



Jefferies Heavy Duty and Specialty Vehicle Report

An Overview of M&A and Public Equity Valuation Trends

2020

Jefferies LLC
Member SIPC

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Mergers & Acquisitions: Notable Trends and Transactions

Heavy Duty & Specialty Vehicle M&A from 2015 - 2019

Commentary on Historical Market Volume

Over the last five years, there have been ~330 M&A transactions between U.S.-based targets or acquirers. M&A volume year-over-year has remained relatively consistent, between ~60 to ~70 transactions per year.

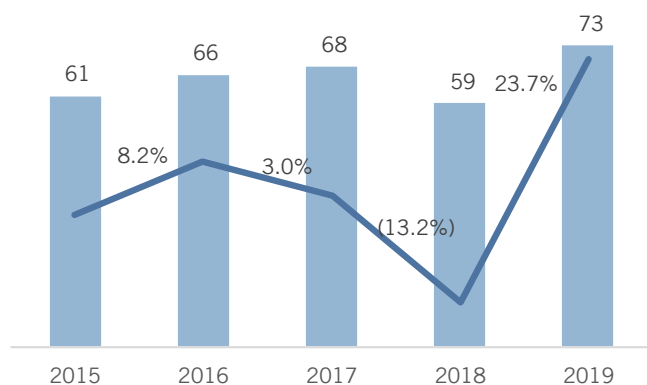
Of transactions with a disclosed value (134 out of 330; or ~40%), a majority of transactions (~60%) had an enterprise value of \$100 million or less. 95% of transaction had a valuation under \$1 billion. Of the \$1 billion+ “mega-deals” (11 transactions), seven were acquired by public companies, with the remaining four acquired by private equity.

The mix of buyer type has remained fairly consistent. Private equity accounted for 25% of yearly M&A volume, on average, with private equity volume in any single calendar year counting for no less than ~20% of total transaction volume. However, private equity volume was significantly driven by six consolidators, which accounted for ~75% of the total financial buyer volume. (see page 8 for a consolidator listing). The remaining private equity volume consisted of 25 “platform” investments.

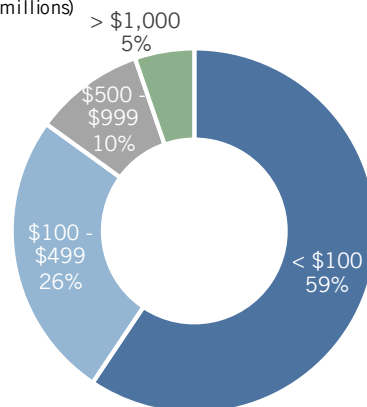
Supplier consolidation drove approximately half of the deal volume (61%) and accounted for 8 out of 10 of the largest disclosed-value transactions. Equipment dealers and fleet service providers were the second largest target cohort at 25% of market volume. Parts distributor M&A has historically consisted of a mix of FleetPride and TruckPro expansion (20 out of 55 parts distributor transactions) and consolidation amongst specialty distributors (e.g. suspension, chassis, and diesel component parts distributors).

2015 – 2019 M&A Metrics: In Aggregate

Number of Heavy Duty Transactions

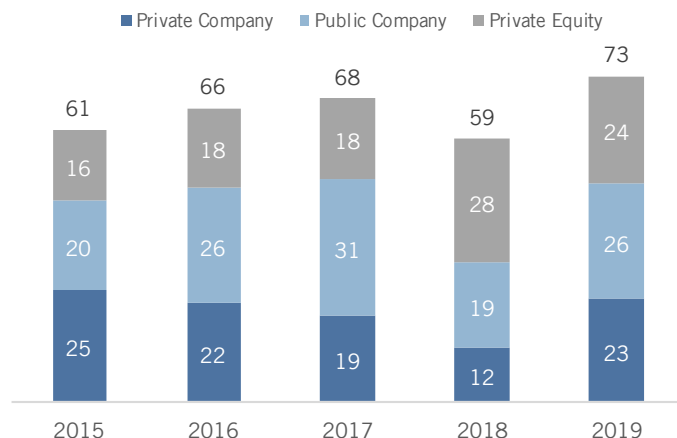


Breakdown of Heavy Duty Transactions by Size⁽¹⁾ (USD millions)

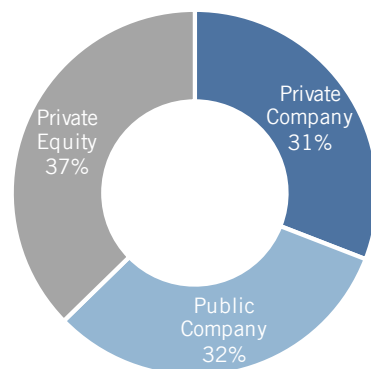


2015 – 2019 M&A Metrics: Buyer Type

Buyer Type by Year

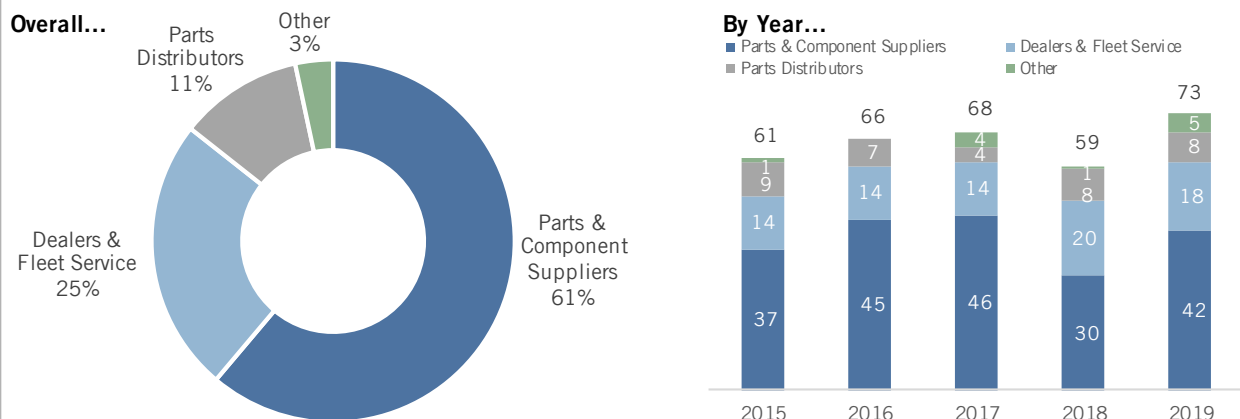


Buyer Type (% of Total Transactions)

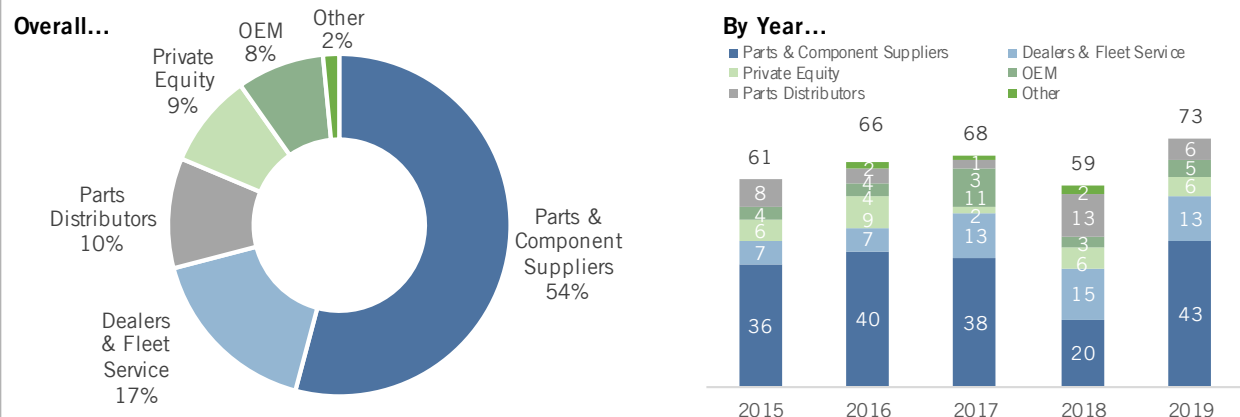


M&A by Supply Chain Position

Breakdown of Target Supply Chain Position (2015 to 2019 Volume)

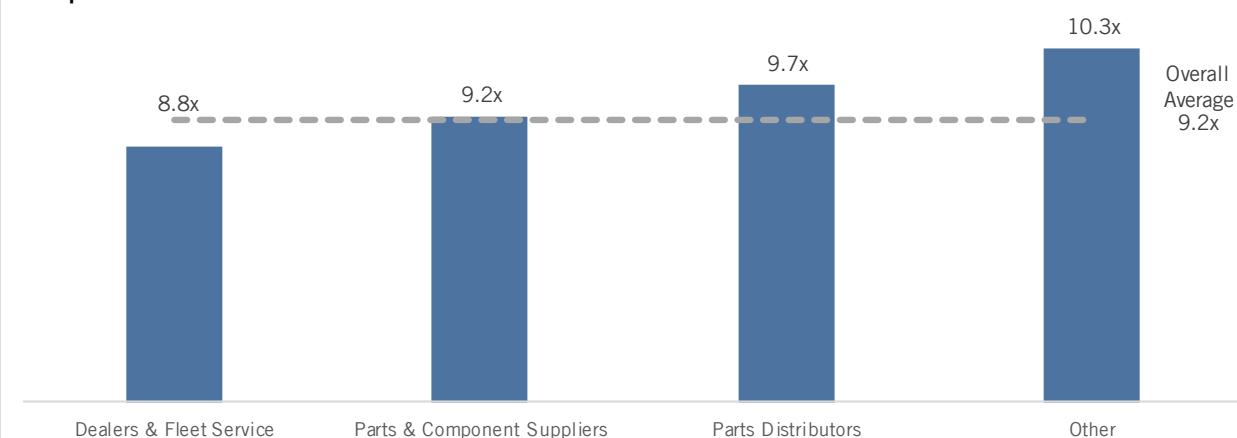


Breakdown of Buyer Supply Chain Position (2015 to 2019 Volume)



Average Multiple Paid by Supply Chain Position (2015 to 2019)

Enterprise Value / EBITDA



Heavy Duty & Specialty Vehicle M&A from 2015 - 2019 (cont.)

Commentary on Historical Market Valuations

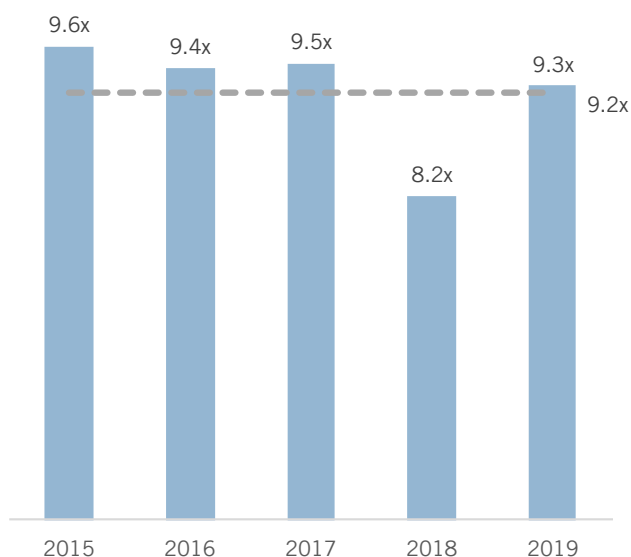
Valuation multiples have remained relatively steady since 2015. The average and median Total Enterprise Value (“TEV”) / EBITDA multiple for our analysis period was 9.2x and 9.0x, respectively. From year to year, the average TEV multiple was never more than +/- 1.0x from the five year average level.

Parts distributors received the highest multiples (9.7x on average), followed by parts & component suppliers (9.2x) and then dealers & fleet service (8.8x). Of the 134 transactions with disclosed TEV multiples, 68 of the transactions (64%) were supplier acquisitions, which had a wide dispersion of valuations, with the 2nd quartile of supplier valuations starting at 9.0x and the third quartile starting at 10.7x.

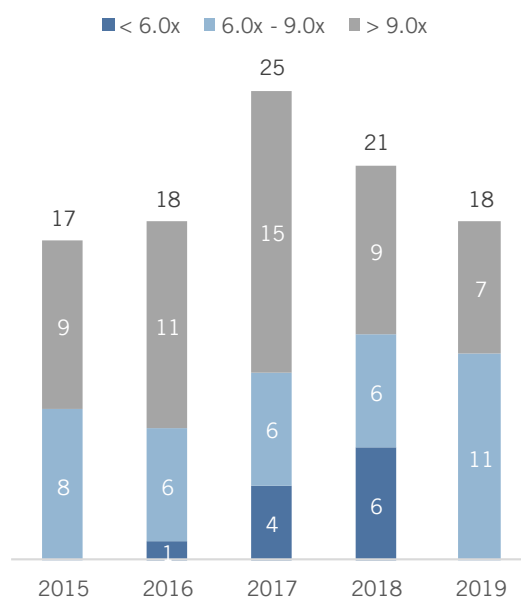
Not surprising to us, financial buyers (or their portfolio companies) paid 0.5x more than other strategic buyers (on average). We have seen this relative valuation dynamic consistently in the light-duty markets, where private equity is not afraid to move quickly and “pay up” for quality businesses. In many cases these transactions generate substantial synergies to the acquirer, which allows private equity to pay similar prices as public company buyers. Also, it should be noted that private equity-owned platforms drove ~30% of aggregate M&A volume.

2015 – 2019 M&A Metrics: Valuation

TEV / EBITDA Averages by Year



TEV / EBITDA Valuation Ranges by Year









Average TEV / EBITDA Across Buyer Type

	2015	2016	2017	2018	2019	Average
Private Company	10.8x	6.9x	9.9x	11.1x	10.4x	10.1x
Private Equity	12.8x	8.5x	9.0x	10.1x	7.9x	9.5x
Public Company	8.8x	10.1x	9.4x	6.9x	9.4x	9.0x
Average	9.6x	9.4x	9.5x	8.2x	9.3x	9.2x

Other Interesting M&A Statistics

Most Prolific Strategic Acquirers

Buyer	Notable Acquisition(s)	Acquisitions Since 2015
 (American Securities)	Truck Parts & Equipment Inc. (2018) Commercial Truck Services (2019)	~15
 (NYSE:LCII)	Curt Group (2019)	~15
 (Platinum Equity)	Midwest Truck Parts and Service (2018) PNP Enterprises(2019)	~10
 (Oak Hill Capital Partners)	L-3 Mobile Vision (2019) Roll Rite (2019)	~10
 (NYSE:MTOR)	AxleTech (2019) Transportation Power (2019)	~10
 (KPS Capital Partners)	Titan International (Brake Business) (2015) Rockwell American (2016)	~8

(\$Millions)

Select Transactions with Disclosed Values

Target	Buyer	Deal Value
	 (Private)	\$14,507 (2015)
	 (NYSE:PH)	\$4,437 (2017)
 (The Blackstone Group)	 (NYSE:GPC)	\$2,017 (2017)
 (P2 Capital Partners)	 AMERICAN SECURITIES	\$882 (2016)
	 (NYSE:RBA)	\$759 (2017)
	 (NYSE:THO)	\$582 (2016)

Select Companies Traded Multiple Times

Target	Buyer 1	Buyer 2
 Supplier and distributor of RV appliances and parts	 (2014)	 (2018)
 Trailer parts distributor	 (2011)	 (2015)
 Manufacturer of chassis and running gear	 (2012)	 (2017)
 Replacement parts distributor and service provider	 (2012)	 (2018)
 Supplier of electrical and transmission products	 (2013)	 (2017)
 Supplier of engine components	 (2016)	 (2019)

Recent Notable Sponsor Acquisitions

Target	Buyer	Seller
 (Dec-2019)	 CAPITAL	
 (Dec-2019)	 CAPITAL	
 (Oct-2019)		
 (June-2019)		
 (Dec-2018)		
 (Sept-2018)		Private

Source: Capital IQ, Company Filings.

Select North American Heavy Duty and Specialty Vehicle Transactions

(\$Millions)

Close Date	Target	Acquirer	Announced Metrics (\$M)		Observations
Jan-20	Premier Products	Minimizer	Not publicly disclosed		Premier Products designs, manufactures, and distributes specialized tractor trailer components. Premier Products will continue to be sold under the Premier brand.
Dec-19	TransAxle	Crossplane Capital	Not publicly disclosed		TransAxle is engaged in the remanufacture and distribution of transmissions, differentials, hydraulic pumps, and other specialized components for the medium and heavy-duty truck markets. TransAxle was previously owned by Graham Partners.
Dec-19	Curt Group	LCI Industries	TEV: EBITDA: TEV / EBITDA:	\$340 \$35 9.7x	Curt Group is a leading sales, marketing, engineering, and distribution company of towing products and truck accessories. The transaction will add a complementary product portfolio of towing and truck products. This was LCI's largest acquisition to date.
Dec-19	Truck-Lite	Genstar Capital	Not publicly disclosed		Truck-Lite designs, develops, manufactures, and distributes vehicular safety lighting products and accessories to heavy-duty truck, trailer, and commercial vehicle industries in the United States and internationally.
Oct-19	TruckPro	Platinum Equity	Not publicly disclosed		TruckPro is a leading distributor of heavy-duty truck and trailer products, and provider of repair services that delivers 130,000 products through more than 150 locations in the U.S. and Canada. TruckPro had been owned by Harvest Partners since 2011.
Sep-19	Horizon Global APAC Division	Pacific Equity Partners	TEV:	\$231	Horizon Global is a manufacturer of branded towing and trailering equipment. In a broader effort to pay down outstanding loan the APAC division was sold off. Jefferies advised Horizon Global in this transaction.
Jul-19	AxleTech	Meritor	TEV:	\$125	AxleTech manufactures, sells, and services powertrain solutions for on- and off-highway heavy-duty commercial vehicles. The transaction complements Meritor's customer base and diversifies exposure in adjacent end markets.
Apr-19	PurePOWER Technologies	Stanadyne Corporation	Not publicly disclosed		PurePOWER Technologies, LLC develops, manufactures, and remanufactures air and fuel management components for OEMs and the aftermarkets.
Nov-18	Fleetpride	American Securities	Not publicly disclosed		Fleetpride is the largest distributor of HD aftermarket parts with over 260 locations. The firm provides an attractive platform to expand in highly-fragmented HD parts distribution landscape. Jefferies participated in arranging financing for American Securities.
May-18	All States Ag Parts	Kinderhook Industries	Not publicly disclosed		All States Ag Parts retails used, new, and rebuilt tractor and combine parts. The Company has since acquired four add-on acquisitions.
Apr-18	Airxcel	L Catterton	Not publicly disclosed		Airxcel is a leading supplier and distributor in the RV space. This is L Catterton's first investment in the broader automotive aftermarket. Jefferies advised Airxcel in this transaction.
Feb-18	SafeFleet	Oak Hill Capital Partners	Not publicly disclosed		SafeFleet is a market-leading provider of safety and productivity solutions for fleet vehicles. Its products serve a variety of end-markets including bus, RV, truck & trailer, and law enforcement.

Source: Capital IQ, Company Filings.
Note: includes transactions announced and completed in 2020.

Select North American Heavy Duty and Specialty Vehicle Transactions (Cont.)

(\$Millions)

Close Date	Target	Acquirer	Announced Metrics (\$M)		Observations
Nov-17	Speedco	Love's Travel Stops & Country Stores, Inc.	Not publicly disclosed		Speedco, provides lubrication and tire services for the trucking industry in the United States. This was Love's largest acquisition to-date.
May-17	KIC Holdings	Accuride Corporation	Not publicly disclosed		KIC Holdings, a commercial vehicle wheel end company, manufactures and distributes truck, bus, and trailer parts for customers in the United States and internationally. Accuride was acquired by private equity firm Crestview Partners in 2016.
Jul-17	DexKo Global	KPS Capital Partners	Not publicly disclosed		DexKo Global designs and manufactures trailer axles and running gear components. The business has both OEM and heavy duty aftermarket segments.
Jul-17	Truck Bodies & Equipment International	Federal Signal Corporation	TEV:	\$270	TBEI is a leading U.S. manufacturer of dump truck bodies and trailers. The acquisition strengthens Federal Signal's market position as a specialty vehicle manufacturer.
			EBITDA:	\$38	
			TEV / EBITDA:	10.7x	
Mar-17	Power Products	Genstar Capital	Not publicly disclosed		Power Products operates as a manufacturer and supplier of electrical products for recreational marine and specialty vehicles; industrial power; and transportation industry.
Nov-16	Accuride	Crestview	TEV:	\$460	Accuride is a leading supplier of wheels and wheel-end components for commercial vehicles.
			EBITDA:	\$68	
			TEV / EBITDA:	6.6x	
Sep-16	Truck-Lite	BDT Capital Partners	Not publicly disclosed		Truck-Lite, designs, develops, manufactures, and distributes vehicular safety lighting products and accessories to heavy-duty truck, trailer, and commercial vehicle industries in the United States and internationally.
Apr-16	Blount International	American Securities	TEV:	\$882	Blount is a global manufacturer of replacement parts, equipment and accessories for forestry, agriculture and municipal markets.
			EBITDA:	\$104	
			TEV / EBITDA:	8.9x	
May-16	American Trailer Works	Bain Capital	Not publicly disclosed		ATW is a manufacturer and distributor of utility and cargo trailers. The transaction combines the two largest trailer manufacturers in North America.
Dec-15	BigTex Trailers	Bain Capital	Not publicly disclosed		BigTex Trailers is a leading professional grade trailer parts manufacturer and distributor in North America focused on heavy duty equipment, dump, truck bed, utility, and horse & livestock.
Sep-15	Arrowhead Electrical Products	The Riverside Company	Not publicly disclosed		Arrowhead is a supplier of aftermarket replacement parts for the powersports, agricultural, power equipment, marine, and heavy duty end markets. Jefferies advised Arrowhead in this transaction.
Jul-15	Aurora Parts & Services Network	Sterling Partners	Not publicly disclosed		Aurora is a distributor of aftermarket parts and accessories for over-the-road semi-trailers. It offers the most complete line of branded and private label parts with over 16,500 SKUs.

Heavy Duty Replacement Parts Distribution has New Ownership

Over the past 18 months, the two largest distributors in the U.S. heavy duty truck industry (FleetPride and TruckPro) have sold to new owners.

Both transactions involved a private equity firm selling to another (referred to as a “secondary buyout”). TPG Capital owned FleetPride for six years before selling to American Securities. Harvest Partners owned TruckPro for eight years before selling to Platinum Equity.

Both distributors have experienced significant growth. TruckPro has completed ~15 acquisitions since 2011, nearly tripling total sales over that period. TruckPro’s acquisitions focused on expanding its branch footprint. During that same period FleetPride completed ~25 acquisitions.

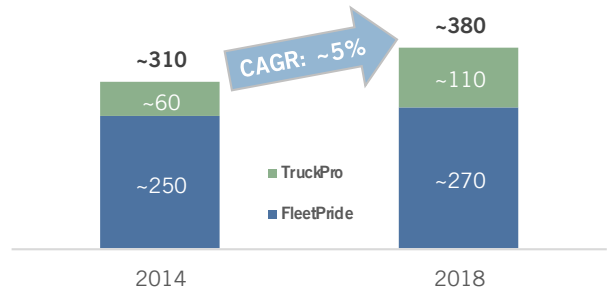
What Attracted Investors to Both Platforms

- Positive long-term trends industry trends, including increasing freight ton miles, growing and aging fleets, and attractive utilization rates
 - +/- 3% market growth every year
- Very recession resilient businesses, delivering, installing, and servicing mission-critical equipment and parts
- Very diversified customer bases, with diversification across end-market, supplier, and geography
 - Addressable markets include common carrier, private fleet, independent repair, construction, energy, etc.
- Service and repair offerings that generated pull-through demand for parts and services
- Both businesses offer value-added services (inspection, diagnostics, maintenance) which make customer relationships very sticky
- Actionable M&A targets in market adjacencies like trailer parts, diagnostics, engine components, remanufacturing, and preventative maintenance

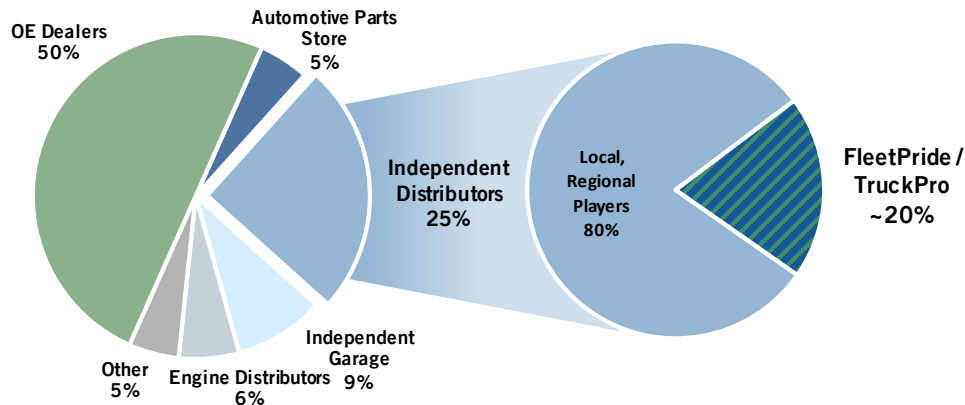
Target	Buyer	Seller
 FleetPride TRUCK & TRAILER PARTS	 AMERICAN SECURITIES	 TPG

Visible Add-Ons		
Year		Acquisitions
2015	FleetPride	Ryan Industrial Supply Pardo's Truck Service Parts
	TruckPro	LakeWood Liquidating Power Train Service
2016	FleetPride	Charlebois Truck Parts
	TruckPro	Arizona Brake & Clutch Supply
2017	FleetPride	Colton Truck Supply
	TruckPro	Jack Lyons Truck Parts Class 8 Parts
2018	FleetPride	Interstate Diesel Parts & Services Long Island Truck Parts
	TruckPro	Midwest Truck Parts & Service Pascale Service Corporation
2019	FleetPride	Patriot Truck & Trailer Services Commercial Truck Services
	TruckPro	TNT Cornerstone Fleet Services

Retail Store Locations Count



FleetPride and TruckPro are Well Position to Consolidate the ~\$35+ Billion North American Truck Aftermarket⁽¹⁾



Fragmented Independent Distributor Landscape

- 2,000+ independent distributors with five or fewer locations
- Small competitors in select markets are an acquisition opportunity to expand coverage

Source: Company filings and press releases.

(1) Per MacKay & Company. Excludes ~\$10 billion addressable aftermarket services market.

Lippert and SafeFleet Continue Their M&A Spree

Safe Fleet Turns Its Attention to Tech-Enabled Products

Safe Fleet is a leader in safety and productivity products for fleet vehicles (broadly defined). The Company currently focuses on four end-markets i) emergency & industrial; ii) school buses; iii) transit bus and waste and iv) class 3 to 6 commercial vehicles, which together constitute at ~\$2.5B addressable market.

One of the Company's growth initiatives is to organically introduce or acquire new technologies. The Company has a specific division named Advance Technologies Group "ATG" that consists of ~50 engineers and product developers. Focus areas for this group include advanced driver assistance systems ("ADAS"), video analytics, and advanced connectivity solutions.

Three of the Company's recent acquisitions fall within SafeFleet's ATG purview. These were:

i) RVS Systems, which offers ADAS products like backup sensors, 360 degree cameras, and driver fatigue systems (acquired in 2016).

ii) FleetMind, a telematics product for the waste industry that provides service verification and route productivity software (acquired in 2016).

iii) L-3 Mobile, a provider of in-car and body-worn cameras for the police and first responder market (acquired in 2019). The L-3 Mobile acquisition complements its 2017 acquisition of COBAN Technologies, a similar provider of in-car video and evidence management software.

Lippert Components / Safe Fleet Add-Ons

Year		Acquisitions
2015	 LIPPERT COMPONENTS	EA Technologies Spectral Industries Roehm Marine
	SAFE  FLEET	Elkhart Brass Manufacturing US Computing
2016	 LIPPERT COMPONENTS	Assets of Highwater Marine Project 2000 Camping Connection
	SAFE  FLEET	Rear View Safety FleetMind Solutions
2017	 LIPPERT COMPONENTS	Sessa Klein Lexington Seating Corporation Metallarte
	SAFE  FLEET	Randall Manufacturing COBAN Technologies MobileView
2018	 LIPPERT COMPONENTS	Taylor Made Group ST.LA Smoker Craft
	SAFE  FLEET	American Van Equipment Roll-Rite
2019	 LIPPERT COMPONENTS	Lewmar Marine Rodan Enterprises CURT Group
	SAFE  FLEET	L-3 Mobile-Vision

Lippert Components Expands Into Adjacent Industries and New Geographic Markets

Lippert's stated M&A strategy for the last five years has been to achieve two goals: i) consolidate their market share in the marine and RV space and ii) make acquisitions in new geographic markets that exist beyond the United States. Lippert has made a number of acquisitions to grow their marine and boating manufacturing capabilities, particularly as a seating manufacturer with their acquisition of Roehm Marine (2015), Spectal (2015), and Highwater (2016) and as a boating leisure products manufacturer with their acquisition of Taylor Made (2018) and Lewmar Marine (2019). Within the RV market, Lippert has made efforts to be both a service provider, through the acquisition of Camping Connection (2016) and a replacement parts supplier through Metallarte / RV Doors (2017).

Lippert has also made an expansive push into European markets with acquisitions in Italy, such as Project 2000 (2016), Sessa Klein (2017), and Metallarte (2017), and the United Kingdom, with their purchase of Lewmar Marine (2019). Europe has been identified as a major growth opportunity for Lippert. Currently ~15% of the Company's sales are in Europe.

Lippert made its largest acquisition to date with CURT. CURT, headquartered in Eau Claire, WI, is a leading designer, manufacturer, marketer and distributor of towing, towing accessory and other vehicle accessory products. The Company maintains a robust product portfolio comprised of thousands of SKUs across various product lines, including hitches, towing electricals, ball mounts, and cargo management.

CURT has an estimated 20% to 25% share of the U.S. towing market.

CURT Product Categories

- Bull Bars
- Bumper Guards
- Cargo Management
- Grille Guards
- Trailer Hitches
- Towing Accessories
- Transfer tanks
- Truck Beds
- UTV & ATV boxes

CURT Group Brands



Company Profile: The REV Group

REV Group: Growing Consolidator That Has Faced A Rough Two Years

REV Group has been the leading consolidator of the specialty vehicle market – acquiring 14+ businesses since 2006, and growing its portfolio to ~30 vehicle brands. However, since the Company's successful IPO in 2017, REV Group has suffered significant margin degradation (-290 bps EBITDA margin) due to low chassis availability, tariffs, and productivity issues. As a result, its market value fell 63% from 2017 to 2019.

In response to these challenges, REV Group's Board initiated a business unit strategic review – which led to the Company's recently divestiture of its Revability brand (wheelchair accessible vehicles) and two of its shuttle bus businesses. The Company's Class A RV business segment is the last remaining segment currently under review.

Very recently (March 2020), REV Group's Board appointed a new CEO named Rod Rushing. Rod is a 30 year veteran of Johnson Controls, mostly recently leading Johnsons' North American Building Solutions division.

\$ in Millions	2015	2016	2017	2018	2019	4 Year CAGR
Sales	\$1,735	\$1,926	\$2,267	\$2,381	\$2,403	8.5%
Gross Profit	182	229	295	278	252	8.5%
EBITDA	81	97	121	72	62	(6.4%)
JEF Adj. EBITDA ⁽¹⁾	90	123	163	148	102	3.3%
Percentages						
Sales Growth	0.8%	11.0%	17.7%	5.0%	0.9%	
Gross Profit	10.5%	11.9%	13.0%	11.7%	10.5%	
EBITDA Margin	4.7%	5.0%	5.3%	3.0%	2.6%	
JEF Adj EBITDA Margin	5.2%	6.4%	7.2%	6.2%	4.3%	
						2 Yr CAGR (39.4%)
Market Capitalization ⁽¹⁾			\$2,001	\$564	\$734	

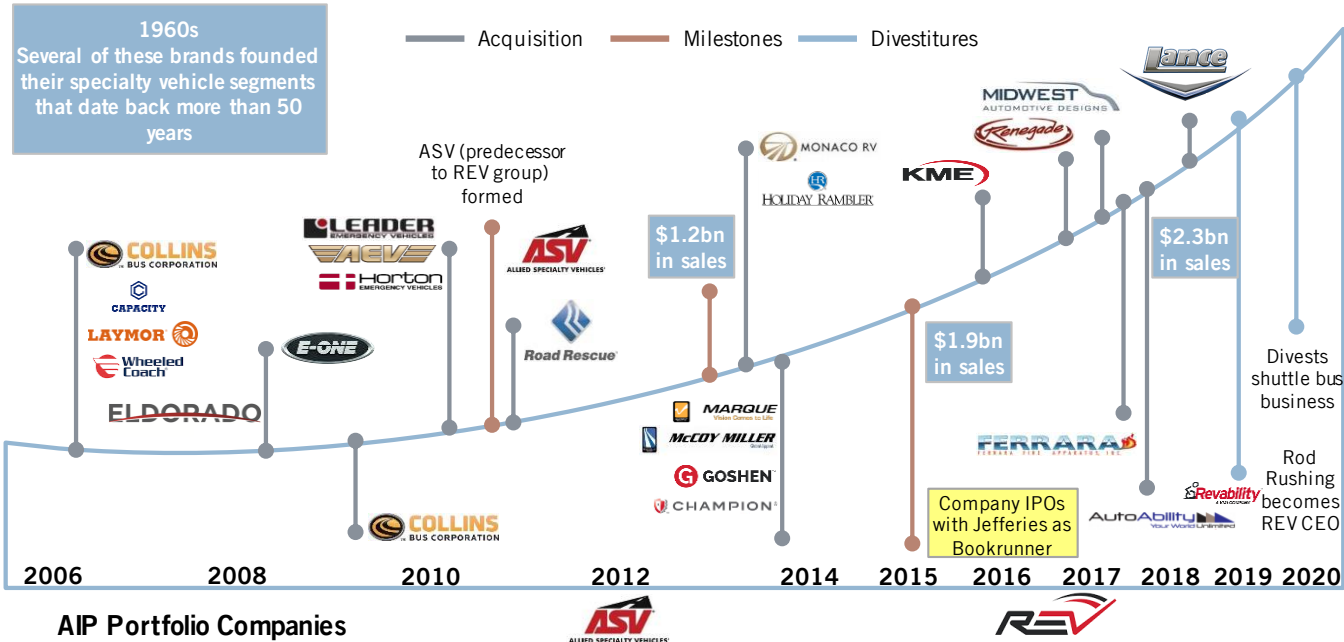
REV Group at a Glance

- Ticker: REVG
- Headquarters: Milwaukee, Wisconsin
- # of U.S. Manufacturing Facilities: 20
- # of Brands: ~30
- Financial Information⁽¹⁾
 - Market Cap: \$329 million
 - Total Enterprise Value: \$745 million
 - 2019A Revenue: \$2,403 million
 - Adj. EBITDA: \$102 million

Vehicles Manufactured

- Fire & Emergency (40% of sales):
 - Tankers and Type I to III ambulances
- Commercial (26% of sales):
 - Transit buses, school buses, mobility vans, and tanker trucks
- Recreation (34% of sales):
 - Class A and C recreational vehicles

REV Has Made 14+ Acquisitions Since 2006



Source: Company filings and press releases.

(1) Information based on market data and Jefferies estimates as of 5/18/2020.

Knowledgeable Sponsors Continue Platforms and New Add-Ons

Private equity buyers (or their portfolio companies) completed 24 acquisitions in 2019, decreasing marginally from the 28 recorded transactions in 2018, itself a record year. TEV / EBITDA multiples paid by sponsors have been slightly above multiples paid by public companies. Private equity deal activity was meaningful across all heavy duty aftermarket channels (i.e. suppliers, distributors, etc.) as sponsors believe that each market channel remains fragmented and therefore attractive places to invest capital.

Many of the private equity funds that have current investments in the heavy duty market have had deep prior heavy duty investing experience. We consider these investors to be “smart money”, as they have a high level of understanding of both channel and vehicle technology dynamics. Private equity is comfortable paying low double digit TEV / EBITDA multiples to win large platform investments in sale processes, as these assets have a scarcity value, only coming to market once every 7 to 10 years.

Sponsor With a Demonstrated History in the Heavy Duty Aftermarket

 AMERICAN SECURITIES	 (Acquired:2009) (Exited: 2017)	 (Acquired:2014) (Exited: 2017)	 (Acquired:2016)	 (Acquired:2016)	 (Acquired:2018)
 BainCapital	 (Acquired:2015)	 (Acquired:2015)	 (Acquired:2016)		
CAPITAL PARTNERS	 (Acquired: 2006) (Exited:2012)	 (Acquired: 2011) (Exited: 2018)	 (Acquired: 2018) (Add-On: Premier Manufacturing)		
 GENSTAR CAPITAL	 (Acquired: 2017)	 (Acquired: 2019)			
 HARVEST PARTNERS	 (Acquired: 2004) (Exited: 2005 - IPO)	 (Acquired: 2011) (Exited: 2019)	 (Acquired: 2017)		
 H. I. G. CAPITAL	 (Acquired:2006) (Exited: N/A)	 (Acquired: 2013) (Exited: 2015)	 (Acquired: 2013) (Exited: 2017)		
 KPS CAPITAL PARTNERS, LP	 (Acquired: 2000) (Exited: 2002)	 (Acquired: 2002) (Exited: 2004)	 (Acquired: 2010) (Exited: 2015)	 (Acquired: 2017)	
 THE STERLING GROUP	 (Acquired: 2010) (Exited: 2015)	 (Acquired: 2012) (Exited: 2017)	 (Acquired: 2013) (Exited: 2018)		

Heavy Duty and Specialty Vehicle Public Equity Performance and Valuation

2015-2019 Equity Market Review⁽¹⁾⁽²⁾

Commentary on Equity Performance

The heavy duty trucking and specialty vehicle market indices (shown below) have, on the whole, outperformed over the last five years, when compared to the S&P Industrial Index (+41.5% gain from 2015 to 2019). Three out of six of Jefferies' market-weighted indices outperformed except Parts Suppliers (+35%), OEM – On Road Trucking (+33%), and Dealership & Equipment Leasing (-13%). Interestingly, of the 38 companies that constitute our six indices, only 12 companies outperformed the S&P Industrials Index. Five of the market-outperforming constituents (Caterpillar, CNH Industrial, Oshkosh, PACCAR, and Carlisle) accounted for ~40% of the total market capitalization of all 38 companies across our six indices. Simply put, a few large, well-performing companies drove equity performance.

Company valuations (TEV / Forward EBITDA) largely stayed consistent (see next page), until early 2018, when rising diesel fuel prices (+\$3.00/gallon) and interest rates (raised four times in 2018) combined with the first round of Trump Administration tariffs to send valuation lower (decline of 2.9x TEV / EBITDA for the S&P Industrial Index).

OEM On-Road Trucking

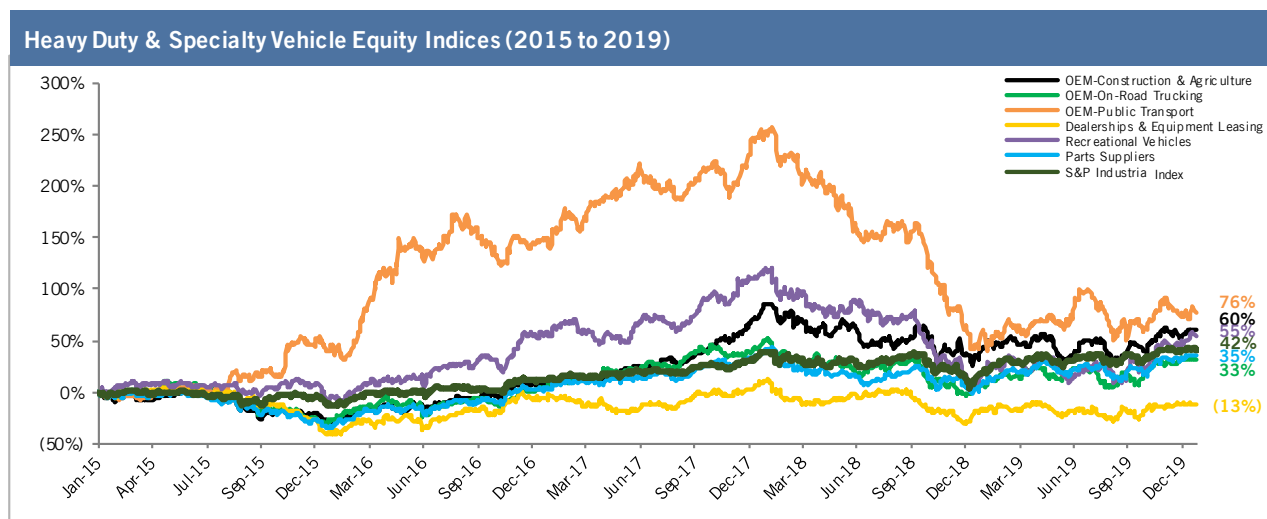
Overall, the OEM On-Road Trucking Index was the second weakest performing segment across the segments analyzed in this report, gaining 33%, but underperforming the S&P Industrials Index by 9%. The On-Road index was negative for the second half of 2015 and 2016, due to a U.S. recession for manufacturing-heavy and oil and gas companies (termed the “Invisible Recession of 2016” by the New York Times). After climbing to +35% in Sept 2018, the index fell to negative territory in December 2018.

All constituents had a strong 2019 (index rose +31% that year), with only Navistar dipping into negative territory. Notably, Volvo AB beat street estimates with 12% margins up from analyst estimates of 10%, despite softness in its European division (9% volume decline). Currently the index is trading at 9.6x forward EBITDA, in line with its two-year average (~10x).

OEM Construction & Agriculture

Similar to On-Road Trucking, the Construction & Agriculture sector experienced equity softness in 2016. However, the index had a strong 2017 and 2018, with equity valuation peaking in December 2018 and remaining strong for 2019. Deere and Oshkosh had the best performing equity (+78.2% and +70.0%), as well as both posting solid compounded annual EBITDA growth of 12.2% and 15.2% respectively. Overall the index was up 60%, outperforming the S&P Industrials by 18%.

The equity markets have also favorably viewed construction manufacturers investing in tech-enabled equipment and services. For example, Caterpillar established CAT Ventures to invest in start-up technologies, while Deere & Company made several technology acquisitions, most notably Blue River Technology, which uses computer vision software and robotic technology to identify weeds and other unwanted plants for farmers. The segment is currently trading at 13.1x, close to its five year average of 13.5x TEV / Forward EBITDA.



Source: Capital IQ.

(1) Index and valuation multiples shown on page are from 1/2/2015 to 12/31/2019.

(2) Index performance shown here is based on market-weighted returns. Index constituents can be found on page 18.

2015-2019 Equity Market Review (cont.)⁽¹⁾⁽²⁾

Public Transit

Specialty vehicle and public transit manufacturers saw the most equity volatility over our analysis period, as well as hitting the highest index value (peaking around ~300% gains in early 2018). The index was heavily driven by NFI group, a bus and coach manufacturer. During the period NFI doubled both its EBITDA (~110%) and market capitalization (~100%), single-handedly pulling the index up from 2015 to early 2018. However, NFI was met with several supply chain and manufacturing issues in 2019 which led to production delays which hurt their share price. Spartan Motors also experienced noteworthy growth during this time period. EBITDA grew from ~\$7M to ~\$70M and its market cap grew from ~\$150M to \$650M. The index outperformed the S&P Industrials by 35%, the highest of any of Jefferies six indices, yet interestingly has traded at a relatively low average TEV / Forward EBITDA (8.5x) compared to all our indices.

Recreational Vehicles

The RV industry has been a bright spot. Jefferies' RV index constituents saw combined sales and EBITDA growth of 65% and 70% during the period (equivalent to 13.3% and 14.2% period CAGRs). The index outperformed the S&P Industrials by 13% during our analysis period. Winnebago, Thor, and Trigano all doubled their sales. There still remains a strong (and successful) industry push to target younger consumers (25 to 45 years old), by focusing on relatively affordable and functionable towable units (versus larger motorized units). The towable product category is accessible to the fastest growing segment of the U.S. car parc, light trucks. For context on industry growth, in 2018, there were approximately 483K new units shipped, compared to 2009 where there were only approximately 167,000.

By far the company with the best equity performance is Trigano, a French manufacturer and a leader in the European market. Trigano's market capitalization increased by 320% and the Company's EBITDA grew ~4x. This was not all organic, Trigano made six acquisitions during this period, however acquired revenues were not always disclosed. The RV industry did start to see a slow-down, beginning in 2018 and extending into 2019. Wholesale units fell 5% in 2018 and 16% in 2019, causing valuations to drop nearly 3x TEV / EBITDA in 2018 (the RV indices began 2018 at 9.5x TEV)

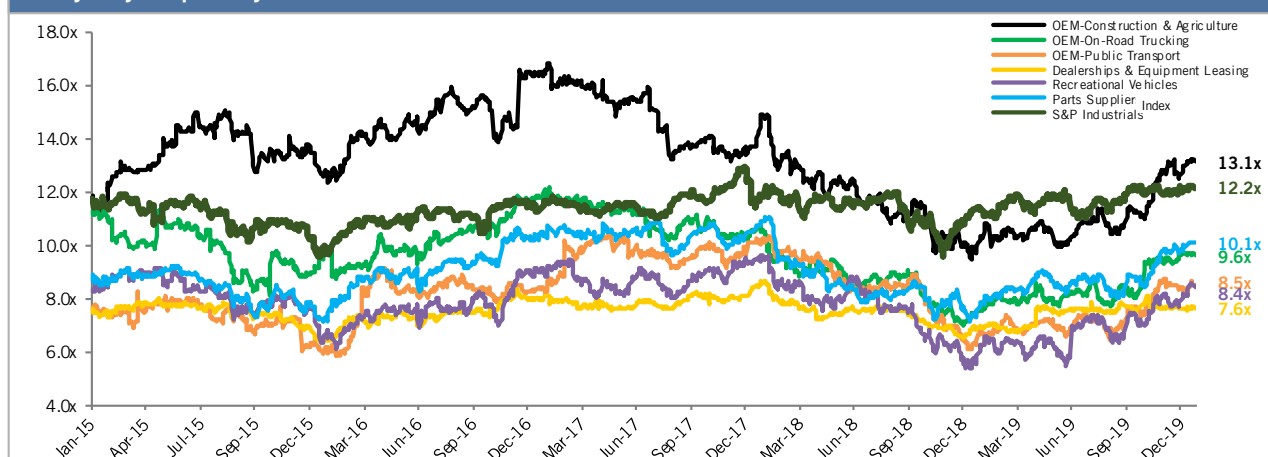
Dealerships & Equipment Leasing

The Dealerships & Equipment Leasing Index returned a negative value (-13%). What is notable is that constituents equity prices remained near ~0% (or slightly negative) return levels through our whole analysis period, with the exception of Rush Enterprises. Beginning in 2016, Rush had a consistent march to 66% equity appreciation. During the same period Rush's EBITDA organically grew from \$236M to nearly \$400M in EBITDA. Given that Penske, Rush, and Ryder are all historically between \$1.5B and \$4.0B in market capitalization, no one company had undue influence on our index valuation. The TEV / EBITDA forward multiple for the index remained between 7.0x and 8.0x for our entire index period. Similarly, Ryder has traded flat around 5.0x TEV / EBITDA for four years.

Parts Suppliers

Parts Suppliers have seen a modest run over the last five years, up about 35% since 2015, but underperforming the S&P Industrials benchmark by 6%. The 2016 industrial slowdown really hurt the index, which fell 35% in mid 2016, before climbing back to even by the end of 2016. The index fell (-25%) in 2018, but gained back on its losses in 2019. Notable mentions for performance in this cohort go to Douglass Dynamics (+163%), Carlisle (+58%), and Meritor (+38%). Looking at EBITDA growth during this period, the leaders were Dana (+52%) and Meritor (+56%).

Heavy Duty & Specialty Vehicle Indices TEV / Forward EBITDA 2015-2019



Source: Capital IQ.

(1) Index and valuation multiples shown on page are from 1/2/2015 to 12/31/2019.

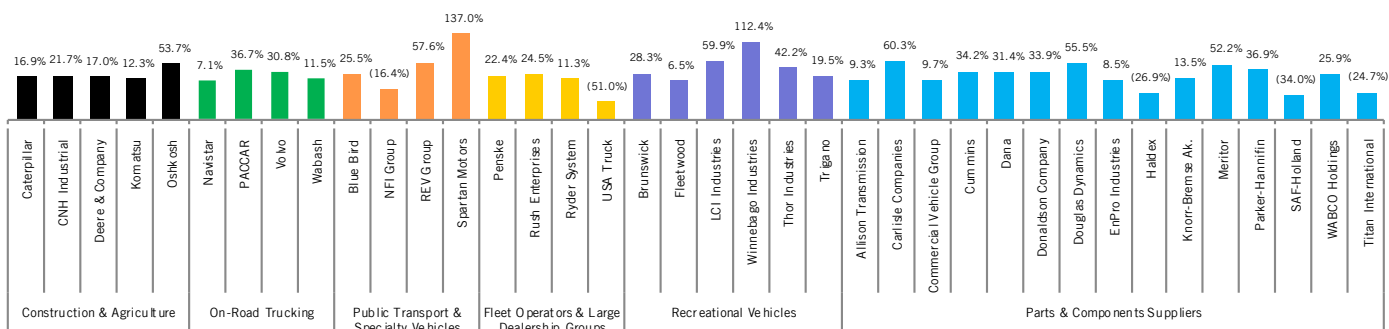
(2) Index performance shown here is based on market-weighted returns. Index constituents can be found on page 18.

Heavy Duty & Specialty Vehicle Constituents– Valuation Metrics ⁽¹⁾

\$ in USD - \$ in Millions Except Per Share Prices

	Price as of 1/2/2015	Price as of 12/31/2019	Price as of 5/18/2020	2019YE Equity Value	2019YE TEV	TEV / EBITDA			Price / Earnings			15'-19' Gain / (Loss)						
Company						2018A	2019E	2020P	2018A	2019E	2020P	Price	Revenue					
HEAVY DUTY OEMS																		
CONSTRUCTION & AGRICULTURE																		
Caterpillar Inc.	\$	91.88	\$	147.68	\$	115.02	\$	81,617	\$	113,885	10.3x	11.3x	11.8x	17.4x	13.5x	13.8x	60.7%	14.4%
CNH Industrial N.V.		7.90		11.00		5.95		14,851		36,252	12.0x	14.2x	12.8x	15.7x	13.1x	12.4x	39.2%	8.4%
Deere & Company		88.34		173.26		137.90		54,278		96,554	16.4x	18.4x	18.3x	20.8x	17.9x	17.8x	96.1%	36.3%
Komatsu Ltd.		22.36		24.31		18.94		22,959		31,407	6.3x	7.4x	7.6x	11.1x	NA	NA	8.7%	49.1%
Oshkosh Corporation		48.31		94.65		65.81		6,461		6,831	8.2x	7.8x	8.1x	16.7x	12.0x	12.0x	95.9%	37.5%
ON-ROAD TRUCKING																		
Navistar International Corporation	\$	34.16	\$	28.94	\$	25.06	\$	2,872	\$	6,737	8.1x	8.3x	8.9x	10.2x	7.7x	10.0x	(15.3%)	11.0%
PACCAR Inc		68.15		79.10		69.97		27,359		33,641	10.5x	11.1x	13.6x	15.8x	11.5x	14.4x	16.1%	33.9%
AB Volvo (publ)		10.81		16.80		12.93		34,207		47,034	10.8x	6.9x	8.3x	15.4x	9.3x	12.4x	55.4%	24.9%
Wabash National Corporation		12.27		14.69		9.01		795		1,163	6.6x	6.1x	6.7x	12.0x	8.7x	10.4x	19.7%	14.4%
PUBLIC TRANSPORT & SPECIALTY VEHICLES																		
Blue Bird Corporation		NA	\$	22.92	\$	12.58	\$	607	\$	731	13.3x	8.9x	7.5x	24.1x	14.1x	10.9x	NA	10.9%
NFI Group Inc.		11.44		20.55		10.12		1,283		2,638	8.5x	8.3x	7.7x	9.7x	12.8x	10.3x	79.6%	88.0%
REV Group, Inc.		NA		12.23		5.20		762		1,139	10.8x	11.5x	9.5x	40.8x	27.2x	17.2x	NA	38.5%
Spartan Motors, Inc.		5.35		18.08		16.83		628		776	23.1x	14.7x	13.0x	46.4x	20.1x	18.1x	237.9%	37.5%
Mean											11.1x	10.4x	10.3x	19.7x	14.0x	13.3x	63.1%	31.1%
Median											10.5x	8.9x	8.9x	15.8x	12.9x	12.4x	55.4%	33.9%
Dealerships and Equipment Leasing																		
Penske Automotive Group, Inc.	\$	49.08	\$	50.22	\$	33.65	\$	4,071	\$	12,671	16.5x	15.8x	15.0x	11.3x	9.5x	8.9x	2.3%	20.2%
Rush Enterprises, Inc.		28.28		45.70		35.07		1,674		3,395	9.3x	12.0x	13.7x	15.7x	NA	NA	61.6%	16.7%
Ryder System, Inc.		92.28		54.31		33.42		2,894		10,783	5.3x	4.8x	4.5x	9.1x	NM	21.0x	(41.1%)	35.8%
USA Truck, Inc.		27.89		7.45		4.41		62		251	5.4x	5.6x	5.0x	6.9x	NM	16.6x	(73.3%)	2.9%
Mean											9.1x	9.5x	9.5x	10.7x	9.5x	15.5x	(12.6%)	18.9%
Median											7.3x	8.8x	9.3x	10.2x	9.5x	16.6x	(19.4%)	18.4%
RECREATIONAL VEHICLES																		
Brunswick Corporation	\$	51.04	\$	59.98	\$	53.68	\$	4,893	\$	5,745	9.1x	8.8x	7.9x	17.7x	14.1x	11.5x	17.5%	8.7%
Fleetwood Corporation Limited		1.46		1.48		0.98		140		116	5.3x	5.6x	4.5x	11.4x	11.4x	9.3x	1.4%	5.3%
LCI Industries		49.97		107.13		92.11		2,681		3,000	11.3x	11.1x	10.0x	22.5x	18.6x	16.3x	114.4%	69.0%
Winnebago Industries, Inc.		21.90		52.98		53.00		1,784		2,183	12.0x	12.1x	8.7x	18.5x	16.3x	12.1x	141.9%	103.3%
Thor Industries, Inc.		55.48		74.29		77.37		4,101		5,717	10.6x	8.7x	8.6x	14.3x	15.0x	13.1x	33.9%	96.3%
Trigano S.A.		27.19		105.60		73.01		2,036		2,053	7.3x	7.8x	7.3x	12.9x	11.1x	11.1x	288.4%	112.5%
Mean											9.3x	9.0x	7.8x	16.2x	14.4x	12.2x	99.6%	65.9%
Median											9.9x	8.7x	8.2x	16.0x	14.5x	11.8x	74.1%	82.7%
PART & COMPONENTS SUPPLIERS																		
Allison Transmission Holdings, Inc.	\$	33.85	\$	48.32	\$	36.13	\$	5,761	\$	8,189	7.4x	7.7x	8.7x	12.6x	8.1x	8.8x	42.7%	35.9%
Carlisle Companies Incorporated		90.02		161.84		114.54		9,172		10,186	14.3x	11.8x	10.7x	33.9x	20.1x	17.9x	79.8%	35.8%
Commercial Vehicle Group, Inc.		6.69		6.35		1.71		199		345	4.4x	4.5x	5.6x	6.2x	5.7x	9.3x	(5.1%)	9.2%
Cummins Inc.		146.42		178.96		162.03		27,077		29,275	9.5x	7.8x	9.1x	17.2x	12.0x	13.7x	22.2%	23.3%
Dana Incorporated		21.66		18.20		10.76		2,619		5,150	5.7x	5.0x	5.0x	7.6x	6.0x	6.0x	(16.0%)	42.2%
Donaldson Company, Inc.		38.47		57.62		45.40		7,292		7,885	16.8x	16.7x	15.6x	31.5x	26.4x	24.1x	49.8%	20.0%
Douglas Dynamics, Inc.		21.34		55.00		31.78		1,254		1,601	17.5x	14.9x	14.0x	36.4x	23.4x	21.8x	157.7%	42.8%
EnPro Industries, Inc.		62.27		66.88		45.04		1,390		2,010	12.3x	9.4x	10.5x	38.9x	18.3x	24.2x	7.4%	0.1%
Haltech AB (publ)		13.11		5.46		3.99		241		342	7.0x	7.7x	6.1x	13.0x	11.4x	14.0x	(58.4%)	(2.6%)
Knorr-Bremse Aktiengesellschaft		NA		101.84		94.46		16,417		16,640	12.4x	11.3x	11.9x	27.5x	23.6x	23.2x	NA	24.2%
Meritor, Inc.		15.32		26.19		19.51		2,046		2,911	6.1x	5.8x	7.1x	10.2x	7.2x	9.4x	71.0%	25.2%
Parker-Hannifin Corporation		129.16		205.82		165.14		26,441		31,777	12.6x	12.5x	11.9x	22.3x	17.9x	18.5x	59.4%	12.7%
SAF-Holland SE		13.42		8.30		5.50		377		697	5.8x	6.6x	6.3x	7.8x	9.7x	8.1x	(38.2%)	25.1%
WABCO Holdings Inc.		105.63		135.50		136.31		6,945		7,096	11.7x	13.6x	12.9x	25.8x	23.7x	20.1x	28.3%	30.2%
Titan International, Inc.		10.76		3.62		1.16		218		722	7.3x	12.8x	8.9x	24.1x	NM	NM	(66.4%)	3.9%
Mean											10.0x	9.9x	9.6x	21.0x	15.2x	15.7x	23.9%	21.9%
Median											9.5x	9.4x	9.1x	22.3x	15.0x	15.9x	25.3%	24.2%

2019 Price Gain / (Loss)



Source: Capital IQ, Company Filings.

Note: 2020 estimated multiples are for pre-Coronavirus analyst estimates.

(1) All values converted to USD at the exchange rate of the date above.

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