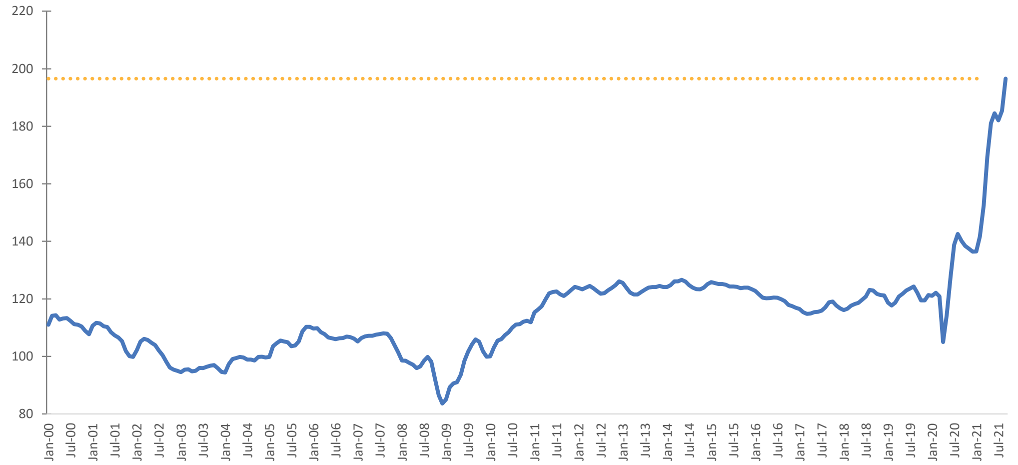
WHOLESALE MARKET UPDATE

USED VEHICLE PRICE INDEX

The used market continues to exhibit great strength as dealers and shoppers lean on used vehicles to help fill the gap from ongoing industry supply chain challenges that are constricting new vehicle production and ultimately sales. Back in late June and July, used prices cooled for seven consecutive weeks, which appeared to be the beginning of typical summer seasonal price declines as the market moves into the fall and the traditional new model year. However, prices gradually increased each week in August and September. As a result, in September, the J.D. Power Used Vehicle Price Index increased 11.2 points vs. August and closed out the month up 35% relative to the same nine-month period in 2020. Used prices are expected to remain very strong for the foreseeable future, with fluctuations up and down as the new market continues to work towards recovery.

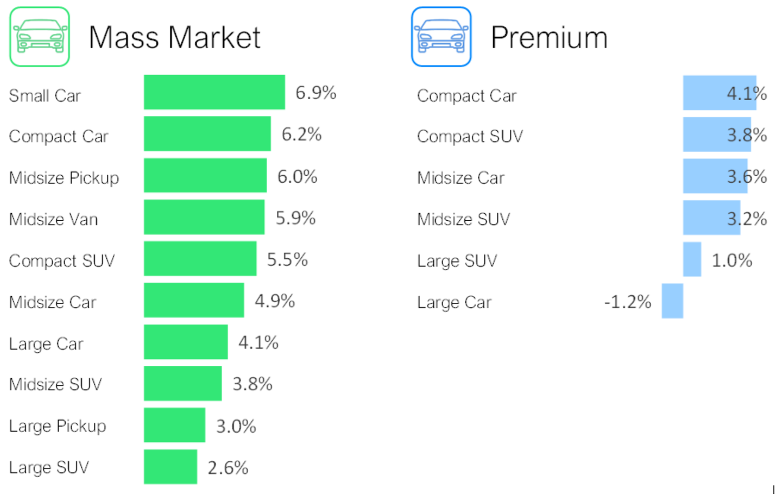
J.D. Power Valuation Services Used Vehicle Price Index (seasonally adjusted)



SEGMENT PRICE PERFORMANCE

In September, month-end results at the segment level were generally positive. Mass market small and compact car prices were some of the strongest, increasing 6.9% and 6.2%, respectively. Large pickup and SUV prices weren't quite as strong, but still positive increasing 3% and 2.6%, respectively. Large pickup prices have been some of the strongest in the industry throughout the past year, however, they are softening due to inventory on the new side of the market improving and putting pressure on used prices. On the premium side of the market, segment price movement was generally positive except for large premium cars which were down by a slight 1.2%.

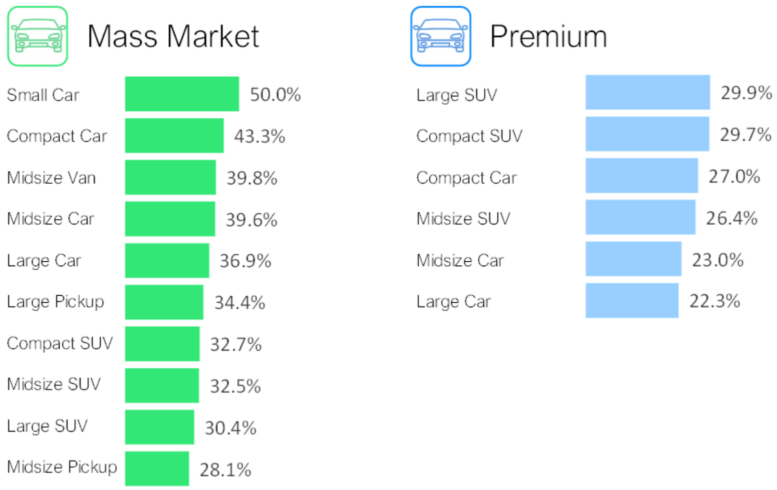
August vs. September 2021 Segment Wholesale Price Performance



Overall industry wholesale prices are up an average of 35% this year. This increase has been driven by massive increases on the mass market side of the market, such as mass market passenger car prices which are up nearly 37% for large cars to 48% for small cars. Large pickup prices also are up a sizable 37%. However, the segment's sizeable gains have eroded recently with softening performances each month. Remaining mass market segment growth is all less than the overall industry average.

Price growth in the premium segment has been significantly lower than on the mass market side. However, growth is still sizeable from nearly 23% for midsize premium cars to almost 30% for large premium SUVs. Premium prices are not often as strong as their mass market counterparts. Premium prices have been under more pressure because wholesale volumes haven't been nearly as constrained.

Year Over Year Segment Wholesale Price Performance



WHOLESALE VOLUME UPDATE

In terms of wholesale sales, volume at the industry level is 12% lower this year when compared with the first nine months of 2020. This figure appears even depressed when compared with 2019, as auction sales are trending nearly 26% lower than pre-pandemic levels. Mass market sales are certainly more constrained, currently 14% lower than a year ago, which is being amplified by massive reductions in passenger car wholesale volume. Premium wholesale sales are faring better, as sales for this sector have grown an average of 1% when compared with the same period a year ago. This is a major contributing factor as to why premium prices aren't up quite as much as mass market.

Wholesale Auction Sales (000s)

ALG RESIDUAL VALUE UPDATE

ALG is constantly reviewing the latest marketplace data and expert third-party forecasts as source data into the industry's benchmark residual value outlook. For the recent Q4 update in 2021 there were significant updates related to vehicle production which directly influence used supply and expected level of incentive spending. Below is a table displaying the level of effect each of these metrics are having on the current ALG outlook through 2024 as it relates to retained value of original MSRP for three-year-old vehicles.

ALG Forecast Drivers				
Shown as Percent of Original MSRP for Three-Year-Old Vehicles				
Calendar Year	2021	2022	2023	2024
Used Supply	5.4%	7.0%	3.8%	1.9%
Incentive Spending	2.1%	2.2%	1.9%	1.4%
Economy/Housing	2.3%	0.8%	0.2%	0.2%
Production	2.3%	1.6%	0.1%	
Demand	2.4%	1.8%	0.1%	
Hurricanes	1.1%			
Total	**15.6%**	**13.4%**	**6.1%**	**3.5%**

- **Used Supply and Production:** The combined shortage of vehicles in the new and used market will continue to have the largest effect on values during the next few years, with a combined lift of 8.6 percentage points of value in 2022. While supply chain disruption (predominantly due to the chip shortage) has contributed to significant pullbacks in production, the shift away from rental fleet sales will limit availability of one- to two-year-old late model vehicles while the drop in consumer leasing will have a long tail effect of limiting supply of three-year-old vehicles well into 2025.
- **Incentive Spending:** Historically, the industry has always rebounded from production and sales pullbacks to return to double digit levels of incentives (when overall spend is represented as a percent of original MSRP). Mid- to long-term supply chain disruptions combined with industry profitability across nearly all sectors has led to a reckoning across the industry around production and retail stocking strategy, fleet and incentive strategy and even the shopping experience. While ALG does believe that dealer inventories will return and incentives will grow, both will exist at fraction of pre-pandemic levels. (As a sidenote, this makes retail ordering and incentive planning critical components to lure shoppers who are unlikely to amend their impulsive acquisition behavior of the past.)

- **Demand:** Vehicle demand will remain robust until the middle part of the decade, a position that is bolstered by ALG's analysis into the concept of natural demand among the U.S. population. Specifically, the demand adjustment featured in the table above addresses pent-up demand from the sales declines experienced in 2020 plus the higher savings accrued by consumers during the pullback in discretionary spending during the past 18 months.
- **Economy/Housing/Hurricanes:** These three factors will have minimal long-term effect on used-vehicle values but certainly played a role in the elevated values seen in 2021. The consensus on the macro economy suggests that much of the recovery was accelerated in 2021 with the pace of recovery slowing during the next few years. Disruptions from hurricanes and other natural disasters will be transient but were still enough to influence values in 2021.

To put things in perspective, below is a graph showing ALG's current outlook for three-year-old vehicles when compared with the five years preceding the pandemic. By 2024, ALG expects much of the "froth" in the current market to be settled as the industry and consumers come to terms with a new normal. ALG expects three-year-old vehicles to increase a full 4.0 percentage points of original MSRP when compared to pre-pandemic levels. Just as the volatility of the last couple years starts to settle down the industry will have to reconcile with new pricing, production and leasing strategies within the framework of long term higher used-vehicle values, continued imbalances of car park supply with consumer demand and a change to the retail sales experience in an age of digitation and production discipline.

Normal Pre-Pandemic Industry Actuals Conditions
Compared with Residual Value Forecast