Independent Contractor Benchmarking (ICB)

A Guide To Independent Contractor Success

2023 – Second Quarter Analysis

Mike Hosted – VP Sales and Marketing

Belated Thank You!

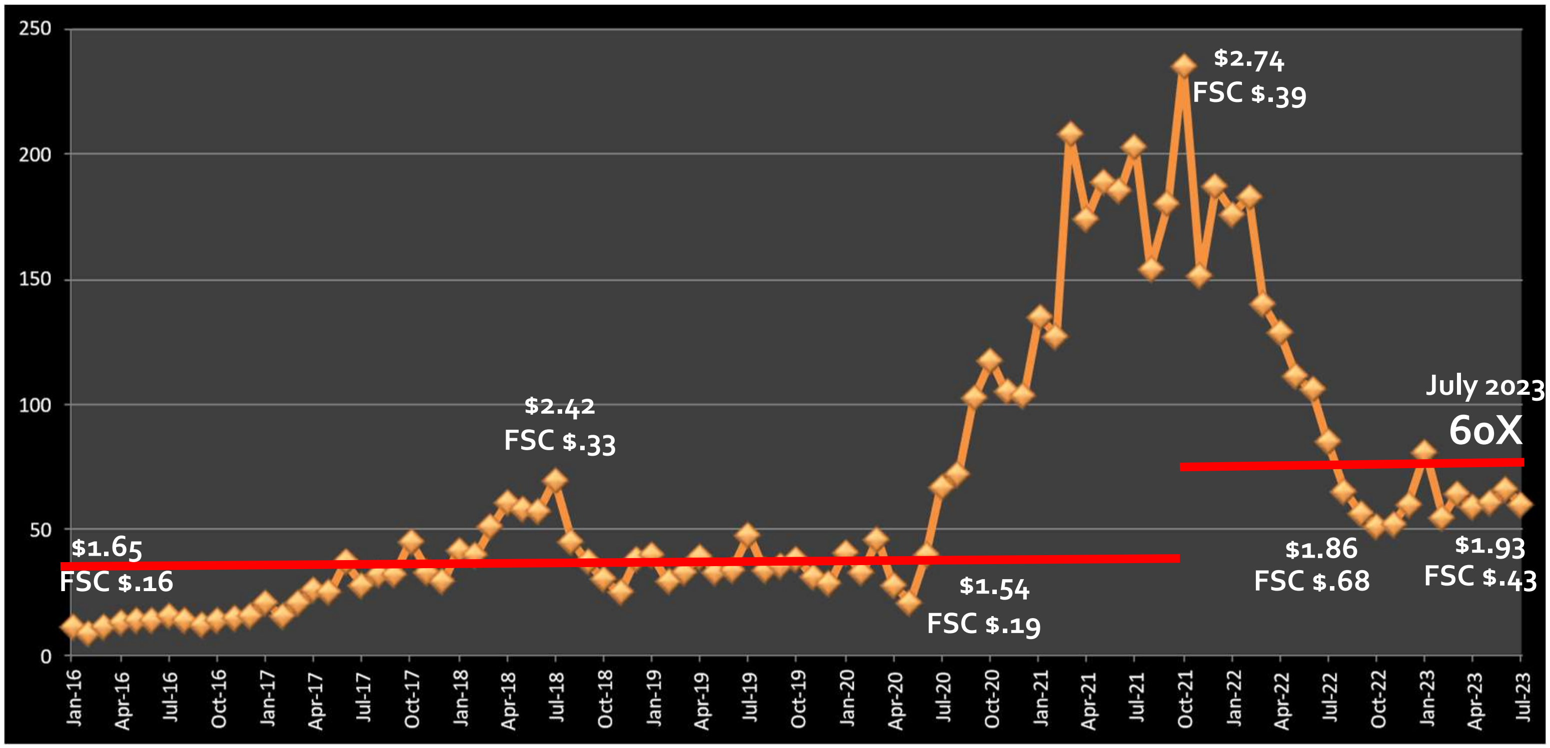
National Truck Driver Appreciation Week Sep 10-16

3 years of Trucking Insanity!

- Spot Rates
  - June 2020 - $1.65/mile
  - June 2021 - $3.15/mile
  - Aug 2023 - $2.25/mile
- Fuel
  - June 2020 – Fuel futures were negative, meaning an oil company had to pay you to take their fuel
  - June 2022 – Diesel hit its highest price ever over $5.75/gal
- Truck Cost
  - June 2020 – Avg Used Truck $55,000
  - December 2021 – Avg Used Truck $125,000
  - Aug 2023 – Avg Used Truck $65,000
- Interest Rates
  - Prime Rate March 2020 = 3.25%
  - Prime Rate Aug 2023 = 8.50%

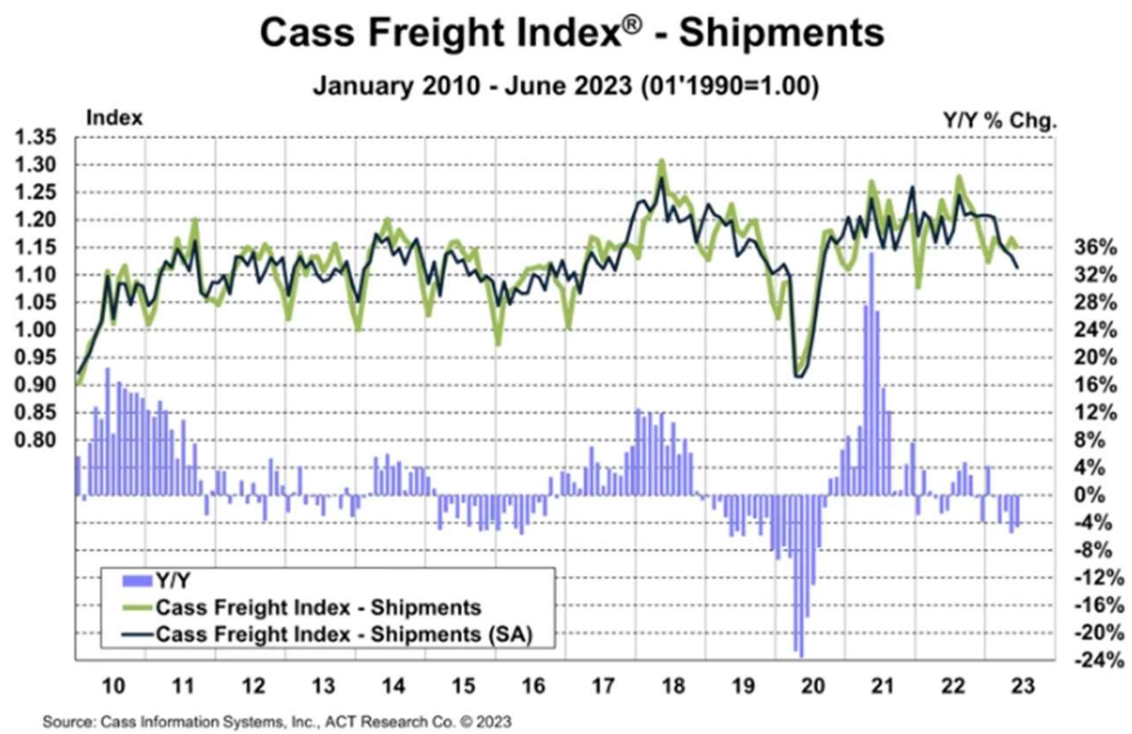
What is the economic environment in trucking?

Truckstop.com
Broker Load vs Truck Index – Net Rate



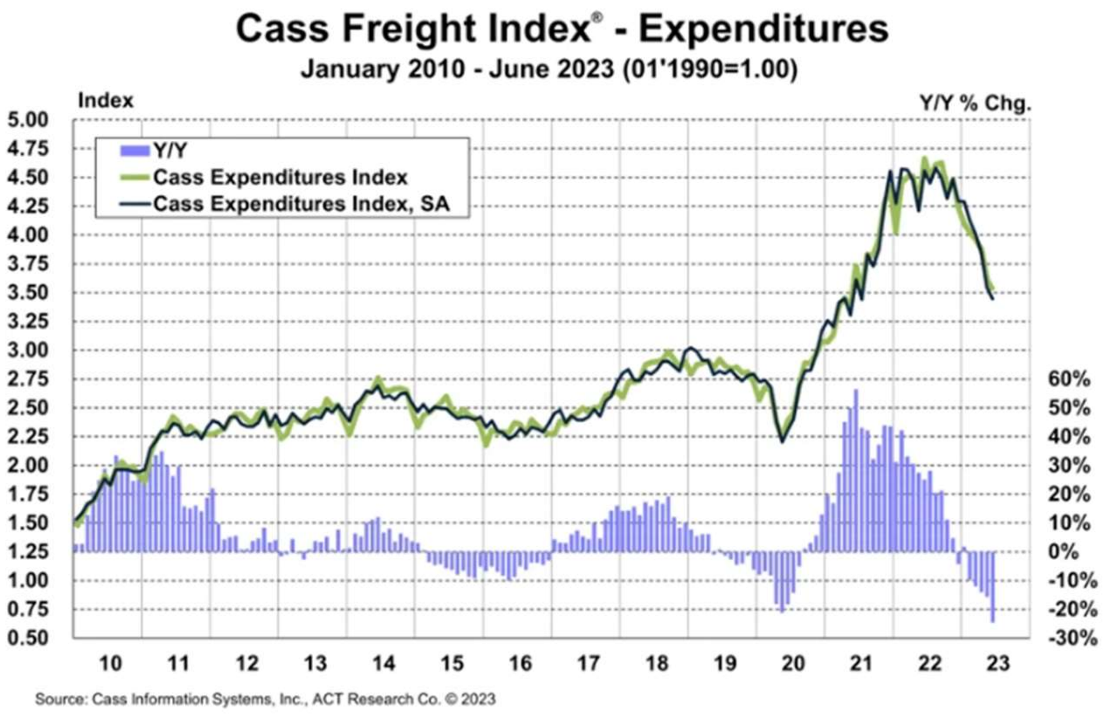
Spot Rate X Fuel Surcharge (FSC) based on $1.25 base for fuel

CASS Freight Index – Shipments

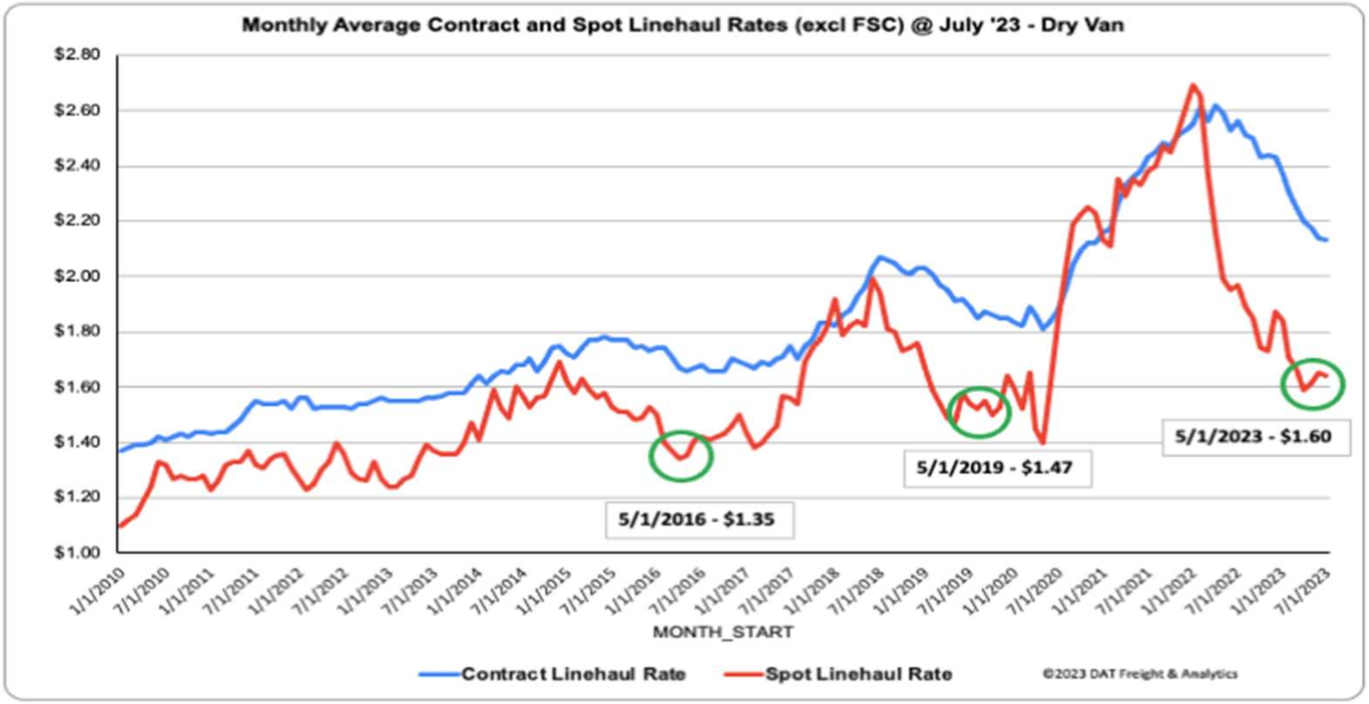


"Freight Markets continue to work through a downcycle which started 18 mos ago. The past three downcycles have ranged from 21 to 28 mos."

CASS Freight Index – Expenditures



Truckload Linehaul Rates: Contract and Spot (DAT)



What are fleets saying now?

- OOs that entered the market or purchased equipment during the boom market continue to struggle and leave for local jobs, company jobs or leave the industry
- Truck repairs (specifically DEF systems), breakdown/repair time, and inflationary costs are the biggest hurdle
- Freight rates will start to rebound as we see capacity continue to shrink
- "We're now over a year into a freight down cycle with an unusual combination of dynamics at work to create a particularly difficult operating environment," CEO David Jackson said during a call with investors. "I don't know that we've ever seen freight demand fall this far so fast and for so long without an accompanying economic recession."
- Truck prices are down low enough where drivers can build equity quicker, which could help turn around the IC market

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

Operating Analysis

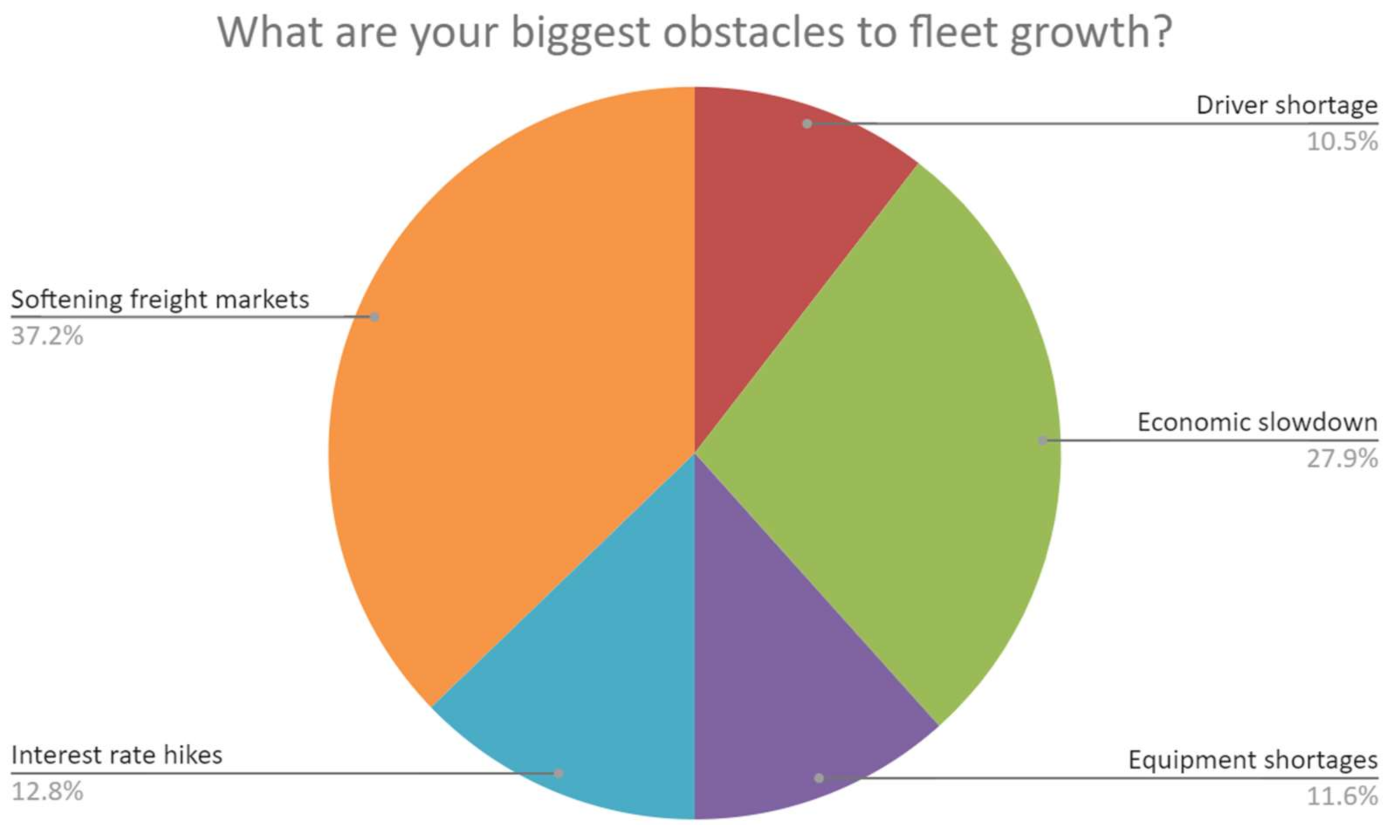
By Independent Contractor Segment

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

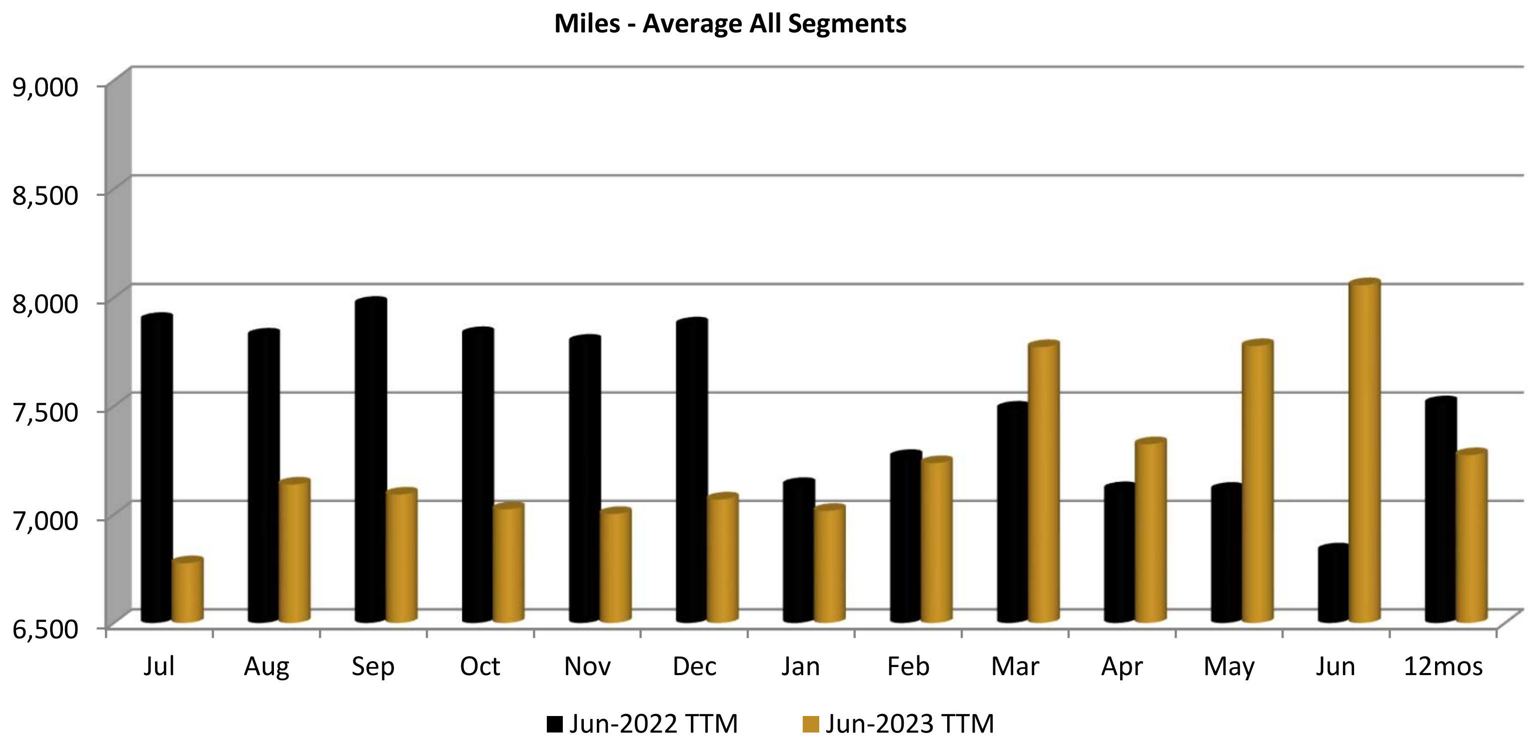
ATBS Partner Survey – Q3 2023



Revenue Analysis

Miles, RPM, Gross Revenue

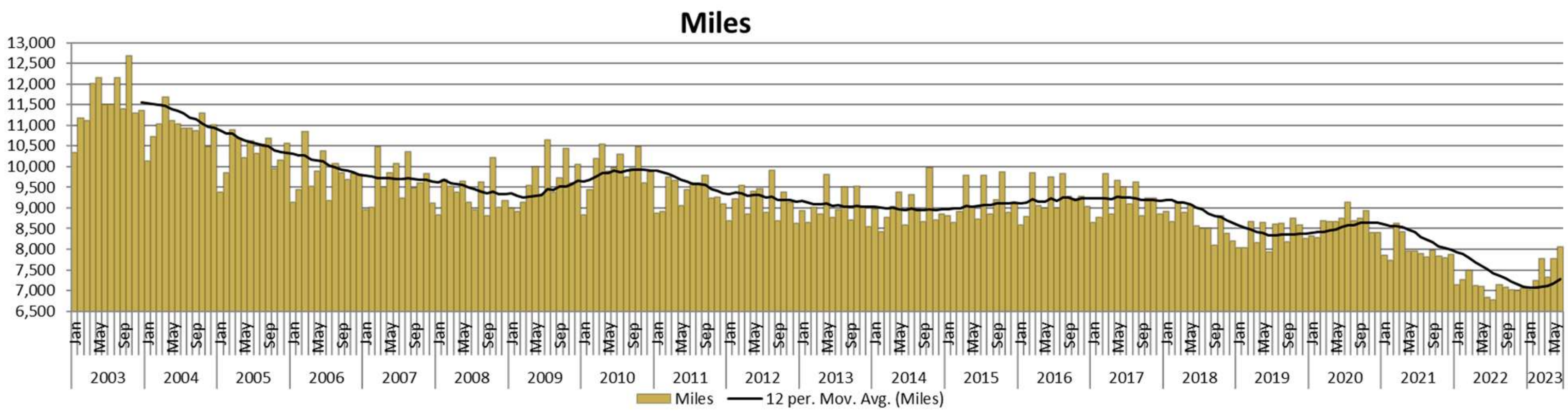
Miles –
Avg All Market Segments



TTM 2022 vs TTM 2023: -3.2% -2,869 to 87,287

Independent	- 0.6%	to	76,699
Dry	- 3.9%	to	90,924
Reefer	- 6.5%	to	97,699
Flat	+ 0.9%	to	80,462

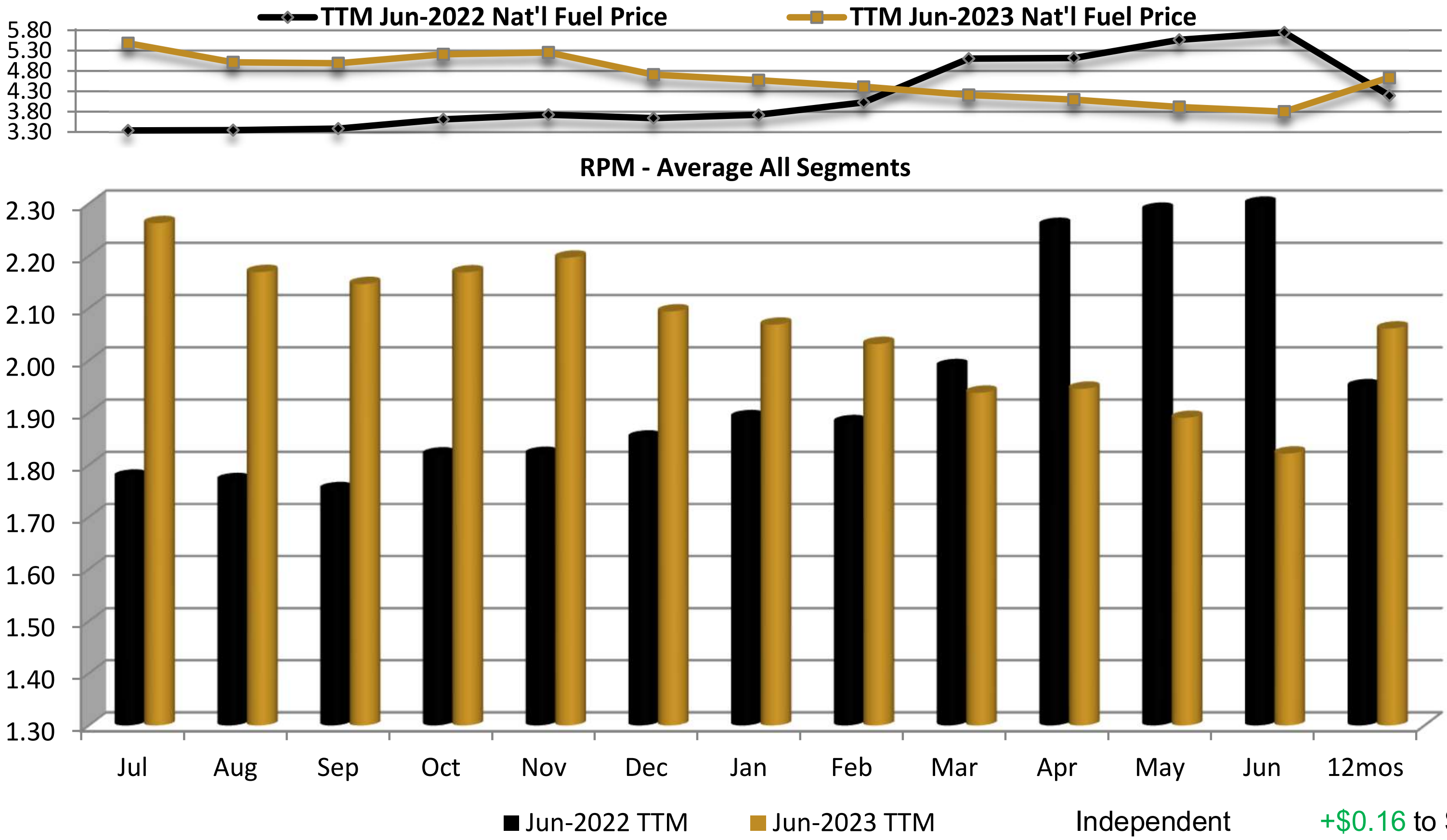
Miles 2003–2023
Average All Market Segments



5 Year Mileage Look

Quarter	Average Miles
Q2 2018	108,000
Q4 2018	104,000
Q2 2019	100,000
Q4 2019	101,000
Q2 2020	102,000
Q4 2020	103,000
Q2 2021	100,000
Q4 2021	95,000
Q2 2022	90,000
Q4 2022	85,000
Q2 2023	87,250

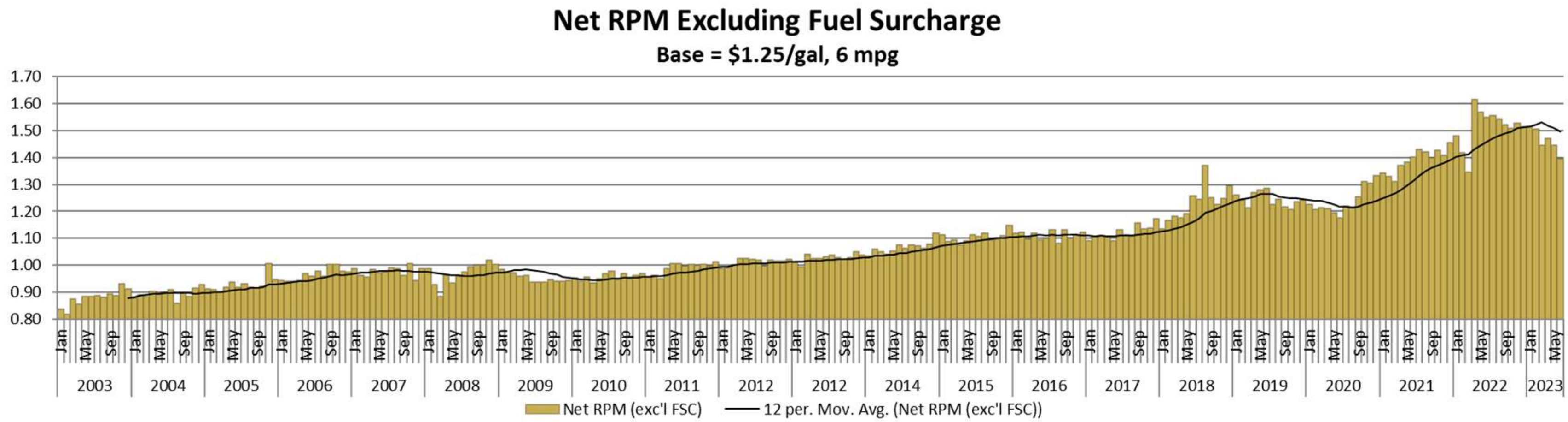
RPM –
Avg All Market Segments



TTM 2022 vs TTM 2023: +5.8% +$0.11 to $2.05

Independent	+$0.16 to $2.32
Dry	+$0.16 to $1.98
Reefer	- $0.04 to $1.89
Flat	- $0.03 to $2.17

RPM Excluding Fuel Surcharge, Avg All
Calculated Base = $1.25/gal, 6 mpg



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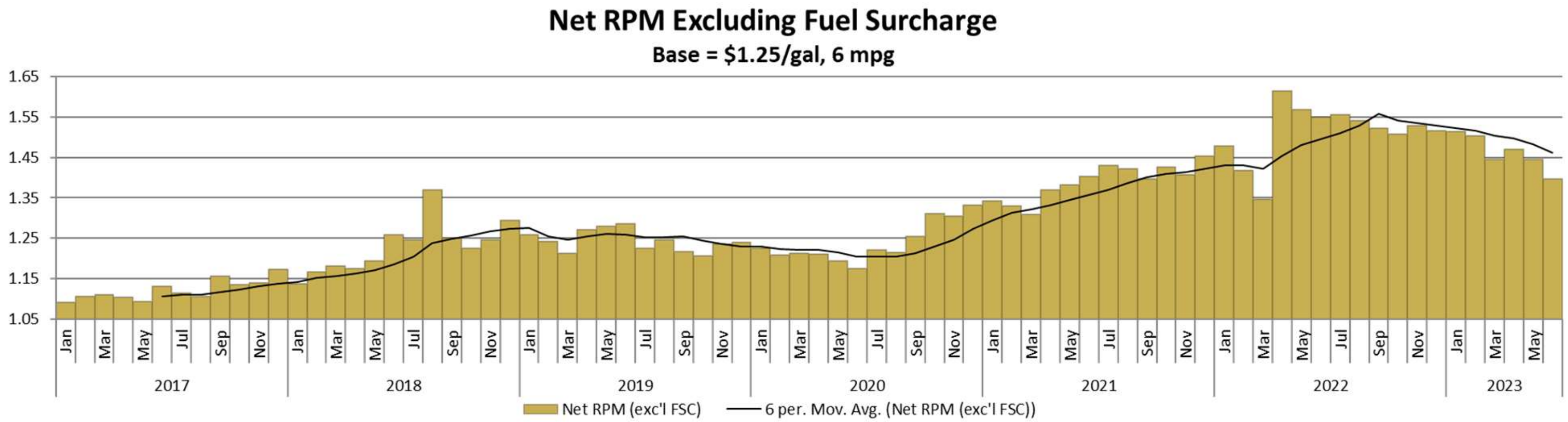
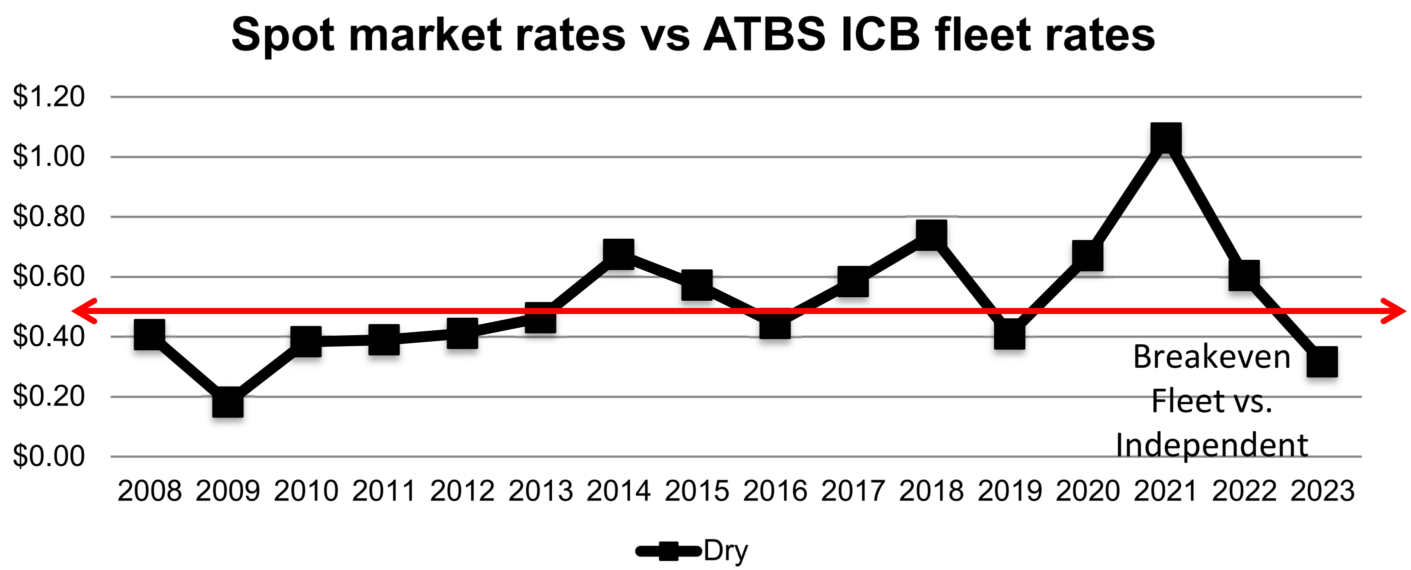
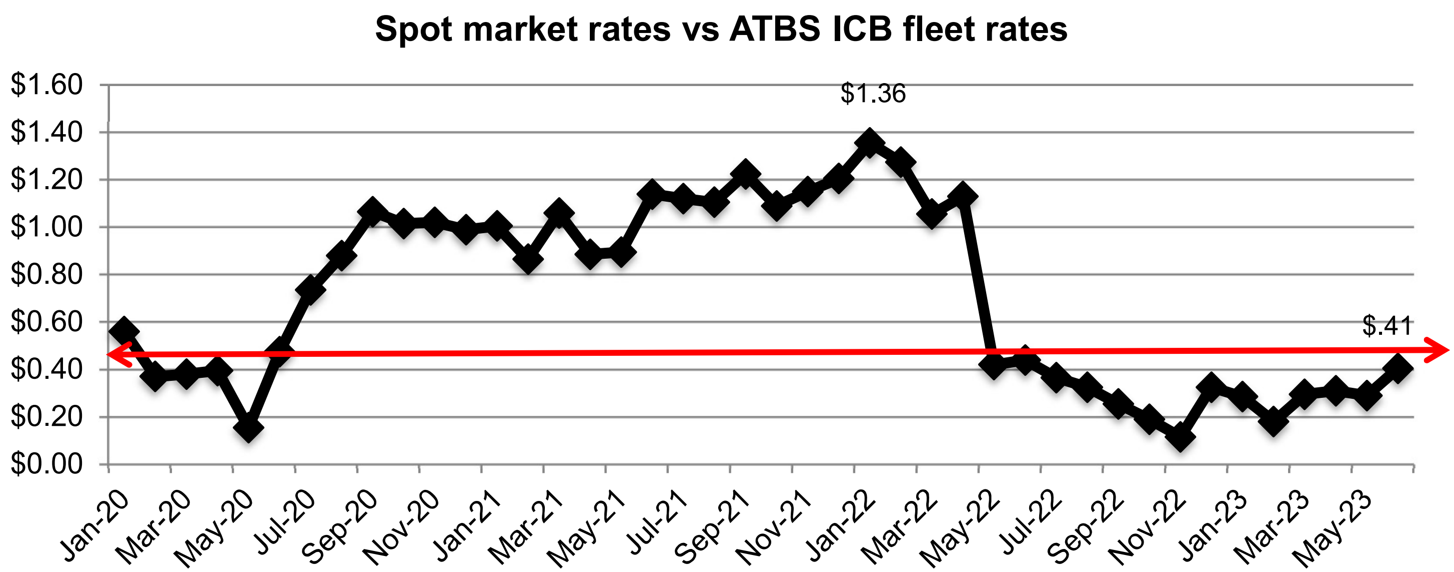


Spot market rates vs ATBS ICB fleet rates – 2008 to 2022



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



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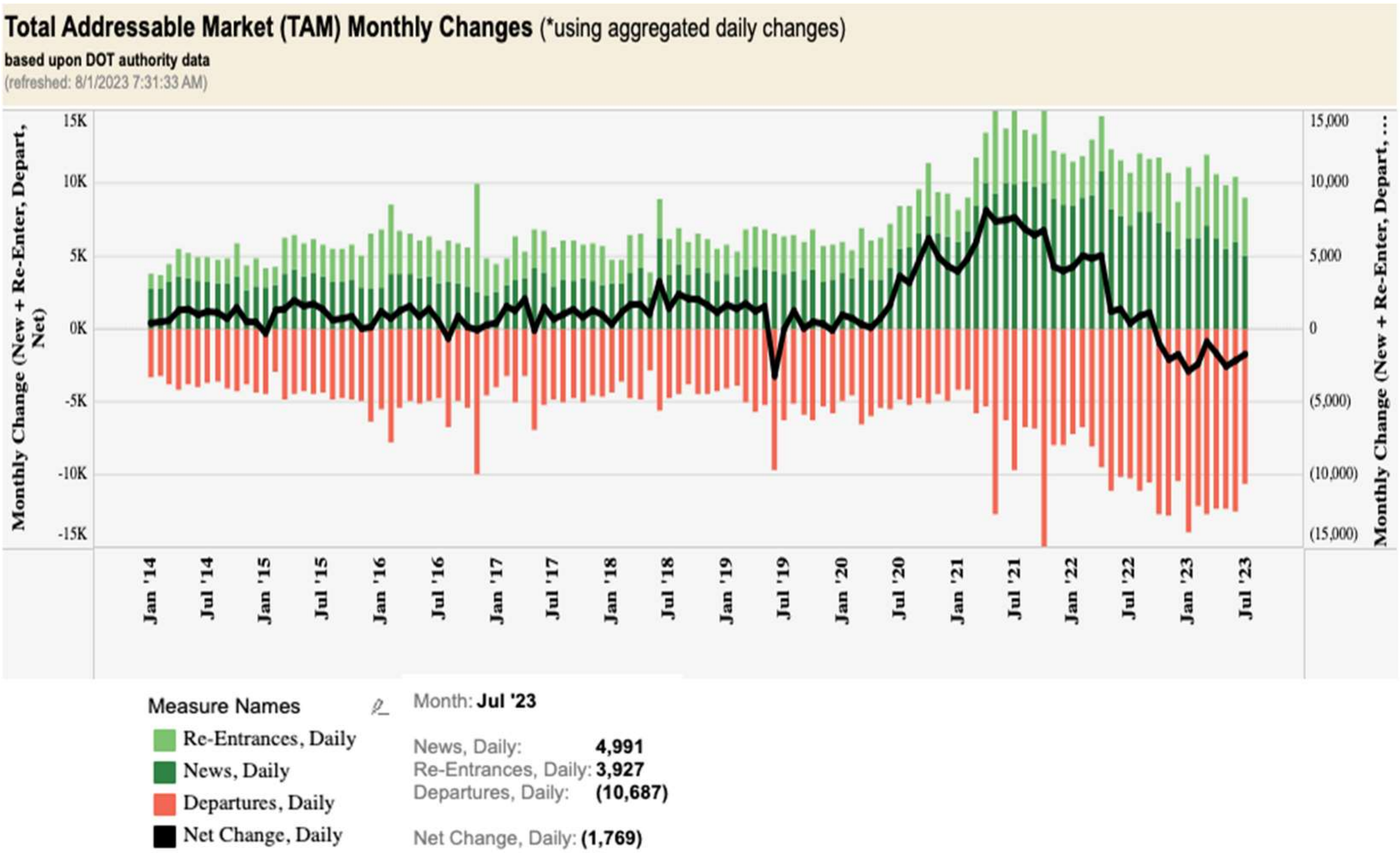
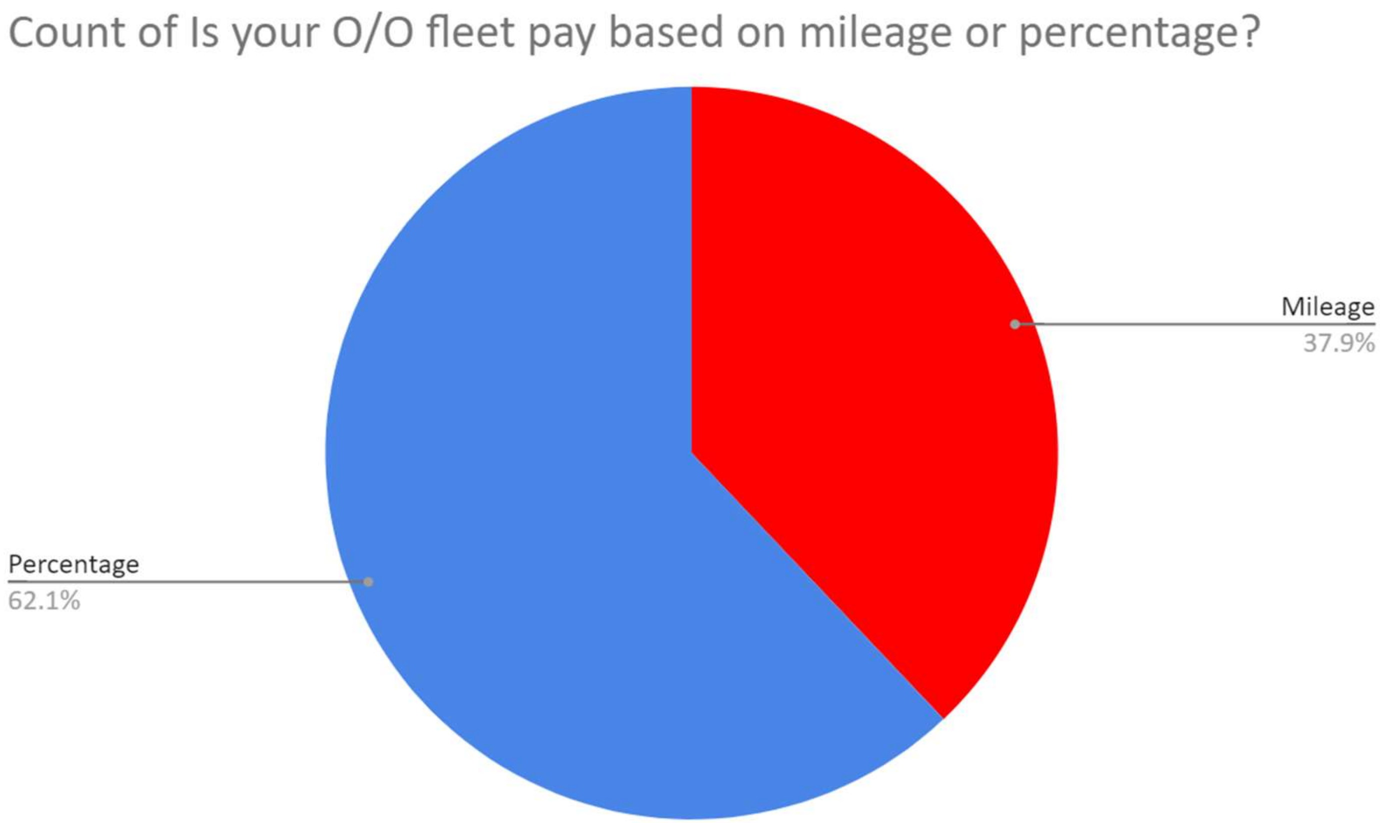
Interstate Carrier Activity



ATBS Partner Survey – Q3 2023



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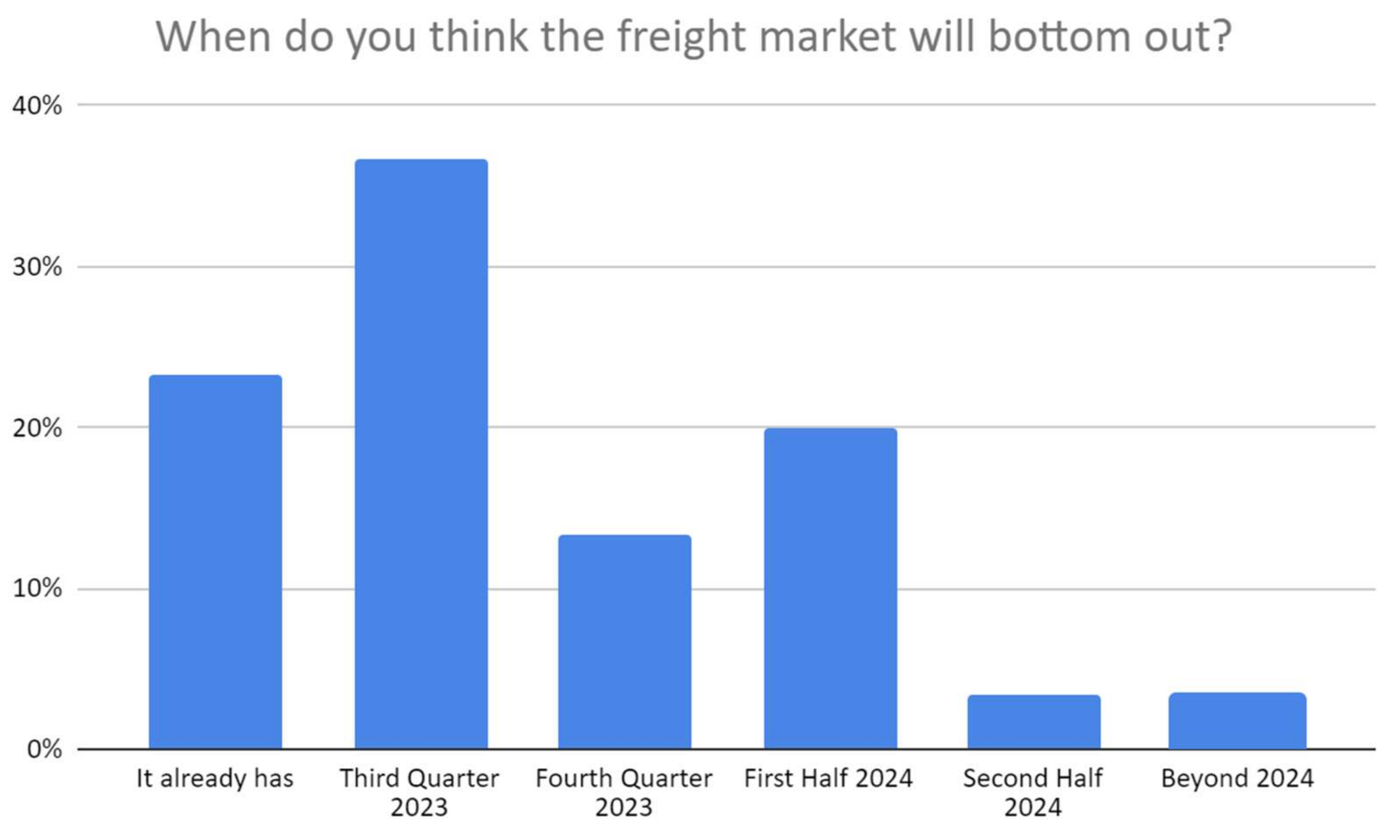

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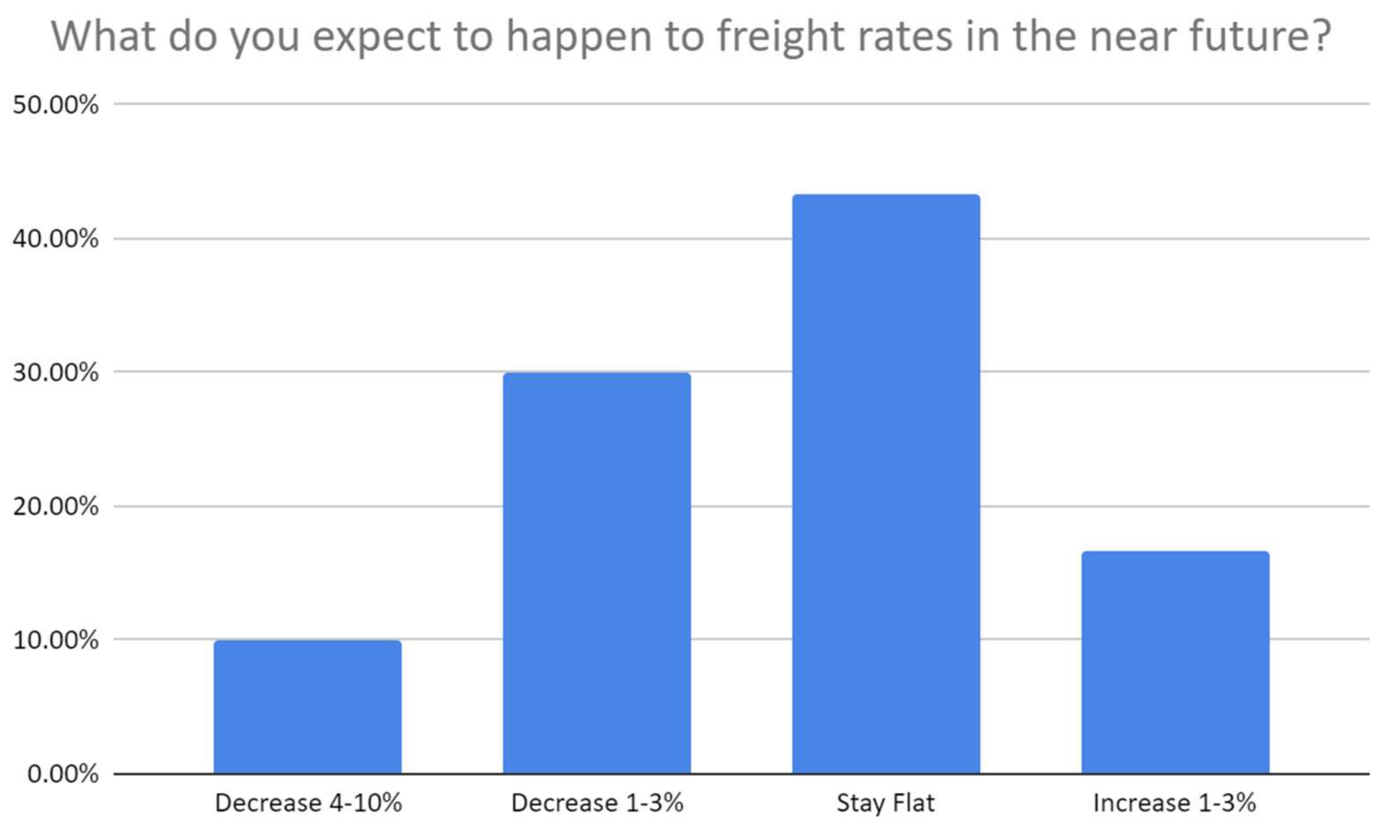
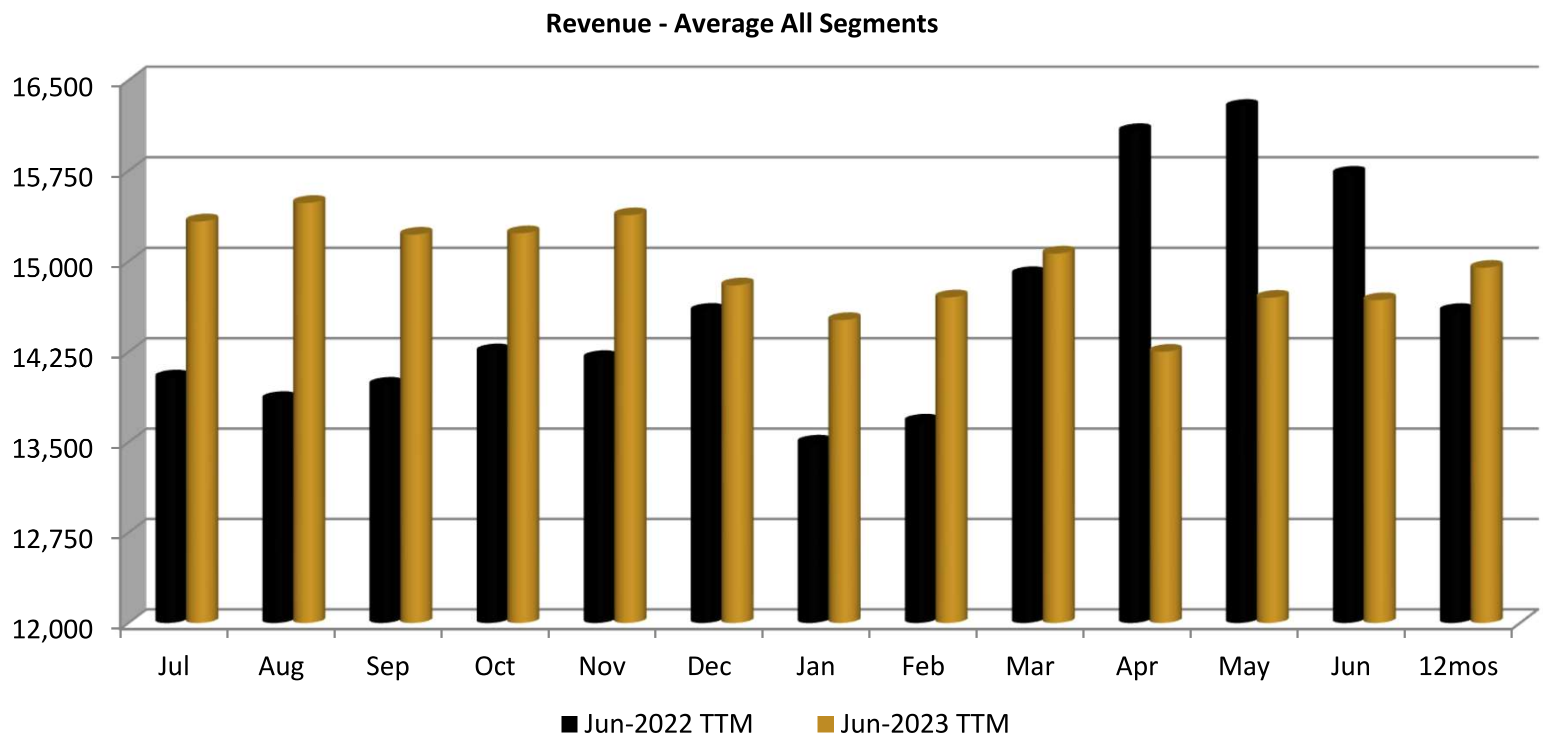


Gross Revenue – Average All Market Segments



TTM 2022 vs TTM 2023: +2.5% +$4,293 to $179,371

Independent	+ 6.6% to $177,963
Dry	+ 4.6% to $179,640
Reefer	- 8.3% to $184,368
Flat	- 0.6% to $174,528

Cost Analysis

Fixed, Variable, Total

Cost Analysis

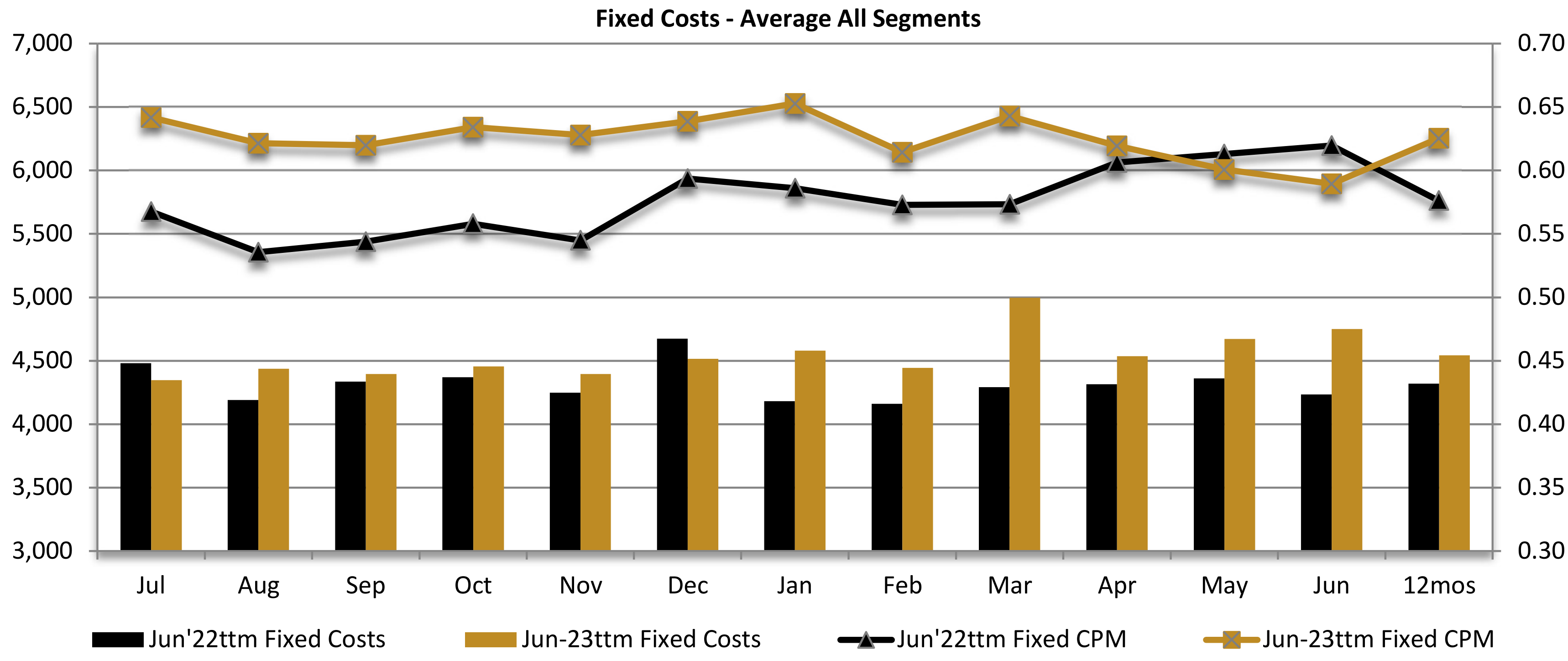
Fixed Costs

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

Variable Costs

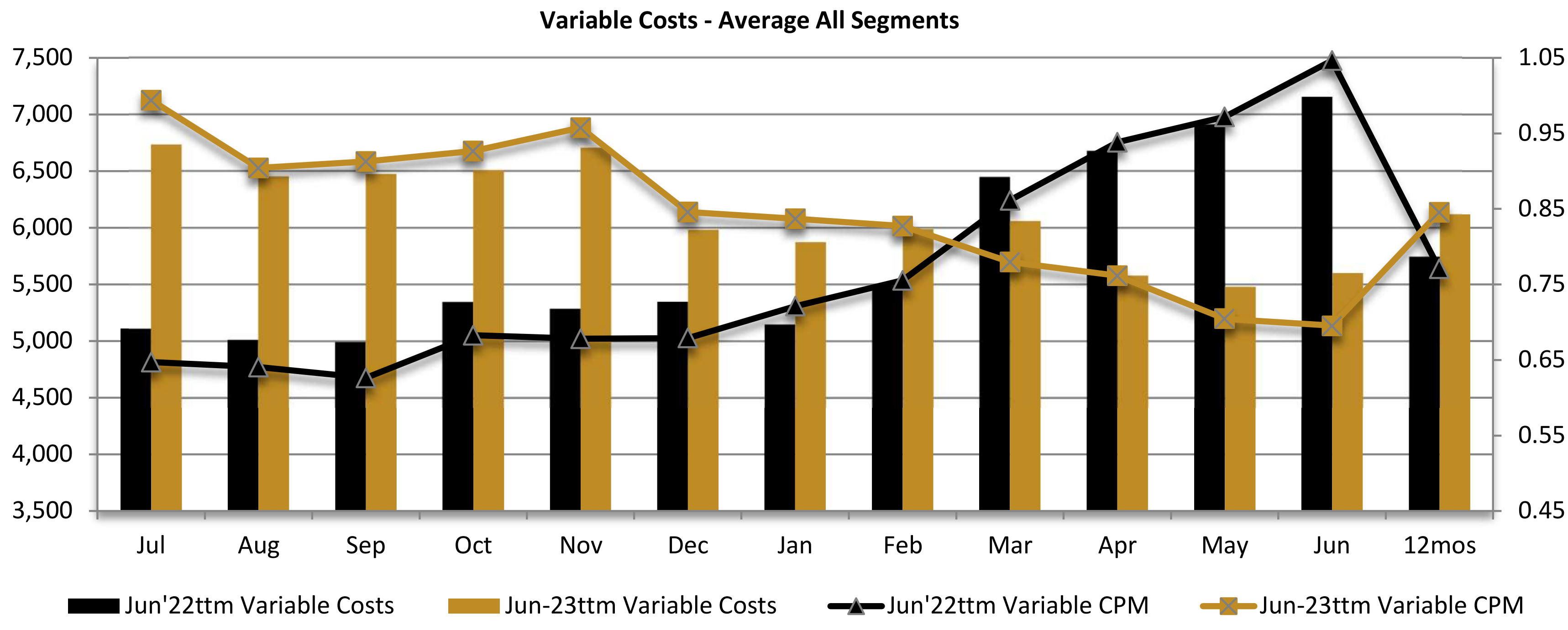
- Fuel
- Maintenance
- Communication
- Hotels

Fixed Costs – Average All Market Segments



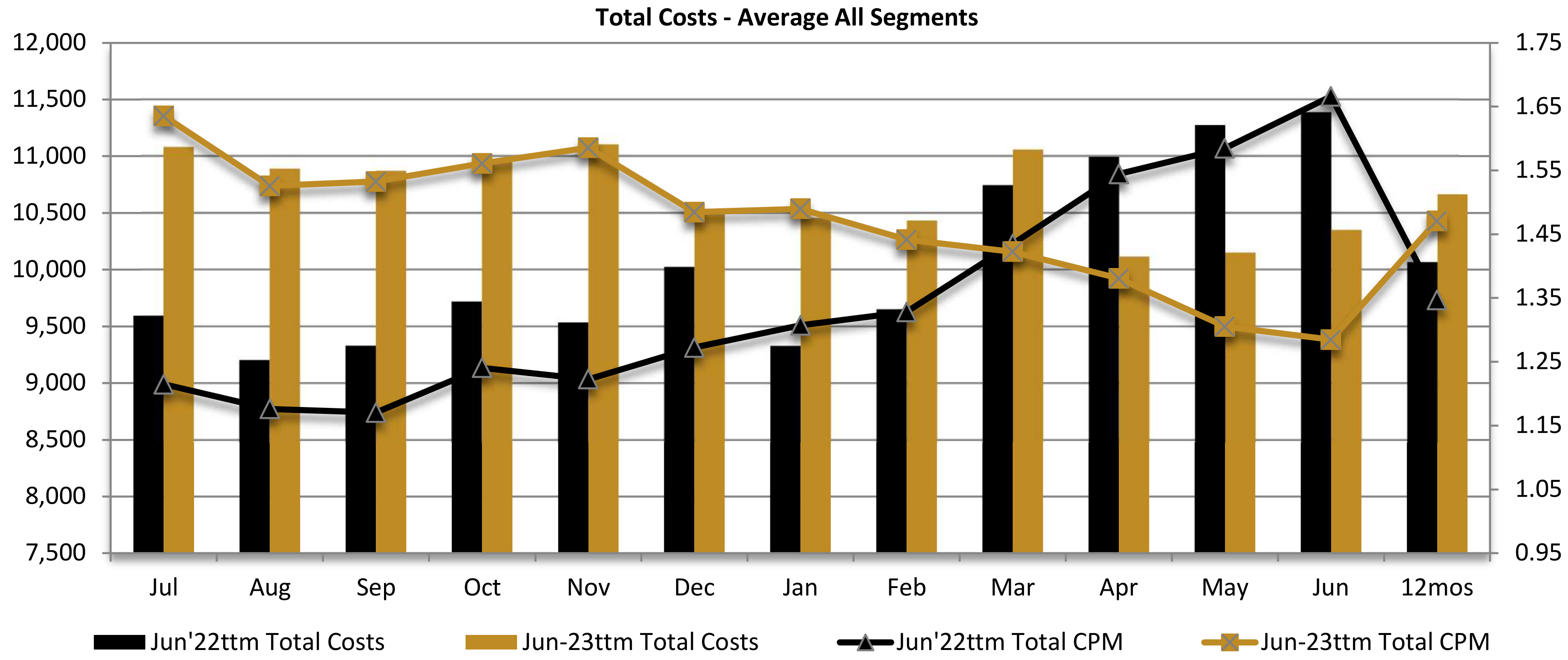
TTM 2022 vs TTM 2023: +5.2% up $2,675 to $54,525

Variable Costs –
Average All Market Segments



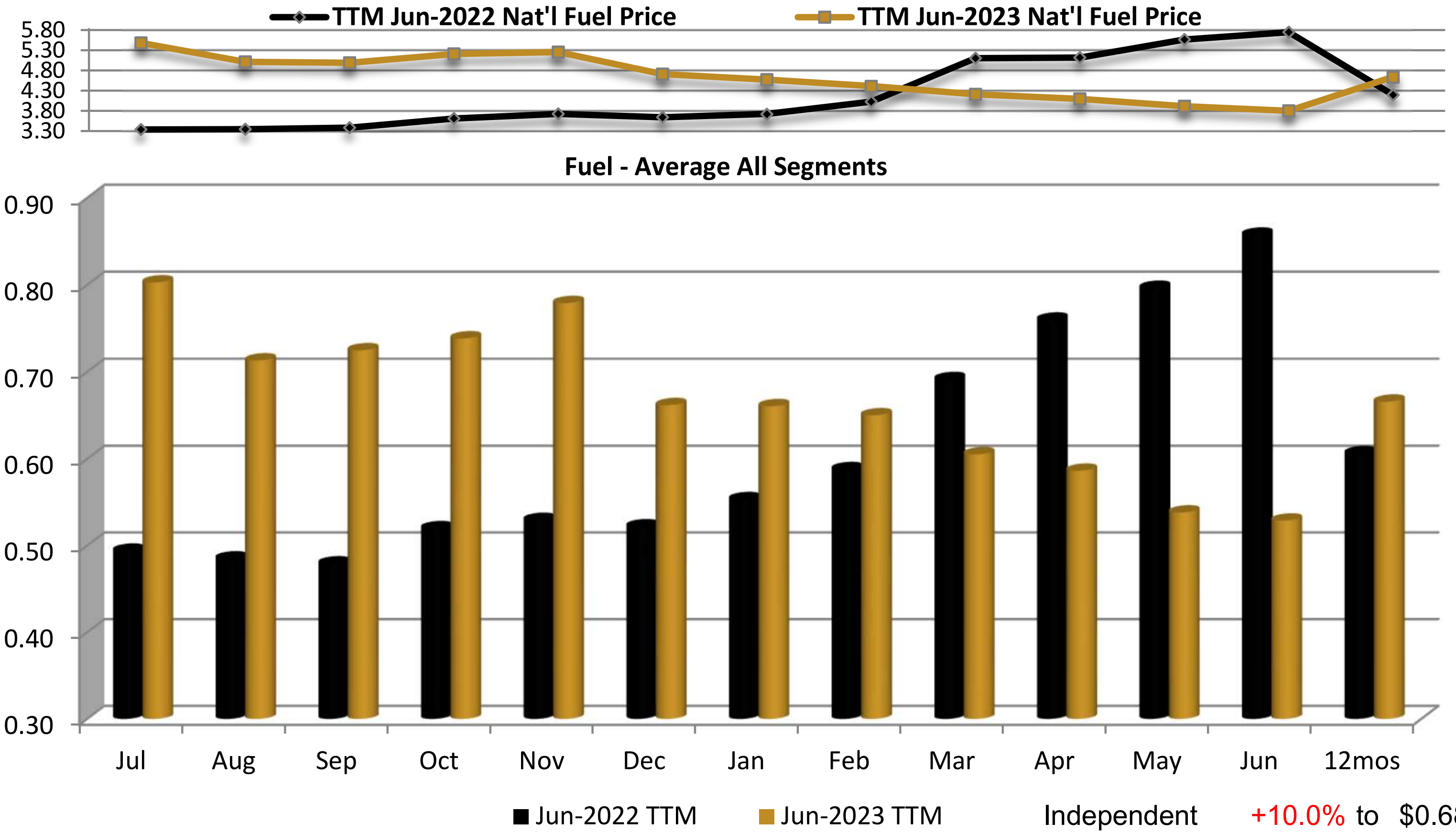
TTM 2022 vs TTM 2023: +6.5% up $4,510 to $73,439

Total Costs –
Average All Market Segments



TTM 2022 vs TTM 2023: +5.9% up $7,185 to $127,963

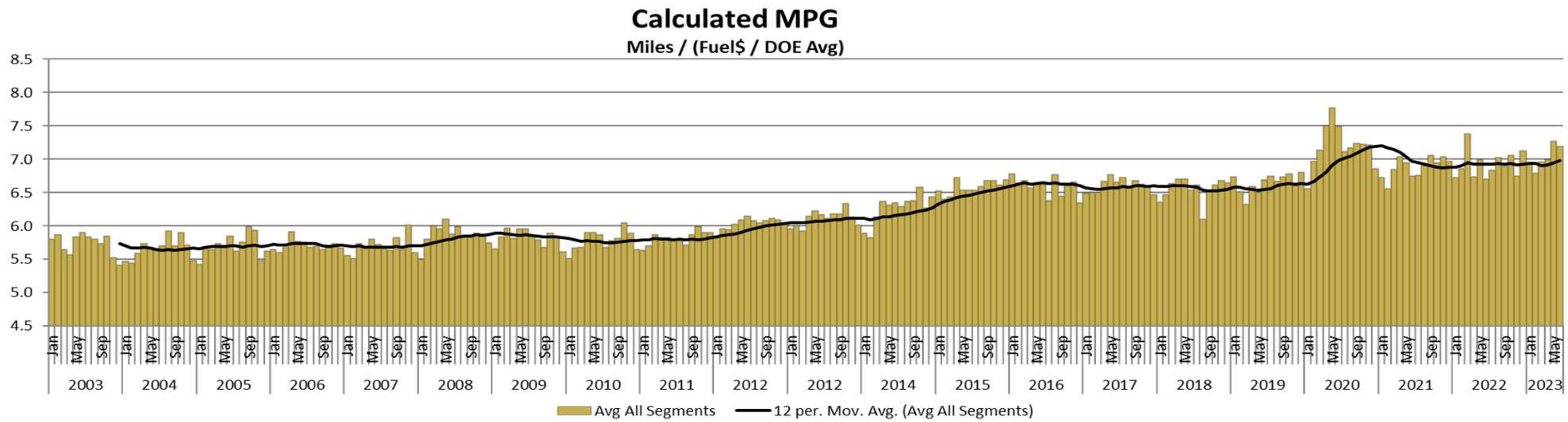
Fuel CPM – Avg All Market Segments

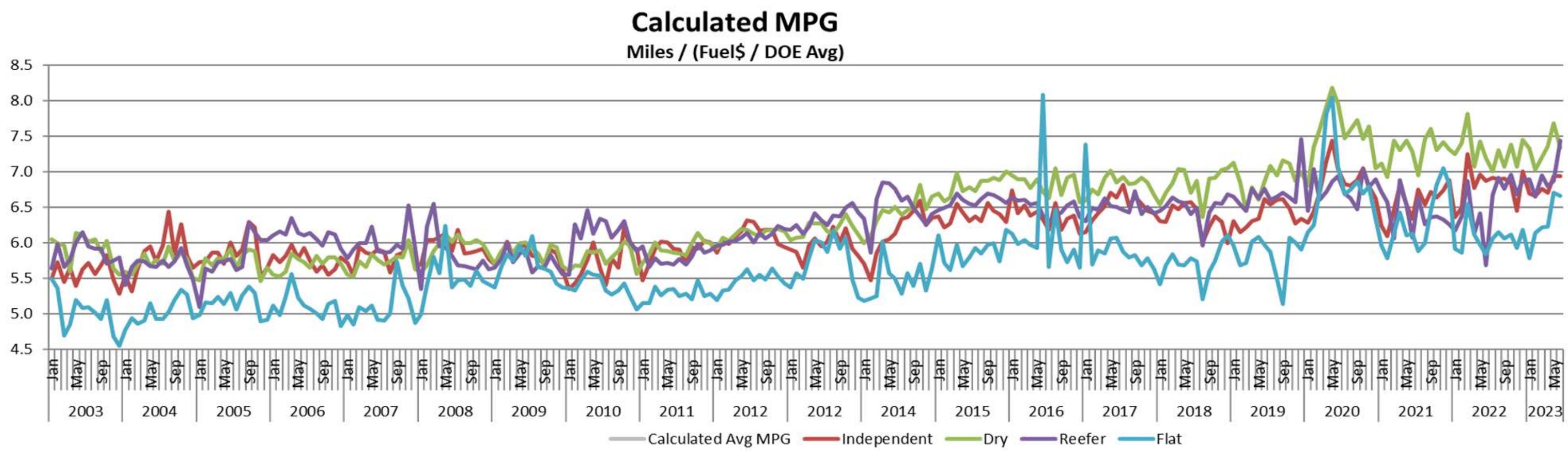


TTM 2022 vs TTM 2023: +10.2% +$0.06 to $0.66

Independent	+10.0%	to	$0.68
Dry	+12.6%	to	$0.64
Reefer	+ 1.8%	to	$0.67
Flat	+12.4%	to	$0.75

Estimated MPG





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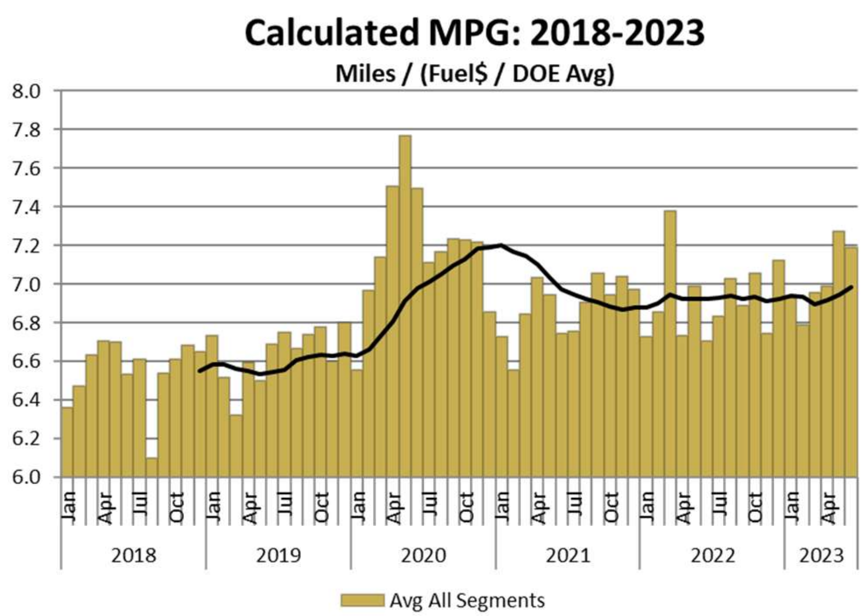
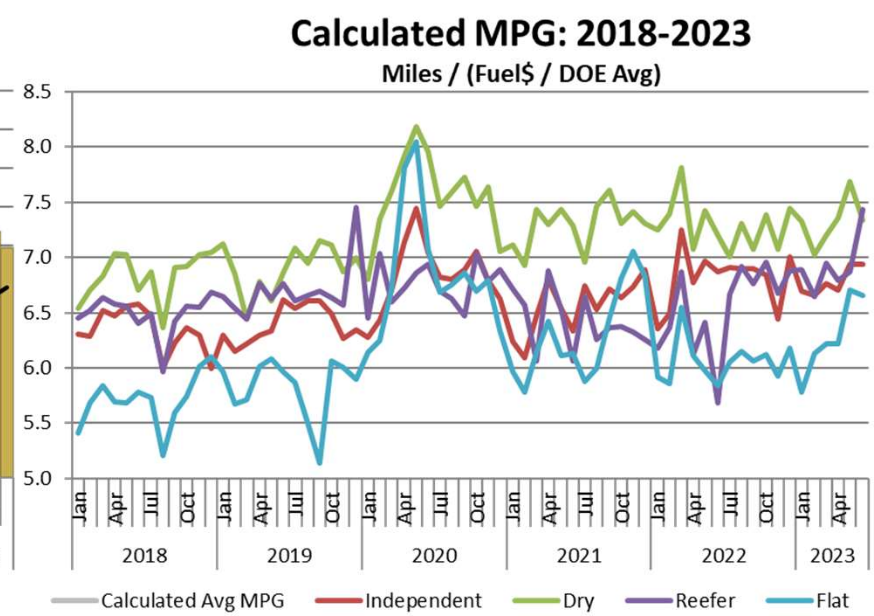
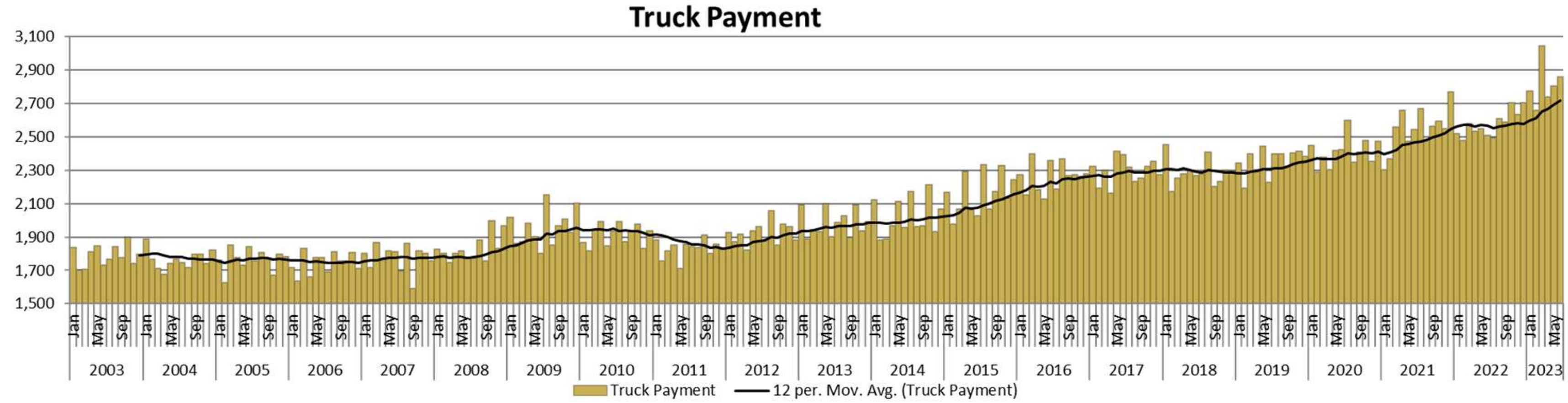
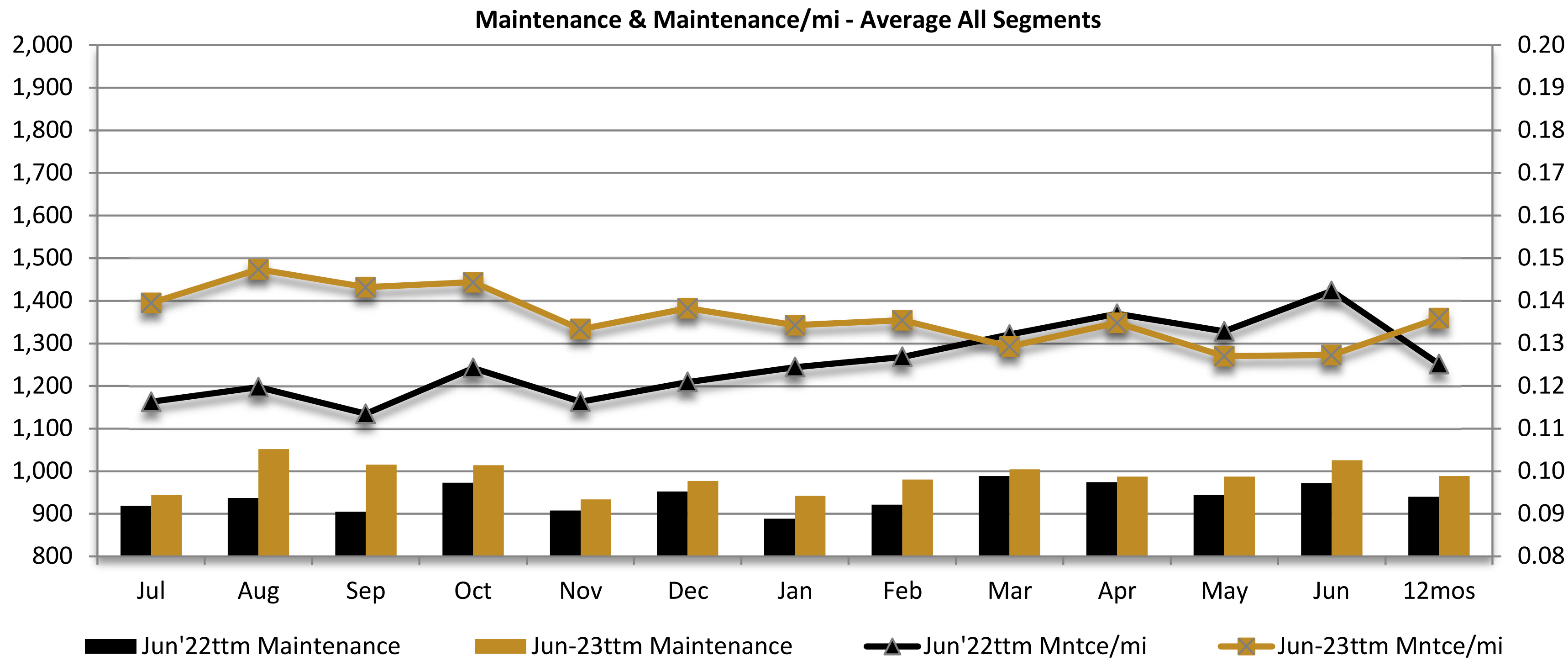




Truck Payments 2003–2023
Average All Market Segments



Maintenance –
Avg All Market Segments

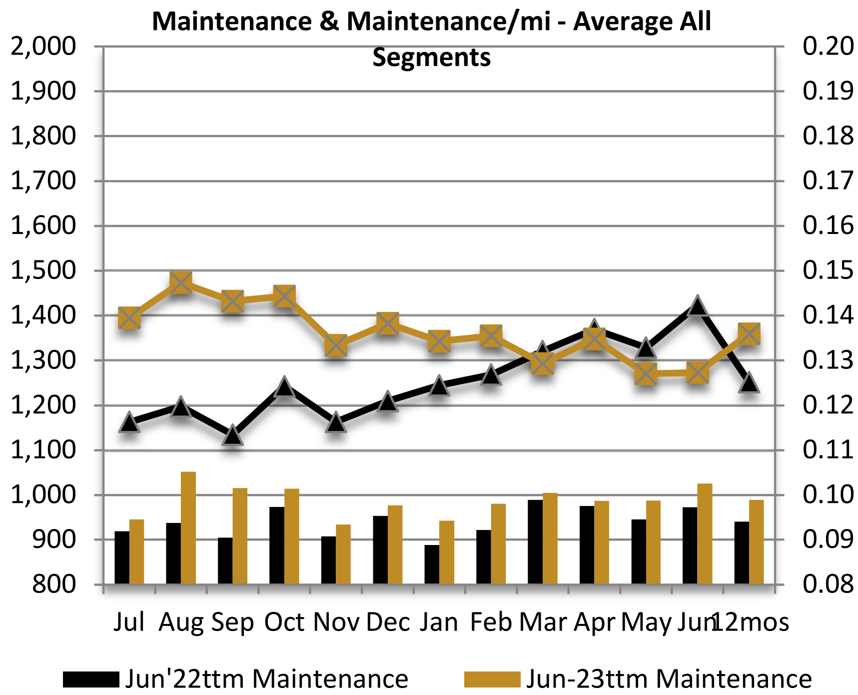


TTM 2022 vs TTM 2023: +5.2% +$583 to $11,867

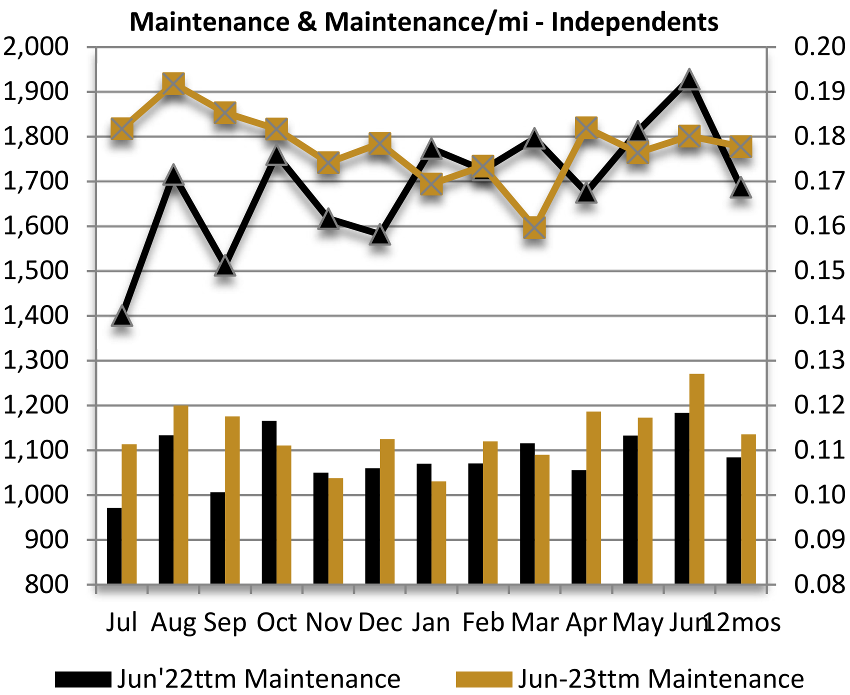
Independent	+$618	to	$13,636
Dry	+$639	to	$11,014
Reefer	+$133	to	$11,546
Flat	+$841	to	$12,260

Maintenance –
Avg All vs Independents

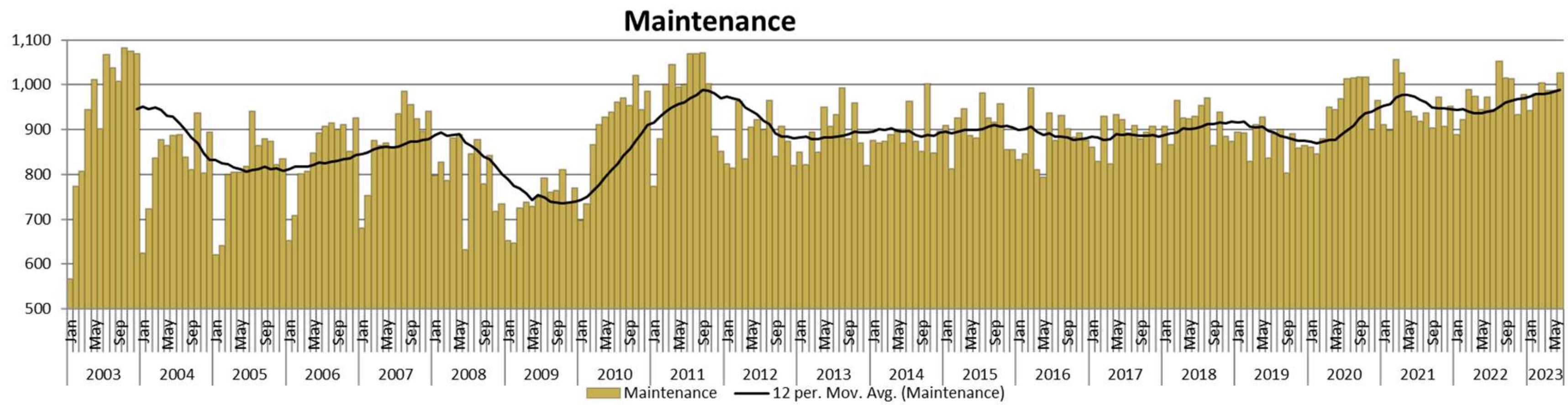
Average All

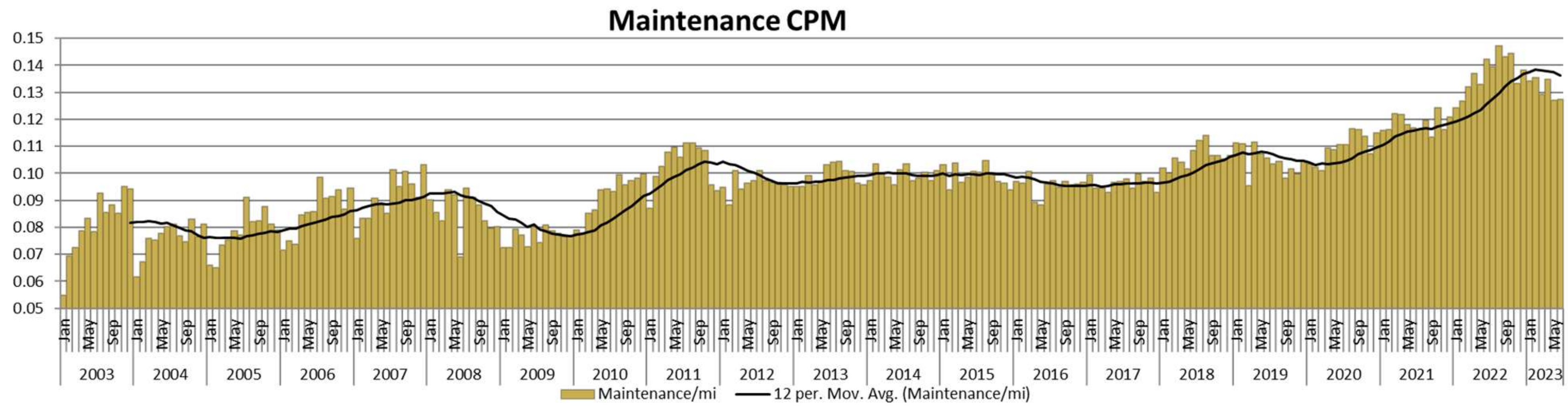


Independents



Maintenance 2003–2023
Average All Market Segments

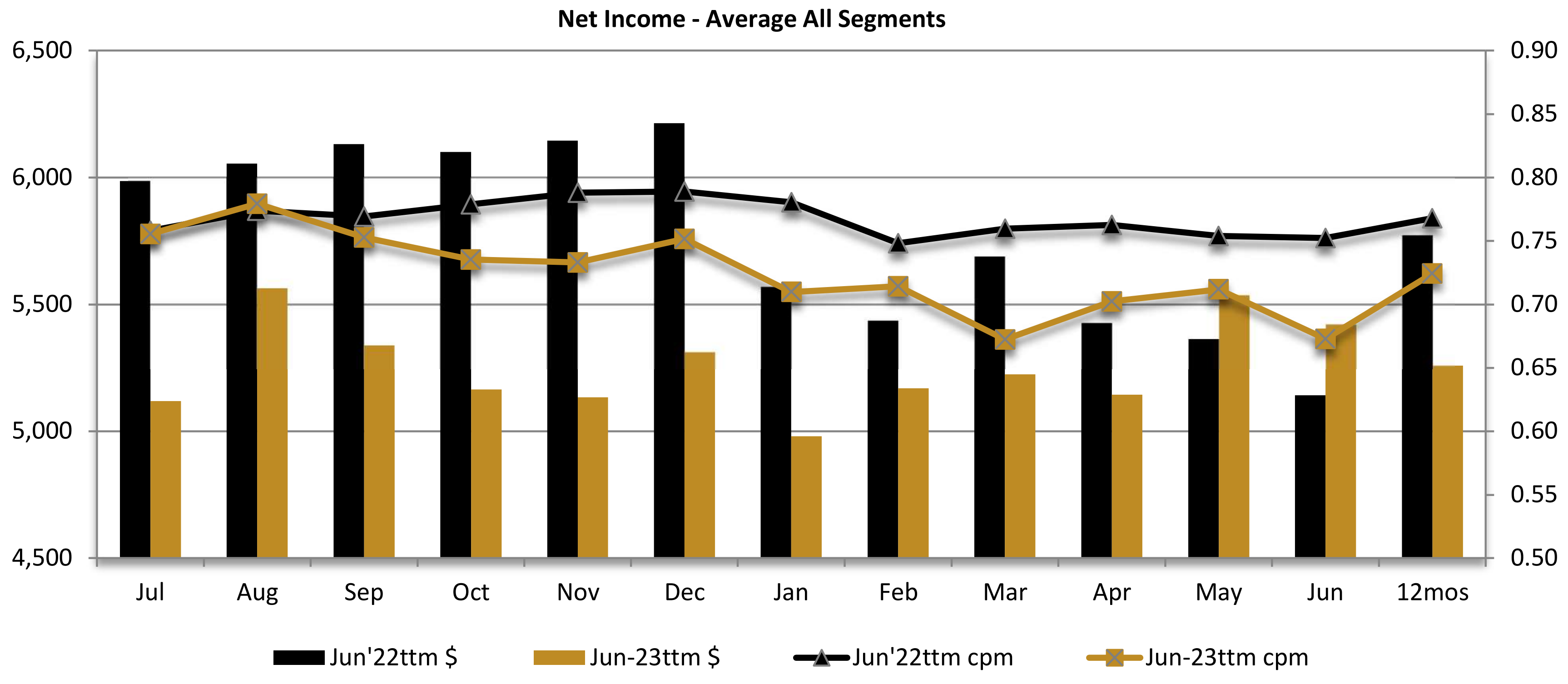




Net Income

Dollars vs Cents Per Mile (CPM)

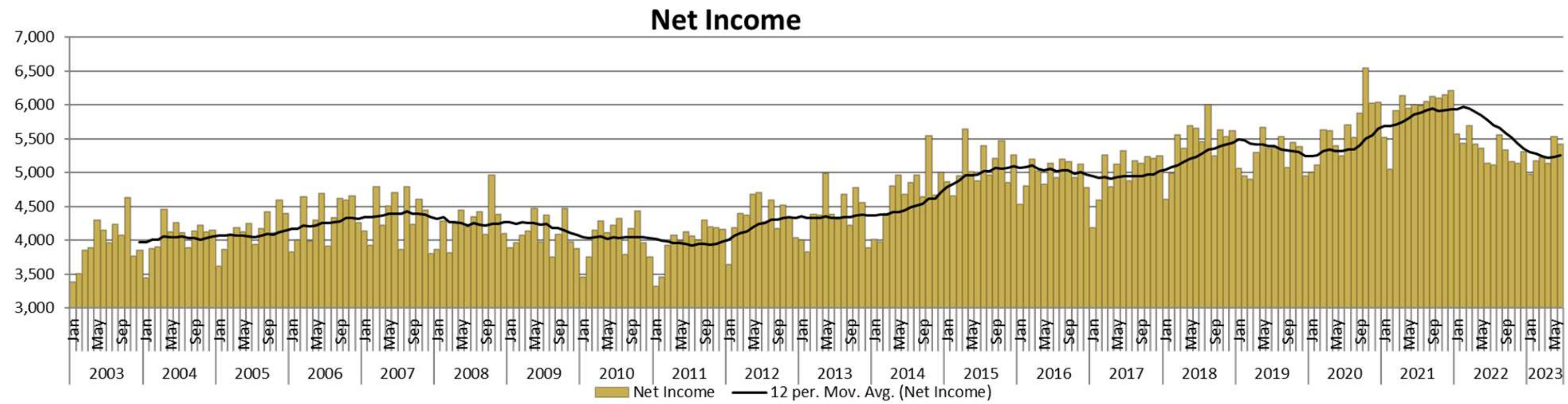
Net Income –
Avg All Market Segments

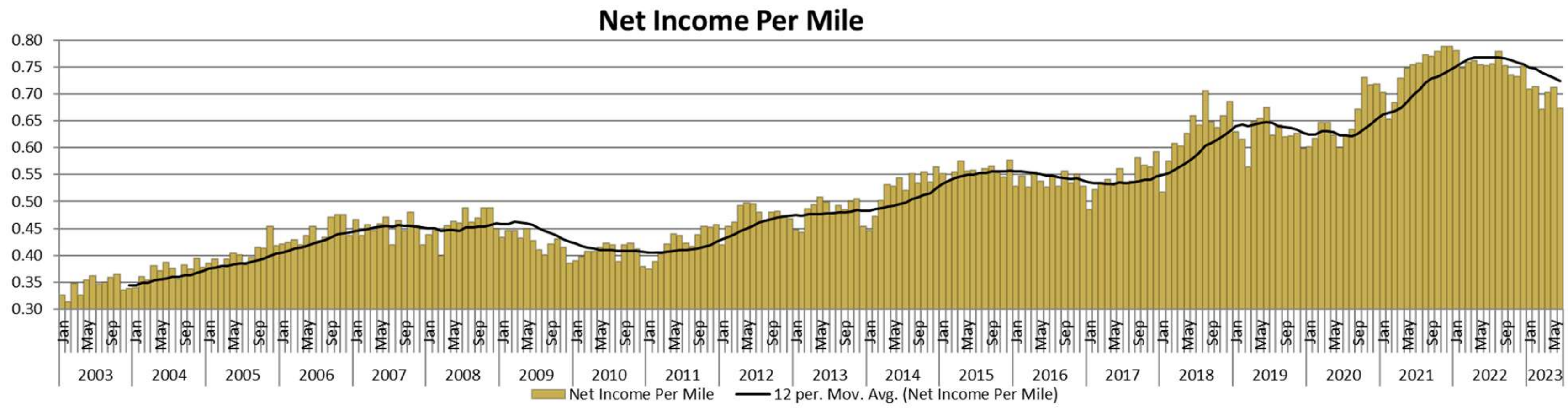


TTM 2022 vs TTM 2023: -8.9% -$6,149 to $63,114

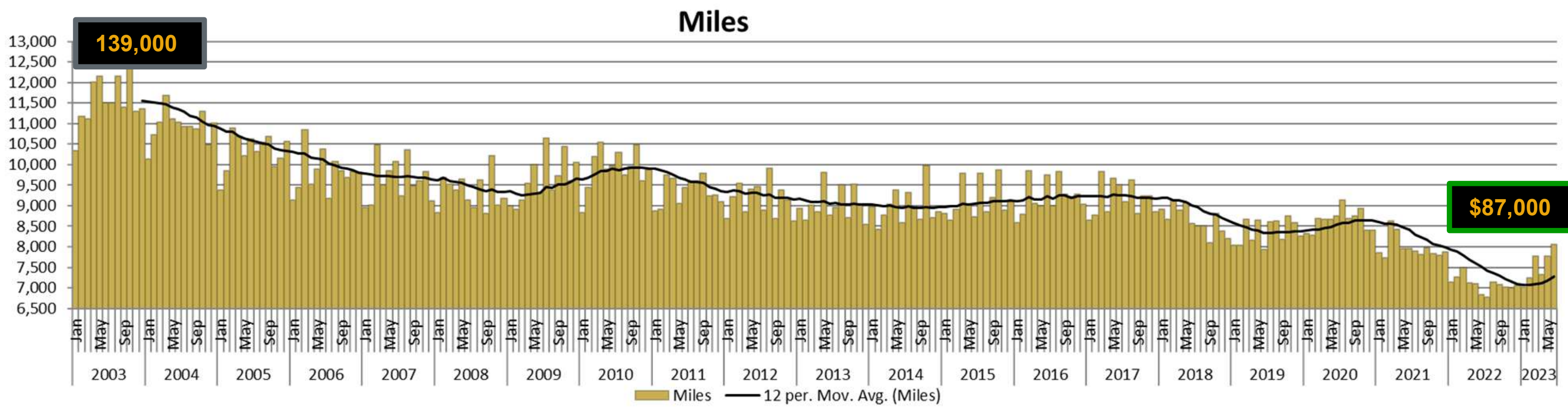
Independent	- $3,071	to	$64,180
Dry	- $6,806	to	$63,444
Reefer	- $5,579	to	$59,768
Flat	-$11,134	to	$63,524

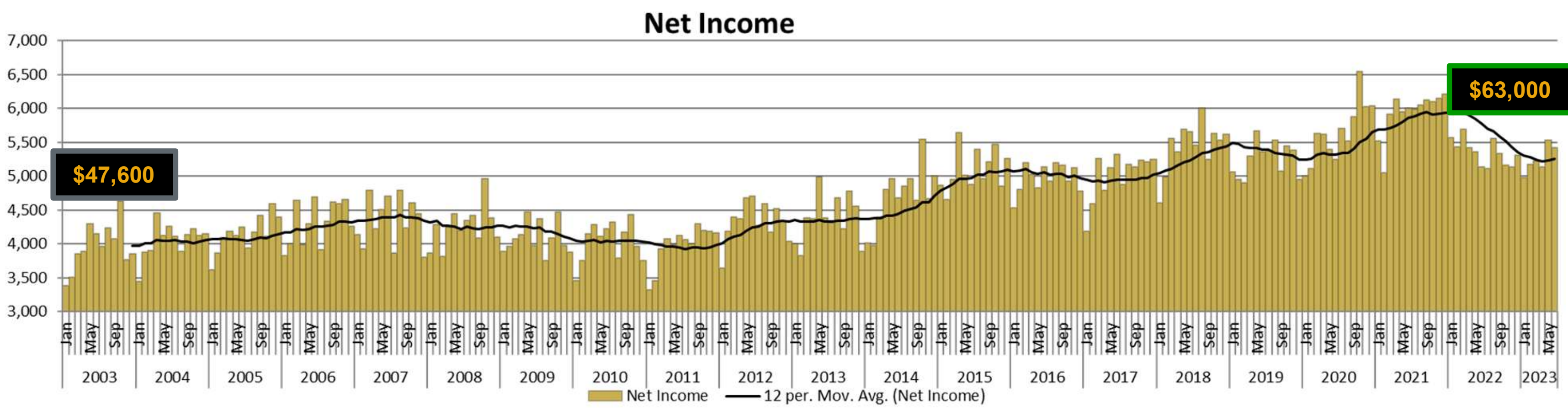
Net Income 2003–2023
Average All Market Segments





Miles vs Net Income 2003–2023
Average All Market Segments





Avg Annualized Net Income
ATBS Clients >1 Year

	2021Q4	2022Q2	2022Q4	2023Q2
Bottom 1/3rd of ATBS Clients	$56,341	$61,029	$57,066	$56,839
Middle 1/3rd of ATBS Clients	$96,965	$95,619	$87,194	$86,300
Top 1/3rd of ATBS Clients	$168,664	$164,929	$152,046	$150,006
Top 10% of ATBS Clients				$206,058

Year-Over-Year
Trends Are Turning Positive

Avg All Segments - Chng	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Miles:	-1,122	-687	-879	-808	-794	-807	-119	-28	284	207	663	1,223
REVENUE:	1,294	1,626	1,244	978	1,183	211	1,016	1,030	170	-1,828	-1,581	-1,048
RPM	0.49	0.40	0.39	0.35	0.38	0.24	0.18	0.15	-0.05	-0.31	-0.40	-0.48
Truck Pmnt	-174	126	23	113	84	-67	254	181	468	206	254	351
Trailer Pmnt	59	48	19	-72	16	-37	40	23	84	-23	-42	-21
License, Permits, FHUT, Tolls, Scales	-41	3	-1	18	24	16	46	27	45	33	36	58
Physical Damage Insurance	0	15	-6	-15	8	-54	21	11	46	-8	11	77
Bobtail Insurance	2	0	1	3	2	2	4	6	5	-2	-4	3
Work Comp Insurance	-2	5	7	-3	5	-7	3	9	14	-1	9	11
Health, Dental, Vision Insurance	21	49	16	42	11	-15	32	25	41	14	46	35
Fuel	1,538	1,294	1,319	1,115	1,327	566	685	432	-475	-1,116	-1,483	-1,602
Fuel CPM	0.31	0.23	0.25	0.22	0.25	0.14	0.11	0.06	-0.09	-0.17	-0.26	-0.33
Maintenance/Repairs	27	115	111	41	27	25	54	59	16	13	43	53
Communication	2	5	3	7	1	-11	13	17	15	6	18	13
Motel	57	27	48	-1	65	53	-25	-9	55	-3	-12	-16
NET INCOME:	-868	-492	-793	-936	-1,011	-901	-588	-266	-463	-284	172	280
Net Income / Mile	0.00	0.01	-0.02	-0.04	-0.06	-0.04	-0.07	-0.03	-0.09	-0.06	-0.04	-0.08

What does all this information mean?

- Revenue Per Mile slipped almost everywhere, but seems to have bottomed out
  - Grass isn't Greener
  - Know Your Costs
- Miles finally trended upward, but only by 2500 annually
- Fuel MPG barely improved, but we can do better– Slow it down!
- The best operators have run more miles & gotten better MPG, & their Net hasn't gone down!
- Save for maintenance & downtime!!!

Take An Extra Load Each Month

	1 more load	12 months	2 more loads	12 months
Miles	500	6,000	1,000	12,000
RPM	$2.00	$2.00	$2.00	$2.00
Gross	$1,000	$12,000	$2,000	$24,000
Fixed Costs	$0	$0	$0	$0
Variable	$400	$4,800	$800	$9,600
Profit	**$600**	**$7,200**	**$1,200**	**$14,400**

Average RPM: $2.05
Average Variable CPM: $0.80

Slow It Down

Miles

MPG	85,000	90,000	95,000	100,000
6	$58,367	$61,800	$65,233	$68,667
7	$50,029	$52,971	$55,914	$58,857
8	$43,775	$46,350	$48,925	$51,500

Average Fuel Cost: **$4.63** **(9/18/23 – EIA.gov)**

Go from 6-7 mpg: **Save $8,000 to $10,000**

Go from 6-8 mpg: **Save $15,000 to $17,000**

Easy Key Takeaways

- 1 extra 500 mile load per month = $7200 a year and 1 MPG means $8000 a year. That's over $15,000 a year!! We need to understand that marginal steps make HUGE improvements in the bottom line
- Freight seems to have bottomed out. As capacity shrinks, things should get better soon!
- The last 2 recorded months we are already seeing positive trends

Thanks everyone!

Mike Hosted

Questions about ATBS?
Call 866-920-2827
www.ATBS.com