

Hub Group, Inc. (HUBG)

In-Line 3Q15 Result; Intermodal a (Lone) Bright Spot in Transports

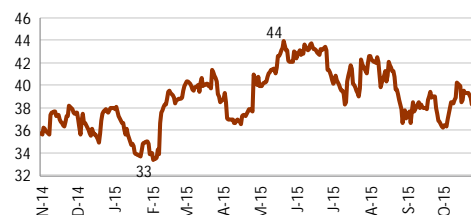
Maintain Outperform rating. 3Q15 results were in line with expectations as HUBG continues to make progress improving overall gross margins after 2014's challenges. New President & COO Maltby's (re)introduction to investors went well; we expect HUBG's core strategy will remain largely unchanged, though acquisitions will likely play a larger role to facilitate growth. Maintain Outperform rating, but we remain more disciplined buyers near our \$42 price target given emerging industry headwinds in 2016.

- **In-line 3Q15.** EPS of \$0.55 (+13% yoy) matched our consensus-matching estimate.
- **2015 EPS guidance raised** to \$1.90-2.00 (versus recent \$1.94 consensus). Implied 4Q15 EPS guidance of \$0.51-0.61 book-ends recent \$0.57 consensus.
- **Signs of gross margin progress clearly evident in 3Q15...** Overall gross margin improved 150 bps to 11.7%. Core Hub gross margin improved 160 bps to 10.9% given improved operational execution and solid core pricing gains, supported by what HUBG describes as a strong 2H15 peak, though full-year 2015's total intermodal volume growth is slightly lower (+3-5% yoy) than initially expected (+3-7%). Commentary of a "strong" 2H peak is counter to that from broader transportation modes, but consistent with that from competing domestic intermodal providers.
- **...with further room for improvement.** HUBG is confident overall gross margin can further improve in 2016 (from 11.4% in 2015E) given continued refinement of Hub intermodal network (through pricing, utilization, and drayage sourcing tools), though pricing (both customer and vendor) remains the critical variable, in our view.
- **Good (re)introduction to new President & COO Don Maltby.** Maltby brings a familiarity with the organization and a vision consistent with HUBG's existing strategy. All told, we believe HUBG is committed to "going it alone," reinforced by a deepening commitment to evaluating acquisition targets to supplement its broader growth strategy.
- **Our 4Q15 and 2016 EPS estimates modestly reduced** given a softer-than-expected 2H15 peak and slower industry rate growth expectations in 2016.
- **Maintain Outperform rating.** HUBG has performed well over the past year (+2% versus Russell 2000, +13% versus Dow Jones Transports) given improved overall gross margin performance after 2014's challenges. That said, we still see headwinds developing into 2016 given expected deceleration in core domestic intermodal rate growth, and therefore remain more disciplined buyers. Look to trim positions near our \$42 price target.

HUBG is a leading provider of Intermodal (55% of revenue), Truck Brokerage (11%) and Logistics (10%) services in addition to its Mode agent network (24%).

ESTIMATE CHANGE

1-Year Price Chart



Stock Data

Rating:	Outperform
Suitability:	Higher Risk
Price Target:	\$42
Price (10/28/15):	\$37.01
Market Cap (mil):	\$1,329
Shares Out (mil):	35.9
Average Daily Vol (mil):	0.26
Dividend Yield:	0.0%

Estimates

FY Dec	2014A	2015E	2016E
Q1	0.33 A	0.32 A	0.51 E
Q2	0.51 A	0.51 A	0.56 E
Q3	0.49 A	0.55 A	0.60 E
Q4	0.41 A	0.57 E	0.56 E
Fiscal EPS	1.73 A	1.95 E	2.22 E
Previous Est		1.97 E	2.23 E
Fiscal P/E	21.4x	19.0x	16.7x

Chart/Table Sources: Factset and Baird Data

**Please refer to Appendix
- Important Disclosures
and Analyst Certification**

Details

Investment perspective. 3Q15 results were in line with expectations (EPS of \$0.55 matched our consensus-matching estimate) as HUBG continues to make progress improving overall gross margins after 2014's challenges. Overall gross margin improved 150 bps to 11.7%, and HUBG is confident overall gross margin can further improve in 2016 (from 11.4% in 2015E) given continued refinement of Hub intermodal network (through pricing, utilization, and drayage sourcing tools). Core Hub gross margin improved 160 bps to 10.9% given improved operational execution and solid core pricing gains, supported by what HUBG describes as a strong 2H15 peak (a trend not being experienced by other transport sectors), though full-year 2015's total intermodal volume growth is slightly lower (+3-5% yoy) than initially expected (+3-7%).

All told, our thoughts on the stock remain the same: the stock has performed well over the past year (+2% versus Russell 2000, +13% versus Dow Jones Transports) given improved overall gross margin performance after 2014's challenges, but we still see headwinds developing into 2016 given expected deceleration in core domestic intermodal rate growth, and therefore remain more disciplined buyers. Look to trim positions near our unchanged \$42 price target (which reflects 17.5x our forward EPS estimate, one year out).

We consider year-out risk/reward to be \$30-50.

- **Reasonable good case \$50.** Assumes 20x a good case 2016P EPS nearing \$2.50. The multiple reflects an assumption that would reflect accelerating EPS growth of 20%+ driven by accelerating Intermodal volume growth, continued strength in domestic intermodal industry pricing growth, and improving rail service -- all of which should support overall gross margins of 11-12%. Into such a backdrop, we believe 20x is warranted (above its 18.4x five-year average, but below its recent peak of 22x).
- **Reasonable bad case \$30.** Assumes ~13.5x our NTM EPS estimate, a multiple slightly below HUBG's representative trough multiple (touched 14x NTM P/E in 2011 and 2012) into potential deceleration in core domestic intermodal rate growth and broader economic weakness. We view downside as protected by a plausible takeout scenario.

Our \$42 price target reflects 17.5x our forward EPS estimate, one year out, a valuation multiple below its 19.6x 10-year average, as improving execution throughout 2015 given incremental rail service improvement, improving network balance and asset utilization, and implementation of internal programs (pricing optimization tool, sales program, and drayage model) should give way to sequential improvement in overall HUBG gross margins throughout 2015, a critical catalyst to the stock. However, we still see headwinds developing into 2016 given expected deceleration in core domestic intermodal rate growth, and therefore remain more disciplined buyers.

Hub Group, Inc. (HUBG - NASDAQ)
 Quarterly Results and Variance Sheet

	Quarterly Results					Percent of Gross Revenue		
	3Q15	3Q14	Chg	BAIRD	Var.	3Q15	3Q14	BAIRD
Intermodal	459,559	460,935	0%	474,763	-3%	51%	50%	51%
Truck Brokerage	84,000	84,208	0%	88,418	-5%	9%	9%	9%
Logistics	137,000	146,692	-7%	132,023	4%	15%	16%	14%
Mode	239,375	245,421	-2%	265,055	-10%	27%	27%	28%
Gross Revenue	899,869	913,386	-1%	939,474	-4%	100%	100%	100%
Transportation costs	794,805	820,190	-3%	833,209	-5%	88.3%	89.8%	88.7%
Gross Profit	105,064	93,196	13%	106,265	-1%	11.7%	10.2%	11.3%
Salaries and benefits	36,357	30,883	18%	39,247	-7%	4.0%	3.4%	4.2%
General and administrative	15,461	13,868	11%	14,677	5%	1.7%	1.5%	1.6%
Depreciation and amortization	1,966	1,967	0%	1,928	2%	0.2%	0.2%	0.2%
SG&A Expenses	71,646	63,295	13%	73,535	-3%	8.0%	6.9%	7.8%
Operating Income	33,418	29,901	12%	32,730	2%	3.7%	3.3%	3.5%
Interest Income (Exp)	(1,687)	(326)		(453)				
Pretax Income	31,731	29,575	7%	32,277	-2%	3.5%	3.2%	3.4%
Income Tax Rate	37.5%	38.9%		38.0%				
Net Income	19,832	18,068	10%	20,012	-1%	2.2%	2.0%	2.1%
EPS	\$0.55	\$0.49	13%	\$0.55	0%			
Consensus	\$0.55							
Diluted Shares	35,903	36,858	-3%	36,121	-1%			

						Percent of Gross		
	3Q15	3Q14	Chg	BAIRD	Var.	3Q15	3Q14	BAIRD
Hub	680,559	691,835	-2%	695,204	-2%	76%	76%	74%
Mode	239,375	245,421	-2%	265,055	-10%	27%	27%	28%
Gross Revenue	899,869	913,386	-1%	939,474	-4%	100%	100%	102%

						Operating Ratio		
	3Q15	3Q14	Chg	BAIRD	Var.	3Q15	3Q14	BAIRD
Hub	26,241	22,869	15%	25,136	4%	96.1%	96.7%	96.4%
Mode	7,177	7,032	2%	7,595	-5%	97.0%	97.1%	97.1%
Operating Income	33,418	29,901	12%	32,730	2%	96.3%	96.7%	96.5%

Source: Company reports, Baird estimates

Investment Thesis

Current thoughts. 3Q15 results were in line with expectations (EPS of \$0.55 matched our consensus-matching estimate) as HUBG continues to make progress improving overall gross margins after 2014's challenges. Overall gross margin improved 150 bps to 11.7%, and HUBG is confident overall gross margin can further improve in 2016 (from 11.4% in 2015E) given continued refinement of Hub intermodal network (through pricing, utilization, and drayage sourcing tools). Core Hub gross margin improved 160 bps to 10.9% given improved operational execution and solid core pricing gains, supported by what HUBG describes as a strong 2H15 peak (a trend not being experienced by other transport sectors), though full-year 2015's total intermodal volume growth is slightly lower (+3-5% yoy) than initially expected (+3-7%). All told, our thoughts on the stock remain the same: the stock has performed well over the past year (+2% versus Russell 2000, +13% versus Dow Jones Transports) given improved overall gross margin performance after 2014's challenges, but we still see headwinds developing into 2016 given expected deceleration in core domestic intermodal rate growth, and therefore remain more disciplined buyers. Look to trim positions near our unchanged \$42 price target (which reflects 17.5x our forward EPS estimate, one year out).

A leading intermodal rail company... With \$2.3 billion of revenue in the estimated \$24 billion domestic intermodal rail market, Hub is one of the largest providers in the industry. Hub markets directly to shippers allowing them to access this cost-effective transport mode. Hub's non-asset-based model retains the flexibility of offering intermodal service across all major railroads, while preserving its independence to select the best fit for its customers.

...transitioning to a leading domestic transport provider. Over the past decade, HUBG has expanded its service offering to include faster-growing and larger-market services like truck brokerage and supply chain/transportation management. The combined offering provides Hub the opportunity to leverage its domestic transportation expertise. If successful in these markets, we would expect Hub to generate upper-single-digit revenue growth and continued margin expansion.

Positive long-term intermodal trends. Intermodal rail represents a cost-effective attractive alternative to over-the-road trucking, given its lower price point, expectations for capacity constraints in the domestic transportation infrastructure over the long-term, and longer-term fuel/transportation inflationary costs. The intermodal rail industry represents less than 2% of the overall domestic transportation market. In a healthy environment, we expect HUBG can achieve double-digit revenue growth in intermodal driven by continued share gains in the domestic market and conversion of international intermodal shipments. Near-term intermodal growth will be tempered by the slow economic and freight backdrop, but we would still expect domestic intermodal volume trends to outperform truckload.

Valuation. With continued expansion of its existing intermodal platform and its truck brokerage and supply chain divisions, HUBG has the opportunity over the next few years to establish itself as a leading domestic third-party logistics (3PL) provider. Over the longer term, we think HUBG's gross profit and earnings growth potential, strong free cash flow, and potential for accretive acquisitions should support a valuation premium relative to the market and consistent with the broader 3PL group. Our \$42 price target reflects 17.5x our forward EPS estimate, one year out, a valuation multiple below its 19.6x 10-year average, as improving execution throughout 2015 given incremental rail service improvement, improving network balance and asset utilization, and implementation of internal programs (pricing optimization tool, sales program, and drayage model) should give way to sequential improvement in overall HUBG gross margins throughout 2015, a critical catalyst to the stock. However, we still see headwinds developing into 2016 given expected deceleration in core domestic intermodal rate growth, and therefore remain more disciplined buyers. Longer term, we believe HUBG can sustain upper-single-digit revenue growth and 10%+ EPS growth.

Risks & Caveats

- **Changing competitive landscape.** Intermodal rail success by asset-based models including J.B. Hunt and Schneider, along with the emergence of truckload carrier/rail partnerships, make the non-asset intermodal model susceptible. We believe HUBG must leverage its scale and increase ownership of assets to compete in this changing industry.
- **Cyclical exposure.** While intermodal should be less cyclical than truck freight given its price discount, revenue and earnings growth will largely be driven by overall economic growth.
- **Dependent on railroads.** Hub relies on rail service reliability to be able to deliver dependable and profitable service.
- **Highly fragmented industry.** Overall domestic transportation is highly fragmented and subject to intense competition.
- **Acquisition risk.** Integration of Mode presents execution risk, given the perceived conflicts between Mode's agent-based model and Hub Group's traditionally employee-centric model.

Company Description

Hub Group is one of the largest non-railroad providers of intermodal rail transportation and is diversifying into other logistics solutions consistent with its asset-light strategy. The company operates through four primary service offerings:

- **Intermodal Rail Brokerage:** HUBG provides containerized movement of freight on rails. Movements usually exceed 700 miles and cost 15-20% less than a truck, but generally require 1-2 days extra transit. HUBG provides seamless coverage including the truck transportation to and from the shipper (drayage) and the rail transportation of the intermodal rail container. By leveraging its relationships with the major railroads and local truck/drayage operators, HUBG minimizes its asset exposure.
- **Truck Brokerage:** Hub matches freight demand of shippers with the capacity of its truck carrier partners. Hub's growing scale should allow it to more efficiently procure capacity for shippers in the highly fragmented trucking industry. Carriers partner with Hub because it can access desirable freight on a nationwide basis. Hub ranks among the largest truck brokers.
- **Logistics:** Offers transportation management solutions that allow shippers to outsource part or all of their in-house transport function including rate negotiation, mode selection, and load/carrier management.
- **Mode Transportation:** Formerly Exel Transportation Services, HUBG acquired Mode in April 2011 for \$82 million in cash. Mode operates under a wholly-owned subsidiary, offering transportation brokerage services in Intermodal, Truckload, and LTL through roughly 235 agents.

**Hub Group
(HUBG - NASDAQ)**



Income Statement (\$millions)

Robert W. Baird & Co., Inc.

	2005	2006	2007	2008	2009	2010	2011	2012	2013	Q1	Q2	Q3	Q4	2014	Q1	Q2	Q3	Q4E	2015E	Q1E	Q2E	Q3E	Q4E	2016E
Revenue																								
Intermodal	1,080	1,173	1,206	1,329	1,055	1,285	1,554	1,731	1,818	435	456	461	464	1,816	421	465	460	473	1,819	447	493	487	501	1,929
Growth (%)	6%	9%	3%	10%	-21%	22%	21%	11%	5%	2%	1%	-2%	-1%	0%	-3%	2%	0%	2%	0%	6%	6%	6%	6%	6%
Truck Brokerage	267	306	322	372	293	335	339	335	333	84	86	84	84	339	89	93	84	84	350	89	93	88	88	358
Growth (%)	18%	15%	5%	15%	-21%	14%	1%	-1%	-1%	3%	6%	0%	-2%	2%	6%	8%	0%	0%	3%	0%	0%	5%	5%	2%
Logistics	136	131	129	159	163	214	291	326	449	134	140	147	148	568	133	128	137	130	528	126	122	144	137	528
Growth (%)	-4%	-4%	-1%	23%	3%	31%	36%	12%	38%	64%	24%	18%	14%	27%	-1%	-8%	-7%	-12%	-7%	-5%	-5%	5%	5%	0%
Mode							586	780	823	209	232	245	245	931	214	234	239	240	927	209	229	259	260	957
Growth (%)							33%	6%	11%	14%	13%	14%	13%	13%	2%	1%	-2%	-2%	0%	-2%	-2%	8%	8%	3%
Gross Revenue	1,482	1,610	1,658	1,861	1,511	1,834	2,752	3,124	3,374	848	894	913	915	3,571	836	900	900	907	3,543	851	917	958	966	3,692
Growth (%)	4%	9%	3%	12%	-19%	21%	50%	14%	8%	10%	7%	3%	3%	6%	-1%	1%	-1%	-1%	-1%	2%	2%	6%	6%	4%
Gross Profit	174.7	218.4	232.3	234.3	185.7	213.4	312.5	356.1	371.0	88.7	98.6	93.2	89.9	370.4	89.1	101.7	105.1	106.3	402.2	101.0	106.9	111.7	108.6	428.3
Gross Profit Margin	11.8%	13.6%	14.0%	12.6%	12.3%	11.6%	11.4%	11.4%	11.0%	10.5%	11.0%	10.2%	9.8%	10.4%	10.7%	11.3%	11.7%	11.7%	11.4%	11.9%	11.7%	11.7%	11.2%	11.6%
Growth (%)	-3%	25%	6%	1%	-21%	15%	46%	14%	4%	2%	3%	0%	-5%	0%	0%	3%	13%	18%	9%	13%	5%	6%	2%	6%
Total Expenses	126.4	141.2	141.6	138.8	130.2	143.6	213.5	243.7	254.4	68.2	67.7	63.3	65.1	264.3	69.4	72.3	71.6	71.9	285.3	69.7	72.8	75.7	74.9	293.1
Growth (%)	-9%	12%	0%	-2%	-6%	10%	49%	14%	4%	9%	4%	2%	0%	4%	2%	7%	13%	10%	8%	0%	1%	6%	4%	3%
EBITDA	56.9	84.2	95.2	99.4	59.7	73.7	104.6	119.0	123.1	22.6	32.8	31.9	26.7	113.9	16.2	23.7	27.9	28.7	96.4	26.6	28.7	29.5	26.7	111.4
Total EBIT	48.4	77.2	90.7	95.5	55.5	69.9	99.0	112.4	116.7	20.5	30.9	29.9	24.8	106.1	19.7	29.5	33.4	34.4	116.9	31.3	34.1	36.1	33.8	135.2
EBIT Margin	3.3%	4.8%	5.5%	5.1%	3.7%	3.8%	3.6%	3.6%	3.5%	2.4%	3.5%	3.3%	2.7%	3.0%	2.4%	3.3%	3.7%	3.8%	3.3%	3.7%	3.7%	3.8%	3.5%	3.7%
Growth (%)	19%	60%	17%	5%	-42%	26%	42%	13%	4%	-17%	2%	-4%	-18%	-9%	-4%	-5%	12%	39%	10%	59%	16%	8%	-2%	16%
Interest Expense	0.8	2.2	2.5	0.9	0.4	0.2	(0.2)	(1.1)	(1.2)	(0.6)	(0.4)	(0.3)	(0.7)	(2.0)	(0.7)	(0.4)	(1.7)	(1.7)	(4.5)	(1.7)	(1.6)	(1.5)	(1.4)	(6.3)
Pretax Income	49.2	79.5	93.2	96.3	55.9	70.1	98.9	111.3	115.5	19.9	30.5	29.6	24.1	104.1	19.0	29.0	31.7	32.7	112.4	29.6	32.5	34.5	32.3	128.9
Tax Rate (%)	40.3%	40.0%	37.5%	38.5%	38.7%	38.0%	38.3%	38.9%	38.6%	39.5%	38.8%	38.9%	38.4%	38.9%	38.3%	36.4%	37.5%	38.0%	37.5%	38.0%	38.0%	38.0%	38.0%	38.0%
Net Income	29.3	47.7	58.3	59.2	34.3	43.5	61.0	68.0	70.9	12.0	18.7	18.1	14.9	63.6	11.7	18.5	19.8	20.3	70.3	18.3	20.1	21.4	20.1	79.9
Shares Outstanding	41.4	40.8	39.1	37.5	37.5	37.4	37.1	37.2	37.0	36.7	36.8	36.9	36.5	36.7	36.2	36.1	35.9	35.8	36.0	36.0	35.9	35.9	36.0	35.9
Continuing Ops EPS	\$0.71	\$1.17	\$1.49	\$1.58	\$0.91	\$1.16	\$1.65	\$1.83	\$1.92	\$0.33	\$0.51	\$0.49	\$0.41	\$1.73	\$0.32	\$0.51	\$0.55	\$0.57	\$1.95	\$0.51	\$0.56	\$0.60	\$0.56	\$2.22
Growth (%)	27%	65%	28%	6%	-42%	27%	42%	11%	5%	-21%	1%	-2%	-18%	-10%	-1%	1%	13%	39%	13%	57%	10%	8%	-1%	14%
GAAP EPS	\$0.87	\$1.19	\$1.53	\$1.58	\$0.91	\$1.16	\$1.57	\$1.83	\$1.87	\$0.33	\$0.51	\$0.12	\$0.41	\$1.36	\$0.28	\$0.51	\$0.55	\$0.57	\$1.91	\$0.51	\$0.56	\$0.60	\$0.56	\$2.22
Expense Ratios (% GR)																								
Transportation Costs	88.2%	86.4%	86.0%	87.4%	87.7%	88.4%	88.6%	88.6%	89.0%	89.5%	89.0%	89.8%	90.2%	89.6%	89.3%	88.7%	88.3%	88.3%	88.6%	88.1%	88.3%	88.3%	88.8%	88.4%
Salaries & Benefits	5.6%	5.9%	5.8%	5.0%	5.9%	5.4%	3.9%	3.7%	3.6%	3.9%	3.6%	3.0%	3.2%	3.4%	4.2%	3.9%	3.7%	3.8%	3.9%	4.1%	3.9%	3.6%	3.7%	3.8%
G&A	2.3%	2.5%	2.5%	2.2%	2.5%	2.2%	1.5%	1.5%	1.5%	1.6%	1.4%	1.3%	1.4%	1.4%	1.5%	1.5%	1.5%	1.7%	1.5%	1.5%	1.5%	1.5%	1.6%	1.5%
D&A	0.6%	0.4%	0.3%	0.2%	0.3%	0.2%	0.1%	0.1%	0.1%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%
Key Op Stats (yoy change)																								
Intermodal Volumes	-5.1%	-2.8%	2.5%	2.1%	-4.5%	19.3%	12.8%	10.0%	3.3%	2.0%	0.0%	-4.0%	-4.0%	-1.5%	1.0%	6.0%	0.0%	6.0%	4.3%	6.0%	6.0%	6.0%	6.0%	6.0%

Source: Company reports and Robert W. Baird & Co. estimates.

Please refer to Appendix - Important Disclosures and Analyst Certification.

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**Hub Group
(HUBG - NASDAQ)**



Balance Sheet (\$ in 000)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	3Q15
ASSETS										
Cash and cash equivalents	43,491	38,002	85,799	126,863	115,144	49,091	70,760	68,964	109,769	183,547
Net receivables	166,653	170,772	155,680	157,249	203,837	350,415	372,862	398,097	426,689	421,055
Deferred tax assets	3,433	5,044	5,553	3,467	3,610	4,838	4,965	5,826	4,816	7,712
Other current	7,652	4,404	4,346	6,801	6,569	11,448	10,758	13,147	29,292	17,155
Total Current	221,229	218,222	251,378	294,380	329,160	415,792	459,345	486,034	570,566	629,469
Net property & equipment	26,974	29,662	32,713	28,510	47,806	124,587	157,584	260,400	338,327	350,726
Goodwill/Intangibles	232,950	237,504	239,720	239,056	238,885	285,137	283,319	278,761	277,247	276,112
Other assets	3,395	6,579	7,865	11,402	13,556	17,168	19,605	22,748	25,987	24,654
Total Assets	484,548	491,967	531,676	573,348	629,407	842,684	919,853	1,047,943	1,212,127	1,280,961
LIABILITIES & EQUITIES										
Current debt	-	-	-	-	-	2,237	2,120	4,184	22,123	28,513
Accounts payable	124,515	129,703	111,171	118,321	131,142	221,982	229,422	257,307	277,678	299,010
Accrued comp and benefits	18,294	16,446	9,988	8,253	14,378	16,721	17,210	17,000	16,192	21,037
Other accrued expenses	31,617	38,063	26,388	18,958	21,898	29,962	28,633	42,834	43,523	45,920
Total Current	174,426	184,212	147,547	145,532	167,418	268,665	277,385	321,325	359,516	394,480
Long-term debt, leases	-	-	-	-	-	23,436	21,099	24,952	88,397	94,664
Deferred taxes, Other	51,278	56,856	68,945	73,975	85,689	109,481	120,472	140,139	163,430	168,316
Shareholders' equity	258,844	250,899	315,184	353,841	376,300	438,865	500,897	561,527	600,784	623,501
Total Liabilities and Equities	484,548	491,967	531,676	573,348	629,407	840,447	919,853	1,047,943	1,212,127	1,280,961

Balance Sheet Analysis	2006	2007	2008	2009	2010	2011	2012	2013	2014	3Q15
Current Ratio	1.3	1.2	1.7	2.0	2.0	1.5	1.7	1.5	1.6	1.6
Days Sales Outstanding (DSO)	36	37	32	38	36	37	42	42	42	45
Debt / Total Cap	0%	0%	0%	0%	0%	6%	4%	5%	16%	108%
Debt / Total Cap (incl op leases)	21%	22%	17%	11%	8%	14%	14%	11%	19%	20%
Book Value/Share	\$6.41	\$6.41	\$8.40	\$9.40	\$10.16	\$11.83	\$13.47	\$15.20	\$16.44	\$17.37
Tangible Book Value/Share	\$0.63	\$0.34	\$2.01	\$3.05	\$3.71	\$4.14	\$5.85	\$7.65	\$8.86	\$9.68
Net Cash/Share	\$1.07	\$0.97	\$2.29	\$3.37	\$3.11	\$0.63	\$1.28	\$1.08	(\$0.02)	\$1.68

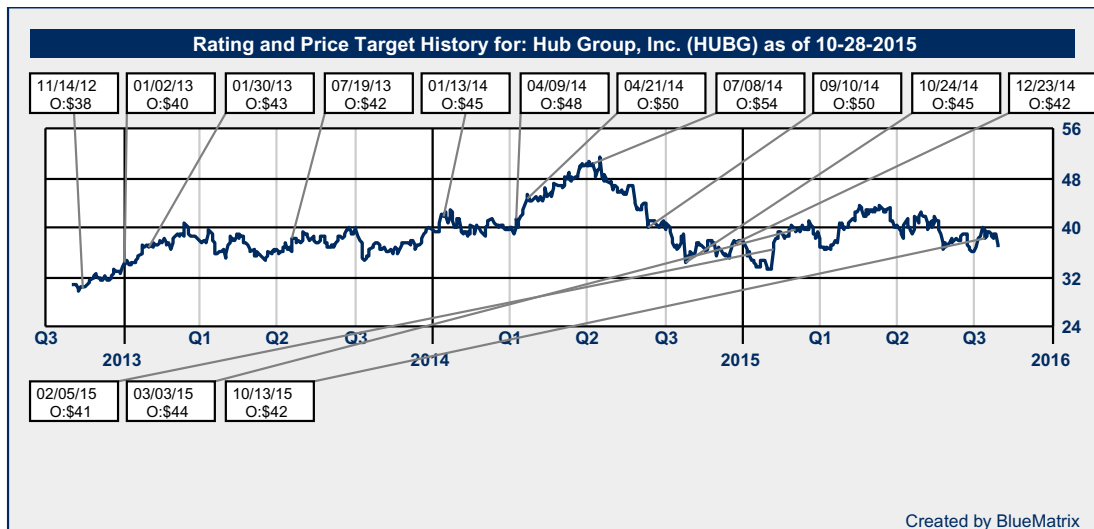
Source: Company reports and Robert W. Baird & Co. estimates.
Please refer to Appendix - Important Disclosures and Analyst Certification.

Cash Flow Statement	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015E	2016E
Net Income	\$47,705	\$59,799	\$59,245	\$34,265	\$43,458	\$58,178	\$67,953	\$69,110	\$51,558	\$68,839	\$79,933
Depreciation and Amortization	8,170	7,195	7,369	8,199	8,572	16,340	21,575	21,302	29,380	32,199	22,374
Other	3,964	7,216	13,632	9,963	13,206	23,592	15,404	26,829	44,594	12,344	12,500
NWC Changes	16,748	6,370	(18,739)	(7,199)	(27,582)	(23,244)	(12,015)	176	(26,991)	(4,921)	0
Cash Flow from Ops (CFO)	76,587	80,580	61,507	45,228	37,654	74,866	92,917	117,417	98,541	108,460	114,808
Capital Expenditures	(7,978)	(9,472)	(9,390)	(4,162)	(24,628)	(55,010)	(56,882)	(110,917)	(119,171)	(90,000)	(60,000)
Free Cash Flow (FCF)	68,609	71,108	52,117	41,066	13,026	19,856	36,035	6,500	(20,630)	18,460	54,808
Acquisitions	(27,739)	(5,000)	(5,000)	0	(170)	(85,182)	(550)	0	0	0	0
Dividends	0	0	0	0	0	0	0	0	0	0	0
Net Cash Flow (NCF)	40,870	66,108	47,117	41,066	12,856	(65,326)	35,485	6,500	(20,630)	18,460	54,808
FCF/Share	1.72	1.87	1.39	1.09	0.35	0.54	0.97	0.18	(0.56)	0.52	1.52
NCF/Share	1.03	1.74	1.26	1.09	0.35	(1.76)	0.95	0.18	(0.56)	0.52	1.52

Du Pont Formula	2006	2007	2008	2009	2010	2011	2012	2013	2014	LTM
Net Margins (NI/S)	3.0%	3.5%	3.2%	2.3%	2.4%	2.2%	2.2%	2.1%	1.8%	1.8%
Assets Turnover (S/A)	3.47	3.40	3.64	2.73	3.05	3.74	3.55	3.43	3.17	2.87
Leverage (A/E)	1.85	1.92	1.81	1.65	1.65	1.81	1.88	1.85	1.95	2.02
Return on Equity	19.0%	22.9%	20.9%	10.2%	11.9%	15.0%	14.5%	13.3%	11.0%	10.6%
Return on Assets	10.3%	11.9%	11.6%	6.2%	7.2%	8.3%	7.7%	7.2%	5.6%	5.3%
Return On Invested Capital	16.4%	19.9%	20.4%	12.6%	16.1%	16.6%	13.9%	13.3%	9.5%	11.1%

Valuation Measures	2006	2007	2008	2009	2010	2011	2012	2013	2014	LTM
Historical P/E High	26	20	28	31	32	25	21	22	30	25
Historical P/E Low	15	12	13	16	19	16	15	18	20	18
Historical P/FCF High - current yr	17	16	32	26	106	76	39	244	-91	85
Historical P/FCF Low - current yr	10	9	15	13	61	48	28	199	-61	64
Debt Adj. Market Value									Recent Price:	\$37.01
Market Value	1,096,766	1,046,294	994,902	1,008,831	1,301,129	1,275,299	1,249,886	1,484,330	1,391,177	1,334,874
ST+LT Debt	-	-	-	-	-	25,673	23,219	29,136	110,520	123,177
Cash & Equivalents	43,491	38,002	85,799	126,863	115,144	49,091	70,760	68,964	109,769	183,547
Total DAMV	1,053,275	1,008,292	909,103	881,968	1,185,985	1,251,881	1,202,345	1,444,502	1,391,928	1,274,504
EBITDA	84,231	95,230	99,419	59,705	73,674	103,019	116,808	120,978	112,338	113,833
DAMV / EBITDA	12.5	10.6	9.1	14.8	16.1	12.2	10.3	11.9	12.4	11.2

Appendix - Important Disclosures and Analyst Certification



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