Sample Project 1

J.B. Hunt Transport Services, Inc.

Executive Summary

J.B. Hunt Transport Services, Inc. is a holding company that, together with its wholly-owned subsidiaries and associated companies, provides a range of transportation services to customers throughout the continental U.S., Canada and Mexico. The company was incorporated in Arkansas on August 10, 1961 and enjoyed niche market share since then. JB Hunt's major competitors are Landstar System, Inc., Ryder System, Inc., and Knight Transportation, Inc. On an average JB Hunt has favorable financial numbers than the industry average or some of its competitors. This paper will focus on analyzing JB Hunt's financial positioning and its ability to take on the new project to add value to shareholders and the company itself. The new project in review will require initial investment of $192 million and is expected to generate cash flow for 8 years. After performing capital budgeting analysis by discounting future cash flow with company's weighted average cost of capital at 10.05%, it was determined that net present value (NPV) of the new project will be $173.69 million and is expected to pay for itself in 5.19 years according to discounted payback calculations. Internal rate of return (IRR) of 24.7% is way more than its WACC. Therefore it is suggested that JB Hunt should take on the project which have high probability of adding values to the stakeholders.

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1.0 Financial Ratio Analysis

JB Hunt is a public limited company with various stakeholders. Before taking on any project the management must conduct a complete financial analysis of the company. It also needs compare its financial health as compared to others in the industry and industry as a whole. The management needs to look at primary ratios such as liquidity ratio, asset management ratio, debt management ratios, profitability ratios and market value ratio. Also to remove the unusual activity effect they need to perform trend analysis for last five years. Table 1.1, below depicts JB hunt's all relevant ratios for past five years and also compare those ratios with competitors Ryders and Landstar. In addition it also shows peer average ratios from the companies in the same industry.

Table 1.1 – Key Financial Ratios

Ratios	**12/31/2008**	**12/31/2007**	**12/31/2006**	**12/31/2005**	**12/31/2004**	**Ryders**	**LandStar**	**Peer Avg.**
Liquidity Ratios								
Quick Ratio	0.69	0.66	0.74	1.27	1.02	0.68	1.79	0.99
Current Ratio	0.97	0.93	0.98	1.72	1.51	0.86	2.01	1.27
Asset Management Ratios								
Inventory Turnover	221.14	237.68	265.61	300.33	303.14	115.5	-	185.17
Days Sales Outstanding (DSO)	27.45	34.54	37.98	40.08	37.88	32.94	43.51	
Fixed Asset Turnover Ratio	2.69	2.57	2.59	2.97	2.75	1.21	21.28	
Total Asset Turnover	2.04	1.92	2.01	2.06	1.96	0.91	4.11	1.75
Debt Management								
Debt Ratio	71%	82%	57%	47%	42%	80%	62%	
Times-Interest-Earned (TIE) Ratio	10.14	8.47	23.09	52.66	42.14	2.23	25.42	
LT Debt to Equity	0.97	1.98	0.24	0.15	-	1.84	0.44	1.83
Total Debt to Equity	1.2	2.66	0.52	0.15	-	2.13	0.54	1.81
Profitability Ratios								
Profit Margin on Sales	5.38%	6.11%	6.61%	6.63%	5.25%	3.22%	4.20%	
Basic Earning Power (BEP) Ratio	19.98%	19.80%	21.05%	22.20%	20.80%	5.23%	28.16%	

Return on Total Asset (ROA, net)	10.94	11.73	13.25	13.64	10.28	2.94	17.21	4.65
Return on Common Equity (ROE)	45.87	38.65	27.9	24.71	18.65	12.33	51.27	17.89
Return on Investment (ROI, Operating)	29.55	30.57	35.54	38.17	35.65	7.87	50.97	14.95
EBITDA Margin %	14.98	16.41	16.62	16.06	16.42	21.77	7.85	12.46
Market Value Ratio								
Price/Earnings (P/E) Ratio	16.51	16.05	15.52	17.68	6.14	10.84	17.78	
Price/Cash Flow Ratio	8.22	8.18	8.46	9.90	3.03	2.08	14.96	
Market/Book Ratio	6.26	9.97	4.49	4.49	1.04	1.61	7.79	2.50
Per Share								
Cash Flow per Share	4.02	3.41	2.85	2.11	2.43	22.28	2.29	
Book Value per Share	4.2	2.76	5.26	5.31	5.29	24.17	4.9	

JBHT has favorable ratio

JBHT has unfavorable ratio

JBHT is at par with others

1.1 Liquidity Ratios

Liquidity ratios describe how quickly and asset may be turned into cash or how much quick asset is available to support current liabilities. There are two ratios that are used to measure liquidity; the current ratio and the quick ratio. The greater the current and quick ratio, the more liquid assets a firm has to satisfy its short term debt obligations. Ideally, creditors would like to see higher current and quick ratios. Higher liquidity ratios indicate that there are more assets available to settle creditors' claims in the event the company is unable to fulfill its short term obligations. For JB Hunt (JBHT henceforth), these ratios are below the industry average ratios. In 2008 their quick ratio is only 0.69 as compared to Landstar's 1.79 and industry 0.99. Its current asset ratio of 0.97 is also lower than industry 1.27 and Landstar's 2.01. However, JBHT still have favorable ratios as compared to Ryders.

JBHT's cash management strategy is to keep low cash in hand and they also enjoy higher trade credit terms. JB Hunt may want to revise their expensive trade credit discounts and compare with other source of loans. Also they may want to increase the cash availability to take bargain opportunities in future. The trend, as shown in figure 1.1, shows that JB Hunt's ratios started deteriorating since 2005, this is when the company's cash balanced dropped from 23 million to 7 million (see Appendix for detailed financial statements).

Figure 1.1 Liquidity Ratios

	2004	2005	2006	2007	2008
Quick Ratio	1.02	1.27	0.74	0.66	0.69
Current Ratio	1.51	1.72	0.98	0.93	0.97

1.2 Asset management Ratios

Asset management ratios measures efficiency of a firm by calculating inventory turnover, days sales outstanding, fixed asset turnover and total asset turnover ratios. JBHT has outperformed in asset management ratios as compared to peers and competitors. As depicted in table 1.1 and figure 1.2 its inventory turnover is 221.14, DSO 27.45, fixed asset turnover 2.69 and total asset turnover was 2.04. The five year trend shows that JBHT has been doing excellent job in reducing its inventory turnover and DSO ratios without affecting their sales.

Figure 1.2 Asset Management Ratios

	2004	2005	2006	2007	2008
Inventory Turnover	303.14	300.33	265.61	237.68	221.14
Days Sales Outstanding (DSO)	37.88	40.08	37.98	34.54	27.45
Fixed Asset Turnover Ratio	2.75	2.97	2.59	2.57	2.69
Total Asset Turnover	1.96	2.06	2.01	1.92	2.04

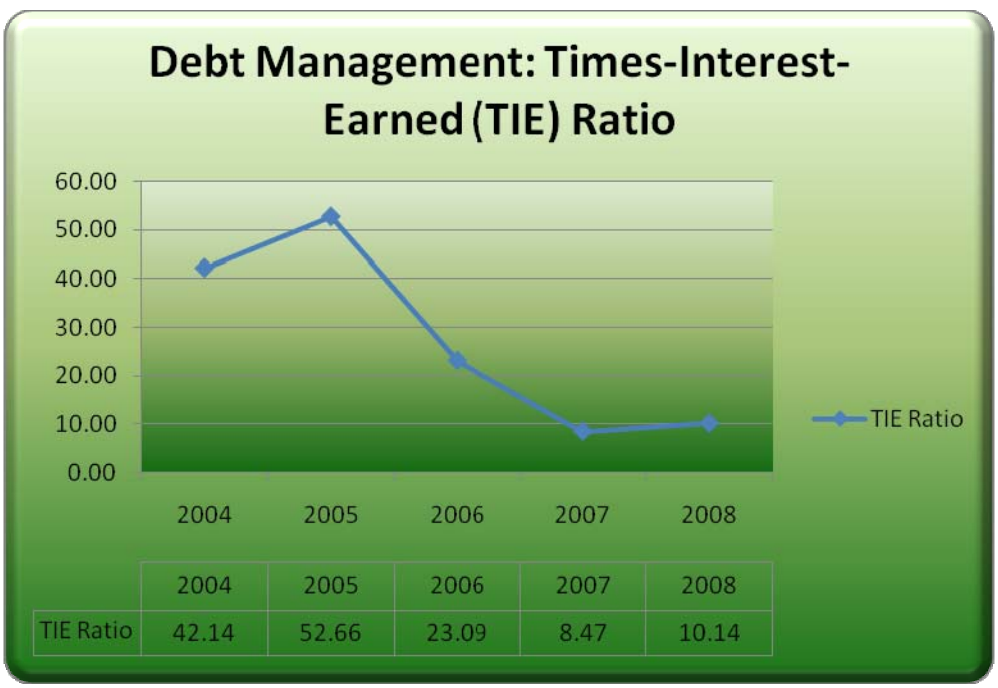
1.3 Debt Management Ratios

The debt management ratios measure the extent to which a firm is financed by debt. It shows the level of leverage a firm uses in their capital structure. JBHT's debt ratio of 71% in 2008 is much better than Ryder's 80% but lower than Landstar's 62%. The trend analysis as per figure 1.3 shows that JBHT has been adding debt in recent years, especially in 2007 to finance its investments. It has favorable long-term debt to equity ratio of 0.97 as compared to industry ratio of 1.83 and also has favorable total debt to equity ratio of 1.2 as compared to 1.81 industry average. JBHT's long term debt spike in 2007 led to lower TIE ratio on 2007. However, the TIE ratio of 10.14 is still favorable than its competitor Ryder but lower than Landstar.

Figure 1.3 Debt Management: TIE

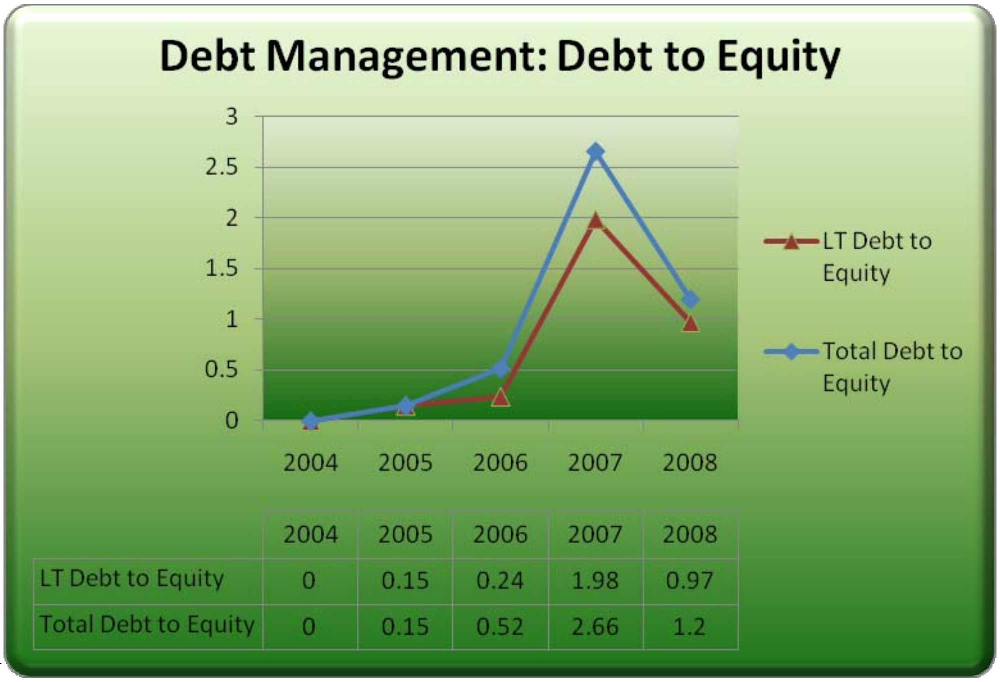
Ratio

Figure 1.4 Debt Management: TIE



Ratio

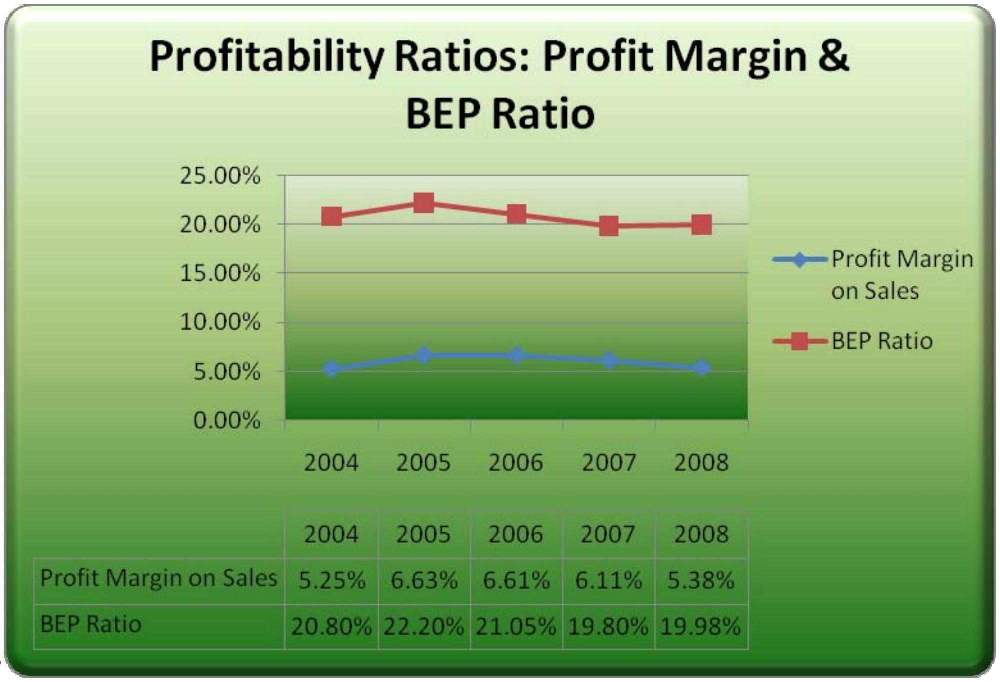
Figure 1.5 Debt Management: Debt to Equity



1.4 Profitability Ratios

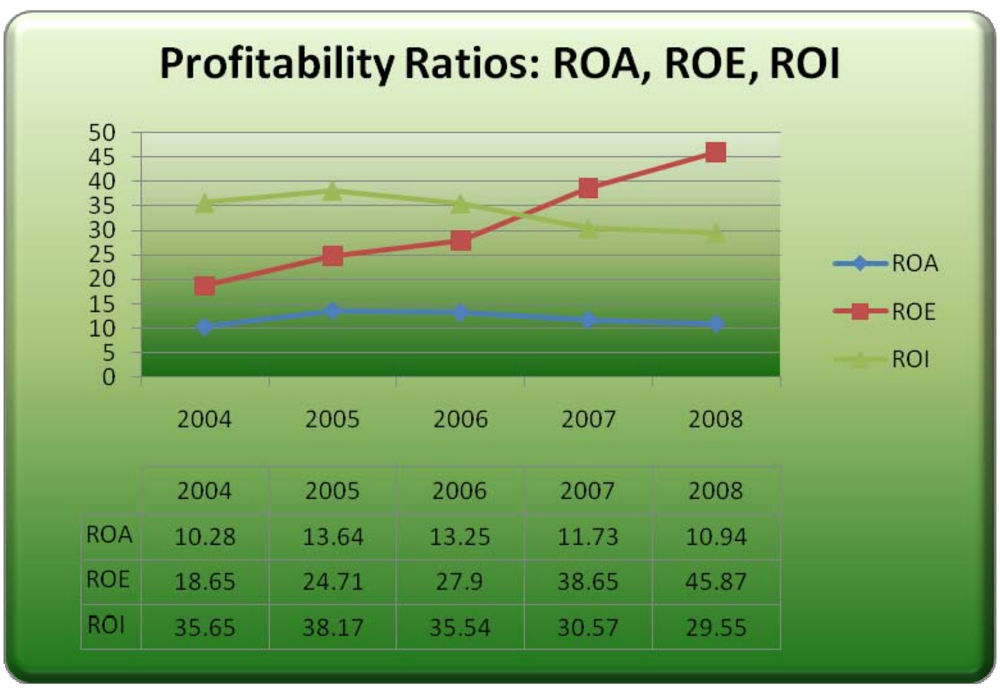
Profitability ratios show how much profit is earned per dollar of sales or invested. JBHT's profit margin on sales was 5.38% in 2008 as compared to Ryder's 3.22% and Landstar's 4.20%. Company has favorable ratio due to its niche position in market. The trend analysis shows a constant ratio since 2004. Basic earnings power ratio in 2008 was 19.98%. JBHT also have a favorable ROA 10.94, ROE 45.87 and ROI 29.55 as compared to industry average of 4.65, 17.89, &14.95 respectively. As depicted in figure 1.7, company's Return on equity has increased since 2007 due to shift in capital structure from equity to debt. Earlier we saw that debt ratio was increased in 2007 this was reflected in higher ROE.

Figure 1.6 Profitability Ratios: Profit Margin and



BEP

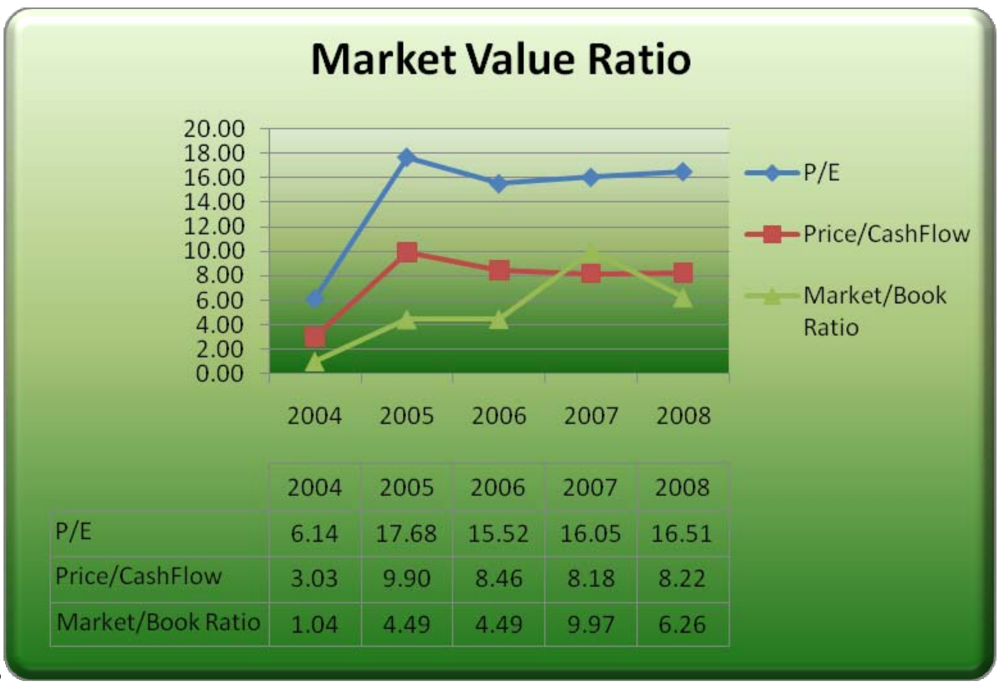
Figure 1.7 Profitability Ratios: ROA, ROE and ROI



1.5 Market Value Ratios

As shows in figure 1.8, JBHT's stock price to earnings ratio has been constant since 2005 after gaining 300% in 2004. The constant P/E ratio is also reflected in constant price to cash flow ratio. In 2008 company has favorable P/E ratio of 16.51 as compared to Ryders but unfavorable as compared to Landstar.

Figure 1.8 Market Value



Ratios

Overall JBHT has favorable ratios as compared to industry average and some if it's primary competitor. However, it may be lagging in few areas as compared to leader in the group Landstar, Inc. Company's higher efficiency ratios led them to make higher profits on dollar invested however, they need to revisit the working capital ratios to increase cash balances.

2.0 Capital Structure Estimation

The capital structure of a firm is the balance of debt and equity used to finance the firm's operating activities. Most importantly, capital structure affects the firm's cost of capital. If the firm seeks funding for its operations and does not have enough cash on hand to finance the activity, the firm must seek external financing. The cost of this financing is determined by how risky lenders and investors perceive the loan/investment to be. The capital structure of the firm influences this perceived risk. JBHT's market value capital structure composed of 13% debt and 87% equity. They did not issue preferred stock. As depicted in table 2.1 the total market cap of debt and equity composed of 515 million and 3,311 million respectively.

Table 2.1 Capital Structure Estimation

Capital Structure Estimation

Estimation of Weight of Capital Structure
(in thousands)

	Book Value	Weights	Market Value	Weights	
Debt	$ 515,000	49%	$ 515,000	13%	
Preferred Stock	-	0%	-	0%	
Common Stock	$ 529,011	51%	$ 3,311,649	87%	a
Total	$ 1,044,011	100%	$ 3,826,649	100%	

[a] Market Value of Common Stock is obtained by multiplying common stock outstanding with closing price at Dec 31st 2008

3.0 Weighted Average Cost of Capital (WACC)

The decision to accept or reject the proposed project will largely be dependent on the firm's ability to obtain financing at a cost that will allow the project to generate positive future cash flows and add value to JBHT. We will now determine each component cost of capital so that we may apply the weights determined in the previous section to their respective costs and arrive at our firm's weighted average cost of capital. Weighted Average of Cost of capital shows firm's average cost of capital. For JBHT as depicted in below tables their after tax cost of debt is 3.42%. Their cost of equity is 11.08%. To calculate the cost of equity three methods were used capital asset pricing model (CAPM), discounted cash flow (DCF), and bond-yield-plus-risk-premium approach. All three methods shows variations in the cost of equity hence, the average of all three has been taken to derive cost of equity. As shown in table 3.1 JBHT's WACC is 10.05%, this is higher due to lower debt weights in company's capital structure.

Table 3.1 Cost of Debt

Component Cost of Debt		**3.42%**
For JBHT, future interest rate (rd) will be based on 20 year AAA Corporate Bond. As per Annual Report 10-K, effective income tax rate was 37.8% in 2008 and 34.4% in 2007.		
As per Yahoo Finance: http://finance.yahoo.com/bonds/composite_bond_rates		
20 Year AAA Corporate Bond (rd)	5.50%	
Income Tax (T)	37.80%	
Component Cost of Debt	rd(1-T)	**3.42%**

Table 3.1 Cost of Equity

CAPM Approach (r_s) :		**9.58%**
Risk-free Rate (r_{RF})		
10 Year US Treasury Bond	**3.16%**	
http://finance.yahoo.com/bonds/composite_bond_rates		
Beta (b)	**1.07**	
Source : http://www.google.com/finance?q=JBHT		
Market Risk Premium (RPM)	**6%**	
Cost of Equity		
$r_s = r_{RF} + (RP_M)(b)$		
$r_s = 0.316 + (0.06)(1.07)$	**9.58%**	

DCF Approach (r_s) :		**15.25%**
Current Stock Price (P_0) (as of 5/6/09) =	**$ 29.28**	
http://finance.yahoo.com/q?s=JBHT		
Dividend Paid (D0)	**$ 0.40**	
Source 10-K		
Estimated Growth based on zacks.com (g)		**13.70%**

http://www.zacks.com/rank/commentary.php?id=2197&type_id=1&		
Dividend Expected* at end of year 1 (D_1) = D0(1+g)	**$ 0.45**	
$r_s = (D_1/P_0)$ + Expected g		**15.25%**

Bond-Yield-Plus-Risk-Premium Approach (r_s) :	**8.42%**
Cost of Debt	3.42%
Estimated bond Risk Premium	5%
rs=cost of debt + estimated bond risk premium	**8.42%**

CAPM Approach	9.58%
DCF Approach	15.25%
Bond Yield Plus Risk Premium Approach (r_s) :	8.42%
Average (rs)	**11.08%**

Component Cost of preferred stock
JBHT has not issued any preferred stock, hence there is no cost for preferred stock.

Table 3.1 Weighted Average Cost of Capital

Weighted Average Cost of Capital (WACC)		**10.05%**
$WACC = w_d r_d (1-T) + w_{ps} r_{ps} + w_{ce} r_s$		
rd weighted cost	0.46%	
rs weighted cost	9.59%	
rp weighted cost	0.00%	
WACC	**10.05%**	

4.0 Cash Flow Estimation

JBHT is considering new project. The capital outlay of 192 million was compared with future discounted cash flows. As shown in below calculations, the NPV of JBHT is positive to 176.69 million. The project has high probability of increasing shareholders value and based on the below calculation it is recommended that JBHT should pursue the new project. As shown internal rate of return on the project will be 24.7%, a much higher number than company's WACC. Also the new project would be able to pay back in 4 years.

Input Data:		
Cost of Fixed Assets for Project (FA) =	$	180,000,000
Shipping and Installation =	$	12,000,000
Depreciation Basis =	**$**	**192,000,000**
Unit Sold in Year 1 =		870,000
Required NOWC as % of Sales =		18%
Annual Growth Rate of Sales =		10%
Unit Sales Price in Year 1 =	$	250
Variable Costs (VC) per Unit in Year 1 =	$	175
Annual Inflation: Growth in Sales Price =		2.50%
Annual Inflation: Growth in VC per unit =		2.50%
Company Tax Rate =		33%
WACC =		10.05%
Market Value of FA at Salvage =	$	25,000,000
Fixed Asset MACRS Class =		7 years
Duration of the project =		8 Years

Depreciation Schedule: http://www.real-estate-owner.com/depreciation-chart.html

Ownership Year	Recovery Percentage or Depreciation Rate	Depreciation Expense	Ending Book Value
1	14%	$ 26,880,000	$ 165,120,000
2	25%	$ 48,000,000	$ 117,120,000
3	17%	$ 32,640,000	$ 84,480,000
4	13%	$ 24,960,000	$ 59,520,000
5	9%	$ 17,280,000	$ 42,240,000
6	9%	$ 17,280,000	$ 24,960,000
7	9%	$ 17,280,000	$ 7,680,000
8	4%	$ 7,680,000	$ -

Totals	
Depreciation Basis (DB) =	$ 192,000,000
Cumulative Depreciation Expense (CDE) =	$ 192,000,000
Ending Book Value of FA = (DB - CDE) =	$0

Net Salvage Values at End of Project:

		Fixed Assets
Market Value when salvaged =	$	25,000,000
Book Value when salvaged =	$	0
Expected Gain =	$	25,000,000
Taxes paid =	$	8,250,000
Net Cash Flow from salvage =	**$**	**16,750,000**

Projected Net Cash Flows from Project:

	Years								
	0	1	2	3	4	5	6	7	8
Investment Outlays: Long-Term Assets:									
Fixed Assets for Project	$ (192,000,000)								
Operating Cash Flows over Project Life:									
Units Sold		870,000	957,000	1,052,700	1,157,970	1,273,767	1,401,144	1,541,258	1,695,384
Sales Price per unit		$ 250.00	$ 256.25	$ 262.66	$ 269.22	$ 275.95	$ 282.85	$ 289.92	$ 297.17
Sales Revenue		$ 217,500,000	$ 245,231,250	$ 276,498,234	$ 311,751,759	$ 351,500,109	$ 396,316,372	$ 446,846,710	$ 503,819,665
Variable Costs		152,250,000	171,661,875	193,548,764	218,226,231	246,050,076	277,421,461	312,792,697	352,673,766
Depreciation (Fixed Assets for Project)		26,880,000	48,000,000	32,640,000	24,960,000	17,280,000	17,280,000	17,280,000	7,680,000
Operating Income Before Taxes (EBIT)		38,370,000	25,569,375	50,309,470	68,565,528	88,170,033	101,614,912	116,774,013	143,465,900
Taxes on Operating Income		12,662,100	8,437,894	16,602,125	22,626,624	29,096,111	33,532,921	38,535,424	47,343,747
Net Operating Profit After taxes (NOPAT)		25,707,900	17,131,481	33,707,345	45,938,904	59,073,922	68,081,991	78,238,589	96,122,153
Add Back Depreciation		26,880,000	48,000,000	32,640,000	24,960,000	17,280,000	17,280,000	17,280,000	7,680,000
Operating Cash Flow		$ 52,587,900	$ 65,131,481	$ 66,347,345	$ 70,898,904	$ 76,353,922	$ 85,361,991	$ 95,518,589	$ 103,802,153
Cash Flows Due to Net Operating Working Capital:									
Net Operating Working Capital (NOWC)	$ 39,150,000	$ 44,141,625	$ 49,769,682	$ 56,115,317	$ 63,270,020	$ 71,336,947	$ 80,432,408	$ 90,687,540	$ -
Cash Flow Due to Investment in NOWC	$ (39,150,000)	$ (4,991,625)	$ (5,628,057)	$ (6,345,634)	$ (7,154,703)	$ (8,066,927)	$ (9,095,461)	$ (10,255,132)	$ 90,687,540
Salvage Cash Flows: Long-Term Assets:									
Total Salvage Cash Flow: Fixed Assets for Project									$ 16,750,000
Net Cash Flow (Time line of cash flows)	$ (231,150,000)	$ 47,596,275	$ 59,503,424	$ 60,001,711	$ 63,744,201	$ 68,286,994	$ 76,266,530	$ 85,263,457	$ 211,239,693

Capital Budgeting Analysis:

Net Present Value (NPV)	$ 176,693,069
Internal Rate of Return (IRR)	24.7%

Modified Internal Rate of Return (MIRR)	18.1%
Profitability Index (PI)	1.76
Payback Period (in years)	4.0045
Discounted Payback Period (in years)	5.1865

Calculations for Payback Period	0	1	2	3	4	5	6	7	8
Net Cash Flow (Time line of cash flows)	$ (231,150,000)	$ 47,596,275	$ 59,503,424	$ 60,001,711	$ 63,744,201	$ 68,286,994	$ 76,266,530	$ 85,263,457	$ 211,239,693
Cumulative Cash Flow	$ (231,150,000)	$ (183,553,725)	$ (124,050,301)	$ (64,048,590)	$ (304,390)	$ 67,982,605	$ 144,249,135	$ 229,512,592	$ 440,752,284
Percent of Year Required for Payback		1	1	1	1	0.004458			

Calculations for Discounted Payback Period	0	1	2	3	4	5	6	7	8
Net Cash Flow (Time line of cash flows)	$ (231,150,000)	$ 47,596,275	$ 59,503,424	$ 60,001,711	$ 63,744,201	$ 68,286,994	$ 76,266,530	$ 85,263,457	$ 211,239,693
Discounted Cash Flow	$ (231,150,000)	$ 43,248,478	$ 49,128,973	$ 45,014,997	$ 43,454,238	$ 42,298,730	$ 42,926,075	$ 43,606,175	$ 98,165,402
Cumulative Cash Flow	$ (231,150,000)	$ (187,901,522)	$ (138,772,549)	$ (93,757,551)	$ (50,303,313)	$ (8,004,583)	$ 34,921,492	$ 78,527,667	$ 176,693,069
Percent of Year Required for Payback		1	1	1	1	1	0.19		

5.0 Sensitivity Analysis

A sensitivity analysis is a risk assessment tool that allows managers to establish how sensitive a project may be to changes in the project's key variables. The sensitivity analysis calculates the change in NPV of the project given a change in a particular variable. For this project we have assumed variances up to 30% for several of the project's input variables: sales growth rate, variable cost per unit, sales price, units sold in year 1 of the project, WACC, and fixed costs. One way to quantify the sensitivity of a project is to chart the change in NPV based on the deviation of certain key drivers. NPV analysis is very helpful for management to see the outcome in various dynamic environments. Listed below are six tables illustrating the sensitivity of the project's NPV to changes in the aforementioned variables:

Table 5.1 Sensitivity Analysis

% Deviation from Base Case	SALES GROWTH RATE: Sales Growth Rate	NPV $ 176,693,069
-30%	7.0%	-$39,265
-15%	8.5%	$6,431
0%	10.0%	$172,579
15%	11.5%	$228,804
30%	13.0%	$473,303

Base Case

% Deviation from Base Case	1st YEAR UNIT SALES: Units Sold	NPV $ 176,693,069
-30%	609	$79,112
-15%	740	$125,846
0%	870	$172,579
15%	1,001	$219,312
30%	1,131	$266,045

% Deviation from Base Case	VARIABLE COSTS: Variable Cost per Unit	NPV $176,693,069
-30%	$122.50	$412,780
-15%	$148.75	$292,679
0%	$175.00	$172,579
15%	$201.25	$52,478
30%	$227.50	-$67,622

Base Case

% Deviation from Base Case	WACC: WACC	NPV $ 176,693,069
-30%	7.00%	$238,463
-15%	8.50%	$206,550
0%	10.00%	$177,664
15%	11.50%	$151,463
30%	13.00%	$127,648

% Deviation from Base Case	SALES PRICE: Sales Price per Unit	NPV $176,693,069
-30%	$175.00	-$161,089
-15%	$212.50	$5,745
0%	$250.00	$172,579
15%	$287.50	$339,412
30%	$325.00	$506,246

Base Case

% Deviation from Base Case	FIXED COSTS: Initial Investment	NPV $176,693,069
-30%	$7,000	$145,870
-15%	$8,500	$140,147
0%	$10,000	$134,424
15%	$11,500	$128,701
30%	$13,000	$122,978

Table 5.2 NPV deviations

Deviation from Base Case	NPV at Different Deviations from Base					
	Sales Price	Variable Cost/Unit	Sales Growth Rate	Year 1 Units Sold	Fixed Cost	WACC
-30%	-$161,088,829	$412,779,852	-$39,265,482	$79,112,306	$145,870,483	$238,463,022
-15%	$5,744,944	$292,679,285	$6,430,781	$125,845,512	$140,147,290	$206,549,810
0%	$172,578,717	$172,578,717	$172,578,717	$172,578,717	$134,424,098	$177,663,874
15%	$339,412,490	$52,478,149	$228,803,950	$219,311,922	$128,700,905	$151,462,779
30%	$506,246,263	-$67,622,419	$473,303,384	$266,045,127	$122,977,712	$127,647,919
Range	$667,335,092	$480,402,271	$512,568,866	$186,932,821	$22,892,771	$110,815,103

Figure 5.1 Sensitivity Analysis
graph

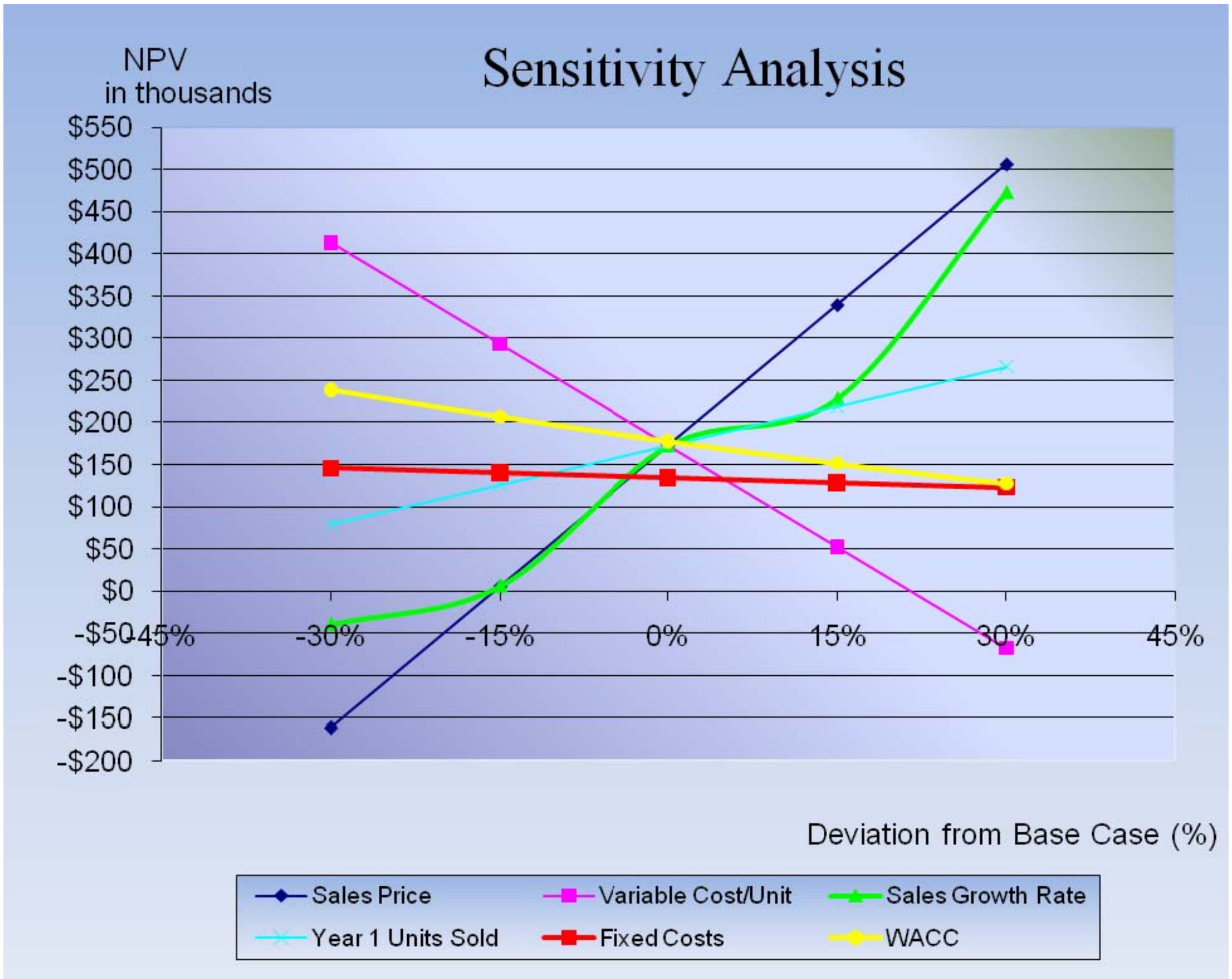


Table 5.3 NPV Breakeven Analysis

NPV Breakeven Analysis:	
Input	**Input Value that Produces Zero NPV**
Sales Price	$211.00
Variable Cost / Unit	$213.00
Sales Growth Rate	-17.0%
Year 1 Units Sold	388,077
Fixed Costs	$ 417,979,779.83
WACC	24.68%

6.0 Appendix

Table 6.1 Balance Sheet

As Reported Annual Balance Sheet Currency: USD Scale: Thousands	**12/31/2008**	**12/31/2007**	**12/31/2006**	**12/31/2005**	**12/31/2004**
Cash & cash equivalents	2,373	14,957	7,371	7,412	23,838
Trade accounts receivables, gross	285,814	335,102	-	-	-
Less: allowance for uncollectible accounts & revenue adjustments	(5,200)	(4,900)	-	-	-
Trade accounts receivable, net	280,614	330,202	346,251	343,501	289,146
Income tax receivable	-	-	11,824	-	19,418
Inventories	18,214	15,445	13,921	11,138	9,692
Assets held for sale	17,843	39,747	-	-	-
Prepaid licenses & permits	17,612	20,477	21,410	21,780	21,696
Prepaid insurance	50,449	49,129	62,537	76,426	83,972
Other current assets	9,182	18,937	7,929	14,433	16,280
Total current assets	**396,287**	**488,894**	**471,243**	**474,690**	**464,042**
Revenue & service equipment	1,881,320	1,804,876	1,618,155	1,332,333	1,214,833
Land	25,413	24,280	23,857	22,854	22,014
Structures & improvements	122,753	114,358	108,296	105,414	95,156
Furniture & office equipment	140,407	137,379	134,010	130,960	118,020
Total property & equipment	2,169,893	2,080,893	1,884,318	1,591,561	1,450,023
Less: accumulated depreciation	(783,363)	(722,170)	(600,767)	(537,502)	(438,644)
Net property & equipment	1,386,530	1,358,723	1,283,551	1,054,059	1,011,379
Other assets	10,636	15,129	15,263	20,125	16,285
Total assets	**1,793,453**	**1,862,746**	**1,770,057**	**1,548,874**	**1,491,706**
Current portion of long-term debt	118,500	234,000	214,000	-	-
Trade accounts payable	196,059	189,987	170,672	162,749	180,018
Claims accruals	18,095	19,402	20,042	15,651	18,535
Accrued payroll	33,156	34,310	42,352	61,001	73,750
Other accrued expenses	31,995	26,663	7,961	9,198	10,504
Deferred income taxes	10,083	20,070	23,703	27,487	25,414
Total current liabilities	**407,888**	**524,432**	**478,730**	**276,086**	**308,221**
Revolving lines of credit	165,000	430,600	299,900	124,000	-
Senior notes	400,000	400,000	-	-	-
Term loan	68,500	82,500	96,500	-	-

Less: current maturities	(118,500)	(234,000)	(214,000)	-	-
Long-term debt	**515,000**	**679,100**	**182,400**	**124,000**	-
Other long-term liabilities	30,490	34,453	54,656	45,834	40,294
Deferred income taxes	311,064	281,564	294,534	285,929	282,241
Total liabilities	**1,264,442**	**1,519,549**	**1,010,320**	**731,849**	**630,756**
Stockholder's equity:					
Preferred stock, $100 par value. 10 million shares authorized; none outstanding	-	-	-	-	-
Common stock, $.01 par value. 1 billion shares authorized; (167,099,432 shares issued at December 31, 2008, and 2007 of which 126,062,115 shares and 124,572,121 shares were outstanding at December 31, 2008, and 2007, respectively)	1,671	1,671	1,671	1,671	418
Additional paid-in capital	170,931	170,536	177,065	182,680	197,870
Retained earnings (accumulated deficit)	1,343,077	1,192,628	1,035,804	863,586	694,230
Accumulated other comprehensive income (loss)	(1,186)	(993)	(148)	-	-
Total equity before treasury stock	-	-	-	1,047,937	892,518
Treasury stock, at cost	(985,482)	(1,020,645)	(454,655)	(230,912)	(31,568)
Total stockholders' equity	**529,011**	**343,197**	**759,737**	**817,025**	**860,950**
Total Liabilities & Equity	**1,793,453**	**1,862,746**	**1,770,057**	**1,548,874**	**1,491,706,000**
Common Stock Outstanding	126,062	124,572	167,100	167,100	41,800

Table 6.2 Income Statement

As Reported Annual Income Statement Currency: USD Scale: Thousands	**12/31/2008**	**12/31/2007**	**12/31/2006**	**12/31/2005**	**12/31/2004**
Operating revenues, excluding fuel surcharge revenues	3,001,531	3,009,819	2,897,816	2,791,926	-
Fuel surcharge revenues	730,412	480,080	430,171	335,973	-
Total operating revenues	**3,731,943**	**3,489,899**	**3,327,987**	**3,127,899**	**2,786,154**
Rents & purchased transportation	1,479,234	1,235,390	1,124,734	1,058,406	932,133
Salaries, wages & employee benefits	859,588	888,594	892,066	855,272	830,005
Fuel & fuel taxes	520,647	463,538	447,309	388,962	288,562
Depreciation & amortization	202,288	205,133	183,604	163,034	149,776
Operating supplies & expenses	158,202	155,893	145,794	132,895	124,172
Insurance & claims expenses	60,772	69,655	71,582	55,266	54,757
General & administrative expenses, net of asset dispositions	41,363	48,211	33,232	45,939	38,460
Operating taxes & licenses expenses	32,162	33,540	34,447	35,827	35,020
Communication & utilities expenses	19,269	21,156	22,566	22,597	23,046
Arbitration settlement	-	-	-	25,801	-
Total operating expenses	3,373,525	3,121,110	2,955,334	2,783,999	2,475,931
Operating income (loss)	**358,418**	**368,789**	**372,653**	**343,900**	**310,223**
Interest income	890	1,011	978	966	1,888
Interest expense	35,337	43,523	16,137	6,531	7,362
Equity in earnings (loss) of affiliated company	-1,735	-1,230	-3,181	-4,709	-2,470
Earnings (loss) before income taxes	**322,236**	**325,047**	**354,313**	**333,626**	**302,279**
Current federal income tax expense (benefit)	93,699	114,499	121,855	114,745	83,428
Current state & local income tax expense (benefit)	8,985	13,462	7,781	5,809	2,433

Total current income tax expense (benefit)	102,684	127,961	129,636	120,554	85,861
Deferred federal income tax expense (benefit)	19,776	-16,209	5,891	5,131	61,375
Deferred state & local income tax expense (benefit)	-817	161	-1,166	630	8,787
Total deferred income tax expense (benefit)	18,959	-16,048	4,725	5,761	70,162
Income taxes	**121,643**	**111,913**	**134,361**	**126,315**	**156,023**
Net earnings (loss)	**200,593**	**213,134**	**219,952**	**207,311**	**146,256**
Weighted average shares outstanding - basic	125,416	134,334	148,581	157,583	161,542
Weighted average shares outstanding - diluted	128,533	137,639	152,317	162,559	166,936
Year end shares outstanding	126,062.12	124,572.12	144,555.44	153,813.09	162,786.73
Net earnings (loss) per share - basic	1.6	1.59	1.48	1.32	0.905
Net earnings (loss) per share - diluted	1.56	1.55	1.44	1.28	0.875
Dividends declared per common share	**0.4**	**0.36**	**0.32**	**0.24**	**0.045**
Total number of employees	14,667	15,795	17,150	16,370	15,850
Total number of common stockholders	1,345	1,383	1,354	1,338	1,324

[1] *Adjusted for 2-for-1 stock split, May 24, 2005*
[2] *As is*
[3] *Approximately*
[4] *As of February 20, 2009*
[5] *As of February 26, 2008*
[6] *As of February 23, 2007*
[7] *As of January 31, 2006*
[8] *As of January 31, 2005*

Table 6.3 Statement of Cash Flow

As Reported Annual Cash Flow Currency: USD Scale: Thousands	**12/31/2008**	**12/31/2007**	**12/31/2006**	**12/31/2005**	**12/31/2004**
Net earnings (loss)	**200,593**	**213,134**	**219,952**	**207,311**	**146,256**
Depreciation	202,288	205,133	-	-	-
Depreciation & amortization	-	-	183,604	163,034	149,776
Share-based compensation	13,773	9,389	7,171	-	-
Loss (gain) on sale of revenue equipment	-	-	-2,891	-1,808	-402
Loss (gain) on sale of revenue equipment & other	-659	456	-	-	-
Impairment on assets held for sale	3,934	8,374	-	-	-
Provision for deferred income taxes	19,513	3,499	4,915	5,761	70,162
Equity in loss of affiliated company	1,735	1,230	3,181	4,709	2,470
Tax benefit (expense) of stock options exercised	-	-	-	19,276	17,829
Amortization of discount	-	-	-	-	67
Trade accounts receivable	50,043	16,049	-2,750	-54,355	-33,114
Income tax receivable	4,790	21,784	-11,824	19,418	-19,418
Other assets	31,672	12,317	20,218	8,052	-19,224
Trade accounts payable	-16,460	14,993	7,923	-28,147	21,132
Claims accruals	-1,307	-640	4,391	-2,884	1,659
Accrued payroll & other accrued expenses	-4,769	-47,913	-10,827	-8,515	56,544
Net cash flows from operating activities	**505,146**	**457,805**	**423,063**	**331,852**	**393,737**

Additions to property & equipment	-303,241	-363,552	-483,188	-285,364	-451,083
Proceeds from sale of equipment	92,360	32,917	72,985	81,458	175,295
Net proceeds (purchases) of available for sale investments	6,275	-8,756	-	-	-
Change in other assets	2,302	-1,096	-558	-8,738	25,892
Net cash flows from investing activities	**-202,304**	**-340,487**	**-410,761**	**-212,644**	**-249,896**
Proceeds from issuances of long-term debt	-	400,000	100,000	-	-
Payments on long-term debt	-14,000	-14,000	-3,500	-	-105,000
Borrowings (repayments) of long-term debt	-	-	-	124,000	-
Net proceeds (repayments) from revolving lines of credit	-	-	175,900	-	-
Net proceeds (payments) from revolving lines of credit & other debt	-273,068	135,022	-	-	-
Principal payments under capital lease obligations	-	-	-	-	-66,844
Purchase of treasury stock	-	-603,371	-257,395	-	-
Stock option exercises	8,956	10,312	9,223	10,883	8,045
Stock repurchased for payroll taxes	-2,023	-2,733	-1,204	-4,206	-7,028
Tax benefit of stock options exercised	14,853	13,885	12,367	-	-
Dividends paid	-50,144	-48,847	-47,734	-37,955	-7,288
Proceeds from sale of treasury stock	-	-	-	-239,234	-
Net cash flows from financing activities	**-315,426**	**-109,732**	**-12,343**	**-146,512**	**-178,115**
Net increase (decrease) in cash & cash equivalents	-12,584	7,586	-41	-27,304	-34,274
Cash & cash equivalents at beginning of year	14,957	7,371	7,412	34,716	58,112
Cash & cash equivalents at end of year	2,373	14,957	7,371	7,412	23,838
Cash paid during the year for interest	35,495	52,897	14,013	5,506	7,559
Cash paid during the year for income taxes	81,934	107,349	124,307	77,209	55,578

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