

## Automotive Industry

## Murphy Motors Pit Stop

## Industry Overview

**\*BofA Global Auto Summit coming up March 26-27\***

Our annual BofA Global Auto Summit will take place on March 26-27. As a reminder, we will host numerous OEMs, suppliers, and dealers for fireside chat discussions as well as investor meetings (1x1 and group sessions) and will have expert panels on various industry topics. Please call your BofA representative for more information.

*The text that follows is meant to be subtext to the embedded video as well as our Weekly automotive pit stop valuation report:* [Weekly automotive pit stop](#)

**US New vehicle pricing falls, dealers first line of defense**

US New vehicle pricing declined on a YoY basis for the 7th straight month, with average transactions prices down 2.2% YoY to \$47,244/unit in February (according to Kelly Blue Book). The bulk of the decline so far is being absorbed by dealer gross profit per unit. We don't expect major risk in like for like pricing until late 2025/2026 when the 0-6 year old car population starts to grow. However, avg EV pricing was down ~13% YoY to \$52,314, ~10% above the avg ICE vehicle. There is material downside risk to EV pricing.

**US government provides funding for Lithium refining**

It has been reported that Lithium Americas is receiving a \$2.26bn loan from the US Department of Energy to build a lithium refining in Nevada, part of the US Govt's effort to unrest China's dominant share of materials & processing. This may be a short-term positive, but we'd be encouraged to see stimulus for hybrids and hydrogen fuel cells.

**GM shakes up operational leadership**

GM announced the retirement of Gerald Johnson, their Executive Vice President of Global Manufacturing with 44 years at the company. JP Clausen who was previously at Google and Tesla has been hired in his place, which appears to be a bit of a leap of faith.

**Consolidation trend amongst dealers continues**

Group 1 announced the acquisition of three franchises in South Carolina, which are expected to generate \$140mm in annual revenues bringing total acquired revenues for 2024 to \$1.0bn, almost the same level as all of 2023. This is another sign that dealers are leaning into acquisitions. In addition to consolidation being important for dealers, as the distribution chain is rationalized it will open up greater access to lifetime revenue & profits that automakers and dealers typically lose to third parties, a major opportunity.

**Concern around competitiveness of Chinese Suppliers**

Through many conversations over the last few weeks, we have been hearing increasing concern of Chinese suppliers becoming more competitive and potentially going global as their Chinese OEM partners increasingly go global. This is another risk for global suppliers and would be a similar pattern followed by other OEMs/nations.

**Upcoming events:**

- Gentex Investor Day – March 19<sup>th</sup>
- Early read on March auto sales – late next week
- BofA NY Auto Summit – March 26<sup>th</sup> and 27<sup>th</sup>

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**Refer to important disclosures on page 2 to 4.**

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ATP = Average Transaction Price

EV = Electric vehicle

ICE = Internal Combustion Engine

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