

Trucking  
U.S. Transportation  
Deutsche Bank  
Markets Research  
North America  
Canada  
United States  
Industrials  
Trucking  
Industry  
U.S. Transportation  
Date  
22 February 2018  
Recommendation  
Change

Where we have conviction, and where we don't

On the back of 4Q results we have increased conviction in our positive stance on Knight Transportation (KNX), XPO Logistics (XPO) and CSX Corp (CSX). We remain comfortable with our sole-Sell ratings on Old Dominion (ODFL) and Canadian National (CNI), while our Buy on UPS was wrong and we are using this report to downgrade our rating to Hold and lower our price target to \$115.

Our company-specific thoughts are below, and see details within this note for our industry takeaways post results:

■  
KNX - best earnings revision potential across our coverage universe: For KNX we see potential for EPS to approach \$3.60 per share in 2019, which is 30% above current consensus. This is based on 15% operating margin on 2019e revenue ex. fuel, which is 200bps better than what KNX-SWFT achieved on a consolidated basis in 4Q'17- despite being in the early innings of integration and cyclical recovery. Our bullishness is supported by highly accommodative cyclical and non-cyclical factors, such as high-single-digit growth in U.S. truck tonnage and contract rates, double-digit improvements in yield, and plenty of low-hanging cost opportunity at Swift. See Figure 1 within this note for our walk to midteens operating margin.

■  
XPO- we see potential for very strong 2019 free cash flow: Our long-held positive stance on XPO has been predicted on accelerating revenue and free cash flow growth. Indeed, organic growth accelerated to +10.4% in 4Q, and free cash flow has tripled in two years- from \$211M in 2016 to expected \$625M this year. In the context of this free cash trajectory, an exact tripling of equity value in a little over a year is highly explainable, if not conservative, as it implies little in the way of multiple expansion (i.e. equity value has increased almost exactly in-line with free cash flow). Our 2019 free cash forecast of \$750M implies 20% yoy growth, with upside to 35% growth (to \$835M) if current organic growth rates are sustainable- which we think is a realistic outcome given macro backdrop, e-commerce exposure, and the company's growth investments. From this

standpoint we see a relatively quick trajectory to our \$133 price target, which represents 40% add'l upside. See Figure 2 within this note for our 2019 FCF walk for XPO.

■  
UPS - Downgrading to Hold (lowering PT to \$115): Following 4Q capex guidance- which was worse than even the most bearish expectations Deutsche Bank Securities Inc.

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#### Key Changes

Company

UPS.N

HTLD.OQ

LSTR.OQ

YRCW.OQ

WERN.OQ

GWR.N

Target Price

135.00 to

115.00

22.00 to 20.00

95.00 to

105.00

21.00 to 13.00

42.00 to 43.00

88.00 to 84.00

Source: Deutsche Bank

Top picks

Knight-Swift (KNX.N),USD48.30

XPO Logistics (XPO.N),USD93.99

FedEx Corporation (FDX.N),USD243.30

Source: Deutsche Bank

Sector valuation and risks

We utilize P/E to value transportation stocks, with our target multiple assumptions heavily supported by our discount cash flow models and sum of the parts (where applicable).

Risks to the group include U.S. recession, weak industrial production, pricing, and management execution.

Rating

Buy to Hold

-  
-  
-  
-  
-

Buy

Buy

Buy

Distributed on: 22/02/2018 21:06:10 GMT

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DISCLOSURES AND ANALYST CERTIFICATIONS

ARE LOCATED IN APPENDIX 1. MCI (P) 083/04/2017.

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we have reduced confidence in UPS' ability to control burgeoning capex, with capital intensity expectations more than doubling as a % of sales in just the last 12mo- a significant feat for a business with \$70B in annual sales. Some of this reflects fast-growing e-commerce volumes, though we feel much of it is catch-up from significant under-investment over the last decade-plus. As such we see a lack of positive catalysts to justify a Buy rating. UPS shares won't start working in our view until mgmt. can articulate a sound strategy to strike the right balance between price and volumes vis-à-vis Amazon, and talk more concretely about the long-term/ structural capital needs of the business as mgmt. "leans in" to higher B2C shipments.

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ODFL and CNI: We remain comfortable with our relative Sell ratings on ODFL and CNI, with the former being more controversial than the latter (albeit less so post 4Q results). With respect to ODFL, consensus EPS estimates for next year went up by 10% on the back of 4Q results, but shares are down 5% since the release (S&P +1%)- indicative of the multiple compression that we feel was warranted on the back of moderating incremental margin assumptions. We note our Sell rating on ODFL reflects our relative value framework rather than any structural or secular concerns, which is indicative of mgmt's strong track record of generating high incremental returns (albeit low fcf conversion).

■  
Rails- Cash return key driver of equity value: With a relatively benign volume and pricing environment for rails (puts and takes on mix offset by pricing power from industry structure and truckload tightening), the key driver for rail stocks, in our view, is FCF growth over-and-above book EPS growth (i.e. >100% incremental fcf conversion) and share buybacks. From this perspective CSX screens the most favorable to us (hence our top rail pick), with mgmt. recently pointing to repurchasing \$5B of its own shares (10% of market cap) over the next 12 months. This, coupled with ambitious OR targets, translates to even higher EPS power in 2020 (our 2020 EPS estimate of \$4.65 translates to 27% EPS CAGR vs. 2017 and even higher on a FCF basis given lower capex, which under any reasonable valuation scenario equates to much higher equity value). See details within this note for a more comprehensive discussion on our company and industry takeaways post results.

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Company Specific

Thoughts

On the back of 4Q results we have increased conviction in our positive stance on Knight Transportation (KNX), XPO Logistics (XPO) and CSX Corp (CSX).

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Figure 1: Walk to KNX 15% operating margin in 2019

2017

2018

Revenue ex-fuel

KNX

SWFT

Total Revenue, net of fuel

YoY Chg.

Adjusted EBIT

KNX

SWFT

Synergies

Reduced Rental Expense

Incremental D&A

Consolidated EBIT

Organic Incremental Margin

KNX

SWFT

Consolidated

Operating margin (ex-fuel)

KNX

SWFT

Consolidated

Note: We are assuming a pro-forma OR of 90% for SWFT in 2017.

Source: Deutsche Bank, Company filings

489.4

2019

1,025.7 1,102.6 1,157.7

3,606.3 3,876.8 4,070.6

4,631.9 4,979.3 5,228.3

7.5% 5.0%

128.8

360.6

151.8

455.3

50

125

(99)

683.6

168.4

523.1

75

250

(197)

819.5

30% 30%

35% 35%

55.9% 54.6%

14.5%

12.9%

10.6% 13.7% 15.7%

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Figure 2: XPO upside FCF walk for 2019

FCF, 2018E

Incremental ebitda margin

interest expense

cash taxes

capex

FCF, 2019E

Source: Deutsche Bank, Company filings

\$625M

234

16

(22)

(20)

\$833M

>As per company guidance

>10% revenue growth/14% incremental margins

>assuming some debt paydown

>100% capex depreciation

>DB estimate

>vs. DB est. of \$750M and +33%

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UPS- Downgrading to Hold (lowering PT to \$115): Following 4Q capex guidance- which was worse than even the most bearish expectationswe have reduced confidence in UPS' ability to control burgeoning capex, with capital intensity expectations more than doubling as a % of sales in just the last 12mo- a significant feat for a business with \$70B in annual sales. Some of this reflects fast-growing e-commerce volumes, though we feel much of it is catch-up from significant under-investment over the last decade-plus. As such we see a lack of positive catalysts to justify a Buy rating. UPS shares won't start working in our view until mgmt. can articulate a sound strategy to strike the right balance between price and volumes vis-à-vis Amazon, and talk more concretely about the longterm/-

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Figure 3: ODFL NTM P/E relative to the S&P

0.8x

0.9x

1.0x

1.1x

1.2x

1.3x

1.4x

1.5x

Relative P/E

Source: Deutsche Bank

Mean

+/- 1 std dev

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Rails - Cash return key driver of equity value: With a relatively benign volume and pricing environment for rails (puts and takes on mix offset by pricing power from industry structure and truckload tightening), the key driver for rail stocks, in our view, is FCF growth over-and-above book EPS growth (i.e. >100% incremental fcf conversion) and share buybacks. From this perspective CSX screens the most favorable to us (hence our top rail pick), with mgmt. recently pointing to repurchasing \$5B of its own shares (10% of market cap) over the next 12 months. This, coupled with ambitious OR targets, translates to even higher EPS power in 2020 (our 2020 EPS estimate of \$4.65 translates to 27% EPS CAGR vs. 2017 and even higher on a FCF basis given lower capex, which under any reasonable valuation scenario equates to much higher equity value).

Figure 4: CSX yoy EPS growth vs. yoy FCF growth

100%

120%

140%

20%

40%

60%

80%

(20%)

0%

2013

2014

2015

YoY change in book EPS

Source: Deutsche Bank, Company filings

2016

2017

YoY change in FCF

2018E

71%

116%

33.6%

27.0%

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Oct-12

Jan-13

Apr-13

Jul-13

Oct-13

Jan-14

Apr-14

Jul-14

Oct-14

Jan-15

Apr-15

Jul-15

Oct-15

Jan-16

Apr-16

Jul-16

Oct-16

Jan-17

Apr-17

Jul-17

Oct-17

Jan-18

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Industry Discussion

U.S. Transportation fundamentals appear to us as firing on all cylinders.

Truckload

(TL) demand drivers are accelerating, as exhibited by accelerating U.S. truck tonnage, industrial production, and spot and contract rates. This is occurring

in the context of sharply contracting supply, reflecting low ordering activity

during the downturn as well as the ELD mandate. Less-than-truckload (LTL) fundamentals are also on equal firm ground, with tonnage, weight per shipment,

and yield all inflecting positively. This backdrop also has positive implications

for Rails, with tight trucking supply translating to higher growth in intermodal

volumes and tailwinds on pricing. Below we present several charts which illustrate the current cyclical upcycle. The trick for stock selection will be

balancing the cyclical exuberance of above mentioned fundamentals with the structural realities of returns over a cycle. Against this framework our

"Top Picks"

FedEx (FDX), Knight Transportation (KNX), and XPO Logistics (XPO) should continue to work, given our view of runway with respect to both earnings power

and multiple expansion.

Figure 5: Trucking demand remains strong with tonnage

up 8.8% yoy in January

100

105

110

115

95

Truck Tonnage (SA)

Source: Deutsche Bank, ATA

8.8%

(5%)

0%

5%

10%

15%

YoY Change

Source: Deutsche Bank, Cass Information Systems

Figure 6: Overall transportation shipments have gained momentum in recent months (Cass Freight Shipment

Index)

10%

15%

20%

(10%)

(5%)

0%

5%

YoY Chg.

2-Yr. Stacked

The recent momentum in demand trends has occurred alongside a sharp reduction in supply, which is having a compounding effect on overall rates as well

as yields as truckload companies are able to be more selective with freight.

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Truck Tonnage Index

Aug-16

Oct-16

Dec-16

Feb-17

Apr-17

Jun-17

Aug-17

Oct-17

Dec-17

YoY Change

Sep-15

Nov-15

Jan-16

Mar-16

May-16

Jul-16

Sep-16

Nov-16

Jan-17

Mar-17

May-17

Jul-17

Sep-17

Nov-17

Jan-18

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Figure 7: The average truck count for major carriers has been declining while spot rates have increased substantially

5,500

5,700

5,900

6,100

6,300

1.00

1.20

1.40

1.60

1.80

Figure 8: Revenue per loaded mile (ex-fuel) accelerated meaningfully in 4Q '17 for the major TL carriers

10%

(4%)

(2%)

0%

2%

4%

6%

8%

Avg. Truck Count

Dry Van Spot Rate

Note: Avg. truck count includes Swift TL, KNX Asset-Based, WERN, and JBHT Truck division

Source: Deutsche Bank, Company Filings, Transcore

Note: Data includes Swift TL, KNX Asset-Based, WERN TL, and JBHT Truck division

Source: Deutsche Bank, Company filings

6.0%

4.9%

3.8%

2.3%

1.2%

0.0%

(1.5%)

(2.7%)

(0.9%) (1.1%)

0.5%

8.6%

We are seeing a similar dynamic in the Less-than-truckload (LTL) industry as well

with tonnage, weight per shipment, and yields all hitting inflection points in 2017.

Figure 9: LTL tonnage growth has remained strong despite tougher comps

(5%)  
(4%)  
(3%)  
(2%)  
(1%)  
0%  
1%  
2%  
3%  
4%  
5%  
4.1% 3.7% 3.5%

2.8%  
1.6%  
0.4%  
(0.9%)  
(2.8%)  
(4.1%)  
(3.0%)  
(3.6%)  
(1.9%)

Figure 10: LTL yield growth accelerated throughout 2017

(2%)  
(1%)  
0%  
1%  
2%  
3%  
4%  
5%  
6%  
4.8%  
3.0% 3.2%  
2.1%  
1.3%1.1%  
0.5%  
(0.6%)  
(1.1%)  
0.3%  
(0.4%)  
3.6%

Note: Data includes ABF Freight, XPO NA LTL, FedEx Freight, ODFL, UPS Freight & YRCW

Source: Deutsche Bank, Company Filings

Note: Data includes ABF Freight, XPO NA LTL, FedEx Freight, ODFL, UPS Freight & YRCW

Source: Deutsche Bank, Company Filings

While there are some cyclical and regulatory factors at play impacting the supply

side, the demand side is largely being driven by an improved macro.

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Avg. Truck Count

Q1 2015  
Q2 2015  
Q3 2015  
Q4 2015  
Q1 2016  
Q2 2016  
Q3 2016  
Q4 2016  
Q1 2017  
Q2 2017  
Q3 2017  
Q4 2017  
Q2 2013  
Q4 2013  
Q2 2014  
Q4 2014  
Q2 2015  
Q4 2015  
Q2 2016  
Q4 2016  
Q2 2017  
Q4 2017

Spot Rates

Q1 2015  
Q2 2015  
Q3 2015  
Q4 2015  
Q1 2016  
Q2 2016  
Q3 2016  
Q4 2016  
Q1 2017  
Q2 2017  
Q3 2017  
Q4 2017  
Q1 2015  
Q2 2015  
Q3 2015  
Q4 2015  
Q1 2016  
Q2 2016  
Q3 2016  
Q4 2016  
Q1 2017  
Q2 2017  
Q3 2017  
Q4 2017

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Figure 11: U.S. GDP growth has picked up in recent quarters...

(2%)

0%

2%

4%

6%

US GDP Growth Rate by Quarter

Source: Deutsche Bank, Federal Reserve

Figure 12: ...Amidst an acceleration in U.S. Industrial Production

101

102

103

104

105

106

107

108

3.4%

3.7%

(1%)

0%

1%

2%

3%

4%

5%

Industrial Production Index

Source: Deutsche Bank, FactSet

YoY Change

Rail volumes tell a moderately different story as weakness in certain commodities

such as agricultural products, coal, and auto's are weighing on overall carload

growth. However, demand for intermodal, which is more truck competitive, has been growing steadily and is expected to remain strong in 2018 amidst tight

truck

capacity.

Figure 13: Carload traffic ex-intermodal has been

somewhat constrained due to weakness in ag, coal, and

auto's

10%

15%

(20%)

(15%)

(10%)

(5%)

0%

5%

Figure 14: While Intermodal traffic (more truck competitive) has been growing solidly

10%

15%

(10%)

(5%)

0%

5%

Source: Deutsche Bank, AAR

Source: Deutsche Bank, AAR

We are also playing a bit of catch-up following a busy 4Q reporting season by putting our final touches on select models. See details below and updated models

within this report.

■

GWR Est./PT revisions: We are lowering our estimates for GWR post 4Q results to \$3.75 (from \$4.20) in 2018 and \$4.60 (from \$4.84) in 2019. Our price target moves to \$84, reflecting an unchanged 18.3x our 2019E EPS estimate. Although mgmt. gave a favorable outlook for all three markets (North America, UK/Europe, and Australia), we remain on the sidelines due to uncertainties largely around operational execution and our preference remains for CSX and CP within our rail coverage. Risks to the upside include accretive acquisitions, better than expected

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YoY Change

Jan 16

Mar 16

May 16

Jul 16

Sep 16

Nov 16

Jan 17

Mar 17

May 17

Jul 17

Sep 17

Nov 17

Jan 18

YoY Change

Jan 16

Mar 16

May 16

Jul 16

Sep 16

Nov 16

Jan 17

Mar 17

May 17

Jul 17  
Sep 17  
Nov 17  
Jan 18  
Jan-17  
Feb-17  
Mar-17  
Apr-17  
May-17  
Jun-17  
Jul-17  
Aug-17  
Sep-17  
Oct-17  
Nov-17  
Dec-17  
Jan-18  
YoY Change

Q1 '14  
Q2 '14  
Q3 '14  
Q4 '14  
Q1 '15  
Q2 '15  
Q3 '15  
Q4 '15  
Q1 '16  
Q2 '16  
Q3 '16  
Q4 '16  
Q1 '17  
Q2 '17  
Q3 '17  
Q4 '17

-1.2%  
4.0%  
5.0%  
2.3%  
2.0%  
2.6%  
2.0%  
0.9%  
0.8%  
1.4%  
3.5%  
2.1%  
1.2%  
3.1%  
3.2%  
2.6%

Industrial Production



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volume trends and cash generation, and significant international margin improvement. Risks to the downside include weaker volume trends, integration risk, and weaker cash generation/debt paydown.

■ HTLD Est./PT revisions: On the back of HTLD's 4Q results we have lowered our 1Q '18 EPS estimate to 16c (from 28c), reflecting the elimination of unprofitable business segments from the IDC segment as HTLD realigns the business to be in line with the overall company. As such our reduced top-line estimates move our 2018 EPS down 14% to 77c (from 89c). Similarly, we are bringing our 2019 EPS estimate down to \$1.00 (from \$1.10), reflecting 7.5% revenue growth and an 86.5% OR, in line with HTLD's results before the IDC acquisition. Our price target is revised down to \$20 (from \$22) as we roll forward our unchanged 19.9x target P/E multiple. Downside risks include a breakdown in truckload fundamentals, higher than-expected cost inflation, and poor execution. Upside risks include a stronger-than-expected acceleration in pricing.

■ LSTR Est./PT revisions: Post LSTR's 4Q results we have raised our 2018 and 2019 estimates for LSTR by 8% and 10%, to reflect the increases in both volumes and revenue per load seen in this quarter's results, which we view as sustainable over both the near and medium-term. Commentary on the call was positive, with mgmt. citing that revenue per load growth was tracking in the mid-teens and volumes in the high single digits so far in the quarter. As such our 2018 estimate is increased to \$5.29 (from \$4.89) and 2019 is increased to \$6.09 (from \$5.52). Our price targets moves to \$105, reflecting an unchanged 17.2x our 2019E estimate. Further, we note that LSTR stands to indirectly benefit if a meaningful infrastructure bill is passed via its flatbed business which accounts for ~30% of gross revenue. However, we remain Hold-rated on shares on valuation. Upside risks include a meaningful infrastructure bill and a longer-than-expected TL cycle while downside risks include weaker-than-expected volume and pricing trends as well as valuation.

■ WERN Est./PT revisions: While WERN's Q4 results came largely inline with expectations, the outlook has become increasingly positive since the company reported results. Trucking rates and volumes have outperformed expectations YTD after one of the strongest January's on record, causing WERN to increase its 2018 rate guidance at a recent conference to +6%-10% from previous expectations of a 4%-8% improvement. As a result we have moderately raised our 2018 EPS estimate to \$1.99 (from \$1.95) and our 2019 to \$2.29 (from \$2.23). We believe the backdrop remains supportive of continued strong truckload fundamentals with potential for an elongated upcycle behind GDP, tax reform and a possible infrastructure bill. Our price target goes to \$43 (from \$42) as we are applying our unchanged 18.6x multiple to our revised 2019 EPS estimate. We maintain our Hold rating based on valuation with shares trading above the historical average. Risks to the upside include stronger yield/volume growth while downside risks

include higher than expected cost inflation and a U.S. recession.

■  
YRCW Est./PT revisions: YRCW's 4Q results largely missed expectations despite an improving demand environment, reflecting poor execution and increased purchased transportation expense due to a shortage of revenue equipment. Despite these issues, management sounded confident about YRCW's outlook for the back half of 2018 as the company plans to bring on additional revenue equipment in H1 to better

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capitalize on strong tonnage and yield trends, which appear to be gaining momentum. However, we continue to view YRCW as a "show me" story, with concerns around execution. On the back of these results, we have lowered our 1Q adjusted ebitda estimate to \$39.5M, bringing our full-year 2018 ebitda estimate to \$298M. Our estimate for 2019 comes down to \$340M, reflecting mid-single digit revenue growth and 10% incremental margins. Our price target is revised down to \$13 (from \$21) reflecting an unchanged 10.7x P/E multiple on our 2019 estimate of \$1.24. Risks to the upside include stronger yield/volume growth and improved profitability. Downside risks include continued margin pressure and a U.S. recession.

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Financial Statements  
Figure 15: GWR Income Statement  
Genesee & Wyoming (GWR)  
Income Statement (\$ millions)  
Pro-Forma Revenue  
North America  
YoY Change (%)  
Australia  
YoY Change (%)  
UK & Europe  
YoY Change (%)  
Total Revenue  
YoY Change (%)  
Operating Expenses  
North America  
Australia  
UK & Europe  
Total Opex  
% Of Revenue (OR)  
Operating Income  
North America  
Australia  
UK & Europe  
Total EBIT  
% Margin  
Interest Income and Interest Expense  
Interest income  
Interest expense  
Other income, net  
Total other income  
Pretax Income  
Effective income tax rate  
Taxes  
Minority interest  
Continuing Net Income  
Discontinued Operations  
Extraordinary Items  
Reported Net Income  
YoY Change (%)  
Continuing EPS  
Discontinued Operations  
Extraordinary Items  
Reported EPS  
YoY Change  
Average basic sharecount  
Average diluted shares outstanding  
Source: Deutsche Bank, Company Filings  
105.5

(4.4)  
(73.9)  
27.1  
\$2.34  
(\$0.10)  
(\$1.64)  
\$0.60  
(23.6%)  
42.4  
45.0  
214.8  
0.0  
56.6  
271.3  
\$3.79  
\$0.00  
\$1.00  
\$4.79  
53.8  
56.7  
236.3  
0.2  
23.8  
260.3  
\$4.14  
\$0.00  
\$0.42  
\$4.56  
55.3  
57.0  
212.7  
0.0  
12.3  
225.0  
\$3.68  
\$0.00  
\$0.21  
\$3.89  
61.6% 9.4% (11.3%)  
56.4  
57.8  
874.9  
(35.1%)  
448.9  
219.5  
-  
668.4  
1,568.7  
1,639.0  
2012  
2012

585.9  
 289.0  
 2013  
 2013  
 1,243.8  
 324.8  
 2014  
 2014  
 1,319.9  
 313.2  
 2015  
 2015  
 1,241.8  
 243.0  
 2016  
 2016  
 1,226.8  
 222.6  
 2017  
 3/31/2018 6/30/2018 9/30/2018 12/31/2018  
 2017 Q1 2018E Q2 2018E Q3 2018E Q4 2018E  
 1,274.3  
 307.5  
 325.2  
 327.0  
 86.9  
 331.6  
 84.7  
 335.9  
 82.4  
 2018  
 2018E  
 1,319.8  
 329.0  
 -  
 -  
 765.0  
 2019  
 2019E  
 1,398.1  
 -50.6% 112.3% 6.1% -5.9% -1.2% 3.9% 1.8% 3.6% 4.0% 4.9% 3.6% 5.9%  
 75.0  
 6.5% 12.4% -3.6% -22.4% -8.4% 38.2% 1.5% 13.1% 4.2% 9.1% 7.0% 9.7%  
 16.6  
 516.7  
 NM  
 2,000.4  
 542.2  
 1,991.5  
 79.3% 4.5% 22.0% (0.4%)  
 945.7

227.6  
-  
1,173.2  
989.0  
222.9  
16.8  
1,218.0  
932.9  
186.5  
482.0  
1,601.4  
909.3  
180.9  
537.1  
1,627.4  
626.2  
175.0  
575.2  
191.3  
605.2  
204.4  
620.6  
194.3  
612.6  
2,413.7  
4.9% 15.5% 39.2% 29.3% 15.6% 10.5% 22.2% 5.8%  
2,208.0  
10.9% 10.8% 12.0% 7.6% 7.2% 9.3% 6.4%  
961.9  
225.3  
605.6  
1,792.8  
247.3  
59.0  
177.1  
483.3  
241.8  
64.1  
183.8  
489.6  
245.5  
62.0  
192.1  
499.6  
250.2  
58.2  
187.0  
495.5  
984.8  
243.3  
740.0

1,968.0  
1,023.9  
264.0  
773.2  
2,061.2  
76.4% 74.8% 74.3% 80.1% 81.7% 81.2% 84.0% 80.9% 80.5% 80.9% 81.5% 80.3%  
137.0  
69.5  
-  
206.5  
298.2  
97.2  
-  
395.4  
330.9  
90.3  
0.2  
421.0  
308.9  
56.5  
34.6  
399.0  
317.4  
41.7  
5.1  
364.2  
312.4  
82.2  
20.6  
415.2  
77.9  
16.0  
(2.0)  
91.9  
85.2  
22.9  
7.5  
115.6  
86.2  
22.6  
12.3  
121.1  
85.7  
24.2  
7.3  
117.1  
335.0  
85.7  
25.0  
445.7  
374.2

96.8  
36.1  
507.1  
23.6% 25.2% 25.7% 19.9% 18.3% 18.8% 16.0% 19.1% 19.5% 19.1% 18.5% 19.7%  
3.7  
(62.8)  
2.2  
(57.0)  
149.5  
4.0  
(67.9)  
1.5  
(62.4)  
333.0  
118.2  
1.4  
(51.5)  
1.3  
(48.8)  
372.2  
135.9  
0.5  
(65.1)  
1.9  
(62.6)  
336.3  
123.6  
1.1  
(75.6)  
5.8  
(68.7)  
295.5  
89.2  
0.0  
2.1  
(107.3)  
1.0  
(104.2)  
311.0  
29.5% 35.5% 36.5% 36.8% 30.2% 38.5%  
44.0  
119.7  
(9.0)  
206.3  
0.0  
(21.5)  
184.8  
\$3.54  
\$0.00  
(\$0.37)  
\$3.17

(3.7%)  
57.3  
58.3  
182.3  
(0.0)  
367.0  
549.4  
\$2.92  
(\$0.00)  
\$5.87  
\$8.79  
(17.6%)  
61.5  
62.5  
0.9  
(26.7)  
(2.3)  
(28.1)  
63.8  
0.9  
(26.6)  
(2.3)  
(27.9)  
87.7  
23.7  
1.0  
(26.4)  
(2.3)  
(27.7)  
93.4  
25.2  
1.1  
(26.3)  
(2.3)  
(27.5)  
89.7  
27.0% 27.0% 27.0% 27.0%  
17.2  
24.2  
(2.5)  
44.1  
0.0  
0.0  
44.1  
\$0.70  
\$0.00  
\$0.00  
\$0.70  
61.7  
62.7  
(2.5)

61.5  
0.0  
0.0  
61.5  
\$0.98  
\$0.00  
\$0.00  
\$0.98  
61.7  
62.7  
(2.5)  
65.7  
0.0  
0.0  
65.7  
\$1.05  
\$0.00  
\$0.00  
\$1.05  
61.5  
62.5  
(2.5)  
62.9  
0.0  
0.0  
62.9  
\$1.01  
\$0.00  
\$0.00  
\$1.01  
61.3  
62.3  
3.9  
(106.1)  
(9.0)  
(111.2)  
334.5  
27.0%  
90.3  
(10.0)  
234.2  
0.0  
0.0  
234.2  
\$3.75  
\$0.00  
\$0.00  
\$3.75  
61.6  
62.5  
4.9

(105.2)

2.0

(98.3)

408.8

27.0%

110.4

(12.2)

286.2

0.0

0.0

286.2

-20.2% 103.6% 10.0% -10.0% -3.0% -11.6% 32.9% 22.9% 29.8% 29.5% 28.4% 22.2%

\$4.60

\$0.00

\$0.00

\$4.60

32.2% 22.4% 29.8% 31.3% 28.3% 22.9%

61.2

62.2

360.9

809.4

2,568.3

Deutsche Bank Securities Inc.

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Figure 16: HTLD Income Statement

Heartland Express (HTLD)

2012

Income Statement (\$ millions)

REVENUE

Total Revenue

Yr/Yr Change

OPERATING EXPENSES

Salaries, wages and benefits

Rent and purchased transportation

Fuel

Operations and maintenance

Taxes and licenses

Insurance and claims

Communications and utilities

Depreciation

Other operating expenses

Gain on sales of fixed assets

Total Operating Expenses

OPERATING EXPENSES AS A PERCENTAGE OF REVENUE

Salaries, wages and benefits (2)

Rent and purchased transportation

Fuel (3)

Operations and maintenance (3)

Taxes and licenses

Insurance and claims (4)

Communications and utilities

Depreciation

Other operating expenses

Gain on sales of fixed assets

OPERATING RATIO

Year-over-year improvement

TOTAL OPERATING INCOME

Year-over-year change

OTHER INCOME AND EXPENSE

Interest income

Interest expense

Other Income, net

Pretax income

Income taxes, total

Effective tax rate

NET INCOME (CONTINUING)

Extraordinary items

NET INCOME (REPORTED)

EPS CONTINUING

Extraordinary item

EPS REPORTED

Yr/Yr Change (continuing)

Avg. shares outstanding (diluted)

Source: Deutsche Bank, Company filings

2012

\$545.7

3.2%

167.1

6.3

169.0

25.3

8.7

14.9

3.0

57.2

14.6

(15.1)

\$450.8

30.6%

1.1%

31.0%

4.6%

1.6%

2.7%

0.5%

10.5%

2.7%

-2.8%

82.6%

-277bp

\$94.9

-10.9%

0.7

0.0

\$0.7

\$95.6

34.0

35.6%

61.5

0.0

\$61.5

\$0.71

0.00

\$0.71

-8.5%

86.2

2013

2013

\$582.3

6.7%

178.7

12.8

172.3

22.3  
10.5  
14.9  
3.6  
68.6  
17.6  
(33.3)  
\$468.1  
30.7%  
2.2%  
29.6%  
3.8%  
1.8%  
2.6%  
0.6%  
11.8%  
3.0%  
-5.7%  
80.4%  
222bp  
\$114.2  
20.3%  
0.5  
(0.2)  
\$0.3  
\$114.5  
41.9  
36.6%  
72.6  
(2.0)  
\$70.6  
\$0.85  
(0.02)  
\$0.83  
19.0%  
85.4  
2014  
2014  
\$871.4  
49.7%  
278.1  
51.9  
219.3  
39.1  
20.4  
17.9  
6.5  
108.6  
31.3  
(33.5)  
\$739.5

31.9%  
6.0%  
25.2%  
4.5%  
2.3%  
2.1%  
0.7%  
12.5%  
3.6%  
-3.8%  
84.9%  
-448bp  
\$131.9  
15.5%  
0.2  
(0.4)  
(\$0.3)  
\$131.6  
46.8  
35.5%  
84.8  
0.0  
\$84.8  
\$0.97  
0.00  
\$0.97  
13.6%  
87.9  
2015  
2015  
\$736.3  
(15.5%)  
277.3  
34.5  
123.7  
34.0  
18.1  
21.6  
6.0  
111.0  
28.6  
(35.0)  
\$619.8  
37.7%  
4.7%  
16.8%  
4.6%  
2.5%  
2.9%  
0.8%  
15.1%

3.9%  
-4.8%  
84.2%  
70bp  
\$116.6  
-11.6%  
0.2  
(0.0)  
\$0.2  
\$116.8  
43.7  
37.4%  
73.1  
0.0  
\$73.1  
\$0.84  
0.00  
\$0.84  
-13.1%  
87.1  
2016  
2016  
\$612.9  
(16.8%)  
232.0  
23.5  
91.5  
26.2  
15.6  
24.4  
4.5  
105.6  
13.4  
(9.2)  
\$527.4  
37.8%  
3.8%  
14.9%  
4.3%  
2.5%  
4.0%  
0.7%  
17.2%  
2.2%  
-1.5%  
86.0%  
-187bp  
\$85.6  
-26.6%  
0.5  
0.0

\$0.5  
 \$86.0  
 29.7  
 34.5%  
 56.4  
 0.0  
 \$56.4  
 \$0.68  
 0.00  
 \$0.68  
 -19.4%  
 83.4  
 2017  
 3/31/2018 6/30/2018 9/30/2018 12/31/2018  
 2017 Q1 2018E Q2 2018E Q3 2018E Q4 2018E  
 \$607.3  
 (0.9%)  
 236.9  
 30.0  
 104.4  
 29.6  
 16.6  
 18.9  
 5.8  
 103.7  
 24.7  
 (26.7)  
 \$543.8  
 39.0%  
 4.9%  
 17.2%  
 4.9%  
 2.7%  
 3.1%  
 1.0%  
 17.1%  
 4.1%  
 -4.4%  
 89.5%  
 -350bp  
 \$63.5  
 -25.7%  
 1.1  
 0.0  
 \$1.1  
 \$64.7  
 22.1  
 34.2%  
 42.6  
 32.8  
 \$75.3

\$0.51  
0.39  
\$0.90  
-24.5%  
83.3  
\$165.9  
27.7%  
68.0  
7.5  
25.5  
7.6  
4.1  
5.0  
1.3  
30.0  
6.0  
(5.8)  
\$149.3  
41.0%  
4.5%  
20.0%  
4.6%  
2.5%  
3.0%  
0.8%  
18.1%  
3.6%  
-3.5%  
90.0%  
-487bp  
16.7  
-14.0%  
0.2  
0.0  
\$0.2  
16.9  
3.8  
22.5%  
\$13.1  
0.0  
\$13.1  
\$0.16  
0.00  
\$0.16  
-6.7%  
83.1  
\$175.9  
35.7%  
72.1  
7.9  
23.5

8.1  
5.3  
5.3  
1.8  
30.5  
6.3  
(6.2)  
\$154.6  
41.0%  
4.5%  
18.2%  
4.6%  
3.0%  
3.0%  
1.0%  
17.3%  
3.6%  
-3.5%  
87.9%  
-433bp  
21.3  
0.0%  
0.2  
0.0  
\$0.2  
21.5  
4.8  
22.5%  
\$16.7  
0.0  
\$16.7  
\$0.20  
0.00  
\$0.20  
14.7%  
82.9  
\$187.8  
3.1%  
75.1  
7.9  
33.6  
8.6  
5.6  
6.2  
1.9  
31.0  
2.9  
(6.6)  
\$166.3  
40.0%  
4.2%

25.1%  
4.6%  
3.0%  
3.3%  
1.0%  
16.5%  
1.6%  
-3.5%  
88.6%  
430bp  
21.5  
65.1%  
0.2  
0.0  
\$0.2  
21.7  
4.9  
22.5%  
\$16.8  
0.0  
\$16.8  
\$0.20  
0.00  
\$0.20  
114.1%  
82.7  
\$176.0  
6.2%  
68.6  
6.5  
32.4  
7.9  
4.8  
5.8  
1.4  
31.5  
1.5  
(6.2)  
\$154.3  
39.0%  
3.7%  
30.8%  
4.5%  
2.7%  
3.3%  
0.8%  
17.9%  
0.8%  
-3.5%  
87.7%  
637bp

21.7  
119.8%  
0.3  
0.0  
\$0.3  
21.9  
4.9  
22.5%  
\$17.0  
0.0  
\$17.0  
\$0.21  
0.00  
\$0.21  
195.4%  
82.5  
2018  
2018E  
\$705.6  
16.2%  
283.9  
29.8  
115.0  
32.3  
19.8  
22.3  
6.4  
123.0  
16.8  
(24.7)  
\$624.4  
40.2%  
4.2%  
16.3%  
4.6%  
2.8%  
3.2%  
0.9%  
17.4%  
2.4%  
-3.5%  
88.5%  
104bp  
\$81.1  
27.7%  
0.9  
0.0  
\$0.9  
\$82.0  
18.5  
22.5%

\$63.6  
0.0  
\$63.6  
\$0.77  
0.00  
\$0.77  
50.3%  
82.8  
2019  
2019E  
\$758.7  
7.5%  
295.9  
28.1  
119.4  
34.1  
20.5  
25.0  
5.7  
125.0  
29.2  
(26.6)  
\$656.3  
39.0%  
3.7%  
22.0%  
4.5%  
2.7%  
3.3%  
0.8%  
16.5%  
3.8%  
-3.5%  
86.5%  
200bp  
\$102.38  
26.2%  
1.0  
0.0  
\$1.0  
\$103.3  
23.2  
22.5%  
\$80.1  
0.0  
\$80.1  
\$1.00  
0.00  
\$1.00  
29.9%  
80.3



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Figure 17: LSTR Income Statement

Landstar Systems Inc. (LSTR)

Quarterly Income Statement (\$ In Millions)

Revenue

Truckload

Van

Unsided/platform

Less-than-Truckload

Total Truck

Rail intermodal

Ocean and air cargo

Other

Total Operating Revenue

Investment Income

Total Corporate Revenue

yr/yr change

Operating Expenses

Purchased Transportation

Commissions To Agents

Other Operating Costs

Insurance And Claims

Selling, General And Administration

Depreciation And Amortization

Total Operating Expenses

yr/yr change

Operating Income

yr/yr change

Operating Margin

yr/yr improvement (deterioration)

Operating Ratio

yr/yr improvement (deterioration)

Interest Expense

Other Expense

Interest And Debt Expense

Pretax Income

%Margin

Income Taxes

Effective Tax Rate

Continuing Net Income

Extraordinary Items

Net Income (reported)

yr/yr change

EPS (continuing)

Extraordinary Items

EPS (reported)

yr/yr change

Average Common Shares Outstanding

Average Diluted Shares Outstanding

Source: Deutsche Bank, Company Filings

1,463.7  
1,047.3  
72.0  
2,582.9  
73.9  
77.9  
36.0  
2,770.8  
1.6  
2,772.4  
2012  
2012  
2013  
2013  
1,464.6  
932.2  
71.8  
2,468.5  
73.8  
85.7  
36.8  
2,664.8  
1.5  
2,666.3  
5.4% (3.8%)  
2,129.7  
218.3  
22.8  
37.4  
136.5  
26.9  
2,571.6  
200.7  
7.2%  
2,046.9  
211.4  
21.6  
50.4  
131.7  
27.7  
2,489.7  
(3.2%)  
176.6  
(12.0%)  
6.6%  
-62 bps  
2014  
2014  
1,814.2  
1,094.0

80.4  
2,988.6  
81.2  
75.0  
40.0  
3,184.8  
1.4  
3,186.2  
19.5%  
2,461.1  
250.8  
25.8  
46.3  
150.3  
27.6  
2,961.8  
19.0%  
224.4  
27.1%  
7.0%  
42 bps  
43 bps  
2015  
2015  
1,894.2  
1,109.4  
80.7  
3,084.3  
105.3  
86.7  
44.8  
3,321.1  
1.4  
3,322.5  
2016  
2016  
1,900.4  
963.6  
74.5  
2,938.6  
103.7  
78.5  
46.8  
3,167.6  
1.5  
3,169.1  
4.3% (4.6%)  
2,551.3  
270.3  
31.6  
48.8

149.7  
29.1  
3,080.8  
241.7  
23 bps  
23 bps  
2,415.7  
264.2  
29.7  
57.3  
143.2  
35.8  
2,945.9  
4.0% (4.4%)  
223.3  
7.7% (7.6%)  
7.3%  
7.0%  
-23 bps  
-24 bps  
2017  
3/31/2018 6/30/2018 9/30/2018 12/31/2018  
2017 Q1 2018E Q2 2018E Q3 2018E Q4 2018E  
2,163.8  
1,134.7  
89.0  
3,387.5  
96.4  
110.9  
51.5  
3,646.4  
1.5  
3,647.9  
586.1  
304.0  
23.6  
913.8  
24.2  
21.9  
13.5  
973.4  
0.4  
973.8  
599.3  
346.0  
26.4  
971.7  
22.9  
24.0  
13.5  
1,032.1

0.4  
1,032.5  
615.1  
335.6  
24.7  
975.4  
26.3  
30.4  
13.5  
1,045.6  
0.4  
1,046.0  
15.1% 24.6% 18.5% 10.8%  
2,805.1  
297.4  
28.7  
62.5  
170.6  
40.6  
3,404.9  
243.0  
-38 bps  
-38 bps  
749.5  
79.8  
6.8  
15.4  
41.9  
11.3  
904.6  
69.2  
7.1%  
40 bps  
42 bps  
794.7  
84.6  
8.3  
16.7  
46.4  
11.3  
962.0  
70.5  
6.8%  
-18 bps  
-14 bps  
803.0  
85.2  
10.5  
17.4  
48.1  
11.3

975.4  
15.6% 24.1% 18.8% 10.4%  
70.5  
6.7%  
33 bps  
36 bps  
686.0  
334.6  
25.1  
1,045.7  
30.3  
41.4  
13.5  
1,130.9  
0.4  
1,131.2  
2018  
2018E  
2,486.6  
1,320.2  
99.7  
3,906.5  
103.7  
117.6  
54.1  
4,182.0  
3.0  
4,184.9  
7.5% 14.7%  
867.4  
93.4  
11.3  
18.7  
50.9  
11.3  
1,052.9  
78.3  
6.9%  
27 bps  
31 bps  
3,214.6  
343.1  
36.8  
68.1  
187.3  
45.0  
3,894.9  
7.2% 14.4%  
290.0  
8.8% 32.2% 15.6% 16.4% 11.8% 19.4%  
6.7%

6.9%  
27 bps  
24 bps  
2019  
2019E  
2,689.2  
1,427.8  
107.9  
4,224.9  
112.2  
124.7  
56.8  
4,518.6  
2.5  
4,521.2  
8.0%  
3,456.8  
375.0  
45.2  
75.4  
203.3  
47.5  
4,203.2  
7.9%  
317.9  
9.6%  
7.0%  
10 bps  
92.8% 93.4% 93.0% 92.8% 93.0% 93.4% 92.9% 93.2% 93.3% 93.1% 93.1% 93.0%  
-62 bps  
12 bps  
(3.1)  
0.0  
(3.1)  
197.6  
7.1%  
71.1  
126.6  
3.2  
129.8  
(3.2)  
0.0  
(3.2)  
173.4  
6.5%  
64.5  
108.9  
37.1  
146.0  
(13.9%)  
\$2.70

\$0.07  
\$2.77  
46.7  
46.9  
\$2.36  
\$0.80  
\$3.16  
(12.7%)  
46.0  
46.2  
(3.2)  
0.0  
(3.2)  
221.2  
6.9%  
82.4  
138.8  
0.0  
138.8  
27.4%  
\$3.07  
\$0.00  
\$3.07  
30.4%  
45.0  
45.2  
(2.9)  
0.0  
(2.9)  
238.8  
7.2%  
91.1  
147.7  
0.0  
147.7  
(3.8)  
0.0  
(3.8)  
219.5  
6.9%  
82.1  
137.4  
0.0  
137.4  
6.4% (7.0%)  
\$3.37  
\$0.00  
\$3.37  
43.7  
43.8  
\$3.25

\$0.00  
\$3.25  
9.7% (3.5%)  
42.1  
42.2  
(3.2)  
0.0  
(3.2)  
239.8  
6.6%  
83.3  
36.0% 37.2% 37.2% 38.1% 37.4% 34.7%  
156.6  
19.5  
176.1  
(0.6)  
0.0  
(0.6)  
68.6  
7.0%  
16.8  
51.8  
0.0  
51.8  
(0.6)  
0.0  
(0.6)  
69.9  
6.8%  
17.1  
52.8  
0.0  
52.8  
(0.6)  
0.0  
(0.6)  
69.9  
6.7%  
17.1  
52.8  
0.0  
52.8  
(0.6)  
0.0  
(0.6)  
77.8  
6.9%  
19.1  
24.5% 24.5% 24.5% 24.5%  
58.7  
0.0

58.7  
(2.4)  
0.0  
(2.4)  
287.7  
6.9%  
70.1  
24.4%  
217.5  
0.0  
217.5  
14.0% 59.9% 40.7% 24.5% 29.8% 38.9%  
\$3.73  
\$0.46  
\$4.19  
41.9  
42.0  
\$1.24  
\$0.00  
\$1.24  
41.7  
41.8  
\$1.28  
\$0.00  
\$1.28  
41.3  
41.3  
\$1.29  
\$0.00  
\$1.29  
40.8  
40.9  
\$1.45  
\$0.00  
\$1.45  
40.4  
40.4  
\$5.29  
\$0.00  
\$5.29  
41.0  
41.1  
(2.4)  
0.0  
(2.4)  
315.5  
7.0%  
77.3  
24.5%  
238.2  
0.0

238.2

9.5%

\$6.09

\$0.00

\$6.09

14.6% 60.7% 43.0% 28.0% 35.0% 42.0% 15.1%

39.1

39.1

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Trucking

U.S. Transportation

Figure 18: WERN Income Statement

Werner Enterprises (WERN)

2013

Income Statement (\$ millions)

Operating Revenue

Truckload Transportation Services, net of fuel surcharge

Werner Logistics

Other, Corporate & Inter-segment eliminations

Revenue, Net Of Fuel

Fuel Surcharge revenue

Total Revenue

Y/Y Growth

Operating Expenses

Salaries, wages, benefits

Fuel

Net Fuel Cost

Supplies & maintenance

Taxes & licenses

Insurance & claims

Depreciation

Rent & purch. transportation

Communications & utilities

Operating Equipment Disposal (Gains) Losses

Other

Total Operating Expenses

Operating Expenses As A Percentage Of Net Revenue

Salaries, wages, benefits

Fuel

Net Fuel Cost

Supplies & maintenance

Taxes & licenses

Insurance & claims

Depreciation

Rent & purch. transportation

Communications & utilities

Operating Equipment Disposal (Gains) Losses

Other

Operating Ratio, Gross Of Fuel (2)

YoY Improvement (deterioration)

Operating Ratio, Net Of Fuel (2)

YoY Improvement (deterioration)

Operating Income

Truckload Transportation

Werner Logistics (VAS)

Corporate & Other Operating Income

Total Operating Income

Y/Y Change

Truckload Transportation Services OR (net of fuel)

Werner Logistics OR  
Consolidated OR  
Interest expense  
Interest income  
Other (3)  
Total Other Income (Expense)  
PRETAX INCOME  
Income Taxes  
Tax Rate  
Net Income (continuing)  
Extraordinary items  
Net Income (total)  
EPS CONTINUING  
Extraordinary Item  
EPS REPORTED  
Y/Y growth (continuing)  
Average Shares Outstanding (basic)  
Average Shares Outstanding (diluted)  
Source: Deutsche Bank, Company Filings  
2013  
\$1,303.2  
361.4  
9.9  
1,674.6  
354.6  
\$2,029.2  
(0.4%)  
\$545.4  
371.8  
17.2  
179.2  
86.7  
71.2  
173.0  
456.9  
13.5  
(16.4)  
8.2  
\$1,889.5  
32.6%  
22.2%  
1.0%  
10.7%  
5.2%  
4.3%  
10.3%  
27.3%  
0.8%  
93.1%  
(153bp)  
91.7%

(198bp)  
119.6  
14.7  
5.5  
\$139.7  
(18.5%)  
8.3%  
90.8%  
95.9%  
(0.5)  
2.3  
0.2  
\$2.0  
\$141.7  
54.9  
38.8%  
86.8  
0.0  
\$86.8  
\$1.18  
0.00  
\$1.18  
(15.7%)  
72.9  
73.4  
2014  
2014  
\$1,352.4  
390.6  
46.5  
1,789.5  
349.8  
\$2,139.3  
5.4%  
\$584.0  
346.1  
(3.7)  
188.4  
85.5  
80.4  
177.0  
498.8  
14.2  
(19.3)  
24.1  
\$1,979.2  
32.6%  
19.3%  
2015  
2015  
\$1,416.1

393.2  
71.8  
1,881.1  
212.4  
\$2,093.5  
(2.1%)  
\$636.0  
204.6  
(7.9)  
190.1  
89.6  
80.8  
193.2  
480.6  
15.1  
(22.6)  
22.3  
\$1,889.9  
33.8%  
10.9%  
-0.2% -0.4%  
10.5%  
4.8%  
4.5%  
9.9%  
27.9%  
0.8%  
1.3%  
92.5%  
60bp  
91.1%  
60bp  
153.0  
7.5  
(0.4)  
\$160.1  
14.6%  
8.9%  
88.7%  
98.1%  
(0.9)  
2.5  
0.0  
\$1.7  
\$161.8  
63.1  
39.0%  
98.6  
0.0  
\$98.6  
\$1.36

0.00  
\$1.36  
15.1%  
71.9  
72.5  
10.1%  
4.8%  
4.3%  
10.3%  
25.6%  
0.8%  
1.2%  
90.3%  
224bp  
89.2%  
188bp  
193.1  
16.9  
(6.3)  
\$203.7  
27.2%  
10.8%  
86.4%  
95.7%  
(2.0)  
2.9  
(0.2)  
\$0.7  
\$204.4  
78.7  
38.5%  
125.7  
(1.9)  
\$123.7  
\$1.73  
(0.03)  
\$1.71  
27.3%  
72.0  
72.6  
2016  
2016  
\$1,356.3  
417.2  
80.2  
1,853.7  
155.3  
\$2,009.0  
(4.0%)  
636.1  
155.0

(0.3)  
171.4  
85.5  
83.9  
209.7  
512.3  
16.1  
(10.3)  
29.6  
\$1,889.4  
34.3%  
8.4%  
0.0%  
9.2%  
4.6%  
4.5%  
11.3%  
27.6%  
0.9%  
1.6%  
94.0%  
(378bp)  
93.5%  
(438bp)  
101.2  
20.7  
(2.4)  
\$119.6  
(41.3%)  
92.5%  
95.0%  
(2.6)  
4.2  
(0.2)  
\$1.4  
\$121.0  
45.8  
37.9%  
75.2  
4.0  
\$79.1  
\$1.04  
0.05  
\$1.09  
(40.0%)  
72.1  
72.4  
2017  
3/31/2018  
6/30/2018  
9/30/2018 12/31/2018

2017 Q1 2018E Q2 2018E Q3 2018E Q4 2018E

\$1,403.9

417.6

89.6

1,911.1

205.6

\$2,116.7

5.4%

\$681.5

198.7

(6.9)

164.3

86.8

79.9

217.6

509.6

16.1

(2.5)

20.8

\$1,972.9

35.7%

10.4%

\$370.7

106.3

23.5

500.5

59.5

\$560.0

11.7%

\$178.1

56.5

(3.0)

45.0

24.0

22.0

55.0

135.1

5.0

(1.0)

7.3

\$524.1

35.6%

11.3%

9.0%

4.8%

4.4%

\$393.2

106.1

22.3

521.6

63.2

\$584.8  
12.6%  
\$188.1  
55.5  
(7.7)  
45.4  
25.0  
23.0  
55.0  
140.8  
5.2  
(1.0)  
7.6  
\$536.8  
36.1%  
10.6%  
8.7%  
4.8%  
4.4%  
\$392.3  
109.3  
23.3  
524.9  
63.7  
\$588.6  
11.3%  
\$181.7  
60.2  
(3.5)  
45.1  
24.7  
23.1  
55.0  
141.7  
5.2  
(1.0)  
7.6  
\$540.0  
34.6%  
11.5%  
-0.4% -0.6% -1.5% -0.7%  
8.6%  
4.5%  
4.2%  
11.4%  
26.7%  
0.8%  
1.1%  
93.2%  
84bp  
92.5%

107bp  
138.1  
8.7  
(2.9)  
\$143.8  
20.3%  
90.2%  
97.9%  
(2.2)  
3.3  
(0.3)  
\$0.8  
\$144.6  
54.7  
37.8%  
90.0  
113.0  
\$203.0  
\$1.24  
1.56  
\$2.80  
19.4%  
71.8  
72.6  
11.0%  
27.0%  
1.0%  
1.5%  
93.6%  
122bp  
93.4%  
84bp  
33.4  
3.0  
(0.5)  
\$35.8  
38.0%  
91.0%  
97.2%  
(0.4)  
0.9  
0.0  
\$0.6  
\$36.4  
9.3  
25.5%  
27.1  
0.0  
\$27.1  
\$0.37  
0.00

\$0.37  
69.3%  
71.6  
72.5  
10.5%  
27.0%  
1.0%  
1.5%  
91.8%  
110bp  
92.3%  
(13bp)  
45.6  
2.9  
(0.5)  
\$48.0  
30.0%  
88.4%  
97.3%  
(0.3)  
1.1  
0.0  
\$0.8  
\$48.8  
12.4  
25.5%  
36.4  
0.0  
\$36.4  
\$0.50  
0.00  
\$0.50  
57.0%  
71.3  
72.3  
8.6%  
4.7%  
4.4%  
10.5%  
27.0%  
1.0%  
1.5%  
91.7%  
148bp  
91.4%  
111bp  
47.1  
2.0  
(0.5)  
\$48.6  
35.6%

88.0%  
98.1%  
(0.2)  
1.3  
0.0  
\$1.1  
\$49.7  
12.7  
25.5%  
37.0  
0.0  
\$37.0  
\$0.51  
0.00  
\$0.51  
65.5%  
71.1  
72.2  
\$416.4  
118.0  
22.8  
557.2  
65.5  
\$622.7  
9.7%  
\$184.9  
65.6  
0.1  
47.4  
25.6  
24.5  
55.0  
150.4  
5.6  
(1.0)  
8.1  
\$566.1  
33.2%  
11.8%  
0.0%  
8.5%  
4.6%  
4.4%  
9.9%  
27.0%  
1.0%  
1.5%  
90.9%  
114bp  
89.8%  
132bp

54.1  
2.9  
(0.5)  
\$56.5  
25.5%  
87.0%  
97.5%  
(0.1)  
1.4  
0.0  
\$1.3  
\$57.9  
14.8  
25.5%  
43.1  
0.0  
\$43.1  
\$0.60  
0.00  
\$0.60  
54.3%  
70.8  
72.0  
2018  
2018E  
\$1,572.5  
439.8  
91.9  
2,104.2  
251.8  
\$2,356.1  
11.3%  
\$732.7  
237.8  
(14.1)  
182.9  
99.4  
92.6  
220.0  
568.1  
21.0  
(4.0)  
30.5  
\$2,167.0  
34.8%  
11.3%  
2019  
2019E  
\$1,693.9  
461.8  
94.2

2,249.8  
275.0  
\$2,524.8  
7.2%  
\$751.7  
269.6  
(5.4)  
195.7  
105.7  
99.0  
245.0  
607.5  
18.4  
(9.0)  
31.5  
\$2,309.8  
33.4%  
12.0%  
-0.7% -0.2%  
8.7%  
4.7%  
4.4%  
10.5%  
27.0%  
1.0%  
-1.0% -1.1% -1.2% -0.6% -0.1% -0.2% -0.2% -0.2% -0.2% -0.2%  
0.5%  
1.5%  
92.0%  
123bp  
91.7%  
79bp  
180.2  
10.8  
(2.0)  
\$189.0  
31.4%  
88.5%  
97.5%  
(0.9)  
4.7  
0.0  
\$3.8  
\$192.8  
49.2  
25.5%  
143.7  
0.0  
\$143.7  
\$1.99  
0.00

\$1.99  
60.4%  
71.2  
72.2  
8.7%  
4.7%  
4.4%  
10.9%  
27.0%  
0.8%  
-0.4%  
1.4%  
91.5%  
49bp  
90.7%  
100bp  
205.0  
12.6  
(2.5)  
\$215.0  
13.8%  
87.9%  
97.3%  
(0.9)  
4.7  
0.0  
\$3.8  
\$218.8  
55.8  
25.5%  
163.0  
0.0  
\$163.0  
\$2.29  
0.00  
\$2.29  
15.0%  
70.2  
71.3

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Figure 19: YRCW Income Statement

YRC Worldwide (YRCW)

Quarterly Income Statement (\$ Millions)

Revenue

YRC Freight revenue

YoY Change (%)

Regional Transportation revenue

YoY Change (%)

Corporate and other

Total Revenue

YoY Change (%)

Segment Operating Expenses

YRC Freight opex

YoY Change (%)

Regional Transportation opex

YoY Change (%)

Corporate and other opex

Total Operating Expenses

YoY Change (%)

Operating Income (ebit)

YRC Freight ebit

YoY Change (%)

Regional Transportation ebit

YoY Change (%)

Corporate and other ebit

Total Operating Income

YoY Change (%)

Other income (expense)

Interest Expense

Other, Net

Total Other Income (Expense)

Pretax Income

Provision for Income Taxes

Effective Tax Rate

Continuing Net Income

Nonrecurring Gains (losses)

Income (Loss) from Discontinued Operations

Net Income (Reported)

Diluted EPS Continuing

Nonrecurring Gains (losses)

Income (Loss) from Discontinued Operations

Diluted EPS (Reported)

YoY Change in Continuing EPS (%)

Average Diluted Shares

Source: Deutsche Bank, Company Filings

7.3

9.3

28.6

2012  
3,206.9  
1,640.5  
2012  
2013  
2013  
3,136.8  
0.1% (2.2%)  
1,728.6  
3.0  
4,850.5  
(0.4%)  
3,252.5  
(1.2%)  
1,569.8  
4,831.4  
4,865.4  
2014  
2014  
3,237.4  
1,831.4  
2015  
2015  
3,055.7  
3.2% (5.6%)  
1,776.9  
5.6% 5.4% 5.9% (3.0%)  
(10.9)  
(21.1)  
5,068.8  
4,832.4  
0.3% 4.2% (4.7%)  
3,171.0  
(2.5%)  
1,648.1  
10.9  
4,830.0  
0.4% (0.0%)  
(45.6)  
(48.5%)  
70.7  
16.1  
(34.2)  
(25.0%)  
80.5  
(10.9)  
35.4  
3,252.8  
1,761.3  
3,007.1  
2.6% (7.6%)

1,691.3  
3.3% 5.0% 6.9% (4.0%)  
9.0  
21.1  
5,035.2  
10.6  
4,709.0  
4.2% (6.5%)  
(15.4)  
103.2% 13.8% (12.9%)  
(9.0)  
48.6  
(55.0%) (415.6%)  
70.1  
85.6  
(21.1)  
33.6  
123.6  
(0.2)  
2016  
2016  
2,958.9  
(3.2%)  
1,739.3  
(2.1%)  
(0.7)  
4,698.2  
(2.8%)  
2,921.4  
(2.8%)  
1,656.9  
(2.0%)  
10.2  
4,588.5  
(2.6%)  
37.5  
(22.8%)  
82.4  
22.1% (3.7%)  
(10.6)  
(112.2%) 120.4% (5.1%) 267.9% (11.2%)  
(150.9)  
6.2  
(144.8)  
(128.7)  
17.2  
(111.5)  
(25.0)  
(3.9)  
(140.4)  
(\$15.25)

(\$3.42)  
(\$0.53)  
(\$19.20)  
(163.9)  
6.0  
(157.9)  
(122.5)  
41.2  
(81.3)  
(2.3)  
0.0  
(83.6)  
(\$8.71)  
(\$0.25)  
\$0.00  
(\$8.96)  
(150.0)  
9.5  
(140.5)  
(106.9)  
20.8  
(86.1)  
0.4  
(0.1)  
(85.8)  
(\$3.01)  
\$0.01  
(\$0.00)  
(\$3.00)  
(107.6)  
10.8  
(96.8)  
26.8  
5.3  
32.1  
(31.2)  
0.0  
0.9  
\$1.00  
(\$0.97)  
\$0.00  
\$0.03  
(133.3%)  
32.0  
(103.4)  
3.7  
(99.7)  
10.0  
(1.3)  
8.7  
12.8

0.0  
 21.5  
 \$0.27  
 \$0.39  
 \$0.00  
 \$0.66  
 32.7  
 (10.2)  
 109.7  
 2017  
 2017  
 3,067.9  
 1,823.4  
 3/31/2018  
 6/30/2018  
 9/30/2018 12/31/2018  
 Q1 2018E Q2 2018E Q3 2018E Q4 2018E  
 736.4  
 810.5  
 500.1  
 822.0  
 489.5  
 782.0  
 466.4  
 2018  
 2018E  
 3,151.0  
 1,917.8  
 2019  
 2019E  
 3,310.5  
 3.7% 1.0% 2.7% 4.3% 2.7% 2.7% 5.1%  
 461.8  
 2,014.9  
 4.8% 4.5% 6.1% 5.6% 4.4% 5.2% 5.1%  
 (0.3)  
 0.0  
 4,891.0  
 1,198.2  
 0.0  
 1,310.6  
 0.0  
 1,311.5  
 0.0  
 1,248.4  
 0.0  
 5,068.7  
 4.1% 2.4% 4.0% 4.8% 3.3% 3.6%  
 3,028.7  
 1,753.9  
 4,793.5

745.3  
786.2  
477.1  
791.6  
466.0  
769.1  
445.4  
3,092.2  
1,841.5  
0.0  
5,325.3  
5.1%  
3,236.0  
3.7% 1.1% 3.1% 3.3% 0.9% 2.1% 4.7%  
453.0  
1,924.2  
5.9% 5.6% 7.1% 5.5% 1.8% 5.0% 4.5%  
10.9  
3.5  
1,201.8  
3.5  
1,266.8  
3.5  
1,261.1  
3.5  
1,218.0  
14.0  
4,947.7  
15.0  
5,175.2  
4.5% 2.6% 4.5% 4.2% 1.4% 3.2% 4.6%  
39.2  
(15.7%)  
(10.9)  
97.8  
(8.8)  
8.8  
(31.5%)  
(3.5)  
(3.6)  
(102.8)  
(13.7)  
(116.5)  
(18.7)  
8.1  
13.4% 33.6% 19.4% -19.7% 13.3% 43.4%  
(10.6)  
(0.3)  
0.0  
(10.9)  
(\$0.32)

(\$0.01)  
\$0.00  
(\$0.33)  
(73.5%) (220.8%)  
33.1  
(25.6)  
0.9  
(24.7)  
(28.3)  
6.9  
(21.3)  
0.0  
0.0  
(21.3)  
(\$0.65)  
\$0.00  
\$0.00  
(\$0.65)  
(7.6%)  
32.7  
24.3  
4.5% 5.2% (8.6%)  
69.5  
23.0  
(10.5%)  
(3.5)  
43.8  
(10.8%) 1088.0% (10.6%)  
(25.4)  
0.9  
(24.5)  
19.3  
(4.7)  
14.6  
0.0  
0.0  
14.6  
\$0.45  
\$0.00  
\$0.00  
\$0.45  
32.7  
30.4  
12.9  
42.8% (4400.9%)  
23.5  
21.0  
50.4  
(3.5)  
30.4  
58.8

74.5  
50.0% 26.7%  
76.3  
90.7  
7.8% 128.1% 9.7% 18.9%  
(3.5)  
(14.0)  
121.1  
(15.0)  
150.2  
21.8% 294.7% 23.8% 24.0%  
(25.2)  
0.9  
(24.3)  
26.1  
(6.4)  
19.7  
0.0  
0.0  
19.7  
\$0.60  
\$0.00  
\$0.00  
\$0.60  
32.7  
(25.0)  
0.9  
(24.1)  
6.3  
(1.5)  
24.5% 24.5% 24.5% 24.5%  
4.7  
0.0  
0.0  
4.7  
\$0.15  
\$0.00  
\$0.00  
\$0.15  
32.7  
(101.2)  
3.6  
(97.6)  
23.5  
(5.7)  
24.5%  
17.7  
0.0  
0.0  
17.7  
\$0.54

\$0.00  
\$0.00  
\$0.54  
32.7  
(100.0)  
3.6  
(96.4)  
53.8  
(13.2)  
24.5%  
40.6  
0.0  
0.0  
40.6  
\$1.24  
\$0.00  
\$0.00  
\$1.24  
(17.5%) 393.5% (148.9%) (268.9%) 129.2%  
32.7

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Appendix 1

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Amit Mehrotra, Seldon Clarke

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Equity rating dispersion and banking relationships

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