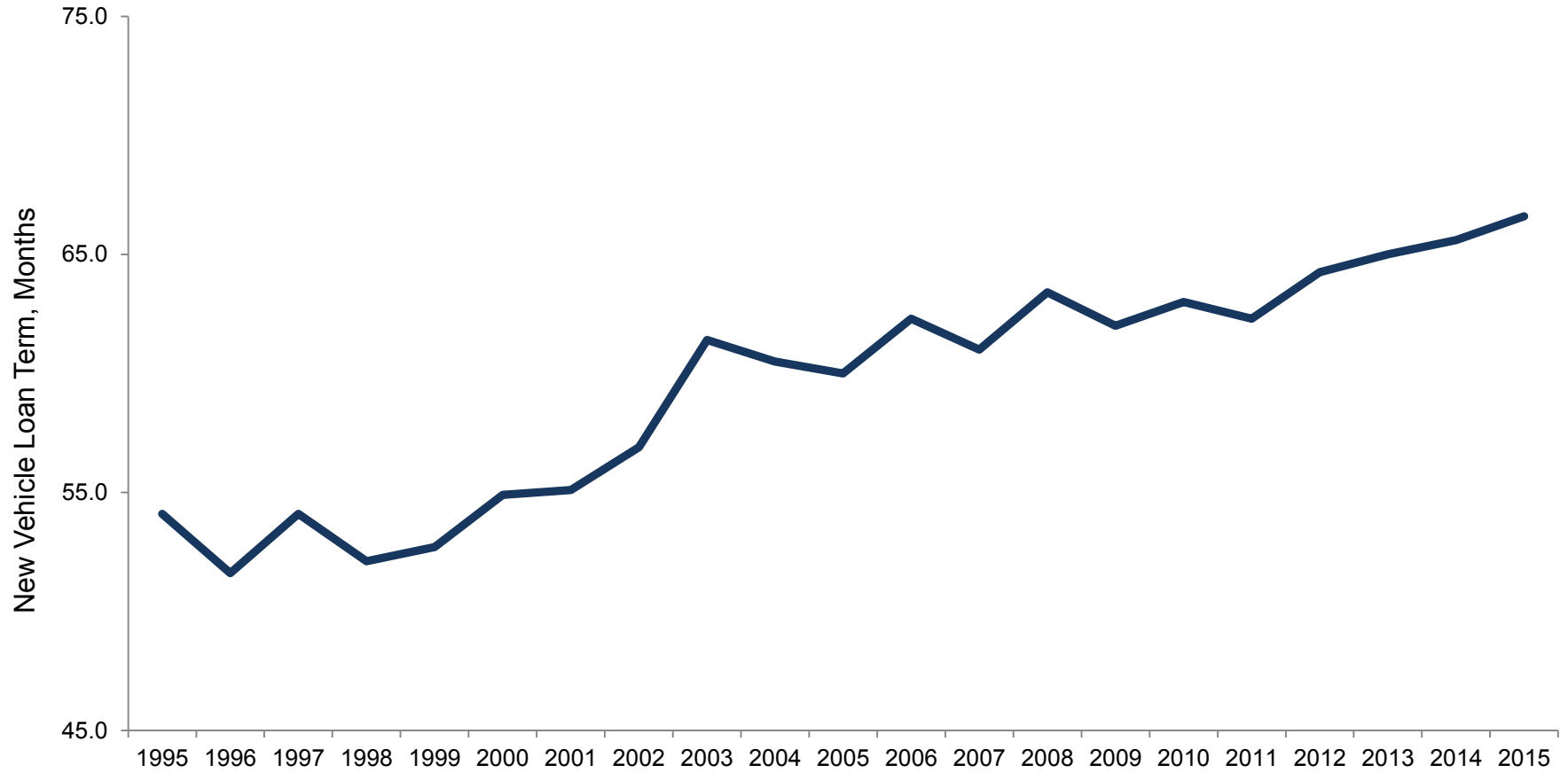
# Vehicle Life

# Continuous Improvement





# Loan Terms



# Net Equity Position in 2005

31

Months

# Net Equity Position in 2015

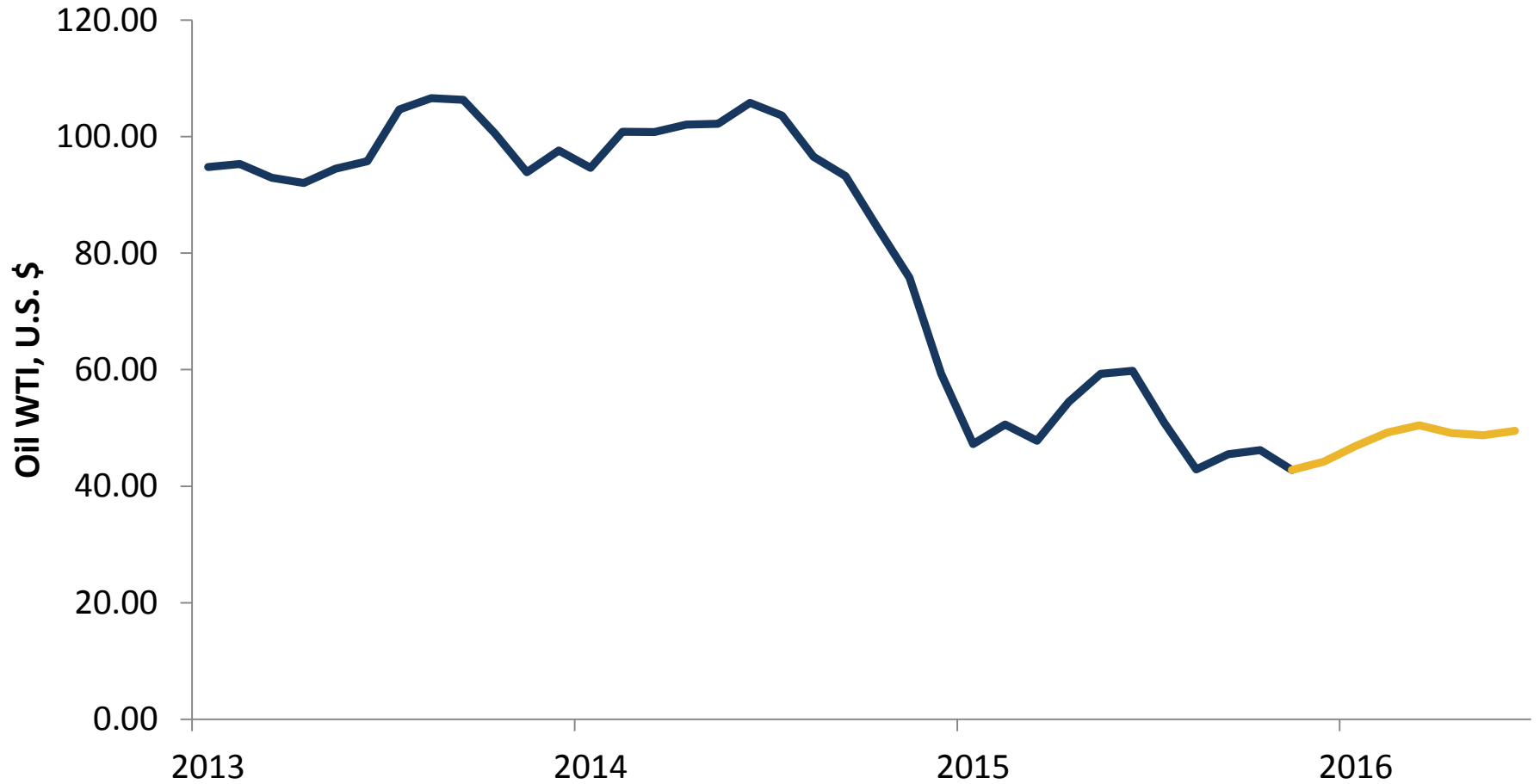
42

Months

# Managing Consumer Lifecycle

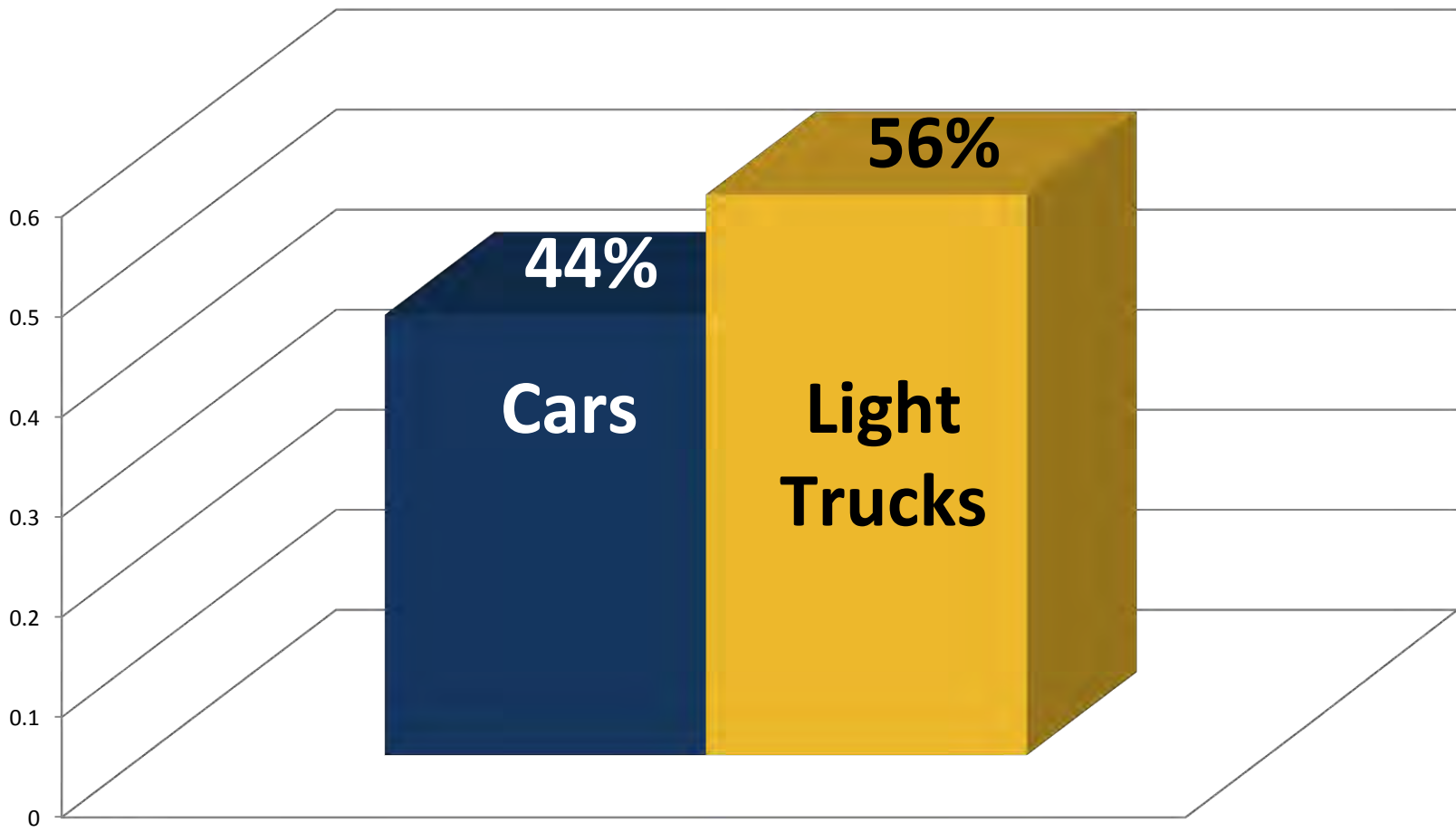
# Increasing Lease Penetration

# Oil Markets

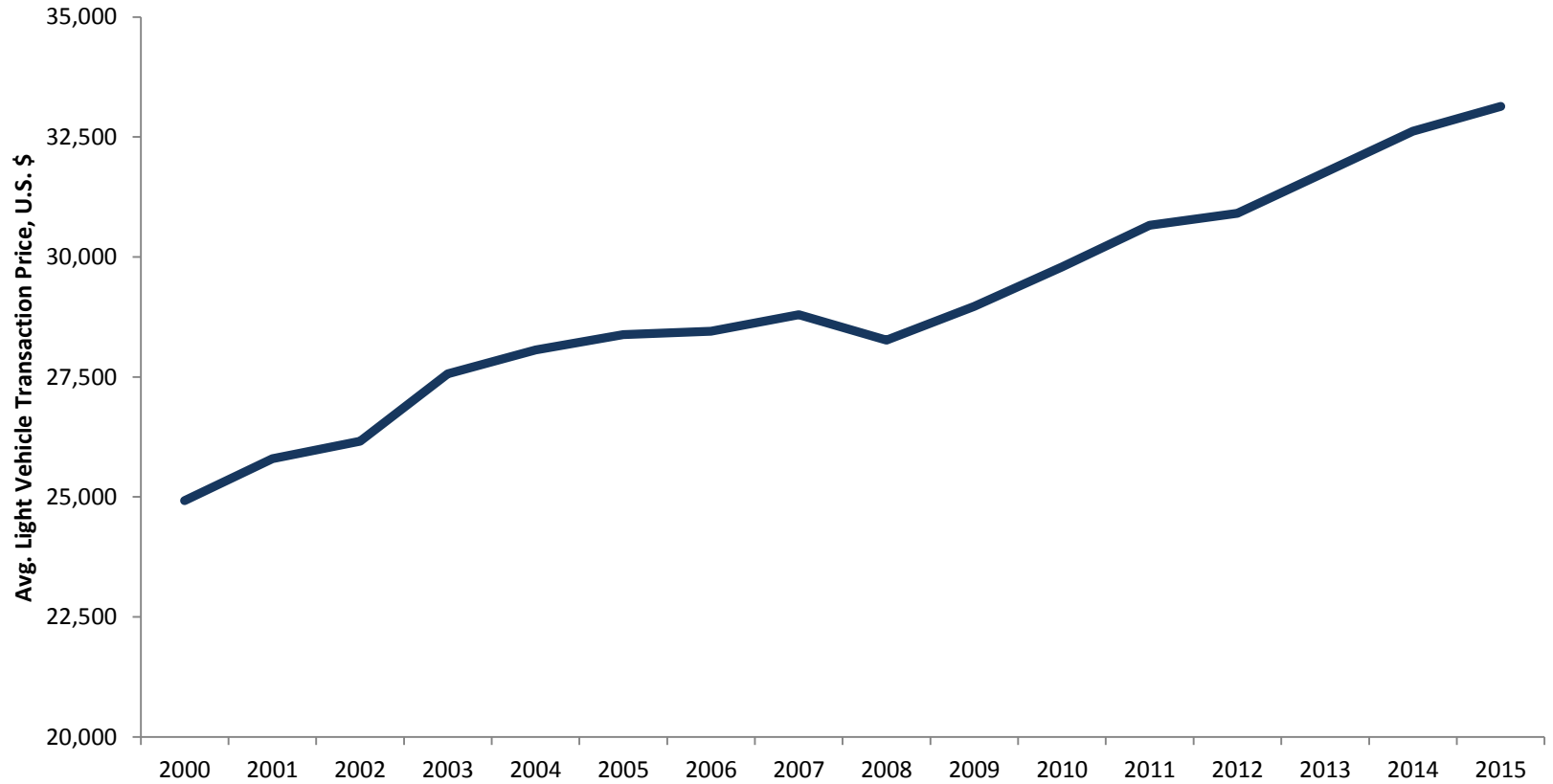


# 2015 Cars Vs. Light Trucks

(% of Total Light Vehicle Sales)



# It's Just A Small Price Increase

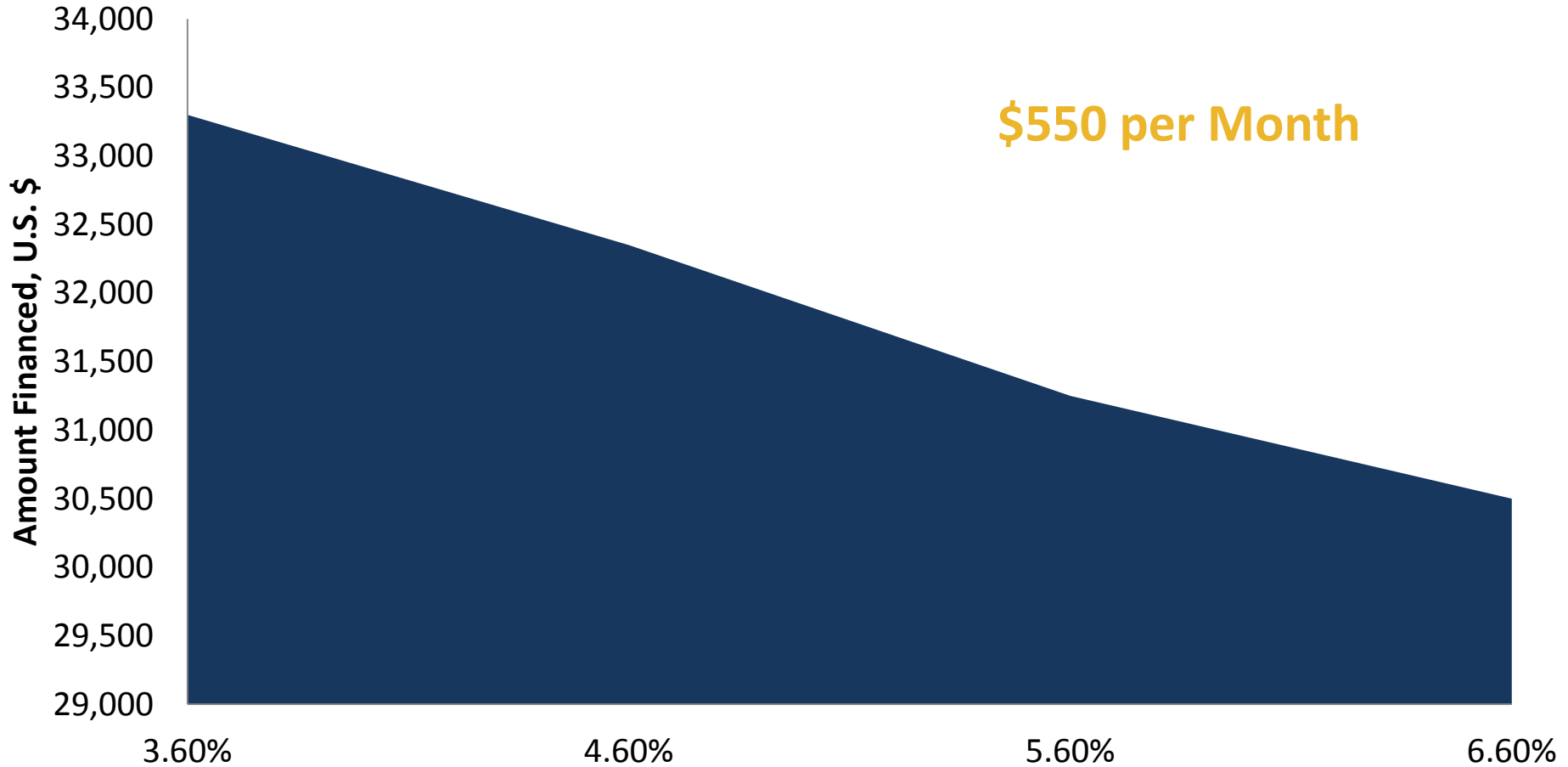




# Prices Outpace Wages

	Wages	Light Vehicles
2012	1.9%	0.8%
2013	2.1%	2.8%
2014	2.0%	2.7%
2015 F	1.9%	3.1%

# Rising Rates, Rising Payments



# Increasing Regulatory Content

# Regulatory Costs Per Vehicle

\$2,700

to

\$3,200

Value to the Consumer Over 6 Years

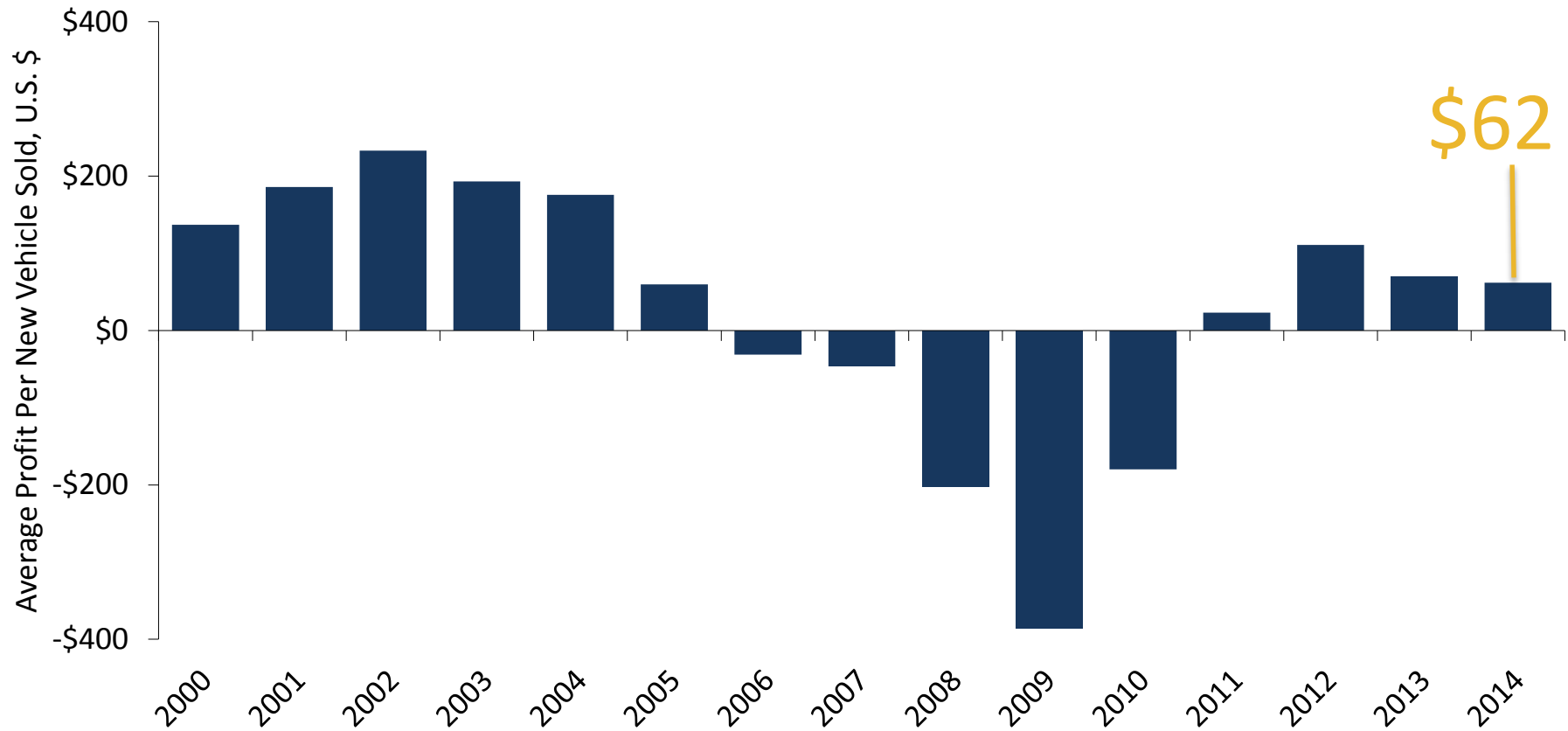
\$1,135

# Taking the Low End Cost

-\$1,565

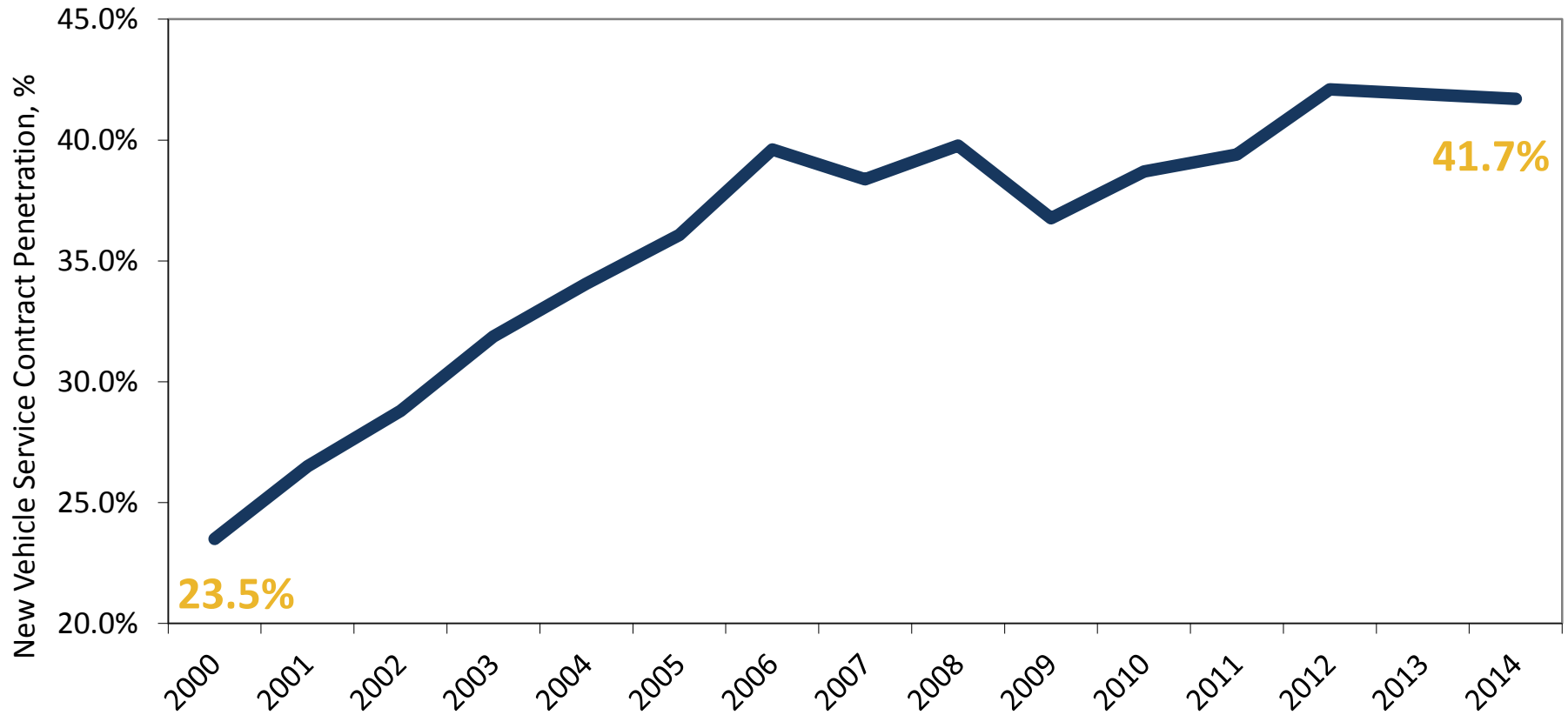
# Joint Study

# Margin Erosion

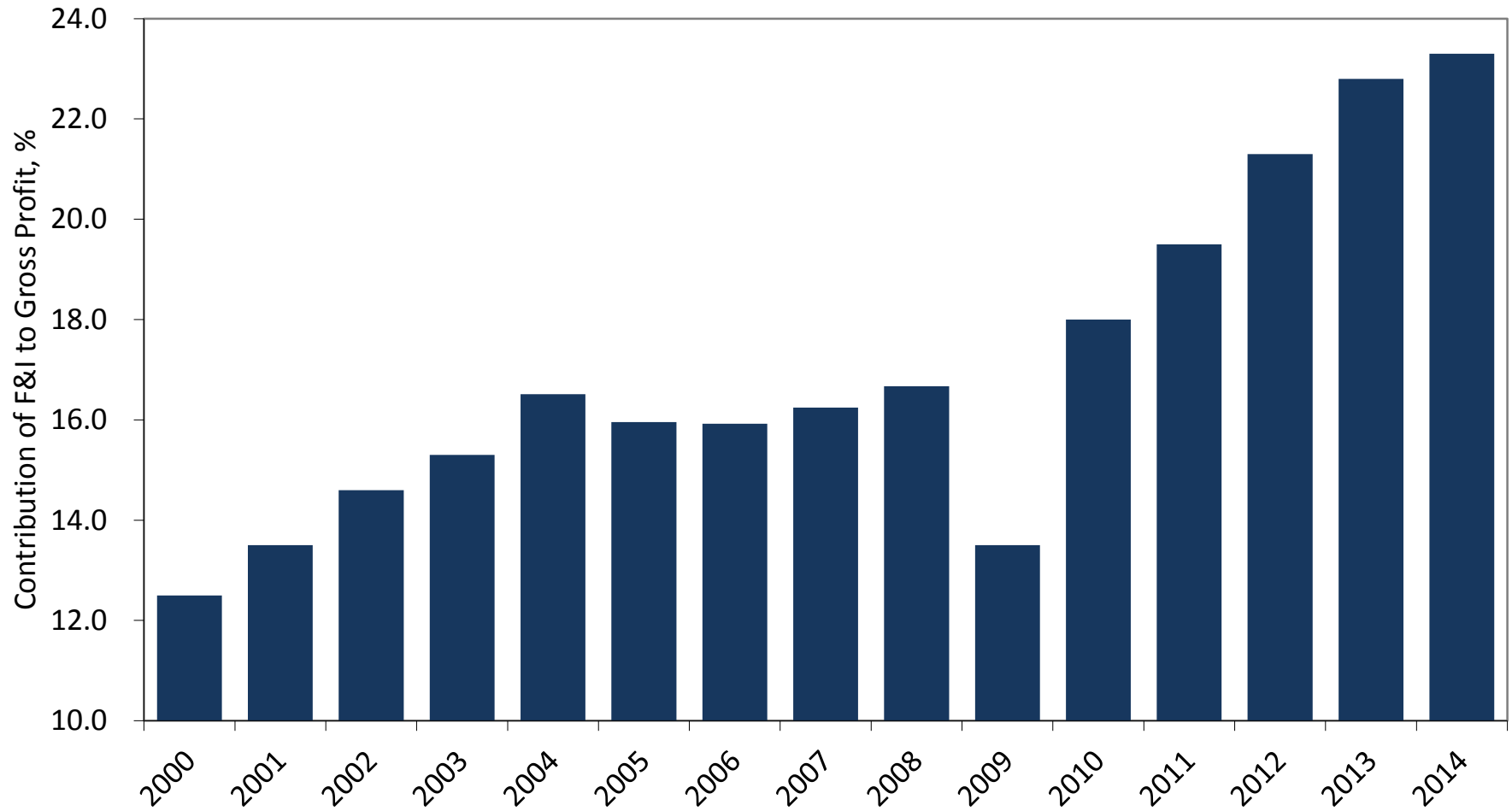




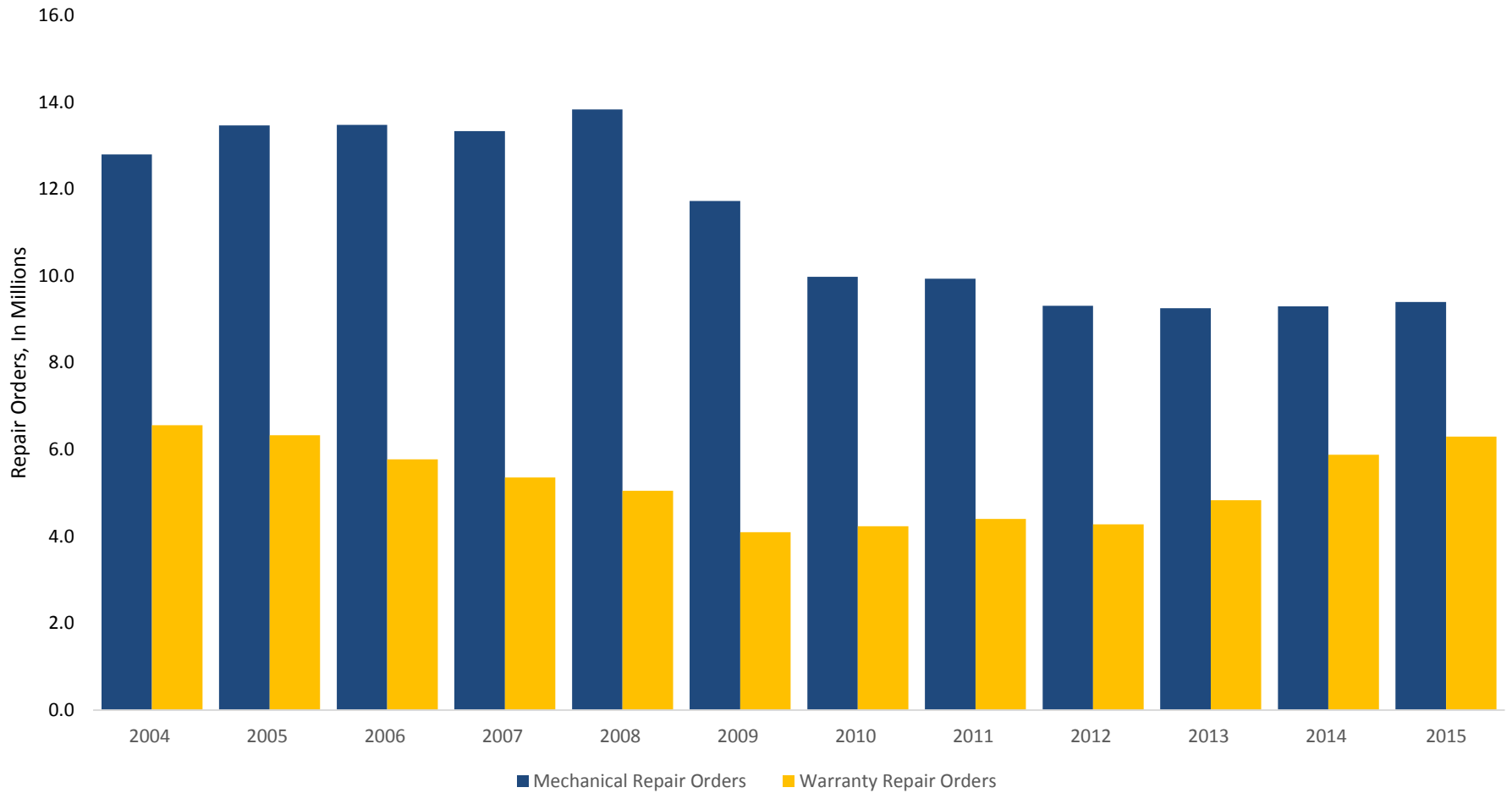
# Supporting the New Car Line



# Everyone Wants to Work in Finance Anyway

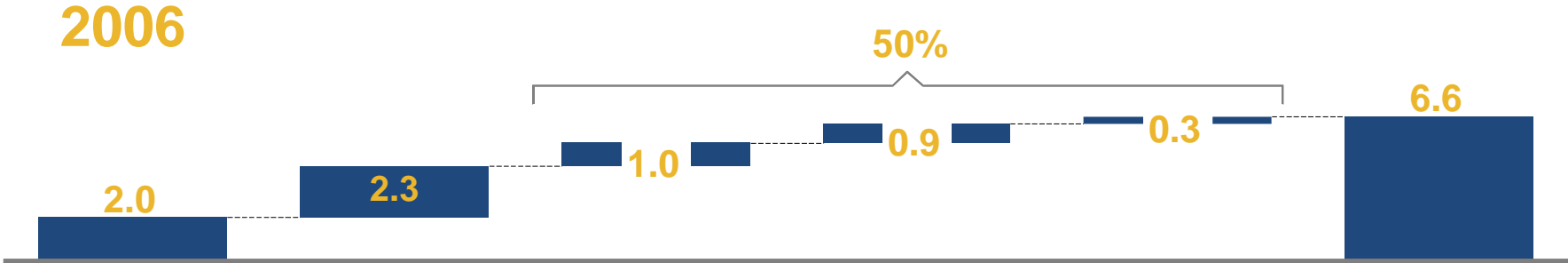


# Parts & Service

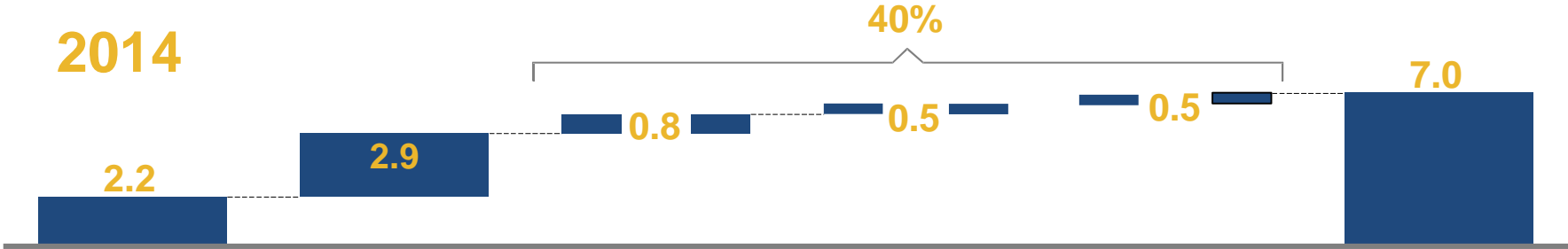


# Operational Excellence

2006



2014



Average performer

Operational

Scale

Brand

Location

Top 10% performer

Fixed & Unchangeable

**NADA**

The image features the word "NADA" in a bold, sans-serif font. Below the text are two thick, wavy horizontal lines that resemble stylized waves or a ribbon. The entire graphic is centered on a dark blue background with a subtle, lighter blue wave-like pattern.