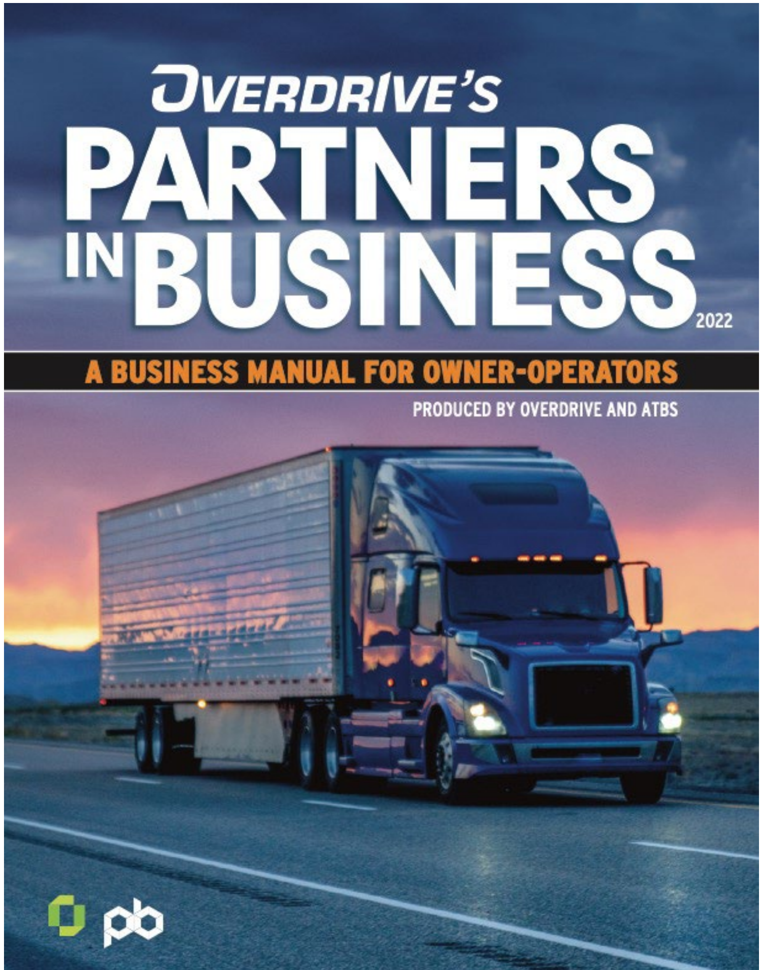

OVERDRIVE PARTNERS IN BUSINESS

+

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Download the guide at OverdriveOnline.com/PIB

Independent Contractor Benchmarking (ICB)

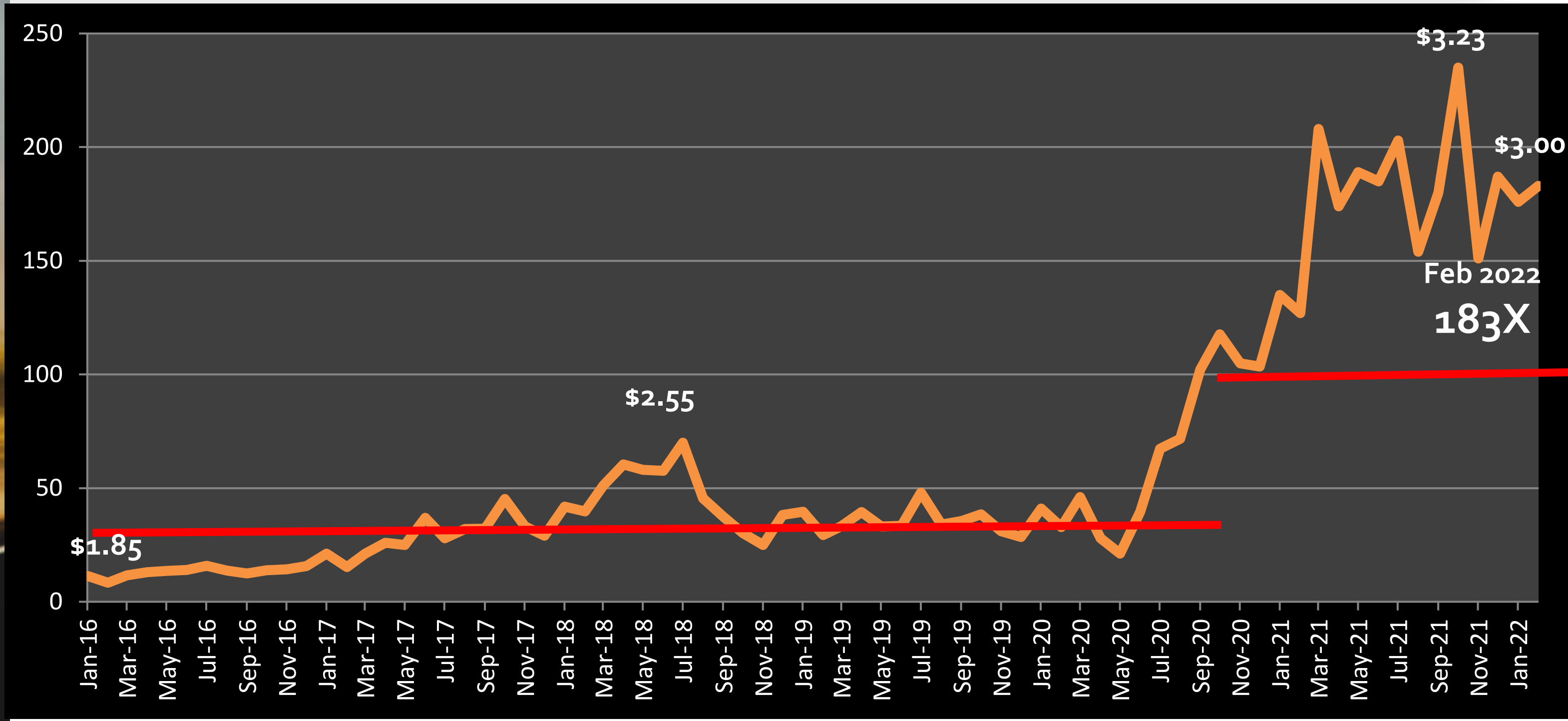
A Fleet's Guide To Independent Contractor Success

2021 – End Of Year Analysis

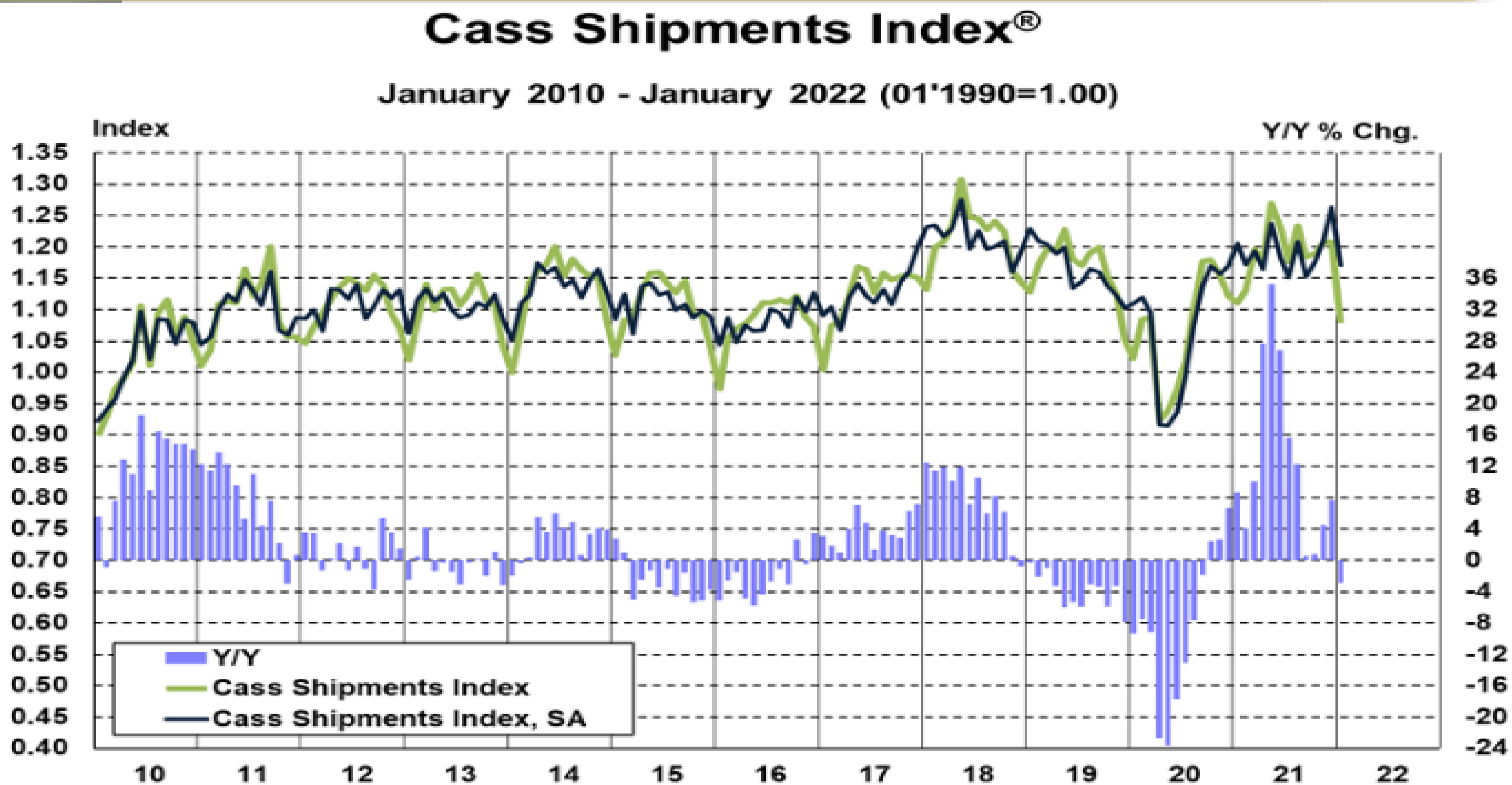
Mike Hosted – VP Sales and Marketing

What is the economic environment in trucking?

Truckstop.com
Broker Load vs Truck Index

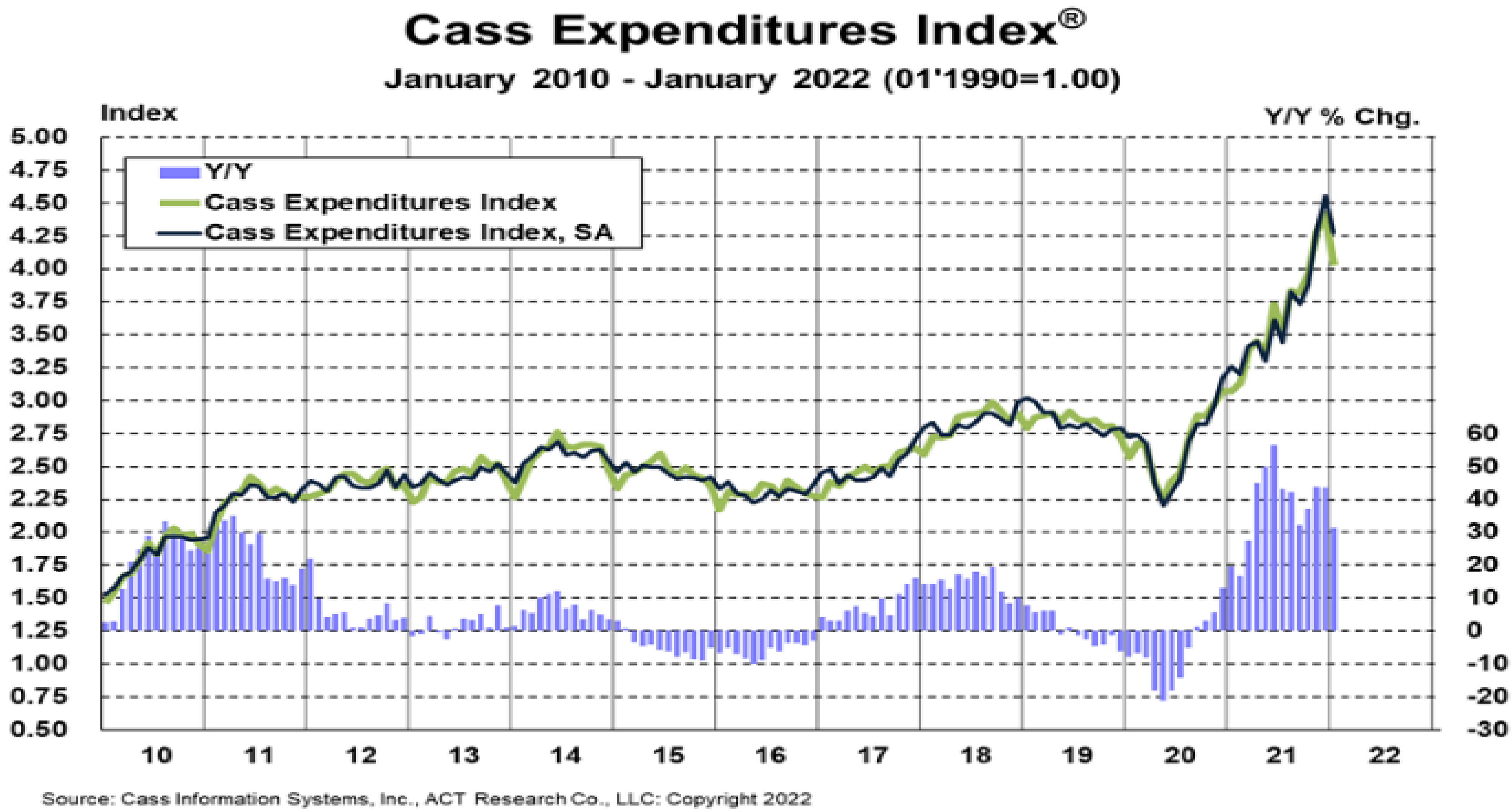


CASS Freight Index - Shipments

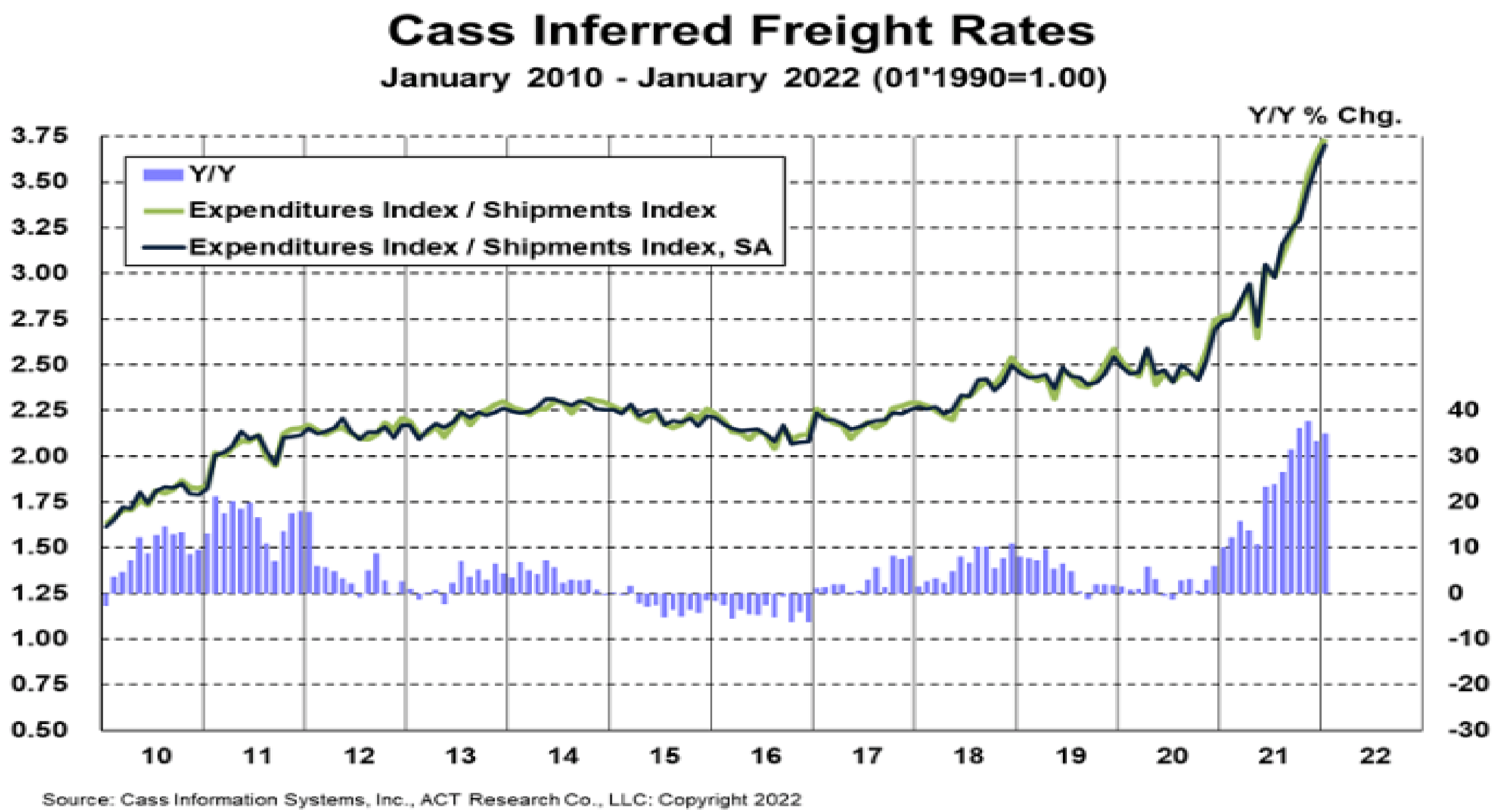


Source: Cass Information Systems, Inc., ACT Research Co., LLC: Copyright 2022

CASS Freight Index - Expenditures



CASS Freight Index – Inferred Rates



What are fleets saying now?

- Freight is still strong, especially considering it's Q1
- Pay per mile fleets increased pay 2-3 times in 2021
- All fleets would hire every driver they could, but equipment shortages are the main issue
- Good drivers were impossible to find in 1st half 2021, got a bit better in back half 2021

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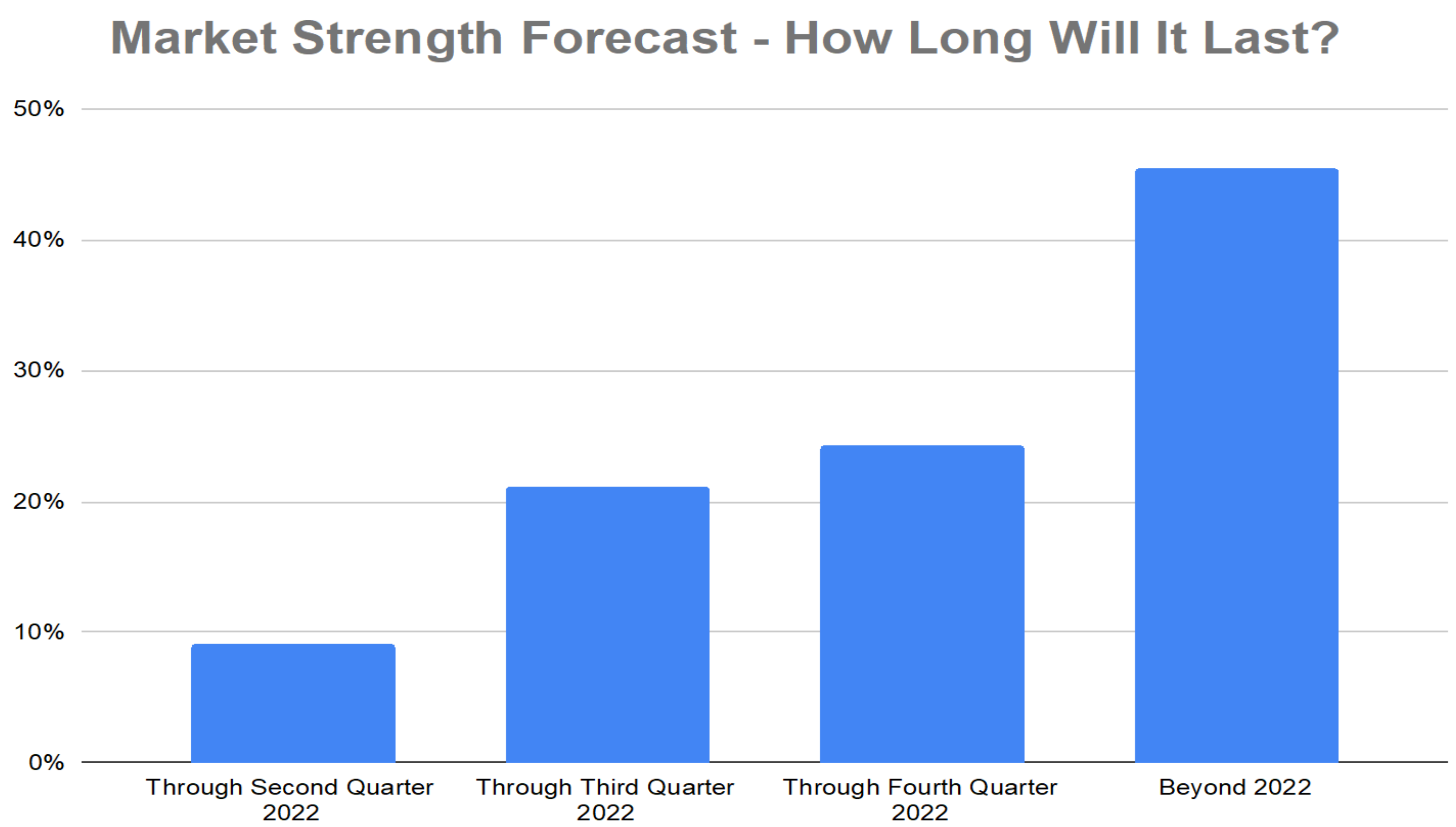
ATBS Partner Survey



THE TRUCK DRIVER CAREER JOURNEY

IN THE WORLD OF TRUCKING, DRIVERS ARE OFTEN LUMPED INTO TWO MAIN CATEGORIES, COMPANY DRIVERS AND OWNER-OPERATORS. IN ACTUALITY, THERE ARE A FEW TYPES OF DRIVERS, EACH IN DIFFERENT STAGES OF THEIR CAREER. THE TRUCK DRIVER CAREER JOURNEY IS NOT A LINEAR PATH, AND MANY DRIVERS WILL TRAVEL BACK AND FORTH BETWEEN DIFFERENT STOPS ON THE JOURNEY OVER THE COURSE OF THEIR CAREERS. WE DEFINE THE DIFFERENT STOPS ALONG THE JOURNEY AS FOLLOWS:

COMPANY DRIVER

- Represents the majority of drivers
- **An employee of the carrier**
- Drives the carrier's truck
- Dependent on the carrier for income
- Low risk with more consistent earnings
- Typically much lower earnings than an owner-operator doing similar work

PIONEER

- **First time owner-operator**
- Truck is typically sourced through carrier
- Operate under the carrier's operating authority
- Manage their own revenue and expenses
- Haul carrier's freight
- Take advantage of carrier's buying networks

HIRED GUN

- **Experienced owner-operator**
- Source their own truck
- Operate under carrier's operating authority
- Manage their own revenue and expenses
- Haul carrier's freight
- Take advantage of carrier's buying networks

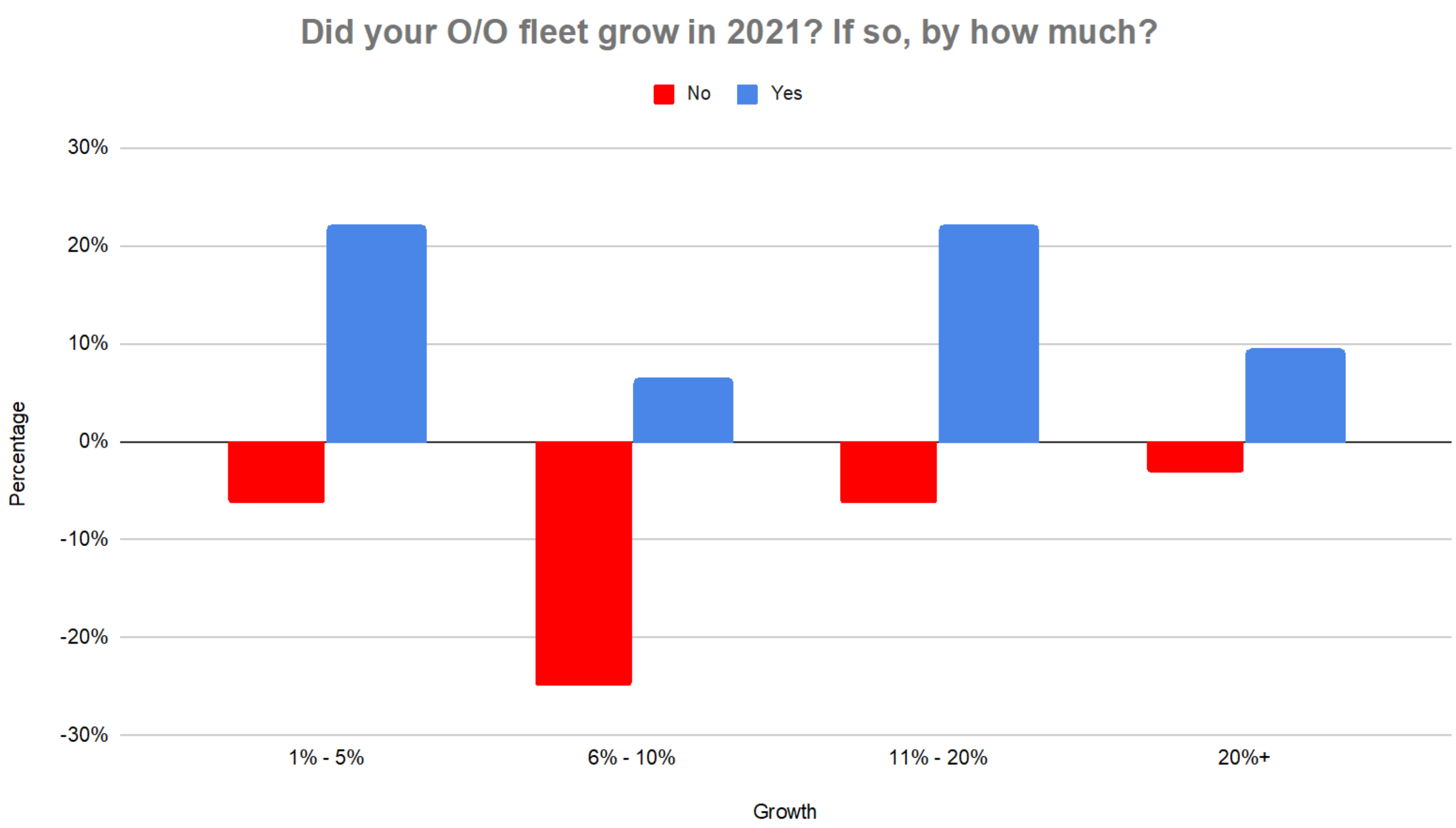
LONE RANGER

- Experienced owner-operator
- Source their own truck
- **Operate on their own operating authority**
- Source their own freight, often rely on load boards and factoring companies
- Often gravitate towards specialty niches
- Income fluctuates based on industry freight cycles
- Often join associations that provide buying discounts

TRAIL BLAZER

- **Small fleet owner (typically 2-20 trucks)**
- Typically still drive one of the trucks themselves
- Operate either under a carrier's authority (similar to a Hired Gun) or under their own authority (similar to a Lone Ranger)
- Complex back-office

ATBS Partner Survey



How many OOs are there?

- Estimated 3 million truck drivers in the US
  - OTR, Final Mile, Port, Dump Trucks, tankers, etc
- 10% are OO, but the number seems to be rising in a great market
  - 1/3 Pioneer, 1/3 Hired Gun, 1/3 Own Authority
- The best current estimate is 400k to 450k

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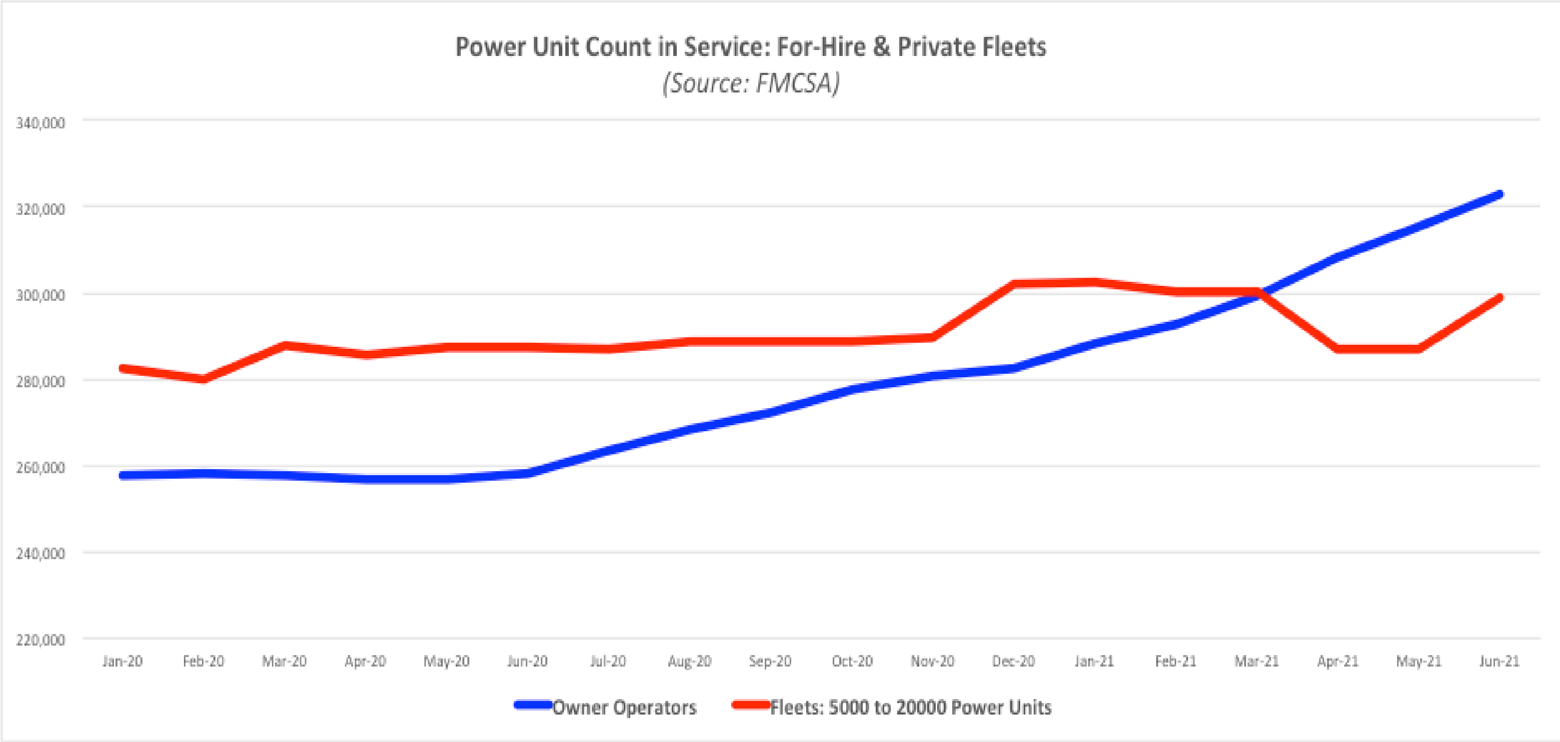
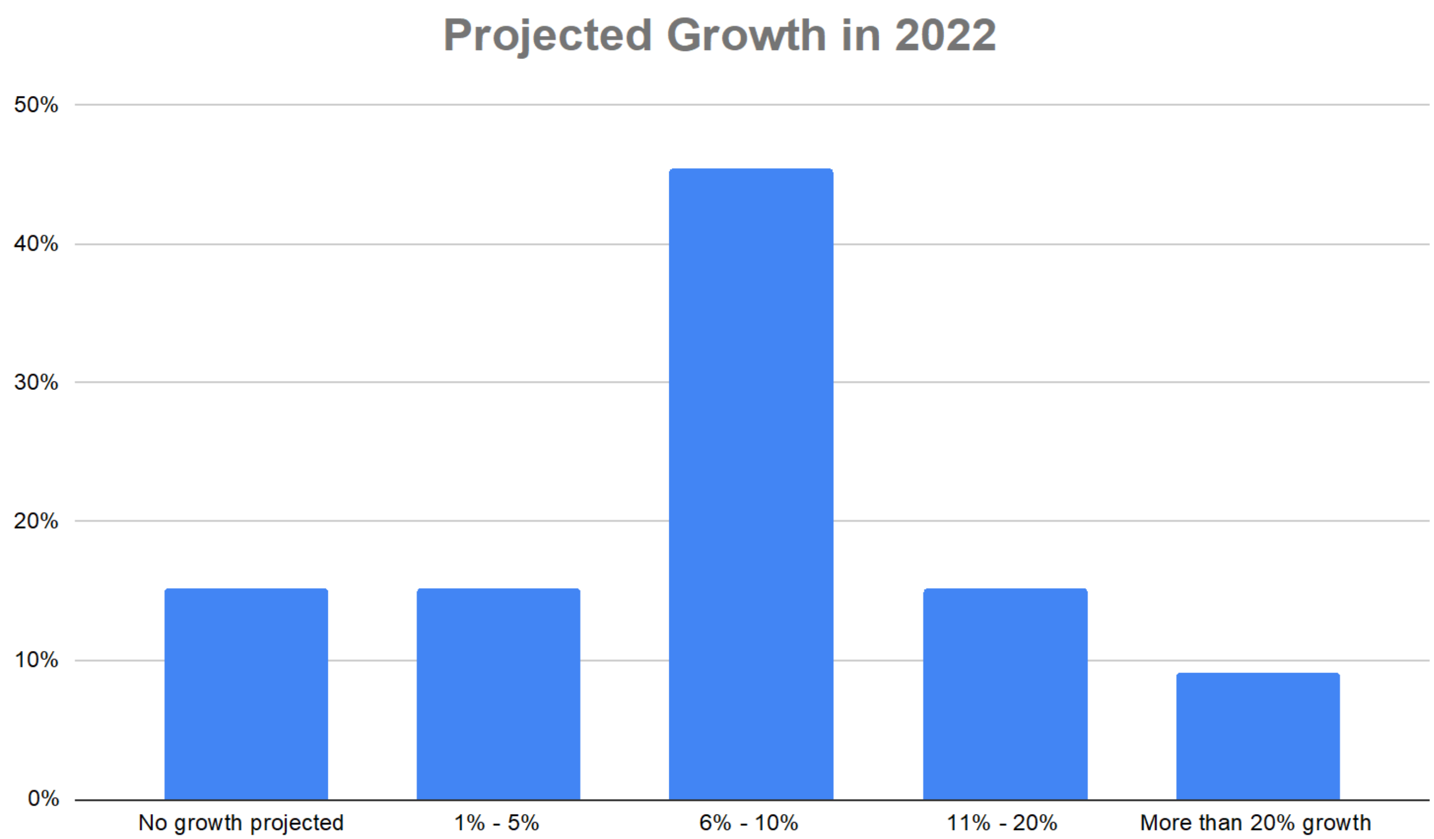
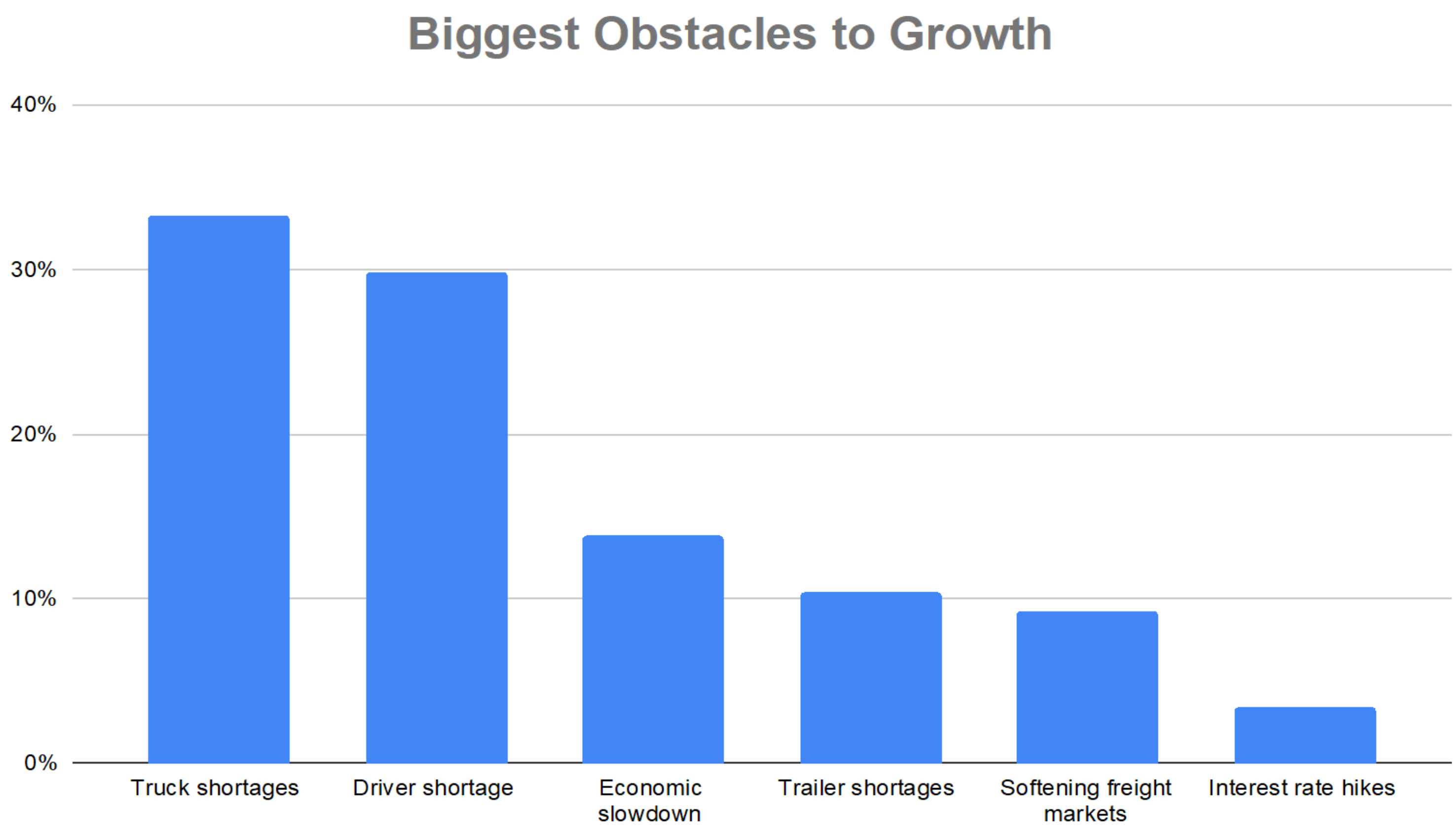
OO Truck Count vs Large Fleet Size – Covid Era



ATBS Partner Survey



ATBS Partner Survey



Operating Analysis

By Independent Contractor Segment

Independents, Dry, Reefer, Flatbed, & Average of All Segments

Methodology of Data

- Sample Size = thousands of owner-operators in each market segment
- Most recent 24 months including an average of each 12 month period (Trailing Twelve Months or TTM)
- *Avg All Market Segments* is a weighted average of the "segments" taking into account the percent of clients in each market segment
- Data Tables are available from ATBS

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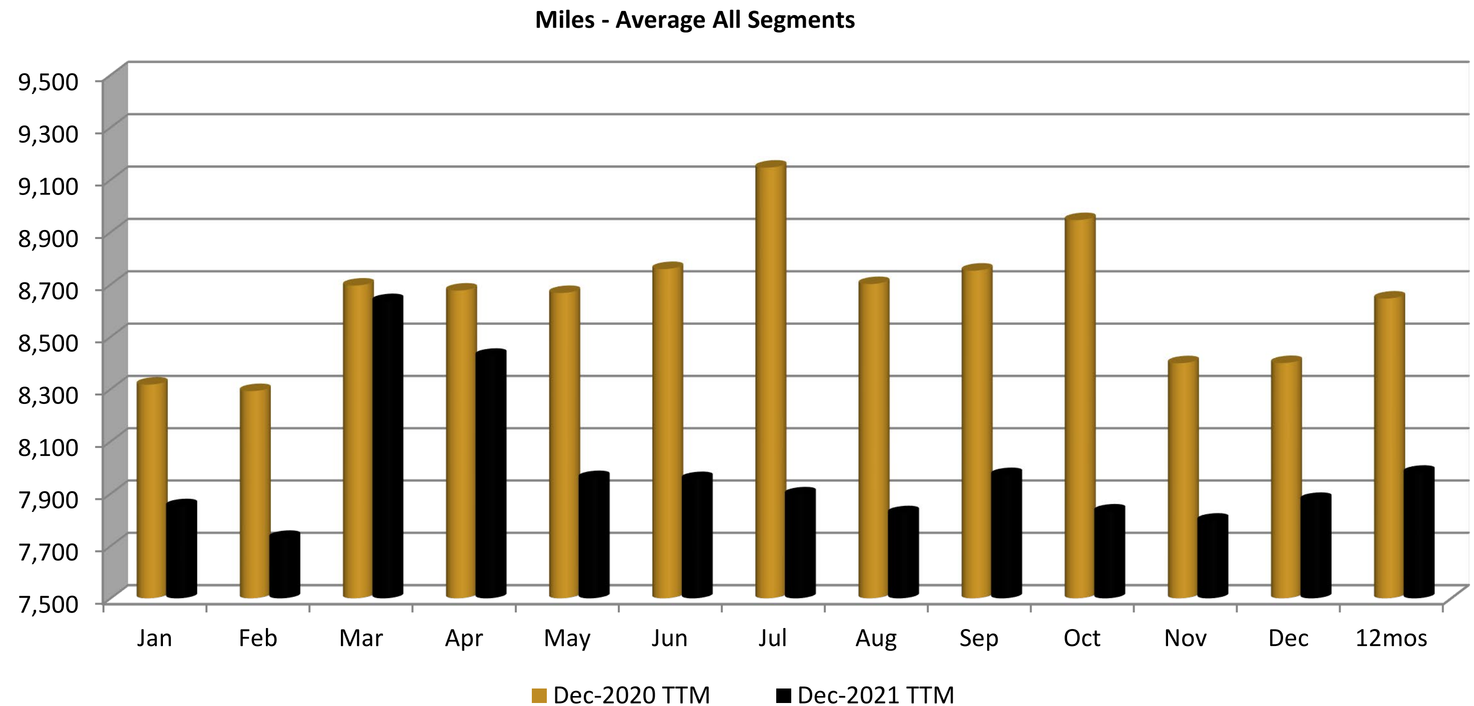
Revenue Analysis

Miles, RPM, Gross Revenue

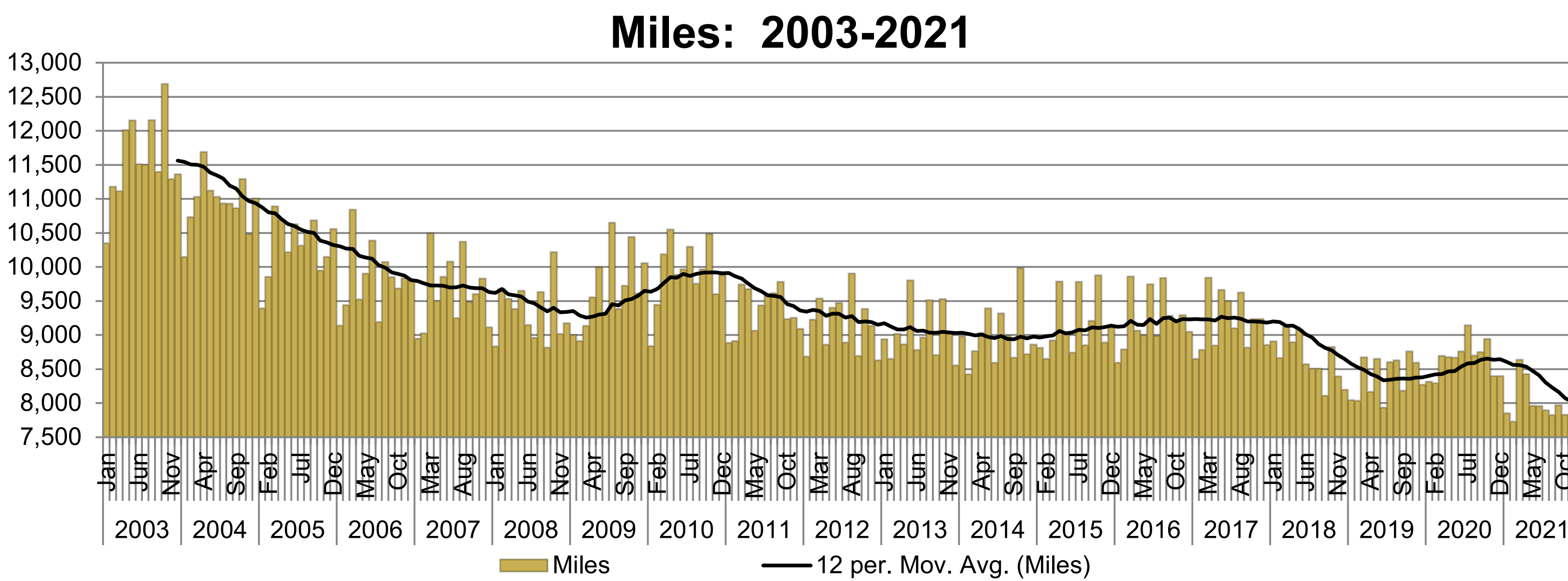
Miles –
Avg All Market Segments



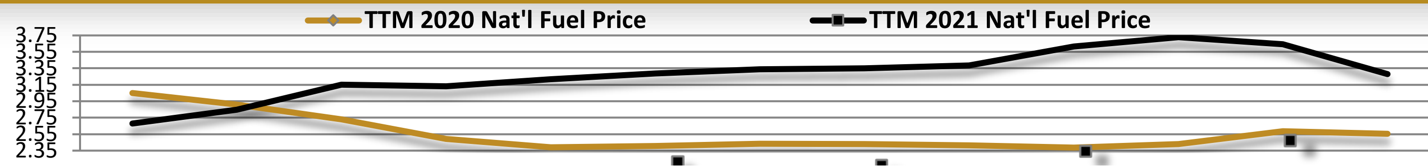
TTM 2020 vs TTM 2021: -7.7% -7,994 to 95,763

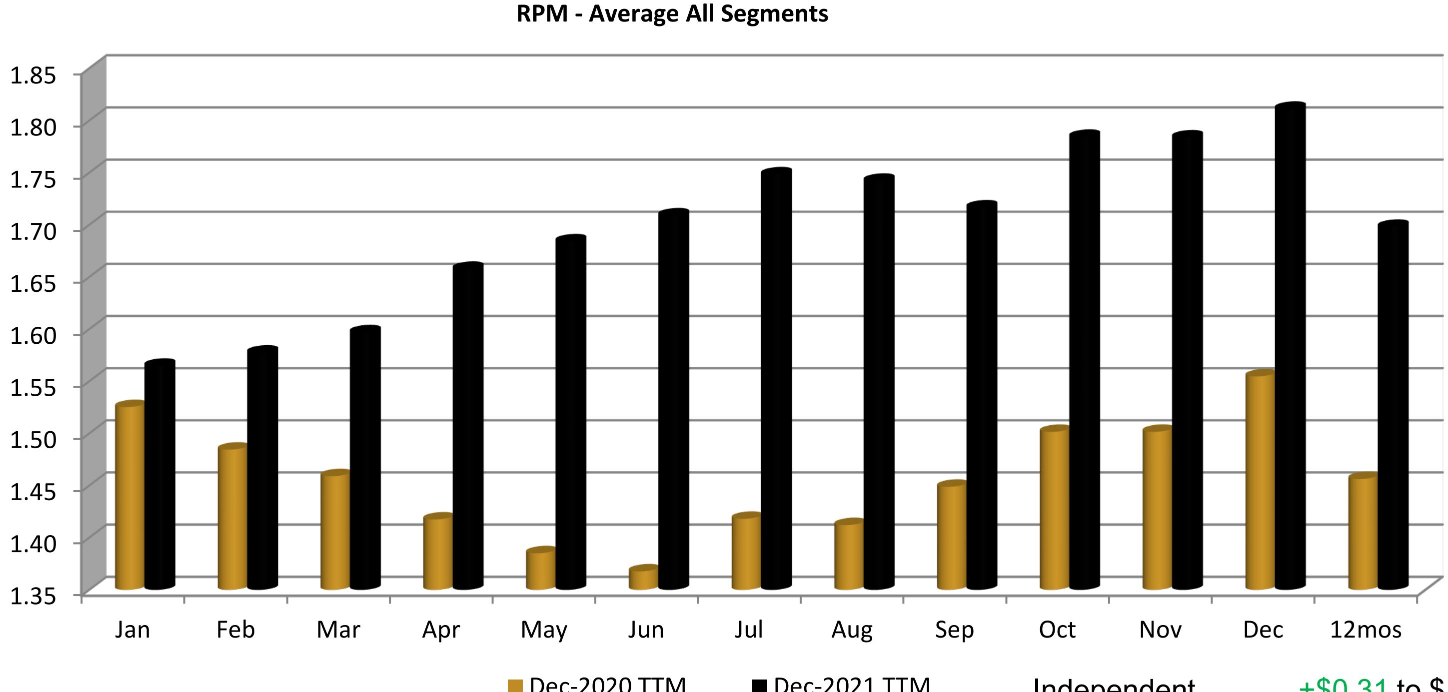
Independent	-11.7% to 82,229
Dry	- 7.1% to 101,137
Reefer	- 5.4% to 109,505
Flat	- 5.7% to 82,836

Miles 2003–2021
Average All Market Segments



RPM –
Avg All Market Segments

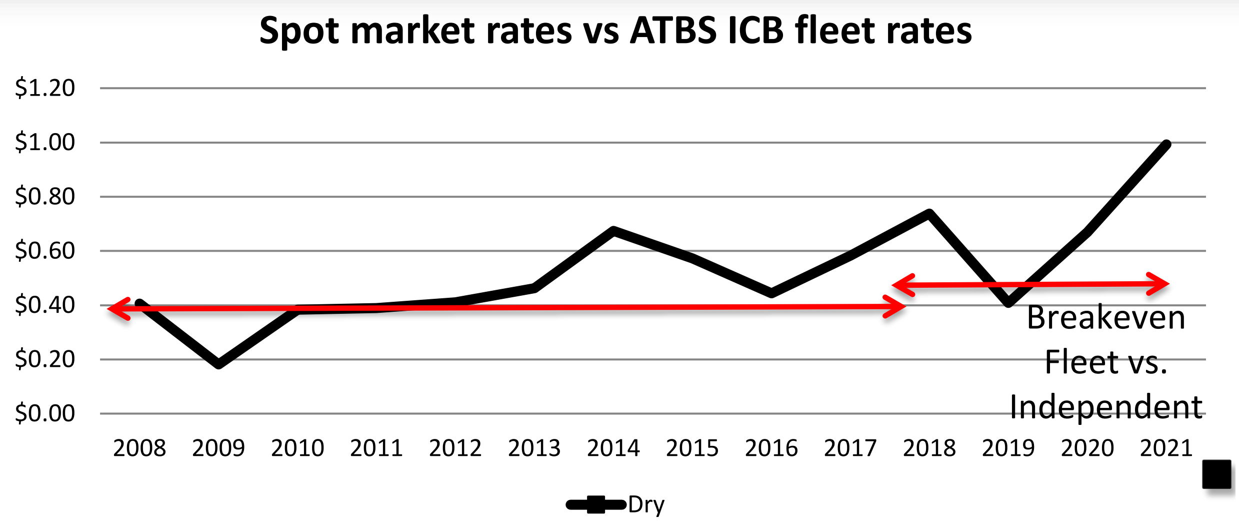




TTM 2020 vs TTM 2021: +16.6% +$0.24 to $1.70

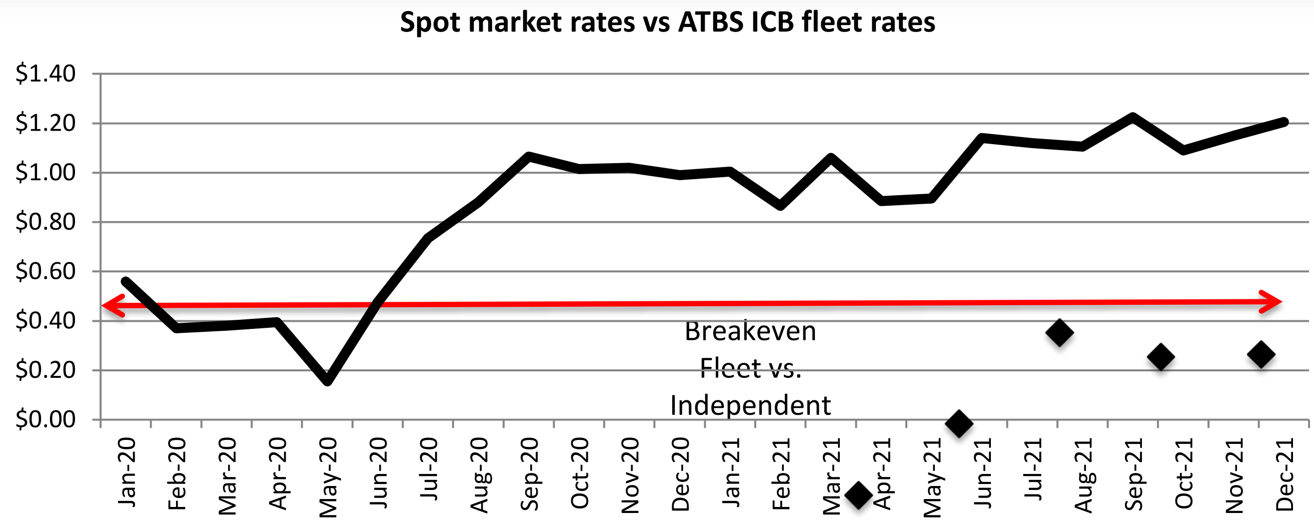
Independent	+$0.31 to $1.94
Dry	+$0.24 to $1.60
Reefer	+$0.23 to $1.59
Flat	+$0.31 to $2.07

Spot market rates vs ATBS ICB fleet rates – 2008 to 2021



Indep Cost Increase	$ Amount	Per Mile
License, Permit, IFTA, etc	$3,000	0.03
Additional Insurance	$12,500	0.11
Trailer	$7,000	0.06
Book, Bill & Collect Loads	$5,000	0.05
Operational Losses, ELD's (drop & Hook)	$25,000	0.23
TOTAL	$52,500	0.48

Spot market rates vs ATBS ICB fleet rates – Covid Era



Indep Cost Increase	$ Amount	Per Mile
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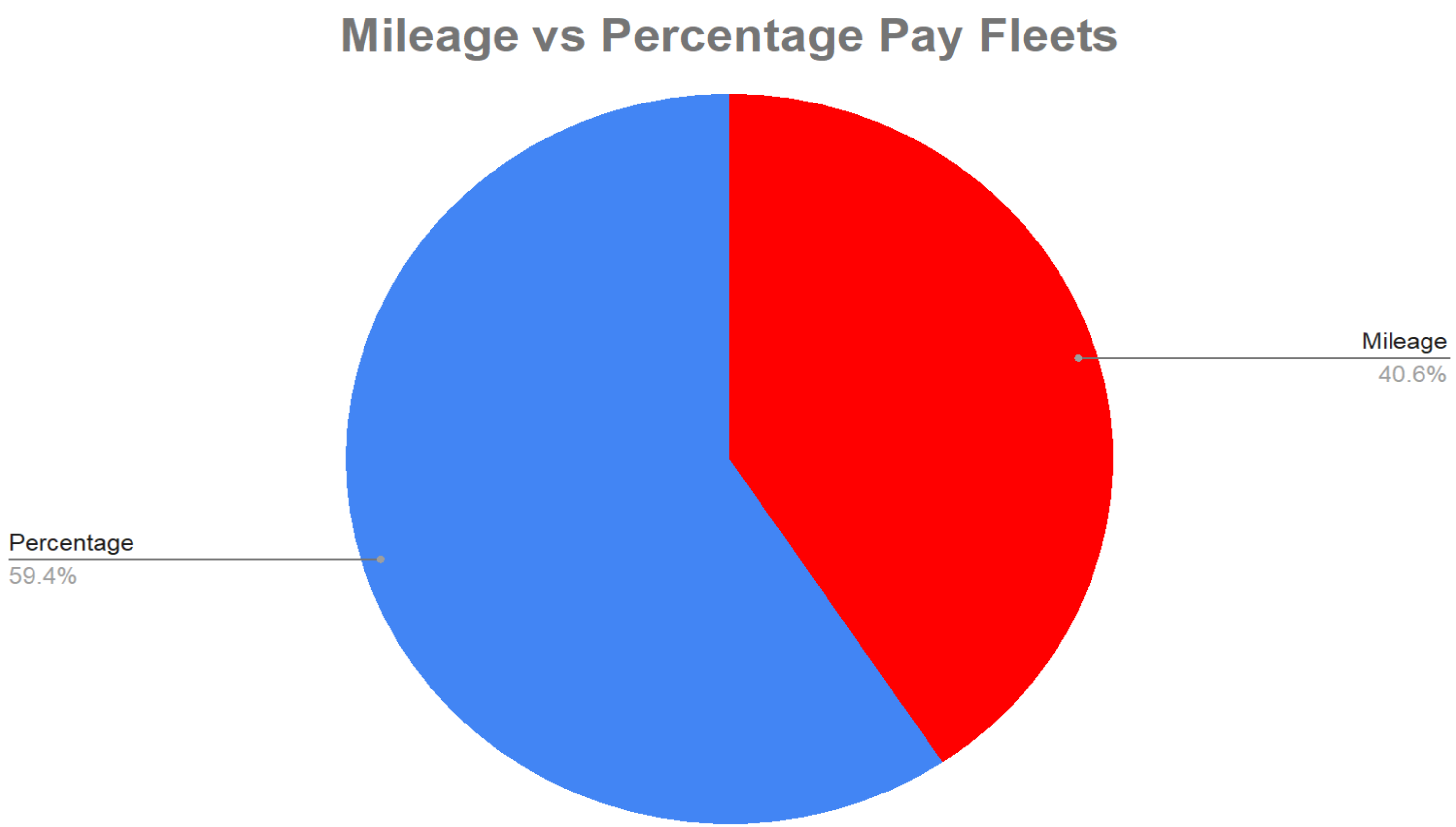
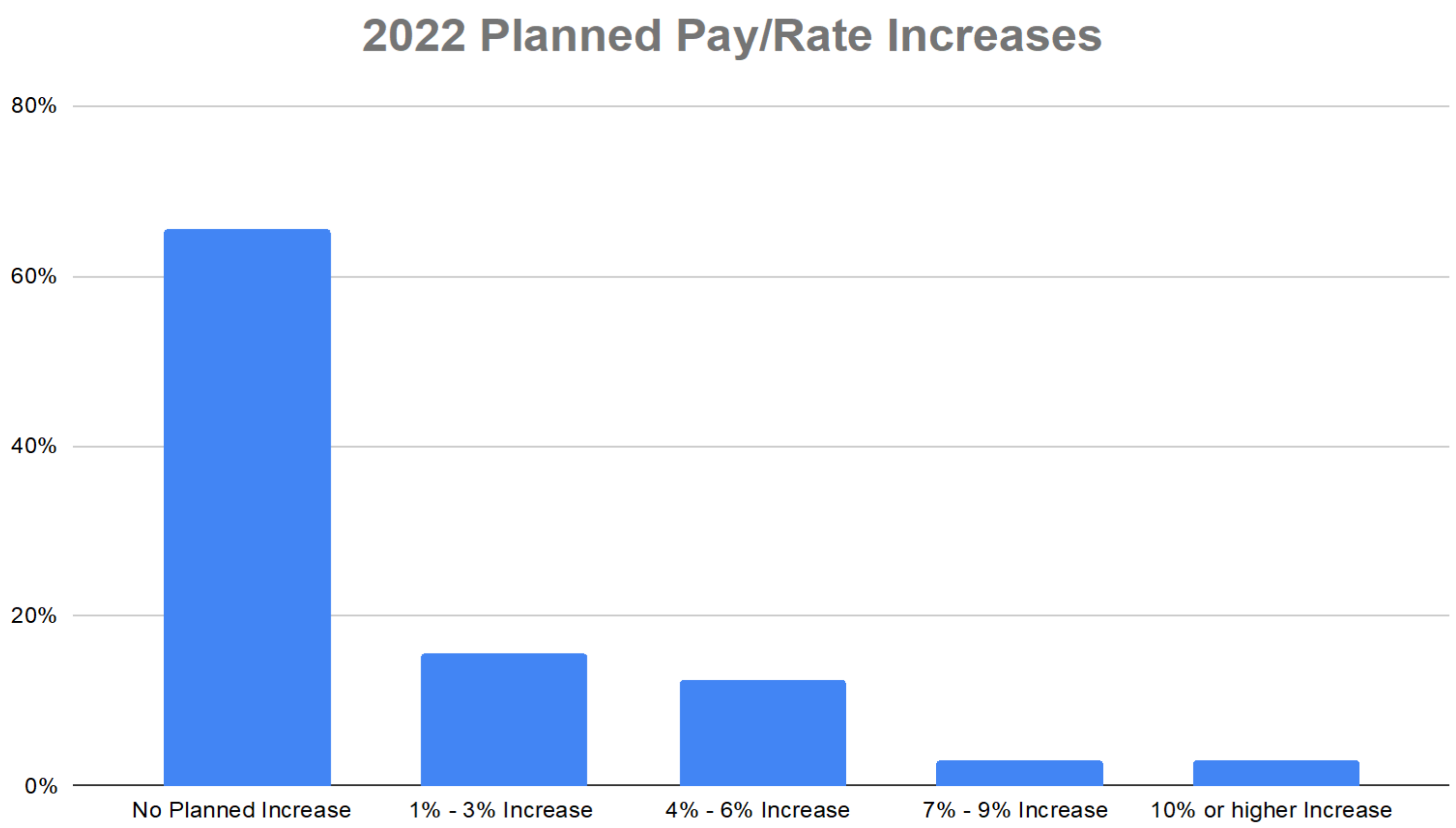
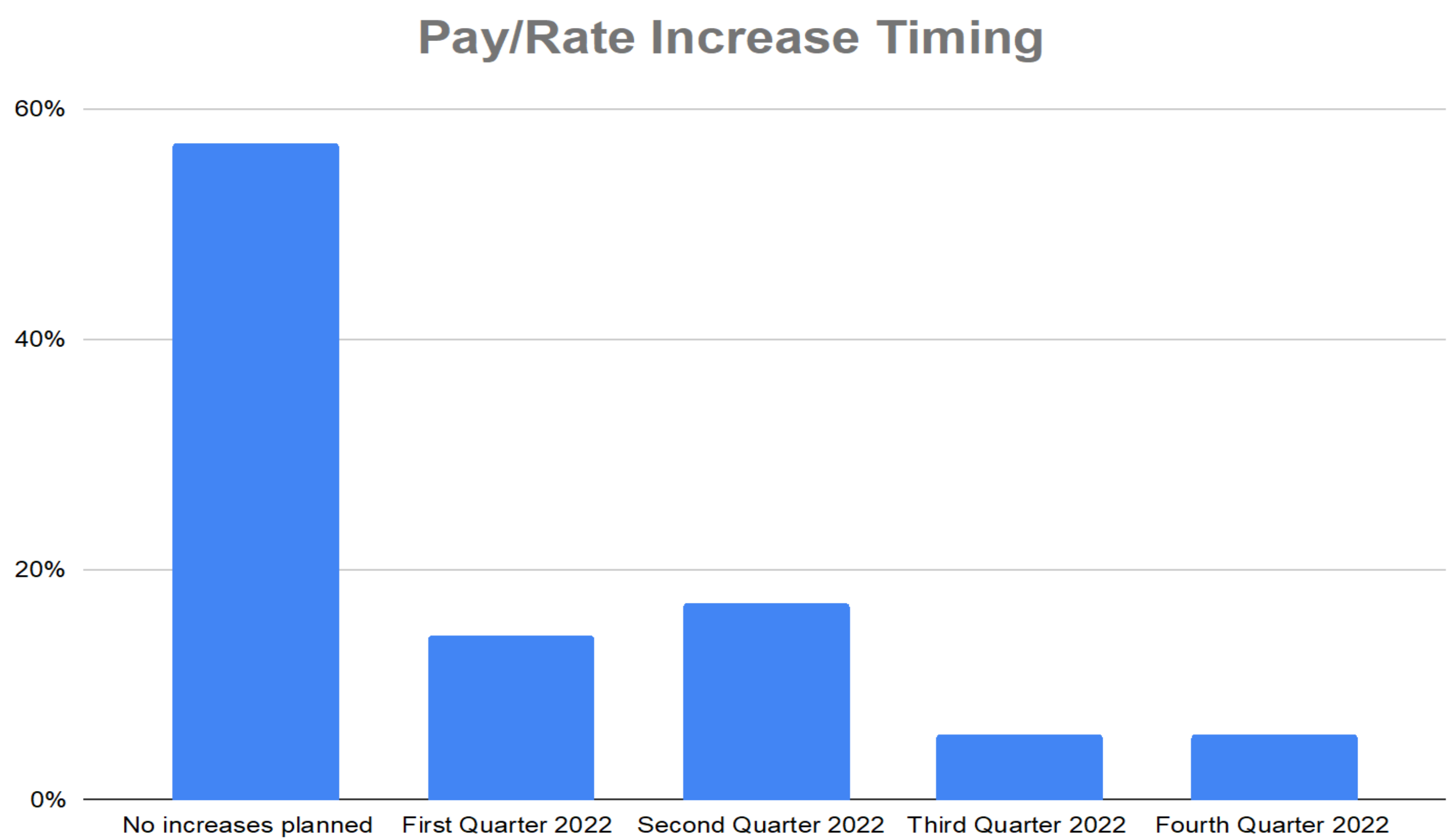
ATBS Partner Survey



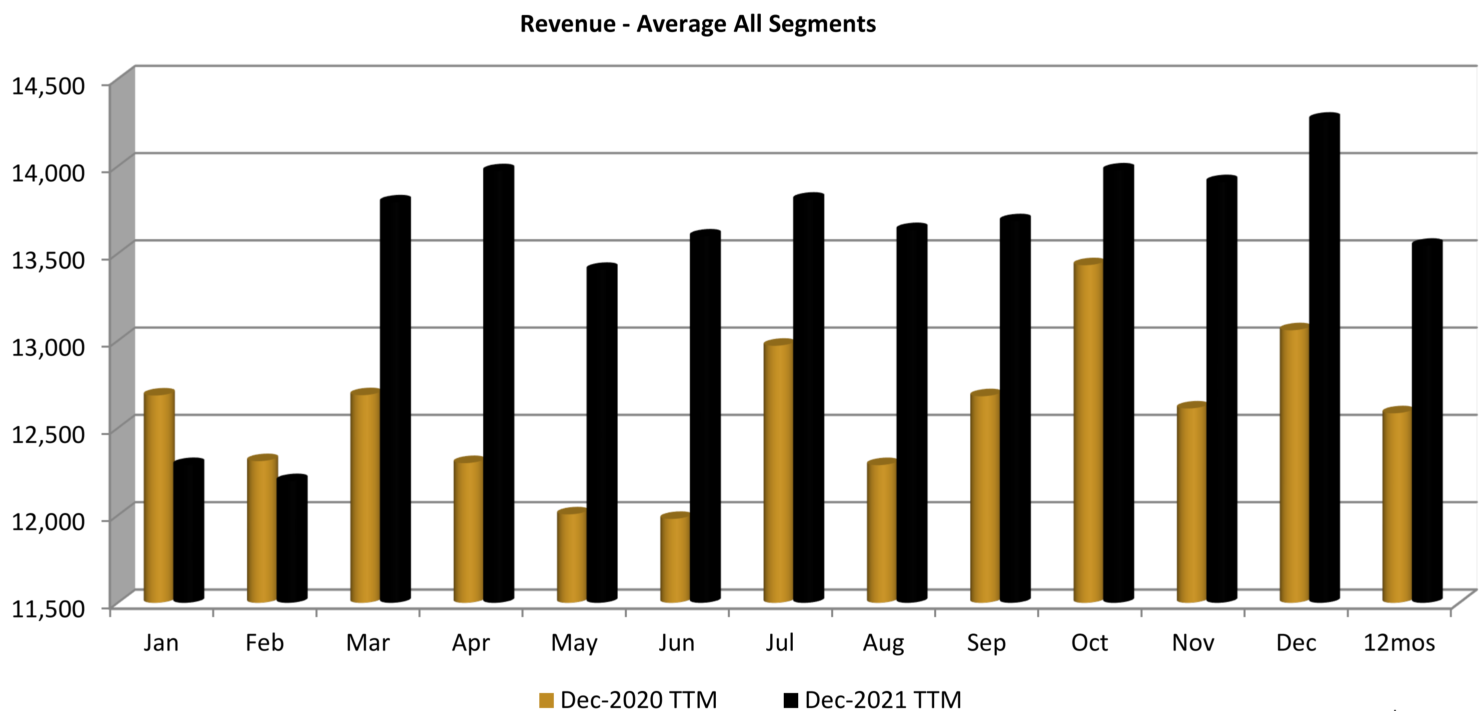
ATBS Partner Survey



ATBS Partner Survey



Gross Revenue – Average All Market Segments



TTM 2020 vs TTM 2021: +7.6% +$11,515 to $162,539

Independent	+5.1% to $159,574
Dry	+9.1% to $161,776
Reefer	+4.6% to $163,720
Flat	+11.0% to $171,877

Cost Analysis

Fixed, Variable, Total

Cost Analysis

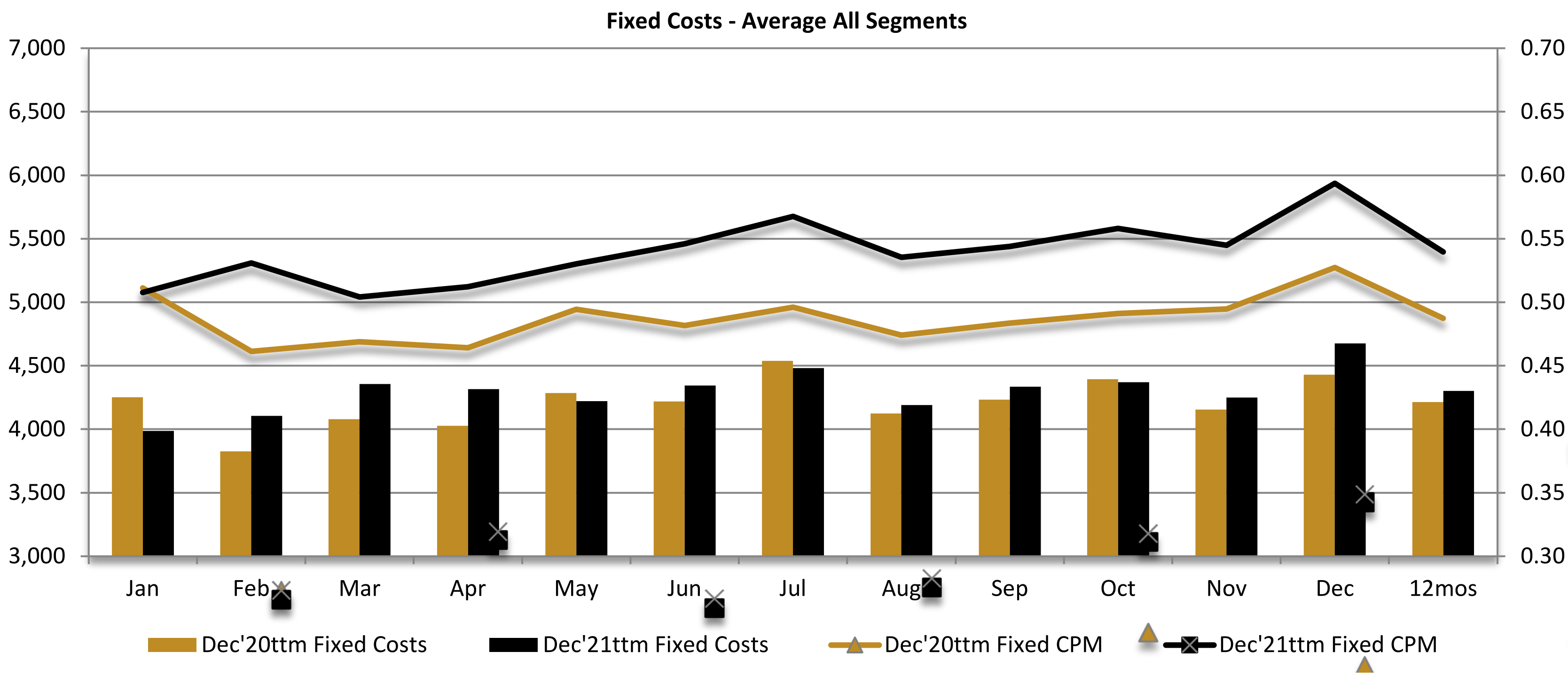
Fixed Costs

- Truck Payment
- Trailer Payment
- License, Permits, FHUT, Tolls, Scales
- Phys Dam Insurance
- Bobtail Insurance
- OccAcc Insurance
- Health Insurance

Variable Costs

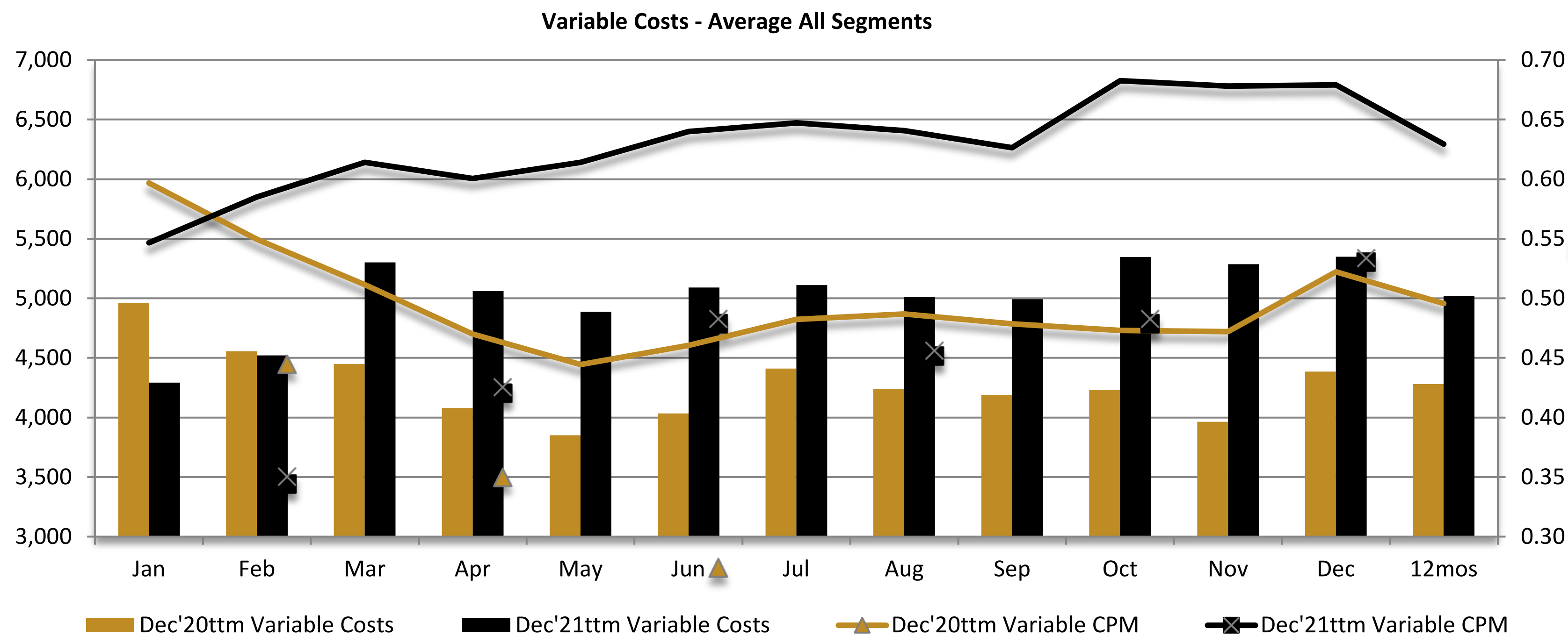
- Fuel
- Maintenance
- Communication
- Hotels

Fixed Costs –
Average All Market Segments



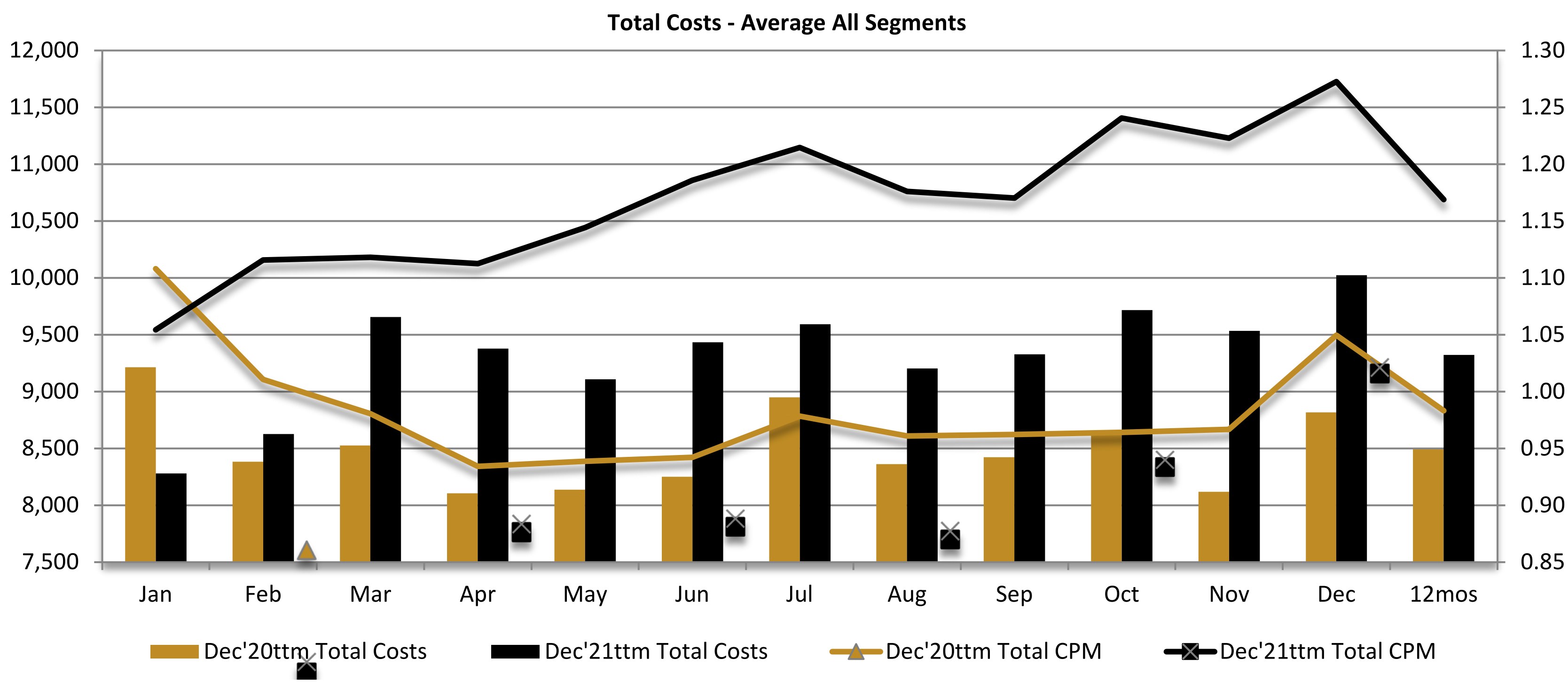
TTM 2020 vs TTM 2021: +2.1% up $1,066 to $51,630

Variable Costs – Average All Market Segments



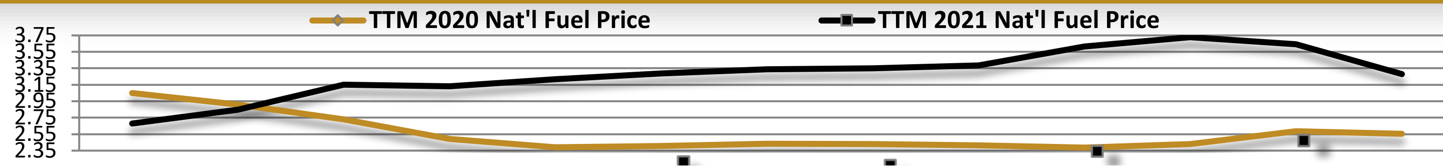
TTM 2020 vs TTM 2021: +17.3% up $8,901 to $60,255

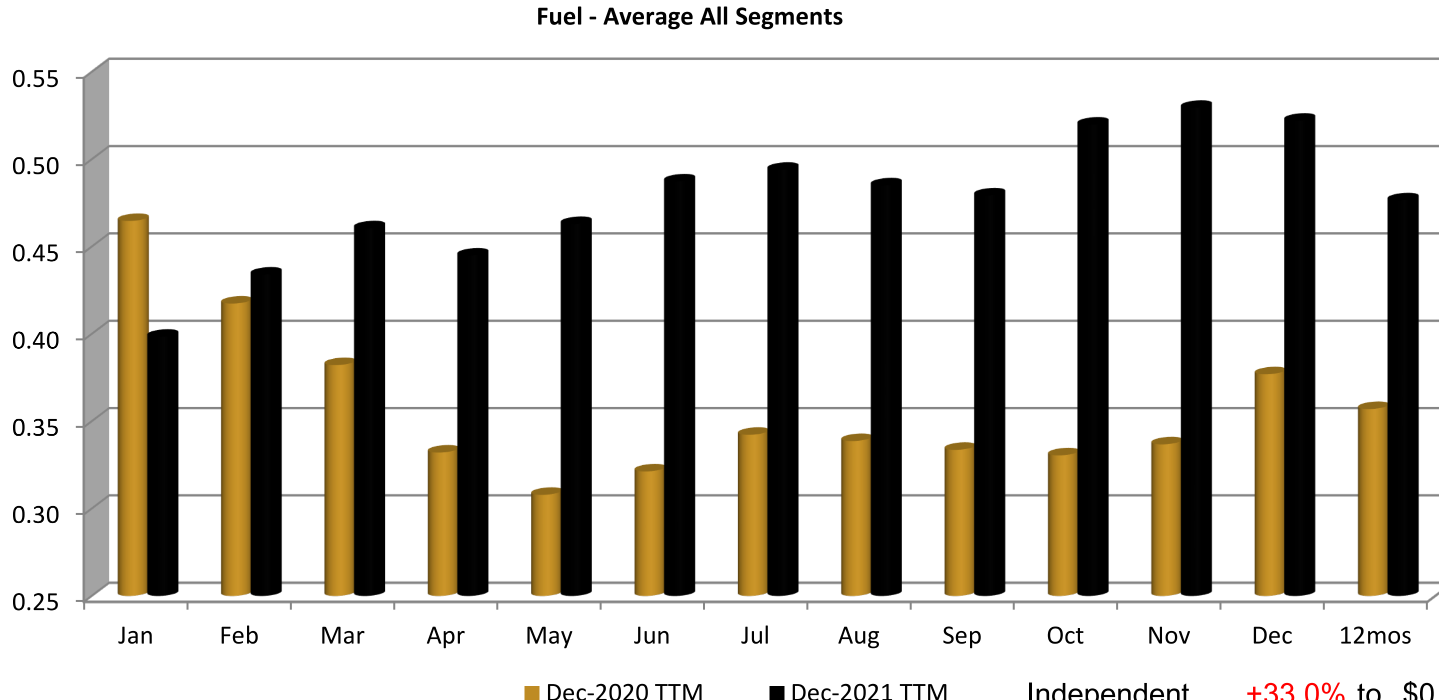
Total Costs – Average All Market Segments



TTM 2020 vs TTM 2021: +9.8% up $9,967 to $111,885

Fuel CPM – Avg All Market Segments

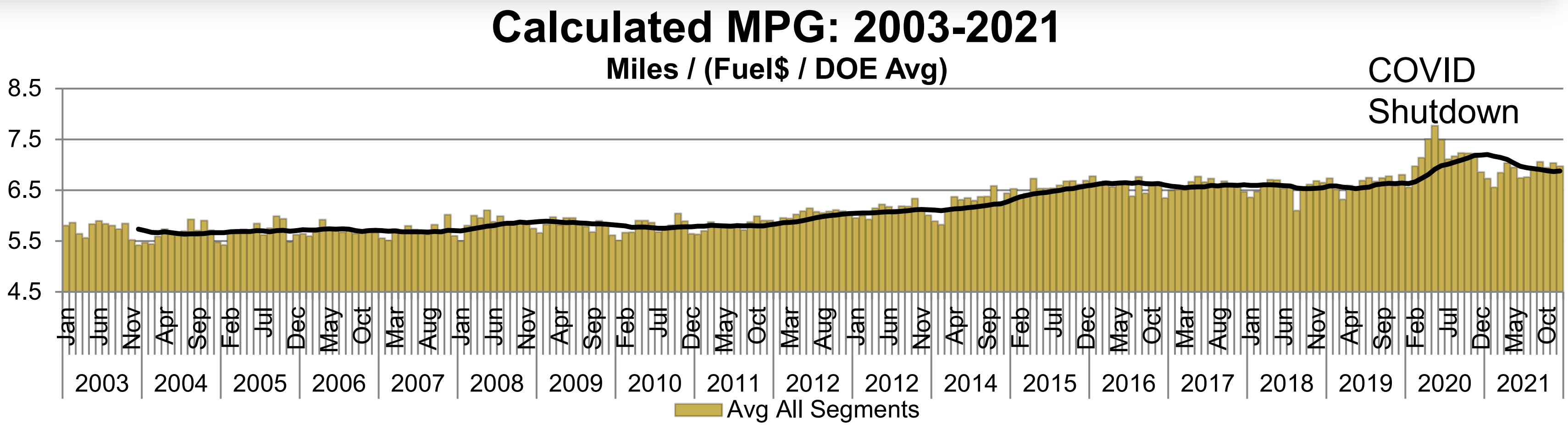


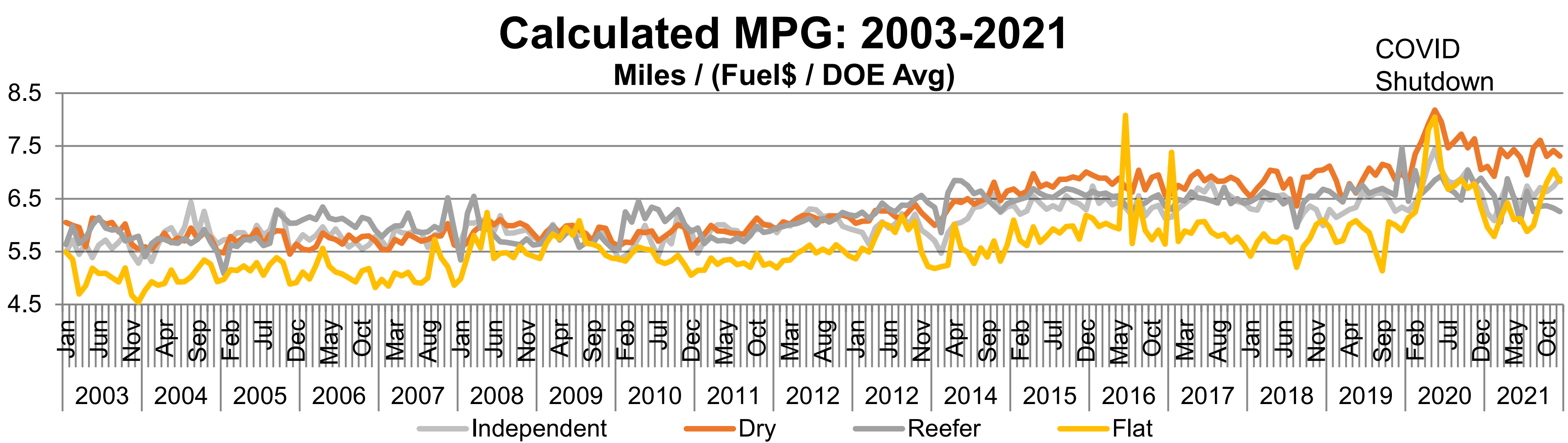


TTM 2020 vs TTM 2021: +33.7% +$0.12 to $0.48

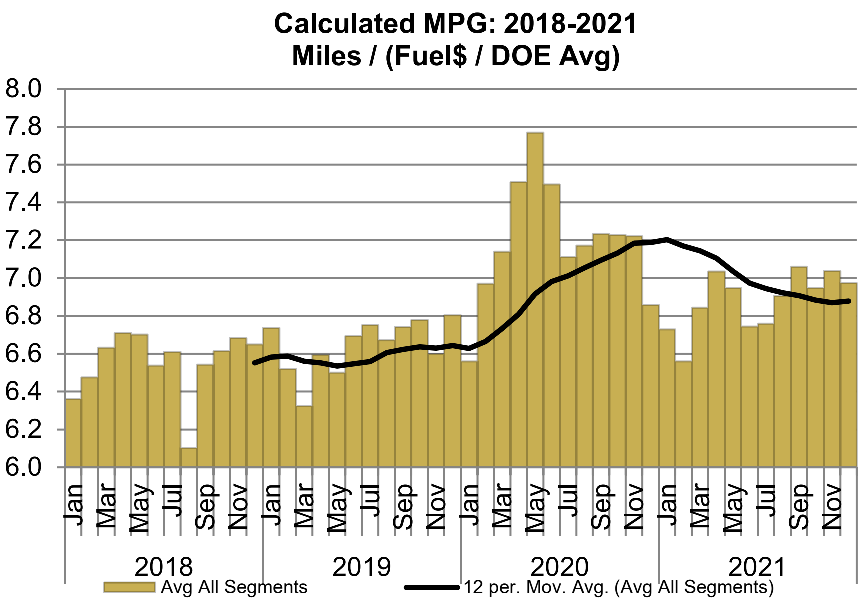
Independent	+33.0%	to	$0.50
Dry	+32.6%	to	$0.45
Reefer	+35.5%	to	$0.51
Flat	+38.3%	to	$0.52

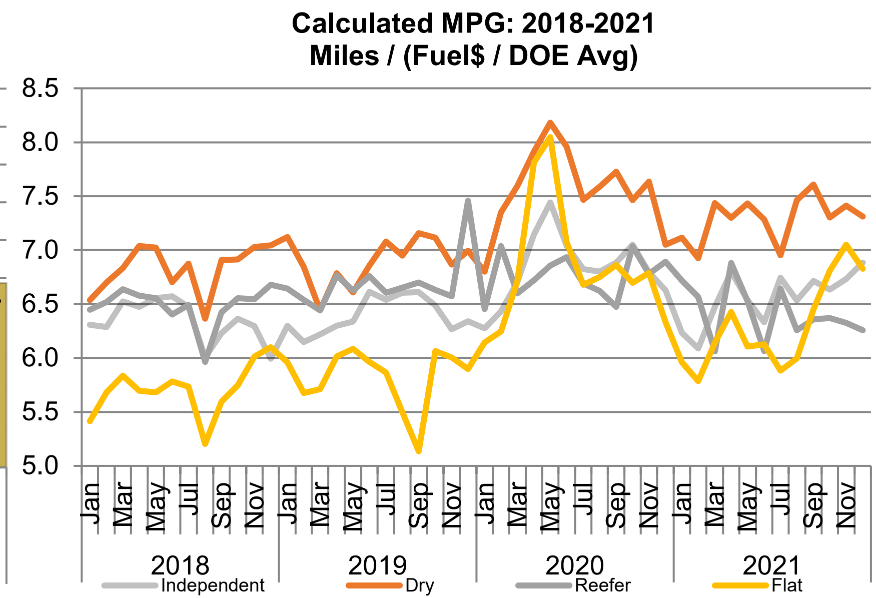
Estimated MPG



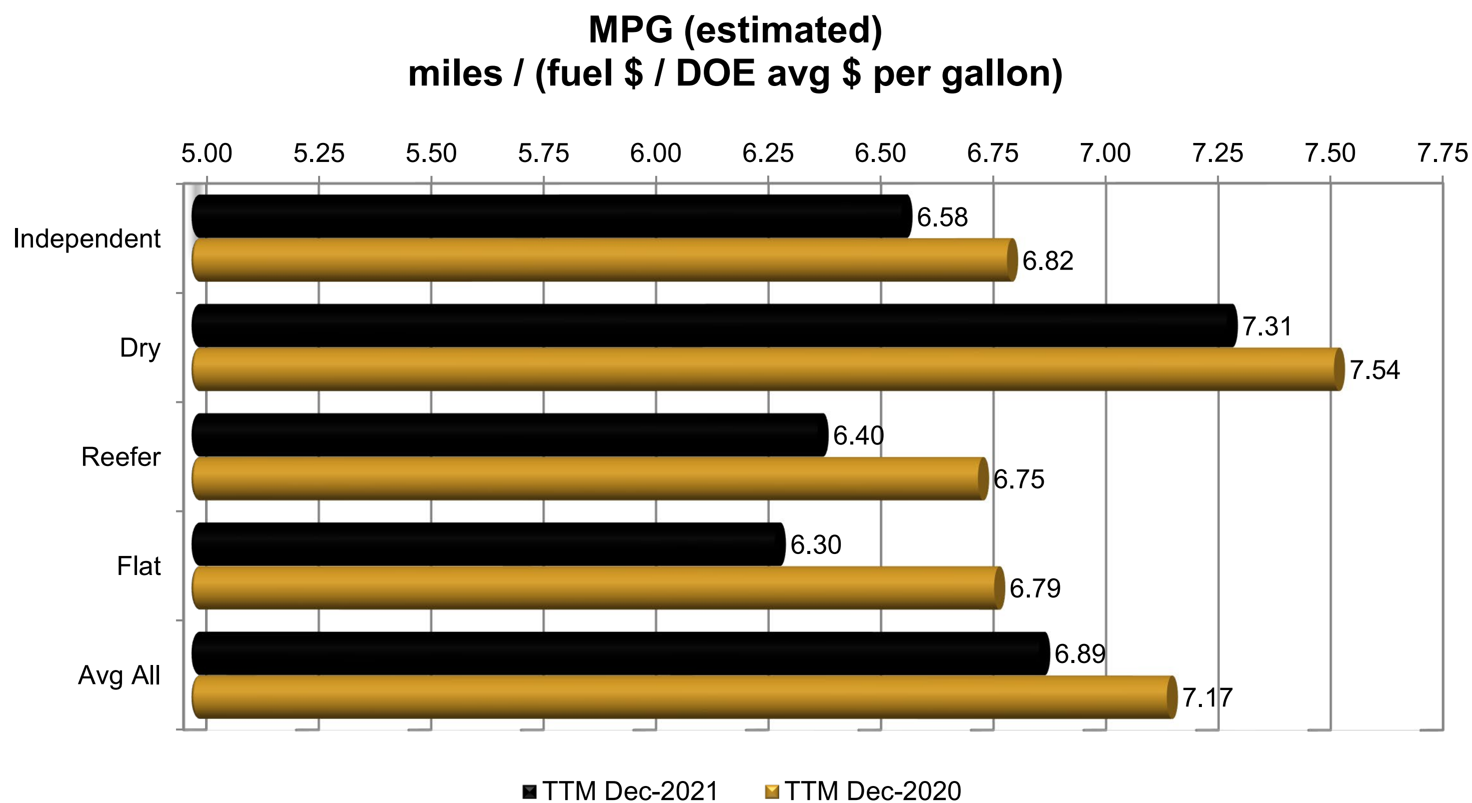


Estimated MPG

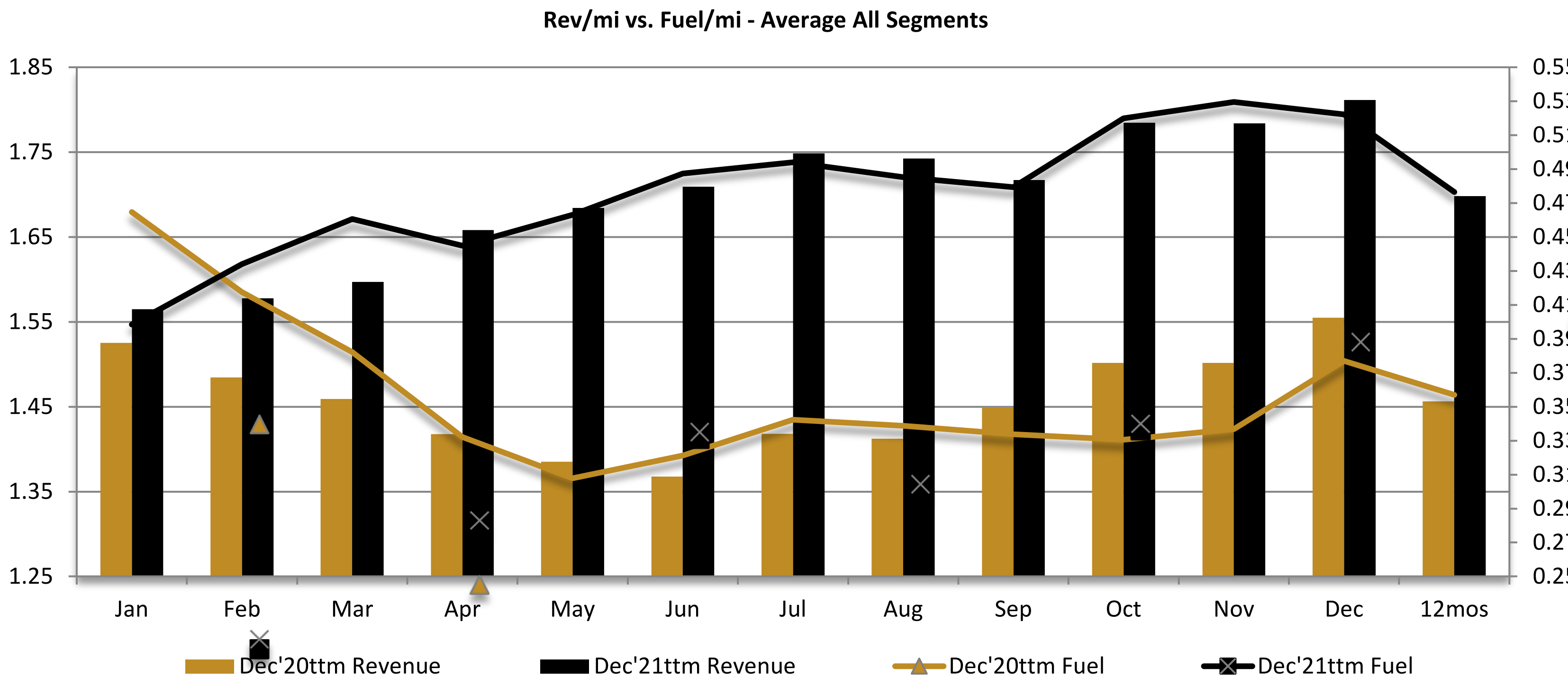




Estimated MPG



Revenue CPM vs. Fuel CPM – Average All Market Segments



TTM 2020 vs TTM 2021 Revenue CPM:	+16.6%	up $0.24	to $1.70	Increase of $11,515
TTM 2020 vs TTM 2021 Fuel CPM:	+33.7%	up $0.12	to $0.48	Increase of $8,639

Revenue CPM vs. Fuel CPM – Average All Market Segments

		Per Mile		$$$			
Trailing 12 Months, Ending:		Dec-20	Dec-21	Dec-20	Dec-21	CPM	$$$
Independent:	*Revenue*	$1.63	$1.94	$151,770	$159,574	$0.31	$7,804
	Fuel	$0.37	$0.50	$34,894	$40,981	($0.13)	($6,087)
					Profit (Loss)	**$0.18**	**$1,717**
Dry:	*Revenue*	$1.36	$1.60	$148,346	$161,776	$0.24	$13,430
	Fuel	$0.34	$0.45	$36,860	$45,416	($0.11)	($8,556)
					Profit (Loss)	**$0.13**	**$4,874**
Reefer:	*Revenue*	$1.35	$1.50	$156,522	$163,720	$0.15	$7,198
	Fuel	$0.38	$0.51	$43,785	$56,165	($0.13)	($12,380)
					Profit (Loss)	**$0.02**	**($5,182)**
Flat:	*Revenue*	$1.76	$2.07	$154,898	$171,877	$0.31	$16,979
	Fuel	$0.38	$0.52	$33,073	$43,127	($0.14)	($10,054)
					Profit (Loss)	**$0.17**	**$6,925**
All Mkt Segments:	*Revenue*	$1.46	$1.70	$151,024	$162,539	$0.24	$11,515
	Fuel	$0.36	$0.48	$36,966	$45,605	($0.12)	($8,639)
					Profit (Loss)	**$0.12**	**$2,876**

Fuel – Why is it going up?

- Supply and Demand
- Production
- Inflation – 43.6%
- Loosening COVID Restrictions
- Crisis in Ukraine

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Fuel – What is fuel surcharge?

- Mechanism to balance fluctuations in fuel cost

Fuel Surcharge =

[the current price of a gallon of fuel - the base price of a gallon of fuel in a shipping contract] /

the average miles per gallon of a truck

National Average on 3/11/22 = $4.85

Base Price = $1.25

$4.85 - $1.25 = $3.60

$3.60 / 6.5 mpg = $0.55 CPM fuel surcharge

Fuel – How can you make money of FSC?

How can you make money? By getting better mpgs!

Miles Per Gallon	Length of Haul	Number of Gallons	Cost of Fuel	Fuel Surcharge Compensation	Gross Cost of Fuel after Fuel Surcharge	Base Price (base rate X gallons at 6.5 mpg)	Net Fuel Cost after Base Price
5 MPG	1,000 Miles	200 Gallons *(1000 miles / 5 mpg)*	$970 *(200 gallons X $4.85)*	$550 *($0.55 FSC X 1000 miles)*	$420 *($970 - $550)*	$192.31 *($1.25 X 153.85)*	–$227.69 *($192.31 - $420)*
6 MPG	1,000 Miles	166.66 Gallons *(1000 miles / 6 mpg)*	$808.33 *(166.66 gallons X $4.85)*	$550 *($0.55 FSC X 1000 miles)*	$258.33 *($808.33 - $550)*	$192.31 *($1.25 X 153.85)*	-$66.02 *($192.31 - $258.33)*
7 MPG	1,000 Miles	142.86 Gallons *(1000 miles / 7 mpg)*	$692.86 *(142.86 gallons X $4.85)*	$550 *($0.55 FSC X 1000 miles)*	$142.86 *($682.86 - $550)*	$192.31 *($1.25 X 153.85)*	$49.45 PROFIT *($192.31 - $142.86)*
8 MPG	1,000 Miles	125 Gallons *(1000 miles / 8 mpg)*	$606.25 *(125 gallons X $4.85)*	$550 *($0.55 FSC X 1000 miles)*	$56.25 *($606.25 - $550)*	$192.31 *($1.25 X 153.85)*	$136.06 PROFIT *($192.31 - $56.25)*
9 MPG	1,000 Miles	111.11 Gallons *(1000 miles / 9 mpg)*	$538.88 *(111.11 gallons X $4.85)*	$550 *($0.55 FSC X 1000 miles)*	- $11.12 *($538.88 - $550)*	$192.31 *($1.25 X 153.85)*	$203.43 PROFIT *($192.31 - (-$11.12))*
10 MPG	1,000 Miles	100 Gallons *(1000 miles / 10 mpg)*	$485 *(100 gallons X $4.85)*	$550 *($0.55 FSC X 1000 miles)*	- $65 *($485 - $550)*	$192.31 *($1.25 X 153.85)*	$257.31 PROFIT *($192.31 - (-$85))*

Fuel – Driving Habits

- Slow down - generally, 10 mph equals 1 mpg
- Find the “sweet spot” - lower RPMs burn less fuel
- Be smart with braking
- Stay in higher gears when possible
- Think about and use your tractor’s momentum when possible
- Utilize cruise control when it is safe to do so
- Cut out of route miles
- Minimize idling

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Fuel – What else?

- Manage Cash Flow
- Use Fuel Discount Networks
  - Use your fleets if available
  - Get a card and join a program if not with fleet
- Use Optimizers
  - Use your fleets if available
  - Get an app that can help!

Fuel – Bottom Line

- Fuel is going up
- Adjust how you do business
- Rates are still all time highs

Miles - 100,000
6 mpg - 16,667 gallons X $4.85 = $80,833
7 mpg - 14,286 gallons X $4.85 = $69,286
8 mpg - 12,500 gallons X $4.85 = $60,625

$11,647 saved

$20,208 saved

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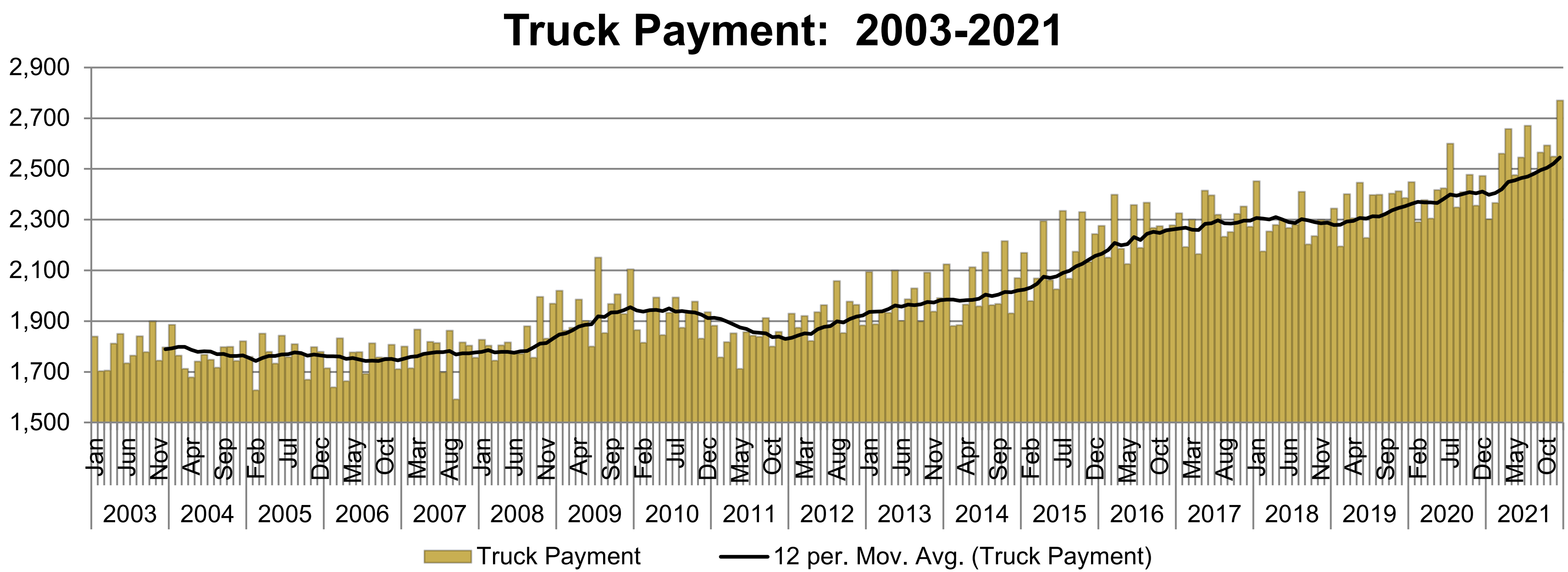
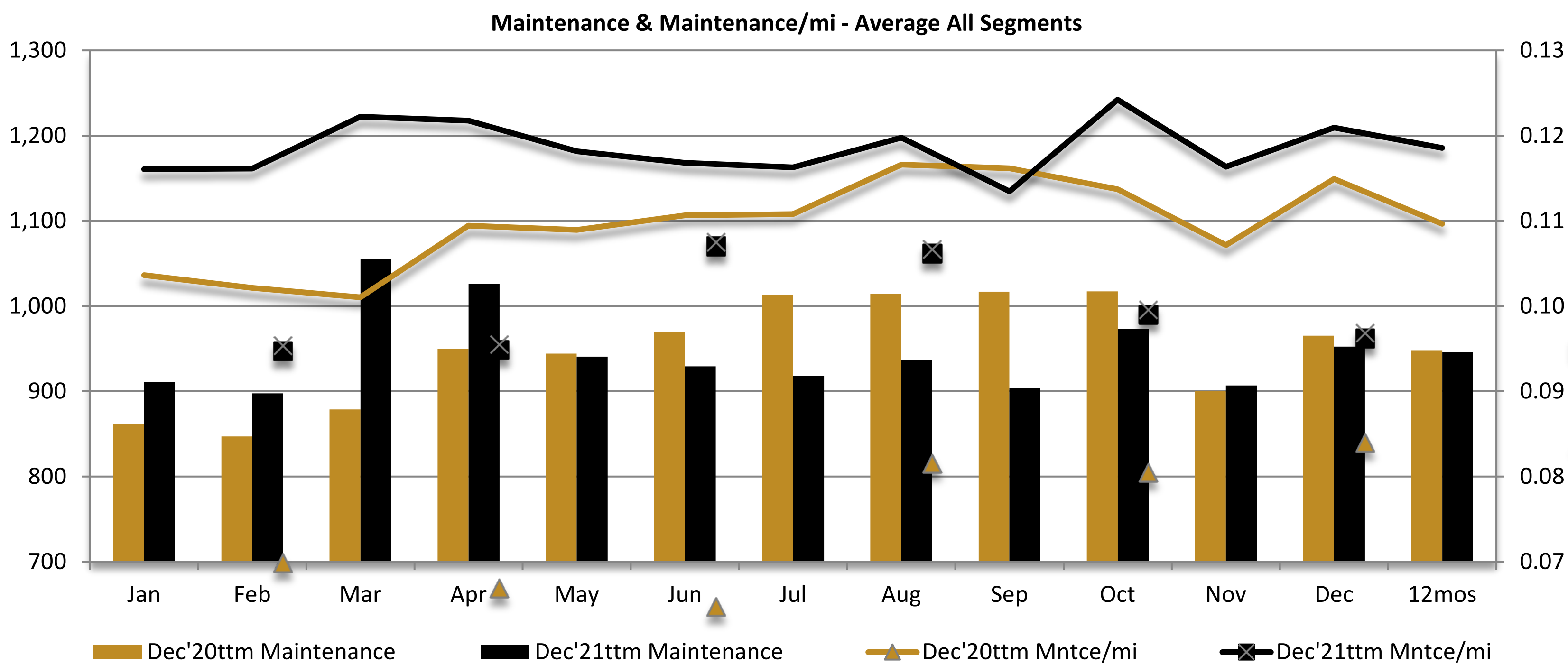
Truck Payments 2003–2021
Average All Market Segments



Truck Shortage – What is happening?

- New Truck Orders 1 year out
  - No discounts for bulk orders
  - Carriers taking trucks that aren't even finished
- Chip Shortage
- Plants shut down last year
- Used trucks up 100% year over year
- Fleets not selling off old trucks due to lack of new trucks

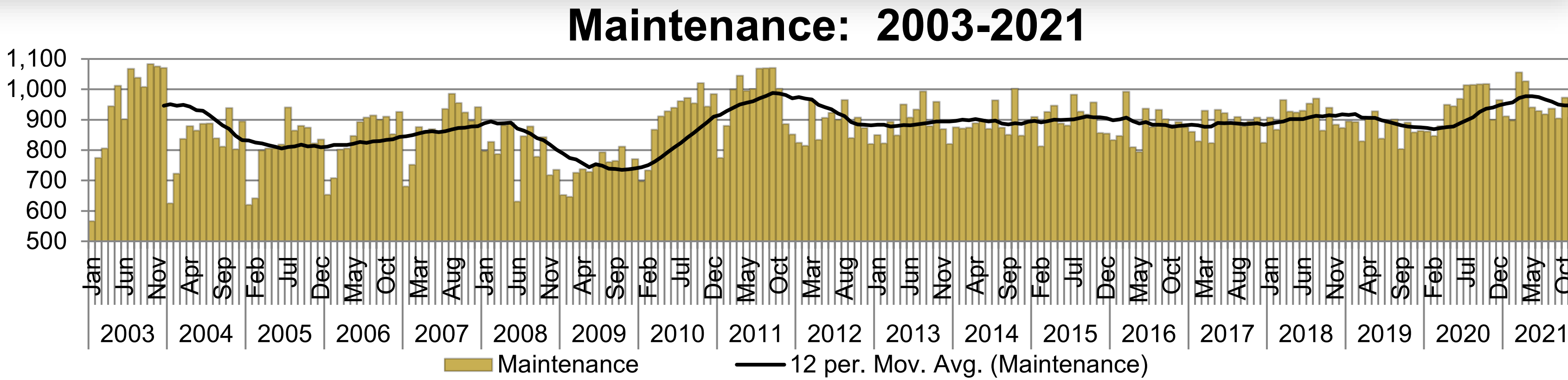
Maintenance – Avg All Market Segments

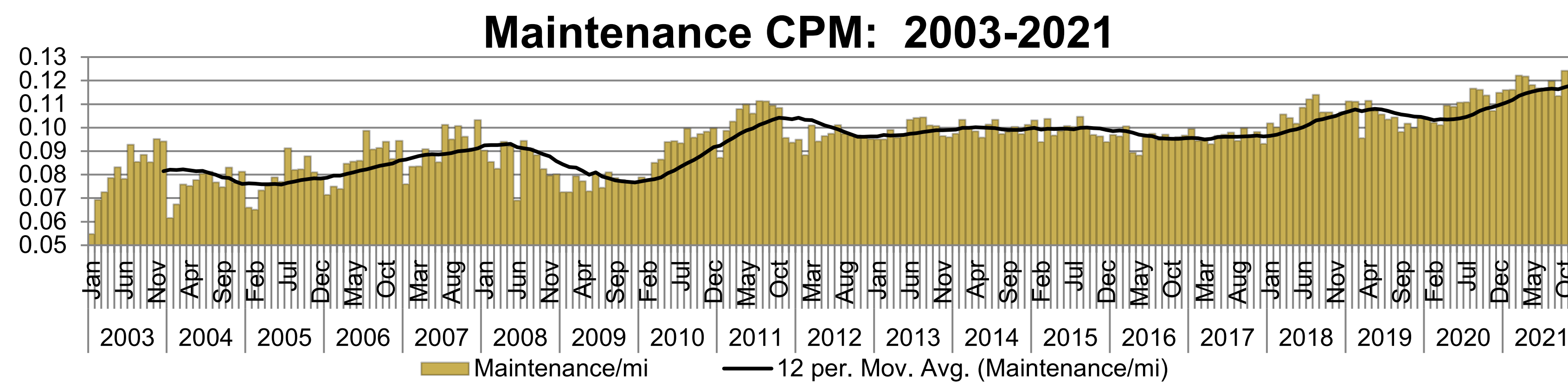


TTM 2020 vs TTM 2021: -0.2% -$25 to $11,353

Independent	+$18	to	$13,420
Dry	+$53	to	$10,305
Reefer	+$335	to	$11,483
Flat	-$1,016	to	$11,374

Maintenance 2003–2021
Average All Market Segments





Top 3 Reasons for IC Failure

- **What are they?**
  1. Maintenance
  2. Health/Retirement
  3. Finances/Taxes

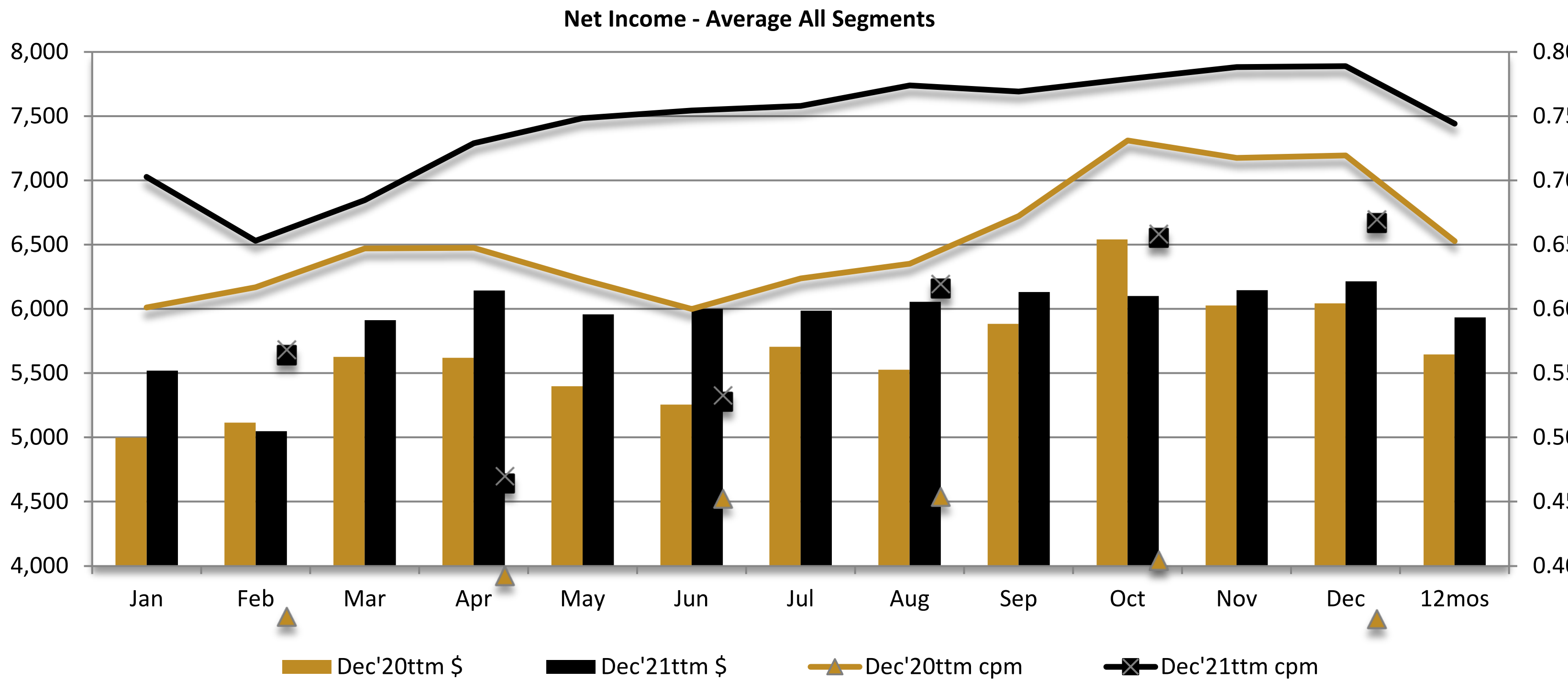
IC Maintenance

- Lack of Mechanics
- Shop rates nearing $200 per hour
- Parts shortages
- Bigger than normal lines
- OPPORTUNITY COST

Net Income

Dollars vs Cents Per Mile (CPM)

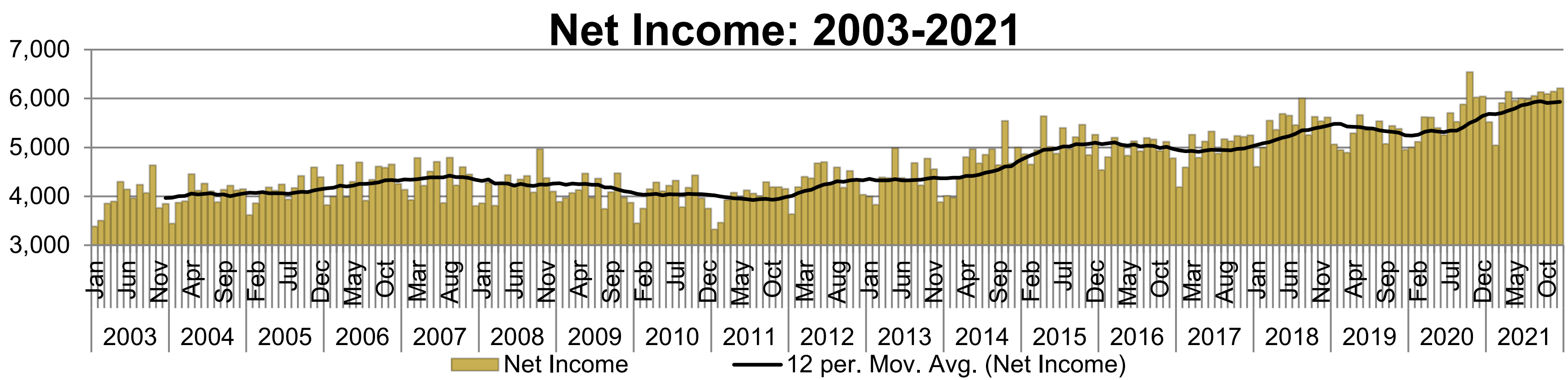
Net Income – Avg All Market Segments

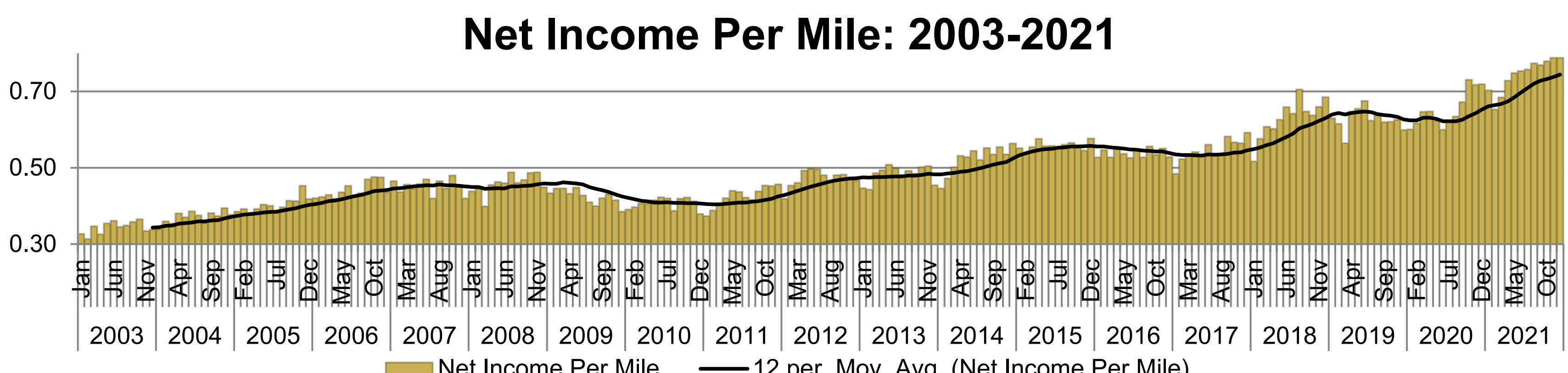


TTM 2020 vs TTM 2021: +5.1% +$3,476 to $71,218

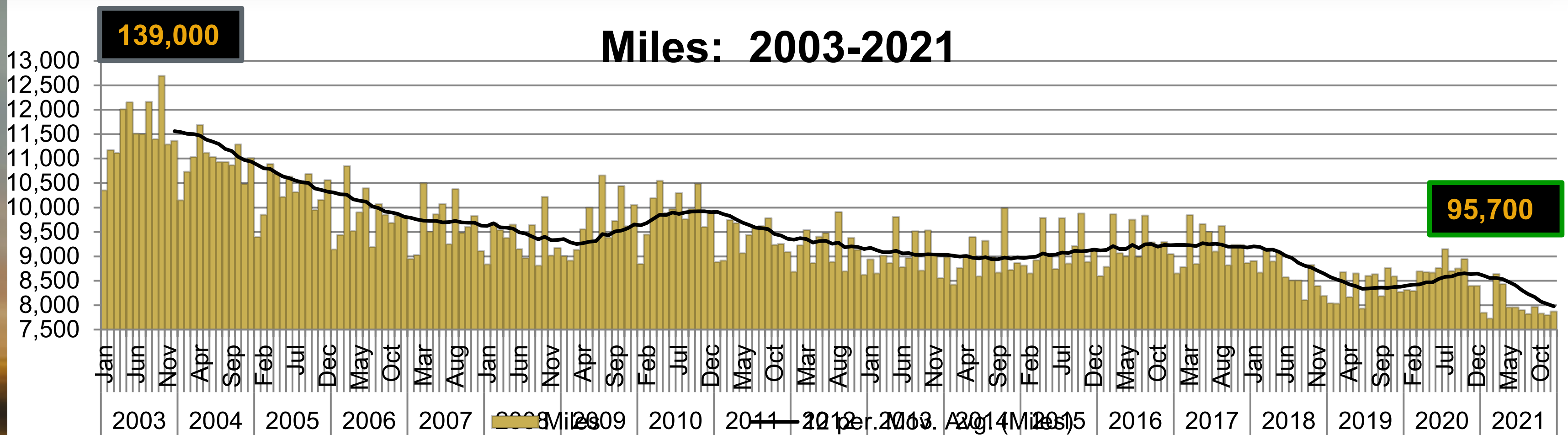
Independent	+$2,398	to	$70,140
Dry	+$2,992	to	$71,170
Reefer	+$5,228	to	$66,075
Flat	+$6,065	to	$81,194

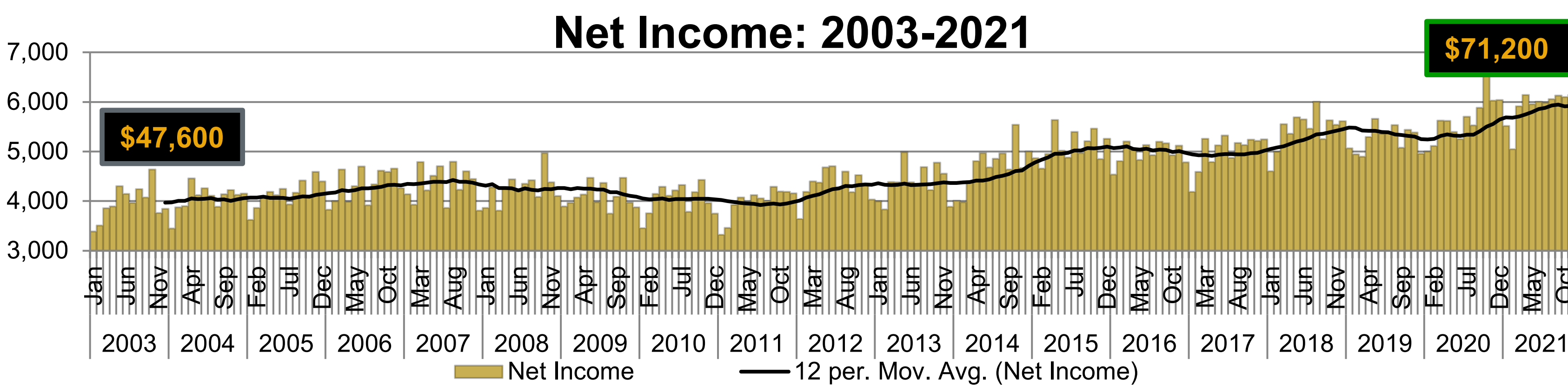
Net Income 2003–2021
Average All Market Segments





Miles vs Net Income 2003–2021
Average All Market Segments





You can't outlaw the American Dream!

- Average O/O is making $72k Net Income
- Top 10% of O/Os making $225k
- FMCSA granted operating authority to more than 110,000 new trucking companies in 2021

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