

COMMERCIAL TRUCK GUIDELINES

Industry Update

APRIL 2018

- **March Class 8 auction results better than expected**

Pricing more stable than predicted, with somewhat fewer trucks sold

- **February Class 8 retail depreciation on the high side of expectations**

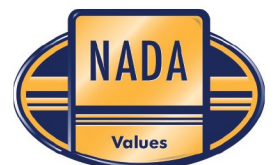
Aggressive pricing on multiple-unit packages is increasingly common

- **Medium Duty segments drop unexpectedly**

Higher volume is likely factor

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COMMERCIAL TRUCK MARKET TRENDS

Market Mixed as First Quarter Closes Out

March auction performance was somewhat better than expected, while February retail pricing showed expected depreciation. Medium duty trucks were down notably.

Sleeper Tractors – Auction

The auction markets ramped up fully in March, and volume was at the lower end of expectations. Smaller auction houses moved notably more iron than in previous months, suggesting sellers are looking for additional outlets for equipment.

March auction performance of our benchmark model was as follows:

*Model year 2014: \$35,250 average; \$1,750 [4.7%]
lower than February*

*Model year 2013: \$31,250 average; \$57 [0.2%]
higher than February*

*Model year 2012: \$27,000 average; \$478 [1.8%]
higher than February*

*Model year 2011: \$20,750 average; \$3,383 [14.0%]
lower than February*

Year-over-year, trucks four to six years of age sold in the first quarter of this year brought 19% more money than the same period a year ago. Year-over-year gains are encouraging, but the returning supply of late-model trucks expected throughout the year should keep depreciation near our 2% per month estimate.

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

March auction performance was somewhat better than expected, while February retail pricing showed expected depreciation. Medium duty trucks were down notably.

Sleeper Tractors – Retail

February's pricing was down substantially from January. As predicted, a greater volume of late-model trucks is impacting pricing, with some dealers selling multiple-unit packages at aggressive retail prices.

The average sleeper tractor retailed in February was 74 months old, had 458,975 miles, and brought \$48,579. Compared to January, the average sleeper was identical in age, had 278 [0.1%] more miles, and brought \$2,675 [5.2%] less money. Compared to February 2017, this average sleeper was 2 months older, had 8,989 [2%] more miles, and brought \$1,230 [2.5%] more money.

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

Model year 2016: \$75,893; \$14,752 [16.3%] lower than January

Model year 2015: \$63,419; \$3,184 [4.8%] lower than January

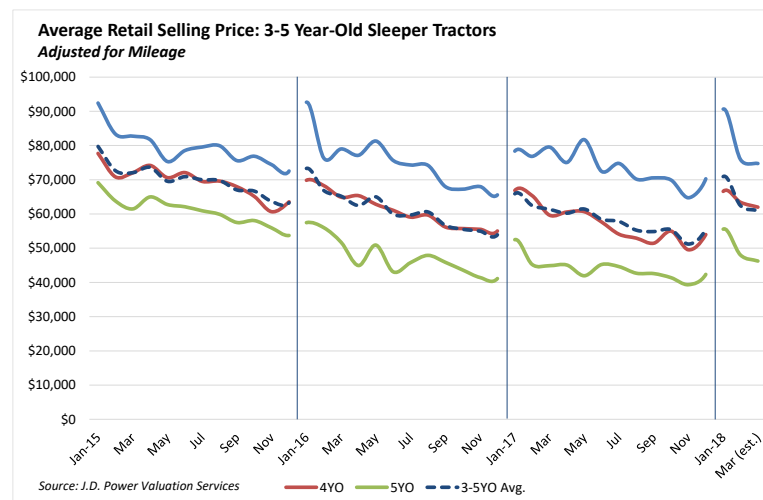
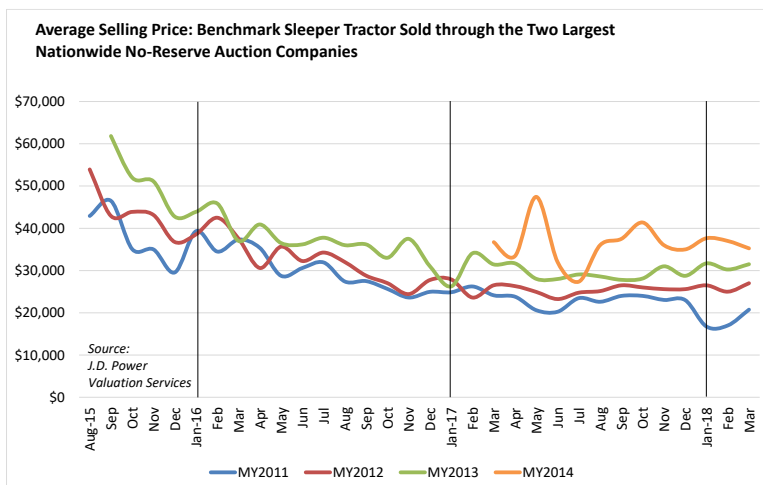
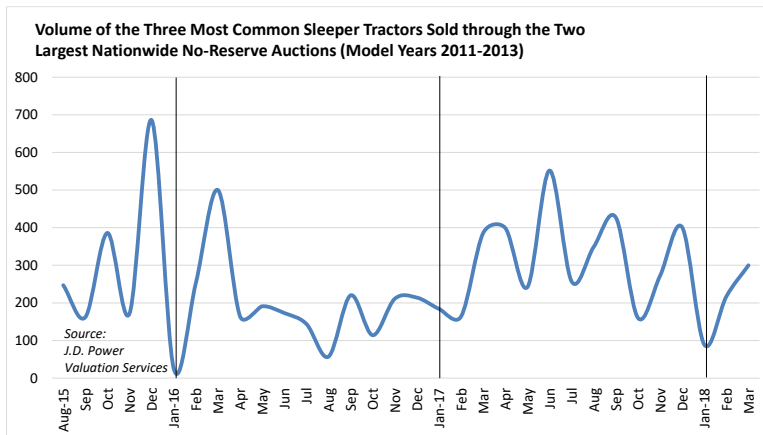
Model year 2014: \$47,992; \$7,573 [13.6%] lower than January

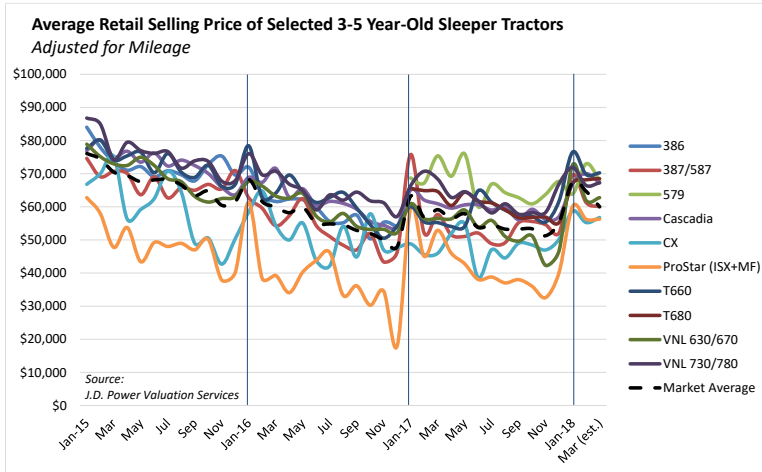
On a year-over-year basis, late-model trucks sold in the first two months of 2018 brought 3.9% more money than in the same period of 2017. February's data showed some dealers are willing to accept aggressively low prices to move multiple similar units. This activity will drive depreciation going forward.

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

Looking at specific models, the International ProStar has edged much closer to the average, thanks to a greater number of newer trucks sold, as well as better relative performance of N13-powered units. See the "Average Retail Selling Price of Selected 3- to 5-Year-Old Sleeper Tractors" graph for detail.

Class 8 sales per dealership edged back up closer to our expected level coming in at 5 trucks per rooftop.





This year started out slower than expected, probably due to severe weather in many parts of the country combined with uncertainty about tax policy early in the year. Last year's monthly average was 5.2 trucks per rooftop, compared to 4.7 in the first two months of 2018. We expect average volume to increase toward 5.5 trucks per rooftop in the coming months as the weather factor goes away and buyers invest in an improving economy.

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

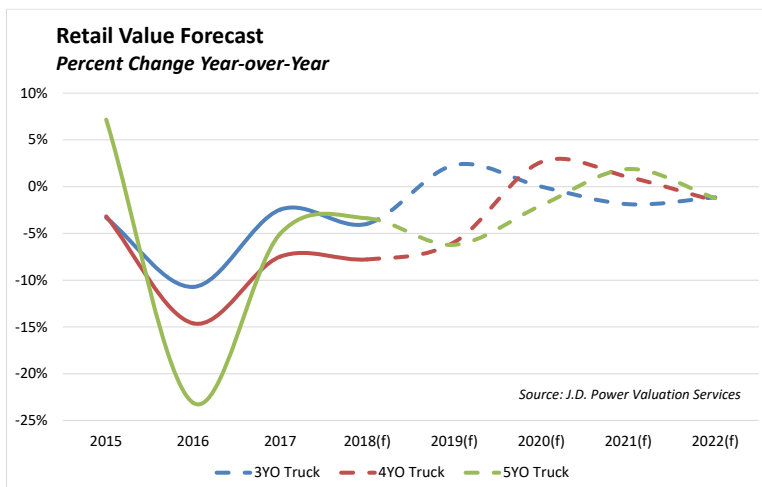
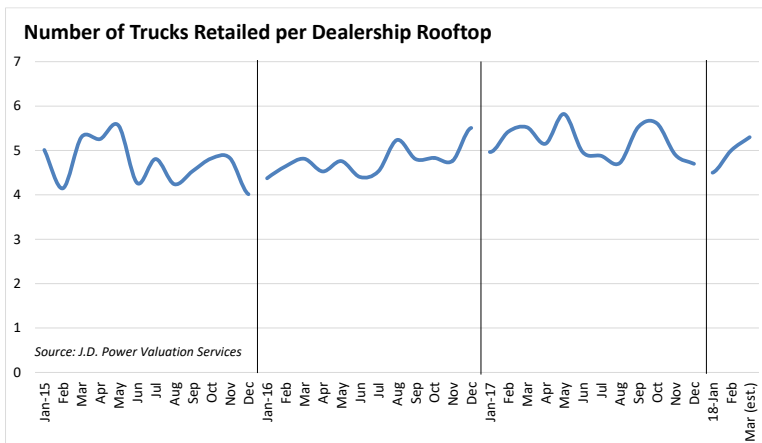
Looking forward over the long term, new truck orders in the first three months of 2018 were at a historic high, which means 2018 should see an elevated volume of deliveries. Fleets are taking advantage of tax breaks—and incentives—and appear optimistic about economic conditions in 2018. Also, it is possible buyers want to lock in guaranteed residuals before depreciation further devalues trade-ins later in the year. See the "Retail Value Forecast" graph for a look at how we see used truck pricing unfolding over the next four years.

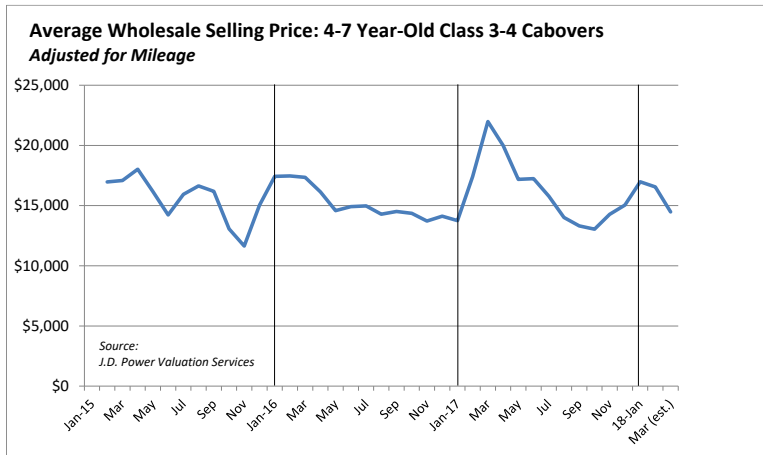
Medium Duty Trucks

January's strength gave way to weakness in February as most segments of the medium duty market returned notably lower pricing.

Starting with Class 3-4 cabovers, February's average pricing came in at \$14,194. This figure is \$4,878 [25.1%] lower than January, and \$7,535 [34.1%] lower than February 2017. Volume was moderately higher than January, but there are no obvious factors explaining the decrease. We still see more strength than weakness in the cabover segment going forward.

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





Class 4 and Class 6 trucks both sold in much greater numbers in February compared to January. Both segments returned notably lower pricing. Class 6 trucks depreciated enough to lose ground to Class 4's.

Specifically, Class 4's averaged \$20,290 in February. This figure is \$3,234 [13.7%] lower than January, and \$4,148 [17.1%] lower than February 2017. Class 6's averaged \$20,057 in February. This figure is \$4,255 [17.5%] lower than January, and \$1,143 [5.4%] lower than February 2017.

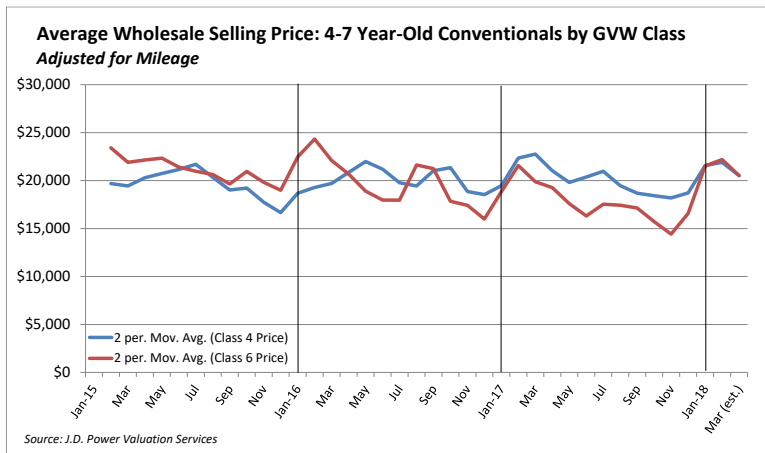
The primary factor behind the lower Class 6 pricing appears to be much higher volume. This segment can be impacted by rental fleets liquidating equipment, and it appears February was one of those months. This lower pricing potentially trickled down to lighter GVW's.

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

Forecast

March auction volume was somewhat lower than expected, while pricing was mildly higher. Trends in the auction channel generally predict trends in the retail channel, so retail depreciation may be at the lower end of expectations once complete March retail

data is collected. Our outlook remains unchanged, though, with 2% per month depreciation predicted.



ATD OFFICIAL COMMERCIAL TRUCK GUIDE TRENDS

Monthly Change in ATD/NADA Commercial Truck Guide Value

March 2018 vs. April 2018

Commercial Truck Segment	2011MY	2012MY	2013MY	2014MY	2015MY*
Commercial Van	↓ -4.9%	↓ -3.7%	↓ -3.3%	↗ -1.6%	↗ -1.6%
Extended Hood	↗ 0.0%	↗ 0.0%	↓ -7.3%	↓ -2.1%	↓ -3.6%
Highway Aerodynamic	↗ -1.5%	↓ -6.1%	↓ -6.8%	↓ -3.2%	↓ -4.8%
Highway Traditional	↗ 0.0%	↗ 0.0%	↓ -6.4%	↓ -3.7%	NULL
Local/Delivery Daycab	↗ -0.8%	↓ -1.8%	↓ -3.8%	↓ -2.8%	↓ -4.8%
Medium Duty Cabover	↓ -5.9%	↓ -6.3%	↓ -10.0%	↓ -9.0%	↓ -5.7%
Medium Duty Conventional	↗ 0.0%	↗ 0.0%	↗ -0.5%	↓ -2.0%	↓ -3.0%
Vocational/Construction	↓ -2.9%	↓ -2.8%	↓ -2.3%	↓ -2.3%	↗ -1.3%

*Value movement can be influenced by newly valued vehicles.

Annual Change in ATD/NADA Commercial Truck Guide Value

April 2017 vs. April 2018*

Commercial Truck Segment	5YR	4YR	3YR	2YR	Segment Change
Commercial Van	0.0%	-4.3%	9.3%	3.5%	-6.3%
Extended Hood	6.8%	-0.4%	9.9%	0.6%	-4.1%
Highway Aerodynamic	12.7%	5.9%	9.0%	3.0%	-7.8%
Highway Traditional	6.1%	3.1%	NULL	NULL	-10.3%
Local/Delivery Daycab	9.7%	2.0%	8.6%	8.8%	-2.2%
Medium Duty Cabover	-2.0%	-12.3%	-10.9%	-4.2%	-11.6%
Medium Duty Conventional	18.4%	15.7%	5.9%	-2.8%	-1.5%
Vocational/Construction	13.7%	8.7%	1.3%	5.2%	-0.6%

*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 — April 2018

Commercial Truck Segment	2012MY	2013MY	2014MY	2015MY	2016MY*	Segment
Commercial Van	-6.0%	-4.8%	-3.7%	-2.2%	-2.4%	-3.4%
Extended Hood	0.0%	0.0%	-7.3%	-2.1%	-3.6%	-2.9%
Highway Aerodynamic	-0.9%	-5.9%	-7.2%	-3.4%	-5.6%	-4.8%
Highway Traditional	0.0%	0.0%	-6.4%	-3.7%	NULL	-2.8%
Local/Delivery Daycab	-0.8%	-1.8%	-3.8%	-3.2%	-6.3%	-2.9%
Medium Duty Cabover	-5.9%	-6.3%	-10.0%	-9.0%	-5.7%	-7.4%
Medium Duty Conventional	0.0%	0.0%	-0.5%	-2.0%	-3.0%	-1.0%
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.

**Commercial Truck
Market Analysis**
Chris Visser
703.610.7067
Chris.Visser@jdpa.com

**Director Sales and
Customer Service**
Dan Ruddy
703.749.4707
Dan.Ruddy@jdpa.com

**Financial Industry,
Accounting, Legal,
OEM Captive**
Steve Stafford
703.821.7275
Steve.Stafford@jdpa.com

**Automotive Dealers,
Auctions, Insurance,
Credit Unions, Fleet,
Lease, Rental Industry,
Government**
Doug Ott
703.749.4710
Doug.Ott@jdpa.com

**Director Business
Development**
James Gibson
703.821.7136
James.Gibson@jdpa.com
Media Relations
Ryan Morris
202.826.4029
Ryan.Morris@jdpa.com

J.D. Power Valuation Services (formerly NADA Used Car Guide) 8401 Greensboro Drive, Suite 1000 | McLean, VA 22102 | 800.544.6232 | nada.com/b2b

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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.

VP Vehicle Analysis & Analytics

Jonathan Banks

703.610.7008

Jonathan.Banks@jdpa.com

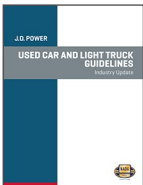
Senior Analyst and Product Manager

Chris Visser

703.610.7067

Chris.Visser@jdpa.com

ADDITIONAL RESOURCES



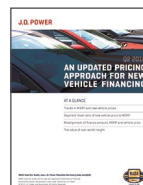
Guidelines

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.



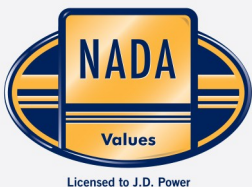
White Papers

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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