



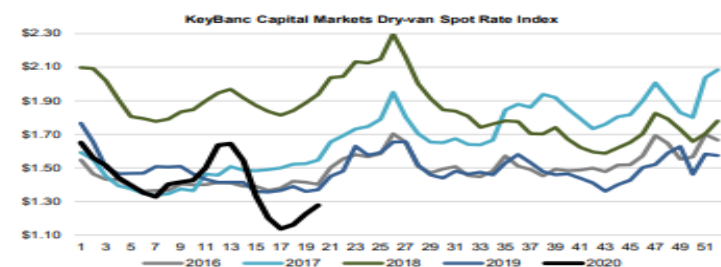
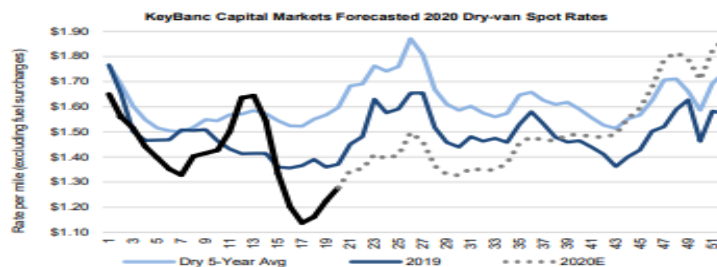
ROADONE INTERMODALOGISTICS
KEN KELLAWAY JR., PRESIDENT & CEO
AG SHIPPERS CONFERENCE 2020
MAY 21, 2020



Key Factors that Drive the Trucking Economy

- The 9 key factors that drove the trucking economy just got increased to 10 !!
 - 1- Gross Domestic Product (GDP), 2- Industrial Production , 3- Retail Spending, 4- Inventory Re-stocking, 5- Housing Starts, 6- *Agricultural Demand* , 7- Auto Production, 8- Weather, 9- Energy , **and now the new factor = #10- Pandemics !!**
 - ***A dramatic reduction in demand for most sectors except for non- durable goods ie water, toilet paper, masks , food, etc. as well as housing starts, has resulted in a significant over- capacity situation in most areas of Domestic transportation. Ecommerce benefits from Pandemic driven supply chain shift with “ Stay at Home”.***
 - Grocery deliver and on-line shopping increase over 15% YOY. Increases demand for final- mile capacity and non-cdl drivers. Converts drivers from other sectors including Drayage and Truckload.
 - Drives M & A in final miles sector - only bright spot in Logistics- Costco acquires Innoval- \$1B to bring more capacity inhouse, CRST acquires NAL Group.
 - Other sectors continue to struggle like Drayage and Truckload with loss of volume and resulting rate reductions.

Exhibits 1a and 1b: KeyBank Capital Markets Inc. Dry-Van Spot Rate Index



Source: KeyBank Capital Markets Inc., Internet Truckstop

Surviving the Dramatic Impact to Trucking Economy ?

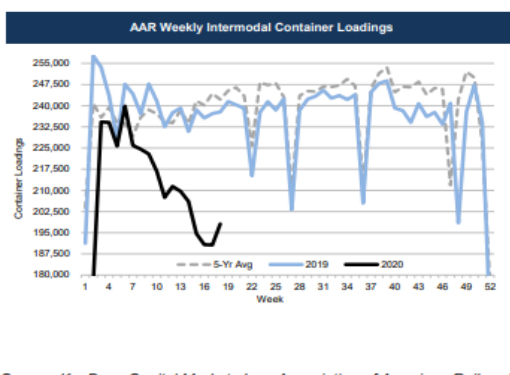
- 98.5% of for-hire trucking companies have less than 100 trucks. The majority have less than 20 !
 - Many carriers already struggling coming into Q1 – 2020 but Q2 – Q3 will result in highest number of carrier closures in US History most likely. Key Factors =
 - Significant rate pressure from customers due to over capacity and margin pressure in all areas.
 - Pressure to extend receivables out to 60-90 days. 75% of cost are due within 7 days of move and most factor so no cashflow or profits left.
 - Aging ownership population with no resources or desire to fight longer.
 - New government regulations creating driver recruiting challenges, ie hair follicle testing, ELD requirements, Immigration reform, Clean trucks, etc. Fewer qualified drivers available in future to service growth.
 - Dramatic increase in Insurance costs with Atomic claims exploding - some carriers seeing over 50% increases driving up to 7-8% COGS.
 - Inability to keep up with technology demands of industry for final mile visibility. Costly integrations .
 - Many legacy carriers have already decided to shut down !!
 - Celadon- over 3000 trucks, NEMF- over 1000 trucks, Falcon Transport over 450 trucks and this week Comcar with over 1000 trucks will divest.
 - Drayage sector will lose significant amount of small tier players in market with over 5,000 companies and only 5 with over 1000 drivers.
 - Over 88,000 Logistics jobs lost in Month of April in US. Drivers, Warehouse, etc.

Drayage Only Catches What Steamship Lines and Railroads Throw !!



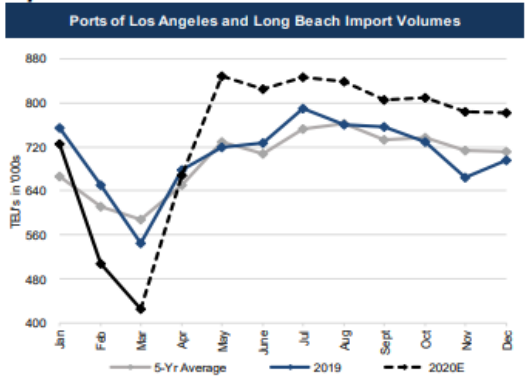
- **Import Volumes down in both East and West coast Ports but West expected to rebound quicker due to China coming back on line first. Southeast Asia, India, Europe could lag resulting in delayed demand on East. Long term migration out of China will drive more East Coast demand.**
 - Drayage market needs to continually react to changing trends and have drivers in right place at right time.
 - Pressure will be on drayage community to re-start and re-launch capacity quickly to meet rising demand in Q3. Many companies and drivers may have exited by then. P3 not successful.
 - Per Diem and Detention issues arising out of CV-19 shut downs of BCO's and Ports results in Drayman in the middle with inability to pay charges – Lines want 30 day terms BCO's want to pay in 60-90. Cash Flow issue.
 - Continued weakness in retail resulting in DSO issues and bad debt- J- Crew, JCP, Nordstrom.

Intermodal Container Loadings

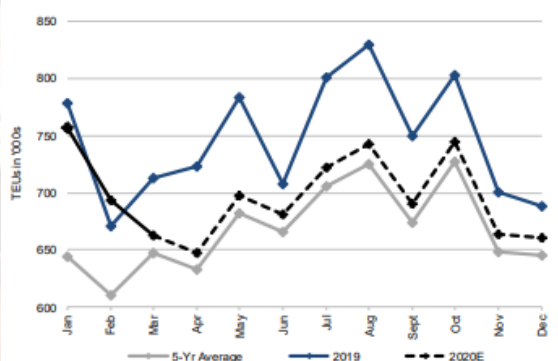


Source: KeyBank Capital Markets Inc., Association of American Railroads

Import Container Volumes



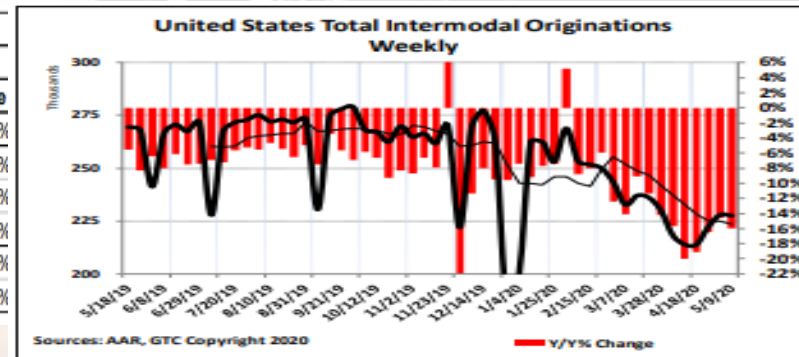
East Coast Container Import Volumes



Rail Intermodal Activity Takes Significant Dive in Q2

- Rail volumes see 4th consecutive week with volumes down over 26%- biggest reduction = automotive sector and USMCA due to plant shutdowns on both ends. Re-launch this week.
- Intermodal demand and volumes down 9% YTD due to excess truck capacity, low fuel prices, reduces service lanes resulting from Precision Railroading. Trains speeds are strong at 33MPH.
- Significant impact on rail volumes with reduction in import volumes both IPI and Transload .
- Growth in Ecommerce move counter to PSR strategy with need to diversified inventory in regional DC's.
- Intermodal demand expected to increase in Q3 and strong in Q4 as Asia imports re-launch and truck capacity tightens.

AAR WEEKLY INTERMODAL ORIGINATIONS				WEEK ENDING:		5/9/2020			
	Most Recent Week			4 Week Average		Quarter to Date		Year to Date	
	Volume	W/W Change	Y/Y Change	Volume	Y/Y Change	Volume	Y/Y Change	Volume	Y/Y Change
North America	309,826	0.0%	-13.8%	304,214	-14.4%	1,803,680	-15.2%	6,012,476	-10.0%
United States	227,405	-0.2%	-16.0%	222,717	-16.5%	1,322,828	-17.0%	4,501,113	-11.2%
Canada	69,234	-0.5%	-1.1%	68,443	-4.5%	403,463	-7.0%	1,211,691	-6.9%
Mexico	13,187	6.2%	-29.1%	13,055	-22.5%	77,389	-22.9%	299,672	-3.7%
N.A Trailer	18,950	3.7%	-18.0%	17,432	-26.0%	102,214	-28.5%	362,034	-25.2%
N.A Container	290,876	-0.2%	-13.5%	286,782	-13.6%	1,701,466	-14.3%	5,650,442	-8.8%



Other Key Challenges in Intermodal Trucking.

- Overall intermodal volumes have declined by up to 30% on both International and Domestic sides of the business. Creating idle drivers, driver turnover as they exit to other sectors , drivers exiting industry.
- Financial health of Intermodal Drayage sector continues to be challenged due to reduced volumes, smaller undercapitalized players in market, market rate pressures and extended payment terms.
- Reservation systems and inability to return empty equipment timely without stop-off and increase per diem issues.
- Driver classification pressures still lurking issue in CA, NJ and other states as Independent contractor model challenged with AB5 in CA and new legislation in NJ, etc, F4A prevails so far.
- Chassis continue to be challenge as ATA prepares to take legal action against OCEMA to eliminate “ Box rules” which allows Lines to dictate which chassis company Drayage operators need to use. ATA wants Trucker Choice.
- New Hours of Service regulations will provide more OTR capacity- Break time- sleeper birth flexibility.
- Continued inefficiency and increased cost of Street Turning international equipment. Need solution !
– ***“ If you want me alive to help you tomorrow, don’t kill me today ! “***