J.D. POWER

COMMERCIAL TRUCK GUIDELINES

INDUSTRY REVIEW

June 2020

J.D. Power Valuation Services

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SUMMARY

Dealers Retailed More Sleepers in May

Class 8 retail sales per rooftop saw a relatively healthy increase. Pricing dipped moderately, but depreciation is within a historically-typical range. Class 8 auction volume was down month-over-month, making analysis difficult. Medium Duty trucks had a generally positive month.

CLASS 8 AUCTION UPDATE

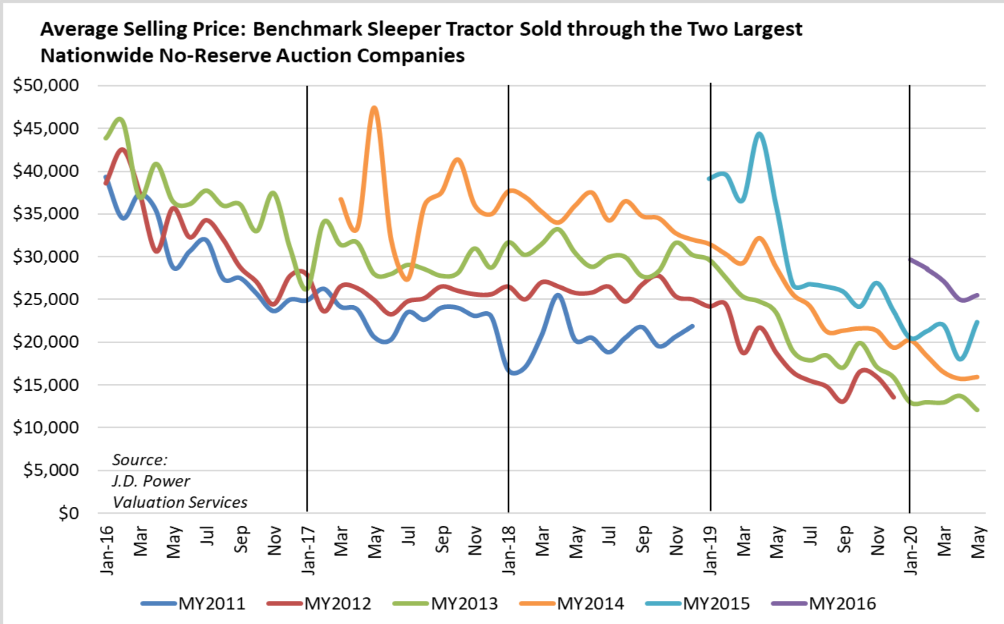
Volume was down considerably in May, which made analysis difficult and resulted in averages that are not necessarily representative of market conditions. A more complete analysis suggests depreciation has relaxed, and the market appears to be firming. See below for average pricing detail for our benchmark truck.

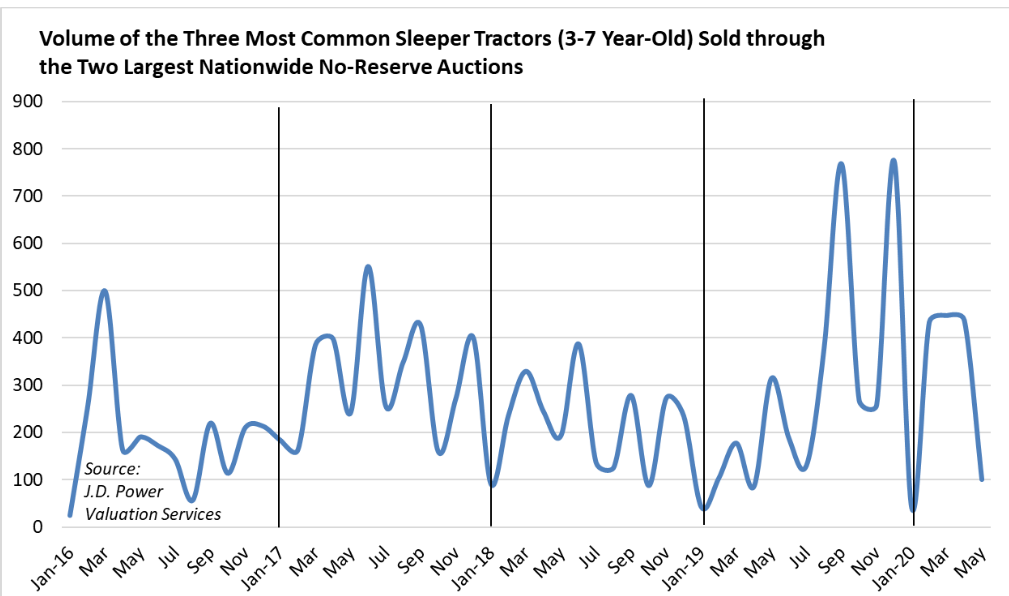
- Model year 2017: $37,180 average; $2,180 (6.2%) higher than April
- Model year 2016: $25,545 average; $545 (2.2%) higher than April
- Model year 2015: $22,345 average; $5,348 (24.2%) higher than April
- Model year 2014: $15,940 average; $215 (1.4%) higher than April
- Model year 2013: $12,097 average; $1,653 (12.0%) higher than April

A more complete analysis suggests depreciation has relaxed, and the market appears to be firming.

Month-over-month, our benchmark group of 4-6 year-old trucks brought 9.1% more money. In the first 5 months of 2020, pricing averaged 26.4% lower than the same period of 2019. Depreciation in 2020 is now averaging 0.9% per month, which is more of a mathematical anomaly due to low volume than a representation of actual market conditions. However, as stated above, we do feel the market is firming, and dynamics should continue to move positive as the country continues to gradually re-open.

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

Retail pricing remains stronger year-over-year than auction, suggesting dealers are managing inventory by sending less-desirable trucks to auction and holding somewhat firm on pricing for cleaner, lower-mileage iron.

The average sleeper tractor retailed in May was 67 months old, had 462,238 miles, and brought $40,206. Compared to April, this average sleeper was 6 months older, had 4,328 (0.9%) more miles, and brought $2,103 (5.0%) less money. Compared to May 2019, this average sleeper was 2 months newer, had 6,111 (1.3%) more miles, and brought $17,367 (30.2%) less money.

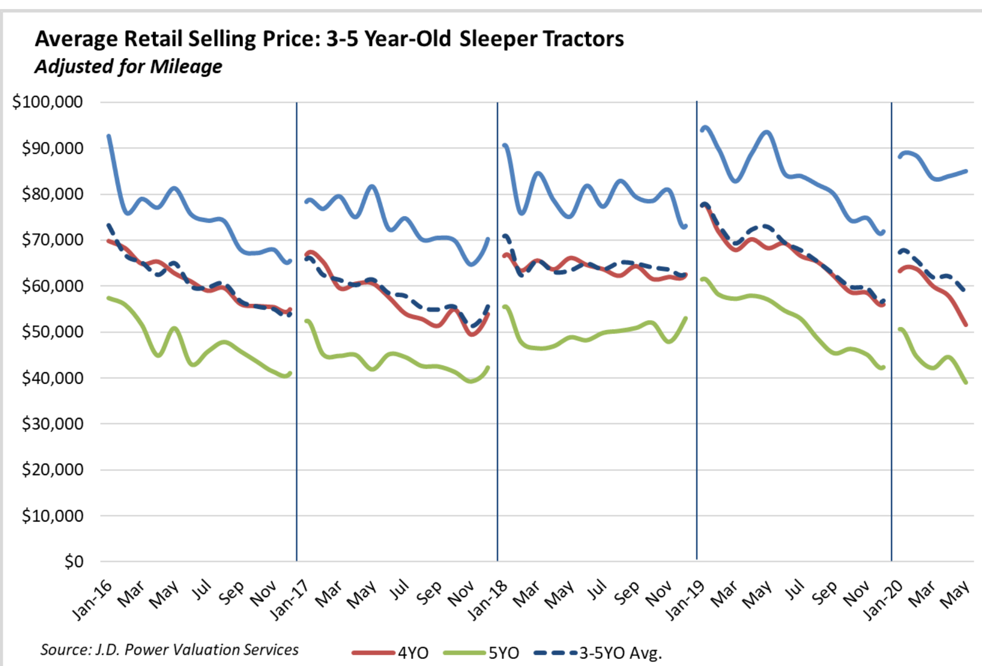
Looking at trucks two to five years of age, May's average pricing was as follows:

- Model year 2019: $98,536; $8,214 (7.7%) lower than April
- Model year 2018: $85,027; $1,058 (1.3%) higher than April
- Model year 2017: $51,675; $6,076 (10.5%) lower than April
- Model year 2016: $39,099; $5,496 (12.3%) lower than April

Month-over-month, late-model trucks brought 5.6% less money. In the first five months of 2020, pricing averaged 13.7% lower than the same period of 2019. Depreciation in 2020 is averaging 2.5% per month, within the historically-typical range. The larger month-over-month declines in the averages above are due mainly to an increased number of high-mileage trucks sold this month rather than a shift in the market. Our subscription services provide much more detail on this topic.

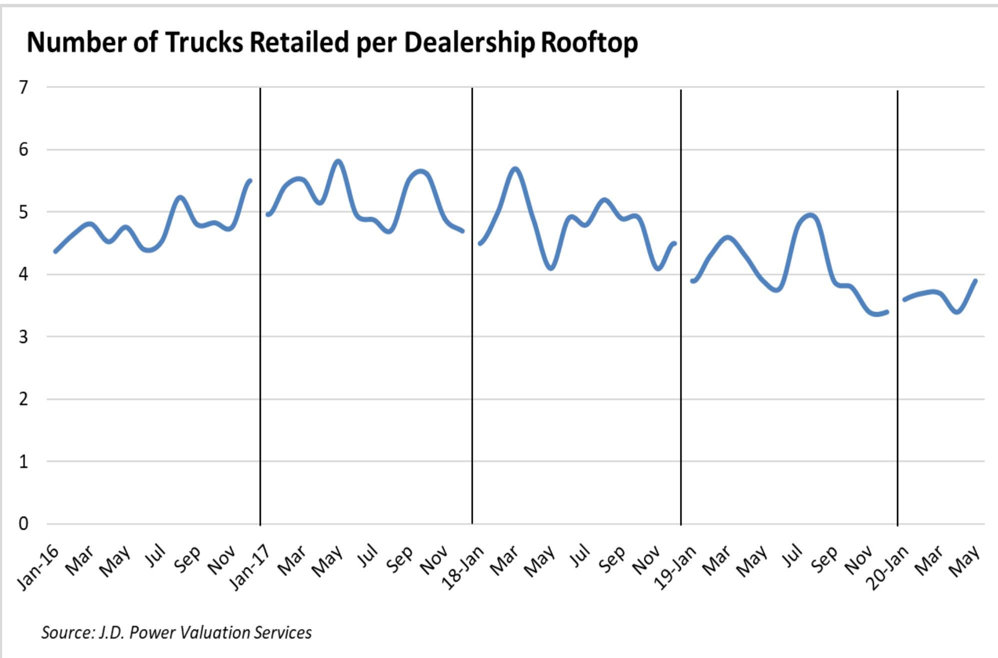
Depreciation in 2020 is averaging 2.5% per month, within the historically-typical range.

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



Dealers retailed an average of 3.9 trucks per rooftop in May, 0.5 truck higher than April, and identical to last May. This increase is encouraging, and perhaps indicates slightly more demand commensurate with the economic re-opening.

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



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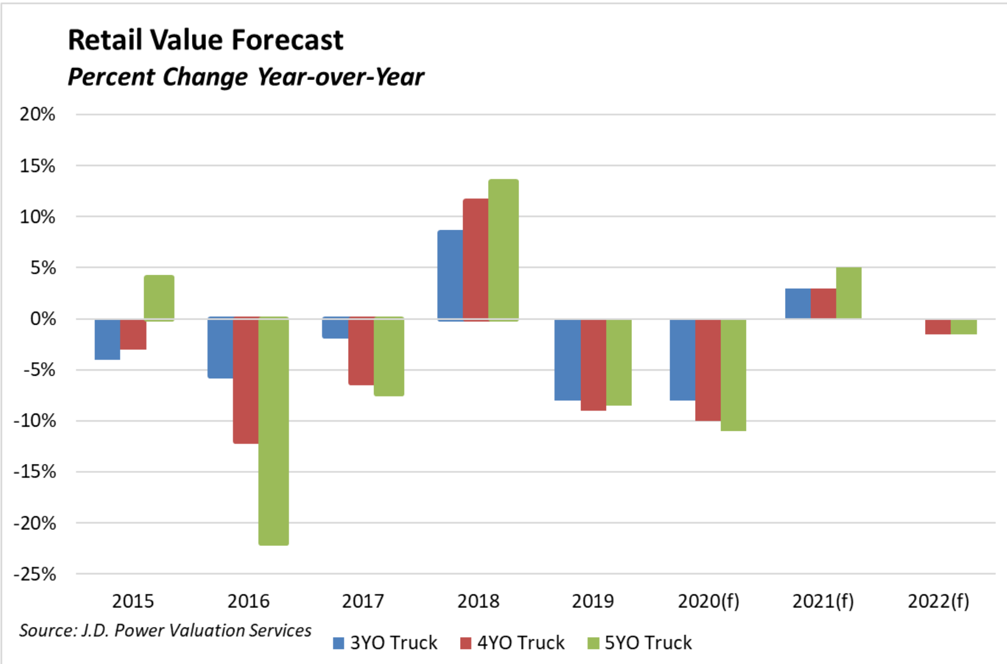
Looking forward, we were somewhat surprised to see such low auction volume in May. But we were encouraged by pricing results, low-volume anomalies aside. We still see used truck pricing recovering roughly in step with the gradual re-opening of the economy. We have not changed our residual value forecasts for mid-2021 and later.

See the "Retail Value Forecast" graph for a look at how we see used truck pricing unfolding over the next four years. Note our residual value forecasts (available by subscription, not included here) provide a much more detailed analysis of future pricing.



Medium Duty Trucks

Starting with Class 3 – 4 cabovers, we saw a newer, lower-mileage mix of trucks sold for a second month in a row. Volume was lower than late 2019, but higher than the first half. These factors have pushed our pricing averages higher in the most recent two months. May's average for our benchmark group was $13,908, $1,236 (8.2%) lower than April, and $4,030 (22.5%) lower than May 2019. Despite the recent increase in our average price data, the first 5 months of 2020 are still averaging 22.9% lower than the same period of 2019. However, due to strength in April and May, pricing in 2020 has increased by an average of 3.6% per month.

Looking at Class 4 conventionals, average pricing for our benchmark group was $17,107, $3,156 (15.6%) lower than April, and $6,389 (27.2%) lower than May 2019. The first 5 months of 2020 are averaging 3.9% lower than the same period of 2019. This month's lackluster average pushed monthly depreciation up to 5.1% so far this year. Our month-over-month averages are fluctuating more than usual due to lower volume, so we don't assign much importance to this figure. We expect a better result next month.

Class 6 conventional pricing averaged $24,714 in May, $2,916 (13.4%) higher than April, and $3,812 (18.2%) higher than May 2019. The first 5 months of 2020 are averaging 3.9% lower than the same period of 2019. There has been essentially no monthly depreciation this year.

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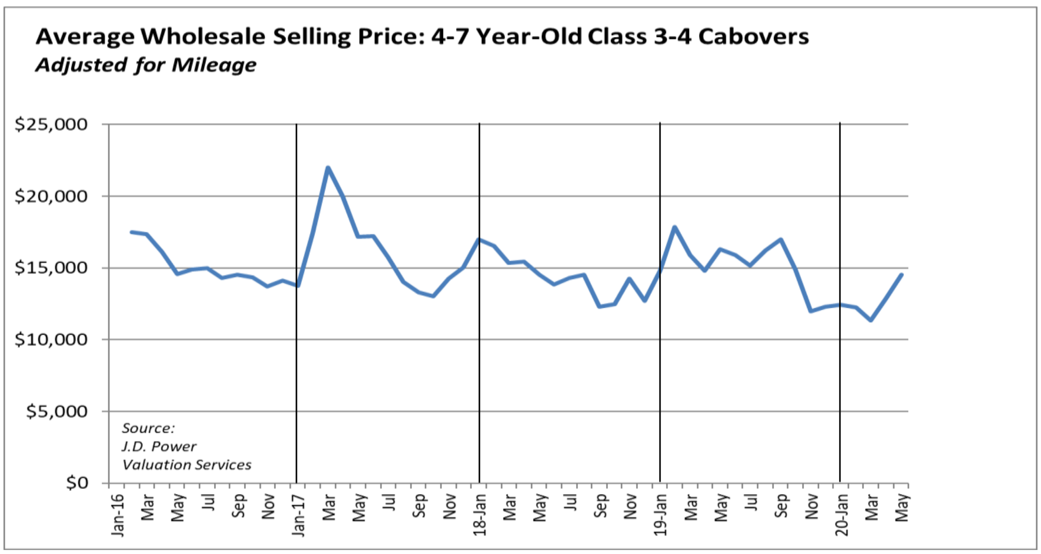
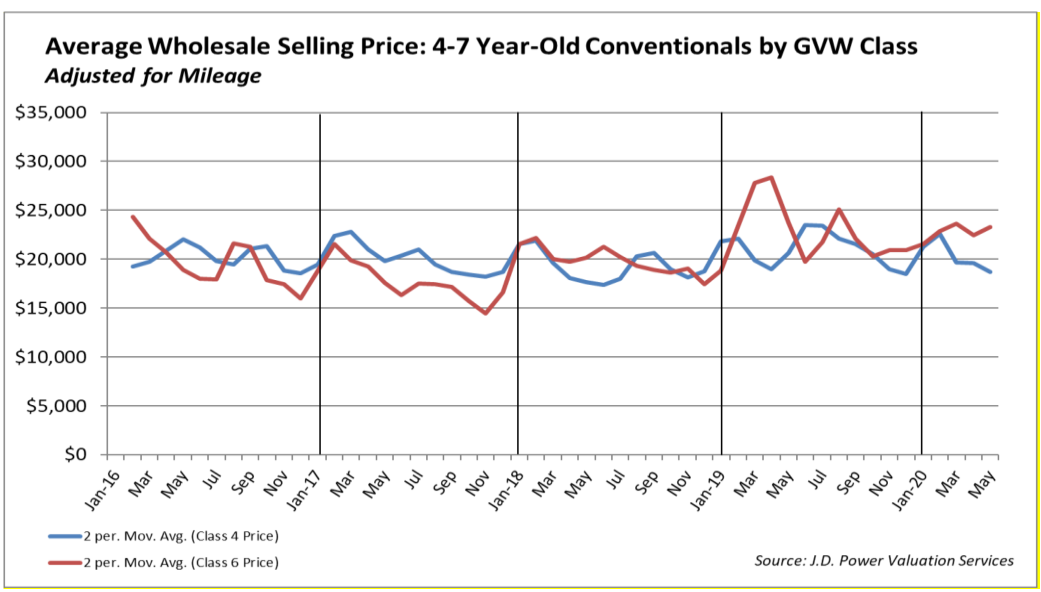
We remain somewhat encouraged by pricing data, despite monthly fluctuations caused by lower volume. There are still notably fewer medium duty conventionals reported sold this year than last. Stable pricing combined with low volume suggests a market operating at some degree of equilibrium, neither expanding nor contracting. There will be more positive than negative pressures in the marketplace as long as the economic re-opening continues.

See the "Average Wholesale Selling Price: 4-7 Year-Old Class 3-4 Cabovers" and "Average Wholesale Selling Price: 4-7 Year-Old Conventionals by GVW Class" graphs for detail.



Stable pricing combined with lower volume suggests a market operating at some degree of equilibrium, neither expanding nor contracting.



Forecast

Our industry continues to perform better than most. Dry van and reefer freight metrics are now back to pre-pandemic levels. Other segments are steadily trending upward. Used truck supply is decreasing, albeit from a high level, and not at a rate that will impact pricing in the short term. However, keep in mind when used truck market dynamics change, they usually change drastically and over a short period of time, not slightly and over a period of months. So it is entirely possible at some point in an upcoming month used truck demand will reach critical mass just as supply is looking more attractive, and presto, we're suddenly in a stronger market.

Economic conditions should improve as the re-opening continues. As this is written, most states have allowed businesses to open to some degree, and consumers are taking advantage of opportunities to eat and drink out and return to resort areas. The economy faces fundamental challenges going forward, such as an accelerated shift to online purchasing, cancelled business trips and vacations, very slow re-opening of entertainment-oriented venues, a widespread, permanent move to work-from-home, and other major changes. Businesses will face additional challenges later in the year as government stimulus ends and the effects of the changes in consumer behavior take hold. This all means the days of 4% unemployment are not returning anytime soon.

COVID-19 will remain the 600-pound gorilla until consumers gain more confidence in returning to their old behavior and a vaccine and/or "herd immunity" push the infection and death rates consistently down in every area. The decline in nationwide infections actually looks to be leveling off – and spiking in some areas – as the public heads back out. It is possible that any second wave of infections later this year will look more like a swell from the existing level. That said, we do not expect a return to widespread shutdowns unless infections explode and conditions become unmanageable. This scenario is very unlikely.

The other monkey wrench in the recovery is of course the upcoming Presidential election. Even in less contentious cycles, a Presidential election results in some degree of pullback in the months leading up to the election.

So we still have a lot to work through before economic conditions will look anything close to normal. The trucking industry in general will continue to perform better than most, and we still see more positive than negative pressure on used truck values.

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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.

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.

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