

Conference Call Takeaways: Collaboration Between Shippers and Carriers Can Lead to Efficiencies and Cost Savings

We had the good fortune to host a call featuring supply chain aficionado Paul Newbourn. Mr. Newbourn has amassed over 34 years of experience in the broader transportation and logistics arena and currently serves as Senior Vice President – Logistics Operations with Armada Supply Chain Solutions. Armada manages the supply chains of many of the nation's largest restaurant chains, among other shippers, and employs a forward thinking approach that is built upon the carrier and the shipper developing an open, problem solving, efficiency enhancing collaborative effort. This approach ends up driving savings and service improvements for Armada's customers and increased profitability for Armada's carrier partners. The following bullets contain the key takeaways from Mr. Newbourn's formal remarks and the question and answer session that followed:

- **Truckload capacity is definitely tightening relative to demand over the medium- to long-term.** Collaboration between carriers and shippers can help to ensure that shippers have access to sufficient capacity at reasonable prices and that carriers are working with a customer who is mindful and respectful of the carrier's need for asset utilization, drivers to be treated with respect, and profitability sufficient to warrant reinvestment in rolling stock.
- **Truckload capacity has been especially tight of late** due to harsher than normal winter weather. In the interest of safety, some carriers have been shutting equipment down during storms while other carriers have chosen not to dispatch trucks into regions where heavy snow and/or ice is predicted.
- **Collaboration requires two or more willing parties.** If carriers aren't willing to change and/or if shippers cling to outdated historical practices, collaboration will almost always be ineffective.
- **Many collaboratively derived efficiency ideas have been implemented to save shippers millions of dollars in expenses while actually enhancing carriers' margins.** These initiatives can include shifts towards lighter weight equipment, drop and hook style operations, evening and weekend pick-up and delivery hours, improved load planning to better utilize the equipment's cubic and payload capacity, load smoothing over the course of the week, holiday/bad weather planning, reducing carrier dwell times, speeding up loading and unloading operations, quasi-dedicated scheduled shipping for base load volumes, etc.
- **Investment conclusions:** All truckload carriers in our coverage universe should benefit from the expansion of collaborative practices between carriers and shippers, between shippers and shippers, and, perhaps ultimately, between carriers. Unfortunately, all of the truckload carriers in our coverage universe, with the exception of Buy-rated Universal Truckload Services (UACL; \$28.57), are rated Hold. It appears that investors have generally looked past the weather-related woes that have caused analysts, including those of us at Stifel, to cut 1Q14 EPS estimates. However, many investors appear hopeful that the 1Q14 supply chain tightness will continue even after the weather thaws. We are more skeptical, however, as we believe that the underlying rate of economic growth has not meaningfully accelerated and may, in fact, be slowed somewhat by the sluggish creation of full-time jobs, the unwinding of QE 3, the expiration of bonus depreciation, rising state and local taxes, and increased health care costs (as a result of the Affordable Care Act). As such we will patiently await either a more definitive positive inflection in the rate of economic growth or a market correction in order to identify more attractive entry points/valuations for truckload stocks that will clearly benefit, over the long term, from tightening supply and demand across the industry and the ability to collaborate with enlightened customers (such as Armada)—thereby driving higher levels of driver satisfaction, lower rates of driver turnover, enhanced equipment utilization, and improved levels of profitability. *Price is as of the close, 3/14/14.*

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Truckload capacity is definitely tightening relative to demand over the medium-to long-term. The onslaught of federally mandated rules and regulations, combined with a severe driver shortage brought on by ever more stringent hiring criteria and performance requirements, continues to slowly but surely tighten up the truckload industry supply/demand dynamic. Collaboration between carriers and shippers can help to ensure that shippers have access to sufficient capacity at reasonable prices and that carriers are working with a customer who is mindful and respectful of the carrier's need for asset utilization, drivers to be treated with respect, and profitability sufficient to warrant reinvestment in rolling stock.

Truckload capacity has been especially tight of late due to harsher than normal winter weather. In the interest of safety, some carriers have been shutting equipment down during storms while other carriers have chosen not to dispatch trucks into regions where heavy snow and/or ice is predicted. Supply and demand should loosen as the weather improves and the snow melts; however, the general longer-term trend of tightening capacity will continue to play out as the economy continues to slowly but steadily grow and as regulations and a tight driver supply combine to put a damper on carriers' ability to maintain much less add capacity.

Collaboration requires two or more willing parties. If carriers aren't willing to change and/or if shippers cling to outdated historical practices, collaboration will almost always be ineffective. A continuous dialogue focused around continuous improvement in service, efficiency, and cost profile will usually result in operational changes which are mutually beneficial to carriers and shippers.

There are many examples of collaboratively derived efficiency ideas that have been implemented to save shippers millions of dollars in expenses while actually enhancing carriers' margins. These initiatives can include shifts towards lighter weight equipment, drop and hook style operations, evening and weekend pick-up and delivery hours, improved load planning to better utilize the equipment's cubic and payload capacity, load smoothing over the course of the week, holiday/bad weather planning, reducing carrier dwell times, speeding up loading and unloading operations, quasi-dedicated scheduled shipping for base load volumes, etc.

Investment conclusions: All truckload carriers in our coverage universe should benefit from the expansion of collaborative practices between carriers and shippers, between shippers and shippers, and, perhaps ultimately, between carriers. Unfortunately, all of the truckload carriers in our coverage universe, with the exception of Buy-rated Universal Truckload Services (UACL; \$28.57), are rated Hold. It appears that investors have generally looked past the weather-related woes that have caused analysts, including those of us at Stifel, to cut 1Q14 EPS estimates. However, many investors appear hopeful that the 1Q14 supply chain tightness will continue even after the weather thaws. We are more skeptical, however, as we believe that the underlying rate of economic growth has not meaningfully accelerated and may, in fact, be slowed somewhat by the sluggish creation of full-time jobs, the unwinding of QE 3, the expiration of bonus depreciation, rising state and local taxes, and increased health care costs (as a result of the Affordable Care Act). As such we will patiently await either a more definitive positive inflection in the rate of economic growth or a market correction in order to identify more attractive entry points/valuations for truckload stocks that will clearly benefit, over the long term, from tightening supply and demand across the industry and the ability to collaborate with enlightened customers (such as Armada)—thereby driving higher levels of driver satisfaction, lower rates of driver turnover, enhanced equipment utilization, and improved levels of profitability.

Stifel 12-Month Target Price/Fair Value Estimate Matrix

Company	Ticker	Rating	Closing Price 3/14/2014	Earnings Per Share		12-Mo. Target Price / Fair Value		
				CY 14E	CY 15E	P/E Multiple	Estimate	Potential Upside %
Student Transportation Inc. ⁽⁵⁾	STB	Buy	\$ 6.23	\$ 0.02	\$ 0.08	NM	\$ 7.00	21.3%
UTi Worldwide ⁽³⁾	UTIW	Buy	\$ 11.55	\$ 0.25	\$ 0.69	20.0x	\$ 14	21.2%
Roadrunner Transportation Svcs.	RRTS	Buy	\$ 24.71	\$ 1.45	\$ 1.66	17.5x	\$ 29	17.4%
Trinity Industries	TRN	Buy	\$ 71.99	\$ 6.70	\$ 6.00	13.5x	\$ 81	12.5%
Universal Truckload Svcs	UACL	Buy	\$ 28.57	\$ 1.74	\$ 2.00	16.0x	\$ 32	12.0%
L.B. Foster Company ⁽⁹⁾	FSTR	Buy	\$ 46.46	\$ 3.00	\$ 3.40	13.0x	\$ 51	9.8%
XPO Logistics, Inc. ⁽⁴⁾	XPO	Buy	\$ 31.21	\$ (0.57)	\$ 0.15	20.0x	\$ 34	8.9%
Ryder System	R	Buy	\$ 77.23	\$ 5.40	\$ 6.00	14.0x	\$ 84	8.8%
Wabash National Corp.	WNC	Buy	\$ 13.55	\$ 0.85	\$ 1.05	13.0x	\$ 14	3.3%
Deutsche Post DHL	DPW-DE	Hold	€ 25.22	€ 1.70	€ 1.90	13.5x	€ 26	3.1%
FedEx Corp. ⁽²⁾	FDX	Hold	\$ 136.76	\$ 8.11	\$ 9.97	14.0x	\$ 140	2.4%
CSX Corp.	CSX	Hold	\$ 28.38	\$ 1.84	\$ 2.15	13.5x	\$ 29	2.2%
Con-way Inc.	CNW	Hold	\$ 39.46	\$ 2.06	\$ 2.86	14.0x	\$ 40	1.4%
Norfolk Southern Corp.	NSC	Hold	\$ 94.53	\$ 6.24	\$ 7.05	13.5x	\$ 95	0.5%
Canadian Pacific Railway ⁽⁸⁾	CP	Hold	\$ 153.24	\$ 8.00	\$ 9.38	14.5x	\$ 154	0.2%
Pacer International, Inc. ⁽¹⁰⁾	PACR	Hold	\$ 8.99	\$ 0.40	\$ 0.50	NA	\$ 9	0.1%
Expeditors International	EXPD	Hold	\$ 38.98	\$ 1.84	\$ 1.97	20.0x	\$ 39	0.1%
C.H. Robinson Worldwide	CHRW	Hold	\$ 51.14	\$ 2.75	\$ 3.05	16.5x	\$ 50	-2.2%
Hub Group, Inc.	HUBG	Hold	\$ 40.78	\$ 2.07	\$ 2.35	16.5x	\$ 39	-4.4%
Marten Transport	MRTN	Hold	\$ 20.30	\$ 1.01	\$ 1.17	16.0x	\$ 19	-6.4%
Genesee & Wyoming, Inc.	GWR	Hold	\$ 96.66	\$ 4.48	\$ 5.15	17.5x	\$ 90	-6.9%
Canadian National Railway	CNI	Hold	\$ 55.88	\$ 3.24	\$ 3.62	14.5x	\$ 52	-6.9%
Freightcar America ⁽⁷⁾	RAIL	Hold	\$ 23.80	\$ 0.65	\$ 1.20	12.0x	\$ 22	-7.6%
Kirby Corp.	KEX	Hold	\$ 101.72	\$ 4.85	\$ 5.50	17.0x	\$ 94	-7.6%
Quality Distribution	QLTY	Hold	\$ 13.18	\$ 0.75	\$ 0.90	13.5x	\$ 12	-9.0%
Heartland Express	HTLD	Hold	\$ 21.97	\$ 0.84	\$ 1.11	18.0x	\$ 20	-9.0%
J.B. Hunt Transport Svcs.	JBHT	Hold	\$ 71.45	\$ 3.16	\$ 3.60	18.0x	\$ 65	-9.0%
United Parcel Service	UPS	Hold	\$ 96.27	\$ 5.20	\$ 5.80	15.0x	\$ 87	-9.6%
Union Pacific Corp.	UNP	Hold	\$ 185.14	\$ 10.60	\$ 11.90	14.0x	\$ 167	-9.8%
Arkansas Best Corp.	ABFS	Hold	\$ 35.54	\$ 2.25	\$ 2.65	12.0x	\$ 32	-10.0%
Kuehne+Nagel International AG	KNIN-CH	Hold	CHF 119.10	CHF 5.54	CHF 5.97	18.0x	CHF 107	-10.2%
Swift Transportation	SWFT	Hold	\$ 25.62	\$ 1.36	\$ 1.55	15.0x	\$ 23	-10.2%
Old Dominion Freight Line	ODFL	Hold	\$ 56.61	\$ 2.80	\$ 3.15	16.0x	\$ 50	-11.7%
Greenbrier ⁽⁶⁾	GBX	Hold	\$ 46.22	\$ 2.68	\$ 3.10	13.0x	\$ 40	-13.5%
Werner Enterprises	WERN	Hold	\$ 25.48	\$ 1.28	\$ 1.45	15.5x	\$ 22	-13.7%
GATX Corporation	GMT	Hold	\$ 64.87	\$ 3.95	\$ 4.30	13.0x	\$ 56	-13.7%
Panalpina World Transport Holding	PWTN-CH	Hold	CHF 138.00	CHF 4.20	CHF 5.65	21.0x	CHF 119	-13.8%
Landstar System	LSTR	Hold	\$ 60.56	\$ 2.75	\$ 3.04	17.0x	\$ 52	-14.1%
Forward Air Corp.	FWRD	Hold	\$ 44.38	\$ 2.20	\$ 2.50	15.0x	\$ 38	-14.4%
Wabtec Corporation	WAB	Hold	\$ 79.51	\$ 3.45	\$ 4.00	17.0x	\$ 68	-14.5%
Saia, Inc.	SAIA	Hold	\$ 39.24	\$ 2.00	\$ 2.45	13.5x	\$ 33	-15.9%
Celadon Group ⁽¹⁾	CGI	Hold	\$ 24.05	\$ 1.13	\$ 1.36	15.0x	\$ 20	-16.8%
Echo Global Logistics	ECHO	Hold	\$ 17.10	\$ 0.68	\$ 0.80	17.0x	\$ 14	-18.1%
Kansas City Southern	KSU	Sell	\$ 96.60	\$ 4.60	\$ 5.30	14.5x	\$ 77	-20.3%
Knight Transportation	KNX	Hold	\$ 22.61	\$ 0.96	\$ 1.08	16.5x	\$ 18	-20.4%
American Railcar Industries	ARII	Hold	\$ 71.60	\$ 4.70	\$ 4.30	12.0x	\$ 52	-27.4%
Vitran Corp.	VTNC	Hold	\$ 6.44	\$ (0.96)	\$ (0.11)	7.5x	NM	NA
YRC Worldwide	YRCW	Hold	\$ 22.77	NE	NE	NA	NA	NA

(1) CGI is on June 30 fiscal year

(2) FedEx is on May 31 fiscal year

(3) UTIW is on a January 31 fiscal year; target price based on CY2015 EPS estimates

(4) XPO Logistics 12-month target price of \$34 is derived by discounting our 2017 estimated share price of \$49 (i.e. 22.0x our 2017 EPS estimate of \$2.23) back two years at an annual discount rate of 20%.

(5) Student Transportation Inc. target price is derived from the average of a DDM, DCF of FCFE, and EV/EBITDA multiple applied to CY2015 EBITDA. Additionally, the upside potential includes the annual dividend yield in USD assuming CAD and USD trade at parity.

(6) Greenbrier (GBX) is on an August 31 fiscal year; target price based on FY2015 EPS estimates

(7) Freightcar America (RAIL) fair value estimate is \$18.00 or 9.0x \$0.90 plus ~\$10.00 cash per share

(8) CP 24-month fair value estimate is derived from our 2016 estimated EPS of \$10.63 per share multiplied by target P/E multiple of 14.5x; per annum upside potential illustrated above.

(9) L.B. Foster (FSTR) fair value estimate is \$52.00 or 12.0x \$3.60 plus ~\$9.00 cash per share

(10) Pacer International (PACR) fair value estimate set to \$9.00, the offer price by XPO Logistics.

Source: FactSet Research Systems, Stifel estimates

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Equity Comps - Transportation

Comparative Valuation Matrix

(figures in \$US millions, except per share amounts)

Company name (Ticker)	Rating	Closing Price 3/14/2014	Diluted S/O	Market cap.	Total Debt	Cash & equiv.	TEV ^(a)	Equity value as a multiple of Earnings per Share			Enterprise value as a multiple of					TTM ROA	TTM ROE	TTM ROIC	PEG ratio ^(d)	Div. Yield	2014E FCF Yld	
								2013A ^(b)	2014E ^(b)	2015E ^(b)	Book value	TTM Revenue	2014E EBITDA	TTM EBITDA	TTM EBITDAR ^(c)							TTM EBIT
Truckload																						
Celadon Group (CGI)	Hold	24.05	24.5	588.7	355.1	15.2	928.7	24.3x	21.3x	17.7x	2.5x	1.4x	7.2x	8.5x	7.6x	22.4x	3.6%	10.3%	5.0%	1.4	0.3%	5.7%
Covenant Transport (CVTI)	NC	11.19	14.9	166.3	226.2	10.5	382.0	NM	24.3x	17.0x	1.7x	0.6x	NE	6.0x	5.2x	18.7x	1.2%	5.4%	3.2%	NM	0.0%	NE
Heartland Express (HTLD)	Hold	21.97	84.9	1,866.2	75.0	17.8	1,923.4	25.8x	26.2x	19.8x	4.7x	3.3x	8.1x	10.6x	10.2x	17.1x	11.8%	20.5%	18.5%	3.7	0.4%	6.8%
J.B. Hunt Transport Svcs. (JBHT)	Hold	71.45	118.0	8,433.4	708.4	5.8	9,136.0	24.9x	22.6x	19.8x	8.3x	1.6x	9.8x	11.0x	10.9x	15.8x	13.0%	38.0%	22.3%	1.5	0.8%	-0.2%
Knight Transportation (KNX)	Hold	22.61	81.1	1,833.4	38.0	1.0	1,889.8	26.6x	23.6x	20.9x	3.3x	1.9x	8.6x	9.4x	9.5x	16.6x	8.7%	13.3%	12.0%	1.7	1.1%	2.1%
Landstar System (LSTR)	Hold	60.56	46.1	2,792.1	129.3	180.3	2,741.1	25.7x	22.0x	19.9x	6.1x	1.0x	12.0x	13.4x	13.4x	15.5x	11.8%	26.1%	20.0%	1.5	0.0%	3.4%
Marten Transport (MRTN)	Hold	20.30	33.6	682.2	0.0	13.7	670.4	22.6x	20.1x	17.4x	1.9x	1.0x	5.5x	5.8x	5.7x	12.9x	5.9%	8.7%	8.7%	1.4	0.5%	4.8%
P.A.M. Transportation Svcs. (PTSI)	NC	22.23	8.7	194.3	107.0	0.3	301.0	29.6x	23.6x	17.6x	1.5x	0.7x	NE	6.2x	6.1x	NM	1.6%	3.9%	3.3%	NM	0.0%	NE
Quality Distribution (QTY)	Hold	13.18	28.2	371.9	383.3	2.0	753.3	19.7x	17.6x	14.6x	NM	0.8x	9.0x	13.8x	NM	26.5x	3.8%	NM	8.6%	1.8	0.0%	6.9%
Swift Transportation (SWFT)	Hold	25.62	144.1	3,691.6	1,603.2	59.2	5,235.6	21.7x	18.8x	16.5x	13.0x	1.4x	7.9x	9.1x	8.2x	14.5x	6.1%	NM	12.4%	1.1	0.0%	6.4%
Universal Truckload Svcs. (UACL)	Buy	28.57	30.1	861.1	237.5	21.8	1,076.7	16.9x	16.4x	14.3x	8.2x	1.0x	9.1x	10.3x	8.9x	12.6x	12.5%	62.6%	19.6%	0.8	1.0%	4.7%
USA Truck (USAK)	NC	14.78	10.6	156.5	142.4	0.0	298.9	NM	NM	NM	1.5x	0.5x	NE	8.1x	7.8x	NM	-2.3%	-7.1%	-2.0%	NM	0.0%	NE
Werner Enterprises (WERN)	Hold	25.48	72.7	1,853.4	40.0	23.7	1,869.8	21.6x	19.9x	17.6x	2.4x	0.9x	5.6x	6.0x	13.4x	6.5%	11.7%	10.9%	1.7	0.8%	6.4%	
Min				156.5	0.0	0.0	298.9	16.9x	16.4x	14.3x	1.5x	0.5x	5.5x	5.8x	5.2x	12.6x	-2.3%	-7.1%	-2.0%	0.8	0.0%	-0.2%
Mean				1,807.0	311.2	27.0	2,092.8	23.6x	21.4x	17.8x	4.6x	1.3x	8.3x	9.1x	8.3x	16.9x	6.5%	17.6%	11.0%	1.7	0.4%	4.7%
Mean (Asset-based TL only)				1,946.6	329.5	14.7	2,263.6	24.6x	22.3x	18.3x	4.1x	1.3x	7.5x	8.1x	7.7x	16.4x	5.6%	11.6%	9.4%	1.8	0.4%	4.6%
Median				861.1	142.4	13.7	1,076.7	24.3x	21.7x	17.6x	2.9x	1.0x	8.3x	9.1x	8.0x	15.8x	6.1%	11.7%	10.9%	1.5	0.3%	5.3%
Max				8,433.4	1,603.2	180.3	9,136.0	29.6x	26.2x	20.9x	13.0x	3.3x	12.0x	13.8x	13.4x	26.5x	13.0%	62.6%	22.3%	3.7	1.1%	6.9%
Non-Asset-Based Forwarding / Logistics																						
C.H. Robinson Worldwide (CHRW)	Hold	51.14	151.6	7,754.6	875.0	162.0	8,467.6	19.2x	18.6x	16.8x	8.3x	4.6x	11.3x	11.4x	11.0x	12.3x	14.9%	34.3%	23.5%	1.5	2.7%	2.5%
DSV A/S (DSV-DK)	NC	DKK 167.40	176.0	5,497.2	1,237.5	112.2	6,622.5	NE	NE	NE	5.2x	3.5x	NE	NM	NM	14.4x	7.1%	29.4%	14.8%	NM	0.6%	NM
Echo Global Logistics (ECHO)	Hold	17.10	24.1	411.4	0.0	53.3	358.0	28.0x	25.1x	21.4x	2.6x	2.3x	9.6x	10.6x	10.0x	15.4x	6.2%	10.0%	10.0%	0.9	0.0%	3.0%
Expeditors International (EXPD)	Hold	38.98	205.6	8,013.5	0.0	1,247.7	6,765.9	23.2x	21.2x	19.8x	3.8x	3.6x	10.4x	11.3x	10.7x	12.3x	11.7%	16.9%	16.6%	2.1	1.5%	5.7%
Forward Air Corp. (FWRD)	Hold	44.38	31.8	1,411.5	0.1	98.6	1,313.1	24.4x	20.2x	17.8x	3.4x	2.1x	9.3x	12.2x	10.3x	15.4x	12.5%	14.5%	14.6%	1.9	0.9%	4.4%
Hub Group (HUBG)	Hold	40.78	37.7	1,535.7	8.2	69.0	1,474.9	21.2x	19.7x	17.4x	2.7x	4.0x	11.2x	12.0x	10.4x	12.6x	7.2%	13.3%	NM	1.5	0.0%	-1.7%
Kuehne + Nagel International AG (KNIN-CH)	Hold	CHF 119.10	120.1	16,395.2	52.9	1,109.7	15,587.3	24.4x	21.5x	19.9x	6.1x	2.2x	14.8x	17.5x	11.5x	18.4x	9.4%	25.0%	NM	1.4	2.9%	5.0%
Landstar System (LSTR)	Hold	60.56	46.1	2,792.1	129.3	180.3	2,741.1	25.7x	22.0x	19.9x	6.1x	1.0x	12.0x	13.4x	13.4x	15.5x	11.8%	26.1%	20.0%	1.5	0.0%	3.4%
Pacer International (PACR)	Hold	8.99	36.1	324.5	0.0	39.7	284.8	31.0x	22.5x	18.0x	2.5x	1.2x	9.1x	11.6x	5.0x	17.7x	3.9%	7.5%	8.1%	1.5	0.0%	3.1%
Panalpina Weltransport Holding (PWTN-CH)	Hold	CHF 138.00	23.7	3,744.5	3.6	371.7	3,384.0	NM	32.9x	24.4x	4.8x	1.9x	18.3x	23.8x	11.7x	27.7x	3.8%	10.2%	11.5%	2.2	1.4%	5.2%
Roadrunner Transportation Svcs. (RRTS)	Buy	24.71	38.5	950.7	192.6	5.4	1,137.9	19.2x	17.0x	14.9x	1.9x	0.8x	10.0x	11.2x	10.4x	13.3x	6.3%	11.0%	8.7%	1.1	0.0%	4.8%
Universal Truckload Svcs. (UACL)	Buy	28.57	30.1	861.1	237.5	21.8	1,076.7	16.9x	16.4x	14.3x	8.2x	1.0x	9.1x	10.3x	8.9x	12.6x	12.5%	62.6%	19.6%	0.8	1.0%	4.7%
UTi Worldwide (UTW)	Buy	11.55	104.8	1,209.9	460.6	171.2	1,499.2	NM	NM	16.7x	1.5x	1.0x	9.1x	15.2x	8.5x	NM	-0.2%	-0.5%	0.5%	NM	0.5%	0.1%
XPO Logistics, Inc. (XPO)	Buy	31.21	58.1	1,814.1	183.7	23.7	1,974.1	NM	NM	NM	4.0x	16.0x	NM	NM	NM	NM	-9.7%	-16.6%	NM	NM	0.0%	NM
Min				324.5	0.0	5.4	284.8	16.9x	16.4x	14.3x	1.5x	0.8x	9.1x	10.3x	5.0x	12.3x	-9.7%	-16.6%	0.5%	0.8	0.0%	-1.7%
Mean				3,765.4	241.5	261.9	3,763.4	23.3x	21.6x	18.4x	4.4x	3.2x	11.2x	13.4x	10.1x	15.6x	7.0%	17.4%	13.4%	1.5	0.8%	3.4%
Median				1,674.9	91.1	105.4	1,736.7	23.8x	21.2x	17.9x	3.9x	2.1x	10.2x	11.8x	10.4x	14.9x	7.1%	13.9%	14.6%	1.5	0.6%	3.9%
Max				16,395.2	1,237.5	1,247.7	15,587.3	31.0x	32.9x	24.4x	8.3x	16.0x	18.3x	23.8x	13.4x	27.7x	14.9%	62.6%	23.5%	2.2	2.9%	5.7%
Stifel Transportation Average				9,406.1	1,626.7	470.0	10,604.0	22.0x	19.7x	16.9x	3.6x	2.2x	9.3x	10.3x	8.5x	15.5x	5.2%	15.2%	10.4%	1.5	0.9%	3.3%

(a) Total Enterprise Value = Market Capitalization of Equity + Total Debt - Cash + Market Value of Minority Interest

(b) Stifel estimates for those rated and First Call mean estimates for unrated securities

(c) Enterprise value adjusted to include the capitalization of off balance sheet operating leases with lease expense (or rent expense) being added back to EBITDA for the valuation multiple calculation

(d) 2014E P/E divided by First Call mean or Stifel estimated long-term growth rate

Excludes non-recurring items

Calculations may vary due to rounding

Source: Company data, First Call, and Stifel estimates



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Universal Truckload Services Income Statement

(figures in \$ millions, except per share amounts)

											2012				2013				2014							
	2003A	2004A	2005A	2006A	2007A	2008A	2009A	2010A	2011A		1Q	2Q	3Q	4Q	2012A	1Q	2Q	3Q	4Q	2013A	1Q	2Q	3Q	4Q	2014E	2015E
REVENUE																										
Truckload	205.8	249.1	332.2	375.2	402.1	438.2	313.6	370.1	423.2	104.1	110.0	108.2	180.2	502.5	166.9	179.4	180.8	179.8	707.0	166.9	184.8	188.1	188.8	728.6	764.0	
% change y/y	NA	21.0%	33.3%	12.9%	7.2%	9.0%	-28.4%	18.0%	14.3%	7.0%	-0.7%	-2.4%	73.0%	18.7%	10.9%	15.0%	18.8%	-0.2%	40.7%	0.0%	3.0%	4.0%	5.0%	3.1%	4.9%	
Brokerage	43.0	77.7	147.1	170.6	171.8	208.3	112.9	148.0	173.8	46.4	46.0	44.0	NA	136.5	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
% change y/y	NA	80.8%	89.3%	15.9%	0.7%	21.2%	-45.8%	31.0%	17.5%	26.0%	9.2%	-9.3%	NA	-21.5%	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	
Value-Added	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	44.0	44.0	47.8	51.2	47.9	48.2	195.1	74.0	76.8	71.9	72.3	295.0	309.8	
% change y/y	NA	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	55.0%	50.0%	50.0%	50.0%	51.2%	5.0%
Intermodal	28.9	35.2	52.0	95.9	106.5	113.0	76.7	87.9	102.8	25.3	29.0	31.0	35.0	120.4	33.4	33.6	32.9	31.6	131.4	32.7	34.6	34.2	33.1	134.6	141.0	
% change y/y	NA	21.8%	47.9%	84.2%	11.1%	6.2%	-32.1%	14.5%	16.9%	7.8%	7.6%	10.6%	44.5%	17.1%	31.8%	15.5%	6.0%	-9.7%	9.2%	-2.0%	3.0%	4.0%	5.0%	2.5%	4.7%	
Total operating revenue	277.7	362.0	531.3	641.6	680.4	759.5	503.2	605.9	699.8	175.8	185.1	183.3	259.1	803.4	248.1	264.2	261.7	259.5	1,033.5	273.7	296.2	294.2	294.2	1,158.3	1,214.8	
% change y/y	9.8%	30.4%	46.8%	20.8%	6.0%	11.6%	-33.7%	20.4%	15.5%	11.6%	2.8%	-2.3%	48.4%	14.8%	41.1%	42.8%	42.7%	0.2%	28.6%	10.3%	12.1%	12.4%	13.4%	12.1%	4.9%	
OPERATING EXPENSES																										
Purchased transportation	205.9	269.7	406.4	491.8	520.1	593.0	378.0	461.0	538.3	135.1	141.8	140.0	146.6	563.5	134.5	141.6	143.4	140.4	560.0	150.5	159.6	159.9	160.7	630.6	658.0	
Direct personnel and related benefits	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	39.1	39.1	43.3	45.7	43.9	45.5	178.4	47.5	49.9	47.5	50.1	195.0	203.0	
Commissions to agents	22.2	27.4	34.7	40.4	45.1	47.3	34.0	38.8	41.9	10.1	10.6	10.5	10.6	41.7	9.3	9.8	10.1	10.0	39.2	10.8	12.2	12.3	11.4	46.7	48.7	
Other operating costs	3.1	5.3	6.6	8.6	9.4	9.5	10.3	13.3	14.2	4.0	4.2	3.9	10.0	22.1	19.2	19.7	18.9	20.7	78.5	21.1	22.2	21.7	21.9	87.0	90.1	
Occupancy expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.5	4.5	5.0	5.3	4.7	5.1	20.0	5.4	5.4	5.1	5.7	21.6	22.8	
Insurance and claims	7.0	9.6	14.3	15.8	20.5	21.4	17.3	17.2	17.0	4.1	3.9	4.2	4.7	17.0	4.7	4.7	5.5	4.3	19.2	6.4	6.2	6.2	5.4	24.2	25.3	
Selling, general, and administrative	22.6	27.6	37.4	46.1	48.4	52.0	44.2	49.3	52.4	14.2	14.1	13.9	16.8	59.0	7.8	8.7	7.9	8.6	33.0	8.7	8.7	8.9	8.9	35.2	36.7	
Depreciation and amortization	2.9	3.9	4.3	5.7	8.2	9.6	10.4	11.0	11.6	3.0	3.0	3.0	4.9	17.4	5.1	5.0	4.7	4.9	19.7	6.4	6.8	6.7	6.8	26.7	27.8	
Total operating expenses	263.6	343.5	503.7	608.5	651.6	732.9	494.2	590.6	675.4	170.5	177.5	175.5	237.2	760.7	228.9	240.5	239.2	239.7	948.3	256.7	271.0	268.3	271.0	1,067.0	1,112.3	
Operating ratio (as % of operating revenue)	94.9%	94.9%	94.8%	94.8%	95.8%	96.5%	98.2%	97.5%	96.5%	96.9%	95.9%	95.7%	91.5%	94.7%	92.2%	91.1%	91.4%	92.3%	91.8%	93.8%	91.5%	91.2%	92.1%	92.1%	91.6%	
EBIT	14.1	18.6	27.7	33.1	28.7	26.6	9.0	15.4	24.4	5.4	7.5	7.8	22.0	42.7	19.3	23.6	22.5	19.9	85.2	17.0	25.2	25.9	23.2	91.3	102.5	
% margin	5.1%	5.1%	5.2%	5.2%	4.2%	3.5%	1.8%	2.5%	3.5%	3.1%	4.1%	4.3%	8.5%	5.3%	7.8%	8.9%	8.6%	7.7%	8.2%	6.2%	8.5%	8.8%	7.9%	7.9%	8.4%	
EBITDA	16.9	22.5	32.0	38.8	36.9	36.3	19.4	26.4	36.0	8.3	10.5	10.8	26.8	56.5	24.3	28.6	27.2	24.8	104.9	23.4	31.9	32.6	30.0	117.9	130.3	
% margin	6.1%	6.2%	6.0%	6.1%	5.4%	4.8%	3.8%	4.4%	5.1%	4.7%	5.7%	5.9%	10.4%	7.0%	9.8%	10.8%	10.4%	9.6%	10.2%	8.5%	10.8%	11.1%	10.2%	10.2%	10.7%	
Interest income (expense), net	(0.2)	(0.8)	0.4	1.0	0.9	0.0	(0.3)	0.1	0.1	0.0	0.0	0.0	(1.7)	(1.7)	(1.1)	(0.9)	(1.1)	(0.9)	(4.0)	(1.9)	(1.9)	(1.8)	(1.7)	(7.3)	(5.9)	
Other income (expense), net	0.0	0.0	0.0	0.0	0.0	1.3	0.5	0.6	1.0	0.2	0.2	0.2	0.4	1.0	0.1	0.1	0.1	0.1	0.5	0.1	0.1	0.1	0.1	0.6	0.6	
Profit before tax	13.8	17.8	28.1	34.1	29.7	27.9	9.3	16.1	25.4	5.6	7.7	8.0	20.7	42.0	18.3	22.8	21.5	19.0	81.6	15.2	23.4	24.2	21.7	84.5	97.1	
% margin	5.0%	4.9%	5.3%	5.3%	4.4%	3.7%	1.8%	2.7%	3.6%	3.2%	4.2%	4.4%	8.0%	5.2%	7.4%	8.6%	8.2%	7.3%	7.9%	5.5%	7.9%	8.2%	7.4%	7.3%	8.0%	
Tax rate	36.9%	37.4%	38.9%	38.4%	38.4%	38.4%	38.7%	40.6%	39.8%	39.8%	38.9%	38.6%	38.0%	38.5%	37.8%	38.0%	36.1%	38.2%	37.5%	38.0%	38.0%	38.0%	38.0%	38.0%	38.0%	38.0%
Net income (loss) from continuing operations	8.7	11.1	17.2	21.0	18.3	17.2	5.7	9.6	15.3	3.4	4.7	4.9	12.9	25.8	11.4	14.2	13.7	11.8	51.0	9.4	14.5	15.0	13.4	52.4	60.2	
Extraordinary item (net of tax)	0.0	0.0	0.0	0.0	(0.4)	(2.3)	(0.8)	3.2	0.5	0.2	0.3	0.6	(10.4)	(9.3)	0.0	0.0	0.0	(0.5)	(0.5)	0.0	0.0	0.0	0.0	0.0	0.0	
Net income	8.7	11.1	17.2	21.0	17.8	14.9	4.9	12.7	15.8	3.6	5.0	5.5	2.5	16.6	11.4	14.2	13.7	11.3	50.6	9.4	14.5	15.0	13.4	52.4	60.2	
% margin	3.1%	3.1%	3.2%	3.3%	2.6%	2.0%	1.0%	2.1%	2.3%	2.0%	2.7%	3.0%	0.9%	2.1%	4.6%	5.4%	5.3%	4.4%	4.9%	3.4%	4.9%	5.1%	4.6%	4.5%	5.0%	
Average shares outstanding - diluted ⁽¹⁾	10.0	10.0	15.4	16.2	16.1	16.1	16.0	15.9	15.6	15.5	15.5	15.5	30.0	19.1	30.2	30.2	30.1	30.0	30.1	30.1	30.1	30.1	30.1	30.1	30.1	
EPS - diluted (continuing operations)	\$0.87	\$1.11	\$1.12	\$1.30	\$1.13	\$1.07	\$0.36	\$0.60	\$0.98	\$0.22	\$0.30	\$0.32	\$0.43	\$1.35	\$0.38	\$0.47	\$0.46	\$0.39	\$1.69	\$0.31	\$0.48	\$0.50	\$0.45	\$1.74	\$2.00	
% change y/y	22.5%	27.6%	0.9%	16.1%	-13.1%	-5.3%	-66.4%	66.7%	63.3%	46.7%	20.0%	-8.6%	87.0%	37.8%	72.7%	56.7%	43.8%	-9.3%	25.2%	-18.4%	2.1%	8.7%	15.4%	3.0%	14.9%	
EPS - diluted	\$0.87	\$1.11	\$1.12	\$1.30	\$1.11	\$0.93	\$0.31	\$0.80	\$1.01	\$0.23	\$0.32	\$0.36	\$0.08	\$0.87	\$0.38	\$0.47	\$0.46	\$0.38	\$1.68	\$0.31	\$0.48	\$0.50	\$0.45	\$1.74	\$2.00	
% change y/y	22.5%	27.6%	0.9%	16.1%	-14.6%	-16.2%	-66.7%	158.1%	26.3%	21.1%	28.0%	2.9%	-65.2%	-13.9%	65.2%	46.9%	27.8%	375.0%	93.1%	-18.4%	2.1%	8.7%	18.4%	3.6%	14.9%	

(1) Pro forma consolidated revenue totals by segment as if AFA Enterprises and CrossRoad Carriers were acquired and consolidated January 1, 2003. In fact, AFA was acquired August 8, 2004, and CrossRoad was acquired November 1, 2004.

(2) Share count increases to account for initial public offering of 6.1 million shares effective February 10, 2005.

(3) 2Q07 excludes \$0.7mm pretax (or \$0.03 per diluted share) charge for the settlement of several prior period accident claims

(4) 2Q08 excludes \$2.2mm pretax (or \$0.08 per diluted share) non-cash charge for the write-down of marketable securities due largely to significant fall in the market value of the company's stock portfolio, which included financial stocks, although none were sold in the quarter

(5) 3Q08 excludes \$0.48mm pretax (or \$0.02 per diluted share) non-cash charge for the write-down of marketable securities

(6) 4Q08 excludes \$0.96mm pretax (or \$0.04 per diluted share) non-cash charge for the write-down of marketable securities due largely to significant fall in the market value of the company's stock portfolio

(7) 1Q09 excludes \$0.80mm pretax (or \$0.03 per diluted share) other-than-temporary impairments of marketable equity securities classified as available for sale

(8) 2Q09 excludes \$0.32mm pretax (or \$0.01 per diluted share) other-than-temporary impairments of marketable equity securities classified as available for sale

(9) 3Q09 excludes \$0.16mm pretax (or \$0.00 per diluted share) other-than-temporary impairments of marketable equity securities classified as available for sale

(10) 1Q10 excludes \$1.8mm pretax (or \$0.07 per diluted share) gain on sales of marketable equity securities

(11) 2Q10 excludes \$3.6mm pretax (or \$0.13 per diluted share) gain on sales of marketable equity securities

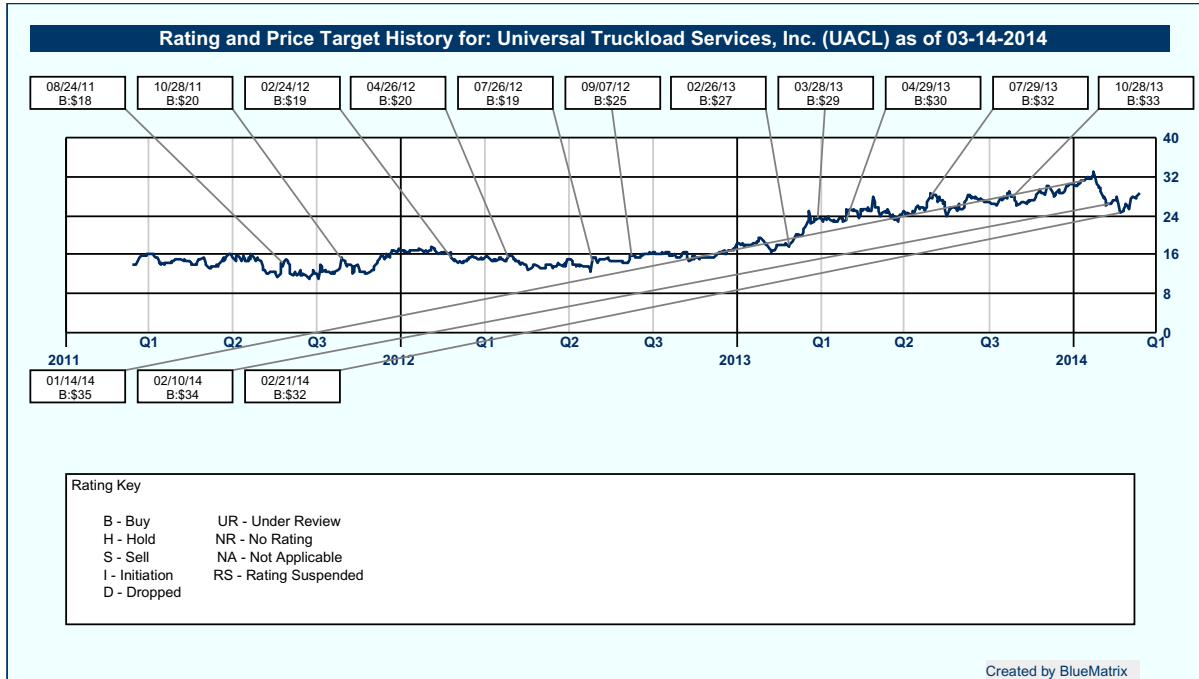
(12) 2Q12 excludes \$0.3mm (or \$0.02 per diluted share) of after-tax gains on the sales of marketable securities classified as available for sale

(13) LINC acquisition include above as of the acquisition close date of October 1, 2012 whereas the company's full year financials show pooled results under common ownership. See Pro Forma UACL & LINC tab for combined results

Source: Company data and Stifel estimates

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For a price chart with our ratings and target price changes for UACL go to <http://sf.bluematrix.com/bluematrix/Disclosure?ticker=UACL>

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BUY -For U.S. securities we expect the stock to outperform the S&P 500 by more than 10% over the next 12 months. For Canadian securities we expect the stock to outperform the S&P/TSX Composite Index by more than 10% over the next 12 months. For other non-U.S. securities we expect the stock to outperform the MSCI World Index by more than 10% over the next 12 months. For yield-sensitive securities, we expect a total return in excess of 12% over the next 12 months for U.S. securities as compared to the S&P 500, for Canadian securities as compared to the S&P/TSX Composite Index, and for other non-U.S. securities as compared to the MSCI World Index.

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upside in the share price is limited.

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