STRATEGIC IMPLICATIONS OF THE TRANS PACIFIC PARTNERSHIP ON THE U.S. TRUCKING INDUSTRY

Is TPP a significant driver of strategic change?

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Company Facts and Figures

- Founded in 1985
- 2014 Revenue: $1.86B
- Publicly Traded (NYSE:WNC) Since 1991
- Nearly 6,000 Associates Worldwide (Full time & Contract)
- Corporate Headquarters in Lafayette, Indiana
- 12 Manufacturing Locations in 3 Countries
**Key Customers**

**Commercial Trailer Products**
- Celadon
- Swift
- Crete Carrier
- FedEx Freight
- Heartland Express
- Werner Enterprises
- Schneider National
- Averitt
- Nussbaum

**Walker Group**
- BHP Billiton
- DAF
- Pfizer
- HAWK Field Services
- Honeywell
- Kraft
- 3M
- Nestle
- ExxonMobil
- Solvay
- Bristol-Myers Squibb
- Merck

**Wabash Composites**
- Penske
- FedEx Ground
- Whiting
- Supreme
- Spartan
- Transglobal

**Large and Diverse Customer Profile**
SEGMENT PROFILE: COMMERCIAL TRAILER PRODUCTS

- 2014 New Trailer Shipments: 53,550
- Comprehensive portfolio: dry vans, refrigerated vans, platform trailers
- Leading brands and long-standing customer relationships
- Industry leader in van and platform trailer manufacturing
- Mature practitioner of lean manufacturing methodology
- Long history of innovative solutions for customers

Financial Performance

Key Brands & Models

Segment Revenue and OI are prior to the elimination of intersegment sales.

Best-in-Class, Technologically Innovative Products
COMMERCIAL TRAILER PRODUCTS
TRUCKING TO REMAIN DOMINANT TRANSPORTATION MODE IN THE U.S.

2014
- Truck: 68.8%
- Rail Carload: 13.4%
- Pipeline: 10.5%
- Water: 5.9%
- Rail Intermodal: 1.3%
- Air: 0.1%

Overall Freight Trends
- Total tonnage projected to increase from 14.5B tons in 2014 to 19.2B tons in 2026
- Total freight revenue projected to increase from $872B in 2014 to $1,522B in 2026

Trucking Freight Trends
- Truck mode share of total freight tonnage projected to decline slightly from 68.8% in 2014 (10.0 B tons) to 64.6% (12.4B tons) in 2026 as pipelines benefit from energy sector boom
- Estimated Freight Increase
  - Truckload (TL) 2.9%/yr 2.1%/yr 1.2%/yr
  - Less-than-truckload (LTL) 4.4%/yr 3.3%/yr 2.5%/yr

Source: ATA

Long-Term Outlook for Trucking - Positive
Overall “Freight Loading” can be extrapolated from GDP growth estimates...

• Over next five years (2017-2021), real GDP is estimated to expand at 2.7% per year.

• Looking further out into 2022-2026, GDP expands 2.3% annually.

Two major structural changes will affect “Freight Pool” activity in years to come...

• Domestic oil and gas production has all but forever altered the freight landscape both in volume and method.

• Foreign trade will expand freight activity volume and as well as change lane density models.
Capacity expansion and infrastructure investment will be required, specifically in the following freight modes:

- Over the Road Trucking
- Rail Intermodal
- and Pipeline Systems
While overall rail share of freight tonnage will reduce from 14.2% in 2015 to 12.8% in 2026,

- Overall rail car revenue will increase from $65B to $95B by 2026.
- Growth driven primary by intermodal railcar revenue expansion from $20B in 2015 to $40B in 2026.

Why the Expansion in Intermodal?

- Foreign Trade (Port-centric)
- Increased use by “for hire” trucking firms

What could “derail” intermodal’s expansion?

- Continued “Speed to Market” deficiencies.
- Lack of Infrastructure Investment
From a macro perspective, overall increases in N.A. foreign trade will positively impact freight tonnage over the next 10 years.

However, the specific impact of TPP is not on the radar of our customer base at this time, except for…
A landmark U.S.-backed Pacific trade deal will give a boost to an already booming e-commerce industry in the region, executives at global delivery firms FedEx Corp and Deutsche Post DHL Group told Reuters.

"E-commerce is huge. It's a $2 trillion economy in itself," David Cunningham, chief operating officer of FedEx Express.

The current size of the global e-commerce industry is estimated at $1.6 trillion, which has grown at a rate of ~20.4% on a year-on-year basis.

Forbes, Dec. 16, 2015
UNDENIABLE: THE LARGEST FREE TRADE DEAL IN HISTORY

One Fifth the Global Exports

12% of the Global Population

One Third of Global GDP

So Why Is TPP Not on Trucking’s Radar?
A SAMPLING OF: WHAT IS SHAPING THE NEXT FIVE YEARS FOR OUR CUSTOMERS

- Final Mile
  - Amazon & XPO Effect
  - Urban Centered Logistics
  - Expansion in Freight Services Model

- Driver Shortage
  - Rising Pay
  - Regionalization of Freight Lanes
  - Asset Utilization/Real Capacity Utilization

- Expansion of the Panama Canal
  - Deep Water Ports
  - Shifting Port Loadings to East Coast
  - Terminal/Fixed Asset Investment

- Hours of Service – Regulation
  - Lost Fleet Productivity adding to Increase in Real Capacity Utilization
  - Increased use of trailer “drop and hook” positioning

- Chemical Processing Capacity Investment
  - The American Chemistry Council expects capital spending to jump 37% to $45.8 billion by 2018.

Trucking Faces Substantial Forces, with Major Implications, within the One to Five Year Horizon
An example of an “Immediate and Indisputable” strategic factor facing Trucking.

ATA: Truck Driver Shortage Analysis, 2016
GROWTH IN DOMESTIC BULK CHEMICAL PROCESSING

Value of industrial bulk chemicals shipments, 2012-40
billion 2009 dollars

- projections
- resins
- organic chemicals
- agricultural chemicals
- inorganic chemicals

2012 2015 2020 2025 2030 2035 2040
The speculation is not seen as driving significant impact in the near term (1-5 years):

1. There will not be immediate freight acceleration
   - Tariff and Non-Tariff barriers slow to come down
   - Trade flows expected to gradually re-route to Western Mexico and Canadian ports

2. Only modest GDP impact to N.A. countries within a 10 year forecast period and within the relative range of forecast error

3. Auto import/export volume impact – seen as too slow and not substantial enough
TPP Strategic Implications for Wabash National

A transportation equipment manufacturers perspective…

E-Commerce: We stated in early 2015 that WNC was strategically positioning itself to be an industry leader in equipment solutions for the “final mile” and home delivery transportation markets.

Mega Trend Focus: We are linking strategy to large mega trends, which may be impacted by regulatory forces, such as TPP. However we remain focused on the truly macro forces that will shape future freight levels as well as changing B2B and B2C buying patterns.

GDP and Freight Tonnage Focus: We look at the macro measures of GDP and freight tonnage to understand underlying demand, specifically the move from replacement to growth within the markets we serve. TPP does not fundamentally change freights growth trajectory

TTP Countries & Transportation Equipment Exports: Likely, much more impactful for aircraft related products, rail infrastructure products and potentially automotive. Possibly a positive force over a 10 year forecast, but not a driver of strategy at this time for WNC.