Industry Update Report

29 Jun 2022

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Meet our presenters

KDL Logistics is built to solve complex shipping challenges of mid-sized companies. We are privately held, 3rd Generation industry professionals, offering a full suite of transportation services and market-leading technology platforms to help customers modernize their logistics and improve profitability



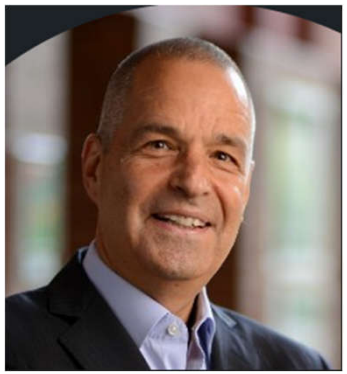
Mike Hammel – VP Logistics, KDL

- 15 years in supply chain leadership roles
- Deep knowledge of all modes of shipping
- Key client management leader
- Recognized industry expert
- Accomplished track record of driving customer cost reduction and business improvement



Rob Hammel – Managing Director, KDL

- 4 years executive leadership
- Executive Management Committee Lead for business strategy
- 16 years in business development leadership
- Vistage member since 2013



Geoff Muessig – CMO & EVP, Pitt Ohio Express

- 33+ years with Pitt Ohio transforming a small regional carrier into an expansive transportation solutions provider
- Executively guides brand management, enterprise marketing, R&D for new services as well as new sales and retention

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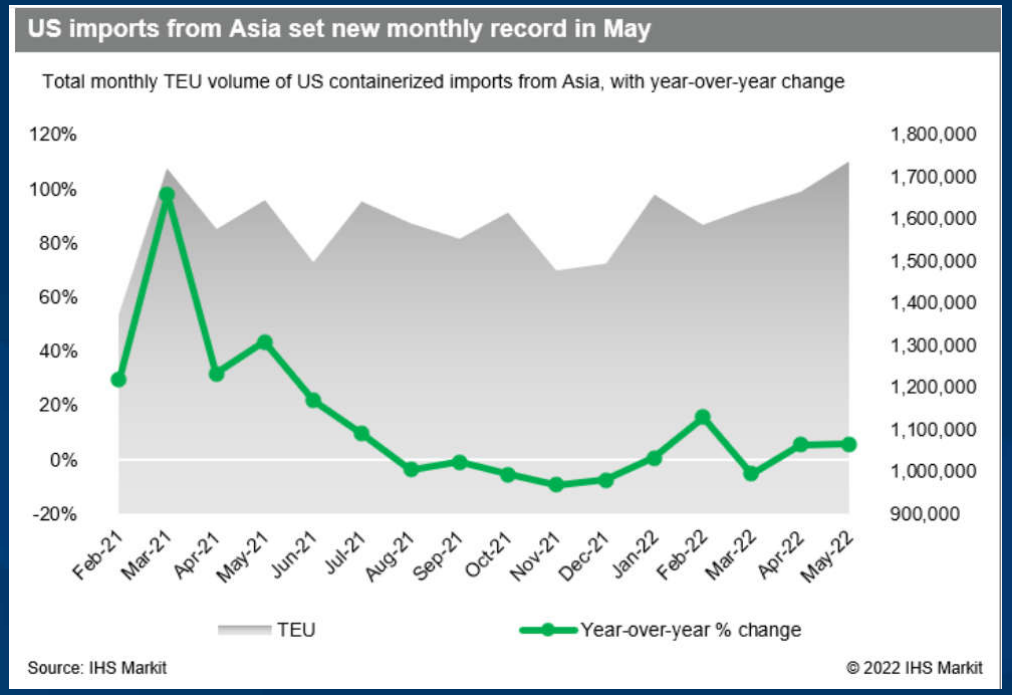
International Shipping Volumes

US Imports from Asia

- Set new monthly record in May despite Shanghai shutdown, rising US inflation.
- Shanghai lockdowns began in March – ended June 1st
- Other China Ports – 25% increase in TEUs in April – shifting of activity from Shanghai
- May imports almost 1.74 TEUs (5.7% YOY increase)

Summer Surge?

- Shanghai reopening, worlds biggest port.
- Early Peak Season – back to school supplies already arriving, holiday merchandise to follow.
- Expect congestion and backlogs at the ports – like last summer.
- Rates increasing in short term

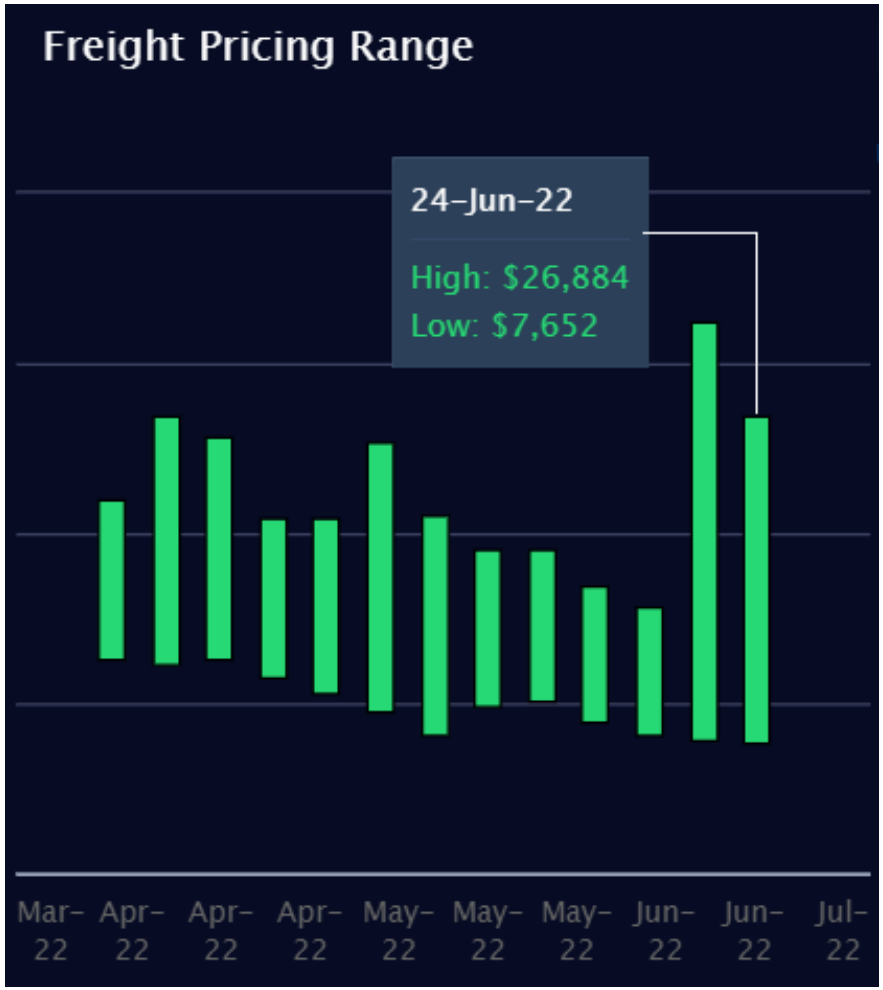




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Freightos Baltic Index

China/East Asia to North American West Coast



China/East Asia to North America East Coast



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West Coast Strike?

International Longshore & Warehouse Union (ILWU)

- Represent 22,000 dockworkers at 29 West Coast Ports
- Current agreement expires 7/1/2022
- Halted talks from May 20th to June 1st without disclosing a reason.
    - Union willing to let contract expire and strike – gain leverage.
- Companies hold their breath / fear work stoppages and slowdowns.
    - Shifting more business to east coast ports

Hot Topic – Automation

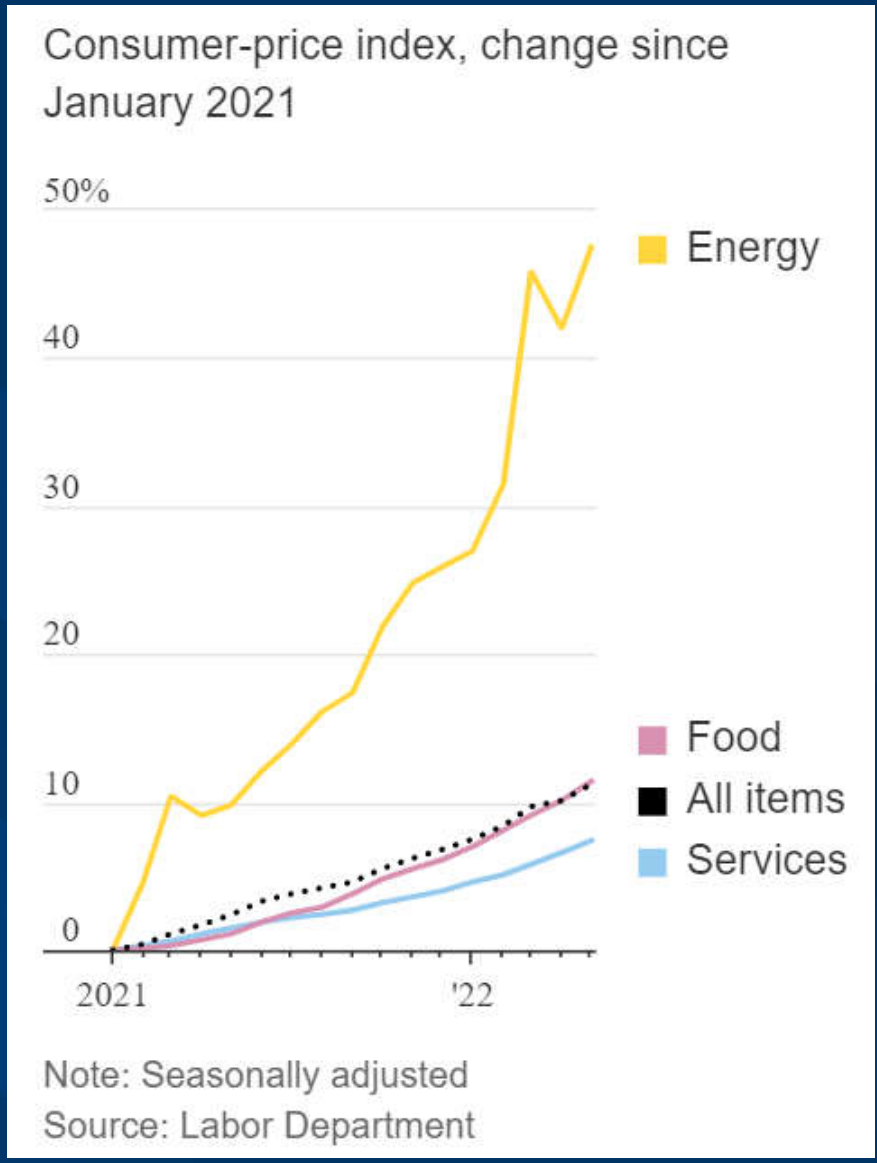
- AI reduced # workers, reduces human errors/delays, unload ships faster, allow ports to stay operational at night.
    - McKinsey & Company study - successfully automated ports improved activity by 35%, reduced operating expenses by 50%.
- Union fears job loss
- World Bank and IHS Market Study – Reviewed 351 Global Ports
    - LA ranked 328 / Long Beach ranked 333
        - So Cal ports represent 40% of container traffic into US.
        - US ports need automation.
    - China and Middle East at top of the list

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Inflation & Economy

QUICK FACTS

- CPI up 8.6% over May 2021
- PPI up 10.8% over May 2021; Final Demand Goods PPI 16%
- Groceries up 12%; Airfare 38%; Jet fuel 50%; Hotels 19%
- "We... ability to pass through the increase in fuel price." *(Scott Kirby, Pres United Continental)*
- **Fuel represents 20% of 8.6% inflation rate** *(Labor Dept.)*
- EU sanctions ban import Russian oil, **phased in coming months**; eliminates 90% Russian oil imports *(WSJ May 31)*
- Durable goods up 0.7% in May *(6/27 Commerce Dept.)*
- Manufacturing PMI drops in Jun, **lowest since Jul 2020** *(S&P Global 6/23)*
- Industrial Metals facing worst quarter since 2008; **Copper 16-month low** - *London Metal Exchange (Bloomberg 6/27)*
- Fed Reserve rate hike 75 basis points *(6/16)*
- Fed Chair Jay Powell **"anticipate ongoing rate increases to be appropriate."** *(6/22 Senate Banking Committee)*
- 30 year mortgage rate 5.23% *(Freddie Mac Jun 9)*; 2.96% same week 2021



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Fuel Prices

Date	Diesel ($ per Gallon)
Jan 05, 2021	$ 2.640
Jan 12, 2021	$ 2.670
Jan 19, 2021	$ 2.696
Jan 26, 2021	$ 2.716
Feb 02, 2021	$ 2.738
Feb 09, 2021	$ 2.801
Feb 17, 2021	$ 2.876
Feb 23, 2021	$ 2.973
Mar 02, 2021	$ 3.072
Mar 09, 2021	$ 3.143
Mar 16, 2021	$ 3.191
Mar 23, 2021	$ 3.194
Mar 30, 2021	$ 3.161
Q1 AVERAGE	**$ 2.913**

Date	Diesel ($ per Gallon)
Apr 06, 2021	$ 3.144
Apr 13, 2021	$ 3.129
Apr 20, 2021	$ 3.124
Apr 27, 2021	$ 3.124
May 04, 2021	$ 3.142
May 11, 2021	$ 3.186
May 18, 2021	$ 3.249
May 25, 2021	$ 3.253
Jun 02, 2021	$ 3.255
Jun 08, 2021	$ 3.274
Jun 15, 2021	$ 3.286
Jun 22, 2021	$ 3.287
Jun 29, 2021	$ 3.300
Q2 AVERAGE	**$ 3.212**

Date	Diesel ($ per Gallon)
Jul 06, 2021	$ 3.331
Jul 13, 2021	$ 3.338
Jul 20, 2021	$ 3.344
Jul 27, 2021	$ 3.342
Aug 03, 2021	$ 3.367
Aug 10, 2021	$ 3.364
Aug 17, 2021	$ 3.356
Aug 24, 2021	$ 3.324
Aug 31, 2021	$ 3.339
Sep 08, 2021	$ 3.373
Sep 14, 2021	$ 3.372
Sep 21, 2021	$ 3.385
Sep 28, 2021	$ 3.406
Q3 AVERAGE	**$ 3.357**

Date	Diesel ($ per Gallon)
Oct 05, 2021	$ 3.477
Oct 13, 2021	$ 3.586
Oct 19, 2021	$ 3.671
Oct 26, 2021	$ 3.713
Nov 02, 2021	$ 3.727
Nov 09, 2021	$ 3.730
Nov 16, 2021	$ 3.734
Nov 23, 2021	$ 3.724
Nov 30, 2021	$ 3.720
Dec 07, 2021	$ 3.674
Dec 14, 2021	$ 3.649
Dec 21, 2021	$ 3.626
Dec 28, 2021	$ 3.615
Q4 AVERAGE	**$ 3.665**

Date	Diesel ($ per Gallon)
Jan 04, 2022	$ 3.613
Jan 11, 2022	$ 3.657
Jan 19, 2022	$ 3.725
Jan 25, 2022	$ 3.780
Feb 01, 2022	$ 3.846
Feb 08, 2022	$ 3.951
Feb 15, 2022	$ 4.019
Feb 23, 2022	$ 4.055
Mar 01, 2022	$ 4.104
Mar 08, 2022	$ 4.849
Mar 15, 2022	$ 5.250
Mar 22, 2022	$ 5.134
Mar 29, 2022	$ 5.185
Q1 AVERAGE	**$ 4.244**

Date	Diesel ($ per Gallon)
Apr 05, 2022	$ 5.144
Apr 12, 2022	$ 5.073
Apr 19, 2022	$ 5.101
Apr 26, 2022	$ 5.160
May 04, 2022	$ 5.509
May 10, 2022	$ 5.623
May 17, 2022	$ 5.613
May 24, 2022	$ 5.571
Jun 01, 2022	$ 5.539
Jun 07, 2022	$ 5.703
Jun 14, 2022	$ 5.718
Q2 AVERAGE	**$ 5.432**

Date	Diesel ($ per Gallon)
Q3 AVERAGE	

Date	Diesel ($ per Gallon)
Q4 AVERAGE	

50%+ LTL market fuel surcharge

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Freight Inflation

- Monthly measure of aggregate US freight deliveries
- Includes all modes of transit
  - Full Truckload represents about 50%+ of data.
  - LTL, Parcel, and Rail other top modes of index.

May Shipment Counts

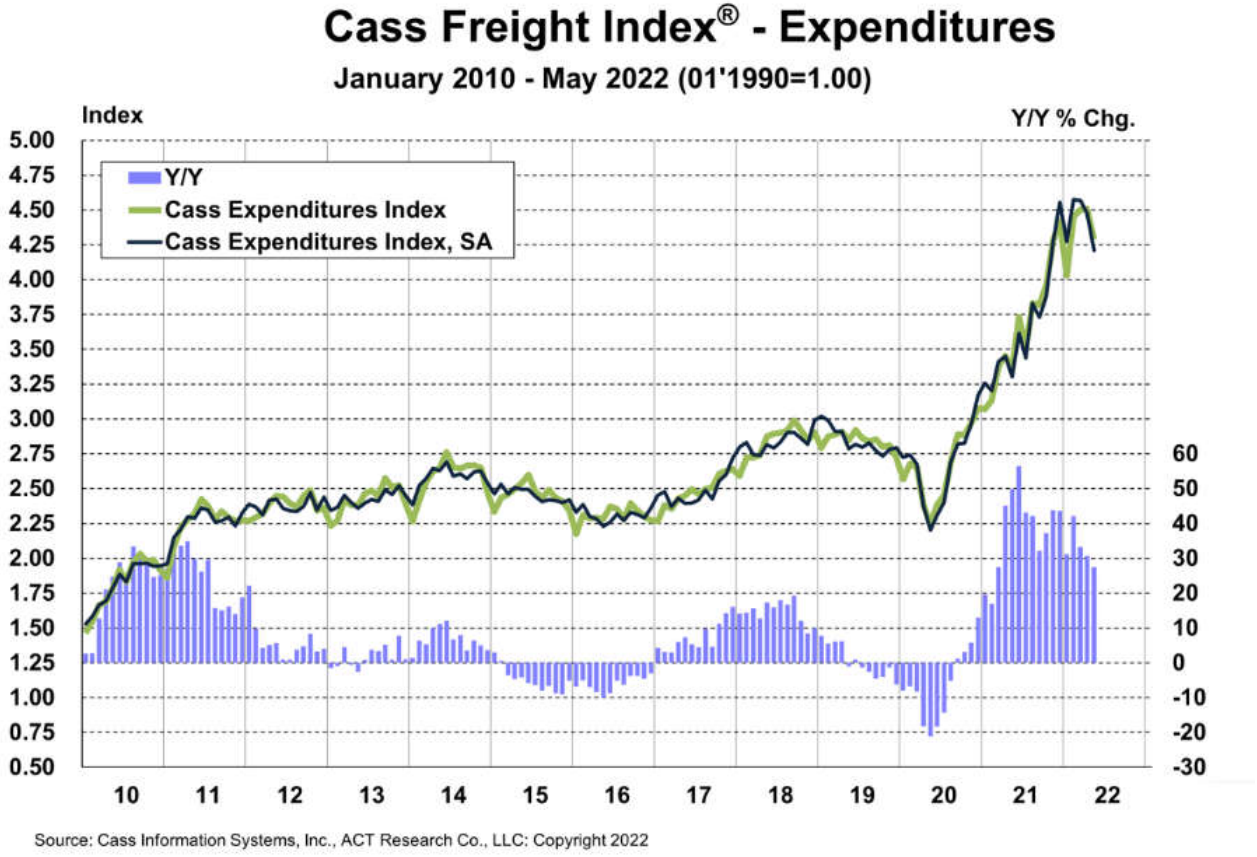
- Down 2.7% y/y

May Freight Expenses

- Up 28% y/y
- Down 4.9% from Apr
- Decline result of less FTL shipments moved – more LTL.

May Implied Freight Increase

- Up 31% y/y
- Still in line with April despite 9.8% Month over Month decline

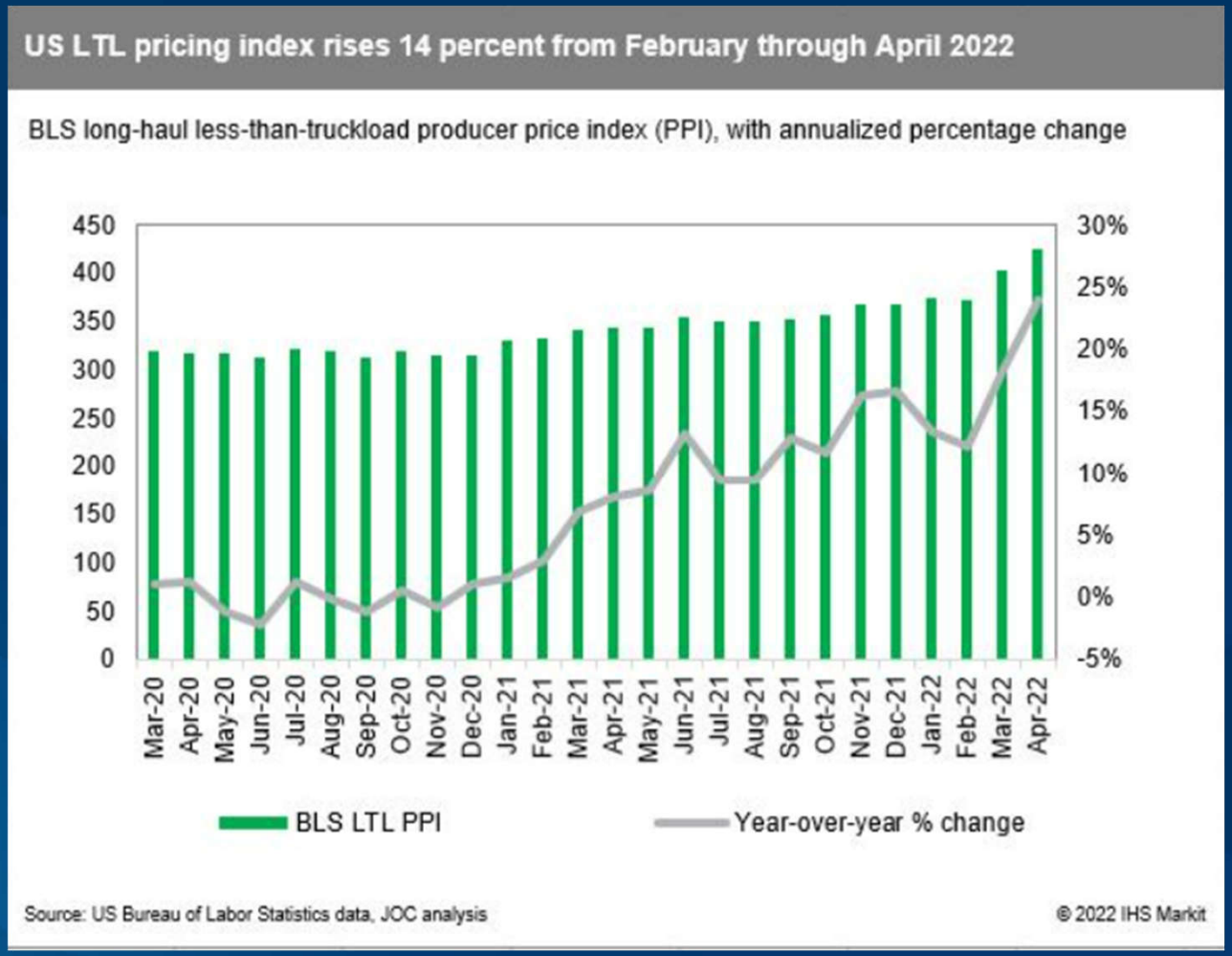


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LTL Strength Continues

Input Costs & Demand Both Up

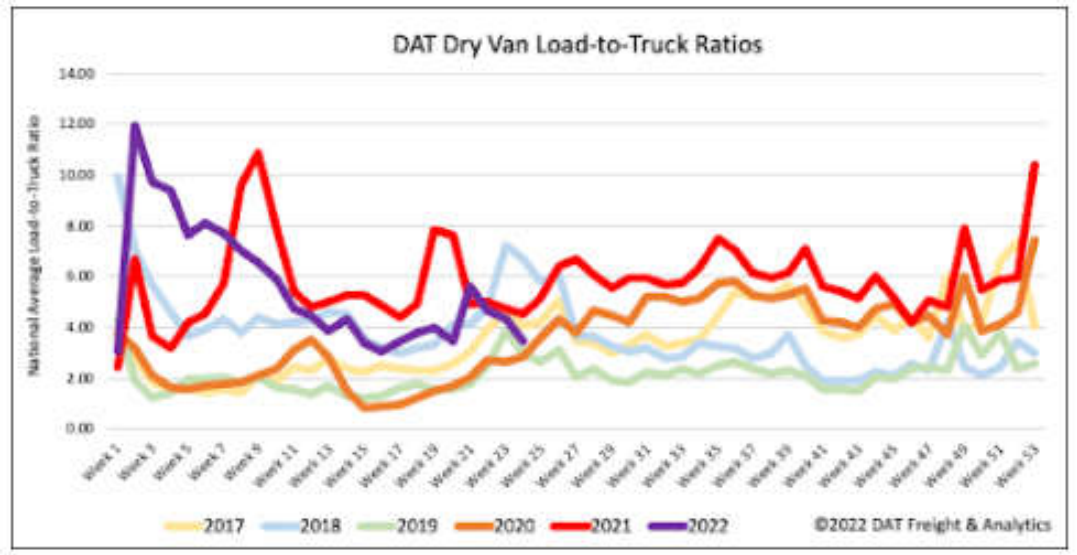
- Carrier labor cost & availability
- Carrier equipment cost & availability
- FUEL
- Resilient consumer demand
- Dollar Tree Q1 imports up 33% over 2021 (*WSJ 5/22*)
- $1 Trillion bi-partisan infrastructure bill kicking in
- ABF, SAIA, ODFL ship count & tonnage up in Apr & May y/y
- FedEx FQ4 – LTL rev up 23%; daily tonnage down 5%; OR 78%
- XPO "… substantially increase our capex" *(Brad Jacobs, CEO Jun 2022)*
- Private LTL carriers indicating 4-6% decrease in ship count
- Trucking PPI to rise through mid 2023 *(S&P Global)*

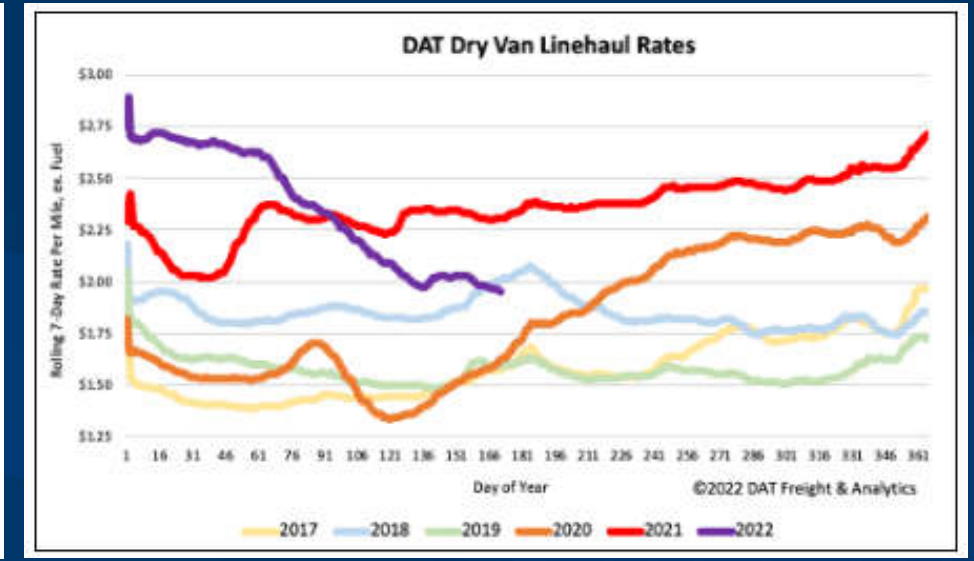


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Load to Truck Heat Map

DAT Market Conditions





Dry Van Load to Truck Ratio (LTR) almost identical to same time 2020

Dry van linehaul rates (excluding fuel) dropped $0.72 per miles over the prior 19 weeks.

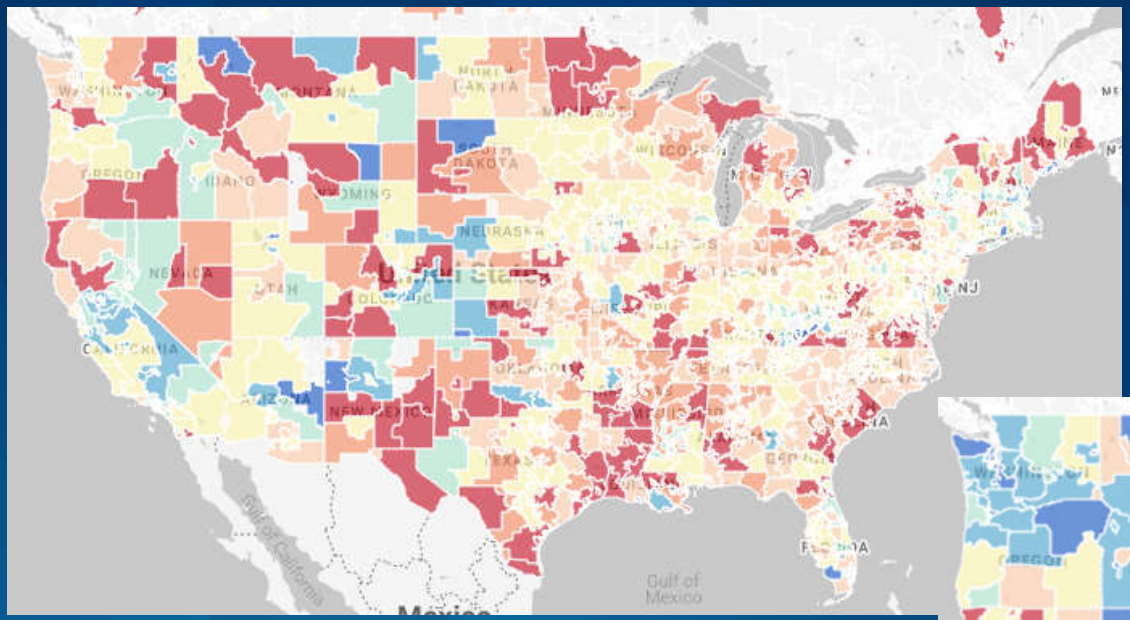
“All In” Rates staying flat to shipper – held up by high fuel prices

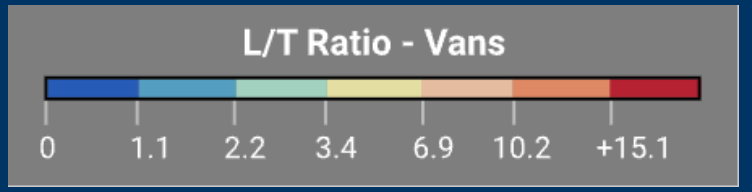
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Load to Truck Heat Map

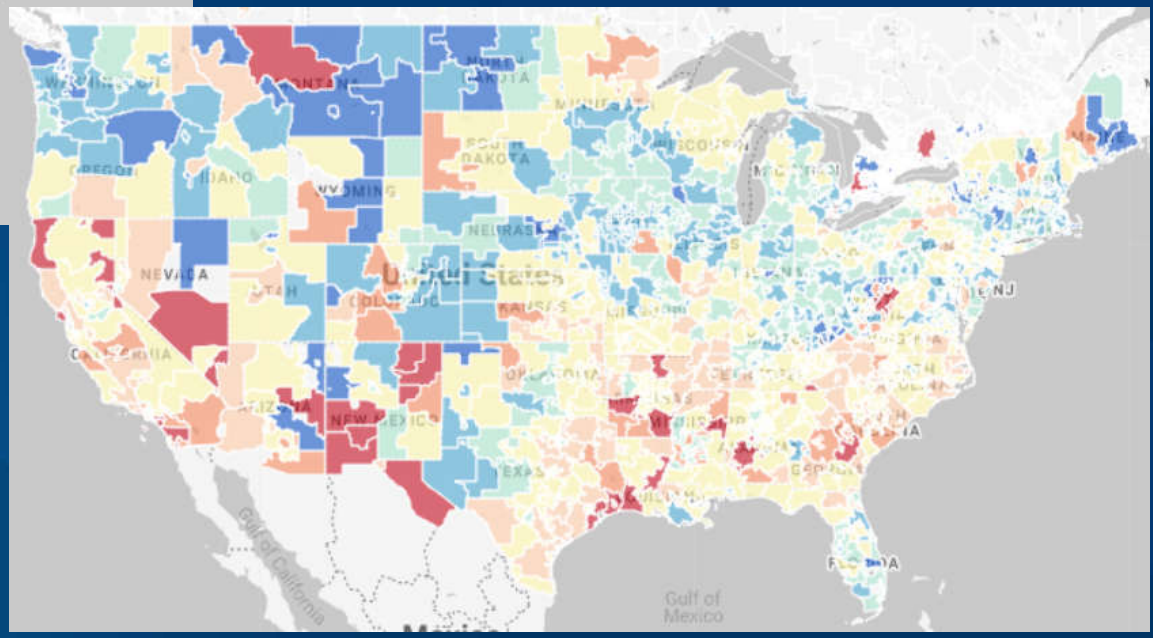
DAT Market Conditions

February 25th to March 4th





June 20th to June 27th



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Overlength Focus

Carrier	6	7	8	9	10	11	12	13	14	15	16	17	18	19
A Duie Pyle	$118.00 (6'6")		$295.00				$529.00				$646.00			
AAA Cooper			$250.00				$375.00				$535.00			
ABF Freight			$185.00				$300.00				$385.00			
Averitt Express			$160.00				$300.00				$750.00			
Daylight Transport			$200.00				$750.00							
Dayton Freight		$200.00			$285.00		$375.00		$450.00		$600.00		$750.00	
Dohrn			$85.00				$135.00				$185.00			
Estes Express			$225.00				$400.00				$750.00			
FedEx Freight			$181.00				$400.00							
New Penn			$250.00				$500.00				$1,000.00			
Oak Harbor										50% up of net freight charge				
Old Dominion			$1,000.00											
Penninsula Truck			$120.00				$300.00				$600.00			
Pitt Ohio		$115.00	$190.00				$450.00				$775.00			
R&L Carriers			$170.00				$300.00				$500.00			
Southeastern Freight Lines			$140.00				$250.00				$750.00			
T Force Freight			$250.00				$450.00							
USF Holland			$250.00				$500.00				$1,000.00			
USF Reddaway			$250.00				$500.00				$1,000.00			
Ward Trucking	$195.00 if 49" Wide or more		$175.00 / $195.00 (if 49" Wide or more)				$350.00			$525.00 / $675.00 if 49" Wide or more			$675.00 / $825.00 if 49" Wide or more	
XPO Freight			$234.00				$476.00				$1,187.00			
YRC			$250.00				$500.00				$1,000.00			

Overlength Charges shown above were pulled online from Carrier Rules Tariffs.

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Class 8 Truck Orders Decline

Uncertainty with OEMs

- Progress stalls from disruptions in China, Europe and Russia.
- Not confident in production 2nd half of year, limiting new orders
- 2023 outlook is weak – Fewer orders being booked due to cost of commodities

Trailers Too

- US trailer manufacturer Wabash National $2.3B orderbook backlog
- "Can't keep stock trailers on the yard at dealers." *(Brent Yeagy CEO)*

Greenhouse Gas (GHG) Phase 2 Impacts

- Carbon dioxide & greenhouse gas truck emissions to decrease in 2024 & 2027 builds
- Carriers increasing orders for Electric Vehicles.

May Orders Down 43% y/y



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Electric Vehicle (EV) Trucks

Delays from Supply Chain

- Suppliers pushing back delivery timelines as much as 2 years
- Same issues – semiconductors, port delays, lower steel & commodity availability (China, Russia Ukraine)
- Uptick in demand – government regulations & corporate environmental initiatives

Expected growth of 17% annually until 2030

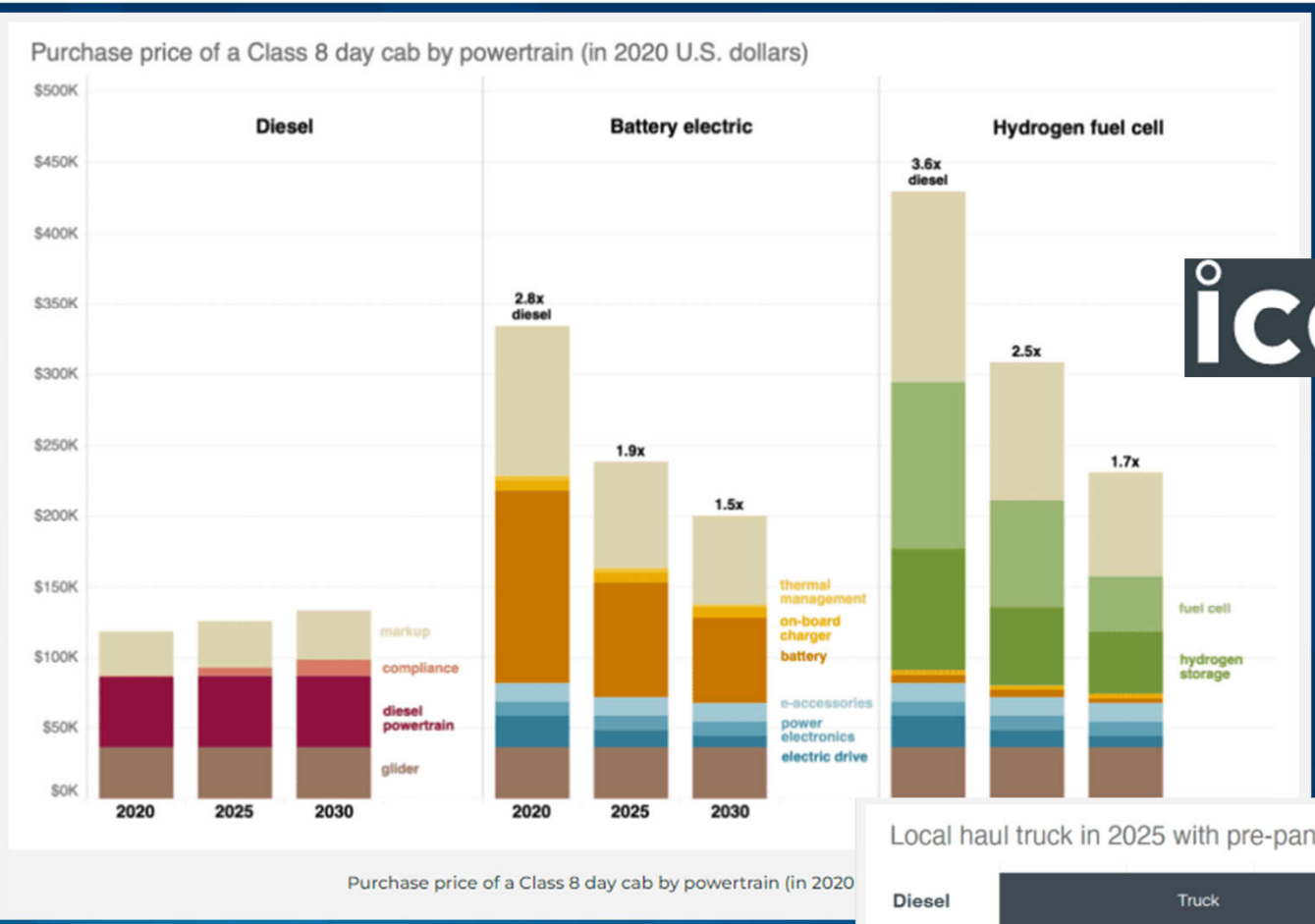
- NFI ordered 60 Volvo VNR Electric trucks *(May 2022)*; 275-mile range; 80% charge in 90 mins.
- Freightliner EV Class 8 eCascadia; 250-mile range; cost 2-3x diesel Cascadia at $140,000
- Tesla taking class 8 orders; $180,000; range of 500 miles
- BrightDrop orders from FedEx, Verizon and Walmart

Cost Benefit *(Amol Phadke, UCLA Berkley, Forbes May 2022)*

- Operating energy costs 50% less than diesel
- Electric trucks pays for itself 3 years; save owners $200,000 over truck life w/ current (kWh)
- International battery pack currently $135 per kilowatt hour (kWh)
- Bipartisan Infrastructure Law $7B in batteries; $7.5B in national EV charging network of 500,000 stations
- Battery (kWh) expected to drop to $60 per (kWh) between 2025 – 2030), accelerating savings
- 50% lower total cost ownership per mile by 2030

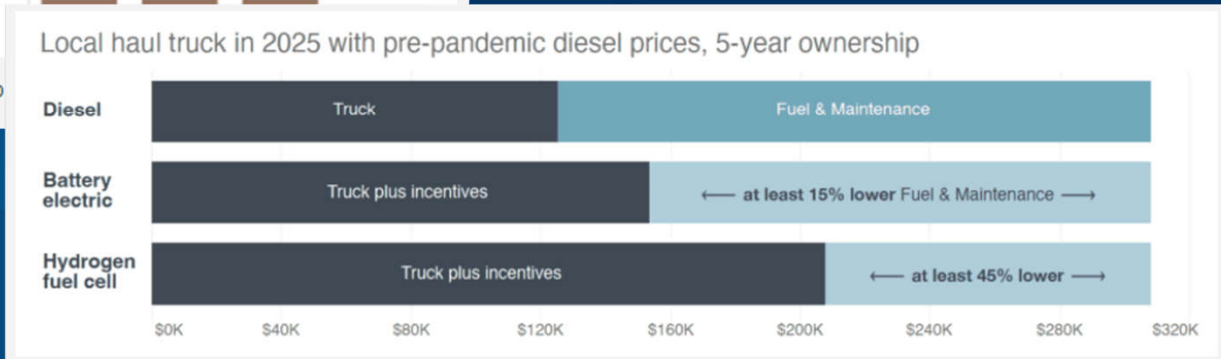
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Non-Diesel Cost Benefit



Purchase price of a Class 8 day cab by powertrain (in 2020

icct THE INTERNATIONAL COUNCIL ON Clean Transportation



Local haul truck in 2025 with pre-pandemic diesel prices, 5-year ownership

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Pitt Ohio EV Adoption

BATTERY ELECTRIC VEHICLE

PITT OHIO understands the nature of our business and the impact we have on our communities, our customers, and the environment. An integral part of our sustainability strategy is our commitment to doing our best to achieve environmental and social responsibility.

Our commitment to renewable energy, fuel efficiency, and our planet as a whole is more critical than ever to reducing our carbon output. The company is actively trying to achieve this goal on the road and at its facilities, including a patented renewable energy microgrid that is powered by 8 wind turbines and 1,500 solar panels on site, providing up to 68 megawatts of annual energy. In addition, our green fleet management practices start with maintaining and operating a modern fleet, which now includes 2 electric powered trucks.

There are less than 50 electric trucks of this kind operating in North America today.[1]
PITT OHIO is generating the power for these two vehicles to be on the road making pickups and deliveries in the greater Cleveland area.



PITT OHIO employees, customers, and the community chose the truck design. **Thank you to our employees, customers and community for helping us pick the design for these electric trucks!**

1. Numbers at the time of print.

CLASS 7 VNR ELECTRIC BOX TRUCK WITH A 26' BODY WITH A MAXON GPT 3,000 LB. LIFTGATE

FEATURES:

HORSEPOWER
More powerful than a conventional powered truck. Under the hood, you will find two 170 kW[2] electric motors that provide output of 340 kW or 455 horsepower. A normal box truck is 275 horsepower.

BATTERIES
At a full charge, this truck can travel up to 150 miles, handling demanding routes with multiple stops on a single charge. The 4 lithium ion battery packs are 66 kWh[3] for a total of 264 kWh. The battery life is projected to be 8-10 years.

CHARGING
At our Cleveland terminal in Parma, OH, we have a Level 2 Tritium Charger that can recharge the battery in 4 hours. The charger is part of our overall electrical system, which includes our patented renewable energy microgrid that is powered by on-site solar and wind. The truck is also equipped with regenerative braking to maximize range and brake life. It recovers braking energy and transfers it back to the battery packs.

ROOFTOP SOLAR
A small solar strip can be found on the roof of the truck, which assists with liftgate power needs.

SAFETY
The safety of our drivers and those we share the road with is our top priority. This truck is equipped with a collision mitigation safety system called Volvo Active Driver Assist. The electric truck is not only saving the planet, but with this technology, it is also safe on the road.

2. kW reflects the rate of electricity you use.
3. kWh indicates the amount of electricity you use.



This extremely quiet Electric Powered Box Truck is saving 2,500 gallons of diesel fuel per year, or 24 metric tons of carbon dioxide (CO_2).

THAT'S EQUIVALENT TO 1 OF THE FOLLOWING...

- Recycling 1,021 bags of trash instead of putting it in a landfill!
- Switching 910 incandescent lamps to LEDs!
- The electricity 4.4 homes use in one year!
- Charging close to 3,000,000 smartphones!



Click here for the PITT OHIO Sustainability Story.

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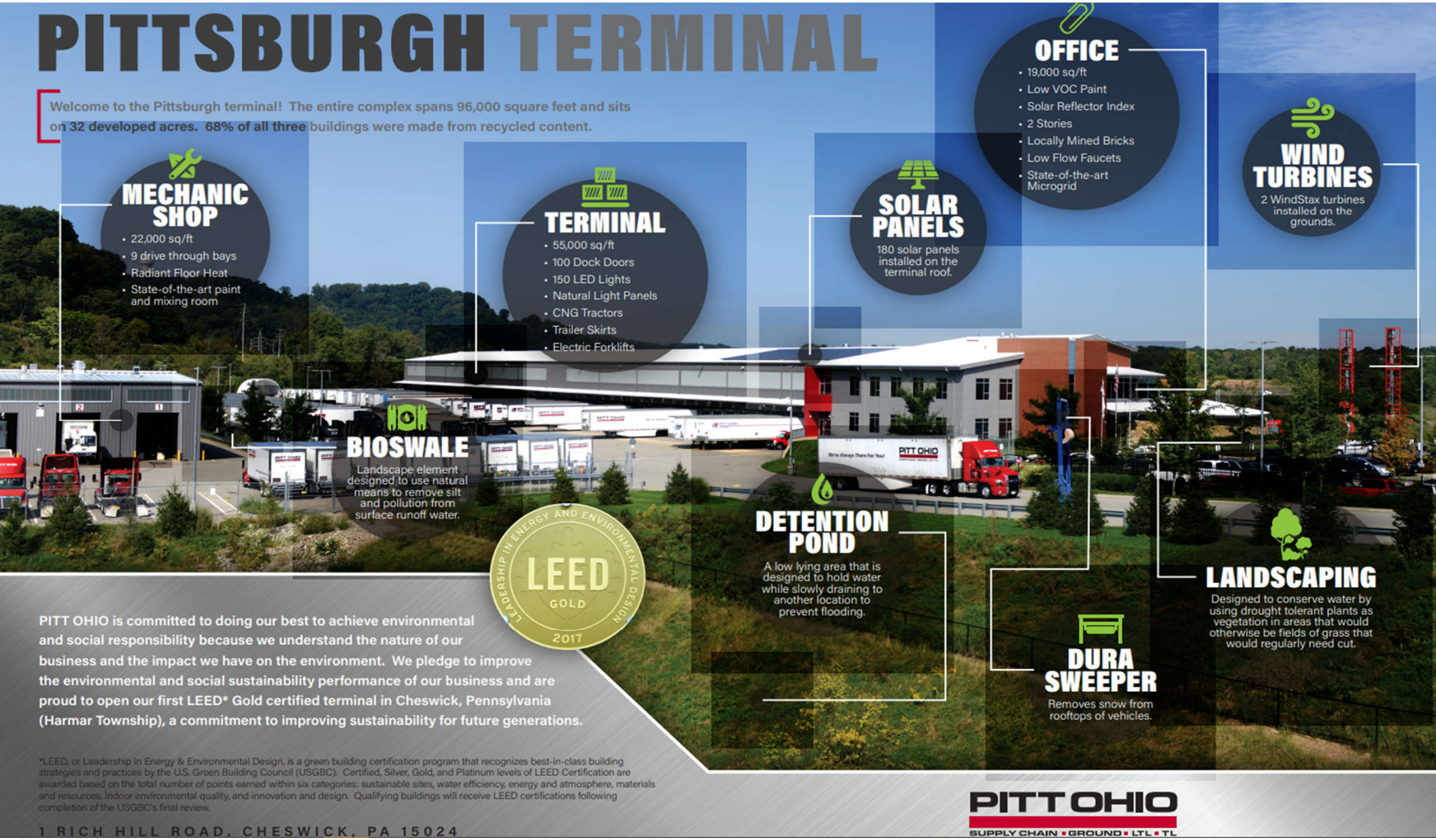
Environmental Initiatives

Environmental, Social & Corporate Governance (ESG)

- Securities & Exchange Commission proposal *(Mar 2022)* would require publicly traded companies to report greenhouse gas emissions from operations
- "Hundreds, if not thousands, of US companies already disclose some kind of climate related information." *(SEC Chair Gary Gensler)*
- EPA published proposed *(Mar 2022)* rule for more stringent standards to reduce pollution from heavy-duty vehicles and engines starting in model year (MY) 2027
- ArcBest (ABF) disclosed scope 1 (direct) and scope 2 (indirect) greenhouse gas emissions for 1st time in ESG report
- Scope 3 includes emissions from activities such as transportation, employee commutes and distribution
- Other measures include solar panels at facilities, electric forklifts and straight trucks, LED lighting

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Environmental Initiatives



Environmental Initiatives

CNG TRACTORS



REDUCE GHG EMISSIONS UP TO 20%

By implementing compressed natural gas-powered products, we're doing our part to help the environment. They are dependable, economical, and also reduce greenhouse gas (GHG) emissions up to 20%.

STATE-OF-THE-ART MICROGRID

PITT OHIO has teamed up with University of Pittsburgh's Swanson School of Engineering to implement an innovative and exciting new advancement in renewable energy. Our microgrid stores Direct Current (DC) energy captured from solar and wind into water-based batteries so that our Operations can use clean power when they need it. Our microgrid powers one-third of the Pittsburgh terminal's energy needs.

MORE EFFICIENT · IMPROVED RELIABILITY · LOWER COST

ELECTRIC FORKLIFTS



LED LIGHTING



LED lights contain no toxic materials and are 100% recyclable. One LED light bulb can save material and production of 25 incandescent light bulbs and will help us to reduce our carbon footprint by up to a third. A big step towards a greener future!

WATER EFFICIENCY



Our water efficiency has been designed to be 30% better than conventional fixtures—including low-flow faucets and waterless urinals in the men's rooms.

GE THERMAL WELL SYSTEM



Geothermal heating and cooling is an efficient process that takes advantage of the ground temperature of the earth which is a constant 55°. At our Pittsburgh Terminal the well system consists of an underground pipe grid (nearly 500 feet deep) through which a methanol liquid circulates and returns to a Heat Pump located on the Terminal Roof. The Heat Pump works to be a Heat Source in the Winter and a Heat Sink in the Summer. Newer heating systems are said to be 98% efficient, but a Heat Pump with geothermal connections is said to be 400% efficient.

TRAILER SKIRTS

By equipping trailers with state-of-the-art trailer skirts we can further minimize our carbon footprint through the maximization of aerodynamic efficiency and optimization of fuel consumption.



PITT OHIO
SUPPLY CHAIN • GROUND • LTL • TL

KDL Recommendations

Modernize Logistics Solutions

- Focus on digitization, workflow automation.
- Risk mitigation
- Most effectively collaborate with shipper, carrier and logistics provider

Middleware

- Eliminate keystrokes involved with carrier selection, BOL creation, shipment execution.
- Connect fragmented systems – shippers often manually tie back quote & invoice cost to ERP for billing – results in gaps, lack of controls, missed billings - eroded margin.
- Integration – automatically pull back costs, tracking numbers, carrier information to ERP.

Input costs flow through to consumer

- Evaluate customer freight policies; Do you offer free freight based on order size?
- Small LTL shipments, single shipment pick up, remote location - could experience disproportionate impact with FUEL impact of transport charge
- Is freight being accounted for and charged back on NON-free freight orders?
- Capture data to measure how freight affects customer profitability (CPA)

Control Inbound Freight

- Control preferred method of transport
- Don't assume suppliers have better freight rates
- NO MORE PAPER ROUTING GUIDES!!
- Avoid suppliers marking up freight charges

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KDL Recommendations

Educate your Customers, Customer Service & Sales Team

- Amid disruption, opportunity to differentiate from other companies not planning as well
- Make it a priority to inform all parties
- New normal is delayed delivery, with longer delays to hot spots areas or when moving long distances if shipper is *PRICE* focused.
- Route appropriately – send dedicated if the order is urgent.
- On INTL side, expect delays at the port. Vessel bunching causes additional days to unload containers.

Capability Trumps Price

- Capacity, on time delivery trumps price.
- Weigh service more than cost when selecting carriers.
- Shipping guaranteed instead of standard LTL

Be a "Shipper of Choice"

- Reduce times to load and unload a carrier.
- Mindful of pick-up caps, any near-term capacity constraints
- Shippers pledge to utilize an electronic bill of lading based on industry standards.
- Provide advanced notice on pickups
- Prevent small, single shipment pickups – consolidate onto carriers already scheduled to come in.
- Provide accurate handling dimensions, weights, descriptions, package types, counts and service requirements on BOL.
- Carriers honor handling unit dims and weights, allow appropriate (maybe 5%) tolerance for c[illegible]

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KDL Recommendations

Consider Packaging Improvements

- Carrier damages on the rise
- Can't afford rework - Lack of inventory , labor shortage.

Intelligent Route Planning

- ***Prioritize Loads*** – capacity is tight. Some orders may need to go out in front of others. Be aware and adjust schedules as needed.
- ***Schedule Early* –** Its more difficult to secure a same day driver. Communicate expected ship dates in advance so providers can preplan their loads.
- **Ship next day orders during the week –** Drivers are less interested in shipping a next day load on Fridays. Use Fridays for longer hauls and try to move next day lanes up in the week.
- **Ship Dedicated –** Be aware if orders are hot. Move them on dedicated trucks and don't risk sending in LTL market.

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