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SMARTER PERSPECTIVE:
TRANSPORTATION

Class 8 Truck Market: Q2 2023 Preliminary Update

By Bryan Courcier and Mitch Hunter

WHAT WE ARE OBSERVING IN EARLY 2023

In early February of this year Hilco published our report, "Where the Class 8 Truck Market is Heading in 2023." In our observations, we compared and contrasted effects of the Great Recession with the COVID-19 pandemic and discussed the truck market's linear progression from a 2019 cyclical low point in pre-pandemic America to unprecedented premium value levels for roughly 2 years during the shutdown. This was immediately followed by a late Q3/Q4 2022 material downward correction in used values.

As we approach the mid-point of the second quarter, used Class 8 trucking is still trading above pre-pandemic levels. In many ways this is a clear indication of how far the market still has to go in the post-pandemic downward correction. Things are playing out as we have expected but the sticker shock occurring on adjusted values for fleets that were appraised 6-12 months ago is now very real. Based on the unsustainable trend that began at the end of Q3 2020 and continued well into Q3 last year, the Hilco team anticipated what is now occurring.



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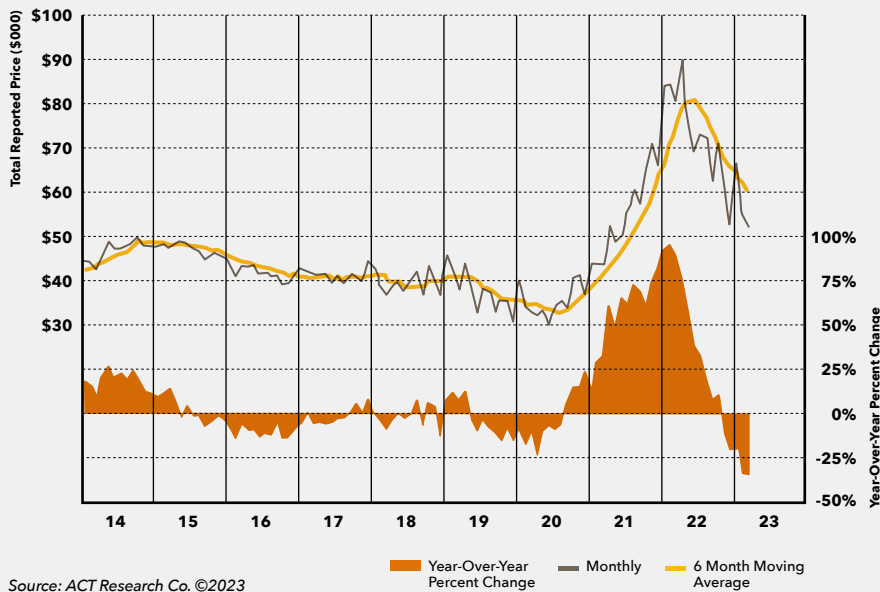
While many companies took advantage of expanded borrowing bases on the back of a stronger market with premium fleet values, we are now seeing many in the industry grapple with how best to manage the value correction and more gradual dilution that we fully expect to continue through 2023. In fact, we feel it is important to emphasize that at the

present time, it would be unrealistic and irresponsible for any parties to have an expectation that the transportation market's multi-year cyclical behavior will include future *appreciation* of value in truck and trailer fleets.

This assumption is well supported by market data. 2016 model International Prostars, for example, were wholesaling during the middle of 2020 for \$20,000 - \$30,000. Today, prior to drafting this article, our team sat down to review public information pertaining to auction results from the past 30-day period and noted that those same model year Prostars are now selling for anywhere from \$10,000 - \$30,000 depending on spec, condition, and mileage. Many 2016 year models are selling for the same price they commanded three years ago, and those now selling on the lower range have high mileage and are in rough condition. *Read that again... 2016 models are selling in the same range as three years ago. The market has not yet fully corrected!* Falling truck values typically hit the auction market first with a trailing effect on wholesale and retail sales. Monitoring auction sales month to month is the most real time indicator of tangible market trends.

Class 8: U.S. Used Truck Average Sale Price

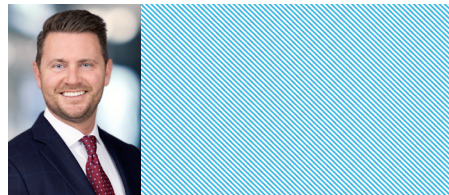
January 2014 - March 2023 (Not Seasonally Adjusted)



The above graphic is an updated version of the one shared in our article from February of this year. The year-over-year change for Q1 of 2023 is striking. Used Class 8 values were down 8% month over month January - February. Softening is traditionally seen at the very beginning of the year but the decline is a bit steeper than anticipated. The most dramatic corrections have already occurred in this space, and continued correction is the reality for the duration of 2023. However all of this is happening in front of the backdrop that trucking is still very much the backbone of domestic logistics.

Hilco Valuation Services is one of the world's largest and most diversified business asset appraisers and valuation advisors, and the largest in the market-driven value space. A trusted resource to countless companies, their lenders and professional services advisors, the company provides value opinions across virtually every asset category imaginable, including extensive expertise across transportation, construction, material handling and related asset categories. Our proven track record in liquidation of fleet assets and direct investment in the ownership and operation of trucking and

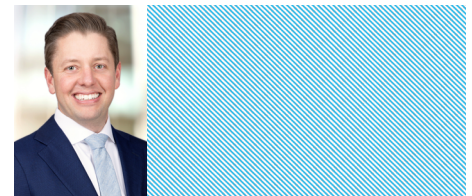
over the road fleet leasing companies makes Hilco uniquely adept at understanding current markets and how they affect asset value.



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Bryan is responsible for business development, sourcing and relationship management within Hilco's expanding transportation, energy services and heavy equipment sectors in both the valuation and asset acquisition/liquidation practices. He also serves as Chief Operating Officer at two of Hilco's operating companies within the commercial transportation space: H19 Capital headquartered in Indianapolis, IN and H19 Sutton Leasing in Detroit, MI with roughly \$200,000,000 in combined transportation lease portfolio currently under management.

Bryan previously served as National Account Manager at Ritchie Bros. Auctioneers, with a focus on insolvency, restructuring and special situations within the construction and heavy equipment industry. He has deep knowledge and experience in equipment lending and asset management functions from a valuation, liquidation, banking and finance perspective and is an active member of the Turnaround Management Association, the Commercial Finance Association and the American Bankruptcy Institute. Contact Bryan at bcourcier@hilcoglobal.com or 720.636.5123.



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Mitch is actively involved in business development efforts, client and partnership relationship management and sourcing efforts across the transportation, energy services and heavy equipment sectors for both Hilco's valuation and asset acquisition/liquidation practices.

Having previously served as National Account Manager at Ritchie Bros. Auctioneers, with a focus on the transportation sector's manufacturers, dealer groups and large fleets, Mitch possesses an extensive working knowledge of asset valuation, re-marketing, and liquidation.

He is an active member of the Turnaround Management Association and Used Truck Association as well as a regular participant in industry conferences, seminars, trade shows, and association events. Contact Mitch at mhunter@hilcoglobal.com or 720.520.2904.