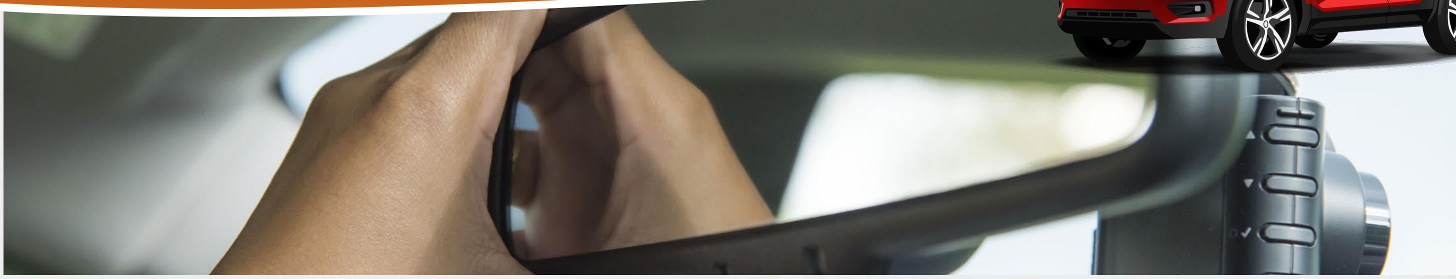
Media Group Online, Inc.

/// AUTOMOTIVE UPDATE

January 2022 www.mediagrouponlineinc.com



Putting 2021 in the Rearview Mirror

Despite the terrible end to the 2021 auto sales year, the industry learned many hard lessons, such as reorganizing its supply chain for the next pandemic-like crisis and a re-evaluation of the traditional manufacturing/selling business model.

Industry analysts, including Cox Automotive, J.D. Power and others, project December sales will decrease 23% to 32% from December 2020 (Manufacturers don't publish monthly sales numbers). December's deplorable sales added to the fourth-quarter woes the industry and dealers were already experiencing. Collectively, those same industry analysts expect 2021 units sold to total 14.95 million, a very slight increase from 14.65 million during 2020.

The auto sales chart on page four is bleeding red numbers for Q4, but some brands and auto groups ended the year with increases in total units sold. General Motors suffered the most during Q4 at -43.1%. Almost all the other major auto groups had double-digit decreases. Once again, Tesla was seemingly unaffected, achieving a 67.7% YOY increase for Q4. The Chrysler brand was the only major nameplate with a YOY increase during Q4 at 18.1%.

Performances for the entire year were better, but primarily attributable to the excellent first half of the year: Toyota Motor North America +10.4%, Hyundai/Kia +21.6%, Mazda North America +19.2%, Nissan/Mitsubishi +9.4% and VW Group of America +22.3%.

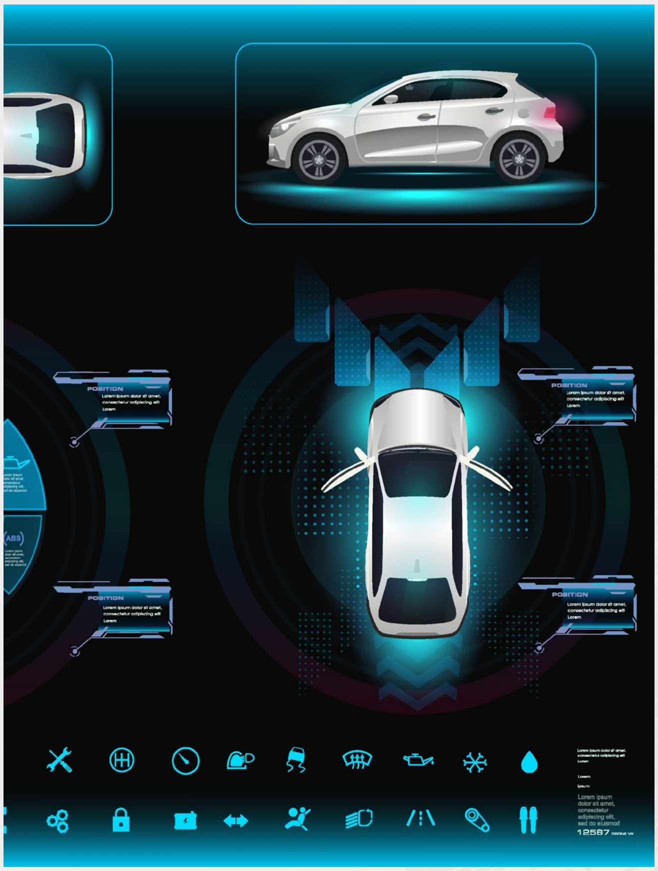
Pent-up Demand for Four Million Vehicles

The results of 2021 auto sales are a sour taste that will likely linger, but some analysis indicates 2022 will be a rebounding year. EFG Companies, a finance-and-insurance products provider, estimates there is a pent-up demand for approximately four million new vehicles in the market. The reasons why automakers and dealers can't sell those vehicles and consumers can't buy them are well-known.

An EFG spokesperson also reported consumers are generally in an excellent financial position to buy those four million new vehicles when they are available. Financing amounts haven't increased much because buyers are receiving large trade-in values, which is driven by dealers' hunger for used vehicles.

According to Transunion analysis, auto lenders are ready to loan consumers what they need to buy those vehicles, even accepting and approving more loan requests from consumers with a sub-prime credit rating. Bankrate is forecasting an increase in average interest rates for new and used vehicles during 2022, but they would remain less than 5%: five-year new-model loan APR 4.4% and four-year used-vehicle loans 4.85%.

Will the Build-to-Order Model Finally Take Hold?



The pandemic has radically changed many consumers' buying habits, but has it affected auto buyers' habits enough for more of them to accept a build-to-order buying model? If so, then are automakers and dealers prepared to make the necessary adjustments?

Those are the fundamental questions prompted by the current state of the buying and vehicle delivery process: Consumers can buy a new vehicle and dealerships can sell them, but only as pre-orders. Visiting a dealership and leaving in a new car is still a strong American car-buying tradition, which is part of a broader consumer tradition of "I want it now."

Automakers and dealers are well aware of the significant benefits they would derive from a build-to-order model. Automakers almost have to guess which new products to launch every year, which dealers are required to accept. Plus, automakers typically manufacture more vehicles than the market can absorb, so they are forced to spend more for parts and labor. To reduce that over-produced inventory, more dollars are allocated for clearance advertising and incentives. Dealers must pay substantial amounts in floor-plan interest to maintain a lot and showroom full of vehicles.

Ford is incentivizing customers to accept pre-ordering of new vehicles with a $1,000 discount and is promoting that business model with customers of its new Mustang Mach-e. If more customers accept this change, then more automakers are likely to follow.

Maintaining an Advertising Presence Is Essential

After decades of marketing and advertising agencies and consultants trying to convince retailers and other businesses that they must maintain an advertising presence in their markets come recession or pandemic, too many auto dealers are still not heeding that advice. Understandably, the unique effects of the pandemic and the lack of inventory have made them very reluctant to spend ad dollars at traditional rates.

PureCars, an auto dealer advertising and attrition technology provider, has the data to support one of the oldest fundamental rules of advertising. Its research found dealers who spent 50% to 89% fewer ad dollars during the March–August 2021 period experienced a sales decrease of 28%. Conversely, sales for those dealers who increased their ad spending by a rather small 9% decreased by only 9%.

Dealers who chose to maintain a brand presence in their markets also proactively promoted vehicle buy-back programs with service department customers to boost their used-car inventories.

/// AUTOMOTIVE UPDATE

January 2022 www.mediagrouponlineinc.com

ROAD SIGNS

2022 Industry Trends

Considering the continuing disruption in the auto market at the beginning of 2022, most analysts don't expect much to change during the short term. Although some automakers report microchip shipments are increasing, it will take some time before those shipments will match demand.

Consumers can expect new vehicle prices to increase during 2022. The combination of limited inventories and a substantial demand always increases prices of any commodity or product. Buying cars online was already a growing trend before the pandemic, but it drove more consumers and dealers to engage digitally and that is expected to become even more of the norm.

Every major automaker, domestically and internationally, had designated 2022 as the year they would introduce dozens of new electric-vehicle models. Battery life, the range for a single charge and other technologies continue to evolve and improve, so even more consumers are likely to enter the EV market.

Although the major brands and automakers continue to dominate the market, 2022 will be the year more startups will target some of those brands' and automakers' shares. These smaller, nimbler companies will be better positioned to introduce innovations quicker than their larger competitors.

Electric Pickup Truck Battle Lines Are Drawn

Tesla's Cybertruck was the first of the electric pickups to receive widespread media coverage. Although more than one million consumers have reserved a Cybertruck, the start of production has been delayed until the end of 2022. The other electric pickup truck with early promotion is Rivian's R1T, but the 55,400 backlogged orders won't be delivered until the end of 2023.

Ford then entered the battle with its F-150 Lightning electric pickup, which has approximately 200,000 reservations. The F-150 with an internal combustion engine has been and is the biggest selling pickup, so the brand is a proven commodity with consumers. Plus, Ford is doubling production to 150,000 vehicles and the first will be delivered to dealerships during spring 2022.

A major announcement at CES 2022, the annual consumer electronics show, was the introduction of General Motors' Chevrolet Silverado EV. The company's proprietary Ultium battery technology will power the Silverado EV.

Although the F-150 Lightning and Silverado EV are new to the electric pickup truck market, both Ford and GM are confident their decades of manufacturing and technical prominence will allow them to grab large shares of EV sales.

MONTHLY AUTOMOBILE SALES CHART

NOTE: General Motors, Stellantis and Tesla announce their light-vehicle sales quarterly instead of monthly; however, Ford is now reporting monthly again. The brands and manufacturers in the table are ranked by their total Q4 2021 sales.

Rank	Auto Brand	Q4 2021	% Change from Q4 2020	2021 Year to Date	% Change from 2021 Year to Date
#1	Ford	483,171	-4.8%	1,804,824	-6.5%
#2	Toyota	408,709	-28.0%	2,027,786	+10.3%
#3	Chevrolet	284,265	-45.2%	1,422,031	-17.7%
#4	Honda	256,737	-20.9%	1,309,222	+8.2%
#5	Nissan	194,983	-19.8%	977,639	+8.7%
#6	Jeep	174,040	-18.6%	778,711	-2.1%
#7	Hyundai	167,747	-8.8%	787,702	+23.3%
#8	Ram	151,921	-16.2%	647,331	+3.6%
#9	Kia	145,891	-7.5%	701,416	+19.7%
#10	Subaru	121,008	-31.0%	583,810	-4.6%
#11	GMC	100,919	-37.7%	482,437	-6.4%
#12	BMW	93,031	-5.8%	336,644	+20.8%
#13	Volkswagen	84,336	-10.6%	375,030	+15.1%
#14	Tesla	78,700	+68.5%	314,000	+65.8%
#15	Lexus	65,670	-29.4%	304,475	+10.7%
#16	Mazda	59,543	-21.7%	332,756	+19.2%
#17	Chrysler	40,865	+18.1%	115,004	+4.1%
#18	Dodge	40,363	-35.9%	215,724	-19.3%
#19	Audi	33,184	-46.9%	196,038	+5.0%
#20	Land Rover	32,600	+12.8%	92,400	+13.7%
#21	Acura	30,469	-26.3%	157,408	+14.9%
#22	Buick	28,789	-34.8%	179,799	+10.5%
#23	Volvo	26,808	-26.6%	122,173	+10.9%
#24	Mitsubishi	24,861	+68.3%	102,037	+16.8%
#25	Cadillac	22,385	-47.8%	118,331	-8.6%
#26	Lincoln	20,967	-32.4%	86,929	-17.5%
#27	Porsche	18,410	+4.8%	70,025	+22.2%
#28	Genesis	15,301	+200.1%	49,621	+202.9%
#29	Infiniti	10,950	-46.5%	58,553	-26.4%
#30	Mini	7,860	-8.1%	29,930	+6.4%
#31	Jaguar	5,100	-13.6%	17,332	-21.9%
#32	Alfa Romeo	4,057	-33.4%	18,250	-1.8%
#33	Maserati	1,700	+30.8%	7,615	+32.1%
#34	Bentley	950	+35.7%	3,535	+21.3%
#35	Lamborghini	660	+20.0%	2,775	+24.6%

/// AUTOMOTIVE UPDATE

January 2022 www.mediagrouponlineinc.com

MONTHLY AUTOMOBILE SALES CHART

Rank	Auto Brand	Q4 2021	% Change from Q4 2020	2021 Year to Date	% Change from 2021 Year to Date
#36	Rolls-Royce	350	+40.0%	1,490	+27.4%
#37	McLaren	270	+8.0%	1,295	+3.6%
#38	Fiat	267	-63.6%	2,374	-44.8%
#39	Other	1,230	+47.3%	5,035	+40.6%
	Ford Motor Company	504,138	-6.4%	1,891,753	-7.0%
	Toyota Motor North America	474,379	-28.2%	2,332,261	+10.4%
	General Motors Corporation	436,358	-43.1%	2,202,598	-13.1%
	Stellantis	413,213	-17.5%	1,785,009	-2.3%
	Hyundai-Kia Automotive Group	313,638	-8.2%	1,489,118	+21.6%
	American Honda Motor Company	287,206	-21.5%	1,466,630	+8.9%
	Nissan Motor Company/Infiniti /Mitsubishi	219,844	-14.8%	1,079,676	+9.4%
	Volkswagen Group of America	137,540	-21.7%	647,403	+12.6%
	BMW of North America	101,241	-5.9%	368,064	+19.5%
	Mercedes-Benz USA	76,031	-20.2%	329,574	+1.1%
	Jaguar/Land Rover North America	37,700	+8.3%	109,732	+6.1%
	TOTALS	3,288,847	-21.4%	15,060,287	+3.3%

Source: Automotive News, December 2021

Sources: Automotive News Website 1/22; Axios Website 1/22; Inside Radio Website 1/22; TopElectricSUV Website 1/22; CNET Website 1/22