



Industrial Research

August 6, 2014

Transportation & Logistics

Benjamin J. Hartford
bhartford@rwbaird.com
414.765.3752

Please refer to Appendix – Important Disclosures and Analyst Certification



A Trusted Equity Capital Markets Partner

BAIRD

Quality

- No. 1 "Most Trusted" Research¹
- No. 1 "Overall Sales Quality"¹
- Fortune's "100 Best Companies to work for" eleven years in a row, top-25 last five years



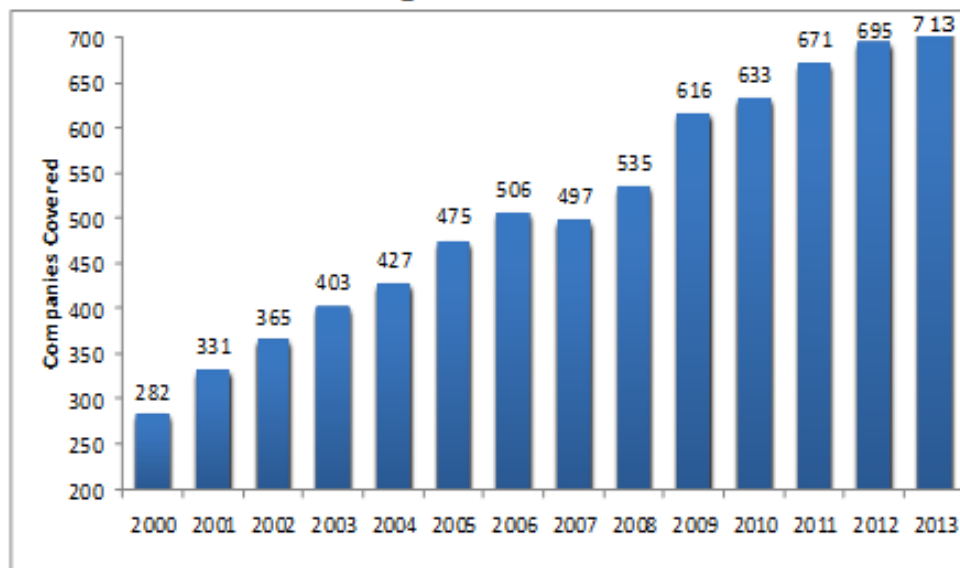
Commitment

- Coverage has grown 33% since the beginning of 2009, including 170+ new companies and the recent addition of our Portfolio Strategy research team
- Baird expanded coverage by more than 150% since 2000

Premiere Corporate Access

- More than 520 non-deal roadshows hosted in 2013
- More than 8,700 one-on-one meetings arranged with companies and institutional clients
- Industry recognized annual conferences:
Business Solutions (Feb.)
Growth Stock (May)
Health Care (Sep.)
Industrial (Nov.)

Coverage Growth 2000-2013



¹Greenwich Associates U.S. Equity Investors – Small/Mid-Cap Funds, May 2013. Surveys conducted with 88 U.S. small-cap and mid-cap fund managers.

Current Thoughts

As of July 7

Volume growth accelerated in 2Q after 1Q weather issues; underlying trends healthy but normalizing. Overall rail volume growth accelerated to over +5% yoy in 2Q, accelerating from a 1Q growth rate (+1.1% yoy) muted by severe winter weather. We believe underlying economic fundamentals are solid, but trends appear to be normalizing in recent weeks after the early 2Q catch-up.

Healthy volume trends should drive upside in LTL-related names and UPS; but rail and truckload upside could be muted by cost pressures. We expect 2Q14 EPS upside for transports with industrial end-market exposure (LTLs, LSTR/FWRD and UPS) given the recovery in industrial end-markets during the quarter—which we believe is reflected in investor sentiment. Greater-than-expected rail volume growth, however, likely muted by ongoing network velocity issues stemming from 1Q's weather; and building inflationary cost pressures (i.e., driver wages) could limit upside among truckload carriers.

Reaccelerating pricing growth a potential catalyst during 2H14. We believe the pricing negotiation leverage has shifted this cycle from shippers to carriers; and we believe that truckload carriers will likely seek (and receive) additional rate increases during 2H14 to offset incremental margin pressure from rising driver wages and justify incremental fleet growth. 3Q14 seasonal transport stock performance is historically weak, creating a near-term headwind; but reaccelerating pricing growth during 2H14 presents a potential catalyst for transports that own/control assets.

Positioning for 2014 remains unchanged. Stabilizing trends to end 2Q, YTD outperformance and normal seasonal freight weakness in July/August could limit transport stock performance near term, but we believe industry dynamics continue to favor models that own/control capacity this cycle. Overall rail volume growth has accelerated (to roughly +2.5% yoy YTD versus +0.2% yoy in 2013), which coupled with the building truckload capacity constraints has resulted in accelerating pricing growth that favors asset-based transports.

Remain buyers of **FDX** and **R**; look for pullbacks in truckload (**SWFT**) and rails (**CSX**) to add to positions to transports that own/control capacity.

FedEx (FDX)

- Accelerating Express EBIT margin improvement in F2015 a fundamental catalyst to the stock. F2015's EPS guide, in our view, reflects accelerating (and greater-than-expected) Express EBIT margin improvement in F2015 (+180 bps yoy, to 6.1%). As Figure 5 reflects, accelerating Express EBIT margin improvement is a critical catalyst for FDX and improves line of sight to consistently achieving a 10%+ overall EBIT margin—which management believes is a realistic “near-term” objective.
- Our \$170 price target reflects 15.5x our F2016 EPS estimate. Our valuation multiple is more consistent with a mid-cycle NTM P/E as opposed to a trough, given our view that consistently achieving 10%+ overall EBIT margins through a successful Express restructuring initiative should improve FDX's free cash flow and capital return profile—an achievement that would warrant a higher valuation multiple.

Ryder (R)

- Revenue growth in 2014 is accelerating as Ryder's secular positioning to transportation outsourcing appears to be building momentum.
- This cycle, we believe that incremental growth in the lease fleet can drive margins better than prior peak levels. With a hypothetical 14% FMS margin in 2016, Ryder's 2016 EPS power could exceed \$7.50, more than 50% above 2013 levels.

Sector-Specific Themes

Parcel

- The change in customer buying behavior – evidenced by 4Q13's B2C volume surge – is transformative and altering supply chain strategies. We believe the business-to-consumer (B2C) growth potential remains robust, and the Integrators are most favorably positioned to participate in the growth of B2C delivery this cycle
- Stabilizing AF volumes and firming underlying rates support the capacity providers, such as UPS and FDX

Railroads

- Attractive fundamentals: pricing, improving ROC, peak margin upside, reasonable valuations
- Near-term risks for rails: coal headwinds, regulation/litigation, slowing margin gains, decelerating pricing
- **CSX**: Leverage to improving demand environment, normalizing incremental margins; but coal trends remain a near-term headwind

Third-Party Logistics

- Intermodal: Channel checks have reflected a continued competitive rate environment. That said, improving pricing on the truckload side, which typically leads intermodal pricing, could allow for upside to our initial estimate for +0-1% pricing growth in 2014 (though still below TL's +2-3%)
- International: International freight demand trends remain muted, but stable in April and into May. Airfreight and ocean freight rates remain volatile into overcapacity in both modes, and actions taken by carriers (cutting capacity, carrier alliances, GRIs) will continue to pressure forwarder yields given underlying rate volatility into a competitive bid environment

Truckers: Truckload and Less-Than-Truckload

- TL: From peak March levels, spot demand trends have moderated in May and pricing growth has decelerated. However, underlying demand remains firm and core contractual pricing growth is accelerating (estimated +3-4% yoy, from +1-2% yoy in 2013). Focus now turns to June, typically the strongest month of the year, to assess how much of the year-to-date strength reflects underlying demand versus weather-impacted supply.
- LTL: solid pricing improvement; demand trends benefitted from interrupted supply chains and limited TL capacity in 1Q14

Mergers & Acquisitions

- Potential acquisition targets: UTIW, HUBG
- Acquirers: international logistics, ocean liners, private equity, CHRW, FDX, FWRD, HUBG, KNX, R, RRTS

Please refer to Appendix for Important Disclosures and Analyst Certification

Transportation/Logistics

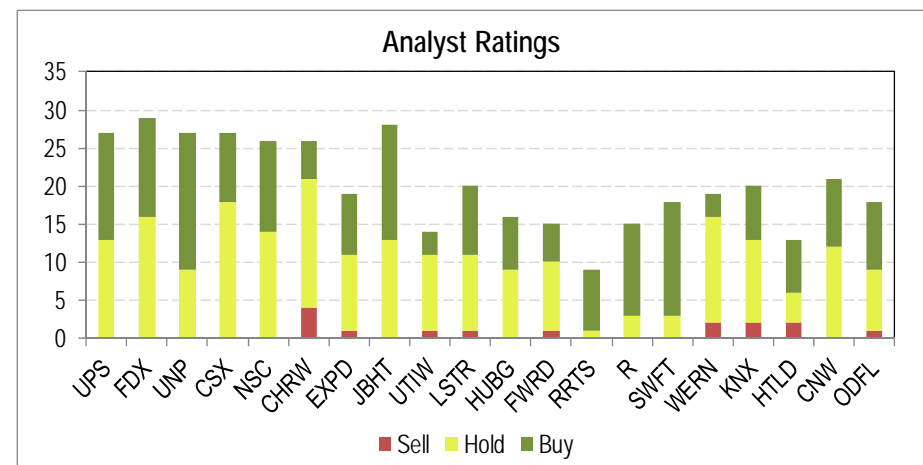
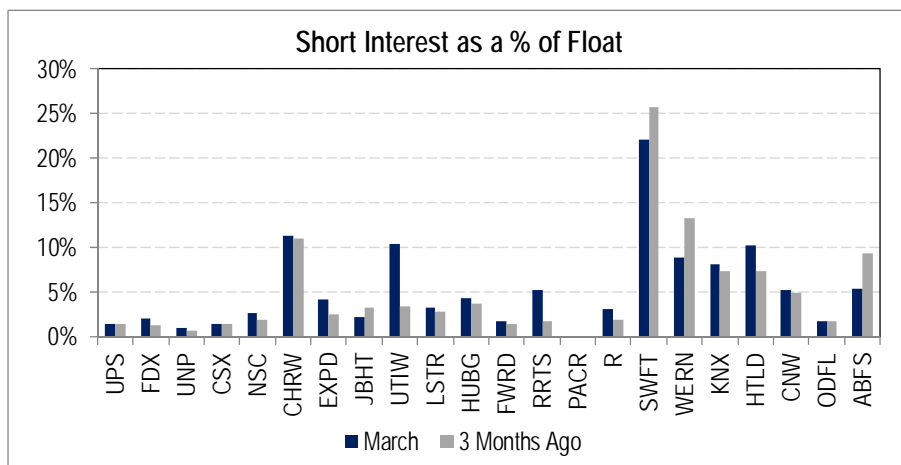
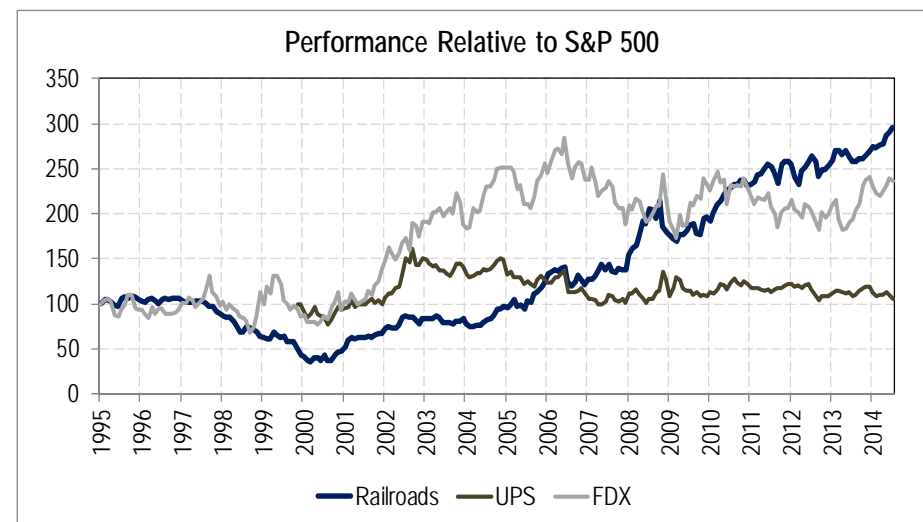
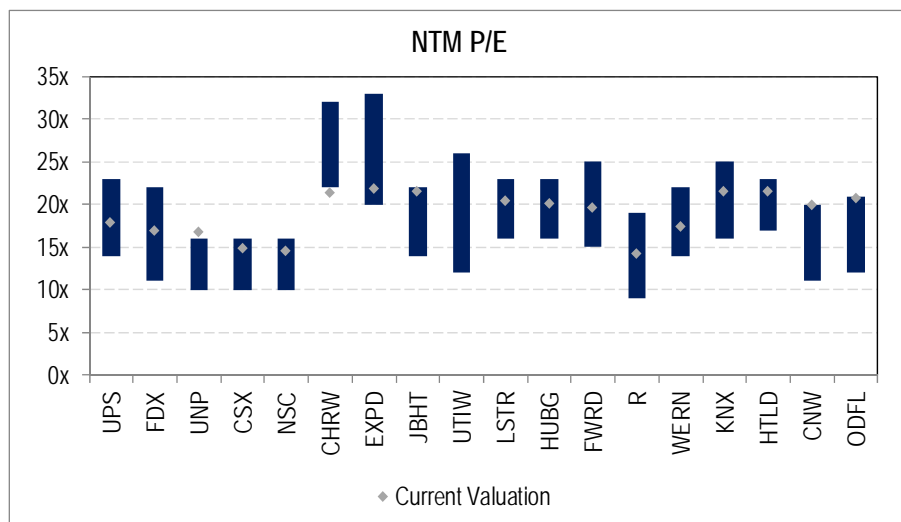
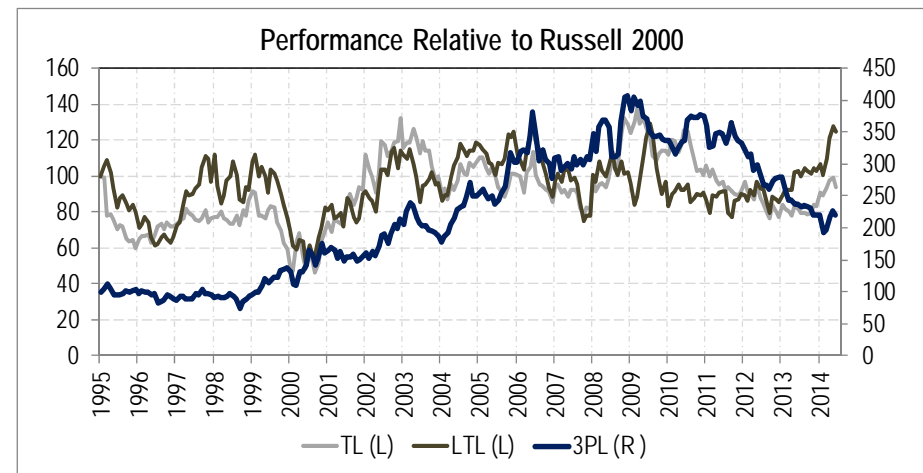
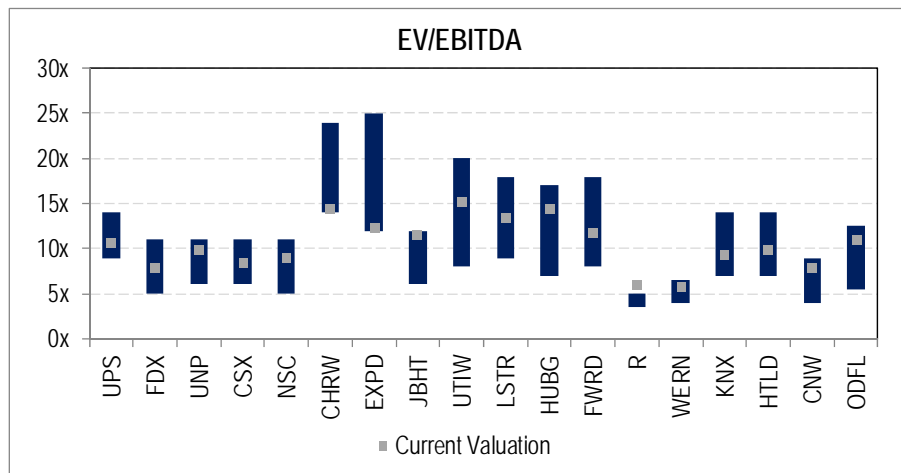
			Stock Metrics					Price Performance			EPS					P/E					EV/EBITDA					Price Target		
Ticker	Company	Rating	Price 8/4/14	Price Target	52-wk H-L	Mkt. Cap (000)	Avg. Vol (000)	1M	3M	YTD	2013	Chg	2014E	Chg	2015E	Chg	NTM	2013	2014E	2015E	Avg	LTM	2013	2014E	2015E	Avg	P/E	EV/ EBITDA
Integrators																												
FDX	FedEx Corp	O	148.78	\$170	155-106	44,039	1,603	(2%)	9%	3%	6.75	8%	8.81	31%	10.94	24%	16.9	22.0	16.9	13.6	15	7.8	7.8	6.8	6.0	6.4	15.5	6.8
UPS	United Parcel Service	N	97.18	\$105	105-85	90,086	2,380	(6%)	(1%)	(8%)	4.57	1%	4.95	8%	5.85	18%	17.9	21.2	19.6	16.6	17	10.7	10.6	10.2	9.1	12.3	16.9	10.0
DPW-DE	Deutsche Post		23.25		39-28	29,332	3,801	(12%)	(14%)	(12%)	2.27	25%	2.31	2%	2.61	13%	10.1	10.2	10.1	8.9	10	7.9	5.5	5.2	4.8	6.4		
TNTE-NL	TNT Express NV		5.89		10-8	3,212	1,566	(12%)	(9%)	(13%)	0.25	NM	0.47	88%	0.65	38%	19.6	23.6	12.5	9.1	20	7.3	7.3	6.4	5.1	7.2		
Parcel Median Values								(4%)	4%	(2%)							17.4	22.0	16.9	13.6	16	9.3	7.8	6.8		9.3		
Railroads																												
CSX	CSX	O	29.70	\$34	32-24	29,789	6,068	(4%)	7%	3%	1.83	2%	1.87	2%	2.12	13%	14.8	16.2	15.9	14.0	13	8.5	8.4	8.2	7.5	7.4	15.1	8.5
NSC	Norfolk Southern	N	101.30	\$118	109-72	31,687	1,359	(1%)	8%	9%	5.86	9%	6.56	12%	7.47	14%	14.4	17.3	15.4	13.6	13	9.0	9.4	8.4	7.8	7.4	15.0	8.8
UNP	Union Pacific	N	98.28	\$104	103-75	88,943	3,196	(2%)	4%	17%	4.71	14%	5.51	17%	6.27	14%	16.7	20.9	17.8	15.7	14	10.0	10.6	9.5	8.6	8.2	15.5	9.6
CNI	Canadian National		66.90		70-47	55,213	828	2%	15%	17%	3.06	9%	3.15	3%	3.55	13%	21.2	21.9	21.2	18.8	14	12.7	12.6	12.0	11.2	9.3		
CP	Canadian Pacific		191.87		200-116	33,750	796	6%	23%	27%	6.42	49%	7.67	19%	9.46	23%	25.0	29.9	25.0	20.3	15	14.8	15.2	13.5	12.2	10.1		
KSU	Kansas City Southern		108.74		126-89	12,005	740	1%	9%	(12%)	4.05	25%	4.71	16%	5.46	16%	21.6	26.8	23.1	19.9	20	14.2	14.8	12.1	10.6	11.0		
GWR	Genesee & Wyoming		95.49		106-83	5,434	258	(9%)	0%	(1%)	4.37	56%	4.25	(3%)	5.23	23%	19.9	21.9	22.5	18.3	18	14.2	14.2	11.1	9.9	12.5		
Rail Median Values								(1%)	8%	9%							19.9	21.9	21.2	18.3	14	9.0	12.6	11.1	9.9	9.3		
Third-Party Logistics																												
CHRW	C.H. Robinson	N	68.49	\$68	70-50	10,134	1,498	8%	17%	17%	2.67	(3%)	3.02	13%	3.39	12%	21.3	25.7	22.6	20.2	22	14.4	14.5	13.3	12.3	13.7	19.0	11.8
EXPD	Expeditors Intl	N	43.83	\$44	47-38	8,846	1,395	(2%)	6%	(1%)	1.69	7%	1.87	11%	2.18	17%	21.8	25.9	23.5	20.1	24	12.3	12.6	11.8	10.9	13.0	18.9	11.7
JBHT	J.B. Hunt Transport	N	76.15	\$80	80-69	9,027	839	4%	(1%)	(1%)	2.87	11%	3.13	9%	3.81	22%	21.6	26.6	24.3	20.0	21	11.6	11.9	10.8	9.3	9.7	19.6	10.2
UTW	UTi Worldwide	N	9.45	\$12	18-9	992	1,468	(9%)	(3%)	(46%)	(0.05)	NM	-0.05	NM	0.27	NM	NM	NM	NM	35.6	19	15.1	15.1	11.1	8.3	11.1	45.3	12.1
LSTR	Landstar	N	65.28	\$74	74-53	2,946	308	1%	4%	14%	2.40	(13%)	2.99	25%	3.44	15%	20.4	27.3	21.8	19.0	20	13.4	14.1	12.0	11.3	11.7	20.1	11.7
HUBG	Hub Group, Inc.	O	47.01	\$54	51-35	1,731	320	(6%)	4%	18%	1.92	5%	2.04	6%	2.55	25%	20.1	24.5	23.1	18.4	19	14.4	14.1	13.0	10.6	11.0	19.8	12.8
FWRD	Forward Air Corp.	N	45.27	\$52	49-36	1,422	118	(7%)	4%	3%	1.75	(2%)	2.15	23%	2.47	15%	19.5	25.9	21.0	18.3	21	11.8	12.9	9.9	8.9	10.6	19.9	10.5
RRTS	Roadrunner Trans	O	24.58	\$32	31-21	967	239	(14%)	(4%)	(9%)	1.32	12%	1.42	8%	1.77	24%	15.3	18.7	17.3	13.9	16	11.6	12.4	10.3	8.3	14.5	16.9	11.6
XPO	XPO Logistics		30.90		33-19	1,624	1,010	6%	14%	18%	(2.50)	NM	(0.82)	NM	0.38	NM	NM	NM	NM	81.3	NM	NM	NM	34.3	13.1	8.9		
ECHO	Echo Global Logistics		22.01		23-16	#N/A	181	13%	16%	2%	0.62	3%	0.77	24%	0.98	27%	25.0	35.5	28.6	22.5	23	14.4	14.4	10.7	8.6	14.1		
QLTY	Quality Distribution		13.50		16-9	378	195	(11%)	5%	5%	0.70	3%	0.77	10%	1.09	42%	16.1	19.3	17.5	12.4	13	NM	9.1	7.8	7.0	9.1		
UACL	Universal Truckload		23.97		34-22	721	61	(6%)	(3%)	(21%)	1.70	47%	1.59	(6%)	1.99	25%	13.4	14.1	15.1	12.0	16	7.6	7.7	8.0	7.4	7.6		
KNIN-SWX	Kuehne & Nagel		120.00		143-119	14,400	123	2%	(0%)	2%	5.61	21%	6.19	10%	6.73	9%	22.0	21.4	19.4	17.8	18	14.6	14.6	13.6	12.6	12.0		
PWTN-SWX	Panalpina		125.60		171-136	2,980	20	-11%	-9%	(16%)	3.41	NM	5.15	51%	6.95	35%	23.3	36.8	24.4	18.1	17	13.6	15.1	11.5	9.2	10.7		
3PL Median Values								(2%)	4%	3%							20.4	16.8	16.8	16.8	20	12.9	13.5	11.8	10.6	11.1		
Transport Leasing																												
R	Ryder	O	86.77	\$103	92-55	4,603	521	(2%)	6%	18%	4.88	11%	5.54	14%	6.50	17%	14.1	17.8	15.7	13.3	13	6.1	6.4	5.8	5.2	4.3	15.0	6.1
Truckload Carriers																												
HTLD	Heartland Express	N	22.65	\$24	24-14	1,991	423	5%	5%	15%	0.83	16%	0.99	20%	1.16	16%	21.4	27.4	22.8	19.6	20	9.8	11.0	8.2	7.4	7.8	19.4	8.2
KNX	Knight Transportation	N	24.00	\$26	26-16	1,964	508	(2%)	2%	31%	0.86	2%	1.08	25%	1.21	12%	21.4	27.8	22.2	19.8	21	9.3	9.9	8.6	7.7	7.9	20.0	8.7
SWFT	Swift Transportation	O	20.63	\$27	27-17	2,958	1,942	(20%)	(15%)	(7%)	1.23	11%	1.29	5%	1.59	24%	13.6	16.8	16.0	13.0	12	7.6	7.2	6.9	6.5	7.5	16.1	8.9
WERN	Werner Enterprises	N	24.59	\$29	27-23	1,785	454	(9%)	(4%)	(1%)	1.18	(16%)	1.27	8%	1.55	22%	17.4	20.8	19.3	15.9	18	5.8	5.7	5.4	4.9	5.0	17.7	6.2
MRTN	Marten Transport		20.12		26-16	678	149	(10%)	(14%)	(0%)	0.93	13%	1.00	8%	1.28	28%	17.5	21.6	20.1	15.7	18	6.3	6.3	5.4	4.9	4.9		
CGI	Celadon Group		21.05		25-17	501	172	(3%)	(9%)	8%	1.17	11%	0.96	(18%)	1.41	47%	16.1	18.0	21.9	14.9	17	#N/A	8.0	7.3	6.6	6.0		
USAK	USA Truck		18.67		20-5	195	73	2%	11%	40%	-0.44	NM	-0.05	NM	0.45		NM	NM	NM	41.5	22	4.5	5.4	4.1	3.2	5.3		
CVTI	Covenant Transportation		11.58		14-5	176	38	(11%)	14%	44%	0.33	(15%)	0.60	82%	0.84	40%	NM	35.1	19.3	13.8	NM	5.4	6.0	6.1	5.9	5.2		
TL Median Values								(6%)	(1%)	12%							17.5	20.8	19.3	15.9	18	7.6	7.2	6.9	6.5	5.7		
Less-than-truckload Carriers																												
CNW	Con-way, Inc.	O	49.50	\$54	51-36	2,856	727	(2%)	12%	25%	1.66	(8%)	2.09	26%	2.85	36%	19.9	29.8	23.6	17.4	18	7.8	8.2	7.1	6.1	6.2	17.0	6.1
ODFL	Old Dominion	N	63.82	\$68	65-43	5,499	481	(1%)	6%	20%	2.39	22%	2.84	19%	3.31	17%	20.6	26.7	22.5	19.3	18	11.0	12.2	10.2	8.9	8.0	19.1	10.0
ARCB	ArcBest Corporation		33.69		46-19	872	279	(24%)	(17%)	0%	0.56	NM	1.93	NM	2.69	39%	13.7	NM	17.5	12.5	31	8.3	9.4	5.8	4.4	4.4		
YRCW	YRC Worldwide		22.44		32-7	687	576	(21%)	7%	29%	(11.26)	NM	(2.54)	NM	0.78	NM	NM	NM	NM	NM	9	NM	7.6	5.5	4.8	5.7		
SAIA	Saia, Inc.		46.09		48-28	1,173	227	3%	10%	44%	1.70	32%	2.04	20%	2.79	37%	18.8	27.1	22.6	16.5	12	9.6	10.0	8.3	7.6	6.3		
LTL Median Values								(1%)	10%	25%							19.9	27.1	22.6	17.4	18	9.4	10.0	8.3	7.6	6.2		
Indices																												
SPX	S&P 500		1939		1991-1627			(2%)	3%	5%	109.68	6%	117.70	7%	127.27	8%	15.5	17.7	16.5	15.2	13							
MID	S&P Mid Cap		1375		1452-1171			(5%)	1%	2%	68.64	7%	75.99	11%	88.46	16%	16.6	20.0	18.1	15.5	15							
SML	S&P Small Cap		649		696-571			(6%)	(0%)	(3%)	29.34	13%	33.37	14%	41.38	24%	17.3	22.1	19.4	15.7	16							
DJ20	DJ Transportation		8121		8515-6237			(2%)	5%	10%																		
DJHEK	DJ Airfreight Index		792		845-662			(5%)	2%	(5%)																		
DJTK	DJ Truck Index		509		517-421			3%	7%	12%																		

Please refer to Appendix for Important Disclosures and Analyst Certification

Transportation/Logistics

			Stock Metrics					Last Twelve Months				5-Year Avg		Current Qtr Summary			Next Qtr		2014 Summary		2015 Summary		Yields		Upside	
Ticker	Company	Rating	Price 8/5/14	Price Target	52-wk H-L	Mkt. Cap (000)	Avg. Vol (000)	Sales (mil)	Gross Margin	EBIT Margin	TD/TC	ROE	ROIC	Qtr End	Baird EPS	Cnss	Baird EPS	Cnss	Baird EPS	Cnss	Baird EPS	Cnss	Div	FCF		
Integrators																										
FDX	FedEx Corp	O	146.76	\$170	155-106	43,441	1,606	45,567		8%	49%	12%	10%	Aug-14	1.96	1.94	2.08	2.11	8.81	8.81	10.94	10.64	0.4%	1.6%	15.8%	
UPS	United Parcel Service	N	96.46	\$105	105-85	89,415	2,388	56,544		12%	68%	56%	23%	Sep-14	1.25	1.28	1.52	1.48	4.95	4.95	5.85	5.72	2.8%	5.2%	8.9%	
DPW-DE	Deutsche Post		23.75		39-28	29,969	3,906	55,509						Sep-14		0.58		0.51		2.31		2.61				
TNTE-NL	TNT Express NV		5.91		10-8	3,221	1,591	6,693						Sep-14		0.15		0.11		0.35		0.48				
Railroads																										
CSX	CSX	O	29.45	\$34	32-24	29,533	6,060	12,075		28%	47%	19%	12%	Sep-14	0.46	0.46	0.49	0.48	1.87	1.86	2.12	2.12	2.0%	5.5%	15.5%	
NSC	Norfolk Southern	N	100.72	\$118	109-72	31,505	1,367	11,436		30%	44%	16%	11%	Sep-14	1.77	1.76	1.82	1.75	6.56	6.48	7.47	7.34	2.1%	3.4%	17.2%	
UNP	Union Pacific	N	98.01	\$104	103-75	88,699	3,204	22,311		34%	38%	17%	12%	Sep-14	1.45	1.48	1.45	1.45	5.51	5.54	6.27	6.34	1.9%	2.9%	6.1%	
CNI	Canadian National		66.03		70-47	54,495	839	10,576						Sep-14		0.85		0.89		3.15		3.55				
CP	Canadian Pacific		190.16		200-116	33,449	796	5,954						Sep-14		1.94		2.20		7.67		9.46				
KSU	Kansas City Southern		108.43		126-89	11,970	739	2,494						Sep-14		1.25		1.21		4.71		5.46				
GWR	Genesee & Wyoming		95.35		106-83	5,426	252	1,570						Sep-14		1.20		1.22		4.23		5.22				
Third-Party Logistics																										
CHRW	C.H. Robinson	N	67.37	\$68	70-50	9,968	1,523	13,115	14%	5%	52%	33%	31%	Sep-14	0.81	0.80	0.79	0.74	3.02	2.96	3.39	3.29	2.1%	4.1%	0.9%	
EXPD	Expeditors Intl	N	41.13	\$44	47-38	8,302	1,437	6,153	31%	9%	4%	18%	18%	Sep-14	0.49	0.50	0.50	0.49	1.87	1.88	2.18	2.12	1.5%	4.3%	7.0%	
JBHT	J.B. Hunt Transport	N	75.98	\$80	80-69	9,007	833	5,865		10%	45%	37%	20%	Sep-14	0.86	0.86	0.90	0.90	3.13	3.13	3.81	3.77	1.1%	0.3%	5.3%	
UTIW	UTi Worldwide	N	9.42	\$12	18-9	988	1,445	4,441	34%	1%	44%	6%	7%	Oct-14	0.01	0.02	0.06	0.10	(0.05)	0.08	0.27	0.46	0.6%	NM	27.4%	
LSTR	Landstar	N	65.01	\$74	74-53	2,934	309	2,875	15%	7%	18%	34%	31%	Sep-14	0.80	0.80	0.80	0.78	2.99	2.98	3.44	3.39	0.4%	5.0%	13.8%	
HUBG	Hub Group, Inc.	O	46.35	\$54	51-35	1,706	316	3,453	11%	3%	14%	13%	14%	Sep-14	0.60	0.60	0.60	0.60	2.04	2.04	2.55	2.44	0.0%	NM	16.5%	
FWRD	Forward Air Corp.	N	45.11	\$52	49-36	1,417	117	717		13%	12%	13%	13%	Sep-14	0.59	0.59	0.69	0.66	2.15	2.12	2.47	2.49	1.1%	4.5%	15.3%	
RRTS	Roadrunner Trans	O	24.34	\$32	31-21	957	229	1,444	31%	6%	42%	9%	30%	Sep-14	0.39	0.39	0.37	0.38	1.42	1.42	1.77	1.76	0.0%	2.7%	31.5%	
XPO	XPO Logistics		30.86		33-19	1,622	995	1,315						Sep-14		(0.13)		(0.05)		(0.83)		0.28				
ECHO	Echo Global Logistics		21.94		23-16	#N/A	181	1,009						Sep-14		0.22		0.19		0.77		0.98				
QLTY	Quality Distribution		13.55		16-9	379	195	935						Jun-14		0.20		0.24		0.77		1.09				
UACL	Universal Truckload		23.97		34-22	721	59	1,108						Sep-14		0.42		0.43		1.59		1.99				
KNIN-SWX	Kuehne & Nagel		120.00		143-121	14,400	125	16,042	39%	5%				Sep-14		1.46		1.54		6.19		6.73				
PWTN-SWX	Panalpina		124.00		171-136	2,942	21	6,753	23%	2%				Sep-14		1.70		1.51		5.15		6.95				
Transport Leasing																										
R	Ryder	O	85.72	\$103	92-55	4,547	519	6,548		6%	71%	12%	5%	Sep-14	1.60	1.62	1.60	1.60	5.54	5.59	6.50	6.51	1.6%	NM	20.2%	
Truckload Carriers																										
HTLD	Heartland Express	N	22.34	\$24	24-14	1,963	422	765		15%	6%	19%	18%	Sep-14	0.29	0.28	0.25	0.26	0.99	1.00	1.16	1.15	0.4%	1.4%	7.5%	
KNX	Knight Transportation	N	23.82	\$26	26-16	1,949	496	1,002		13%	3%	12%	11%	Sep-14	0.26	0.27	0.28	0.29	1.08	1.10	1.21	1.24	1.0%	3.8%	9.2%	
SWFT	Swift Transportation	O	20.51	\$27	27-17	2,941	1,936	4,192		8%	85%		10%	Sep-14	0.36	0.35	0.47	0.47	1.29	1.27	1.59	1.65		4.9%	31.6%	
WERN	Werner Enterprises	N	24.52	\$29	27-23	1,780	451	2,064		7%	5%	12%	12%	Sep-14	0.35	0.36	0.38	0.37	1.27	1.28	1.55	1.53	0.8%	1.2%	18.3%	
MRTN	Marten Transport		19.90		26-16	671	149	661						Sep-14		0.30		0.31		1.00		1.28				
CGI	Celadon Group		20.72		25-17	493	172	725						Jun-14		0.32		0.37		0.96		1.41				
USAK	USA Truck		18.32		20-5	192	73	582						Sep-14		0.10		0.03		0.10		0.39				
CVTI	Covenant Transportation		11.53		14-5	175	38	682						Sep-14		0.21		0.25		0.60		0.84				
Less-than-truckload Carriers																										
CNW	Con-way, Inc.	O	49.32	\$55	51-36	2,846	709	5,506		4%	46%	8%	7%	Sep-14	0.74	0.75	0.50	0.52	2.09	2.38	2.85	3.00	0.8%	0.8%	11.5%	
ODFL	Old Dominion	N	63.50	\$68	65-43	5,471	477	2,419		15%	15%	15%	12%	Sep-14	0.89	0.86	0.74	0.69	2.84	2.93	3.31	3.44	0.0%	0.6%	7.1%	
ARCB	ArcBest Corporation		32.87		46-19	851	283	2,357						Sep-14		0.79		0.54		1.85		2.65				
YRCW	YRC Worldwide		21.87		31-7	669	557	4,989						Sep-14		0.06		(0.13)		(2.54)		0.78				
SAIA	Saia, Inc.		45.95		48-28	1,169	223	1,203						Sep-14		0.64		0.48		2.04		2.79				
Indices																										
SPX	S&P 500		1920		1991-1627																					
MID	S&P Mid Cap		1369		1452-1171																					
SML	S&P Small Cap		648		696-571																					
DJ20	DJ Transportation		8149		8515-6237																					
DJHEK	DJ Airfreight Index		797		845-662																					
DJTK	DJ Truck Index		511		517-421																					

Source: FactSet, Company data, Baird estimates



Transportation and Logistics

Benjamin J. Hartford, CFA (414.765.3752) bhartford@rwbaird.com

	Domestic Freight Trends										International Freight Trends									
	Overall Freight		Truck Freight		Railroad Freight					Ocean (Inbound)		Ocean (Total Loaded)		International Airfreight						
	Baird Freight Index	Baird F-W ISM	Cass Freight Index	Carloads	Total	Dom	IMC	Dom	Int'l	U.S. Inbound (NRF)	LA/Long Beach	LA/Long Beach	Baird Asia Index	Total	North America	Asia	Europe	HK Exports		
J-10	-0.6%	54.5	4.2%	5.6%	-0.7%	2.5%	6.4%	3.7%	-3.3%	2.0%	-0.7%	8.1%	22.0%	28.3%	33.8%	33.1%	10.1%	52.3%		
F-10	-0.8%	53.1	1.9%	-0.9%	-1.5%	10.1%	8.6%	6.9%	11.1%	20.0%	33.8%	33.4%	25.4%	26.5%	24.8%	29.8%	5.6%	42.2%		
M-10	2.7%	59.2	7.5%	7.6%	7.5%	12.1%	17.8%	15.9%	17.4%	10.0%	2.6%	6.5%	13.9%	28.1%	29.1%	33.1%	9.2%	36.1%		
A-10	5.5%	56.6	9.4%	12.9%	15.8%	14.3%	13.5%	12.3%	13.0%	16.0%	13.6%	13.6%	19.8%	25.2%	20.0%	32.1%	2.8%	53.6%		
M-10	6.1%	54.3	7.7%	11.1%	15.8%	18.9%	14.1%	13.9%	20.5%	20.0%	18.3%	15.2%	20.2%	34.3%	29.7%	39.0%	17.4%	56.8%		
J-10	6.1%	54.0	7.4%	18.5%	10.6%	19.2%	13.1%	13.3%	29.3%	30.0%	30.0%	22.4%	20.3%	26.5%	21.8%	30.4%	11.8%	38.6%		
J-10	5.0%	54.0	7.4%	8.9%	4.1%	17.3%	10.0%	10.6%	27.3%	25.0%	25.9%	21.0%	17.7%	22.7%	14.4%	27.7%	9.8%	35.6%		
A-10	4.9%	57.2	2.7%	16.5%	5.7%	19.7%	14.4%	14.4%	30.9%	23.0%	23.9%	15.2%	16.6%	19.6%	11.4%	25.0%	7.6%	25.8%		
S-10	4.5%	58.6	4.9%	15.5%	7.7%	17.3%	9.8%	10.2%	26.1%	17.0%	24.0%	18.2%	11.8%	14.8%	1.9%	18.5%	8.5%	16.8%		
O-10	5.3%	57.6	6.1%	14.9%	8.7%	14.0%	4.3%	5.3%	15.7%	13.0%	15.4%	14.2%	9.6%	14.4%	2.9%	16.6%	9.2%	16.8%		
N-10	3.8%	56.7	2.8%	14.9%	4.5%	11.3%	9.8%	10.9%	20.4%	13.0%	15.4%	16.5%	16.2%	5.4%	-6.6%	10.6%	4.8%	4.5%		
D-10	5.0%	55.8	5.3%	14.1%	9.4%	13.3%	9.1%	9.5%	15.0%	5.0%	7.8%	8.3%	13.4%	6.7%	-4.2%	9.7%	1.1%	4.8%		
J-11	3.8%	57.6	6.9%	12.3%	8.0%	7.4%	8.3%	5.8%	13.0%	12.0%	13.0%	12.9%	14.1%	9.1%	4.3%	6.5%	6.8%	6.6%		
F-11	4.2%	57.2	4.6%	11.4%	4.2%	10.3%	10.3%	8.6%	11.6%	10.0%	7.2%	4.7%	3.2%	2.3%	1.7%	-4.2%	5.8%	-18.2%		
M-11	4.1%	56.5	5.9%	13.8%	3.4%	8.5%	10.4%	8.9%	5.0%	0.3%	2.5%	5.8%	11.0%	3.7%	0.3%	0.4%	6.1%	4.3%		
A-11	1.9%	57.0	4.3%	12.3%	-0.2%	9.0%	9.3%	7.6%	7.7%	7.0%	7.2%	7.4%	12.1%	5.4%	2.6%	-2.0%	16.5%	-11.6%		
M-11	1.4%	50.8	2.0%	9.6%	0.5%	7.5%	8.9%	6.4%	8.3%	1.0%	4.8%	4.9%	9.3%	-4.3%	-9.2%	-9.8%	-0.6%	-14.9%		
J-11	1.8%	55.1	6.6%	5.3%	0.9%	4.6%	11.0%	8.7%	1.3%	-5.0%	-4.6%	-1.1%	8.2%	-3.0%	-9.5%	-6.0%	0.2%	-12.2%		
J-11	1.9%	51.1	4.2%	11.0%	-1.0%	1.3%	5.4%	2.7%	-4.4%	-4.0%	-2.3%	0.5%	10.7%	-0.4%	-7.1%	-4.0%	1.2%	-9.8%		
A-11	1.5%	53.8	6.6%	4.4%	-0.3%	0.4%	10.9%	8.0%	-0.8%	-5.0%	-9.4%	-3.6%	8.1%	-3.8%	-9.4%	-5.8%	-1.5%	-13.3%		
S-11	2.1%	53.2	6.3%	7.5%	1.1%	2.3%	10.3%	7.4%	-1.9%	-0.6%	-4.0%	0.5%	9.6%	-3.0%	-7.4%	-6.5%	-1.5%	-11.6%		
O-11	2.2%	49.8	5.8%	2.2%	1.7%	3.6%	10.6%	6.9%	-0.4%	-3.5%	-6.7%	-3.5%	12.2%	-4.8%	-10.2%	-7.7%	-3.2%	-10.6%		
N-11	2.2%	51.2	6.8%	-2.9%	2.3%	3.8%	12.3%	9.1%	1.7%	1.2%	-3.6%	-3.1%	4.1%	-3.8%	-8.5%	-6.5%	-4.4%	-10.2%		
D-11	3.2%	52.2	10.3%	0.7%	7.3%	9.4%	11.3%	7.6%	2.5%	2.0%	1.9%	1.6%	8.4%	-0.8%	-5.5%	-5.4%	2.8%	-6.9%		
J-12	3.8%	52.2	1.8%	3.6%	0.1%	1.7%	14.6%	12.4%	3.6%	1.3%	0.8%	0.4%	1.2%	-8.1%	-6.8%	-13.7%	-9.1%	-21.0%		
F-12	4.6%	52.2	5.1%	3.5%	-1.9%	2.4%	19.0%	15.2%	2.2%	-5.7%	-12.5%	-6.6%	15.8%	5.1%	-2.4%	7.8%	-1.8%	25.9%		
M-12	3.3%	53.0	3.8%	-1.3%	-5.8%	3.5%	10.7%	7.4%	4.6%	8.5%	12.8%	8.7%	8.4%	0.1%	-2.8%	-4.5%	-2.7%	0.5%		
A-12	3.9%	53.8	3.3%	0.2%	-5.5%	3.6%	9.3%	5.7%	3.4%	1.5%	2.6%	1.3%	4.9%	-4.5%	-6.1%	-7.6%	-6.0%	0.0%		
M-12	3.8%	50.1	5.2%	2.2%	-2.8%	3.5%	15.8%	12.5%	5.9%	0.5%	-2.4%	-1.6%	7.1%	-2.2%	-1.9%	-5.3%	-6.4%	1.2%		
J-12	3.8%	48.2	2.9%	-1.3%	-1.3%	5.2%	11.7%	8.6%	4.4%	10.7%	4.9%	5.3%	6.3%	1.1%	1.3%	-0.8%	-1.4%	0.1%		
J-12	2.9%	51.2	4.5%	1.8%	-0.7%	5.6%	12.8%	9.1%	6.4%	2.5%	-2.3%	-1.8%	2.7%	-3.3%	-2.2%	-5.1%	-3.7%	-8.2%		
A-12	2.8%	51.0	4.1%	-1.1%	-1.4%	4.3%	14.8%	11.6%	2.6%	3.3%	-1.2%	-2.1%	2.2%	-1.3%	1.1%	-4.4%	-1.4%	-0.4%		
S-12	2.9%	51.0	1.8%	-3.8%	-3.7%	2.5%	7.0%	4.2%	-4.1%	3.3%	2.3%	0.7%	8.3%	0.5%	-1.2%	-0.6%	-1.6%	2.2%		
O-12	1.9%	51.7	-2.1%	5.4%	-6.1%	1.5%	14.2%	11.2%	7.7%	5.2%	5.3%	3.7%	4.4%	-3.8%	-6.4%	-5.8%	-4.4%	-4.5%		
N-12	3.0%	49.1	1.5%	3.5%	-4.0%	1.2%	11.5%	8.8%	-1.1%	-2.8%	-3.3%	-4.8%	5.6%	1.4%	-1.5%	0.9%	-0.7%	8.5%		
D-12	3.7%	47.8	-2.1%	1.4%	-4.2%	1.7%	5.2%	2.2%	-7.0%	8.0%	4.5%	0.3%	1.2%	-0.3%	-4.1%	-2.0%	-1.6%	5.9%		
J-13	2.6%	52.3	3.6%	-2.5%	-6.3%	5.3%	19.9%	14.3%	8.8%	3.7%	4.4%	3.0%	9.9%	5.0%	-1.0%	4.3%	0.8%	18.9%		
F-13	2.6%	54.6	2.5%	0.5%	-1.1%	10.5%	7.0%	3.1%	6.7%	6.8%	34.1%	22.5%	-0.6%	-6.2%	-4.3%	-13.2%	-5.1%	-18.7%		
M-13	2.4%	50.9	2.9%	4.2%	-0.5%	0.5%	5.5%	2.4%	-6.5%	2.3%	-17.2%	-13.2%	4.7%	-2.1%	-1.6%	-3.1%	-3.0%	-8.8%		
A-13	2.4%	50.0	3.8%	-1.3%	-0.4%	1.6%	11.5%	8.3%	1.0%	-0.1%	-1.1%	-1.7%	5.1%	1.2%	-5.3%	-0.8%	1.7%	4.2%		
M-13	2.4%	48.8	6.5%	-0.3%	0.7%	3.0%	11.7%	8.5%	1.2%	0.6%	1.8%	-0.1%	3.2%	0.8%	-4.1%	0.5%	1.5%	0.1%		
J-13	2.5%	52.0	5.9%	-1.5%	0.0%	1.8%	5.4%	2.7%	-6.0%	-0.7%	-2.5%	-4.4%	4.7%	1.2%	-3.6%	-2.2%	3.2%	2.5%		
J-13	2.1%	56.0	4.5%	-3.1%	-0.5%	2.5%	12.5%	10.0%	0.7%	1.1%	5.1%	3.5%	6.4%	0.7%	-6.8%	-2.6%	2.9%	8.0%		
A-13	2.9%	55.0	6.9%	-0.4%	0.5%	4.4%	8.9%	6.5%	0.6%	3.8%	7.5%	7.2%	7.1%	3.7%	-5.1%	0.3%	4.0%	3.5%		
S-13	2.5%	56.3	9.2%	0.1%	0.7%	4.4%	8.9%	6.6%	6.1%	2.0%	4.4%	2.8%	2.7%	0.5%	-4.2%	-2.1%	2.5%	-1.6%		
O-13	3.4%	56.7	9.9%	-2.0%	1.5%	6.8%	11.3%	9.3%	2.6%	6.4%	0.4%	0.1%	5.5%	3.9%	5.2%	2.1%	5.4%	-16.4%		
N-13	2.7%	56.7	10.7%	1.1%	1.3%	7.8%	8.0%	5.9%	6.0%	3.6%	12.7%	14.1%	7.0%	6.7%	7.5%	5.4%	9.1%	-21.1%		
D-13	1.8%	54.6	6.8%	-3.2%	-0.9%	8.0%	10.7%	9.2%	9.6%	1.8%	3.6%	6.7%	5.9%	1.6%	2.4%	0.7%	2.4%	-23.1%		
J-14	1.2%	49.4	0.9%	-2.0%	0.4%	1.3%	2.2%	2.3%	-2.7%	3.3%	4.6%	3.0%	5.2%	5.2%	5.1%	3.9%	6.8%	-15.6%		
F-14	1.6%	50.4	3.4%	-0.4%	-1.1%	1.1%	4.1%	4.4%	-1.7%	-7.8%	-6.9%	-5.0%	5.5%	2.8%	2.8%	-0.3%	6.2%	-56.6%		
M-14	2.7%	54.2	3.0%	0.4%	3.5%	9.9%	5.1%	5.7%	8.4%	15.9%	20.7%	16.4%	6.7%	6.7%	5.6%	6.7%	6.7%	-17.1%		
A-14	2.9%	54.4	4.1%	5.5%	6.4%	9.0%	9.2%	9.0%	11.4%	6.1%	11.6%	10.1%	7.5%	3.1%	10.3%	4.7%	1.0%	-18.1%		
M-14	3.3%	54.1	3.0%	3.6%	6.1%	8.0%	5.8%	5.4%	8.0%	6.6%	5.1%	3.8%	4.5%	5.1%	10.7%	4.7%	5.2%	-17.6%		
J-14	3.2%	56.5	2.1%	6.0%	3.6%	6.7%	7.3%	6.4%	9.3%	7.6%	12.9%	11.0%	-3.2%	2.3%	10.8%	4.7%	-1.2%	-22.7%		

Sources: Robert W. Baird & Co estimates, ocean ports, airports, carriers, trade organizations

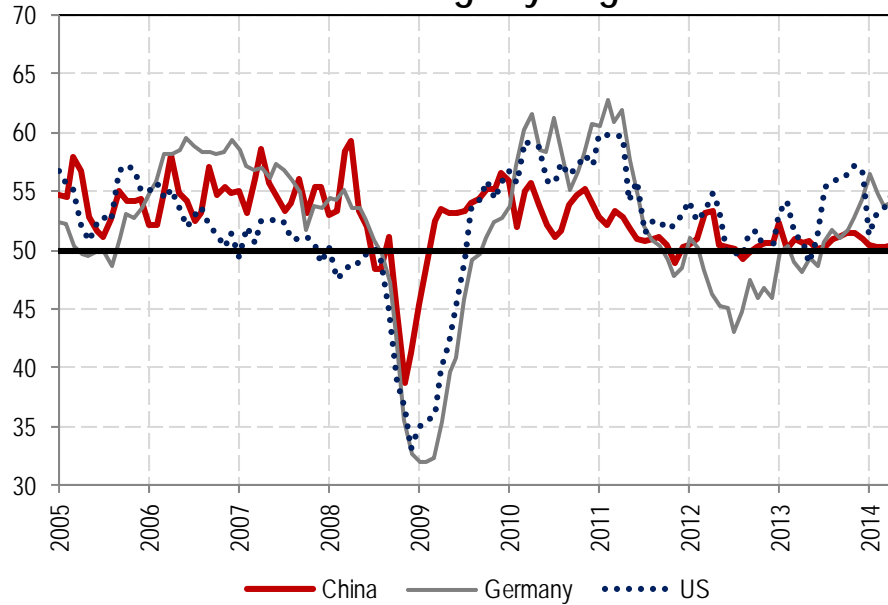
Note: All figures based on yoy monthly change; italics represent Baird estimates based on partial data

-- Additional historical data available upon request --

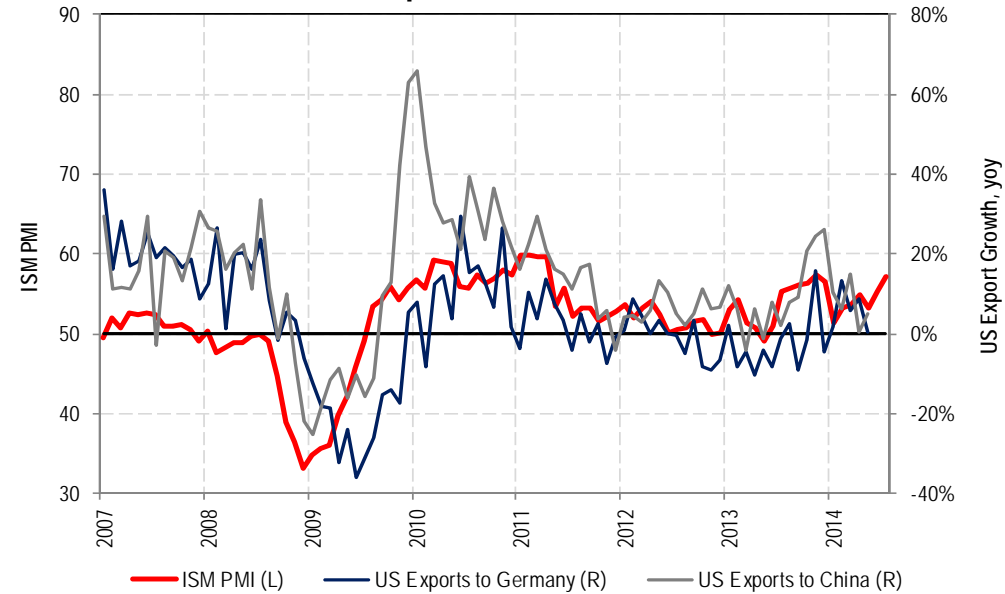
Broader Economic Indicators Reflect Stabilization

BAIRD

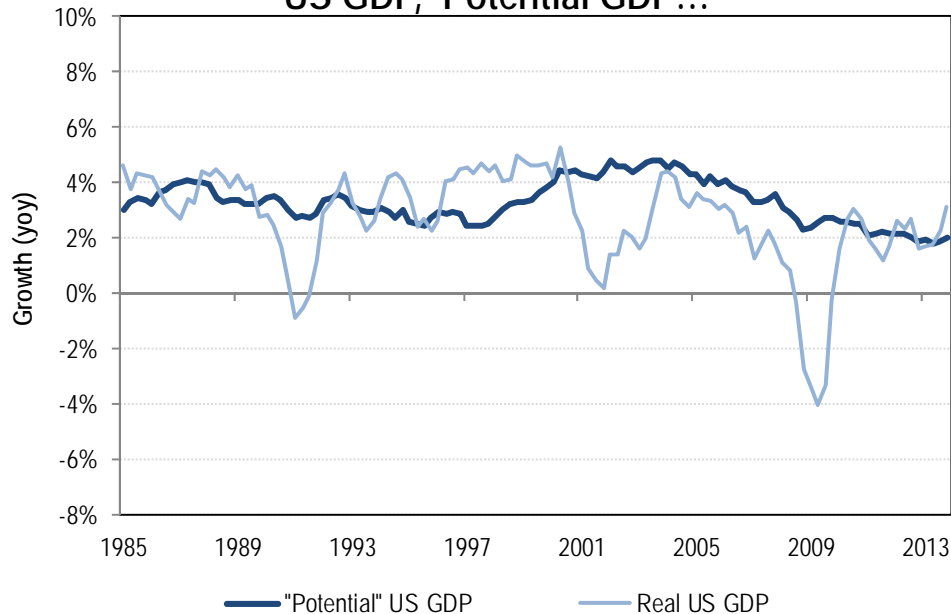
ISM PMI Readings by Region



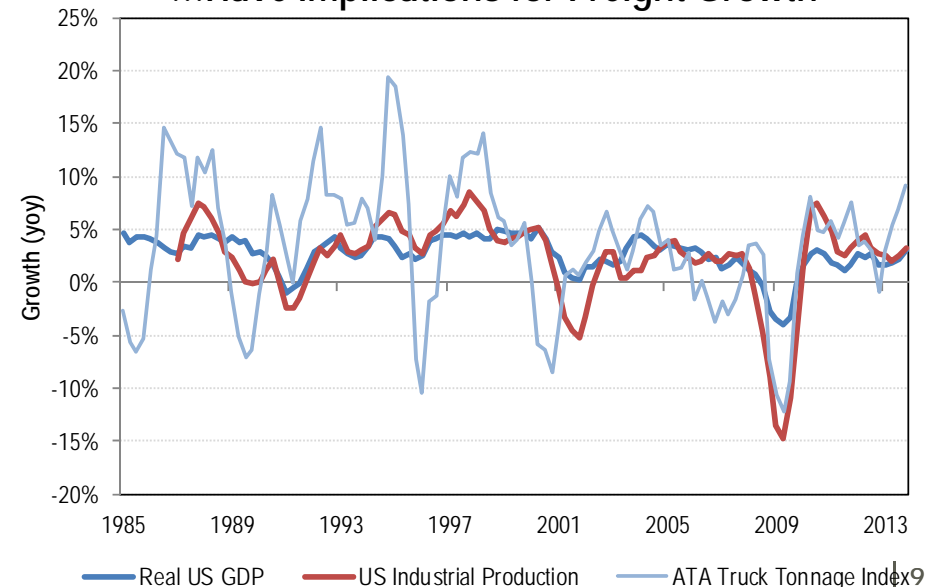
US Exports vs. ISM PMI



US GDP, Potential GDP...



...Have Implications for Freight Growth

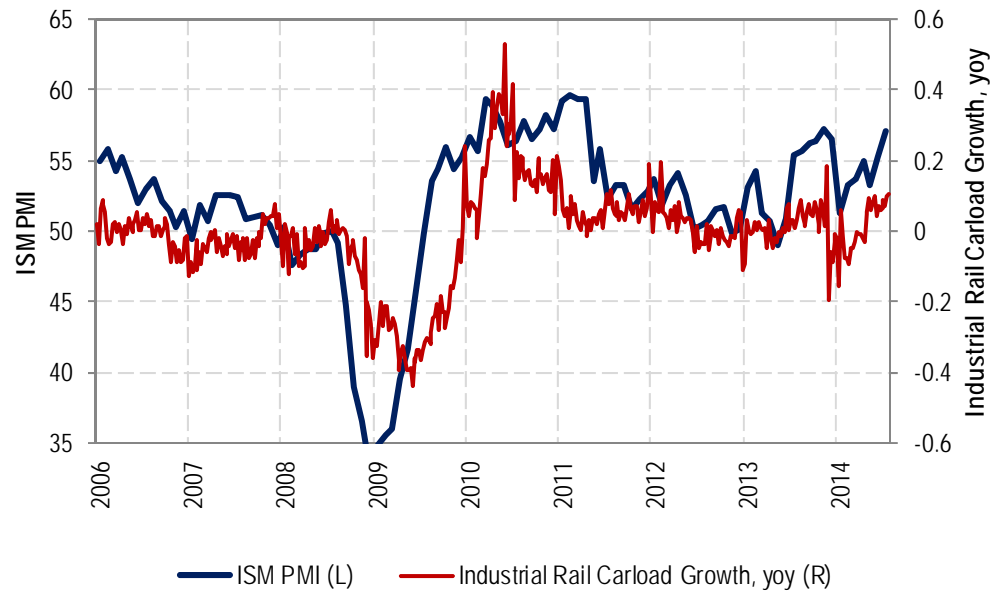


Source: China Federation of Logistics & Purchasing, Bloomberg, Institute for Supply Management, Bureau of Economic Analysis, US Bureau of Labor Statistics, US Federal reserve, ATA, Baird estimates

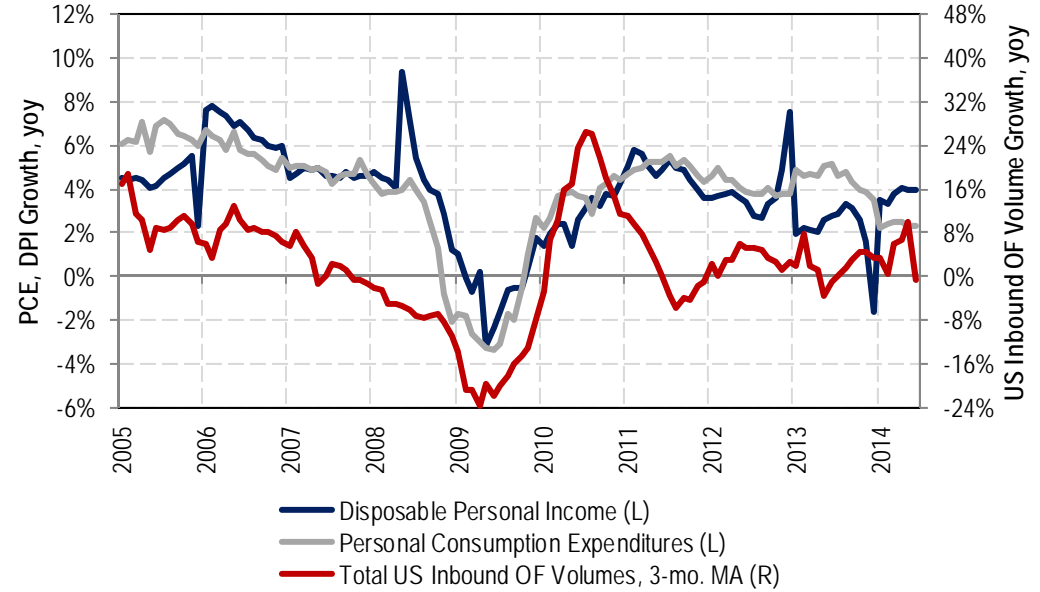
Normalizing Trends in 2Q14 Following 1Q14 Weather

BAIRD

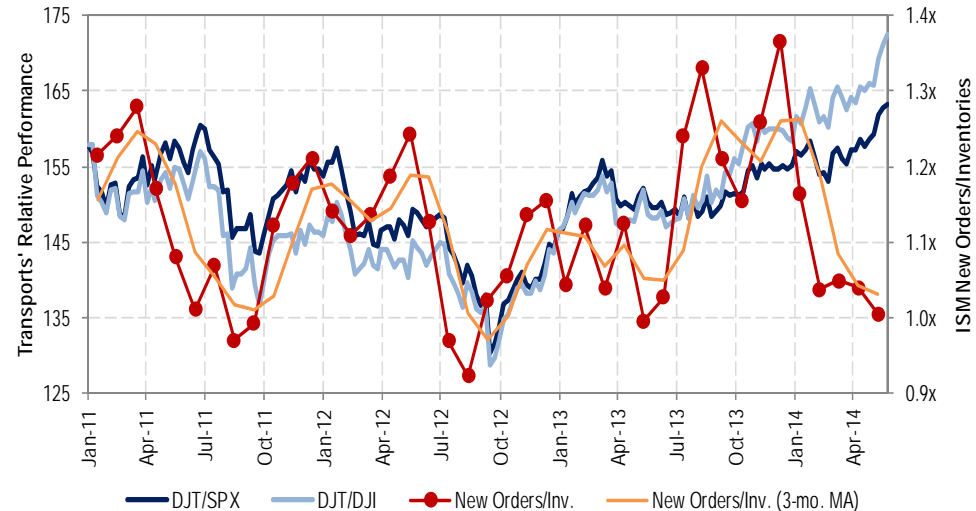
Industrial Trends Strengthening in 2Q...



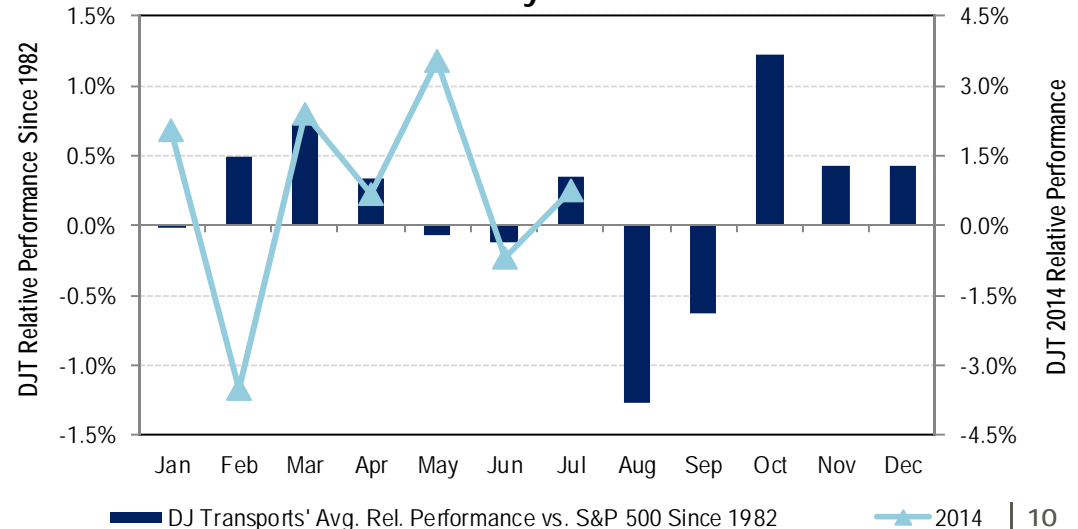
...Along with Retail Trends



ISM New Orders/Inventories Has Declined in Recent Months

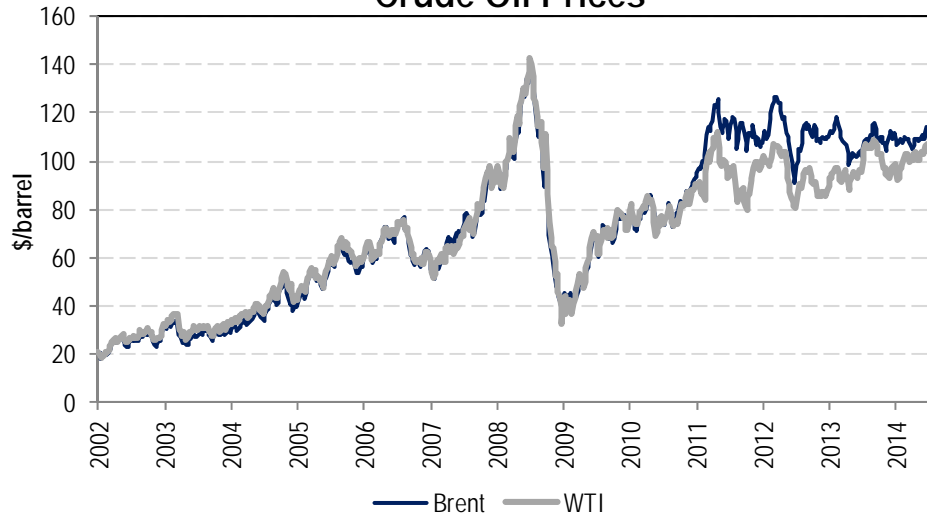


Transports' Relative Stock Performance Historically Weak in 3Q



Key Macroeconomic Indicators

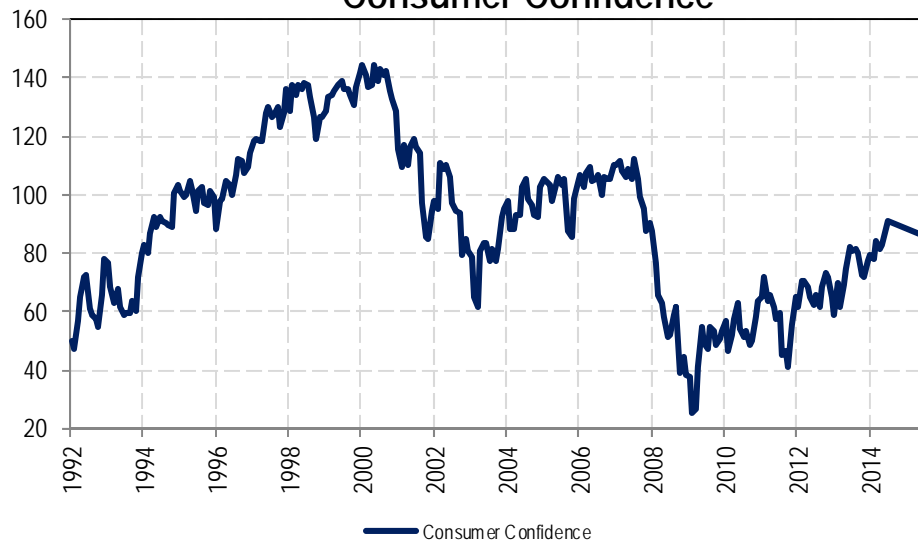
Crude Oil Prices



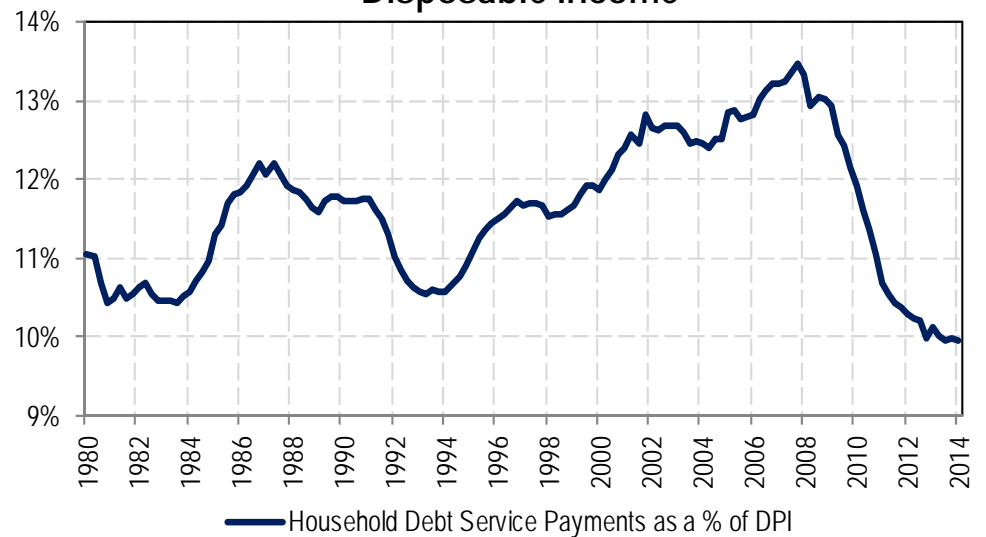
Unemployment Rate



Consumer Confidence

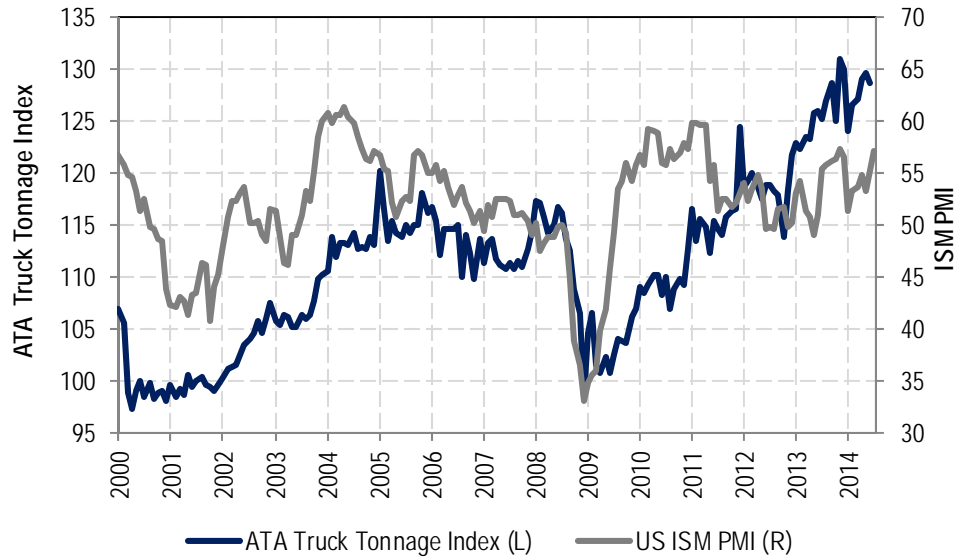


Household Debt Service Payments as a % of Disposable Income

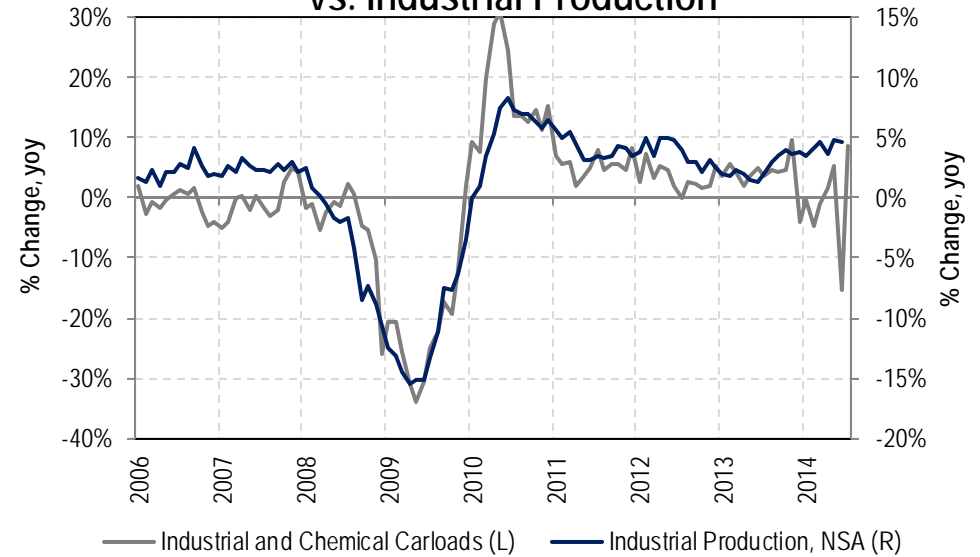


Freight-Related Demand Indicators

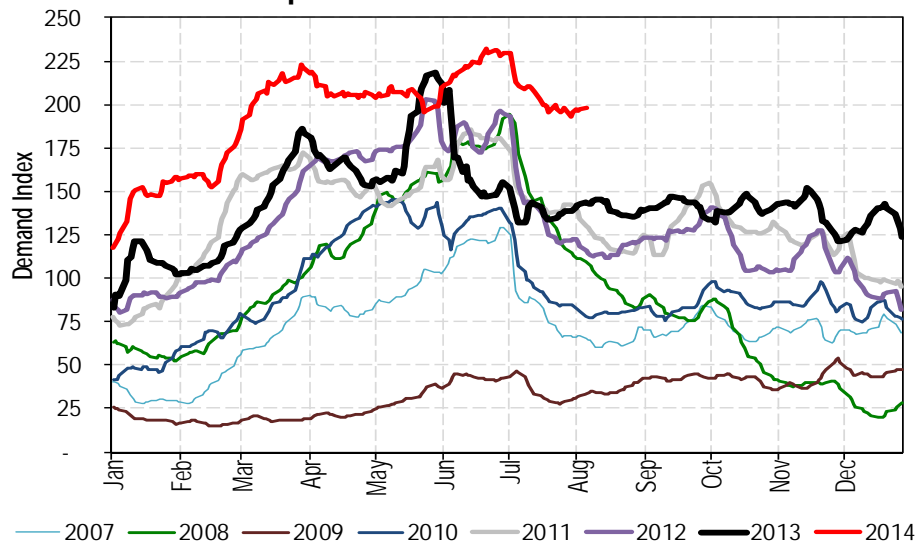
ATA Truck Index vs. ISM



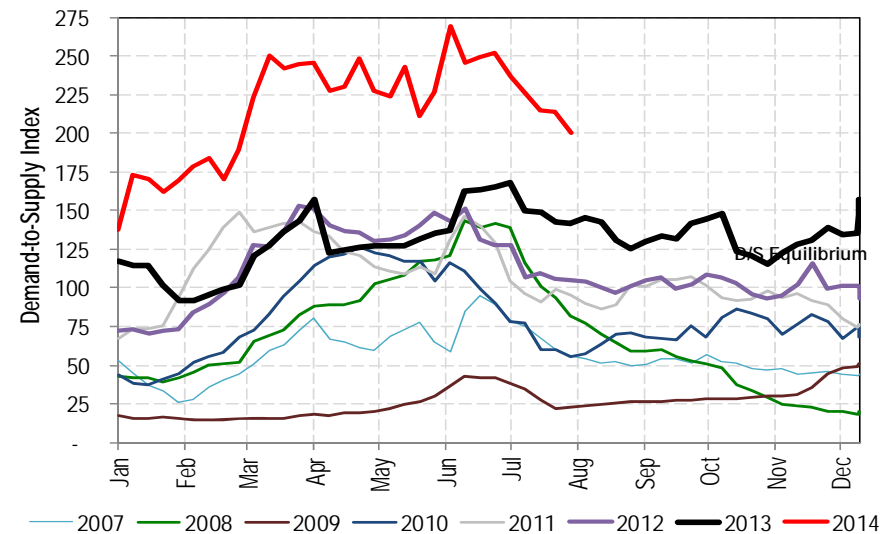
Industrial-Related Rail Carload Growth vs. Industrial Production



Spot Truck Demand Indicator



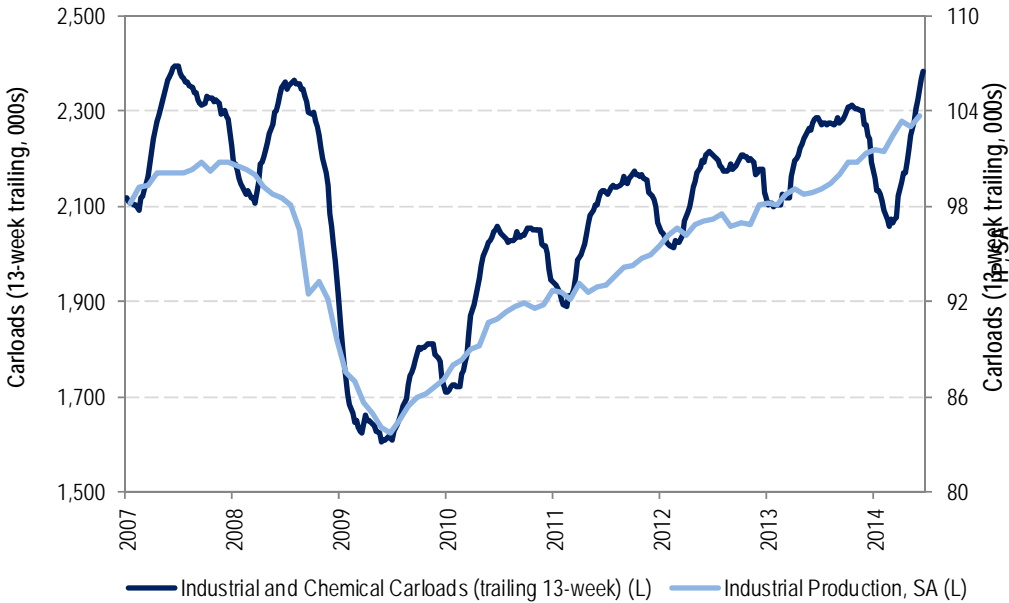
Spot Demand-to-Supply Index



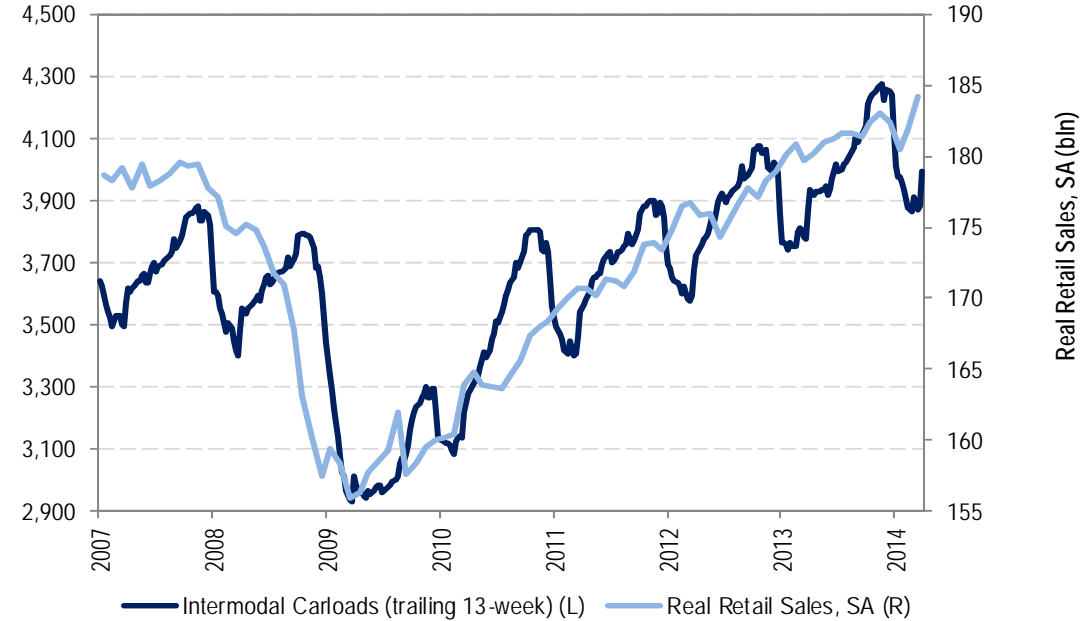
Freight-Related Demand Indicators

BAIRD

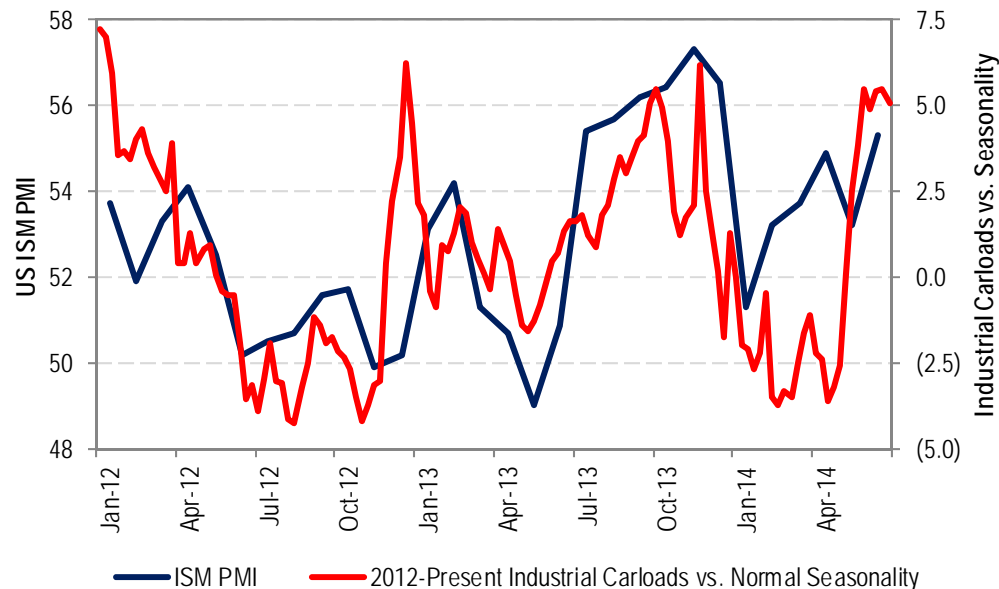
Industrial RR Carloads Correlate with IP Growth...



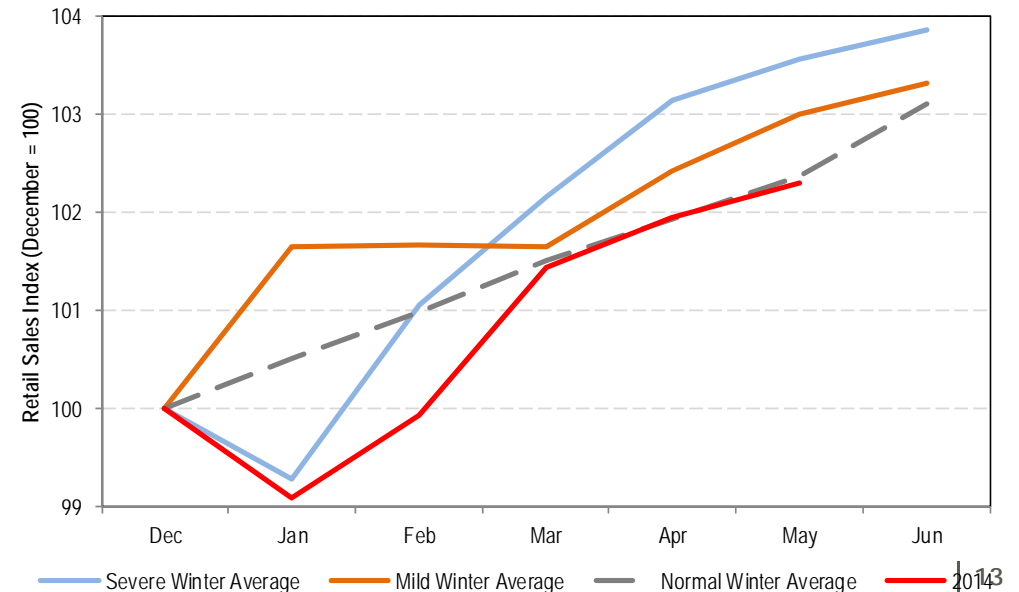
...And Intermodal Carloads Correlate with Retail Sales



Inclement Weather Impacted Freight in 1Q14...



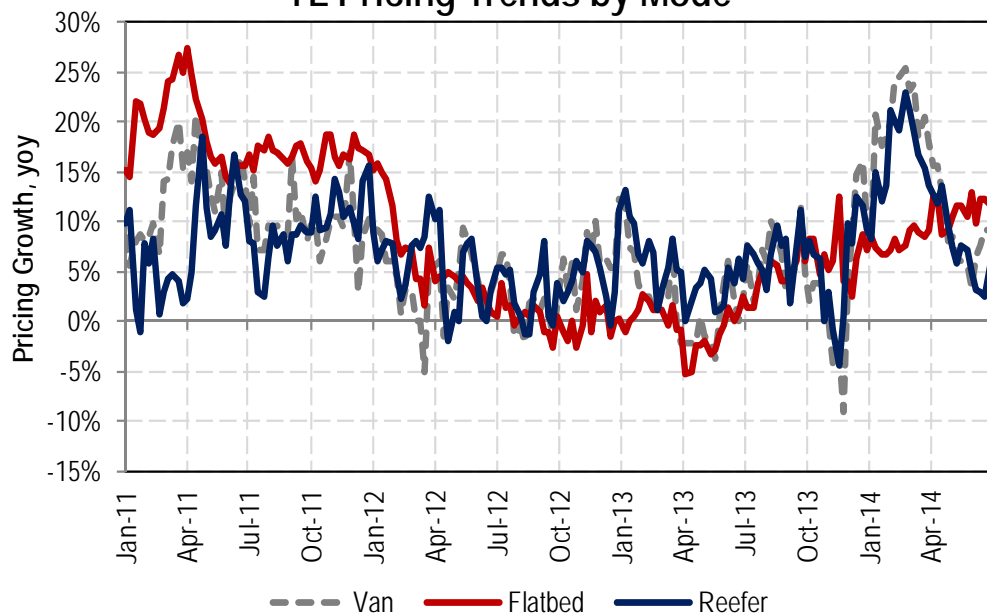
...As Retail Sales Were Hampered



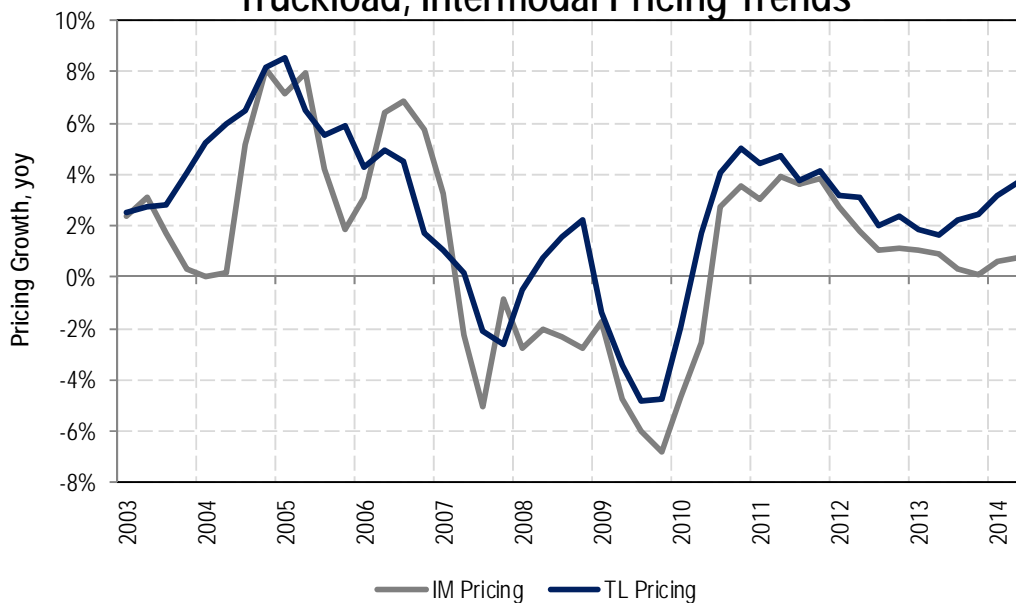
Truckload Pricing Reaccelerating in 2014

BAIRD

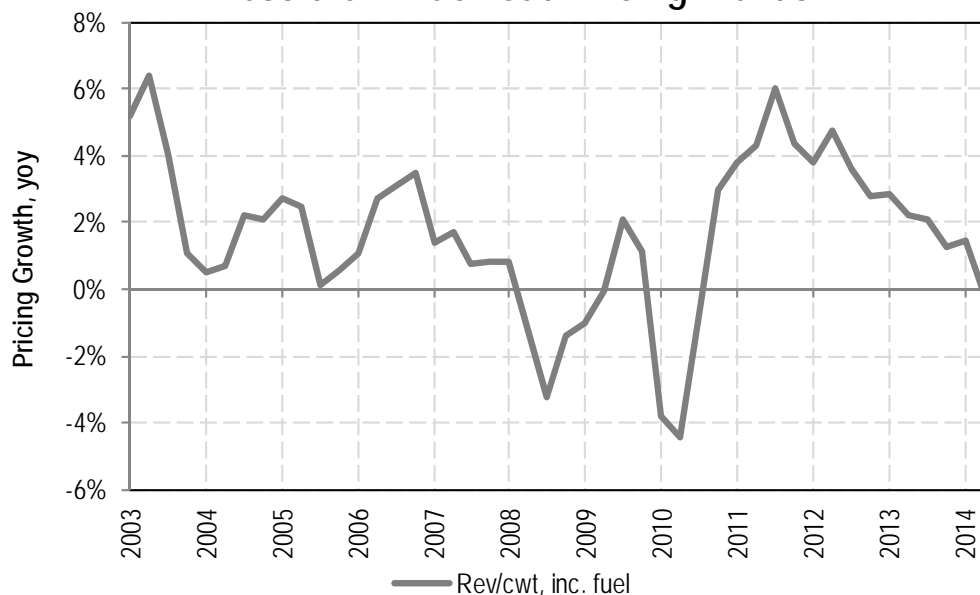
TL Pricing Trends by Mode



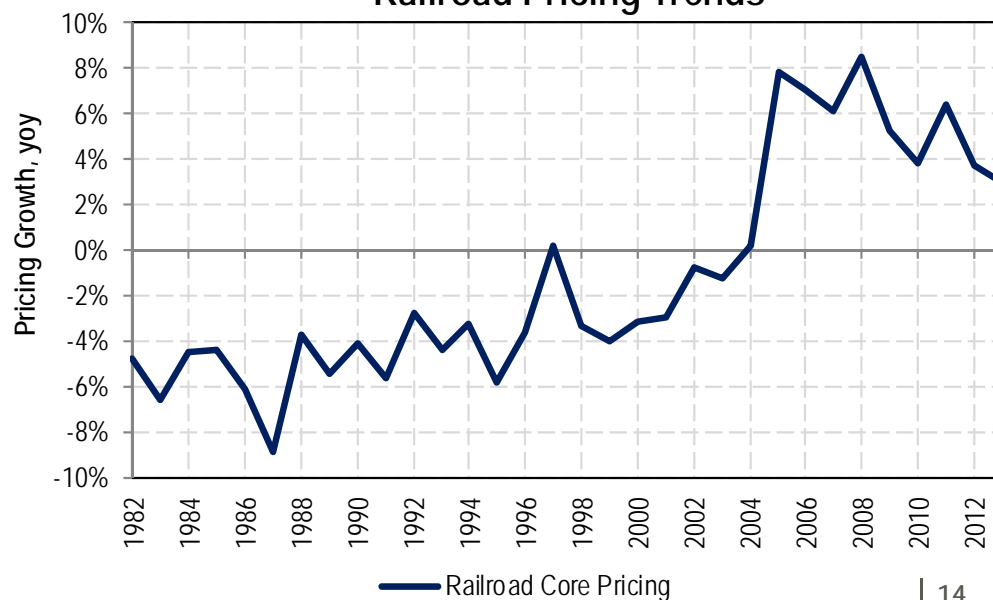
Truckload, Intermodal Pricing Trends



Less-than-Truckload Pricing Trends



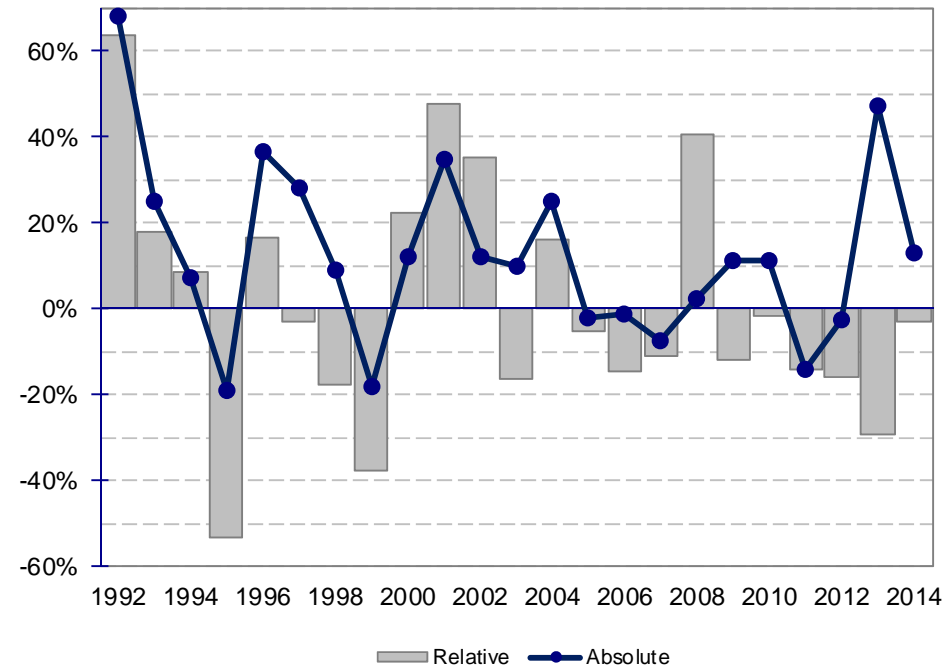
Railroad Pricing Trends



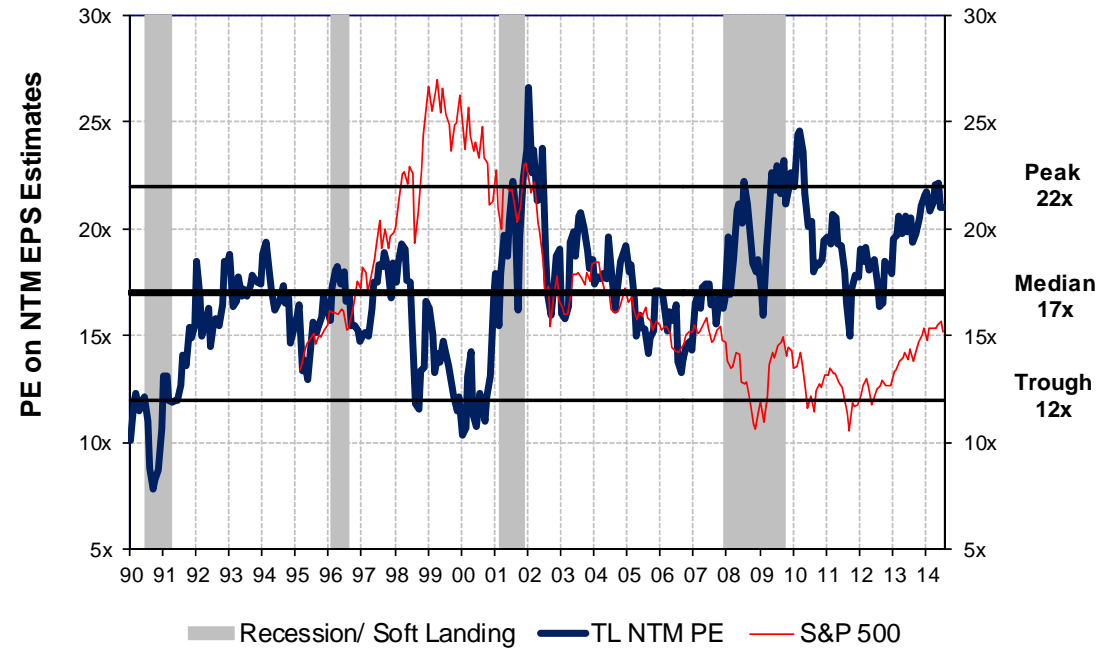
Truckload

BAIRD

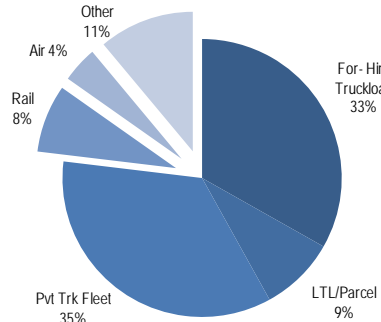
Truckload Index Performance



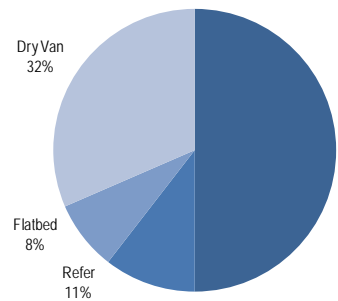
Truckload Index: NTM P/E



\$775 Billion Domestic Freight Market



\$260 Billion For-Hire Truckload Market



Company	Ticker	Revenue (\$mIn)	TL Revenue (\$mIn)	% of Market	Fleet Size	Business Focus
CH Robinson	CHRW	9,250	7,560	5.8%	N/A	TL Brokerage/Logistics
Swift	SWFT	2,930	2,631	2.0%	16,100	TL/Dedicated/Specialty
Schneider	Private	3,890	2,220	1.7%	12,300	TL/Logistics/Dedicated/IM
Werner	WERN	1,815	1,551	1.2%	7,300	TL/Dedicated/Specialty
US Xpress	Private	1,470	1,440	1.1%	8,000	TL/LTL/Dedicated
JB Hunt	JBHT	3,790	1,390	1.1%	10,000	TL/Intermodal(IM)/Dedicated
Landstar	LSTR	2,400	1,370	1.1%	8,500	TL/Logistics/Specialty
Transplace	Private	1,040	1,040	0.8%	N/A	TL and LTL Brokerage/IM
Crete Carrier Grp	Private	900	900	0.7%	5,100	TL/Reefer/Specialty
Greatwide Logistics	Private	1,050	850	0.7%	5,000	TL Brokerage/Dedicated
CR England	Private	970	780	0.6%	4,600	Reefer/TL/Dedicated/Logistics
Prime Inc.	Private	920	720	0.6%	4,000	Reefer/Flatbed/Tanker
Knight	KNX	730	690	0.5%	3,900	TL/Refer/Brokerage
Covenant	CVTI	650	605	0.5%	3,100	TL/Expedited/Refer
CRST International	Private	860	560	0.4%	3,100	TL/Logistics/Dedicated
Conway Truckload	CNW	4,850	550	0.4%	2,700	TL/Flatbed
Heartland	HTLD	500	500	0.4%	2,800	TL
NFI Industries	Private	900	450	0.3%	2,500	TL/Logistics/IM/Dedicated
Truckload Market (estimate)		130,000				

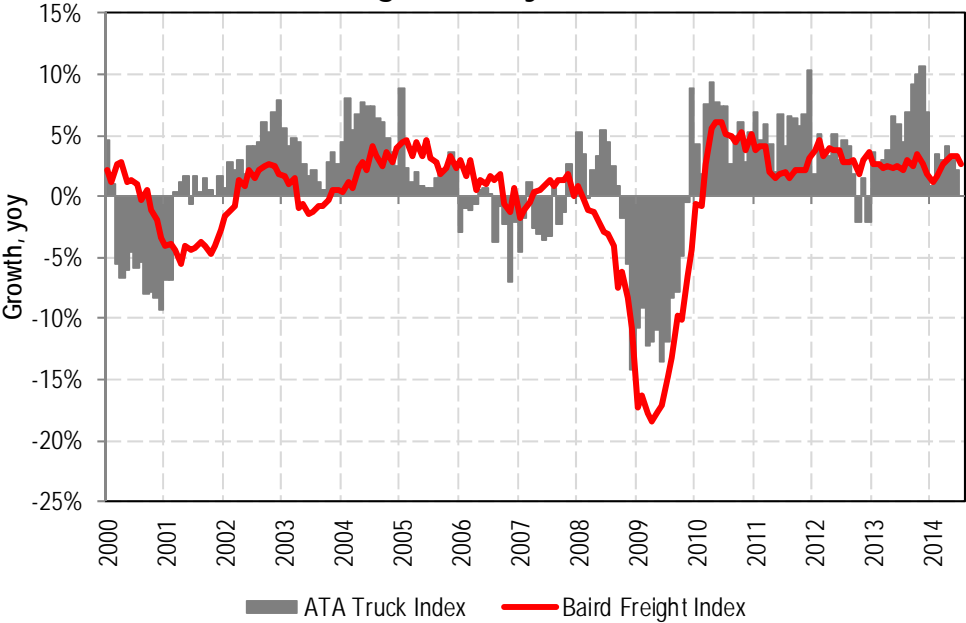
* Ranked by TL revenue; revenue in \$millions

** Market concentration based on estimated 2010 TL revenue

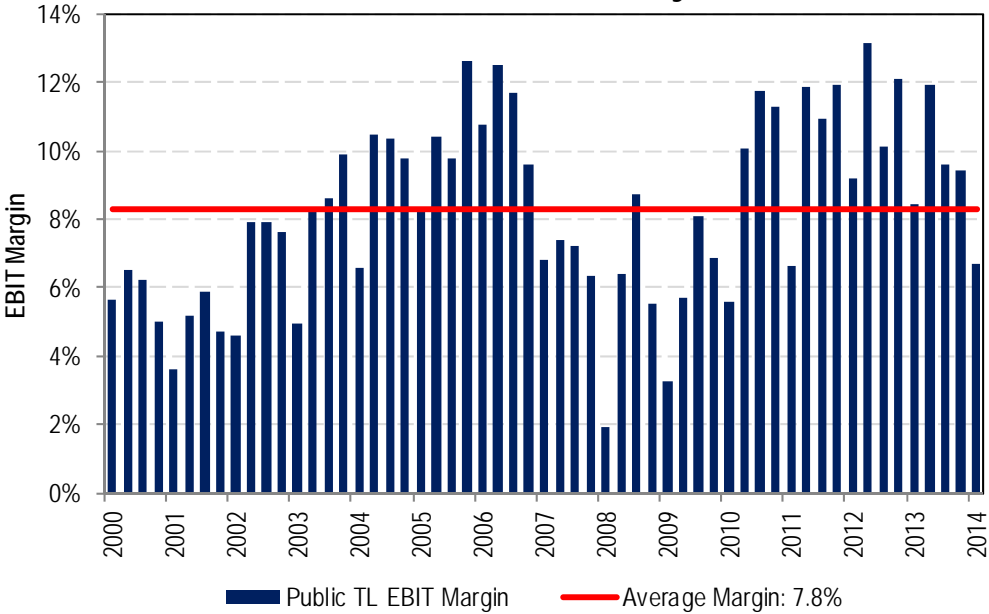
Truckload Operating Metrics



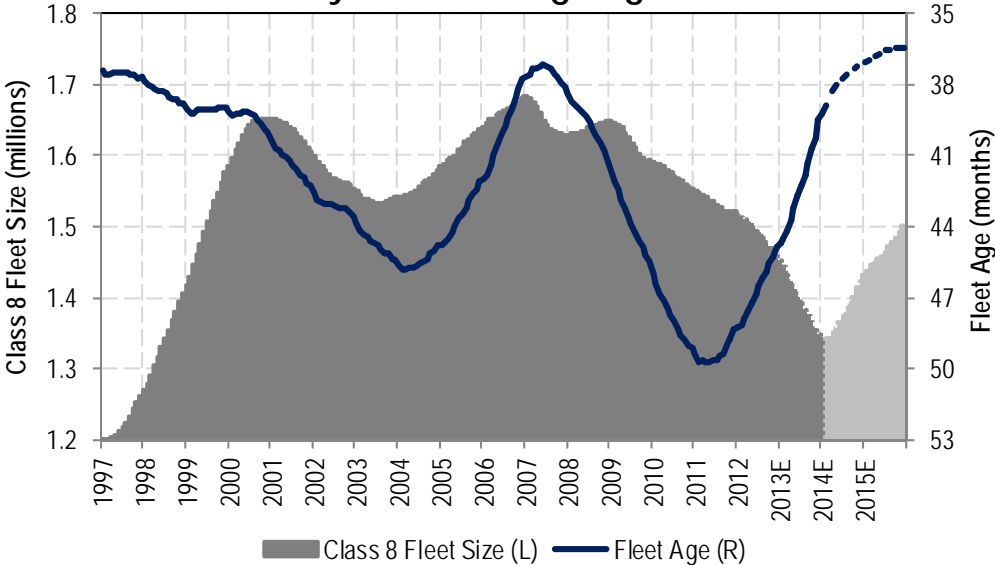
Trucking Industry Volume Growth



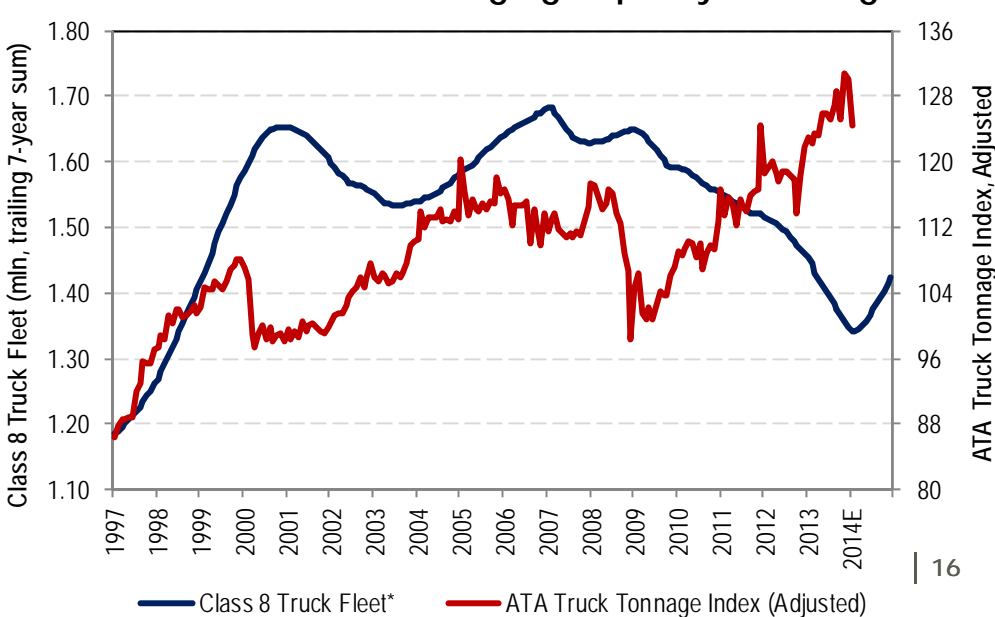
Truckload Profitability



Industry Fleet Undergoing Refresh

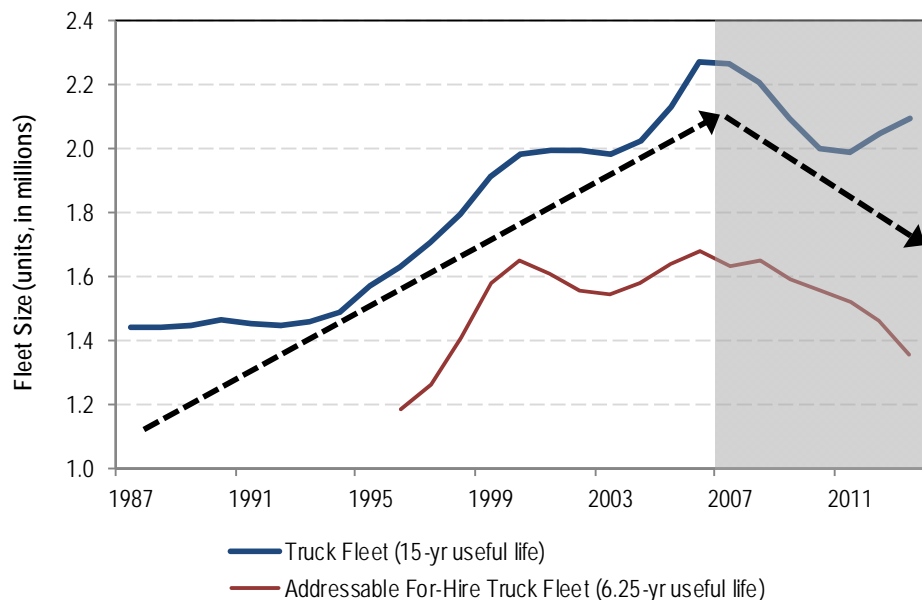


Truckload Carriers Managing Capacity for Trough

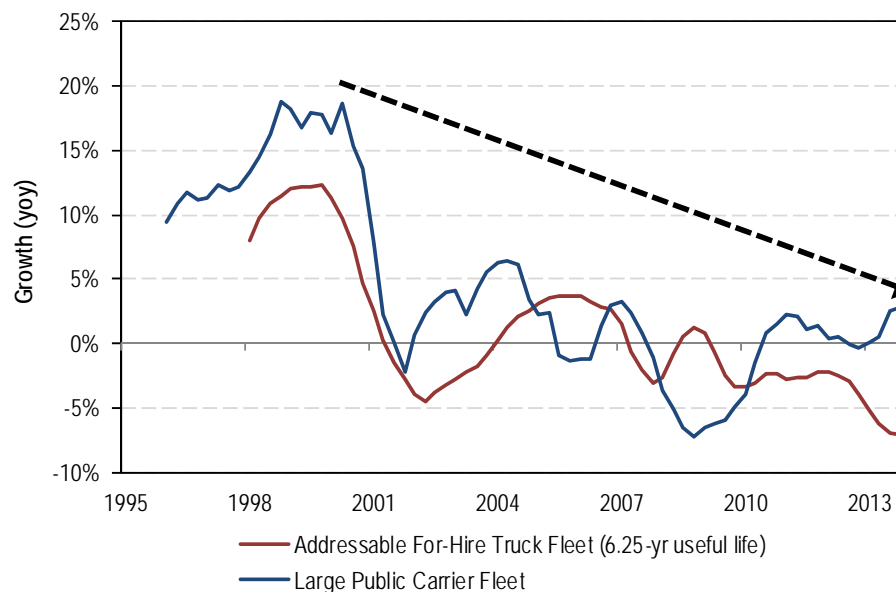


Truckload Capacity Constrained

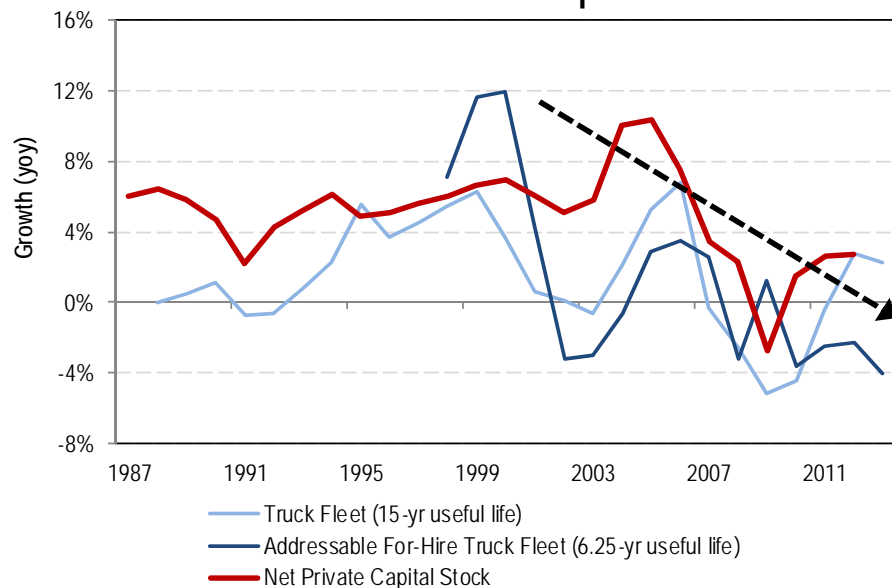
Trucking Capacity Trends Have Inflected...



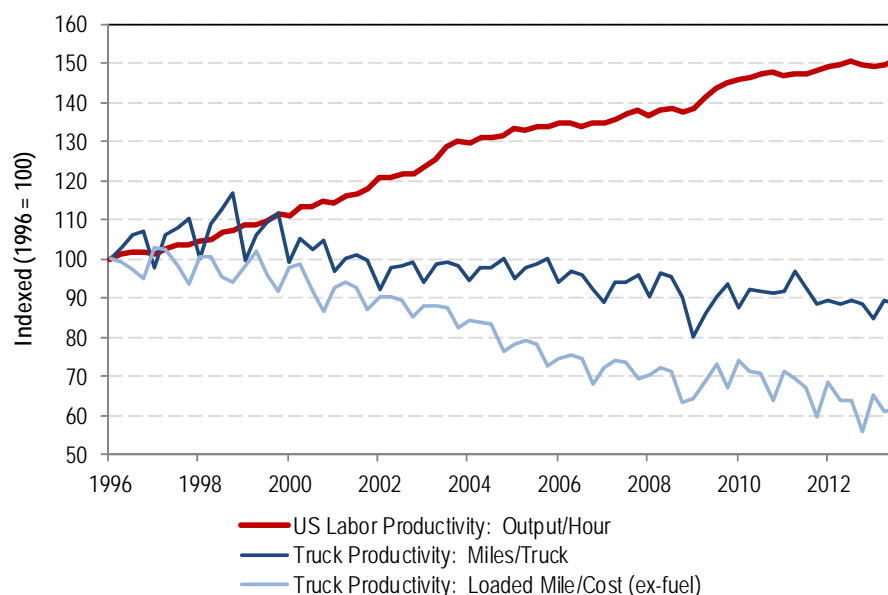
...And Capacity Base Has Shrunk by 10% Since 2006



Consistent with Broader Capital Stock Trends

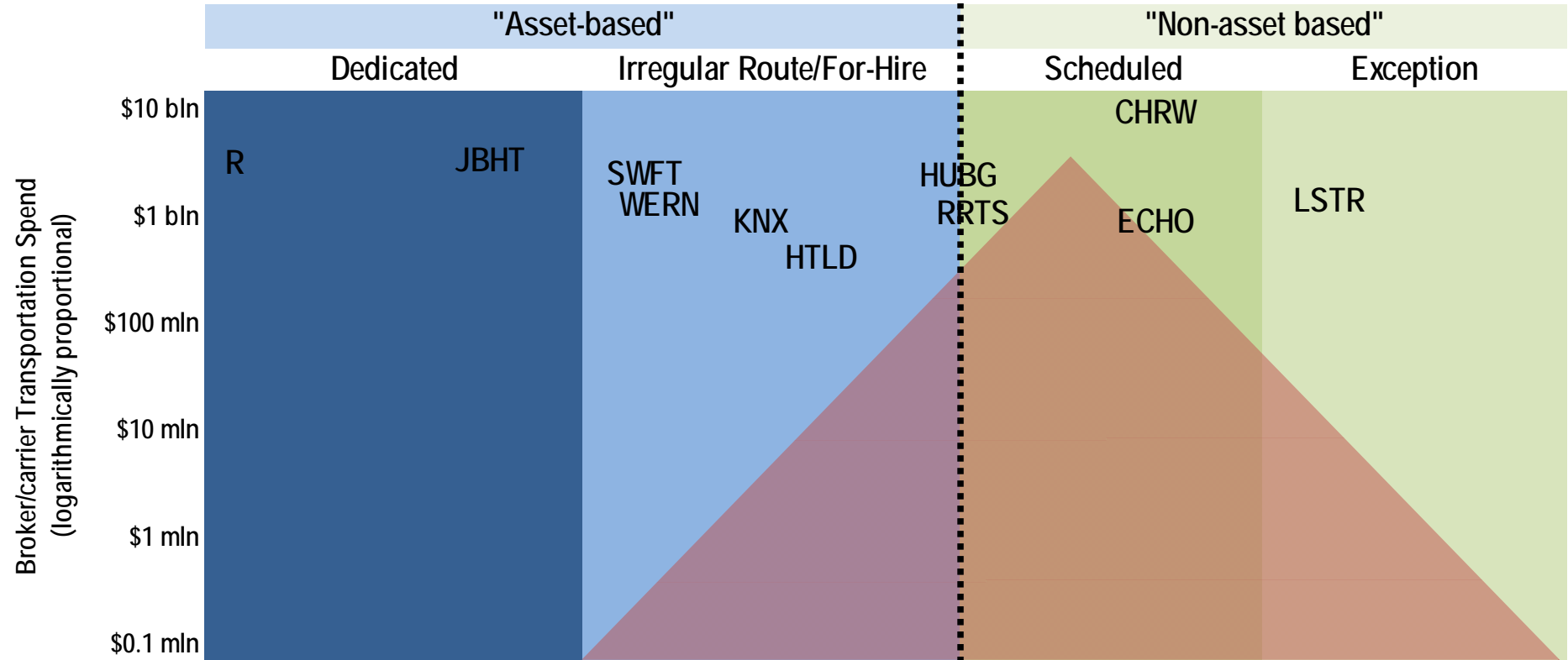


Productivity Trends Have Diverged



"Pyramid of Pressure"

BAIRD

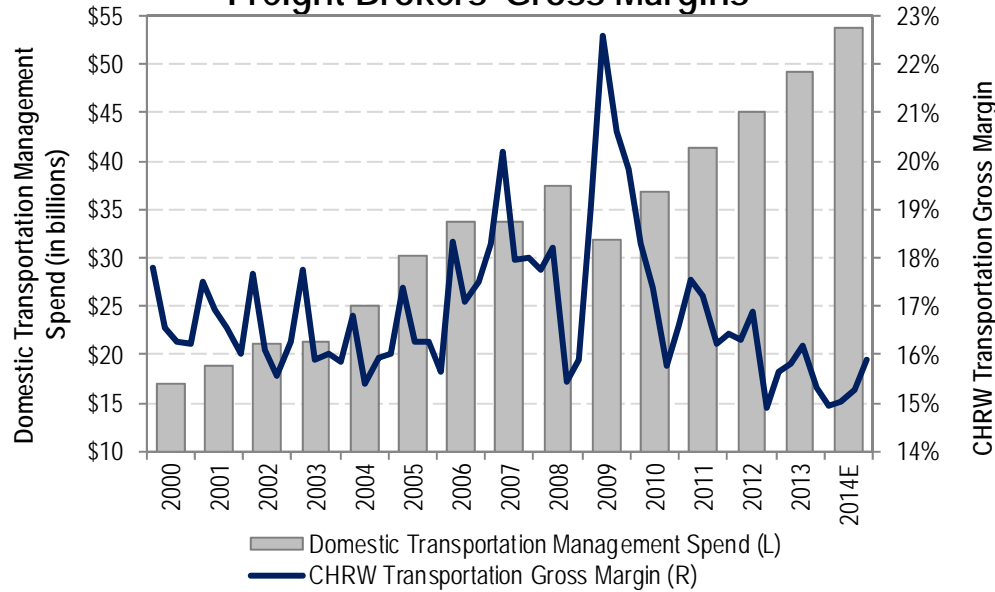


	Dedicated	Irregular Route/For-Hire	Scheduled	Exception
Description	Private fleet outsource arrangement contracted to a for-hire carrier by one particular shipper	Licensed carrier available for public hire, typically without prescribed schedules or routes	Contracted pre-determined customer rate arrangement for anticipated volume/destinations	Transaction or "spot"-based customer arrangement, usually arising from unplanned demand
Dynamics this cycle	<p>*Pressures to shippers operating private fleets (rising equipment costs, capital scarcity, driver regulations) leading to elevated inquiries about outsourcing management to dedicated fleet operators</p>	<p>*Core carrier concept among shippers highlights credible concerns about access to reliable capacity</p> <p>*Carriers with scale strategically positioned to protect margins and expand service offering</p> <p>*Small carriers/individual owner-operators facing numerous headwinds, limiting</p>	<p>*Pressures to small carriers/owner-operators (~80% of TL market) limit available capacity base</p> <p>*Coupled with slower end-market growth and increasing competition, expect gross margin pressure for brokers lacking</p>	<p>*Constraints to capacity base similarly pressures gross margins</p> <p>*But, brokers filling need (exception/emergency freight) or niche (specialized equipment) in position to deliver value, particularly among small/medium-</p>

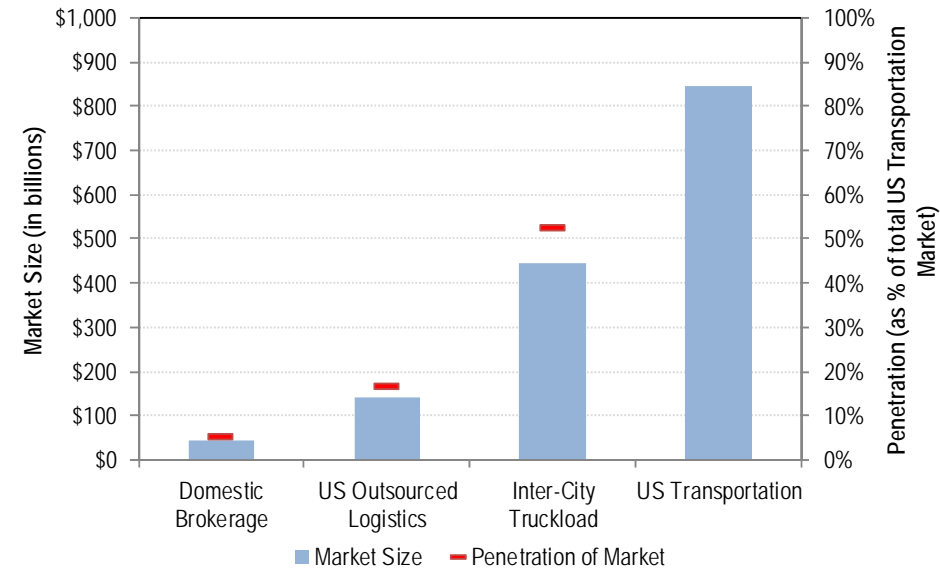
Pure, Non-Asset Based Brokers the Product of a Bygone Era?

BAIRD

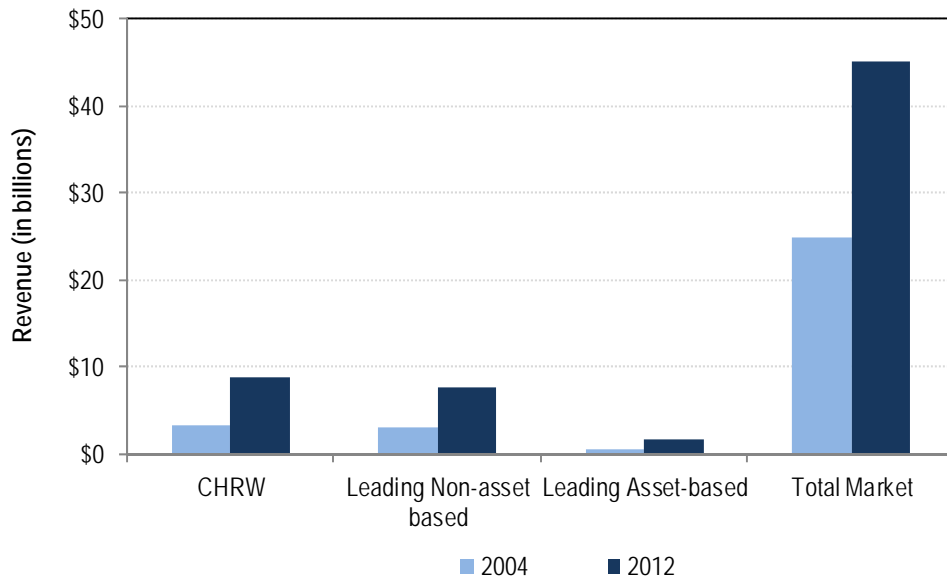
Changing Dynamics Pressuring Freight Brokers' Gross Margins



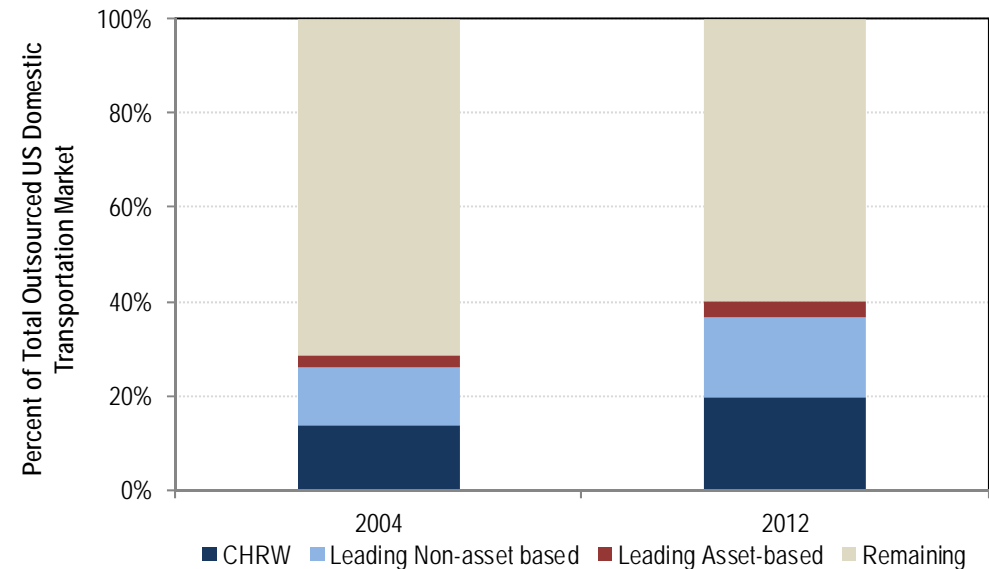
Domestic Brokerage Market Share Remains Small, with Share to Be Had



Though Other Models Are Building Scale...



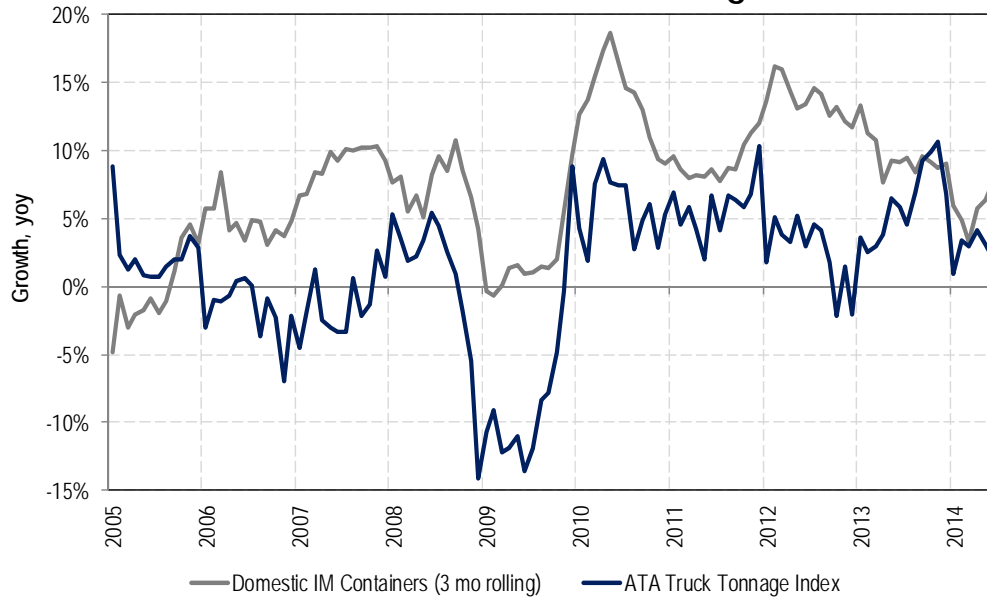
...CHRW Remains the Market Leader



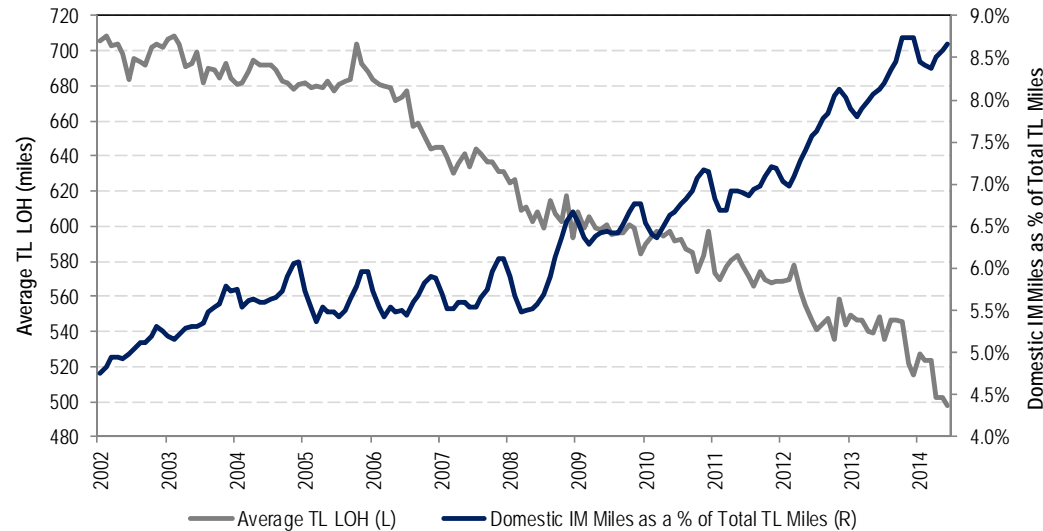
Domestic Intermodal & Truckload's Response

BAIRD

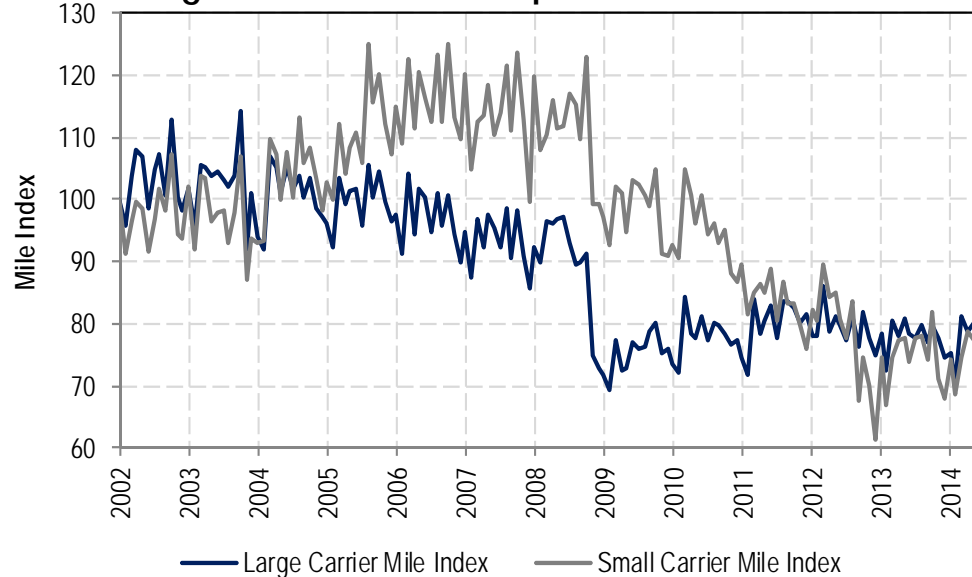
Intermodal vs. Domestic Freight



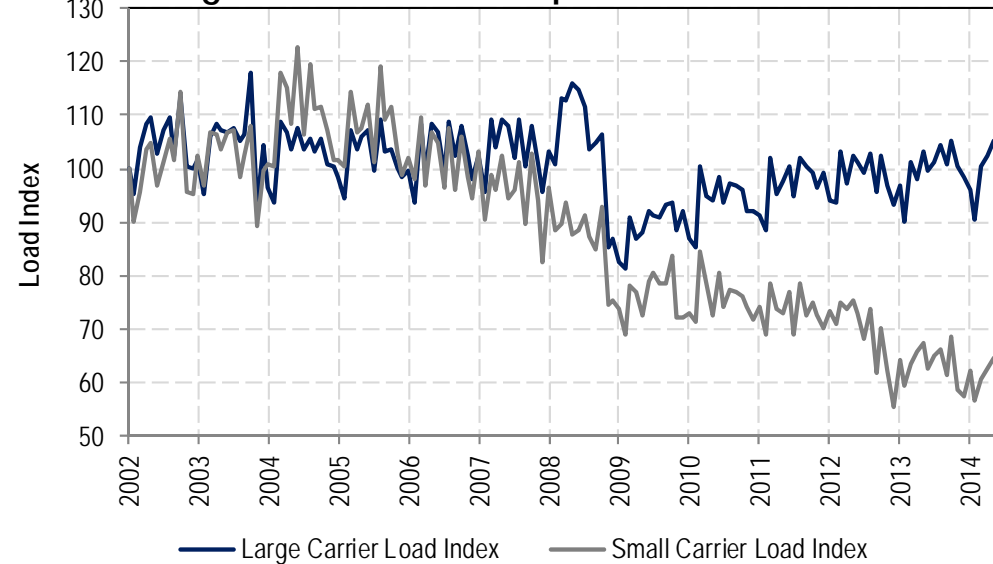
Domestic Intermodal Taking Share from Truck



Large Carriers Have Responded to IM Penetration



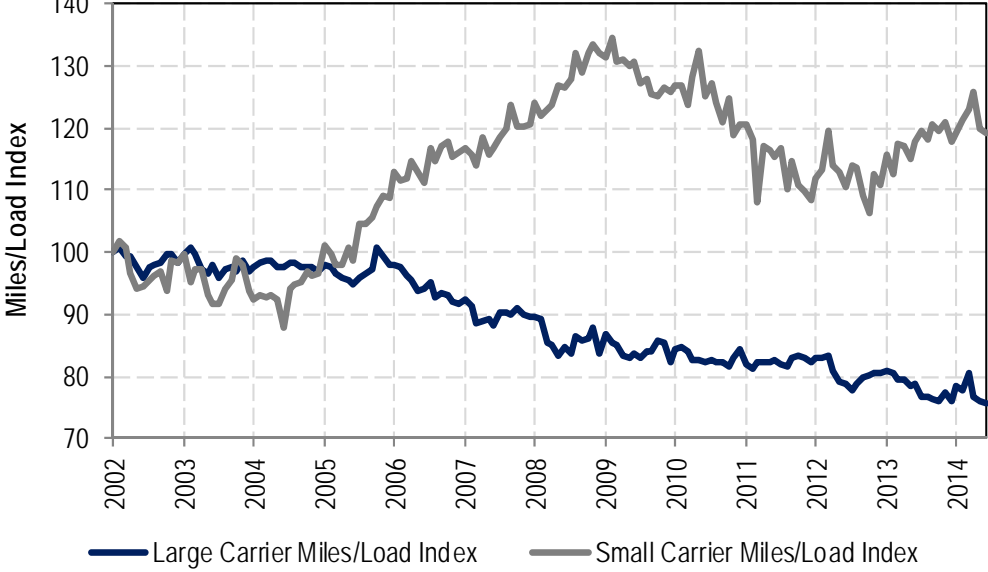
Large Carriers Have Responded to IM Penetration



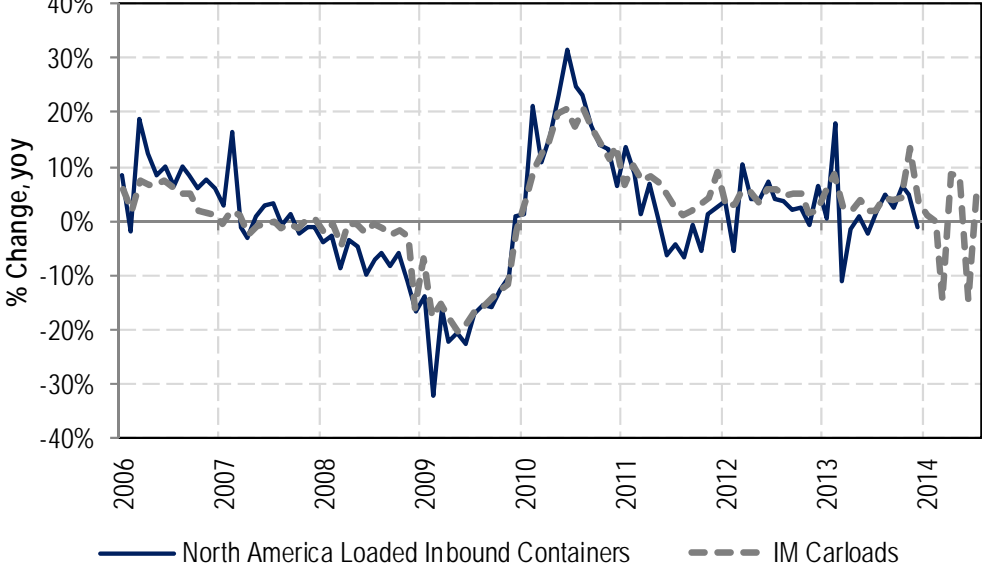
Domestic Intermodal & Truckload's Response



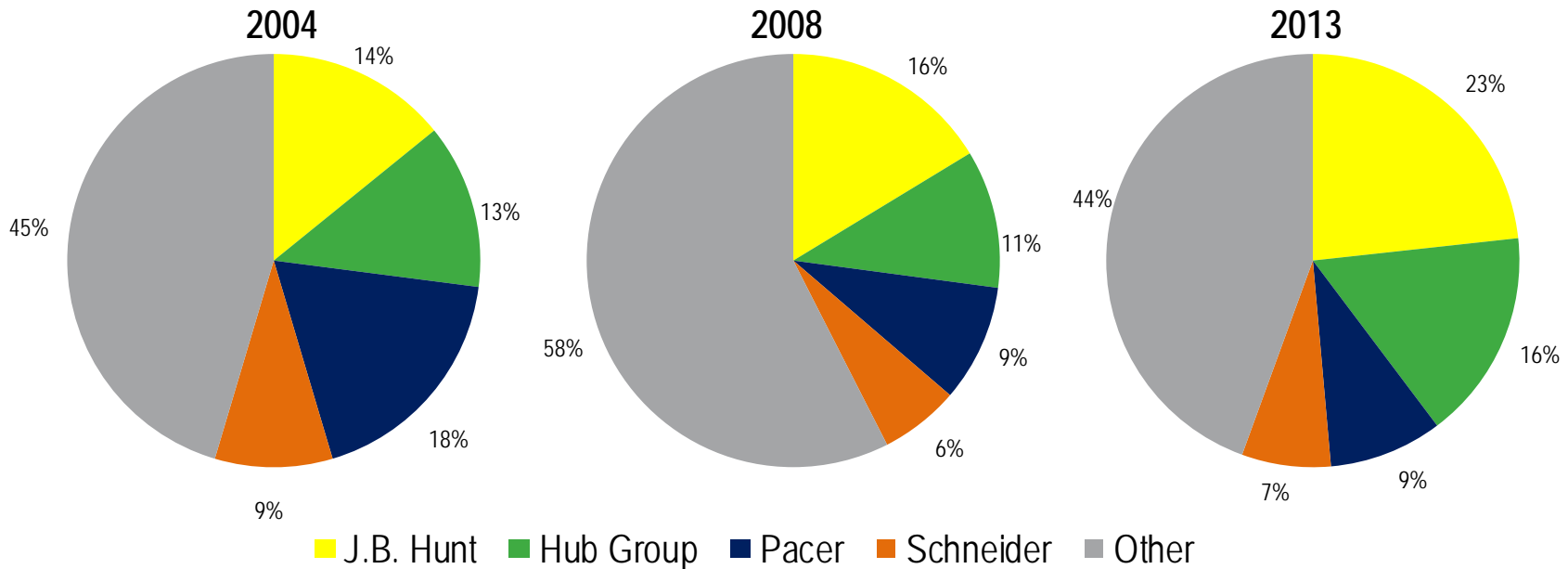
Large Carriers Have Responded to IM Penetration



Intermodal Correlation with Import Volumes



Intermodal Market Share Shift

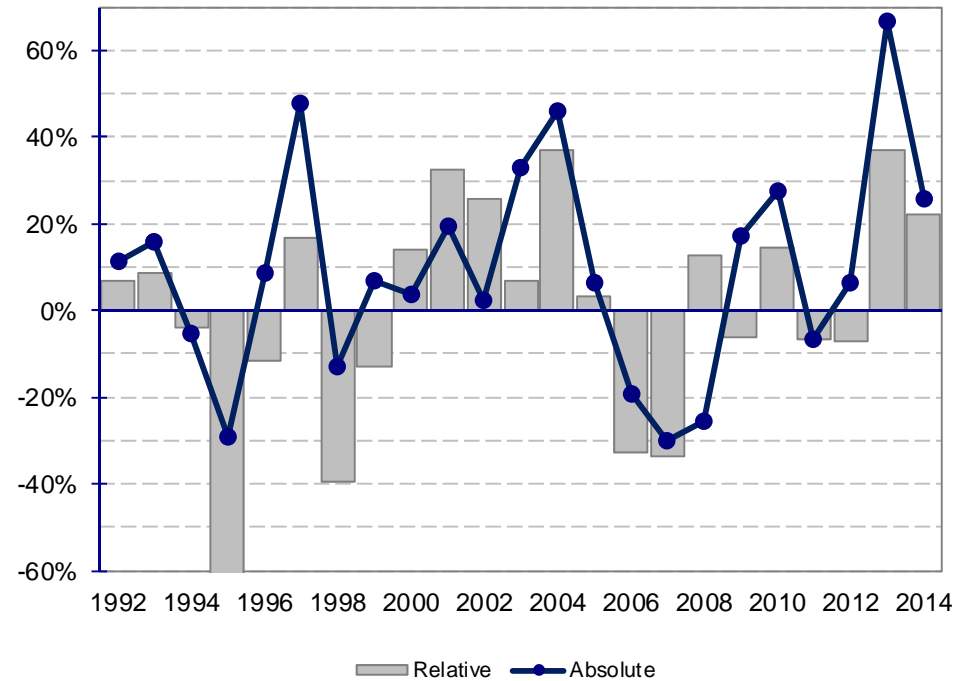


Source: ATA, IANA, Company data, Baird estimates

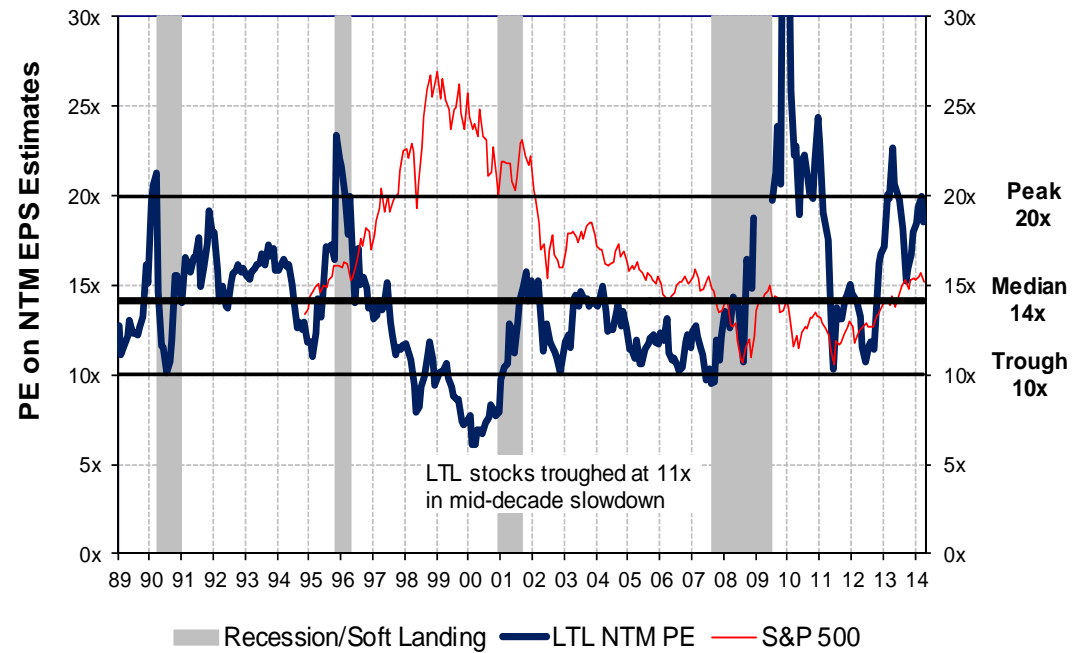
Less-Than-Truckload

BAIRD

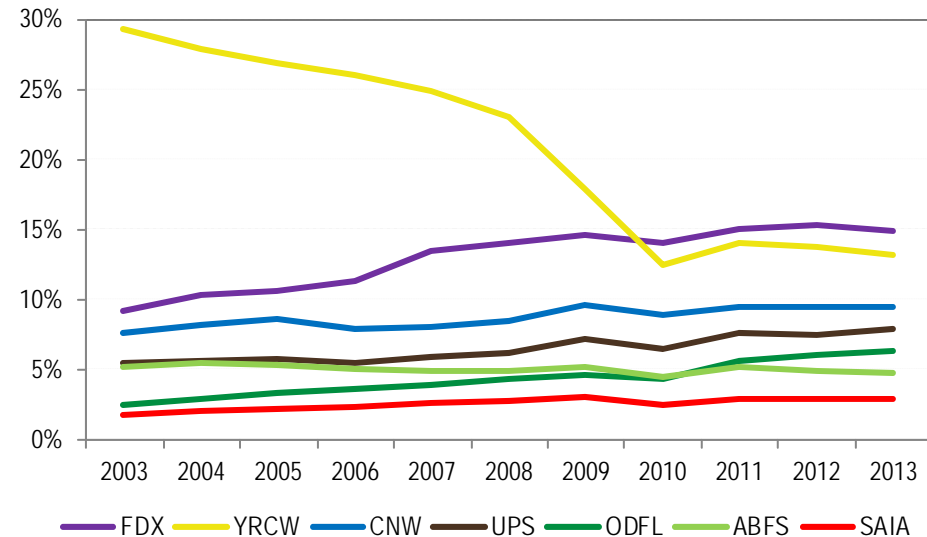
Less-Than-Truckload Index Performance



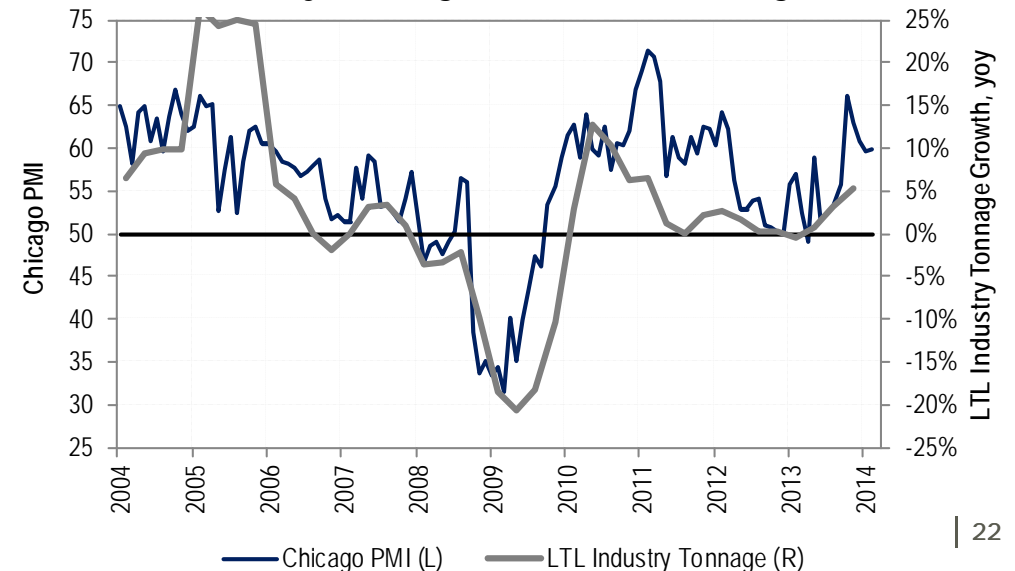
Less-Than-Truckload Index: NTM P/E



Less-Than-Truckload Market Share



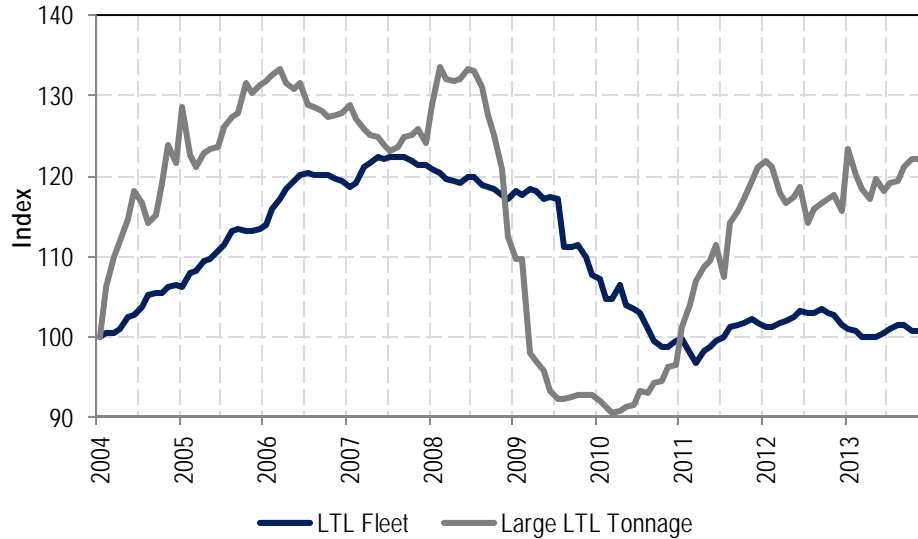
LTL Industry Tonnage Growth vs. Chicago ISM



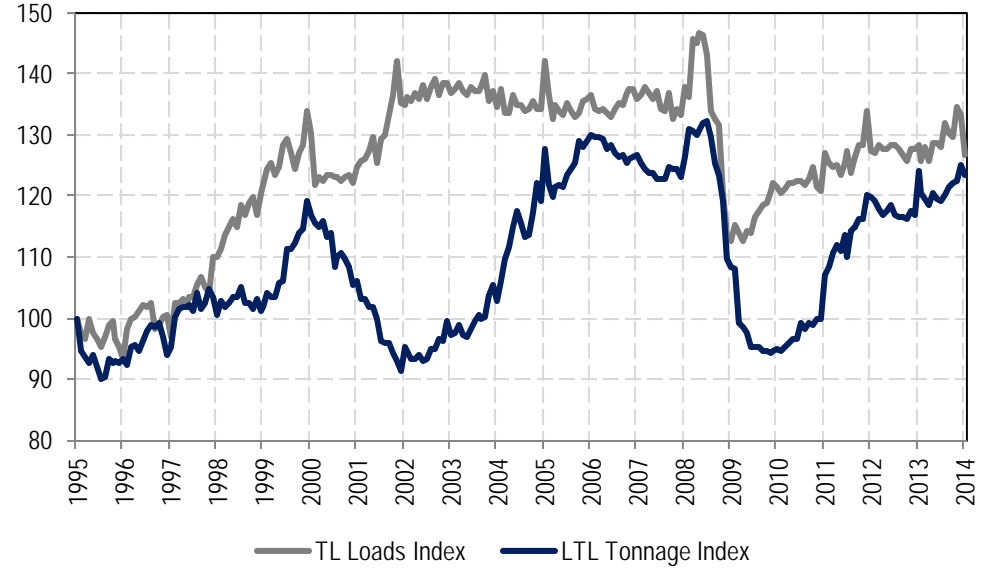
LTL Operating Metrics

BAIRD

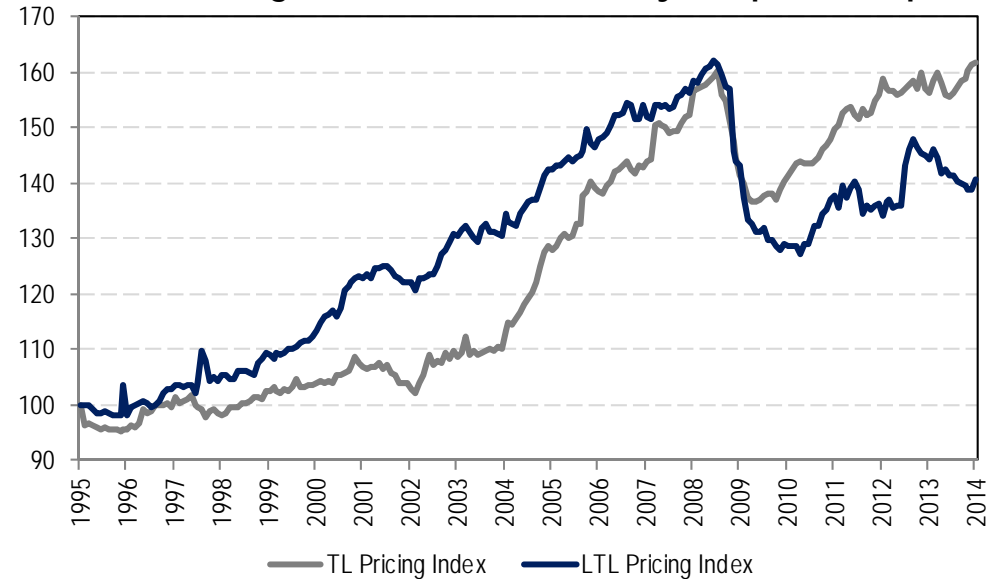
Capacity Discipline in LTL



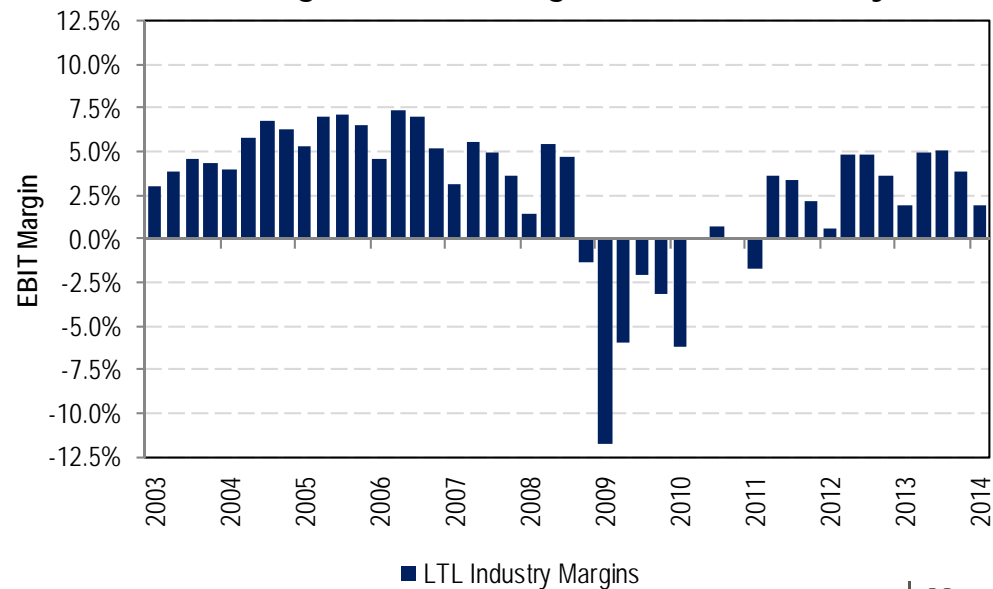
LTL Tonnage Recovering



LTL Pricing Has Softened Recently Despite Discipline



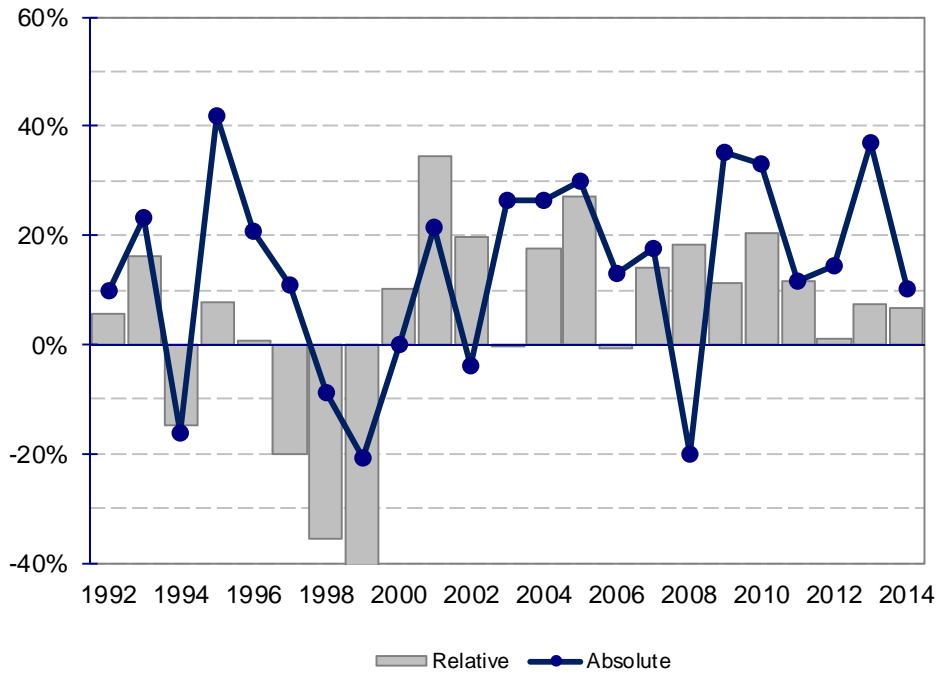
And Margins Recovering from Recessionary Lows



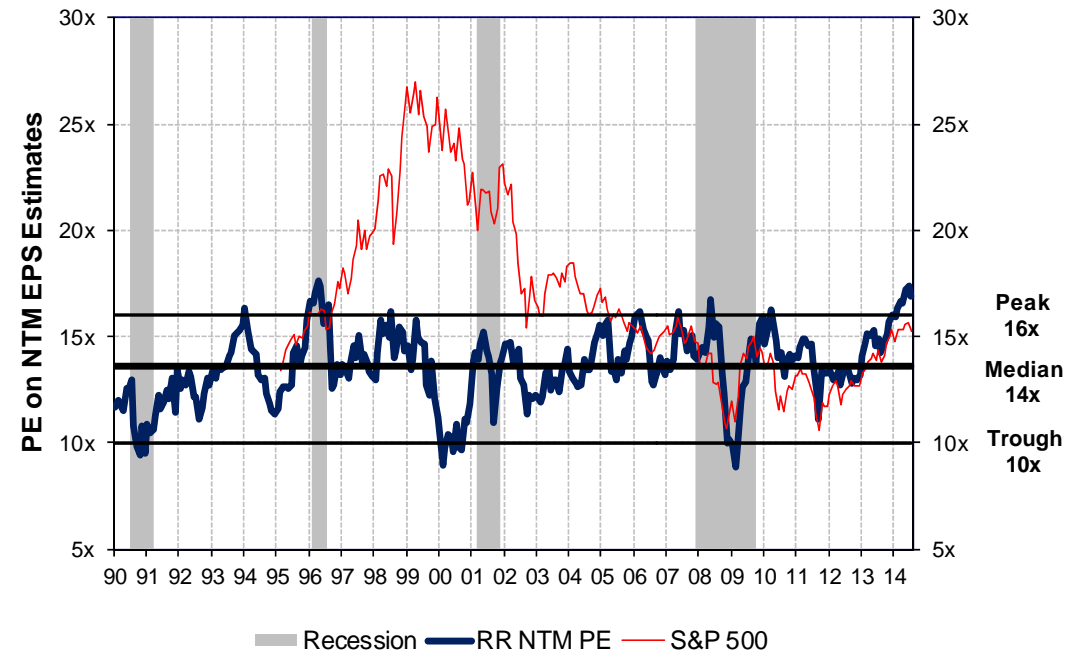
Railroads

BAIRD

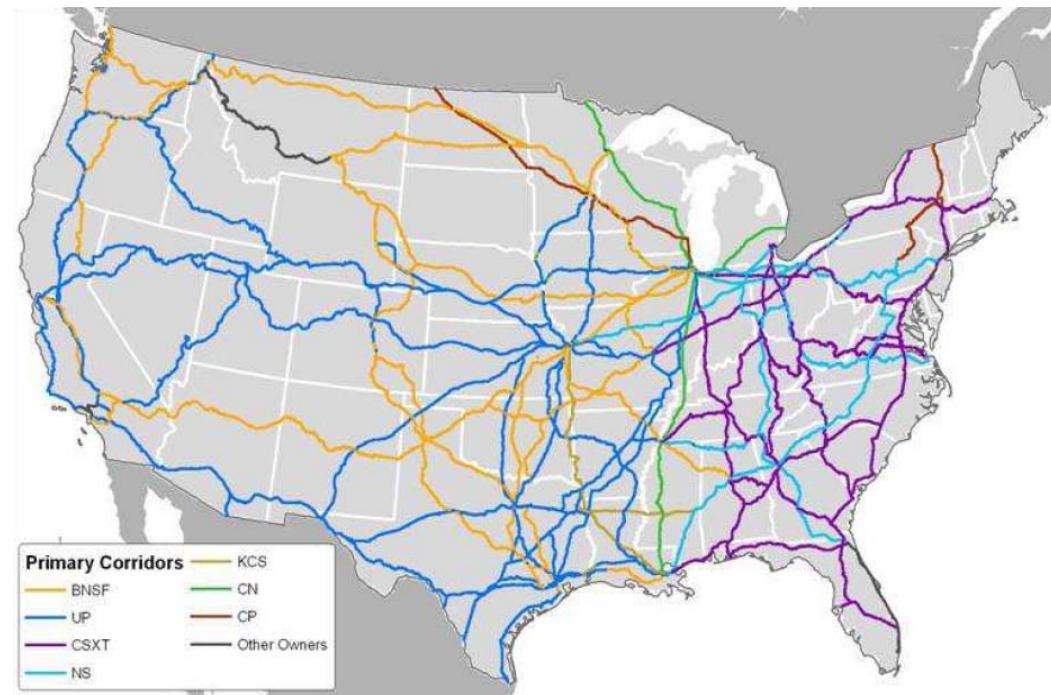
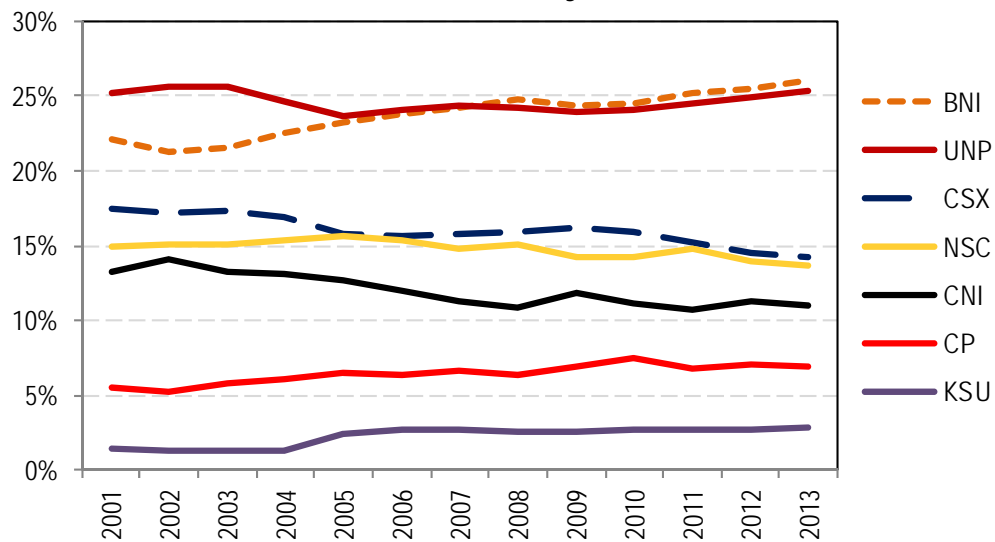
Railroad Index Performance



Railroad Index: NTM P/E



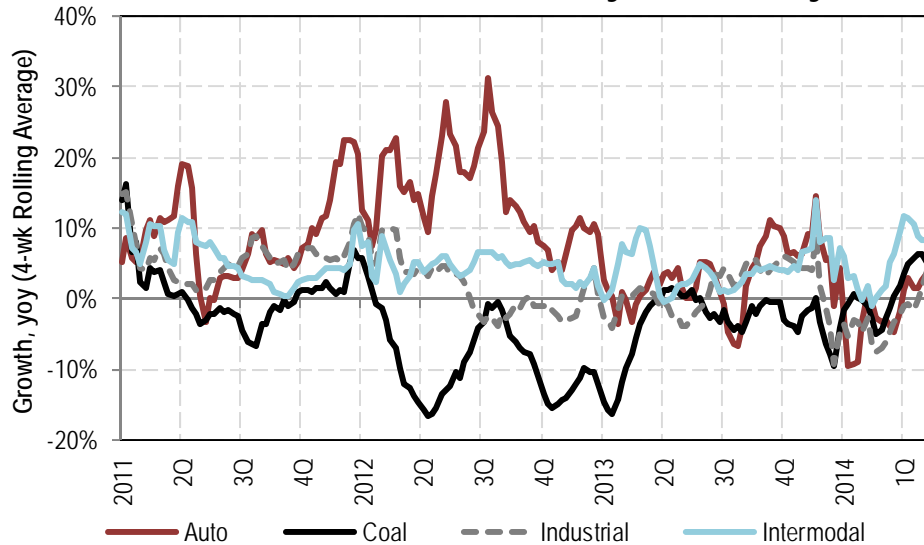
Railroad Market Share by Revenue



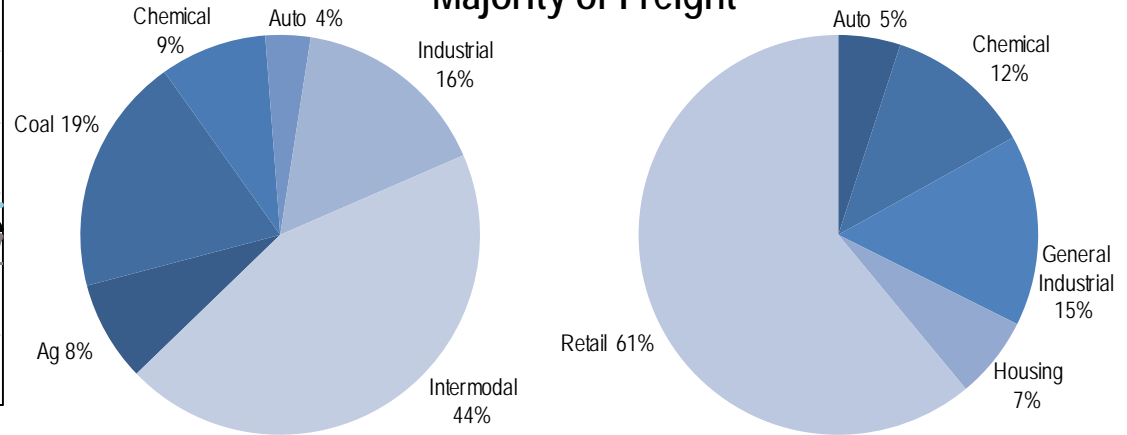
Railroads

BAIRD

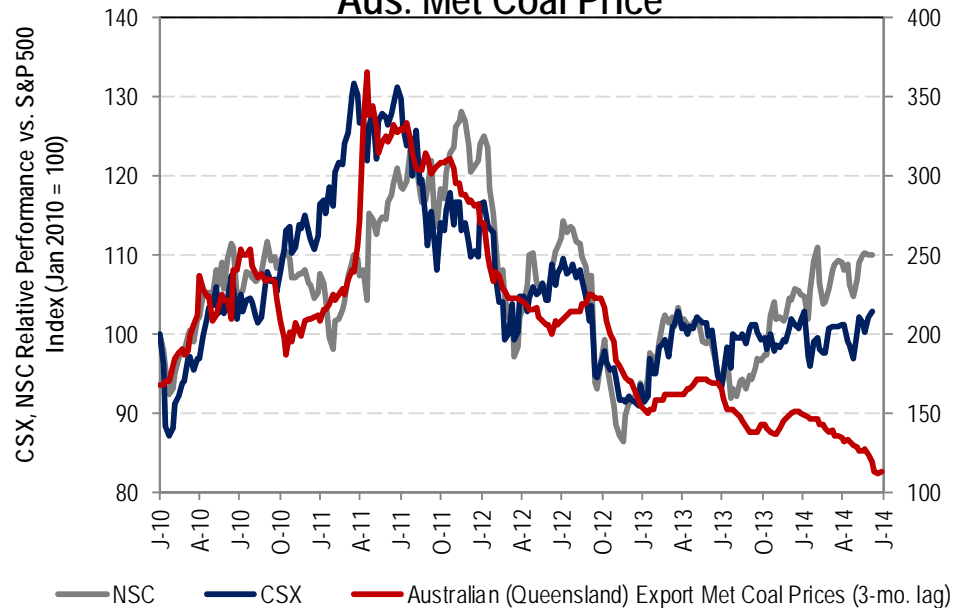
Carload Growth Trends by Commodity



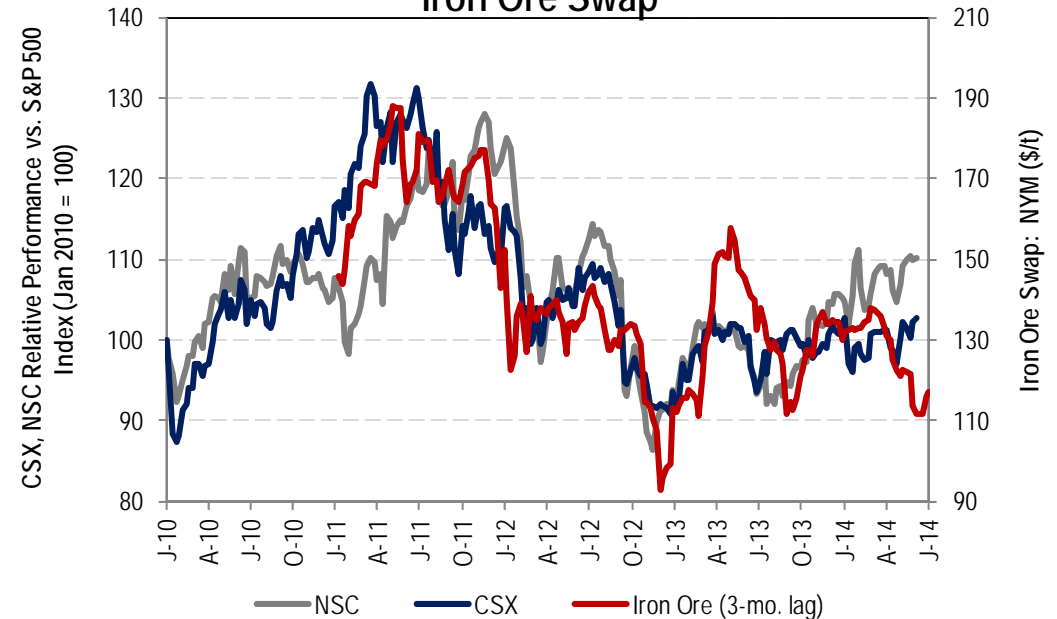
Downside Protection for a Majority of Freight



Eastern Rail Relative Performance vs. Aus. Met Coal Price



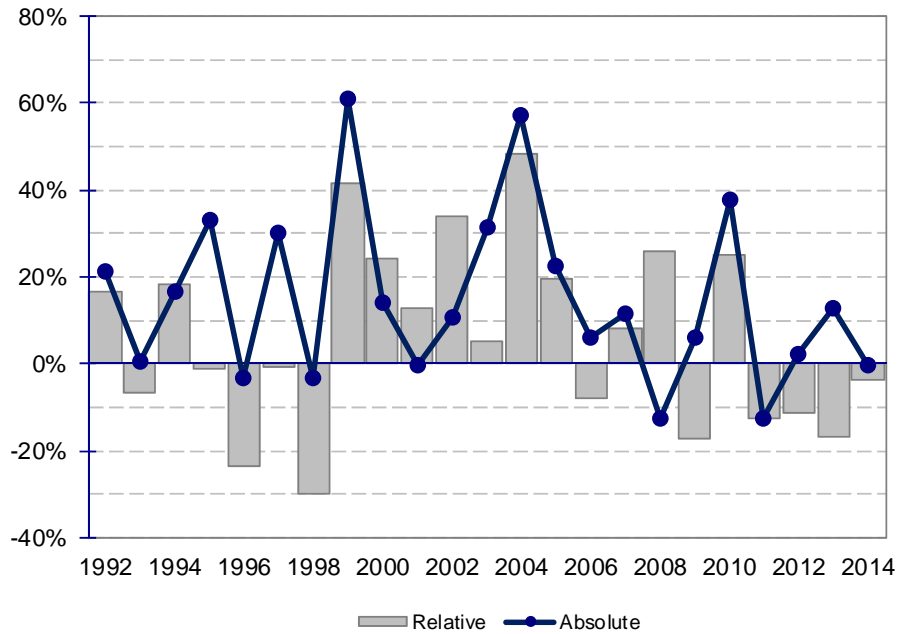
Eastern Rail Relative Performance vs. Iron Ore Swap



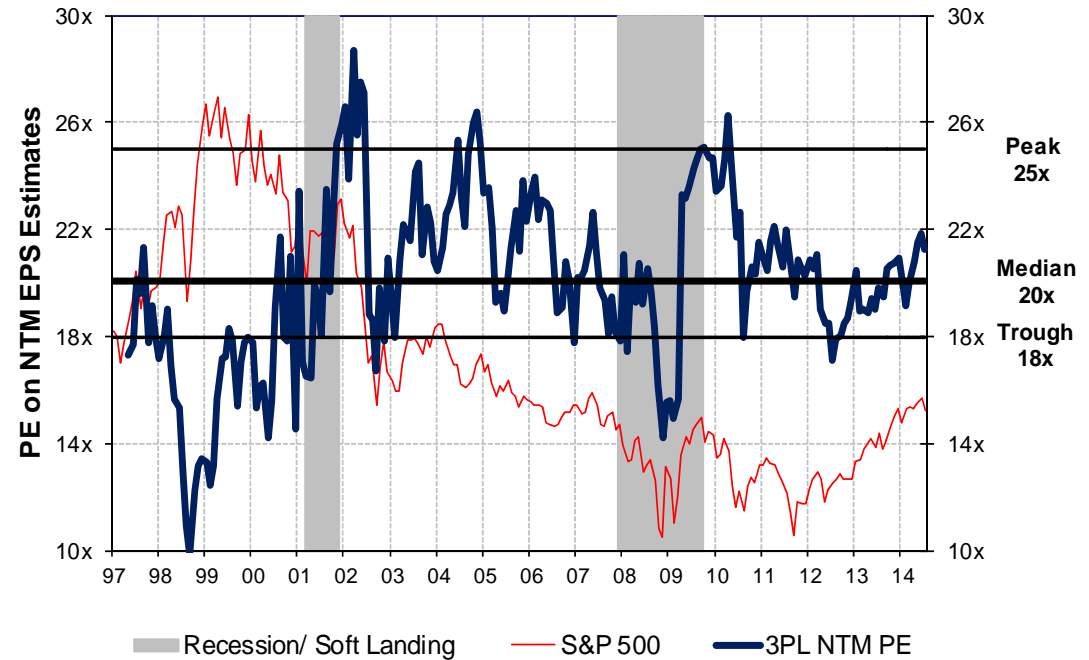
Third-Party Logistics

BAIRD

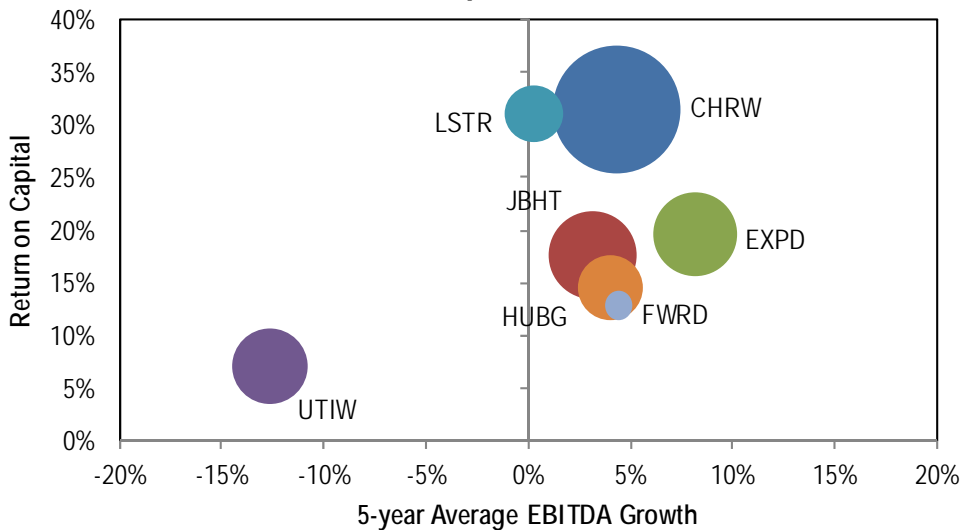
3PL Index Performance



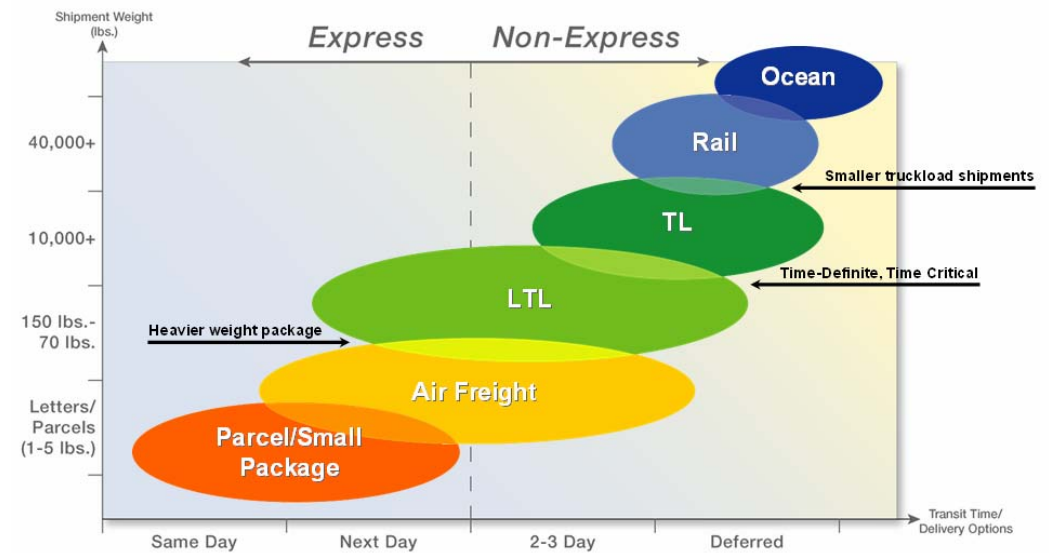
3PL Index: NTM P/E



3PL Return on Capital vs. EBITDA Growth



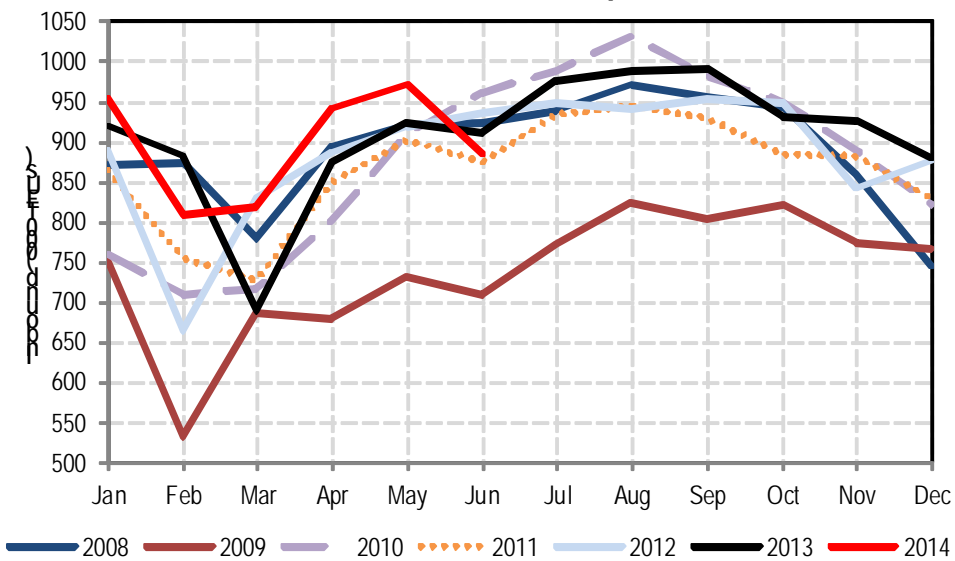
*Bubble size represents 2012 revenue



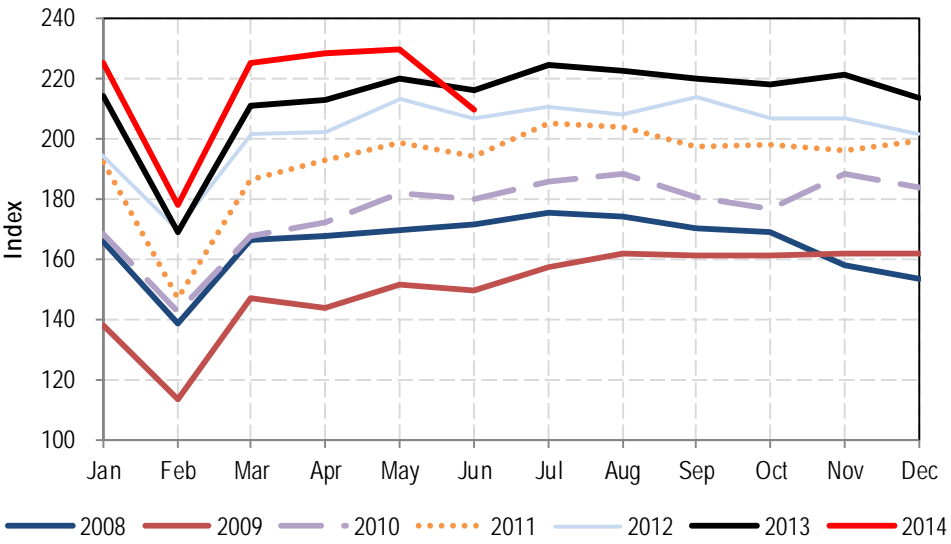
International Ocean Freight Metrics



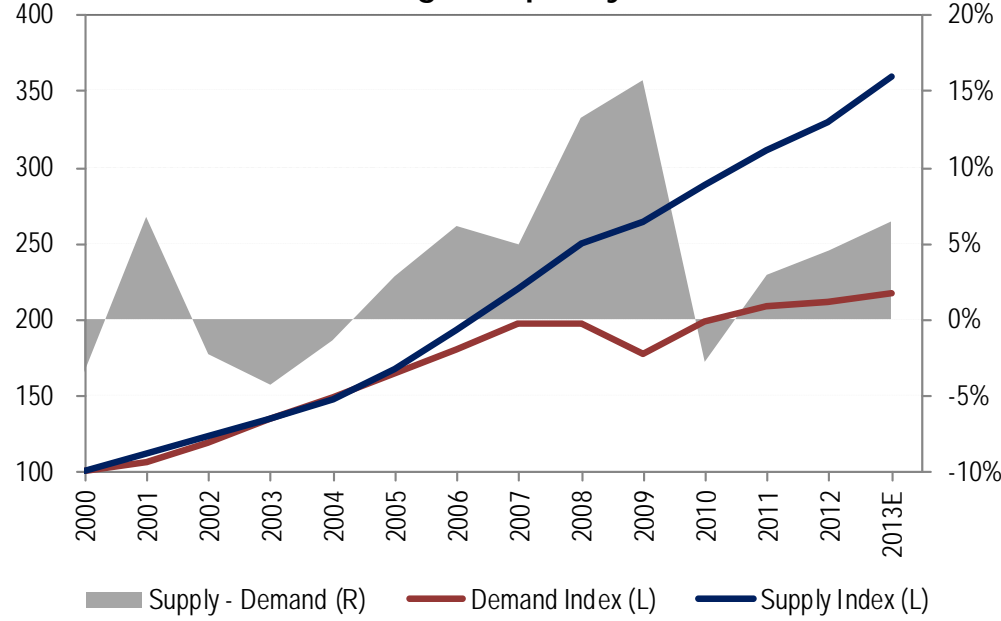
West Coast Ports' Import Volume



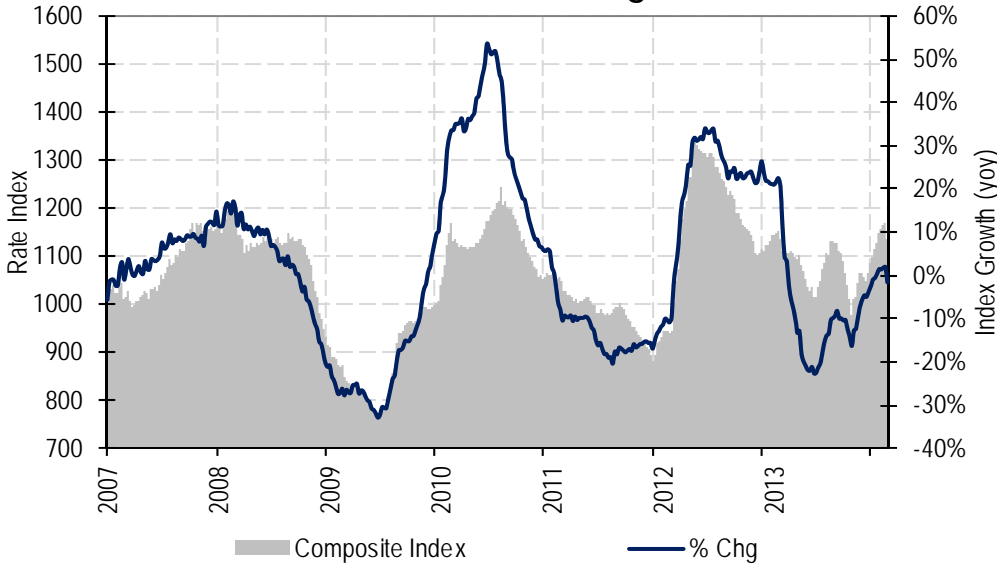
Baird Asia Port Index



Ocean Freight Capacity Outlook



China Containerized Freight Index

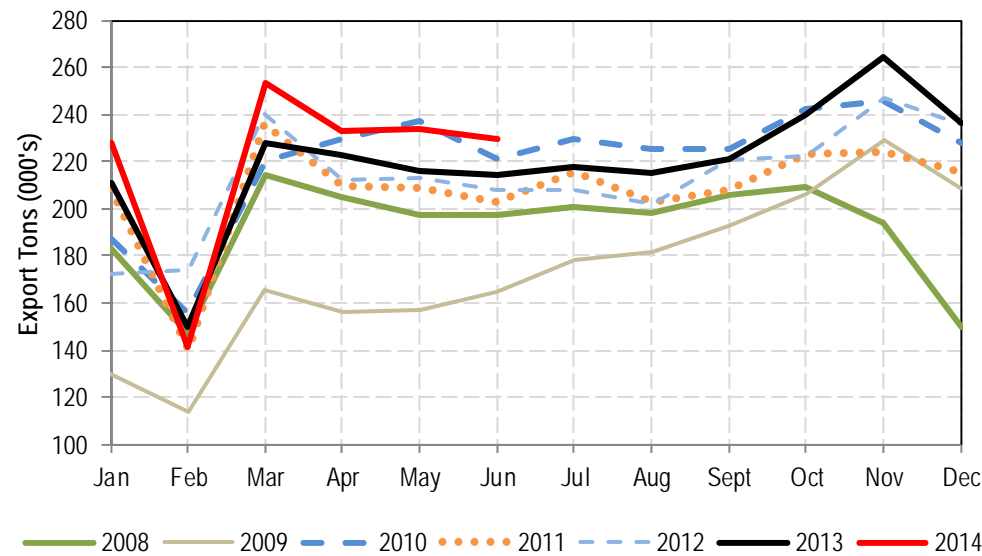


Source: Alphaliner, CCFI, Port data, Baird estimates

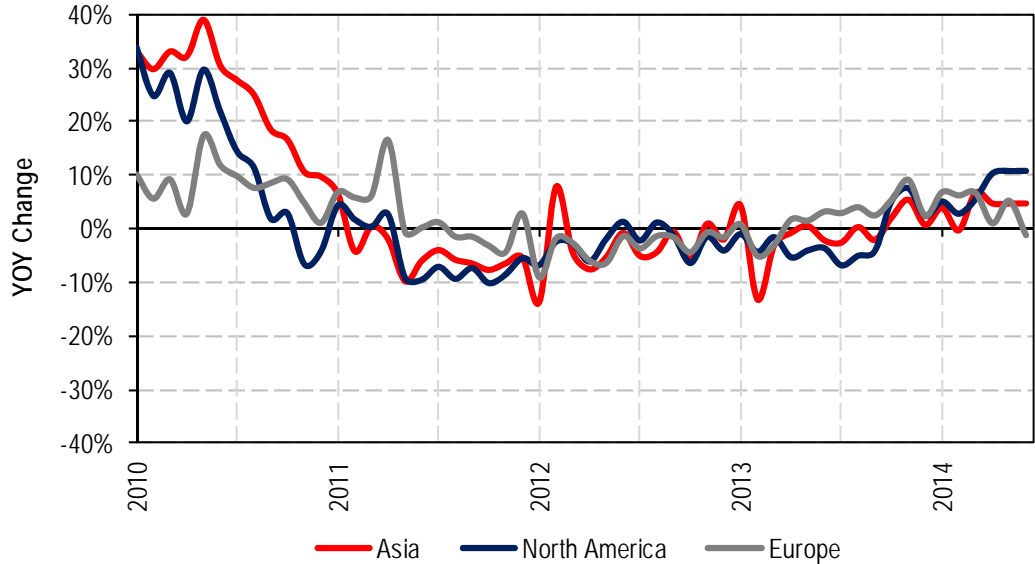
International Airfreight Metrics



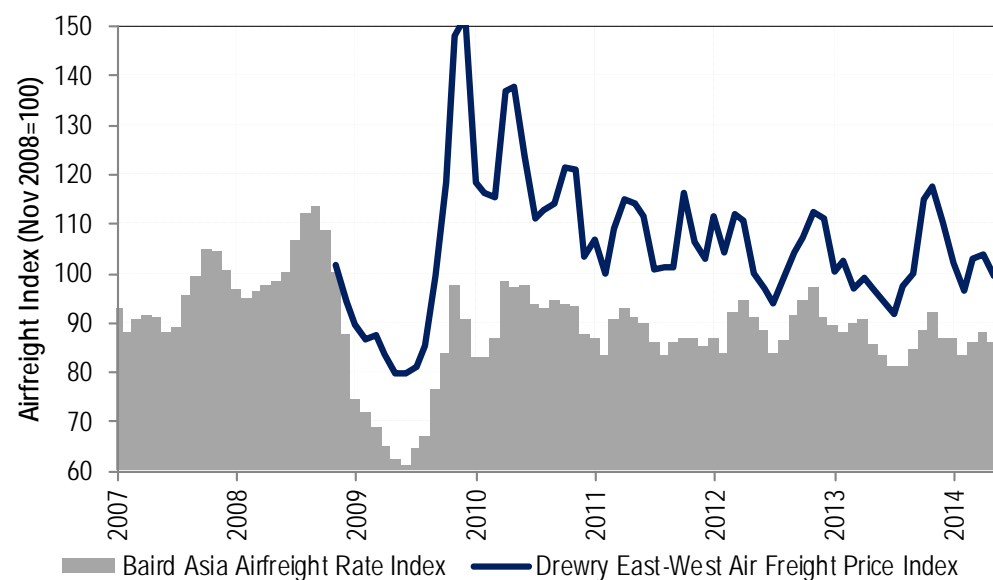
HACTL Total Export Tonnage



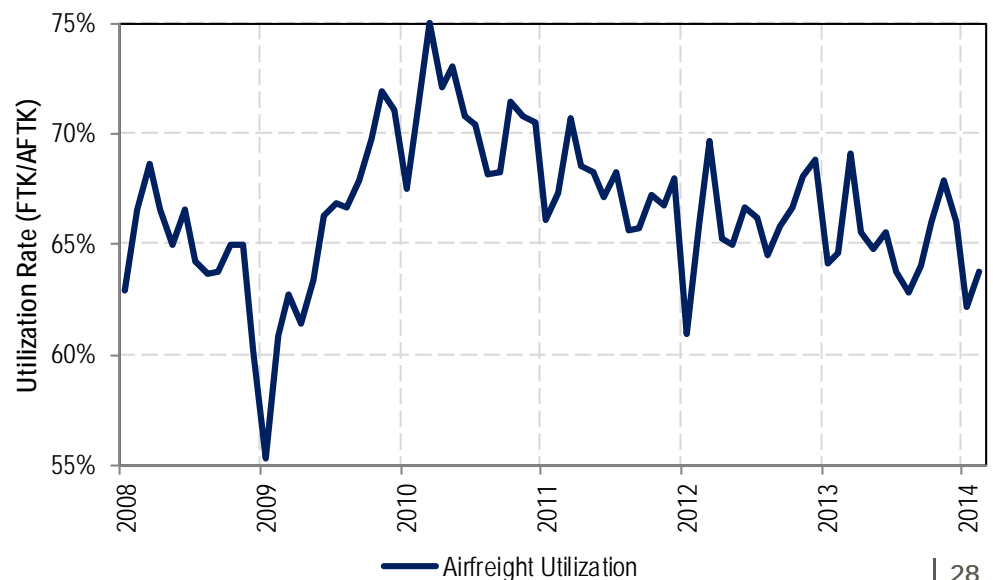
Baird Airfreight Regional Demand Indices



Airfreight Rate Index



Asian and European Airfreight Capacity Utilization

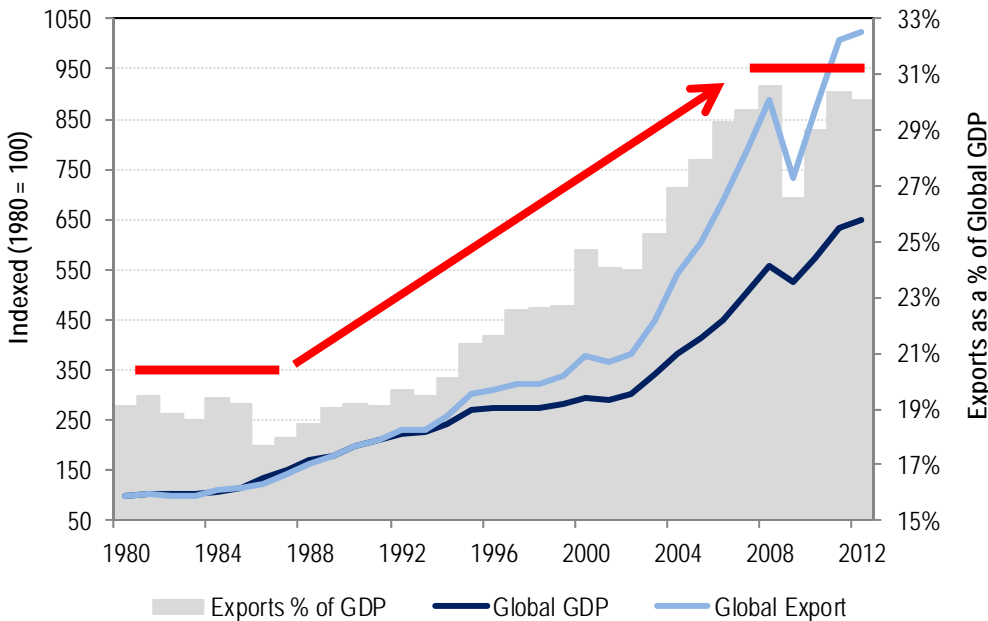


Source: HACTL, Drewry, IATA, CCFI, Containerization International, Industry sources, Baird estimates

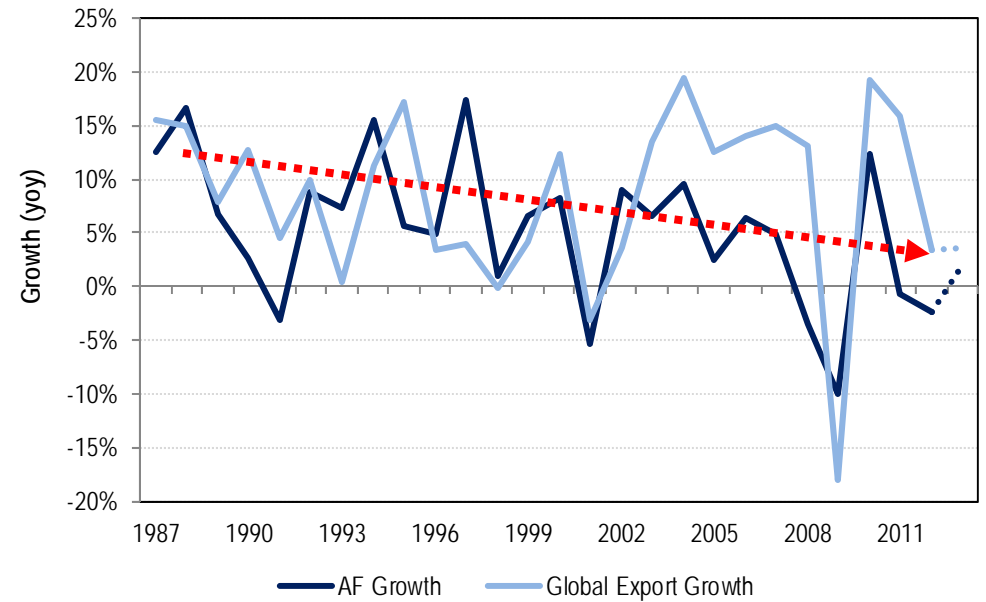
Airfreight Growth Has Slowed with Consumption

BAIRD

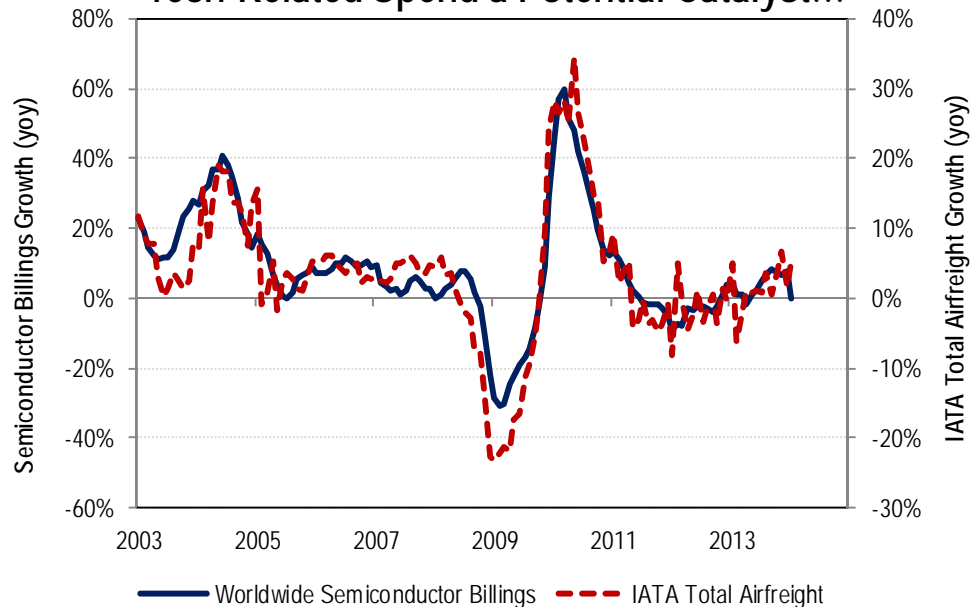
Structurally Slower Trade Growth...



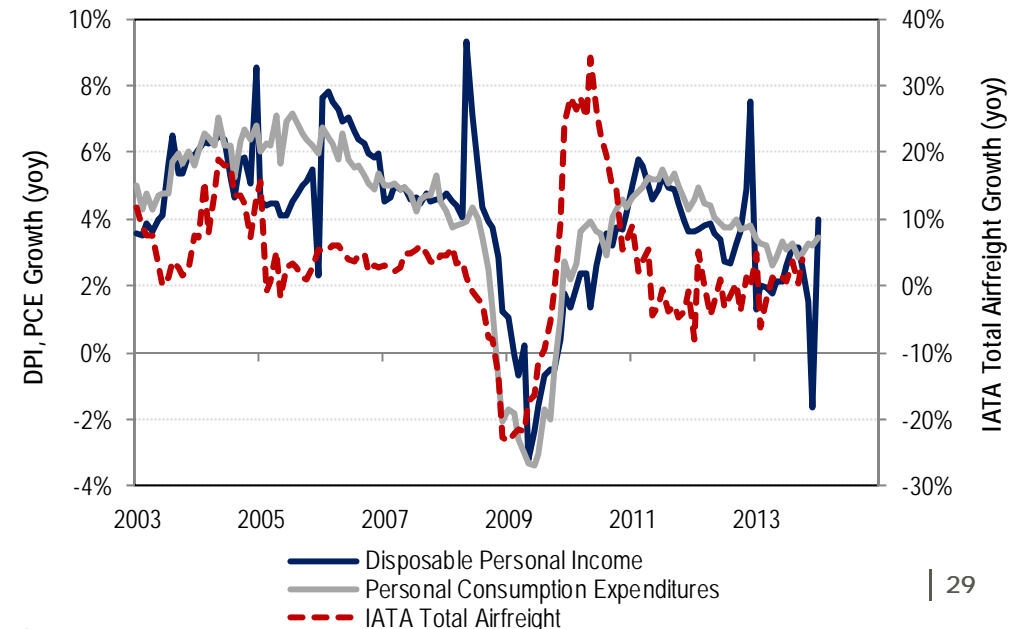
...Driving Slower Airfreight Growth



Tech-Related Spend a Potential Catalyst...

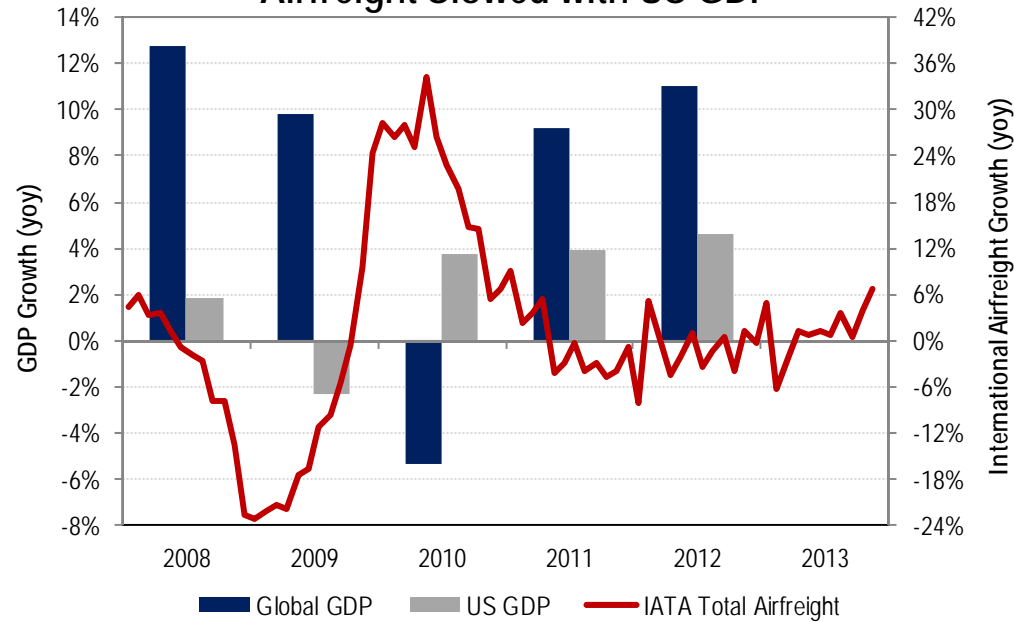


...Along with Retail/Consumer Spend



Airfreight Growth Has Slowed with Consumption

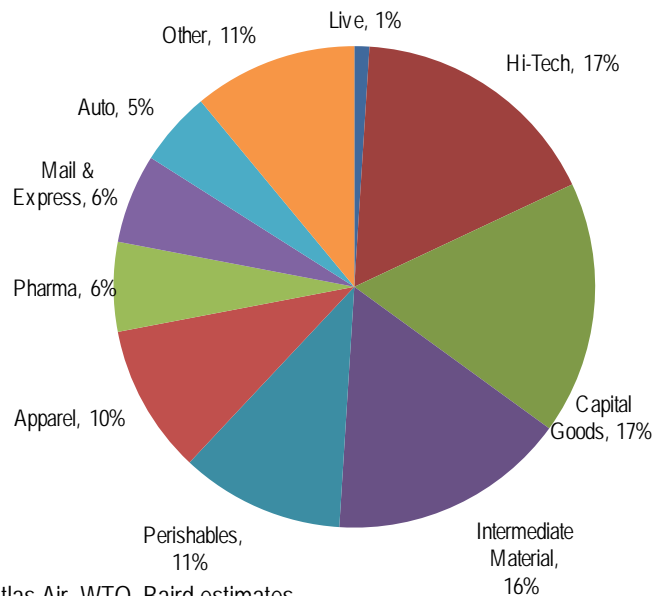
Airfreight Slowed with US GDP



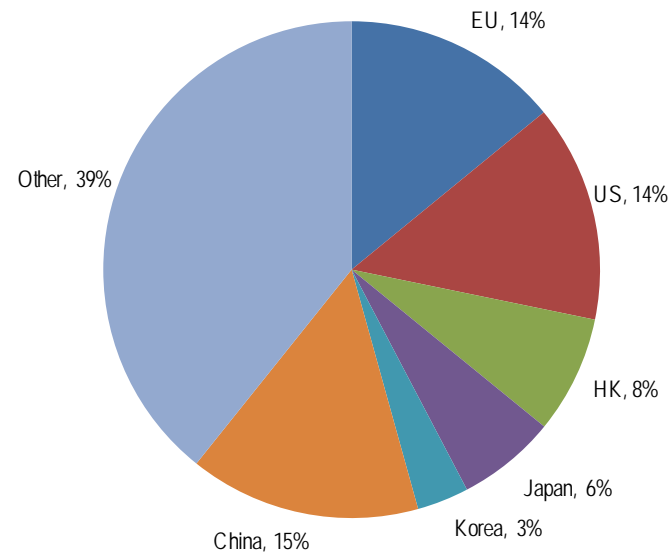
Exports Driven by Emerging Markets



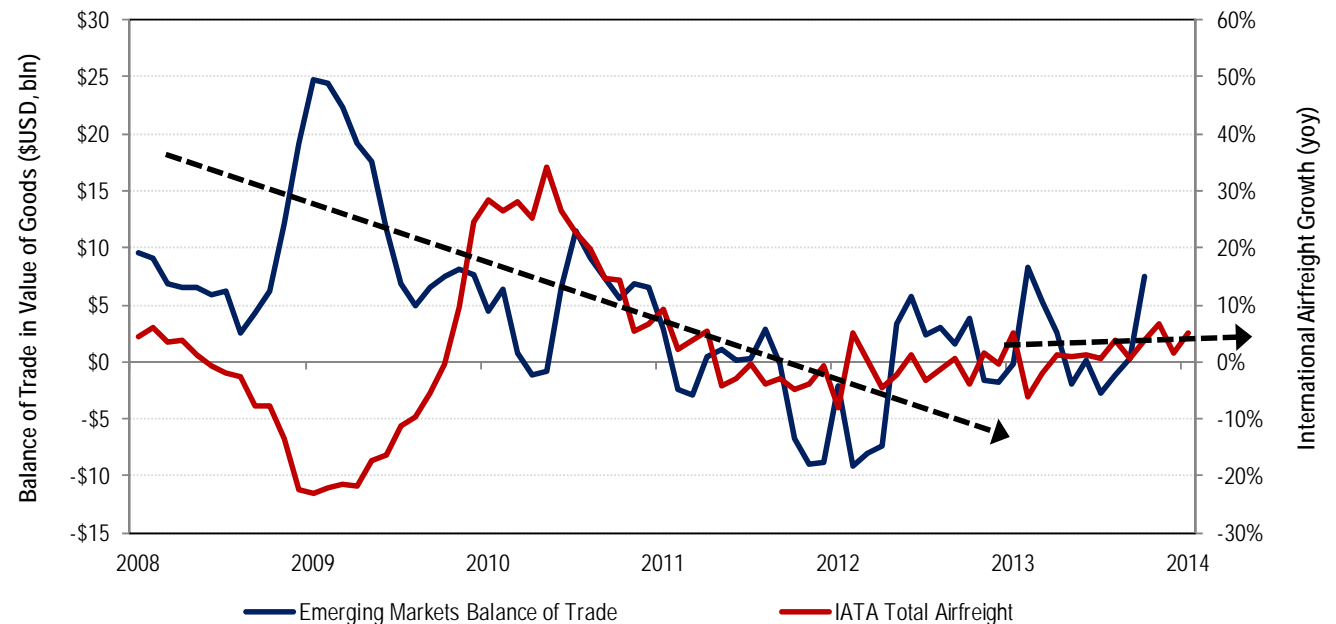
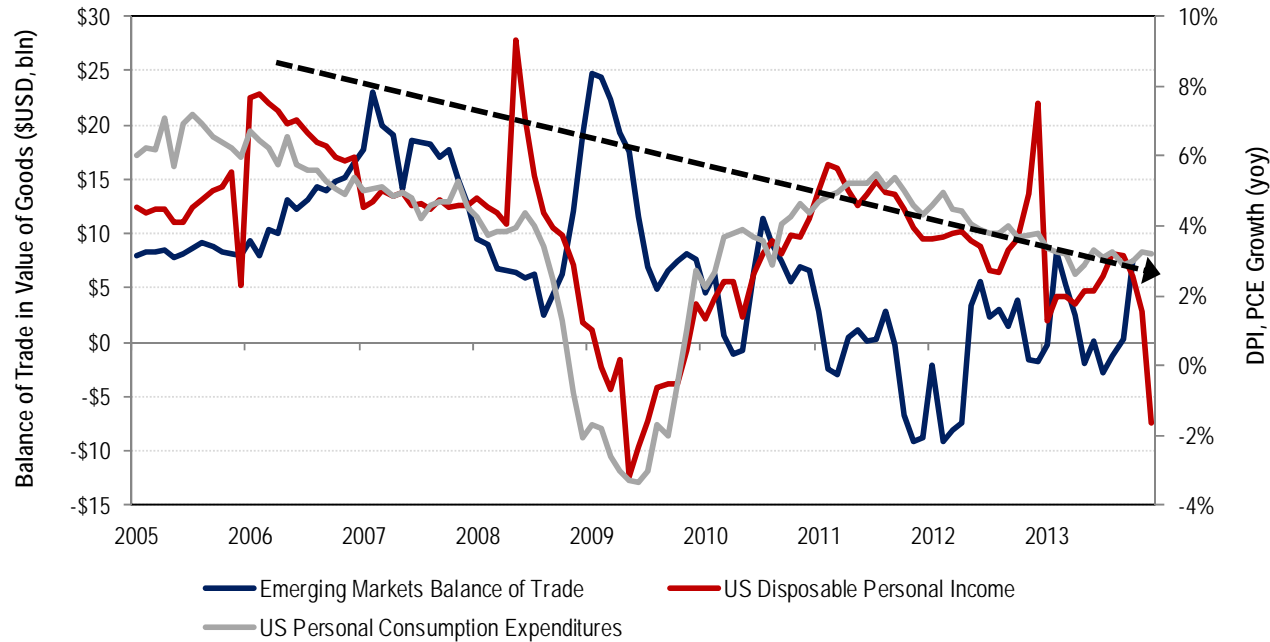
AIRFREIGHT: COMMODITY TYPE



EXPORTS: DESTINATION (FROM BASKET OF ASIAN COUNTRIES)

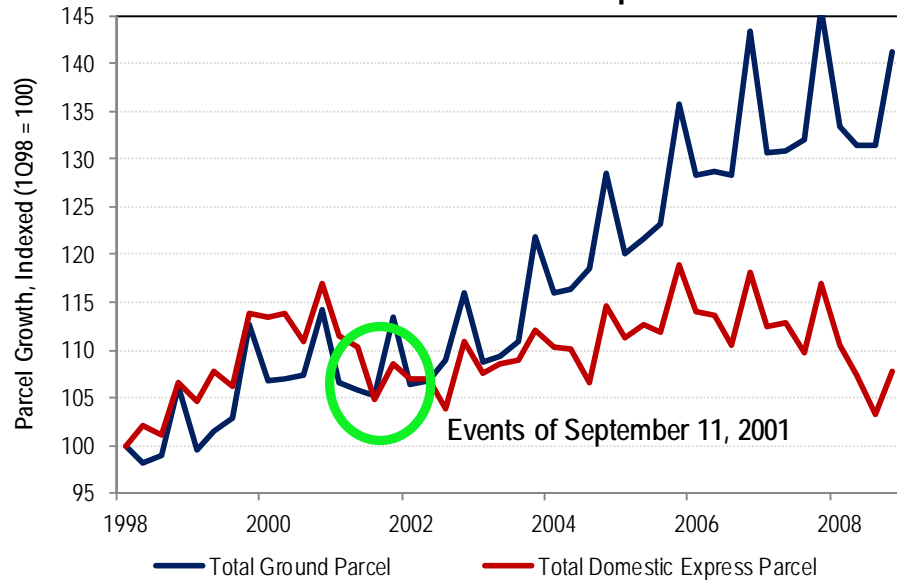


Airfreight, Emerging Market Trade Balances Stabilizing

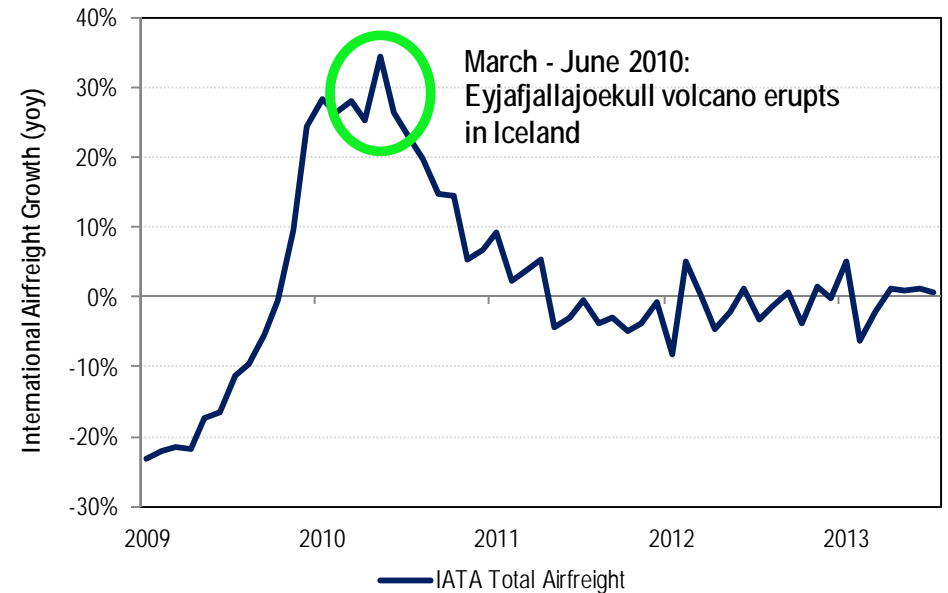


Numerous Reasons for Airfreight "Trade-down" to Ocean Freight This Cycle

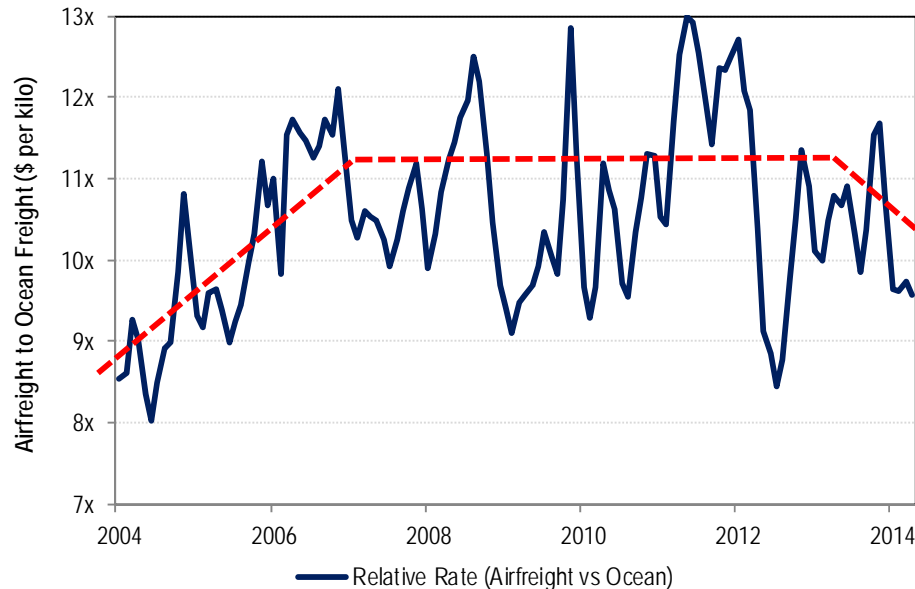
Similar to the Events of September 11...



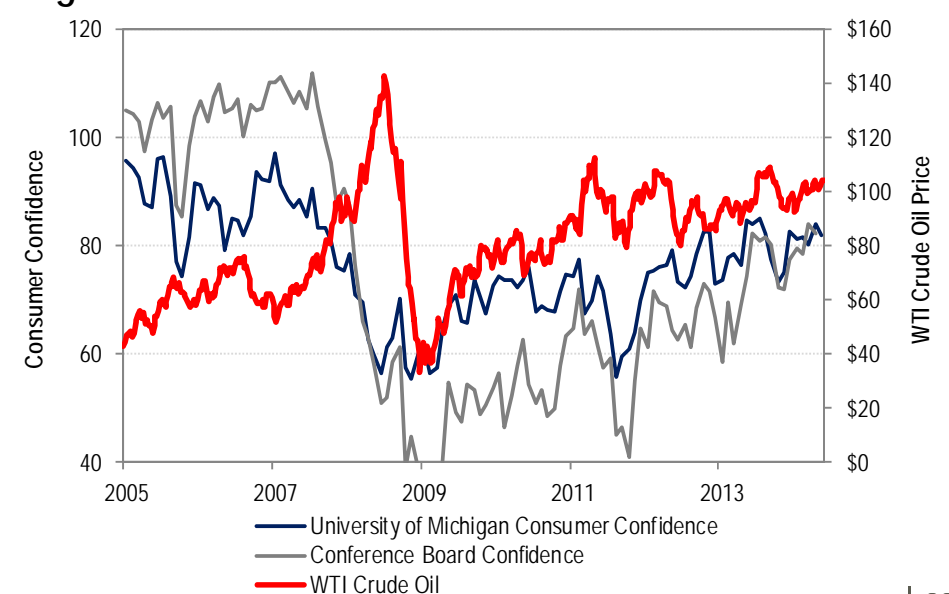
...2010 Event Caused Modal Shift



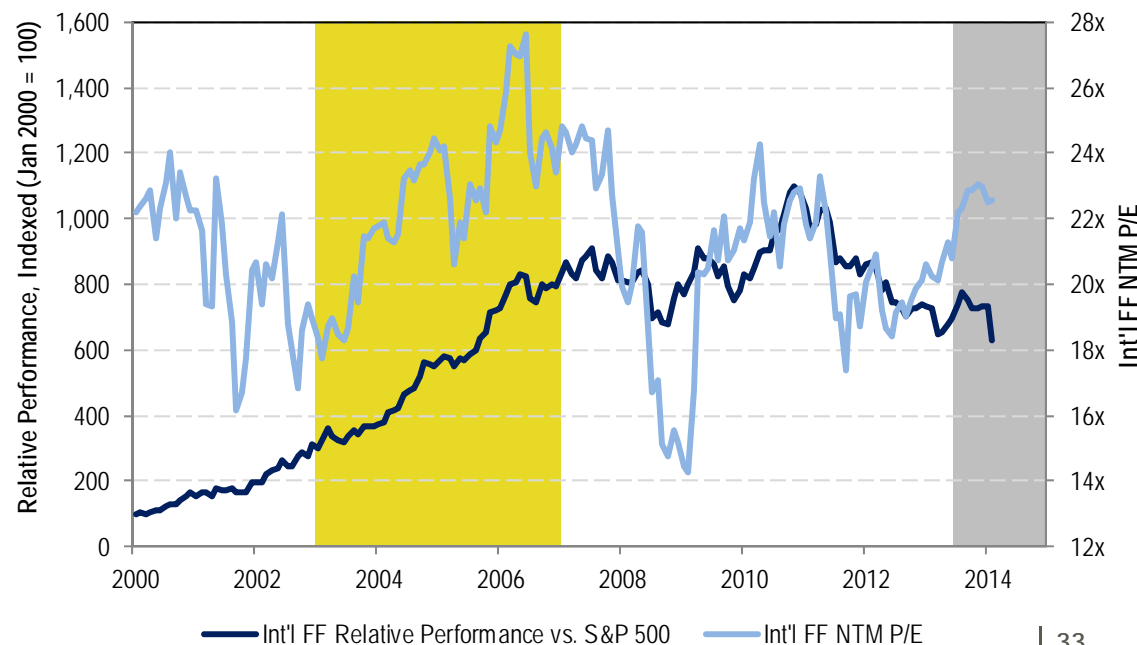
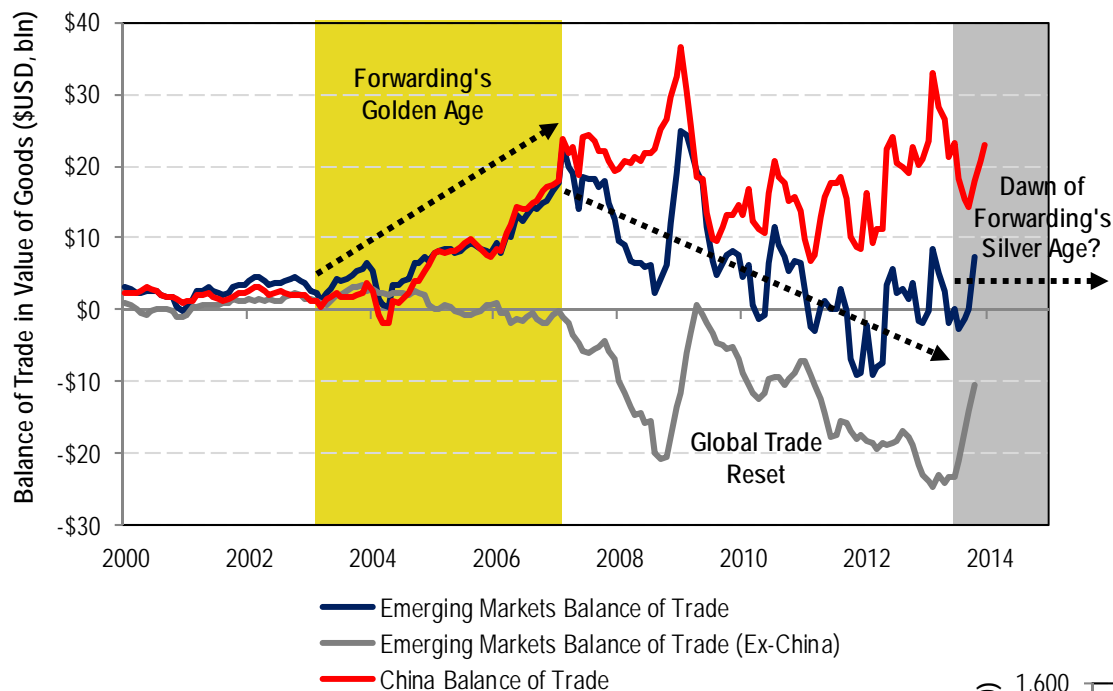
Cost of AF Relative to OF



High Fuel Prices Have Affected Consumer Confidence



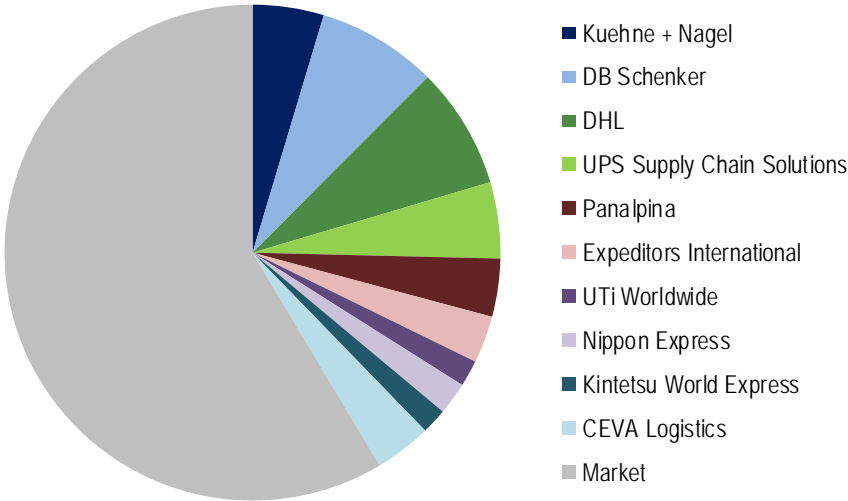
Looking Beyond Forwarding's Golden Age: An Early Dawn of a Silver Age?



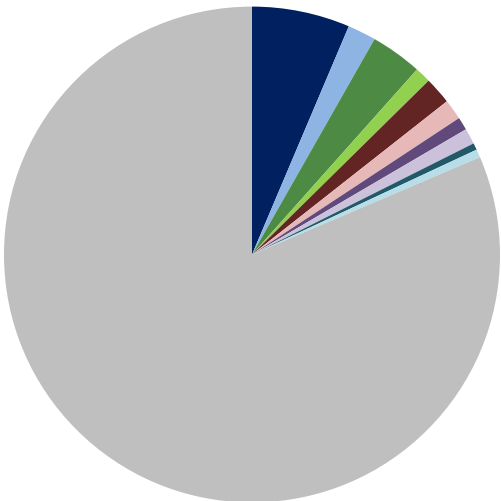
International Freight Forwarding Market



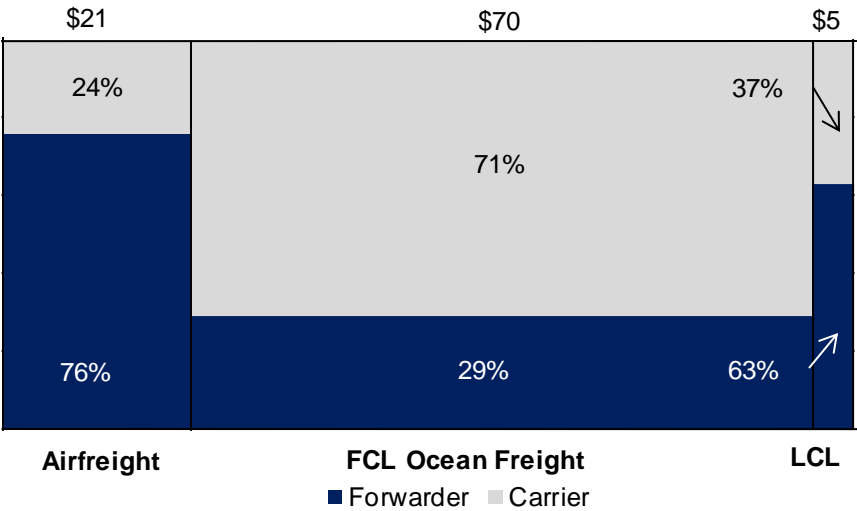
Airfreight



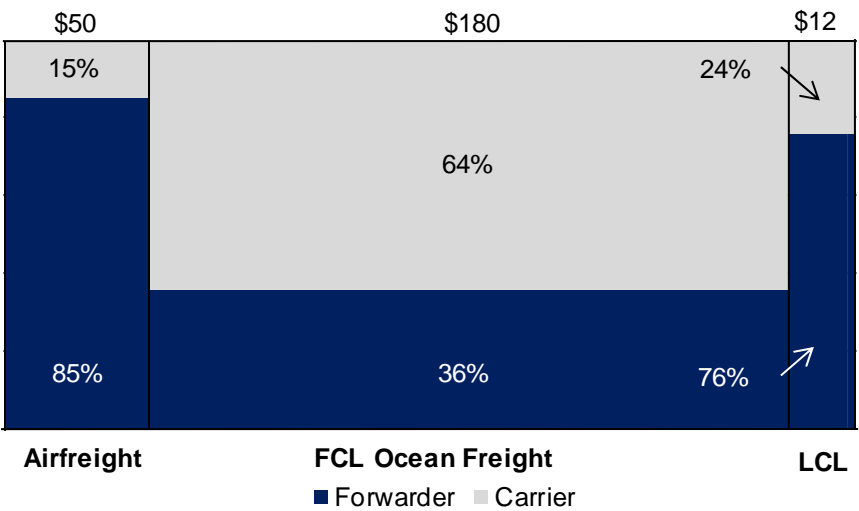
Ocean Freight



2000



2010

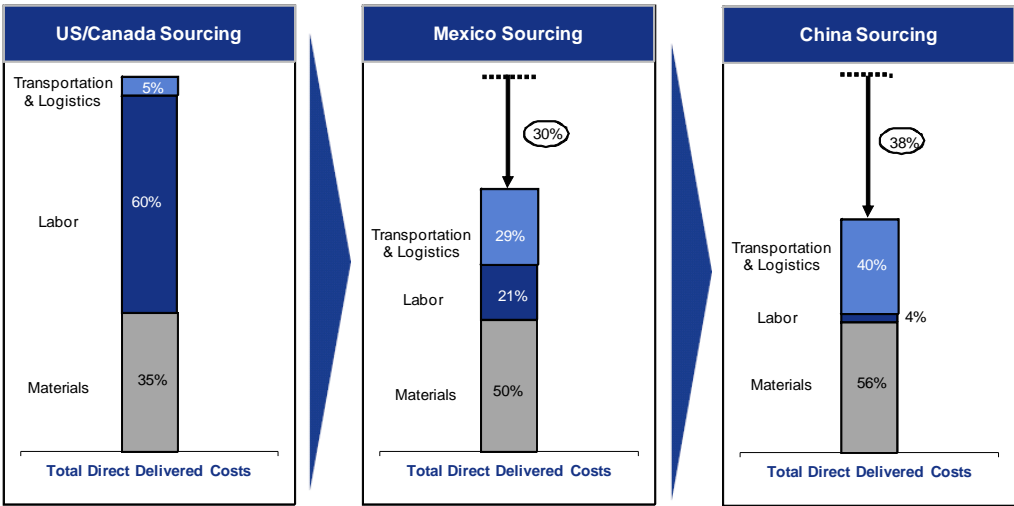


Source: Panalpina, Merge Global, Company data, Baird estimates

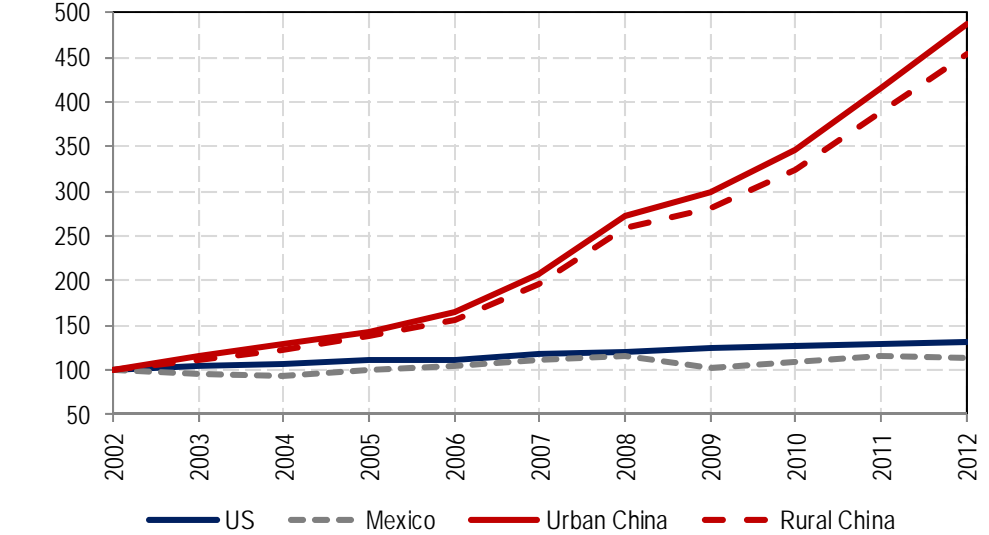
Outsourcing Dynamics Changing



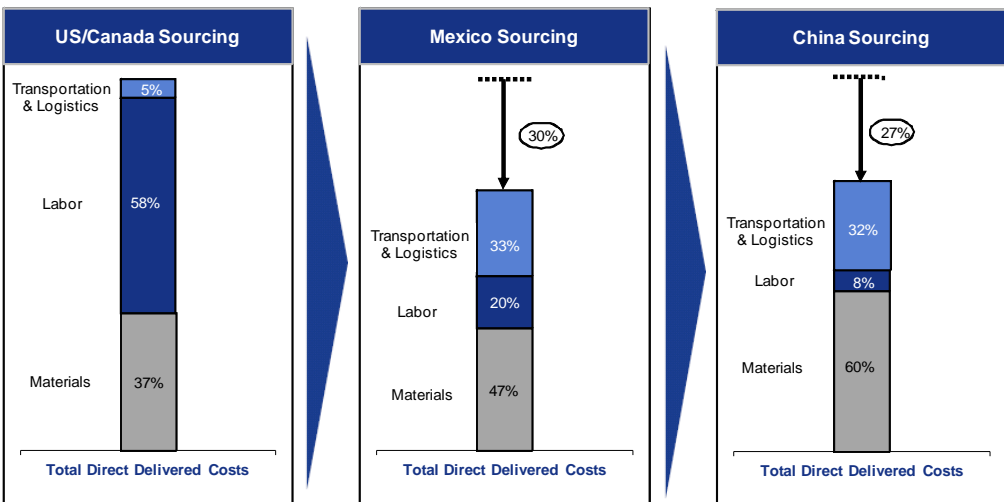
Mid-2000's Landed Costs



Wage Inflation by Geography



2010 Landed Costs



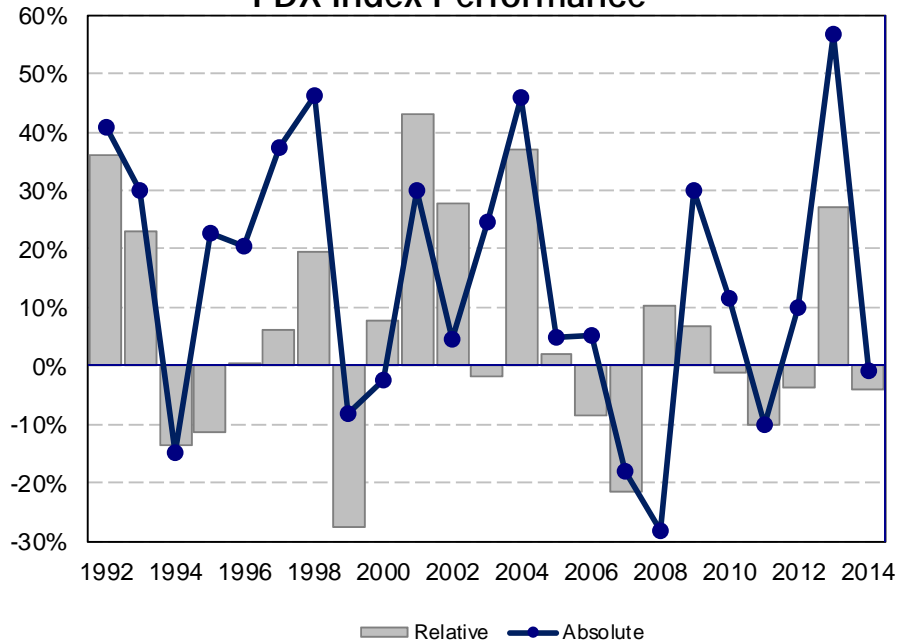
Asian Port Throughput



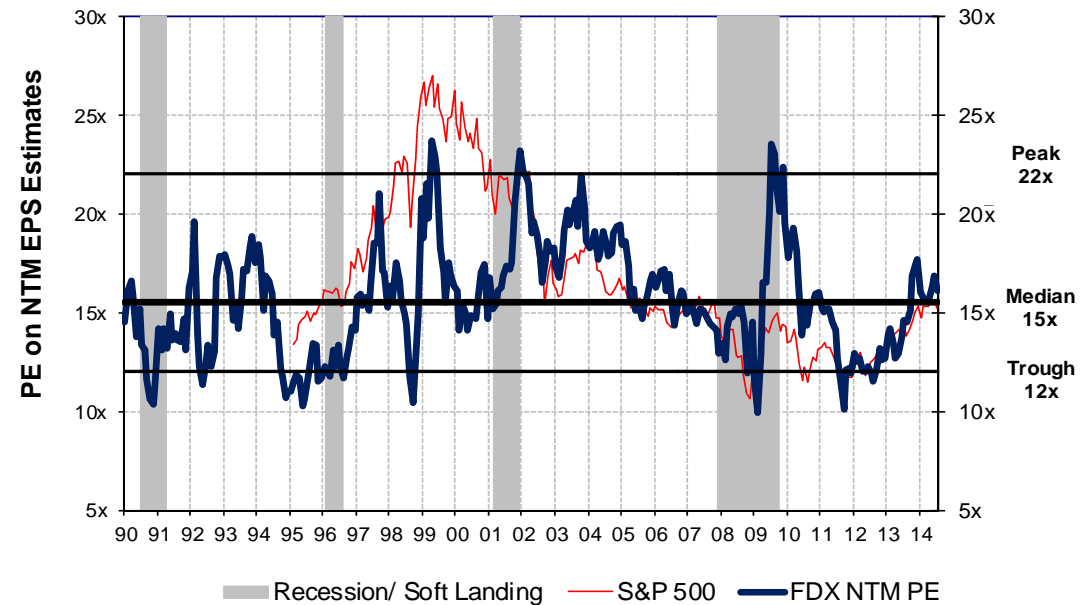
Source: Merge Global, US Bureau of Labor Statistics, Industry sources, BLS, CCFI, Baird estimates

Integrators

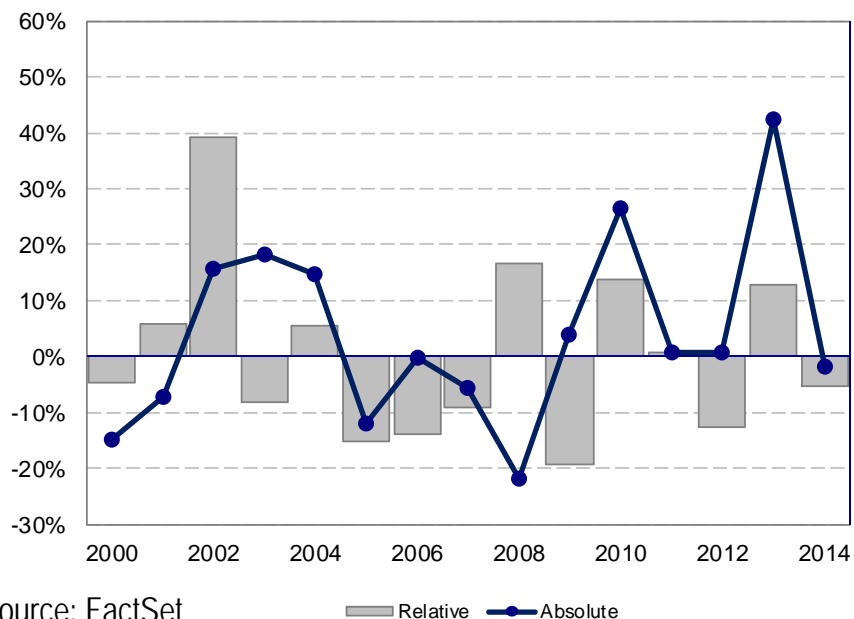
FDX Index Performance



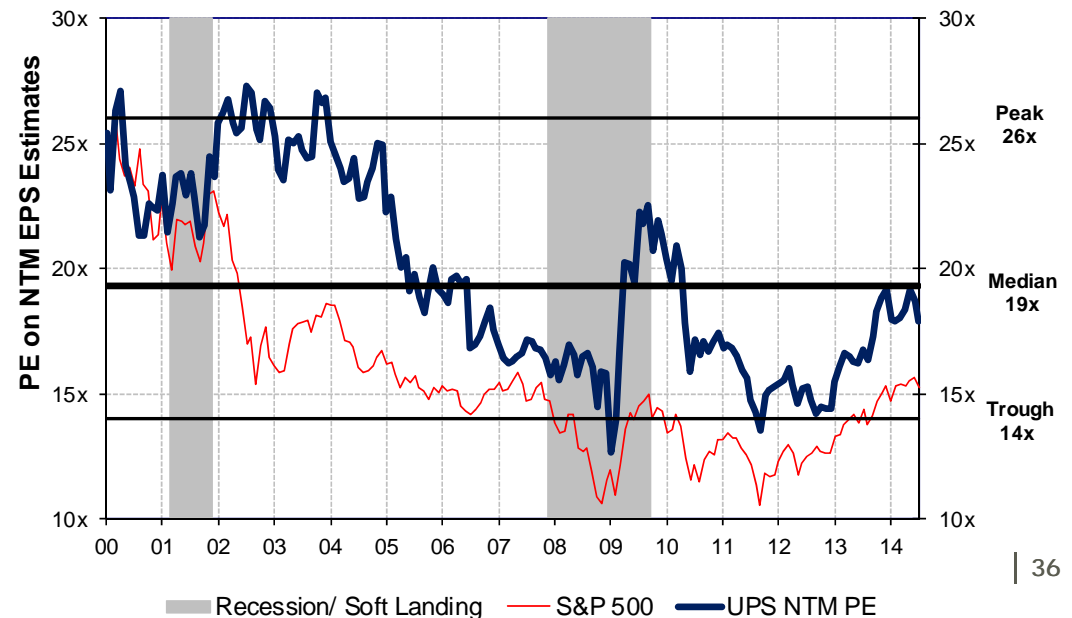
FDX Index: NTM P/E



UPS Index Performance



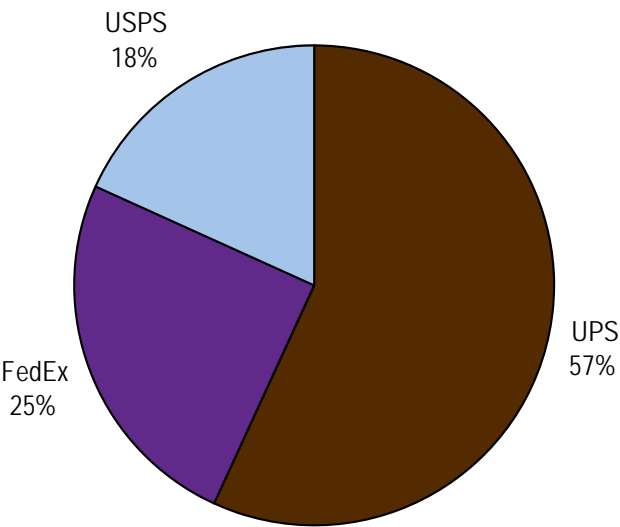
UPS Index: NTM P/E



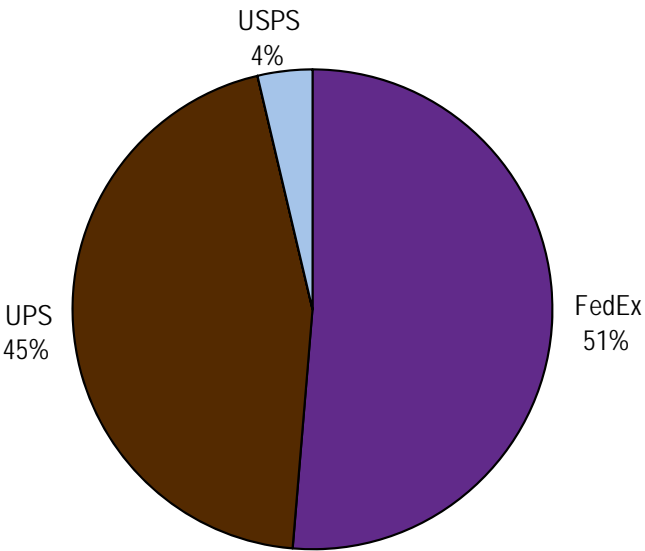
Parcel Market Share



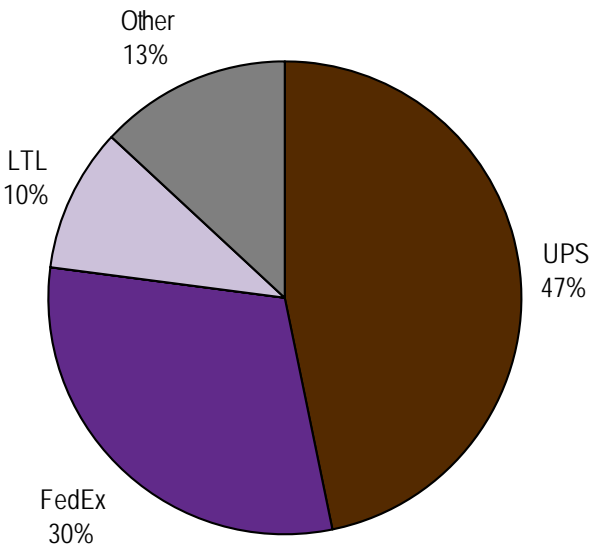
Domestic Ground Market: \$45-50 bln



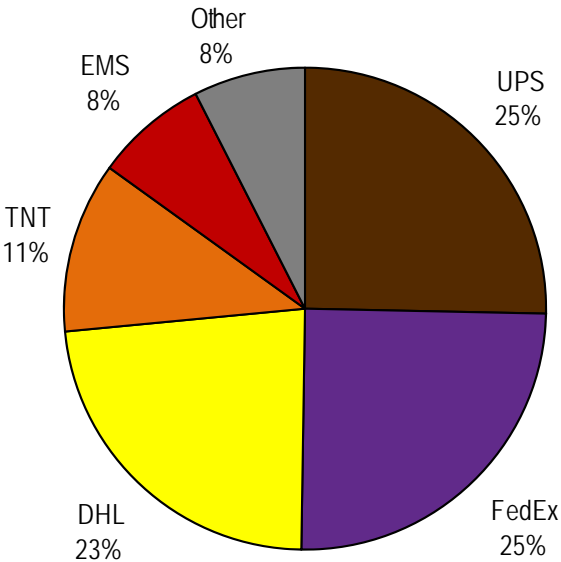
Domestic Express Market: \$20-25 bln



Total Domestic Market: \$65-70 bln



Global Express Market: \$80-85 bln

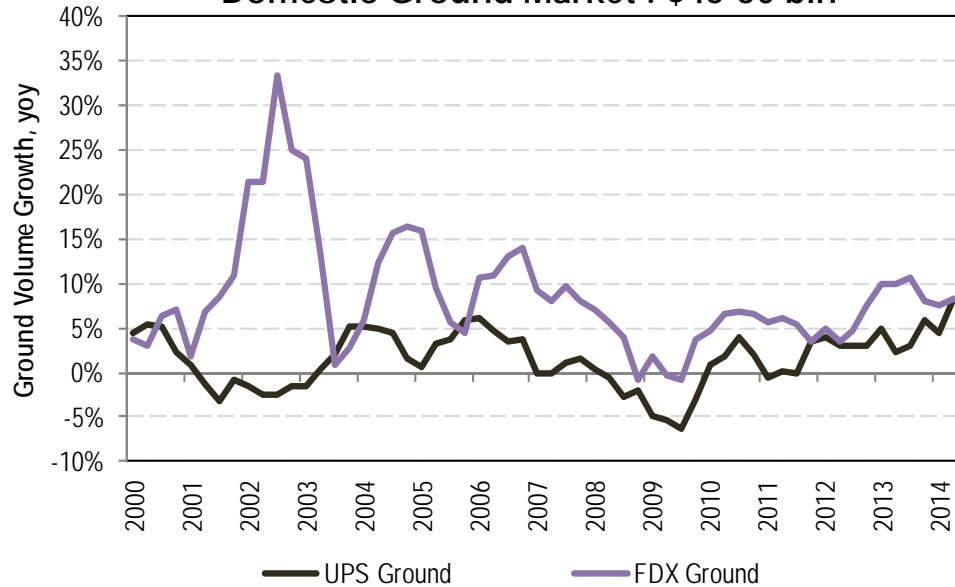


Source: 2011 figures: Deutsche Post, TNT, Market Research Service Center, USPS, Company data, Baird estimates

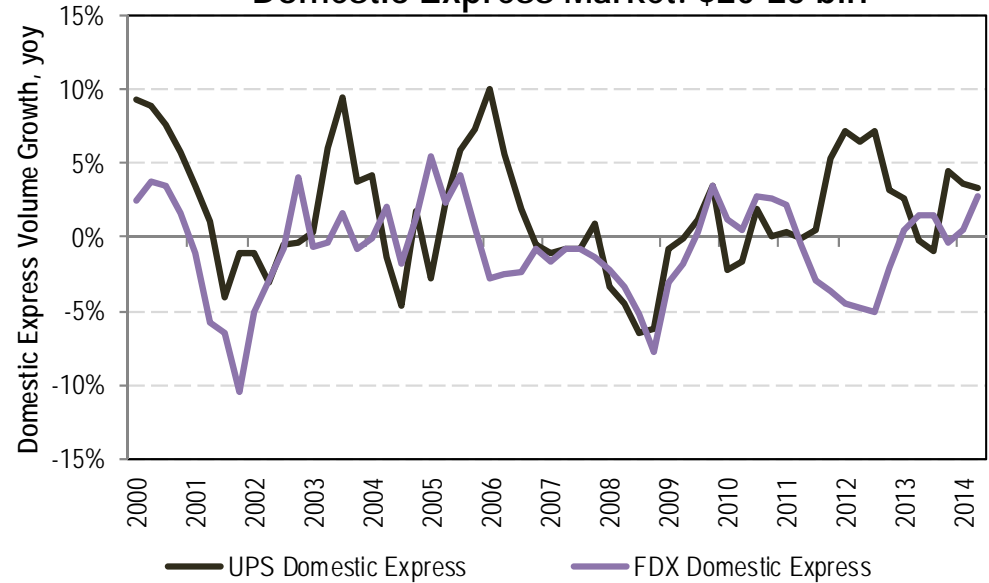
FDX vs. UPS Volume Growth Comparison

BAIRD

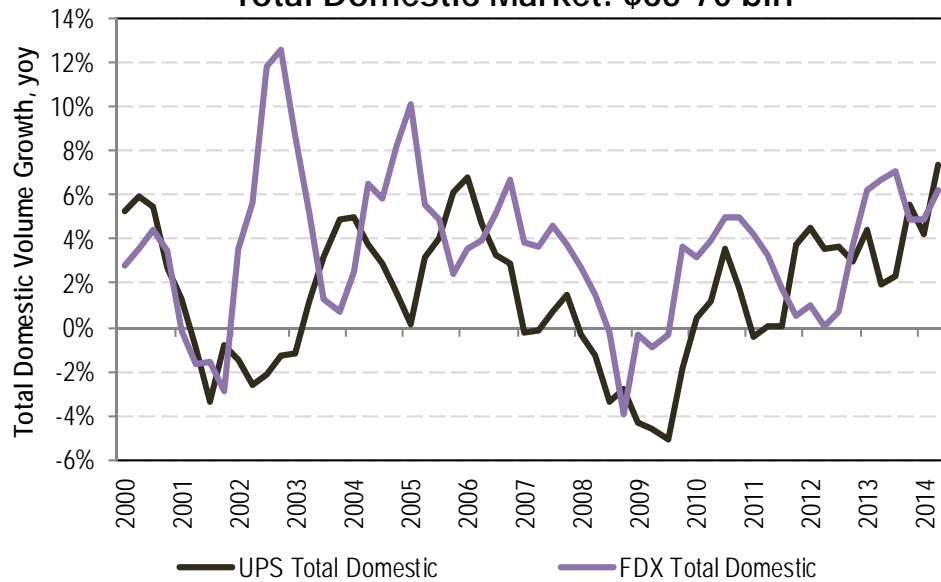
Domestic Ground Market : \$45-50 bln



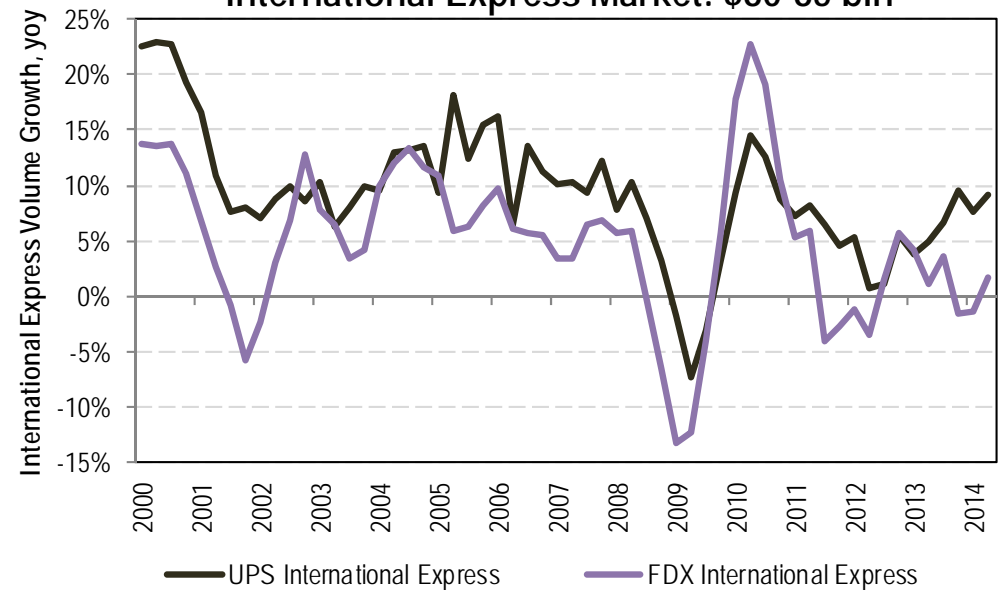
Domestic Express Market: \$20-25 bln



Total Domestic Market: \$65-70 bln



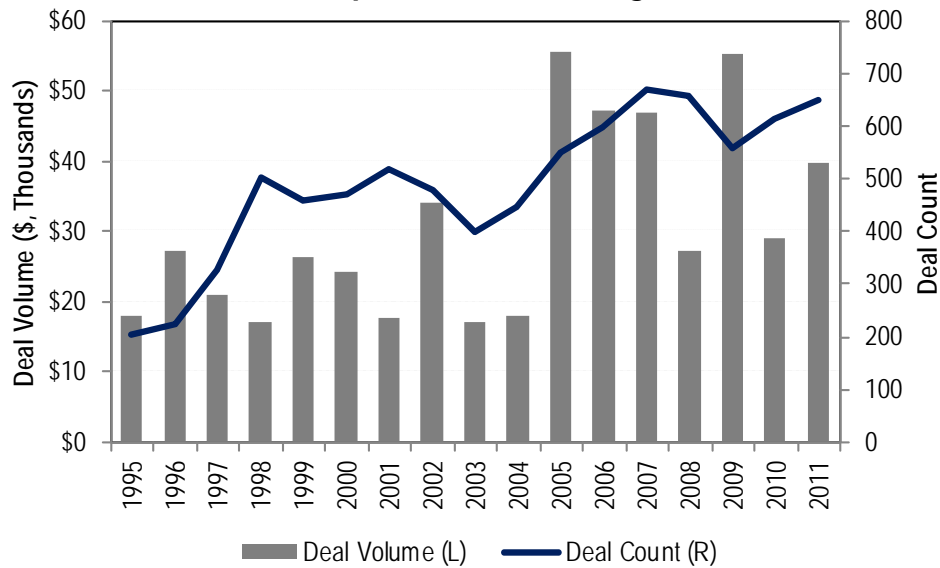
International Express Market: \$80-85 bln



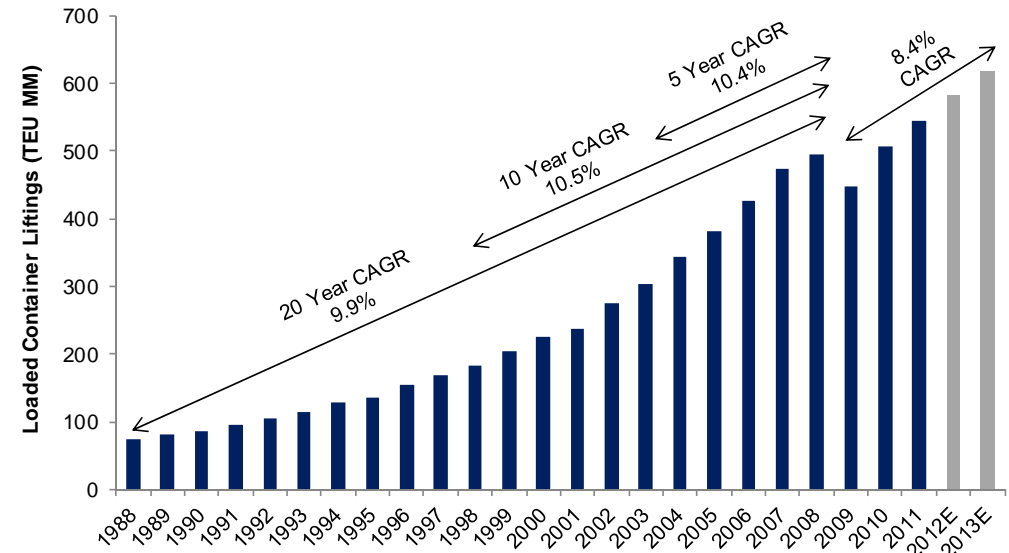
Transportation & Logistics Industry Themes

BAIRD

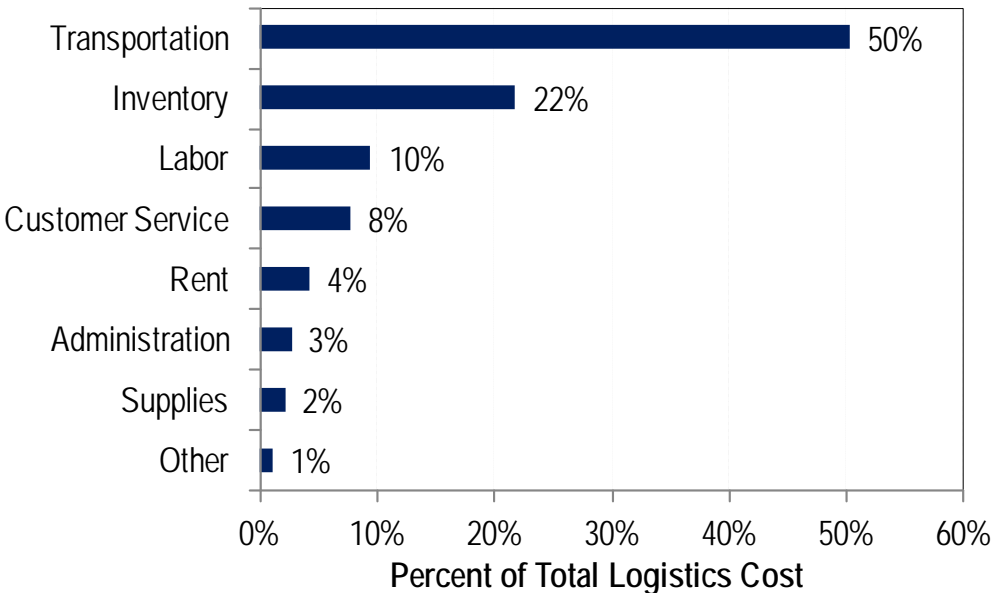
Global Transportation and Logistics M&A



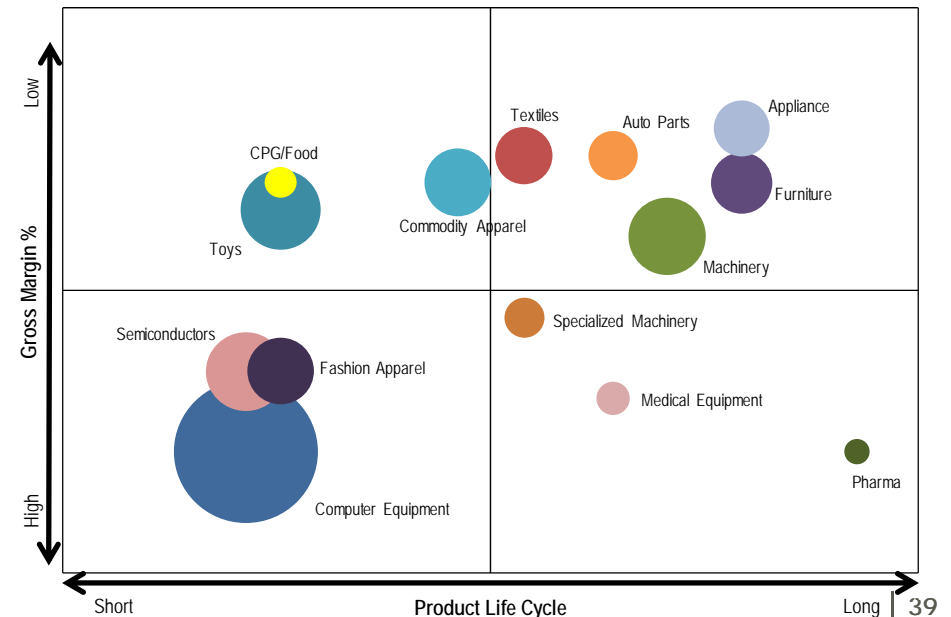
The Growth of Logistics



Transportation Overwhelming Driver of Logistics Costs



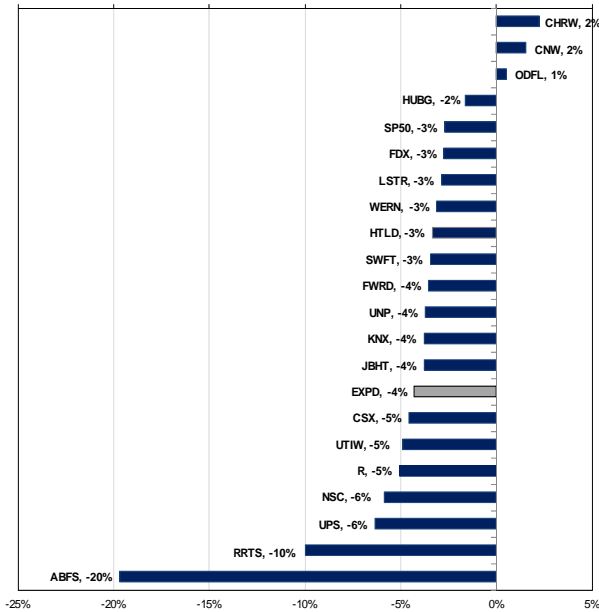
Commodities Most Susceptible to Near-sourcing



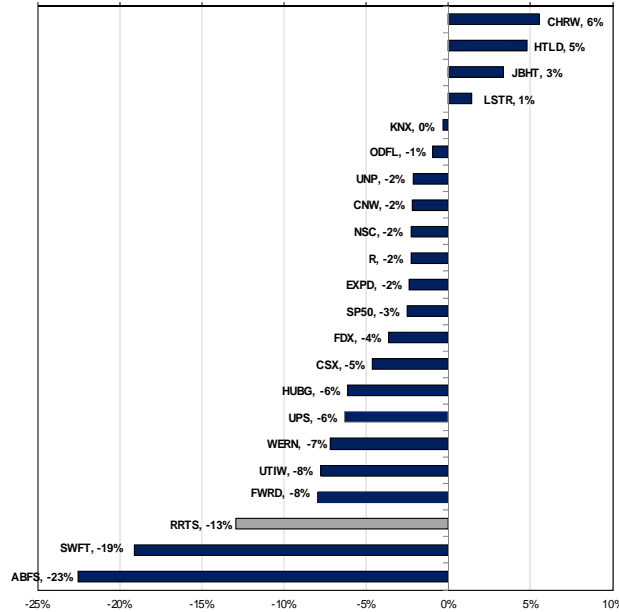
Transportation and Logistics Stock Performance

BAIRD

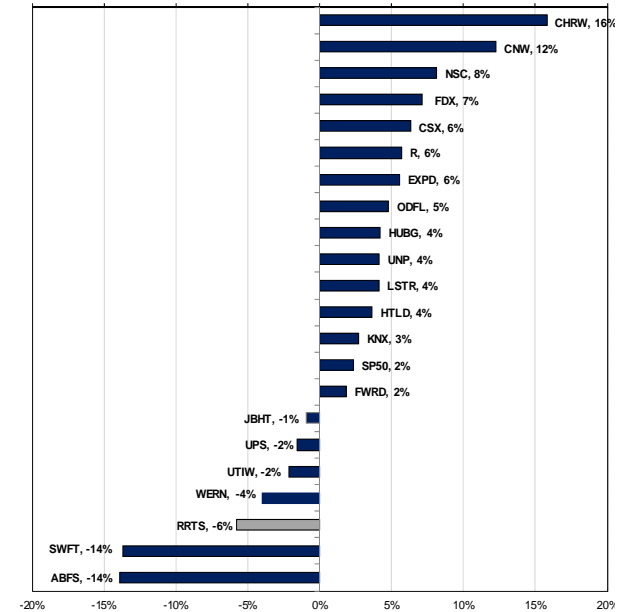
7-Day Stock Price Performance



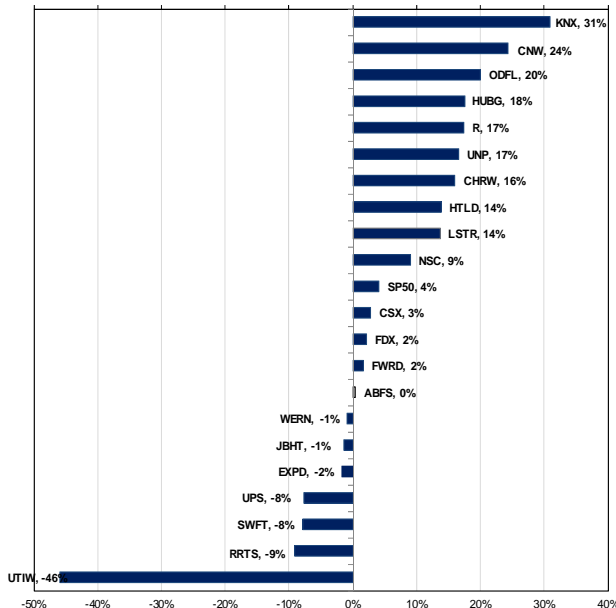
30-Day Stock Price Performance



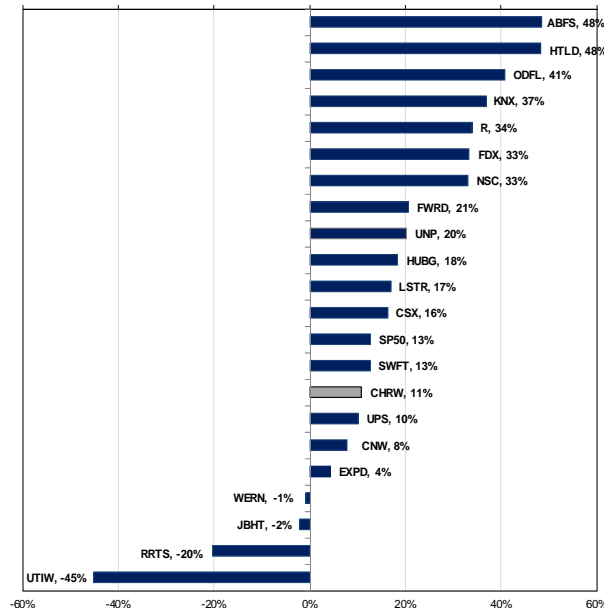
90-Day Stock Price Performance



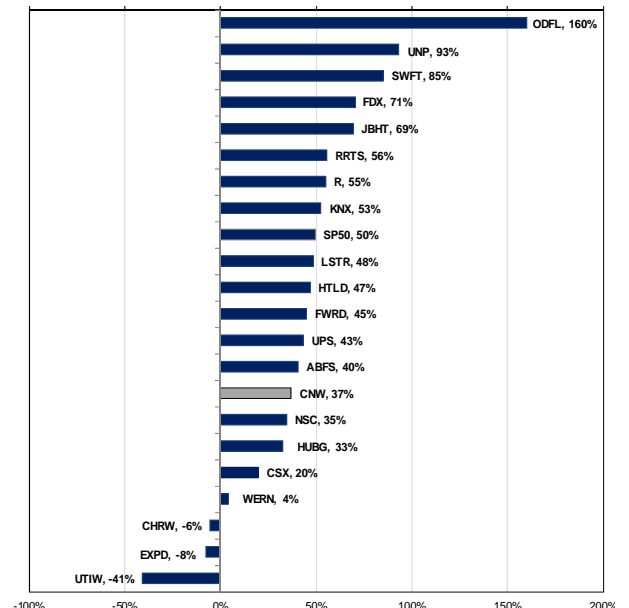
Year-To-Date Stock Price Performance



1-Year Stock Price Performance



3-Year Stock Price Performance



Market Size Estimates and Coverage List

Market (2011 Est.)	(\$ billions)	Sources
Domestic Logistics	\$1,300	CSCMP
Domestic Transportation Market	\$800	CSCMP
Rail	80	Baird
Intermodal (N. America)	21	Baird
Airfreight	32	CSCMP
Express Package	28	Air Cargo Mgmt Group (ACMG)
Heavyweight Freight Forwarding	4	Air Cargo Mgmt Group (ACMG)
Truck	630	ATA
Truckload - Total	270	Cass, ATA, Company filings, Baird
For-Hire Dry Van	85	
For-Hire Specialty	50	
LTL/Parcel/Courier	72	Cass, ATA, Company filings, Baird
For-Hire LTL	34	Baird
Parcel	38	Company filings, Baird
Domestic Third-Party Logistics	\$134	Armstrong & Armstrong, Baird
Transportation Management	41	
Domestic-Based Intl Ops	46	
Warehouse/Distribution	34	
Contract Cartage	11	
Global Logistics Market	\$8,000	Armstrong & Associates
International Airfreight	100	Air Cargo Mgmt Group (ACMG)
Package	32	Air Cargo Mgmt Group (ACMG)
Heavyweight	69	IATA
Ocean	225	Drewry, Global Insight
Outsourced Logistics	616	Armstrong & Associates

Ticker	Name	Rating	08/04/14 Price	Price Target
Integrators				
UPS	United Parcel Service	N	97.18	\$105
FDX	FedEx Corp	O	148.83	\$170
Railroads				
CSX	CSX Corp	O	29.72	\$34
NSC	Norfolk Southern Corp	N	101.37	\$118
UNP	Union Pacific Corp	N	98.29	\$104
Third-Party Logistics				
EXPD	Expeditors Intl	N	43.82	\$44
CHRW	C.H. Robinson	N	68.46	\$68
JBHT	J.B. Hunt Transportation	N	76.15	\$80
LSTR	Landstar	N	65.25	\$74
UTIW	UTi Worldwide	N	9.48	\$12
HUBG	Hub Group	O	47.07	\$54
FWRD	Forward Air Corp	N	45.32	\$52
RRTS	Roadrunner Transport	O	24.65	\$32
Leasing				
R	Ryder	O	86.76	\$103
Truckload				
SWFT	Swift Transportation	O	20.66	\$27
WERN	Werner Enterprises	N	24.62	\$29
HTLD	Heartland Express	N	22.66	\$24
KNX	Knight Transportation	N	24.00	\$26
Less-Than-Truckload				
CNW	Con-way	O	49.53	\$55
ODFL	Old Dominion	N	63.78	\$68

Source: FactSet, Robert W. Baird & Co. estimates

O: Outperform
N: Neutral
U: Underperform
R: Restricted

C.H. Robinson Worldwide, Inc. (CHRW)

- **Price Target:** Our \$68 price target reflects 19.0x forward EPS estimates, one year out, a multiple below with its 22x five-year average reflecting slower EPS growth expectations this cycle.
- **Risks:** Industry consolidation, disintermediation, acquisition risk and rising freight rates from third-party capacity providers.

Con-way Inc. (CNW)

- **Price Target:** Our \$55 price target reflects 6.0x EV/forward EBITDA, in line with its 6.0x 10-year average. Continued signs of accelerating Freight margin improvement and/or a sustained improvement of industry fundamentals would support upside to our target.
- **Risks:** CNW competes in a highly cyclical business, with potential for price competition in a highly competitive LTL market; must demonstrate ability to more consistently balance its volume/pricing/cost strategy over the course of a cycle.

CSX Corporation (CSX)

- **Price Target:** Our \$34 price target reflects 15.0x our forward EPS estimates, one year out, a multiple above its 10-year average of 13x given our expectation for reaccelerating EPS growth.
- **Risks:** Competes in mature, cyclical industry, improving ROC key to thesis, potential liability exposure for hazardous materials, truckload competition in Intermodal, highly regulated industry potentially subject to further regulation, unionized workforce cost inflation/service disruptions.

Expeditors International (EXPD)

- **Price Target:** Our \$44 price target reflects roughly 10.6x EV/forward EBITDA, a discount to EXPD's 12.4x five-year average reflecting slower assumed long-term growth prospects and continued headwinds within the international freight forwarding industry.
- **Risks:** Active in highly competitive market with large capable competitors, subject to economic sensitivity, exposed to foreign markets and regulation, dependent upon third-party capacity with potential for purchase transportation pressure.

FedEx Corporation (FDX)

- **Price Target:** Our \$170 price target reflects 15.5x our estimate, one year out, above its average multiple of 15.0x over the past ten years. Our multiple balances a soft macroeconomic environment, particularly within its Express segment with ongoing Express EBIT improvements.
- **Risks:** FDX risks include economic sensitivity, competes in highly competitive markets, secular decline in domestic express market, potential return on capital volatility, and acquisition integration risk.

Forward Air (FWRD)

- **Price Target:** Our \$52 price target reflects 20.0x our forward estimate, one year out, consistent with its 20.1x 10-year average supported by positive underlying core airport-to-airport trends and revenue and margin trends in FWRD's non-core business, supplemented by recent acquisitions.
- **Risks:** Economic sensitivity, increased competition, third-party capacity dependency, uncertain long-term core airport-to-airport growth prospects, and ability to develop Solutions.

Heartland Express, Inc. (HTLD)

- **Price Target:** Our \$24 price target is 19.0x forward earnings, one year out, in line with its 19x five-year average given company-specific catalyst following Gordon acquisition and leverage to a potential inflection in truckload pricing growth.
- **Risks:** HTLD risks include exposure to a highly fragmented industry with cyclical exposure, slower growth given its selective growth strategy focused on premium freight, potential margin pressures from driver availability, self-insurance liability, and other rising costs.

Hub Group, Inc. (HUBG)

- **Price Target:** Our \$54 price target reflects 20.0x forward estimates, one year out, a multiple above its 18.9x 10-year average, reflecting both accelerating industry fundamentals and HUBG's accelerating EPS growth.
- **Risks:** Economic sensitivity of freight creates cyclical exposure. Hub is reliant on credible service by its underlying railroad partners. Inability to pass through rising freight rates would cause margin pressure.

J.B. Hunt Transport Services, Inc. (JBHT)

- **Price Target:** Our \$80 price target reflects 10.2x our NTM EBITDA, a premium to JBHT's five-year average multiple of 9.8x, and warranted in our view given JBHT's improving capital returns and above-market volume growth. We look for 1) pullbacks below \$70, or 2) further signs of reaccelerating rate growth to become more constructive.
- **Risks:** JBHT risks include economic sensitivity of freight demand and reliance on credible service by its underlying railroad partners.

Knight Transportation, Inc. (KNX)

- **Price Target:** Our \$26 price target reflects 20.0x forward earnings, one year out, above KNX's five year 19.4x NTM P/E but consistent with the recent truckload industry average of 20.9x NTM P/E.
- **Risks:** Competes in a highly fragmented industry subject to cyclical exposure; driver availability, self-insured liability expenses, and rising costs are potential risks to margins; sustained growth depends on qualified personnel able to replicate KNX's model.

Landstar System Inc. (LSTR)

- **Price Target:** Our \$74 price target reflects roughly 20.0x our forward EPS estimate, one year out, modestly above LSTR's 19.1x average five-year NTM P/E multiple, reflecting our expectation for mid-teen EPS growth potential this cycle.
- **Risks:** LSTR risks include dependency on freight trends which are sensitive to supply and demand balance in the industry--a function of economic activity and industry fleet growth. Other risks include division integration and insurance liability.

Norfolk Southern Corporation (NSC)

- **Price Target:** Our \$118 price target reflects roughly 15.0x forward EPS, one year out, a premium to NSC's roughly 12.9x 10-year average supported by normalizing EPS growth given signs of bottoming domestic utility coal and anticipated Merchandise/Intermodal growth in excess of GDP supported by secular growth opportunities.
- **Risks:** Competes in a mature, cyclical industry, improving ROC key to thesis, potential liability exposure for hazardous materials movement, truckload competition in Intermodal, highly regulated industry potentially subject to further regulation, unionized workforce cost inflation/service disruptions.

Old Dominion Freight Line (ODFL)

- **Price Target:** Our \$69 price target reflects 9.5x EV/forward EBITDA, above its 10-year average 7.2x EV/LTM EBITDA, reflecting best-in-class operating margins and long-term growth potential.
- **Risks:** Competes in highly cyclical business, with potential for price competition in a highly competitive LTL market. Growth focus has resulted in inconsistent FCF generation.

Ryder System, Inc. (R)

- **Price Target:** Our \$103 price target reflects 15.0x our forward EPS, one year out, above Ryder's adjusted average NTM P/E of 12.3x during the last cycle, owing to improving visibility to 15%+ EPS growth this cycle given traction as a transportation outsourcing model.
- **Risks:** Ryder's business is dependent on freight volumes, which depends on domestic economic growth. Leasing organizations such as Ryder depend on access to capital to secure equipment. Rising interest rates negatively impact operating costs.

Roadrunner Transportation Systems, Inc. (RRTS)

- **Price Target:** Our \$32 price target reflects roughly 17x forward estimates, one year out, a multiple above its 15x average since RRTS' 2010 IPO and compares to the 18-25x historical 3PL range and current 19x 3PL median. Our \$32 price target also reflects a 1.1x PEG relative to our assumption for 15% long-term growth. A 1.1x PEG is roughly consistent with a 1.12x average PEG among the S&P Small Cap 600 Index since 2004.
- **Risks:** Acquisition risk, reliance on third-party capacity, unique LTL brokerage margins with potential for margin squeeze (price in LTL, buy in TL), economic sensitivity, highly competitive market, and limited public company experience.

Swift Transportation Co. Inc. (SWFT)

- **Price Target:** Our \$27 price target reflects 16.0x our forward EPS estimate, one year out (including assumed accretion from note call in November 2014), a ~18% valuation discount to high-quality TL peers' 19.6x current average multiple given SWFT's leverage (2.2x debt/EBITDA expected by year-end 2014; 2.5x as of 4Q13)—a discount we expect to narrow this cycle.
- **Risks:** SWFT operates in a highly fragmented, cyclically sensitive and capital-intensive business. SWFT's elevated debt structure exposes risk to equity holders if broader economic trends deteriorate and/or margin improvement slows.

Union Pacific (UNP)

- **Price Target:** Our \$104 price target reflects 15.5x forward earnings, one year out, above UNP's 14.2x 10-year average supported by real pricing growth, share repurchases, and efficiency initiatives.
- **Risks:** Competes in mature, cyclical industry, improving ROC key to thesis, potential liability exposure for hazardous materials movement, truckload competition in Intermodal, highly regulated industry potentially subject to further regulation, unionized workforce cost inflation/service disruptions.

UPS (UPS)

- **Price Target:** Our \$105 price target represents 17.0x our forward EPS estimate, one year out, modestly below its 17.4x ten-year average NTM P/E, supported by strong exposure to secular e-commerce growth trend, solid cash flow dynamics and signs of stabilizing airfreight fundamentals, but as ongoing changes in supply chain management continue to limit UPS' operating leverage.
- **Risks:** UPS is dependent upon economic growth and global trade, as such is sensitive to economic conditions. Further, UPS operates in highly competitive, global markets and is dependent on rational pricing among competitors.

Valuation and Risks

UTi Worldwide (UTIW)

- **Price Target:** Our \$12 price target reflects 10.5x EV/our F2016 EBITDA estimate, discounted back three quarters using a 15% discount rate, a multiple below UTIW's average 11.7x EV/forward EBITDA. We see the potential for upside to our price target as: 1) confidence in our EBITDA assumption following the completion of 1View grows; or 2) signs of accelerating net revenue growth builds, either from incremental share gains by UTIW or firming external industry fundamentals.
- **Risks:** Fixed cost exposure, turnaround execution risk, competitive economically sensitive market, reliance on asset-providing carriers.

Werner Enterprises, Inc. (WERN)

- **Price Target:** Our \$29 price target reflects 17.5x our forward EPS estimate, one year out, a multiple above its average 16x average NTM P/E during the previous cycle but below the recent truckload industry average of 18.3x NTM P/E. We believe an above-average NTM P/E multiple valuation appropriately reflects favorable industry dynamics and a potential acceleration in economic and/or freight demand.
- **Risks:** WERN operates in a highly fragmented, cyclically sensitive and capital-intensive business. The truckload market has historically earned limited real pricing growth, and WERN is subject to numerous cost pressures.

Appendix – Important Disclosures and Analyst Certification

Robert W. Baird & Co. Incorporated and/or its affiliates expect to receive or intend to seek investment banking related compensation from the company or companies mentioned in this report within the next three months.

Robert W. Baird & Co. Incorporated may not be licensed to execute transactions in all foreign listed securities directly. Transactions in foreign listed securities may be prohibited for residents of the United States. Please contact a Baird representative for more information.

Investment Ratings: **Outperform (O)** - Expected to outperform on a total return, risk-adjusted basis the broader U.S. equity market over the next 12 months. **Neutral (N)** - Expected to perform in line with the broader U.S. equity market over the next 12 months. **Underperform (U)** - Expected to underperform on a total return, risk-adjusted basis the broader U.S. equity market over the next 12 months.

Risk Ratings: **L - Lower Risk** - Higher-quality companies for investors seeking capital appreciation or income with an emphasis on safety. Company characteristics may include: stable earnings, conservative balance sheets, and an established history of revenue and earnings. **A - Average Risk** - Growth situations for investors seeking capital appreciation with an emphasis on safety. Company characteristics may include: moderate volatility, modest balance-sheet leverage, and stable patterns of revenue and earnings. **H - Higher Risk** - Higher-growth situations appropriate for investors seeking capital appreciation with the acceptance of risk. Company characteristics may include: higher balance-sheet leverage, dynamic business environments, and higher levels of earnings and price volatility. **S - Speculative Risk** - High-growth situations appropriate only for investors willing to accept a high degree of volatility and risk. Company characteristics may include: unpredictable earnings, small capitalization, aggressive growth strategies, rapidly changing market dynamics, high leverage, extreme price volatility and unknown competitive challenges.

Valuation, Ratings and Risks. The recommendation and price target contained within this report are based on a time horizon of 12 months but there is no guarantee the objective will be achieved within the specified time horizon. Price targets are determined by a subjective review of fundamental and/or quantitative factors of the issuer, its industry, and the security type. A variety of methods may be used to determine the value of a security including, but not limited to, discounted cash flow, earnings multiples, peer group comparisons, and sum of the parts. Overall market risk, interest rate risk, and general economic risks impact all securities. Specific information regarding the price target and recommendation is provided in the text of our most recent research report.

Distribution of Investment Ratings. As of July 31, 2014, Baird U.S. Equity Research covered 724 companies, with 52% rated Outperform/Buy, 47% rated Neutral/Hold and 1% rated Underperform/Sell. Within these rating categories, 16% of Outperform/Buy-rated and 11% of Neutral/Hold-rated companies have compensated Baird for investment banking services in the past 12 months and/or Baird managed or co-managed a public offering of securities for these companies in the past 12 months.

Analyst Compensation. Analyst compensation is based on: 1) the correlation between the analyst's recommendations and stock price performance; 2) ratings and direct feedback from our investing clients, our institutional and retail sales force (as applicable) and from independent rating services; 3) the analyst's productivity, including the quality of the analyst's research and the analyst's contribution to the growth and development of our overall research effort and 4) compliance with all of Robert W. Baird's internal policies and procedures. This compensation criteria and actual compensation is reviewed and approved on an annual basis by Baird's Research Oversight Committee.

Analyst compensation is derived from all revenue sources of the firm, including revenues from investment banking. Baird does not compensate research analysts based on specific investment banking transactions.

A complete listing of all companies covered by Baird U.S. Equity Research and applicable research disclosures can be accessed at

<http://www.rwbaird.com/research-insights/research/coverage/research-disclosure.aspx>.

You can also call 1-800-792-2473 or write: Robert W. Baird & Co., Equity Research, 777 E. Wisconsin Avenue, Milwaukee, WI 53202.

Analyst Certification. The senior research analyst(s) certifies that the views expressed in this research report and/or financial model accurately reflect such senior analyst's personal views about the subject securities or issuers and that no part of his or her compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in the research report.

Disclaimers

Baird prohibits analysts from owning stock in companies they cover.

This is not a complete analysis of every material fact regarding any company, industry or security. The opinions expressed here reflect our judgment at this date and are subject to change. The information has been obtained from sources we consider to be reliable, but we cannot guarantee the accuracy.

ADDITIONAL INFORMATION ON COMPANIES MENTIONED HEREIN IS AVAILABLE UPON REQUEST The Dow Jones Industrial Average, S&P 500, S&P 400 and Russell 2000 are unmanaged common stock indices used to measure and report performance of various sectors of the stock market; direct investment in indices is not available.

Baird is exempt from the requirement to hold an Australian financial services license. Baird is regulated by the United States Securities and Exchange Commission, FINRA, and various other self-regulatory organizations and those laws and regulations may differ from Australian laws. This report has been prepared in accordance with the laws and regulations governing United States broker-dealers and not Australian laws.

Copyright 2014 Robert W. Baird & Co. Incorporated

Other Disclosures

The information and rating included in this report represent the Analyst's long-term (12 month) view as described above. The research analyst(s) named in this report may at times, discuss, at the request of our clients, including Robert W. Baird & Co. salespersons and traders, or may have discussed in this report, certain trading strategies based on catalysts or events that may have a near-term impact on the market price of the equity securities discussed in this report. These trading strategies may differ from the analysts' published price target or rating for such securities. Any such trading strategies are distinct from and do not affect the analysts' fundamental long-term (12 month) rating for such securities, as described above. In addition, Robert W. Baird & Co. Incorporated and/or its affiliates (Baird) may provide to certain clients additional or research supplemental products or services, such as outlooks, commentaries and other detailed analyses, which focus on covered stocks, companies, industries or sectors. Not all clients who receive our standard company-specific research reports are eligible to receive these additional or supplemental products or services. Baird determines in its sole discretion the clients who will receive additional or supplemental products or services, in light of various factors including the size and scope of the client relationships. These additional or supplemental products or services may feature different analytical or research techniques and information than are contained in Baird's standard research reports. Any ratings and recommendations contained in such additional or research supplemental products are consistent with the Analyst's long-term ratings and recommendations contained in more broadly disseminated standard research reports.

UK disclosure requirements for the purpose of distributing this research into the UK and other countries for which Robert W. Baird Limited holds an ISD passport.

This report is for distribution into the United Kingdom only to persons who fall within Article 19 or Article 49(2) of the Financial Services and Markets Act 2000 (financial promotion) order 2001 being persons who are investment professionals and may not be distributed to private clients. Issued in the United Kingdom by Robert W. Baird Limited, which has an office at Finsbury Circus House, 15 Finsbury Circus, London EC2M 7EB, and is a company authorized and regulated by the Financial Conduct Authority. For the purposes of the Financial Conduct Authority requirements, this investment research report is classified as objective.

Robert W. Baird Limited ("RWBL") is exempt from the requirement to hold an Australian financial services license. RWBL is regulated by the Financial Conduct Authority ("FCA") under UK laws and those laws may differ from Australian laws. This document has been prepared in accordance with FCA requirements and not Australian laws.

Dividend Yield. As used in this report, the term "dividend yield" refers, on a percentage basis, to the historical distributions made by the issuer relative to its current market price. Such distributions are not guaranteed, may be modified at the issuer's discretion, may exceed operating cash flow, subsidized by borrowed funds or include a return of investment principal.