

SPRING FORWARD

2019 started slow for new vehicle sales due to the government shutdown and poor weather conditions, adding uncertainty to a category already contending with increased competition from the used vehicle market. However, as the weather began to improve, so did new vehicles sales, with March sales reaching 17.48 million units sold on a seasonally adjusted, annual rate basis. The March surge led to Q1 2019 new vehicle sales only dropping 0.9% compared to the same time last year.²

The trend of buyers preferring light trucks continued, averaging a year-over-year sales volume increase of 0.6%, while passenger car sales took a large dip, averaging an 8.7% drop in sales volume, year-over-year.³

NADA's average dealership profile indicates that average newand used-vehicles prices are ticking up, showing year-overyear Q1 increases of 2.6% and 3.3%, respectively.⁴ Due to these prices gains, rising interest rates and growing off-lease vehicle availability, some buyers are veering towards the used car market.⁵

Fuel prices trended up, with gas prices averaging \$2.27/mo. and diesel prices averaging \$3.02/mo. Q1 was a strong quarter for the economy, with unemployment at or below 4.0% and GDP growth at 3.2%.



DESPITE A DIP,

Edonated vehicle ACV &

Average actual cash value (ACV) is a representation of a vehicle's estimated value in an undamaged state. The figure is a good indicator of the quality of vehicles at auction. In Q1, the average ACV of donated vehicles grew 6.9% year-over-year, but fell 1.2% on a quarterly basis. There was also a slight decrease from December's mark, but a month-to-month increase throughout the quarter, consistent with past Q1 trends. Average mileage and age both decreased relative to last year's Q1 averages. This likely played a part in the yearly ACV increase.

AVERAGE ACV

QUARTER-TO-QUARTER

↓1.2%

YEAR-OVER-YEAR

16.9%

AVERAGE AGE

YEAR-OVER-YEAR

↓0.3%

AVERAGE MILEAGE

YEAR-OVER-YEAR

↓0.6%



STRONG DOLLAR. LOWER PRICES.

Whole crushed auto-body prices have seen better days. Prices averaged their lowest mark since Q4 of 2017 and had a quarter-to-quarter decrease for the third consecutive quarter. Quarter-to-quarter prices decreased by 7.0%, with an 11.4% year-over-year decline. The strength of the dollar against the euro appears to have increased demand leading to higher prices for scrapped cars in Europe at the expense of American scrapped cars. Yet, despite these gains, international markets have slowed recently, depressing whole crushed auto-body prices

downward pressure on prices. The import ban that went into effect at the beginning of 2019 included scraps of stainless steel and other metals, leading to a reduction in demand and lower prices.⁹

further.8 Recent trade tensions with China have put further

WHOLE CRUSHED AUTO-BODY PRICES

QUARTER-TO-QUARTER

↓7.0%

YEAR-OVER-YEAR

↓11.4%

USED (AR PRICE INDEX SEES A STRONG SPRING

After month-to-month ebbs and flows, average wholesale used-vehicle prices ultimately increased on a quarter-to-quarter basis by 1.1%, as expected during spring tax season. Year-over-year was a steadier story with just a moderate increase of 0.3%. Tom Kontos, Chief Economist at KAR Auction Services Inc. noted that prices for car segments are beginning to hold up better while crossover and SUV truck segments may be starting to have a tougher go. Prices were up significantly on a year-over-year basis for midsize cars, but down substantially for midsize SUVs and crossovers.¹⁰

Overall, it was a strong spring for the market with CPO sales coming in at a record high in March and all seller types registering monthly and yearly average price increases. USED CAR PRICE INDEX

JANUARY

MONTH-TO-MONTH

1.3%

YEAR-OVER-YEAR

↓2.0%

FEBRUARY

MONTH-TO-MONTH

10.1%

YEAR-OVER-YEAR

10.6%

MARCH

MONTH-TO-MONTH

13.0%

YEAR-OVER-YEAR

12.5%

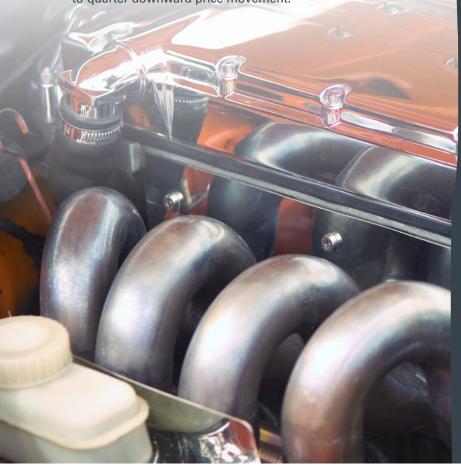


THREE METALS. THREE OUTCOMES.

▶ Platinum, palladium and aluminum travelled on very different paths in Q1. Let's begin with platinum, which reached its lowest price in over a decade with a 0.2% quarter-to-quarter drop. The result was influenced by labor disputes with unions in South Africa – the largest exporter of the metal in the world – which threatened short-term mining productivity and price stability.¹¹

Palladium went in the opposite direction, as its price hit a record-high thanks to a blockbuster quarter-to-quarter increase of 24.0%. This mark is likely to be topped again, with analysts predicting that the market will continue its upward trend while the possibility of shortages persists.¹²

Finally, it's steady as she goes in the aluminum market, which stabilized this quarter after a stretch of consistent price decline dating back to June of 2018. Despite the decreasing production of the metal in every other country, increased production in China led to a more abundant supply worldwide – a development that played a part in the 4.9% quarter-to-quarter downward price movement.¹³



PLATINUM

QUARTER-TO-QUARTER

↓0.2%

YEAR-OVER-YEAR

↓15.9%

PALLADIUM

QUARTER-TO-QUARTER

124.0%

YEAR-OVER-YEAR

†38.6%

PALLADIUM

QUARTER-TO-QUARTER

↓4.9%

YEAR-OVER-YEAR

↓13.3%

DOLLAR KEEPS THE PA(E

Despite a minor Q1 depreciation of 0.1%, the strong American economy – which has been magnified by the slowing economies of Europe, Great Britain and China – continued to influence the value of the USD. The currency has appreciated 6.2% since Q1 of 2018, with consecutive increases in each recorded month this year. A strong currency value is typically seen with higher interest rates, but for the U.S., the opposite has been the case as relatively low U.S. interest rates are still higher than many other developed countries. Meanwhile, the economy may also get a boost from the Federal Reserve, who raised its benchmark interest rate another 25 basis points to 2.25-2.50. 15

QUARTER-TO-QUARTER

0.10%

YEAR-OVER-YEAR

6.2%



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OVERVIEW OF IAA

IAA, Inc. (NYSE: IAA) is a leading global marketplace connecting vehicle buyers and sellers. Leveraging leading-edge technology and focusing on innovation, IAA's unique multi-channel platform processes more than 2.5 million vehicles annually. Headquartered near Chicago, IL, IAA has over 3,600 talented employees and over 190 facilities throughout the US, Canada and the United Kingdom. IAA provides a broad range of services to insurers, fleet and rental companies, rebuilders, charity organizations and financing companies that reduce the cycle time of selling a vehicle with a focus on delivering the highest economic returns. Buyers have access to the industry's most-innovative vehicle evaluation and bidding tools, enhancing the overall purchasing experience.

Go to IAA-Auctions.com to learn more, and follow IAA on Facebook, Twitter, LinkedIn, YouTube and Instagram.

The auto salvage industry as discussed in this document refers to the industry as experienced by IAA. IAA does not possess data on the performance of other salvage companies; therefore, the analyses are based on how different economic factors affect the performance of vehicles sold through IAA's auctions.

The statements contained in this report and statements the company may make orally in connection with this report that are not historical facts are forward-looking statements. Forward-looking statements are based on management's current expectations, are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from the results projected, expressed or implied by the forward-looking statements. These risk and uncertainties include those identified in our filings with the Securities and Exchange Commission (the "SEC"), including under "Risk Factors" in our information statement filed as Exhibit 99.1 to our Registration Statement on Form 10 filed with the SEC on June 13, 2019. Additional information regarding risks and uncertainties will also be contained in subsequent quarterly and annual reports we file with the SEC. The forward-looking statements included in this report are made as of the date of this report, and we undertake no obligation to publicly update or revise any forward-looking statement to reflect new information or events, except as required by law.

DONATION EXPERTS

IAA is recognized as a leading and respected resource for charity vehicle donation programs. Since 1994, it has provided complete processing services for nonprofit organizations. The donation team represents more than 100 of the most recognized and trusted U.S. charities whose missions are supported by proceeds from the sale of donated vehicles.



ABOUT THE AUTHOR

Sebastian Gancarczyk is the Vice President of Finance at IAA, Inc. Mr. Gancarczyk manages the organization's financial planning and budget management functions. Additionally, he leads efforts in monitoring and reporting on customer performance with emphasis on analyzing industry trends. He's been with IAA since 2004, and held several positions at the company before assuming his current role. Prior to joining IAA, Mr. Gancarczyk served as a Financial Analyst for GE Capital and Heller Financial. He is a Certified Public Accountant (CPA) and holds a bachelor's degree in accounting from National Louis University.