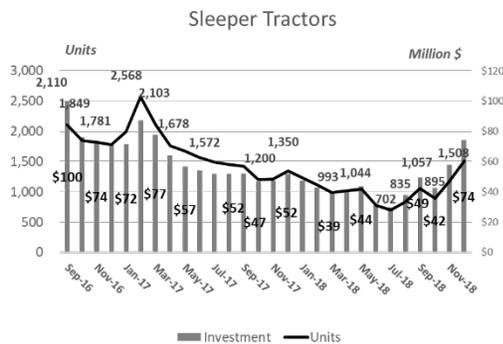
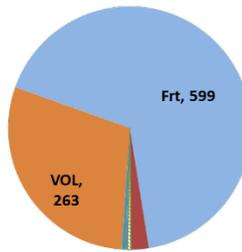


## Predicting Sleeper Model Pricing Trends

This snapshot is longer than we usually run, but we hope you'll stay with us to the end. At the risk of sounding overly dramatic, this may be the most important report we've ever written. It is certainly the clearest guide available on how to make the most of the data we provide to our used truck BI customers on a monthly and weekly basis. Our initial goal in improving the quality of the data the used truck market had access to was to look closer and closer in the rear view mirror. Talking about what happened 60 days ago was simply not fast enough to help you run your business. Then, we sought to bring you as clear a picture as possible of what is happening in real time. **Over the last few months, we've begun to crystallize a model that will let you look into the future to see what you need to be doing today to be ready for what happens in the next one to two months.** This is the first of many conversations we're going to have in unveiling this model. If you haven't seen this information before or want some clarification on exactly what you're looking at in each of these graphics please reach out to me and I'll be happy to explain what you're looking at, why we measure that, and how you can put the data to work. (310)-874-4209 or [Bennett@keadvisors.com](mailto:Bennett@keadvisors.com) both work!



UT Inventory Mix - By Brand -



### The Canary in the Coal Mine

This is our inventory measure for a very large player in the full service leasing industry. Our hypothesis was that because of their significance as a customer to OEMs they'd be getting their trucks early, and because of their control

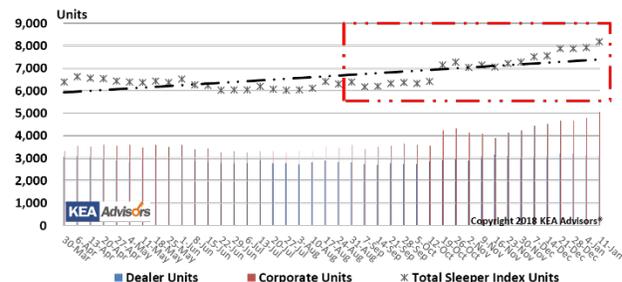
over the trade in/ T&C cycle their trucks would show up in their used truck inventory first. When their inventory started to climb in August, a few alarms went off for us.

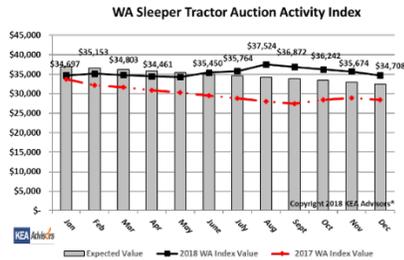
### What About The Rest of Us?

The next link in the chain is dealer lots, how soon after the big players will the rest of dealers get their hands on their trucks? Our hypothesis was probably a month or two. Based on the August jump in leasing inventory, we'd expect to see an increase in September or October for everybody else. That was borne out in our Inventory Index, which is a measure of inventory levels

throughout corporate and individual dealers. This isn't a gauge of the number of trucks available per se, rather a measure to help us get a feel for if inventory levels in general are rising or falling and the speed that's happening. **Pricing theory 101 tells us that as supply increases, prices will have to adjust if the dealer network wants to move inventory. When supply comes up, prices need to fall if inventory is going to move.**

- Used Sleeper Tractor Inventory Index -





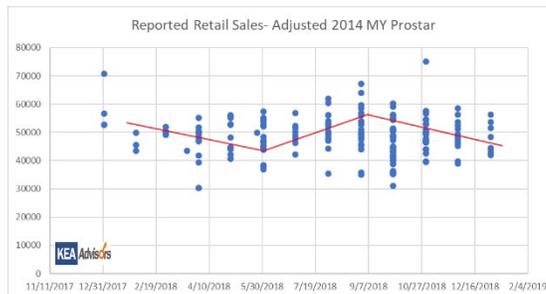
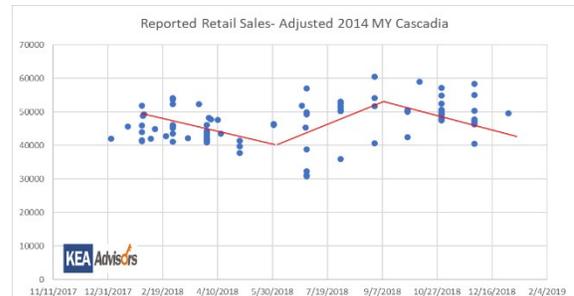
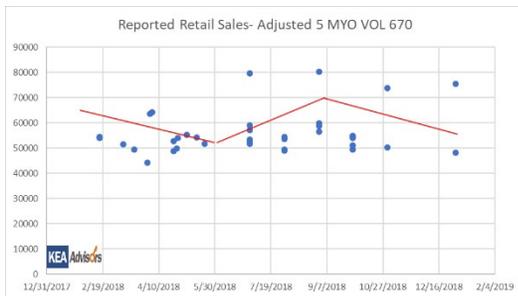
## Well? Did Pricing Respond?

Despite Ritchie Brothers' best effort to attract retail buyers, buying at the auction market is still dominated by dealers. Because of that demographic, we can use our Auction Index to gauge the sentiment of dealers and their appetite for inventory. When dealers have a high appetite for inventory (most likely driven by

needing trucks on the lot) auction prices will creep up, when there is low appetite for inventory (driven by not needing trucks on the lot) prices will fall. So in September and October when inventory started to return to the system we would expect auction values to fall. Sure enough, that's exactly what we saw.

## OK, But Tell Me What I Really Want to Know, Does This Affect Retail Values?

The short answer is the model implied by the chain of data points that we outlined has a very strong predictive value for general pricing trends in the retail market. There are lots of factors that affect retail pricing. Geography, customer base, dealer capability, and sometimes the price of tea in China all influence the individual price of a truck so a general rule doesn't fit all observations perfectly. What we're seeking to identify is general trends that we can predict based on previous data points. **Does it work? Can we help you proactively make pricing decisions based on this model? The answer is yes. The red line in the charts below is the trend predicted by the model we're building. Across all brands (only three are shown, we ran them all) the reported results correlate to our model very closely. That means KEA Used Truck BI customers have a head start on the rest of the market.**



If you're already a used truck BI customer, thank you for your support. We hope this has you excited about the future of our platform, and if you're not maximizing the use of our data we want to help you do that. Give me a call and let's get on the schedule. If you're not a Used Truck BI customer, it's the best deal in the business. Feel free to reach out to me any time to get enrolled, or if you're going to be at ATD later this month we hope you'll stop by and see us!