Insights Series | Supply Chain

Podcast Transcript

Tune into the Boston Partners Insights Series – going beyond the headlines with our investment team to provide a deeper perspective on the capital markets.

This edition features a conversation with Equity Analyst Tim Collard, who specializes in the aerospace & defense, transportation, housing and automobile industries at Boston Partners. This discussion focuses on all things supply chain and the pressures brought on by the pandemic, what companies are doing in response and what potentially lies ahead in the future. Listen to the podcast and read the transcript below.

Christopher Villalba, Investor Relations	00:00:01	Welcome to Boston Partners Insights, going beyond the headlines with our investment team to provide a deeper perspective on the capital markets. I'm Chris Villalba from Boston Partners Investor Relations Team. On this episode, we're talking planes, trains and automobiles, and ships, too. A conversation that is about the global supply chain, current events and their effects on everyday life and investing for the future. But to set the stage, we begin with a brief trip back in time to the late fall of last year and the traditional kickoff of the holiday shopping season. Typically, it's a time when Black Friday crowds dominate the evening news. But in 2021, the crowds making headlines were at the ports and transit hubs, where traffic jams of fully stocked shipping containers sat waiting to be unloaded. The world economy was starting to recover after a year and a half of pandemic lockdowns, and the global supply chain was, simply put, stressed. At the time, central issues were about supply and surging demand in an interconnected and interdependent world, as well as labor, raw materials, overseas manufacturing and more. All of which we'll talk about on the show, as well as the ongoing factors related to the pandemic and most recently, the conflict in Ukraine. Equity analyst, Tim Collard, joins us to deliver context and insights. Tim covers aerospace and defense, transportation in the automobile sector. He specializes in housing as well. So, Tim is a great resource to connect with if you want to check the pulse of the international economy, which is what we're about to do. On this episode of Boston Partners Insights, Tim and I sit down at our headquarters in Boston to explore what we need to know about the global supply chain right now. Tim, welcome.
Tim Collard, Equity Analyst	00:02:01	Hey, Chris, happy to be here.

Chris	00:02:02	You were last on our show in 2019 where we spoke about some of these issues, but the world has changed a lot since then. So, let's start with the big picture. What is the state of the global supply chain and what got us here today?
Tim	00:02:15	OK, so let's start and focus on imports. Any goods that's imported to the U.S., a disproportionate amount of these volumes is going to move on the ocean versus air. Ninety seven percent of goods is moving on ocean. For years, ocean rates were remarkably stable. Effectively, rates that were reasonable enough just to keep the industry in business. So when we think about a 40 foot container, pre-COVID, that would transact at about a thousand dollars per container. Now it's over 6,000 per container. So for the first time in 15 plus years, on the ocean side, you're seeing demand outpace supply. And the backlog that we see of the ships at the port is also enhancing this supply demand deficit. So that's resulted in a pretty significant reduction of what I'd call synthetic supply reduction that will improve over time.
Chris	00:03:16	So that's why it's taking so long for people to get their cars these days. I've heard horror stories that you know you want to go buy a car. There's a six month wait.
Tim	00:03:23	Exactly. And that's spot on. But there are signs that that's starting to alleviate itself.
Chris	00:03:29	So what is the impact on producers?
Tim	00:03:31	That's a great question. So pre-COVID, the widget from China to U.S., the average cost fully landed was less than two percent of that value. That's now over six percent. So significant pressure on what are typically low margin products that the producers are having to eat, as well as the end consumer.
Chris	00:03:54	You mentioned ninety seven percent of goods are moved on ocean. What about the other three percent?
Tim	00:04:00	The three percent moves by air. These are typically higher value products. Think iPhones, low density, things of that nature. And the old adage is that half of the air freight is really just missed ocean freight. So given that the market's relatively small and is somewhat of a swing supplier, supply and demand can similarly get out of whack pretty quickly.
Chris	00:04:25	Air being the swing supplier of movement of goods. Let's talk about the impact of COVID where, you know, essentially air travel and movement via air stopped overnight. What was the impact there?
Tim	00:04:39	It's a great point, and even putting the relative cost of air versus ocean to the side, producers need inventory faster, uh, whether it's finished or unfinished goods. And the remarkable thing about transportation is that despite the costs, it's relatively inelastic. The goods are going to move. As it relates to air versus ocean, historically, it costs roughly 40 times more to move something on air versus ocean. And when COVID first occurred, that ratio ballooned to over a hundred times.
Chris	00:05:16	Wow, a hundred times. That's—
Tim	00:05:18	A hundred times.
Chris	00:05:19	That's massive.
Tim	00:05:20	Remarkable. And then quickly reverted back to its historical average and more recently, somewhat paradoxically, it's close to its quote unquote lows at under 20 times. And that's mainly a function of the relative cost. There's only so much that such a higher cost mode of transportation can go up on an absolute dollar basis.
Chris	00:05:44	Regarding air freight is that the only way goods move? I know that passenger planes carry some goods in the storage of the plane.

Tim	00:05:54	Pre-COVID, half of all air freight actually moved on passenger planes in the belly. So, that supply, more or less, went to zero overnight with COVID. Now that's starting to come back. But this is predominantly, long haul international travel that's going to take some time.
Chris	00:06:14	So both air and ocean are going through major dislocations right now. Is that something that is just a short term phenomenon or a longer term issue?
Tim	00:06:28	Not surprisingly, the industry's earning outsized returns, and it's somewhat of a low barrier industry. So predictably, we're starting to see a supply response.
Chris	00:06:39	Is that supply response on the ocean side or on the air side?
Tim	00:06:42	Let's start with ocean first. So in the short term, that'll continue to be tight. Call it 2022. The industry supply growth this year will be roughly four percent, and that's going to lag projected demand growth of roughly six percent. For the second consecutive year, we'll have this supply demand mismatch. As we fast forward to next year, 2023, the industry is forecasted to add eight percent of incremental supply, with more supply in the outer years forthcoming. Additionally, beyond the absolute supply growth that's forthcoming, equally as important is just unlocking the bottlenecks and relieving this synthetic capacity that similarly should allow for supply/ demand to improve.
Chris	00:7:31	What about air? Are we seeing something similar?
Tim	00:7:33	On the air freight, similarly, you're seeing a robust supply response. Air freight volumes are still running decently above pre-COVID levels. The growth rate has moderated some. It was running about eight to 10 percent. Now it's running about low single digits growth. And more recently, we have seen some declines in important countries like Germany. If we think about the air freighter supply again, half of pre-COVID volumes move on dedicated freighters, that supplie's already up 20 plus percent. That's partially offset this belly space reduction, which remains roughly down twenty five percent. So combine supply is still down five to 10 percent. Looking a little further out, there's a significant amount of freight orders, plus this eventual belly return that'll make for a supply demand mismatch in the coming quarters and years. The last point I would make is that over the last decade, the freighter market has really been a sub GDP growth market because all of incremental airfreight growth has largely been accommodated by passenger belly space growth.
Chris	00:8:51	Since 97 percent of all goods travel by ocean. I think we should spend some time on the ship's final destination, the ports, specifically in the U.S. As I mentioned in the open, we all saw on the news the parking lot of ships off the coast of California. What are the key issues that you see that are making the U.S. at somewhat of a disadvantage versus the European and Asian ports?

Tim	00:9:12	There are two main issues with the U.S. ports. First is the lack of automation, so most U.S. ports have little to no automation. The Port of Virginia, semi-automated, uh, they seamlessly handled the twenty five percent increase in volume in t2021. Beyond the lack of automation that most global ports enjoy, there's also a very restrictive labor pressure. So, these are highly unionized workforces. Beyond being higher cost, the labor rules are very restrictive, so the U.S. ports aren't running 24/7, and inability to attain labor productivity because quite regularly, Joe and John are doing different things, different days, different weeks. So it's really a challenge to obtain any sort of reasonable employee productivity. And not surprisingly, the unions are pretty adamant against automation. And even pre-COVID, the U.S. ports were competitively very challenged. When we look at that container port performance index, this basically measures how quickly a ship can get in and out of port. None of the U.S. ports were even in the top 50. Again, this is pre-COVID. And the key California ports that we all see on the news, they were in the three hundreds, i.e. these ports lagged ports in countries like Kenya. The labor and productivity is pretty woeful. When we look at Rotterdam, this is the largest European port. It was automated over twenty years ago. It runs 24/7. And on a throughput per crane basis, it's effectively double the U.S. ports.
Chris	00:11:09	So it seems like if these other ports can agree to automating more, that would make the U.S. more efficient and their score on this container port index would go much higher--above Kenya?
Tim	00:11:23	Absolutely. Great idea in theory.
Chris	00:11:26	There was a lot of issues at the ports. But is that where the main bottleneck occurred or is there something else that led to the supply chain issues?
Tim	00:11:37	Somewhat surprisingly, the biggest bottleneck has been the offtake, getting the goods off the port and on the road and the bottleneck there has been trucking. It's been quoted that 50 percent of these trucking shipments are missed. Part of the pressure is on something called chassis, which are effectively these trailers for the containers. But employment in trucking has considerably lagged. At year end 2021, we were just getting back to pre-COVID trucking levels. We've surpassed it in recent months, but this is well below what we've seen relative to consumer goods imports, which are up, call it 30 plus percent since pre-COVID. And people probably recognize that being a trucker is not a glamorous job. You're away from home. It's tough work. Over the last 20 years, at least relative to pre-COVID, there have been effectively no real wage growth. Again, 20 years. Pretty remarkable. Trucking, I would say, will always be cyclical, and we're starting to see that play out in March. Supply is starting to ramp up just as demand is starting to moderate. Beyond the ins and outs of cyclicality, I think there's reason to believe that there will be more secular tightness in the trucking market in the years to come.
Chris	00:13:00	So what's the key takeaway? Is there a light at the end of the tunnel with trucking? Or are we going to be stuck in this high price environment for a while?
Tim	00:13:06	I'd say there is a light at the end of the tunnel. Supply and demand should come into better equilibrium in the coming months and quarters. But the medium longer term, I do think there's an argument for more sustained structural tightness in the trucking market.
Chris	00:13:23	Zooming out what are the longer term implications for supply chain investment and the U.S. economy?

Tim	00:13:31	For two plus decades, effectively, sourcing and manufacturing decisions all boiled down to costs. Producers wanted low cost labor, low cost operating environment. The pandemic has really introduced new risks, so it's not just dollars and cents. Producers need to consider the risk of having higher costs, as well as unpredictable supply chain. In addition to national security considerations.
Chris	00:14:01	Wow, so everything's not only about the bottom line.
Tim	00:14:03	Absolutely. And recently, McKinsey did a study in which 90 percent of the companies expect some level of regionalization in the next four years. That could be near shoring, i.e. Mexico, or on shoring in the sense of domestic new capacity. And then beyond this trend of regionalization, producers need to have better visibility into their supply chain. Only two percent of companies had visibility into their supply chain beyond the second tier.
Chris	00:14:39	Two percent? That's--
Tim	00:14:40	Remarkable.
Chris	00:14:405	That seems pretty low.
Tim	00:14:41	Remarkable. So if you think about appliances, historically good visibility into direct components, reasonably good visibility into chip assembly, no visibility into chip fabrication.
Chris	00:14:54	Is the incremental investment need a short, medium or long term trend?
Tim	00:14:58	This is not going to happen overnight. You take a step back, capex as a percent of sales in the U.S. is at record low levels, dating all the way back to the Great Recession. Even ex tech still at the lows. So you've seen countless number of new large scale investments announced, some of the largest semiconductor players, new auto plants, even steel and forest product plants. Again, not overnight, but if you think about twenty five years ago, the U.S. factories employed 17 million. At the bottom, in 2010, that was eleven and a half million. We've seen some growth from that. But we're still at just 13 million, so well below prior peak and likely some multi-year growth.
Chris	00:15:48	So this onshoring, companies bringing their factories onshore should also help the U.S. economy with job growth, and that would lead to more efficiency, obviously on the supply chains. But like you said, that's a longer term view. Are there any other factors affecting the movement of goods in the U.S.?
Tim	00:16:06	Certainly. I don't think we can talk about supply chain and logistics without touching on Amazon. A decade ago, they were pretty much entirely reliant on UPS and the Postal Service for the transportation of goods. And like any business that they're in, they want to control their own destiny. Really, the breaking point was a handful of years ago when both the providers struggled with peak season. Fast forward to today, Amazon's delivering over two thirds of their packages. Everybody sees the Sprinter vans running up and down their neighborhoods, and that amounts to over five billion packages in 2021. For context, they will likely surpass UPS as the number one shipping player, either this year or next. So, it's really been a breathtaking amount,
Chris	00:16:57	Bigger than UPS. They must have invested a lot of money in their infrastructure to get to this point.

Tim	00:17:03	It's a great point. So beyond the Sprinter vans, which are kind of small dollars, when we look at the amount of facilities they've added, they're now over five hundred million square feet. For perspective, that's over eight thousand football fields. Dialing down on that five hundred million, they added over 100 million alone in 2021. Relative to Walmart, Walmart's total distribution footprint, about one hundred and fifty million, and that's occurred over the last almost 50 years. So effectively, Amazon added two thirds of Walmart in 2021 and won't be slowing down in twenty two.
Chris	00:17:45	No signs of stopping.
Tim	00:17:46	No signs of stopping. This year will be just as high, if not higher. And beyond the physical footprint, there is a significant knock-on effect with labor. If you put farmers to the side, almost one in one hundred and fifty U.S. citizens, they now work for Amazon. The whole Amazon labor pool is larger than the U.S. residential construction industry by itself. And if we actually dig down to the numbers on Amazon, I would say it's even more startling. Pre-COVID, for five years, they averaged 11 billion in capex, the peak capex pre-COVID again, was 17 billion. In 2020, they did 40 billion, so more than double pre-COVID peak, and in 2021, they did over 60 billion.
Chris	00:18:41	Wow.
Tim	00:18:42	So they did one hundred billion dollars in two years and that sixty one billion of capex that I referenced last year, that was almost 5x the total amount of capex that we saw from all of the North American railroad industry.
Chris	00:18:58	That's a remarkable investment over two years.
Tim	00:19:01	Absolutely.
Chris	00:19:01	You did mention the rails. I think this is a good point to switch. It seems like the last mode of transportation that we haven't touched upon yet.
Tim	00:19:09	So, Chris, you referenced earlier, a few years ago, we talked about the relative attractiveness of the railroads versus airlines pretty much across all the three circles that Boston Partners looks at. The railroad stocks, these have been terrific stocks in recent decades. Since 2000, they've outperformed the S&P [500 Index] every year but two, 2015, they lagged on the back end of the shale implosion. And coincidentally, last year they lagged, but were still up 20 percent. So I'd say, we'll, we'll give them a pass on that year.
Chris	00:19:46	It's remarkable that they've outperformed the S&P, given that the S&P has done so well.
Tim	00:19:50	Very consistently outperformed and the past isn't prolog on the outperformance. But what drove the outperformance is a combination that the rails realize they have significant pricing power and these are effective duopolies. And then more recently, they've implemented something called precision scheduled railroading or PSR. And in its simplest nature, it basically means just running the business more efficiently and better service, but also unlocks a significant amount of latent capacity.
Chris	00:20:25	Is movement of goods by rail cleaner than movement of goods, by trucking and shipping or any other modes of transportation for that matter, from an ESG perspective?

Tim	00:20:36	Rails are four to five times more fuel efficient. So if the service improves, there's meaningful market share. So countless customers are either 100 percent truck or they'll quote hedge their shipments with some combination of truck and rail. On the point on ESG, that's a great point. ESG, I would say, is now more than lip service to these end customers. Most Fortune 500 companies, they have now medium, longer-term emissions goals. And interestingly, the SEC just recently proposed that all reporting companies now need to disclose their emissions on a different tiered level, which includes a scope of inclusion of transportation emissions. It's admittedly a sensationalized statistic, but CSX, one of the Class one rails, spoke about recently how in 2021 the amount of CO2 emission reduction relative to truck on the amount of volume they hold, that was equivalent to taking two million cars off the highway, so i.e. larger than the entire fleet of EVs [electric vehicles] and hybrids. Again, sensationalized, but does underscore that the rails, they're going to be key in this decarbonization wave.
Chris	00:22:03	Why wouldn't more suppliers move their goods on rail? To me, it seems like the more sustainable and efficient way to move goods. But is it only cost?
Tim	00:22:15	So the biggest issue historically has been service. The rail service has been woeful for some time. A lot of the rails publish what's called trip plan compliance effectively on time as promised, and prior to PSR that was in the call it, 30 percent range. It got into the eighties just prior to recent labor pressure on COVID. But historically, service has been the biggest impediment. There are precedents both at the Canadian railways, which were first to institute PSR. They've succeeded in sustainably growing above GDP and IP, which I believe underscores the pathway to the U.S. rails to take share and that they deserve from truck.
Chris	00:23:08	And do the rails-- is it easy to add capacity on a railroad?
Tim	00:23:12	Very easy. So one of the beauties of PSR is that you're synthetically unlocking a lot of excess capacity. Typically quoted in excess of 20 percent as you're removing assets and running more efficiently, that opens up more lanes and beyond excess capacity opening up, the incremental volume takes very little cost. So adding a container or a car load on the back of the train effectively has little to no cost.
Chris	00:23:49	We talked about a lot of different facets of the supply chain and transportation. Is there anything that we haven't touched on?
Tim	00:23:56	Sure. So maybe some other names that I would put in the direct beneficiary camp are transportation names, Expeditors [International] as well as LandStar. And these are names we've owned for some time. Each of these businesses are asset light and I would argue, are the highest quality businesses within transportation. So relative to the rails, they don't have this impenetrable moat and pricing every year, but they do make up for it with industry leading returns. Each have net cash balance sheets, excellent capital allocation. They have no need for M&A [mergers and acquisitions], so effectively all cash is returned to shareholders.
Chris	00:24:39	Expeditors sounds like a major player. Can you tell us a little bit more about them and how you think about it as a fundamental analyst and looking at the world through the Boston Partners Three Circle's lens?

Tim	00:24:49	Absolutely. So Expeditors, they've been a three circle stock, I think, since we've owned it for the last few years. They are a leading freight forwarder. They're effectively the middleman in between that freight that goes from location A to B. So think China to the U.S. It sounds simple, but this is highly complex, so they're offering an end to end solution, which includes customs processing, which is the most complicated and costly part of any sort of transportation move. That's their highest margin business. They handle more export submissions than both FedEx and UPS. They're number one despite having market share in, call it, high single digit. Not specific to supply chain per se. It's worth touching on the management and the culture. We all live in a world of highly promotional companies, 20 page earnings reports, endless adjustments. Expeditors is really a rarity. They don't do earnings calls. They don't give guidance. There's no gap adjustments in their financials. They're 100 percent focused on running the business and delivering shareholder value. From top to bottom, this is highly incentivized comp structure, very low base salary, high variable comp and the average tenure of the executives is over 30 years. And I'll just say just a couple of examples worth highlighting. Twice in recent history, management has taken pay cuts to specifically fund strategic investments, and they're one of the few companies that I've come across that didn't layoff any employees for the Great Recession. The last thing worth mentioning on Expeditors, they have over 10 percent of their market cap in cash. ROIC, ROE, are well above 30. And this is for a business that trades at a mid-teens multiple on what we deem more normalized earnings, so well below where they are today.
Chris	00:26:58	Seems like a classic Boston Partners Three Circle stock.
Tim	00:27:01	One hundred percent.
Chris	00:27:02	So we focused on some direct beneficiaries. Now let's shift gears and talk about some of the indirect beneficiaries.
Tim	00:27:10	Yeah, and we can start with AutoZone. This is a leading auto parts supplier. I would say a pet peeve of mine is that the word compounder is an overused term in investing, but AutoZone really is a true compounder. They've grown earnings every year for 20 years. And beyond consistent, steady earnings growth, they were a first mover on adopting a stock buyback. They began to buy back in the late 90s, and since then, they've reduced their shares outstanding by almost 90 percent. Remarkably, despite very high returns, there are only turning their inventory 1.3 to 1.5 times annually. So they're able to get ahead of prospective inflation. And the lack of inventory turn. So think you know, several thousand SKUs and hard to find part. An aside is that five years ago, Amazon tried to enter their market, and this slow moving inventory is really part of the moat. It's not worth it for these big retailers to get in the business, have these difficult defined parts, plus the service. When you walk into an AutoZone, you're greeted. You tell them what you need. They loan you the tools. They help you with the fix. Beyond these little things, the industry has great pricing power. So this is a very rational industry. The average basket, so how much a consumer's spending when they go, is less than 30 dollars, and roughly 70 percent is non-discretionary, including almost half which is what they deem failure, i.e. your car won't start. So as times get tougher and that's how they grow through recession, they're somewhat countercyclical. As times are getting tougher for their core, call it low to mid end consumer, they're going to hold on to their car for longer. In this dynamic has been enhanced by the lack of car inventory, whether it's used or new.
Chris	00:29:16	Is there another example that you can provide us that kind of highlights this?

Tim	00:29:20	Sure. So let's talk about Whirlpool. So they've been no doubt a COVID beneficiary. As everybody's aware people are investing in their home, staying in their home, working from home. Underlying housing start growth. So usage in appliances has seen a step change. But even prior to that, Whirlpool had structurally improved their business. So key North American business had seen seven consecutive years of margin improvement. And that's despite what I would say is pretty pesky competitors. So these are mainly the Koreans, LG and Samsung, and imports represent over a third of annual appliances, and roughly half of that is from Asia. We talked about containers earlier. Simplistically, a container will hold almost ninety six washers. On a per unit basis, that's gone from roughly thirty dollars to over 200. [Crosstalk] It's amazing. So in the context of a thousand dollar washer, what's historically, call it a high single digit to low double digit, even margin business, Whirlpool has had plenty of cost pressures, but it's not from an import perspective because they're 100 percent domestically sourced.
Chris	00:30:40	I'd like to wrap it up with some perspective on the horizon to give our audience some take away. Are there glimmers of hope in any sense when the supply chain may be more healthy?
Tim	00:30:50	For sure. There are definitely reasons to be encouraged. You're seeing increasing supply, moderating demand. I'd say each successive quarter and year should get better, but this is very dynamic. Just in the last couple of months, we've been reminded how fluid the situation is. With Ukraine and Russia, overnight that knocked a few percent of freighter supply off the market for an industry that's pretty much operating at close to 100 percent capacity. Additionally, there's pretty significant overflight restrictions, so you can't fly over Russia and Ukraine. That's increasing transit time.
Chris	00:31:36	Is Ukraine a major route from Asia to Europe?
Tim	00:31:41	From a route perspective, it's the most direct route from Asia to Europe, which is the highest volume corridor, globally. So now freighters as well as passenger planes have to take a more circuitous route.
Chris	00:31:57	That's not cost effective, clearly. So what's the impact there? Can you quantify that?
Tim	00:32:02	We can't, but you've seen it in freight rates, air freight rates. They were starting to moderate coming out of Chinese New Year, and they've moved back up.
Chris	00:32:14	Sticking with China, you know, China has a zero COVID policy. Just this week, Shanghai, they've talked about shutting down parts of the city. Even whole cities have shut down because of this. What's the impact there? Clearly, that's a short term flux for supply chains. But if they keep this zero COVID policy up for the foreseeable future, companies have to factor that in.

Tim	00:32:36	Absolutely. It's wreaked havoc. As you mentioned, Shanghai recently, Shenzhen a few weeks ago. You're already starting to see production come offline. China and the global economy has become more adept at managing through this, but there will be continued surprises. And I think there are a couple that are worth touching on before we wrap up as prospective wild cards over the next year. The first is the California ports, which we talked about the labor issue there. They are scheduled to go on strike in July. The last time they went on strike was 10 years ago. That was for one week and it was actually very disruptive. And then next year in the ocean industries, starting in January, 2023, as part of a longer term ambition to reduce emissions by 50 percent by 2050, carriers have to reduce their emissions by 13 percent in 2023. There are some partial offsets, but that's a massive number. That 13 percent reduction, really, the only way you alleviate it is by going slower, so 13 percent would require 30 percent slower transit times.
Chris	00:33:55	I guess a key takeaway is most people don't realize how many moving parts there are in the supply chain to get goods from one point to the end consumer and all these different risks. COVID, Ukraine, Russia, China. There's just so many things to, to factor in.
Tim	00:34:14	The reality of this is very fluid, countless variables. They're all largely interconnected. But when we take a step back, a lot of the transportation providers are seeing outsized profits. Outsized returns. The ingenuity of the capitalist economy, that's going to result in these supply chain results being much less of a hot button issue down the road. So whether it's a year from now, three to five years from now, the cyclical will certainly remedy itself. But some of these structural things, when we do a postmortem on the topic, I would say they're likely more durable and we'll try to do our best to capitalize on these trends within our three circle framework.
Chris	00:34:57	So it seems like there's a lot of good investment opportunities within the supply chain and we could go on forever. But I think we've given enough for our audience to chew on this time around, but we look forward to having you back on the show.
Tim	00:35:10	It was a pleasure. Thanks a lot.
Chris	00:35:14	That was Boston Partners equity analyst Tim Collard, who covers transportation and all things supply chain. To all our listeners, we look forward to having you back for future episodes and for more investment related content from Boston Partners, check out our Entry Points video series, which can be found on our website: boston-partners.com, as well as on our LinkedIn page. Thanks for joining us! I'm Chris Villalba. We'll see you next time with more Boston Partners Insights.

Christopher Villalba

Mr. Villalba is a member of the Investor Relations team at Boston Partners and joined the firm in 2010. In this capacity, his responsibilities include sales and relationship management of Boston Partners products within financial intermediary channels. Prior to joining the firm, Mr. Villalba was a regional private banker with Wells Fargo Bank, N.A. Before that, Mr. Villalba held the role of investment associate at Morgan Stanley in the firm's Global Wealth Management division. He holds a B.B.A. degree in finance from Pace University and FINRA licenses series 7, 66, and 3. Mr. Villalba has fifteen years of industry-related experience.

Tim Collard

Mr. Collard is an equity analyst with Boston Partners, specializing in the aerospace & defense, transportation, housing and automobile sectors of the equity market. He joined the firm from Shellback Capital where he was a founding partner and equity analyst. Prior to that, Mr. Collard worked as a research analyst at Vinik Asset Management and Diamondback Capital Management. He began his career in investment banking, working for America's Growth Capital. Mr. Collard holds a B.A. degree in American Studies from Middlebury College. He has seventeen years of experience.

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Definitions

S&P 500® Index: The S&P 500® Index is a registered trademark of the McGraw-Hill Companies, Inc. and is an unmanaged Index of the common stocks of 500 widely held U.S. companies.

Return on invested capital (ROIC): The amount of money a company makes that is above the average cost it pays for its debt and equity capital. The return on invested capital can be used as a benchmark to calculate the value of other companies.

Return-on-Equity (ROE): A measure of financial performance calculated by dividing net income by shareholders' equity. Because shareholders' equity is equal to a company's assets minus its debt, ROE is considered the return on net assets.

Inflation: A decrease in the purchasing power of money, reflected in a general increase in the prices of goods and services in an economy.

Boston Partners | One Beacon Street, Boston, MA 02108 tel: 617-832-8200

www.boston-partners.com