AUSTRALIA DEALER *SENTIMENT* INDEX

WAVE 5

Q2 2022

Cox Automotive™

AADA Australian Automotive Dealer Association

BACKGROUND

Data for the Cox Automotive Australia Dealer Sentiment Index research is gathered via an online survey of Private and Publicly Listed Franchise auto dealers.

Data is used to calculate an index wherein a number over 50 indicates more dealers view conditions as strong or positive rather than weak or negative.

The Wave 5 results are based on 54 dealer respondents. The survey was conducted from May 26th to June 29th, 2022.

The Cox Automotive Australia Dealer Sentiment Index was introduced in Q3 2018 by Cox Automotive. This is the fifth published report.

AADA AUSTRALIAN AUTOMOTIVE DEALER ASSOCIATION

KEY TAKEAWAYS

Dealer sentiment to the current market remains extremely high with an indexed score of 75 (compared to 76 in Q3 2021). Future projections (6 months from now) reached an all-time high this wave with an indexed score of 68 (slightly higher than Q3 2021 at 66).

Profits remain strong with an indexed score of 69 but declined significantly after reaching an all-time high last wave (86 in Q3 2021). Customer traffic, and New and Used vehicle sales environment also experienced some slight declines when compared to Q3 2021 but remain above the threshold of 50.

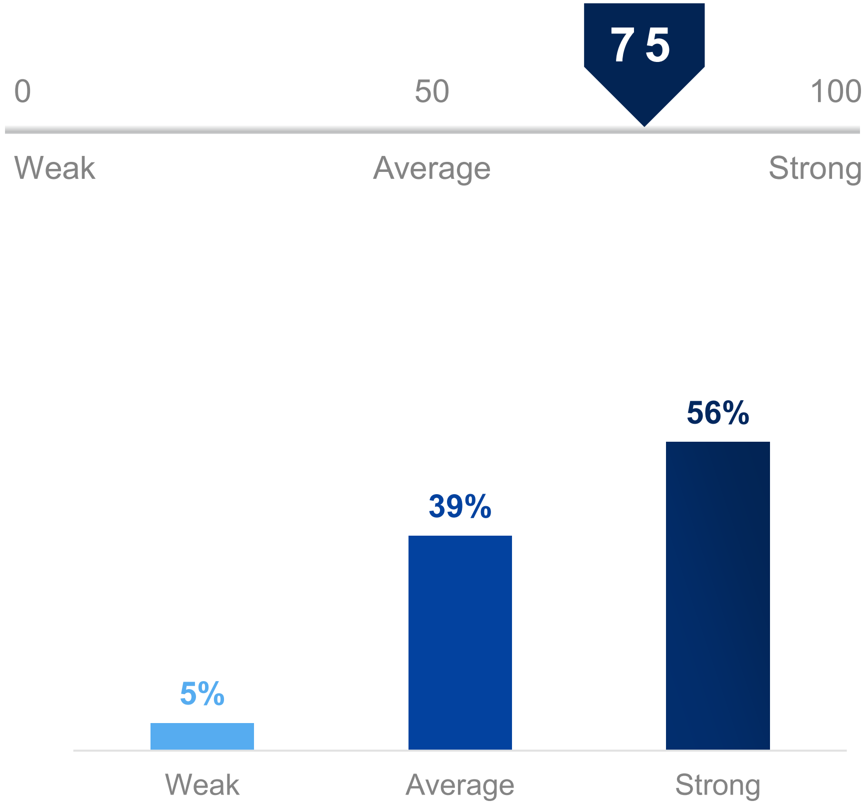
New and Used vehicle inventory levels continue to be well below the threshold of 50 but improved slightly since Q3 2021. 57% of dealers feel it will be more than a year from now before vehicle inventory levels improve.

Staffing levels declined significantly this wave. Over half of dealers cite they have less staff now at their dealership due to the impact of COVID-19.

Limited inventory available for sale continues to be the top concern for dealers with 83% citing it as a factor holding back their business. Staff turnover and OEM mandates/restrictions are secondary issues for dealers this wave.

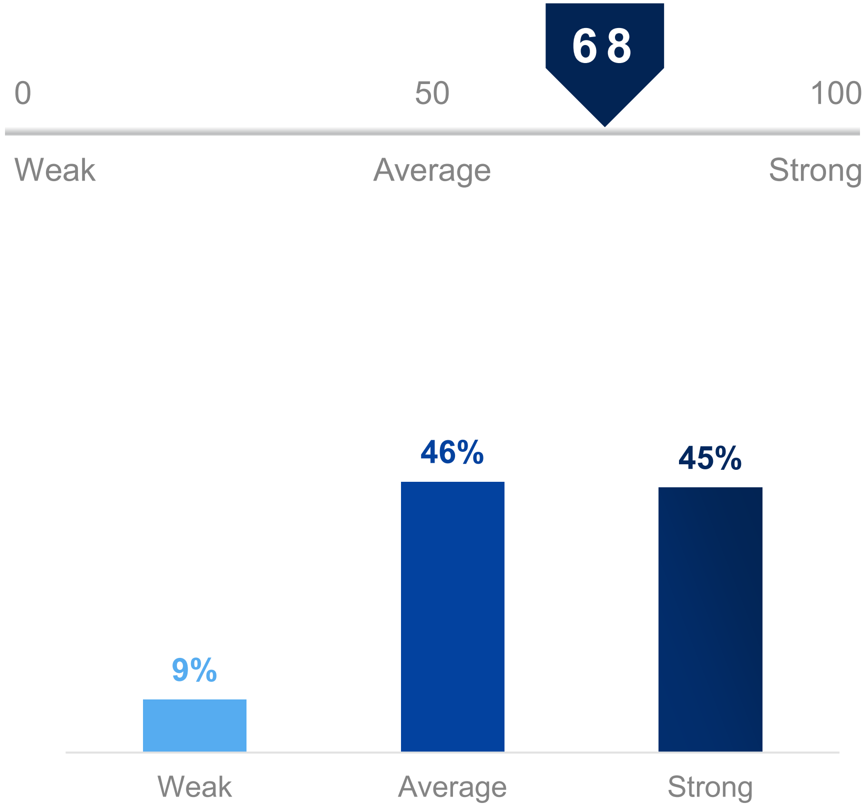
- DE1 -

How would you describe the current market for vehicles in the areas where you operate?



- DE2 -

What do you expect the market for vehicles in the areas where you operate to look like 6 months from now?

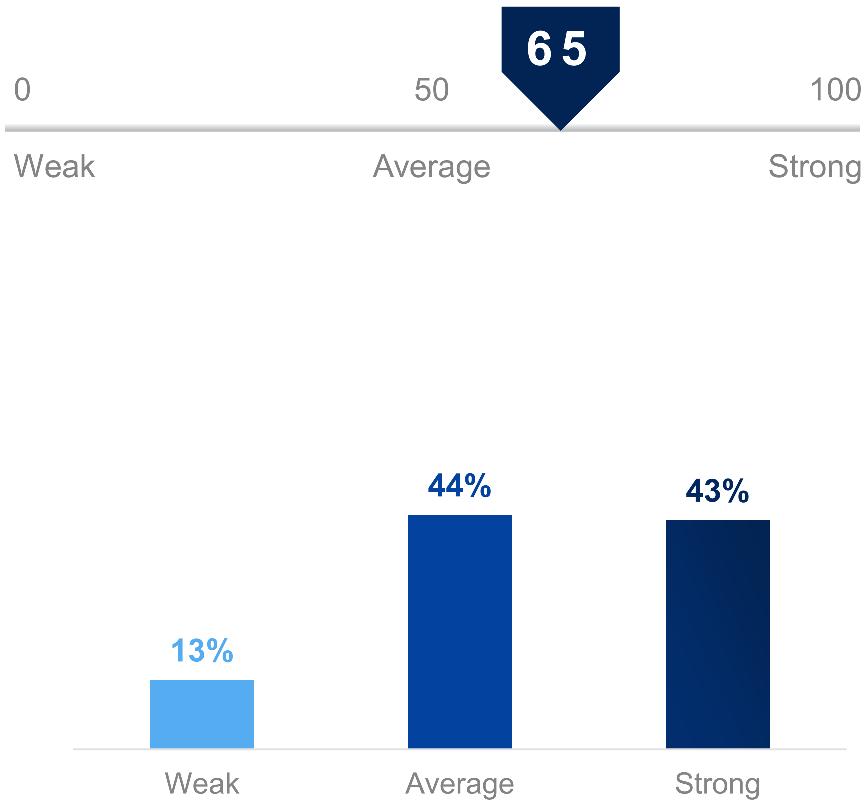


Arrows indicate statistical significant increase or decrease over previous wave at the 95% confidence interval.

Note: Don't know responses excluded

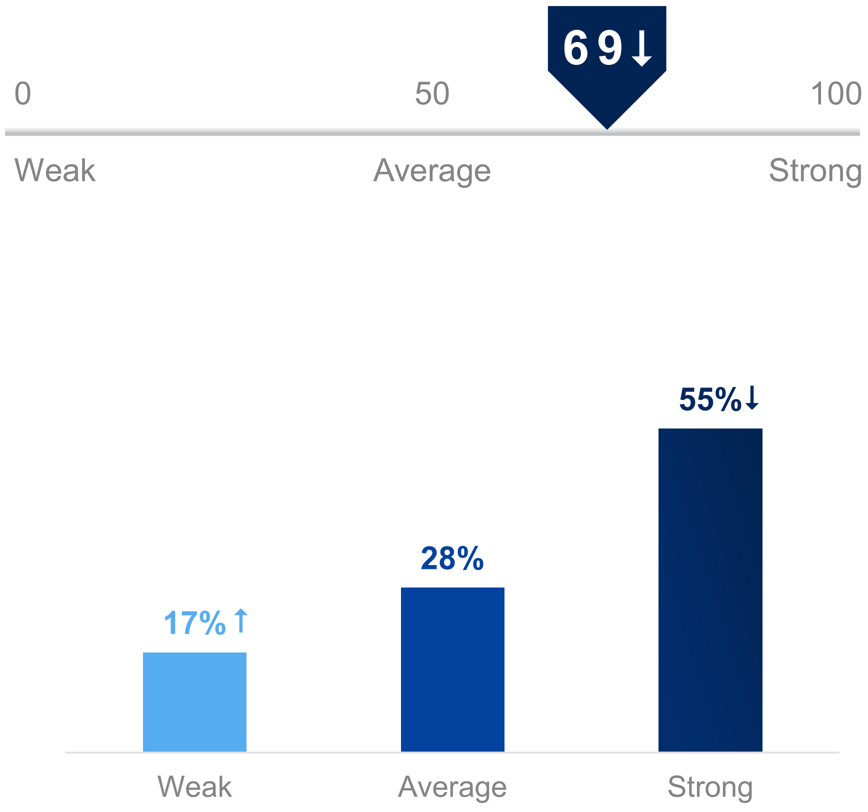
- F1 -

How do you rate the customer traffic to your dealership over the past 6 months?



- F2 -

How would you describe your profits over the past 6 months?



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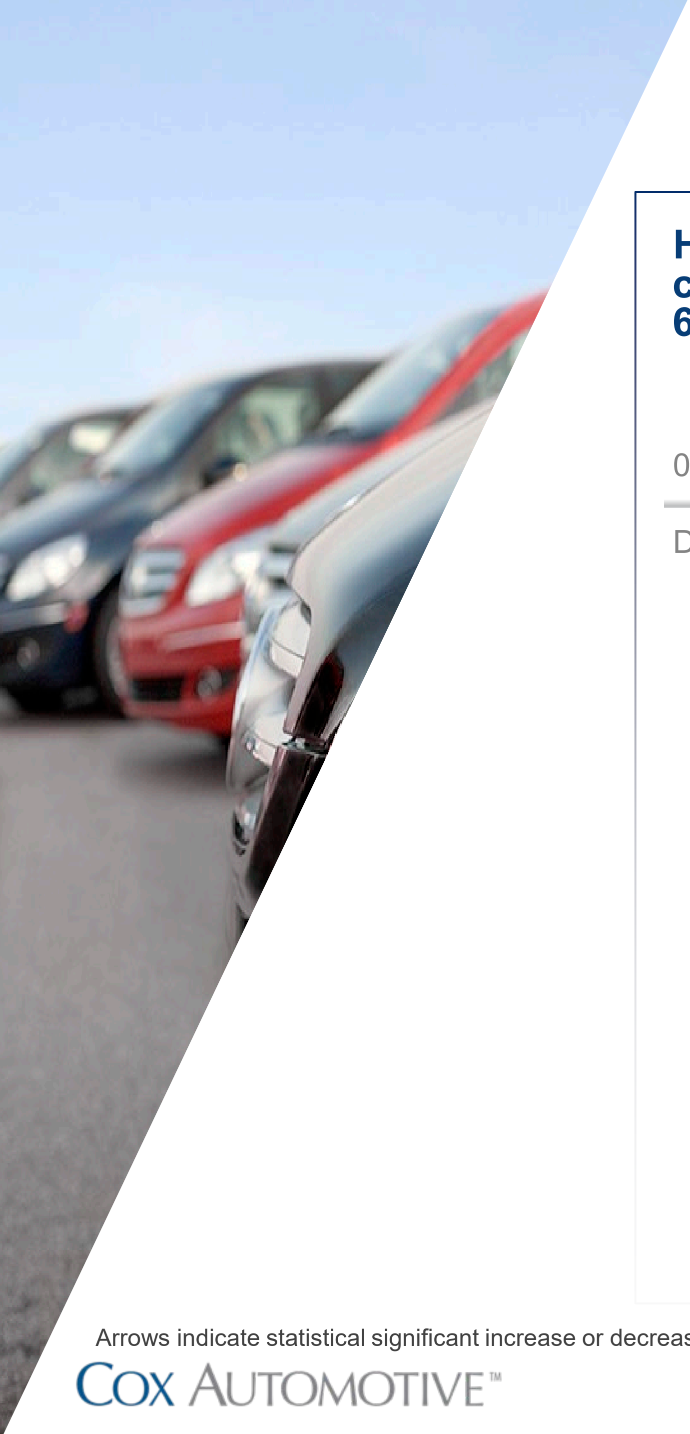
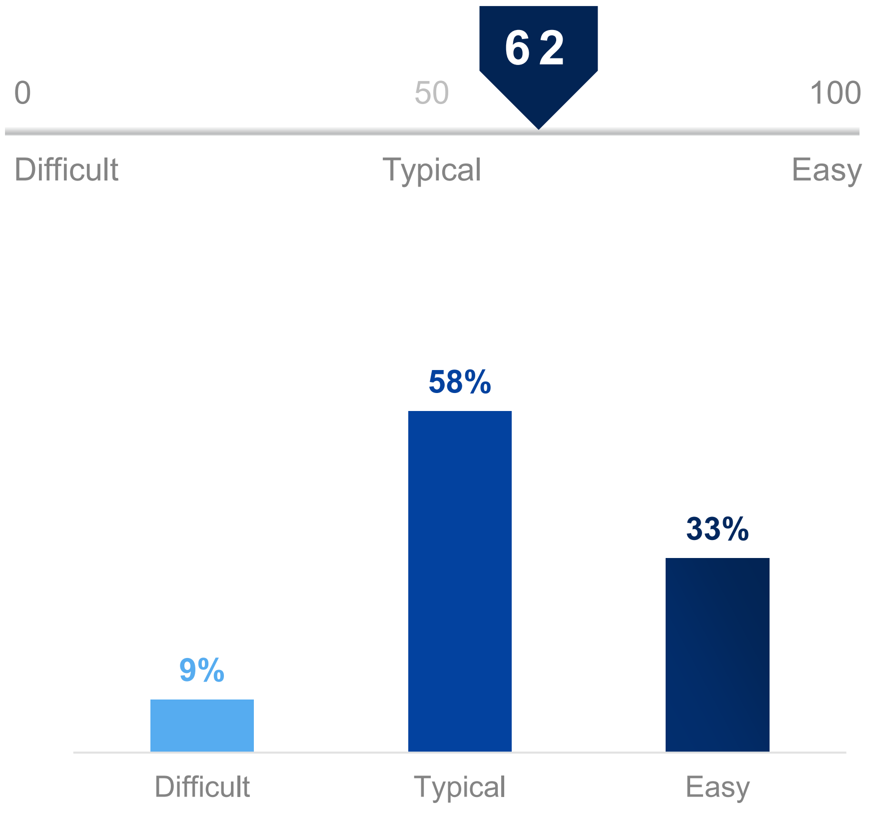


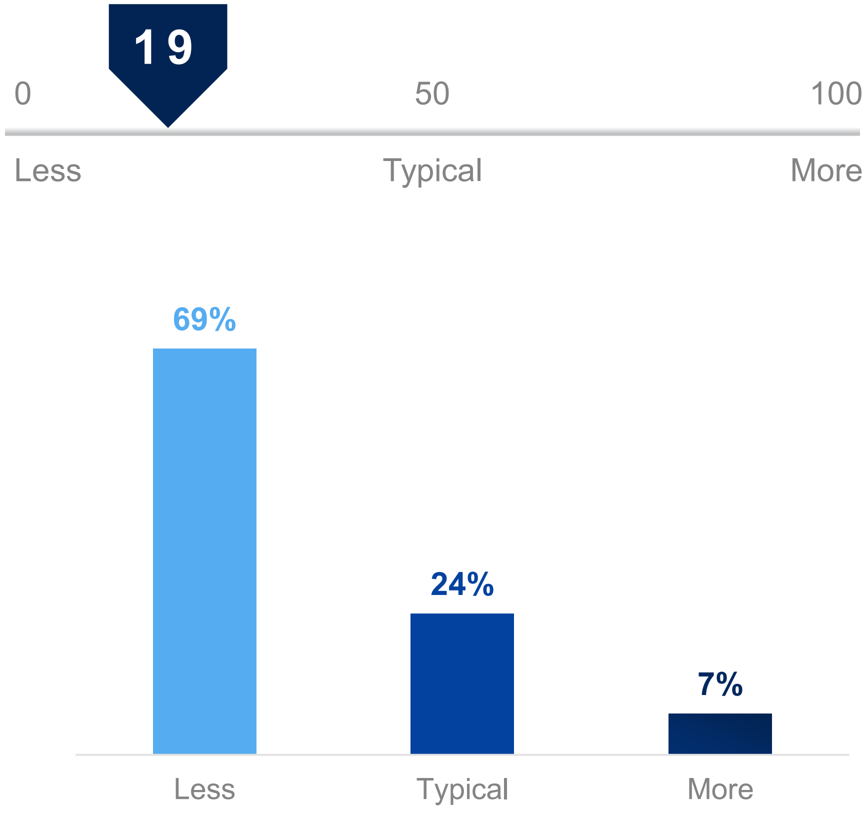
- F3 -

How would you describe your ability to get credit to operate your business over the past 6 months?



- F7 -

How much pressure do you feel to lower your prices?

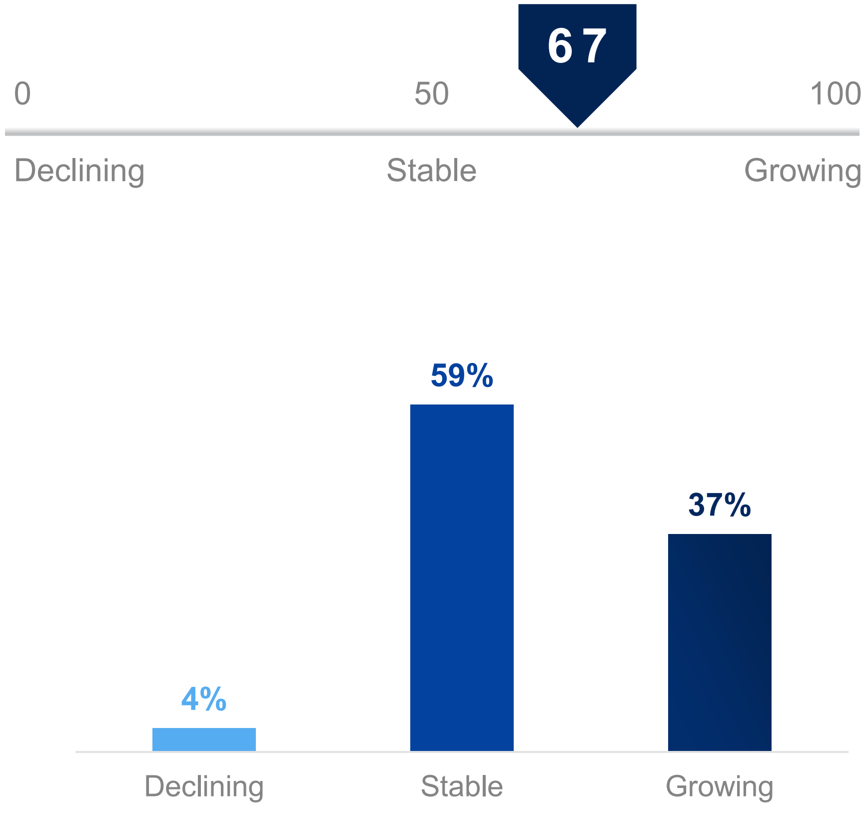


Arrows indicate statistical significant increase or decrease over previous wave at the 95% confidence interval.

Note: Don't know responses excluded

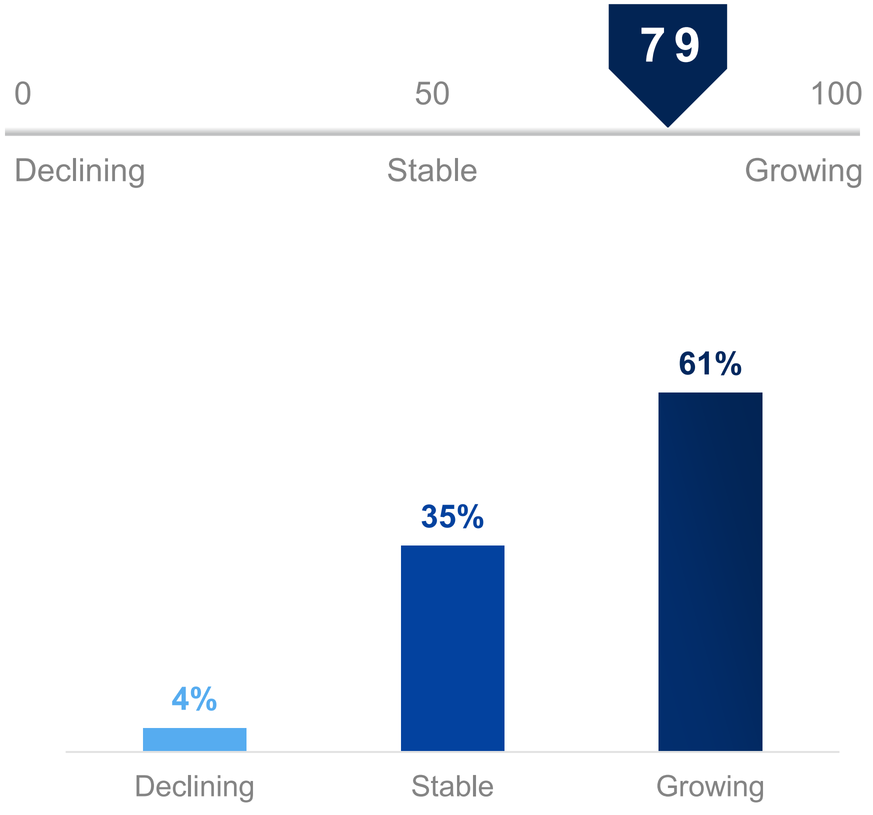
- F4a* -

How would you describe your dealership's current fixed capital investment levels?



- F4* -

How would you describe the costs of running your dealership over the past 6 months?

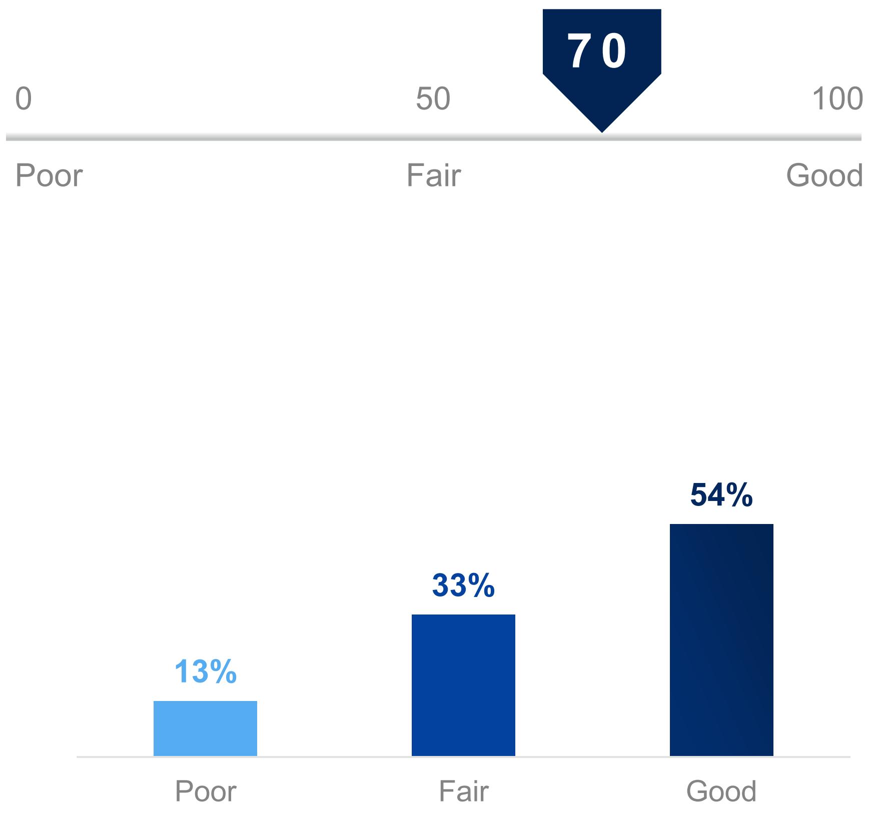


*Caution: Base size less than 30
Arrows indicate statistical significant increase or decrease over previous wave at the 95% confidence interval.

Note: Don't know responses excluded

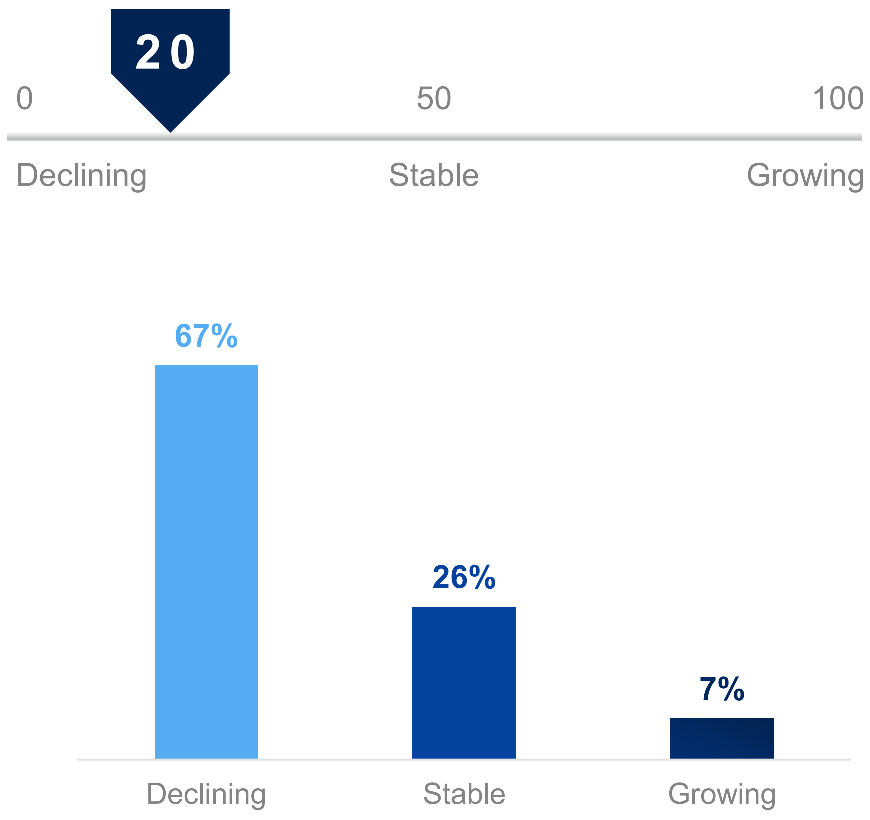
- F5 -

How would you describe the current <u>new</u> vehicle sales environment?



- F5a -

How would you describe your dealership's current <u>new</u> vehicle inventory levels?



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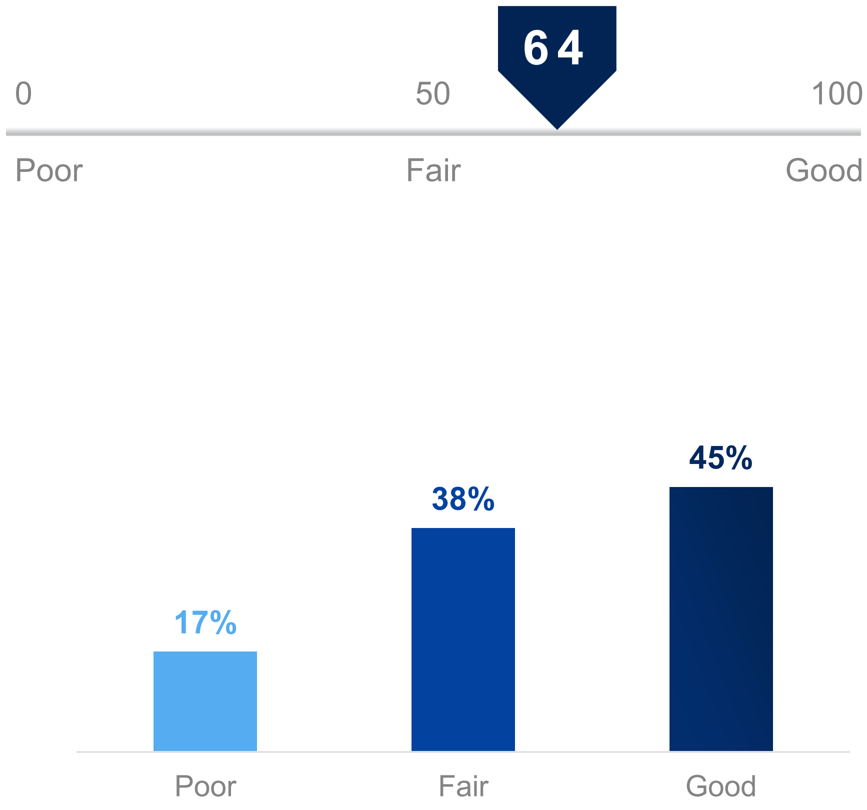
Note: Don't know responses excluded

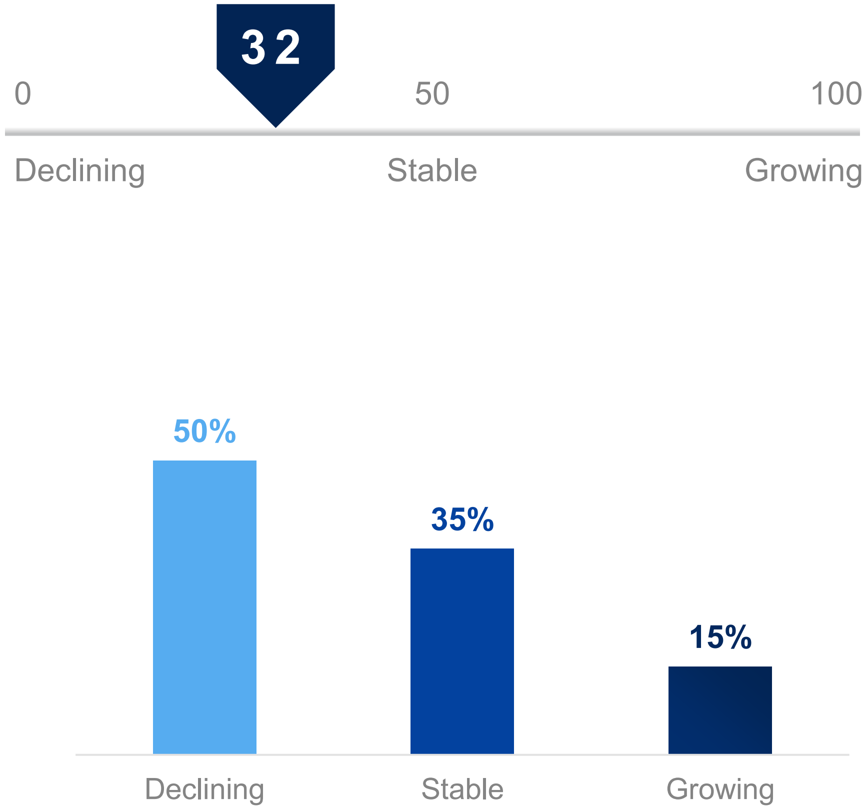
- F6 -

How would you describe the current used vehicle sales environment?



- F6a -

How would you describe your dealership's current used vehicle inventory levels?

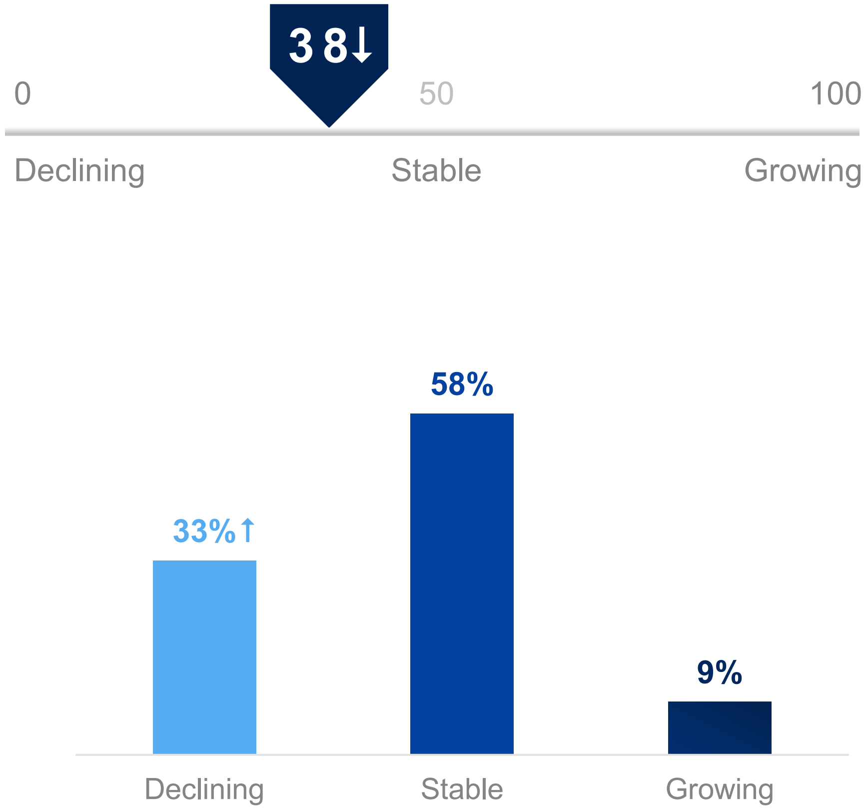


Arrows indicate statistical significant increase or decrease over previous wave at the 95% confidence interval.

Note: Don't know responses excluded

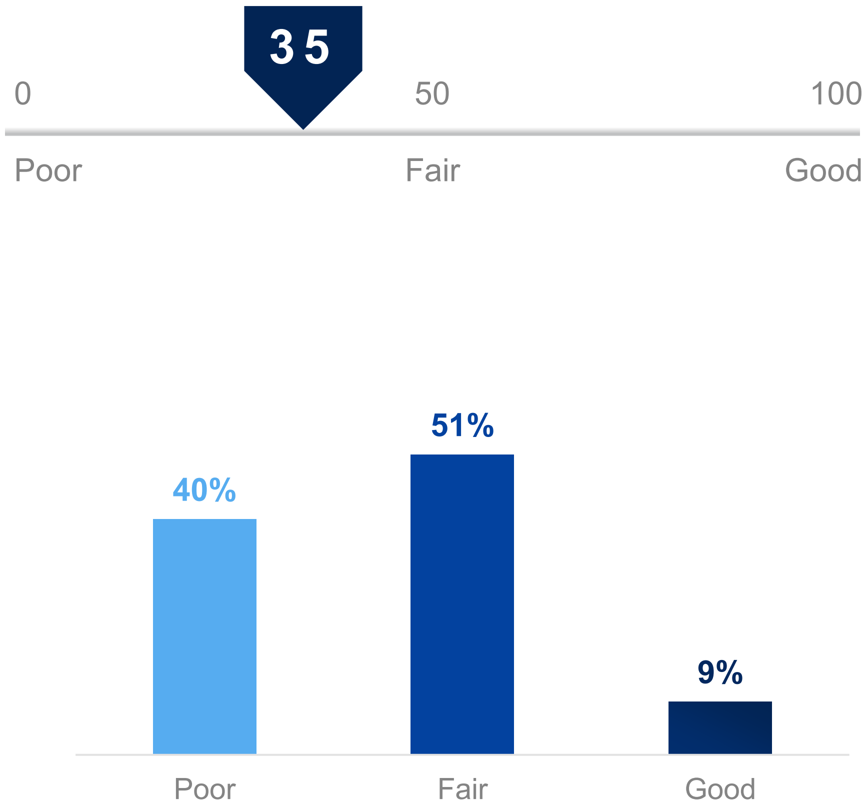
- F8 -

How would you describe your dealership's current staffing level?



- F9 -

How would you describe the profitability of your dealership's F&I department?



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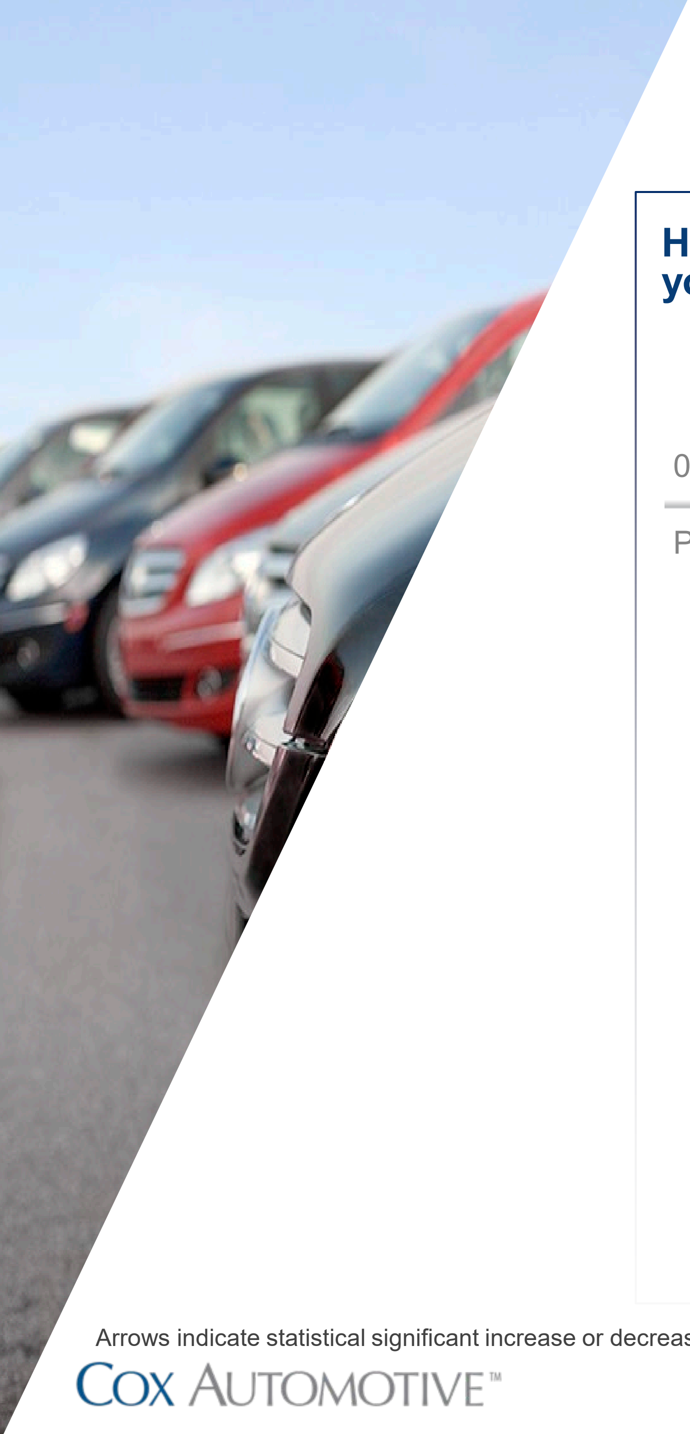
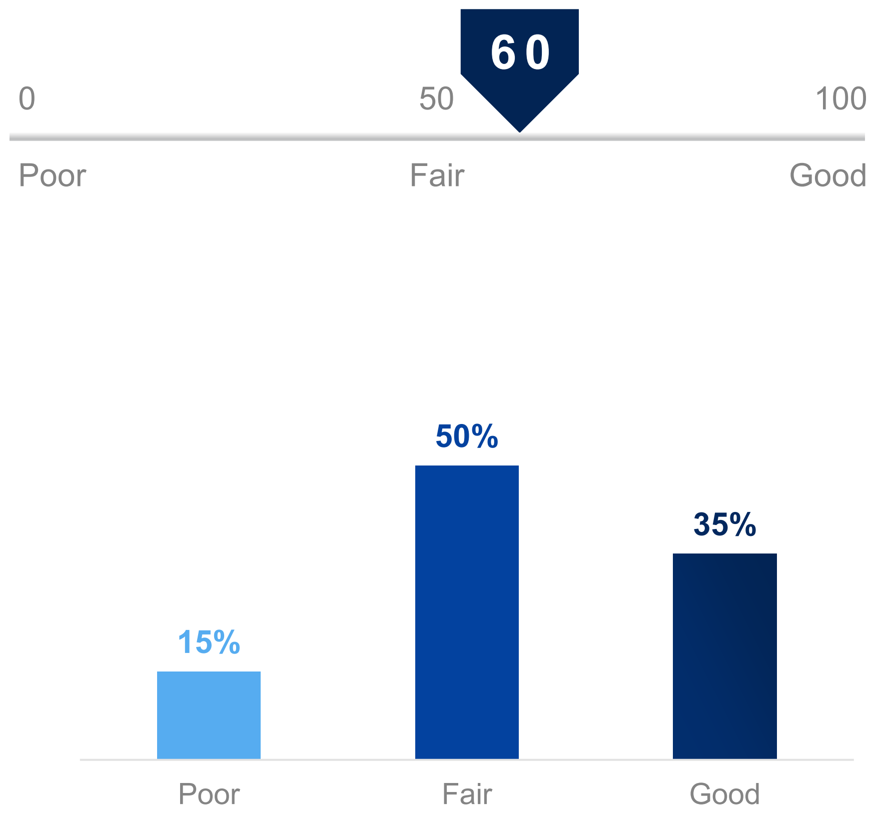
Note: Don't know responses excluded



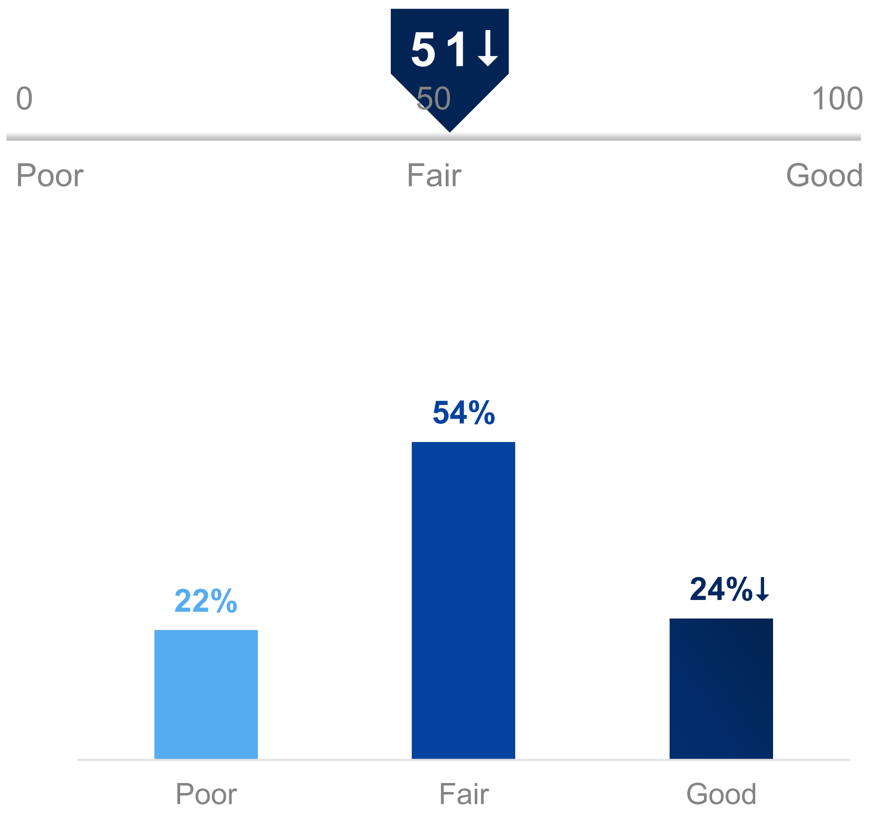
- F10 -

How would you describe the profitability of your dealership's Parts department?



- F11 -

How would you describe the profitability of your dealership's Service department?



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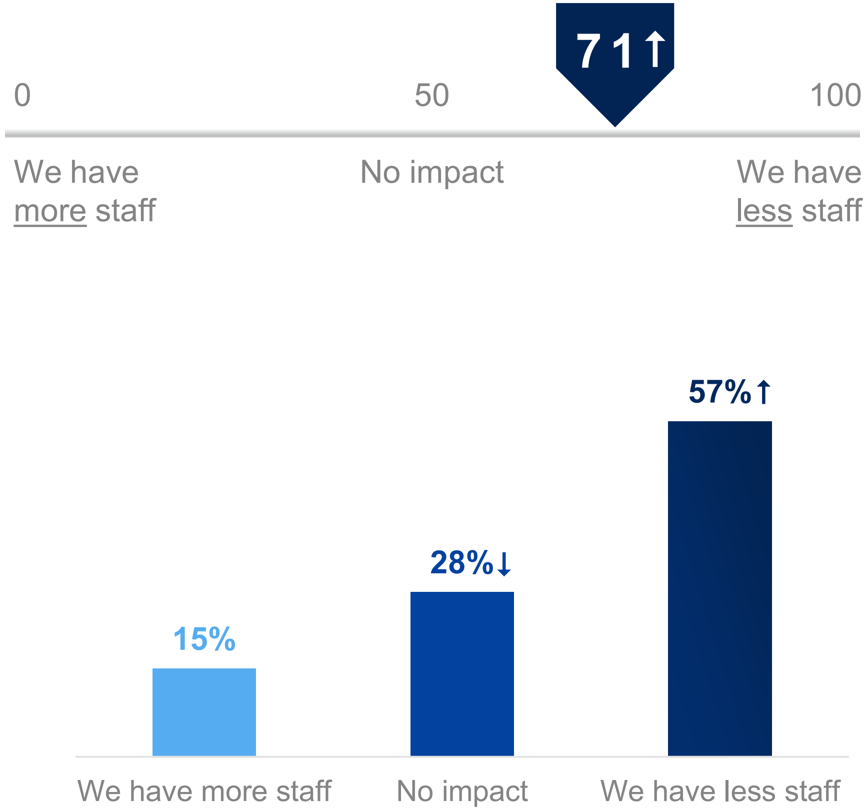
Note: Don't know responses excluded

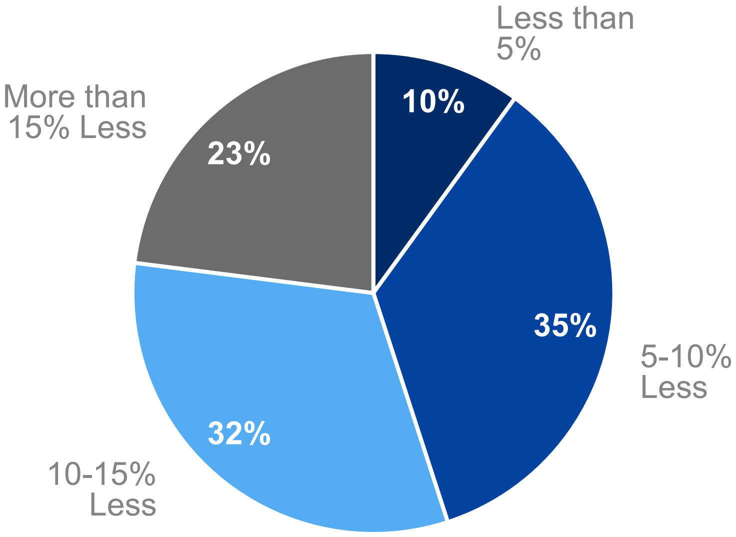
- F12 -

What impact has coronavirus (COVID-19) had on the amount of staff at your dealership?



- F12b -

You indicated you have less staff at your dealership now because of coronavirus (COVID-19). Approximately, how much less?



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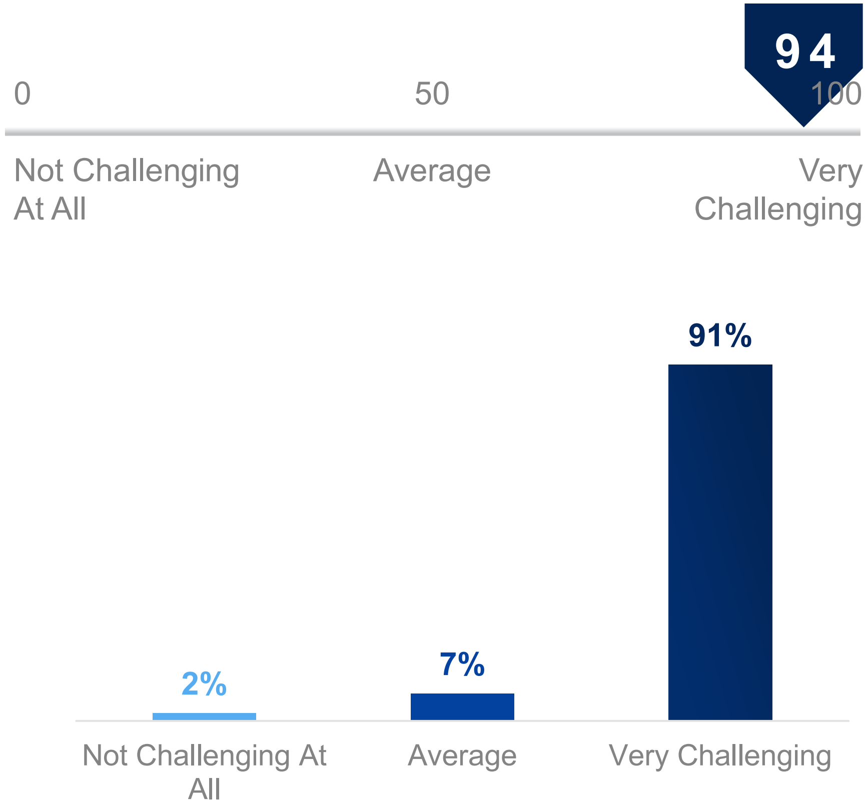
Note: Don't know responses excluded

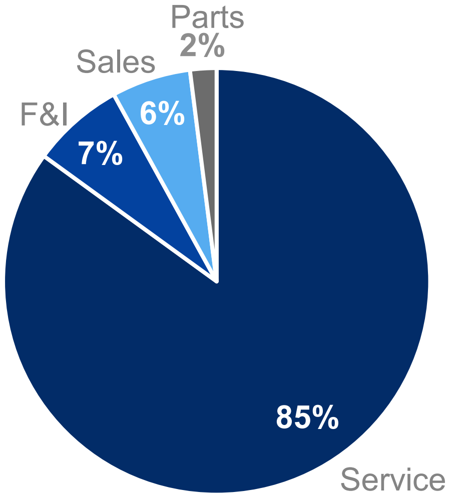
- F14* -

How challenging is it for your dealership to recruit staff?



- F15* -

In what department of your dealership is the current skills shortage having the most impact?



*New question added in Wave 5

Note: Don't know responses excluded

- P22* -

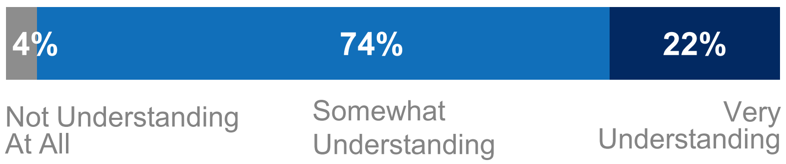
Customers wait on average

153 days

for their vehicle to be delivered

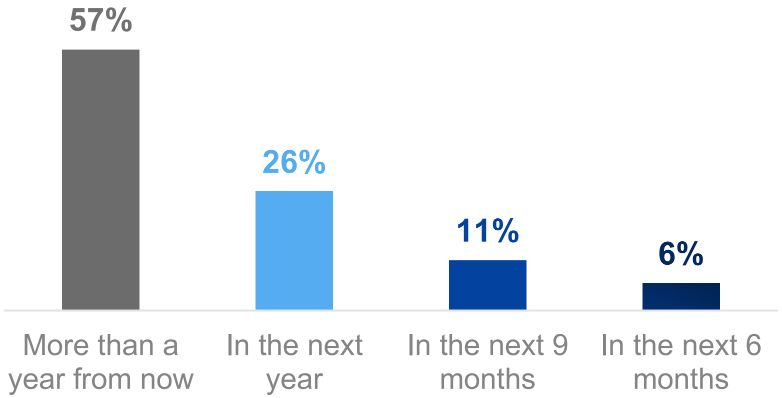
- P23* -

Generally, how understanding are customers with you when there are long delays in vehicle deliveries?



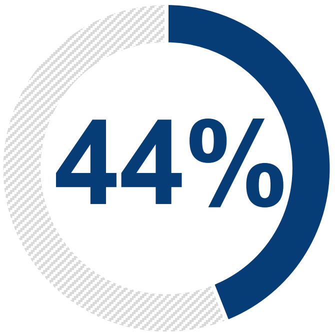
- P25* -

Which best describes when you think vehicle inventory supplies will improve?



- P24* -

Are OEM's working co-operatively with you to manage your customers' expectations related to inventory shortages? (% Yes)



*New question added in Wave 5

Overall Score Comparisons to Previous Surveys

Question	Q3'18 index	Q1'19 index	Q4'19 index	Q3'21 index	Q2'22 index	Notes
Overall current market	36	25	18	76	75	
6-month market projection	41	30	20	66	68	*All-time high*
Customer traffic	32	24	14	74	65	
Profits	30	19	15	86	69	
Dealership's ability to get credit	57	45	35	52	62	*All-time high*
Costs of running a dealership	79	77	74	72	79	
Fixed capital investment levels	67	56	56	72	67	
New vehicle sales environment	28	15	10	75	70	
New vehicle inventory levels	68	64	45	13	20	
Used vehicle sales environment	42	41	44	69	64	
Used vehicle inventory levels	45	45	42	30	32	
Pressure to lower prices	80	82	86	17	19	
Staffing levels	52	34	28	54	38	
Profitability of dealership's F&I department	33	26	21	36	35	
Profitability of dealership's Parts department	59	55	59	62	60	
Profitability of dealership's Service department	66	60	51	64	51	
Impact COVID-19 had on staff levels	N/A	N/A	N/A	56	71	*All-time high*
Concern dealership could close for good due to COVID-19	N/A	N/A	N/A	21	N/A	*Question removed after Wave 4*
Challenge recruiting staff	N/A	N/A	N/A	N/A	94	*Added Wave 5*

What Are The Top Factors Holding Your Business Back?

OVERALL RANK

1	Limited inventory available for sale	83%
2	Staff turnover	48%⬆
3	OEM mandates/restrictions	43%
4	Business impacts from COVID-19/Coronavirus	31%⬇
5	Expenses	31%
6	Credit availability for consumers	26%⬇
7	Consumer confidence	24%
8	Market conditions	22%
9	Interest rates	20%⬆
10	Regulations	20%
11	Vehicle affordability (taxes, tariffs & stamp duty)	20%
12	Margin compression	15%
13	Credit availability for business	4%
14	Competition	2%
15	Dealership systems/tools	2%
16	Consumer transparency in the pricing	2%
17	Too much retail inventory	0%

54% are experiencing staff turnover with **both** longer-term and shorter-term staff

Arrows indicate statistical significant increase or decrease over previous wave at the 95% confidence interval.

Top Factor Score Comparisons to Previous Surveys

	Q3'18		Q1'19		Q4'19		Q3'21		Q2'22	
Top Factors Holding Back the Business	**Overall Rank**	**Overall %**	**Overall Rank**	**Overall %**	**Overall Rank**	**Overall %**	**Overall Rank**	**Overall %**	**Overall Rank**	**Overall %**
Limited inventory available for sale	13	11%	13	16%	14	8%	1	84%	1	83%
Staff turnover	11	17%	10	23%	12	20%	5	27%	2	48%
OEM mandates/restrictions	5	49%	6	46%	5	49%	3	42%	3	43%
Business impacts from COVID-19/Coronavirus*	N/A	N/A	N/A	N/A	N/A	N/A	2	52%	4	31%
Expenses	3	52%	5	61%	6	48%	5	27%	4	31%
Credit availability for consumers	7	40%	4	70%	4	73%	3	42%	6	26%
Consumer confidence	2	54%	1	76%	2	79%	8	24%	7	24%
Market conditions	4	51%	2	73%	1	81%	9	20%	8	22%
Interest rates	16	5%	16	8%	16	5%	16	3%	9	20%
Regulations	7	40%	7	43%	8	43%	7	25%	9	20%
Vehicle affordability (taxes, tariffs & stamp duty)	10	23%	11	19%	7	43%	11	15%	9	20%
Margin compression	1	73%	3	72%	3	76%	10	16%	12	15%
Credit availability for business	15	9%	12	17%	11	23%	13	8%	13	4%
Competition	6	47%	8	40%	9	42%	12	10%	14	2%
Dealership systems/tools	13	11%	15	12%	15	7%	14	6%	14	2%
Consumer transparency in pricing	12	13%	14	14%	13	13%	15	3%	14	2%
Too much retail inventory	9	37%	9	37%	10	33%	17	2%	17	0%