

J.D. POWER

COMMERCIAL TRUCK GUIDELINES

Industry Update

JUNE 2018

- **Supply increase has not yet come to pass**

Fleets holding on to equipment, plus buying additional used trucks

- **Pricing stable to mildly downward**

Late-model, low-mileage trucks in short supply

- **Medium duty market mostly negative**

Higher-GVW trucks performing best

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COMMERCIAL TRUCK MARKET TRENDS

Supply Increase Kept at Bay for Yet Another Month

The predicted supply increase of Class 8 trucks had not yet come to pass as of May. Stronger demand is absorbing any additional trucks that become available. Medium duty segments had a less successful month, with most segments bringing lower pricing.

Sleeper Tractors – Auction

Volume at the auctions we monitor remains lower than predicted. The number of trades entering the market had not yet ramped up to expected levels as of May. As such, pricing remains stable to mildly downward. Smaller auction houses continue to move more trucks than last year.

May auction performance of our benchmark model was as follows:

Model year 2015: \$43,300 average; \$2,500 [5.5%] lower than April

Model year 2014: \$36,000 average; \$2,000 [5.9%] higher than April

Model year 2013: \$30,500 average; \$2,750 [8.3%] lower than April

Model year 2012: \$25,750 average; \$750 [2.8%] lower than April

Model year 2011: \$20,250 average; \$5,250 [20.6%] lower than April

Year-over-year, trucks four to six years of age sold in the first five months of 2018 brought 18% more money than the same period in 2017. Late-model, low-mileage trucks are in relatively tight supply, but we expect this to change somewhat in upcoming months. Historical delivery patterns combined with the massive increase in new truck orders in the past three quarters makes an increase in supply inevitable.

The predicted supply increase of Class 8 trucks had not yet come to pass as of May. Stronger demand is absorbing any additional trucks that become available. Medium duty segments had a less successful month, with most segments bringing lower pricing.

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

Sleeper Tractors – Retail

April was another month with stable pricing. Retail sales volume was lower than expected, and the predicted increase in trades has not yet come to pass. As was the case last month, a few aggressively-priced, multi-unit packages impacted our averages. Actual pricing for individual trucks was better than the figures below suggest.

The average sleeper tractor retailed in April was 81 months old, had 459,737 miles, and brought \$49,299. Compared to March, the average sleeper was 5 months older, had 3,102 [0.7%] fewer miles, and brought \$797 [1.6%] more money. Compared to April 2017, this average sleeper was 7 months older, had 6,094 [1.3%] more miles, and brought \$878 [1.8%] more money.

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

Model year 2016: \$78,667; \$5,898 [7.0%] lower than March

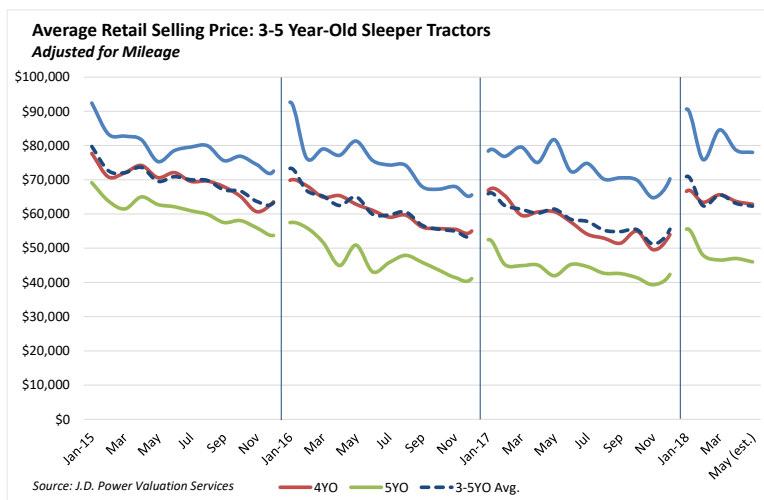
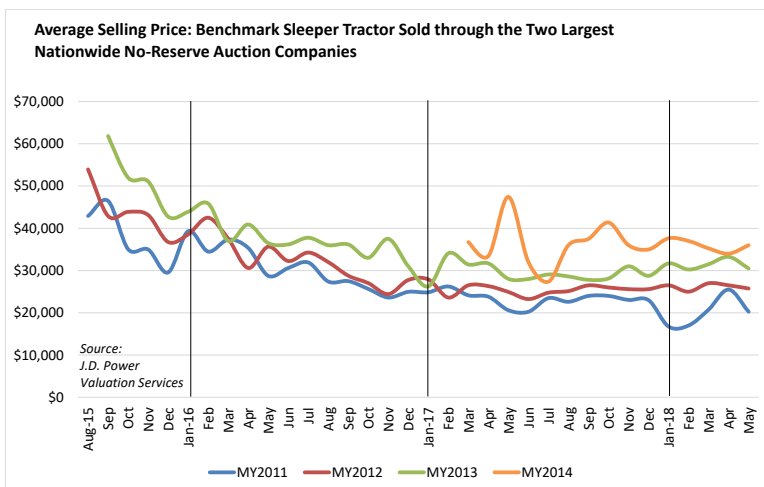
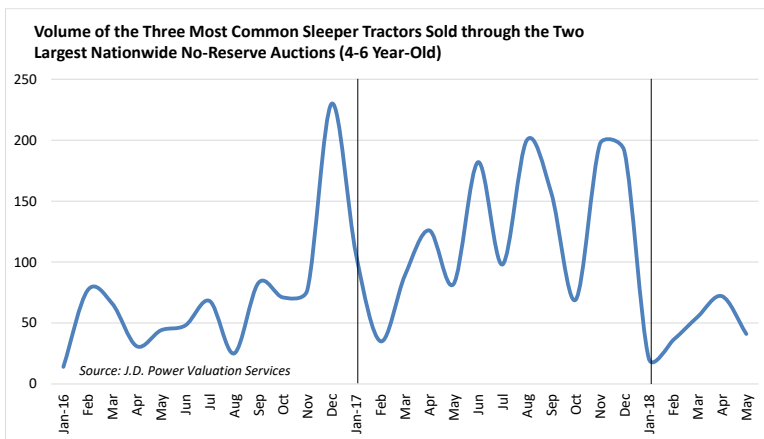
Model year 2015: \$63,686; \$1,931 [2.9%] lower than March

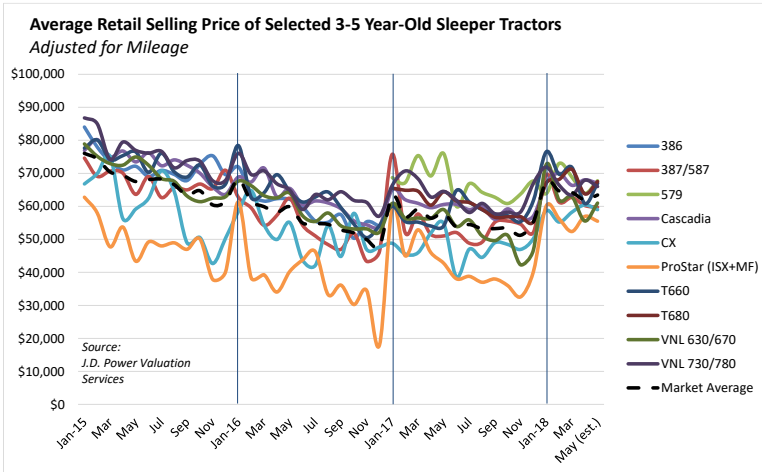
Model year 2014: \$46,995; \$440 [0.9%] higher than March

On a year-over-year basis, late-model trucks sold in the first four months of 2018 brought 4.8% more money than in the same period of 2017.

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

Looking at specific models, newer International ProStars have made notable gains, particularly when equipped with the Cummins ISX. Otherwise, lower volume in April resulted in some competitive movement that we do not consider meaningful.

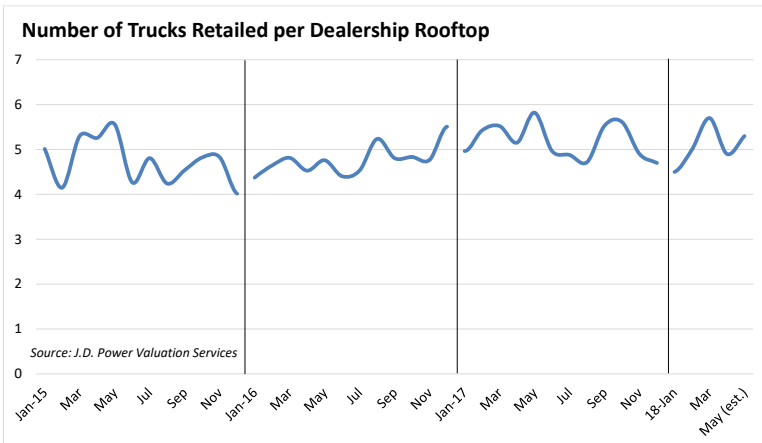




See the "Average Retail Selling Price of Selected 3- to 5-Year-Old Sleeper Tractors" graph for detail.

Class 8 sales per dealership dropped unexpectedly in April, coming in at 4.9 trucks per rooftop. This result is 0.8 truck lower than March, and contrary to predictions. There is a mild shortage of newer used trucks with under 400,000 miles, which could partially explain the lower sales volume. However, pricing for these trucks suggests supply is still saturated for the most part.

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



Looking forward over the long term, new truck orders remain extremely high, which will add supply to a market already expected to increase in upcoming months. 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

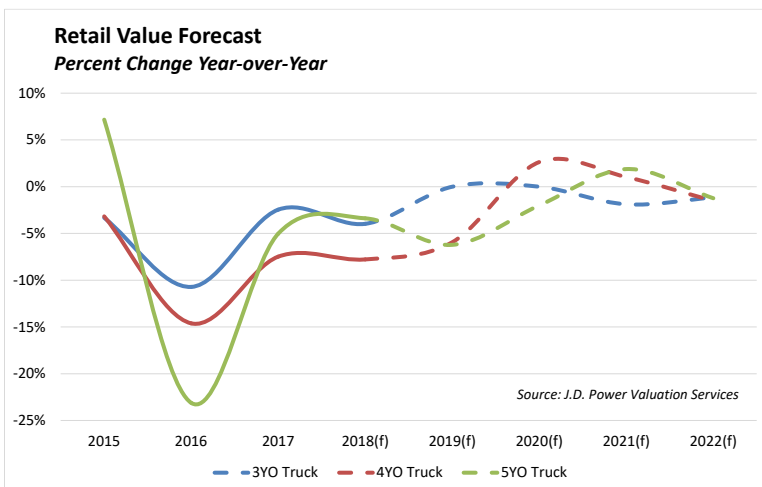
Medium duty segments were more negative than positive in April, with heavier-GVW conventionals performing strongest.

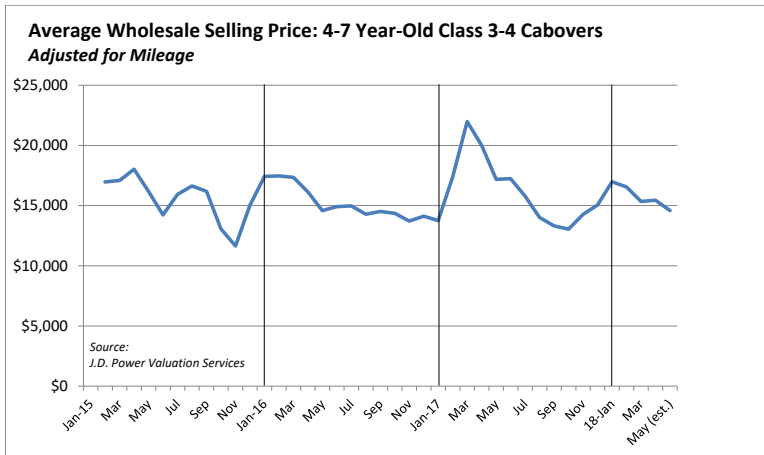
Starting with Class 3 - 4 cabovers, April's average pricing came in at \$14,408. This figure is \$2,078 [12.6%] lower than March, and \$3,090 [17.7%] lower than April 2017. A higher-mileage mix of trucks sold in April is mainly responsible for the lower pricing. We do adjust our averages for mileage, but the intangibles of harder use impacts pricing. As such, we see the cabover market as depreciating mildly.

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

Class 4 conventionals lost ground for a third month, while Class 6 conventionals remain stable.

Specifically, Class 4's averaged \$17,237 in April. This figure is \$1,684 [8.9%] lower than March, and \$3,751





[17,9%] lower than April 2017. Class 6's averaged \$19,563 in April. This figure is \$382 [1.9%] lower than March, and \$419 [2.1%] lower than April 2017.

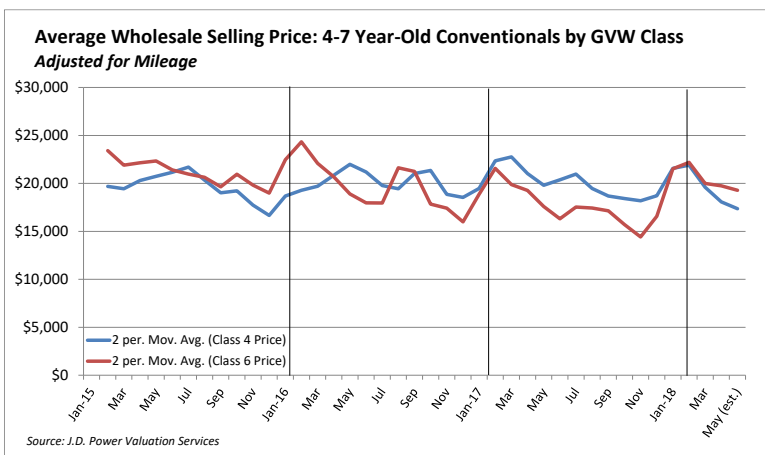
Class 4 depreciation appears to be more than just a one-month anomaly. Sales volume was up moderately, but this same factor did not impact pricing for heavier-GVW trucks. Average mileage was lower than the past two months, so we can disregard that factor. It appears demand for Class 4 trucks may be pulling back.

Class 6 trucks held steady month-over-month, with average mileage and pricing nearly identical to March. While off mildly from the early first quarter, pricing for this group appears stronger than the second half of 2017.

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

Forecast

Strong demand for freight, long lead times for new trucks, and the the ELD mandate are supporting pricing on the used side. However, historical delivery patterns and the massive increase in new truck orders should increase supply in upcoming months. Even in a rebounding environment, there's only so much supply the market can absorb. As such, we still predict depreciation will average 2% per month by year's end.



ATD OFFICIAL COMMERCIAL TRUCK GUIDE TRENDS

Monthly Change in ATD/NADA Commercial Truck Guide Value

May 2018 vs. June 2018

| Commercial Truck Segment | 2012MY | 2013MY | 2014MY | 2015MY | 2016MY* |
|--------------------------|---------|---------|---------|---------|---------|
| Commercial Van | ↓ -1.8% | → 0.0% | → -0.1% | ↘ -1.7% | → -0.1% |
| Extended Hood | → 0.0% | → 0.0% | → 0.0% | → 0.0% | → -0.2% |
| Highway Aerodynamic | → 0.0% | ↘ -1.1% | ↓ -1.8% | ↘ -1.0% | ↘ -1.7% |
| Highway Traditional | → 0.0% | → 0.0% | → 0.0% | → -0.2% | NULL |
| Local/Delivery Daycab | → 0.0% | → 0.0% | ↘ -0.7% | → -0.4% | ↘ -1.2% |
| Medium Duty Cabover | → 0.0% | → 0.0% | → 0.0% | → 0.0% | → 0.0% |
| Medium Duty Conventional | → 0.0% | → 0.0% | → 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

June 2017 vs. June 2018*

| Commercial Truck Segment | 5YR | 4YR | 3YR | 2YR | Segment Change |
|--------------------------|-------|-------|--------|-------|----------------|
| Commercial Van | -0.5% | -4.3% | 7.6% | 3.4% | -8.1% |
| Extended Hood | 8.4% | 0.1% | 9.2% | -3.4% | -3.5% |
| Highway Aerodynamic | 13.6% | 7.7% | 7.0% | 0.9% | -10.3% |
| Highway Traditional | 6.1% | 2.9% | NULL | NULL | -10.4% |
| Local/Delivery Daycab | 10.4% | 2.8% | 6.4% | 6.3% | -3.7% |
| Medium Duty Cabover | 3.6% | -8.6% | -10.8% | -2.2% | -8.9% |
| Medium Duty Conventional | 18.9% | 14.0% | 11.0% | 1.8% | 0.5% |
| Vocational/Construction | 14.0% | 11.9% | 1.0% | 5.7% | -2.1% |

*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 2018 — June 2018

| Commercial Truck Segment | 2012MY | 2013MY | 2014MY | 2015MY | 2016MY* | Segment |
|--------------------------|--------|--------|--------|--------|---------|---------|
| Commercial Van | -8.5% | -5.2% | -4.3% | -4.6% | -3.4% | -4.7% |
| Extended Hood | -1.0% | 0.0% | -7.3% | -2.1% | -4.3% | -3.2% |
| Highway Aerodynamic | -2.8% | -8.8% | -10.4% | -7.7% | -11.6% | -8.6% |
| Highway Traditional | -0.2% | 0.0% | -6.4% | -3.9% | NULL | -2.9% |
| Local/Delivery Daycab | -1.2% | -2.8% | -5.3% | -5.4% | -10.9% | -4.6% |
| Medium Duty Cabover | -5.9% | -6.3% | -10.0% | -9.0% | -5.7% | -7.4% |
| Medium Duty Conventional | -1.2% | -0.6% | -2.0% | 1.4% | -0.5% | 0.1% |
| Vocational/Construction | -2.9% | -2.8% | -2.3% | -2.3% | -1.3% | -2.5% |

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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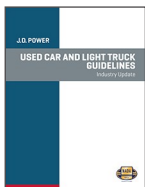
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ADDITIONAL RESOURCES



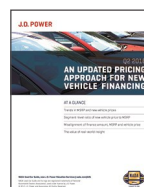
Guidelines

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.



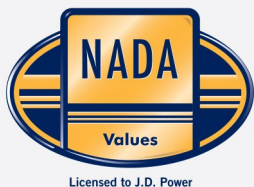
White Papers

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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