

# COVID-19 Market Updates

Week ending August 14<sup>th</sup>, 2020





# Market Trends and Considerations

## Operations

## Performance

## Considerations



### Vehicle Acquisition

OEMs are accepting new orders unless past buildout dates.  
Build backlog is declining rapidly.  
Transition to MY2021 in progress.  
Dealers reopening for sales activity.

OTD for pre-March vehicle orders extended by several weeks. Availability of Dealer stock inventory has been reduced - likely to be more expensive. OEMs back to pre-COVID production rates.

**We recommend:**  
Proactively work on planning and timing for MY2021. Place factory orders when specifications are available to obtain first production allocations. Flexibility on requirements for stock orders.



### Transportation

Most state and provincial transporters are fully operational.

Most suppliers are reporting no delays to date in their ability to dispatch, transport and store orders. Some disruption exists in certain regions where DMV's are not open.

**We recommend:**  
Work with Element to navigate varying capabilities across each country.  
  
Element decontamination offering for clean vehicle certification if needed for COVID.



### Resale

Manheim and ADESA continue with simulcast sales only where allowed and have been gradually adding limited in-lane bidding at select locations, but vehicles don't run in the lanes.

Weekly auction sales volumes are within pre-COVID levels. Weekly price index shows an upward trend, increasing by 1-1.5% in U.S. and CA. Hertz situation is being closely monitored - impact TBD.

**We recommend:** Not to short cycle but continue to turn in vehicles, so they are in cycle. Auctions can hold vehicles and Element is getting preferred treatment. Auction managers will pull vehicles if price is being undervalued.



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Fuel

Element is not seeing disruption with customers seeking to purchase fuel.

EIA expects 2020 U.S. retail average to be \$2.11/gallon. Kent Group expects 2020 Canada retail average to be \$0.92/liter. Current national average in U.S. is \$2.18/gallon and CA is \$1.02/liter.

Fewer miles driven may reduce need for extra idle vehicles.  
**We recommend:**  
Re-allocation of vehicles to higher need areas.



Maintenance

National Accounts enacted safe distancing and store cleaning/sanitization policies. No reported impact with mobile providers. Major tire OEMs ceasing production at select facilities as current inventory levels are deemed sufficient.

Less than 1% of dealer/independent shops are either closed or experiencing significant downtime. FCA and Ford have some dealership service shops closed. Call ahead. Kal Tire (CA) open *by appointment only* for fleet customers.

**We recommend:**  
Getting caught up on deferred maintenance due to less repair shop volume and less need for business travel.



Financing

No change.

U.S. Federal Reserve and Bank of Canada dropped base interest rates to 0.25%.  
Interest rates likely to remain near zero in foreseeable future.

**We recommend:**  
Identify newer owned units (including trucks, trailers, equipment) and consider a Sale Leaseback.  
Replace older units tied to higher interest rates.

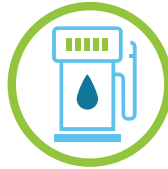


# Market and Fleet Trends

## Preparing for the **short** and **long term**

### Fuel Prices

*Lower demand for gas due to COVID-19, coupled with the price dispute between Russia and OPEC have caused a significant reduction in oil prices.*



### Declines in Interest Rates

*The Federal Reserve and Bank of Canada have cut their borrowing rates to 0.25% in response to the economic slow down. Fed rate likely to be steady until 2022.*



### USD/CAD Exchange Rate

*The loonie continues to face pressure from macroeconomic factors. No significant bump in valuation expected for rest of 2020. The current currency difference remains a positive influence for U.S buyers.*



### Remarketing

*Manheim and Adesa continue with online sales (in select markets) and some in-lane bidding at select locations. Sales volumes within range of pre-COVID levels in both countries. Values are surpassing pre-COVID levels. Hertz bankruptcy is being closely monitored - impact TBD.*



### OEMs/Acquisitions

*Most OEMs are accepting orders, bearing in mind build-out dates. Most OEMs are operating at pre-COVID levels. CA is still experiencing some delays as workers return slowly; delays and changes in production dates are expected.*



### Maintenance

*Element dealer and independent networks remain open for the most part with additional rules being implemented to safeguard everyone. Good opportunity to get caught up on maintenance.*