

J.D. POWER

COMMERCIAL TRUCK GUIDELINES

Industry Update

JANUARY 2018

- **Pricing stable at auctions for yet another month**
- **Retail pricing dipped, but no cause for concern**
- **Medium duty market mixed**

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COMMERCIAL TRUCK MARKET TRENDS

Market to Fall Back in Line in 2018

Class 8 trucks closed out 2017 with the auction channel looking more stable than the retail channel, although we are not particularly concerned about recent depreciation in the retail sector. Medium duty trucks continued their mixed performance.

Sleeper Tractors – Auction/Wholesale

Volume of the most common sleeper tractors auctioned in December increased for the second month in a row. Pricing was again very similar month-over-month.

December auction performance of our benchmark model was as follows:

MY2013: \$28,750 average; - \$2,880 [7.3%] lower than November

MY2012: \$25,600 average; identical to November

MY2011: \$23,000 average; - \$45 [0.2%] lower than November

In calendar year 2017, trucks of model year 2011 averaged 0.5% depreciation per month, trucks of model year 2012 depreciated 0.1% per month, and trucks of model year 2013 depreciated 0.4% per month. Year-over-year, trucks four to six years of age ran 5.7% behind their counterparts a year ago. This comparison should continue to turn less negative due to the extremely low depreciation in the second half of the year.

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

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Sleeper Tractors – Retail

November's retail results were somewhat lackluster, with pricing off moderately across the board. The average sleeper tractor retailed in November was 77 months old, had 461,211 miles, and brought \$46,352. Compared to October, the average sleeper was 1 month newer, had 919 [0.2%] fewer miles, and brought \$1,500 [3.1%] less money. Compared to November 2016, this average sleeper was 3 months older, had 10,378 [2.2%] fewer miles, and brought \$1,287 [2.7%] less money. The retail sleeper market overall averaged 7.3% lower pricing in the first 11 months of 2017 compared to the same period of 2016.

Looking at trucks three to five years of age, retail selling prices have dropped an average of 1.9% per month so far in 2017. This figure is comparable to the 2.0% seen over the same period of 2016. Unexpected dips this month are due in part to a number of package sales of identical trucks.

Average pricing by age was as follows:

3- year-old trucks: \$64,735; - \$5,186 [7.4%] lower than October

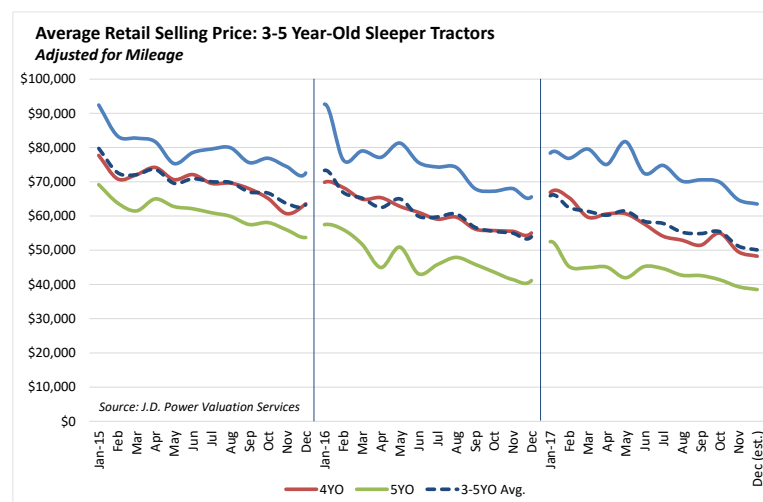
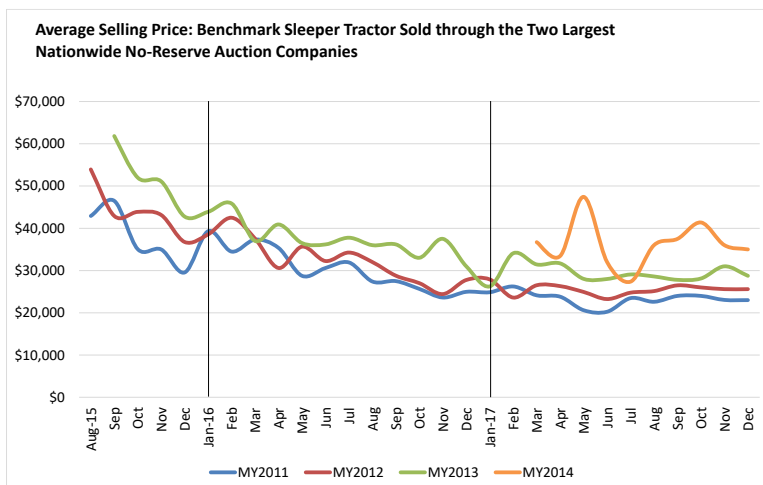
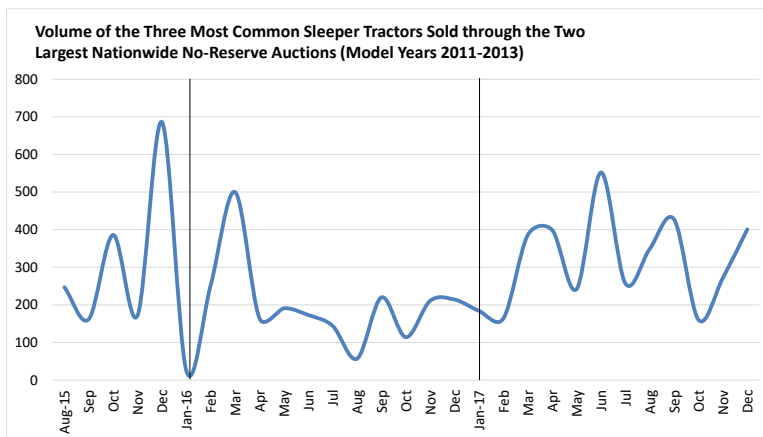
4- year-old trucks: \$49,543; - \$5,457 [9.9%] lower than October

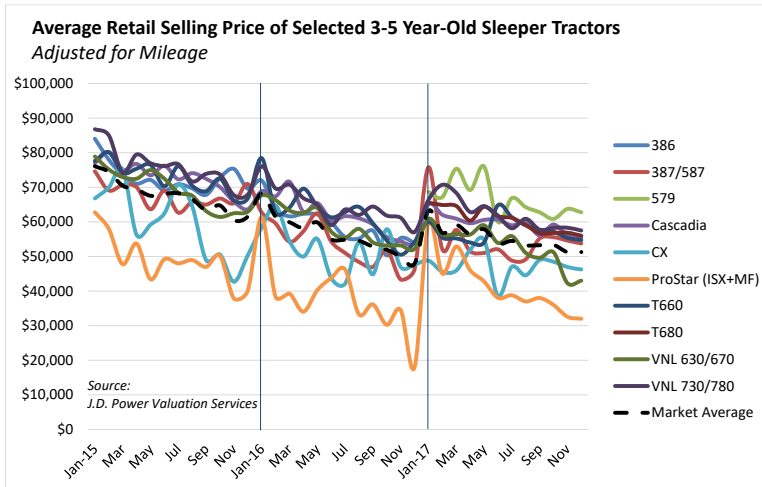
5- year-old trucks: \$39,340; - \$2,049 [5.0%] lower than October

On a year-over-year basis, late-model trucks sold in the first 11 months of 2017 averaged 5.3% lower than in the same period of 2016. Despite November's dip, we expect year-over-year comparisons to continue to look more favorable.

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

Looking at specific models, there was some competitive movement in November. The Kenworth T680 and Volvo VNL 730/780 maintained their





positioning while other trucks declined. The Peterbilt 579 once again turned in a strong performance. The Volvo 630/670 saw the biggest drop, based mainly on volume.

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

Class 8 sales per dealership rooftop dropped in November, from 5.6 to 4.9. This drop represents roughly a 13% decrease in the number of trucks retailed. We’re not particularly concerned about this dip, since November includes a major holiday and is not typically a strong month for sales. Also, pricing has been firm in recent months, suggesting demand hasn’t changed appreciably. Calendar year 2017 ran about 13% higher than 2016 in terms of volume.

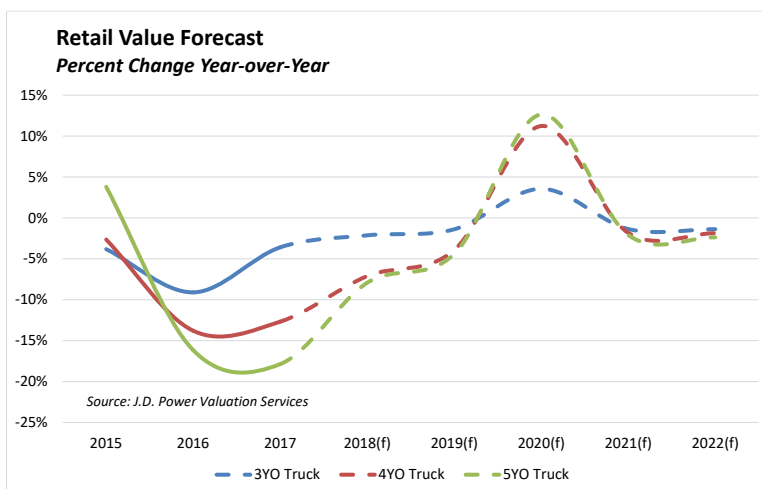
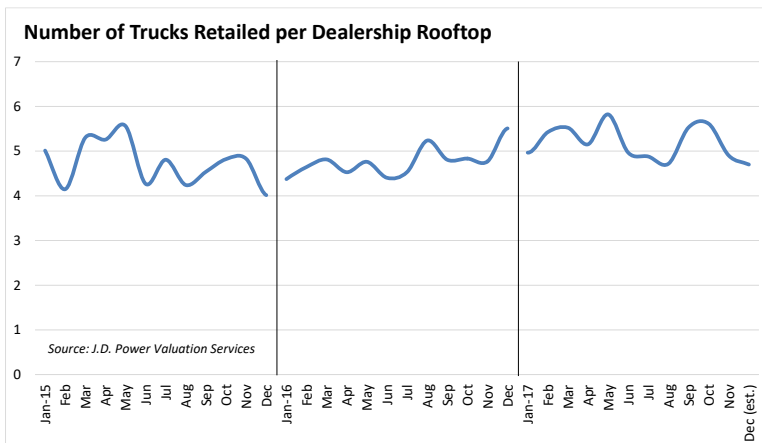
See “Number of Trucks Retailed per Dealership Rooftop” graph for detail.

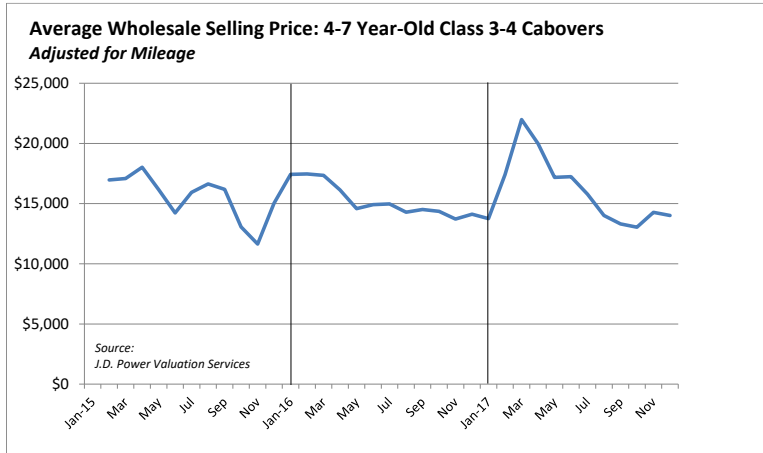
Looking forward over the long term, the supply of 3- to 5- year-old trucks will continue to increase through mid-2019. Economic conditions are looking increasingly positive, which should counteract the downward pressure on pricing to an extent. However, the net effect of these factors in 2018 should be to limit depreciation and encourage demand rather than support a pricing recovery.

See the “Retail Value Forecast” graph for detail.

Medium Duty Trucks

Starting with Class 3-4 cabovers, November’s average pricing moved back upwards for another month. Volume was down moderately compared to October, and trucks sold were generally lower in mileage. November’s average pricing was \$15,031, which was \$1,503 [11.1%] higher than October, and \$976 [6.9%] higher than November 2016. In general, pricing for trucks of similar age and mileage was little changed month-over-month.





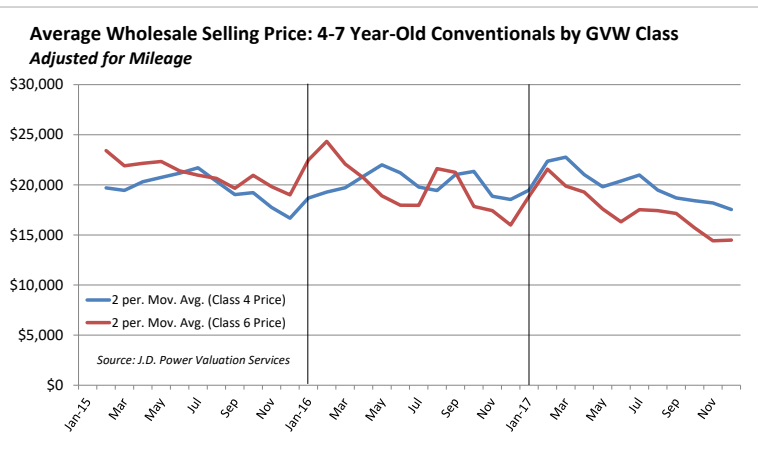
See the “Average Wholesale Selling Price: 4- to 7-Year-Old Class 3-4 Cabovers” graph for detail.

The conventional market in November was little changed from October, with our Class 4 average dipping mildly, and our Class 6 average essentially identical. Volume was down notably for Class 4, and very similar for Class 6.

Specifically, Class 4’s averaged \$17,833 in November. This figure is \$721 [3.9%] lower than October, and \$544 [3.0%] lower than November 2016. Class 6’s remained somewhat depressed in November, averaging \$14,475. This figure is \$114 [0.8%] higher than November, and \$1,726 [or 10.7%] lower than November 2016.

In the first 11 months of 2017, Class 4 trucks lost 1.7% of their value each month. While strong, this figure is behind the same period of 2016, in which trucks were essentially flat. Year-over-year pricing for our benchmark age group of Class 4 trucks is essentially identical to 2016.

In Class 6, monthly depreciation in 2017 has averaged 2.5%, which is comparable to last year’s 2.6%. Class 6 trucks in our benchmark age group are running 11.8% behind 2016. A higher-mileage mix of trucks sold is partially responsible for the lower average pricing.



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

Forecast

Depreciation should remain at roughly 2% per month in 2018, as moderately increased demand partially counteracts a higher supply. Any acceleration in economic conditions will serve to cushion volume-based price declines.

ATD OFFICIAL COMMERCIAL TRUCK GUIDE TRENDS

Monthly Change in ATD/NADA Commercial Truck Guide Value

December 2017 vs. January 2018

Used Car Guide Segment	2011MY	2012MY	2013MY	2014MY	2015MY*
Commercial Van	↓ -11.9%	↓ -9.5%	↓ -10.3%	↓ -3.8%	→ -0.5%
Extended Hood	→ 0.0%	→ -0.7%	→ 0.0%	→ 0.0%	→ 0.0%
Highway Aerodynamic	→ -0.2%	↓ -2.3%	→ -1.4%	↓ -1.8%	↓ -2.1%
Highway Traditional	→ 0.0%	→ -0.4%	→ -0.1%	→ 0.0%	→ 0.0%
Local/Delivery Daycab	↓ -2.1%	↓ -3.9%	→ -1.3%	→ -0.6%	→ 0.4%
Medium Duty Cabover	→ -0.5%	→ -1.6%	→ -0.3%	↓ -2.7%	↑ 6.5%
Medium Duty Conventional	→ 0.1%	→ 0.2%	→ 0.0%	→ 0.0%	→ 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

January 2017 vs. 2018*

Used Car Guide Segment	5YR	4YR	3YR	2YR	Segment Change
Commercial Van	1.9%	5.0%	3.7%	9.6%	-6.9%
Extended Hood	-1.5%	-2.1%	15.9%	1.4%	-13.1%
Highway Aerodynamic	-7.6%	2.1%	7.7%	2.9%	-18.4%
Highway Traditional	8.6%	-2.4%	11.6%	5.4%	-10.1%
Local/Delivery Daycab	-3.7%	13.9%	16.1%	5.4%	-7.6%
Medium Duty Cabover	-6.9%	2.1%	-7.8%	-8.2%	-10.8%
Medium Duty Conventional	2.7%	16.0%	11.0%	3.5%	-4.7%
Vocational/Construction	22.5%	4.4%	13.1%	12.7%	-0.3%

*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 — December 2017

Used Car Guide Segment	2011MY	2012MY	2013MY	2014MY	2015MY*	Segment
Commercial Van	0.3%	1.9%	4.8%	-3.3%	-6.3%	-1.5%
Extended Hood	-18.3%	-13.7%	-8.0%	-12.2%	-8.1%	-12.9%
Highway Aerodynamic	-16.5%	-14.3%	-21.1%	-22.8%	-18.6%	-18.7%
Highway Traditional	-13.1%	-10.7%	-10.4%	-10.5%	-6.0%	-10.0%
Local/Delivery Daycab	-10.0%	-9.8%	-10.0%	-13.3%	-10.8%	-7.5%
Medium Duty Cabover	-10.7%	-11.2%	-15.2%	-10.8%	-17.7%	-11.6%
Medium Duty Conventional	-5.2%	-4.1%	-4.8%	-5.9%	-7.6%	-4.7%
Vocational/Construction	-1.3%	-3.3%	-2.5%	-3.5%	-1.8%	-0.3%

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.



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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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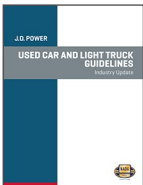
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ADDITIONAL RESOURCES



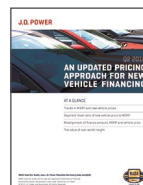
Guidelines

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.



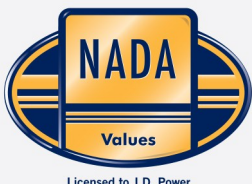
White Papers

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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