

Holman

FLEET BY THE NUMBERS | 2024

Insights and initiatives to position your fleet for success.



About Holman

Holman is a global automotive leader servicing commercial and consumer clients and **doing the right thing for our people, customers, and the community since 1924**. The Holman story began a century ago as a single Ford dealership in New Jersey. Today, Holman, headquartered in Mount Laurel, New Jersey, is one of North America's largest family-owned automotive service organizations, with over 7,000 employees across North America, the UK, and Germany.

Holman delivers a unique range of automotive-centric services, including:

- Industry-leading fleet management and leasing
- Vehicle fabrication and upfitting; component manufacturing and productivity solutions
- Powertrain distribution and logistics services
- Commercial and personal insurance and risk management
- Retail automotive sales as one of the largest privately owned dealership groups in the United States.

Guided by its deeply rooted core values and principles, Holman is continuously Driving What's Right. For additional information, please visit **Holman.com** and connect with Holman on **LinkedIn**, **Instagram**, and **Facebook**.

Executive Foreword

Take it from two individuals who have a combined tenure of more than 60 years with a company celebrating its 100-year anniversary. We have seen a few ups and downs in our time. We've known fleets that have come out of challenging economic times stronger than when they went in, and others that could have seen better results if they had been more timely in their adoption of stronger solutions.

The key to long-term success isn't just knowing best business practices but also when to implement them, when to alter the plan, and when to try new things. The timing for each of these variables relates to market conditions, and that's where Holman's Fleet by the Numbers comes in.

Our in-house market analysts, fleet management experts, and strategic account managers have collaborated to document our best practice recommendations for fleets in 2024. Covered in this resource are Holman's collective expectations for:

- The stabilization of vehicle availability (including electric vehicles), interest rates, and resale values.
- A return to conventional preventative maintenance and vehicle replacement cycling.
- Added drive for fleets to achieve ESG goals.

Presented in our proven fleet management lifecycle structure: Buy, Drive, Service, and Sell, you'll see where Holman's core strengths provide standout solutions for 2024's changes and challenges. Strategies that are uniquely ours include:

- Sale leaseback
- Replacement cycling that aligns with your capital forecasting
- An integrated vehicle supply chain
- Direct purchase of your used vehicles
- Commercial insurance services for your vehicles and more

We're confident **Fleet by the Numbers** will serve as a valuable resource for you throughout the year. Feel free to reach out if you have any questions or want to learn more.

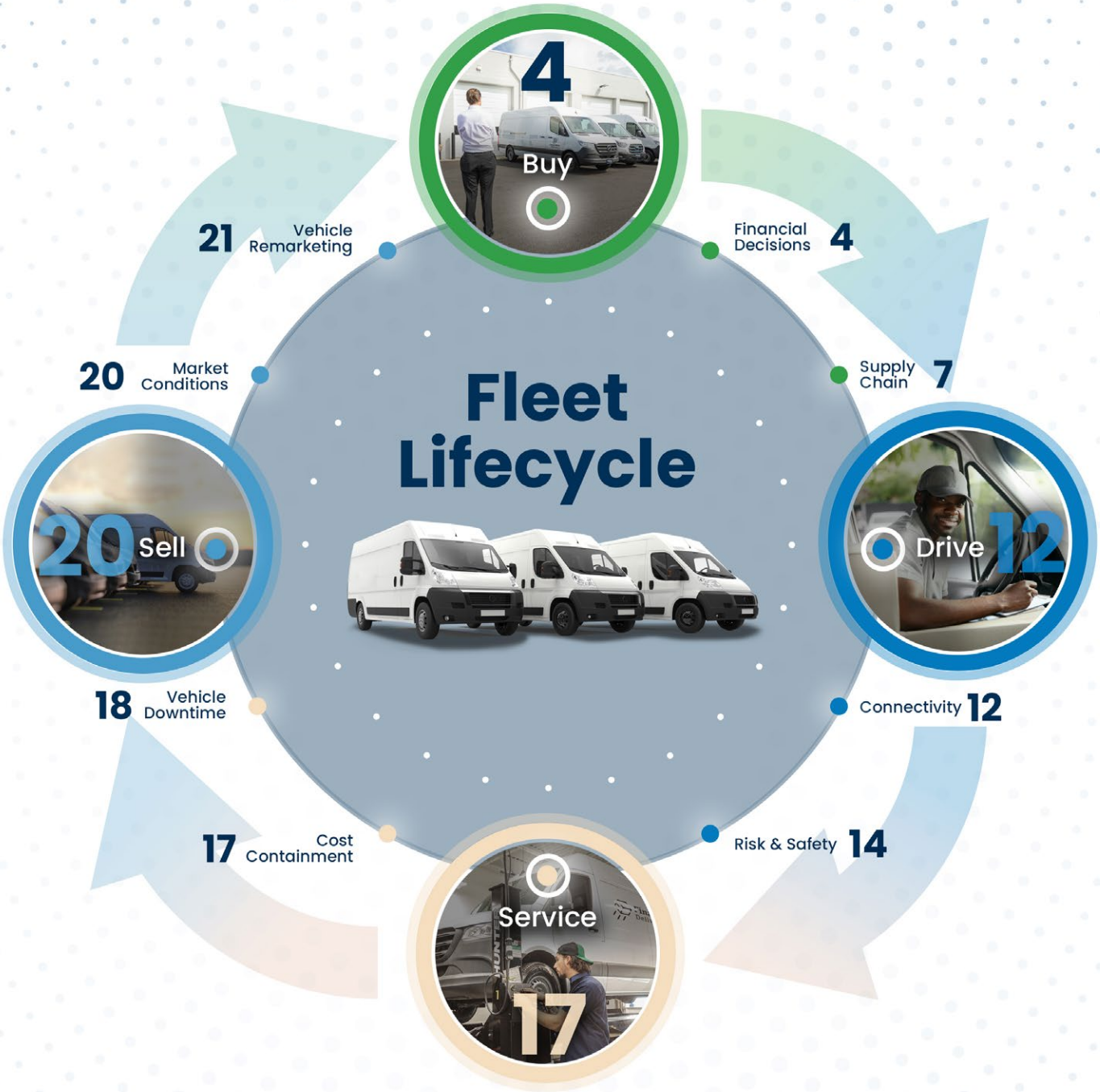


Bob White
President, Holman Fleet & Mobility



Pete Dondlinger
President, Holman Manufacturing & Distribution

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FINANCIAL DECISIONS

Expect Interest Rates to Remain at Current Levels

While interest rates have decreased from peak values, they are not likely to return to ideal levels anytime soon. In fact, economists predict that rates will remain relatively unchanged until late spring of 2024. Likewise, the **inflation rate** is slowing but is not expected to hit the Federal Reserve's target of 2% until 2026.

Average Auto Loan Interest Rates as of December 2023

- **6.63%** - New Cars
- **11.38%** - Used Cars

*Source: **Reuters**, **Experian**

Weigh the Impact of a Potential Rate Increase

Some analysts predict that an interest rate hike is necessary to combat inflation, but the probability of this occurring is low. If a spike does occur, it will affect short-term leases first, which would have the most significant impact on fleets with assets funded on floating rates.

Reconsider Your Funding Strategy

Interest rates for long-term leases are currently lower than those for short-term leases, making this an ideal time for fleets to reevaluate their lease lifespans.

Note, however, that making a switch requires new credit approvals, and requests to change from floating to fixed rates are generally considered, while requests to switch from fixed to floating are not. If your provider is willing to work with you, weigh the potential of starting with a floating rate and moving to fixed later.



Short-Term / Floating Rates:

- **< 1 year;** 1-3 months most common

Long-Term / Fixed Rates:

- **> 1 year;** typically, longer than 5

Improve Cash Flow and Increase Equity

Now more than ever, businesses require tailored solutions to fit their unique financial needs. Traditional bank loans, for instance, are not always structured to cover the entire useful life of an asset, leading to substantial increases in borrowing rates down the line. To combat this, fleets should lean into **alternative funding solutions**, including sale leaseback programs, which can help infuse cash back into operations.

Sale Leaseback

In this type of agreement, fleets sell their assets in exchange for a cash infusion and then lease those same assets back from the new owner.



Will Competitive Pricing Boost EV Adoption?

EVs (electric vehicles) currently carry a premium price tag. However, as more models become available and competition increases, prices will continue to drop. As a result, fleet adoption is expected to increase significantly. Price reduction will make the total cost of ownership more attractive and save fleets money as they transition.

Average price Americans paid for a new EV dropped 18.7% in one year.



- August 2022 - **$65,688**
- August 2023 - **$53,376**

*Source: **Inside EVs**

Savings Opportunities to Keep in Mind

- Federal and state incentives for hydrogen fuel cell and BEVs (battery electric vehicles) are available in select states
- Utility companies across the U.S. offer a variety of grants and commercial rebates for the purchase or lease of EVs, charging infrastructure installation, and more
- A per-gallon tax credit for propane and natural gas vehicles can be claimed until December 31, 2024



BUY | FINANCIAL DECISIONS

Key Takeaways

- Be aware of and prepared for all possible outcomes, whether interest rates increase, decrease, or remain the same.
- Choose a flexible provider who will help you navigate any financial environment and take a strategic approach to funding to optimize your fleet's lifecycle.
- Unlock the value of your assets through alternative funding and acquisition solutions.
- Don't rule out EVs and other alternative fuel vehicles. With government incentives and price drops on the horizon, these sustainable options have the potential to be most beneficial to your organization.

Explore Your Funding Options



Buy | SUPPLY CHAIN

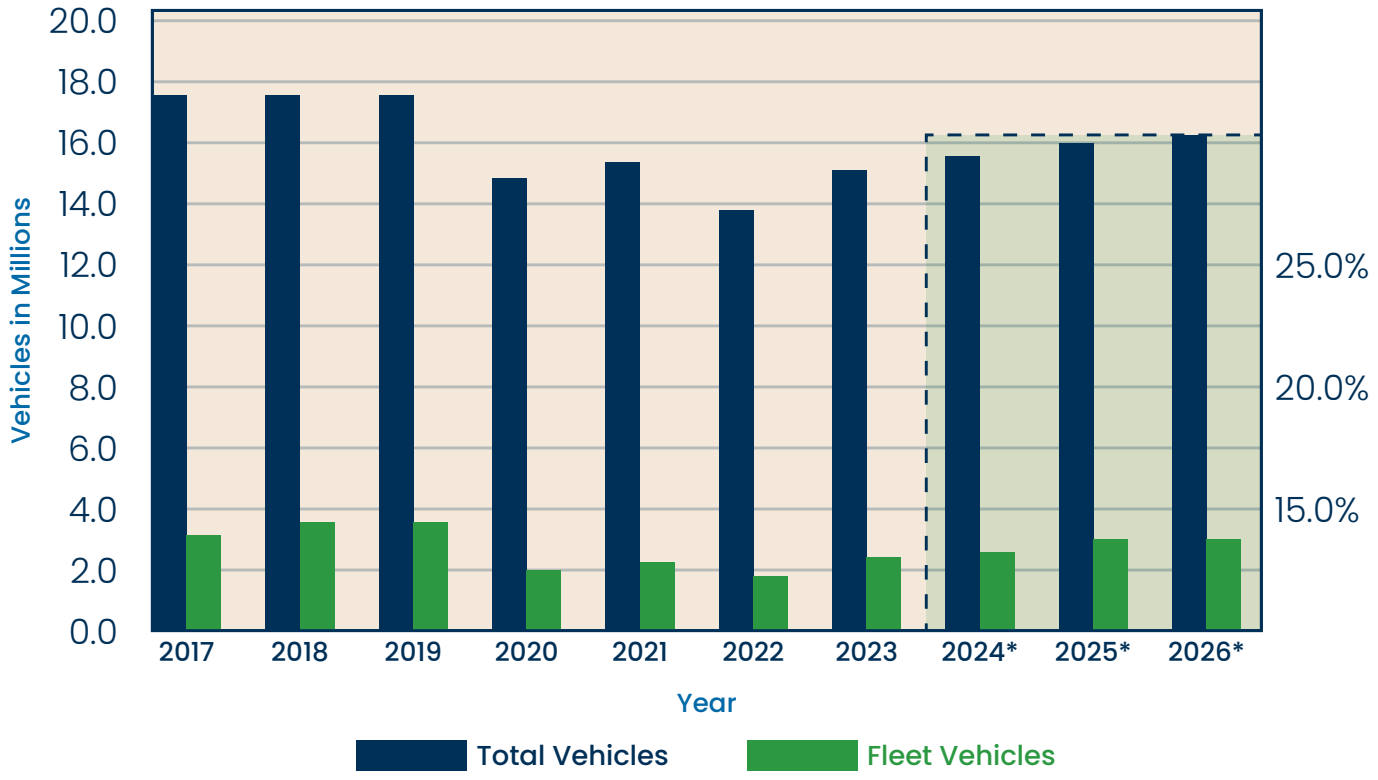
Expect Vehicle Availability to Stabilize

Contrary to the last few years, semiconductor supply is no longer expected be a disruptive source for vehicle shortages in 2024. As OEMs can better predict availability, production levels will continue to stabilize, although **effects from the pandemic will likely impact growth trajectory until 2030.**

85.6M – forecasted vehicle production for 2023

88.0M – forecasted vehicle production for 2024

Projected Fleet Share of Vehicle Production in North America



*Source: S&P Global, Holman Internal Data Team

Fleet share of total vehicle production in 2024 is set to resemble 2023's production sitting at 14%.

Fleet Allocations Persist

In 2024, there will be opportunities for open ordering, but allocations will continue for many key fleet models.

Improving vehicle availability for existing customers is the primary focus for manufacturers, particularly concerning models that are high in demand, such as the Ford Maverick.

Ford Maverick Availability

73% Percentage of Ford Mavericks to be built at a fleet trim level (XL and XLT).

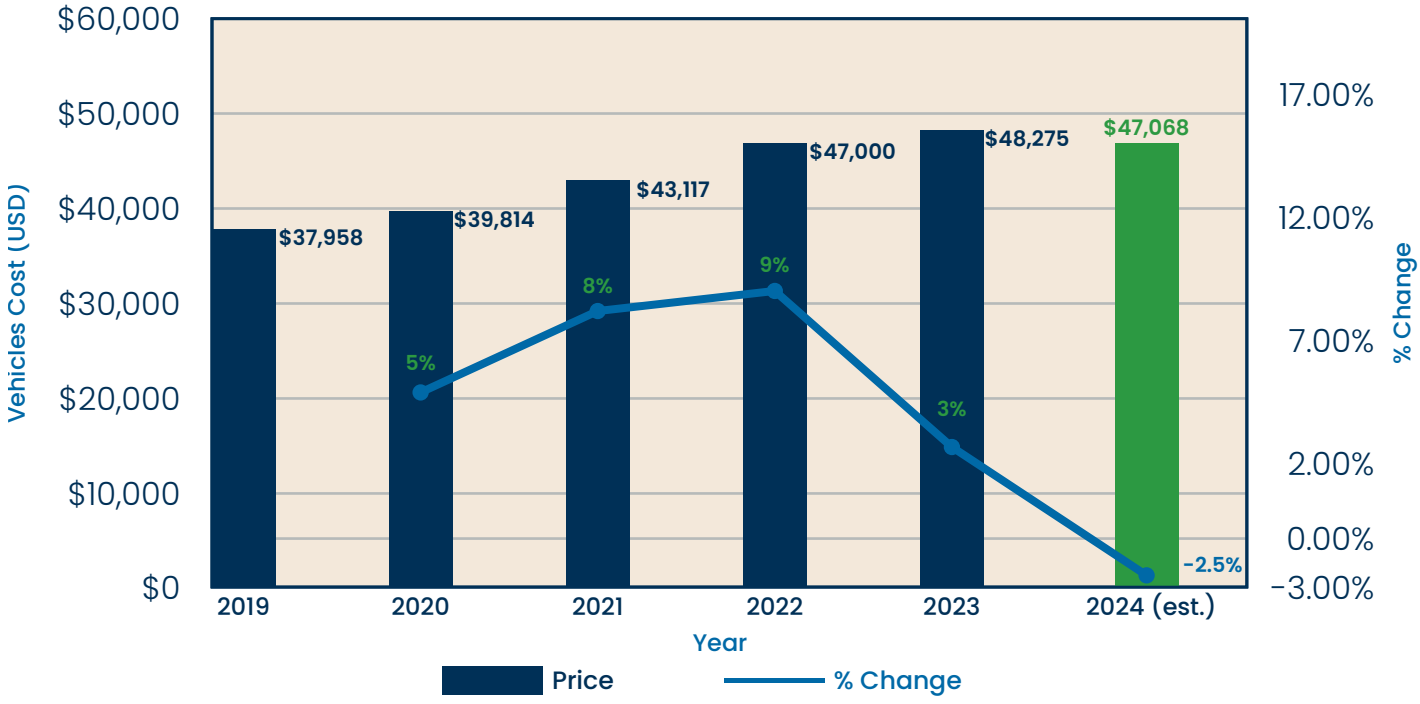


2024 Ford Maverick XLT

Improvements in New Vehicle Pricing

Projections indicate that model year 2024 vehicle pricing will decrease year-over-year from 2023, with the average transaction price falling by 2.5%. As OEMs further stabilize production, new car inventories will grow. This increase in new vehicle availability will soften pressure on the used market and steady pricing on new and used vehicles overall.

New Vehicle Pricing - Macro Environment



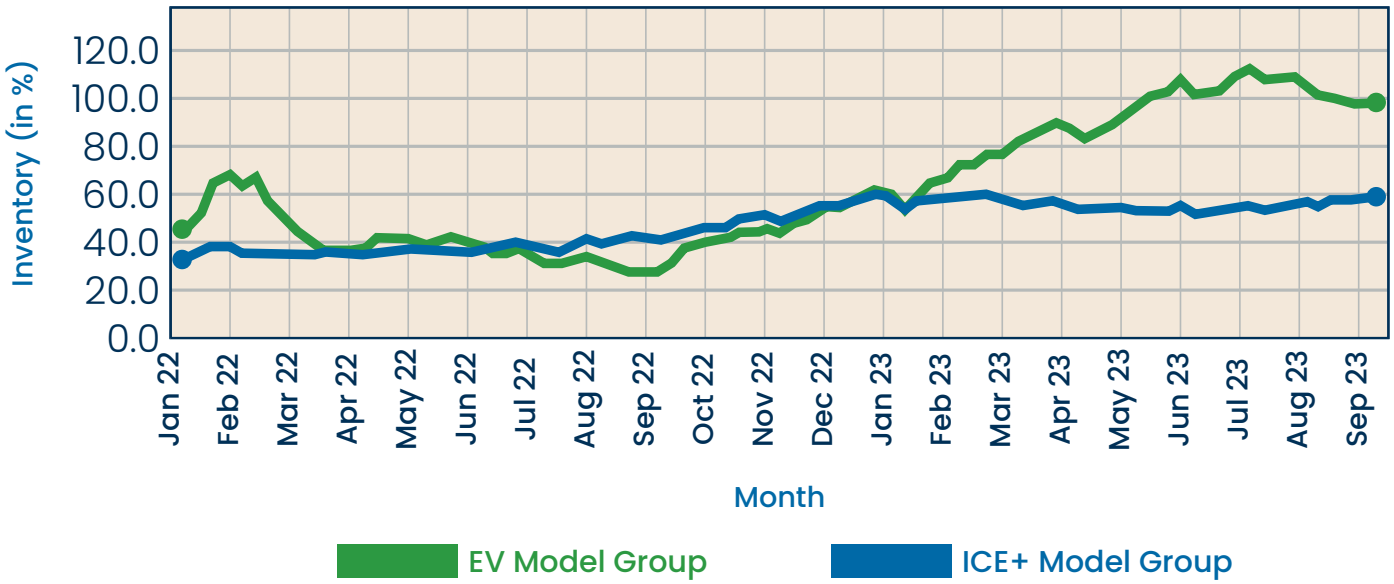
*Source: Holman Internal Data Team

EV Inventory is Readily Available

EV (electric vehicle) inventory has increased by 271% year-over-year, providing consumers with an ample supply of options.

- **EV plants are being built to support US production of batteries, though many won't begin production until 2025 or later**
- **Manufacturers plan to introduce additional EV models with varying price points, some comparable to traditional gas and diesel vehicles**

Q3 EV Inventory Levels on the Rise



*Source: **TechCrunch**, **Kelley Blue Book**, Holman Internal Data Team

Consider EVs from a Commercial Perspective

- Light-duty models – more rapid EV penetration than passenger vehicles
- Medium- and heavy-duty models – lower supply, higher pricing
- Various government incentives are available to help offset costs

Information to Stay Informed About Battery Supply

- The minerals that make EV batteries – particularly lithium – are in high demand
- The US's reliance on foreign sources for lithium and cobalt create a hurdle
- Research and development are focused on solid-state batteries with diminished cobalt content
- Tech advancements will bring higher energy density, less degradation, and faster charging

Working Towards Your ESG Goals

While EVs enable organizations to make strides toward emission reduction targets, they are not the only means to reach ESG (Environmental, Social, and Governance) goals. As developments in alternative fuels continue to progress, vehicles powered by natural gas, propane, and other sustainable resources are becoming more realistic options for fleets.



Did You Know?

The hydrogen fuel cell is an emerging technology in the heavy-duty market, providing zero tailpipe emissions and extended driving ranges.

Evaluate Regulatory Impacts

Local and state governments are introducing mandates to reduce emissions and increase EV adoption in commercial fleets.

- **California's Advanced Clean Fleet regulation mandates EV adoption, as a percent of total active fleet starting in 2024**
- **NY State enforcing medium- and heavy-duty emissions reporting as of December 1st, 2023**

Government incentives have been put in place to assist in reaching these sustainability goals.

- **IRS section 45W, Commercial Clean Credit for qualified commercial clean vehicles, allows for up to $40,000 for vehicles with a GVW greater than 14,000 lbs.**

*Source: **Alternative Fuels Data Center**, Holman Internal Data Team



BUY | SUPPLY CHAIN

Key Takeaways

- Be proactive. Create a solid strategy with multiple backup plans to keep your fleet well-prepared for any circumstance.
- Communicate your plans with all stakeholders, ensuring everyone is well-informed and capable of executing them.
- Be dynamic. Disruptions will happen, but the more flexible you are, the less impact your fleet will experience.

Overcome Your Supply Chain Challenges!



Let Data and Connectivity Boost Your Fleet's Performance

If you could harness your data to boost productivity, enhance efficiency, and improve safety, would you do it? Of course, you would.

Integrating telematics with other data streams, such as fuel, maintenance, and safety data, forms a comprehensive approach to providing holistic fleet value.

Still Rolling Up Your Windows?

Don't fear the advancements in technology. Embrace emerging trends to build a better, more robust fleet. Integrating keyless door unlocks, camera use, and asset trackers contributes to a better fleet management experience, offering protection against false claims and enhancing overall safety.

> **"Telematics can protect from false claims or fraud against your company. It protects your drivers and brands."**
>
> **Don Woods** - Holman Vice President, Analytics Technology

Gain Insight Into Your Assets

Aggregating your data into a singular intuitive platform is crucial. Regardless of fuel type, gain a normalized understanding of your entire fleet's productivity. Don't struggle with viewing your assets. Gain the **Insight** you need.



DRIVE | CONNECTIVITY

Key Takeaways

- Select a provider with the capability to drive data maturity and outcomes.
- Prioritizing intelligent data use, planning for its application, and seeking a provider with a supportive journey approach are crucial steps.
- Don't underestimate the importance of internal stakeholder alignment and engagement to ensure a successful and streamlined fleet management experience.

Harness the Power of Your Data!



What Good Is Your Data If You're Not Using It?

Enhance your data's value by using the right tools and integrated safety programs to analyze and address accident rates, manage driver behavior, and **protect your fleet against theft**.

There were 33.5% more motor vehicle thefts from January through June 2023 compared to the first half of 2022, in 32 cities with available data.

*Source: Council on Criminal Justice

Current Accident Rates in 2023

An integrated safety program provides tools to identify and address poor driving habits, enabling you to reduce insurance premiums.

- The lifetime economic cost to society for each fatality is $1.6 million. Over 90 percent of this amount is attributable to lost workplace and household productivity and legal costs.
- Each critically injured survivor cost an average of $979,000. Medical costs and lost productivity accounted for 81 percent of the cost for this most serious level of nonfatal injury.
- Lost workplace productivity costs totaled $75.5 billion

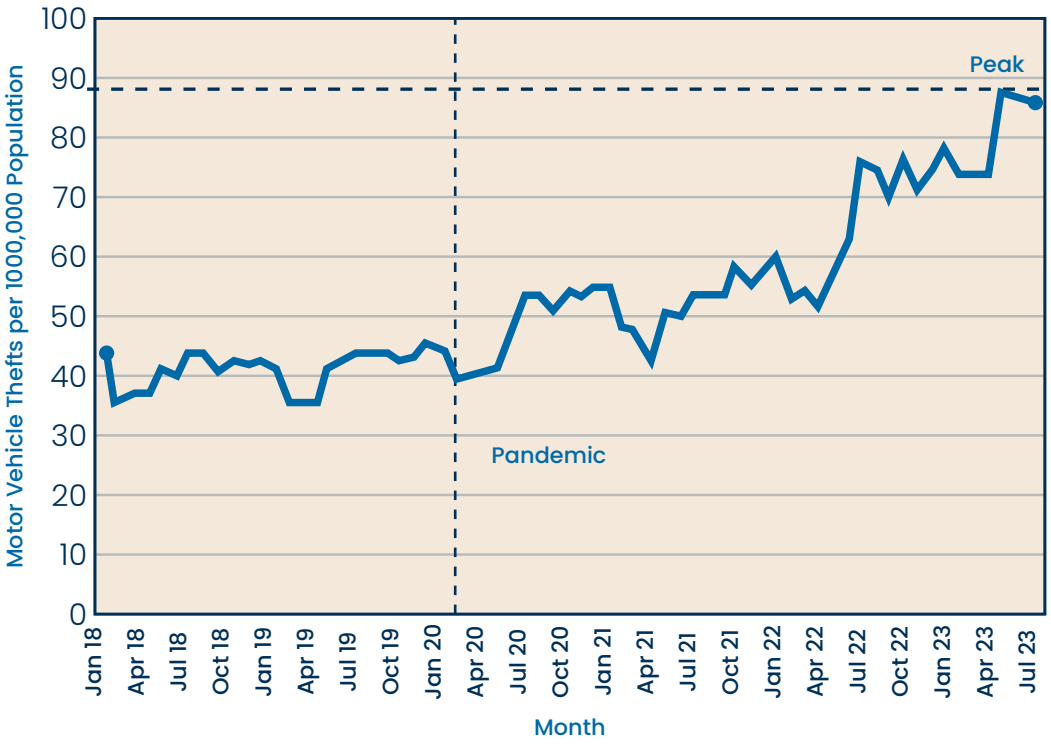
*Source: NHTSA

Navigating Fleet Coverage Cost in 2024

Repair costs and increases in theft are driving premium levels up.

- Review data indicating why accidents and thefts are happening.
- Provide targeted driver training to lessen accident rates.
- Secure vehicles while parked at overnight facilities.
- Assure all key safety components are in place to avoid litigation.

Average Monthly Motor Vehicle Theft Rate (Jan. 2018 - June 2023)



*Source: **Council on Criminal Justice**

Assess the Influence Cutting-Edge Technology Has On Your Fleet

Forward-thinking embraces fast-paced technological advancements, such as self-driving vehicles. Comprehending all the pieces and how they impact your fleet and drivers will influence your bottom line.

> **"Use accident data to make informed decisions to order vehicles equipped with safety features to mitigate future accidents."**
>
> **Tracy Decker** - Director, Fleet Insurance



DRIVE | RISK & SAFETY

Key Takeaways

- Costs are increasing.
- Review and measure data to make informed, proactive decisions regarding your drivers and fleet.
- Implement practical actions and measure the results. Data is valuable only when actively utilized.

Take Action Now!



COST CONTAINMENT

Are Parts & Labor Shortages Impacting Your Maintenance Efficiency?

While the immediate effects of the pandemic are fading, its lingering impact persists. Parts and labor shortages prolong vehicle lifecycles, diminishing investment returns and increasing maintenance time.

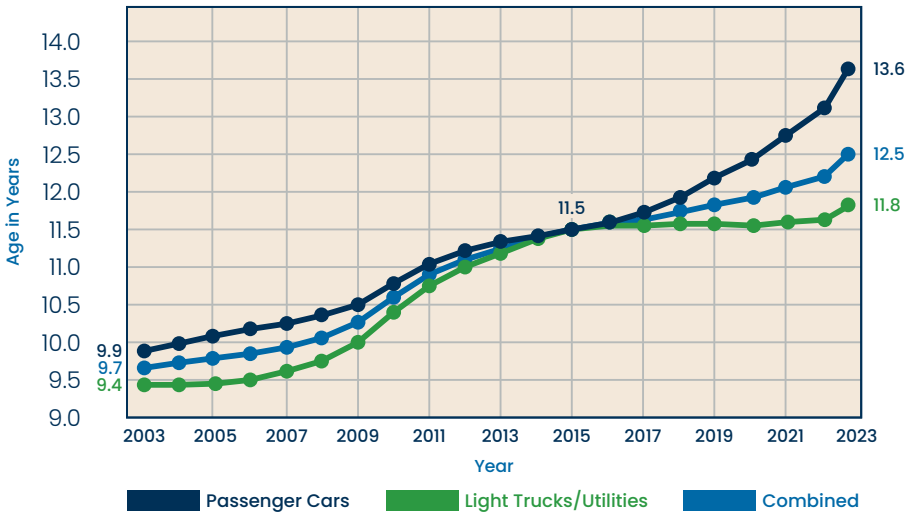
Does the Cost of Repairs Outweigh the Value of Your Vehicle?

Parts shortages open the question of whether keeping older vehicles is a better option than replacing them.

- Holding onto vehicles too long can lead to excessive costs.
- The reliability of older vehicles may create pain points if they are routinely in the shop for repairs and maintenance.

Adhere to a planned lifecycle for each vehicle but remain open to re-evaluating and adapting the plan for increased versatility.

Average Age by Vehicle Type



On the Rise

Combined average age rises for the **sixth consecutive year.**

Source: **S&P Global**

EVs and ICE?

Is your vehicle fleet in the process of transitioning to EVs?

It's essential to recognize that although EVs have fewer moving components than their ICE counterparts, regular maintenance tasks such as tire replacements, brake pad checks, and cooling system inspections may be required more frequently due to the added weight of the vehicles.

Navigating your Supply Chain Challenges

- Optimally replace ordered vehicles to manage the supply chain pipeline effectively.
- Strategically prioritize vehicles based on their lifecycle or impact on your company's revenue.
- Establish a plan for spare vehicles by determining the ratio of spares to everyday vehicles.

Service | Vehicle Downtime

Continued Labor Shortage

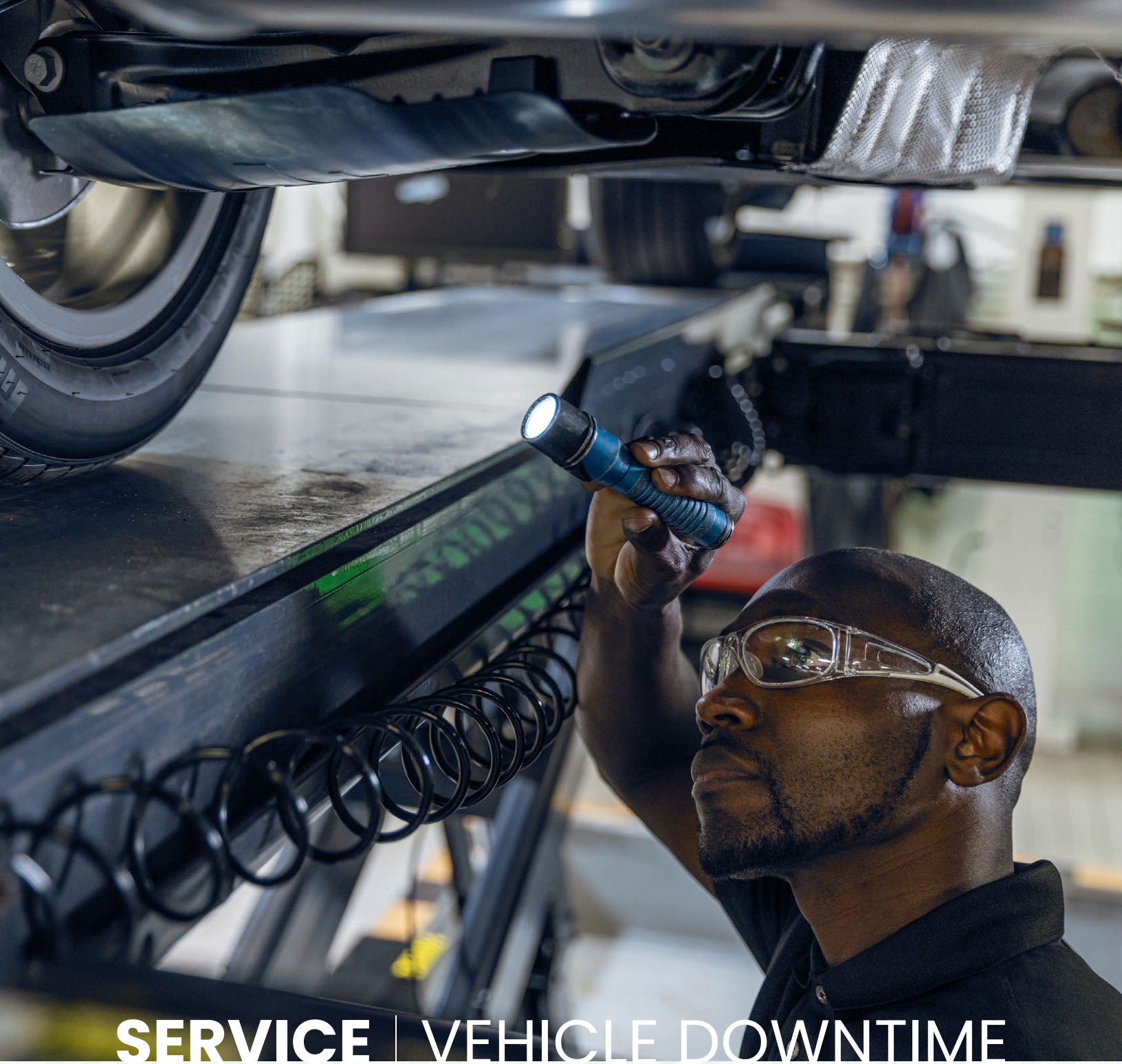
Persistent labor shortages continue to strain an industry struggling with a need for qualified technicians.

- The skilled labor market is a shrinking pool with increasing demand creating a breaking point.
- Expect the labor shortage to escalate.
- Disciplined adherence to fleet management best practices is even more essential than ever.



Supply of incoming automotive techs from postsecondary programs has dropped nearly 12%.

Source: **TechForce Foundation**



SERVICE | VEHICLE DOWNTIME

Key Takeaways

- Apply fundamental best practices: have a proper preventative maintenance plan in place and the discipline to adhere to it.
- Follow a schedule for replacing your vehicles. Holding onto them too long will create avoidable costs and downtime for your business.

Start Your Strategic Planning



SELL | MARKET CONDITIONS

Anticipate Resale Values to Resemble 2023

While it is possible to see a minor decrease in used vehicle prices in 2024, no significant changes are expected. Fleets will continue to hold onto assets longer, leading to a limited supply and elevated pricing for quality used vehicles in the marketplace.

Wholesale Used Vehicle Price

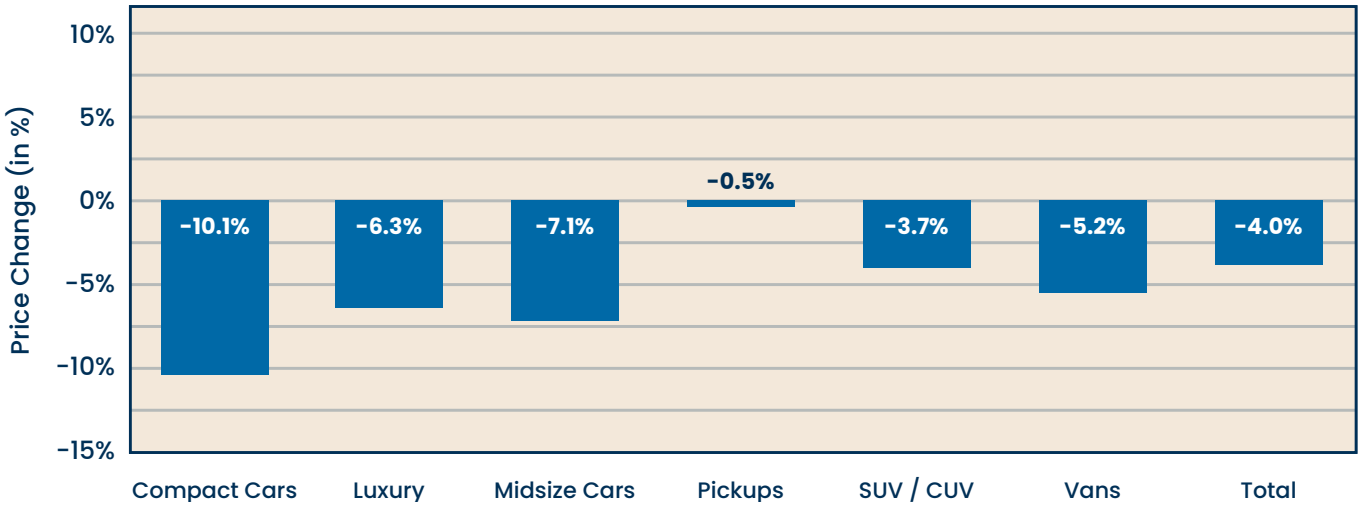
2.3% - decrease from September - October 2023

2.2% - decrease from September - October 2022

Furthermore, high interest rates are not expected to have a measurable impact on resale values in 2024.

Price Changes for Selective Market Classes:

Year-Over-Year Percent Change, October 2023



Source: **Cox Automotive**

Will Demand for Used EVs Increase in 2024?

As electric and alternative fuel vehicles continue to evolve, gas and diesel models will remain the primary demand. Once a system is established to measure and guarantee the remaining useful life of EVs, however, it is likely that demand for them will grow, however, this isn't expected to occur until beyond 2024.



VEHICLE REMARKETING

Sell Without Trial and Error

Given the abundance of sales channels available, expertise is necessary to secure the highest return. Working with an experienced remarketing partner who can provide connections and insight on the most opportune time and place to sell will position you to make the most money back for your assets.

> **"There's an art to selling successfully. It requires a consultative approach to understand the customer's needs and the ability to mix and match programs to bring the best possible solution."**
>
> **Danielle Lucas** - Holman Vice President of North American Fleet & Mobility Operations

How Can Fleets Effectively Dispose of Vehicles and Equipment?

Take advantage of the diverse channels and virtual platforms your remarketing partner has to offer. For example, Holman offers the following options:

- **Consignment** – proprietary websites, retail dealers, traditional auction houses, and more
- **EquipmentDirect** – non-titled assets are sold with a low-cost, limited-risk approach
- **BuyDirect** – Holman purchases your fleet vehicles and equipment within 48 hours
- **Employee Purchase** – Holman sells your company vehicles to your drivers



SELL | VEHICLE REMARKETING

Key Takeaways

- Ensure you receive the best net sale price for your assets by working with a remarketing expert.
- Choose a remarketing partner who seeks to understand your business and can offer flexibility and critical insight through proprietary data.
- Consider all options for infusing cash back into your business, including virtual platforms.

Maximize Your Return

Fleet Lifecycle





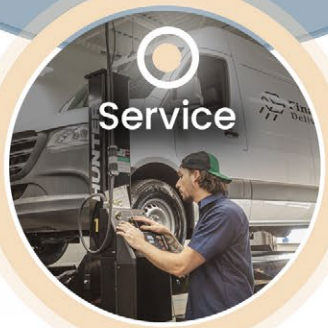
Financial Decisions

Supply Chain



Connectivity

Risk & Safety



Cost Containment

Vehicle Downtime



Market Conditions

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Ready to take the next steps?

Chat with our experts today!

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Driving What's Right