



Radiant Logistics

Small Fish Big Pond

Phillip Harabarovici

10/24/2019

Radiant Logistics: RLGT



Target Return 20%

- Entry Price: \$5.24
- Target Price: \$6.29
- Market Cap: \$277M
- Likely WACC: 11.20%
- Probability of Upside: 85%
- Credit Rating: BBB

Company Description



- Low – Asset Base Business Model
- Third-Party Logistics Services
- Multi-Modal Transportation Services

Strategy



- Organic Growth
 - Enhancements to: back-office infrastructure, transportation management, accounting system
 - Strengthening and expanding new customer relationships
 - Organic build-out of network of strategic operating partner locations
- Acquisitions
 - Quickly increase service density in fragmented areas
 - Smaller companies than those targets of larger public companies
- Operations
 - Leverage the People, Process, and Technology Available through Central Platform
 - Develop and Maintain Strong Customer Relationships

Earnings Call – Explaining New Tech Initiatives

- Expansion of new SAP – based Transportation Management System
- SAP production environment to Amazon's cloud computing platform
- New Customer Portal
 - Online booking
 - Event-Based tracking through SAP-TM

Management Team



Bohn Crain
*Founder,
Chairman,
& CEO*



Todd Macomber
*SVP, CFO, and
Treasurer*



Arnie Goldstein
SVP and CCO



John Sobba
*SVP, General
Counsel & Secretary*



Joe Bento
*SVP and COO,
Forwarding*



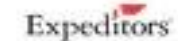
Tim Boyce
*SVP and COO,
U.S. Brokerage*



Harry Smit
*SVP and Country
Manager, Canada*



Mark Rowe
*SVP of Technology
Solutions*



Earnings Call Question – Explaining Business Situation

- Exiting certain low-margin pieces of business, replace with higher pieces of business
- Investments made in technology and back-office infrastructure
- Grow gross margin dollars without growing back-office cost
- Increasing scale to get more gross margin dollars to bottom line

Earnings Call Question – Explaining Business Situation

- Industry vertical approach delivers positive results – continue to look for additional industry verticals
- For investors – a 4% to 6% growth in gross margin dollars is reasonable
- Grow EBITDA at twice that

Earnings Call Question – Explaining Canada

- Canada organization (acquisition of Wheels – 75 million)
outperforming when acquired
- Looking to continue a better integration of Canada using Technology –
Continue lowering General & Admin costs

Earnings Call – Explaining Leverage



- De-levered our balance sheet in the summer of 2015 when we did our public secondary
- Intrinsic value of business at least 10x to 12x multiple (EBITDA to EV)
 - Compared to 6 currently
- Continues to focus on smaller “tuck in” acquisitions instead of more dilutive larger ones
- Normalized funded debt to EBITDA ratio of +/- 3x

Earnings Call Question – Explaining Depreciation of Intangibles

- GAAP basis of the amortization of customer relationship intangibles
- Larger type acquisitions wouldn't show gradual growth because of this amortization
- “False negative relative to the underlying financial enterprise that we're building here”

Intangible Assets



- Intangible assets consist of customer related intangible assets, trade names and trademarks, and non-compete agreements arising from our acquisitions.
- Customer related intangible assets are amortized using the straight-line method over a period of up to 10 years,
- Trademarks and trade names are amortized using the straight-line method over 15 years
- Non-compete agreements are amortized using the straight-line method over the term of the underlying agreements.

Key Statistics



COMPELLING DIVERSITY OF NET REVENUE BY SERVICE OFFERING

NET REVENUE

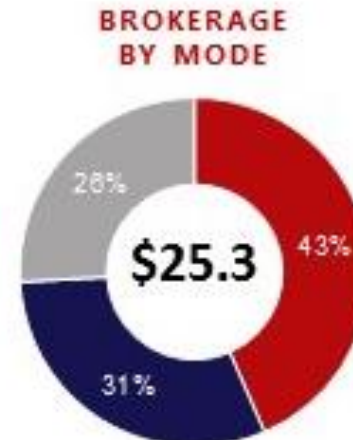
For the Fiscal Year Ending 2018
(\$ in millions)



■ Freight Forwarding
■ Brokerage
■ Value-Added Services



■ Domestic
■ International



■ Intermodal
■ Truckload
■ Less-Than-Truckload



■ Materials Management & Distribution
■ Customs House Brokerage
■ Consulting / Other

Radiant Logistics Announces Results For The Fourth Fiscal Quarter And Year Ended June 30, 2019

Reports record annual results with revenues of \$890.5 Million, up \$48.1 million or 5.7%; Net revenues of \$230.1 million, up \$30.0 million or 15.0%; and Adjusted EBITDA of \$40.8 million, up \$11.6 million or 39.7%

KEY STATISTICS

\$919.7M

Gross Revenue
TTM 03/31/19

\$230.8M

Net Revenue
TTM 03/31/19

\$39.7M

Adj. EBITDA
TTM 03/31/19

17.9%

2016-2019E
EBITDA CAGR

100+

Agent Stations

20+

Company-Owned
Locations

18

Completed
Acquisitions

Key Statistics



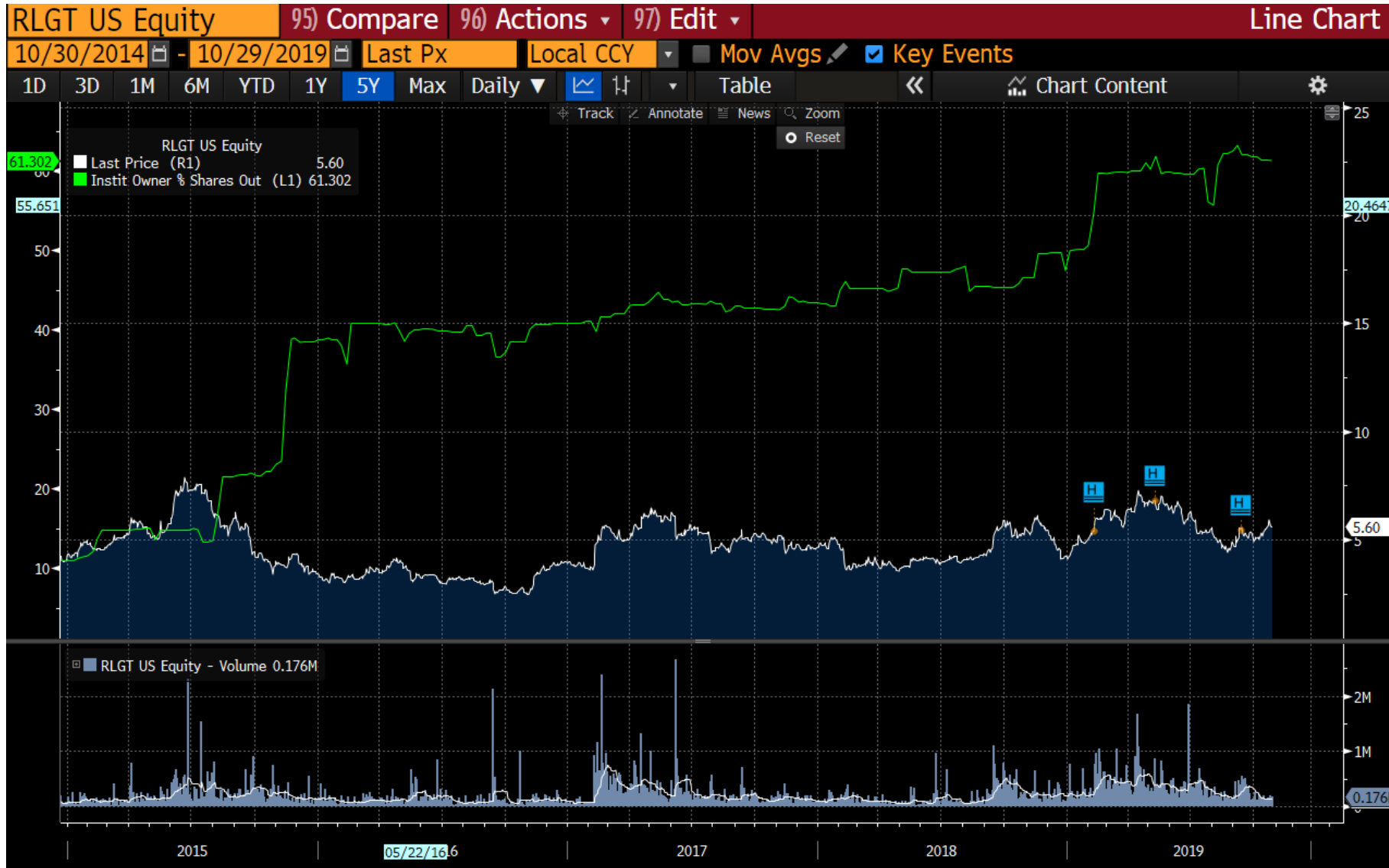
In Millions of USD		2016 Y	2017 Y	2018 Y	2019 Y
12 Months Ending		06/30/2016	06/30/2017	06/30/2018	06/30/2019
Market Capitalization		146.6	264.1	193.2	304.5
- Cash & Equivalents		4.8	5.8	7.0	5.4
+ Preferred & Other		21.1	21.0	21.1	0.2
+ Total Debt		31.3	40.4	46.9	36.6
Enterprise Value		194.2	319.7	254.3	335.9
Revenue, Adj		782.5	777.6	842.4	890.5
Growth %, YoY		55.7	-0.6	8.3	5.7
Gross Profit, Adj		102.2	194.6	202.4	230.1
Margin %		13.1	25.0	24.0	25.8
EBITDA, Adj		25.1	29.5	27.6	39.8
Margin %		3.2	3.8	3.3	4.5
Net Income, Adj		3.8	3.9	8.1	13.6
Margin %		0.5	0.5	1.0	1.5
EPS, Adj		0.08	0.08	0.16	0.27
Growth %, YoY		-20.4	2.3	101.0	67.4
Cash from Operations		21.4	14.9	4.8	39.8
Capital Expenditures		-3.7	-4.9	-5.7	-6.4
Free Cash Flow		17.7	9.9	-1.0	33.4

Comparable Competitors



Equity Fields	Radiant Logistics Inc				Bloomberg Peers			S&P 500	
Overview	Current	Est 1Y	1Y Ago	5Y Avg	Current	Pctl	Est 1Y	Current	Pctl
11) Valuation									
12) Price/T12M EPS	20.86	11.60	25.77	29.34	20.50	68%	18.38	20.03	53%
13) PEG Ratio	0.35	N.A.	0.32	0.50	0.77	21%	2.17	3.02	12%
14) Price/T12M Sales	0.31	0.31	0.30	0.29	0.94	12%	0.95	2.19	1%
15) Price/T12M Cashflow	6.96	N.A.	23.19	20.62	8.52	32%	10.24	14.60	16%
16) EV/T12M EBITDA	7.77	6.87	10.64	11.41	9.16	41%	9.72	13.88	13%
17) Growth									
18) Sales Gr T12M	5.71	-0.48	10.62	28.14	6.58	46%	2.76	6.15	55%
19) EPS Gr T12M	59.87	4.26	79.38	57.17	15.48	96%	4.05	6.63	92%
20) Bal Sheet & CF									
21) Tot Debt/Equity	28.80	33.42	40.20	38.34	41.96	32%	39.47	123.97	13%
22) Cash Div Coverage	N.A.	N.A.	N.A.	N.A.	3.90	N.A.	5.05	2.14	N.A.
23) Profitability									
24) Gross Margin	25.84	26.20	24.40	21.14	18.93	68%	18.48	44.03	22%
25) Operating Margin	2.78	1.87	1.83	1.84	6.29	21%	5.67	12.80	6%
26) T12M ROE	12.82	8.79	9.66	9.13	16.33	41%	22.16	15.56	40%
27) Risk & Return									
28) Total Return 1Y	5.26	N.A.	N.A.	N.A.	7.45	29%	N.A.	16.64	28%
29) Beta 2 Years	1.13	N.A.	N.A.	N.A.	1.02	79%	N.A.	N.A.	74%
Bloomberg Peers Pctl	90% or above		10% or below						

Institutional Investors – Large Stake



CEO & Founder Crain Bohn
20% Ownership

BlackRock
5.77% Ownership

Dimensional Fund Advisors
4.38% Ownership

Essex Small Growth



ANNUALIZED PERFORMANCE (%)

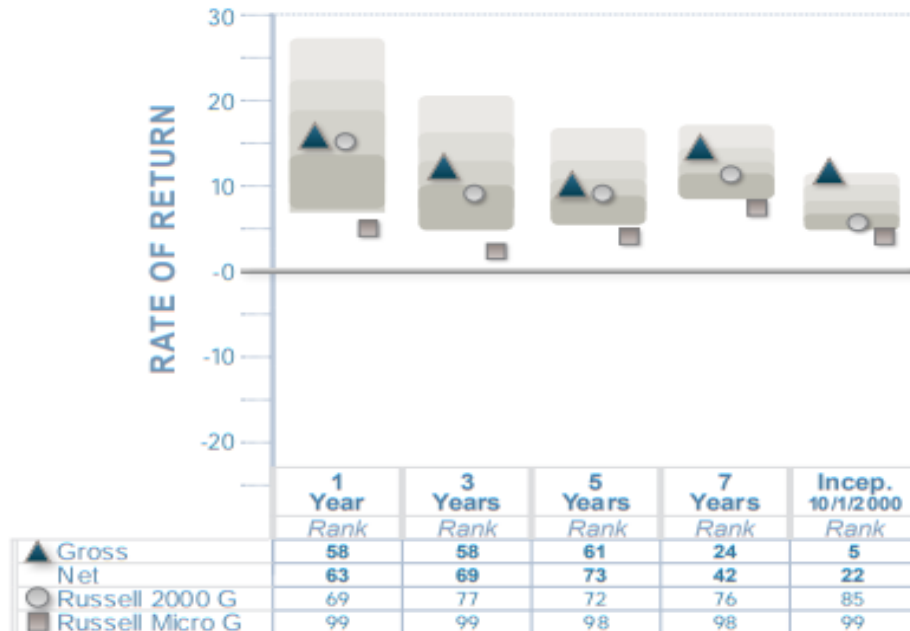
	3Q 2019	1 Yr.	3 Yrs.	5 Yrs.	7 Yrs.	10 Yrs.	Incep. 10/1/2000
Essex - Gross	-2.57	-7.76	12.06	10.04	14.59	13.44	11.20
Essex - Net	-2.82	-8.69	10.96	8.95	13.46	12.32	10.10
Russell 2000 Growth	-4.17	-9.63	9.79	9.08	11.43	12.25	5.43
Russell Micro Cap Growth	-10.05	-21.34	2.10	4.01	7.56	8.82	3.79

Source: eVestment Analytics

PEER GROUP COMPARISON

Universe = eVestment US Small Cap Growth Equity

Source: eVestment Analytics



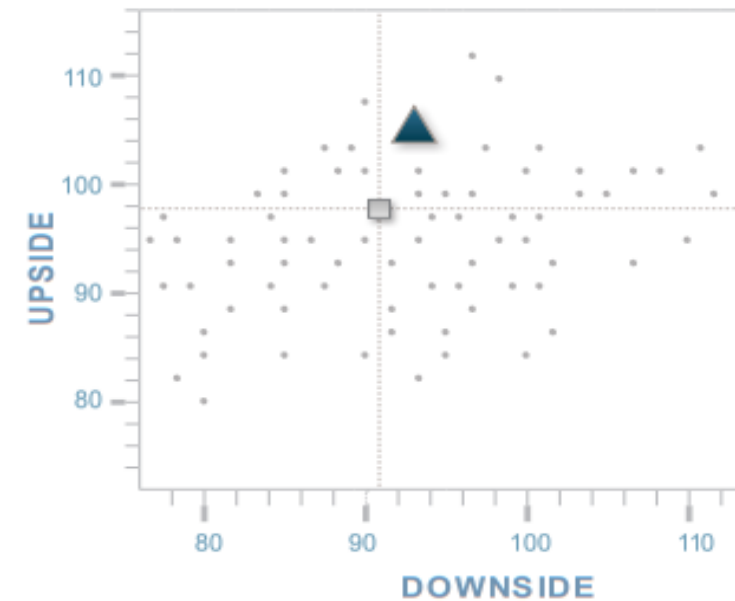
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MARKET CAPTURE

7 Years

Universe = eVestment US Small Cap Growth Equity

Source: eVestment Analytics



Acquisitions



Historical Acquisitions				Select Region & Sector to Filter Deal List			
Target Region	Deal Value	↑	Count	Target Sector	Deal Value	↑	Count
11) North America	>	143.1M	16	31) All	>	143.1M	16
12) Canada		71.9M	2	32) Consumer Cycl		71.9M	1
13) United States		71.2M	14	33) Industrial		71.2M	13
				34) Consumer Ncycl			2

Announce Date	↓ Target Name	Acquirer Name	Announced Total Value (mil.)	Payment Type	Deal Status
21) 09/05/2017	Sandifer Border Transport & Logistics Ltd	Radiant Logistics Inc		Undisclosed	Completed
22) 06/01/2017	Dedicated Logistics Technologies Inc	Radiant Logistics Inc		Undisclosed	Completed
23) 01/05/2017	Lomas Logistics	Radiant Logistics Inc		Undisclosed	Completed
24) 11/02/2015	Copper Logistics Inc	Radiant Logistics Inc		Undisclosed	Completed
25) 06/09/2015	Highways & Skyways Transportation LLC	Radiant Logistics Inc		Undisclosed	Completed
26) 06/08/2015	Service By Air Inc	Radiant Logistics Inc	12.00	Cash	Completed
27) 01/20/2015	Wheels Group Inc	Radiant Logistics Inc	71.93	Cash or Stock	Completed
28) 12/15/2014	Don Cameron and Associates Inc	Radiant Logistics Inc		Undisclosed	Completed
29) 09/02/2014	Trans-NET Inc	Radiant Logistics Inc		Cash and Stock	Completed
30) 10/01/2013	On Time Express Inc	Radiant Logistics Inc	20.00	Cash and Stock	Completed
31) 01/02/2013	International Freight Systems of Oregon Inc	Radiant Logistics Inc		Undisclosed	Completed
32) 11/01/2012	Marvir Logistics Inc	Radiant Logistics Inc		Undisclosed	Completed
33) 02/27/2012	ALBS Logistics Inc	Radiant Logistics Inc		Undisclosed	Completed
34) 11/15/2011	Isla International Ltd	Radiant Logistics Inc	15.00	Cash and Stock	Completed
35) 03/29/2011	DBA Distribution Services Inc	Radiant Logistics Inc	10.20	Cash and Debt	Completed
36) 01/11/2006	Radiant Global Logistics Inc	Radiant Logistics Inc	14.00	Cash and Stock	Completed

Risks



- Low – Volume and higher volatility – add from Bloomberg
- Amortization of intangible assets
 - Earnings negatively affected
 - Statements show intangible assets are diminishing in value, even if acquired businesses are increasing in value
- Operate with significant amount of indebtedness
 - Secured by assets, and impose restrictive covenants on acquisitions
- Dependent on seasonal trends
 - First and fourth fiscal quarters are traditionally weaker
 - Tied to customer's own consumer demand

Advantages

- Non-asset based business model
- Offer significant advantages to our strategic operating partners
- Lower-risk operation of network of strategic operating partners
- Diverse customer base
- Global network of transportation providers
- Sourcing and managing transportation
- Value-added services

Proposal



Bjorklund Fund

RLGT

Radiant Logistics, Inc.

Symbol: RLGT

Analyst

Phillip Harabarovici

Buy below

\$5.24

Sell above

\$6.69

Probability of Price Increase

85%

Last Price

\$5.64

Intrinsic Value

\$5.58

Target Dividends

\$0.00

Target Price

\$6.29

Next earnings date November 8, 2019

