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Valuation Services Automotive Industry Perspective

3RD QUARTER 2018



INDUSTRY INFORMATION



RECENT VALUATION/ LIQUIDATION EXPERIENCE

FleetPride
Gates Corporation
GST AutoLeather
Mefro Wheels
Motovan
Navistar
Roadtrek
Tesla
Thor Industries
TI Automotive

Possibility U.S. Market will Exceed 17 Million Vehicles

By Keith Spacapan

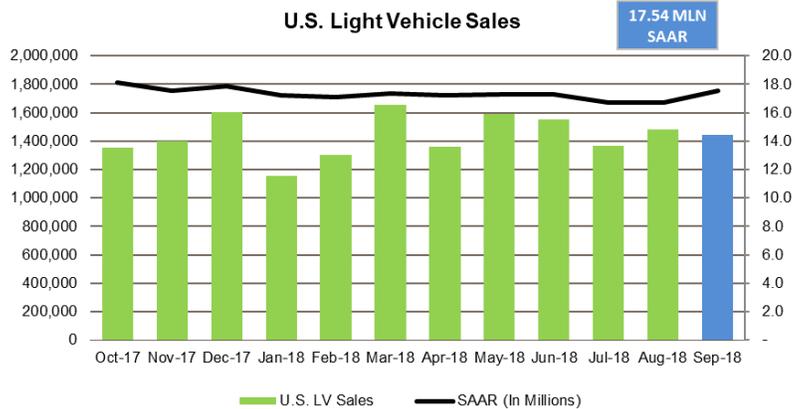
Making comparisons to September 2017 was always going to be disappointing. Hurricane Harvey made landfall in Florida in mid-August 2017 and Hurricane Irma followed later that month in Texas. Until mother nature intervened, the U.S. auto industry was poised to post its ninth straight month of year-over-year declines. However, in the rush to replace vehicles destroyed by the storms, consumers lifted U.S. light-vehicle sales by 6.3% in September 2017 compared to the prior year. The seasonally adjusted annualized rate (SAAR) was 18.58 million vehicles, the highest SAAR since the 20.64 million rate recorded in July 2015. With help from the storms, 2017 was the third straight year that U.S. vehicle sales exceeded 17 million units.

Compared to September 2017, last month's vehicle sales fell 5.5% but analysts were expecting worse. Industry ana-

lysts have been disappointed since January when their forecast called for an industry slowdown. Having posted a long string of year-over-year increases, analysts believed that consumers' appetite for new vehicles would succumb to rising interest rates, gas prices, and inventories of used vehicles. However, an increase in employment and higher wages with a boost from U.S. tax reform seemed to forestall the inevitable.

On a volume basis, September 2018 U.S. vehicle sales were the fourth-best September on record. The SAAR was back above 17 million units after dip-

ping below that level in July and August. Those two declines were interpreted by most analysts as a sign the long overdue downturn had finally begun. However, despite a decrease in the month of September, U.S. vehicle sales are still up 0.5% calendar year-to-date. The major vehicle manufacturers have taken a more disciplined approach to the prospect of a downturn by adjusting production, managing inventory, and avoiding costly sales incentives. As we draw closer to the end of the year, there is hope that 2018 will be the fourth year in row that U.S. vehicle sales exceed 17 million units.



Keith Spacapan is Vice President of Hilco's automotive practice. Keith has more than 30 years of automotive industry experience, including 15 years with General Motors as a divisional director of operations and finance. He has also worked with a wide range of automotive suppliers. His unique dual perspective—original equipment manufacturing and related suppliers—fosters a full understanding of the dynamics which impact asset value.



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