
PACCAR

Disclosure Regarding Forward-Looking Statements

This presentation may contain statements that are forward looking. These statements are based on current expectations and assumptions that are subject to risks and uncertainties, which may cause actual results to differ materially. A summary of risks and uncertainties is described in more detail in our periodic reports filed with the Securities and Exchange Commission (SEC).

We undertake no duty to update or revise this presentation, whether as a result of new information, future events or otherwise. For the most recent financial, risk and other information about PACCAR, please see our SEC filings and most recent earnings release available on the Investor Relations page of www.paccar.com.

PACCAR

A Global Technology Company in Commercial Vehicles

2019 Revenues \$25.6B

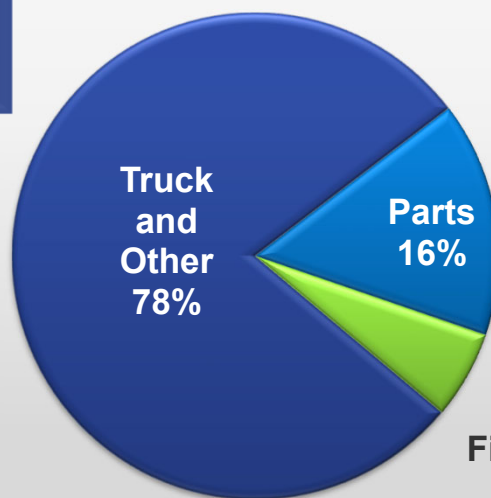
2019 Net Income \$2.39B

2019 Dividend Yield 5.1%

81 Years of Consecutive Profitability; Dividend Paid Every Year Since 1941

Truck and Other \$20.09B Revenues

Premium Quality Light, Medium and Heavy Commercial Vehicles, Diesel Engines and Powertrain Components



Financial
Svcs
6%

Aftermarket Parts \$4.02B Revenues

Distribute Aftermarket Parts through Global Network of over 2,200 Dealerships



Financial Services \$1.48B Revenues

Finance and leasing portfolio of 208,000 trucks and trailers, with assets of \$16.1B



Our Culture

PACCAR is a company with a great culture and a bright future. Our focus is on doing things in an ethical and disciplined manner. We make decisions utilizing conservative financial principles and common sense for the long-term benefit of our customers, employees and shareholders.



PACCAR^{Inc}

PACCAR's business segments include Commercial Vehicles, Powertrain, Aftermarket Parts, Financial Services and Information Technology. PACCAR's premium brands Kenworth, Peterbilt and DAF are the premier light, medium and heavy duty commercial trucks in their markets. Other brands include PACCAR Powertrain, PACCAR Parts, PACCAR Financial, and PACCAR Leasing.



PACCAR MEXICO



LEYLAND TRUCKS

PACCAR POWERTRAIN

DYNACRAFT
A PACCAR COMPANY

PACCAR
INFORMATION
TECHNOLOGY

PACCAR
INNOVATION CENTER

PACCAR PARTS

PACCAR FINANCIAL

PACCAR WINCH DIVISION
BRADEN CARCO Gearmatic

 **PACCAR**
TECHNICAL CENTER



PACCAR Products

- PACCAR's product investments deliver industry-leading performance and value to our customers
- Our products reflect our core brand values of quality, innovation and technology

6-16t



Vocational



>16t



PACCAR POWERTRAIN



PACCAR AXLES

PACCAR TRANSMISSIONS

PACCAR ENGINES

The integrated PACCAR Powertrain is the most advanced powertrain in the market. The PACCAR MX-13 and MX-11 engines are optimally matched to the advanced PACCAR 12-Speed automated transmission and the efficient 40K tandem drive axle to achieve exceptional performance and fuel economy.

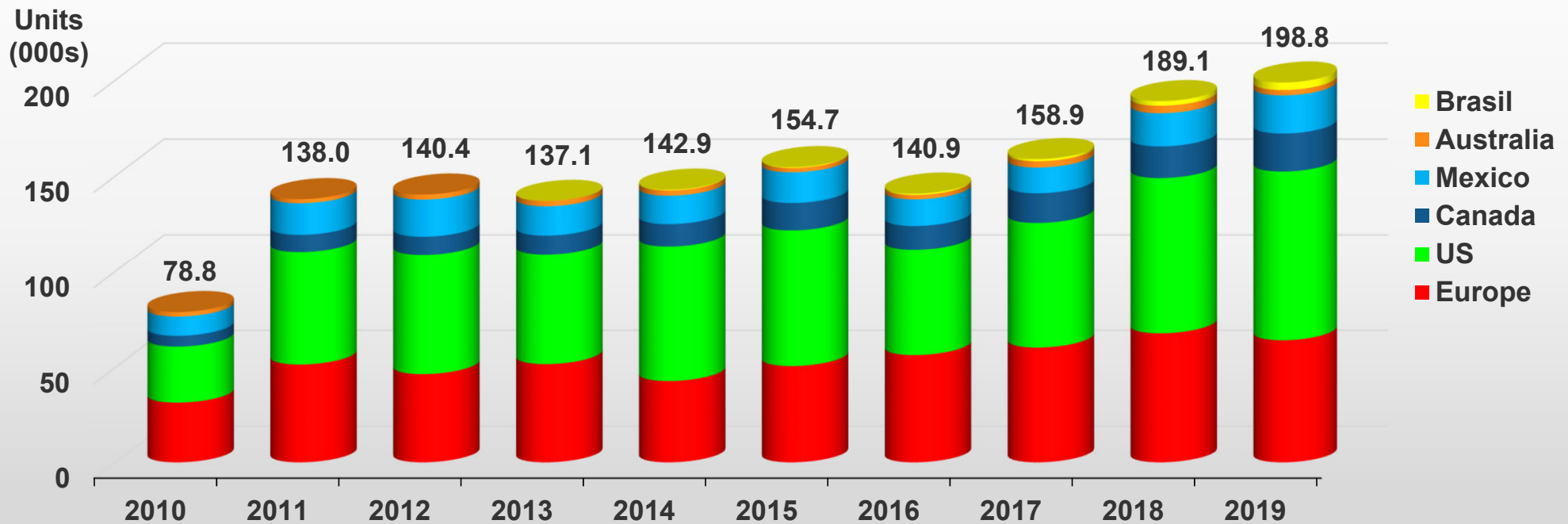
The PACCAR MX-13 engine offers 510 hp and 1,850 lb.-ft. of torque and the PACCAR MX-11 engine features 430 hp and 1,650 lb.-ft. of torque. PACCAR designs MX engines to an industry-leading B10 life of one million miles. This means 90% of PACCAR MX-13 and MX-11 engines are expected to reach one million miles without the need for a major overhaul.

In addition to the PACCAR tandem drive axle, Kenworth and Peterbilt offer the PACCAR steer axle. DAF trucks include a range of lightweight and durable PACCAR front and rear axles.

PACCAR Truck Production

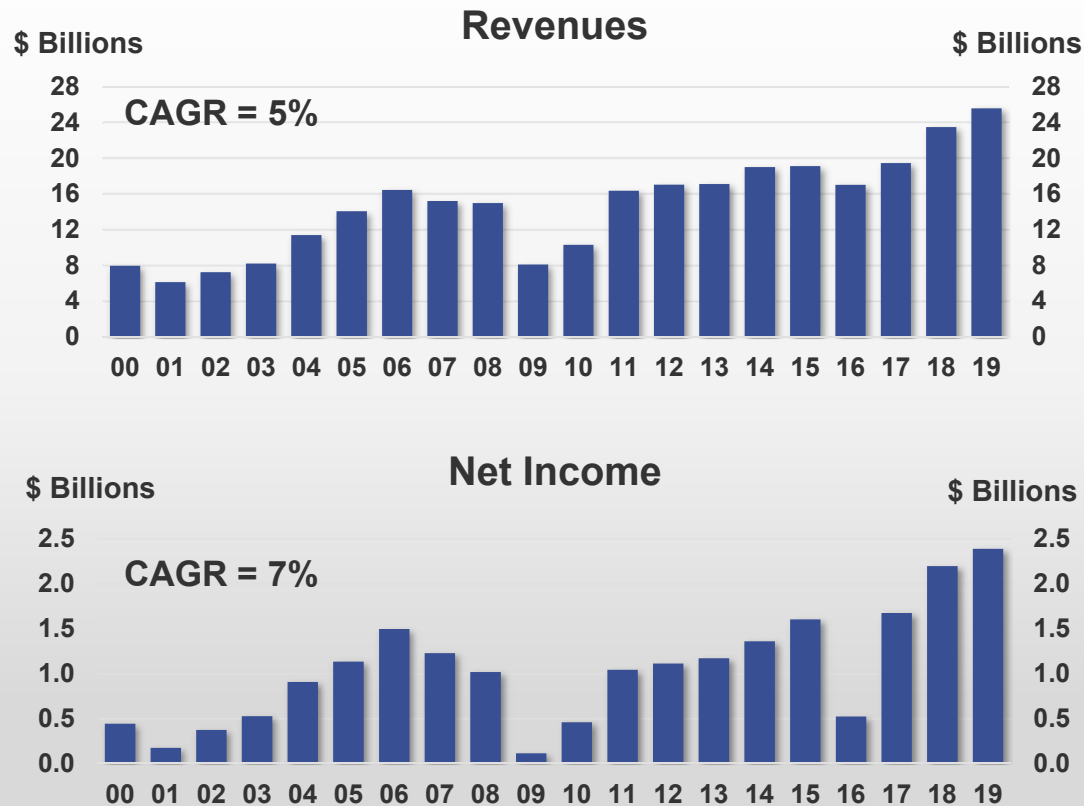
Over 1.4 Million Trucks Produced 2010 - 2019

PACCAR produced a record 198,800 trucks in 2019



PACCAR

Excellent Financial Performance Throughout the Business Cycle

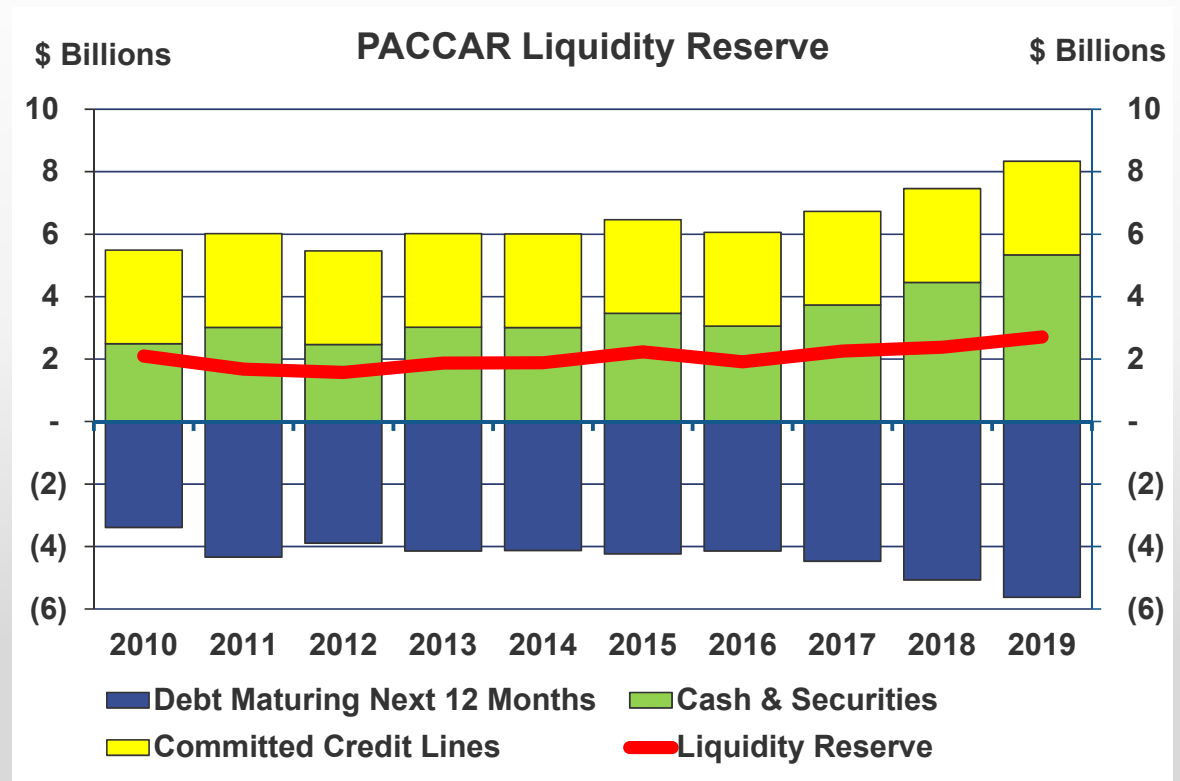


- Reputation for superior operational excellence
- Increase in revenues and net income reflect growth in market share in North America and Europe, record aftermarket parts sales and growth in financial services
- Maintain profitability throughout the cycle due to strong cost control discipline and experienced management team

Strong Liquidity

PACCAR maintains a strong liquidity position to manage through all phases of the business cycle

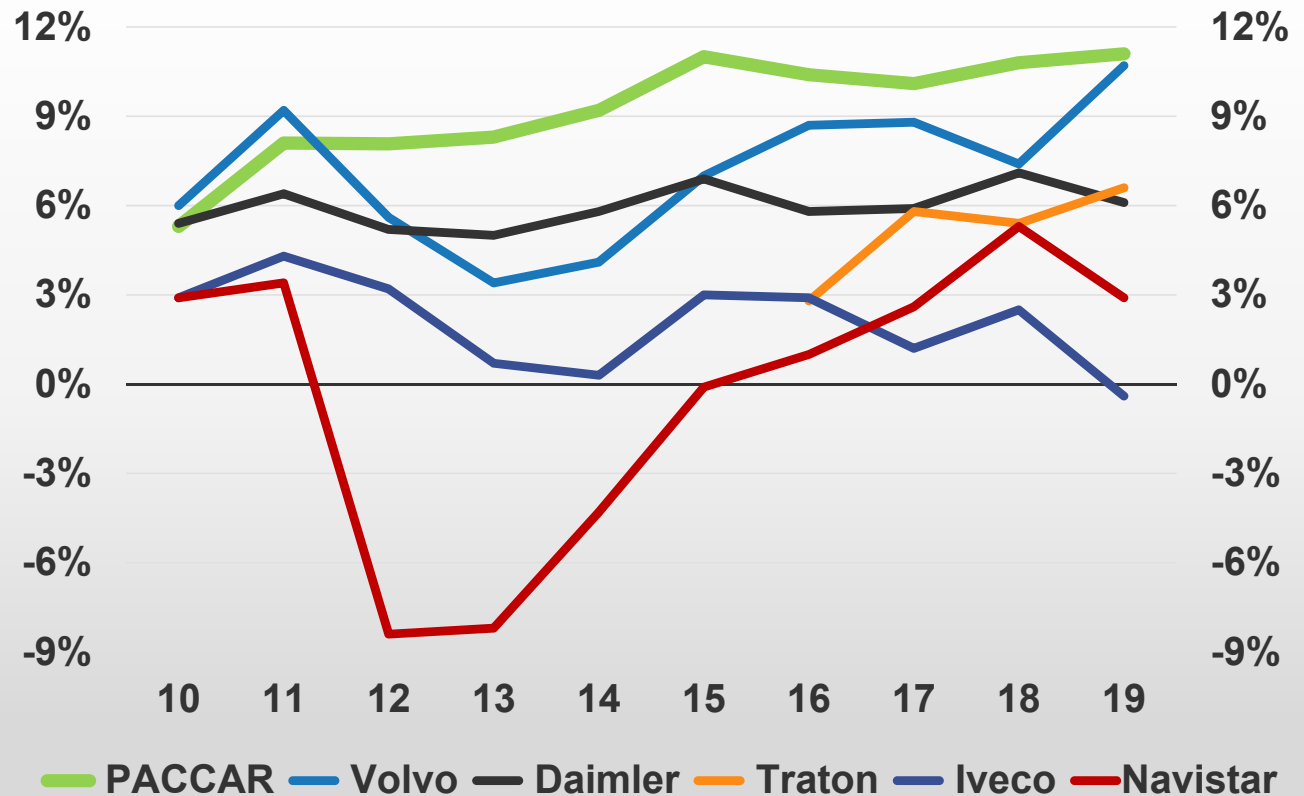
- Strong cash position: \$4.3 billion as of March 31, 2020
- No manufacturing debt
- Excellent liquidity reserve for Financial Services debt maturities
- S&P credit rating A+
- Finance Company:
 - High quality portfolio secured by truck collateral
 - Conservative debt to equity ratio of 3.5 as of March 31, 2020
 - Matched-term funding
 - Currency matched



Best-in-Class Operating Efficiency

Commercial Vehicle Segment Operating Margin

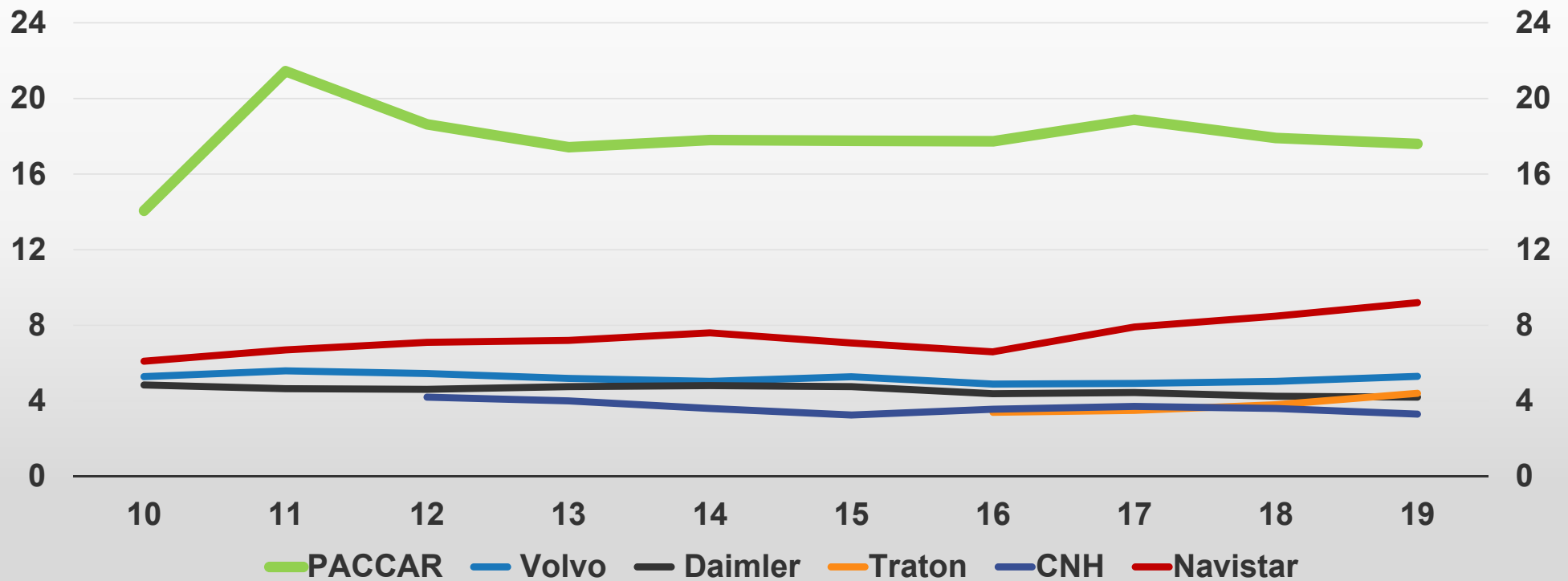
- PACCAR's operating margin has been at the top of the industry since 2012, reflecting the premium value of our products and our leadership in operating efficiency.
- This is a testament to the outstanding performance of PACCAR's employees.



Best-in-Class Operating Efficiency

Inventory Turns

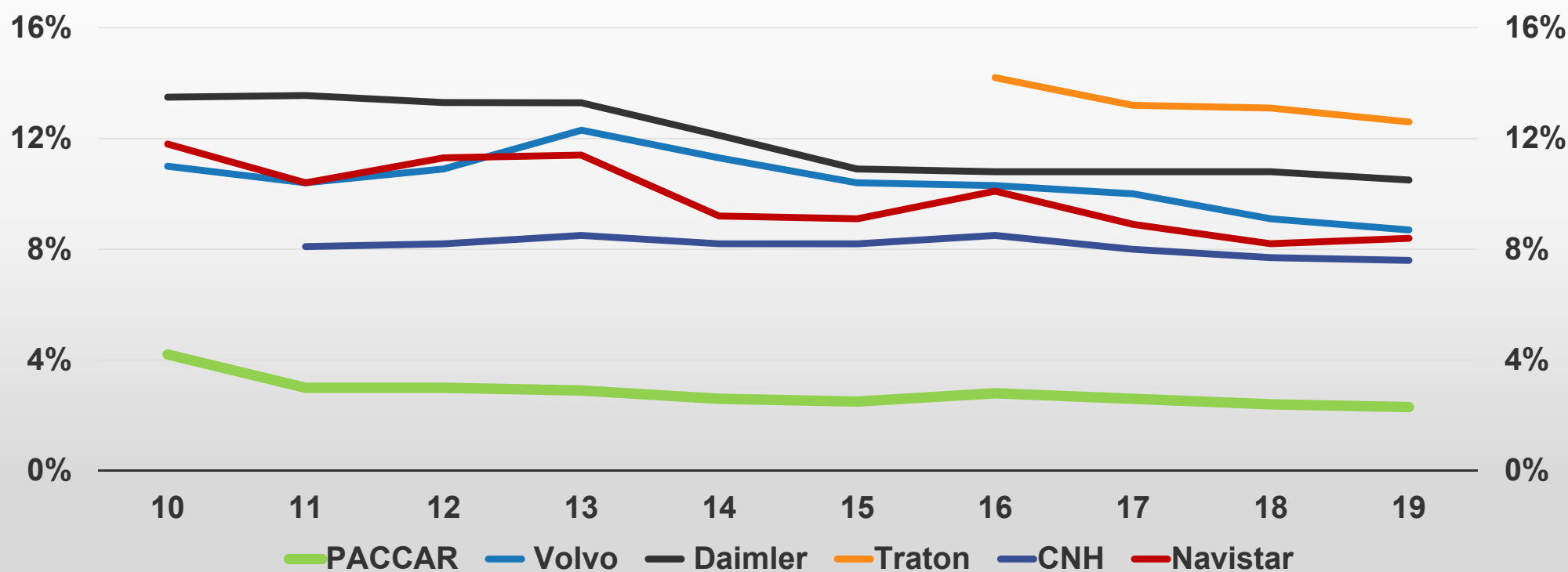
PACCAR's inventory turns are the highest in the industry, a result of the PACCAR Production System, Lean Manufacturing and Six Sigma



Best-in-Class Operating Efficiency

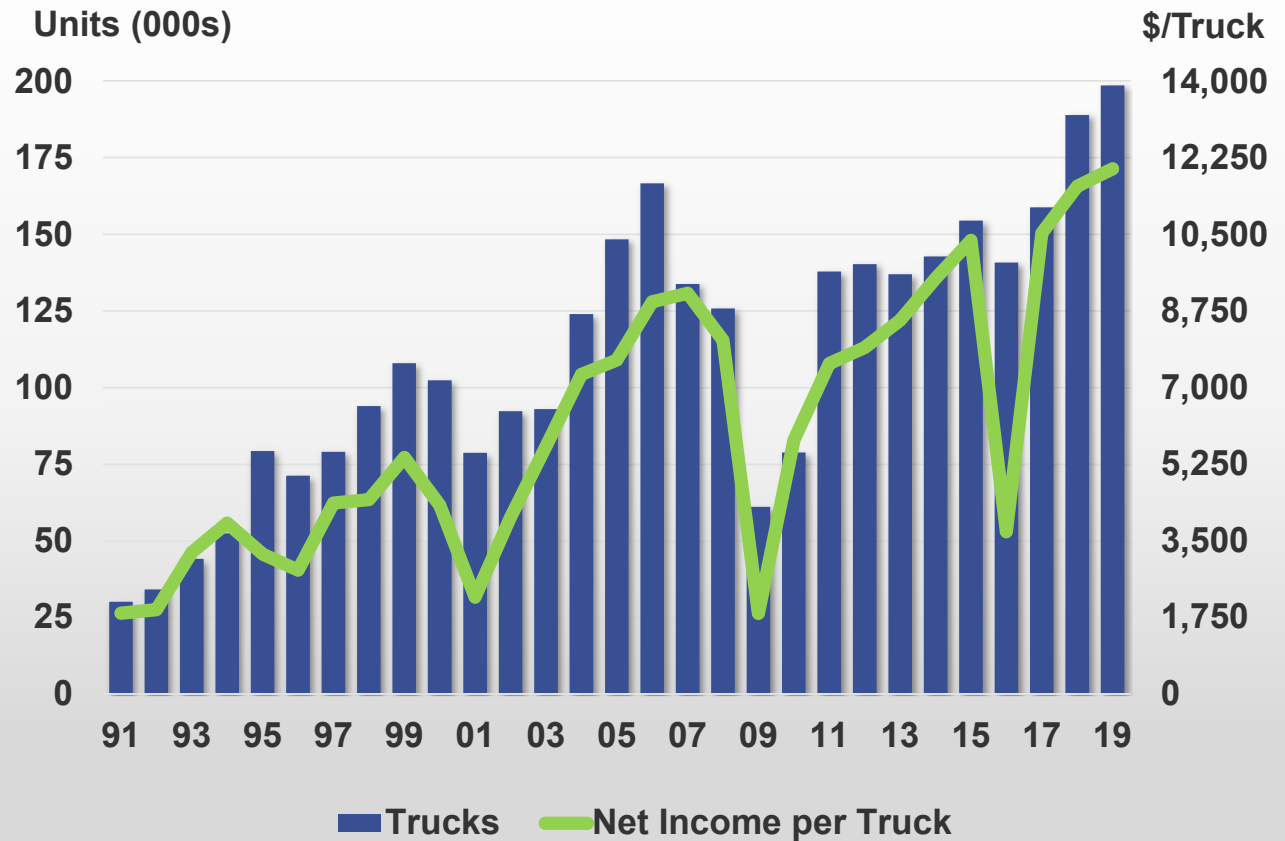
SG&A % of Sales

PACCAR's SG&A as a percentage of sales is much lower than its peer group, reflecting strong financial discipline



Net Income per Truck

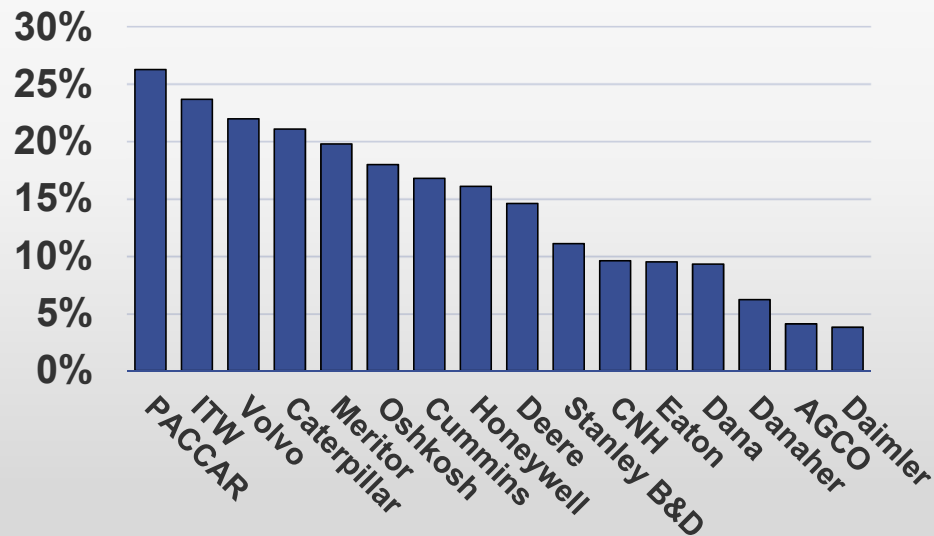
- Net income per truck is PACCAR's net income divided by total truck unit sales.
- Truck sales not only generate profit from the sale, but also parts and finance profit. This illustrates the strength of PACCAR's business model, providing the highest quality trucks, aftermarket support and financing.
- PACCAR achieved record net income per truck in 2019.



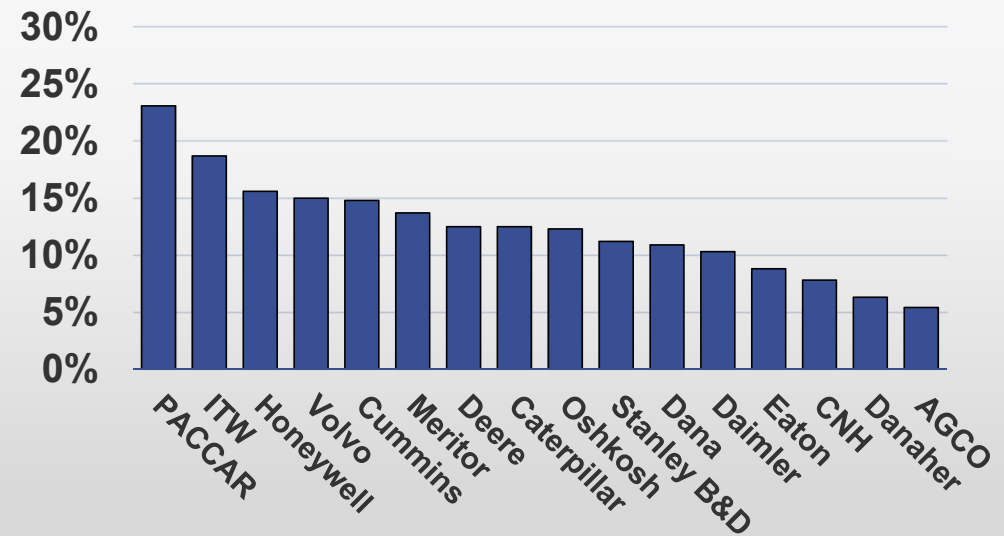
Best-in-Class Return on Invested Capital

PACCAR's high profitability, strong working capital management and prudent investments resulted in best in class return on invested capital of 26.3% in 2019, and an average of 23.1% over the last five years.

2019



Average 2015 - 2019



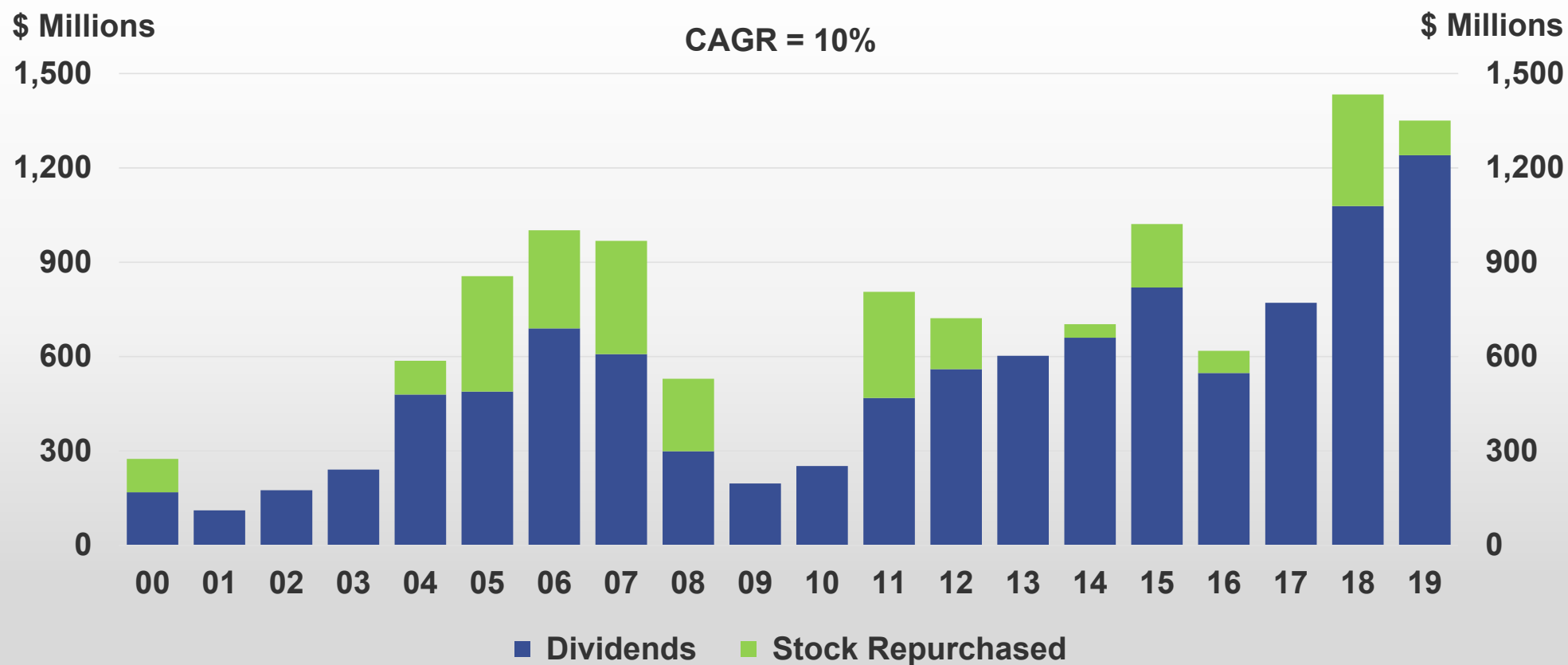
ROIC = NOPAT/(Equity + Manufacturing Debt + Postemployment Benefit Liabilities)

Capital Allocation Strategy



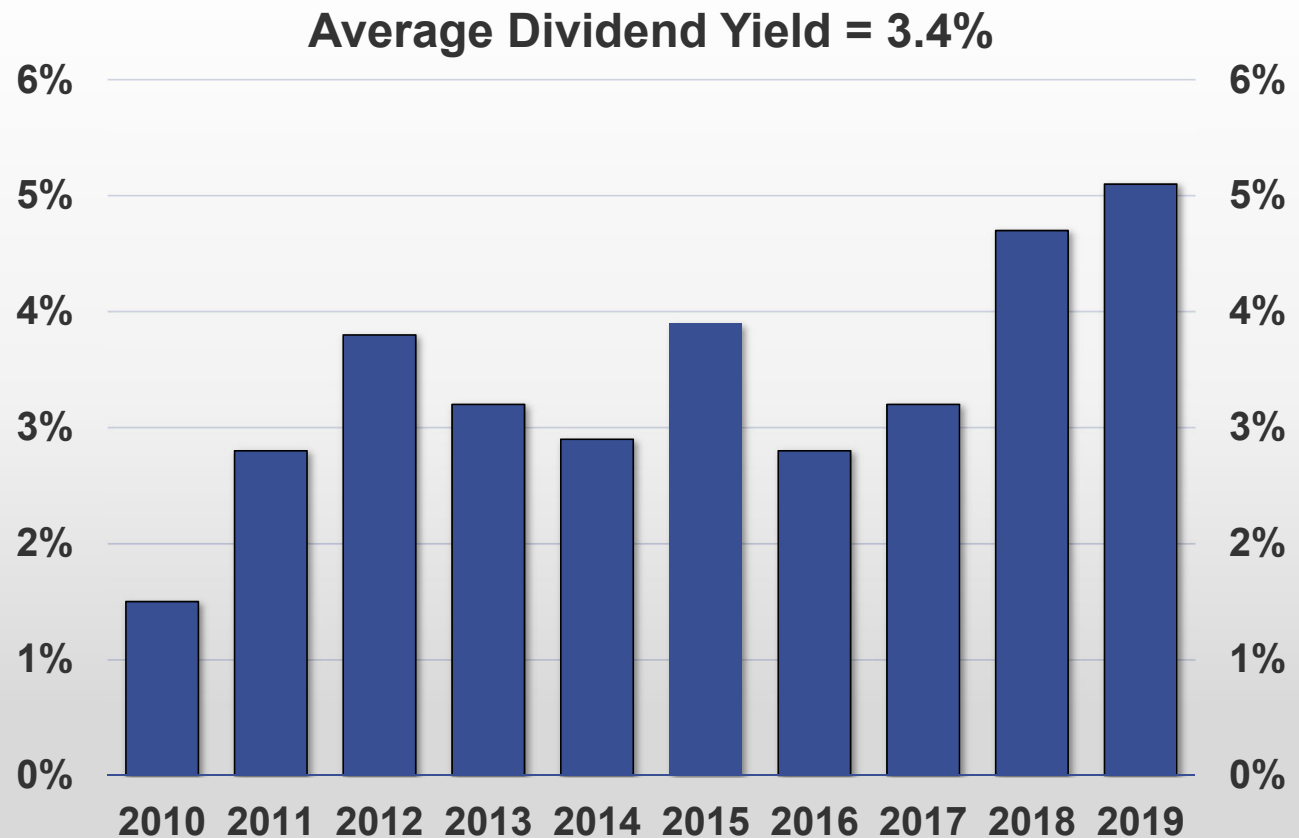
- High ROI Capital Investments
 - ROIC 26.3% 2019
- Pay Regular Quarterly and Annual Dividend
 - Dividend paid every year since 1941
 - Total dividends paid approximately 50% of net income for many years
 - Regular quarterly dividend 20-year annualized growth of 11%
 - Total 2019 dividends declared increased 16% (yoy)
- Share Buybacks
 - \$500 Million authorized; \$390 Million remaining as of 3/31/2020
- Strategic M&A
 - Disciplined valuation and screening process
 - Clear path to value creation
- No Unfunded Pension Obligation

Dividends Declared and Stock Repurchases



Excellent Dividend Yield

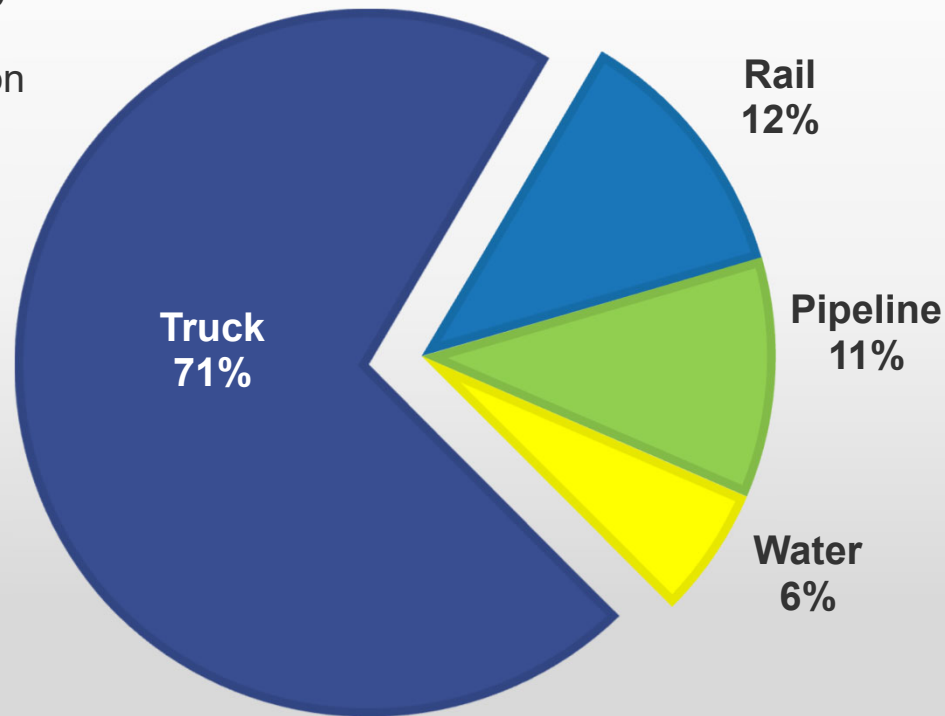
- PACCAR's dividend yield, reflects the total quarterly + special dividends declared in the year, divided by the average stock price for the year
- PACCAR's dividend yield has increased over the last 10 years, and averaged 3.4%



Trucking Moves the Economy

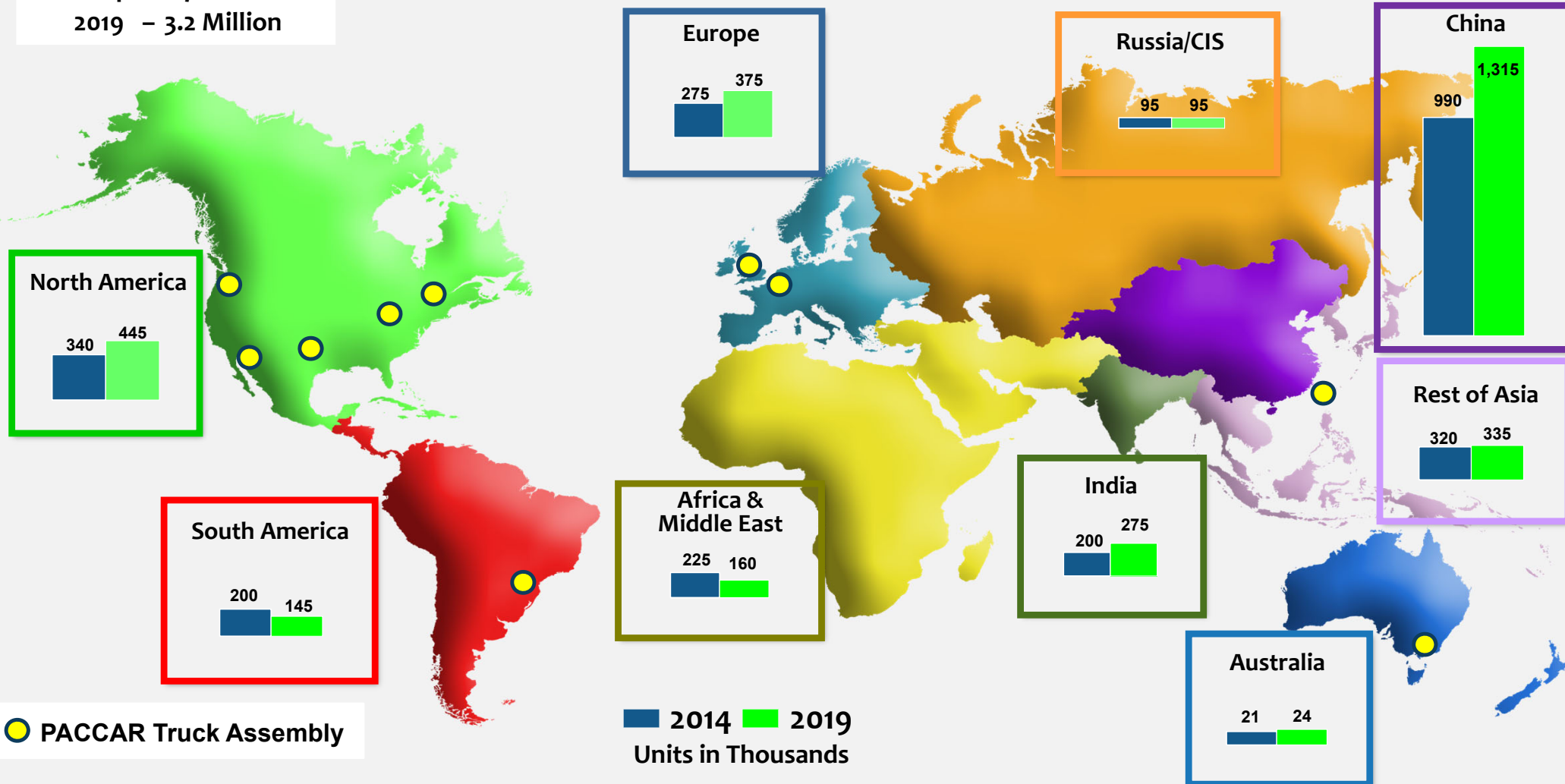
71% of U.S. Freight is Moved by Truck

Trucking is the lifeblood of the economy. In the U.S., the economy depends on trucks to deliver ten billion tons of virtually every commodity consumed - 71% of all the freight transported annually. 36 million commercial trucks, including 3.7 million heavy-duty trucks, move that freight. The percentage of tonnage by mode is stable over time.



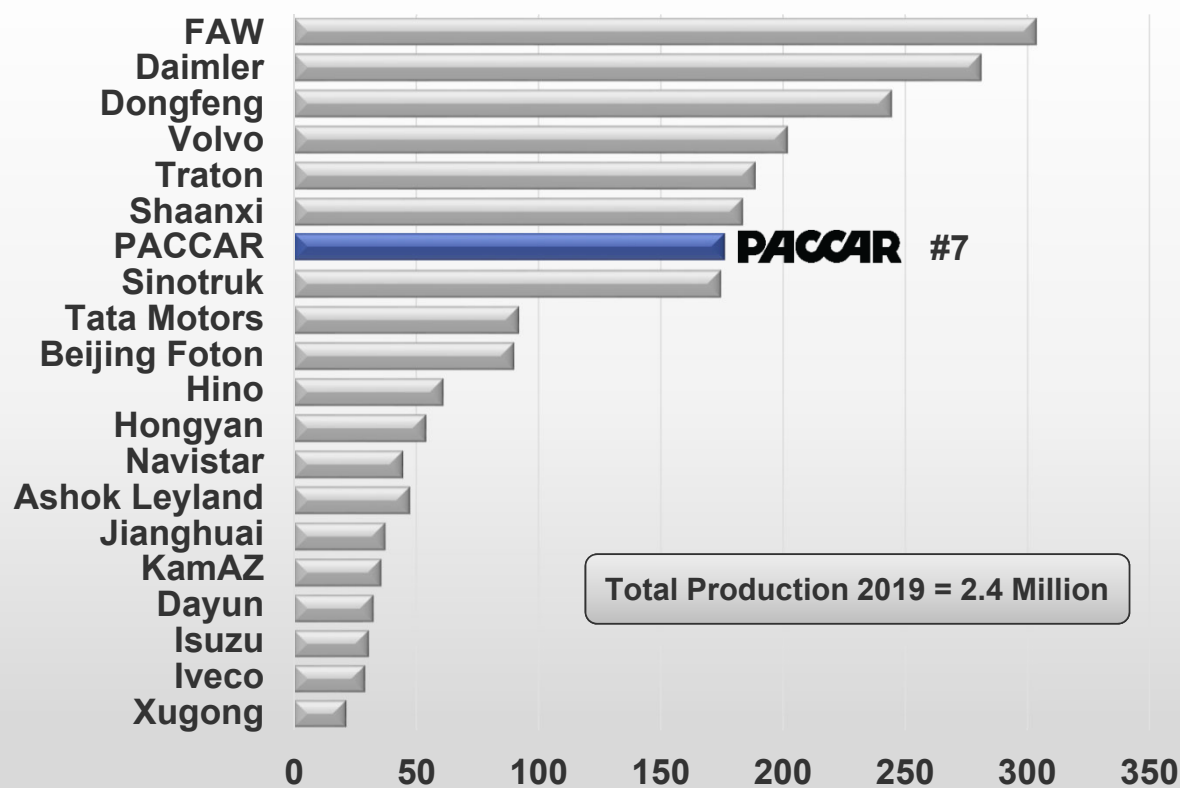
>6t Global Truck Market

>6t Truck Market
2014 – 2.7 Million
2019 – 3.2 Million

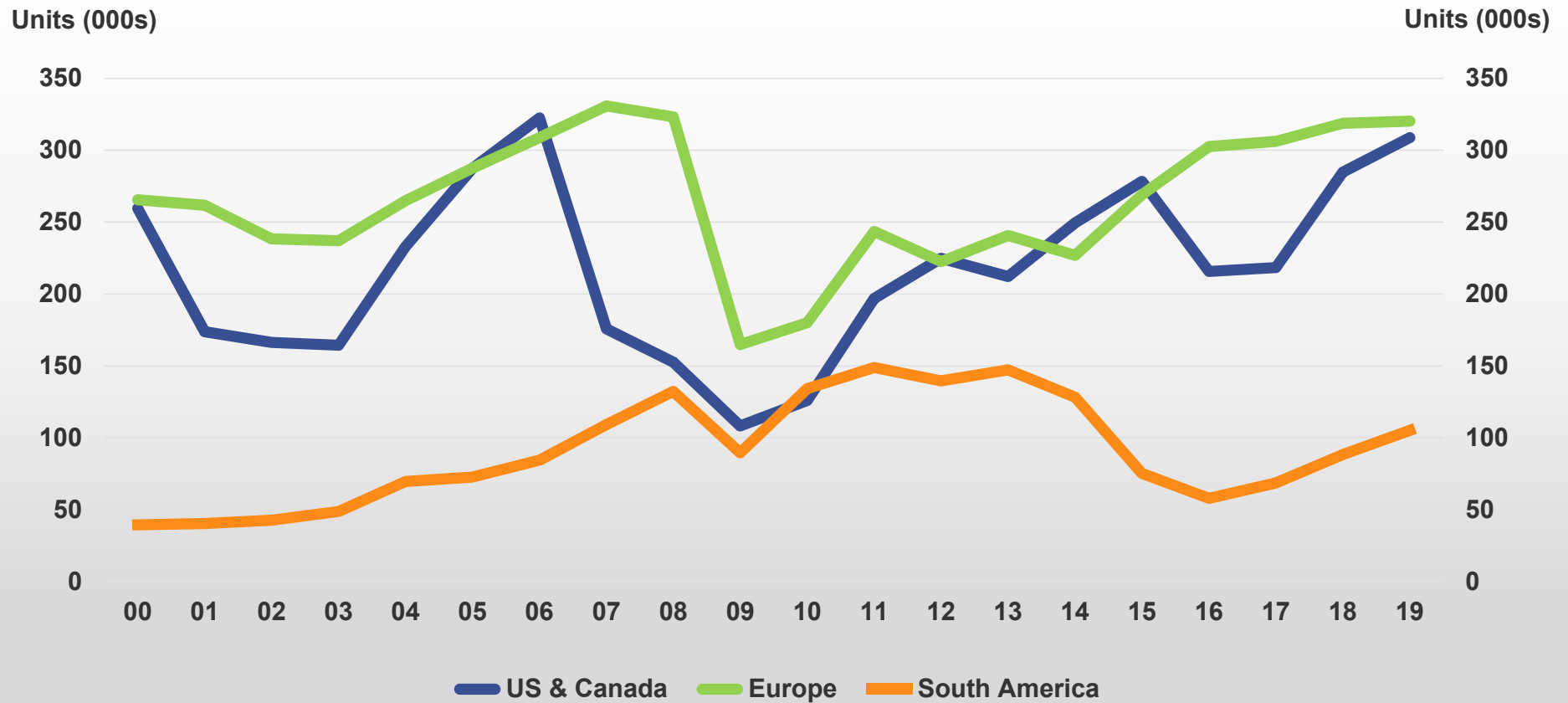


>16t Truck Manufacturing 2019 Estimated Production (Units 000s)

- PACCAR competes globally with truck manufacturers from North America, Europe and Asia
- PACCAR was the 7th largest heavy-duty manufacturer in the world last year, 4th among the multinational competitors.



>16t Truck Market Size



The PACCAR logo is displayed in a bold, dark gray, sans-serif typeface. The letters are closely spaced, and the 'C's are stylized with a slight curve. The logo is centered within a white rectangular box.

PACCAR

Strategy

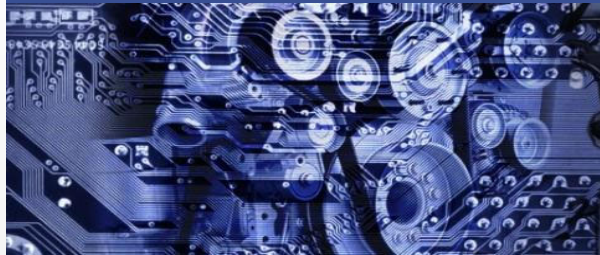
PACCAR Strategy

Brand Values

Quality



Technology



Innovation



Profitable Growth

Premium Products and Services

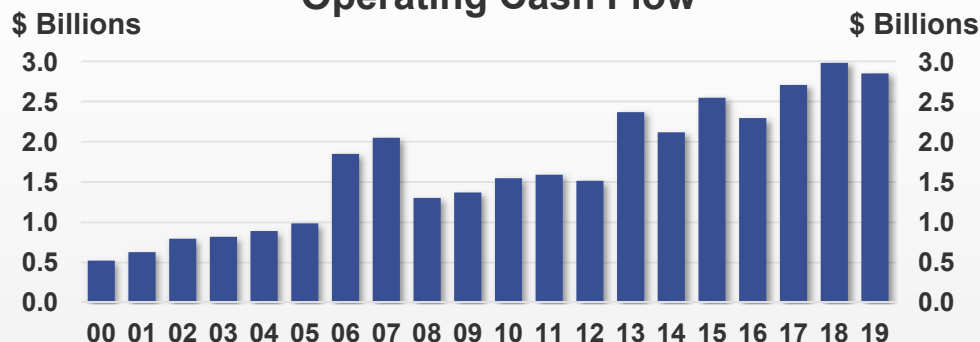
Profitable Market Share Growth

Geographic Expansion

PACCAR

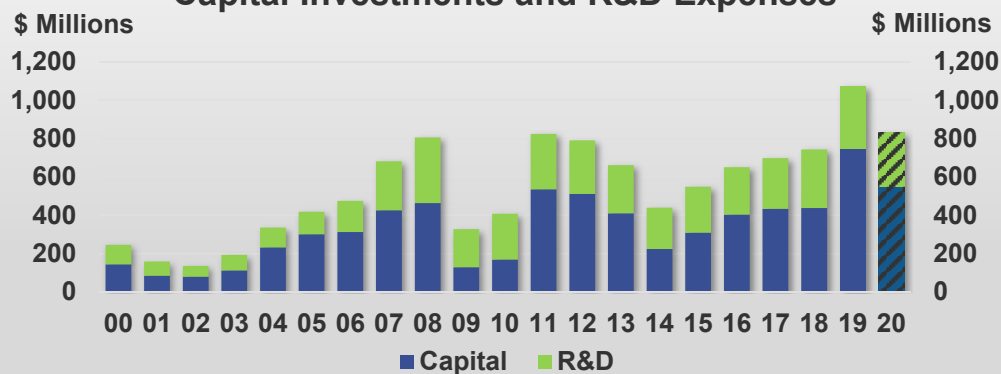
Investing Throughout the Business Cycle

Operating Cash Flow



- Operating cash flow has averaged \$2.7 billion for the last five years and has grown 6% annually over the last 20 years
- Strong operating cash flow enables PACCAR to invest in growth throughout the business cycle
- PACCAR has invested \$6.8 billion in capital projects, innovative products and new technologies in the last decade
- Key investments:
 - DAF XF/CF trucks
 - PACCAR MX-13 and MX-11 engine factory in North America
 - Kenworth and Peterbilt 2.1 meter wide cab program in North America, South America, and Australia
 - DAF Brasil factory
 - PACCAR Parts distribution centers

Capital Investments and R&D Expenses



Cumulative PACCAR MX Engines Produced

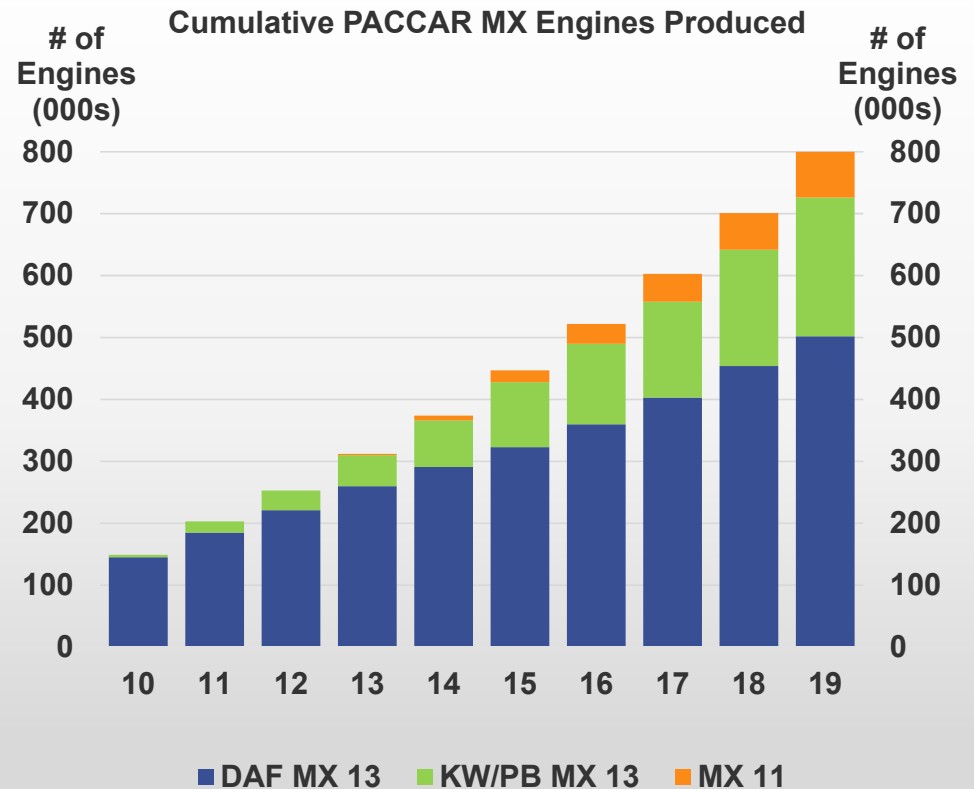
- The PACCAR MX-13 is the flagship of PACCAR's engine line-up with over 500,000 engines in operation in Europe and over 220,000 engines in operation in North America and a growing presence in South America and Australia.
- Produced the 200,000th MX engine for North America in March 2019
- PACCAR expanded its engine program in 2013 with the introduction of the PACCAR MX-11 in Europe. The MX-11 was launched in North America in January 2016.



PACCAR MX-13
12.9 Liter



PACCAR MX-11
10.8 Liter



PACCAR Emerging Technology Programs



Connectivity



Electrification



Autonomy

- PACCAR is an industry leader in innovative technologies that enhance our vehicles
- Three emerging technology areas that will provide PACCAR future growth opportunities are connectivity, electrification and autonomy

Alternative Powertrains

PACCAR has introduced several alternative powertrain trucks currently in field-testing with customers



DAF XF/CF
Parallel
Hybrid



DAF CF
Electric



Kenworth
Hydrogen
Port



Peterbilt
Electric Refuse



Peterbilt
Electric Port



Medium Duty
Electric

PACCAR Innovation Center, Sunnyvale, CA



- PACCAR Innovation Center in Silicon Valley enhances PACCAR's access to emerging technologies and talent from around the world.
- The Innovation Center collaborates with other PACCAR engineering teams to develop next generation technologies such as a Level 4 autonomous truck
- The Innovation Center truck lab is equipped with the tools needed to integrate emerging technologies.

PACCAR Global Embedded Services

PACCAR has three embedded service technology centers located at Kenworth in Kirkland, WA, at DAF in Eindhoven, the Netherlands; and in Pune, India.

The centers will accelerate embedded software development and connected vehicle solutions to benefit customers' operating efficiency.



Kenworth Embedded Engineering Center, Kirkland, WA



Digital Technology Center, Eindhoven, NL



Embedded Service Center, Pune, India

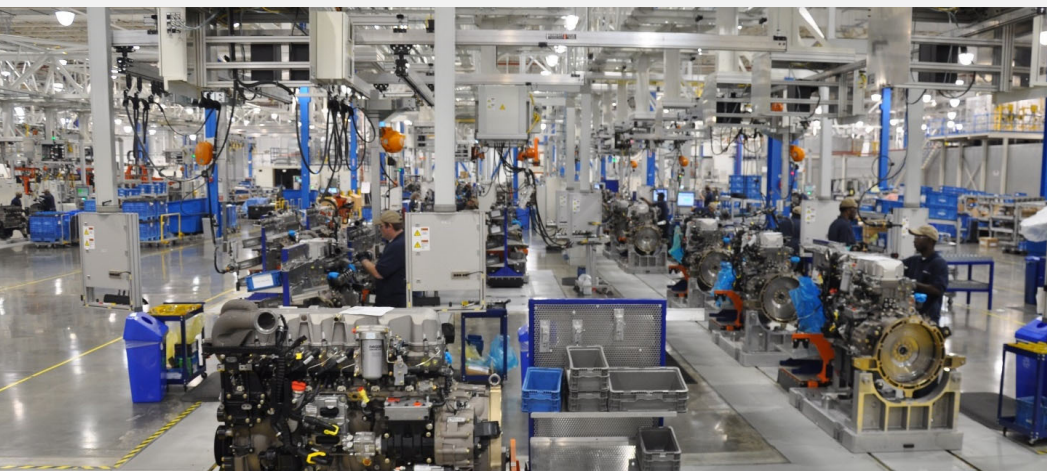
PACCAR Facility Investments



DAF Factory, Ponta Grossa, Brasil



Dynacraft, McKinney, Texas



PACCAR Engine Factories



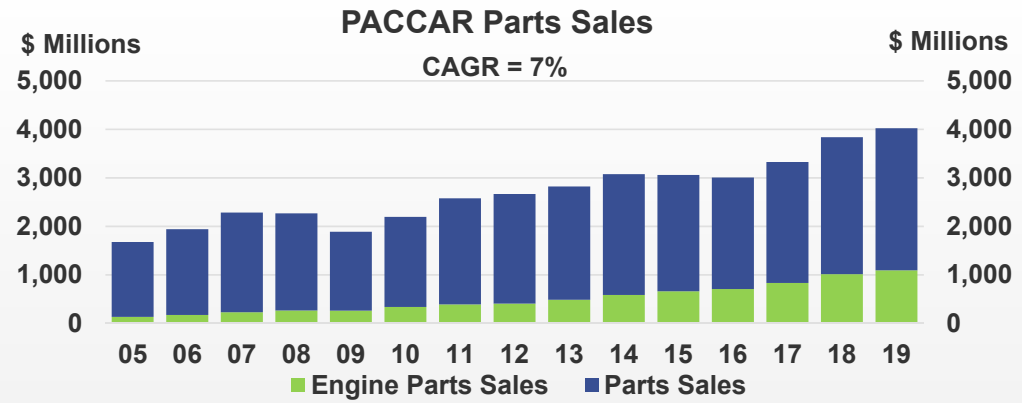
Kenworth New Cab Paint Facility, Chillicothe, OH

PACCAR Parts Strategy

PACCAR Parts achieved \$4.02 billion in sales in 2019, a 5% increase over a year ago and a CAGR of 7% over the last 15 years

Growth Drivers:

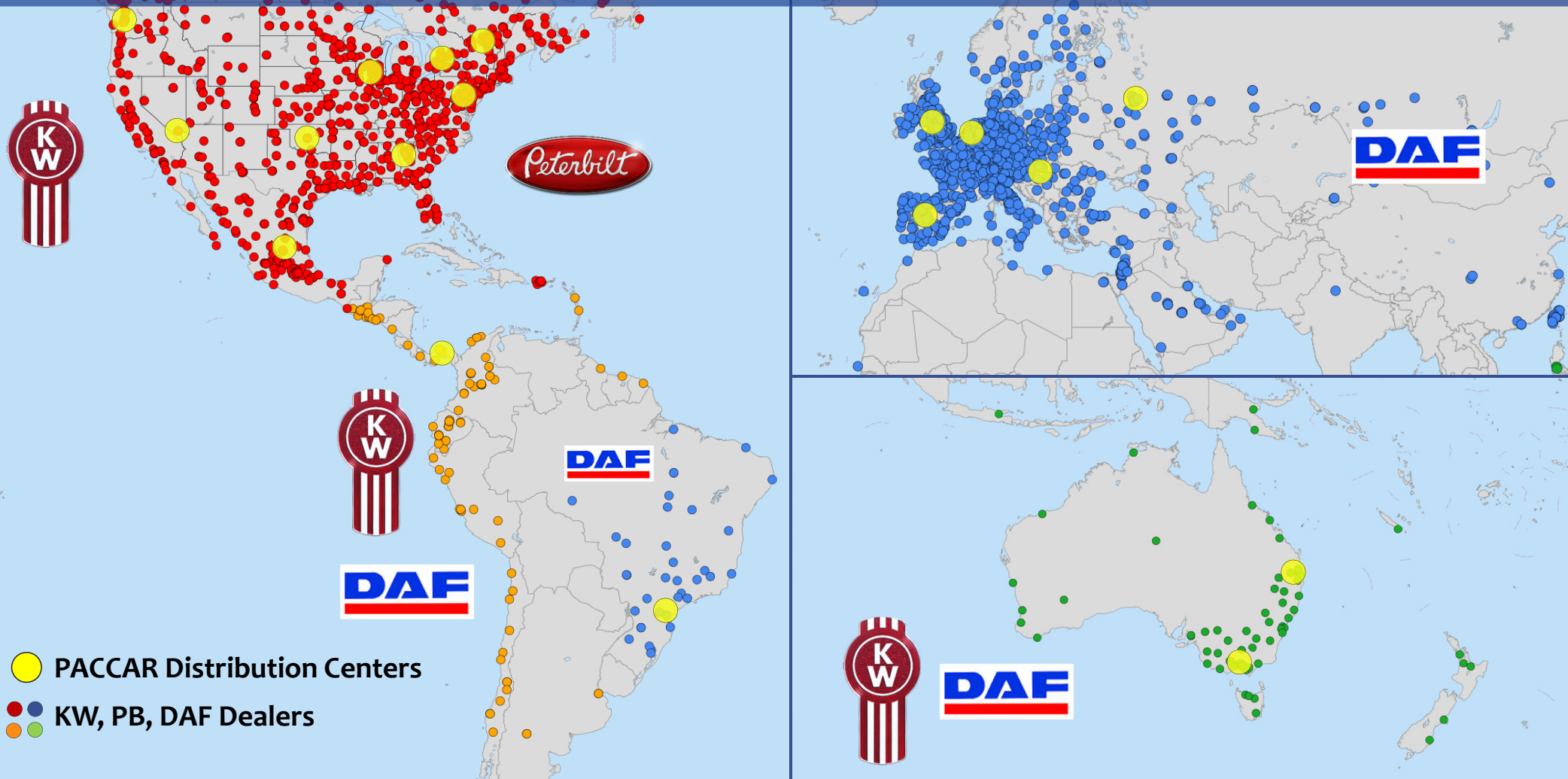
- Growing population of Kenworth, Peterbilt and DAF trucks due to geographic expansion and market share growth
- Growing population of PACCAR engines due to North America introduction in 2010
- Best-in-class Distribution Network
 - 18 parts distribution centers and 2,200+ dealer locations
- Proprietary, PACCAR Genuine and TRP branded parts enhance margins
- Growing network of TRP stores



Las Vegas Parts Distribution Center to Open in 2020

PACCAR Parts Distribution Centers and Dealers

18 PDCs in 11 Countries; 2,200+ Dealer Locations

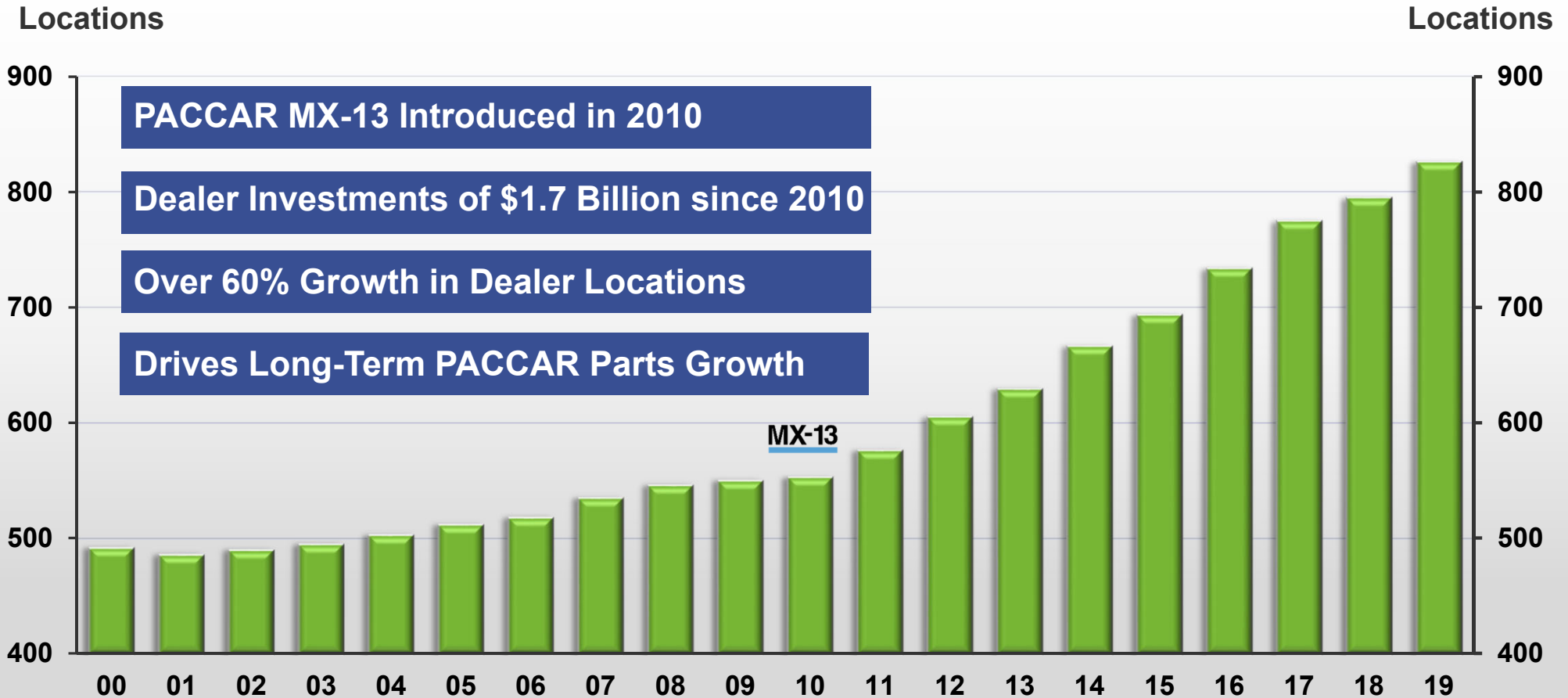


PACCAR Global Dealer Network

- Independent dealer network of 2,200+ dealer locations
- Premium customer experience
- Strong dealer profitability and expanded opportunities from PACCAR engines and TRP stores
- Competitive flooring and retail financing provided by PACCAR Financial and PACCAR Leasing



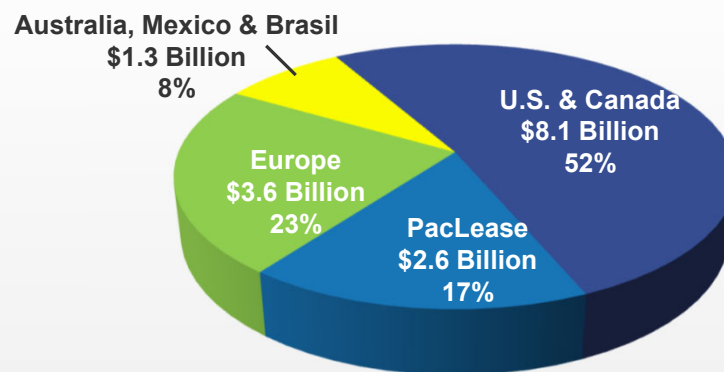
Growth in Kenworth and Peterbilt Dealer Locations U.S. and Canada



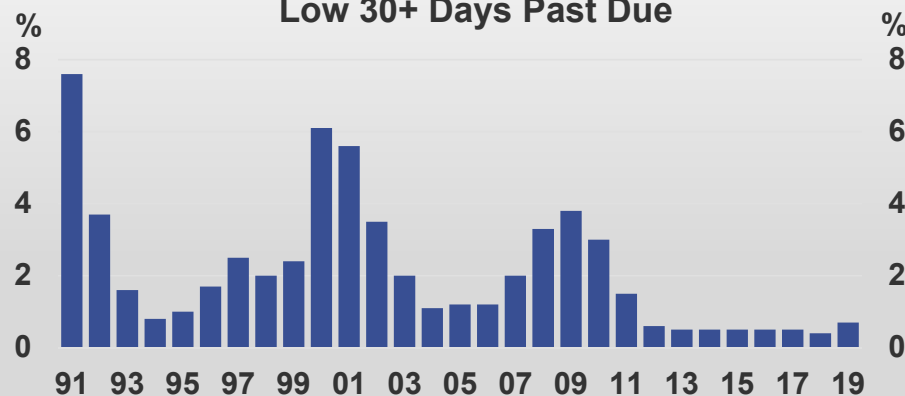
PACCAR Financial Services Strategy

- PACCAR Financial Services supports truck sales by providing financing and leasing services to PACCAR customers
- In 2019, PACCAR Financial financed 24.5% of all Kenworth, Peterbilt and DAF trucks
- Geographical diversification, disciplined credit underwriting, and rigorous portfolio management have enabled PACCAR Financial to earn excellent profits throughout the business cycle.
- Key strategies and investments:
 - Predictive data analytics for credit quality
 - Expanded used truck centers
 - Mobile finance and credit system
 - E-Contract and e-signature
 - Customer on-line portal

Total Assets 3/31/20 = \$15.6 Billion

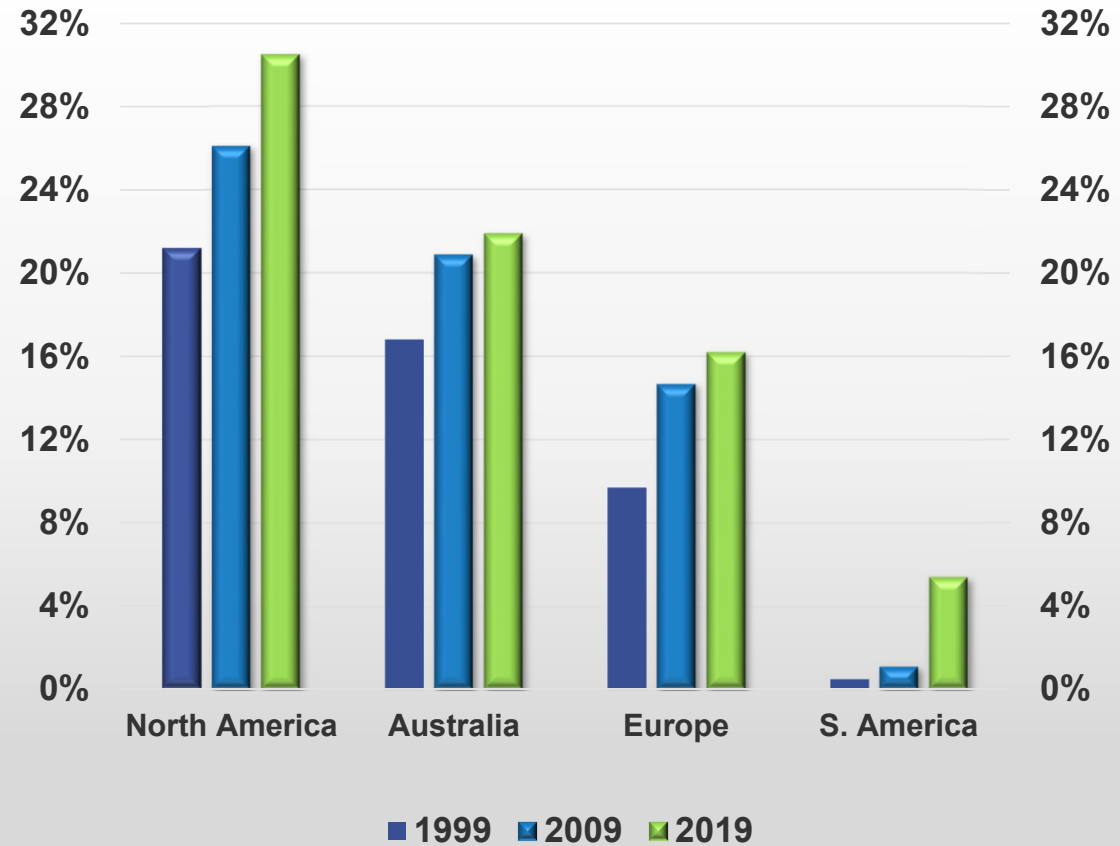


Low 30+ Days Past Due



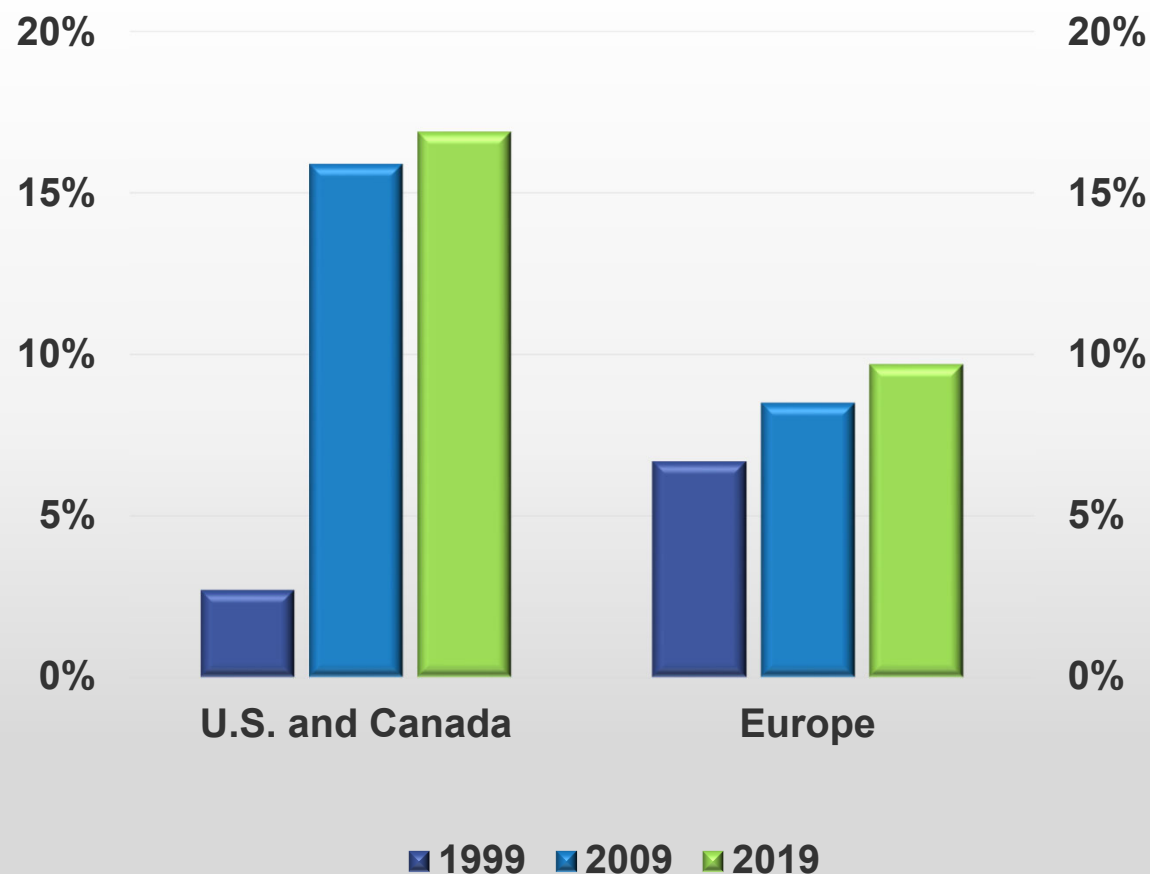
Long-Term Growth in PACCAR Heavy Duty Market Share

- Since 1999, PACCAR's above 16 tonne market share has increased in all home markets
- Kenworth is the market leader in Australia
- PACCAR's investment in truck manufacturing in Brasil supports PACCAR's medium-term goal of 10% market share for Kenworth and DAF products in South America.



Long-Term Growth in PACCAR Medium Duty Market Share

- Since 1999, PACCAR's medium duty market share has increased the U.S. and Canada and in Europe
- In the U.S. and Canada, Kenworth and Peterbilt achieved share of 16.5% in 2019
- DAF share grew to 9.7% in Europe in 2019



Environmental Leadership

CDP “A” Rating



PACCAR Earns “A” for its Environmental Practices; Top 2% of over 8,000 Reporting Companies

Facilities



94% of PACCAR Manufacturing Locations have Achieved ISO 14001 Certification



88% of PACCAR Locations are “Zero Waste to Landfill”



First Quarter 2020 Earnings

PACCAR Revenues and Profit

81 consecutive years of net profit

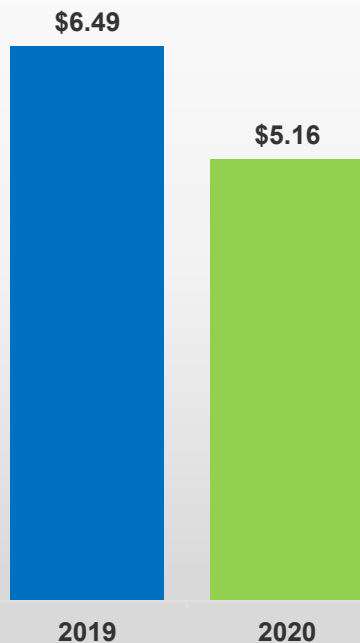
Dividends every year since 1941

(\$ in Millions)	1 st Quarter	
	2020	2019
Revenues	\$5,162	\$6,488
Net Income	\$359	\$629
Return on Revenues	7.0%	9.7%
Diluted EPS	\$1.03	\$1.81
New Truck Deliveries (units)	38,400	51,500

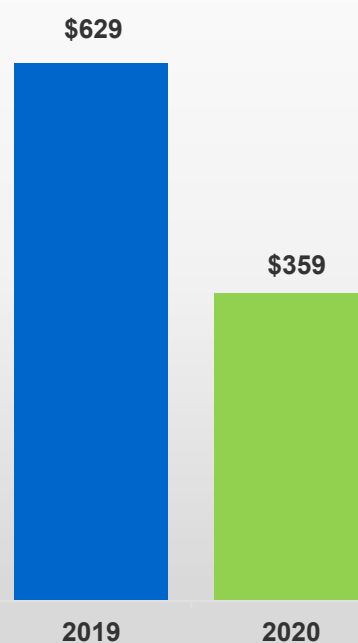
2020 Financial Results

First Quarter 2020 vs. First Quarter 2019

Sales and Revenues
(Billions of Dollars)



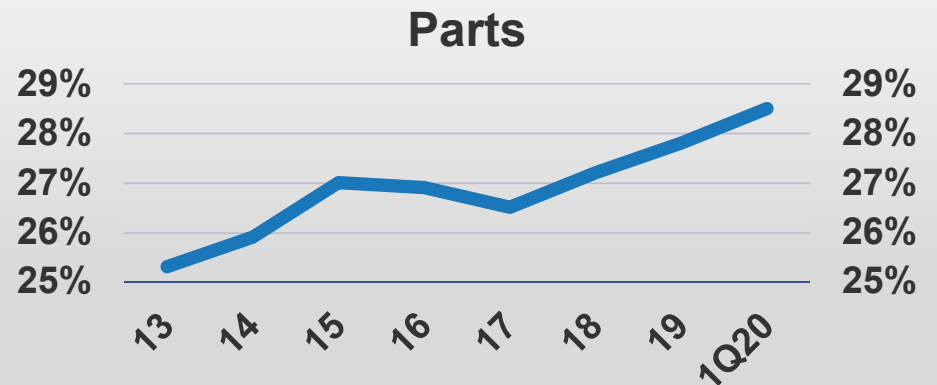
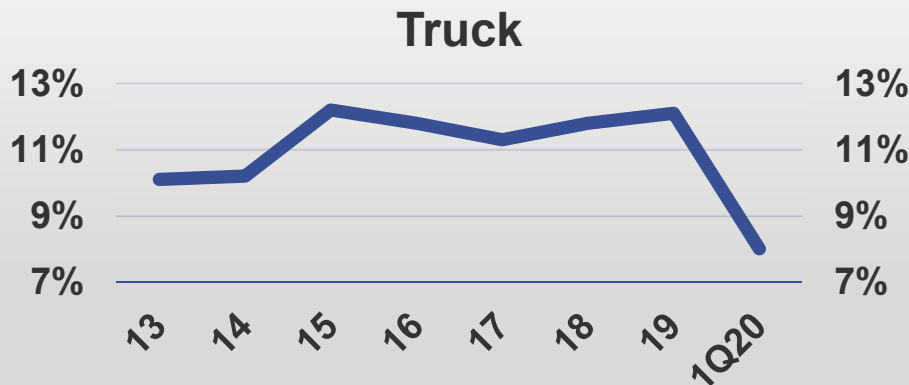
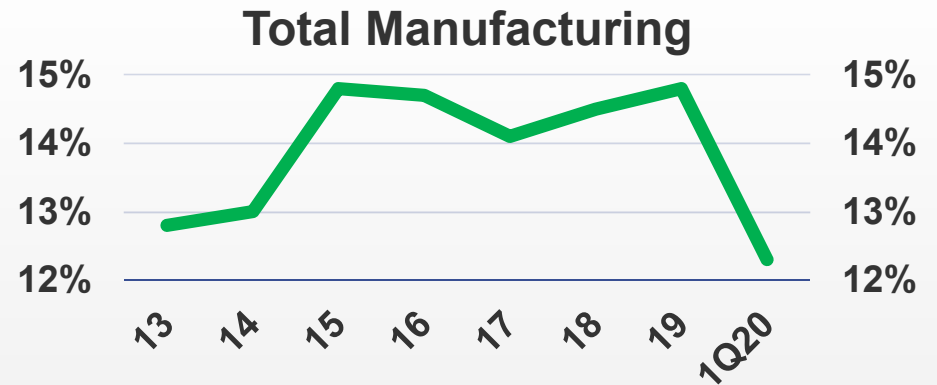
Net Income
(Millions of Dollars)



- Sales and Revenues of \$5.16 Billion
- Deliveries of 38,400 Trucks
- Net Income of \$359.4 Million
- After-tax Return on Revenues of 7.0%
- PACCAR Parts Revenues of \$999 Million
- PACCAR Parts Pretax Income of \$214.7 Million, a 21.5% Pretax Return on Revenues
- Financial Services Pretax Income of \$48.3 Million
- R&D Expenses of \$71.0 Million
- Capital Investments of \$177.1 Million

Gross Margins

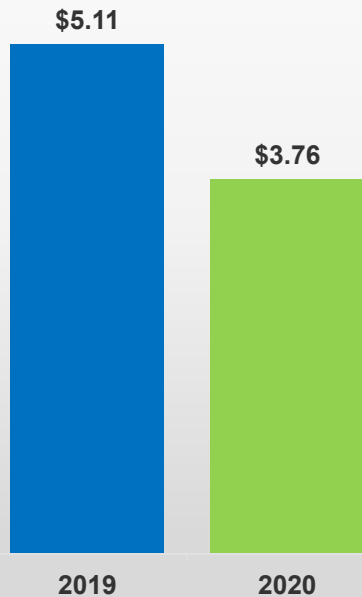
- Truck margins increased through 2019 due to new products and operating efficiencies
- Truck margins in 1Q20 affected by lower production volumes resulting from corona virus shut downs, higher accruals for product support costs and lower used truck results
- Parts margins have benefited from distribution and technology investments and growing populations of PACCAR trucks and engines



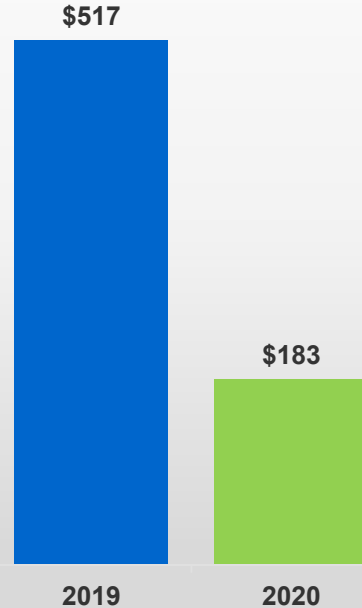
Truck

First Quarter 2020 vs. First Quarter 2019

Sales
(Billions of Dollars)



**Segment
Pretax Profit**
(Millions of Dollars)

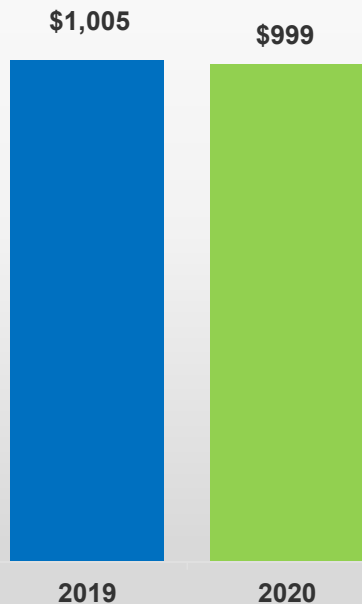


- Sales Decreased 26%
- Pretax Profit Decreased 65%
- Quarterly Deliveries of 38,400 Trucks, compared to 51,500 truck in the same period a year ago
- \$50 Million Accrued Product Support

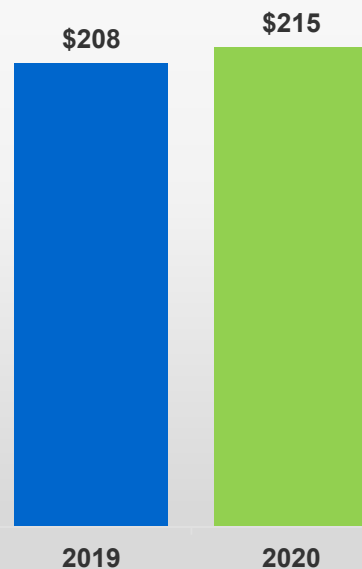
Aftermarket Parts

First Quarter 2020 vs. First Quarter 2019

Sales
(Millions of Dollars)



**Segment
Pretax Profit**
(Millions of Dollars)



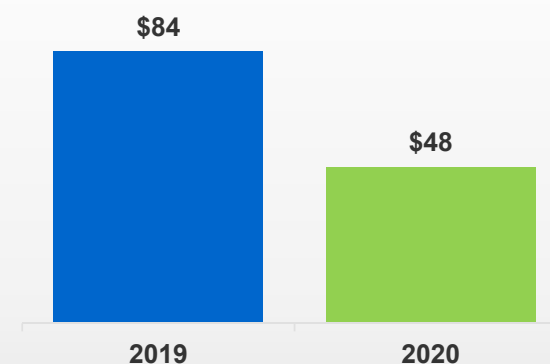
- Sales Decreased 1%
- Pretax Profit Increased 3%
- Results Driven by Investments in Parts Distribution Centers (PDCs); Increased Dealer Locations, Including TRP Stores; and Increased PACCAR Trucks and MX Engines in Operation
- New PDCs in Las Vegas, Nevada, and Ponta Grossa, Brasil will Open in 2020

Financial Services

Balance Sheet & First Quarter 2020 Profit

	\$ Millions 3/31/2020
Finance & Other Receivables	\$11,700
Equipment on Operating Leases	3,003
Other Assets	941
Total Financial Services Assets	\$15,644
Commercial Paper & Bank Loans	\$3,913
Term Notes	7,226
Deferred Taxes & Other Liabilities	1,362
Total Financial Services Liabilities	12,501
Equity	3,143
Total Liabilities & Equity	\$15,644

Segment Pretax Profit
(Millions of Dollars)



- Pretax profit decreased due primarily to used truck sales results and higher provision for credit losses
- Assets totaled \$15.64 billion
- High quality portfolio of 209,000 trucks and trailers
- Conservative leverage of 3.5 Debt / Equity Ratio
- Used Truck Center Opened in Denton, Texas, in 2019, and Prague, Czech Republic, and Madrid, Spain, Centers will Open in 2020

PACCAR Inc

A+/A1 Credit Ratings

		(\$ Millions)
• Superb balance sheet		<u>3/31/20</u>
• \$4.3 billion in manufacturing cash and securities to support growth opportunities and investments in all phases of the cycle	Mfg Cash & Securities	\$ 4,328
	Other Manufacturing Assets	7,323
	Financial Services Assets	<u>15,644</u>
	Total Assets	<u>\$ 27,295</u>
• No manufacturing debt – a capital structure that has proven beneficial throughout the business cycle	Manufacturing Debt	\$ -
	Manufacturing Liabilities	5,157
	Financial Services Liabilities	12,501
• A+/A1 credit rating provides excellent access to the credit markets for PACCAR Financial Services	Shareholders' Equity	<u>9,637</u>
	Total Liabilities & Equity	<u>\$ 27,295</u>

PACCAR Competitive Advantages



Experienced Management Team

Highest Quality Products

Rigorous Cost Control

Excellent Supplier Partnerships

Innovative Technology

Global Aftermarket Parts Sales

Profitable Financial Services

Strongest Dealer Network

PACCAR