



FREIGHT MARKET PERSPECTIVE

Change is the Only Constant

1H 2016



@CARRIERDIRECT



CARRIERDIRECT

OUR METHODS FOR RESULTS

By merging a leading practitioner knowledge base with tested consulting methods, we partner with our clients to create and implement world-class strategy and operational solutions for substantial and lasting impact



FINANCIAL INSTITUTIONS



3PLS AND BROKERAGES



FREIGHT CARRIERS

CARRIERDIRECT CLIENTS

CarrierDirect is a trusted partner of large, industry-leading companies and young, disruptive platforms alike. The most common theme among all of our clients is a driving desire to out perform their competitors



COMMENTS FROM CARRIERDIRECT

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CHANGE IS THE ONLY CONSTANT





MAJOR ECONOMIC INDICATORS

The economy is generating an unsettling mix of positive factors (GDP growth, retail sales growth, exchange rates) and negative factors (price of oil, labor force participation rate), nodding to excessive uncertainty in the marketplace



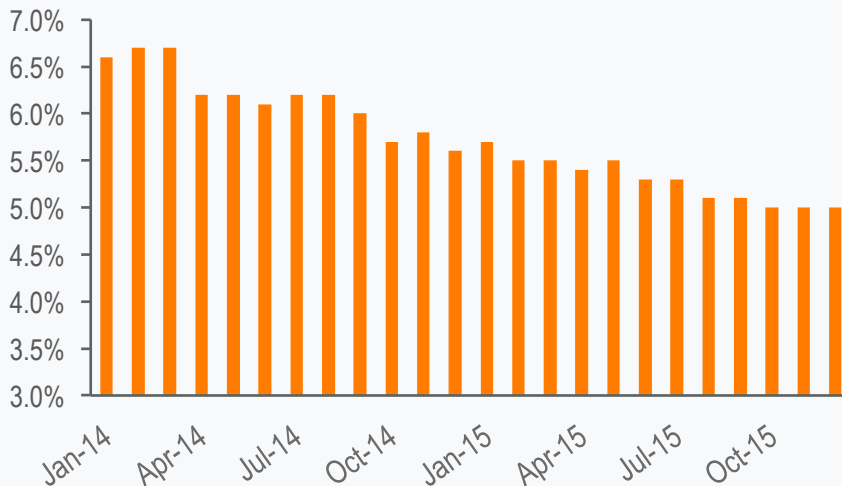
Source: Bureau of Economic Analysis, American Trucking Association, Energy Information Administration, Bloomberg, The World Bank, Bureau of Economic Research, MasterCard



UNEMPLOYMENT RATE

The unemployment rate, which measures the percentage of civilians in the labor force that are not employed, is a positive indicator for the economy, highlighting that people looking for jobs are frequently able to find them

- Though unchanged for 3 months, unemployment has steadily decreased since the Great Recession
- Low unemployment is a good indicator, but fewer people are in the job market



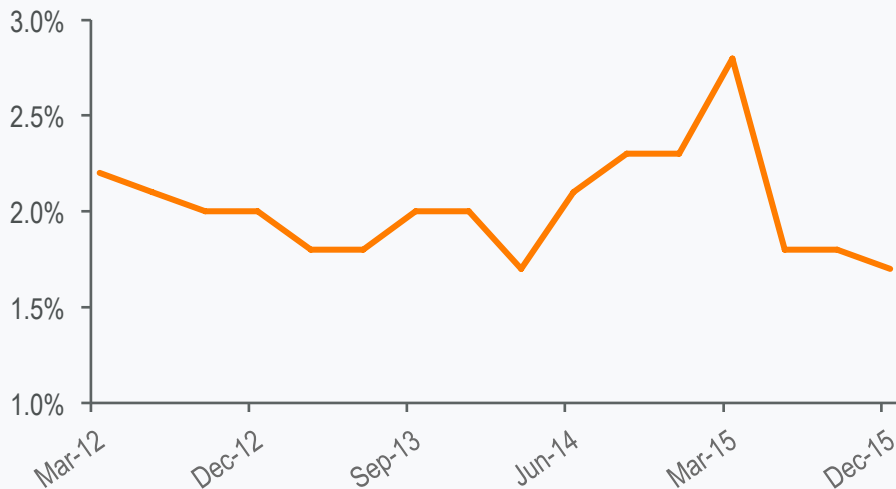
12-month percent change
Source: Bureau of Economic Analysis, Bureau of Labor Statistics



EMPLOYMENT COST INDEX

The employment cost index increased in 2015, helping to prop up consumer confidence while simultaneously heightening concerns of upcoming inflation, which may lead to increase lending costs for businesses

- Non-seasonally adjusted compensation costs up 1.7%
- Wage growth points to a better economy, while also increasing the prospects of upcoming inflation



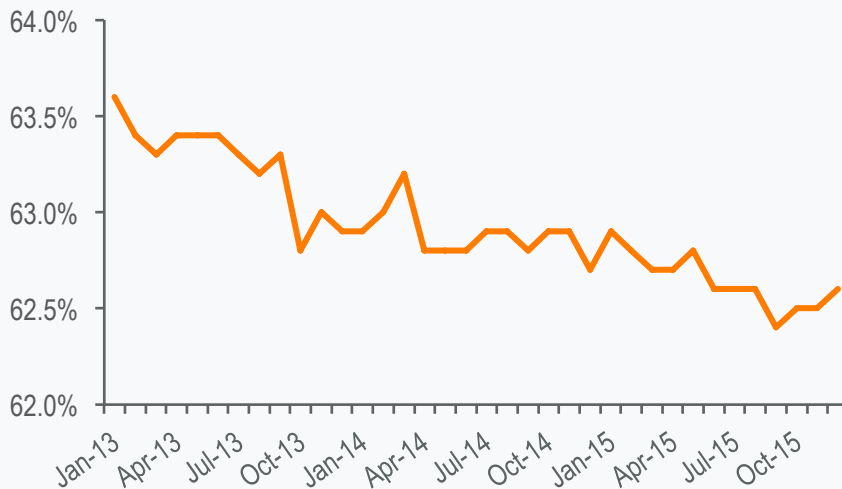
Service providing industries, 12-month percent change
Source: Bureau of Economic Analysis, Bureau of Labor Statistics



LABOR FORCE PARTICIPATION RATE

The alarming labor force participation rate is lower than ever (this year marked a 38 year low), though it's buoyed by positive employment costs, steady unemployment rates and a multi-year high of manufacturing output per hour

- The decline is compounded by both retiring baby boomers and education-seeking Millennials
- 2015 set the 38-year record low for the labor force participation rate



12-month percent change

Source: Bureau of Economic Analysis, Bureau of Labor Statistics

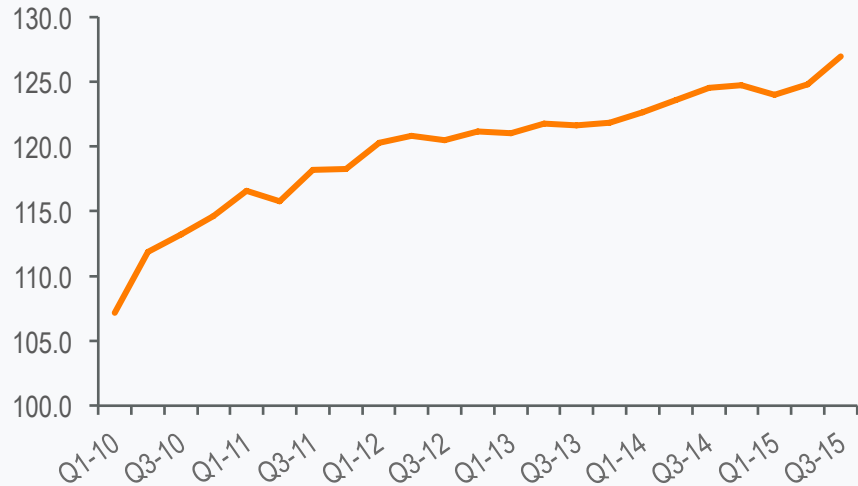


LABOR PRODUCTIVITY INDEX

While fewer people are participating in the economy (labor force participation rate on page 9), businesses are benefitting from greater productivity and that labor force participants tend to be the better performers across the population

Durable Goods

- Labor productivity is at an all time high of 126.9
- Manufacturers need less workers, helping to offset the 4-decade low labor force participation rate

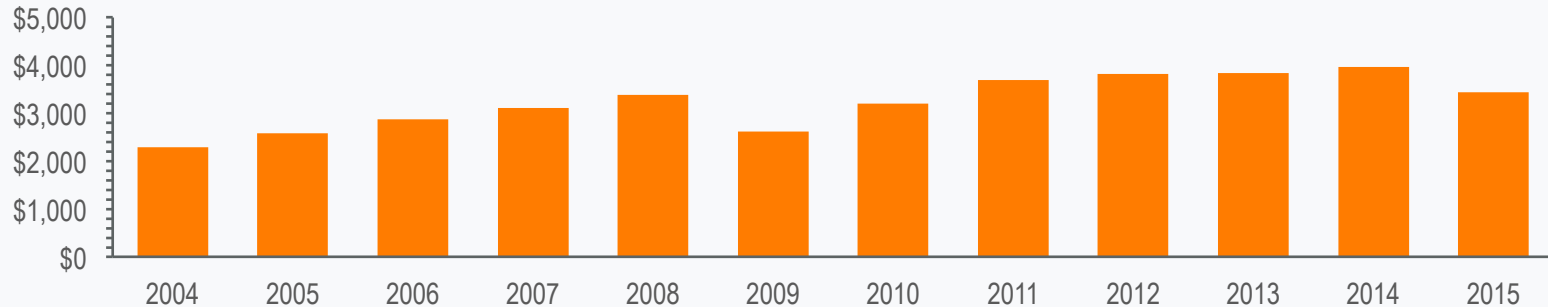


Base year = 2009, index base = 100
Source: Bureau of Economic Analysis, Bureau of Labor Statistics



TOTAL US ANNUAL TRADE

Adding to the negative indicators in the global and domestic economy, US trade in goods decreased in 2015, as many of our trade partners cope with challenging economic conditions

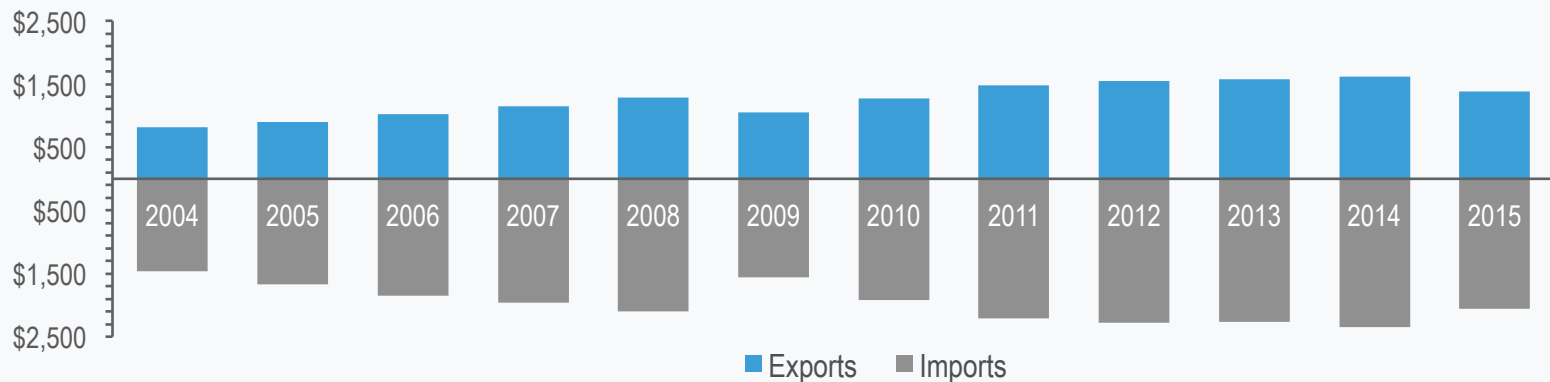


Figures in millions of USD, represents goods only
Source: Bureau of Economic Analysis



TOTAL US IMPORT AND EXPORT

Despite the positive impact that lower imports had on GDP, it also meant less freight for transportation companies to haul, which limited 2015's tonnage growth and potentially highlighted a spending-habit shift as Millennials amass more wealth



Figures in millions of USD, represents goods only
Source: Bureau of Economic Analysis



TOP US TRADE PARTNERS

Illuminating past changes in international trade markets, China's rise to the largest US trade partner was ushered by favorable Chinese economic conditions that no longer persist, ripening the opportunity for further disruption

2015



Total Trade: \$549.9
Gross Imports: \$443.9
Gross Exports: \$106.1



Total Trade: \$530.6
Gross Imports: \$271.6
Gross Exports: \$259.0



Total Trade: \$489.4
Gross Imports: \$271.6
Gross Exports: \$217.8



Total Trade: \$177.5
Gross Imports: \$119.8
Gross Exports: \$57.7



Total Trade: \$159.3
Gross Imports: \$113.4
Gross Exports: \$45.9

2005



Total Trade: \$456.3
Gross Imports: \$262.3
Gross Exports: \$194.0



Total Trade: \$265.6
Gross Imports: \$155.7
Gross Exports: \$109.8



Total Trade: \$260.6
Gross Imports: \$222.9
Gross Exports: \$37.6



Total Trade: \$176.8
Gross Imports: \$126.4
Gross Exports: \$50.5



Total Trade: \$108.4
Gross Imports: \$77.3
Gross Exports: \$31.1

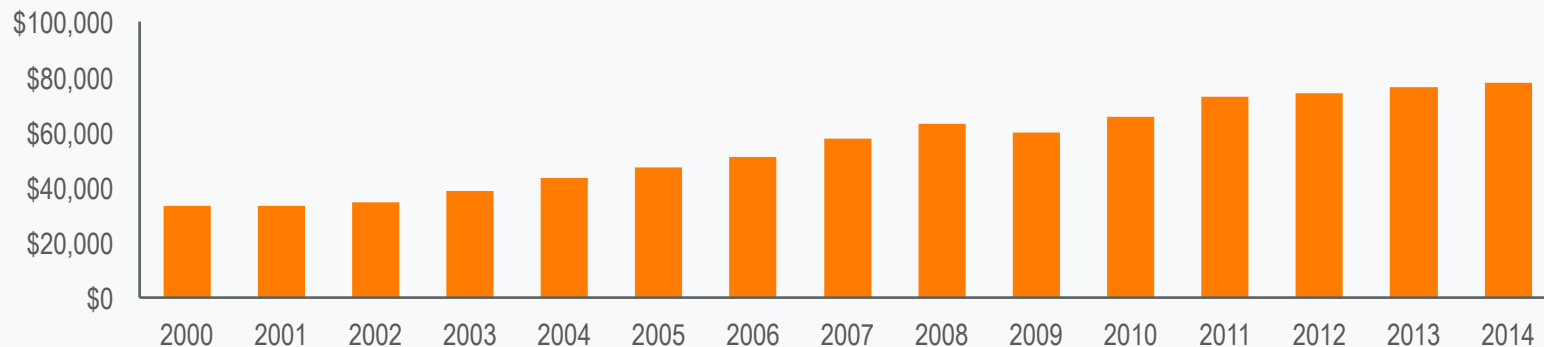
VS

Figures in Billions of USD, excludes 12/2005 data for contrast purposes, 12/2015 not yet available



GLOBAL GDP GROWTH

Modest projected domestic growth due to stable domestic demand, coupled with weak international investment and a broad range of business and policy issues help to set the international economic stage for an uninspiring 2016



- Bottom-of-the-barrel oil prices and unexciting consumer confidence offset growth potential, limiting the expected 2016 growth to only 2.8%

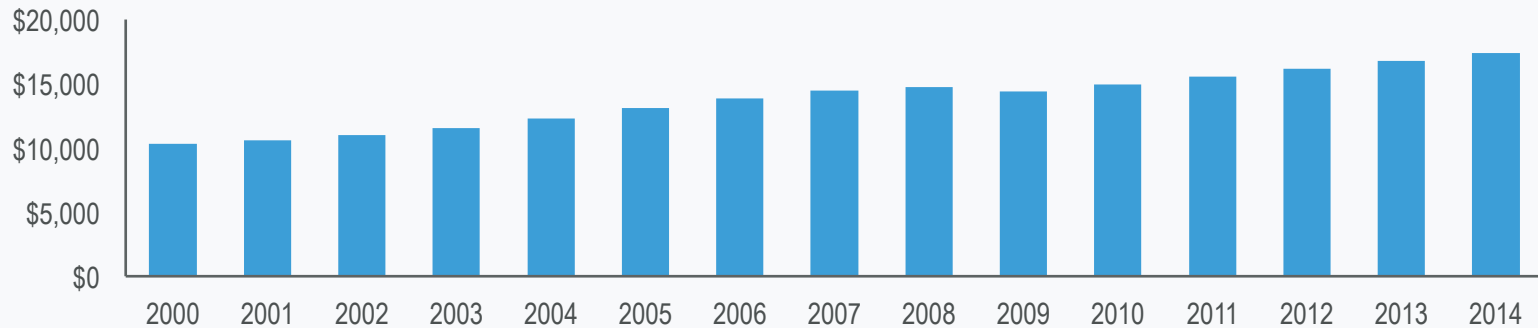
- Asia-Pacific countries (including China) are unlikely to see improved growth in 2016 and India is (or will be) the new growth champion of emerging markets

Figures in billions of USD, Source: World Bank



US GDP GROWTH

Despite modest international demand, 2016 domestic GDP is projected to increase at 2.6%, which is held afloat by improved consumer confidence, higher wages for workers and (potentially) lower energy costs



- 2016 GDP growth, projected at 2.6%, is weighed down by weak investment and global demand
- Lackluster commodities markets threaten some corporate profits while lowering raw materials costs

- Labor costs and climbing interest rates will make generating new profit increasingly difficult

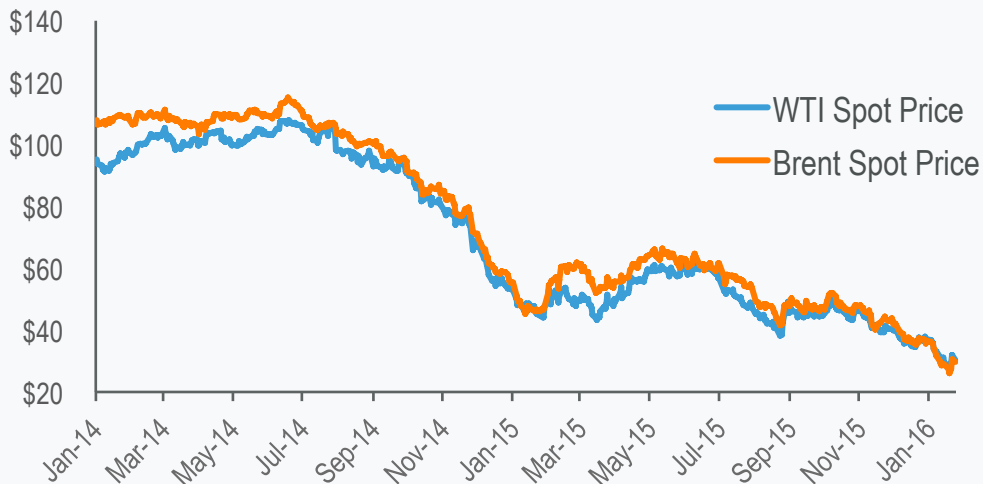


BRENT & WTI SPOT PRICES

While the consumer benefits (for now) from lower oil prices, many US corporations and foreign countries lose revenue and profit, leading to widespread speculation of what the future holds for our economy

Global Impact of Depressed Oil Prices

- Weak global demand and surging US production catalyzed the abrupt, massive drop in oil prices, despite our limited reliance on foreign oil
- While consumers are paying less, motor carriers and petroleum exporting countries with emerging economies have experienced decreased revenues
- To help revenue and the Ruble, Russia hiked interest rates to 17%; the World Bank warned their economy would drop by at least 0.7% if oil doesn't recover
- Venezuela, already facing 60% inflation, continues to lose \$12.5B annually to subsidize high gasoline costs in an effort to avoid riots akin to those in 1989

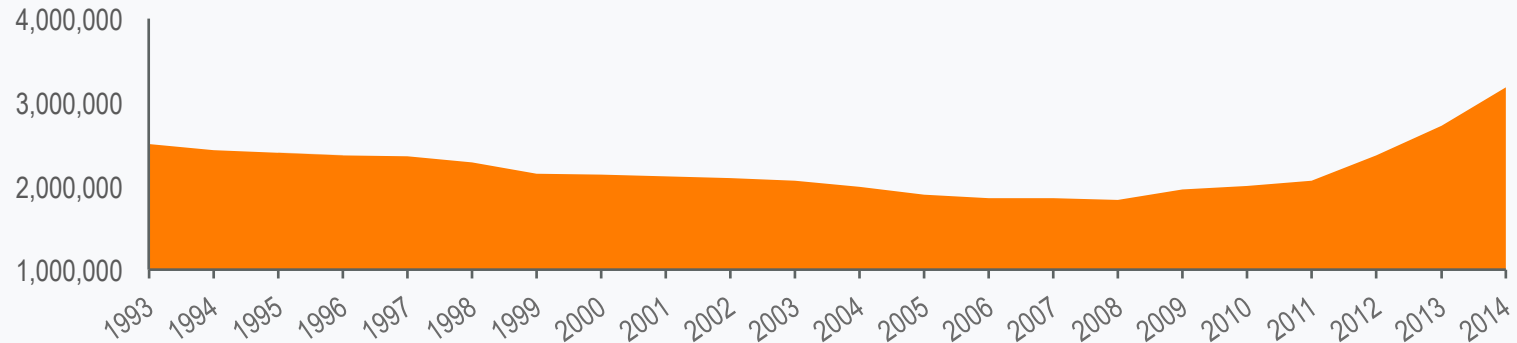


Source: Energy Information Administration, Bloomberg



ANNUAL US OIL PRODUCTION

Increased US oil production and weak international demand for petroleum were the primary reasons for the massive glut in oil prices, which is believed to persist through 2016, unless demand for the fossil fuel can rebound

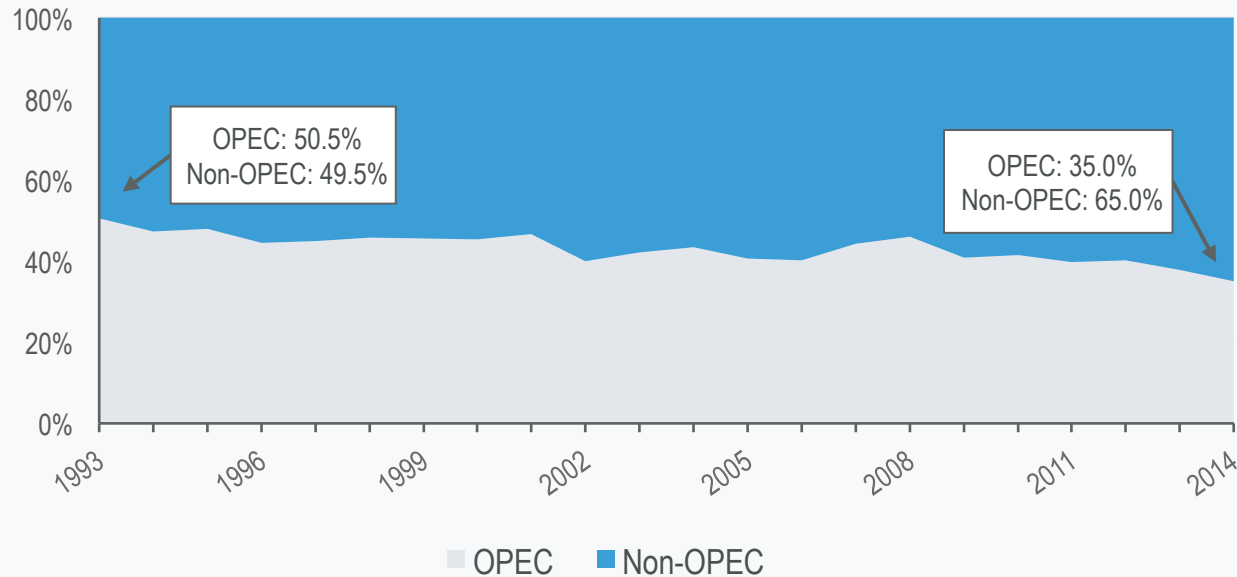


Figures in thousands of barrels
Source: Energy Information Administration, Bloomberg



US PETROLEUM IMPORTS

As the consumer benefits (for now) from lower oil prices, many US corporations and foreign countries lose revenue and profit, leading to widespread speculation of what the future holds for our economy

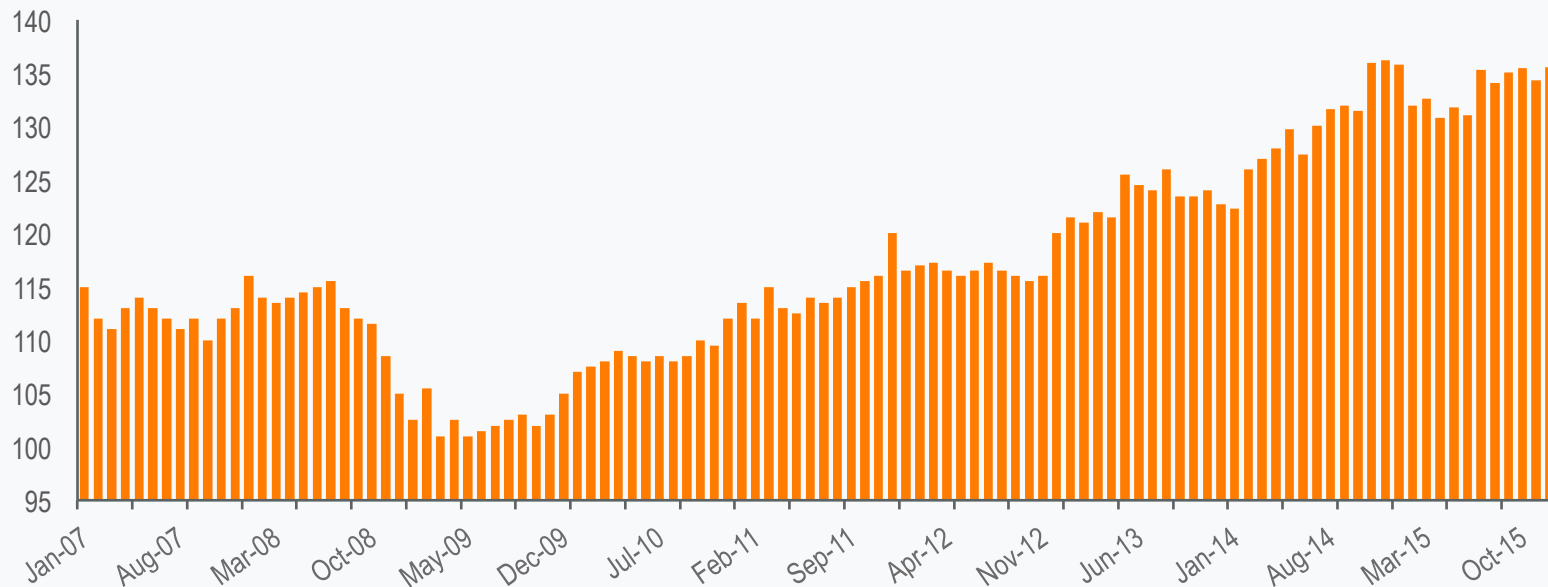


Source: Energy Information Administration, Bloomberg



ATA TRUCK TONNAGE INDEX

The seasonally adjusted ATA Truck Tonnage Index ended 2015 2.6% above 2014, which bodes well for 2016, though many truckers are playing defensively by making the decision to curtail fleet growth plans early in the year

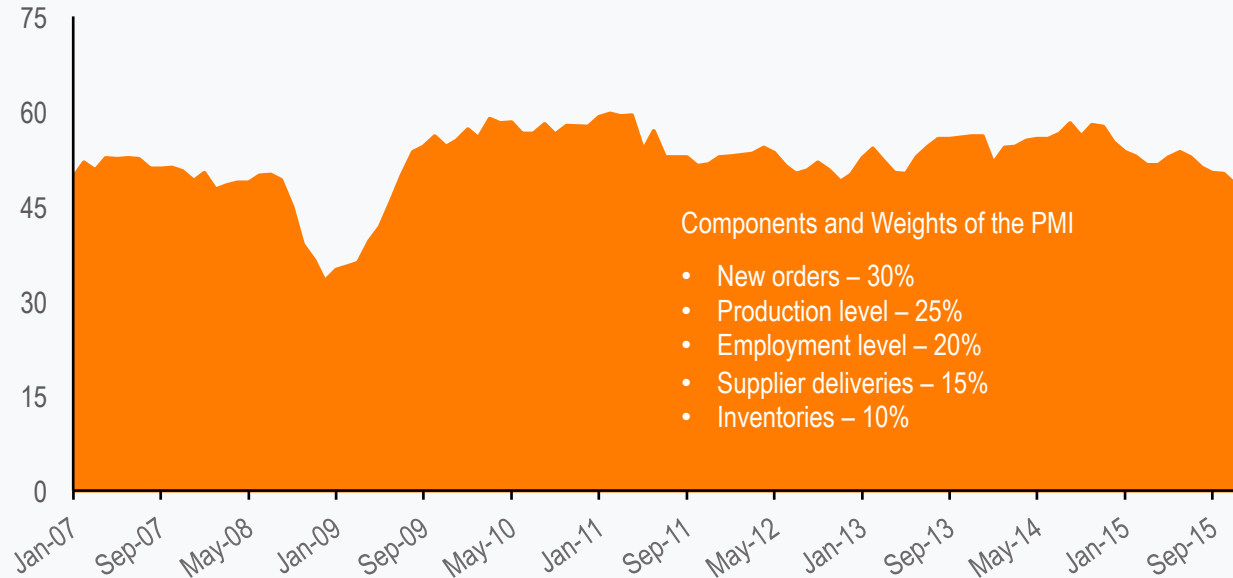


Figures represent the seasonally adjusted index, Source: American Trucking Association, Federal Reserve, ISM



COMPOSITE PURCHASING MANAGERS' INDEX

The Purchasing Managers' Index ended 2015 at 48.2, indicating either future economic stabilization or a slight deterioration, further compounding truckers' fears that the manufacturing slowdown will persist as 2016 unfolds



Figures represent the seasonally adjusted index, Source: American Trucking Association, Federal Reserve, ISM



MILLENNIAL EMPLOYEES

Further peppering the competitive landscape with obstacles, the surge of Millennial employees and consumers poses a threat to transportation companies unable to adapt to consumer demands and hiring requirements for new talent

Source: Chris Saynor,
CISCO, Intelligent Group
Study, PWC

How Millennials Prioritize Benefits:

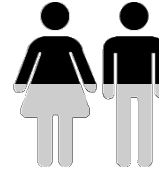
1. Training and Development
2. Flexible Work Hours
3. Cash Bonuses

“ **56%** The percentage of Millennial who won't work at a company if they ban social media access ”

“ **64%** of Millennials would rather make \$40,000/year at a job they love than \$100,000/year at a job they think is boring. ”

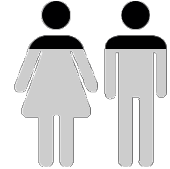
BlueGrace Logistics is a perfect example of how to effectively integrate social media into a business to improve communication, culture and employee buy-in

GENERATION PROFILE: AGES 11-33 YEARS OLD



2020

By 2020, Millennials will represent 50% of the workforce (and consumers)



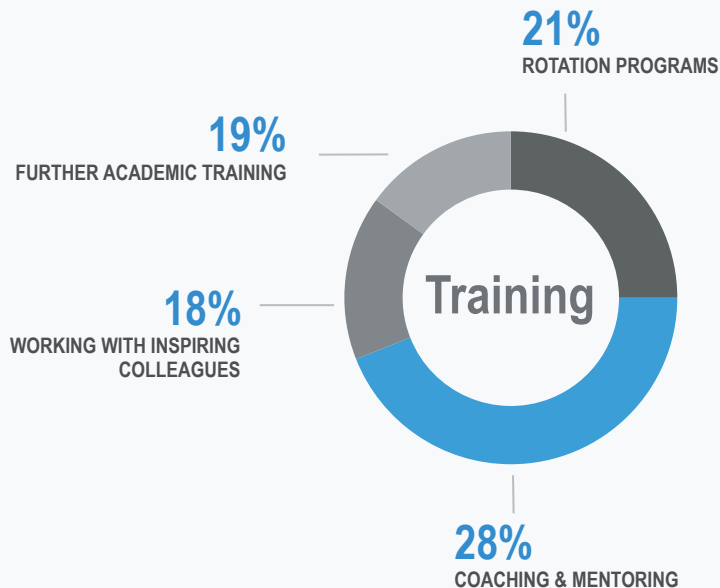
2025

By 2025, Millennials will represent 75% of the workforce (and consumers)



WHAT MILLENNIALS VALUE

Employers that understand what Millennials value most will not only be able to retain talent better than their competitors (which also means better margins), but will also benefit from a more capable and empowered workforce





INVESTMENT IN STARTUPS

Despite the less-than-rosy picture currently being painted by economic indicators, investment in disruptive technology and intellectual capital continues to pour into the industry in an effort to streamline processes and maximize returns

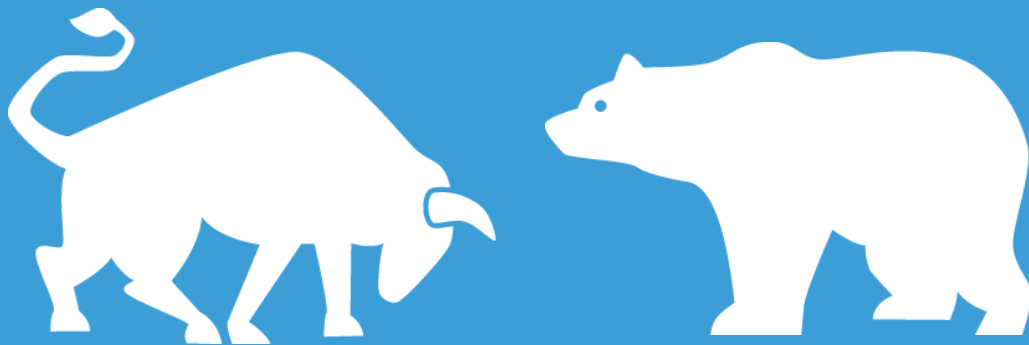
COMPANY	FUNDING	WEBSITE
10-4 Systems	Undisclosed amount	www.10-4.com
Aeropost	\$5.0M	http://aeropost.com
Ambition	\$2.0M	http://ambition.com
Boxbee	\$7.3M	http://boxbeeinc.com
Boxc	\$725K	http://boxc.com/home
Buddytruk	\$1.28M	http://www.buddytruk.com
Cargo Chief	\$10.0M	https://www.cargochief.com
Cargomatic	\$10.6M	http://cargomatic.com
Cloud Fulfillment	Undisclosed amount	http://www2.cloudfulfillment.co.uk/
Cubbyhole	Undisclosed amount	www.cubbyholeapp.com
Deliv	\$12.35M	http://www.deliv.co
Deposco	\$2.1M	http://www.deposco.com
DoorDash	\$59.7M	http://www.doordash.com
Dropship	\$4.3M	http://www.dropship.com
EasyPost	\$3.45M	http://www.easypost.com
Fleet (was Shipstr)	\$2.51M	http://www.tryfleet.com
FLEXE	\$6.3M	https://www.flexe.com/
Flexport	\$26.9M	https://www.flexport.com/
Freight Filter	Undisclosed amount	http://freightfilter.com
Freightos	\$37.3M	https://www.freightos.com

COMPANY	FUNDING	WEBSITE
FriendShippr	\$1.17M	http://www.friendshippr.com
Ghostruck	\$2.24M	http://ghostruck.com
Haven	\$3.0M	http://haveninc.com/
iContainers	\$1.63M	http://www.icontainers.com
Kanga Technology	\$1.75M	http://kangatechnology.com
KeepTruckin	\$10.3M	http://keeptruckin.com
Keychain Logistics	\$2.52M	https://www.keychainlogistics.com
Logistical Labs	Undisclosed amount	http://www.logisticallabs.com/
MakeSpace	\$10.1M	https://www.makespace.com/
Matternet	\$3.5M	http://mttr.net/
MuniRent	Undisclosed amount	https://www.munirent.co/
Nimber	\$850K	http://www.nimber.com
Parcel Pending	Undisclosed amount	http://parcelpending.com/
PiggyBee	Undisclosed amount	http://www.piggybee.com
Postmates	\$138.26M	https://postmates.com/
project44	Undisclosed amount	http://p-44.com
Rickshaw	Undisclosed amount	https://gorickshaw.com
Roadie	\$10.0M	https://www.roadie.com/
Roost	\$1.4M	https://roost.com/
Ghostruck	\$2.24M	http://ghostruck.com

COMPANY	FUNDING	WEBSITE
Schlep	Undisclosed amount	http://www.schlep.it/
ShipBob	\$1.02M	http://www.shipbob.com/
Shiphawk	\$6.0M	http://shiphawk.com
Shippo	\$2.28M	https://qoshippo.com
Shipster	Undisclosed amount	www.qoshipster.com
Shipwire	Acquired	http://www.shipwire.com
ShipX	\$560K	https://www.shipxfreight.com/
Shyp	\$62.1M	www.shyp.com
Snapship	Undisclosed amount	http://www.snapship.com/
Staxon	\$390K	http://staxon.com
Swapbox	\$3.0M	http://swapbox.com
Transfix	\$14.5M	http://transfix.io/
Transporteca	Undisclosed amount	http://www.transporteca.com
TruckerPath	\$21.5M	https://truckerpath.com/
TrunkBird	Undisclosed amount	http://www.TrunkBird.com
uShip	\$44.71M	http://www.uship.com
Weft	\$3.0M	http://weft.io
Windward	\$15.8M	http://www.windward.eu/
Xeneta	\$8.51M	www.xeneta.com
Youtruckme	Undisclosed amount	http://www.youtruckme.com/

Source: Crunchbase

FREIGHT **BULLS** AND FREIGHT **BEARS**





FREIGHT BULL

Leveraging the idea that control beats access to capacity, and knowing that the most successful companies in the coming years will be the asset-holders, XPO has positioned itself for incredible growth in 2016 and impressive profitability beyond that

XPOLogistics



CONTROL IS GREATER THAN ACCESS

- XPO, acquiring Con-way Freight's 8,500 tractors and 25,000 trailers, now controls the second largest fleet of LTL capacity
- XPO's network now has 19,000 tractors, 46,000 trailers and 151M square feet



GLOBAL REACH

- Complimenting its domestic asset network and non-asset operations, XPO has operations in 31 countries outside of the US
- Providing a global, single source solution minimizes customer's competitive exposure



INDUSTRY OUTSIDERS + STRONG TECH

- Non-transportation or logistics talent and a huge IT budget, XPO is positioned better than most of its peers to optimize an asset network with its non-asset platform



FREIGHT BEAR

Now with a reinstated authority and upgraded conditional rating, Land Air Express is restarting operations from a disadvantageous position due to a chronic lack of investment and recent extreme competitive exposure

LACK OF INVESTMENT

- Maintaining equipment, albeit costly, is a key component of profitable operations and loyal customers
- The best employees work for the companies that treat them the best; not investing in employees or providing a better home than competitors saps good talent



COMPETITIVE EXPOSURE

- Ceasing operations for 10 days gives competitors enough time to convert customers and start hauling their freight
- Even with a reinstated operating authority, close watch from the FMCSA, a conditional rating and 'remembering when' is enough to drive customers to competing carriers



FREIGHT BULL

There's no doubt that the past 7 years have been challenging for the giant LTL carrier, but new strategies being rolled out by management are creating inspiring results, let alone opportunities to become an industry leader



YRC Worldwide



ONLY DIRECTION IS UP

- Equity valuation below market and a recent debt rating upgrade nod to a bright outlook
- Management beat analysts' Q3 earnings estimates and improved operating income by 89%, citing operating improvements



INTELLIGENT CAPEX

- Management's priority is improving freight mix and revenue / shipment, dimensioning technology will help ensure that happens
- In-cab safety technology in 14,000 tractors will help to minimize labor cost exposure



FORWARD THINKING TECHNOLOGY

- Showcasing the commitment to become a leader, YRC is the only carrier to have fully implemented a dynamic volume pricing tool
- Using APIs, YRC pricing defaults a rate if the NMFC codes doesn't match the class



FREIGHT BEAR

Excessive investment in external entities (through acquisitions) and a lack of follow through with operational and IT integration can lead to disparate profit strategies and excessive competitive exposure



POOR OPERATING FUNDAMENTALS

- Financially focused leadership drives short term returns, rather than long-term value
- Profit from equipment sales is too much of the overall corporate profit



INTEGRATION MATTERS

- Numerous acquisitions have resulted in a lack of operating focus, resulting in a large myriad of services
- A less-than-solid commitment to a specific service type limits brand identity potential



LACKLUSTER TECHNOLOGY

- Multiple technology platforms acquired through multiple purchases creates a fragmented IT infrastructure
- Limited potential for an enterprise strategy to optimize asset and non-asset groups

WINNING THE FREIGHT **FIGHT**

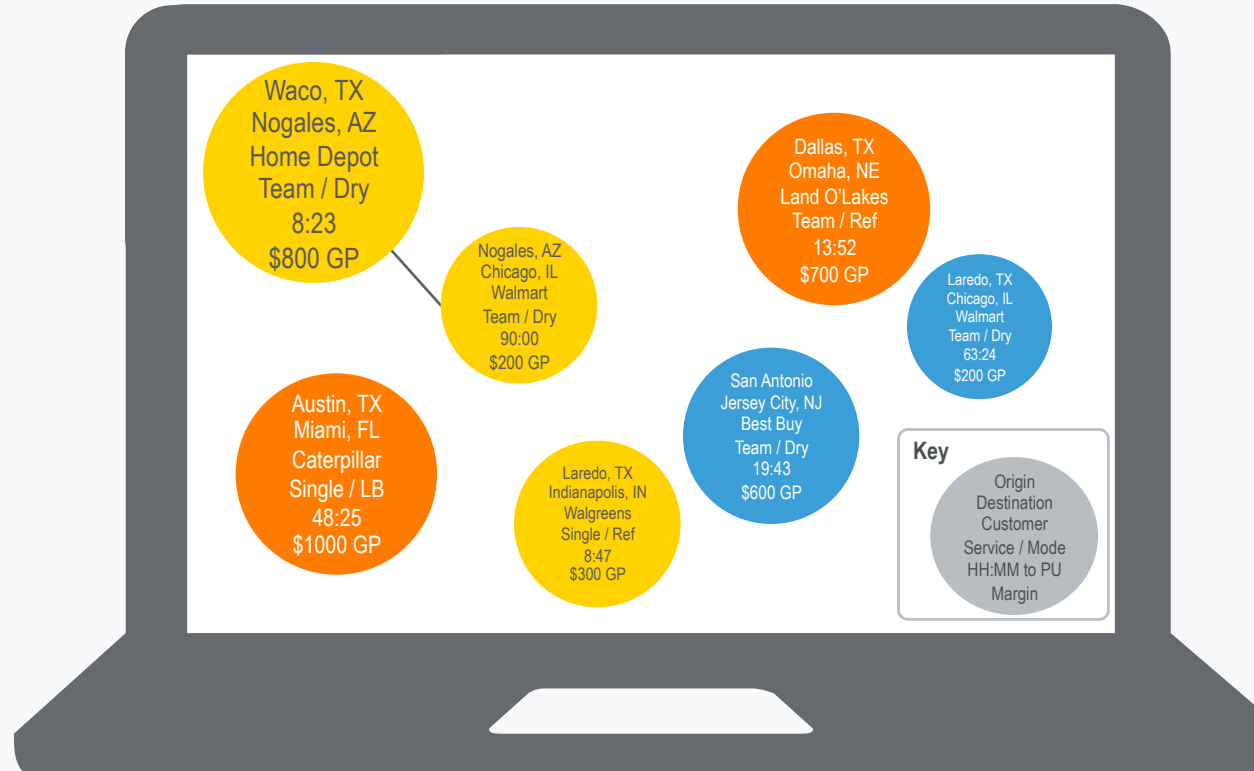




CARRIER SALES LOAD BOARD USER INTERFACE

Truckload brokers that look creatively at long-unchanged technology (e.g. the load board) will be able to largely improve load velocity by eliminating otherwise frivolous decisions (such as which load a rep should try to cover)

- **Color** communicates hours to pickup, with yellow being the soonest (catches the eye the most), then orange and finally blue
- **Position** communicates strategic importance as the load doesn't need to be covered immediately, but soon
- **Bubble size** lets the rep know expected margin, so that they're empowered to make more money





LTL DIMENSIONAL PRICING

The LTL resellers that embrace density pricing will be much better positioned to compete because they'll lower their operating costs and carriers will favor that reseller, opting to engage with them more frequently than their competitors



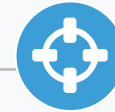
LOWER OPERATING COSTS

- Fewer rebills from carriers means less employee time spent managing the invoice adjustments from carriers and trying collect from to shippers
- Using density based pricing means sales reps will spend less time searching for the perfect NMFC code and instead will spend time prospecting and closing



CARRIERS WILL LOVE YOU

- Simplified and improved pricing structures will improve carrier profitability, enabling them to reinvest in assets, people and technology at a higher rate
- Switching to density based pricing improves visibility for carriers and lets them better plan pickup, delivery and linehaul



ENSURES A MORE ACCURATE QUOTE

- Capturing dimensions when quoting a shipper will reduce the likelihood of a shipment receiving a supplemental invoice
- More accurate quotes will reduce bad debt expense that's caused by shippers refusing to be supplemental invoices

Source: SMC3



COLLABORATION CREATES VALUE

Due to the substantial volume and revenue from LTL resellers' business and the inability to simply walk away, the most successful LTL carriers will be the ones that fully integrate resellers to minimize operating costs and maximize profit



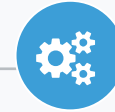
CUSTOMER SERVICE

Customer Service Reps trained to manage the unique needs of LTL resellers will limit customer frustration and inbound call volume and grow affinity



INFORMATION AVAILABILITY

Accurate information access through the website or APIs will help to minimize inbound call volume and grow user's trust in that carrier's service offering



OPERATIONAL PERFORMANCE

Pricing needs to reflect operational performance for each carriers' service category (e.g. economy), and should strive to lead that respective service category



BRAND IDENTITY

Consistent and good brand aesthetics (e.g. website, email signatures) are critical for establishing and growing users' comfort with the carrier



SERVICE DIFFERENTIATORS

Identifying the strategic service offering for LTL resellers and electronically communicating it into the TMS is crucial for maximizing OR and brand affinity



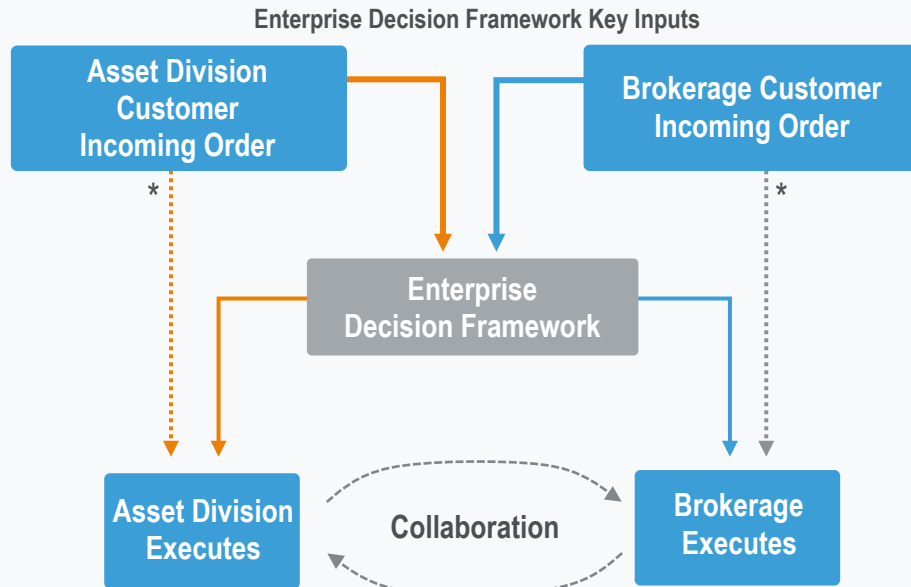
ELIMINATE THE NEED FOR A RULES TARIFF

Incorporate the rules tariff into the pricing logic and mandate rating API use so that pricing appropriately matches the situation's needs and network balance



ASSET-BACKED PROVIDER ORDER ENTRY PROCESS

In the near(ish) future, the most powerful transportation entities will be asset-backed logistics providers that utilize enterprise strategies to effectively maximize return for the enterprise and not just the asset and non-asset divisions



*It's imperative that each division can have its own customers, exclusive of the other division

- **Brokerage Success Probability**
This blends the probability that capacity will be available by the pickup time with the effort required to source capacity and the strategic (enterprise) impact that may occur if the load is rolled
- **Available Asset Proximity**
This measures how far the enterprise asset is from the pickup location, incorporating traffic and weather conditions
- **Asset Use Opportunity Cost**
What are the foregone costs from using a company asset on a brokerage load (i.e. likelihood of an alternative, higher paying load within a specific timeframe)
- **Stranded Asset Risk**
What's the probability that the asset will be left stranded if the brokerage finds another carrier to make the pickup
- **Divisional OR and Enterprise Valuation** (if valuation matters)
Which division will receive a better valuation multiple and how will that impact the overall enterprise valuation

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