

3Q 2014

# Canadian Mid-Sized Trucking Industry Outlook

## Key Findings

The most significant insights to emerge from GE Capital's survey of leaders of Canadian trucking firms include:

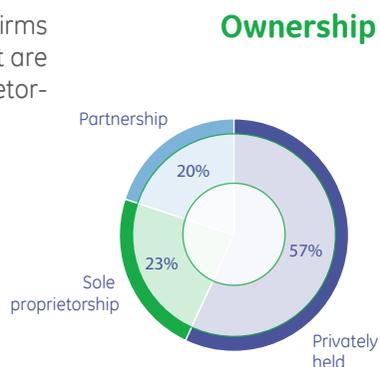
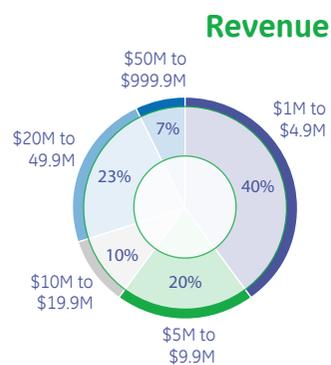
- A majority of firms experienced increased revenue over the past year and employment growth has been strong with 60% of firms adding jobs.
- Growth projections are also strong with more than three-quarters of firms expecting increasing revenue and almost two-thirds expecting increasing employment in the coming year.
- This growth is creating strong demand for qualified personnel with nearly all firms expressing concerns about recruiting and retaining qualified drivers.
- The trucking industry is less dependent on innovation for growth and adoption of new fuel technologies is likely to remain low for the foreseeable future.

### THE TRUCKING INDUSTRY

Average revenue of trucking firms surveyed: \$32,400,000

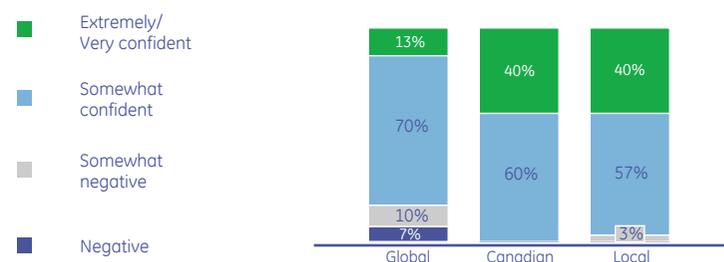
Average number of employees: 78

The majority of trucking firms are privately held. The rest are split between sole proprietorships and partnerships.



### ECONOMIC STRENGTH

Trucking industry leaders are most confident in the local economy and Canadian economy as a whole. They are less confident but still optimistic about the global economy.



### TOP BUSINESS CHALLENGES

The cost of doing business is the factor having the greatest impact on trucking firms in Canada. Similar to other industries, they are also struggling to attract and retain talented employees and senior management. And they have difficulty maintaining customer focus.

Top three concerns:

- Cost of doing business
- Attracting, training and retaining talent
- Maintaining sharp customer focus/senior management leading effectively

# GE Capital

## CONFIDENCE & PROFIT MARGINS

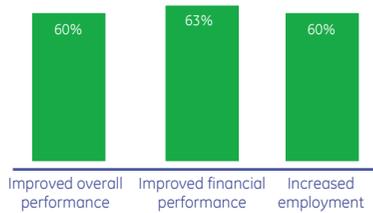
- Two-thirds of trucking firms expect an increasing cost structure this year with more than one-third saying energy costs will have a significant impact on their business
- Nearly all trucking firms plan to raise the price of their services next year to compensate for increasing costs
- 73% are considering additional financing for equipment and more than half plan on financing fleet expenses in the next 12 months

## INNOVATION

- More than half of trucking firms source less than 10% of company revenue from products introduced in the past three years, and the majority expect this to remain the same in the coming year
- The vast majority of these firms invest less than 2% of their annual revenue in research and development (R&D) and most agree this level of investment will not change

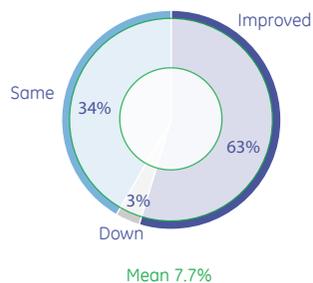
## STATE OF INDUSTRY & PIPELINE

Nearly two-thirds of trucking firms experienced improved financial performance vs. one year ago, and 60% increased employment.



## Employment over next 12 months

More than half of firms in the trucking industry expect to add employees in the coming year. Employment is expected to grow an average of 7.7% year-over-year.

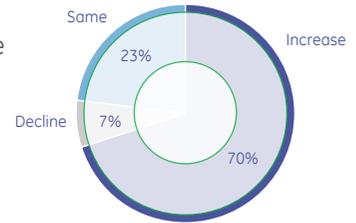


Half of business leaders in the trucking industry report an increasing new order pipeline and a similar number expect to end this year with greater capital expenditures than last year. There is widespread agreement that the industry will expand this year as well.

- Half report an increase in the new order pipeline vs. a year ago
- 47% expect greater capital expenditures in 2014
- Two-thirds expect the trucking industry to expand this year

## Margin growth

The majority of trucking firms expect profit margins to increase this year.



## TRUCKING INDUSTRY ISSUES

- The majority of Canadian trucking firms also operate in the U.S.
- Nearly every trucking industry leader surveyed expressed concern over their firm's ability to recruit and retain qualified drivers as freight increases
- Fuel price volatility is another area of consternation among nearly all trucking firms
- Most trucking industry leaders also express concern over regulatory changes, and they are most concerned about emissions and hours of service regulations
- Increasing average revenue per mile and acquiring new customers are viewed as the greatest business opportunities in 2014
- Few firms plan on investing in alternative fuel engine trucks, with most citing a lack of infrastructure (e.g. fueling stations) and the cost of conversion and new equipment as the primary barriers

## ABOUT THE SURVEY

Between June and August 2014, GE Capital surveyed companies to ascertain their views on the global and Canadian economies and their outlook on a variety of important economic, industry and business-level issues, including growth expectations and financing needs. The responses here represent averages based on 30 completed surveys. The decision-makers who were surveyed represent companies in the trucking industry with revenue ranging from \$1 million to \$1 billion.

The full GE Capital Canadian Mid-Sized Business Outlook covers a broad cross-section of the economy with particular focus on these three industries in addition to trucking:

- Automotive manufacturing
- Energy and mining
- Food and beverage production

## ABOUT GE CAPITAL, CANADA

With 17 offices throughout Canada, GE Capital ([www.gecapital.ca](http://www.gecapital.ca)) offers a wide variety of financial products and services to address commercial financing needs in many phases of a business' lifecycle. From equipment finance to working capital and growth financing to large asset-based and restructuring loans, we apply our wealth of industry expertise to develop custom solutions for your company. Some of the industries in which we specialize include transportation, construction, manufacturing, aerospace, automotive, mining, energy, wholesale, retail and restaurant and hotel franchise financing.

For more information, visit [www.gecapital.ca/cxosurvey](http://www.gecapital.ca/cxosurvey).