

Landstar System Inc. (LSTR)

In-Line 3Q15, Though 4Q15's Outlook Below Consensus; Remain Neutral Rated

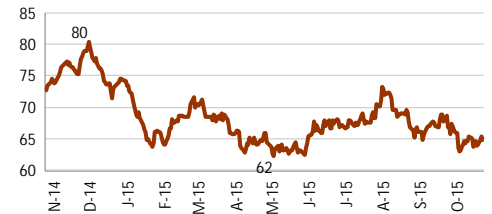
Remain Neutral-rated. 3Q15 results met consensus estimates, though 4Q15's outlook was slightly below expectations. We remain encouraged by LSTR's volume strength in a weak industry environment, as well as its continued success recruiting BCOs. However, a balanced truck supply/demand outlook into 2016 and ongoing risk to industrial end-market demand present near-term headwinds for LSTR. Accordingly, we remain Neutral-rated, pending 1) signs of improving industrial end-market demand, or 2) truckload market tightening.

- **In-line 3Q15 EPS...** 3Q15 EPS of \$0.90 (+10% yoy) matched recent \$0.90 consensus, was slightly below our \$0.91 estimate, and within management's EPS range of \$0.87-0.92.
- **...driven by above-market volume growth.** Gross revenue +3% yoy to \$842 million, within management's expectation of \$830-880 million reiterated during its [September mid-quarter call](#) (a practice that is being discontinued), but slightly below expectations. That said, load growth (+9% yoy) remained solid and above market growth levels.
- A few notes from 3Q15 results:
 - **Total Truck:** revenue +2% yoy on +8% volumes (loads) and -6% yield (revenue per load) growth. Volumes grew +6% yoy in dry van, +14% in unsided/platform, and +12% in LTL.
 - **Rail/Intermodal:** revenue +24% yoy on +36% volumes and -9% yield.
 - **Ocean/Air:** revenue +18% yoy on +15% volumes and +3% yield (revenue/load).
 - **Capacity growth also strong:** BCO count +7% yoy, total capacity +14% yoy.
- **4Q15 outlook slightly below expectations.** 4Q15 EPS guidance of \$0.85-0.90 is below recent \$0.91 consensus at the midpoint; 4Q15 revenue guidance of \$815-865 million is similarly below recent \$883 million consensus at the midpoint.
- **4Q15 trends remain stable.** Management is expecting similar trends in 4Q15 as those experienced in 3Q15. Industry supply/demand conditions remain balanced. Total load growth expected to be mid-single-digits (and negative excluding a large customer win).
- **4Q15/2016 estimates modestly lowered** to \$0.88/3.62 (versus recent \$0.91/3.80 consensus).
- **Our new \$68 price target** reflects 17.5x our forward EPS estimate, one year out.
- **Remain Neutral-rated.** While we remain encouraged by LSTR's volume strength in a weak industry environment, as well as its continued success recruiting BCOs, we continue to believe a balanced truck supply/demand outlook into 2016 and ongoing risk to industrial end-market demand present near-term headwinds for LSTR. Accordingly, we remain Neutral-rated, pending 1) signs of improving industrial end-market demand, or 2) truckload market tightening.

Landstar is a leading non-asset-based truckload provider, managing the largest fleet of independent truckload contractors in North America.

LOWERING PRICE TARGET

1-Year Price Chart



Stock Data

Rating:	Neutral
Suitability:	Higher Risk
Price Target/Previous:	▼\$68/\$70
Price (10/22/15):	\$65.21
Market Cap (mil):	\$2,843
Shares Out (mil):	43.6
Average Daily Vol (mil):	0.47
Dividend Yield:	0.5%

Estimates

FY Dec	2014A	2015E	2016E
Q1	0.61 A	0.67 A	0.73 E
Q2	0.80 A	0.92 A	0.97 E
Q3	0.82 A	0.90 A	0.97 E
Q4	0.86 A	0.88 E	0.96 E
Fiscal EPS	3.07 A	3.37 E	3.62 E
Previous Est		3.41 E	3.81 E
Fiscal P/E	21.2x	19.4x	18.0x

Chart/Table Sources: Factset and Baird Data

Please refer to Appendix
- Important Disclosures
and Analyst Certification

Details

We view a credible 12-month risk/reward scenario to be \$58-78.

- **Reasonable good case of \$78** reflects ~20x our forward EPS estimate, one year out, above LSTR's current 16.6x NTM P/E and its five-year average NTM P/E of 18.8x, appropriate if spot demand trends were to strengthen into mid-2015.
- **Reasonable bad case of \$58** reflects ~16x (representative trough multiple) our NTM EPS estimate of \$3.54. A trough multiple was applied in late 2012 into decelerating EPS growth and contracting 2013 EPS growth as spot market demand trends weakened.

Maintain Neutral rating. Our new \$68 price target reflects 17.5x our forward EPS estimate, one year out, below LSTR's 18.8x average five-year NTM P/E multiple to reflect our expectations for a continuation of balanced truck supply/demand conditions and decelerating EPS growth in upcoming quarters.

Detailed Summary of 3Q15 Results

Landstar System (LSTR - NASDAQ)								
Quarterly Results and Variance Sheet								
	Quarterly Results					Percent of Revenue		
	3Q15	3Q14	Chg	BAIRD	Variance	3Q15	3Q14	BAIRD
Revenue	841,726	819,320	3%	864,306	-3%			
Purchased Trans.	645,583	633,596	2%	667,520	-3%	76.7%	77.3%	77.2%
Agent Commissions	69,297	64,631	7%	69,044	0%	8.2%	7.9%	8.0%
Net Revenue	126,846	121,093	5%	127,742	-1%	15.1%	14.8%	14.8%
Other Operating Costs	8,718	6,521	34%	6,879	27%	1.0%	0.8%	0.8%
Insurance & Claims	10,502	12,026	-13%	12,686	-17%	1.2%	1.5%	1.5%
SG&A	36,811	36,215	2%	37,339	-1%	4.4%	4.4%	4.3%
D&A	7,185	7,086	1%	7,084	1%	0.9%	0.9%	0.8%
Other Expenses	63,216	61,848	2%	63,989	-1%	7.5%	7.5%	7.4%
Operating Income	63,980	59,577	7%	64,067	0%	7.6%	7.3%	7.4%
EBIT as % of Net Rev	50.4%	49.2%		50.2%				
Interest & Debt Exp	714	774		708				
Pre-Tax Income	63,266	58,803	8%	63,359	0%			
Income Tax Rate	37.8%	37.5%		38.0%				
Net Income	39,348	36,755	7%	39,256	0%	4.7%	4.5%	4.5%
EPS	\$0.90	\$0.82	10%	\$0.91	-1%			
Consensus	\$0.90							
Diluted Shares	43,607	44,937	-3%	43,152	1%			

Source: Company reports, Baird estimates

Overall Operating Results:

LANDSTAR SYSTEM INC. DETAILS

	2011	2012	2013	Q1	Q2	Q3	Q4	2014	Q1	Q2	Q3	Q4E	2015E
Net Revenue Growth	9%	3%	-6%	9%	11%	11%	21%	13%	9%	8%	5%	2%	6%
Net Revenue Margin*	16.3%	16.0%	15.6%	15.3%	14.9%	14.8%	14.4%	14.8%	15.1%	15.1%	15.1%	15.0%	15.1%
Operating Income Growth	27%	12%	-13%	8%	16%	25%	54%	25%	9%	13%	7%	1%	7%
Operating Margin**	42.4%	46.2%	43.1%	42.7%	48.1%	49.2%	49.1%	47.4%	42.5%	50.5%	50.4%	49.0%	48.2%

*as a percentage of gross revenue

**as a percentage of net revenue

Source: Company data, Baird estimates

Core Truck:

CORE TRUCK SEGMENT DETAILS

	2011	2012	2013	Q1	Q2	Q3	Q4	2014	Q1	Q2	Q3	Q4E	2015E
Revenue Growth	9.9%	6.4%	-4.4%	12.3%	22.8%	22.3%	26.1%	21.1%	9.9%	5.8%	1.6%	-3.5%	3.1%
BCO	6.6%	0.8%	-4.2%	13.0%	16.3%	12.6%	14.3%	14.1%	1.9%	1.2%	0.9%	0.9%	1.2%
Truck Brokerage	14.5%	13.8%	-4.7%	11.4%	30.7%	33.9%	39.2%	29.2%	18.9%	10.8%	2.4%	2.3%	7.9%
Volume*	0.6%	4.6%	-2.1%	3.6%	8.6%	10.8%	10.9%	8.5%	6.3%	9.3%	8.3%	6.0%	7.5%
BCO	-1.6%	-0.2%	-1.9%	5.9%	3.9%	2.3%	2.1%	3.5%	-3.8%	1.1%	3.3%	3.3%	1.0%
Truck Brokerage	3.7%	10.9%	-2.3%	0.9%	14.3%	21.1%	21.3%	14.4%	18.3%	18.4%	13.5%	13.5%	15.8%
Yield**	9.2%	1.7%	-2.4%	8.4%	13.1%	10.4%	13.6%	11.6%	3.4%	-3.2%	-6.2%	-9.0%	-2.8%
BCO	8.3%	1.0%	-2.3%	6.7%	11.9%	10.0%	11.9%	10.2%	6.0%	0.1%	-2.4%	-2.4%	0.2%
Truck Brokerage	10.4%	2.6%	-2.5%	10.4%	14.4%	10.7%	14.7%	12.9%	0.5%	-6.4%	-9.8%	-9.8%	-6.8%

*Load count

**Revenue per load

Source: Company data, Baird estimates

Rail/Air/Ocean:

RAIL/AIR/OCEAN SEGMENT DETAILS

	2011	2012	2013	Q1	Q2	Q3	Q4	2014	Q1	Q2	Q3	Q4E	2015E
Revenue Growth	21.9%	-8.8%	5.1%	-14.3%	-6.2%	7.3%	5.3%	-2.1%	27.8%	20.5%	21.2%	19.0%	21.8%
Rail	8.1%	-2.7%	-0.2%	-8.4%	9.9%	16.9%	21.2%	10.0%	40.5%	28.3%	23.8%	19.6%	27.2%
Air/Ocean	36.7%	-13.9%	10.0%	-19.4%	-18.8%	-1.6%	-8.8%	-12.5%	15.4%	12.1%	18.2%	18.2%	16.0%
Volume*													
Rail	1.0%	-5.0%	-1.2%	-8.7%	6.8%	11.0%	19.7%	7.4%	47.9%	42.3%	36.3%	30.0%	38.4%
Air/Ocean	19.9%	-2.4%	3.8%	-2.0%	1.2%	-5.3%	-3.3%	-2.4%	6.2%	9.0%	14.6%	14.6%	11.2%
Yield**													
Rail	7.0%	2.4%	1.1%	0.3%	2.9%	5.3%	1.2%	2.4%	-5.0%	-9.8%	-9.2%	-8.0%	-8.1%
Air/Ocean	14.0%	-11.8%	6.0%	-17.7%	-19.8%	3.9%	-5.7%	-10.4%	8.7%	2.9%	3.1%	3.1%	4.3%

*Load count

**Revenue per load

Source: Company data, Baird estimates

Investment Thesis

Current thoughts. 3Q15 results met consensus estimates driven by above market volume growth (load growth +9% yoy), though 4Q15's outlook was slightly below expectations. We remain encouraged by LSTR's volume strength in a weak industry environment, as well as its continued success recruiting BCOs; however, a balanced truck supply/demand outlook into 2016 and ongoing risk to industrial end-market demand present near-term headwinds for LSTR. Accordingly, we remain Neutral-rated, pending 1) signs of improving industrial end-market demand, or 2) truckload market tightening.

Industry leader with unique business model. LSTR operates one of the largest fleets of independent truckload contractors and ranks among the largest truckload capacity providers in North America. By relying on independent sales agents and third-party capacity providers, LSTR limits asset ownership, providing a variable-cost model that scales more flexibly with market demand. The company focuses on service- and information-intensive transportation needs, resulting in premium line haul rates and a strong competitive position in this highly competitive industry.

Attractive market. The truckload market is highly fragmented with the top 10 carriers accounting for roughly 10% of the market. In the near term, growth will be pressured by the challenging external environment. Over the longer term, we expect LSTR to benefit from this highly fragmented market by continuing to take share. We believe LSTR should be capable of double-digit revenue growth in a healthy economy.

Strong financial returns. Landstar's asset-light business model has produced impressive returns on capital and strong free cash flow. Over the past five years, return on capital averaged 31%, the highest among public transport companies. During the same period, management used nearly \$300 million to repurchase shares while maintaining a solid balance sheet. We believe LSTR will maintain its industry-leading capital returns and cash flows.

Valuation. LSTR's five-year target is mid-teen annual EPS growth, which the company should achieve in a healthy environment. Landstar's third-party logistics model's attributes include market share gains, strong free cash flow, and solid EPS growth. 3PLs historically trade in a range of 18-25x forward estimated earnings. LSTR has averaged 18.8x NTM EPS (11.6x EV/EBITDA) estimates over the past five years (15-24x NTM range, 9-14x EV/EBITDA range). Our \$68 price target reflects 17.5x our forward EPS estimate, one year out, below LSTR's 18.8x average five-year NTM P/E multiple to reflect our expectations for a continuation of balanced truck supply/demand conditions and decelerating EPS growth in upcoming quarters.

Risks & Caveats

- **Highly competitive industry.** The transportation industry is highly fragmented and competitive. Increased competition could materially affect revenue and earnings growth. Success of the non-asset-based, third-party logistics business model has attracted new entrants over the past several years.
- **Division integration.** Management has gradually worked to integrate management, operations, and systems across its independent operating companies. We believe this gradual integration approach is the proper path, but failure to closely monitor and advance the process throughout the organization may negatively affect growth.
- **Industry consolidation.** We believe Landstar benefits from the highly fragmented nature of the truckload market, by being able to consolidate, organize, and manage capacity, conveniently making it available to customers. Significant industry consolidation alters LSTR's valuation proposition.
- **Acquisition risk.** We believe that management is willing to complete acquisitions should the proper opportunity arise. Failure to properly identify, value, and integrate future acquisitions could be a distraction to operations.
- **Insurance liability.** LSTR retains certain insurance liability for internal and BCO (business capacity owner) insurance offerings. Failure to maintain a safe operating record could result in significant volatility in earnings due to added insurance expenses.

Company Description

Landstar is a leading non-asset-based truckload provider, managing the largest fleet of independent truckload contractors in North America. LSTR focuses on service-sensitive customers with specialized requirements or hard-to-find capacity. In 2014, the company generated \$3.2 billion in transportation services revenue, which includes truckload services, intermodal rail, and international services. Recent acquisitions provide the ability for LSTR to expand into managed transportation services.

LSTR minimizes asset exposure by using independent agents to identify and secure loads and third-party capacity providers (either BCOs or broker partners) for transport. LSTR provides the liquidity and infrastructure of a large transportation network (ranks among the top five asset-based truckload carriers), which is attractive to the agent, capacity provider, and shippers.

Landstar System, Inc.
(LSTR - NASDAQ)



Income Statement (\$millions)

Robert W. Baird & Co., Inc.

	2006	2007	2008	2009	2010	2011	2012	2013	Q1	Q2	Q3	Q4	2014	Q1	Q2	Q3	Q4E	2015E	2016E
Revenue																			
Total Truck	2,122	2,262	2,385	1,834	2,209	2,427	2,583	2,469	645	765	767	811	2,989	709	809	780	782	3,080	3,142
Growth (%)	5%	7%	5%	-23%	20%	10%	6%	-4%	12%	23%	22%	26%	21%	10%	6%	2%	-4%	3%	2%
Intermodal/Air/Ocean	156	180	193	128	136	166	152	160	34	40	42	41	156	43	48	50	49	190	206
Growth (%)	-21%	16%	7%	-34%	7%	22%	-9%	5%	-14%	-6%	7%	5%	-2%	28%	20%	21%	19%	22%	8%
Gross Revenue	2,413	2,479	2,643	2,009	2,400	2,649	2,793	2,675	688	814	819	863	3,185	762	868	842	842	3,315	3,394
Growth (%)	-4%	3%	7%	-24%	19%	10%	5%	-4%	10%	20%	20%	25%	19%	11%	7%	3%	-2%	4%	2%
Net Revenue	323	394	407	345	394	432	446	417	105	122	121	125	473	115	131	127	127	500	511
Growth (%)	-26%	22%	3%	-15%	14%	9%	3%	-6%	9%	11%	11%	21%	13%	9%	8%	5%	2%	6%	2%
Expenses																			
Purchased Transportation	1,891	1,884	2,033	1,504	1,824	2,007	2,129	2,046	530	629	634	669	2,461	587	668	646	648	2,548	2,608
Agent Commissions	200	201	203	161	181	210	218	211	53	64	65	70	251	60	70	69	68	267	275
Other Op Costs	46	29	28	29	29	29	23	22	7	6	7	6	26	8	8	9	7	31	34
Insurance & Claims	40	50	36	46	49	43	37	51	12	14	12	9	46	15	12	11	13	50	47
SG&A	134	125	138	132	149	153	154	138	36	37	36	42	150	37	38	37	38	150	151
D&A	17	19	21	24	25	26	27	29	7	7	7	7	28	7	7	7	7	28	29
Total Expenses	2,327	2,308	2,460	1,894	2,258	2,468	2,589	2,497	644	756	760	802	2,962	714	803	778	781	3,075	3,145
EBITDA	208	204	208	139	169	209	233	209	52	65	67	68	252	56	73	71	69	270	280
Growth (%)	-3%	-2%	2%	-33%	21%	24%	12%	-11%	7%	12%	20%	47%	21%	8%	12%	7%	1%	7%	4%
EBIT	191	185	187	116	144	183	206	180	45	59	60	61	224	49	66	64	62	241	251
EBIT Margin % Gross	7.9%	7.5%	7.1%	5.8%	6.0%	6.9%	7.4%	6.7%	6.5%	7.2%	7.3%	7.1%	7.0%	6.4%	7.6%	7.6%	7.4%	7.3%	7.4%
EBIT Margin % Net	59.3%	46.9%	45.9%	33.6%	36.4%	42.4%	46.2%	43.1%	42.7%	48.1%	49.2%	49.1%	47.4%	42.5%	50.5%	50.4%	49.0%	48.2%	49.2%
Growth (%)	-4%	-3%	1%	-38%	24%	27%	12%	-13%	8%	16%	25%	54%	25%	9%	13%	7%	1%	7%	4%
Interest Expense	(7)	(7)	(7)	(4)	(4)	(3)	(3)	(3)	(1)	(1)	(1)	(1)	(3)	(1)	(1)	(1)	(1)	(3)	(4)
Pretax Income	184	178	179	112	140	180	203	176	44	58	59	60	221	48	65	63	61	238	247
Tax Rate (%)	38.7%	38.4%	38.2%	36.3%	36.5%	37.3%	36.0%	37.3%	37.5%	37.9%	37.5%	36.2%	37.2%	37.8%	38.0%	37.8%	37.8%	37.9%	37.8%
Net Income	113.1	109.7	110.9	71.6	89.9	112.9	129.8	110.6	27.6	35.9	36.8	38.5	138.8	30.0	40.5	39.3	38.1	147.9	153.6
Shares Outstanding	58.7	55.2	52.9	51.3	49.6	47.5	46.9	46.2	45.6	45.1	44.9	45.0	45.2	44.8	44.0	43.6	43.2	43.9	42.4
Continuing Ops EPS	\$1.93	\$1.99	\$2.10	\$1.40	\$1.81	\$2.38	\$2.77	\$2.42	\$0.61	\$0.80	\$0.82	\$0.86	\$3.07	\$0.67	\$0.92	\$0.90	\$0.88	\$3.37	\$3.62
Growth (%)	-3%	3%	6%	-33%	30%	31%	17%	-13%	6%	21%	28%	56%	27%	11%	15%	10%	3%	10%	7%
Dividend	\$0.10	\$0.14	\$0.16	\$0.17	\$0.19	\$0.21	\$0.67	\$0.00	\$0.06	\$0.06	\$0.07	\$0.07	\$0.26	\$0.07	\$0.07	\$0.08	\$0.08	\$0.30	\$0.32
Expense Ratios																			
Purchased Transportation	78.4%	76.0%	76.9%	74.9%	76.0%	75.8%	76.2%	76.5%	77.0%	77.2%	77.3%	77.5%	77.3%	77.0%	76.9%	76.7%	76.9%	76.9%	76.8%
Agent Commissions	8.3%	8.1%	7.7%	8.0%	7.6%	7.9%	7.8%	7.9%	7.7%	7.8%	7.9%	8.1%	7.9%	7.8%	8.1%	8.2%	8.1%	8.1%	8.1%
Other Op Costs	1.9%	1.2%	1.1%	1.5%	1.2%	1.1%	0.8%	0.8%	1.0%	0.8%	0.8%	0.7%	0.8%	1.0%	0.9%	1.0%	0.8%	1.0%	1.0%
Insurance & Claims	1.6%	2.0%	1.4%	2.3%	2.1%	1.6%	1.3%	1.9%	1.7%	1.7%	1.5%	1.0%	1.5%	1.9%	1.4%	1.2%	1.5%	1.5%	1.4%
SG&A	5.6%	5.1%	5.2%	6.6%	6.2%	5.8%	5.5%	5.2%	5.2%	4.5%	4.4%	4.8%	4.7%	4.9%	4.3%	4.4%	4.5%	4.5%	4.5%
D&A	0.7%	0.8%	0.8%	1.2%	1.0%	1.0%	1.0%	1.1%	1.0%	0.8%	0.9%	0.8%	0.9%	0.9%	0.8%	0.9%	0.9%	0.9%	0.9%
Company Total																			
Load Count	4.1%	2.4%	-4.0%	-10.2%	10.9%	0.8%	3.2%	-2.1%	3.3%	8.4%	10.6%	11.0%	9.6%	7.0%	10.0%	9.0%	6.6%	8.1%	2.4%
Revenue/Load	3.4%	0.2%	10.0%	-15.3%	7.8%	9.7%	-0.8%	-2.3%	8.1%	12.2%	9.7%	12.7%	10.2%	3.4%	-3.4%	-6.3%	-11.3%	-2.8%	-3.0%
BCO																			
Load Count		0.6%	-4.3%	-7.2%	7.8%	-1.6%	-0.2%	-1.9%	5.9%	3.9%	2.3%	2.1%	3.5%	-3.8%	1.1%	3.3%	3.3%	1.0%	1.5%
Revenue/Load		1.2%	5.4%	-11.6%	5.0%	8.3%	1.0%	-2.3%	6.7%	11.9%	10.0%	11.9%	10.2%	6.0%	0.1%	-2.4%	-2.4%	0.2%	-1.0%
Truck Brokerage																			
Load Count		3.4%	-2.9%	-12.2%	17.9%	3.7%	10.9%	-2.3%	0.9%	14.3%	21.1%	21.3%	14.4%	18.3%	18.4%	13.5%	13.5%	15.8%	8.0%
Revenue/Load		-1.8%	16.0%	-20.7%	12.4%	10.4%	2.6%	-2.5%	10.4%	14.4%	10.7%	14.7%	12.9%	0.5%	-6.4%	-9.8%	-9.8%	-6.8%	-9.8%
Rail Intermodal																			
Load Count		12.7%	-6.7%	-35.2%	-18.0%	1.0%	-5.0%	-1.2%	-8.7%	6.8%	11.0%	19.7%	7.4%	47.9%	42.3%	36.3%	30.0%	38.4%	7.2%
Revenue/Load		-3.1%	9.2%	-13.6%	12.3%	7.0%	2.4%	1.1%	0.3%	2.9%	5.3%	1.2%	2.4%	-5.0%	-9.8%	-9.2%	-8.0%	-8.1%	1.1%

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

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Robert W. Baird & Co.

Landstar System, Inc.
(LSTR - NASDAQ)

BAIRD

Balance Sheet (\$000)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	3Q15
ASSETS										
Cash and cash equivalents	\$113,039	\$83,671	\$122,383	\$110,044	\$67,972	\$108,844	\$109,812	\$215,241	\$200,951	\$157,854
Net trade receivables	318,983	310,258	315,065	278,854	307,350	368,377	408,787	378,732	492,642	462,163
Net other receivables	14,198	11,170	10,083	18,149	23,943	53,263	55,278	73,903	15,132	17,682
Other current	25,142	28,554	27,871	19,565	21,652	21,308	18,067	14,592	23,603	17,558
Total Current	471,362	433,653	475,402	426,612	420,917	551,792	591,944	682,468	732,328	655,257
Net property & equipment	110,957	132,369	124,178	116,656	132,649	142,146	158,953	177,329	202,203	195,328
Goodwill	31,134	31,134	31,134	57,470	57,470	57,470	57,470	31,134	31,134	31,134
Other assets	33,198	31,845	32,816	48,054	72,846	57,041	71,054	79,765	78,547	71,303
Total Assets	646,651	629,001	663,530	648,792	683,882	808,449	879,421	970,696	1,044,212	953,022
LIABILITIES & EQUITIES										
Current debt	18,730	23,155	24,693	24,585	22,172	17,212	19,016	27,567	35,064	36,259
Overdraft	25,435	25,769	32,065	28,919	24,877	25,905	33,647	27,780	34,629	29,666
Accounts payable	122,313	117,122	105,882	121,030	137,297	163,307	188,981	157,796	220,077	205,514
Insurance claims	25,238	28,163	23,545	41,627	40,215	76,624	64,509	92,280	24,233	19,438
Other current liabilities	58,478	55,366	50,400	42,474	53,785	48,065	38,186	69,267	96,448	53,077
Total Current	250,194	249,575	236,585	258,635	278,346	331,113	344,339	374,690	410,451	343,954
Long-term debt	110,591	141,598	111,752	68,313	99,439	115,130	95,125	73,938	76,257	59,959
Insurance claims	36,232	37,631	38,278	30,680	31,468	27,494	21,896	24,171	21,769	22,432
Deferred taxes, other	19,360	19,411	23,779	23,013	23,662	34,135	38,607	43,416	47,474	47,976
Shareholders' equity	230,274	180,786	253,136	268,151	250,967	300,577	379,454	454,481	488,261	478,701
Total Liabilities and Equities	646,651	629,001	663,530	648,792	683,882	808,449	879,421	970,696	1,044,212	953,022

Balance Sheet Analysis	2006	2007	2008	2009	2010	2011	2012	2013	2014	3Q15
Current Ratio	1.9	1.7	2.0	1.6	1.5	1.7	1.7	1.8	1.8	1.9
Days Sales Outstanding (DSO)	65	46	43	54	45	47	51	54	50	50
Debt / Total Cap	36%	48%	35%	26%	33%	31%	23%	18%	19%	17%
Debt / Total Cap (incl Op leases)	40%	50%	37%	28%	34%	32%	24%	19%	20%	18%
Book Value/Share	\$3.93	\$3.28	\$4.85	\$5.30	\$5.19	\$6.40	\$8.14	\$9.91	\$10.85	\$10.98
EBIT/Interest Expense	28.0	27.6	25.4	28.7	39.7	58.9	66.3	55.9	70.6	76.9
Debt to EBITDA	0.6x	0.8x	0.7x	0.7x	0.7x	0.6x	0.5x	0.5x	0.4x	0.4x

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

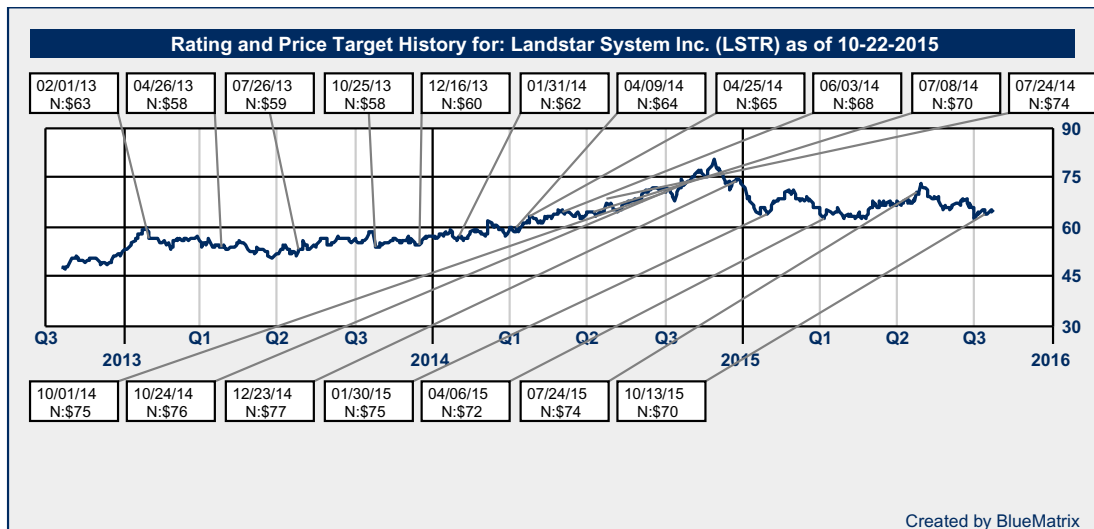
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Cash Flow Statement	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015E	2016E
Net Income	\$113,085	\$109,653	\$110,930	\$69,950	\$86,582	\$112,945	\$129,781	\$146,009	\$138,809	\$147,920	\$153,596
Depreciation and Amortization	16,796	19,088	20,960	23,528	24,804	25,814	27,456	27,667	27,575	28,474	29,247
Other	15,518	11,435	18,452	15,536	10,487	22,839	12,817	(26,854)	15,621	10,143	5,219
NWC Changes	146,769	432	(30,653)	35,950	(13,115)	(43,564)	(44,470)	5,823	(80,136)	(10,405)	(6,370)
Cash Flow from Ops (CFO)	292,168	140,608	119,689	144,964	108,758	118,034	125,584	152,645	101,869	176,132	181,692
Capital Expenditures	(1,553)	(2,806)	(8,143)	(1,874)	(25,819)	48	2,658	3,338	(3,074)	(6,539)	(6,539)
Free Cash Flow (FCF)	290,615	137,802	111,546	143,090	82,939	118,082	128,242	155,983	98,795	169,593	175,153
Acquisitions	0	0	0	(14,888)	0	0	0	74,505	0	0	0
Dividends	(6,361)	(7,389)	(8,136)	(8,686)	(9,422)	(9,983)	(33,981)	0	(27,606)	(54,052)	(12,955)
Net Cash Flow (NCF)	284,254	130,413	103,410	119,516	73,517	108,099	94,261	230,488	71,189	115,540	162,198
FCF/Share	5.07	2.58	2.14	2.83	1.72	2.52	2.75	3.40	2.20	3.93	4.17
NCF/Share	4.96	2.44	1.98	2.36	1.52	2.30	2.02	5.02	1.58	2.68	3.86

Du Pont Formula	2006	2007	2008	2009	2010	2011	2012	2013	2014	LTM
Net Margins (NI/S)	4.7%	4.4%	4.2%	3.6%	3.7%	4.3%	4.6%	4.1%	4.4%	4.4%
Assets Turnover (S/A)	3.42	3.90	4.09	3.06	3.60	3.55	3.31	2.89	3.16	3.45
Leverage (A/E)	2.92	3.10	2.98	2.52	2.57	2.71	2.48	2.22	2.14	1.98
Return on Equity	46.8%	53.4%	51.1%	27.5%	34.6%	41.0%	38.2%	26.5%	29.4%	30.4%
Return on Assets	16.0%	17.2%	17.2%	10.9%	13.5%	15.1%	15.4%	12.0%	13.8%	15.3%
Return on Capital	42.6%	37.9%	37.9%	26.4%	31.3%	34.4%	36.7%	26.5%	30.4%	30.7%

Valuation Measures	2006	2007	2008	2009	2010	2011	2012	2013	2014	LTM
Historical P/E High	25	26	28	30	25	22	21	24	26	24
Historical P/E Low	20	18	13	19	19	15	17	21	18	18
Historical P/FCF High - current yr	10	20	27	15	27	21	21	17	37	21
Historical P/FCF Low - current yr	7	14	13	10	20	15	17	15	26	15
Enterprise Value									Recent Price:	\$65.21
Market Value	2,188,783	2,289,667	1,524,152	2,010,100	1,970,589	2,422,522	2,435,115	2,695,262	3,263,995	2,824,425
ST+LT Debt	129,321	164,753	136,445	92,898	121,611	132,342	114,141	101,505	111,321	96,218
Cash & Equivalents	87,604	57,902	90,318	81,125	43,095	82,939	76,165	187,461	165,887	121,595
Enterprise Value (EV)	2,230,500	2,396,518	1,570,279	2,021,873	2,049,105	2,471,925	2,473,091	2,609,306	3,209,429	2,799,048
EBITDA	208,015	203,781	207,801	139,275	168,575	209,059	233,309	208,652	251,947	268,676
EV / EBITDA	10.7	11.8	7.6	14.5	12.2	11.8	10.6	12.5	12.7	10.4

Appendix - Important Disclosures and Analyst Certification



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