



**Fleet Conference
& Exhibition**
AND FLEET AWARDS

MAY 23-24
ROSEHILL GARDENS
RACECOURSE SYDNEY

Residuals

What's Happening and what Does
the Future Look like

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RedBook | DRIVING
CONFIDENCE



Agenda



- What RedBook Does
- RV Methodology & Trends
- COVID lessons
- Consumer Insights
- Auto Market Insights
- Key Take Outs

About RedBook



DRIVING
CONFIDENCE

- Researching the motor industry for more than 70 years
- Trusted authority for vehicle values (historical/future) and specifications – industry & consumer
- Operates in nine countries
- Covers multiple verticals - cars, bikes, trucks, boats, caravans
- RedBook data used in many industries - Automotive, Finance, Insurance, Government
- Operates in both B2B and B2C markets
- B2C ('Retail') flagship is www.redbook.com.au – approx. 500,000 unique visitors per month
- Acquired by carsales in 2007
- Underpins key Carsales network B2B & B2C services – vehicle identification, specs, pricing, analytics



RedBook Services to Fleet Industry

- Accurate Identification
- Asset History & Identification
- Vehicle Pricing
- Predicted Future Value Pricing
- Used Vehicle Valuations
- Fleet Portfolio Valuations
- Fleet Portfolio Consulting



RV METHODOLOGY & TRENDS

RV Methodology

PERCEPTION

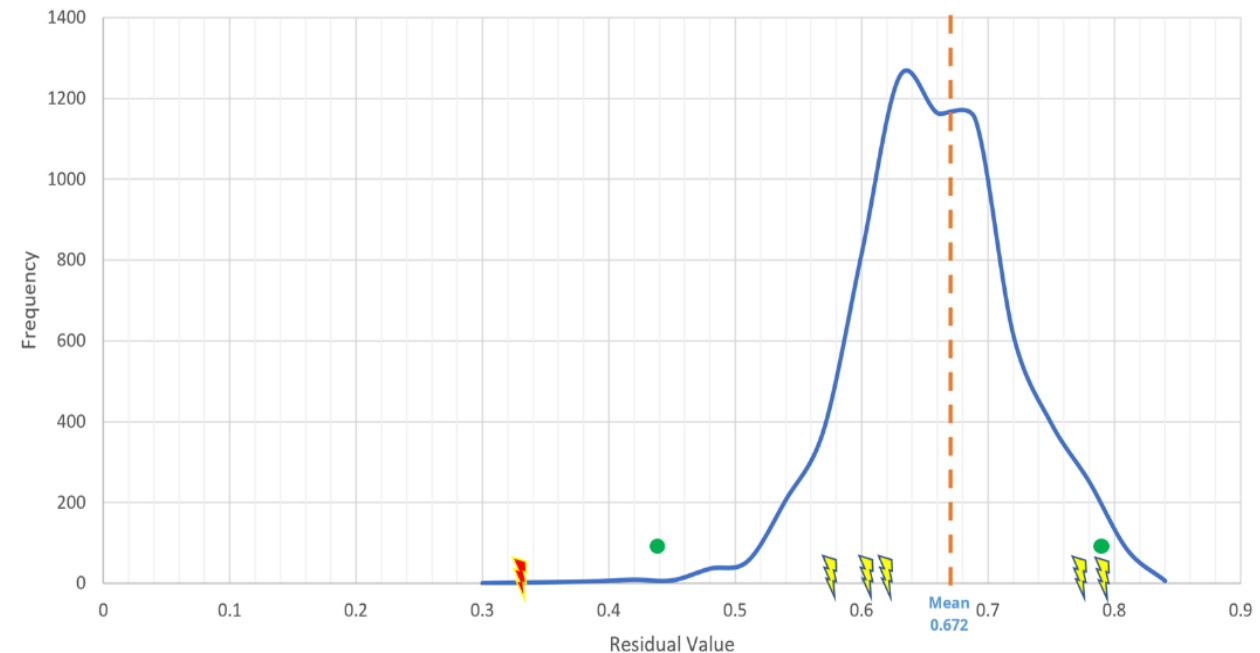
- Brand & Model Reputation
- Market Acceptance
- Relationship b/w Brands & Models as well as variants

REALITY

- Market Performance
- Inventory levels
- Product Lifecycles
- Improved Value / Std Specification
- Local Market Trends (& competitors)
- Cost to Run
- Warranty coverage
- Vehicle condition
- Kilometers travelled

- After 20 years, due to mainstream technology and recent pricing changes, Hybrid is now close to parity with ICE.
- BEVs still amongst lowest RV's, though "Premium/Tech" BEVs led by Tesla, raising the bar.
- BEVs will continue to bridge the RV gap on ICE vehicles, based on improving acceptance of technology, real world range & viable charging infrastructure.
- Creation of a robust demand led by improved price parity between powertrains also key. Govt policy playing big role in accelerating this.
- Used depreciation curve likely to be "above normal" in 2023, but with average MSRPs on the rise this will also alter shape of that correction.
- Average Kilometres p.a. travelled changing, RV modelling adjustments in play to reflect this.
- Increasing OEM warranty coverage, a good thing for Used Market.

Good Retail Residual Value distribution



Source: RedBook



COVID LESSONS

COVID Rollercoaster

2020

- 1H ~ Ineffective Market (Dealer panic “perception”, highly infectious).
- 2H ~ Supply Shortages take effect.

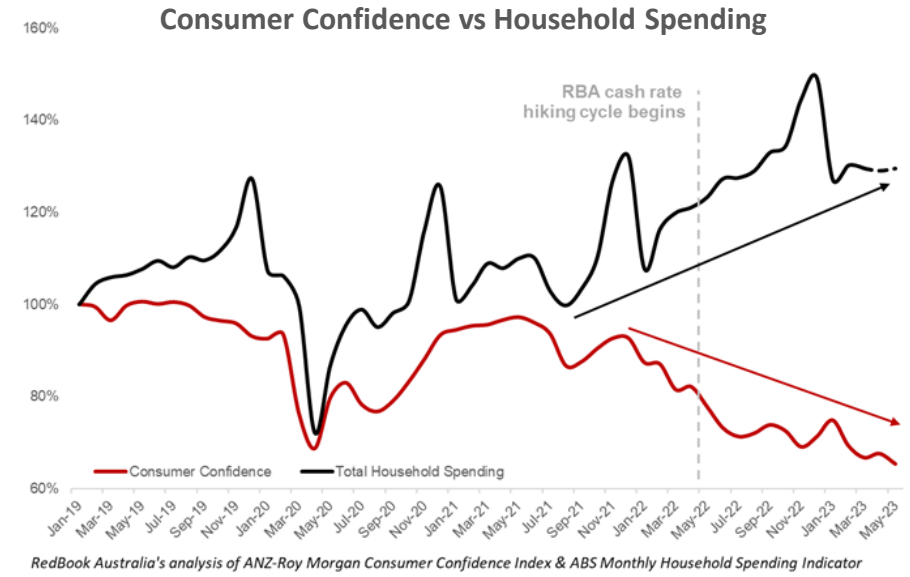
2021-22

- Things got worse re Supply Shortages, not better.
- Huge Govt stimulus pumping up consumer confidence.
- OEMs rapidly commence altering business models, per unit focus.
- Govt. tried to cool the economy down, inflation running rampant.

2023 so far ...

- 1H Post COVID normal yet, not sure, though what is normal now?
- Confidence is still low, yet spending like no tomorrow, very unusual.
- Many indicators pointing towards downturn/ recession.
- Finance tightening.
- MSRPs on the rise, used value relativity in play.
- Special offers returning, EV/Hybrid offers easing as Govt. policy takes effect.

One certainty is that COVID’s impact on the auto industry will have a long tail.



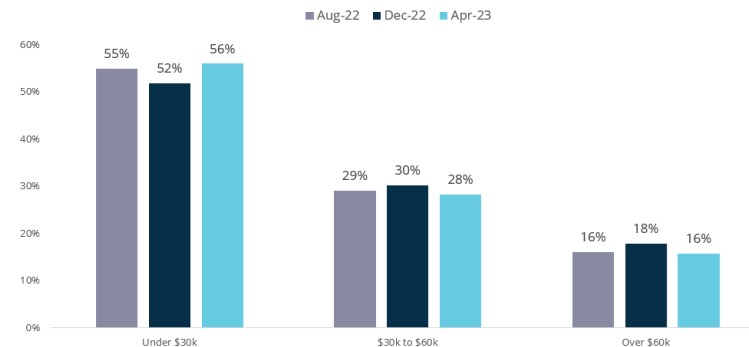


CONSUMER INSIGHTS

Consumer Sentiments

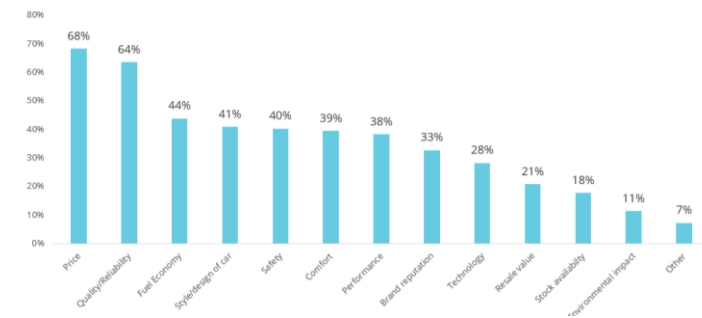
- Slight increase observed in those looking to spend under \$30k for a car, supporting notion that Value For Money making a return in consumer's mindset.
- When identifying most important aspects associated with buying used, price only marginally trumps Quality/Reliability. Strong Used vehicle drivers.
- Baby boomers are significantly more likely to look for a new cars compared to the average.
- A significant decrease observed in the proportion of buyers willing to wait 3 months or more for stock before moving onto a different car (59% - 50%).
- Luxury brands rank highly in Used searches, suggesting market still aspirational, though shift in brand perception for challenger brands notable, MG moving into Top 20 new car searches in past 12 mths. True breakthrough will be when Used searches make top 20, currently sitting well outside but making swift gains.

How much are you looking to spend on a new car?



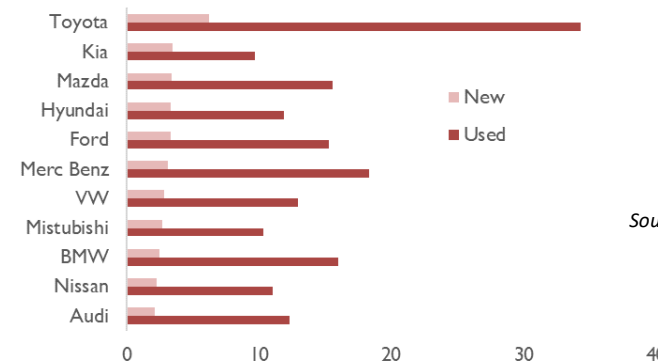
Source: Carsales Consumer Sentiment Report Apr23

Most important aspects about buying a car



- Gen Z are significantly more likely to say that **performance** is an important aspect (52%) than average (38%).
- **Resale value** is significantly more important for **Millennials** (30%) than other generations (all under 20%).
- Those looking for a car **over \$60k** are significantly more likely to say that **technology** is important (43%) than average (28%).

Last 12 Mths Search Volumes on Carsales ('000,000)

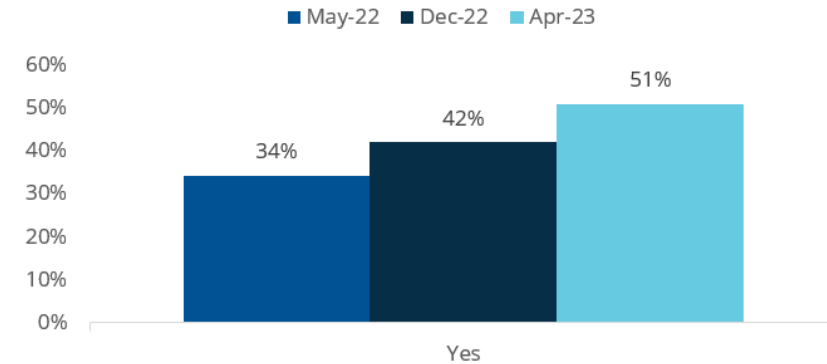


Source: Carsales & RedBook IQ

Consumer EV Sentiments

- Impact of rising fuel prices on car choice has significantly increased, the impact greatest for Millennials (63%) and smallest for Baby Boomers (38%).
- Only 16% of people believe that buying a petrol or diesel car is a mistake due to EVs being around the corner, still a strong ICE vehicle mindset locally.
- State of EV Battery health from a used vehicle perspective is a big issue.
- Attitudes towards EV in light commercial segments evolving rapidly, though Hybrid power is the preference due to charging infrastructure, price premiums, real world range, performance & ultimately longevity.

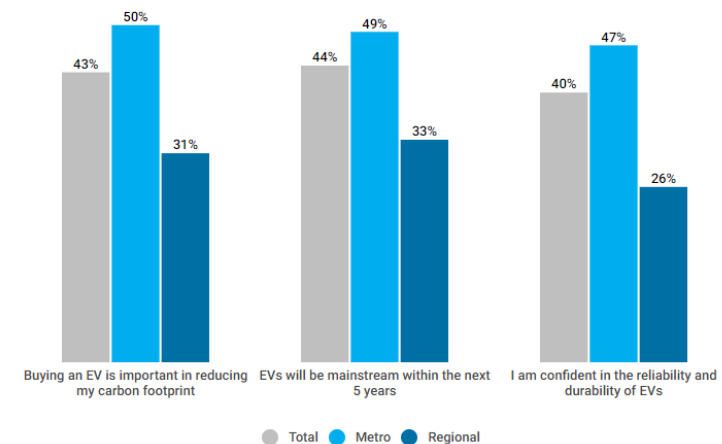
Have the rising fuel prices impacted the type of car you are looking to buy?



Source: Carsales Consumer Sentiment Report Apr23

EV Attitudes Among Prospective Ute Buyers

(% giving a score of 7 - 10 out of 10)



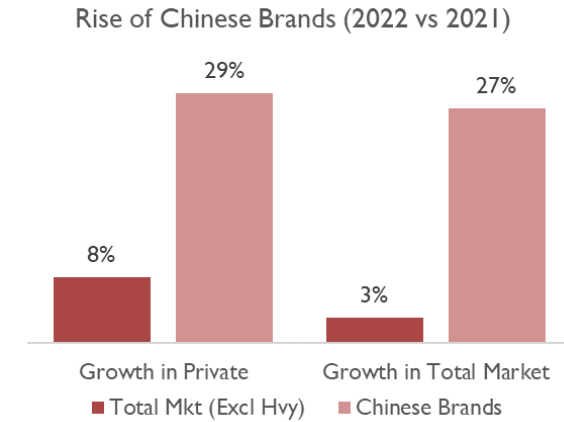
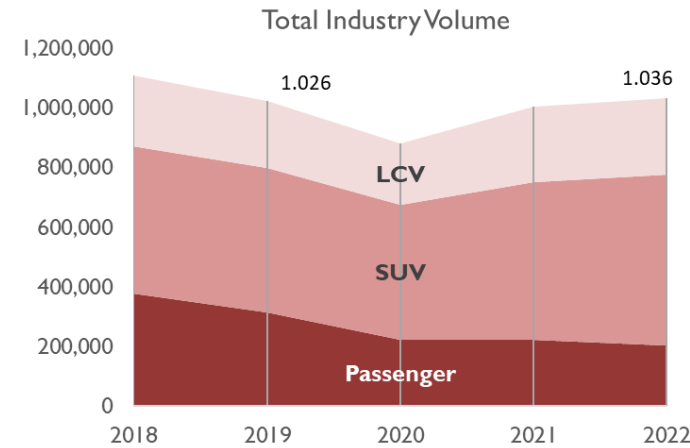
Source: ACA Research Consumer Auto Tracking Research (Jan - Mar '23)



AUTO MARKET INSIGHTS

General Outlook

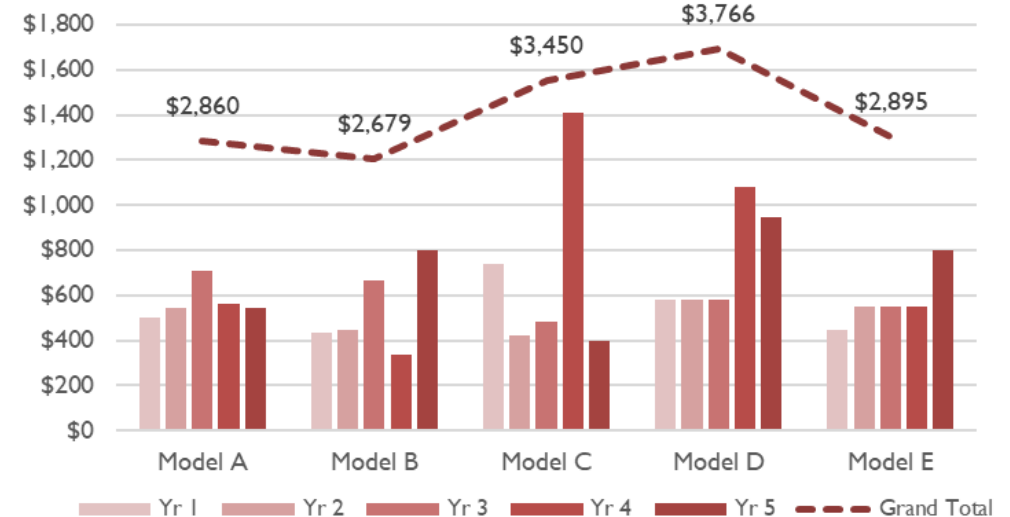
- Shift in brands & perceptions in last 2 yrs, doubts for some longstanding brands that lost market share is recoverable.
- Value For Money returning as a significant purchase driver, leading to some segments splitting (Small SUV particularly on \$\$\$ & Large SUV on purpose).
- Uncertain economic outlook '23 → '24, "recession" typically ushers in more rational behaviours.
- Service intervals, 10k → 15K in most segments, new generation vehicles typically moving this forward along with more comprehensive long term service plans/capped pricing.
- Cost to Run (& Own) transparency demanded, some brands hiding true cost to run in years 4 & 5, impacting second owners and thus used values.
- Shift to Agency for some OEM brands unlikely to change the core principles, though drivers behind Agency differ, OEM control vs Retailer centric.



Source: Vfacts

Source: Vfacts

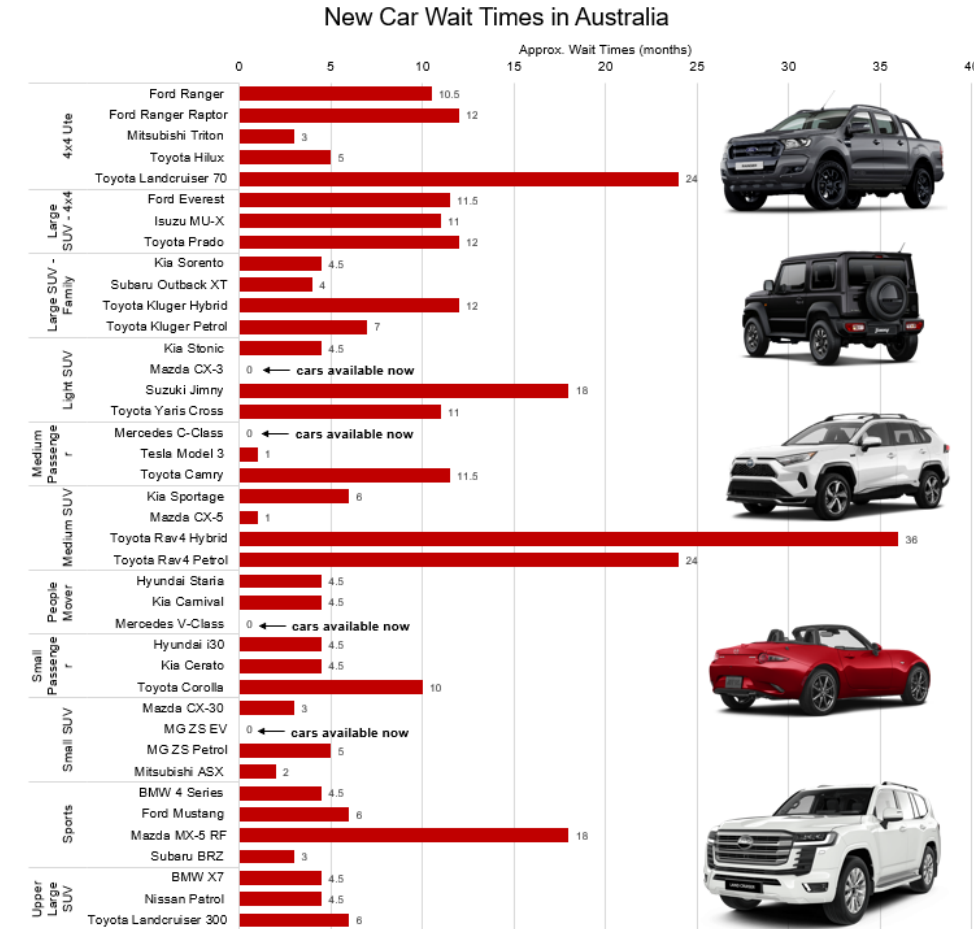
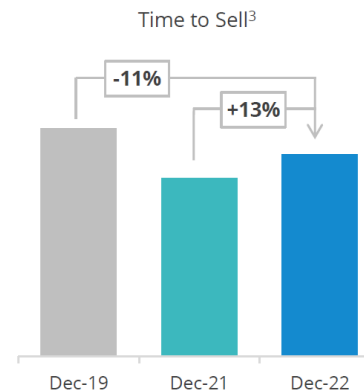
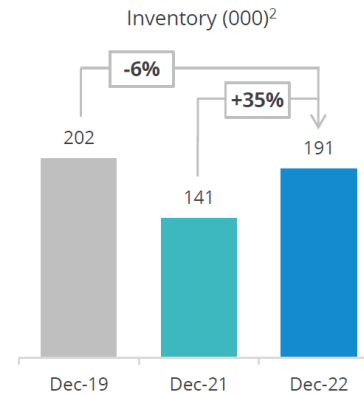
4x4 DC Utes Service Costs up to 5yr



Source RedBook & OEMs

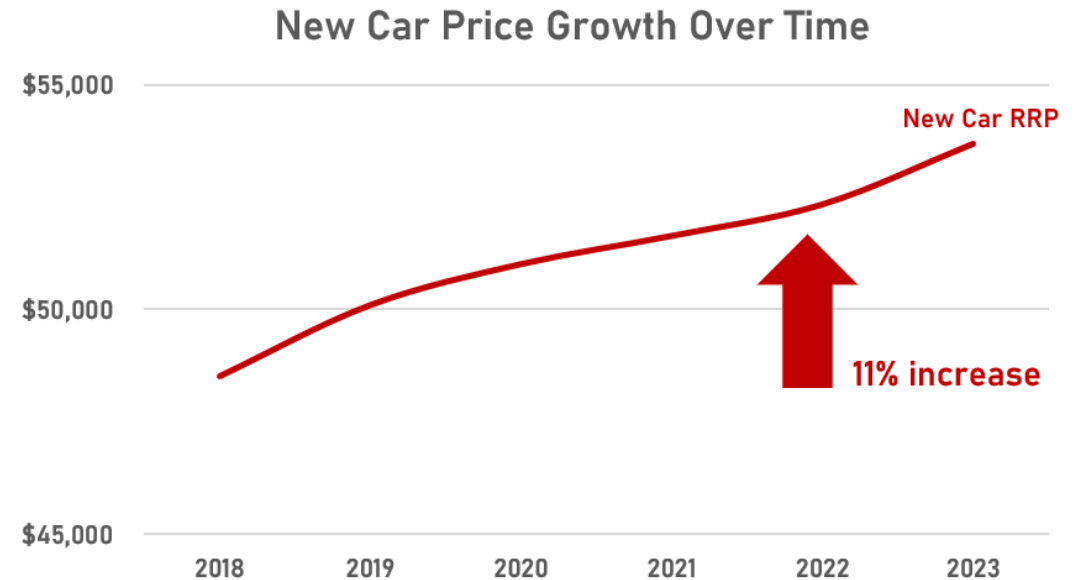
Vehicle Inventory

- Are we really in a supply constrained market, '22 new car volume exceeded '19?
- COVID forced customers to wait, signs are they won't anymore & will they still wait for a "preferred" brand/model? Some brands highly exposed here.
- Inventory levels appear to be normalizing, most cars listed online (Carsales) since late 2019, echoed by others.
- Offers on the way back, somewhat at odds with outrageous wait times.



Source: Carsales & RedBook

- New car prices increasing at unprecedented, sustained rates. And it's these increases that are having a profound impact on used cars as relativity between the two types adjusts.
- In addition, OEMs are rationalising model ranges, with some makes vacating traditional Value For Money positions, leaving significant gaps for new challenger brands.
- Raising MSRPs doesn't correlate to comparative shifts in RVs though, % wise many RVs unchanged or beginning to moderate, as brands move away from accepted positioning.
- Not all bad news, with higher new car prices giving trade-ins & private sales healthy boosts in addition to maturing finance/lease contracts enjoying upside on RVs set pre-COVID.

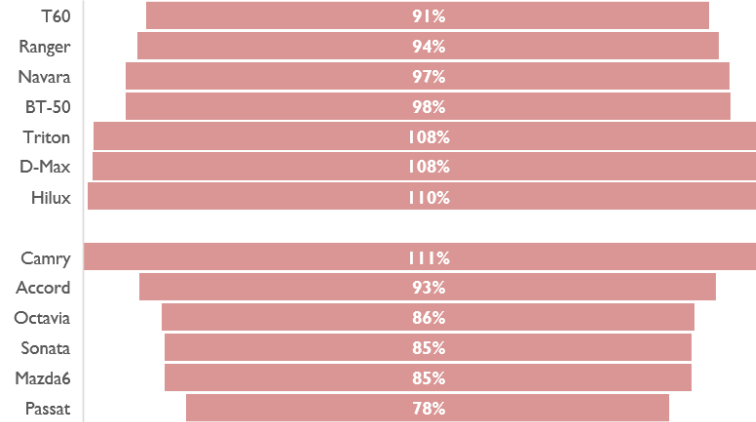


Source: RedBook using Basket of Top Selling Model Variants across Vfacts Segments

Used Vehicles

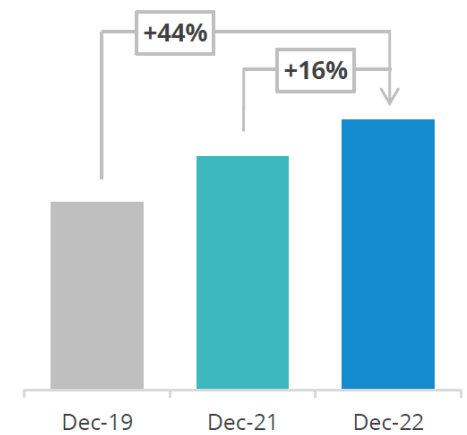
- First 6mths of the Pandemic we witnessed unprecedented devaluation. Shortly thereafter the combination of unique supply & demand shocks created record price increases. Though, not evenly spread across the market, segments or models.
- Lingering demand keeping some segments/ models in tight supply & also upholding average prices. Though increasing inventory anticipated to soften used car price premiums in 2H '23, evidenced by rising Days to Sell trend.
- Big unknown is how rising interest rates will hit used car market & affordability, what is evident is that used Loan to Value Ratios (LVR) will need continued close attention for balance of '23.

Seg. Top Sellers, Used Value, % of RRP when New (36m/60k)



Source: RedBook

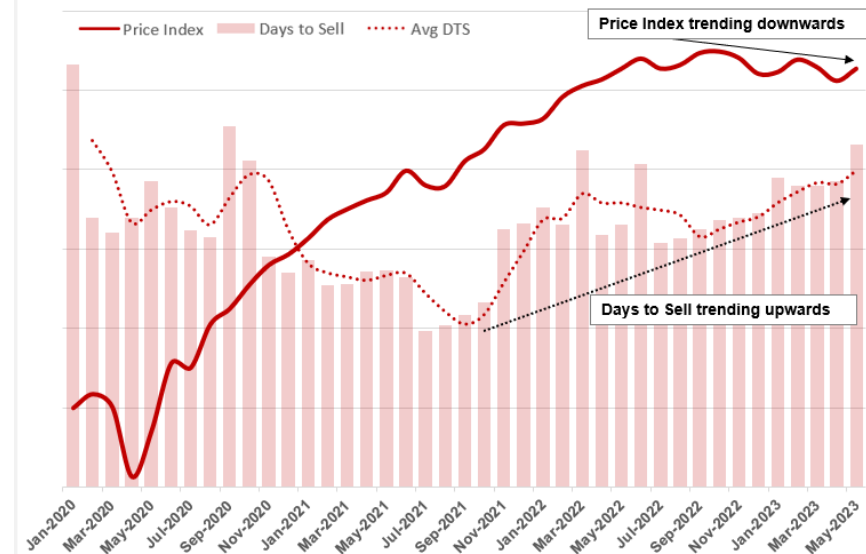
Average Car Price³



Source: Carsales

RedBook Used Vehicle Price Index

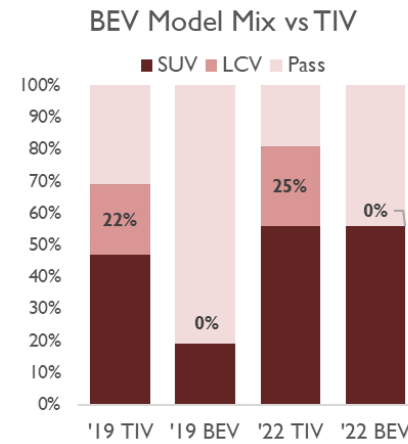
carsales.com sales adjusted to Good Retail km's



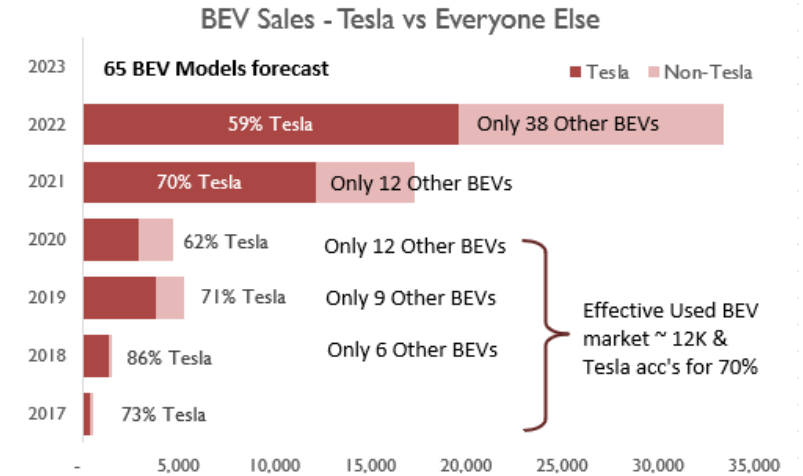
Source: RedBook & Carales

Electric Vehicles

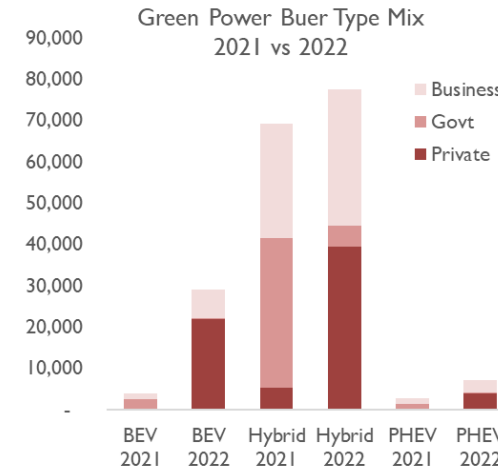
- Growth off the charts. Pass EV market swung to private buyers in '22, continuing in '23'.
- With Hybrid seemingly the organic shift locally & this is backed by research, why has it underperformed YTD? Is it a Hybrid issue or more a Toyota supply problem?
- BEV model selection improving rapidly, though still not aligning with our local wants!
- Affordability on the improve and piloted by challenger/pragmatic models – industry pillars risk losing influential early adopters.
- Used EVs values still a big unknown, there isn't a used market yet & state of battery health for 2nd owners key.
- Govt policy is a huge influencer for EV adoption & is double edged.
- Bulk of EV intention is for new, latest & greatest. Whilst battery tech keeps evolving, uncertainty will remain as ownership “cost” not yet transparent.
- Insurance sector cautious as they grapple with EV adoption.



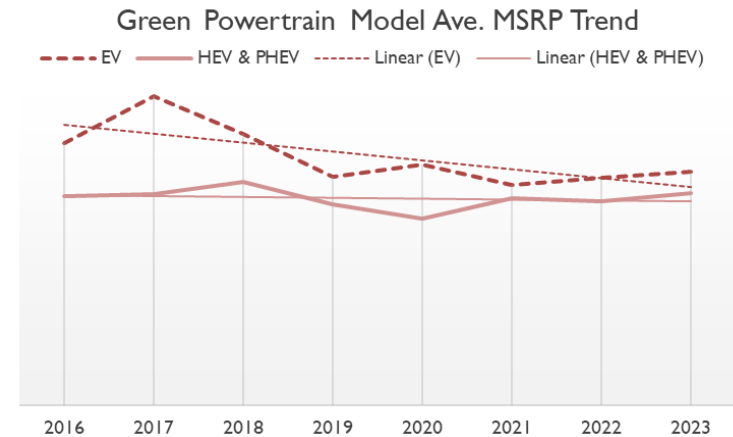
Source: Vfacts



Source: Vfacts



Source: Vfacts



Source: RedBook

- Traditional fleet short cycling to a degree parked for now.
- Higher kilometres and poorer conditions forgiven somewhat.
- Globally OEMs appear to be prioritising more profitable outcomes.
- Older assets likely to fair well vs original RV positions.
- Newer assets at risk of steeper corrections due to premiums some fleets paid.
- Some makes and models overrepresented during COVID in fleet, caution on disposal warranted.
- Fleet pricing will & for some brands has returned, the fleet/retail sales volume mix is something RedBook looks closely at.
- EV fleet adoption, from an RV perspective same principles apply at this point in time.
- Impact of OEM Agency models on fleet appetite, still too early to say, but likely to be more on OEM terms.



- Importance of accurate identification, beyond a just make/model.
- Using the right Used Price ... Condition/ Channel/ Go-to-Mkt approach.
- Make model variant selection & mix, does it reflect the market.
- Volatility is here stay for a while, understanding any asset portfolio exposure over time as Used Car values bounce around.



Thank You



Session Details

Residuals - What's Happening and what
Does the Future Look like

Wed, 24/5

Insights
Plenary

Add session

SESSION FEEDBACK



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