

J.D. POWER



COMMERCIAL TRUCK GUIDELINES

INDUSTRY REVIEW

September 2019

J.D. Power Valuation Services

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SUMMARY

Buyers Taking Advantage of Ample Supply

A substantial supply of incoming trades continues to impact pricing in the Class 8 auction and retail channels, with moderately healthy demand overshadowed by the number of trucks available. Medium duty trucks had a mixed month, with cabovers and Class 4 trucks down moderately, and Class 6 conventionals up for a second month.

CLASS 8 AUCTION UPDATE

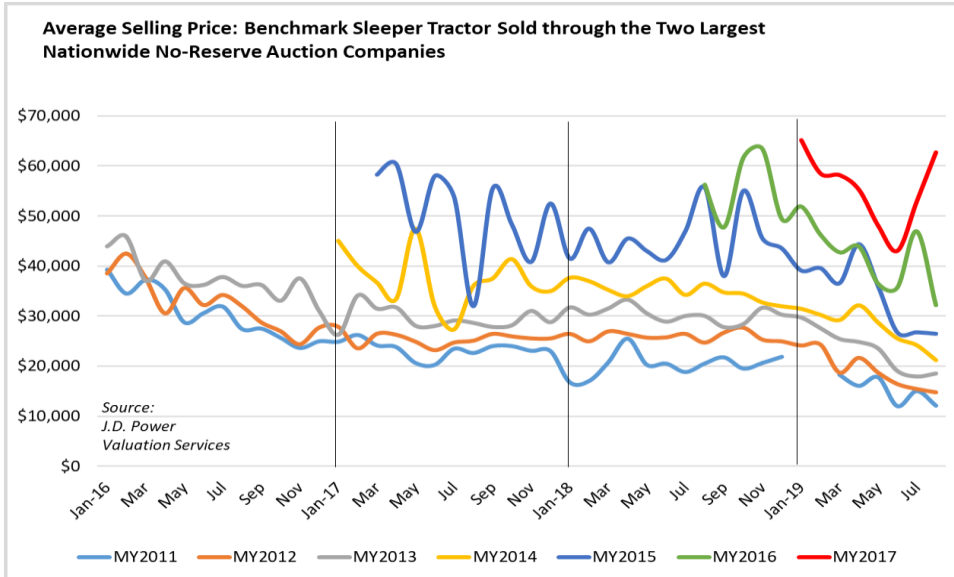
A notable increase in the number of model-year 2013 and 2014 trucks sold points a greater supply of lower-priced trucks entering the market. This increase may be partly due to the uptick in fleet bankruptcies and liquidations in the second half of the year. Newer trucks saw volumes similar to last month. Four-year-old trucks performed closer to expectations after an unusual July. See below for detail.

- Model year 2016: \$32,225 average; \$14,275 (31.4%) lower than July
- Model year 2015: \$26,500 average; \$300 (1.1%) lower than July
- Model year 2014: \$21,275 average; \$2,975 (12.2%) lower than July
- Model year 2013: \$18,500 average; \$600 (3.4%) higher than July
- Model year 2012: \$14,825 average; \$675 (4.4%) lower than July
- Model year 2011: \$12,075 average; \$2,925 (19.5%) lower than July

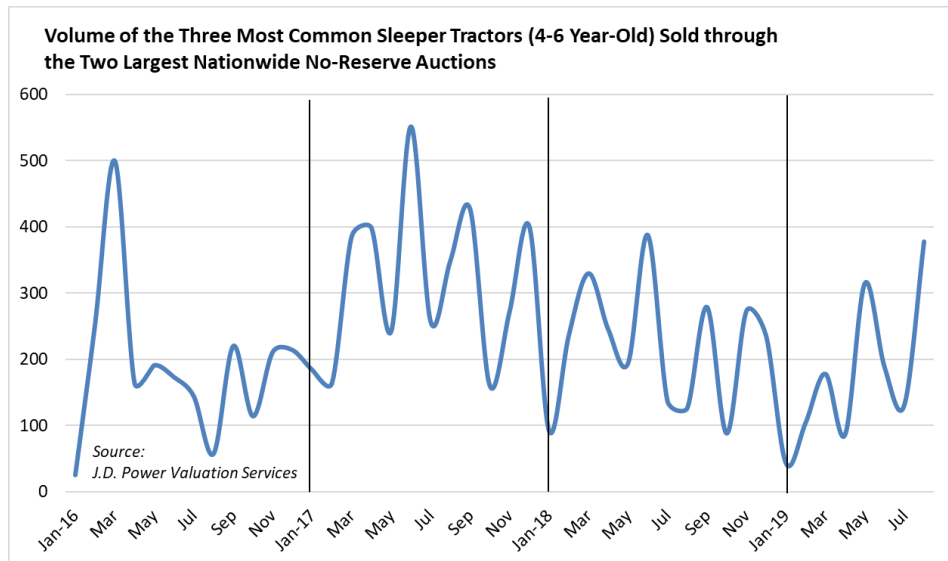
In the first 8 months of 2019, 4-6 year-old examples of our benchmark model brought 6.8% less money than in the same period of 2018. Monthly depreciation for 4-6 year-old trucks is averaging 2.5%, in line with expectations. We expect conditions to remain similar in upcoming months, with demand fair to good but not enough to absorb a very substantial supply of incoming trucks.

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

Depreciation is accelerating in the retail channel, but is still milder than in the auction lanes. Of course, pricing is only part of the story. The underlying story is used truck inventory. Since mid-year, strong new truck deliveries have resulted in a supply of trades that simply saturated the market. Numerous bankruptcies of smaller fleets have probably mildly exacerbated the situation. The demand side is still somewhat

healthy, with the freight environment cooler than last year but still respectable. Buyers are taking advantage of ample inventory to cherry-pick the lowest-mileage trucks.

The average sleeper tractor retailed in August was 70 months old, had 442,495 miles, and brought \$54,690. Compared to July, the average sleeper was 1 month newer, had 22,159 (4.7%) fewer miles, and brought \$17 (0.0%) more money. Compared to August 2018, this average sleeper was 1 month older, had 9,666 (2.1%) fewer miles, and brought \$1,057 (2.0%) more money.

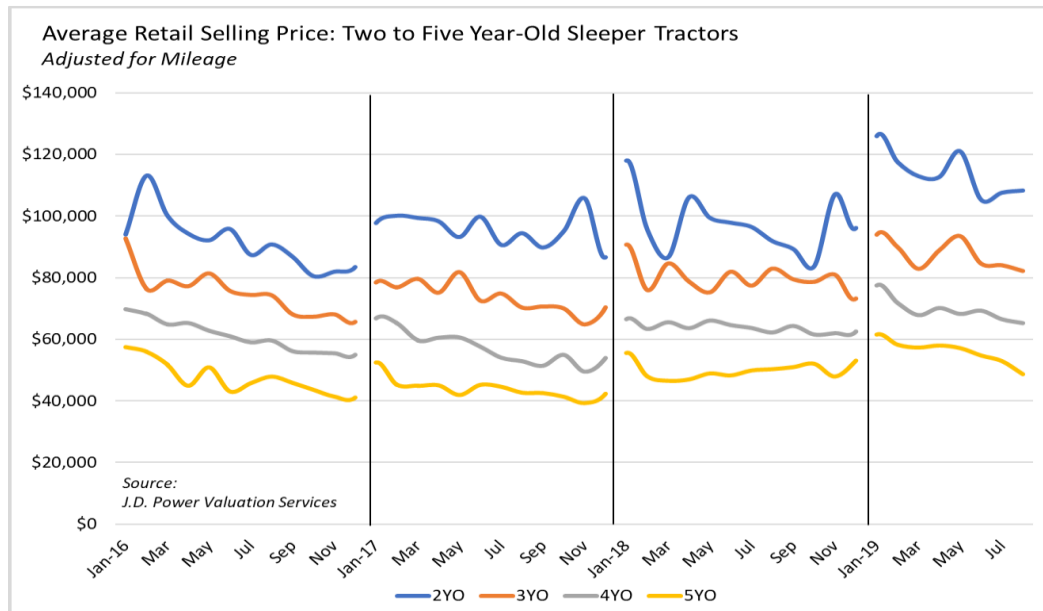
Looking at trucks two to five years of age, July's average pricing was as follows:

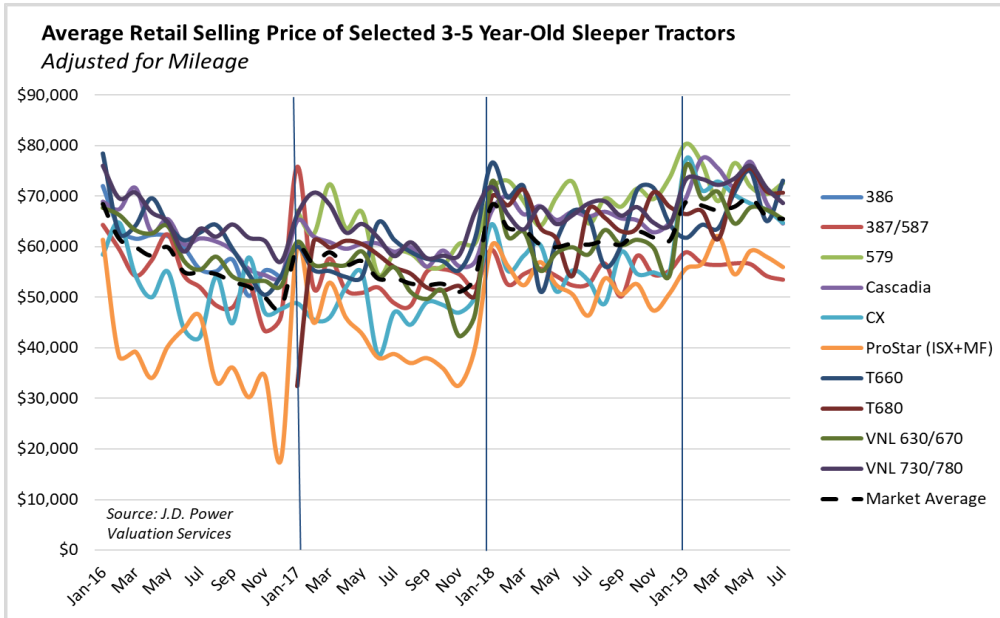
- Model year 2018: \$108,315; \$712 (0.7%) higher than July
- Model year 2017: \$82,107; \$1,853 (2.2%) lower than July
- Model year 2016: \$65,328; \$1,255 (1.9%) lower than July
- Model year 2015: \$48,691; \$4,246 (8.0%) lower than July

Year-over-year, late-model trucks sold in the first eight months of 2019 brought 9.5% more money than in the same period of 2018. Depreciation in the first eight months of 2019 averaged 1.5% per month, compared to 0.3% in the same period of 2018. Keep in mind these positive results are due entirely to market strength in the first half of the year. Conditions have changed to the point where a narrower year-over-year comparison - for example August 2019 vs. August 2018 - shows parity if not a negative result.

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.

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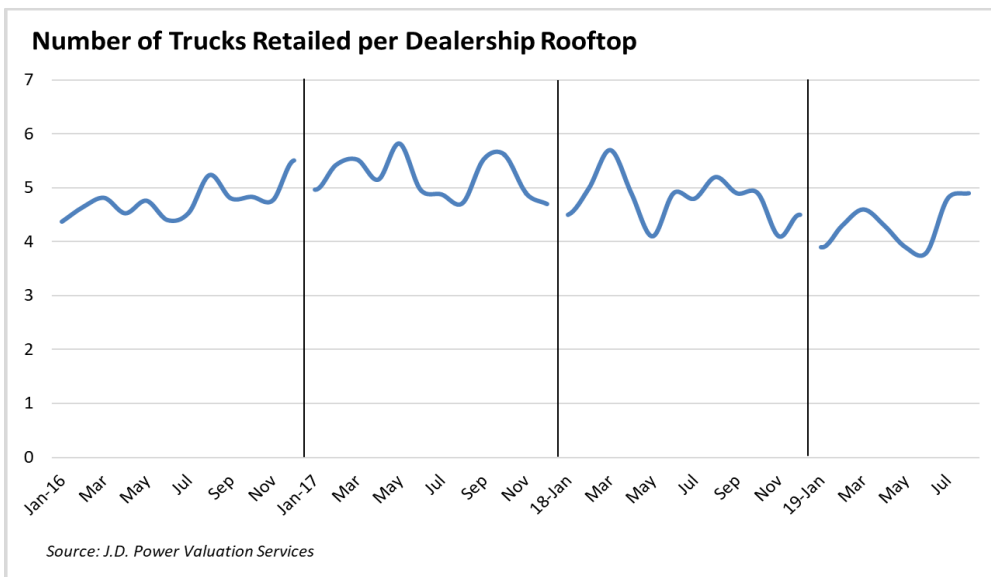




Dealers are selling an average of 10.2% fewer trucks in 2019 compared to the same period of 2018.

Sales per dealership rose for a second month to 4.9 trucks per rooftop. Again, more trucks available at lower pricing is keeping buyers in the market. Dealers are selling an average of 10.2% fewer trucks in 2019 compared to the same period of 2018.

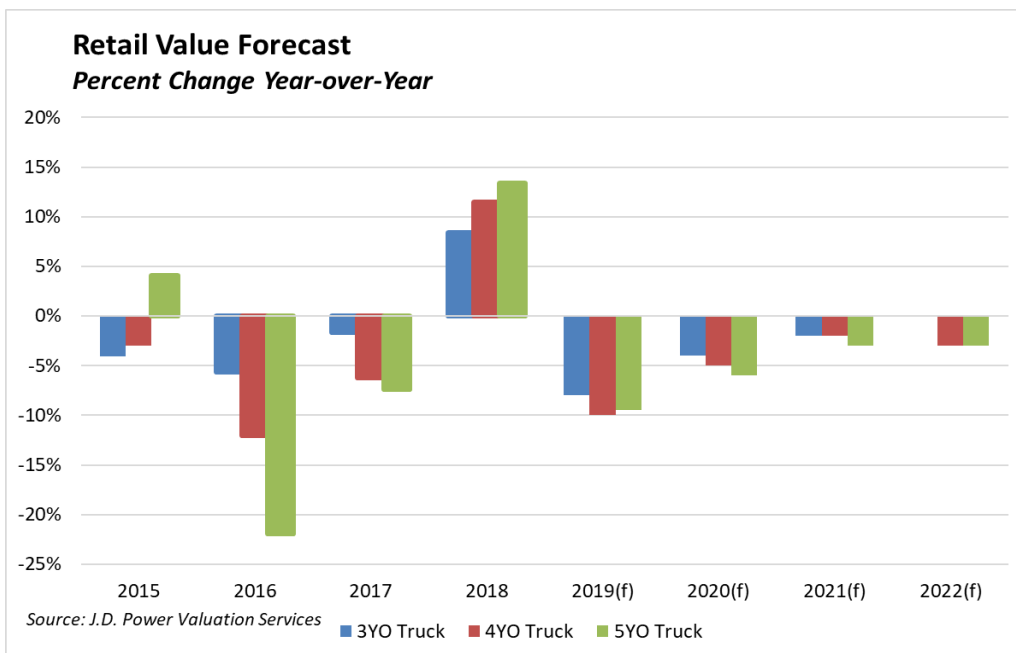
See "Number of Trucks Retailed per Dealership Rooftop" graph for detail.



Looking forward, we know now there was a degree of pull-ahead materials and goods buildup in July in advance of a predicted tariff increase. This pull-ahead activity helps explain the positive freight results and maybe even the pause in used truck depreciation we saw in July. This activity also means these same economic measures were probably back down closer to trend in August. For the most part, America’s businesses continue to employ workarounds and absorb additional costs to deal with the tariffs. At some point, these businesses will need to see some degree of resolution.

In terms of used truck value forecasts, we are pulling our year-over-year retail estimates back slightly from 10%. Pricing in the auction channel will most likely end up at least 10% lower, but retail pricing defied gravity longer than expected. Even though we expect retail depreciation to accelerate through the end of the year, we might not hit a full 10% decline year-over-year.

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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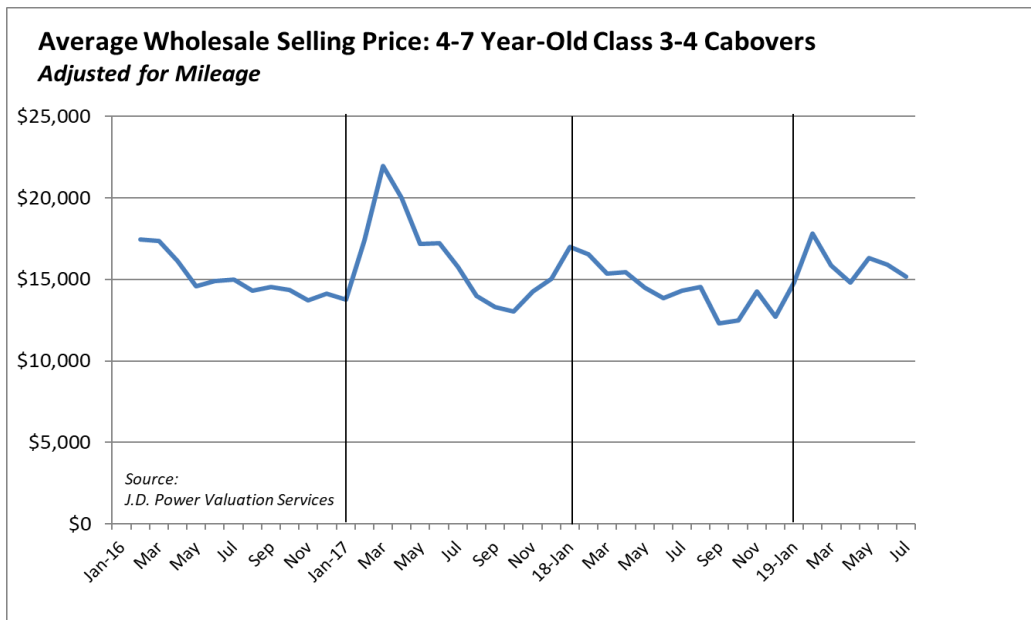
Medium Duty Trucks

August’s results were not quite as positive as July’s for cabovers and lighter-GVW conventionals, while Class 6 saw upward movement for a second month.

Starting with Class 3 – 4 cabovers, August’s average pricing came in at \$15,612. This figure is \$822 (5.0%) lower than July, and \$2,101 (15.6%) higher than August 2018.

In the first eight months of 2019, pricing is running an average of 7.0% higher than the same period of 2018. Depreciation is averaging a low 1.4% per month this year – better than 2018’s 2.2% per month figure.

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

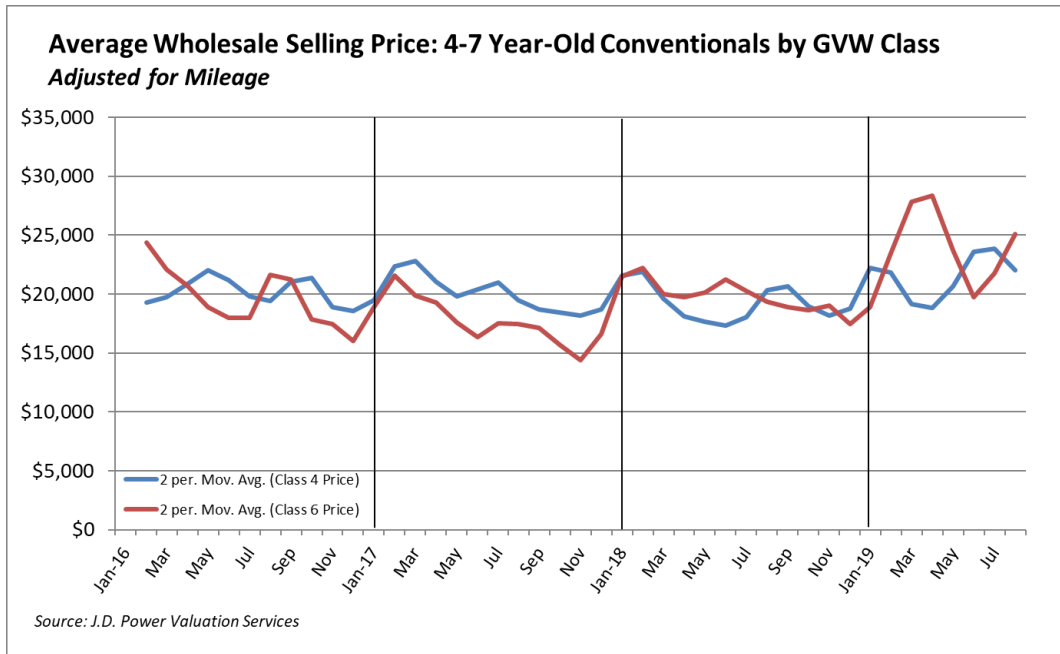


August’s results were not quite as positive as July’s for cabovers and lighter-GVW conventionals, while Class 6 saw upward movement for a second month.

Looking at conventionals, Class 4’s ended their three-month hot streak in August, averaging \$20,026. This figure is \$3,941 (16.4%) lower than July, and \$1,249 (5.9%) lower than August 2018. Despite this lower average, pricing is still running an average of 11.1% higher in the first eight months of 2019 compared to the same period of 2018. Depreciation in 2019 remains essentially nonexistent, compared to 1.2% in the same period of last year.

Class 6’s moved positive for a second month, averaging \$25,325 in August. This figure is \$264 (1.1%) higher than July, and \$5,307 (26.6%) higher than August 2018. In the first eight months of 2019, average pricing for our 4-7 year-old cohort is running an average of 17.1% higher than the same period of 2018. Depreciation in 2019 to date is now averaging a very healthy 0.5% per month, compared to no depreciation in the same period of 2018.

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



Going forward, expect depreciation to accelerate as trades continue to become available.

Forecast

Lower pricing and a moderately healthy (if increasingly volatile) freight environment are keeping buyers in the market. Going forward, expect depreciation to accelerate as trades continue to become available. Economic conditions should remain similar to current, as long as there is some degree of resolution – or at least a thawing of rhetoric - to the tariff war. The US-China talks planned for early October will set the stage for the economy through the end of the year. If there is some degree of rollback of tariffs, plan for stable to mildly positive conditions. If there is once again no action from either side, expect further economic pullback becoming a downturn. Fingers crossed for the positive scenario.

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.

Commercial Truck Consulting Services

J.D. Power Valuation Services leverages its database of retail, wholesale, and auction transactions to provide residual value forecasting, inventory analysis, competitive model positioning, and other used truck market metrics. Consulting products are customized to each customer's specific needs. Contact Chris Visser to discuss J.D. Power's capabilities.

Commercial Truck Market Analysis

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