Freight Transportation & Logistics Overview

2013 Ports-to Plains Alliance Presentation

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All relevant disclosures and certifications can be found on pages 36 - 39 of this report.
Stifel overview

- **History**
  - Founded in 1890, publicly listed since 1986

- **Platform**
  - $2.68 billion market capitalization\(^2\)
  - One of the largest U.S. equity research platforms
  - #1 in the WSJ “Best on the Street” equity research survey
  - National presence, with over 2,000 retail brokers managing over $140 billion in combined client assets

- **Competitive Positioning**
  - Middle-market focus
    - Research driven, industry specialist approach
    - Commitment to small/mid-cap companies
  - Independent advisor
    - No proprietary trading or prime brokerage
    - No captive private equity investing conflicts
  - Broad product portfolio
    - Equities, Fixed Income, M&A Advisory
    - Commitment to private equity and venture investors

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\(^1\) 54 branches of UBS Private Client Group
\(^2\) As of 9/13/2013 close
## Stifel – The 2nd Largest Provider of U.S. Equity Research

<table>
<thead>
<tr>
<th>Overall Region Coverage</th>
<th>Large Cap Region Coverage</th>
<th>Mid Cap Region Coverage</th>
<th>Small Cap Region Coverage</th>
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<td>BMO Capital Markets</td>
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<td>Sterne, Agee &amp; Leach</td>
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<td>Piper Jaffray</td>
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</table>

*U.S.-only stocks
*Excludes ADRs
*Small Cap includes market caps less than $1 billion
*Mid Cap includes market caps between $1 billion and $5 billion
*Large Cap includes market caps greater than $5 billion
Source: StarMine rankings through 08/31/2013
Stifel – The 2nd Largest Provider of U.S. Equity Research

Breadth of Coverage Across Industry Sectors

- Technology: 20%
- Consumer & Retail: 18%
- Education: 2%
- Energy & Power: 10%
- Healthcare: 12%
- Internet, Media & Telecom: 9%
- Metals & Mining: 3%
- Real Estate: 9%
- Real Estate: 9%
- Aerospace, Defense & Gov't: 4%
- Business Services: 1%
- Transportation: 6%

Significant Coverage Across All Market Caps

- > $2bn: 57.8%
- $500 mn-$1bn: 11.9%
- $1bn-$2bn: 15.9%
- < $500 mn: 14.4%

Source: Company data as of 9/25/13
Discussion Agenda

- Longer-Term Transportation Trends – Some Old/Some New
  - Economic Drivers Point Toward Slow Growth
  - Domestic Distribution & Trucking Fundamentals – Aging Fleet and No New Capacity
  - Trends In Global Trade & Supply Chains
  - Key Issues and Conclusions
  - Where We Could Be Wrong
Significant productivity improvements in the U.S. logistics system were made post-deregulation (until 2003), but incremental efficiency has been difficult.

Source: State of Logistics Reports, U.S. Bureau of Economic Analysis
Modal optimization rolls on

- Macro softness, professional supply chain departments/growing industry, maturing product cycles drive freight to more economical modes
- Air → Ocean, Air → Ground, TL → Rail, LTL → TL, LTL → Parcel, Parcel → Consolidator
- Capacity shortage in TL, however, could reverse the trend and see LTL gain back lost share
- Relative energy intensity favors Intermodal over Truck in long (and some medium) haul lanes

Looming capacity shortages in TL due to supply constraints

- Hours-of-service (HOS) rule changes → July 1, 2013
- Electronic on board recorders (EOBRs) → should be real teeth, but when? 2015?
- Compliance, Safety, & Accountability (CSA); more stringent drug testing procedures; sleep apnea, physical fitness and physiological health standards; etc.
- Driver shortage (demographics)
- Rising cost of equipment, tight credit
- What’s easier about being a trucker these days?

Near-shoring/Re-shoring → Shifting international trade lanes, as global supply chains optimize networks/sourcing strategies

Energy → in search of cheaper, cleaner, and better fuel economy

- Domestic oil production boom driven by higher fuel prices
- Alternative fuel vehicle experimentation increasing but still small
- Proliferation of natural gas equipment? Not yet.

Growth of e-commerce changing retail distribution landscape → ~ 9% of total retail sales and growing 15% y/y
Discussion Agenda

➢ Longer-Term Transportation Trends – Some Old/Some New

➢ Economic Drivers Point Toward Slow Growth

➢ Domestic Distribution & Trucking Fundamentals – Aging Fleet and No New Capacity

➢ Trends In Global Trade & Supply Chains

➢ Key Issues and Conclusions

➢ Where We Could Be Wrong
The U.S. consumer is only really spending today at June 1999 levels; we believe a rise in non-discretionary fuel costs and lack of savings are key reasons.
Having bounced off the bottom, housing markets are finally showing some life but remain near 40-year lows on an absolute basis.

**Housing Starts**
- **Jun 2013 Starts:** 836
- **Trough (Apr. 2009):** 478
- **Rise from Trough:** 86.4%

**Existing Home Sales**
- **Aug 2013 Sales:** 5,480
- **Trough (Jul. 2010):** 3,300
- **Rise from Trough:** 66.1%

Source: U.S. Census Bureau
The auto sector rebound is still underway, but growth is slowing

YTD Sales figures are through June 2013; YTD production figures through August 2013

Source: Ward’s Automotive Group
ISM Index readings accelerated through 3Q13, which may be a good indication after several months of slow to no growth

ISM Index Values:
Jul 55.4, Aug 55.7, Sep 56.2

30-year Average: 52.0

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

Source: Institute for Supply Management
Increase in the Inventory/Sales ratio may partially explain recent mediocre traffic volumes – also logistics system lacking efficiency gains

Source: U.S. Census Bureau
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- Where We Could Be Wrong
Of the increasing dollars devoted to the domestic freight market, the trucking sector still dominates other modes, and TL dominates trucking.

### U.S. Freight Transportation Market*

<table>
<thead>
<tr>
<th>Mode</th>
<th>Market Size</th>
<th>Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Truckload</td>
<td>$298.6 Billion</td>
<td>36%</td>
</tr>
<tr>
<td>LTL</td>
<td>$34.8 Billion</td>
<td>4%</td>
</tr>
<tr>
<td>Parcel</td>
<td>$48.7 Billion</td>
<td>6%</td>
</tr>
<tr>
<td>Air</td>
<td>$28.0 Billion</td>
<td>3%</td>
</tr>
<tr>
<td>Rail Carload</td>
<td>$57.1 Billion</td>
<td>7%</td>
</tr>
<tr>
<td>Pipeline</td>
<td>$415.5 Billion</td>
<td>5%</td>
</tr>
<tr>
<td>Water</td>
<td>$12.2 Billion</td>
<td>2%</td>
</tr>
<tr>
<td>Rail Intermodal</td>
<td>$14.7 Billion</td>
<td>2%</td>
</tr>
</tbody>
</table>

*Figures in $ billions

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</tr>
</thead>
<tbody>
<tr>
<td>Truckload</td>
<td>13,775 Million Tons</td>
<td>33%</td>
</tr>
<tr>
<td>LTL</td>
<td>1,216 Million Tons</td>
<td>1%</td>
</tr>
<tr>
<td>Parcel</td>
<td>75 Million Tons</td>
<td>1%</td>
</tr>
<tr>
<td>Air</td>
<td>13 Million Tons</td>
<td>0%</td>
</tr>
<tr>
<td>Pipeline</td>
<td>1,406 Million Tons</td>
<td>10%</td>
</tr>
<tr>
<td>Rail Carload</td>
<td>1,858 Million Tons</td>
<td>14%</td>
</tr>
<tr>
<td>Water</td>
<td>881 Million Tons</td>
<td>6%</td>
</tr>
<tr>
<td>Rail Intermodal</td>
<td>166 Million Tons</td>
<td>1%</td>
</tr>
</tbody>
</table>

*Figures in millions of tons

Source: American Trucking Associations, Stifel estimates

Estimates are based on 2012 market data.
Total Truck Loads Have Seen Y/Y Declines in Four of the Past Seven Quarters, Undulating Month to Month From Slight Positive Comps to Negative Comps
Prior To June, Dry Van Truckload Loads Had Seen Y/Y Declines For the Past Twelve-Months

Source: American Trucking Associations
Flatbed Load Growth Has Cooled Down Recently After a Strong 2012; Remainder of 2013 Set Up for Strength From Hurricane Sandy Rebuilding

Source: American Trucking Associations
Bulk-Tank Truckload Loads Have Cooled Off After A Pick-Up In Early 2013

Source: American Trucking Associations
Truckload supply and demand have been roughly in balance since March of 2010, but recent data indicates some slack due to softer demand.

Data through July 2013
Source: American Trucking Associations
We expect yields to increase anywhere from 0.5%-6.5% y/y through 2014, depending upon the timing and impact of federal safety regulations and growth in freight volumes.

Source: American Trucking Associations, Stifel estimates
Capacity “T-Chart” shows we’ll likely need more trucks and drivers just to haul the same amount of freight → rates moving higher absent demand drop

<table>
<thead>
<tr>
<th>Increasing Capacity</th>
<th>Reducing Capacity</th>
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<tbody>
<tr>
<td>• Immigration reform</td>
<td>• CSA</td>
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<td></td>
<td>• Hours of service changes</td>
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<td></td>
<td>• EOB mandate</td>
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<td></td>
<td>• Drug testing procedure changes</td>
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<td></td>
<td>• Increased enforcement of regulations</td>
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<td>• Speed limits – “I can’t drive...62??”</td>
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<tr>
<td></td>
<td>• Health regulations (e.g., sleep apnea testing)</td>
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<td>• Independent contractor/employee status</td>
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<td></td>
<td>• Drug/alcohol database</td>
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<td></td>
<td>• Increased driver training requirements</td>
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<td></td>
<td>• Higher equipment costs</td>
</tr>
<tr>
<td></td>
<td>• Increased minimum insurance standards</td>
</tr>
</tbody>
</table>
On the supply side, our estimated Class 8 average fleet age has come down over the last two years but remains near prior peak levels.

Data through June 2013
Source: A.C.T. Research
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Trends In Global Trade & Supply Chains

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- Where We Could Be Wrong
The overall market for international forwarding should continue to expand, but maturation of certain regions may limit the addressable opportunities.

Source: World Bank
Large, global companies continue to outsource logistics functions

Outsourcing is still only a fraction of total logistics costs

Source: Armstrong & Associates, Inc.
Global ocean freight trade flows have been weaker in traditional core lanes, and more robust in emerging market lanes

Source: Seabury Cargo Advisory
Global airfreight trade flows saw largely negative growth in 2012, especially in major trade lanes; only a select pocket of emerging trades were positive.
Mexican cross-border traffic movements have been increasing where it counts

Cross-border truck and loaded truck container movements increasing, while empty truck container movements slowing

Cross-border train movements relatively flat, while both empty and loaded rail containers have grown steadily

Source: U.S. Department of Transportation, Bureau of Transportation Statistics; Department of Homeland Security and Customs and Border Protection data; Stifel format
58% of AlixPartners Nearshoring Survey respondents indicate that they have or expect to reduce total landed costs by 5%-20% through nearshoring.

Source: AlixPartners, LLP 2013 Nearshoring Survey
Nearly half of AlixPartners survey respondents see nearshoring as an opportunity; over half of affirmative responses indicate action within the next 2-3 years.
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Key Issues and Conclusions

- Where We Could Be Wrong
Key issues and conclusions – it’s all about supply (and demand)

- Slow economic/freight growth ahead is our best guess (~2%), but for how long given…
  - Consumer can’t save the day – no more utility belt, cape, armor, or cool car
  - Pension problem
  - Budget problem
  - High fuel costs
  - Interest rates rising
  - Growth stalled/slowing in other regions of the world

- Negative capacity “T-Chart” coupled with weak demand outlook should continue supply-driven tightening
  - More volatile rates expected in TL, more consistent increases in LTL
  - LTL should benefit from pricing and volume perspective due to TL tightening
  - Intermodal also to benefit but will not be the release valve some think, as it is only a realistic substitute for TL in a minority of lanes
  - Pricing umbrella should lead to higher rates in other modes as well (except air)
  - Industry consolidation likely to continue

- Collaboration with other shippers and improved communication with carriers should be best way for shippers to mitigate rate increases
  - But rate increases necessary to pay drivers more
  - 3PLs will continue to play an important role
Discussion Agenda

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Where We Could Be Wrong
Where we could be wrong

➢ Timing/outlook
  ▪ If housing and/or manufacturing activity reaccelerates, we could see tightening sooner
  ▪ If fuel prices rise without an accompanying increase in freight volumes, it could keep capacity around and push out tightening of supply and demand
  ▪ Slipping back into recession would likely mask regulatory drag and quiet driver shortage talk (temporarily)
  ▪ The more regulations get pushed out, changed, or eliminated, the less of a supply crunch

➢ Lack of carrier discipline
  ▪ Capacity – carriers will add capacity at some point, but if too soon, it limits margin potential
  ▪ Rates – cutting rates has never been a successful strategy, but it won’t stop someone from doing it again to chase share

➢ Magnitude of rate hikes
  ▪ Depending on severity of tightening and carrier response, rates could rise significantly over a short period – much higher than our forecast
  ▪ Back in the last great pricing environment for carriers (2005), some truckload carriers reported revenue per loaded mile increases of 20%+, excluding fuel surcharges
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HOLD - For U.S. securities we expect the stock to perform within 10% (plus or minus) of the S&P 500 over the next 12 months. For Canadian securities we expect the stock to perform within 10% (plus or minus) of the S&P/TSX Composite Index. For other non-U.S. securities we expect the stock to perform within 10% (plus or minus) of the MSCI World Index. A Hold rating is also used for yield-sensitive securities where we are comfortable with the safety of the dividend, but believe that upside in the share price is limited.

SELL - For U.S. securities we expect the stock to underperform the S&P 500 by more than 10% over the next 12 months and believe the stock could decline in value. For Canadian securities we expect the stock to underperform the S&P/TSX Composite Index by more than 10% over the next 12 months and believe the stock could decline in value. For other non-U.S. securities we expect the stock to underperform the MSCI World Index by more than 10% over the next 12 months and believe the stock could decline in value.

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