QUARTERLY INSIGHTS

Q2 2022: WRAP-UP REPORT

HEARST AUTOS

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 nearly 23 million monthly visitors, 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.

WHAT'S INSIDE

[1] comScore Media Metrix, January - June, 2022

MARKETPLACE AT A GLANCE

It was a challenging first half of 2022 for the auto industry. New vehicle inventory has been stuck at 1.1 million vehicles for six consecutive months, falling short compared to the first half of 2021 by 160,000 units, and down 1.5 million from the same period in 2020. Slow recovery in the supply chain caused analysts to start cutting annual forecasts beginning in April, and again in June, now estimating total light vehicle sales will be shy of the initial forecast by more than 1.5 million units. This would bring sales below the 2020 pandemic rate of approximately 14.6 million.

At the same time, inflation has reached a 41-year high, with new vehicles and gas prices being major contributors to the 9% year-over-year growth in inflation. The Federal Reserve raised interest rates by three-quarters of a percentage point in June — the largest rate hike since 1994, with the expectation that there's likely more to come before the end of the year.

NUMBERS TO FOLLOW FOR THE NEW CAR MARKET

14.4M

New vehicle sales forecasts have been lowered twice in the second quarter, now estimating 2022 unit sales will fall below the 2020 pandemic levels.

18%

Luxury market share has hit record levels (prior years range between 13 – 15%), as financially secure buyers dominate the market and opt for premium (and EV) cars.

$48K

The average price of new vehicles hit a record high of $48,083 in June (up ~15% from last year), fueled by constrained supply and continuous growth in luxury.

In what appears to be an inverse market from what we experienced just two years ago, demand still remains strong despite record-high pricing and low supply of both new and used cars. Given these market conditions and the fact that consumers are still knocking on the doors of dealers, automakers are not offering traditional sales events or seasonal discounts to lure customers in. Furthermore, they're experiencing record-level profitability as a result.

> **Blame inflation and supply-chain issues, but U.S. buyers are increasingly willing to take on long loan terms and high monthly payments to get their hands on a new vehicle.**
>
> — Sebastian Blanco, *Car and Driver*, July 2, 2022

PRODUCTION & SALES IMPACT

Total sales for the first half of 2022 came in at 6.8 million vehicles, an 18% decrease from last year and a selling rate of only 13.7 million for the year. Automotive News reported that virtually every manufacturer, with the exception of Tesla, saw sharp declines in the first half. Still, Toyota emerged as the brand sales leader, outselling both Ford and Chevrolet. At a corporate level however, the race was tight and General Motors pulled ahead of Toyota Motor N.A. in both the first half and second quarter. Given Toyota's recent production cuts, GM may be able to win back the number one spot in 2022, after losing ground to Toyota in 2021 for the first time in almost ninety years.

The top ten brands for the first half were all mainstream, while Tesla, Mercedes-Benz, and BMW held the #12, 13, and 14 spots. Tesla outsold Mercedes and BMW again, holding the lead among all luxury brands and outselling them by less than 70,000 units.

TOP 10 SELLING BRANDS	SALES H1 2022	% CHANGE vs. H1 2021
Toyota	914,609	-19%
Ford	872,927	-8%
Chevrolet	731,615	-15%
Honda	453,347	-39%
Jeep	379,984	-7%
Nissan	362,447	-34%
Hyundai	343,867	-16%
Kia	333,340	-12%
RAM	276,025	-21%
Subaru	263,795	-18%

With higher gas prices in the first half of the year, sales of Large Pickup trucks fell 15% and electric vehicle sales grabbed 5% market share, nearly doubling its share from the first half of 2021. Despite that, the top 3 selling light vehicles are still domestic trucks, Ford F-Series, Chevrolet Silverado, and Ram 1500.

> **"Not even a 17 percent decline could knock the F-series lineup from its place atop the sales rankings."**
>
> — Joey Capparella, *Car and Driver*, July 5, 2022

There were some bright spots as well, especially for new model launches, electric luxury vehicles, and re-designed models:

Ford Bronco **+6,747%**	Genesis GV70 **+1,338%**	Chevrolet Bolt EUV **+1,050%**	Tesla Model S **+208%**	Polestar 2 **+640%**
Mercedes S-Class **+541%**	Toyota 86 **+497%**	VW Taos **+466%**	Tesla Model X **+324%**	Mitsubishi Outlander **+116%**

The **fastest growing automotive brands** in H1 2022 for sales featured electrictrified vehicle lineups and luxury crossovers.

Polestar

+637%

H1 2022 sales nearly matched its full-year volume from last year

TESLA

+68%

Every vehicle in the Tesla lineup had at least double-digit growth year-over-year

GENESIS

+33%

GV70 was the top volume selling vehicle and also had the most growth (+1,338%)

> **From a profitability standpoint, the first half of 2022 has set records for both retailers and manufacturers as vehicle prices continue to rise, manufacturer discounts get even smaller.**
>
> — Thomas King, president of data and analytics at J.D. Power

THE USED CAR MARKET

Manufacturers and dealers continue to be profitable as consumers pay sticker price (or above) for a new vehicle, and used car prices have demanded double-digit growth year-over-year. But many industry experts are starting to see cooling in used pricing as supply starts picking back up. June inventories were actually 5% higher than the previous year, and days' supply in low-to-mid price ranges was climbing back to the 40s. Supply at higher price points is back to days' supply in the 50s and 60s ranges.

Still, higher prices are the "new normal," given the slow production recovery on the new side caused by chip shortages and other supply chain issues. This trend will continue into 2024, when used supply will be much stronger, but still likely to remain below 2019 levels.

NUMBERS TO FOLLOW FOR THE USED CAR MARKET

37.1M[1]
After already adjusting the used forecast down to 39M in April, Cox Automotive adjusted the used sales forecast down again in June based on market conditions.

-18%[1]
Similarly, after closing out the first half of the year, analysts have adjusted CPO sales down to 2.3M (from 2.8M in April), an expected 18% decrease compared to last year.

36%[2]
With the average price of used vehicles hovering around $28k, gross profits per used car sold for a dealer are up 36% year-over-year.

> **"The lack of supply is still the greatest headwind facing the auto industry today."**
>
> — Charlie Chesbrough, Cox Automotive senior economist

Sources:
[1]Cox Automotive Vehicle Sales Forecasts, June 2022
[2]NADA Data via Automotive News, January 2022

HEARST AUTOS SHOPPING ACTIVITY

Interest in SUV/CUVs remained strong among Hearst Autos' shoppers in the first half of 2022, but rising fuel prices started to impact auto shopper behavior in late February and continued through the first half of the year. Most notably, Full-Size Pickup Trucks fell out of the top 10 segments in June and dropped **28%** in the second quarter, while Compact Cars and Compact Performance Cars saw more than **20%** growth. Midsize Luxury SUV/CUV and Luxury EV Cars were the only other top 10 segments to see a lift in consumer interest.

TOP 10 SEGMENTS IN CONSUMER INTEREST	% Share Q2 2022	% Change vs. Q1 2022
Compact SUV/CUV	7.7%	-1%
Full-Size SUV/CUV	6.2%	0%
Compact Car	4.5%	24%
Midsize SUV/CUV	4.3%	-13%
Luxury EV Car	4.2%	6%
Midsize Luxury SUV/CUV	4.0%	11%
Compact Performance	3.6%	21%
Full-Size Luxury SUV/CUV	3.3%	-15%
Subcompact SUV/CUV	3.2%	22%
Off Road	3.2%	-16%

VEHICLE SEGMENTS THAT ARE TAKING OFF, Q2 2022 VS. Q1 2022

Among 45 segments that we measure at Hearst Autos, these five emerged in highest growth from Q1 to Q2 2022. Hybrid Cars saw the biggest jump in consumer interest since Q1 2022, likely driven by rising gas prices caused by global inflation and Russia's invasion of Ukraine.

Segment	% Change in Share	+ / - Rank
Hybrid Car	50%	+5
Luxury Sport	48%	+6
Luxury EV Crossover	41%	+8
EV Car	41%	+5
Compact Car	24%	+5

Luxury EV Crossovers and EV Cars also saw 41% growth in shopper interest, and have been among some of the fastest-growing segments over the past year. When looking across all electric vehicle segments combined, shopper interest in EVs is falling just shy of 14%, and represents 30% growth when compared to last year.

KEY VEHICLES DRIVING GROWTH IN SHOPPER INTEREST

There are key vehicles that are responsible for driving the increases we're seeing in some of the high-growth segments. Some are related to upcoming launches or refreshes, while others are driven more by availability in today's market.

HYBRID CAR
- Toyota Prius Prime
- Hyundai Ioniq Hybrid
- Honda Insight

LUXURY SPORT
- Toyota Supra
- Chevrolet Corvette
- Porsche Cayman

LUXURY EV CROSSOVER
- Mercedes-Benz EQB
- Cadillac Lyriq
- Polestar 3

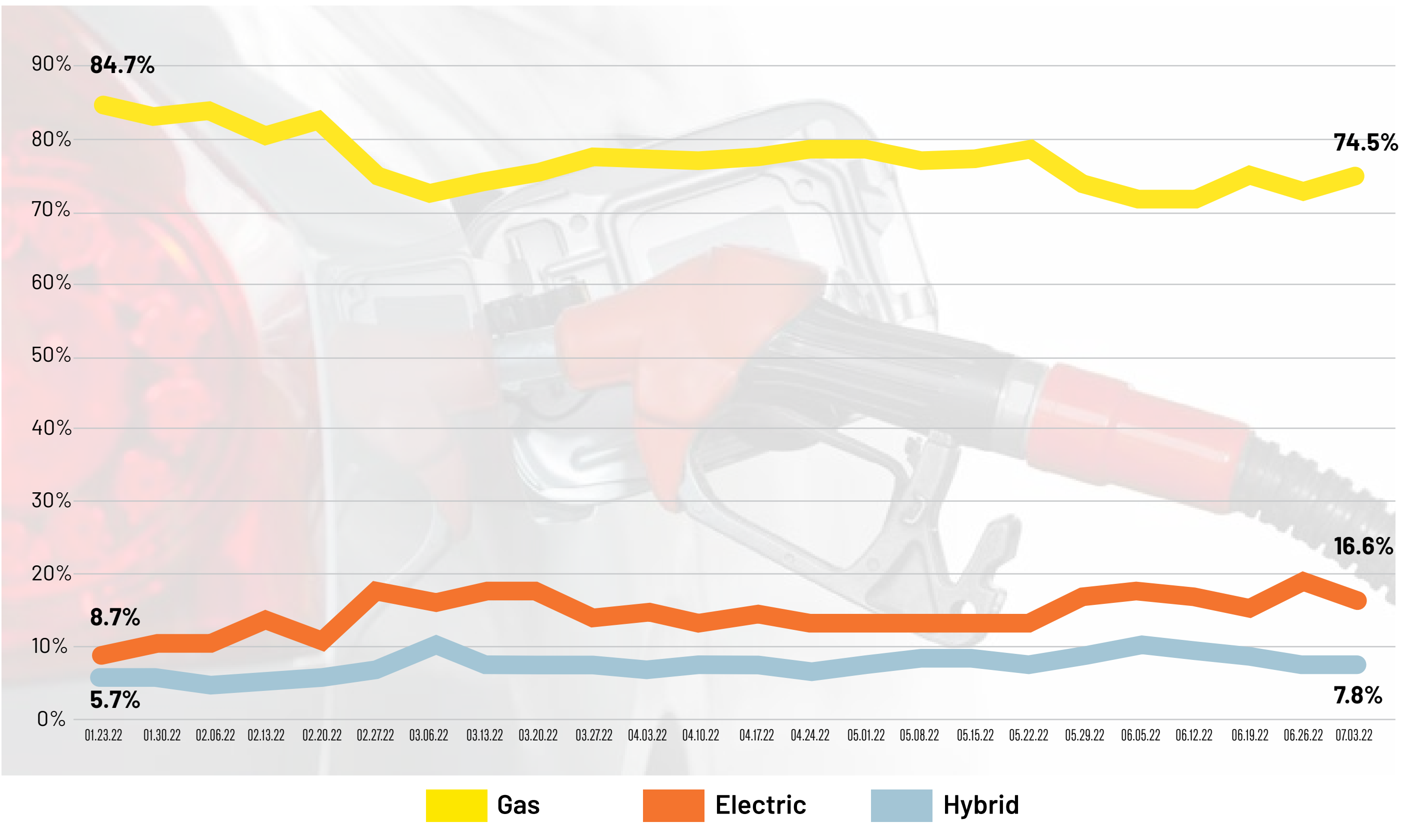
EV CAR
- Hyundai Ioniq 6
- Chevrolet Bolt
- MINI Cooper SE

COMPACT CAR
- Subaru Impreza
- Kia Forte
- Honda Civic

GAS PRICES AND THE IMPACT ON CONSUMER SHOPPING BEHAVIOR

Across Hearst Autos' audience, internal-combustion engines (ICE) or gas-fueled vehicles consistently represented **more than 80% of the cars** that consumers were looking at on our sites prior to Russia's invasion of Ukraine. In the weeks that followed, interest for these vehicles dropped ten percentage points and there was a spike in consumer interest for Hybrid and Electric vehicles.

WEEKLY SHOPPER INTEREST BY FUEL TYPE OR TECHNOLOGY

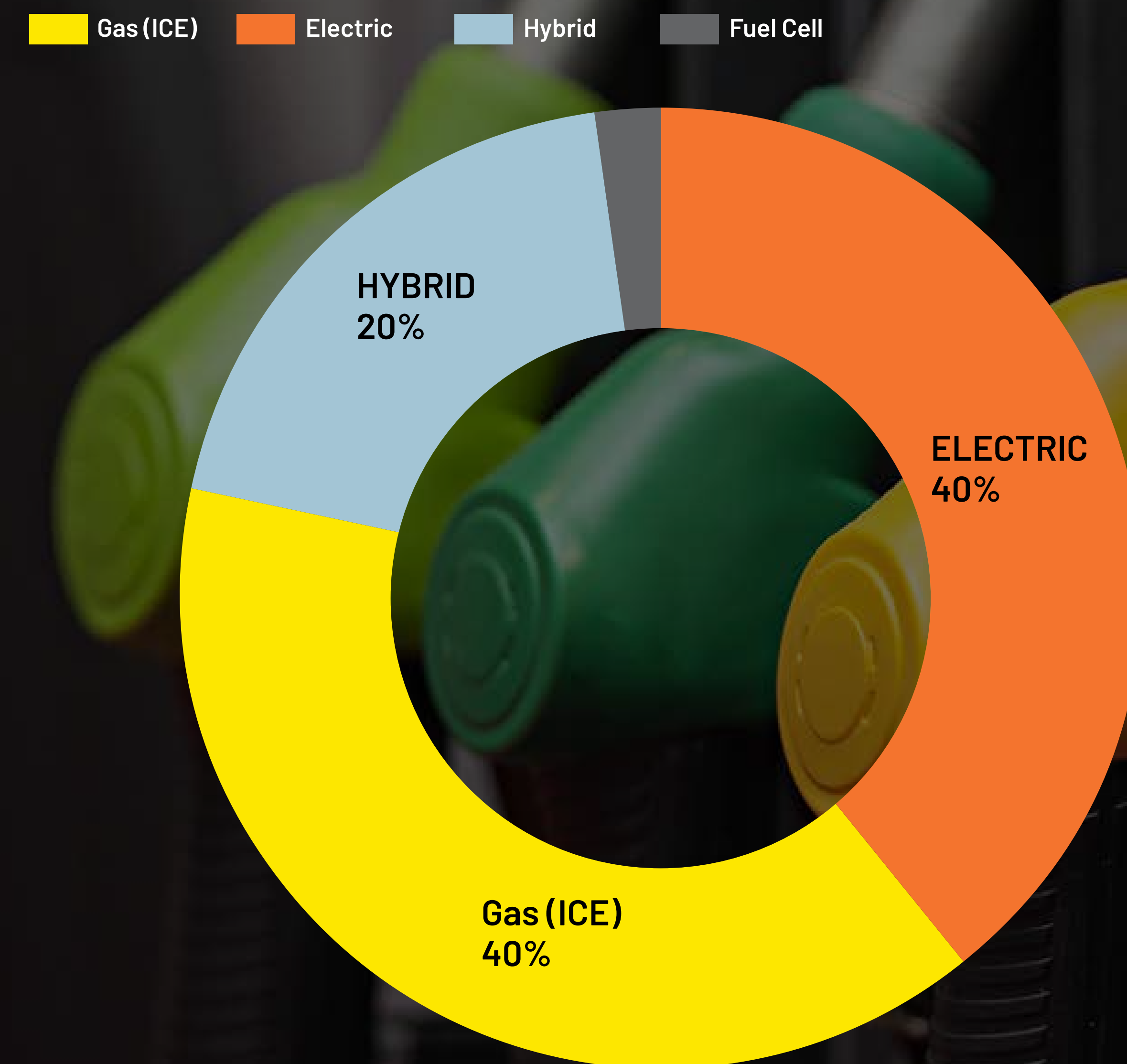


Aligning with the **50% growth in Hybrid interest** during the second quarter, this long-standing technology meets the needs of consumers that are looking to balance fuel efficiency and affordability, given today's record-high new vehicle and gas prices.

In the annual Bank of America Merrill Lynch "*Car Wars*" study, analysts predict that automakers will launch roughly 245 new models over the next four years, at an average rate of 61 per year. That's **50% higher than average** for new vehicle launches. And of those new vehicles, **60% are expected to be electric or hybrid, while only 40% will be standard ICE**. The model and body style mix is likely going to be similar to what we see today, with 80% crossovers and 20% cars.

FORECAST OF NEW MODEL NAMEPLATE OFFERINGS BY POWERTRAIN

Electric vehicles will account for 40% of powertrain offerings over model years 2023-26.



EV adoption also varies greatly by geography. For example, S&P Global (formerly IHS Markit) reported that 44% of new vehicle sales in San Francisco were electric in April, 2022 compared to just 1 – 2% in Detroit. For further context, gas prices have also varied drastically in these regions, averaging $6.56 per gallon in the San Francisco bay area versus $5.23 per gallon in the Detroit metro region during the month of June.

While there's been substantial increases in consideration for EVs (+30%) over the course of the year, higher prices, limited vehicle inventory, and rising material costs could slow down sales growth. Additionally, manufacturers still have a lot of work to do in addressing consumers that are wary of charging technology and have range anxiety.

HEARST AUTOS MARKETPLACE STUDY: IN-MARKET SHOPPERS

In April 2022, Hearst Autos conducted a marketplace study to understand a wider range of consumers as it relates to their auto shopping, purchase intent, attitudes and behavior. Here are some of the key findings:

55% are Gen X

Of those that are currently in-market, most are Millennials and Gen X **(55%)**, that is, young to middle-aged adults. **29%** fall into the 55+ age groups.

47% Want to Purchase in 6 Months

Among this group, **47%** are planning to purchase within six months, while **more than half** are 1 – 2 years out from purchase.

This shift is less about demand or desire, and more about market conditions around pricing and supply. Inflation and interest rates are also top-of-mind as we move further into the year.

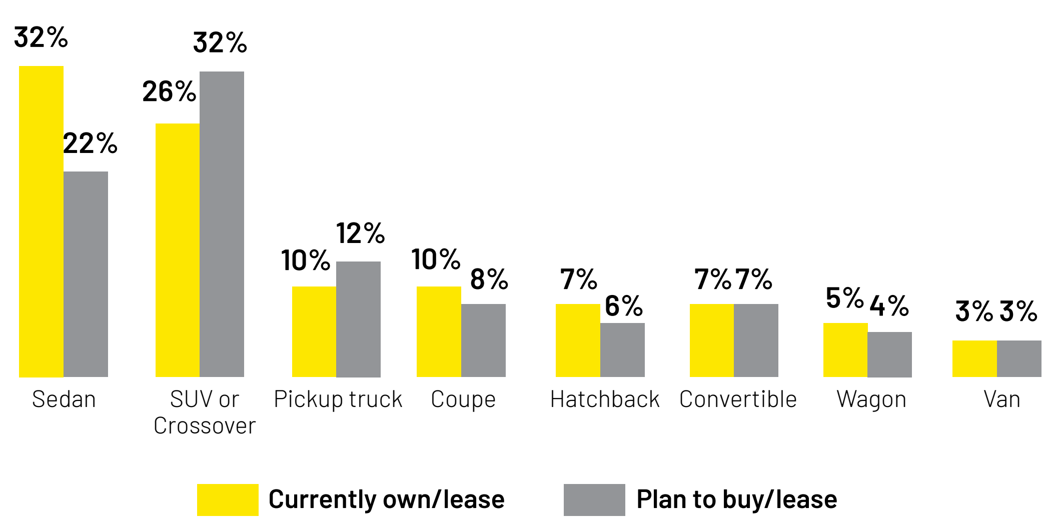
2/5 Desire an Upgrade

Nearly **40%** are in-market because they want to upgrade their vehicle, with another **third** saying they "would like a more fuel-efficient vehicle."

When looking at current body styles owned versus future plans to buy or lease, these are the shifts for respondents:

CURRENT OWNWERSHIP VS. PLAN TO BUY/LEASE

n=1,284

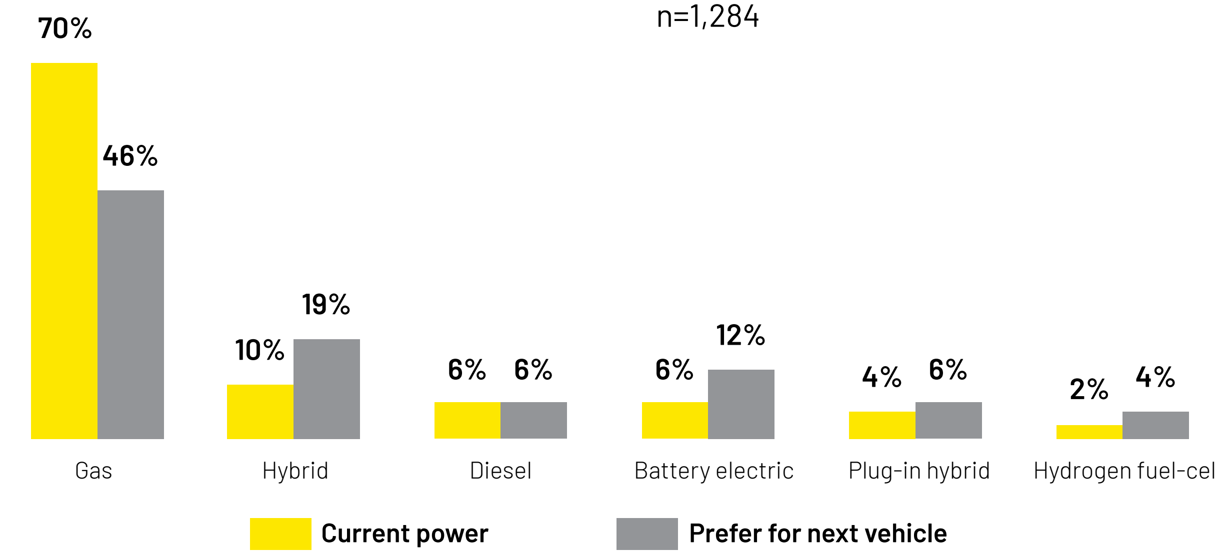


Sedans are showing a decrease in consideration of 31%, while SUVs and Crossovers are up 23% and Pickup Trucks are up 20%.

Similarly, when looking at power or fuel types currently owned compared to what is preferred for their next purchase, we found high growth in alternative fuels:

CURRENT POWER VS. PREFER FOR NEXT VEHICLE

n=1,284



Standard ICE or gas vehicles are showing a 34% decrease in shopper consideration, while EVs are up 100% and standard Hybrid vehicles are showing a 90% increase in consideration.

When it comes to vehicle research, in-market shoppers are cautious and practical, reading thorough expert reviews and trying to get the best bang for their buck. While prices continue to rise, there is still a great deal of price sensitivity in the market, with almost 1/3 looking to pay less than $25k. Unfortunately, supply of vehicles at these price points is much lower in both new and used categories.

This differs from Hearst Autos' audience, which is willing to spend more on cars as they have higher household income levels and more ownership experience. Similarly, being more affluent and more researched, Hearst Autos shoppers are more concerned about long-term value, whereas the broader marketplace is more focused on affordability, budget, and deals or special offers.

AFTERMARKET BOOMS AND BRANDS GET CREATIVE IN REACHING NEW AUDIENCES

Despite record-high trade-in values, Americans have been holding onto their vehicles longer than ever before. S&P Global (formerly IHS Markit) reported that the average age of vehicles on the road is 12.2 years, and passenger cars surpassed that record at 13.1 years. With inventory shortages and record-high prices, the debate of repair versus replace has been a tougher equation for consumers. Many are now motivated to repair and put more into vehicle maintenance than they have been in the past, and the growth in the auto care and aftermarket industry demonstrates this point.

$17.3 Billion[1]
The aftermarket industry is expected to grow by $17.3 billion between 2020 – 2024.

+30% Sales Growth[2]
Online sales of auto parts increased by 30% in 2021, reaching $26 billion.

$2.8K[3]
On average, Hearst Autos enthusiasts spend $2,846 per year on auto parts or maintenance.

Source: [1]Technavio, Automotive Parts Aftermarket in the U.S., March 2021
[2]Hedges & Company, Automotive Aftermarket: Transforming the Auto Parts Market, 2021
[3]Hearst Autos, Auto Enthusiast Survey, February 2022

With auto and auto parts and accessories identified as eMarketer's fastest-growing e-commerce category, brands and advertisers are getting creative in finding new ways to engage customers and reach new shoppers. This is often done by aligning with relevant partners to bring more commerce to consumers in the places they research. Hearst Autos site visitors spend more than 5 minutes on average reading about aftermarket products and gear, and are highly engaged with any commerce opportunities aligned with our editorial recommendations.

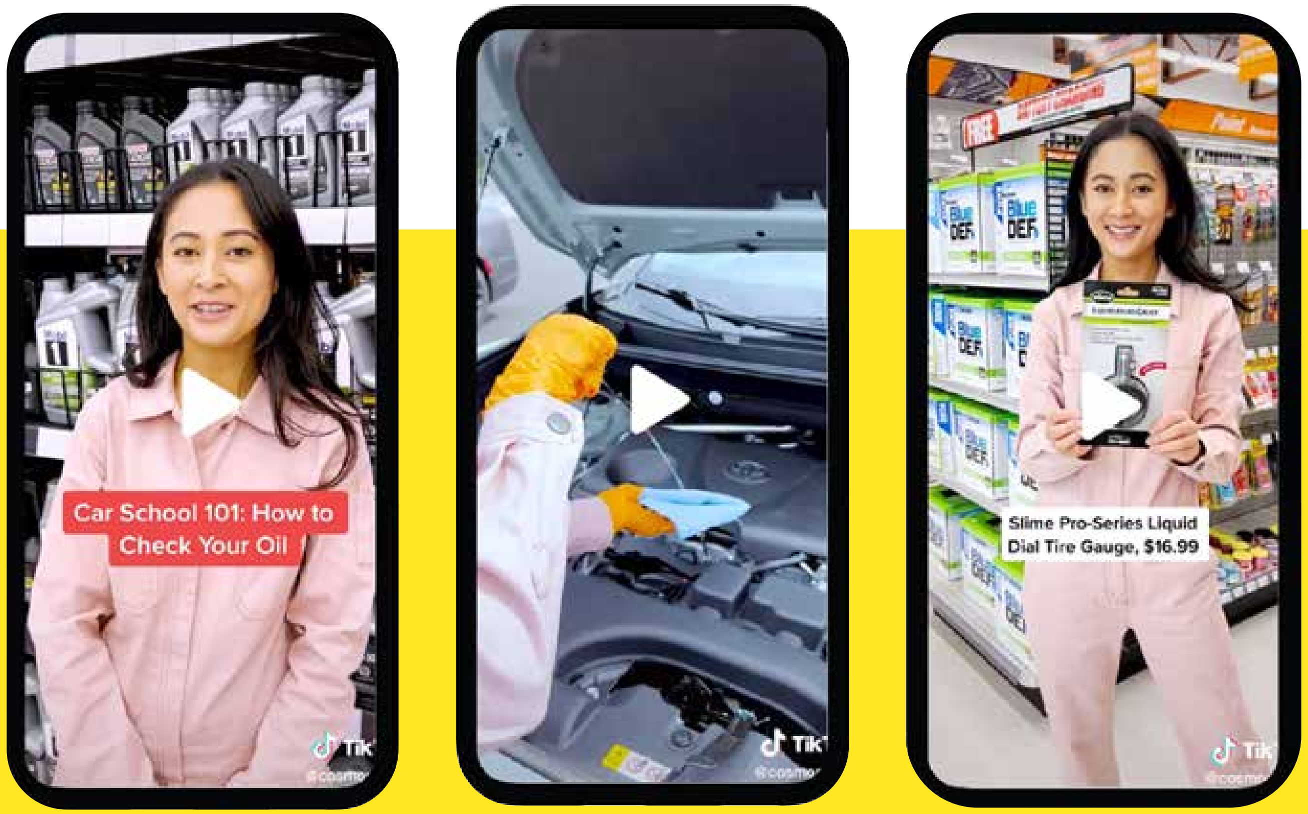
> **Our users are telling us they are excited about all of the innovation in the aftermarket space, and we are committed to providing them with the most credible and authoritative testing of aftermarket equipment out there. We apply the same care and consistency to evaluating aftermarket gear as we do to evaluating new cars.**
>
> — Eddie Alterman, chief brand officer, Hearst Autos

Keeping in mind that we're reaching an audience of consumers that are generally pretty comfortable with automotive DIY, a recent poll across our enthusiast sites revealed that:

- **Nearly 3/4** of respondents purchase auto care parts themselves at least sometimes, if not very often.
- **More than 2/5** are comfortable changing their own oil or lubricant, **1/3** replace their own wipers, and roughly **1/5** do some engine maintenance.
- **Roughly half** consider themselves capable of intermediate auto care projects and **1/3** say their primary car is 11 years or older.

But are we reaching all relevant audiences? A recent Mintel study identified how highly involved women are in the household car-buying process, with **53%** having sole responsibility. Yet more than half of women cited that they've had at least one issue with auto retailers, ranging from being ignored to being sold something they didn't want or need.

In an effort to bring more female-focused automotive content to consumers, Hearst Autos and Cosmopolitan created a series of ten educational TikTok videos for younger female car owners, sponsored by AutoZone. The response has been overwhelmingly positive. We're excited to develop more female focused, automotive content to help our readers make well informed car purchases and feel empowered to tackle more automotive DIY projects.



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