

Uber Freight

2024 Q3 Market update & outlook

August 2024



Market update & outlook

Executive summary – 2024 Q3



Macro Economy

- The manufacturing sector tumbled back into contraction.
- Spending on goods grew at a modest rate of 2% YoY.
- Imports remained positive YoY.



US – LTL

- Tonnage and shipment count both continue to be down
- Fleet size and number of active terminals in public LTL carrier networks continue decline.



Ocean & Air

- Port of Baltimore planning full reopening by the end of May
- Carriers have implemented Panama Canal Surcharges due to ongoing drought
- New FMC Demurrage & Detention rules go into effect May 28



Warehousing

- Retail inventory leveling off near all-time highs
- Vacancies edged upward to 6.1% in Q2
- Q2 wages hit all-time high in May, slightly down in June



US – Truckload

- Spot rates rose in May and June in line with seasonality.
- Driver employment continued to decrease, as fleets ordered fewer trucks.
- Operating costs remain well above spot and contract rates.



US – Bulk

- Bulk trailer costs have risen significantly in the last few years
- Carriers continue to focus on utilization
- Carriers are not seeing the typical spring surge



Mexico

- Capacity constraints are beginning to show as the effects of nearshoring are starting to be noticed
- Annual inflation slightly increased in Q1
- The Peso continues to break records, appreciating its strongest level against the dollar



Sustainability

- Consumer and investor demand for greater corporate ESG disclosure remains high in the face of future political uncertainty



US – Intermodal

- Rail utilization has improved and dray capacity remains plentiful
- Railroads continue to be focused on Mexico and increasing their service offerings
- Spot rates continue to be lower



Europe

- Inflation continues to fall
- Q1 showed positive transport capacity on most lanes
- Spot rate index has increased by 4.7% in the last 3 months



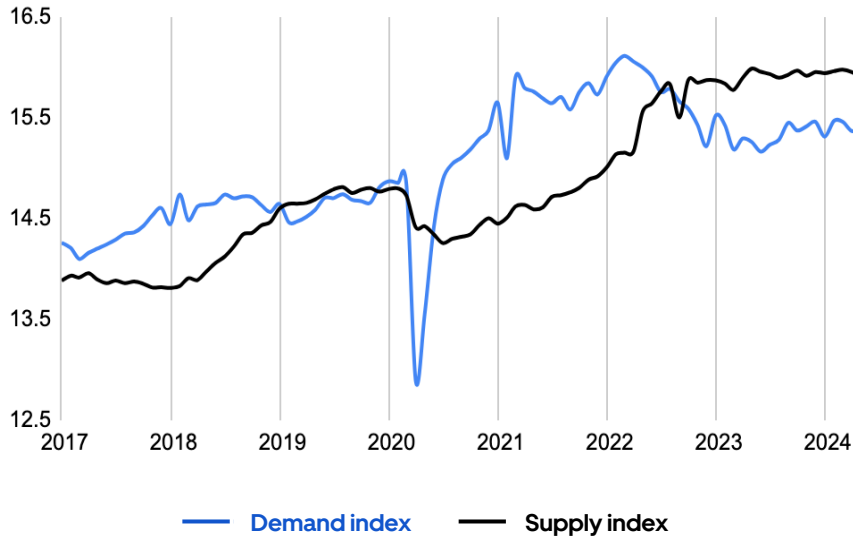
Canada

- GDP per capita is contracting, continuing with downward trend
- LTL demand strong with improving yields
- FTL contract and spot rates remain stable; near bottom

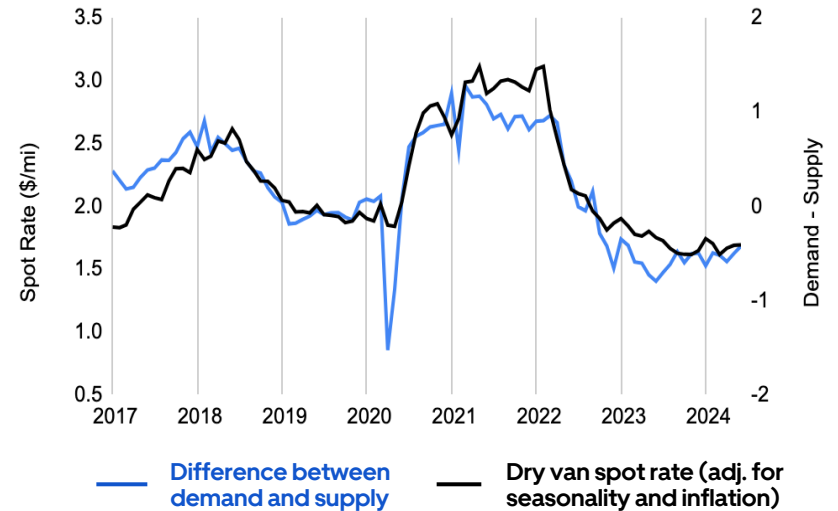
US Full Truckload

Truckload demand supply and demand barely changed in Q2

Uber Freight truckload supply and demand indices
Millions of dry van loads per month (seasonally adjusted)



Difference between demand and supply vs. dry van spot rates ⁽¹⁾



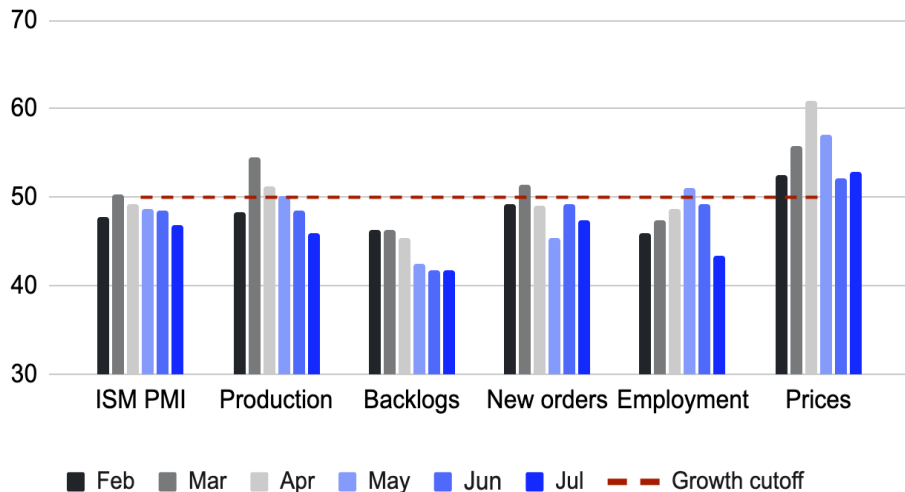
Truckload demand in Q2 held steady compared to the previous quarter, but remained 1.2% higher year-over-year. This growth is likely due to a rise in real consumer spending on goods (up 2.3% annually) and containerized imports (up 10.4% annually). On the supply side, long-distance truckload employment dipped slightly compared to last year, leading to a small decrease (0.3%) in truckload supply in Q2. However, despite expectations of a larger correction, the overall supply only fell 0.2% year-over-year, due to stronger-than-anticipated sales of Class 8 trucks.

Key factors impacting demand

The US manufacturing sector tumbled back into contraction after a brief recovery

ISM Manufacturing PMI ⁽¹⁾

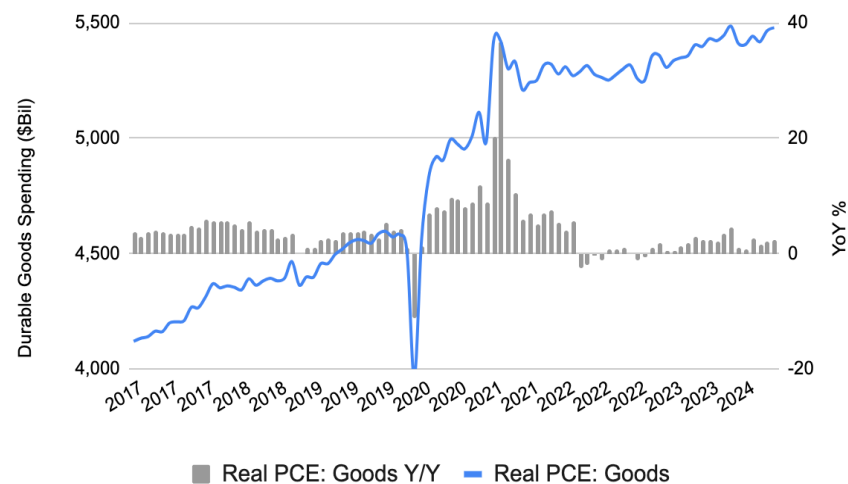
Values above 50 imply expansion and below 50 imply contraction



The ISM PMI for July registered 46.8, indicating contraction for the fourth consecutive month. Production, new orders, and backlogs all dipped below 50, pointing to weakening output and a deteriorating outlook. The Prices index remained above 50, reflecting ongoing cost pressures from rising commodity and raw material prices.

Real Personal Consumption Expenditures: Goods ⁽¹⁾

Billions of 2017 Dollars (seasonally adjusted)



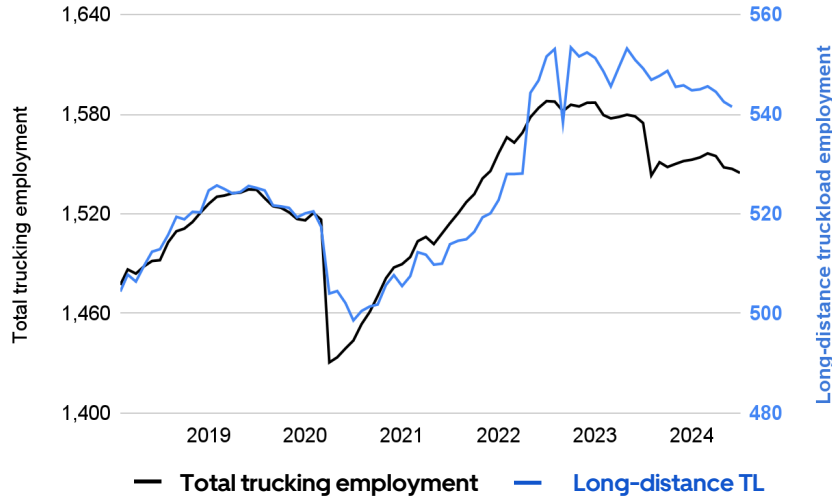
Real personal spending on goods rose 2% in the second quarter. Despite being up 2.3% year-over-year, spending growth fell short of the historical average of 3% to 4%. Consumers' real incomes rose slightly in June, but were only 1.0% higher year-over-year, also below the historical growth of 2% to 4%.

Key factors impacting supply

Fleets are ordering fewer trucks and reducing their headcounts

Trucking Employment ⁽¹⁾

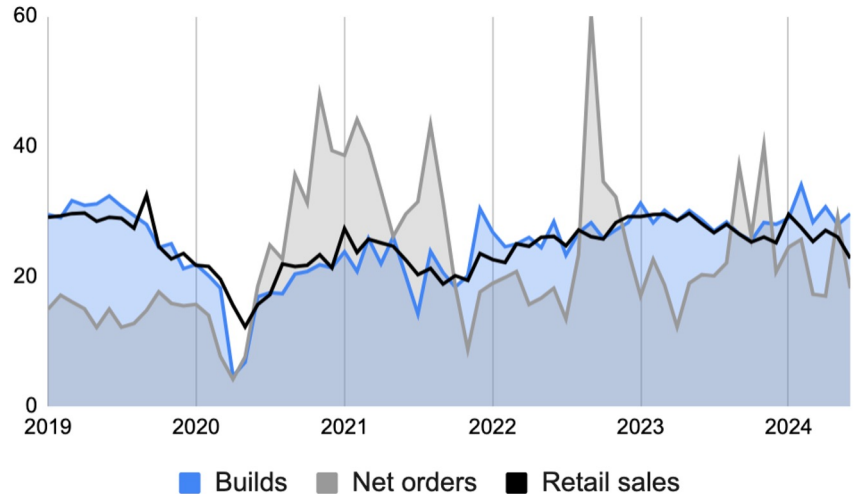
Thousands of employees, seasonally adjusted



Trucking employment fell 11.7K in the last 4 months (-0.75%) and was 2% lower than its year-earlier level. **Long-distance TL employment, a better predictor of spot rates, also fell for 3 consecutive months and was 1.7% lower y/y**, but was still higher than the 2019 levels, an already oversupplied market back then.

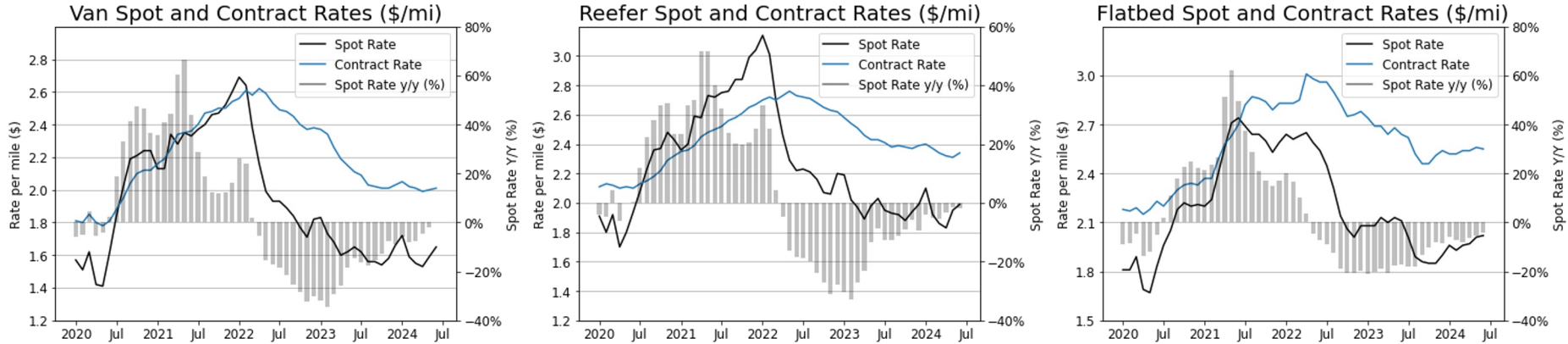
Class 8 Tractor Net Orders, Builds and Sales in NA ⁽²⁾

Seasonally adjusted



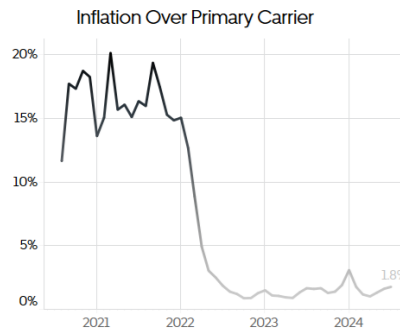
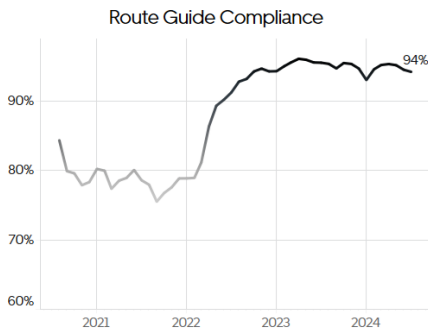
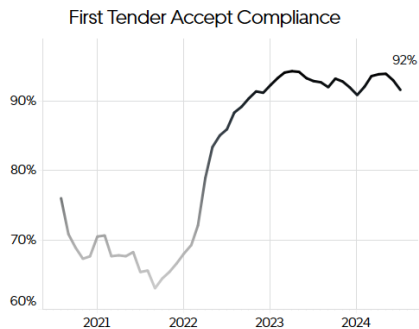
Tractor orders fell 38% in June, sinking 10% y/y. This follows a trend of weak orders (except for May), leading to a 12% drop in truck sales for June, which were down 19% y/y. Strong production and sales from the past year have reduced the backlog, cutting the order lead time to just 4.5 months, the shortest since 2017.

Spot rates rose in May and June in line with seasonal expectations

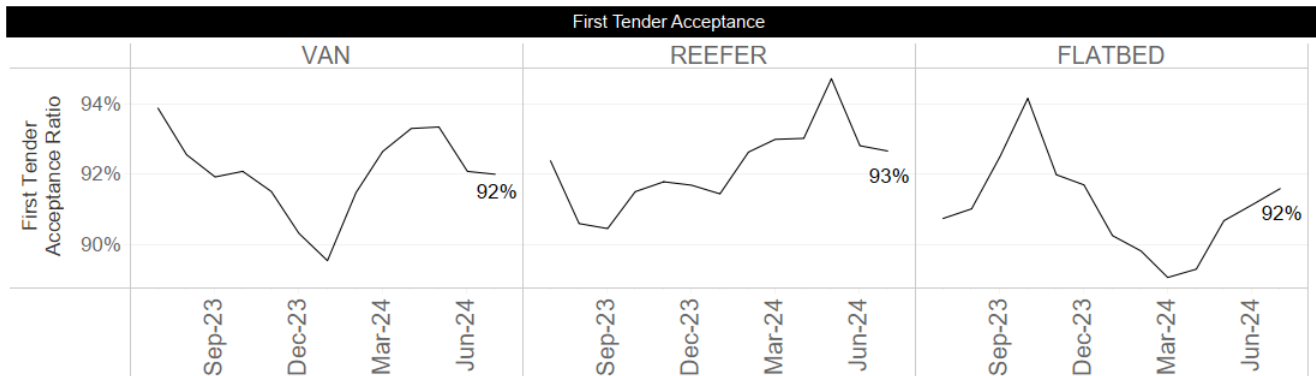


- Dry van linehaul spot rates rose 6 cents/mile in June, mirroring seasonal trends and extending gains from May. Rates were on average 2.5% below Q1, but only because of January’s winter storms which pushed rates higher.
- **Spot rates fell sharply following the Fourth of July peak.** However, the recent increase brought rates flat year-over-year, finally ending a 26-month stretch of negative comparisons—the longest since the Great Recession.
- As excess capacity gradually exits and demand remains stagnant, we expect a slow, supply-driven recovery in H2 at best.
- Contract rates remained flat, and will likely continue to be so for the remainder of the year.

Routing guide performance remained robust despite seasonal tightness



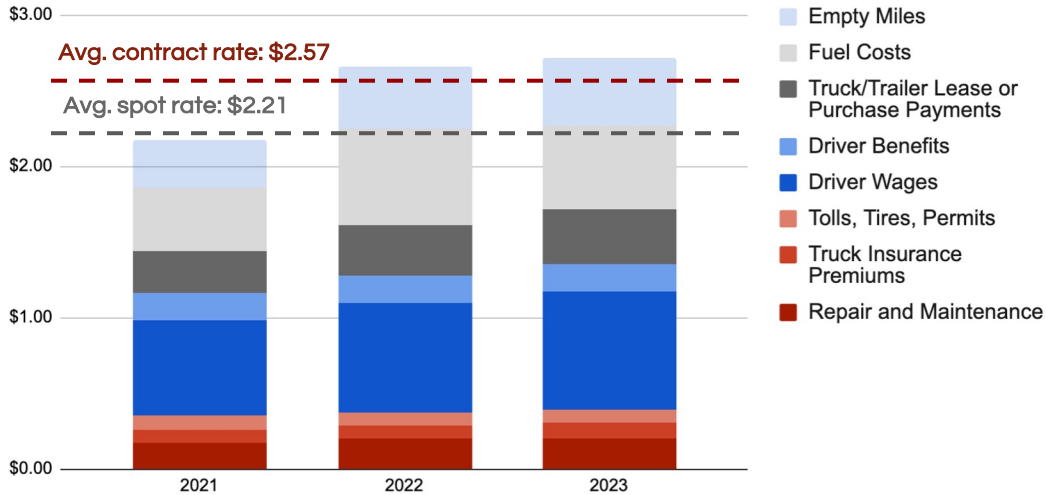
- First tender acceptance rates fell slightly to 92% in July, but remained near record highs.
- Route guide compliance stayed strong at 94%.
- This suggests that most spot volume is intentional or one-off shipments.
- tender rejections impose minimal extra cost on shippers compared to their primary carrier, providing further protection against route guide disruptions.



The spot market remains unprofitable for carriers

Truck Operating Costs

Source: American Transportation Research Institute



- Truck operating costs rose 2 cents/mi despite a 9-cent decline in diesel prices.
- This rise was due to y/y increases in insurance (+13%), truck and trailer costs (+9%), and driver wages (+8%).
- The cost per revenue mile remains significantly above spot rates, indicating that the current rate environment is not sustainable.
- Operating costs are higher for smaller, less efficient carriers.

Current procurement headlines

Bid Activity

- Annual full-network RFP events continue to be the trend with supplemental mini-RFPs utilized to support the route guide as needed between bid cycles
- After record activity in 2023, RFP events have been about flat through H1 2024

Strategic Trends

- Shippers beginning to insulate themselves ahead of a predicted upturn in the contract market.
- Shippers willing to bid entire network vs. Select lanes
- Most shippers are trying to keep their incumbents in place if possible through the RFP cycle
- Volume cutoffs remain a key strategic discussion while preparing to release an RFP event

Carrier Behavior

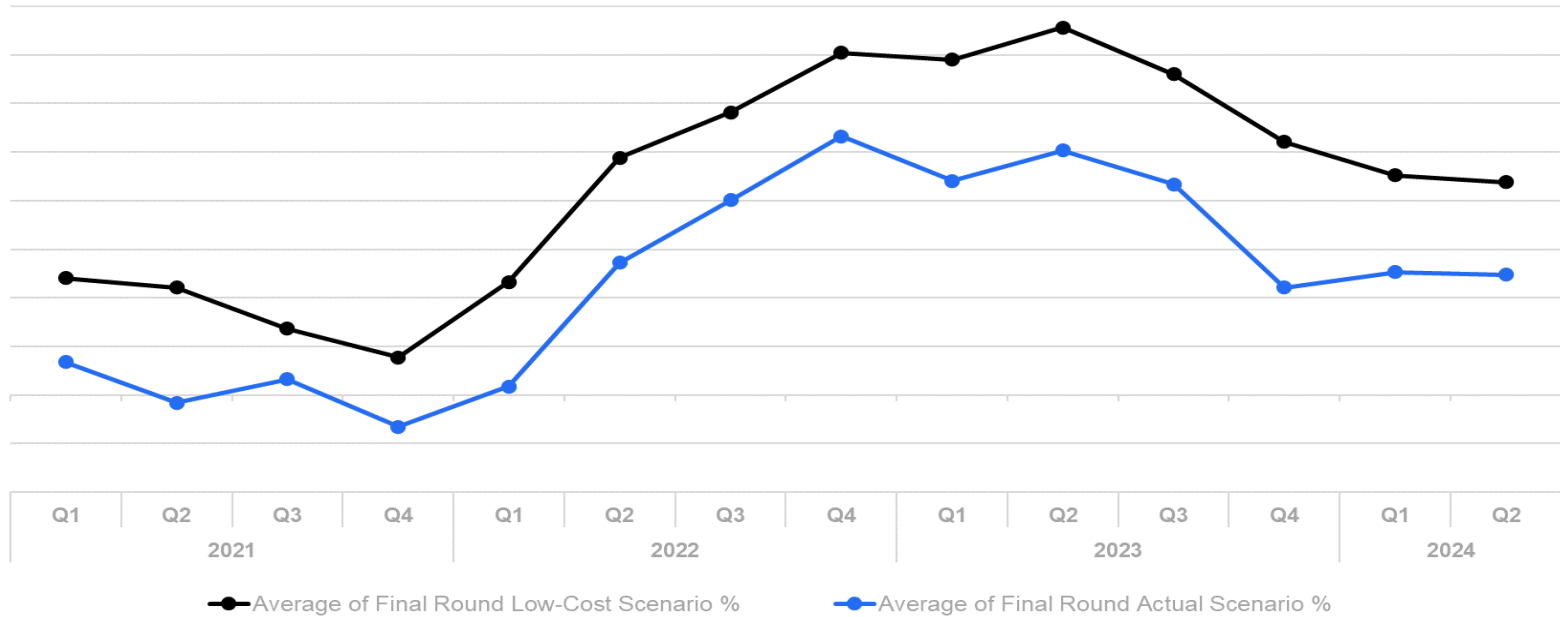
- TL carriers continue to cast a wide net in bid, but are starting to narrow focus to preferred volume vs. any volume
- Brokers continue to be aggressive in attempt to capture market share.
- Incumbent carriers trying to stay whole in RFP's. Some even push pricing increases with little success

Carrier Pricing Q2

- TL savings range trending mid-single digits as incumbents try to hold on price

Procurement Insights

Savings Gap Between Low-Cost & Final Scenario - Truckload



- This graph represents the difference between the Low Cost procurement Scenario (Base) vs the final scenario.
- The wider the gap the more aggressive but potentially not viable pricing.
- Gap has started to narrow this Quarter as carriers are trying to protect price with less aggressive starting bids.

Best practices for 2024

Carrier Management

- **Establish strategic relationships** with key providers in your network
- **Create symbiotic, long-term goals** with key partners
- **Partner with carriers** on company initiatives around technology, best practices, ease of doing business
- **Develop formal processes** to address service and performance improvement plans

Navigating Volatility

- **Understand where your rates are** to the market
- **Work with your carrier base** to understand their network and cost pressures
- **Work with strategic carriers for cost and price transparency** within your network and create an action plan for out-of-process lanes
- **Stay close to your incumbents** on critical lanes to understand price trends and capacity changes
- **Understand your carrier base's tracking and technology capabilities** and set clear expectations
- **Meet carriers where they are** in the tech journey and find the best solution while pushing them to your preferred connectivity method

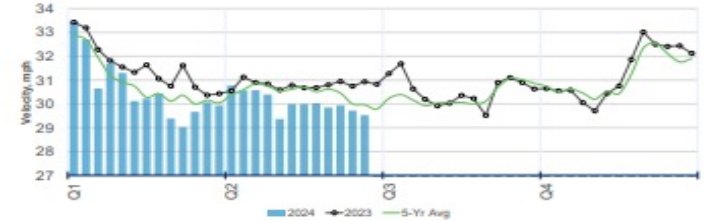
US Intermodal

Key factors impacting intermodal supply

- Dray capacity is plentiful across the intermodal network. With lower volumes, the focus continues to be on improving dray efficiency through reloads and a reduction of empty miles.
- Rail capacity and container availability are plentiful. There is still a lot of idle container capacity that is ready to be utilized as demand increases.
- With the exception of periodic weather events, the railroad networks have generally been free of delays and congestion.
- The railroads continue to be focused on Mexico and increasing their service offerings.

Velocity: Total Intermodal

Weekly Reported Train Speed, Industry Average



Weekly Data. Source: STB, FTR | Transportation Intelligence™; Copyright 2024, FTR

FTR Transportation Intelligence

In June, intermodal rail velocity was 29.8 mph, unchanged from last month but down 1.0 mph from June 2023. Due to seasonality, intermodal speeds likely will decline through the summer months, in part because of increasing levels of intermodal traffic.

Dwell Time: Total Intermodal

Weekly Reported Terminal Dwell Time, FTR Estimate



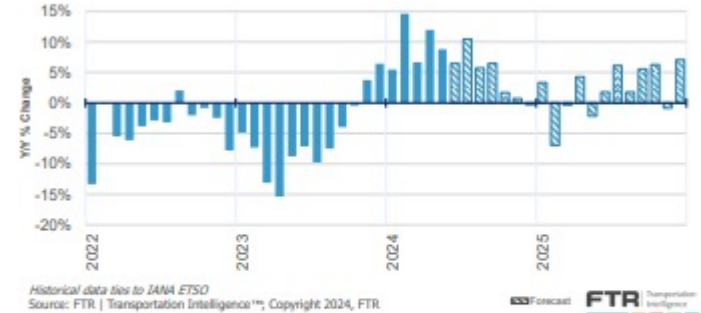
Weekly Data. Source: STB, FTR | Transportation Intelligence™; Copyright 2024, FTR

FTR Transportation Intelligence

Key factors impacting intermodal demand

- Intermodal volume was up year over year in the second quarter. It is now projected to be up year over year by 6.4% in 2024, and it is projected to be up just over 2% in 2025 (per FTR).
- Over-the-road capacity is still plentiful overall, which will impact Intermodal demand.
- Shipper inventory levels are mixed.
- Import volume continues to be up year over year. There has been a shift of imports to the west coast which increases the demand for Intermodal.
- There have been signs of strength out of southern California, though it may just be shippers pulling some peak volume forward in order to avoid the possibility of congestion at the ports this fall.
- Nearshoring activity is driving shipper volume to Mexico, and the railroads are responding with new and improved service offerings.

Rail Intermodal Loads Outlook



Growth in intermodal volumes remains strong but is still expected to moderate as the year progresses. The current FTR forecast is total intermodal growth of 6.4% y/y in 2024 and 2.2% in 2025. This is an upward revision from last month's forecast of 5.3% and 2.0%, driven by higher expectation for both international and domestic intermodal.

Current pricing, outlook, recommendation

- Intermodal remains challenged relative to the truckload competition, but the situation is improving.
- Spot rates continue to be lower to compete with truck prices.
- While rates dropped throughout bid season, they have moderated a bit in Q2 and Q3 RFP events.
- The Intermodal Price Pressure Index has rates increasing year over year throughout 2025 (per FTR).
- In anticipation of an increase in rates in 2025, shippers have started to ask about locking in rates and capacity in advance of bid season, with a few even asking about multi-year deals to try to lock in the current rate levels long term.

FTR Intermodal Competitive Index

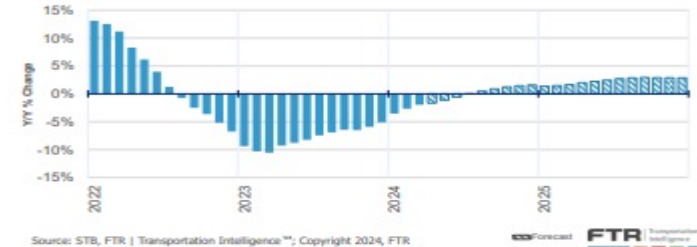
ICI is a measure of domestic rail intermodal's competitive landscape versus OTR Trucking



Domestic intermodal's competitive position, measured by the Intermodal Competitive Index (ICI), improved in May to -2.3, from -2.4 last month but remains firmly negative. This signifies a market environment that tilts in favor of OTR trucking. The ICI is expected to remain negative through the balance of 2024 and into 2025.

Intermodal Price Pressure Index

Rail Linehaul + Drayage, Revenue per Load exc. Fuel Surcharge



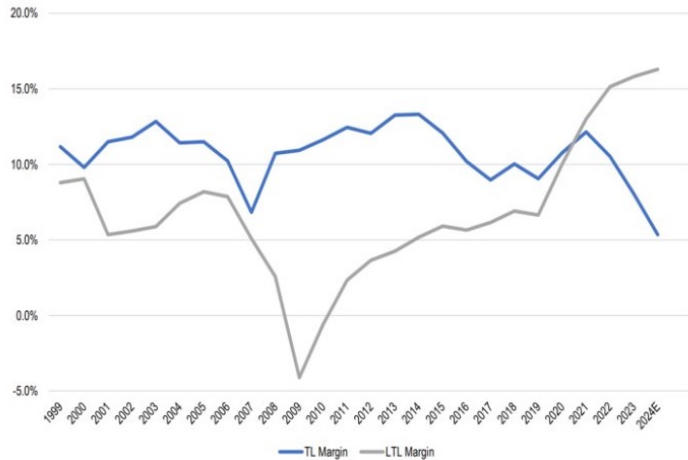
Domestic intermodal pricing continues to improve but has been still running negative y/y. Growth on a y/y basis is expected to return in July and finish off 2024 at -0.5% y/y. This will be followed by moderate growth through 2025, equating to a 2.4% growth rate for the year.

Less-than-truckload

LTL market trends

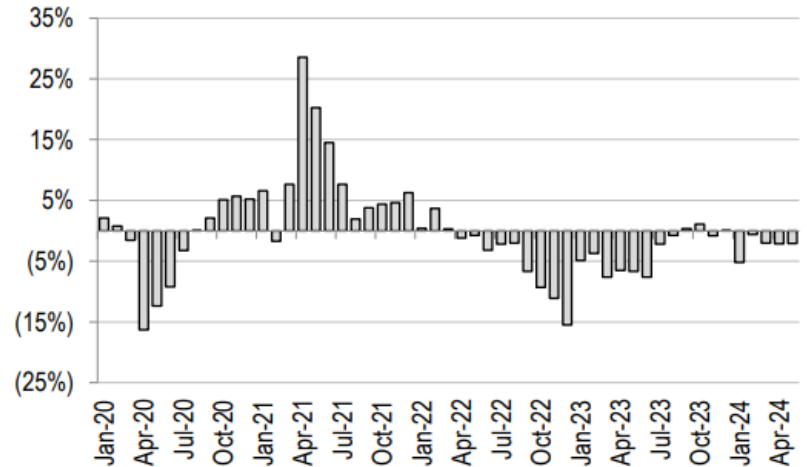
- LTL demand continues to be slightly lower than last year; most carriers have excess capacity and only a few are seeing volume increases.
- However, LTL carriers continue to have historically favorable financial results despite weak demand. They are leveraging tech, creating internal efficiencies, exerting pricing control, and being more selective on opportunities to drive yield.

LTL Margins at Record Highs and TLs at Record Lows



Source: Wolfe Research

Monthly LTL Tonnage – Y/Y Change

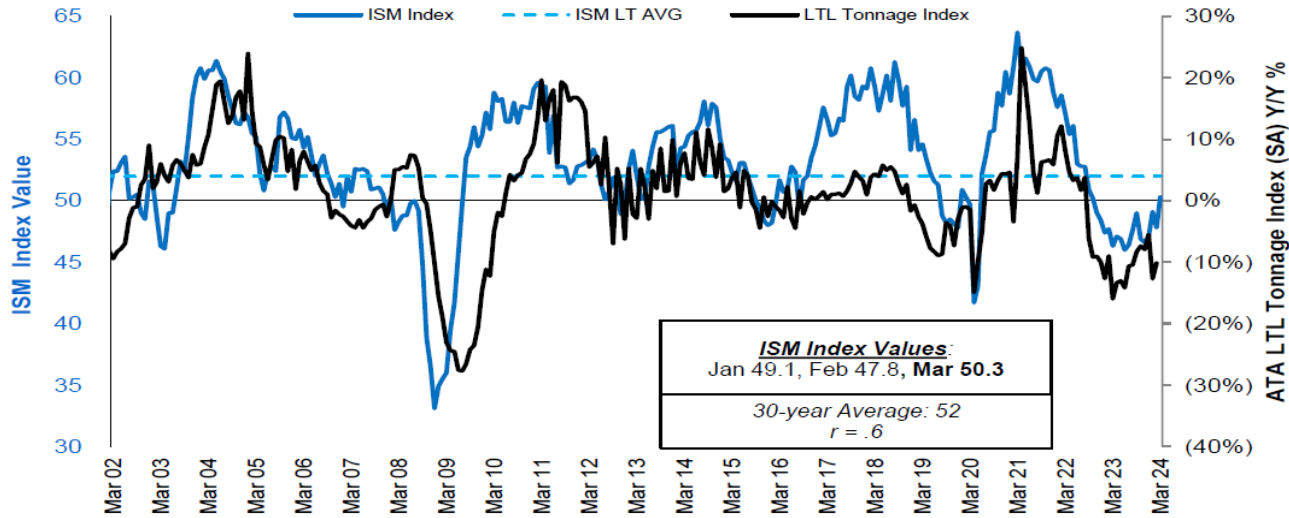


Source: AAR , Company Reports, Bloomberg, Wolfe Research

Key factors impacting demand

Tonnage and shipment count continue to decline

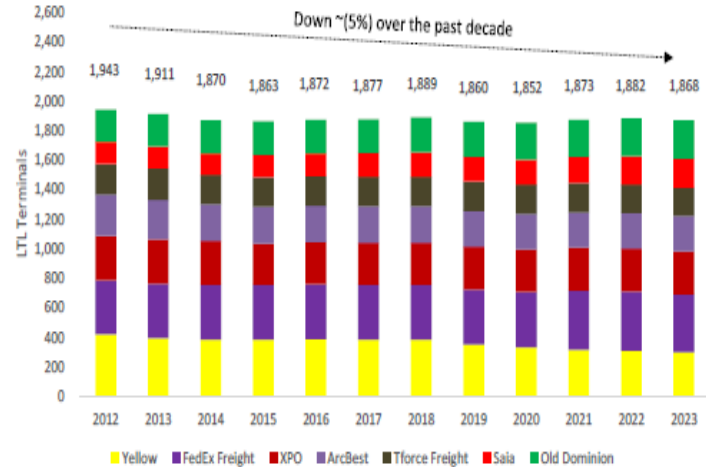
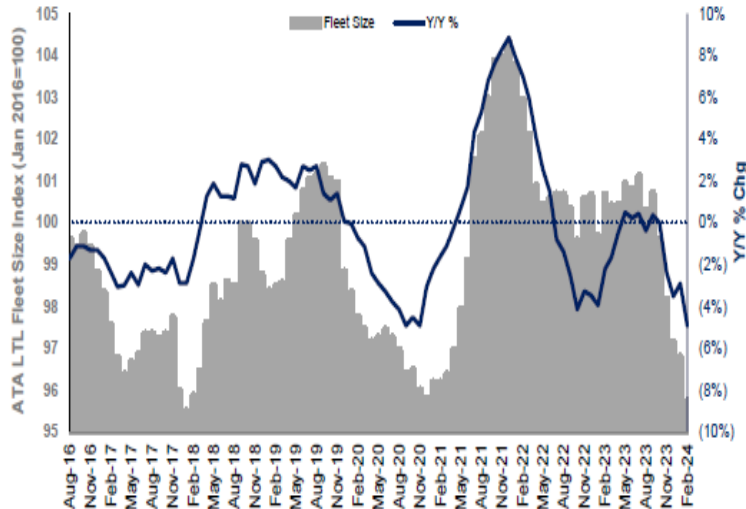
- LTL Tonnage **growth** remains negative since 2022Q4, but is expected to close neutral by year end.
- The Institute for Supply Chain Management (ISM) Purchasing Managers' Index (PMI) is a good indicator of LTL freight volumes. The ISM PMI swung positive in March after steady decline of 16 months since late 2022, but declined again in the following months.



ISM Index values over 50 indicate industrial growth while ISM Index values below 50 indicate industrial contraction.

Key factors impacting supply

- Capacity still exists in the LTL space, carrier margins are healthy, and carriers are investing heavily in facilities, tech, and process improvements to stay on par with the top performers in the space.
- Fleet size and number of active terminals in public LTL carrier networks continue decline.
- Yellow's exit allowed carriers to improve fundamentals, but ample capacity caps any upward pricing pressure.
- Tony's Express (small SoCal LTL carrier) closed their doors in April, but their volume is quickly being absorbed.



2024 rate outlook

- Publicly traded carrier general rate increases (GRI) are falling in the 4-7% range, individual results range from flat to low double digit based on freight profiles and account profitability for the carrier.
- Carriers are targeting growth and yield simultaneously to mostly positive effect, heavy bid activity is providing carriers ample choices to improve or grow their networks.
- RFPs continue to yield savings, assuming carrier mix and route guide changes are made, incumbent increases are to be expected but low single digits in many cases.

LTL General Rate Increases

| | 2022 | | | | 2023 | | | | 2024 | | |
|-----------------|-------------|-----------------|-------------------------------|-----------------|-------------|-----------------|-------------------------------|-----------------|-------------|-----------------|-------------------------------|
| | GRI | Effective | GRI timing (earlier) later | | GRI | Effective | GRI timing (earlier) later | | GRI | Effective | GRI timing (earlier) later |
| XPO | 5.9% | 11/1/21 | (64) | FDX Freight | 7.4% | 1/2/23 | (1) | FDX Freight | 6.4% | 1/4/24 | 2 |
| Yellow | 7.7% | 11/8/21 | (85) | ABF Freight | 5.9% | 11/7/22 | (8) | ABF Freight | 5.9% | 10/2/23 | (36) |
| TForce Freight | 6.9% | 11/15/21 | (99) | YELL | 5.9% | 10/3/22 | (36) | TForce Freight | 4.9% | 10/2/23 | (43) |
| ABF Freight | 6.9% | 11/15/21 | (71) | Forward Air | 5.9% | 2/6/23 | 5 | SAIA | 7.5% | 12/4/23 | (57) |
| Estes Express | 5.9% | 11/29/21 | (64) | ODFL | 4.9% | 1/3/23 | 0 | ODFL | 4.9% | 12/4/23 | (30) |
| FDX Freight | 6.9% | 1/3/22 | (1) | TForce Freight | 5.9% | 11/14/22 | (1) | Forward Air | 5.9% | 2/5/24 | (1) |
| ODFL | 4.9% | 1/3/22 | (57) | SAIA | 6.5% | 1/30/23 | 6 | | | | |
| Forward Air | 7.9% | 2/1/22 | 0 | XPO | 5.2% | 1/31/23 | 91 | | | | |
| SAIA | 7.5% | 1/24/22 | 6 | | | | | | | | |
| LTL avg. | 6.7% | 12/11/21 | (55) | LTL avg. | 6.0% | 12/20/22 | 7 | LTL avg. | 5.9% | 11/28/23 | (28) |

Note: LTL contractual renewal includes ARCB, SAIA, XPO and YELL (through 1Q:23).

Source: Company Reports; Company websites; Wolfe Research.

Industry observations

What we are observing from the market

- Carriers are seeking strategic growth partners with a high degree of tech enablement to help drive cost out of back office
- Strong push across most carriers to drive accessorial revenue increases importance of FAP processes
- Carriers reporting that bid activity is above normal seasonal high
- Overall, for shippers:
 - Relatively stable volumes, cost controllable with some willingness to change
 - Carriers are craving tech and partnership to reduce operating cost
 - All public LTL carriers had solidly positive operating ratios in Q423, projecting overall stability in ongoing industry capacity

Shipper Recommendations

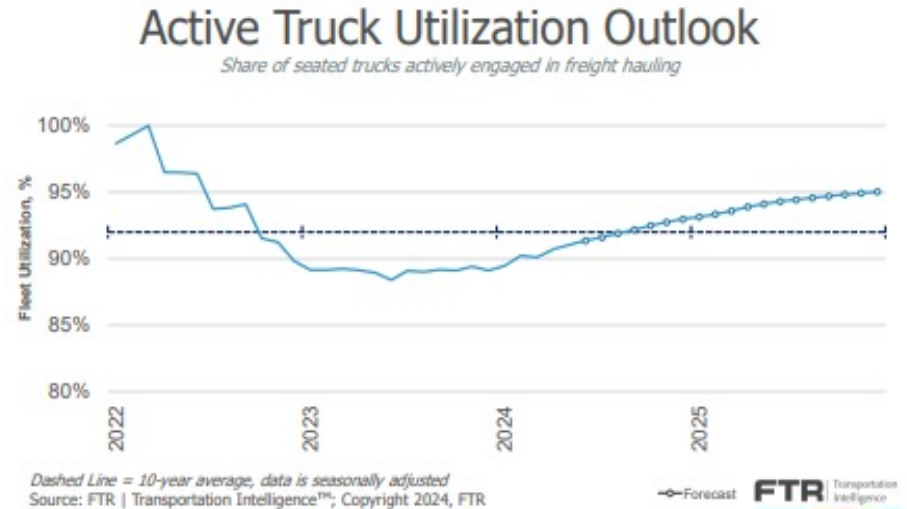
- Carriers are pushing for price in RFP cycles to reduce the bottom-line impact of volume declines
- Pricing pressure from incumbents can be offset if you are willing to entertain new providers
- Real momentum is developing on density-based pricing, shippers and technology will need to adapt to being able to produce density on shipments to achieve accurate rating. Timeline is 12-18 months.
- Diversifying your carrier strategy for LTL based on tier of customer, internal transfers, inbound ETC. Is an effective strategy to mitigate incumbent costs, while still maintaining high service carriers on your most important lanes/customers.

Shipper contingencies: Continue to implement Uber Freight's Preferred Shipper best practices to set up your business for long-term success (network collaboration & optimization, origin optimization, timely freight payment, pricing strategy, carrier collaboration, and packaging improvements).

US Bulk

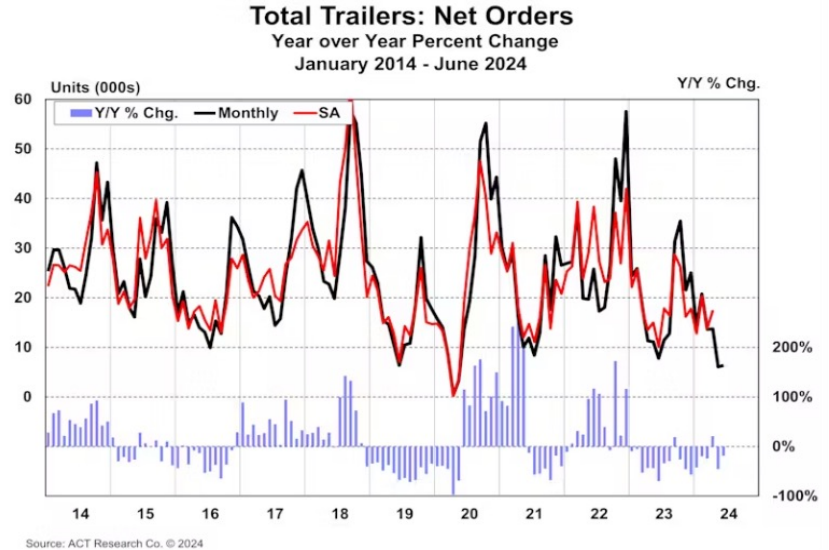
Key factors impacting supply

- Carriers continue to focus on utilization due to concerns with keeping current fleets busy. Carriers are focusing on committed volumes and longer term opportunities
 - Carriers being selective is usually associated with tight markets. However, this looks to be a case of trying to avoid freight with negative margins, especially in the absence of high margin lanes to offset them.
- Per carriers, hiring of drivers varies from region to region, with more hires in the Gulf, but still facing challenges in the Northeast and Midwest
- Carriers report slight increases in utilization, with reports of loaded miles “inching up” through improved planning tools



Key factors impacting supply

- Mixed news on Equipment
 - Trailer orders continue to be down YoY, and have been declining since Q4 2023
 - The lower demand has helped to improve the turn-around time on trailer orders, with backlog down 48% YoY, per ACT Research
 - Even with improved turn-around time, costs remain high, and are a key concern



Key factors impacting demand

- Market continues to favor shippers
 - Spot activity in our bulk network continues to drop – from 14.8% of loads in 2Q23 to 10.9% in 2Q24
 - Capacity remains soft, other than short-term spikes related to recent weather events
 - Shippers with private fleets continue to prioritize their own fleet utilization, which impacts available freight for external carriers when overall volume is down
- Mixed messages on demand outlook
 - Outlook for 2025 has softened slightly since last quarter, but there are some indications of a temporary bump in late 2024
 - YoY tank forecast for 2024 is now flat, down from a 1.7% projection last quarter
 - Long-term forecast into 2026 remains steady at 1.1% YoY growth
 - Some shippers expecting favorable volume trends in 2025, but increases starting later than originally anticipated

Freight Outlook: Tank vs Bulk/Dump

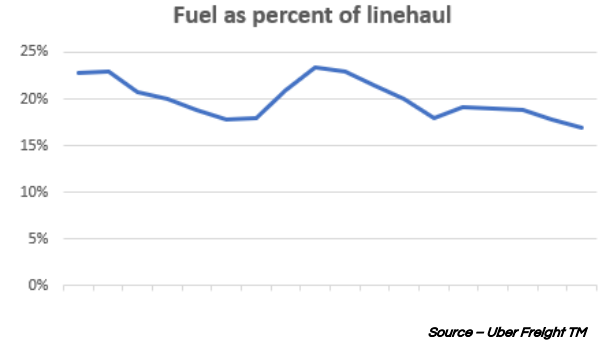
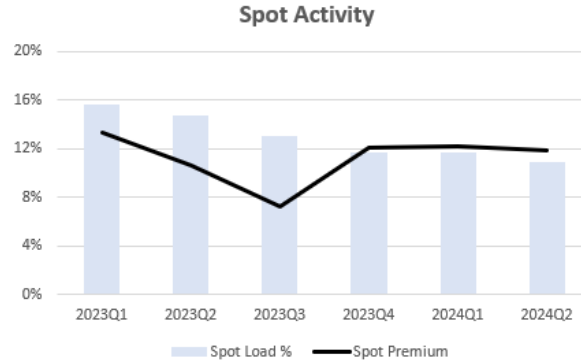
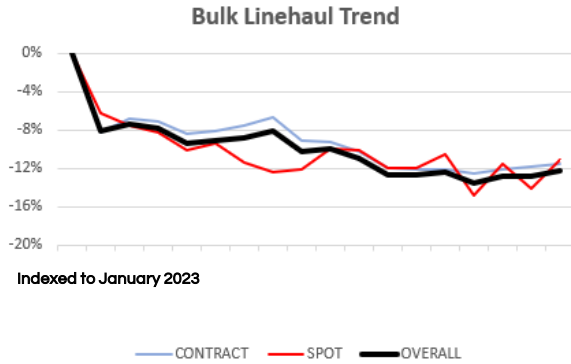


Truck Loadings Summary

| Segment | Annual Growth Rate | | | | |
|--------------|--------------------|-------------|-------------|-------------|-------------|
| | 2022 | 2023 | Forecast | | |
| | 2024 | 2025 | 2026 | | |
| Dry Van | 1.3% | 0.3% | 1.9% | 2.4% | 2.2% |
| Refrigerated | 1.4% | 1.0% | 2.2% | 3.4% | 2.7% |
| Flatbed | 4.3% | -0.6% | -0.9% | 2.9% | 1.2% |
| Specialized | 4.7% | 1.4% | 0.7% | 2.3% | 3.0% |
| Tank | 2.1% | 0.4% | 1.7% | 1.0% | 1.1% |
| Bulk/Dump | 0.3% | -0.8% | 0.6% | 1.8% | 1.4% |
| Total | 2.0% | 0.2% | 1.1% | 2.2% | 1.9% |

Source: FTR | Transportation Intelligence™; Copyright 2024, FTR

Bulk truck rate trends



- Contract and overall rates have remained relatively stable in 2024, as bulk shippers place value on incumbency due to safety, health, and environmental concerns

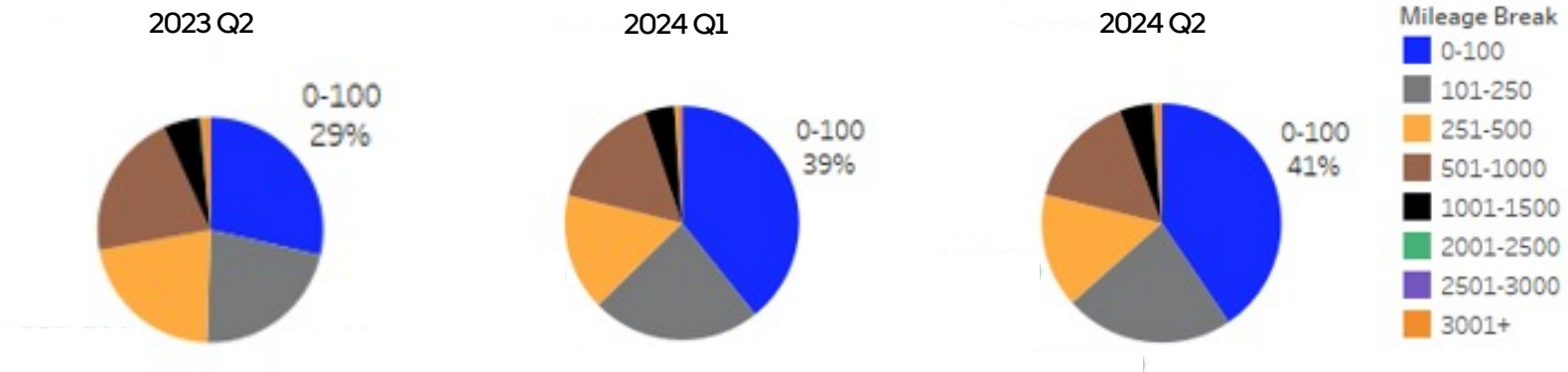
- Overall spot volume continues to trend downward, from nearly 16% in 1Q23, to under 11% in 2Q24
- The spot premium (delta between contract and spot rates) has remained steady during 2024.
- Although the spot premium as increased slightly YoY, the decreasing volume of spot moves contributes to the stability of the overall average

- Fuel surcharge costs naturally mirror the path of the National DOE fuel rates, and after increases during Q1 of this year, Q2 has shown a steady drop in rates.
- Q2 ended with the national average down 4.5% from the end of Q1, and up 1.2% YoY

Uber Freight bulk network trends

- Liquid Bulk linehaul rates continue to trend lower. After dropping 1.8% from 23Q4 to 24Q1, they fell another 1.6% from 24Q1 to 24Q2, and are down 8.1% from one year ago in 23Q2
- Dry Bulk linehaul rates trended up this past quarter. After 2 consecutive quarters with a 1.0% drop, rates rose by 1.2% during 24Q2. YoY, dry bulk rates are nearly flat, up 0.2% compared to 23Q2.
- Length of haul mix has evolved over the past year, with short haul (0-100 miles) shipments now at 41% of loads, compared to 29% in Q2 2023. As this segment has grown, 251-500 and 501-1000 have each dropped from 21% to 15% during that time frame.

Length of Haul



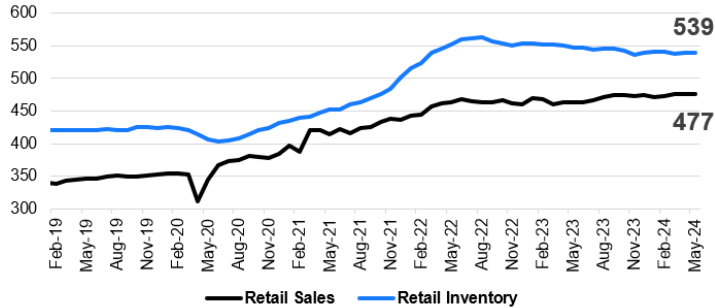
Warehousing

Inventory levels

Inventory to sales ratio depicts a lean supply chain as retail sales & inventories remain near all-time highs.

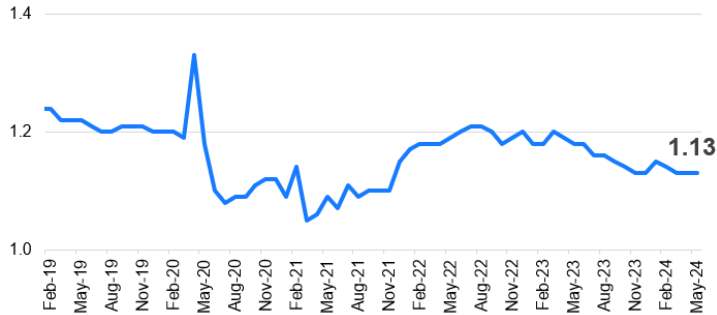
Retail sales & retail inventory (excluding auto industry) ⁽¹⁾

Thousands, indexed to February 2019



Inventory to sales ratio (excluding auto industry) ⁽¹⁾

Indexed to February 2019



Q2 2024 inventory:

- Retail inventories increased slightly in May 2024 to **\$539B.**, but were **4.2%** lower than the all-time high of **\$563B** recorded in Aug. 2023.
- Retail sales held strong through May 2024 at **\$476.5B**, right below the all-time high of **\$476.6B** recorded in Mar. 2024.
- Inventories to sales ratio (ex. motor vehicles and parts) held steady at **1.13** from the end of Q1 and through May 2024 marking continued lean supply chains.
- To put this into perspective, the inventory-to-sales ratio has steadily declined from **1.60 in the 1990s to 1.24 in the 2010s**. The pandemic temporarily lowered this to 1.10, forcing supply chain reevaluations. Despite normalcy returning, shippers maintain lean inventories to reduce costs.

Q2 2024 → Q3 2024 outlook:

- Retailers are likely destocking to maintain JIT and reduce costs, while suppliers are building inventory in anticipation of peak season demand. ⁽²⁾
- East and Gulf Coast dockworkers threaten strike due to increased automation plans, potentially disrupting West Coast ports during peak season. The association includes 45,000 workers and their contract is set to expire on September 30th – meaning a strike could happen at the height of peak season. ⁽²⁾

Warehouse labor trends

Warehouse employment slightly expands for the first time in 6 months as wages continue to soar.

Warehouse Employment⁽¹⁾

Thousands of employees, Indexed to Jun 2018



The U.S. hit **4.3%** unemployment, marking the highest unemployment rate since Nov. 2021. After 6 consecutive months of warehouse employment retracting, Jun 2024 marked the first month of positive job growth in this sector at **+0.03%**. The entirety of Q3 was very flat for warehouse employment.

Warehouse Non-Supervisory Wages⁽¹⁾

Per Hour Rate, Indexed to Jun 2018



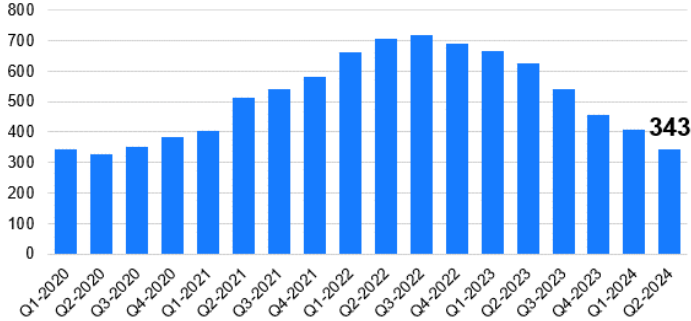
Non-supervisory warehouse wages hit another new all-time high of **\$24.30** in May-2024 before landing at **\$24.00** at the end of Q2. This is **+0.8%** QOQ jump and **+4.4%** YOY.

Warehouse space outlook

Construction deliveries continue to outpace net absorption while the pipeline for new space continues to shrink.

Under Construction ⁽¹⁾

Millions of Square Feet (MSF), Indexed to Q1-2020

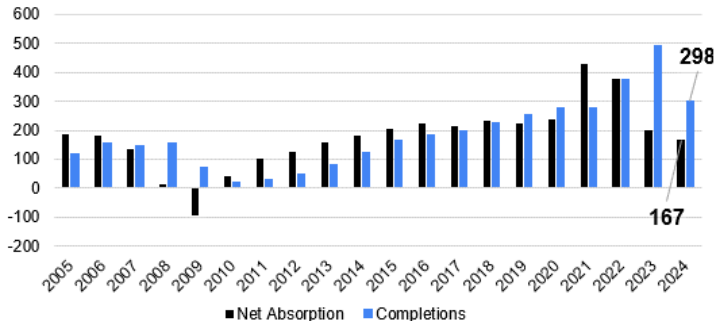


Q2 2024 Warehousing Recap:

- The under-construction pipeline fell to a four-year low and is down **45% YOY** and **15.% QOQ**. ⁽¹⁾
- Cushman & Wakefield reported industrial demand reaccelerated in the second quarter. Overall net absorption more than doubled to **46.3 MSF** in Q2-2024. ⁽¹⁾
- Cushman & Wakefield reported **121 MSF** of new warehouse space becoming available in Q2 2024, significantly outpacing the demand. ⁽¹⁾

Net Absorptions & Completions ⁽²⁾

Millions of Square Feet (MSF), Indexed to 2005



Q2 2024 → Q3 2024 Outlook:

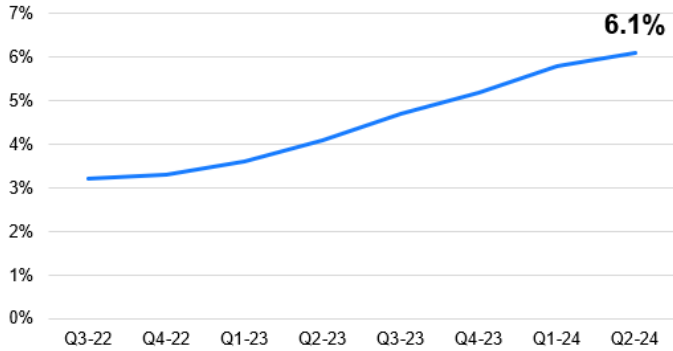
- Amid the rapidly thinning pipeline and continued positive net absorption, the industrial market is poised to tighten in the second half of next year. The tailwinds of e-commerce growth, onshoring and nearshoring, and a resilient consumer all set the stage for fundamentals to trend positively going forward. ⁽¹⁾
- Both consumption and restocking activity boosted the flow of goods. High activity indicates the potential for increased competition for space as customers grow out of existing footprints. ⁽²⁾

Space availability and cost

Vacancies continue to rise as asking rents increase after briefly decreasing in Q1.

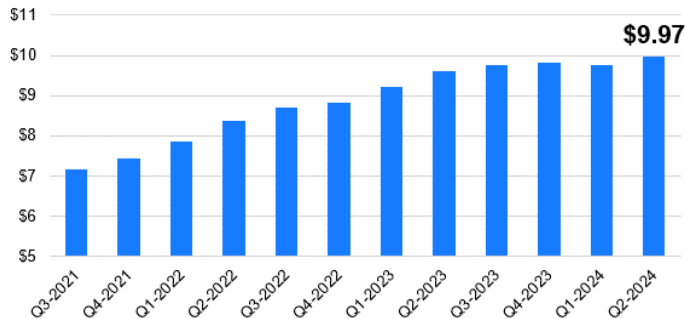
Vacancies ⁽¹⁾

Rate (%), Indexed to Q3-2022



Asking Rent ⁽¹⁾

\$ Per Square Feet (PSF), Indexed to Q3-2021



Q2 2024 Warehousing Recap:

- Vacancies continue to rise from historically low levels. ⁽¹⁾
- Highest vacancy rate in almost 9 years. Mostly driven by new vacant supply delivering to the market. ⁽¹⁾
- Asking rents once again edged higher to \$9.97 per square foot (PSF), up just 3.7% year-over-year (YOY), the lowest growth rate since 2020. ⁽¹⁾

Q2 2024 → Q3 2024 Outlook:

- The pipeline will dissipate further in 2025, which will help tighten vacancy rates in the second half of next year as this wave of supply starts to become absorbed. ⁽¹⁾
- Asking rent growth will likely moderate further and end 2024 at 3.0% before decelerating to 2.2% of growth in 2025. Expect rent growth to accelerate back to the mid-single digits in 2026 amid tightening vacancy rates. ⁽¹⁾

Europe

Factors affecting supply

Key points around capacity, pricing, and driver shortages

- The European spot rate index rose 4.9% in the last 3 months, whilst the contract rate index fell by 0.25%.
- The spot rate index has remained above the contract rate index on most country-to-country indices.
- Belgium to France contract rates declined over 5% in the quarter, whilst domestic contract rates in France rose by 10%.
- FTL and LTL capacity remains positive, with network carriers keen to win new LTL and groupage business to maintain density.
- The Ti State of Logistics Survey 2024, showed digitalization and alternative fuel vehicles will be the key investment focus areas in road freight sector in the next 12 months. Respondents observed that higher costs such as driver wages (driven by ongoing shortages), tolls, vehicle maintenance, insurance, etc., coupled with the economic crisis, are some of the major problems affecting the road freight forwarding industry.
- The Brent crude oil price was volatile during the quarter, but ended up at \$85 per barrel, just \$2 lower than in April.
- New EU truck registrations fell by 4% in Q1 2024, vs 2023.

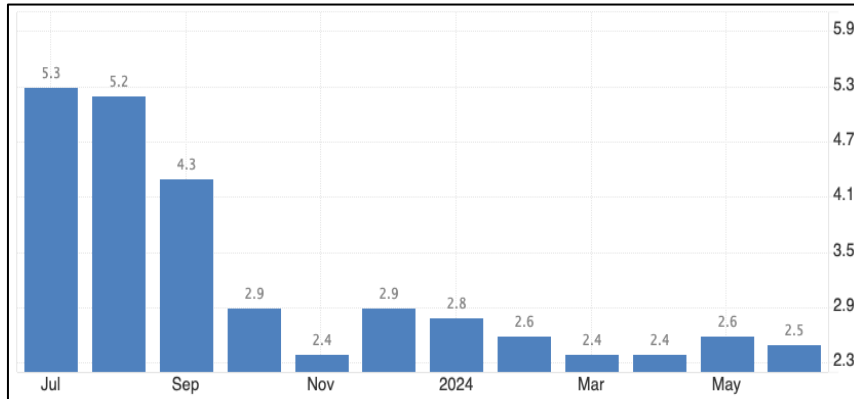
Factors affecting demand

The European GDP forecasts remain weak and Euro area interest rates are starting to come down as inflation abates

| Euro area | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|-----------------------------|-------------------------------|---|------|------|------|------|
| | Current prices EUR billion | Percentage changes, volume (2015 prices) | | | | |
| GDP at market prices | 11 421.1 | 5.8 | 3.5 | 0.5 | 0.7 | 1.5 |
| Private consumption | 5 899.6 | 4.4 | 4.2 | 0.5 | 1.1 | 1.6 |
| Government consumption | 2 559.1 | 4.2 | 1.8 | 0.7 | 1.1 | 0.7 |

- GDP growth in the euro area remain weak at 0.7% in 2024 and 1.5% in 2025.
- Private consumption will be supported by wage increases in tight labour markets and increasing real incomes as inflation abates.
- The Euro area inflation rate was at 2.5% in June, up from 2.4% in March. The European Central Bank decreased interest rates from 4.5% to 4.25% in June. The UK Central Bank did not change interest rates in the quarter.
- The Purchasing Managers Index (PMI) for the Euro Area decreased from 46.5 in March to 45.8 in June. The level remains well below 50, the threshold between expansion and contraction.

Euro Area annual inflation rate



Sources: OECD Economic Outlook, Interim Report Feb 2024; Eurostat

European rate trends

Uber Freight European Rate Trends
June 2023 to June 2024



European rate trends

Uber Freight European Rate Trends
June 2023 to June 2024



Outlook: Freight supply and demand

- Some carriers are proposing surcharges for deliveries into Paris for a period of up to 6 weeks due to additional congestion and security checks caused by the Olympics and Paralympics. Germany will introduce temporary controls at its French borders from 26 July to 11 August. France is implementing additional truck bans (>7.5T) on certain Saturdays in July and August.
- European regulators are seeking to force through increased tonnage limits to 44T for cross-border road freight. The move towards allowing higher road weight limits is seen by some as essential in the EU push to meet its Fit for 55 agenda – which aims to reduce CO2 emissions by 55% by 2030.
- The new UK government is looking to repair some trade relations with the EU, as the UK's EU relations minister, Nick Thomas-Symonds, swiftly went to Brussels for talks with his counterpart.

Recommendations

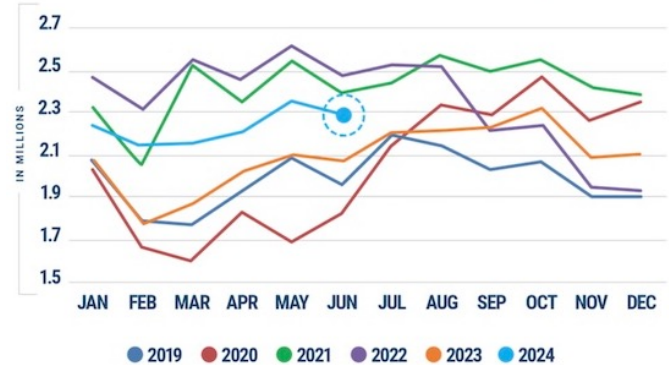
- Contract rates remain under pressure so re-procure to gain benefits. Lock in capacity and service for the next 12 months via SLAs.
- Work with carrier partners to explore increased digitalization benefits from connectivity and shipment tracking.
- Start to open peak planning discussions with strategic carriers to ensure stable capacity in Q3/4.

International

U.S. Imports

- US import container volume in June declined 2.1% from May but was 10.4% higher YoY.
- The National Retail Federation is projecting a 15.5% YoY increase in US container imports in July 2024 .
- New FMC “Refusal to Deal” ruling, pending publication in Federal Register:
 - Ocean carriers required to file a documented export policy with FMC annually for pricing strategies, services, routes and equipment.
 - Policy will be used to determine if an ocean carrier unreasonably barred an exporter’s container from sailing
 - Blank sailings or schedule changes with no advance notice may be considered unreasonable refusals.

2019-2024 U.S. CONTAINER IMPORT VOLUME (TEUs)



Source: Descartes Datamyne™

Figure 3: May 2024 to June 2024 Comparison of Import Volumes at Top 10 U.S. Ports

| Port | TEU Change | % Change |
|---------------------------|----------------|---------------|
| Los Angeles, CA | 33,253 | 8.50% |
| New York/New Jersey | -59,933 | -14.70% |
| Long Beach, CA | 7,071 | 1.80% |
| Savannah, GA | -4,737 | -2.00% |
| Houston, TX | -15,475 | -9.30% |
| Norfolk, VA | -28,738 | -19.20% |
| Charleston, SC | 14,552 | 15.90% |
| Oakland, CA | -623 | -0.80% |
| Tacoma, WA | 101 | 0.10% |
| Philadelphia, PA | -5,097 | -11.70% |
| Total Top 10 Ports | -59,625 | -2.90% |

Source: Descartes Datamyne™

Global supply chain disruptions continue

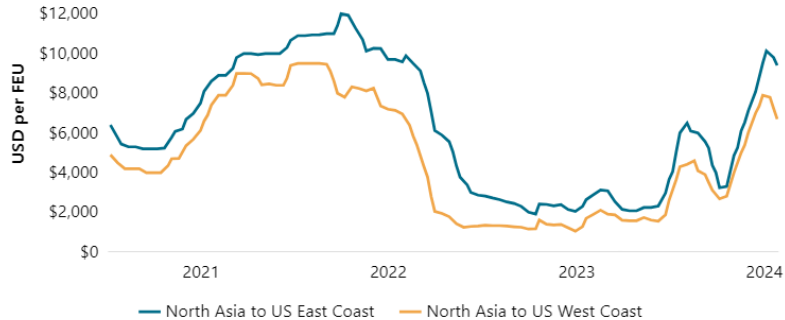
- New US China tariffs effective August 1st pushing China manufacturers to ship impacted commodities in advance of deadline.
- Middle East conflict and Red Sea attacks continue.
- ILA contract negotiations for USEC and Gulf Coast ports are stalled. ILA President adamant, union will not work without contract after Sept 30th.
- Panama Canal – improved rainfall has allowed July daily transits to increase to 34 and August 5th will increase to 35. Normal operating capacity is 36 daily.
- Suez Canal revenue decreased \$2b (23%) end of Fiscal Year 2024.
- Global vessel schedule reliability at 56% in June per Sea-Intelligence.

Transpacific trade

- Q2 imports from Asian rose 7.8% YoY (and 12.1% in June).
- Imports from China were flat in June but up 13.8% YoY. China represented 38.8% of US container imports in June.
- Wide discrepancies Carrier / BCO direct pricing ~ ¼ level of current Asia – US spot rates. Bookings above weekly MQC shifting to spot rate levels.
- Spot markets mid-July have started to edge lower since May 1st GRIs were implemented.

Asia-USWC spot rate dips after two-month bull run

Container rate from North Asia to US East and West coasts in USD per FEU

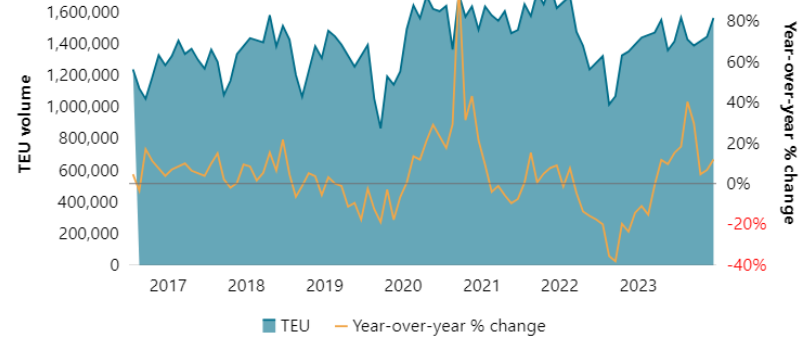


Source: Platts, S&P Global

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US imports from Asia up year on year since October

Total monthly TEU volume of US containerized imports from Asia, with year-over-year change

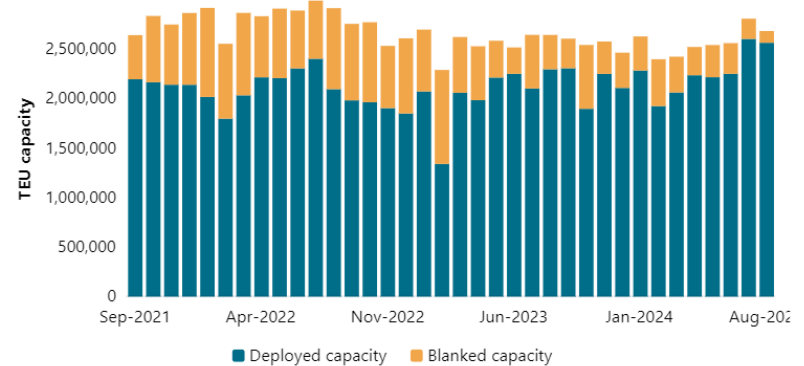


Source: S&P Global

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Eastbound trans-Pac deployed capacity jumps in July

Deployed and blank capacity from Asia to US West and East coasts



Source: Sea-Intelligence Maritime Analysis

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India – US trade

- India to US container volumes have been strong YTD 2024: 5.6% increase in May YoY and 13.4% in April.
- Headhaul lane India to US impacted by lack of available vessel space, pushing rates higher. India to Europe spot prices similarly impacted.
- Heavy weight cargo especially impacted as ocean carriers are implementing overweight surcharges and preferential loading of light containers.
- Long term Red Sea disruptions could cause significant competitive disadvantages for Indian manufacturers with higher freight rates to navigate around the Suez Canal. This potentially provides opportunities to manufacturers in SE Asia, Turkey, North Africa, and Central/South America.

India-USEC spot rates rocket higher on tight capacity

Platts container rate Indian Subcontinent to US East Coast in USD per FEU

000



Source: Platts, S&P Global

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Mexico Truckload

Mexico economic outlook

Mexico economy

- Mexico's annual inflation increased for the fourth consecutive month, closing at 4.98% YoY in June. This has been the highest rate of 2024, accelerating above markets' forecasts by one percent. . Experts recall that the political uncertainty of the post-presidential election mainly drives this increase. .
- Banxico has kept the interest rate at 11% due to the accelerated general inflation during the last three months.

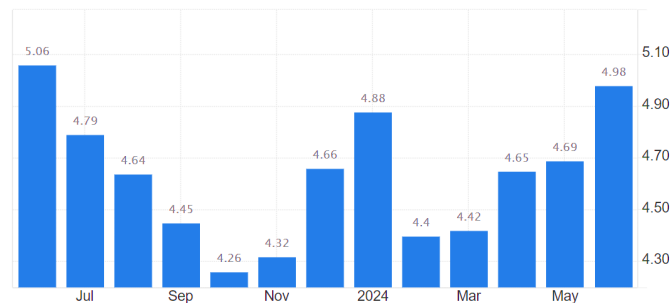
Exchange rate

- The average exchange rate for June 2024 closed at \$18.22 USD/MXN, the year's highest monthly average record. After the presidential elections on June 2nd, the Mexican peso depreciated 5.39%. This has helped mitigate rate increases by Mexican carriers.
- Banxico forecasts that the Peso will fluctuate between \$17.84 USD/MXN and \$18.66 USD/MXN during the second half of 2024.

Mexico and US Trade

- Mexico continues reinforcing its position as the leading trade partner with the USA. In May, Mexico was the top USD trade partner at US\$73 Billion for the fifth consecutive month, a 6.3% increase compared to the same month in 2023.
- During H1 of 2024, 80% of Mexico's total exports went to the United States.

Mexico Inflation 2023-2024



Source: Inegi (Instituto Nacional de Estadística y Geografía)

Exchange Rate USD/MXN



Source: Trading Economy

Mexico current situation

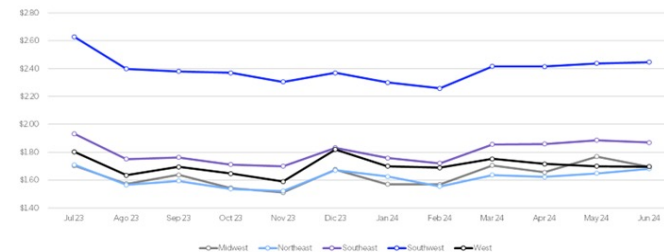
Transportation cost and capacity

- There is still an offer of direct capacity from Mexico to the US through B1 drivers or interchange agreements with Mexican carriers with CDL drivers. Transload capacity for northbound loads is tight due to the high demand, and repositioning fees from the border to the shipping points in Mexico commonly apply.
- The average diesel price in MX during the first half of 2024 closed at \$24.95 MXN/L; a 5.22% increase compared to H1 2023. In June 2024, the price per liter of diesel closed at \$25.19 MXN/L, a 6% increase YoY.
- The Laredo load/truck ratio averaged 5:1 in June 2024, indicating a neutral market.

Security

- According to data from the National Association of Vehicle Tracking and Protection Companies (ANERPV), in June, Mexico experienced an average of five cargo truck thefts per day, totaling 150 reported incidents on the country's roadways. Tractor-trailer thefts rose by 4.1% in June compared to last year. ANERPV reported 843 tractor-trailer thefts from January through June.
- According to CAINTRA*, carrier's associated costs with insecurity have risen 27% Y/Y, with a YTD spend of over MXN\$14M.

NB Market w/o FSC



Mexico cargo risk heat map

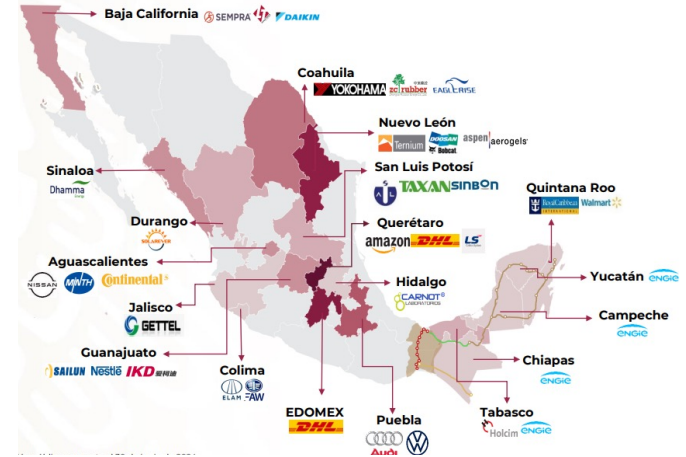


Source: CANACAR (National Chamber of Freight Transportation)

Nearshoring H1 2024 announcements

- The Secretary of Economy identified 143 investment announcements during H1 of 2024, representing US\$45.4B in addition to the US\$110.7B reported during 2023.
- These announcements are expected to create 62.9K new direct jobs.
- Manufacturing leads announcements at 53%, followed by commerce (15%), transportation and mass media (both 11%).
- The countries with the biggest announced investments are U.S.A (48%), Germany (15%), and Argentina (10%).
- The states that benefit the most are Queretaro (14%), Edo de Mexico (10%), Nuevo Leon (9%), Puebla (6%), and Coahuila (5%).
- During Q1 2024, a new historical maximum of FDI (Foreign Direct Investment) reached US\$20.3B, a 9% increase compared to last year during the same period.

Relevant announcements by state during H1 2024



Top 10 announcements of FDI during H1 2024

| By Company | Country | Sector | Investment *Billions |
|------------------|-----------|----------------|----------------------|
| FEMSA | U.S.A. | Manufacturing | \$ 9.9 |
| Amazon (AWS) | U.S.A. | Warehousing | \$ 4.9 |
| DHL Supply Chain | Germany | Transportation | \$ 4.0 |
| Mercado Libre | Argentina | E-commerce | \$ 2.4 |
| Walmart | U.S.A. | Retail | \$ 2.1 |
| Engie | Francia | Construction | \$ 2.0 |
| Ternium | Argentina | Manufacturing | \$ 1.9 |
| Volkswagen | Germany | Manufacturing | \$ 1.0 |
| Solarever | China | Manufacturing | \$ 0.6 |
| ELAM-FAW | China | Manufacturing | \$ 0.4 |

| By State | Investment *Billions |
|------------------|----------------------|
| Queretaro | \$ 6.3 |
| Estado de Mexico | \$ 4.6 |
| Nuevo Leon | \$ 4.1 |
| Puebla | \$ 2.6 |
| Coahuila | \$ 2.1 |
| Sinaloa | \$ 1.8 |
| Aguascalientes | \$ 1.7 |
| Guanajuato | \$ 1.7 |
| Baja California | \$ 1.6 |
| San Luis Potosi | \$ 1.4 |

Source: Secretary of Economy

Outlook and recommendations

- Mexican carriers continue including empty miles within their linehaul rates to keep up with northbound demand and reposition equipment from the border to the shipping points in Mexico.
- US equipment availability in Mexico for direct shipments might decrease starting Q3 2024 as the US domestic market recovers.
- Cargo theft and driver shortage continues to be one of the biggest challenges for the transportation industry in Mexico.
- As of July 17th, 2024, the 3.1 version of the Mexican Bill of Lading (Complemento Carta Porte) is the only valid version.
- Claudia Sheinbaum, candidate for the leftist National Regeneration Movement (Morena), will be Mexico's first female president with a supermajority in Congress. Government transition will start on October 1st. The US elections will shape Mexico's medium-term outlook.
- The election of Sheinbaum disrupted Mexico's financial markets, with the peso and stock exchange experiencing significant volatility in the immediate consequence of her victory. This reaction reflects the uncertainty and concerns that have gripped the business community. For financial decision-makers, the Sheinbaum presidency will require a keen eye on regulatory and policy changes, macroeconomic stability, security and risk management, talent attraction and retention, and sustainability compliance.

Canada

Canada: key factors impacting demand

The Canadian economy experienced modest growth in the second quarter of 2024:

- Real GDP grew 0.3% in Apr'24 after being essentially unchanged in Mar'24
- Bank of Canada (BoC) cut key interest rate to 4.5% in July'24 as inflation continues to cool
- CPI rose 2.7% on a YoY basis in June'24, down from 2.9% gain in May'24 – within the BoC inflation-control target
- The Canadian dollar weakened averaging 1.37 per USD in Q2 compared to 1.35 per USD in Q1 of 2024
- Following an increase of 1.2% in April, core retail sales were down 1.4% in May. Lower sales reported at food, beverage & grocery retailers, and building material dealers according to Statistics Canada.
- Unemployment rate was at 6.4% in Jun'24, up 0.2% m/m.
- Manufacturing PMI in Canada held steady at 49.3 in Jun'24, unchanged from May'24, marking the fourteenth consecutive month of contraction in factory activity.
- Spot Market volumes increased 19% MoM and 18% YoY, according to data from Loadlink.

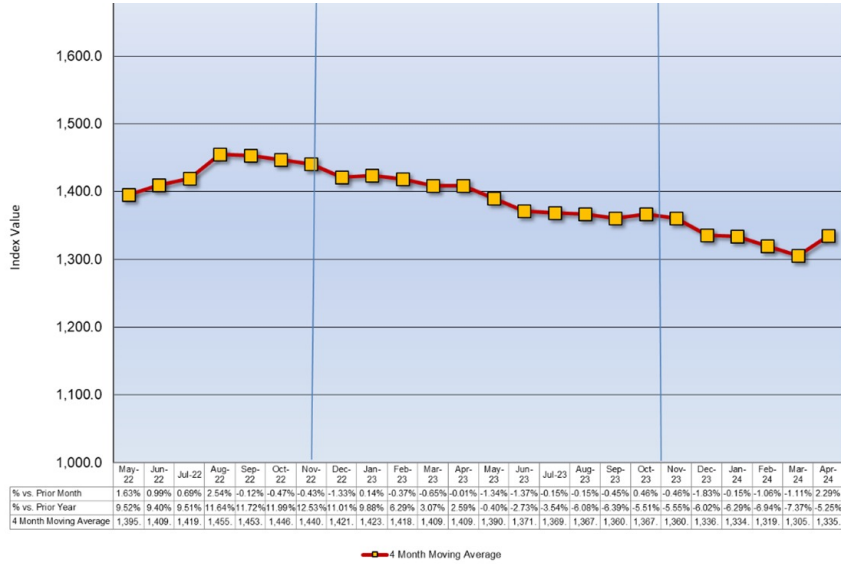
Canada: key factors impacting supply

Trucking activity has slightly improved since Q1, as excess capacity slowly exits the market:

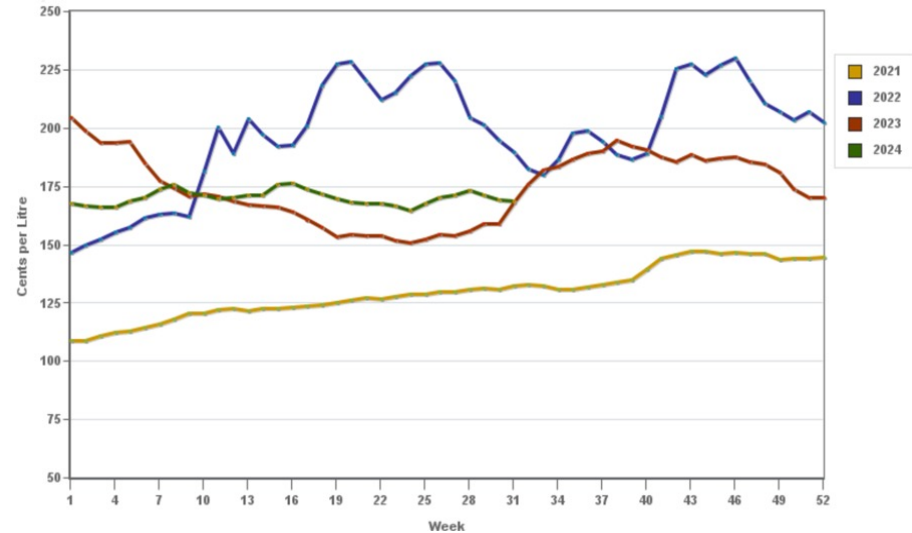
- Truck driver job vacancies have declined 33% in Q1 2024 compared to last year, according to the latest Trucking HR Canada (THRC) national job vacancy update.
- Ontario truck border crossings have increased 5% Q2 over Q1, however YoY the number of truck crossings decreased 1.4% for 2024Q2, according to the Bridge and Tunnel Operators Association
- Class 8 retail sales experienced their 11th consecutive month of year-over-year declines.
- Spot Market truck-to-load ratio in May of 3.06 was 15 percent lower (tighter) than the 3.6 trucks for every load posted in April and 24 percent lower (tighter) than a year earlier, pointing to signs of market improvement; according to data from Loadlink

Canada: rate trends

Over the road linehaul rate in April increased 2.29% MoM but decreased 5.3% YoY on a 4-month moving average basis, according to the Canadian General Freight Index.



Linehaul over-the-road freight rates excluding fuel and accessorial charges. Source: Canadian General Freight Index



Average Retail Prices for Diesel in Canada. Source: Natural Resources Canada

Canada: recommendations

Issue full network RFPs and secure capacity at current rates as the market starts to re-balance

- Focus on financially healthy carriers
- Lock in contract rates and get committed capacity from carriers
- Review, standardize, and re-negotiate accessorial charges
- Build contingency plans for possible rail work stoppage, secure additional over-the-road capacity, secure rate commitment before, during and after a possible disruption

Implement network efficiencies:

- Leverage sailing schedule for inter-provincial freight flows
- Create consolidation opportunities, hold freight for 24 to 48 hours where possible
- De-leverage LTL shipment, consider multi-stop truckload or pooling options
- Maximize trailer utilization through improved load building
- Embrace technology adoption, digitize workflows

Sustainability

Sustainability policy updates

- The upcoming US presidential elections will have an impact on corporate Sustainability and climate work progress, especially as it pertains to SEC climate rule mandating ESG disclosures, and potentially the EPA's GHG Emissions Standards for Heavy-Duty Vehicles - Phase 3
- Consumer and investor demand for greater corporate ESG disclosure remains high in the face of future political uncertainty

Uber Freight