

## European Seafreight Slowing; Air Remains Solid into Peak

After a record September, the overall Stifel Logistics Confidence Index (LCI) dipped in October, though only by 0.4 points, settling in at 58.9. Relative to October 2013, the Index improved 3.8 points, continuing the pattern of longer-term, gradual improvement. Results have now exceeded the 50.0 benchmark for 21 consecutive months. Breaking the Index reading down into its component pieces, we see that the level of optimism among shippers and forwarders remains high in both air freight and sea freight—a sequential acceleration in the six-month outlook for air offset a sequential decline in ocean. As far as the current situation, our expectations were for good volume growth through the end of 2014, and that seems to be holding true, especially in air freight, where peak season shipping remains strong. Ocean volumes turned down after what seems to have been a sharp and abbreviated peak on the Asia-Europe lane in September, however. In spite of volume growth, we still see overcapacity and a difficult operating environment for forwarders.

- **The overall LCI dipped only slightly from September's record levels, suggesting that trade volume growth remains stable in core European lanes, in spite of market fears about a Eurozone recession.** Air freight was the standout mode, as solid peak season volumes held strong.
- **Asia-to-Europe traffic continued to be the biggest contributor to strong current air freight volumes, which achieved another record high (since the beginning of our index in March 2012).** These results point toward sustained strength in peak season shipping. Interestingly, Asian exports to Europe were not the only lane to pick up, as U.S. to Europe volumes also accelerated this month.
- **Unlike air, the Sea Freight Index took a sharp turn down this month, particularly with regard to current volumes.** While a slowing in ocean relative to air is to be expected, given that lead times for peak season ocean shipping have passed, it was interesting to note the abruptness of change in ocean freight levels, particularly in the Asia to Europe lane.
- **Monthly question - "do you expect your supply chain to lengthen, shorten, or remain the same over the next 12 months?"** Slightly over 50% said they expect supply chains to remain constant, while 29% expected them to shorten, and 20% expected them to lengthen. Detailed commentary suggested that trends vary by vertical, with manufacturing supply chains seeing a trend toward nearshoring, but pharmaceuticals are sourcing from further away, as cold chains become more secure.
- **Investment Conclusions:** Our outlook for freight forwarding volumes in 4Q14 remains one for modest year-over-year growth with still generally-improving global trade conditions. That said, growth should decelerate from 3Q14, especially with regard to global seafreight volumes. Longer term, overcapacity continues to be an issue in both modes, and gross profit per unit yields remain under pressure for most public forwarders. That pressure should continue into 2015, in our view, as shippers continue to optimize their service and modal mix. We continue to believe that valuation for the global forwarding group remains full, and we maintain our Hold ratings on those most exposed to the European markets—Deutsche Post DHL (DPW-XE, Hold, EUR 22.38), Kuehne + Nagel (KNIN-SIX, Hold, CHF 117.10), and Panalpina (PWTN-SIX, Hold, CHF 115.00).

Prices as of U.S. market close, 10/16/2014.

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All relevant disclosures and certifications appear on pages 8 - 10 of this report.

**\* To participate in next month's survey and receive an advanced copy of the results, please use the following link:**  
<https://www.surveymonkey.com/s/RRGFBPQ>

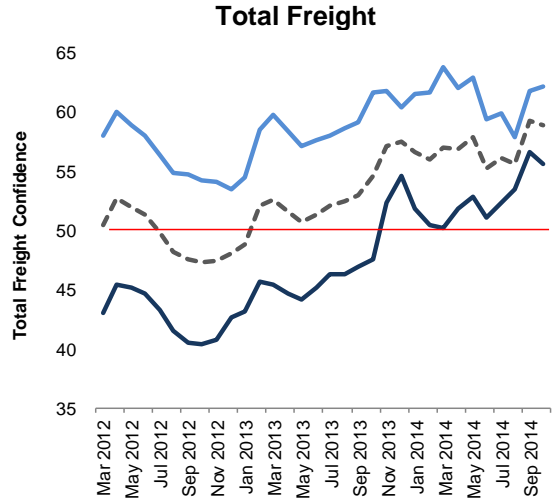
*Prepared in conjunction with U.K.-based Transport Intelligence, the LCI is a survey-based measure of activity in major European import and export trade lanes, blending present conditions and six-month expectations for both airfreight and ocean freight volumes.*

## Overview – October 2014

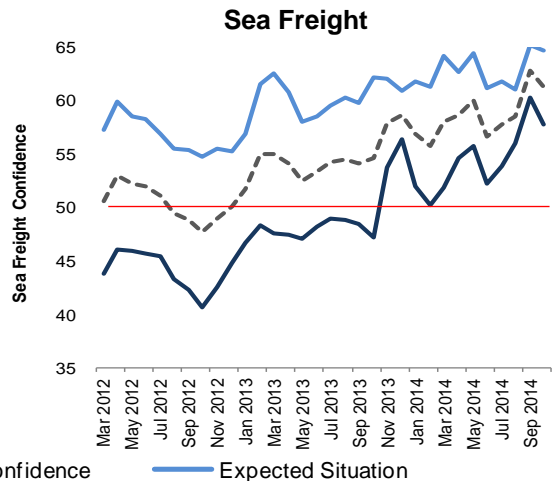
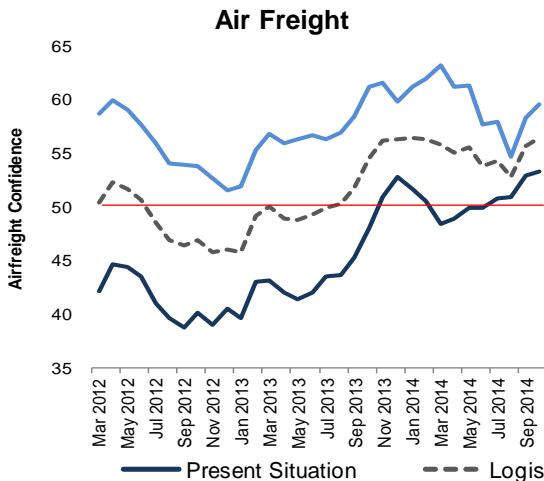
October's Stifel Logistics Confidence Index results showed continued positive momentum in airfreight volumes, while sea freight turned down sequentially. We believe these trends are consistent with the holiday shipping lead times inherent in each mode. The net result was modest slippage in the overall Index (down 0.4 points to 58.9), but we believe the picture remains indicative of a positive freight forwarding volume environment (up 3.8 points vs. October 2013).

Current total freight declined 1.1 points to 55.6 for the current month with a 2.6-point sequential decline in sea freight offsetting a 0.4 points increase in the Air Freight Index. For total freight, the expected situation index rose 0.4 index points to 62.2.

For October's one-off question, we asked survey participants if they expect their supply chain to lengthen, shorten, or remain the same over the next 12 months. Slightly over half, or 50.5%, expect their supply chain to remain the same, while 29.4% expect a shortening and 20.2% a lengthening of their supply chains.



The logistics situation index illustrates current condition faced by forwarders, while the logistics expectations index shows how the situation is expected to develop over the next six months. The logistics confidence index, an average of both the present situation and expected situation indices, expresses overall confidence in the market.



	Present Situation	Expected Situation	Confidence
Mode	Oct 2014	Apr 2015	Average
Air Freight	53.4	59.6	56.5
Sea Freight	57.7	64.7	61.2
<b>Total Freight</b>	<b>55.6</b>	<b>62.2</b>	<b>58.9</b>

Source for all data and graphs: Stifel Logistics Confidence Index

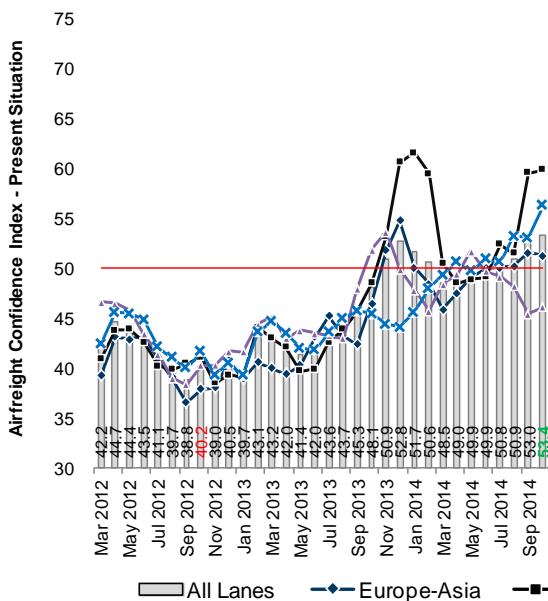
## Air Freight Confidence Index

The total Air Freight Logistics Confidence Index increased 0.8 points to 56.5 in October 2014, up 1.8 points versus October 2013.

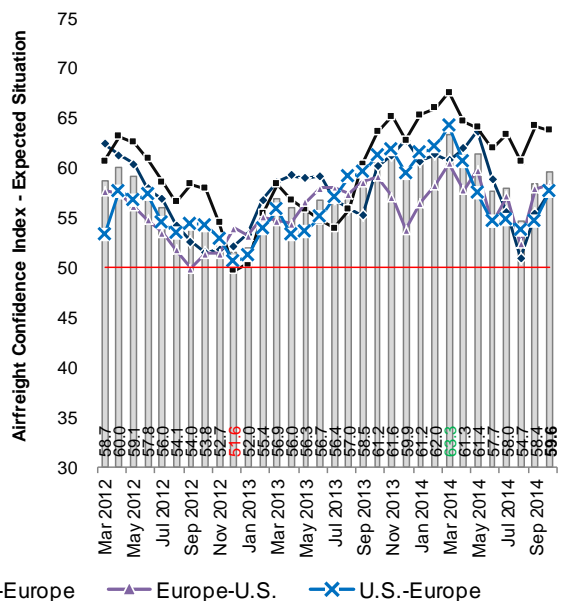
In terms of the present situation, the total air index registered 53.4 for the month. All lanes saw an increase in activity, except the Europe to Asia lane, which ticked down 0.3 index points to 51.3. The Europe to U.S. lane increased 0.7 points to 46.1, the U.S. to Europe lane rose a healthy 3.2 points to 56.3, and the Asia to Europe lane rose 0.3 points to a robust 59.9, which may be indicative of a stronger and earlier peak than normal.

Looking at expectations over the next six months, the Expected Situation Index for total air freight improved 1.2 points to 59.6 in October. The improved outlook was seen in all lanes except Asia to Europe, which dipped by 0.4 points to 63.8. Among the remaining lanes, Europe to Asia increased 2.3 points to 57.7, Europe to U.S. increased 0.4 points to 58.3, and the U.S. to Europe lane increased 3.0 points to 57.7.

Current Market



Six-Month Outlook



Air Freight			
Trade Lane	Oct 2014	Apr 2015	Confidence
Europe-Asia	51.3	57.7	54.5
Asia-Europe	59.9	63.8	61.9
Europe-U.S.	46.1	58.3	52.2
U.S.-Europe	56.3	57.7	57.0
<b>Total Index</b>	<b>53.4</b>	<b>59.6</b>	<b>56.5</b>

Source for all data and graphs: Stifel Logistics Confidence Index

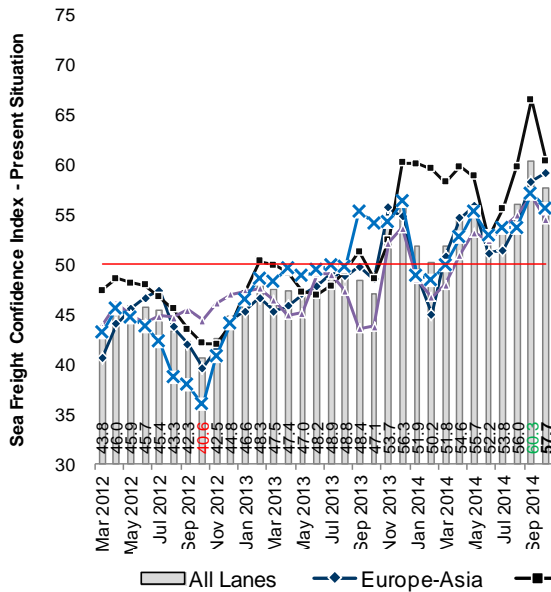
## Sea Freight Confidence Index

For sea freight, the Logistics Confidence Index declined sequentially by 1.5 points to 61.2 in October. Compared with the same month in 2013, the index was 5.6 points higher.

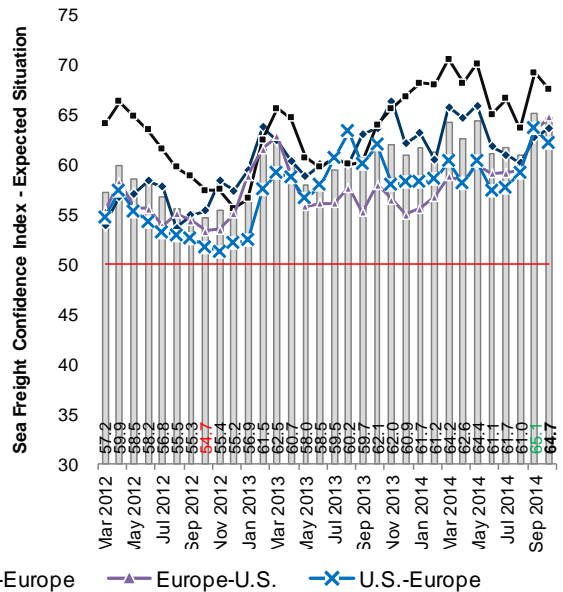
For the present situation, the Index declined 2.6 points to 57.7, reflecting the results of all but one trade—Europe to Asia increased 0.9 points to 59.2. Europe to U.S. declined 2.4 points to 54.5, U.S. to Europe dropped 1.5 points to 55.6, and Asia to Europe saw the sharpest fall, tapering 6.2 points to 60.3, and likely reflecting the conclusion of peak shipping.

The Expected Situation Index for sea freight slipped slightly, down 0.4 points to a still-robust 64.7. Sequential lane results were mixed, but European export lanes fared directionally better (Europe to Asia +1.0 point to 63.7; Europe to U.S. +1.3 points to 64.8), while European import lanes fared directionally worse (Asia to Europe: -1.7 points to 67.5, U.S. to Europe: -1.5 points to 62.1).

Current Market



Six-Month Outlook



Sea Freight			
Trade Lane	Oct 2014	Apr 2015	Confidence
Europe-Asia	59.2	63.7	61.5
Asia-Europe	60.3	67.5	63.9
Europe-U.S.	54.5	64.8	59.7
U.S.-Europe	55.6	62.1	58.9
<b>Total Index</b>	<b>57.7</b>	<b>64.7</b>	<b>61.2</b>

Source for all data and graphs: Stifel Logistics Confidence Index

## Methodology

The Stifel Logistics Confidence Index is calculated based on responses from a monthly survey, completed by a number of logistics professionals. The survey questions participants as to volumes that they are currently experiencing, relative to the time of year, as well as how they expect volumes to develop over the next six months. The total index covers four European based trade lanes, including:

- Europe to Asia
- Asia to Europe
- Europe to U.S.
- U.S. to Europe

These trade lanes form four sub-indices, from which an overall index for both the air freight industry and sea freight industry is calculated. An index value of 50 indicates no change in the volumes of partaking logistics companies; above 50 indicates higher volumes, while below 50 indicates lower volumes.

***To participate in next month's survey, and in order to receive an advanced copy of the results, please use the following link: <https://www.surveymonkey.com/s/RRGFBPQ>***

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Equity Comps - Transportation

Comparative Valuation Matrix

(figures in \$US millions, except per share amounts)

Company name (Ticker)	Rating	Closing		Market cap.	Total Debt	Cash & equiv.	TEV <sup>(a)</sup>	Equity value as a multiple of				Enterprise value as a multiple of					TTM ROA	TTM ROE	TTM ROIC	PEG ratio <sup>(d)</sup>	Div. Yield	2014E FCF Yld
		Price	Diluted S/O					Earnings per Share			Book value	TTM Revenue	2014E EBITDA	TTM EBITDA	TTM EBITDAR <sup>(c)</sup>	TTM EBIT						
		10/16/2014						2013A <sup>(b)</sup>	2014E <sup>(b)</sup>	2015E <sup>(b)</sup>												
<b>Global Integrators</b>																						
Deutsche Post DHL (DPW-DE)	Hold	€ 22.38	1,260.3	35,981.1	7,188.4	2,578.3	42,157.2	13.7x	13.2x	12.4x	2.9x	0.5x	6.9x	7.2x	6.5x	10.1x	6.6%	24.3%	17.8%	0.9	3.6%	2.0%
FedEx Corp. (FDX)	Hold	151.93	283.2	43,033.6	4,736.0	2,416.0	45,353.6	23.5x	18.6x	14.8x	2.8x	1.0x	6.7x	7.3x	7.0x	12.5x	6.7%	13.5%	11.4%	1.5	0.5%	4.6%
TNT Express NV (TNTE-NL)	NC	€ 4.41	545.2	3,069.4	224.7	815.2	2,692.8	NE	NE	NE	0.9x	0.3x	NE	4.2x	4.0x	6.8x	4.9%	8.7%	8.6%	NM	0.0%	NM
United Parcel Service (UPS)	Hold	95.63	923.9	88,353.5	9,990.0	4,599.0	93,744.5	20.9x	19.4x	16.9x	15.8x	1.7x	10.5x	10.5x	10.5x	13.3x	12.0%	93.2%	29.0%	1.8	2.8%	2.2%
	Min			3,069.4	224.7	815.2	2,692.8	13.7x	13.2x	12.4x	0.9x	0.3x	6.7x	4.2x	4.0x	6.8x	4.9%	8.7%	8.6%	0.9	0.0%	2.0%
	Mean			42,609.4	5,534.8	2,602.1	45,987.0	19.4x	17.1x	14.7x	5.6x	0.9x	8.0x	7.3x	7.0x	10.7x	7.5%	34.9%	16.7%	1.4	1.7%	2.9%
	Median			39,507.4	5,962.2	2,497.2	43,755.4	20.9x	18.6x	14.8x	2.9x	0.7x	6.9x	7.2x	6.8x	11.3x	6.6%	18.9%	14.6%	1.5	1.7%	2.2%
	Max			88,353.5	9,990.0	4,599.0	93,744.5	23.5x	19.4x	16.9x	15.8x	1.7x	10.5x	10.5x	10.5x	13.3x	12.0%	93.2%	29.0%	1.8	3.6%	4.6%
<b>Non-Asset-Based Forwarding / Logistics</b>																						
C.H. Robinson Worldwide (CHRW)	Sell	66.86	147.4	9,855.2	900.0	144.2	10,611.0	25.0x	23.3x	21.2x	9.8x	5.6x	13.8x	14.2x	13.7x	15.4x	13.9%	33.1%	22.7%	2.5	2.1%	0.7%
DSV A/S (DSV-DK)	NC	DKK 152.20	177.9	4,639.6	1,298.6	126.5	5,811.7	NE	NE	NE	4.2x	3.1x	NE	NM	NM	12.2x	8.2%	32.2%	15.9%	NM	0.7%	NM
Echo Global Logistics (ECHO)	Sell	24.62	24.4	600.9	9.3	27.4	582.8	NM	32.8x	25.6x	3.6x	3.4x	13.6x	17.3x	15.9x	23.3x	5.5%	9.6%	9.0%	1.8	0.0%	-1.0%
Expeditors International (EXPD)	Hold	39.21	197.2	7,730.9	0.0	970.6	6,760.3	23.3x	21.5x	19.7x	4.1x	3.5x	10.9x	11.1x	10.5x	12.1x	11.7%	17.5%	17.2%	2.2	1.6%	0.0%
Forward Air Corp. (FWRD)	Hold	45.77	31.8	1,454.3	1.7	24.9	1,431.0	25.9x	21.9x	19.1x	3.2x	2.0x	10.5x	12.2x	10.4x	15.9x	11.4%	13.4%	13.4%	2.0	1.0%	3.3%
Hub Group (HUBG)	Hold	36.58	37.4	1,369.1	31.1	73.2	1,327.0	19.1x	18.9x	16.0x	2.3x	3.5x	10.5x	11.0x	9.5x	11.8x	6.4%	12.0%	11.7%	1.4	0.0%	-4.9%
Kuehne + Nagel International AG (KNIN-CH)	Hold	CHF 117.10	120.3	14,085.7	39.2	1,050.9	13,360.6	23.5x	22.6x	20.1x	5.4x	1.8x	13.6x	12.9x	9.0x	14.2x	10.4%	27.8%	27.4%	1.5	3.3%	4.6%
Landstar System (LSTR)	Hold	70.71	45.2	3,198.0	120.0	93.1	3,224.9	30.0x	23.9x	21.0x	7.0x	1.5x	13.1x	14.7x	14.6x	16.9x	15.1%	27.7%	21.5%	2.0	0.4%	1.3%
Panalpina Welttransport Holding (PWTN-CH)	Hold	CHF 115.00	23.7	2,729.8	0.9	250.9	2,499.7	37.8x	30.3x	20.9x	3.5x	1.4x	13.8x	15.4x	8.6x	19.7x	4.1%	11.2%	11.9%	2.0	1.7%	6.9%
Roadrunner Transportation Svcs. (RRTS)	Hold	21.80	38.2	832.2	311.1	8.3	1,135.0	16.9x	15.6x	12.2x	1.6x	0.7x	9.0x	10.5x	8.8x	12.9x	5.5%	10.5%	7.8%	1.0	0.0%	0.5%
Universal Truckload Svcs. (UACL)	Buy	25.76	30.0	772.6	242.4	8.1	1,006.9	15.2x	16.2x	12.9x	6.5x	0.9x	8.8x	9.4x	9.1x	12.4x	11.0%	46.8%	17.8%	0.8	1.1%	5.5%
UTi Worldwide (UTIW)	Buy	10.64	105.4	1,121.3	543.0	178.9	1,485.4	NM	NM	38.0x	1.6x	1.0x	11.8x	15.6x	8.8x	NM	-0.5%	-1.4%	0.4%	NM	0.6%	0.0%
XPO Logistics, Inc. (XPO)	Buy	36.05	51.9	1,869.8	107.9	111.6	1,866.1	NM	NM	NM	2.0x	7.9x	NM	NM	NM	NM	-5.4%	-8.2%	NM	NM	0.0%	NM
	Min			600.9	0.0	8.1	582.8	15.2x	15.6x	12.2x	1.6x	0.7x	8.8x	9.4x	8.6x	11.8x	-5.4%	-8.2%	0.4%	0.8	0.0%	-4.9%
	Mean			3,866.1	277.3	236.1	3,931.0	24.1x	22.7x	20.6x	4.2x	2.8x	11.8x	13.1x	10.8x	15.2x	7.5%	17.9%	14.7%	1.7	1.0%	1.5%
	Median			1,869.8	107.9	111.6	1,866.1	23.5x	22.3x	20.1x	3.6x	2.0x	11.8x	12.9x	9.5x	14.2x	8.2%	13.4%	14.7%	1.9	0.7%	0.7%
	Max			14,085.7	1,298.6	1,050.9	13,360.6	37.8x	32.8x	38.0x	9.8x	7.9x	13.8x	17.3x	15.9x	23.3x	15.1%	46.8%	27.4%	2.5	3.3%	6.9%
<b>Stifel Transportation Average</b>				<b>10,083.9</b>	<b>1,681.7</b>	<b>387.5</b>	<b>11,418.9</b>	<b>22.0x</b>	<b>21.5x</b>	<b>17.1x</b>	<b>3.6x</b>	<b>2.1x</b>	<b>9.5x</b>	<b>9.9x</b>	<b>9.0x</b>	<b>15.1x</b>	<b>6.0%</b>	<b>17.8%</b>	<b>11.3%</b>	<b>1.7</b>	<b>1.0%</b>	<b>3.3%</b>

(a) Total Enterprise Value = Market Capitalization of Equity + Total Debt - Cash + Market Value of Minority Interest

(b) Stifel estimates for those rated and First Call mean estimates for unrated securities

(c) Enterprise value adjusted to include the capitalization of off balance sheet operating leases with lease expense (or rent expense) being added back to EBITDA for the valuation multiple calculation

(d) 2014E P/E divided by First Call mean or Stifel estimated long-term growth rate

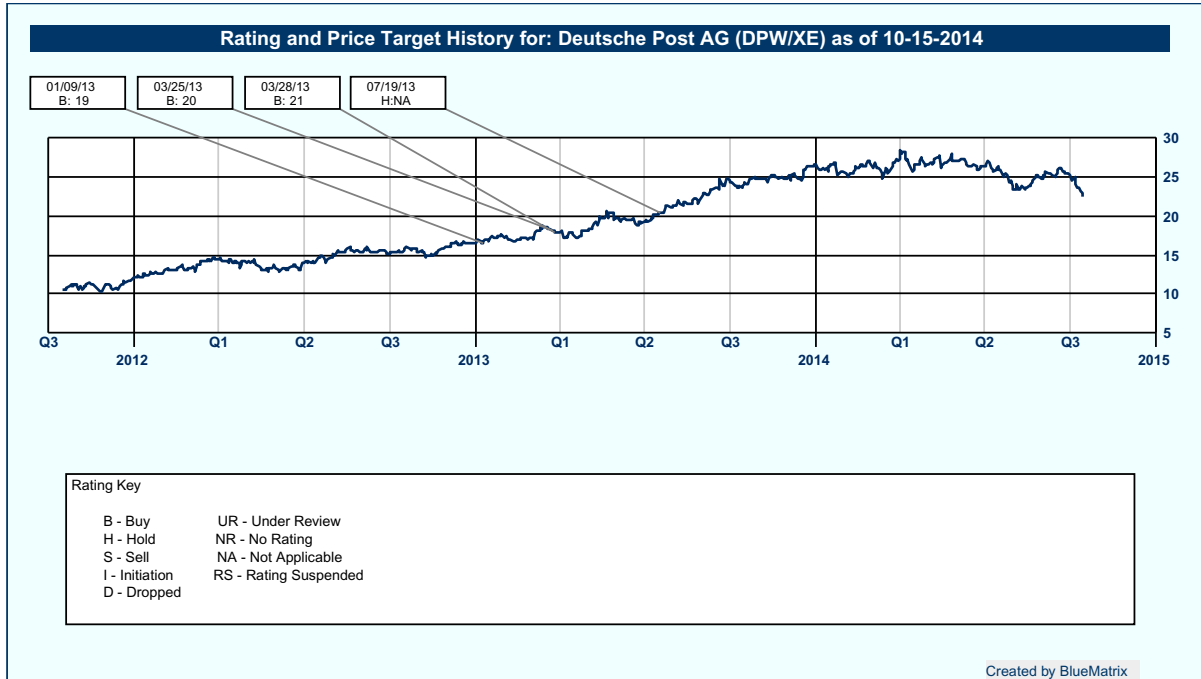
Excludes non-recurring items

Calculations may vary due to rounding

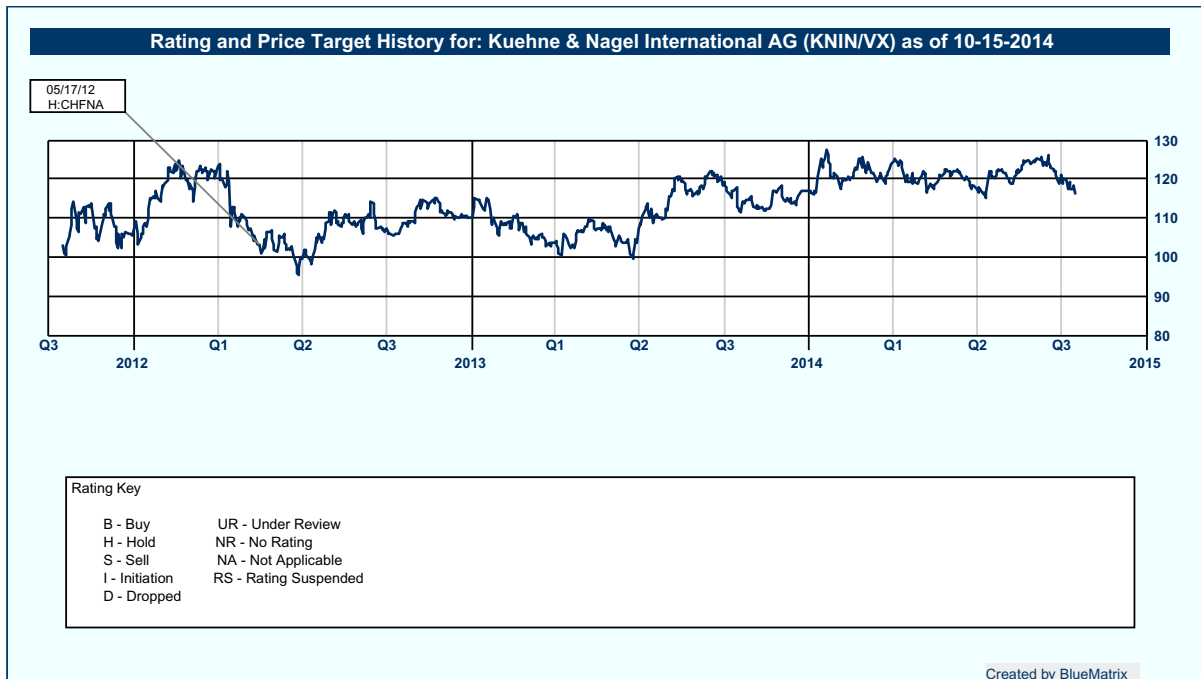
Source: Company data, First Call, and Stifel estimates

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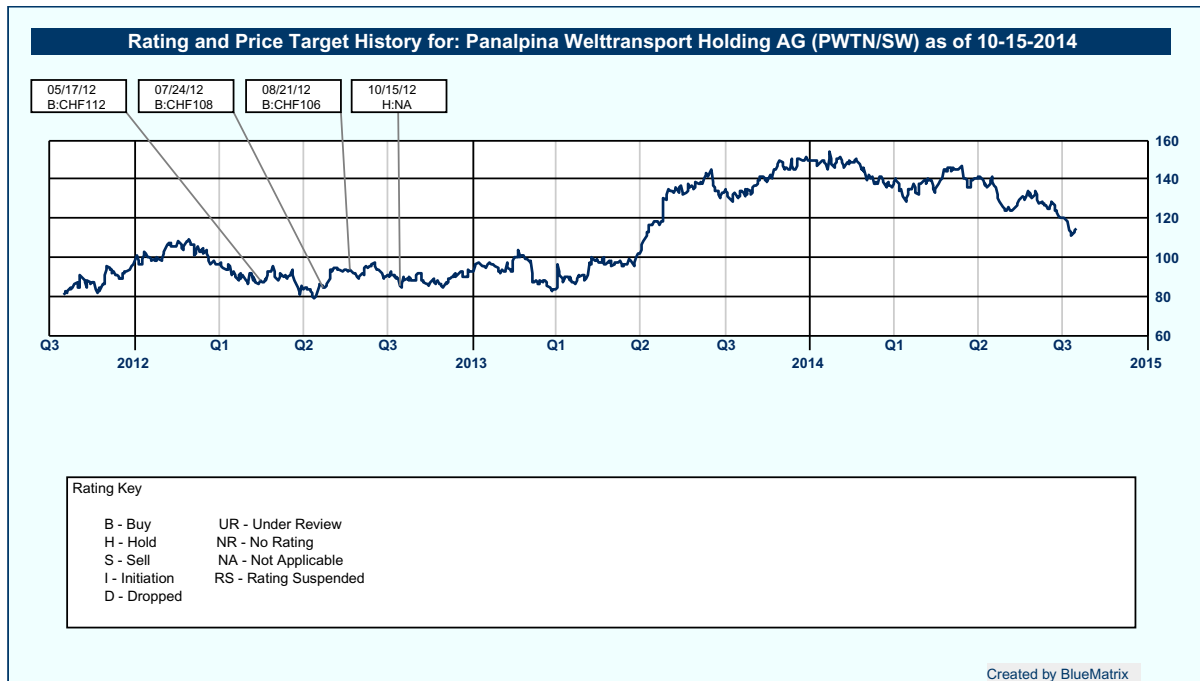


For a price chart with our ratings and target price changes for DPW/XE go to <http://sf.bluematrix.com/bluematrix/Disclosure?ticker=DPW/XE>



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**BUY** -For U.S. securities we expect the stock to outperform the S&P 500 by more than 10% over the next 12 months. For Canadian securities we expect the stock to outperform the S&P/TSX Composite Index by more than 10% over the next 12 months. For other non-U.S. securities we expect the stock to outperform the MSCI World Index by more than 10% over the next 12 months. For yield-sensitive securities, we expect a total return in excess of 12% over the next 12 months for U.S. securities as compared to the S&P 500, for Canadian securities as compared to the S&P/TSX Composite Index, and for other non-U.S. securities as compared to the MSCI World Index.

**HOLD** -For U.S. securities we expect the stock to perform within 10% (plus or minus) of the S&P 500 over the next 12 months. For Canadian securities we expect the stock to perform within 10% (plus or minus) of the S&P/TSX Composite

Index. For other non-U.S. securities we expect the stock to perform within 10% (plus or minus) of the MSCI World Index. A Hold rating is also used for yield-sensitive securities where we are comfortable with the safety of the dividend, but believe that upside in the share price is limited.

SELL -For U.S. securities we expect the stock to underperform the S&P 500 by more than 10% over the next 12 months and believe the stock could decline in value. For Canadian securities we expect the stock to underperform the S&P/TSX Composite Index by more than 10% over the next 12 months and believe the stock could decline in value. For other non-U.S. securities we expect the stock to underperform the MSCI World Index by more than 10% over the next 12 months and believe the stock could decline in value.

Of the securities we rate, 52% are rated Buy, 46% are rated Hold, and 2% are rated Sell.

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