CONTRA RESEARCH GROUP
INDEPENDENT EQUITY RESEARCH · AUTONOMY AND TRANSPORTATION

COMPANY NOTE · **INITIATION**
5 SEPTEMBER 2026

Kodiak AI, and the Insurance Nobody Is Pricing

NASDAQ: KDK · Autonomous vehicle technology · Driverless commercial trucking · Micro capitalization

SHORT INTEREST	SHORT SHARES	DAYS TO COVER
6.87% of float	**8.91M**	**9.30**

Short interest as of the 31 August 2026 settlement. FINRA publishes short interest twice a month, about seven business days after each settlement date, so this figure is not a daily number.

FRAMEWORK VIEW: SPECULATIVE, TWO PART A high risk option on the first mover in driverless freight, paired with a house conviction that the real underfollowed opportunity sits one layer over, in the commercial trucking insurance complex the technology is about to rewrite.

Initiated 5 Sep 2026 at **Speculative**. Current view as of 17 Oct 2026: **Speculative**, unchanged.

POSITION DISCLOSURE

Long KDK · opened 31 August 2026 at $3.83 · average cost $3.77 as of 18 September 2026

The position was opened five days before this note published on 5 September 2026, and has been added to since. We trade actively and may add to, reduce or close this position at any time, so treat the figures above as accurate at the date shown and not as a commitment to hold. See how we trade what we cover.

A position is not a recommendation and it is not the framework stance. The stance on this note is Speculative, which under our own definitions makes position sizing, not conviction, the operative decision. Nothing here is advice to buy or sell.

Since publication

4 updates. The note below is unchanged from the day it published.

MONITOR · 17 OCT 2026

Kodiak is down another sharp leg, and our read has not changed. The launch the thesis turns on is landing.

The stock has fallen again. KDK closed at about **$1.35** on 16 October, down roughly 83% over the past year and near $282 million of market value, which puts it well below our $3.77 average cost. We are not

going to dress that up. A position we hold is down sharply, and if the drawdown is the only thing you weigh, the honest conclusion is that so far the trade has been wrong.

We are reaffirming the thesis anyway, and we want to be precise about why, because "we still like it" is worth nothing without a reason. **The operational milestones the thesis hinges on are arriving on schedule, in the same stretch the equity has cratered.** That is the exact divergence we flagged when we added on 18 September, and it has widened rather than closed.

What has actually happened since our last update. Three things, all in the first half of October, and all on the operating side rather than the market side.

One. Kodiak reported its Autonomy Readiness Measure at **96% in its early-October update**, up from 93% in August and 91% in July, and again reaffirmed a driverless long-haul commercial launch by the end of 2026. The curve we are watching is still bending the right way.

Two, and this is the one that matters most. On 2 October Kodiak announced it will run **driverless freight for IKEA Supply, without a safety observer, by year-end**, on a 219-mile route primarily along Interstate 45 in Texas, after roughly 1,300 supervised loads and more than 750,000 miles. Safety-observer removal is the precise, dated, binary catalyst we put on the agenda in September as the move from technology validation to a business. A named blue-chip shipper and a removed observer is that catalyst arriving, not a promise of it.

Three. Kodiak set its **third-quarter results for 5 November 2026**. That is the next hard date, and it is where the cash position, the burn and any update on the launch timeline will be tested. It is also, candidly, where the risk lives: this is a going-concern balance sheet, dilution remains our base case, and the runway math has not improved just because the technology has. A capital raise on bad terms is still the most likely way this position is impaired further, and a slip in the year-end launch would change the reason to own it.

So the stance does not move. Framework view stays **Speculative**, which under our own definitions means sizing, not conviction, is the operative decision, and we are not adding here on top of the September add. We are holding what we have and watching two dated events: the driverless launch by 31 December and the print on 5 November. If either disappoints we will say so here, in its own entry, rather than letting it disappear into the average. The equity is telling us we are early or wrong. The trucks are telling us the thesis is on track. We are not resolving that tension by pretending the drawdown is not real; we are holding because the part of this we can actually check is still delivering.

Thesis unchanged. Framework view remains Speculative. The position is unchanged; we did not add.

Answers agenda item 05, on the long-haul milestone and the next financing from the note.

POSITION CHANGE · 20 SEP 2026

We added to Kodiak on Friday's twelve-month low. Average cost is now $3.77.

What we did. We added to the KDK position on Friday 18 September, into the decline. Blended average cost moves from $3.80 to **$3.77**. The entry date is unchanged at 31 August 2026 at $3.83. The disclosure block above this log now carries the 18 September as-of date.

The add was small, and the arithmetic says so without our having to characterize it. A three-cent move in a blended average, off a starting average of $3.80 with a fill somewhere in Friday's range, implies an addition of roughly a tenth of the existing position. We are spelling that out because there is a real difference between adding and doubling, and because at a **Speculative** stance our own framework makes position sizing, not conviction, the operative decision. Adding a tenth is a sizing decision. It is not an upgrade, and nothing below this line changes.

What the stock did. Kodiak set a new twelve-month low of **$3.45** on Friday and traded around $3.48, putting market capitalization near $699 million against the 200.6 million shares in this note's key data. Volume was roughly 886,000 shares, essentially in line with the 872,000 average. Two sessions earlier, on 16 September, the stock fell 6.2% to $3.575 on 527,000 shares, about 40% below average. Neither day looks like institutional distribution. It looks like drift on ordinary volume, which is what a micro cap does when nobody is defending the bid.

We could not find a company-specific catalyst, and we looked for one. No filing, no announcement, no lost contract, no equity offering and no change to guidance in that window. What is visible instead is a ratings book that has split along methodological lines. Wall Street Zen and Zacks now both carry the stock at Strong Sell, and both run quantitative processes that key off reported earnings, which for Kodiak means a $0.50 second-quarter loss against a $0.17 estimate on $3.5 million of revenue. Against them sits a fundamental book that is still mostly positive: Needham at Buy with an $8.00 target, Morgan Stanley at Equalweight with $9.00, Oppenheimer at $9.00, Chardan at $12.00, Craig-Hallum at $12.00. Consensus target is $10.89 on a $3.48 stock.

A consensus target at three times the price is not an endorsement. It is a sign that the published models and the tape have stopped speaking to each other. On a company with a going-concern flag and revenue measured in single-digit millions, that gap is not going to close because the models are patient. It closes when the operating milestone lands or when the financing arrives, and one of those is a good outcome. We do not read a twelve-month low as validation of the bear case. We are also not going to call it noise.

What did change, and it is the reason we added. On 8 September Kodiak reported its Autonomy Readiness Measure at **93% for August, up from 91% in July**, and reaffirmed that driverless long-haul commercial service launches by the end of 2026. Management described the remaining work as final

engineering verification and validation, and said it expects to complete the safety case before year end. As of the close of the second quarter, 35 driverless trucks were operating commercially in the Permian Basin with no human in the cab, and Atlas Energy has committed to taking the Kodiak-powered fleet to 100 trucks by 2027. The operating record moved forward in the same month the equity made a twelve-month low. That divergence is the whole reason to add, and it is equally the reason the position stays sized as an option rather than a holding.

What did not change, and we are not hiding from it. Roughly fourteen months of runway. Negative free cash flow of $147 million on the last read, corroborated by Morgan Stanley's own initiation. Dilution remains our base case rather than a risk factor. The June resale registration put 30.8 million shares in front of the market, around 15% of the count, half of it warrant shares struck at $6.00. At $3.48 that strike sits 72% above the stock, so that specific overhang is out of the money and correspondingly less pressing today, but the registered shares beside it are not, and a strike that far away is a statement about where the last institutional money came in. And the question this note was built around, who writes the policy that replaces commercial auto liability on a driverless truck, remains unanswered by every analyst publishing on the name.

The discipline we are holding ourselves to. Averaging down into a going-concern balance sheet is the most reliable way there is to convert a speculative position into a real loss, and we are aware that this is exactly what it looks like from outside. So: the add was small, the stance is unchanged at Speculative, and the next marker is dated and binary. Safety observer removal and driverless long-haul launch by 31 December 2026. If that date slips, the reason to own this changes, and it will be published here as its own entry rather than absorbed quietly into the average.

Thesis unchanged. Framework view remains Speculative. Average cost $3.77 as of 18 September 2026.

Answers agenda item 05, on the long-haul milestone and the next financing from the note.

REVISION · 12 SEP 2026

Three corrections to this note: a position we did not disclose, a figure we got wrong, and a business we missed.

We are correcting three things on this note in one entry, because they were found in one pass and they publish on one day. Two are our own errors of omission and one is a figure we reported wrongly. The note body below is unchanged, as it always will be.

One. We hold this name and the note did not say so. We are long KDK. The position was opened on **31 August 2026 at $3.83**, five days before this note published on 5 September, and has been added to since at an average cost of $3.80. A position disclosure now sits under the framework stance at the top

of this note, giving the direction, the entry date and our average cost. It should have been there on day one.

Alongside it we have published how we trade what we cover, which sets out that we hold only some of the names we write about, that coverage is not a signal of ownership, and that we will disclose any material change to a position including an exit. The generic line in this note's own disclosures footer predates the block above and is superseded by it. We have left the footer as published, because we do not edit a note after the fact.

Two. The revenue split in this note is wrong. The note states that the Q2 2026 revenue split was Driver as a Service 56%, ground autonomy 34%, freight 10%. **Kodiak publishes no such breakdown.** Those three percentages are the customer concentration disclosure in the Form 10-Q, where unnamed Customer B is 56% of the quarter and Customer E is 34%, and we presented a customer table as a service-line table. There is no revenue disaggregation by service line anywhere in the filing. On the Q2 earnings call management attributed the new revenue directly: slightly over $1 million from a one-time autonomous trucking demonstration with **DriveOhio**, an initiative of the Ohio Department of Transportation. The 34% is a state transport agency demonstration that management called one-time. It is not a business line and it is not defense.

Three. We did not cover the defense business at all, and it explains the revenue history we quoted. Defense is not something Kodiak is building toward. It is a business that already peaked and collapsed.

US MILITARY REVENUE AGAINST TOTAL, AS DISCLOSED

YEAR	TOTAL REVENUE	US ARMY REVENUE	SHARE
FY2024	$14.93M	$13.3M	89%
FY2025	$3.80M	$1.0M	26%
H1 2026	$5.33M	not disclosed	below the 10% threshold

Army figures are narrative disclosures in the FY2025 Form 10-K. Cumulative military revenue to date is approximately $30M, against a $49.9M ceiling on a contract that no longer exists.

This changes how the growth rate should be read, and it is why the correction leaves the thesis firmer. We wrote that revenue rose 595% year over year. That is arithmetically true and it is measured off a trough that the defense rolloff created. Total revenue fell 75% from FY2024 to FY2025 as the Army work wound down, and neither the full-year release nor the Q2 release explains the decline. A reader looking at 595% growth without that context is looking at recovery from a collapse and calling it expansion. Against a going-concern flag and roughly fourteen months of runway, that makes the dilution case more acute.

What the defense position actually is. The money came from a single Defense Innovation Unit agreement signed in October 2022 for the Army Robotic Combat Vehicle program, announced at a $49.9M ceiling, of which Kodiak received about $30M. The Army halted RCV development in May 2025 during a budget drill, after the competition had concluded and Textron's Ripsaw had won. In August 2025 the Army awarded three autonomy agreements worth roughly $15.5M for Infantry Squad Vehicles to Forterra, Overland AI and Scout AI. Kodiak was not among them.

What remains is early and mostly unpriced: a US Marine Corps development contract announced 11 February 2026 for autonomy on the ROGUE-Fires missile carrier, with no disclosed value; a strategic collaboration with General Dynamics Land Systems announced 7 May 2026, with no value and no duration; and a Defense Innovation Unit prize challenge worth up to $500,000. No production award, no program of record, no backlog, no guidance, and no separately reported segment. We also found no mention of ITAR or security clearances in any Kodiak filing, so there is no classified moat here, which cuts both ways: no compliance drag, and no barrier protecting the position either.

The organizational investment is real and larger than the revenue. Kodiak added a defense advisory council including the retired lieutenant general who ran the Army's Next-Generation Combat Vehicles effort, and in February 2026 hired a defense vertical lead who previously ran a $157M defense business. That is a serious capture build. It is intent, and it is not yet dollars.

The corrected position. Defense at Kodiak is option value on a franchise that ran down once already, supported by credible hires and a tier-one integrator relationship, with almost nothing booked since. Where the sell side treats government and defense as a diversification adjective, the more accurate reading is that the street is crediting diversification from a business that has shrunk roughly 92% from its 2024 peak. Our framework view stays Speculative, and the reasons for it are firmer than when we published.

Thesis unchanged, and firmer for the work. Framework view remains Speculative.

Answers agenda item on revenue quality and the going-concern case from the note.

MONITOR · 12 SEP 2026

Seven analysts now cover Kodiak. None of them price the bottleneck.

Two initiations landed inside three days. Needham started at Buy on 9 September with an $8.00 target, built on 5 times its fiscal 2030 adjusted EBITDA estimate discounted back, and framed removal of the safety observer by year end as the move from technology validation to business scalability. Morgan Stanley started at Equalweight on 11 September with a $9.00 target, citing OEM relationships, lower cash burn and diversification across on-highway, industrial off-highway and government work, against the

company sitting behind Aurora in on-highway commercialization and running negative free cash flow of $147M.

Three things in that are worth holding onto.

Morgan Stanley is the first firm not to recommend the stock. Oppenheimer, Citi, Northland, Chardan and Craig-Hallum had all initiated at Buy between June and late August. The first bulge-bracket bank to cover the name declined to, and it did so while carrying a $9.00 target that sits above both Needham's $8.00 Buy and Citi's $8.50 Buy. Ratings and targets across the street now disagree with each other: the most cautious rating on the name implies more upside than two of the bullish ones. That is what a book with no shared framework looks like, and it is consistent with treating the equity as an option rather than a forecast.

Morgan Stanley corroborates the balance-sheet flag. Negative free cash flow of $147M against the $151.1M of cash and securities in our key data, and the roughly fourteen month runway we published, are the same picture from two directions. Dilution stays our base case.

Nobody is pricing the liability transfer. Seven analysts now publish on Kodiak. On the public record, not one of them engages the question our note was built around: whether a driverless truck can be insured at all, and who writes the policy that replaces commercial auto liability. The street is modeling freight economics, utilization and EBITDA multiples. The bottleneck we identified sits outside every published model on the name. We take that as the gap the note exists in, not as a reason to doubt it.

Needham's catalyst is the more useful near-term marker. Safety observer removal by year end is dated, binary and observable, and it goes on our agenda as the next thing to watch.

Thesis unchanged. Framework view remains Speculative.

Answers agenda item on sell-side coverage and the insurance question from the note.

KEY DATA			
MARKET CAPITALIZATION	**$766M**	GOING CONCERN	**Flagged**
CASH AND SECURITIES	**$151.1M**	IMPLIED CASH RUNWAY	**~14 months**
H1 2026 CASH BURN	**$63.6M**	SHARES OUTSTANDING	**200.6M**
SHORT INTEREST, % FLOAT	**6.87%**	DAYS TO COVER	**9.30**
SHORT INTEREST, SHARES	**8.91M**	PUBLIC FLOAT	**129.7M**

REVENUE, Q2 2026	**$3.5M**	PAID DRIVERLESS HOURS	**40,000+**
TOP CUSTOMER, % REVENUE	**65%**	52 WEEK RANGE	**3.76 to 11.44**
CONSENSUS TARGET	**$11**	INSTITUTIONAL OWNERSHIP	**~73%**

Sources: Kodiak AI Q2 2026 filings as of 30 June 2026, market data as of 4 September 2026, short interest as of 31 August 2026 settlement. Last traded price omitted by request. The equity has fallen roughly two thirds from its 52 week high. Consensus is seven analysts at an average target near $11, thin coverage that we treat as directional only.

01 Investment Case

We initiate on Kodiak AI with a Speculative framework stance, and we make the note deliberately two part. Kodiak is the first company running fully driverless commercial trucks for paying customers, which is a real and rare distinction, but it is a sub scale, cash constrained, single customer dependent business carrying a going concern warning, and the equity is a binary option on scaling before the cash runs out and before a far larger competitor takes the category. The more durable idea in this note is not the equity at all. It is our house conviction that driverless freight is inevitable, and that the least watched way to express it is the commercial trucking insurance complex, a small and concentrated market whose core risk the technology is about to rewrite.

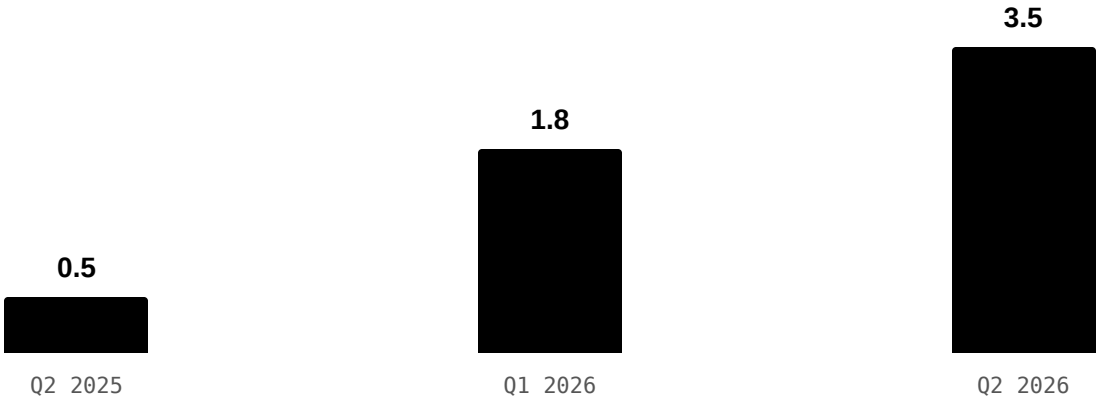
The bull case on Kodiak is concrete. It has crossed 40,000 cumulative paid driverless hours and delivered more than 20,000 loads, revenue rose 91% quarter over quarter and 595% year over year, and it reaches revenue earlier than most peers by starting off highway in the Permian Basin instead of fighting for the public highway first. The bear case is equally concrete and sits in Section 03. Cash of $151M against a half year burn of $64M is roughly fourteen months of runway, the auditors have flagged going concern, one customer is 65% of revenue, and Aurora is an order of magnitude larger by market value and already running driverless on public highways in Texas. This is a venture stage risk profile inside a public listing.

The insurance thesis, developed from Section 08, is where we would spend research time. Commercial auto liability is a $43B line that has been unprofitable for most of a decade, it is controlled by only five parent balance sheets, and carriers are exiting it because nuclear verdicts and social inflation have made the human driver the most expensive risk in freight. Driverless technology removes that risk and replaces it with a different one, product liability on the manufacturer. That is a regime change in a market almost no one is modeling, and it is the kind of concentrated, mispriced, second order setup that rewards early work.

02 The Company

Kodiak sells autonomy as a service. Under its Driver as a Service model, customers pay a per mile or per vehicle fee to run the Kodiak Driver, the company's self driving software and modular hardware, without buying the technology outright. The wedge that sets Kodiak apart is where it started. Instead of leading with public highway long haul, where regulation and edge cases are hardest, it went driverless first in the Permian Basin oilfields with Atlas Energy Solutions, on private and low speed roads, where trucks now run day and night. That choice is why Kodiak has driverless revenue today while much of the field is still testing with safety drivers.

EXHIBIT 1. KODIAK REVENUE, $M PER QUARTER (SELECTED QUARTERS)



Q2 2026 revenue up 91% quarter over quarter and 595% year over year, off a small base. Q2 2026 revenue split: Driver as a Service 56%, ground autonomy 34%, freight 10%. Source: Kodiak AI filings.

The customer roster is stronger than the revenue suggests, which is the argument for patience. Beyond Atlas Energy, Kodiak names Maersk, IKEA, J.B. Hunt, Bridgestone and C.R. England, with Roush building the trucks. The near term catalyst is the move from the oilfield to public highway long haul, which the company has said is close. If that transition works, the addressable market widens from a niche industrial use case to the core of the freight economy. If it slips, the company is a single application business burning cash.

03 Financial Position and Going Concern

This is the section that governs the equity. Kodiak held $151.1M in cash and securities at 30 June 2026 against a half year operating burn of $63.6M, and the filing carries explicit substantial doubt about the ability to continue as a going concern for at least one year without additional financing.

The arithmetic is unforgiving. A $64M half year burn implies roughly $127M a year, and against $151M of liquidity that is on the order of fourteen months of runway before a raise. The company

already returned to the market in May 2026 for $100M of common stock at $6.50 a share with attached warrants, which is well above the current quotation, so the next raise, if it comes at today's level, would be materially more dilutive against a 200.6M share count. The accumulated deficit stands at $814.7M. Revenue is real and accelerating but tiny, and 65% of it comes from a single customer, so the model is not yet self sustaining and will not be for years. We treat further dilution as the base case, not a risk, and we size the equity accordingly.

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04 Ownership and Institutional Flows

The ownership picture is the most surprising part of the story and, for a contrarian, the most interesting. This is a going concern micro capitalization that has fallen roughly two thirds, and institutions are buying it almost without exception.

Institutional ownership sits near 73% of shares. More telling than the level is the direction. Over the last twelve months thirty three institutions added a combined $108M of stock, against a single seller who trimmed less than $100k. That is close to unanimous accumulation into price weakness, and the buyers are not only index funds. Among the funds that file quarterly, ARK is the most aggressive buyer, up 190% quarter over quarter, and the equity hedge fund Alyeska and the macro fund Rokos Capital both hold multi million share positions. The largest single disclosed stake belongs to George Soros's fund, at 9.77M shares or 4.9%, but that figure carries a caveat we take seriously. It comes from a 13G amendment that sits just below the 5% threshold, and a drop below 5% can reflect selling or simply dilution from Kodiak's rising share count, so we do not read the Soros position as fresh buying. The accumulation signal rests on the breadth of quarterly filers and on ARK, not on Soros. Short interest is modest by contrast, 8.91M shares, or 6.87% of float, at 9.3 days to cover, up only modestly month over month. The weakness here is not a crowded short. The overhang is the drift lower since the listing and the going concern question, not an active short campaign, which is a very different setup from a squeeze candidate.

SELECTED INSTITUTIONAL HOLDERS, MOST RECENT FILINGS

HOLDER	SHARES	VALUE	RECENT ACTIVITY
Soros Fund Management	9.77M	$38M	Largest stake at 4.9%; latest 13G amendment sits below 5%, direction not disclosed
Alyeska Investment Group	3.85M	$20M	Equity hedge fund; added
ARK Investment Mgmt	2.67M	$29M	Most active buyer; up 190% quarter over quarter
Rokos Capital	2.07M	$14M	Macro fund; added
BlackRock	1.79M	$9M	Index

HOLDER	SHARES	VALUE	RECENT ACTIVITY
Sumitomo Mitsui Trust	1.68M	$12M	Added
Geode Capital	1.21M	$13M	Index

We would not over read it. These are early, thematic positions in a speculative name, sized small relative to the funds that hold them, and they can reverse as fast as they were built. The offsetting structural point is supply: as a company taken public through a SPAC, Kodiak has large restricted holdings in the hands of the founder, the Ares sponsor and the venture backers, and the unwinding of those lock ups adds share supply over time. Still, the base rate is that thematic and macro money does not accumulate a going concern micro cap this uniformly unless it believes the option is worth owning. That belief, set against the financing risk in Section 03, is the whole debate in one name.

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05 Governance and Connections

The board was built for a public listing, and it deliberately pairs autonomy operators with financial and mobility credibility, anchored by the SPAC sponsor, Ares Management.

BOARD AND SPONSOR, SELECTED

NAME	ROLE	NETWORK	NOTE
Don Burnette	Founder and CEO	Ex Google and Waymo; cofounded Otto, sold to Uber	Autonomy pioneer; the Otto and Uber lineage is part of the backstory
Ken Goldman	Director	Ex President of Hillspire, Eric Schmidt's family office; ex CFO Yahoo, Fortinet, Siebel	The financial heavyweight; more than 40 boards; PCAOB investor advisory group
Kristin Sverchek	Director	President of Lyft; its first General Counsel, led it through IPO	Mobility and public company experience
Mohamed Elshenawy	Director	Former President and CTO of Cruise	Deep autonomy pedigree; Cruise's own collapse is a cautionary reference
Ares Management	SPAC sponsor	Alternative asset manager, more than $450B	Financial anchor and continuing shareholder

The network

The cap table and the board tie Kodiak into the center of the autonomy and mobility world. The founder came out of Google's self driving program and Otto, one director ran Cruise, another is the president of Lyft, and Ken Goldman is one of the most connected chief financial officers in

technology. The venture backers include Lightspeed, Battery Ventures and CRV, with strategic capital from BMW i Ventures and Bridgestone and from Atlas Energy Solutions, which is both the anchor customer and an investor. This is a well networked company. It is also a reminder that autonomy is a small world where the same operators recur, and that two of the most relevant reference points on this board, Otto and Cruise, are cautionary as much as they are credentials.

Political exposure

We screened director federal contributions in FEC records. Kristin Sverchek is a documented Democratic donor, to Harris for President, the Harris Victory Fund, the Democratic National Committee and a California House Democrat. Mohamed Elshenawy shows no itemized federal giving. The founder Don Burnette and Ken Goldman are common enough names that we could not isolate them with confidence, and the Kodiak employer records in the database resolve to a different Southern California entity, not to this company, so we do not attribute them. No director we could isolate has given to a Trump aligned committee. As with most Bay Area technology boards, the documented giving leans Democratic.

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06 Competitive Positioning

Kodiak is a first mover on driverless revenue, but it is not the scaled leader on capital. Aurora is the larger and better funded public pure play, running driverless freight on public highways between Texas cities with truck maker partners in Paccar and Volvo. Kodiak competes by going where Aurora is not yet dominant, off highway and industrial, and by keeping a lighter capital model through Roush instead of owning manufacturing.

AUTONOMOUS TRUCKING, SELECTED DEVELOPERS

COMPANY	STATUS	APPROACH	NOTE
Kodiak AI (KDK)	Driverless revenue, off highway	Driver as a Service, Permian first	First to paid driverless, sub scale, cash light model
Aurora (AUR)	Driverless on public highways	Highway long haul, OEM partners	Scaled leader, far better capitalized
Waabi	Private, pre commercial	Simulation heavy, Uber and Khosla backed	Well funded challenger
Torc Robotics	Private, Daimler owned	OEM integrated long haul	Captive of a truck maker
Gatik	Private, commercial	Middle mile box trucks	Different niche, fixed short routes

COMPANY	STATUS	APPROACH	NOTE
Bot Auto, Plus, Stack AV	Private, developing	Highway long haul	Second wave entrants

The competitive risk is not that Kodiak has bad technology. It is that autonomy is capital intensive and the prize is winner take most on each lane, and Kodiak is the least capitalized credible entrant with a going concern flag while its main rival has scale and OEM distribution. The off highway wedge buys time and revenue, but the long term equity value depends on winning public highway lanes against much deeper balance sheets.

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07 House View: Autonomous Trucking Is Inevitable

This section is our stated conviction. It is not a neutral survey. We believe that autonomous technology in commercial trucking is not a question of whether, but of when and by whom, and that the direction is effectively settled even if the timeline is not.

The case rests on structure, not enthusiasm. Freight is short of drivers and the workforce is aging, and a human driver is legally capped near eleven hours of driving a day under hours of service rules, while a driverless truck can run close to twenty four hours, which roughly doubles the revenue a single asset produces. The driver is also the largest single line of operating cost and, as Section 08 shows, the largest single source of insured loss. Remove fatigue, distraction and the human error behind the great majority of severe crashes, and the economics and the safety case point the same way. When a technology lowers cost, raises asset utilization and reduces the worst losses at once, adoption is a matter of engineering and policy timing, not of demand.

We are equally clear about the bottlenecks, because they set the timeline and they are where the money is made or lost. Regulation is a state by state patchwork with no complete federal framework, safety validation across weather and edge cases is unfinished, the capital intensity is punishing, public acceptance is unproven, and, critically, the insurance and liability regime for driverless freight barely exists yet. That last bottleneck is usually treated as a footnote. We treat it as the thesis, because a technology that cannot be insured cannot scale, and the market that solves that problem is being built right now with almost no public attention.

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08 The Underserved Space: Commercial Trucking Insurance

Here is the part of the note we care most about. Commercial trucking insurance is a small, concentrated, chronically unprofitable market that almost no equity analyst covers as a theme, and it sits directly in the path of driverless freight. If autonomy scales, it does not just change the trucking companies. It rewrites the risk that the entire insurance line exists to price.

THE MARKET IN FIGURES

METRIC	FIGURE	READ
Commercial auto liability, US direct premium	$43B	2024, up 12.3% year over year
2024 loss and expense ratio	~86%	Highest in five years, before overheads
Top 40 writers	~80%	Of industry volume
Parent groups that control the line	5	The apparent diversity is an illusion
Long tail carriers	44.8%	Of carriers but 72.3% of crashes

Very few markets actually write this risk

The important structural fact, and the one that supports your instinct, is that there are very few real underwriters of trucking risk. The dozens of brand names a fleet sees are subsidiaries of a handful of parents. Five balance sheets dominate: Travelers through Northland, the largest trucking wholesale insurer in the country; Old Republic through Great West Casualty, a trucking specialist since 1985; Berkshire Hathaway through National Indemnity, biBERK and Guard; Markel through State National, the largest fronting platform; and Chubb through ACE American. The top forty writers hold roughly 80% of the line. This is a thin, specialist market, and it has been getting thinner as carriers flee.

It is a hard market because the human driver is the loss

Commercial auto has been one of the worst lines in property and casualty for most of a decade. Nuclear verdicts, defined as jury awards above ten million dollars, keep rising, third party litigation funding has industrialized the plaintiff bar, and severe bodily injury claims from large truck crashes drive the severity. Nationwide exited primary commercial auto in 2023 over the combined ratio. Rates keep climbing even in years when crash frequency falls, because the cost per claim keeps setting records. The line is hard precisely because the insured event, a human making a mistake at speed in an eighty thousand pound vehicle, is so expensive when it goes wrong. That is the exact risk driverless technology is built to remove.

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09 The Liability Regime Change

When the driver is software, the question of who pays for a crash moves from the trucking company's commercial auto policy to the manufacturer's product liability. That single shift is the whole opportunity, and it cuts in three directions at once.

Near term, premiums rise and the few carriers who will write it gain pricing power

In the transition, insurers face what one professional in the field called lots and lots of unknowns: no actuarial history for driverless fleets, unresolved questions of who is liable when a component fails,

and new cyber exposure. Expensive, complex technology with no loss data is underwritten at a premium if it is underwritten at all. Aurora's own annual report warns that coverage may be insufficient or denied. In the near term this favors the small set of carriers with the appetite and balance sheet to price novel risk, on top of an already hard market. The bottleneck is real enough that a lack of insurance could delay deployment regardless of whether the technology is ready.

Long term, the severity that made the line unprofitable can collapse

If driverless trucks are genuinely safer, the nuclear verdict driven severity that has crushed commercial auto returns falls away. That is good for society and ambiguous for incumbents. The legacy commercial auto premium pool tied to human drivers can shrink, a slow headwind for the specialists most exposed to trucking, Old Republic through Great West and Travelers through Northland. At the same time a new pool is created, product liability, technology errors and omissions, cyber, and fleet level autonomous coverage, priced on data rather than on driver records.

The data moat decides who captures the new pool

Autonomous developers generate continuous safety and telematics data of a kind human fleets never produced. Whoever holds that data prices the new risk best. That advantages the incumbents built on data and unusual risk appetite, Progressive in commercial auto and telematics and Berkshire through National Indemnity, and it advantages the developers themselves, who may self insure through captives and keep the liability pool inside their own economics rather than handing it to a carrier. The open question, and it is the central one for this thesis, is whether the new pool accrues to public insurers, to the AV developers, or to a new class of specialist that does not exist yet.

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10 Where to Look: The Insurance Allocation Map

This is the actionable output. If driverless freight is inevitable, the insurance value chain is the underfollowed way to hold the theme, and it splits into incumbents facing a regime change, data holders positioned to price the new risk, and a venture stage greenfield that is mostly still private.

CONTRA WATCH LIST, THE TRUCKING INSURANCE COMPLEX

ROLE	COMPANY	TICKER	CONTRA STANCE
Trucking specialist	Old Republic (Great West Casualty)	ORI	Most exposed incumbent; hard market tailwind now, long term disruption risk
Trucking specialist	Travelers (Northland)	TRV	Largest trucking wholesale via Northland; diversified enough to absorb the shift
Specialty underwriter	W. R. Berkley	WRB	Disciplined specialty writer with transportation exposure

ROLE	COMPANY	TICKER	CONTRA STANCE
Specialty underwriter	RLI Corp	RLI	Niche specialty; nimble enough to write novel risk
Regional commercial	Cincinnati Financial	CINF	Commercial auto exposure; watch the transition
Fronting and programs	Markel (State National)	MKL	The rails a new autonomous insurance program would ride; picks and shovels
Data and telematics	Progressive	PGR	Best positioned incumbent to price driverless risk on data
Balance sheet, novel risk	Berkshire Hathaway	BRK	National Indemnity is the natural home for large unusual liability
AV developer, captive	Kodiak, Aurora	KDK, AUR	May self insure through captives and keep the liability pool internal
Insurtech and MGA	Koop, Loadsure and peers	Private	Venture stage autonomous insurance specialists; private market watch list

Our preferred framing is a barbell. On one end, the data rich incumbents that can price the new risk and survive the transition, Progressive and Berkshire. On the other, the private insurtech and program specialists building autonomous coverage from scratch, reached through venture exposure or through the fronting carriers that host them. In the middle, the pure trucking specialists, Old Republic and Travelers, are a paired trade rather than a simple long: a near term beneficiary of the hard market and the premium rise, and a long term holder of the exact book that driverless technology erodes. The single most valuable piece of work from here is to size how fast the legacy pool shrinks against how fast the new pool forms, because the answer determines whether this is a disruption to short or a greenfield to own.

11 Risk Assessment

RISK	SEVERITY	ASSESSMENT
Kodiak financing and dilution	EXISTENTIAL	Going concern flag, roughly fourteen months of runway, and a likely raise well below the last placement price. Dilution is the base case.
Customer concentration	HIGH	One customer is 65% of revenue. Loss or renegotiation of that contract would gut the model.

RISK	SEVERITY	ASSESSMENT
Competitive scale gap	**HIGH**	Aurora is far better capitalized and already on public highways. Autonomy tends toward winner take most per lane.
Adoption timing	MEDIUM	The insurance thesis is directionally strong but slow. Material fleet penetration could take a decade, which delays the regime change.
Bypass risk to insurers	MEDIUM	If AV developers self insure through captives, the new liability pool may never reach public carriers at all.
Regulatory and safety event	MEDIUM	A high profile driverless crash could set back the timeline and the political climate across the sector.

12 Analyst Agenda

Open workstreams, ordered by how much they move the thesis.

01 **Size the pool shift.** Model how fast the legacy commercial auto trucking premium shrinks against how fast the new autonomous liability pool forms. This answers whether to short the disruption or own the greenfield.

02 **Map insurer trucking exposure.** Quantify what share of premium and earnings each incumbent, Old Republic, Travelers, W. R. Berkley, RLI, actually derives from trucking, to find the most and least exposed.

03 **Trace the captive question.** Determine whether Kodiak, Aurora and peers intend to self insure, since that decides who captures the liability pool.

04 **Scout the private insurtech.** Build a list of autonomous insurance startups and MGAs and their backers, as the venture stage expression of the theme.

05 **Kodiak long haul milestone.** Track the public highway driverless launch and the next financing, the two events that decide the equity.

06 **Nuclear verdict trajectory.** Follow whether tort reform or continued social inflation changes the urgency of removing the human driver.

§ References and Disclosures

Kodiak completes SPAC combination

Kodiak Q2 2026 10-Q, going concern

KDK price, market cap, financials

A handful of parents control trucking insurance

Milliman 2024 commercial auto liability results

Nuclear verdicts and the motor carrier insurance crisis

Fleets and insurers face the autonomous transition

Kodiak and Paccar on autonomous liability

Aurora on autonomous risk and insurance cost

Old Republic on emerging trucking risks

State of the commercial transportation insurance market

Kodiak board appointments, Goldman and Sverchek

KDK institutional ownership and flows

Soros Fund Management 13G, KDK stake

ARK adds to Kodiak position

FEC individual contributions, director screen

Kodiak AI investor releases

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