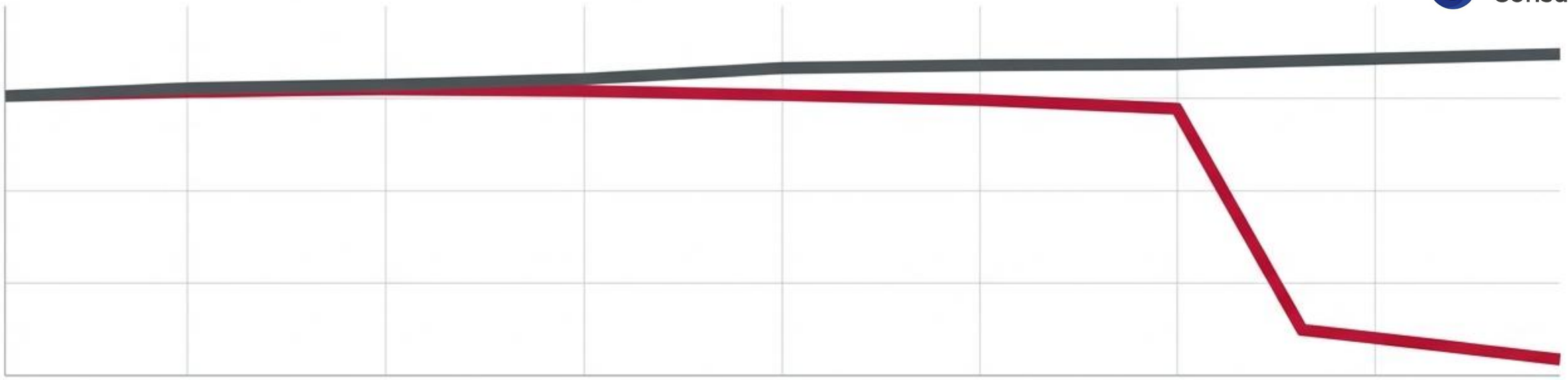
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The EV Transition is Breaking the Auto Finance Operating Model.

Is your RV governance ready for today's environment? When did you last check?

Andy Shields - USD Consulting Ltd

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Simplistic view of RV Forecasting Methods and systems

The level of sophistication is dependent on fleet scale and many other factors



Internal Statistical / ML Models

Examples: Gradient boosting, Neural networks,

Mechanism: Proprietary predictive engines trained on own disposal, specification, and macro data.

Core Strengths: Captures proprietary realities—own remarketing channel premiums, condition-adjusted proceeds, and specific EV battery/risk appetite assumptions.

Key Blindspots: Backward-looking and susceptible to biased historical data. Vulnerable to structural regime shifts, legislative shocks, and major OEM price cuts.



Specialist RV Systems

Examples: Keyloop NetDirector Autofutura, ATD AVS

Mechanism: Data-agnostic, cloud-based workflow platforms for RV setting, provisioning, and scenario dashboarding.

Core Strengths: Solves the financial control problem. Provides audit trails, complex scenario/impairment testing, and strict governance guardrails.

Key Blindspots: Creates black-box process comfort. It controls the workflow but does not fix fundamentally flawed underlying forecast data or aggressive overlays.



Third-Party Forecasts + Tuning

Examples: CAP Gold Book, Autovista REFORECAST, Indicata

Mechanism: Utilizes external market benchmarks, lifecycle assumptions, supply expectations, and expert editorial panels as the baseline.

Core Strengths: Independent and defensible to auditors/investors. Superior for thin-data segments, new EV platforms, and Chinese market entrants.

Key Blindspots: A market forecast, not your realized sales outcome. Fails to capture your specific channel mix, refurbishment standards, tactical sales pressure, and buyer base.

- **Good RV and Risk Management is not about defining a specific algorithmic methodology**
- **It's about ensuring from Board level down….Do you understand what they are….What they are not…and….How to manage that**

Can the Board of Directors make ***conscious, informed and implementable*** decisions on the level of risk the business takes?

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Data alone cannot predict the new market reality.

BEV oversupply and price parity were predictable. Unilateral policymaker intervention is not.



France & Germany: Renewed subsidies (social leasing/purchase incentives) flooding the market with excess used EVs, driving next-level RV pain.

UK & EU: ZEV mandates and Clean Corporate Fleets proposals forcing supply without matching **used-market demand, pushing RVs below European baselines.**

Denmark: Proposed 8% annual tax increases shifting RV pressure back to source markets as Denmark ceases to be Europe's EV heat sink.

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From Predictable Depreciation to Holistic Risk Management.

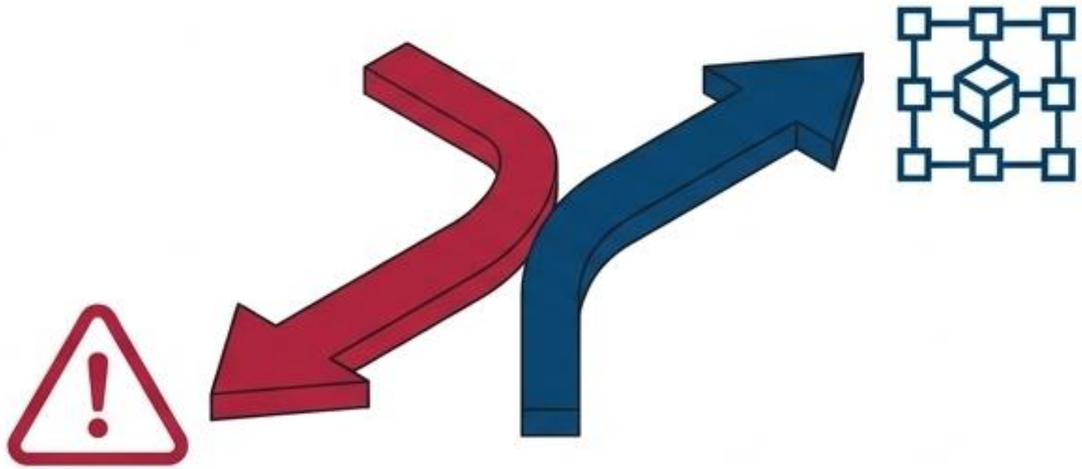
	Legacy ICE Model	Modern EV Model
Core Value Driver	Historical Data	Government Policy & Subsidies
Asset Health	Mature, understood maintenance cycles	Battery degradation & rapid technology obsolescence
Market Dynamic	Mature, stable secondary markets	Forced mandates & structural oversupply
The Discipline	Pure Analytical Forecasting	Active, Multi-Dimensional Risk Hedging

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The Strategic Question for Auto Lessors.

Does the industry need new forecasting technology... or a totally new operating model?



Most auto finance organizations are still structured around ICE economics. If your RV Governance is just a big monthly meeting where sales, procurement, and remarketing informally ‘agree on numbers,’ you are carrying massive unhedged risk.

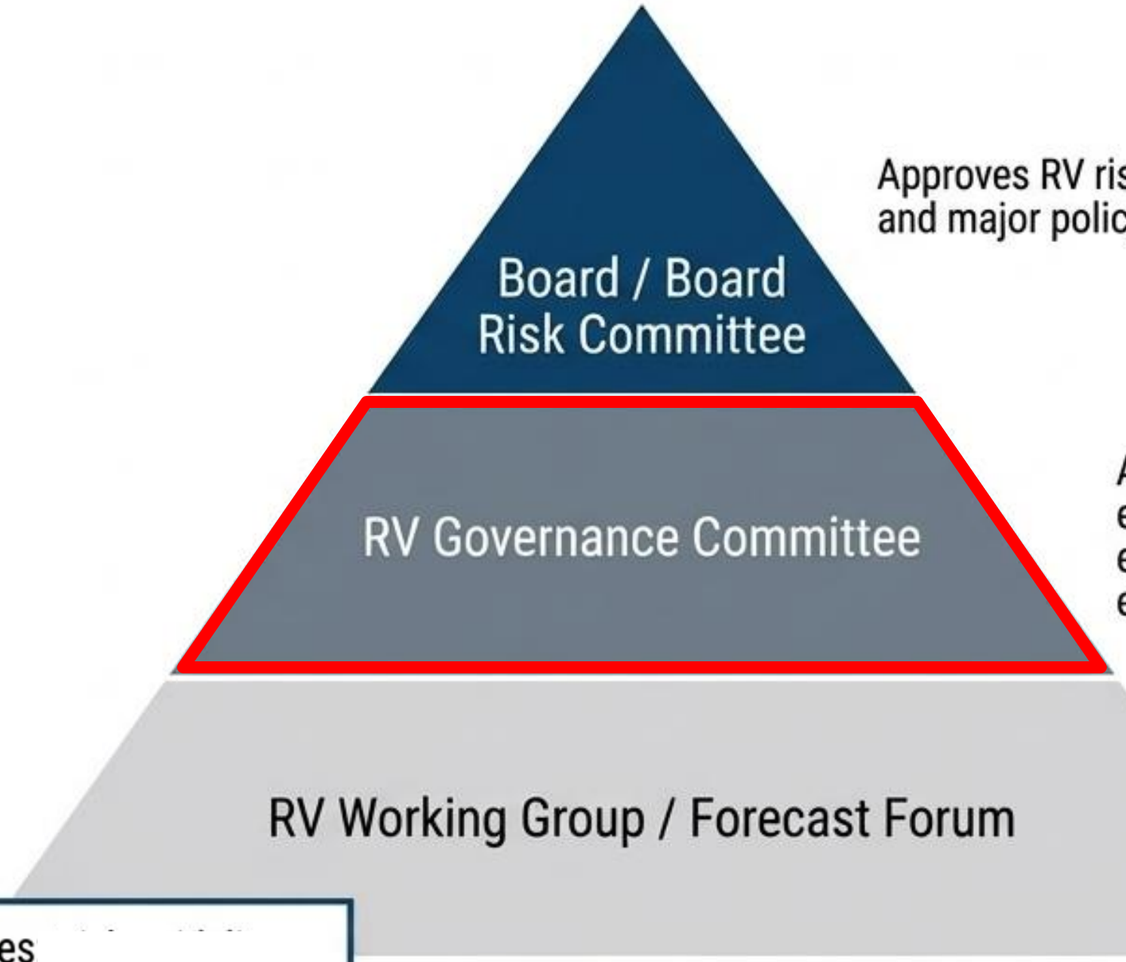
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The Target Operating Model: Three Lines of Defense.



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Put the Committee at the Right Level.



Approves RV risk appetite, concentration limits, and major policy shifts. Escapes the weeds.

Approves methods, assumptions, large exposures, overlays, and commercial exceptions. The core operational control engine.

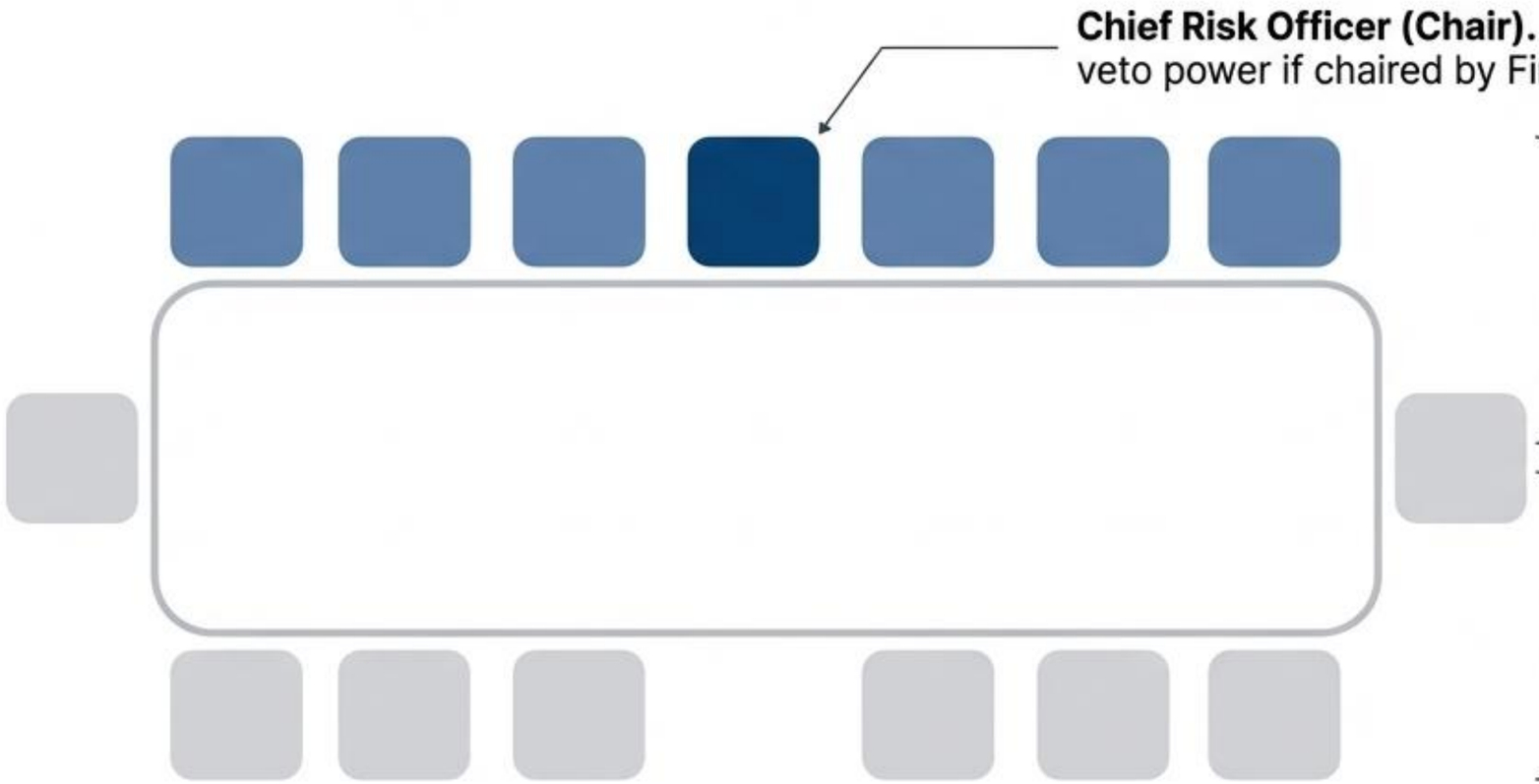
Executes detailed analytics and drafts recommendations.

Aligns with model-risk guidelines
Senior management oversight must be separated from day-to-day model execution.

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Committee Membership: Small, Senior, Cross-Functional.

Sales should have input, but never dominate approval.



Chief Risk Officer (Chair). Must hold veto power if chaired by Finance.

Core Voters (6-9 max): CFO, Commercial/Pricing Director, Remarketing Director, Fleet Procurement, RV Analytics, Credit Risk.

Permanent Attendees: FP&A, Operations/Collections, Internal Audit (Observer), EV/ESG Specialists.

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Govern the Framework, Not the Trim-Level

RV Policy

Refresh frequency, market data sources, back-testing rules, impairment/accounting linkage

Risk Appetite & Limits

Exposure caps by brand/fuel type, max use of manual overrides, country caps for regulatory volatility

Methodology

Forecasting logic, benchmark sources, scenario frameworks, treatment of OEM tactical support

Exceptions & Overlays

Large tactical deals, unsupported commercial uplifts, emergency re-cuts following shocks. (Note: No informal corridor deals allowed)

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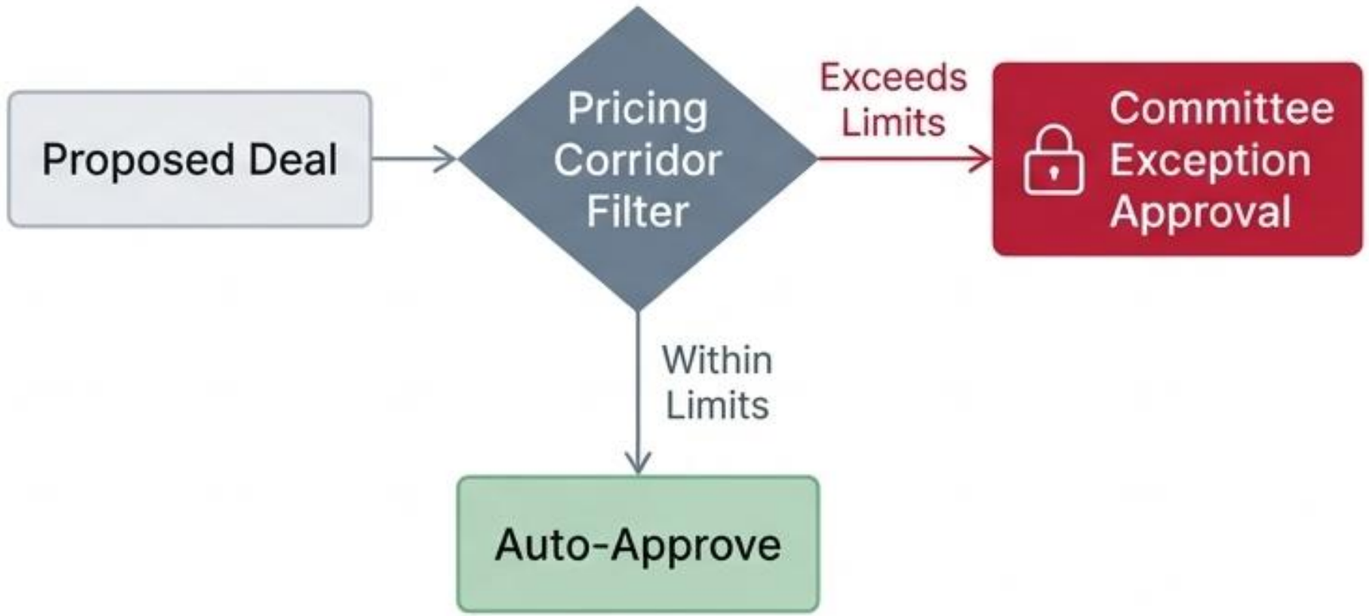
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Controlling Commercial Aggression

Front-line commercial pressure will always try to inflate RVs to win deals. The answer isn't to ban exceptions—it's to systematically control them.

Systematic Mechanics

- Implement strict mathematical pricing corridors.
- Enforce expiry dates on all commercial uplifts.
- Use explicit "commercial support" data tagging.
- Monitor deal-level margin vs. RV-at-risk.

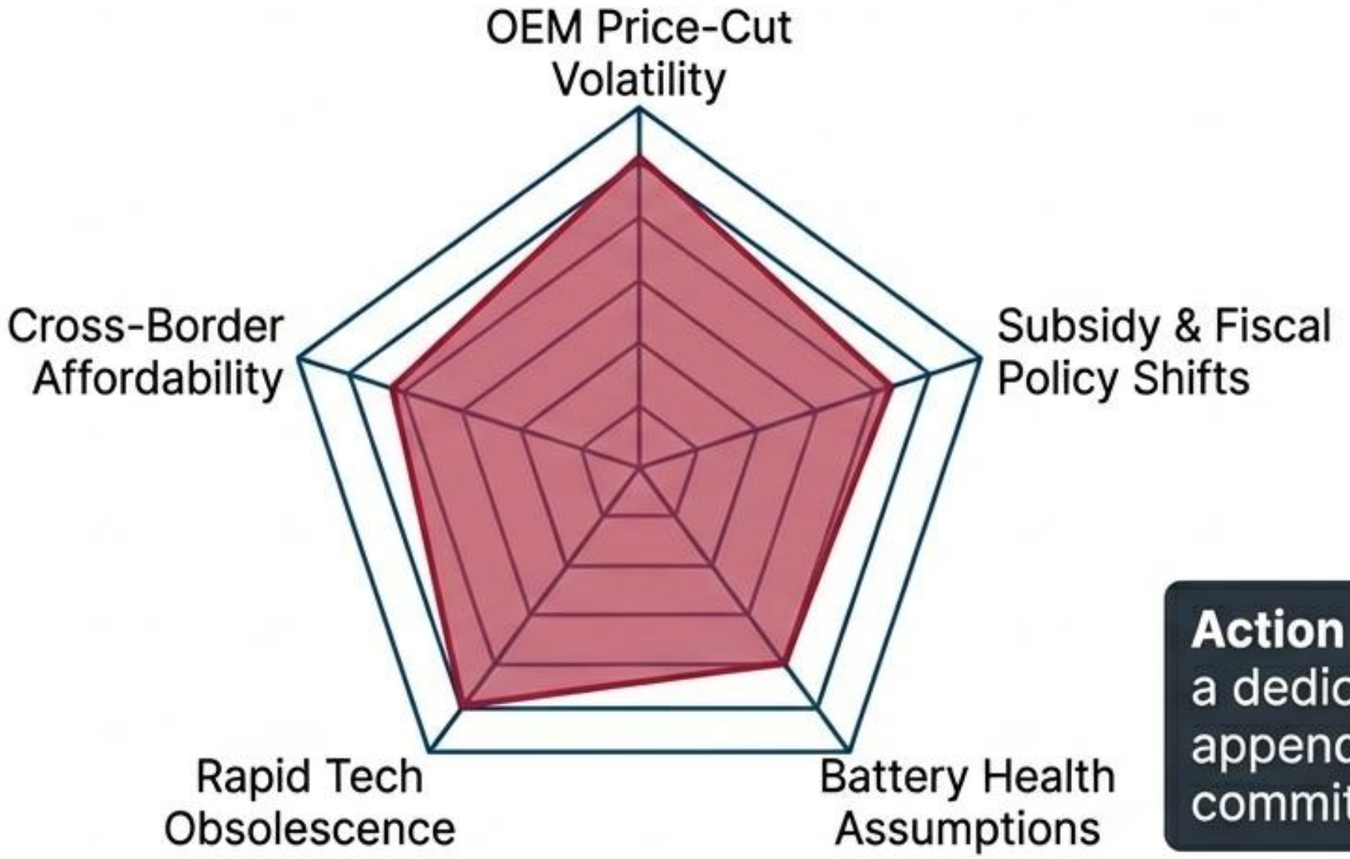


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EVs Demand Their Own Governance Lens

One generic committee page is not enough. EV residual risk behaves differently than ICE risk.



Action Mandate: Include a dedicated EV-specific appendix in every committee pack.

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Demand Better MI Than Most Firms Use.

Core Metrics



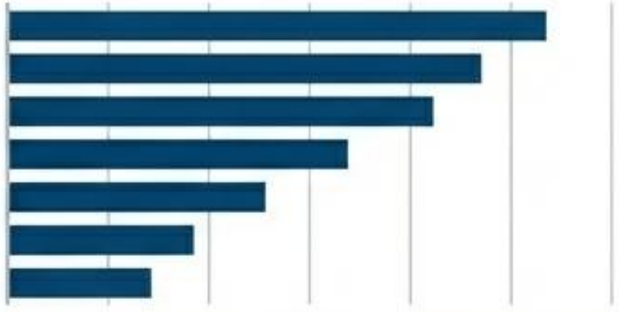
Forecast bias

Absolute error

Override rate

Policy breaches

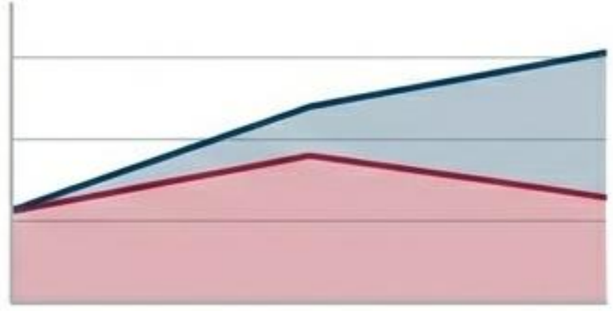
Essential Segmentation



Mandate breakout views for high-risk categories:

- Salary sacrifice BEVs
- LCVs
- OEM tactical registrations
- Chinese-brand/newer entrant exposure

Forward-Looking Views



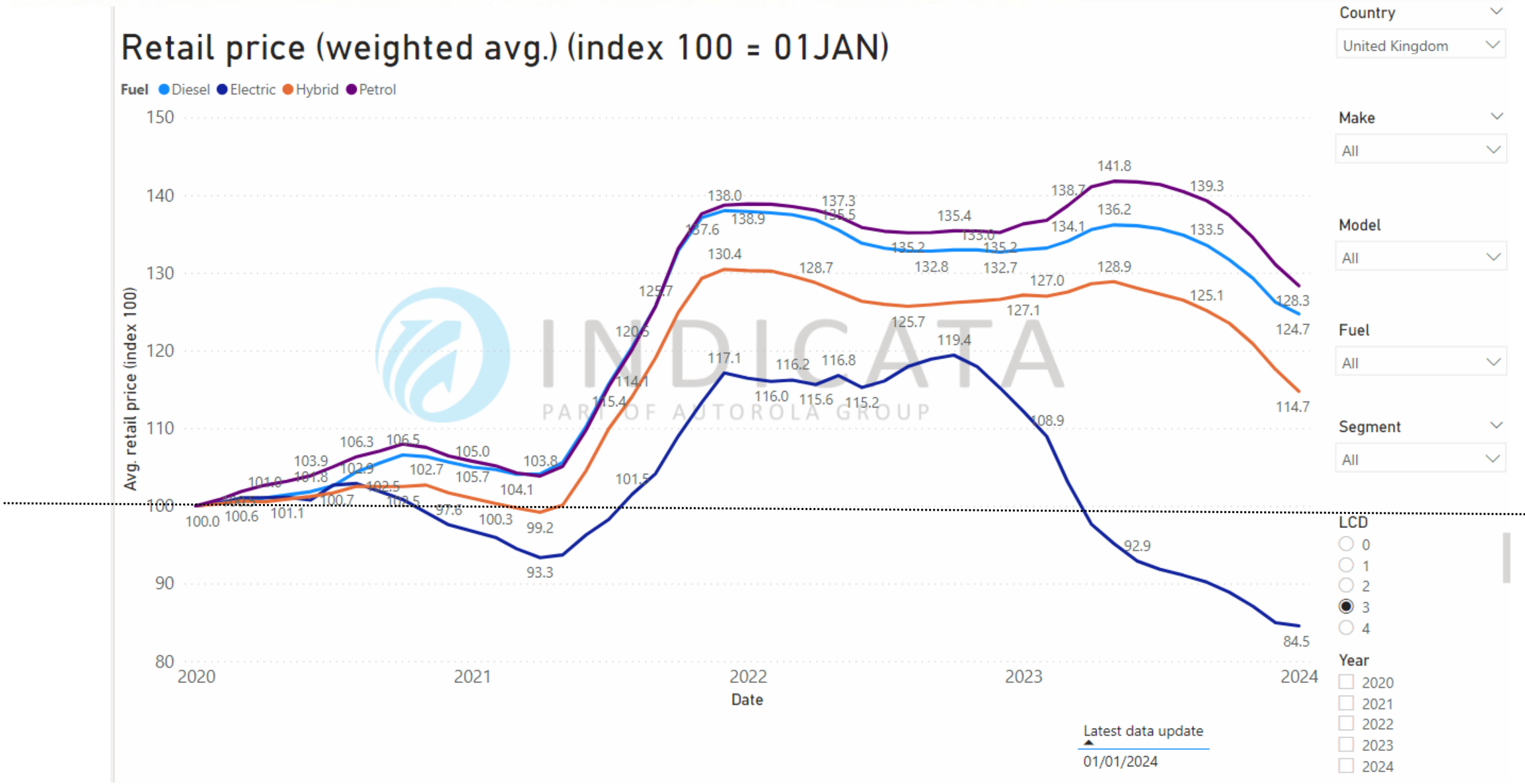
Base vs. Severe Downside scenarios

Maturity ladders by risk segment

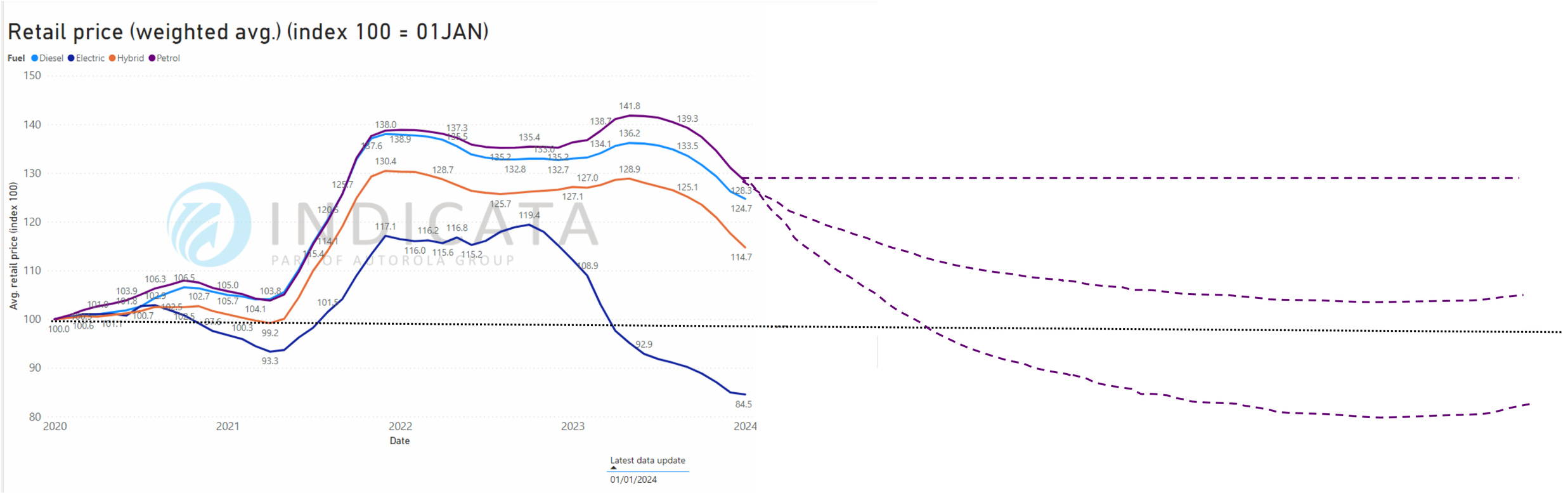
Quantified sensitivity to OEM list-price cuts

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Demand Better MI Than Most Firms Use.



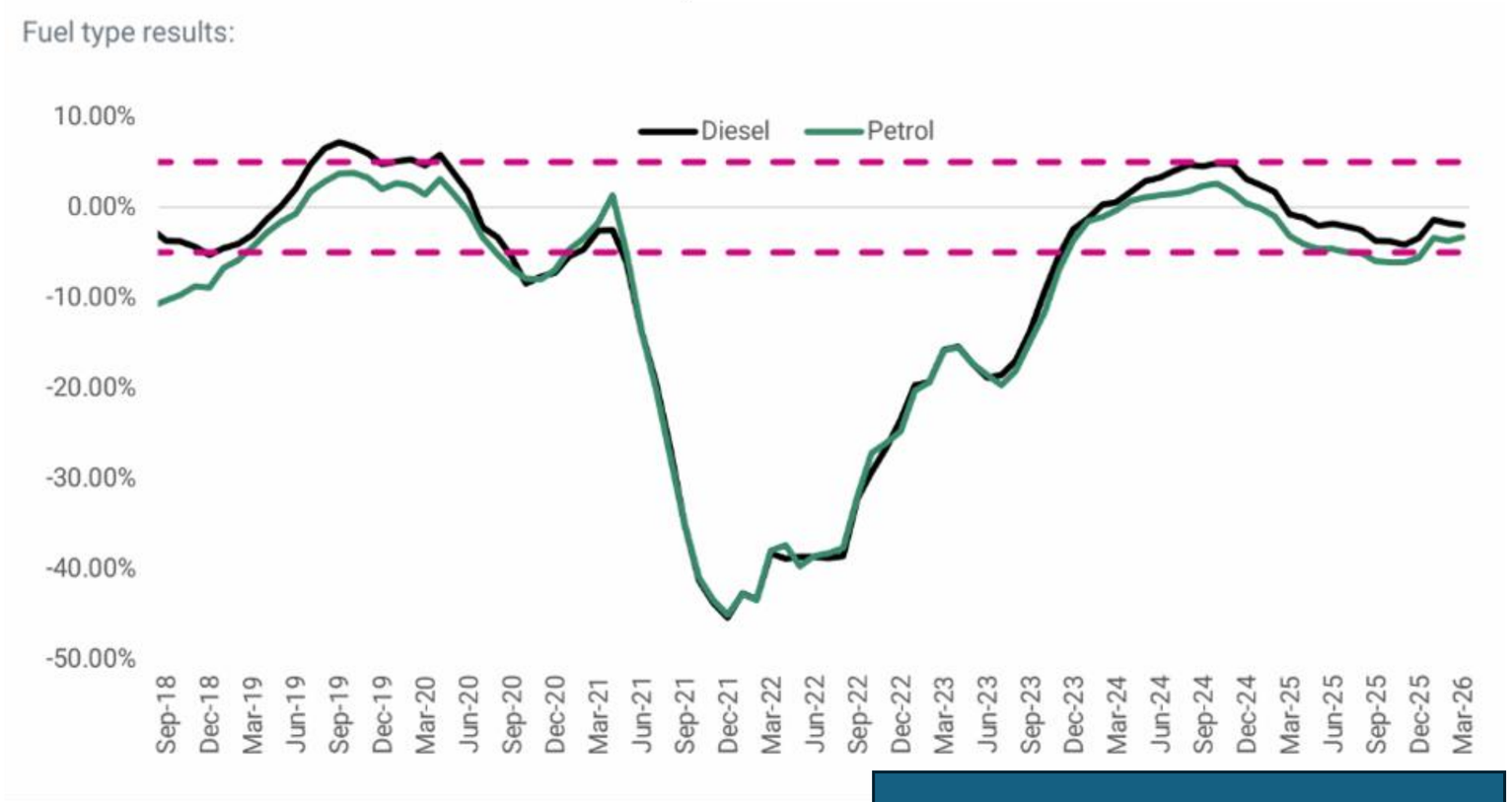
Demand Better MI Than Most Firms Use.



Scenario planning needs to clearly articulated so “real world” sense can be made

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Forecast accuracy tracking



Insert your Logo here

How accurate are you?

- By OEM
- By Segment
- By fuel type
- By age of vehicle

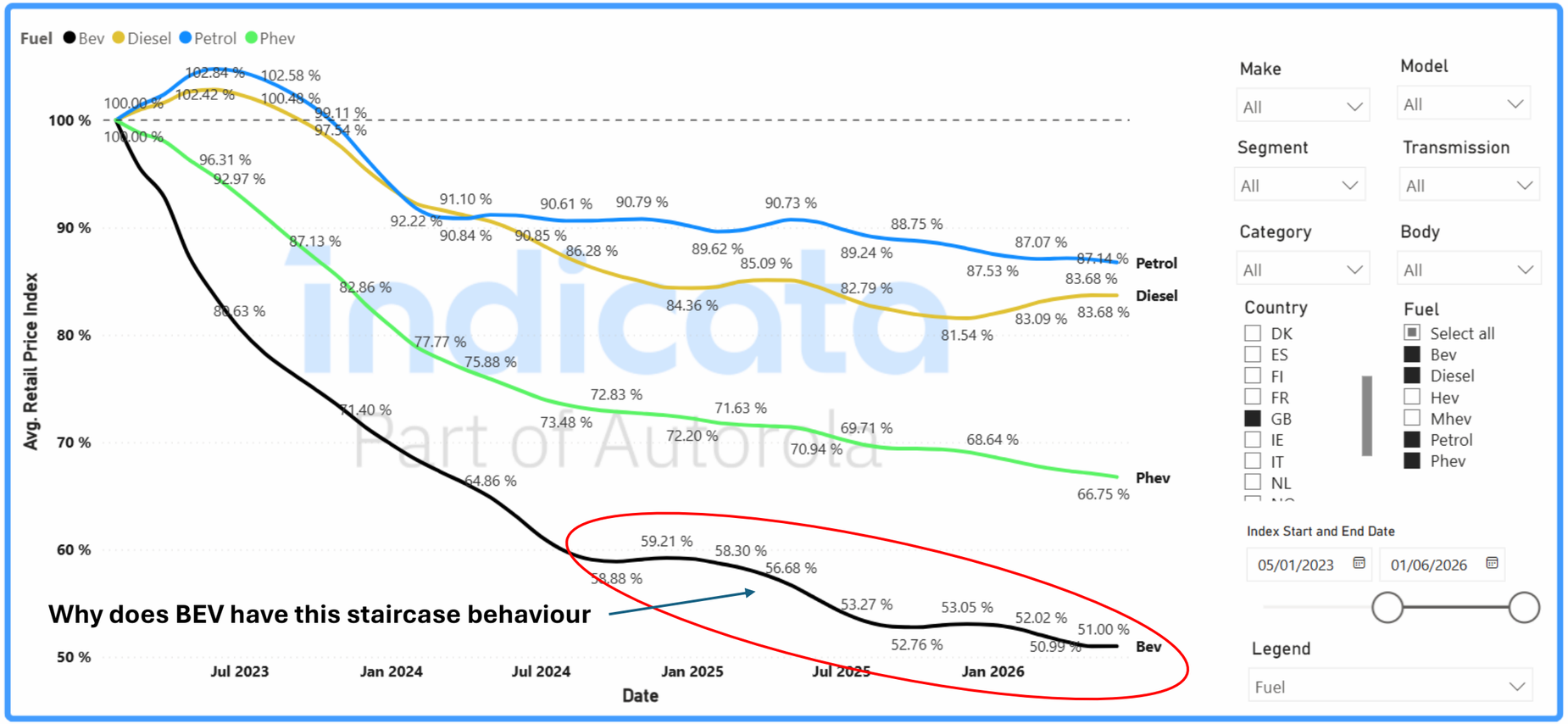
New to market vehicles vs existing models?

- How accurate are you?
- When do you reassess you “new vehicle” assumption?

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Price Index

Clear Filters



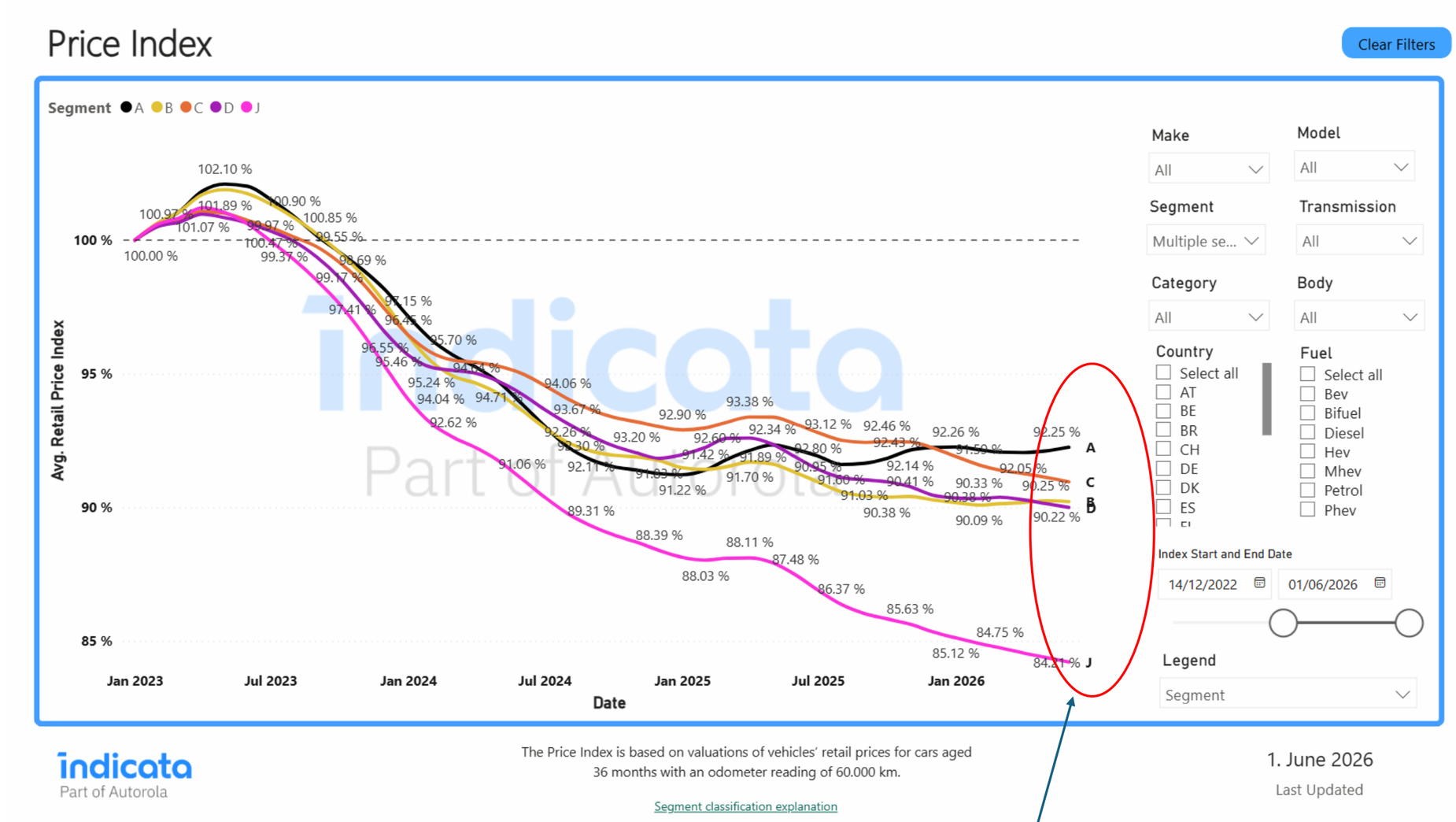
indicata
Part of Autorola

The Price Index is based on valuations of vehicles' retail prices for cars aged 36 months with an odometer reading of 60.000 km.

Segment classification explanation

1. June 2026
Last Updated

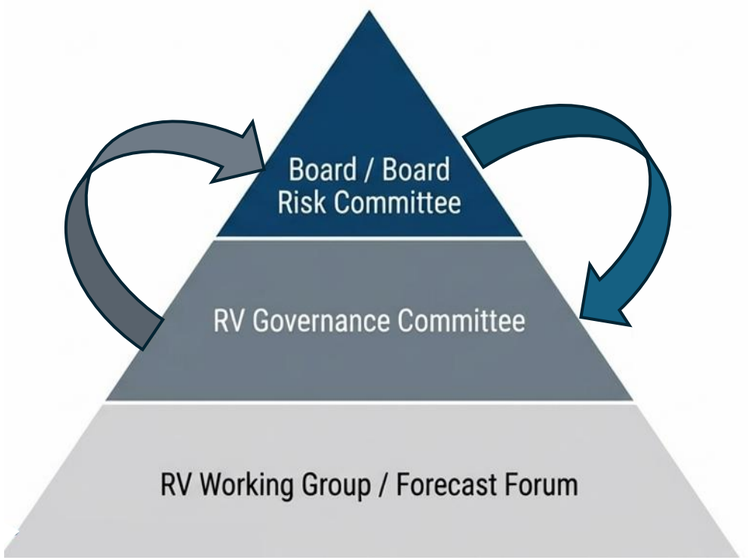
Demand Better MI Than Most Firms Use.



Why are segments performing differently and will it continue?

The Committee / Board Interface

The interface between Committee and Board - What should this look like?



What "good" looks like at board level
A well-run board does five things well.

- It makes RV risk part of **strategy**, not just reporting.
- It expresses risk appetite in a way management can actually push against.
- It sees **forward-looking stress areas**, not only reviews historic disposal variance.
- It receives evidence on **control effectiveness – are risk control implemented?**.
- It knows exactly which issues belong at board, executive, committee, and working-group level.

The biggest failure modes
The common mistakes are:

- The board receives too much operational detail and gives too little judgment
- Risk appetite is described vaguely and not translated into tangible limits
- Risk reporting is backward-looking not forward looking.
- RV Committee gives market commentary but does not request Risk decisions
- Vendor models are trusted without enough validation or challenge
- BEV risk is diluted inside portfolio averages

World Class RV Governance in a BEV world

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- **1. Forecasts are Explainable:** The firm can trace exactly how RVs were derived, independently challenged, and formally approved.
- **2. Commercial Aggression is Visible:** Every commercial uplift to win a deal is logged, priced, approved, and tracked.
- **3. Losses are Detected Early:** The committee identifies portfolio deterioration 6–12 months before vehicles actually ground.
- **4. Risk Appetite is Real:** Concentration limits and exception rules actually constrain behavior, rather than acting as loose guidelines.
- **5. Board Reporting is Decision-Useful:** The Board sees future exposures, downside scenarios, and required actions—not just historic averages.

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About the author

Andy Shields



- Director Fleet And Remarking Avis Europe PLC
  - Sourcing 200,000 vehicles annually across 11 countries
  - RV Governance and Fleet Planning
  - Remarketing / Refurbishment

- Global Business Unit Director Indicata
  - Design, development, launch of Global RV Tracking and Forecasting capability
  - P&L responsibility - 19 Country operations
  - Leadership of Sales, Market Analysis, AI and Data teams

- Director USD Consulting Ltd
  - Launched VWFS Leasing Ireland
  - Saab AB
    - Global Fleet sales
    - Global wholesale and retail finance

  - Multiple Automotive projects
    - M&A – DEKRA / SI Capital
    - IT Implementation – Startup Loan
    - E-commerce - Fiat
    - Remarketing / Fleet / Used - Honda / JLR
    - Cross Border Feasibility – German OEM

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- Graduate Mechanical Engineer
- Graduate Diploma Automotive Finance
- London Business School Diploma in AI

- A highly analytical board level executive, with a proven record of leading automotive and data / technology driven businesses on a Global basis.
- Deep specialty in developing and implementing used vehicle market analysis, RV forecasting, fleet costing, and technology tools
- Unique mix of automotive verticals Including OEM’s, Retail, Leasing and Daily Rental, Remarketing and Data.