



State of the Trucking Industry

Survival Mode: Act Now Before It's Too Late

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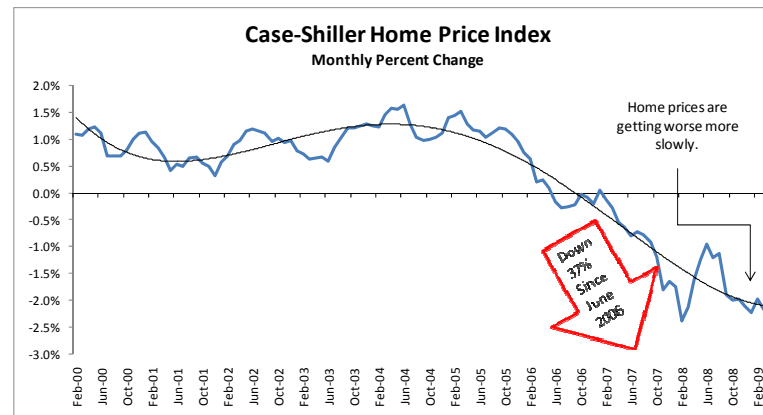
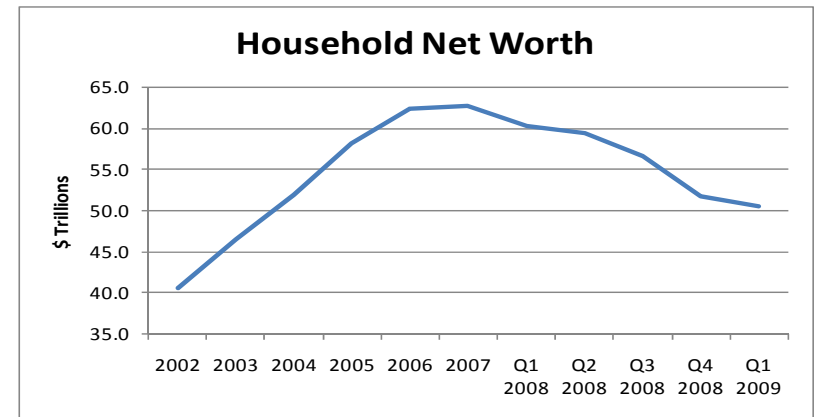
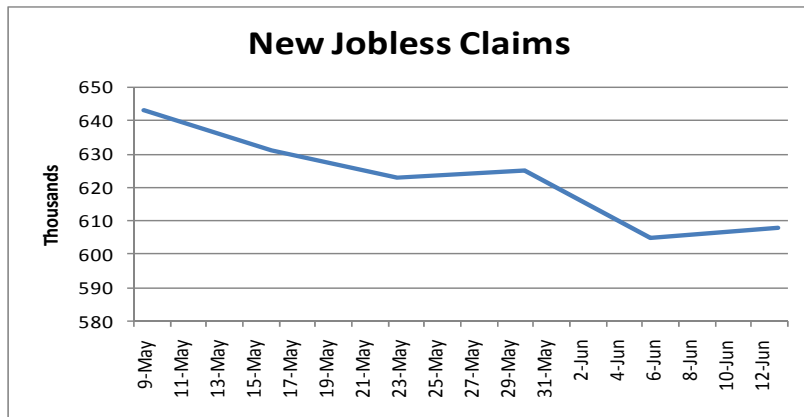
Objectives

- Survive this downturn
- Position yourself to thrive when the economy turns around



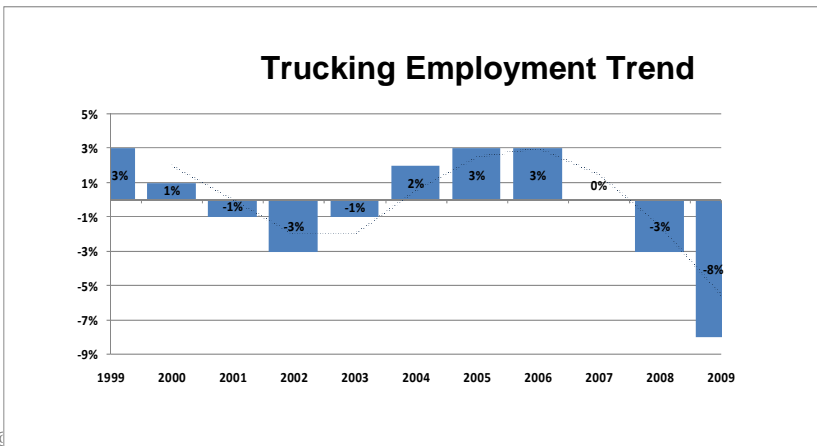
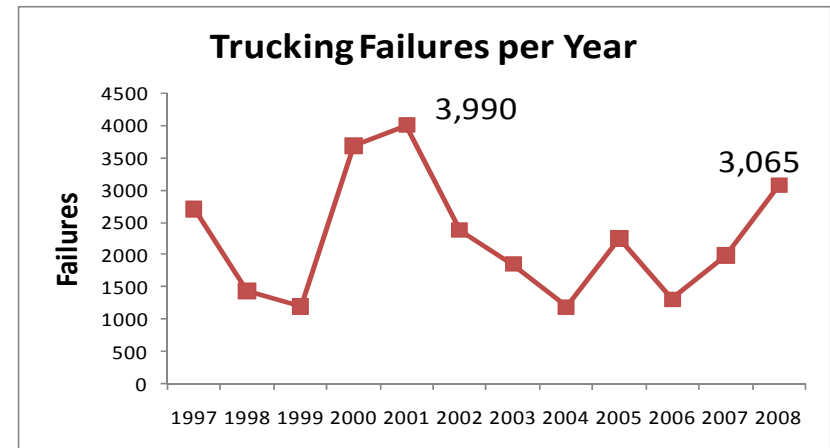
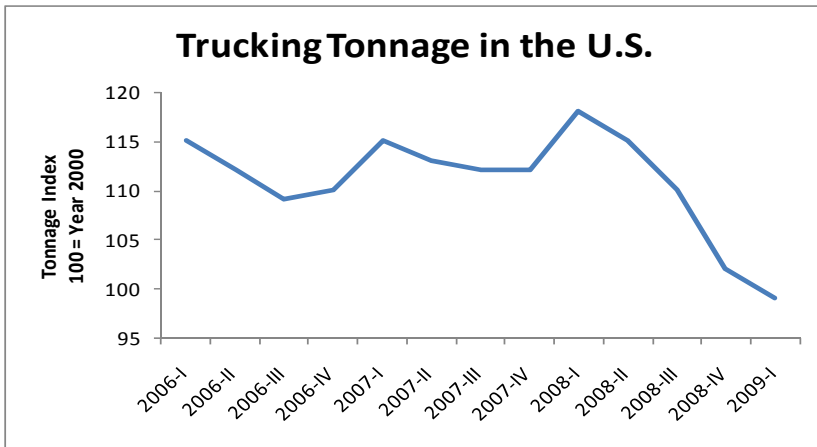
Is the Recession almost over?

Many economists believe the worst is behind us



Trucking indicators

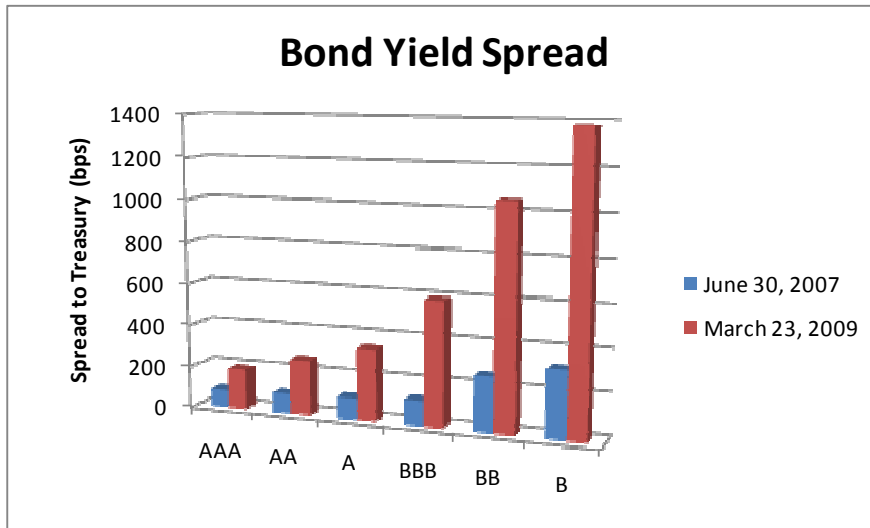
Trucking – historically a leading indicator of recovery.



Published information does not yet show a rebound. And inventory levels are still falling.

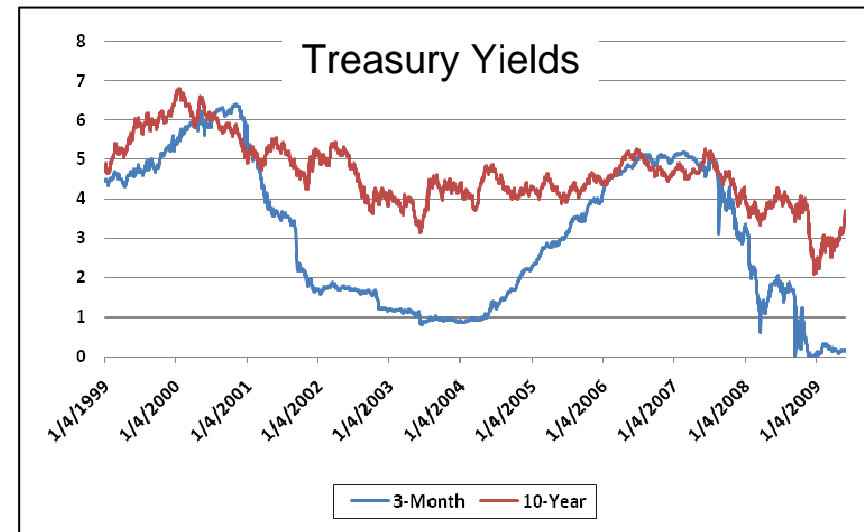
Restructuring – It's Not Just About Refinancing Anymore

Through mid-2008 credit was relatively cheap and easy to obtain



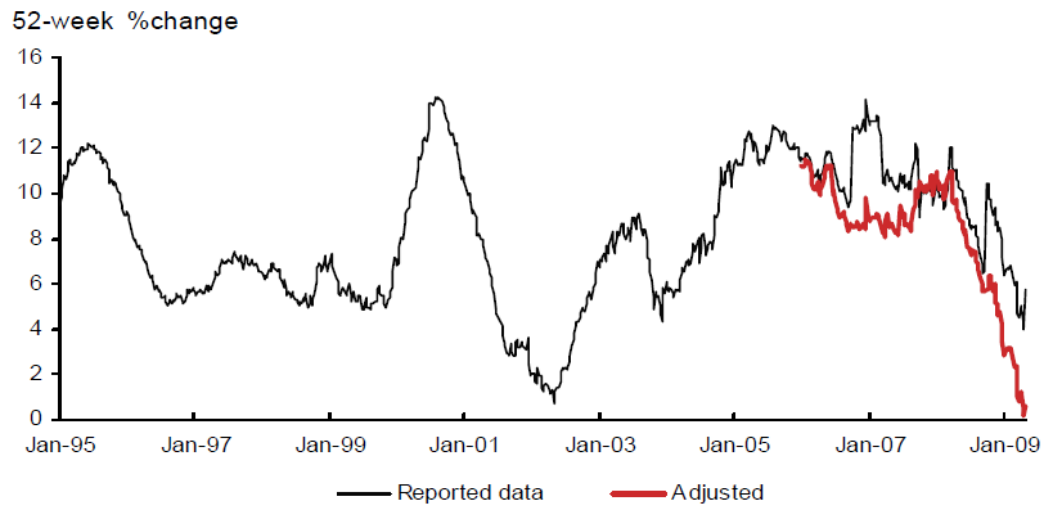
- The spread is greater now for a AAA company than it was for a BBB company in 2007
- Credit is now very cheap for “safe” companies

- Access more limited
- Shorter term



Commercial Bank Loan Trends

- The credit crisis was sparked by the meltdown in residential mortgage related instruments



Sources: Federal Reserve and Nomura Global Economics

- We have not yet seen the impact of commercial real estate mortgages and related instruments

Keys to Success

- Cash is King
- Analysis, not emotion
- No “sacred cows”
- Act early – avoid denial
- Act decisively
- Relationships are critical
- Do NOT try to do this alone
- **Cash is King**



Cash is King

- Without liquidity you can run out of time to act
- Cash & available credit give you FLEXIBILITY
- Cash lets you survive the bumps in the road
- Cash lets you quickly exploit opportunities before they close

**FOCUS ON CASH
NOT EARNINGS**



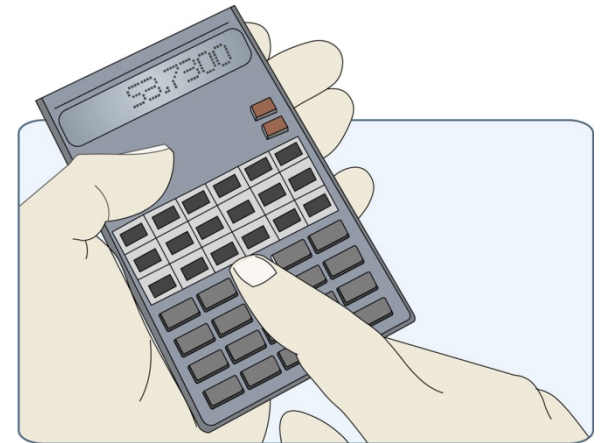
Act before you reach the end of the runway

- *“Delay is the deadliest form of denial”*
British Historian C. Northcote Parkinson
- The EARLIER you act, the more options you will have
- *DO NOT WAIT* until bankruptcy is the only option – only 30% of Chapter 11’s successfully reorganize



Make decisions based on analysis, not emotion

- Failed companies are often victims of their past successes
- All options must be analyzed objectively
 - There can be no “sacred cows”



Opportunities for Improvement

Revenue

- Customer management
- Revenue mix
- Credit and collections
- Quality of revenue
- Quality of service

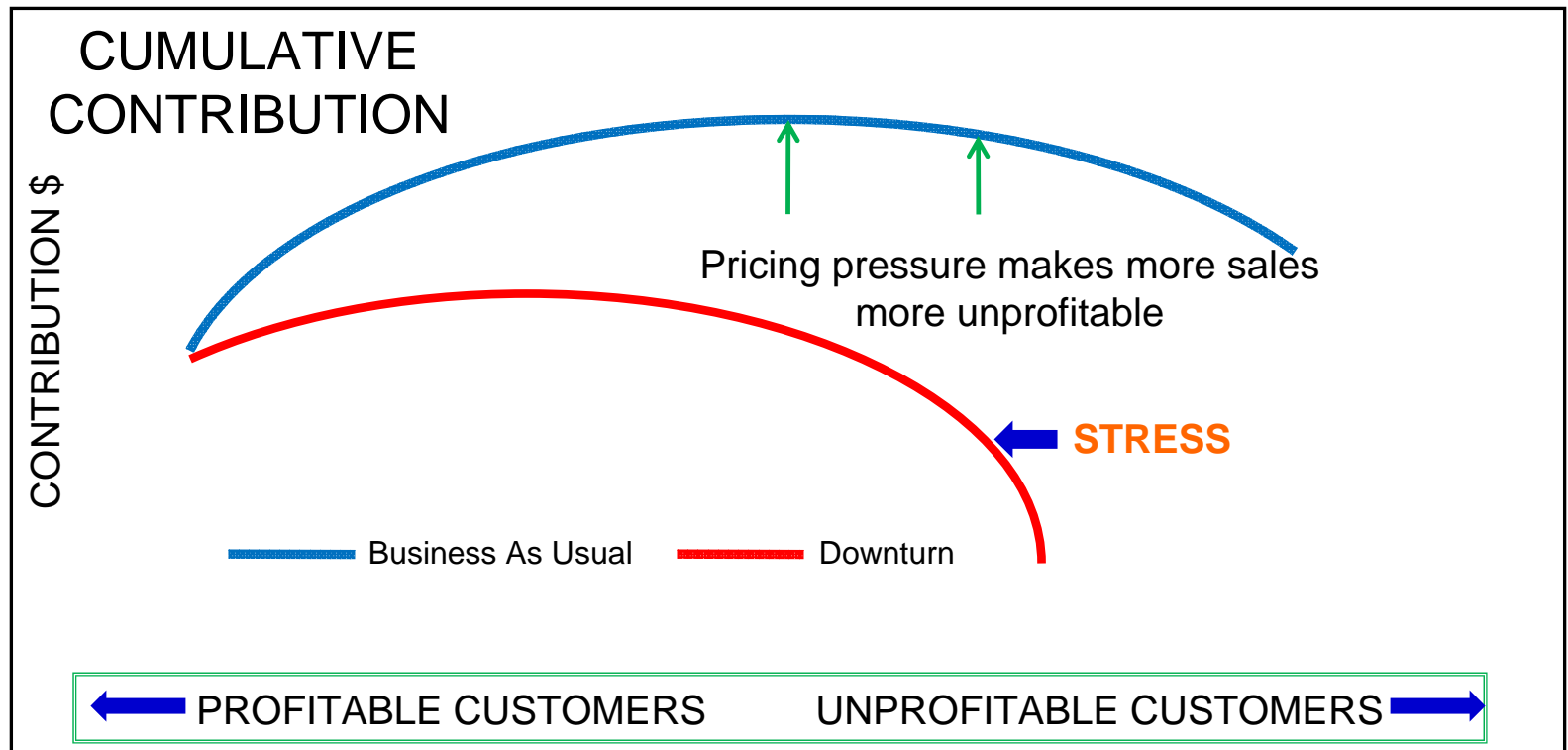
Cost Structure

- Operating costs
- Administrative costs
- Hidden Costs

Balance Sheet

- Loan restructuring
- Loan workout
- Bondholder activity
- Capital markets
- Excess assets
- Acquisitions

Analyze Revenue



Analysis applies equally well to

- Segments
- Routes
- Equipment
- Terminals

Revenue Profile

- Account management
 - Assess customer profitability
 - Analyze customer metrics (Loads, RPLM, Empty Miles, etc.)
 - Cull “red ink” customers, routes or segments
 - Monitor collections for signs of distress and manage exposure
- Revenue mix
 - Evaluate percentage of business each customer represents, and assess risks
 - Identify key customers and develop those relationships to the next level
- Don't chase revenue... quality over quantity



Stay close to key customers

- Identify key customers and build high level relationships
 - Ensure high quality service
 - Ask
- Assess credit worthiness through
 - Relationships
 - Media – especially THEIR trade press
 - Analysis of your own receivables data
- Monitor collections for signs of distress and MANAGE exposure



Other customers

- **IMPROVE** marginally profitable customers, routes, and segments
 - Ensure that marginally profitable customers cover the carrying cost associated with their receivables (interest & potential bad debt)
- **CUT** unprofitable customers
 - Monitor receivables from these customers even more closely
- **CUT** unprofitable business segments
 - Sell what you can – close the rest



Accounts Receivable

- Billing
- Monitor and manage receivables
 - Avoid preferences but don't turn down cash
- Covenant compliance
- Revolver
- ABL
- Factoring
- Act before you need the liquidity

Reduce Operating Costs

- Fixed v. Variable
- Drivers
- Revenue equipment related
 - Lease vs. buy
 - Maintenance costs
 - Bulk fuel purchasing
- Technology
 - Tracking systems
 - E-commerce products
 - Capacity utilization
 - Re-negotiate or re-quote...
 - Insurance coverages
 - Maintenance contracts
 - All capital and operating leases



Lessor and Vendor Relationships

- Lessors NEED YOU and do not want their equipment back
 - Reduced rates
 - Better terms
 - Lessors will understand that bankruptcy is the context for these negotiations
- Your business is important to your vendors
- Critical Suppliers
- Use your relationships to minimize risk and negotiate pricing, terms, etc.

Reduce Back Office Costs

- Right-size indirect labor to reflect current/projected revenue stream
 - Cut one time, deeper than you think, and communicate to maintain morale
- Consider employee benefits
 - Defer 401(k) contributions
 - Freeze pension plan
 - Defer/reduce/eliminate bonuses
- Consolidate excess space
 - Sale or sale/leaseback
 - Re-negotiate lease terms/rates (landlords don't like vacancies!)
 - Sublet
- Taxes
 - Local municipal tax credits



Tax Issues in Workouts

- Carry back to generate cash
- Cancellation of debt income
- State tax issues

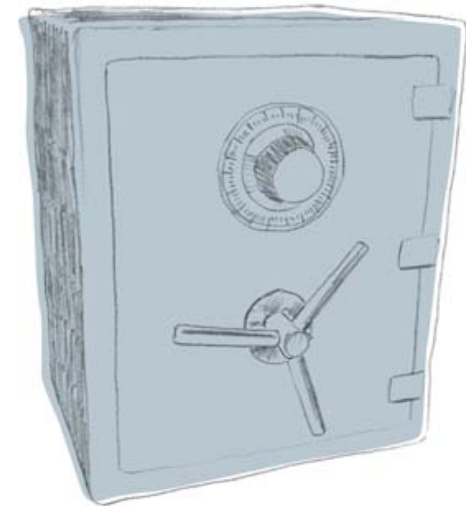
A scan of a 2007 US Form 1040 tax return. The form is titled "1040 U.S. Individual Income Tax Return 2007". It shows various sections for reporting income, deductions, and tax payments. The form is filled out with handwritten and printed information, including names, addresses, and financial data. The form is oriented vertically on the page.

Owned assets

- Sell excess what you can, mothball the rest
- Consider sale – lease backs
- Analyze minimum replacement cap-ex
- Renegotiate mortgages
 - Lenders do not want to own the property

Balance Sheet

- **Loan Restructuring**
 - Covenant modifications
 - Interest rate adjustments
 - Re-examine “exclusions” from ABL borrowing base
- **Loan Workout**
 - Establishing rapport and relationship with workout officer
 - Engage independent third party to vet business plan
 - Provide realistic base-case business plan assumptions
- **Bondholder Activity**
 - Maintain communications with major bondholders
 - Monitor trading activity
- **Capital Markets**
 - Explore all debt/equity alternatives to supplement capital structure or refinance



Manage Banking Relationships

- Develop high-level relationships with your banker
- Address potential covenant issues
- Be wary of “Workout” or “Special Assets” groups
 - The introduction of new bankers
 - Wolves NOT yesterday’s fuzzy puppies



Investments and Acquisitions

- Cheap assets
- Invest ONLY if
 - The analytics support the decision – even if the recovery is slower than expected
 - You have done due diligence AND
 - You have the capital AND the liquidity
- Remember – CASH IS KING



Cash is **STILL** King

- Improve operational results
- Reevaluate indirect expenses & overhead
- Exploit all opportunities to generate cash (or access to cash)
 - Manage receivables
 - Manage payables
 - Renegotiate leases
 - Maximize liquidity potential of customer receivables
 - Dispose of excess assets
 - Taxes
- Ensure access to credit lines

Restructuring Case Study: YRC Worldwide



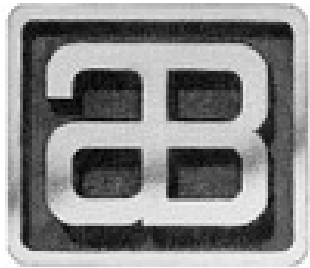
Corporate Profile:

One of the largest transportation service providers in the world, with 15,400 tractors, 61,400 trailers and 430 service centers. It is the holding company of the following subsidiaries:

- YRC National Transportation- comprised of two LTLs, Yellow Transportation and Roadway (now both called YRC).
- YRC Regional Transportation- focuses on regional and next-day delivery markets, comprising of New Penn Motor Express, Holland and Reddaway.
- YRC Logistics- plans and coordinates a wide range of global logistics management solutions.
- YRC Truckload- comprised of truckload carrier Glen Moore.

- Sale/restructuring initiative leasebacks of assets over \$350M
- Excess property sales \$100M
- Debt maturities in 2010 – amended covenants
- Pension payment deferrals (under negotiation)

Restructuring Case Study: Arkansas Best



Corporate Profile:

Specializing in long-haul, less-than-truckload (LTL) shipments of general commodities, subsidiary ABF Freight System accounts for nearly all of the company's sales. (LTL carriers combine freight from multiple shippers into a single truckload.) ABF Freight System operates a fleet of about 3,660 tractors and 16,100 trailers from about 290 terminals in the US, Canada, and Puerto Rico; it offers service into Mexico via alliances. Freight carried by the company includes food, textiles, apparel, and furniture.

• Along with the transportation units of industry giant YRC Worldwide, ABF Freight System is one of the largest unionized LTL carriers in the US. Unionized carriers face growing competition from nonunion rivals, which tend to have lower personnel costs.

- 23% reduction in employees
- Fleet reductions: 20% in tractors and 11% in trailers
- Regional realignment of terminals

Restructuring Case Study: Gainey Corp.



Corporate Profile:

Gainey Corp., through its Gainey Transportation Services, provides dry van and flat bed truckload freight transportation. Besides for-hire freight hauling, the company offers dedicated contract carriage. Gainey operates about 1,150 tractors and 2,830 trailers. Other units include: Aero Bulk, LCT Transportation Services, and Freight Brokers of America.

Events precipitating the company's bankruptcy:

- 2006: Gainey borrows \$260 million from bank group
- 2/08: 4th amended credit agreement, which required:
 - Acceleration of the maturity date
 - Quarterly debt service payments
 - Retention of a Chief Restructuring Officer
 - Revision of numerous covenants
- 6/08: Lenders issues several loan waivers, after breaches of covenants
- 9/08: Lenders seek to set-off cash collateral, after their request for a receiver is denied.
- 10/08: Gainey files for bankruptcy, with \$238M in debt and about \$400M in annualized revenues
 - Fuel costs, fuel surcharges and working capital shortfall
 - Decreased customer traffic and orders (e.g. Lowe's and Home Depot)
 - Failure of company to reach out-of-court restructuring with secured lenders.
- 6/09: Newco is projected to have about \$104M in debt and about \$240M in annualized revenues by 2010.

Thank You



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