

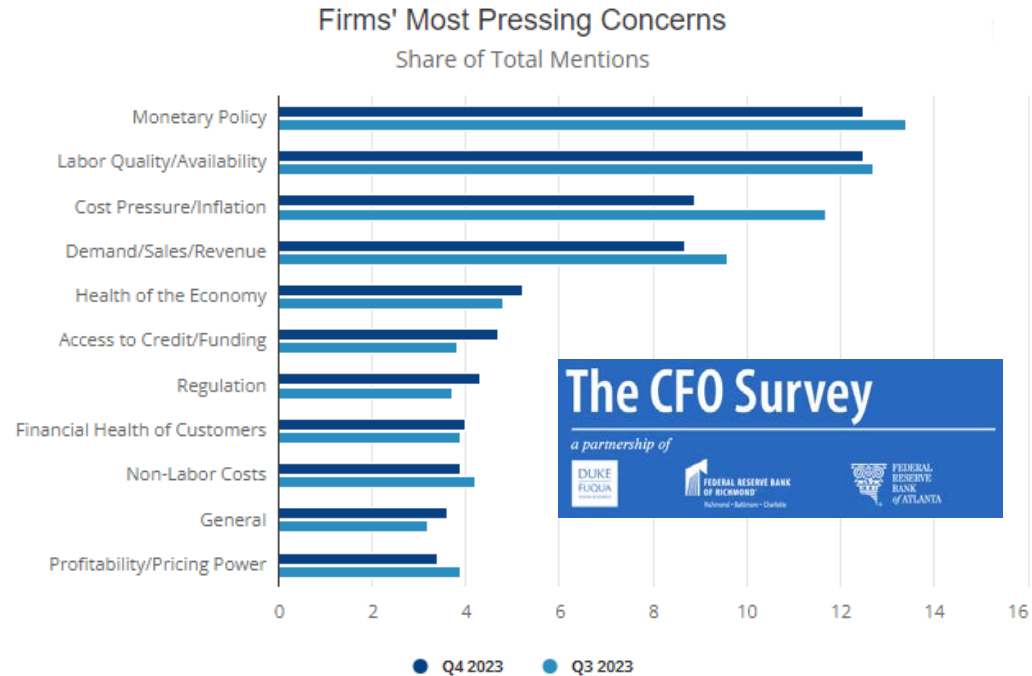


Industry Update Report

2024 Jan

Quick Facts

- US real GDP up 4.9% (Q3 2023) - *BEA*
- US real disposable personal income up 0.3% (Nov); wages outpace inflation - *BEA*
- Unemployment filings week ending Jan. 13, lowest since Sept. 2022 - *Labor Department*
- US household debt up 1.3% to \$17.29T Q3 2023 vs. Q2 2023 - *FRBNY*
- 2023 retail and food service sales (unadjusted) up 5.6% vs. 2022 – *Commerce Dept.*
- Manufacturing PMI (Dec) 47.4 – activity contracting 14 consecutive months - *ISM*
- Diffusion index for manufacturing -12.8 (Dec) to -10.6 (Jan); 18th negative reading in past 20 months – *Fed Reserve Bank Philadelphia*
- PPI (Dec) 1.0% vs. Dec 2022; avg. increase 2.04% per month throughout 2023; Dec 2022 PPI 6.24% vs. Dec 2021
- CPI (Dec) 3.4% vs. Dec 2022, up from 3.1% (Nov) – *Labor Dept.*
- Retailers inventory (Dec 2023) \$825B vs. \$650B Jan 2019; misleading, relatively flat when adjusting for inflation – *Federal Reserve Econ Data - St. Louis*



Strong jobs data, disposable income keeping pace with inflation buoying forecasted retailer restock and mediocre manufacturing levels; threat is adverse macroeconomic conditions, geopolitical disruptions and record household debt

Quick Facts

- Class 8 truck orders (Dec) 26,620 units, down 6% y/y but up from 13,000 per month in Q2 - *FTR*
- Dec shipments index lowest since Jul 2020 – *Cass Freight Index*
- Truckload linehaul prices, tender rejection rate both multi year lows; capacity outpacing demand – *Freightwaves SONAR*
- Avg. retail diesel price down \$0.80 / gallon since Sep 18th – *Department of Energy*
- Flatbed avg. tender rejection rate 10% in 2023 vs. 3-4% for dry van; flatbed closely tied to manufacturing (good) but added less capacity throughout pandemic (bad) – *Freightwaves*
- US warehouse vacancy rate 5.2% Q4 2023; first time above 5% since 2020 - *Cushman & Wakefield*. Rate more indicative of added capacity vs. demand drop. Prologis forecasting vacancy rates exceed 6% through Q2 2024
- Labor Dept new rule effective Mar 11th revises whether driver workers are independent contractors or employees; force reclassification of 80% of intermodal drayage drivers - *Intermodal Assoc of North America (IANA)*
- United States Maritime Alliance (USMX) & Int'l Longshoremen Association (ILA), 45,000 dockworkers along East Coast and Gulf Coast ports, negotiation new 6-year CBA

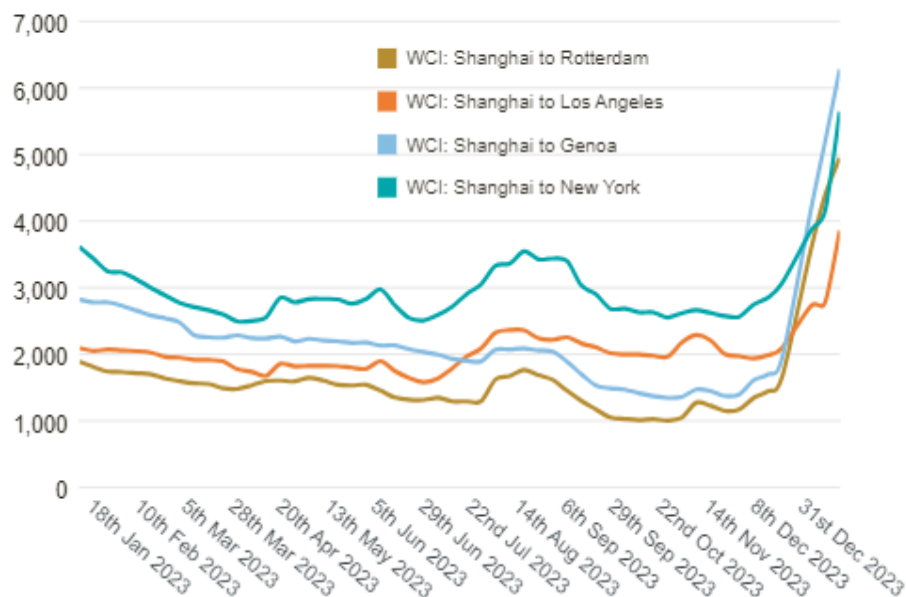


Skeptical of a materially different market in 2024 sees capacity continue to outpace demand resulting in ongoing low prices for truckload spot market, discouraging price locks with carriers

Quick Facts

- China's Q4 GDP grew 5.2% vs Q3's 4.9%; GDP 5.2% for CY 2023 – *Reuters*
- China CPI up just 0.2 percent vs. 2022; forecast 1.7% 2024 – *IMF*
- US 2023 total Asia imports were 16.2M TEUs, down from 18.7M TEUs in 2022, but consistent with pre-pandemic 15.9M TEUs in 2019 – *Joc.com*
- Red Sea crisis, drought restrictions in Panama Canal causing Shanghai to New York transit 43 days vs. Shanghai to LA at 17 days - *Sea-Distances.org*.
- Shanghai to LA/LB container rates up 100% vs. 2022
- LA/LB ports containerized imports up 17-31% in Sep, Oct, Nov vs. 2022; Improved labor relations, Red Sea conflict & Panama drought
- A.P. Moeller-Maersk & Hapag-Lloyd form vessel-sharing agreement; to accelerate the companies' decarbonization efforts. Maersk has 740 vessels vs. Hapag-Lloyd at 264.
- CMA CGM, world's 3rd largest container line, profit down 83% vs. 2022; industry wide demand drop paired with bloated orderbook
- Shipowners ordered 106 methanol vessels and 48 LNG vessels; industry orderbook now 55% "green" vessels vs. traditional fuel

Drewry WCI: Trade Routes from Shanghai (US\$/40ft)



Current jump in container prices and delays unrelated to macro-economic data. Prices will drop to 2023 levels when current geopolitical events resolve paired with industry-wide vessel order book and excess supply



LTL Public Report Cards

Quick Facts

- Absorbing Yellow Freight - 10 largest US LTL providers picked up 68% of 48,600 shipments a day Yellow handled – Joc.com
- SAIA
 - Nov 2023 LTL shipments per day up 18.9% vs. Nov 2022; LTL tonnage per day up 9.2%
 - LTL weight per shipment down 8.1% to 1,313 pounds vs. Nov 2022
 - Final Q4 results to be announced Feb 4th
- ABF
 - Q3 2023 rev. \$741M vs. \$791M Q3 2022, down 4%; Tonnage per day down 6.3%; weight per shipment down 6.4% percent vs. Q3 2022
 - Q3 2023 shipments per day up 1.5%; Rev. per hundredweight up 1.9% vs. Q3 2022.
 - Q3 2023 operating income of \$74.8M and an operating ratio of 89.9%
 - Q4 2023 call scheduled for Feb 6th
- ODFL
 - Nov 2023 rev. per day down 0.9% vs. Nov 2022; LTL tonnage per day down 2.3%
 - LTL weight per shipment down 2.9%; 0.6% increase in shipments per day; LTL rev. per hundredweight, excluding fuel, up 3.1% vs. Nov 2022
 - Q4 2023 call scheduled for Jan 31st
- XPO
 - Q4 2023 call scheduled for Feb 7th
 - Q3 2023 adjusted operating ratio of 86.2%; rev. per hundredweight, excluding fuel, accelerated to 6.4%
 - Q3 2023 LTL rev. \$1.228B vs. \$1.205 in Q3 2022, up 1.9%
- FedEx Freight
 - Q2 2024 FY rev. \$2.4B vs. Q2 2023 red to \$2.5 billion in Q2 of the 2023 fiscal year
 - Q2 2024 operating income up 11% to \$487 million vs. \$440M in Q2 2023; higher yield and increased efficiency, despite lower ship count

The macro economy largely paces LTL carriers which is forecasted to be modest 2024. LTL carriers should outperform however as they absorb shipments from the collapse of YRC, previously the nations 3rd largest carrier.

Quick Facts

- FedEx Corp.
 - Q2 2024 rev. \$22.2 billion, down \$600 million from Q2 2023; cut FY 2024 revenue forecast expecting single-digit y/y losses
 - Retained 400,000 daily packages estimated that were diverted from UPS during contract negotiations with Teamsters union.
 - Losing ½ its business with US Postal Service when existing contract expires
 - Has been largest provider of air transportation capacity to Postal Service for 20 consecutive years
 - Plans to remove 29 aircraft from fleet; has 200 – 300 excess pilots by Oct 2024
 - Reducing guaranteed minimum flight hours by 13%; pushing 400 crew to early retirement
 - Implemented 5.9% average general rate increase beginning Jan. 1; UPS implemented 5.9% Dec. 26th
 - Raised ground surcharge to 15.5%; fuel surcharge to 16%
- UPS
 - Q3 2023 consolidated rev. \$21.1B vs. \$24.2B Q3 2022
 - Implemented 5.9% average general rate increase Dec. 26th
 - Raised domestic ground delivery surcharge to 15.75%; also applies to UPS SurePost; fuel surcharge to 15%
 - To release Q4 2024 results Jan 30th
- Both
 - Reducing flight activity due to lower volumes in parcel express shipments
 - Continue to prioritize more profitable business-to-business (B2B) volumes and less on business-to-consumer (B2C) volumes
- Amazon,
 - Still one of UPS' largest customers, pacing to surpass UPS and FedEx in residential last-mile delivery volumes in 2024 – *Wsj.com*

The legacy Parcel players are starting to feel a pinch. Amazon's volumes are continuing to move into their traditional B2C network and the expiration of the postal service will affect volumes and flights.



Fuel Prices

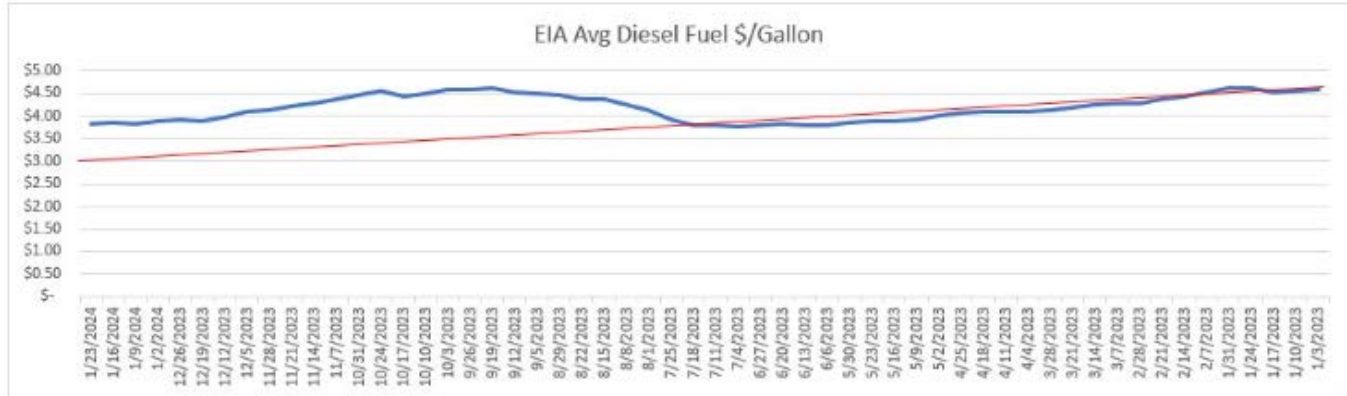
Date	Diesel (\$ per Gallon)	
Jan 04, 2022	\$	4.583
Jan 10, 2023	\$	4.549
Jan 18, 2023	\$	4.524
Jan 24, 2023	\$	4.604
Jan 31, 2023	\$	4.622
Feb 07, 2023	\$	4.539
Feb 14, 2023	\$	4.444
Feb 22, 2023	\$	4.376
Feb 28, 2023	\$	4.294
Mar 07, 2023	\$	4.282
Mar 14, 2023	\$	4.247
Mar 21, 2023	\$	4.185
Mar 28, 2023	\$	4.128
Q1 AVERAGE	\$	4.414

Date	Diesel (\$ per Gallon)	
Apr 04, 2023	\$	4.105
Apr 11, 2023	\$	4.098
Apr 18, 2023	\$	4.116
Apr 25, 2023	\$	4.077
May 02, 2023	\$	4.018
May 09, 2023	\$	3.922
May 16, 2023	\$	3.897
May 23, 2023	\$	3.883
May 31, 2023	\$	3.855
Jun 07, 2023	\$	3.797
Jun 13, 2023	\$	3.794
Jun 21, 2023	\$	3.815
Jun 27, 2023	\$	3.801
Q2 AVERAGE	\$	3.937

Date	Diesel (\$ per Gallon)	
Jul 05, 2023	\$	3.767
Jul 11, 2023	\$	3.806
Jul 18, 2023	\$	3.806
Jul 25, 2023	\$	3.905
Aug 01, 2023	\$	4.127
Aug 08, 2023	\$	4.239
Aug 15, 2023	\$	4.378
Aug 22, 2023	\$	4.389
Aug 29, 2023	\$	4.475
Sep 06, 2023	\$	4.492
Sep 12, 2023	\$	4.540
Sep 19, 2023	\$	4.633
Sep 26, 2023	\$	4.586
Q3 AVERAGE	\$	4.242

Date	Diesel (\$ per Gallon)	
Oct 03, 2023	\$	4.593
Oct 10, 2023	\$	4.498
Oct 17, 2023	\$	4.444
Oct 24, 2023	\$	4.545
Oct 31, 2023	\$	4.454
Nov 07, 2023	\$	4.366
Nov 14, 2023	\$	4.294
Nov 21, 2023	\$	4.209
Nov 29, 2023	\$	4.146
Dec 05, 2023	\$	4.092
Dec 12, 2023	\$	3.987
Dec 19, 2023	\$	3.894
Dec 26, 2023	\$	3.914
Q4 AVERAGE	\$	4.264

Date	Diesel (\$ per Gallon)	
Jan 03, 2024	\$	3.876
Jan 09, 2024	\$	3.828
Jan 17, 2024	\$	3.863
Jan 23, 2024	\$	3.838
Q1 AVERAGE	\$	3.851



2023 was marked by gradual declines in diesel. An 11-week rise from July to Sept (OPEC reducing oil production) is the only thing that kept diesel rates from falling further.

KDL Recommendations

Identify supply chain disruption scenarios, implement contingencies

- Identify every link of the supply chain and create redundancy for each; akin to a failover IT infrastructure
- Automate and digitize as much of the supply chain as possible; business continuity is equally important as identifying savings opportunities
- Contingency planning – are you prepared for the sudden discontinuation of a material supplier, logistics provider and common carrier, distribution center or key employee?

Freight Policies – Don't fall victim to these five common missteps

- No Chargeback Policy – be sure to recover your costs when and where applicable
- Outdated Policies/Metrics – be sure to evaluate your current policies, how old they are and if they are still effective
- Neglecting Freight in Customer Profitability Analysis – be sure to isolate and add back to each customer their freight expense
- Overzealous Sales Overrides – be sure to not allow sales to dictate how these policies are applied
- Customer Evasion of Freight – be sure to evaluate FREE freight policies to determine if they can be adjusted to drive revenue

Be a Shipper of Choice

- Reduce time to load and unload a carrier.
- Mindful of pick-up caps, any near-term capacity constraints
- Shippers pledge to utilize an electronic bill of lading based on industry standards.
- Provide advanced notice on pickups
- Prevent small, single shipment pickups – consolidate onto carriers already scheduled to come in.
- Provide accurate handling dimensions, weights, descriptions, package types, counts and service requirements on BOL.
- Carriers honor handling unit dims and weights, allow appropriate (maybe 5%) tolerance for corrections.



Holistic Freight & Logistical Strategy

Our approach stands on three additional disciplines - **strategic consulting**, **data analysis**, and **user experience**. These custom disciplines work in concert with the basic 3PL services to drive improvement across your supply chain and maximize corporate profitability.

