

North American Heavy Equipment Index

Quarter 1, 2021

DUCKER

Market Outlook and Forecast Consideration

The Heavy Equipment industry in North America continues to be challenged by slow-downs caused by the Covid-19 pandemic. With that said, the year concluded at a growth level that was better than expected when the pandemic began. Many of the projects forecast at the beginning of 2020 were completed, and this drove equipment demand. However, the new year and new administration is driving uncertainty over the growth opportunity in 2021.

Upside Forecast Variables

- Residential construction activity remains strong, this is causing a high level of optimism for the sale of compact to mid-sized equipment
- Highway and bridge construction is likely to be used to spur economic growth this year
- Gold and other precious metal pricing remains high, potentially driving demand for mining equipment sales
- Interest rates remain low and steady, providing incentives for equipment purchases

Downside Forecast Variables

- Covid-19 has caused many projects to be cancelled or delayed
- Commercial construction has declined as the demand for office space has reduced significantly
- Material costs have increased, and considerable costs have been incurred to protect employees from Covid-19 on the job
- Contractor and dealer profitability has dropped since 1Q 2020
- Equipment availability is problematic due to production slowdowns in 2020

2020 will be remembered as a year that could have been disastrous to the Heavy Equipment industry but ended up being relatively successful. While, growth was severely impacted in the second quarter of 2020, the market has been on a consistent come-back since that quarter. Ducker anticipates that the market will continue this rebound during Q1. However, activity will continue to be below that of the pre-pandemic levels of Q1 2020.

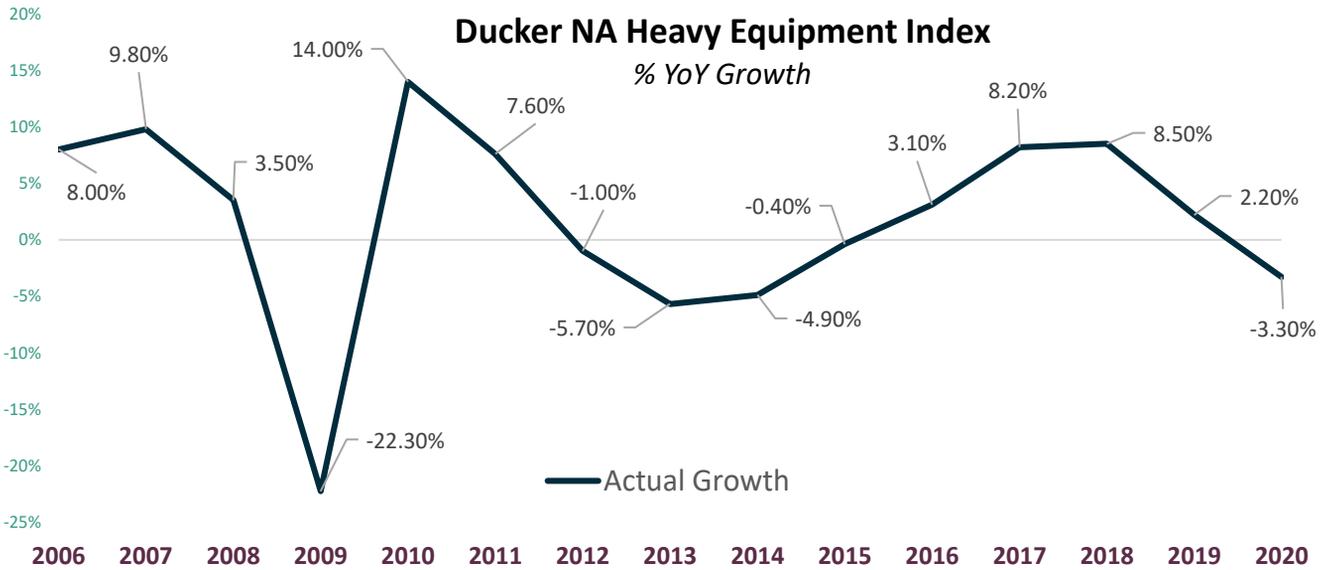
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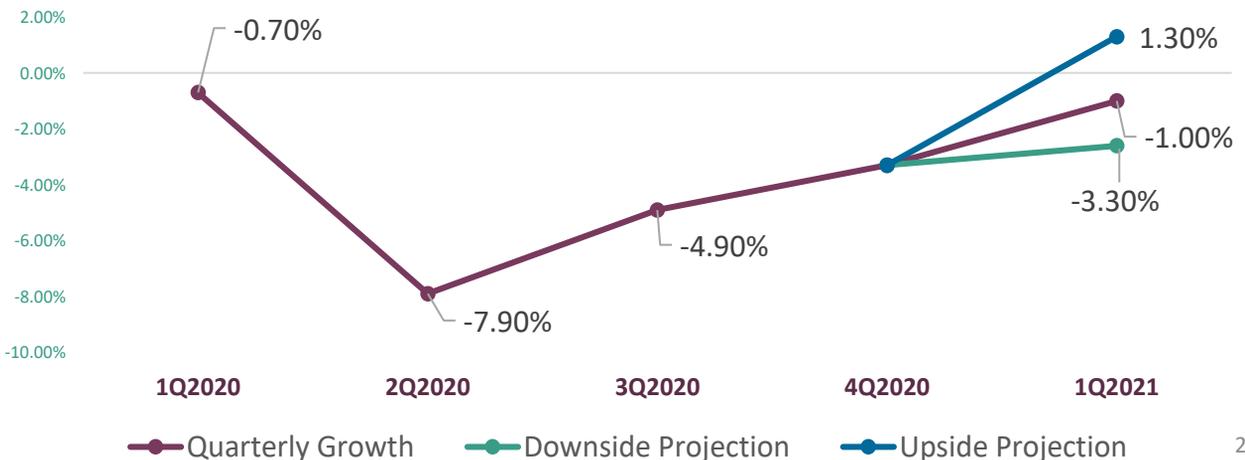
Historic Industry Performance and Quarterly Projection

The growth index in 2020 ended roughly 10% below that of 2018. However, there is a path to return to levels like 2019. This growth will largely depend upon government infrastructure spend and the trajectory of the pandemic. Once lock-downs are lifted, it is likely that commercial construction will be spurred.



All indications are that the first quarter of 2021 will result in a continued slow rebound of market growth. If pandemic complications are partially resolved as the vaccine becomes more widely available, it is possible that this quarter will see a return to revenue growth within the Heavy Equipment industry.

Ducker's Quarterly Performance Projection



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Industry Trends

Several market trends have emerged within the past two weeks that could have a significant impact on equipment sales over the next quarter, as well as for the remainder of 2021: Oil and Gas project interruptions, Equipment availability issues, Raw material price increases.

	Trend	Market Impact	Anticipated Response
	Oil and Gas project interruptions	The Biden administration has promised a considerable shift toward sustainable energy sources over the next four years. This was highlighted by an Executive Order to shut down the Keystone Pipeline.	While this action is expected to result in reduced equipment demand within the Oil and Gas sector in the short-term, it will likely increase activity within the alternative energy sectors including Wind Power, Nuclear and other renewable sources.
	Equipment Availability Issues	COVID-19 induced production slow-downs combined with imported parts shortages are causing long lead times for new equipment.	The Rental and Used equipment markets are expected to experience significant increases in 2021. Customers that are not able to secure new equipment within the time required are likely to turn to rental products or used equipment sources.
	Raw Material Price Increases	The cost of many raw materials used in construction have increased considerably over the past year. This, combined with a reduction in total projects causing an increase in competition for each project has resulted in profitability reductions for contractors.	As equipment manufacturers become more motivated to sell new equipment, and contractors become more price sensitive, expect to see an increase in manufacturer discounts and financing subsidization. This will be a welcomed response according to dealers who report reduced profit margins due to the current market challenges.

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How Can We Help?

Ducker has a global team that is dedicated to the Heavy Equipment industry. This team has a long and consistent history of work within the industry. This has allowed for the development of a solid network of heavy equipment end users and dealers who are engaged and willing to provide feedback on industry trends and product perceptions. Ducker is a custom research provider with the capability of providing a wide variety of information to heavy equipment industry participants.



Market Intelligence and Strategy

- Market prioritization
- Market opportunity assessment
- Growth forecasts and predictive analytics
- Scenario planning
- Custom market/industry monitoring
- Channel assessment
- Product development
- Key success factors to win in the most attractive markets and segments
- Pricing analytics



Customer Insights and Experience

- Voice of customer analysis
- Customer segmentation
- Customer personas
- Customer journey mapping
- Customer buying process
- New product evaluations
- Brand equity assessment
- Customer satisfaction measurement and tracking
- Market messaging and communications
- Price sensitivity



Competitive Benchmarking and Positioning

- Competitive landscape analysis
- Competency and capability benchmarking
- Sales, pricing and GTM analysis
- Competitive positioning and share analysis
- Competitive structure and value propositions
- Competitive performance measurement and tracking



Online Communities and Knowledge Management

- Continuous connectivity with customers and influencers using technology platform to moderate interactive events and deliver deep insights
- Increased access in real time to influencers, customers and industry participants
- Accelerated NPD and time to market
- Increased customer loyalty
- Reinforced market leader position

Primary Research Capabilities with Proprietary Data

Research Sciences, Technology and Advanced Analytics

Time-tested solution frameworks and Historic Industry Benchmarks

In these uncertain times, information is the most effective weapon in the battle for market growth. Our clients are finding that insight regarding customer needs and competitor reactions are most critical in the current environment.

- Customer journey mapping to help you understand how customers' decision process and experience with your product has changed
- Competitive assessments can help you to determine competitive pricing adjustments, changes to strategy or sales initiatives that have the potential to impact market share
- Product or service improvements or line extensions that could provide a competitive edge in today's market



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