THE STATE OF INTERMODAL

MIDWEST ASSOCIATION OF RAIL SHIPPERS WINTER MEETING 2017

DAVID YEAGER
CHAIRMAN OF THE BOARD
AND CHIEF EXECUTIVE OFFICER

JANUARY 11, 2017


Hinsdale
Flowers
CLEANERS
Organic
Dry Cleaning


Laundromat
19


ST SMITH


FAX TRANSMISSION FORM
SHARP
Plain Paper Facsimile
START
STOP


Miss

HUB GROUP

MULTI-MODAL SOLUTIONS PROVIDER

$3.6 BILLION IN REVENUE

FINANCIALLY STABLE
PUBLICLY TRADED

INTERMODAL

$2.2 billion

One of the Largest Intermodal Providers in North America

US, Canada, and Mexico Operations

Large Private Container Fleet – 36,000 boxes

Nationwide Intermodal Trucking Operation with 2,700+ Drivers

HIGHWAY

$695 million

Carrier Managed Solutions

Transactional Capacity Solutions

Project Management

LOGISTICS

$680 million

Supply Chain Management

Full Outsource Multi-Modal Solutions

TMS/Web Technology

LTL Capabilities

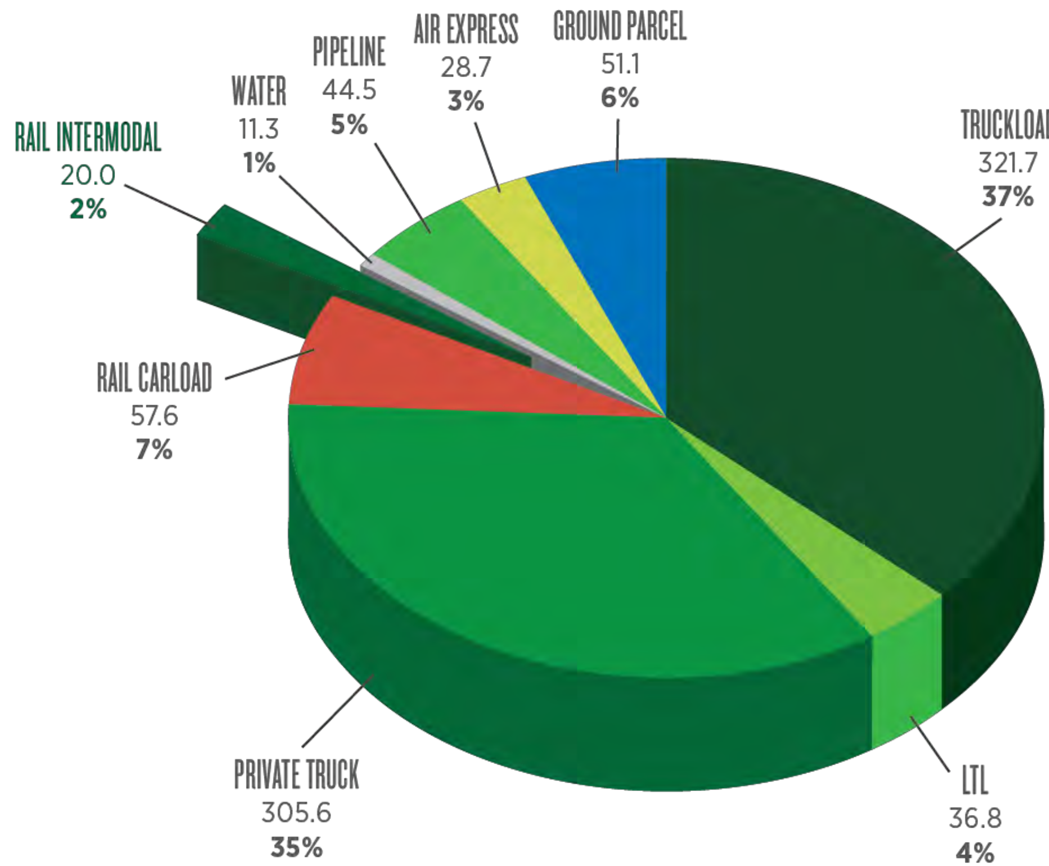
Revenue represents 2016 Year End Estimates


TRANSPORTATION OVERVIEW

DOMESTIC FREIGHT MARKET

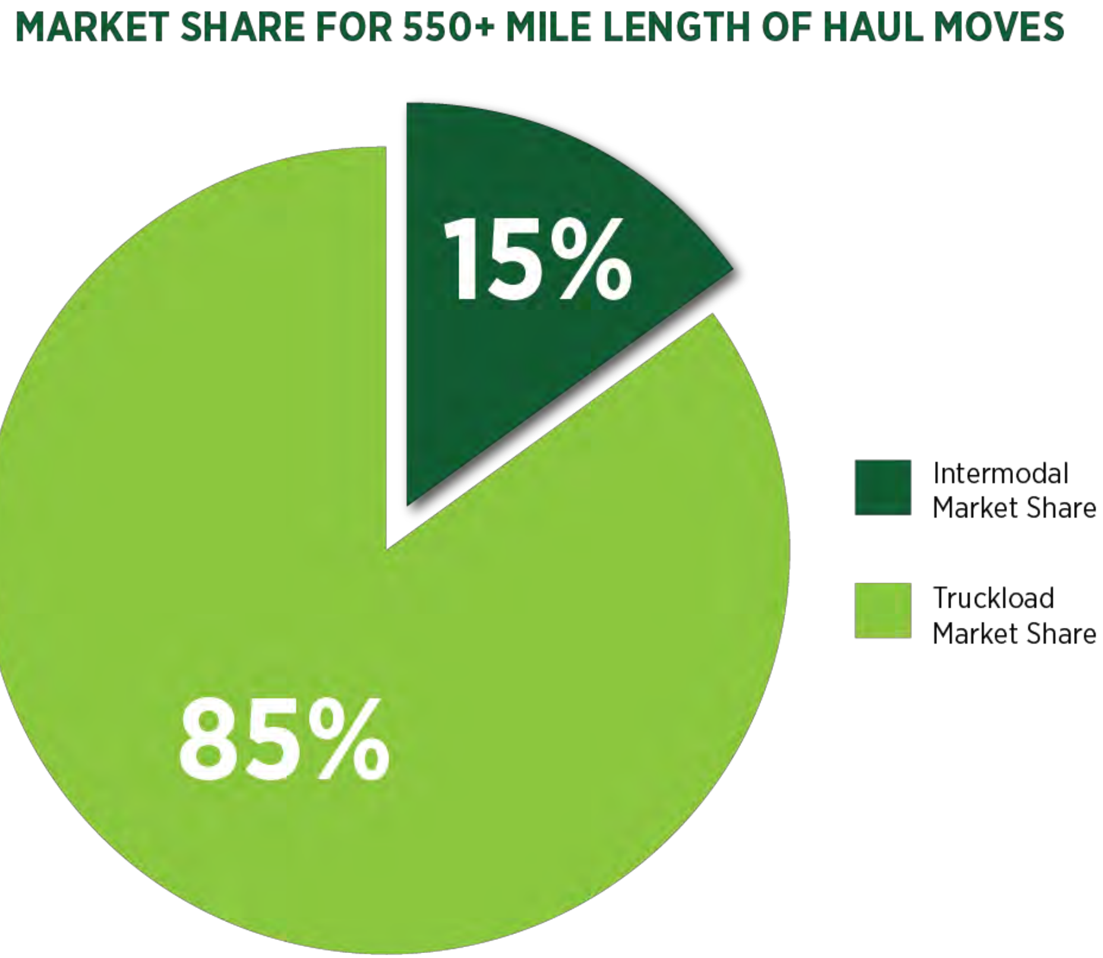
U.S. FREIGHT TRANSPORTATION MARKET

($889 Billion)



Source: ATA; Stifel; CSCMP

INTERMODAL SHARE



Source: AAR; Stephens

INTERMODAL GROWTH

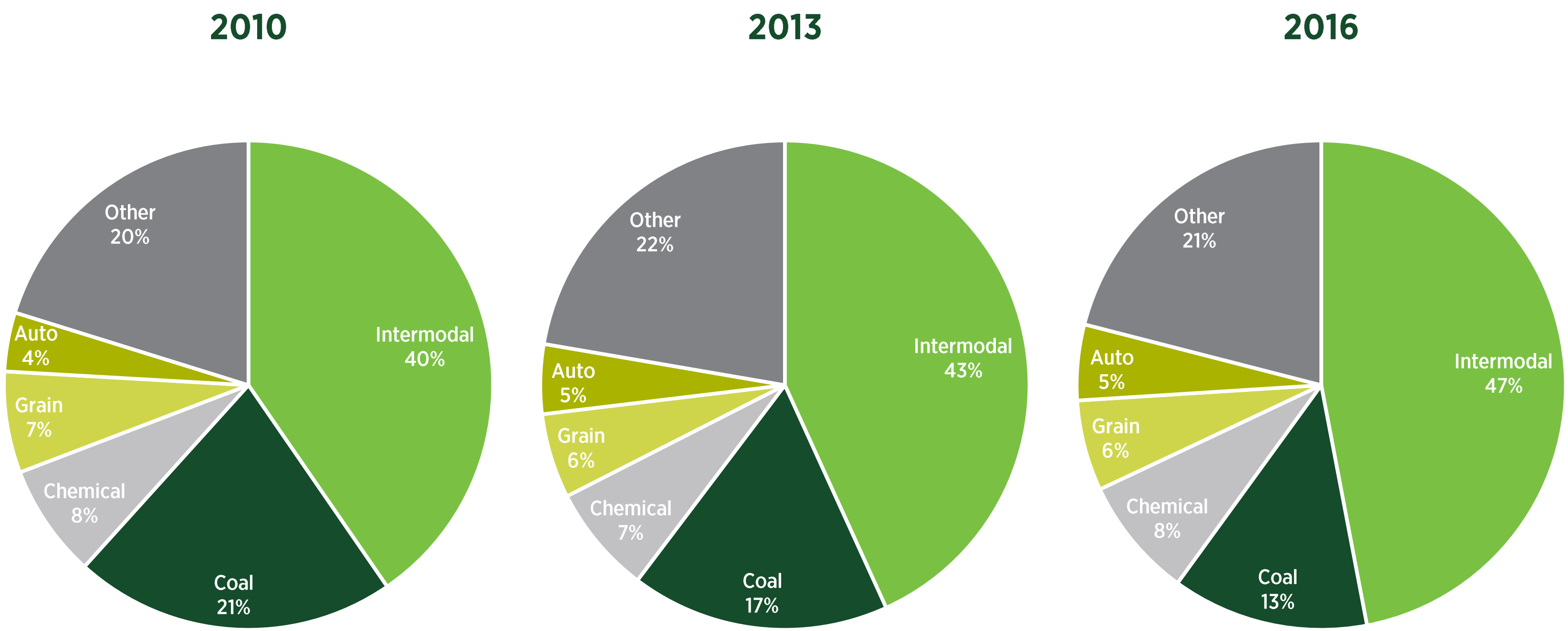
INTERMODAL VOLUME VS. NON-INTERMODAL RAIL VOLUME

RAIL VOLUMES	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
INTERMODAL GROWTH	4%	7%	10%	6%	5%	(2%)	(4%)	(14%)	14%	5%	3%	4%	5%	2%	(2%)
NON-INTERMODAL GROWTH	0%	4%	(2%)	3%	4%	(3%)	(8%)	(11%)	7%	0%	(1%)	(1%)	3%	(4%)	(8%)
INTERMODAL'S OUTPERFORMANCE/ UNDERPERFORMANCE	4%	3%	12%	4%	1%	1%	4%	(4%)	7%	5%	5%	5%	2%	5%	6%

Source: AAR; Stephens

RAIL CARLOAD MARKET SHARE

INTERMODAL INCREASED ITS SHARE OF TOTAL RAIL CARLOADS SINCE 2010



Source: AAR (Data current through Week 51, 2016)

A CHALLENGING COURSE, BUT WELL POSITIONED FOR GROWTH

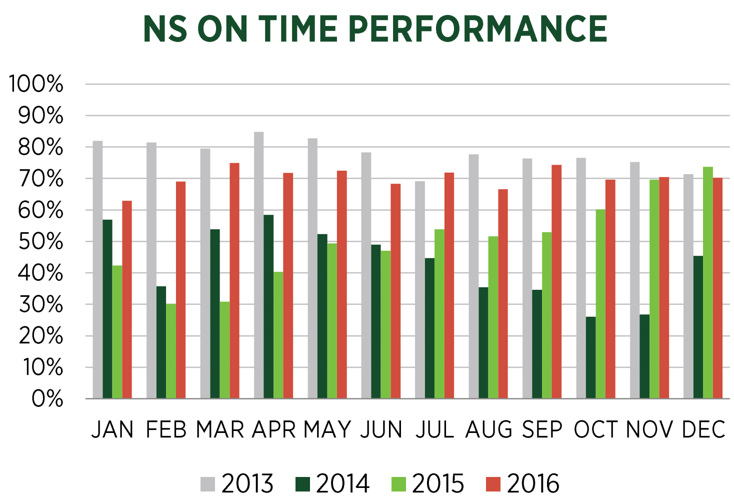
- **COST**
- **SERVICE**
- **SUBSTANTIAL RAIL CAPACITY**
- **TRUCK HEADWINDS**
  - Regulations
  - Driver Demographics
  - Driver Shortage & Retention
  - The Trump Economy
- **INTERMODAL RISKS**
  - Omni-Channel Growth & Opportunities
  - Technology

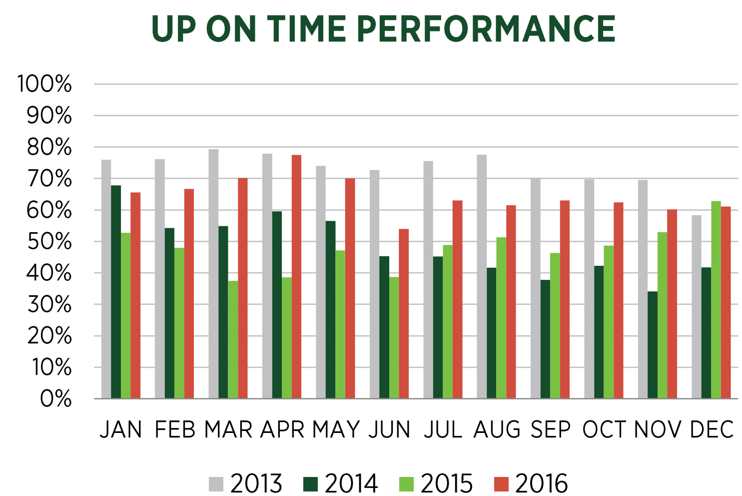
RAILROAD SERVICE PERFORMANCE

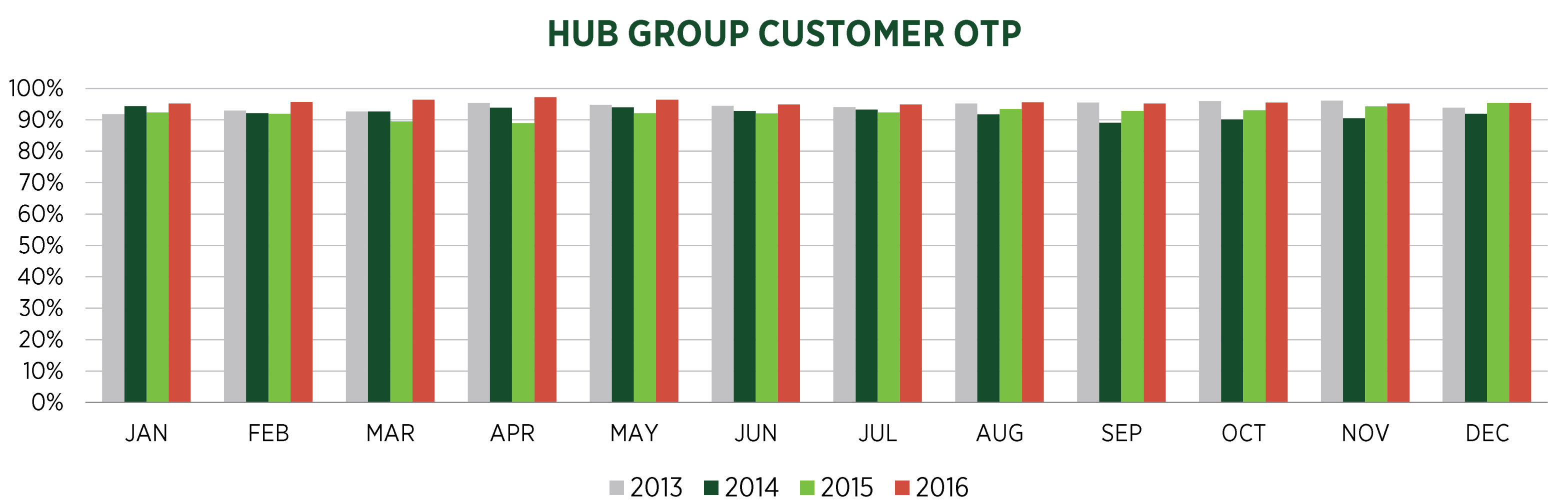
IMPROVING INTERMODAL TRAIN SPEEDS SINCE 2014

Source: AAR via Railroad Performance Metrics (data current through Week 51, 2016)

INTERMODAL ON TIME PERFORMANCE

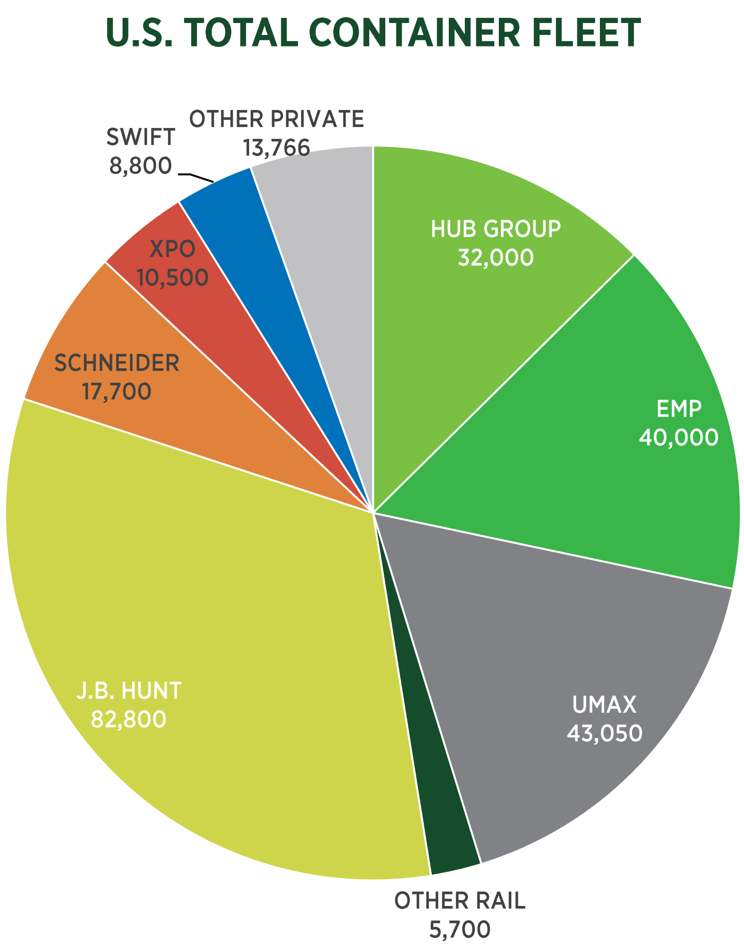






Source: Hub Group (current through December 2016)

SUBSTANTIAL INTERMODAL CAPACITY

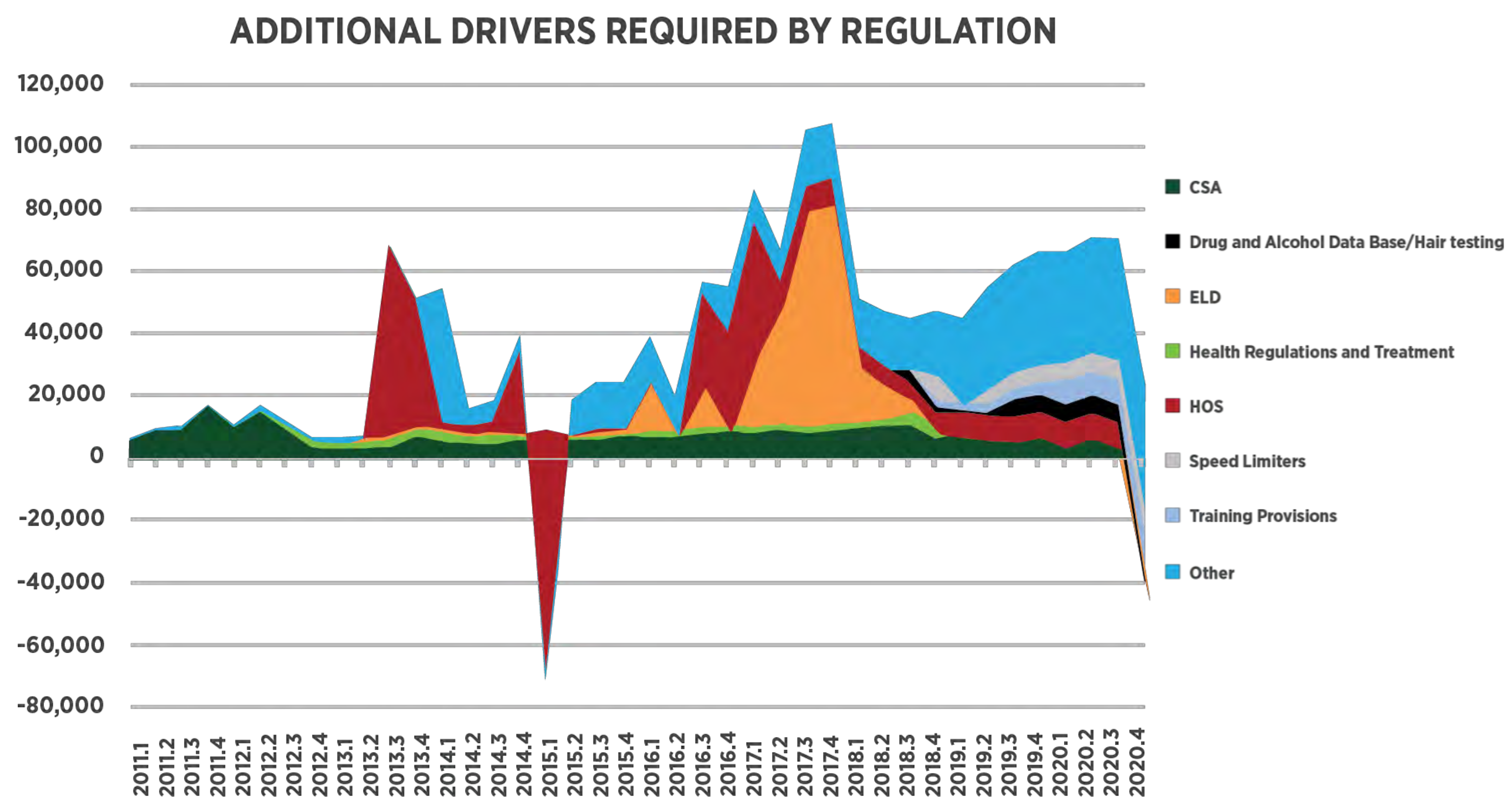


Source: Loadmatch.com; Hub Group estimates

TRUCK HEADWINDS

THE IMPACT OF REGULATIONS ON TRUCKING

The growing amount of trucking regulations will continue to cause significant tightening in the driver market, therefore reducing capacity and increasing rates.

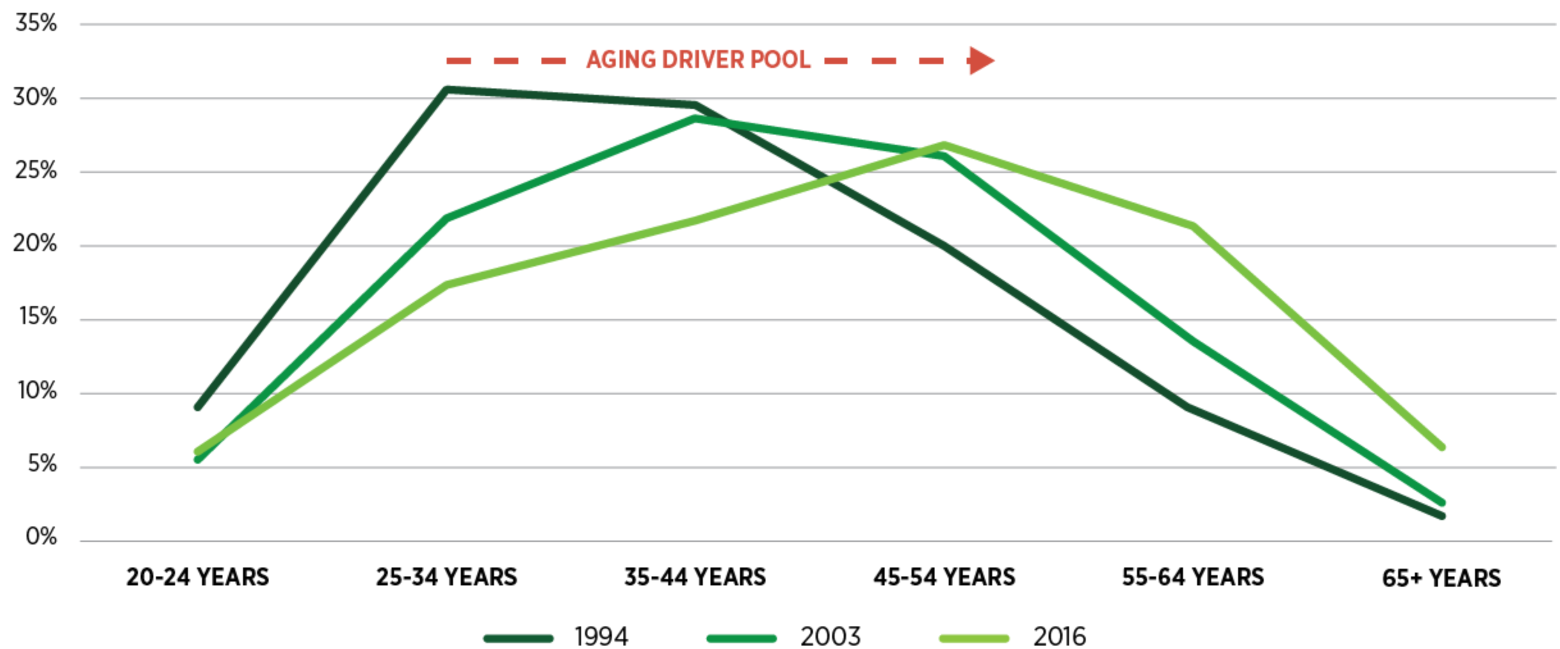


Source: FTR Intelligence

TRUCK HEADWINDS
SHIFT IN DRIVER DEMOGRAPHICS

In 1994, 30.9% of drivers were over 45 years old. In 2016, 55.5% were over 45. The median driver age is now 49, and as this aging workforce enters retirement, an even larger driver shortage may begin to emerge.

DRIVER AGE DISTRIBUTION

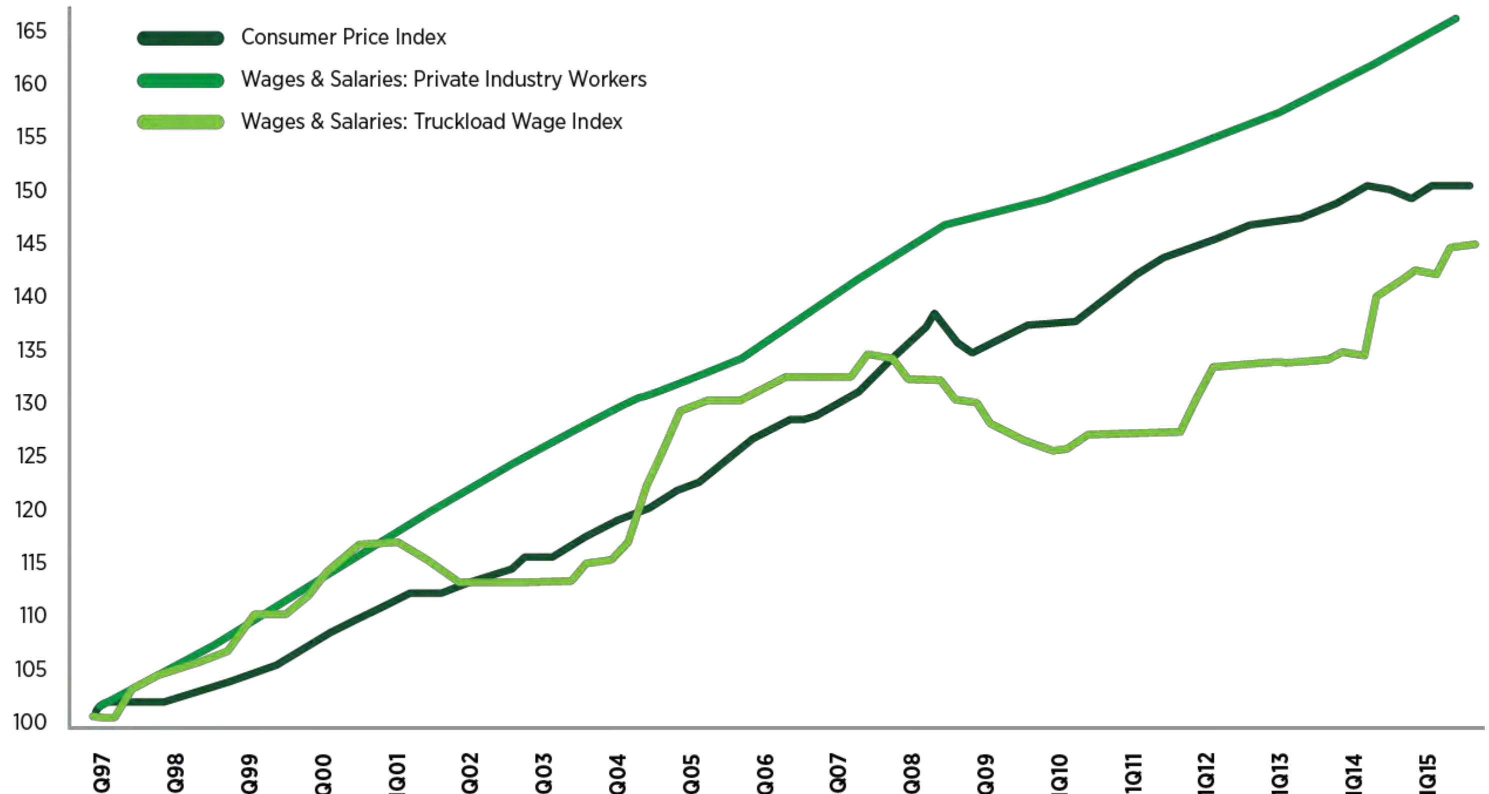


Source: American Transportation Research Institute; Bureau of Labor Statistics

TRUCK HEADWINDS

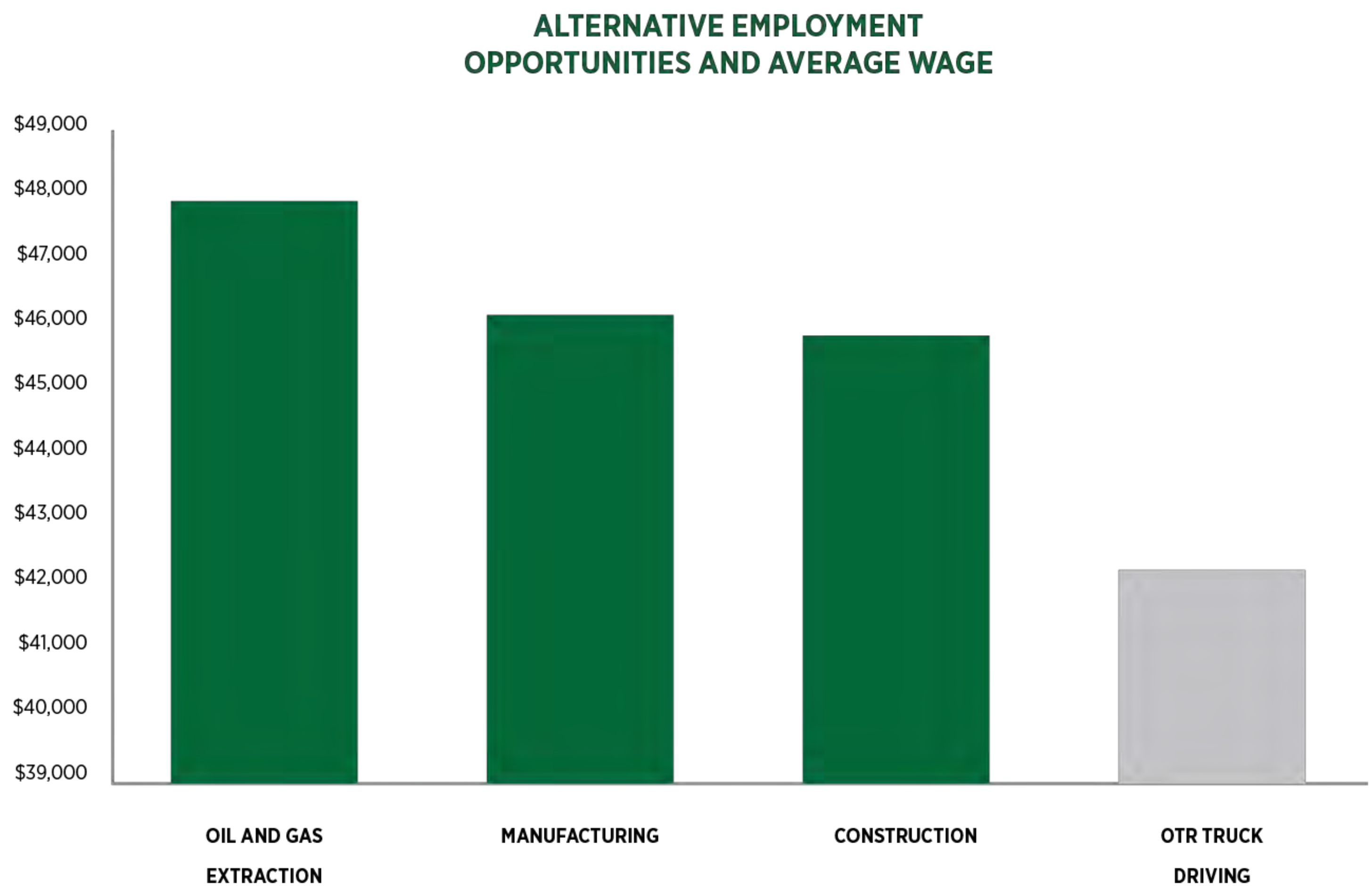
DRIVER SHORTAGE & RETENTION

DRIVER PAY VS. PRIVATE INDUSTRY PAY VS. INFLATION LONG-TERM TRENDS



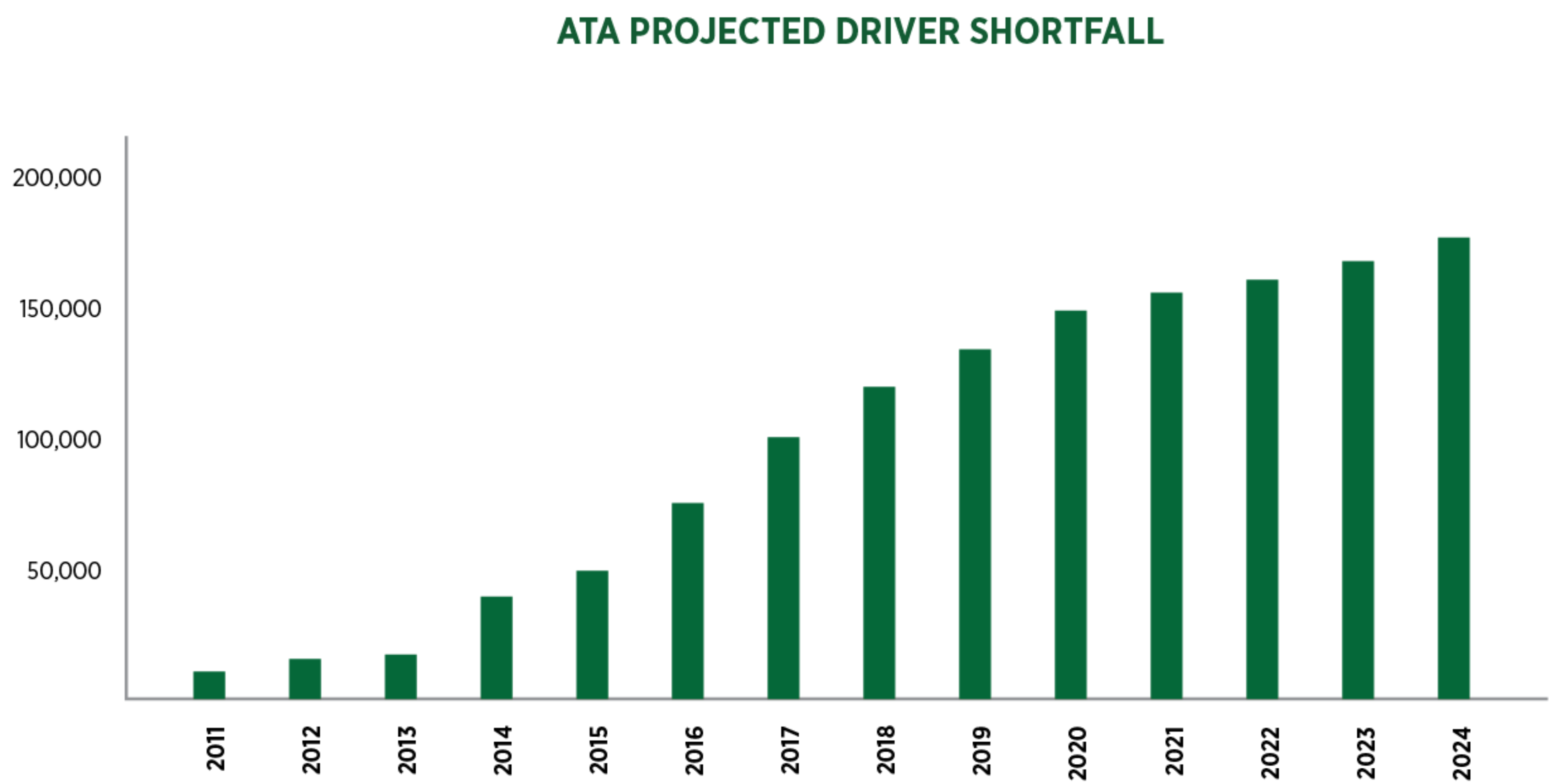
Source: National Survey of Driver Wages; Morgan Stanley

TRUCK HEADWINDS
DRIVER SHORTAGE & RETENTION



Source: BLS; Morgan Stanley

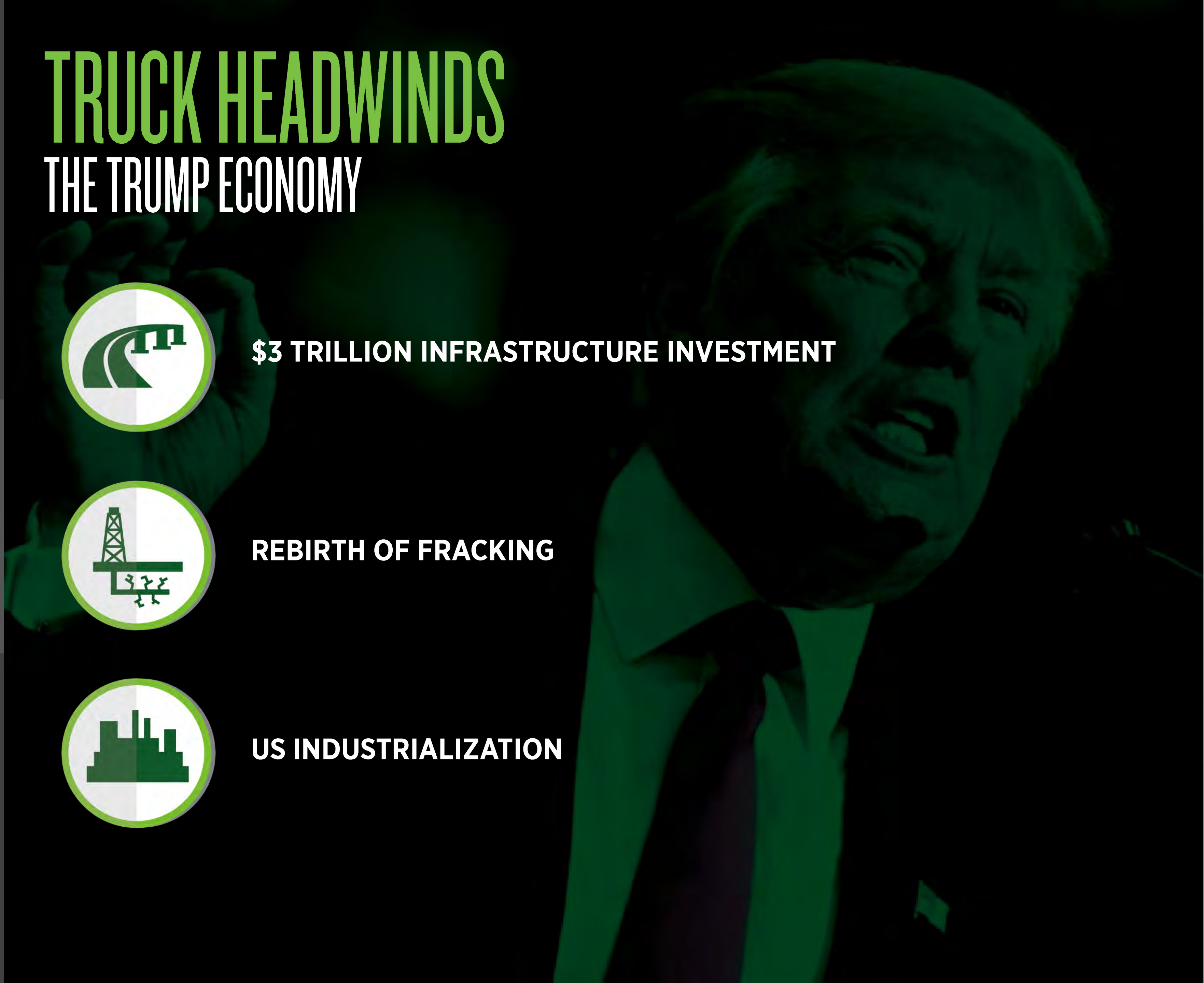
TRUCK HEADWINDS
DRIVER SHORTAGE & RETENTION



Source: ATA; Morgan Stanley

TRUCK HEADWINDS

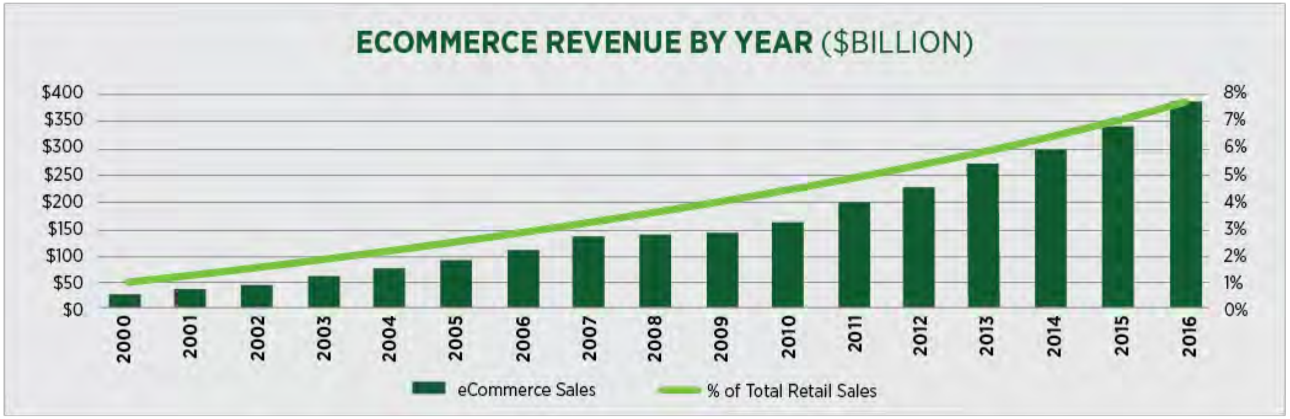
THE TRUMP ECONOMY

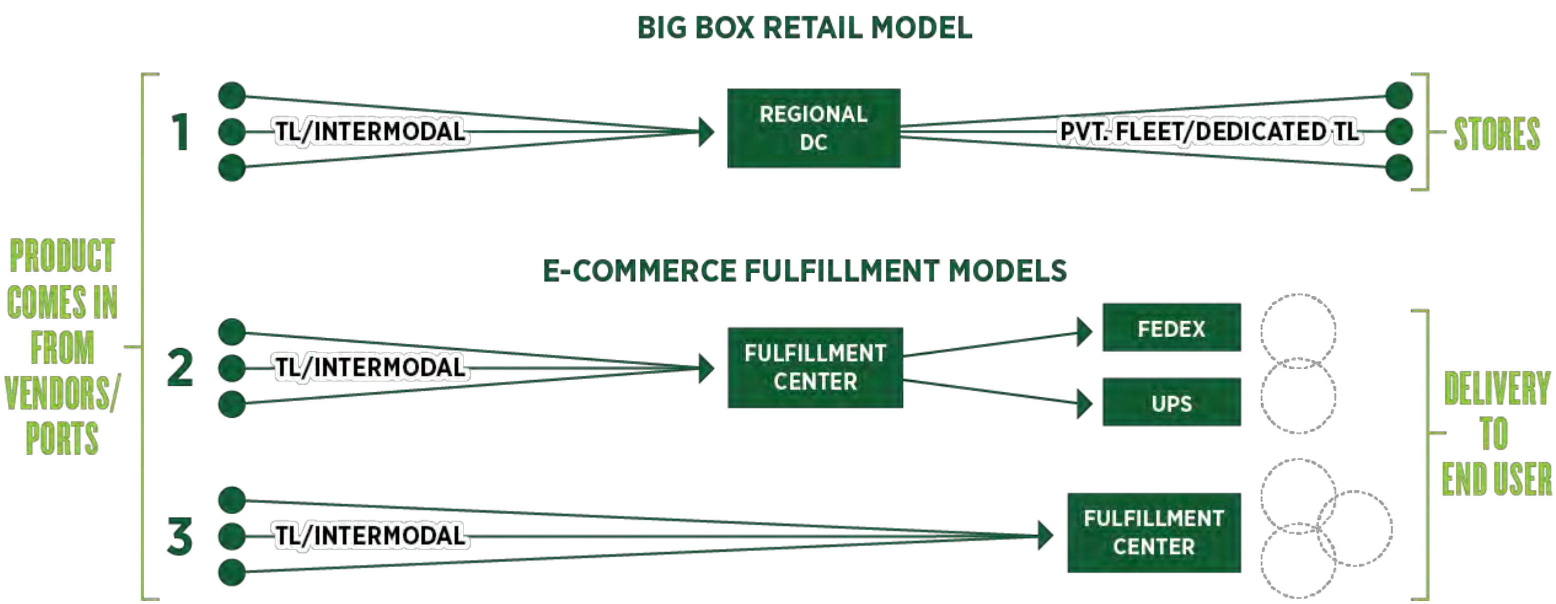


- $3 TRILLION INFRASTRUCTURE INVESTMENT
- REBIRTH OF FRACKING
- US INDUSTRIALIZATION

RISKS TO INTERMODAL GROWTH

OMNI-CHANNEL GROWTH & OPPORTUNITIES





Source: Stifel

TECHNOLOGY

	ADVANCED DRIVER ASSISTANCE SYSTEMS	PLATOONING	FULLY AUTONOMOUS
TIMING OF IMPLEMENTATION	Immediate	1-3 Years	6-10 Years
BENEFITS	• In 20% Insurance Savings • 5% Fuel efficiency improvement	• 5-10% Fuel efficiency improvement • 0-50% labor cost reduction	• 20-50% insurance savings • 10% fuel efficiency improvement • 50-90% labor cost reduction

Source: Morgan Stanley

IN CONCLUSION...

- **INTERMODAL POISED FOR GROWTH**
  - Lower Cost
  - Consistent Service
  - Headwinds for Competition

- **RISKS OF TECHNOLOGY**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