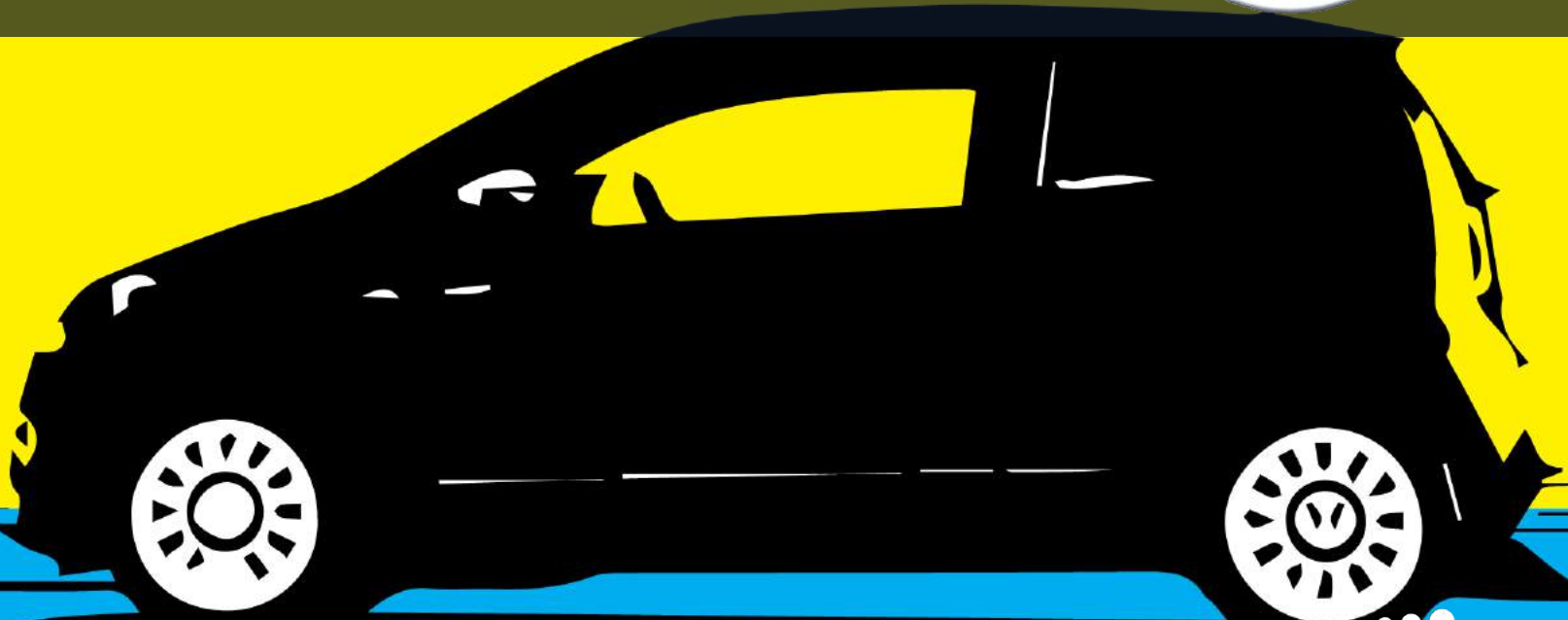


AAAA Dashboard Q2 2018



The voice of the independent aftermarket in Australia

Welcome to the Q2 2018 Edition of the Aftermarket Dashboard, a quarterly information service for members of the AAAA.

This industry publication captures useful statistical and related data, as indicators of the unfolding trends and health of the automotive aftermarket industry, and has been designed to provide regular insight on our industry.

We value your suggestions for improvement or feedback regarding content.

Data sourced from VFACTS New Car Sales Data, ABS Motor Vehicle Census, ACA Research Consumer Automotive Survey

	1. Current State of the Market	2. Car Parc Trends	3. Servicing Behaviour	4. Industry Headlines
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1. Current State of the Market

Australian Economic Indicators

Consumer Confidence



Consumer confidence has reversed the recent upward trend, dropping back in the April-June quarter.

Falling house prices and ongoing global uncertainty mean that despite strong end of financial year retail results, Australians still appear concerned about their future prospects.

Business Confidence



Business confidence has also fallen in the current quarter, but remains ahead of the same period in 2017.

This pattern is consistent with previous years, with confidence typically down in response to the release of the federal budget in May/June, although there are some growing concerns within the business community about their future financial viability.

Fuel Prices

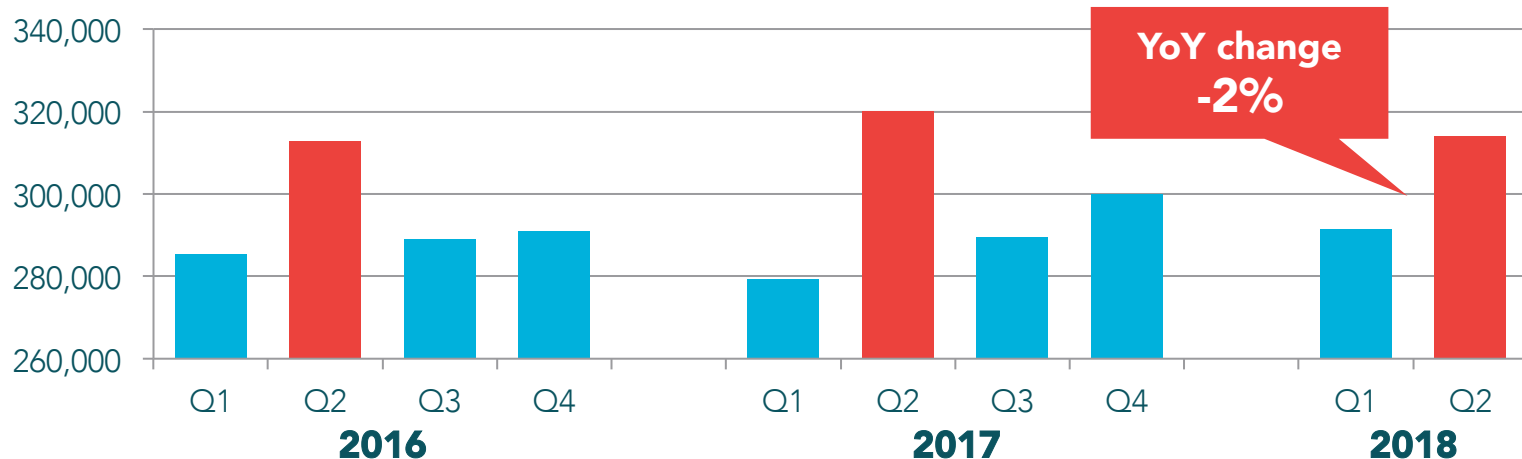
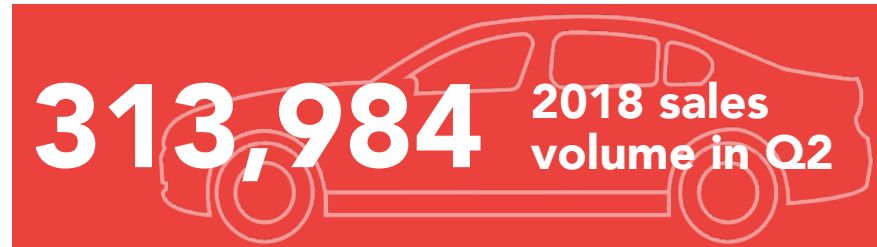


As predicted in Q1, Australian fuel prices have again increased in Q2, rising an average of 9c per litre.

Australia's fuel reserves remaining low, and discussion around a longer term transition to higher quality (lower sulphur) fuels both mean that we're likely to continue seeing higher prices at the bowser.

New Car Sales By Quarter

Despite the strong start to 2018, Q2 2018 new car sales lagged 2017 by more than 6,000 units, with the market down 2% year on year. This suggests we could be facing a downward trend through the second half of the year, and will also place increasing pressure on underperforming OEM brands (e.g. Holden).



New Car Sales By State

While the overall market trended down, sales in Western Australia remained strong, outperforming 2017 by 3%. NSW was the hardest hit, with weakening consumer confidence driving sales down by 5% against the comparable period in 2017.

State	Q2 Volume	% Chng (YoY)	Q2 Share
New South Wales	101,870	-5%	32%
Victoria	88,569	-1%	28%
Queensland	66,036	0%	21%
Western Australia	25,683	3%	8%
South Australia	18,875	-2%	6%
Tasmania [↑] 1	4,858	3%	2%
Australian Capital Territory [↓] 1	4,734	-4%	2%
Northern Territory	3,359	-5%	1%
TOTAL	313,984	-2%	

New Car Sales By Marque

Q2 Rank	Make	Q2 Volume	% Chng YoY	Q2 Share
1	Toyota	59,389	-2%	19%
2	Mazda	29,595	-5%	9%
3	Hyundai	26,375	-4%	8%
4 ^{↑2}	Mitsubishi	22,656	6%	7%
5	Ford	18,052	-23%	6%
6 ^{↑1}	Holden	17,090	-29%	5%
7 ^{↑2}	Kia	17,069	7%	5%
8 ^{↑2}	Volkswagen	15,682	2%	5%
9 ^{↓1}	Honda	14,172	15%	5%
10 ^{↓4}	Nissan	13,966	0%	4%
TOTAL		313,984	-2%	



Holden

4,904 Fewer vehicles sold year on year

Despite selling almost 60,000 vehicles in Q2 2018, Toyota underperformed year on year, falling 2% short of its 2017 results. It is however still the clear market leader, more than doubling the sales of its closest competitor.

While it moved back up one space into 6th in the current quarter, Holden's sales continue to fall. In Q2 2018, the GM-owned brand sold almost 5,000 less vehicles than the comparable period last year. Off the back of these results, we've seen significant changes announced, with job cuts at its Port Melbourne headquarters, as well as ex-Toyota chief David Buttner taking over as MD.

Staff from across Holden's national sales operations to lose their jobs

Dave Buttner to take reins at Holden, as Bernhard steps down at the end of July



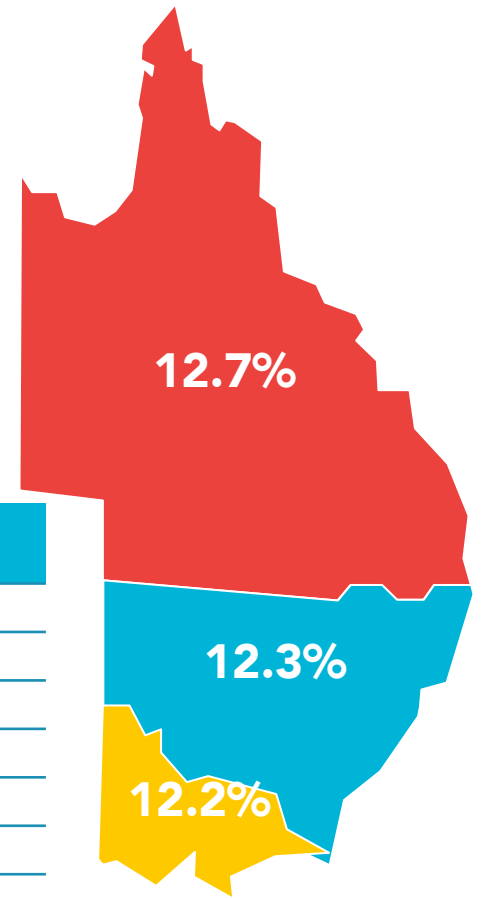
2. Car Parc Trends (2013–2018)

Car parc size

While new car sales in this quarter have slowed, strong results in recent years mean the Australian car parc has grown and changed. At an overall level, it's grown by almost two million vehicles, particularly driven by the eastern states (NSW, Victoria and Queensland).

From a servicing perspective, this is going to offer increasing opportunity to the independent sector, with the first of those vehicles now coming out of warranty, and many others likely to have moved on to a second owner (reducing their ties to dealership workshops).

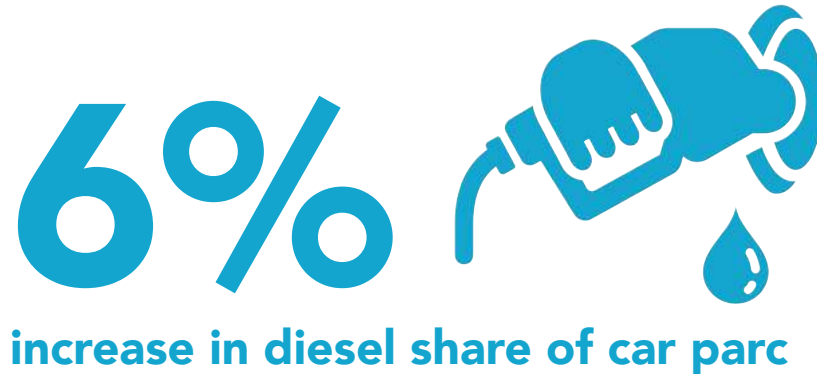
State	2013	2018	% Change ('13 - '18)
New South Wales	4,984,557	5,618,385	12.7%
Victoria	4,383,634	4,923,032	12.3%
Queensland	3,606,121	4,045,335	12.2%
South Australia	1,298,404	1,408,960	8.5%
Western Australia	2,048,388	2,231,564	8.9%
Tasmania	436,999	480,935	10.1%
Northern Territory	148,569	162,500	9.4%
Australia Capital Territory	273,924	302,568	10.5%
AUSTRALIA	17,180,596	19,173,279	11.6%



Fuel type

Three quarters of the growth in the Australian car parc is from diesels, with oil-burners now making up almost one in four vehicles on the road. At the smaller end of the market, LPG has almost ceased to exist, with 'Other' now mainly made up of hybrid or electric vehicles.











Across the aftermarket, the rise of diesel should be factored into short and medium-term planning, with manufacturers ensuring they're catering to the parts and accessory needs of these vehicles. Global trends towards lower-emissions do however mean that OEMs are likely to shift back away from diesel, so manufacturers and workshops need to also be looking to the next big innovations (e.g. electric or hydrogen vehicles).



	Number			%		
	2013	2018	Change	2013	2018	Change
Petrol	13,727,249	14,312,619	585,370	80%	75%	-5%
Diesel	2,952,327	4,491,140	1,538,813	17%	23%	6%
Other	501,020	369,520	-131,500	3%	2%	-1%*
All fuel types	17,180,596	19,173,279	1,992,683			

* The decrease for 'Other' fuel types is due to the decline in LPG vehicles being greater than the growth in other alternative fuels

Top marques

		2013	2018	Change (n)	Change (%)
Toyota		2,606,749	2,891,291	284,542	10.9
Holden		2,027,034	1,775,661	-251,373	-12.4
Ford		1,555,842	1,215,333	-340,509	-21.9
Mazda		873,804	1,206,051	332,247	38.0
Hyundai		787,486	1,058,999	271,513	34.5
Mitsubishi		887,685	835,034	-52,651	-5.9
Nissan		766,238	820,375	54,137	7.1
Honda		624,139	713,416	89,277	14.3
Subaru		522,540	658,134	135,594	25.9
Volkswagen		295,192	479,205	184,013	62.3

There have been a number of changes to the Australian car parc over the past five years, but one constant is Toyota maintaining (and even increasing) its overall dominance. With its sales supported by the known longevity of its vehicles, there are now almost three million Toyotas on Australian roads.

Despite the plunge in Holden's new car sales, it still also holds a significant position in the car parc, meaning that independent mechanics will be seeing the Commodore, Astra and Barina in their workshops for many years ahead.

The most surprising statistic though is the closing of the gap between Ford and Mazda. Separated by almost 700,000 vehicles in 2013, no one would have predicted that just five years later that would have been reduced to less than 10,000. Continued strong performance across small cars (Mazda2, Mazda3) and SUVs (CX-3, CX-5, CX-9) sees a 38% increase in the number of Mazdas in the Australian car parc, and suggests that the Japanese brand might be challenging Holden for second in another five years time.

A photograph of a male mechanic with a beard, wearing a white t-shirt and blue overalls, working on a car in a garage. He is leaning over the open hood of a dark-colored car, looking at a red folder or clipboard he is holding. The background shows a red car and various garage equipment. The image has a slightly desaturated, high-contrast appearance.

3. Servicing Behaviour

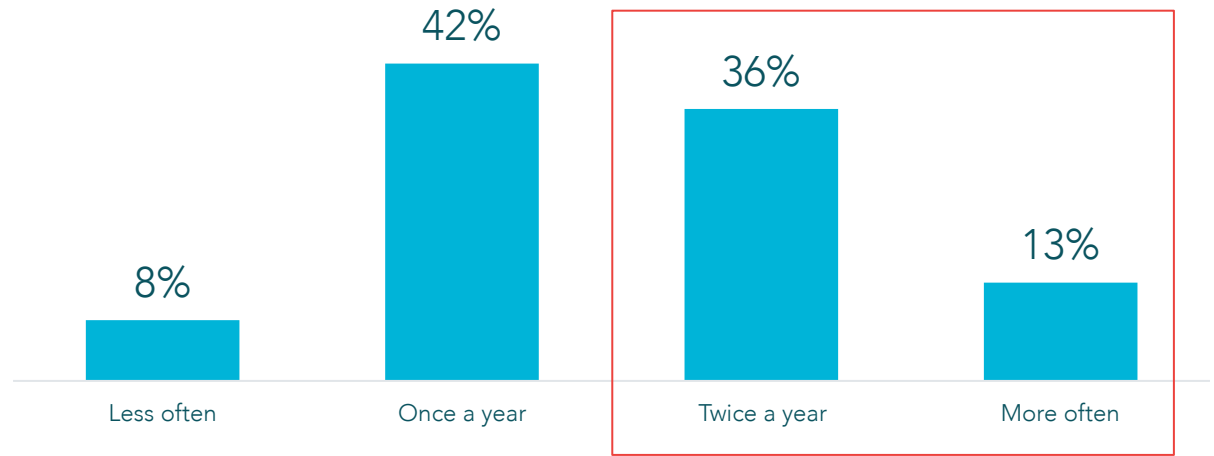
Servicing frequency

A recent ACA Research consumer survey found that almost half of Australian consumers service their vehicles more than once a year, averaging out at 1.7 times per year.



1.7
Ave services per year

Across the 19 million vehicles in the Australian car parc, that means the servicing opportunity comes out at 32 million occasions each year. With each of those occasions potentially also involving the replacement of a range of consumables (e.g. brake pads, filters, etc), these opportunities extend to parts manufacturers, wholesalers and retailers.



Servicing location



Dealership
workshop
42%



Self-service
6%



Mobile
mechanic
3%

Almost one in two consumers told us that their last service was conducted by an independent or chain workshop, comfortably ahead of those who used a dealer workshop. This highlights the strength of the sector, and as we've seen in previous research, consumers are also increasingly trusting their independent mechanic to work on vehicles within the warranty period.

Key to note also is the small cohort of committed auto enthusiasts undertaking their own servicing work. While they are less likely to engage with independent mechanics, they are still likely to look to the aftermarket sector to source (premium) parts and supplies.

Servicing cost

In addition to consumers being more likely to have used independent or chain workshops for their most recent service, they are also more likely to say that dealership workshops were more expensive. With more than half of dealer services costing over \$300, independent and chain workshops appear to be successfully leading on price.

It is important though to remember that this is just one factor in the decision, with consumers looking for a mechanic they can trust to look after their vehicle. Alongside their pricing, workshops should highlight the skills of their mechanics, and talk about their commitment to ongoing training and development, to provide consumers with confidence in the quality of the work being done on their vehicle.



Independent
or Chain
workshop



Dealership
workshop

Under \$200	29%	19%
\$200 – \$299	26%	26%
Over \$300	45%	55%

More than
1 in 2
services in dealer workshops
cost over \$300

4. Industry Headlines

AAAA NEWS



Aftermarket survey eyes optimistic 'long-term projections'

Independent research shows the automotive aftermarket is reporting further growth in the distance.

The Australian Automotive Aftermarket Association has commissioned ACA Research to speak to 250 independent service and repair workshop managers in a benchmarking report designed to check the pulse of the sector.



Wesfarmers to sell Kmart Tyre and Auto Service to German auto giant

WESFARMERS has agreed to sell its Kmart Tyre and Auto Service business to German auto giant Continental AG for \$350 million.

Kmart Tyre and Auto Service is one of the country's largest auto service businesses with 258 stores and more than 1200 employees. It is also the single largest employer of apprentice motor mechanics in Australia.



Burson goes global

Burson Auto Parts has opened its first store outside of Australia. Bangkok, Thailand is the home of Burson's first store to supply central Bangkok with tools, parts and accessories to the local aftermarket.

AAAA NEWS



5 car innovations that are right around the corner

Whether it's electric vehicles emitting less harmful fumes, or artificial intelligence making autonomous cars a reality, these innovations will have the biggest impact on your life.

Ready to get excited? These are the five biggest automotive innovations that are right around the corner.



Autologic enter into an agreement with Volvo

Autologic Diagnostics emailed all customers in Australia and New Zealand last week, telling of the agreement between Autologic and Volvo.

This is something we down under have missed out on in the past but now have the same coverage as the US, UK and EU workshops on the Autologic tool on this brand.



APV crashes through into new markets

INDEPENDENT vehicle safety tester and seatbelt manufacturer Australian Performance Vehicles (APV) has made a \$2 million upgrade to its crash test centre while also adding two more manufacturing production lines as it expands its Melbourne operations to handle flourishing local and export business.

AAAA NEWS



RV PRO: Origins

REDARC's history evolved from our OEM trucking relationships when we were supplying power converters to this market in the late 1990s. However, by 2001 there had been a major technology change and new products in the market meant that REDARC's own product looked like it could become obsolete.



Auto apprentice numbers growing

AUSTRALIAN automotive employers are being urged to invest in their businesses and take on apprentices to prepare for a new era in technology and to quell the nation's automotive skills shortage.



GUD Holdings records \$101.8m profit on back of Automotive division's success

Expanding its Ryco filter business into light trucks and commercial vehicles has helped parts and appliances manufacturer GUD Holdings to lift its net profit to \$101.8 million for the 2017-18 financial year.



About AAAA

The Australian Automotive Aftermarket Association, is the national industry association representing manufacturers, distributors, wholesalers, importers and retailers of automotive parts and accessories, tools and equipment, as well as providers of vehicle service, repair and modification services in Australia.

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About ACA Research

With over 20 years of automotive experience, ACA Research has developed a detailed understanding of the automotive sector, Using this market knowledge, we design and deliver research that helps our clients understand and overcome their business issues, empowering them to move forward with confidence.

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