



# **Market Capitalization of the Trucking Industry Sector, 2005**

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## ***Executive Summary***

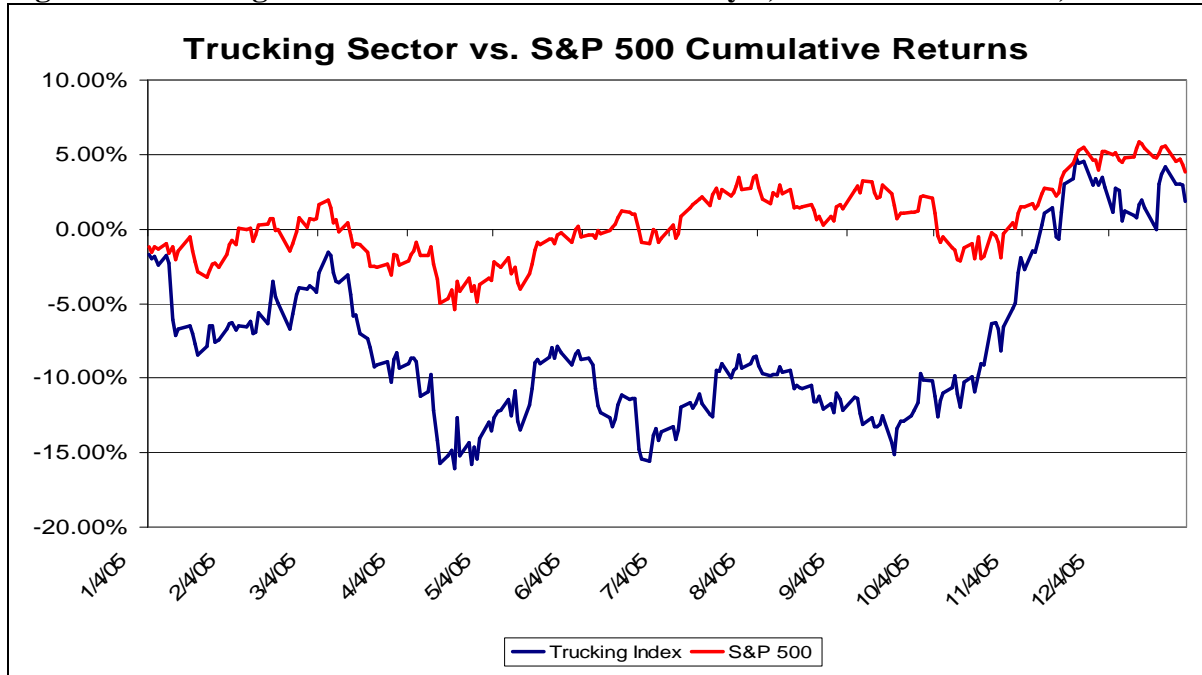
This report focuses on the market valuation of the overall trucking industry sector and each segment within it. In the past, while the focus has been on stock price appreciation or depreciation, this report emphasizes market capitalization returns. Specifically, throughout this report, the index created and displayed is market capitalization weighted with daily rebalancing. Market capitalization is determined from the daily stock price multiplied by the number of shares outstanding. Market capitalization was chosen over past methodologies because it gives a more accurate measure of how the overall market values the trucking sector, trucking segments, and individual trucking companies relative to the entire stock market. Further, market capitalization changes were chosen rather than stock price changes in an effort to eliminate effects of capital structure changes (i.e. stock repurchases, issuances, splits, etc.) on stock prices.

The overall trucking industry sector has seen a slow down in market capitalization growth compared to previous years for a multitude of reasons which are explained in ***Assessing the Motor Carrier Industry and Its Segments: Current and Prospective Issues, 2006***. Most of the trucking segments followed suit and realized a slow down in growth. However, the logistics segment continued to outperform the industry and the S&P 500. The logistics segment represents companies with active 3<sup>rd</sup> Party Logistics activities. These activities encompass a broad range of services beyond direct physical transportation to include warehouse and inventory management, optimized shipment planning, network design, and information technology and software implementation. The following report explains these movements in more detail and compares the overall trucking industry and its sectors to each other and the overall market.

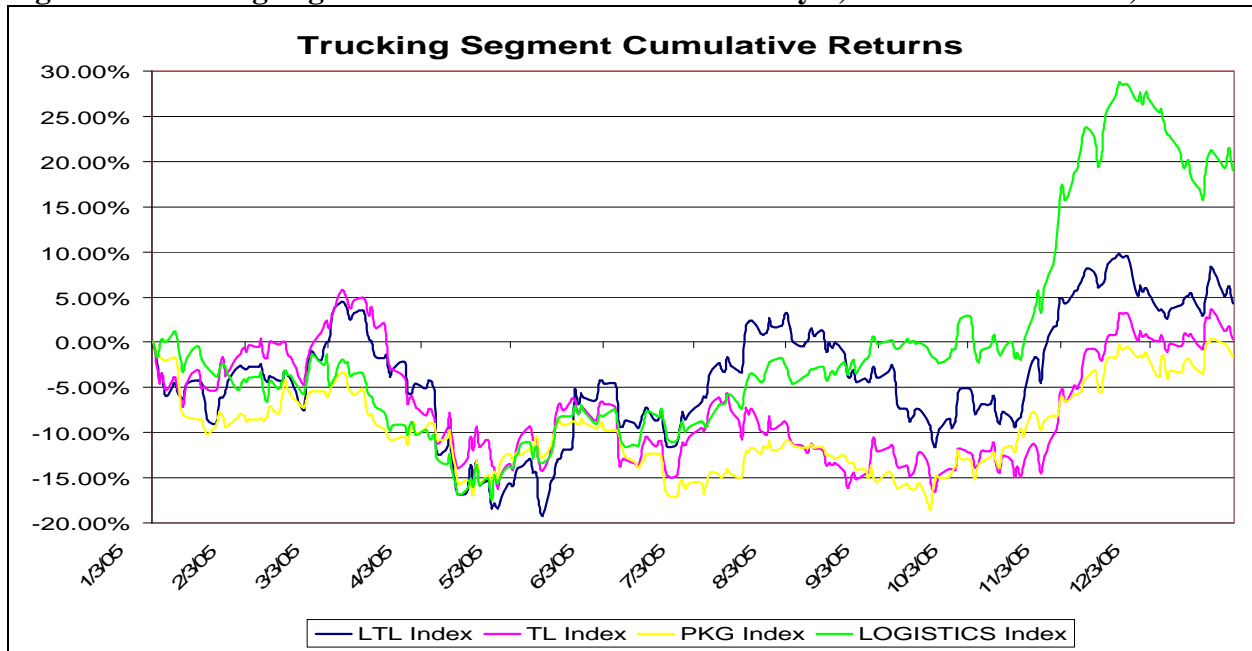
## Trucking Sector

While the trucking industry sector realized strong growth in 2004 when compared to the S&P 500, the past year has been quite different. As can be seen in Figure 1, the trucking industry sector's cumulative returns have lagged behind the S&P 500 returns from January 1, 2005 through December 31, 2005, indeed, a substantial amount in some instances. However, towards the end of the year, the sector realized positive returns and moved closer to the S&P.

**Figure 1: Trucking Sector Index vs. S&P 500 January 1, 2005 – December 31, 2005**



**Figure 2: Trucking Segments Cumulative Returns January 1, 2005 – December 31, 2005**



A review of Figure 2 shows that the trucking segments moved together for the first half of the year. While each segment saw increasing returns in the second half of the year, the overall segment that benefited most from robust returns is the logistics segment. Specifically, as shown in Table 1, the logistics realized a cumulative return of approximately 19 percent and boosted its market capitalization by over \$3 billion. However, the segment with the largest market capitalization, the package segment, realized a cumulative loss in market capitalization of -1.53 percent.

**Table 1: Trucking Sector by Segment**

|                            | Market Capitalization |                     | Cumulative Return |
|----------------------------|-----------------------|---------------------|-------------------|
|                            | Year Beginning        | Year End            | Year End          |
| <b>Logistics</b>           | \$16,192,243,728.54   | \$19,274,673,572.77 | 19.04%            |
| <b>Less-Than-Truckload</b> | \$8,735,419,748.52    | \$9,110,739,904.24  | 4.30%             |
| <b>Truckload</b>           | \$14,256,745,115.70   | \$14,298,710,202.08 | 0.29%             |
| <b>Package</b>             | \$80,457,736,578.25   | \$79,226,791,013.95 | -1.53%            |

### ***Less-Than-Truckload Segment***

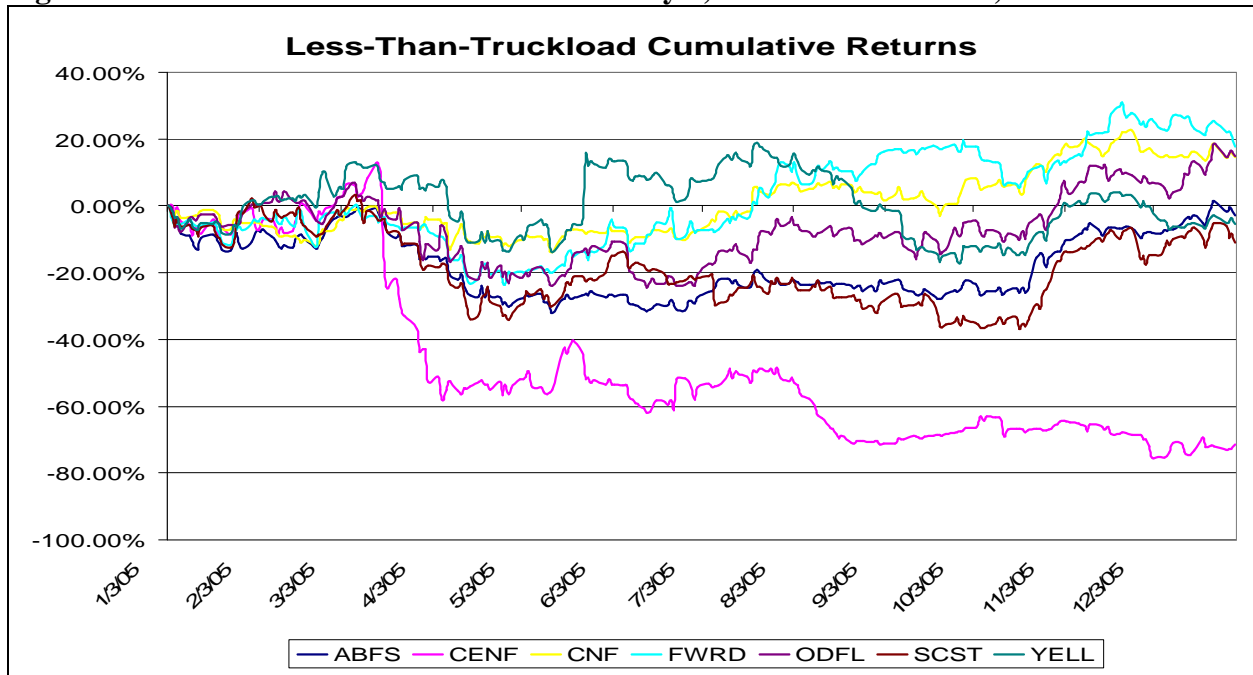
At the start of 2005, the less-than-truckload segment made up only 7.3 percent of the trucking industry sector and it gained little during the year and stood at 7.5 percent of the sector's total capitalization by the year's end. Table 2 details the companies included in the LTL segment along with their respective beginning and year end market capitalizations and their year end cumulative returns. Figure 3 graphically depicts the company specific cumulative returns from January 1, 2005 to December 31, 2005.

**Table 2: Less-Than-Truckload Company Data**

|   | Market Capitalization |                    | Cumulative Return |
|---|-----------------------|--------------------|-------------------|
|   | Year Beginning        | Year End           | Year End          |
| <b>Yellow Roadway Corp (YELL)</b>       | \$2,739,054,362.59    | \$2,590,502,735.42 | -5.42%            |
| <b>CNF Inc (CNF)</b>                    | \$2,553,630,145.39    | \$2,924,555,998.08 | 14.53%            |
| <b>Arkansas Best Corp (ABFS)</b>        | \$1,135,560,827.71    | \$1,104,754,567.71 | -2.71%            |
| <b>Forward Air Corp (FWRD)</b>          | \$971,955,000.00      | \$1,145,642,397.70 | 17.87%            |
| <b>Old Dominion Freight Line (ODFL)</b> | \$875,537,841.69      | \$1,005,203,565.85 | 14.81%            |
| <b>SCS Transportation (SCST)</b>        | \$346,000,321.15      | \$307,572,500.00   | -11.11%           |
| <b>Central Freight Lines (CENF)</b>     | \$113,681,250.00      | \$32,508,139.48    | -71.40%           |
| <b>Overnite Corp (OVNT)</b>             | \$1,042,697,000.00    | N/A                | N/A               |
| <b>Less-Than-Truckload Segment</b>      | \$8,735,419,748.52    | \$9,110,739,904.24 | 4.30%             |

As shown in the table, the mid-cap companies realized the most robust cumulative returns with Forward Air Corp seeing a 17.87 percent return. The small-cap companies were not able to withstand the industry shocks in 2005 and saw a significant reduction in market capitalization. Specifically, Central Freight Lines lost nearly 72 percent of its market capitalization.

**Figure 3: Less-Than-Truckload Returns January 1, 2005 – December 31, 2005**



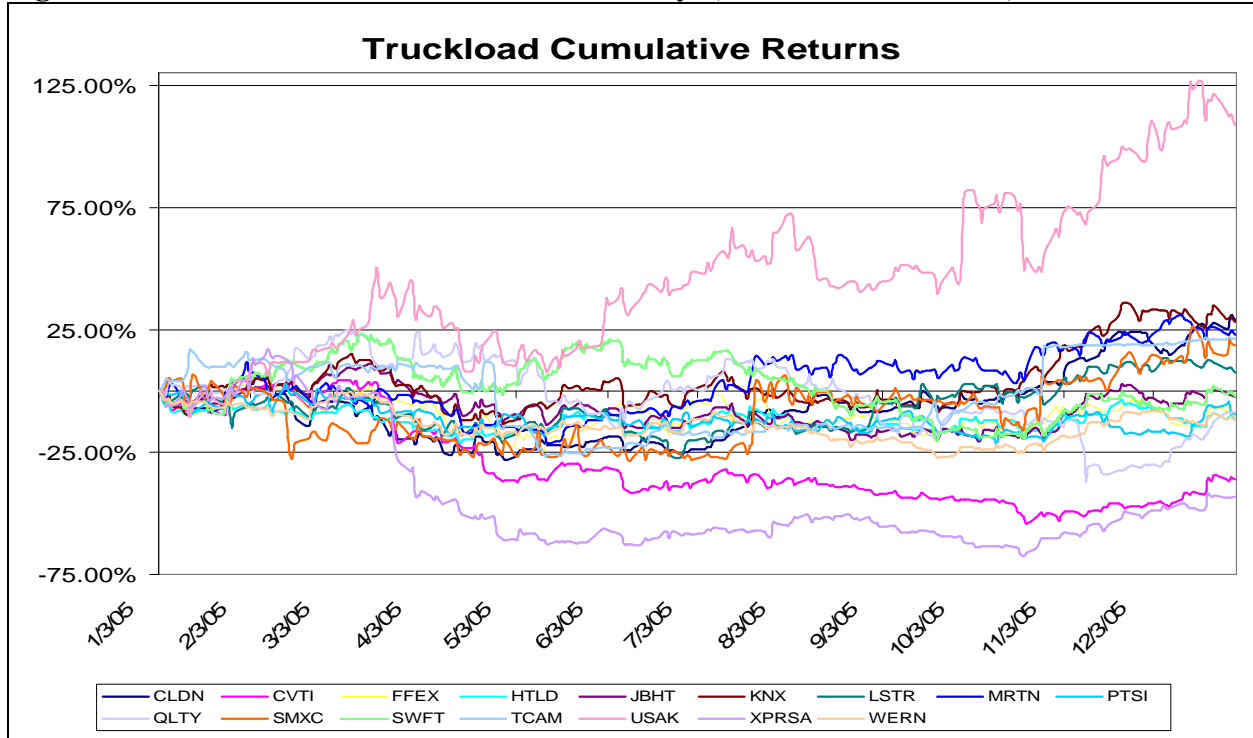
### ***Truckload Segment***

The truckload segment's percentage of the total trucking industry sector's market capitalization decreased slightly during 2005 from 11.9 percent at the beginning of the year to 11.7% at the end of the year. Overall, the segment realized a miniscule 0.29% cumulative return. Table 3 details the beginning and year end market capitalization as well as the cumulative returns for each company within the segment. Figure 4 graphically depicts the company cumulative returns. Unlike the LTL segment, the TL segment saw strong returns from its small cap members. These firms proved to be more resilient to industry shocks than did its LTL counterparts. However, the largest return came from USA truck, a mid cap company, with nearly 110 percent return for the year. The mid caps also realized the largest negative return – US Express Enterprises saw its market capitalization fall approximately 44 percent during 2005.

**Table 3: Truckload Company Data**

|  | Market Capitalization |                      | Cumulative Return |
|--|-----------------------|----------------------|-------------------|
|  | Year Beginning        | Year End             | Year End          |
| <b>JB Hunt Transport Service (JBHT)</b>      | \$ 3,588,617,382.45   | \$ 3,501,502,305.66  | -2.43%            |
| <b>Landstar System (LSTR)</b>                | \$ 2,272,715,587.01   | \$ 2,442,875,338.21  | 7.49%             |
| <b>Werner Enterprises (WERN)</b>             | \$ 1,779,579,005.59   | \$ 1,563,963,360.57  | -12.12%           |
| <b>Heartland Express (HTLD)</b>              | \$ 1,696,500,062.93   | \$ 1,497,828,157.62  | -11.71%           |
| <b>Swift Transportation Co (SWFT)</b>        | \$ 1,519,183,549.68   | \$ 1,485,858,444.15  | -2.19%            |
| <b>Knight Transportation (KNX)</b>           | \$ 1,384,617,500.00   | \$ 1,775,192,780.78  | 28.21%            |
| <b>US Xpress Enterprises (XPRSA)</b>         | \$ 378,530,932.04     | \$ 214,206,850.35    | -43.41%           |
| <b>Marten Transport (MRTN)</b>               | \$ 319,475,308.91     | \$ 392,932,505.18    | 22.99%            |
| <b>Convenant Transport (CVTI)</b>            | \$ 254,120,890.34     | \$ 162,573,414.67    | -36.03%           |
| <b>Celadon Group (CLDN)</b>                  | \$ 225,506,082.27     | \$ 290,419,192.31    | 28.79%            |
| <b>Frozen Food Express Industries (FFEX)</b> | \$ 218,336,580.67     | \$ 196,863,435.23    | -9.83%            |
| <b>PAM Transportation Services (PTSI)</b>    | \$ 210,913,978.27     | \$ 191,135,769.84    | -9.38%            |
| <b>Quality Distribution (QLTY)</b>           | \$ 166,392,115.64     | \$ 151,509,696.01    | -8.94%            |
| <b>USA Truck (USAK)</b>                      | \$ 159,152,413.00     | \$ 331,848,950.44    | 108.51%           |
| <b>Tranport Corp of America (TCAM)</b>       | \$ 53,456,127.26      | \$ 64,881,960.75     | 21.37%            |
| <b>Smithway Motor Xpress Corp (SMXC)</b>     | \$ 29,647,599.63      | \$ 35,118,040.30     | 18.45%            |
| <b>Universal Truckload Services (UACL)</b>   | \$ 344,767,500.00     | NA                   | NA                |
| <b>Truckload Segment</b>                     | \$ 14,256,745,115.70  | \$ 14,298,710,202.08 | 0.29%             |

**Figure 4: Truckload Cumulative Returns January 1, 2005 – December 31, 2005**



**Package Segment**

The package segment of the trucking industry sector is unique in that it is the largest by far at approximately 66 percent, while being made up of only three companies. Similar to the past two segments covered in this section of the report, the package segment’s share of the trucking industry sector’s total capitalization fell during the year from 67 percent at the beginning of the year to 65 percent at the year’s end. Table 4 lists each package company’s beginning and year end market capitalization and cumulative returns. Figure 5 graphically shows these returns over the year.

A cursory look at Table 4 shows that CD&L Inc saw a substantial cumulative return in 2005 of nearly 92 percent. While this is impressive, the increase had little effect on the entire segment due to CD&L’s significantly smaller market cap relative to the other members of the segment. UPS, the largest member by far, saw a cumulative loss (-6.48%) over the past year and,

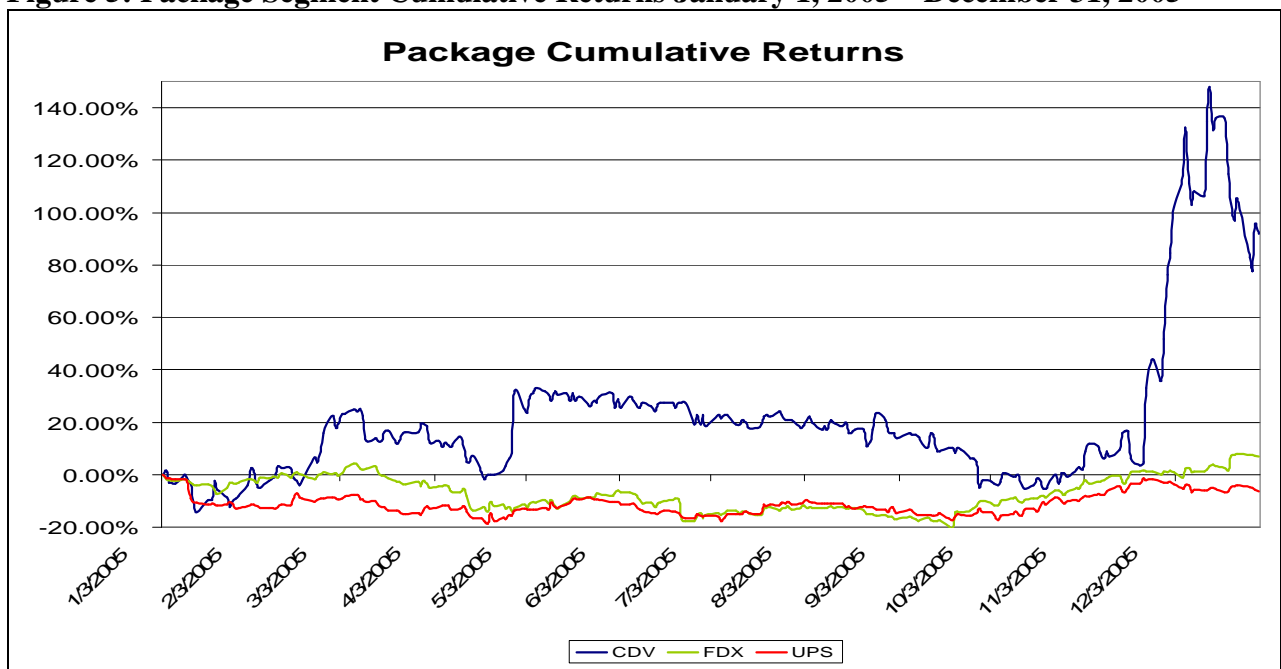


consequently pulled the entire segment down as shown by the overall segment cumulative loss of 1.53 percent in market capitalization.

**Table 4: Package Segment Company Data**

|                           | Market Capitalization |                     | Cumulative Return |
|---------------------------|-----------------------|---------------------|-------------------|
|                           | Year Beginning        | Year End            | Year End          |
| <b>UPS Inc (UPS)</b>      | \$51,095,795,000.00   | \$47,782,400,020.27 | -6.48%            |
| <b>FedEx Corp (FDX)</b>   | \$29,348,373,659.81   | \$31,418,359,794.63 | 7.05%             |
| <b>CD&amp;L Inc (CDV)</b> | \$13,567,918.43       | \$26,031,199.04     | 91.86%            |
| <b>Package Segment</b>    | \$80,457,736,578.25   | \$79,226,791,013.95 | -1.53%            |

**Figure 5: Package Segment Cumulative Returns January 1, 2005 – December 31, 2005**



### *Logistics Segment*

Unlike the other segments within the trucking industry sector, the logistics segment achieved a strong cumulative return during 2005 of approximately 19 percent. Furthermore, its percentage of the overall trucking industry sector's market capitalization increased over 2 percent during 2005, from 13.5 percent at the beginning of the year to 15.8 percent at the end of the year. Table 5 lists the logistics companies and their beginning and year end market caps and

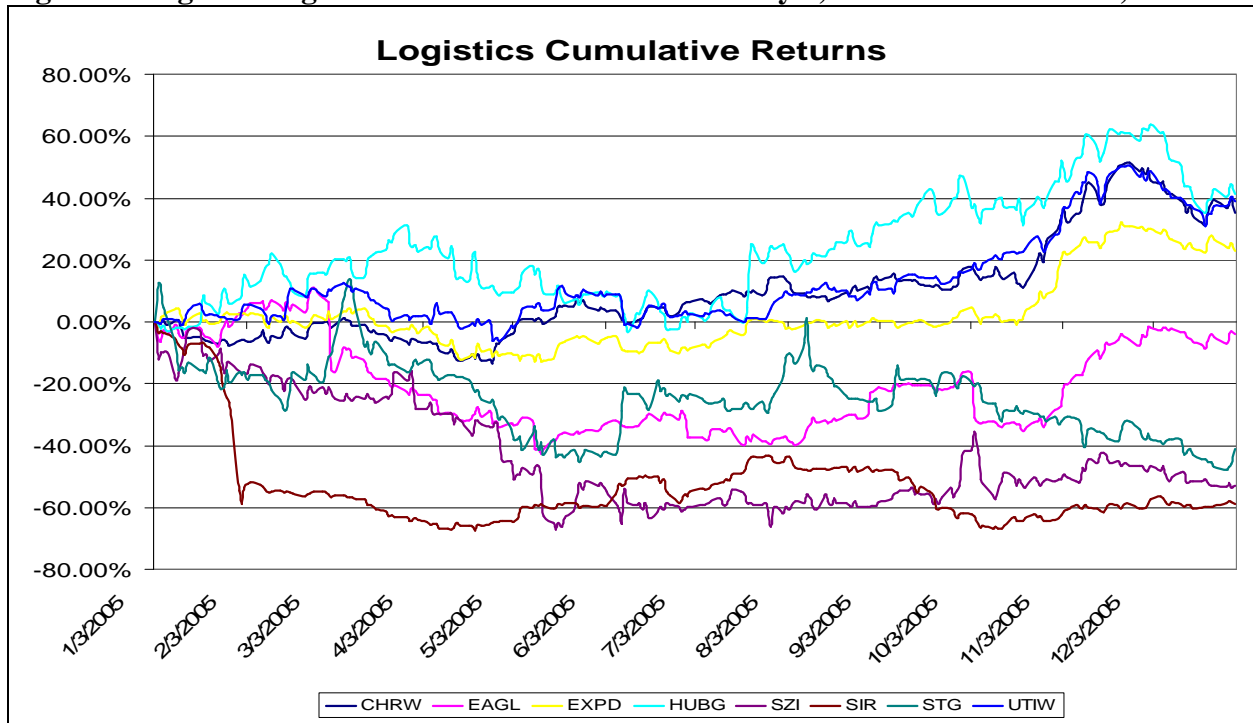
cumulative returns. Figure 6 graphically portrays the company specific cumulative returns for 2005.

In addition to having the overall strong return, the segment differs from other segments in that the returns are being dominated by the large cap companies as opposed to the mid or small cap firms. Specifically, the top three firms by market cap, Expeditors International, CH Robinson Worldwide, and Uti Worldwide, all realized very robust returns of 23.09 percent, 35.29 percent and 39.01 percent respectively. These returns more than offset the cumulative losses suffered by the small cap companies.

**Table 5: Logistics Segment Company Data**

|  | <u>Market Capitalization</u> |                     | <u>Cumulative Return</u> |
|--|------------------------------|---------------------|--------------------------|
|  | <u>Year Beginning</u>        | <u>Year End</u>     | <u>Year End</u>          |
| <b>Expeditors International (EXPD)</b> | \$5,848,356,976.32           | \$7,198,659,037.76  | 23.09%                   |
| <b>CH Robinson Worldwide (CHRW)</b>    | \$4,680,528,386.96           | \$6,332,092,761.21  | 35.29%                   |
| <b>Uti Worldwide (UTIW)</b>            | \$2,112,730,986.79           | \$2,936,993,284.15  | 39.01%                   |
| <b>EGL Inc (EAGL)</b>                  | \$1,535,665,163.97           | \$1,475,411,458.02  | -3.92%                   |
| <b>Sirva Inc (SIR)</b>                 | \$1,434,941,006.84           | \$591,488,000.00    | -58.78%                  |
| <b>HUB Group (HUBG)</b>                | \$488,545,207.35             | \$690,668,270.19    | 41.37%                   |
| <b>Stonepath Group (STG)</b>           | \$53,464,318.81              | \$31,473,361.25     | -41.13%                  |
| <b>Segmentz Inc (SZI)</b>              | \$38,011,681.51              | \$17,887,400.19     | -52.94%                  |
| <b>Logistics Segment</b>               | \$16,192,243,728.54          | \$19,274,673,572.77 | 19.04%                   |

**Figure 6: Logistics Segment Cumulative Returns January 1, 2005 to December 31, 2005**



### *Summary*

The year 2005 brought a slow down in market capitalization growth for the trucking industry sector. Throughout much of the year, returns from the trucking sector lagged returns from the S&P 500, although a late surge at the end of the year for the trucking sector significantly narrowed its gap with the S&P 500 index. Within the trucking sector, there were uneven cumulative returns in market capitalization during 2005 with the logistics sector realizing an impressive 19 percent return, followed by the less-than-truckload sector with a 4.3 percent cumulative return. However, the truckload sector realized only a 0.29 percent return, while the package segment (by far the segment with the highest total market capitalization in dollar value) experienced a 1.53 percent decline in market capitalization during the year.

Within the LTL sector, the mid-cap companies realized the highest increase in cumulative returns during 2005, while the small-cap companies experienced a decline. In

contrast, among truckload carriers, the small cap firms had the strong returns during 2005, while the mid-cap firms had the weakest results. In the package segment, the negative overall results were driven by the negative cumulative returns for UPS, which dominates this segment in size by accounting for over half of its total market capitalization. Finally, the trucking industry's strongest segment in terms of overall cumulative gains during 2005 was the logistics segment. In contrast to the other segments, this segment's large cap and mid cap firms had very robust cumulative returns during 2005

Overall, the trucking industry stocks closed 2005 on an upswing. Clearly, the emergence of the logistics segment with its emphasis on providing an array of services beyond direct physical transportation is viewed quite positively by the investor community as an opportunity for industry firms to expand revenues. This may be important in the future as traditional trucking firms evaluate opportunities to expand their service portfolio in future years.