

J.D. POWER

COMMERCIAL TRUCK GUIDELINES

Industry Update

AUGUST 2018

- **Auction volume back down to January levels**

Low-mileage trucks remain hot

- **Retail volume up mildly**

Depreciation averaging less than 1% per month in 2018

- **Most medium duty segments weak in June**

Heavier Conventionals were the exception

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TABLE OF CONTENTS

COMMERCIAL TRUCK MARKET TRENDS.....	2
J.D. POWER VALUATION SERVICES COMMERCIAL TRUCK VALUE TRENDS	6
AT J.D. POWER VALUATION SERVICES [FORMERLY NADA USED CAR GUIDE].....	7

COMMERCIAL TRUCK MARKET TRENDS

Off-Again Month for Used Truck Supply

July marked a return to a very low volume of Class 8 trades entering the market, with pricing stable to upward. Medium duty trucks had an off month for pricing.

Sleeper Tractors – Auction

Last month, Guidelines showed an increased volume of trucks moving through auctions in June, which may indicate a return to more normal trade activity. That’s not yet the case, judging by the very low volume of trucks moving through auctions in July. Month-over-month, the volume of the three most popular sleeper tractors sold through the two largest nationwide auction companies dropped from 298 to 100, the lowest level since January.

Pricing was stable to upward, with the newest, lowest-mileage units performing most strongly, as usual. See below for detail.

*Model year 2015: \$47,000 average; \$5,750 [13.9%]
higher than June*

*Model year 2014: \$34,250 average; \$3,250 [8.7%]
lower than June*

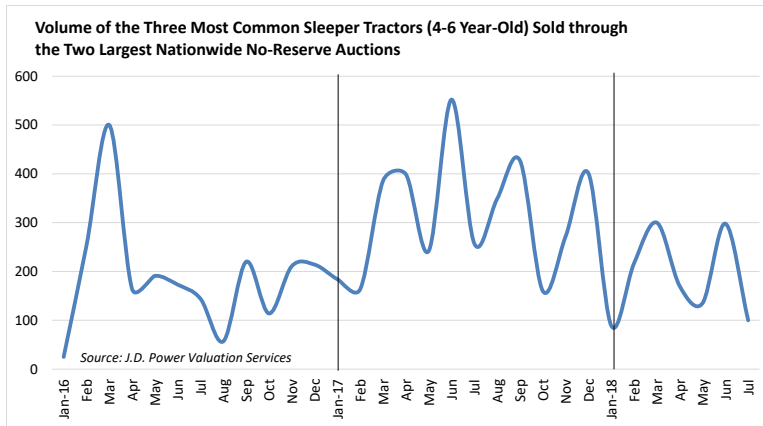
Model year 2013: \$30,000 average; \$1,150 [4.0%] higher than June

Model year 2012: \$26,500 average; \$700 [2.7%] higher than June

Model year 2011: \$18,800 average; \$1,700 [8.3%] lower than June

Year-over-year, trucks four to six years of age sold in the first seven months of 2018 brought 22% more money than the same period in 2017.

July marked a return to a very low volume of Class 8 trades entering the market, with pricing stable to upward. Medium duty trucks had an off month for pricing.



Auctions are only one way of unloading inventory, but they are a reliable indicator of supply. We still expect activity to increase in the second half of the year, although timeframe will be later than predicted mainly due to production constraints.

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

Sleeper Tractors – Retail

Retail pricing remained stable for yet another month. Sales volume was moderately higher than last month, but there was still enough demand to absorb any increase in supply.

The average sleeper tractor retailed in June was 83 months old, had 451,541 miles, and brought \$51,734. Compared to May, the average sleeper was two months older, had 2,929 [0.7%] fewer miles, and brought \$1,328 [2.5%] less money. Compared to June 2017, this average sleeper was 9 months older, had 8,442 [1.9%] more miles, and brought \$3,843 [8.0%] more money.

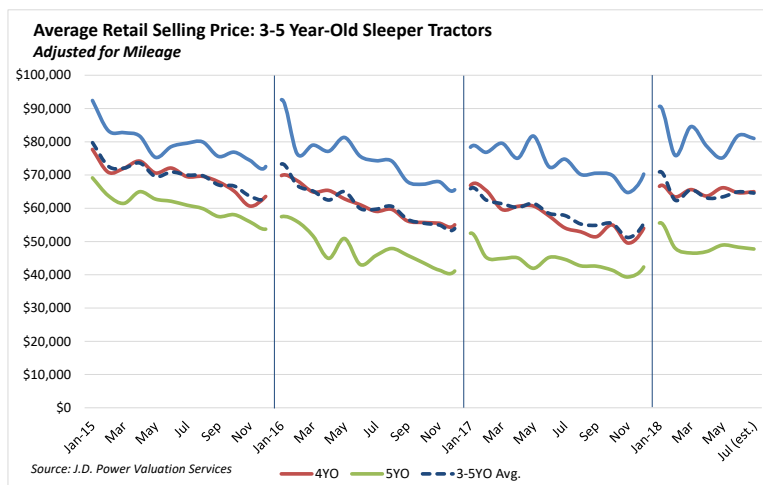
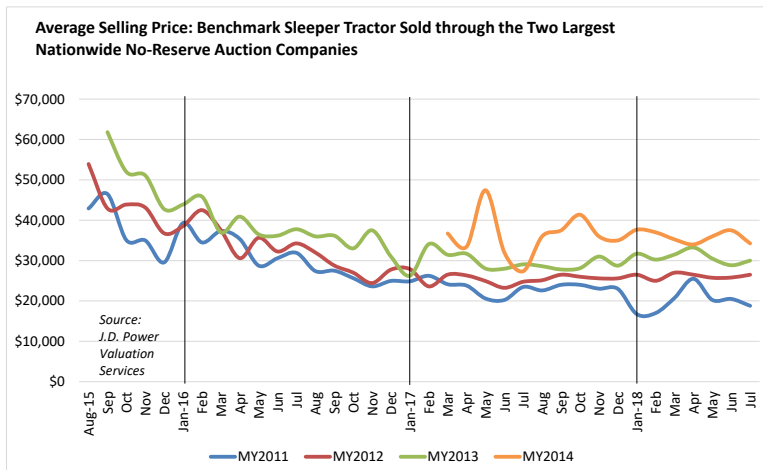
Looking at trucks three to five years of age, June’s average pricing was as follows:

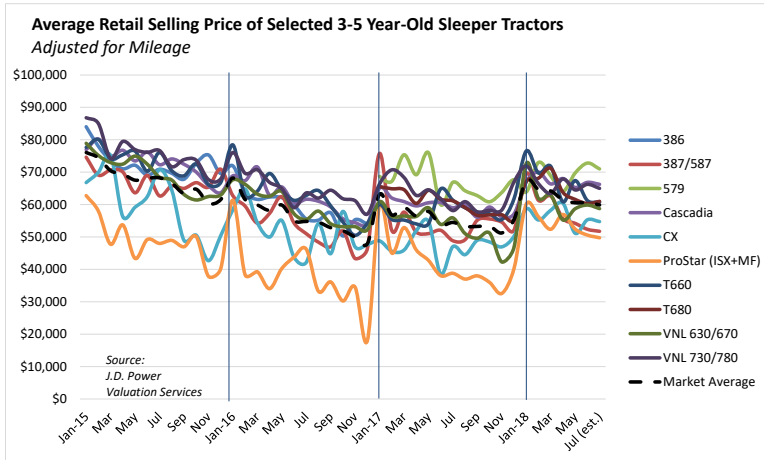
Model year 2016: \$81,858; \$6,697 [8.9%] higher than May

Model year 2015: \$64,672; \$1,495 [2.3%] lower than May

Model year 2014: \$48,310; \$629 [1.3%] lower than May

On a year-over-year basis, late-model trucks sold in the first 6 months of 2018 brought 5.6% more money than in the same period of 2017. In the first half of 2018, depreciation averaged just under 1% per month. This figure compares favorably to the 1.7% depreciation in the same period of last year.



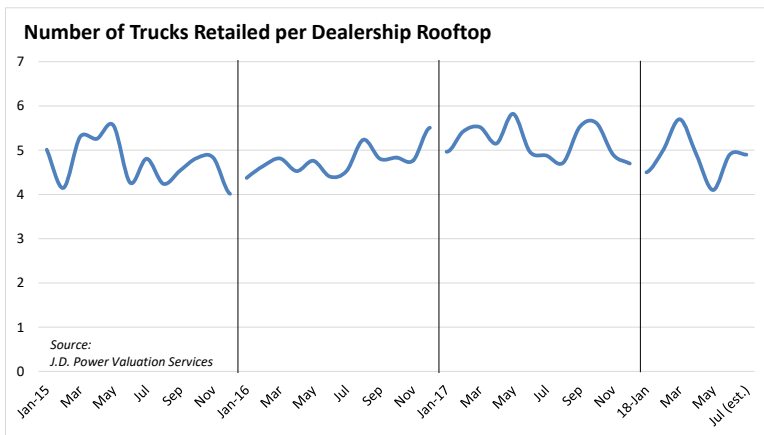


See the "Average Retail Selling Price: 3-5 Year-Old Sleeper Tractors" graph for detail.

Looking at specific models, there was little competitive movement in June. 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.

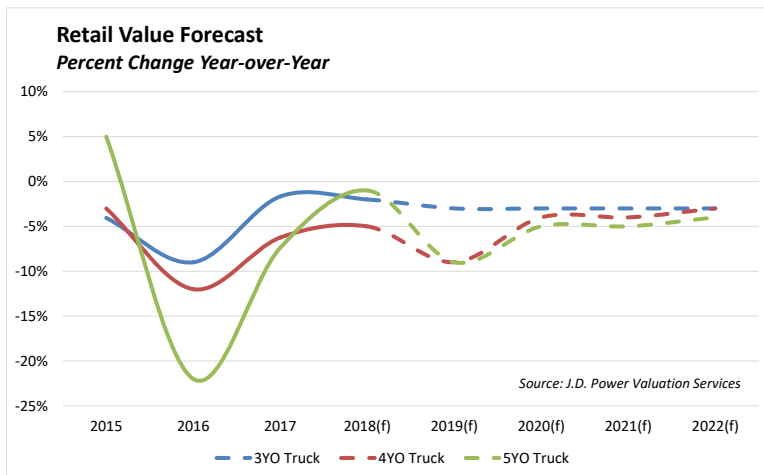
Class 8 sales per dealership rose back up to a more typical level in June, coming in at 4.9 trucks per rooftop. This result is still lower than the 5.0-5.5 average we had predicted for this point in the year. With late-model trucks continuing to bring strong money and dealers actively soliciting inventory to sell, the retail channel has some momentum.



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

Looking forward over the long term, new truck orders continue to break records, which will eventually result in notable changes to used truck supply. Roughly at the same time, the acceleration in economic conditions should moderate. As such, we have adjusted our projections downward.

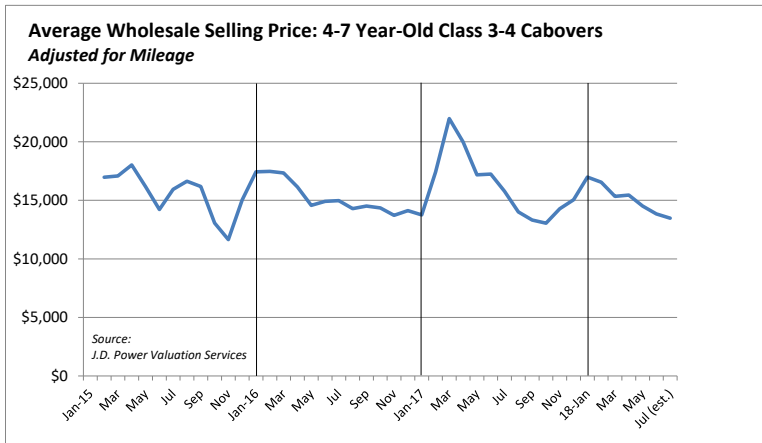
See the "Retail Value Forecast" graph for a look at how we see used truck pricing unfolding over the next four years.



Medium Duty Trucks

Medium duty trucks did not have a strong month. Cabovers and lighter-GVW conventionals were down compared to last month, while heavier conventionals were the exception, bringing more money than last month.

Starting with Class 3 - 4 cabovers, June's average pricing came in at \$13,059. This figure is \$1,554 [10.6%] lower than May, and \$4,554 [25.9%] lower than June 2017. June's result was the lowest since



October 2017. Average mileage was up mildly over last month, and volume was down. Pricing has been mixed to downwards since the beginning of the year, suggesting subdued demand for these trucks.

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

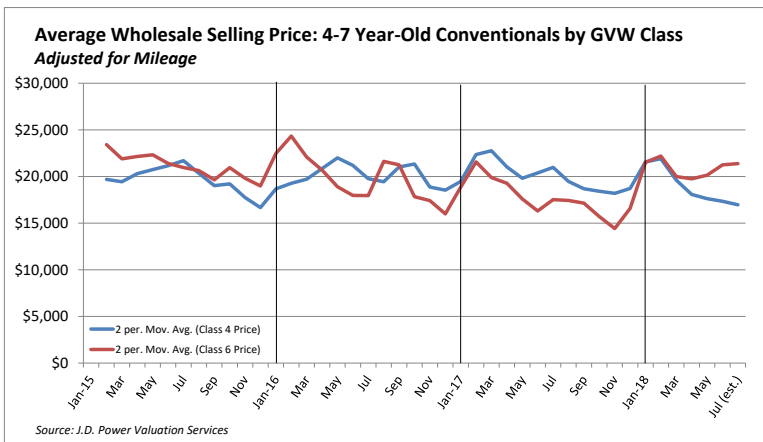
Looking at conventionals, Class 4’s averaged \$16,681 in June. This figure is \$1,331 [7.4%] lower than May, and \$5,435 [24.6%] lower than June 2017. Class 6’s averaged \$21,783 in June. This figure is \$1,071 [5.2%] higher than May, and \$4,362 [25.0%] higher than June 2017.

Volume was up in both segments, but that doesn’t appear to have been a factor in average pricing this month. Class 6’s continued their recent strength, while Class 4’s continued their mixed trajectory.

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

Forecast

Despite production constraints, fleets have been taking delivery of a higher number of new trucks. As we get into the second quarter of 2019, their needs will be closer to being met. Roughly at that time, the acceleration in economic conditions should be moderating to an extent, creating more typical supply/demand conditions.



COMMERCIAL TRUCK GUIDE TRENDS

Monthly Change in J.D. Power Valuation Services' Value

Jul 2018 vs Aug 2018

Commercial Truck Segment	2012MY	2013MY	2014MY	2015MY	2016MY*
Commercial Van	↘ -0.6%	↘ -1.0%	↘ -0.7%	↘ -1.2%	↘ -0.9%
Extended Hood	→ 0.0%	→ 0.0%	→ 0.0%	→ 0.0%	→ 0.0%
Highway Aerodynamic	→ 0.0%	→ -0.5%	→ -0.5%	↘ -0.8%	↓ -1.8%
Highway Traditional	→ 0.0%	→ 0.0%	→ -0.3%	↘ -0.6%	NULL
Local/Delivery Daycab	→ 0.0%	→ 0.0%	↓ -2.6%	↘ -1.0%	↓ -6.0%
Medium Duty Cabover	→ 0.0%	→ 0.0%	→ 0.0%	→ 0.0%	→ 0.0%
Medium Duty Conventional	→ -0.4%	↓ -1.8%	↓ -2.0%	↘ -1.7%	↘ -0.9%
Vocational/Construction	→ 0.0%	→ 0.0%	→ 0.0%	→ 0.0%	→ 0.0%

*Value movement can be influenced by newly valued vehicles.

Annual Change in J.D. Power Valuation Services' Value

July 2017 vs. July 2018*

Commercial Truck Segment	5YR	4YR	3YR	2YR
Commercial Van	-0.6%	-5.0%	5.7%	2.5%
Extended Hood	8.4%	-3.9%	5.5%	-3.4%
Highway Aerodynamic	15.3%	8.8%	6.6%	3.0%
Highway Traditional	5.9%	-1.4%	NULL	NULL
Local/Delivery Daycab	8.1%	2.1%	0.1%	8.3%
Medium Duty Cabover	6.4%	-6.9%	-7.2%	4.5%
Medium Duty Conventional	15.3%	11.4%	9.1%	0.7%
Vocational/Construction	15.7%	13.2%	3.2%	8.2%

*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' Value

January 2018 — August 2018

Commercial Truck Segment	2012MY	2013MY	2014MY	2015MY	2016MY*
Commercial Van	-9.0%	-5.5%	-5.7%	-6.6%	-5.7%
Extended Hood	-1.1%	-0.1%	-7.3%	-6.0%	-7.5%
Highway Aerodynamic	-2.8%	-9.3%	-10.9%	-8.6%	-13.3%
Highway Traditional	-0.3%	-0.1%	-6.6%	-7.9%	NULL
Local/Delivery Daycab	-1.2%	-2.8%	-7.7%	-6.9%	-16.2%
Medium Duty Cabover	-3.5%	-5.6%	-10.1%	-5.7%	-3.4%
Medium Duty Conventional	-1.6%	-2.5%	-4.0%	-0.3%	-1.4%
Vocational/Construction	-2.9%	-2.8%	-2.3%	-2.3%	-1.3%

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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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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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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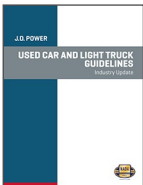
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ADDITIONAL RESOURCES



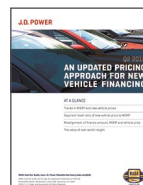
Guidelines

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

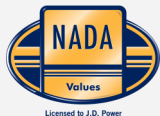
J.D. Power Valuation Services' white papers and special reports aim to inform industry stakeholders on current and expected used vehicle price movement to better maximize today's opportunities and manage tomorrow's risk.



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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