

Cowen/AFS Freight Index

April 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.



\$11B

- AFS has over \$11B in transportation spend across multiple modes flowing into our systems annually creating maximum visibility.



1,800+

- The freight data comes from over 1,800 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.



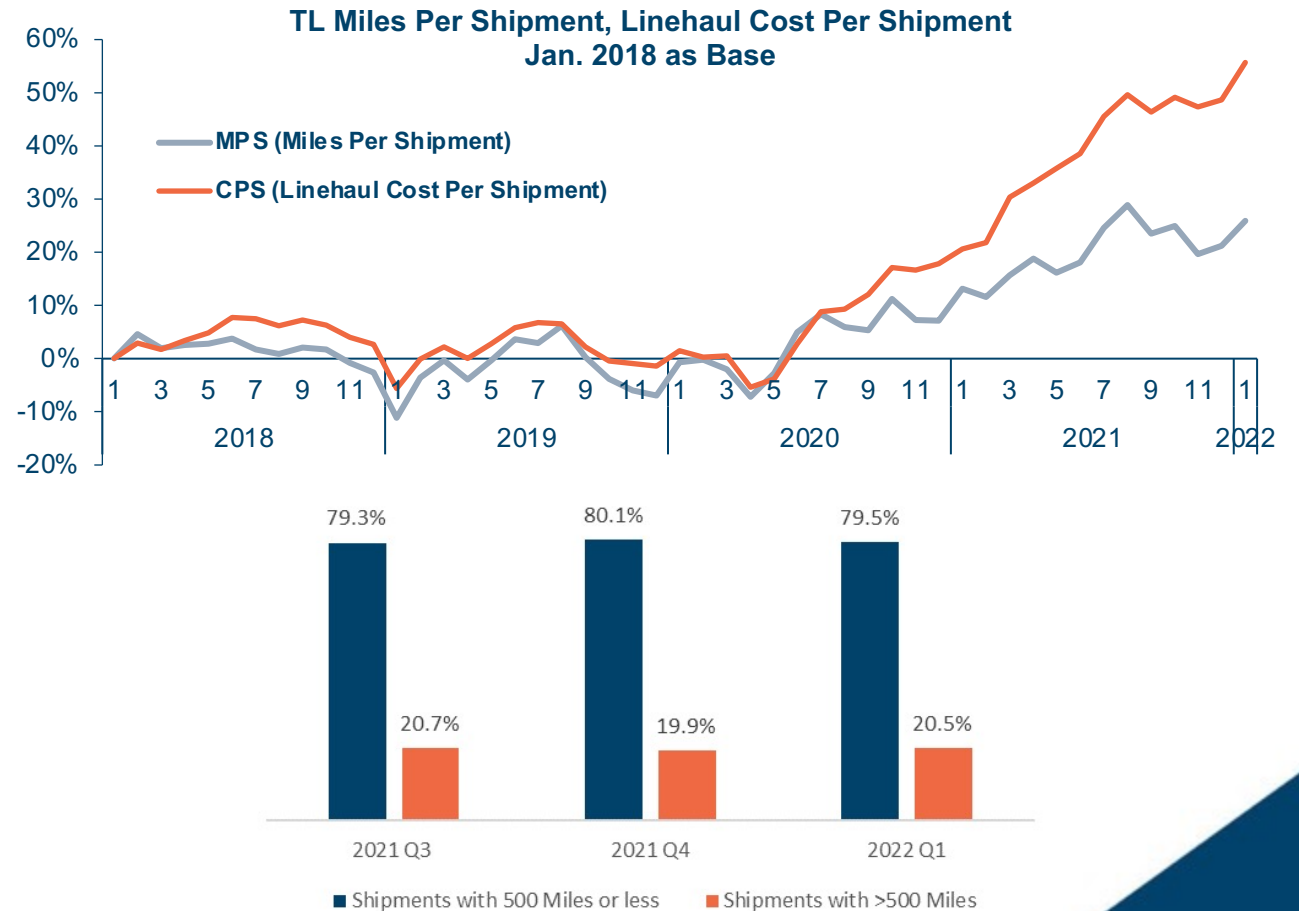
**Truckload
LTL
Parcel**

- 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

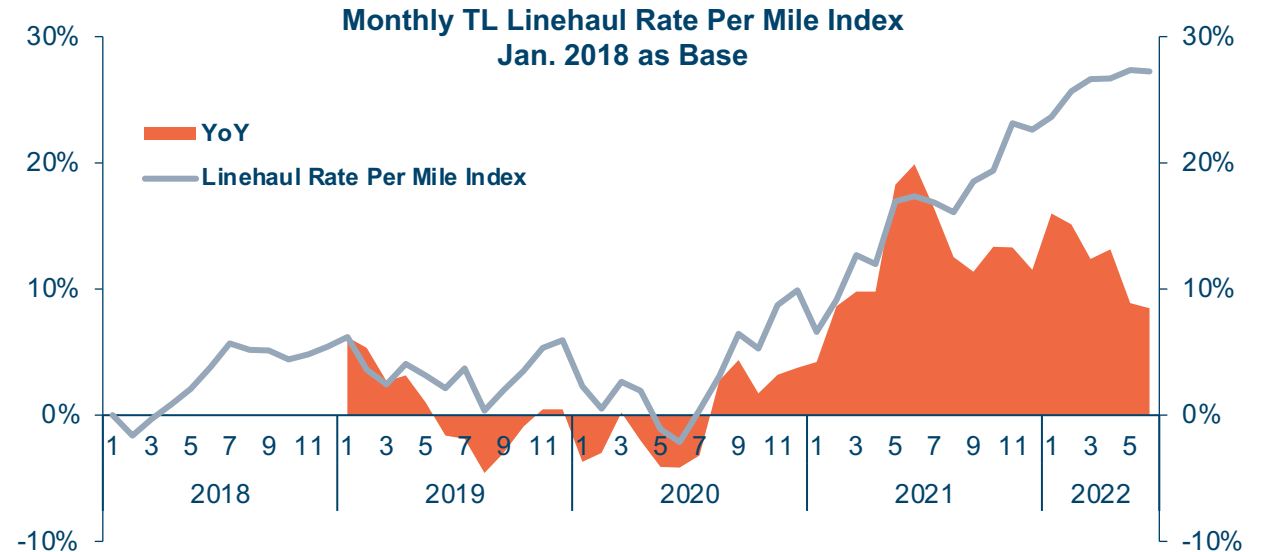
Truckload (TL) rates trended upward in 2021 but flattened in Q4:2021 and Q1:2022 data indicates Cost Per Shipment increases continued.

- The observed correlation between price (Linehaul Cost Per Shipment) and distance (Miles Per Shipment) remained strong to date.
- The mix of long-haul shipments (>500 miles) showed recovery in Q1:2022.
 - Overall MPS showed a quarter over quarter (QOQ) increase of 3.2%.
- Linehaul Cost Per Shipment continued the upward trend established since mid 2020.
 - Although the last two quarters of 2021 showed stagnant rates, market conditions pushed Q1:2022 rates to a higher level.
 - TL demand for 2021 was strong, YOY shipments went up by 9.4%. Early 2022 data indicates softer demand compared to 2021.
 - However, driver shortage and higher labor cost contributed to higher Q1:2022 CPS.



TL Rate Per Mile will continue to increase at a slower rate compared to 2021 – the Cowen/AFS Truckload Freight Index will reach 27.1% in Q2:2022.

- The steady increase of the TL Rate Per Mile Index since mid-2020 is slowing down.
 - Forecasted demand growth is not as robust as 2021.
- The growth rate for the Index has moderated in Q1:2022 as forecast.
 - It will plateau at 27.1% in Q2:2022.
 - Rate Per Mile Index growth rate will not be as high in Q2:2022 as it has been in prior quarters.



Composite Truckload Rate Per Mile Freight Index

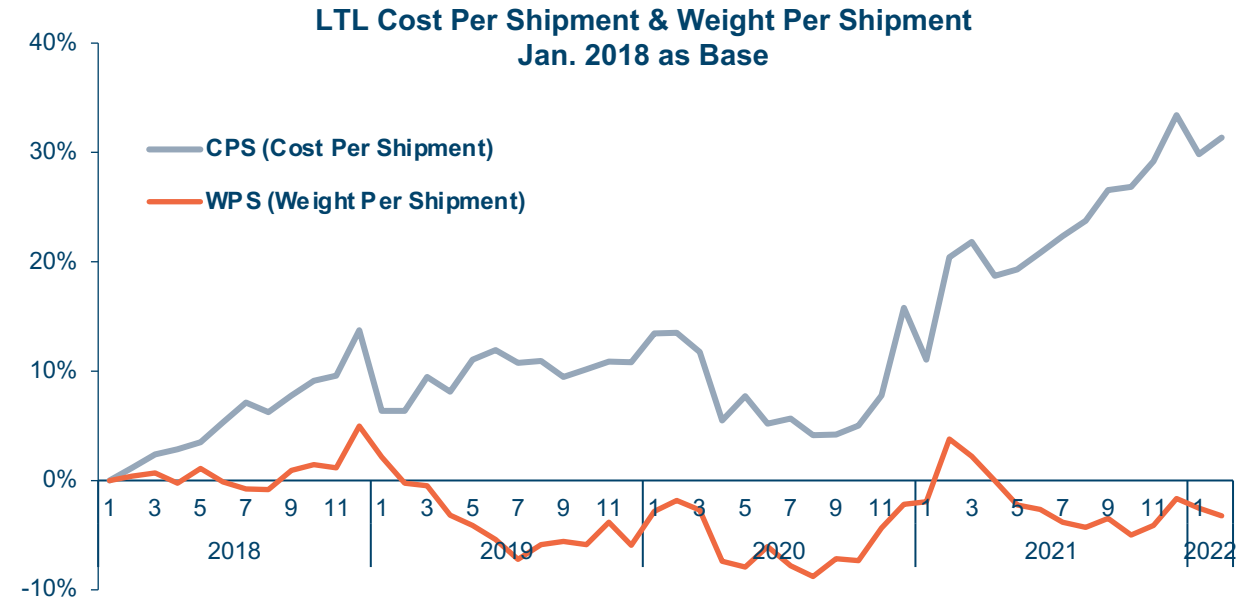
Year	Q1	Q2	Q3	Q4
2019	4.0%	3.1%	2.0%	4.8%
2020	1.8%	(0.6%)	3.3%	7.8%
2021	9.7%	15.4%	17.1%	21.6%
2022	25.2%	27.1%		

Jan. 2018 = Base, Q2:2022 forecasted

LTL

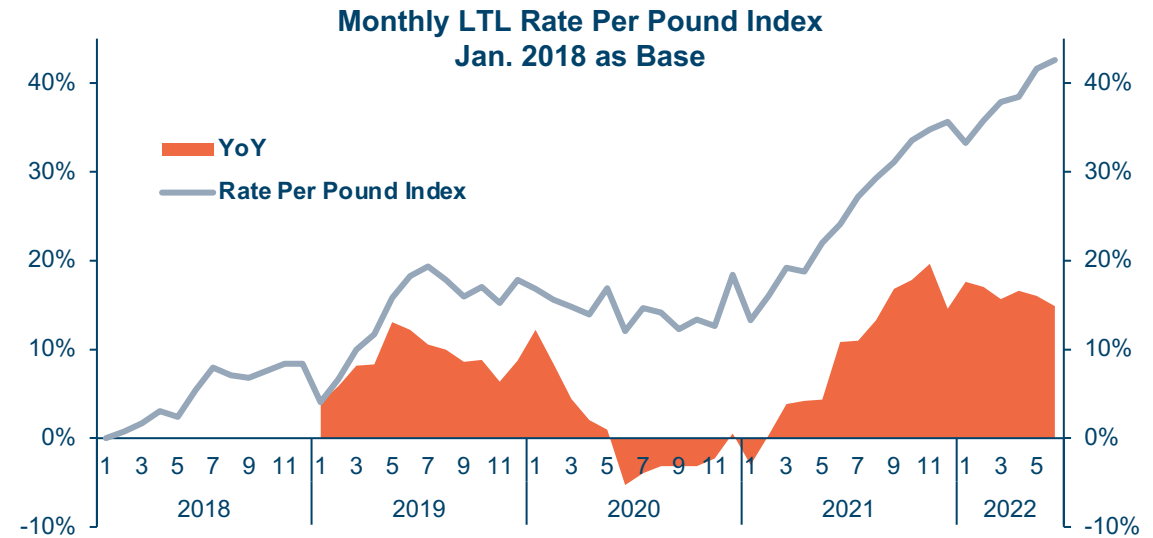
Average LTL shipment weight continued to track below the 2018 baseline, yet LTL Cost Per Shipment grew by 0.9% QOQ – fuel was a distinctive driver.

- The divergence between Cost Per Shipment and Weight Per Shipment for LTL has widened since Q1:2021. Cost continued to increase despite the decline in average shipment weight.
- Disrupted global oil supply and continued high demand resulted in LTL carriers adjusting fuel surcharge tables, causing fuel-related costs to increase drastically in Q1:2022.
 - Among major LTL carriers, the average fuel surcharge increased from 28.3% in Q4:2021 to 42.1% in March.
- LTL rates are expected to increase due to capacity constraints, firm pricing policies, and higher accessorial and fuel charges.



The Q2:2022 Cowen/AFS LTL Freight Index is expected to reach an all-time high of 40.9% against the January 2018 baseline or a 4.0% QOQ increase.

- LTL Rate Per Pound continued its steep increase into 2022.
 - As expected, after a seasonal dip in January, the rate quickly reverted back to the prior trajectory.
- The Cowen/AFS LTL Freight Index predicts even higher LTL rates in Q2:2022 with the Index reaching 40.9%.
 - Shippers should expect no immediate relief due to the current macroeconomic situation.
- With LTL rates reaching historic highs, shippers have begun to explore alternatives to manage freight spend including:
 - Shipment consolidation
 - Multi-stop truckload
 - Additional warehousing solutions



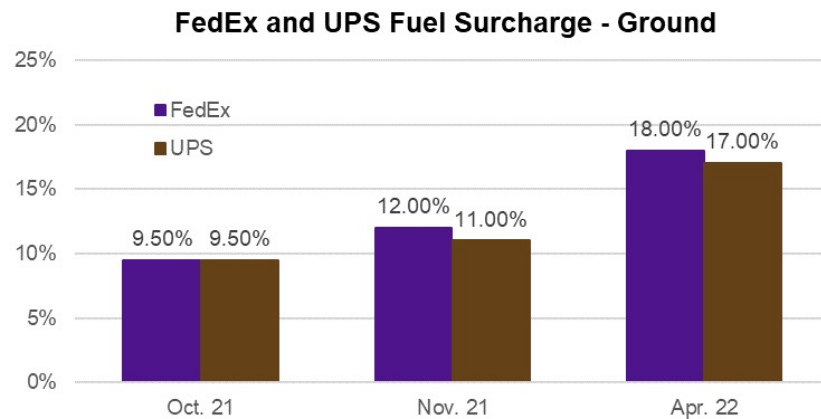
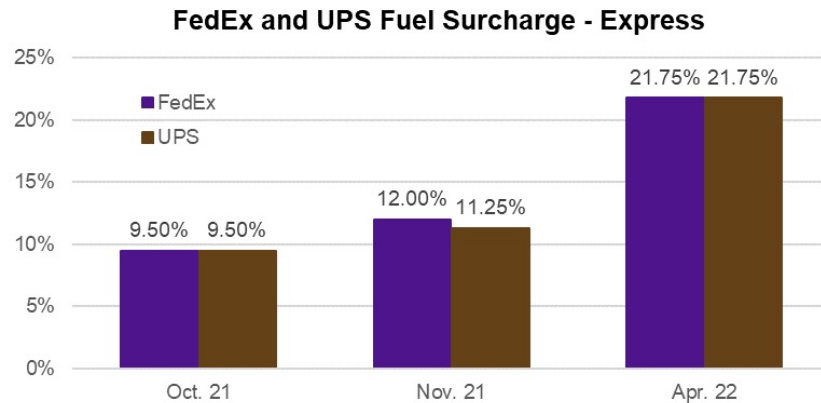
LTL Rate Per Pound Freight Index

Year	Q1	Q2	Q3	Q4
2019	6.9%	15.2%	17.8%	16.7%
2020	15.7%	14.1%	13.7%	14.9%
2021	16.4%	21.6%	29.2%	34.6%
2022	35.4%	40.9%		

Jan. 2018 = Base, Q2:2022 forecasted

Parcel

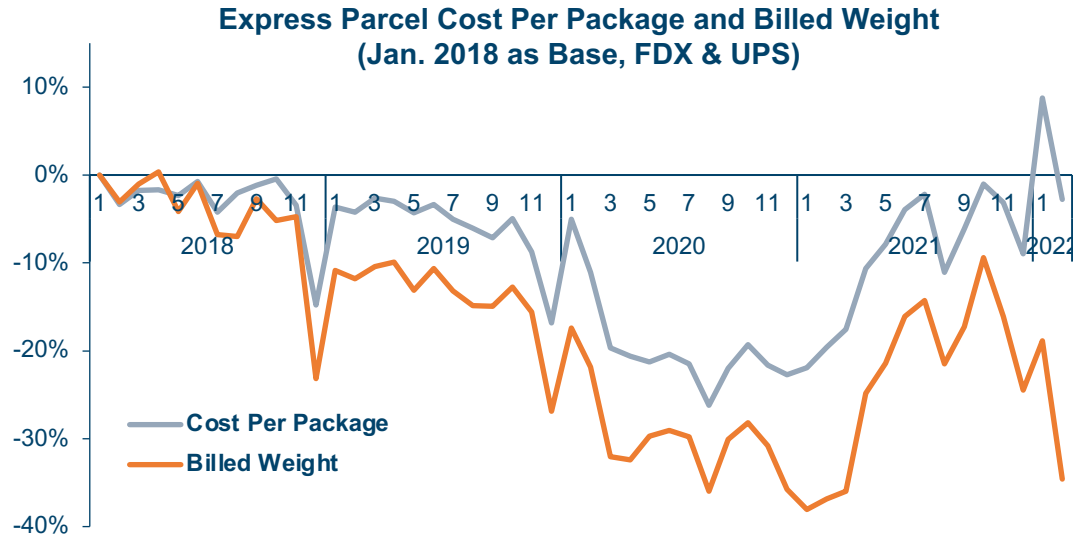
Both FedEx and UPS recently made changes related to fuel; with these changes, fuel surcharges have increased by 129% for Express Parcel and 89% for Ground Parcel.



- Both FedEx and UPS raised fuel surcharge (FSC) in November 2021, by 1.75% and 1% respectively.
- Effective April 4, 2022, FedEx FSC took another 1.75% increase.
- UPS reduced the lag time in its FSC adjustments from two weeks to one week in order to capture the volatility of fuel cost more rapidly and also added another 1.75% FSC, effective April 11.
- FSC levels are driven by the USGC Kerosene-type Jet Fuel rates for Express Parcel and On-Highway Diesel Fuel prices for Ground Parcel.
 - Current FSC for both carriers' Express Parcel shipments more than doubled when comparing April 2022 to October 2021.
 - Ground Parcel FSC went up by 89% and 79% for FedEx and UPS respectively.
 - Both FSC increases outpaced the increase in the corresponding indices.

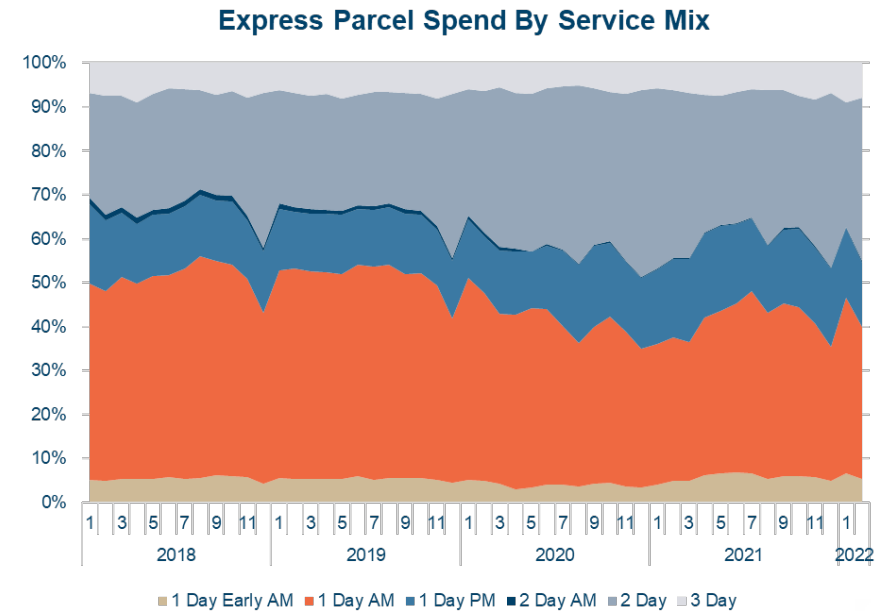
Express Parcel

Driven by a record high GRI, accessorial increases and elevated fuel surcharges, Express Parcel saw a QOQ increase of 5.8% in Q1:2022.



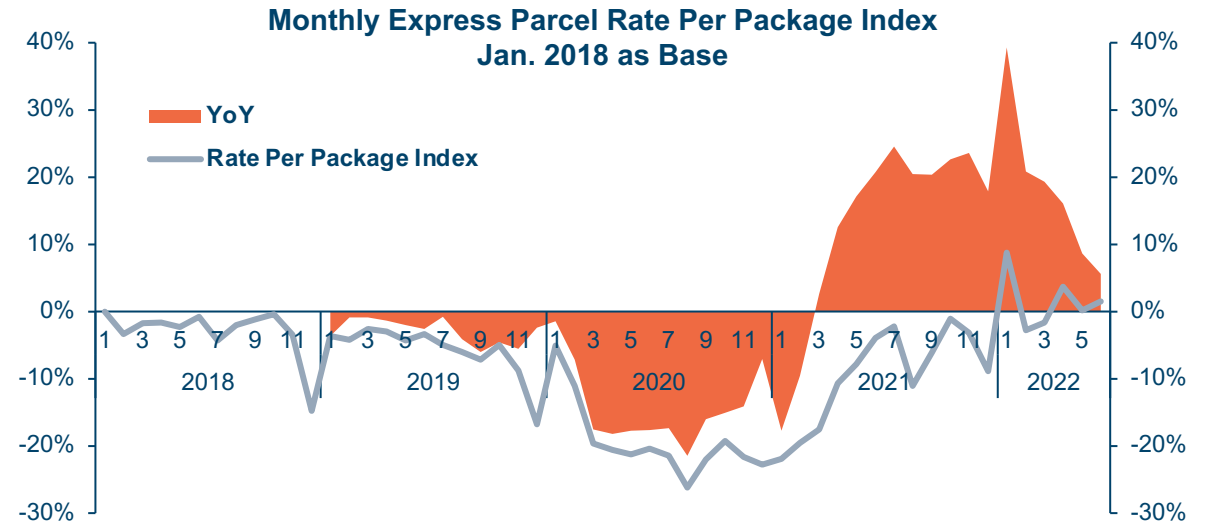
- As the GRI went into effect, overall Parcel Express rates have increased significantly QOQ.
 - Along with package mix and service mix changes, January Cost Per Package peaked, when comparing to December 2021.
- The correlation between Express Parcel Cost Per Package and Billed Weight Per Package remained strong. GRI levied a more dominant impact on Cost Per Package while billed weight fluctuated in Q1:2022.

- Express Parcel net effective fuel surcharge increased by 24.7% QOQ in Q1:2022.
- There was a typical seasonal decline in the premium service mix in Q4:2021. The mix has rebounded in Q1:2022; pushing overall Express Parcel rates upward.



The Cowen/AFS Express Parcel Freight Index is expected to increase to 1.8% in Q2:2022, representing the highest quarterly Express Parcel rates since January 2018.

- Since the inflection point in 2021, Express Parcel Freight Index has steadily increased.
- GRIs drove a sharp increase in the Parcel Express rates in January, but since then weight decline brought the average Rate Per Package to a more moderate level.
- With incremental carrier fuel surcharge increases, Express Parcel Freight Index is forecasted to be 1.8% in Q2:2022 – staying above the 2018 baseline level.
- The YOY change of the Index is expected to decline in Q2:2022.



Express Parcel Rate Per Package Freight Index

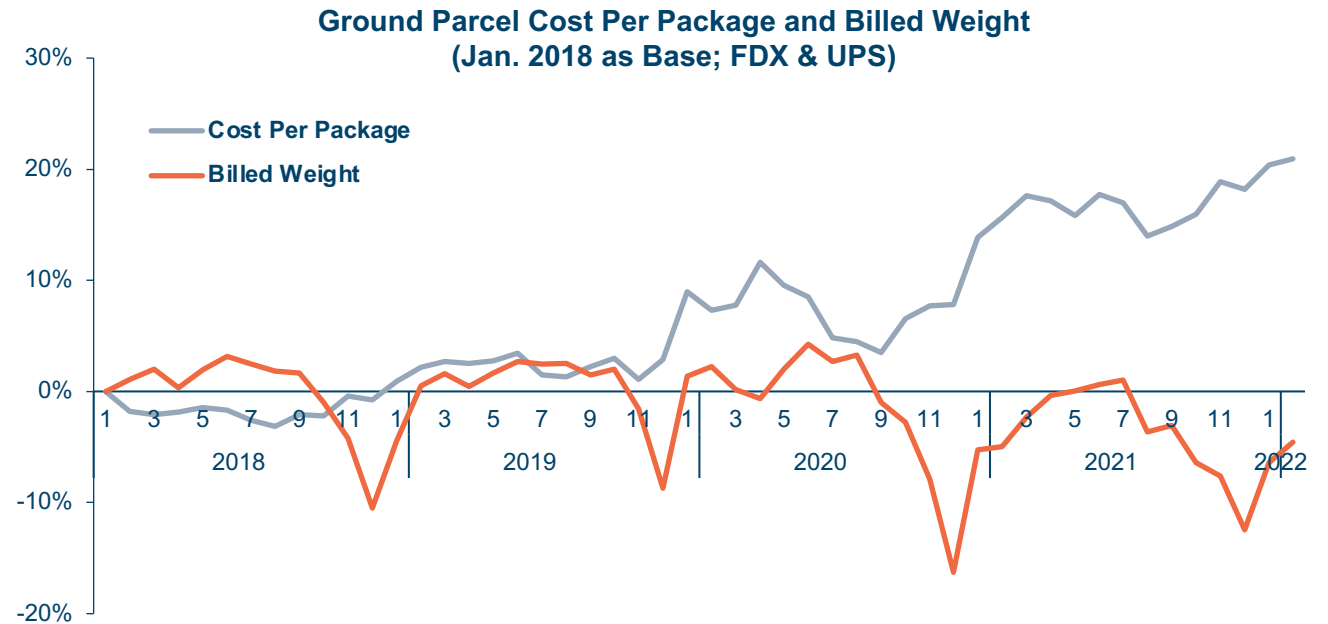
Year	Q1	Q2	Q3	Q4
2019	(3.5%)	(3.6%)	(6.1%)	(10.7%)
2020	(12.4%)	(20.8%)	(23.3%)	(21.3%)
2021	(19.7%)	(6.9%)	(6.9%)	(4.7%)
2022	0.8%	1.8%		

Jan. 2018 = Base, Q2:2022 forecasted

Ground Parcel

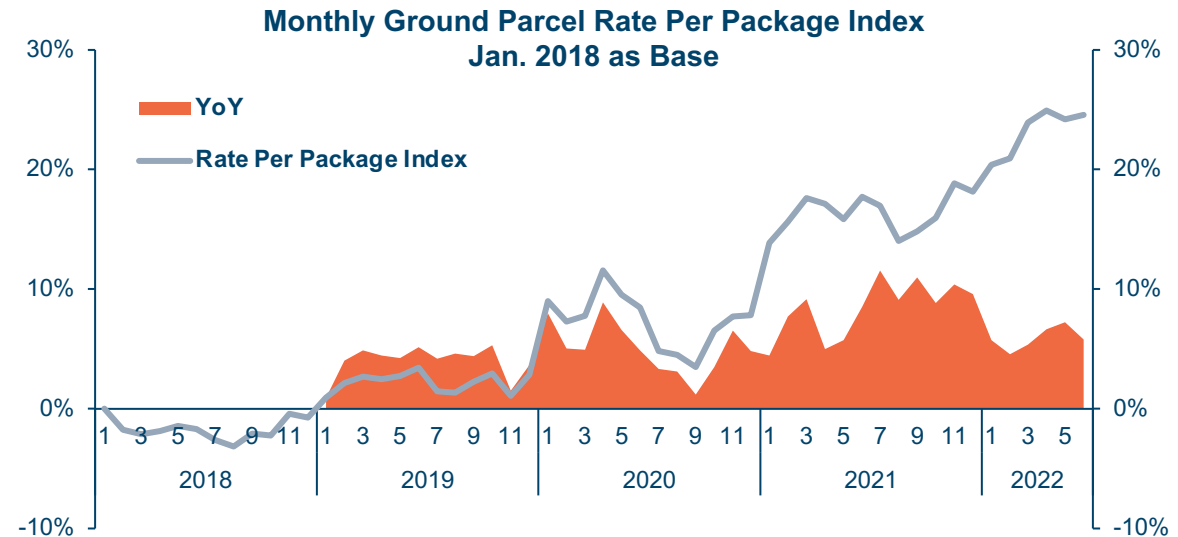
Ground Parcel Rates are once again closely correlated with Billed Weight Per Package with Q1:2022 finally ending the prolonged divergence since Q3:2021.

- Despite the longer-than-usual decline in the second half of 2021, Billed Weight rebounded in Q1:2022.
- Ground Parcel Cost Per Package continued to increase through Q1:2022.
 - QOQ Cost Per Package went up by 3.5%, driven by higher GRI and fuel surcharge, but a lower accessorial charge per package compared to Q4:2021.
 - Average discount level stayed fairly stable in Q1:2022.



The Cowen/AFS Ground Parcel Freight Index continued to increase; it is expected to reach an all-time high of 24.6% for Q2:2022.

- Both parcel carriers continue to use fuel surcharges as a weapon to increase Ground Parcel rates. As a result, the net fuel surcharge will be the major driver to the ever-rising per package cost.
 - The QOQ net effective fuel surcharge increase was 17% in Q1:2022.
 - The YOY fuel surcharge increase was 70% in Q1:2022.
- The Cowen/AFS Ground Parcel Freight Index will hit an all-time high of 24.6% for Q2:2022.
 - The latest increase on FSC was first announced by FedEx.
 - UPS seized the opportunity and matched the FedEx increase one week later.



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	15.8%	16.9%	15.2%	17.7%
2022	21.8%	24.6%		

Jan. 2018 = Base, Q2:2022 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 \$183M.

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

8 **Locations with Teammates** **380+** **22** **Acquisitions**

More than 1,800 **in 35**
Clients **Countries**

Average Client Tenure
11.7
Years

>300M
Freight Bills Paid Annually

\$11B
Freight Audit & Pay

Payment in
17
Currencies

\$183,000,000
Saved for our Clients Annually

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AFS Logistics helps more than 1,800 companies across more than 35 countries drive sustained savings and operational improvements, while turning their logistics operations into competitive, customer-centric differentiators. As a non-asset based and non-asset biased 3PL, AFS provides a range of logistics services, featuring freight and parcel audit, parcel cost management, LTL cost management and transportation management, which includes freight brokerage and freight forwarding. Founded in 1982 and employing a team of more than 380 logistics teammates in eight major locations across the U.S. and Canada, AFS is regularly part of the Inc. 5000 list of fastest growing companies.

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