INSIGHT SOURCING GROUP

ISG Logistics Center of Excellence POV

COVID-19 Update

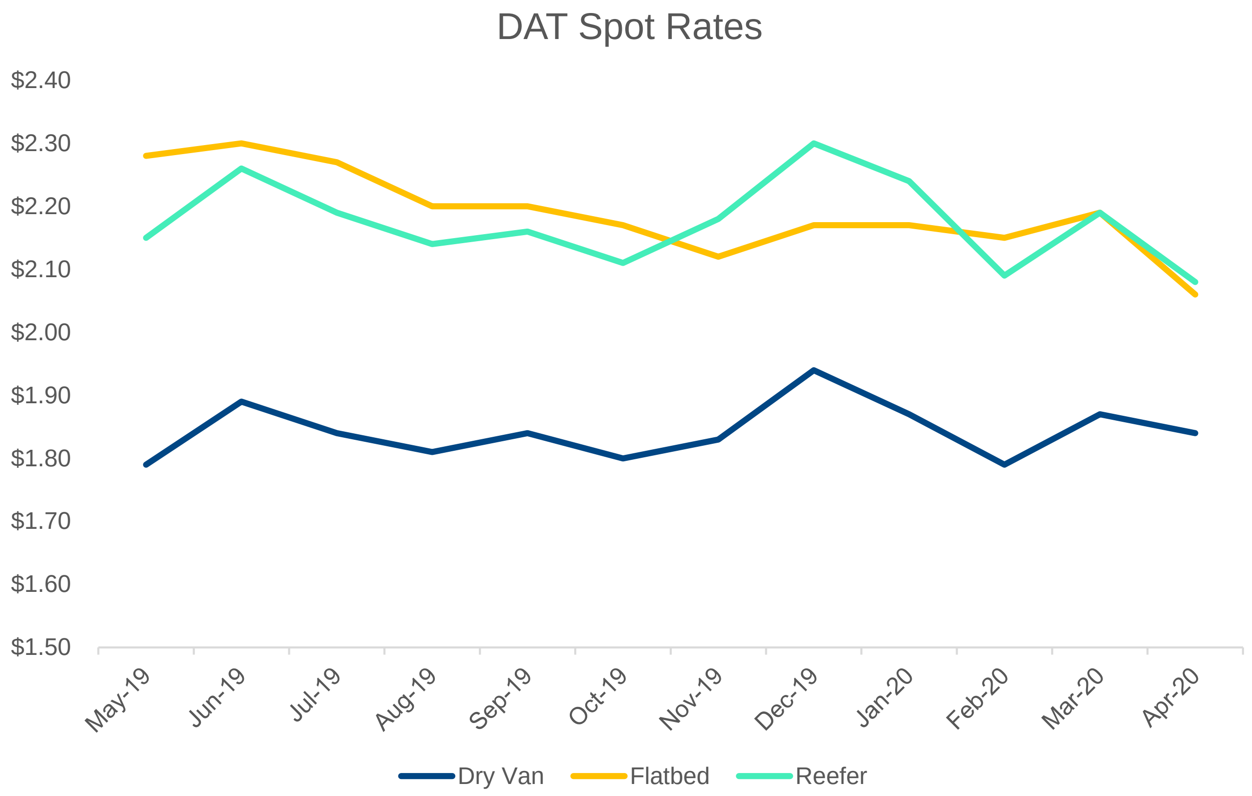
Truckload

COVID-19 Impact

- Dry Van and Refrigerated demand spiked in March due to the increase in shipments related to household staples, medical, and grocery
- Spot load shipments were up 30% across all truckload types in March compared to February which caused spot rates to increase 4%
- Dry Van and Refrigerated were especially hard hit
    - Dry Van Load to Truck ratios spiked at 3.5 the last week of March but have already declined to 2.8 the first week of April
    - Refrigerated Load to Truck ratios spiked at 7.8 the last week of March but have already declined to 4.9 the first week of April
- Spot loads in the last week of march dropped 25% to the prior week

Future Projection and Recommended Next Steps

- Freight volumes are expected to drop as much as 24% in Q2 as the rush of replenishment shipments decreases and business slow or shut down
- With an expected slowdown of freight, it is expected that rates will drop just as demand drops in the coming quarters
- Despite the recent increase in rates, ISG's perspective is that it is an ideal time to launch an RFP or to re-negotiate with incumbent carriers as demand will be dropping and thus rates



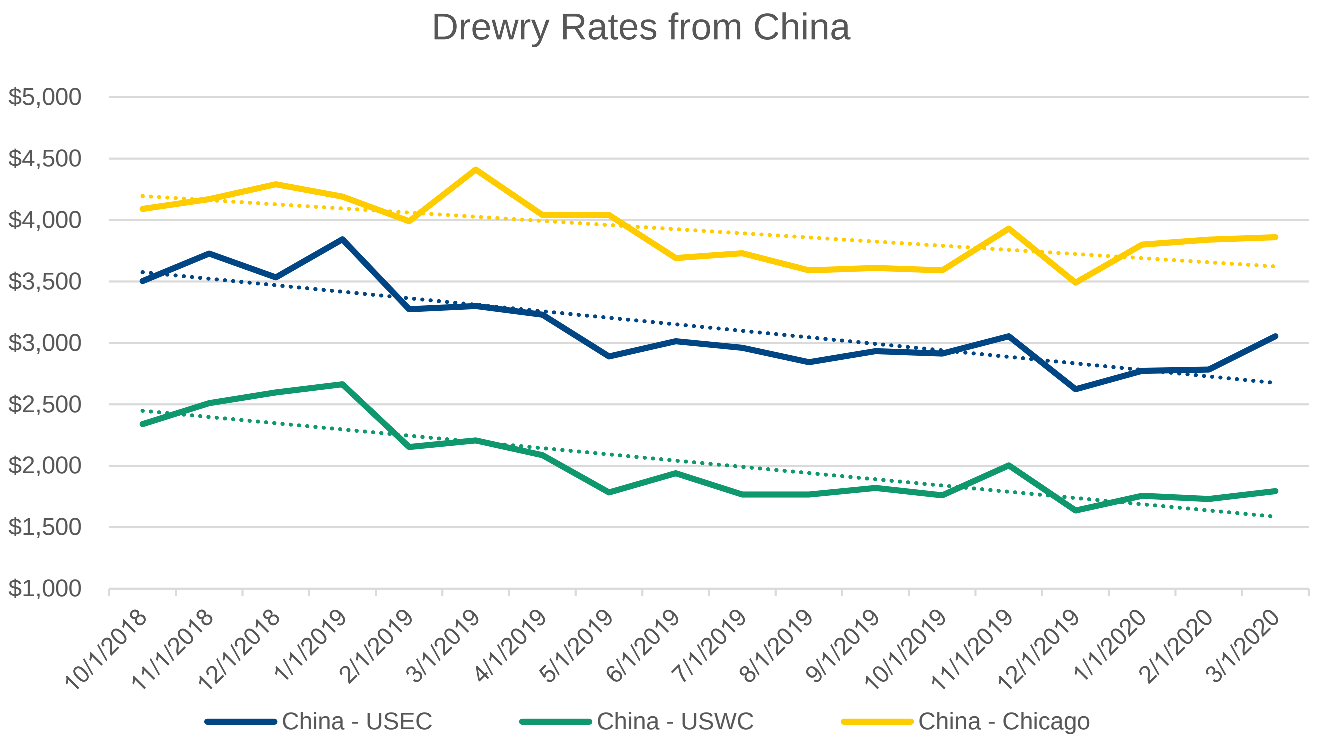
Ocean Freight

COVID-19 Impact

- Drewry reported March spot rates for most APAC to US lanes showed only moderate YoY increases, however Hong Kong Exports and Houston Imports showed hikes of nearly 25%.
- Despite a return of manufacturing capacity, carriers continue to blank sailings at a 7-year high. 111 have already been announced through early April. This is highly driven by a drop in demand from BCOs.
- Both DHL and CEVA invoked force majeure clauses in contracts saying they may not be able to meet commitments.
- Carriers and Destination ports are looking to alternate locations to store containers as they pile up while non essential importer warehouses are closed.

Future Projection and Recommended Next Steps

- Coronavirus will have significant impact to carriers Q1 and 2020 Earnings expectations, with volume expected to return in May/June. A bankruptcy similar to Hanjin in 2017 could cause major disruption.
- UK consultancy Maritime Strategies International (MSI) projects that volumes on both APAC to EU and APAC to US lanes will drop on average 15% YOY. A corresponding drop in rates is expected with European lanes seeing an even larger change.
- FMC is finalizing a rule to reduce detention and demurrage charges at ports due to COVID-19
- ISG continues to source Ocean Freight during this market and is seeing similar softness expected in the market going forward.



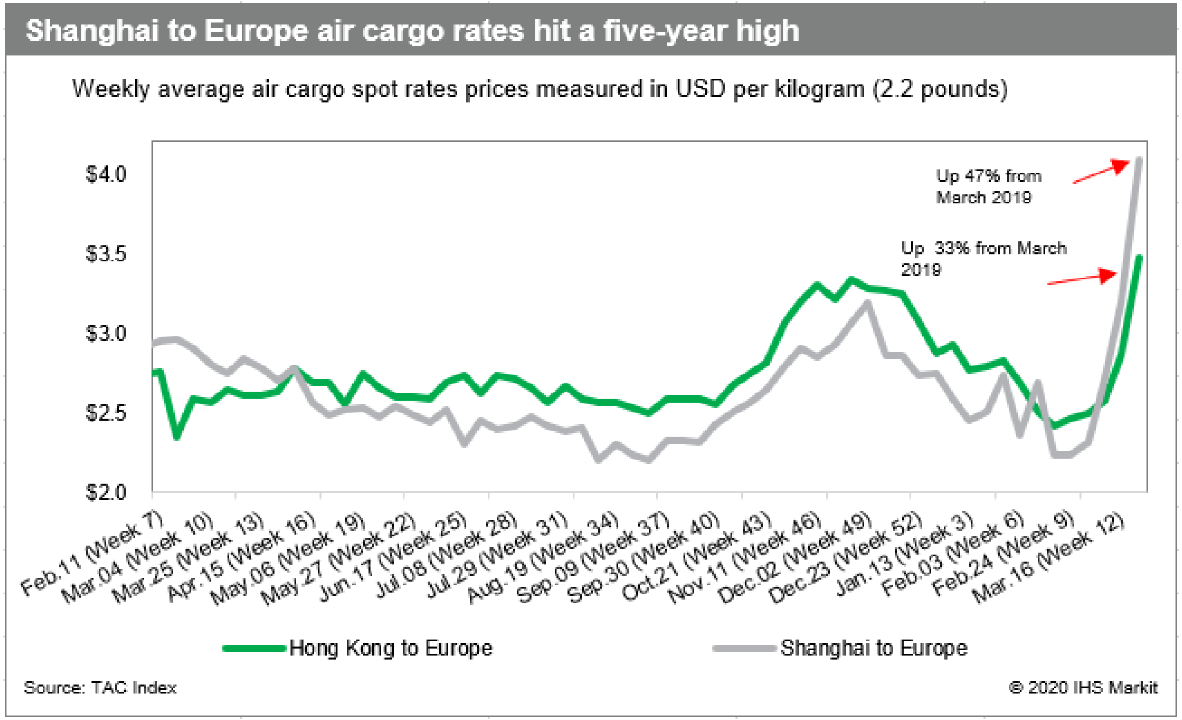
Air Freight

COVID-19 Impact

- 60% of global cargo capacity has been removed from the market as passenger travel is grounded.
- Data from the TAC Index show rates from Shanghai to North America this week are up 70% compared with the same time last year at $5.70 per kilogram. Shanghai to EU rates are up 47% YoY.
- Dachser Group is reporting however that charter requests for April are dropping rapidly and expect the peak to drop quickly.
- CARES Act relief provided $25B for Passenger Airlines, $4B for Cargo Airlines, and $3B for contractors. An additional $25B in loans was also made available.

Future Projection and Recommended Next Steps

- Continued softness in EU and North American markets is reducing demand and will continue until manufacturing beings to accelerate.
- Freight forwarders continue to be at risk as they were not named under the CARES Act and 65% of Air Forwarders Association members expect layoffs.
- The IATA expects global airline bailout costs could top $1T and bailout packages in Europe and APAC have yet to be announced.
- Generally ISG recommends avoiding airfreight whenever possible as it is a relatively expensive mode choice. We have not yet seen the reports that air freight has truly peaked and as such would advise anyone going to market to tread carefully and consider best utilizing other modes if lead-times allow.



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