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PROPRIETARY 2Q24 CONSTRUCTION DLR SURVEY – Something Has To Give; Either 2H24 Production And/Or Mgn's Come Under Pressure Or Risks Build For A Down '25 If Delayed Orders Don't Show Up/Inventory Not Reduced

Completed Our Proprietary Quarterly Global Survey Of Construction Equip Dealers: Captured annual dealer revs of \$17.9b (65% N. America dealer responses, 35% non-N. America), 92 dealers from 24 countries, most major OEMs represented. Survey began 23+ yrs ago.

8 Key Survey Highlights

- **Dealers' Global 6-Month Y-O-Y Retail Sales Growth Outlook** – Deteriorates To Down 2.1% Y-O-Y, Softest Since 3Q20 Survey
- **Dealers' Current Quarter (2Q24) Retail Sales** – Now 2 Quarters In A Row Of Y-O-Y Declines, With 2Q24 Down Y-O-Y Slightly More Than 1Q24 With Weaker N. America Driving The Global Slippage
- **Dealers' Inventory** – New Inventory Moves Higher To A Level Only Eclipsed By The Onset Of The Global Financial Crisis In 2009, With Increases This Survey In All Major Geographies; Used Inventory Moves Higher Again, Now Well Above Historical Survey Avg
- **Dealers' Global 6-Month Y-O-Y Purchasing Intentions** – Dealers Are Forecasting A Larger Y-O-Y Purchasing Decline Than Last Survey & With A Larger Gap Between Purchasing & Retail Sales Outlook As Inventory Reduction Is The Focus
- **Special Quarterly Question** – Orders Into Manufacturers Are Likely Down Significantly Y-O-Y As Cadence Of Orders Much More Back End Loaded Than Last Year; Makes For Challenging 2H24 Production & Pricing Decisions For Manufacturers
- **Dealers' Retail Pricing** – New Equipment Pricing Turns Negative Y-O-Y For First Time Since Our 4Q09 Survey With Europe Weakest; Used Pricing Slips Further Into Larger Y-O-Y Declines, With N. America Weakest
- **Dealers' Rental Color** – Time Utilization Down Y-O-Y Again But Stabilized During 2Q While Rental Rate Growth Continues To Slip (Now Flat Globally; Up Slightly In N. America)
- **OEM Specific Color** – CAT More About Volumes, Less On Price?; Deere Appears The Opposite; Komatsu Like CAT, Below Avg Pricing, But With Less Benefit To Volumes; JCB Maybe Best Overall Results
- **Key Investment Takeaway** – Construction Stocks Were Darlings As Recently As 3-4 Months Ago; Their Pullbacks (Especially Amid Strong Equity Mkts) Have Lowered Expectations But 2H24 Risks/Risks For '25 If OEMs Try To Avoid Taking 2H24 Pain Keep Them Unattractive; Relative Construction Longs Are OSK, URI
- **Detail & Quantification (44 figures + discussion of each highlight) Below**

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8 Key Survey Highlights

1. **Dealers' Global 6-Month Y-O-Y Retail Sales Growth Outlook – Deteriorates To Down 2.1% Y-O-Y, Softest Since 3Q20 Survey:** After 4 consecutive quarters of dealers globally having a retail sales outlook that was essentially flattish y-o-y, this survey the results deteriorated a bit. The slippage to down -2.1% y-o-y after last quarter's +0.6%. Forecasts weakened among North America dealers and even more so by dealers outside of North America. In fact, dealers in each major geography now forecast retail sales to decline except for South America dealers with every region posting a weaker outlook since last survey. The largest declines are forecasted by European dealers.

North America outlooks weakened to down -1.6% y-o-y after last quarter's +0.6% y-o-y outlook. Dealers outside of North America saw outlooks weaken to down -3.0% y-o-y from last survey's +0.7% y-o-y outlook. Within the non-North America deterioration, the largest slippage was in South America. South America is the only region with dealers still forecasting positive growth the next 6-months but that growth outlook did slow to +7.0% from last survey's +13.2%. The weakest absolute outlooks are held by dealers in Europe, forecasting sales down -5.5% y-o-y, further slippage from last survey's down -2.9% outlook. "Rest-of-World" dealers' outlooks slipped to down -4.4% y-o-y after last survey's down -1.4% y-o-y. Leading the Rest-of-World outlook lower were weakened trends among dealers in Africa and Australia while dealers in Asia/China and MidEast held steady. **PLEASE SEE FIGURES 1-6**

2. **Dealers' Current Quarter (2Q24) Retail Sales – Now 2 Quarters In A Row Of Y-O-Y Declines, With 2Q24 Down Y-O-Y Slightly More Than 1Q24 With Weaker North America Driving The Global Slippage:** Dealers during the quarter saw their own retail sales down y-o-y for the second straight quarter, down -4.0% from down -3.8% y-o-y last survey. That was despite dealers outside of North America posting slightly less retail sales declines this quarter (down -4.4% after last survey's down -6.7%), driven by South America dealers swinging to positive growth of +5.5% y-o-y after last survey's down -3.7% y-o-y. The offsetting factor was North America dealers experiencing a retail sales decline of -3.8% y-o-y after a decline of -2.2% y-o-y last survey. Declines during the quarter among European dealers stayed nearly identical to last survey, with retail sales down -4.8% y-o-y after last survey's down -4.9% y-o-y.

“Rest-of-World” dealers still posted the largest retail sales declines during the quarter at down -8.5% y-o-y, though at least it was a modest 2nd derivative improvement from last survey’s down -10.3% y-o-y. **PLEASE SEE FIGURES 7-9**

- 3. Dealers’ Inventory – New Inventory Moves Higher To A Level Only Eclipsed By The Onset Of The Global Financial Crisis In 2009, With Increases This Survey In All Major Geographies; Used Inventory Moves Higher Again, Now Well Above Historical Survey Average:** Dealer new equipment inventory globally continued its increase since bottoming in 4Q21, rising this survey to a 7.4 rating (on a scale of 1 to 10, 10 too much, 1 too little) from last survey’s 6.8 rating. The historical survey average response for dealer new equipment inventory is 5.5. Used equipment inventory globally this survey increased to 6.2 from last quarter’s rating of 5.7. That level compares to our survey’s historical average used equipment inventory rating of 5.4.

Geographically, new equipment inventory rose in each major geography, the highest absolute level of new inventory was among North America dealers (increasing to 7.6 from last survey’s 7.1), followed closely by Rest-of-World dealers (7.5, up notably from last survey’s 6.0). European dealers noted new equipment inventory at a 6.9 after 6.4 last survey while South America dealers new equipment inventory rating was the lowest globally at 6.3, modestly above last survey’s 6.0 rating.

Used equipment inventory also saw an increase in each major geography, also with the highest absolute levels among North America dealers (6.6, up from 6.1 last survey). South America dealers’ used equipment inventory remains the lowest globally but did rise solidly to 5.0 from last survey’s very low 3.6. Used equipment inventory levels in Europe (to 5.4 from last survey’s 5.3) and Rest-of-World (to 5.7 from 5.3) rose more modestly. **PLEASE SEE FIGURES 10-19**

- 4. Dealers’ Global 6-Month Y-O-Y Purchasing Intentions – Dealers Are Forecasting A Larger Y-O-Y Purchasing Decline Than Last Survey & With A Larger Gap Between Purchasing & Retail Sales Outlook As Inventory Reduction Is The Focus:** With new equipment inventory now toward historic highs and with retail sales outlooks slipping, it’s no surprise that dealers are forecasting larger 6-month y-o-y declines (down -6.1% y-o-y after last survey’s forecast of down -0.6% y-o-y) and with a greater purchasing-retail sales gap (now targeting purchasing 4.0% below retail sales, after a more modest 1.2% gap last survey).

The 6-month outlooks for purchasing deteriorated in each geography, each one by 400bps+ from our last survey, with the weakest absolute outlooks being Rest-of-World dealers (>10%+ decline forecasted) followed by North America dealers (-6.0% y-o-y

forecasted) and Europe dealers (-5.6% y-o-y forecasted). Only South America dealers are expected to purchase more equipment y-o-y the next 6-months (+7.0% y-o-y).

Driving the larger purchasing outlook to retail sales outlook gap is a notably wider gap among North America dealers and Rest-of-World dealers (no surprise given both geographies have the highest absolute levels of inventory). The less elevated levels of new equipment inventory in Europe and South America helps result in Europe dealers purchasing to retail sales outlook gap to be minimal while South America dealers have a slightly positive purchasing outlook to retail sales outlook (i.e., they are okay with adding a little new inventory). **PLEASE SEE FIGURES 20-21**

- 5. Special Quarterly Question – Orders Into Manufacturers Are Likely Down Significantly Y-O-Y As Cadence Of Orders Much More Back End Loaded Than Last Year; Makes For Challenging 2H24 Production & Pricing Decisions For Manufacturers:** With supply chains returned to normal post pandemic constraints, inventories elevated and lagging negative impacts from higher global interest rates on construction activity, we wondered how different is the cadence of orders now vs last year? Thus, in our Special Quarterly Question, we asked dealers when last year had you ordered the majority of your next year (i.e., 2024) equipment needs and when do they expect to order this year the majority of their next year (i.e., 2025) equipment needs?

By this time last year (through June 30th), 33% of dealers globally had ordered the majority of their 2024 needs (44% of North America dealers, 20% of non-North America dealers). This year, only 3% (!) of dealers have ordered the majority of their expected needs for 2025, none outside of North America, 5% of North America dealers.

With the notably reduced order visibility/less “bird in the hand” comfort of orders already placed for “next year” than a year ago, it will be interesting to see how each manufacturer balances its production levels and pricing during the second half of 2024. Production cuts and/or pricing assistance to clear inventory and stimulate orders for 2025 appear likely.

Based on when dealers do expect to place a majority of their orders for 2025 (as shown in **Figure 22**), even at the end of the third quarter only 32% of dealers globally will have ordered a majority of their 2025 equipment needs, still far below the 63% that had a year earlier for “next year”.

None of these results suggest yet what the absolute level of orders can be for 2025 vs 2024. However, the risks are higher for manufacturers if they intend to keep production schedules in the second half of 2024 at steadier rates y-o-y than current orders support because if those back end loaded orders in 4Q24 don’t show up (note in the table that

51% of dealers expect to order a majority of their 2025 equipment by 4Q24), it could be very challenging to manage down production and inventory as 2025 gets rolling. It's interesting to see that a meaningful amount of dealers (18%) don't even expect to order the majority of their 2025 equipment needs until the first half of 2025; for 2024 equipment needs, only 6% of dealers were ordering at the equivalent late hour.

PLEASE SEE FIGURE 22

- 6. Dealers' Retail Pricing – New Equipment Pricing Turns Negative Y-O-Y For First Time Since Our 4Q09 Survey With Europe Weakest; Used Pricing Slips Further Into Larger Y-O-Y Declines, With North America Weakest:** Global retail prices on new equipment fell y-o-y -0.3% after last quarter survey's growth y-o-y of +1.2%, the first y-o-y decline since our 4Q09 survey in the depths of the Global Financial Crisis. Global used equipment prices y-o-y also deteriorated to down -4.0% y-o-y from down -2.4% y-o-y last survey, the largest y-o-y decline since our 4Q09 survey.

Geographically, new pricing trends weakened across all geographies except South America. On an absolute level, only North America avoided down new pricing y-o-y. South America new pricing y-o-y was down -0.7%, less bad than last survey's down -2.0% while new pricing in North America was up +0.3% y-o-y, slowing from last survey's +1.9% y-o-y pricing gains. Europe dealers experienced new pricing declines of -1.5% y-o-y, the weakest globally, after last survey's gains of +0.3% y-o-y. Rest-of-World dealers' new pricing trends were similar to Europe at down -1.4% y-o-y after last survey's +0.3% y-o-y.

For used equipment pricing y-o-y, North America's down -4.8% was the weakest on an absolute level, weakening from last survey's down -2.7% y-o-y. Europe used pricing trends were the next weakest at down -2.9% y-o-y, weakening from last survey's down -1.0% y-o-y. Used pricing declines y-o-y in South America and Rest-of-World were more steady survey to survey, down -2.1% y-o-y in South America after last survey's -2.3% y-o-y decline and Rest-of-World's decline of -2.6% y-o-y, same as last survey's result. **PLEASE SEE FIGURES 23-32**

- 7. Dealers' Rental Color – Time Utilization Down Y-O-Y Again But Stabilized During 2Q While Rental Rate Growth Continues To Slip (Now Flat Globally; Up Slightly In N. America):** Dealers' rental rates y-o-y globally were flat after last quarter's +0.8%, the first quarter without y-o-y growth since 4Q20. Dealers' rental fleet time utilization was down -0.3% y-o-y, stabilizing to a lesser decline than experienced last quarter (-0.6%), stopping a run of six consecutive quarters of weakening time utilization y-o-y trends.

Regarding the North America rental market specifically, North America dealers' rental rates also softened from last survey but remained positive at +0.3% y-o-y (after +1.2% y-o-y last survey). Dealers' rental fleet time utilization y-o-y maintained the same decline of -0.5% as last quarter. **PLEASE SEE FIGURES 33-35**

- 8. OEM Specific Color – CAT More About Volumes, Less On Price?; Deere Appears The Opposite; Komatsu Like CAT, Below Avg Pricing, But With Less Benefit To Volumes; JCB Maybe Best Overall Results:** Survey results by dealer brand suggest industry bellwether Caterpillar is currently a bit more focused on stimulating volumes and fighting inventory builds aided by below industry average pricing trends on new equipment. Caterpillar dealers posted smaller y-o-y declines than the survey industry average for current quarter (2Q24) retail sales and for their 6-month retail sales outlooks. Their new equipment inventory did increase but less than the industry, with new inventory the second lowest among dealers, with their 6-month purchasing outlooks also calling for less y-o-y declines than the industry average. Caterpillar dealers' new pricing y-o-y is among the weakest.

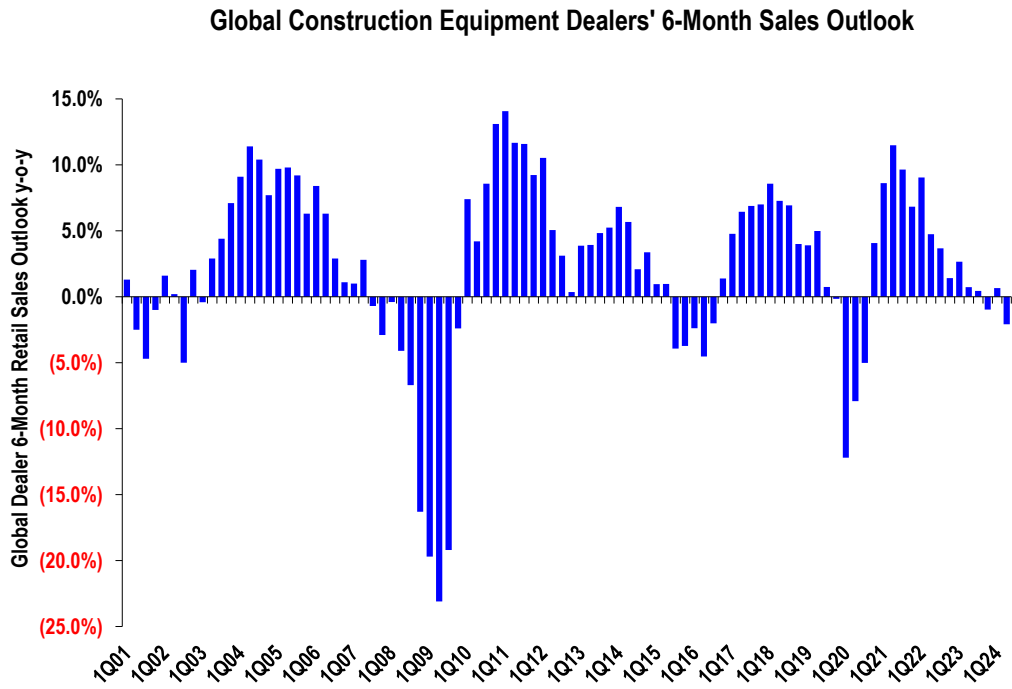
Meanwhile, Deere construction dealers have below industry average retail sales forecasts and purchasing forecasts and had below average retail sales during 2Q24, probably helping translate into higher than average new and used equipment inventory. However, with among the best new pricing gains y-o-y and above industry average used equipment pricing trends, maybe that's a price over volume conscious decision. Recent layoffs at some Deere construction factories would be consistent with focusing less on volume while retaining relative price/margin discipline.

Komatsu dealers' below industry average pricing trends for both new and used equipment do not seem to be translating as directly to stimulating above industry average volumes. Komatsu dealers' retail sales during 2Q24 and their 6-month retail sales forecasts both came in below our survey industry average while their inventory increased (still below industry average new equipment inventory but less so now than at the end of 1Q24).

JCB dealers had among the very strongest 2Q24 retail sales (1 of only 2 brands posting growth y-o-y) and enjoyed the strongest 6-month retail sales and 6-month purchasing outlooks. Their new equipment inventory is basically in-line with industry average while sporting the lowest used equipment inventory. JCB is "paying" for this with among the weakest new equipment pricing trends but at least those pricing actions are spurring meaningful responses in volumes. **PLEASE SEE FIGURES 36-44**

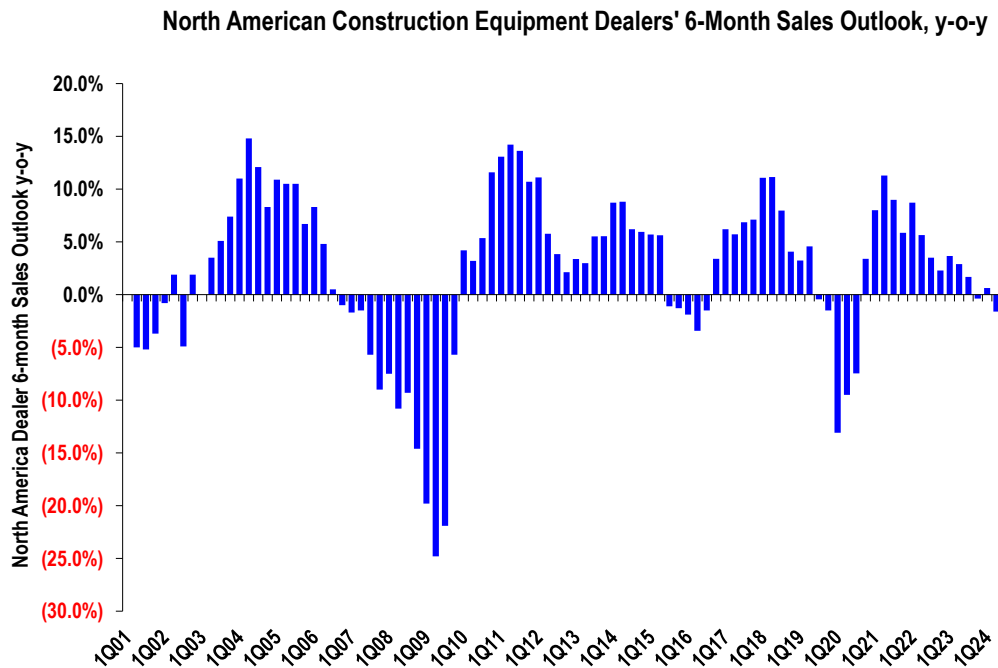
DEALER RETAIL SALES OUTLOOKS

Figure 1: Global dealers' six-month y-o-y sales outlook



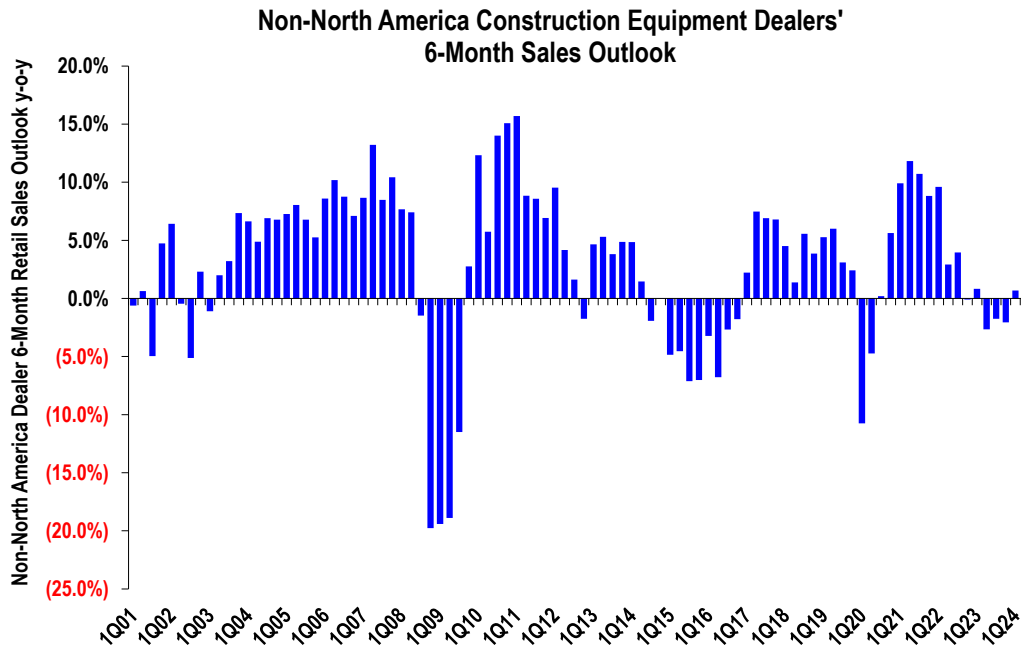
Source: Evercore ISI

Figure 2: Six-month y-o-y sales outlook by North America dealers



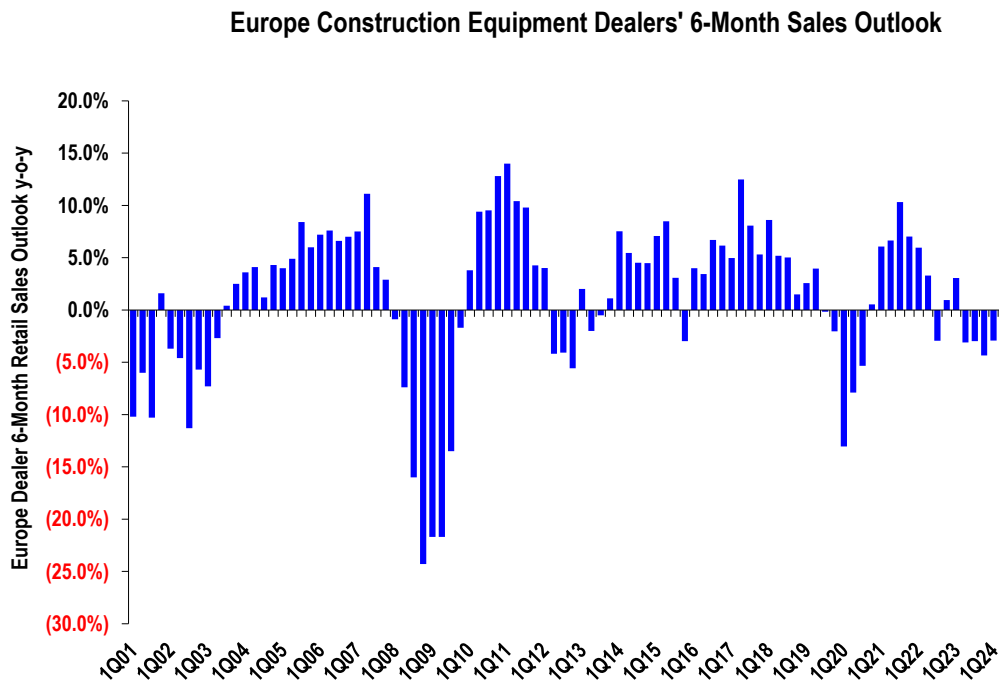
Source: Evercore ISI

Figure 3: Six-month y-o-y sales outlook by dealers OUTSIDE of North America



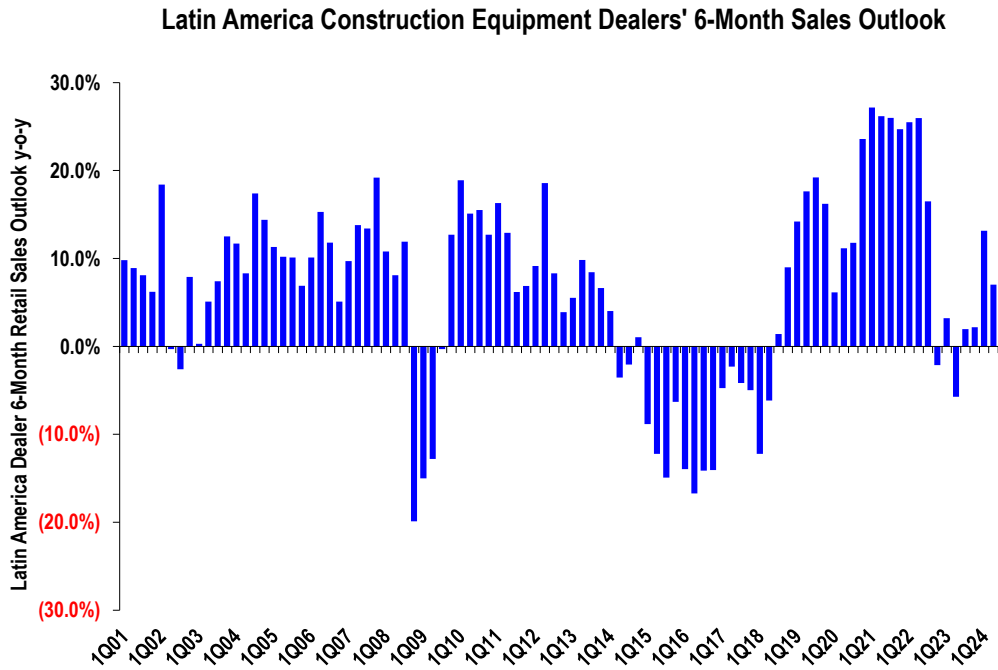
Source: Evercore ISI

Figure 4: Six-month y-o-y sales outlook by European dealers



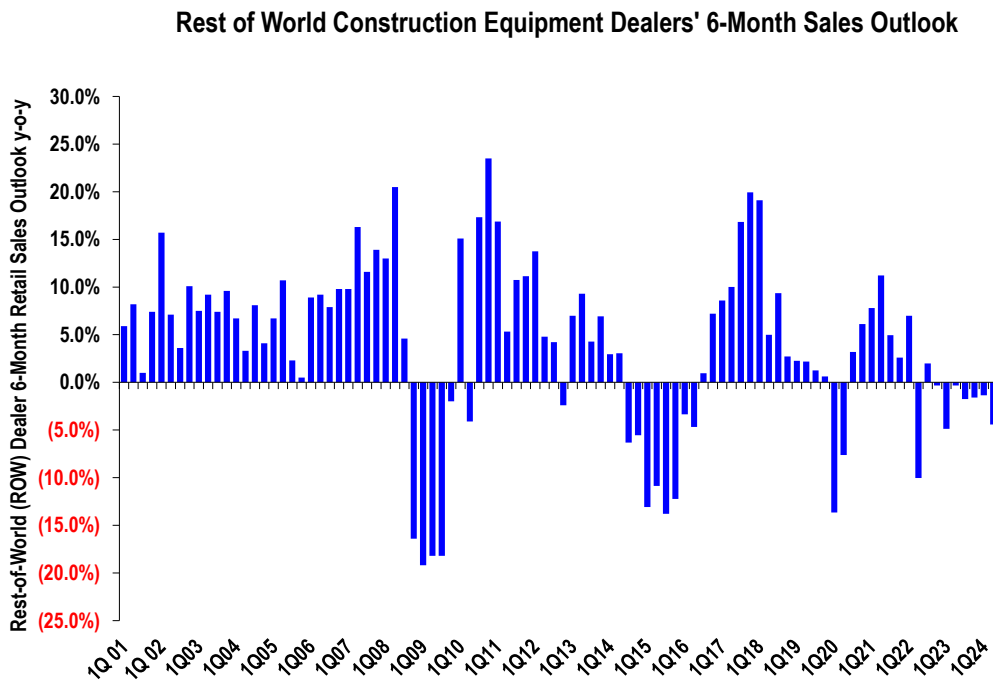
Source: Evercore ISI

Figure 5: Six-month y-o-y sales outlook by Latin America dealers



Source: Evercore ISI

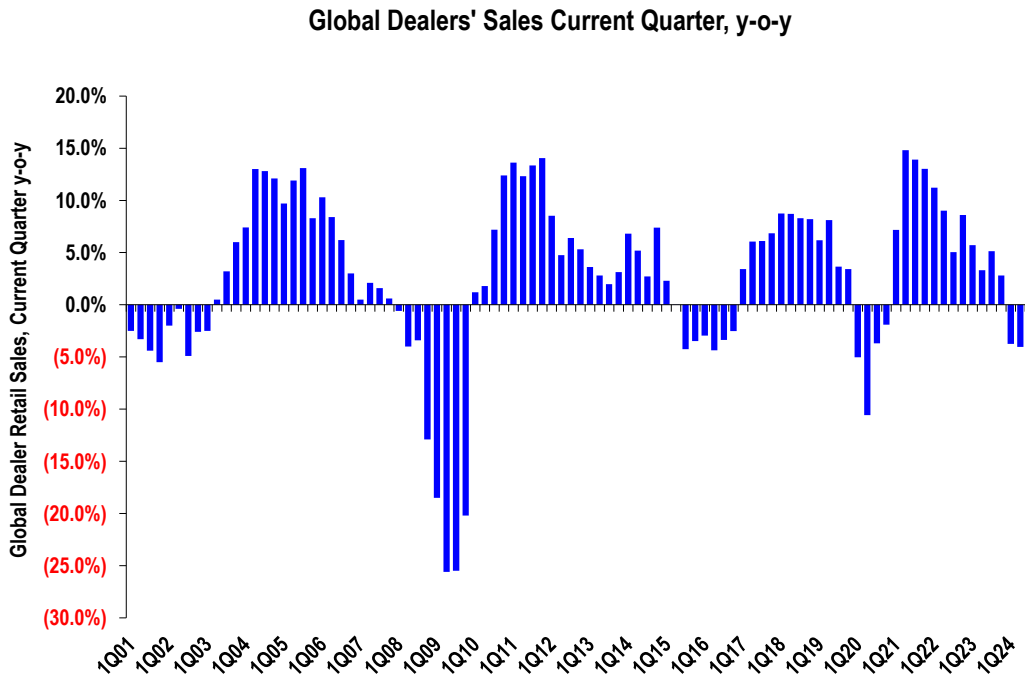
Figure 6: Six-month y-o-y sales outlook by Rest-of-World dealers



Source: Evercore ISI

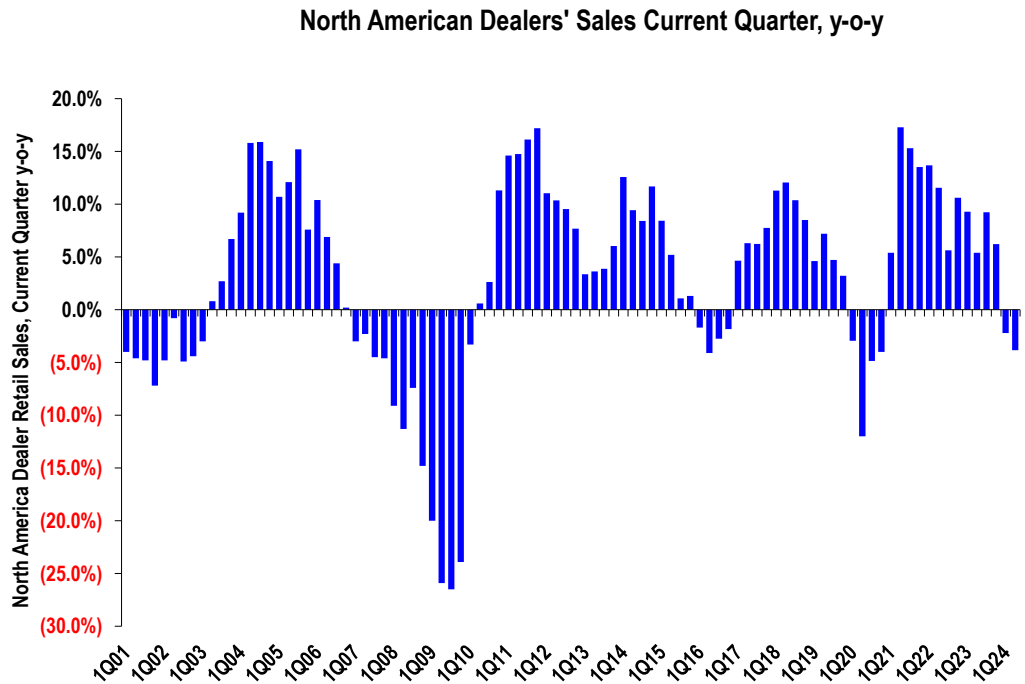
DEALER CURRENT QUARTER SALES

Figure 7: Current quarter (2Q24) dealer sales globally



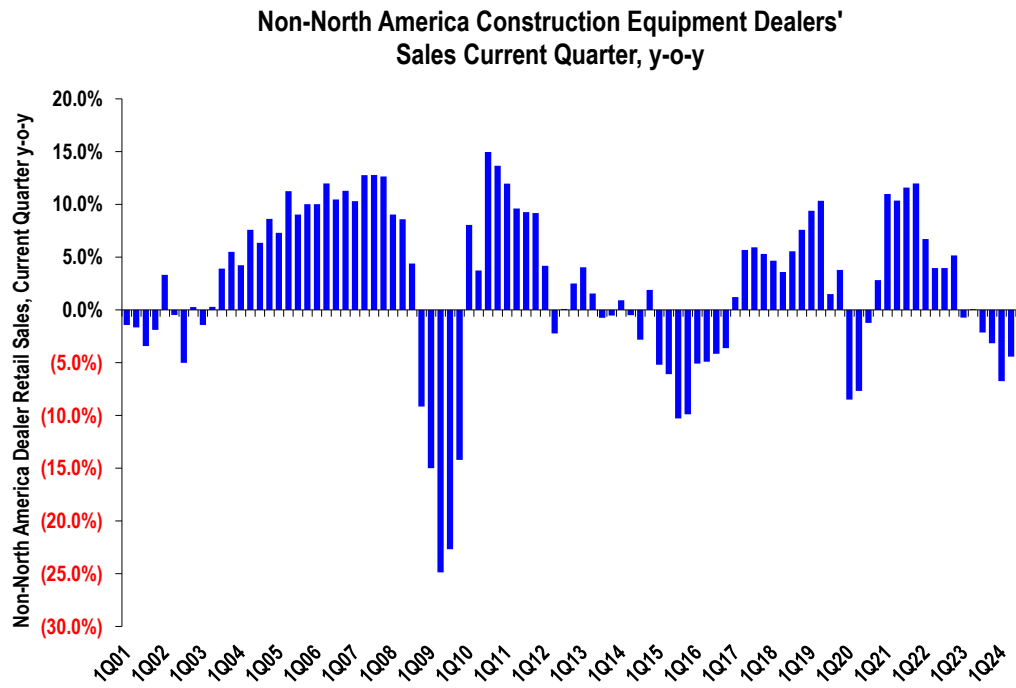
Source: Evercore ISI

Figure 8: Current quarter (2Q24) dealer sales y-o-y North America



Source: Evercore ISI

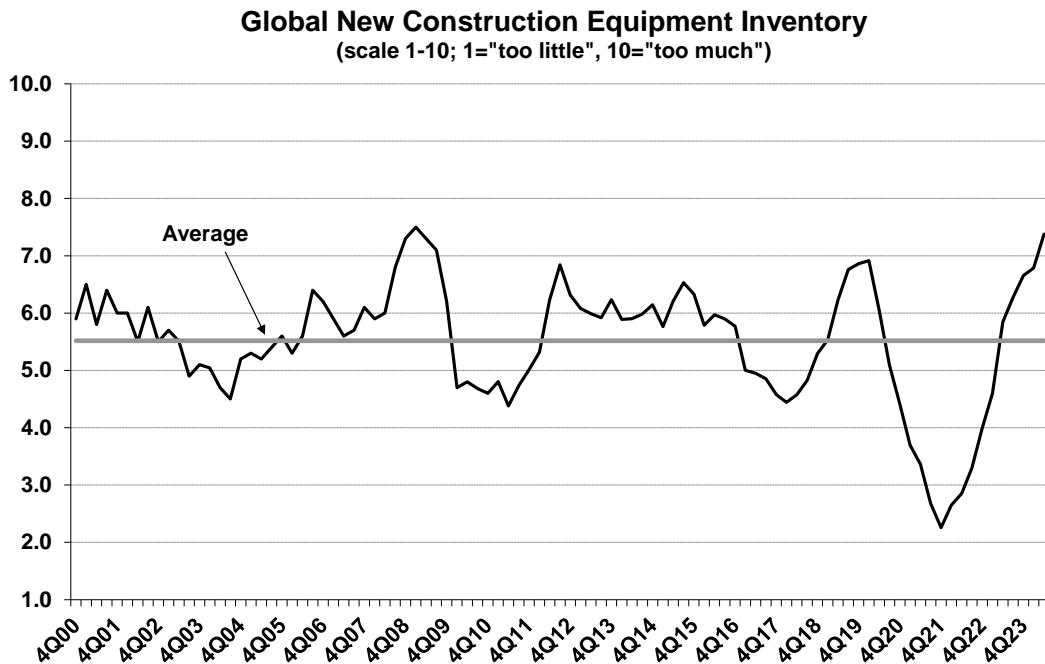
Figure 9: Current quarter (2Q24) dealer sales y-o-y Non-North America



Source: Evercore ISI

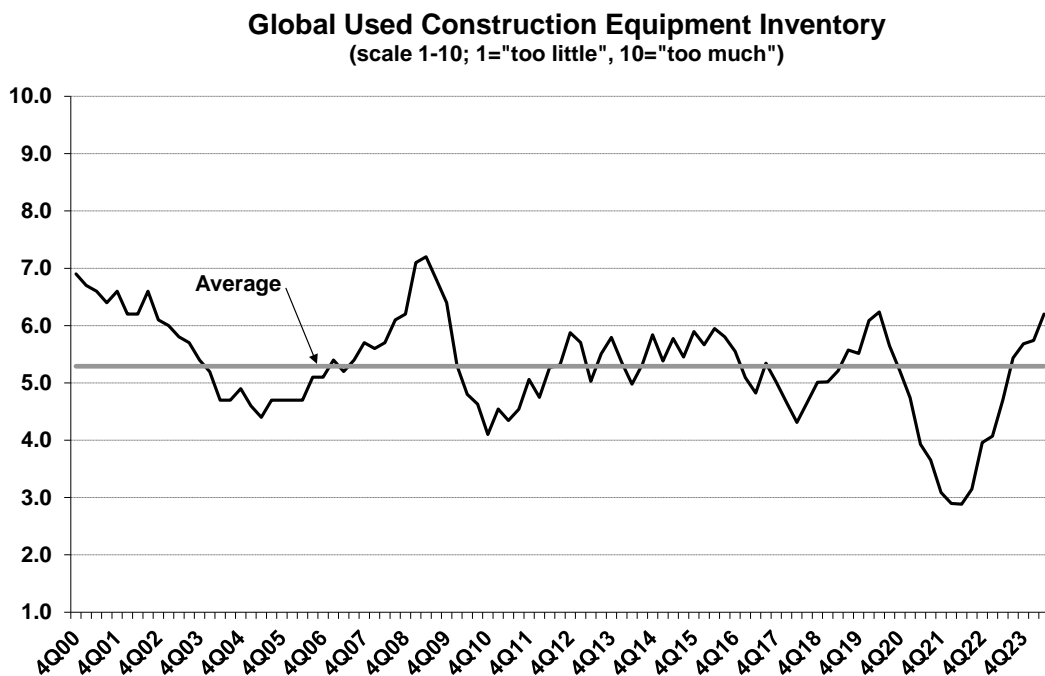
DEALER INVENTORY

Figure 10: Dealers' global new equipment inventory



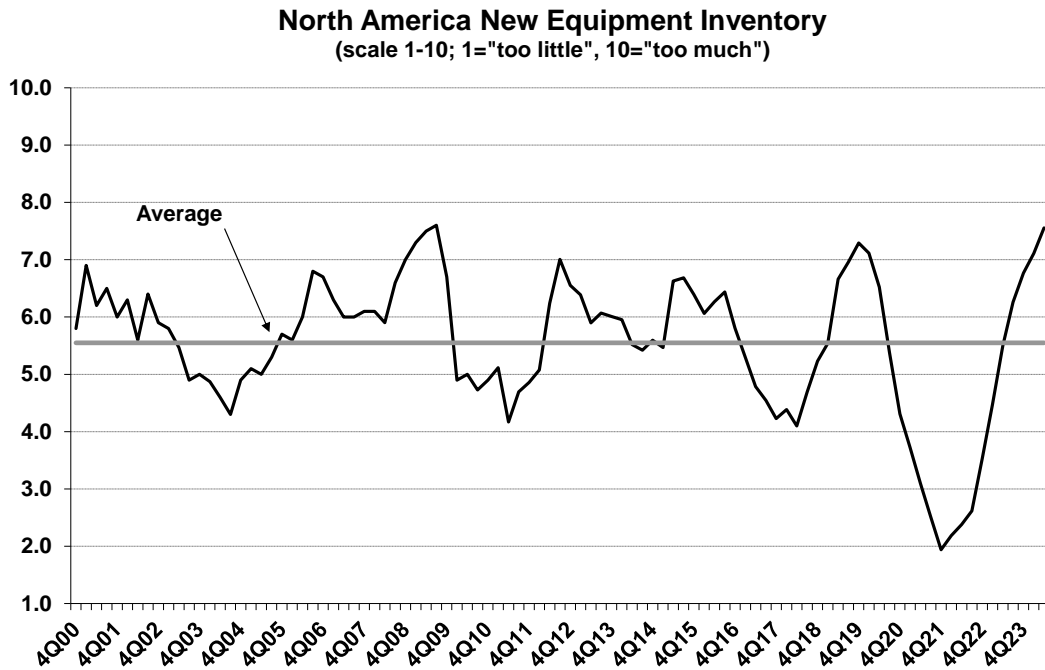
Source: Evercore ISI

Figure 11: Dealers' global used equipment inventory



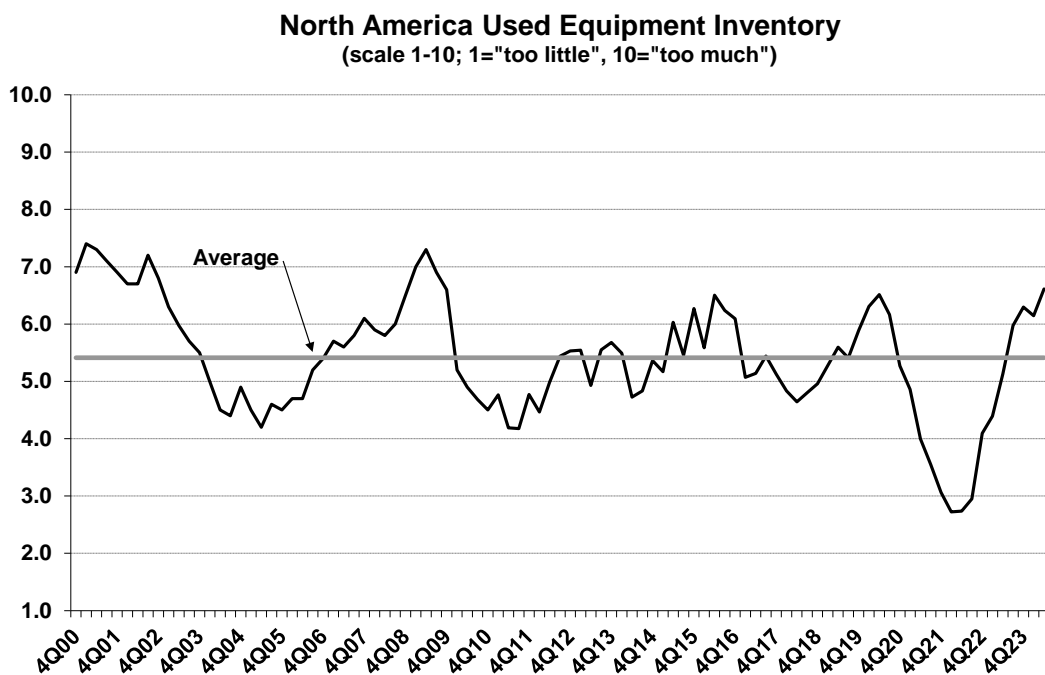
Source: Evercore ISI

Figure 12: North America dealers' new equipment inventory



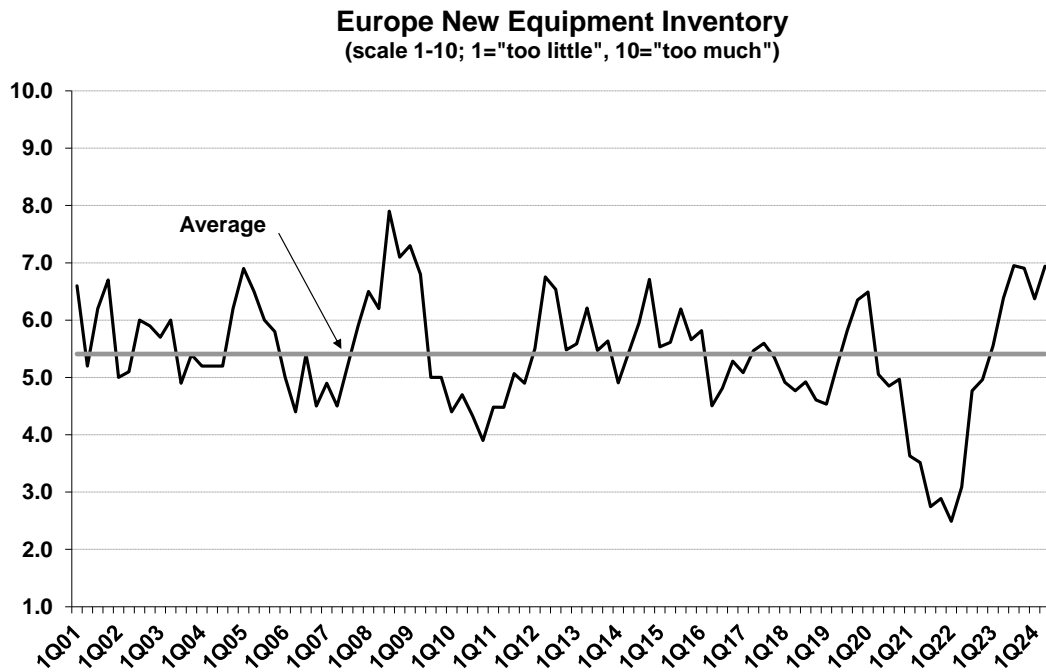
Source: Evercore ISI

Figure 13: North America dealers' used equipment inventory



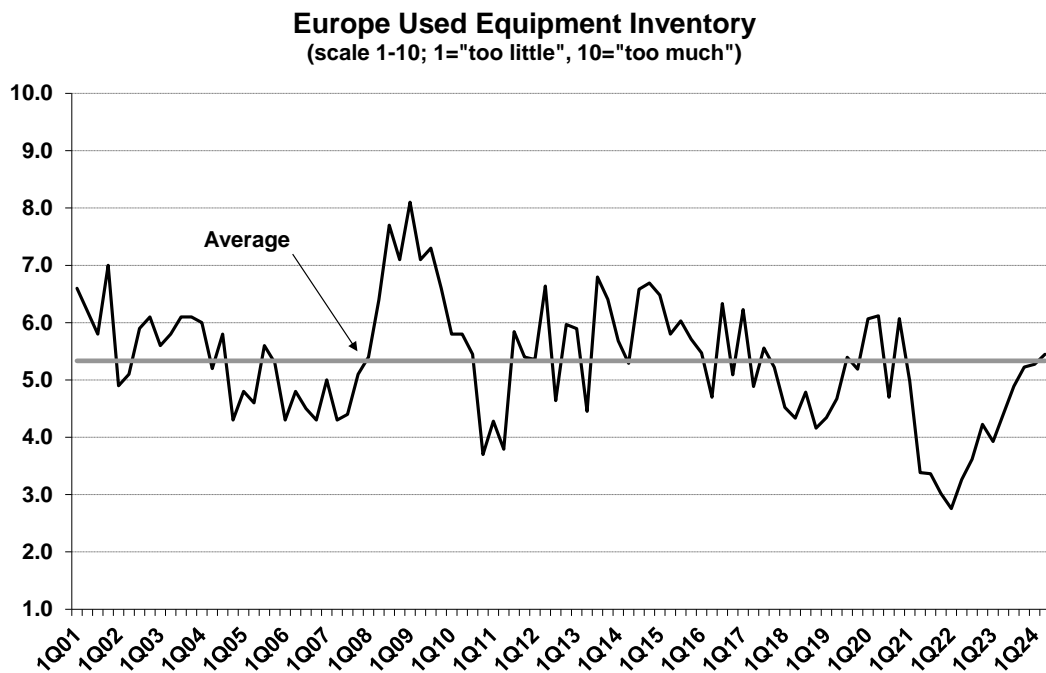
Source: Evercore ISI

Figure 14: Europe dealer new equipment inventory



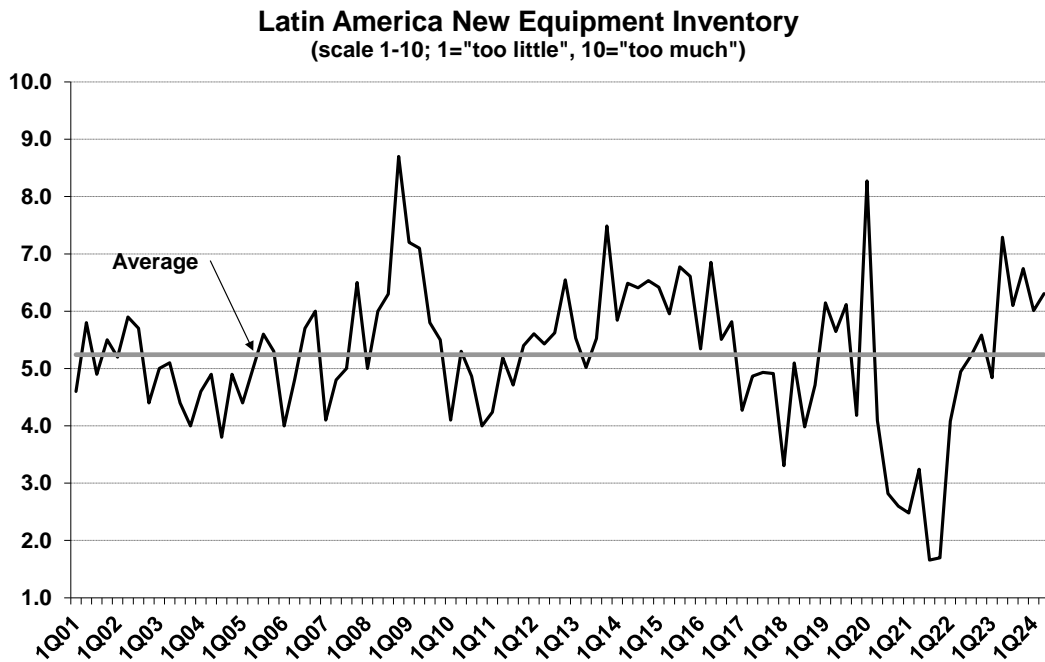
Source: Evercore ISI

Figure 15: Europe dealer used equipment inventory



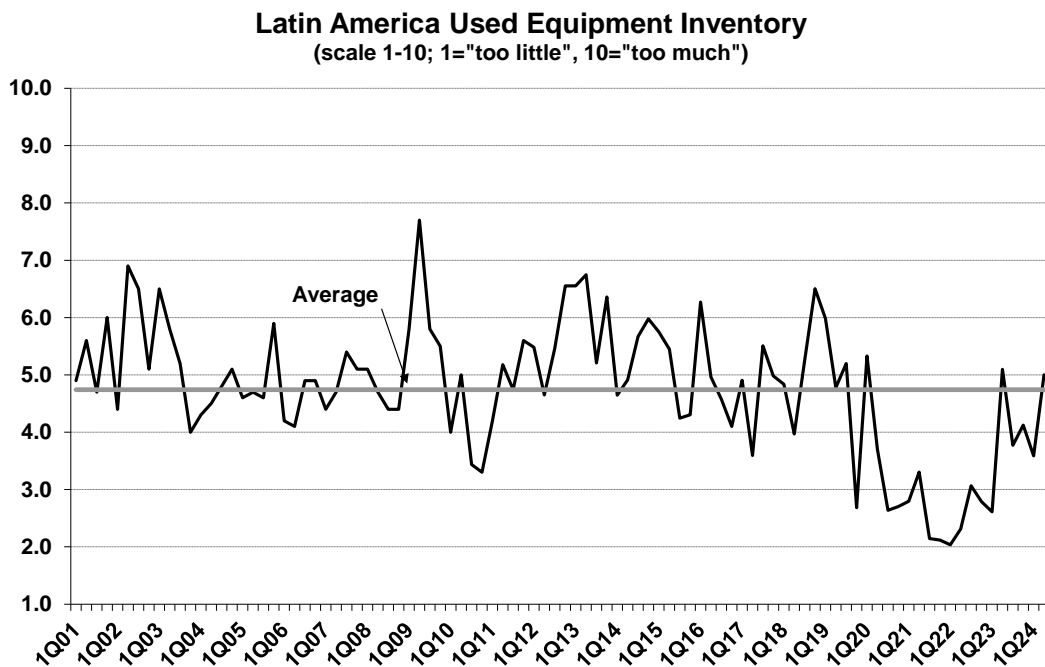
Source: Evercore ISI

Figure 16: Latin America dealer new equipment inventory



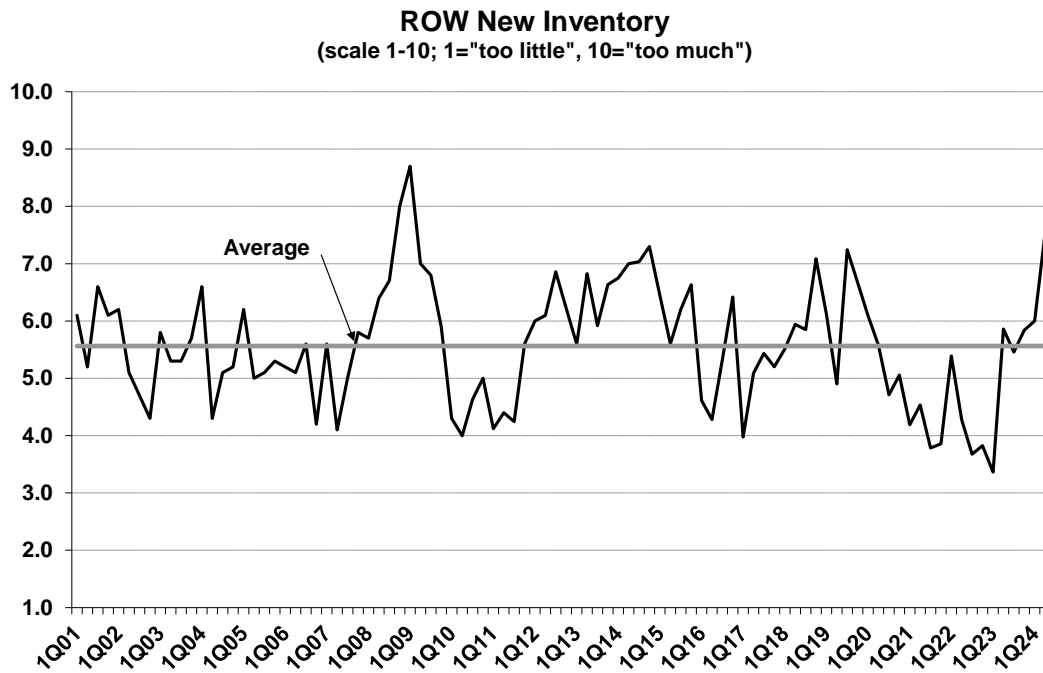
Source: Evercore ISI

Figure 17: Latin America dealer used equipment inventory



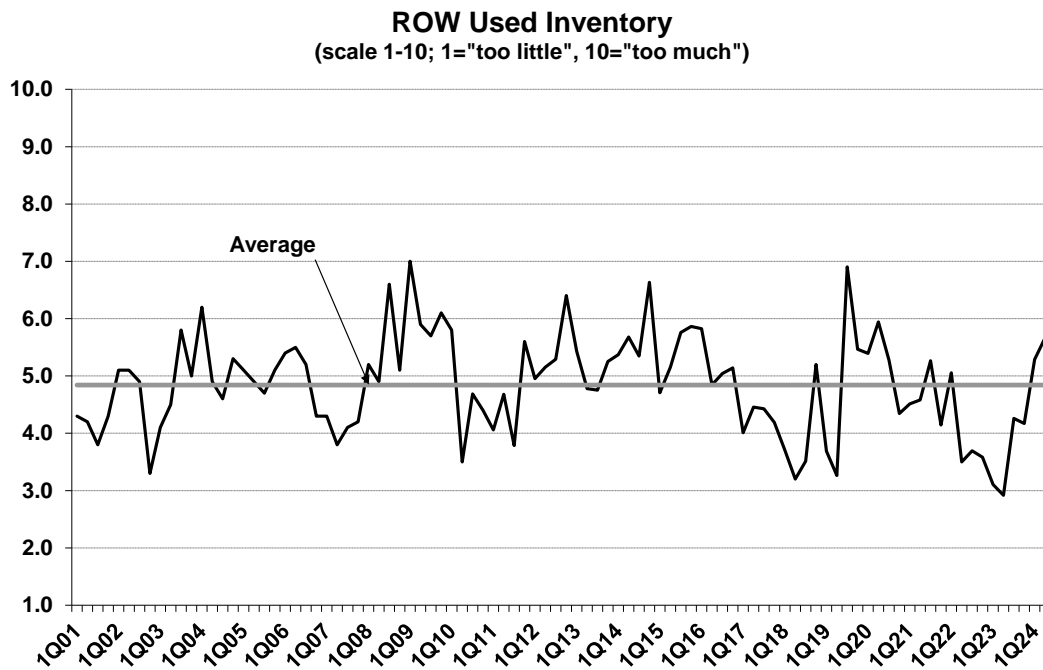
Source: Evercore ISI

Figure 18: Rest-of-World dealer new equipment inventory



Source: Evercore ISI

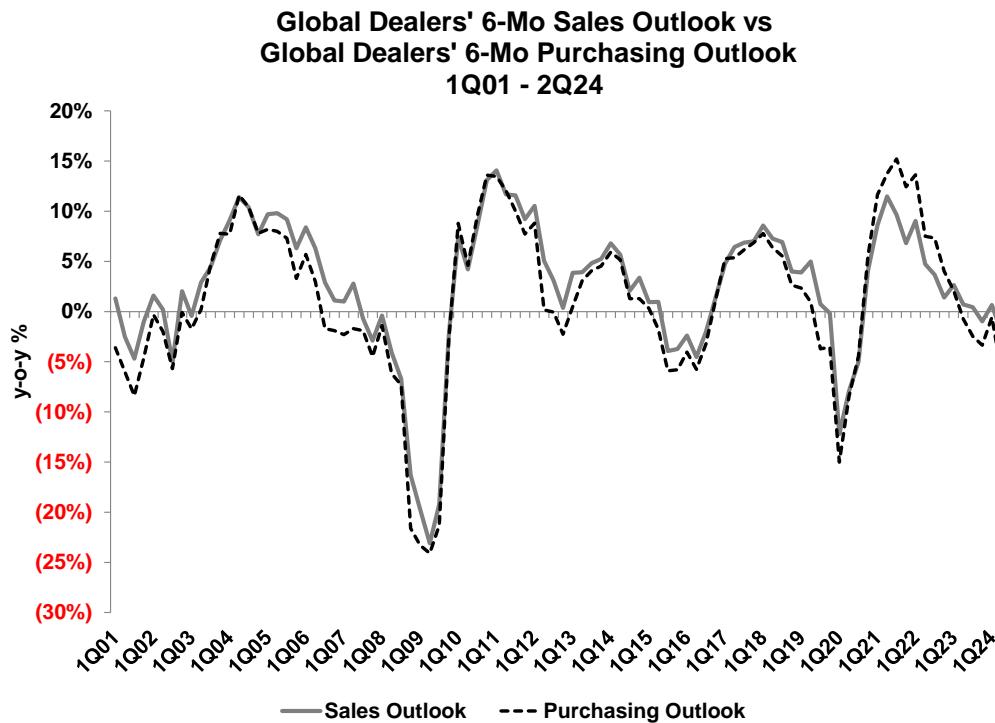
Figure 19: Rest-of-World dealer used equipment inventory



Source: Evercore ISI

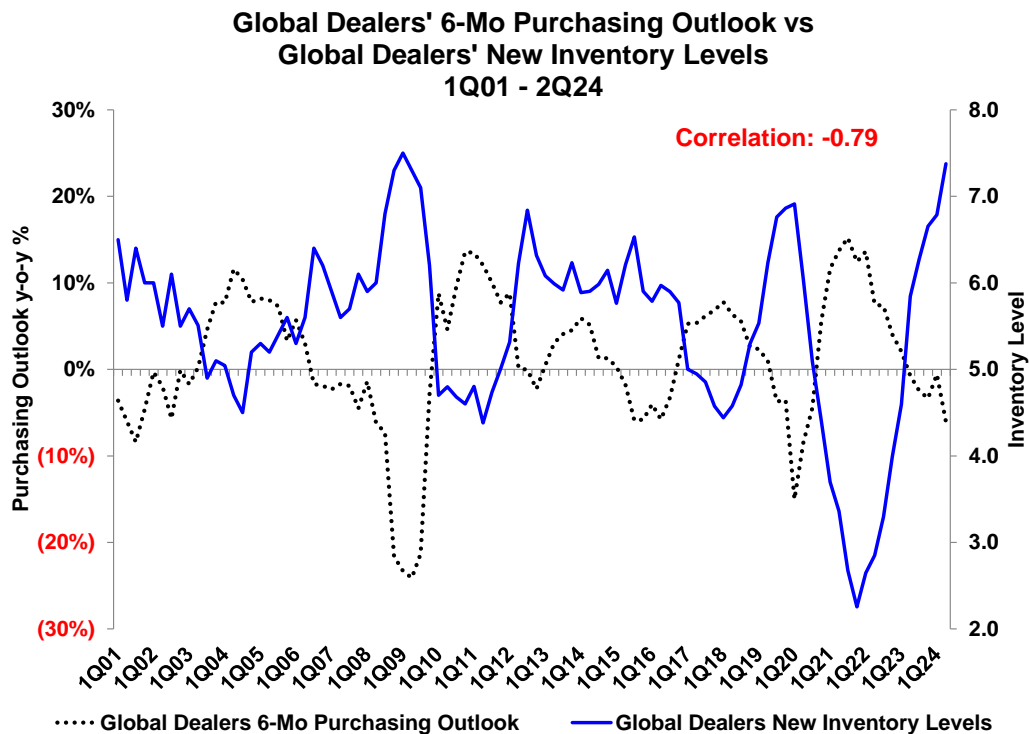
DEALER PURCHASING INTENTIONS

Figure 20: Global Dealers' 6-Mo Sales Outlook vs Global Dealers' 6-Mo Purchasing Outlook



Source: Evercore ISI

Figure 21: Outlook for purchasing from their manufacturers vs dealers' new inventory levels



Source: Evercore ISI

SPECIAL QUARTERLY QUESTION TO DEALERS**Figure 22: Quarterly Survey Special Question to Dealers****Quarterly Survey Special Questions:**

Question 1) When do you expect to place the majority of your orders for “next year”, i.e., 2025?

1Q24 (already ordered), 2Q24, 3Q24, 4Q24, 1Q25 or 2Q25

Question 2) Last year, when had you placed the majority of your orders for “next year”, i.e., 2024?

1Q23, 2Q23, 3Q23, 4Q23, 1Q24 or 2Q24

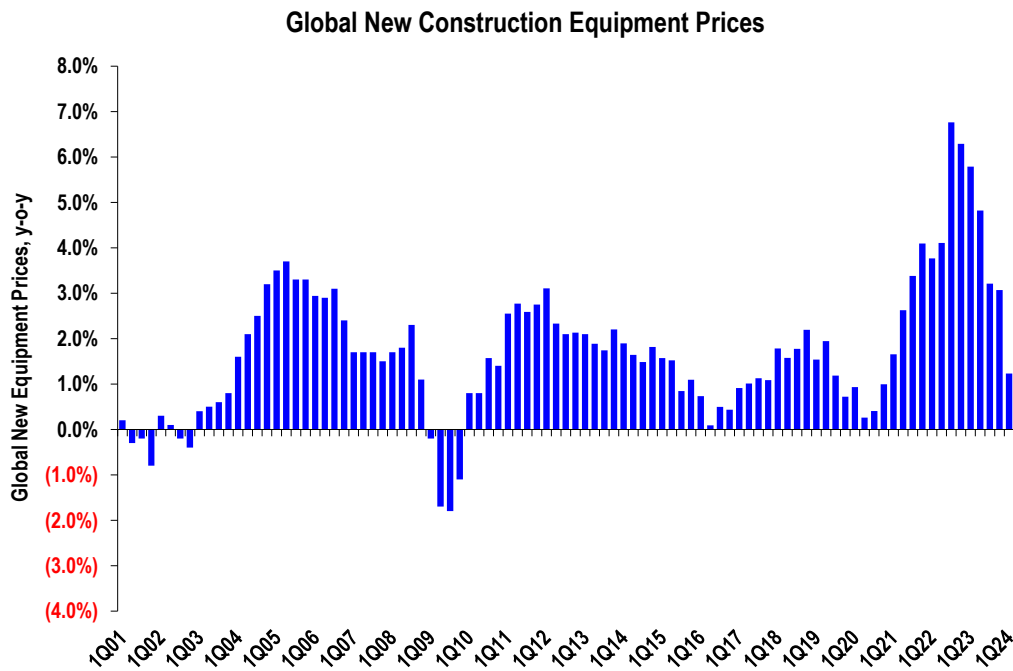
Question 1	1Q24 %	2Q24 %	3Q24 %	4Q24 %	1Q25 %	2Q25 %	Total %
GLOBAL	0%	3%	29%	51%	10%	8%	100%
North America	0%	5%	32%	55%	8%	0%	100%
Non-North America	0%	0%	24%	44%	12%	20%	100%
Europe	0%	0%	33%	44%	11%	11%	100%
Non-Europe	0%	0%	19%	44%	13%	25%	100%

Question 2	1Q23 %	2Q23 %	3Q23 %	4Q23 %	1Q24 %	2Q24 %	Total %
GLOBAL	8%	25%	30%	30%	3%	3%	100%
North America	8%	34%	39%	16%	3%	0%	100%
Non-North America	8%	12%	16%	52%	4%	8%	100%
Europe	0%	22%	22%	56%	0%	0%	100%
Non-Europe	13%	6%	13%	50%	6%	13%	100%

Source: Evercore ISI

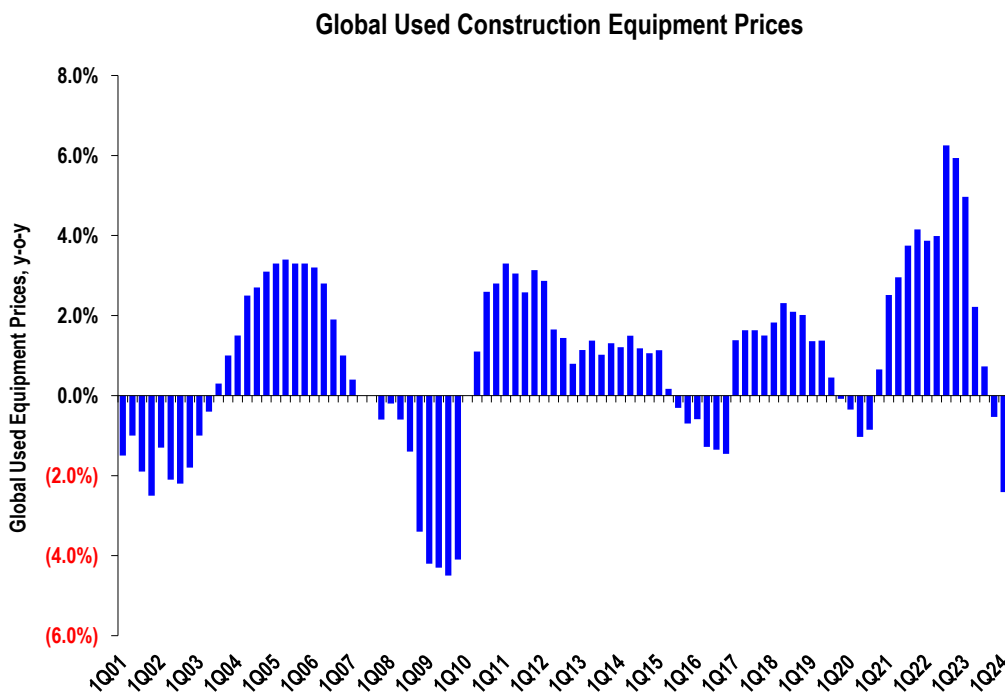
DEALER PRICING

Figure 23: Global new equipment price gains y-o-y



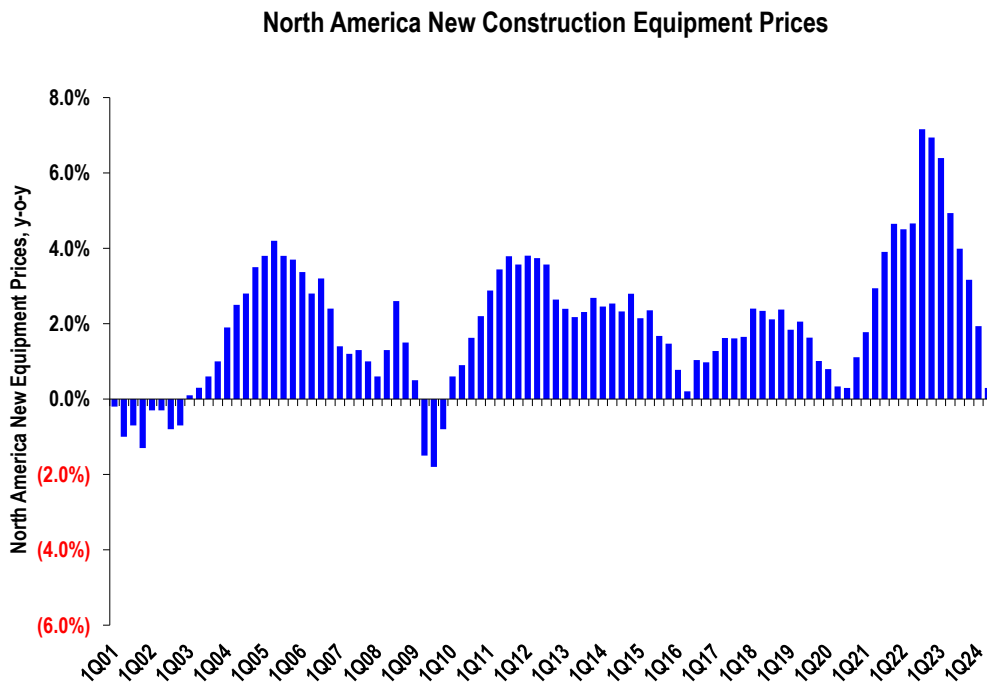
Source: Evercore ISI

Figure 24: Global used equipment pricing gains y-o-y



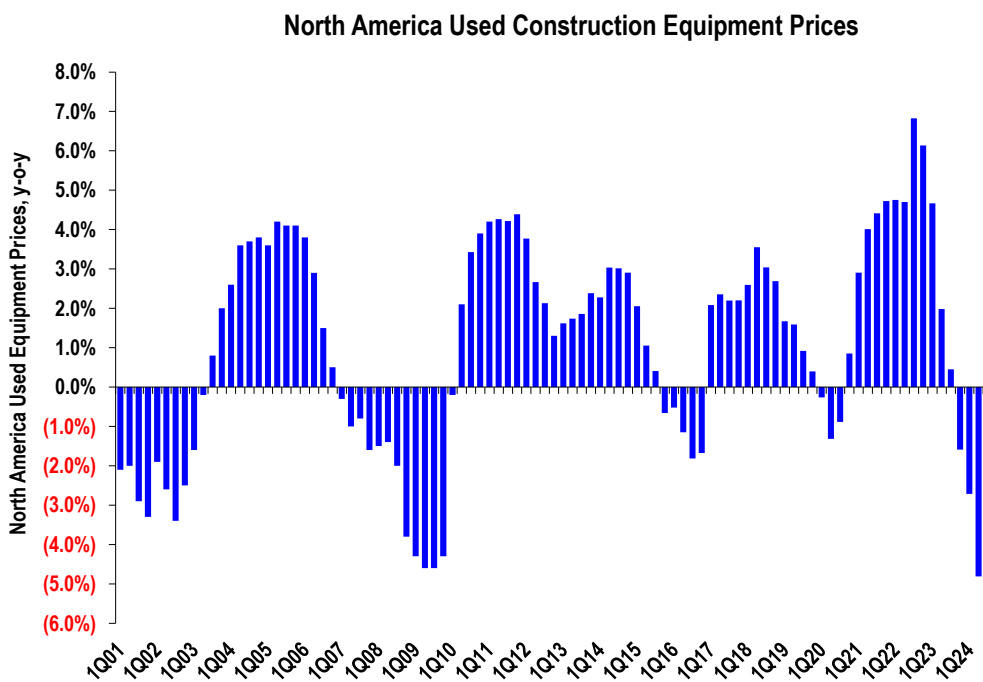
Source: Evercore ISI

Figure 25: North America new equipment prices y-o-y



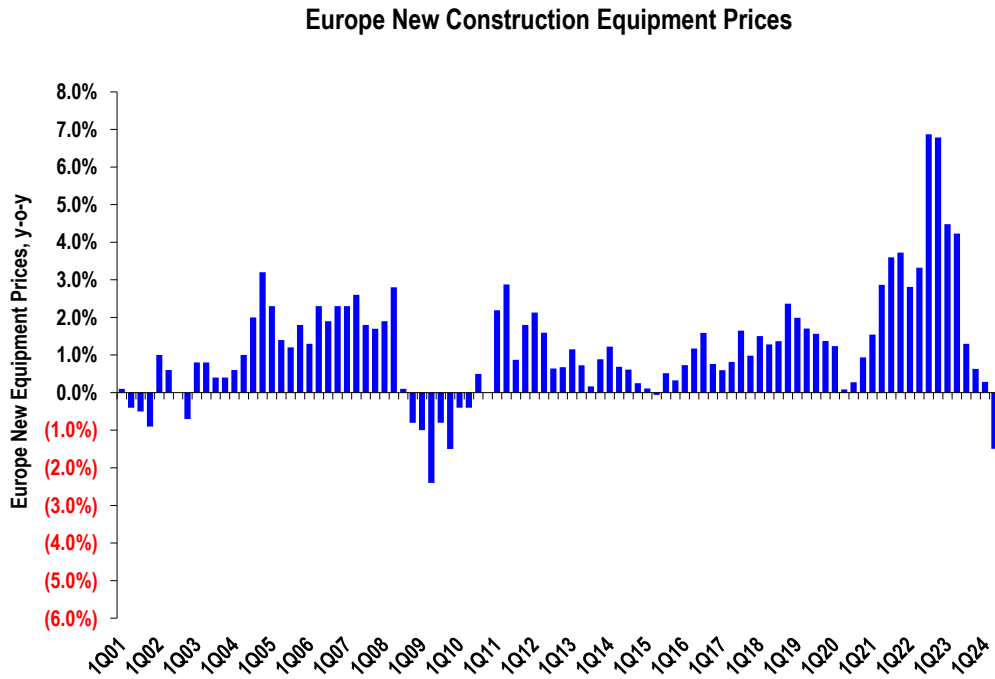
Source: Evercore ISI

Figure 26: North America used equipment pricing gains y-o-y



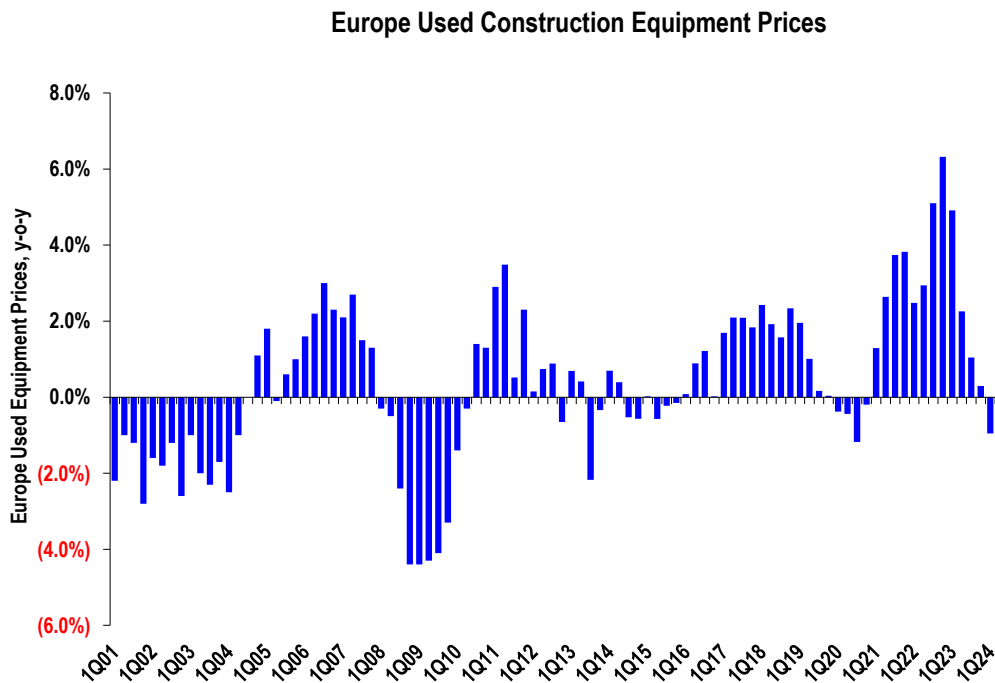
Source: Evercore ISI

Figure 27: European dealer new equipment pricing y-o-y



Source: Evercore ISI

Figure 28: European dealer used equipment pricing y-o-y



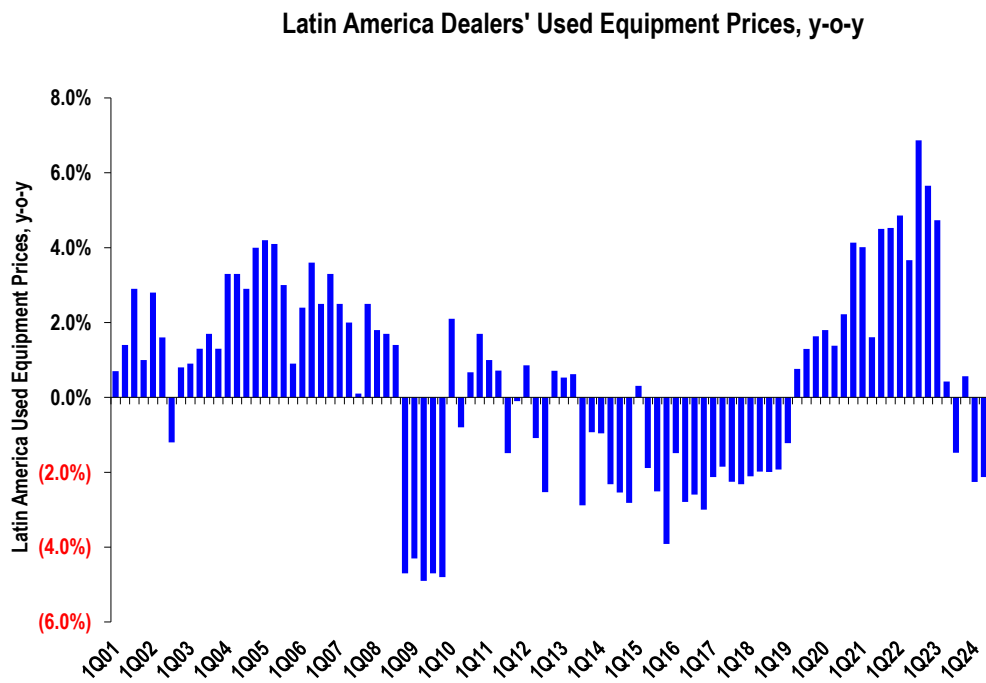
Source: Evercore ISI

Figure 29: Latin America dealer new equipment pricing y-o-y



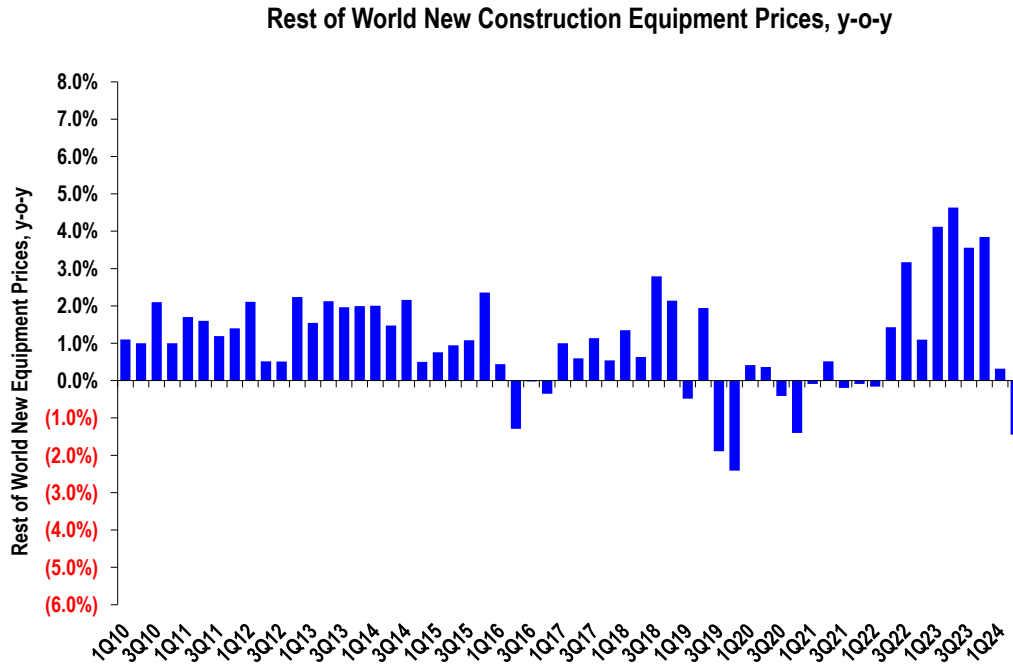
Source: Evercore ISI

Figure 30: Latin America dealer used equipment pricing y-o-y



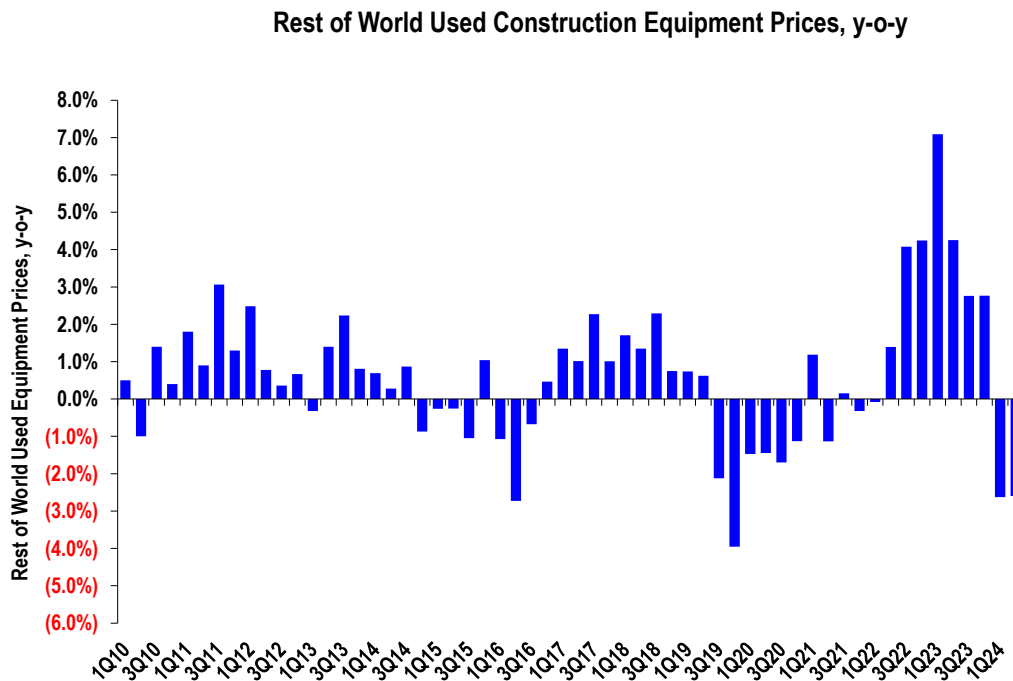
Source: Evercore ISI

Figure 31: Rest of World dealer new equipment pricing y-o-y



Source: Evercore ISI

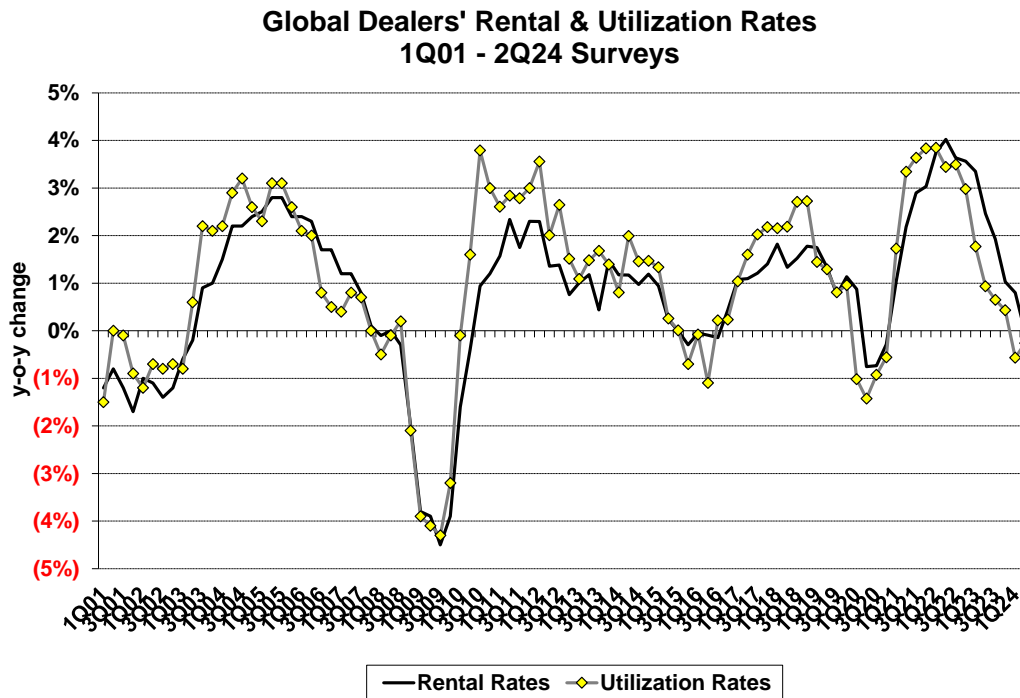
Figure 32: Rest of World dealer used equipment pricing y-o-y



Source: Evercore ISI

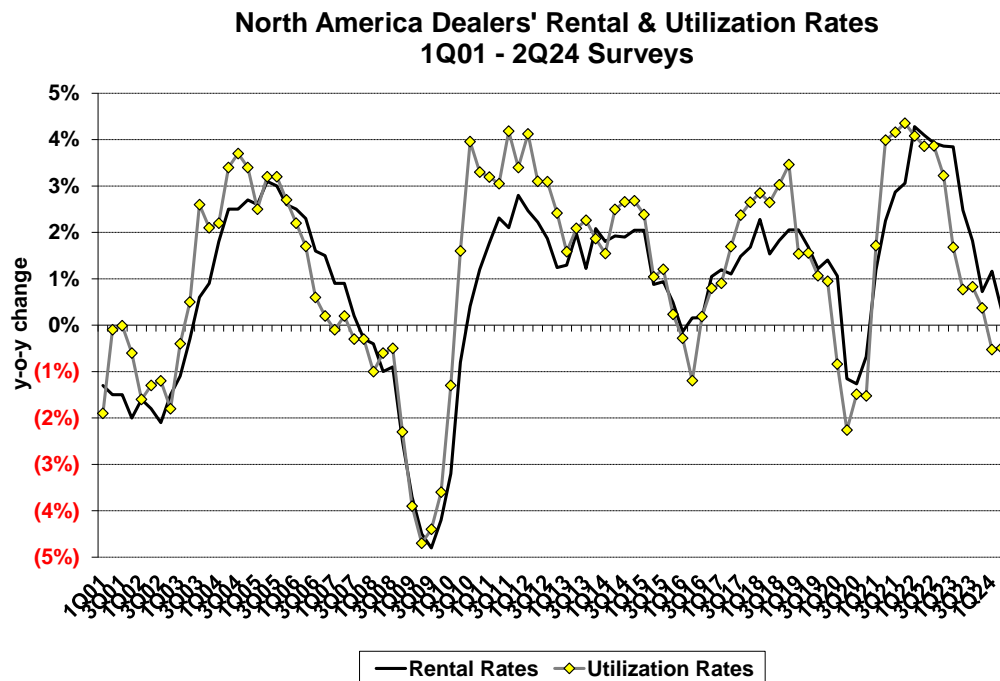
DEALER RENTAL ACTIVITY

Figure 33: Global dealers' rental rates y-o-y and fleet utilization y-o-y



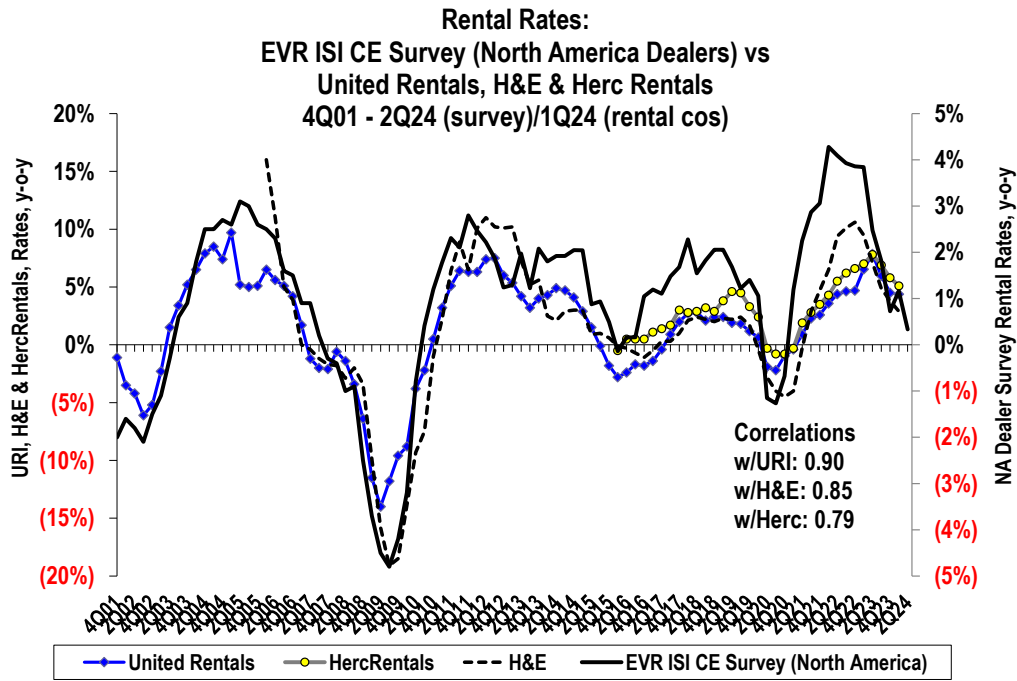
Source: Evercore ISI

Figure 34: North America dealers' rental rates y-o-y and fleet utilization y-o-y



Source: Evercore ISI

Figure 35: North America dealers' rental rates y-o-y vs URI (our ests post 2Q19), H&E and Herc rental rates y-o-y

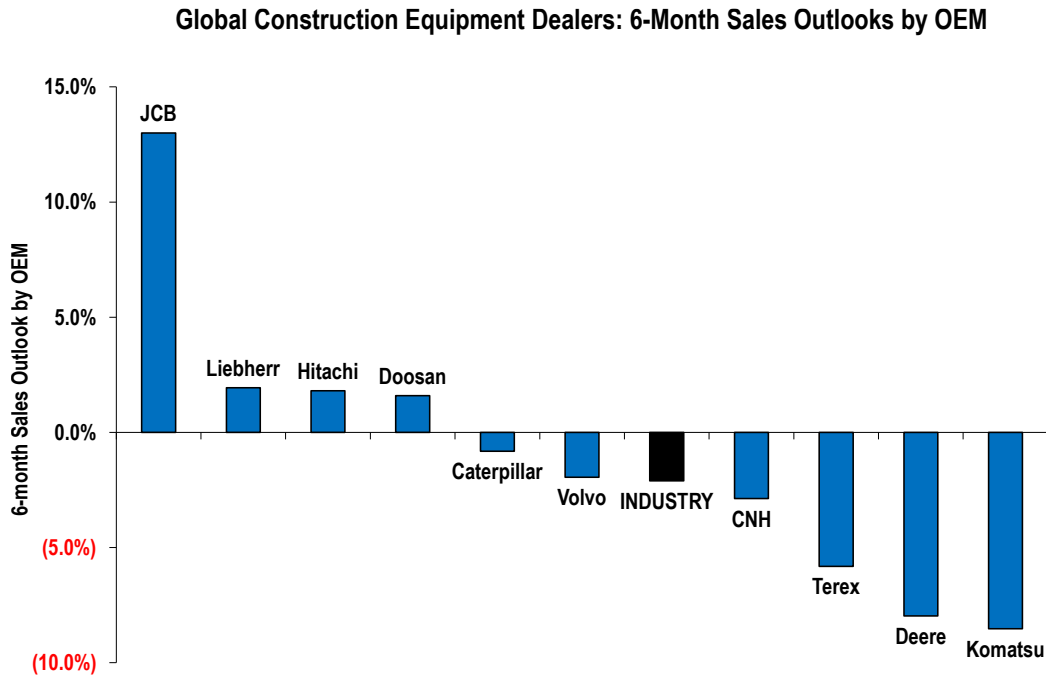


Note: URI rates are EVR ISI Ests post 2Q19

Source: Evercore ISI, company reports

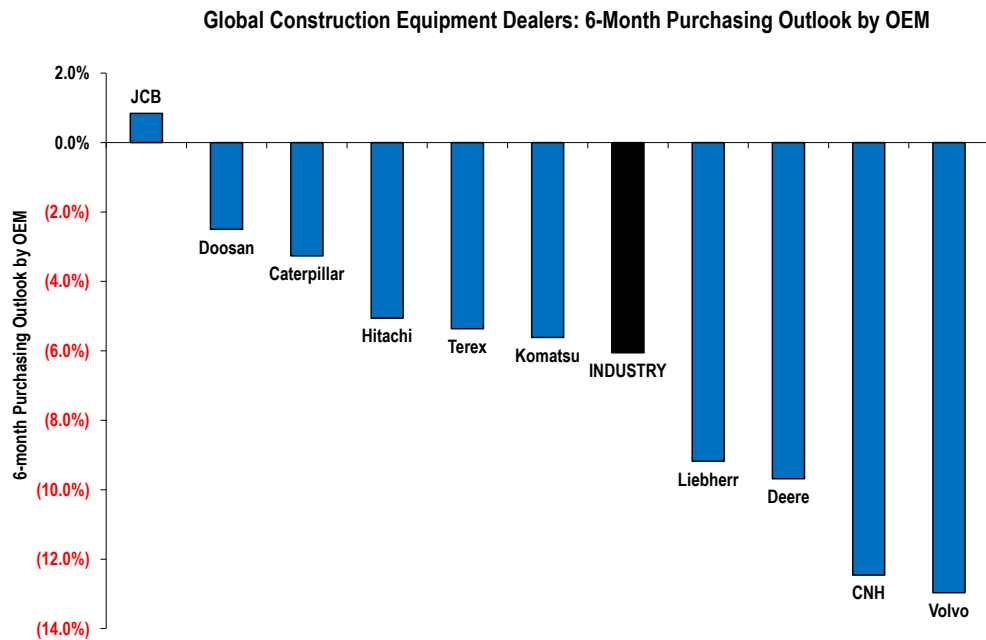
MANUFACTURER SPECIFIC COLOR VIA DEALER NETWORK

Figure 36: Global dealers' six-month sales growth outlook y-o-y by dealer network



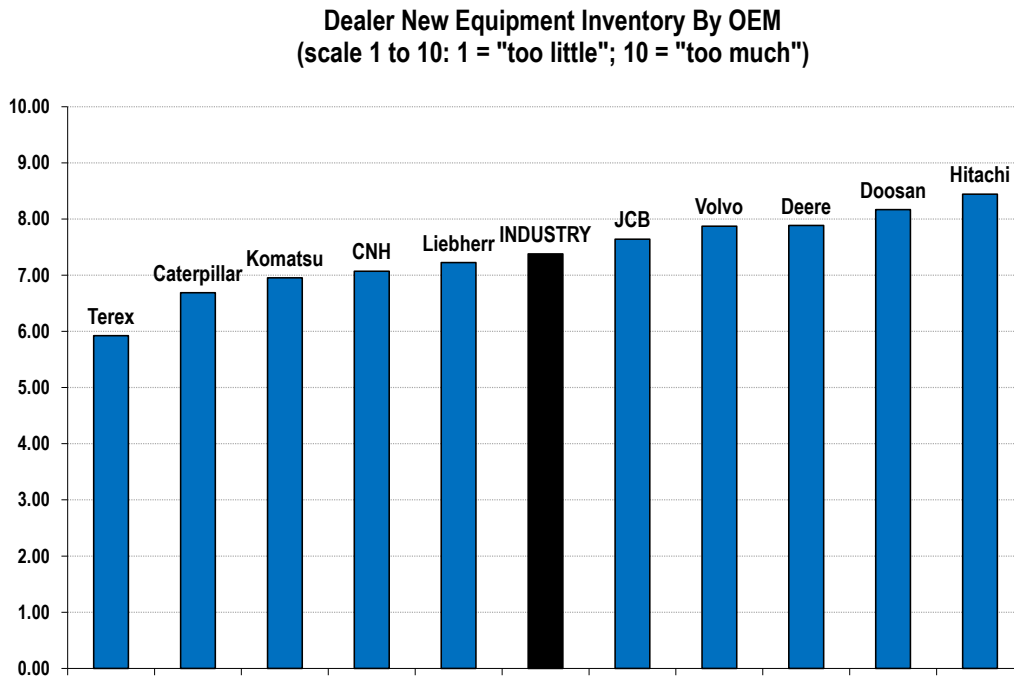
Source: Evercore ISI

Figure 37: Global dealers' six-month purchasing intentions y-o-y by dealer network



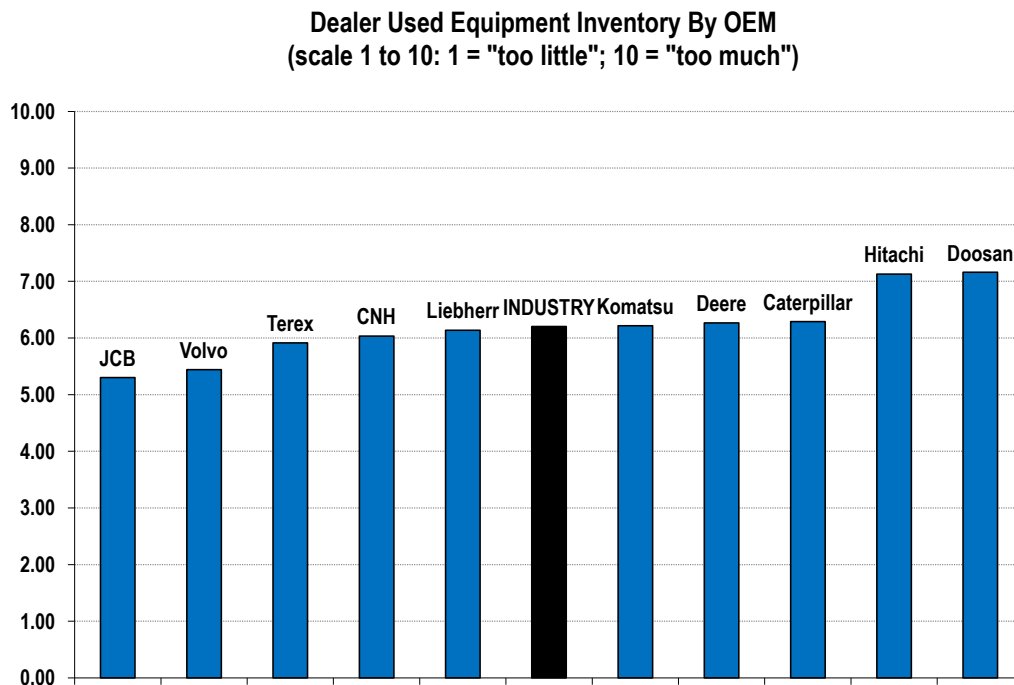
Source: Evercore ISI

Figure 38: Dealers' inventory of new equipment by dealer network



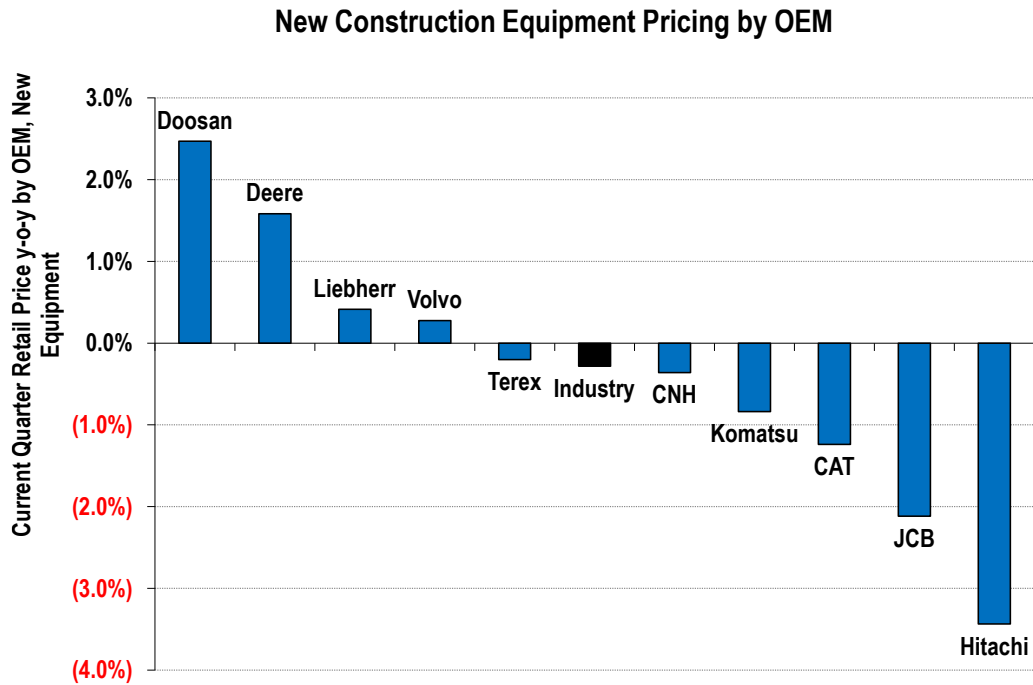
Source: Evercore ISI

Figure 39: Dealers' inventory of used equipment by dealer network



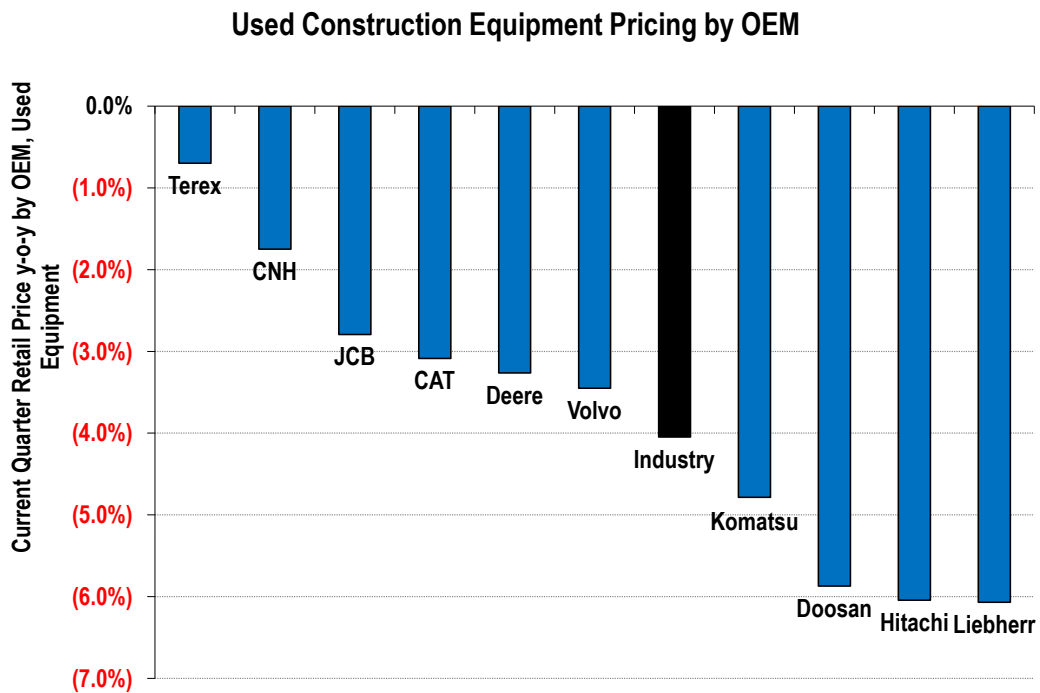
Source: Evercore ISI

Figure 40: Retail pricing y-o-y by dealer network for new equipment



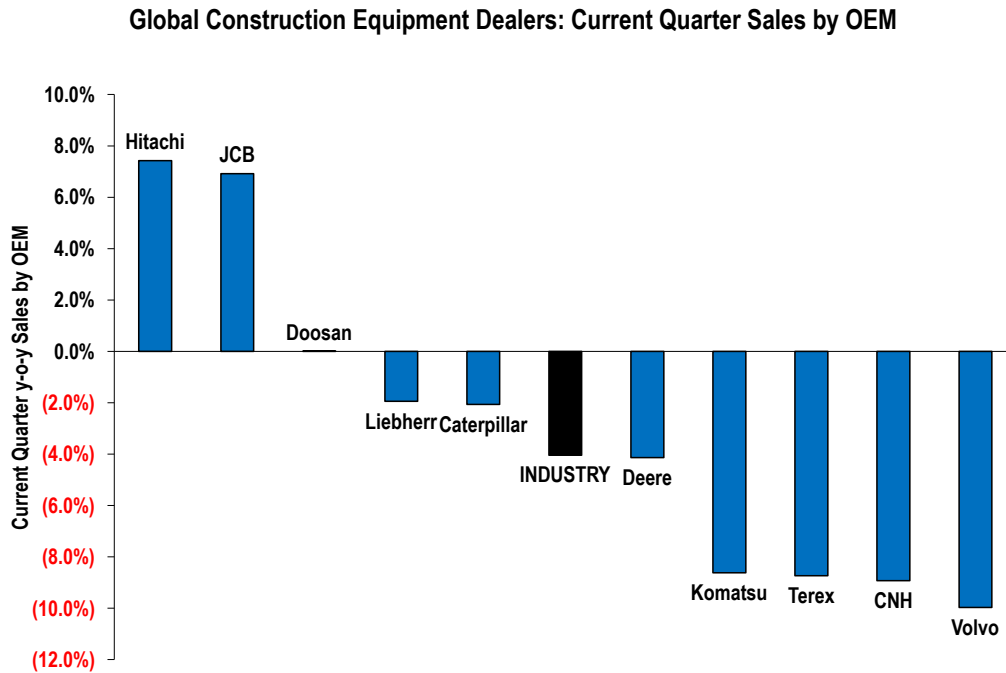
Source: Evercore ISI

Figure 41: Retail pricing y-o-y by dealer network for used equipment



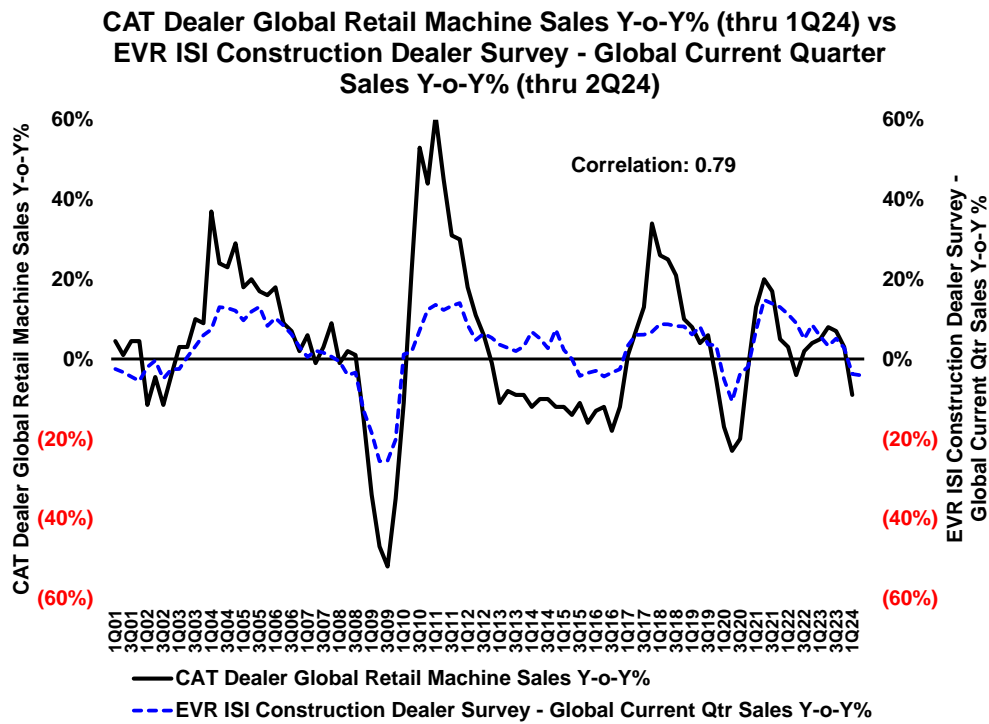
Source: Evercore ISI

Figure 42: Global dealers' current quarter retail sales y-o-y by dealer network



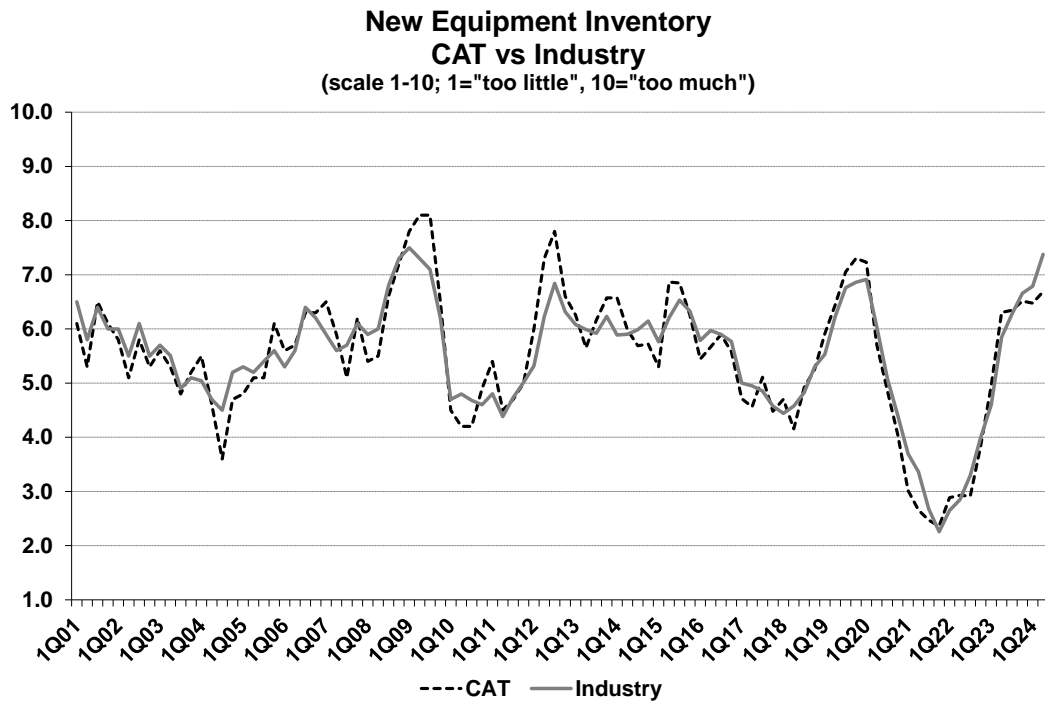
Source: Evercore ISI

Figure 43: Caterpillar Dealer GLOBAL Retail Machine Sales vs EVR ISI Proprietary GLOBAL Construction Equipment Dealer Survey's Current Quarter Sales



Source: Evercore ISI

Figure 44: Caterpillar Dealer GLOBAL New Equipment Inventory vs EVR ISI Proprietary GLOBAL Construction Equipment Dealer Survey's New Equipment Industry Inventory



Source: Evercore ISI

TIMESTAMP

(Article 3(1)e and Article 7 of MAR)

Time of dissemination: July 09 2024 5:31 PM ET

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Cautious- Return -10% to 0%
Sell- Return < -10%

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Hold	298	38	Hold	25	8
Sell	14	2	Sell	0	0
Coverage Suspended	19	2	Coverage Suspended	6	32
Rating Suspended	7	1	Rating Suspended	1	14

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CNH Industrial NV Rating History as of 07/09/2024



Deere & Co Rating History as of 07/09/2024



Oshkosh Corp Rating History as of 07/09/2024



Terex Corp Rating History as of 07/09/2024



United Rentals Inc Rating History as of 07/09/2024



Ratings Key

B	Buy	OP	Outperform	L	Long	CS	Coverage Suspended
H	Hold	IL	In Line	NP	No Position	RS	Rating Suspended
S	Sell	UP	Underperform	S	Short		

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