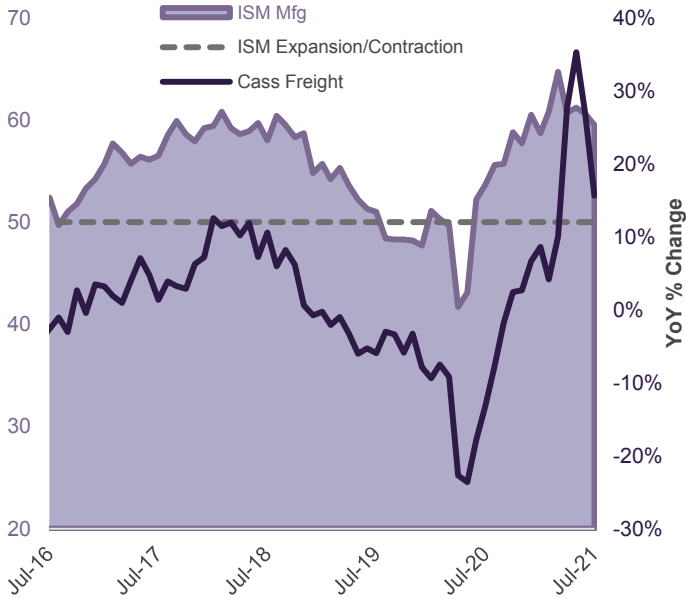


## Economic Growth Feeds Strong Freight Market

- Freight volumes for July remained strong, but slowed compared to prior months as supply bottlenecks hampered production. Cass Freight volumes grew 15.6% y/y in July, but decreased from the 26.8% y/y increase in June. **The Expenditures component of the index increased 43.1% in July from a year ago, but was down from the staggering 56.4% y/y increase in June.**
- **ISM Manufacturing has declined for two straight months, while still in expansion territory at 59.5.** However, supply chain managers noted in the survey that port delays, container shortages, and labor constraints are still holding back production relative to demand.
- Truck spot pricing abated from recent highs, yet still remains above 2018 levels – a period considered one of the best on record. Other segments, such as flatbed and reefer are trading even higher on a spot basis as load-to-truck ratios and tender rejections reflect even tighter capacity in those specialty segments.
- Higher rates are raising profits for trucking companies. **A robust rate backdrop, strong demand and a solid used-equipment market fueled a 41% earnings growth** across public truck carriers in Q2. Most agree the momentum will carry well into 2022 as capacity constraints and a massive inventory rebuild will elongate the current cycle.

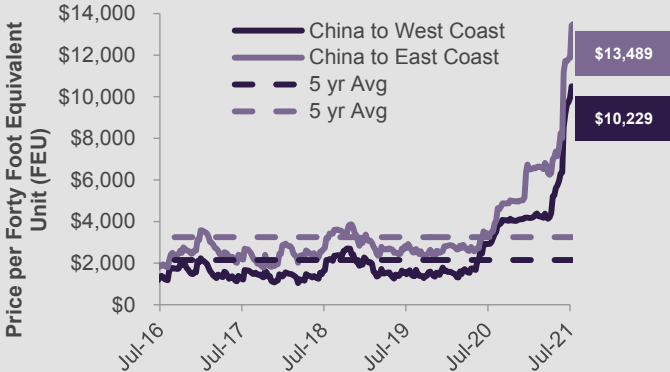
### Cass Freight Shipments vs. ISM Mfg Index



## Ocean Freight Rates Go Parabolic

- Benchmark container rates out of Asia to the US continue to skyrocket. Certain lanes like Shanghai to Chicago container rates have gone from **\$3,500 pre-pandemic to more than \$18,000** more recently, while **transit times more than doubled from 23-25 days to 50-60 days**. Some shippers have even been quoted ocean freight rates greater than \$25,000/FEU to ship from Asia to the U.S. East Coast.
- COVID related supply constraints and robust demand will keep freight rates elevated well into the Chinese New Year. While this period is unprecedented, ocean capacity should eventually increase over time, inevitably driving rates lower. However, given long lead times on ship builds as well as carriers' reluctance to add capacity this go around, it will be a painful wait for many shippers.

### Benchmark Ocean Freight Rates

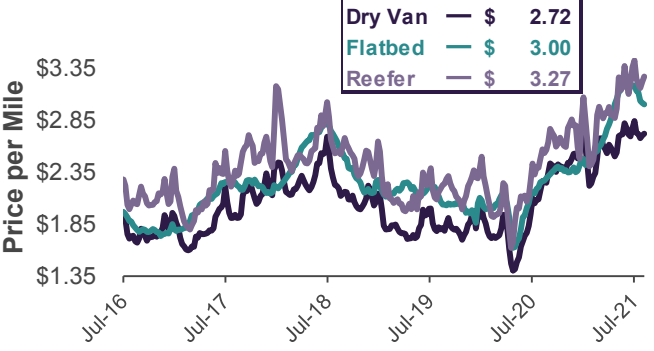


## Key Freight Demand Indicators

Freight Indicators	Current Realease	Previous Release	1 Year Change	2 Year Change
Class 8 Net Truck Orders <sup>1</sup>	26,500	-0.9%	33.2%	164.7%
ATA Truck Tonnage Index <sup>2</sup>	111.05	-2.0%	0.0%	-5.2%
Cass Freight Index <sup>1</sup>	1.177	-3.0%	26.8%	4.2%
Cass Freight Expenditures <sup>1</sup>	3.51	-5.9%	43.1%	22.7%
ISM Manufacturing Index <sup>1</sup>	59.5	-1.8%	10.8%	16.7%
Unemployment Rate <sup>2</sup>	5.4%	5.9%	10.2%	3.6%
Consumer Confidence <sup>3</sup>	70.2	81.2	74.1	89.8

1 - Data as of July 31, 2021  
 2 - Data as of June 30, 2021  
 3 - Data as of August 1, 2021

### Truck Spot Pricing



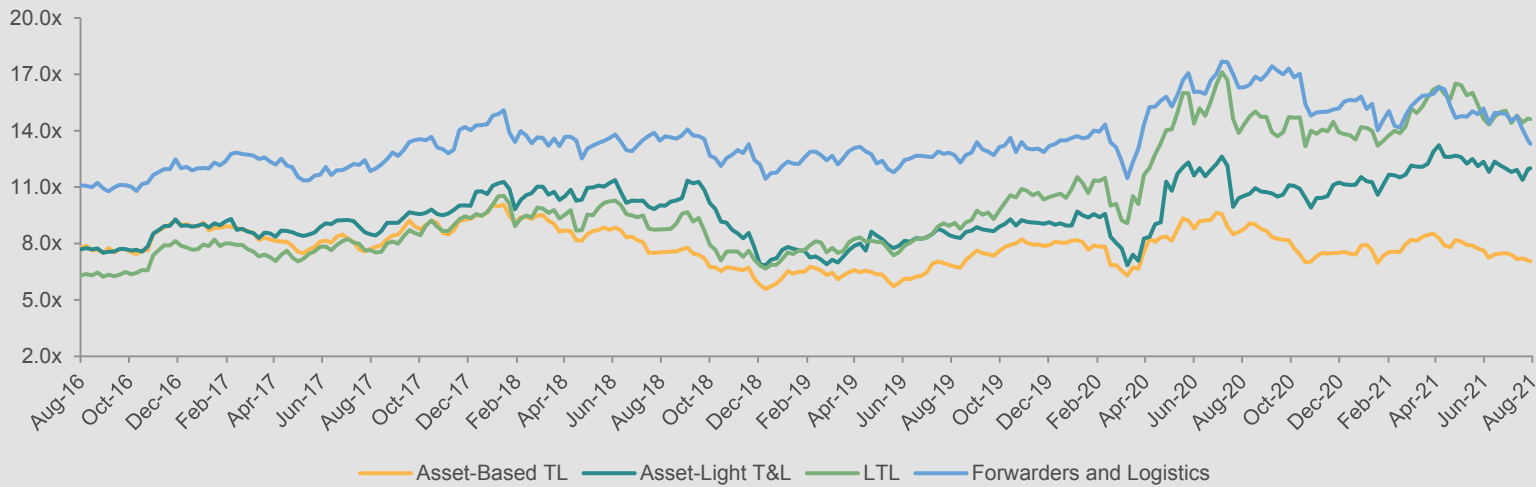
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## Market Conditions Fueling M&A Activity

- Transportation and logistics M&A activity has been heating up lately and should accelerate throughout the remainder of the year as interest rates remain low, buyers are flush with cash, and valuations as well as potential tax rate changes drive sellers to the table.
- Recent notable activity includes the acquisition of the 17<sup>th</sup> largest LTL carrier, AAA Cooper by the largest truckload carrier, Knight-Swift. As e-commerce continues to convert more freight to less-than-truckload, we may continue to see consolidation in this area.
- In the non-asset truck brokerage space we saw Uber purchase Transplace for \$2.25B, which solidified Uber's commitment to the freight brokerage industry, while rapidly speeding up its market share in freight brokerage.
- Both of these deals are likely to push purchase multiples up; particularly for quality players that have scale, growth and technology.

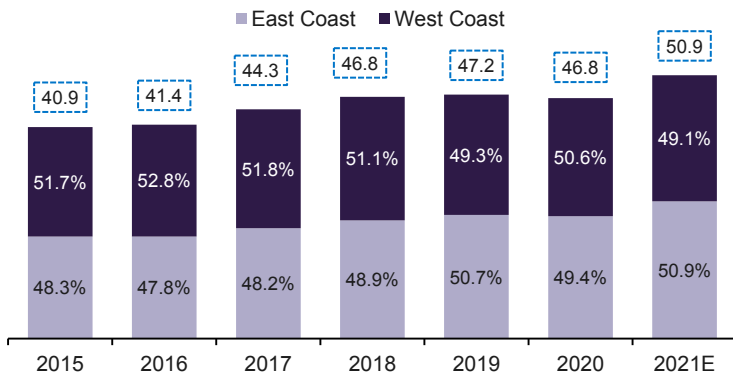
## Public Transportation & Logistics Enterprise Value / Forward EBITDA Multiples



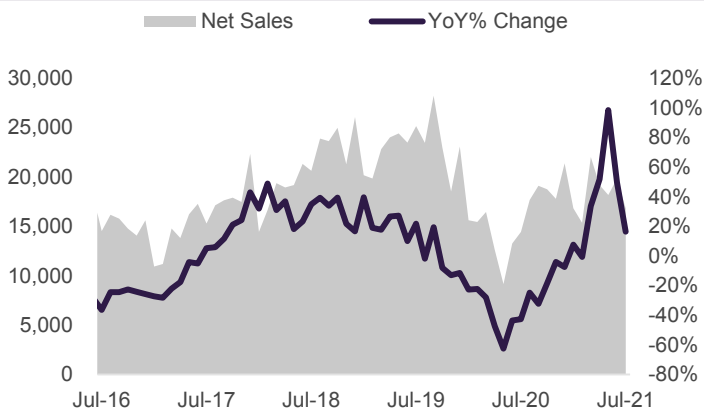
## Supply Chains Under Pressure

- The National Retail Federation is forecasting August imports of **2.37MM TEU's, which would be the largest single month for imports on record.** US port infrastructure, already under strain, will be tested even further as retailers seek to meet current demand and rebuild record low inventories headed into this year's peak season.
- Chassis and containers shortages are likely to continue, and delays out of China will add further pain to shippers. Ningbo, the 3<sup>rd</sup> largest port in China, is the latest port shutdown due to COVID, which has diverted ships to other ports that are already at capacity. As the delta variant spreads in Asia we're likely to see continued supply chain challenges in the region.

## East vs. West Coast Port Volumes



## Class 8 Net Sales



## Weekly Rail Road Carloads

