

Los Angeles Transportation Club

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Covenant Transportation Group
July 14, 2011

DISCLOSURE STATEMENT

This presentation and discussion includes forward-looking statements within the meaning of the Private Securities Litigation reform Act of 1995. Words such as “expects,” “anticipates,” “intends,” “estimates,” or similar expressions are intended to identify these forward-looking statements. These statements are based on Covenant Transportation Group’s current plans and are not guarantees of future performance. These forward-looking statements are subject to risks and uncertainties that could cause actual results and the company’s plans and objectives to differ materially from those expressed in the forward-looking statements. Such risks and uncertainties are discussed further in Covenant Transportation Group’s reports and filings with the Securities and Exchange Commission.

Topics

- Company Summary
- U.S. Economy
 - Consumers
 - Industrial
- Truckload Industry Trends
 - Volume
 - Capacity
 - Fuel
 - Pricing
- Freight Transportation Outlook
- Questions

Company Summary

- Truckload carrier focused on targeted markets offering just-in-time and other premium transportation and logistics services including team expedited long-haul, refrigerated, regional and brokerage services
- Group operates about 3,060 tractors and 7,250 trailers
- **Young average tractor age (3/31/11): 1.7 years (or 21 mos)**
- Utilize 11 full size terminals and 30+ drop yards
- Consumed with providing exceptional service to our customers
- Fiscal 2010 Revenue, including FSC: \$650 Million
- Headquarters: Chattanooga, TN
- NASDAQ: CVTI

Who/What is CTG

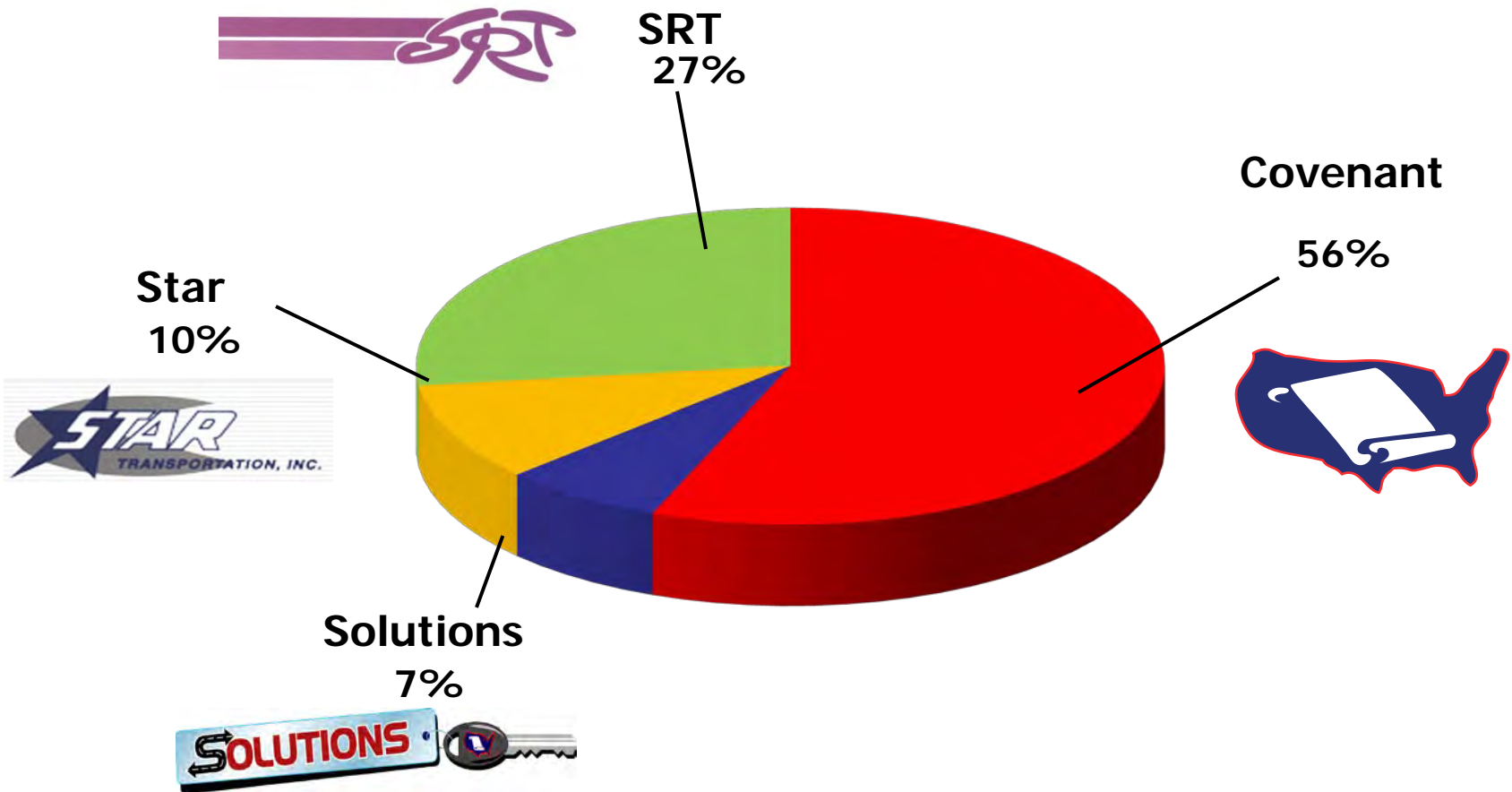
CTG is a holding company:

- 3 Specialized Asset-Based Trucking Companies
 - Expedited (Covenant Transport - Chattanooga)
 - Regional (Star Transportation – Nashville)
 - Refrigerated (SRT - Texarkana)
- 1 Non-Asset Based Brokerage
- 1 Equipment Leasing Company
- Each of these are independently operated due to the expertise required and experience of their respective management teams



Group Revenue Breakdown

% of Revenue



Do You Know My Reps?

→ **Cindy West** Covers Southern
CA & AZ

wescin@covenanttransport.com

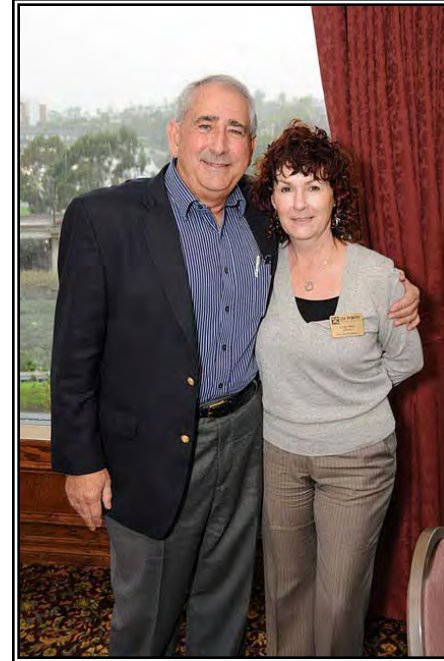
→ **Rick Fiore** Covers Northern
CA, OR, WA, UT & Vegas

fioric@covenanttransport.com



→ **Kent Wickham** Covers the
Western Region

wicken@southernref.com

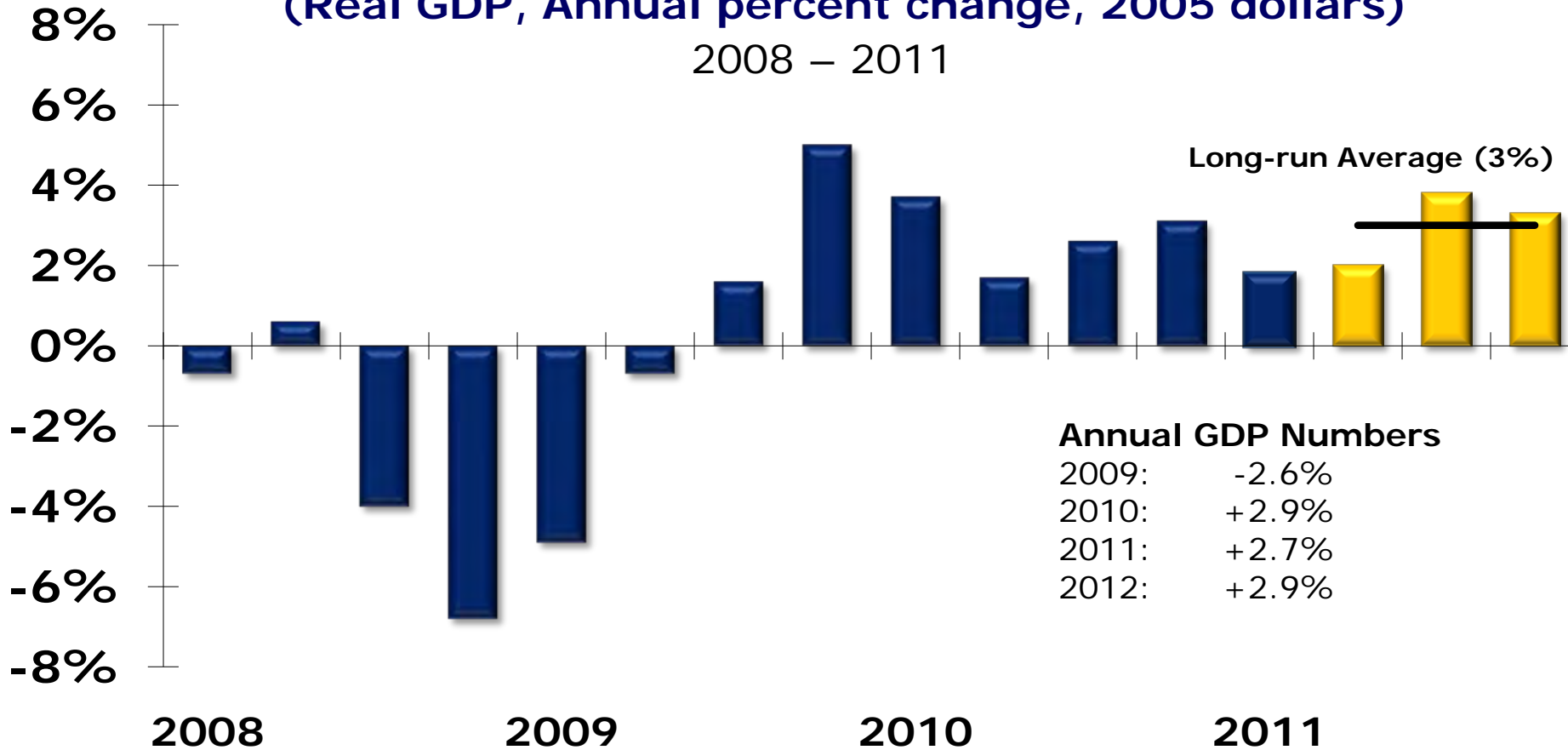


U.S. Economy

Real Gross Domestic Product

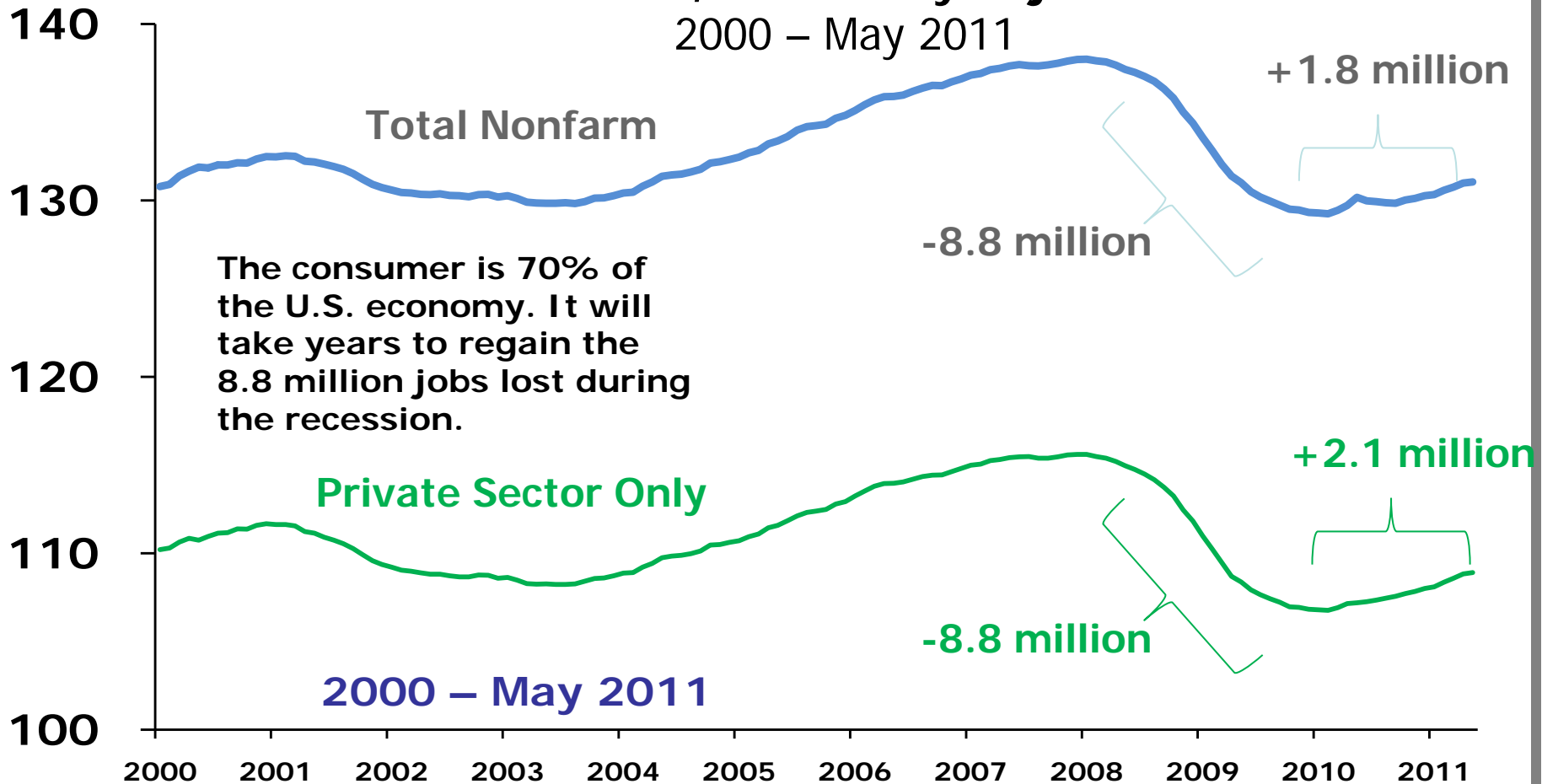
(Real GDP, Annual percent change, 2005 dollars)

2008 – 2011



Economy - Consumers

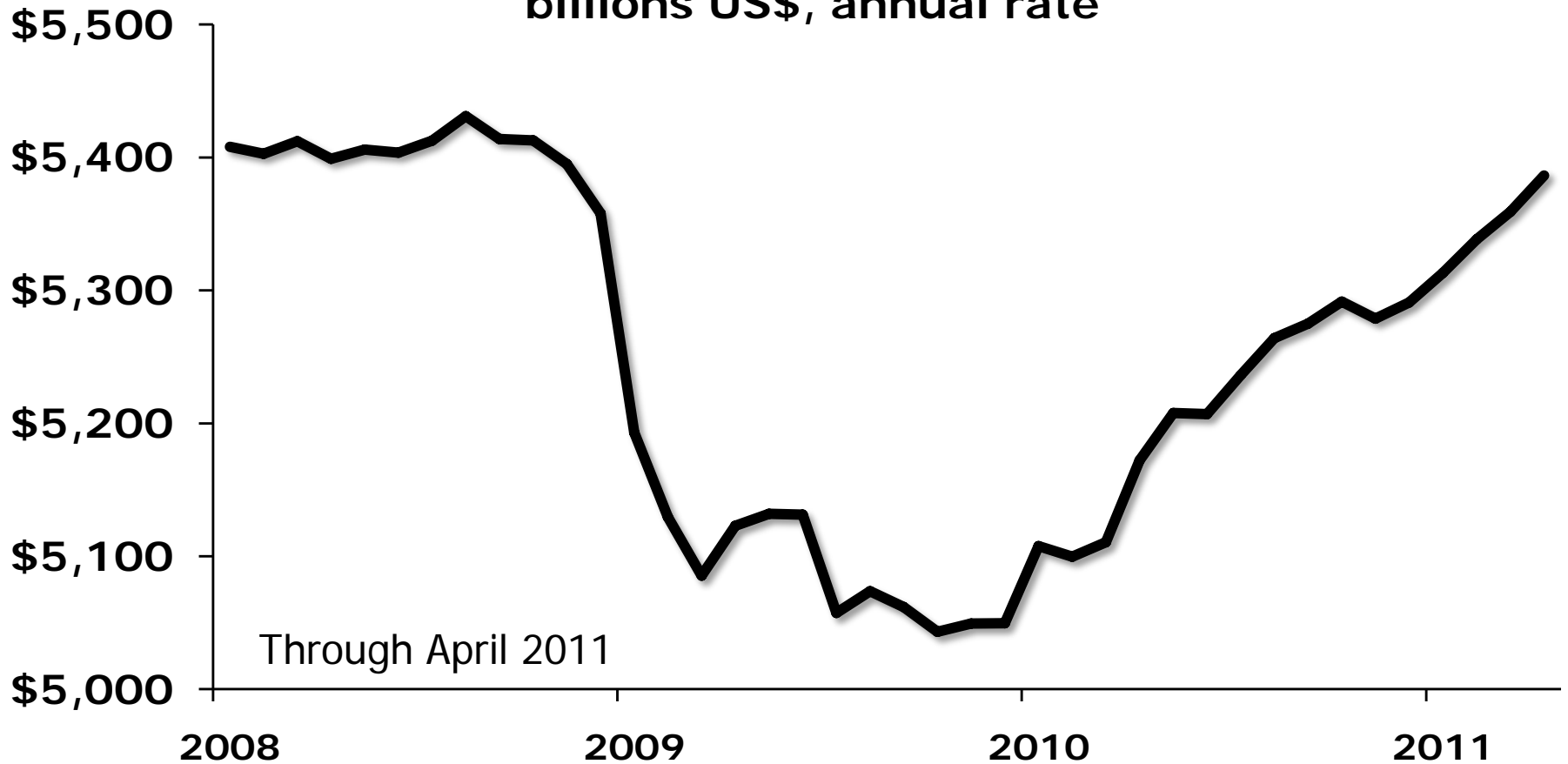
**U.S. Employment
Millions, Seasonally Adjusted
2000 – May 2011**



Economy – Consumers

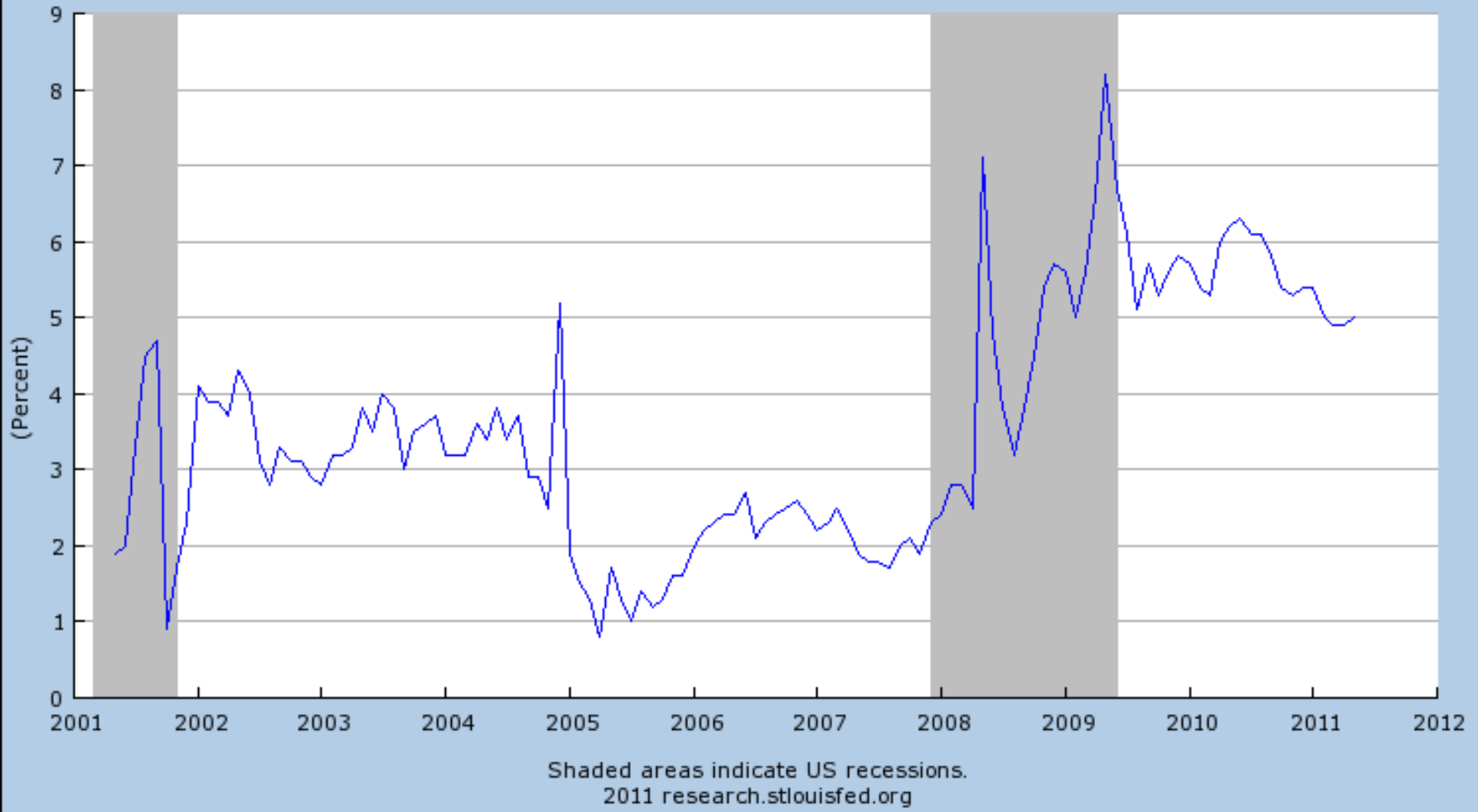
Wages Fell, But Are Rising Again

Private wages & salary disbursements;
billions US\$, annual rate



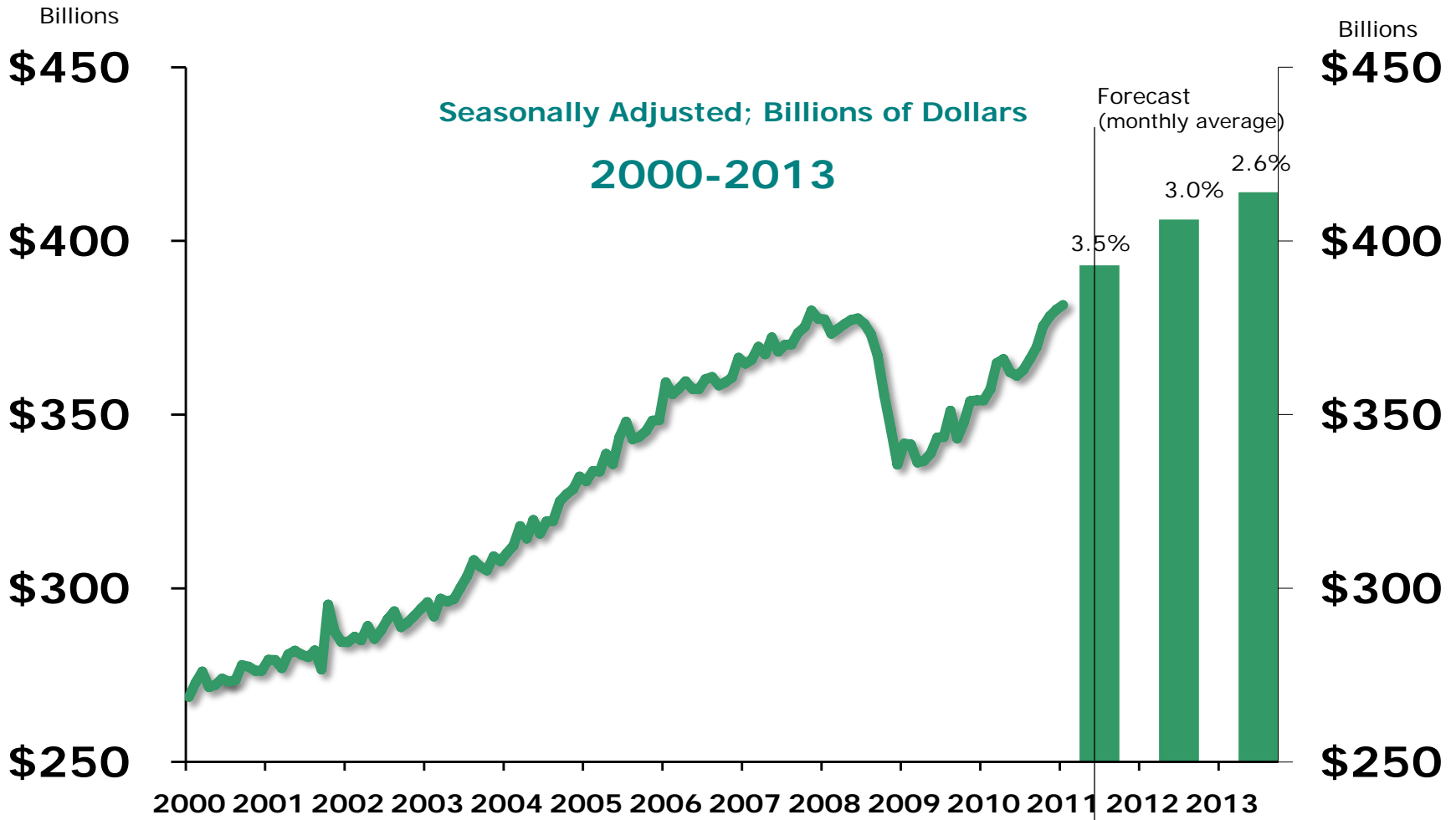
Economy - Consumers

Personal Saving Rate (PSAVERT)
Source: U.S. Department of Commerce: Bureau of Economic Analysis



Saving more due to improved discipline? Will reduce to 2-3% again? If so, more economic growth.

Economy – Consumers Retail Sales

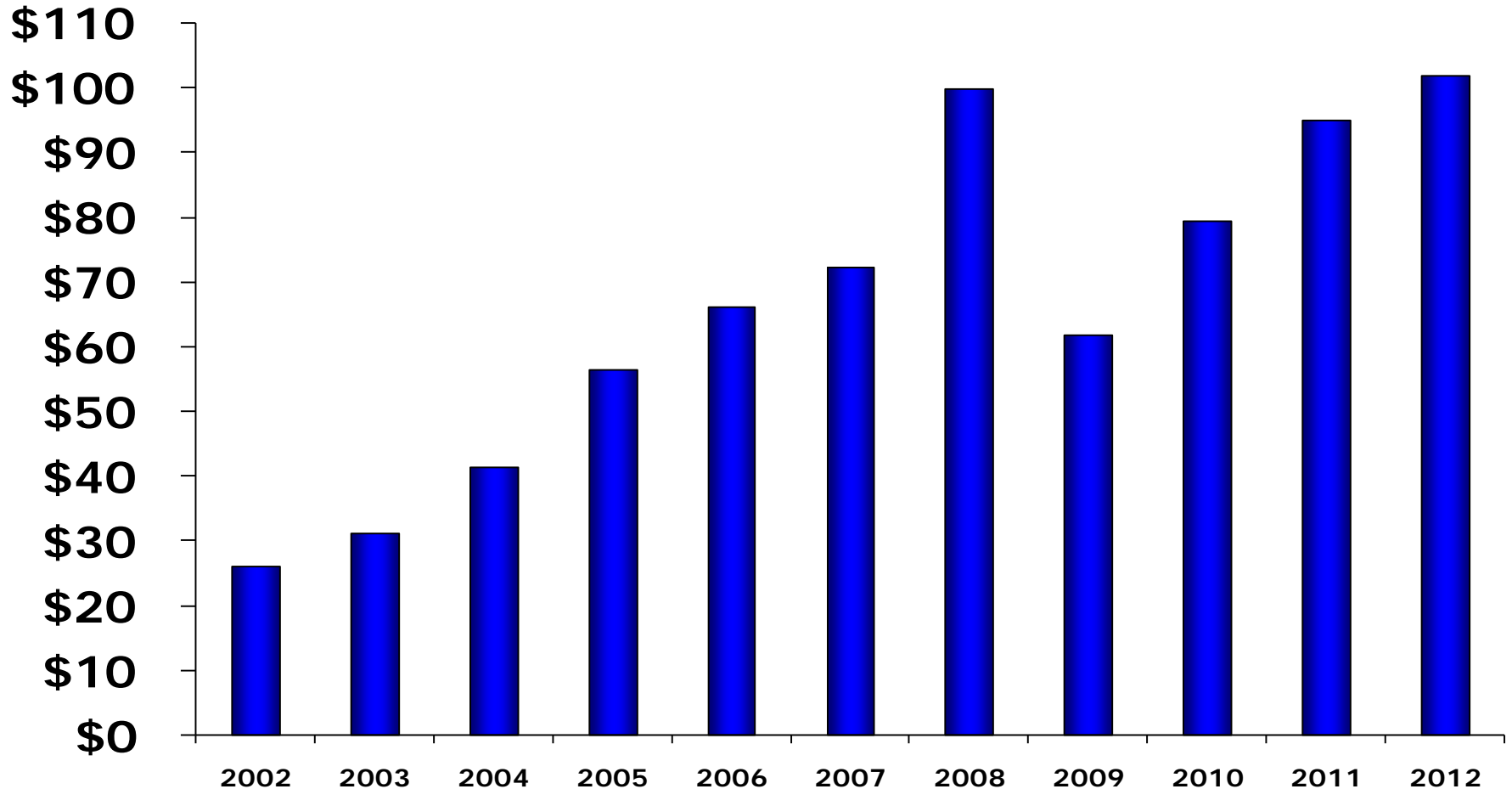


Sources: Census Bureau & ATA

Economy - Consumers

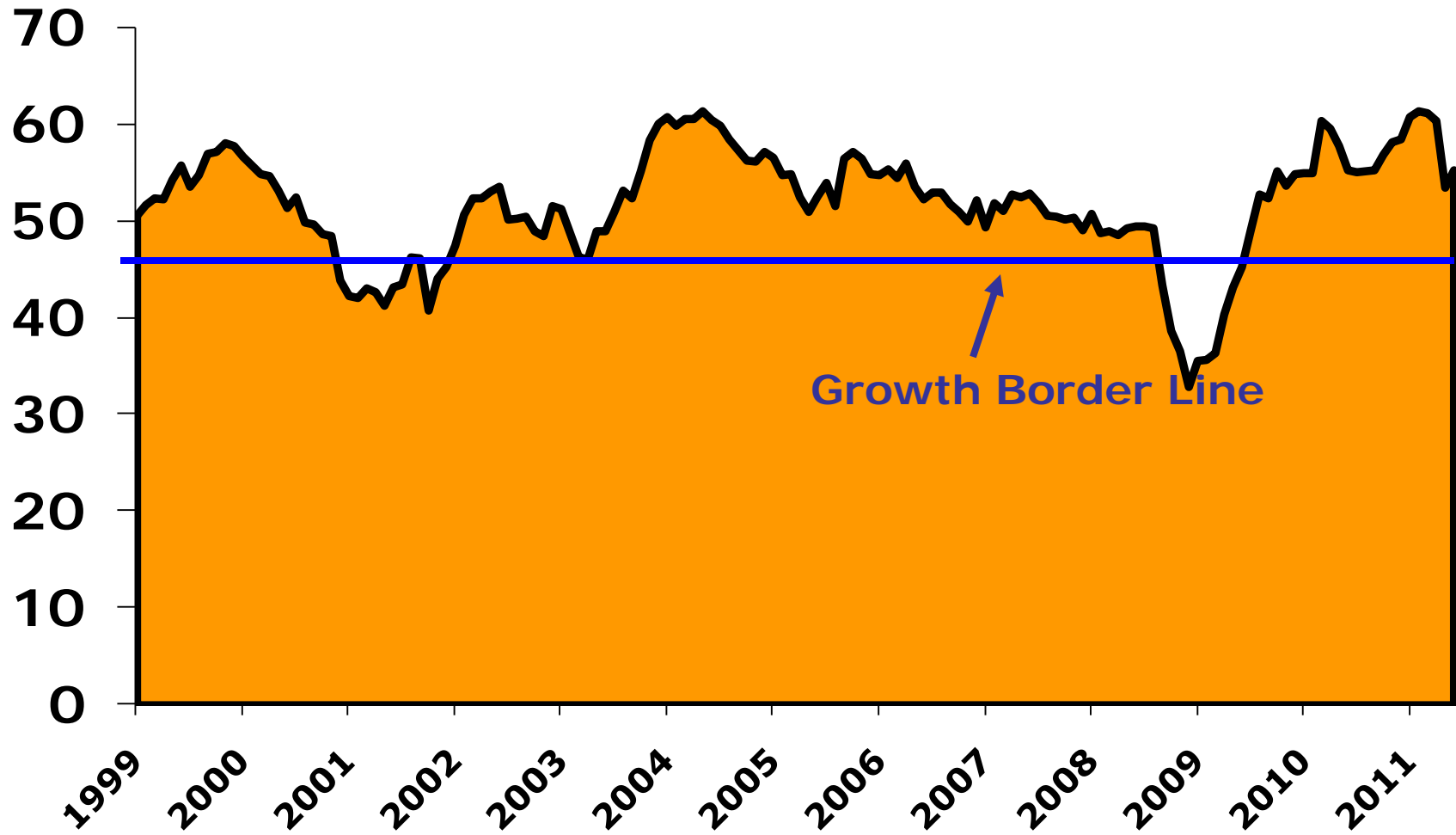
Crude Oil Prices – Impact?

WTI, US\$ per Barrel



Economy - Industrial

Purchasing Managers' Index

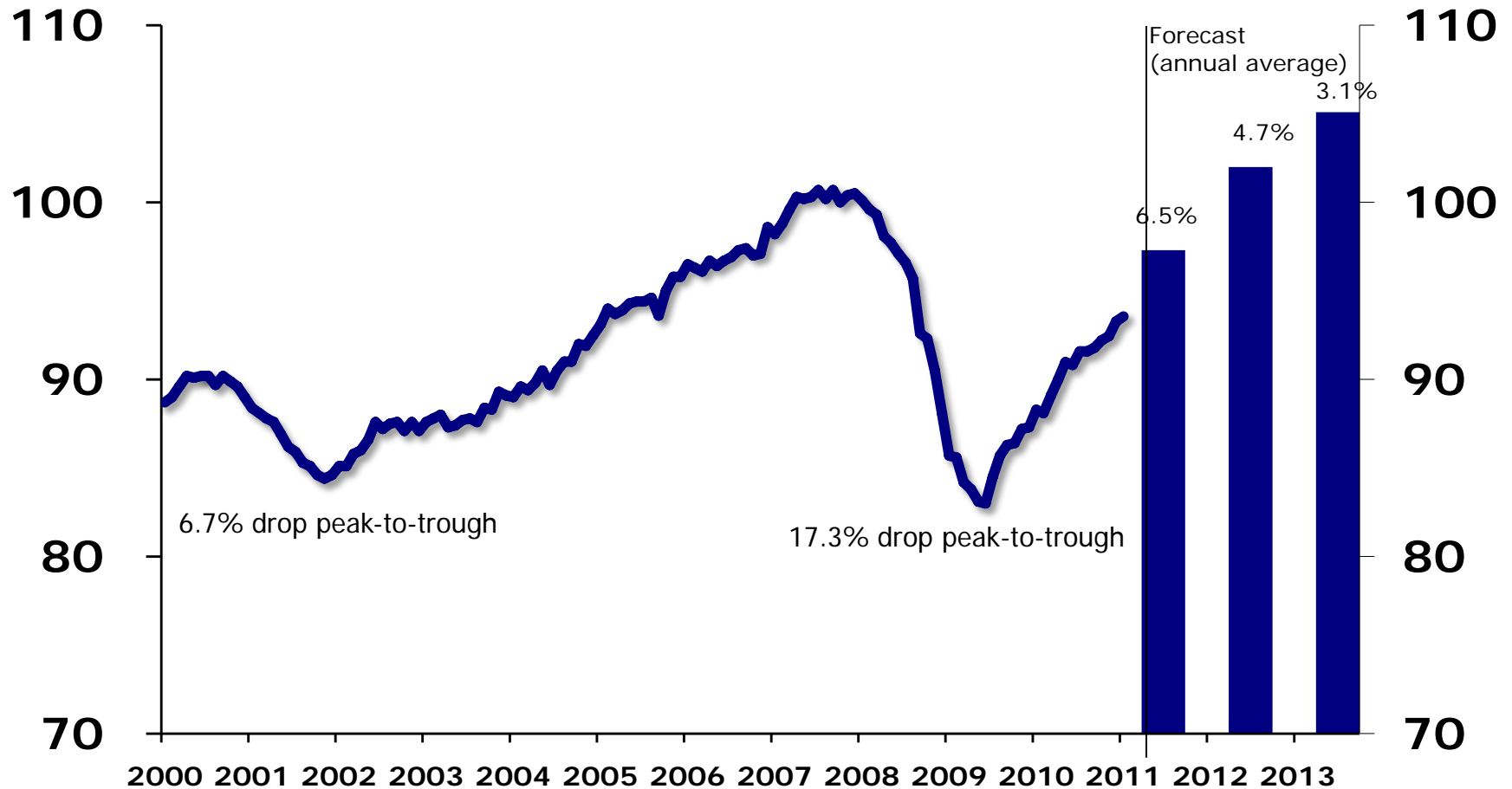


Economy - Industrial

U.S. Manufacturing Output

Seasonally Adjusted Level of Output; Index (2007=100)

2000-2013



Economy - Industrial

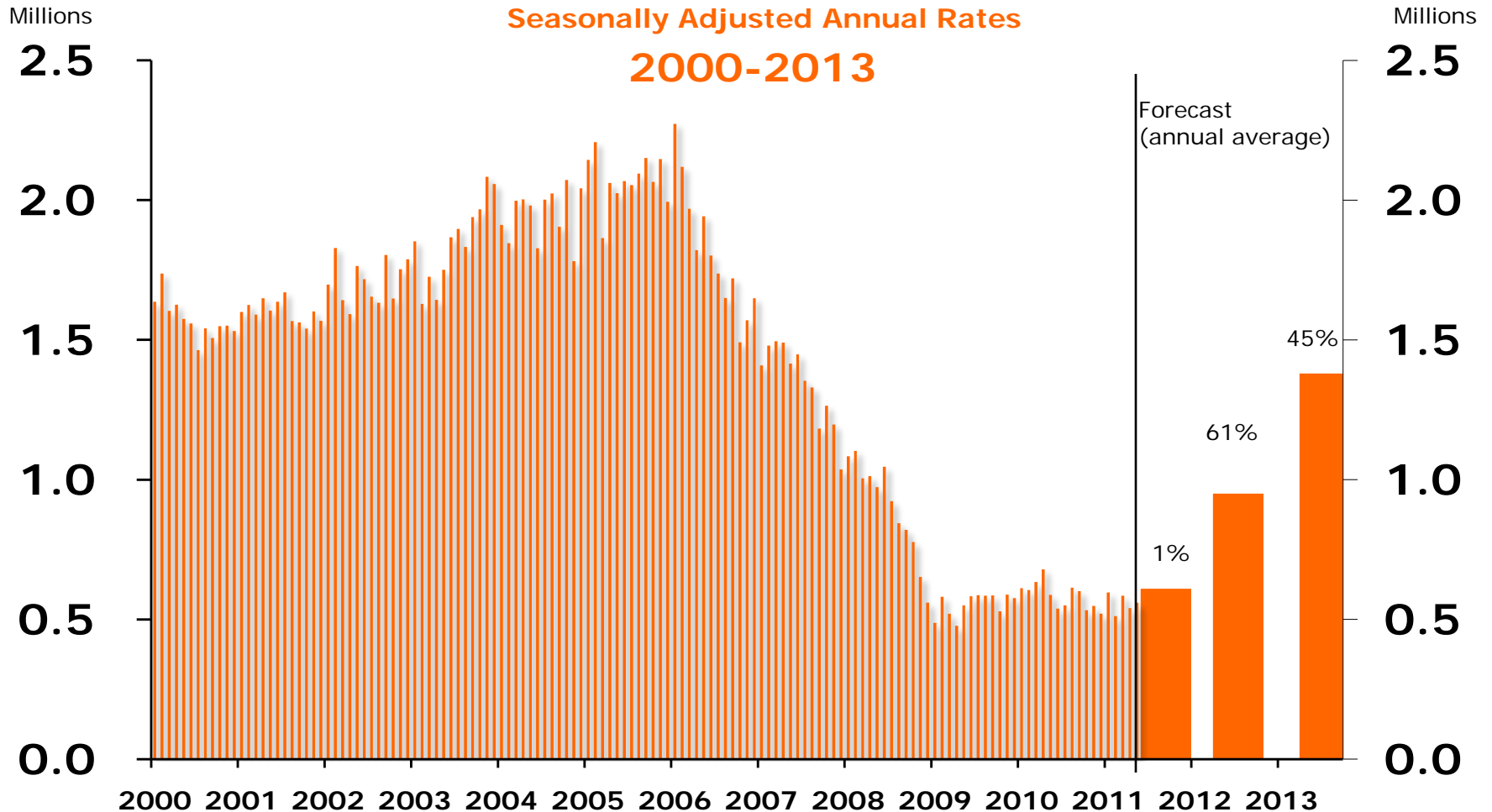
Total Business Inventories-to-Sales Ratio



Economy - Industrial

Housing Starts

Seasonally Adjusted Annual Rates
2000-2013

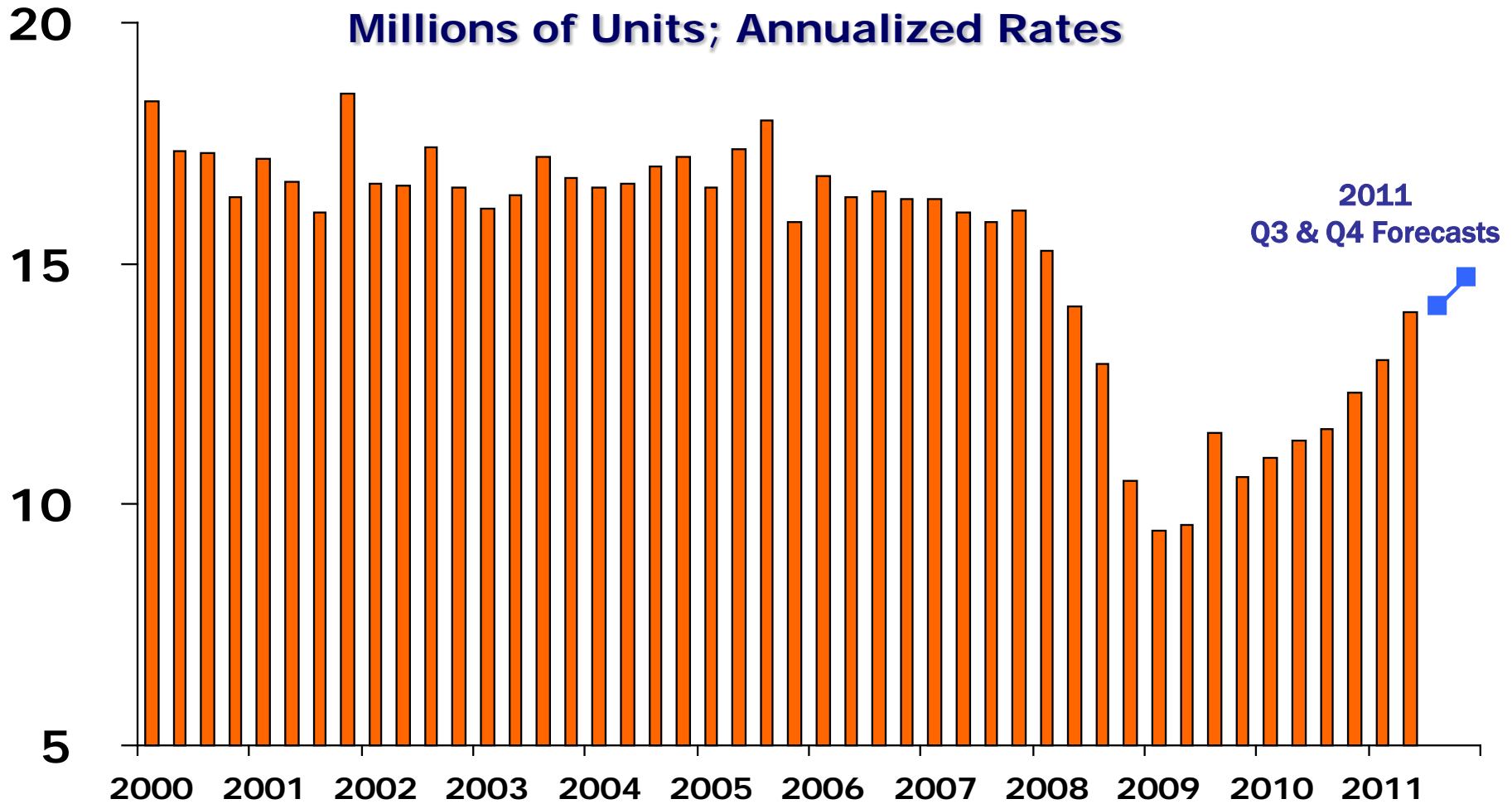


Sources: Census Bureau & ATA

Economy - Industrial

Light Vehicle Sales

Millions of Units; Annualized Rates



2011
Q3 & Q4 Forecasts

Sources: Bureau of Economic Analysis, ATA, & Global Insight

Truckload Industry Trends

Industry Trends - Volume

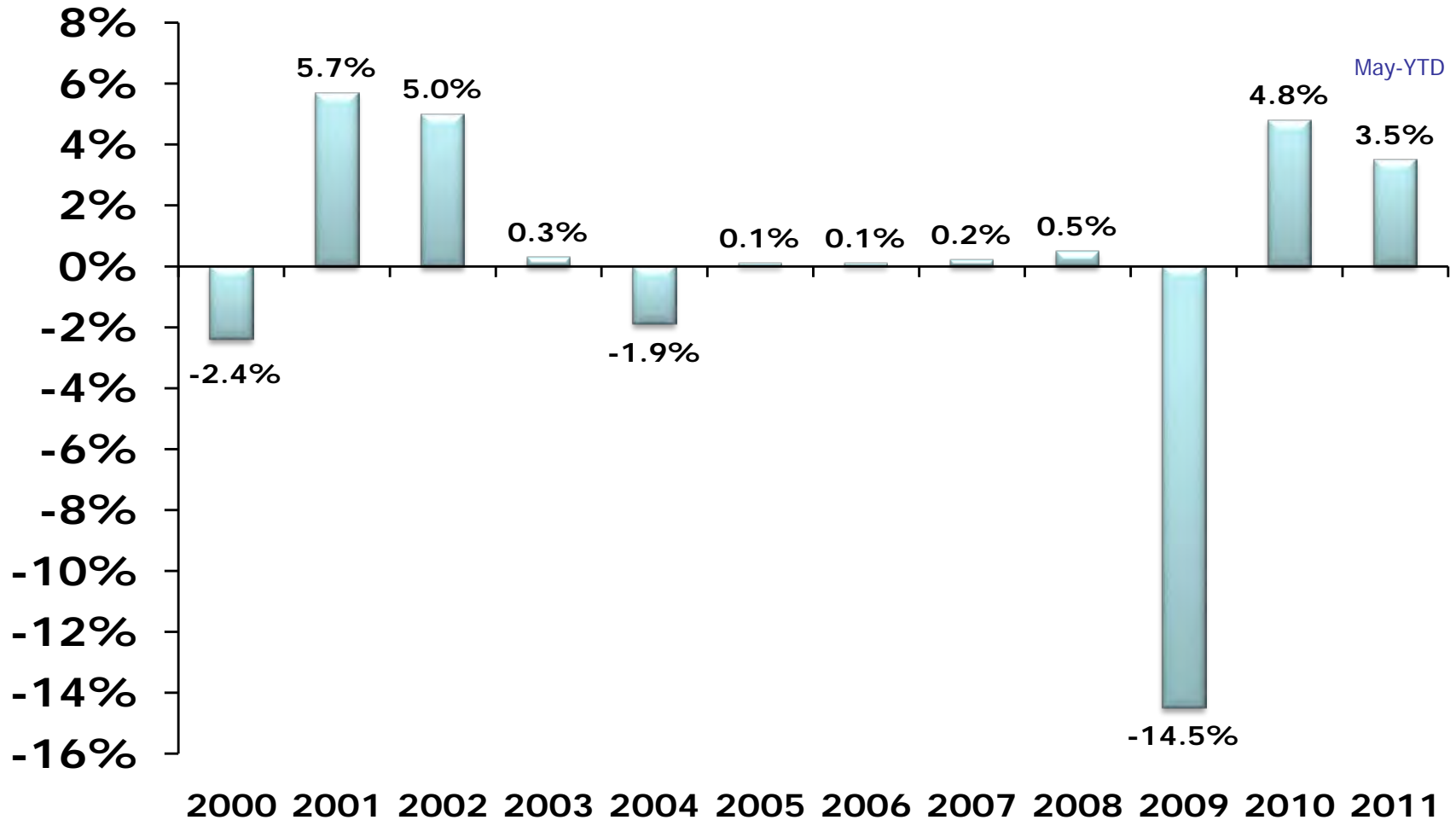
ATA's For-Hire Truck Tonnage Index



Source: *ATA's Monthly Truck Tonnage Report*

Industry Trends - Volume

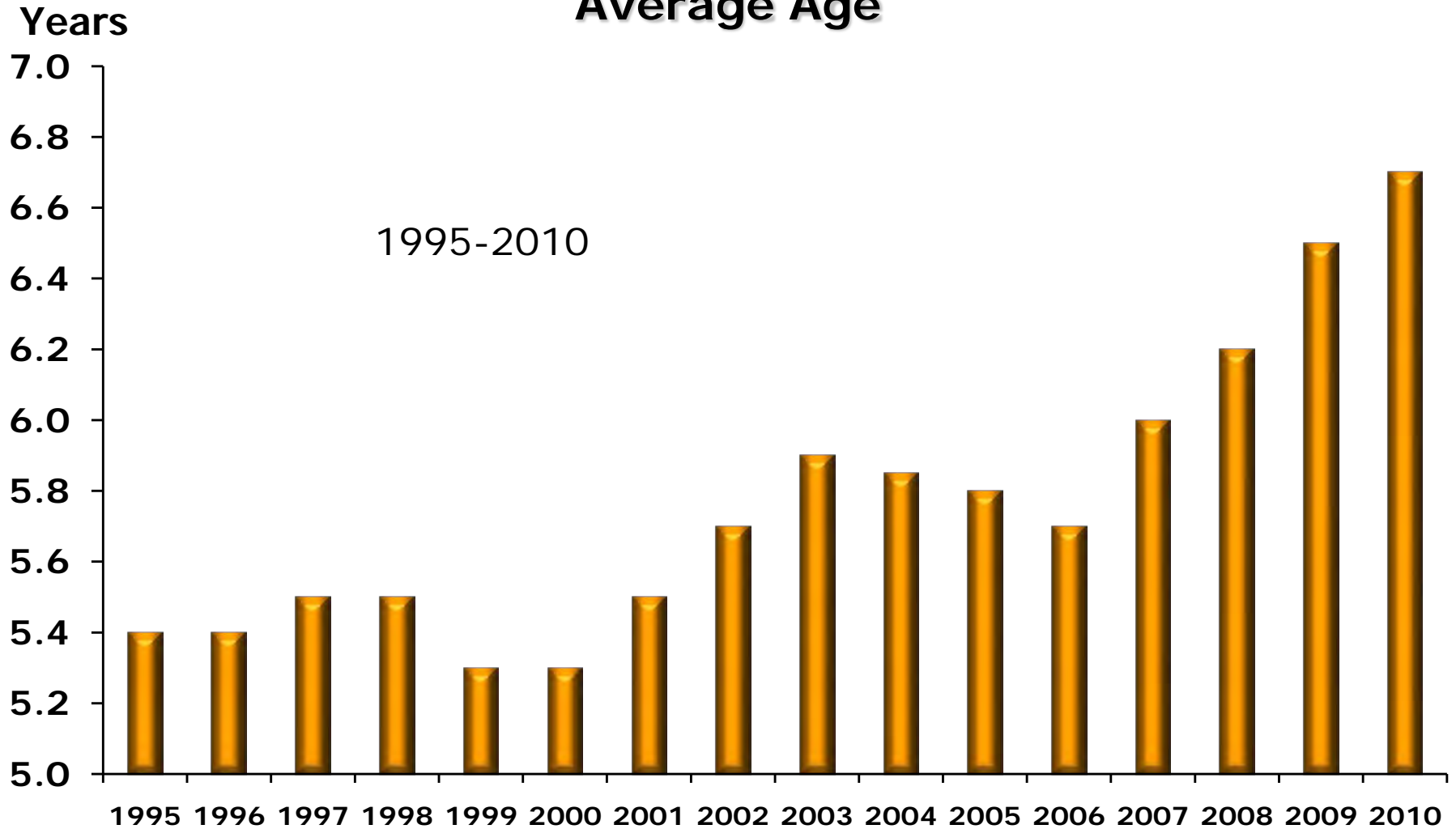
For-Hire TL Loads Annual Percent Change



Source: ATA's *Trucking Activity Report*

Industry Trends - Capacity

U.S. Class 8 Trucks Average Age

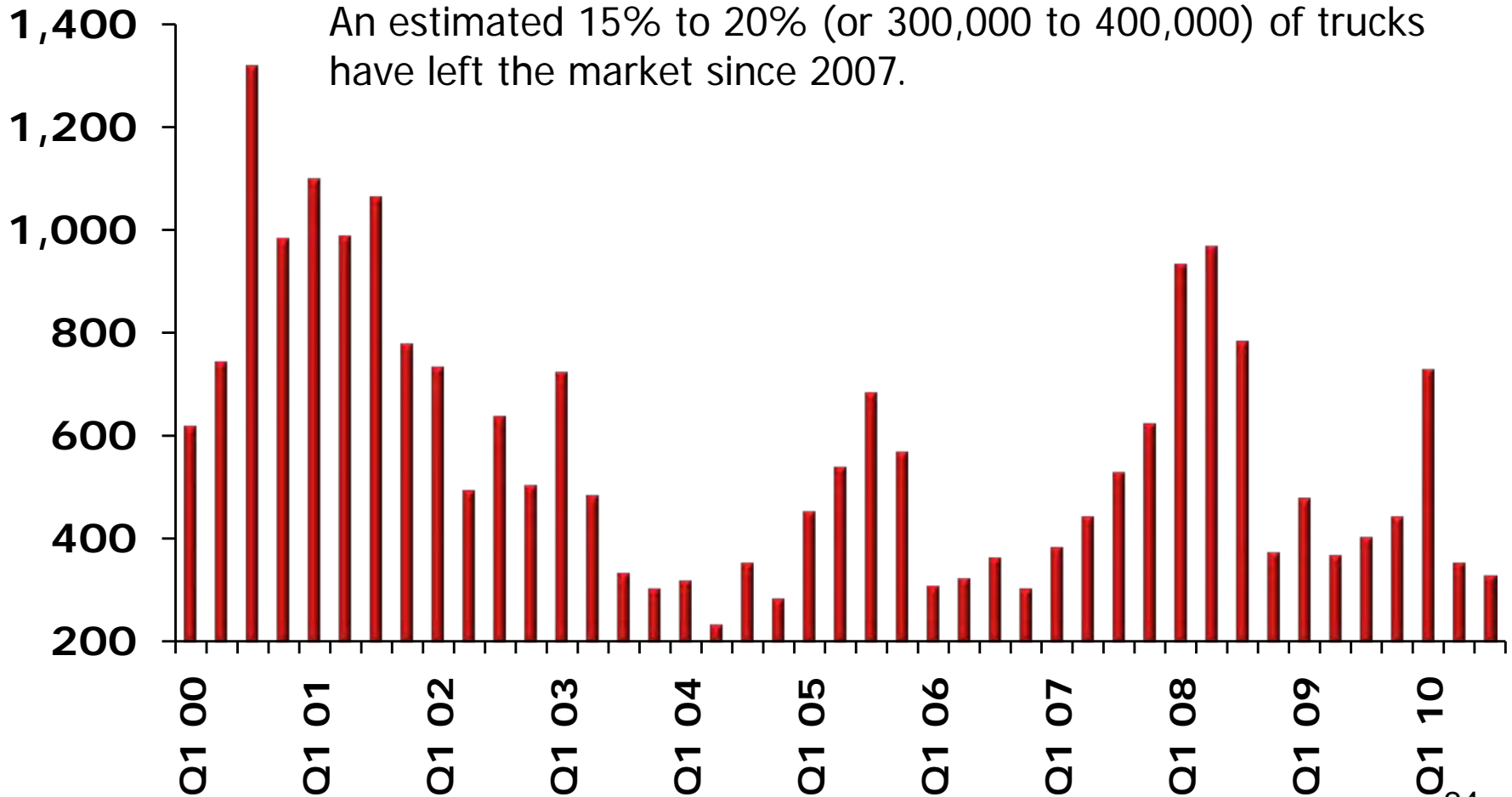


Industry Trends - Capacity

Trucking Failures

Failures only includes fleets with at least five trucks

An estimated 15% to 20% (or 300,000 to 400,000) of trucks have left the market since 2007.



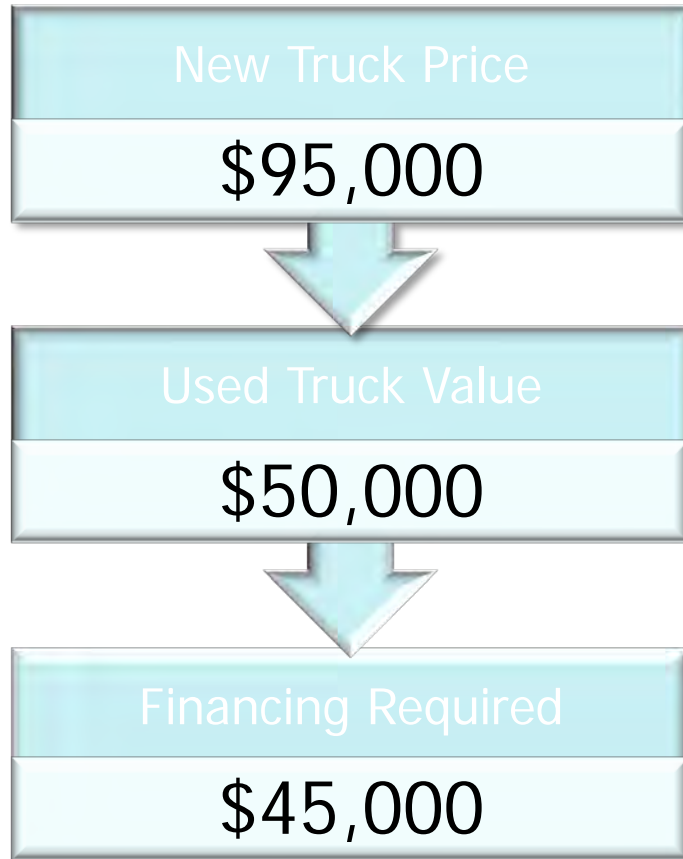
Source: Avondale Partners, LLC

Industry Trends - Capacity

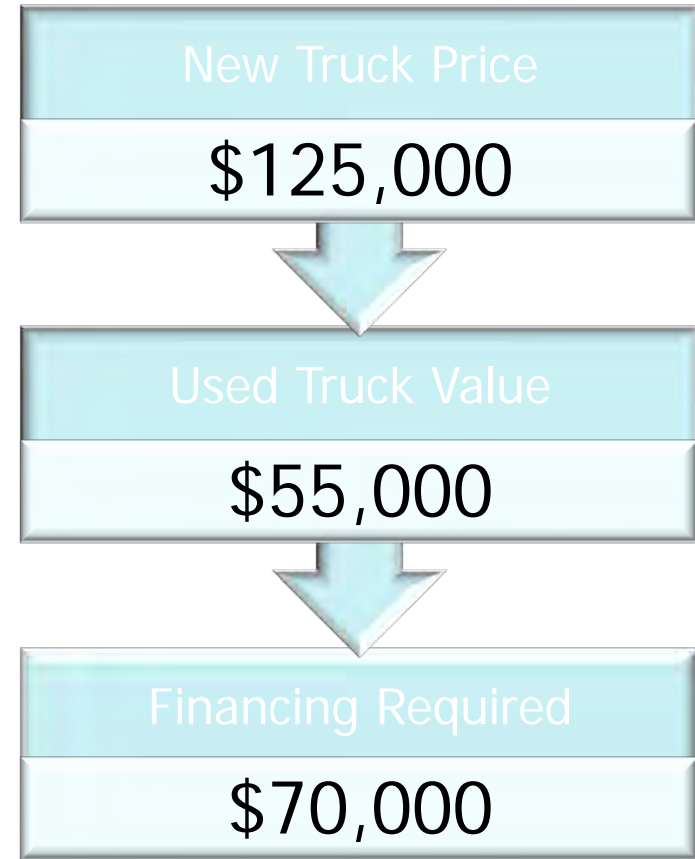
Truck Purchase Decision

This example is for illustration purposes only. Actual numbers may vary.

2006

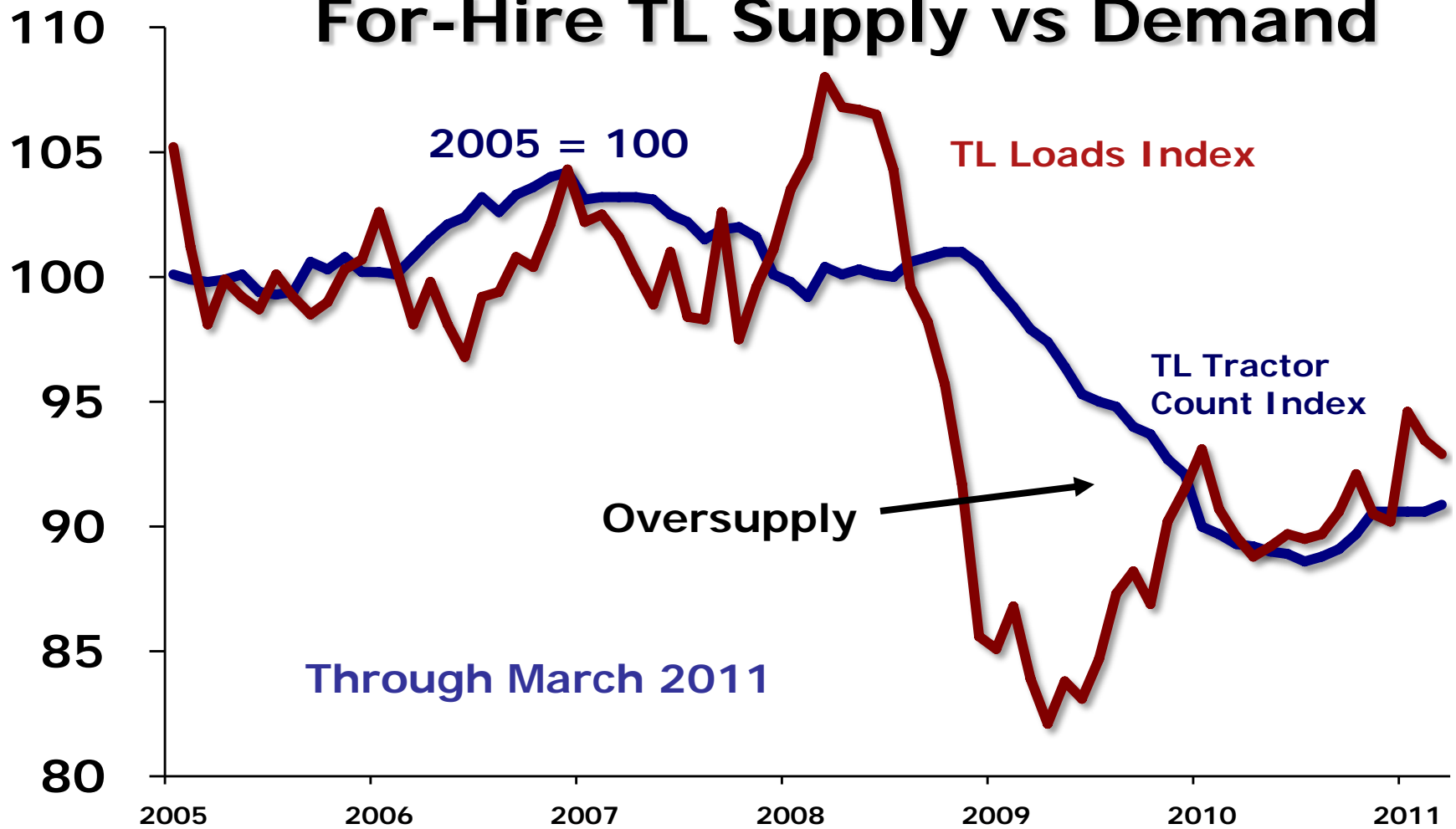


2010



Industry Trends - Capacity

For-Hire TL Supply vs Demand



Industry Trends - Capacity

▶ Hours of Service & EOBR

▶ Clean Air Initiatives / CA CARB

- Idle Restrictions
- Refrigerated Unit Replacement
- Newer Trucks
- Trailer Side Skirt Requirements

▶ CSA 2010

- ① **Unsafe Driving** (Speeding, Reckless, Lane Changes)
- ② **Fatigued Driving** (HOS & Logbook)
- ③ **Driver Fitness** (Valid CDL & Medical Qualification)
- ④ **Controlled Substances & Alcohol** (Use & Possession)
- ⑤ **Vehicle Maintenance** (Brakes, Lights, Appropriate Repairs)
- ⑥ **Cargo Related** (Load Security, Size & Weight, HazMat Handling)
- ⑦ **Crash Indicator** (History & Patterns, Frequency & Severity)

Industry Trends - Capacity

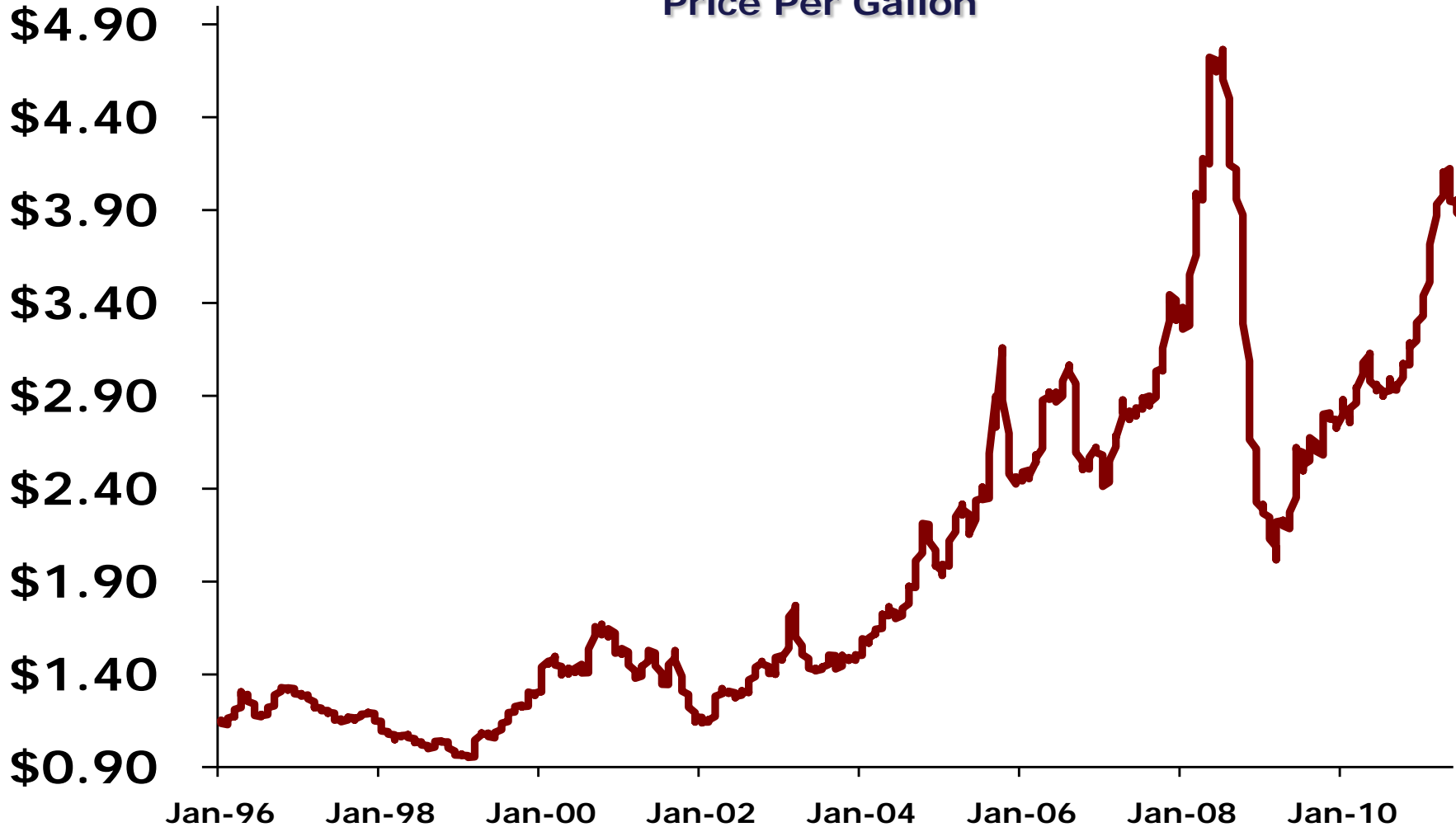
Capacity conclusions – Outlook for 2nd half of 2011

- Little capacity additions are coming on-line
- Government regulations have or will limit capacity (Electronic logs, HOS, CSA rules)
- Driver shortage will further limit capacity
- Barriers to entry, such as increased tractor prices and limited access to capital are rising and will continue to rise
- Capacity has tightened quickly as freight volumes continue to improve and supply has diminished
- Rates should increase dramatically

Industry Trends - Fuel

On-Highway Diesel Prices

Price Per Gallon



Industry Trends - Fuel

Fuel Impact Conclusions

- Unleaded fuel prices above \$3.50-\$3.75/gallon begins to impact consumer retail spending which impacts shipping demand unfavorably.
- Increasing diesel fuel environments like we saw from Fall of 2010 through April 2011 accelerate smaller trucking company failures. This reduces overall shipping supply/capacity, which eventually puts upward pressure on shipping rates.
- Truckload carriers are only able to pass through approximately 70% of diesel fuel cost changes to their customers through fuel surcharge programs. In increasing diesel fuel environments, customer rates will eventually have to be increased as TL carriers complete their bid proposals.

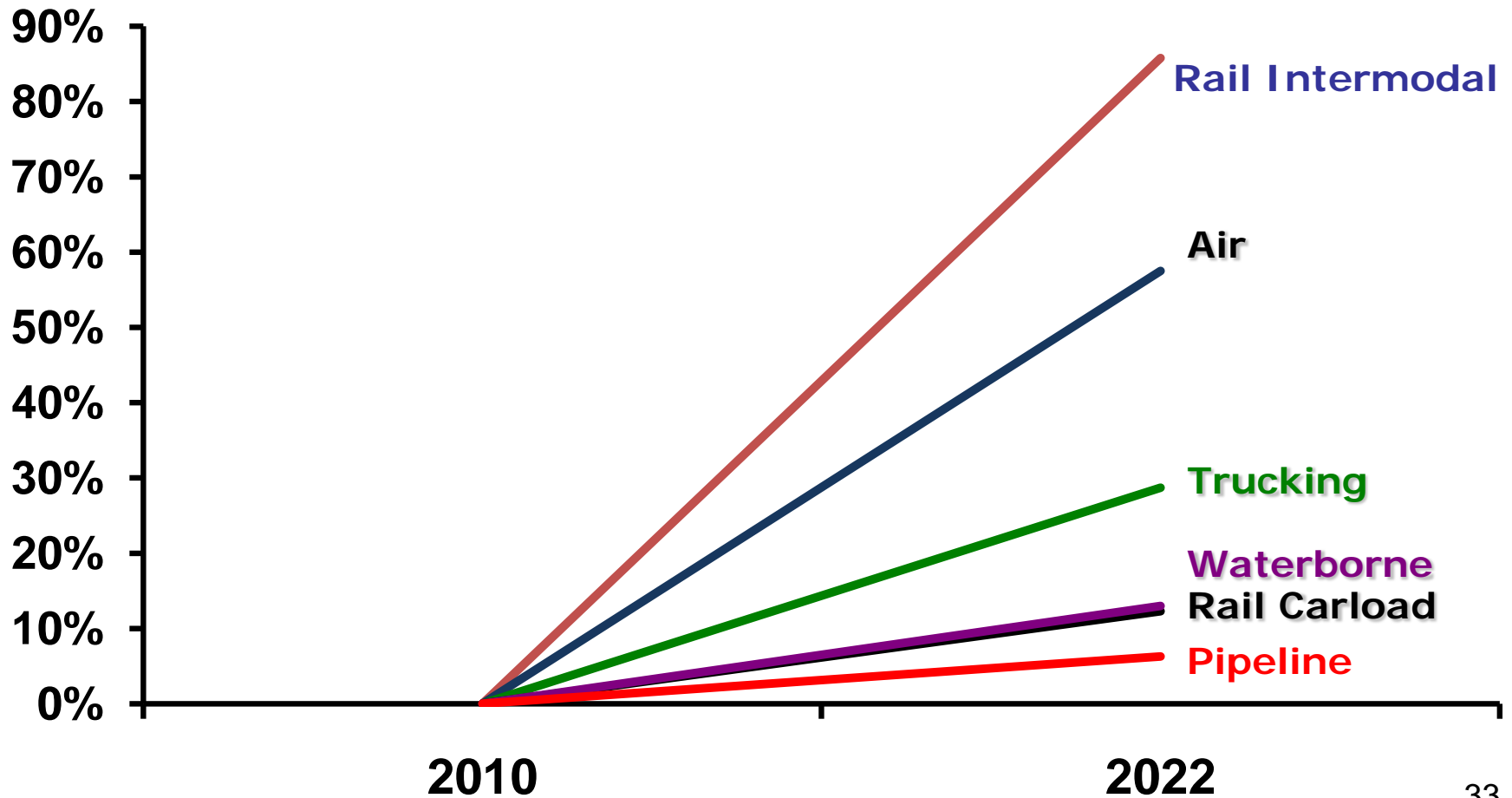
Industry Trends - Pricing

- Many inflationary cost pressures to overcome including:
 - Fuel
 - Equipment (tractors and trailers)
 - Driver wages
 - Tires
 - Health insurance
 - Casualty insurance
 - Regulations (CSA, EOBR, HOS, California CARB)
- Spot pricing remains competitive
- Contract pricing began moving up in Q3-2010 and has not slowed
- Overall pricing for the large fleets will be up 5% to 8% in 2011 over 2010

Freight Transportation Outlook

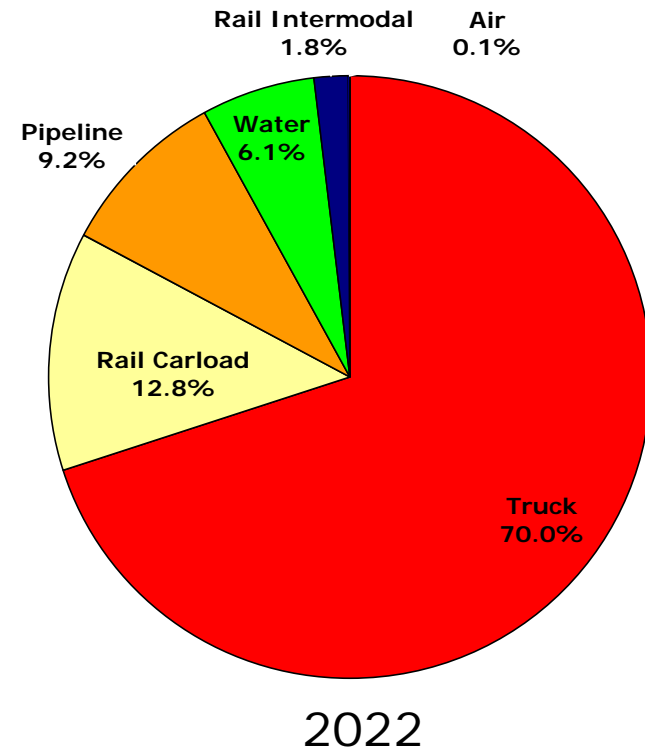
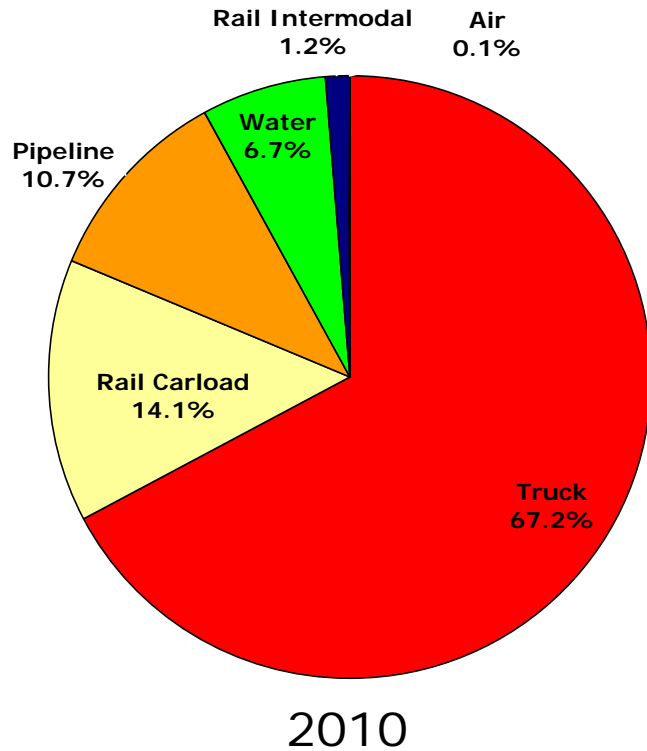
Industry Outlook

Growth in Tonnage Total Increase from 2010 to 2022



Industry Outlook

Distribution of Tonnage by Mode: 2010 vs. 2022



Questions?

Thank You!