

## Estimate Change

Trucking

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**Celadon Group, Inc.** (CGI - \$19.19)

**Hold**

### COMPANY STATISTICS

12-month Price Target:	NA
52-wk Range:	\$16.29 - \$21.99
Market Capitalization (M):	455
Avg Daily Vol. (000):	124
Dividend:	\$0.08
Yield:	0.4%
Debt/Total cap:	59.9%
Shares Outstanding (M) fd:	23.7
12-Month Total Return:	(7.4)%
Enterprise Value (M):	\$794.0
Current Quarter Estimate:	\$0.22
Current Quarter Consensus:	\$0.25

### INVESTMENT THESIS

Strategically, Celadon has been driven by: a) a leading position in cross-border freight, especially Mexico, which is growing faster than U.S. GDP; b) its ability to consolidate carriers, which gives its more drivers and customers; c) its internal initiatives, designed to eliminate waste and costs.

### FINANCIALS

FYE Jun	2012A	2013A	2014E	2015E	2016E
EV/EBITDA Ratio	8.4x	8.0x	7.4x	6.7x	6.2x
P/Op EPS Ratio	17.1x	16.4x	18.3x	15.4x	13.2x
Revenue (M)	\$599.0	\$613.6	\$775.3	\$863.4	\$915.3
EBITDA (M)	\$94.0	\$99.4	\$107.2	\$118.9	\$128.2
EBITDA Margin	15.7%	16.2%	13.8%	13.8%	14.0%
Op EPS	Q1 \$0.24	\$0.36	\$0.28A	\$0.35	\$0.40
	Q2 \$0.25	\$0.32	\$0.22A	\$0.27	\$0.34
	Q3 \$0.25	\$0.19	\$0.22	\$0.25	\$0.30
	Q4 \$0.39	\$0.31	\$0.34	\$0.38	\$0.41
<b>Total Consensus</b>	<b>\$1.12</b>	<b>\$1.17</b>	<b>\$1.05</b>	<b>\$1.25</b>	<b>\$1.45</b>
	--	--	<b>\$1.14</b>	<b>\$1.35</b>	<b>\$1.50</b>
Prior Op EPS	Q1 --	--	--	\$0.31	\$0.36
	Q2 --	--	--	\$0.26	\$0.32
	Q3 --	--	\$0.20	\$0.23	\$0.28
	Q4 --	--	\$0.32	\$0.35	\$0.39
<b>Total</b>	--	--	<b>\$1.00</b>	<b>\$1.15</b>	<b>\$1.35</b>

### COMPANY DESCRIPTION

Celadon Group, Inc., headquartered in Indianapolis, IN, provides long-haul, full-TL services between the U.S., Canada, and Mexico. The fleet averaged 3,418 seated line-haul tractors in fiscal Q2'14. Average LOH is 884 miles. The company also offers truck brokerage, rail intermodal (as a non-asset IMC), dedicated carriage and regional TL services, primarily in the southeast and mid-Atlantic.

## CGI: Weak 2Q14 as Expected; What Happens if a Tailwind Emerges?

### KEY TAKEAWAY

Celadon reported Q2'14 EPS of \$0.22 versus \$0.32. Our estimate was \$0.21 and consensus was \$0.25 (although it was \$0.27 a month ago). Integration costs associated with Yanke and other smaller acquisitions were expected to be \$0.02, but that was not specified, nor was an amount that might impact the March quarter. The two best parts of the quarter were the increase in seated trucks (720 yr/yr and 394 sequentially TO 3,418 trucks) and the increase in the rate per loaded mile to \$1.63 from \$1.57 (+3.8%) and up from \$1.597 in the September quarter. Length of haul declined 1.3% or 12 miles to 884 miles. We believe recent acquisitions likely impacted mix favorably. Below we discuss what might happen to EPS if recent tailwinds continue for an extended period.

### KEY POINTS

**Other key metrics were respectable** including flat mileage utilization and a 2.8% rise in weekly revenue per truck to \$2,880. Both were commendable given challenges from Hours of Service, inclement weather and integration challenges. Expenses higher as a percentage of revenues were operations, maintenance and fuel, partly from the older trucks with the acquisitions and also from the inclement weather, resulting in increased fuel idling, maintenance, etc. The consolidated OR was 94.8%, up from 92.6% (both figures net FSC and exclude gains on sale of equipment).

**The asset light businesses grew 63.3% to \$29.5M and now represent 18.7% of freight revenues.** This was broken down by 124% growth in intermodal to \$9.7M (Yanke acquisition brought in \$30M of annual intermodal revenues), 89% growth in "other revenue" (lease equipment, third party maintenance, warehousing) and 32% growth in asset light revenues (brokerage and logistics). EBIT figures were not provided, but if the EBIT margin was 8%, for example, then would be \$2.4M or nearly 26% of consolidated EBIT.

**Our new estimates** for FY'14-FY'16 are \$1.05, \$1.25 and \$1.45, up from \$1.00, \$1.15 and \$1.35 previously.

**So how quickly can EPS materially recover?** First, our estimates in FY'15 and FY'16 incorporate about a 1% mileage recovery per tractor and 2.8% and 3.4% increases in rates (regardless of mix), so we have some recovery built into estimates. Our OR projections are 93.5%, 92.9% and 92.3%, while the all-time best is 91.4% in FY'13 (all OR references have fuel surcharges netted and exclude gains on the sale of equipment). Many have been excited that a more significant capacity crunch could be on the horizon. Perhaps, although in the short-term, weather has distorted the underlying supply and demand somewhat. That said, if the FY'15E operating ratio were 92.0% instead of our 92.9%, then EPS would be \$1.41 instead of our current \$1.25 estimate. From FY'11 through FY'13 CGI's increase in its RPLM was 5.3%, 3.2% and 2.7% and its operating ratio improved from 95.5% to 91.9%. EPS went from \$0.67 to \$1.12 to \$1.17.

### **Valuation Methodology & Risk Considerations**

We assess Celadon's valuation primarily using P/E analysis, incorporating both out-year EPS estimates and potential peak earnings. Last cycle the stock traded at 24x peak EPS of \$0.95 before beginning the contraction process. For Celadon, we believe our estimate of potential peak EPS could approach \$1.50 to \$1.75 in the right economic and freight environment. During this past recession and into the recovery CGI has made multiple acquisitions that have enhanced recovery EPS, filled out geographic coverage and broadened customer relationships. Regulatory changes also impact valuations and the pending hours of service (HOS) changes could cause a tightening in truckload supply and demand, which could enhance pricing and profitability if carriers can obtain pricing that exceeds productivity losses and inflationary costs.

Risks include, but are not limited to, a global economic slowdown that lessens the demand for retail goods and industrial and manufacturing activity; excess TL carrier capacity; changes to labor laws, especially changes to independent contractor laws; weak U.S. residential construction activity; rising diesel fuel prices; poor safety performance; difficulty recruiting and retaining drivers; currency changes; and changes to laws that make it easier to unionize.

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BB&T Capital Markets

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Operating Metrics

Period Ending:	2006	2007	2008	2009	2010	2011	2012	Q1'13	Q2'13	Q3'13	Q4'13	2013	Q1'14	Q2'14	Q3'14E	Q4'14E	2014E	Q1'15E	Q2'15E	Q3'15E	Q4'15E	2015E	Q1'16E	Q2'16E	Q3'16E	Q4'16E	2016E	
								Sep-12	Dec-12	Mar-13	Jun-13		Sep-13	Dec-13	Mar-14	Jun-14		Sep-14	Dec-14	Mar-15	Jun-15		Sep-15	Dec-15	Mar-16	Jun-16		
<b>Fleet Profile:</b>																												
Avg. Owner-Operators	347	370	344	207	351	434	388	385	447	524	610	492	680	720														
Sequential Change	(86)	23	(26)	(137)	144	83	(46)	(2)	62	77	86	104	70	40														
Avg. Seated Linehaul Tractors		2,318	2,477	2,741	2,702	2,662	2,705	2,736	2,698	2,624	2,770	2,707	3,024	3,418														
Trailers @ End of Period	7,630	7,843	8,932	10,015	9,852	8,206	8,442	8,955	8,782	8,379	8,425	8,425	8,631	8,631	8,631	8,631	8,631	8,631	8,631	8,631	8,631	8,631	8,631	8,631	8,631	8,631	8,631	
Trailer/Tractor Ratio (E.O.P.)	2.79	2.60	3.05	3.16	3.08	2.93	2.92	2.91	3.07	2.81	2.80	2.80	2.81	2.77	2.75	2.72	2.72	2.70	2.66	2.63	2.60	2.60	2.58	2.56	2.55	2.54	2.54	
Average Tractor Age								1.30	1.10	1.20	1.40		1.40	1.70														
Average Trailer Age								2.30	2.00	2.00	2.20		2.40	2.40														
<b>Rates &amp; Utilization (press release info):</b>																												
RPLM (Exc FSC; TL only)	\$1.491	\$1.534	\$1.503	\$1.464	\$1.407	\$1.481	\$1.529	\$1.562	\$1.571	\$1.558	\$1.592	\$1.571	\$1.597	\$1.632	\$1.640	\$1.660	\$1.632	\$1.670	\$1.680	\$1.675	\$1.690	\$1.679	\$1.720	\$1.730	\$1.720	\$1.770	\$1.735	
Yr/Yr Change				-2.6%	-3.9%	5.3%	3.2%	3.0%	3.0%	2.4%	2.4%	2.7%	2.2%	3.9%	5.3%	4.3%	3.9%	4.6%	2.9%	2.1%	1.8%	2.8%	3.0%	3.0%	2.7%	4.7%	3.4%	
RPTM (Exc FSC; TL only)							\$1.367	\$1.402	\$1.398	\$1.386	\$1.410	\$1.399	\$1.406	\$1.430	\$1.438	\$1.467	\$1.435	\$1.466	\$1.477	\$1.474	\$1.489	\$1.477	\$1.512	\$1.522	\$1.517	\$1.559	\$1.528	
Yr/Yr Change													0.3%	2.3%	3.8%	4.1%	2.6%	4.3%	3.3%	2.5%	1.5%	2.9%	3.1%	3.1%	2.9%	4.7%	3.5%	
Average Length of Haul (Miles)	1,004	960	935	907	889	913	886	873	896	866	851	872	882	884														
Yr/Yr Change	0.8%	-4.3%	-2.6%	-3.0%	-2.0%	2.7%	-3.0%	-5.3%	-2.0%	-2.6%	3.8%	-1.6%	1.0%	-1.3%														
Avg. Seated Linehaul Tractors (Inc. Jaguar)	2,540	2,696	2,741	2,702	2,662	2,705	2,736	2,698	2,624	2,770	2,707	2,707	3,024	3,418	3,443	3,478	3,341	3,508	3,553	3,593	3,628	3,571	3,648	3,663	3,673	3,683	3,667	
Yr/Yr Percent Change			6.1%	1.7%	-1.4%	-1.5%	1.6%	8.2%	2.5%	-8.0%	-1.4%	0.1%	10.5%	26.7%	31.2%	25.8%	23.4%	16.0%	3.9%	4.4%	4.3%	6.9%	4.0%	3.1%	2.2%	1.5%	2.7%	
Sequential Unit Changes	377	101	98	(144)	(40)	188	(72)	(38)	(74)	146	(38)	254	394	25	35	708	30	45	40	35	150	20	15	10	10	55	55	
Miles/Tractor/Week	2,002	2,014	1,981	2,246	2,162	2,098	2,068	2,014	2,080	2,081	2,061	2,072	2,014	2,038	2,091	2,054	2,093	2,044	2,059	2,112	2,077	2,114	2,065	2,059	2,112	2,087		
Miles/Tractor/Day	400	403	396	449	432	420	414	403	416	416	412	412	414	403	408	418	411	419	409	412	422	415	423	413	412	422	417	
Yr/Yr Change		0.6%	-1.7%	13.4%	-3.7%	-3.0%	-5.1%	-2.8%	1.4%	-0.7%	-1.8%	0.2%	0.0%	-2.0%	0.5%	-0.3%	1.0%	1.5%	1.0%	1.0%	1.1%	1.0%	1.0%	0.0%	0.0%	0.5%		
Billing Days	254	253	256	256	255	255	63	64	64	64	255	63	64	64	64	255	63	64	64	64	255	63	64	64	64	255	255	
Revenue/Tractor/Week (Seated, not total)						\$2,866	\$2,876	\$2,899	\$2,815	\$2,884	\$2,934	\$2,883	\$2,913	\$2,880	\$2,932	\$3,069	\$2,948	\$3,068	\$3,019	\$3,035	\$3,145	\$3,067	\$3,196	\$3,143	\$3,123	\$3,294	\$3,189	
Empty Mile Factor	8.3%	10.1%	10.3%	10.7%	9.9%	10.5%	10.9%	10.2%	11.0%	11.0%	11.4%	11.1%	12.0%	12.4%	12.3%	11.8%	12.1%	12.2%	12.1%	12.0%	11.9%	12.0%	12.1%	12.0%	11.8%	11.9%	11.9%	
Total Fleet Miles (different after Q1'14)	257,586	264,471	282,376	282,343	315,538	299,298	295,090	73,555	70,639	70,953	74,937	290,083	81,454	89,490	89,833	93,106	353,884	92,500	92,967	94,684	96,093	378,244	97,153	96,804	96,792	99,580	390,330	
Loaded Fleet Miles (different after Q1'14)	236,200	237,746	253,303	252,220	284,221	267,825	263,665	66,020	62,860	63,120	66,370	258,370	71,713	78,413	78,784	82,306	311,215	81,215	81,718	83,322	86,420	332,675	85,398	85,188	85,371	87,730	343,686	
<b>Fuel Stats:</b>																												
EIA Avg. Diesel Price/Gallon	\$2.67	\$2.71	\$3.54	\$2.94	\$2.81	\$3.43	\$3.91	\$3.935	\$4.02	\$4.03	\$3.88	\$3.97	\$3.911	\$3.87	\$3.91	\$3.95	\$3.91	\$3.95	\$3.95	\$3.95	\$3.98	\$3.96	\$3.93	\$3.96	\$3.95	\$3.95	\$3.95	
Sequential Change	29.6%	1.5%	30.6%	-17.0%	-4.5%	22.2%	14.0%	-0.1%	2.1%	0.2%	-3.7%	1.5%	0.7%	-1.0%	1.0%	1.0%	-1.4%	0.0%	0.0%	0.0%	0.8%	1.2%	-1.3%	0.8%	-0.3%	0.0%	-0.3%	
Gross Fuel Cost/Total Mile	\$0.424	\$0.440	\$0.578	\$0.446	\$0.397	\$0.463	\$0.529	\$0.509	\$0.516	\$0.505	\$0.455	\$0.496	\$0.452	\$0.488	\$0.493	\$0.498	\$0.605	\$0.498	\$0.498	\$0.498	\$0.502	\$0.643	\$0.495	\$0.499	\$0.498	\$0.498	\$0.636	
Gross Fuel cost/Loaded Mile	\$0.463	\$0.489	\$0.644	\$0.499	\$0.440	\$0.517	\$0.592	\$0.567	\$0.579	\$0.567	\$0.514	\$0.557	\$0.514	\$0.557	\$0.562	\$0.563	\$0.550	\$0.567	\$0.566	\$0.566	\$0.569	\$0.567	\$0.563	\$0.567	\$0.564	\$0.565	\$0.565	
FSC/Loaded Mile [NOT total; note: historic]	\$0.278	\$0.292	\$0.428	\$0.351	\$0.291	\$0.405	\$0.501	\$0.497	\$0.521	\$0.511	\$0.489	\$0.505	\$0.493	\$0.488	\$0.493	\$0.498	\$0.527	\$0.498	\$0.498	\$0.498	\$0.501	\$0.566	\$0.495	\$0.499	\$0.498	\$0.498	\$0.560	
Net Fuel Costs/Loaded Mile	\$0.146	\$0.197	\$0.216	\$0.148	\$0.149	\$0.112	\$0.091	\$0.070	\$0.058	\$0.056	\$0.025	\$0.052	\$0.021	\$0.069	\$0.069	\$0.066	\$0.023	\$0.069	\$0.069	\$0.068	\$0.068	\$0.001	\$0.068	\$0.068	\$0.067	\$0.067	\$0.005	
<b>Revenue (millions):</b>																												
Trucking Revenue	\$351.1	\$361.7	\$431.0	\$342.3	\$371.7	\$355.4	\$374.7	\$103.1	\$91.6	\$91.4	\$99.2	\$385.3	\$114.5	\$127.8	\$129.2	\$136.6	\$508.1	\$135.6	\$137.3	\$139.6	\$146.0	\$558.5	\$146.9	\$147.4	\$146.8	\$155.3	\$596.4	
Total Fuel Surcharges (all divisions)	\$65.7	\$69.7	\$108.4	\$82.2	\$77.1	\$101.2	\$123.8	\$31.2	\$31.3	\$30.9	\$31.2	\$124.6	\$33.1	\$36.4	\$38.8	\$41.0	\$149.3	\$40.4	\$40.7	\$41.5	\$43.3	\$165.9	\$42.3	\$42.5	\$42.5	\$43.7	\$170.9	
Other Freight ("Logistics") Revenues	\$55.1	\$61.2	\$17.1	\$54.3	\$66.2	\$98.6	\$100.3	\$19.0	\$25.2	\$27.3	\$32.2	\$103.7	\$27.4	\$29.5	\$28.0	\$33.0	\$117.9	\$35.0	\$34.0	\$33.0	\$37.0	\$139.0	\$36.0	\$37.0	\$36.0	\$39.0	\$148.0	
All Freight Revenue (exc. FSC)	\$414.5	\$432.8	\$457.5	\$409.4	\$451.5	\$467.0	\$475.0	\$122.1	\$116.8	\$118.7	\$131.4	\$489.0	\$142.0	\$157.2	\$157.2	\$169.6	\$626.0	\$170.6	\$171.3	\$172.6	\$183.0	\$697.5	\$182.9	\$184.4	\$182.8	\$194.3	\$744.4	
Consolidated Revenue	\$480.2	\$502.5	\$565.9	\$487.3	\$523.5	\$560.2	\$598.9	\$153.3	\$148.1	\$149.6	\$162.6	\$613.6	\$175.1	\$193.6	\$196.0	\$210.6	\$775.3	\$211.0	\$211.9	\$214.0	\$226.4	\$863.4	\$225.2	\$226.9	\$225.3	\$237.9	\$915.3	
Y/O/Y Growth	9.9%	4.7%	12.6%	-13.9%	7.4%	7.0%	6.9%	6.5%	2.7%	-2.3%	3.3%	2.5%	14.2%	30.7%	31.0%	29.5%	26.3%	20.5%	9.5%	9.2%	7.5%	11.4%	6.7%	7.0%	5.3%	5.1%	6.0%	
Trucking FSC Only (BBT Estimate)	\$65.7	\$69.4	\$108.4	\$82.0	\$76.7	\$100.6	\$122.3	\$30.5	\$30.6	\$30.3	\$30.5	\$121.3	\$30.5	\$30.0	\$30.9	\$31.6	\$131.7	\$31.8	\$31.6	\$32.7	\$33.3	\$146.8	\$33.3	\$33.1	\$33.8	\$34.2	\$151.3	

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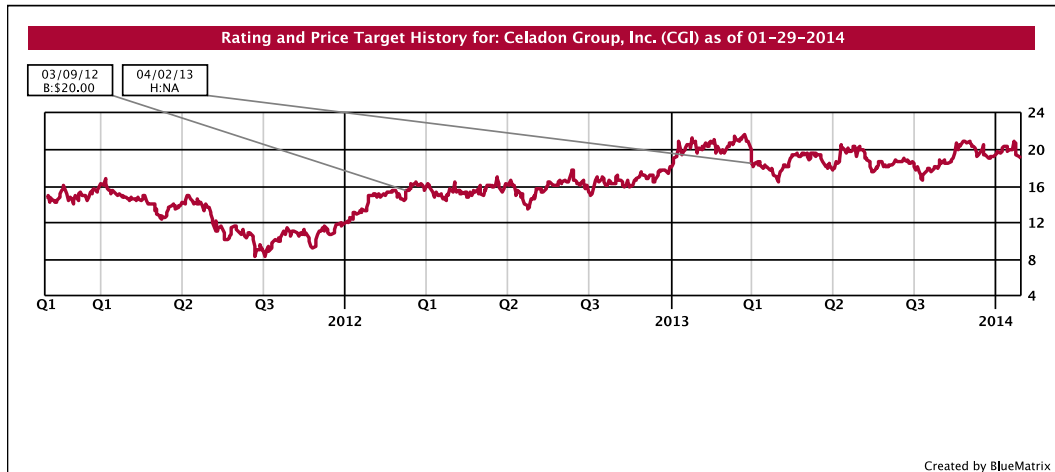
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**Income Statement**

\$ in millions	2006	2007	2008	2009	2010	2011	2012	Q1'13	Q2'13	Q3'13	Q4'13	2013	Q1'14	Q2'14	Q3'14E	Q4'14E	2014E	Q1'15E	Q2'15E	Q3'15E	Q4'15E	2015E	Q1'16E	Q2'16E	Q3'16E	Q4'16E	2016E	
	2006	2007	2008	2009	2010	2011	2012	Sep-12	Dec-12	Mar-13	Jun-13	2013	Sep-13	Dec-13	Mar-14	Jun-14	2014E	Sep-14	Dec-14	Mar-15	Jun-15	2015E	Sep-15	Dec-15	Mar-16	Jun-16	2016E	
Period Ending:																												
Freight Revenue	\$414.5	\$432.8	\$457.5	\$409.4	\$451.5	\$467.0	\$475.0	\$489.0	\$412.0	\$116.8	\$118.7	\$131.4	\$489.0	\$142.0	\$157.2	\$157.2	\$169.6	\$626.0	\$170.6	\$171.3	\$172.6	\$183.0	\$697.5	\$182.9	\$184.4	\$182.8	\$194.3	\$744.4
Fuel Surcharges	65.7	69.7	108.4	82.2	77.1	101.2	123.8	31.2	31.3	30.9	31.2	124.6	33.1	36.4	38.8	41.0	149.3	40.4	40.7	41.5	43.3	165.9	42.3	42.5	42.5	43.7	170.9	
<b>Consolidated Revenue</b>	<b>\$480.2</b>	<b>\$502.7</b>	<b>\$565.9</b>	<b>\$491.6</b>	<b>\$528.6</b>	<b>\$568.3</b>	<b>\$599.0</b>	<b>\$613.6</b>	<b>\$153.3</b>	<b>\$148.1</b>	<b>\$149.6</b>	<b>\$162.6</b>	<b>\$613.6</b>	<b>\$175.1</b>	<b>\$193.6</b>	<b>\$196.0</b>	<b>\$210.6</b>	<b>\$775.3</b>	<b>\$211.0</b>	<b>\$211.9</b>	<b>\$214.0</b>	<b>\$226.4</b>	<b>\$863.4</b>	<b>\$225.2</b>	<b>\$226.9</b>	<b>\$225.3</b>	<b>\$237.9</b>	<b>\$915.3</b>
% growth (Freight Revenues)	4.0%	4.4%	5.7%	-10.5%	10.3%	3.4%	1.7%	6.4%	1.5%	-1.9%	5.7%	2.9%	16.3%	34.6%	32.4%	29.1%	28.0%	20.2%	8.9%	9.8%	7.9%	11.4%	7.2%	7.6%	6.0%	6.1%	6.7%	
Labor Expense	\$144.6	\$144.8	\$159.9	\$155.6	\$156.0	\$150.2	\$158.9	\$40.4	\$41.6	\$40.3	\$43.1	\$165.5	\$46.7	\$53.9	\$53.9	\$56.2	\$210.7	\$55.5	\$58.7	\$59.3	\$60.2	\$233.7	\$60.0	\$63.2	\$62.8	\$64.1	\$250.0	
Fuel Expense	109.3	116.3	163.1	\$125.9	125.2	138.5	156.2	37.5	36.4	35.8	34.1	143.8	36.8	43.7	44.3	46.3	171.1	46.0	46.3	47.1	49.2	188.7	48.1	48.3	48.2	49.6	194.2	
Operations & Maintenance	29.4	32.3	37.2	\$35.5	36.6	41.1	39.2	8.1	7.7	7.9	9.0	32.7	11.3	11.7	11.8	12.0	46.7	13.3	12.7	12.8	13.6	52.4	13.5	13.4	13.3	13.8	54.0	
Insurance & Claims	13.7	13.1	15.5	\$13.8	17.1	18.2	13.9	3.5	4.0	3.5	4.3	15.3	4.1	4.6	4.7	5.5	18.9	5.1	5.2	5.1	5.7	21.1	5.4	5.4	5.4	5.8	22.1	
Operating Taxes & Licenses	8.2	8.6	9.1	\$9.7	9.8	9.9	10.3	2.6	2.5	2.7	2.7	10.5	2.8	3.3	3.5	3.6	13.2	3.4	3.6	3.6	3.6	14.2	3.6	3.9	3.8	3.8	15.1	
Communication & Utilities	4.1	4.8	5.1	\$4.9	4.8	4.2	4.3	1.3	1.3	1.4	1.4	5.4	1.4	1.5	1.8	1.9	6.5	1.7	1.7	1.9	1.8	7.1	1.8	1.8	2.0	1.9	7.5	
Rental Expense (includes PT until	39.6	31.9	25.6	\$6.4	3.7	1.6	6.0	2.0	1.7	1.7	1.7	7.0	1.7	1.6	1.8	1.9	6.9	1.9	1.9	1.9	2.0	7.8	2.3	2.0	2.0	2.1	8.5	
Purchased Transportation	70.3	73.7	82.2	\$55.8	82.6	106.7	108.9	28.3	28.6	32.8	36.0	125.7	41.7	45.6	46.0	49.7	183.0	50.6	50.9	51.8	54.3	207.6	54.3	54.9	55.2	59.0	223.4	
Cost of Products & Services Sold	5.4	7.0	6.4	\$5.8	5.9	3.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Professional & Consulting Fees	2.7	2.2	0.6	\$0.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
General & Other	6.1	6.0	9.1	\$8.1	7.0	6.7	7.3	1.8	2.1	1.7	2.8	8.4	2.1	3.0	2.7	3.2	11.0	2.5	3.2	3.0	3.2	11.9	2.7	3.2	2.9	3.6	12.4	
Depreciation & Amortization, Net	12.4	21.9	33.3	\$54.2	60.1	57.0	47.2	12.7	9.5	13.8	14.8	50.8	14.9	15.9	16.1	16.2	63.1	16.3	16.3	16.7	16.8	66.1	16.6	16.7	16.8	17.0	67.1	
Total Operating Expenses	\$446.0	\$462.6	\$547.1	\$475.7	\$508.8	\$537.5	\$552.2	\$138.2	\$135.5	\$141.6	\$149.7	\$565.0	\$163.6	\$184.7	\$186.5	\$196.5	\$731.2	\$196.4	\$200.5	\$203.4	\$210.4	\$810.6	\$208.3	\$212.8	\$212.5	\$220.7	\$854.2	
<b>EBITDA</b>	<b>\$46.7</b>	<b>\$62.0</b>	<b>\$52.1</b>	<b>\$70.1</b>	<b>\$79.9</b>	<b>\$87.8</b>	<b>\$94.0</b>	<b>\$27.8</b>	<b>\$22.1</b>	<b>\$21.8</b>	<b>\$27.7</b>	<b>\$99.4</b>	<b>\$26.5</b>	<b>\$24.9</b>	<b>\$25.6</b>	<b>\$30.3</b>	<b>\$107.2</b>	<b>\$31.0</b>	<b>\$27.8</b>	<b>\$27.3</b>	<b>\$32.7</b>	<b>\$118.9</b>	<b>\$35.5</b>	<b>\$30.8</b>	<b>\$29.7</b>	<b>\$34.2</b>	<b>\$128.2</b>	
% margin	9.7%	12.3%	9.2%	14.3%	15.1%	15.4%	15.7%	15.7%	18.1%	14.9%	14.6%	17.0%	16.2%	15.1%	12.8%	13.1%	14.4%	13.8%	14.7%	13.1%	12.8%	14.5%	13.8%	14.9%	13.6%	13.2%	14.4%	14.0%
% growth	21.9%	32.8%	-16.0%	34.6%	14.0%	9.9%	7.1%	26.8%	-0.5%	-1.5%	0.1%	5.8%	-4.9%	12.4%	17.3%	9.5%	7.8%	17.1%	11.8%	6.8%	8.1%	10.9%	8.1%	10.7%	8.5%	4.5%	7.8%	
<b>EBITDAR</b>	<b>\$86.3</b>	<b>\$93.9</b>	<b>\$77.7</b>	<b>\$75.2</b>	<b>\$78.6</b>	<b>\$89.3</b>	<b>\$100.0</b>	<b>\$29.8</b>	<b>\$23.8</b>	<b>\$23.5</b>	<b>\$29.3</b>	<b>\$106.4</b>	<b>\$28.1</b>	<b>\$26.4</b>	<b>\$27.4</b>	<b>\$32.2</b>	<b>\$114.1</b>	<b>\$32.9</b>	<b>\$29.7</b>	<b>\$29.3</b>	<b>\$34.8</b>	<b>\$126.6</b>	<b>\$35.8</b>	<b>\$32.8</b>	<b>\$31.7</b>	<b>\$36.3</b>	<b>\$136.6</b>	
<b>EBIT</b>	<b>\$34.2</b>	<b>\$40.1</b>	<b>\$18.8</b>	<b>\$15.9</b>	<b>\$19.8</b>	<b>\$30.8</b>	<b>\$46.8</b>	<b>\$15.1</b>	<b>\$12.6</b>	<b>\$8.0</b>	<b>\$12.9</b>	<b>\$48.7</b>	<b>\$11.5</b>	<b>\$8.9</b>	<b>\$9.5</b>	<b>\$14.1</b>	<b>\$44.1</b>	<b>\$14.7</b>	<b>\$11.5</b>	<b>\$10.6</b>	<b>\$15.9</b>	<b>\$52.8</b>	<b>\$16.9</b>	<b>\$14.1</b>	<b>\$12.9</b>	<b>\$17.2</b>	<b>\$61.1</b>	
% margin	7.1%	8.0%	3.3%	3.2%	3.8%	5.4%	7.8%	9.9%	8.5%	5.4%	7.9%	7.9%	6.6%	4.6%	4.9%	6.7%	5.7%	7.0%	5.4%	5.0%	7.0%	6.1%	7.5%	6.2%	5.7%	7.2%	6.7%	
% growth	46.2%	17.2%	-53.1%	-15.4%	24.6%	55.3%	51.9%	45.5%	28.3%	-24.2%	-19.0%	4.1%	-23.8%	-29.0%	18.4%	9.3%	-9.4%	27.3%	28.6%	11.9%	13.1%	19.7%	15.1%	22.4%	20.8%	7.9%	15.7%	
Miscellaneous, Net	-	(0.1)	(0.2)	0.2	(0.1)	0.6	0.4	(0.0)	0.3	0.4	0.3	1.0	0.2	0.2	0.2	0.2	0.9	0.3	0.2	0.3	0.3	1.1	0.2	0.3	0.2	0.3	1.0	
Interest Expense	(0.9)	(3.5)	(5.0)	(9.1)	(10.1)	(8.2)	(5.7)	(1.5)	(1.2)	(1.1)	(1.2)	(4.0)	(1.0)	(1.2)	(1.3)	(1.2)	(4.8)	(1.2)	(1.2)	(1.2)	(1.2)	(4.7)	(1.2)	(1.2)	(1.2)	(1.2)	(4.7)	
Interest (Income)	0.2	0.0	0.1	0.0	0.1	0.1	0.1	-	-	-	-	-	-	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.1	
Minority Interest in Subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Pretax Income	\$33.4	\$36.5	\$13.7	\$7.1	\$9.7	\$27.4	\$41.5	\$13.6	\$11.7	\$7.4	\$12.0	\$44.7	\$10.5	\$7.8	\$8.6	\$13.2	\$40.2	\$13.8	\$10.6	\$9.8	\$15.1	\$49.3	\$16.0	\$13.2	\$11.9	\$16.4	\$57.5	
Income Taxes	\$12.9	\$14.2	\$7.1	\$4.8	\$5.8	\$12.2	\$16.0	\$5.3	\$4.4	\$3.0	\$4.8	\$17.5	\$4.0	\$2.7	\$3.4	\$5.2	\$15.3	\$5.5	\$4.2	\$3.9	\$6.0	\$19.5	\$6.3	\$5.2	\$4.7	\$6.5	\$22.7	
Tax Rate	38.5%	39.0%	52.2%	68.1%	59.6%	44.3%	38.5%	39.3%	37.1%	40.5%	39.8%	39.1%	37.8%	34.6%	39.5%	39.5%	38.1%	39.5%	39.5%	39.5%	39.5%	39.5%	39.5%	39.5%	39.5%	39.5%	39.5%	
<b>Net Income</b>	<b>\$20.5</b>	<b>\$22.3</b>	<b>\$6.5</b>	<b>\$2.3</b>	<b>\$3.9</b>	<b>\$15.3</b>	<b>\$25.5</b>	<b>\$8.3</b>	<b>\$7.4</b>	<b>\$4.4</b>	<b>\$7.2</b>	<b>\$27.3</b>	<b>\$6.6</b>	<b>\$5.1</b>	<b>\$5.2</b>	<b>\$8.0</b>	<b>\$24.9</b>	<b>\$8.4</b>	<b>\$6.4</b>	<b>\$5.9</b>	<b>\$9.1</b>	<b>\$29.9</b>	<b>\$9.7</b>	<b>\$8.0</b>	<b>\$7.2</b>	<b>\$9.9</b>	<b>\$34.8</b>	
% growth	63.5%	8.3%	-70.6%	-65.5%	74.0%	288.8%	67.3%	51.4%	35.3%	-22.6%	-19.2%	6.8%	-20.5%	-30.5%	19.0%	10.2%	-8.7%	27.5%	25.1%	13.9%	14.4%	20.0%	15.3%	24.9%	21.6%	8.5%	16.5%	
<b>EPS - Diluted</b>	<b>\$0.88</b>	<b>\$0.95</b>	<b>\$0.29</b>	<b>\$0.10</b>	<b>\$0.18</b>	<b>\$0.67</b>	<b>\$1.12</b>	<b>\$0.36</b>	<b>\$0.32</b>	<b>\$0.19</b>	<b>\$0.31</b>	<b>\$1.17</b>	<b>\$0.28</b>	<b>\$0.22</b>	<b>\$0.22</b>	<b>\$0.34</b>	<b>\$1.05</b>	<b>\$0.35</b>	<b>\$0.27</b>	<b>\$0.25</b>	<b>\$0.38</b>	<b>\$1.25</b>	<b>\$0.40</b>	<b>\$0.34</b>	<b>\$0.30</b>	<b>\$0.41</b>	<b>\$1.45</b>	
Wt. Average Fully Diluted Share	23.3	23.5	22.6	22.1	22.4	22.6	22.8	23.2	23.2	23.5	23.6	23.4	23.7	23.7	23.8	23.8	23.7	23.8	23.8	23.8	23.9	23.8	23.9	23.9	24.0	24.0	24.0	
% growth	60.9%	7.1%	-69.4%	-64.7%	72.2%	284.2%	66.0%	48.0%	29.5%	-24.4%	-20.8%	4.2%	-22.1%	-31.8%	17.6%	9.4%	-10.1%	26.8%	24.4%	13.9%	13.9%	19.5%	14.8%	24.4%	20.6%	8.1%	16.0%	
<b>Expense Analysis:</b>																												
Labor Expense (Total Revenue)	30.1%	28.8%	28.2%	31.6%	29.5%	26.4%	26.5%	26.4%	28.1%	27.0%	26.5%	27.0%	26.6%	27.8%	27.5%	26.7%	27.2%	26.3%	27.7%	27.7%	26.6%	27.1%	26.7%	27.8%	27.9%	26.9%	27.3%	
Labor Expense (FSC Netted)	34.9%	33.5%	34.9%	38.0%	34.6%	32.2%	33.5%	33.1%	35.7%	34.0%	32.8%	33.8%	32.9%	34.3%	34.3%	33.1%	33.7%	32.5%	34.3%	34.4%	32.9%	33.5%	32.8%	34.3%	34.3%	33.0%	33.6%	
Fuel Expense (Total Revenue)	22.8%	23.1%	28.8%	25.6%	23.7%	24.4%	26.1%	24.4%	24.6%	23.9%	21.0%	23.4%	21.0%	22.6%	22.6%	22.0%	22.1%	21.8%	21.8%	22.0%	21.7%	21.9%	21.4%	21.3%	21.4%	20.8%	21.2%	
Fuel Expense (FSC Netted)	10.5%	10.8%	12.0%	10.7%	10.6%	8.0%	6.8%	5.1%	4.4%	4.1%	2.2%	3.9%	2.6%	4.7%	3.5%	3.2%	3.5%	3.3%	3.3%	3.3%	3.2%	3.3%	3.2%	3.2%	3.1%	3.0%	3.1%	
Operations & Maintenance (Total R	6.1%	6.4%	6.6%	7.2%	6.9%	7.2%	6.5%	5.3%	5.2%	5.3%	5.5%	5.3%	6.4%	6.0%	6.0%	5.7%	6.0%	6.3%	6.0%	6.0%	6.0%	6.1%	6.0%	5.9%	5.9%	5.8%	5.9%	
Operations & Maintenance (FSC	7.1%	7.5%	8.1%	8.7%	8.1%	8.8%	8.2%	6.6%	6.6%	6.7%	6.8%	6.7%	7.9%	7.4%	7.5%	7.1%	7.5%	7.8%	7.4%	7.4%	7.4%	7.5%	7.4%	7.3%</				

## IMPORTANT DISCLOSURES

### Price Chart



#### BB&T Capital Markets rating distribution by percentage (as of January 31, 2014):

All companies under coverage:		All companies under coverage to which it has provided investment banking services in the previous 12 months:	
Buy (1)	45.03%	Buy (1)	24.14%
Hold (2)	53.73%	Hold (2)	13.29%
Underweight/Sell (3)	1.24%	Underweight/Sell (3)	0.00%
Not Rated (NR)	0.00%	Not Rated (NR)	0.00%

#### BB&T Capital Markets Ratings System:

The BB&T Capital Markets Equity Research Department Stock Rating System consists of three separate ratings. The appropriate rating is determined by a stock's estimated 12-month total return potential, which consists of the percentage price change to the 12-month price target and the current yield on anticipated dividends. A 12-month price target is the analyst's best estimate of the market price of the stock in 12 months. A 12-month price target is highly subjective and the result of numerous assumptions, including company, industry, and market fundamentals, both on an absolute and relative basis, as well as investor sentiment, which can be highly volatile.

The definition of each rating is as follows:

Buy (1): estimated total return potential greater than or equal to 10%, Hold (2): estimated total return potential greater than or equal to 0% and less than 10%, Underweight (3): estimated total return potential less than 0%

**B:** Buy **H:** Hold **UW:** Underweight **NR:** Not Rated **NA:** Not Applicable **NM:** Not Meaningful **SP:** Suspended

Stocks rated Buy (1) are required to have a published 12-month price target, while it is not required on stocks rated Hold (2) and Underweight (3).

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The analyst(s) principally responsible for preparation of this report received compensation that is based upon many factors, including the firm's overall investment banking revenue.

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