

J.D. POWER

COMMERCIAL TRUCK GUIDELINES

Industry Update

JUNE 2017

Auction and retail markets contracted in May

Volume and pricing off compared to first quarter and April

Seasonality does not completely explain the pullback

Economic conditions haven't changed, so what happened?

Medium duty market remains stable

Newer trucks of lighter GVW performing best

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COMMERCIAL TRUCK MARKET TRENDS

May Results Surprise on the Downside

May's Class 8 auction results were unexpectedly weak, with volume and pricing notably lower than April. Retail selling prices were down incrementally month-over-month, but depreciation is milder year-over-year. The medium duty market was generally healthy, with strength concentrated in the newer, lower-mileage end of the spectrum.

Sleeper Tractors – Auction/ Wholesale

Volume and pricing of our benchmark model decreased notably in May. Pricing of this model was 10.1% lower month-over-month on average, which is a major change from the flat pricing seen in the first quarter and April.

May auction performance of our benchmark model was as follows:

MY2013: \$31,443 average; \$3,667 [11.6%] lower than April

MY2012: \$26,314 average; \$1,379 [5.2%] lower than April

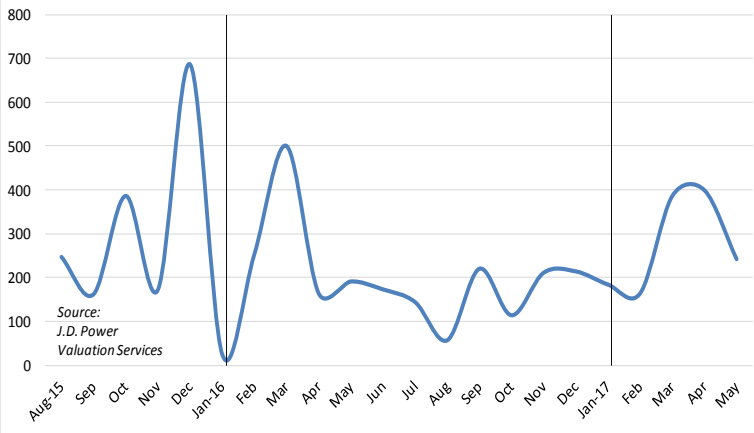
MY2011: \$20,608 average; \$3,202 [13.4%] lower than April

May's disappointing results impacted monthly depreciation averages. In the first five months of the year, 2011 model year trucks averaged 3.1% depreciation per month, 2012's depreciated 1.1% per month, and 2013's were essentially flat [low January pricing was negated by higher February through April pricing].

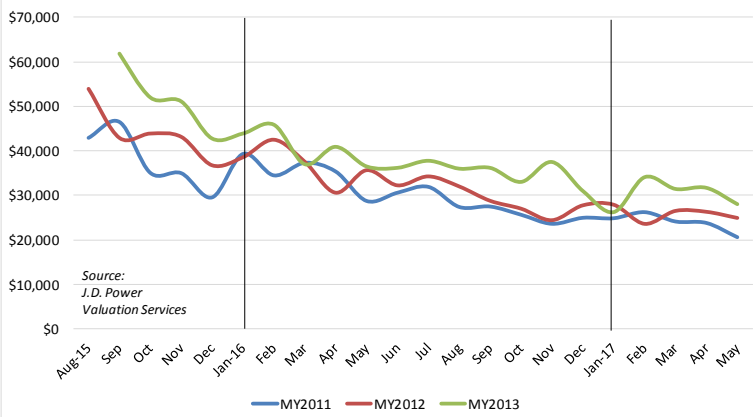
A late spring/summer lull in sales volume is not unusual, and given the lack of change in any trucking-focused economic measures, we do not consider May's results indicative of a market

May's Class 8 auction results were unexpectedly weak, with volume and pricing notably lower than April. Retail selling prices were down incrementally month-over-month, but depreciation is milder year-over-year.

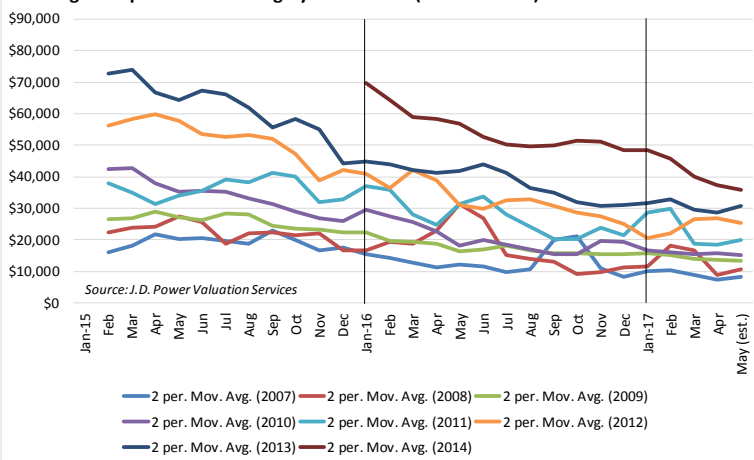
Volume of the Three Most Common Sleeper Tractors Sold through the Two Largest Nationwide No-Reserve Auctions (Model Years 2011-2013)



Average Selling Price: Benchmark Sleeper Tractor Sold through the Two Largest Nationwide No-Reserve Auction Companies



Average Sleeper Tractor Pricing by Model Year (all Wholesale)



shift. We continue to view the auction market as firming up as pricing finds its low point.

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

The larger overall wholesale environment (auction, dealer-to-dealer, and dealer-to-wholesaler combined) dipped slightly in April (May results were not yet available at the time of this writing). Average pricing in the first four months of 2017 is running 7.7% lower than the same period in 2016.

The average sleeper tractor sold wholesale in April was 70 months old, had 533,033 miles, and brought \$28,542. Compared to March, trucks sold in April were identical in age, had 2,800 [0.5%] fewer miles, and brought \$772 [2.6%] less money. Compared to April 2016, the average sleeper sold this month was 23 months newer, had 170,033 [24.2%] fewer miles, and brought \$4,039 [16.5%] more money.

The average wholesale selling price of 3- to 5-year-old sleepers dropped notably in April. The two main factors behind the decline were a large group of low-priced, identically-equipped 2014 model-year trucks and a very low volume of model-year 2015 trucks. Both factors are isolated situations and not indicators of market movement, so we do not assign particular importance to the lower monthly average. Average wholesale pricing for this cohort was \$41,403; or \$3,124 [7%] lower than March.

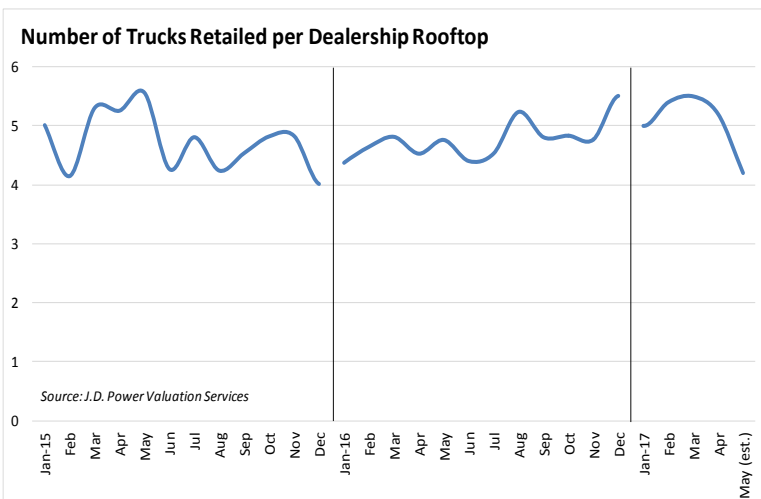
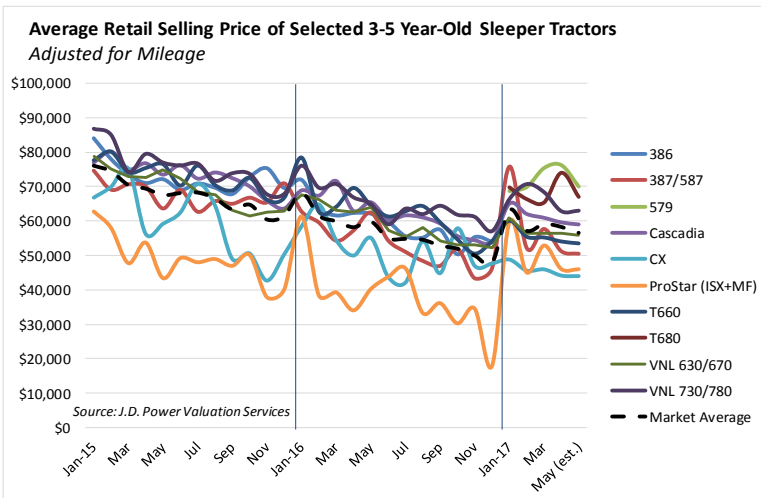
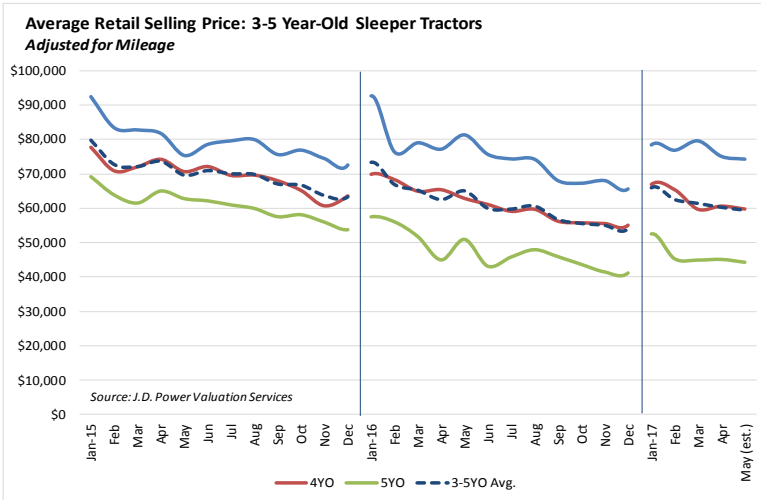
Average pricing by age was as follows:

3-year-old trucks: \$58,035; \$9,850 [14.5%] lower than March

4-year-old trucks: \$34,384; \$5,777 [14.4%] lower than March

5-year-old trucks: \$31,741; \$6,257 [24.6%] higher than March

On a year-over-year basis, late model trucks sold in the first four months of 2017 are averaging 4.4%



lower than the same period of 2016.

See the “Average Sleeper Tractor Pricing by Model Year [All Wholesale]” graph for detail.

Sleeper Tractors – Retail

It looks like there was a pullback in volume and pricing in May. At the time of this writing, we are still collecting retail data for the month. We will provide final figures later in June on our blog [www.nada.com/commercialtruck] when all of May’s data is collected.

In the meantime, we do have complete April figures. The average sleeper tractor retailed in April was 74 months old, had 452,481 miles, and brought \$48,460. Compared to March, the average sleeper was 3 months older, had 11,354 [2.6%] more miles, and brought \$646 [1.3%] less money. Compared to April 2016, this average sleeper was 5 months older, had 10,120 [2.2%] fewer miles, and brought \$4,503 [8.5%] less money. The overall retail market averaged 9.4% lower pricing in the first four months of 2017 compared to the same period in 2016.

Looking at 3- to 5-year-old trucks, retail selling prices have dropped an average of 1.9% per month so far in 2017. This figure compares very favorably to the 3.5% per month average in the first four months of 2016.

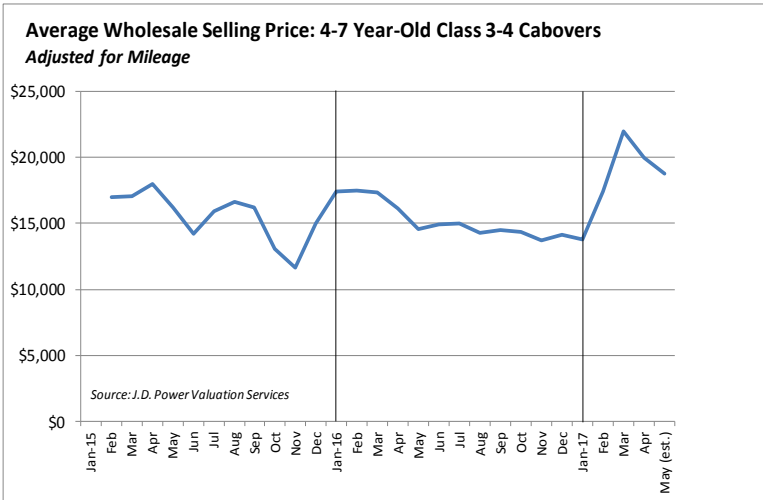
Average pricing by age was as follows:

3-year-old trucks: \$75,051; \$4,507 [5.7%] lower than March

4-year-old trucks: \$60,583; \$929 [1.6%] higher than March

5-year-old trucks: \$44,900; \$184 [0.4%] higher than March

On a year-over-year basis, late-model trucks sold in the first four months of 2017 are averaging 6.7% lower than in the same period of 2016.

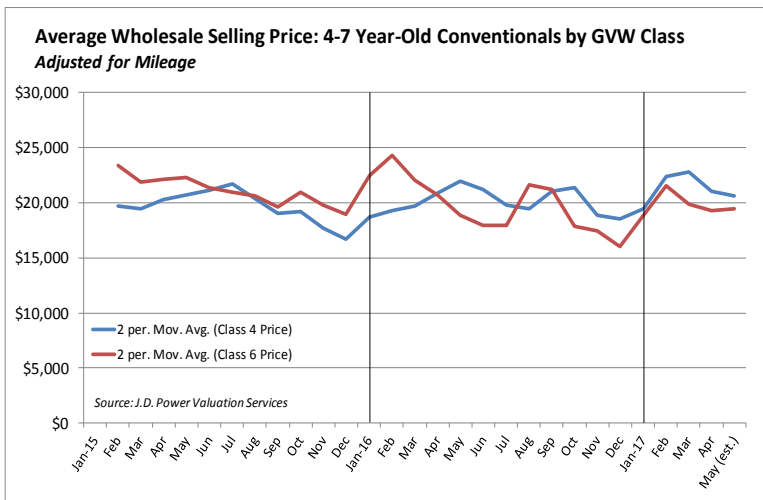


Due to the varying mix of makes and models sold each month, we are not particularly concerned with up or down swings in the monthly average. It is more instructive to look at multi-month trends, and of course selling prices of individual models. These measures indicate the retail market took the worst of its depreciation hits last year, and is now starting to level out.

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

Drilling down to individual models, the Peterbilt 579, Kenworth T680, Volvo VNL 730/780, and Freightliner Cascadia continue to outperform the market average. Newer International ProStars with N13 and particularly ISX power are performing better than in the past. See the “Average Retail Selling Price of Selected 3- to 5-Year-Old Sleeper Tractors” graph for detail.

Looking at the number of retail sales per rooftop, incoming May data points to a notable volume decline. Monthly results through April had been relatively strong, with that month returning a 5.2 truck average, which is 0.7 truck ahead of the same period in 2016. May’s results could show a drop into the low- to mid-4 range, which would be unusually low. Summer is not typically a strong period for sales volume, but a drop of this magnitude would warrant



further investigation. We will revisit this situation when all our May data is collected.

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

Medium Duty Trucks

Starting with Class 3 to 4 cabovers, pricing of our benchmark cohort dropped in April due to a higher-mileage mix of trucks sold. April’s average pricing was \$17,498, which is \$4,977 [22.1%] lower than March, and \$3,093 [21.5%] higher than April 2016.

Based on the notably lower pricing for higher-mileage equipment, we continue to view market strength as concentrated on the newest trucks.

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

Looking at conventionals, Class 6’s increased a bit in April, while Class 4’s were essentially unchanged. Lighter-GVW trucks continue to outperform their heavier counterparts.

Specifically, Class 4's averaged \$20,988 in April. This figure is \$72 [0.3%] lower than March, and \$9 [0.0%] lower than April 2016. Class 6's averaged \$19,982 in April. This figure is \$1,414 [7.6%] higher than March, and \$4 [essentially 0.0%] lower than April 2016.

Through April, Class 4 trucks are running 8.1% ahead of the same period of 2016, with mileage averaging 3.1% lower. Pricing for Class 6 trucks is 9.3% lower, with mileage 15.9% higher.

Volume for Class 4 trucks was very similar to last month, while Class 6 volume increased notably. Demand should continue to incrementally improve in upcoming months for trucks of all GVW classes.

See the "Average Wholesale Selling Price: 4- to 7-Year-Old Conventionals by GVW Class" graph for detail.

Forecast

May's Class 8 auction figures are disappointing, and the incoming retail data is moderately concerning. However, the first four months of the year are encouraging, and we are not yet identifying a shift in market conditions. We still define the Class 8 environment as incrementally improving.

ATD OFFICIAL COMMERCIAL TRUCK GUIDE TRENDS

Monthly Change in ATD/NADA Commercial Truck Guide Value

May v. June 2017

Used Car Guide Segment	2011MY	2012MY	2013MY	2014MY	2015MY*
Commercial Van	↘ -0.9%	↘ -0.9%	↘ -0.9%	↔ -0.3%	↘ -0.7%
Extended Hood	↔ 0.0%	↔ 0.0%	↔ 0.0%	↔ 0.0%	↔ 0.0%
Highway Aerodynamic	↔ 0.0%	↘ -1.9%	↔ 0.0%	↘ -1.7%	↘ -1.3%
Highway Traditional	↔ 0.0%	↔ 0.0%	↔ 0.0%	↔ 0.0%	↔ 0.0%
Local/Delivery Daycab	↔ 0.0%	↘ -0.8%	↔ -0.1%	↘ -0.5%	↔ -0.1%
Medium Duty Cabover	↘ -7.0%	↘ -5.4%	↘ -4.1%	↘ -1.0%	↘ -2.7%
Medium Duty Conventional	↘ -1.0%	↘ -1.6%	↔ 0.0%	↘ -1.4%	↘ -2.1%
Vocational/Construction	↔ 0.0%	↔ 0.0%	↔ 0.0%	↔ 0.0%	↔ 0.0%

*Value movement can be influenced by newly valued vehicles.

Annual Change in ATD/NADA Commercial Truck Guide Value

June, 2016 v. 2017

Used Car Guide Segment	5YR	4YR	3YR	2YR	Segment Change
Commercial Van	-16.6%	-10.9%	-15.1%	-0.4%	-16.7%
Extended Hood	-1.7%	-6.9%	13.9%	2.6%	-9.8%
Highway Aerodynamic	-20.4%	-11.8%	-4.9%	-8.9%	-27.7%
Highway Traditional	2.9%	-1.0%	4.7%	-1.1%	-6.1%
Local/Delivery Daycab	-8.9%	3.5%	5.9%	3.8%	-14.3%
Medium Duty Cabover	-7.1%	2.5%	-12.9%	-14.4%	-15.5%
Medium Duty Conventional	-9.7%	2.3%	-4.9%	4.9%	-7.1%
Vocational/Construction	14.4%	-2.4%	8.8%	2.4%	-4.5%

*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 ATD/NADA Commercial Truck Guide Value

January — June 2017

Used Car Guide Segment	2011MY	2012MY	2013MY	2014MY	2015MY*	Segment
Commercial Van	-2.2%	0.0%	3.6%	-2.8%	-5.7%	-1.9%
Extended Hood	-8.8%	-6.1%	-2.9%	-1.1%	-1.4%	-3.8%
Highway Aerodynamic	-9.4%	-9.7%	-13.5%	-13.5%	-10.6%	-11.3%
Highway Traditional	-5.3%	-4.0%	-1.0%	-0.8%	-1.5%	-2.7%
Local/Delivery Daycab	-7.4%	-7.7%	-6.5%	-6.3%	-3.7%	-4.7%
Medium Duty Cabover	-10.1%	-7.7%	-9.2%	-6.3%	-6.0%	-7.1%
Medium Duty Conventional	-6.5%	-5.1%	-5.0%	-5.9%	-6.3%	-4.9%
Vocational/Construction	-1.3%	-1.3%	-1.4%	-3.0%	0.7%	0.4%

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

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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. For more information go to www.nada.com/residualvalues.

On the Road

Stop by and say hello to Chris Visser on the exposition floor of the UTA Convention and Expo this Oct. 30 through Nov. 4 in Las Vegas.

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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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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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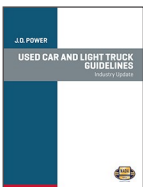
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ADDITIONAL RESOURCES



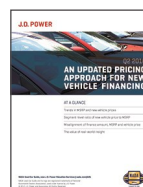
Guidelines

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.



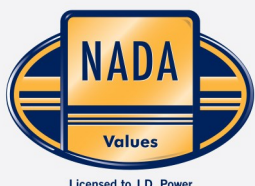
White Papers

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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