

J.D. POWER

COMMERCIAL TRUCK GUIDELINES

Industry Update

NOVEMBER 2018

- **Auction volume continues to defy predictions**

Month-over-month drop in volume suggests continued shortage of used trucks

- **Retail market remains strong**

Very mild depreciation with slight uptick in supply

- **Medium duty market up month-over-month**

Most segments recover from a weak September

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COMMERCIAL TRUCK MARKET TRENDS

October Auctions Point to Continued Shortage of Late-Model Trucks

Auctions once again had a low-volume month, defying predictions of an increased number of trades hitting the market. The retail channel had another strong month. Medium duty trucks largely recovered from a September dip.

Sleeper Tractors – Auction

October’s auction results once again defied expectations, with a drop in volume compared to September, and no discernable depreciation. See below for detail.

*Model year 2015: \$55,000 average; \$17,000 [31.1%]
higher than September*

*Model year 2014: \$34,500 average; \$250 [0.1%]
lower than September*

*Model year 2013: \$28,350 average; \$600 [2.1%]
higher than September*

*Model year 2012: \$27,750 average; \$1,000 [3.6%]
higher than September*

*Model year 2011: \$19,500 average; \$2,250 [10.3%]
lower than September*

Auctions once again had a low-volume month, defying predictions of an increased number of trades hitting the market. The retail channel had another strong month. Medium duty trucks largely recovered from a September dip.

Pricing for model-year 2015 trucks returned to a typical level after an unusual dip in September.

October’s stable pricing combined with a return to a more typical mix of model-year 2015 trucks caused average depreciation in 2018 to turn slightly positive. On average, trucks four to six years of age are bringing 18.1% more money in 2018 compared to 2017. We don’t see much change into early 2019, outside of typical fluctuations due to the holidays and winter weather.

See the “Volume of the Three Most...” and “Average Selling Price: Benchmark Sleeper Tractor...” graphs for detail.

Sleeper Tractors – Retail

October retail data is still incoming at the time of this writing, so the numbers below reflect September results. Average pricing for late-model trucks pulled back slightly in September compared to August, as a higher volume of lower-priced models filtered through the market. Preliminary October data suggests similar conditions.

The average sleeper tractor retailed in September was 68 months old, had 455,658 miles, and brought \$56,414. Compared to August, the average sleeper was 3 months newer, had 124 [0.0%] fewer miles, and brought \$2,934 [5.5%] more money. Compared to September 2017, this average sleeper was 1 month newer, had 11,620 [2.5%] fewer miles, and brought \$9,470 [20.2%] more money.

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

Model year 2016: \$79,382; \$3,498 [4.2%] lower than August

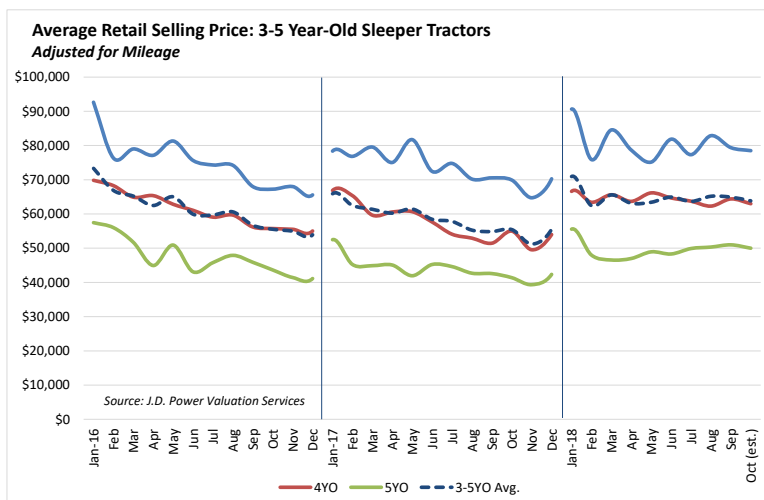
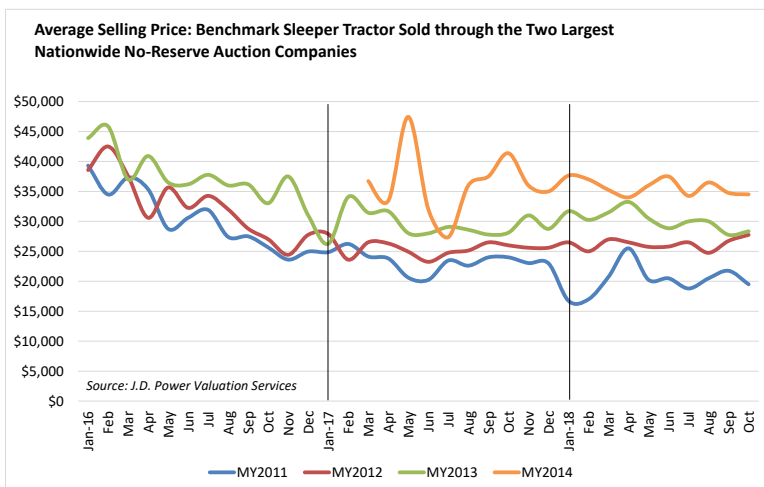
Model year 2015: \$64,398; \$2,099 [3.4%] higher than August

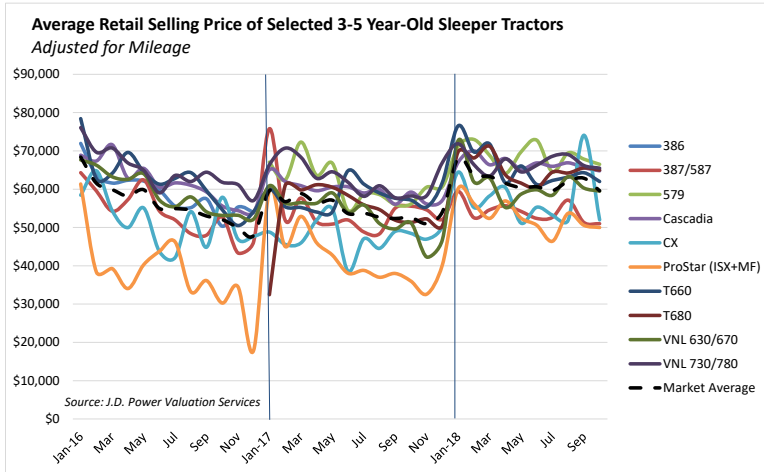
Model year 2014: \$50,983; \$650 [1.3%] higher than August

On a year-over-year basis, late-model trucks sold in the first 9 months of 2018 brought 8.6% more money than in the same period of 2017. Depreciation is running 0.2% per month in 2018, compared to 1.7% last year.

See the "Average Retail Selling Price: 3-5 Year-Old Sleeper Tractors" and "Average Retail Selling Price of Selected 3-5 Year-Old Sleeper Tractors" graphs for detail.

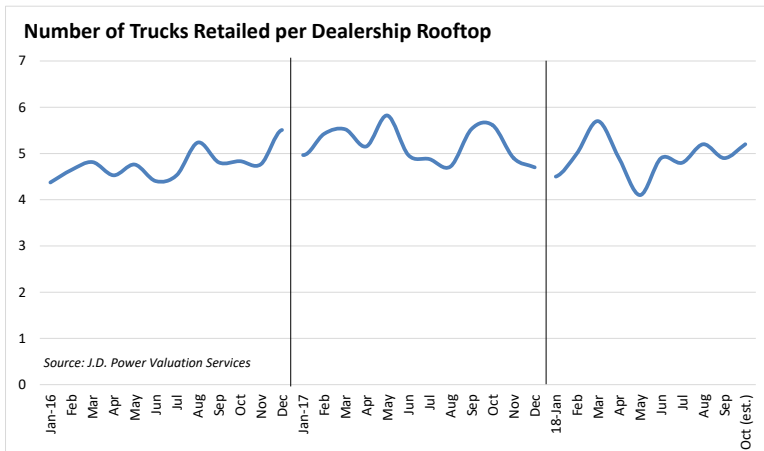
Class 8 sales per dealership fell back below the 5.0 trucks per rooftop threshold in September, coming in at 4.9. This result matches the year to date average and is mildly behind expectations. October volume should come in in a few tenths higher.





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

Looking forward over the long term, new Class 8 monthly deliveries are running at about 56% of orders, which is historically typical. The new truck market is most likely on a plateau, with orders much higher than usual - but not outlandish - in the low 40,000 range, and deliveries rationally following suit in the low 20,000 range. As long as orders remain stable or decline gradually, the build rate and deliveries should stay steady well into 2019. Eventually, this dynamic will result in enough used trades to place downward pressure on pricing.

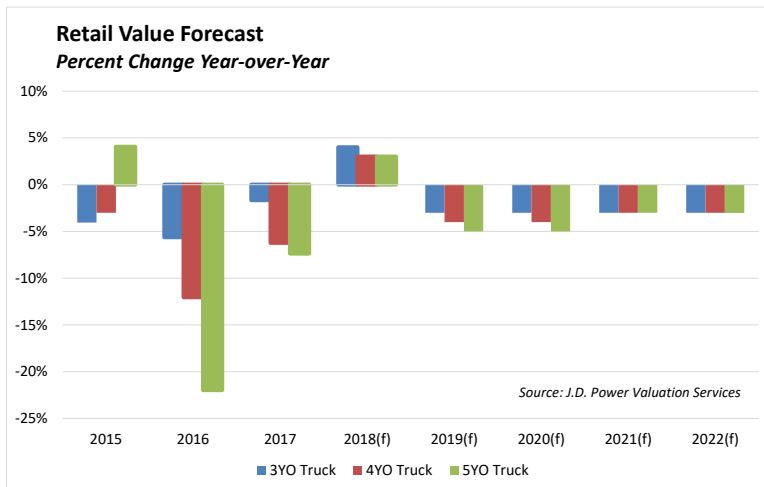


See the “Retail Value Forecast” graph for a look at how we see used truck pricing unfolding over the next four years.

Medium Duty Trucks

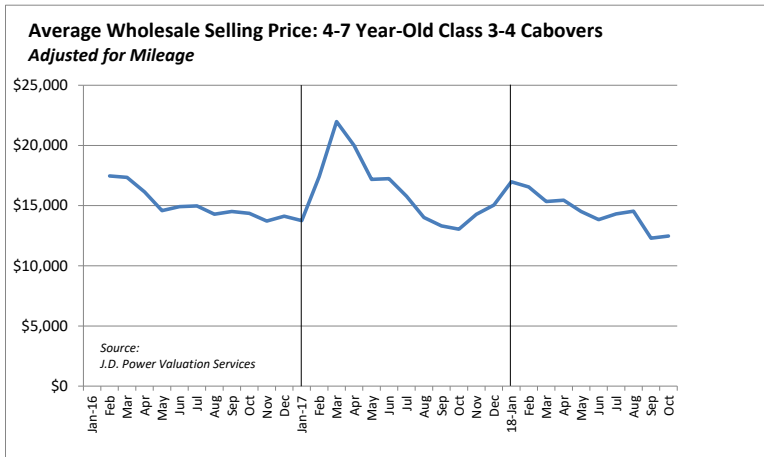
October’s pricing generally recovered from a weak September, with pricing mostly upward despite higher volume and mileage.

Starting with Class 3 - 4 cabovers, October’s average pricing came in at \$14,885. This figure is \$3,210 [21.6%] higher than September, and \$826 [5.5%] lower than October 2017. The average mileage of trucks sold in October was lower than September, but still on the high side. As such, October’s pricing increase was a positive result. Monthly depreciation in the first 10 months of 2018 is back down below the same period of 2017, at 2.7% vs. 3.4%, respectively.



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

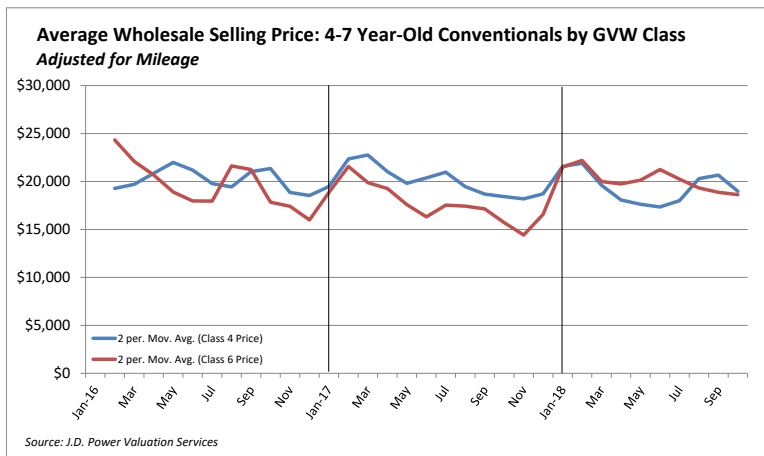
Looking at conventionals, Class 4’s averaged \$17,895 in October. This figure is \$2,174 [10.8%] lower than September, and \$659 [3.6%] lower than October 2017. Higher volume and higher average mileage appear to be the main factors behind the monthly



decline. Despite this weak result, monthly depreciation in the first 10 months of 2018 is averaging a very mild 0.1%, compared to 1.7% in the same period of 2017.

Class 6's brought higher average pricing than their lighter-GVW counterparts in October, averaging \$19,419. This figure is \$1,591 [8.2%] higher than September, and \$5,058 [26.0%] higher than October 2017. This increased pricing came despite a substantially higher volume of trucks sold. Depreciation for this group is running at 1.7% per month so far in 2018, compared to 2.6% per month in the same period of last year.

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



Forecast

The midterm elections are behind us, and Wall Street doesn't seem too concerned about the results. Looking forward at the next few months, the Section 179 tax incentives and bonus depreciation that helped to bolster new truck purchases this year will remain in place next year, supporting the market. The accelerative impact of 2018 tax cuts will be diminished in 2019, as revised tax liabilities are now baked in to balance sheets. The "surprise" bonuses

many businesses handed out in 2018 will not necessarily be repeated in 2019. We don't currently foresee any major shifts in the economy, so expect the extremely long lead time in new truck build rates to result in strong deliveries into the second half of 2019. At around that time, we should start to see used trucks depreciate at a more typical level due to returning supply.

COMMERCIAL TRUCK GUIDE TRENDS

Monthly Change in J.D. Power Valuation Services Values

October 2018 vs November 2018

| Commercial Truck Segment | 2012MY | 2013MY | 2014MY | 2015MY | 2016MY* |
|--------------------------|---------|---------|---------|---------|---------|
| Commercial Van | ↓ -3.3% | ↘ -1.7% | ↘ -0.9% | ↘ 0.3% | ↘ -0.1% |
| Extended Hood | ↘ -1.1% | ↘ -0.7% | ↘ -1.3% | ↘ -0.2% | ↘ -0.3% |
| Highway Aerodynamic | ↘ 0.0% | ↘ 0.0% | ↘ -0.1% | ↘ -0.1% | ↘ -0.1% |
| Highway Traditional | ↘ -0.4% | ↘ -0.1% | ↘ -0.4% | ↘ 0.0% | NULL |
| Local/Delivery Daycab | ↘ 0.0% | ↘ 0.0% | ↘ 0.0% | ↘ -0.4% | ↗ 0.9% |
| Medium Duty Cabover | ↘ -0.2% | ↑ 4.6% | ↑ 11.0% | ↑ 11.9% | ↑ 11.8% |
| Medium Duty Conventional | ↘ -0.4% | ↗ 0.7% | ↗ 0.9% | ↑ 2.3% | ↑ 3.4% |
| Vocational/Construction | ↘ 0.0% | ↘ 0.0% | ↘ 0.0% | ↘ -0.8% | ↓ -1.9% |

*Value movement can be influenced by newly valued vehicles.

Annual Change in J.D. Power Valuation Services Values

November 2017 vs. November 2018*

| Commercial Truck Segment | 5YR | 4YR | 3YR | 2YR |
|--------------------------|-------|-------|-------|-------|
| Commercial Van | 1.2% | -3.8% | 6.5% | 2.5% |
| Extended Hood | 10.6% | 3.9% | 10.5% | 1.8% |
| Highway Aerodynamic | 20.6% | 11.4% | 8.3% | 1.9% |
| Highway Traditional | 14.3% | 5.3% | NULL | NULL |
| Local/Delivery Daycab | 9.9% | 6.6% | 3.7% | 3.9% |
| Medium Duty Cabover | 10.7% | 5.4% | 3.8% | 16.8% |
| Medium Duty Conventional | 15.6% | 12.6% | 10.2% | 4.9% |
| Vocational/Construction | 13.8% | 10.6% | 0.5% | 10.2% |

*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 — November 2018

| Commercial Truck Segment | 2012MY | 2013MY | 2014MY | 2015MY | 2016MY* |
|--------------------------|--------|--------|--------|--------|---------|
| Commercial Van | -5.8% | -1.8% | -2.8% | -6.0% | -4.9% |
| Extended Hood | -2.2% | -0.8% | -8.5% | -6.2% | -7.8% |
| Highway Aerodynamic | -2.9% | -9.6% | -11.7% | -10.7% | -15.5% |
| Highway Traditional | -0.7% | -0.2% | -7.0% | -7.9% | NULL |
| Local/Delivery Daycab | -1.2% | -2.8% | -7.7% | -7.9% | -16.4% |
| Medium Duty Cabover | -3.7% | -1.2% | -0.2% | 5.5% | 8.0% |
| Medium Duty Conventional | -2.3% | -2.9% | -3.3% | 0.7% | 0.9% |
| Vocational/Construction | -3.4% | -3.7% | -3.9% | -4.5% | -5.0% |

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

What's New

NADA Values Online Now Features the VIN Based Option

You already use NADA Values Online to see all sides of every vehicle's story. Now you can gain even greater insight with our new VIN Based Option feature, which provides a precise, uniquely adjusted valuation for specific used cars and light-duty trucks. The VIN Based Option utilizes packaging, content and descriptive features specific to each 17-character VIN, rather than just the 11-character VIN, to enhance and customize a vehicle's valuation. This way, you can understand the valuable differences between two identical-seeming vehicles of the same year, make and model. Rely on the new VIN Based Option to:

- Reveal valuable vehicle equipment, trim and options
- Increase valuation accuracy and reduce risk
- Make more-informed business decisions

About J.D. Power

J.D. Power is a global leader in consumer insights, advisory services, and data and analytics to help clients measure and improve the key performance metrics that drive growth and profitability. J.D. Power's industry benchmarks, robust proprietary data, advanced analytics capabilities, and reputation for independence and integrity has established the company as one of the world's most well-known and trusted providers of consumer and market insights for more than a dozen industries. Established in 1968, J.D. Power is headquartered in Costa Mesa, California, and has 17 global locations serving North/South America, Asia Pacific, and Europe.

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

Commercial Truck Market Analysis

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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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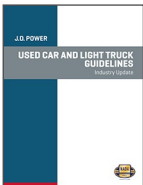
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ADDITIONAL RESOURCES



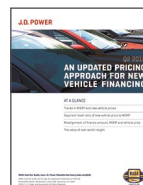
Guidelines

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

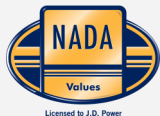
J.D. Power Valuation Services' white papers and special reports aim to inform industry stakeholders on current and expected used vehicle price movement to better maximize today's opportunities and manage tomorrow's risk.



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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