

Cowen/AFS Freight Index

January 2023



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.



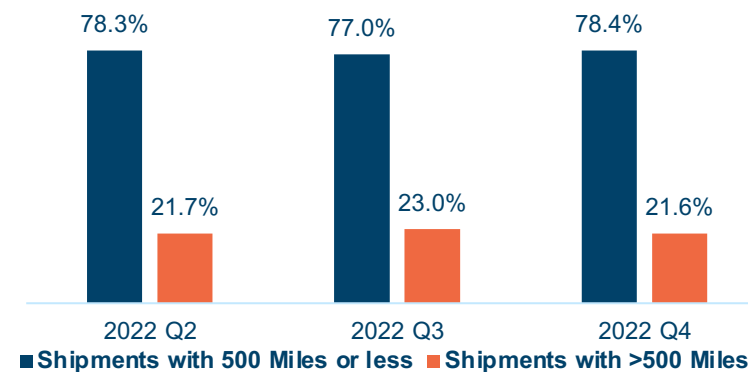
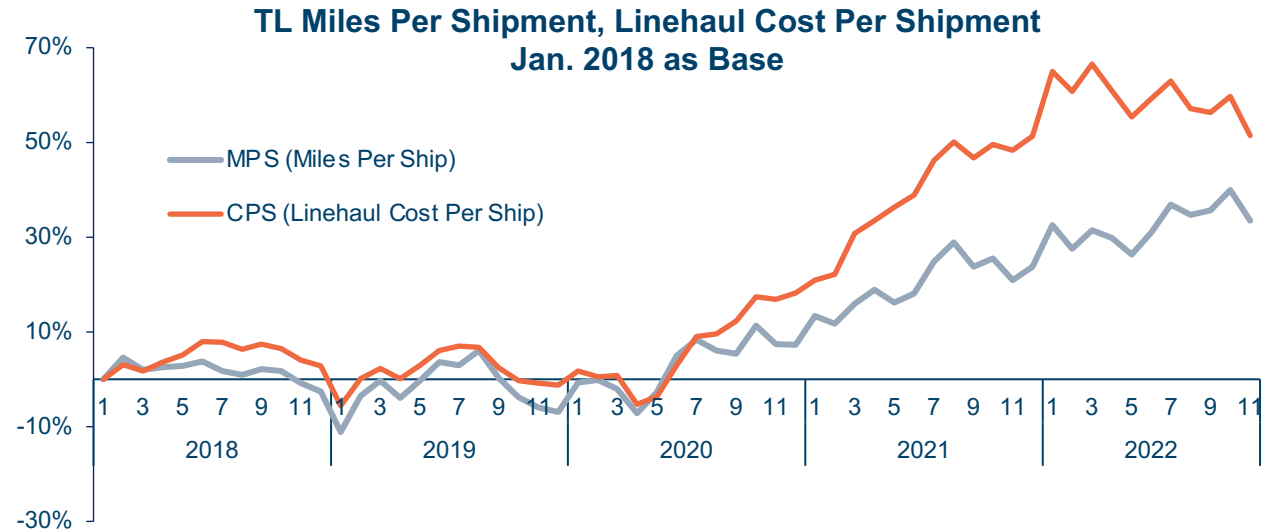
**Truckload
LTL
Parcel**

- 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

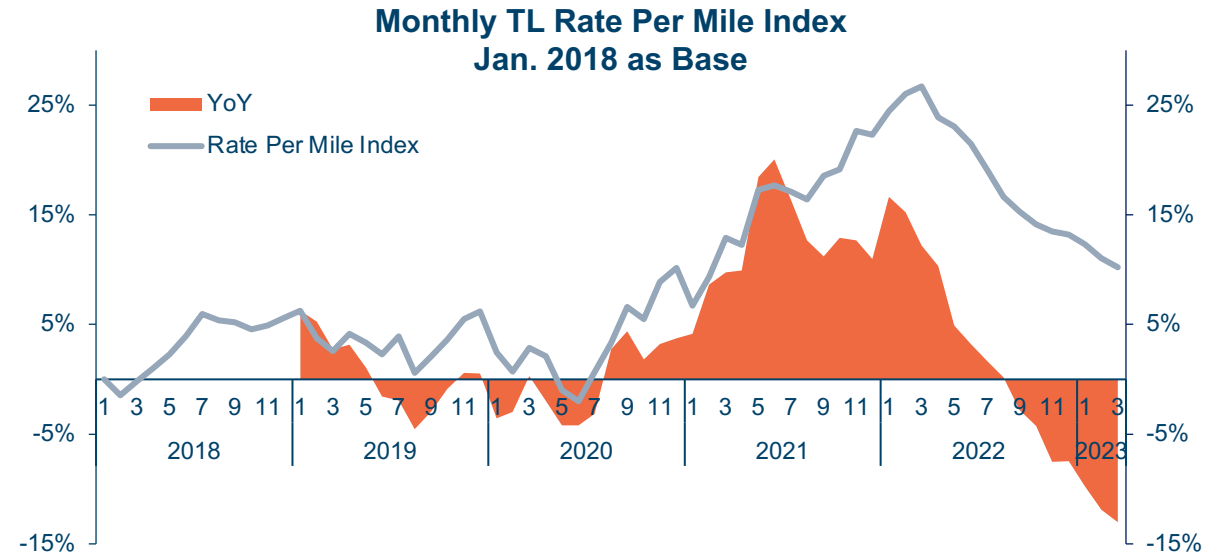
The demand for Truckload (TL) continued to soften with volume declines of 13.7% YOY, however Linehaul Cost Per Shipment was 1.5% higher YOY in Q4:2022.

- The price (Linehaul Cost Per Shipment) and distance (Miles Per Shipment) correlation remained strong through Q4:2022.
- Linehaul Cost Per Shipment in Q4:2022 continued its downward trend that began with the March 2022 peak pricing.
 - TL Linehaul Cost Per Shipment showed a QOQ decline of 4.2%.
 - As forecasted in Q3:2022, the pace of TL Linehaul Cost Per Shipment YOY increase continued to decline; shrinking to 1.5% in Q4:2022.
- The mix of short-haul shipments increased by 1.4 to 78.4% in Q4:2022, contributing to the QOQ Cost Per Shipment decrease.
 - Overall Miles Per Shipment showed a QOQ decline of 2.5%.



2022 witnessed a continued declining trend in TL Rate Per Mile and 2023 continues that trend with the Cowen/AFS Truckload Freight Index expected to be 11.2% in Q1:2023, a YOY decrease of 11.6%.

- As a result of macroeconomic conditions, the TL Rate Per Mile Index is expected to decline in Q1:2023.
 - After seven interest rate hikes since March 2022, Q4:2022 inflation returned to early 2022 levels making equipment financing more challenging and destroying economic demand.
 - The Federal Reserve signaled to a similar strategy on interest rates to curb inflation in 2023.
- Erasing almost all gains accumulated since Q2:2021, the forecasted index of 11.2% for Q1:2023 is 2.1% below Q4:2022 level.
- With inflation-driven cost increases, relatively high fuel costs and shipper pricing power, 2023 is likely to be a tough year for TL carriers' profitability.



Composite Truckload Rate Per Mile Freight Index

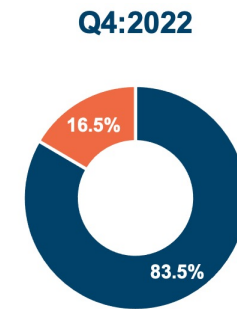
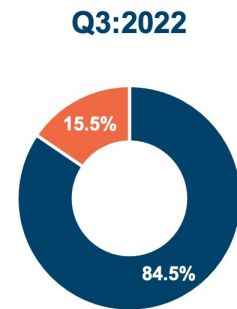
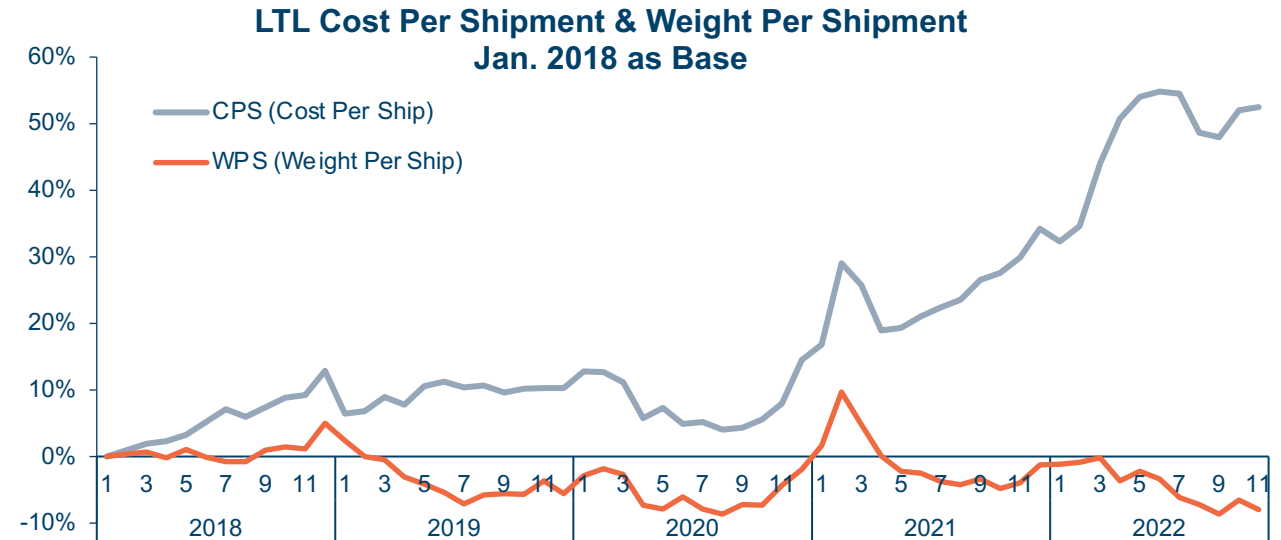
Year	Q1	Q2	Q3	Q4
2020	2.0%	(0.4%)	3.5%	8.0%
2021	9.9%	15.7%	17.3%	21.3%
2022	25.8%	22.8%	17.0%	13.6%
2023	11.2%			

Jan. 2018 = Base, Q1:2023 forecasted

LTL

LTL Cost Per Shipment had a slight increase of 1.3% QOQ representing a YOY change of 16.7%.

- Despite a brief narrowing in Q3:2022, the divergence between Cost Per Shipment and Weight Per Shipment for LTL expanded in Q4:2022.
 - Weight Per Shipment stayed flat QOQ, but Cost Per shipment increased by 1.3%.
 - Despite a slight decrease in the average carrier fuel surcharge in Q4:2022, average accessorial charges per shipment increased by 4.9% QOQ.
 - Compared to Q3:2022, the share of shipments that were higher than Class 85 increased by 1% in Q4:2022, contributing to the increase of Cost Per Shipment.

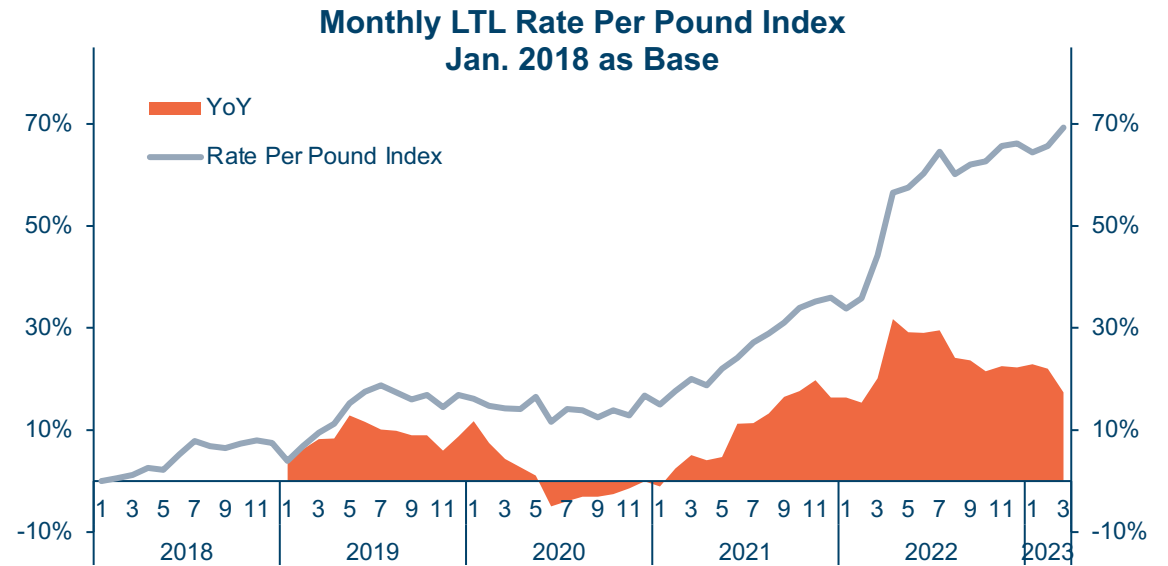


■ Class 85 and below shipments
■ Higher than Class 85 shipments

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■ Higher than Class 85 shipments

The Q1:2023 Cowen/AFS LTL Freight Index is expected to reach 66.5%, a 1.1% increase QOQ and 20.4% increase YOY.

- The Cowen/AFS LTL Freight Index is forecasted to be 66.5% for Q1:2023, reaching a new historic high.
 - LTL Carriers' General Rate Increases (ranging 4.9% to 7.9%) became effective in January 2023, exerting upward pressure on rates.
 - Rate Per Pound growth is expected to slow down to a moderate level, yet the YOY increase will remain high until Q2:2023.
 - Although lower than peak levels in Q2:2022, the LTL fuel surcharge is expected to stay at a relatively high level.
- Current market conditions are more favorable to shippers for rate negotiations, potentially providing relief to extended rate hikes in the last few quarters.



LTL Rate Per Pound Freight Index

Year	Q1	Q2	Q3	Q4
2020	15.1%	13.9%	13.5%	14.3%
2021	17.7%	21.6%	29.1%	35.0%
2022	38.3%	58.1%	62.2%	64.7%
2023	66.5%			

Jan. 2018 = Base, Q1:2023 forecasted

Parcel

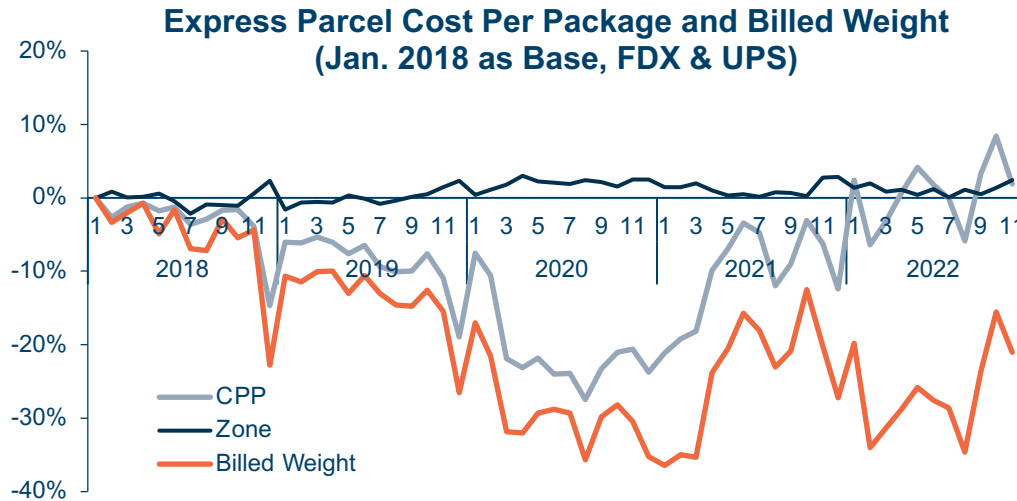
2023 GRIs from FedEx and UPS are now in effect and are very similar, with no material differences between the two carriers.

- In 2023, FedEx and UPS list rate differentials remain minimal across services, with the exception of 3 Day service.
- Both carriers will increase their Late Payment Fee from 6% to 8% in 2023.
- Both carriers announced similar changes to an extensive list of surcharges.
- UPS implemented a Remote Area Surcharge in 2022, FedEx followed suit in 2023 with a DAS Remote Residential/Commercial surcharge.
- Both carriers will continue charging Peak/Demand surcharges beyond the holiday season:
 - “Peak” (Demand) surcharges are now applied 365 days per year for UPS.
 - “Peak” surcharges were applied 131 days for FedEx in 2022 but will change to 365 days in 2023.

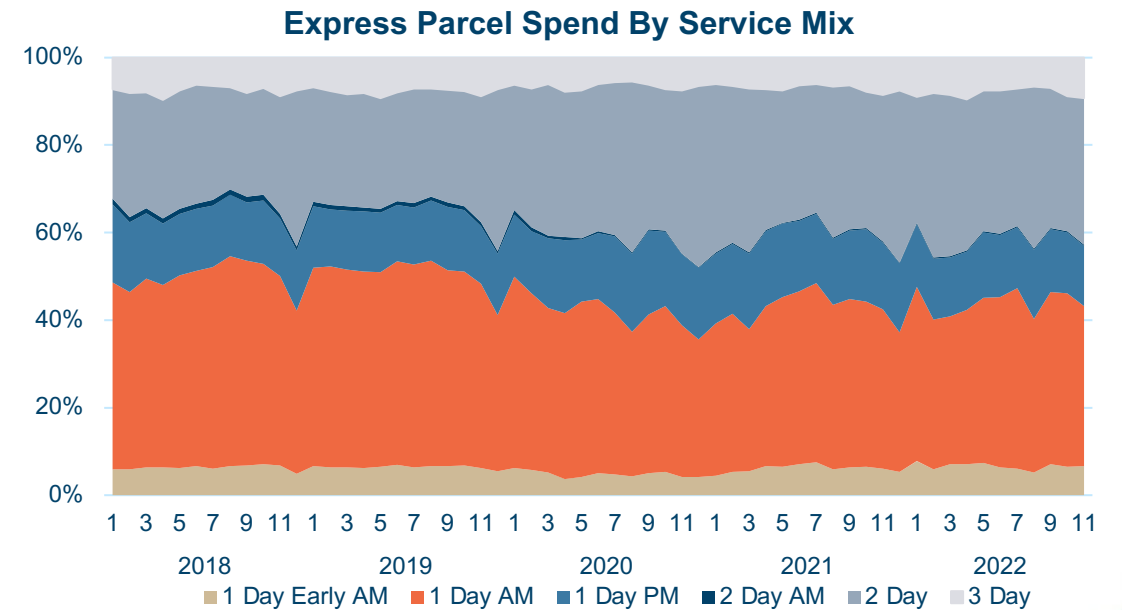
Domestic List Rate Comparison (FedEx over UPS)							
Service	Zone 2	Zone 3	Zone 4	Zone 5	Zone 6	Zone 7	Zone 8
1 Day Early AM	0.3%	0.0%	0.0%	(0.2%)	(0.2%)	(0.4%)	(0.2%)
1 Day AM	(0.5%)	(0.6%)	(0.3%)	(0.5%)	(0.5%)	(0.7%)	(0.5%)
1 Day PM	(1.0%)	(1.0%)	(1.0%)	(1.0%)	(1.0%)	(1.0%)	(1.0%)
2 Day AM	2.3%	3.0%	3.2%	3.6%	1.9%	0.7%	0.7%
2 Day	(0.0%)	(0.1%)	(0.5%)	(0.0%)	(0.2%)	(0.5%)	(0.6%)
3 Day	30.2%	25.9%	25.8%	18.1%	9.9%	9.8%	13.8%
Ground	0.3%	0.3%	0.2%	0.2%	0.1%	0.1%	0.1%

Express Parcel

In Q4:2022, Express Parcel rates increased 3.2% QOQ, driven by higher average Billed Weight and average zone.



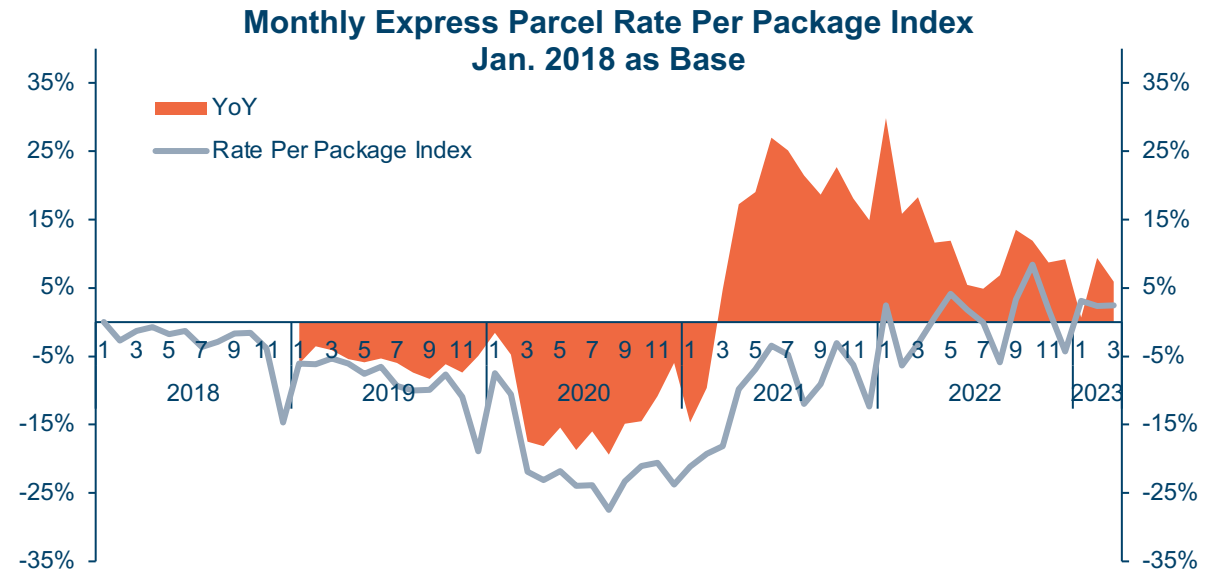
- The premium service mix experienced seasonal decline in Q4:2022.



- Q4:2022 Express Parcel Cost Per Package saw a higher-than-expected increase.
 - October 2022 showed a drastic increase in average Billed Weight Per Package of 12.5%, thus pushing Q4:2022 Cost Per Package up disproportionately.
 - Average zone also increased by 1.1% QOQ, adding to the Cost Per Package increase in Q4:2022.

The Cowen/AFS Express Parcel Freight Index is 2.7% in Q1:2023, a 1% increase QOQ and 5.9% increase YOY.

- The Express Parcel Freight Index is expected to increase by 1% QOQ in Q1:2023.
 - Both FedEx and UPS announced record high GRIs of 6.9% for 2023.
 - Unlike 2022, carriers did not make any adjustments on fuel surcharge so far.
 - A more shipper friendly pricing environment is expected in Q1:2023.
- The YOY change of the Index is forecasted to drop to 5.9% in Q1:2023, below the average YOY change for the last two years.



Express Parcel Rate Per Package Freight Index

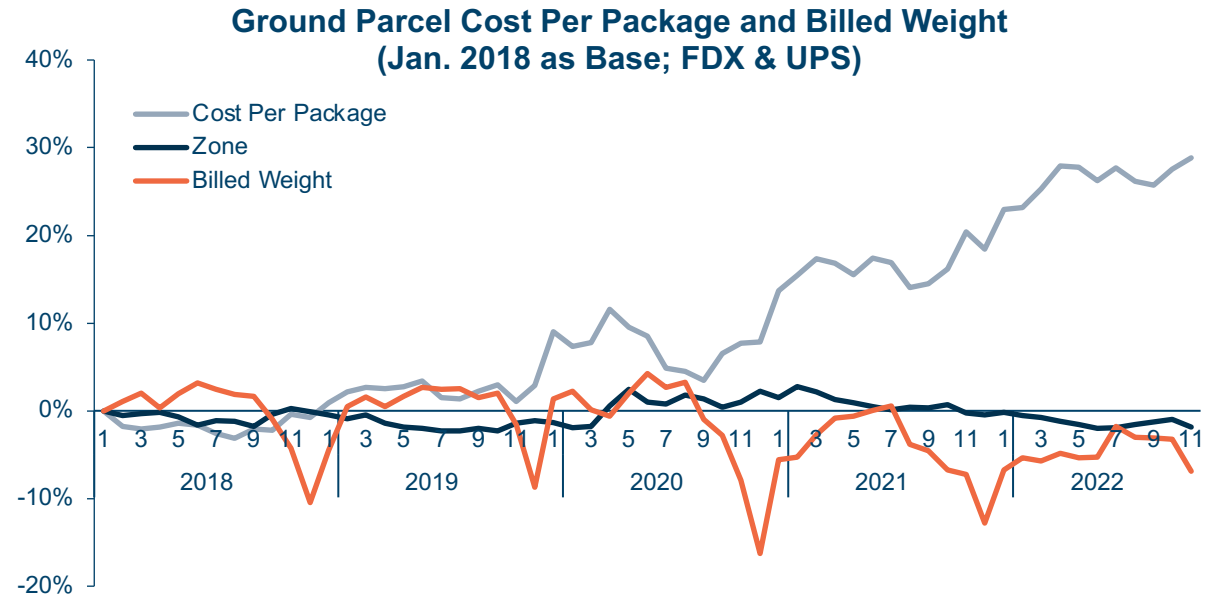
Year	Q1	Q2	Q3	Q4
2020	(13.9%)	(23.0%)	(25.0%)	(21.9%)
2021	(19.5%)	(6.7%)	(8.9%)	(7.6%)
2022	(3.0%)	2.2%	(1.5%)	1.7%
2023	2.7%			

Jan. 2018 = Base, Q1:2023 forecasted

Ground Parcel

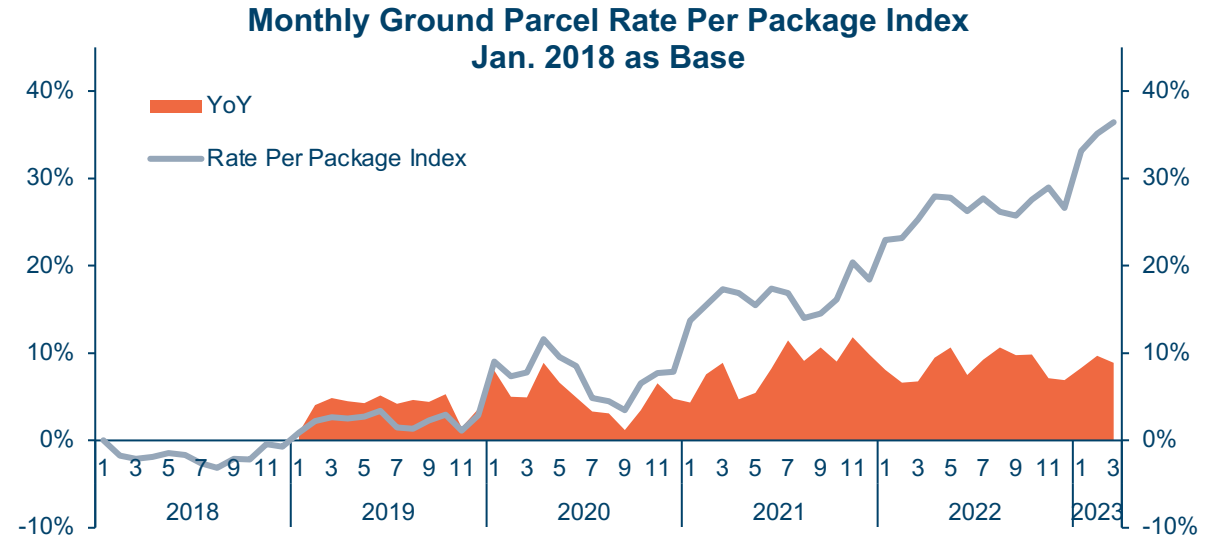
Despite a QOQ decline of 5.2% in average Billed Weight Per Package, Ground Parcel rates increased in Q4:2022, mostly driven by higher effective accessorial charges.

- Average Billed Weight Per Package declined by 5.2% QOQ; slightly less than the typical holiday season weight decline.
- Average Zone continued its downward trend since early 2022; QOQ is fairly flat.
- Although carrier Ground fuel surcharge decreased slightly in Q4:2022, the net effective fuel paid by shippers increased by 1.3% QOQ, driven by holiday season shipper mix changes.
- Accessorial charge increased significantly QOQ; the average per package charge went up 8%. This is partially due to shipper mix changes. More importantly, this is directly related to the Peak/Demand surcharges implemented by carriers.



The Cowen/AFS Ground Parcel Freight Index is expected to reach 34.9% in Q1:2023, setting a new record-high.

- Ground Parcel Rate Per Package will continue the growth path established since early 2021.
- The Cowen/AFS Ground Parcel Freight Index is forecasted to reach a record-high 34.9% in Q1:2023.
 - Both FedEx and UPS announced record-high GRIs of 6.9% for 2023.
 - Fuel surcharge will remain moderately high.



Ground Parcel Rate Per Package Freight Index

Year	Q1	Q2	Q3	Q4
2020	8.0%	9.8%	4.3%	7.4%
2021	15.6%	16.6%	15.1%	18.4%
2022	23.9%	27.3%	26.5%	27.7%
2023	34.9%			

Jan. 2018 = Base, Q1:2023 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 and was named a Top 100 3PL by Inbound Logistics in 2022.

To learn more, visit www.afs.net.