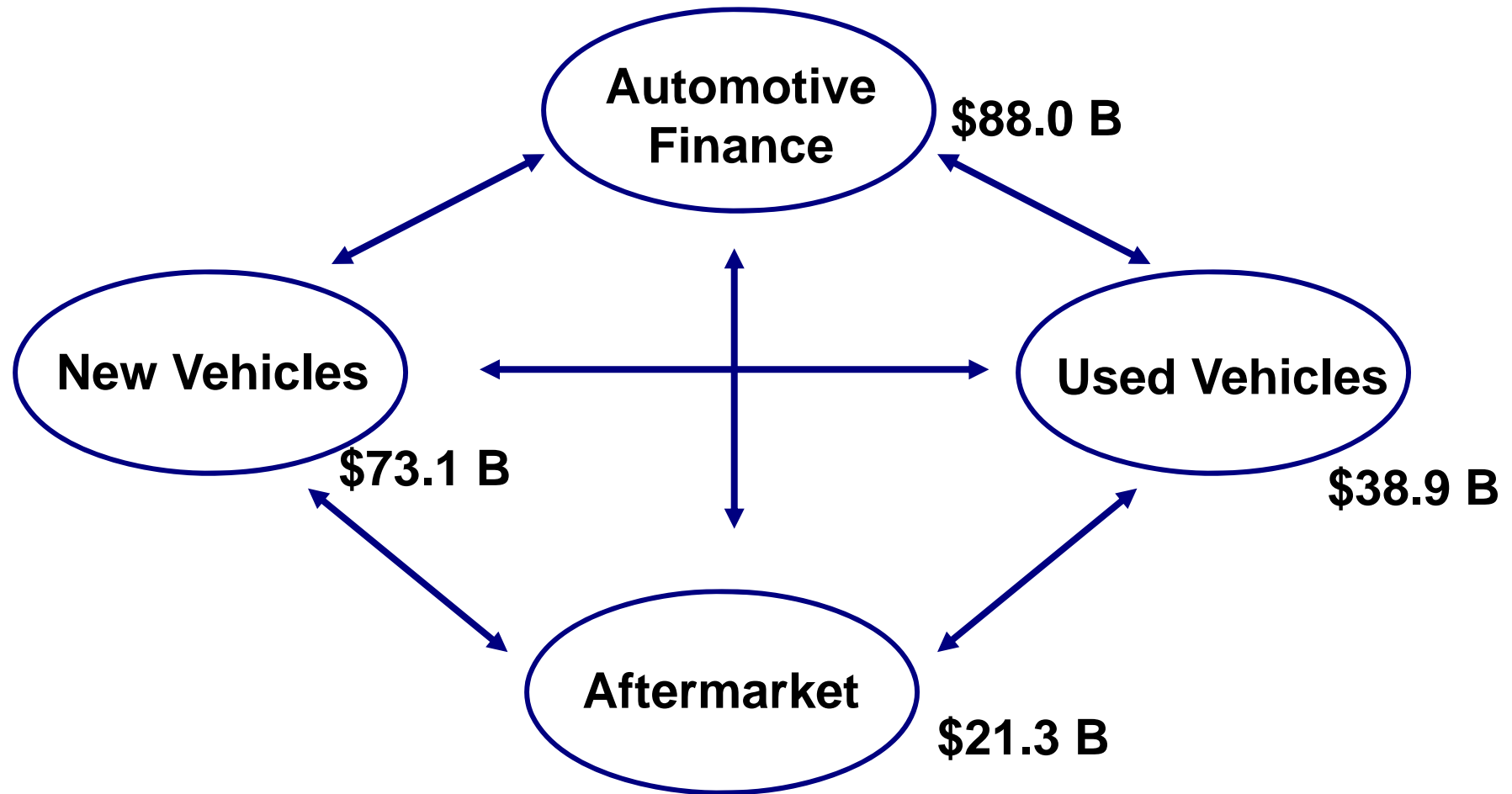




Dennis DesRosiers – Fall, 2017
Canadian New and Used Vehicle Market Review



2016 - Final Retail = \$221.3 Billion including Financing

Automotive Revenue - Canada - \$ Billions

	Total Revenue New Vehicle Sales	Total Revenue Used Vehicle Sales	Total Revenue Parts and Service Sales	Total Revenue Automotive Finance Sales	Total Automotive Revenue In Canada
2010	\$51.4	\$32.4	\$19.2	\$58.2	\$161.2
2011	\$53.0	\$35.1	\$19.7	\$61.8	\$169.5
2012	\$55.6	\$35.5	\$19.3	\$67.5	\$177.9
2013	\$59.8	\$35.9	\$20.1	\$73.5	\$189.3
2014	\$64.8	\$34.5	\$20.5	\$77.3	\$197.1
2015	\$68.4	\$37.2	\$21.0	\$82.0	\$208.6
2016	\$73.1	\$38.9	\$21.3	\$88.0	\$221.3
% Change	6.9%	4.6%	1.7%	7.3%	6.1%

- **2016 was another record year for revenue in the automotive sector with solid growth across all elements of the industry**

New Vehicle Market Review

Overall Sales

	2012	2013	2014	2015	2016
Total Light Vehicles	1,675,675	1,744,567	1,851,373	1,898,996	1,948,899
GM, Ford, FCA Vehicles	44.5%	44.6%	44.9%	44.0%	43.6%
Japanese Vehicles	32.9%	33.5%	33.8%	34.6%	34.9%
South Korean Vehicles	12.8%	12.0%	11.2%	10.7%	10.8%
European Vehicles	9.9%	9.9%	10.1%	10.8%	10.8%
Import Nameplate Vehicles	55.5%	55.4%	55.1%	56.0%	56.4%
Total Light Vehicles	100.0%	100.0%	100.0%	100.0%	100.0%

- **Canadians bought more than 1.9 million vehicles for the first time a new record for the fourth year in a row.**
- **Detroit OEMs hit a new all-time **low** in share at 43.6 percent**
- **The Japanese have once again begun to increase share**
- **European and Korean held steady for the last two years but the VW scandal complicates the European share**

Light Vehicle Sales - Canada

	2012	2013	2014	2015	2016	Change
Total Passenger Cars	759,795	764,382	763,792	716,230	662,102	-7.6%
Total Light Trucks	915,880	980,185	1,087,581	1,182,766	1,286,797	8.8%
Total All Vehicles	1,675,675	1,744,567	1,851,373	1,898,996	1,948,899	2.6%
Total Passenger Cars - Share	45.3%	43.8%	41.3%	37.7%	34.0%	
Total Light Trucks - Share	54.7%	56.2%	58.7%	62.3%	66.0%	
Total Light Vehicles	100.0%	100.0%	100.0%	100.0%	100.0%	

- All growth in the market over the last few years has been on the light truck side of the market ... Light trucks now account for 66 percent of the total market ... this ultimately has serious implications for used vehicle prices and segment mix

Sales by Company - Percent Light Truck

	2012	2013	2014	2015	2016
GM, Ford, Chrysler Sub - Total	75.5%	75.8%	78.8%	81.3%	83.8%
Japanese Sub - Total	42.3%	45.3%	47.3%	53.3%	57.7%
South Korean Sub - Total	29.2%	30.3%	31.3%	35.9%	41.8%
European Sub - Total	34.9%	35.9%	38.3%	38.9%	43.6%
Total by Brand	54.7%	56.2%	58.7%	62.2%	65.8%
Import Nameplates	38.0%	40.4%	42.4%	47.2%	52.0%

- **Detroit Brands dominate the light truck market primarily because of their position with pickup trucks. Import nameplates have been growing because of the popularity of CUV/SUVs.**

Canadian Light Vehicle Sales by Segment - Units

	2012	2013	2014	2015	2016	Change
Passenger Cars						
SubCompact	106,224	103,305	116,018	91,662	80,949	-11.7%
Compact	381,151	391,402	390,281	369,757	343,817	-7.0%
Sport	30,754	28,074	27,627	31,315	32,031	2.3%
Luxury Compact	6,990	9,221	13,670	15,085	15,502	2.8%
Luxury	48,789	52,690	53,609	56,657	51,224	-9.6%
Intermediate	167,756	162,417	143,525	132,508	118,662	-10.4%
Luxury High	13,808	12,708	13,492	12,841	12,747	-0.7%
Luxury Sport	4,323	4,565	5,570	6,405	7,170	11.9%
Total	759,795	764,382	763,792	716,230	662,102	-7.6%

- Small to midsize cars have been hurt the most with the shift to 'B' and 'C' sized light truck.
- The growing SUV market also impacted some luxury car sales. Luxury sport and Luxury compact have been gaining over the last five years.

Canadian Light Vehicle Sales by Segment - Units

	2012	2013	2014	2015	2016	Change
Light Trucks						
SubCompact Sport Utility	11,830	24,136	26,237	43,432	52,392	20.6%
Compact Sport Utility	267,381	291,005	346,535	375,386	406,116	8.2%
Intermediate Sport Utility	146,739	144,399	154,316	164,366	168,906	2.8%
Large Sport Utility	10,202	10,458	12,427	14,426	22,131	53.4%
Luxury Compact Sport Utility	30,844	33,634	40,160	55,195	60,875	10.3%
Luxury Intermediate Sport Utility	39,121	40,789	43,533	45,157	50,315	11.4%
Luxury Large Sport Utility	8,414	9,390	10,130	11,843	18,934	59.9%
Small Pick up	21,537	15,621	15,911	25,353	32,019	26.3%
Large Pick up	267,323	300,681	317,611	324,222	344,559	6.3%
Small Van	84,192	82,449	89,614	87,376	90,451	3.5%
Large Van	28,297	27,623	31,107	36,010	40,099	11.4%
Total	915,880	980,185	1,087,581	1,182,766	1,286,797	8.8%

- All light truck segments are growing and some are growing quite rapidly especially light trucks that touch the luxury segments
- Sales have been gradually shifting to larger vehicles over the last five years. Large SUV (both mass market and luxury) sales exploded in 2016.

Canadian Vehicle Sales by Platform Size 2012 – 2016

Light Vehicle Sales in Canada by Engineering Platform - Units

	2012	2013	2014	2015	2016	Change
"A"	3,432	2,730	2,865	993	1,877	89.0%
"B"	115,601	121,947	136,071	131,465	128,268	-2.4%
"C"	685,113	732,219	794,714	817,537	827,217	1.2%
"D"	400,055	395,754	392,727	409,701	407,654	-0.5%
"E"	150,349	142,224	152,052	155,730	165,851	6.5%
"FF"	321,125	349,693	372,944	383,570	418,032	9.0%
Total	1,675,675	1,744,567	1,851,373	1,898,996	1,948,899	2.6%
"A"	0.2%	0.2%	0.2%	0.1%	0.1%	
"B"	6.9%	7.0%	7.3%	6.9%	6.6%	
"C"	40.9%	42.0%	42.9%	43.1%	42.4%	
"D"	23.9%	22.7%	21.2%	21.6%	20.9%	
"E"	9.0%	8.2%	8.2%	8.2%	8.5%	
"FF"	19.2%	20.0%	20.1%	20.2%	21.4%	
Total	100.0%	100.0%	100.0%	100.0%	100.0%	

- Noticeable gains in “E” and “FF” in 2016...but longer term “C” has been the big winner in sales.
- The “A” segment is fading and the “B” segment has been in a holding pattern.
- “Climate Change” regs are going to be very problematic if these trends continue

New Vehicle Market Outlook

Some metrics are still very positive others are turning negative ... a difficult time to call the market since most fundamentals remain strong but the cycle has been very long and the sentiment in the industry is that there no where to go but down:

- **Almost free money ... interest rates almost certainly go up this year but initially it is more of a physiological issue than a pocket book issue**
- **A low Canadian dollar has price implications for pricing but a hidden problem is access to vehicles as there is a resistance to move inventory into Canada when there is a negative impact on an OEMs bottom line**
- **The cadence of new products being introduced is still strong but there is no growth and indeed some distributors are towards the end of their product cycle**

- **A reasonably positive economy and most forecasts point to continued growth**
- **Particularly important is employment growth with unemployment at an 8 year low ... “if you have a job in Canada you need a vehicle”**
- **Fleet sales (typically as much as 20 percent of the market) and a healthy economy is helping companies renew their fleets ... there is considerable growth left on the fleet side of the market**
- **Very strong replacement demand as the record number of vehicle bought between the late 1990’s and the mid-2000’s come off the road**

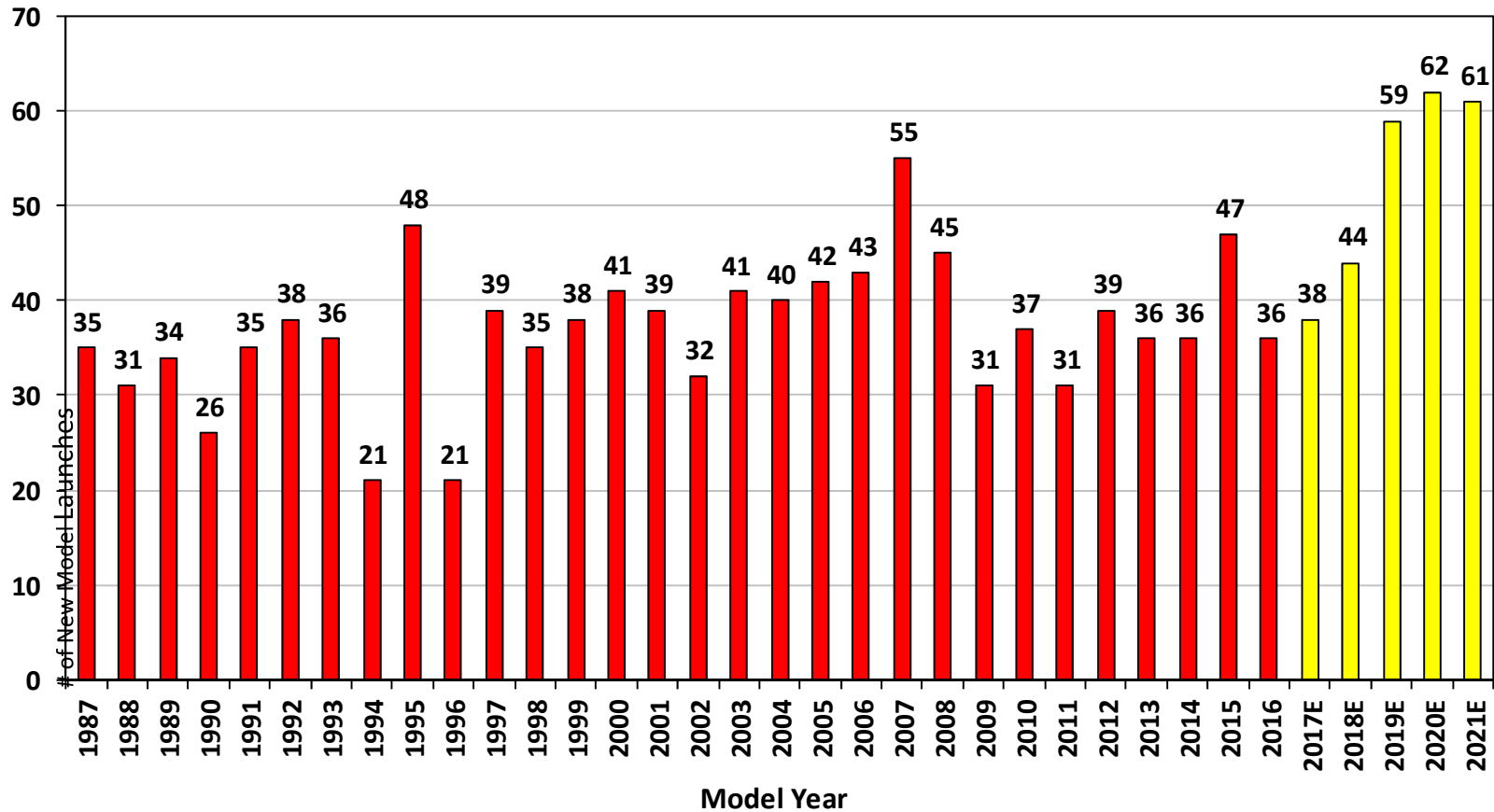
- **And most importantly there has been a lot of innovation in the automotive finance field which is helping both new and used buyers access a vehicle**
 - **Sub-prime financing**
 - **Longer amortization of loans**
 - **The return of leasing**

If the market is down it will be because:

- A weak Canadian dollar ultimately needs to be reflected in prices ... we have begun to see this emerge with some price inflation but more importantly a pulling back of incentives and marketing dollars and some de-contenting ... **this is perhaps the biggest downside threat**
- Interest rates have no where to go but up so this might button up some pocket books It will impact non-auto debt more but indirectly Canada would be affected
- A continuation if not a strengthening in the US would make it more difficult for Canadian OEMs to get product

Some Supporting Data

New Model Launches by Model Year



Record numbers of new products are headed towards the market ... this is almost always positive for overall sales

Canadian Market Overview

CANADIAN VEHICLES ON THE ROAD ALL VEHICLES ON THE ROAD - AS OF JULY 1

MODEL YEAR	2010 ACTUAL	2016 ACTUAL	2017 FORECAST	2021 FORECAST
ONE TO FIVE YEAR OLD	7,219,643	8,149,223	8,570,377	8,953,169
SIX TO TEN YEAR OLD	7,026,723	7,658,607	7,572,370	8,790,357
TEN PLUS YEAR OLD	7,754,912	10,455,322	11,012,973	12,237,130
TOTAL	22,001,278	26,263,152	27,155,721	29,980,655
ONE TO FIVE YEAR OLD	32.8%	31.0%	31.6%	29.9%
SIX TO TEN YEAR OLD	31.9%	29.2%	27.9%	29.3%
TEN PLUS YEAR OLD	35.2%	39.8%	40.6%	40.8%
TOTAL	100.0%	100.0%	100.0%	100.0%
AVERAGE AGE	9.23	9.66	9.70	10.02

- The foundation for replacement demand is the age structure of vehicles on the road ... there are now over 11 million vehicles on the road OVER 10 years old ... almost all will disappear over the next 7 or 8 years providing about 1.3 million units of base demand ... add in accidented and high mileage younger vehicles and replacement demand should be in the 1.5 to 1.8 million unit level ... **this also forms the basis for strong used vehicle demand**

Canadian Market Overview

VEHICLE OWNERSHIP TRENDS - CANADA

CALENDAR YEAR	TOTAL VEHICLE SALES UNITS Inc HD Truck	Percent Truck	VEHICLE USAGE BILLIONS OF KILOMETRES	Percent Change	Expected Useful Life KILOMETRES	TOTAL UNITS IN OPERATION	TOTAL UNITS IN OPERATION PERCENT TRUCK	VEHICLES PER DRIVING AGE POPULATION
1960	523,188	14.4%	118		226,493	5,937,660	23.9%	50.4%
1970	774,372	17.3%	176	0.5%	227,620	8,111,166	24.4%	53.8%
1980	1,263,807	26.2%	231	-3.0%	182,728	11,742,670	25.5%	63.5%
1990	1,314,118	32.6%	333	-0.3%	253,406	15,128,911	26.6%	70.1%
2000	1,586,083	46.5%	395	2.2%	248,994	17,100,899	37.5%	70.1%
2010	1,583,388	56.1%	524	0.8%	331,161	22,001,278	45.2%	78.4%
2011	1,620,221	57.9%	529	0.9%	326,443	22,184,955	46.3%	78.1%
2012	1,716,178	56.4%	537	1.6%	313,075	22,502,815	47.0%	77.3%
2013	1,780,523	57.6%	563	4.7%	316,081	23,521,261	47.9%	79.8%
2014	1,889,386	60.0%	578	2.7%	305,817	24,479,774	48.7%	82.0%
2015	1,938,858	63.3%	594	2.8%	306,385	25,560,776	49.7%	84.7%
2016	1,988,899	66.7%	604	5.5%	303,707	26,263,152	50.5%	86.2%

- Canadians ownership levels continue to grow and indeed Canadians are embracing personal use vehicles faster than any other developed country in the world ... usage is growing with lower gas prices and more vehicles on the road... expected useful life is slowing These trends help bring forward replacement demand... growth in vehicle ownership is the fundamental reason the used vehicle market has been so strong

The growth in vehicle ownership is critical:

- **Ownership** (vehicles per driving age population) has grown from 70 percent in the year 2000 to tracking at above 87 percent this year
- This has meant that there are about 10 MILLION more vehicles on the road in this time period ... 17 million in 2000 and now 27+ million.
- **Vehicle 'churn'** (percent of owners in the market for a new vehicle) has traditionally been in the 10 percent level and if this held it would mean the market would top out at 2.5 to 2.7 million vehicles NOT the 2 million plus that we are tracking at this year But churn has declined to the mid 7 to low 8 percent level so current sales projections are tracking pretty close to expectations
- We see NO evidence of less ownership and indeed the opposite is happening

The growth in vehicle ownership is critical:

- The growth in ownership kept the market correction during the financial crisis to modest levels (the exact opposite happened in the US where ownership declined and the market collapsed)
- Canada will eventually go through a correction but the growth in ownership pretty well guarantees any correction to be manageable and that a collapse in the market is near impossible
- I can build a case for continued market growth despite higher interest rates
 - Employment growth
 - Growth in older vehicles and thus replacement demand
 - Product, product, product

Canadian Market Overview

Canadian Sales - Scenarios

	Light Vehicle Sales	Units in Operation	Sales as a % of UIO	Vehicles Per Driving Age Population
1968 - Peak	889,453	7,498,610	11.9%	52.8%
1970 - Trough	756,111	8,111,166	9.3%	53.8%
1979 - Peak	1,374,957	11,388,401	12.1%	63.0%
1982 - Trough	896,277	12,207,939	7.3%	63.6%
1988 - Peak	1,519,188	14,416,839	10.5%	69.1%
1995 - Trough	1,130,211	15,724,638	7.2%	68.6%
2002 - Peak	1,703,246	17,910,647	9.5%	71.3%
2009 - Trough	1,460,582	21,674,752	6.7%	78.3%
2016	1,948,895	26,263,152	7.4%	86.2%
Long term Average			8.0%	
Market Decline Scenario				
2017 Tracking	2,029,309	27,115,363	7.5%	88.1%
2018 Forecast	1,955,350	27,864,846	7.0%	89.7%
2019 Forecast	1,926,740	28,552,318	6.7%	91.1%
2020 Forecast	2,007,972	29,220,750	6.9%	92.3%
2021 Forecast	2,090,902	29,921,519	7.0%	93.7%
Optimistic Growth Scenario				
2017 Tracking	2,029,309	27,193,139	7.5%	88.4%
2018 Forecast	2,098,241	28,127,744	7.5%	90.5%
2019 Forecast	2,161,910	29,099,976	7.4%	92.8%
2020 Forecast	2,144,058	30,026,964	7.1%	94.9%
2021 Forecast	2,129,240	30,890,694	6.9%	96.7%

- New vehicle sales should reach 2 plus million units this year
- A pessimistic view takes the market down 50 to 75K units in 2019
- An optimistic view would have the market grow and approach 2.1 million units

Used Vehicle Market Review

There are at least **four** or **five** light vehicle markets, NOT two

- **New vehicles**
- **1 to 4/5 year-old used vehicles**
- **5/6 to 10/12 year-old used vehicles**
- **Older used vehicles**

- **The used vehicle market is NOT one homogeneous market and can't be treated as such. Each submarket needs to be understood separately.**

New and Used Vehicle Sales in Canada - 000's of units

	New Sales 000's	Percent New	Used Sales 000's	Percent Used	Total Sales 000's	Total Units in Operation (Millions)	Sales as a Percent Of UIO
2012	1,676	36.8%	2,873	63.2%	4,549	22,503	20.2%
2013	1,745	38.4%	2,801	61.6%	4,546	23,521	19.3%
2014	1,851	40.6%	2,714	59.4%	4,565	24,479	18.6%
2015	1,899	40.1%	2,842	59.9%	4,741	25,561	18.5%
2016	1,949	40.2%	2,898	59.8%	4,847	26,263	18.5%
2016/2015	2.6%		2.0%		2.2%	2.7%	

- Total sales as a percent of vehicles on the road are still at historical lows and should have considerable upside ahead ... it is more a case of whether consumers buy new or used ... in 2016 both markets grew.

Used Vehicle Sales by Age Group in Canada - 000's of units

	One to Five Year Old	Six to Ten Year Old	Over Ten Year Old	Total Sales 000's
2012	873,861	1,266,662	732,600	2,873,122
2013	860,286	1,232,794	708,210	2,801,289
2014	911,641	1,134,978	666,996	2,713,615
2015	944,853	1,182,904	714,540	2,842,297
2016	947,693	1,210,282	740,484	2,898,459
2016/2015	0.3%	2.3%	3.6%	2.0%

Who Dominates each
market segment ➔

New Dealers

Independent
Used Dealers

Private
Sales

- Sales distribution is very important. New dealers dominate younger vehicles, independent used dealers dominate the middle aged market and private sales dominate older vehicles

Used Vehicle Sales by Channel in Canada - 000's of units

	New Car Dealer	Independent Used Car Dealer	Private Sale	Total	Total Units in Operation (000's)	Sales as a Percent Of UIO
2012	911	975	987	2,873	22,503	12.8%
2013	893	961	948	2,801	23,521	11.9%
2014	894	915	905	2,714	24,479	11.1%
2015	947	950	945	2,842	25,561	11.1%
2016	941	971	986	2,898	26,263	11.0%
2016/2015	-0.7%	2.3%	4.3%	2.0%	2.7%	

- **New Car dealer volumes have grown the last few years but in 2016 they declined Not sure why but many younger units were shipped to the US and this is the core NCD source for used sales ... perhaps the red hot new market diverted their attention?**

Value of the Canadian Used Vehicle Market - 2016

	1-5	6-10	11+	Total
New Vehicle Dealer	70.2%	25.9%	3.9%	100.0%
Used Vehicle Dealer	25.4%	59.2%	15.4%	100.0%
Private Sale	4.1%	39.7%	56.2%	100.0%
New Vehicle Dealer	660,509	243,692	36,695	940,896
Used Vehicle Dealer	246,755	575,113	149,607	971,475
Private Sale	40,430	391,477	554,182	986,088
Total	947,693	1,210,282	740,484	2,898,459
New Vehicle Dealer	\$14,441,781,488	\$2,473,380,503	\$176,943,301	\$17,092,105,293
Used Vehicle Dealer	\$5,075,433,057	\$5,501,765,907	\$603,123,611	\$11,180,322,575
Private Sale	\$997,699,406	\$4,019,062,069	\$2,448,827,999	\$7,465,589,474
Total	\$20,514,913,952	\$11,994,208,479	\$3,228,894,911	\$35,738,017,342

- Because Franchised New Dealers focus on younger units they dominate the market on a \$\$\$ dollar value basis
- Independent Used Dealers have the similar volume but since they have a higher focus on the middle aged market their \$\$\$ volume is lower

Canadian Used Vehicle Sales by Brand

	2012	2013	2014	2015	2016	Change
Detroit Three	1,807,938	1,685,394	1,596,759	1,684,237	1,651,314	-2.0%
Japanese	936,273	988,874	1,025,338	1,065,125	1,120,784	5.2%
Korean	121,888	140,136	148,764	156,236	173,549	11.1%
European	213,551	220,742	226,444	233,553	239,514	2.6%
Total	2,873,122	2,801,289	2,713,615	2,842,297	2,898,459	2.0%

- Detroit Brands still dominate the used vehicle market but have declined over the years due to their new vehicle share losses
- Japanese brands have been stable as their owners hold their vehicles longer
- With the rapid increase in Korean sales they are now the fastest growing used vehicle market followed by the Japanese

Supplying the Used Vehicle Market

Shifting supply sources – especially in used vehicle segments

- **Fleet sales and leasing collapsed** with the financial crisis in 2008 and this continued into 2009 and 2010 and the lack of these vehicles, starting in 2008, had a serious negative impact on the supply of younger used vehicles through to 2014.
- Exports and imports from the US go up and down with the value of the dollar ... currently in favour of exports and this lowers the supply of younger used vehicles
- Most supply comes from consumers trading in their vehicle ... with new vehicle sales at record levels this has resulting in more supply in some age categories

Off Lease/Fleet Market for New and Used Light Vehicles in Canada

Off-Lease/Fleet Market - New and Used Market

	Total Fleet & Lease Originations (units)	Unit Totals			Total Off-Lease or Off-Fleet (units)
		Consumer Buy Out	Dealer Acquisition	Returned and Sent to Auction	
2007	994,766	176,570	267,974	376,276	820,820
2008	661,736	213,818	256,248	416,987	887,053
2009	328,340	288,104	314,238	351,228	953,570
2010	503,446	281,851	272,279	348,163	902,293
2011	535,551	235,835	269,835	311,393	817,063
2012	648,467	132,256	215,622	233,752	581,630
2013	608,802	86,016	142,954	202,945	431,915
2014	678,438	98,078	169,739	260,019	527,836
2015	855,718	98,327	190,250	267,737	556,314
2016	951,696	104,980	217,508	297,788	620,276
2017 F	1,017,374	90,296	237,099	313,455	640,850
2018 F	1,025,269	108,310	285,828	356,557	750,694
2019 F	1,036,401	131,285	335,157	389,297	855,738
2020 F	1,110,276	151,440	381,365	411,259	944,664
2021 F	1,195,044	168,404	420,017	419,102	1,007,524

- Supply of used vehicles off-Fleet and off-lease is starting to grow and will increase significantly over the next five years Although a large number most of the supply of used vehicles emanates from consumers trading in their vehicle when they buy used or new.

Sources for Used Vehicles

	Consumer Buy Out Lease	Dealer Acquisitions Fleet/Lease Direct	Dealer Acquisitions Fleet/Lease From Auctions	Consumer Trade ins/ Sell private/ Wholesale Trades	Imports	Total Used Vehicle Supply
2010	281,851	272,279	348,163	1,943,706	82,000	2,927,998
2011	235,835	269,835	311,393	2,166,886	70,000	3,053,949
2012	132,256	215,622	233,752	2,174,329	90,000	2,845,959
2013	86,016	142,954	202,945	2,406,486	110,000	2,948,401
2014	98,078	169,739	260,019	2,263,774	70,000	2,861,611
2015	98,327	190,250	267,737	2,287,257	10,000	2,853,571
2016	104,980	217,508	297,788	2,286,239	15,000	2,921,516
2017 F	90,296	237,099	313,455	2,380,594	20,000	3,041,444
2018 F	108,310	285,828	356,557	2,432,748	25,000	3,208,443
2019 F	131,285	335,157	389,297	2,469,357	30,000	3,355,095
2020 F	151,440	381,365	411,259	2,477,596	35,000	3,456,660
2021 F	168,404	420,017	419,102	2,523,551	40,000	3,571,074

- The supply of used vehicles reached 2.9+ million units last year and is forecast to increase to 3.5 million by the end of the decade
- The significant increase in supply should result in a similar increase in demand for used vehicles

Canadian Market Overview

New and Used Vehicle Sales in Canada - 000's of units

	New Sales	Percent New	Used Sales	Percent Used	Total Sales	Total Units in Operation	Sales as a Percent Of UIO
2012	1,676	36.8%	2,873	63.2%	4,549	22,503	20.2%
2013	1,745	38.4%	2,801	61.6%	4,546	23,521	19.3%
2014	1,851	40.6%	2,714	59.4%	4,565	24,479	18.6%
2015	1,899	40.1%	2,842	59.9%	4,741	25,561	18.5%
2016	1,949	40.2%	2,898	59.8%	4,847	26,263	18.5%
2016/2015	2.6%		2.0%		2.2%	2.7%	
2017 F	2,029	40.8%	2,942	59.2%	4,971	27,156	18.3%
2018 F	1,955	38.5%	3,119	61.5%	5,074	27,948	18.2%
2019 F	1,927	36.7%	3,318	63.3%	5,245	28,650	18.3%
2020 F	2,008	36.9%	3,432	63.1%	5,440	29,317	18.6%
2021 F	2,091	37.1%	3,548	62.9%	5,638	29,981	18.8%

- Using our pessimistic new vehicle forecast the used vehicle market has at least a 500K upside over the next five years ... If we used our more optimistic new vehicle forecast the used vehicle market would moderate a little from these numbers

Used Vehicle Sales by Age Group in Canada - 000's of units

	One to Five Year Old	Six to Ten Year Old	Over Ten Year Old	Total Sales 000's
2012	874	1,267	733	2,873
2013	860	1,233	708	2,801
2014	912	1,135	667	2,714
2015	945	1,183	715	2,842
2016	948	1,210	740	2,898
2016/2015	0.3%	2.3%	3.6%	2.0%
2017 F	991	1,170	781	2,942
2018 F	1,082	1,178	859	3,119
2019 F	1,184	1,186	947	3,318
2020 F	1,260	1,262	911	3,432
2021 F	1,337	1,233	977	3,548

- Younger used vehicles should be the fastest growing segment within the used vehicle market so new vehicle dealers should benefit the most although with a strong used vehicle market forecast all channels should benefit

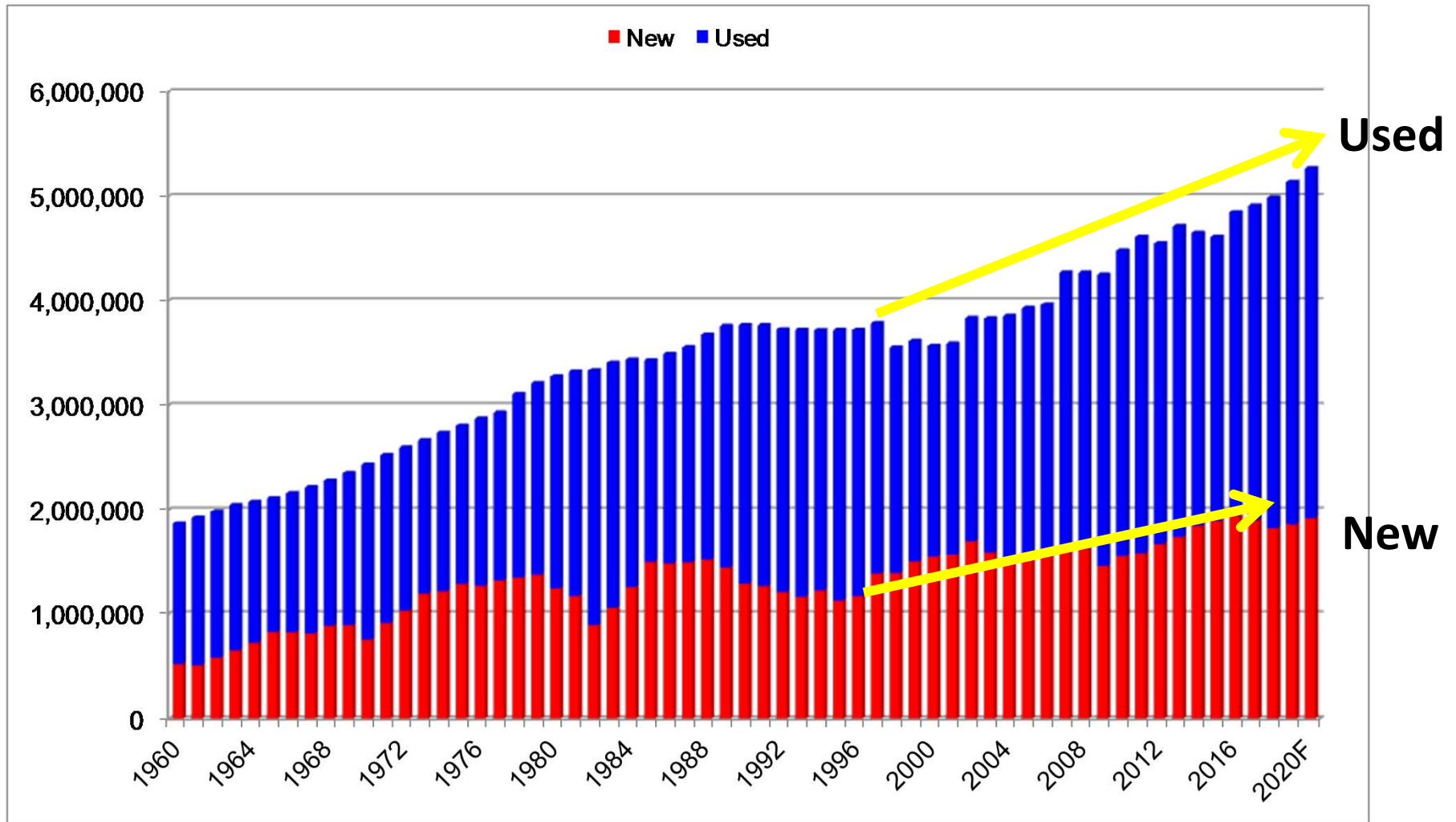
Used Vehicle Sales by Channel in Canada - 000's of units

	New Car Dealer	Independent Used Car Dealer	Private Sale	Total	Total Units in Operation (000's)
2012	911	975	987	2,873	22,503
2013	893	961	948	2,801	23,521
2014	894	915	905	2,714	24,479
2015	947	950	945	2,842	25,561
2016	941	971	986	2,898	26,263
2016/2015	-0.7%	2.3%	4.3%	2.0%	2.7%
2017 F	961	998	983	2,942	27,156
2018 F	1,025	1,070	1,024	3,119	27,948
2019 F	1,097	1,152	1,069	3,318	28,650
2020 F	1,142	1,205	1,085	3,432	29,317
2021 F	1,187	1,260	1,100	3,548	29,981

- We expect new car dealer volumes to grow as availability of younger used vehicles increase and this should significantly strengthen the financial performance of these dealers

Canadian Market Overview

New vs. used vehicle sales in Canada 1960 – 2020F



The used vehicle market has been growing much faster than the new vehicle market and will continue to do so

Residual Value Performance –

All Data is Canadian Black Book as a percent of the original MSRP of base models aggregated for each segment or type of vehicle ... ALL the data is also sales weighted and is as of January for the previous year

Passenger Car – Wholesale Prices

ACTUAL WHOLESALe PRICES

MODEL YR	24 MTH	36 MTH	48 MTH	60 MTH	72 MTH	84 MTH
2002 MY	55.2%	44.6%	39.2%	30.2%	23.2%	17.8%
2003 MY	54.0%	48.3%	37.6%	28.6%	23.5%	20.6%
2004 MY	57.3%	45.9%	35.4%	29.6%	24.6%	18.8%
2005 MY	57.3%	45.0%	37.8%	30.7%	24.6%	21.7%
2006 MY	54.6%	47.3%	39.3%	32.3%	28.2%	23.7%
2007 MY	58.0%	49.0%	41.1%	34.8%	29.2%	23.7%
2008 MY	60.2%	50.8%	43.5%	35.7%	29.2%	25.3%
2009 MY	62.8%	54.7%	45.1%	37.9%	31.2%	26.1%
2010 MY	63.4%	52.4%	43.6%	35.6%	29.5%	24.6%
2011 MY	60.4%	50.7%	40.6%	32.9%	28.1%	
2012 MY	60.7%	49.1%	40.7%	34.7%		
2013 MY	58.4%	48.5%	41.0%			
2014 MY	58.5%	50.4%				
2015 MY	62.0%					

Resale Values Relative to Original MSRP (base models)

- **Passenger car residuals for the most part have been weak this decade (likely due to the shift to light trucks) although most age categories showed some modest improvements last year**

Light Truck– Wholesale Prices
ACTUAL WHOLESALe PRICES

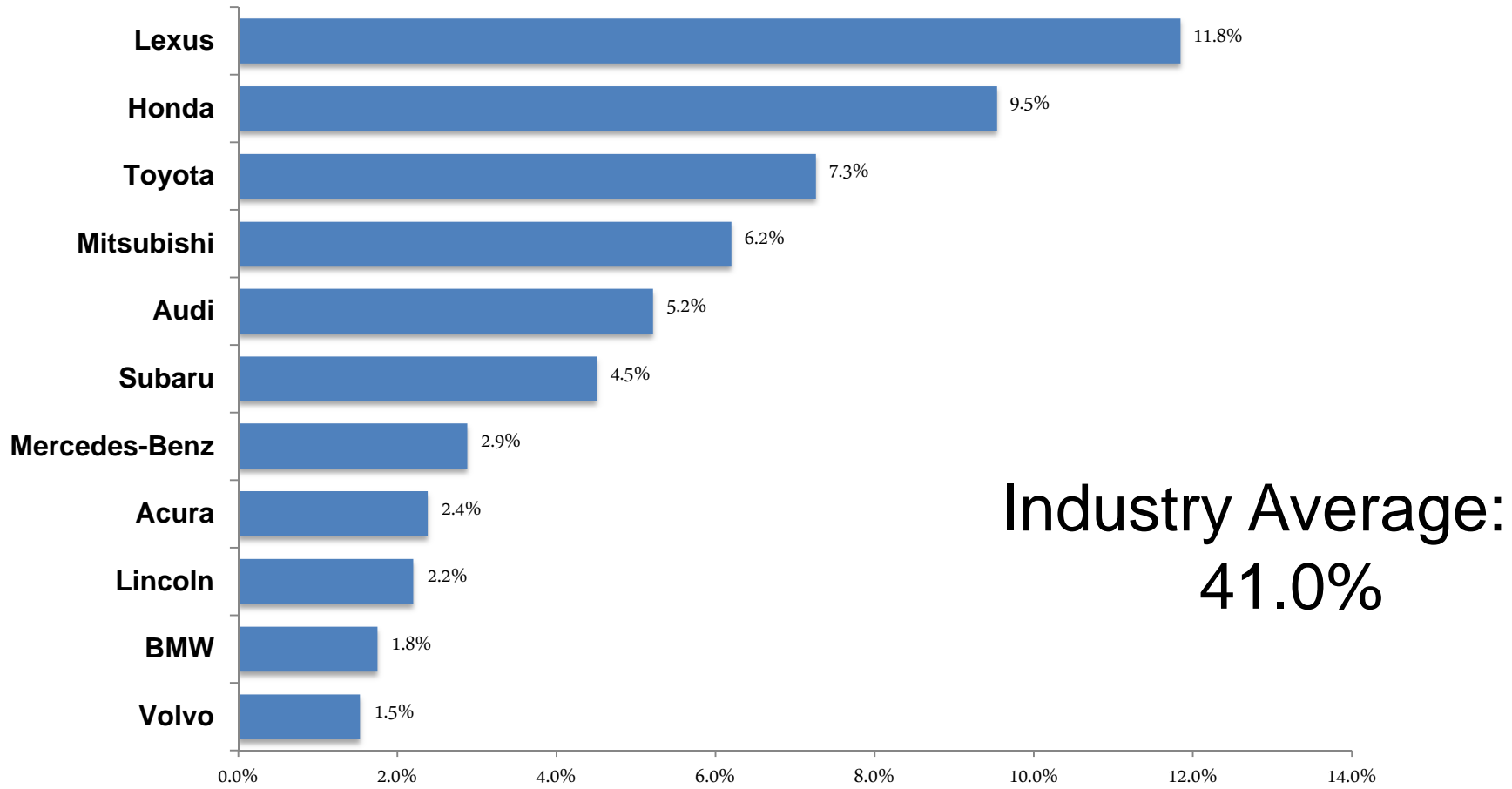
MODEL YR	24 MTH	36 MTH	48 MTH	60 MTH	72 MTH	84 MTH
2001 MY	69.5%	49.5%	39.4%	34.4%	25.1%	19.9%
2002 MY	60.7%	48.1%	41.1%	30.9%	24.4%	16.2%
2003 MY	58.5%	48.8%	37.3%	29.3%	18.5%	21.5%
2004 MY	58.0%	45.3%	34.6%	22.6%	26.4%	20.3%
2005 MY	54.2%	41.3%	27.4%	31.6%	24.1%	20.6%
2006 MY	51.5%	34.4%	38.6%	30.6%	26.4%	21.8%
2007 MY	44.2%	48.2%	38.5%	33.3%	26.7%	23.5%
2008 MY	60.6%	49.9%	41.9%	35.0%	30.2%	28.0%
2009 MY	62.0%	51.4%	42.1%	36.6%	33.8%	31.7%
2010 MY	60.7%	49.3%	42.1%	38.5%	35.9%	31.6%
2011 MY	60.5%	52.1%	46.7%	44.4%	38.3%	
2012 MY	61.4%	55.4%	52.6%	45.4%		
2013 MY	65.2%	62.1%	53.4%			
2014 MY	70.3%	62.0%				
2015 MY	71.8%					

Resale Values Relative to Original MSRP (base models)

- Light truck residuals have been exceptionally strong the last number of years and current tracking is further strength this year
- Higher light truck residuals is one of the reasons the new vehicle market has been so healthy ... more equity in a trade lowers the price of the new vehicle

48 Month Passenger Car Resale Value – as of Jan 2017

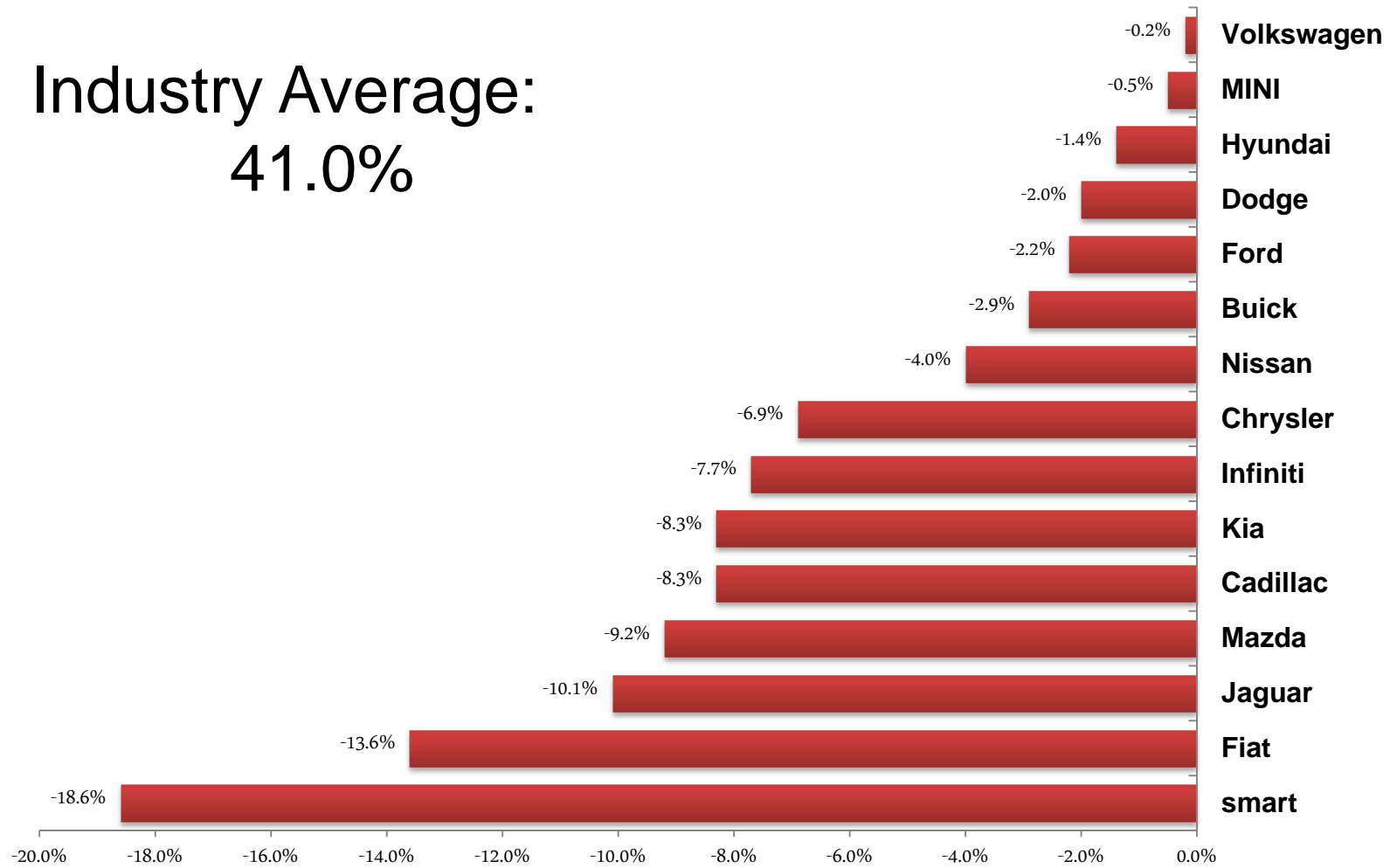
Brands Above Average



48 Month Passenger Car Resale Value – as of Jan 2017

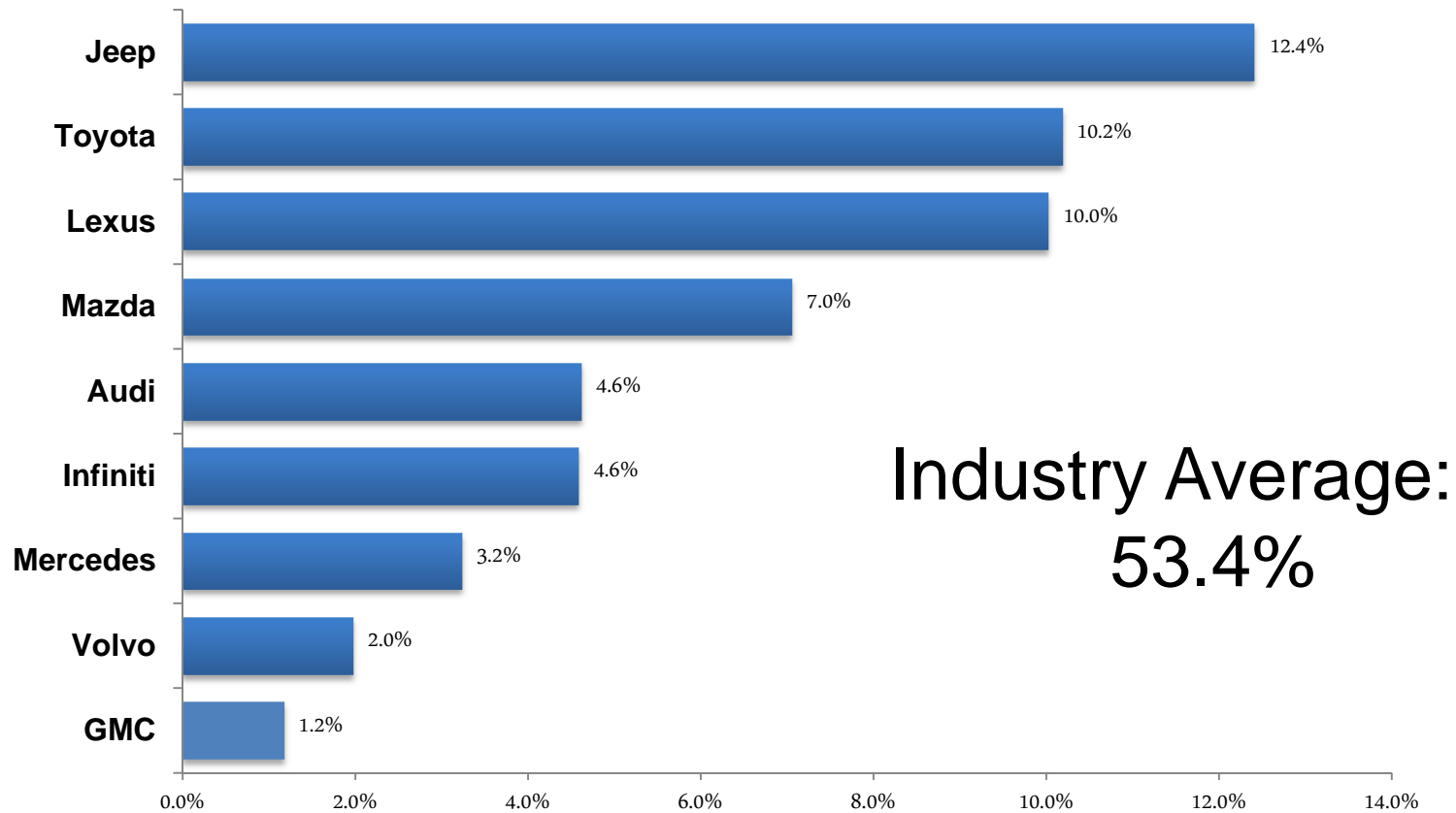
Brands Below Average

Industry Average:
41.0%



48 Month Light Truck Resale Value – as of Jan 2017

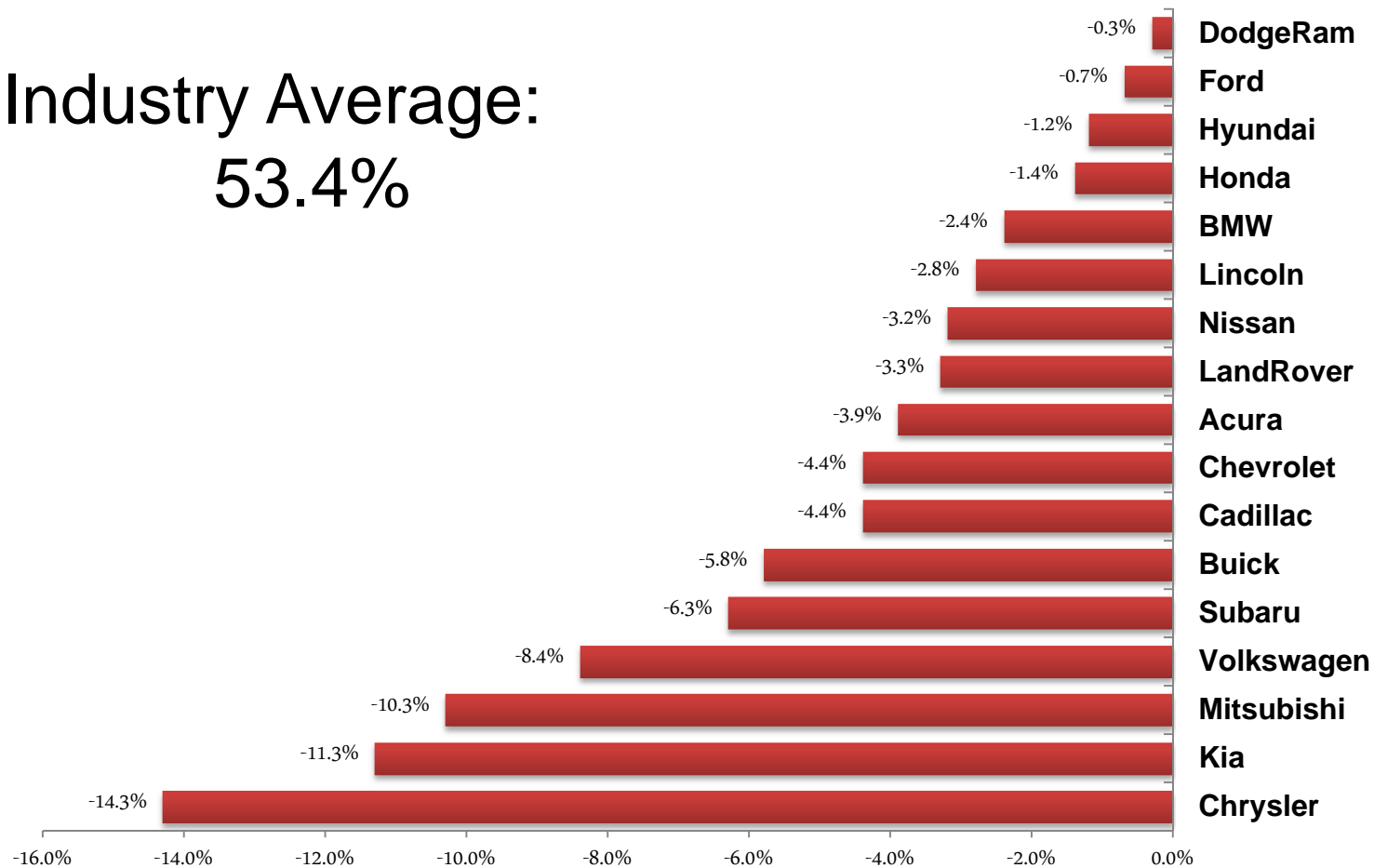
Brands Above Average



48 Month Light Truck Resale Value – as of Jan 2017

Brands Below Average

Industry Average:
53.4%



Dealer Metrics

Dealership Revenue in Canada - \$Billions

	Total Automotive Revenue In Canada	Total Revenue Through A New Vehicle Dealer	New Vehicle Dealer Share
2010	\$161.2	\$75.9	47.0%
2011	\$169.5	\$78.4	46.2%
2012	\$177.9	\$81.9	46.0%
2013	\$189.3	\$87.6	46.3%
2014	\$197.1	\$93.0	47.2%
2015	\$208.6	\$98.5	47.2%
2016	\$221.3	\$104.6	47.2%
% Change	6.1%	6.2%	
Avg Change			
2000 to 2010	2.8%	1.4%	
2000 to 2005	3.6%	2.9%	
2010 to 2016	5.4%	5.5%	

Source: DesRosiers Automotive Consultants Inc

Dealers do NOT control the majority of revenue in the automotive sector although their share is no longer declining and has stabilized at about 47 percent of total automotive revenue

Collectively dealer revenues exceeded \$100 billion for the first time

New Car Dealer Net Margins

	Total Revenue Through A New Vehicle Dealer	Total Gross Profit at New Vehicle Dealers	Dealer Average Return On Sales	Total Net Profit \$ Billions	Number of Dealers	Total Net Profit Per Dealer \$ Thousands
2010	\$75.9	\$12.8	2.00%	\$1.52	3,193	\$475.2
2011	\$78.4	\$12.9	2.05%	\$1.61	3,217	\$499.4
2012	\$81.9	\$13.5	2.25%	\$1.84	3,226	\$570.9
2013	\$87.6	\$14.5	2.45%	\$2.15	3,191	\$672.2
2014	\$93.0	\$15.4	2.75%	\$2.56	3,212	\$796.6
2015	\$98.5	\$16.1	2.85%	\$2.81	3,227	\$869.9
2016	\$104.6	\$17.0	2.80%	\$2.93	3,242	\$903.1
% Change	6.2%	5.7%		4.3%	0.5%	3.8%

- Net Profit margins declined slightly but net profit per dealer was at record levels

New Car Dealer Sources of Gross Profit

Dealership Revenue vs Gross Profit - 2016

	Revenue		Gross Profit	
New Vehicle Sales	\$69,286,613	68.8%	\$6,391,808	38.5%
Used Vehicle Sales	\$18,606,361	18.5%	\$2,009,487	12.1%
Fixed Operations	\$9,899,609	9.8%	\$5,632,484	33.9%
F & I Office	\$2,878,898	3.3%	\$2,560,983	15.4%
Total	\$100,671,480	100.4%	\$16,594,761	100.0%

- F & I revenue at the average dealership is less than 4 percent of total revenue but gross profit from this revenue is over 15 percent of total gross profits

Canadian Market Overview

Number of Vehicle Dealers in Canada – Full Line

	AS OF Nov 2012	AS OF Nov 2013	AS OF Nov 2014	AS OF Nov 2015	AS OF Nov 2016	Change from 2015	Change from 2000
GENERAL MOTORS	461	456	454	452	451	-1	-381
FCA/FIAT	436	437	439	441	445	4	-102
FORD	430	430	429	426	428	2	-124
TOYOTA/SCION	247	247	247	247	247	0	19
HONDA	232	231	231	231	233	2	24
HYUNDAI/GENESIS	206	210	212	214	216	2	70
NISSAN	180	184	187	190	194	4	55
KIA	176	184	187	190	188	-2	98
MAZDA	165	162	165	165	164	-1	15
VOLKSWAGEN	136	136	136	137	138	1	-14
SUBARU	86	88	90	90	92	2	-4
MITSUBISHI	82	88	87	91	89	-2	89
SUZUKI	59	0	0	0	0	0	-90
Total	2,896	2,853	2,864	2,874	2,885	11	-386

- After years of decline the number of full line dealer grew for the third straight year (up 11 stores in 2016 and 32 stores since their trough in 2013)
- GM, Ford and FCA tend to have about twice as many stores as their key Japanese and Korean competitors

Canadian Market Overview



Light Vehicle Sales Per Dealer in Canada – Full Line

	2012	2013	2014	2015	2016	Change from 2015 Units	Change from 2000 Units
TOYOTA/SCION	716	726	742	757	791	33	272
HONDA	567	629	662	678	714	37	165
FORD	642	659	680	654	711	58	199
HYUNDAI/GENESIS	662	653	651	634	640	6	391
NISSAN	412	449	562	625	629	5	319
FCA/FIAT	556	595	661	665	623	-41	132
GENERAL MOTORS	492	515	550	583	593	10	25
SUBARU	361	418	467	518	546	28	393
VOLKSWAGEN	435	461	483	513	435	-79	151
MAZDA	434	444	437	435	422	-13	73
KIA	442	394	374	357	381	24	233
mitsubishi	240	240	261	235	250	15	250
TOTAL DEALERS	519	547	576	588	601	13	166

- Toyota had the highest sales per mass market dealer for the fifth year in a row
- Nissan, Subaru and Hyundai all had significant longer term growth up by more than 300 units per store since the year 2000.
- Even though 2016 was a record year not all brands saw growth on a per store basis with Mazda, FCA and Volkswagen all down

Canadian Market Overview



Units in Operation Per Dealer in Canada – Full Line

	2000	2010	2011	2012	2013	2014	2015	Change
GENERAL MOTORS	7,315	13,668	13,235	12,732	12,842	12,805	12,770	-0.3%
TOYOTA	5,268	9,280	9,426	9,696	10,157	10,609	11,216	5.7%
HONDA	4,832	7,986	8,163	8,172	8,861	9,300	9,767	5.0%
FORD	6,132	7,524	7,563	7,688	7,994	8,292	8,648	4.3%
CHRYSLER	5,408	7,080	6,987	6,962	7,258	7,254	7,380	1.7%
MAZDA	3,451	5,483	5,612	5,856	6,236	6,455	6,619	2.6%
HYUNDAI	1,660	3,773	4,126	4,488	4,954	5,451	5,869	7.7%
NISSAN	3,595	5,490	4,978	4,955	5,153	5,458	5,824	6.7%
VOLKSWAGEN	2,685	4,150	4,304	4,454	4,810	5,180	5,558	7.3%
SUBARU	975	2,637	2,845	3,171	3,311	3,507	3,919	11.8%
KIA	63	1,731	1,984	2,184	2,536	2,847	3,087	8.5%
MINI		1,416	1,695	1,892	1,989	2,233	2,365	5.9%
smart		365	351	376	402	435	448	3.0%

- General Motors has the largest number of units in operation per dealer although Toyota is growing rapidly and could catch GM within a few years
- The fastest growing UIO counts per dealer are Mini and Subaru both growing by double digits
- The exceptionally strong growth in UIO counts per store bodes well for dealership Fixed Operations profit into the future.

Canadian Market Overview



Number of Vehicle Dealers in Canada – Primarily Luxury

	AS OF Nov 2012	AS OF Nov 2013	AS OF Nov 2014	AS OF Nov 2015	AS OF Nov 2016	Change from 2015	Change from 2000
MERCEDES-BENZ/smart	53	55	56	57	57	0	6
ACURA	50	50	50	50	51	1	9
BMW/MINI	44	45	46	47	48	1	16
AUDI	41	42	43	44	45	1	9
INFINITI	30	33	38	39	41	2	18
VOLVO	39	38	38	38	36	-2	-8
LEXUS	36	37	38	38	38	0	16
JAGUAR LAND ROVER	23	23	23	24	25	1	4
PORSCHE	14	15	16	16	16	0	5
SAAB	0	0	0	0	0	0	0
Total	330	338	348	353	357	4	75

- Luxury brands continue their rapid growth in store counts adding 4 stores in 2016 and 75 stores since the year 2000 despite the loss of a number of Volvo stores
- It would appear that most Luxury brands are “under-dealersed” given the expected growth in the market to 2020 so we expect the growth of store counts to continue for quite some time

Canadian Market Overview

Light Vehicle Sales Per Dealer in Canada – Primarily Luxury

	2012	2013	2014	2015	2016	Change from 2015 Units	Change from 2000 Units
BMW/MINI	818	791	786	862	914	52	569
MERCEDES-BENZ/smart	670	673	724	781	848	67	603
AUDI	488	488	570	608	679	71	512
LEXUS	419	431	462	580	592	13	353
PORSCHE	215	245	308	401	441	41	324
ACURA	343	380	391	420	397	-23	-83
INFINITI	266	271	271	290	295	5	106
VOLVO	143	123	118	126	170	44	-27
JAGUAR LANDROVER	28	55	63	54	121	67	11
Primarily Luxury	445	455	482	534	572	39	315

- The European OEMs dominate the luxury segments on a sales per dealer basis, with Mercedes-Benz, BMW and Audi higher than all other brands
- Look for a number of additional dealer points to come forward over the next few years as Luxury sales grow to upwards of 300K units by 2020 and this might temper the sales per dealer growth
- As the luxury market grows existing dealers could possibly handle the additional sales of vehicles but would struggle on the fixed ops side of their business

Canadian Market Overview

Units in Operation Per Dealer in Canada – Primarily Luxury

	2000	2010	2011	2012	2013	2014	2015	Change
BMW	2,580	6,084	6,198	6,864	7,355	7,852	8,347	6.3%
ACURA	3,662	6,348	6,293	6,265	6,606	6,978	6,865	-1.6%
MERCEDES-BENZ	1,679	3,966	4,388	5,012	5,400	5,877	6,435	9.5%
LEXUS	1,246	3,967	4,377	4,483	4,771	5,057	5,545	9.6%
AUDI	991	2,404	2,554	3,146	3,759	4,168	4,627	11.0%
VOLVO	2,384	3,728	3,750	3,671	4,057	4,076	4,094	0.4%
PORSCHE	1,244	2,734	3,012	3,212	3,234	3,334	3,673	10.2%
INFINITI	783	2,871	3,081	3,165	3,116	2,933	3,089	5.3%
LAND ROVER	385	1,140	1,190	1,327	1,521	1,738	1,905	9.6%
JAGUAR	824	1,206	1,157	1,154	1,180	1,215	1,210	-0.4%

- Within the Luxury brands BMW has the highest UIO counts per dealer
- And there was very rapid growth with many brands ... Audi, Porsche for instance both are growing by double digits
- This leads one to believe that some brands are struggling meeting the Fixed Operation needs or their customer base and builds the case for the addition of more stores

Multi-Ownership of Dealers in Canada

Multi-Ownership of Dealers in Canada

	2000	2005	2010	2011	2012	2013	2014	2015
Number of Owners								
Five or More Stores	27	71	88	98	104	107	111	115
2 - 4 Stores	211	155	183	205	218	238	239	243
Single Point	2,906	2,475	1,850	1,924	1,886	1,726	1,644	1,499
Total	3,144	2,701	2,121	2,227	2,208	2,071	1,994	1,857
Number of Stores								
Five or More Stores	159	665	1,018	1,052	1,098	1,202	1,299	1,504
2 - 4 Stores	544	395	464	488	508	541	554	564
Single Point	2,906	2,475	1,850	1,924	1,886	1,726	1,644	1,499
Total	3,569	3,535	3,332	3,464	3,492	3,469	3,497	3,567

- **Multi-store ownership is escalating with 115 large groups (5 or more stores) owning 1,504 stores and another 243 smaller groups (2,3,4 stores) owning 564 stores ... it is hard to identify a dealership sale in any metro area that hasn't gone to a group over this period**

Canadian Market Overview

Number of New Light Vehicles Sold in Canada

	2010	2011	2012	2013	2014	2015
Number of New Light Vehicles Sold						
Five or More Stores	560,564	594,570	653,513	715,272	832,322	1,006,197
2 - 4 Stores	295,853	301,249	318,378	314,022	323,681	322,742
Single Point	700,704	689,701	703,784	715,272	693,602	569,546
Total	1,557,121	1,585,519	1,675,675	1,744,567	1,849,604	1,898,485
Share of the New Light Vehicle Market						
Five or More Stores	36.0%	37.5%	39.0%	41.0%	45.0%	53.0%
2 - 4 Stores	19.0%	19.0%	19.0%	18.0%	17.5%	17.0%
Single Point	45.0%	43.5%	42.0%	41.0%	37.5%	30.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
New Light Vehicle Sales Per Store						
Five or More Stores	551	565	595	595	641	669
2 - 4 Stores	638	617	627	580	584	572
Single Point	379	358	373	414	422	380
Total	467	458	480	503	529	532

- Multi-store groups are usually the largest dealers in any market so their sales per store are very high.
- 70 percent of new vehicles bought in Canada are now retailed by group owned stores.
- Market share for single point stores have been and continue to decline.

New Vehicle Dealership Financing

Commercial Lending to New Vehicle Dealers

	Number of New Vehicle Dealerships	Total Commercial Lending to New Car Dealers \$ Billions	Total Commercial Lending Per Dealer
2010	3,193	\$26.0	\$8,127,724
2011	3,217	\$27.1	\$8,416,942
2012	3,226	\$30.3	\$9,377,987
2013	3,191	\$32.4	\$10,165,739
2014	3,212	\$36.2	\$11,257,340
2015	3,227	\$40.1	\$12,430,869
2016	3,242	\$44.4	\$13,703,464
Change	0.5%	10.7%	10.2%

- Access to capital is one of the biggest issues at the dealer level with commercial lending per dealer of \$13.7 million per store and growing rapidly.
- With a robust new and used vehicle market, luxury dealer growth and image programs becoming increasingly the focus (especially with luxury brands) the 'capital' issue is going to become more of an issue.
- This is at the ROOT of the growth of dealer groups.

New Vehicle Dealership Financing

- Total floorplan lending alone to the larger dealer groups can easily exceed \$350 million per group and selected groups can be significantly higher than that amount, even a relatively small group has needs for upwards of \$100 million in commercial lending.
- In addition at least a half dozen groups annually need an additional \$50+ million in acquisition capital
- As groups continue to get bigger and bigger and with limited exposure to public markets financing of dealer groups has emerged as one of the biggest issues in the automotive retail sector.

Summary

- The automotive market across all dealer business units was up in 2016 and finished at record levels
- Dealer profitability is at record levels but is regionally focused Some regions are soft
- The used vehicle market has substantially more upside than the new vehicle market through to the end of the decade
- Used vehicle pricing for passenger cars has softened but continues to be strong for light trucks given the massive demand for light trucks

Questions?

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