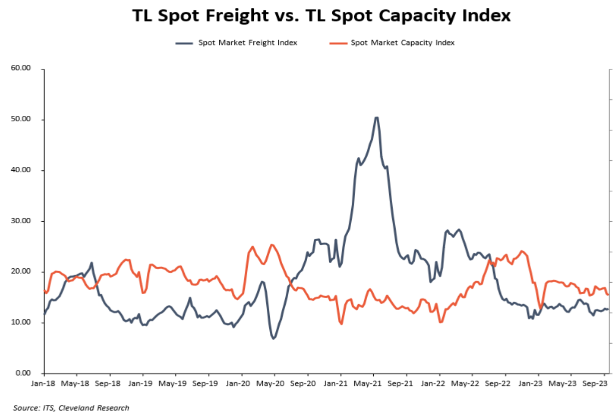
GROUND MARKET UPDATE

October 2023

CURRENT STATE

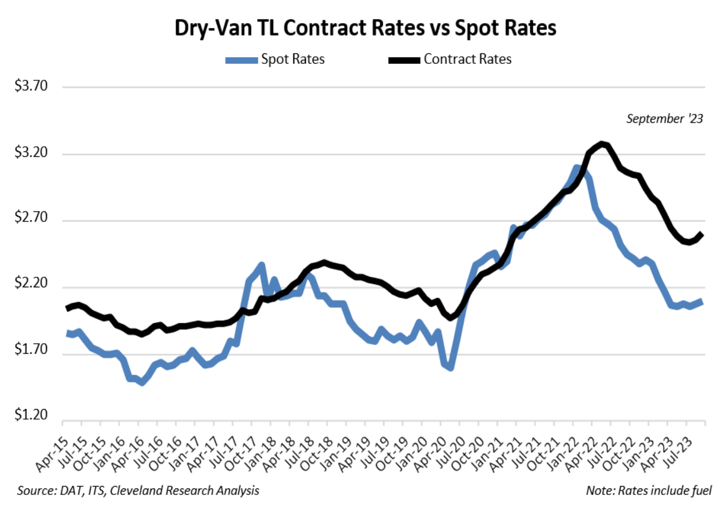
During an industry analysts interview with a large consumer products shipper the following came to light regarding recent TL and intermodal trends. Over the last few months, this shipper has seen destocking efforts largely subside, so he believes most retailers are now at or near normalized inventory levels. Likewise, he's seen some normal buying patterns return, but nothing more than replenishment after an extended destocking cycle. Meanwhile, **TL tender acceptances remain very high, but he has recently seen some signs of normal seasonality ahead of peak season with tender acceptance rates dipping slightly**. Looking ahead, this shipper is preparing for his full network bid in early 2024. After a successful 2023 bid where his TL contract rates declined mid-teens year over year and his intermodal rates were down high-teens year over year, **he expects a more balanced TL bid next year. He is currently forecasting his TL rates to be flat to up slightly year over year** but plans to leave some portion of his freight in the spot market in case rates stay lower for longer. On the other hand, our contact still sees ample intermodal capacity and IMCs looking to take more share. So, he expects intermodal pricing will remain soft again during his upcoming bid with rates continuing to move lower, albeit not nearly as much as this year's decline.



Truckload spot market demand remains lower year over year and steady on a 4-week trailing average, with channel commentary highlighting softening organic demand and normalizing inventory levels.

MARKET FORECAST

Contract rate pressure continues in Q3, but likely subsiding moving forward. We entered 2023 expecting a meaningful reset in TL dry-van rates (down high-single digits or so on contractual renewals), a more moderate decline (mid-single digits) in refrigerated rates and modest increases in dedicated contractual renewals. With the Q3 reflecting the majority of 2023 contract renewals agreed upon during spring bid season, we expect the asset-based TLs will see seq. rate pressure from the high-single digit to low-double digit rate decreases. We believe contractual rate negotiations in Q3 have been more challenging than carriers initially expected as shippers have maintained substantial pricing power given the market's state of oversupply. As a result, this is causing some larger carriers to opt to not place their assets under contract and instead run more spot market miles in an effort to keep maximum flexibility for when supply/demand dynamics improve. We have even heard anecdotes from small to midsized carriers that they have begun parking trucks rather than agreeing to non-compensatory contract rates, though larger carriers seem much more reluctant to do this in order to retain drivers given hiring challenges over the past several years. For non-asset-based TL brokers, contractual pricing trends have been (and remain) very competitive, with declines into the mid-teens year over year, which has increased the rate pressure on asset-based carriers. Despite a relatively stable demand backdrop, we expect a very challenging Q3 for TL carriers and brokers due to the unrelenting rate pressure on the contract side.



With higher fuel prices over the last 60 days, contract TL rates moved higher month over month. Excluding fuel, our work indicates contract rates are moving lower into mid-September given weaker organic demand trends and more available capacity. Our work indicates brokers are lower contract rates faster than asset-based carriers (down 20-30% vs assets down 5-10%). We believe overall TL pricing will likely decline 10-15% in 2023..

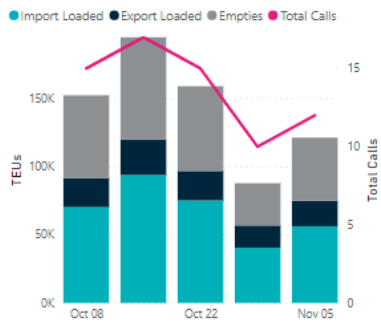
INDUSTRY INSIGHT

The Port of Long Beach currently has 6 container vessels at berth..... Average at anchor is 0 days.

WAVE Weekly Advance Volume Estimate — Port of LONG BEACH THE PORT OF CHOICE

PROJECTED WEEKLY VOLUME (TEUS)

Week	Date	Import Loaded	Export Loaded	Empties
41	10/08/2023	70,133	21,262	60,693
42	10/15/2023	93,754	25,711	75,091
43	10/22/2023	75,092	21,518	62,091
44	10/29/2023	40,512	16,211	30,943
45	11/05/2023	56,133	18,662	46,293



PROJECTED VESSEL CALLS

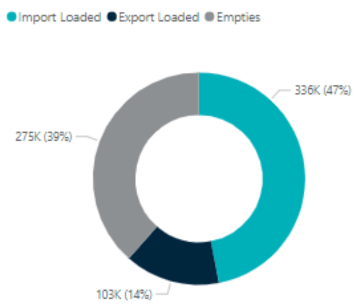
Week	Date	Blank Sailings	Extra Loaders	Planned Calls
41	10/08/2023	1	0	16
42	10/15/2023	1	0	18
43	10/22/2023	2	0	17
44	10/29/2023	7	0	17
45	11/05/2023	3	0	15

ESTIMATED CONTAINER MOVE TYPES (TEUS)

Week	Date	Import Local	Import On-Dock	Import Off-Dock	Export Local	Export On-Dock	Export Off-Dock
41	10/08/2023	53,636	18,244	4,056	20,441	6,953	1,546
42	10/15/2023	68,613	23,338	5,188	26,149	8,894	1,977
43	10/22/2023	55,968	19,037	4,232	21,330	7,255	1,613
44	10/29/2023	30,917	10,516	2,338	11,783	4,008	891
45	11/05/2023	42,704	14,525	3,229	16,275	5,536	1,231

ESTIMATED EXPORT AND EMPTY RETURNS (TEUS)

Week	Date	Export Loaded	Export Empty
41	10/08/2023	21,262	58,502
42	10/15/2023	25,711	71,346
43	10/22/2023	21,518	59,900
44	10/29/2023	16,211	27,550
45	11/05/2023	18,662	44,102



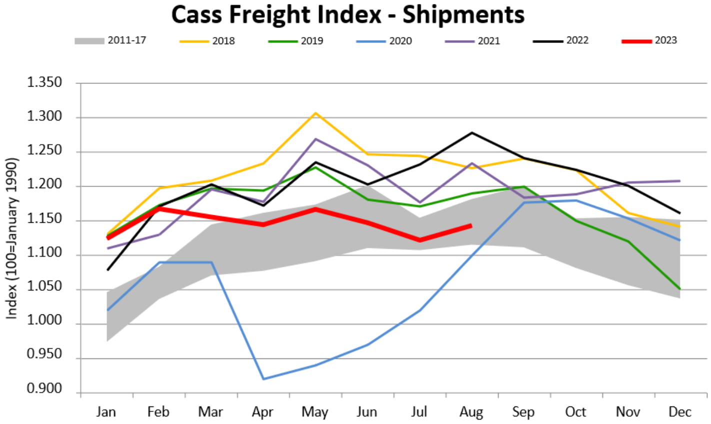
AVERAGE TERMINAL GATE TURN-TIME (MINUTES)

Terminal	Day Shift	Night Shift
Pier A	33	26
Pier C	20	23
Pier E (LBCT)	52	57
Pier G (ITS)	55	0
Pier J (PCT)	70	78
Pier T (TTI)	69	54

Average turn-times vary by terminals, and based on terminals' data from the previous week *Revised 10/02/2023*

During August, freight shipments (across all domestic modes) were down 10.6% year over year and **up 2% month over month** (up 1% month over month on seasonally adjusted basis) according to Cass Systems. As inventories normalize with ongoing destocking, our work indicates demand will remain lower year over year throughout 2H23. The freight market has been in decline for 20 months (past three declines from peak have been 21-28 months).

Cass Freight Index - Shipments

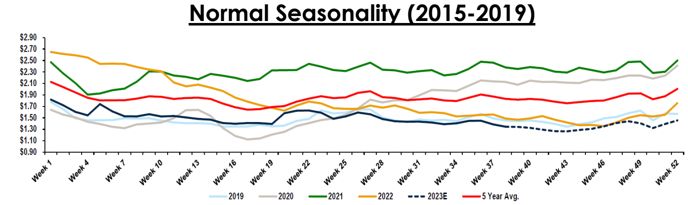


Source: Cass Transportation Indexes, CRC Analysis

INDUSTRY INSIGHT

Spot rates yet to see benefit from improving market balance. Throughout the 3Q's first twelve weeks, Truckload dry van spot rates (ex. fuel) decreased 13.8% vs. normal seasonality (2015-2019) of -11.1%, and weekly dry-van rates (ex. FSC) underperformed normal seasonality in 8 of 12 weeks in the QTD period (vs. 9 out of 13 weeks last quarter). Spot rates ex. fuel can be seen in Figures 4 and 5 (on page 6). Looking ahead, we expect spot rates will see somewhat of a seasonal uptick in the 4Q, but capacity attrition and improved freight demand remain crucial for sustained spot rate improvement. While the significant level of oversupply persisting in the TL market, coupled with uncertain consumer demand, has likely pushed out a market recovery until mid-2024, tender rejection rates improved throughout much of the 3Q as the market slowly moves off its cyclical trough. Following the UAW strike in mid-September, rejection rates have fallen from their recent highs, now to ~3.4%, but we would note this is an improvement vs. sub-3% rejection rates throughout April, May and early June. While we believe improved volume and capacity attrition have driven a more balanced market vs. the cyclical trough in April/May, the TL market remains oversupplied (rejection rates of ~5%-7% would be indicative of a more balanced market) and improved rejection rates are likely more so a result of contractual volume rejections from certain larger carriers and brokers as they walk away from unprofitable freight in select lanes as well as from small carriers due to rising fuel prices. We do not believe that the modest increase in rejection rates during the 3Q was due to any material improvement in pricing power by carriers or brokers, but we have heard anecdotes that some larger carriers are seeking to raise rates on specific shippers on specific lanes and, if unsuccessful, these carriers are prepared to walk away from the freight.

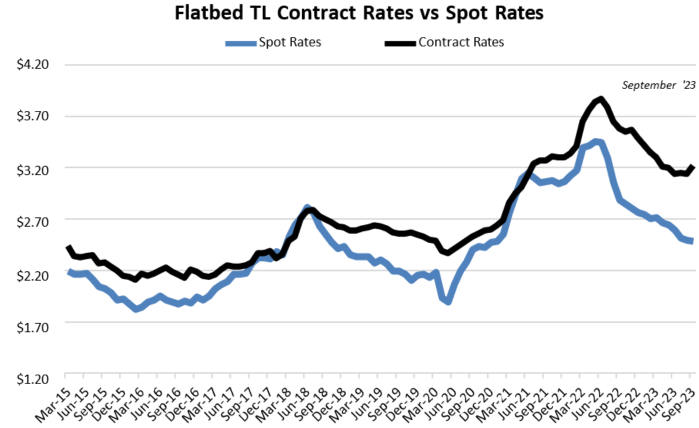
Dry-Van Spot Rates ex. Fuel with 2023 Projection Following Normal Seasonality (2015-2019)



Source: Truckstop.com and Stephens Inc.

Falling slightly over the past 90 days despite higher fuel prices, flatbed spot market rates are down 15% year over year. Our work indicates downward rate pressure has been muted (relative to dry-van) due to a more consolidated market supply and more stable industrial production with less inventory destocking.

Flatbed TL Contract Rates vs Spot Rates



Source: DAT, Cleveland Research Analysis

Note: Rates include fuel