

# AVONDALE PARTNERS, LLC

## Truckload Pricing Movin' On Up - Introducing Our New Cass Pricing Index

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Ticker	Rating	Price		Market Cap (\$mil)	FYE	REV(\$mil)		EPS(\$)		P/E		EV/EBITDA This CY	Price / Book
		Price(\$)	Target(\$)			This FY	Next FY	This FY	Next FY	This FY	Next FY		
CGI	MP	9.44	15.00	213	Jun	616	649	0.90	1.20	10.5x	--	4.6x	1.4x
CVTI	MP	3.35	7.00	49	Dec	702	784	0.32	0.62	10.5x	5.4x	4.2x	0.6x
JBHT	MO	38.35	53.00	4,610	Dec	4,466	5,006	2.20	2.60	17.4x	14.8x	7.7x	7.7x
KNX	MP	14.33	19.00	1,153	Dec	889	1,008	0.75	0.90	19.1x	15.9x	6.5x	2.5x
MRTN	MO	17.39	25.00	382	Dec	625	715	1.10	1.45	15.8x	12.0x	3.6x	1.2x
SWFT	MO	6.72	11.00	937	Dec	3,503	3,871	0.58	0.85	11.6x	7.9x	5.3x	NM
USAK	MP	8.03	13.50	84	Dec	497	544	(0.07)	0.60	--	13.4x	3.9x	0.6x
WERN	MO	21.61	25.00	1,573	Dec	2,068	2,301	1.40	1.70	15.4x	12.7x	4.7x	2.2x

### Action

Pricing for truckload carriers continues to improve, as evidenced by a new index we've created with the help of Cass Information Systems. Since September of last year, we have seen nearly consistent YoY growth acceleration in the Cass Truckload Linehaul Index, with September's data representing the strongest YoY gain at +11.7%. We believe the industry is now seeing the pricing power potential that we've been hinting at for many months, which bodes well for all of the truckload carriers.

### Key Details and Summary Perspectives

This new pricing index provides both more accurate and more timely information than that which investors currently receive from the ATA (American Trucking Associations):

- **More accurate.** The new index we've created isolates pure linehaul from other components (e.g. fuel and accessorials), giving a better indication of core truckload pricing.
- **More timely.** Currently, ATA reports truckload pricing approximately 45 days after the close of the month. In contrast, the Cass data is ready to be analyzed just a few short days (3-5) after the close of the month.

For investors, we believe this new Cass data represents the most timely and accurate insight available into dry-van truckload industry pricing – the variable with the greatest effect on bottom-line results for most truckload carriers. We look forward to providing monthly updates on the general trend of truckload pricing, and with similar data on other modes forthcoming, we aim to provide a pricing index for temperature-controlled truckload, intermodal, rail, and others.

For shippers, the Cass data provides a powerful tool for managers to compare their shipping costs to others. If you are a shipper, and would like more information on the Cass benchmarking tool, please contact us and we will put you in touch with a Cass Information Systems representative.

**Trucking Conference Notice:** Avondale is hosting a Trucking Conference in Grapevine, TX, October 17-18. Roundtable format, limited attendance. If you are interested, please contact your Avondale representative for details. Attendees include: CGI, CMI, CRST (private), CVTI, FDX Freight, KNX, MRTN, Maverick (private), NAV, QLT, Schneider (private), SWFT, Transport Corp of America (private), USAK, US Xpress, WERN, WNC and XPO. The meetings will coincide with the American Trucking Association (ATA) 2011 Management Conference & Exhibition and we will host a Navistar Heavy Duty Truck Assembly Plant Tour in Garland, TX the following day (Wed. the 19th).

**Details**

We’ve spent a lot of time working with Cass Information Systems to create and fine-tune a proprietary indicator to reflect pure dry-van truckload pricing and we are proud of our firm's partnership with their organization. With confidentiality agreements between Cass and Avondale Partners in place, and a lot of hard work, we are happy to finally release our findings. We anticipate reporting and analyzing this new Cass Truckload Linehaul Index (which reflects truckload linehaul per mile pricing) on a monthly basis, within the first few days following the end of each month. In our inaugural note, we will introduce you to Cass Information Systems, describe the benefits of the Cass data versus similar data from the ATA (American Trucking Associations), and analyze the most recent (September) data.

**Who is Cass Information Systems?**

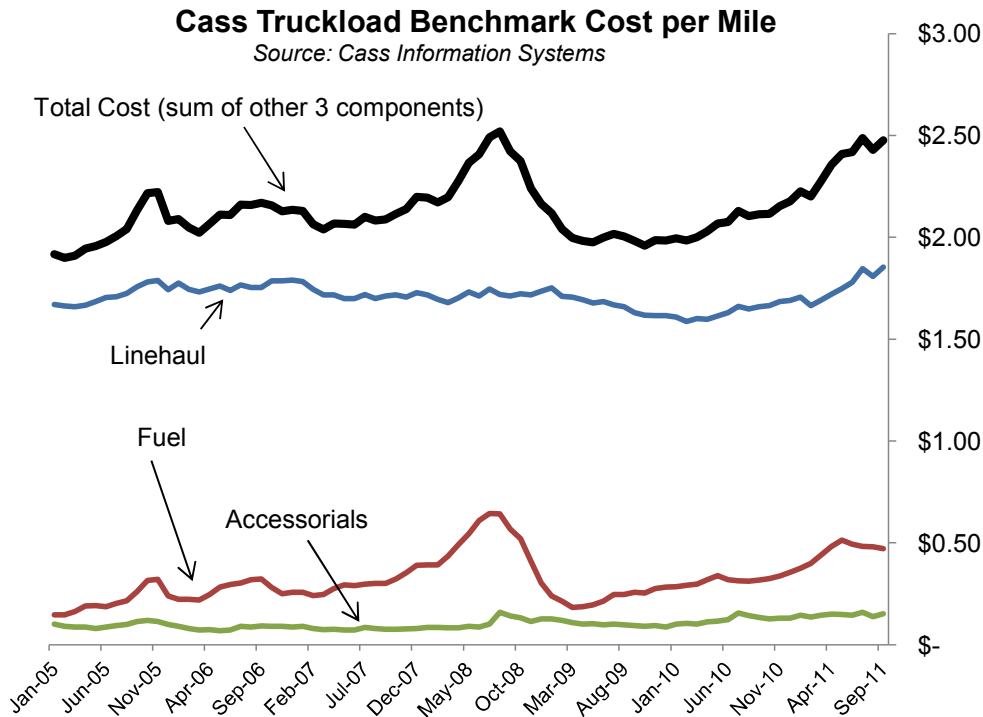
Cass Information Systems (Nasdaq: CASS) is North America’s leading provider of transportation expense management services, providing invoice processing, auditing, payment and business intelligence services to a client base of 350 shippers. Clients represent a broad array of industries including consumer packaged goods, food, automotive, chemical, OEM, retail and heavy equipment, with freight volumes varying from \$1 million to over \$1 billion annually.

Data within our indices is derived from \$17 billion in freight transactions processed by Cass annually. Combined with the data quality rigors that we have tested, we believe that this volume ensures our analyses are “more than statistically significant.”

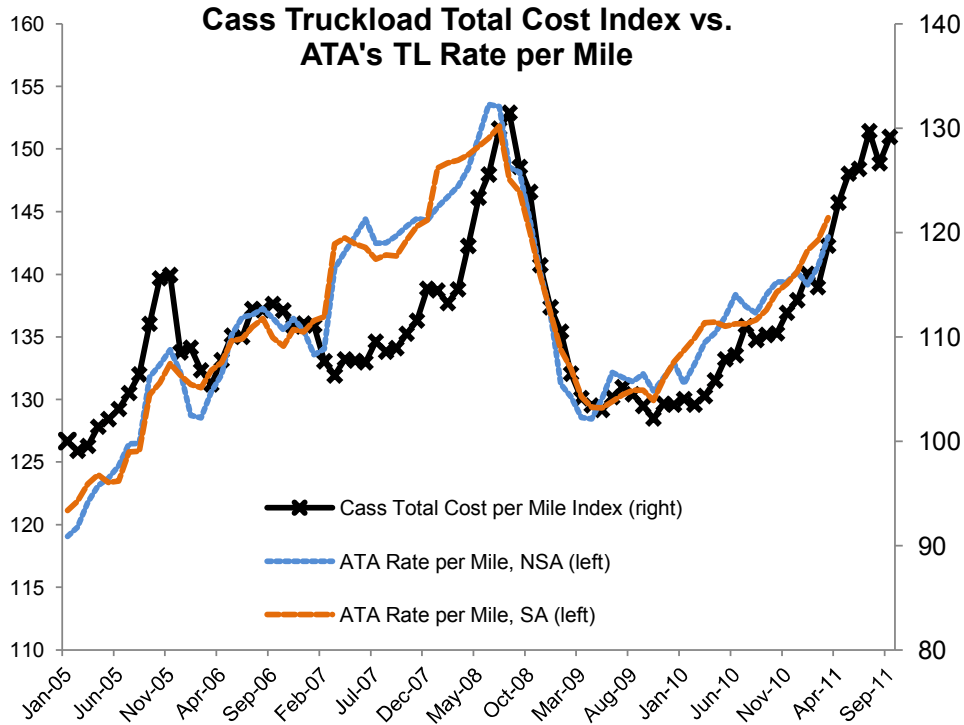
Cass also provides utility and telecom expense management services to the enterprise organization.

**What are the benefits of the Cass data relative to ATA?**

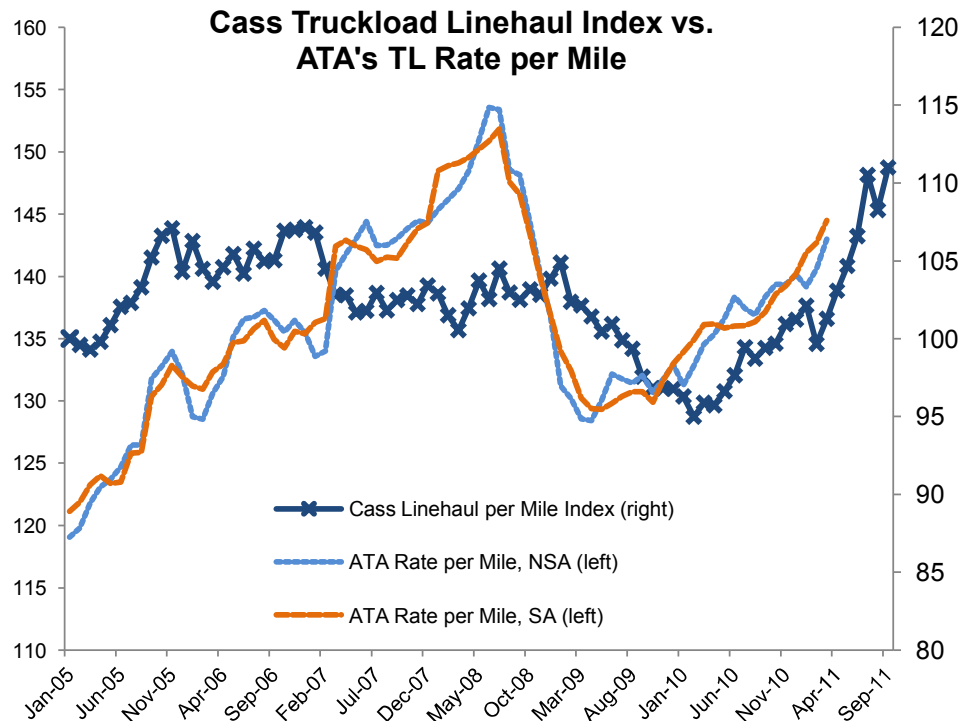
We conclude that the Cass data is a much better measure of pure dry-van truckload industry pricing than the similar data presented by the ATA. As shown in the chart below, we are able to separate the Cass Total Cost per Mile into three component costs: 1) linehaul, 2) fuel and 3) accessorial.



Because of this, we feel the Cass data is both more accurate and more relevant than that provided by the ATA. We have always been concerned that the ATA was unable to fully remove the effect of diesel in its revenue per mile series. In fact, when compared, the ATA's revenue per mile series (whether you're looking at seasonally adjusted or non-seasonally adjusted) tracks more closely with Cass' Truckload Total Cost (per mile) Index (which is far more sensitive to changes in diesel) than with Cass' Truckload Linehaul (per mile) Index. See the comparisons on the next page.



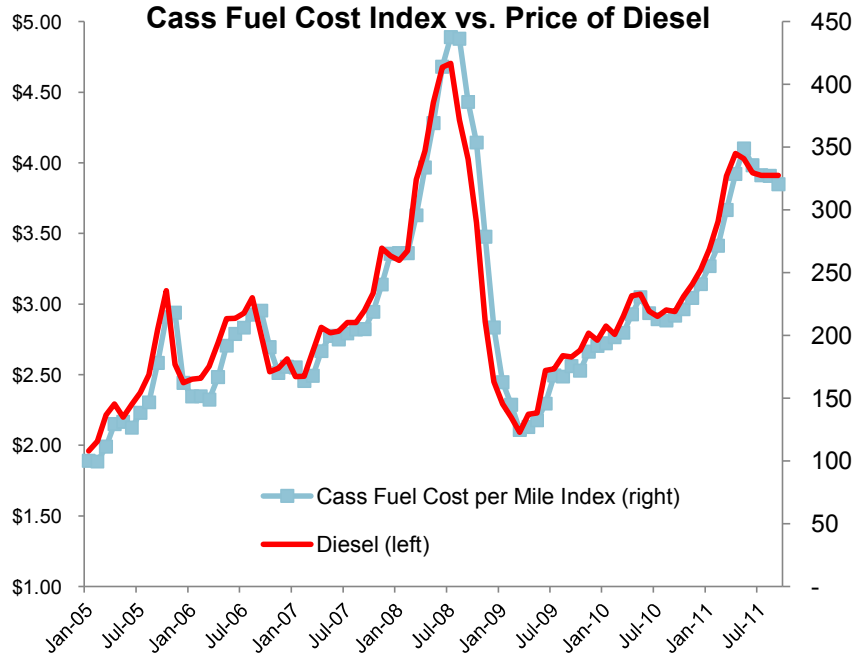
Source: Cass Information Systems, American Trucking Associations, and Avondale Partners



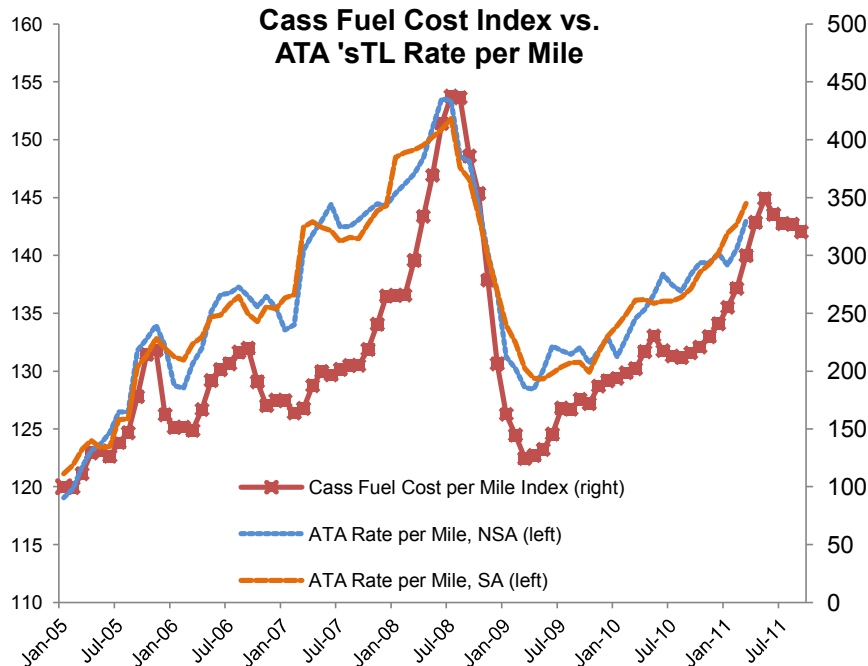
Source: Cass Information Systems, American Trucking Associations, and Avondale Partners

**Will the real set of data please stand up?**

How do we know the ATA's data is not the set which is correct and the Cass data is the set which is wrong? If the above were not proof enough, we have gone through the exercise of plotting the Cass Fuel Cost (per mile) Index (one of the three components of the Cass Total Cost Index) against the price of diesel. And as we reveal below, this index tracks nearly step for step with the price of diesel, giving us even more confidence that we have finally identified the right set of pricing data.



Source: Cass Information Systems, Dept. of Energy, and Avondale Partners



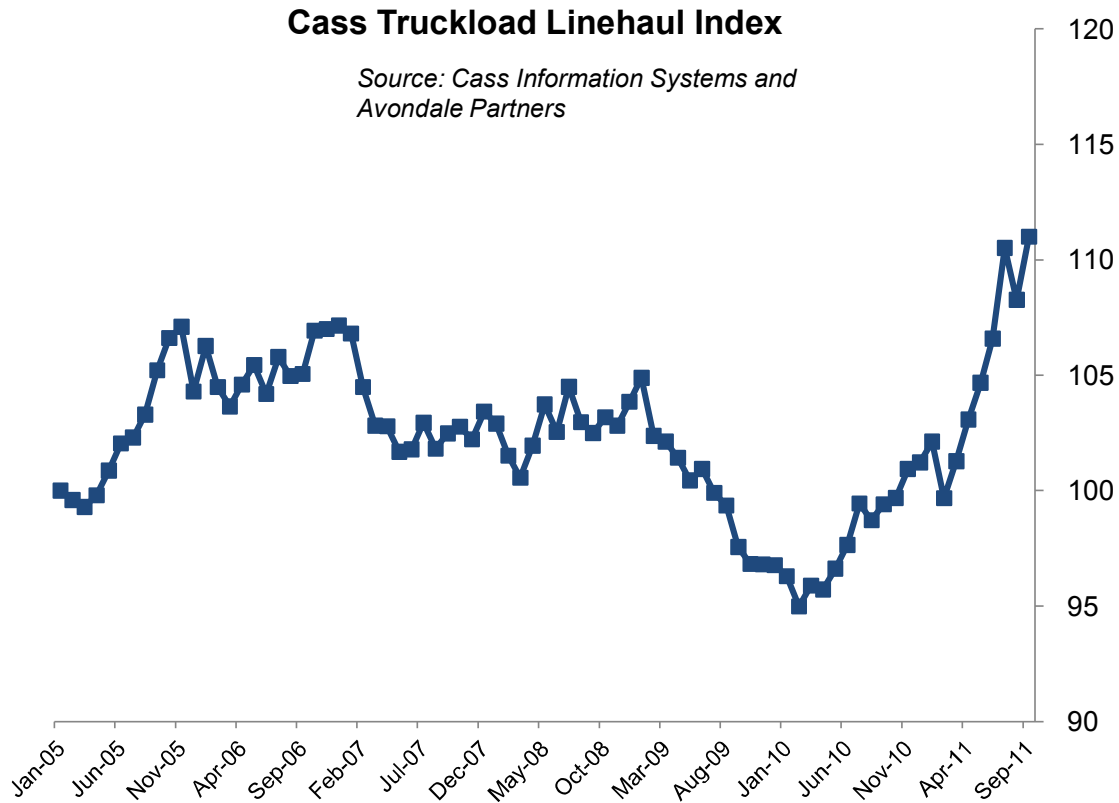
Source: Cass Information Systems, American Trucking Associations, and Avondale Partners

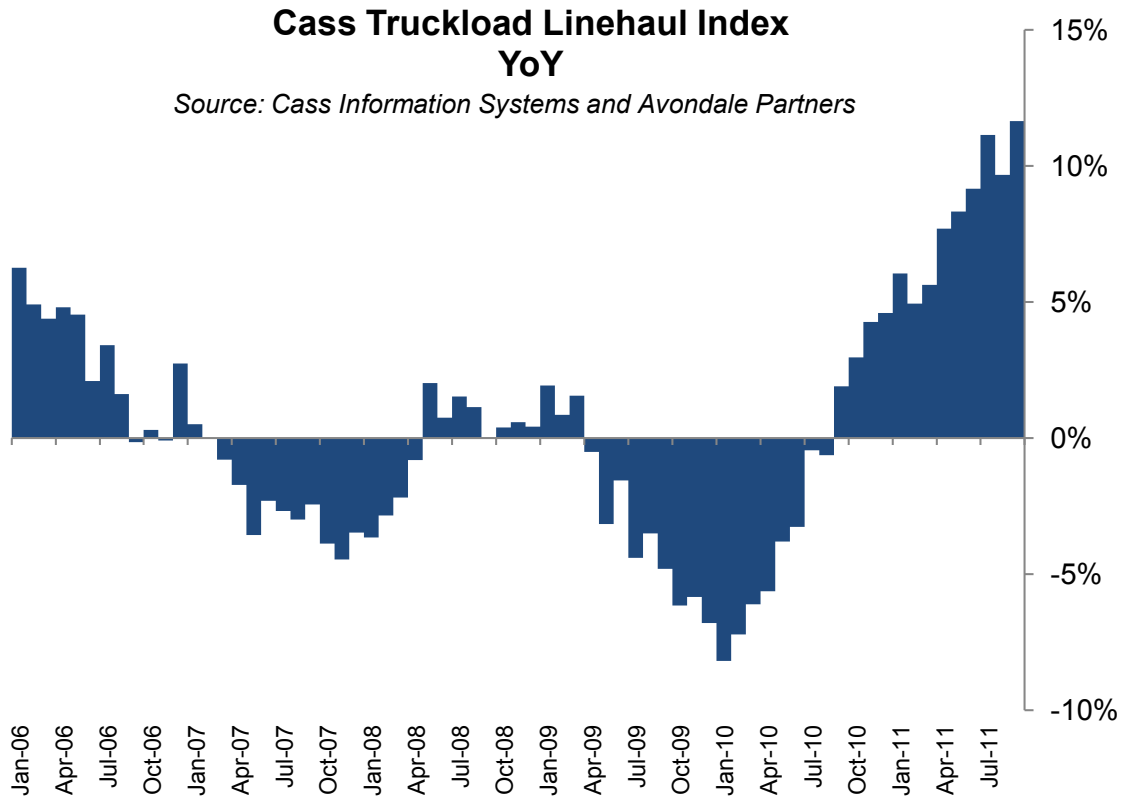
For all of these reasons, we are convinced the Cass Truckload Linehaul Index is the most accurate representation of pure linehaul cost per mile in the industry.

**So what does the most recent data say?**

Since September of last year, we have seen nearly consistent YoY growth acceleration in the Cass Truckload Linehaul Index, with September’s data (the most recent data point we have) being the strongest in that string of data points. We believe the industry is now seeing the pricing power potential that we’ve been hinting at for many months.

The September index registered a value of 111.0, which represents YoY growth of 11.7% - even stronger than August’s growth of 9.7% (reading of 108.3). All index values are not seasonally adjusted, and a reading of 100.0 represents the level of pricing achieved in January 2005. As such, the YoY changes in the index values are the best measure to ascertain the overall industry pricing environment. See the charts on the following page relating to this index – both nominally and in terms of YoY growth:





**In conclusion:**

For investors, this new Cass data represents the most timely and accurate insight available into dry-van truckload industry pricing – the variable with the greatest effect on bottom-line results for most truckload carriers.

For shippers, the Cass data provides a powerful tool for managers to compare their shipping costs to others. If you are a shipper, and would like more information on the Cass benchmarking tool, please contact us and we will put you in touch with a Cass Information Systems representative.

With similar data on other modes forthcoming, we aim to provide a pricing index for not only dry van truckload, but also temperature-controlled truckload, intermodal, rail, and others.

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MO: Expected price gains of at least 5-10% greater than the market over the next 6-18 mos.

MP: Expected price gains similar to the market over the next 6-18 mos.

MU: Expected price gains of at least 5% less than the market over the next 6-18 mos.

Rating	Count	Percent	Investment Banking Serv./Past 12 Mos.	
			Count	Percent
BUY [MO]	128	66.30	4	3.12
HOLD [MP]	62	32.10	0	0.00
SELL [MU]	3	1.60	0	0.00

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