Logistics Market Report

Q4 2025 February 2026

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Agenda

Introduction to Applied Value

Truckload

Less Than Truckload

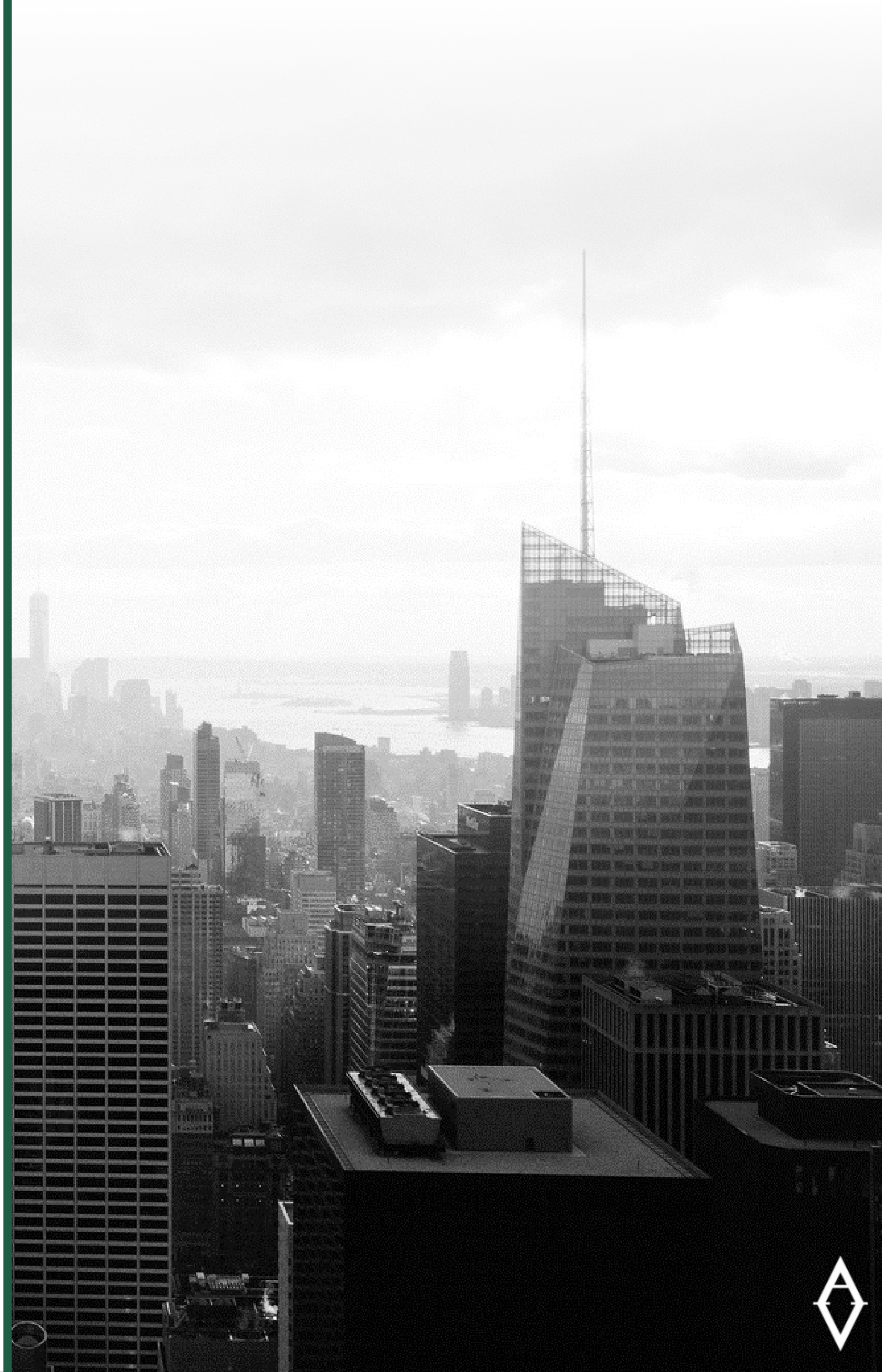
Parcel

Rail / Intermodal

Ocean

Air

Introduction to AV’s Logistics Center of Excellence



Applied Value Group is a global boutique management consulting firm with a margin expansion focus and a pragmatic, hands-on approach to business.

APPLIED VALUE

Founded in 1997, Applied Value is a global management consulting firm with an owner-operator history and a track record of driving measurable results for our clients

Our Approach

Fact-based | Practical | ROI driven | Hands-on | Global

25X
Average Client Payback

$20B+
Total Client Financial Impact

<3 Months
Average Payback Time

Practice Areas

- Strategy & Organization
- Commercial Excellence & Pricing
- Supply Chain & Operations
- Logistics Center of Excellence
- Sourcing & Procurement
- Product & Innovation
- Mergers & Acquisitions

Applied Value Consulting challenges and supports global repeat clients across industries from four core offices.

Select Clients

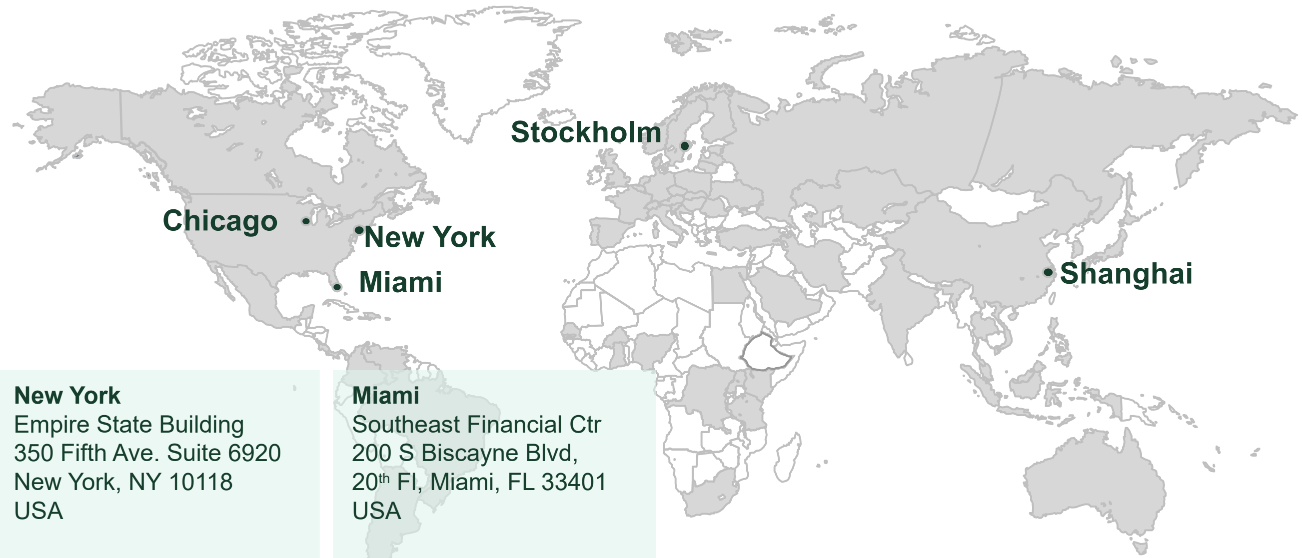
PE Funds

- EQT
- Platinum Equity
- Apollo
- American Securities
- Nordic Capital
- AMP Capital

Example Clients

- PepsiCo
- aramark
- Meta
- Sony
- Delta
- Whirlpool
- Vestas
- Hinge
- Carrier
- The J.M. Smucker Co
- Peloton
- Lucid
- GM
- Otis

Applied Value Offices and Footprint



Countries where Applied Value has worked over the last ten years

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Shanghai, 200041
P.R. China
+86 21 5213 6390

Boston (Corporate)
300 Brickstone Square,
Suite 201
Andover, MA 01810
USA
+1 978 631 4142

500+
Clients Served

2,500+
Engagements

30+
Project Countries

Navigating Q4 Signals: Strategic Modal Adjustments and Sourcing Levers for 2026 Success.

MODES	KEY TAKEAWAYS	Q4'26 TRENDING	CALLS TO ACTION
Truckload	› Recent surge in spot rates and modest increases in contracted rates amidst soft demand indicate a market inflection › 3 years of capacity exits are reducing supply		› Avoid the risk of a rising spot market in the second half of 2026 by sourcing in Q1/Q2 › Monitor volumes and price adherence
Less than Truckload	› Expect a modest volume increase over decrease 2025 volumes › LTL carriers remain focused on revenue quality		› Budget for a modest general rate increases › Source new contracts to mitigate potential increases
Parcel	› Package rates, fuel surcharge and accessorial charges are rising as primary US national carriers emphasize margin		› Set Y/Y caps on increases › Limit increases with national providers by exploring regional providers and sourcing volumes
Rail	› Tightening TL capacity and increased IM volume will support increased IM rates › Normalized import volumes support modest growth in carload volumes		› Assess exposure and service dependencies ahead of modal selection › Preserve modal flexibility
Ocean	› Rates continue to decline and blank sailings climb › The frontloaded volatility of 2025 will smooth in 2026		› Mitigation strategies for blank sailings are critical to reduce disruptions › Min. volume commitments could help lock in low rates while improving service
Air	› Air freight rates remain flat as volume is forecasted to grow modestly (~2.6%) › The Air freight market is agile and quick to adapt to the market dynamics		› Take advantage of flat rates it is still a shipper's market › Consolidate weight and utilize ULDs

Agenda

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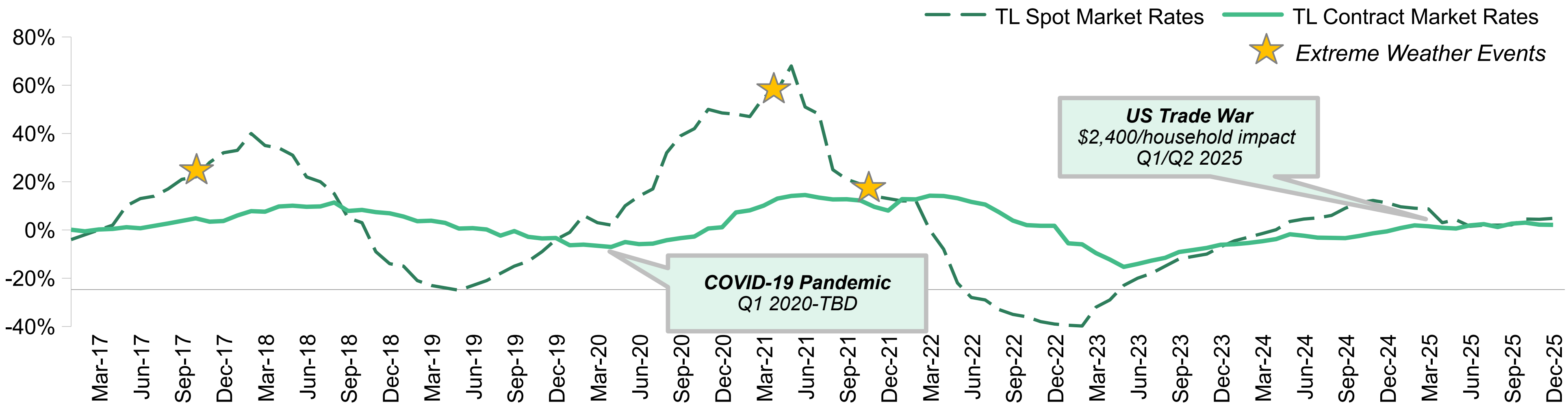
The US Truckload market has reached an inflection point.

Truckload Rate Performance, *2017-2025 YTD*



Key Insights

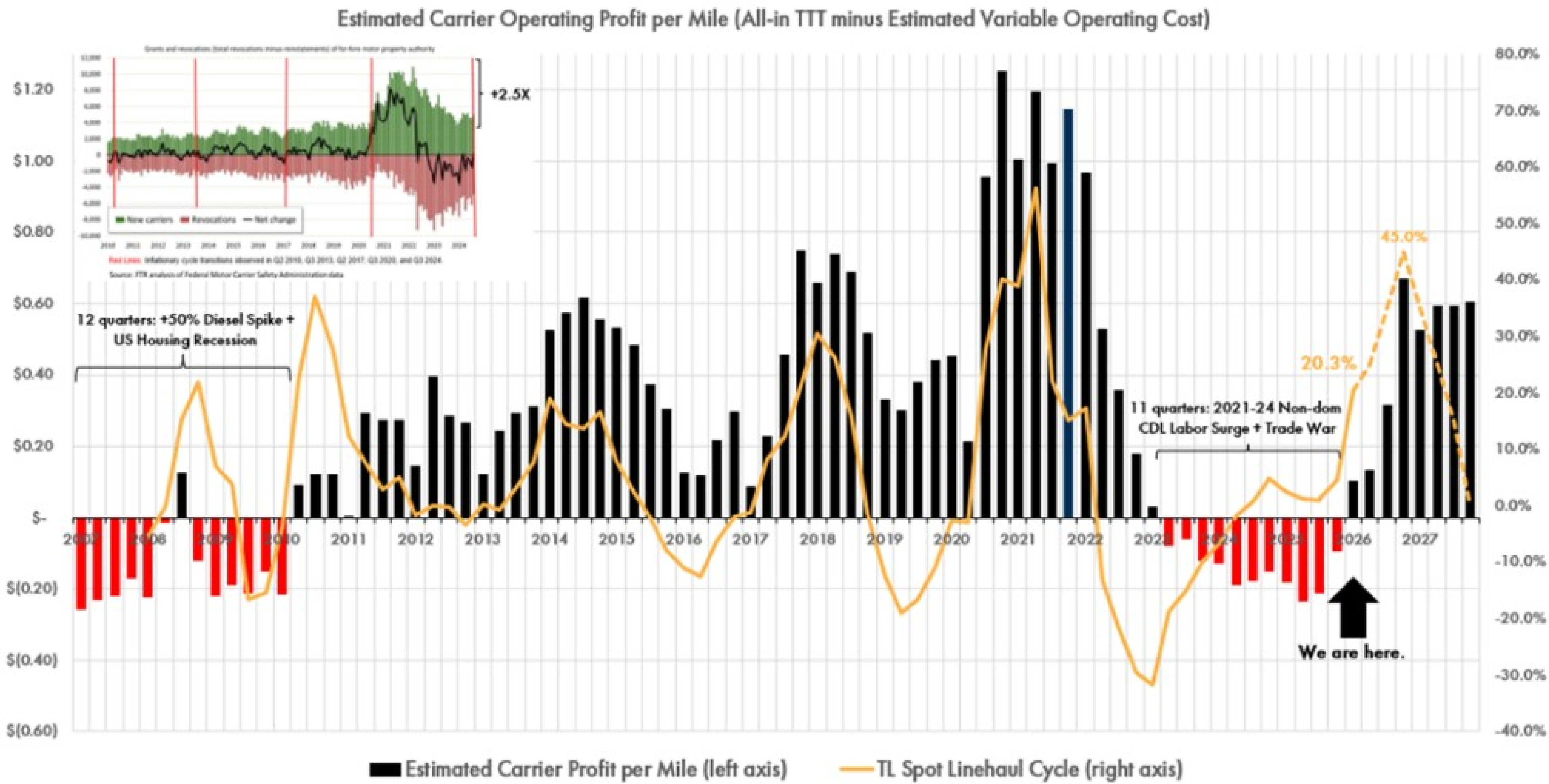
- **Q4 finished with a $0.20 / mile surge in spot rates** brought on by a combination of peak season, winter weather events, and a tighter capacity pool.
- While spot surged, **contracted rates have remained relatively stable throughout November and December 2025 but are starting to rise**.
- **The Cass Truckload Linehaul Index is up 1.8% Y/Y in 2025,** after declines in 2023 and 2024 creating a better market for carriers.
- For the third consecutive year, **the US Truckload market has more “exits” than “additions”.**

What does this mean for shippers?

- **The tightening spread between spot rates and contracted rates is an indicator market rebalancing** frequently preceding a flip in the market.
- The **Y/Y increase in the Cass Truckload Linehaul Index indicates rates are on the rise.** A stronger emphasis on tracking logistics plans against actuals and acting swiftly to mitigate incremental cost increases and turn backs is needed to limit shippers' exposure to an increasing spot market
- 2026 is likely to see a modest increase in contracted rates and a double digit increase in spot rates. Shippers looking to mitigate risk should **avoid the spot market in the second half of the year.**

Sources: RXO, Cass, DAT, Trucking Drive, FMCSA, Pickett Research, AV Research

Q1 2026 TL Spot Linehaul Cycle



Agenda

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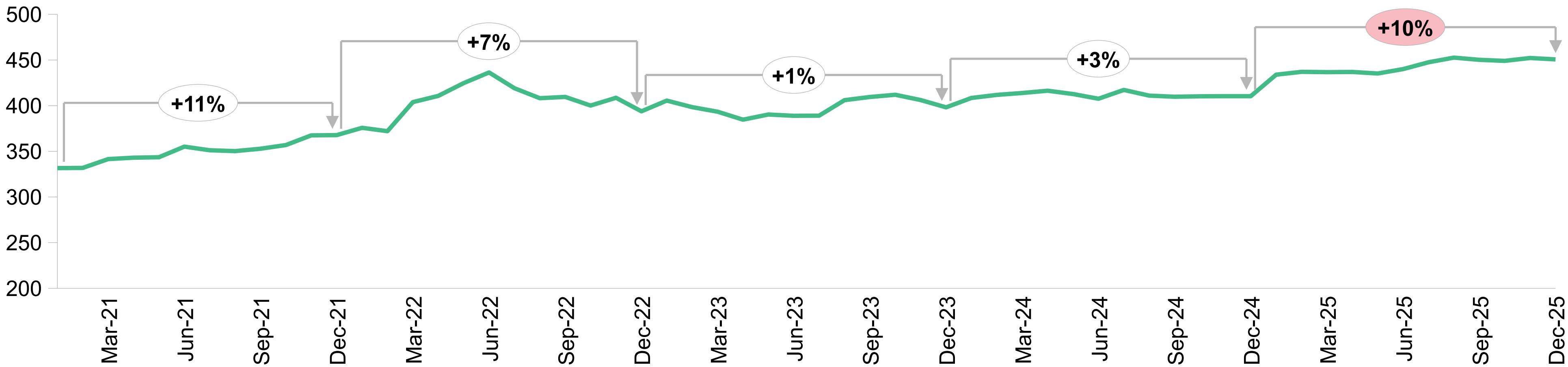
LTL budgets should remain conservative in 2026, as firm pricing likely persists despite a modest demand recovery.

Producer Price Index – Less Than Truckload, *5Y: 2021-2025*



Key Insights

- **The Producer Price Index for long-distance LTL trucking reached 450.657 at the end of 2025 – about 10 % higher year-over-year.**
- BTS reports truck transportation services PPI +4.2% YoY (Nov 2025 vs Nov 2024), consistent with "rates holding up".
- Cass showed shipments down (full-year 2025 decline noted) while expenditures were roughly flat to slightly down, implying lower volume + firmer rates.

What does this mean for shippers?

- Base case scenario for 2026: modest volume recovery + continued yield discipline; **LTL budgets should stay conservative**.
- Given 2025's "flat tonnage / down shipments" environment coupled with persistent service-price inflation signals, it may be safer to plan 2026 as slightly raised volumes, flat-to-up net rates, and continued scrutiny tied to documentation quality and freight characteristics on accessorials.

Source: FRED, Bureau of Transportation Statistics, Cass Information Systems, AV Research

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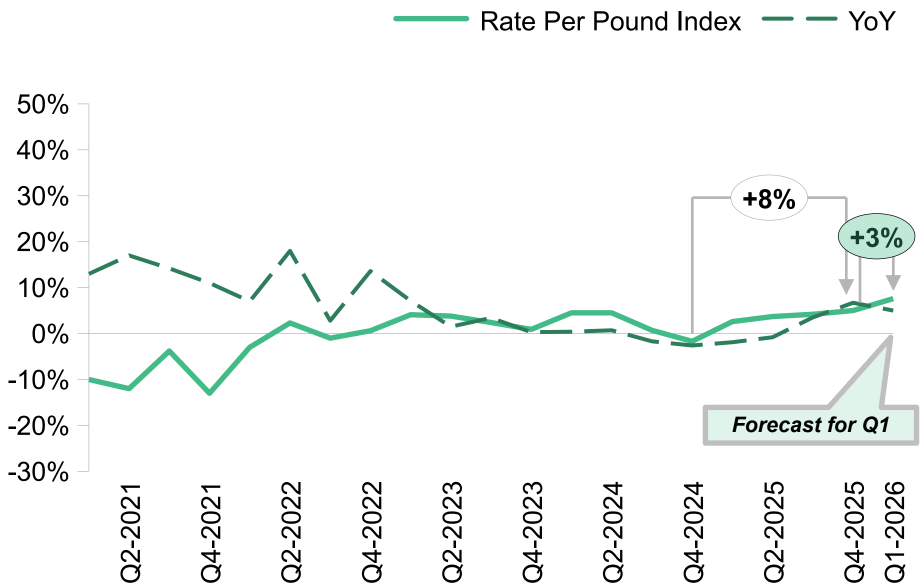
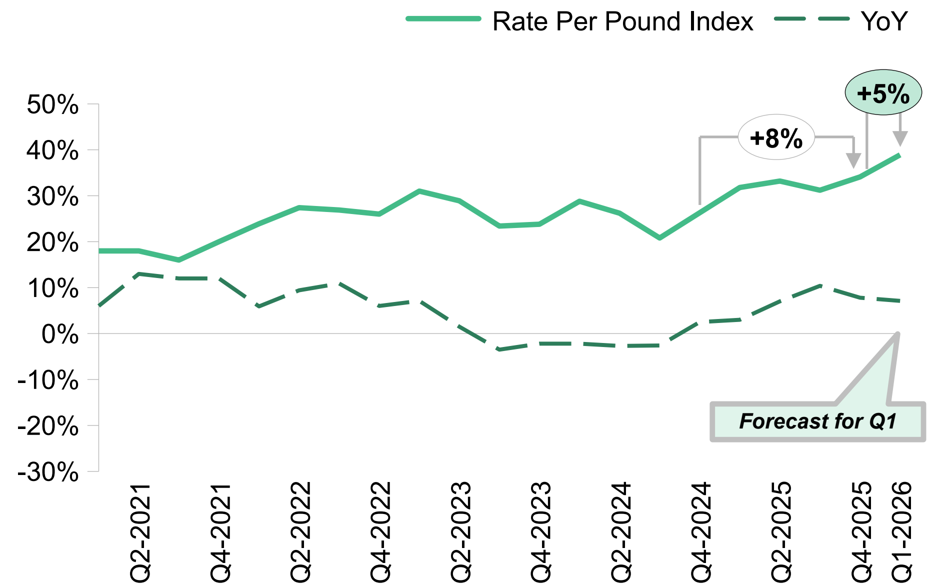
Parcel costs hit with 5.9% GRI, but show signs for cost mitigation opportunities.

Express Parcel Rate Per Package Index, *5Y: 2021-2026*



Ground Parcel Rate Per Package Index, *5Y: 2021-2026*



Key Insights

- Both FedEx and UPS implemented a GRI of 5.9% for 2026 and despite on highway fuel prices dropping ~1.5% both providers increased fuel surcharges ~1%.
- Both Express and Ground package rates saw an increase of +3% and +5% respectively and record highs from 2025 are expected to remain elevated in 2026.
- After stalling the last two quarters, both ground and express discounts are beginning to hit an upward trend.

What does this mean for shippers?

- The 5.9% increase on packages, 1% increase to fuel, and 13% increase in average accessorial costs emphasize the importance of setting YoY caps as well as negotiating any rate changes.
- Renewed emphasis on exploring regional providers as UPS and FedEx respond to evolving global trade policies and macroeconomic headwinds by intensifying their focus on cost management, network improvements, maximizing revenue.
- Carriers are beginning to target shipper contract discounts indicating they are deploying strategic levers to protect market share and support volume growth.

Source: AFS Logistics, Logistics Mgmt., AV Research

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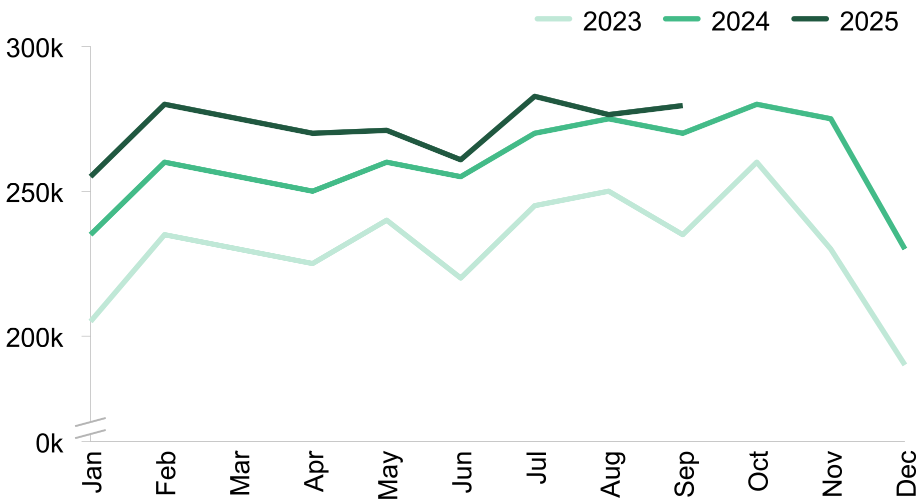
Remain agile: market forces will lead to growing demand and rates in 2026.

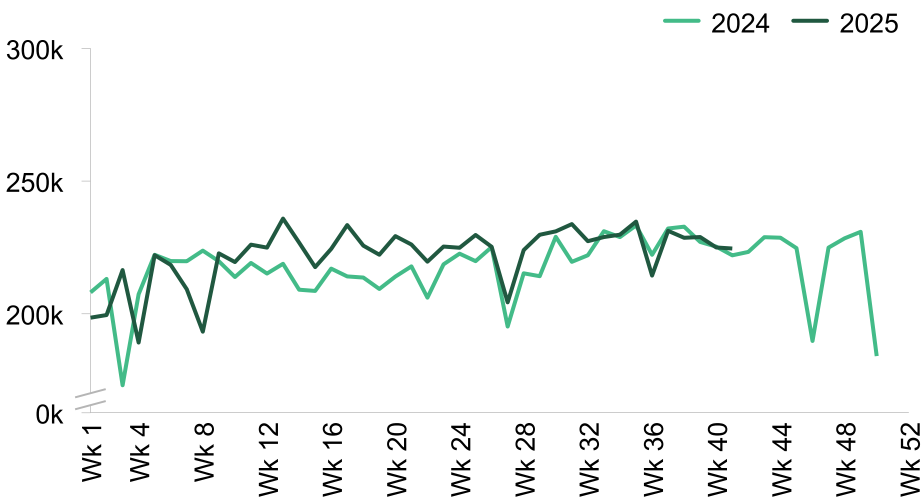
US Rail Intermodal Units, *2023-2025*



Key Insights

- **Total carloads declined 2.3 % y/y in December** but **remain up 1.5% over 2024** thanks to gains in grain, metals and auto volumes. Weakness in chemical, ores, crushed stones and sand offset some of the industrial gains.
- **Intermodal originations fell 3.4 % y/y in December marking the fourth consecutive month of y/y decline.** YTD volumes are 1.5 % higher 2024. With 14.06M units shipped, 2025 was the second highest annual volume behind 2018.
- **The Freight Rail Index slipped slightly in December 2025 and sits about 6.3 % below its December 2024 level**. This recent decline is attributed to a post peak-season slowdown in intermodal traffic.

US Total Rail Cars, *2024-2025 YTD*

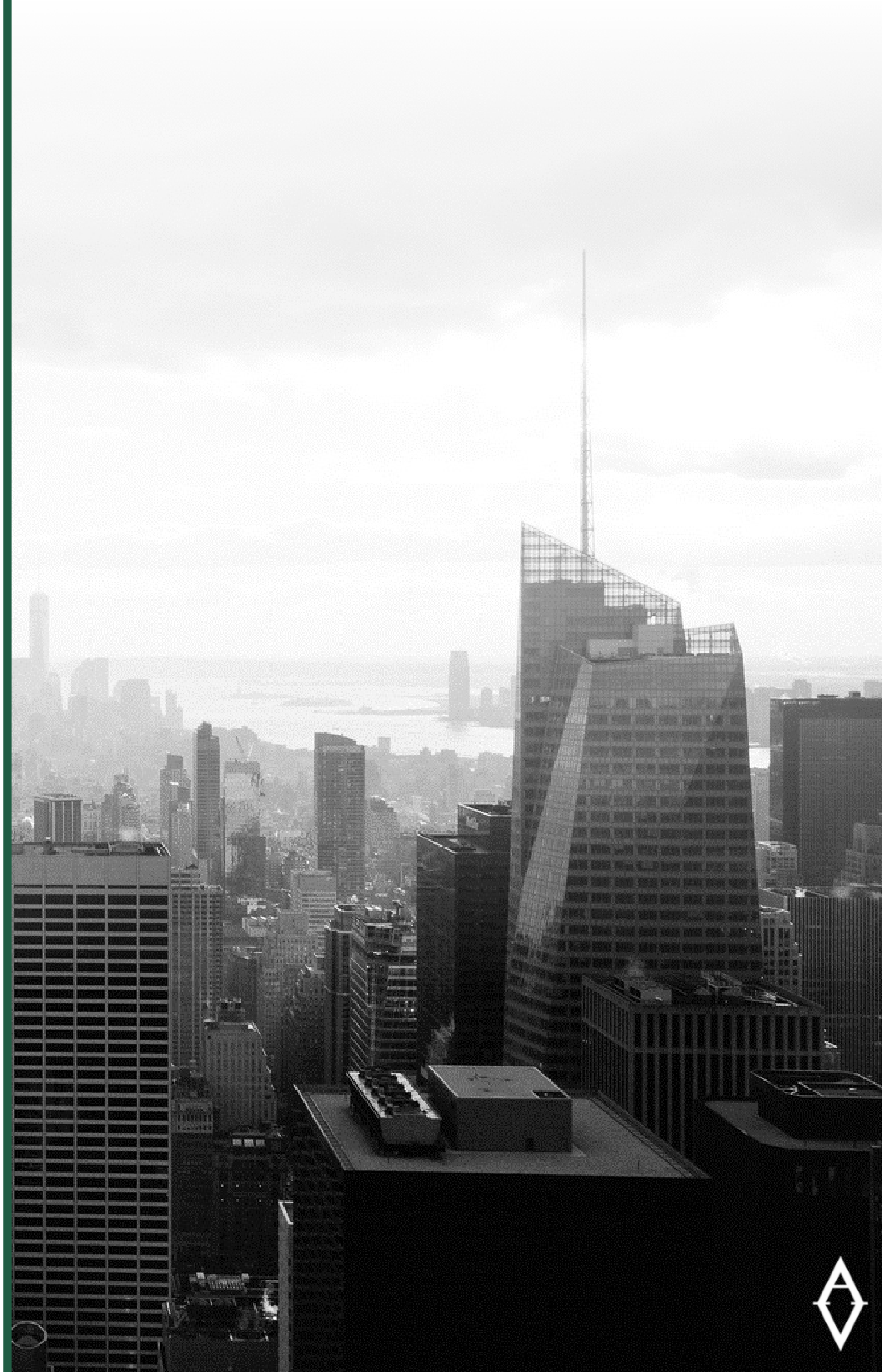


What does this mean for shippers?

- **Expect modest and stable growth of rail carload volumes**. Economic uncertainty, soft demand but normalized import volumes will contribute to a modestly rising market in carload volume and firming rates.
- After a soft second half for intermodal in 2025**, we will see a small boost in demand for intermodal capacity and raising rates in 2026 as truckload capacity tightens mildly.**

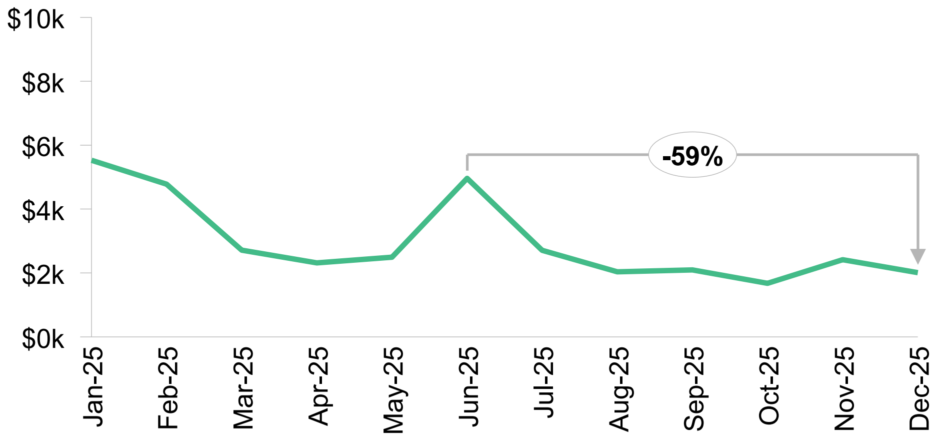
Source: Association of American Railroads, Intek Logistics, Institute for Supply Management, AV Research

Agenda

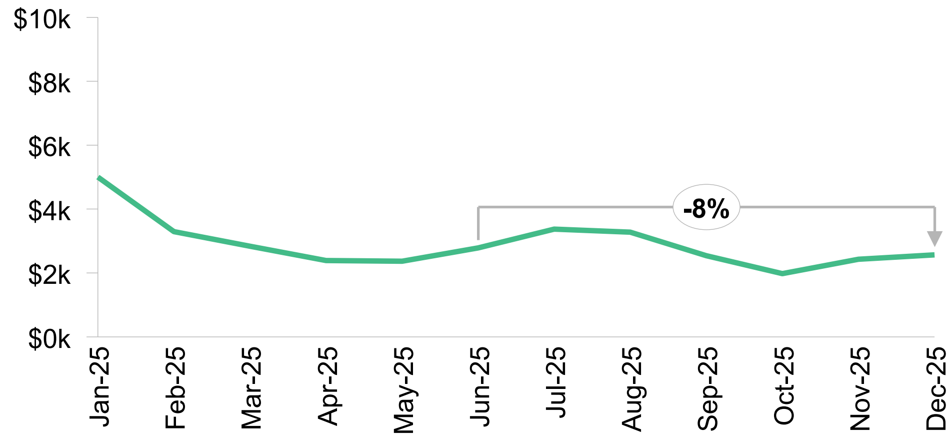


After 2025's tariff-driven swings, ocean freight enters a more seasonal and oversupplied 2026, with continued capacity management.

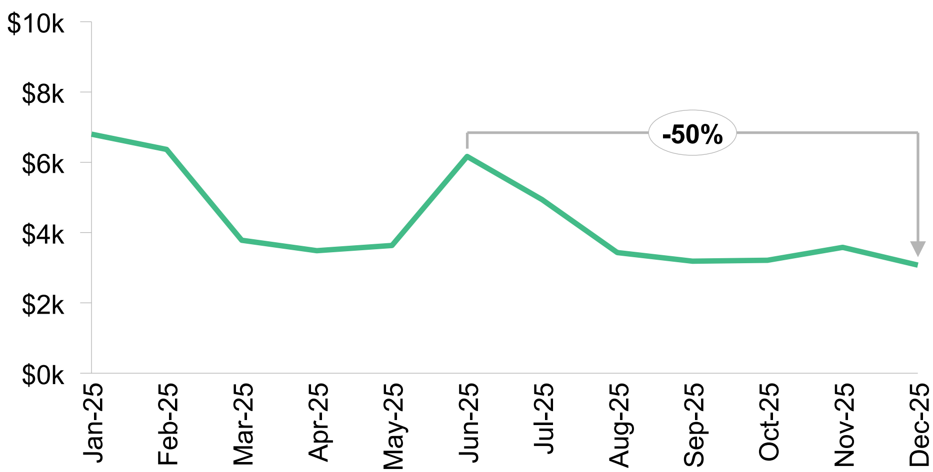
Asia-US West Coast, *$/FEU*



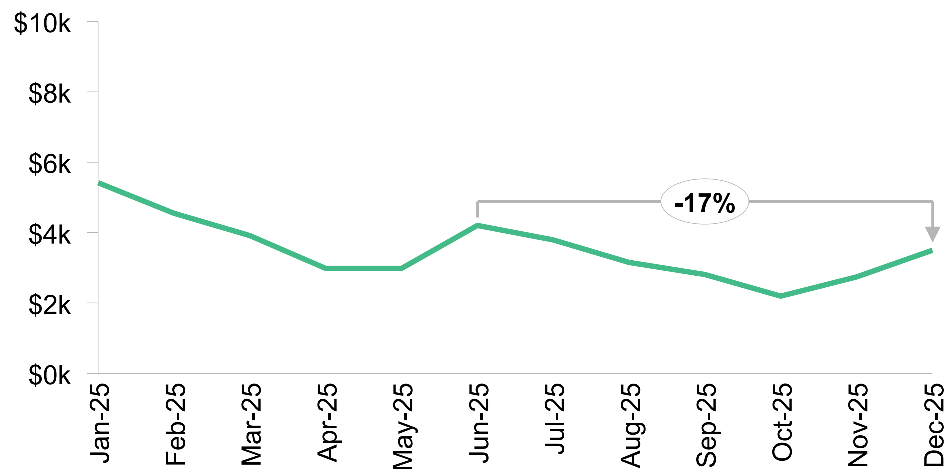
Asia-N. Europe, *$/FEU*



Asia-US East Coast, *$/FEU*



Asia-Mediterranean, *$/FEU*



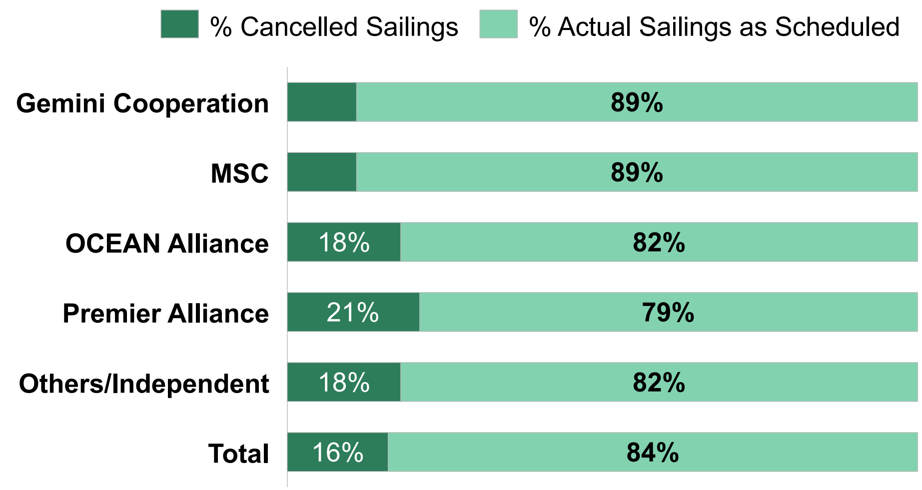
Source: Freightos, AV Research

Shippers should prepare for volatility as weak demand and fluctuating blank sailings drive market uncertainty.

Key Insights

- **Looking Back on 2025:** Trade war distorted normal seasonality; early 2025 saw U.S. importers frontload shipments to beat tariff changes, then weaker volumes later in the year. Global container trade still grew, driven by export diversification – especially from China.
- **Rate and Scheduling Volatility:** Blank sailing and sport rate weakness demonstrates carriers struggling to shape capacity to actual demand. Volume shifts and weak demand are key drivers of rate and scheduling volatility.
- **~16% of scheduled sailings over the next five weeks have been cancelled.** Despite these cuts, Drewry's World Container Index decreased 1% to $1,933 per 40ft container for the week of February 12th.

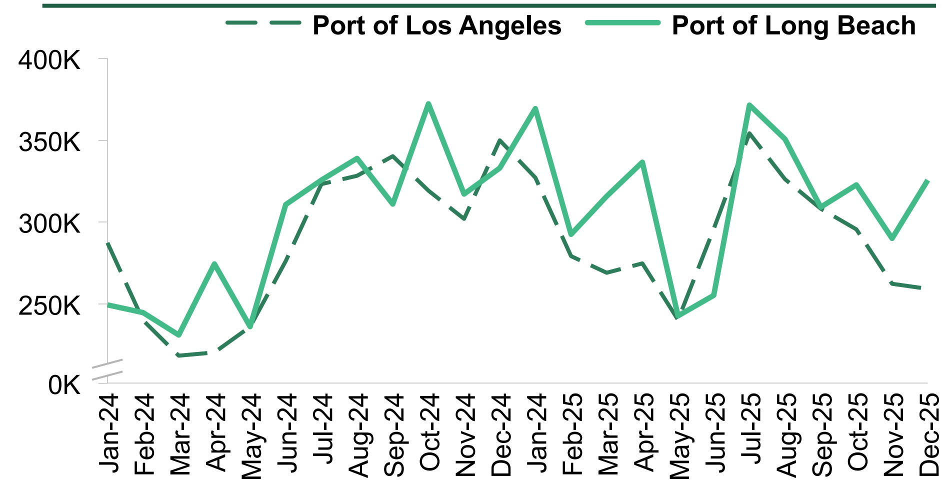
Cancelled vs. Scheduled Sailings, *Feb. 16 – Mar. 22 Forecast*



What does this mean for shippers?

- **Spot rates continue to decline even as carriers increase blank sailings.** This trend indicates capacity reductions are not strong enough to offset soft demand, ultimately giving shippers more negotiation leverage.
- Peak season normalization with traditional quarterly rate cycles may return, but peaks will likely be lower than historically seen.
- **Capacity changes and tariff policy will continue to cause rate swings and blanked sailings.** Short term disruptions (i.e., weather, tariffs, Red Sea routing shifts) remain real risks – shippers should prepare for congestion events.
- Shippers should consider negotiating flexible rate structures and maintaining mixed contract vs. spot strategy depending on lane volatility.

Empty Container Exports – Port of LA/LB



Source: Freightos, Drewry, AV Research

Agenda

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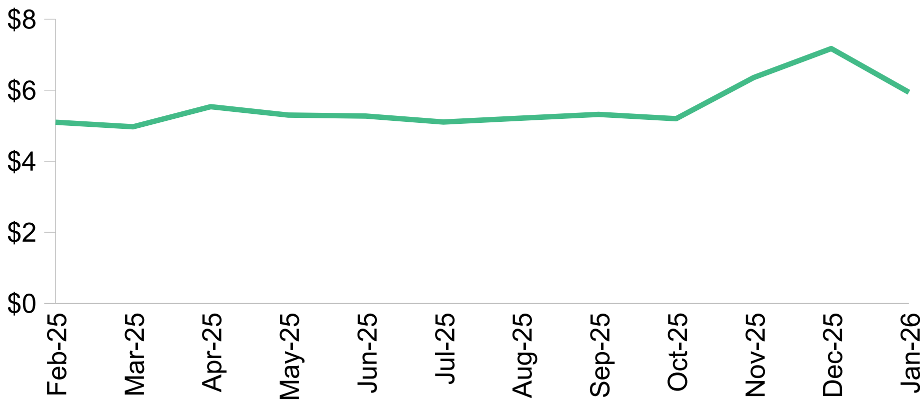
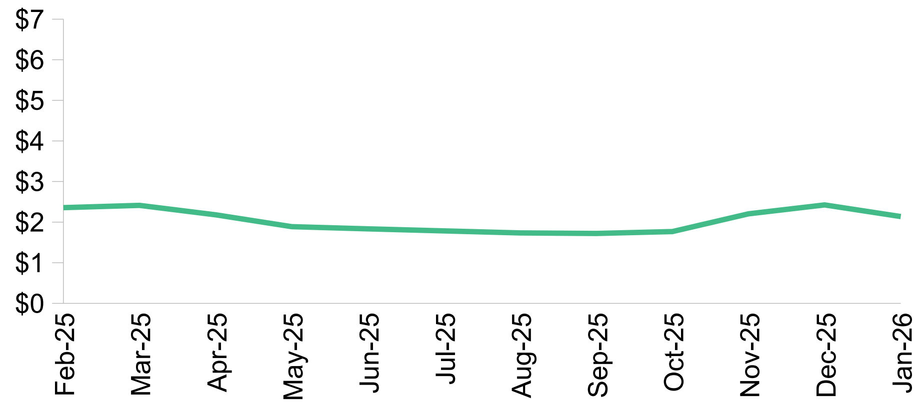
Global air cargo market proved resilient, and rates stayed stable throughout 2025, despite significant trade policy changes and volume shifts.

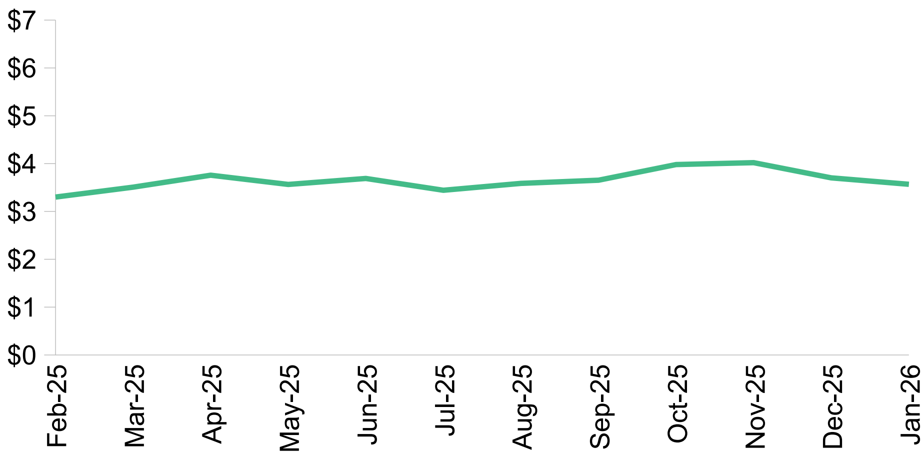
China-N. America, *$/KG*



N. Europe-N. America, *$/KG*



China-N. Europe, *$/KG*



Key Insights

- **End of De Minimis Exemption:** The removal of the de minimis exemption in the US caused a noticeable drop in the low-value commerce air cargo early in the year, suggesting trade policy changes can have a sharp but short-lived impact.
- **Air Cargo Demand Showed Adaptability:** After the initial downturn, demand recovered fairly quickly, showcasing air freight's flexibility and resilience, balancing capacity with shifting trade patterns.
- **Rate Stability Outpaced Volume Volatility:** Despite lane-by-lane differences, air freight rates stayed close to 2024 levels as carriers adjusted capacity quickly where needed. Agile capacity repositioning helped dampen rate volatility even as volumes shifted.
- **Outlook Sets Up Modest Growth for 2026:** The International Air Transport Association projects moderate global air cargo growth (~2.6%) suggesting continued resilience and gradual expansion. The air freight sector is positioned for steady, not explosive, growth as it navigates policy and demand shifts.

Source: Freightos, STAT Times, AV Research

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All companies have Transportation. We save clients on average 25%. Our team brings experience, expertise, custom tools, and unique capabilities

Transportation is complex

- There are tens of millions of service providers globally (Private Fleets, Common Carriers, 3PLs/4PLs and MTS providers)
- Many stakeholders influence transportation spend
- Managing transportation spend is more than just improving P*Q
- The transportation category should be managed as a marketplace and not simply a category of spend
- The U.S. alone has close to 2.2 million registered Trucking companies *

* Proprietary Database

Are you better or worse off, given your transportation costs are higher this year than last?

- Need to be able to easily isolate variables to understand where leakage may exist- examples include:
  - Changes to revenue **(Increased Sales)** – more sales, more shipments, more costs
  - Shift in customers **(Distance)** – further from origin drives up cost
  - Shift in service levels **(Service)** – faster is more expensive
  - Shift in shipment weights **(Weight)** – lower weight breaks are more expensive
  - Shift in Modes **(Modes)** – mode selection can drive costs
  - Fuel Surcharge **(FSC)** – Change in how measured and tracked
  - Accessorial Charges **(Accessorials)** – more or less of them impacts costs
  - Agreed to rates **(Rates)** - higher volume lanes in RFP often get better rates. If volume increases to what was previously a low volume lane, may need to perform a mini bid to get better rates

Applied Value launched its Logistics Center of Excellence (LCOE) in 2025 with key strategic hires bringing significant experience.

Decades of Experience	Hands-On Approach	Value Add Services
✓ Over 100 years of experience ✓ Team experience as both shippers and carriers across a multitude of industries, geographies, and modes	✓ We partner with clients to operationalize our recommendations ✓ We Engage stakeholders at all levels to ensure success and continuity	✓ Certified users of multiple complex category sourcing tools ✓ Proprietary Alternative Carrier Identification tools ✓ Custom built data cleansing tools

Offerings

Transportation / Warehousing Assessment
Review Strategy, People, Process and Technology to identify areas for improvement

Transportation/3PL/MTS Sourcing
Data Cleaning & Validation, GTM Strategy Development, RFP Execution, Contract Negotiation, Scenario & Impact Modeling

Logistics Business Intelligence
Define KPIs and reporting needs, Dashboard Development, Data Mapping with IT Resources, Stakeholder Training

Logistics Software Selection & Implementation Support
Technology Gap Assessment, Software Identification, Provider Selection, Technology Implementation, Training and Support

Logistics Plan Adherence (Compliance Tracking)
Sustainability Assessment, Continuous Improvement, Data Mapping, Carrier Performance Tracking, Risk Mitigation

Fleet/Warehouse Operations Optimization
Future State Visioning, Fleet Standardization, TCO Model Development, Fleet Sourcing, Policy & Procedure Development

Using this methodology, we have managed to capture sizable savings for our clients in the past 2 years

$5B	$1.3B	25%	10X+
Addressed	Saved	Avg. Savings	ROI

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