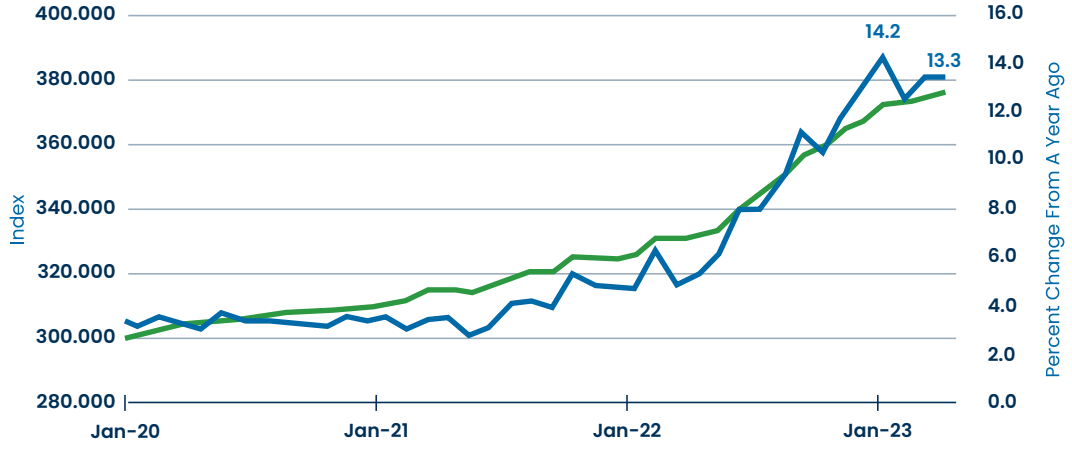
SERVICE

CONSUMER PRICE INDEX FOR MAINTENANCE AND REPAIR INCREASE AT A SLOWER RATE

According to the Federal Reserve in St. Louis, the percentage rate of change for the Consumer Price Index (CPI) for motor vehicle maintenance and repair in the United States as of April 2023 was 13.31%. This was a decrease in the rate of change from a year ago compared to its peak in January 2023, when it was at 14.23%. The rapid increase in CPI over the last two years resulted in respective parts price hikes across the automotive industry. Thus, as the CPI continues to increase, the rate of growth in the automotive industry is starting to stabilize going into Q2 of 2023.

The Consumer Price Index for motor vehicle maintenance and repair continues to grow at a reduced rate of increase



MAINTENANCE COSTS ARE INCREASING DUE TO PARTS SUPPLY PRESSURES, INCREASING LABOR COSTS AND AGING FLEETS

Market research and internal data reveal that automotive components shortages continue to be an issue.

In addition to expected demand, new vehicle order backlogs continue to increase demand for existing vehicle components, which has further driven shortages. With new vehicle orders delayed and allocations reduced, fleets are forced to repair existing units and keep them in service longer, further compounding the parts demand.

Part	Price Increase Since 2020
Air Filter	13%
Alternator	17%
Brake Pads	17%

In mid-2022, the automotive industry recognized an **average parts price increase between 20%-30% since 2020**. However, per the above table, this trend as of Q1 2023 has stabilized and softened a bit since its peak.

These parts constraints are causing repair jobs to take longer to complete, thus lengthening fleet vehicle downtime, and increasing associated fleet costs with extended rental expenses.

According to data from the Federal Reserve Bank Of St. Louis, which tracks car rental vehicles, average car rental costs have gone from a peak of $258 in July 2022 to $189 in April 2023. This equates to a 26% decrease in average rental expense from 2022 to mid-2023.

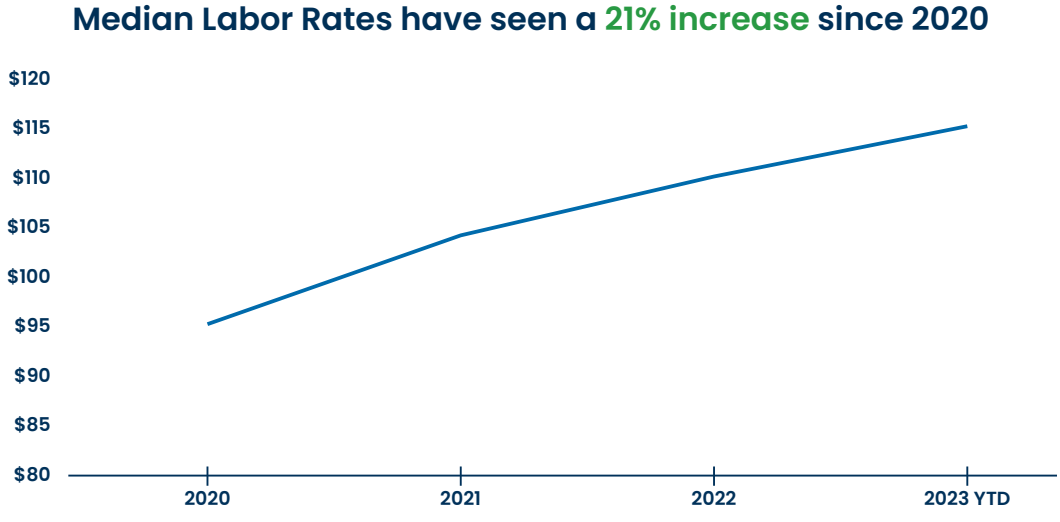
TIRE COSTS ARE RISING MULTIPLE TIMES PER YEAR

	Michelin	Bridgestone	Goodyear
Number of Price Hikes	5 since 2020	5 since 2022	3 since 2020
Total Percent Increase Since 2020	30%	24%	23%

Multiple tire price hikes have occurred across all tire manufacturers since the pandemic began in 2020. The upward price pressure is the result of a multitude of headwinds stemming from the global supply chain crisis. This includes higher raw material costs such as crude oil, higher freight and logistics expenses for finished goods, and increasing replacement tire demand as vehicles remain in service longer.

- To give fleet managers real-world context to the effects of increasing tire prices, a sampling of Holman data showed a **$50 per tire increase (16%) from 2019 to Q1 of 2023[4].**
- Bridgestone introduced an additional price hike of 9% to their passenger and light-duty tires, totaling a 24% increase since 2020.
- As fleets keep aging vehicles in service longer, fleet managers can expect to see the market forces noted above result in continued increases to their fleet's tire expense.

INCREASED LABOR RATES ARE DRIVING UP THE COST OF MAINTENANCE



Labor rates are increasing as a result of **the labor shortage and competitive job market**.

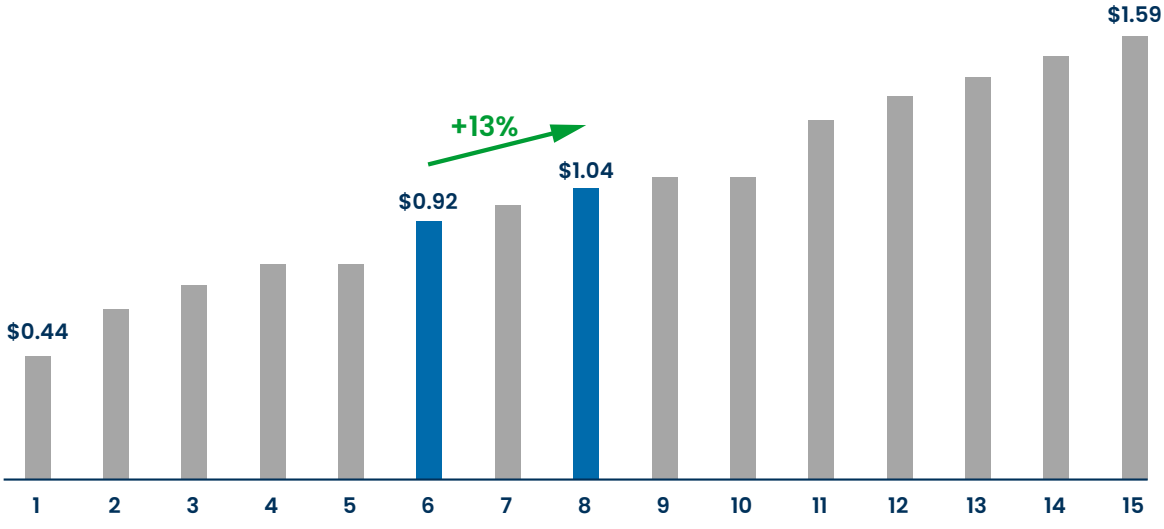
According to Auto Service World, the **industry will be short 642,000 automotive technicians by the end of 2023 and leading into 2024**.

Keeping highly skilled technicians has been a pain point as other industries are also in need of skilled labor and are competing for the same talent pool. The increase in compensation to hire and retain skilled labor is increasing the average repair bill and translating to higher maintenance expenses for fleets.

[4] Based on review of van fleet data using 16-inch tires.

OPERATING COSTS INCREASE AS VEHICLE LIFECYCLES ARE EXTENDED DUE TO NEW VEHICLE SUPPLY PRESSURES

A vehicle typically replaced at year 6 will cost 13% more in maintenance cost per gallon by year 8



Fleets will need to review their preventative maintenance practices to take into consideration these longer life cycles. **Fleets that have a history of poor preventative maintenance compliance will be forced to spend even more.**