GUIDELINES

Commercial Truck Guide Industry Update

October 2015

- **Retail volume remains depressed**
  Depreciation in this channel has accelerated mildly
- **Wholesale volume is strong**
  Pricing in this channel is stable
- **Special study: Impact of EPA Phase 2 on new and used truck market**

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COMMERCIAL TRUCK MARKET TRENDS

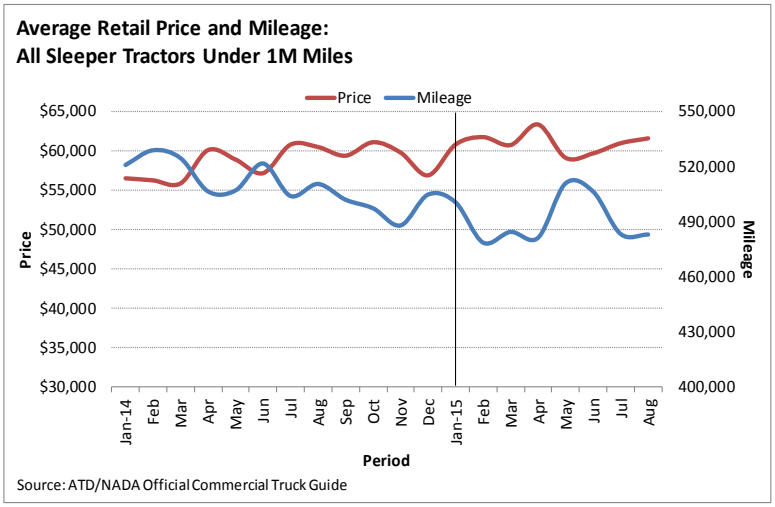
Market Summary

As of this writing in early October, it looks like the third quarter followed the trend of the first half of the year. Retail volume was depressed, wholesale volume was strong, and pricing in both channels was mildly downward. Depreciation through the end of the year should moderately accelerate as supply continues to increase and winter demand patterns set in.

Sleeper Tractors – Retail

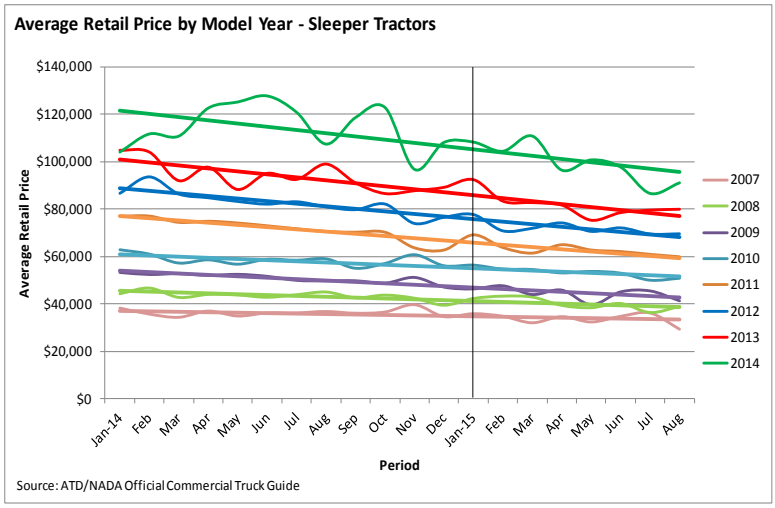
Thanks to the continued influx of trades, buyers can be more selective. As a result, the average mileage of trucks sold in the retail channel continues to decrease. Sleeper tractors retailed through August of 2015 are averaging 4.7% less mileage than in the same period of 2014. Average age is nearly identical, so buyers are cherry-picking the lowest-mileage units.

The average sleeper tractor retailed in August for $61,565, had 482,914 miles, and was 77 months old. Compared to July, this truck brought $660 (or 1.1%) more money, had 1,095 (or 0.2%) fewer miles, and was 3 months newer. Compared to August 2014, this average truck brought $1,106 (or 0.2%) more money, had 27,531 (or 5.4%) fewer miles, and was 2 months newer. See “Average Retail Price and Mileage” graph for detail.



[COMMERCIAL TRUCK MARKET TRENDS *continued*]

Our benchmark group of three- to five-year-old sleepers provides a more precise look at the market. Month-over-month, this cohort depreciated a mere $186 (or 1.2%). Year-over-year, August 2015 came in $992 (or 1.4%) lower than August 2014. Year-to-date, 2015 is essentially identical to 2014, with less than 1% separating the two periods.



However, the story behind the average is as follows. Three- and four-year-old trucks are running 3.4% behind 2014 — mainly due to increased supply — while five-year-old trucks are running 6.8% ahead. As we have previously stated, SCR vs. non-SCR is the reason for the superior performance of five-year-old trucks in 2015 vs. 2014. As such, the three- and four-year-old cohorts more accurate indicators of relative market value year-over-year.

Specific figures are as follows:

- Trucks of model year 2013 averaged $81,707 through August of 2015 — a $3,394 (or 4.0%) decrease versus trucks of model year 2012 this time last year.
- Trucks of model year 2012 averaged $72,062 through August of 2015 — a $2,034 (or 2.7%) decrease versus trucks of model year 2011 this time last year.
- Trucks of model year 2011 averaged $63,139 through August of 2015 — a $4,025 (or 6.8%) increase over trucks of model year 2010 this time last year.

See “Average Retail Price by Model Year” graph for detail.

Sleeper Tractors – Wholesale

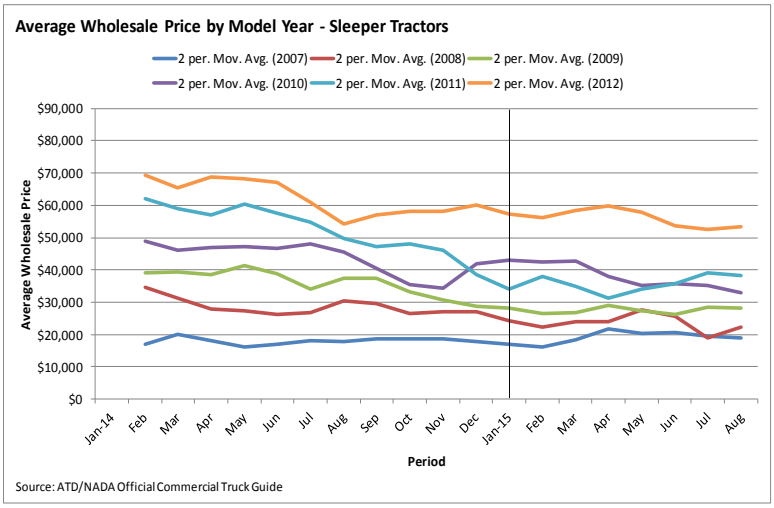
The number of trucks sold through auction and dealer-to-dealer channels through August is running 8.7% ahead of the same period of 2014. This increased volume has not yet impacted pricing to any great extent. Three- and four-year old sleeper tractors are depreciating at a rate similar to last year.

[COMMERCIAL TRUCK MARKET TRENDS *continued*]

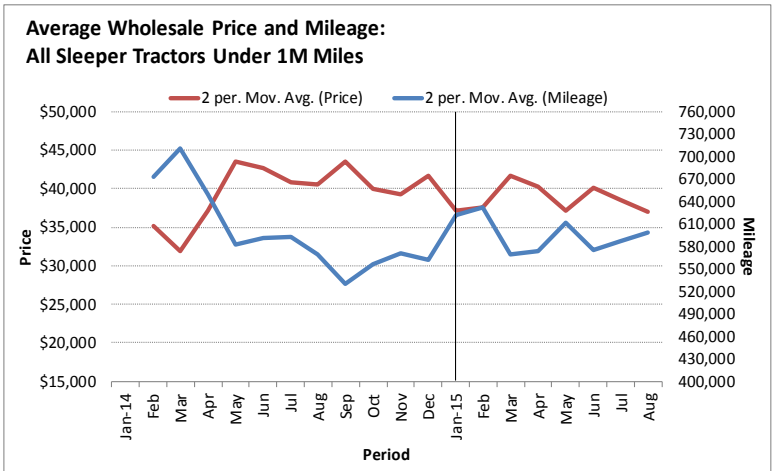
Specific figures are as follows:

- Trucks of model year 2013 averaged $67,224 through August of 2015 — a $2,361 (or 3.6%) increase over trucks of model year 2012 this time last year.
- Trucks of model year 2012 averaged $55,736 through August of 2015 — a $911 (or 1.7%) decrease versus trucks of model year 2011 this time last year.
- Trucks of model year 2011 averaged $35,798 through August of 2015 — an $11,258 (or 23.9%) decrease versus trucks of model year 2010 this time last year.

The steep year-over-year decline of the five-year-old group is attributable to the International ProStar. That model has stabilized in 2015, with the market establishing an accepted baseline price for units of model year 2011. We predict this model will remain at its current price level for quite some time, even while other models depreciate. The roughly 30% spread between the ProStar and the market average should diminish over time. See "Average Wholesale Price by Model Year" graph for detail.



Source: ATD/NADA Official Commercial Truck Guide



Source: ATD/NADA Official Commercial Truck Guide

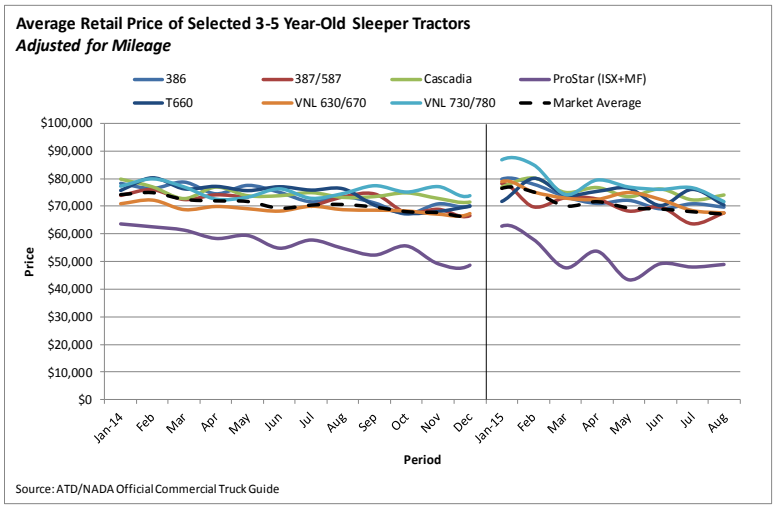
As for the market overall, the average used sleeper tractor wholesaled in August for $38,500, had 583,944 miles, and was 80 months old. Compared to July, this truck brought $2,875 (or 7.5%) more money, had 27,935 (or 4.6%) fewer miles, and was three months newer. Compared to August 2014, this average truck brought $1,559 (or 3.9%) less money, had 16,855 (or 3.0%) more miles, and was seven months older. Through the first eight months of the year, average pricing is nearly identical to last year. See "Average Wholesale Price and Mileage" graph for detail.

[COMMERCIAL TRUCK MARKET TRENDS *continued*]

Competitive Comparison: 3-5 Year-Old Sleeper Tractors (Retail)

The Freightliner Cascadia was back on top in August, achieving the highest selling price in each of the three model years included in this section. The Kenworth T660 and Volvo 730/780 performed similarly for a second month, with both models off last month's averages. The Peterbilt 386 and Volvo 630/670 saw mild depreciation to finish close to the market average, while the Peterbilt 387/587 recovered from last month's unusually weak performance. As for the International ProStar, as mentioned earlier, pricing for this model stabilized in the spring, and the market appears to be comfortable with this price level.

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



Special Study – A Look at EPA Phase 2

In model year 2021, the Environmental Protection Agency's proposed Phase 2 emissions and economy standards will begin to be phased in, with full attainment in model year 2027. These standards have not yet been codified into law, but detailed proposals have been drafted, and truck and engine makers have been working on development for some time. The new standards are much more stringent than the current rules, to the extent that even recent concept trucks would most likely not meet them. How might this development impact the new and used truck market?

Anyone who has worked in the truck industry for any length of time knows the phrase "emissions regulations" is usually followed by "pre-buy" in the same breath. For those new to the industry, a "pre-buy" is a situation in which sales of new trucks artificially spike in the model year immediately preceding the introduction of a new emissions technology. This practice results in depressed sales of the first emissions-compliant model year, and a wave of trade-ins hitting the used market. Additionally, the increased price of new trucks pushes some new truck intenders to look for late-model used trucks instead.

[COMMERCIAL TRUCK MARKET TRENDS *continued*]

Let's look back on how each round of emissions standards has impacted the market:

MY2002 (EGR):

- Introduction of Exhaust Gas Recirculation (EGR) requiring substantial engine revisions and additional hardware and sensors
- Originally scheduled for MY2004, pulled ahead to MY2002 to address what the EPA considered non-compliant engine mapping in the '90s
- Potential buyers had little confidence the technology had been adequately tested, plus reduced fuel economy and increased cost were predicted
- Buyers altered purchasing schedules to acquire pre-emissions trucks, resulting in a spike of new truck sales and increased trade-ins
- Results: Depressed sales of new MY2002 trucks, increased demand for late-model used trucks

MY2004 (additional EGR):

- Selected engine manufacturers brought their EGR engines more fully into compliance
- Moderate sales increase of MY2003 trucks, little impact to used truck market

MY2008 (DPF):

- Introduction of the Diesel Particulate Filter (DPF) and associated hardware and sensors
- Buyers again reluctant to invest in new technology, especially one with increased maintenance requirements (DPF's require regular cleaning) and driver involvement (must pay attention to regeneration alerts), plus increased cost
- New truck sales increased through mid-2006, then dropped off a cliff (beginning of Great Recession was a contributing factor)
- Many buyers of MY2007 trucks moved to longer trade cycles to avoid the first few years of DPF; 2007 models remain extremely popular in the used market

[COMMERCIAL TRUCK MARKET TRENDS *continued*]

MY2010 (SCR):

- Introduction of Selective Catalytic Reduction (SCR) and associated hardware and sensors
- Unlike previous rounds, fuel economy was predicted to increase because SCR enables a reduction of EGR
- New truck sales, already depressed, fell even more in late 2008, due to a combination of the economic recession, hesitation about the new technology, and increased cost
- Used truck market was already dismal due to the recession

MY2014 (Phase 1):

- Fuel economy standards now included along with emissions reductions
- To be phased in over a 4-year period, culminating in MY2018
- MY2014 was essentially a non-issue in terms of technology, so no pre-buy in 2012 or 2013

MY2021 (Phase 2):

- Increasingly-stringent emissions and economy regulations to be phased in between MY2021-2027
- EPA has yet to codify into law, but details have been released, and R&D is underway
- Combined truck and trailer strategies are part of the plan
- 2027 is apparently not yet achievable with currently-known technologies

It's hard to believe, but MY2021 trucks will go on sale just over 5 years from now. New or heavily-revised models will most likely be required for this round of mandates. Two factors will determine whether the industry should expect a pre-buy. First, the degree of technological change — and the time available to test and develop it prior to release — will dictate buyer confidence levels. Second, the degree of price increases will determine how many buyers decide to hold on to their existing trucks longer, and/or look to late-model used trucks instead.

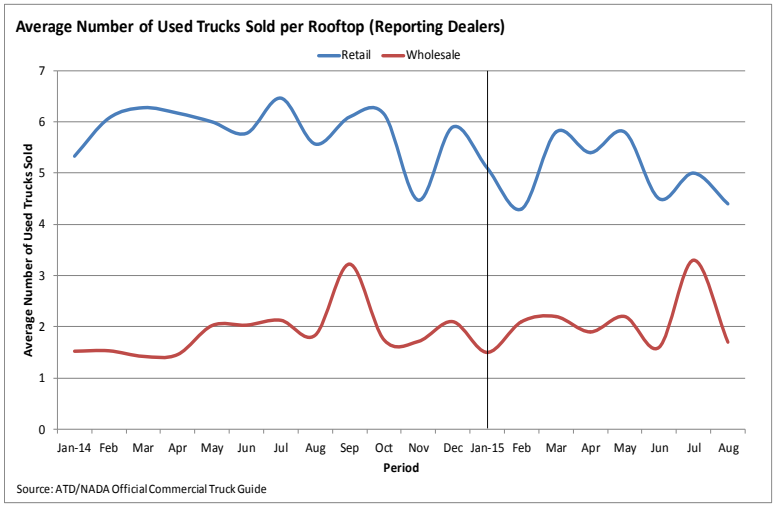
[COMMERCIAL TRUCK MARKET TRENDS *continued*]

The ever-increasing price of new trucks has already altered market dynamics, as evidenced by the strong pricing of late-model trucks in recent years. Also, keep in mind the EPA has traditionally greatly underestimated new truck price increases, as a 2012 American Truck Dealers study showed.

We will continue to monitor all our sales channels — as well as stay in touch with the industry's decision makers and market-movers — to stay on top of EPA-driven developments in the used truck market.

Sales Volume

The retail market hit a slump in late spring from which it has yet to recover. August's sales per dealership rooftop were a weak 4.4. This figure is 0.6 truck lower than July, and 1.2 trucks lower than August 2014. Year-to-date, each rooftop has retailed 7.5 fewer trucks in 2015 than in 2014. See the "Average Number of Retail Sales per Rooftop" graph for detail.



There is still no clear reason for the decline. General economic measures have trended upward since 2010, and 2015 was incrementally healthier than the previous two years in most respects. New truck orders are back down near the post-recession average after spiking late last year and early this year, but deliveries remain at a historical high. The value of a trade-in is decreasing, but within expectations. The driver shortage is capping acquisitions to an extent, but that factor mainly impacts the new truck market. We will continue to monitor trends and identify changes if they occur.

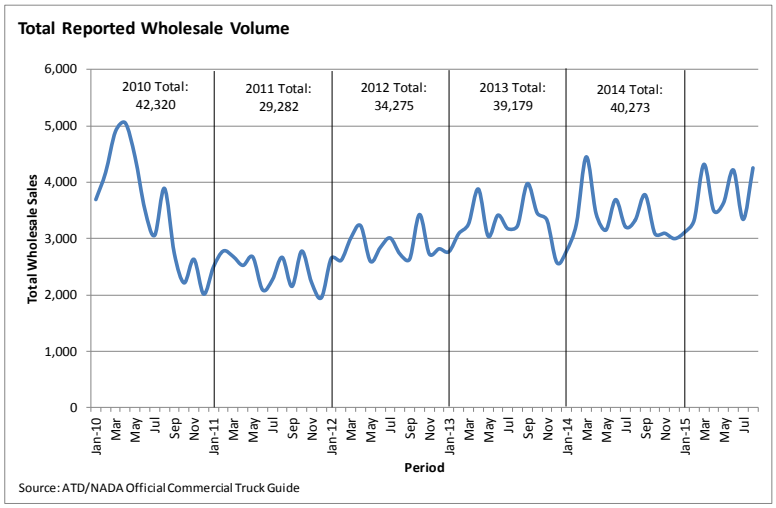
On the wholesale side, dealer-to-dealer sales returned to a normal level in August, coming in at 1.7 trucks per rooftop. This figure is 1.6 trucks lower than an unusually strong July, and 0.1 truck lower than August 2014. Year-to-date, 2015 is running 0.3 truck ahead of 2014.

The auction channel is where the market is really humming. Auction results are largely responsible for the 8.7% year-over-year increase in wholesale volume year to date.

[COMMERCIAL TRUCK MARKET TRENDS *continued*]

Trades resulting from increased new truck deliveries are a major factor in wholesale volume. Also, dealers and OEM's are increasingly moving aged inventory and large groups of similarly-equipped units through this channel. Fundamentally, auctions are a method of nationally realigning inventory to move trucks where demand is greatest.

See the "Total Reported Wholesale Volume" graph for detail.



Source: ATD/NADA Official Commercial Truck Guide

Outlook

Word-of-mouth is turning somewhat negative, but incoming September data does not point to any major market shift. Depreciation is accelerating mildly going into the winter months, but we still predict depreciation will average out to well below 2% per month by December. We have not identified any factors that would lead to notable shifts in the used truck market.

Be sure to read our blog twice each week for real-time updates on this and other market data, at www.nada.com/b2b.

[ATD/NADA OFFICIAL COMMERCIAL TRUCK GUIDE TRENDS]

Monthly Change in ATD/NADA Commercial Truck Guide Value

October 2015 v. September 2015

Used Car Guide Segment	2009MY	2010MY	2011MY	2012MY	2013MY*
Commercial Van	0.0%	-0.1%	-0.6%	-3.2%	-2.6%
Extended Hood	0.0%	-3.6%	-2.9%	-2.4%	-2.8%
Highway Aerodynamic	-0.3%	-0.3%	-2.3%	-0.7%	-1.9%
Highway Traditional	0.0%	-3.4%	-3.3%	-3.4%	-2.8%
Local/Delivery Daycab	-0.3%	-0.9%	-1.4%	-1.3%	-1.9%
Medium Duty Cabover	0.0%	0.0%	0.0%	0.0%	0.0%
Medium Duty Conventional	-1.9%	-1.6%	0.4%	-0.3%	0.0%
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

October, 2014 v. 2015

Used Car Guide Segment	5YR	4YR	3YR	2YR	Segment Change
Commercial Van	12.0%	12.0%	8.8%	-1.8%	4.4%
Extended Hood	3.0%	2.7%	-5.4%	3.3%	-0.7%
Highway Aerodynamic	1.9%	0.3%	-6.3%	1.0%	-2.3%
Highway Traditional	0.7%	2.7%	-4.3%	2.1%	-3.3%
Local/Delivery Daycab	2.6%	5.2%	-4.8%	14.1%	10.8%
Medium Duty Cabover	4.1%	8.1%	-5.8%	1.4%	0.6%
Medium Duty Conventional	12.0%	-8.4%	0.0%	10.4%	4.4%
Vocational/Construction	11.3%	4.2%	-0.4%	-4.6%	9.7%

**Calculations are based on vehicle age, i.e. values for 1-year-old vehicles in CY2015 are compared against values for 1-year-old vehicles in CY2014.*

YTD Change in ATD/NADA Commercial Truck Guide Value

January — October 2015

Used Car Guide Segment	2009MY	2010MY	2011MY	2012MY	2013MY*	Segment
Commercial Van	-3.4%	2.4%	2.1%	-14.1%	6.4%	-1.5%
Extended Hood	-3.7%	-9.0%	-9.9%	-13.4%	-14.8%	-9.0%
Highway Aerodynamic	-5.0%	-10.5%	-16.0%	-18.2%	-15.6%	-13.8%
Highway Traditional	-4.4%	-11.3%	-10.4%	-15.2%	-14.8%	-12.1%
Local/Delivery Daycab	-4.4%	-8.5%	-8.7%	-13.2%	-12.7%	-6.5%
Medium Duty Cabover	-6.5%	-22.0%	-11.2%	-14.3%	N/A	-11.8%
Medium Duty Conventional	-4.9%	-7.4%	-11.1%	-8.3%	0.0%	-4.8%
Vocational/Construction	-10.0%	-13.4%	-10.2%	-8.0%	-8.6%	-7.2%

AT NADA USED CAR GUIDE

What's New

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On the Road

Chris Visser will attend the Used Truck Association Conference held in Dallas, November 4 – 7.

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Since 1933, NADA Used Car Guide has earned its reputation as the leading provider of vehicle valuation products, services and information to businesses throughout the United States and worldwide. NADA Used Car Guide's team collects and analyzes over one million combined automotive and truck wholesale and retail transactions per month. Its guidebooks, auction data, analysis and data solutions offer automotive/truck, finance, insurance and government professionals, the timely information and reliable solutions they need to make better business decisions. Visit nada.com/b2b to learn more about solutions for your business and nada.com/usedcar to stay abreast of the latest used and new vehicle market trends.

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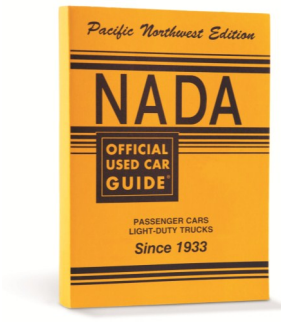

NADA USED CAR GUIDE CONSULTING SERVICES

NADA Used Car Guide's 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 NADA Used Car Guide's 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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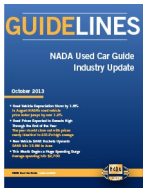
ADDITIONAL RESOURCES

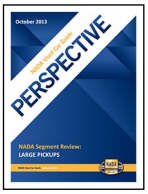


Guidelines

Updated monthly with a robust data set from various industry sources and NADA Used Car Guide's own proprietary analysis, *Guidelines* provides the insight needed to make decisions in today's market.

White Papers

NADA Used Car Guide's 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.



Perspective

Leveraging data from various industry sources and NADA Used Car Guide's 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.

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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