J.D. POWER

COMMERCIAL TRUCK GUIDELINES

INDUSTRY REVIEW

May 2019

J.D. Power Valuation Services

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SUMMARY

Class 8 Market Bolstered by Strong Economy… for Now

Class 8 auction pricing in April surprised on the upside, while volume was down. The retail channel also had a surprisingly good month. Medium duty trucks were flat to downward. Economic conditions were mostly strong in April, but uncertainty is increasing.

CLASS 8 AUCTION UPDATE

April's results reduced average depreciation for the year down below 1% per month.

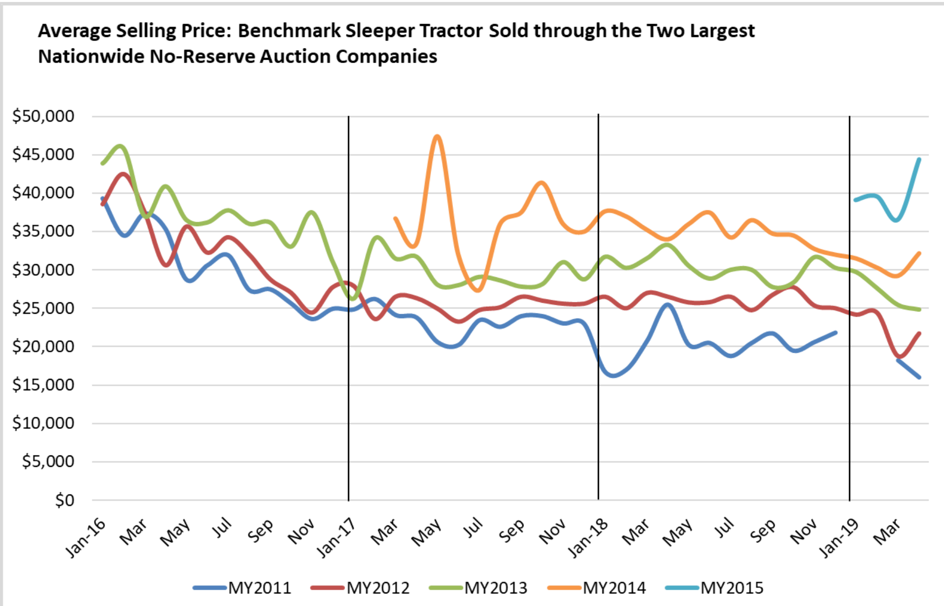
Just when we thought we had a handle on the market, April came along and threw us a loop. The volume of trucks sold was down notably from March, while pricing was up by an equally notable amount. We had expected to see the opposite – a greater volume of trucks sold at somewhat lower pricing. See below for detail.

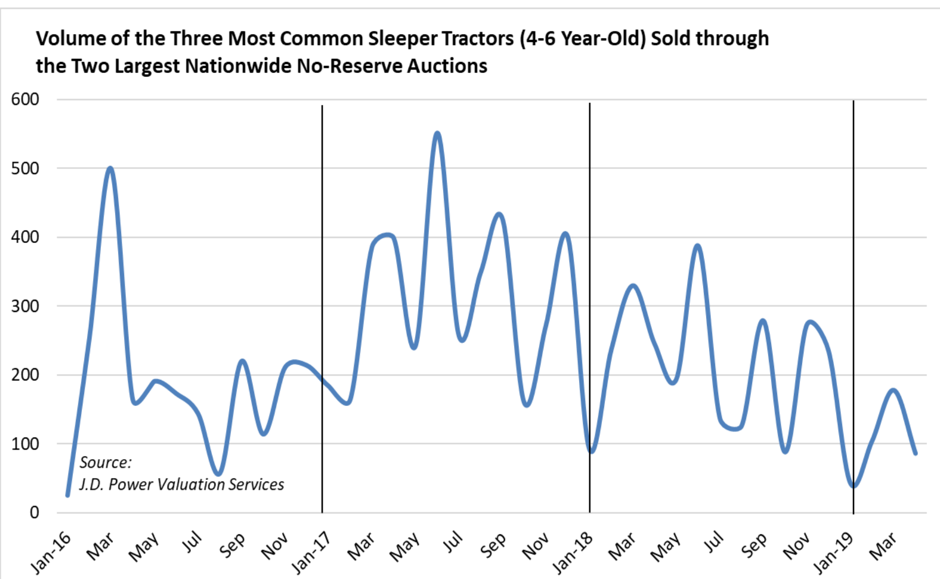
- Model year 2016: $43,920 average; $1,170 (2.7%) higher than March
- Model year 2015: $44,380 average; $7,780 (21.3%) higher than March
- Model year 2014: $32,178 average; $2,928 (10.0%) higher than March
- Model year 2013: $24,800 average; $600 (2.4%) lower than March
- Model year 2012: $21,714 average; $2,964 (15.8 %) higher than March
- Model year 2011: $16,035 average; $2,215 (12.1%) lower than March

Low volume can cause unexpected results in our averages, and that scenario was in place in April, partucularly for model year 2015. That said, we were still generally surprised by the higher pricing.

In the first 4 months of 2019, 4-6 year-old examples of our benchmark model brought 4.9% more money than in the same period of 2018. April's results reduced average depreciation for the year down below 1% per month. We still expect pricing to reach parity with 2018 and then turn mildly negative, but that shift is down the road.

See the "Average Selling Price: Benchmark Sleeper Tractor…" and "Volume of the Three Most Common Sleeper Tractors…" graphs for detail.





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CLASS 8 RETAIL UPDATE

As with auction results, retail pricing surprised on the upside in April, undoing March's dip. Dealers sold a moderately lower number of trucks this month, but demand for trucks with average to low mileage is still outstripping supply.

The average sleeper tractor retailed in April was 71 months old, had 467,939 miles, and brought $56,871. Compared to March, the average sleeper was 2 months older, had 401 (0.2%) more miles, and brought $1,050 (1.9%) more money. Compared to April 2018, this average sleeper was 3 months older, had 8,555 (1.9%) more miles, and brought $7,513 (15.2%) more money.

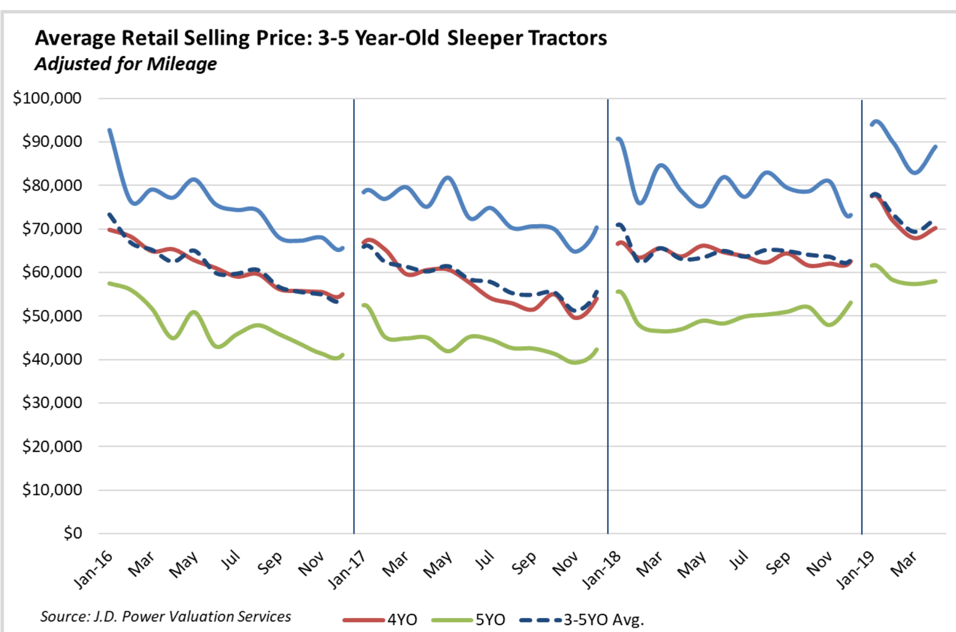
Looking at trucks three to five years of age, April's average pricing was as follows:

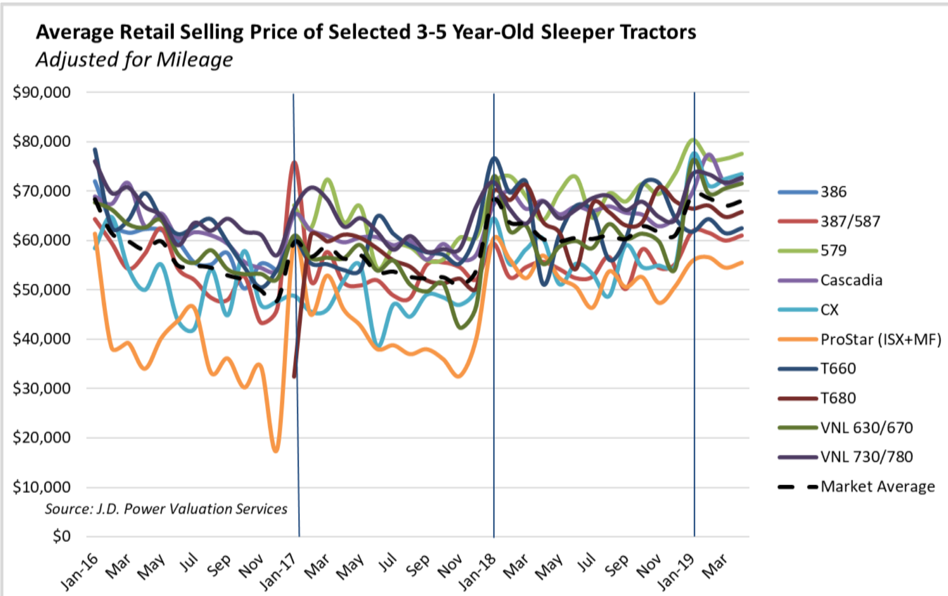
- Model year 2017: $88,826; $6,022 (7.3%) higher than March
- Model year 2016: $70,236; $2,328 (3.4%) higher than March
- Model year 2015: $57,996; $664 (1.2%) higher than March

On a year-over-year basis, late-model trucks sold in the first three months of 2019 brought 11.7% more money than in the same period of 2018. April's strong results brought depreciation in the first 4 months of 2019 down to 1.9% per month, compared to 2.2% in the same period of 2018.

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.

Late-model trucks sold in the first 4 months of 2019 brought 11.7% more money than in the same period of 2018.

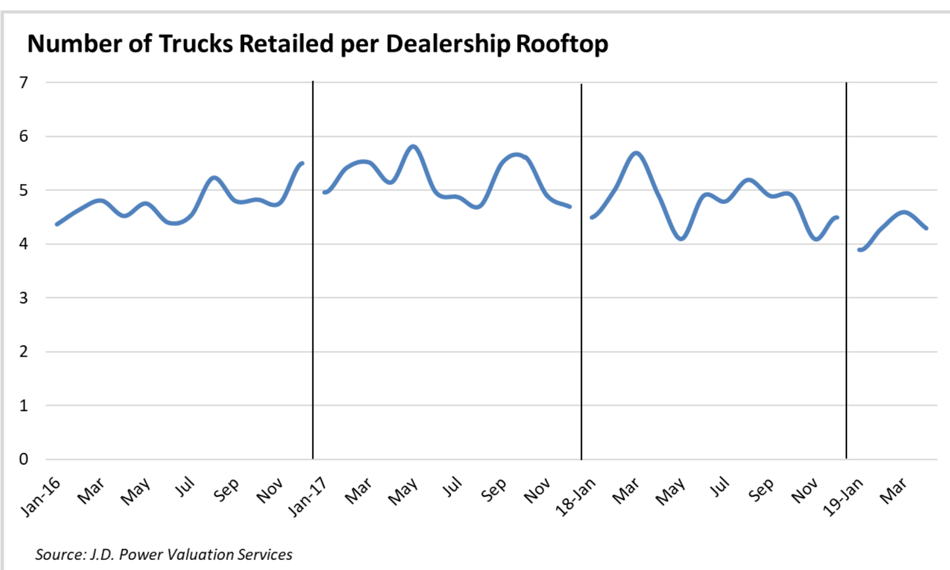




April's strong results brought depreciation in the first 4 months of 2019 down to 1.9% per month...

Class 8 sales per dealership edged back down to 4.3 trucks in April, a 0.3 truck decrease compared to March, matching February's result. Dealers are selling an average of 14.9% fewer trucks in 2019 compared to the same period of 2018.

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



Looking forward over the long term, deliveries of new trucks will remain strong into the second half of 2019, but demand is closer to being met. Uncertainty in the economy is increasing. See the Forecast section below for more analysis.

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

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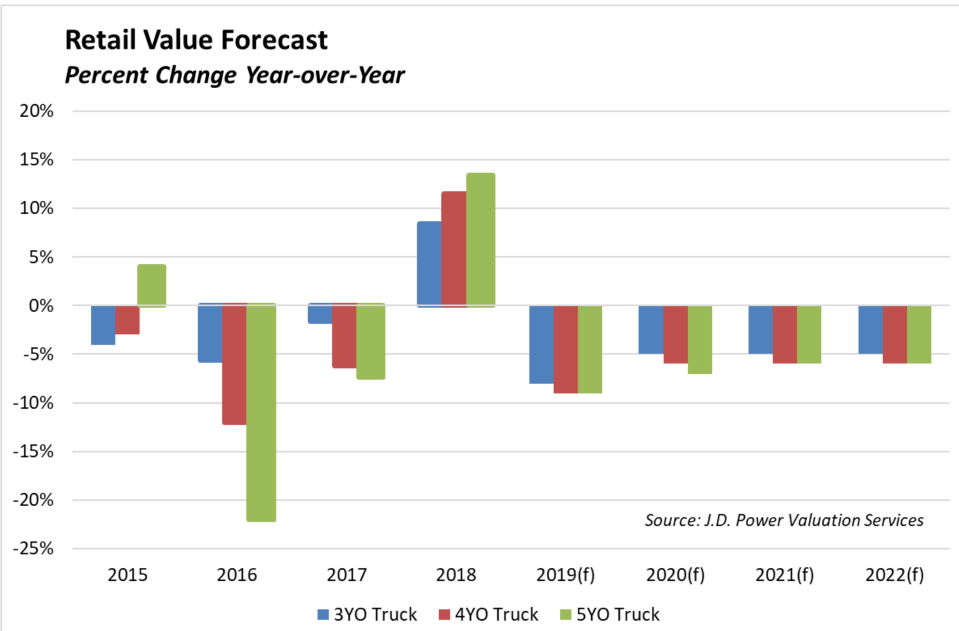
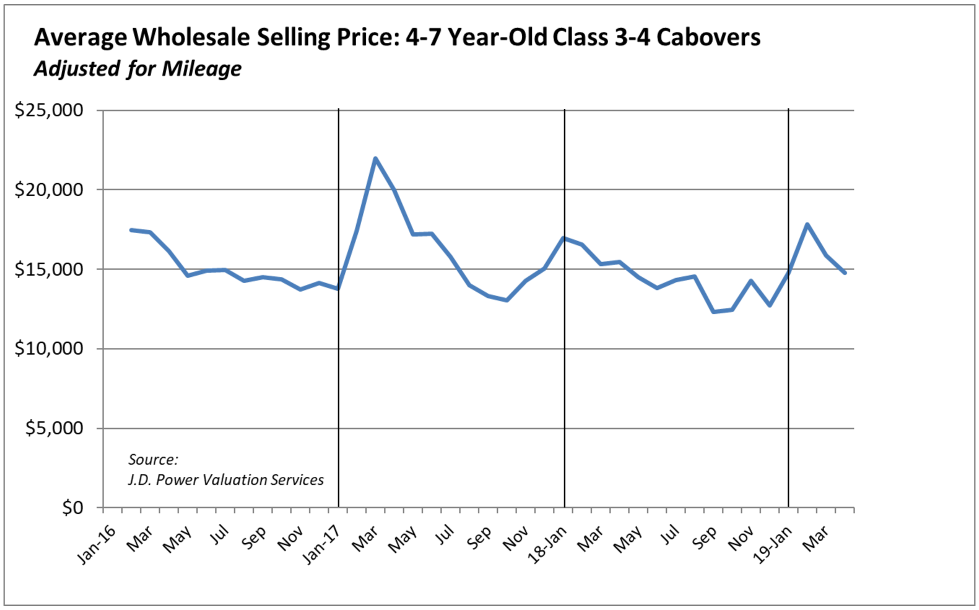


Medium Duty Trucks

Medium duty sales volume was generally higher in April while pricing was flat to down. Cabovers were essentially unchanged, Class 4 conventionals had an off month, and Class 6 conventionals fell back to February's level after an unuusally strong March.

Starting with Class 3 – 4 cabovers, April's average pricing came in at $14,658. This figure is $286 (1.9%) lower than March, and $250 (1.7%) higher than April 2018. Compared to March, mileage was up mildly and volume was up notably. In the first 4 months of 2019, pricing is running an average of 2.0% higher than the same period of 2018. Cabovers have depreciated 5.8% per month this year – aggressive, but not out of line with 2018's 5.3% per month figure.

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

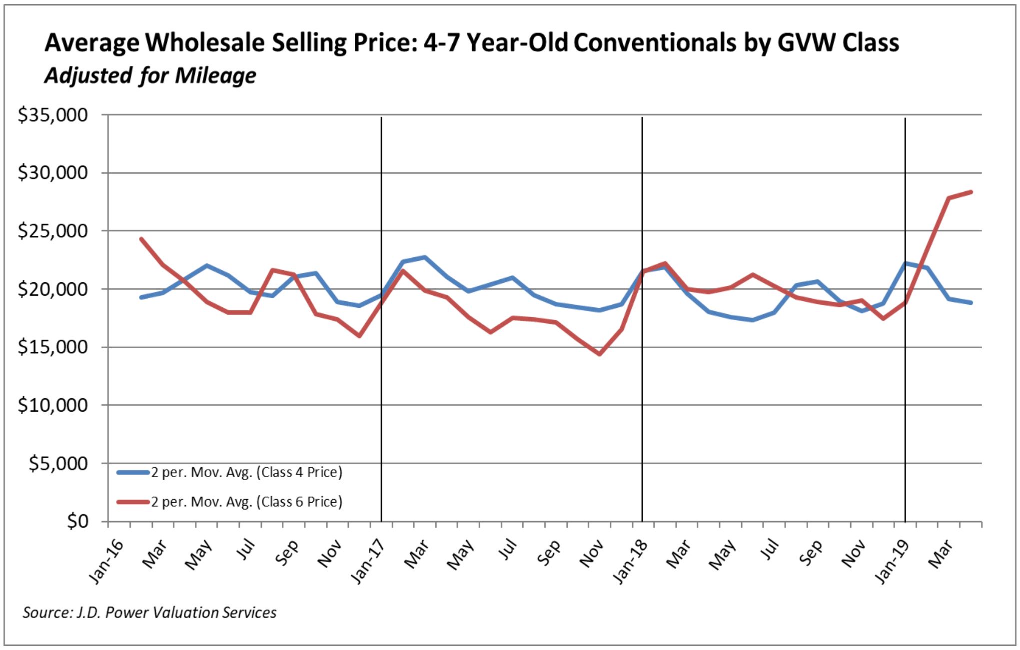


Medium-duty sales volume was generally higher in April while pricing was flat to down.

Looking at conventionals, Class 4's averaged $17,779 in April. This figure is $2,145 (10.8%) lower than March, and $542 (3.1%) higher than April 2018. In the first 4 months of 2019, pricing is running an average of 2.0% higher than the same period of 2018. This segment has lost an average of 6.4% per month this year, compared to 6.5% last year.

Class 6's averaged $26,481 in April. This figure is $3,724 (12.3%) lower than March, and $6,918 (35.4%) higher than April 2018. A newer mix of trucks sold in the most recent two months has skewed our averages, making 2019 data look more positive than it really is. In the first 4 months of 2019, average pricing for our 4-7 year-old cohort is running an average of 23.5% higher than the same period of 2018, and month-over-month pricing actually shows an increase of 7.5% per month (compared to a 4.3% per month depreciation for the same period of 2018). On an apples-to-apples basis, the Class 6 market has not actually improved that much. Individual trucks are depreciating at about 4% per month.

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



Forecast

Last month, we looked at the potential number of trucks needed in 2019 compared to 2018, and stated the market's ability to absorb any increase in trade-ins would be determined by economic conditions. Since then, the trade war heated up somewhat unexpectedly as talks broke down between China and the US. As such, we will once again see a bump in freight volumes as manufacturers pull ahead imports in advance of tariff increases and expansion. This spike will be much shorter in term than the last one, but it means the industry will continue to need an elevated number of trucks in upcoming weeks.

Going forward, the health of the market depends largely on whether the trade war is resolved and tariffs are reduced or eliminated. A signed agreement would return predictability to the freight market and let fundamentals drive demand. The worst-case scenario is an agreement is not reached and tariffs remain in place longer-term. The macroeconomy would not be able to shrug off an impact of that magnitude, and the new and used truck markets would look dramatically different than they do now.

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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.

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