

## June 2022 Kontos Commentary

### Current Used Vehicle Market Conditions

#### Summary

Wholesale used vehicle prices in June were down from their spring/tax-refund seasonal peaks, but they remain near their historical highs. Tight supplies continue to largely offset dampening demand.

Retail used vehicle and CPO sales have been soft throughout the first half of 2022, as inflation-conscious shoppers refrain from purchasing vehicles at historically high prices.

#### Wholesale Market Trends\*

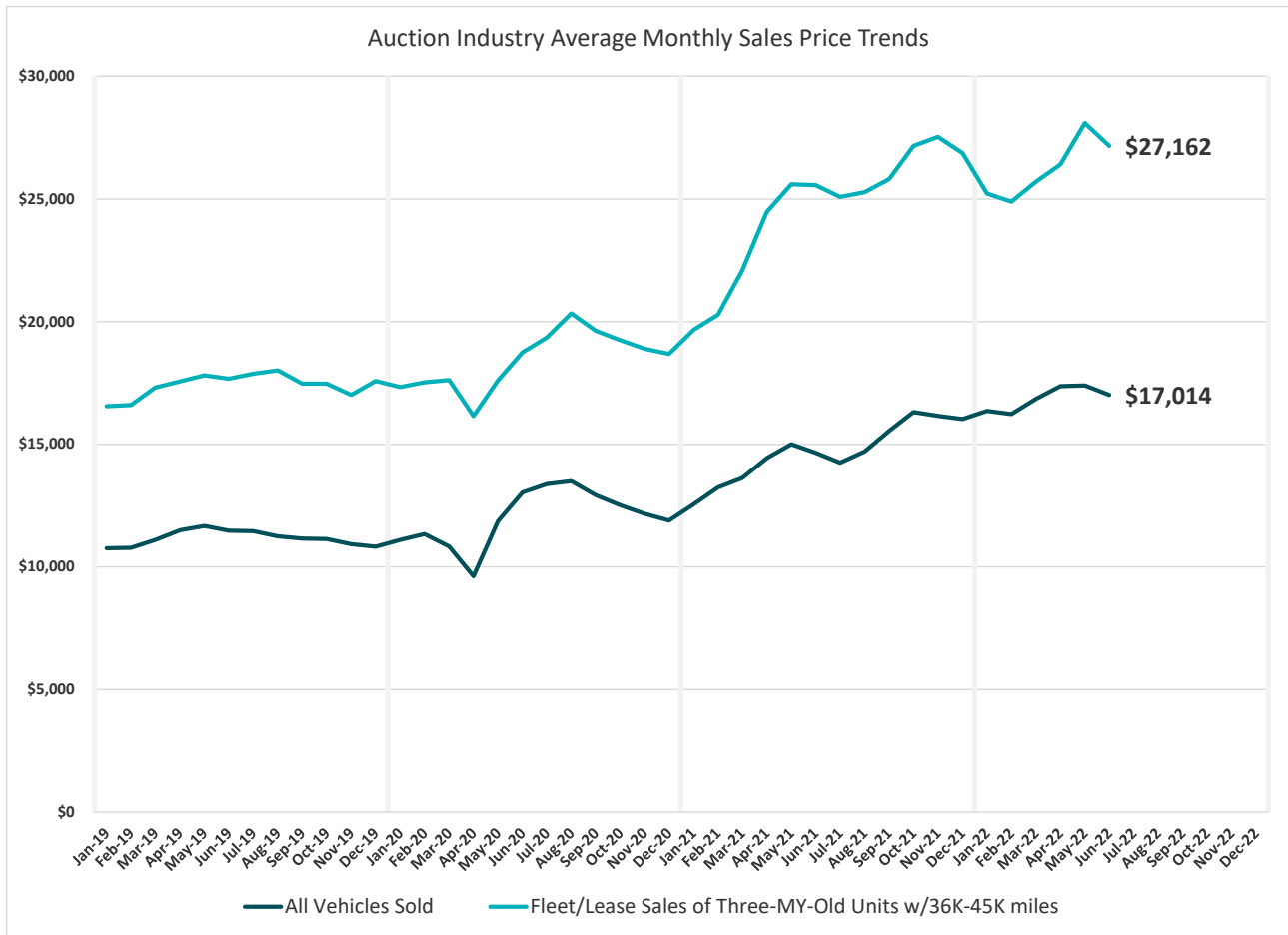
According to ADESA US Analytical Services' monthly analysis of auction industry used vehicle prices by vehicle model class, wholesale prices in June averaged \$17,014 – down 2.2% compared to May, but up 16.1% relative to June 2021, and up 48.2% versus pre-pandemic/June 2019, as seen in the table below.

**Wholesale Used Vehicle Price Trends**

	Average Prices (\$/Unit)				Latest Month Versus:		
	Jun-22	May-22	Jun-21	Jun-19	Prior Month	Prior Year	Pre-pandemic
<b>Total All Vehicles</b>	<b>\$17,014</b>	<b>\$17,402</b>	<b>\$14,652</b>	<b>\$11,478</b>	<b>-2.2%</b>	<b>16.1%</b>	<b>48.2%</b>
<b>Total Cars</b>	<b>\$12,749</b>	<b>\$12,660</b>	<b>\$10,829</b>	<b>\$8,688</b>	<b>0.7%</b>	<b>17.7%</b>	<b>46.7%</b>
Compact Car	\$9,264	\$9,111	\$8,039	\$6,550	1.7%	15.2%	41.4%
Midsize Car	\$11,016	\$10,928	\$9,112	\$7,474	0.8%	20.9%	47.4%
Fullsize Car	\$10,998	\$10,936	\$9,274	\$7,921	0.6%	18.6%	38.9%
Luxury Car	\$19,845	\$20,040	\$16,592	\$13,456	-1.0%	19.6%	47.5%
Sporty Car	\$22,738	\$22,084	\$21,505	\$14,981	3.0%	5.7%	51.8%
<b>Total Trucks</b>	<b>\$19,604</b>	<b>\$20,207</b>	<b>\$17,305</b>	<b>\$13,637</b>	<b>-3.0%</b>	<b>13.3%</b>	<b>43.8%</b>
Mini Van	\$12,219	\$12,594	\$9,455	\$8,626	-3.0%	29.2%	41.7%
Fullsize Van	\$25,031	\$25,927	\$16,444	\$13,100	-3.5%	52.2%	91.1%
Compact SUV/CUV	\$14,901	\$15,344	\$13,151	\$11,224	-2.9%	13.3%	32.8%
Midsize SUV/CUV	\$18,128	\$18,448	\$15,047	\$11,855	-1.7%	20.5%	52.9%
Fullsize SUV/CUV	\$21,848	\$22,886	\$19,982	\$14,736	-4.5%	9.3%	48.3%
Luxury SUV/CUV	\$28,952	\$29,457	\$25,299	\$19,081	-1.7%	14.4%	51.7%
Compact Pickup	\$20,588	\$20,268	\$16,840	\$11,017	1.6%	22.3%	86.9%
Fullsize Pickup	\$23,365	\$24,169	\$22,619	\$17,243	-3.3%	3.3%	35.5%

Further insights on wholesale price trends can be gained by holding constant for auction sale type, model-year age and mileage, as shown in the following graph, which also includes price trends for all vehicles sold.

\*Source: Analysis in this section is based on over six million annual sales transactions from over 250 of the largest U.S. wholesale auto auctions, including those of ADESA US as well as other auction companies. ADESA US Analytical Services segregates these transactions to study trends by vehicle model class, sale type, model year, etc.



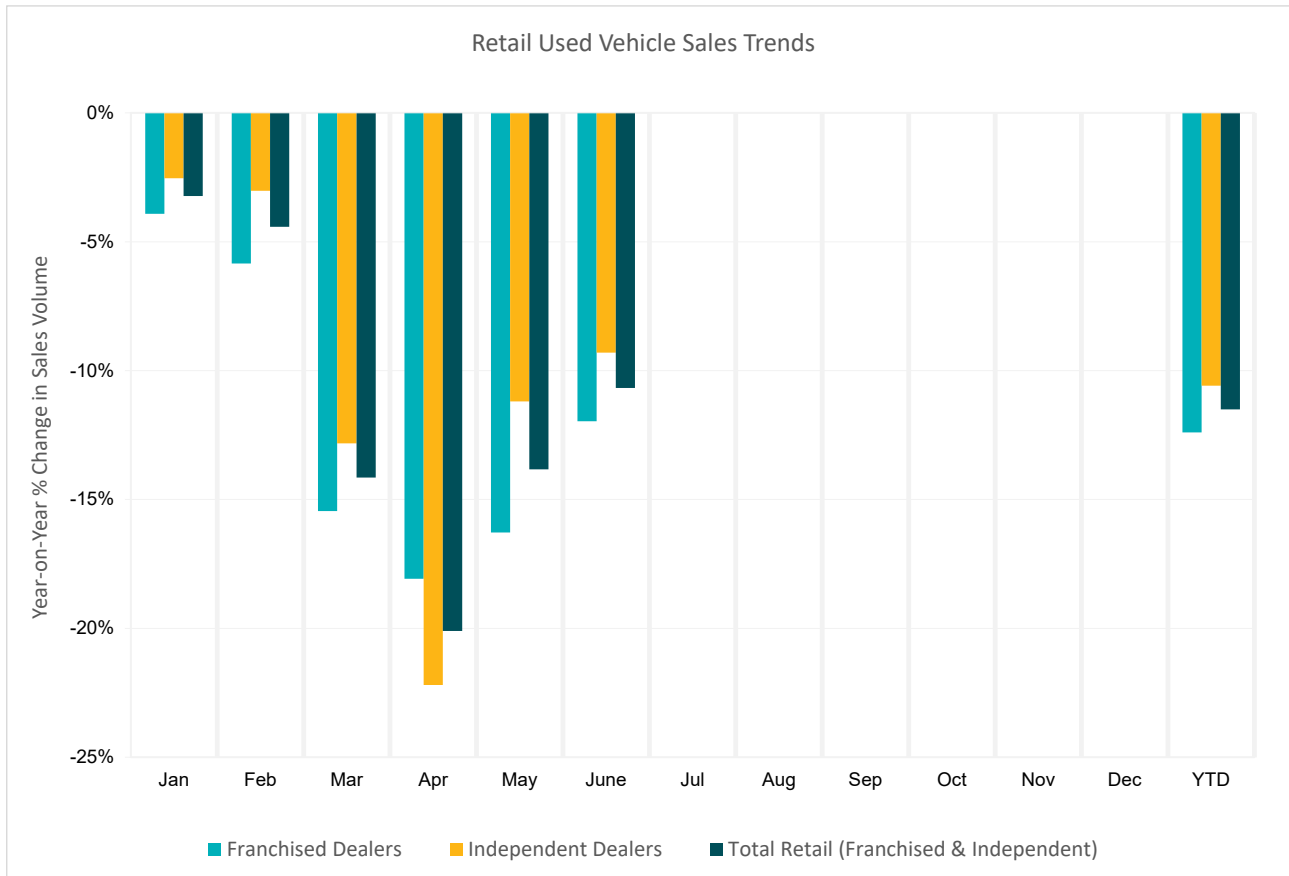
As the graph indicates, wholesale prices rose even faster for “late-model” used vehicles during 2021 than they did for used vehicles in general. This is largely due to the impacts of the chip shortage that limited new vehicle production and necessitated substitution of late-model used vehicles for franchised dealer inventory sourcing. Also note that prices in 2021 rose rapidly not only during the traditional Spring/Tax-Refund season, but also a second time in the Fall, as rental companies bid aggressively for used vehicles -- again because the chip shortage limited new vehicle availability.

The impact of the chip shortage has waned somewhat in 2022. Prices did rise during the Spring, but the “bounce” was not as pronounced and prolonged as last year. Nevertheless, wholesale prices remain near historically high levels.

**A [spreadsheet](#) with historical data broken out by model class for the table and graph in this section has been provided with this report for your convenience in tracking these trends going forward.**

***Retail Market Trends***

The following graph and table summarize data on retail used vehicle and certified pre-owned (CPO) sales through June based on ADESA US Analytical Services analysis of data from NADA and Motor Intelligence, respectively.



YTD Jun	Franchised	Independent	Total Retail	CPO Sales
2019	7,892,050	7,239,053	15,131,103	1,403,667
2020	6,577,166	6,301,621	12,878,788	1,240,899
2021	7,765,762	7,514,175	15,279,937	1,461,679
2022	6,803,064	6,718,648	13,521,712	1,215,875

Var - Amt				
vs. 2019	(1,088,986)	(520,405)	(1,609,391)	(187,792)
vs. 2020	225,897	417,026	642,924	(25,024)
vs. 2021	(962,698)	(795,527)	(1,758,226)	(245,804)

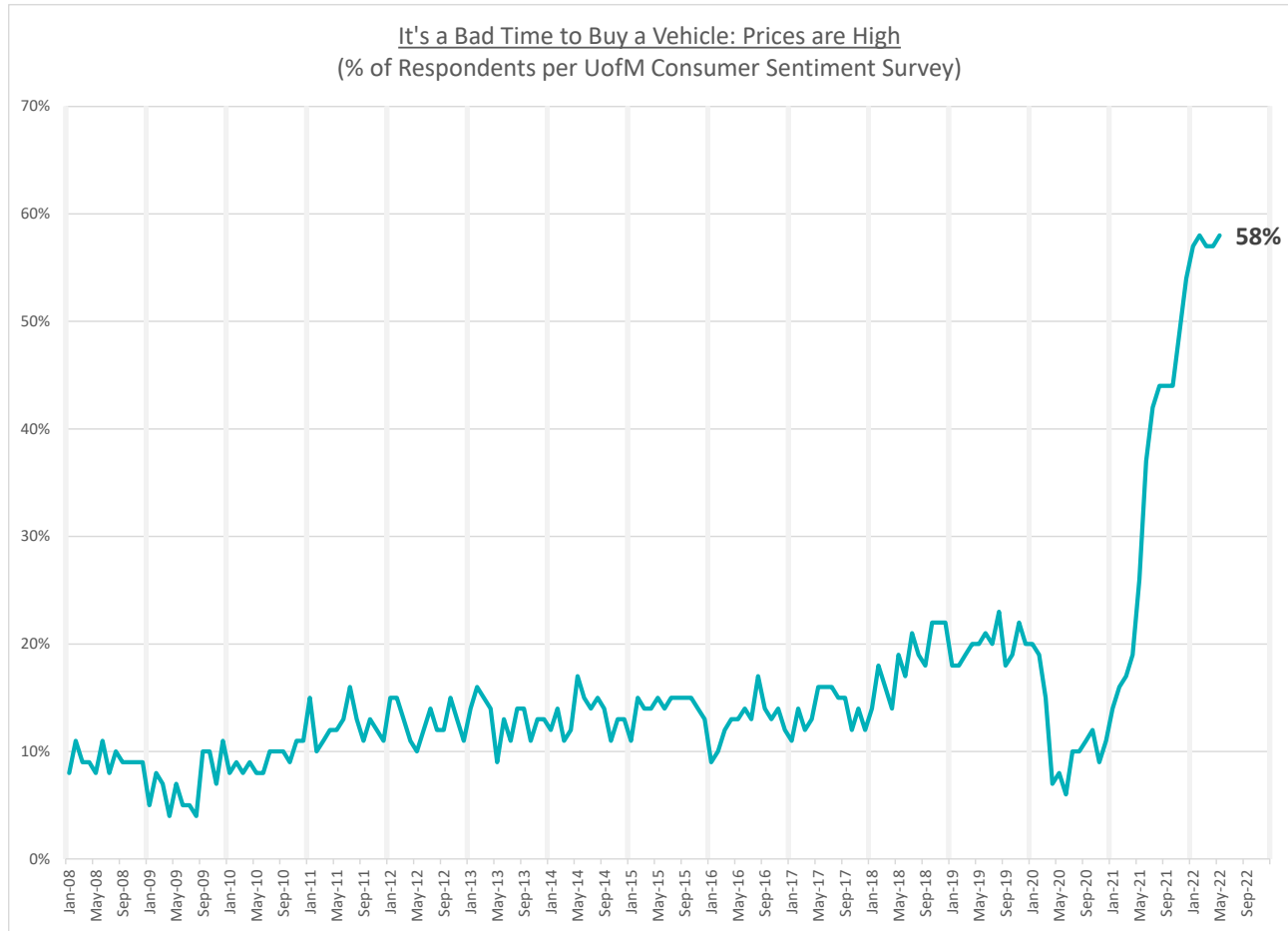
Var - %				
vs. 2019	-13.8%	-7.2%	-10.6%	-13.4%
vs. 2020	3.4%	6.6%	5.0%	-2.0%
vs. 2021	-12.4%	-10.6%	-11.5%	-16.8%

As these figures show, the retail used vehicle market has seen double-digit percentage declines this year compared to last year and pre-pandemic levels.

## #Trendspotter

The softening market trends described in the previous section are not surprising in light of greater consumer awareness of the high price of vehicles these days. For many months I have been stressing that consumers had become increasingly aware of high vehicle prices for new and used vehicles and were starting to push back by voting with their wallets via abstaining from buying. I felt that supply constraints were becoming less important than declines in demand in explaining softening new and used vehicle sales.

To better understand this, I performed an analysis summarized below of underlying data from the recently released University of Michigan Consumer Sentiment Index.



As the graph shows, the percentage of survey respondents that think it's a bad time to buy a vehicle because prices are high is at an all-time peak. Add to this the prevailing inflationary environment, and it's no wonder that new and used vehicle sales are at depressed levels.

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