

Cowen/AFS Freight Index

January 2022



AFS is one of the most experienced 3PLs in the country; leveraging Freight Audit and Payment data enables AFS to unlock unrivaled insights into the overall freight market.



\$10B

- AFS has over \$10B in transportation spend across multiple modes flowing into our systems annually creating maximum visibility.



1,700+

- The freight data comes from over 1,700 clients of all sizes and industries, representing a comprehensive view of the overall market.



40 YRS

- With AFS's deep expertise and 40 years of experience across all transportation modes, we have significant market insights to project future trends and industry patterns.



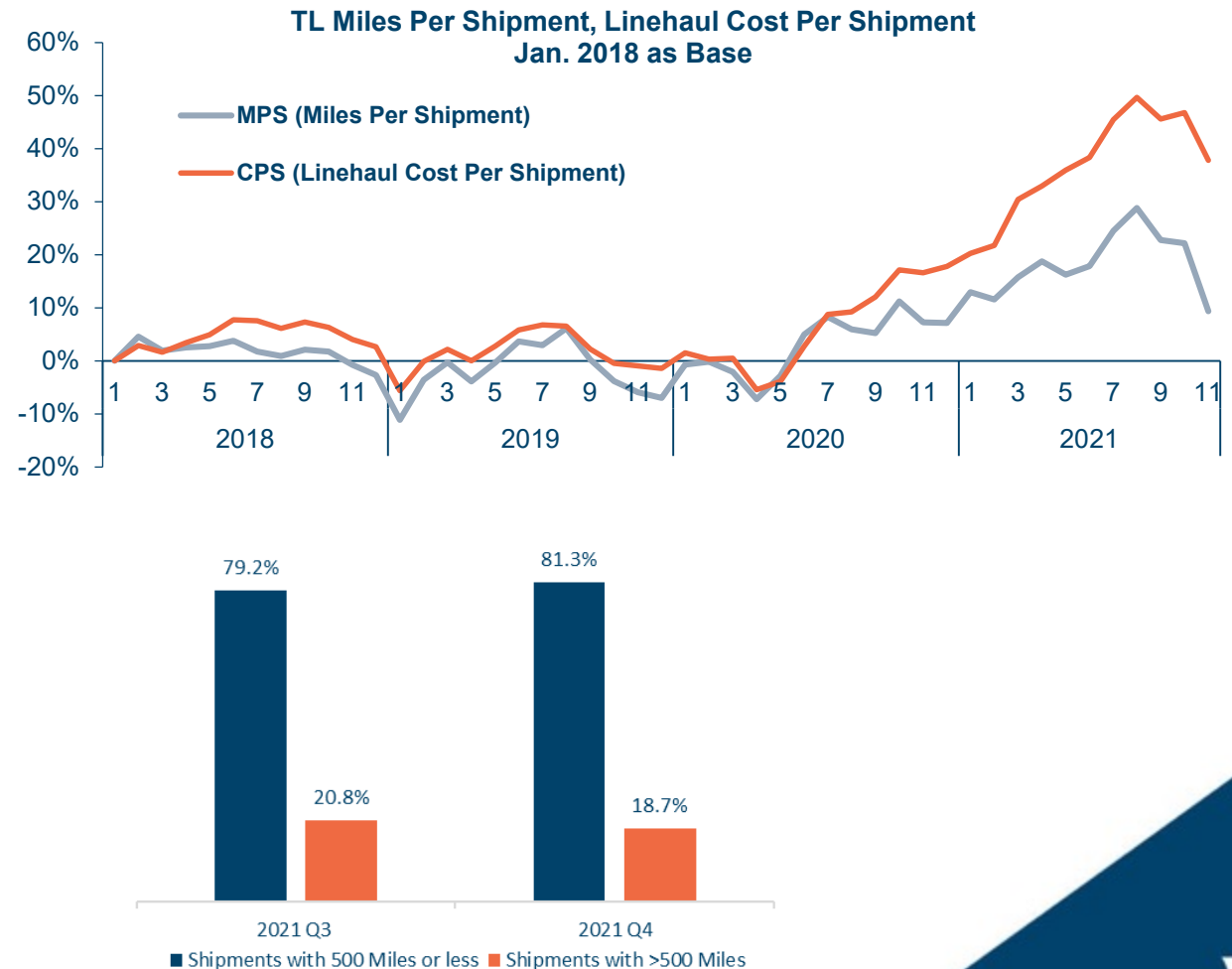
**Truckload
LTL
Parcel**

- AFS's team of Data Scientists and Analysts applied Machine Learning algorithms and modeling techniques to examine the historical data for Truckload, LTL and Parcel since 2018.
 - The following rate indices are developed for these modes and quarterly rate predictions are provided using both AFS freight data and macroeconomic variables.

Truckload

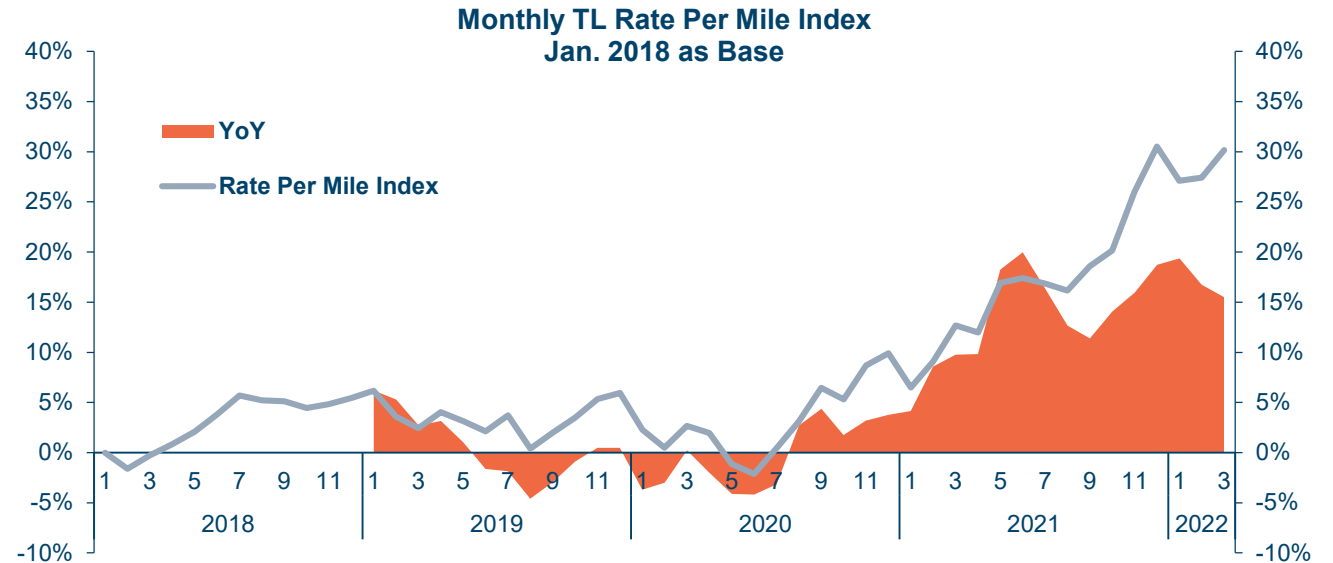
The pandemic continued to fuel Truckload rate increases, driven by strong demand; while distance shortened, price did not drop as much - indicating carrier pricing strength.

- The observed correlation between price (Linehaul Cost Per Shipment) and distance (Miles Per Shipment) remained strong in 2021.
- In Q4:2021, there was an increase in the mix of short haul shipments (500 miles or less) from 79.2% to 81.3%.
 - The quarter over quarter (QOQ) average Miles Per Shipment decreased by 7.3%.
- However, the imbalance between supply and demand continued to assert upward pressure on price. Despite the 7.3% decrease in distance, total TL Linehaul Cost Per Shipment declined by only 4.8% comparing to Q3:2021.
 - 2021 data showed an increase of 9% YOY TL shipment growth.
 - More demand is being forced into the spot market with more volatile rates.



Truckload rates will continue at end-of-2021 levels, the Cowen/AFS Truckload Freight Index will reach a new quarterly high of 28.2% in Q1:2022.

- The Composite Truckload Rate Per Mile Index (including both contract and spot Truckload linehaul rates) has been steadily increasing since mid 2020.
- The Rate Per Mile Index is expected to reach a new high of 28.2% against the Jan. 2018 baseline, yet the growth rate will moderate in Q1:2022.
- The actual Rate Per Mile in Q4:2021 is 0.6% higher than previously forecasted.



Composite Truckload Rate Per Mile Freight Index

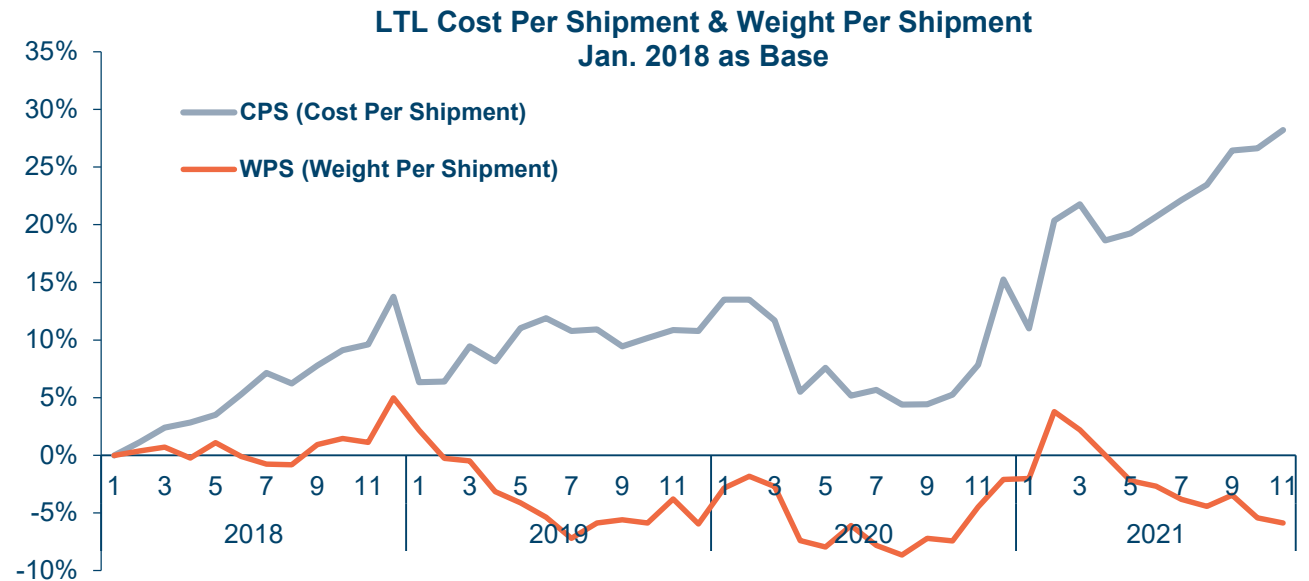
Year	Q1	Q2	Q3	Q4
2019	4.0%	3.1%	2.0%	4.8%
2020	1.8%	(0.6%)	3.3%	7.8%
2021	9.6%	15.4%	17.2%	25.0%
2022	28.2%			

Jan. 2018 = Base, Q1:2022 forecasted

LTL

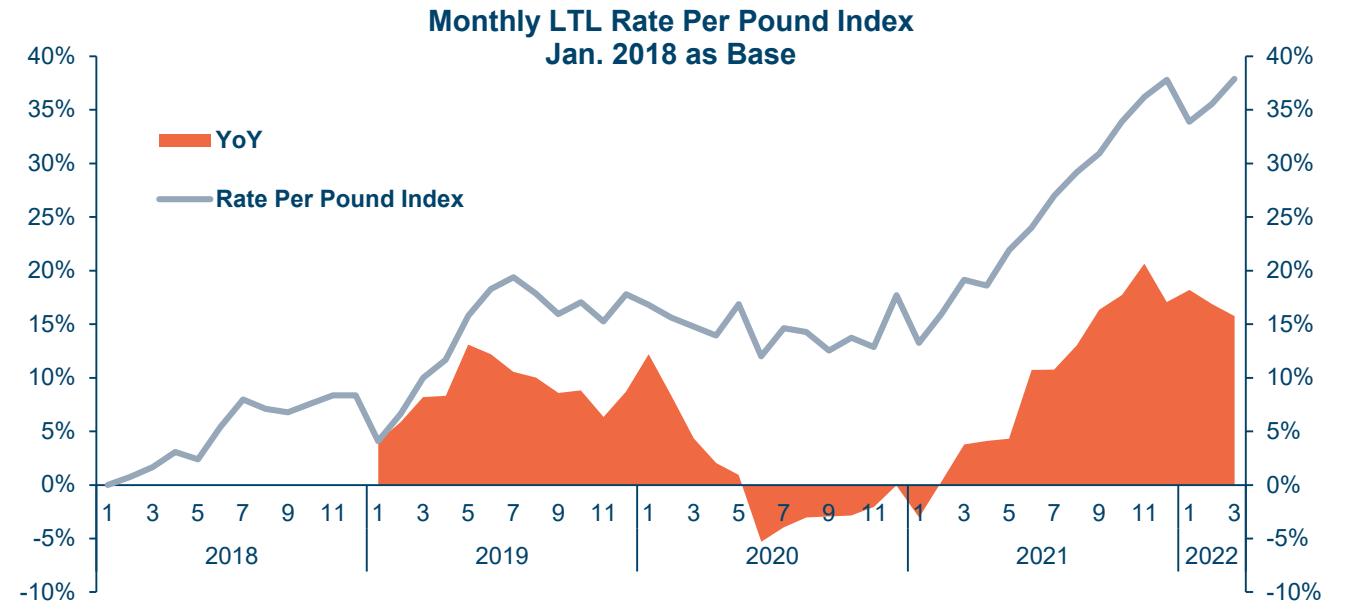
Despite the decline in shipment weight in 2021, LTL carriers raised rates at unprecedented levels, including higher fuel, accessorial charges and linehaul.

- Cost Per Shipment was highly correlated with Weight Per Shipment until Q2:2021. Since then, there has been a divergence between the two.
- In Q4:2021, the divergence grew more pronounced.
 - Crude oil price increases caused LTL fuel surcharge to increase by 12.4% in Q4 vs Q3.
 - Carriers have implemented GRIs and extreme increases on punitive assessorial charges, especially on Excessive Length.
- LTL rates are expected to remain high due to:
 - Significant barriers to entry and consolidation resulting in the top 10 carriers now controlling over 70% of all LTL freight.
 - Continued labor shortages and increased demand leading to capacity constraints.
 - Central Freight Lines ceasing operations in Dec. 2021 exacerbated the capacity shortage in the LTL market.



The Q1:2022 Cowen/AFS LTL Freight Index is expected to stay relatively level with Q4:2021, at 35.8% against the Jan. 2018 baseline.

- 2021 represented a clear turning point in the Cowen/AFS LTL Freight Index, from a slightly decreasing trend to a steep increasing one.
 - This is driven by market conditions, labor shortages and carrier rate hikes.
- LTL rates are expected to decline slightly in January and then increase through March, resulting in the Q1:2022 Index of 35.8%, similar to that of Q4:2021.
 - Closure of Central Freight Lines may show material impact in Q1:2022, levying upward pressure on rates.
- Actual Rate Per Pound for Q4:2021 is 3% higher than previously forecasted, largely driven by the impact of drastic fuel increases, oversized GRIs and punitive accessorial changes.



LTL Rate Per Pound Freight Index

Year	Q1	Q2	Q3	Q4
2019	6.9%	15.2%	17.8%	16.7%
2020	15.7%	14.1%	13.8%	14.6%
2021	16.4%	21.5%	29.1%	35.9%
2022	35.8%			

Jan. 2018 = Base, Q1:2022 forecasted

Parcel

Both FedEx and UPS announced the highest ever net General Rate Increase (GRI) for 2022, the expected net impact to parcel shippers will be 9.2%.

- Over the last 20 years, FedEx and UPS have created an industry practice of an annual GRI.
- For 2022, both carriers announced a “headline” increase in list rates of 5.9% (Fig. 1).
 - Additionally, fuel surcharge tables were adjusted in November, effectively increasing fuel surcharge by 1% (UPS) and 1.75% (FedEx).
 - Extra costs were introduced to the shipper through Delivery Area, Residential Delivery, Additional Handling, and Peak Surcharges.
- Market intelligence indicates carriers are leveraging the tight pricing environment by cherry-picking volumes and exerting pricing controls to optimize client/package mix.
- Another distinct trend is the increase in residential volume over time for both Express and Ground (Fig. 2).
 - Currently moderating from 2020 levels, but likely to revise upward.
 - Residential now accounts for almost 30% of total shipments in 2021, a 32% change compared to 2018.

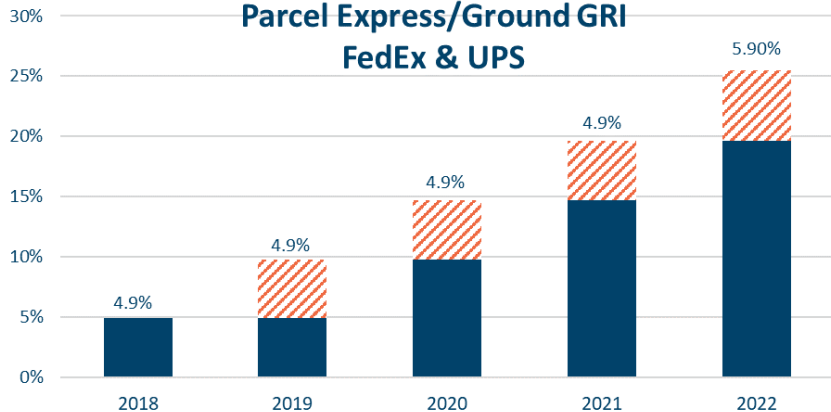


Fig. 1

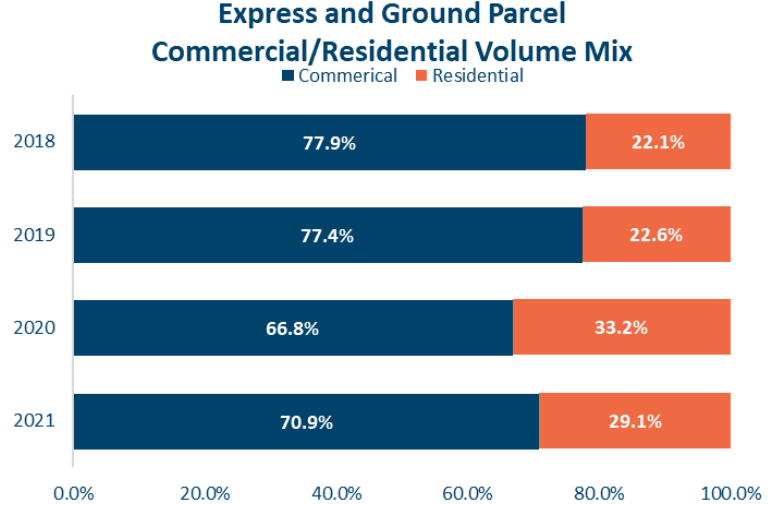
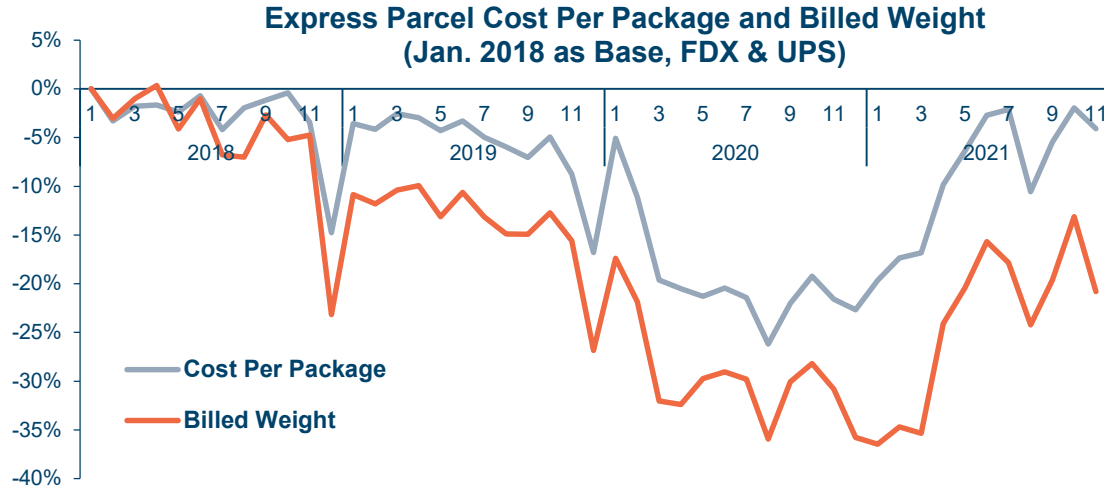


Fig. 2

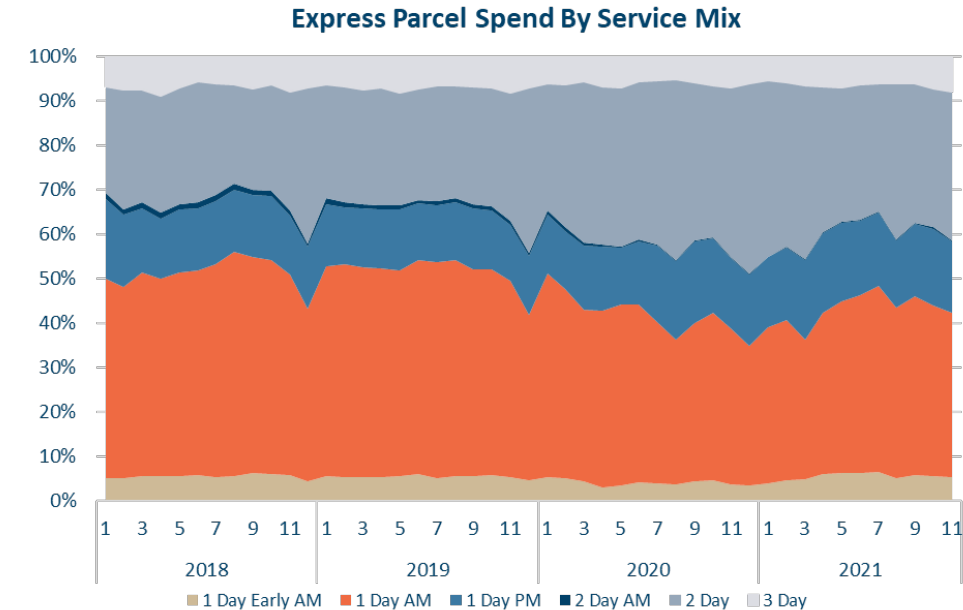


Express Parcel

The long-term decrease in the Express Parcel Rate Per Package was reversed in 2021; weight and service mix improvements drove the increase in Express Parcel Rates.



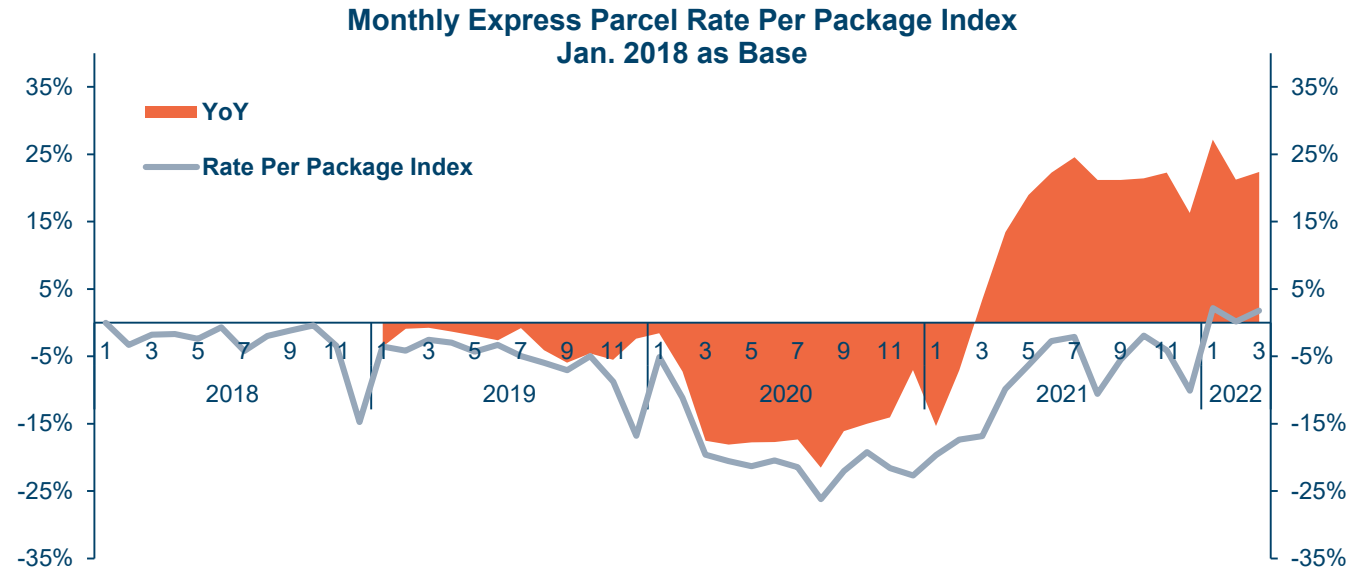
- FedEx and UPS both leveraged revenue management tactics to implement higher surcharges during the holiday peak in Q4:2021, thus increasing the Cost Per Package for Express Parcel.



- As the GRIs come into effect each January, rates per package tend to increase.
- In 2021, Express Parcel rates increased exponentially as the Billed Weight Per Package increased, driven by:
 - The increase in actual package weight.
 - Tighter carrier pricing policies.
 - The increase in mix of premium services.
 - The 94.4% increase YOY in net effective fuel surcharge.

The Cowen/AFS Express Parcel Freight Index is expected to climb up to 1.4% in Q1:2022, a drastic increase from mid-2020 -- representing the highest Express Parcel rates since January 2018.

- The Cowen/AFS Express Parcel Freight Index shows a declining trend since 2018, indicating the carrier rate increases had been negotiated away until 2021.
 - Prior market conditions caused the carriers to focus on volume rather than yield (Rate Per Package).
- Since the inflection point in 2021, Express Parcel rates have steadily increased.
- Although holiday shipping resulted in the customary seasonal decline of Express Parcel Rate Per Package, the magnitude of the decrease was below historical levels.
- With the 2022 GRIs and carrier fuel surcharge increases, Express Parcel Index is forecasted to be 1.4% in Q1:2022 -- essentially returning the express parcel industry back to 2018 rate levels.



Express Parcel Rate Per Package Freight Index

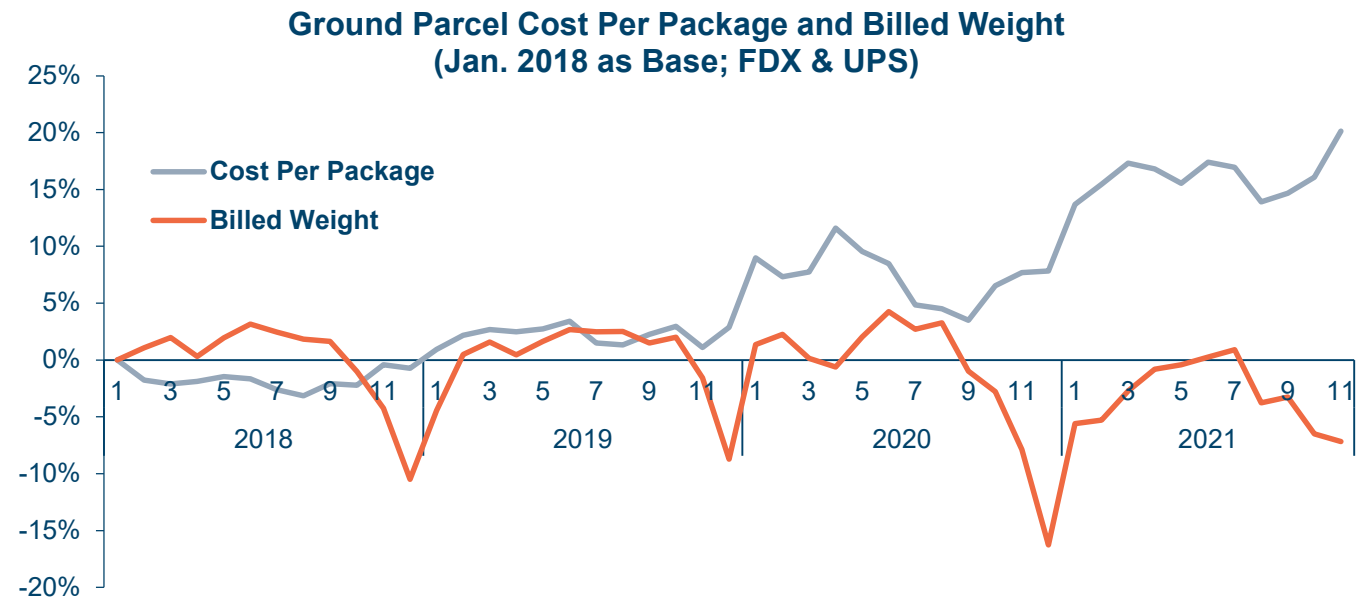
Year	Q1	Q2	Q3	Q4
2019	(3.4%)	(3.5%)	(6.0%)	(10.6%)
2020	(12.4%)	(20.7%)	(23.3%)	(21.3%)
2021	(18.0%)	(6.3%)	(6.5%)	(5.5%)
2022	1.4%			

Jan. 2018 = Base, Q1:2022 forecasted

Ground Parcel

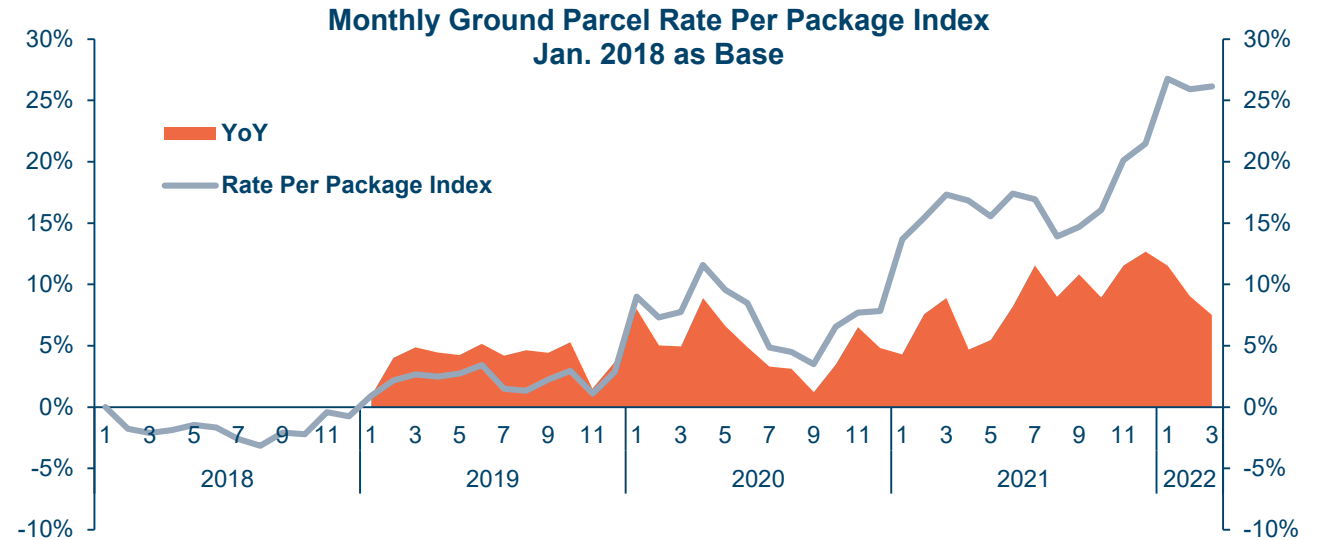
Ground Parcel Rates are closely correlated with Billed Weight Per Package, however the seasonal divergence of the two factors became more prominent in 2021.

- Ground Parcel rates had a more pronounced increase since 2019, indicating better retention of Ground GRIs.
- Similar to Express Parcel, there was a steep drop in the average Billed Weight Per Package during each holiday season. But unlike Express Parcel, Ground Parcel rates increased over time since 2018.
- In Q4:2021, the increase in Ground Parcel Rate Per Package is more distinct due to:
 - Increase in mix of residential shipments.
 - Peak surcharges.
 - Increase in fuel surcharge.
 - Tighter pricing controls.



Starting in 2019, the Cowen/AFS Ground Parcel Freight Index continued to increase; it is expected to reach an all-time high of 26.3% in Q1:2022.

- Capacity remained problematic, with carriers mandating caps on daily volume and implementing early peak surcharges in Q4:2021.
- With both carriers' fuel surcharge increases and peak surcharges, Q4:2021 Ground Parcel rates were higher than previously predicted by 2.3 percentage points.
 - The QOQ net effective fuel surcharge increase was 14.4% in Q4:2021.
 - The YOY fuel surcharge increase was 33.4% in 2021.
- The combined impact of GRI actions and fuel surcharge increase will push the Cowen/AFS Ground Parcel Freight Index to an all-time high of 26.3% in Q1:2022.



Ground Parcel Rate Per Package Freight Index

Year	Q1	Q2	Q3	Q4
2019	1.9%	2.9%	1.7%	2.4%
2020	8.0%	9.8%	4.3%	7.4%
2021	15.6%	16.6%	15.1%	19.2%
2022	26.3%			

Jan. 2018 = Base, Q1:2022 forecasted

Appendix



AFS is one of the most experienced 3PLs in the country, pioneering the space 40 years ago, enabling us to save our clients \$178M.

Founded 1982 **3** **Core Values**
• Ethics
• Engagement
• Excellence

7 **Locations with Teammates** **350+** **21** **Acquisitions**

More than
1,700 **in** **35**
Clients **Countries**

Average
Client Tenure
11.7
Years

>300M
Freight Bills Paid Annually

\$10B
Freight Audit & Pay

Payment in
17
Currencies

\$178,000,000
Saved for our Clients Annually

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AFS Logistics helps more than 1,700 companies across more than 35 countries drive sustained savings, while turning their supply chains into competitive, customer-centric differentiators. The AFS portfolio of services features Audit, Parcel, LTL and Transportation Management, which includes Freight Brokerage and Freight Forwarding. Employing a team of more than 350 logistics teammates in seven U.S. locations, the company is regularly part of the Inc. 5000 list of fastest growing companies. AFS was founded in 1982 and its corporate headquarters are in Shreveport, Louisiana.

To learn more, visit www.afs.net.