

J.D. POWER

COMMERCIAL TRUCK GUIDELINES

Industry Update

SEPTEMBER 2018

- **Auction volume remains subdued**

Less than 100 units of our benchmark group sold in August

- **Retail pricing remains strong**

Depreciation well under 1% per month in 2018

- **Medium Duty market mixed**

Cabovers had a weak month, conventionals recovered a bit

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COMMERCIAL TRUCK MARKET TRENDS

August Market Looked a Lot Like July

Used truck supply remains tight, with strong pricing. Medium duty trucks were mixed, with conventionals stable but cabovers losing ground.

Sleeper Tractors – Auction

Auction activity continued to defy our predictions in August, with low volume indicating supply is still very tight. Month-over-month, the volume of the three most popular sleeper tractors sold through the two largest nationwide auction companies was just one truck lower than July, at a mere 99.

Pricing for our benchmark model was strong. See below for detail.

Model year 2015: no trucks sold in August(!)

*Model year 2014: \$39,000 average; \$4,750 [13.9%]
higher than July*

*Model year 2013: \$29,750 average; \$250 [0.8%]
lower than July*

*Model year 2012: \$29,250 average; \$2,750 [10.4%]
higher than July*

*Model year 2011: \$21,800 average; \$3,000 [16.0%]
higher than July*

Year-over-year, trucks four to six years of age sold in the first eight months of 2018 brought 21% more money than the same period in 2017.

Production constraints seem to be mostly alleviated at the factories, so we expect new truck deliveries to increase going forward. Trade-in volume will ramp up incrementally.

See the “Volume of all Aerodynamic Sleeper Tractors Sold...” and “Average Selling Price: Benchmark Sleeper Tractor...” graphs for detail.

Used truck supply remains tight, with strong pricing. Medium duty trucks were mixed, with conventionals stable but cabovers losing ground.

Sleeper Tractors – Retail

July’s retail pricing was stable, with demand for late-model trucks still comfortably outweighing supply. August’s incoming numbers suggest continued strength in the market.

The average sleeper tractor retailed in July was 82 months old, had 462,125 miles, and brought \$53,196. Compared to June, the average sleeper was one month newer, had 10,509 [2.3%] more miles, and brought \$1,451 [2.8%] more money. Compared to July 2017, this average sleeper was 7 months older, had 8,131 [1.8%] more miles, and brought \$5,606 [11.8%] more money.

Looking at trucks three to five years of age, July’s average pricing was as follows:

Model year 2016: \$77,327; \$4,531 [5.5%] lower than June

Model year 2015: \$63,735; \$937 [1.4%] lower than June

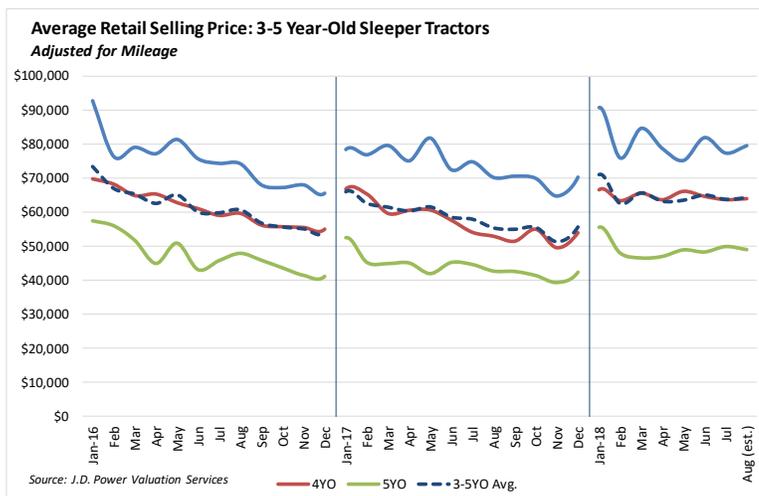
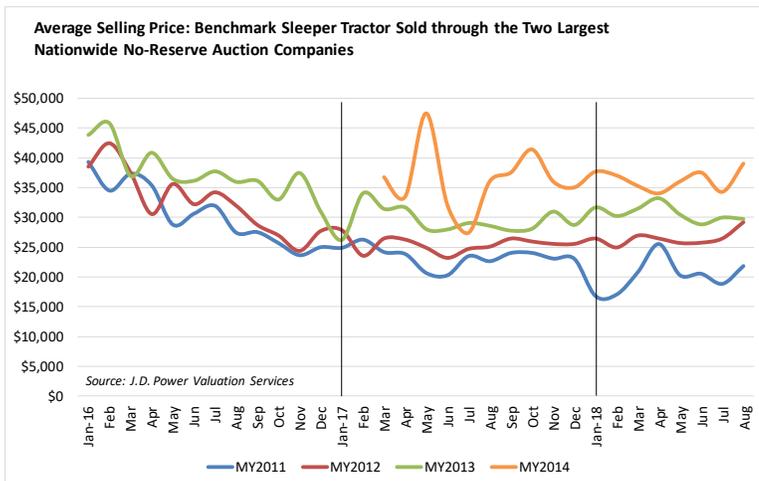
Model year 2014: \$49,907; \$1,597 [3.3%] higher than June

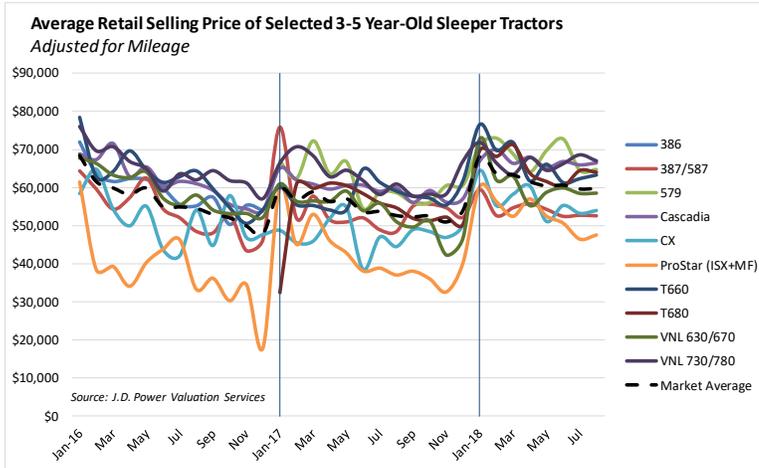
On a year-over-year basis, late-model trucks sold in the first 7 months of 2018 brought 6.1% more money than in the same period of 2017. Depreciation is running 0.6% per month in 2018, compared to 1.6% last year.

See the “Average Retail Selling Price: 3-5 Year-Old Sleeper Tractors” graph for detail.

Looking at specific models, there was little competitive movement in July. Individual trucks moved up and down with the overall market.

See the “Average Retail Selling Price of Selected 3- 5 Year-Old Sleeper Tractors” graph for detail.

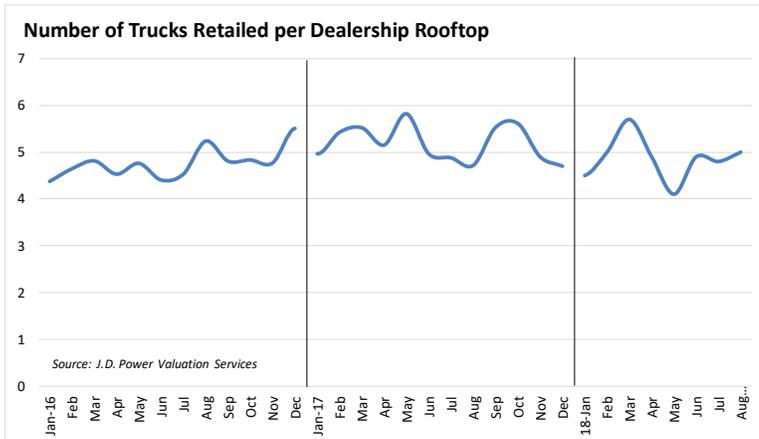




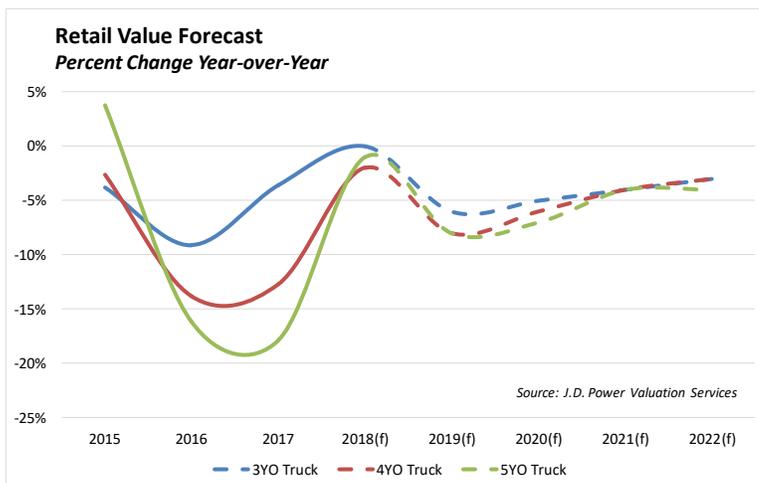
Class 8 sales per dealership were very similar to June, coming in at 4.8 trucks per rooftop. Dealers won't be retailing notably more trucks until the supply of trades increases.

See "Number of Trucks Retailed per Dealership Rooftop" graph for detail.

Looking forward over the long term, the current new truck cycle should remain hot for at least another two quarters. The record-breaking order rate increasingly reflects build slot reservations rather than actual need, but deliveries are still well below the predicted peak.



The last time orders dramatically increased over a multi-month period was late 2014, with orders peaking at just under 46,000 units. In following months, actual deliveries increased to slightly over 25,000, then declined rather quickly. Today, orders have crested 52,000 units, but deliveries are struggling to hit 23,000. If we assume economic and regulatory factors have created a need for roughly 50% more trucks today versus 2014, actual need should be about 37,500 units per month. So OEM's still have a lot of headroom before they start meeting demand.



The upcoming midterm elections could temporarily impact trade activity, and winter weather limits used truck auctions and sales. But underlying conditions will support a strong new and used market through at least the first half of the year.

See the "Retail Value Forecast" graph for a look at how we see used truck pricing unfolding over the next four years.

Medium Duty Trucks

Medium duty trucks had a mixed month, with only Class 4 Conventionals showing strength. Cabovers had a positive July, but August was back down below the \$14,000 level. Class 6 Conventionals had a weak July and August.

Starting with Class 3 – 4 cabovers, August’s average pricing came in at \$13,511. This figure is \$2,040 (13.1%) lower than July, and \$565 (4.0%) lower than Aug 2017. Following an encouraging bump in July, August’s average pricing was back down to a less impressive level. Pricing has been mixed to downwards since the beginning of the year, suggesting subdued demand for these trucks. At the same time, depreciation in the first 8 months of 2018 was milder than in the same period of 2017, at 1.4% per month compared to 2.1%, respectively.

See the “Average Wholesale Selling Price: 4-7 Year-Old Class 3-4 Cabovers” graph for detail.

Looking at conventionals, Class 4’s averaged \$21,275 in August. This figure is \$1,939 (10.0%) higher than July, and \$2,174 (11.4%) higher than August 2017. Pricing for trucks in this GVW class rebounded in July and continued strong through August. The recent recovery has brought the monthly depreciation

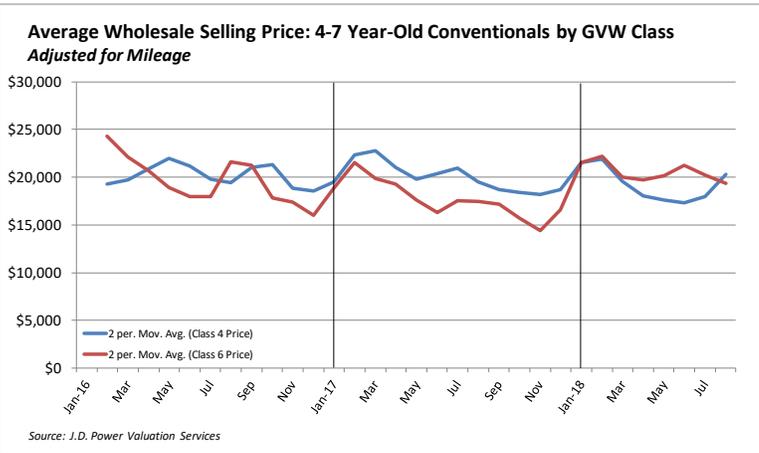
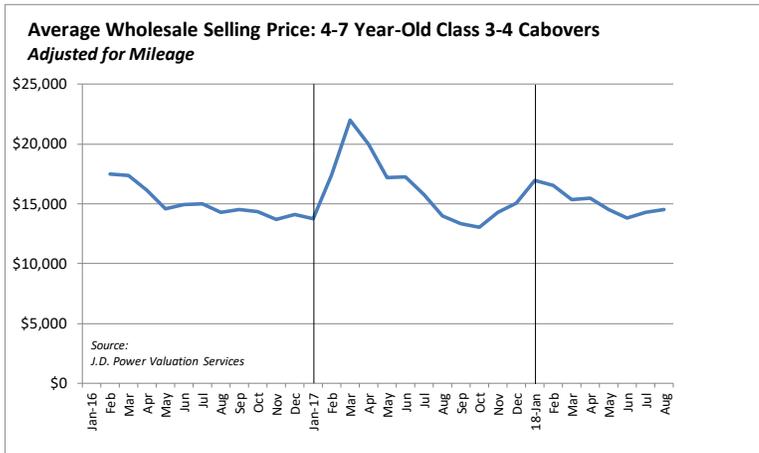
average back up to 2017 levels, at 0.8% in the first 8 months of both years.

Class 6’s averaged \$19,928 in August. This figure is \$1,211 (6.5%) higher than July, and \$2,710 (15.7%) higher than August 2017. Pricing for this group has been more stable than Class 4, even though Class 4’s have brought more money in the most recent two months. Depreciation for this group is running at 0.8% per month so far in 2018, compared to 2.0% per month in the same period of last year.

See the “Average Wholesale Selling Price: 4-7 Year-Old Conventional by GVW Class” graph for detail.

Forecast

OEM’s have worked out most of their component shortages, so new truck deliveries should ramp up in upcoming months. As such, expect trade-in volume to incrementally increase. Still, demand for late-model used trucks should outweigh supply into the second quarter of 2019.



COMMERCIAL TRUCK GUIDE TRENDS

Monthly Change in J.D. Power Valuation Services Values

August 2018 vs September 2018

Commercial Truck Segment	2012MY	2013MY	2014MY	2015MY	2016MY*
Commercial Van	↑ 8.5%	↑ 6.9%	↑ 4.7%	⇒ 0.2%	↗ 1.0%
Extended Hood	⇒ 0.0%	⇒ 0.0%	⇒ 0.0%	⇒ 0.0%	⇒ 0.0%
Highway Aerodynamic	⇒ -0.2%	⇒ -0.3%	↘ -0.7%	↘ -1.0%	↘ -1.0%
Highway Traditional	⇒ 0.0%	⇒ 0.0%	⇒ 0.0%	⇒ 0.0%	NULL
Local/Delivery Daycab	⇒ 0.0%	⇒ 0.0%	⇒ 0.0%	⇒ -0.2%	↘ -0.7%
Medium Duty Cabover	⇒ 0.0%	⇒ 0.0%	⇒ 0.0%	⇒ 0.0%	⇒ 0.0%
Medium Duty Conventional	⇒ -0.3%	↘ -1.1%	⇒ -0.2%	↘ -1.2%	↘ -1.0%
Vocational/Construction	⇒ -0.5%	↘ -0.9%	↘ -1.6%	↘ -1.5%	↓ -1.8%

*Value movement can be influenced by newly valued vehicles.

Annual Change in J.D. Power Valuation Services Values

September 2017 vs. September 2018*

Commercial Truck Segment	5YR	4YR	3YR	2YR
Commercial Van	4.1%	-0.8%	4.8%	3.0%
Extended Hood	8.4%	-3.9%	5.5%	-3.4%
Highway Aerodynamic	16.6%	8.8%	6.3%	0.4%
Highway Traditional	5.9%	-1.4%	NULL	NULL
Local/Delivery Daycab	8.1%	2.0%	0.7%	4.6%
Medium Duty Cabover	6.4%	-5.5%	-7.2%	4.5%
Medium Duty Conventional	14.0%	11.1%	7.8%	-0.4%
Vocational/Construction	13.8%	11.5%	1.4%	4.0%

*Calculations are based on vehicle age, i.e. values for 1-year-old vehicles in CY2017 are compared against values for 1-year-old vehicles in CY2016.

YTD Change in J.D. Power Valuation Services Values

January 2018 — September 2018

Commercial Truck Segment	2012MY	2013MY	2014MY	2015MY	2016MY*
Commercial Van	-1.2%	1.1%	-1.3%	-6.3%	-4.8%
Extended Hood	-1.1%	-0.1%	-7.3%	-6.0%	-7.5%
Highway Aerodynamic	-2.9%	-9.6%	-11.5%	-9.5%	-14.1%
Highway Traditional	-0.3%	-0.1%	-6.6%	-7.9%	NULL
Local/Delivery Daycab	-1.2%	-2.8%	-7.7%	-7.1%	-16.8%
Medium Duty Cabover	-3.5%	-5.6%	-10.1%	-5.7%	-3.4%
Medium Duty Conventional	-1.9%	-3.5%	-4.2%	-1.5%	-2.4%
Vocational/Construction	-3.4%	-3.7%	-3.9%	-3.8%	-3.1%

AT J.D. POWER VALUATION SERVICES (FORMERLY NADA USED CAR GUIDE)

What's New

J.D. Power is pleased to offer a new **Residual Values** product suite designed to help manufacturers, captive finance companies, and lenders make informed decisions on residual setting, lease support, and risk management. This benchmark product incorporates industry-leading data from three trusted sources. Coupled with a seasoned team of data scientists and analysts, the product suite's sophisticated valuation forecast methodology provides a fresh, reliable approach based on objective expertise and complete transparency.



About J.D. Power

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About J.D. Power Valuation Services (formerly NADA Used Car Guide)

J.D. Power Valuation Services (formerly NADA Used Car Guide) is a leading provider of vehicle valuation products, services and information to businesses. Its team collects and analyzes over 1 million combined automotive and truck wholesale and retail transactions per month, and delivers a range of guidebooks, auction data, analysis and data solutions. J.D. Power acquired NADA Used Car Guide in 2015, forming a powerful combination that brings the automotive industry rich data sets, strong analytics and over 130 years of market experience. Residual Values is the first product to be launched by J.D. Power Valuation Services.

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CONSULTING SERVICES

J.D. Power Valuation Services' market intelligence team leverages a database of nearly 200 million transactions and more than 100 economic and market-related series to describe the factors driving current trends to help industry stakeholders make more informed decisions. Analyzing data at both wholesale and retail levels, the team continuously provides content that is both useful and usable to dealers, financial institutions, businesses and consumers.

Complemented by J.D. Power Valuation Services' analytics team, which maintains and advances its internal forecasting models and develops customized forecasting solutions for clients, the market intelligence team is responsible for publishing white papers, special reports and the Commercial Vehicle Blog. Throughout every piece of content, the team strives to go beyond what is happening in the industry to confidently answer why it is happening and how it will impact the market in the future.

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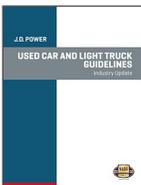
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ADDITIONAL RESOURCES



Guidelines

Updated monthly with a robust data set from various industry sources and J.D. Power Valuation Services' proprietary analysis, *Guidelines* provides the insight needed to make decisions in today's market.



Perspective

Leveraging data from various industry sources and J.D. Power Valuation Services' analysts, *Perspective* takes a deep dive into a range of industry trends to determine why they are happening and what to expect in the future.



White Papers

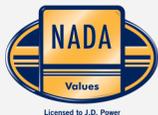
J.D. Power Valuation Services' white papers and special reports aim to inform industry stakeholders on current and expected used vehicle price movement to better maximize today's opportunities and manage tomorrow's risk.



Commercial Vehicle Blog

Written and managed by Senior Analyst Chris Visser, the Commercial Vehicle Blog analyzes market data, lends insight into industry trends and highlights relevant events.

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