

VALUE FOCUS

Transportation & Logistics

Third Quarter 2018

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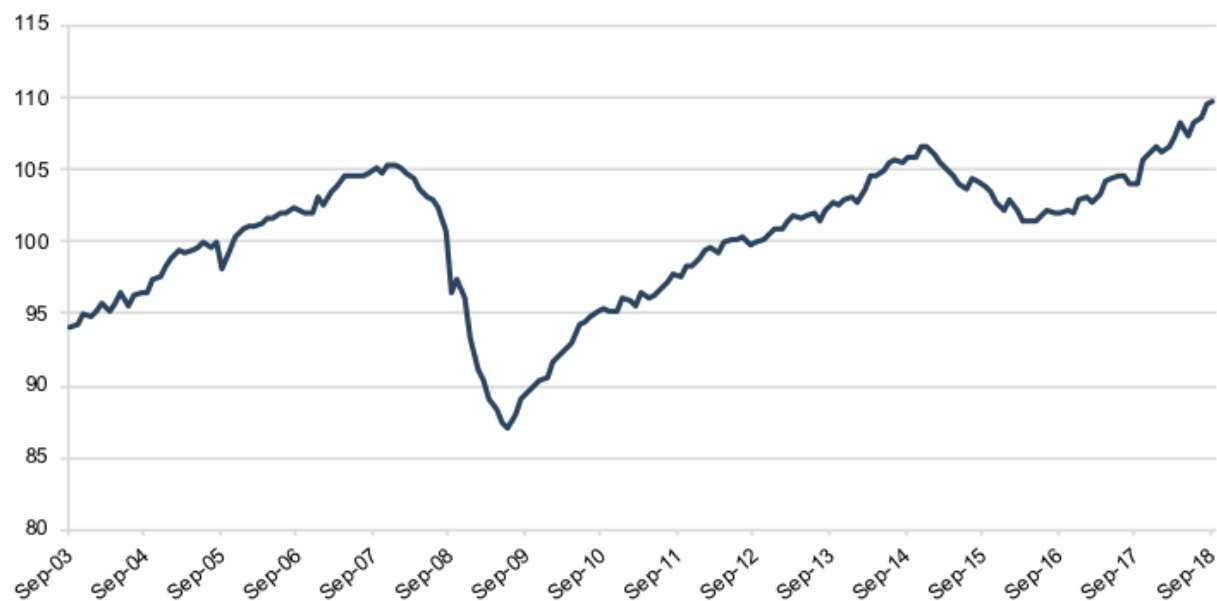


Industry Macro Trends

Industrial Production Index

Demand for services in the logistics industry is tied to the level of domestic industrial production. The Industrial Production Index is an economic measure of all real output from manufacturing, mining, electric, and gas utilities. The index value in September 2018 reached 109.7, up 1.39% from 108.2 in June 2018 and the fourth consecutive quarter-over-quarter increase. Durable manufacturing realized gains in almost all major **categories**, with the only sizeable decline in nonmetallic mineral products.

Industrial Production Index (seasonally adjusted)



Source: Federal Reserve Bank of St. Louis

Indexed to 2012

Industry Macro Trends

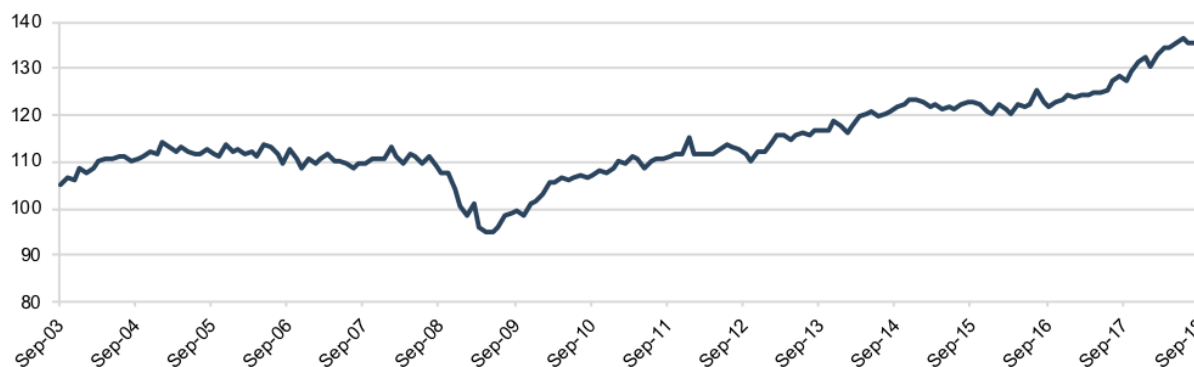
Transportation Services Index

The Transportation Services Index, which measures freight traffic in the United States, remained flat at 136.3 compared to June 2018. However, this represents a 6.8% increase over 127.6 in September 2017. The use of freight transportation has generally paced with industrial output over the last 20 years.

Cass Freight Index

The **Cass Freight Index** of shipments and expenditures is considered one of the best indicators of overall U.S. freight activity. September 2018 marks 22 straight months of year-over-year increases in shipments, although shipments declined by 0.5% on a quarter-over-quarter basis. Expenditures posted the 21st consecutive month of year-over-year growth since January 2017.

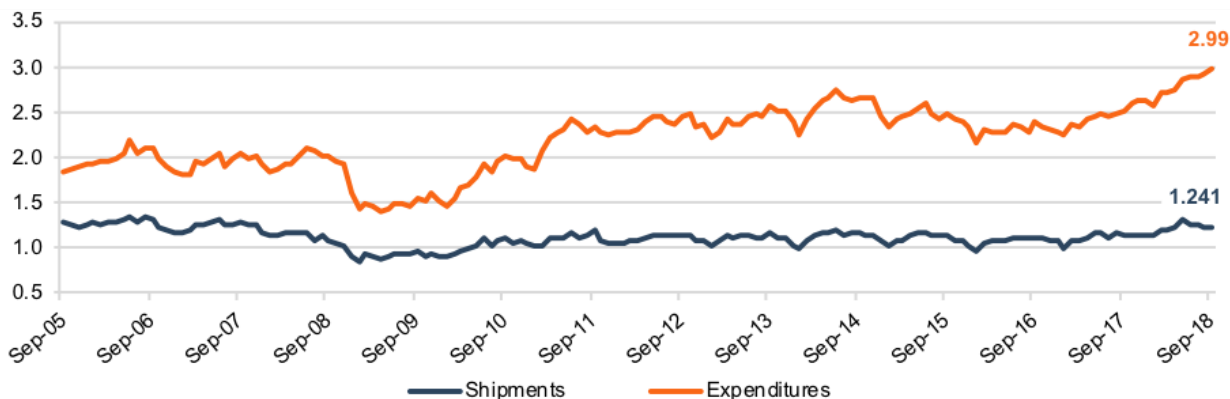
Transportation Services Index (freight, seasonally adjusted)



Source: Bureau of Transportation Statistics

Indexed to January 2000

Cass Freight Index



Source: Cass Information Systems, Inc. and Avondale Partners

Industry Macro Trends

Shipments

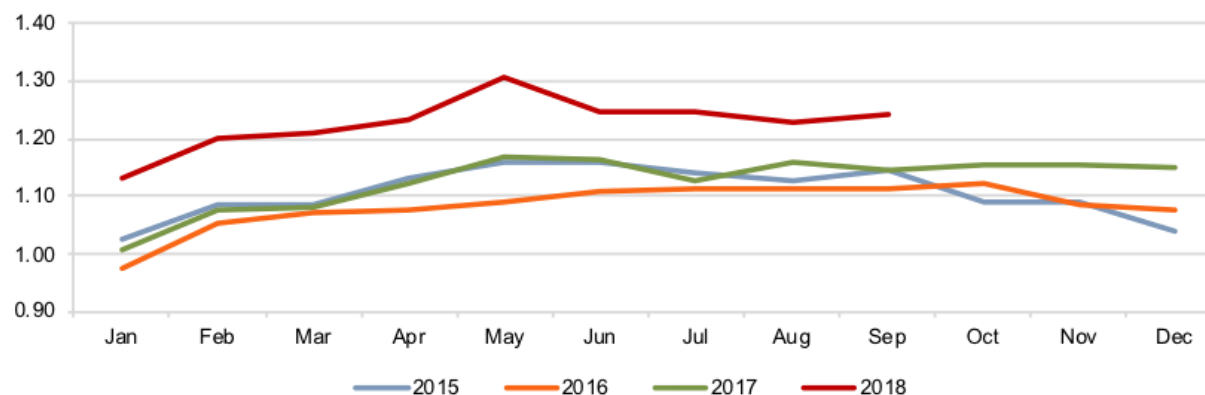
Shipments in the third quarter of 2018 were modestly above the level recorded in third quarter 2017. The index has displayed year-over-year increases above 10% in six of the last nine months of 2018, and has reported positive year-over-year increases every month since December 2016. Based on container volume, the Cass report expects that the holiday **shopping** season will be strong in fourth quarter 2018.

Increases and declines in the level of freight shipments are frequent precursors to economic activity, signaling economic expansion and contraction, respectively.

Expenditures

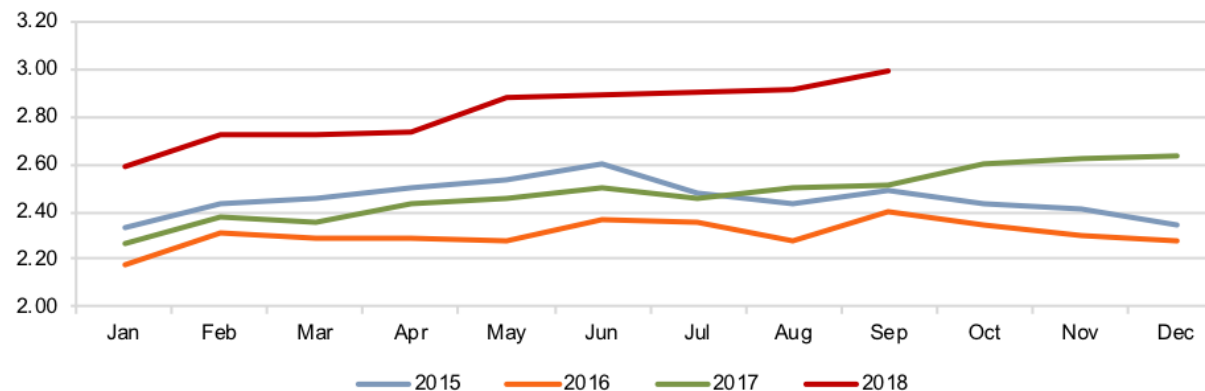
Expenditures rose to 2.99 in September 2018. The rate of growth in expenditures exceeded 12% on year-over-year basis for every month of 2018. The year-over-year increase in September 2018 was 19.3%, compared to a 4.6% year-over-year increase in September 2017.

Shipments



Source: Cass Information Systems, Inc. and Avondale Partners

Expenditures



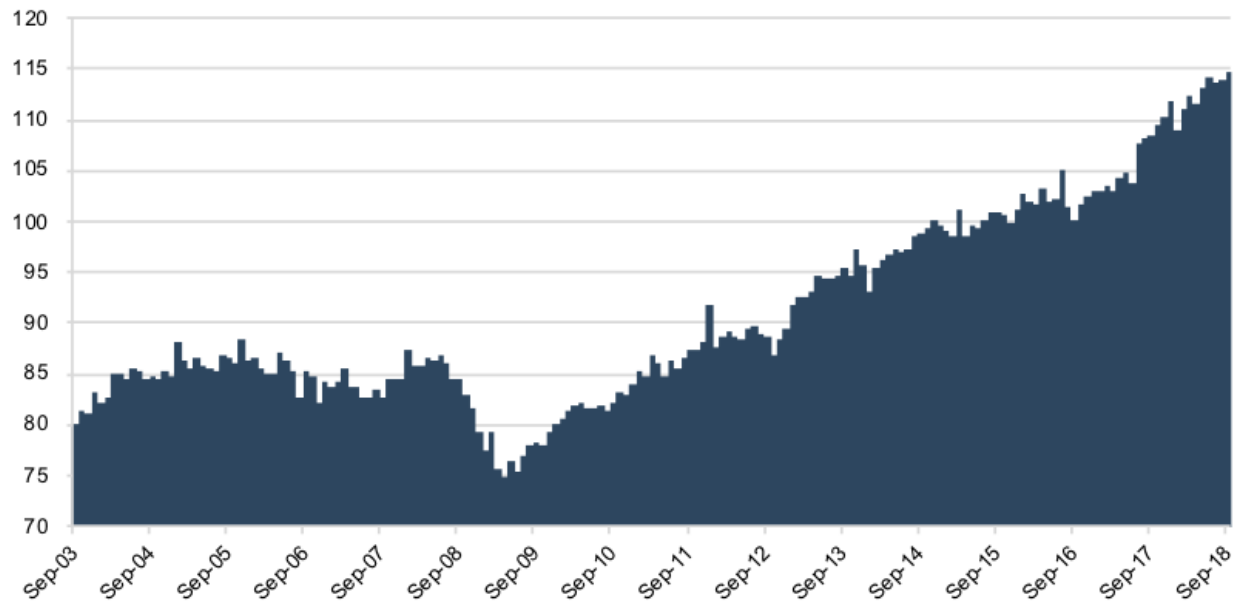
Source: Cass Information Systems, Inc. and Avondale Partners

Trucking

Truck Tonnage

The truck tonnage index reached a high level in September 2018 at 114.6, up slightly from 114.3 in June 2018. Tonnage initially dipped in the third quarter to 113.7 in July 2018 before rising in August and September. ATA chief economist Bob Costello notes that truck freight **slowed** at the end of the third quarter.

Truck Tonnage (seasonally adjusted)



Source: Bureau of Transportation Statistics

Indexed to January 2000

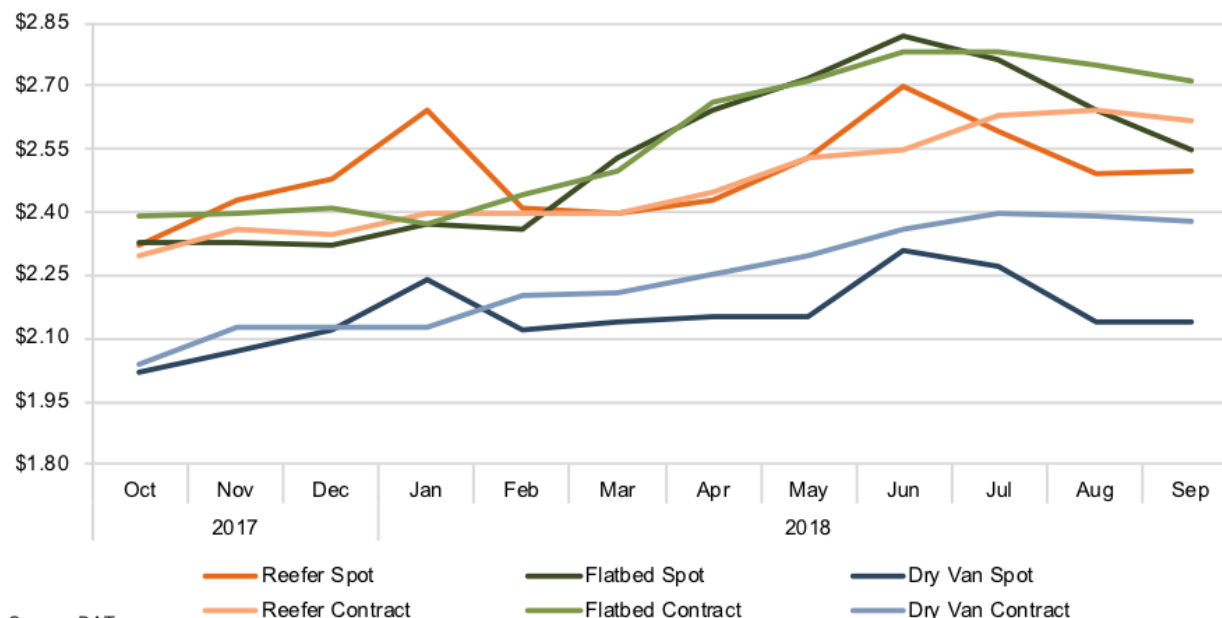
Trucking

Spot vs. Contract Rates

The Spot vs. Contract Rates chart depicts monthly national average line haul rates and fuel surcharges from DAT. Shippers enter contracts that lock in a static contract rate for a period of time. Spot rates, on the other hand, are one-time shipping quotes for a specific transaction or series of transactions. Spot rates and contract rates have diverged over the last quarter.

Spot rates decreased from June 2018 across all categories. Reefer spot rates fell 20¢ to \$2.50 in September 2018 from \$2.70 in June 2018. Dry van spot rates declined 17¢ to \$2.14 from \$2.31. Flatbed spot rates showed the greatest change, with a decline of 27¢ from \$2.82 to \$2.55.

Spot vs. Contract Rates



Source: DAT

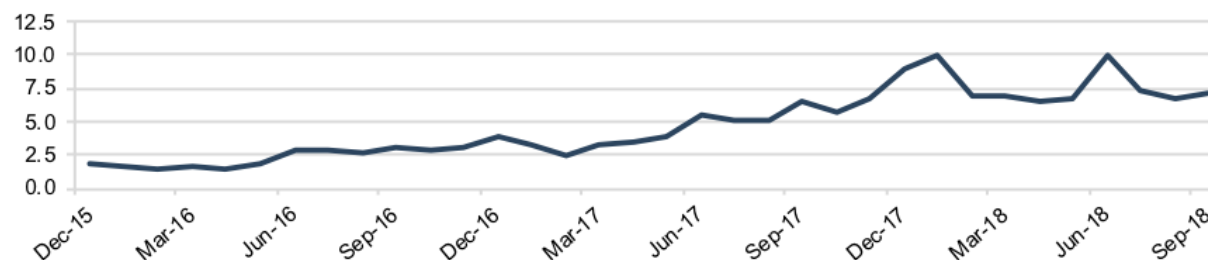
Trucking

Load-to-Truck Ratio

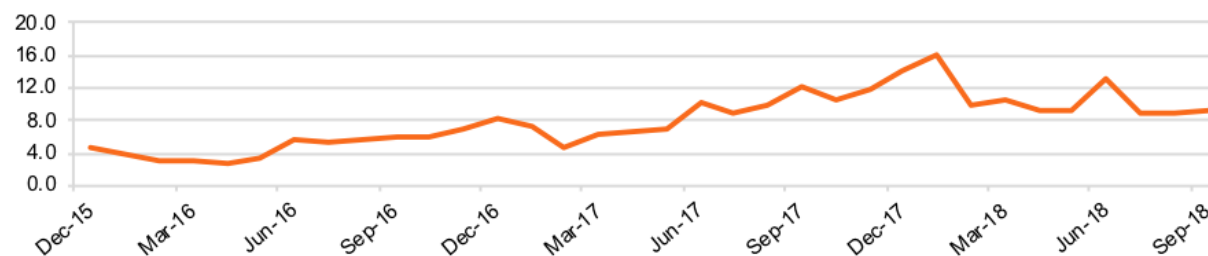
Increases or decreases in freight rates are **influenced** by trucking capacity, as measured by the load-to-truck ratio. While economic factors typically push supply and demand, compression or expansion that occurs faster in the shipping industry can accelerate movements faster than the overall economy.

Third quarter 2018 showed downward movement in the load-to-truck ratio. The van, reefer, and flatbed ratios fell 27%, 31%, and 70%, respectively. According to **DAT**, one reason for the rate softness is that shippers relied more on intermodal shipping for spot freight.

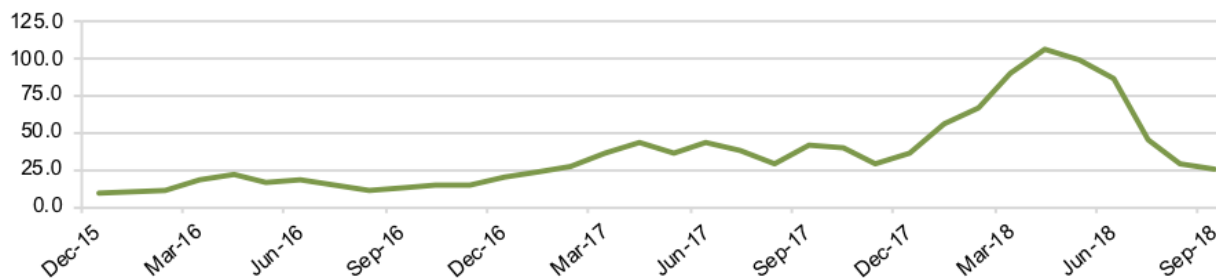
Dry Van Load-to-Truck



Reefer Load-to-Truck



Flatbed Load-to-Truck



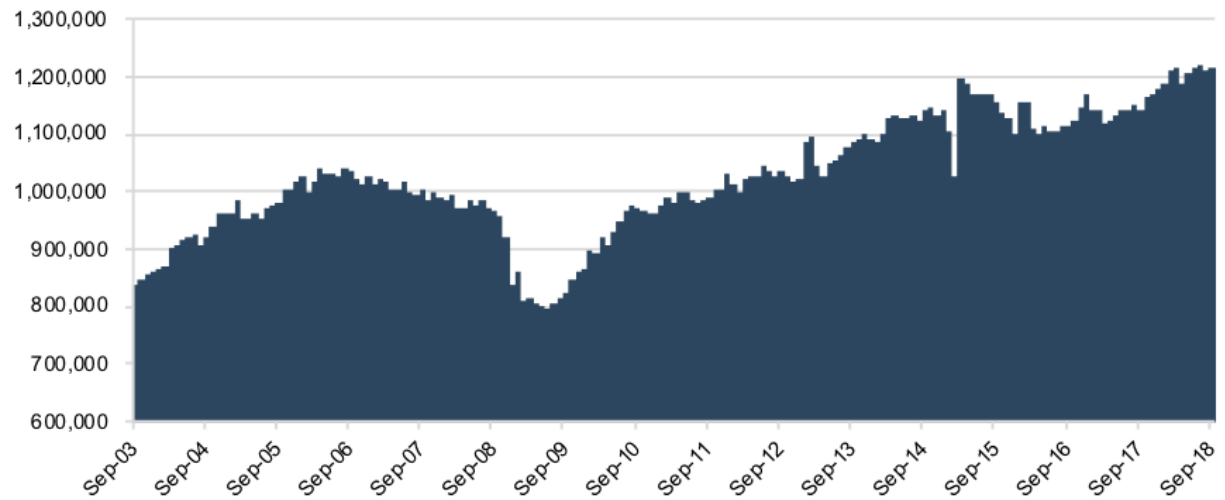
Source: DAT

Rail & Intermodal

Rail Freight Intermodal Traffic

Intermodal shipments declined slightly in third quarter 2018, with intermodal freight volumes down 0.5% through August 2018 from 1.22 million carloads in June 2018 to 1.21 million in August 2018. Joni Casey, president and CEO of the Intermodal Association of North America, raises the point that the scope and ultimate impact of tariffs are still unknown, and intermodal volume could be **affected**.

Rail Freight Intermodal Traffic



Source: Bureau of Transportation Statistics

Indexed to January 2000

Rail & Intermodal

Cass Intermodal Index

The Cass Intermodal Index measures changes in per mile U.S. domestic intermodal costs. The index rose to 142.1 in September 2018, 10.1% over the prior year. For another consecutive quarter, Cass showed increased pricing power for intermodal carriers.

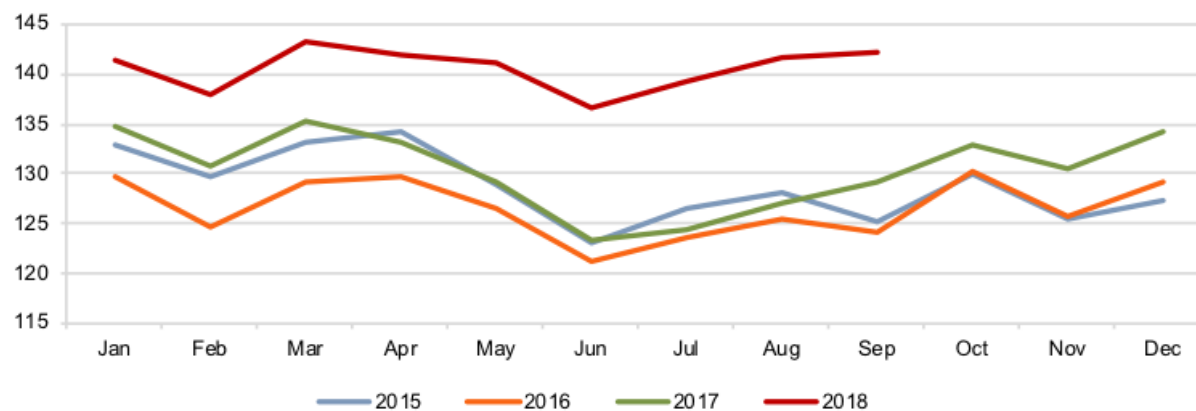
Cass Intermodal Index: Historical Trend



Source: Cass Information Systems, Inc. and Avondale Partners

Indexed to January 2005

Cass Intermodal Index: Annual Comparison



Source: Cass Information Systems, Inc. and Avondale Partners

Indexed to January 2005

M&A Activity

Featured Transactions

Hi-Way 9 Group of Companies acquired Dakota Freight Services Ltd.

Hi-Way 9 Group of Companies acquired Dakota Freight Services Ltd. for \$1.83 million on April 6. 8% of this amount is contingent upon Dakota Freight Services meeting certain financial targets in the two years ending in March of 2020.



TFI International acquired two trucking companies

TFI International made two acquisitions this quarter. TFI acquired Timeline Logistic International on July 1 and Transport Brasseur on May 1. The purchase price of both acquisitions is undisclosed. Transport Brasseur and Timeline Logistic International engage in bulk transportation and long distance truckload services, respectively.



Mason Dixon Intermodal Inc. acquired Southern Counties Express Inc./Aquarius Financial Inc.

Mason Dixon Intermodal Inc. acquired Southern Counties Express Inc./Aquarius Financial Inc. for \$65.0 million on August 10. Mason Dixon Intermodal, based in Michigan, utilizes an owner-operator fleet of flatbeds, vans, and containers.



BNSF Logistics acquired Unlimited Freight

BNSF Logistics acquired Unlimited Freight for an undisclosed amount on July 1. This acquisition will expand BNSF's logistics services. According to BNSF president Dan Curtis "This further strengthens BNSF Logistics' service offering for flatbed movements across North America and provides additional local resources to support our global company."



Select Transactions

Target	Buyer	Date Announced	Deal Status	Total Deal Value	Deal Value to	
					Sales	EBITDA
Trucking						
Kelsey Trail Trucking Ltd	Big Freight Systems Inc.	7/5/18	Closed	-	-	-
Manna Freight Systems, Inc.	Pilot Freight Services, Inc.	7/17/18	Closed	-	-	-
Walt's Drive-A-Way Services, Inc.	Warehouse Services, Inc.	7/11/18	Closed	-	-	-
Mo Vaughn Transport, Inc.	-	8/6/18	Effective	-	-	-
Substantially All Assets Of Auto Strap Transport L.L.C.	Nations Fund I, LLC	7/31/18	Announced	\$3.1	-	-
Southern Counties Express, Inc./Aquarius Financial, Inc.	Mason Dixon Intermodal, Inc.	8/10/18	Closed	\$65.0	-	-
Leavitt's Freight Service, Inc.	Central Oregon Trucking Company, INC.	8/13/18	Closed	-	-	-
All Assets of D. Mosley Trucking, Inc./ All Assets of DMT Logistics Services, Inc.	PS Logistics, LLC	8/23/18	Closed	-	-	-
MODE Transportation, LLC	York Capital Management	8/31/18	Closed	\$257.9	-	10.0x
Transport L'Épiphanie Inc.	2635-8762 Québec Inc.	8/23/18	Closed	-	-	-
AFN, LLC	GlobalTranz Enterprises, Inc.	9/13/18	Closed	-	-	-
Smith Transportation Services Inc.	Post Capital Partners LLC	9/25/18	Announced	-	-	-
BTC Express	Kriska Transportation Group Limited	9/4/18	Closed	-	-	-
613734 Saskatchewan Ltd	TFI International Inc. (TSX:TFII)	7/27/18	Closed	-	-	-
Brasseur Transport Inc.	TFI International Inc. (TSX:TFII)	7/27/18	Closed	-	-	-
Dacota Freight Services Ltd.	Hi-Way 9 Group of Companies	7/25/18	Closed	1.8	-	-
Johnsrud Transport, Inc.	-	9/18/18	Announced	-	-	-

Source: S&P Global Market Intelligence
in USD millions

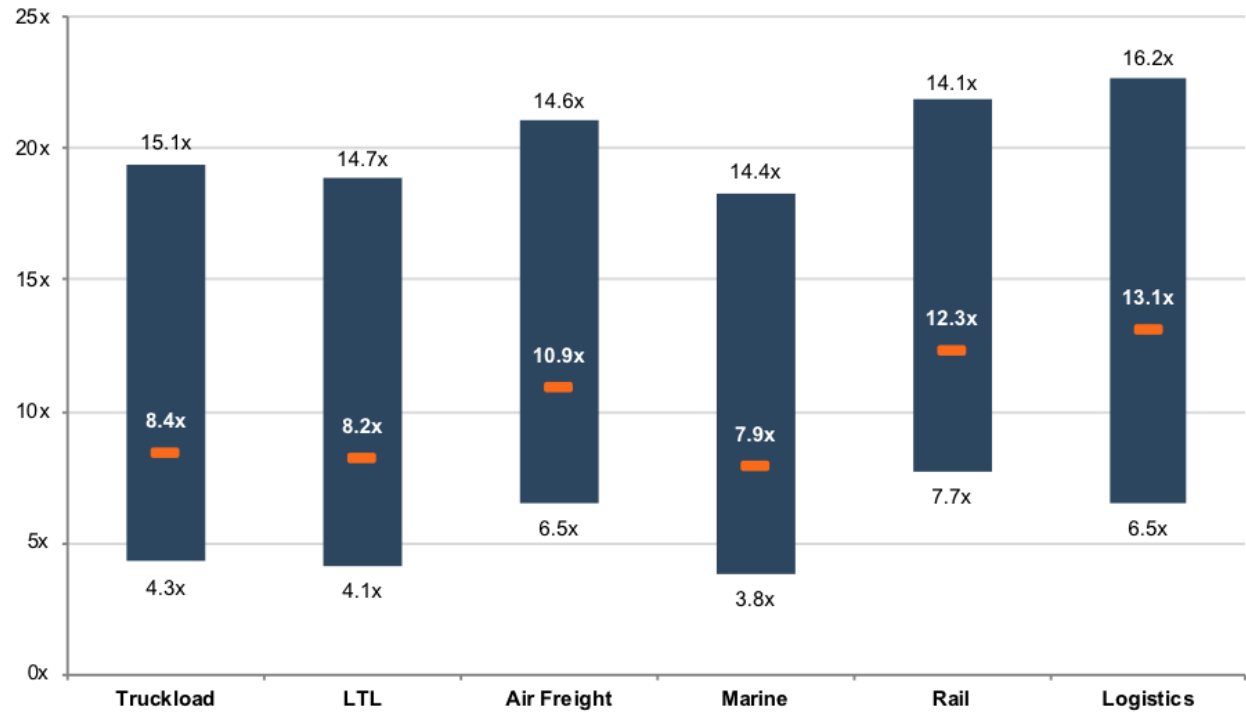
Select Transactions

Target	Buyer	Date Announced	Deal Status	Total Deal Value	Deal Value to	
					Sales	EBITDA
Rail						
	OmniTRAX, Inc.					
Alabama & Tennessee River Railway and Fulton County Railway	Watco Companies, LLC	7/10/18	Closed	-	-	-
Decatur and Danville Secondary subdivisions of CSX Transportation, Inc.	International Rail Partners LLC	7/9/18	Announced	-	-	-
Grenada Railroad, LLC	OmniTRAX, Inc.	8/7/18	Closed	-	-	-
Tahawus Rail Line Assets of Iowa Pacific Holdings LLC	United Rail, Inc. (OTCPK:URAL)	8/17/18	Announced	-	-	-
U S Rail Holdings LLC	Ironhorse Resources, Inc.	8/23/18	Closed	\$4.5	-	-
San Pedro Valley Railroad, LLC	United Rail, Inc. (OTCPK:URAL)	9/28/18	Closed	-	-	-
Marine						
Tamarind International Inc.	Source Logistics Corp.	7/6/18	Closed	-	-	-
Air Freight & Logistics						
Unlimited Freight, LLC	BNSF Logistics, LLC	7/2/18	Closed	-	-	-
Landair Holdings, Inc.	Covenant Transportation Group, Inc. (NasdaqGS:CVTI)	7/5/18	Closed	\$106.7	0.8x	7.9x
MXN Global Logistics	Audax Group, Inc.	7/10/18	Closed	-	-	-
Substantially All Assets of Freight Management Plus, Inc.	Echo Global Logistics, Inc. (NasdaqGS:ECHO)	7/25/18	Closed	\$10.2	-	-
SynchOne, LLC	GlobalTranz Enterprises, Inc.	8/15/18	Closed	-	-	-
The Westport Business Group LLC	Tallgrass Freight Co, LLC	8/28/18	Effective	-	-	-
Dicom Transportation Group Canada Inc.	General Logistics Systems B.V.	9/3/18	Closed	\$275.1	1.6x	-
N.D. Cunningham & Company, Inc.	D J Powers Company, Inc.	9/20/18	Closed	-	-	-

Source: S&P Global Market Intelligence
in USD millions

Public Company Performance

Monthly Median TEV/EBITDA Multiples (as of September 30, 2018)



Source: S&P Global Market Intelligence

Data as of September 30, 2018, excludes outliers

Publicly Traded Companies

Company Name	Ticker	Price at 9/30/18	QoQ Price Change	Enterprise Value	Debt / Total Capital	Return on Assets	LTM		LTM Multiples		Forward Multiples		
							Rev.	EBITDA Margin	EV / Rev.	EV / EBITDA	Price / Earn.	EV / EBITDA	Price / Earn.
Truckload													
J.B. Hunt Transport Services, Inc.	JBHT	\$118.94	-2%	\$13,995	7%	872%	\$8,287	14%	1.7x	12.4x	16.5x	11.1x	22.1x
Ryder System, Inc.	R	\$73.07	-10%	\$9,784	60%	338%	\$8,083	24%	1.2x	5.0x	4.8x	5.0x	12.7x
Knight-Swift Transportation Holdings Inc.	KNX	\$34.48	-9%	\$6,887	11%	440%	\$5,309	17%	1.3x	7.7x	8.6x	6.9x	13.5x
Schneider National, Inc.	SNDR	\$24.98	12%	\$4,473	1%	631%	\$4,847	13%	0.9x	6.9x	9.4x	6.7x	16.4x
Landstar System, Inc.	LSTR	\$122.00	2%	\$4,977	-1%	1575%	\$4,488	8%	1.1x	13.9x	19.9x	13.3x	20.1x
TFI International Inc.	TFII	\$36.27	-6%	\$4,398	27%	668%	\$3,789	13%	1.2x	9.2x	12.3x	8.9x	14.5x
Werner Enterprises, Inc.	WERN	\$35.35	18%	\$2,617	3%	711%	\$2,379	17%	1.1x	6.5x	9.9x	5.8x	15.2x
Heartland Express, Inc.	HTLD	\$19.73	6%	\$1,510	-7%	542%	\$630	24%	2.4x	9.8x	18.2x	8.1x	23.5x
Marten Transport, Ltd.	MRTN	\$21.05	-10%	\$1,129	-2%	563%	\$766	19%	1.5x	7.7x	11.0x	7.1x	21.4x
Daseke, Inc.	DSKE	\$8.02	40%	\$1,119	48%	127%	\$1,423	10%	0.8x	7.5x	9.6x	6.5x	nm
Universal Logistics Holdings, Inc.	ULH	\$36.80	-19%	\$1,303	20%	819%	\$1,389	9%	0.9x	9.9x	15.5x	9.1x	18.9x
Covenant Transportation Group, Inc.	CVTI	\$29.06	-8%	\$679	22%	501%	\$816	16%	0.8x	5.3x	7.1x	5.0x	13.1x
P.A.M. Transportation Services, Inc.	PTSI	\$65.09	39%	\$573	31%	664%	\$506	15%	1.1x	7.5x	8.0x	nm	nm
USA Truck, Inc.	USAK	\$20.23	-14%	\$254	36%	430%	\$516	9%	0.5x	5.6x	7.5x	5.1x	14.0x
Titanium Transportation Group Inc.	TTR	\$1.28	18%	\$96	51%	393%	\$137	12%	0.7x	5.9x	nm	5.9x	11.5x
Patriot Transportation Holding, Inc.	PATI	\$19.23	nm	\$47	-36%	83%	\$113	10%	0.4x	4.3x	13.6x	nm	nm
Median			-2%		15%			13.5%	1.1x	7.5x	9.9x	6.8x	15.2x

Source: S&P Global Market Intelligence

USD millions except per share values | Financial statement data as of Q4

Publicly Traded Companies

Company Name	Ticker	Price at 9/30/18	QoQ Price Change	Enterprise Value	Debt / Total Capital	Return on Assets	LTM		LTM Multiples		Forward Multiples		
							Rev.	EBITDA Margin	EV / Rev.	EV / EBITDA	Price / Earn.	EV / EBITDA	Price / Earn.
Less-Than-Truckload													
Old Dominion Freight Line, Inc.	ODFL	\$161.26	8%	\$13,127	-1%	1544%	\$3,908	25%	3.4x	13.6x	20.5x	12.9x	22.4x
Saia, Inc.	SAIA	\$76.45	-5%	\$2,100	7%	786%	\$1,581	14%	1.3x	9.2x	15.3x	8.7x	19.6x
ArcBest Corporation	ARCB	\$48.55	6%	\$1,269	2%	520%	\$3,030	7%	0.4x	5.7x	14.1x	5.2x	12.8x
YRC Worldwide Inc.	YRCW	\$8.98	-11%	\$1,040	71%	349%	\$5,053	5%	0.2x	4.2x	nm	3.4x	17.5x
Roadrunner Transportation Systems, Inc.	RRTS	\$20.90	-60%	\$521	94%	-268%	\$2,225	0%	0.2x	nm	nm	21.2x	nm
Median			-5%		7%			7%	0.4x	7.4x	15.3x	8.7x	18.6x
Air Freight													
Atlas Air Worldwide Holdings, Inc.	AAWW	\$63.75	-11%	\$3,898	58%	344%	\$2,541	20%	1.5x	7.7x	6.1x	7.3x	8.8x
Forward Air Corporation	FWRD	\$71.70	21%	\$2,125	1%	967%	\$1,289	12%	1.6x	13.7x	21.2x	13.2x	23.8x
Air Transport Services Group, Inc.	ATSG	\$21.47	-5%	\$1,757	28%	415%	\$935	31%	1.9x	6.0x	7.5x	5.8x	16.7x
Cargojet Inc.	CJT	\$64.58	32%	\$1,214	29%	461%	\$341	24%	3.6x	14.8x	nm	13.1x	nm
Median			8%		28%			22%	1.8x	10.7x	7.5x	10.2x	16.7x

Source: S&P Global Market Intelligence

USD millions except per share values | Financial statement data as of Q4

Publicly Traded Companies

Company Name	Ticker	Price at 9/30/18	QoQ Price Change	Enterprise Value	Debt / Total Capital	Return on Assets	LTM		LTM Multiples		Forward Multiples		
							Rev.	EBITDA Margin	EV / Rev.	EV / EBITDA	Price / Earn.	EV / EBITDA	Price / Earn.
Marine													
Kirby Corporation	KEX	\$82.25	-2%	\$6,366	23%	277%	\$2,957	16%	2.2x	13.7x	14.7x	13.0x	nm
Triton International Limited	TRTN	\$33.27	9%	\$10,024	73%	473%	\$1,361	96%	7.4x	7.6x	5.5x	7.8x	7.5x
Matson, Inc.	MATX	\$39.64	3%	\$2,612	35%	306%	\$2,174	10%	1.2x	11.8x	6.7x	8.8x	15.7x
Seaspan Corporation	SSW	\$8.33	-18%	\$5,757	74%	386%	\$1,016	61%	5.7x	9.4x	5.4x	8.2x	8.4x
Textainer Group Holdings Limited	TGH	\$12.80	-19%	\$3,873	81%	296%	\$676	65%	5.7x	8.8x	13.2x	8.5x	12.3x
Costamare Inc.	CMRE	\$6.49	-19%	\$1,669	57%	295%	\$375	58%	4.5x	7.7x	14.4x	7.5x	16.5x
Eagle Bulk Shipping Inc.	EGLE	\$5.62	3%	\$655	37%	243%	\$298	21%	2.2x	10.6x	nm	8.3x	nm
Navios Maritime Partners L.P.	NMM	\$26.25	-7%	\$753	60%	280%	\$233	56%	3.2x	5.8x	nm	5.7x	7.5x
Pangaea Logistics Solutions, Ltd.	PANL	\$3.50	16%	\$341	55%	486%	\$373	14%	0.9x	6.4x	6.9x	6.3x	6.5x
Global Ship Lease, Inc.	GSL	\$8.80	-17%	\$382	84%	488%	\$145	61%	2.6x	4.3x	nm	3.6x	5.0x
Sino-Global Shipping America, Ltd.	SINO	\$1.17	-1%	\$3	-349%	-951%	\$20	7%	0.2x	2.4x	8.6x	3.3x	11.7x
Median			-2%			57%			2.6x	7.7x	7.7x	7.8x	8.4x
Railroads													
Union Pacific Corporation	UNP	\$162.83	15%	\$141,531	15%	896%	\$22,525	48%	6.3x	13.1x	10.3x	13.2x	20.7x
Canadian National Railway Company	CNR	\$89.66	10%	\$74,575	12%	903%	\$10,674	50%	7.0x	14.0x	14.7x	14.9x	22.3x
CSX Corporation	CSX	\$74.05	16%	\$75,994	16%	830%	\$11,970	49%	6.3x	12.9x	9.6x	12.3x	19.4x
Norfolk Southern Corporation	NSC	\$180.50	20%	\$60,041	16%	709%	\$11,231	45%	5.3x	12.0x	8.5x	12.2x	19.5x
Canadian Pacific Railway Limited	CP	\$211.37	15%	\$36,663	18%	953%	\$5,433	50%	6.7x	13.4x	16.3x	14.4x	20.3x
Kansas City Southern	KSU	\$113.28	7%	\$14,529	20%	651%	\$2,680	48%	5.4x	11.2x	11.4x	11.0x	19.1x
Genesee & Wyoming Inc.	GWR	\$90.99	12%	\$8,001	32%	322%	\$2,345	31%	3.4x	11.0x	8.9x	11.6x	24.3x
Median			15%			16%			6.3x	12.9x	10.3x	12.3x	20.3x

Source: S&P Global Market Intelligence

USD millions except per share values | Financial statement data as of Q4

Publicly Traded Companies

Company Name	Ticker	Price at 9/30/18	QoQ Price Change	Enterprise Value	Debt / Total Capital	Return on Assets	LTM		LTM Multiples		Forward Multiples		
							Rev.	EBITDA Margin	EV / Rev.	EV / EBITDA	Price / Earn.	EV / EBITDA	Price / Earn.
Logistics & Intermodal													
United Parcel Service, Inc.	UPS	\$116.75	10%	\$118,304	15%	694%	\$70,988	13%	1.7x	13.2x	18.5x	12.3x	16.2x
FedEx Corporation	FDX	\$240.79	6%	\$78,027	19%	646%	\$63,864	13%	1.2x	9.7x	14.2x	8.9x	15.9x
Expeditors International of Washington, Inc.	EXPD	\$73.53	1%	\$11,801	-9%	1443%	\$7,804	11%	1.5x	14.2x	21.2x	14.0x	22.4x
XPO Logistics, Inc.	XPO	\$114.17	14%	\$19,181	24%	367%	\$17,085	8%	1.1x	13.2x	27.1x	12.2x	nm
C.H. Robinson Worldwide, Inc.	CHRW	\$97.92	17%	\$14,663	7%	1312%	\$16,453	6%	0.9x	15.4x	21.5x	14.8x	21.3x
Forward Air Corporation	FWRD	\$71.70	21%	\$2,125	1%	967%	\$1,289	12%	1.6x	13.7x	21.2x	13.2x	23.8x
Hub Group, Inc.	HUBG	\$45.60	-8%	\$1,816	14%	487%	\$4,486	5%	0.4x	8.6x	6.2x	8.8x	16.3x
Air Transport Services Group, Inc.	ATSG	\$21.47	-5%	\$1,757	28%	415%	\$935	31%	1.9x	6.0x	7.5x	5.8x	16.7x
Echo Global Logistics, Inc.	ECHO	\$30.95	6%	\$1,054	16%	376%	\$2,404	3%	0.4x	13.8x	25.1x	10.9x	17.4x
Radiant Logistics, Inc.	RLGT	\$5.91	51%	\$332	12%	513%	\$810	3%	0.4x	13.9x	nm	12.1x	25.7x
Median			8%		14%				1.2x	13.4x	21.2x	12.2x	17.4x

Source: S&P Global Market Intelligence

USD millions except per share values | Financial statement data as of Q4

Mercer Capital

Transportation & Logistics
Industry Services

Mercer Capital provides valuation and transaction advisory services to the transportation & logistics industry.

Industry Segments

Mercer Capital serves the following industry segments:

- Trucking
- Air Freight
- Marine
- Railroads
- Logistics & Intermodal

Services Provided

- Valuation of transportation and logistics companies
- Transaction advisory for acquisitions and divestitures
- Valuations for purchase accounting and impairment testing
- Fairness and solvency opinions
- Litigation support for economic damages and valuation and shareholder disputes

Contact a Mercer Capital professional to discuss your needs in confidence.

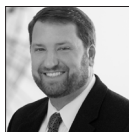
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