



**ALPHA**  **CHALLENGE**  
Kenan-Flagler Business School  
The University of North Carolina

November 20<sup>th</sup>, 2015

**XPO**Logistics

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**Company:** XPO Logistics (NYSE: XPO)

**Action:** Long

**Price Target:** \$50 (60% Upside)



## Executive Summary

## Executive Summary

### Investment Thesis

1. CEO with a phenomenal track record of consolidating industries, management team with substantial industry experience, incredible alignment of incentives with shareholders, and significant insider ownership.
2. Mr. Jacobs has evolved the strategy to fit a model that we believe works—one toward offering an integrated multimodal solution with execution capabilities. In contrast to the market, we believe XPO's business model became robust with the acquisitions. It was the leap from a roll-up into a global franchise.
3. XPO is uniquely leveraged to powerful secular trends in the 3PL industry. XPO's scalable technology platform and management's history of successful integration make it an ideal consolidator in an industry that is highly fragmented.
4. One-time costs associated with acquisitions mask a profitable and attractive core business. Core business is highly cash-generative, growing at 10% organically and generating return on invested capital (ROIC) of 16%.
5. XPO trades at 6.1% 2016 FCFE and 7.1% 2017 FCFE yield, which in our opinion is a compelling valuation for a company with double digit EBITDA and FCFE per share growth. In addition, XPO's presents an attractive asymmetry with 6:1 upside-to-downside ratio.

### Price Target

Our 12 month price target is \$50.00 (5.1% and 7.5% FCFE yield 2017E and 2018E, respectively) which represents 60% upside from today's share price of \$30.93.

## Company Summary

### Company Overview

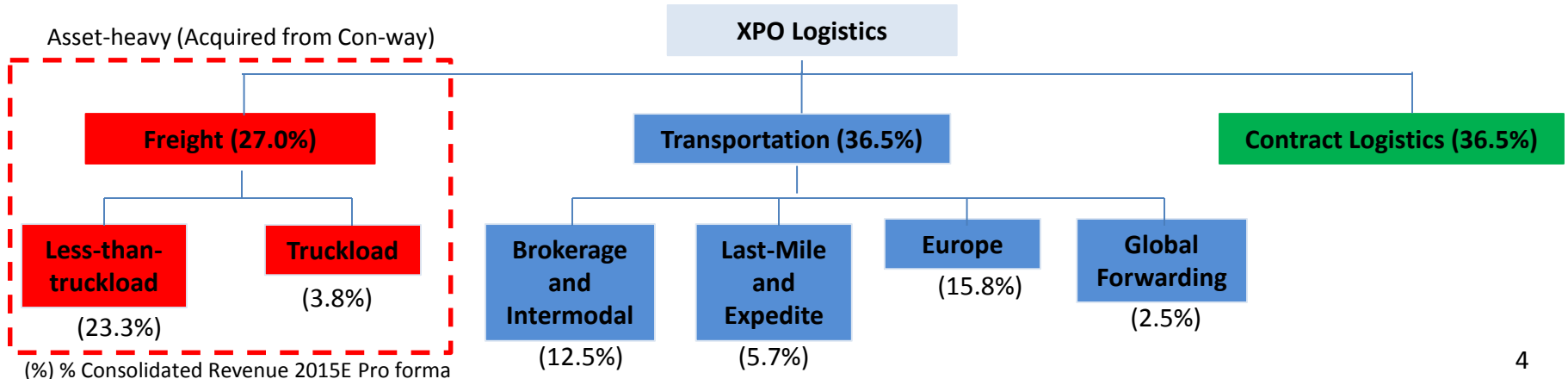
XPO Logistics (“XPO” or “the Company”) is a top ten global provider of supply chain solutions. XPO enables customers to operate their supply chain more efficiently and at lower cost.

Bradley Jacobs consolidation the fragmented logistics market started in 2011, with the purchase of Express-1, a express carrier that operated an asset-light model with almost \$200 million in revenue. Today, XPO has more than \$15 billion of revenue and \$1.1 billion of pro forma 2015E EBITDA. Its integrated network includes approximately 84,000 employees at 1,469 locations in 32 countries serving over 50,000 customers.

### Key Market Statistics

Share Price (11/14/2015)	\$30.93
52W High	\$50.96
52W Low	\$21.33
Avg. 3-Mo Daily Volume (\$MM)	\$40.99
Short Interest (% of DSO)	24.2%
Shares Out (MM)	132.91
Market Cap (\$MM)	\$4,111
Adj. Net debt (\$MM)	\$5,800
Min. Interest (\$MM)	\$836
EV (\$MM)	\$10,747
Revenue 2016E (\$MM)	\$15,758
Adj. EBITDA 2016E (\$MM)	\$1,198
EV/EBITDA 2016	8.97x

Asset-heavy (Acquired from Con-way)





## Investment Thesis

## Investment Thesis

### Thesis #1: CEO Bradley Jacobs is the next “Outsider”. He has created a team of seasoned industry professionals in a performance-driven culture

#### Bradley Jacobs’ track record

Jacobs founded and led four highly successful companies, including two public corporations that he grew through successfully consolidating historically fragmented industries.

##### 1.) United Rentals (1997 – 2007)

- Built world’s largest equipment rental company.
- United Rental stock outperformed S&P 500 by 2.2x during his tenure

##### 2.) United Waste Systems (1992 – 1997)

- Created 5th largest solid waste business in North America.
- United Waste stock outperformed S&P 500 by 5.6x from 1992 to 1997

##### 3.) Hamilton Resources (1984 – 1988)

- Grew global oil trading company to \$1 billion

##### 4.) Amerex Oil Associates (1979 – 1983)

- Built one of the world’s largest oil brokerage firms

#### Value Added Research (VAR)

“When he gets into a company or industry, he becomes obsessive...Brad must work over 80 hours a week.” – Former Employee

“How do you integrate that (Con-way) with a French freight forward and give one face to the customer? I do not know! **But if anybody can do it, then Jacobs can do it. I have to say that.**” – Logistic industry consultant

“What is special about Jacobs is that, as a great capital allocator, he is flexible and adaptable and he is not anchored to say “well this is my strategy and I will be a truck brokerage so I will only buy truck brokers”. He is seeing the environment and he is seeing the transport industry in front of him, and if it changes and see more opportunities somewhere else he is very open to change and do something different.” – Buy side analyst

## Investment Thesis

**Thesis #1: CEO Bradley Jacobs is the next “Outsider”. He has created a team of seasoned industry professionals in a performance-driven culture**

“We believe that aligning the interest of the employees with the goals of the organization and with the shareholders is critical. We believe that that's part of the secret sauce.” – Bradley Jacobs, CEO

### Management Compensation

Management compensation includes elements that are heavily weighted to variable compensation.

The performance-based equity grants to XPO NEOs are subject to the achievement of two performance goals:

- **Stock price must trade at or above \$60 for 20 consecutive trading days prior to April 2, 2018.**
- **The company's fiscal year 2017 adjusted cash earnings per share being at least \$2.50.**

### Insider Ownership

Bradley Jacobs owns 14.5% of XPO.

The other executives own around 2% of the Company.

**CEO with a phenomenal track record of consolidating industries, management team with substantial industry experience, incredible alignment of incentives with shareholders, and significant insider ownership**

## Investment Thesis

**Thesis #2: The asset-light vs. heavy discussion has prevented investors from understanding the economic and strategic rationale of the last two acquisitions**

### Overview on Norbert Dentressangle (ND) acquisition

- Norbert Dentressangle
  - On April, 2015 XPO announced the acquisition of ND. The price paid (including debt) was \$3,530 million.
  - ND is a provider of contract logistics (50% 2014 revenues), transportation (25%), freight brokerage (20%) and global forwarding (5%)
  - ND's 26% of contract logistics revenues are generated in the United States (ND bought Jacobson Companies on August 2014 by \$750 million, 9.8x EBITDA)
  - ND had 2014 Revenue and EBITDA of \$5,500 and \$388 million, respectively.
  - EV to EBITDA multiple paid pre-synergies is 9.1x.
  - We estimate cost synergies of \$115 million, which translates to an effective multiple of 7.0x (versus an average of 10.5x 3PL M&A transactions).



## Investment Thesis

**Thesis #2: The asset-light vs. heavy discussion has prevented investors from understanding the economic and strategic rationale of the last two acquisitions**

Street view on Norbert Dentressangle (ND) acquisition

“Jacobs went too far too quickly”

“The integration would be challenging. It would be difficult to increase profitability”

### Our View

- Leader in the raising and fragmented truck brokerage business in Europe.
    - ✓ 15%+ growth in the truck brokerage market
  - Immediate cross-selling opportunities as the leading transatlantic contract logistics provider
    - ✓ XPO signed a contract with Zara to execute their e-fulfillment in North America within 22 days after closing
  - Pro forma, XPO has #1 market share in last-mile providers in Europe
    - ✓ Sector growing at 30% yoy
    - ✓ Signed a contract with Ikea in UK
- 
- 3Q15 Results
    - ✓ European transportation EBITDA increased by 26%
    - ✓ European logistics EBITDA increased by 17%
  - Within the first 8 months, XPO:
    - ✓ Leveraged technology platform (XPO Freight Optimizer, CRM)
    - ✓ Changed the compensation plan
    - ✓ Shut down unprofitable business

## Investment Thesis

**Thesis #2: The asset-light vs. heavy discussion has prevented investors from understanding the economic and strategic rationale of the last two acquisitions**

### Overview on Con-way acquisition

- Con-way acquisition
  - On September, 2015 XPO announced the acquisition of Con-way. The price paid (including debt) was \$3,000 million.
  - Con-way is the second largest provider of less-than-truckload (LTL) services in North America (63% 3Q15 revenues).
  - Through its subsidiary Menlo Logistics (asset light), Con-way is a top 30 global contract logistics provider (27% 3Q15 revenues).
  - Con-way also participates in the truckload business (10% 3Q15 revenues)
  - LTM Revenues and EBITDA of \$5,700 and \$510.6 million, respectively.
  - EV to EBITDA multiple paid pre-synergies is 5.9x.
  - XPO expects to increase profit by \$170-\$210 million within next 24 months.
  - We estimate cost synergies of \$200 million, which translate to an effective multiple of 4.2x.

## Investment Thesis

### Thesis #2: The asset-light vs. heavy discussion has prevented investors from understanding the economic and strategic rationale of the last two acquisitions

#### Street view on Con-way acquisition

“This acquisition does not make sense. The integration is not a piece of cake”

“It adds cyclicity to the business model in a moment that the economy is moving towards recession”

#### Our View

- The acquisitions are responses to what is changing in the industry and what Jacobs has learned as a result of the ND acquisition.
    - ✓ “Shippers are increasingly looking to 3PL to not only help them design solutions for their challenges but also to **execute**” – Joe Carlier, Penske Vice President of Logistics
    - ✓ “Commerce’s increased need for same-day and next-day delivery” – Jeff Berman – Logistics Management review
    - ✓ LTL capacity is going to get tighter
  - Controlling LTL capacity and becoming a true “**one-stop logistics and execution shop**” increases customer retention
- 
- LTL is not as cyclical as the truckload business.
  - LTL supply capacity is currently tight, which has given pricing power to LTL carriers
  - After the acquisition capex increases only nominally from 2.5% to 3.3% as a % of sales
  - “In the LTL business you can make the truck last 15 years and cut capex to almost nothing in downside scenarios.” – Buy-side analyst

## Investment Thesis

**Thesis #2: The asset-light vs. heavy discussion has prevented investors from understanding the economic and strategic rationale of the last two acquisitions**

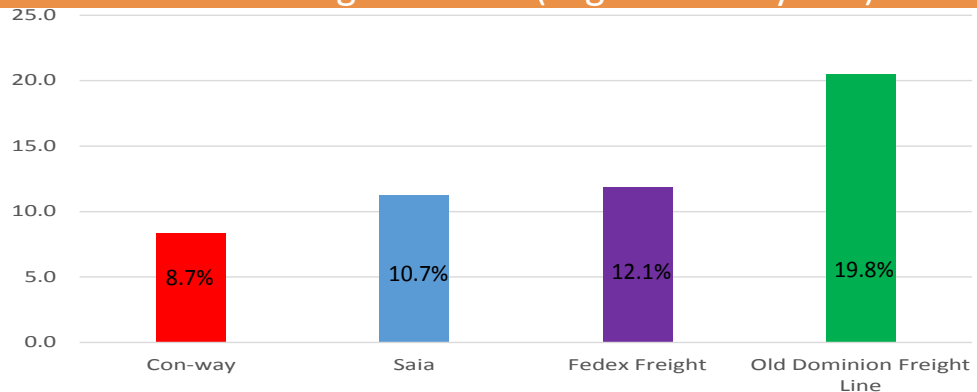
Street view on Con-way acquisition (cont'd)

“Cost savings of \$170-\$210 million are overestimated by XPO management.”

Our View

- Our value added research confirms Con-way’s management was complacent and undisciplined about efficiency
  - ✓ “XPO realized that Con-way was giving away about \$100 million a year to customers of uncharged accessorial.” – Buy-side analyst
  - ✓ “There is much more work that we can do to drive efficiencies and improve network management and return the overall investment on capital to our shareholders in a better way.” – Former Con-way CEO, 2Q15 conference call

LTL Carrier Margin EBITDA (avg. last two years)



Mr. Jacobs has evolved the strategy to fit a model that we believe works—one toward offering an integrated multimodal solution. XPO business model became robust with the acquisitions. It was the leap from a roll-up into a global franchise

# Investment Thesis

## Thesis #3: XPO is a leading player in the fragmented and secularly growing third-party logistics (3PL) market

### Fragmentation

- There are more than 12,000 3PL providers. Many are smaller local providers that mostly offer one unsophisticated service, truckload brokerage
- **XPO overinvested in its technology platform** upfront with the vision and capability of taking on future acquisitions and quickly integrating them.

Armstrong & Associates Top 10 Global 3pls - April 2015

Rank	Third-Party Provider	2014	
		Gross	Mkt Share
1	DHL Supply Chain & Global Forwarding	32,193	4.6%
2	Kuehne + Nagel	23,293	3.3%
3	DB Schenker Logistics	19,861	2.8%
4	Nippon Express	17,916	2.5%
5	C.H. Robinson	13,470	1.9%
6	DSV	8,661	1.2%
7	CEVA Logistics	7,864	1.1%
8	SDV (Bolloré Group)	7,483	1.1%
<b>8</b>	<b>XPO (XPO+ND+Menlo)</b>	<b>7,483</b>	<b>1.1%</b>
10	Sinotrans	7,463	1.1%

### Growth Drivers

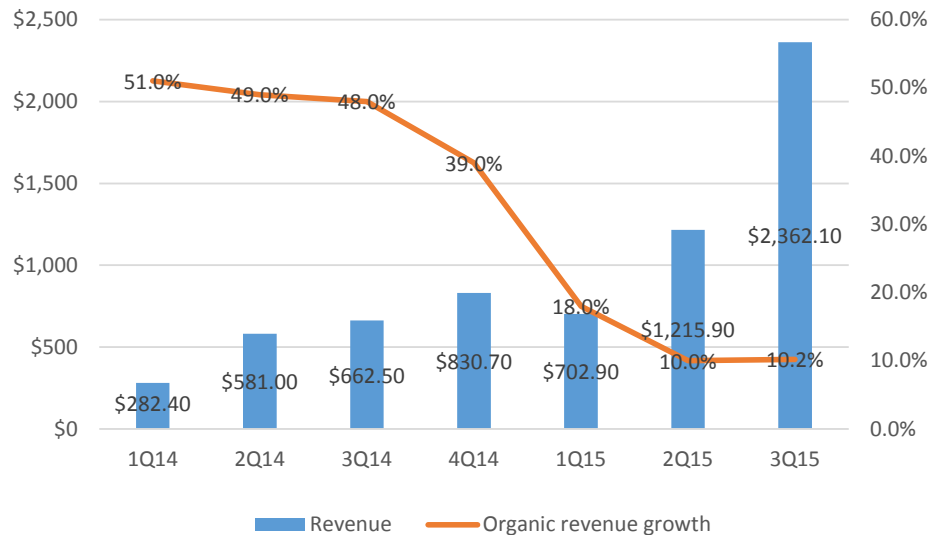
- Multimodal capabilities can help solve shippers' increasingly complicated supply chain problems and generate sticky 3PL/shipper relationships.
  - Only ~15% of all shipments sourced via a 3PL.
    - Our value-added research confirms this is a market that can reach 40% of shipments.
- Vendor consolidation – one throat to choke.
  - XPO's One-Stop-Shop strategy
- eCommerce and eFullfillment growth
  - XPO is the leader in eCommerce logistics
- Demand for last-mile solutions
  - The 3PL market is expected to grow at 2-3x GDP per year

XPO is uniquely leveraged to powerful secular trends in the 3PL industry. XPO's scalable technology platform and management's history of successful integration make it an ideal consolidator in an industry that is highly fragmented

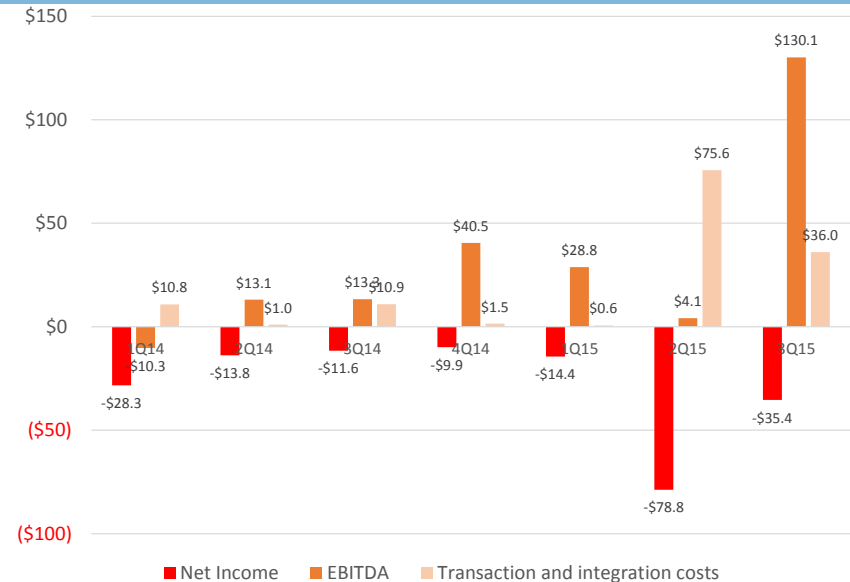
## Investment Thesis

### Thesis #4: One-time costs associated with acquisitions mask a profitable and attractive core business

Revenues (\$ million) and Organic Revenue Growth



EBITDA and Net Income (\$ million)



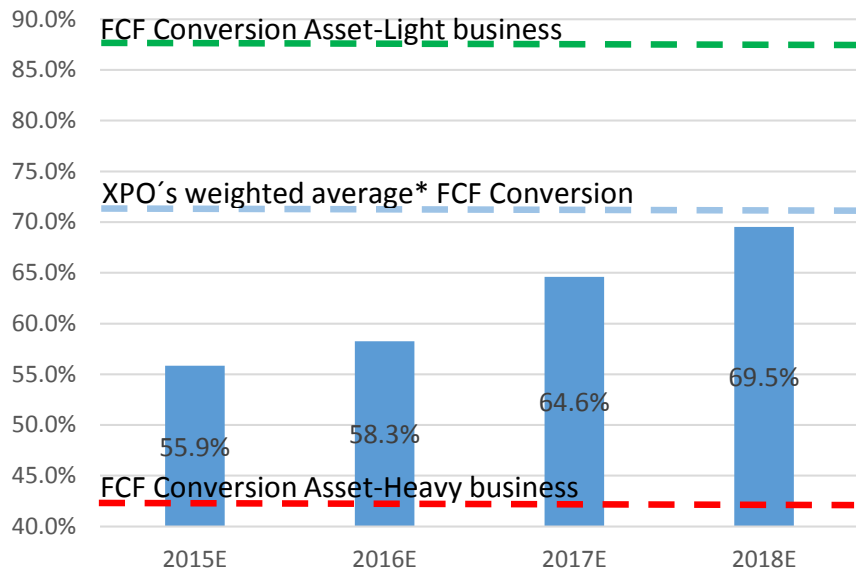
“This growth in revenue does not appear to have trickled down to the company's bottom line, displayed by a decline in earnings per share” – Sell-side report Sept. 14, 2015

“XPO shares have slumped in recent months on bottom-line miss. The net income has significantly decreased by 440.6% when compared to the same quarter one year ago” - Thestreet.com Sept. 17, 2015

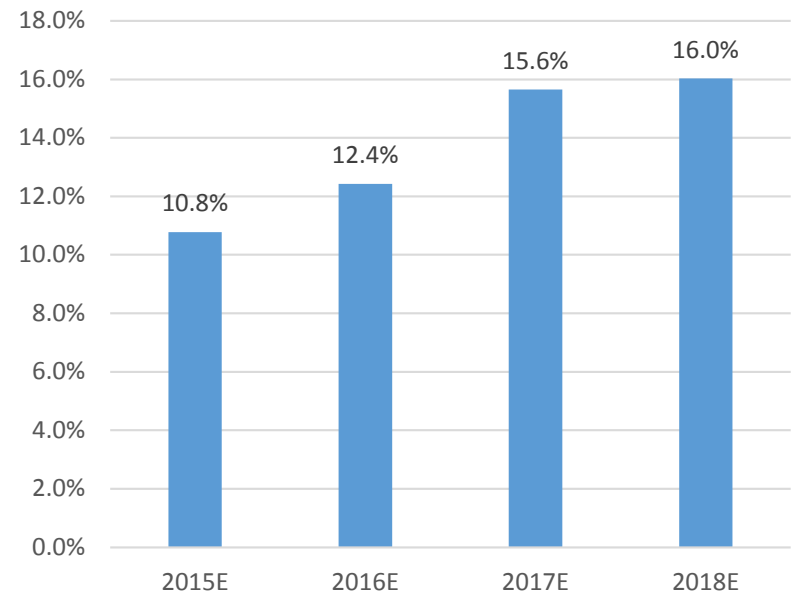
# Investment Thesis

## Thesis #4: One-time costs associated with acquisitions mask a profitable and attractive core business

### Free Cash Flow Conversion



### ROIC



XPO is now entering an “integration phase” in which organic revenue growth will translate into free cash flow generation and ROIC expansion. This will trigger a multiple re-rating and serve as a catalyst for the stock price.

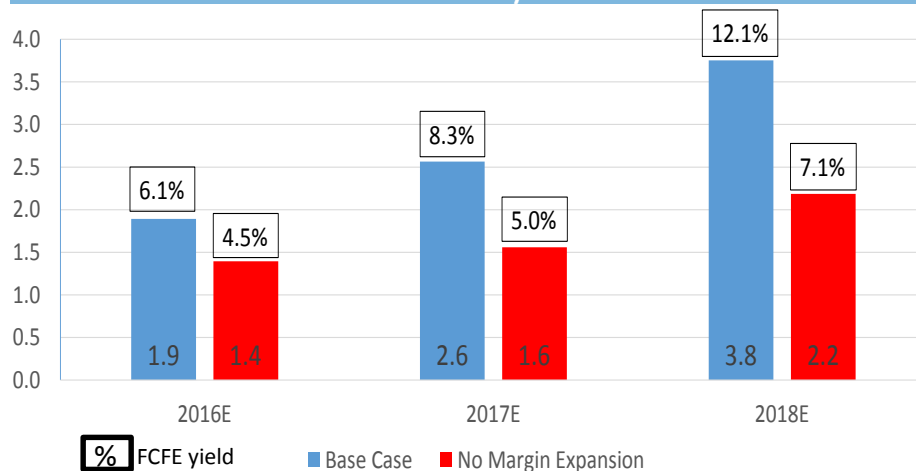
Note: Free Cash Flow Conversion defined as (EBITDA – Capex)/EBITDA and ROIC defined as (EBITDA – Capex – Working Capital – Taxes) / Invested Capital

\*Weighted by XPO’s EBITDA contribution from asset-light and asset heavy business

# Investment Thesis

## Thesis #5: Compelling valuations

### Free Cash Flow to Equity per fully diluted shares and FCFE yield



### Other valuation methods

Valuation Method	Base Case	No Margin Expansion	Bear Case
DCF	\$52.92	\$29.90	\$29.90
Sum-of-the-parts	\$46.45	\$33.85	\$25.05
<b>Price Target</b>	<b>\$49.68</b>	<b>\$31.88</b>	<b>\$27.47</b>
<b>Upside</b>	<b>60.6%</b>	<b>3.1%</b>	<b>-11.2%</b>
<b>Multiples (@ Market Price \$30.93)</b>			
EV to EBITDA 2016	8.97x	9.49x	9.49x
EV to EBITDA 2017	7.61x	8.87x	8.87x
EV to EBITDA 2018	6.33x	7.72x	7.72x
<b>Multiples (@ Price Target)</b>			
EV to EBITDA 2016	11.05x	9.60x	9.09x
EV to EBITDA 2017	9.37x	8.97x	8.49x
EV to EBITDA 2018	7.79x	7.81x	7.39x
	<b>3PL Providers</b>	<b>LTL Carriers</b>	<b>TL Carriers</b>
<b>Peers EV to fwd EBITDA multiple</b>	10.72x	5.85x	5.77x
<b>Weighted Average Multiple*</b>	<b>9.78x</b>		

The company's "low base scenario" expects a total EBITDA of \$1.25 billion and \$1.7 billion for 2016 and 2018, respectively. It assumes no further acquisitions, no cross-selling, and 200bps of EBITDA margin expansion on a consolidated basis.

**Based on XPO's core business quality and meaningful growth opportunities, we believe XPO should trade at least in line with its peers (weighted by XPO's EBITDA contribution from 3PL, LTL and TL).**

**Current market valuation, implies zero margin improvements, which we believe is overly pessimistic.**

**Our bear case assumes a 10% discount in multiples to this pessimistic zero margin improvement scenario.**

Our base case valuation for XPO is \$50/share (~60% upside). Our bear case valuation for XPO is \$27.5/share (~10% downside). This represents a ~6:1 upside-to-downside ratio.



## Key Risks

### “Uber of trucking”

- Startups aim to leverage drivers’ smartphones to quickly connect them with nearby companies looking to ship goods. If successful, it would disintermediate third-party brokers (XPO).
- **Mitigant:** XPO spent \$115 million and \$400 million in technology in 2014 and 2015E, respectively. VAR confirms XPO’s superior IT capabilities. “Mario Harik, the CIO, is a terribly talented guy. He is literally a genius IQ” – Former XPO employee.
- “We are likely to be the disrupter rather than the disrupted” – Bradley Jacobs

### Leverage and economic cycle

- XPO is running at 5.0x net debt to EBITDA 2015E and just added cyclical to its results with Con-way’s acquisition when the economic outlook is deteriorating.
- **Mitigant:** Asset-light business accounts for 77% of free cash flow. Highly cash-generative business allows deleverage to 3x in two years. Debt has no covenants.
- In the case of a recession, margin in brokerage and contract logistics increases (2009) and capex at the LTL business can be cut to zero (2009).

### Driver shortage

- A shortage in available drivers could limit XPO Freight’s to fully utilize the company’s fleet and pressure margins through wage increases.
- **Mitigant:** Real drivers problem is in the truckload business, not in LTL. TL driver turnover is 95% versus 12% in LTL. Annual driver compensation in the LTL industry is \$64,000 versus \$50,000 in TL\*. In addition, Con-way’s LTL drivers turnover is 7.5%, way below industry average (12%).

## Primary Research Sources

### Customer Calls

- 7 Calls with TL and LTL carrier customer service department
- Supply chain manager – Ikea

### Former employees and other Calls

- Call with former employee
- Calls with two industry consultant
- Call with competitor

### Investment Community Calls

- Call with Investor Relations – XPO Logistics
- Call with Investor Relations – C.H. Robinson
- Call with Investor Relations – Fedex
- Call with two buy-side analyst
- Calls with research analysts who cover the industry

Q&A

## Business Overview

## Company Summary

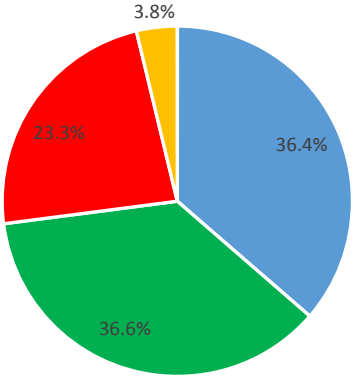
### Business Lines Description

Transportation Segment (Asset light)	<p><b>Freight Brokerage</b> –Connects shippers freight with carriers. Brokerage services are arranged through relationships with subcontracted carriers as well as vehicles that are owned and operated by independent contract drivers. It is a variable cost business. Freight brokerage net revenue is the spread between the price to the shipper and the cost of purchased transportation. XPO is #2 freight brokerage firm worldwide (#1 in Europe and #2 in North America).</p>
	<p><b>Intermodal</b> – Facilitates freight movements by rail, typically with truck components at both ends. XPO is #3 provider of intermodal services in North America.</p>
	<p><b>Expedited</b> – Provides time critical and high priority shipments via over the road contractors or air charters. XPO is #1 manager of expedited shipments in North America.</p>
	<p><b>Freight Forwarding</b> – Arranges domestic and international shipments, typically by air and ocean.</p>
	<p><b>Last Mile</b> - Arranges delivery and installation of heavy goods to residences and workplace. Customers include nearly all big-box retailers. XPO is the #1 last mile logistics provider for heavy goods in North America.</p>
Non Asset	<p><b>Contract Logistics</b> – Customized logistics, supply chain management solutions, warehousing, distribution, reverse logistics, freight audit and payments. Long term contracts and low cyclicalilty. Contracts are typically structured as either fixed-variable, cost-plus or gain-share. With the consolidation of <b>Menlo (Con-way’s subsidiary)</b>, XPO is the #2 contract logistics provider worldwide by square footage.</p>
Asset heavy	<p><b>XPO Freight</b> – Owns and operates North America’s second largest less-than-truckload (LTL) network. Also owns and operates Western Europe’s largest less-than-truckload (LTL) network. LTL shipments are priced according to the weight of the freight, its commodity class, and mileage within designated lanes.(19,000 owned tractors).</p> <p><b>Truck Load</b> - Owns and operates truckload (TL) network.</p>

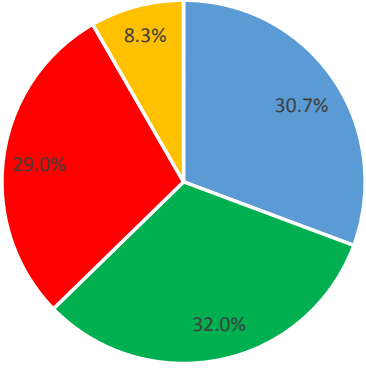
# Business Overview

## Company Summary

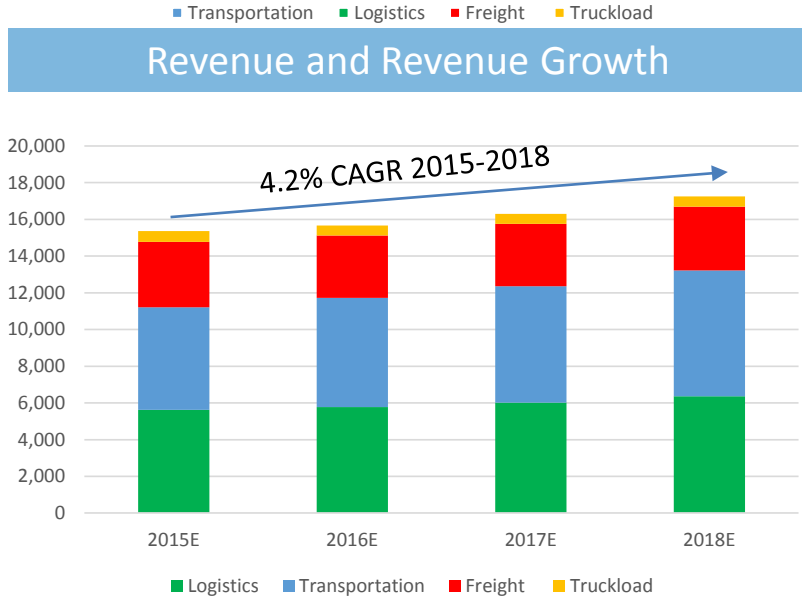
Revenue 2015E Breakdown



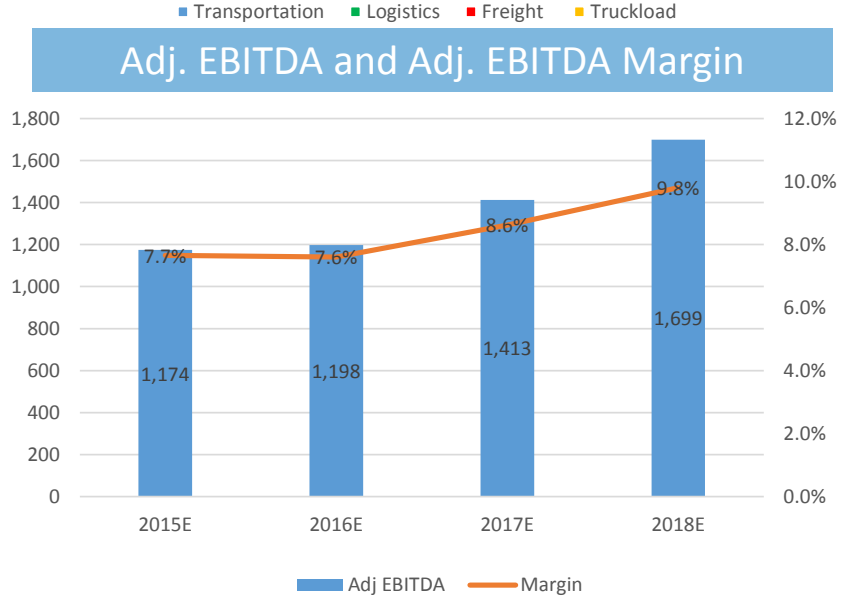
Adj. EBITDA 2015E Breakdown



Revenue and Revenue Growth



Adj. EBITDA and Adj. EBITDA Margin



Source: Our projections

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Adj. EBITDA 2016E (\$MM)	\$1,198
EV/EBITDA 2016	8.97x

### Share Price



### Stock Offering

Announced Date	Number of shares	Price	Amount raised (\$ Million)
23/3/2012	8,000,000	\$15.75	\$126
8/5/2013	9,694,027	\$22.75	\$221
1/27/2014	17,250,000	\$25.00	\$431
9/11/2014	22,831,050	\$30.66	\$700
6/1/2015	28,000,000	\$45.00	\$1,260

## XPO's growth strategy

### Acquisitions

Announced Date	Target	Business unit	Transaction terms	\$ Million				
				Price Paid (EV)	LTM Revenues	LTM EBITDA	Mg EBITDA	EV/EBITDA
5/15/2012	Continental Freight Services	Freight brokerage	Cash	\$4	\$22	\$1.0	4.5%	3.70x
8/15/2012	Kelron Logistics	Freight brokerage	Cash	\$80	\$100	\$7.0	7.0%	11.43x
10/15/2012	BirdDog Logistics	Freight brokerage	Cash	\$0	\$7	\$0.1	1.4%	3.00x
10/15/2012	Turbo Logistics	Freight brokerage	Cash	\$50	\$124	\$6.9	5.6%	7.25x
2/15/2013	East Coast Air Charter	Expedited Air	Cash	\$9	\$43	\$2.2	5.1%	4.23x
2/15/2013	Covered logistics	Freight brokerage	Cash	\$11	\$27	\$1.4	5.2%	7.86x
5/15/2013	Interide Logistics	Freight brokerage	Cash	\$4	\$28	\$0.7	2.5%	5.29x
6/15/2013	3PD, Inc	Last Mile (retail shippers)	Cash (then issued equity)	\$365	\$319	\$36.0	11.3%	10.14x
11/15/2013	Optima service Solutions	Last Mile	Cash	\$27	\$36	\$3.7	10.4%	7.19x
12/11/2013	NLM	Expedite (bidding platform)	Cash	\$87	\$23	\$9.8	41.9%	8.88x
1/6/2014	Pacer International, Inc	Intermodal service	2/3 Cash (issued equity) and 1/3 XPO shares	\$296	\$1,000	\$26.1	2.6%	11.34x
7/28/2014	Atlantic Central Logistics	Last Mile	Cash	\$37	\$63	\$6.2	9.8%	5.89x
7/29/2014	New Breed Holding	Contract Logistics	Cash (issued equity)	\$615	\$597	\$77.0	12.9%	7.99x
2/9/2015	UX Specialized Logistics	Last Mile	Cash	\$59	\$113	\$8.2	7.2%	7.20x
4/28/2015	Norbert Dentressangle	Contract Logistics and Transportation	Cash (issued equity)	\$3,530	\$5,500	\$388.0	7.1%	9.10x
6/1/2015	Bridge Terminal Transport	Intermodal service	Cash	\$100	\$232	\$12.4	5.3%	8.06x
9/9/2015	Con-Way	LTL/Freight Brokerage and Contract logistics	Cash	\$3,000	\$5,700	\$510.6	9.0%	5.88x
<b>Total</b>				<b>\$8,273</b>	<b>\$13,934</b>	<b>\$1,097</b>	<b>7.9%</b>	<b>7.54x</b>

XPO targets acquisitions that are a good strategic fit, with scalable business models, services that have cross-selling potential, and data that can be input into the Freight Optimizer to improve algorithms.



## XPO's cost saving plan

ND	Amount (\$ million)	Con-way	Amount (\$ million)
Lane and pricing optimization (XPO Freight Optimization)	\$25	Lane and pricing optimization (XPO Freight Optimization)	\$40
Shut down unprofitable business	\$35	Insource technology	\$40
Procurement (trucks and equipment, fuel, temporary labor, IT hardware, and office supplies)	\$45	Procurement (trucks and equipment, fuel, temporary labor, IT hardware, and office supplies)	\$50
Duplicative back-office and headcount	\$10	Duplicative back-office, headcount and public company costs	\$20
		Line-haul efficiency	\$10
		Shedding unprofitable business	\$40
<b>Total</b>	<b>\$115</b>	<b>Total</b>	<b>\$200</b>

“Very few things get me upset. But locations that lose money get me upset because we're not a non-profit organization.” – Bradley Jacobs, CEO. – Con-way acquisition conference call

“Unprofitable locations, unprofitable customers, unprofitable lanes, this should not be in our vocabulary” – Bradley Jacobs, CEO. – 3Q15 conference call

# Business Overview

## Competitor by business line

Contract Logistics	Last Mile	Expedited	Truck Brokerage
Ceva	J.B. Hunt	Fedex custom critical	C.H. Robinson
DHL	CRST Logistics	Panther	Landstar
Syncreon (Centerbridge)	AIT Worldwide Logistics	ArcBest	Total Quality Logistics
Genco (Fedex)	Fidelitone		Coyote logistics (UPS)
Neovia (Rhone)	MXD Group		Echo Global Logistics
UPS	Dynamex		J.B. Hunt Integrated Capacity Solutions
Kuehne + Nagel			Kuehne + Nagel
MIQ Logistics			DB Schenker
			MIQ Logistics

Intermodal	Freight Forwarding	LTL
Hub Group	Expeditors International	Fedex Freight
J.B. Hunt Integrated Capacity Solutions	DHL	YRC Worldwide
C.H. Robinson	Kuehne + Nagel	UPS Freight
	DB Schenker	ODFL
	Palpina	Saia
	Ceva	ABF Freight
	C.H. Robinson	ArcBest

# Business Overview

## Customer Sample



## Ownership Summary

<b>Main Shareholders</b>	<b># Shares</b>	<b>%*</b>
Bradley Jacobs	19,285,714	14.51%
Public Sector Pension Investment Board	13,637,746	10.26%
Orbis Investment Management	13,314,278	10.02%
GIC Private Limited	11,487,278	8.64%
Ontario Teachers' Pension Plan	7,706,021	5.80%
The Vanguard Group	5,519,394	4.15%
Executives & Directors	1,885,061	1.74%

## Valuation

# Valuation

## Discounted Cash Flow – Base Case

In Million USD	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
EBITDA	\$1,030	\$1,048	\$1,413	\$1,699	\$1,880	\$2,056	\$2,213	\$2,383
One Off	144	150	0	0	0	0	0	0
Adj. EBITDA	\$1,174	\$1,198	\$1,413	\$1,699	\$1,880	\$2,056	\$2,213	\$2,383
Mg. EBITDA	7.7%	7.6%	8.6%	9.8%	10.2%	10.4%	10.5%	10.5%
EBITDA Growth		2.0%	17.9%	20.3%	10.7%	9.3%	7.6%	7.7%
D&A	637	650	667	691	719	749	780	812
Over sales	4.2%	4.1%	4.1%	4.0%	3.9%	3.8%	3.7%	3.6%
CAPEX	518	500	500	518	546	576	607	642
Over sales	3.4%	3.2%	3.0%	3.0%	2.9%	2.9%	2.9%	2.8%
Total Net debt	5,800	5,323	4,647	3,858	3,021	2,121	1,427	1,262
Net Debt/EBITDA	4.9x	4.4x	3.3x	2.3x	1.6x	1.0x	0.6x	0.5x

In Million USD	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
Adj. EBITDA	1,174	1,198	1,413	1,699	1,880	2,056	2,213	2,383
(-) Capex	518	500	500	518	546	576	607	642
(-) Working Capital	70	70	96	141	176	190	205	221
(-) Taxes	72	17	145	251	322	390	453	517
<b>Free Cash Flow to Firm</b>	<b>514</b>	<b>611</b>	<b>672</b>	<b>789</b>	<b>837</b>	<b>900</b>	<b>947</b>	<b>1,004</b>

Exit Multiple **8.00x** 19,066

Total Cash Flow **611 672 789 837 900 947 20,070**

WACC **10%**

Discount factor 0.91 0.83 0.75 0.68 0.62 0.56 0.51

Discounted Cash Flow **556 556 593 572 559 535 10,299**

		Discount Rate					
		9.0%	9.5%	10.0%	10.5%	11.0%	
EV	13,669	7.00x	49.0	46.3	43.7	41.2	38.7
Net debt	5,800	7.50x	53.9	51.1	48.3	45.6	43.1
Int Min	836	8.00x	58.9	55.8	52.9	50.1	47.4
Mkt Cap	7,033	8.50x	63.8	60.6	57.5	54.6	51.7
Price Target	52.9	9.00x	68.7	65.3	62.1	59.0	56.0

# Valuation

## Discounted Cash Flow – No Margin Expansion scenario

In Million USD	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
EBITDA	\$1,030	\$982	\$1,212	\$1,391	\$1,497	\$1,613	\$1,738	\$1,874
One Off	144	150	0	0	0	0	0	0
Adj. EBITDA	\$1,174	\$1,132	\$1,212	\$1,391	\$1,497	\$1,613	\$1,738	\$1,874
Mg. EBITDA	7.7%	7.2%	7.4%	8.0%	8.1%	8.2%	8.2%	8.3%
EBITDA Growth		-3.6%	7.1%	14.8%	7.6%	7.7%	7.8%	7.8%
D&A	637	650	667	691	719	749	780	812
Over sales	4.2%	4.1%	4.1%	4.0%	3.9%	3.8%	3.7%	3.6%
CAPEX	518	500	500	518	546	576	607	642
Over sales	3.4%	3.2%	3.0%	3.0%	2.9%	2.9%	2.9%	2.8%
Total Net debt	5,800	5,389	4,842	4,249	3,652	3,026	2,367	2,131
Net Debt/EBITDA	4.9x	4.8x	4.0x	3.1x	2.4x	1.9x	1.4x	1.1x

In Million USD	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
Adj. EBITDA	1,174	1,132	1,212	1,391	1,497	1,613	1,738	1,874
(-) Capex	518	500	500	518	546	576	607	642
(-) Working Capital	70	70	96	141	176	190	205	221
(-) Taxes	72	17	73	139	179	221	267	317
<b>Free Cash Flow to Firm</b>	<b>514</b>	<b>545</b>	<b>543</b>	<b>593</b>	<b>597</b>	<b>626</b>	<b>659</b>	<b>695</b>

Exit Multiple **8.00x** 14,994

Total Cash Flow 545 543 593 597 626 659 15,688

WACC **10%**

Discount factor 0.91 0.83 0.75 0.68 0.62 0.56 0.51

Discounted Cash Flow 496 449 446 408 389 372 8,051

		Discount Rate					
		9.0%	9.5%	10.0%	10.5%	11.0%	
EV	10,610	7.00x	26.8	24.7	22.7	20.7	18.8
Net debt	5,800	7.50x	30.6	28.4	26.3	24.2	22.2
Int Min	836	8.00x	34.5	32.2	29.9	27.7	25.6
Mkt Cap	3,974	8.50x	38.4	35.9	33.5	31.2	29.0
Price Target	29.9	9.00x	42.2	39.6	37.1	34.7	32.4

## Comparables

Name	Market Cap	Enterprise Value	EV/EBITDA 2015	EV/EBITDA 2016
<b><u>Third-Party Logistics Provider (Asset lite)</u></b>				
C.H. Robinson Worldwide	9,627	10,574	11.52x	10.89x
Echo Global Logistics Inc	708	861	13.07x	9.50x
Expeditors International	8,967	7,993	10.43x	10.14x
Forward Air Corp.	1,397	1,448	10.42x	8.60x
Hub Group, Inc	1,373	1,313	10.12x	9.11x
Lasdstar System Inc	2,644	2,612	9.69x	9.18x
UTi Worldwide, Inc	737	1,252	15.94x	10.37x
Keuhne + Nagel International AG	16,173	15,704	15.25x	14.55x
Panalpina Welttransport	2,610	2,325	12.84x	10.33x
DSV A/S	48,703	54,138	15.19x	14.49x
<b>Average Third-Party Logistics Provider (Asset lite)</b>			<b>12.45x</b>	<b>10.72x</b>
<b><u>LTL Carriers</u></b>				
Saia Inc	586	663	4.38x	4.26x
Old Dominion Freight	5,314	5,488	8.20x	7.44x
<b>Average LTL Carries</b>			<b>6.29x</b>	<b>5.85x</b>
<b><u>TL Carriers</u></b>				
Knight Transportation Inc	2,050	2,159	7.23x	6.63x
Werner Enterprises Inc	1,865	1,894	4.83x	4.58x
Swift Transportation	2,173	3,547	5.62x	5.24x
Heartland Express	1,603	1,539	6.78x	6.62x
<b>Average TL Carriers</b>			<b>6.12x</b>	<b>5.77x</b>
<b>Weighted Average Multiple*</b>			<b>11.18x</b>	<b>9.78x</b>



## 3PL M&A Transactions

### M&A Activity August 2014 – November 2015 (Deals over \$100 million)

Acquirer	Target Company	Acquisition Date	Purchase Price (US\$M)	EBITDA Multiplier	Target Company Entity Type
Roadrunner Transportation Systems	Active Aero Group	8/27/2014	115	8.00x	Private
Norbert Dentressangle	Jacobson Companies	8/29/2014	750	9.80x	Private
XPO Logistics	New Breed Holding Company	9/2/2014	615	8.00x	Private
C.H. Robinson Worldwide	Freightquote.com	1/5/2015	365	10.70x	Private
FedEx	GENCO	1/30/2015	2,000	9.80x	Private
Radiant Logistics	Wheels Group	4/2/2015	79.8	12.70x	Public
Japan Post Holdings	Toll Holdings	5/28/2015	5,069	9.10x	Public
Kintetsu World Express	APL Logistics	5/29/2015	1,200	15.00x	Public
Echo Global Logistics	Command Transportation	6/1/2015	420	11.40x	Private
XPO Logistics	Bridge Terminal Transport Services	6/1/2015	100	8.10x	Private
XPO Logistics	Norbert Dentressangle	6/8/2015	3,530	9.10x	Public
Kuehne + Nagel	ReTrans	8/4/2015	180	10.00x	Private
United Parcel Service	Coyote Logistics	8/18/2015	1,800	15.00x	Private
XPO Logistics	Con-way	10/30/2015	3,000.0	5.88x	Public
GEODIS	OHL (Ozburn-Hessey Logistics)	11/3/2015	800	10.00x	Private
<b>Average</b>				<b>10.17x</b>	
<b>Average (exclusing Con-Way acquisition)</b>				<b>10.48x</b>	

# Valuation

## Sum-of-the-parts

### Base Case

<b>Business Unit</b>	<b>EBITDA 2017</b>	<b>Multiple</b>	<b>EV</b>
Tranportation	\$518.54	10.72x	5,557
Logistics	\$457.72	10.72x	4,905
Con-way Freight	\$402.49	5.85x	2,355
Con-way Truckload	\$96.01	5.77x	554
SG&A (Corporate)	(\$61.83)	9.1x	(\$561)
<b>EV</b>			<b>12,809</b>
Net debt			5,800
Minority Interest			836
Target Mkt Cap			6,174
<b>Price Target</b>			<b>46.4</b>

### No Margin Expansion Case

<b>Business Unit</b>	<b>EBITDA 2017</b>	<b>Multiple</b>	<b>EV</b>
Tranportation	\$467.59	10.72x	5,011
Logistics	\$407.72	10.72x	4,369
Con-way Freight	\$302.49	5.85x	1,770
Con-way Truckload	\$96.01	5.77x	554
SG&A (Corporate)	(\$61.83)	9.2x	(\$568)
<b>EV</b>			<b>11,135</b>
Net debt			5,800
Minority Interest			836
Target Mkt Cap			4,499
<b>Price Target</b>			<b>33.9</b>

## Appendix

## XPO Income Statement (Ex-Con-way) – Base Case

In Million USD	2012	2013	2014	9M15	2015E	2016E	2017E	2018E
<b>Transportation</b>								
Revenue	279	702	2,140	2,820	5,587	5,955	6,344	6,861
Growth (yoy)		152.1%	204.7%	91.1%	261.1%	6.6%	6.5%	8.1%
Gross profit	41	117	348	407	719	774	918	1,090
Gross margin	14.6%	16.7%	16.3%	14.4%	12.9%	13.0%	14.5%	15.9%
<b>Logistics</b>								
Revenue	0	0	217	1,494	3,973	4,207	4,455	4,717
Growth (yoy)						5.9%	5.9%	5.9%
Gross Profit	0	0	33	221	589	623	660	699
Gross Margin	0.0%	0.0%	15.4%	14.8%	14.8%	14.8%	14.8%	14.8%
<b>Gross Revenue</b>								
Gross Revenue	279	702	2,357	4,281	9,448	10,162	10,799	11,578
Growth (yoy)		152.1%	235.6%			7.6%	6.3%	7.2%
Gross Profit	41	117	382	628	1,307	1,397	1,578	1,789
Gross Margin	14.6%	16.7%	16.2%	14.7%	13.8%	13.7%	14.6%	15.5%
Total SG&A expense	69	170	423	619	1,130	1,143	1,210	1,245
Operating income	-28	-52	-41	10	176	254	368	543
EBIT Margin	-10.1%	-7.4%	-1.7%	0.2%	1.9%	2.5%	3.4%	4.7%
D&A	2.7	20.8	98.3	192	408	432	448	469
EBITDA	-25.6	-32	56.6	163	520	686	817	1,012
Transactions and integration costs	0	6.5	24.8	112	144	0	0	0
<b>Adj EBITDA</b>	<b>-25.6</b>	<b>-25.5</b>	<b>81.4</b>	<b>275</b>	<b>664</b>	<b>686</b>	<b>817</b>	<b>1,012</b>
<b>Margin</b>	<b>-9.2%</b>	<b>-3.6%</b>	<b>3.5%</b>	<b>6.4%</b>	<b>7.0%</b>	<b>6.7%</b>	<b>7.6%</b>	<b>8.7%</b>

## XPO Income Statement (Ex-Con-way) – No Margin expansion scenario

In Million USD	2012	2013	2014	9M15	2015E	2016E	2017E	2018E
<b>Transportation</b>								
Revenue	279	702	2,140	2,820	5,587	5,955	6,344	6,861
Growth (yoy)		152.1%	204.7%	91.1%	261.1%	6.6%	6.5%	8.1%
Gross profit	41	117	348	407	719	774	867	982
Gross margin	14.6%	16.7%	16.3%	14.4%	12.9%	13.0%	13.7%	14.3%
<b>Logistics</b>								
Revenue	0	0	217	1,494	3,973	4,207	4,455	4,717
Growth (yoy)						5.9%	5.9%	5.9%
Gross Profit	0	0	33	221	589	623	660	699
Gross Margin	0.0%	0.0%	15.4%	14.8%	14.8%	14.8%	14.8%	14.8%
<b>Gross Revenue</b>								
Gross Revenue	279	702	2,357	4,281	9,448	10,162	10,799	11,578
Growth (yoy)		152.1%	235.6%			7.6%	6.3%	7.2%
Gross Profit	41	117	382	628	1,307	1,397	1,527	1,681
Gross Margin	14.6%	16.7%	16.2%	14.7%	13.8%	13.7%	14.1%	14.5%
Total SG&A expense	69	170	423	619	1,130	1,143	1,210	1,245
Operating income	-28	-52	-41	10	176	254	317	436
EBIT Margin	-10.1%	-7.4%	-1.7%	0.2%	1.9%	2.5%	2.9%	3.8%
D&A	2.7	20.8	98.3	192	408	432	448	469
EBITDA	-25.6	-32	56.6	163	520	686	766	904
Transactions and integration costs	0	6.5	24.8	112	144	0	0	0
<b>Adj EBITDA</b>	<b>-25.6</b>	<b>-25.5</b>	<b>81.4</b>	<b>275</b>	<b>664</b>	<b>686</b>	<b>766</b>	<b>904</b>
<b>Margin</b>	<b>-9.2%</b>	<b>-3.6%</b>	<b>3.5%</b>	<b>6.4%</b>	<b>7.0%</b>	<b>6.7%</b>	<b>7.1%</b>	<b>7.8%</b>

## Con-way Income Statement – Base Case

In Million USD	2012	2013	2014	2015E	2016E	2017E	2018E
<b>Freight</b>							
Total Revenues	3,393	3,466	3,632	3,576	3,397	3,397	3,465
Operating income (loss)	144	146	210	212	211	270	305
EBITDA	268	281	361	351	344	402	440
Margin EBITDA	7.9%	8.1%	9.9%	9.8%	10.1%	11.8%	12.7%
<b>Logistics</b>							
Total Revenues	1,726	1,540	1,718	1,644	1,562	1,562	1,647
Operating income (loss)	45	23	27	33	48	73	125
EBITDA	52	31	38	41	57	82	133
Margin EBITDA	3.0%	2.0%	2.2%	2.5%	3.6%	5.2%	8.1%
<b>Truckload</b>							
Total Revenues	636	637	632	578	549	549	554
Operating income (loss)	45	39	41	37	35	35	35
EBITDA	115	113	110	101	96	96	97
Margin EBITDA	18.1%	17.8%	17.4%	17.5%	17.5%	17.5%	17.5%
<b>Consolidated</b>							
Total Revenues	5,812	5,722	6,060	5,886	5,596	5,596	5,755
One time Con-way integration	0	0	0	0	150	0	0
Operating income (loss)	229	209	268	281	144	378	465
Adj. EBITDA	444	438	511	510	512	596	687
Margin EBITDA	7.6%	7.7%	8.4%	8.7%	9.2%	10.7%	11.9%

## Con-way Income Statement – No Margin Expansion scenario

In Million USD	2012	2013	2014	2015E	2016E	2017E	2018E
<b>Freight</b>							
Total Revenues	3,393	3,466	3,632	3,576	3,397	3,397	3,465
Operating income (loss)	144	146	210	212	170	170	205
EBITDA	268	281	361	351	302	302	340
Margin EBITDA	7.9%	8.1%	9.9%	9.8%	8.9%	8.9%	9.8%
<b>Logistics</b>							
Total Revenues	1,726	1,540	1,718	1,644	1,562	1,562	1,647
Operating income (loss)	45	23	27	33	23	23	25
EBITDA	52	31	38	41	32	32	33
Margin EBITDA	3.0%	2.0%	2.2%	2.5%	2.0%	2.0%	2.0%
<b>Truckload</b>							
Total Revenues	636	637	632	578	549	549	554
Operating income (loss)	45	39	41	37	35	35	35
EBITDA	115	113	110	101	96	96	97
Margin EBITDA	18.1%	17.8%	17.4%	17.5%	17.5%	17.5%	17.5%
<b>Consolidated</b>							
Total Revenues	5,812	5,722	6,060	5,886	5,596	5,596	5,755
One time Con-way integration	0	0	0	0	150	0	0
Operating income (loss)	229	209	268	281	78	228	265
Adj. EBITDA	444	438	511	510	446	446	487
Margin EBITDA	7.6%	7.7%	8.4%	8.7%	8.0%	8.0%	8.5%

## Consolidated Income Statement – Base Case

In Million USD	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
<b>Transportation</b>								
Revenue	5,587	5,955	6,344	6,861	7,424	8,036	8,703	9,430
Growth (yoy)	261.1%	6.6%	6.5%	8.1%	8.2%	8.2%	8.3%	8.3%
<b>Logistics</b>								
Revenue	3,973	4,207	4,455	4,717	4,995	5,289	5,601	5,932
Growth (yoy)	0.0%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%
<b>Freight</b>								
Total Revenues	3,576	3,397	3,397	3,465	3,603	3,748	3,898	4,053
Growth (yoy)	-1.6%	-5.0%	0.0%	2.0%	4.0%	4.0%	4.0%	4.0%
<b>Menlo</b>								
Total Revenues	1,644	1,562	1,562	1,647	1,829	2,030	2,253	2,501
Growth (yoy)	-4.3%	-5.0%	0.0%	5.5%	11.0%	11.0%	11.0%	11.0%
<b>Truckload</b>								
Total Revenues	578	549	549	554	565	577	588	600
Growth (yoy)	-8.5%	-5.0%	0.0%	1.0%	2.0%	2.0%	2.0%	2.0%
<b>Consolidated</b>								
<b>Total Revenues</b>	<b>15,334</b>	<b>15,758</b>	<b>16,395</b>	<b>17,333</b>	<b>18,504</b>	<b>19,768</b>	<b>21,131</b>	<b>22,604</b>
Growth (yoy)		2.8%	4.0%	5.7%	6.8%	6.8%	6.9%	7.0%
Transaction and integration One Off	144	150	0	0	0	0	0	0
EBIT	457	398	746	1,008	1,161	1,307	1,433	1,571
Mg. EBIT	3.0%	2.5%	4.6%	5.8%	6.3%	6.6%	6.8%	6.9%
Interest expenses	360	360	331	290	242	191	137	95
Earning before taxes	97	38	415	718	919	1,115	1,296	1,476
Tax	72	17	145	251	322	390	453	517
Net income	25	21	270	467	597	725	842	959
Net margin	0.2%	0.1%	1.6%	2.7%	3.2%	3.7%	4.0%	4.2%
EPS	0.2	0.2	2.0	3.5	4.5	5.5	6.3	7.2
EPS Growth	0.0%	-16.4%	1188.1%	73.1%	27.9%	21.4%	16.2%	13.9%
Adj. EBITDA	1,174	1,198	1,413	1,699	1,880	2,056	2,213	2,383
Mg. EBITDA	7.7%	7.6%	8.6%	9.8%	10.2%	10.4%	10.5%	10.5%
EBITDA Growth	0.0%	2.0%	17.9%	20.3%	10.7%	9.3%	7.6%	7.7%
Total Net debt	5,800	5,323	4,647	3,858	3,021	2,121	1,427	1,262
Net Debt/EBITDA	4.94x	4.44x	3.29x	2.27x	1.61x	1.03x	0.64x	0.53x



## Consolidated Income Statement – No Margin Expansion scenario

In Million USD	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
<b>Transportation</b>								
Revenue	5,587	5,955	6,344	6,861	7,424	8,036	8,703	9,430
Growth (yoy)	261.1%	6.6%	6.5%	8.1%	8.2%	8.2%	8.3%	8.3%
<b>Logistics</b>								
Revenue	3,973	4,207	4,455	4,717	4,995	5,289	5,601	5,932
Growth (yoy)	0.0%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%	5.9%
<b>Freight</b>								
Total Revenues	3,576	3,397	3,397	3,465	3,603	3,748	3,898	4,053
Growth (yoy)	-1.6%	-5.0%	0.0%	2.0%	4.0%	4.0%	4.0%	4.0%
<b>Menlo</b>								
Total Revenues	1,644	1,562	1,562	1,647	1,829	2,030	2,253	2,501
Growth (yoy)	-4.3%	-5.0%	0.0%	5.5%	11.0%	11.0%	11.0%	11.0%
<b>Truckload</b>								
Total Revenues	578	549	549	554	565	577	588	600
Growth (yoy)	-8.5%	-5.0%	0.0%	1.0%	2.0%	2.0%	2.0%	2.0%
<b>Consolidated</b>								
<b>Total Revenues</b>	<b>15,334</b>	<b>15,758</b>	<b>16,395</b>	<b>17,333</b>	<b>18,504</b>	<b>19,768</b>	<b>21,131</b>	<b>22,604</b>
Growth (yoy)		2.8%	4.0%	5.7%	6.8%	6.8%	6.9%	7.0%
Transaction and integration One Off	144	150	0	0	0	0	0	0
EBIT	457	332	545	701	778	863	958	1,062
Mg. EBIT	3.0%	2.1%	3.3%	4.0%	4.2%	4.4%	4.5%	4.7%
Interest expenses	360	360	336	303	267	232	195	155
Earning before taxes	97	-28	210	398	511	632	763	906
Tax	72	17	73	139	179	221	267	317
Net income	25	-45	136	259	332	411	496	589
Net margin	0.2%	-0.3%	0.8%	1.5%	1.8%	2.1%	2.3%	2.6%
EPS	0.2	-0.3	1.0	1.9	2.5	3.1	3.7	4.4
EPS Growth				89.8%	28.4%	23.7%	20.8%	18.8%
Adj. EBITDA	1,174	1,132	1,212	1,391	1,497	1,613	1,738	1,874
Mg. EBITDA	7.7%	7.2%	7.4%	8.0%	8.1%	8.2%	8.2%	8.3%
EBITDA Growth	0.0%	-3.6%	7.1%	14.8%	7.6%	7.7%	7.8%	7.8%
Total Net debt	5,800	5,389	4,842	4,249	3,652	3,026	2,367	2,131
Net Debt/EBITDA	4.94x	4.76x	4.00x	3.05x	2.44x	1.88x	1.36x	1.14x

## Appendix

### Consolidated Cash Flow Statement – Base Case

In Million USD	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
EBITDA	\$1,030	\$1,048	\$1,413	\$1,699	\$1,880	\$2,056	\$2,213	\$2,383
One Off	144	150	0	0	0	0	0	0
Adj. EBITDA	\$1,174	\$1,198	\$1,413	\$1,699	\$1,880	\$2,056	\$2,213	\$2,383
Mg. EBITDA	7.7%	7.6%	8.6%	9.8%	10.2%	10.4%	10.5%	10.5%
EBITDA Growth		2.0%	17.9%	20.3%	10.7%	9.3%	7.6%	7.7%
D&A	637	650	667	691	719	749	780	812
Over sales	4.2%	4.1%	4.1%	4.0%	3.9%	3.8%	3.7%	3.6%
CAPEX	518	500	500	518	546	576	607	642
Over sales	3.4%	3.2%	3.0%	3.0%	2.9%	2.9%	2.9%	2.8%
Total Net debt	5,800	5,323	4,647	3,858	3,021	2,121	1,427	1,262
Net Debt/EBITDA	4.9x	4.4x	3.3x	2.3x	1.6x	1.0x	0.6x	0.5x

In Million USD	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
Adj. EBITDA	1,174	1,198	1,413	1,699	1,880	2,056	2,213	2,383
(-) Capex	518	500	500	518	546	576	607	642
(-) Working Capital	70	70	96	141	176	190	205	221
(-) Taxes	72	17	145	251	322	390	453	517
<b>Free Cash Flow to Firm</b>	<b>514</b>	<b>611</b>	<b>672</b>	<b>789</b>	<b>837</b>	<b>900</b>	<b>947</b>	<b>1,004</b>
(-) Interest expenses	360	360	331	290	242	191	137	95
<b>Free Cash Flow to Equity</b>	<b>154</b>	<b>251</b>	<b>341</b>	<b>499</b>	<b>595</b>	<b>709</b>	<b>810</b>	<b>909</b>
FCFE per FD share	1.2	1.9	2.6	3.8	4.5	5.3	6.1	6.8

## Appendix

### Consolidated Cash Flow Statement – No Margin Expansion scenario

In Million USD	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
EBITDA	\$1,030	\$982	\$1,212	\$1,391	\$1,497	\$1,613	\$1,738	\$1,874
One Off	144	150	0	0	0	0	0	0
Adj. EBITDA	\$1,174	\$1,132	\$1,212	\$1,391	\$1,497	\$1,613	\$1,738	\$1,874
Mg. EBITDA	7.7%	7.2%	7.4%	8.0%	8.1%	8.2%	8.2%	8.3%
EBITDA Growth		-3.6%	7.1%	14.8%	7.6%	7.7%	7.8%	7.8%
D&A	637	650	667	691	719	749	780	812
Over sales	4.2%	4.1%	4.1%	4.0%	3.9%	3.8%	3.7%	3.6%
CAPEX	518	500	500	518	546	576	607	642
Over sales	3.4%	3.2%	3.0%	3.0%	2.9%	2.9%	2.9%	2.8%
Total Net debt	5,800	5,389	4,842	4,249	3,652	3,026	2,367	2,131
Net Debt/EBITDA	4.9x	4.8x	4.0x	3.1x	2.4x	1.9x	1.4x	1.1x

In Million USD	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
Adj. EBITDA	1,174	1,132	1,212	1,391	1,497	1,613	1,738	1,874
(-) Capex	518	500	500	518	546	576	607	642
(-) Working Capital	70	70	96	141	176	190	205	221
(-) Taxes	72	17	73	139	179	221	267	317
<b>Free Cash Flow to Firm</b>	<b>514</b>	<b>545</b>	<b>543</b>	<b>593</b>	<b>597</b>	<b>626</b>	<b>659</b>	<b>695</b>
(-) Interest expenses	360	360	336	303	267	232	195	155
<b>Free Cash Flow to Equity</b>	<b>154</b>	<b>185</b>	<b>207</b>	<b>291</b>	<b>330</b>	<b>395</b>	<b>464</b>	<b>539</b>
FCFE per FD share	1.2	1.4	1.6	2.2	2.5	3.0	3.5	4.1

