

Freight: A View From the Street



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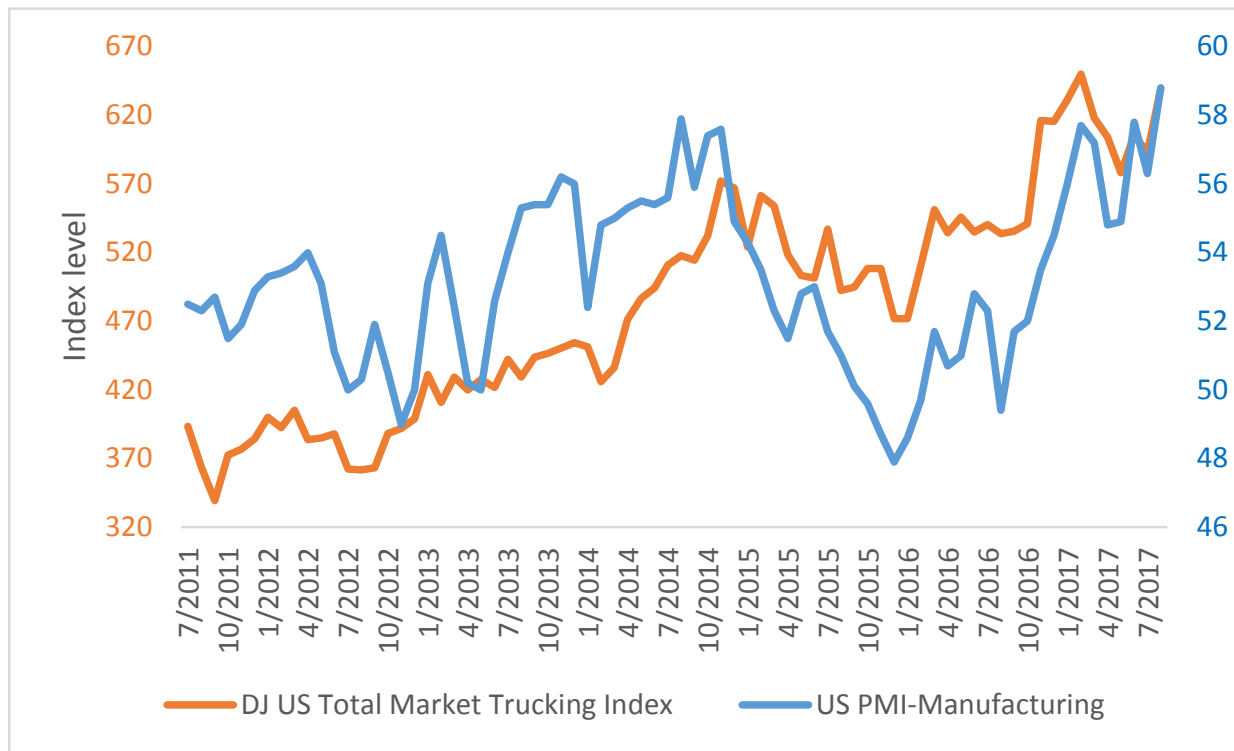
Please see pages 12 to 14 of this report for important disclosures.

PRESENTATION OVERVIEW

- Macro
- Rail views
- Trucking views
 - TL
 - LTL
- Look Ahead and Q&A

Macro

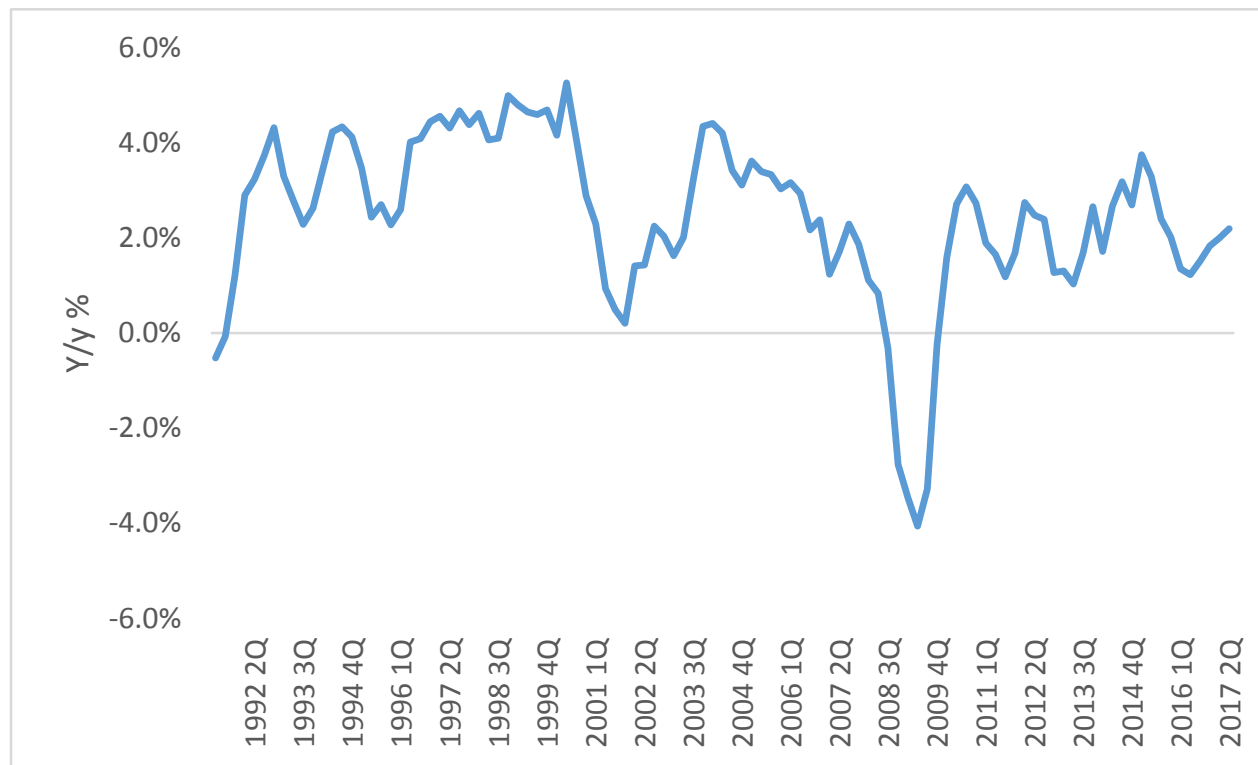
■ US PMI - Manufacturing



Source: Bloomberg, Federal Reserve, Dow Jones, Cowen and Company

Macro

■ US Real GDP Growth



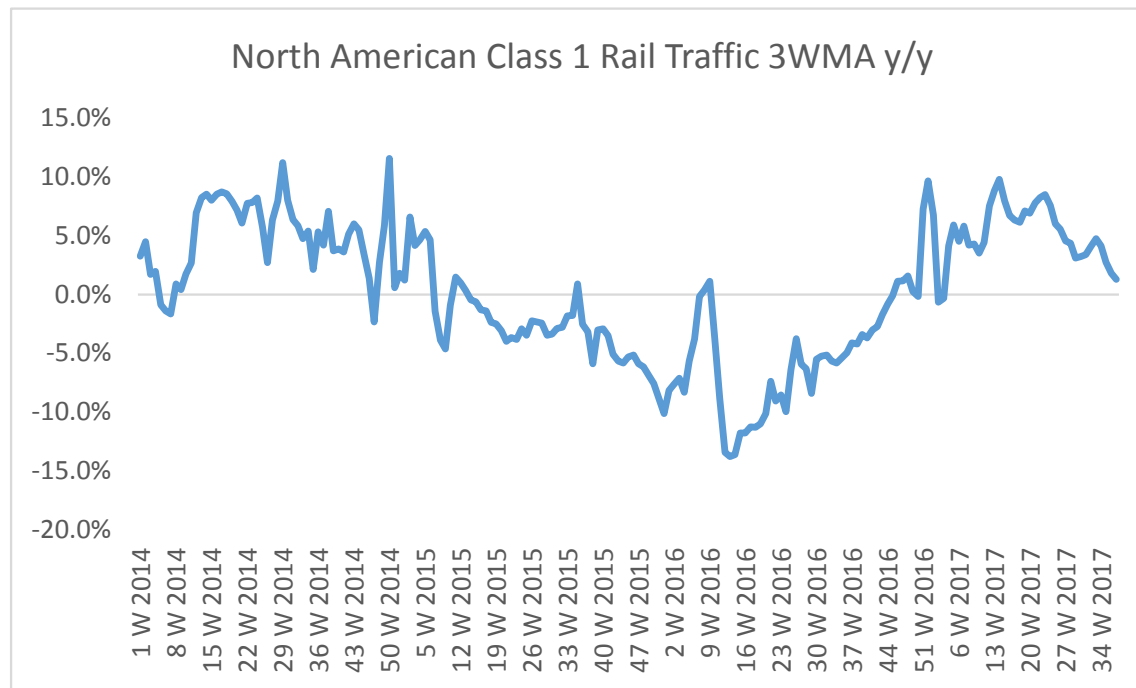
Source: Bloomberg, Bureau of Economic Analysis, Cowen and Company

Current Rail Industry Views

- Carloads have grown 5% YTD as comparisons have been easy and the US economy has grown
- 3Q17 traffic has increased 3% y/y as growth in frac sand, intermodal and metals has been offset by declines in agricultural products, motor vehicles and crude.
- 2Q17 Cowen Rail Shipper Survey suggests shippers are expecting a 3.0% price increase from the rails over the next 6-12 months. That's up from 2.6% in our 1Q17 survey.
- The railroads' ongoing efforts to right size their networks should aid ORs
- CSX rail service issues could linger for several months
- All of the rails except UNP and GWR are significantly outperforming the broader stock market YTD

Railroads

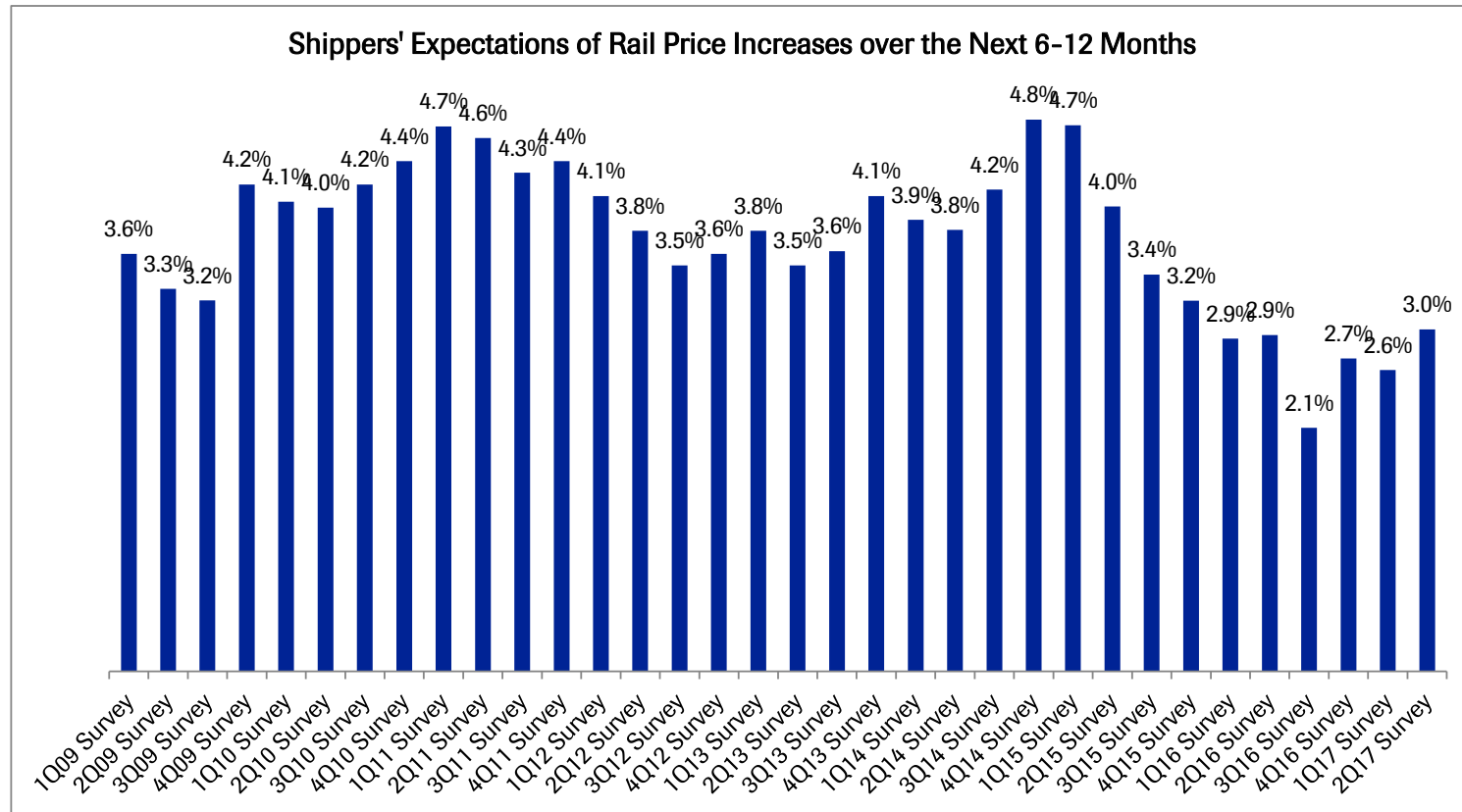
■ North American Class I Rail Traffic Growth



Source: AAR, RailShare, Cowen and Company

Railroads

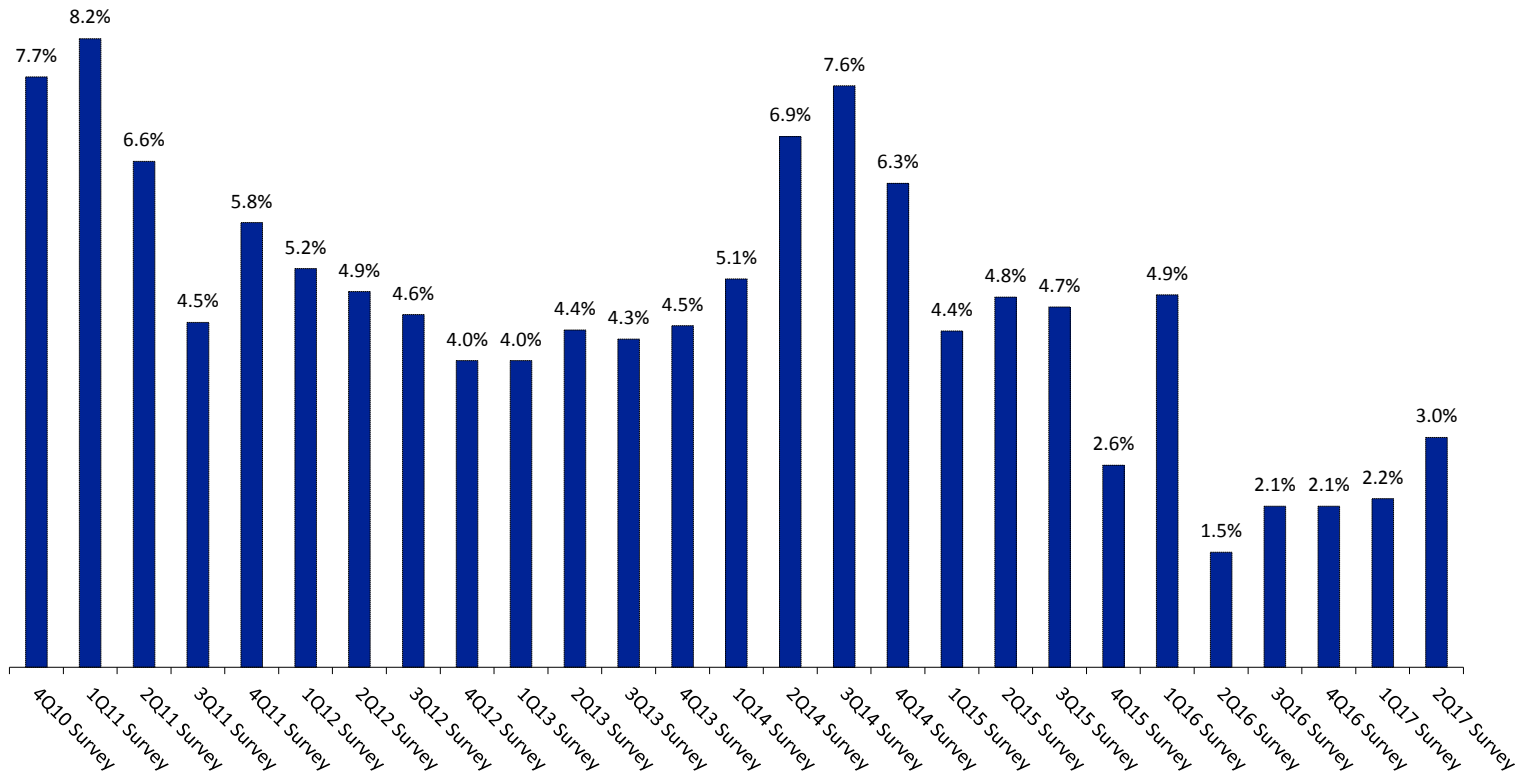
- Cowen 2Q16 Rail Shipper Survey



Source: Cowen and Company Rail Shipper Survey

Railroads

- Cowen 2Q16 Rail Shipper Survey: 12 month growth expectations



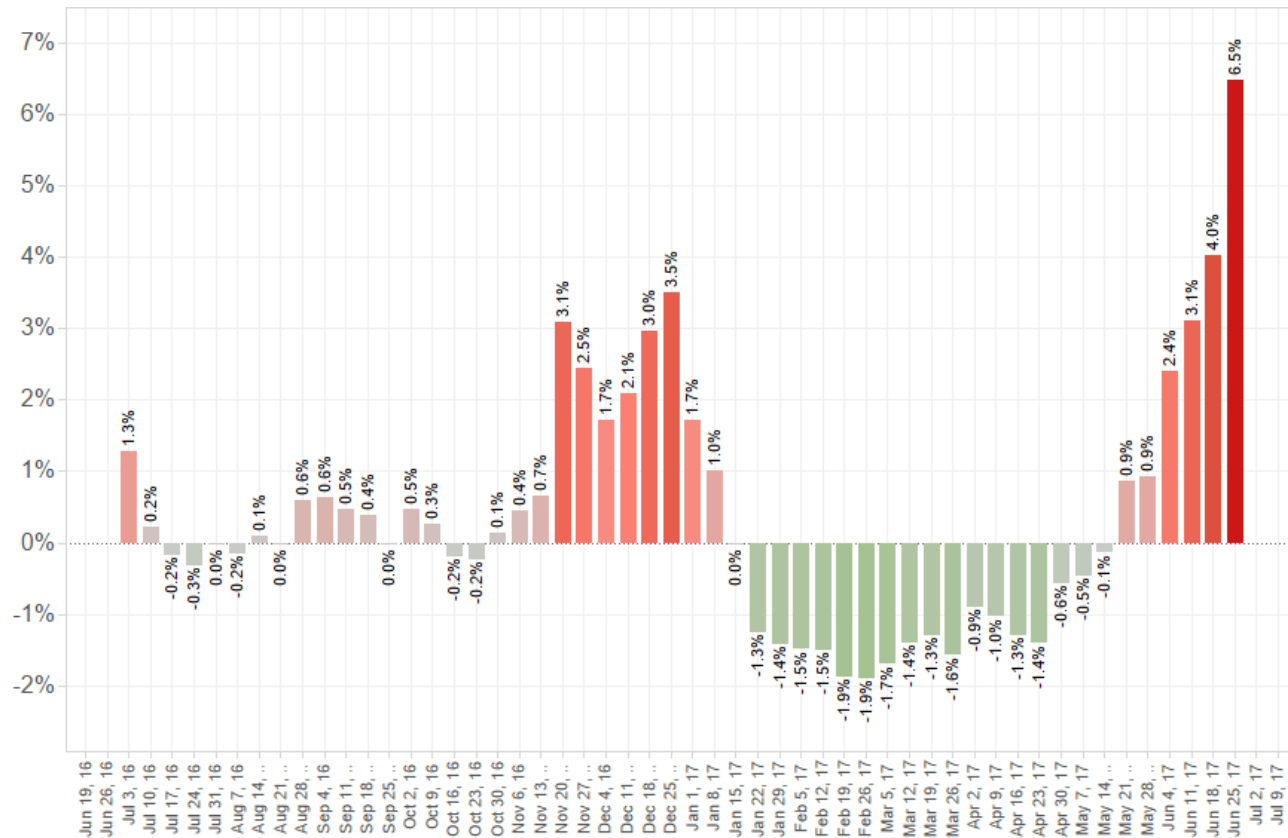
Source: Cowen and Company Rail Shipper Survey

Current Truckload Industry Views

- Truckload pricing has trended above normal seasonality for much of 2017, but the market picked up materially in May
- We expect the average truckload rate increase to be in the 3-5% range for 2018
- ELD implementation and capacity cuts by carriers likely to constrain capacity in the longer term. We think the biggest pinch will be felt in the first half of 2018

Trucking - TL

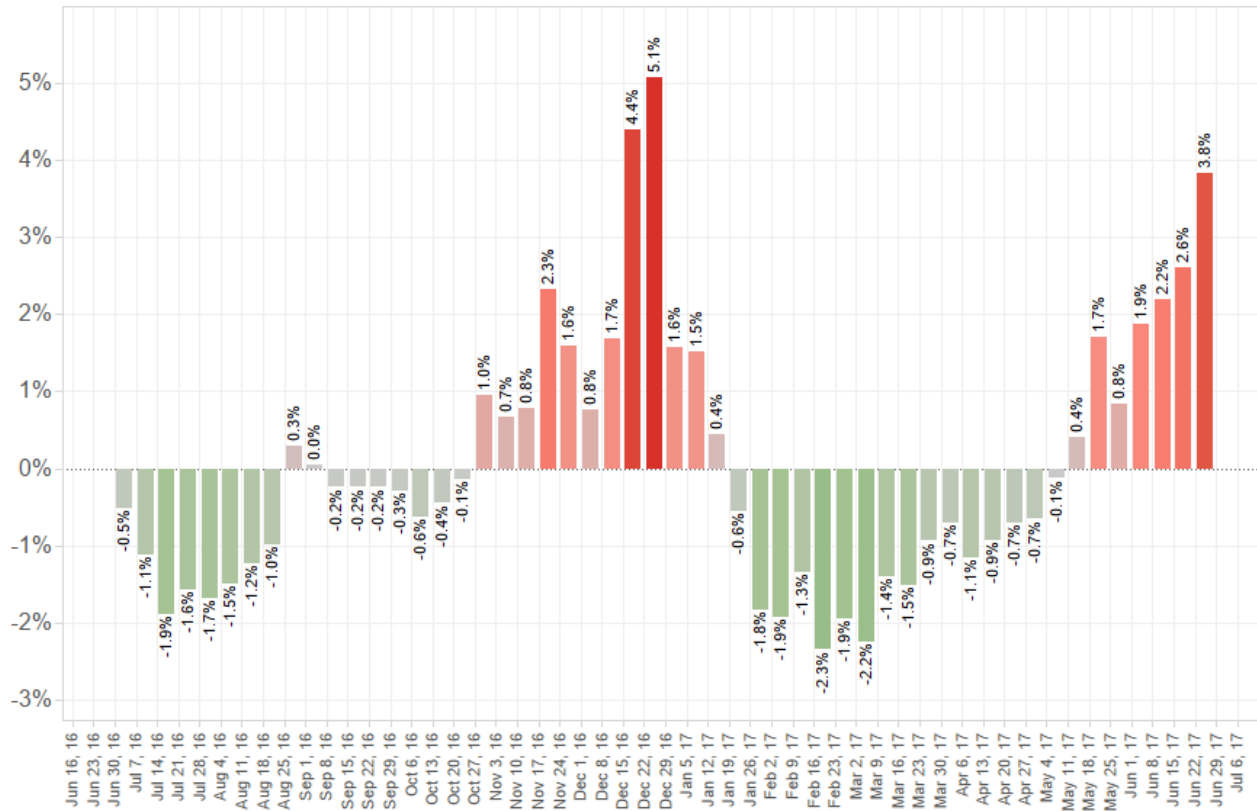
Chainalytics-Cowen Dry-van Index



Source: Chainalytics, Cowen and Company

Trucking - TL

Chainalytics-Cowen Refrigerated Index



Source: Chainalytics, Cowen and Company

Addendum

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