



HEAVY CONSTRUCTION EQUIPMENT MARKET

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AGENDA

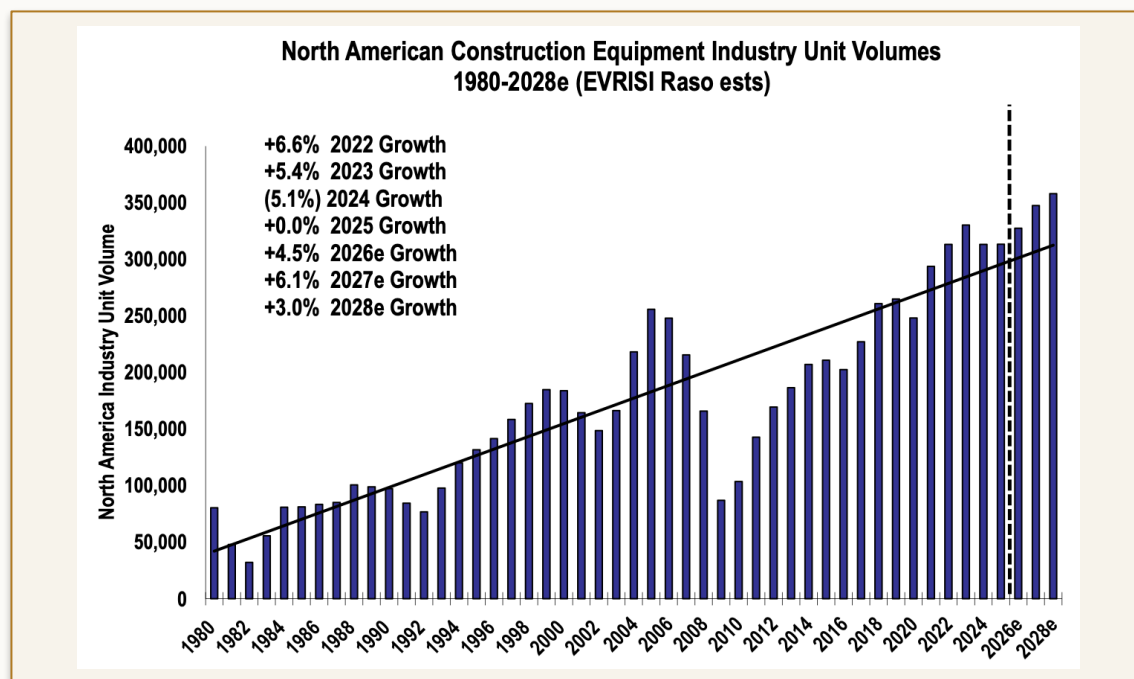
Heavy construction equipment market: five questions

- 01** State of the construction equipment industry
- 02** Leasing and rental
- 03** Equipment values
- 04** Market share
- 05** Outlook: 2026 to 2030, the demand stack



STATE OF THE INDUSTRY

THE SUPER-CYCLE



Source: Evercore ISI Research, North American construction equipment unit volumes, July 2026 estimates.

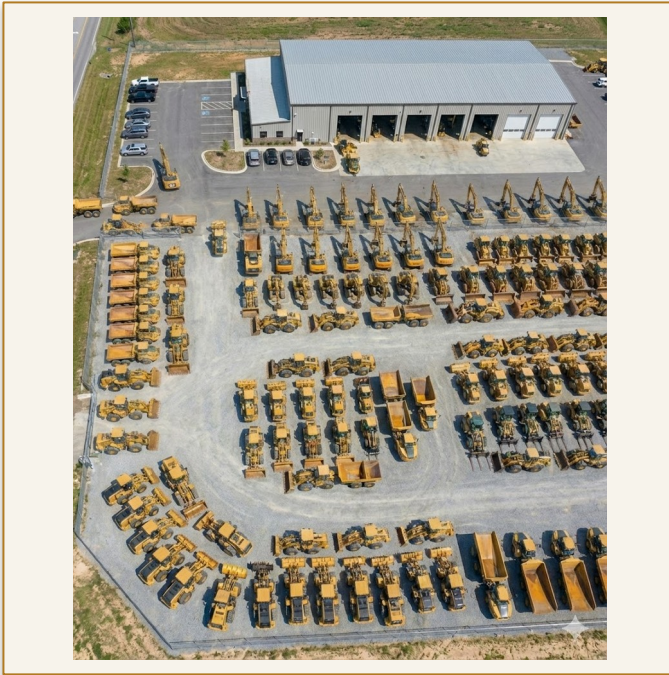
We are living through a major super-cycle

Unlike 1991, 2001, and 2008, the cycle running since 2011 has absorbed every shock without breaking.

- **2016 energy dip:** an oil and mining recession. It slowed growth and never reached construction fundamentals.
- **2020 pandemic:** a supply shock disguised as a recession. Scarcity pushed values up, then stimulus turned the dip into a sharp recovery.
- **2025:** the January estimate was (7.2%). Units came in flat. The same survey now reads +4.5% for 2026 and +6.1% for 2027.

The reset most residual curves were built on has not happened. 2025 came in flat and 2026 is growing.

2024-2025: THE BIG SQUEEZE



Margin compression

Profitless prosperity: volume is masking the margin collapse.

- **Inventory flood:** post COVID supply chains snapped back and OEMs channel stuffed dealers with record inventory just as interest rates tripled.
- **Financialization:** private equity entered the dealer network in 2014 and 2015 and loaded it with leverage.
- **Liquidation pressure:** top line revenue stays high while floor plan cost and margin erosion start to break weaker dealers and OEM networks.

Profitless prosperity is the dealer side of the story. The retail demand behind it is still there.

LEASING AND RENTAL

RENTAL RATES AND PRICE INCREASES

Rental indexed rates (2019 = 100)

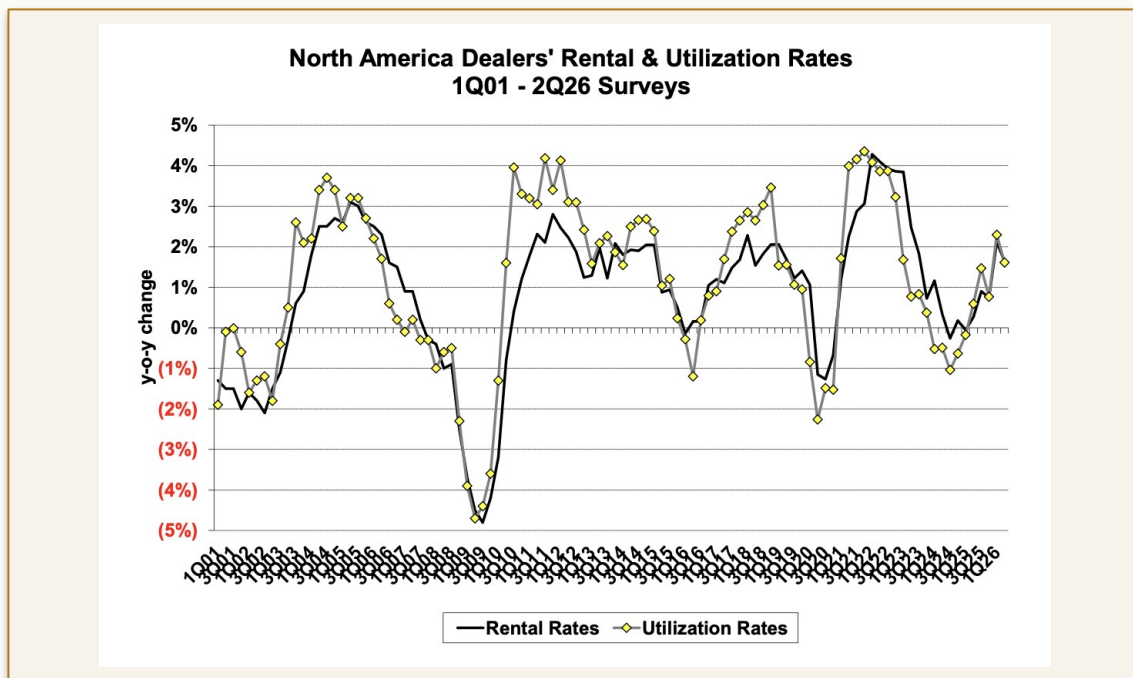
Year	Indexed to 2019			YoY change		
	ADTs	Exc	WLs	ADTs	Exc	WLs
2019	0%	0%	0%			
2020	3%	2%	3%	3%	2%	3%
2021	1%	0%	1%	(2%)	(3%)	(2%)
2022	6%	3%	3%	5%	4%	2%
2023	16%	11%	12%	9%	7%	8%
2024	24%	15%	17%	6%	4%	4%
2025	21%	14%	18%	(2%)	(1%)	2%



Foreign manufactured machines are up roughly 50% since 2019. Locally manufactured machines are up about 33%, and flat since January 2024. Multiple price actions stacked on top of each other in a flat market.

Costs are rising at a faster pace than rental rates.

RENTAL RATES AND UTILIZATION



Source: Evercore ISI Research, North America dealer rental and utilization surveys, 1Q01 to 2Q26.

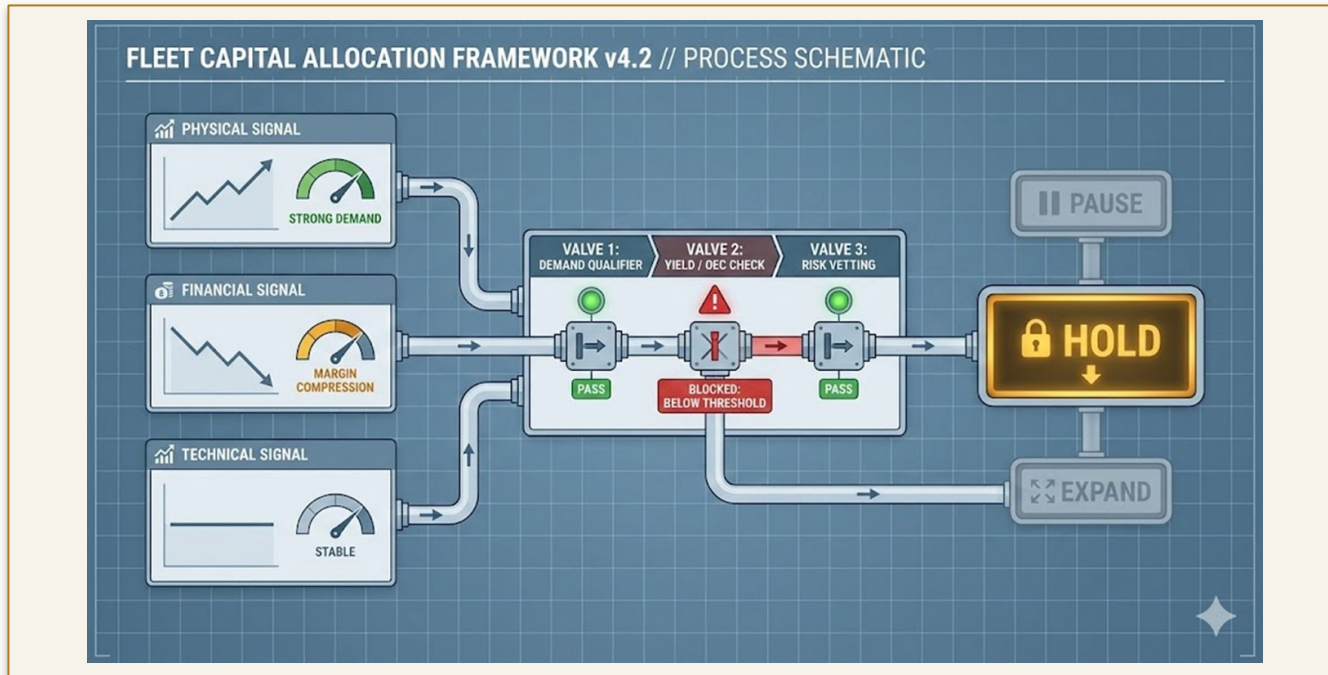
Rental rates and utilization turned positive in 1H 2026

The 2024 to 2025 dip ran about (1%) year over year. It was shallow and it is behind us as of 2Q26.

- Dealer survey rental rates are up about 1% year over year across construction classes.
- Utilization turned up in the same half, so the rate gain is coming off fleets that are working more hours.
- Costs still run ahead of rates (previous slide), but rates turned up in 1H 2026.

Rental rates turned up about 1% and utilization turned up with them. Fleets are working, and rates are starting to move in the same direction as replacement cost.

RENTAL GROWTH DISCIPLINE



Growth at any cost is over

Discipline is the new survival metric.

- Demand alone no longer justifies a fleet add.
- Yield and original equipment cost get checked before the order goes in.
- Holding a unit is a decision with a monthly cost.

Fleet discipline is why rates and utilization are moving together in 2026.

EQUIPMENT VALUES

WHAT CUSTOMERS ACTUALLY VALUE IN THE PRODUCT

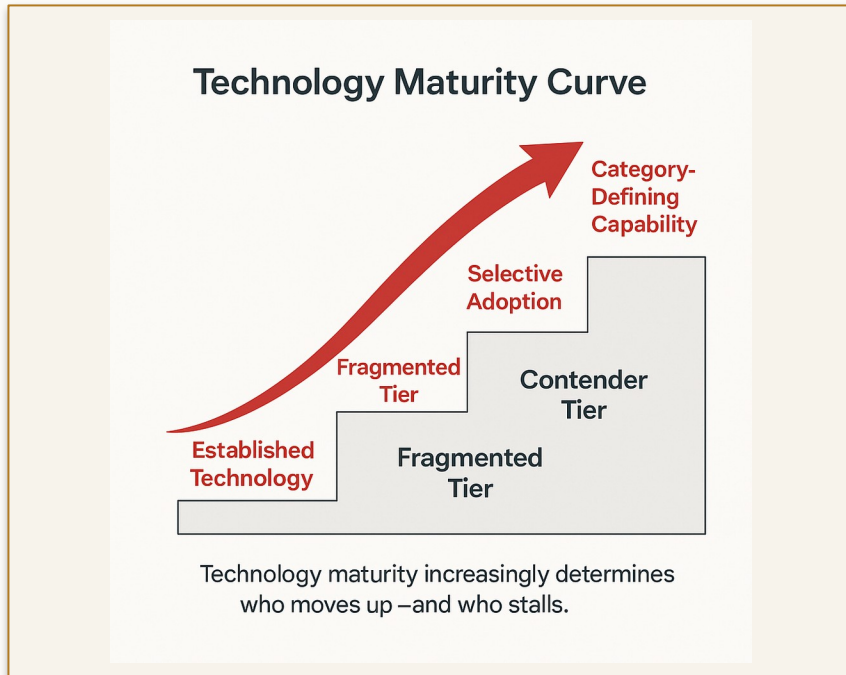
What the customer is paying for

- Jobsite productivity and uptime
- Technology that reduces labor dependency and increases efficiency
- Integration with customer workflows

Baseline expectation	Competitive benchmark	Emerging customer demand
Jobsite productivity (advancing)	Semi autonomous (available)	Fully autonomous (limited)
Technology that reduces labor dependency (advancing)	Integrations with customer workflows (available)	Jobsite planning, scheduled fleet need, rental integration (limited)
3D machine control integration (advancing)	Drone offerings (available)	Digital twin of jobsite (limited)
Machine uptime	Remote design assistance (available)	Jobsite design (advancing)
Reliability at scale	Customer dashboards (available)	Real time field insights (advancing)

Technology is now a serious driver of the depreciation curve.

TECHNOLOGY POSITIONING IN THE MARKET



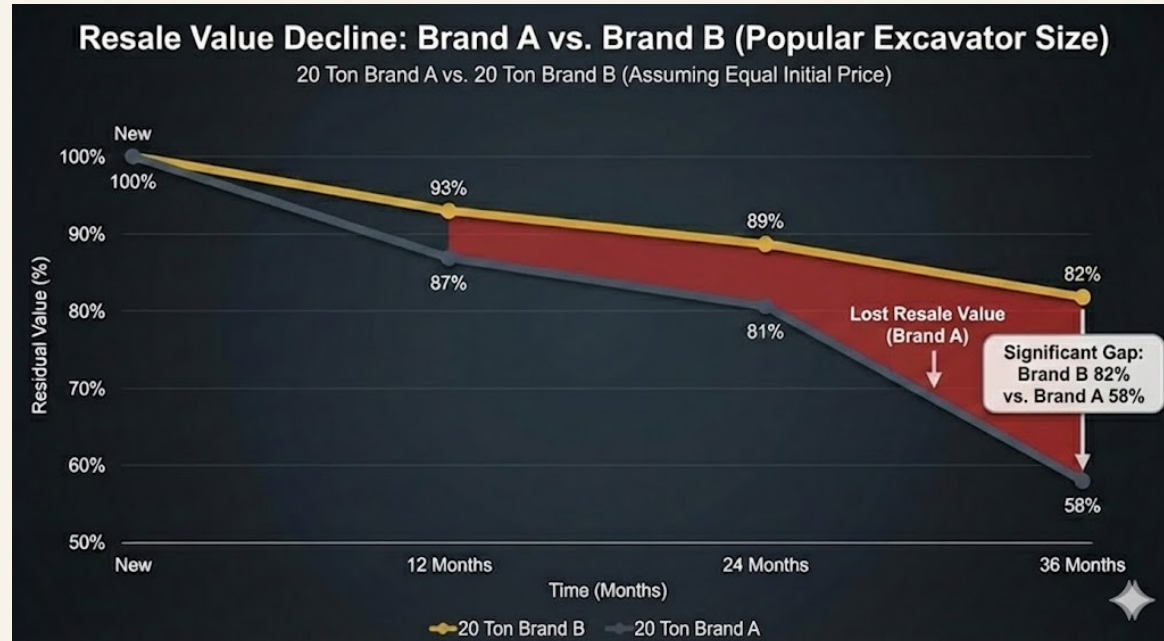
Technology leadership defines competitive separation

Technology maturity increasingly determines who moves up and who stalls.

- Autonomous and semi autonomous operations
- 3D integrated machine control
- Telematics driven optimization
- Jobsite design

Two machines of the same year, hours, and size can be different assets. The appraisal must know which one it is valuing.

RESALE VALUE DRIVES TOTAL COST OF OWNERSHIP



Resale reality: the silent killer of total cost of ownership

Two 20 ton excavators, same price new. At 36 months one is worth 82% and the other 58%.

- Resale value materially affects ownership economics.
- Differences compound after year two.
- It drives the purchase, rental, and trade decision.

At 36 months, 24 points of residual separate two machines that cost the same new. Brand and distribution strength are value drivers, and they compound after year two.

MARKET SHARE

WHAT CUSTOMERS ARE BUYING

Brand	2019	2020	2021	2022	2023	2024	2025	Rank
Cat	35.7%	30.7%	30.8%	28.2%	26.5%	25.5%	30.9%	1
Komatsu	17.5%	18.6%	19.5%	21.2%	21.2%	22.6%	24.0%	2
Deere	16.3%	17.8%	18.5%	18.4%	19.5%	20.1%	17.1%	3
Volvo	15.9%	15.8%	14.5%	14.6%	14.3%	12.9%	9.9%	4
Hyundai	4.4%	5.2%	5.1%	4.7%	5.0%	5.6%	6.2%	5
Hitachi	3.7%	4.6%	2.8%	2.5%	4.7%	4.5%	5.1%	6
Sany	2.3%	2.6%	3.9%	3.2%	3.9%	3.9%	2.8%	7
Case	0.8%	1.2%	1.8%	3.7%	1.4%	1.7%	0.9%	8

Southeast UCC1 market share by brand, 2019 to 2025.

- **Cat** is trying to regain the share it lost during the pandemic.
- **Komatsu** is trying to extend the gains it made since the pandemic.
- **Deere and Volvo** are trying to keep profitability.
- **Hyundai, Hitachi, and Sany** are trying to hold the share they gained during the pandemic.

Divergent OEM strategies are destabilizing future residual values.

WHAT THIS MEANS TO THE MARKET



The hold and hope dealer model is officially broken

Higher relative pricing lowers conversion. Lower conversion protects margin and gives up share. A dealer paying floor plan interest cannot sit on iron and wait.

- Higher relative pricing reduces customer orders.
- Lower customer orders may preserve short-term margin.
- Dealer behavior adjusts on months on hand.

Months on hand now drive dealer behavior, and dealer behavior decides how much used iron gets listed.

OUTLOOK: 2026 TO 2030

THE BUILD OUT IN NUMBERS

Public numbers as of September 2026. Sources: company filings and earnings calls, US Census Bureau, Sandhills Global.

\$725B

Hyperscaler capex, 2026

Up about 77% from roughly \$410B in 2025. Street estimates for 2027 sit near \$1T and were raised mid year.

\$75B

Data center construction, annual pace

Census private data center spending, July 2026, against about \$40B for all of 2025. Q1 2026 was the strongest quarter on record.

116 GW

Gas turbine backlog, one OEM

GE Vernova, Q2 2026, target 125 GW by year end. Heavy frames ordered today ship in 2031. Combined cycle lead times went from 3.5 years to 5 to 7.

+27%

Cat North America retail, Q2

Construction Industries +35% on rental fleets and nonresidential work. The Q4 dealer drawdown is production allocation; read demand off retail.

Record

Rental time utilization

United Rentals raised 2026 guidance, fleet capex to \$4.85 to 5.25B, and says OEM supply is the cap on fleet adds.

(10%)

Used heavy construction inventory, YoY

Sandhills, August 2026. Auction values +4.7% YoY; asking to auction spread 37%. Used iron supply is tightening.

None of this is a forecast. It is orders, backlog, and committed production.

THE DEMAND STACK: 2026 TO 2030

01

DATA CENTERS, 2026 TO 2029

Starts crest in 2027 or 2028. These are multi year campuses, and the dirt work comes in phases with the vertical, so equipment demand runs past the crest in starts. Contested Southeast projects are clearing now and the back half of 2026 is loading. Power and permitting set the timing; about a third of 2026 openings may slip.

STARTS CREST IN 2027 OR 2028, DIRT RUNS THROUGH 2029

Evercore ISI: +4.5% 2026e, +6.1% 2027e, +3.0% 2028e. Power and permitting delay projects about nine months, then they clear.

02

POWER, 2027 ONWARD

Gas turbines, substations, transmission, and pipelines are the 2027 to 2029 dirt: heavy frame turbine slots ordered today ship in 2031, and every megawatt needs a pad, a line, and a right of way. Nuclear comes behind it: ten AP1000s at five sites are financed to start construction by 2030.

GAS AND GRID FIRST, NUCLEAR BEHIND

When the nuclear build out lands, energy and mining take off with it. Nuclear sites run the heaviest classes for years.

03

MINING AND AGGREGATES, 2028 ONWARD

Every megawatt and every slab needs stone, copper, and steel. Quarry and mine fleets follow the power wave.

WHERE THE VALUE UPSIDE SITS

ADTs, large excavators, dozers, and wheel loaders carry this stack, and they are the classes you are valuing.

Every clearing event since 2011 has been outrun by the next wave. The 2030 risks are real: debt maturities, stimulus roll off, demographics. Watch them through 2028 to see if the build out is extending.

THE NEXT 12 TO 24 MONTHS

What I expect to see, in order, and what it does to values.

Q4 2026

THE CHOPPY QUARTER

Cat guided a \$1B+ dealer inventory drawdown. That is production allocation: dealers already took everything Cat could build, and I am guessing Cat pushed construction iron early because engine and power gen deliveries come first. Retail stays firm. Fed at a coin flip on a hike, 10 year near 4.8%.

WHAT IT DOES TO VALUES

Read demand off retail, rental utilization, and used inventory. OEM quarterly shape is allocation. Used values flat to slightly soft while rates stay up.

1H 2027

CONTESTED PROJECTS CLEAR

Southeast data center campuses that spent 2025 and 2026 in hearings move to phase one and phase two dirt. Dealer used and rental inventory keeps shrinking as jobs pull iron. Gas turbine, substation, and pipeline site work starts.

WHAT IT DOES TO VALUES

Late model ADTs, 30 to 50 ton excavators, and dozers firm first. The 37% asking to auction spread starts closing from the auction side.

2H 2027 to 2028

THE CREST IN STARTS

Data center starts peak nationally; phased builds keep the dirt running past it. Power and grid work is the second wave. Evercore has 2027 at +6.1% and 2028 still positive at +3.0%.

WHAT IT DOES TO VALUES

Residual curves built on a 2024 to 2025 clearing event are wrong by then. I am making the bet that the residuals raised in 2026 are the ones that hold up in 2028.

Late model ADTs, 30 to 50 ton excavators, and dozers firm first, starting in the first half of 2027. Housing is left out on purpose; when rates fall it is additional upside.

WHAT TO WATCH

The disruptions that move equipment values, by category, and the signal I would track for each.

TECHNOLOGY	Machine control, telematics, and autonomy now separate residuals inside the same size class. OEMs have sold aggregated machine utilization data to financial markets for years; the appraisal still values the machine on year and hours.	Signal: which brands/models the large fleets standardize on for 3D and telematics, and whether the serial number's utilization history is part of the appraisal.
REGULATORY	Opposition is organized: about \$130B of projects blocked or delayed in Q1 2026, 833 groups, 49 states, 14 states weighing moratoria, PJM power +76% YoY. Power and permitting set the timing. Projects run about nine months of protest, then clear on concessions.	Signal: moratorium votes and interconnection approvals across the Southeast. A delay pushes the dirt out about nine months and the project still gets built.
ECONOMIC	High rates hold back housing and slow new fleet purchases, and used values still rose 4.7% YoY. Unit volume held flat through a (7.2%) forecast in 2025.	Signal: the 10 year yield next to rental time utilization. Record utilization with the 10 year at 4.8% means the work is there at today's cost of money.
FINANCING	OEMs discount through subsidized rate programs the market never sees. A 0% for 60 month program moves the deal and never touches list or auction value, so residuals hold while transaction prices quietly fall through programming/bundling.	Signal: OEM rate subsidy programs and dealer floor plan cost. Both lower what a machine really sold for while the appraised value stays put.
INDUSTRY	Price stacking since 2019 (+33% domestic, +50% foreign made), divergent OEM share strategies, PE owned dealer networks under floor plan stress, and Hyundai, Hitachi, and Sany holding pandemic share.	Signal: dealer consolidation and forced fleet sales. The next block of used iron comes from a dealer breaking, and it lands in a market that is short of iron.

Each of these can move residual value, and each shows up in the signal before it shows up in the sales data.

WHAT THIS MEANS FOR THE VALUES YOU SET

Residual assumptions are lagging the market

- **Most curves assume a 2024 to 2025 clearing.** Unit volume held flat in 2025 against a (7.2%) forecast and Evercore has it growing +4.5% in 2026 and +6.1% in 2027. A curve built on that clearing is already behind.
- **Replacement cost is up 33% to 50% since 2019,** used inventory is down 10% year over year, and rental utilization is at record levels. Used values follow replacement cost with a lag, and the curves have not caught up.
- **Three waves of demand are stacked:** data centers built in multi year phases, then gas and grid, then nuclear and mining. That stack carries the earthmoving classes through 2029.
- **What would make this wrong:** a cut to hyperscaler capex guidance would stop this wave, and every revision so far has gone up. Power and permitting push the dirt out about nine months; the ones I have watched cleared on concessions. Housing is upside I am not counting.
- **What would strengthen the case:** Anthropic's public financials. When they are out, the margin and cost at every layer of the AI stack will be visible for the first time.

In my view residuals on earthmoving classes are set too low for 2026, and the demand supports raising them.