

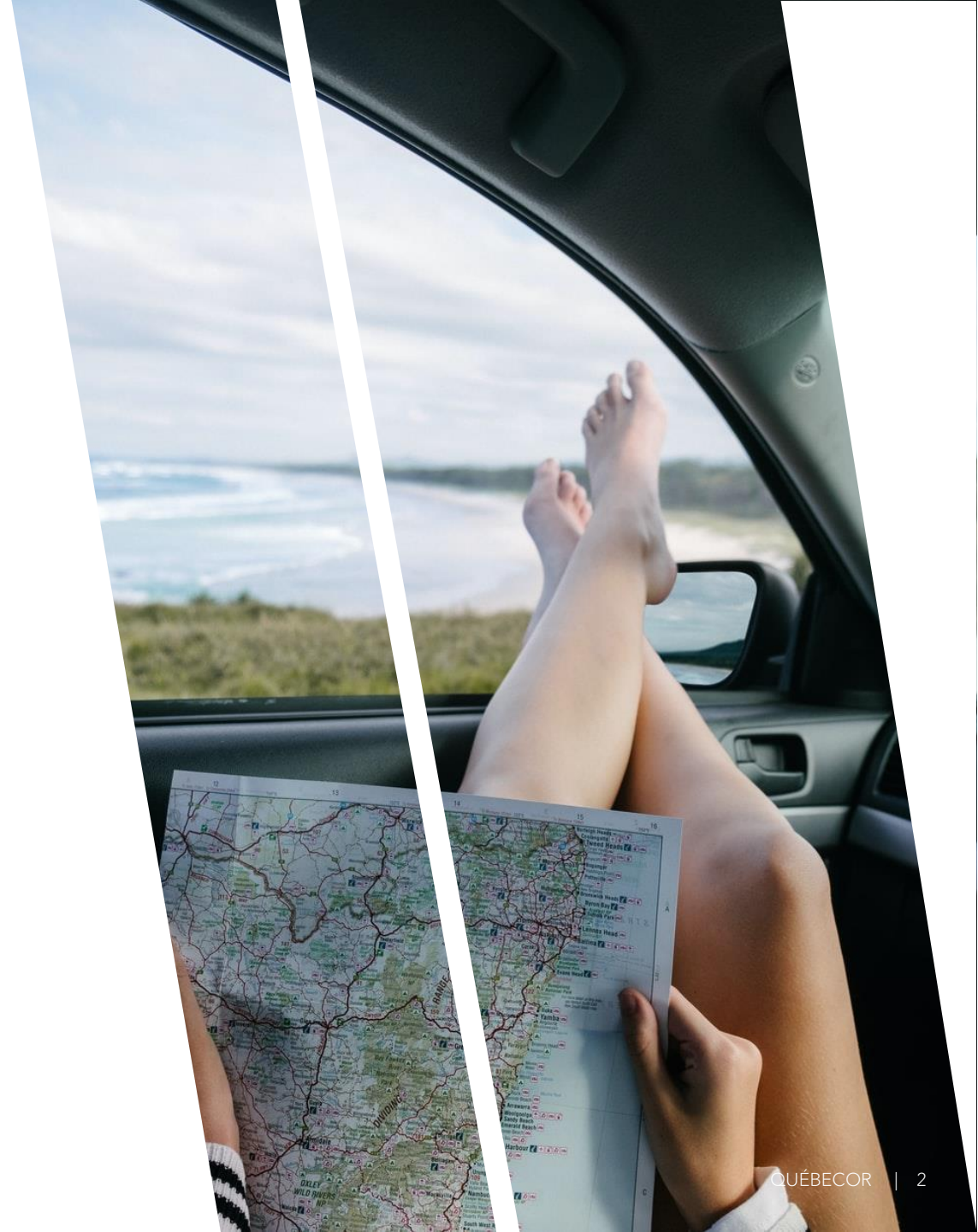


AUTOMOTIVE INDUSTRY TRENDS

/ 2022

Highlights

1. Cars are still a key sector of the Quebec economy
2. Sales are driven by demand, but curbed by lack of stock and supply issues
3. The resale market was strengthened by the lack of new vehicles
4. The large dealership associations have grown at the expense of independent dealers
5. Electric vehicles are on the rise in Quebec
6. Consumers have adopted online purchasing

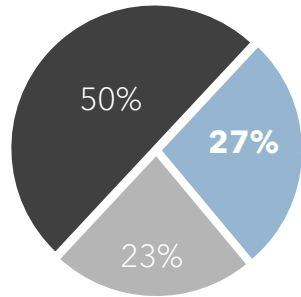


Automotive sector

/ at the heart of the Quebec economy

Despite the pandemic, the automotive industry is still the leader in terms of the most retail sales

- Vehicle and auto part dealers
- Grocery stores
- Others



\$39 B

in the last year (+20% vs. 2020)

\$30 B new car dealerships
\$3.7 B used car dealerships
\$3.5 B dealers for other vehicles
\$2.1 B auto parts stores



83%

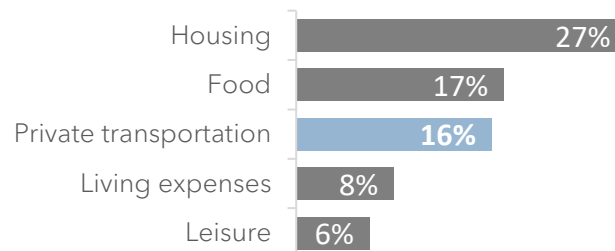
Quebec households that own one or more vehicles



\$594

Average annual expenses in auto parts and accessories

Expenses related to cars rank 3rd on the list of annual expenses by Quebec households.









New vehicle sales

/ availability cannot meet demand

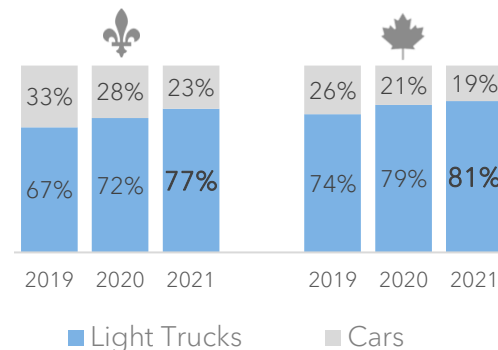
Burdened by production and supply issues, including the infamous semiconductor shortage, results have already fallen short of expectations, affecting brands and particular models differently.

NEW VEHICLE SALES

Jan.-Sept. 2021 vs. Jan.-Sept. 2020

		
	72 331 -5%	250 386 +6%
	246 305 +24%	1 046 226 +15%
	318 636 +16%	1 296 612 +13%

Light trucks continue to grow and have surpassed **80%** market share for the first time in Canada.



Outside of considerations of popularity, the performance of different segments varies depending on their components and supply chain

(vehicles sold - Jan.-Sept. 2021, Canada)

HIGHEST GROWTH

Sports utility (+66%)

Luxury sports utility (+40%)

Compact sports utility (+31%)

MOST SIGNIFICANT LOSSES

Sub-compact cars (-25%)

Small vans (-14%)

Light trucks (-8%)

New vehicle sales

/ lowest inventory levels, highest prices

Production has started to stabilize, but it will be quite some time before things return to normal. The market remains unstable, with on the one hand unfulfilled demand that is even stronger and on the other hand inventory that is still at its lowest levels. This situation promotes price inflation of vehicles.

UNPRECEDENTED TURNOVER

Normally taking around 70 days, stock turnover at this time is around **45 days**, and some more popular models are selling in **less than one week!**

53% of all new vehicles are sold in **less than 20 days**.

For custom orders, the delivery times vary from a few months to one year!

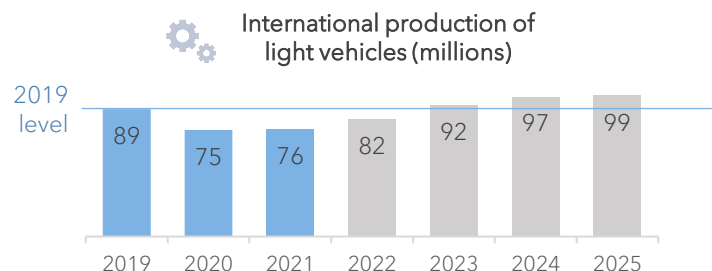
\$42,744

average price of a new vehicle in Canada, an all-time high.

2x

Despite lower sales, **profit margins are breaking records**, being double what is normal.

The return to pre-pandemic production levels is estimated to arrive in mid-2022 or 2023



FUTURE REDUCTION IN DEMAND?

The recent price increases, as well as an eventual increase in interest rates, could contribute to moderating demand.

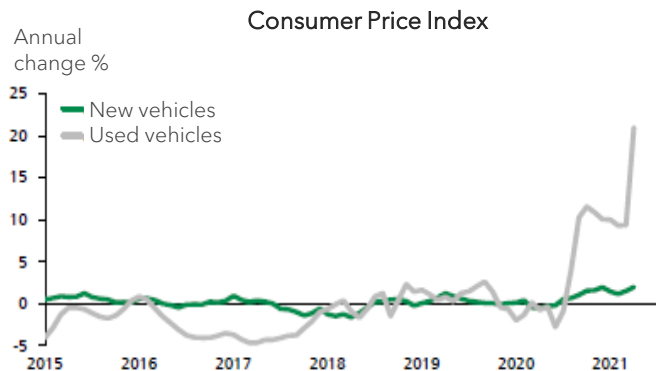
The increase in gas prices could also lower demand for large vehicles.



Used vehicles




/ the big winners

The scarcity of new vehicles has benefited the resale market. But while prices have climbed, a range of factors, including an increase in buybacks at the end of lease contracts and an increase in exports, have contributed to lower inventories. The result: Prices have jumped!



AVERAGE PRICE OF USED VEHICLES

Quebec - 2021 vs. 2020

	\$26,065	+16%
	\$30,216	+13%
	\$43,021	+20%

The firm KPMG expects used vehicle prices to drop by 20-30% by late 2022/early 2023, bringing the gap between new and used to a more "normal" level.



\$3.2 B in sales by used car dealers in Quebec between January and October 2021

+25% increase vs. 2020



+55% used vehicle exports vs. 2020



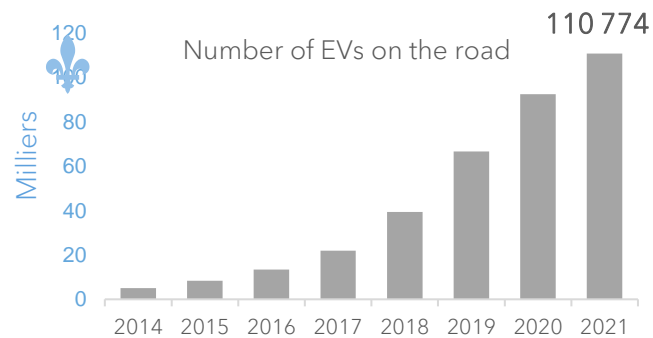
GM has seized the occasion to launch **CarBravo**, its own online sales platform for used vehicles.



Electric vehicles

/ a strong trend

Sales of electric vehicles have experienced strong exponential growth in Quebec in recent years. The trend should continue, with a growing interest on the part of consumers and the introduction of sales quotas planned for the end of 2022.



2030 Goal : 1,5 million

+20%
growth in sales vs.
2020

46%
Quebec has close to
half of all electric
vehicles in the country

75%

of Quebecers intending to purchase a vehicle in the next few years will choose a electric model.
(vs. 68% in Canada)

- 31% would like to pay less than \$30 K
- 42% between \$30 K and \$50 K
- 20% upto \$75 K

TRUCKS ARE TURNING GREEN

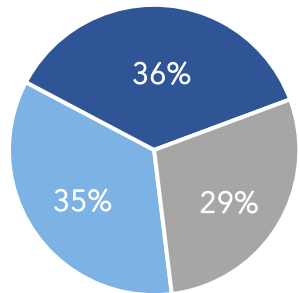
Uniting 2 strong trends, a number of manufacturers are converting their large vehicles into electrical versions:

- Ford F150 Lightning
- Hummer (back after an 11-year absence)
- Jeep Wrangler

Dealerships

/ the pandemic hasn't curtailed business

While the total number of dealerships has remained relatively stable, mergers have multiplied in the last year, which has largely benefited the large dealer associations.



- Groups of 5+ Dealers
- Groups 2-4 Dealers
- Independents (1 dealer)

+30

transactions in the last year

71%

dealerships belonging to an association (+2% vs. 2020)

TOP 5 DEALER ASSOCIATIONS 2021*

1. Gabriel (29 dealerships; +3 vs. 2020)
2. Ouellet (19; +6)
3. Beaucage (18; stable)
4. Park Avenue (14; stable)
5. Le prix du gros (13; -3 vs. 2020)

BRANDS WITH THE LARGEST CONCENTRATION OF INDEPENDENT DEALERSHIPS



48%



45%



43%





Consumption trends

/ online car purchases pick up speed

Today the purchasing journey is almost exclusively completed online. Between virtual visits and road testing done from home, the decision-making process is often complete before the purchaser ever arrives at a dealership... If in fact they even need to visit one!



74%

of car buyers have done research online for 2 months before they arrive at the dealership



66%

of recent new vehicles buyers expect more online purchasing options post-COVID



10X

Sales of new vehicles online have increased from **1 in 100** in 2018 to **1 in 10** in 2020

FLIRTING WITH THE METAVERSE

How can a relationship be created with the next generation of buyers? Hyundai is placing its bets on a fictional virtual world with its new game, Hyundai Mobility Adventure.

WELLNESS IS BEING INCORPORATED INTO VEHICLES

Self-driving vehicles aren't the only recent development. Functionalities involving wellness and entertainment are coming into the market, such as massage seats, air purifiers, and smart sun visors.