An Overview of Commercial Vehicle Demand in the NA Market

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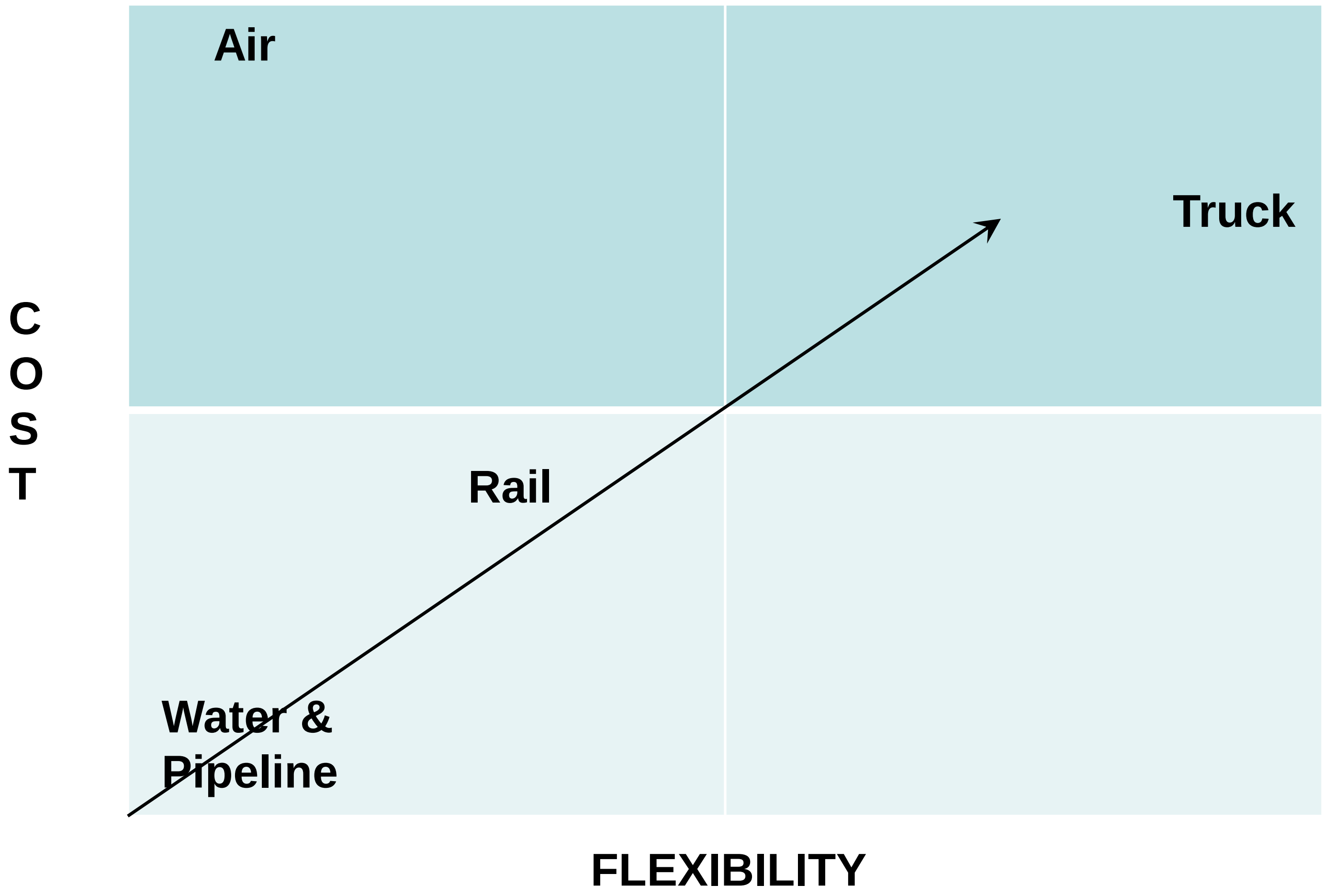
What is Wrong With NA Market?

- We have been in a deep correction, rather than a fundamental shift in the relationship between freight and the trucks needed to haul it.
  - The economy of the coming decade will look a lot different than that of previous decades, but the relationship between population and consumption is unchanged.
  - There is no substitute for Class 8 trucks and tractors in getting the freight to market.

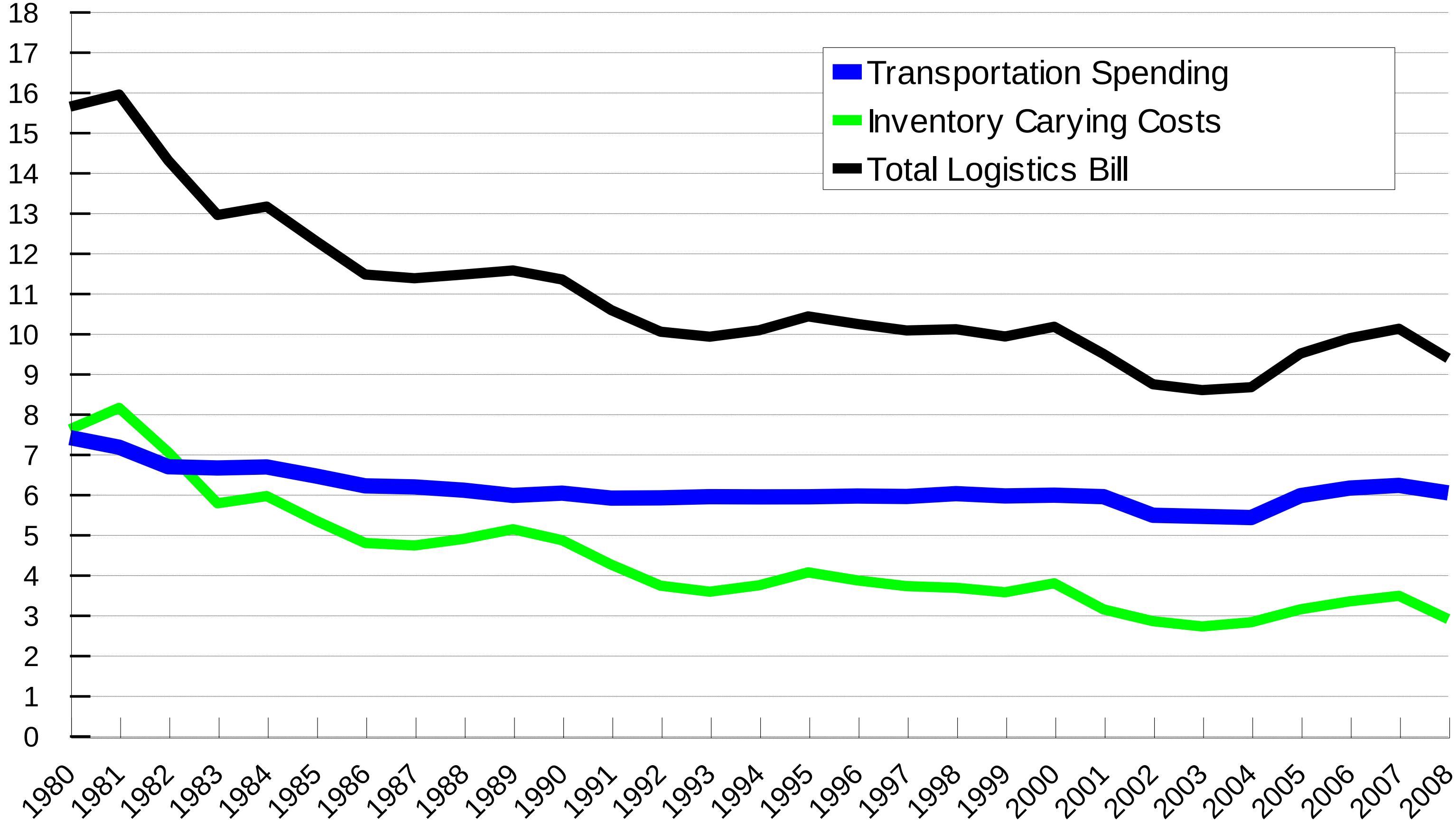
Flexibility is the Key



U.S. Logistics Spend

as a Percentage of GDP

1980 - 2008



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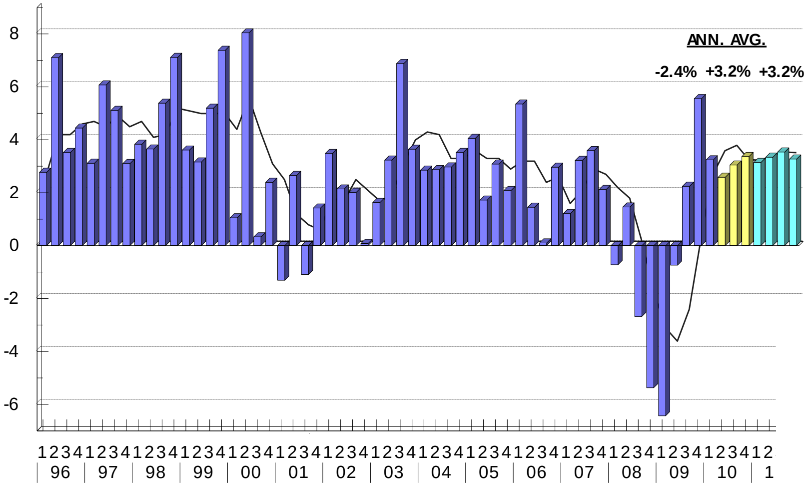
This Cycle Will be Different

- U.S. economic growth will be slower
    - With property and equity prices under pressure, debt, rising taxes etc., U.S. consumers will have less discretionary income
        - House and personal use vehicles won't be supersized
- Mexico, Canada will experience stronger growth
    - Demand for commodities, healthy banking system, strong loonie will boost discretionary incomes
    - Cheap peso and rising energy costs will accelerate manufacturing repatriation, large population

– There is a strong relationship between manufacturing and heavy truck demand

Real Gross Domestic Product

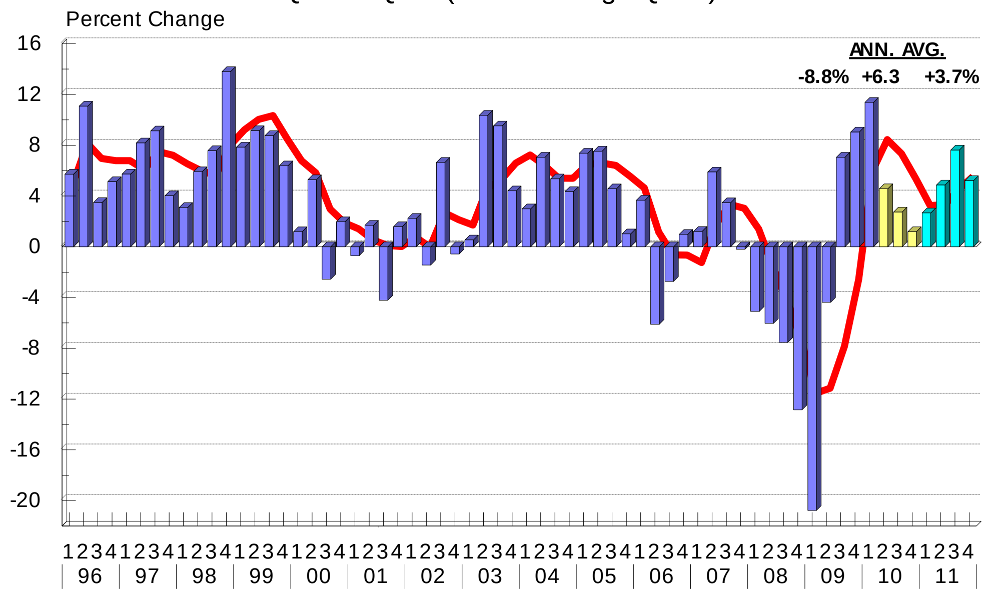
Q/Q at SAAR
Q1'96 - Q4'11



Source: BEA, ACT Research Co., LLC: Copyright 2010

ACT U.S. Freight Composite

Q/Q at SAAR, Y/Y
Q1'97 - Q4'11(Actual through Q1'10)



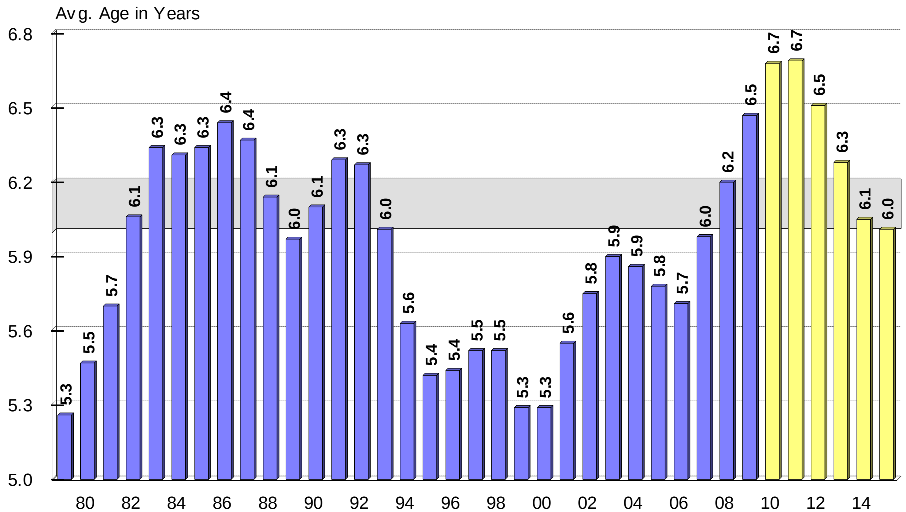
Source: ACT Research Co., LLC: Copyright 2010

Fleet Profile

- Chronologically, the fleet has never been older
  - With many of the trucks in the market having gone through both 2001-2002 and 2008-2009, we believe that consumed age is below average
- By the end of 2010, the Class 8 population will have fallen further than freight, setting the stage for a rebound
- Country models indicate growing replacement demand in all three NAFTA markets

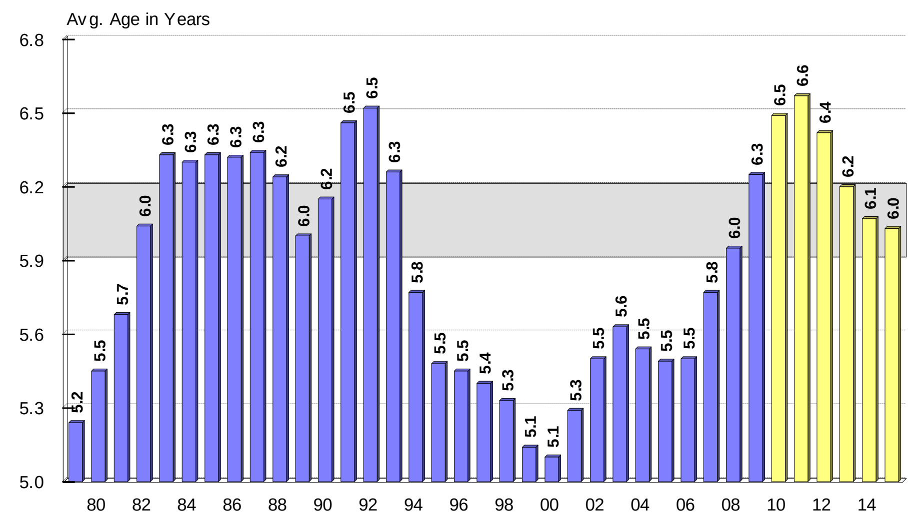
AVERAGE AGE:
U.S. Class 8 Active Population

1979 - 2015



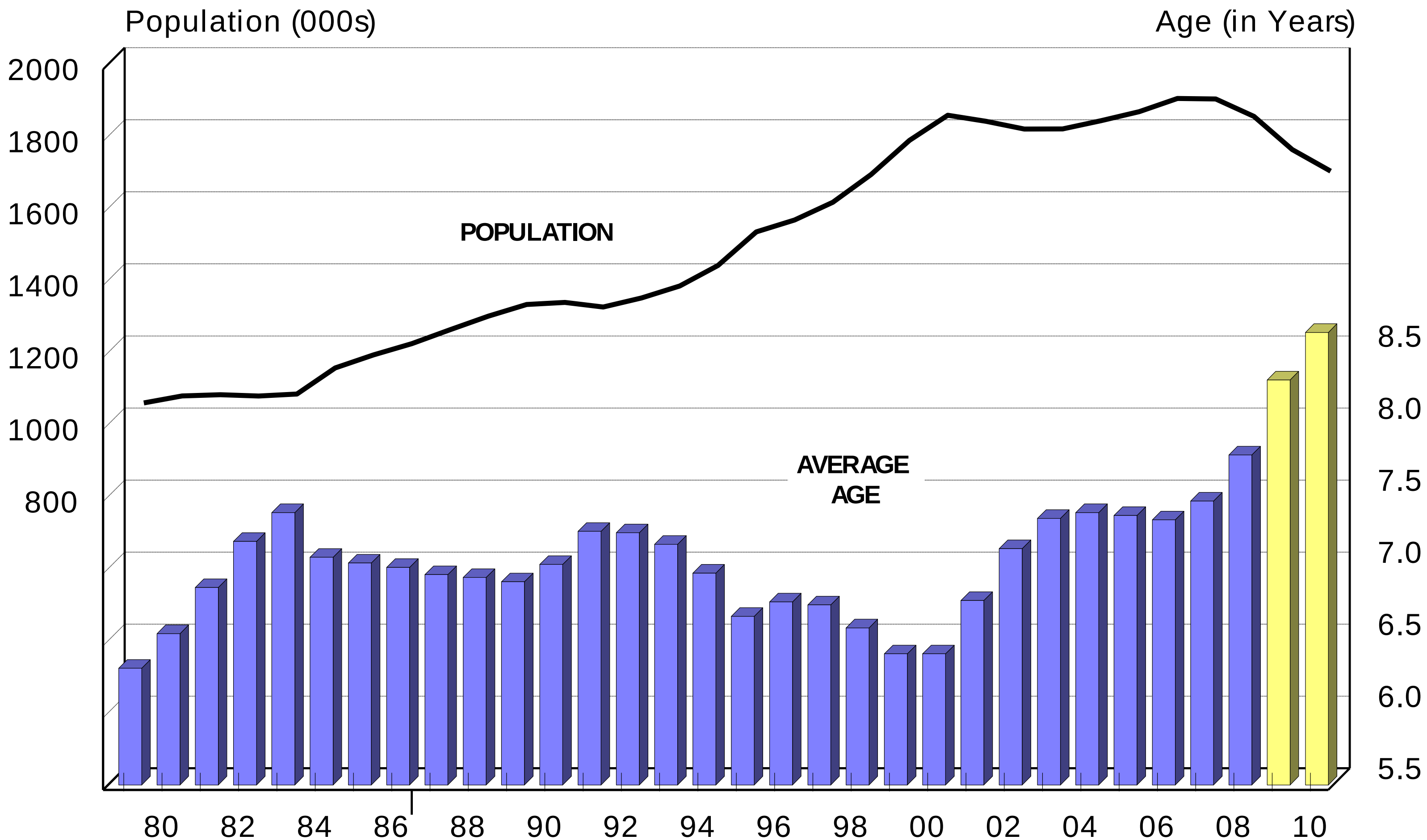
AVERAGE AGE:
Canada Class 8 Active Population

1979 - 2015



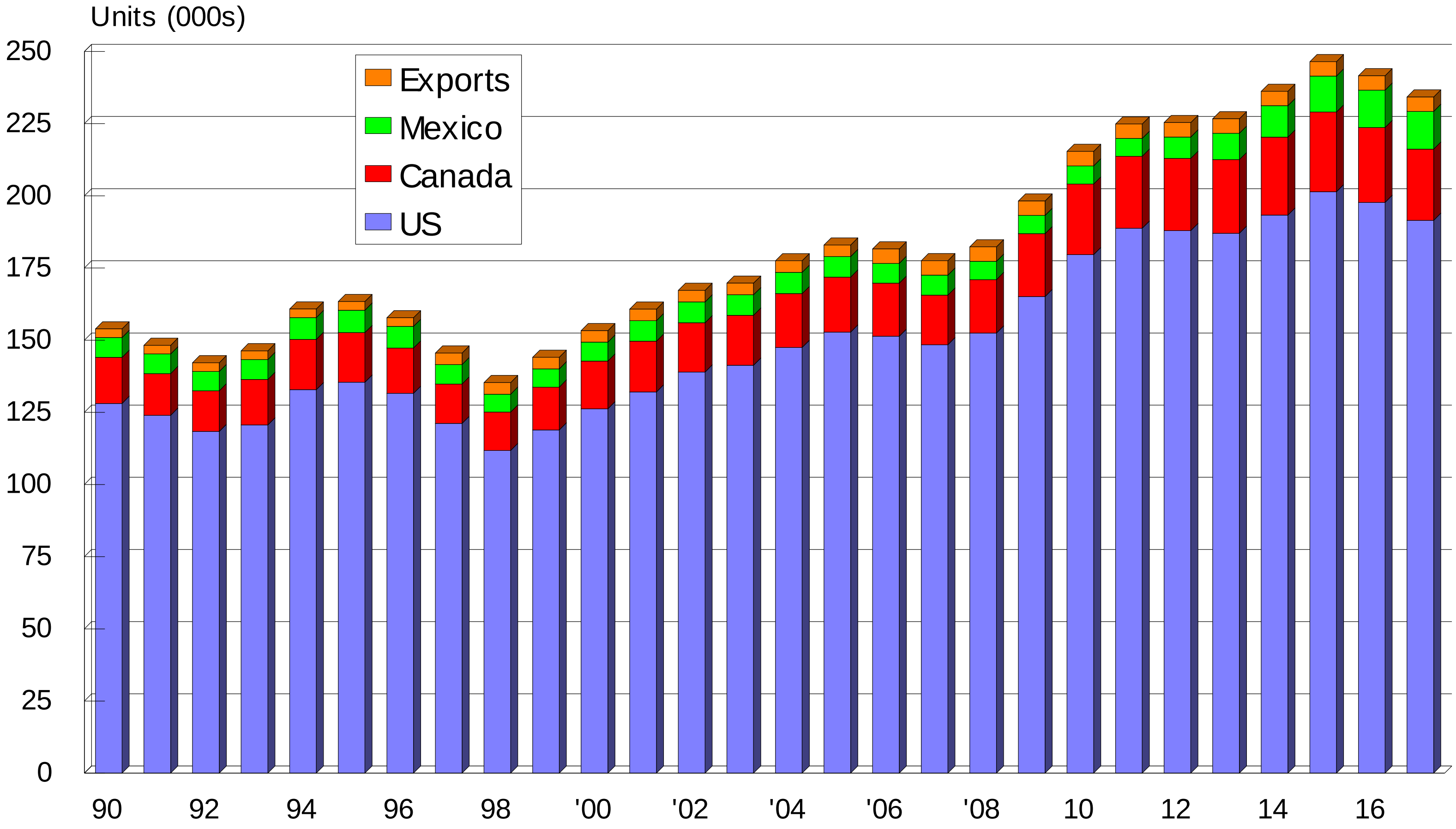
DRY VANS:
Population & Average Age

1979 - 2010



REPLACEMENT:
NA Class 8 Active Stock

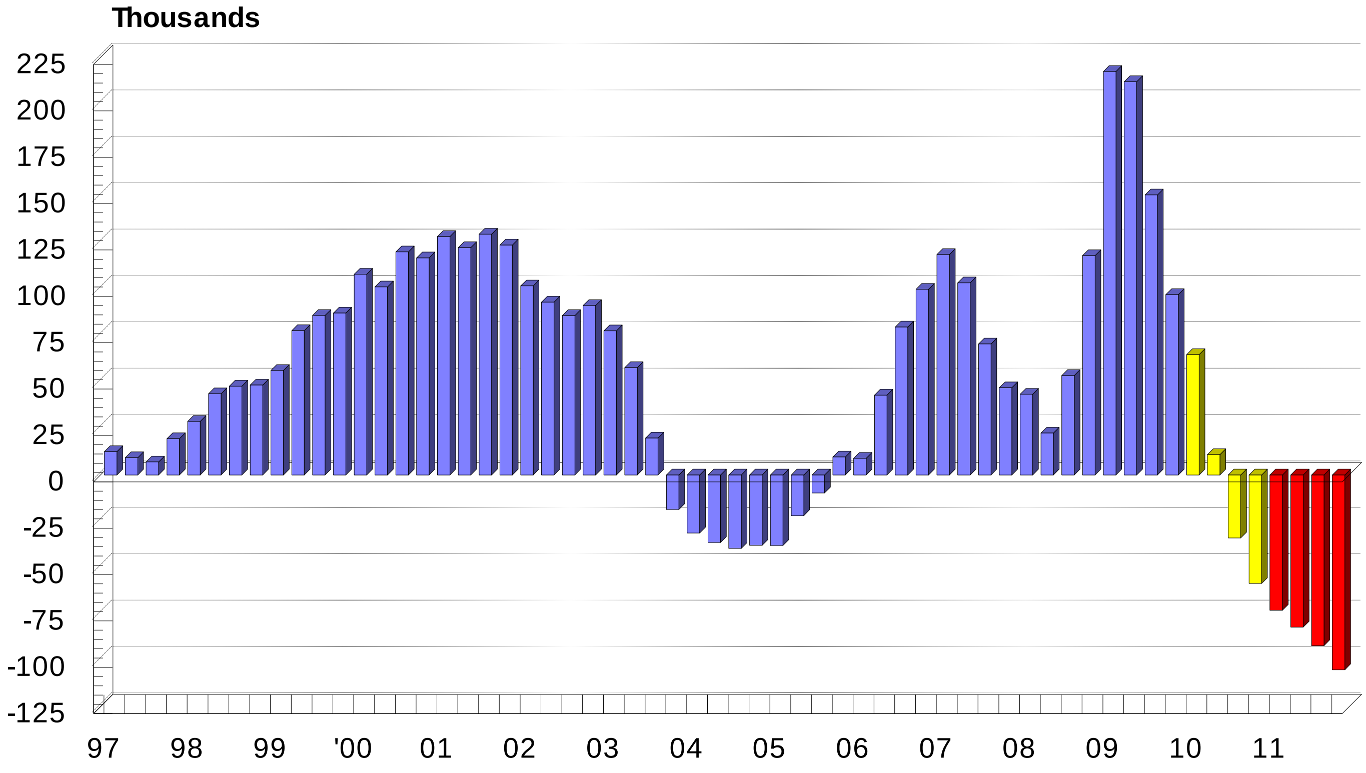
1990 - 2017



Excess Capacity Heading to Shortage

U.S. C8 Pop. Relative to Economic Activity: Export Adjusted

1997 - 2011



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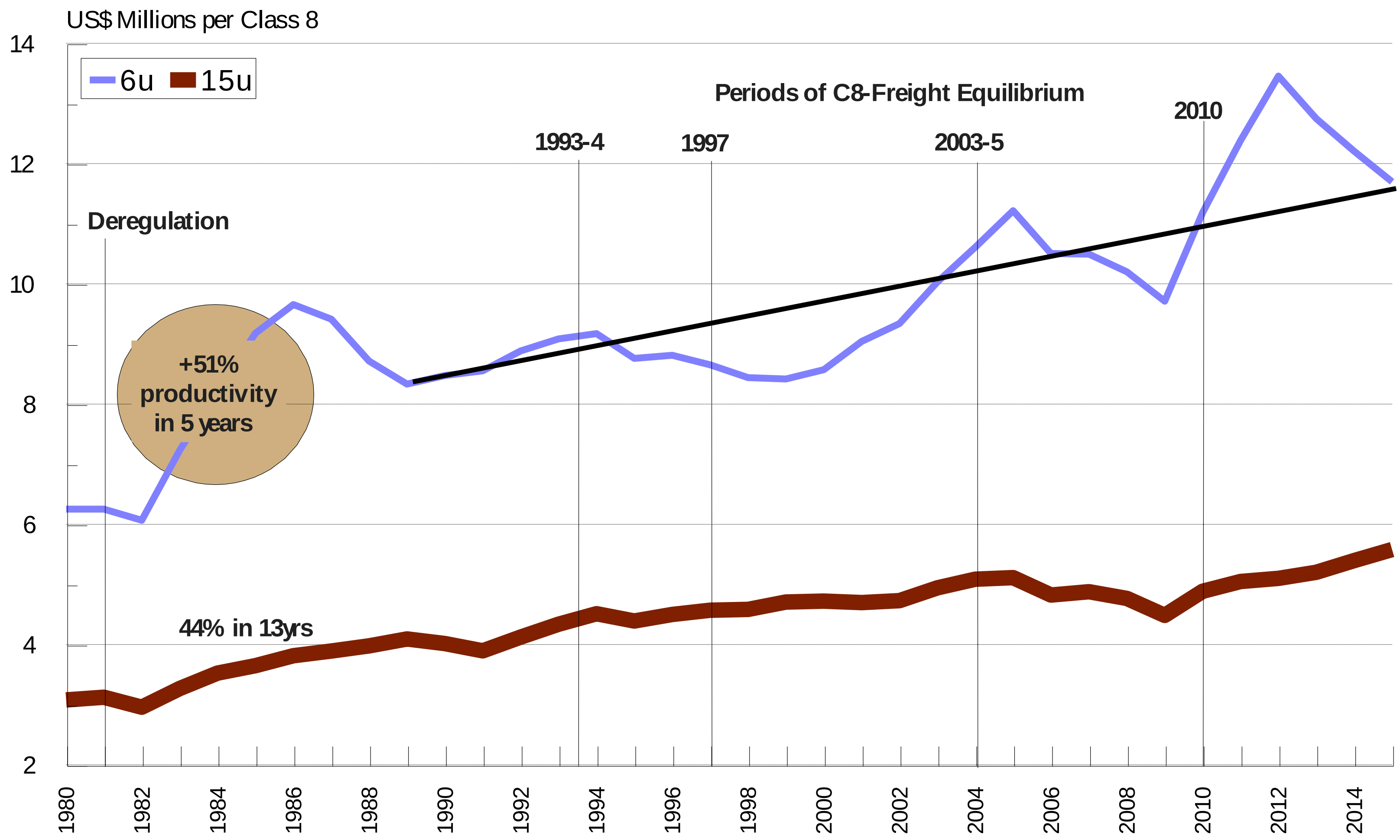
Class 8 Population: Freight per Unit

1980 - 2015e



Used Truck Valuations

- Used truck values will be a key determinant of future fleet age profile
  - New truck values up $22k from EPA'04 to EPA'10 – Excluding taxes!
    - If used truck values do not rise to compensate for higher prices, truckers will have to keep trucks longer
  - Since the end of 2006 overcapacity has been a constant issue, thereby depressing used pricing
    - No guidance as to how pricing will react when capacity glut goes away

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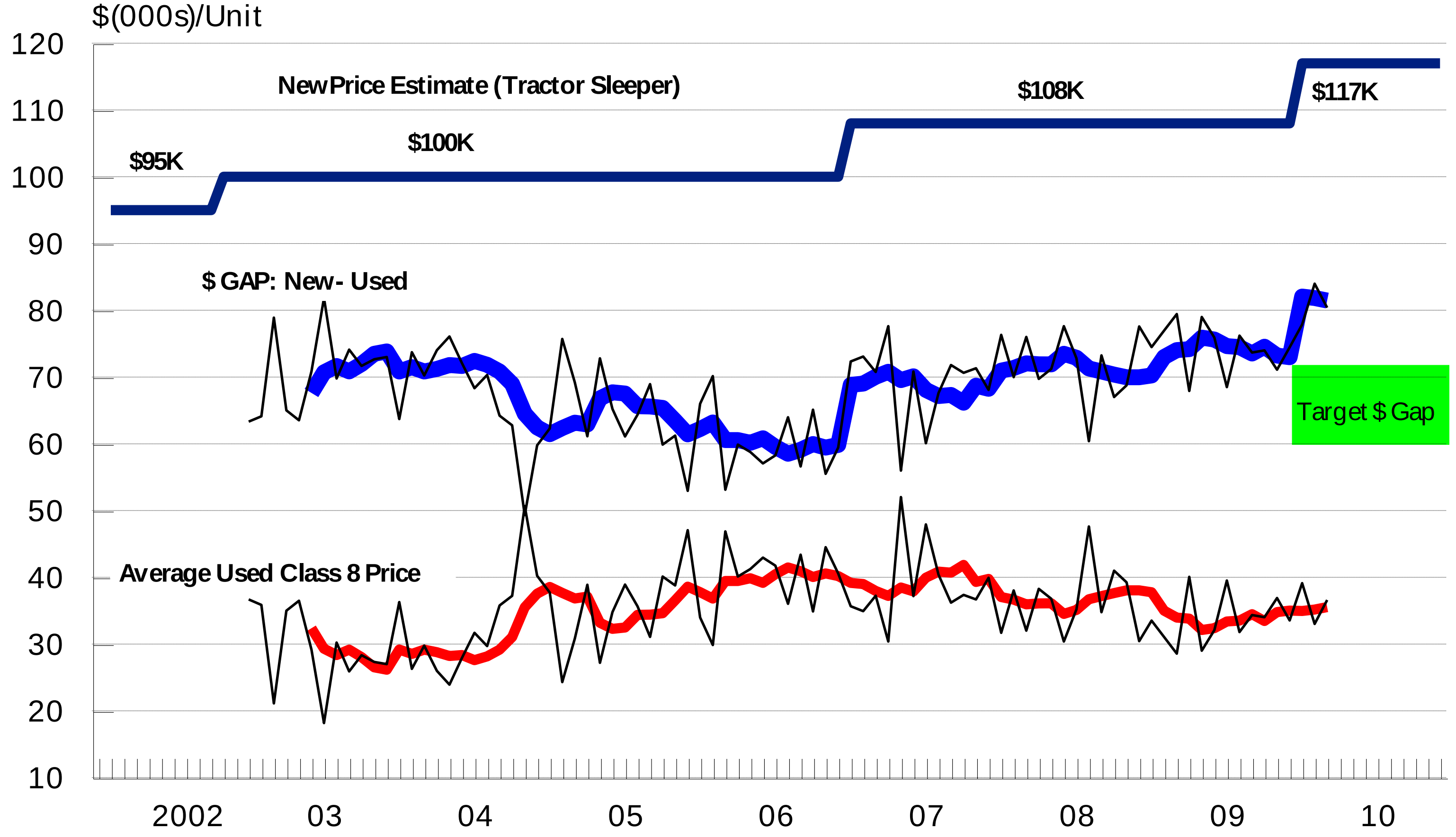
Used Class 8 Sales Gap: Average Selling Price vs. Estimated New Class 8 Price

January '03 - March '10   (Not Seasonally Adjusted)

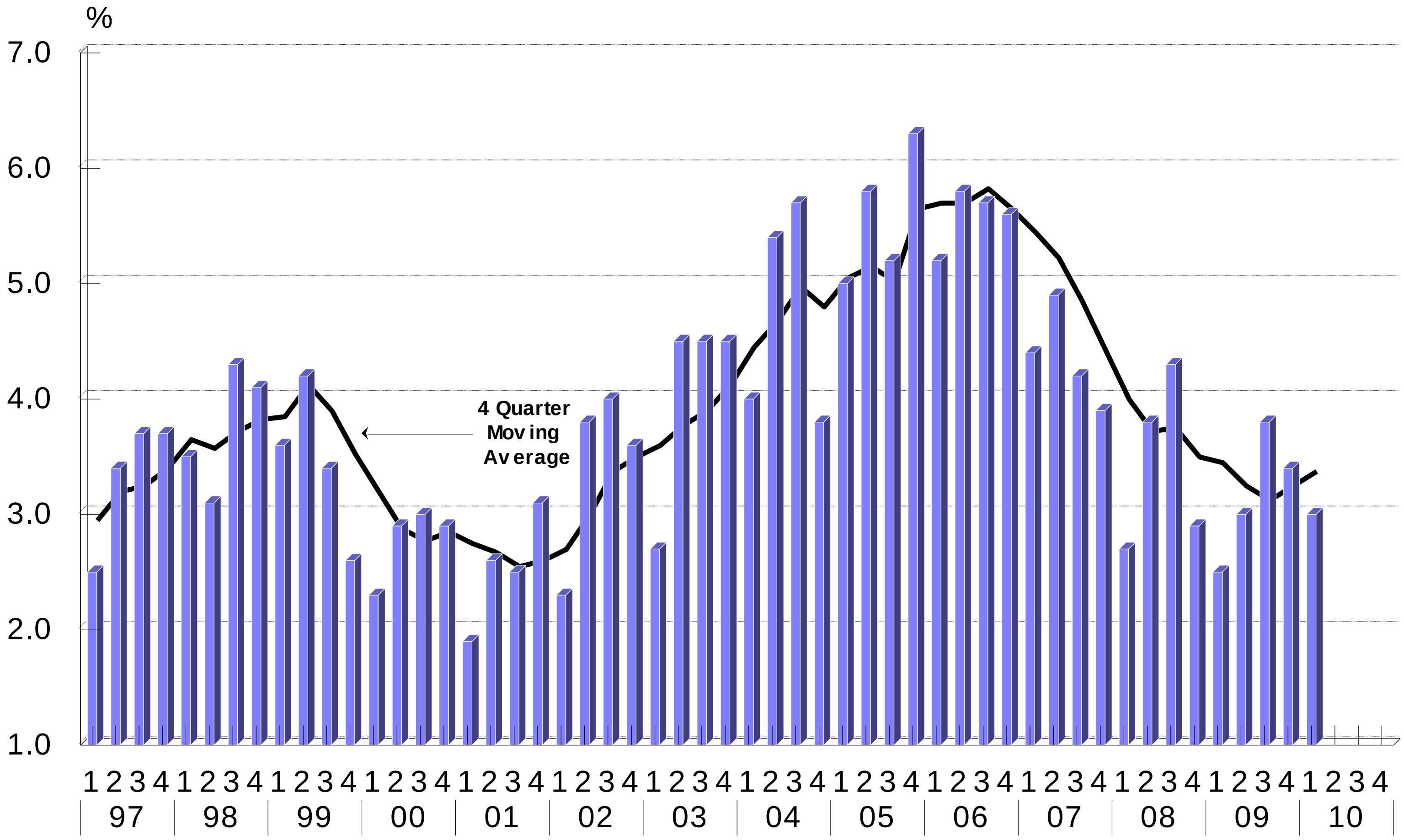


Other Factors

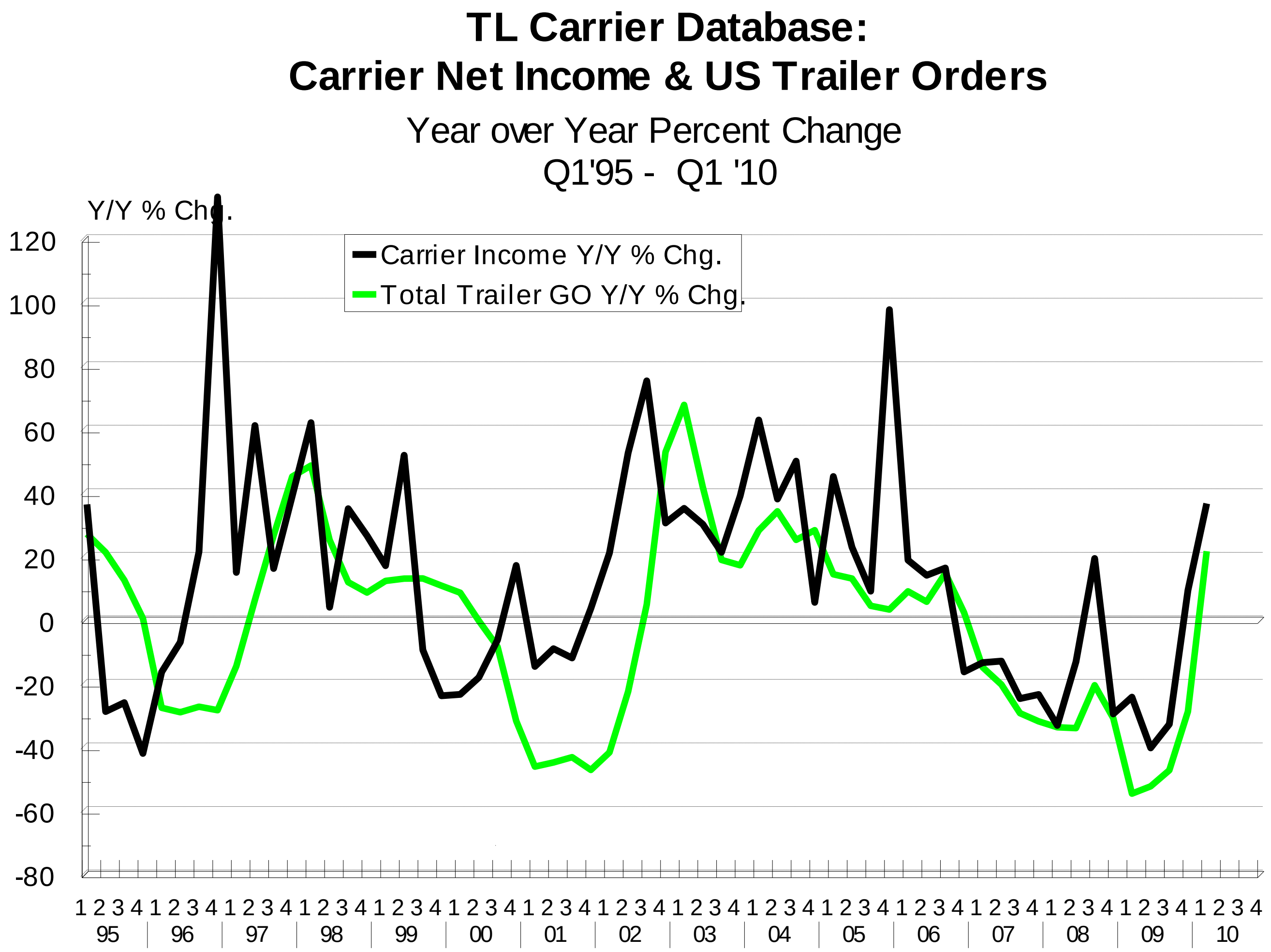
- Trucker profitability
  - Tightening capacity in 2010 sets the stage for very strong profit recovery 2011-2013
    - Truckers reporting rapidly diminishing overcapacity
    - Credit availability should follow revenue & margin expansion
  - **Depreciation allowance becoming a factor**
- Exports & Mexico
  - Weak US$, will support exports above 92-03 avg.
  - Mexico: In addition to manufacturing boost, on track for emissions prebuy (EPA'07) in late 2011

TL Carrier Database:
Net Profit Margin

Q1 '97 - Preliminary Q1 '10



When Carriers Make Money…



Depreciation

- Truckers depreciate tractors 6 or 7 years, with plans to sell at 4 or 5 years
  - Many truckers who thought the would be trading in 2008 and 2009 are still driving the same trucks
  - In 2010 and 2011, depreciation tax allowance runs out for older trucks.

  - Back of the envelope math suggests replacing an out of depreciation truck with a new truck would generate ~$5k in tax savings
    - ((($120k/6years)*60% depreciation rate)*40% tax rate)

Current Environment: Class 8

- Indicators all pointing in right direction in April
  - Orders: Surprise on high side in March and April
    - » Reports that most of industry is building premandate deep into/through Q2
    - » Trucker comments indicate rapid capacity tightening
    - » Orders coming ahead of schedule for EPA'10 units
  - Backlog: Maintained in very tight band since early 2009
    - » BL up 3.5k in April to 46.9k
  - Build: April UPD lowest in seven months
    - » Ahead of previous expectations
    - » Based on BL fill, Q2 build likely to fall between 34k-35k
  - Retail Sales: Seasonally strongest period of the year
    - » Inventory still composed of premandate units
  - Inventory: Units and INRS both fall in April

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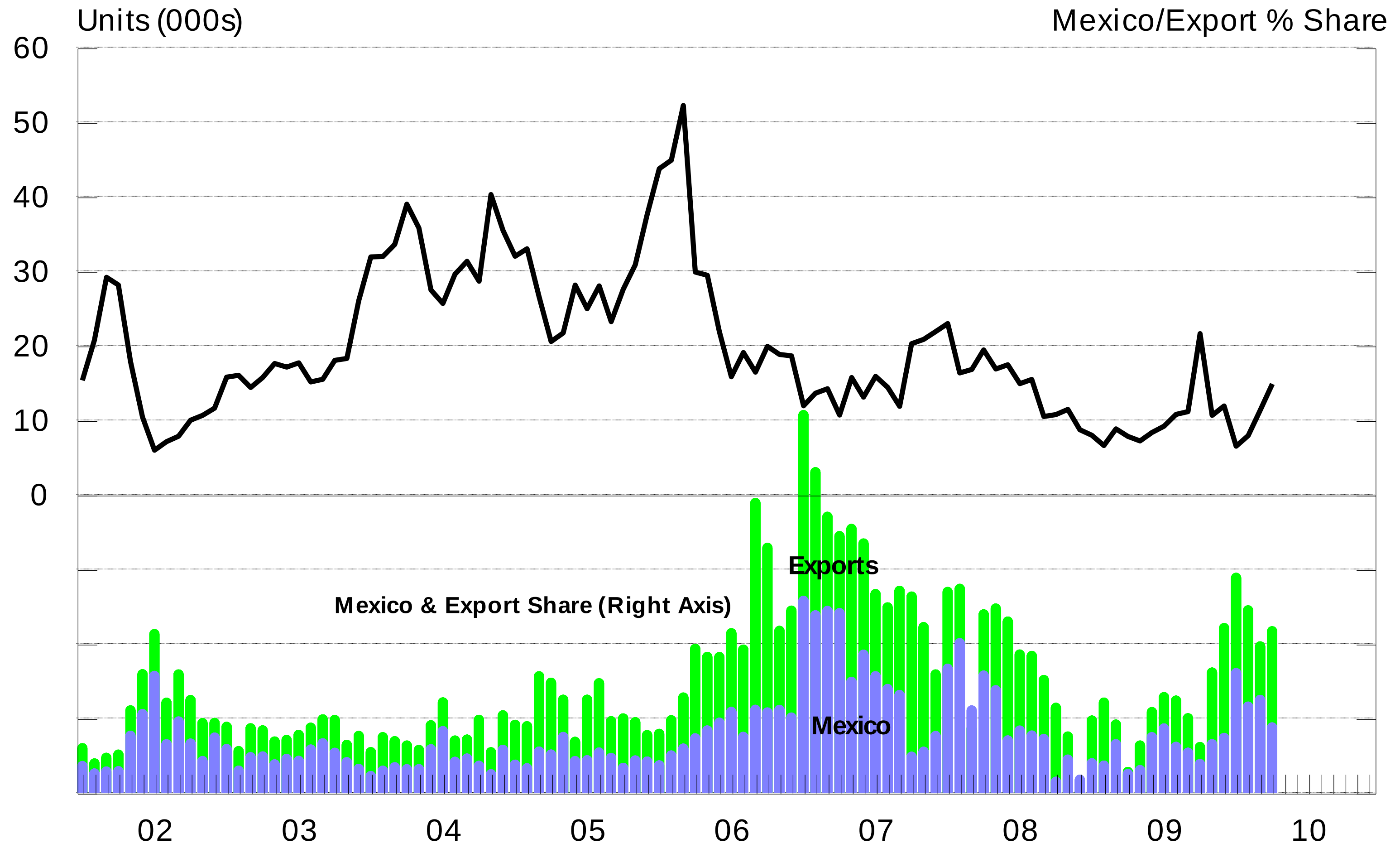
TOTAL CLASS 8: N.A. NET ORDERS

January '02 - April '10 (Not Seasonally Adjusted)



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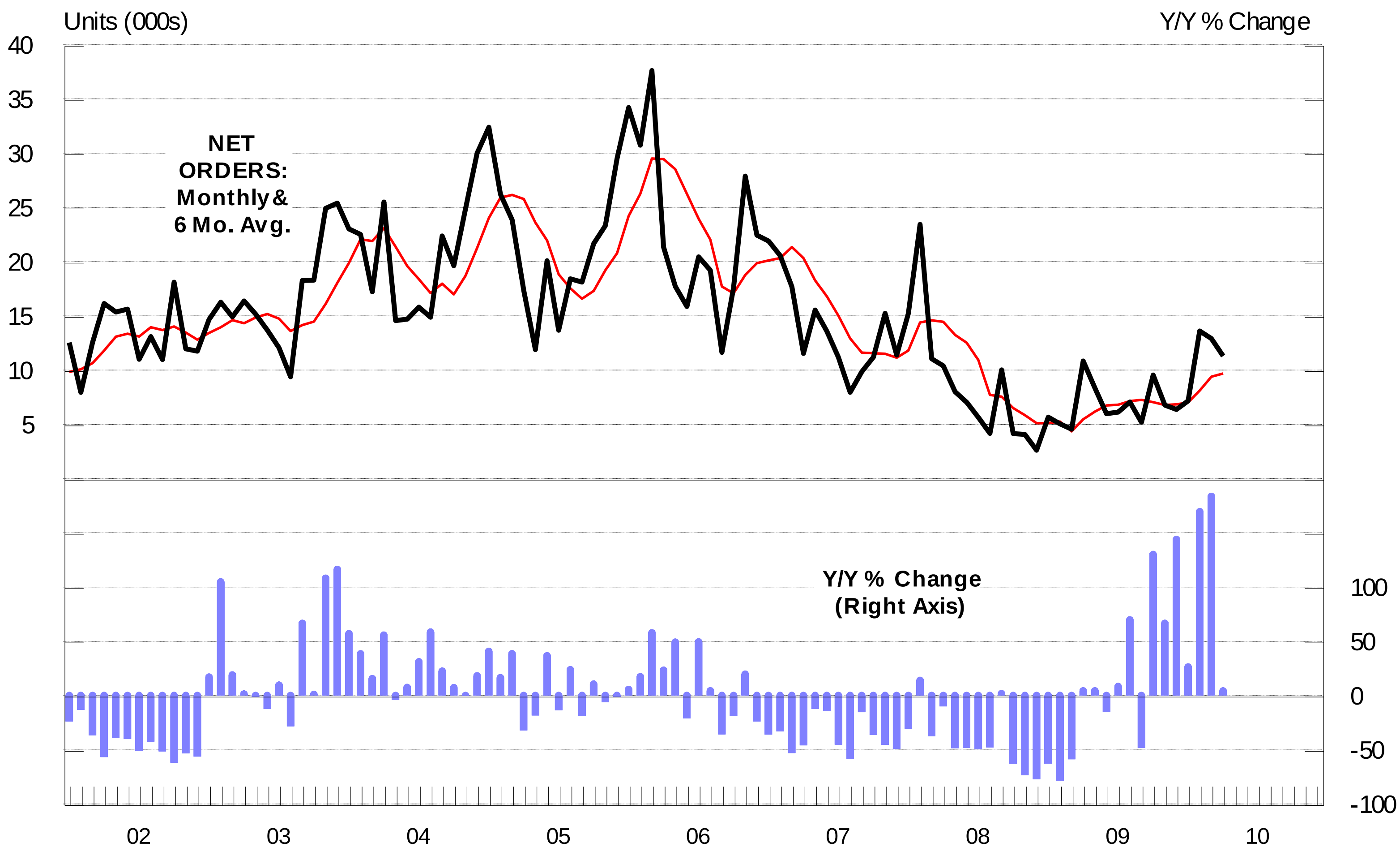
TOTAL TRAILERS: NET ORDERS

Year over Year Percent Change

January '02 - April '10



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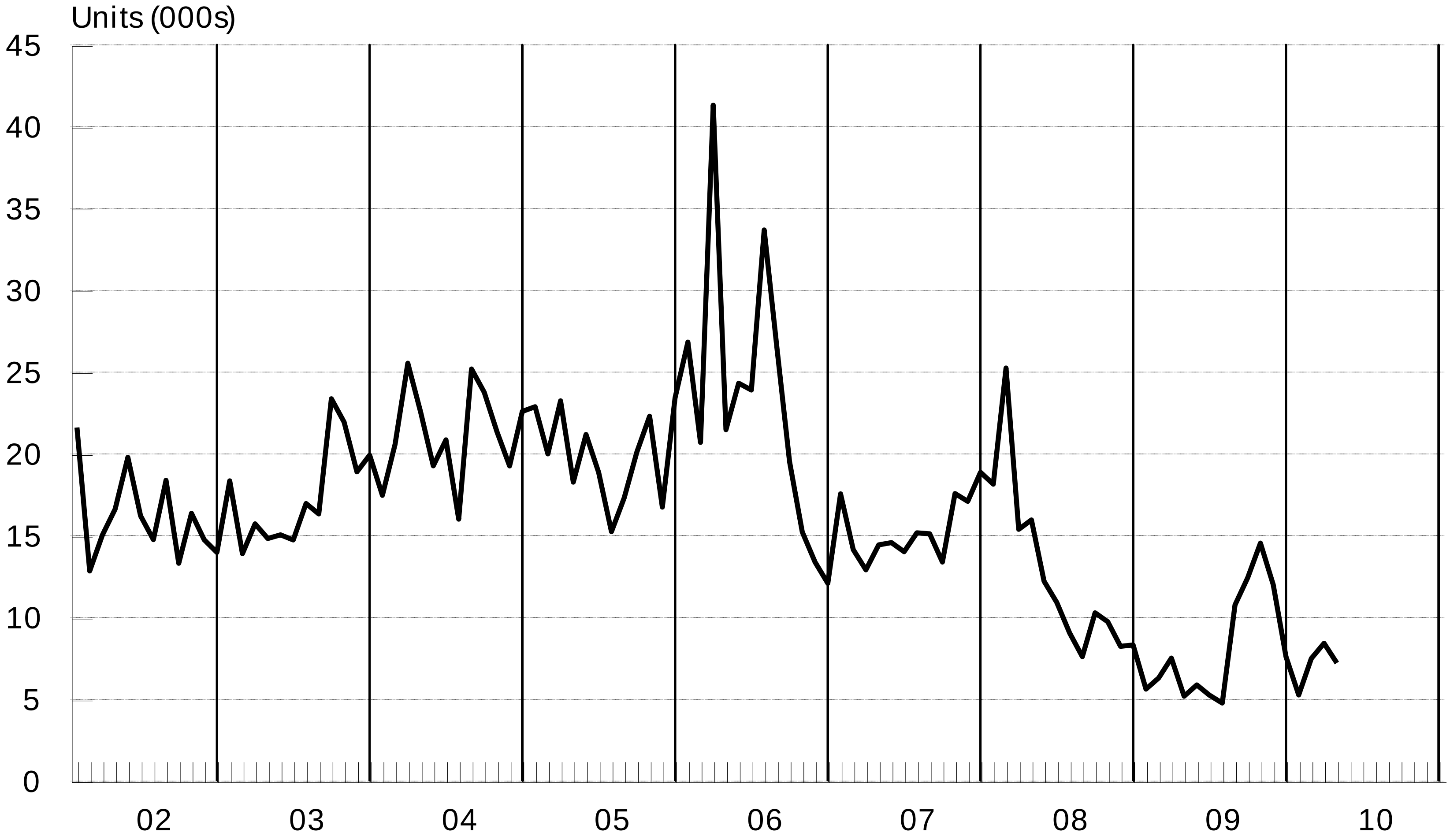
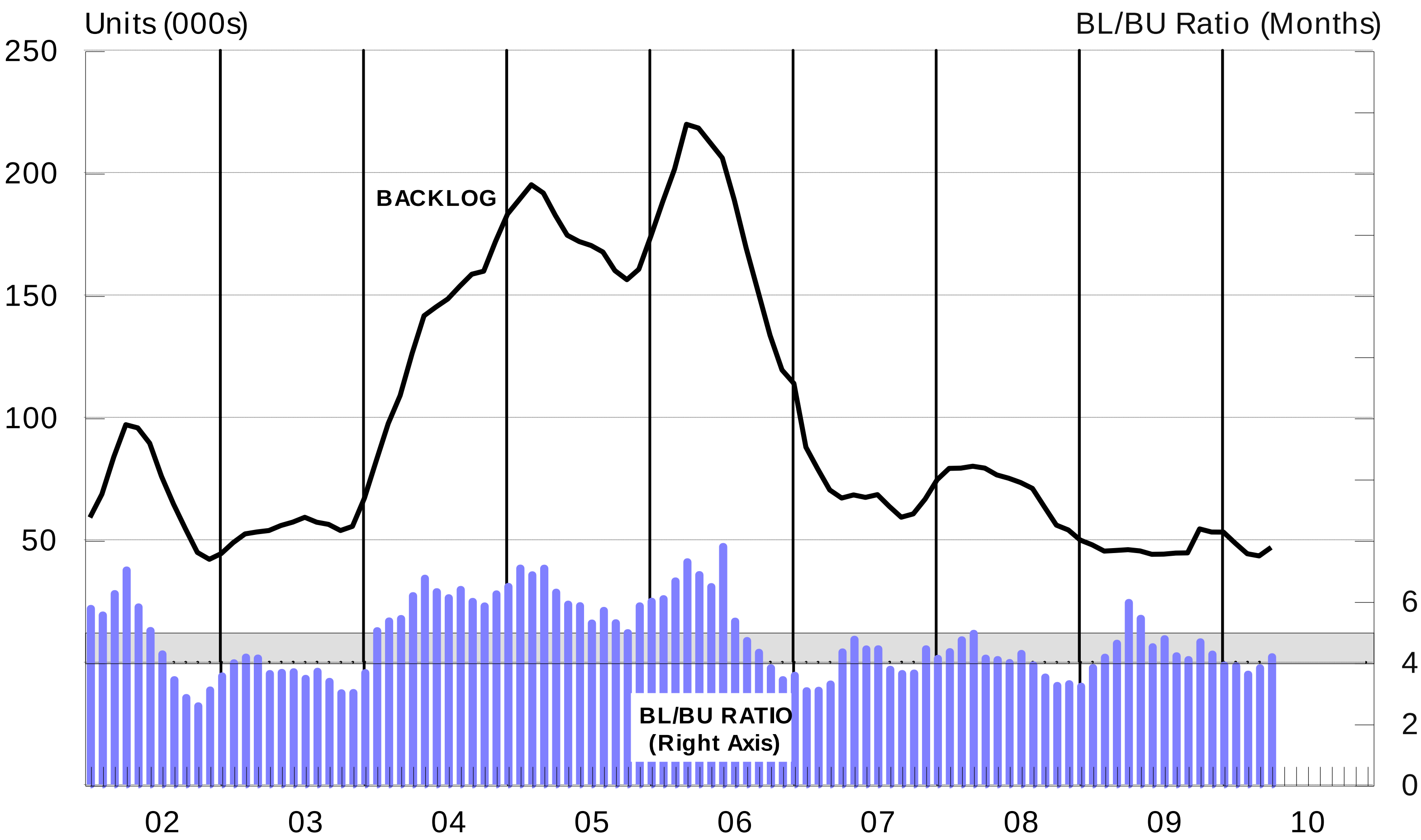
TOTAL CLASSES 5-7: N.A. NET ORDERS

January '02 - April '10 (Not Seasonally Adjusted)



TOTAL CLASS 8: N.A. BACKLOG & BL/BU RATIO

January '02 - April '10 (Not Seasonally Adjusted)



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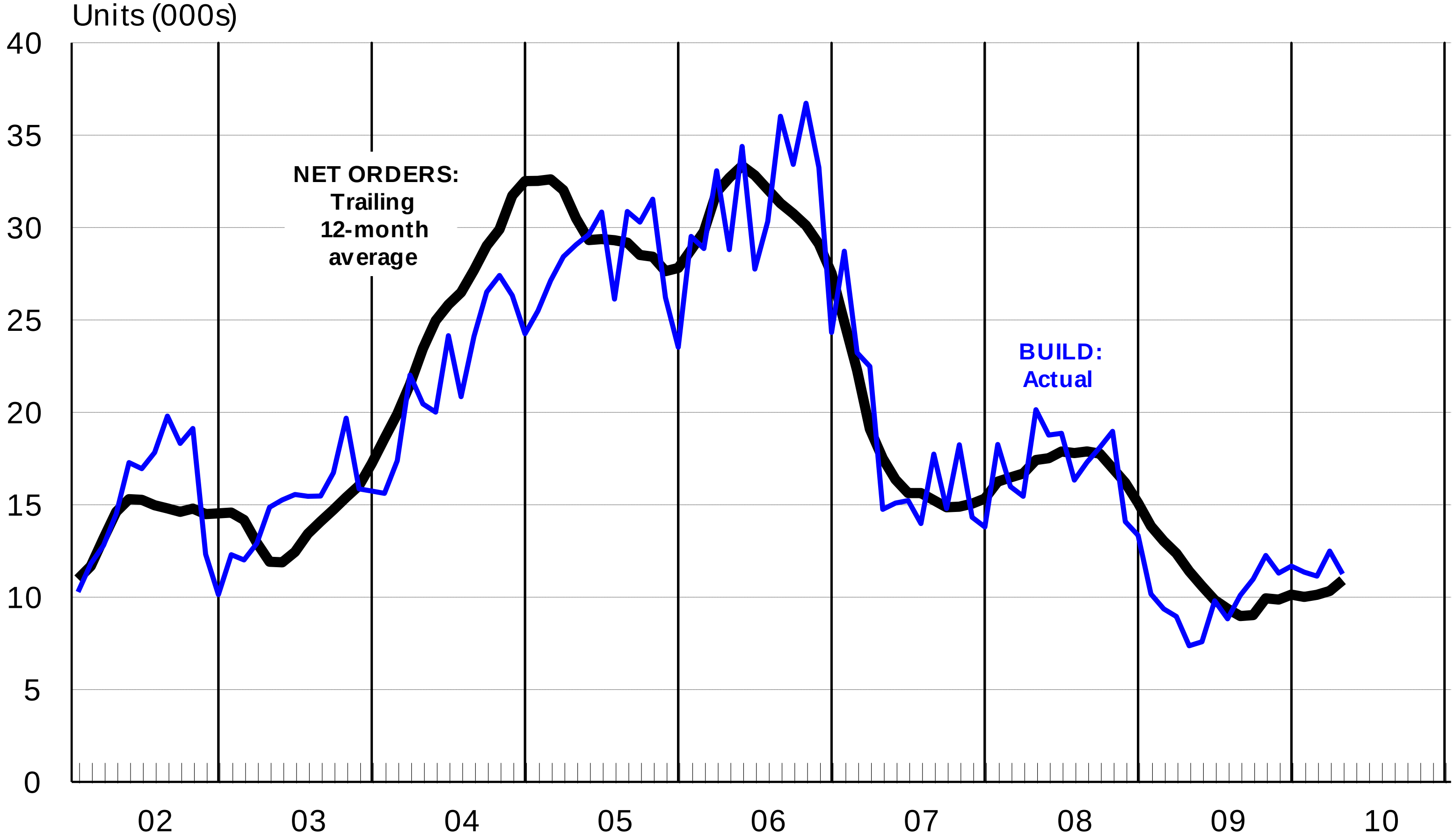
TOTAL CLASS 8 NA:
NET ORDERS (Trailing 12 Months) & BUILD

January '02 - April '10 (Not Seasonally Adjusted)

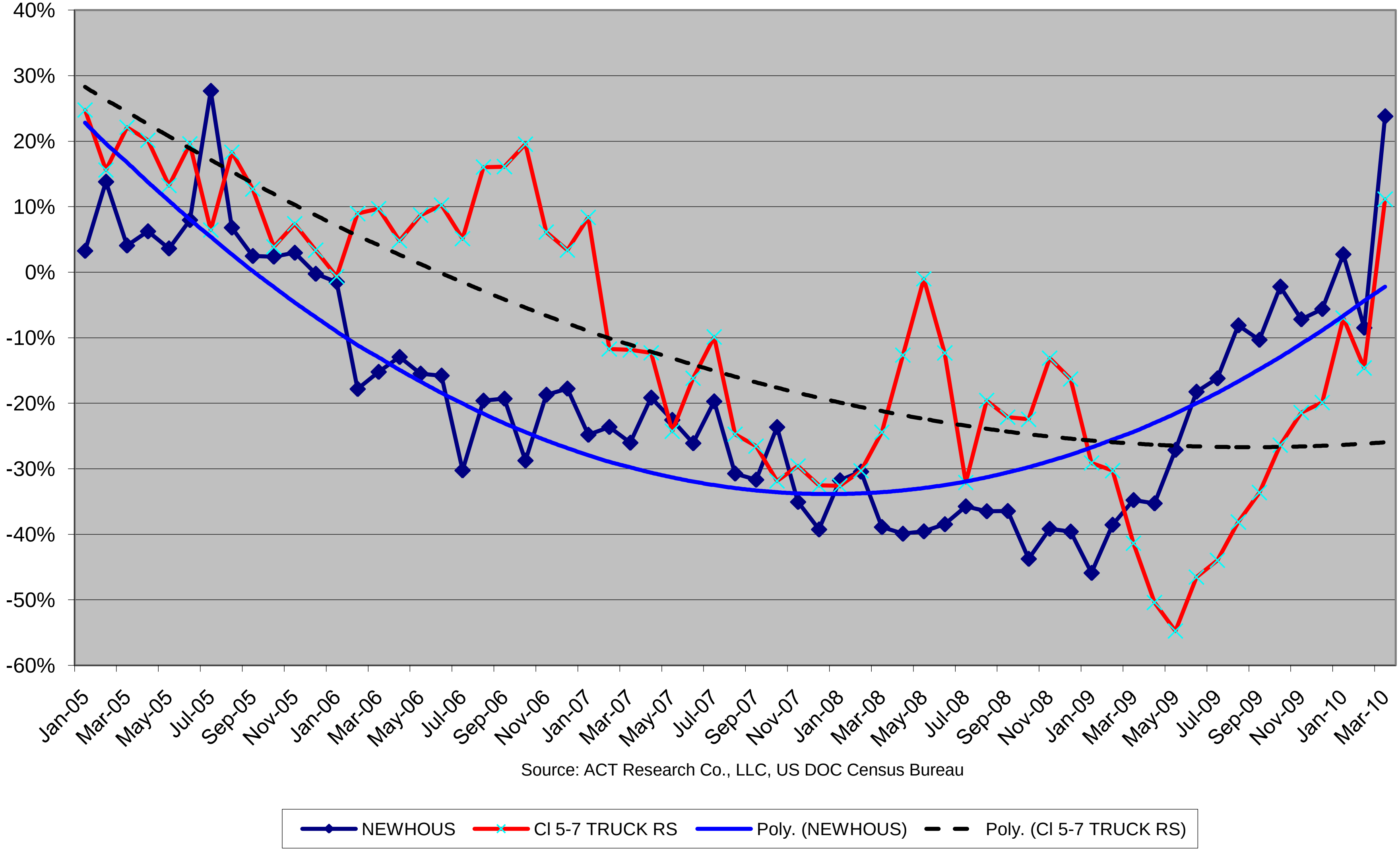


Medium Duty Trucks & Buses

- For trucks, it is all about housing
    - Site preparation companies & utilities
    - House building materials & contractors
    - Making a house a home

    - Most MD trucks stay within 50 miles of home
        - Relatively easy to defer replacement
    - MD truck market subject to right-sizing pressures
        - From above in '90s, from below in '00s
- Buses
    - School boards squeezed by diminished tax collection & higher fuel costs
    - School bus age maximums are mandated in all states

New Home Sales vs. Cl 5-7 Truck Sales
Y/Y % Change of SAAR



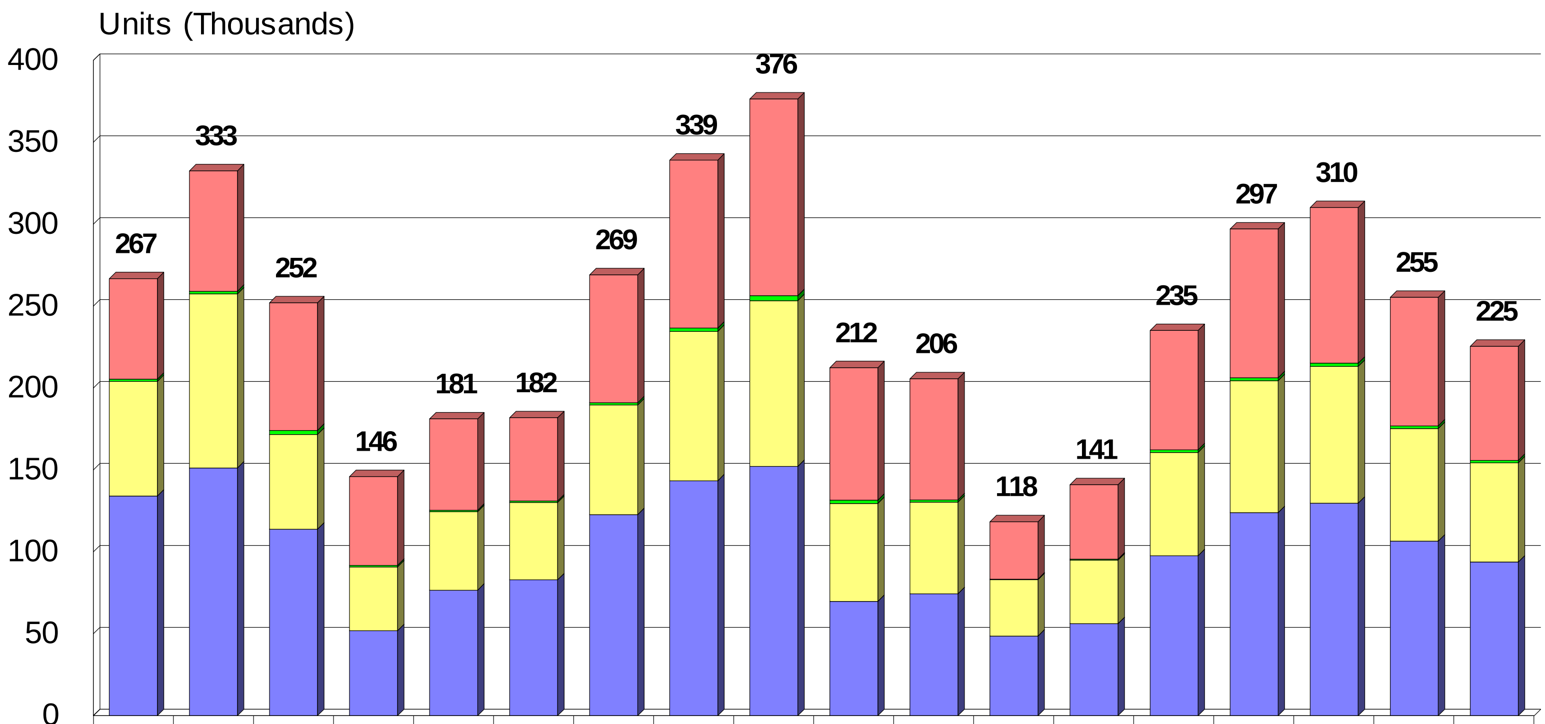
Source: ACT Research Co., LLC, US DOC Census Bureau

Forecasts

- Ramp-up to 2011
  - Lingering overcapacity dries up in mid 2010
  - Used truck prices rise rapidly through mid 2010
  - Credit log-jam eases as asset values & profits rise
- **Forecast risks appears tilted to the upside**
  - Above trend orders may be explained by continued premandate availability, but…
  - Economy continues to surprise on high-side
  - Truckers indicate rapid capacity tightening since February
  - Press releases for EPA'10 orders are becoming a common occurrence

N.A. Class 8 Production

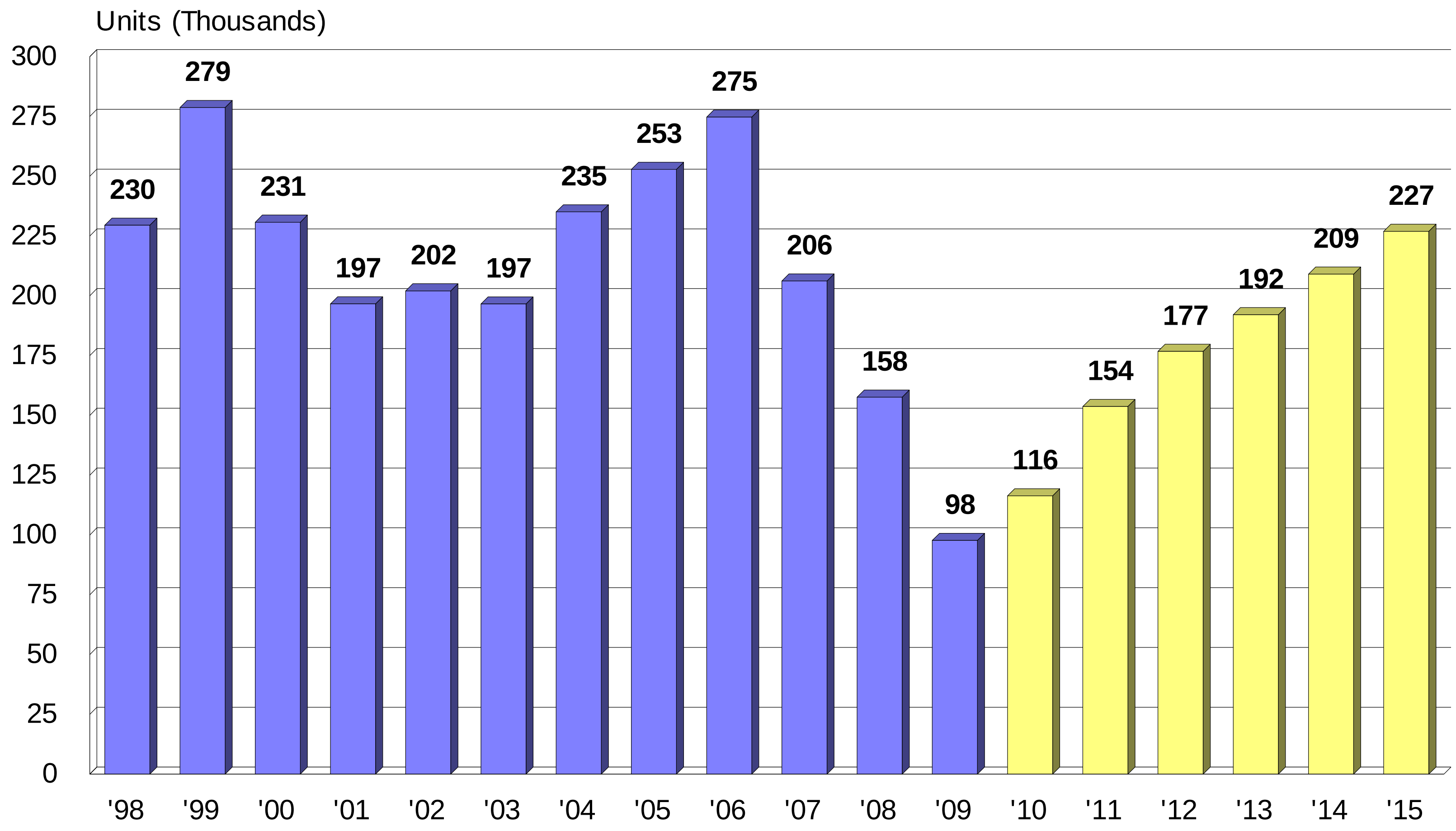
1998-2015



	'98	'99	'00	'01	'02	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15
Truck: Daycab	61	74	78	54	56	51	78	103	120	81	74	35	45	73	91	95	78	70
Truck: Sleeper	1	2	2	1	1	1	1	2	3	2	1	0	1	2	2	2	2	1
Tractor: Daycab	70	106	58	39	48	47	67	91	101	60	56	34	39	63	81	83	69	61
Tractor: Sleeper	134	151	114	52	77	83	123	143	152	70	74	49	56	98	124	130	107	94

N.A. Classes 5-7 Production

1998 - 2015



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