



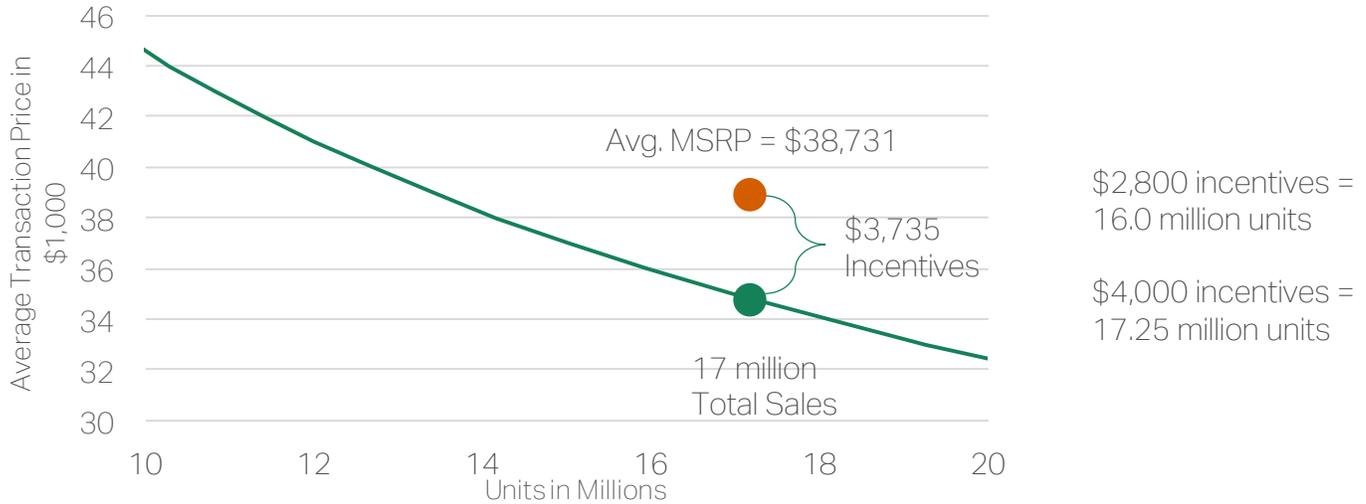
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Quarterly Market Report

Q1 2018

Industry Demand Outlook

ALG's proprietary industry demand curve reflects sales weighted MSRP less reported incentives, units sold, and the current macroeconomic outlook.



Key Insights

- ALG predicts 2018 will see a drop in sales of approximately 2% compared to 2017. Rising interest rates and the erosion of pent up demand are the primary drivers.
- The ALG demand curve displays the relationship between incentive spending and volume. In order to maintain flat sales vs. 2017 (17.25m), reported incentives would have to increase to \$4,000. Alternatively, disciplined production more aligned with natural demand would result in lower sales (16.0m) and lower reported incentives (\$2,800).
- In addition to the industry-level demand outlook, ALG works with manufacturers to prepare model level demand analysis to determine the optimal price/volume levels, achieve new market competitiveness, and strong resale values

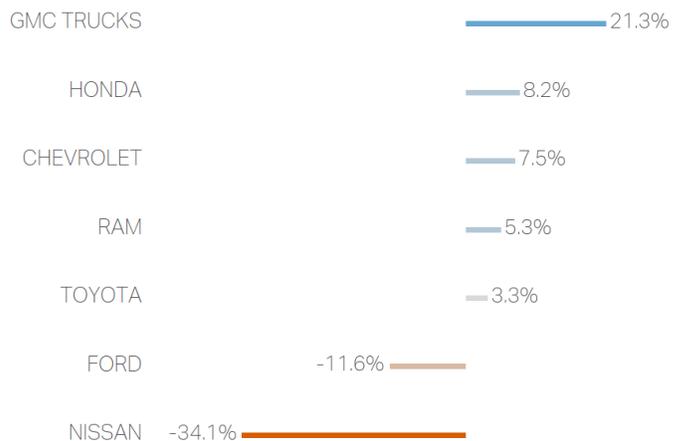
Brand Pricing Score Highlight - The Year of Pickups

The seismic shift in consumer demand away from passenger cars and towards light trucks is bolstered by the Detroit 3 each unveiling a new pickup truck expected to go on sale in 2018.

Key Takeaways

- Ford's re-entry into the midsize pickup segment presents an opportunity to expand its footprint in a segment dominated by imports
- Ram seeks to capitalize on the growing upper-end of the segment with the all-new Ram 1500
- Luxury amenities and active safety features like rear/surround camera, blind spot assist, and lane departure warning have improved the "livability" among trucks making them more appealing for consumers

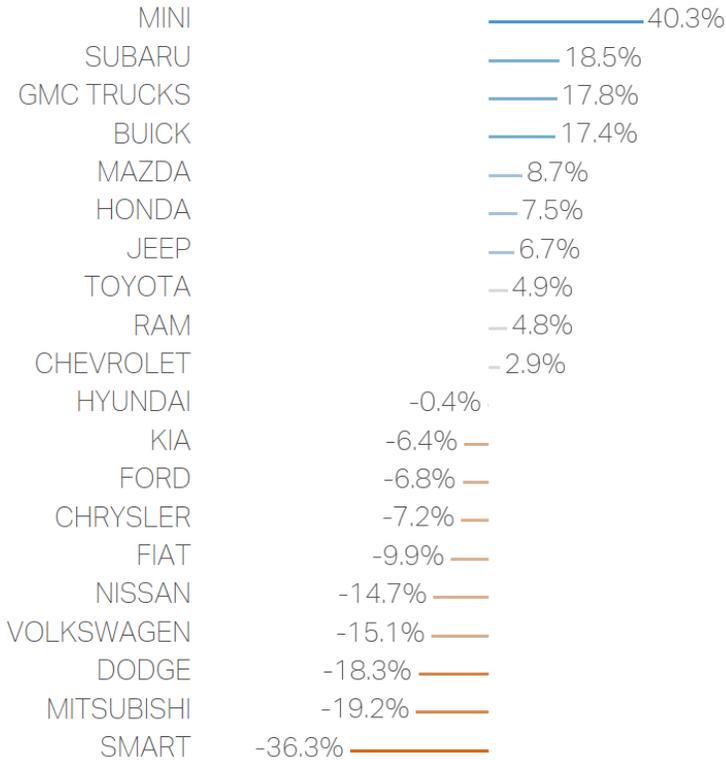
BPS Q4 2017



Brand Pricing Score

BPS measures the inherent value of a brand versus other brands within its competitive sector and super segment by analyzing average transaction prices for new vehicles and holding measurable factors constant.

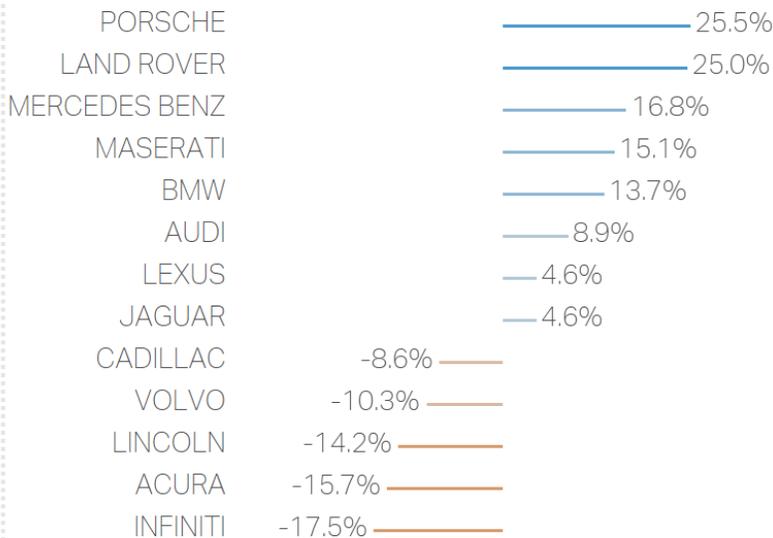
Mainstream Q4 2017



Key Insights

- Niche OEMs competing in a limited number of segments with a successful execution of brand identity occupy the top 5 positions in the mainstream sector
- Smart's single-model lineup in an underperforming segment is offered at a discounted price and positions the brand at the bottom of the sector
- By only offering vehicles in high-demand light truck segments, Jeep and Ram are taking advantage of the current market landscape
- Volkswagen continues to struggle without its premium priced TDIs. A refreshed lineup should help the brand rebuild its BPS score.

Luxury Q4 2017

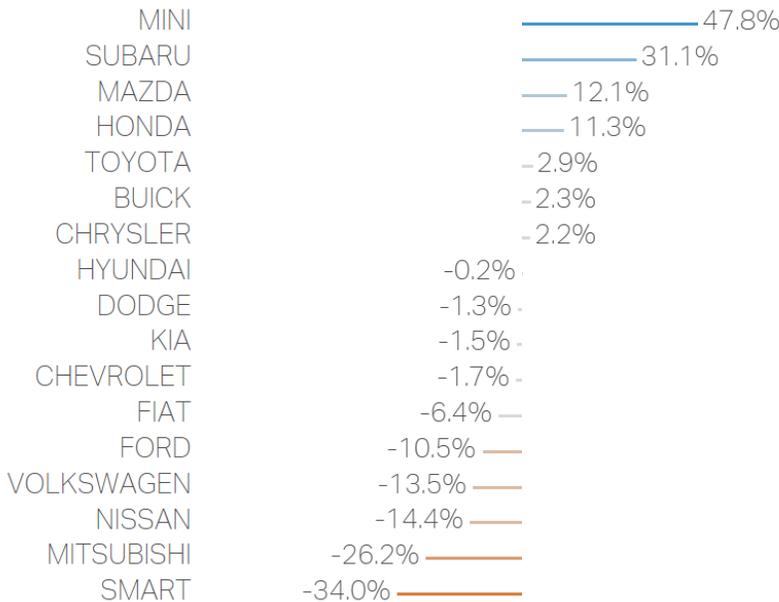


Key Insights

- Porsche and Land Rover have established strong brand value by focusing on products that reflect their core values
- Although still in the bottom sector, Volvo's new generation of vehicles with stronger transaction prices should result in BPS improvements moving forward
- Infiniti's aging lineup lands the brand at the bottom of the sector

Brand Pricing Score – Super Segments

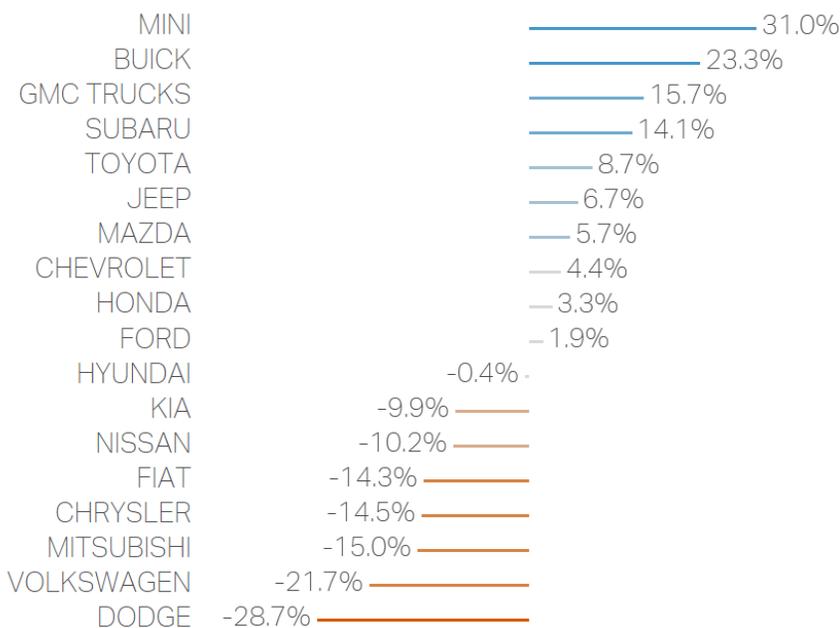
Mainstream Cars Q4 2017



Key Insights

- Mini's lead in the sector is a mix of a diverse model lineup focusing on individuality and sporty driving characteristics that transact well above its segment competitors
- Although Buick's premium nameplate resonates well in the utility segment, it lags behind mainstream brands in the car segments
- Mitsubishi's and Smart's Microcar entrants compete in a struggling segment, placing them at the bottom of the competitive super segment

Mainstream Utilities Q4 2017

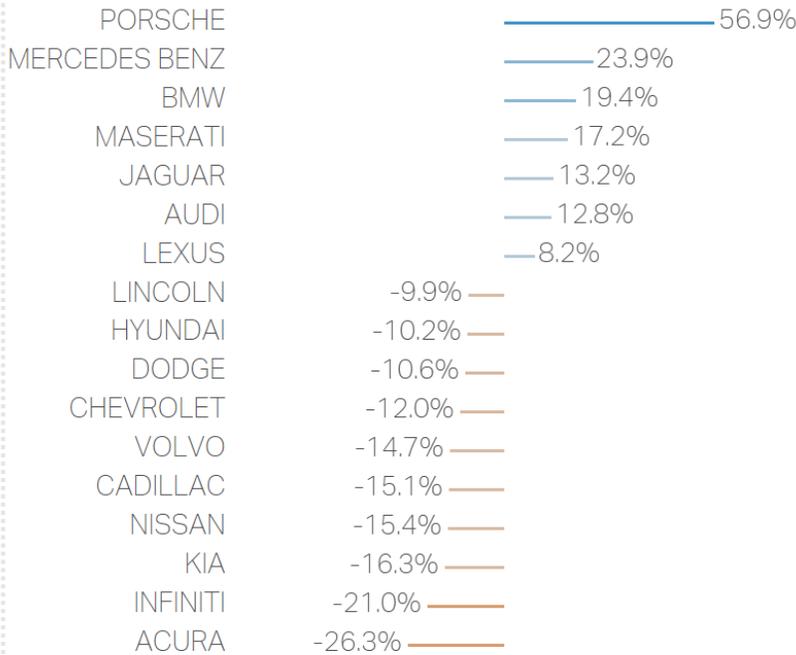


Key Insights

- Buick shows its strength in utility vehicles with a fresh portfolio
- Volkswagen's aged lineup positions the brand near the bottom of the sector, however it looks to gain ground with the redesigned Tiguan and all-new Atlas
- Jeep seeks to capitalize on the utility vehicle trend with redesigns of the Compass, Cherokee, and Wrangler

Brand Pricing Score – Super Segments

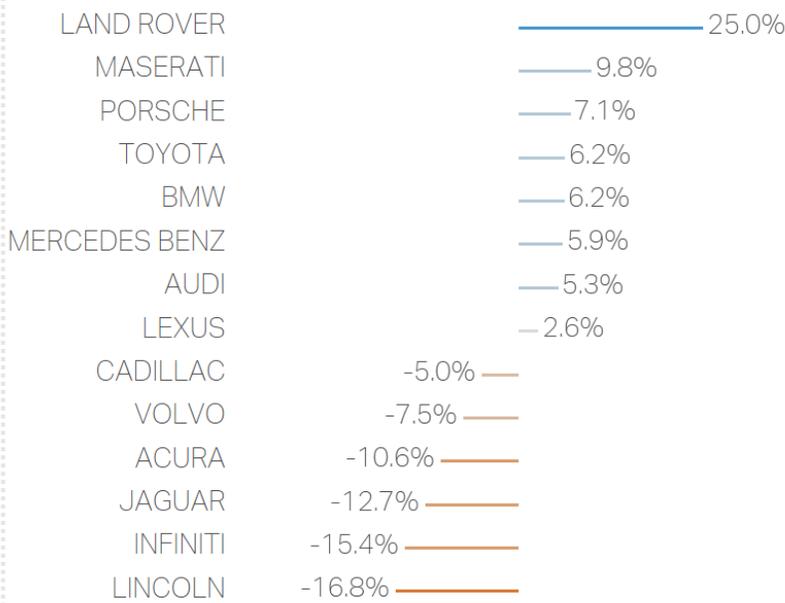
Luxury Cars Q4 2017



Key Insights

- Porsche brand value dominates the competition, fueled by a rich sports car heritage
- Mercedes-Benz and BMW achieve similar scores for their cars, highlighting the fiercely competitive nature of these rival German brands
- The introduction of the Continental has helped Lincoln's competitiveness, offering a preview of potential brand growth as the new design language rolls out across the portfolio
- Although mainstream brands like Chevrolet, Nissan, Kia, Hyundai, and Dodge have competitors in the luxury space, their transaction prices are typically lower than luxury competitors

Luxury Utilities Q4 2017



Key Insights

- Land Rover maintains its dominance due to redesigned offerings and strong performance variants
- Volvo's resurgence, beginning with the XC90, strengthens transaction prices
- Maserati's utility entrant, the Levante, holds a BPS premium to its primary competitor, Porsche
- Jaguar has an opportunity to improve its premium as it launches the E-Pace in the red-hot Premium Compact Utility segment
- Toyota's legendary and low volume Land Cruiser stands apart in a crowded market despite the non-luxury badge

Model Year 2019 Content Valuation Update

ALG continually strives to better understand trends and how they inform our practice of establishing and adjusting content values. As residuals are set for the 2019MY, 38 new features have been introduced to the comprehensive list of value-adding content.



This process derives from three triangular points including regression analysis, consumer feedback via AutoPacific's Future Attribute Demand Survey, and ALG's own independent valuation survey.

For more information, please visit alg.com or contact an ALG expert at industrysolutions@alg.com