

QUARTERLY INSIGHTS

Q1 2022: OUTLOOK REPORT



As the leading automotive media organization in the world, Hearst Autos connects

car buyers, owners, and enthusiasts to the information they need, the experiences they crave, and the stories they love—while connecting automotive marketers to this audience of unrivaled breadth and diversity.

With insight into the shopping activity of more than 30 million monthly visitors,¹ Hearst Autos has a unique view into emerging trends in consumer interest. We are thrilled to share a quarterly view on this ever-changing industry—from the top segments, brands, and models, to an unrivaled understanding of what car-shoppers really want.

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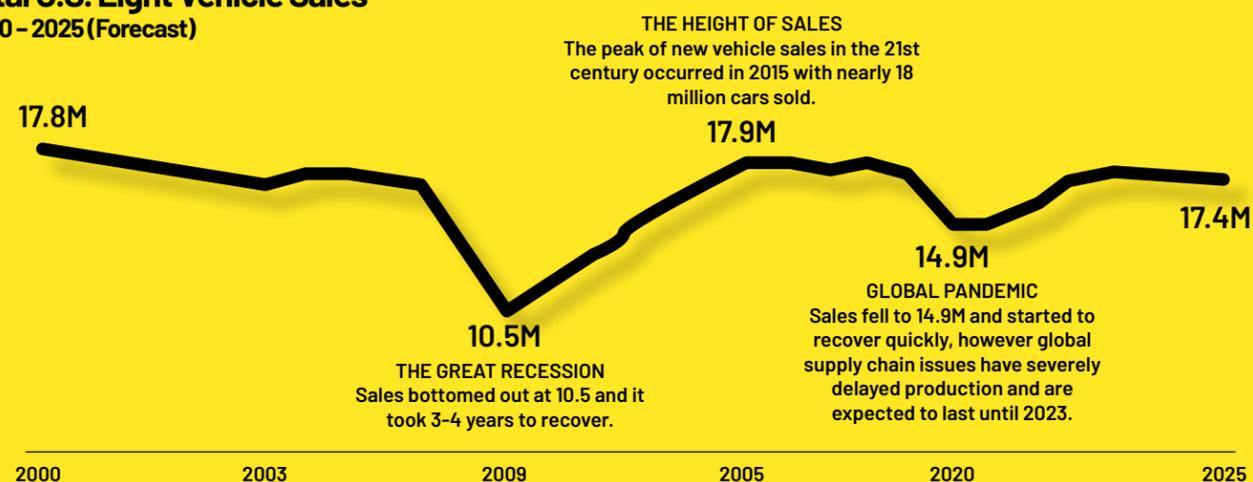
THE OUTLOOK

¹comScore Media Metrix, October - December, 2021

MARKETPLACE AT A GLANCE

If 2020 was defined by the onset of the global pandemic, then 2021 for the automotive industry will be defined by a semiconductor chip shortage that led to lingering supply chain issues. In fact, these disruptions have had ripple effects from new vehicle production and inventory levels on dealer lots, to vehicle pricing, used car supply and values, and much more. Despite all of this, U.S. automotive sales rebounded by half a million units compared to 2020, but still fell two million units below pre-pandemic levels. For 2022, U.S. new vehicle sales are projected to fall between 15.4 and 16 million and aren't expected to return to 17 million units until 2023 or later.

Total U.S. Light Vehicle Sales 2000 – 2025 (Forecast)



Unlike other historical market dips, today's challenges are not marked by a lack of consumer confidence or purchasing power. Demand is high, and had it not been for the supply chain obstacles we've been facing over the past 12 – 15 months, the auto market would likely have recovered in record time, especially when compared to the Great Recession where the market took roughly five years to recover.

The average gas-powered vehicle has about 1,000 chips, and electric vehicles can have more than double that number.

NUMBERS TO FOLLOW FOR THE NEW CAR MARKET:

+3 – 5%

Expected growth in new vehicle sales volume in 2022, with a range of 15.4 – 16.0 million units.

\$45K¹

New vehicle pricing has reached a record-high and used vehicles averaged \$27,500 in 2021, a combined price increase of 37%.

9.5%²

Alt. fuel accounted for nearly 10% of 2021 sales, with EVs representing 1/3 of that.

In this highly unusual market with strong demand and low supply, prices are climbing rapidly and pushing inflation beyond its normal rates. At the same time, consumers are purchasing more expensive luxury, and larger sized vehicles loaded with technology and comfort features. As a result, there are now as many luxury brands as mainstream in the U.S. market, and J.D. Power reported that SUVs, CUVs, and pickup trucks accounted for a record 80% of new vehicle sales in December, and 78% for the year.

Incentive Spend¹

\$1.6K

Average incentive spending per vehicle dropped to a new low in December, 2021 and continued to fall to \$1.3K in January, 2022.

<3% of MSRP

Incentives have fallen to 2.9% of total MSRP at best, more than five percentage points below last year and down seven to eight percentage points from a normal year.

Sources: ¹J.D. Power, January 2022

Sales of fully electric vehicles grew 82% in 2021, reaching more than 420K units and accounting for 3% market share. In December, Tesla Model Y and Model 3 cracked the list of Top 15 selling U.S. light vehicles, and Model Y has already jumped to 10th in January 2022. Tesla nearly overtook BMW as the top luxury brand in December, but was able to leap to #1 in both luxury and EV brand sales in January.

December 2021

TOP 15 LIGHT VEHICLES SALES VOLUME

F SERIES	60,805
RAM PICKUP	49,929
SILVERADO	42,626
RAV4	34,609
GRAND CHEROKEE	25,165
CR-V	25,056
SIERRA	22,226
CIVIC	20,886
EXPLORER	20,715
CAMRY	20,074
TACOMA	19,423
HIGHLANDER	19,270
MODEL Y	18,000
MODEL 3	17,000
ROGUE	16,882

January 2022

TOP 15 LIGHT VEHICLES SALES VOLUME

F SERIES	48,941
RAM PICKUP	39,786
SILVERADO	34,016
RAV4	29,457
GRAND CHEROKEE	24,647
CAMRY	19,665
HIGHLANDER	17,161
SIERRA	17,105
EXPLORER	16,255
MODEL Y	15,691
COROLLA	15,368
TACOMA	15,285
CIVIC	13,599
WRANGLER	13,556
FORESTER	13,531

Sources: ¹J.D. Power, January 2022 ²NADA, January 2022

MARKET SHIFTS IN A CHAOTIC YEAR

Declining loyalty has been another side effect of the pandemic as consumers have to balance their vehicle preferences with available inventory. With an eight-year low of only 51% loyalty across all brands, this is helping brands such as Kia and Hyundai (~20% sales growth) that had the product to sell in key segments such as Crossovers and SUVs.

It also represents an opportunity for automakers to focus on building their brands and differentiating themselves from competitors on attributes other than lowest price or incentives. The inventory shortage has shown that customers are willing to pay above sticker price and at least in the short-term, no longer expect to be able to find a great deal. Despite the challenges this has presented to consumers, it has been very profitable for automakers and dealerships. Here are a few of the bigger shifts we saw as a result:



TOYOTA

Toyota leapfrogged GM to become the top-selling automaker in the U.S. for the first time ever. **GM held the title for 90 years** (back to 1931).



Ford became the #2 EV selling brand in America behind Tesla and announced plans to double production of the **F-150 Lightning** and triple production for the **Mustang Mach-E**.



BMW held the luxury sales lead for the third straight year, followed closely by Tesla, which increased sales by 87% and moved ahead of Mercedes-Benz and Lexus.

“**In a recent Hearst Autos survey, 41% of those interested in buying or leasing an EV expressed interest in a Ford Mustang Mach-E.**”



TOP-SELLING BRANDS IN 2021

BRAND	2021 U.S. SALES	% CHANGE vs. 2020
Toyota	2,027,786	10%
Ford	1,819,026	-6%
Chevrolet	1,437,677	-17%
Honda	1,309,222	8%
Nissan	919,086	12%
Jeep	778,771	-2%
Hyundai	738,081	19%
Kia	701,416	20%
RAM	647,331	4%
Subaru	583,810	-5%

Toyota +10% // Toyota sold more than 2 million vehicles. RAV4 accounted for 20% of sales volume and Highlander increased 24%. Camry and Corolla increased 7% and 5%, respectively. Sienna (+152%) was the Minivan segment sales leader for the first time in 5 years.

Ford -6% // Sales of the F-150 Pickup dropped -8% and Escape dropped -19%. The bright spots were Ford Bronco and Mustang Mach-E with 130K incremental sales from 2020.

Chevrolet -17% // Silverado Pickup sales decreased -11% and Equinox was down -39%. Trailblazer sales exploded +163% and Tahoe and Suburban sales jumped 20% and 28%, respectively. Chevy sold only 22K Bolt EVs in 2021.

Honda +8% // CR-V accounted for 28% of Honda sales in 2021 and HR-V posted a 63% sales gain. Civic and Accord were nearly flat year-over-year and Odyssey sales dropped -9%.

Nissan +12% // Frontier, Sentra, Rogue sales increased by 65%, 35% and 25%. However, sales of Nissan's larger SUVs struggled. Leaf EV sales increased 49% year-over-year.

Jeep -2% // Grand Cherokee and Wrangler accounted for 60% of Jeep's sales volume. Gladiator sales increased 16% while Cherokee and Compass fell 34% and 30%. In the fourth quarter of 2021, the new plug-in hybrid 4xe accounted for 25% of Wrangler sales.

Hyundai +19% // Every model in the Hyundai lineup increased sales volume in 2021, except for Veloster. Venue and Ioniq sales grew ~50% and the all-new Santa Cruz added 10K incremental sales.

Kia +20% // Kia K5 sales tripled in 2021. Niro sales jumped 50% and Telluride climbed 25%. Carnival added 24K incremental sales. Forte was Kia's top selling model, up 36% year-over-year.

RAM +4% // RAM Pickup outsold Chevrolet Silverado by 50K units in 2021. Sales of Promaster and Promaster City increased 25% and 40% year-over-year.

Subaru -5% // WRX sales increased 28%, but higher volume models in the Subaru lineup lost ground in 2021: Forester -13%, Ascent -20% and Impreza -20% year-over-year.

A few luxury brands achieved sales growth of **20% or more in 2021**, despite not driving the highest sales volume:

Genesis +203% // GV80 and GV70 sold 31K units and accounted for nearly two-thirds of Genesis sales. The G80 sales grew 80% and G70 was up 14%.

Maserati +47% // Levante sales climbed 80% and now accounts for ~60% of Maserati U.S. sales. Quattroporte sales also jumped 92% year-over-year.

Porsche +22% // Every Porsche model increased sales in 2021, except for Cayenne -4%. Taycan sales increased 113%, Boxster was up 36% and Macan +33%.

BMW +21% // BMW X3 and X5 sales grew 20 – 27% and accounted for 4-in-10 of BMW U.S. sales. 4-Series sales skyrocketed 127%, while 5-Series sales fell -8% year-over-year.

For retailers, this should be the best year ever, (Tight) inventory is driving the pricing dynamic. We don't expect to see that improve until at the earliest, in Q4 of this year.

– Tyson Jominy, vice president data & analytics, J.D. Power



HEARST AUTOS SHOPPING ACTIVITY

Hearst Autos measures shopper interest based on sessions, visitors, and pages viewed for every vehicle on the market in the U.S. across our in-market portfolio of sites.

Kia Telluride was the top shopped model across Hearst Autos sites in 2021, followed by Ford F-150 and Bronco. It's the second year in a row that a full-sized or rugged SUV has been the highest shopped vehicle, outranking the top-selling truck in America. As highly anticipated launches, both Toyota Tundra and Ford Mustang Mach-E were the biggest movers among the top 10 vehicles.

Top 10 Segments in Consumer Interest	2021 Rank	2020 Rank
Kia Telluride	1	2
Ford F-150	2	4
Ford Bronco	3	1
Honda CR-V	4	3
Toyota Tundra	5	48
Jeep Grand Cherokee	6	11
Chevrolet Corvette	7	5
Mazda CX-5	8	10
Jeep Wrangler	9	7
Ford Mustang Mach-E	10	75

As we've been tracking over the past year, Luxury EV Car closed out the full year with the strongest growth among top segments, and has a few new entries to thank for driving ongoing consideration. The Midsize Pickup Truck segment (+22%) was one of the biggest segment movers during Q4 2021, driven largely by increased interest in the Ford Maverick, which won the North American Car, Utility and Truck of the Year (NACTOY) award for 2022 Truck of the Year.

TOP 10 SEGMENTS IN CONSUMER INTEREST	% Share Q4 2021	% Change vs. Q3 2021
Compact SUV/CUV	7.6%	-3%
Full-Size SUV/CUV	7.1%	-3%
Full-Size Pickup Truck	5.2%	-13%
Luxury EV Car	4.7%	28%
Midsize SUV/CUV	4.3%	-2%
Midsize Pickup Truck	4.2%	22%
Full-Size Luxury SUV/CUV	4.1%	1%
Off Road	3.7%	-6%
Midsize Luxury SUV/CUV	3.6%	-6%
Midsize Sedan	3.4%	0%

EV SEGMENTS CONTINUE TO GROW, Q4 VS. Q3 2021

Among 45 segments measured by Hearst Autos, electric vehicles are consistently showing significant movement in share of interest and rank, signaling wider consumer consideration and adoption for EVs in all shapes and sizes.

Segment	% Change in Share	+ / - Rank
Electric Truck	35%	+3
EV Crossover	31%	+8
Luxury EV Car	28%	+4

As more entries flood the market over the next 2 - 3 years, we'll continue to evolve the segment classifications according to the most relevant and competitive sizes, body styles, price points, and features.

KEY VEHICLES DRIVING GROWTH IN SHOPPER INTEREST

Among the growing EV segments, the following new and future models are driving up consumer interest for the entire category:



ELECTRIC TRUCK

- Rivian R1T (+43% in share)
- GMC Hummer EV SUT (+7% in share)
- GMC Sierra EV (new segment entrant)



EV CROSSOVER

- Toyota bZ4X (+129% in share)
- Subaru Solterra (+56% in share)
- Nissan Ariya (+7% in share)



LUXURY EV CAR

- Lucid Air (+150% in share)
- Mercedes-Benz EQS (+69% in share)
- BMW i4 (+66% in share)

EVs CHARGING AHEAD

EV competition is fiercely arriving in the U.S. market, and it isn't just driven by Tesla, whose market cap reached \$1 Trillion in Q4 of 2021. Nearly all brands are introducing major EV rollouts and even restructuring their businesses around their electric future. There are no signs of slowing down, in fact, more than 50 new EV models will enter the U.S. market by 2024, with 2022 being a big year for introductions.

BRAND + MODEL	EST. TIMING	MSRP (STARTING)	EPA RANGE*
Rivian R1S	Q1	\$70K	316 miles
Kia EV6	Q1	\$45K	310 miles
BMW i4	Q1	\$56K	301 miles
BMW iX	Q1	\$84K	324 miles
Nissan Ariya	Q2	\$40K	300 miles
Ford F-150 Lightning	Q2	\$40K	300 miles
Cadillac Lyriq	Q2	\$60K	300 miles
Mercedes EQB	Q3	\$48K	240 miles
Toyota bZ4X	Q3	\$40K	250 miles
Subaru Solterra	Q3	\$46K	220 miles
Genesis GV60	Q3	\$55K	270 miles
Mercedes EQE	Q4	\$80K	370 miles
Genesis GV80 Electrified	Q4	\$60K	250 miles
Polestar 3	Q4	\$65K	300 miles
Lexus RZ 450e	Q4	\$55K	250 miles

Summary data from Green Car Reports, EVs Arriving in 2022, January 2022
*estimated EPA range up to



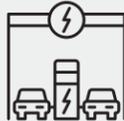
Demand and consideration for EVs is growing, and it's not just online shopping behavior that is leading us here. A recent Hearst Autos survey found **70% of "in-market" shoppers today are at least somewhat interested in purchasing or leasing an EV for their next vehicle, with nearly half being "very" or "extremely" interested.**

“The best hybrids and plug-in hybrids don't just provide better fuel economy than gas-only models, some even have significant performance benefits.”

— Car and Driver, from Car and Driver's "Best EVs and Hybrids of 2022"

EVs CHARGING AHEAD

Consumer adoption is taking off, but there is still a lot of education needed to ease the top concerns that shoppers are still grappling with:

 <p>Driving range / distance on charge</p>	 <p>Ease of finding and using public charging</p>	 <p>High upfront costs</p>
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There continue to be gaps in understanding real-life use cases for range and charging, what the infrastructure looks like, and what the real cost of ownership entails. Between government, manufacturers, and utilities, there is a big opportunity to illustrate real world experiences of owners, from purchase to daily charging and driving, to the long-term cost and environmental benefits.

The infrastructure bill passed by the U.S. Congress in November, 2021 included \$7.5 Billion to help build 500k charging stations, which is meant to help accelerate the transition to EVs. OEMs are also investing heavily in EV technology, and in many cases, they're transforming their entire product line to an all-electric future.

-  **VW \$100B investment for EV technology over the next five years**

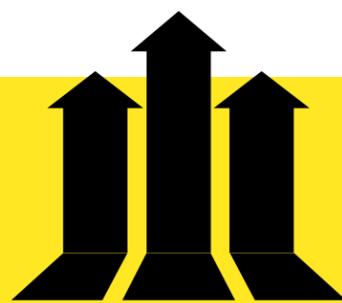
-  **Toyota investing \$70B for electrification push towards 30 EVs by the end of the decade**

-  **Lexus will be all-EV sales by 2035**

-  **Ford \$30B investment in EVs and has announced it will split its electric division, dubbed Model e, from its Ford Blue (gas and diesel) division**

-  **GM to invest \$35B for both product and infrastructure, and increase EV production to 1M by 2025**

-  **BMW plans to double EV sales in the next 2 years and offer at least one EV option in nearly every vehicle segment by 2023**



The momentum is already well underway, and public and private funding for EVs continues to increase to support production, infrastructure, and adoption.

AWARD SEASON

Award season is upon us in more ways than entertainment, and at Hearst Autos we have a number of partners that provide a round up of some of the best in class vehicles ranging from factors such as "fun to drive" to "cost of ownership" to "best cargo space" in order to meet various consumer needs. From high-performance brands to family-friendly vehicles, these extensive reviews and accolades offer consumers an easier way to navigate all the options on the market today.

 <p>10Best, Lightning Lap, EV of the Year, Editors' Choice</p>	 <p>Performance Car of the Year (PCOTY)</p>	 <p>Best Cars for Families, Best Cars for the Money, Best Vehicle Brands</p>	 <p>Automotive Excellence Awards</p>	 <p>Best New Family Cars</p>
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- SOME OF THE TOP VEHICLES GETTING MULTIPLE MENTIONS:**
- Kia Telluride
 - Ford Bronco
 - Honda Accord
 - RAM 1500 and 1500 TRX
 - Volkswagen Golf GTI
 - Hyundai Santa Fe
 - Honda Civic and Civic Si
 - Subaru Outback
 - Volvo XC40 and XC40 Recharge
 - Ford Mustang Mach-e

CONSUMERS ARE LOOKING FOR ADVICE: When it comes to shopping for cars, the options are seemingly endless and consumers are turning to experts to help formulate and narrow their consideration set. When asked in a Hearst Autos survey what lists and topics are of help to them, they cited the following:

- **Vehicle reliability, performance, and quality**
- **Vehicle cost, price, and value**
- **Test drive ratings**
- **Brand reputation**
- **Dealership service**

MAKING PURCHASE DECISIONS
Nearly 4-in-10 consumers "feel more secure in my purchasing/leasing decision" when a vehicle or brand has won an award, with another one-third stating that it makes them "consider that vehicle for purchase or lease."



THE OUTLOOK

With a market aiming to reach 16 million in vehicle sales this year, there's a mix of cautious optimism in what has been a shaky start to the new year. Here are the factors we're considering as we look ahead in 2022.

THE GOOD.

Consumer demand remains high

Cars are selling about as fast as dealers are receiving inventory and profitability is minimizing production losses.

Greater equity on trade-ins

For those who are able to trade in and get a replacement, values are higher than ever (\$9,852 on average).

Low financing rates / good credit availability

Interest rates have dropped and the average rate on car loans is 4.14%.

A light in the pandemic tunnel

Although there's uncertainty about future variants, the current outlook is optimistic with recent cases starting to drop faster than other waves.

THE BAD.

Production is still lagging behind

More than half of deliveries to dealerships are selling within the first 10 days, with an average of 19 days in dealer possession.

Transaction prices and inflation in general is on the rise

Average new car prices are near \$45k and used cars are falling between \$26 – \$28k on average, up 45% from last year.

THE UNKNOWN.

Further supply chain disruptions

- Semiconductor shortages will continue, not just from the existing backlog, but from political turmoil (Ukraine is a major source of neon gas, used in the production of semiconductor chips).
- Russia is an exporter of palladium, an element used in catalytic converters and Ukraine is also an exporter of graphite, which is used in lithium-ion batteries.
- Backlogged ports and shipping woes (fires, capsizing, etc.), though not the biggest disruptor, can have a bigger impact when supply is already so low.

Gas prices

- Gas prices across the country have already been pacing up 40%+ over the past year and are now averaging above \$4/gal.
- Russia/Ukraine war is likely to drive oil prices higher; Barrel prices have already topped \$110 and surpassed levels not seen since the recession started in 2008.





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