



SE StoneEagle

White Paper
ELECTRIC VEHICLES



Electric Vehicles

They're cool, but do we need to care right now?

One of the hot topics for the past few years has been the rise of the Electric Vehicle (EV). No matter the event or publication, you're going to hear somebody talking about how it's reshaping the industry. Still, if the EV segment accounts for less than 4.5% of all sales today, is there any reason to reshape your business around it? Maybe it's better to wait and see if the results live up to the hype?

We have repeatedly been asked these same sorts of questions from people throughout the auto industry, so we had the StoneEagle team investigate market trends, projections, and how they line up with our data today.

We're looking to find out:

How fast are things changing?

Where is the impact most apparent?

Who should be the most concerned about staying ahead of these changes?

There is an Impressive Rise in EV Market Share Happening

Last summer, McKinsey & Company found that EV sales had nearly doubled since Q4 2019 both in terms of quantity sold and percentage of total vehicle sales. This is held up by StoneEagle's own data, which shows the total annual EV deals increasing by 2x in the same time period. Interestingly, this growth has varied by state and region with one of the biggest indicators being the presence of a large metropolitan area and a high population density.

Consumer Incentives are Driving Growth

California stands out from the rest of the country by a wide margin, and not only due to the population factors. Perhaps unsurprisingly, the combination of an environmentally minded social climate and 15 years of rebates for consumer adoption of zero-emission and plug-in hybrid vehicles have had a substantial impact. While no other state has matched the same level of investment, 37 states and Washington DC had introduced some level of incentive for zero-emission vehicles such as EVs by 2014.



On the federal level, EV purchases are already eligible for a \$7,500 tax credit with proposals under consideration to raise that credit as high as \$12,500. This is in line with the goal set by President Biden to have half of all new vehicle sales be zero-emission by 2030.

OEMs are committed to an EV shift

Many of the biggest names in automotive have committed heavily to the future of the EV.

Select OEM EV Commitments

NISSAN

Half of lineup EV by 2030. *Note that Nissan Leaf had an impact on early EV market.

FORD

\$22B dedicated to electrifying its lineup to take on Tesla.

GM

Stop selling Internal Combustion Engine (ICE) vehicles entirely by 2035. Cadillac will be exclusively electric by 2030.

STELLANTIS

\$35.5B invested in EV through 2025. Aiming for 40% electrification in 2025.

HYUNDAI

Plan to have 23 EV and Hydrogen fuel cell vehicles by 2025. \$7.4B investment in America between now and 2025.

HONDA

Aiming for 40% EV by 2030, 100% EV by 2040. \$46.3B in R&D over the next 6 years.

TOYOTA

Early pioneer in Hybrid market, moving heavily into EV today. Working to reduce battery costs by 50% by 2030. 7 models in bZ line plus eight other EVs by 2025.

VW

\$86B for development (largely electrification) by 2025. Aiming for 50% EV by 2030.

BMW

Expecting 50% YoY growth in EV for the next few years. Expecting 25% EV sales by 2025.

MB/DAIMLER

\$47B in electrification by 2030 to take on Tesla. 80% drop in ICE investments by 2026.



Clearly traditional OEMs aren't going to let Tesla take the lead for much longer if they can help it.



So what's the motivation behind all of these commitments? Did the auto industry suddenly become incredibly environmentally aware? Sure...probably? But the real motivation comes from the room for growth.

Tesla's current cap of \$672B is approximately 75% of the size of the combined market cap for all other OEMs put together. Even Toyota, which at \$240B stands out with a cap more than double its nearest competitor, isn't even coming close right now. The OEMs see an opportunity, or maybe a necessity, to tap into the market that Tesla currently dominates.

75%

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21st Century Consumer Buying Habits Will Determine Who Comes Out Ahead

So how does this all affect you at the dealer level? Pretty substantially, it turns out. We have observed a constant shift toward consumer transparency over the last several years, particularly as we weathered the worst of the COVID pandemic response, but that is only the beginning.



OEMs have increasingly controlled vehicle pricing, and therefore dealership profits, through various pricing controls and online sales channels. This, combined with the higher manufacturing cost of EVs, results in less flexibility in pricing and less negotiating power for the dealer.

In the most extreme case, direct online sales that cut out the dealer entirely are being given more attention than ever before. Currently only half of the US makes it legal for manufacturers to sell directly to consumers, but ongoing legal battles and legislative trends have the potential to blow the door wide open on this channel.

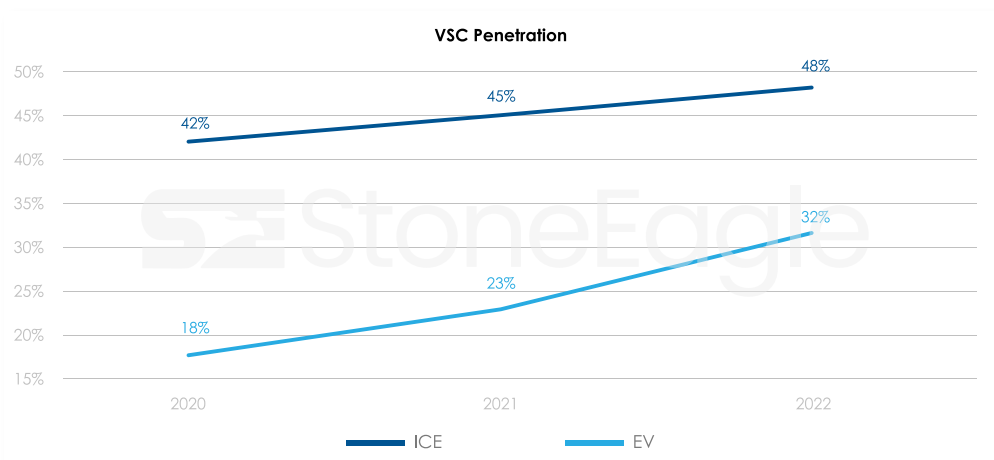
It has never been more vital for a dealer to be able to maximize every available opportunity and stay well positioned for the impending market shifts.



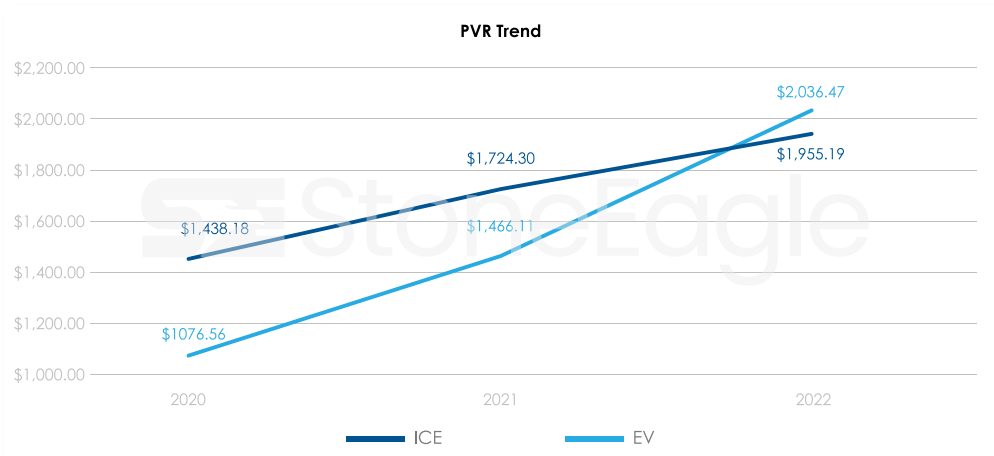
F&I Impact

The exception that many were expecting to encounter was VSCs, where the reduced number of mechanical points of failure were thought to make it likely that consumer interest would dwindle. Looking at the analytics, though, data shows that those expectations were off!

As can be seen in the [chart below](#), VSC Penetration for EVs has nearly doubled since 2019, while ICE (Internal Combustion Engine) has only grown by 6 points in the same time period.



Overall PVR has already passed the inflection point, with EV surpassing ICE by ~\$80 per deal at this time.



It remains to be seen how the balance between less frequent maintenance needs and higher cost of servicing will affect the bottom line in the service drive as technologies continue to advance, but we expect to see similar gains relative to ICE in the years ahead.

These trends are fueled by the high pace at which F&I product providers are adapting to roll out new and innovative solutions geared toward EV owners.

The metrics on all sides of the F&I space point toward this being the smart place to focus your development and many providers are already paving the way.

