MARKET RESEARCH

SEMA FUTURE TRENDS

2023

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MARKET RESEARCH

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WELCOME TO SEMA FUTURE TRENDS

Welcome to the 2023 edition of "SEMA Future Trends." Last year, we forecast that the U.S. economy would improve slowly amid challenges in 2022 but return to pre-pandemic levels by the end of 2023. While the economy shows signs of strength (such as low unemployment), lingering supply-chain issues, high interest rates, and rising inflation have put a damper on things. It has also slowed recovery for auto sales. All of this has led to entering 2023 with mixed signals about the coming year. However, the recession many said was imminent still has not happened, and consumers continue to spend. Even more importantly for us, enthusiasts continue to modify and accessorize their vehicles and industry companies continue to report solid sales performance and demand.

Is a recession coming? If it does, will it be mild? When will prices return to normal? When will there be more microchips available? How far away are electric vehicles? These are just a few of the questions that we've heard over the past year. In this report, we'll try to address these questions and provide our take on where we think things are going in the future.

Particularly, we'll focus on the following:

- **Industry Outlook and Opportunities:** Industry performance continues to be solid, but challenges remain on the horizon. We'll look at how we see industry sales changing in 2023 and beyond, as well as discuss areas of potential opportunity and growth.
- **Economic Outlook**: We'll discuss where we think things are going with the economy, inflation, spending and unemployment, as well as potential impacts on the specialty-equipment market.
- **Vehicle Trends:** The pandemic slowed auto sales. Yet, significant changes are coming to new vehicles. We'll walk you through our forecast for sales and production as the industry continues to recover. We'll also look farther ahead to how drivetrains are changing, the emergence of electric vehicles, the emergence of autonomous technology, and how these things will impact our industry.
- **Lingering Supply Chain Issues:** Supply-chain issues remain a hot topic, and we'll revisit it to see how things are doing and where they're going.

Forecasting is difficult, and we can't truly predict your future. There very likely will be things that happen over the next year that none of us expected that will affect industry performance. However, we hope that this report gives you perspective on where things are going for the economy and our industry, so that you can better plan for and adapt to what's ahead.

Kyle Cheng
Senior Manager, Market Research
SEMA

WHAT'S THE OUTLOOK FOR THE FUTURE?

SPECIALTY-EQUIPMENT INDUSTRY

Sales growth for specialty-equipment parts is projected to have slowed last year, growing only 2% to $51.75 billion. Unless economic conditions significantly decline, industry sales growth should normalize in 2023 and return to the 3%–4% growth seen during typical years going forward.

Key Impacts : Consumer demand, supply-chain issues, high costs and prices, economic conditions, automotive sales

U.S. ECONOMY

The U.S. economy is showing mixed signals right now. Despite some positive indicators, like low unemployment, the economy is expected to slow in Q3 2023, potentially dipping into a recession, before bouncing back in the first half of 2024. The severity of a recession, if it even happens, is hard to predict.

Key Impacts: Inflation, consumer spending, disposable income and demand, labor market

VEHICLE TRENDS

Because of ongoing supply issues, high prices and increasing interest rates, full recovery for automotive sales in the United States likely won't happen until 2025. Vehicles are becoming more complex and computerized. Battery electric vehicle sales are growing—projected to hit 39% of new sales by 2035.

Key Impacts: Automotive sales, prices, electrification, advanced vehicle technology

SUPPLY CHAIN

The issues that plagued the supply chain both globally and within the United States have abated and things are returning toward normal. Supply should continue to normalize in 2023. However, it will still take time for availability of some things, like semiconductors (or chips), to fully recover.

Key Impacts: Semiconductor (chip) delivery lead times, port congestion, trucking industry, transportation prices

INDUSTRY OUTLOOK

SPECIALTY-EQUIPMENT INDUSTRY OUTLOOK

FORECAST

Sales growth for the specialty-equipment industry slowed over the last year, amid ongoing challenges. Unless economic conditions worsen, industry sales should normalize and return to pre-pandemic growth levels going forward.

Momentum for Future

- **Consumer Demand.** Demand for specialty-equipment parts was strong during the pandemic and continues to be strong.
- **Sales and Revenue Expectations.** Most of the industry expects solid sales and revenue over the coming year, despite economic uncertainty.
- **Consumers are holding onto their cars longer.** Consumers are holding onto their vehicles longer, as new- and used-vehicle sales slow. They will likely turn to aftermarket parts in the meantime.

Potential Challenges

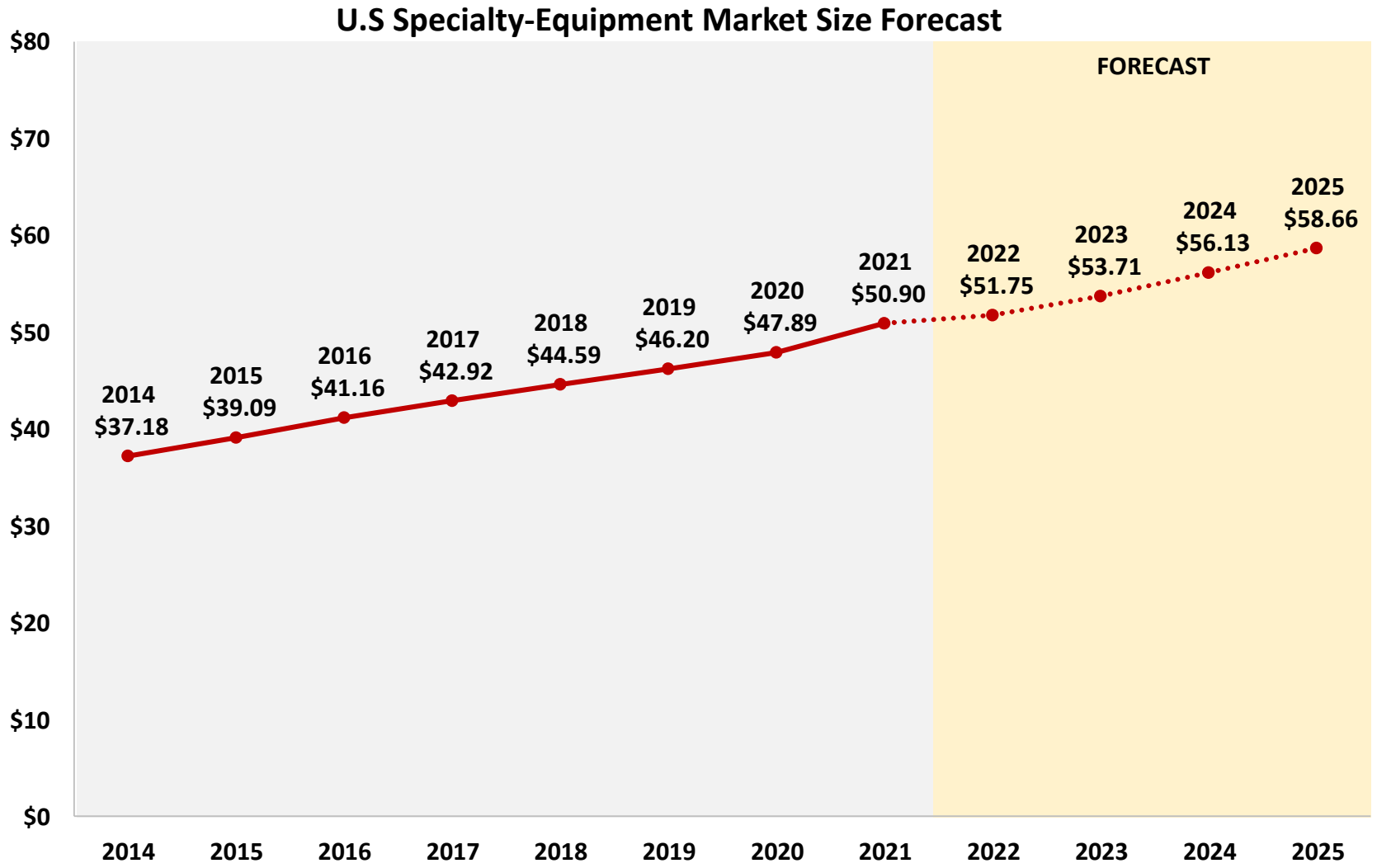
- **Ongoing supply-chain issues.** Supply-chain issues, like for semiconductors, continue. While improving, they are putting downward pressure on inventory levels and upward pressure on prices.
- **High costs and prices**. Costs are still high for businesses right now and are being passed to consumers. Costs should start to normalize in 2023.
- **Economic conditions.** As a discretionary spend sector, any impacts on disposable income (such as a recession and uncertainty) will negatively impact how much consumers spend on aftermarket parts.

PROJECTION FOR INDUSTRY GROWTH

Over the course of the pandemic, the specialty-equipment industry not only recovered, but many companies thrived. In 2021, demand for specialty-aftermarket parts was strong, with some companies recording their best sales ever. In fact, retail sales hit a record high of $50.9 billion—a growth of over 6% from 2020. This was despite looming challenges on the horizon.

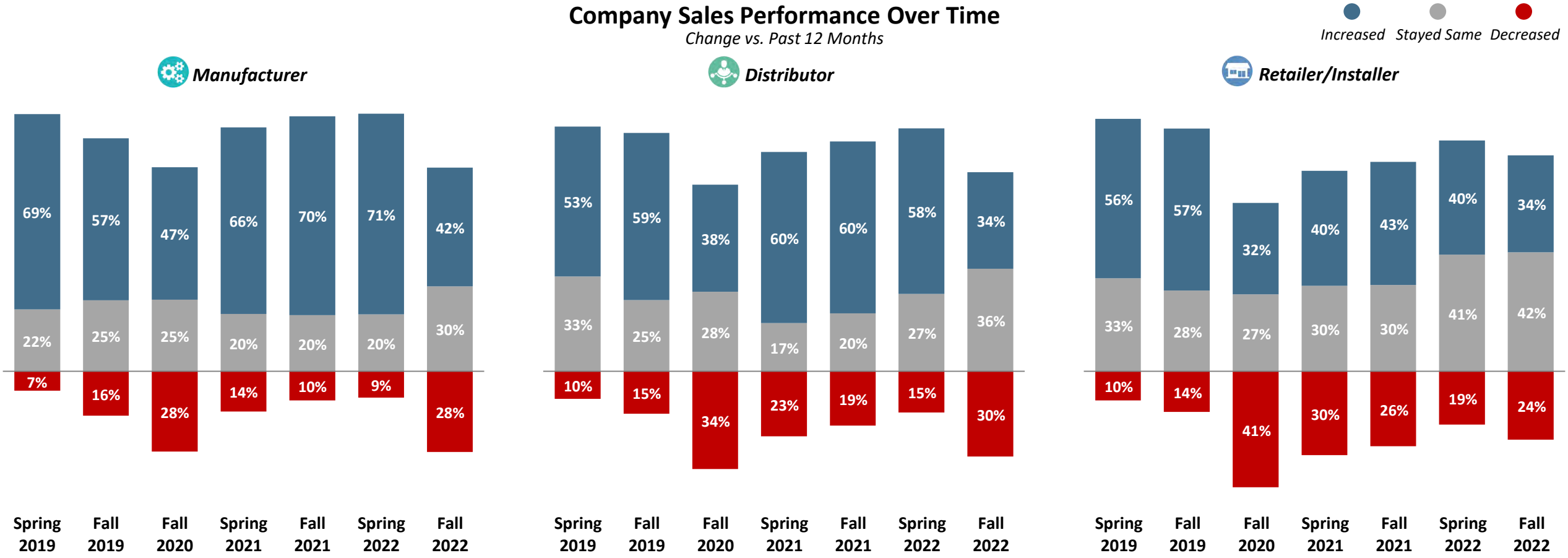
These challenges materialized more in 2022, such as rising inflation and supply-chain challenges—both of which led to lower inventories and higher prices. Additionally, consumers had more options to spend their money on, as most sectors of the economy that closed during the pandemic were open once again. While the official market size for our industry will be released soon, we project that sales growth slowed in 2022 to around 2%. Looking forward, we expect both prices and supply-chain issues to normalize. Additionally, slow vehicle sales will likely push consumers to hold onto their vehicles longer and purchase more aftermarket parts. As a result, unless economic conditions change significantly, we expect our industry to return to normal growth levels of 3% to 4% in 2023 and beyond.

Of course, these projections are dependent on what happens to the economy over the coming year and how it affects consumer spending. Right now, many are projecting some economic slowing towards the end of 2023 and potentially a recession as the Federal Reserve attempts to combat inflation. However, if the recession is deeper and more severe, then projections for our industry as well as other sectors will end up being more pessimistic. Bottom line, no one knows what exactly what will happen in the coming year but as of right now, our industry remains optimistic for the future.



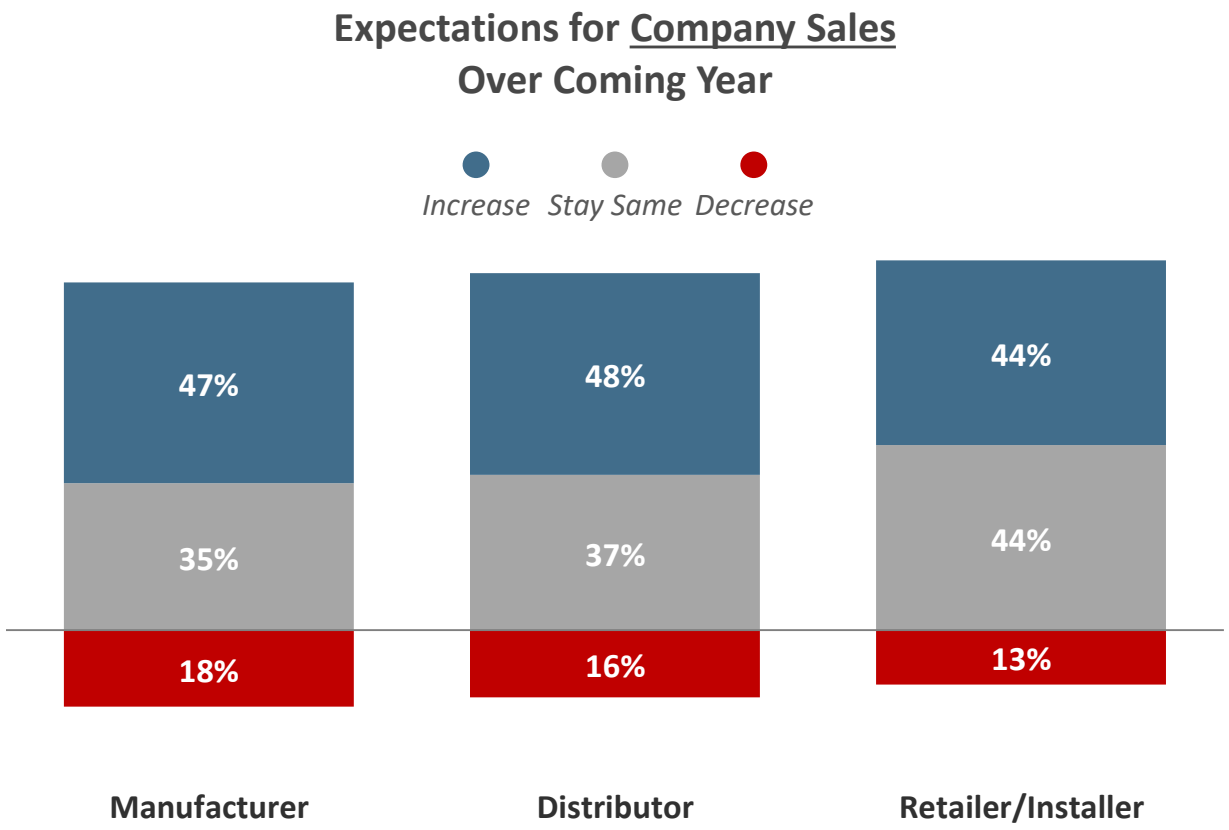
Source: SEMA Market Research

INDUSTRY PERFORMANCE OVER PAST FEW YEARS



During the pandemic, many companies within the industry reported record growth as consumers continued to work on their vehicles when everything else had closed. Our industry continues to report solid sales, but sales growth has largely returned to more normal levels that were seen prior to the pandemic.

INDUSTRY OUTLOOK FOR 2023



Despite ongoing uncertainty around the economy as well as lingering issues with the global supply chain, most companies within the specialty-equipment industry expect company sales to stay the same or grow over the next year. Companies do expect the costs of doing business, especially production and supplier costs, to remain elevated but are still optimistic about consumer demand and profits. Additionally, more than 130,000 people attended the 2022 SEMA Show in November 2022, a 30% growth over 2021. This is a strong indicator of the expected demand for aftermarket parts over the next year.

130,000+

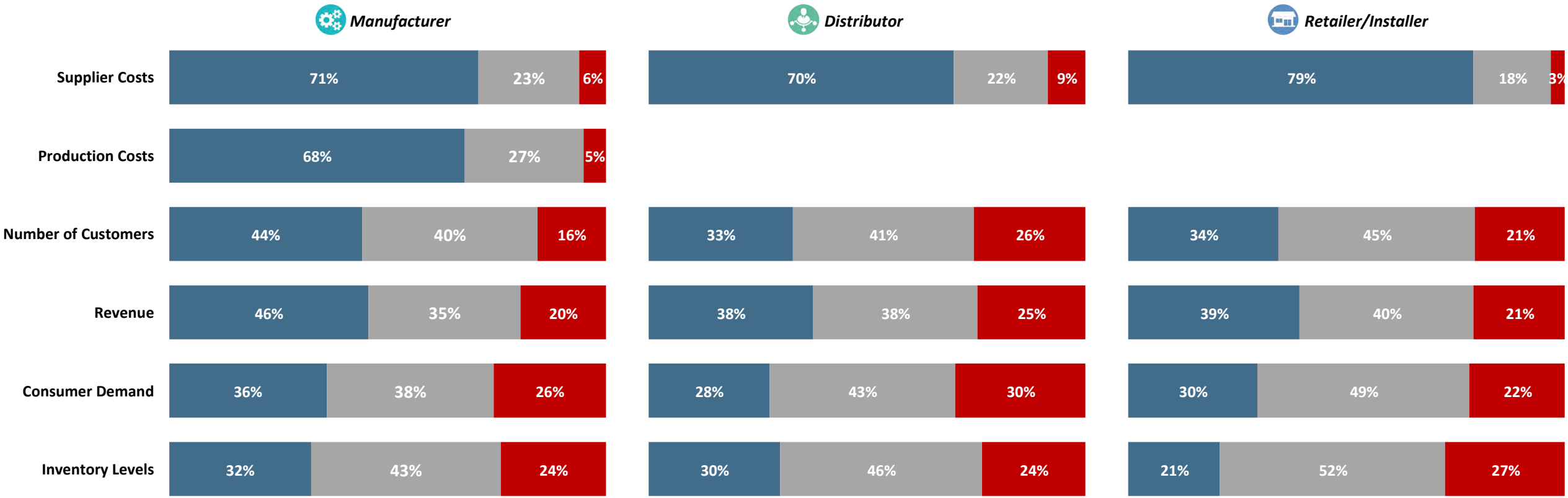
Attendees and Exhibitors at the 2022 SEMA Show

+30% vs. 2021 SEMA Show

Source: SEMA State of the Industry Report, Fall 2022

INDUSTRY OUTLOOK FOR 2023

Business Metric Expectations for 2023



Companies within our industry expect revenue, number of customers and consumer demand to remain solid in 2023. However, the costs for doing business and producing products are still expected to be expensive in 2023. Companies also remain concerned about inventory and supply-chain issues.

ECONOMIC FORECAST

U.S. ECONOMIC OUTLOOK

FORECAST

Economic signals are mixed, but we enter 2023 with some momentum—especially with low unemployment and strong consumer spending. Many expect the economy to slow down in the second half of 2023, potentially dipping into a mild recession in Q3, but it should bounce back quickly in the first half of 2024.

- **Inflation and high prices.** Prices right now for consumers are very high, and costs are also very high for producers and manufacturers. Inflation will likely fall as the Federal Reserve implements aggressive interest rate hikes in 2023, but the economy may slow as a result, potentially pushing the economy into a recession—the severity of which, if it occurs at all, is hard to predict.
- **Unemployment rates**. The labor market remains tight, and companies continue to hold on to their workers. Unemployment is at its lowest levels since the 1960s, but things may change if the economy slows. While some tech companies have begun layoffs after ramping up employment the last two year, few other sectors have followed suit.
- **Consumer spending, disposable income and demand.** Consumer spending right now remains strong, but disposable income is tightening as post-pandemic stimulus has dried up and costs for consumers rise. As costs return to normal and the economy slows, how consumers change their spending will be important to monitor.

WHERE IS THE U.S. ECONOMY GOING?

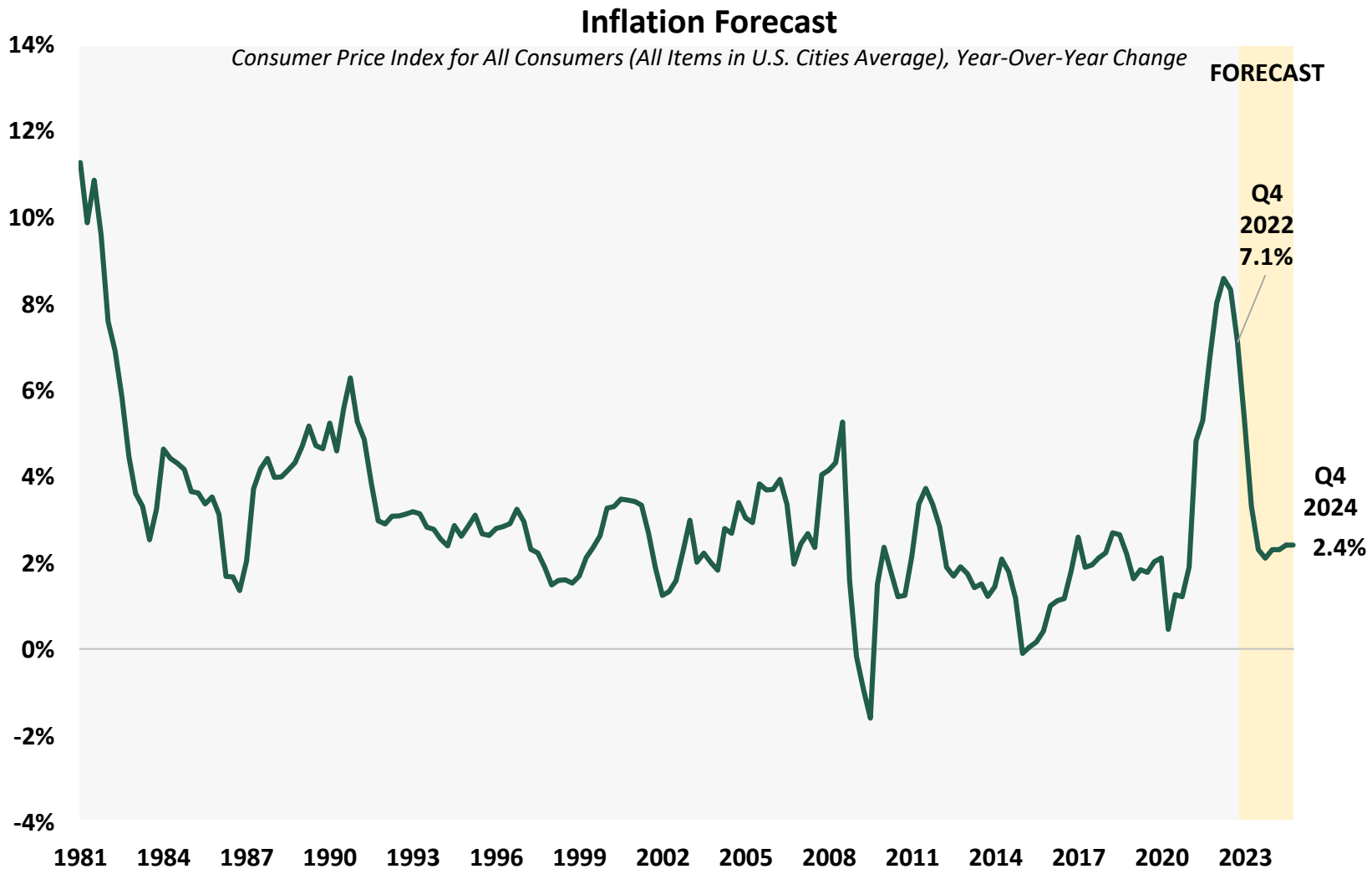
Despite all the uncertainty over the past year, the U.S. economy enters 2023 with momentum. The second half of 2022 showed resiliency, with real GDP up 3.2% at an annualized rate for Q3 and projected to finish above 3% for Q4 as well. Unemployment hit 3.5% in December 2022, its lowest level since the start of the pandemic and matching levels that haven't been seen since before the oil crisis in the 1970s. Consumer spending likewise remains strong—especially for retail. On top of this, rising inflation appears to have peaked and is dropping.

However, not all economic data have been positive. The housing market, thanks to high interest rates, has retracted. While unemployment has improved, labor demand hasn't increased. A few high-profile companies, such as Facebook, have also announced layoffs recently. While inflation is improving, prices remain high. This has led many consumers to take on high levels of debt, especially on their credit cards. Additionally, the Federal Reserve will likely continue to take aggressive steps with interest rates to slow the economy and bring prices down. Ongoing supply issues, especially for the automotive industry, have stalled full recovery as well. All of these are things we're monitoring as we enter 2023.

No one knows what will happen over the next year, and whether a recession will happen or not. Many economists expect that the economy will slow in the later half of 2023 (Q3), potentially entering a mild recession, before returning to normal levels in the first half of 2024.

Source: U.S. Bureau of Economic Analysis, Real Gross Domestic Product. Data as of December 22, 2022.
Source: Wells Fargo & Company. Economic Forecast as of January 13, 2023.

INFLATION REMAINS HIGH, BUT IS IMPROVING



As both consumers and businesses can attest, prices right now are very high and have risen precipitously over the past two years. In fact, inflation hit a record-high of 9.1% in June 2022, its highest level since the early 1980s. But what's really causing this? It's hard to pinpoint an exact cause and is a result of several factors. The pandemic caused a severe disruption in the global supply chain, which reduced supply of consumer goods and drove up prices. Amid these shortages, stimulus programs helped keep up demand by giving consumers more disposable income and further constraining things. Additionally, geo-political issues—such as the war in Ukraine—drove up the cost of fuel and other commodities, leading to increased prices. These are just some of the things that helped push prices to where they are.

That said, things look like they are improving. Inflation was 7.1% in Q4 2022, a decline from it's peak earlier in the year. The rise in prices will likely continue to drop this year. By the end of 2023, the inflation rate should normalize back to around 2%.

The aggressive steps the Federal Reserve has taken to increase interest rates has contributed to this reduction in inflation. However, the rate remains high, and the Fed will likely continue to take aggressive measures in 2023. This in turn will slow down the economy, potentially causing a recession. Many are predicting a "soft-landing" recession that avoids major impacts to the economy, but it's impossible to predict as of right now.

Source: U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: All Items in U.S. City Average. Data as of January 12, 2023.
Source: Wells Fargo & Company. Economic Forecast as of January 13, 2023.

FUEL AND FOOD HAVE SEEN THE BIGGEST SPIKES IN PRICE

Biggest Price Shifts in the Consumer Price Index (CPI)

Rank	Product Type	12-Month Change in Price (Dec 2022)
1	Fuel oil	+41.5%
2	Airline fare	+28.5%
3	Natural gas (piped)	+19.3%
4	Cereals and bakery products	+16.1%
5	Energy services	+15.6%
6	Dairy and related products	+15.3%
7	Transportation services	+14.6%
8	Electricity	+14.3%
9	**Motor vehicle insurance**	**+14.2%**
11	**Motor vehicle maintenance and repair**	**+13.0%**
25	**New vehicles**	**+5.9%**
36	**Gasoline (all types)**	**-1.5%**
37	**Used cars and trucks**	**-8.8%**

Bolded items indicate automotive-related categories.

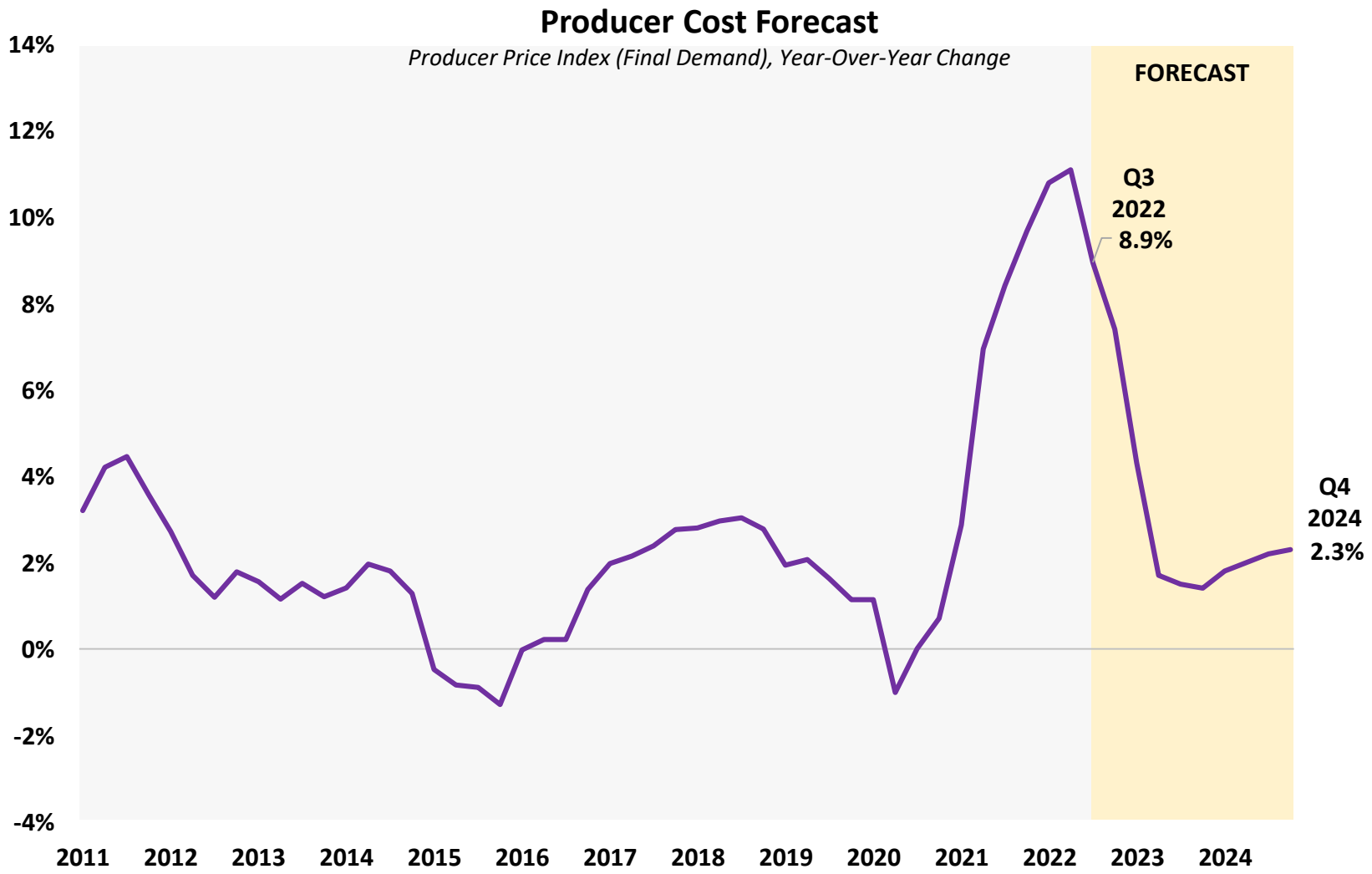
With inflation starting to cool off, what products are showing the biggest swing in price? Right now, it's energy. Fuel oil is currently the biggest contributor to inflation, up 41.5% from last year. Fuel oil is an aggregate category that includes fuels that are burned to generate heat or power. Much of the spikes we're seeing now are driven by unpredictable weather and the geopolitical concerns stemming from the war in Ukraine. Unleaded gasoline is down slightly from last year, but other fuels like diesel remain very expensive.

Airline fares are exceptionally high right now thanks to high demand for travel, staff shortages, delays and increased fuel costs. Food is also very expensive, due to supply-chain shortages. There currently is a shortage of Tabasco sauce thanks to poor pepper crops stemming from poor weather. An increase in avian flu on chicken farms has also led to a shortage of eggs in stores and is driving up prices.

The price of new vehicles remains high thanks to continued supply issues (especially chips). Slowing demand, however, is starting to put downward pressure on this. Used vehicles are also down 8.8% from last year. The cost of using a vehicle, such as insurance and maintenance, is up due to increased driving. Consumers are driving more now that many have returned to the office and because of the high prices of other forms of transportation.

Source: Bureau of Labor Statistic, "Consumer Price Index." Data as of January 12, 2023.

PRICES ARE ALSO EXPENSIVE FOR PRODUCERS AND MANUFACTURERS



Much of the attention surrounding prices these days has been on inflation as it relates to consumer prices. However, prices have also been extremely high for manufacturers and producers of products. Producer prices in Q2 2022 were up 11.1% from 2021—a record high.

Much of this price increase can be attributed to the pandemic and supply issues. Prices for raw materials has increased substantially thanks to shortages, which has significantly driven up costs for companies.

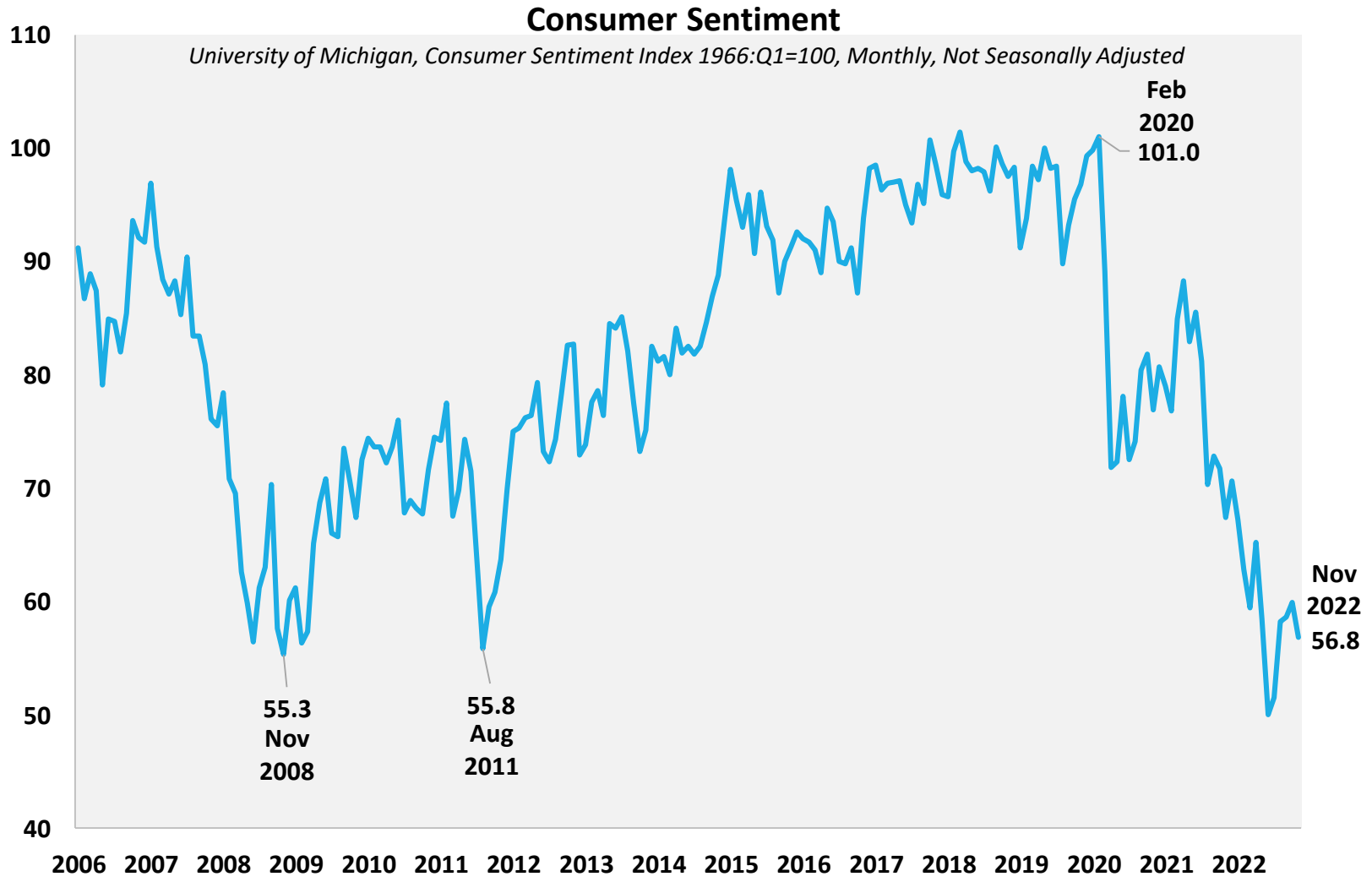
Thankfully, things are projected to get better. As supply-chain issues resolve and demand slows, price increases will slow. Producer prices have likely peaked and are set to improve over the coming year. By the end of 2023, prices should return to more normal levels.

Source: U.S. Bureau of Labor Statistics, Producer Price Index by Commodity: Final Demand. Data as of December 9, 2022.
Source: Wells Fargo & Company. Economic Forecast as of January 13, 2023.

CONSUMER CONFIDENCE REMAINS DOWN

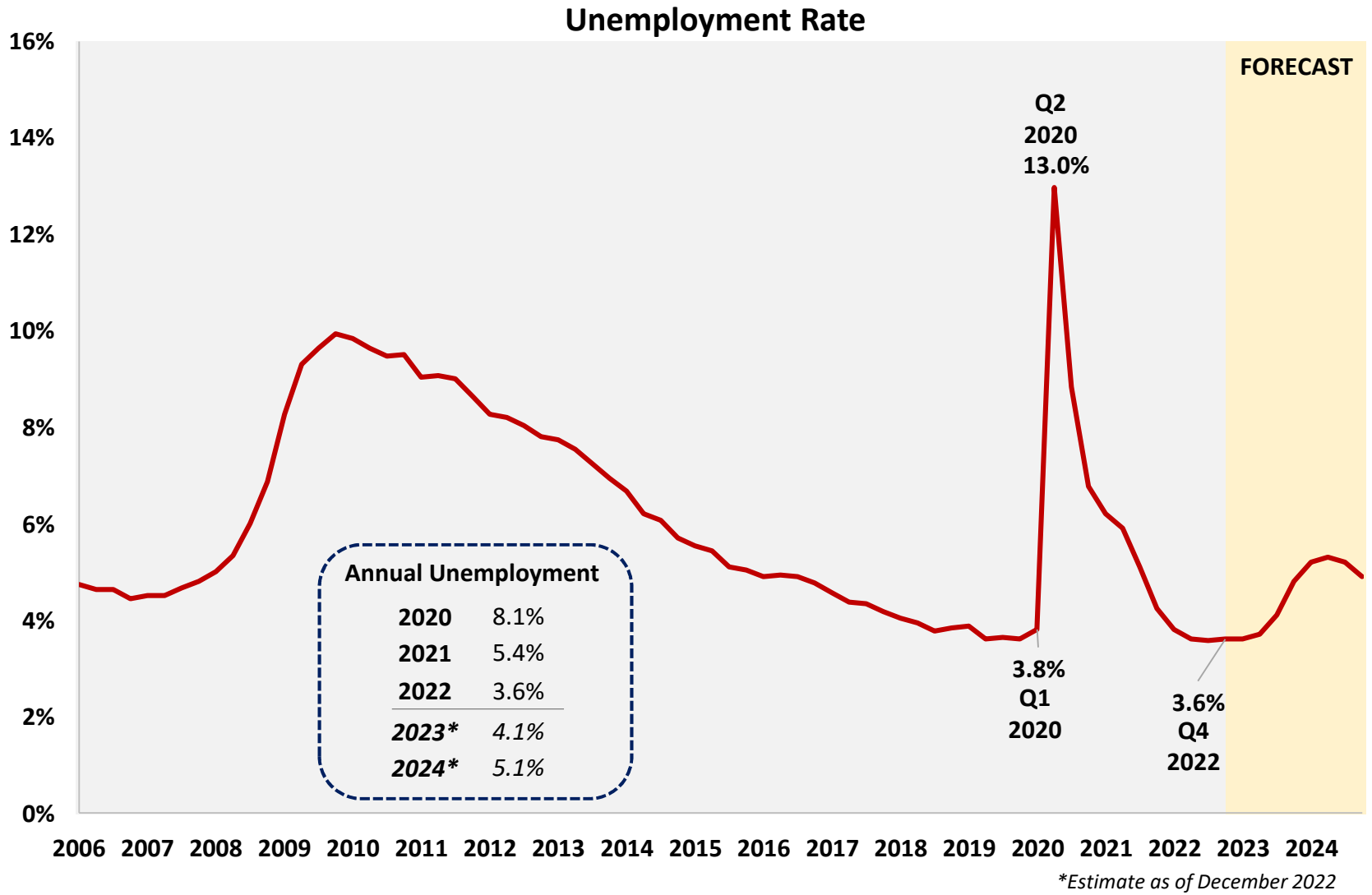
Thanks to high interest rates, fears of a potential recession, persistently high prices and geo-political issues, consumers have a lot on their mind right now. Political division in U.S. society is at an all-time high as well, compounded by mistrust in both the government and the media. The result has been a negative impact on how consumers perceive things are going in the United States today.

However, consumer sentiment is a perception based on many factors and not necessarily an accurate measure of economic reality. As inflation returns to more normal levels and some of the current economic and political uncertainty dissipates, consumer confidence should improve.



Source: University of Michigan, Survey of Consumers. Index of Consumer Sentiment. Data as of December 23, 2022.

UNEMPLOYMENT AT ITS LOWEST SINCE LATE 1960S



*Estimate as of December 2022

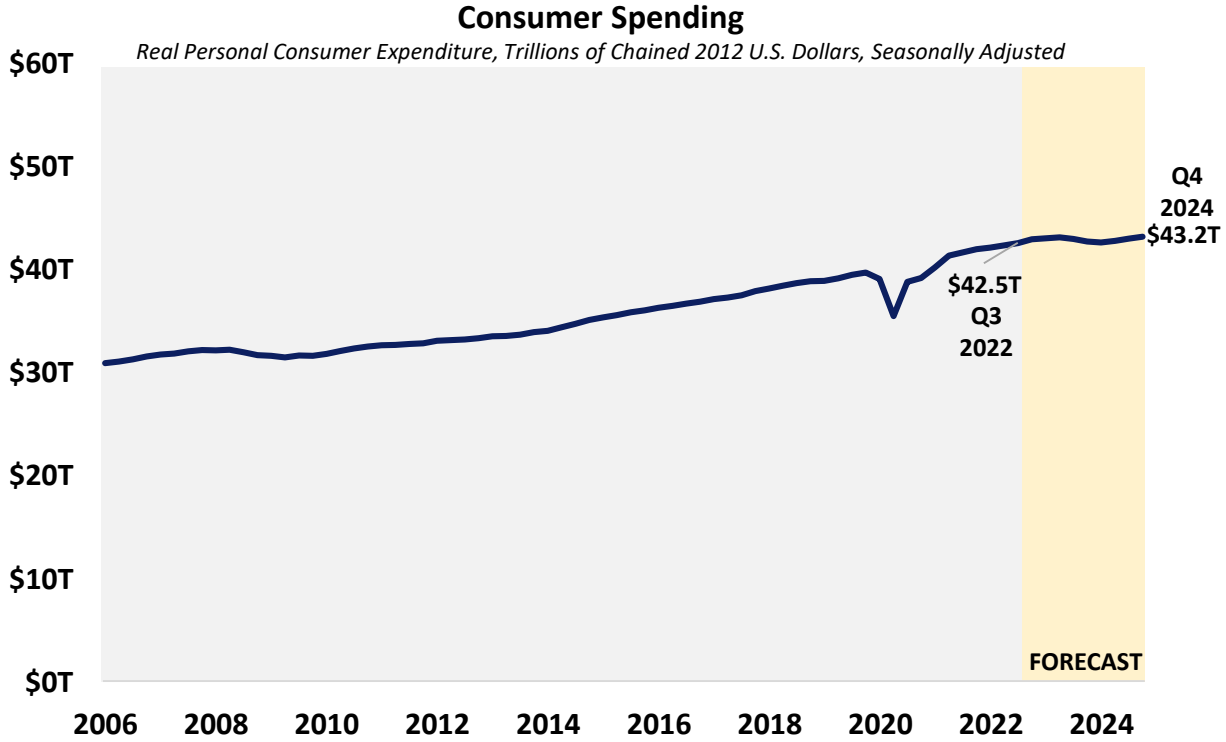
The unemployment rate dropped to 3.6% in Q4 2022, its lowest level in the last decade and a level not seen since the late 1960s (before the oil crisis). By all objective measures, it is strong sign for the U.S. economy and has provided some momentum for the economy entering 2023.

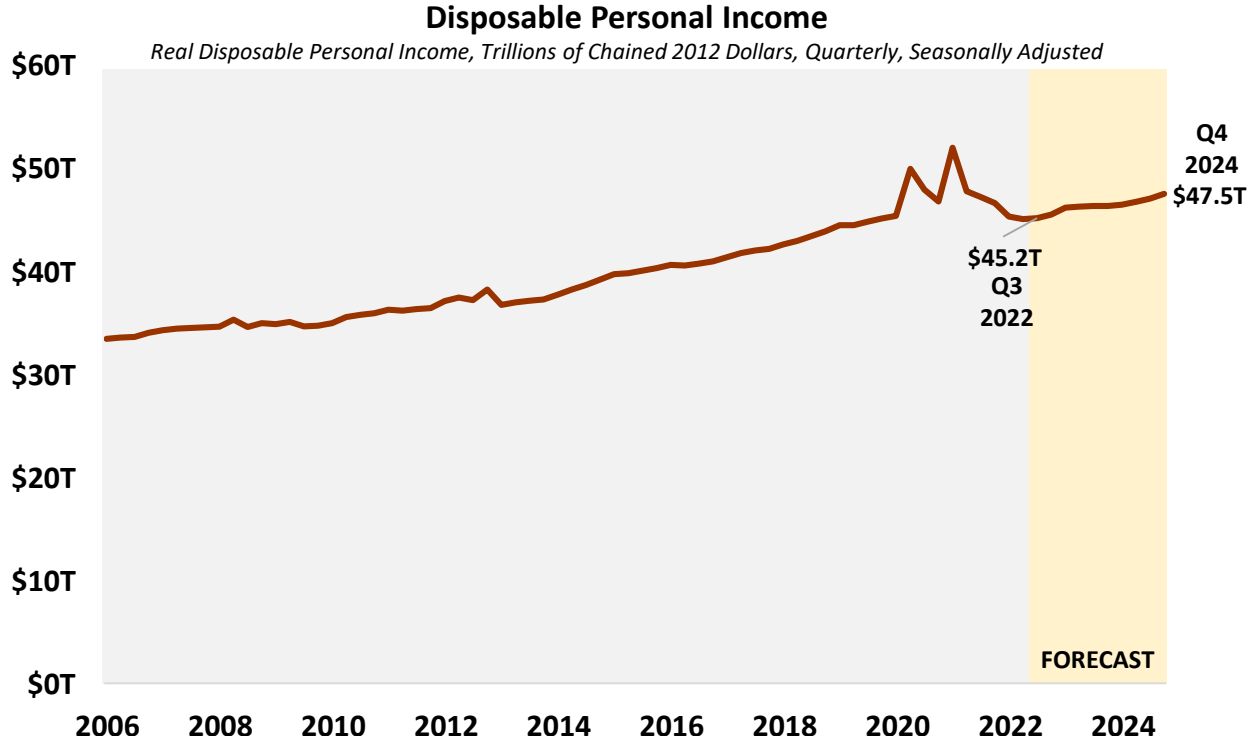
Given the difficulty of filling open positions over the last year, many companies are remaining content to maintain staff levels. There have been sporadic layoffs in certain sectors recently, most notably the tech sector. Despite this, most economists agree that the labor market remains tight. However, payrolls did post their smallest gain in two years to end 2022, and both hiring plans and job openings have edged down recently. These are things we'll need to keep an eye on in 2023.

Moving forward, as interest rates rise and the economy slows towards the later half of 2023, there is an expectation among economists that there will be an uptick on unemployment claims. However, things should improve again in 2024.

Source: U.S. Bureau of Labor Statistics, Unemployment Rate. Data as of January 6, 2023.
Source: Wells Fargo & Company. Economic Forecast as of January 13, 2023.

CONSUMER SPENDING IS SOLID, BUT CHALLENGES REMAIN



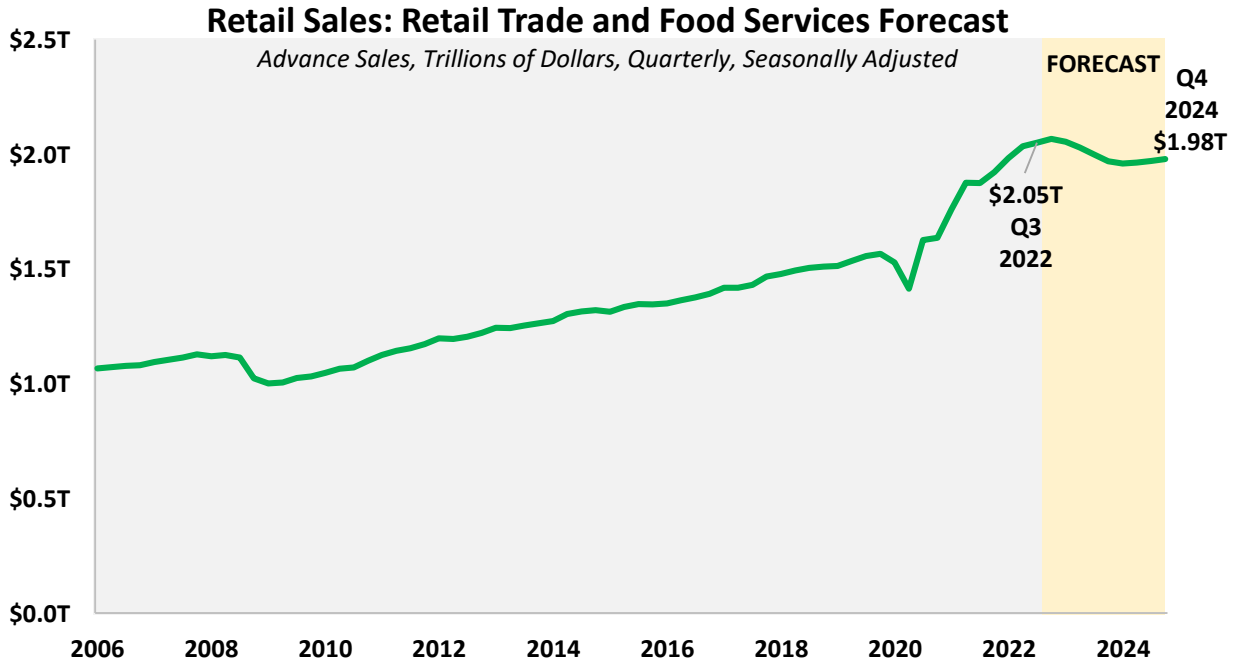


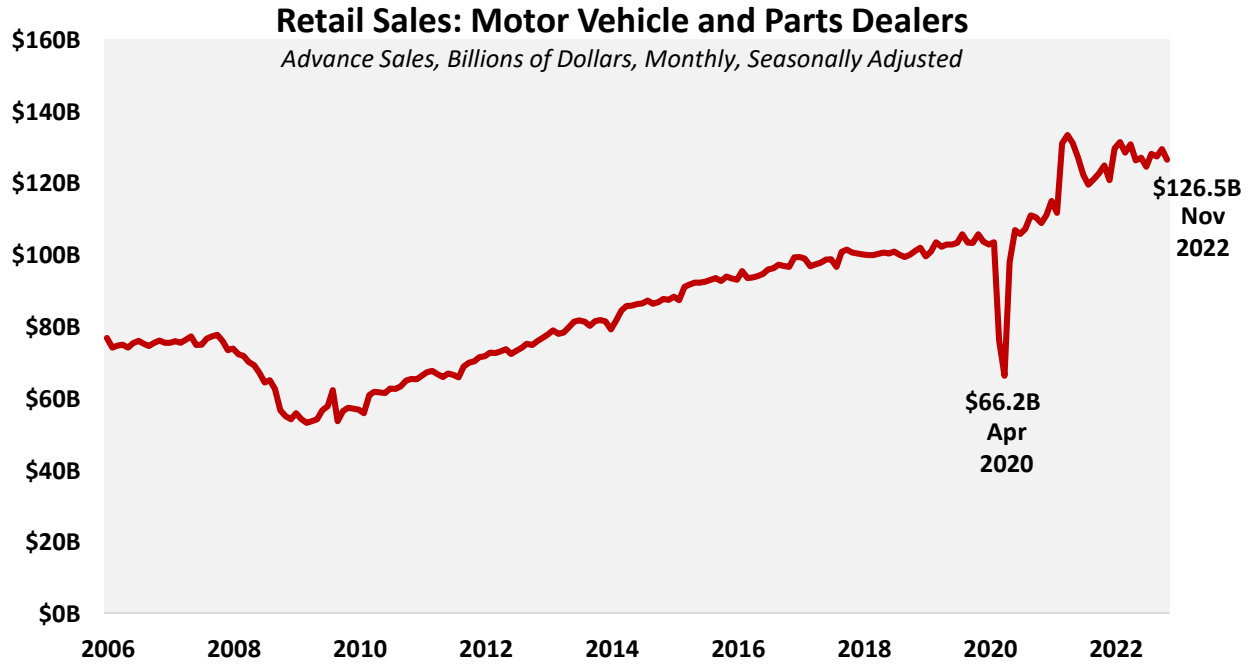
Consumers have spent a lot of money over the last year amid high prices and elevated demand. At $45.2 trillion dollars in Q3 2022, consumer spending is at its highest point in U.S. history. A strong labor market has contributed to this, with many reporting significant income growth. Looking forward, it's likely many households will encounter tougher financial situations in mid-2023 as the Federal Reserve tightens its monetary policy to fight inflation. During the pandemic, thanks to generous stimulus, many households had excess savings and disposable income to spend. Given high prices, it's likely excess savings have largely run dry. With some slowing in the economy in the later half of 2023 and a potential recession, it's possible consumers may pull back some on spending. However, that depends on the severity of the recession—if it even happens.

One thing to keep an eye on is credit card debt. In Q3 2022, average credit card debt per borrower rose to $5,474 according to Transunion. This is a 13% increase from Q3 2021. It's not just vacations and shopping sprees. With inflation outpacing income, many consumers are using credit cards to pay for everyday needs. Likewise, fewer are paying off their balance. As credit card debt increases, this may also constrain how much consumers are able to spend.

Source: U.S. Bureau of Economic Analysis, Personal Consumption Expenditures. Data as of December 23, 2022.
Source: U.S. Bureau of Economic Analysis, Disposable Personal Income. Data as of December 23, 2022.
Source: Wells Fargo & Company. Economic Forecast as of January 13, 2023.

RETAIL SALES WERE STRONG OVER PAST TWO YEARS



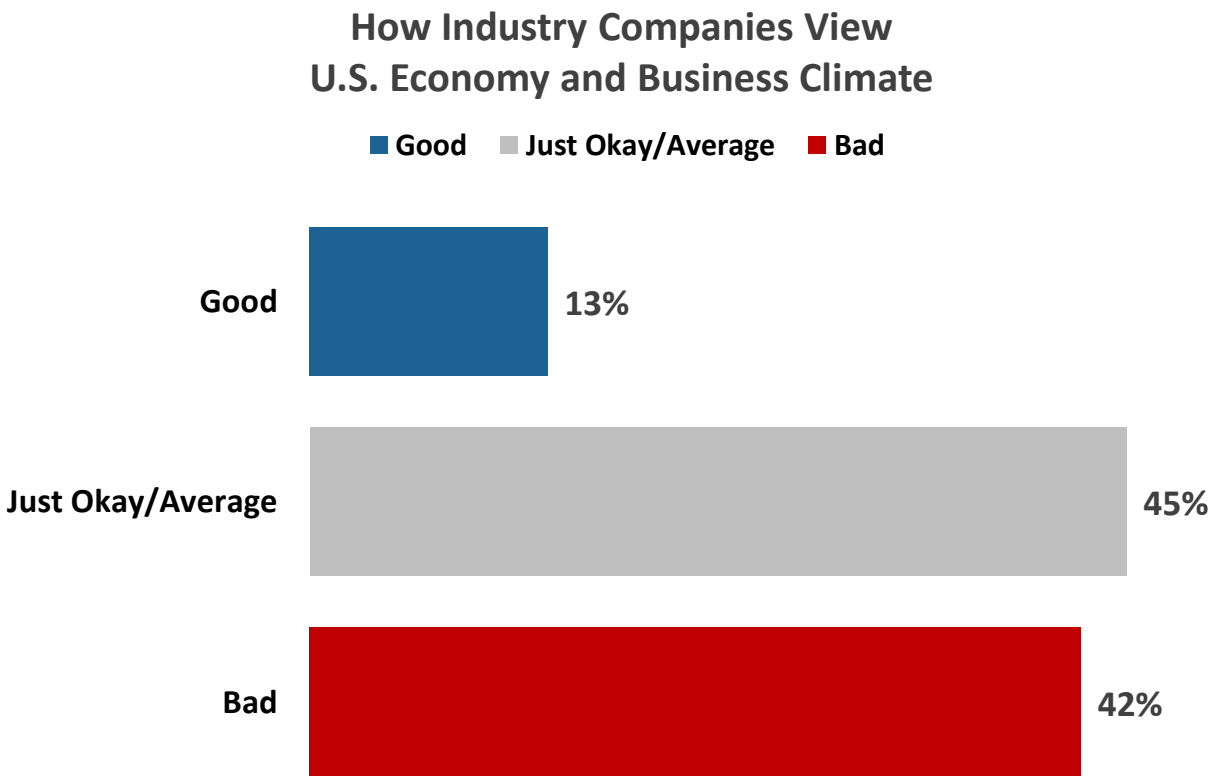


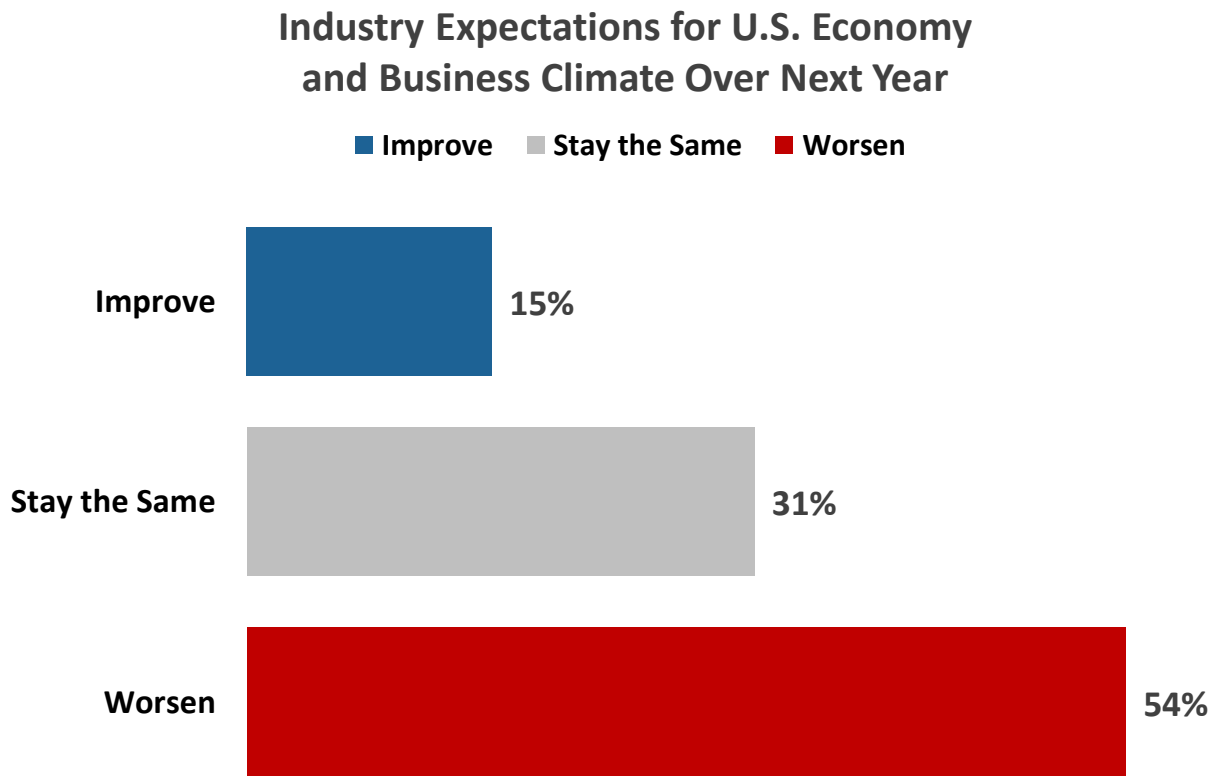
Alongside the uptick in consumer spending, retail sales have also shown strong growth over 2021 and 2022. Retail sales (both retail trade and food service) hit a record high in Q3 2022 of $2.05 trillion. They're projected to hit even higher levels in Q4 2022. Sales at motor vehicle and parts dealers has been especially strong. After seeing a big spike in sales thanks to stimulus payments earlier on in the pandemic, things have returned to more normal levels, hitting $126.5 billion in November 2022. Some of this increase in retail spending is due to inflation and an increase in prices. However, it's also due to strong consumer demand, of which the specialty-equipment industry has benefited.

Moving forward, as the economy slows, it's likely retail sales will fall in the later half of 2023, before leveling off and returning to growth in 2024. Even with this decline, it's expected that sales will still surpass pre-pandemic levels. For automotive parts, retail sales may also soften some, but a significant decline is not expected. Consumers will likely hold onto their vehicles longer and will continue to buy parts, given the high prices for both new and used vehicles.

Source: U.S. Census Bureau, Advance Retail Sales: Retail Trade and Food Services. Data as of December 15, 2022.
Source: Wells Fargo & Company. Economic Forecast as of January 13, 2023.
Source: U.S. Census Bureau, Advance Retail Sales: Motor Vehicle and Parts Dealers. Data as of December 15, 2022.

HOW DOES OUR INDUSTRY VIEW THE ECONOMY?





Like many in the United States, companies within the specialty-equipment industry also have concerns about the U.S. economy. Increased costs and supply-chain issues are putting downward pressure on businesses, and while sales remain solid right now, economic conditions remain a concern. Right now, nearly 60% of our industry views the economy as either good or just average. However, perceptions are less optimistic about the next year, with most expecting the economy to worsen in 2023.

Source: SEMA Market Research

VEHICLE TRENDS IN THE UNITED STATES

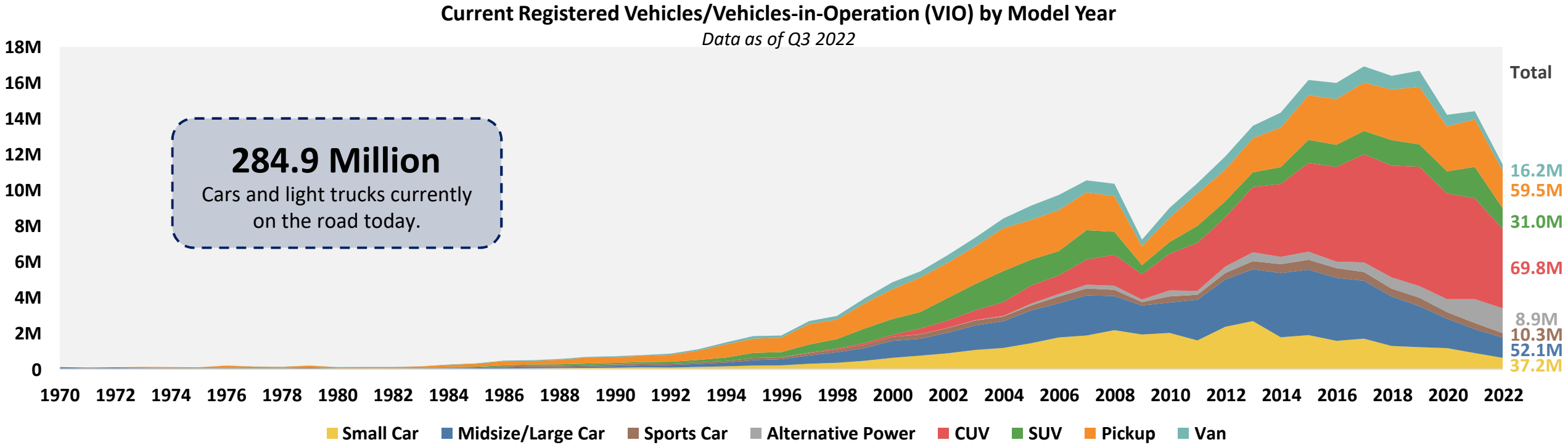
U.S. VEHICLE TRENDS AND INSIGHTS

OUTLOOK

Full recovery for automotive sales in the United States will likely take until 2025. Sales of electric vehicles are growing and expected to hit 39% by 2035. However, it will take decades before these vehicles replace all the traditional ICE engines currently in operation on roads today.

- **Vehicle Sales**. Due to ongoing supply-chain issues, high prices and rising interest rates, it's likely both new and used light-vehicle sales in the United States won't return to pre-pandemic levels until 2025. Prices will stabilize over the next year or two, but it will take time before sales levels normalize.
- **Electrification**. While more electric vehicles are coming, they won't take over roads any time soon. Significant challenges remain to their full-scale adoption in the United States. SEMA projects that by 2035, fully electric vehicles will make up 39% of new light-vehicle sales. Additionally, specialty-equipment parts for electric vehicles will likely remain just a small share of our industry's sales over the foreseeable future.
- **Vehicle Technology Is Changing**. Advanced driver-assist systems (ADAS) and other technologies are making cars more complex. These changes will impact how aftermarket parts affect new vehicles.

CUVS DOMINATE U.S. ROADS, FOLLOWED BY PICKUPS



Today, there are more than 284 million vehicles in operation. Thanks to their ever-growing popularity, CUVs continue to dominate U.S. roads. Nearly a quarter of all registered vehicles in the United States today are crossovers. Pickups, given their functionality, versatility and longevity, are popular platforms as well. Alternative-power vehicles, of which electric vehicles are a part, only make up around 3% of vehicles on the road. While that number is expected to grow in coming years across multiple segments as their sales increase, it will take a while before electrics take over.

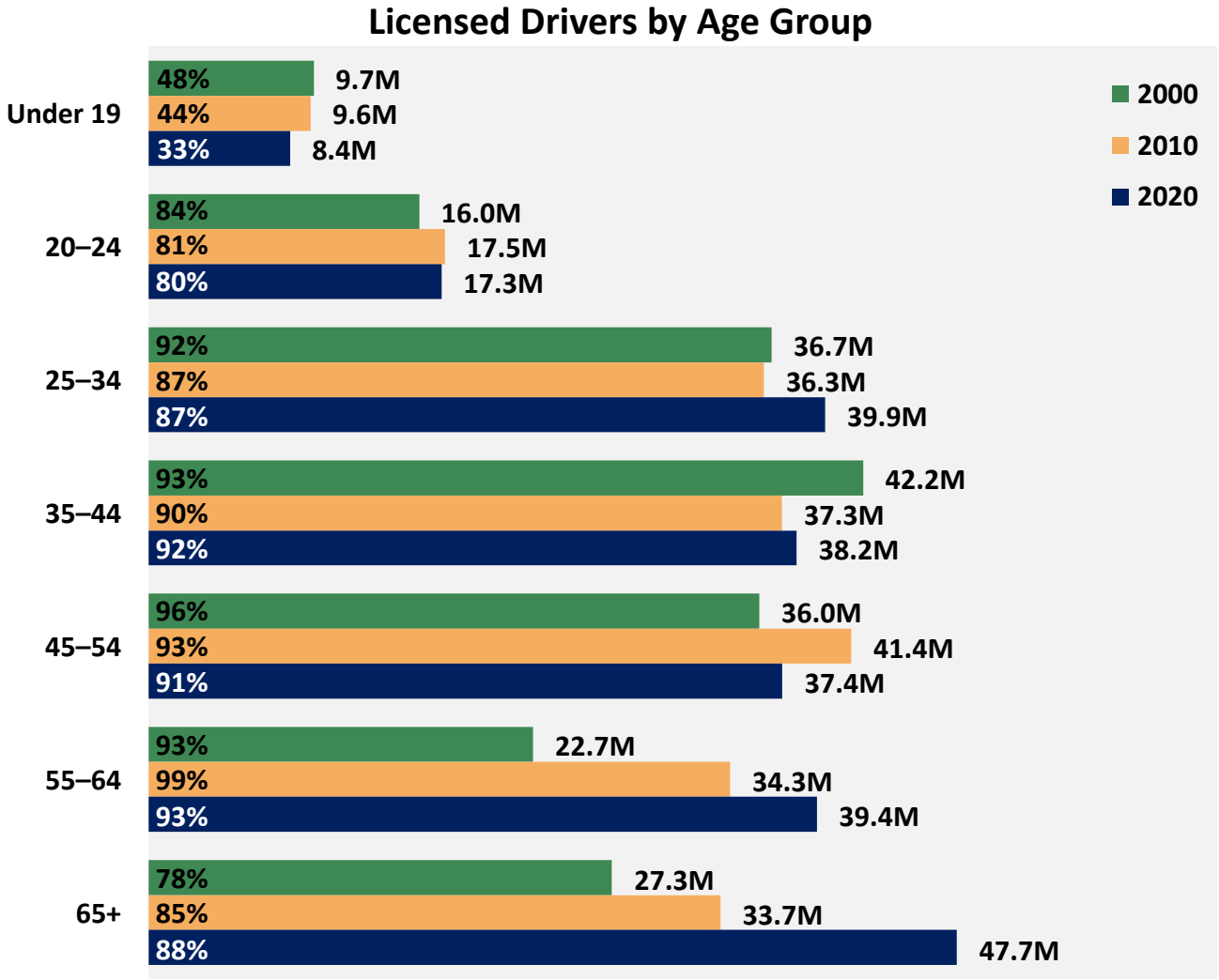
By 2025, we project the vehicle population in the United States to be just under 300 million and, by 2035, anticipate that number will cross 330 million.

Vehicle Population Forecast

	2025	2030	2035
Total VIO	298.8M	317.3M	332.8M

Source: ©2023 Experian. Vehicle-in-Operation (VIO) registration counts as of September 30, 2022.
Source: SEMA Estimates

LICENSE RATES BY AGE



There are more drivers today than at any point in U.S. history. In 2020, there were 228 million licensed drivers in the United States. This was 18 million more than there were in 2010 and 37 million more than in 2000.

Young people do still drive, despite popular belief. While license rates for those under age 19 have fallen over the years, likely due to the increased cost of both insurance and the vehicles themselves, young people very much age into driving. By their early 20s, the majority end up getting their driver's license. These younger drivers tend to also be more enthusiast when it comes to the aftermarket.

One shift that has happened is that there are more older drivers today than ever before. This is a natural byproduct of an aging population. Despite this growth of older drivers, it is not translating to more accessorization—emphasizing that young people do care about cars and are critical to the specialty-equipment industry.

Total Licensed Drivers

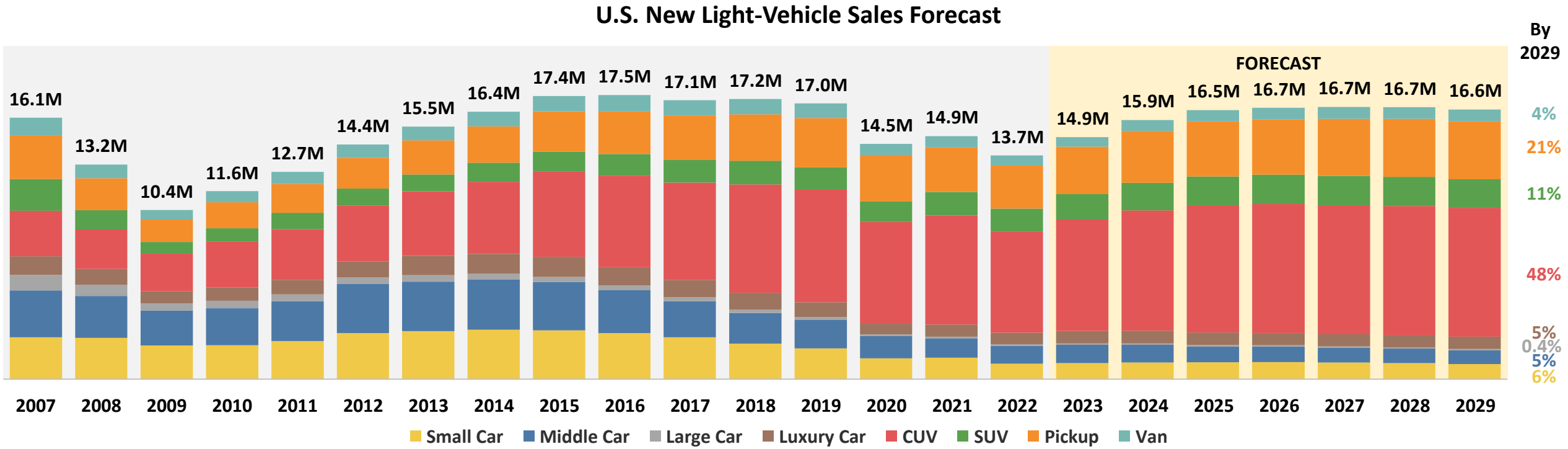
2020: 228M (**+9%** vs. 2010)

2010: 210M

2000: 191M

Source: U,S, Department of Transportation, Federal Highway Administration. “License Rates by Age and Gender.” Data as of January 2023.

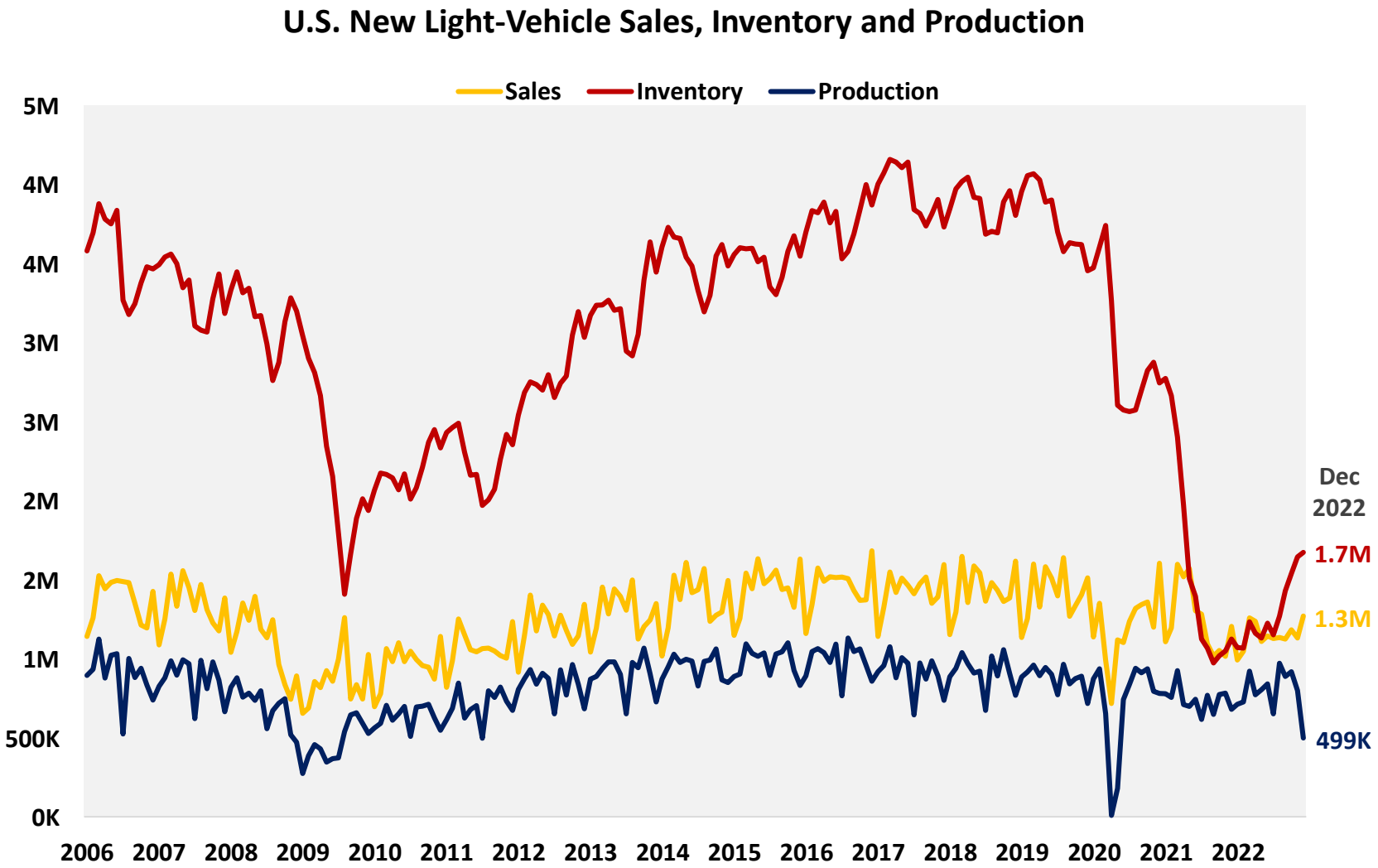
U.S. LIGHT-VEHICLE SALES FORECAST



In the "2021 Future Trends" report, we projected that new-vehicle sales in the United States would return to pre-pandemic levels by the end of 2023. However, due to supply shortages, rising interest rates, high prices and slowing sales, it's likely that sales won't return to pre-pandemic levels until 2025. In 2022, 13.7 million new vehicles were sold—roughly 1.2 million units below 2021 and 3.3 million units below 2019. New vehicles are very expensive right now and interest rates are high, making it difficult for consumers to purchase them. On top of that, the industry continues to run into supply issues—especially around semiconductors (or chips). Although things have improved, hundreds of thousands of vehicles are still sitting in lots waiting for their final components to be installed.

In terms of sales trends, the shift towards light trucks (CUVs, SUVs, pickups, vans) away from passenger cars is ongoing. By 2029, it's expected that more than 85% of new vehicles will be a light truck, of which 48% will be CUVs. This transformation was helped by the pandemic, which forced OEMs to prioritize their most profitable models, which happen to be light trucks (especially pickups). An additional consideration is the growth of electric vehicles across multiple vehicle segments, which we'll discuss later.

NEW-VEHICLE INVENTORY FINALLY SURPASSING SALES



For the first time since early 2021, new light-vehicle inventory outpaced sales by a significant margin. Thanks to their high cost, rising interest rates and limited availability, sales slowed in the later half of 2022. As a result of this, in addition to supply-chain issues, production among OEMs declined at the end of 2022.

New-vehicle inventory levels as of December 2022 are **52% below** December 2019, but **56% above** January 2022.

Source: ©Copyright 2023, Wards Intelligence, a division of Informa. Data as of January 10, 2023.

THE PRICE FOR A NEW VEHICLE IS AT A RECORD HIGH

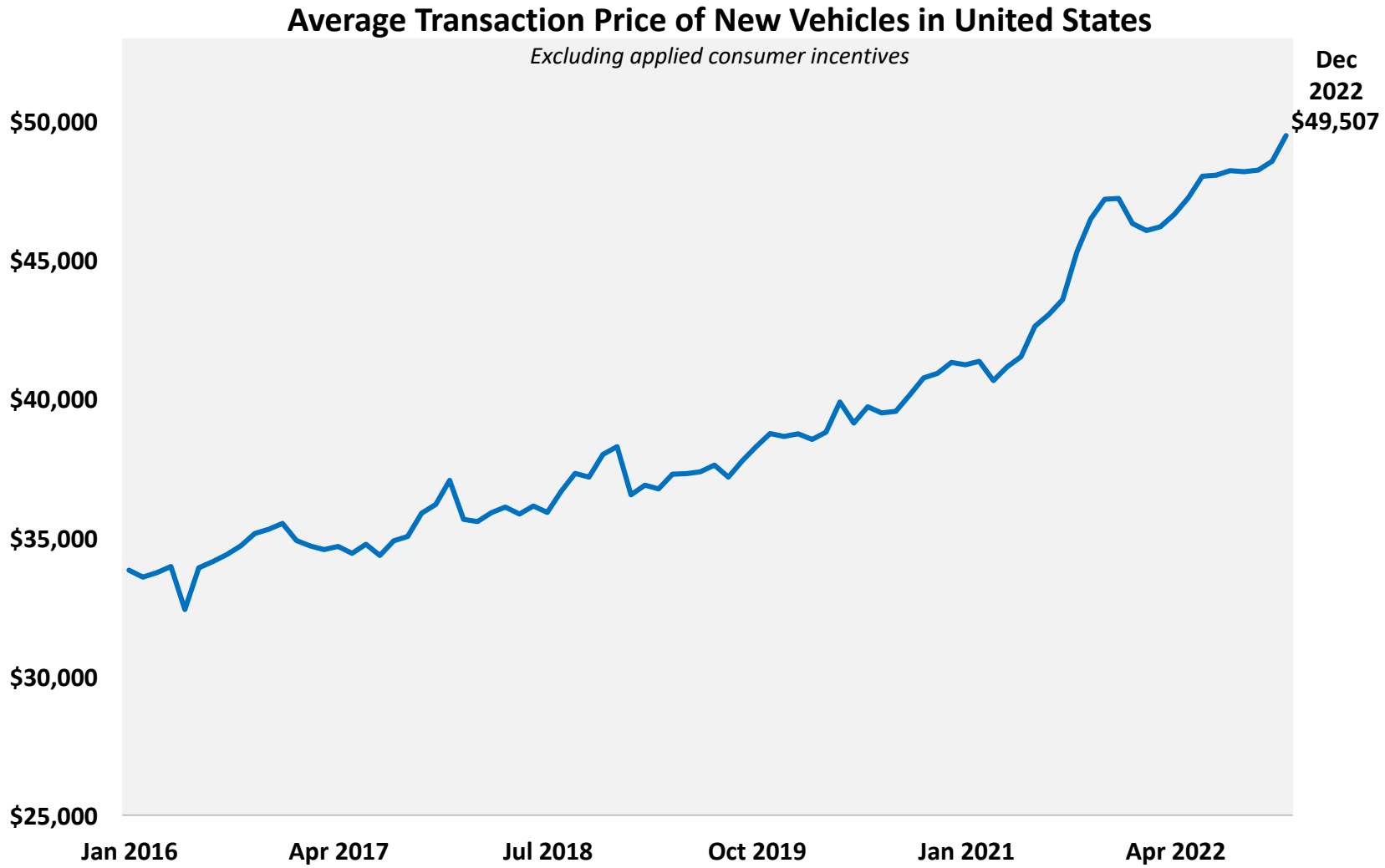
Despite increasing inventory levels, the average prices for new vehicles continues to grow. The average transaction price, without applied consumer incentives, hit $49,507 in December 2022—the highest price on record. Today, the best-selling new vehicle in the United States is the Ford F-Series pickup, and the average price for a new one is $66,451. This is well into luxury territory. Likewise, the average price for an electric is $61,448, pricing out these vehicles for many consumers. Ultimately, these prices as well as increasing interest rates are putting downward pressure on sales for dealers and automakers across the country.

As supply-chain issues ease and sales continue to soften, prices should come down. However, interest rates are likely to remain high for a while as the Federal Reserve tries to lower inflation.

$49,507

Average Transaction Price in December 2022

+4.9% vs. December 2021
+28.1% vs. December 2019



Source: Kelly Blue Book. Data as of January 11, 2022.

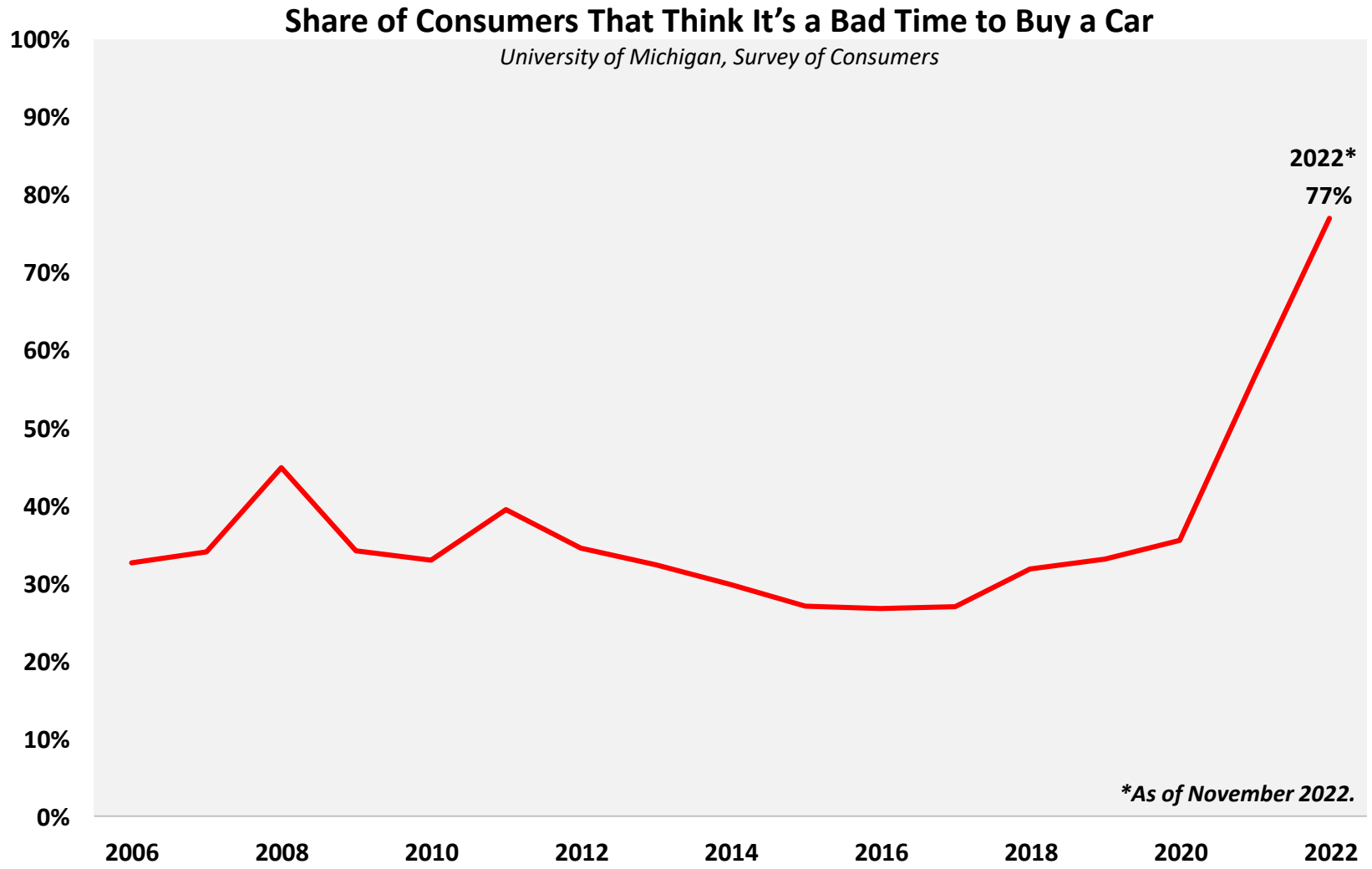
IT'S HARD FOR CONSUMERS TO BUY NEW RIGHT NOW

The average price of a new passenger car or light truck in the United States today is $49,507. In December, the average interest rate for a new vehicle was 5.16%. This, along with the fact that model availability is still limited make it difficult for consumers to purchase new right now. In fact, according to the University of Michigan's Survey of Consumers, 77% of consumers think it's a bad time to buy a car, a 32-point increase from 2008 at the height of the Great Recession.

77%

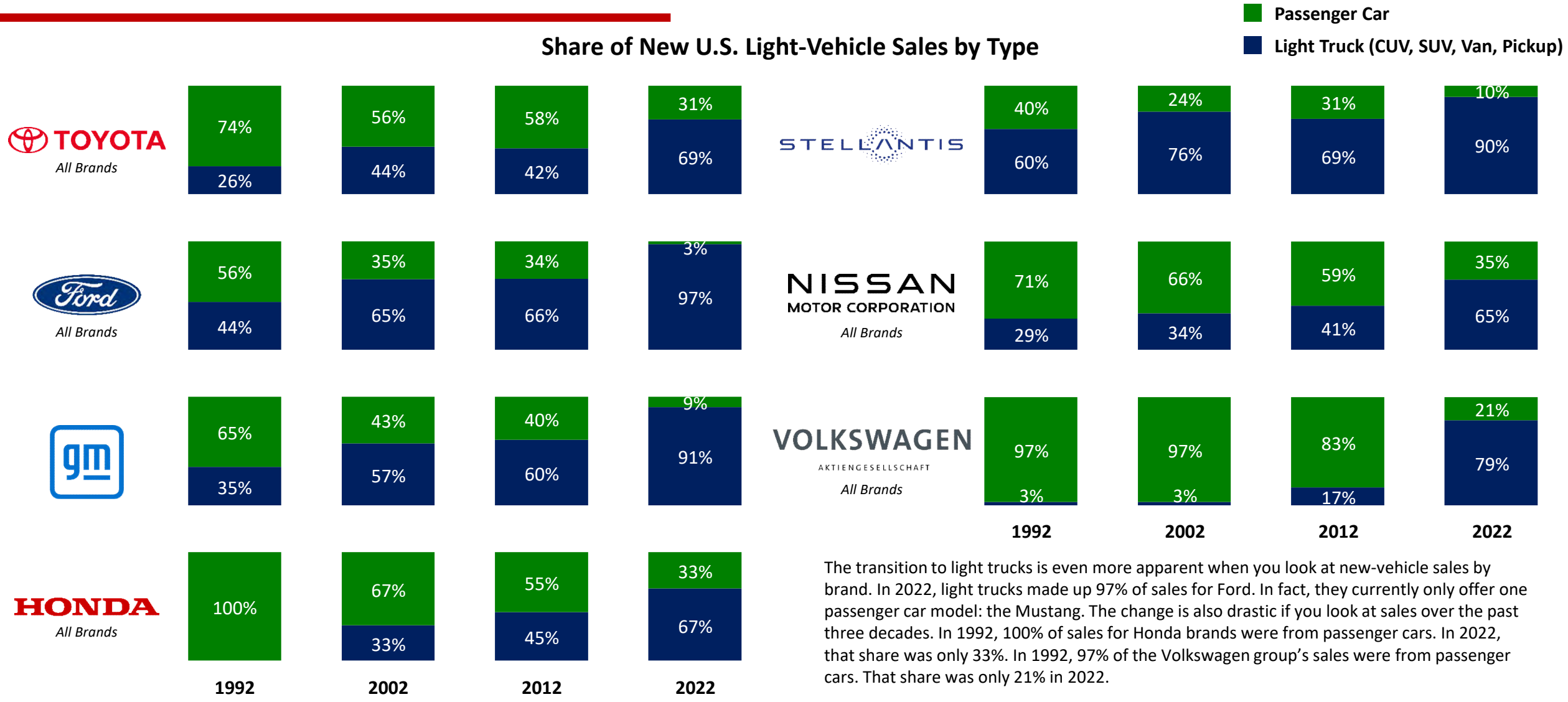
of consumers think it's a bad time to buy a car (2022)

+44% vs. 2019
+32% vs. 2008



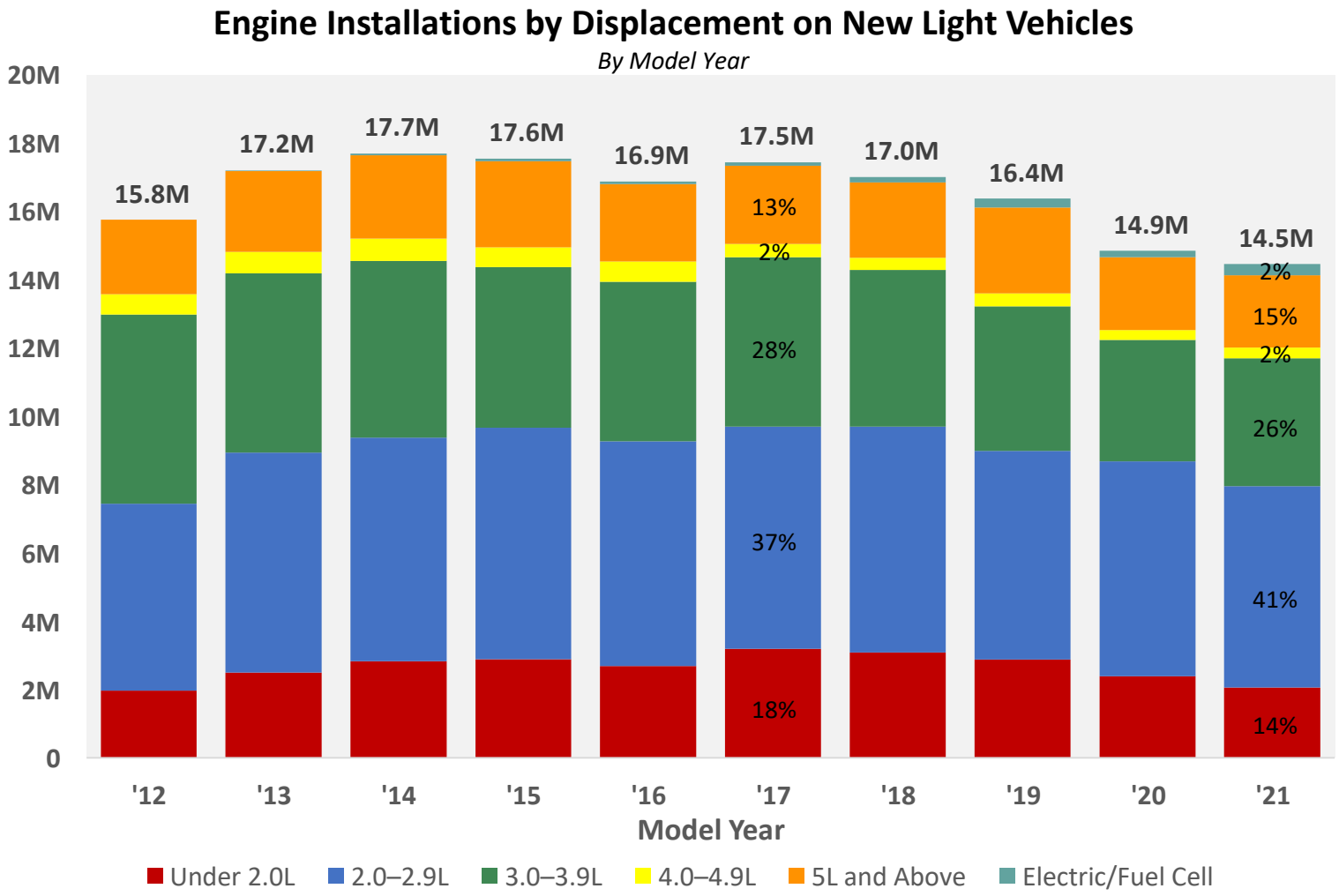
Source: University of Michigan, Survey of Consumers. Index of Consumer Sentiment. Data as of December 23, 2022.
Source: Kelly Blue Book / Nerd Wallet

THE SHIFT TO LIGHT TRUCKS BY BRAND



The transition to light trucks is even more apparent when you look at new-vehicle sales by brand. In 2022, light trucks made up 97% of sales for Ford. In fact, they currently only offer one passenger car model: the Mustang. The change is also drastic if you look at sales over the past three decades. In 1992, 100% of sales for Honda brands were from passenger cars. In 2022, that share was only 33%. In 1992, 97% of the Volkswagen group's sales were from passenger cars. That share was only 21% in 2022.

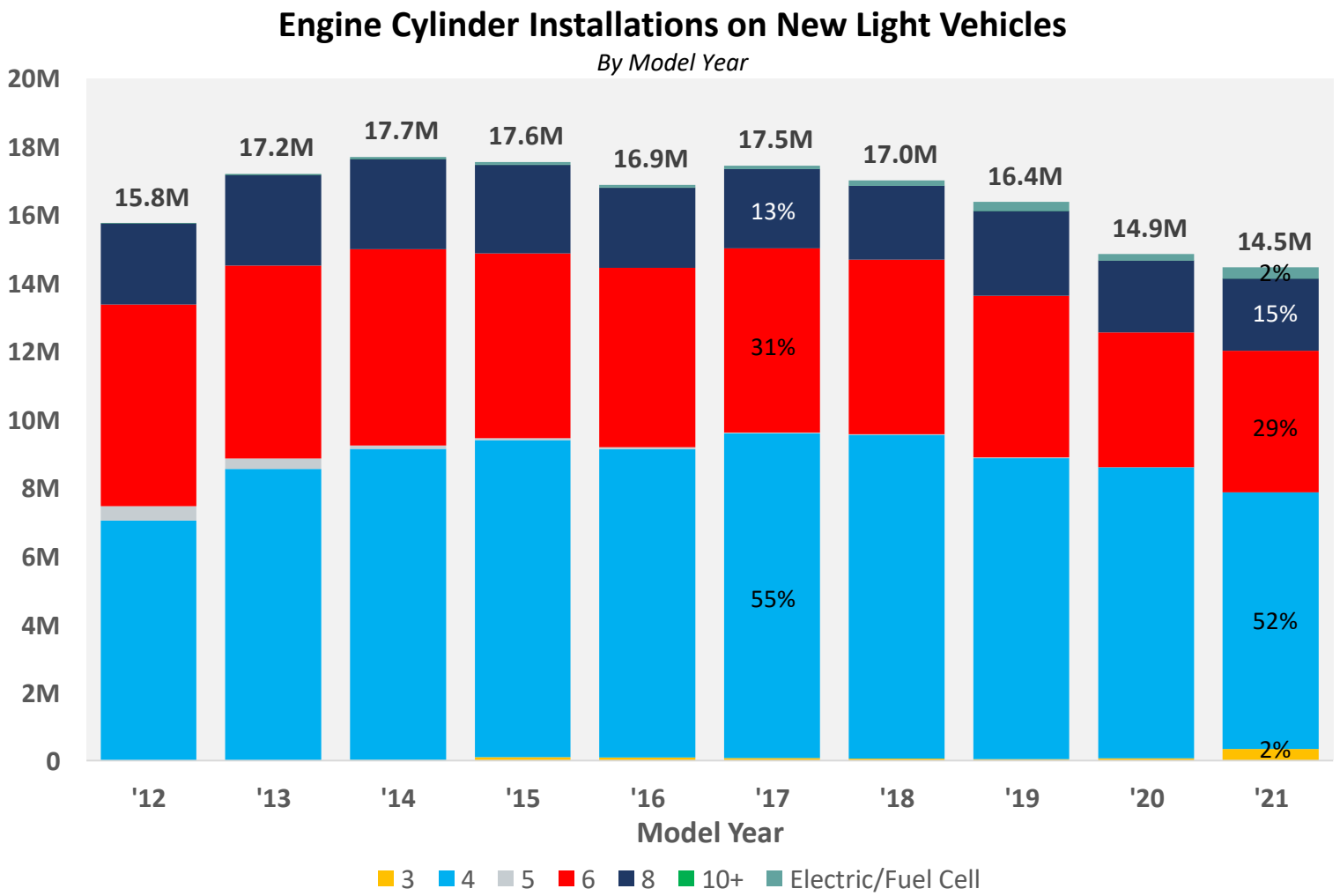
ENGINE INSTALLATIONS BY DISPLACEMENT



Over the two decades, gas efficiency was a priority for OEMs as they developed new models and engine platforms. Instead of building bigger engines with larger displacements, they opted to build more cars with smaller engines that got better gas mileage, and then turbocharge them for better performance.

However, with the emergence of alternative energy platforms (especially electric vehicles or EVs), we've seen OEMs shift towards these platforms instead of smaller engines. For example, the share of new vehicles with under 2.0L dropped from 18% (2017) to 14% (2021), and from 28% (2017) to 26% (2021) for 3–3.9L engines. Vehicles with 2–2.9L engines remain popular, especially for CUVs, and are often turbocharged. Interestingly, the share of cars with a 5L+ engine jumped from 13% (2017) to 15% (2021)—a shift away from the traditional efficiency paradigm.

ENGINE INSTALLATIONS BY CYLINDERS



This same trend also applies to engine cylinders in new cars and light trucks. The share of big engines (8 cylinders) in new light vehicles increased from 13% (2017) of new-vehicle sales to 15% (2021). At the same time, the share of 4-cylinder and 6-cylinder engines decreased. As more hybrid and electric models come out, expect these engine installations to decrease further. The increase of 3-cylinder engine installations is likely due to the increase of hybrid and plug-in hybrid vehicles being sold.

Share of New Vehicles with 4 Cylinders

55% → **52%**

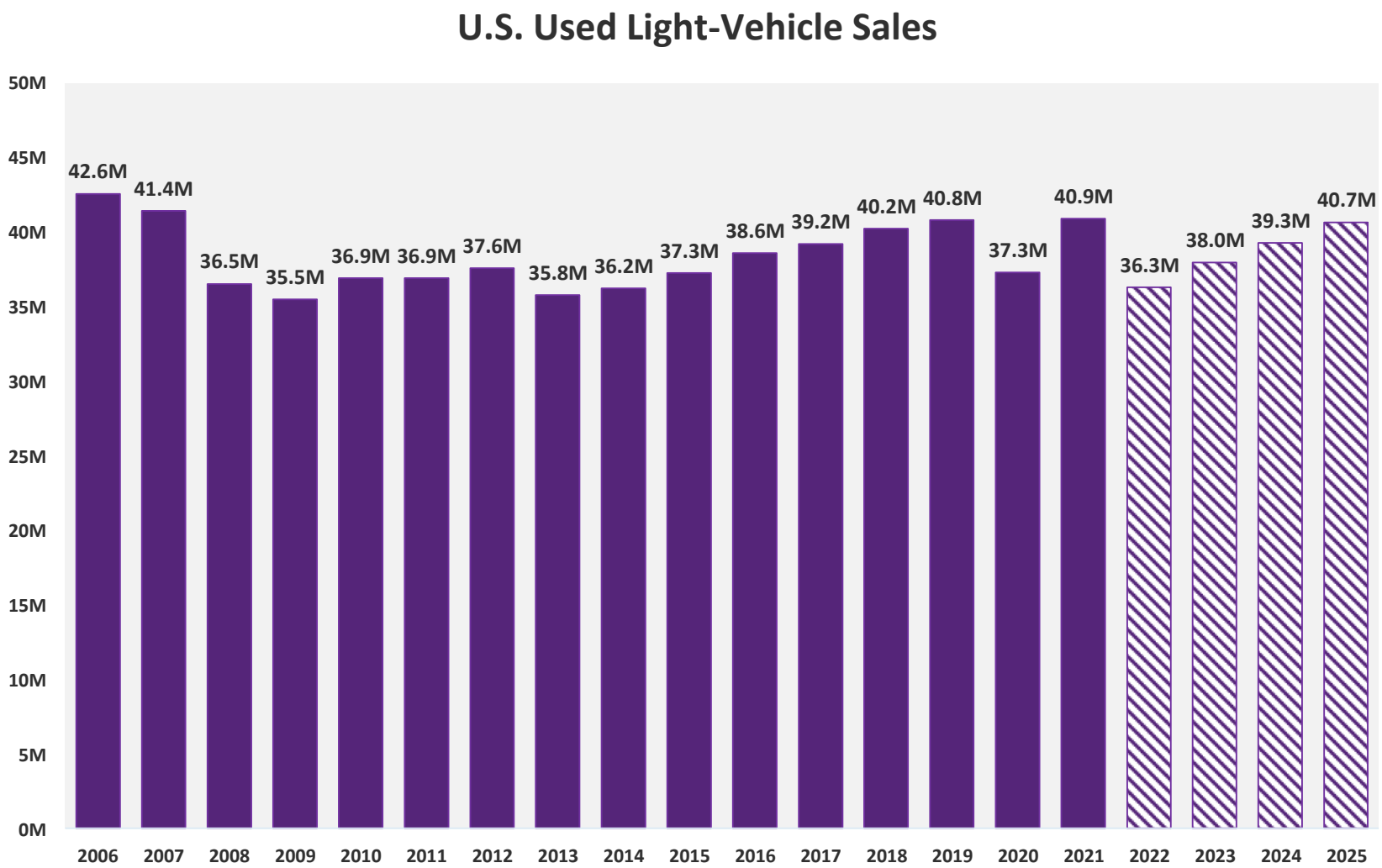
MY17 **MY21**

Share of New Vehicles with 6 Cylinders

31% → **29%**

MY17 **MY21**

USED-VEHICLE SALES ARE ALSO DOWN



Like the market for new vehicles, used-vehicle sales are also down. Sales for 2022 are projected to have finished more than 4 million units below their 2021 levels. Consumers keep their vehicles longer as they buy new vehicles less, which means less used inventory is available and puts upward pressure on prices. On top of this, interest rates for used vehicles on average are even higher than those for a new vehicle loan.

As with new-vehicle sales, we project that it will take until 2025 for used-vehicle sales to return to their pre-pandemic levels of around 40 million units per year.

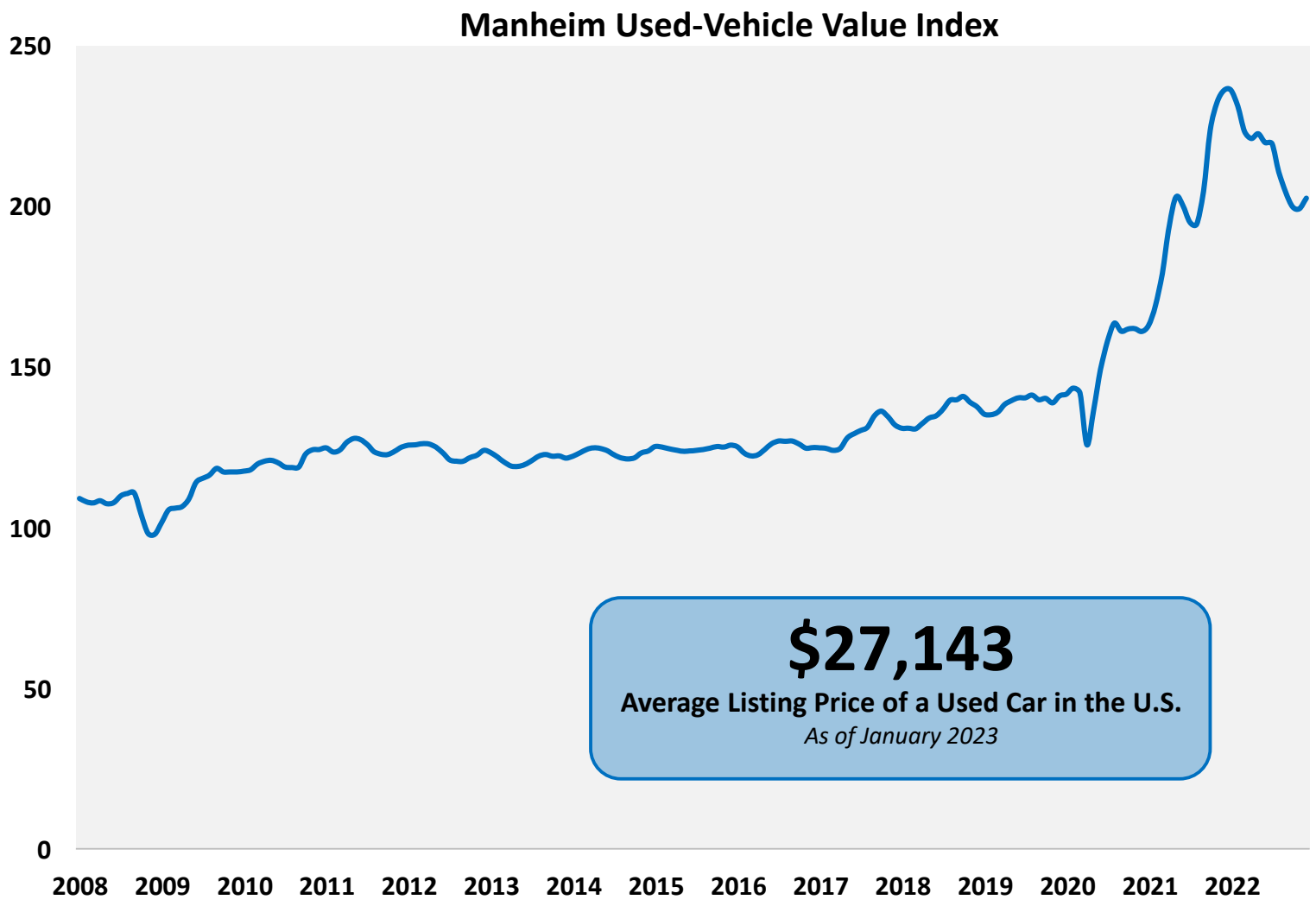
Source: Bureau of Transportation Statistics, U.S. Department of Transportation. "New and Used Passenger Car and Light Truck Sales and Leases." Data as of September 2022.
Source: Cox Automotive / SEMA Forecasts

IT'S VERY EXPENSIVE TO BUY USED AS WELL

Similar to new light vehicles in the United States, it's expensive to buy a used vehicle as well. As of November 2022, the average price of a used vehicle was $27,143. On top of this, the average interest rate on a used-car loan is exceptionally high at 9.34% (December 2022), significantly higher than that for a new vehicle. These prices, along with diminished inventory, are helping to soften sales as well.

Now that used-vehicle sales have cooled off, prices are expected to normalize and become less volatile over the next year or two.

9.34%
Average Interest Rate for Used-Car Loan
December 2022

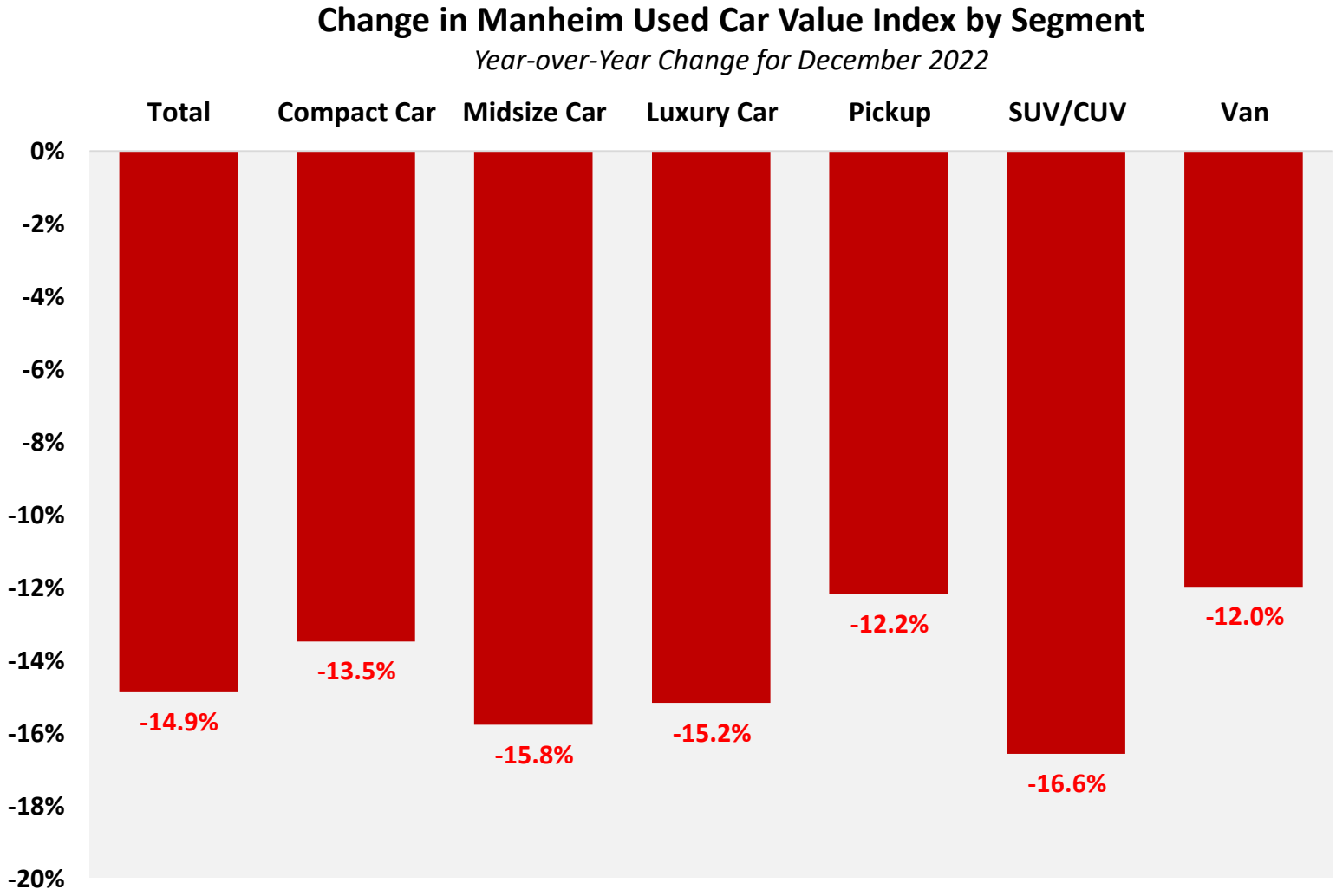


Source: Mannheim / Cox Automotive. Data as of January 2023.
Source: Nerd Wallet

USED CAR PRICES ARE STARTING TO BACK DOWN

While still expensive, used-vehicle prices are down across the board as used-car sales have softened. However, there is some variation by segment, indicating that some vehicle segments are holding their value better in the used market than others.

For example, the prices for pickups and vans seem to have declined less than other segments. This has been likely helped by the demand for work vehicles. Conversely, the segment that dropped the most in price were SUVs and CUVs. This is surprising, given the popularity of CUVs among new car buyers.



Source: Mannheim / Cox Automotive. Data as of January 2023.

ELECTRIC VEHICLES

EV OUTLOOK

OUTLOOK

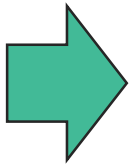
The electric vehicle market is poised for significant growth over the next decade.

But EV growth will likely be much slower than many proponents have claimed.

Many of the currently promoted EV goals will be very difficult to achieve without significant infrastructure buildout.

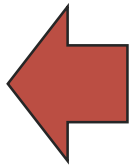
With nearly 300 million gas powered cars and trucks on US roads, EVs won't displace ICE vehicles as the dominant mode of transportation for many decades.

Headwinds



- **Automakers are aggressively pushing EV**. All current automakers have announced plans to move toward an all-EV fleet.
- **Green is in**. It's easy to sell the idea of no tailpipe emissions as a positive benefit for society.
- **Government goals.** The White House has stated goals of 50% new EV sales by 2035. California is more aggressive with 100% new EV sales by 2035, which may be taken up by other states.
- **Reduced costs for automakers**. Ultimately, the reduced supply chain and lower number of parts needed to build an EV will bring down production costs, and potentially raise profits, for automakers.

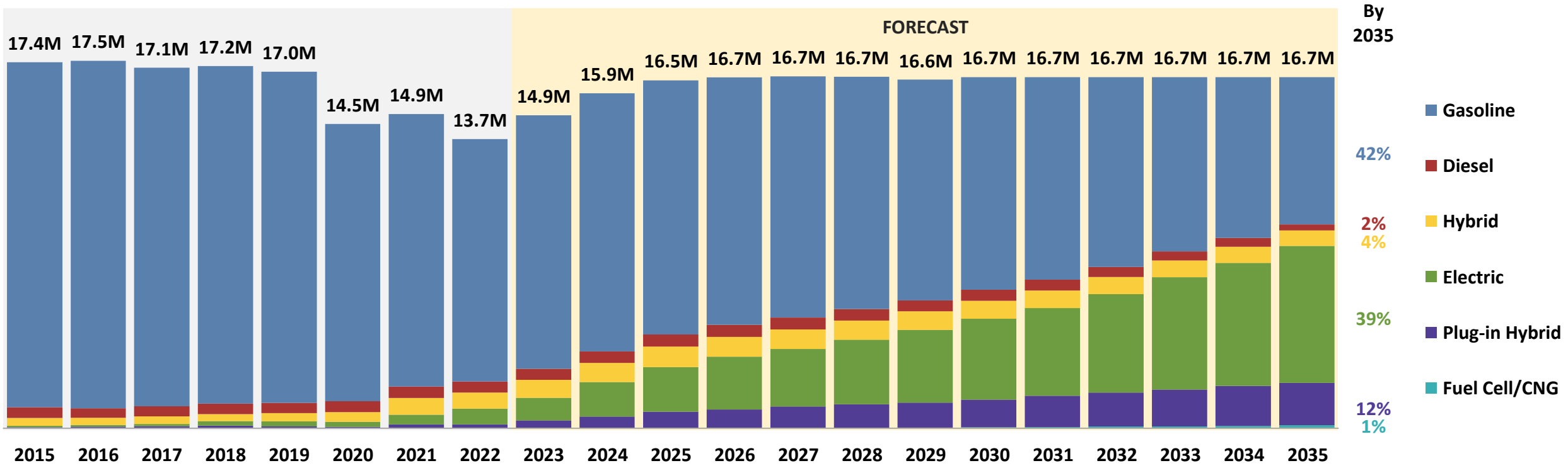
Tailwinds



- **EV production capacity limited**. Most announced plans to convert or build EV or battery factories are a ways from opening.
- **Hidden environmental costs**. Expanded strip mining of toxic heavy metals and storing used EV battery waste are growing concerns.
- **EV sales goals are unrealistic.** Electric vehicles "are just going to take longer than the media would like us to believe," says Akio Toyoda.
- **Consumers are not demanding EVs**. Most consumers still have reservations about EV technology and the speed and availability of charging, particularly for those that can't home charge.
- **EV prices are high**. It's not a guarantee that supply chains for batteries will efficiently produce enough capacity to lower EV prices.
- **Infrastructure**. Investment is flowing into charging stations, but can the electrical grid handle all the additional load?

U.S. LIGHT-VEHICLE POWERTRAIN OUTLOOK

U.S. Light-Vehicle Powertrain Sales Forecast



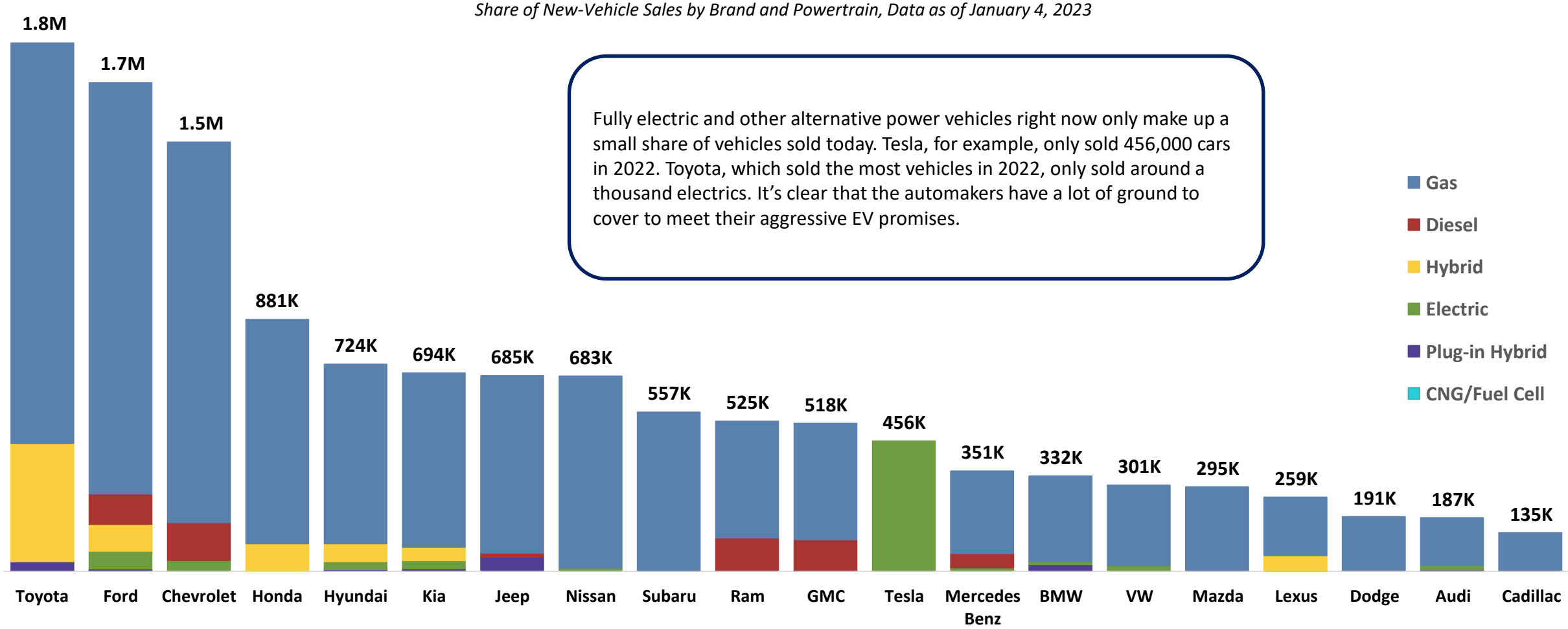
Electric vehicles (EVs), have gotten a lot of attention recently in the United States—with many OEMS making commitments to shift their new-vehicle fleet to electric models over the next two decades. Additionally, the California Air Resource Board (CARB) said it would require all new vehicles sold by 2035 to be either fully electric vehicles or plug-in hybrid electric vehicles (PHEVs). However, challenges remain to full-scale electrification of the new vehicle fleet that make this difficult, including infrastructure challenges, high prices and lingering supply-chain issues. Automakers will need to significantly ramp up their production capabilities to produce these vehicles; as of 2022, EVs only represented 5% of new vehicles sold. There are also lingering questions around battery safety and vehicle longevity. With this in mind, we project that 56% of all new light-vehicles sold in 2035 will be alternative power, of which 39% will be fully electric. Electric vehicles are coming, and the specialty-equipment industry needs to be ready. However, it will take a long time before the 270 million+ non-electric vehicles on U.S. roads today cycle out of operation.

Source: SEMA Market Research Forecasts and Estimates

GAS STILL DOMINATING BRAND SALES

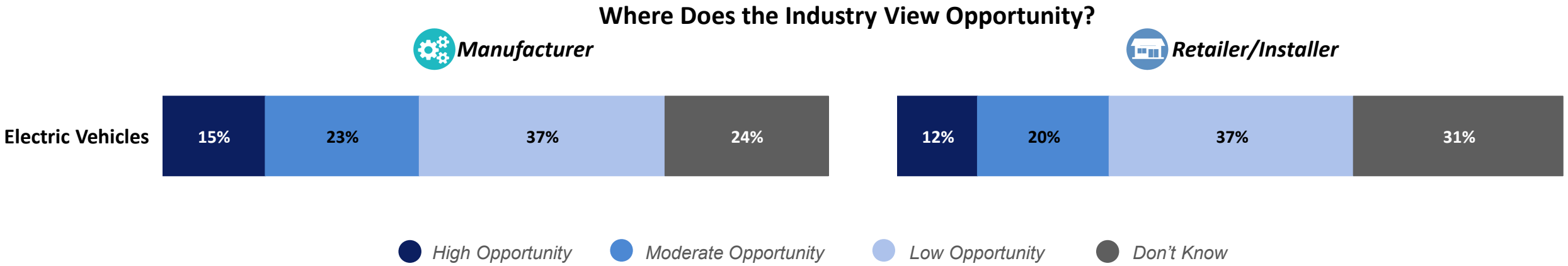
Number of New U.S. Light Vehicles Sold in 2022 by Brand (Top 20 Brands)

Share of New-Vehicle Sales by Brand and Powertrain, Data as of January 4, 2023



Fully electric and other alternative power vehicles right now only make up a small share of vehicles sold today. Tesla, for example, only sold 456,000 cars in 2022. Toyota, which sold the most vehicles in 2022, only sold around a thousand electrics. It's clear that the automakers have a lot of ground to cover to meet their aggressive EV promises.

INDUSTRY STILL EVALUATING EV OPPORTUNITY

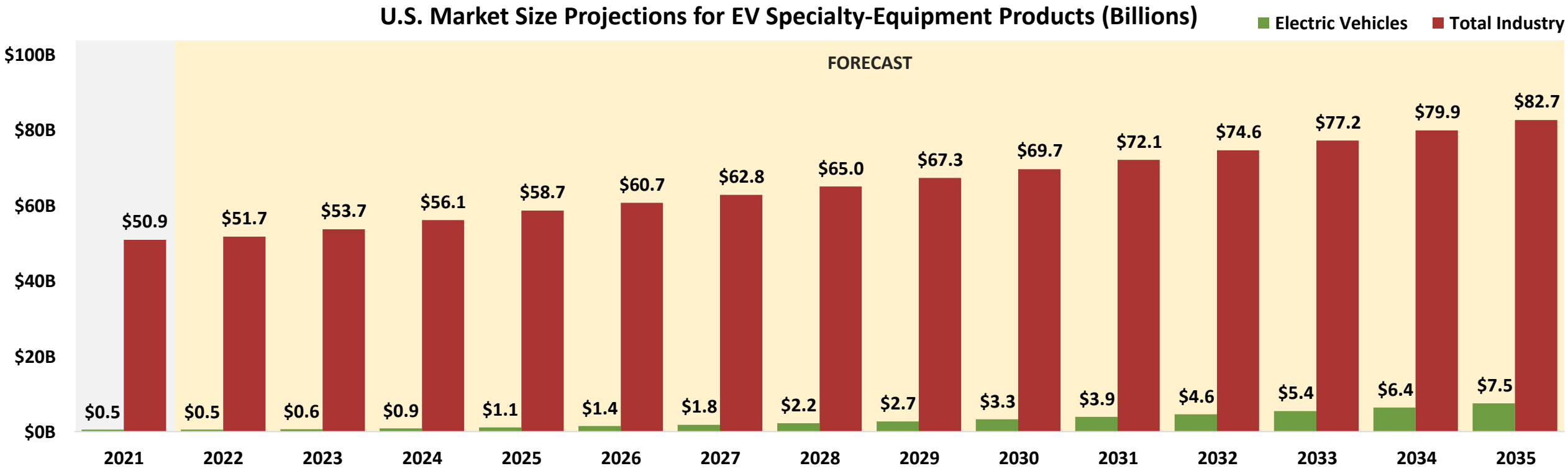


When it comes to electric vehicles, the specialty-equipment industry is still evaluating the opportunity for parts and upgrades. Less than 40% of industry companies view the electric vehicle segment as having moderate to high opportunity. Part of the reasoning for this is that EVs remain a very small share of vehicles on the road. So far, they have also only represented a very small share of sales for the specialty-equipment industry. In 2021, retail parts sales for alternative power vehicles was only $1.88 billion, of which electric vehicles only represented just over a half a billion dollars.

2021 U.S. Consumer Purchases of Specialty-Equipment Parts for Alternative Power Vehicles (Hybrid, Electric, etc.)

Source: SEMA Market Research

FORECAST FOR EV SPECIALTY-EQUIPMENT PART SALES



In 2021, retail sales of specialty-equipment parts for electric vehicles only represented around $500 million. As more EV models are released and sold over the next two decades, we project that aftermarket part sales will grow, but remain only a small share of our industry. By 2025, we project that part sales will more than double and reach $1.1 billion. By 2035, we project retail sales to hit $7.5 billion. While this is significant growth from where we are currently, this still only represents 9% of total retail sales for the specialty-equipment industry in 2035.

Bottom line, electric vehicles are coming. Our industry needs to be ready and prepared for the shifting of the vehicle landscape. However, the sky isn't falling. Electric vehicles aren't taking over the roads anytime soon—despite increased sales. And for at least the short term, parts sales for the EV segment will remain small.

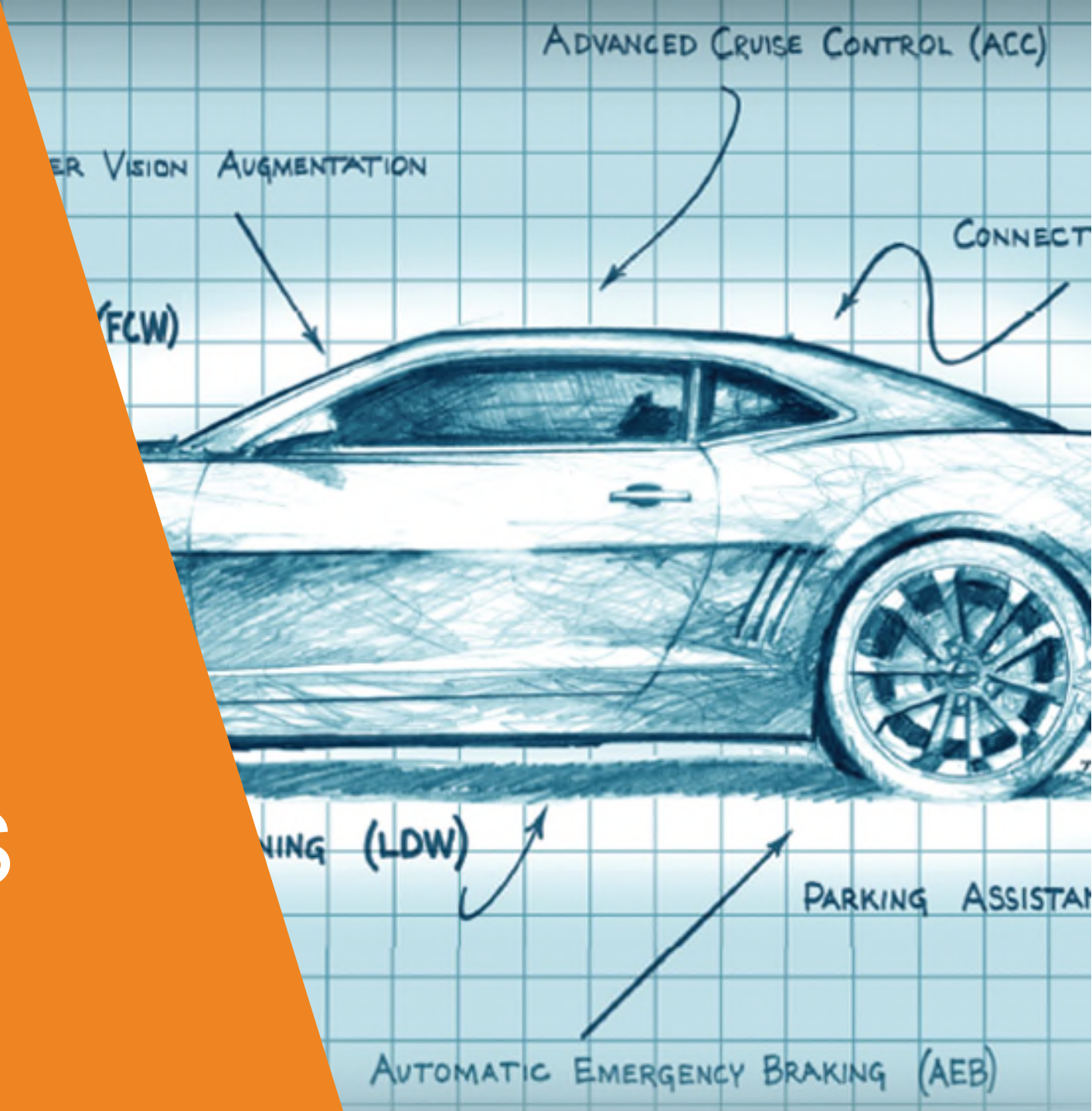
Source: SEMA Market Research

EV MODEL SNAPSHOT

	 Ford	 Ford	 Courtesy of Tesla, Inc.	 GM	 Hyundai
	Ford F-150 Lightning	**Ford Mustang Mach-E**	**Tesla Model 3**	**Chevrolet Bolt**	**Hyundai Ioniq 5**
Vehicles-in-Operation (Q3 2022)	**16K*** **2022 U.S. Sales Estimate*	**54K**	**645K**	**101K (EV) 18K (EUV)**	**18K**
Projected Sales (2023-2029)	**Not Available**	**305K**	**1.3M**	**22K (EV) 68K (EUV)**	**273K**
Projected Changes	• Dedicated EV platform in MY27	• MY25 refresh • MY27 redesign • MY30 refresh	• MY28 redesign	• Discontinued for MY25	• MY26 redesign

Source: ©2023 Experian. Vehicle-in-Operation (VIO) registration counts as of September 30, 2022.
Source: ©Copyright 2023, Wards Intelligence, a division of Informa. Data as of December 16, 2022.

ADAS AND AUTONOMOUS



WHAT ARE ADVANCED DRIVER ASSIST SYSTEMS (ADAS)?

Forward-Collision Avoidance Systems

- Forward-Collision Warning (**FCW**)
- Automated Emergency Braking (**AEB**)
- Automated Integrated Emergency Intervention

1

Automated Performance Enhancement Systems

- Anti-Lock Braking Systems (**ABS**)
- Traction Control (**TC**)
- Electronic Stability Control (**ESC**)
- Specialty Applications

2

Advanced Cruise Control Systems

- Adaptive Cruise Control (**ACC**)
- Low-Speed ACC: Traffic-Jam Assist
- Full-Speed ACC
- Cooperative Adaptive Cruise Control: Platooning (**CACC**)

3

Lateral Collision Avoidance Systems

- Lane-Departure Warning (**LDW**)
- Blind-Spot Warning (**BSW**)
- Lane Keep Assist "Nudge" (**LKA**)
- Lane Centering

4

Parking-Assistance Systems

- Passive Parking Assist
- Automated Parking Assistance
- Autonomous Valet

5

Driver Vision Augmentation

- Adaptive Headlights
- Dynamic Responsive Headlights
- Infrared Night-Vision Display
- Heads-Up Display (**HUD**)

6

Connected Vehicle Systems

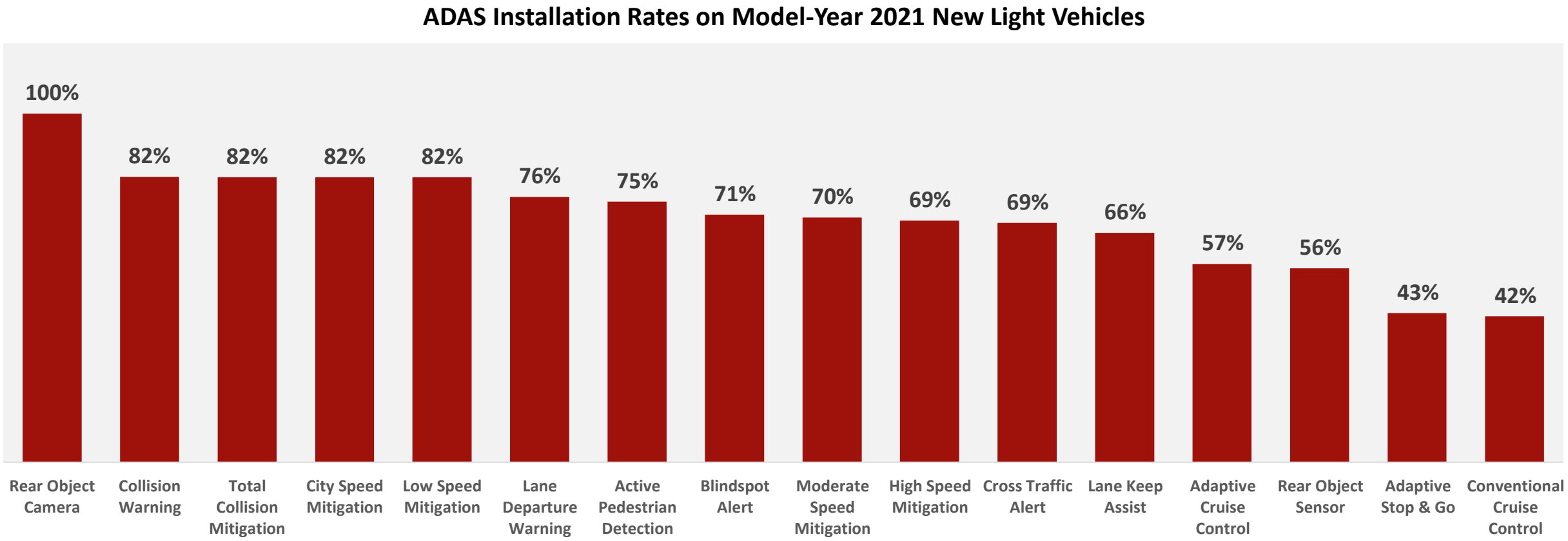
- Dedicated Short-Range Communication (**DSRC**)
- Commercial Cellular
- Other Communication Technologies

7

SEMA Garage Detroit offers member companies access to the ADAS Technology Center, which helps companies recalibrate ADAS on a vehicle after modifying or accessorizing them. For more information, check out www.semagarage.com.

For more information on ADAS systems and aftermarket opportunity for them, download the "SEMA Advanced Technology Opportunity Report–2017" at www.sema.org/research.

ADAS IS BECOMING MORE COMMON



Advanced driver assist systems (ADAS) and other advanced technologies are becoming more common in new vehicles being sold. As of May 2018, all new passenger cars and light trucks sold required a rear camera. However, many other systems are also common. For model year 2021 vehicles, more than 80% of them had a collision warning or speed reduction/mitigation system in place. Over three-quarters had active pedestrian detection or lane-departure warning systems. As these new systems become even more common in the future and as vehicles become more complex, it will be important for the specialty-equipment industry to understand how modifications to a new vehicle (such as lifting a truck) will affect ADAS systems.

FULLY SELF-DRIVING CAR FLEET IS A LONG WAY OFF

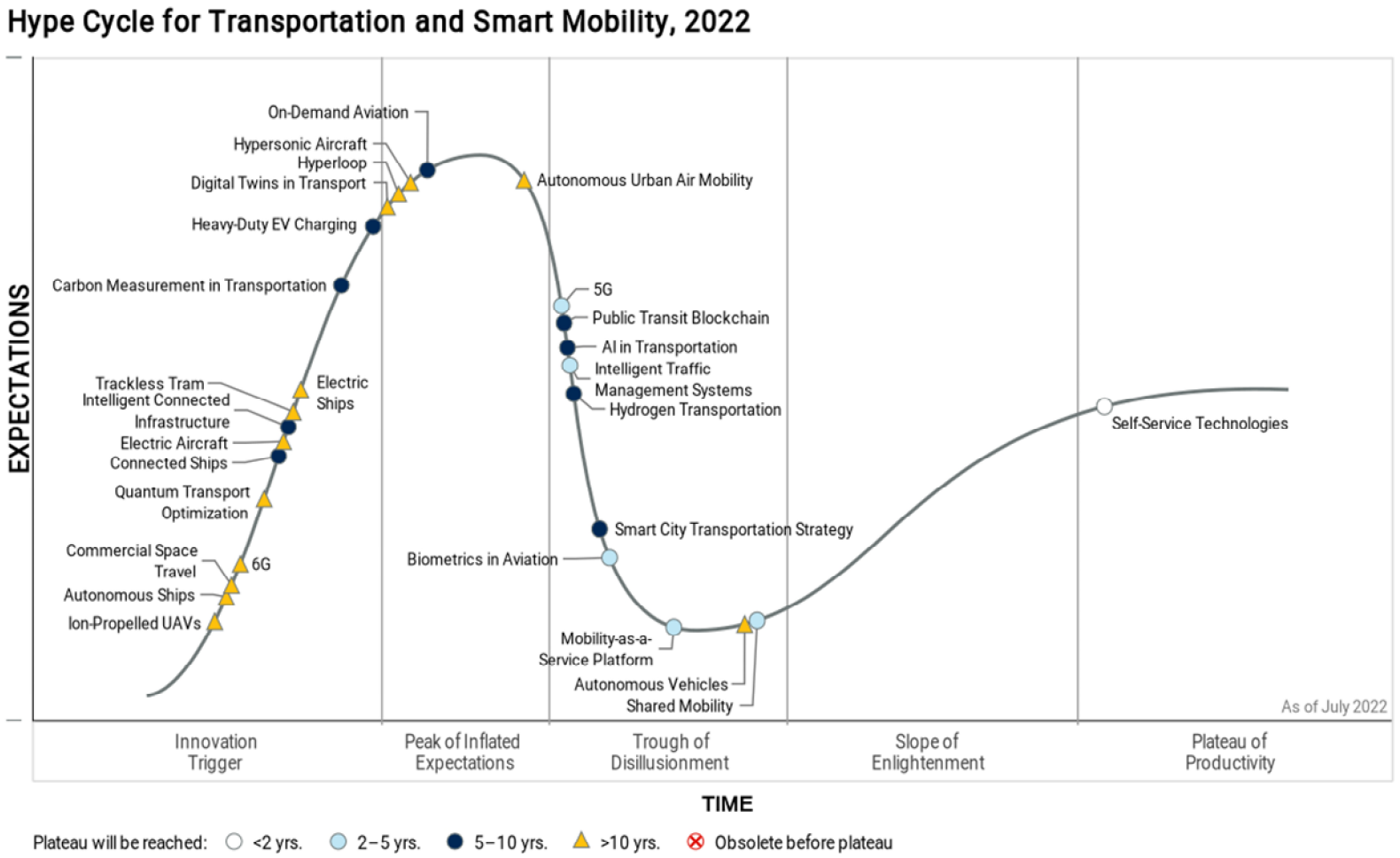
McKinsey estimated that more than $530 billion has been spent on autonomous, connected, electrified, and shared mobility over the last dozen years. But, they estimate that only 6% of that investment came from traditional automakers. Investment and high-tech companies have been chasing autonomous as the next great technology horizon (and hoping to replicate Tesla's stock performance).

But an automobile is a mechanical thing. Even though cars are now computers on wheels, those wheels make a huge difference. A "blue screen of death" sitting on you desk is an annoyance, but a similar glitch rushing down the road at 60 MPH can literally live up to the name.

Gartner lists autonomous vehicles within their "Trough of Disillusionment" and projects it's more than 10 years away from productivity. AV has gone through the hype and inflated expectations and now the realities of how difficult the problems really are have set in.

Argo AI, one of the most high-profile AV companies, recently folded. Even with a reported $6.5 billion dollars in investments from Ford, VW, and others, they couldn't find a quick enough path to make AV feasible. Many other companies have folded or combined as the free money has dried up.

Gravity and the laws of motion are, so far, stymying what many technologists once thought would be a quick victory.



Gartner

Sources: Gartner, McKinsey, Automotive News.

SUPPLY-CHAIN INSIGHTS

SUPPLY-CHAIN OUTLOOK

OUTLOOK

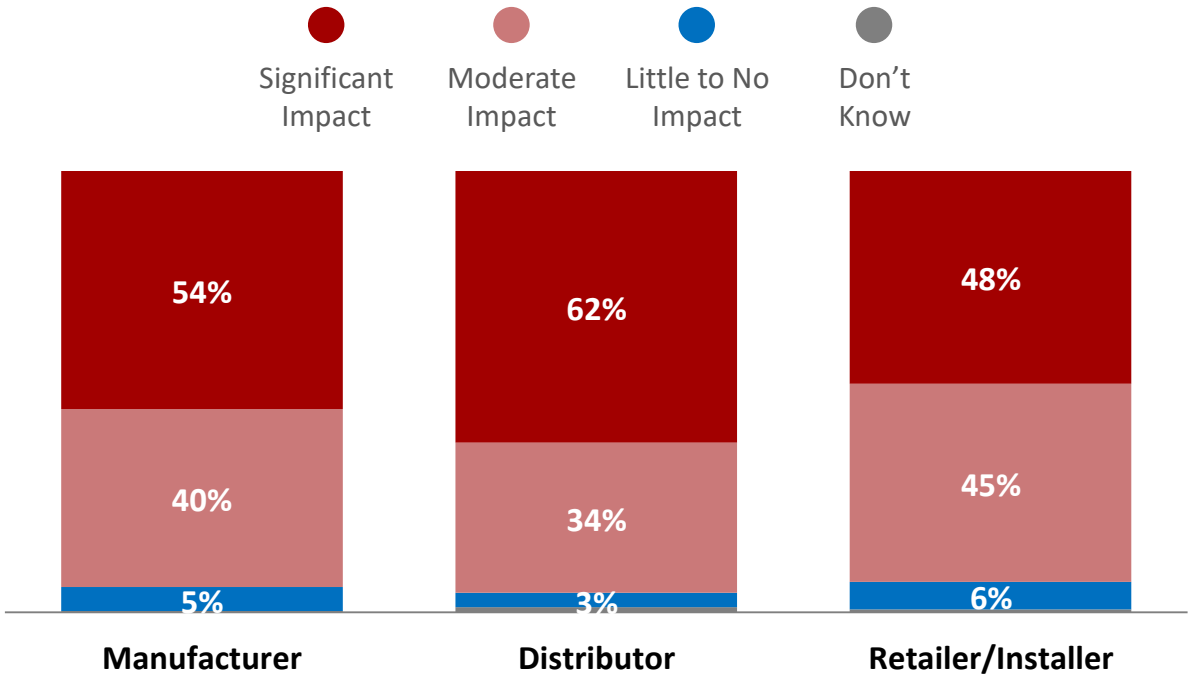
The supply-chain issues that impacted the United States over the past few years largely peaked and are starting to recover. It's expected things will continue to improve in 2023. However, it will take time for everything to recover, especially for supplies that affect the automotive sector like semiconductors (or chips).

KEY TAKEAWAYS

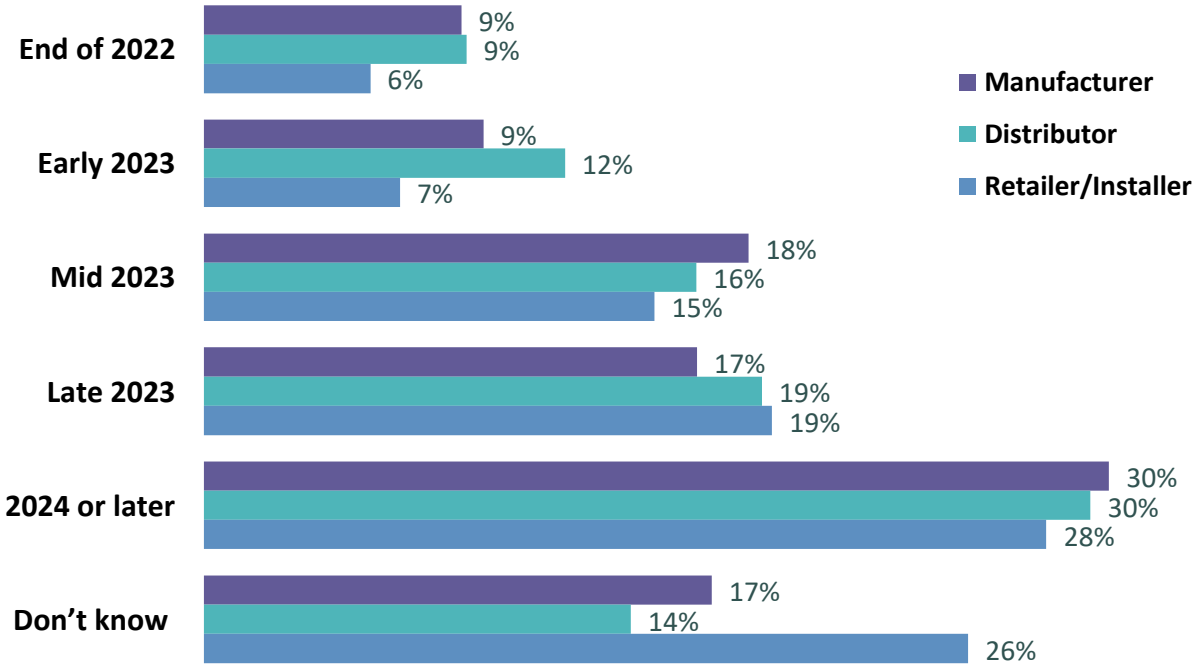
- **The specialty-equipment industry has been affected**. More than 90% of companies have been moderately or severely impacted by supply-chain issues. Most expect things to normalize by the end of 2023 or into 2024.
- **Ports are less congested**. Container ports in the United States, like in Los Angeles or Long Beach, are no longer as congested with container ships waiting for berths. As a result, prices have largely returned to pre-pandemic levels.
- **Trucking is improving nationwide.** Demand for cross-country hauling by truckers has eased and the number of trucks available to ship things has increased. Prices have also dropped from their record highs.
- **Semiconductor, or chip, shortage continues**. Shortages, most notably for the automotive sector, continue to linger. Average lead delivery times for chips have decreased but remain high at approximately 25.5 weeks as of October 2022.

SUPPLY-CHAIN ISSUES CONTINUE TO HAVE AN IMPACT

Impact of Supply-Chain Challenges Over the Past Year



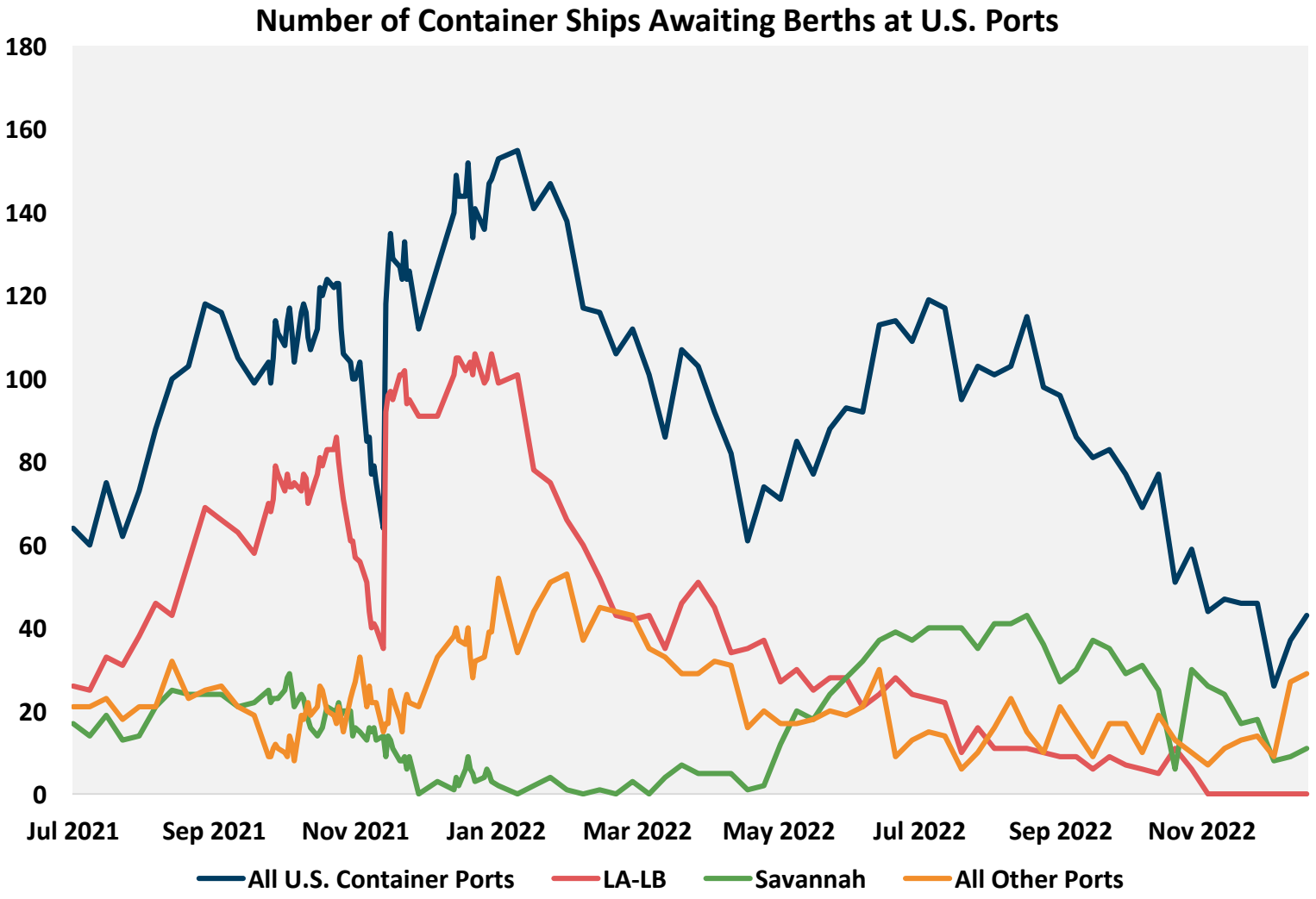
When Will Supply Chains Return to Normal?



Like many sectors of the economy, the specialty-equipment industry has dealt with supply issues. In fact, more than 90% of industry companies say that supply-chain issues have had a moderate or significant impact on business operations over the past year. Most companies expect these challenges to return to normal in 2023, but a subset believe that they might last longer. Based on how supply-chain metrics have changed over the last year, we expect much of the disruption seen over the past two years will get better. However, it will likely take some time before everything returns to how they were prior to the pandemic.

Source: SEMA State of the Industry Report, Fall 2022

CONTAINER PORT CONGESTION HAS EASED



The pandemic caused significant disruption in cargo container traffic to and from the United States, contributing to significant congestions at U.S. ports of ships waiting for a berth—particularly on the West Coast. These issues were compounded by significant demand for products from aboard. At its height in February 2022, there were 155 ships waiting for a berth outside all U.S. ports, of which 101 ships were outside the ports of Los Angeles and Long Beach.

Thankfully, much of the congestion, especially on the West Coast, peaked at the end of 2021 and early 2022. In fact, as of January 2023, there weren't any excess ships waiting for a berth within 40 miles of the ports in Los Angeles or Long Beach. Moving container ships from Southern California to other ports across the country helped, as well as easing demand for oceanic product shipping and the loosening of COVID-19 restrictions globally. Reduced port congestion should continue to help resolve supply-chain issues and reduce prices in 2023.

Number of Ships Waiting for a Berth at all U.S. Container Ports

Feb 1, 2022: 155 Ships

Jan 3, 2023: 43 Ships **(-72%)**

Source: MARAD Office of Policy and Plans / Marine Exchange of Southern California. Data as of January 3, 2023.

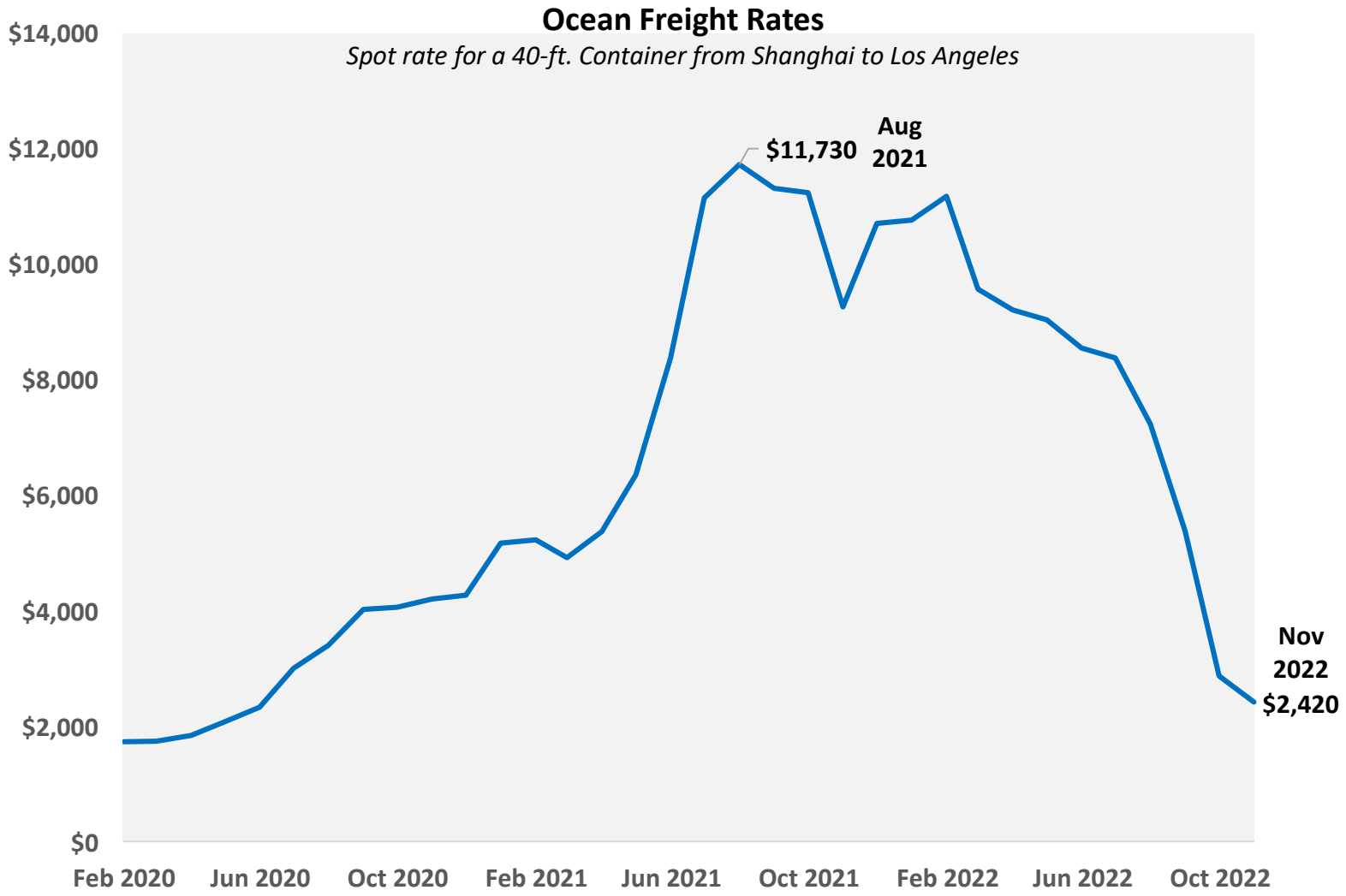
OCEAN FREIGHT PRICES HAVE NORMALIZED FROM THEIR RECORD HIGHS

As traffic and congestion at U.S. ports eased over the last year, especially on the West Coast, the prices for shipping a container across the ocean decreased and returned to more normal levels. As of November 2022, the price to ship a 40-ft. container from the Port of Shanghai to the Port of Los Angeles was down 79% from its record high in August 2021. Similar price declines have been common at other ports in the United States as well. Unless there is any further disruption, we anticipate prices to stay at their current level or decrease further toward their pre-pandemic levels.

Spot Freight Rates for a 40-ft. Container from Shanghai to Los Angeles

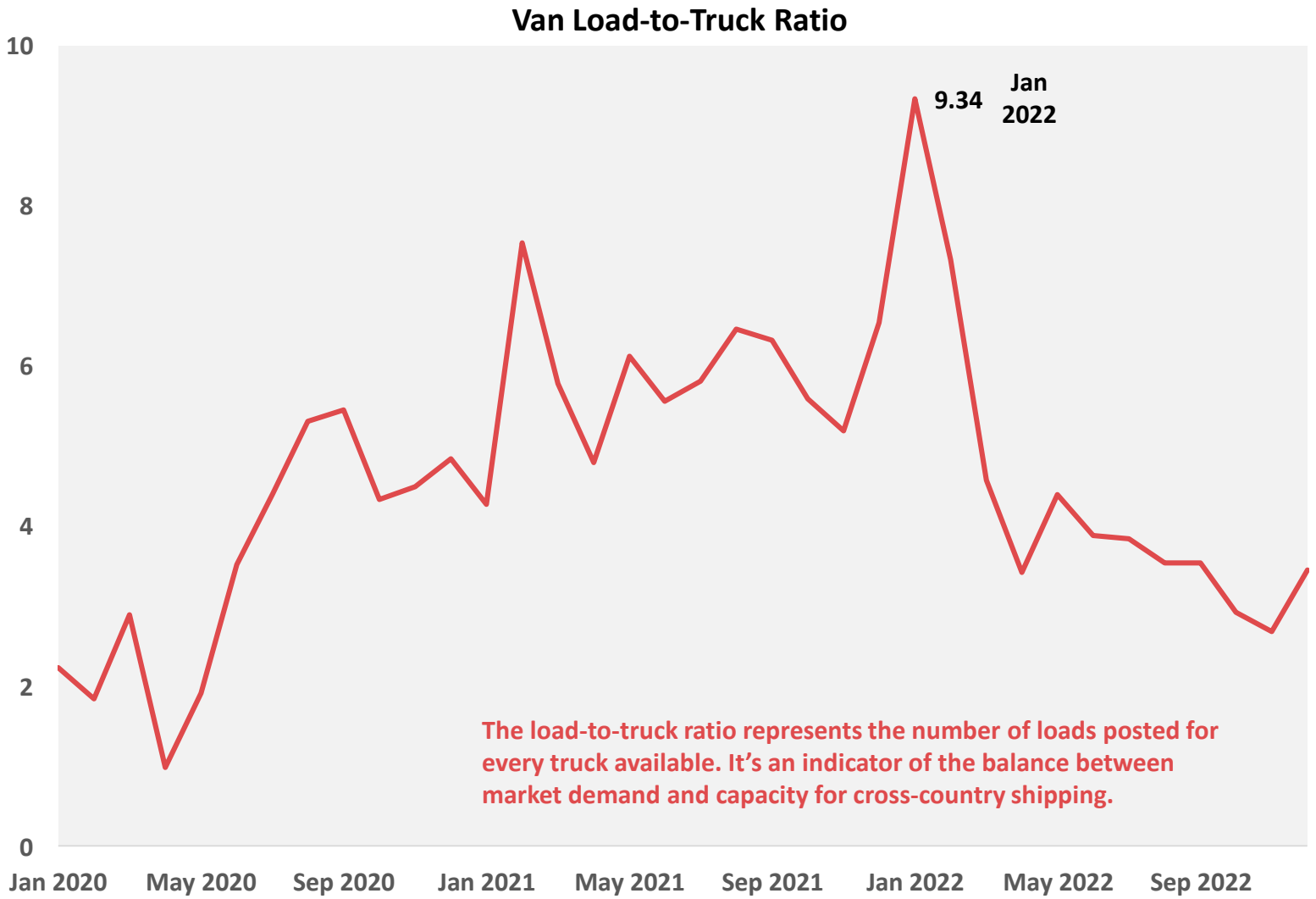
August 2021: $11,730

November 2022: $2,420 **(-79%)**



Source: U.S. Department of Agriculture, Agricultural Market Service, Container Ocean Freight Rates from Drewry Supply Chain Advisors' Container Freight Rate Insight. Data as of November 2022.

THE BALANCE BETWEEN DEMAND FOR TRUCKS AND THE NUMBER OF LOADS TO SHIP HAS IMPROVED

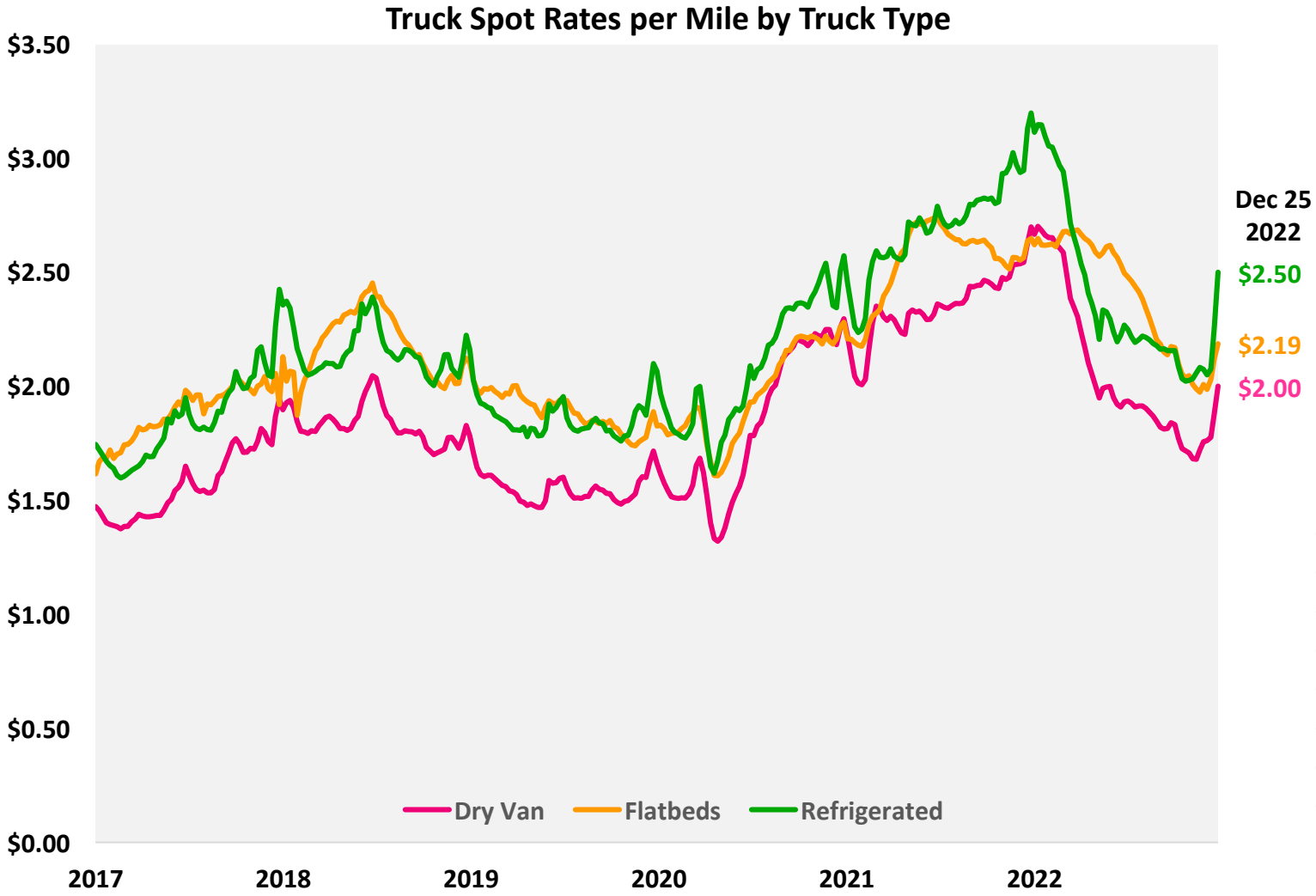


Over the course of the pandemic, due to extremely congested ports, bad weather, a shortage of drivers, and increased demand, the number of available trucks to haul product across the United States was low. As a result, the ratio of the number of loads posted per truck available skyrocketed. In January 2022, that ratio peaked in at 9.34.

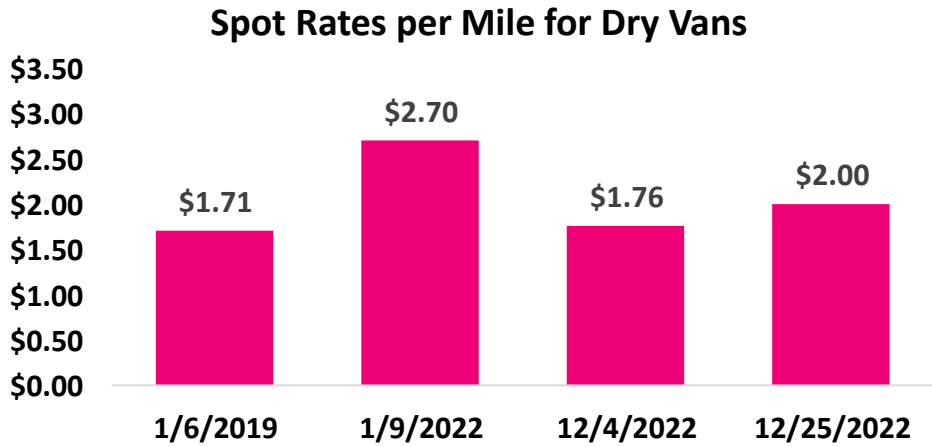
However, over the course of the last year, that ratio has significantly improved. In December 2022, the ratio dropped to 3.45—a decline of more than 60% since the beginning of the year. While it is still above the pre-pandemic ratio average of around 2, this steady improvement indicates an improvement in both the number of available trucks for shipping as well as normalizing demand levels. Moving forward, we anticipate this ratio to continue to improve, but some challenges ahead remain.

Source: DAT Fright Analytics. Data as of January 2022.

THE PRICES TO SHIP BY TRUCK HAVE ALSO IMPROVED

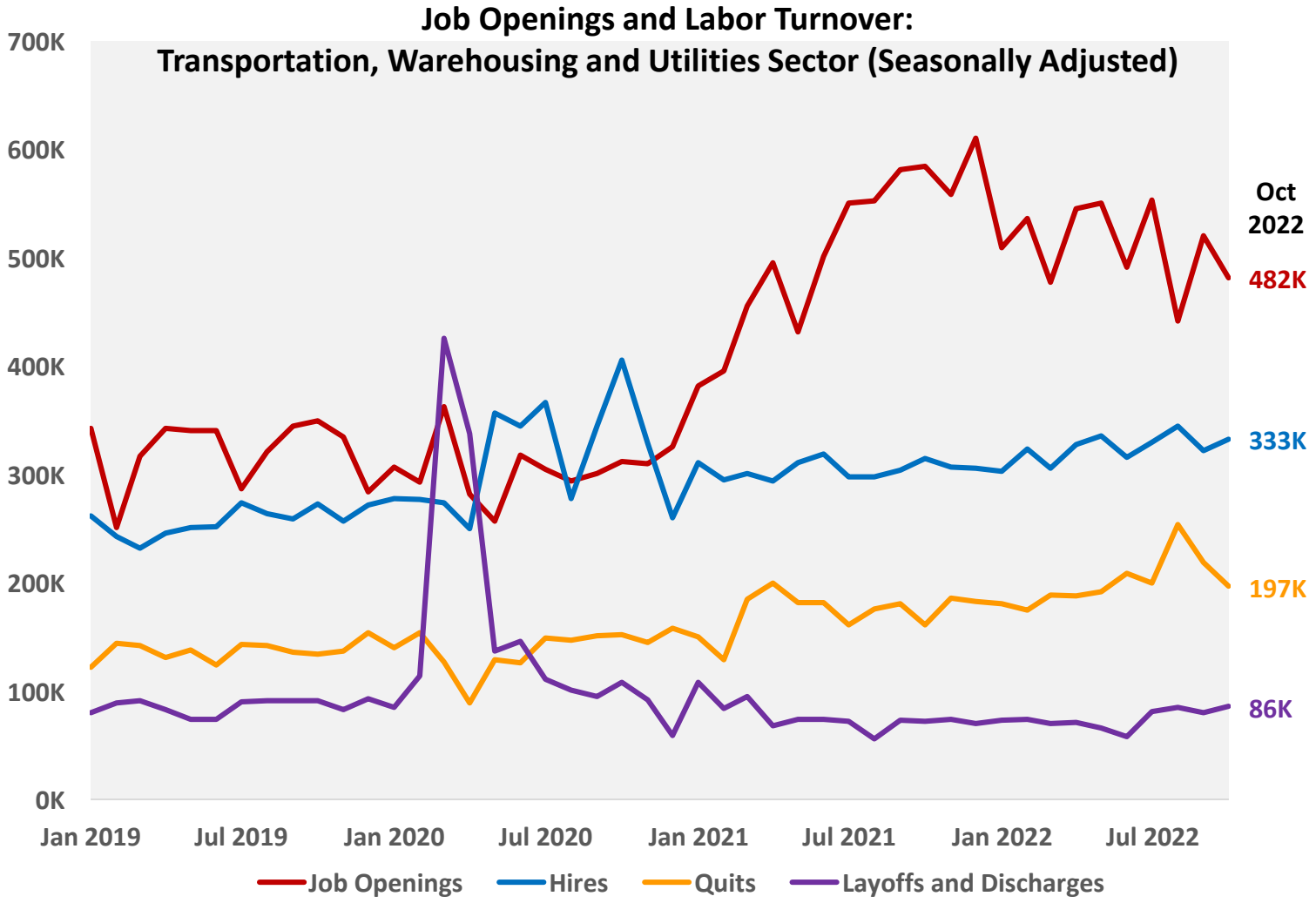


Much like the cost to ship containers across the ocean has decreased, the price to ship cargo and products on trucks has also decreased. Since the end of 2021, prices have declined precipitously as demand began to normalize and the number of trucks available improved. Excluding a brief spike in prices towards the end of December 2022 due to adverse winter weather in many parts of the United States, the prices are very close to what they were prior to the pandemic. Prices should continue to decline in 2023 to what they were prior to the pandemic.



Source: DAT Fright Analytics. Data as of December 25, 2022.

THERE IS A LOT OF DEMAND FOR WORKERS IN THE TRANSPORTATION SECTOR



As has been the case throughout the past two to three years, the number of job openings in the transportation, warehousing and utilities sector has outpaced the number of those hired. This shortage of workers has contributed to the supply-chain disruption. There were some shortages in port workers, including at the ports of Los Angeles and Long Beach, which compounded the issues from the congestion of ships waiting for available berths.

However, even if there had been enough workers to work 24-hour shifts at the ports, there weren't enough trucks and truck drivers to take the product from the ports to their destinations across the country. The truck driver shortage (especially for longer-haul transport) has been especially significant and was an issue even before the pandemic. In 2021, the American Truck Association (ATA) estimated that there was a shortage of 81,258 truck drivers in the United States. For 2022, they estimate that the shortage was still near that high at nearly 78,000 drivers. The ATA estimates that the industry needs to recruit 1.2 million new drivers over the next decade to meet expected demand and to replace drivers exiting the business.

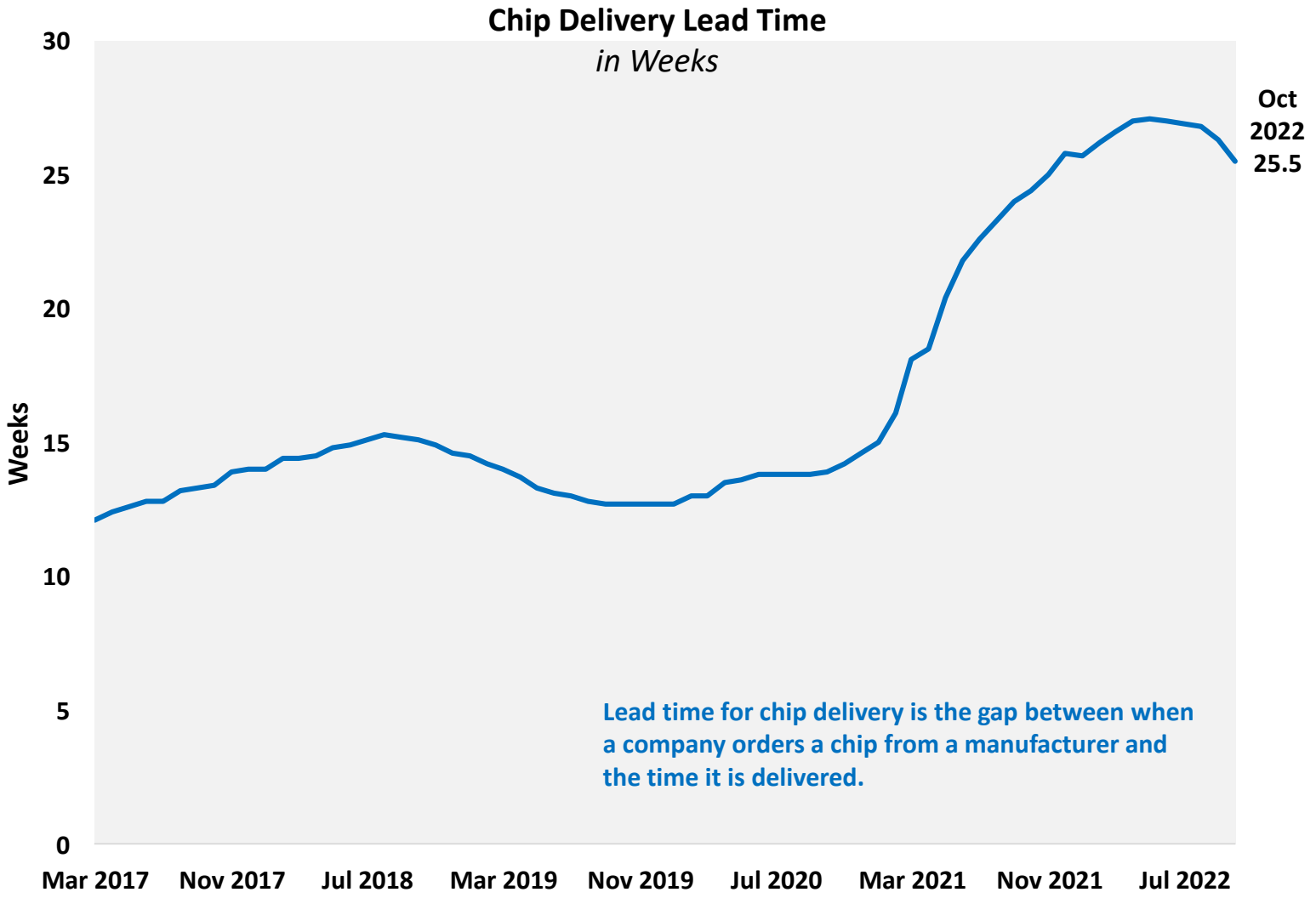
Source: U.S. Bureau of Labor Statistics - Job Openings and Labor Turnover Survey (JOLTS). Data as of October 2022.

CHIP LEAD TIMES STILL VERY LONG, ESPECIALLY FOR THE AUTOMOTIVE SECTOR

Much of the media attention about the supply-chain disruption over the last few years has been focused on the semiconductor (or chip) shortage. As of October 2022, the delivery lead time shrank by six days to 25.5 weeks—the biggest drop since 2016. Around 70% of companies in the industry say that they can now supply chips more quickly. Some also say that demand is falling amid a weaker economy and consumer spending, allowing shipments to move faster.

The lead time for Texas Instruments, one of the biggest chipmakers, was down 25 days in October. Despite this, the supply of some of its products that go into vehicles remains very tight and constrained. It's likely that these constraints will continue into 2023.

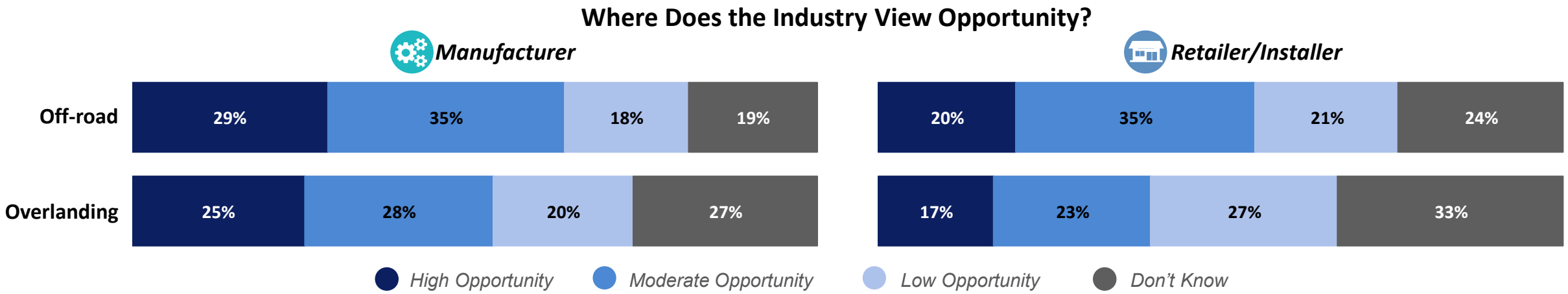
It's not just because of the pandemic. Signs that semiconductor production was already strained showed up well before the pandemic started. Since the first quarter of 2019, fabrication capacity has run well above what is considered "full" production-rate utilization (which is around 80%). In recent quarters, it has been more than 95%.



Source: Bloomberg / Susquehanna Financial Group. Data as of November 2022.

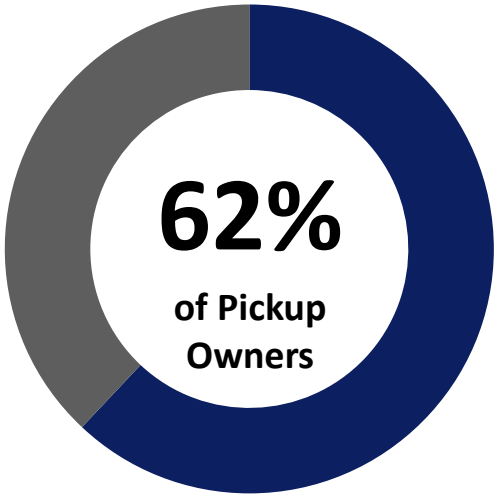
AFTERMARKET TRENDS AND OPPORTUNITY

OFF-ROAD AND OVERLANDING



Off-road products and accessories are a significant segment for the specialty-equipment industry, with most companies seeing a lot of opportunity in the space. Pickups and SUVs (especially the Jeep Wrangler) are commonly accessorized for off-road applications. In fact, 62% of pickup owners buy off-road parts or take their vehicles off-road. Around 80% use their pickup for outdoor recreation uses.

A relatively new trend in the specialty-equipment industry is overlanding. What exactly is overlanding, though? Off-roading and overlanding overlap a fair degree, but overlanding refers to a combination of remote travel, off-roading and camping. When it comes to our industry, overlanding products would include things like mounted tents. Overall, our industry sees opportunity in overlanding, but less than it does in the off-road segment overall.



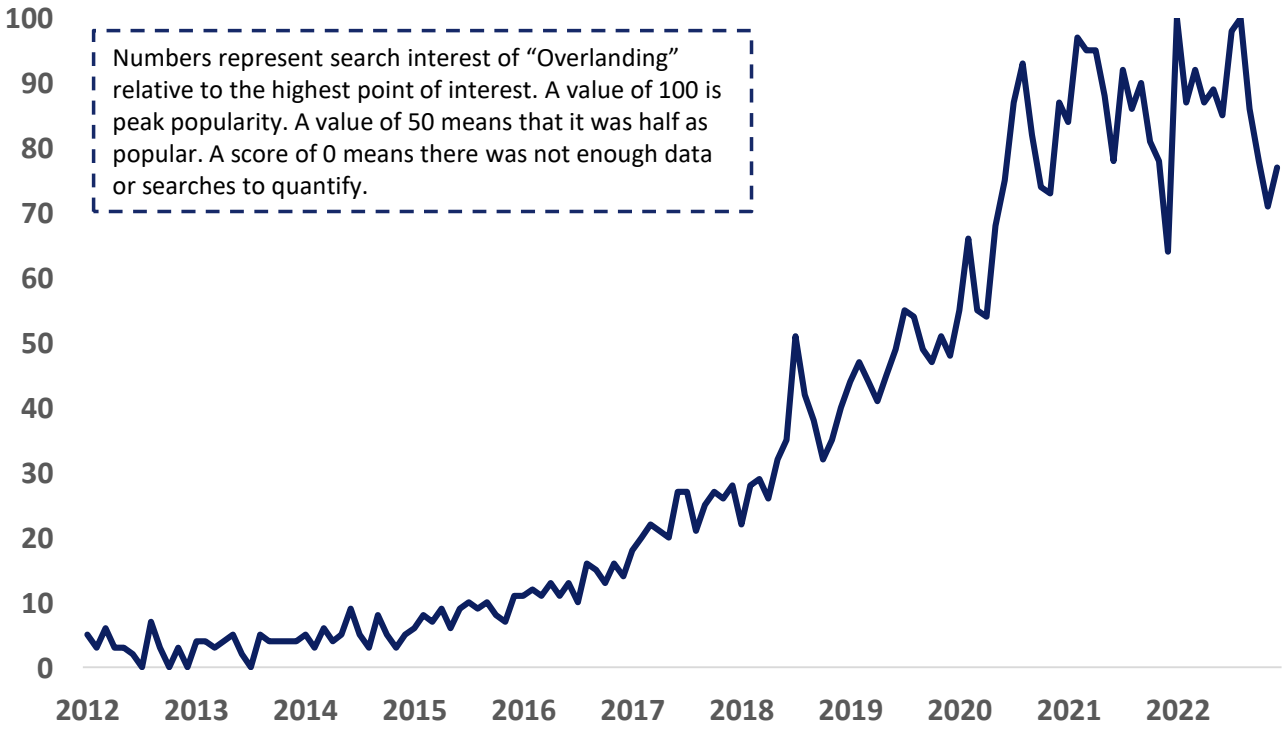
Purchase off-road parts and accessories or use their pickup off-road

Source: SEMA Market Research

WHAT DO CONSUMERS THINK ABOUT OVERLANDING?

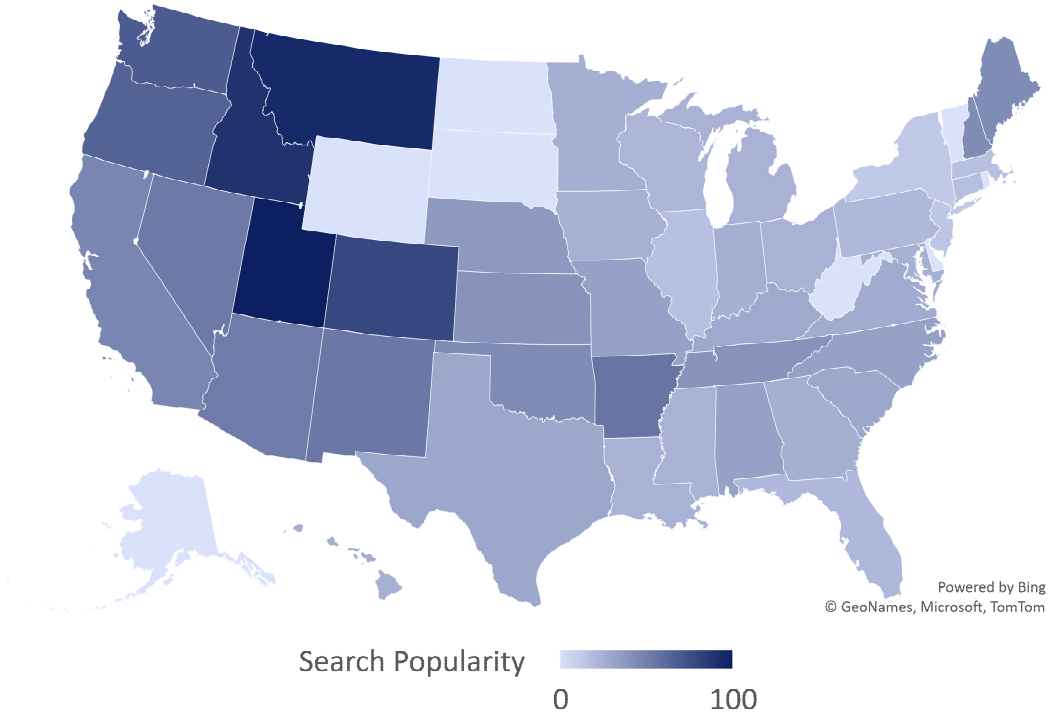
Google Search Interest in "Overlanding" Over Time

Jan 2012–Dec 2022



Google Search Interest in "Overlanding" by State

Jan 2012–Dec 2022

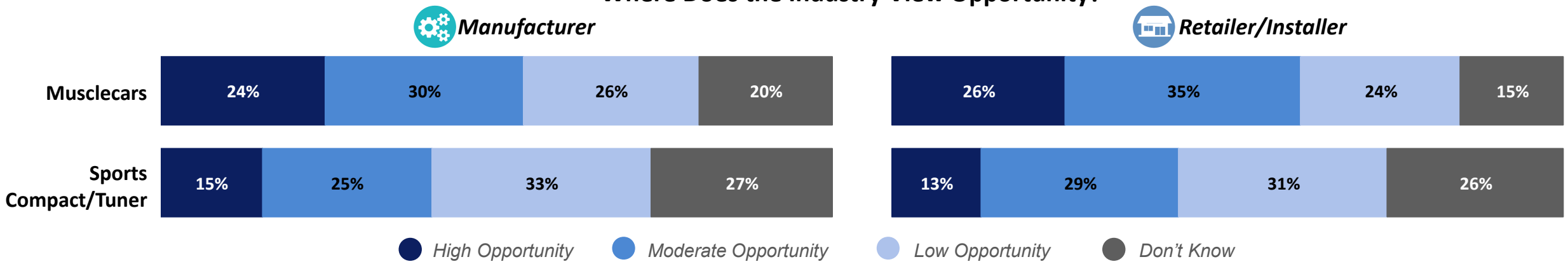


Overlanding has garnered a lot of attention at the past few SEMA Shows. However, how popular is overlanding among consumers? Given its recent emergence, it's hard to say exactly how popular the segment is in terms of retail dollars. However, by looking at Google search trends, it's clear that overlanding as a segment is a relatively new concept that didn't become common until the end of 2018 and spiked at the beginning of the pandemic. Additionally, it's mainly popular with states that have a lot of off-roading opportunities, especially Utah, Idaho, Montana, Colorado and the Pacific Northwest. Time will tell how this translates in terms of market dollars, and whether it's a segment of real opportunity or just hype.

Source: Google Trends for the word "Overlanding". Average monthly data from January 1, 2012 to December 31, 2022.

MUSCLE CARS AND SPORT COMPACT/TUNER CARS

Where Does the Industry View Opportunity?



Sports cars are some of the most accessorized and enthusiast-owned vehicles on the road today. While produced at much lower numbers than typical passenger cars, their accessorizers tend to modify them at a much higher rate, installing more specialty-aftermarket parts on them than other segments. The top sports cars for accessorization are often termed muscle cars (most of which are American brands). However, sport compact "tuner" cars are also popular, and include models from Asia and Europe. Our industry continues to see significant opportunity for both the muscle car and tuner markets. Fresh models, such as the Nissan Z and Toyota GR Supra, offer exciting new platforms for accessorization and modification.

10.3 Million
Sports Cars in the United States

$3.08 Billion
Specialty-Equipment Sports Car Market Size

Source: SEMA Market Research

MUSCLE CAR MODEL OUTLOOK

	 Ford	 GM	 GM	 Stellantis	TBD
	Ford Mustang	**Chevrolet Corvette**	**Chevrolet Camaro**	**Dodge Challenger**	**Dodge Cuda (New)**
Vehicles-in-Operation (Q3 2022)	**2.1M**	**869K**	**1.1M**	**652K**	**N/A**
Projected Sales (2023–2029)	**403K**	**209K**	**235K**	**57K**	**265K**
Projected Changes	• MY24 redesign • MY26 refresh	• MY24 hybrid option • MY25 electric option • MY30+ only electric	• MY25 gas engine discontinued • MY26+ EV platform	• Expected to be discontinued for MY25, replaced by Cuda	• Projected release in 2024 (MY25)

Source: ©2023 Experian. Vehicle-in-Operation (VIO) registration counts as of September 30, 2022.
Source: ©Copyright 2023, Wards Intelligence, a division of Informa. Data as of December 16, 2022.

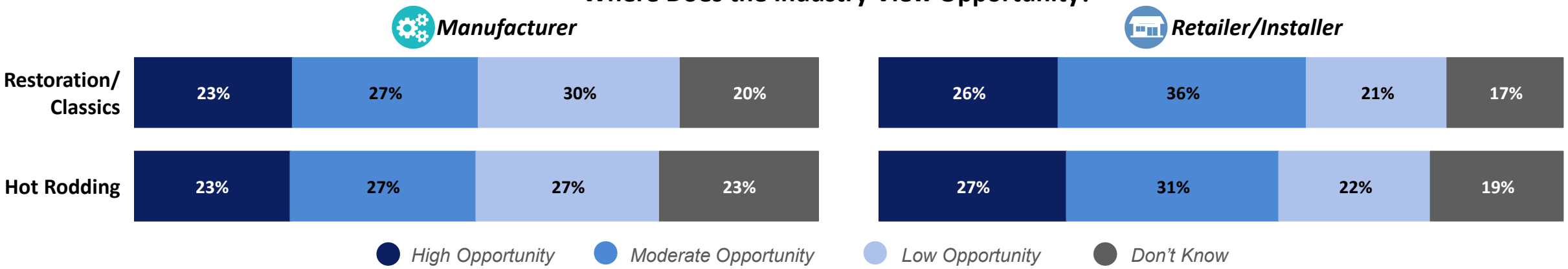
POPULAR SPORTS/TUNER CARS

	 Nissan	 Toyota	 Subaru	 BMW	 Audi
	Nissan Z	**Toyota Supra**	**Subaru WRX/STI**	**BMW 3 Series**	**Audi A4/S4**
Vehicles-in-Operation (Q3 2022)	**210K** (300/350/370Z) **46** (Z)	**19.6K** (Supra) **18.9K** (GR Supra)	**260K** (WRX) **89K** (WRX STI)	**1.5M** (3 Series) **89K** (M3)	**482K** (A4) **56K** (S4)
Projected Sales (2023-2029)	**14K**	**22K**	**203K**	**258K**	**69K**
Projected Changes	• Expected redesign in MY29	• MY26 refresh • Expected to be discontinued in MY28	• MY26 refresh	• MY27 redesign	• MY26 redesign • MY27 A4 e-tron released

Source: ©2023 Experian. Vehicle-in-Operation (VIO) registration counts as of September 30, 2022.
Source: ©Copyright 2023, Wards Intelligence, a division of Informa. Data as of December 16, 2022.

CLASSIC VEHICLES AND HOT RODS

Where Does the Industry View Opportunity?



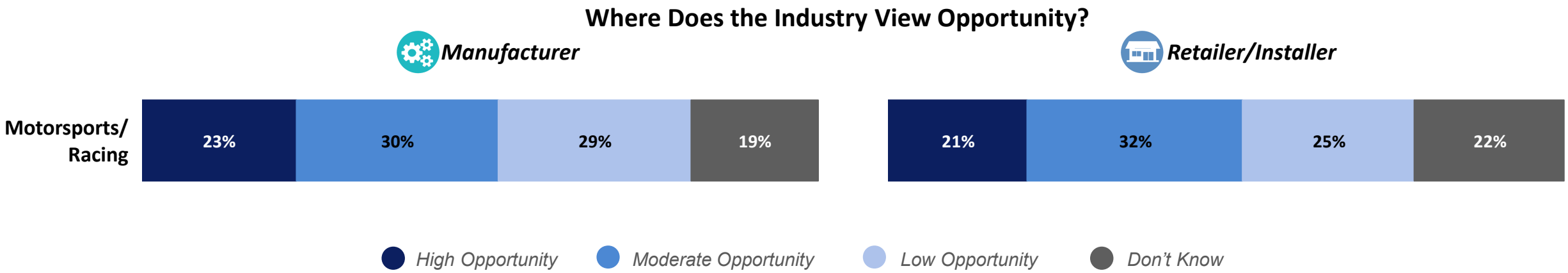
Companies within the specialty-equipment industry also see business opportunity in the classic segment space, particularly as it applies to restoration and hot rodding. In terms of the total number of classic vehicles out there, SEMA estimates that there are around 12 million model year pre-1990 classics on U.S. roads today. In 2021, 1.8 million of these vehicles were modified or accessorized—accounting for approximately $2.36 billion in retail part sales. Classic vehicles remain highly enthusiast platforms for modification, upgrades and restoration.

Around 12 Million
Pre-1990 Classics in the United States

$2.36 Billion
Specialty-Equipment Market Size

Source: SEMA Market Research

THE RACING PART MARKET



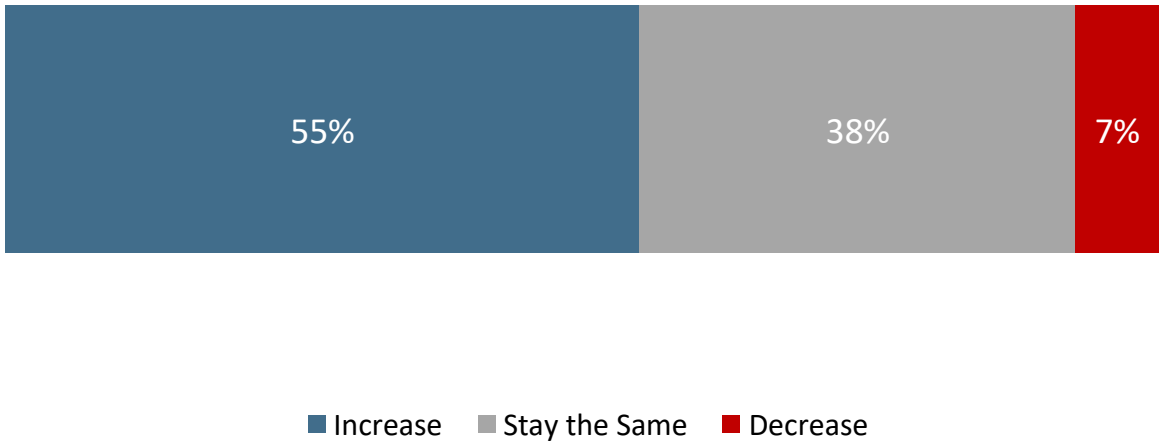
Many companies within the specialty-equipment industry also see opportunity in the racing parts market. In 2021, racing parts accounted for $7.79 billion in part sales. Now that the country has mostly moved on from the pandemic and racing has resumed full time, parts sales within this market are expected to grow.

2021 Market Size for Dedicated Racing Parts

Source: SEMA Market Research

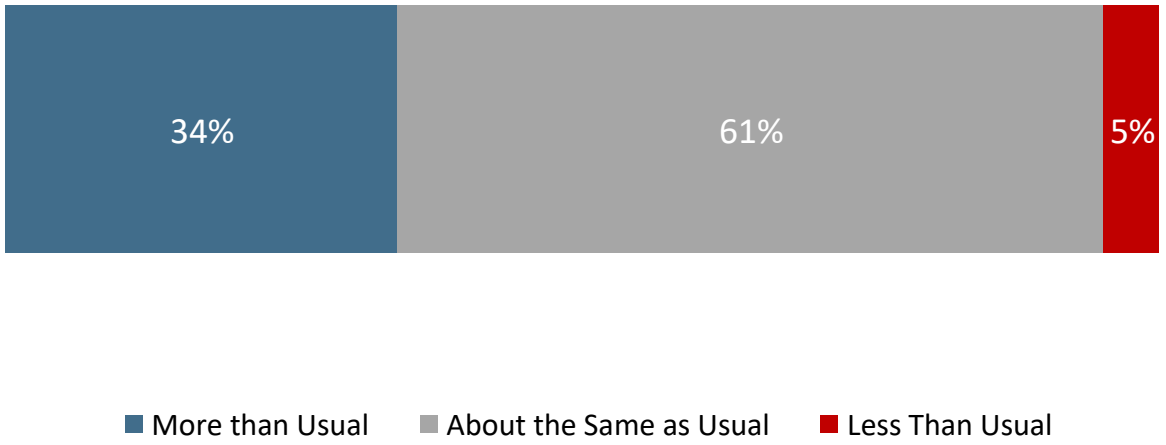
COMPANIES ARE OPTIMSTIC ABOUT RACING IN 2023

Sales Expectations for Racing Part Companies Over Next 12 Months



How Does the Number of Planned 2023 Races Compare to 2022

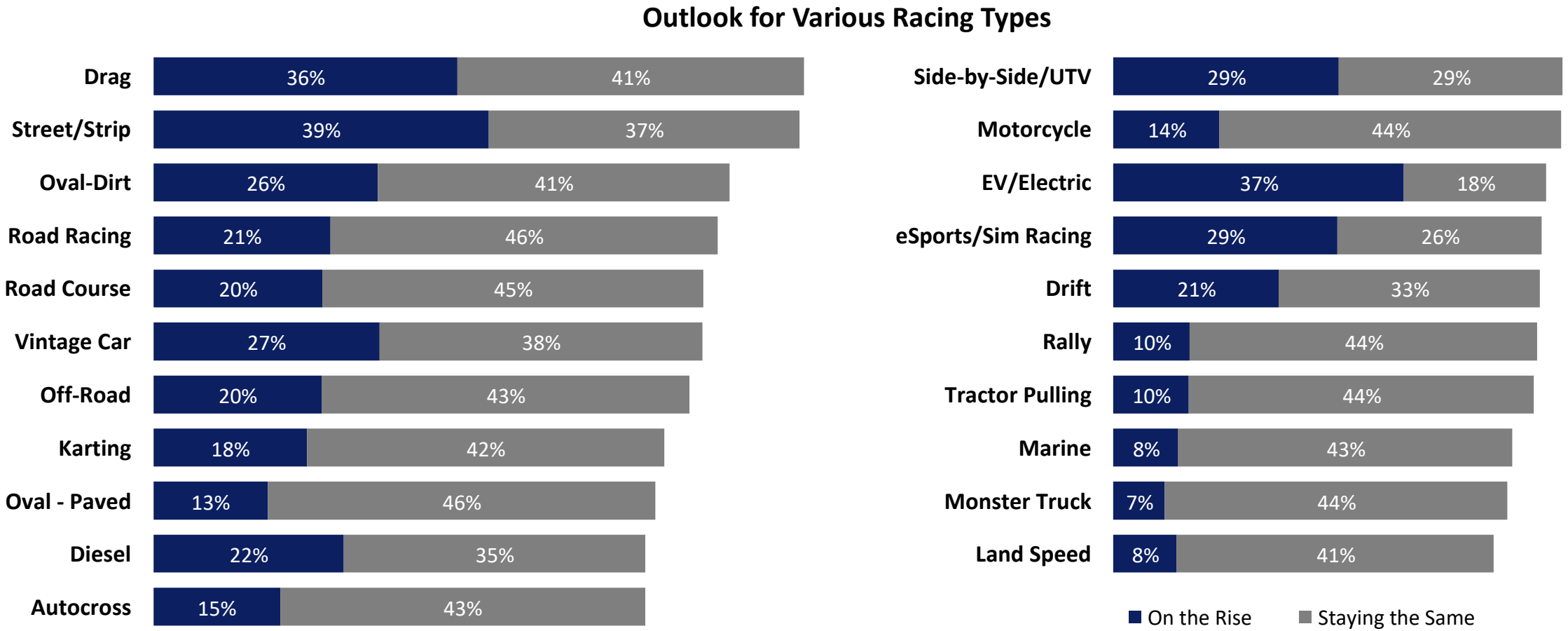
Among Race Teams, Tracks and Organizations



After a turbulent few years for the racing industry due to the pandemic, racing is moving into 2023 with significant momentum, and the industry is optimistic for the future. In 2023, 93% of racing part manufacturers, retailers and distributors expect sales to stay the same or grow—with 55% expecting a sales increase. When it comes to racetracks, 95% expect to host at least the same number of races in 2023, with 34% expecting to host more.

Source: Surveyed attendees and exhibitors of the 2022 PRI Trade Show. December 2022 to January 2023.

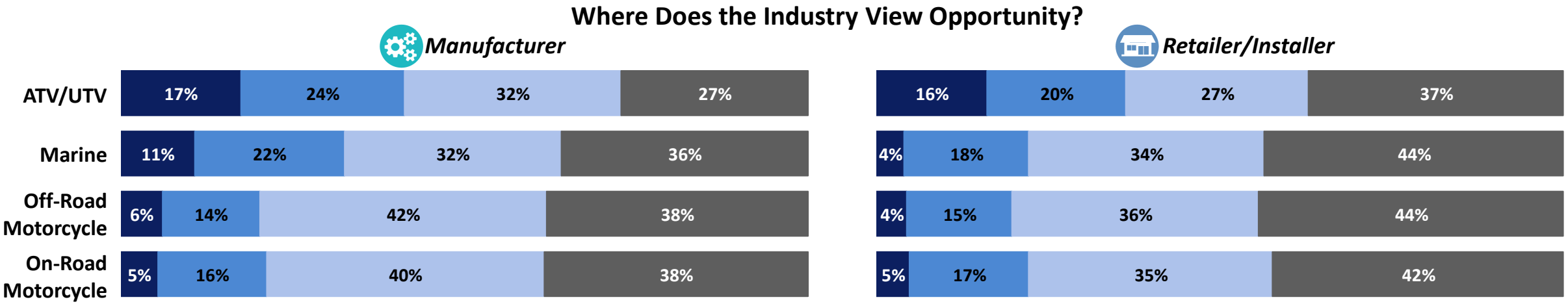
OUTLOOK FOR DIFFERENT TYPES OF RACING



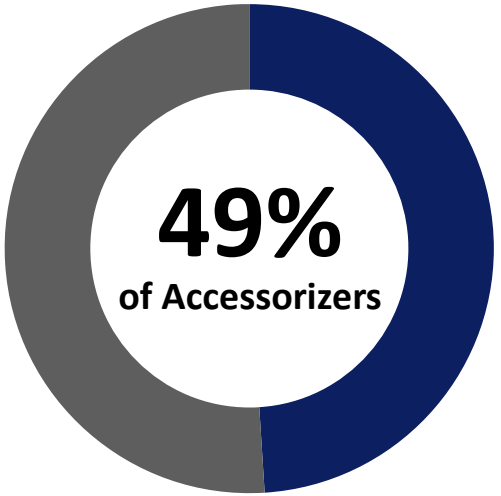
Industry expectations for different types of racing vary. Companies are the most optimistic about street/strip and drag racing. Companies are also bullish on the rise of EV and electric racing, as the number of electric vehicles sold each year increases.

Source: Surveyed attendees and exhibitors of the 2022 PRI Trade Show. December 2022 to January 2023.

POWERSPORT AND RECREATIONAL VEHICLES



In addition to passenger cars and light trucks, the specialty-equipment industry also sees opportunity in selling parts for other powersport and recreational vehicles—especially ATVs and UTVs. Interestingly, nearly half (49%) of all accessorizers say that they also own a powersport or recreational vehicle. This opens potential cross-selling opportunities in addition to selling parts for their car or truck.



Own a powersports or recreational vehicle, like an ATV or UTV.

Source: SEMA Market Research

ADDITIONAL INFORMATION

WANT TO LEARN MORE?

Download the latest analysis and reports from SEMA Market Research:

“2022 SEMA Market Report”

“SEMA Pickup Accessorization Report 2022”

“SEMA State of the Industry Report–Fall 2022”

“CUV Market Snapshot”

SEMA Member VIO Program

Adding a new product? Looking to expand? Our members-only VIO program can tell you how many vehicles (and thus potential customers) are out there for your products. New-vehicle sales data also available to members. Learn more at www.sema.org/VIO.

QUESTIONS?

Comments and suggestions appreciated. Happy to provide clarifications. SEMA Market Research is here to help.

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