BEAR STEARNS

Equity Research
Basic Industry

Truckload Industry

The Whole Trucking Story

The Next Upturn (When It Arrives) Looks Promising

- **INITIATION OF COVERAGE ON SIX TRUCKLOAD (TL) STOCKS AND A LOOK AT TL FUNDAMENTALS.** We have launched coverage of six TL players with an underweight bias on the group based on timing and valuation — specifically, the recent run-up in TL stock prices and general concerns regarding what we believe will be a sustained economic downturn lasting well into 2002. Longer term, the prognosis is positive, as we expect the next upcycle for the sector to be stronger and longer than past cycles. The upturn should be bolstered by greater consolidation — we anticipate a shakeout of smaller players due to higher fuel and insurance costs — and a long-term weak used truck market, as well as the current (and historically) soft demand environment.

- **EARLY CYCLICALS.** Typically, the TL providers, which move freight in shipments over 10,000 pounds (and generally closer to 20,000 lbs), are early economic indicators of both downturns and upturns. Accordingly, we would expect them to 1) experience easier comparisons during 2001 and 2002 than other firms entering the slowdown later and 2) be leading indicators out of the downturn as manufacturers and retailers build up inventory positions again.

- **GENERALLY, STOCKS REMAIN AHEAD OF THEMSELVES.** The Bear Stearns TL index is up 78% since October 1, 2000, and 29% year to date (versus the S&P 500, down 15% and 8%, respectively, for those periods). It appears that the market is predicting an improvement in operations. But how long will it take for operating results to improve, how much upside is already factored into the stocks, and will investors stick around to wait for the eventual upside? Based on our answers to these questions, we rate Knight Transportation, Inc. and Heartland Express, Inc. Attractive and Swift Transportation Co., Inc., Werner Enterprises, Inc., Covenant Transport, Inc., and U.S. Xpress Enterprises, Inc. Neutral.

Edward M. Wolfe
(212) 272-7048
ewolfe@bear.com

Christopher G. Combe
(212) 272-2138
ccombe@bear.com

Justin B. Yagerman
(212) 272-3714
jyagerman@bear.com

www.bearstearns.com

AUGUST 2001

Table of Contents **Page**

Bear Stearns may be a market maker or be associated with a specialist that makes a market in the common stock or options of the issuer(s) in this report, and Bear Stearns or such specialist may have a position (long or short) and may be on the opposite side of public orders in such common stock or options.

Any recommendation contained in this report may not be suitable for all investors. Moreover, although the information contained herein has been obtained from sources believed to be reliable, its accuracy and completeness cannot be guaranteed. Bear Stearns may make markets and effect transactions, including transactions contrary to any recommendations herein, or have positions in the securities mentioned herein (or options with respect thereto) and may also have performed investment banking services for the issuers of such securities. In addition, employees of Bear Stearns may have positions and effect transactions in the securities or options of the issuers mentioned herein and may serve as directors of such issuers. Copyright © 2001. All rights reserved by Bear, Stearns & Co. Inc.

All pricing in this report is as of the market close on August 2, 2001, unless otherwise indicated.

Special thanks to our summer interns, Matt Brooklier and Martin DeLaureal, for their efforts toward the completion of this report, as well as to our editor, Heather Mallow, and our desktop publisher, Rose Sabangan.

List of Exhibits Page

Executive Summary

We have initiated coverage of the full truckload sector, rating Knight Transportation, Inc. and Heartland Express, Inc. Attractive and Swift Transportation Co., Inc., Werner Enterprises, Inc., Covenant Transport, Inc., and U.S. Xpress Enterprises, Inc. Neutral (see Exhibit 1 below). While, in the near term, we have concerns about the magnitude and duration of the economic downturn, we are very bullish on the TL stocks for long-term investors, and we expect a better entry point to materialize for the group in the next six to 12 months. Our thesis is that the differences between the "haves" and the "have-nots" in the TL sector will widen, leading to a higher and longer upturn in the next upward TL cycle. That is, the "triple witching hour" of an extended weak used truck market, relatively high fuel costs, and spiking insurance costs are leading to a greater number of smaller and less capitalized TL carriers going out of business in the current downturn than in historical downturns. As a result, we can expect increased consolidation and firmer pricing going forward when demand begins to improve. In addition, we anticipate that the TL carriers will be among the biggest winners in transportation (after the railroads) due to easier fuel cost comparisons, which we expect to materialize in 2002 (versus 2001).

Early on in this report, we detail some of these trends and how they will affect the industry. We look at both longer-term trends that have shaped — and should continue to shape — the competitive environment as well as current developments in the marketplace that have recently weighed on quarterly earnings and may have an impact on our estimates going forward. The latter part of this report contains six individual company profiles.

Exhibit 1. Truckload Universe — Estimates, Target Prices, and Ratings

	EPS Estimates		Blended	Target P/E	Target	
	C02E	C03E	Estimate (1)	Multiple	Price	Rating
CVTI	$0.75	$0.94	$0.85	19x	$16	3
HTLD	$1.25	$1.56	$1.41	23x-24x	$33	2
KNGT	$1.05	$1.31	$1.18	25x	$30	2
SWFT	$0.83	$1.10	$0.97	22x-23x	$22	3
WERN	$1.25	$1.56	$1.41	16x-17x	$23	3
XPRSA	$0.50	$0.63	$0.56	16x	$9	3

(1) Estimate based on average of 2002 and 2003 EPS estimates.

Source: Bear, Stearns & Co. Inc. estimates.

Long-Term and Current Industry Trends

Below, we look at some of the trends that have been driving the TL market for many years and that we expect to continue into the future. Our sense is that the recent triple witching hour in the TL sector of high fuel and insurance costs combined with weak used truck prices will accelerate the wedge between the "haves" and the "have-nots" in the TL sector — a development that first became noticeable to us in 1997. We maintain that the larger TL players have natural advantages over midsized and smaller TL carriers with regard to purchasing rolling stock, insurance, tires, fuel, etc. In addition, the larger TL carriers stand to gain the most as large shippers look to consolidate their transportation business and rely upon fewer partners. This movement to the core carrier concept naturally favors the larger carriers and their ability to accommodate relatively larger volumes of freight. The current severity of the downturn in the TL market, in our opinion, is likely to drive a historically higher number of smaller and less-capitalized public and private companies bankrupt than in typical downcycles. We suspect that this will lead to a longer and higher-than-normal upside cycle for the surviving larger, better-capitalized TL companies like the ones on which we have launched coverage. For long-term investors, we expect the TL sector to provide one of the best stories in transportation over the next several years. For shorter-term investors, we would remain more patient for a better entry point, given continued weak short-term fundamentals and stock valuations, which are currently discounting expectations of strong upside reports during 2002.

LONG-TERM TRENDS

Private Fleet Conversion

Roughly half of the estimated $287 billion full TL industry remains privately owned by large fleet owners such as Wal-Mart and Frito-Lay and by smaller private fleets such as the paint or flower shop down the street. The balance of the industry is represented by the for-hire TL sector, which includes the six companies that have recently joined our coverage universe. We believe this for-hire segment of the industry will continue to expand at a rate in excess of GDP growth for years to come. Our view is based on the trend of private operators increasingly outsourcing their transportation needs as they place more focus on their own core competencies. As a result, we think that the for-hire TL sector will continue to grow more quickly than GDP for some time.

Consolidation

We estimate that the largest ten third-party TL providers only represented about 6% of total third-party TL revenue and 3% of total TL industry revenue (including third-party and private fleet providers) during 2000. This compares to the much smaller and more consolidated less-than-truckload (LTL) market, in which the top ten providers accounted for roughly 38% of the estimated $35 billion industry during 2000. As the midsized and smaller players are forced to sell to the larger players and the smaller, undercapitalized TL carriers go out of business, we expect the bigger and better-capitalized firms to continue to grow above the market rate. We also project that larger mergers such as the recent Swift/M.S. Carriers deal will become more common over the next several years as the big get bigger and some of the founders of these large public companies prepare to sell their businesses.

Exhibit 2. Selected Transactions — 1997-Present ($ in millions)

	Target	Acquiror	Date (1)	Services Provided	Price (2)	EV/EBITDA	Retained Rev.	Tractors
1	Carter & Sons Freightways	Old Dominion	2/5/01	Regional LTL	---	---	$38.0	---
2	Rollins Truck Leasing	Penske	1/15/01	Truck Leasing, Rental, Maintenance	$767.0	5.4x	$720.3	53,000
3	Rail Van, Inc.	Pacer International	12/26/00	Logistics, Truck Brokerage, Stacktrain	---	---	$1,800.0	---
4	Cardinal Freight Carriers, Inc. (3)	Swift Transportation	12/19/00	Regional TL	<= $15.0	---	---	550
5	M.S. Carriers	Swift Transportation	12/11/00	Regional TL (short-to-medium haul)	$404.5	5.9x	$683.9	5,131
6	American Freightways	FedEx Corp.	11/13/00	Regional LTL	$945.7	6.4x	$1,352.6	---
7	Con-Way Truckload Services, Inc.	Covenant Transport	8/22/00	TL	$10.0	---	$80.0	90
8	John Fayard Fast Freight, Inc./Fastway Systems	Knight Transportation	4/20/00	TL, LTL	$7.7	---	$30.0	200
9	Trans-Mex Inc.	Swift Transportation	2/16/00	Regional TL	---	---	---	50
10	American Backhaulers, Inc. (4)	C. H. Robinson	11/18/99	TL Brokerage	$136.0	9.3x	$52.0	---
11	Harold Ives Trucking Company and Transportation	Covenant Transport	11/16/99	TL Trucking and Brokerage	$22.0	---	$65.0	450
12	Truck Leasing unit of UPS	Rollins Truck Leasing	11/15/99	Truck Leasing	$58.0	3.3x	$135.0	11,900
13	Keen Leasing	Rollins Truck Leasing	10/29/99	Truck Leasing	$10.5	4.3x	$18.5	1,700
14	Mark VII	Ocean Group	9/2/99	Truck Brokerage, Logistics	$229.5	10.7x	$92.2	---
15	ATW	Covenant Transport	8/1/99		$10.0	---	$40.0	9
16	Jevic	Yellow Corp.	6/7/99	LTL	$162.0	5.1x	$274.6	50
17	Action Delivery Srvc. Inc./Action Warehouse Srvc. Inc.	Kinght Transportation	3/15/99	TL (medium-haul)	$2.1	---	$5.6	---
18	Action Express	Yellow Corp.	11/4/98	Regional LTL	---	---	$40.4	165
19	Interstate Trucking Corporation	MS Carriers	10/16/98	Regional TL	---	---	---	---
20	SRT	Covenant Transport	10/5/98	TL (long-haul), Dry Van, Temp Control	$10.8	3.0x	$23.0	255
21	Glen Moore Trucking	U. S. Freightways	9/2/98	TL, Dry Van	---	---	$35.0	1,150
22	PST Vans	U. S. Express	6/1/98	TL, Dry Van	$33.4	4.3x	$145.0	1,000
23	Girth Transport	Celadon Group	5/26/98	TL, Dry Van, Flatbed	$5.0	4.5x	$31.5	195
24	Challenger, U.S.	M. S. Carriers	3/10/98	TL, Dry Van, Dedicated	$2.1	5.0x	$20.0	225
25	East-West Motors	Smithway	2/23/98	TL, Dry Van, Flatbed	$12.0	3.9x	$18.6	500
27	Victory Express	U. S. Express	12/16/97	TL (regional), Dry Van	$51.0	3.9x	$65.0	90
28	Soutwestern Freight Carriers	Burlington Motor Carriers	11/1/97	TL (regional and long-haul)	---	---	$24.0	330
26	Caliber System	FedEx Corp.	10/6/97	LTL (regional), Parcel	$2,472.0	10.8x	$2,701.3	200
29	Bud Meyer	Covenant Transport	10/6/97	TL, Reefer	$6.0	3.4x	$47.3	261
30	Hi-Way Express	M. S. Carriers	8/21/97	TL, Dry Van	$4.0	3.3x	$36.0	---
31	A & M Express	Heartland Express	7/15/97	TL, Dry Van, Flatbed	$2.0	2.9x	$28.0	---
32	Central Freight	Moyes Group	6/30/97	LTL	$79.3	3.4x	$180.0	---
33	Cardinal Freight	Golder, Thoma, Cressey, Rauner Inc.	6/26/97	TL, Dry Van, Flatbed	$38.0	6.4x	$82.0	228
34	Direct Transit, Inc.	Swift Transportation	4/8/97	Logistics, Expedited Ground	$32.0	4.0x	$65.0	---
35	JTI	U. S. Express	4/4/97	TL (regional), Dry Van	$2.7	4.9x	$25.0	---
36	Rosedale	U. S. Express	3/26/97	Floor covering logistics/warehousing	$3.1	---	$17.5	550
37	Navajo Shippers	Swift Transportation	9/12/96	TL, Dry Van, Leasing	$7.1	0.6x	$40.0	1,121
	TOTAL				**$5,540.4**		**$9,012.2**	**79,400**
	AVERAGE				**$190.5**	**5.0x**	**$265.1**	**3,176**

(1) Announced date.
(2) Price for equity.
(3) Certain assets of van division.
(4) Retained revenue represents net revenue (net of transportation charges).

Source: Company reports; Bloomberg; Bear, Stearns & Co. Inc. estimates.

Core Carrier Concept

Since the inception of our quarterly shippers survey, our shipper respondents have indicated that they intend to further pare down their stable of core TL partners. Companies like K-Mart and Sears have scaled back their core TL providers from hundreds to just a handful over the past five to ten years, and we expect this trend to persist for several more years. The impact of the core carrier concept is that large TL providers are able to maintain enough truck utilization in both head-haul and back-haul lanes to provide better rates for their core shipping partners. In addition, by becoming increasingly viewed as logistics partners, TL providers are able to provide additional value to their customers, including dedicated service, dispatch, and other accessorial services. The longer and deeper the relationships between TL provider and shipper, the better service the TL provider can provide, as it truly understands the freight patterns and requirements of its customers as well as its customers' own suppliers and customers.

Consolidating LTL Freight into TL Freight

Generally speaking, LTL freight is almost double the price of TL freight. However, shippers with small shipments that do not call for hiring a full TL move must pay the extra fees required to support and power the hub-and-spoke networks maintained by LTL carriers. Enhanced technology, including supply-chain collaboration tools, is boosting visibility as well as an understanding of how shippers can best improve their cost structures by reengineering LTL freight into TL freight. This often requires shippers to create their own consolidation centers or to rely upon third-party technology. We expect that the TL sector will increasingly take market share from LTL providers as collaboration and visibility software tools as well as fundamental attitudes toward asset sharing improve. Countering this trend, to some degree, will be the movement toward smaller shipment size as e-commerce and just-in-time (JIT) inventory continue to evolve away from assembly line manufacturing toward more make-to-order supply chains.

Driver Turnover

Because TL companies have few terminals, drivers rarely return home at night. Rather, the point-to-point moves associated with TL services mean that drivers can often be away from home for weeks at a time. In addition, this nonunionized sector is paid relatively low wages (we estimate an average of around $30,000 per year) compared to the higher-paying unionized LTL environment, where average hourly wages total about $50,000 year (unlike the hourly wages of LTL drivers, TL drivers are paid on a per-mile basis). As a result, the TL industry has a history of rampant driver shortages and turnover that exceeds 110% annually industry-wide. The shortage was exacerbated by the recent strong U.S. economy and the low unemployment rates that endured through the late 1990s and 2000. Because TL drivers are paid on a per-mile basis, they tend to flock to those carriers that can provide the most miles to drive in the best equipment. This trend leads to a "what comes first, the chicken or the egg" scenario by which the larger public companies attract the drivers, which, in turn, empowers the larger companies to gain more shippers, which then leads to more miles to attract more drivers. However, with the current weak demand environment and rising unemployment rates, this issue has subsided temporarily and created one of the best driver retention and recruitment environments for companies in the TL sector within memory. While the present driver environment is favorable for the TL providers, we anticipate that driver shortages will once again become an issue when the economy eventually recovers.

Improved Technology

These days, large shippers are demanding better technology from their TL providers, including trailer tracking, freight track and trace, and online bill payment and auditing functionality. In our view, this need for TL carriers to spend larger amounts on IT capabilities in order to meet service-level requirements serves as yet another wedge dividing the TL haves and the have-nots.

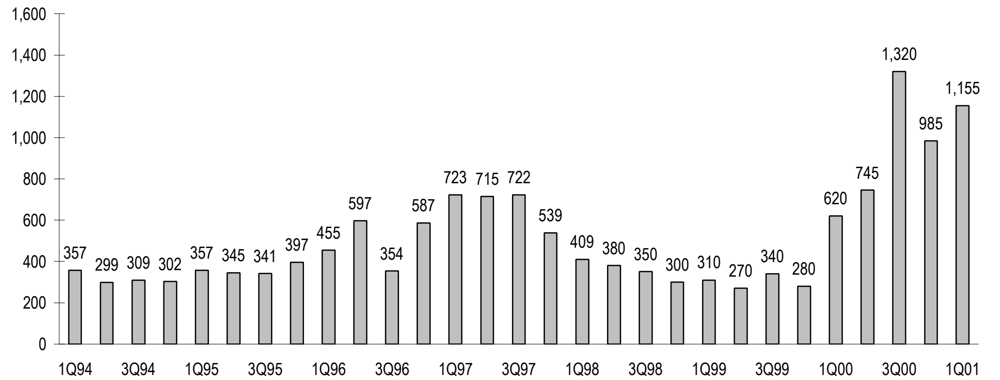
CURRENT TRENDS

As noted above, we expect current weaker-than-normal downside TL trends to drive a stronger and longer upward turn during the next upcycle.

Small Carrier Consolidation

The triple whammy posed by industry trends, including 1) the move toward fewer core carriers by shippers, 2) an extremely weak used tractor market that shows no foreseeable signs of improvement, and 3) historically high fuel and insurance costs, has led to a massive consolidation of small owner/operators and TL fleet owners. Simply put, small operators are choosing to liquidate rather than lose money in the current TL environment. We have indications that trucking businesses in general (not only TL) are declaring bankruptcy at the highest rate in years (see the next exhibit). According to the American Trucking Association and A.G. Edwards, the number of trucking bankruptcies has been accelerating on a quarterly basis since the first quarter of 2000. The estimated number of bankruptcies during first-quarter 2001 alone was roughly equal to all bankruptcies filed in 1999.

Exhibit 3. Estimated Number of Trucking Company Failures (1994-Present)



Source: American Trucking Association; A.G. Edwards.

Another indication of this trend is provided by the number of owner/operators that many TL carriers utilize. The exhibit below looks at the overall number of owner/operators employed at the end of the second quarter by the six carriers we have initiated coverage upon compared to the same time period a year ago. While we would expect the proportion of owner/operators to decline in a slowing environment, we believe that the reductions depicted in the table also reflect fewer available owner/operators as an increasing number of these small businesses continue to fail in this difficult operating environment. As a group, the six TL carriers listed have seen owner/operators as a percentage of total drivers fall from an average of almost 23% a year ago to just over 18% at the end of the second quarter of 2001.

Exhibit 4. Comparison of Tractor Fleet Composition — Company-Owned Versus Owner/Operators

	At Midyear 2000			At Midyear 2001		
	Total	**Company**	**Owner Op.**	**Total**	**Company**	**Owner Op.**
CVTI	3,798	3,295	503	3,983	3,591	392
% total	---	86.8%	**13.2%**	---	90.2%	**9.8%**
HTLD (1)	NA	NA	NA	NA	NA	NA
% total	---	50.0%	**50.0%**	---	65.0%	**35.0%**
KNGT	1,317	1,078	239	1,585	1,373	212
% total	---	81.9%	**18.1%**	---	86.6%	**13.4%**
SWFT (2)	14,192	10,798	3,394	15,394	12,008	3,386
% total	---	76.1%	**23.9%**	---	78.0%	**22.0%**
WERN	7,325	6,125	1,200	7,725	6,590	1,135
% total	---	83.6%	**16.4%**	---	85.3%	14.7%
XPRSA	5,037	4,323	714	5,285	4,577	708
% total	---	85.8%	**14.2%**	---	86.6%	**13.4%**

(1) Absolute figures for HTLD not disclosed, based on Bear Stearns estimates.
(2) Values reflect combined tractor counts for SWFT and M.S. Carriers (MSCA).

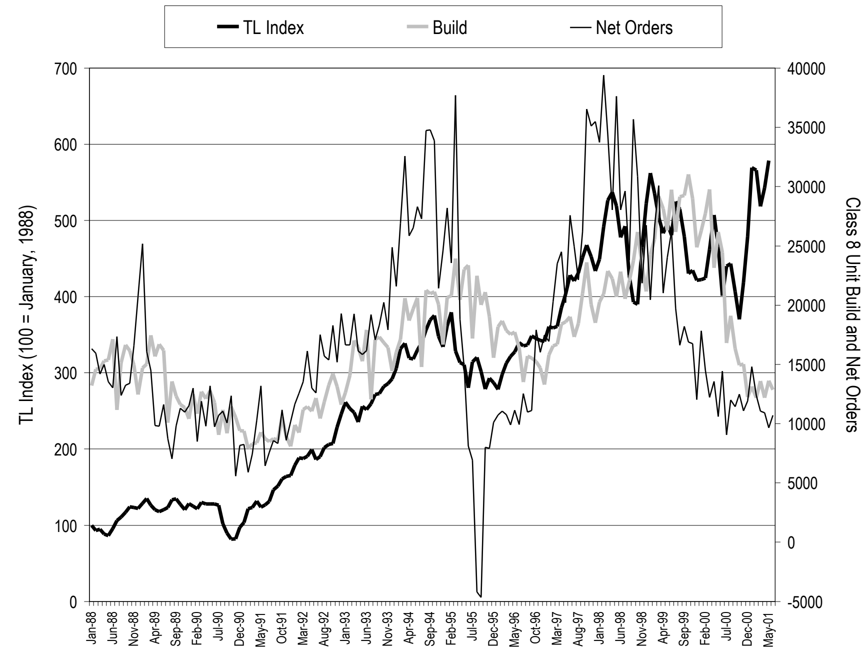
Source: Company reports.

Weak Used Truck Market

The market for used trucks has been soft for well over a year now, and we suspect that this is a trend that will persist for the next two to three years. This weakness is reflected in the next exhibit, a depiction of truck production over the past 12 years along with orders for trucks and the performance of our TL stock index. This chart illustrates that the industry experienced a period of heightened truck production between late 1997 and early 2000 as a strong economy and relatively wide access to financing fueled the rampant addition of trucking capacity. With the economic downturn and weakening of freight demand that took hold in early 2000, the demand for new trucks has bottomed, as illustrated. Since March 2000, Class 8 truck build[1] has declined by 56%, trailing the drop-off in net orders for these vehicles, which has fallen by 64% since March 1999. Along with the demand for new trucks, demand for used trucks has also declined steeply, lowering the residual value of used equipment and thereby dramatically raising the cost for all operators to finance new equipment with lower trade-in value tractors. The impact of the weak used truck market, particularly on relatively small, undercapitalized TL firms, has been enormous. While the larger public TL providers are protected, to varying degrees, by guaranteed residual trade-ins from the truck manufacturers, the smaller providers are largely the ones stuck with used equipment with market value below book value. Moreover, the longer that smaller providers hold onto used trucks, the higher their maintenance costs spike, leading to worse service and reliability levels. As a result, these higher costs create a distinction between those carriers that increasingly compete on a price basis and those that compete on service, thereby providing pricing power for carriers focused on delivering service.

[1] A Class 8 truck is defined as a truck weighing more than 33,000 lbs with an engine displacement of ten liters or more.

Exhibit 5. Class 8 Truck Production and Ordering Trends(1)



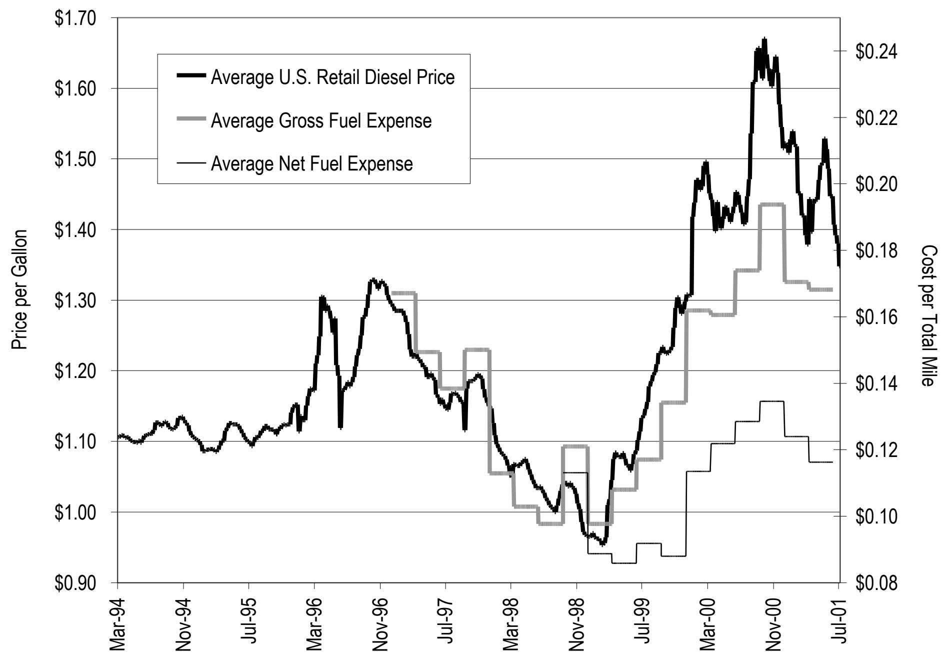
(1) A Class 8 truck is defined as a truck weighing more than 33,000 lbs with an engine displacement of ten liters or more.

Source: "State of the Industry North America Classes 5-8 Vehicles, June 2001 Data," Americas Commercial Transportation Research Company, LLC, published July 18, 2001.

Increased Fuel Costs

In March 1999, the price of diesel fuel began to escalate, with the national retail diesel index reaching a peak of a $1.67 per gallon this past October — about 48% higher than the average $1.13 price per gallon over the four-year period prior to this spike. While still relatively high, the price of diesel fuel has receded by about 20% since the October peak and now sits in the $1.30-$1.40-per-gallon range (see the chart below). As the price of fuel steadily declines in line with weaker global demand, we expect the TL providers to be some of the biggest winners during 2002. While it remains way too early to make a definitive call in terms of where the price of fuel is headed, we anticipate that TL providers should benefit, to varying degrees, from declining fuel costs that are offset, though not completely, by the loss of fuel surcharges. Within our models, we have assumed fuel cost declines of about 5%-10%, with fuel surcharges easing off in a similar manner as our assumed decline in gross fuel expense. Note that since most fuel surcharges fail to fully offset rising fuel costs, a fuel price decline tends to yield a net benefit for the majority of TL carriers.

Exhibit 6. Average U.S. Retail Price of Diesel Fuel Versus TL Gross/Net Fuel Expense(1)



(1) Gross and estimated net fuel expense based on KNGT, SWFT, and WERN operating results.

Source: Bloomberg.

The exhibit above illustrates how the cost of diesel fuel has escalated on a per-gallon basis and also on an average-dollar-per-mile basis for three of the TL carriers in our universe (Knight Transportation, Swift Transportation, and Werner Enterprises). As the average price of diesel began to pass the $1.05-$1.10-per-gallon mark during the first half of 1999, many TL carriers began to implement fuel surcharges to offset the increase in gross fuel expense. In Swift's case, there was a time lag of about three quarters before new fuel surcharge revenues started to significantly offset the impact of rising fuel costs. Given that fuel surcharges have certainly assisted TL carriers, but not completely offset higher fuel costs, during this period, we project a net benefit from an assumed eventual decline in fuel price.

For some additional context as to how the TL sector is leveraged to fuel versus other areas of transportation, we look at the estimated net impact on 2002 earnings of a 30% decline in fuel prices.

In our analysis, we take into account both the underlying exposure to fuel and the effect of the fuel surcharge mechanisms. In general, we assume that the companies would lose the fuel surcharge revenue they are currently collecting if fuel prices were to fall 30%. Rail and truckload carriers would benefit the most (according to our analysis) from a 30% decline in fuel prices, while some of the parcel carriers (FedEx and Airborne) could actually be hurt by such a drop because of the loss of their fuel surcharge revenue. We have not factored any impact from fuel hedging programs into our analysis because, in our estimation, fuel hedging will have little bearing on most of the transport companies. The railroads are the only group of companies for which fuel hedging may have a meaningful effect.

Based on our analysis regarding the net exposure of transport companies to changes in fuel prices, we conclude that truckload and railroad companies have both the greatest underlying exposure to fuel prices (fuel expense as a percentage of revenue) and the greatest exposure to fuel prices net of the revenue they collect from fuel surcharges. Not only do these companies have a large underlying exposure to fuel, but, in our view, they have been unable to largely recover the increase in fuel expense through fuel surcharges or other pricing mechanisms. We estimate that a 30% decline in the average price of fuel would lead to 10%-14% upside to EPS for the rail companies in 2002. For the truckload carriers, our analysis yields greater variability in the estimated upside to 2002 EPS, ranging from only 3% to as much as 19% or more, depending on the carrier. Fuel is a pass-through expense for the transport lessors, and the non-asset-based providers also pass along fuel expense to their customers, so neither of these groups has a meaningful net exposure to fuel prices. With a floating fuel surcharge (based on the Department of Energy [DOE] national average diesel fuel price) that is adjusted weekly, the LTL carriers are nearly perfectly hedged against moves up and down in fuel prices and have little, if any, residual risk to fuel prices.

Through their fixed 4% fuel surcharges (in fact, we believe that they collect about two-thirds of the 4%), parcel carriers FedEx and Airborne are, in our view, collecting revenue that more than offsets the increase in their fuel expense prior to the implementation of the fuel surcharges. As a result, a fall in fuel prices that causes these two parcel carriers to remove their fuel surcharges could actually hurt their financial performance, as the lost surcharge revenue is greater than the decline in fuel expense. UPS, which has a much smaller fuel surcharge (1.25%), would modestly benefit from a steep decline in fuel prices.

Exhibit 7. Net Exposure to Fuel Prices

	Net Exposure to Fuel Prices	Est. Impact on 2002 EPS from 30% Decline in Fuel
Forwarders	Limited	0%
Lessors	~ Zero	0%
Regional LTL	Covered by Fuel Surcharge	0%
Parcel	Overcovered by Surcharge	0%-10% Downside
Rail	Exposed	10%-14% Upside
Truckload	Exposed	3%-19% Upside

Source: Company reports; Bear, Stearns & Co. Inc. estimates.

Our estimates of the upside to 2002 EPS for the individual railroad and truckload companies are provided in the table that follows. Because the revenue from fuel surcharges is not always disclosed, our estimates may not be precise, but they should provide a very good directional indicator of which companies will benefit the most. Since truckload margins and earnings are depressed at the present time, a modest boost to earnings can have a significant effect on 2002 EPS on a percentage basis. Of the truckload carriers, Covenant Transport and U.S. Xpress, with an estimated 14% and 19% upside for 2002 EPS, respectively, have the greatest upside potential from a 30% decline in fuel prices. The rail carriers all have a projected 10%-14% upside to 2002 EPS. We have not included Heartland, which does not disclose its fuel exposure but which, we believe, has less exposure than most truckload carriers because of its relatively greater reliance upon owner/operators.

Exhibit 8. Truckload and Rail — Estimated Impact on 2002 EPS from a 30% Decline in Fuel Prices

	Fuel Surcharge Effective Rate(1)	BSC Estimate of Impact on 2002 EPS from a 30% Decline in Fuel Prices(2)	BSC Estimated Impact as a % of Consensus 2002 EPS
Rail(3)			
BNI	1.0%	$0.32	11%
CNI	1.0%	0.35	10%
CSX	1.0%	0.34	14%
NSC	1.0%	0.13	10%
UNP	1.0%	0.56	12%
TL(4)			
CVTI	4.2%	$0.13	14%
KNGT	4.6%	0.03	3%
SWFT	4.2%	0.06	6%
WERN	4.7%	0.09	7%
XPRSA	4.6%	0.10	19%

(1) Effective fuel surcharge is the estimated fuel surcharge revenue as a percentage of total trucking revenue; listed fuel surcharges may be higher than the actual surcharge revenue collected.

(2) 2002 EPS impact is a directional estimate, not a precise calculation. Estimate of effect on 2002 EPS assumes full-year impact from a 30% decline in fuel prices.

(3) Rail carriers have direct fuel surcharges on 20%-30% of their business (primarily intermodal) but effectively no surcharge on a large portion of their commodity business. We estimate the fuel surcharge revenue across all segments as approximately 1% of total revenue.

(4) Our estimate of the fuel surcharge is based on actual reported surcharge revenue in 2000 for CVTI, KNGT, and SWFT; we use a 4% estimate for WERN and 5% for long-haul carrier XPRSA.

Source: Bear, Stearns & Co. Inc. estimates; company reports.

Escalating Insurance Costs

After years of nonprofitability and a very difficult operating environment, the insurance industry is experiencing an upturn in its cycle, as the failure of many insurers has left the survivors with a clear indication of the need to implement stricter pricing discipline. The need to take action has become even more apparent, given the declining returns on invested capital (from insurance premiums) in the equities markets that insurers have faced over the past 18 months. As a result of this drive among insurers to improve financial returns, many industries, including TL, are seeing dramatic increases in both insurance premiums and deductibles. For many TL carriers, premiums have risen anywhere from 30% to 300%, while deductibles have rocketed from thousands of dollars to hundreds of thousands of dollars. Although some carriers have not yet seen this impact, as they are still holding long-term insurance contracts, we expect that they, too, will experience substantial increases when they renew their agreements. For others, the effects are muted, to some degree, because they have chosen to self-insure in the past. These carriers have already been bearing a greater degree of risk than their peers for some time, and this shift should have less of an impact on their insurance costs. We expect that, in most cases, insurance expenses as a percentage of revenue should spike upward between 50 basis points (bps) and 150 bps during 2001 and 2002 for the TL providers (the exhibit that follows reveals the projected increase in operating ratio [OR] and corresponding EPS reduction for the six TL carriers discussed in this report). We also forecast more volatility in this expense line item going forward based on a greater degree of self-insurance and higher deductible payments (depending upon the carrier), which will lead to less predictability in profitability.

Exhibit 9. Estimated EPS Impact of Rising Insurance Costs on Selected TL Carriers

		EPS C02E	OR Impact (1)	EPS Impact
CVTI		**$0.75**	53bp	$0.13
	% of C02E EPS	--	--	*16.9%*
HTLD		**$1.25**	20bp	$0.01
	% of C02E EPS	--	--	*1.0%*
KNGT		**$1.05**	134bp	$0.09
	% of C02E EPS	--	--	*8.7%*
SWFT		**$0.83**	68bp	$0.11
	% of C02E EPS	--	--	*13.6%*
WERN		**$1.25**	74bp	$0.13
	% of C02E EPS	--	--	*10.5%*
XPRSA		**$0.50**	39bp	$0.15
	% of C02E EPS	--	--	*29.8%*

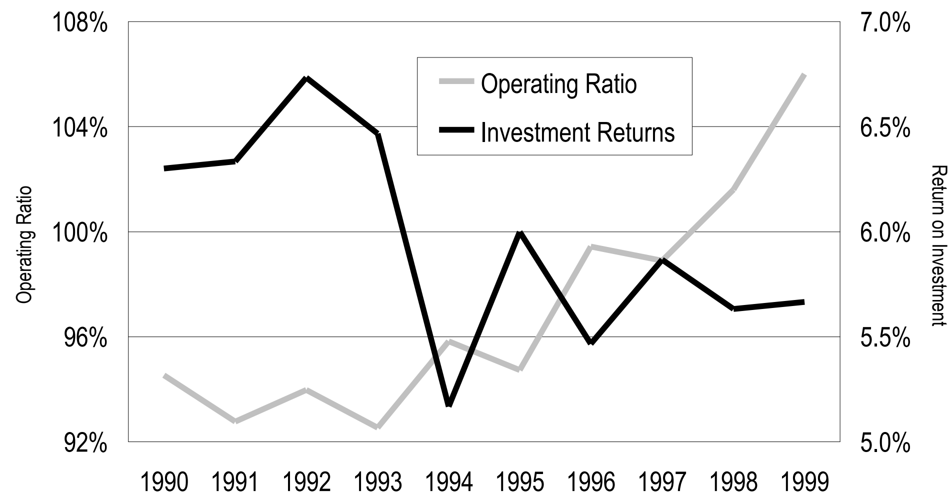
(1) Overall assumed OR deterioration related to insurance cost assumptions (2000 vs. 2002). Includes estimated impact of both rising insurance premiums and increased cost volatility as deductibles rise for some carriers.

Source: Company reports; Bear, Stearns & Co. Inc. estimates.

To get a better sense of what is driving rising insurance costs, we take a look at some of the relevant trends in the next exhibit. The insurance industry is subject to a cycle that is independent of the broader economic cycle in terms of both timing and duration. Currently, the insurance industry is on the brink of an upturn after a prolonged, 13-year downturn. This turn in the insurance cycle is, in part, being driven by the impact of several large insurers closing their doors. The failure of these companies has left surviving insurers with a sense that the low financial returns that had plagued the industry in recent years were inadequate. As a result of this newfound discipline, pricing power is beginning to return to the providers that have survived the last few years of weak operating performance. The following exhibit charts the operating ratio performance of selected insurance lines[2] versus the average returns earned by insurance providers on invested capital during the respective periods (i.e., returns earned on collected insurance premiums).

[2] Average operating ratio for U.S. intermarine, commercial auto liability, and commercial auto physical damage insurance lines.

Exhibit 10. Historical Operating Ratio and Return on Investments for Selected U.S. Insurers



Source: Best's Aggregates and Averages, Property-Casualty, United States.

The insurance industry has faced tough times in recent years, mitigated only by above-average returns in the stock market during the 1990s. However, the long downturn in the insurance industry cycle combined with stock market returns that vanished during the first half of 2000 have rationalized the number of insurance providers in the marketplace. This is apparent in the exhibit above, which depicts the combination of an increasingly tough operating environment (rising OR for insurance companies) and weakening returns on invested capital. With fewer underwriters left standing, an improved pricing discipline has taken hold, contributing to the twofold- and threefold-type increases in insurance premiums that many TL carriers must now cope with. This represents yet another challenge facing TL carriers, further exacerbating the negative effects of the economic slowdown.

Regional Pricing Holding Up Better than Long-Haul

Unlike the LTL market, in which we are seeing the long-haul national LTL carriers maintain their yields much better than the regional providers, for which competition has heated up, we see the opposite in the TL sector.

Exhibit 11. Comparative Pricing — Quarterly Revenue per Loaded Mile Performance(1)

	2000	3Q00		4Q00		1Q01		2Q01	
	Avg. Length of Haul	Rev./Rev. Mile	% Change Y-o-Y	Rev./Rev. Mile	% Change Y-o-Y	Rev./Rev. Mile	% Change Y-o-Y	Rev./Rev. Mile	% Change Y-o-Y
Regional									
KNGT	530	$1.23	0.3%	$1.24	0.4%	$1.23	2.5%	$1.22	0.0%
HTLD (2)	558	---	---	---	---	---	---	---	---
SWFT (3)	564	$1.39	3.5%	$1.42	4.3%	$1.42	3.5%	$1.42	2.5%
WERN	746	$1.34	3.8%	$1.35	4.1%	$1.33	2.2%	$1.34	1.5%
XPRSA	950	$1.23	2.8%	$1.23	3.0%	$1.22	1.6%	$1.21	1.0%
CVTI	1,250	$1.22	1.1%	$1.23	0.7%	$1.21	-0.7%	$1.20	-3.6%
Long-Haul									

(1) Net of fuel surcharge revenue.
(2) HTLD does not report any operating statistics.
(3) SWFT merged with MSCA on June 29, 2001. Pro forma average length of haul estimate based on reported operating results for SWFT and MSCA. Pro forma revenue per revenue mile based on both reported pro forma results and Bear Stearns estimates.

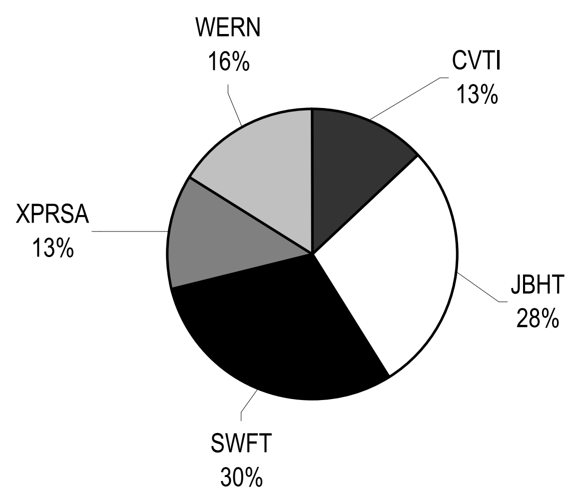
Source: Company reports; Bear, Stearns & Co. Inc. estimates.

It would appear that early on in the small truck consolidation process that has occurred during the current downturn, the long-haul owner/operators that control the long-haul TL market started to discount prices heavily to get any kind of cash in the door to pay down expenses and stay in business. This is, of course, a short-term proposition that we believe will lead to an acceleration of bankruptcies and foreclosures if the economy does not bounce back relatively quickly. Once the consolidation process for long-haul spot TL carriers heats up, pricing should rationalize, leading to better long-term pricing in the industry overall.

An Update on Transplace.com

Transplace.com was formed in July 2000 when six TL carriers decided to pool their respective logistics businesses in an effort to 1) boost overall asset utilization and 2) better service their logistics clients simultaneously. Those with an original equity stake in Transplace.com were Covenant, J.B. Hunt, M.S. Carriers, Swift, U.S. Xpress, and Werner. Following the recently completed Swift/M.S. Carriers merger (which closed June 29), Swift's effective stake in Transplace.com rose to 30% from 16% (see the chart below).

Exhibit 12. Transplace.com Stakeholders



Source: Transplace.com.

In terms of how Transplace.com has fared so far, its first quarter out of the box (third-quarter 2000) had a somewhat neutral impact on the earnings reports of its stakeholders. After posting a modest gain during the fourth quarter of 2000, followed by a slight loss in first-quarter 2001, Transplace.com suffered a more significant loss in the second quarter of 2001. Based on what we know about the ownership position of each stakeholder and information disclosed in J.B. Hunt's second-quarter 2001 earnings report, we estimate that Transplace.com generated a loss of roughly $1.8 million in the most recently reported quarter. The table below contains our estimates of the EPS impact on each of the Transplace.com stakeholders during the second quarter of this year. Looking ahead, Transplace.com is expected to generate between $700 million and $1 billion of revenue in 2001 and reach profitability within a year's time.

Exhibit 13. Estimated EPS Impact of Transplace.com Second-Quarter Loss on Stakeholders

	2Q01 EPS	Estimated Impact [1]	% of EPS
CVTI	$0.04	-$0.010	26.0%
JBHT	$0.24	-$0.012	5.1%
SWFT [2]	$0.19	-$0.004	2.1%
WERN	$0.25	-$0.004	1.5%
XPRSA	$0.03	-$0.010	36.2%

(1) Estimates based on known proportional holdings of each stakeholder combined with information provided in JBHT second-quarter 2001 earnings releases (disclosed approximately $0.01-per-share loss stemming from Transplace.com in second-quarter 2001).

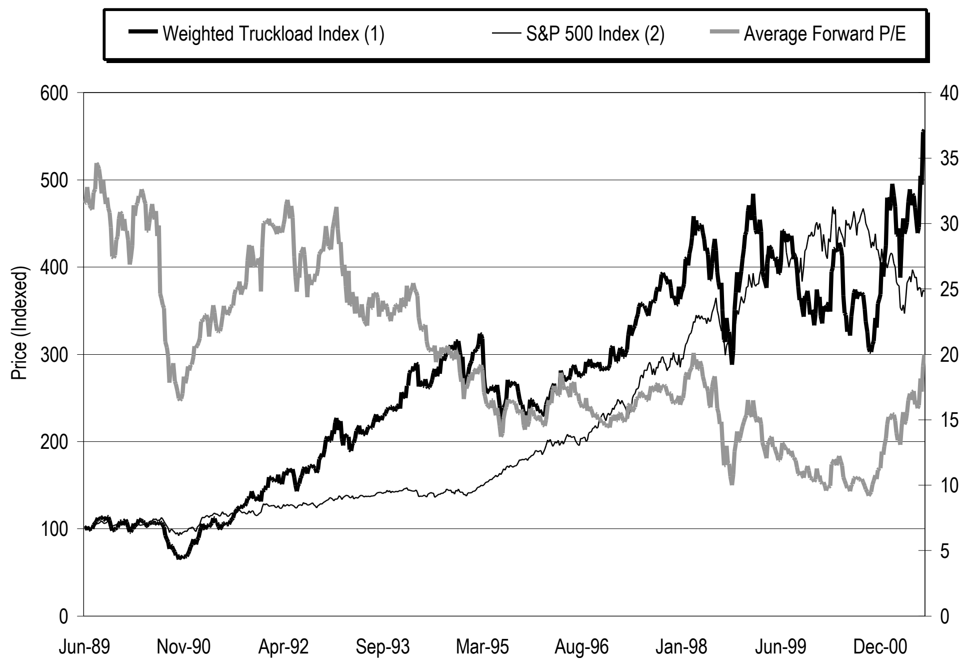
(2) Pro forma SWFT/MSCA estimate.

Source: Transplace.com; JBHT; Bear, Stearns & Co. Inc. estimates.

Truckload Stock Performance and Valuation

The TL sector remains very cyclical, although operating highs and lows are not nearly as cyclical as in LTL, which is more leveraged to changes in operating margins. Historically, the group has traded on forward P/E and, to a lesser extent, enterprise value to EBITDA and price to book during severe downturns or when evaluating takeover prices. As with any cyclicals, the stocks and their P/Es tend to move up during downturns in anticipation of the upcoming inevitable upturn and down during upturns in anticipation of the coming troughs. These stocks rarely enjoy the moment! *Because we expect the current downturn to last longer than recent downturns and for the next upturn to be longer and stronger than recent upturns, we believe that these trends are likely to be exaggerated in the next six to 18 months.*

Exhibit 14. TL Index Historical Absolute Forward P/E and Stock Performance Versus the S&P 500



(1) Price-weighted index, including JBHT, KNGT, HTLD, SWFT, WERN, CVTI, XPRSA, and LSTR (not market-cap-weighted).
(2) Indexed to TL index value as of the week of 6/2/89.

Source: FactSet Research Systems Inc.

Our TL rolling 12-month forward P/E index is now trading at about 20.0x, which compares to the past five-year average of 14.3x and averages of 16.2x and 26.2x during the last period of TL overcapacity during 1995-96 and the last recession in 1991-92, respectively. Our view is that, with a continued difficult operating environment and declining diesel fuel costs, the TL index will, over the next six to 12 months, continue to test recent five-year forward P/E highs obtained during the trucking recession of 1995-96. This implies little P/E multiple expansion as a group from current high-end multiples. As a result, we expect upside to the stocks over the next six to 12 months to come from upside to current EPS estimates, which, in turn, could be driven by significantly lower fuel prices, a pickup in demand, or accretive acquisitions.

This leads us to our general thesis that we would hold TL names if we owned them and, if not, wait for a better entry point to buy them, focusing on buying quality names selectively during this period of poor demand visibility. Specifically, we are standing by to become more aggressive on the heels of a pullback in the stocks or improved visibility for substantial upside earnings within a few quarters.

The methodologies we have employed to determine price targets and ratings for each of our covered stocks are similar (see the company profiles for more detailed valuation discussions). We have applied a high-end 12-month forward rolling P/E multiple from the last five years to our blended 2002 and 2003 forward 12-month EPS estimates.

Exhibit 15. Truckload Universe — Estimates, Target Prices, and Ratings

	EPS Estimates		Blended	Target P/E	Target	
	C02E	C03E	Estimate (1)	Multiple	Price	Rating
CVTI	$0.75	$0.94	$0.85	19x	$16	3
HTLD	$1.25	$1.56	$1.41	23x-24x	$33	2
KNGT	$1.05	$1.31	$1.18	25x	$30	2
SWFT	$0.83	$1.10	$0.97	22x-23x	$22	3
WERN	$1.25	$1.56	$1.41	16x-17x	$23	3
XPRSA	$0.50	$0.63	$0.56	16x	$9	3

(1) Estimate based on average of 2002 and 2003 EPS estimates.

Source: Bear, Stearns & Co. Inc. estimates.

WHERE TRUCKLOAD GOES, THE ECONOMY FOLLOWS

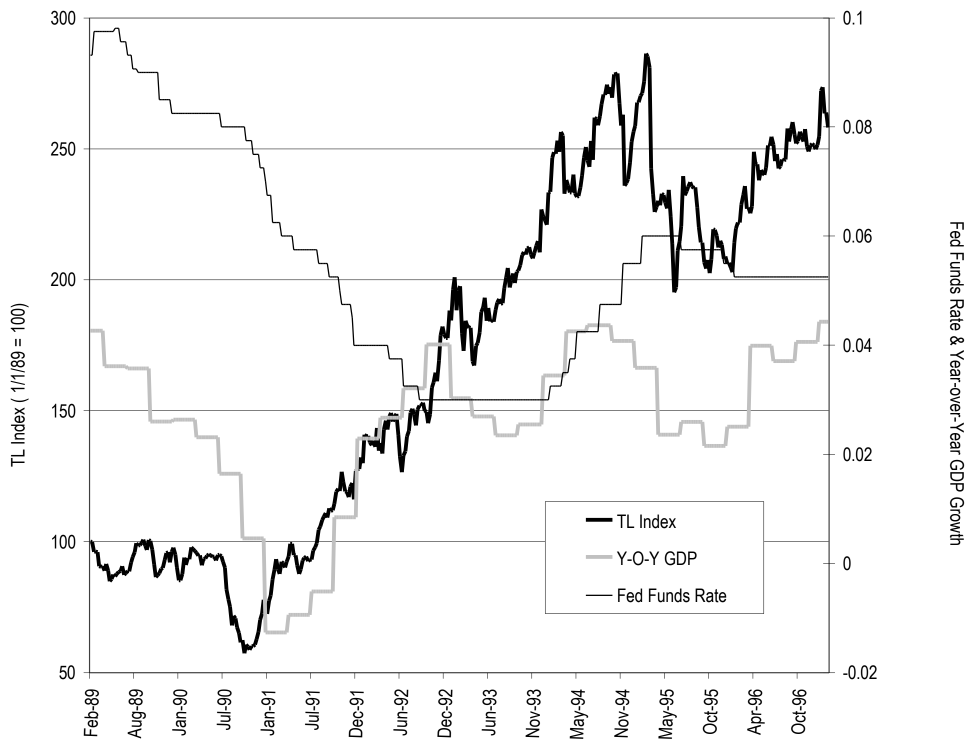
The TL stocks as a group tend to lead broader U.S. economic trends and serve as an excellent indicator of domestic economic demand. This is somewhat intuitive, as TL carriers' freight volumes are direct indicators of sentiment among many different industries with regard to their long-term expectations for the economy — sentiment that drives production planning along with the procurement and shipment of primary and intermediate goods. This is demonstrated in the exhibit that follows, in which we have charted our TL stock index[3] against real year-over-year U.S. GDP growth and movements of the federal funds rate from 1989 to 1997. This comparison reveals that the TL index has historically led general economic performance by at least one quarter. Beginning in 1989, the TL index and GDP growth showed signs of gradual decline just ahead of the 1990-91 recessionary period. Halfway through 1990, the TL index began to drop dramatically — by about 40% during the third quarter, which was roughly one quarter prior to year-over-year GDP growth falling from 0.5% to negative 1.3%. The same held true prior to the 1995-96 trucking recession. While GDP growth did not fall off as significantly as it had in 1991, it did recede from the 4.1% growth in the fourth quarter of 1994 to 2.4% growth by the second quarter of 1995. Again, the TL index was the first harbinger of trouble in October 1994, followed by a brief recovery and another steep decline during the middle of the first quarter of 1995.

---

[3] Our TL stock index includes Covenant Transport (CVTI), Heartland Express (HTLD), J.B. Hunt (JBHT), Knight Transportation (KNGT), Landstar System (LSTR), Swift Transportation (SWFT), Werner Enterprises (WERN), and U.S. Xpress (XPRSA).

Importantly, we believe that the data in the next chart tend to understate the degree to which the TL index leads the broader economy (as measured by real year-over-year GDP growth). While the TL index reflects the daily movements of its component stocks, actual GDP data for a given quarter are released by the Department of Commerce approximately one month after the close of the quarter in question. Therefore, in the example of the 1990-91 recessionary period discussed above, the third-quarter GDP result of 0.5% growth (which appears to correspond with the TL index bottom on in early October 1990) was most likely not released until the end of October 1990.

Exhibit 16. TL Index Versus Real GDP Growth and the Federal Funds Rate (1989-97)



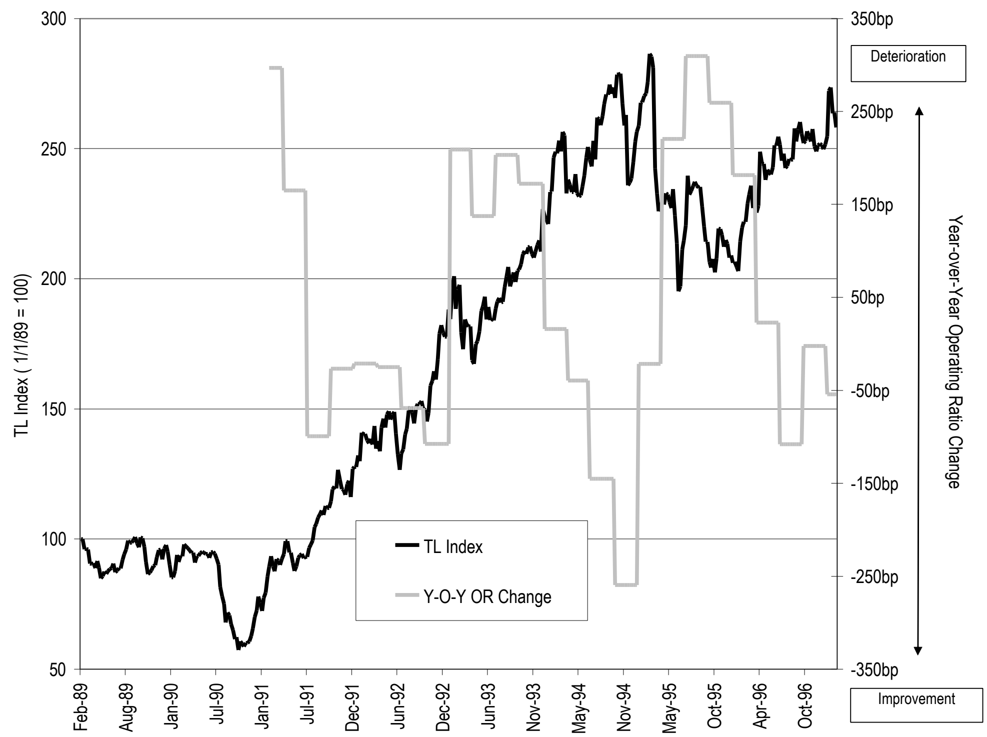
Source: FactSet Research Systems Inc.; DLX.

In addition, the economic trough as represented by the fourth-quarter 1990 1.3% decline in GDP was probably not reported any earlier than the end of January 1991. This places the third-quarter 1990 TL index falloff somewhere between one and two quarters ahead of the economic low in the fourth quarter of 1990. Furthermore, the initial GDP results released one month after the close of a quarter are first releases, which are revised twice — once one month after the first release and again two months after the first release.

Besides leading year-over-year GDP growth, the decline in the TL index in 1990 also led the reinitiation of significant Federal Reserve Board easing activity, albeit to a lesser extent. Just as the TL index bottomed in early October 1990, the Fed began to ease the federal funds rate once again after a ten-month or so period of relative inactivity. The easing trend continued over the next year, ending with a 3.0% fed funds rate, an overall reduction of about 500 bps over the time period (see the exhibit above).

Just as the TL index led Fed-easing activity and overall economic deterioration during the 1990-91 period, our TL index led the economic recovery that followed shortly after. In the previous chart, the turnaround in the TL index preceded the turn in real GDP growth by at least one quarter. The TL index turned during the fourth quarter of 1990, while real GDP showed signs of improvement by the second quarter of 1991.

Exhibit 17. TL Index Versus Year-over-Year Operating Ratio Performance (1989-97)



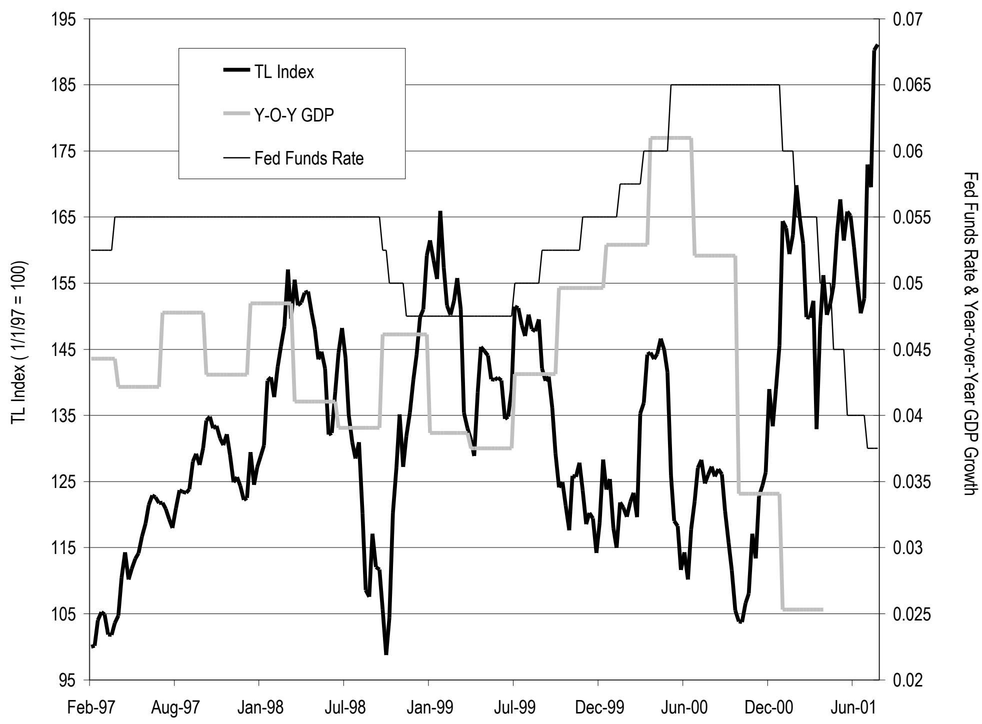
Source: FactSet Research Systems Inc.; DLX.

Given this relationship, the TL index also tends to lead the component carriers' average operating performance. The exhibit above uses the year-over-year change in the TL carriers' average operating ratio (total expenses as a percentage of revenue) as a proxy for operating performance. During the third quarter of 1990, the average OR was 88.6%, which deteriorated to 90.6% in the fourth quarter of 1990. The stocks, which bottomed in the fourth quarter, were leading operational performance, which continued to deteriorate on a year-over-year basis throughout the first half of 1991. By the fourth-quarter 1991, both the economy and the average TL carrier OR were posting significant year-over-year improvement, as the TL index continued to accelerate upward. The TL index also led the rapid decline in operating performance that the TL carriers experienced in 1995. Just as TL index declines led GDP growth declines during this period, the index also led this reduction in operating performance. The first crack in the index appeared in October 1994, followed by a brief recovery and then a steep decline by February 1995. This preceded the rapid degradation in operating performance that began to take shape during the first quarter of 1995 and really made itself felt by the second quarter of that year. The TL index bottomed in early June (after declining 30% since the first sign of weakness in October 1994), about one quarter ahead of the first suggestion of year-over-year improvement.

A LOOK AT THE CURRENT ENVIRONMENT

While we will not attempt to call the precise timing of an economic recovery, we can examine the recent behavior of TL stocks to gain a better general sense of what the market may be expecting in terms of economic performance. If we apply what we learned during the 1990-91 recession and look at the recent performance of our TL stock index versus real year-over-year U.S. GDP growth, it appears that the market may have been anticipating an economic bottom during the first or second quarter of 2001. As the chart that follows illustrates, the TL index hit bottom this past October, only to run up 64% by early February. It almost seems as if the fourth-quarter 2000 GDP result was not as weak as the market had projected, resulting in an almost immediate retreat shortly after the February peak (a pullback of about 19% over a two week period). Since then, the stocks have rebounded once again, apparently discounting an imminent turnaround in the economy. Furthermore, the recent Fed decision to ease the funds rate by only 25 bps instead of 50 bps appears to have added to the market's confidence that the economy has, in fact, reached a bottom (the TL index is up about 25% since the June 27 25-bp easing). While the second quarter may prove to be an economic floor, our sense, based on both shipper sentiment and anecdotal evidence from TL carriers, is that we may not have yet seen the worst of the current economic slowdown.

Exhibit 18. TL Index Versus Real GDP Growth and the Federal Funds Rate (1997-Present)

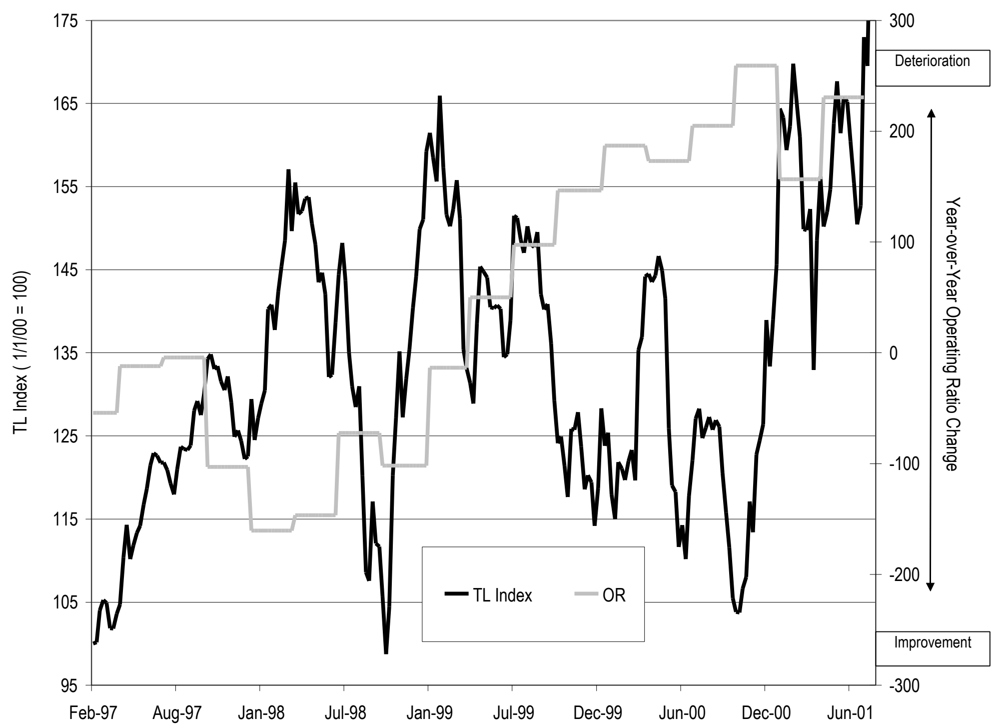


Source: FactSet Research Systems Inc.; DLX.

The question becomes, how will the market react to a scenario in which the anticipation of a third- or fourth-quarter 2001 bottoming gains momentum? We believe that if this proves to be the case, we may see at least one more pullback among the TL stocks prior to an actual economic bottom over the next several quarters. The risk to this view is that the economic environment begins to show improvement during the third quarter (implying a second-quarter bottom), at which point we would expect the TL stocks to show increasing signs of stability, if not significant appreciation. That said, we still argue that a trough in the economy during the second quarter of 2001 is less probable than one in either the second half of 2001 or early 2002.

Our view is also consistent with our expectations for the TL carriers in terms of operating performance. As the previous exhibit illustrates, the bottom for the TL index during 1990-91 was coincident with the worst operating performance for the group on an OR basis. After the fourth-quarter 1990 TL index bottoming, TL carrier performance improved with each passing quarter in terms of year-over-year OR change as the stocks accelerated. This appears to have been the case during the fourth quarter of 2000, when the TL stocks hit a floor just as the average TL OR reached a year-over-year deterioration peak of about 260 bps.

Exhibit 19. TL Index Versus Year-over-Year Operating Ratio Performance (1997-Present)



Source: FactSet Research Systems Inc.; DLX.

Again, it looked as if the timing of the TL index bottom had coincided with the weakest operating performance among the TL carriers. However, the stocks pulled back from their high, perhaps in response to less certainty with regard to whether operating performance and the economy were truly on the road to recovery. Looking at the chart above, it seems that this may have been the case, given that second-quarter 2001 operating results represent a worsening relative to the prior quarter, which at first appeared to indicate some degree of improvement. This supports our concerns that the true economic bottom may be upon us and that we may continue to see increased OR deterioration leading into third-quarter 2001 — or at least a prolonged period of sluggishness. This is consistent with our view that at least one more significant pullback in the TL stocks is probable before the economy truly shows signs of a recovery. *To add some context in terms of operating results relative to earlier periods of economic decline, the TL carriers' average operating ratio in* *the second quarter of 2001 has deteriorated by about 350 bps since the third quarter of 1999 (a seven-quarter period). This compares to more than 400 bps of operating ratio deterioration during the 1990-91 recession (over seven quarters) and about 540 bps of deterioration during the 1995-96 trucking recession (over six quarters).* In these terms, it appears as if we may soon reach the operational bottom, though perhaps we are not quite there yet. As such, and given the present operating environment, we believe that the absolute amount of average operating ratio deterioration during this economic decline may surpass that of the two historical periods that we have drawn upon for comparative purposes. Besides a weakening economy (which drove the 1990-91 decline) and a glut of new and used tractors (a large factor in the 1995-96 decline), today's TL carriers are also facing above-average fuel costs and rapidly rising insurance premiums and deductibles. Should all of these factors continue to weigh on the trucking industry, we forecast that the TL carriers may experience substantial additional operating ratio deterioration — possibly exceeding what we have seen historically.

An Overview of the Truckload Industry

The lion's share of freight in the U.S. continues to move on the ground in the backs of trucks traveling over the nation's highway system. This is a reflection of both a well-developed, expansive transportation infrastructure and the variables that tend to drive shippers' decision-making process when selecting a mode of transport — that is, cost, the size and value of a shipment, the distance to the destination, and the required service level. For the bulk of the economy's needs, ground transportation is the most practical and economical choice, while alternatives such as airfreight have been reserved for high-value-to-weight-ratio and time-critical shipments that demand a combination of expedited service and a very high degree of reliability. Intermodal rail moves have generally been reserved for lower-service, price-sensitive shipments traveling long distances. However, even within the expedited airfreight market, some ground transportation providers have been making inroads with shorter delivery times, improved efficiency, and a greater reliance upon technology.

Within the realm of ground transportation, truckload carriers are the single largest segment of providers. The following section describes what a TL carrier does and attempts to define the scope of the TL industry in terms of relative market size, service levels, market participants, and the relationship between TL industry trends and those of the broader economy. Furthermore, we examine current and longer-term issues affecting the TL industry and its publicly traded carriers.

WHAT IS A TRUCKLOAD CARRIER?

Before diving into the role of TL carriers within the broader transportation market, it is useful to have a basic understanding of what distinguishes TL carriers from other ground transportation providers. Most freight that is transported on the ground in the U.S. is moved either through the networks of private and public trucking companies or through the in-house fleets of large wholesalers, retailers, and other corporations (see the following exhibit). Two segments within ground transportation that are focused on intercity freight delivery are truckload and the less-than-truckload (the smaller segment of the two) carriers. These two types of providers are distinguished by the size of the shipments that they carry and, therefore, the manner in which those shipments are delivered. The group that we are focused on in this report, the TL carriers, carry shipments generally weighing 10,000 pounds or more that belong to a single customer, often on irregular routes. Due to the size of these shipments, they often fill an entire tractor-trailer, hence the term "truckload." As a result, the TL carrier is able to haul a customer's load directly from origin to destination, unlike LTL carriers, which must often operate within a hub-and-spoke system that facilitates the movement of many consolidated smaller shipments (less than 10,000 pounds each) belonging to numerous shippers. The distinctions between TL and LTL carriers are discussed in further detail later in this report.

TRUCKLOAD MARKET SIZE AND CARRIERS

In an attempt to quantify the size of the U.S. TL market, we begin by calculating an estimate of total overall transportation spending within the U.S. economy. Based on a combination of the U.S. Department of Transportation[4] forecasts and other independent sources[5], we believe that U.S.-based transportation spending during 2000 was approximately $585 billion, representing about 5.9% of total GDP. This estimate includes contributions from trucking, air, rail, and other (see the exhibit below). Note that this estimate also contains contributions from passenger-related services, which we believe has the greatest relevance to the air contribution estimate provided in the exhibit that follows. This table also contains a breakdown of the estimated transportation contribution by mode. Looking at the trucking contribution specifically, we applied results from the 1998 U.S. Census Bureau Transportation Survey[6] in order to derive a projection of how much of the estimated $481 billion trucking contribution was based on in-house operations versus for-hire trucking services. Thus trucking represented roughly 82% of the total U.S. spend on transportation last year and about 4.8% of total GDP. We note that this figure includes both over-the-road truck moves and local pickup and delivery trucks that operate both in the LTL trucking world and also in parcel, airfreight, and railroad movements.

Exhibit 20. The Estimated Contribution of Transportation to GDP ($ in billions)

Transportation Relative to GDP	2000	% of Total
Chain-Weighted GDP	**$9,963**	-
Chain-Weighted GDP CAGR	*5.9%*	-
In-House Contribution	$359	61.3%
For-Hire Contribution	$226	38.7%
Total Transportation Contribution	**$585**	100.0%
Total Transportation CAGR	*8.1%*	-
Transportation as % of GDP	*5.9%*	-
Transportation Contribution		
Inter-City Trucking Contribution	**$323**	55.2%
Local Trucking Contribution	$158	27.0%
Air Contribution	$27	4.6%
Railroad Contribution	$36	6.2%
Other Contribution	$41	7.0%
Total Transportation Contribution	$585	100.0%

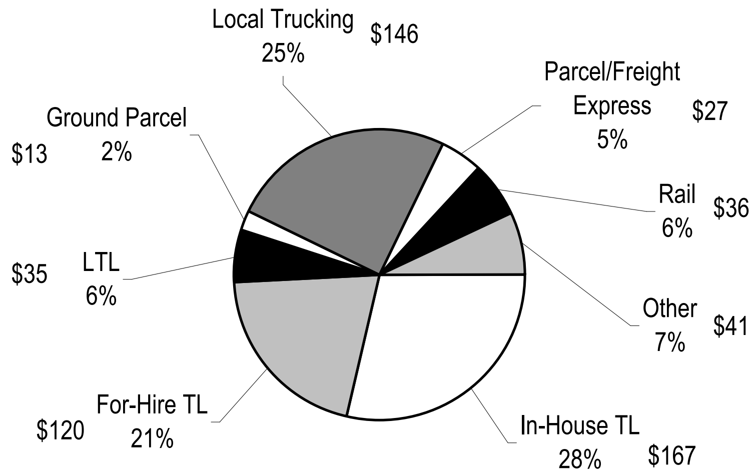
Source: U.S. DOT estimates; U.S. Census Bureau; CASS/ProLogis 12th Annual "State of Logistics Report"; Bear, Stearns & Co. Inc. estimates.

[4] U.S. Department of Transportation, Bureau of Transportation Statistics, *Transportation Satellite Accounts: A New Way of Measuring Transportation Services in America.* BTS99-R-01, Washington, D.C., 1999.

[5] *12th Annual "State of Logistics Report,"* cosponsored by Cass Information Systems, Inc. (an information and freight services provider) and ProLogis (a distribution facilities and services provider), June 4, 2001.

[6] U.S. Census Bureau, Current Business Reports, BT/98, *Transportation Annual Survey: 1998*, U.S. Government Printing Office, Washington, D.C., 1999.

Exhibit 21. Estimated Aggregate Transportation Spending by Mode ($ in billions)



Source: U.S. DOT estimates; U.S. Census Bureau; CASS/ProLogis 12th Annual "State of Logistics Report"; Bear, Stearns & Co. Inc. estimates.

The chart above illustrates the results. We estimate that about 35% of this $481 billion value is tied to in-house TL operations, with 25% linked to for-hire TL services, 7% to LTL services , and about 3% to ground parcel services. The exhibit also contains estimated contributions from rail services, parcel/freight express, and other.

Thus, the U.S. transportation market is driven by the TL sector. However, unlike the airfreight and rail industries, the TL market is highly fragmented, with thousands of carriers providing service. This is due, in large part, to the historically low barriers to entry compared to air and rail services, with the costs of a tractor and necessary licenses well within the reach of many individuals (in contrast to the high costs of purchasing air and rail assets). The fractured nature of the marketplace is demonstrated in the exhibit that follows. This list contains all of the major publicly traded trucking companies with market capitalizations in excess of $20 million. It also contains their actual reported revenues for 2000 along with estimates of how much revenue was derived from TL and LTL operations. We found that, combined, the carriers listed in the table generated about $9.2 billion of TL revenue in 2000, representing roughly 8% of the estimated for-hire TL market ($120 billion) and only 3% of the overall estimated TL market ($287 billion including in-house TL fleets). Note that the exhibit does not include contributions from the nation's privately held TL providers, which account for an estimated 58% of total TL revenues. This group of private TL carriers contains the largest U.S. TL operations, including those of Wal-Mart and Frito-Lay, as well as thousands of small businesses that operate anywhere from a single truck to a fleet of hundreds. In all, we believe that the top-end publicly traded TL carriers have ample room for growth at a rate above that of GDP through market share gains as well as converting in-house business to for-hire business and/or through consolidation. In terms of overall market growth, we think that the TL market is relatively mature and should expand roughly in line with GDP growth in the future.

Exhibit 22. Top Publicly Traded Trucking Companies by Market Capitalization

Provider	Symbol	Market Cap (MM) [1]	C00 Revenue (MM) [2]	Revenue Rank	Operating Ratio	O.R. Rank	Percentage of Gross Revenue			
							TL	Long-Haul LTL	Regional LTL	Other
1 CNF, Inc. (Con-Way) [3]	CNF	$1,840	$5,935	1	94.9%	16	0%	0%	34%	66%
2 Swift Transportation Co. [4,5]	SWFT	$1,700	$1,974	7	92.8%	8	95%	0%	0%	5%
3 Werner Enterprises, Inc. [5]	WERN	$1,074	$1,215	10	93.2%	11	98%	0%	0%	2%
4 USFreightways Corp. [3]	USFC	$922	$2,539	4	93.0%	10	3%	0%	75%	21%
5 J.B. Hunt Transport Svcs. [5,6]	JBHT	$896	$2,160	6	97.1%	19	61%	0%	0%	39%
6 Heartland Express, Inc.	HTLD	$729	$275	19	83.2%	2	100%	0%	0%	0%
7 Landstar System, Inc.	LSTR	$669	$1,423	9	94.2%	12	79%	0%	0%	21%
8 Arkansas Best Corporation	ABFS	$667	$1,840	8	92.4%	6	0%	75%	9%	16%
9 Forward Air Corporation	FWRD	$595	$215	24	82.6%	1	5%	22%	73%	0%
10 Yellow Corporation	YELL	$565	$3,588	2	95.7%	17	3%	78%	16%	3%
11 Roadway Corporation	ROAD	$551	$3,040	3	96.8%	18	0%	100%	0%	0%
12 Knight Transportation	KNGT	$539	$217	23	85.2%	3	100%	0%	0%	0%
13 Arnold Industries, Inc.	AIND	$496	$462	15	86.3%	4	39%	0%	51%	10%
14 Covenant Transport, Inc. [5]	CVTI	$199	$552	13	94.8%	15	97%	0%	0%	3%
15 Consolidated Freightways	CFWY	$145	$2,352	5	100.1%	24	0%	93%	0%	7%
16 U.S. Xpress Enterprises [5]	XPRSA	$111	$787	12	97.5%	21	93%	0%	0%	7%
17 Old Dominion Freight Line	ODFL	$102	$476	14	94.4%	14	0%	39%	59%	2%
18 P.A.M. Transportation	PTSI	$102	$205	25	90.5%	5	100%	0%	0%	0%
19 USA Truck, Inc.	USAK	$76	$227	22	97.4%	20	100%	0%	0%	0%
20 Marten Transport, Ltd.	MRTN	$63	$261	20	92.8%	9	100%	0%	0%	0%
21 Motor Cargo Industries	CRGO	$59	$131	26	92.6%	7	0%	0%	100%	0%
22 Transport Corp. of Amer.	TCAM	$49	$291	18	94.3%	13	0%	0%	100%	0%
23 Frozen Food Express Ind. [3]	FFEX	$35	$392	16	100.3%	25	56%	26%	0%	18%
24 Landair Corporation	LAND	$29	$127	27	106.9%	27	100%	0%	0%	0%
25 Simon Transportation [7]	SIMN	$28	$231	21	104.3%	26	100%	0%	0%	0%
26 Celadon Group, Inc.	CLDN	$26	$352	17	97.5%	22	100%	0%	0%	0%
27 Allied Holdings, Inc.§ [8]	AHI	$18	$1,069	11	98.9%	23	0%	0%	0%	100%
Total		**$12,284**	**$32,335**		**94.4%**		**29%**	**30%**	**18%**	**23%**
By Segment (MM)							$9,259	$9,730	$5,777	$7,570

(1) Share price as of the market close on August 2, 2001, and share count from most recently filed 10-Q.
(2) Total gross revenue.
(3) Values reflect overall consolidated operating ratio performance. LTL ORs in 2000 were 88.5% and 90.9%, respectively, for CNF and USFC.
(4) Pro forma values; SWFT/MSCA merger closed June 29, 2001.
(5) Other includes logistics revenues (estimated; transferred to Transplace.com on July 1, 2000).
(6) TL revenue includes Dedicated Contract Services (DCS), which alone represents 22% of revenue. Other includes intermodal services (32% of revenue on a stand-alone basis) and logistics.
(7) Fiscal September.
(8) Revenue based on fiscal 2000 (ended June).
§ Within the past three years, Bear, Stearns & Co. Inc. or one of its affiliates was the manager (co-manager) of a public offering of securities of this company and/or has performed, or is performing, other banking services, including acting as financial advisor, for which it has received a fee.

Source: Company reports; FactSet Research Systems Inc.; Bear, Stearns & Co. Inc. estimates.

Besides providing a sense of the fractured nature of the trucking market, the list above also highlights market capitalization, OR (or operating expenses as a percentage of overall revenue), and a breakdown of the leading carriers' services by revenue. Interestingly, the largest carriers in terms of revenue are not necessarily the most highly valued by shareholders. While size in terms of revenue is a major factor, overall operating efficiency is also key. This is evident in the following exhibit, a list of the top ten TL carriers by market capitalization along with overall revenue and operating ratio. We note that all of the public TL companies are large compared to the overall market and thus all benefit in terms of enhanced buying power for tractors, trailers, fuel, replacement parts, tires, insurance, etc. However, what separates the public TL providers on a profitability basis is the utilization of assets by management. In layman's terms, keeping them full and keeping them moving. Swift Transportation heads the list, with both the largest market capitalization and the greatest booked pro forma 2000 revenue[7] as well as the fourth best operating ratio. The importance of operational efficiency is more apparent moving down the list. For example, Heartland Express and Knight Transportation have the lowest operating ratios within this group of top ten TL carries and also happen to have some of the smallest bases of revenue. However, they rank fourth and sixth, respectively, in terms of market cap. While there are many possible explanations for valuation variability within this group of ten TL carriers, we maintain that operating efficiency, profitability, and return on capital are the significant factors.

Exhibit 23. Top Ten Publicly Traded TL Carriers by Market Capitalization

							Percentage of Gross Revenue			
Provider	Symbol	Market Cap (MM) (1)	C00 Revenue (MM) (2)	Revenue Rank (3)	Operating Ratio	O.R. Rank	TL	Long-Haul LTL	Regional LTL	Other
1 Swift Transportation Co. [4,5]	SWFT	$1,700	$1,974	1	92.8%	4	95%	0%	0%	5%
2 Werner Enterprises, Inc. [5]	WERN	$1,074	$1,215	3	93.2%	5	98%	0%	0%	2%
3 J.B. Hunt Transport Svcs. [5,6]	JBHT	$896	$2,160	2	97.1%	8	61%	0%	0%	39%
4 Heartland Express, Inc.	HTLD	$729	$275	7	83.2%	1	100%	0%	0%	0%
5 Landstar System, Inc.	LSTR	$669	$1,423	4	94.2%	6	79%	0%	0%	21%
6 Knight Transportation	KNGT	$539	$217	9	85.2%	2	100%	0%	0%	0%
7 Covenant Transport, Inc. [5]	CVTI	$199	$552	6	94.8%	7	97%	0%	0%	3%
8 U.S. Xpress Enterprises [5]	XPRSA	$111	$787	5	97.5%	10	93%	0%	0%	7%
9 P.A.M. Transportation	PTSI	$102	$205	10	90.5%	3	100%	0%	0%	0%
10 USA Truck, Inc.	USAK	$76	$227	8	97.4%	9	100%	0%	0%	0%

(1) Share price as of market close on August 2, 2001, and share count from most recently filed 10-Q/earnings releases.
(2) Total gross revenue.
(3) Revenue ranking based on contribution from TL operations only.
(4) Pro forma values; SWFT/MSCA merger closed June 29, 2001.
(5) Other includes logistics revenue (estimated; transferred to Transplace.com on July 2, 2000).
(6) TL revenue includes Dedicated Contract Services (DCS), which alone represents 22% of revenue.

Source: Company reports; FactSet Research Systems Inc.; Bear, Stearns & Co. Inc. estimates.

TRUCKLOAD CONSUMERS

Based on our estimates, TL carriers account for roughly 60% of the U.S. transportation market. Thus, TL firms serve a client base as diverse as the U.S. economy. In terms of transportation intensity, or transportation costs as a percentage of overall output or product value, the manufacturing sector ranks first among users of for-hire transportation[8]. Manufacturing also ranks first in absolute terms as a user of transportation services, followed by agriculture, construction, and wholesale/retail trade. However, if we look at transportation intensity with the inclusion of in-house transportation services, manufacturing trails these other industries. While smaller users of transportation in absolute terms, the agriculture, construction, and wholesale/retail trade industries place a greater reliance on in-house transportation services, which results in a higher degree of transportation intensity relative to the manufacturing sector. Note that the value of the shipped goods plays a meaningful role in determining the degree of transportation intensity, as transport costs represent larger proportional costs for low-value goods than they do for higher-valued goods (e.g., shipping produce versus shipping consumer electronics).

---

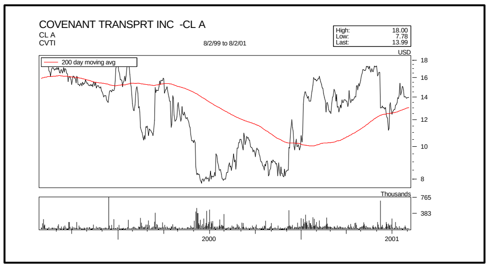
[7] M.S. Carriers merged with Swift Transportation on June 29, 2001. M.S. Carriers accounts for $715 million of Swift's $2 billion pro forma 2000 revenue.

[8] U.S. Department of Transportation, Bureau of Transportation Statistics, *Transportation Satellite Accounts: A New Way of Measuring Transportation Services in America.* BTS99-R-01, Washington, D.C., 1999.

Company Profiles

Covenant Transport, Inc.

(CVTI-13.99)



Source: FactSet Research Systems Inc.

Rating: Neutral

52-Week Range
$18-$8

Earnings per Share
2000: $0.82
2001E: $0.21
2002E: $0.75

P/E
2001E: NM
2002E: 18.6x

Dividend
Nil

Yield
Nil

Com. Shares (mil)
14.3

Equity Market Capitalization (mil)
$199

Book Value per Share
$11.88

Est. 5-Yr EPS Growth Rate
15%

A Covenant to Improve Profitability

Covenant Transport is the nation's sixth-largest full truckload carrier by revenue (seventh-largest by market cap) providing nationwide long-haul service. Given its 1,250-mile average length of haul, the company is highly reliant upon both company-employed and owner/operator team drivers to move freight over-the-road in an expedited "near-airfreight" manner but at a discount to airfreight prices. Some of Covenant's major clients include other transportation companies such as LTL carriers, freight forwarders, and logistics providers.

- **Initiation of Coverage.** We initiated coverage of Covenant Transport on August 3, at the previous day's closing price of $13.99 and with a 12-month price target of $16.

- **Long-Haul Market Faces Most Upside Potential.** We believe that the long-haul niche is currently one of the hardest hit, as it faces tremendous pricing pressure from desperate small truckers looking to generate revenue to cover truck payments and escalating operating costs. Going forward, we believe that more of these undercapitalized providers will go out of business, thereby removing capacity and improving the pricing environment for carriers such as Covenant. With its high-end leverage of $0.24 per share for every 100-bp change in OR, Covenant is well positioned to capitalize upon the next upturn.

- **Focus on Profitable Growth Going Forward.** Over the past four years, Covenant has grown its revenues annually at an average rate exceeding 23%. However, as the world began to slow in 2000, the lower-quality nature of some of this freight became apparent, with its declining profitability. As a result, management has dedicated itself to boosting profitably during the next economic upturn.

- **EPS Estimates Still Too High.** Given the company's recent lackluster operating performance and what we forecast will be a protracted economic downturn, we view the existing 2001 and 2002 consensus EPS estimates as too high. At present, we do not think that the continued economic sluggishness is factored into the stock's high-end valuation.

Any recommendation contained in this report may not be suitable for all investors. Moreover, although the information contained herein has been obtained from sources believed to be reliable, its accuracy and completeness cannot be guaranteed. Bear Stearns may make markets and effect transactions, including transactions contrary to any recommendations herein, or have positions in the securities mentioned herein (or options with respect thereto) and may also have performed investment banking services for the issuers of such securities. In addition, employees of Bear Stearns may have positions and effect transactions in the securities or options of the issuers mentioned herein and may serve as directors of such issuers. Copyright © 2001. All rights reserved by Bear, Stearns & Co. Inc.

INVESTMENT POSITIVES

- **Team Drivers.** Covenant is focused on team long-haul drivers that provide the fastest ground service from point to point. Their line-haul capabilities provide the basis for "near-airfreight" capabilities at ground prices for many LTL carriers, freight forwarders, freight integrators, and other logistics providers. Increasingly, as JIT and time-definite delivery become more valuable and lower-cost ground alternatives for shippers, we expect Covenant's team driver capabilities to offer it a relatively unique competitive advantage that will make its service less of a commodity. The company currently boasts 2,600 team drivers who represent about 49% of its total driver pool.

- **Long-Haul Upside Potential Is Unmatched.** To date, the best-margin, best-return truckers have been the regional TL providers, which get a higher revenue per mile for their hauls, but must manage their utilization more closely than the long-haul providers (i.e., shorter hauls equate to lower absolute miles per tractor). The long-haul market has been plagued by too much competition from mom-and-pop trucking companies and owner/operators, many of which only run one or two trucks, that tend to discount heavily in particular lanes. That said, we suspect that on a relative basis, the long-haul TL providers will have the most upside improvement over time with regard to utilization and pricing as the smaller, less-capitalized players are consolidated.

- **Renewed Focus on Utilization and OR Improvement**. We believe that management, for the first time in its public history, is truly committed to focusing upon bottom-line margin and return improvement rather than upon revenue growth. Covenant's OR has moved from a peak in the mid-80% area during 1991-92 to the high 80% level between 1993 and 1994 to the low 90% area in 1995-99 and to the mid- to high 90% level during 2000-01. Management is focusing on rationalizing equipment, improving utilization, and remaining disciplined in terms of its growth objectives in order to improve its operating ratio back to the 90% area. We believe that this could happen over the next 12-18 months.

- **High Leverage to an Upturn and Lower Fuel Prices.** Each 100 bps of OR change for Covenant equates to about $0.24 per share, based on our 2002 estimates. This compares to leverage of only $0.06-$0.16 of EPS per 100-bp change in OR for the regional TL group. If Covenant were able to achieve even half of its goal to improve its OR back to the 90% level from the current 97%-98% level, there could be close to $1 per share of EPS improvement within the next year or two. Meanwhile, we also expect Covenant to be one of the public truckers (including both TL and LTL) to benefit the most from declining fuel prices. Exhibit 25 shows that Covenant should benefit from an estimated 14% boost to earnings (based upon consensus EPS estimates — more like 17% based on our low-end EPS estimates), if diesel fuel were to decline, on average, by 30% during 2002 from 2001. We have assumed a more modest 5%-10% drop in fuel prices in our estimates.

Exhibit 24. Comparative Leverage to a 100-bp Operating Ratio Change

		EPS C02E	(+/-) 100bp OR
CVTI		**$0.75**	**$0.24**
	% of C02E EPS	--	*31.7%*
HTLD		**$1.25**	$0.06
	% of C02E EPS	--	*5.0%*
KNGT		**$1.05**	$0.07
	% of C02E EPS	--	*6.4%*
SWFT		**$0.83**	$0.17
	% of C02E EPS	--	*20.1%*
WERN		**$1.25**	$0.18
	% of C02E EPS	--	*14.2%*
XPRSA		**$0.50**	$0.38
	% of C02E EPS	--	*76.1%*

Source: Bear, Stearns & Co. Inc. estimates.

Exhibit 25. Comparative Leverage to a 30% Reduction in Fuel Price(1)

		EPS C02E	30% Reduction in Fuel Cost
CVTI		**$0.75**	**$0.13**
	% of C02E EPS	--	*17.3%*
HTLD (2)		$1.25	--
	% of C02E EPS	--	--
KNGT		$1.05	$0.03
	% of C02E EPS	--	*2.8%*
SWFT		$0.83	$0.06
	% of C02E EPS	--	*7.2%*
WERN		$1.25	$0.09
	% of C02E EPS	--	*7.2%*
XPRSA		$0.50	$0.10
	% of C02E EPS	--	*20.0%*

(1) 2002 EPS impact is a directional estimate, not a precise calculation. Estimate of effect on 2002 EPS assumes full-year impact from a 30% decline in fuel prices.See Exhibit 8 for additional detail.
(2) HTLD does not disclose specific fuel expense/surcharge amounts.

Source: Bear, Stearns & Co. Inc. estimates.

- **Acquisitions.** Covenant has made several acquisitions, including Con-Way truckload services in August 2000. In that acquisition, Covenant acquired 90 tractors and Con-Way's customer list, including the inter-regional LTL line-haul business. As a result, Covenant has picked up one new top five account and has meaningfully increased its level of business with one existing top five account. We note that the timing was difficult, as the market downturn after the acquisition has made the accretion (if any) from the acquisition impossible to find. We suspect that in the next upturn, we will see some of that benefit and that Covenant will be presented with many other accretive acquisition opportunities as smaller companies continue to seek shelter in the difficult market.

Exhibit 26. A Look at Selected Covenant Acquisitions ($ in millions)

	Target	Date (1)	Services Provided	Price (2)	EV/EBITDA	Retained Rev.	Tractors
1	Con-Way Truckload Services, Inc.	8/22/00	TL	$10.0	---	$80.0	90
2	Harold Ives Trucking Company and Transportation	11/16/99	TL Trucking and Brokerage	$22.0	---	$65.0	450
3	ATW	8/1/99		$10.0	---	$40.0	9
4	SRT	10/5/98	TL (long-haul), Dry Van, Temp Control	$10.8	3.0x	$23.0	255
5	Bud Meyer	10/6/97	TL, Reefer	$6.0	3.4x	$47.3	261
	TOTAL			**$58.8**		**$255.3**	1,065

(1) Announced date.
(2) Price for equity.

Source: Company reports; Bloomberg.

INVESTMENT RISKS

- **EPS Estimates Too High.** Consensus EPS estimates of $0.29 and $0.90 for 2001 and 2002 remain above what we believe is a likely scenario, given Covenant's recent results and the severity and duration that we expect from the ongoing economic downturn. Our 2001 and 2002 EPS forecasts of $0.21 and $0.75 are roughly 28% and 17% below consensus, respectively. With the stock now at the high end of its valuation range, we do not believe that our low-end EPS expectations for 2002 are priced in just yet.

- **Pricing in Near to Intermediate Term.** As the smaller and individual long-haul truckers continue to be squeezed by a weak used truck market, high fuel and insurance costs, and a weak economy, many of them are becoming more desperate to remain in business. They are desperate for cash flow in order to make their next payments, and, often, getting some cash in the door at any price becomes the only option. Accordingly, we have seen pressure on the long-haul TL carriers' revenue per mile, which has been increasing over the past several quarters. We believe that long-haul, which is more of a commodity than regional TL, is experiencing this pressure more than regional because there are more mom-and-pop operators in the long-haul business. Of course, today's problem for Covenant should become tomorrow's opportunity. We expect pricing to firm in a hurry as the downturn continues and the small truckers move from generating cash flow at any price to going out of business for good. In addition, we surmise that these same smaller truckers will face increasing pressure from dissatisfied shippers that are less willing to sacrifice service for a discounted price.

Exhibit 27. Comparative Pricing — Quarterly Revenue per Loaded Mile Performance(1)

	2000	3Q00		4Q00		1Q01		2Q01	
	Avg. Length of Haul	Rev./ Rev. Mile	% Change Y-o-Y	Rev./ Rev. Mile	% Change Y-o-Y	Rev./ Rev. Mile	% Change Y-o-Y	Rev./ Rev. Mile	% Change Y-o-Y
Regional									
KNGT	530	$1.23	0.3%	$1.24	0.4%	$1.23	2.5%	$1.22	0.0%
HTLD (2)	558	---	---	---	---	---	---	---	---
SWFT (3)	564	$1.39	3.5%	$1.42	4.3%	$1.42	3.5%	$1.42	2.5%
WERN	746	$1.34	3.8%	$1.35	4.1%	$1.33	2.2%	$1.34	1.5%
XPRSA	950	$1.23	2.8%	$1.23	3.0%	$1.22	1.6%	$1.21	1.0%
CVTI	**1,250**	**$1.22**	**1.1%**	**$1.23**	**0.7%**	**$1.21**	**-0.7%**	**$1.20**	**-3.6%**
Long-Haul									

(1) Net of fuel surcharge revenue.
(2) HTLD does not report any operating statistics.
(3) SWFT merged with MSCA on June 29, 2001. Pro forma average length of haul estimate based on reported operating results for SWFT and MSCA. Pro forma revenue per revenue mile based on both reported pro forma results and Bear Stearns estimates.

Source: Bear, Stearns & Co. Inc. estimates.

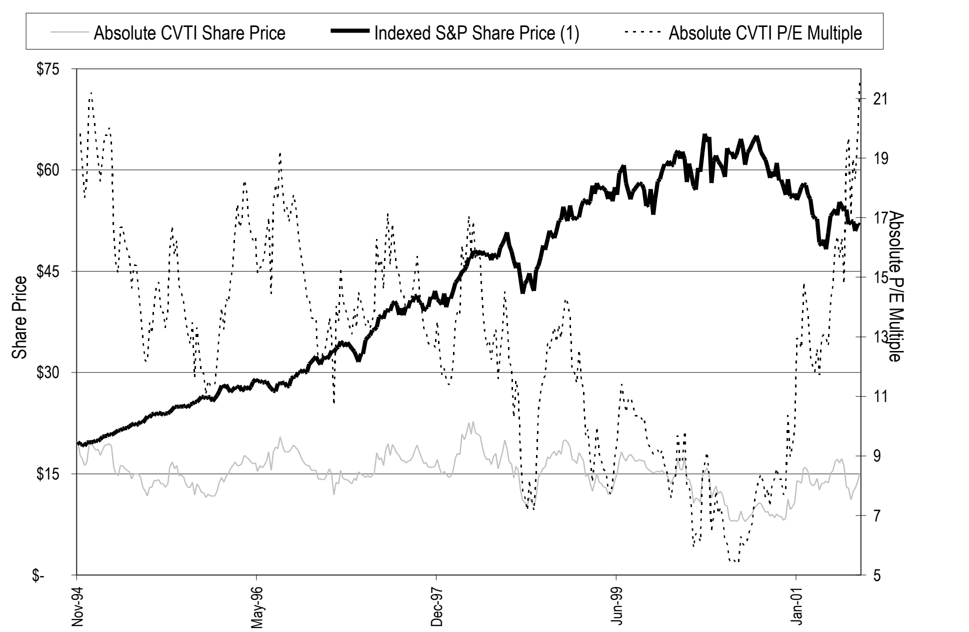
- **Insurance Costs.** As the insurance industry faces an upturn in its cycle and diminishing returns on its capital in the equity markets, it has taken a firm position with truckers over the past six months by initiating rate increases for liability, casualty, and claims insurance. Most truckers, including Covenant, will be significantly affected by this trend, to varying degrees. In Covenant's case, the premium paid for its umbrella insurance policy rose on July 1 by about $1 million, while the deductible for its casualty coverage rose from $12,500 per occurrence to $250,000. As a result, we expect insurance costs to increase as well, along with the variability of insurance expense from quarter to quarter, as the number of accidents and claims will have a greater impact on this expense line with reduced predictability. We have assumed that insurance expense as a percentage of total revenue will advance from 2.9% in 2000 to about 3.4% in 2001 and 2002.

- **Weak Used Truck Market.** Covenant, like the other TL players, must contend with a very weak used truck market. As a result of its Harold Ives acquisition in November 1999, Covenant acquired 450 tractors, which it has been attempting to sell over the past 18 months. Currently, that number is down to 50. In addition, the weak used truck market poses relatively more risk for Covenant than it does for some of its peers, as, unlike many competitors, the company has never had agreements with Freightliner guaranteeing the residual value of its tractors upon trade-in. This additional exposure to the market price for used equipment equates to relatively more variability in Covenant's reported gains or losses on sales of tractors.

VALUATION

CVTI is currently trading at almost 19x our 2002 EPS estimate of $0.75. Our $16 price target is derived by applying a 19x P/E out 12 months to our blended 2002 and 2003 EPS estimate of $0.85 (reflecting $0.75 for 2002 and $0.94 for 2003).

Exhibit 28. CVTI Historical Absolute Forward P/E and Stock Performance Versus the S&P 500

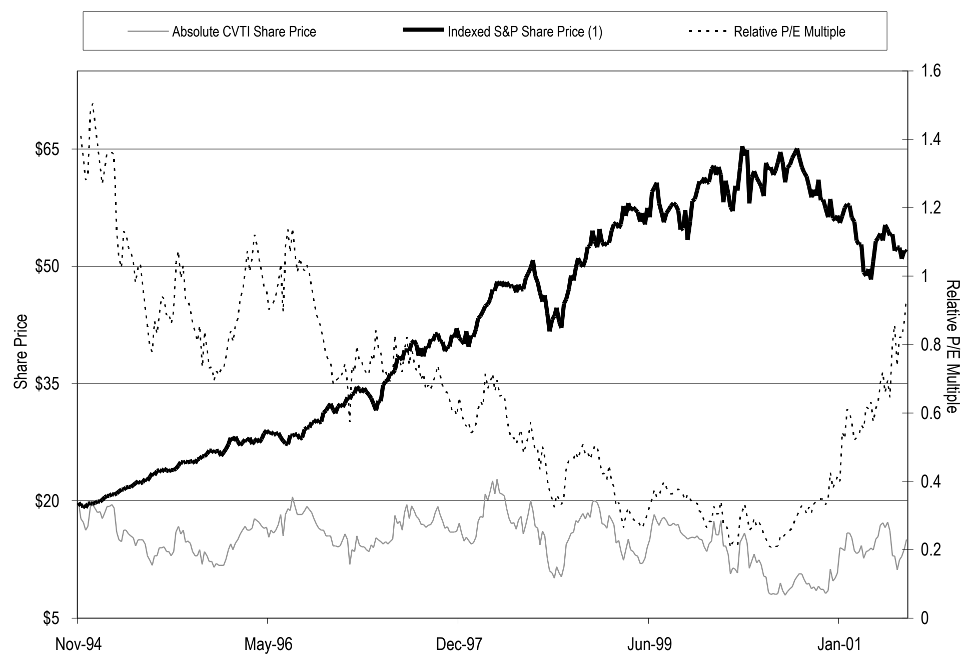


(1) Indexed to CVTI share price as of the week of 10/28/94.

Source: Bear, Stearns & Co. Inc. estimates.

As the previous exhibit illustrates, Covenant's 12-month forward rolling P/E has peaked during trough earnings cycles in February 1995 (a period of overcapacity) and December 1998 (Asian currency crises) as well as currently at about 19x. Over the next 12 months, we expect upside to future numbers to become more visible as signs of an economic downturn appear and as larger, better-financed carriers such as Covenant benefit from the increased utilization and pricing power that should come from the continued consolidation of smaller, more poorly capitalized firms. Our target price implies roughly 15% P/E expansion for Covenant from present levels (using our blended estimate), and we believe this to be very achievable, given the potential for upside to EPS estimates during the second half of 2002 and into 2003. On an enterprise-value-to-EBITDA basis, CVTI trades at 5.2x our 2002 EBITDA estimate. Over the past three years, CVTI has traded in an enterprise-value-to-EBITDA range of 3.3x-6.1x, with an average at around 4.5x-5.5x. Our $16 target price implies an enterprise value to EBITDA of 5.2x our blended 2002 and 2003 EBITDA estimate.

Exhibit 29. CVTI Historical Relative Forward P/E and Stock Performance Versus the S&P 500



(1) Indexed to CVTI share price as of the week of 10/28/94.

Source: Bear, Stearns & Co. Inc. estimates.

Company Background

Covenant Transport, Inc., based in Chattanooga, Tennessee, is one of the ten largest truckload carriers in the U.S., providing just-in-time and other transportation service for its customers. Covenant was established in 1985 with 25 tractors and 50 trailers and found its niche carrying long-haul truckload shipments originating in or destined for California. Over its 16-year history, Covenant has increased its fleet to 3,983 tractors and 7,621 trailers employing approximately 5,750 drivers and 1,097 nondriver personnel. Recently, Covenant has grown both internally and externally, completing nine acquisitions since 1996.

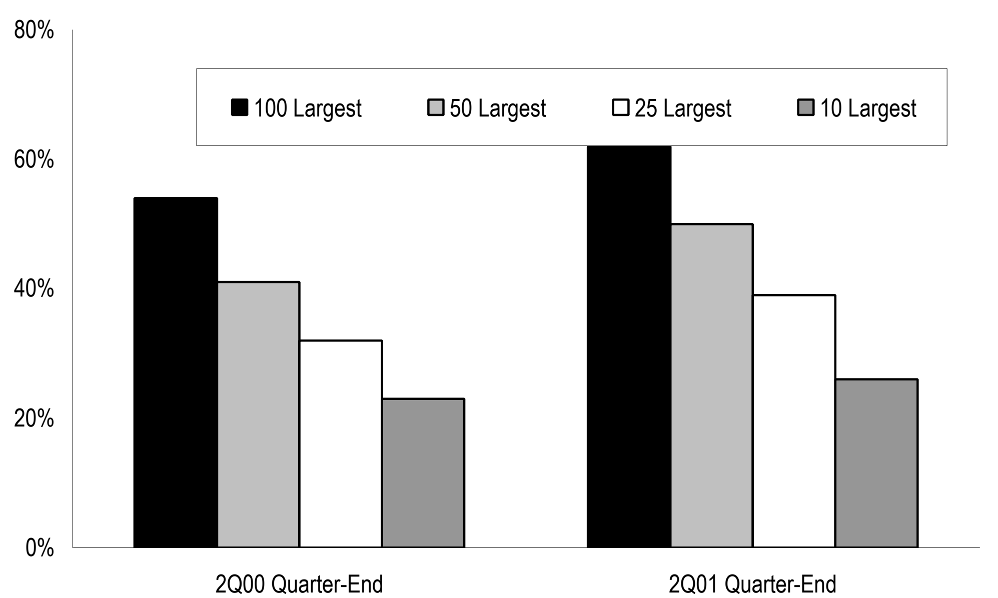
Management

Covenant's management consists of David R. Parker, chairman, CEO, and president of the company; Michael W. Miller, executive vice president, COO, and director; R.H. Lovin Jr., vice president of administration, secretary, and director; Joey B. Hogan, treasurer and CFO; and Ronald B. Pope, senior vice president of sales and marketing. Mr. Parker and his wife, Jacqueline F. Parker, are the largest shareholders, with 47% of total shares outstanding. All directors and executive officers as a group own a combined 49% of shares outstanding (overall inside ownership is 58%).

Customers and Segmentation

Covenant Transport is a long-haul TL company with a diversified and wide-reaching customer base. At the end of the second quarter of 2001, its largest 100 customers accounted for 62% of revenue, while the ten largest customers represented 26% of revenue. The largest 50 and 25 customers accounted for 50% and 39% of business, respectively. Each of these figures is up from the prior-year period (see the next exhibit), showing that Covenant's top customers are growing their business along with the company.

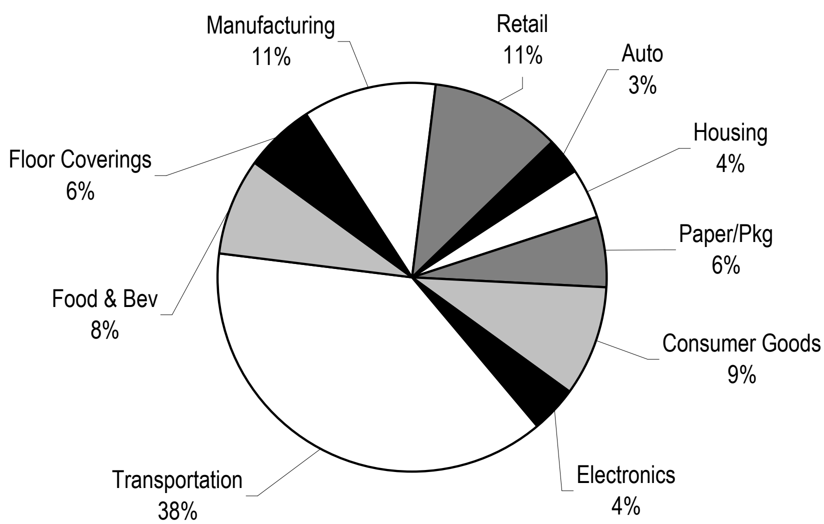
Exhibit 30. Covenant Revenue by Top 10, 25, 50, and 100 Customers



Source: Company reports.

However, this also means that Covenant's exposure to loss in revenue is greater in the event that any of its larger customers should go out of business or decide to move their business away from Covenant. Covenant is strong when it comes to the diversity of its customer base, hedging its exposure to revenue loss in case of downturns in one of the many markets in which its customers participate. As seen in the next chart, Covenant's biggest customer base is the transportation industry, servicing less-than-truckload and airfreight carriers, third-party freight consolidators, and freight forwarders, among other types of companies. Rounding out the top five industries serviced by Covenant are manufacturing, retail, consumer goods, and food and beverage.

Exhibit 31. Covenant Revenue by Industry (2000)



Source: Company reports.

Covenant targets clients that demand JIT and other premium services, believing that these clients are willing to pay higher freight rates. Accordingly, Covenant has characteristically serviced manufacturers, retailers, and other transportation companies (i.e., less-than-truckload and airfreight carriers, third-party freight consolidators, and freight forwarders). To maintain efficiency and to successfully manage time constraints, Covenant has put in place state-of-the-art technology systems that allow for tracking and communications. In addition, the company operates from 18 terminals located on its major traffic lanes and utilizes driver teams allowing for expedited service over long average lengths of haul while staying within Department of Transportation safety rules.

Quarterly Update

Covenant reported second-quarter 2001 EPS of $0.04 on July 18, which compared to $0.20 a year ago (a decline of 80% year over year) and the consensus estimate of $0.03. While beating Street expectations, Covenant did prereport on June 6 and provided EPS guidance in the range of $0.02-$0.05, which compared to the $0.19 consensus EPS estimate at that time (a reduction of about 82%). Weak operating performance during the second quarter of 2001 was marked by weak 1.6% year-over-year revenue growth, the lowest result since Covenant's rate of top-line growth began to decline during the first quarter of 2000 (from a high of 34% growth in the fourth quarter of 1999). This result was reflective of relatively flat tractor utilization relative to last year (up slightly) and a 3.6% reduction in revenue per revenue mile, along with management's comments that freight demand remains soft and rates are under pressure. In addition, Covenant suffered from 305 bps ($0.19 per share) of year-over-year operating ratio deterioration, of which about 270 bps ($0.16 per share) was attributable to increases in fuel and insurance costs. While the cost of fuel has begun to recede somewhat, we anticipate, as we have mentioned, that higher insurance costs are here to stay. Generally speaking, we expect these types of results to persist in the near term, as we do not foresee an imminent economic recovery. That said, expected year-over-year operating ratio deterioration in the coming third quarter should be modestly less severe, given the easier comparison quarter. Where OR deteriorated by 305 bps during the second quarter compared to 460 bps a year ago, we project about 250 bps of deterioration in the third quarter versus around 510 bps of deterioration in third-quarter 2000. Lastly, Covenant's 13% ownership stake in Transplace.com had an estimated negative impact on second-quarter 2001 EPS totaling just under $0.01. Gains and/or losses from Transplace.com are accounted for under the equity method and therefore are reported under other income.

EPS Derivation

The exhibit below takes a closer look at our EPS estimates for Covenant and what is driving them. For 2001, we expect that the primary driver of our projected $0.61-per-share decline over last year will be OR deterioration of roughly 265 bps followed by slightly greater interest expense and a modestly higher effective tax rate. We anticipate that the majority of our expected OR deterioration will stem from increased expenses as a percentage of revenue related to wages, fuel, and escalating insurance costs. With regard to our $0.54 projected improvement to EPS in 2002, the primary driver once again should be OR improvement, as we believe that business trends in 2002 may compare favorably to those of 2001. We also expect small contributions from improved revenue growth and from reduced interest expense as a result of management's planned debt reduction, which should continue through the second half of 2001. Note that the relatively small contribution from expected revenue growth in 2002 and large impact of OR improvement is reflective of our expectation that Covenant management will place a particular emphasis on growing profitably as the demand environment improves (with a priority on overall revenue growth coming in at a close second place).

Exhibit 32. Covenant EPS Derivation Table

	2000	2001E	2002E
Revenue Growth	$0.29	$0.01	$0.03
Operating Ratio	($0.88)	($0.60)	$0.46
Other Income	($0.10)	($0.01)	$0.07
Tax Rate	($0.00)	($0.01)	$0.00
Diluted Share Count	$0.03	$0.00	($0.02)
Change in EPS	**($0.66)**	**($0.61)**	**$0.54**
Continuing EPS	$0.82	$0.21	$0.75

Source: Company reports; Bear, Stearns & Co. Inc. estimates.

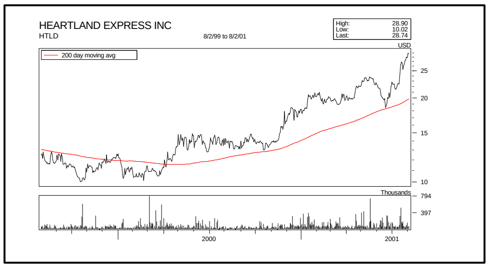
Cash Flow and Balance Sheet

With the onslaught of the economic slowdown during 2000, Covenant saw its net income nearly cut in half year over year, to $11.9 million from $22.3 million in 1999. Covenant was able to somewhat mitigate the negative cash flow impact by reducing working capital requirements and net capital expenditures from about $55 million in 1999 to just over $20 million in 2000. However, this was not enough to significantly improve cash flow performance on a year-over-year basis (overall, Covenant generated $1.2 million of cash in 2000 versus using $1.9 million in 1999). Based on our expectations with regard to the severity and duration of the current economic downturn, we expect Covenant's cash flow performance in 2001 to show little sign of improvement. On an operating basis, we project cash flow generation of $19 million in 2001 compared to just over $7 million in 2000, largely as a result of reduced expenditures. We expect this improvement to be offset by management's plan to continue to reduce debt during the second half of 2001 to end the year with about $123 million of debt. Based on this plan and the assumptions detailed above, we estimate that Covenant will use just under $1 million of cash during 2001. As a result of the plan to reduce debt, we expect Covenant's debt-to-debt-plus-equity ratio to settle at 41.8% by year-end, down from 46.0% at the close of 2000 (we believe that this reduction may be understated, as we anticipate that Covenant will pay down a substantial portion of off-balance-sheet debt as well going forward). For 2002, we anticipate some progress off of what we expect will be a stabilized, if not improved, demand environment. In sum, we believe that Covenant will continue to have problems generating free cash flow until it is able to make strides in reaching its goal of pre-2000-type operating ratio performance.

BEAR
STEARNS

Heartland Express, Inc.

(HTLD-28.74)



Source: FactSet Research Systems Inc.

Rating: Attractive

52-Week Range
$30-$13

Earnings per Share
2000: $1.07
2001E: $1.14
2002E: $1.25

P/E
2001E: 25.2x
2002E: 22.9x

Dividend
Nil

Yield
Nil

Com. Shares (mil)
31.7

Equity Market Capitalization (mil)
$911

Book Value per Share
$6.73

Est. 5-Yr EPS Growth Rate
NM

A Growth Stock Again?

Heartland Express is a regional full truckload ground transportation provider, ranking seventh in size on a revenue basis and fourth in terms of market cap. The company has bragging rights to some of the highest financial returns and the lowest operating ratio in the industry. With a growing stockpile of cash and no debt, Heartland is armed to make accretive acquisitions, in our opinion, taking advantage of the hard times currently falling upon many smaller TL carriers.

- **Initiation of Coverage.** We initiated coverage of Heartland Express on August 3, at the previous day's closing price of $28.74 and with a 12-month price target of $33. Heartland offers high-end financial returns, an industry-leading operating ratio, and a cash balance of $137 million (no debt).

- **Accelerating Revenue and EPS Growth.** As a result of its "profitable growth only" approach to business and its emphasis on maintaining its industry-leading operating ratio, Heartland has sacrificed top-line revenue growth in recent years. However, after three consecutive quarters of accelerating revenue and EPS expansion, this trend may be turning as many providers continue to go out of business and provide quality carriers such as Heartland with mounting opportunities.

- **Strong Free Cash Flow Generation.** Due to its focus on maintaining operational efficiency, Heartland is one of the strongest generators of free cash flow in the industry (we project $0.49 per share in 2001, accelerating to $0.86 per share in 2002). When the economy does begin to turn, we expect to see Heartland's cash balance only grow bigger, leaving the carrier well positioned to take advantage of accretive acquisition opportunities.

Any recommendation contained in this report may not be suitable for all investors. Moreover, although the information contained herein has been obtained from sources believed to be reliable, its accuracy and completeness cannot be guaranteed. Bear Stearns may make markets and effect transactions, including transactions contrary to any recommendations herein, or have positions in the securities mentioned herein (or options with respect thereto) and may also have performed investment banking services for the issuers of such securities. In addition, employees of Bear Stearns may have positions and effect transactions in the securities or options of the issuers mentioned herein and may serve as directors of such issuers. Copyright © 2001. All rights reserved by Bear, Stearns & Co. Inc.

Reasons to Invest

- **Revenue and EPS Growth Beginning to Accelerate.** Heartland has always been managed as a bottom-line-oriented company. Founder, Chairman, and CEO Russ Gerdin's philosophy of "profitable growth only" permeates the company. As a result, in recent years, Heartland has focused on maintaining its industry-leading operating ratio and financial returns and has seen little top-line growth. From 1997 to 2000, Heartland's revenue compound annual growth rate (CAGR) was a modest 1.5% compared to an average 23.7% for the Bear Stearns TL index. That compares to Heartland's 18.0% revenue CAGR during the 1995-97 period and a 26.0% revenue CAGR over the ten-year period prior to that. Second-quarter 2001 revenue growth of 8.6% marked Heartland's third consecutive quarter of improved year-over-year revenue expansion as it began to capitalize upon opportunities presented by other smaller providers going out of business while maintaining its fuel surcharge.

Exhibit 33. Recent Heartland Quarterly Revenue and Year-over-Year Growth Trends

	1Q00	2Q00	3Q00	4Q00	1Q01	2Q01
Revenue (MM)	$67.2	$69.3	$68.1	$70.3	$71.9	$75.3
Y-o-Y Growth	6.5%	4.8%	4.2%	5.7%	7.0%	8.6%

Source: Company reports.

- **High-End Operating Ratio and Financial Returns.** Heartland's operating ratio is the best of any of the public TL companies and was an impressive 83.2% during a difficult fuel and demand environment in 2000. As a result of its superior margins, Heartland has leading financial returns among its peers. For 2001 we project return on equity, return on assets, and return on capital of 17.0%, 17.3%, and 17.0% respectively.

Exhibit 34. Comparative Operating Ratio (OR) Performance

	C97	C98	C99	C00	C01E	C02E
CVTI	90.6%	90.4%	91.0%	94.8%	97.4%	95.6%
HTLD	**83.5%**	**82.5%**	**82.9%**	**83.2%**	**83.0%**	**82.9%**
KNGT	82.4%	81.6%	82.9%	84.6%	84.8%	83.4%
SWFT	90.4%	89.6%	89.7%	92.8%	94.3%	93.5%
WERN	89.9%	88.9%	90.3%	93.2%	93.9%	92.9%
XPRSA	94.6%	92.4%	95.4%	97.2%	97.9%	96.9%

Source: Company reports; Bear, Stearns & Co. Inc. estimates.

Exhibit 35. Comparative Return on Capital (ROC) Performance

	C97	C98	C99	C00	C01E	C02E
CVTI	5.7%	7.2%	7.0%	2.1%	-0.9%	2.2%
HTLD	**21.7%**	**19.4%**	**18.3%**	**18.5%**	**17.0%**	**16.0%**
KNGT	19.9%	19.8%	18.2%	18.2%	15.9%	17.1%
SWFT	16.9%	13.4%	13.3%	9.9%	7.6%	9.0%
WERN	12.1%	12.1%	11.1%	8.5%	7.5%	9.2%
XPRSA	2.9%	5.4%	1.4%	-1.4%	-2.7%	-0.7%

Source: Company reports; Bear, Stearns & Co. Inc. estimates.

- **Strong Balance Sheet.** Heartland also maintains the most pristine balance sheet in the group, with $137 million in cash (over $4.30 per share) as of June 30. This war chest of cash should be put to use in the near term for accretive acquisitions, which we expect will soon become more prevalent. In a sustained economic downturn, we believe that the "cash is king" philosophy is born out, as cash provides the flexibility to take advantage of opportunities provided by the marketplace.

- **Relatively Young Truck Fleet.** Heartland has recently recapitalized its tractor and trailer fleet, and its tractor fleet now is less than 18 months old, on average, with its trailer fleet expected to be down to two years by the end of 2001. By year-end, management expects not to have a single tractor with a model decade year "9" in it. In a weak and uncertain used truck market, we believe this is a strong positive. Management has indicated a willingness to age the fleet to five years or longer over the next three to four years if the used truck market remains dormant. This would lead to above-average cash flow for Heartland, which could approach the $1-per-share level for free cash in 2003 and 2004.

- **Defensive Cyclical.** Heartland historically has outperformed other TL providers during downturns as a result of management's bottom-line focus and discipline. In addition, management's aversion to debt and constant cash balances provides it with stability and the ability to repurchase shares when the stock weakens or to make opportunistic acquisitions when they present themselves. Accordingly, if the economy does go into a sustained downturn or recession, we would expect Heartland to hold up better than most. The flip side, of course, is that Heartland has less leverage to a strong surge in the economy, as its operating results remain more consistent in both weak and strong economic cycles.

INVESTMENT RISKS

- **The Economy.** Every indicator we see in transport leads us to believe that the current U.S. economic weakness is more deeply rooted than most people believe and could last longer than most economists anticipate. Tonnage levels are well below those of 1991. We suspect that a sustained downturn that lasts well into 2002 will severely test pricing in the marketplace as well as recent highs reached by TL stocks such as HTLD. On the positive side, the longer the downturn, the greater the number of small- and less-capitalized TL companies that are likely to cease operations forever, leading to even more consolidation and future upside potential for the well-capitalized, well-managed companies such as Heartland, in our opinion.

- **Good News May Be Priced In.** Heartland's stock is up 57% year to date and 110% since October 1, 2000, compared to the S&P 500, which is down 8% and 15%, respectively, for the same periods. Currently, HTLD trades at 22.9x and 10.5x our respective 2002 EPS and EBITDA estimates. Historically, HTLD has traded in a range of 10x-25x forward P/E and 3.1x-10.8x enterprise value to EBITDA. In our view, a lot of good news is already in the current stock price, and the market is anticipating improved results going forward.

- **Overcapacity.** Even if demand picks up, there is the possibility that supply remains bloated for some time, leading to continued TL pricing pressure. There is an oversupply of used trucks on lots across the country, which is pressuring used truck trade-in prices and providing a source for cheap trucks on the market for those that wish to buy them and compete. On the positive side, weak trade-in prices that are below book value are making it difficult for small operators to obtain the funds necessary to put a down payment on a new truck, leading to more bankruptcies and closings.

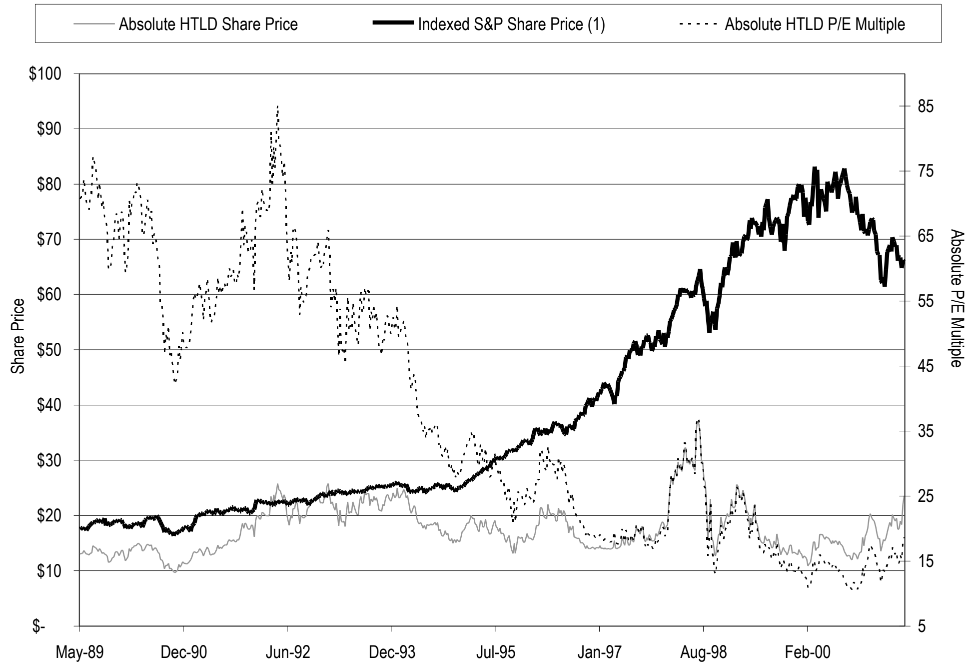
- **Succession Issue.** Mr. Gerdin is a legend in the trucking business and remains the driving force behind Heartland. He is 59 years old, and, at this time, there is no obvious successor in the company. While we do not consider this a near-term problem, over time, we suspect that investors will view Mr. Gerdin's succession plans as more pressing.

- **Driver Turnover.** While most industry observers note that the existing driver shortage is as benign as in recent memory, we do not want to discount the issue of driver turnover just because it is in remission during the current recession. The 100%-plus turnover ratio industry-wide for drivers is a concern that usually presents a cap to internal growth potential during strong upturns in the market. We surmise that the next time that the economy heats up and the job market comes roaring back, the problem of driver shortages will return to the top of investors' agenda.

VALUATION

HTLD is currently trading at about 23x our 2002 EPS estimate of $1.25. Our $33 price target is derived by applying a 23x-24x P/E out 12 months to our blended 2002 and 2003 EPS forecast of $1.41 (reflecting $1.25 for 2002 and $1.56 for 2003). As the exhibit that follows illustrates, Heartland's 12-month forward rolling P/E has peaked during trough earnings cycles such as those in February 1995 (a period of overcapacity) and December 1998 (Asian currency crises). Over the next 12 months, we expect upside to future numbers to become more visible as signs of an economic downturn surface and as larger, better-financed carriers such as Heartland benefit from the increased utilization and pricing power that should result from the continued consolidation of smaller, more poorly capitalized firms. While our target price calls for roughly 15% P/E expansion for Heartland (using our blended estimate), we suspect that upside to EPS during second-half 2002 and full-year 2003 alone will more than make up for that expansion on current numbers. On an enterprise-value-to-EBITDA basis, HTLD now trades at 10.5x our 2002 EBITDA estimate. Over the past three years, HTLD has traded in an enterprise-value-to-EBITDA range of 3.1x-10.8x, with an average at around 5.5x-6.5x. Our $33 target price implies an enterprise-value-to-EBITDA ratio of 12.1x our blended 2002 and 2003 EBITDA projection.

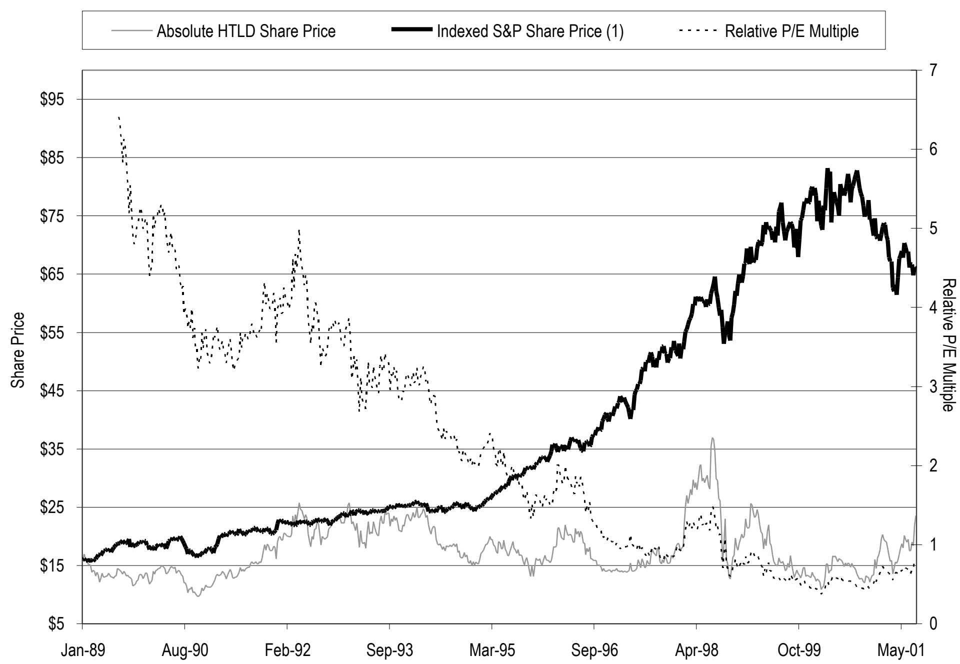
Exhibit 36. HTLD Historical Absolute Forward P/E and Stock Performance Versus the S&P 500



(1) Indexed to HTLD share price as of the week of 5/26/89.

Source: Bear, Stearns & Co. Inc. estimates.

Exhibit 37. HTLD Historical Relative Forward P/E and Stock Performance Versus the S&P 500



(1) Indexed to HTLD share price as of the week of 5/26/89.

Source: Bear, Stearns & Co. Inc. estimates.

Company Background

Heartland Express, Inc. began in 1978 as a privately held company and went public in November 1986. Based in Iowa City, Heartland is a short- to medium-haul (558-mile average length of haul in 2000) truckload carrier providing national transportation service to shippers, with primary traffic lanes east of the Rocky Mountains. In addition, Heartland runs six specialized regional distribution operations and operates facilities in Arkansas, Missouri, Georgia, Ohio, Pennsylvania, Illinois, Florida, and Tennessee. Because of its short- to medium-haul range, Heartland employs single rather than team drivers. Heartland has worked over the past years to expand its services and its client base, completing four acquisitions since 1987. Heartland employs 1,728 people.

MANAGEMENT

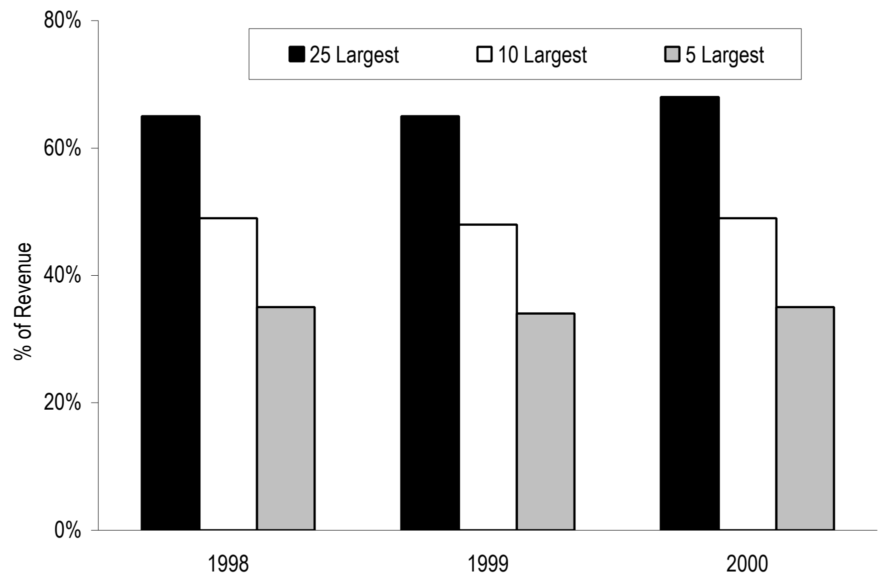
Heartland's management team consists of Russell A. Gerdin, founder, chairman, president, and CEO; John P. Cosaert, executive vice president, treasurer, and CFO; and Richard L. Meehan, executive vice president of marketing. Mr. Gerdin is the largest shareholder, with 52.6% of shares outstanding. All directors and executive officers as a group hold approximately 53.2% of shares outstanding.

CUSTOMERS AND SEGMENTATION

Heartland targets customers in need of multiple, time-sensitive shipments and has positioned itself as a premium provider of these services, emphasizing quality of service over pricing. To this end, Heartland competes directly with other TL carriers and, to some extent, with rail, intermodal, and LTL carriers.

Heartland's short- to medium-haul TL services generated close to $275 million in revenue for 2000, 68% of which was garnished from its 25 largest customers, up 3% from the 1998 and 1999 figures. Zooming in on this number, we find that Heartland's ten largest customers contributed 49% of revenue in 2000, roughly in line with 48% and 49% in 1999 and 1998, respectively. Revenue from Heartland's five largest customers was at 35% in 2000, again in line with 34% and 35% in 1999 and 1998, respectively (see the next exhibit). Heartland's biggest customers are, as a group, growing their business with the company; however, they are doing so at an apparently slower rate than the smaller customers that make up Heartland's top 25 list.

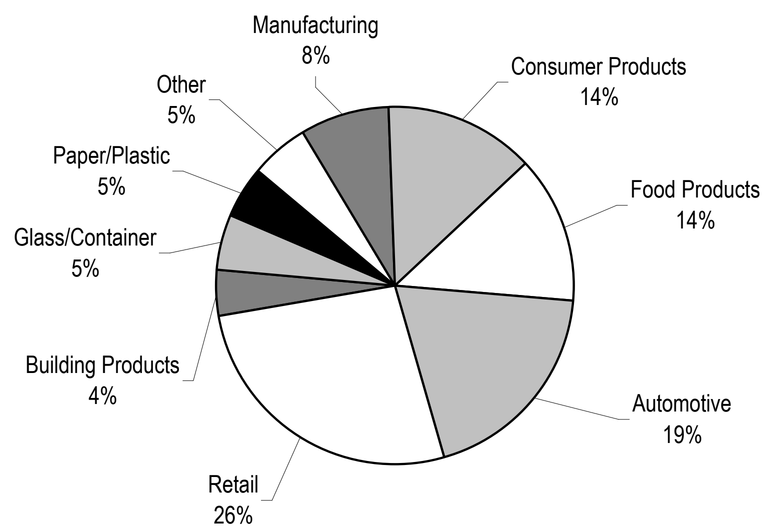
Exhibit 38. Revenue by Top Five, Ten, and 25 Customers



Source: Company reports.

Heartland's customer base, like many of its TL competitors, is composed of companies from a variety of different industries. This diverse customer base allows Heartland to cover itself in case of a slowdown in one or more of the markets in which its customers are involved. However, 26% of Heartland's customers participate in the retail industry, leaving the company vulnerable to weakness within this sector. Rounding out the top five industries serviced by Heartland are automotive, consumer products, food products, and manufacturing.

Exhibit 39. Heartland Revenue by Industry Type (2000)



Source: Company reports.

Acquisition History

As the table below illustrates, Heartland has not been particularly active when it comes to acquisitions. Relative to many of its peers, Heartland is an organic grower, which is in harmony with the company's general focus on maintaining operational efficiency (a low operating ratio) and profitability. While this is the case, we would not be surprised to see Heartland make accretive acquisitions in the near future, given its increasing accumulation of cash, lack of debt, and operating environment in which many cash-strapped carriers are for sale at bargain prices.

Exhibit 40. Heartland Acquisition History ($ in millions)

	Target	Date (1)	Services Provided	Price (2)	EV/EBITDA	Retained Rev.	Tractors
1	A & M Express	7/15/97	TL, Dry Van, Flatbed	$2.0	2.9x	$28.0	---
2	Munson Transportation	2/1/94	Regional TL	$18.0	---	---	---
	TOTAL			**$20.0**		**$28.0**	---

(1) Announced date.
(2) Price for equity.

Source: Company reports; Bloomberg.

Quarterly Update

On July 17, Heartland reported second-quarter 2001 EPS of $0.31 compared to $0.28 a year ago (8.9% year-over-year growth), beating the consensus of $0.28 by 11%. Year-over-year revenue growth for the quarter totaled 8.6%, marking the third consecutive quarter of mildly accelerating growth, which has risen from 4.2% during the third quarter of 2000 to 5.7% in the fourth quarter and 7.0% in the first quarter of this year. Despite a very weak economic environment and additional pressures brought on by above-average fuel expense and increased insurance costs, Heartland still managed to produce an impressive 40-bp OR improvement during the second quarter of 2001 — an accomplishment that separated Heartland from many of its peers. Beyond rising fuel and insurance expenses in the quarter, Heartland also had to contend with higher wage expense as a percentage of revenue. Offsetting these increases was a large reduction in rented and purchased transportation (530 bps), as Heartland dramatically reduced its reliance upon owner/operators during the quarter (owner/operators represented approximately 35% of Heartland's fleet during the second quarter compared to roughly 50% a year ago). Lastly, Heartland paid a 25% stock dividend on May 31, 2001 (5-for-4 stock split), which brought the average weighted share count to 31.7 million for the quarter.

EPS Derivation

The exhibit below takes a closer look at the assumptions driving our 2001 and 2002 EPS estimates of $1.14 and $1.25, respectively. For 2001, the $0.07 of projected EPS growth that we expect from Heartland should largely be driven by revenue growth, which, as mentioned earlier, appears to be improving at a slowly but steadily increasing rate. Other factors driving our 2001 EPS estimate are relatively minor and, for the most part, offsetting. These include a slight degree of operating ratio improvement and reduced share count offset by modestly lower projected interest income during 2001. While Heartland has repurchased about six million shares over the past 18 months, it appears as if the lion's share of these purchases was made during 1999-2000, and therefore the company realized most of the EPS benefit in those years. Heartland's reduced share count contributed roughly $0.14 of its $0.17 EPS growth for the year. Looking forward to 2002, we expect revenue growth to continue to drive EPS expansion at about the same rate, contributing about $0.07 to EPS, with an almost equal contribution from interest income as Heartland begins to crank up and once again build tremendous cash. We have assumed that Heartland's OR remains fairly constant; however, we believe that there is upside to that assumption if demand reemerges and consolidation continues.

Exhibit 41. Heartland EPS Derivation Table

	2000	2001E	2002E
Revenue Growth	$0.04	$0.06	$0.07
Operating Ratio	($0.02)	$0.01	$0.00
Other Income	($0.00)	($0.01)	$0.06
Tax Rate	$0.01	($0.00)	$0.00
Diluted Share Count	$0.14	$0.01	($0.01)
Change in EPS	**$0.17**	**$0.07**	**$0.12**
Continuing EPS	$1.07	$1.14	$1.25

Source: Company reports; Bear, Stearns & Co. Inc. estimates.

Cash Flow and Balance Sheet

Of the six TL carriers covered in this report, Heartland has the strongest cash flow generation characteristics and the only name to have absolutely no debt. This is largely attributable to management's focus on maintaining an industry-leading operating ratio, although it has come at the price of top-line revenue growth. For this reason, Heartland has fared relatively well in terms of maintaining steady operating cash flow. A bigger impact on free cash has come from the need to increase tractor purchases as an increasing number of owner/operators go out of business (currently, 35% of Heartland's fleet consists of owner/operators, down from 50% a year ago). This is reflected in net capital expenditures, which doubled from $17 million in 1999 to more than $34 million in 2000. We project that this heightened degree of spending on revenue equipment will continue into 2001, with anticipated net capital expenditure of almost $35 million receding slightly, to about $29 million, in 2002 (as we believe that the operating environment may improve for all, including owner/operators). The only other recent significant hit to free cash generation that Heartland has experienced came as a result of repurchasing about six million shares over the past 18 months (for the most part, during 1999 and 2000). Given the average purchase price of about $12.75 per share (56% lower than the current price), we believe that this was a wise investment. However, it raises the question of what Heartland will do with its growing stockpile of cash, which we estimate will total about $144 million by the end of 2001. While share repurchases are always a possibility, we do not believe they are a near-term event, given the current stock price. We would not be surprised to see Heartland take advantage of the current operating environment and the difficulty that many smaller carriers face to make acquisitions at very favorable prices.

Knight Transportation, Inc.
(KNGT-23.40)

Source: FactSet Research Systems Inc.

Rating: Attractive

52-Week Range
$25-$9.58

Earnings per Share
2000: $0.79
2001E: $0.86
2002E: $1.05

P/E
2001E: 27.2x
2002E: 22.2x

Dividend
Nil

Yield
Nil

Com. Shares (mil)
23.2

Equity Market Capitalization (mil)
$543

Book Value per Share
$4.81*

Est. 5-Yr EPS Growth Rate
NM

* Based on results at end of first-quarter 2001.

A Knight in Shining Armor

Knight Transportation is a regional full truckload provider with high-end financial returns, strong cash flow generation, and an excellent reputation for top-notch management and service. Although relatively small versus its peers based on revenue (ranking ninth, versus sixth in terms of market cap), Knight is outpacing the industry in terms of revenue growth while maintaining high-end profitability.

- **Initiation of Coverage.** We initiated coverage of Knight Transportation on August 3, at the previous day's closing price of $23.40 and with a 12-month price target of $30. Based on the company's rapid revenue growth rate, KNGT deserves to trade at a premium to the shares of the average TL carrier, in our opinion.

- **A True Growth Story.** Between 1997 and 2000, Knight consistently outpaced the competition with regard to revenue, operating income, and earnings growth, posting results of 30%, 22%, and 20%, respectively, versus our truckload universe averages of 20%, 7%, and a decline of 2%. With its size and growth characteristics, Knight looks very much like Swift Transportation did about a decade ago. Swift has since grown revenues at a similar average rate of 23%, while its stock price has expanded by more than 900%.

- **High-End Returns and Operating Ratio.** With the exception of Heartland Express, Knight is unmatched with regard to operating ratio performance and high-end financial returns (estimated 84.8% OR and 17.3% return on equity [ROE] in 2001 versus group averages of 91.9% and 8.8%, respectively). In our view, this speaks to management's ability to maximize tractor utilization while taking care to only tackle profitable freight.

Any recommendation contained in this report may not be suitable for all investors. Moreover, although the information contained herein has been obtained from sources believed to be reliable, its accuracy and completeness cannot be guaranteed. Bear Stearns may make markets and effect transactions, including transactions contrary to any recommendations herein, or have positions in the securities mentioned herein (or options with respect thereto) and may also have performed investment banking services for the issuers of such securities. In addition, employees of Bear Stearns may have positions and effect transactions in the securities or options of the issuers mentioned herein and may serve as directors of such issuers. Copyright © 2001. All rights reserved by Bear, Stearns & Co. Inc.

REASONS TO INVEST

- **A Quality Company by Any Measure.** Knight is a leading TL provider in terms of service reputation, profitability, financial returns, and consistency of earnings. Since going public in October 1994, Knight has never had a down quarter. Its return on equity, pretax return on assets, and return on capital are projected at 17.3%, 16.1%, and 15.9%, respectively, for 2001. This is the result of management's ability to utilize its trucks well and maintain discipline with regard to the type of freight and length of haul it pursues — which explains why Knight, after Heartland, has the best operating ratio of the public TL providers that we follow.

Exhibit 42. Comparative Operating Ratio Performance

	C97	C98	C99	C00	C01E	C02E
CVTI	90.6%	90.4%	91.0%	94.8%	97.4%	95.6%
HTLD	83.5%	82.5%	82.9%	83.2%	83.0%	82.9%
KNGT	**82.4%**	**81.6%**	**82.9%**	**84.6%**	**84.8%**	**83.4%**
SWFT	90.4%	89.6%	89.7%	92.8%	94.3%	93.5%
WERN	89.9%	88.9%	90.3%	93.2%	93.9%	92.9%
XPRSA	94.6%	92.4%	95.4%	97.2%	97.9%	96.9%

Source: Company reports; Bear, Stearns & Co. Inc. estimates.

Exhibit 43. Comparative Return on Equity Performance

	C97	C98	C99	C00	C01E	C02E
CVTI	15.5%	15.4%	14.6%	7.2%	1.8%	6.3%
HTLD	0.0%	19.4%	18.3%	18.5%	17.0%	16.0%
KNGT	**20.0%**	**20.9%**	**20.2%**	**18.9%**	**17.3%**	**17.9%**
SWFT	16.6%	16.4%	16.9%	10.8%	7.9%	9.6%
WERN	13.0%	13.7%	12.8%	9.3%	8.4%	9.8%
XPRSA	8.3%	14.7%	7.7%	2.2%	0.3%	4.4%

Source: Company reports; Bear, Stearns & Co. Inc. estimates.

- **A True Growth Story.** While Knight has been providing high-end industry returns and the second-best operating ratio of the public TL companies (after Heartland), the company has also been able to grow quickly over the past few years, unlike Heartland, and to do so profitably. Knight's revenue and EPS have grown at CAGRs of 29.7% and 20.4%, respectively, over the 1997-2000 period.

Exhibit 44. Comparative Revenue, Operating Income, and EPS Growth Rates

	C97-C00 CAGR			C97-C02E CAGR		
	Revenue	EBIT	EPS	Revenue	EBIT	EPS
CVTI	22.9%	0.8%	-7.0%	14.4%	-2.0%	-6.1%
HTLD	1.5%	2.3%	10.2%	3.1%	3.9%	9.4%
KNGT	**29.7%**	**22.4%**	**20.4%**	**22.4%**	**20.4%**	**18.5%**
SWFT	20.4%	9.3%	5.2%	15.4%	6.8%	3.8%
WERN	16.3%	2.2%	0.2%	12.2%	4.7%	4.3%
XPRSA	29.5%	3.6%	-40.4%	19.9%	7.1%	-15.5%

Source: Company reports; Bear, Stearns & Co. Inc. estimates.

- **New Growth Opportunities on the Horizon.** Because Knight is working off of a smaller revenue base ($217 million during 2000) than any of its public competitors, we believe that it should continue to find growth easier than its larger brethren, which vary in revenue size from Heartland at $275 million in 2000 to Swift, which, on a pro forma basis, including the M.S. Carriers acquisition, was at nearly $2 billion in revenue during 2000. Simply put, Knight is where Swift was in 1991 or 1992 in terms of revenue size. From 1992 to 2000, not including the M.S. Carriers acquisition, Swift has grown its revenue at an impressive average rate of 23.4% a year. The stock during that period was up over 900% compared to the S&P 500, which was up 225% for the same time frame. Currently, Knight operates out of seven different regional hubs, including locations in Arizona, Indiana, North Carolina, Utah, Texas, and Mississippi. Kansas City is a recent addition that should experience growth, and we expect Knight to open an eighth hub somewhere in the Northwest during the fourth quarter of 2001 or early 2002. We also expect Knight to capitalize on potential business from TL companies that have recently ceased operations and to make accretive acquisitions going forward. Our respective 12.3% and 23.4% revenue and EPS growth CAGRs for 2001-03 remain very conservative, given recent historical trends, and assume little recovery in the U.S. economy over that period and no acquisitions. We suspect that if the economy does not pick up during that period, accretive acquisitions will increasingly become available.

- **Strong and Energized Management Team.** Knight has a deep team of young and talented management, beginning with Chairman and CEO Kevin Knight and President Gary Knight but extending beyond that to the regional management level. Given the relative older ages of many of Knight's competitors, we believe that the company remains in good shape for the foreseeable future in terms of management and succession issues.

INVESTMENT RISKS

- **The Economy.** Every indicator we see in transport leads us to believe that the current U.S. economic weakness is deeper-rooted than most people believe and could last longer than most economists anticipate. Tonnage levels are well below those of 1991. We suspect that a sustained downturn that lasts deep into 2002 will severely test pricing in the marketplace as well as recent highs reached by TL stocks such as Knight.

Exhibit 45. Comparative Revenue, Operating Income, and EPS CAGRs (1994-96, 1997-2000)

	C94-C96 CAGR			C97-C00 CAGR		
	Revenue	EBIT	EPS	Revenue	EBIT	EPS
CVTI	33.8%	12.2%	-1.4%	22.9%	0.8%	-41.0%
HTLD	1.1%	16.4%	34.6%	1.5%	2.3%	12.4%
KNGT	**43.7%**	**27.4%**	**26.6%**	**29.7%**	**22.4%**	**24.0%**
SWFT	17.0%	4.7%	0.4%	20.4%	9.3%	-3.0%
WERN	11.7%	4.8%	5.3%	16.3%	2.2%	-1.0%
XPRSA	19.7%	-3.8%	-23.9%	29.5%	3.6%	-68.6%

Source: Company reports; Bear, Stearns & Co. Inc. estimates.

On the positive side, the longer the downturn, the greater the number of small- and less-capitalized TL companies that are likely to cease operations forever, leading to even more consolidation and future upside potential for the well-capitalized, well-managed firms such as Knight. We do note that during the last

TL downturn (the only one since Knight has been public) in 1995-96, Knight was able to continue to grow its revenue and EPS well above that of the group.

- **Valuation.** Knight's stock is up 82% year to date and 137% since October 1, 2000, compared to the S&P 500, which is down 8% and 15% during that period. Currently, KNGT trades at 22.2x and 8.6x our respective 2002 EPS and EBITDA estimates. Historically, KNGT has traded in a range of 10x-25x forward P/E and 4.4x-12.1x enterprise value to EBITDA. A lot of good news appears to be already in the current stock price, and the market is anticipating improved results going forward.

- **Overcapacity.** Even if demand picks up, there remains the possibility that supply will stay bloated for some time, leading to continued TL pricing pressure. There is an oversupply of used trucks on lots across the country, which is pressuring used truck trade-in prices and providing a source for cheap trucks on the market for those that wish to buy them and compete. On the positive side, weak trade-in prices, which are below book value, are making it difficult for small operators to obtain the funds necessary to put a down payment on a new truck, leading to more bankruptcies and closings.

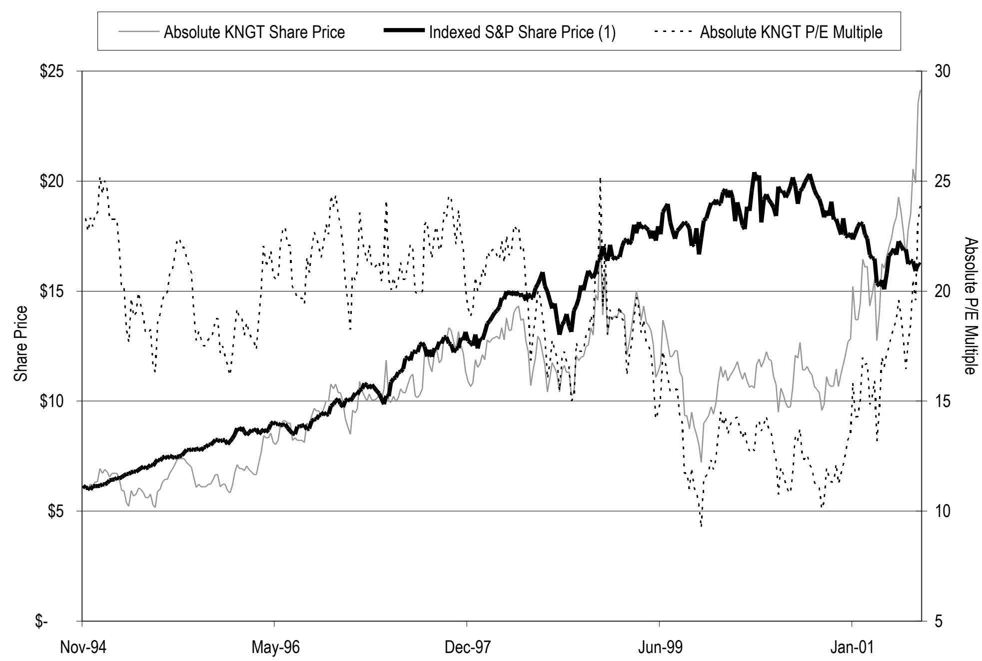
- **Historically High Fuel Prices and Rising Insurance Costs.** Gross fuel expense represents about 17% of revenue for Knight, and, as with most TL carriers, we believe that fuel prices are directionally important for the psychology of the stock. Our sense is that the recent easing of fuel prices has begun to creep into Knight's valuation (and those of other TL carriers). While we expect fuel prices to continue to fall, given continued weakness in global demand, a return to the very high fuel costs of 2000 would, in our opinion, pose a significant risk to EPS estimates and valuations for the entire group. Along similar lines, we have seen insurance premiums increase by as much as 300% above previous rates over the past 12-18 months, and we expect that these new insurance costs are here to stay. For Knight, overall insurance expense represented 2.3% of Knight's revenue during 2000, and we project this proportion to rise to about 3.7% in 2001, reflecting an almost $4 million increase in this line item (about an $0.11 impact on our 2001 EPS estimate).

- **Driver Turnover.** While most industry observers note that the current driver shortage is as benign as it has been in recent memory, we do not want to discount the issue of driver turnover simply because it is currently in remission due to the sluggish economic environment. The 100%-plus turnover ratio industry-wide for drivers is an issue that usually presents a cap to internal growth potential during strong upturns in the market. We suspect that the next time the economy heats up and the job market comes roaring back, the issue of driver shortages will once again come to the fore.

VALUATION

KNGT now trades at 22.2x our 2002 EPS estimate of $1.05. Our $30 price target is derived by applying a 25x P/E out 12 months to our blended 2002 and 2003 EPS estimate of $1.18 (reflecting $1.05 for 2002 and $1.31 for 2003). As the next exhibit displays, Knight's 12-month forward rolling P/E has peaked several times in the past, including during trough earnings cycles in February 1995 (a period of overcapacity) and December 1998 (Asian currency crises) as well as during the current economic downturn. Over the next 12 months, we expect upside to future numbers to become more visible as signs of an economic downturn appear and as larger, better-financed carriers such as Knight benefit from the increased utilization and pricing power that will result from the continued consolidation of smaller, more poorly capitalized firms. While our target price calls for 26% P/E expansion for Knight (using our blended multiple), we believe that upside to EPS during second-half 2002 and full-year 2003 alone will more than make up for that expansion on current numbers. On an enterprise-value-to-EBITDA basis, KNGT now trades at 8.6x our 2002 EBITDA estimate. Over the past three years, KNGT has traded in an enterprise-value-to-EBITDA range of 4.4x-12.1x, with an average of around 6.5x-7.5x. Our $30 target price implies enterprise value to EBITDA of 10.3x our blended 2002 and 2003 EBITDA estimate.

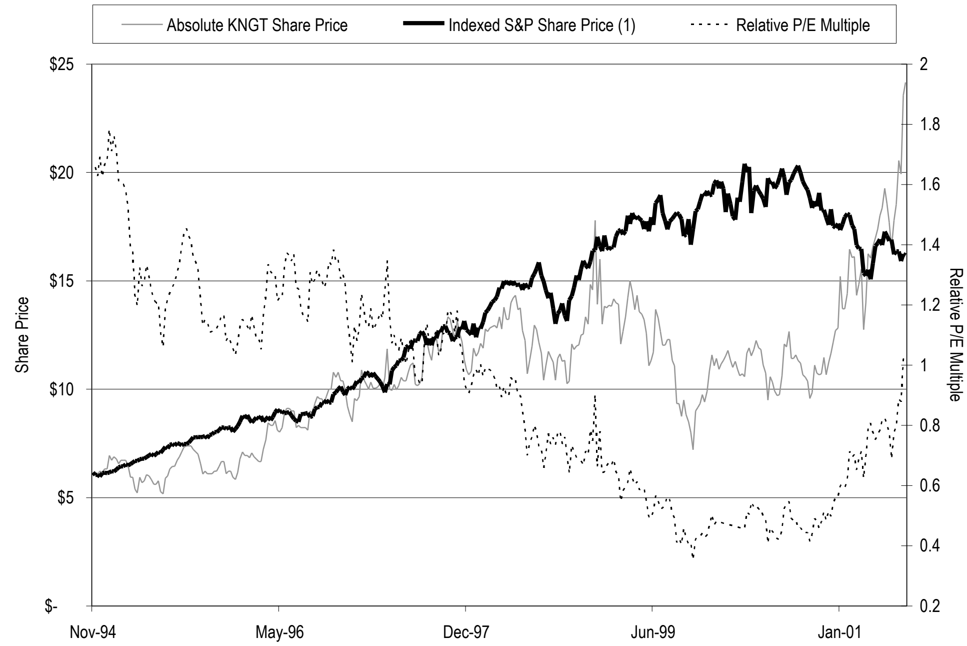
Exhibit 46. KNGT Historical Absolute Forward P/E and Stock Performance Versus the S&P 500



(1) Indexed to KNGT share price as of the week of 11/18/94.

Source: Bear, Stearns & Co. Inc. estimates

Exhibit 47. KNGT Historical Relative Forward P/E and Stock Performance Versus the S&P 500



(1) Indexed to KNGT share price as of the week of 11/18/94.

Source: Bear, Stearns & Co. Inc. estimates.

Exhibit 48. Comparative Historical and Current Enterprise-Value-to-EBITDA Multiples

	EV/EBITDA Range			Currrent [1]	
	1998	1999	2000	2001E	2002E
CVTI	3.3-6.1	4.1-5.8	3.7-5.9	6.1x	5.2x
HTLD	3.8-10.8	3.9-6.4	3.1-7.3	11.5x	10.5x
KNGT	**6.0-12.1**	**4.4-10.4**	**4.5-6.0**	**10.0x**	**8.6x**
SWFT	4.8-7.8	5.0-8.1	4.7-7.8	7.3x	6.5x
WERN	3.9-6.4	3.4-5.6	2.9-5.0	5.9x	5.0x
XPRSA	5.1-8.2	4.3-7.1	4.5-5.6	5.6x	5.1x
Average	**4.5-8.6**	**4.2-7.2**	**3.9-6.3**	**7.7x**	**6.8x**

(1) Based on closing prices as of August 2, 2001.

Source: Company reports; Bear, Stearns & Co. Inc. estimates.

Company Background

Knight Transportation, Inc., based in Phoenix, Arizona, is a short- to medium-haul dry van TL carrier that was founded by the Knight family in July 1990 after they had held senior management positions at Swift. The company went public in October 1994 and has since distinguished itself as one of the premier carriers in the industry. Currently, regional service is provided with the support of seven strategically located facilities and a combination of company-owned tractors and owner/operators. Knight has a total of approximately 2,144 employees, 1,772 of whom are drivers.

Management

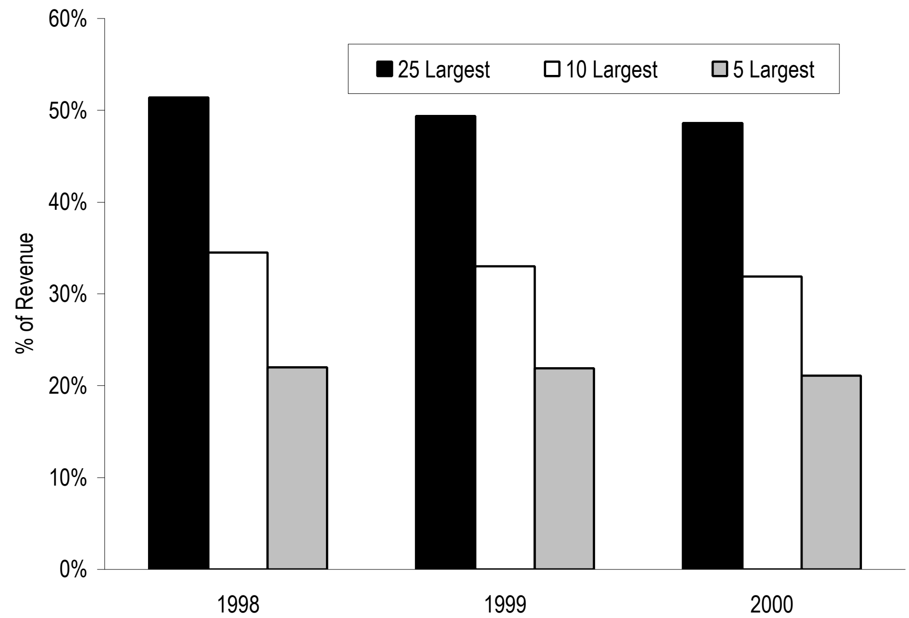
Current management is composed of CEO and Chairman Kevin Knight, President Gary J. Knight, Executive Vice President Keith T. Knight, CFO Timothy M. Kohl, and Vice President Bruce Beck, Jr. Randy Knight, who is still on the board of the company, retired two years ago. The four Knight brothers (Kevin, Gary, Keith, and Randy) own approximately 45% of shares outstanding, while all directors and executive officers as a group own about 53% of shares outstanding.

Customers and Segmentation

Knight provides its customers with multiple pickups/deliveries, dedicated equipment and personnel, service within narrow time frames, and other custom services to meet the needs of their clients. Knight looks to garner an advantage within its given market through competitive pricing and strives for efficiency through the use of current technology and dedicated traffic lanes. In addition, it seeks to add value to the company through investments in industry-related businesses. In 1999, Knight acquired a 17% interest in Concentrek, Inc., a logistics company, in order to add a non-asset element to its operations.

Knight Transportation generated almost $217 million in revenue in 2000 (more than $207 million of which was purely trucking revenue). The company's average length of haul was 530 miles in 2000, when it was operating a fleet that averaged 1,540 tractors. At the end of second-quarter 2001, its fleet had grown 12.5%, averaging 1,733 tractors operating out of facilities located in Katy and Corsicana, Texas; Indianapolis, Indiana; Charlotte, North Carolina; Salt Lake City, Utah; Gulfport, Mississippi; and its headquarters in Phoenix, Arizona. At the close of second-quarter 2001, Knight Transportation employed 1,585 drivers, 13.4% of which were owner/operators, down from about 18.1% one year ago.

Exhibit 49. Customer Concentration



Source: Company reports; Bear, Stearns & Co. Inc. estimates.

Breaking down Knight's 2000 revenue by contributions from its five, ten, and 25 largest customers, we find that 49% of the company's revenue came from its 25 largest customers, which is unchanged from 1999 and down only two percentage points from 1998. The percentage of revenue from Knight's ten largest customers was at 32% for 2000, down from 33% and 35% in 1999 and 1998, respectively. Revenue from the five largest customers was at 21% for 2000, or 1% less than the comparative figure for both 1999 and 1998. The consistency shown by these percentages over the past few years demonstrates that while the percentage of Knight's business with its larger customers is not growing considerably, it is not declining at any considerable rate either. Knight has a constant customer base that can be relied upon to contribute to its total revenue.

Acquisition History

The exhibit below contains the details that we have been able to collect regarding Knight's relatively recent acquisitions of Action Delivery Service and John Fayard Fast Freight. While Action Delivery was grandfathered in during the first quarter of 2000, the more sizable John Fayard acquisition was completed in April 2000 and contributed an estimated $30 million of annualized revenue to Knight's top line. Assuming that this portion of Knight's business did not grow at all in a year's time, we calculate that it accounted for about $1.7 million of Knight's $7.6 million year-over-year revenue growth during the second quarter of 2001, implying an internal revenue growth rate of 11.0% versus reported overall revenue growth of 14.1% for the quarter.

Exhibit 50. Knight Acquisition History ($ in millions)

	Target	Date [1]	Services Provided	Price	EV/EBITDA	Retained Rev.	Tractors
1	John Fayard Fast Freight, Inc./Fastway Systems	4/20/00	TL, LTL	$7.7	---	$30.0	200
2	Action Delivery Srvc. Inc./Action Warehouse Srvc. Inc.	3/15/99	TL (medium-haul)	$2.1	---	$5.6	1,121
	TOTAL			**$9.8**	---	**$35.6**	**1,321**

(1) Announced date.

Source: Company reports; Bloomberg.

In addition to retaining approximately $30 million of revenue, Knight's purchase of Fayard also included 200 tractors and what would become one of Knight's regional hubs in Gulfport, Mississippi. Given the current difficult operating environment in which a growing number of smaller TL carriers are growing ripe for the picking, we would not rule out more accretive acquisitions for Knight, assuming the proper strategic and cultural fit.

Quarterly Update

Knight reported second-quarter 2001 results on July 18, posting EPS of $0.22, which represented about 10% growth over last year's $0.20 number and was in line with Street expectations. Revenue growth in the quarter came in at 14.1%, and as stated earlier, reflected some benefit from the second-quarter 2000 acquisition of John Fayard. Accounting for this incremental acquisition revenue, we estimate that Knight's internal rate of revenue growth was about 11.0% in the period. Even on an internal basis, this growth rate compares favorably to the 4.5% average year-over-year revenue growth rate generated by the other TL carriers in our universe. On an operating basis, Knight also bested all of the competition — save Heartland — with a respectable 15 bps of OR deterioration in the quarter. Knight experienced a combination of increased costs as a percentage of revenue related to fuel, insurance, and lease expense offset by reductions in the proportions of costs tied to purchased transportation, depreciation and amortization (D&A), operating taxes, and wages. Knight also realized about $0.01 per share of year-over-year reduced interest expense benefit reflective of debt reduction that took place over the course of first-half 2001. Finally, Knight paid a 50% stock dividend in the form of a 3-for-2 stock split on June 1, 2001.

EPS Derivation

The exhibit below breaks down our 2001 and 2002 Knight EPS estimates, highlighting the key drivers of anticipated growth. In 2001, we expect year-over-year revenue growth of 12.6% to drive $0.13 per share of contribution to the bottom line, down from $0.26 per share in 2000 (which was in line with the greater 43.2% revenue growth rate posted in 2000 off of acquisition revenue growth). In addition, we expect some modest contribution from improved interest income as Knight's cash balances build throughout the year.

Exhibit 51. Knight EPS Derivation Table

	2000	2001E	2002E
Revenue Growth	$0.26	$0.13	$0.13
Operating Ratio	($0.12)	($0.02)	$0.09
Other Income	($0.06)	$0.02	($0.01)
Tax Rate	$0.02	($0.03)	$0.00
Diluted Share Count	$0.01	($0.03)	($0.02)
Change in EPS	**$0.11**	**$0.07**	**$0.19**
Continuing EPS	$0.79	$0.86	$1.05

Source: Company reports; Bear, Stearns & Co. Inc. estimates.

We anticipate that these positive contributions to earnings will be offset by some degree of operating ratio deterioration (about 25 bps), a higher effective tax rate, and dilution from a higher average diluted share count for the year. For 2002, we forecast an EPS impact form revenue growth similar to our expectation for 2001 (based on projected 11.7% year-over-year revenue growth in 2002). We expect that this will be bolstered by about 140 bps of OR improvement contributing $0.09 per share to earnings. Offsetting these assumptions is reduced Other Income and an assumption of additional dilution from a growing average diluted share count in 2002.

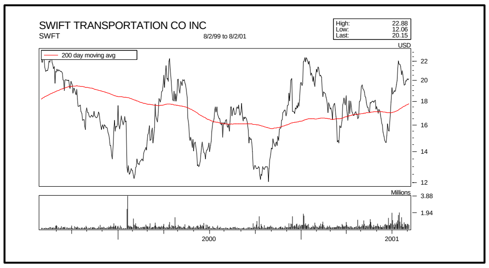
Cash Flow and Balance Sheet

Given its above-average revenue growth rate and high-end operating ratio performance, Knight has historically been a consistent generator of cash from operations. However, more recently, the balance between this cash flow generation and capital expenditures has reached the point where significant positive free cash flow generation is becoming apparent. We project that Knight will curtail expenditures substantially in 2001, to about $25 million, down from $34 million in 2000. With an anticipated $36 million of cash to be generated from operating sources, we expect free cash flow of about $10 million ($0.44 per share). This level of free cash flow generation should remain roughly flat in 2002 because our projected 12% increase in cash flow from operations should be offset by a greater degree of capital expenditure as, we forecast, the general operating environment stabilizes and perhaps shows some signs of recovery.

Knight finished out first-quarter 2001 with $43 million of debt, down from $54 million at the end of 2000, reducing its debt-to-debt-plus-equity ratio to 39.0% from 43.3%. We believe that Knight's overall debt level at year-end may fall somewhere within this range, depending upon the degree to which debt repayment is offset by near-term utilization of Knight's credit line.

BEAR
STEARNS

Swift Transportation Co., Inc.
(SWFT-20.15)



Source: FactSet Research Systems Inc.

Rating: Neutral

52-Week Range
$23-$12

Earnings per Share

2000:	$0.81
2001E:	$0.63
2002E:	$0.83

P/E

2001E:	31.9x
2002E:	24.2x

Dividend
Nil

Yield
Nil

Com. Shares (mil)
84.4

Equity Market Capitalization (mil)
$1,700

Book Value per Share
$7.95*

Est. 5-Yr EPS Growth Rate
15%

* Based on pro forma results at the end of first-quarter 2001.

Merger Swiftly Solidifies Market Leadership

Swift Transportation is a regional full truckload provider that has recently secured the honor of largest publicly traded carrier in the sector in terms of both pro forma revenue and market capitalization. With the completion of its M.S. Carriers merger on June 29, Swift now boasts nearly $2 billion of revenue, a market capitalization of just under $1.7 billion, and a fleet of nearly 15,400 tractors.

- **Initiation of Coverage.** We initiated coverage of Swift Transportation on August 3, at the previous day's closing price of $20.15 and with a 12-month price target of $22. Swift, an industry powerhouse, has operations in the U.S. and Mexico.

- **Potential Merger Synergies and Risks.** With the recent completion of the M.S. Carriers merger, management projects annual costs synergies of just under $3 million ($0.02 per share) stemming from enhanced purchasing power with regard to fuel, tires, and other parts and supplies that are common to both organizations. Moreover, Swift's increased size may position it favorably to benefit from the core carrier concept trend (shippers' reliance upon fewer providers). However, any merger of this size among near-equals is likely to have some degree of unforeseen difficulty.

- **Biggest and Most Liquid Name.** With a market cap that falls just short of $1.7 billion, Swift is the largest name in our truckload universe and offers investors a degree of liquidity that cannot currently be offered by many others in the sector. We argue that this warrants a modest premium, given the value placed on investors' ability to move in and out of cyclical stocks. However, as Swift now trades at the high end of its historical P/E range (Swift stand-alone), and M.S. Carriers has traditionally traded within a lower range, we believe that Swift will remain fairly valued in the near term — hence our Neutral rating.

- **Proven Management.** Swift's management has a long track record of 20%-plus revenue and earnings growth, both through internal means and via acquisition. We believe that this experience will serve Swift well as M.S. Carriers and other future acquisitions are fully integrated to form a single entity.

Any recommendation contained in this report may not be suitable for all investors. Moreover, although the information contained herein has been obtained from sources believed to be reliable, its accuracy and completeness cannot be guaranteed. Bear Stearns may make markets and effect transactions, including transactions contrary to any recommendations herein, or have positions in the securities mentioned herein (or options with respect thereto) and may also have performed investment banking services for the issuers of such securities. In addition, employees of Bear Stearns may have positions and effect transactions in the securities or options of the issuers mentioned herein and may serve as directors of such issuers. Copyright © 2001. All rights reserved by Bear, Stearns & Co. Inc.

INVESTMENT POSITIVES

- **Merger Potential.** Swift and M.S. Carriers' merger offers the opportunity for both revenue and cost accretion over time. Initially, we expect the combined entity to benefit from increased buying power, particularly with regard to diesel fuel. Prior to the merger Swift purchased roughly 80% of its fuel in bulk for savings of $0.08-$0.12 gallon, on average, over the approximately 20% of fuel bought over the road by its drivers. M.S. Carriers historically has only purchased about 20% of its fuel in bulk, with roughly 80% bought over the road. By the end of 2001, we expect Swift to be purchasing close to 80% of both Swift and M.S. Carriers' total fuel in bulk. This should add up to an estimated annual savings for 2002 of about $2.5 million ($0.02 per share). Swift should also see a benefit of several hundred thousand dollars per year from improved buying power for motor oil, tires, and other parts and office supplies. On the revenue side, shippers have indicated that they continue to want to do business with larger carriers that offer more services. We believe that, over time, Swift could be a benefactor of the core carrier concept. At the time of the merger, Swift and M.S. Carriers had three shippers in common among their respective top 15 shipper lists. None of these three shippers has yet indicated any problem with utilizing the combined Swift/M.S. Carriers entity to the levels that they were utilizing each of the carriers separately prior to this merger. We also note that Swift does not intend to merge the M.S. Carriers subsidiary into Swift completely until January 1, 2002. Prior to that time, it will begin to combine the five to six terminals that are redundant.

Exhibit 52. Anticipated Merger-Related Savings Quantified by Management

	$ Millions (1)	EPS Terms (2)	% of C02E EPS (3)
Fuel	2.5	$0.018	2.2%
Parts Purchasing	0.4	$0.003	0.3%

(1) Expected savings based on Swift management projections.
(2) Full-year EPS impact based on 2002 EPS assumptions.
(3) Our 2002 EPS projection is $0.83.

Source: Company reports.

- **Relative Liquidity.** Swift's market capitalization of roughly $1.7 billion is well above that of Werner, the second-largest public TL provider with a market capitalization of just over $1 billion (see the next exhibit below). We believe that liquidity in a cyclical group such as the TL sector is critical to investors and, in and of itself, warrants a few hundred basis points of premium in terms of relative valuation.

Exhibit 53. Comparative TL Carrier Market Capitalization and Revenues

	Provider	Symbol	Market Cap (MM) (1)	C00 Revenue (MM) (2)
1	Swift Transportation Co. (3)	SWFT	$1,700	$1,974
2	Werner Enterprises, Inc.	WERN	$1,074	$1,215
3	J.B. Hunt Transport Svcs. (4)	JBHT	$896	$2,160
4	Heartland Express, Inc.	HTLD	$729	$275
5	Landstar System, Inc.	LSTR	$669	$1,423
6	Knight Transportation	KNGT	$539	$217
7	Covenant Transport, Inc.	CVTI	$199	$552
8	U.S. Xpress Enterprises	XPRSA	$111	$787

(1) Based on prices as of market close on August 2, 2001.
(2) Total gross revenue.
(3) Based on pro forma estimates. Merger with MSCA closed on June 29, 2001.
(4) JBHT 2000 gross revenue comprised of TL revenue (approx. 61%) and intermodal/logistics revenue.

Source: Company reports; FactSet Research Systems Inc.

- **Healthy Track Record of Growth.** Swift has consistently grown revenue and EPS at a rate of 20% annually over the past 15 years, both through internal growth and via large, accretive acquisitions. This, combined with Swift's strong management team, positions the company favorably going forward, in our view.

Exhibit 54. Comparative Pro Forma CAGRs for SWFT, MSCA, and SWFT

	3-Year CAGR (1)			5-Year CAGR (2)			10-Year CAGR (3)		
	Rev.	EBIT	EPS	Rev.	EBIT	EPS	Rev.	EBIT	EPS
SWFT	-20.5%	10.4%	8.5%	-4.8%	16.7%	15.2%	8.6%	13.2%	
MSCA (4)	19.2%	8.7%	-2.7%	16.2%	12.7%	7.0%	19.0%	13.1%	9.0%
SWFT Pro Forma	20.4%	9.3%	5.2%	20.1%	15.0%	12.0%	21.6%	13.0%	14.0%

(1) CAGRs for 1997-2000.
(2) CAGRs for 1995-2000.
(3) CAGRs for 1990-2000.
(4) MSCA 2000 values reflect adjustments made in SWFT pro forma releases (adjustments to MSCA 2000 results to bring revenue recognition methodology in line with that of SWFT).

Source: Company reports; Bear, Stearns & Co. Inc. estimates.

- **Mexico.** Swift and M.S. Carriers both have partnerships in Mexico, which positions the combined entity well in what we expect to be a continuing fast-growing market. M.S. Carriers has contributed its 50% stake in Transportes EASO S.A. de C.V. (EASO) and has historically booked associated gains and losses in accordance with the equity method of accounting. Swift also holds a stake in a Mexican trucking firm, Trans-Mex (49% interest acquired in early 2000), a carrier specializing in cross-border transportation from the area around El Paso westward toward California. The equity method of accounting is used to book the gains and/or losses of both EASO and Trans-Mex, so that operating gains and losses appear under other income, with a related entry made in shareholders' equity. With the merger now complete, Swift has expanded its presence in Mexico both in terms of providing services directly and through the addition of the stake in EASO supplementing Swift's existing stake in Trans-Mex. Longer term, we believe that Swift is well positioned to benefit from what should continue to be a quickly growing market through a combination of direct cross-border activity and partnerships with existing Mexican carriers.

INVESTMENT RISKS

- **Merger Integration Risks.** While the merger with M.S. Carriers offers strong upside potential for the reasons stated above, it also presents risks, as would any merger of nearly equal companies. Because Swift and M.S. Carriers have somewhat similar cultures, and Swift will maintain M.S. Carriers, initially, as a separate subsidiary, we do not see dramatic near- or long-term potential merger risk. However, we do believe that an unexpected glitch in the near term is a real risk that investors must consider. Areas that appear to be possible sources of risk include the management of drivers and how they are compensated. Specifically, Swift drivers generally make $0.02-$0.04 less per mile than M.S. Carriers drivers of similar experience operating in the same regions. Swift has grandfathered the pay scale of these existing M.S. Carriers drivers with the policy of bringing on all new drivers at the relatively lower Swift rate of pay. However, with drivers readily available in the current market and many drivers being laid off, many TL carriers are taking advantage of the situation to weed out relatively expensive drivers in exchange for more productive alternatives. It may be tempting for Swift to act similarly, or to at least give the impression that it is doing so for the sake of newer M.S. Carriers drivers that are placed on the lower Swift pay scale. In addition, we have also heard that early on, some of the M.S. Carriers drivers and owner/operators are having minor adjustment issues as they are weaned onto Swift's policy of driving 65 mph or less. Swift's solo, team, and owner/operator drivers are still required to drive no faster than 60 mph, 62 mph, and 65 mph, respectively. As Swift rolls out its engine monitors on M.S. Carriers' tractors (giving it the ability to track speed), we suspect that there may be some initial pushback from M.S. Carriers drivers, particularly among the owner/operators.

- **Growth Rate Off of a Larger Base.** While we believe that the core carrier concept still has a long way to go and that Swift could benefit from this trend of large shippers relying upon fewer carriers, we also acknowledge that Swift will be growing off of a large and a growing revenue base. With about $2.1 billion in projected revenue for 2001, Swift is by far the largest public TL carrier as measured by revenue (though still smaller than the largest private TL carrier Schneider). We also note that, historically, M.S. Carriers has been a slower grower than Swift, and thus a blended Swift/M.S. Carriers growth rate — as well as a blended multiple — is likely to be observed by investors going forward.

- **Valuation Risk.** At about 24x our 2002 EPS estimate, Swift currently trades at the high end of its historical stand-alone forward P/E range (13x-23x). Although we believe that Swift deserves a premium to its peers in terms of valuation due to its superior size and liquidity, we must also factor in that M.S. Carriers has historically traded within a lower range (10x-19x). As a result, we believe that Swift will remain fairly valued in the near term, and we have therefore initiated coverage with a Neutral rating.

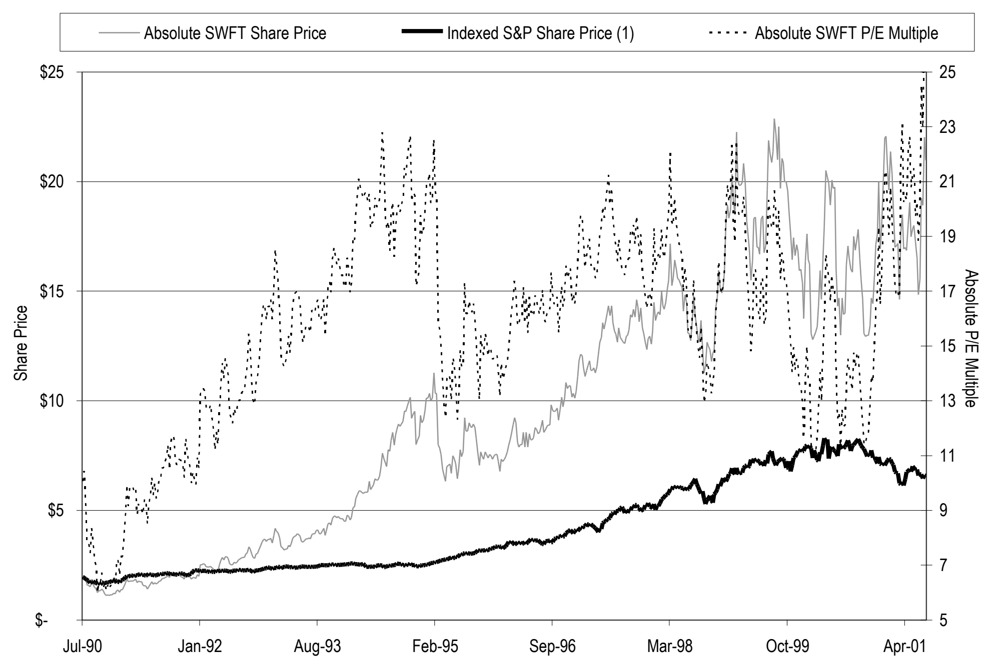
- **Larger Company to Manage.** Swift has become 35% larger as a result of the M.S. Carriers acquisition and will be more difficult to manage. We see this as a small risk, given management's stellar track record. Chairman and CEO Michael Starnes has joined the Swift board of directors.

- **The Economy.** Every indicator we see in transport leads us to believe that the current U.S. economic weakness is deeper-rooted than most people believe and could last longer than most economists anticipate. Tonnage levels are far below those of 1991. We suspect that a sustained downturn that lasts well into 2002 will severely test pricing in the marketplace as well as recent highs reached by TL stocks such as Swift. We anticipate very limited top-line or bottom-line growth over the next several quarters for Swift. On the positive side, the longer the downturn, the greater the number of small and lesser-capitalized TL companies that are likely to cease operations forever, leading to even more consolidation and future upside potential for the well-capitalized, well-managed companies such as Swift.

VALUATION

Swift's stock is up 2% year to date and 57% since October 1, 2000, compared to the S&P 500, which has posted growth rates of 8% and 15% during that period. Historically, SWFT has traded in a range of 13x-23x forward P/E and 4.7x-8.1x enterprise value to EBITDA. That said, it appears that a lot of good news is in the current stock price, and the market is anticipating improved results going forward. M.S. Carriers has historically traded in a forward P/E range of 10x-19x (see the exhibit below), and while we suspect that the combined entity will trade more like Swift over time, some type of blended multiple might be expected as well. If we apply a peak 22x-23x forward P/E out 12 months to our combined 2002 and 2003 EPS estimate for Swift ($0.83 and $1.10 produce a forward 12-month blended EPS estimate of $0.97), we arrive at our 12-month target price of $22. Currently, SWFT trades at 24.2x and 6.5x our respective 2002 EPS and EBITDA estimates. Our target price of $22 reflects an enterprise value to EBITDA of 7.0x our 2002 EBITDA estimate.

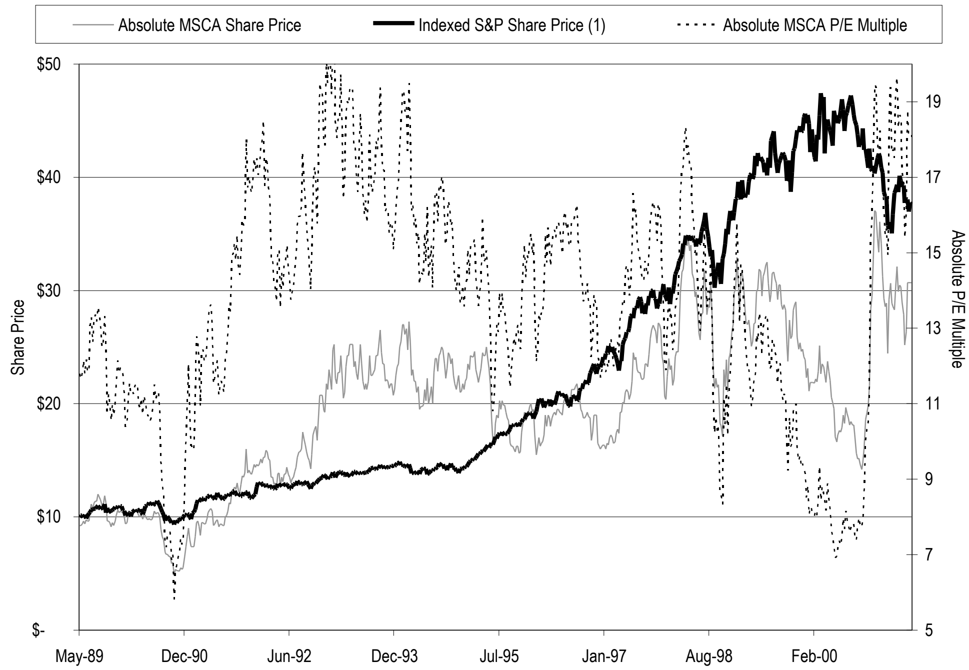
Exhibit 55. SWFT Historical Absolute Forward P/E and Stock Performance Versus the S&P 500



(1) Indexed to SWFT share price as of the week of 7/20/90.

Source: FactSet Research Systems Inc.; Bear, Stearns & Co. Inc. estimates.

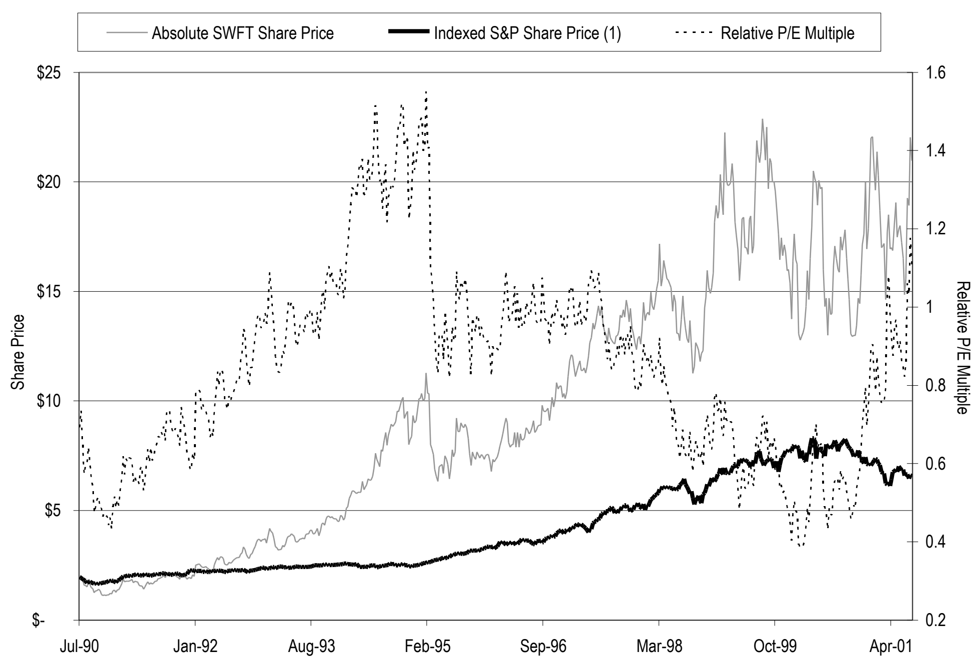
Exhibit 56. MSCA Historical Absolute Forward P/E and Stock Performance Versus the S&P 500



(1) Indexed to MSCA share price as of the week of 5/26/89.

Source: FactSet Research Systems Inc.; Bear, Stearns & Co. Inc. estimates.

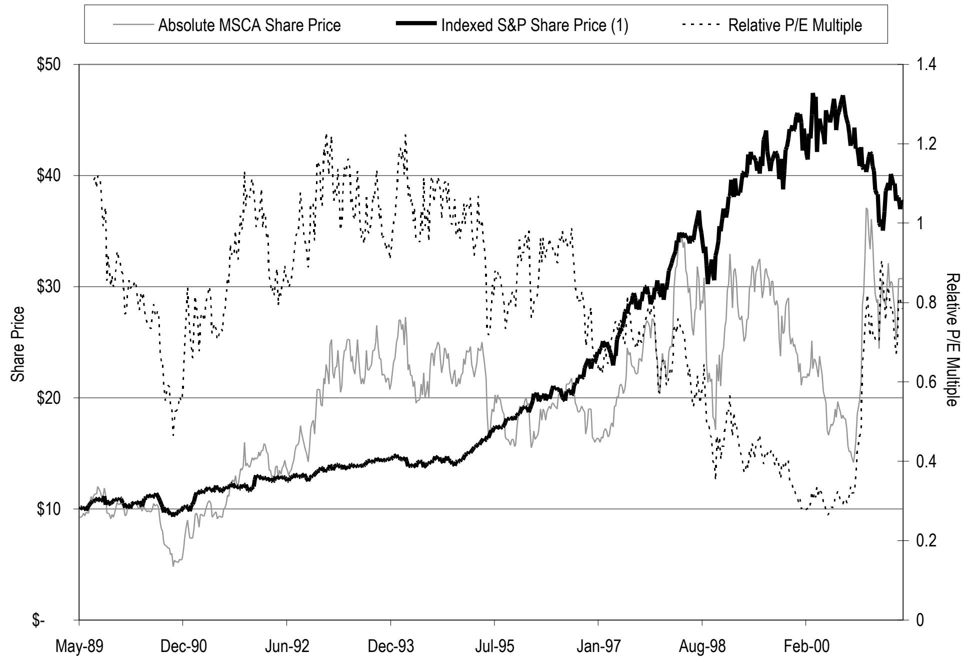
Exhibit 57. SWFT Historical Relative Forward P/E and Stock Performance Versus the S&P 500



(1) Indexed to SWFT share price as of the week of 7/20/90.

Source: FactSet Research Systems Inc.; Bear, Stearns & Co. Inc. estimates.

Exhibit 58. MSCA Historical Relative Forward P/E and Stock Performance Versus the S&P 500



(1) Indexed to MSCA share price as of the week of 5/26/89.

Source: FactSet Research Systems Inc.; Bear, Stearns & Co. Inc. estimates.

Company Background

Swift Transportation Co., Inc., is the third-largest publicly held truckload carrier in the United States. With corporate headquarters in Phoenix, Arizona, Swift focuses on short- to medium-haul traffic lanes offering regional service in combination with its transcontinental van operations. Catering to clients' specific needs, the company's primary freight includes retail and department store merchandise, manufactured goods, paper products, nonperishable food, beverages, beverage containers, and building materials. Operating 35 terminals on a nationwide basis, Swift has been able to meet the precise needs of its growing customer base, enabling the company to compete directly with railroads, intermodal services, and less specialized long-haul truckload carriers.

Swift has targeted its growth with the help not only of its specialized regional and long-haul services but also of selective acquisitions that have increased its service area. Over the years, the company has made numerous acquisitions, enabling it to become a dominate national carrier. Most recently, the company announced that it has closed its merger with M.S. Carriers, making Swift the largest truckload carrier in the U.S., anticipating over $2 billion dollars in revenues.

The acquisition also enables Swift, a short- to medium haul regional freight transport service provider, to offer the long-haul capabilities represented in M.S. Carriers core business. Swift Transportation will continue to provide its customers with service throughout the U.S. and in parts of Canada and Mexico and anchors its business with terminals spanning across North America.

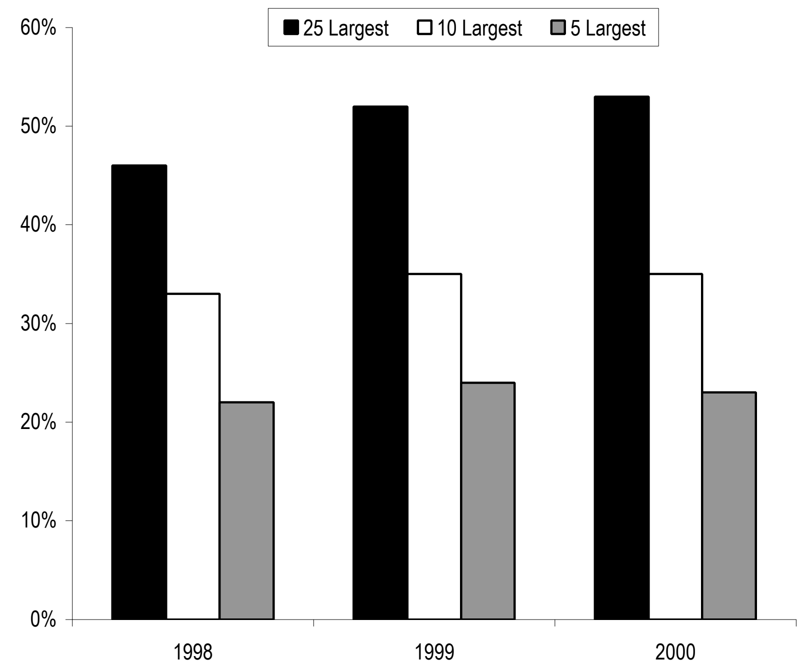
MANAGEMENT

Founded in 1965, Swift was privately held until its initial public offering in June 1986. At present, President and Chief Executive Officer Jerry C. Moyes holds the largest percentage of shares outstanding. Executive Vice Presidents Rodney K. Sartor, Patrick J. Farley, and Kevin H. Jenson round out the executive team. Senior Executive Vice President, Secretary, Chief Financial Officer, and Director William Riley III has been with Swift since 1990. The acquisition brings with it four new executives who will remain in control of M.S. Carriers, as it will operate as a separate entity up until the end of 2001. Note that one of these new executives will be appointed to the Swift board — Michael Starnes, the man who puts the "M.S." in M.S. Carriers.

CUSTOMERS AND SEGMENTATION

With the addition of M.S. Carriers, Swift Transportation ranks first among publicly traded TL carriers in terms of gross revenue (pro forma). When looking at the contribution that Swift's largest customers make to total revenue, we see that in 2000 (on a pro forma basis), Swift's 25 largest customers composed 53% of Swift's revenue, up from 52% and 46% in 1999 and 1998, respectively. Swift's ten largest customers made up 35% of the company's total revenue, on par with the 1999 percentage and up two percentage points from 1998, when they accounted for 33% of total revenue. Taking a closer look, Swift's five largest customers made up 23% of total revenue, remaining consistent with the 1999 figure of 24% as well as the 1998 figure of 22%. From these numbers, it is evident that Swift's largest customers have been growing their business with the company as a group and that Swift's ten biggest customers have kept their business with Swift at consistent levels.

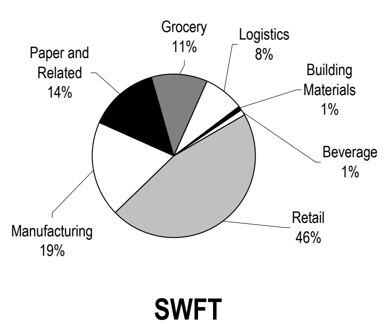
Exhibit 59. Swift Pro Forma Revenue by Top Five, Ten, and 25 Customers

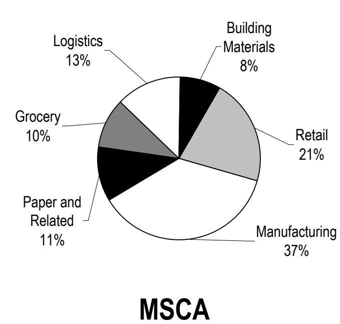


Source: Company reports.

To get a complete picture of Swift's customer base by industry, it is helpful to look at both premerger figures for Swift and M.S. Carriers and the pro forma data. When examining Swift's premerger customers, we see that Swift had a less diversified customer base than many of its other TL competitors, with a large 46% of its revenue coming from retail, 19% coming from manufacturing, and 14% coming from paper and related products. Rounding out the top five were grocery and logistics, with 11% and 8%, respectively. With high concentrations of revenue stemming from only a few different industries, Swift was much more vulnerable to downturns in customer industries than it will be post-merger. M.S. Carriers' customer base was a good fit, complementing Swift's breakdown and moderating both Swift's and M.S. Carriers' customer base exposure. Prior to the merger, M.S. Carriers' top customer by percentage of revenue was the manufacturing industry, at 37%. Retail ranked second-largest, at 21% of revenue, and filling in the top five industries serviced by M.S. Carriers by percentage of revenue were logistics at 13%, paper and related products at 11%, and the grocery industry at 10%.

Exhibit 60. Swift and M.S. Carriers Stand-Alone Revenue by Industry (2000)

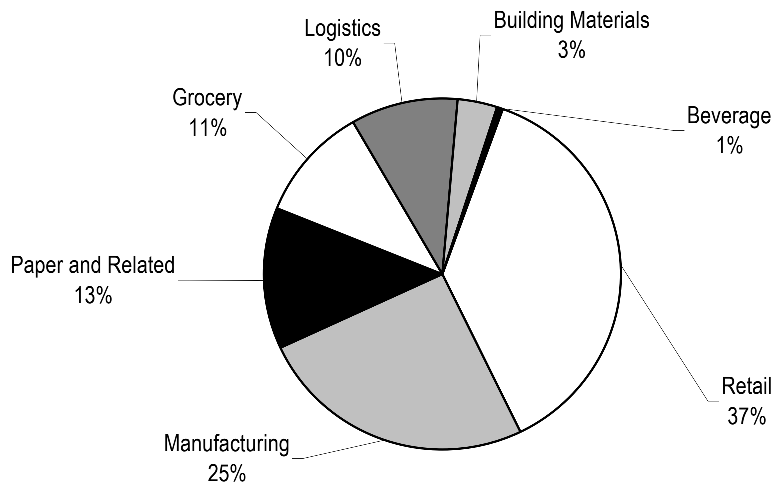




Source: Company reports.

Turning to the pro forma view for Swift's post-merger data breaking down revenue by customer industry, we see that retail is still the largest contributor to the company's revenue, at 37%. However, it is now balanced, to some extent, by the increased percentage of manufacturing revenue, which is at 25% on a pro forma basis. Completing Swift's pro forma top five, we have paper and related products at 13% of revenue, groceries at 11%, and logistics at 10%. So, we see that going forward, Swift's post-merger customer base will remain relatively the same as it did premerger, but it is slightly more balanced, hedging against revenue loss in the event of a downturn in one of its customers' industries.

Exhibit 61. Swift Pro Forma Revenue by Industry (2000)



Source: Company reports.

Acquisition History

The exhibit that follows details selected transactions in which either Swift or M.S. Carriers took part. The list, which includes a total of 14 deals, reveals that Swift has been particularly active on the acquisition front over the past 18 months. Prior to this period, the last meaningful Swift acquisition was made during the second quarter of 1997 (excluding the M.S. Carriers acquisitions, completed during 1997-98). Of course, the M.S. Carriers transaction is the largest acquisition Swift has made to date, with retained revenues comparable to the sum of all the other acquisitions listed in the table below. This track record of growth through acquisition reflects Swift's goal to become the largest publicly traded TL carrier, and, to date, the management team has demonstrated its ability to effectively integrate large additions. For this reason, we believe that management is well suited to deal with the challenges of integrating a carrier as large as M.S. Carriers. However, as mentioned earlier in this report, we believe that the integration of any purchase of this size will inevitably involve some unforeseen difficulties. Longer term, we think that Swift will ultimately realize some, if not all, of the synergies it anticipates as a result of its merger with M.S. Carriers. Although Swift certainly has a full plate with its ongoing integration of M.S. Carriers, we would not be surprised to see the company take advantage of the hard times that many smaller TL carriers have fallen upon in the current difficult operating environment. This is consistent with our view for any large TL carrier with the means to make purchases, given the current operating conditions — but particularly true for Swift due to its acquisitive nature.

Exhibit 62. Swift Acquisition History ($ in millions)

	Target	Date [1]	Services Provided	Price	EV/EBITDA	Retained Rev.	Tractors
1	Cardinal Freight Carriers, Inc. [2]	12/19/00	Regional TL	<= $15.0	---	---	550
2	M.S. Carriers	12/11/00	Regional TL (short-to-medium haul)	$404.5	5.9x	$683.9	5,131
3	Tans-Mex Inc.	2/16/00	Regional TL	---	---	---	50
4	Interstate Trucking Corporation [3]	10/16/98	Regional TL	---	---	---	---
5	Challenger, U.S. [3]	3/10/98	TL, Dry Van, Dedicated	$2.1	5.0x	$20.0	225
6	Hi-Way Express [3]	8/21/97	TL, Dry Van	$4.0	3.3x	$36.0	---
7	Direct Transit, Inc.	4/8/97	Logistics, Expedited Ground	$32.0	4.0x	$65.0	---
8	Navajo Shippers	9/12/96	TL, Dry Van, Leasing	$7.1	0.6x	$40.0	1,121
9	Missouri-Nebraska Express	10/3/94	Dry Van	$9.5	---	$70.0	---
10	East-West Transportation	7/1/94	Dry Van	$2.7	---	$23.0	255
11	West's Best Freight System	6/1/93	Dry Van, Doubles	$4.8	---	$11.0	1,150
12	Arthur H. Fulton	9/9/91	Dry Van	$5.7	---	$35.0	1,000
13	Cooper Motor Lines	1998	Dry Van, Doubles	$4.4	---	$28.0	195
14	Kaibab Transportation	1990	Flatbed	---	---	$10.0	225
	TOTAL			**$491.8**		**$1,036.9**	**9,902**

(1) Announced date.
(2) Certain assets of van division.
(3) Acquisition made by M.S. Carriers.

Source: Company reports; Bloomberg.

Quarterly Update

Swift reported pro forma second-quarter 2001 earnings of $0.19 per share before onetime merger-related charges of $9 million pretax, or $0.07 per share ($7 million of charges stemming from adjustments to M.S. Carriers' insurance and claims reserves and $2 million tied directly to merger-related expenses). This compared to year-ago pro forma EPS of $0.27, reflecting a year-over-year earnings decline of 30%. On a stand-alone basis, Swift recorded second-quarter EPS of $0.15 versus pro forma $0.20 one year ago (25% decline), beating the consensus estimate that reflected an anticipated decline of more than 60% year over year. M.S. Carriers fared relatively worse on a stand-alone basis, with a $0.02-per-share loss compared to a positive $0.07-per-share pro forma performance a year ago.

On a combined basis, year-over-year pro forma revenue growth totaled 7.0%, down from 20.2% a year ago and 11.1% during the first quarter of 2001. As with many TL carriers, the softness in the economy is very apparent in Swift's top-line revenue growth, which has been declining consistently over the past five quarters. Looking at Swift's pro forma historical operating results, it appears as if this slowing revenue growth trend is a result of utilization rates more so than pricing pressure. Over the past year, total revenue miles per average tractor have declined an average of 5.0% on a quarterly basis year over year versus revenue per revenue mile expansion of 3.4% over the same period. In terms of operating ratio performance, Swift booked pro forma deterioration of 280 bps ($0.11 per share) versus last year, driven by a combination of escalating costs related to wages, fuel, insurance, and rental expense ($0.26 per share). These costs were offset significantly by a 400-bp reduction ($0.15 per share) in purchased transportation, D&A, and operating tax expense as a percentage of total revenue as Swift and M.S. Carriers relied on owner/operators to a lesser extent, given the sluggish demand for freight. Besides operating ratio effects, overall EPS benefited by $0.01 as a result of reduced interest expense and greater cash balances during the quarter versus a year ago.

EPS Derivation

In the next table, we examine the factors driving our current 2001 and 2002 EPS estimates of $0.63 and $0.83, respectively. In 2001, we expect an overall $0.17 decline in EPS, primarily driven by projected OR deterioration of about 147 bps as Swift faces rising costs as a percentage of revenue related to wages, fuel, and insurance expense offset, to some degree, by a reduced reliance upon purchased transportation. We also anticipate some negative impact from increased net interest expense and an upward adjustment to the effective tax rate relative to the pro forma rate in 2000. Offsetting these negative EPS impact assumptions is projected revenue growth of 7.1% for 2001, down from 17.3% pro forma in 2000. We estimate that revenue growth will contribute roughly $0.07 per share of earnings in 2001. For 2002, we project an overall $0.20 increase in EPS year over year, driven once again by a shift in OR performance. We anticipate an approximate 80-bp OR improvement reflective of an expectation of stabilized, if not modestly improved, business trends, along with a continuing decline in the cost of fuel. In addition, we expect a $0.08 per share contribution to earnings from a projected 9.3% revenue growth (slightly higher than our revenue growth assumption for 2001). Finally, we anticipate a $0.02-per-share drain on earnings in 2002 as a result of reduced interest income, as Swift may see a return to higher levels of net capital expenditure with some stabilization of the economy.

Exhibit 63. Swift Pro Forma EPS Derivation Table

	2000	2001E	2002E
Revenue Growth	$0.21	$0.07	$0.08
Operating Ratio	($0.43)	($0.22)	$0.13
Other Income	($0.10)	($0.01)	($0.02)
Tax Rate	($0.00)	($0.02)	$0.00
Diluted Share Count	$0.03	$0.00	$0.00
Change in EPS	**($0.29)**	**($0.17)**	**$0.20**
Continuing EPS	$0.81	$0.63	$0.83

Source: Company reports; Bear, Stearns & Co. Inc. estimates.

Cash Flow and Balance Sheet

On a pro forma basis, Swift generated about $235 million of cash from operating sources in 2000, which was more than offset by a combination of net capital expenditures of about $199 million and a $61 million increase in working capital. This, along with several smaller items, yielded operating cash flow of about negative $20 million. Combined with share repurchases totaling roughly $44 million, Swift posted negative pro forma free cash flow of $64 million in 2001 (negative $0.75 per share). With the continued sluggish economy in 2001, we expect Swift to curtail net capex significantly, to about $120 million for the year, down from $199 million in 2000, and to consume less cash for working capital purposes relative to a year ago ($25 million, down from $61 million). Under these assumptions, we project 2001 operating cash flow of $72 million and free cash flow of $57 million ($0.67 per share), which excludes more than $24 million of estimated proceeds from the Swift/M.S. Carriers premerger offering. For 2002, we currently project operating cash flow of negative $12 million, as we anticipate that Swift may begin to ramp up net capex once again (to $230 million from $120 million) in what may be a stabilized, if not improved, economic environment.

Swift ended first-quarter 2001 with a pro forma cash balance, total debt, and shareholders' equity of $38 million, $522 million, and $686 million, respectively, implying a debt-to-debt-plus-equity ratio of 43.2% compared to pro forma 46.1% at the end of 2000. During 2001, we anticipate about $10 million of debt reduction followed by $35 million of additional reduction in 2002, placing our estimates of total debt at $550 million and $515 million at the end of 2001 and 2002, respectively, implying debt-to-debt-plus-equity ratios of 43.9% and 40.0%.

BEAR STEARNS

U.S. Xpress Enterprises, Inc.

(XPRSA-8.05)

Source: FactSet Research Systems Inc.

Rating: Neutral

52-Week Range
$9.10-$5.13

Earnings per Share

2000:	$0.25
2001E:	$0.04
2002E:	$0.50

P/E

2001E:	NM
2002E:	16.1x

Dividend
Nil

Yield
Nil

Com. Shares (mil)
13.8

Equity Market Capitalization (mil)
$111

Book Value per Share
$11.32*

Est. 5-Yr EPS Growth Rate
12%

* Based on results at the end of first-quarter 2001.

Lots of Leverage When the Time Comes

U.S. Xpress is the fifth-largest publicly traded full truckload carrier in the U.S. on a revenue basis (eighth in terms of market cap), specializing in long-haul delivery of freight on an expedited near-airfreight basis. Given the nature of this service, U.S. Xpress's single-largest segment of customers consists of other transportation providers, such as non-asset-based logistics companies and regional LTL truckers that require inter-regional service.

- **Initiation of Coverage.** We initiated coverage of U.S. Xpress on August 3, at the previous day's closing price of $8.05 and with a 12-month price target of $9. U.S. Xpress is largely reliant upon company-employed and owner/operator team drivers to support its expedited line-haul capabilities.

- **Long-Haul Market Faces Most Upside Potential.** We believe that the long-haul niche is currently one of the hardest hit as it faces tremendous pricing pressure from desperate, small truckers looking to generate revenue at any cost to cover truck payments and escalating operating costs. Going forward, we believe that more of these small, undercapitalized providers will go out of business, thereby removing capacity and improving the pricing environment for carriers such as U.S. Xpress. As such, we think that the long-haul TL market will have the highest upside earnings potential when the economy ultimately turns.

- **Greatest Upside Potential in Our TL Universe.** Based on our expectation of upside within the long-haul TL market as well as U.S. Xpress's high leverage to an economic upturn in particular, we believe that U.S. Xpress stands to gain the most relative to the other TL providers in our coverage universe in the event of an improved operating environment

- **EPS Estimates Still Too High.** Given U.S. Xpress's recent lackluster operating performance and what we believe will be a protracted economic downturn, we view current 2001 and 2002 consensus EPS estimates as too high. Based on XPRSA's existing high-end valuation, we doubt that our forecast of persistent economic sluggishness is factored into the stock.

Any recommendation contained in this report may not be suitable for all investors. Moreover, although the information contained herein has been obtained from sources believed to be reliable, its accuracy and completeness cannot be guaranteed. Bear Stearns may make markets and effect transactions, including transactions contrary to any recommendations herein, or have positions in the securities mentioned herein (or options with respect thereto) and may also have performed investment banking services for the issuers of such securities. In addition, employees of Bear Stearns may have positions and effect transactions in the securities or options of the issuers mentioned herein and may serve as directors of such issuers. Copyright © 2001. All rights reserved by Bear, Stearns & Co. Inc.

INVESTMENT POSITIVES

- **Team Drivers.** U.S. Xpress is focused on team long-haul drivers who provide the fastest ground service from point to point. Their line-haul capabilities enable many LTL carriers, freight forwarders, freight integrators, and other logistics providers to offer near-airfreight capabilities at ground prices. As JIT and time-definite delivery increasingly become more valuable low-cost ground alternatives for shippers, we expect U.S. Xpress's team driver capabilities to translate into a relatively unique competitive advantage that should make its service less of a commodity. U.S. Xpress currently maintains about 950 team tractors, which represent about 18% of its total fleet.

- **Long-Haul Market Faces Most Potential Upside.** To date, the best-margin, best-return truckers have been the regional TL providers, which get a higher revenue per mile for their hauls, but must manage their utilization more closely than the long-haul providers (i.e., shorter hauls equate to lower absolute miles per tractor). The long-haul market has been plagued by too much competition from mom-and-pop trucking companies and owner/operators, many of which only run one or two trucks, that tend to discount heavily in particular lanes. That said, we suspect that, on a relative basis, the long-haul TL providers will have the most upside improvement over time with regard to utilization and pricing as the smaller, lesser-capitalized players are consolidated.

- **High Leverage to an Upturn and to Lower Fuel Prices.** Each 100 bps of OR change for U.S. Xpress equates to about $0.38 per share, based on our 2002 estimates — by far the most of the TL providers. This compares to leverage of only $0.07-$0.16 of EPS per 100-bp change in OR for the regional TL group (see the following exhibit). This greater degree of OR leverage is reflected in U.S. Xpress's most recently reported second-quarter 2001 97.6% OR, which deteriorated from 97.2% in 2000 and a peak performance of 92.4% in 1998. If U.S. Xpress were able to achieve even half of its goal to improve its OR back to the 92%-93% range from the current 97%-98% level, there could be well over $1.00 of EPS improvement for U.S. Xpress within the next year or two. Meanwhile, we also expect U.S. Xpress to be one of the public truckers (including both TL and LTL) to benefit the most from declining fuel prices. The table below shows that U.S. Xpress should benefit from an estimated 8% boost to earnings (based upon consensus EPS estimates — more like 10% based upon our low-end EPS estimates), if diesel fuel were to decline, on average, by 30% during 2002 versus 2001. We have assumed a more modest 5%-10% drop in fuel prices in our projection.

Exhibit 64. Comparative Leverage to a 100-bp Operating Ratio Change

		EPS C02E	(+/-) 100bp OR
CVTI		**$0.75**	$0.24
	% of C02E EPS	--	*31.7%*
HTLD		**$1.25**	$0.06
	% of C02E EPS	--	*5.0%*
KNGT		**$1.05**	$0.07
	% of C02E EPS	--	*6.4%*
SWFT		**$0.83**	$0.17
	% of C02E EPS	--	*20.1%*
WERN		**$1.25**	$0.18
	% of C02E EPS	--	*14.2%*
XPRSA		**$0.50**	**$0.38**
	% of C02E EPS	--	*76.1%*

Source: Bear, Stearns & Co. Inc. estimates.

Exhibit 65. Estimated Impact of Declining Fuel Prices (1)

		EPS C02E	30% Reduction in Fuel Cost
CVTI		$0.75	$0.13
	% of C02E EPS	--	*17.3%*
HTLD (2)		$1.25	--
	% of C02E EPS	--	--
KNGT		$1.05	$0.03
	% of C02E EPS	--	*2.8%*
SWFT		$0.83	$0.06
	% of C02E EPS	--	*7.2%*
WERN		$1.25	$0.09
	% of C02E EPS	--	*7.2%*
XPRSA		**$0.50**	**$0.10**
	% of C02E EPS	**--**	*20.0%*

(1) 2002 EPS impact is a directional estimate, not a precise calculation. Estimate of effect on 2002 EPS assumes full-year impact from a 30% decline in fuel prices.See Exhibit 8 for additional detail.
(2) HTLD does not disclose specific fuel expense/surcharge amounts.

Source: Company reports; Bear, Stearns & Co. Inc. estimates.

- **Acquisitions.** U.S. Xpress has made several acquisitions in the past several years, including PST Vans in June 1998. In that deal, U.S. Xpress acquired about 1,000 tractors (including owner/operators). Since then, the company's operating ratio has deteriorated gradually. While, because of the economic slowdown, it is difficult to tell how much of the hit to profitability could be attributed to the PST integration and how much to the economy, we do believe that, over time, the opportunity for management to get its hands around this acquisition will be essential for its ability to grow earnings substantially.

Exhibit 66. U.S. Xpress Acquisition History ($ in millions)

	Target	Date (1)	Services Provided	Price (2)	EV/EBITDA	Retained Rev.	Tractors
1	PST Vans	6/1/98	TL, Dry Van	$33.4	4.3x	$145.0	1,000
2	Victory Express	12/16/97	TL (regional), Dry Van	$51.0	3.9x	$65.0	90
3	JTI	4/4/97	TL (regional), Dry Van	$2.7	4.9x	$25.0	---
4	Rosedale	3/26/97	Floor covering logistics/warehousing	$3.1	---	$17.5	550
5	Lima Transportation Inc.-Air Cargo Division	7/9/96	Air Freight Contract	$3.0	---	$14.0	200
6	CSI/Reeves	7/10/95	Floor Covering Logistics	$6.2	---	$45.0	---
7	National Freight Systems	10/31/94	Logistics	$1.0	---	$5.0	---
8	Crown Transportation	10/31/94	Floor Covering Logistics	$3.2	---	$25.0	450
9	Hall Systems, Inc.	3/1/94	Southeastern Regional TL	$3.8	---	$25.0	11,900
10	Southwest Motorfreight	12/1/90	Longhaul dry van	$5.8	---	$50.0	1,700
	TOTAL			**$113.2**		**$416.5**	**15,890**

(1) Announced date.
(2) Price for equity.

Source: Company reports; Bloomberg.

- **Airport-to-Airport Forwarding Business.** U.S. Xpress has the consolidation facilities in place at or near airports (as a result of its CSI floor treatment business) and the trucks and drivers to fairly quickly build an airport-to-airport ground network for domestic forwarders and airlines. This business, which competes with Forward Air, began two quarters ago and is about at breakeven, but is growing quickly off of a small base. While U.S. Xpress has a lot of tools to get into this business, we believe that the key to Forward's success has been management's tight operating control over when to move freight directly from point to point, when to move it in shuttles, and when to move it through its main consolidation hub. It could take U.S. Xpress many years to learn this domain knowledge, which will be required if the company is to fare better than T-Cam did several years ago, when it folded after losing $50 million. We believe that this could be a profitable, good cash flow business for U.S. Xpress if it is able to operate successfully.

INVESTMENT RISKS

- **EPS Estimates Too High.** Consensus EPS estimates of $0.16 and $0.53 for 2001 and 2002, respectively, remain above what we believe is a likely scenario, given U.S. Xpress's recent results and the severity and duration that we expect from the current economic downturn. Our 2001 and 2002 EPS forecasts of $0.04 and $0.50 are roughly 75% and 6% below consensus, respectively. At current high-end valuations, the stock does not seem to have yet incorporated our low-end expectations for 2002.

- **Near- to Intermediate-Term Pricing.** As the smaller, individual long-haul truckers continue to be squeezed by a weak used truck market, high fuel and insurance costs, and a soft economy, they are finding it increasingly difficult to stay in business. In this type of environment, the small carrier is pressured to make payments and begins to depend, to a greater extent, on day-to-day cash flow. In a struggle to make basic monthly payments, these carriers tend to take freight at any price, doing whatever it takes to generate revenue. Accordingly, we have seen pressure on the long-haul TL carriers' revenue per mile mounting over the past several quarters. We believe that long-haul service, which is more of a commodity than regional TL, is feeling this pressure more than regional, as there are more mom-and-pop operators in this particular segment of the industry. Of course, we note that what is today's problem for U.S. Xpress should become tomorrow's opportunity, as we expect pricing to firm in a hurry as the downturn continues and the small truckers move from cash flow at any price to going out of business for good. We believe that this will become the case as customers grow tired of shoddy service at discount prices and as the lenders begin to ramp up foreclosures.

Exhibit 67. Comparative Pricing — Quarterly Revenue per Revenue Mile Performance(1)

	2000	3Q00		4Q00		1Q01		2Q01	
	Avg. Length of Haul	Rev./Rev. Mile	% Change Y-o-Y	Rev./Rev. Mile	% Change Y-o-Y	Rev./Rev. Mile	% Change Y-o-Y	Rev./Rev. Mile	% Change Y-o-Y
Regional									
KNGT	530	$1.23	0.3%	$1.24	0.4%	$1.23	2.5%	$1.22	0.0%
HTLD (2)	558	---	---	---	---	---	---	---	---
SWFT (3)	564	$1.39	3.5%	$1.42	4.3%	$1.42	3.5%	$1.42	2.5%
WERN	746	$1.34	3.8%	$1.35	4.1%	$1.33	2.2%	$1.34	1.5%
XPRSA	**950**	**$1.23**	**2.8%**	**$1.23**	**3.0%**	**$1.22**	**1.6%**	**$1.21**	**1.0%**
CVTI	1,250	$1.22	1.1%	$1.23	0.7%	$1.21	-0.7%	$1.20	-3.6%
Long-Haul									

(1) Net of fuel surcharge revenue.
(2) HTLD does not report any operating statistics.
(3) SWFT merged with MSCA on June 29, 2001. Pro forma average length of haul estimate based on reported operating results for SWFT and MSCA. Pro forma revenue per revenue mile based on both reported pro forma results and Bear Stearns estimates.

Source: Company reports; Bear, Stearns & Co. Inc. estimates.

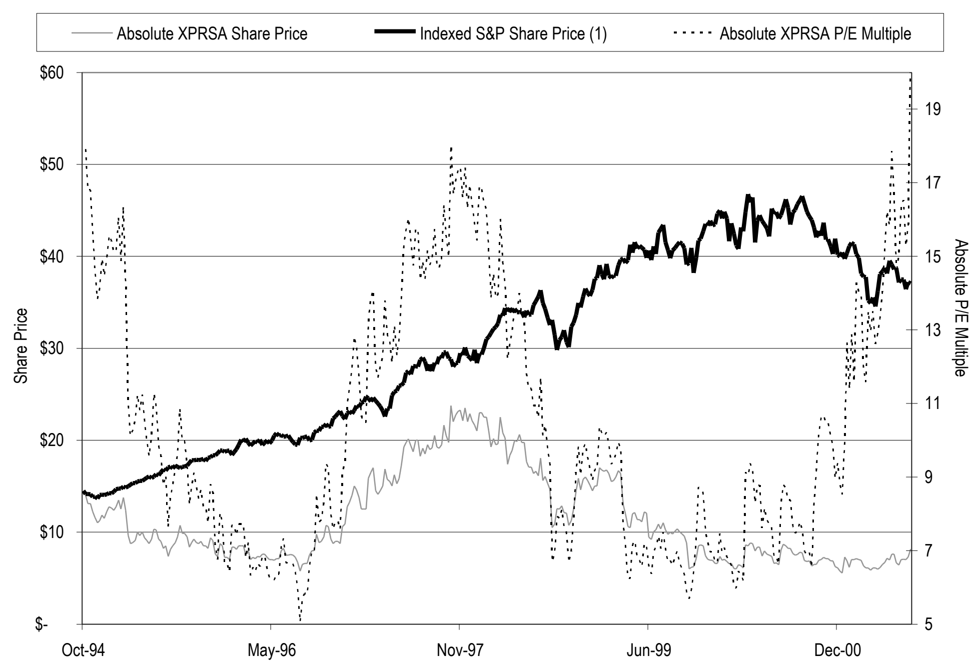
- **Insurance Costs.** As the insurance industry faces an upturn in its cycle and diminishing returns on its capital in the equity markets, it has taken a firm position with truckers over the past six months by initiating rate increases for liability, casualty, and claims insurance. Most truckers, including U.S. Xpress, will be significantly affected by this trend, although to varying degrees. U.S. Xpress now has a three-year insurance contract that is set to expire at the beginning of October. For this reason, U.S. Xpress has not yet seen the impact of this trend of advancing insurance costs. However, upon renewal of this insurance agreement, management expects that rising premium costs will be somewhat offset by accepting a greater degree of risk — that is, by bearing additional risk, deductibles per occurrence could rise from the current $3,000 to more than $100,000 per occurrence. With its insurance premium expected to rise anywhere from 25% to 30%, U.S. Xpress could see a 35-bp impact on its operating ratio. In addition, with higher deductibles, U.S. Xpress's insurance costs, along with those of many of its peers, could turn increasingly volatile as they become more contingent upon the number of occurrences and overall driver safety. Currently, we expect insurance as a percentage of revenue to come in at 4.2% and 4.4% in 2001 and 2002 compared with the 4.0% booked in 2000.

- **Weak Used Truck Market.** U.S. Xpress, like the other TL players, has to contend with a very weak used truck market (as discussed earlier). However, the company remains in relatively good shape in the near term, as all of its over-the-road fleet (consisting of Freightliners and Volvos) is protected by residual value agreements with the manufacturers. With these agreements, U.S. Xpress avoids contending with the difficulty that many tractor owners now face with regard to the market value of tractors falling below book value (and therefore limiting owners' ability to finance new revenue equipment). Going forward, indications are that these types of residual agreements are likely to be curtailed, although the extension of these agreements has not yet officially ended. Without such a residual trade-in policy in the future, we would expect U.S. Xpress's gains and or losses on sales of used equipment to become a bit more difficult to predict.

VALUATION

XPRSA now trades at 16.1x our 2002 EPS estimate of $0.50. Our $9 price target is derived by applying a 16x P/E out 12 months to our blended 2002 and 2003 EPS estimate of $0.56 (reflecting $0.50 for 2002 and $0.63 for 2003). As the exhibit below illustrates, U.S. Xpress's 12-month forward rolling P/E peaked during trough earnings cycles in February 1995 (a period of overcapacity) and December 1998 (Asian currency crises) and is currently accelerating, given the weak earnings outlook. Over the next 12 months, we project that some potential upside to future numbers will become more visible as signs of an economic downturn surface, and we expect U.S. Xpress to realize some utilization and pricing benefits as many smaller, undercapitalized carriers continue to fold and/or consolidate. Our target price implies roughly 11% P/E expansion for U.S. Xpress from present levels (using our blended estimate), and we believe this to be very achievable, given the potential for upside to EPS estimates during second-half 2002 and full-year 2003. On an enterprise-value-to-EBITDA basis, XPRSA currently trades at 5.1x our 2002 EBITDA estimate. Over the past three years, XPRSA has traded in an enterprise-value-to-EBITDA range of 4.3x-8.2x, with an average at around 5.9x-6.5x. Our $9 target price implies an enterprise value to EBITDA of 4.8x our blended 2002 and 2003 EBITDA forecast.

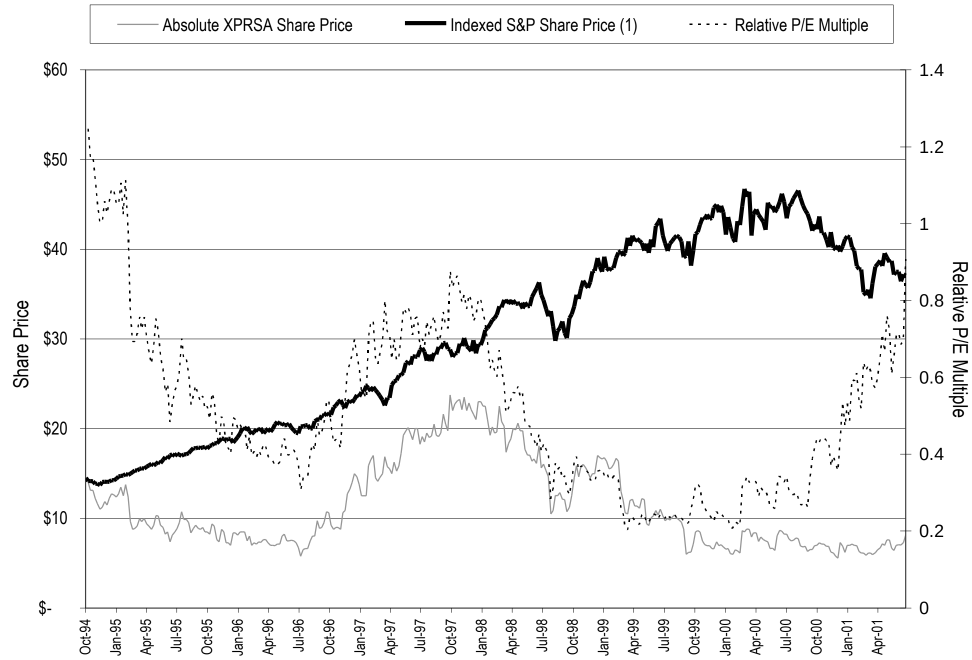
Exhibit 68. XPRSA Historical Absolute Forward P/E and Stock Performance Versus the S&P 500



(1) Indexed to XPRSA share price as of the week of 10/28/94.

Source: Bear, Stearns & Co. Inc. estimates.

Exhibit 69. XPRSA Historical Relative Forward P/E and Stock Performance Versus the S&P 500



(1) Indexed to XPRSA share price as of the week of 10/28/94.

Source: Bear, Stearns & Co. Inc. estimates.

Company Background

On a revenue basis, U.S. Xpress Enterprises, Inc. is the fifth largest truckload carrier in the United States. Its corporate headquarters, located in Chattanooga, Tennessee, manages TL services reaching from Canada, throughout the continental U.S., and into parts of Mexico. The company offers three principal services to its customers: 1) time-definite and expedited services, with lengths of hauls between 400 and 3,000 miles, tailored particularly for customers that operate on a just-in-time basis; 2) regional service supported by facilities in the western, midwestern, and southeastern regions of the U.S. (lengths of haul from 400 to 1200 miles); and 3) dedicated services in which U.S. Xpress allocates specific tractors and drivers to companies desiring private trucking operations.

U.S. Xpress has positioned itself as a core carrier for many large shippers in the U.S. and has built a loyal customer base that includes DuPont, Federal Express, Procter & Gamble, Hewlett-Packard, Burlington Air Express, and Kimberly-Clark. The company has also expanded its services by making 11 strategic acquisitions since 1990, but stresses that its goals for 2001 are primarily internal growth and improved operating results.

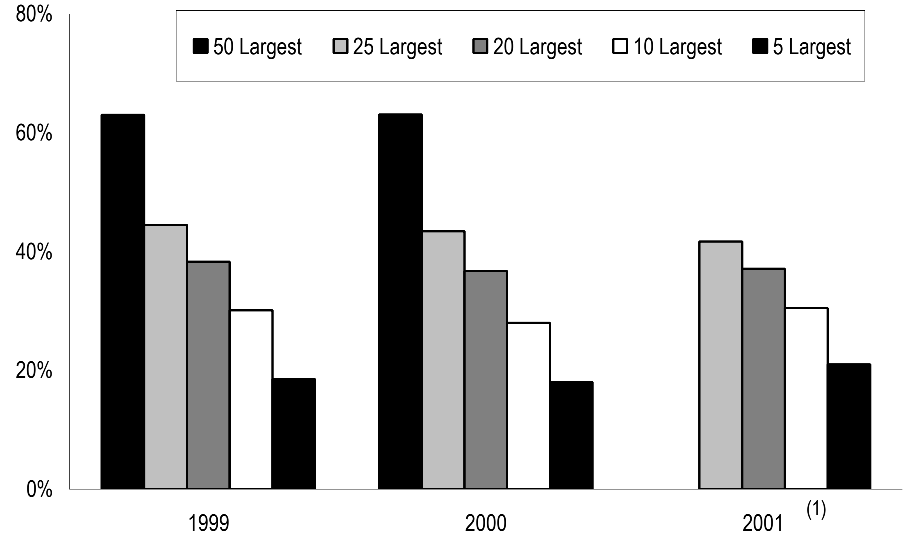
MANAGEMENT

U.S. Xpress's management team is composed of Co-Chairman, President, and Treasurer Patrick E. Quinn; Co-Chairman, Vice President, and Secretary Max L. Fuller; Executive Vice President and CFO Ray Harlin; Executive Vice President and COO Cort J. Dondero; President of CSI/Crown E. William Lusk, Jr.; and Executive Vice President of Operations William K. Farris. According to the most recent proxy filing, U.S. Xpress's largest shareholder is Mr. Fuller, with over 2.6 million shares (30.2% of shares outstanding). Mr. Quinn ranks as the second-largest shareholder, with over 2.3 million shares (27.9% of shares outstanding). In total, all executive officers as a group (eight persons) hold 5, 278,366 shares of U.S. Xpress (60.6% of shares outstanding), while total inside ownership is roughly 66%.

CUSTOMERS AND SEGMENTATION

U.S. Xpress's revenue breakdown of its largest customers shows a loyal following, since percentages have remained relatively constant since 1999. There has been a slight change in the largest customers — mainly, a small reduction in the top 20 and 25 customers and growth for the top five and ten customers. The top 20 and 25 customers accounted for 38.3% and 44.5% of revenues, respectively, in 1999, but these numbers declined to 37.1% and 41.7% in 2000 (respective changes of 1.2% and 2.8%). However, these decreases were somewhat offset by growth in the top five and ten largest customers. They represented 18.5% and 30.1%, respectively in 1999 and increased in 2000 to 21% and 30.5% (changes of 2.5% and 0.4%).

Exhibit 70. U.S. Xpress Revenue by Top Five, Ten, 20, 25, and 50 Customers

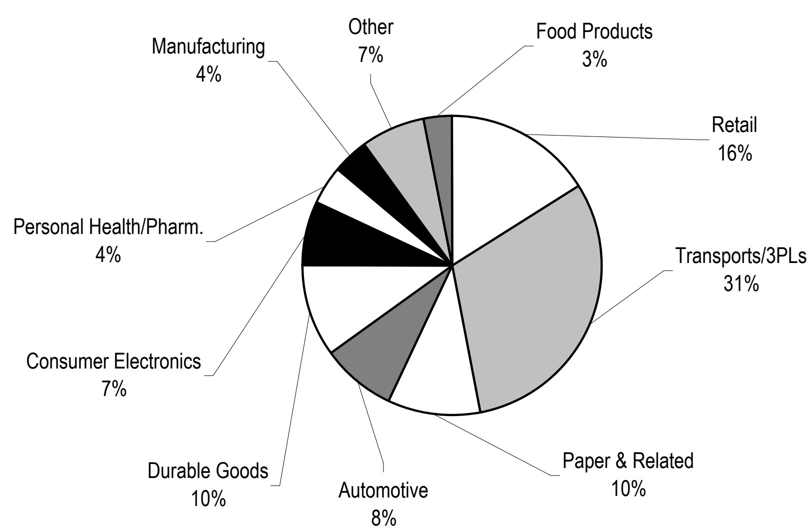


(1) Top 50 data unavailable for 2001.

Source: Company reports.

U.S. Xpress enjoys a fairly diverse customer base when compared to the other five TL carriers. This enables the company to hedge its economic risk, avoiding potential downswings in any one industry. Currently, U.S. Xpress draws 31% of its revenues from transports and third-party logistics, with retail transports representing 16% of its revenues. Although these two industries make up close to half of the company's revenue by industry, the remaining 53% is shared by eight different market segments, representing a diverse portfolio of customers.

Exhibit 71. U.S. Xpress Revenue by Industry, Year-to-Date 2000



Source: Company reports.

Quarterly Update

U.S. Xpress reported second-quarter 2001 EPS of $0.03 for 2001 compared to $0.22 a year ago, representing a decrease of 87% year over year and missing the consensus EPS estimate of $0.06 (a 50% shortfall). The company followed the trend of weakening top-line revenue growth that we have seen across the TL sector, posting year-over-year flat revenue growth versus 14.7% a year ago and an improvement over a 2.8% decline in the first quarter of 2001. Slowing revenue growth was a product of weakening pricing, as reflected by a 1% drop in revenue per revenue mile versus a 1.8% expansion in the first quarter. Also contributing to relatively flat revenue growth was a 0.5% decline in tractor utilization, although it did represent an improvement over the 5.4% year-over-year dip in utilization recorded for the first quarter. On the cost side, U.S. Xpress experienced about 215 bps ($0.19 per share) of OR deterioration in the quarter as most costs as a percentage of revenue rose, led by wages, fuel, rents, and other operating expenses. The only item offsetting reduced costs was purchased transportation, as U.S. Xpress, along with all of the TL carriers in our universe, lowered its reliance upon owner/operators during the second quarter of 2001 (140 bps or $0.12 per share). Finally, U.S. Xpress benefited from an improved effective tax rate, which declined from 40.1% one year ago to 39.9% in the second quarter of 2001 ($0.01 per share). As a result, we have adjusted our assumed effective tax rate going forward to 39.9%.

EPS Derivation

The exhibit below contains our 2001 and 2002 EPS estimates along with details regarding the particular factors behind our expected results. From 2000 to 2001, we are projecting an overall EPS decline of $0.21 per share, driven primarily by operating ratio deterioration (a negative expected impact of about $0.24 per share), along with a more modest negative contribution from increased interest expense during the year. We anticipate that these factors will be slightly offset by moderate revenue growth and a slightly lower effective tax rate in 2001 relative to 2000. Expected improvement in 2002 is largely a reflection of what we believe will be a better operating environment with regard to demand for TL services as the year progresses. This is reflected in our anticipated $0.09-per-share contribution from projected year-over-year revenue growth of about 10.9% in 2002 (up from an expected 3.1% in 2001). Furthermore, with greater freight volumes, we anticipate that U.S. Xpress's operating ratio will improve and be the primary driver of EPS growth, contributing $0.36 of expansion for the year. Finally, we expect some benefit from modestly reduced interest expense, offset slightly by an increasing effective tax rate and fully diluted share count. All in all, we expect a $0.46-per-share gain in 2002 over our 2001 $0.04 EPS estimate.

Exhibit 72. U.S. Xpress EPS Derivation Table

	2000	**2001E**	**2002E**
Revenue Growth	$0.15	$0.03	$0.09
Operating Ratio	($0.54)	($0.24)	$0.36
Other Income	($0.11)	($0.03)	$0.02
Tax Rate	($0.08)	$0.03	($0.00)
Diluted Share Count	$0.01	$0.00	($0.01)
Change in EPS	**($0.57)**	**($0.21)**	**$0.46**
Continuing EPS	$0.25	$0.04	$0.50

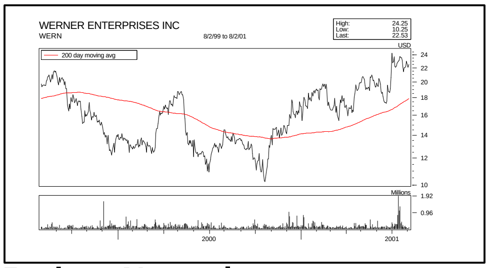
Source: Company reports; Bear, Stearns & Co. Inc. estimates.

Cash Flow and Balance Sheet

U.S. Xpress finished the first quarter of 2001 with $225,000 of cash, $196 million of debt, and $155 million of shareholders' equity, yielding a debt-to-debt-plus-equity ratio of 55.8%. Of the six TL carriers detailed within this report, U.S. Xpress is the most highly leveraged and has the highest sensitivity to the interest rate environment. In addition, U.S. Xpress has had difficulty generating free cash flow due to a combination of circumstances that include reduced operating efficiency during the current economic downturn, which has resulted in insufficient cash generation to offset continued expenditures on revenue equipment and the elimination of debt. For 2001, we project that U.S. Xpress will use about $4 million of cash on an operating basis and consume another $36 million for net capital expenditures (assuming $12 million of proceeds for used equipment). Furthermore, we expect that U.S. Xpress's overall debt level will rise over the course of the year by about $27 million to just over $208 million (a debt-to-debt-plus-equity ratio of 57.0%). In 2002, we expect U.S. Xpress to use about $15 million of cash on an operating basis and $50 million for net capital expenditures (which includes the impact of $15 million of proceeds for used tractors). For 2002, we anticipate that U.S. Xpress's overall debt will increase by another $5 million, to approximately $213 million, reflecting a debt-to-debt-plus-equity ratio of 56.5%.

Werner Enterprises, Inc.

(WERN-22.53)



Rating: Neutral

52-Week Range
$25-$10

Earnings per Share
2000: $1.02
2001E: $0.98
2002E: $1.25

P/E
2001E: 23.0x
2002E: 18.1x

Dividend
$0.10

Yield
0.4%

Com. Shares (mil)
47.9

Equity Market Capitalization (mil)
$1,080

Book Value per Share
$11.71

Est. 5-Yr EPS Growth Rate
12%

A Model of Consistency

Werner Enterprises is the third-largest publicly traded full TL carrier in the U.S. in terms of revenue (second in terms of market cap), and the company has developed a history of predictable operating results and top-quality service. This is owed, we believe, to a commitment to profitability over sheer revenue growth combined with a mixed product offering and a diverse customer base.

- **Initiation of Coverage.** We initiated coverage of Werner Enterprises on August 3, at the previous day's closing price of $22.53 and with a 12-month price target of $23. With an average length of haul of 750 miles, Werner Enterprises is referred to as a medium-haul provider and offers a variety of services to its customers that it supports with a diverse fleet of tractors.

- **Diversity of Fleet and Predictable Performance.** Unlike many of other TL carriers, Werner maintains a varied tractor fleet, allowing it to offer its customers dry van, reefer, flatbed, regional, and dedicated services. As a result, we believe that Werner is somewhat better diversified in terms of its exposure to particular industries or TL service offerings contributing to its ability to maintain steady operating performance. These characteristics tend to instill a stability in the stock that helps it outperform during an economic downturn with less relative upside during upturn.

- **Strong Balance Sheet and Cash Flow.** Next to Heartland Express, Werner has the lowest relative level of debt within our TL universe — a credit to its ability to generate strong cash flow on a consistent basis, in our opinion. Although Werner has never made an acquisition, we believe that it is as well positioned as any provider to take advantage of the more frequent opportunities to make accretive acquisitions, given the current operating environment.

- **Valuation.** At about 18x our 2002 EPS estimates, Werner is currently trading at the high end of its historical forward P/E range. As such, we believe that Werner will remain fairly valued in the near term, and we have therefore assigned the stock a Neutral rating.

Any recommendation contained in this report may not be suitable for all investors. Moreover, although the information contained herein has been obtained from sources believed to be reliable, its accuracy and completeness cannot be guaranteed. Bear Stearns may make markets and effect transactions, including transactions contrary to any recommendations herein, or have positions in the securities mentioned herein (or options with respect thereto) and may also have performed investment banking services for the issuers of such securities. In addition, employees of Bear Stearns may have positions and effect transactions in the securities or options of the issuers mentioned herein and may serve as directors of such issuers. Copyright © 2001. All rights reserved by Bear, Stearns & Co. Inc.

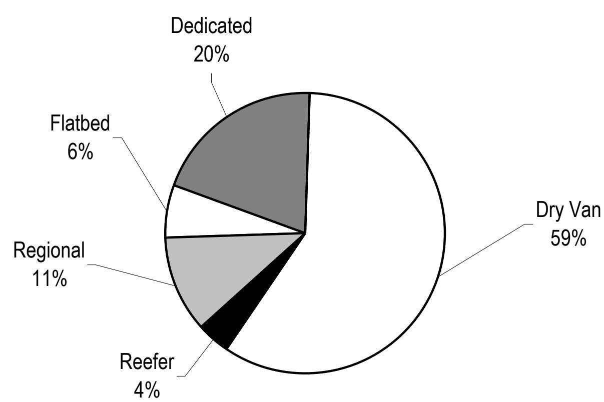
INVESTMENT POSITIVES

- **Solid Operator.** Werner has a proven long-term track record of providing quality service and strong financial results. Unlike most of its public TL rivals, Werner has never made acquisitions and has generally focused on profitable bottom-line growth over revenue growth at any cost. As result, it has been a more predictable and stable stock than most of its peers. In our opinion, Werner is more likely to outperform in a downturn, with less upside in an upturn.

- **Strong Balance Sheet and Relative Cash Flow.** Werner ended June with $20 million of cash, $55 million of debt, and $56.1 million of equity, for a debt-to-debt-plus-equity ratio of 8.9% (which compares to 16.4% a year ago). In addition to being currently underleveraged, Werner should generate free cash flow during 2001 and 2002 of roughly $1.18 per share and $1.46 per share, respectively, in our estimation. During 2001, we expect Werner to generate almost $140 million of depreciation, $27 million of net income, and $23 million of deferred taxes, with net capital expenditures of only $120 million. The company should continue to generate free cash flow during the downturn as it watches its equipment spending carefully.

- **Diversity of Product.** Werner operates a more diverse fleet of trucks than the other public TL carriers we follow. As the exhibit below reveals, Werner operates regional, long-haul, reefer, dedicated, flatbed, and dry van operations. The fastest-growing segments remain dedicated and regional. We believe that the company's diversification provides it with a more consistent earnings profile in different markets and serves its customers well.

Exhibit 73. Werner Estimated Current Revenue by Fleet Type



Source: Company reports.

INVESTMENT RISKS

- **EPS Estimates Too High.** Consensus EPS estimates of $1.03 and $1.36 for 2001 and 2002 remain above what we believe is a likely scenario, given Werner's recent earnings and operating results combined with our expectation for the duration and severity of the current economic downturn. Our 2001 and 2002 EPS projections of $0.98 and $1.25 are roughly 5% and 8% below consensus, respectively. At current high-end valuations, we do not believe that our low-end expectations for 2002 are yet reflected in the stock.

- **Insurance Costs.** As the insurance industry faces an upturn in its cycle and diminishing returns on its capital in the equity markets, it has taken a firm position with truckers over the past six months by initiating rate increases for liability, casualty, and claims insurance. Most truckers, including Werner, will be significantly affected by this trend, albeit to varying degrees. For Werner, we expect the rise in insurance costs to affect the premium paid to cover claims exceeding $1 million per occurrence (for the last decade or so, Werner has been self-insured for the first $1 million per occurrence). Assuming about a 30% rise in this premium (which constitutes 10%-15% of the company's overall insurance expense), we expect a potential ten bps of operating ratio deterioration — a relatively mild effect compared to many other truckers. This is largely a reflection of the additional risk that Werner bears by insuring itself for the first $1 million per occurrence. However, Werner's relatively smaller exposure to the rising insurance rate environment is offset by this greater degree of born risk (self-insurance), which creates more variability in reported insurance expense. During the second quarter of 2001, insurance costs represented 3.4% of revenue compared to the second quarter of 2000, when insurance costs were only 2.7% of total revenue. This is largely due to an increase in the severity of recent claims and, to a lesser extent, rising rates on Werner's premium-based coverage. Going forward, we remain conservative and expect insurance to represent 3.5% of revenue in both 2001 and 2002 compared to 2.8% in 2000.

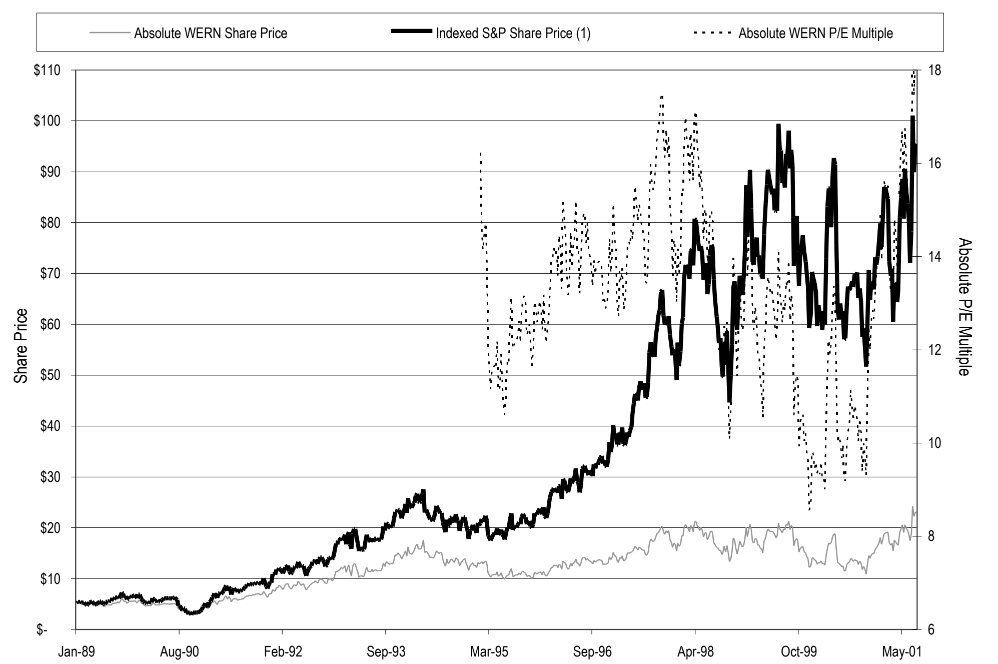
- **Weak Used Truck Market.** Werner, like the other TL players, must contend with a very weak used truck market and, fortunately, has residual trade-in agreements in place for a majority of the tractors within its fleet. In addition, Werner's own retail used truck outlets aer used to facilitate the process of phasing out equipment that has reached the end of its life cycle. Management has made it clear that, unlike other TL companies, it has no intention of aging its fleet; rather, it will continue to buy and trade in trucks this year and going forward. Management believes that current-year trucks may appreciate in value a few years out, as Class 8 tractor builds this year will be relatively low, and 2002 should bring about an expected change in emissions requirements that may make future model-year tractors (which will have to comply with the new, stricter guidelines) more expensive to purchase and operate. Gains on sales for trucks for Werner are listed under the other category in the company's expense line items (above the operating income line). This expense line historically has been negative (a negative expense is an operating positive), reflecting Werner's gains on sales. Since fourth-quarter 2000, this line item has been positive, which is hurting Werner's OR and should continue to do so for some time to come, in our opinion. For 2001, we project total other expenses of $3.2 million, leveling off to about zero in 2002. Our 2001 estimate compares to other expense of negative $2.2 million in 2000 (a net gain on sales), a swing of about $5.4 million, or $0.07 per share.

- **Valuation Risk.** At about 18x our 2002 EPS estimates, Werner is currently trading at the high end of its historical forward P/E range. As such, we believe that Werner will remain fairly valued in the near term, and we have therefore assigned the stock a Neutral rating.

VALUATION

WERN trades at about 18x our 2002 EPS estimate of $1.25. Our $23 price target is derived by applying a 16x-17x P/E out 12 months to our blended 2002 and 2003 EPS estimate of $1.41 (reflecting $1.25 for 2002 and $1.56 for 2003). As the next exhibit illustrates, Werner has approached an absolute 12-month forward rolling P/E peak during trough earnings cycles in February 1995 (a period of overcapacity) and December 1998 (Asian currency crises), as well as currently. Over the next 12 months, we expect upside to future numbers to become more visible as signs of an economic downturn appear and as larger, better-financed carriers such as Werner benefit from the increased utilization and pricing power that will result from the continued consolidation of smaller, more poorly capitalized firms. Our target price implies roughly 3% P/E expansion for Werner from present levels, and we believe this to be very achievable, given the potential for upside to EPS estimates during second-half 2002 and full-year 2003. On an enterprise-value-to-EBITDA basis, WERN trades at 5.0x our 2002 EBITDA estimate. Over the past three years, WERN has traded in an enterprise-value-to-EBITDA range of 2.9x-6.4x with an average around 4.0x-5.0x. Our $23 target price implies an enterprise-value-to-EBITDA multiple of 4.9x our blended 2002 and 2003 EBITDA estimate.

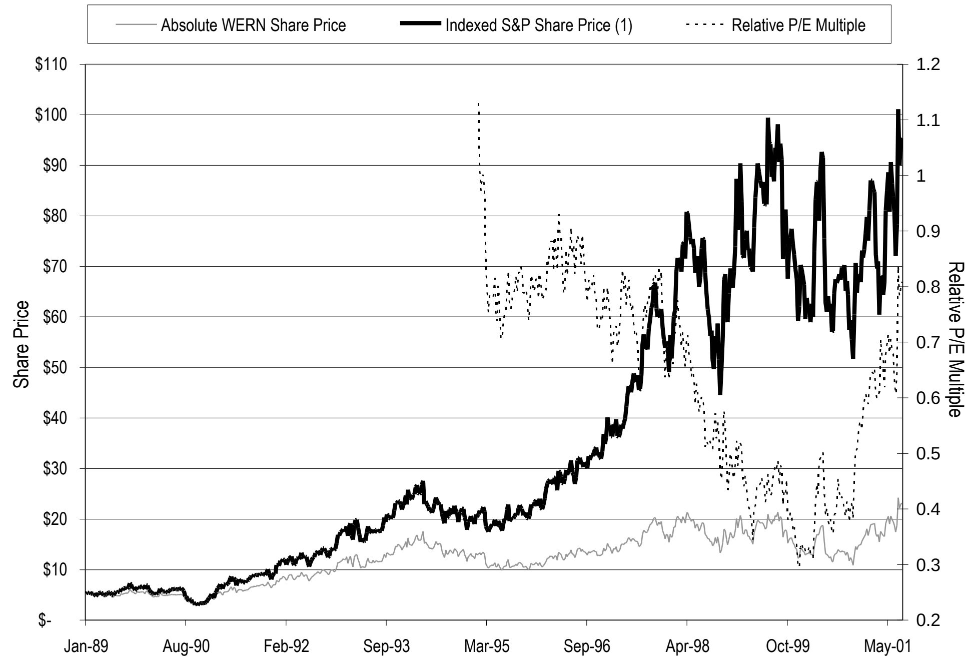
Exhibit 74. WERN Historical Absolute Forward P/E and Stock Performance Versus the S&P 500



(1) Indexed to WERN share price as of the week of 1/6/89.

Source: Bear, Stearns & Co. Inc. estimates.

Exhibit 75. WERN Historical Relative Forward P/E and Stock Performance Versus the S&P 500



(1) Indexed to WERN share price as of the week of 1/6/89.

Source: Bear, Stearns & Co. Inc. estimates.

Company Background

Werner Enterprises is the second-largest by market cap and third-largest by revenue truckload carrier in the United States. Created in 1956 by Chairman and Chief Executive Officer Clarence L. Werner with only one truck, the company has grown into a multimillion-dollar business. Operating throughout North America, including all ten provinces in Canada, 48 contiguous states in the U.S., and parts of Mexico, the company offers its customers on-time, low-cost services on a broad geographic scale. Werner is able to achieve this by offering specialized services, including van, flatbed, and temperature-controlled trailers, enabling the company to establish long-term relationships with a large majority of its customers.

Werner's principal freight transports include consumer products, retail store merchandise, food products, beverages, industrial products, and building materials. The company has a diversified freight base, which relieves any dependence it would have on a small group of clients in any given industry.

Werner has established itself as a major vendor of regional, medium-haul freight transport. It offers this service by the strategic placement of its terminals, with hubs spanning the continental U.S. and reaching both coasts. Its initial public offering occurred in April 1986, and 43% of these shares are owned by company employees.

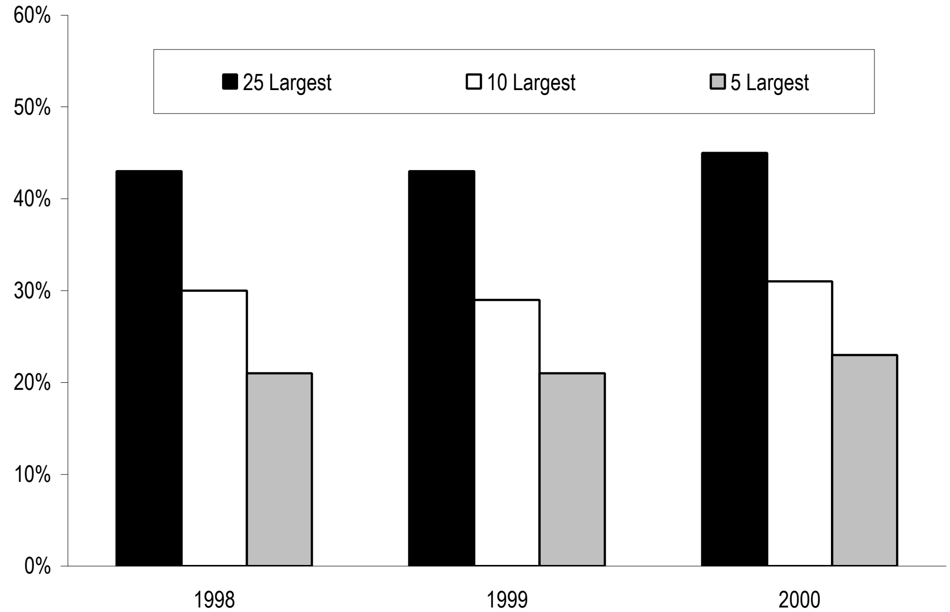
Management

Clarence L. Werner, the founder, currently serves as chairman and chief executive officer and has held this position since the company's incorporation in 1984. He also holds the largest stake in the company, owning roughly 29% of shares outstanding. Gary L. Werner serves as the company's president and vice chairman, while Vice Chairman of Corporate Development Curtis G. Werner serves alongside Chief Operating Officer Gregory L. Werner, making the business a family affair. Other integral members of the management team are Dan Cushman, senior vice president of marketing and operations; Bob Synowicki, executive vice president and chief information officer; and John Steele, a CPA, who acts as the company's treasurer and chief financial officer.

Customers and Segmentation

Werner's medium-haul TL business, with an average length of haul of almost 750 miles, grossed more than $1.2 billion in 2000. When looking at the percentage of total revenue that Werner's largest customers contributed in 2000, we find that the 25 largest customers accounted for 45% of total revenue, a figure that is up slightly from the 1999 and 1998 figure of 43%. Delving deeper, we find that Werner's ten largest customers made up 31% of total revenue in 2000, which was on par with the 1999 and 1998 figures of 29% and 30%, respectively. Werner's five largest customers in 2000 made up 23% of total revenue, up from 21% in both 1998 and 1999. So, we see that over the past three years, Werner's top customers have kept consistent — albeit minimal — growth in their volume of business with the company.

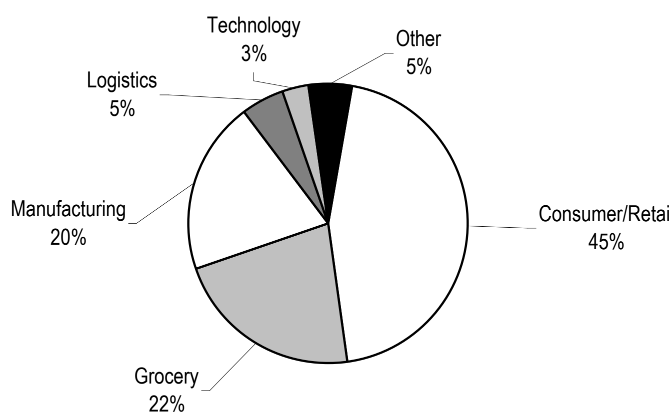
Exhibit 76. Werner Revenue by Top Five, Ten, and 25 Customers



Source: Company reports.

When looking at Werner's customer base in terms of percentage of total revenue broken down by industry, we find that the company services many of the same industries as its TL competitors. Its largest client base is drawn from the consumer/retail industry, weighing in at 45% of total revenue. This is an exceptionally large portion of total revenue to be drawn from one industry, leaving Werner vulnerable to downturns within the consumer/retail market. The next-largest customer industries by percentage of total revenue are grocery and manufacturing, at 22% and 20%, respectively. Rounding out the top five largest customer industries are logistics and technology at 5% and 3% of total revenue, respectively.

Exhibit 77. Werner Revenue by Industry (2000)



Source: Company reports.

Acquisition History

Unlike the other six TL carriers included in this report, Werner has never made an acquisition during its 15-year history as a public company. However, given the company's ability to generate free cash (estimated at $57 million, or $1.18 per share, for 2001), we would not be surprised to see it make accretive purchases in the current operating environment. Our sense is that Werner, like many other large TL carriers, is evaluating many of the smaller, troubled TL firms that may be available for purchase.

Quarterly Update

On July 17, Werner reported second-quarter 2001 EPS of $0.25, which compared to $0.27 a year ago (a 7% decline) and missed the consensus estimate of $0.27. After posting low-double-digit revenue growth during the third and fourth quarters of 2000, Werner saw revenue growth slide sharply to 4.5% during the first quarter of 2001. During the second quarter, revenue growth was slightly improved sequentially, at 5.1%, and compared to 17.9% growth a year ago. This weakening revenue growth is a product of reduced tractor utilization and a pricing environment that has continued to soften — but not yet contract — on a year-over-year basis (revenue per revenue mile grew 1.5% in the second quarter, down from 2.2% expansion in the first quarter).

Escalating costs as a percentage of revenue related to wages, fuel, insurance, and losses on sales of used revenue equipment largely drove about 110 bps of overall OR deterioration in the quarter ($0.05 per share). Note that any gains or losses made on sales of used tractors are reported under Werner's other operating expense line item. During the second quarter, Werner suffered a net loss on sales of equipment totaling $500,000. This contrasts with a net gain (negative cost) of $1.2 million in the second quarter of 2000. This is a direct reflection of the weakening used truck market and contributed 70 bps to the overall 110-bp deterioration recorded in the period. While several costs rose in the quarter as a percentage of revenue, they were mitigated somewhat by reduced purchased transportation charges (220 bps of benefit; or $0.09 per share) as owner/operators were utilized to a lesser extent. Werner did realize about $0.01 per share of benefit in the quarter due to reduced interest expense from continuing to reduce its overall debt.

EPS Derivation

The next table details the catalysts for our 2001 and 2002 EPS estimates of $0.98 and $1.25, respectively. In 2001, we anticipate an overall EPS decline of $0.04, driven primarily by about 70 bps of OR deterioration ($0.11 per share) in light of rising insurance, fuel, and other operating costs. We expect this to be offset somewhat by modest 3.7% revenue growth and improved other income as interest expense is reduced in the face of Werner's debt reduction efforts. For 2002, we forecast a $0.27 increase in EPS for the year, largely driven by an improvement in OR on the order of 104 bps, as the operating environment stabilizes and, perhaps, shows some signs of improvement. We also expect that better revenue growth will play a bigger role in boosting Werner's bottom line in 2002 (expected revenue expansion of 8.8%).

Exhibit 78. Werner EPS Derivation Table

	2000	2001E	2002E
Revenue Growth	$0.21	$0.04	$0.09
Operating Ratio	($0.46)	($0.11)	$0.18
Other Income	$0.00	$0.03	$0.00
Tax Rate	$0.00	$0.01	$0.00
Diluted Share Count	$0.01	($0.01)	($0.01)
Change in EPS	**($0.24)**	**($0.04)**	**$0.27**
Continuing EPS	$1.02	$0.98	$1.25

Source: Company reports; Bear, Stearns & Co. Inc. estimates.

Cash Flow and Balance Sheet

Given Werner's history as a strong operator with predictable financial results, it comes as no surprise that it has historically maintained a steady flow of cash generation from operations. While this has been counterbalanced, in the past, by substantial net capex, 2000 marked a turning point, for the economic slowdown put the brakes on spending, and Werner saw some cash freed up from working capital. As a result, operating cash flow totaled $57 million, and free cash flow was just under $50 million ($1.05 per share) after stock repurchases and payment of dividends. We expect this trend to continue in 2001, with projected net capex of $115 million, operating cash flow of $65 million, and free cash totaling $57 million ($1.18 per share). Our assumptions for 2002 are similar, with the exception of some increase in assumed net capex ($120 million), bringing our operating and free cash flow estimates to $78 million and $71 million ($1.46 per share). Over these same time periods, we expect that Werner will continue to pay down debt, which currently totals $55 million (8.9% debt to debt plus equity). For 2001 and 2002, we estimate total debt of $85 million and $75 million, respectively, which compares to $105 million at the close of 2000.

Company Models

Exhibit 79. Bear Stearns Truckload Universe — EPS and Book Value Multiples, 1998-2002E

	Price ($) 8/2/01	52-Week High	52-Week Low	Share Count (MM)[5]	Market Cap (MM)	BS Rating	Rating Since (U/D)[6]	Target Price	Annual Dividend	Dividend Yield (%)
Covenant Transportation (CVTI) [1]	$13.99	$17.56	$7.88	14.3	$199	3	8/3/01	$16	---	---
Heartland Express (HTLD) [2]	$28.74	$29.30	$12.65	31.7	911	2	8/3/01	33	---	---
Knight Transportation (KNGT) [2]	$23.40	$24.60	$9.58	23.2	543	2	8/3/01	30	---	---
Swift Transportation (SWFT) [2, 3]	$20.15	$23.13	$12.00	84.4	1,700	3	8/3/01	22	---	---
Werner Enterprises (WERN) [2]	$22.53	$25.16	$10.06	47.9	1,080	3	8/3/01	23	0.10	0.4
U.S. Xpress (XPRSA) [2]	$8.05	$9.10	$5.13	13.8	111	3	8/3/01	9	---	---
S&P 500	**1,220.75**	**1,530.01**	**1,081.19**	**-**	**-**	**-**	**-**	**-**	**17.50**	**1%**

Absolute Estimates 1998-2002E	Earnings / Share 1998	1999	2000	2001E	2002E	Book Value / Share 1998	1999	2000	2001E	2002E
Covenant Transportation (CVTI) [1]	$1.27	$1.48	$0.82	$0.21	$0.75	$9.83	$10.90	$11.65	$11.98	$12.37
Heartland Express (HTLD) [2]	0.88	0.90	1.07	1.14	1.25	4.98	4.76	6.11	7.28	8.45
Knight Transportation (KNGT) [2]	0.58	0.68	0.79	0.86	1.05	3.09	3.62	4.67	5.43	6.43
Swift Transportation (SWFT) [2, 3]	0.91	1.10	0.81	0.63	0.83	5.99	7.00	7.66	8.28	9.12
Werner Enterprises (WERN) [2]	1.19	1.26	1.02	0.98	1.25	9.20	10.39	11.34	12.17	13.30
U.S. Xpress (XPRSA) [2]	1.37	1.37	0.25	0.04	0.50	10.14	10.88	11.09	11.37	11.56
Universe Average	**1.03**	**1.13**	**0.79**	**0.64**	**0.94**	**7.20**	**7.93**	**8.75**	**9.42**	**10.20**
S&P 500	**44.33**	**50.50**	**56.31**	**52.50**	**59.00**	**203.85**	**230.68**	**263.68**	**301.93**	**345.43**

Absolute Multiples 2000-02E	Price / Earnings 2000 High	2000 Low	2001E	2002E		Price / Book Value 2000 High	2000 Low	2001E	2002E	
Covenant Transportation (CVTI) [1]	21.8x	9.4x	66.5x	18.6x		1.5x	0.7x	1.2x	1.1x	
Heartland Express (HTLD) [2]	17.2x	9.4x	25.2x	22.9x		3.0x	1.7x	3.9x	3.4x	
Knight Transportation (KNGT) [2]	16.5x	12.1x	27.2x	22.2x		2.8x	2.0x	4.3x	3.6x	
Swift Transportation (SWFT) [2, 3]	27.6x	15.0x	31.9x	24.2x		2.9x	1.6x	2.4x	2.2x	
Werner Enterprises (WERN) [2]	18.5x	10.1x	23.0x	18.1x		1.7x	0.9x	1.9x	1.7x	
U.S. Xpress (XPRSA) [2]	39.1x	21.1x	NM	16.1x		0.9x	0.5x	0.7x	0.7x	
Universe Average	23.4x	12.8x	34.8x	20.4x		2.1x	1.2x	2.4x	2.1x	
S&P 500	27.4x	22.7x	23.3x	20.7x		5.8x	4.8x	129.6x	119.6x	

Relative Multiples [4] 2000-02E	Price / Earnings 2000 High	2000 Low	2001E	2002E		Price / Book Value 2000 High	2000 Low	2001E	2002E	
Covenant Transportation (CVTI) [1]	0.80x	0.42x	2.86x	0.90x		0.27x	0.14x	0.01x	0.01x	
Heartland Express (HTLD) [2]	0.63x	0.41x	1.08x	1.11x		0.52x	0.34x	0.03x	0.03x	
Knight Transportation (KNGT) [2]	0.60x	0.53x	1.17x	1.07x		0.48x	0.42x	0.03x	0.03x	
Swift Transportation (SWFT) [2, 3]	1.01x	0.66x	1.37x	1.17x		0.50x	0.33x	0.02x	0.02x	
Werner Enterprises (WERN) [2]	0.67x	0.44x	0.99x	0.87x		0.29x	0.19x	0.01x	0.01x	
U.S. Xpress (XPRSA) [2]	1.43x	0.93x	NM	0.78x		0.15x	0.10x	0.01x	0.01x	
Universe Average	**0.86x**	**0.57x**	**1.50x**	**0.98x**		**0.37x**	**0.25x**	**0.02x**	**0.02x**	

(1) CVTI reports revenue and fuel expense net of fuel surcharge.
(2) Reported revenue and operating expenses include fuel surcharge revenue and gross fuel expense, respectively.
(3) SWFT figures either actual or estimated pro forma. Merger with MSCA closed June 29, 2001.
(4) Multiples are relative to S&P 500 average.
(5) Most recently reported (quarterly basis) fully diluted share count.
(6) Date of last rating change along with direction of change (U=upgrade, D=downgrade).

Source: Company reports; Bear, Stearns & Co. Inc. estimates.

Exhibit 80. Bear Stearns Truckload Universe — Comparative Financial Returns, 1998-2002E

COMPOUND ANNUAL GROWTH RATES 1999-2002E

	Gross Revenue	Op. Inc.	EPS
Covenant Transportation (CVTI) (5)	7.2%	-15.8%	-20.3%
Heartland Express (HTLD) (6)	5.5%	5.4%	11.6%
Knight Transportation (KNGT) (6)	21.6%	19.6%	15.9%
Swift Transportation (SWFT) (6, 8)	11.2%	-4.5%	-8.7%
Werner Enterprises (WERN) (6)	9.2%	-1.4%	-0.4%
U.S. Xpress (XPRSA) (6)	8.3%	-5.4%	-15.2%
Universe Average	**10.5%**	**-0.4%**	**-2.8%**

PRETAX RETURN ON ASSETS

	1998	1999	2000	2001E	2002E
Covenant Transportation (CVTI) (5)	14.6%	13.0%	7.4%	3.7%	6.2%
Heartland Express (HTLD) (6)	19.1%	17.8%	18.0%	17.3%	16.0%
Knight Transportation (KNGT) (6)	23.0%	18.4%	17.2%	16.1%	17.8%
Swift Transportation (SWFT) (6, 8)	19.5%	13.8%	9.6%	7.4%	8.7%
Werner Enterprises (WERN) (6)	13.3%	12.3%	9.1%	8.0%	9.4%
U.S. Xpress (XPRSA) (6)	13.4%	7.8%	5.3%	4.0%	5.9%
Universe Average	**17.2%**	**13.8%**	**11.1%**	**9.4%**	**10.7%**

RETURN ON AVERAGE EQUITY

	1998	1999	2000	2001E	2002E
Covenant Transportation (CVTI) (5)	15.4%	14.6%	7.2%	1.8%	6.3%
Heartland Express (HTLD) (6)	19.4%	18.3%	18.5%	17.0%	16.0%
Knight Transportation (KNGT) (6)	20.9%	20.2%	18.9%	17.3%	17.9%
Swift Transportation (SWFT) (6, 8)	16.4%	16.9%	10.8%	7.9%	9.6%
Werner Enterprises (WERN) (6)	13.7%	12.8%	9.3%	8.4%	9.8%
U.S. Xpress (XPRSA) (6)	14.7%	7.7%	2.2%	0.3%	4.4%
Universe Average	**16.8%**	**15.1%**	**11.1%**	**8.8%**	**10.7%**

OPERATING RATIOS (7)

	1998	1999	2000	2001E	2002E
Covenant Transportation (CVTI) (5)	90.4%	91.0%	94.8%	97.4%	95.6%
Heartland Express (HTLD) (6)	82.5%	82.9%	83.2%	83.0%	82.9%
Knight Transportation (KNGT) (6)	81.6%	82.9%	84.6%	84.8%	83.4%
Swift Transportation (SWFT) (6, 8)	89.6%	89.7%	92.8%	94.3%	93.5%
Werner Enterprises (WERN) (6)	88.9%	90.3%	93.2%	93.9%	92.9%
U.S. Xpress (XPRSA) (6)	92.4%	95.4%	97.2%	97.9%	96.9%
Universe Average	**87.6%**	**88.7%**	**91.0%**	**91.9%**	**90.9%**

RETURN ON AVERAGE TOTAL CAPITAL (1)

	1998	1999	2000	2001E	2002E
Covenant Transportation (CVTI) (5)	7.2%	7.0%	2.1%	-0.9%	2.2%
Heartland Express (HTLD) (6)	19.4%	18.3%	18.5%	17.0%	16.0%
Knight Transportation (KNGT) (6)	19.8%	18.2%	18.2%	15.9%	17.1%
Swift Transportation (SWFT) (6, 8)	13.4%	13.3%	9.9%	7.6%	9.0%
Werner Enterprises (WERN) (6)	12.1%	11.1%	8.5%	7.5%	9.2%
U.S. Xpress (XPRSA) (6)	5.4%	1.4%	-1.4%	-2.7%	-0.7%
Universe Average	**12.9%**	**11.6%**	**9.3%**	**7.4%**	**8.8%**

ENTERPRISE VALUE/EBITDA (2)

	1998 (range)	1999 (range)	2000 (range)	2001E	2002E
Covenant Transportation (CVTI) (5)	3.3-6.1	4.1-5.8	3.7-5.9	6.1x	5.2x
Heartland Express (HTLD) (6)	3.8-10.8	3.9-6.4	3.1-7.3	11.5x	10.5x
Knight Transportation (KNGT) (6)	6.0-12.1	4.4-10.4	4.5-6.0	10.0x	8.6x
Swift Transportation (SWFT) (6, 8)	4.8-7.8	5.0-8.1	4.7-7.8	7.3x	6.5x
Werner Enterprises (WERN) (6)	3.9-6.4	3.4-5.6	2.9-5.0	5.9x	5.0x
U.S. Xpress (XPRSA) (6)	5.1-8.2	4.3-7.1	4.5-5.6	5.6x	5.1x
Universe Average	**4.5-8.6**	**4.2-7.2**	**3.9-6.3**	**7.7x**	**6.8x**

DEBT RATIO (3)

	1998	1999	2000	2001E	2002E
Covenant Transportation (CVTI) (5)	37.9%	47.5%	46.0%	41.8%	42.4%
Heartland Express (HTLD) (6)	0.0%	0.0%	0.0%	0.0%	0.0%
Knight Transportation (KNGT) (6)	16.4%	44.7%	43.3%	37.1%	28.3%
Swift Transportation (SWFT) (6, 8)	37.4%	39.7%	46.1%	43.9%	40.0%
Werner Enterprises (WERN) (6)	18.5%	19.5%	16.4%	12.7%	10.4%
U.S. Xpress (XPRSA) (6)	57.0%	53.0%	53.6%	57.0%	56.5%
Universe Average	**27.9%**	**34.1%**	**34.2%**	**32.1%**	**29.6%**

FREE CASH FLOW RETURN ON AVG. TOTAL CAPITAL (4)

	1998	1999	2000	2001E	2002E
Covenant Transportation (CVTI) (5)	-6.2%	-3.9%	9.1%	8.1%	-2.3%
Heartland Express (HTLD) (6)	28.0%	-9.1%	0.9%	7.3%	10.9%
Knight Transportation (KNGT) (6)	-2.4%	-19.8%	0.5%	7.5%	6.1%
Swift Transportation (SWFT) (6, 8)	-7.3%	0.0%	-5.9%	4.6%	-1.3%
Werner Enterprises (WERN) (6)	-9.6%	-8.3%	7.9%	8.7%	10.2%
U.S. Xpress (XPRSA) (6)	-7.0%	5.9%	3.1%	-1.0%	-4.0%
Universe Average	**-0.8%**	**-5.9%**	**2.6%**	**5.9%**	**3.3%**

(1) Total capital defined as total debt plus total equity; return on average total capital defined as net income + tax-affected interest / total debt + total capital leases + total equity.
(2) Enterprise value defined as market cap plus net debt minus cash.
(3) Debt ratio defined as total debt / total debt + equity (%).
(4) Gross cash flow - dividend payouts - maintenance capital expenditures / total debt + total capital leases + total equity.
(5) CVTI reports revenue and fuel expense net of fuel surcharge.
(6) Reported revenue and operating expenses include fuel surcharge revenue and gross fuel expense, respectively.
(7) Total operating expenses as a percentage of total revenue.
(8) SWFT figures either actual or estimated pro forma. Merger with MSCA closed June 29, 2001.

Source: Company reports; Bear, Stearns & Co. Inc. estimates.

Exhibit 81. Bear Stearns Airfreight Universe — EPS and Revenue Multiples, 1998-2002E

	Price ($) 8/2/01	52-Week High	52-Week Low	Share Count (MM)(5)	Market Cap (MM)	BS Rating	Rating Since (U/D)(6)	Target Price	Annual Dividend	Dividend Yield (%)
Non-Asset-Based										
C.H. Robinson Worldwide (CHRW)	$30.84	$32.88	$22.31	85.8	$2,645	3	10/2/00 (D)	$29	$0.20	0.6%
EGL Inc. (EAGL)	$13.65	$37.63	$12.04	47.1	643	4	5/16/01 (D)	12	Nil	Nil
Expeditors International (EXPD)	$56.70	$65.92	$39.63	55.1	3,127	1	10/13/00 (U)	70	0.20	0.4
Forward Air Corp. (FWRD)	$26.68	$48.25	$22.00	22.3	595	3	11/15/00 (D)	27	Nil	Nil
UTi§ (UTIW)	$16.62	$20.13	$14.75	25.5	424	1	11/28/00	21	0.15	0.9
Asset-Based										
Airborne Freight Corp. (ABF)	$12.84	$15.94	$8.25	48.1	$617	3	1/22/01 (U)	$12	0.16	1.2%
Atlas Air Inc. (CGO)	$15.05	$46.13	$13.52	38.4	$578	4	6/8/01 (D)	13	0	Nil
CNF Inc. (CNF)	$32.60	$39.88	$20.19	56.4	1,840	3	6/11/01 (D)	27	0.40	1.2
FedEx Corp. (FDX)	$41.74	$49.85	$35.50	301.6	12,589	3	11/3/00 (D)	35	---	Nil
Ryder System Inc. (R) (8)	$19.37	$23.19	$14.81	60.7	1,176	3	5/29/01 (D)	20	0.60	3.1
TNT Post Group ADR (TP) (1)	$20.88	$26.56	$19.10	477.1	4,628	3	10/2/00 (D)	24	0.27	2.7
United Parcel Service (UPS)	$56.65	$64.31	$51.25	1,145.0	64,864	3	12/15/00 (D)	55	0.76	1.3
USFreightways (USFC)	$34.75	$38.25	$18.88	26.8	930	3	6/11/01 (D)	30	0.37	1.1
S&P 500	**1,220.75**	**1,530.01**	**1,081.19**	**-**	**-**	**-**	**-**	**-**	**17.50**	**1.4%**

Absolute Estimates 1998-2002E	Earnings / Share 1998	1999	2000	2001E	2002E	Book Value / Share 1998	1999	2000	2001E	2002E
Non-Asset-Based										
C.H. Robinson Worldwide (CHRW)	$0.52	$0.64	$0.83	$0.98	$1.10	$2.05	$2.97	$3.47	$4.13	$4.85
EGL Inc. (EAGL) (2)	1.07	1.07	1.23	0.34	0.93	7.64	8.89	8.47	8.58	9.37
Expeditors International (EXPD)	0.88	1.10	1.52	1.87	2.35	4.09	5.25	6.61	8.43	10.67
Forward Air Corp. (FWRD)	0.48	0.76	1.05	0.93	1.20	0.99	2.60	3.75	4.66	5.84
UTi (UTIW) (7)	0.74	0.86	0.88	0.73	1.05	4.94	5.43	8.91	7.73	8.23
Group Average	**0.74**	**0.89**	**1.10**	**0.97**	**1.33**	**3.94**	**5.03**	**6.24**	**6.71**	**7.79**
Asset-Based										
Airborne Freight Corp. (ABF)	$2.72	$1.79	$0.27	($0.53)	$0.25	$15.21	$17.42	$17.70	$17.24	$17.32
Atlas Air Inc. (CGO)	1.37	1.77	2.31	0.76	0.80	8.39	10.36	14.95	13.43	14.23
CNF Inc. (CNF)	2.44	2.99	2.76	1.08	1.75	16.24	19.54	21.13	17.42	18.61
FedEx Corp. (FDX) (3)	2.02	2.27	2.43	1.61	2.12	13.27	15.51	16.15	19.93	21.01
Ryder System Inc. (R)	1.74	1.51	1.93	1.47	1.78	14.88	17.67	20.96	21.46	22.81
TNT Post Group ADR (TP) (1)	0.88	0.89	1.01	1.07	1.12	4.42	4.64	4.84	5.34	5.96
United Parcel Service (UPS)	1.57	2.04	2.38	2.08	2.30	6.47	10.93	8.29	9.84	11.27
USFreightways (USFC)	2.70	3.79	3.65	1.65	2.34	17.32	20.29	23.70	24.98	28.37
Group Average	**1.93**	**2.13**	**2.09**	**1.15**	**1.56**	**12.03**	**14.54**	**15.96**	**16.21**	**17.45**
Universe Average	**1.47**	**1.65**	**1.71**	**1.08**	**1.47**	**8.92**	**10.88**	**12.22**	**12.55**	**13.73**
S&P 500	**44.33**	**50.50**	**56.31**	**52.50**	**59.00**	**203.85**	**230.68**	**263.68**	**301.93**	**345.43**

Absolute Multiples 2000-2002E	Price / Earnings 2000 High	2000 Low	2001E	2002E	Price / Book Value 2000 High	2000 Low	2001E	2002E
Non-Asset-Based								
C.H. Robinson Worldwide (CHRW)	39.1	21.1	31.6	28.0	9.4	5.1	7.5	6.4
EGL Inc. (EAGL) (9)	28.8	16.4	40.7	14.6	4.2	2.4	1.6	1.5
Expeditors International (EXPD)	38.8	21.5	30.3	24.2	8.9	4.9	6.7	5.3
Forward Air Corp. (FWRD)	45.5	19.0	28.7	22.3	12.8	5.3	5.7	4.6
UTi (UTIW) (7)	23.0	17.1	22.8	15.8	2.3	1.7	2.2	2.0
Group Average	**35.0x**	**19.0x**	**30.8x**	**21.0x**	**7.5x**	**3.9x**	**4.7x**	**3.9x**
Asset-Based								
Airborne Freight Corp. (ABF)	95.7	31.8	NM	NM	1.4	0.5	0.7	0.7
Atlas Air Inc. (CGO)	19.8	9.9	19.8	18.7	3.1	1.5	1.1	1.1
CNF Inc. (CNF)	12.6	7.3	30.1	18.6	1.6	1.0	1.9	1.8
FedEx Corp. (FDX)	20.5	12.8	25.9	19.7	3.1	1.9	2.1	2.0
Ryder System Inc. (R)	13.0	7.9	13.2	10.9	1.2	0.7	0.9	0.8
TNT Post Group ADR (TP) (1)	30.7	19.7	9.0	8.7	6.4	4.1	1.8	1.6
United Parcel Service (UPS)	29.0	21.3	27.2	24.6	8.3	6.1	5.8	5.0
USFreightways (USFC)	12.8	5.3	21.0	14.8	2.0	0.8	1.4	1.2
Group Average	**29.3x**	**14.5x**	**20.9x**	**16.6x**	**3.4x**	**2.1x**	**2.0x**	**1.8x**
Universe Average	**31.5x**	**16.2x**	**25.0x**	**18.4x**	**5.4x**	**2.8x**	**3.0x**	**2.6x**
S&P 500	**29.2x**	**23.9x**	**23.3x**	**20.7x**	**6.4x**	**5.2x**	**4.0x**	**4.4x**

Relative Multiples (4) 2000-2002E	Price / Earnings 2000 High	2000 Low	2001E	2002E	Price / Book Value 2000 High	2000 Low	2001E	2002E
Non-Asset-Based								
C.H. Robinson Worldwide (CHRW)	1.34x	0.88x	1.36x	1.35x	1.47x	0.97x	1.85x	1.43x
EGL Inc. (EAGL) (9)	0.99x	0.69x	1.75x	0.71x	0.65x	0.45x	0.39x	0.33x
Expeditors International (EXPD)	1.33x	0.90x	1.30x	1.17x	1.40x	0.94x	1.66x	1.20x
Forward Air Corp. (FWRD)	1.56x	0.79x	1.24x	1.08x	2.00x	1.02x	1.41x	1.03x
UTi (UTIW) (7)	0.79x	0.72x	0.98x	0.76x	0.35x	0.32x	0.53x	0.46x
Group Average	**1.20x**	**0.80x**	**1.33x**	**1.01x**	**1.17x**	**0.74x**	**1.17x**	**0.89x**
Asset-Based								
Airborne Freight Corp. (ABF)	3.28x	1.33x	NM	NM	0.22x	0.09x	0.18x	0.17x
Atlas Air Inc. (CGO)	0.68x	0.41x	0.85x	1.00x	0.48x	0.29x	0.28x	0.24x
CNF Inc. (CNF)	0.43x	0.31x	1.30x	0.99x	0.26x	0.18x	0.46x	0.40x
FedEx Corp. (FDX)	0.70x	0.54x	1.11x	1.05x	0.48x	0.37x	0.52x	0.45x
Ryder System Inc. (R)	0.45x	0.33x	0.57x	0.58x	0.19x	0.14x	0.22x	0.19x
TNT Post Group ADR (TP) (1)	1.05x	0.82x	0.39x	0.46x	1.00x	0.78x	0.45x	0.37x
United Parcel Service (UPS)	1.00x	0.89x	1.17x	1.31x	1.31x	1.17x	1.42x	1.13x
USFreightways (USFC)	0.44x	0.22x	0.90x	0.79x	0.31x	0.16x	0.34x	0.28x
Group Average	**1.00x**	**0.61x**	**0.90x**	**0.89x**	**0.53x**	**0.40x**	**0.49x**	**0.40x**
Universe Average	**1.08x**	**0.68x**	**1.08x**	**0.94x**	**0.78x**	**0.53x**	**0.75x**	**0.59x**

(1) TP price and EPS based on NYSE ADRs in U.S. dollars. Price target in US$ based on Euro 30 price target converted at current exchange rate. (2) EGL Inc. earnings model numbers are calendarized from 1999 forward. (3) FedEx Corp. earnings model numbers are calendarized from 1997 forward; calendar 2001 and 2002 EPS estimates include AFWY acquisition. (4) Multiples are relative to S&P 500 average. (5) Most recently reported (quarterly basis) fully diluted share count. (6) Date of last rating change along with direction of change (U=upgrade, D=downgrade). (7) Continuing U.S. GAAP estimates include eff. tax rates for F00-F02 of 8.4%, 22.9%, and 28.0%. Assuming a 30% eff. tax rate, pro forma EPS would be $0.69, $0.83, and $0.96 for the same time period. (8) For Ryder, target price on fundamentals is $15; on breakup value, $30. (9) For EAGL, 2000 high/low stock prices based on 10/2/00-12/31/00 date range (post-Circle merger close), as multiple calculations are based on pro forma C00 EPS of $1.23.

Source: Company reports; Bear, Stearns & Co. Inc. estimates.

Exhibit 82. Bear Stearns Airfreight Universe — Comparative Financial Returns 1998-2002E

COMPOUND ANNUAL GROWTH RATES 1999-2002E

	Gross Revenue	Op. Inc.	EPS
Non-Asset-Based			
C.H. Robinson Worldwide	15.7%	21.6%	19.7%
EGL Inc.	14.3%	-2.5%	-4.5%
Expeditors International	17.5%	27.0%	28.7%
Forward Air Corp.	15.0%	17.2%	16.4%
UTi (10,11)	11.5%	25.2%	16.1%
Group Average	**14.8%**	**17.7%**	**15.3%**
Asset-Based			
Airborne Freight Corp.	1.3%	-34.5%	-48.3%
Atlas Air Inc. (CGO)	-1.7%	-13.6%	-23.2%
CNF Inc.	-2.2%	-14.2%	-16.3%
FedEx Corp. (5)	8.0%	0.3%	-2.2%
Ryder System Inc. (R)	1.9%	-6.6%	-0.6%
TNT Post Group	8.8%	9.6%	7.6%
United Parcel Service	5.8%	3.6%	4.2%
USFreightways	5.7%	-12.8%	-14.8%
Group Average	**3.5%**	**-8.5%**	**-11.7%**
Universe Average	**7.8%**	**1.6%**	**-1.3%**

PRETAX RETURN ON ASSETS

	1999	2000	2001E	2002E
Non-Asset-Based				
C.H. Robinson Worldwide	16.0%	18.2%	18.4%	17.8%
EGL Inc.	10.6%	11.0%	3.0%	7.4%
Expeditors International	19.8%	21.3%	20.8%	21.2%
Forward Air Corp.	38.8%	38.1%	26.4%	28.6%
UTi (10)	7.7%	6.6%	5.7%	7.8%
Group Average	**18.6%**	**19.0%**	**14.9%**	**16.5%**
Asset-Based				
Airborne Freight Corp.	10.2%	2.5%	-0.6%	2.6%
Atlas Air Inc. (CGO)	17.5%	21.4%	9.1%	11.1%
CNF Inc.	11.6%	9.7%	4.3%	6.8%
FedEx Corp. (5)	12.2%	11.0%	9.5%	7.0%
Ryder System Inc. (R)	6.1%	6.0%	4.8%	5.3%
TNT Post Group	12.9%	13.2%	13.2%	13.3%
United Parcel Service	19.5%	20.0%	17.5%	18.1%
USFreightways	17.3%	14.2%	7.0%	9.0%
Group Average	**13.4%**	**12.2%**	**8.1%**	**9.2%**
Universe Average	**15.4%**	**14.9%**	**10.7%**	**12.0%**

RETURN ON AVERAGE EQUITY

	1998	1999	2000	2001E	2002E
Non-Asset-Based					
C.H. Robinson Worldwide	25.4%	21.6%	24.0%	23.7%	22.7%
EGL Inc.	15.1%	13.0%	14.2%	3.9%	10.4%
Expeditors International	24.4%	23.7%	25.8%	25.0%	24.6%
Forward Air Corp.	26.4%	43.4%	33.9%	22.1%	22.9%
UTi (10,12)	15.0%	17.0%	12.6%	9.7%	13.2%
Group Average	**21.3%**	**23.8%**	**22.1%**	**16.9%**	**18.7%**
Asset-Based					
Airborne Freight Corp.	19.1%	11.2%	3.3%	NM	NM
Atlas Air Inc. (CGO)	17.7%	19.1%	18.7%	5.5%	5.8%
CNF Inc.	15.5%	16.3%	13.2%	5.1%	9.3%
FedEx Corp. (5)	13.5%	15.8%	14.3%	12.2%	8.2%
Ryder System Inc. (R)	11.9%	9.0%	9.4%	7.0%	8.1%
TNT Post Group	21.2%	20.8%	22.7%	21.2%	19.7%
United Parcel Service	26.3%	23.7%	25.2%	22.7%	21.8%
USFreightways	16.6%	20.1%	16.6%	6.8%	8.8%
Group Average	**17.7%**	**17.0%**	**15.4%**	**11.5%**	**11.7%**
Universe Average	**19.1%**	**19.6%**	**18.0%**	**13.7%**	**14.6%**

OPERATING RATIOS

	1999	2000	2001E	2002E
NET OPERATING MARGIN (6)				
Non-Asset-Based				
C.H. Robinson Worldwide	28.6%	27.9%	29.1%	28.4%
EGL Inc.	12.6%	12.8%	3.8%	8.4%
Expeditors International	21.1%	23.3%	22.9%	23.5%
Forward Air Corp.	15.5%	17.4%	14.2%	16.4%
UTi (10)	8.4%	8.0%	8.4%	11.6%
Group Average	**17.2%**	**17.9%**	**15.7%**	**17.7%**
OPERATING RATIO (7)				
Asset-Based				
Airborne Freight Corp.	94.9%	98.7%	100.3%	98.6%
Atlas Air Inc. (CGO)	70.6%	70.6%	84.6%	80.0%
CNF Inc.	94.1%	94.9%	97.4%	96.0%
FedEx Corp. (5)	93.1%	93.3%	95.4%	94.5%
Ryder System Inc. (R)	92.9%	93.7%	94.9%	94.5%
TNT Post Group	91.4%	90.9%	90.9%	91.2%
United Parcel Service	85.6%	84.8%	87.3%	86.5%
USFreightways	91.5%	93.0%	96.2%	95.2%
Group Average	**89.3%**	**90.0%**	**93.4%**	**92.1%**

RETURN ON AVERAGE TOTAL CAPITAL (1)

	1998	1999	2000	2001E	2002E
Non-Asset-Based					
C.H. Robinson Worldwide	25.4%	21.6%	24.0%	23.7%	22.7%
EGL Inc.	12.3%	11.2%	12.0%	3.4%	9.7%
Expeditors International	24.6%	24.0%	25.9%	21.8%	24.6%
Forward Air Corp.	24.6%	27.1%	25.6%	18.4%	19.6%
UTi (10,12)	12.6%	14.0%	10.4%	7.9%	11.0%
Group Average	**19.9%**	**19.6%**	**19.6%**	**15.0%**	**17.5%**
Asset-Based					
Airborne Freight Corp.	13.2%	8.1%	3.0%	-0.5%	2.1%
Atlas Air Inc. (CGO)	6.5%	6.5%	8.6%	1.1%	4.7%
CNF Inc.	11.5%	12.3%	10.3%	4.5%	7.6%
FedEx Corp. (5, 8)	5.9%	6.9%	6.2%	5.3%	3.8%
Ryder System Inc. (R)	5.6%	4.8%	4.8%	3.8%	4.1%
TNT Post Group (9)	13.0%	10.4%	10.2%	10.2%	10.4%
United Parcel Service	13.5%	13.9%	14.2%	12.5%	12.9%
USFreightways	13.6%	15.6%	12.5%	6.1%	8.0%
Group Average	**10.4%**	**9.8%**	**8.7%**	**5.4%**	**6.7%**
Universe Average	**14.0%**	**13.6%**	**12.9%**	**9.1%**	**10.9%**

ENTERPRISE VALUE/EBITDA (2)

	1999 (range)	2000 (range)	2001E	2002E
Non-Asset-Based				
C.H. Robinson Worldwide	18.0-10.1	20.1-10.6	16.7x	15.7x
EGL Inc.	n/a	14.1-8.1	11.8	6.7
Expeditors International	21.4-9.0	20.4-10.8	15.9	12.8
Forward Air Corp.	19.7-6.1	24.5-10.0	13.5	10.8
UTi (10)	n/a	10.2-7.3	10.2	8.3
Group Average	**19.7x-8.4x**	**17.9x-9.4x**	**13.6x**	**10.9x**
Asset-Based				
Airborne Freight Corp.	6.8-3.6	6.1-2.8	4.2x	3.3x
Atlas Air Inc. (CGO)	8.4-6.3	7.2-4.6	6.7x	6.7x
CNF Inc.	5.3-3.5	4.8-3.2	7.0x	5.7x
FedEx Corp. (5)	10.4-6.8	6.6-4.4	9.7x	7.6x
Ryder System Inc. (R)	4.5-3.8	4.0-3.4	3.4x	3.2x
TNT Post Group (9)	20.7-12.6	14.5-10.0	10.9x	9.9x
United Parcel Service	17.2-13.6	15.1-11.2	13.1x	12.1x
USFreightways	5.9-3.5	5.3-2.8	5.4x	4.4x
Group Average	**9.9x-6.7x**	**8.0x-5.3x**	**7.6x**	**6.6x**
Universe Average	**12.6x-7.2x**	**11.8x-6.9x**	**9.9x**	**8.3x**

DEBT RATIO (3)

	1998	1999	2000	2001E	2002E
Non-Asset-Based					
C.H. Robinson Worldwide	0.0%	0.0%	0.0%	0.4%	0.3%
EGL Inc.	7.7%	9.4%	19.0%	9.9%	4.2%
Expeditors International	5.3%	6.4%	1.3%	0.9%	0.7%
Forward Air Corp.	55.4%	9.9%	8.5%	6.9%	4.2%
UTi (10)	21.4%	24.8%	23.7%	19.7%	18.7%
Group Average	**18.0%**	**10.1%**	**10.5%**	**7.6%**	**5.6%**
Asset-Based					
Airborne Freight Corp.	24.5%	26.9%	27.2%	28.0%	28.5%
Atlas Air Inc. (CGO)	82.3%	79.0%	66.4%	68.0%	66.7%
CNF Inc.	34.4%	30.5%	31.4%	37.6%	34.9%
FedEx Corp. (5,8)	57.0%	52.8%	55.7%	55.7%	55.2%
Ryder System Inc. (R)	57.1%	50.6%	49.1%	45.9%	42.1%
TNT Post Group (9)	45.0%	46.2%	52.3%	49.2%	44.5%
United Parcel Service (8)	32.1%	20.3%	32.6%	26.6%	22.2%
USFreightways	26.1%	31.2%	31.3%	27.1%	24.9%
Group Average	**44.8%**	**42.2%**	**43.2%**	**42.3%**	**39.9%**
Universe Average	**34.5%**	**29.9%**	**30.6%**	**28.9%**	**26.7%**

FREE CASH FLOW RETURN ON AVG. TOTAL CAPITAL (4)

	1999	2000	2001E	2002E
Non-Asset-Based				
C.H. Robinson Worldwide	21.4%	24.6%	24.5%	22.3%
EGL Inc.	n/a	-10.3%	5.6%	11.3%
Expeditors International	21.8%	21.9%	16.7%	21.3%
Forward Air Corp.	31.3%	32.8%	25.5%	27.8%
UTi (10)	9.9%	10.1%	8.4%	9.8%
Group Average	**21.1%**	**15.8%**	**16.1%**	**18.5%**
Asset-Based				
Airborne Freight Corp.	4.0%	-3.4%	2.2%	2.4%
Atlas Air Inc. (CGO)	-0.3%	-0.6%	-0.6%	-0.8%
CNF Inc.	9.3%	6.1%	-10.7%	6.0%
FedEx Corp. (5,8)	4.6%	5.8%	4.2%	5.0%
Ryder System Inc. (R)	-3.7%	-3.7%	2.7%	3.1%
TNT Post Group (9)	6.7%	8.2%	7.1%	7.4%
United Parcel Service (8)	14.0%	8.3%	6.3%	8.1%
USFreightways	4.5%	6.3%	8.9%	6.7%
Group Average	**4.9%**	**3.4%**	**2.5%**	**4.7%**
Universe Average	**10.3%**	**8.2%**	**7.7%**	**10.0%**

(1) Total capital defined as total debt plus total equity; return on average total capital defined as net income + tax-affected interest / total debt + total capital leases + total equity. (2) Enterprise value defined as market cap plus net debt including off-balance-sheet debt. (3) Debt ratio defined as total debt / total debt + equity (%). (4) Gross cash flow - dividend payouts - maintenance capital expenditures / total debt + total capital leases + total equity. (5) Balance sheet and cash flow figures for FedEx are FYE numbers. (6) Total costs including purchased transportation/net revenue. (7) Total gross expenses/total gross revenue. (8) Includes off-balance-sheet debt in total capital formulation. (9) TPG debt includes provisions and off-balance-sheet debt. (10) Fiscal year ending January data for UTi (e.g., 1998 data based on fiscal 1999 results). (11) Based on pro forma EPS assuming flat 30% tax rate. (12) Excludes onetime charges in F00/01 related to stock option compensation costs.

Source: Company reports; Bear, Stearns & Co. Inc. estimates.

Exhibit 83. Freight Forwarder Universe — Gross and Net Revenue Comparisons

Total Gross Revenue

	1998	1999	2000	2001E	2002E
EAGL (1)	$ 1,201.9	$ 1,451.7	$ 1,861.2	$ 1,922.7	$ 2,166.6
Year-over-Year Growth	*16.4%*	*20.8%*	*28.2%*	*3.3%*	*12.7%*
EXPD	1,063.7	1,444.6	1,695.2	1,943.4	2,344.2
Year-over-Year Growth	*11.5%*	*35.8%*	*17.3%*	*14.6%*	*20.6%*
FRTZ	1,357.5	1,503.1	1,616.5	1,695.7	1,828.6
Year-over-Year Growth	*7.5%*	*10.7%*	*7.5%*	*4.9%*	*7.8%*
UTIW (3)	571.1	707.0	863.3	891.7	980.2
Year-over-Year Growth	*8.1%*	*23.8%*	*22.1%*	*3.3%*	*9.9%*
Total	**2,836.8**	**3,603.2**	**4,419.6**	**4,757.8**	**5,491.0**
Year-over-Year Growth	*12.8%*	*27.0%*	*22.7%*	*7.7%*	*15.4%*

Gross Airfreight Revenue

	1998	1999	2000	2001E	2002E
EAGL (1)	$ 947.0	$ 1,166.3	$ 1,501.4	$ 1,529.4	$ 1,720.6
Year-over-Year Growth	*20.3%*	*23.2%*	*28.7%*	*1.9%*	*12.5%*
EXPD	685.6	916.8	1,014.4	1,132.5	1,330.7
Year-over-Year Growth	*4.0%*	*33.7%*	*10.6%*	*11.6%*	*17.5%*
FRTZ	592.6	667.8	729.5	768.8	845.7
Year-over-Year Growth	*3.2%*	*12.7%*	*9.2%*	*5.4%*	*10.0%*
UTIW (3)	338.3	399.3	474.2	483.2	535.5
Year-over-Year Growth	*8.2%*	*18.0%*	*18.8%*	*1.9%*	*10.8%*
Total	**1,970.9**	**2,482.4**	**2,990.0**	**3,145.2**	**3,586.8**
Year-over-Year Growth	*12.0%*	*26.0%*	*20.4%*	*5.2%*	*14.0%*

Gross Ocean Revenue

	1998	1999	2000	2001E	2002E
EAGL (1)	$ 111.9	$ 130.5	$ 172.2	$ 185.5	$ 213.3
Year-over-Year Growth	*0.6%*	*16.6%*	*32.0%*	*7.7%*	*15.0%*
EXPD	236.8	356.2	472.9	577.1	732.9
Year-over-Year Growth	*31.2%*	*50.4%*	*32.7%*	*22.0%*	*27.0%*
FRTZ	404.4	449.0	474.9	493.0	520.1
Year-over-Year Growth	*11.1%*	*11.0%*	*5.8%*	*3.8%*	*5.5%*
UTIW (3)	153.6	208.9	254.1	264.2	290.9
Year-over-Year Growth	*6.9%*	*35.9%*	*21.6%*	*4.0%*	*10.1%*
Total	**502.4**	**695.5**	**899.1**	**1,026.8**	**1,237.1**
Year-over-Year Growth	*15.4%*	*38.5%*	*29.3%*	*14.2%*	*20.5%*

Total Net Revenue

	1998	1999	2000	2001E	2002E
EAGL (2)	504.8	601.9	719.5	720.3	835.1
Year-over-Year Growth	*20.1%*	*19.2%*	*19.5%*	*0.1%*	*15.9%*
EXPD	353.5	442.5	548.4	671.4	812.0
Year-over-Year Growth	*21.7%*	*25.2%*	*23.9%*	*22.4%*	*20.9%*
FRTZ	573.6	595.0	615.0	644.1	688.5
Year-over-Year Growth	*6.6%*	*3.7%*	*3.4%*	*4.7%*	*6.9%*
UTIW (3)	208.3	245.6	301.8	314.6	346.7
Year-over-Year Growth	*11.7%*	*17.9%*	*22.9%*	*4.2%*	*10.2%*
Total	**1,066.5**	**1,290.0**	**1,569.7**	**1,706.3**	**1,993.8**
Year-over-Year Growth	*18.9%*	*21.0%*	*21.7%*	*8.7%*	*16.9%*

Net Airfreight Revenue

	1998	1999	2000	2001E	2002E
EAGL (2)	321.3	400.0	486.5	457.6	527.9
Year-over-Year Growth	*29.3%*	*24.5%*	*21.6%*	*-5.9%*	*15.4%*
EXPD	145.9	183.8	225.4	288.1	347.1
Year-over-Year Growth	*16.9%*	*25.9%*	*22.7%*	*27.8%*	*20.5%*
FRTZ	165.7	167.0	167.8	174.8	189.2
Year-over-Year Growth	*6.4%*	*0.8%*	*0.5%*	*4.2%*	*8.2%*
UTIW (3)	113.6	124.2	145.6	148.8	160.7
Year-over-Year Growth	*12.4%*	*9.3%*	*17.2%*	*2.2%*	*8.0%*
Total	**580.8**	**707.9**	**857.5**	**894.4**	**1,035.7**
Year-over-Year Growth	*22.4%*	*21.9%*	*21.1%*	*4.3%*	*15.8%*

Net Ocean Revenue

	1998	1999	2000	2001E	2002E
EAGL (2)	40.5	47.0	51.3	55.0	74.6
Year-over-Year Growth	*7.6%*	*16.2%*	*9.1%*	*7.2%*	*35.7%*
EXPD	66.3	87.2	115.0	149.5	184.4
Year-over-Year Growth	*28.0%*	*31.5%*	*31.9%*	*30.0%*	*23.3%*
FRTZ	125.4	123.5	129.5	133.3	140.7
Year-over-Year Growth	*7.8%*	*-1.5%*	*4.8%*	*3.0%*	*5.5%*
UTIW (3)	33.3	44.1	54.5	60.6	67.5
Year-over-Year Growth	*8.5%*	*32.2%*	*23.6%*	*11.2%*	*11.4%*
Total	**140.1**	**178.3**	**220.8**	**265.1**	**326.5**
Year-over-Year Growth	*16.6%*	*27.2%*	*23.8%*	*20.1%*	*23.2%*

Total Gross Revenue Margin

	1998	1999	2000	2001E	2002E
EAGL (2)	42.0	41.5	38.7	37.5	38.5
EXPD	33.2	30.6	32.3	34.5	34.6
FRTZ	42.3	39.6	38.0	38.0	37.7
UTIW (3)	36.5	34.7	35.0	35.3	35.4
Group Average	**37.6%**	**35.8%**	**35.5%**	**35.9%**	**36.3%**

Gross Airfreight Revenue Margin

	1998	1999	2000	2001E	2002E
EAGL (2)	33.9	34.3	32.4	29.9	30.7
EXPD	21.3	20.0	22.2	25.4	26.1
FRTZ	28.0	25.0	23.0	22.7	22.4
UTIW (3)	33.6	31.1	30.7	30.8	30.0
Group Average	**29.5%**	**28.5%**	**28.7%**	**28.4%**	**28.9%**

Gross Ocean Revenue Margin

	1998	1999	2000	2001E	2002E
EAGL (2)	36.2	36.0	29.8	29.7	35.0
EXPD	28.0	24.5	24.3	25.9	25.2
FRTZ	31.0	27.5	27.3	27.0	27.0
UTIW (3)	21.7	21.1	21.4	22.9	23.2
Group Average	**27.9%**	**25.6%**	**24.6%**	**25.8%**	**26.4%**

Total Customs Brokerage Gross Revenue (3)

	1998	1999	2000	2001E	2002E
EAGL	143.0	154.9	187.6	207.8	232.7
Year-over-Year Growth	*6.6%*	*8.3%*	*21.1%*	*10.7%*	*12.0%*
EXPD	141.2	171.5	208.0	233.8	280.6
Year-over-Year Growth	*23.9%*	*21.4%*	*21.2%*	*12.4%*	*20.0%*
FRTZ	164.4	178.8	184.6	193.1	202.8
Year-over-Year Growth	*4.7%*	*8.8%*	*3.2%*	*4.6%*	*5.0%*
UTIW (3)	34.7	40.5	58.1	57.3	66.4
Year-over-Year Growth	*16.1%*	*16.6%*	*43.6%*	*-1.4%*	*15.8%*
Total	**319.0**	**366.9**	**453.7**	**498.9**	**579.6**
Year-over-Year Growth	14.7%	15.0%	23.7%	10.0%	16.2%

(1) Pro forma EAGL/Circle historical results (fiscal December).
(2) EAGL airfreight net revenue includes pickup and delivery net revenue
(3) UTIW results shown for fiscal year ending January (e.g., fiscal 1999 results presented under 1998 heading).

Source: Company reports; Bear, Stearns & Co. Inc. estimates.

Exhibit 84. Covenant Transport, Inc. (CVTI) — Annual Income Statement ($ in millions, except per share data)

	1997	1998	1999	2000	2001E	2002E
REVENUE						
Trucking revenue (1,3,5,6,7,8)	303.6	370.3	471.7	549.1	551.7	578.0
Other (2)	(5.8)	0.2	1.1	3.3	4.3	4.4
Total Revenue	**297.9**	**370.5**	**472.7**	**552.4**	**555.9**	**582.5**
Year-over-Year Change	*26.1%*	*24.4%*	*27.6%*	*16.9%*	*0.6%*	*4.8%*
OPERATING EXPENSES						
Salaries, wages, and related expenses	131.5	164.6	202.4	240.0	250.0	259.8
Total fuel expense (3)	64.9	68.3	84.5	93.6	103.6	102.3
Equip. rentals & purch. trans.	8.5	24.3	49.3	76.1	67.1	70.8
Repairs	5.9	8.5	10.1	13.3	19.1	19.2
Operating taxes and licenses	7.5	9.4	11.0	14.2	14.4	15.3
Insurance	8.7	10.3	12.5	15.8	18.9	19.7
Communications and utilities (4)	-	-	-	7.2	7.4	8.0
General supplies and expenses	16.3	19.4	24.8	24.6	23.2	23.9
Depreciation and amortization	26.5	30.2	35.6	38.9	38.0	38.0
Total Operating Expenses	**269.7**	**334.8**	**430.1**	**523.6**	**541.6**	**557.0**
OPERATING EXPENSES AS A PERCENTAGE OF REVENUE						
Salaries, wages, and related expens.	44.2%	44.4%	42.8%	43.4%	45.0%	44.6%
Total fuel expense	21.8%	18.4%	17.9%	16.9%	18.6%	17.6%
Equip. rentals & purch. trans.	2.9%	6.5%	10.4%	13.8%	12.1%	12.2%
Repairs	2.0%	2.3%	2.1%	2.4%	3.4%	3.3%
Operating taxes and licenses	2.5%	2.5%	2.3%	2.6%	2.6%	2.6%
Insurance	2.9%	2.8%	2.6%	2.9%	3.4%	3.4%
	-	-	-	1.3%	1.3%	1.4%
General supplies and expenses	5.5%	5.2%	5.2%	4.5%	4.2%	4.1%
Depreciation and amortization	8.9%	8.1%	7.5%	7.0%	6.8%	6.5%
OPERATING RATIO	**90.6%**	**90.4%**	**91.0%**	**94.8%**	**97.4%**	**95.6%**
Year-over-Year Change	*-95bp*	*-19bp*	*60bp*	*382bp*	*264bp*	*-180bp*
OPERATING INCOME	**28.1**	**35.7**	**42.7**	**28.780**	**14.3**	**25.5**
Year-over-Year Change	*40.1%*	*26.9%*	*19.6%*	*-32.6%*	*-50.3%*	*78.2%*
Interest Expense, Net	(6.3)	(5.9)	(5.5)	(9.0)	(9.3)	(7.1)
Pretax Income	21.8	29.8	37.2	19.8	5.0	18.4
Effective tax rate	37.3%	38.6%	40.1%	39.9%	39.5%	40.0%
Income taxes	8.1	11.5	14.9	7.9	2.0	7.4
Net Income (continuing)	13.7	18.3	22.3	11.9	3.0	11.0
Extraordinary items	0.0	0.0	0.0	0.0	0.0	0.0
Net Income (total)	13.7	18.3	22.3	11.9	3.0	11.0
EPS CONTINUING	**$1.03**	**$1.27**	**$1.48**	**$0.82**	**$0.21**	**$0.75**
Extraordinary item	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
EPS REPORTED	**$1.03**	**$1.27**	**$1.48**	**$0.82**	**$0.21**	**$0.75**
Year-over-Year EPS Growth (continuing)	*52.5%*	*23.8%*	*16.7%*	*-44.4%*	*-74.5%*	*257.1%*
Average Shares Outstanding	13.4	14.4	15.0	14.4	14.3	14.7

(1) Bud Meyer acquired in 4Q97 for an estimated $22 million in cash and debt.
(2) Through 2Q00 (June), included revenues from various brokerage units (net of transportation charges). After 2Q00, includes contribution from various business units, including assets dedicated to USPS.
(3) Net of fuel surcharge revenue.
(4) New line item added as of 1Q01 (along with year-ago comparison data).
(5) SRT acquired in 4Q98 for an estimated $10.8 million (price for equity).
(6) Harold Ives acquired in 4Q99 for an estimated $22 million (price for equity).
(7) Con-Way Truckload Services, Inc. acquired in 3Q00 for an estimated $10 million.
(8) ATW acquired in 3Q99 for an estimated $10 million.

Source: Bear, Stearns & Co. Inc. estimates.

Exhibit 85. Covenant Transport, Inc. (CVTI) — Quarterly Income Statement ($ in millions, except per share data)

	1Q98	1Q99	1Q00	1Q01	1Q02E	2Q98	2Q99	2Q00	2Q01	2Q02E	3Q98	3Q99	3Q00	3Q01E	3Q02E	4Q98	4Q99	4Q00	4Q01E	4Q02E
REVENUE																				
Trucking revenue (1,3,5,6,7,8)	$79.8	$97.8	$125.1	$129.9	$129.7	$89.0	$113.3	$137.9	$140.0	$144.1	$95.6	$120.1	$141.2	$140.3	$149.1	$105.9	$140.6	$144.9	$141.5	$155.2
Other (2)	0.0	0.0	1.4	1.5	1.4	0.0	(0.1)	1.5	1.7	1.8	(0.0)	0.0	0.4	0.4	0.4	0.2	1.1	(0.0)	0.7	0.8
Total Revenue	**79.8**	**97.8**	**126.5**	**131.3**	**131.1**	**89.0**	**113.2**	**139.4**	**141.7**	**145.8**	**95.6**	**120.1**	**141.7**	**140.8**	**149.5**	**106.1**	**141.7**	**144.9**	**142.2**	**156.0**
Year-over-Year Change	*27.5%*	*22.5%*	*29.4%*	*3.8%*	*-0.2%*	*27.0%*	*27.2%*	*23.1%*	*1.6%*	*2.9%*	*26.9%*	*25.7%*	*18.0%*	*-0.6%*	*6.2%*	*18.1%*	*33.5%*	*2.3%*	*-1.9%*	*9.7%*
OPERATING EXPENSES																				
Salaries, wages, and related expenses	35.2	44.8	53.9	60.0	59.4	39.9	48.3	60.9	63.2	66.4	42.5	50.1	61.2	62.6	65.3	46.9	59.1	63.9	64.2	68.6
Total fuel expense (3)	15.9	17.3	21.0	24.3	23.5	16.3	20.5	23.3	26.3	25.5	16.9	21.9	25.0	27.4	26.8	19.2	24.8	24.2	25.6	26.5
Equip. rentals & purch. trans.	5.0	8.2	18.7	16.9	16.9	5.4	10.9	19.4	17.3	18.0	6.3	12.5	18.5	15.9	17.1	7.6	17.7	19.5	16.9	18.8
Repairs	1.9	1.9	3.0	3.6	3.7	1.8	2.4	3.0	4.8	3.9	2.2	2.2	3.4	5.1	5.4	2.5	3.5	3.9	5.5	6.1
Operating taxes and licenses	2.3	2.4	3.3	3.4	3.5	2.1	2.8	3.5	3.6	3.8	2.4	2.7	3.6	3.7	3.9	2.6	3.1	3.8	3.7	4.1
Insurance	2.4	2.8	3.4	4.1	4.6	2.3	2.9	3.6	4.9	4.4	2.5	3.2	4.3	4.8	5.1	3.0	3.6	4.5	5.1	5.7
Communications and utilities (4)	-	-	1.8	1.8	1.8			1.8	1.9	2.2			1.8	1.8	1.9			1.8	1.9	2.1
General supplies and expenses	4.4	5.6	5.7	5.2	5.3	5.0	5.8	6.4	6.0	6.0	4.5	6.4	6.4	6.0	6.4	5.4	7.1	6.1	6.0	6.1
Depreciation and amortization	6.8	8.0	10.0	9.4	9.5	7.3	8.6	10.1	10.5	10.1	7.9	8.7	10.0	9.6	9.4	8.3	10.3	8.7	8.5	9.0
Total Operating Expenses	**74.0**	**91.0**	**120.8**	**128.7**	**128.1**	**80.1**	**102.1**	**132.1**	**138.6**	**140.3**	**85.3**	**107.6**	**134.2**	**136.8**	**141.4**	**95.4**	**129.3**	**136.5**	**137.5**	**147.1**
OPERATING EXPENSES AS A PERCENTAGE OF REVENUE																				
Salaries, wages, and related expens.	44.1%	45.9%	42.7%	45.7%	45.3%	44.8%	42.7%	43.7%	44.6%	45.5%	44.5%	41.7%	43.2%	44.4%	43.7%	44.2%	41.7%	44.1%	45.1%	44.0%
Total fuel expense	19.9%	17.7%	16.6%	18.5%	17.9%	18.4%	18.1%	16.7%	18.6%	17.5%	17.7%	18.2%	17.7%	19.4%	17.9%	18.1%	17.5%	16.7%	18.0%	17.0%
Equip. rentals & purch. trans.	6.3%	8.3%	14.8%	12.9%	12.9%	6.1%	9.6%	13.9%	12.2%	12.3%	6.5%	10.4%	13.1%	11.3%	11.4%	7.1%	12.5%	13.5%	11.9%	12.0%
Repairs	2.4%	2.0%	2.4%	2.8%	2.8%	2.0%	2.1%	2.2%	3.4%	2.7%	2.3%	1.8%	2.4%	3.6%	3.6%	2.4%	2.5%	2.7%	3.9%	3.9%
Operating taxes and licenses	2.9%	2.5%	2.6%	2.6%	2.6%	2.3%	2.4%	2.5%	2.6%	2.6%	2.5%	2.3%	2.5%	2.6%	2.6%	2.4%	2.2%	2.6%	2.6%	2.6%
Insurance	3.0%	2.9%	2.7%	3.1%	3.5%	2.6%	2.5%	2.6%	3.5%	3.0%	2.6%	2.7%	3.0%	3.4%	3.4%	2.8%	2.6%	3.1%	3.6%	3.6%
Communications and utilities			1.4%	1.3%	1.3%			1.3%	1.3%	1.5%			1.3%	1.3%	1.3%			1.3%	1.3%	1.3%
General supplies and expenses	5.6%	5.7%	4.5%	4.0%	4.0%	5.6%	5.1%	4.6%	4.3%	4.1%	4.8%	5.3%	4.5%	4.3%	4.3%	5.1%	5.0%	4.2%	4.2%	3.9%
Depreciation and amortization	8.5%	8.2%	7.9%	7.2%	7.2%	8.2%	7.6%	7.2%	7.4%	6.9%	8.3%	7.3%	7.1%	6.8%	6.3%	7.8%	7.3%	6.0%	6.0%	5.8%
OPERATING RATIO	**92.8%**	**93.1%**	**95.5%**	**98.0%**	**97.7%**	**90.0%**	**90.2%**	**94.8%**	**97.8%**	**96.2%**	**89.2%**	**89.6%**	**94.8%**	**97.2%**	**94.6%**	**89.9%**	**91.3%**	**94.2%**	**96.7%**	**94.3%**
Year-over-Year Change	*40bp*	*-36bp*	*-239bp*	*-248bp*	*24bp*	*-16bp*	*-18bp*	*-460bp*	*-305bp*	*166bp*	*29bp*	*-39bp*	*-513bp*	*-247bp*	*264bp*	*27bp*	*-136bp*	*-295bp*	*-251bp*	*238bp*
OPERATING INCOME	**5.8**	**6.7**	**5.7**	**2.7**	**3.0**	**8.9**	**11.1**	**7.3**	**3.1**	**5.6**	**10.3**	**12.5**	**7.4**	**3.9**	**8.1**	**10.7**	**12.4**	**8.4**	**4.7**	**8.8**
Year-over-Year Change	*35.0%*	*16.4%*	*-15.5%*	*-53.4%*	*11.7%*	*25.0%*	*24.8%*	*-34.6%*	*-57.8%*	*81.6%*	*30.5%*	*21.2%*	*-40.4%*	*-47.4%*	*107.1%*	*21.3%*	*15.4%*	*-32.2%*	*-44.4%*	*89.3%*
Interest Expense, Net	(1.5)	(1.3)	(2.3)	(2.3)	(1.9)	(1.5)	(1.2)	(2.4)	(2.2)	(1.8)	(1.4)	(1.3)	(2.3)	(2.4)	(1.7)	(1.537)	(1.7)	(2.0)	(2.5)	(1.6)
Pretax Income	4.3	5.4	3.4	0.4	1.1	7.4	9.9	4.8	0.9	3.8	8.9	11.2	5.1	1.6	6.4	9.2	10.7	6.4	2.1	7.2
Effective tax rate	38.5%	40.2%	39.9%	37.9%	40.0%	38.0%	40.0%	39.9%	38.0%	40.0%	38.9%	40.1%	40.0%	40.0%	40.0%	39.0%	40.1%	39.9%	40.0%	40.0%
Income taxes	1.6	2.2	1.4	0.1	0.4	2.8	4.0	1.9	0.3	1.5	3.5	4.5	2.1	0.6	2.6	3.6	4.3	2.6	0.9	2.9
Net Income (continuing)	2.7	3.2	2.0	0.2	0.6	4.6	5.9	2.9	0.6	2.3	5.4	6.7	3.1	0.9	3.8	5.6	6.4	3.9	1.3	4.3
Extraordinary items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Income (total)	2.7	3.2	2.0	0.2	0.6	4.6	5.9	2.9	0.6	2.3	5.4	6.7	3.1	0.9	3.8	5.6	6.4	3.9	1.3	4.3
EPS CONTINUING	**$0.20**	**$0.22**	**$0.14**	**$0.02**	**$0.04**	**$0.32**	**$0.40**	**$0.20**	**$0.04**	**$0.15**	**$0.37**	**$0.45**	**$0.22**	**$0.07**	**$0.26**	**$0.38**	**$0.43**	**$0.28**	**$0.09**	**$0.29**
Extraordinary Item	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
EPS REPORTED	**$0.20**	**$0.22**	**$0.14**	**$0.02**	**$0.04**	**$0.32**	**$0.40**	**$0.20**	**$0.04**	**$0.15**	**$0.37**	**$0.45**	**$0.22**	**$0.07**	**$0.26**	**$0.38**	**$0.43**	**$0.28**	**$0.09**	**$0.29**
Year-over-Year EPS Growth (Continuing)	*45.4%*	*8.8%*	*-37.4%*	*-88.0%*	*168.9%*	*18.9%*	*25.3%*	*-50.5%*	*-80.2%*	*296.4%*	*19.1%*	*23.1%*	*-50.9%*	*-70.4%*	*298.0%*	*19.2%*	*14.1%*	*-35.7%*	*-68.0%*	*228.3%*
Average Shares Outstanding	13.4	14.9	14.9	13.9	14.6	14.4	15.0	14.8	14.3	14.7	14.9	14.9	14.0	14.4	14.8	14.9	14.9	14.0	14.5	14.9

(1) Bud Meyer acquired in 4Q97 for an estimated $22 million in cash and debt.
(2) Through 2Q00 (June), included revenues from various brokerage units (net of transportation charges). After 2Q00, includes contribution from various business units, including assets dedicated to USPS.
(3) Net of fuel surcharge revenue.
(4) New line item added as of 1Q01 (along with year-ago comparison data).
(5) SRT acquired in 4Q98 (October 5, 1998) for an estimated $10.8 million (price for equity).
(6) Harold Ives acquired in 4Q99 for an estimated $22 million (price for equity).
(7) Con-Way Truckload Services, Inc. acquired in 3Q00 for an estimated $10 million.
(8) ATW acquired in 3Q99 for an estimated $10 million.

Source: Bear, Stearns & Co. Inc. estimates.

Exhibit 86. Covenant Transport, Inc. (CVTI) — Balance Sheet ($ in millions, except per share data)

	1997	1998	1999	2000	2001E	2002E
ASSETS						
Cash and cash equivalents	2.6	2.9	1.0	2.3	1.6	0.7
Accounts receivable, net of allowance	37.8	51.8	75.0	72.5	72.9	76.8
Drivers' advances and other receivables	1.0	2.5	4.8	11.4	10.8	11.4
Deferred income taxes	1.1	1.7	1.3	2.6	3.1	3.7
Other current assets	4.9	7.3	17.1	20.5	21.5	22.6
Total Current Assets	47.4	66.1	99.3	109.3	110.0	115.1
Property & equipment-cost	228.9	282.4	349.7	356.6	371.6	426.6
Less: accumulated depr. & amort.	(67.3)	(81.8)	(80.6)	(100.6)	(110.6)	(121.7)
Net property & equipment	161.6	200.5	269.0	256.0	261.0	304.9
Off-balance-sheet equipment leases						
Other assets	6.3	6.3	15.6	25.2	19.2	5.9
TOTAL ASSETS	**215.3**	**273.0**	**384.0**	**390.5**	**390.3**	**425.9**
LIABILITIES						
Current maturities of long-term debt	1.6	1.9	7.8	68.5	53.5	64.5
Accounts payable	5.3	3.5	7.3	7.0	7.2	7.5
Accrued income tax	0.7	1.4	0.0	0.0	0.0	0.0
Accrued expenses	9.1	12.9	17.1	17.2	19.8	22.7
Total Current Liabilities	16.7	19.7	32.2	92.7	80.5	94.7
Long-term debt, less current maturities	80.8	84.3	140.5	74.3	69.3	69.3
Off-balance-sheet operating leases						
Deferred income taxes	22.2	27.4	47.4	55.7	69.7	80.1
Notes payable to a related party	0.0	0.0	0.0	0.0	0.0	0.0
Total Liabilities	119.7	131.4	220.1	222.7	219.5	244.1
Total Stockholders' Equity	95.6	141.5	163.9	167.8	170.8	181.9
TOTAL LIABILITIES AND EQUITY	**215.3**	**273.0**	**384.0**	**390.5**	**390.3**	**425.9**
Book value per share	$7.16	$9.83	$10.90	$11.65	$11.98	$12.37
Leverage Analysis						
LTD/total capital	40.7%	33.3%	39.9%	24.9%	22.4%	20.9%
Total debt/total capital	41.5%	34.1%	42.2%	47.9%	39.6%	40.4%
Total debt/total debt + equity	**46.3%**	**37.9%**	**47.5%**	**46.0%**	**41.8%**	**42.4%**
Total debt/equity	0.9x	0.6x	0.9x	0.9x	0.7x	0.7x
Cash interest coverage	8.7x	11.1x	14.2x	7.5x	5.6x	9.0x
Asset turnover	1.4x	1.4x	1.2x	1.4x	1.4x	1.4x
Financial Return Analysis						
Pretax return on avg. assets (%) (1)	14.0%	14.6%	13.0%	7.4%	3.7%	6.2%
Return on total capital (%) (2)	5.7%	7.2%	7.0%	2.1%	-0.9%	2.2%
Return on average equity (%) (3)	15.5%	15.4%	14.6%	7.2%	1.8%	6.3%
Free cash flow return on capital (%) (4)	13.6%	-6.2%	-3.9%	9.1%	8.1%	-2.3%

(1) EBIT/average total assets.
(2) Net income plus tax-affected interest/(total debt+equity).
(3) Net income/average equity.
(4) (Gross cash flow-dividends-maintenance capital expenditures)/(total debt+equity).

Source: Bear, Stearns & Co. Inc. estimates.

Exhibit 87. Covenant Transport, Inc. (CVTI) — Cash Flow Statement ($ in millions, except per share data)

	1997	1998	1999	2000	2001E	2002E
OPERATING SOURCES [1]						
Net income	$13.7	$18.3	$22.3	$11.9	$3.0	$11.0
Depreciation & amort.	27.4	32.1	35.7	39.2	38.0	38.0
Deferred taxes	4.4	4.1	9.1	6.2	6.8	7.5
Provision for losses on receivables	0.5	0.5	0.1	0.5	0.5	0.5
Loss (gain) on disposition of property & equipment	(0.9)	(1.9)	(0.1)	(1.0)	(1.0)	(1.0)
Total changes in operating assets and liabilities	0.2	(13.2)	(22.7)	(8.5)	(8.0)	(8.0)
TOTAL OPERATING SOURCES	45.2	39.9	44.5	48.7	39.3	48.0
OPERATING USES						
Capital expenditures	54.0	80.3	101.7	71.4	30.0	80.0
Proceeds from disp. of prop. & equip.	(32.0)	(27.8)	(46.6)	(51.1)	(15.0)	(25.0)
Net capital expenditures	22.0	52.5	55.0	20.3	15.0	55.0
Acquisitions [4,5,6,7,8]	5.6	6.5	25.8	20.9	5.0	5.0
Changes in working capital	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING USES	27.6	59.1	80.8	41.2	20.0	60.0
OPERATING CASH FLOW	17.6	(19.2)	(36.3)	7.4	19.3	(12.0)
NONOPERATING SOURCES						
Net proceeds from issuance of stock	0.0	27.6	0.0	0.0	0.0	0.0
Net proceeds from short-term debt	0.0	0.0	0.0	0.0	(15.0)	11.0
Net proceeds from long-term debt	0.0	(8.2)	34.5	(6.2)	(5.0)	0.0
NET CASH FOR NONOPERATING USES	(18.5)	19.5	34.5	(6.2)	(20.0)	11.0
Beginning cash	3.5	2.6	2.9	1.0	2.3	1.6
Changes in cash flow	(0.9)	0.3	(1.9)	1.2	(0.7)	(1.0)
Ending cash	2.6	2.9	1.0	2.3	1.6	0.7
Cash Flow Analysis						
EBITDA	$54.61	$65.89	$78.28	$67.66	$52.34	$63.49
Operating cash flow [1]	$45.42	$54.50	$67.07	$57.24	$47.84	$56.54
Gross cash flow [2]	$17.64	($19.15)	($36.34)	$7.44	$19.34	($11.96)
Free cash flow [3]	$23.24	($12.64)	($10.54)	$28.34	$24.34	($6.96)
Cash Flow Analysis per Share						
EBITDA	$4.09	$4.58	$5.21	$4.70	$3.67	$4.32
Operating cash flow [1]	$3.40	$3.79	$4.46	$3.97	$3.36	$3.84
Gross cash flow [2]	$1.32	($1.33)	($2.42)	$0.52	$1.36	($0.81)
Free cash flow [3]	$1.74	($0.88)	($0.70)	$1.97	$1.71	($0.47)

(1) Total operating sources less operating uses.
(2) Net income plus depreciation, amortization, and deferred taxes.
(3) Operating sources less net capex.

Source: Bear, Stearns & Co. Inc. estimates.

Exhibit 88. Heartland Express (HTLD) — Annual Income Statement ($ in millions, except per share data)

	1997	1998	1999	2000	2001E	2002E
REVENUE						
Total Revenue (1,3)	**$262.5**	**$263.5**	**$261.0**	**$274.8**	**$291.8**	**$306.3**
Year-over-Year Change	*14.6%*	*0.4%*	*-0.9%*	*5.3%*	*6.2%*	*5.0%*
OPERATING EXPENSES						
Salaries, wages, and benefits	49.5	52.0	60.3	73.8	87.5	91.3
Rent and purchased transportation	101.2	100.1	90.3	75.2	63.8	69.5
Operations and maintenance (2)	27.7	26.1	30.2	42.7	49.6	49.9
Taxes and licenses	6.0	6.2	5.9	6.0	6.2	6.5
Insurance and claims	10.4	6.8	5.7	6.7	7.7	8.1
Communications and utilities	2.7	2.7	2.6	3.0	3.2	3.4
Depreciation	16.8	18.1	16.2	16.3	17.2	18.0
Other operating expenses	5.0	5.9	5.9	6.5	6.9	7.2
Gain on sales of fixed assets	(0.1)	(0.3)	(0.9)	(1.5)	(0.0)	0.2
Total Operating Expenses	**219.3**	**217.4**	**216.3**	**228.6**	**242.1**	**254.0**
OPERATING EXPENSES AS A PERCENTAGE OF REVENUE						
Salaries, wages, and benefits	18.9%	19.7%	23.1%	26.9%	30.0%	29.8%
Rent and purchased transportation	38.5%	38.0%	34.6%	27.4%	21.9%	22.7%
Operations and maintenance (2)	10.6%	9.9%	11.6%	15.5%	17.0%	16.3%
Taxes and licenses	2.3%	2.3%	2.3%	2.2%	2.1%	2.1%
Insurance and claims	4.0%	2.6%	2.2%	2.4%	2.6%	2.6%
Communications and utilities	1.0%	1.0%	1.0%	1.1%	1.1%	1.1%
Depreciation	6.4%	6.9%	6.2%	5.9%	5.9%	5.9%
Other operating expenses	1.9%	2.2%	2.3%	2.4%	2.4%	2.4%
Gain on sales of fixed assets	0.0%	-0.1%	-0.4%	-0.6%	0.0%	0.1%
OPERATING RATIO	**83.5%**	**82.5%**	**82.9%**	**83.2%**	**83.0%**	**82.9%**
TOTAL OPERATING INCOME	**43.2**	**46.0**	**44.7**	**46.3**	**49.7**	**52.3**
Year-over-Year Growth	*17.1%*	*6.6%*	*-2.9%*	*3.5%*	*7.5%*	*5.2%*
OTHER INCOME AND EXPENSE						
Interest income	3.8	4.9	6.0	5.7	5.2	8.8
Interest expense	0.0	0.0	0.0	0.0	0.0	0.0
Other Income, Net	3.8	4.9	6.0	5.7	5.2	8.8
Pretax Income	47.0	50.9	50.7	52.0	54.9	61.1
Income taxes, total	16.9	17.8	17.5	17.7	18.7	20.8
Effective tax rate (4)	36.0%	35.0%	34.6%	34.0%	34.0%	34.0%
NET INCOME (CONTINUING)	**30.1**	**33.1**	**33.1**	**34.3**	**36.2**	**40.4**
Extraordinary items	0.0	0.0	0.0	0.0	0.0	0.0
NET INCOME (REPORTED)	30.1	33.1	33.1	34.3	36.2	40.4
EPS CONTINUING	**$0.80**	**$0.88**	**$0.90**	**$1.07**	**$1.14**	**$1.25**
Extraordinary item	0.00	0.00	0.00	1.00	0.00	0.00
EPS REPORTED	**$0.80**	**$0.88**	**$0.90**	**$1.07**	**$1.14**	**$1.25**
Year-over-Year Change (continuing)	*20.1%*	*10.1%*	*12.5%*	*21.7%*	*26.3%*	*16.8%*
Avg. Shares Outstanding (diluted)	37.5	37.5	36.7	31.9	31.8	32.2

(1) Includes fuel surcharge revenue.
(2) Includes gross fuel expense.
(3) HTLD purchased A & M Express on July 7, 1997, and operating results are included beginning 3Q97.
(4) Income taxes are based on the company's estimated effective tax rates.

Source: Bear, Stearns & Co. Inc. estimates.

Exhibit 89. Heartland Express (HTLD) — Quarterly Income Statement ($ in millions, except per share data)

	1Q98	1Q99	1Q00	1Q01	1Q02E	2Q98	2Q99	2Q00	2Q01	2Q02E
REVENUE										
Total Revenue (1,3)	**$66.8**	**$63.1**	**$67.2**	**$71.9**	**$74.8**	**$69.2**	**$66.1**	**$69.3**	**$75.3**	**$78.3**
Year-over-Year change	*11.6%*	*-5.6%*	*6.5%*	*7.0%*	*4.0%*	*5.9%*	*-4.5%*	*4.8%*	*8.6%*	*4.0%*
OPERATING EXPENSES										
Salaries, wages, and benefits	13.8	14.1	16.6	21.3	22.4	13.2	14.7	18.4	22.0	22.9
Rent and purchased transportation	25.3	22.8	20.6	16.9	17.4	27.0	23.7	19.6	17.3	18.3
Operations and maintenance (2)	6.9	6.6	9.6	12.1	12.3	6.7	7.0	10.0	12.2	12.4
Taxes and licenses	1.5	1.4	1.3	1.4	1.5	1.5	1.5	1.5	1.5	1.6
Insurance and claims	2.0	1.8	2.0	1.7	1.8	2.0	1.5	1.5	2.0	2.0
Communications and utilities	0.8	0.7	0.7	0.8	0.9	0.7	0.7	0.7	0.8	0.8
Depreciation	4.7	4.1	3.9	4.2	4.3	4.6	4.1	3.9	4.3	4.5
Other operating expenses	1.3	1.6	1.5	1.5	1.6	1.6	1.5	1.6	1.7	1.8
Gain on sales of fixed assets	(0.3)	0.0	(1.5)	(0.0)	(0.0)	(0.0)	0.0	(0.0)	0.0	0.0
Total Operating Expenses	**55.9**	**52.9**	**54.7**	**59.8**	**62.1**	**57.2**	**54.6**	**57.1**	**61.8**	**64.3**
OPERATING EXPENSES AS A PERCENTAGE OF REVENUE										
Salaries, wages, and benefits	20.6%	22.4%	24.7%	29.5%	30.0%	19.1%	22.3%	26.6%	29.2%	29.2%
Rent and purchased transportation	37.8%	36.1%	30.7%	23.5%	23.2%	39.0%	35.9%	28.3%	23.0%	23.4%
Operations and maintenance (2)	10.4%	10.4%	14.3%	16.8%	16.5%	9.6%	10.6%	14.4%	16.3%	15.9%
Taxes and licenses	2.3%	2.2%	1.9%	1.9%	1.9%	2.2%	2.3%	2.1%	2.0%	2.0%
Insurance and claims	3.0%	2.8%	2.9%	2.3%	2.3%	2.9%	2.2%	2.2%	2.6%	2.6%
Communications and utilities	1.2%	1.0%	1.0%	1.2%	1.2%	1.0%	1.0%	1.0%	1.0%	1.0%
Depreciation	7.0%	6.4%	5.8%	5.8%	5.8%	6.6%	6.1%	5.6%	5.7%	5.7%
Other operating expenses	2.0%	2.5%	2.2%	2.1%	2.1%	2.3%	2.3%	2.3%	2.3%	2.3%
Gain on sales of fixed assets	-0.5%	0.0%	-2.2%	-0.1%	-0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
OPERATING RATIO	**83.6%**	**83.9%**	**81.4%**	**83.1%**	**83.1%**	**82.7%**	**82.6%**	**82.5%**	**82.1%**	**82.1%**
TOTAL OPERATING INCOME	**11.0**	**10.2**	**12.5**	**12.2**	**12.7**	**12.0**	**11.5**	**12.1**	**13.5**	**14.0**
Year-over-Year Growth		*-7.3%*	*23.3%*	*-2.9%*	*4.2%*		*-4.1%*	*5.6%*	*11.0%*	*4.1%*
OTHER INCOME AND EXPENSE										
Interest income	1.1	1.5	1.3	1.4	2.0	1.1	1.5	1.3	1.2	2.1
Interest expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Income, Net	1.1	1.5	1.3	1.4	2.0	1.1	1.5	1.3	1.2	2.1
Pretax Income	12.0	11.6	13.9	13.5	14.6	13.1	13.0	13.4	14.6	16.1
Income taxes, total	4.2	4.1	4.7	4.6	5.0	4.6	4.5	4.6	5.0	5.5
Effective tax rate *(4)*	35.0%	35.0%	34.0%	34.0%	34.0%	35.0%	34.5%	34.0%	34.0%	34.0%
NET INCOME (CONTINUING)	**7.8**	**7.6**	**9.1**	**8.9**	**9.7**	**8.5**	**8.5**	**8.9**	**9.7**	**10.6**
Extraordinary items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NET INCOME (REPORTED)	7.8	7.6	9.1	8.9	9.7	8.5	8.5	8.9	9.7	10.6
EPS CONTINUING	**$0.21**	**$0.20**	**$0.28**	**$0.28**	**$0.30**	**$0.23**	**$0.23**	**$0.28**	**$0.31**	**$0.33**
Extraordinary item	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EPS REPORTED	**$0.21**	**$0.20**	**$0.28**	**$0.28**	**$0.30**	**$0.23**	**$0.23**	**$0.28**	**$0.31**	**$0.33**
Year-over-Year Change (continuing)	*17.1%*	*-3.1%*	*39.1%*	*0.4%*	*7.1%*	*10.2%*	*0.0%*	*23.3%*	*8.9%*	*8.9%*
Avg. Shares Outstanding (diluted)	37.5	37.5	32.6	31.7	32.0	37.5	37.5	31.7	31.7	32.1

	3Q98	3Q99	3Q00	3Q01E	3Q02E	4Q98	4Q99	4Q00	4Q01E	4Q02E
REVENUE										
Total Revenue (1,3)	**$65.0**	**$65.4**	**$68.1**	**$71.5**	**$75.8**	**$62.4**	**$66.5**	**$70.3**	**$73.1**	**$77.5**
Year-over-Year change	*-7.4%*	*0.5%*	*4.2%*	*5.0%*	*6.0%*	*-6.9%*	*6.5%*	*5.7%*	*4.0%*	*6.0%*
OPERATING EXPENSES										
Salaries, wages, and benefits	12.4	15.6	18.7	21.6	22.7	12.6	15.8	20.1	22.7	23.3
Rent and purchased transportation	25.0	22.3	18.0	15.1	17.0	22.9	21.6	16.9	14.5	16.8
Operations and maintenance (2)	6.2	7.9	10.6	11.8	11.7	6.3	8.7	12.5	13.5	13.4
Taxes and licenses	1.5	1.6	1.5	1.5	1.7	1.6	1.5	1.7	1.8	1.9
Insurance and claims	1.8	1.4	1.6	2.0	2.1	1.0	1.1	1.6	2.0	2.2
Communications and utilities	0.6	0.7	0.8	0.8	0.8	0.6	0.7	0.8	0.8	0.9
Depreciation	4.5	3.9	4.1	4.4	4.6	4.4	4.2	4.4	4.3	4.5
Other operating expenses	1.4	1.4	1.7	1.8	1.9	1.6	1.5	1.8	1.8	1.9
Gain on sales of fixed assets	0.0	(0.9)	(0.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.2
Total Operating Expenses	**53.3**	**53.8**	**57.0**	**59.0**	**62.5**	**51.0**	**55.0**	**59.8**	**61.5**	**65.1**
OPERATING EXPENSES AS A PERCENTAGE OF REVENUE										
Salaries, wages, and benefits	19.1%	23.9%	27.5%	30.3%	29.9%	20.3%	23.7%	28.7%	31.0%	30.1%
Rent and purchased transportation	38.4%	34.1%	26.4%	21.1%	22.4%	36.7%	32.5%	24.1%	19.8%	21.7%
Operations and maintenance (2)	9.5%	12.0%	15.5%	16.5%	15.5%	10.0%	13.1%	17.8%	18.5%	17.3%
Taxes and licenses	2.4%	2.5%	2.2%	2.2%	2.2%	2.5%	2.2%	2.4%	2.4%	2.4%
Insurance and claims	2.7%	2.1%	2.3%	2.8%	2.8%	1.6%	1.7%	2.3%	2.8%	2.8%
Communications and utilities	1.0%	1.0%	1.1%	1.1%	1.1%	1.0%	1.0%	1.1%	1.1%	1.1%
Depreciation	6.9%	6.0%	6.1%	6.2%	6.1%	7.0%	6.3%	6.2%	5.9%	5.9%
Other operating expenses	2.1%	2.1%	2.5%	2.5%	2.5%	2.6%	2.2%	2.5%	2.5%	2.5%
Gain on sales of fixed assets	0.0%	-1.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.3%
OPERATING RATIO	**82.0%**	**82.3%**	**83.7%**	**82.5%**	**82.5%**	**81.7%**	**82.7%**	**85.1%**	**84.1%**	**84.1%**
TOTAL OPERATING INCOME	**11.7**	**11.6**	**11.1**	**12.5**	**13.3**	**11.4**	**11.5**	**10.5**	**11.6**	**12.4**
Year-over-Year Growth		*-0.8%*	*-4.0%*	*12.3%*	*6.2%*		*0.4%*	*-8.7%*	*10.7%*	*6.5%*
OTHER INCOME AND EXPENSE										
Interest income	1.3	1.5	1.6	1.3	2.3	1.4	1.4	1.5	1.4	2.5
Interest expense	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Income, Net	1.3	1.5	1.6	1.3	2.3	1.4	1.4	1.5	1.4	2.5
Pretax Income	13.0	13.1	12.7	13.8	15.6	12.9	12.9	12.0	13.0	14.8
Income taxes, total	4.5	4.5	4.3	4.7	5.3	4.5	4.4	4.1	4.4	5.0
Effective tax rate *(4)*	35.0%	34.5%	34.0%	34.0%	34.0%	35.0%	34.5%	34.0%	34.0%	34.0%
NET INCOME (CONTINUING)	**8.4**	**8.6**	**8.4**	**9.1**	**10.3**	**8.4**	**8.4**	**7.9**	**8.6**	**9.8**
Extraordinary items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NET INCOME (REPORTED)	8.4	8.6	8.4	9.1	10.3	8.4	8.4	7.9	8.6	9.8
EPS CONTINUING	**$0.22**	**$0.23**	**$0.26**	**$0.29**	**$0.32**	**$0.22**	**$0.25**	**$0.25**	**$0.27**	**$0.30**
Extraordinary item	0.00	0.00	0.00	1.00	2.00	0.00	0.00	0.00	0.00	0.00
EPS REPORTED	**$0.22**	**$0.23**	**$0.26**	**$0.29**	**$0.32**	**$0.22**	**$0.25**	**$0.25**	**$0.27**	**$0.30**
Year-over-Year Change (continuing)	*0.3%*	*2.0%*	*15.4%*	*7.9%*	*11.7%*	*14.8%*	*10.4%*	*1.2%*	*7.8%*	*12.8%*
Avg. Shares Outstanding (diluted)	37.5	37.5	31.7	31.8	32.2	37.5	34.3	31.7	31.9	32.3

(1) Includes fuel surcharge revenue.
(2) Includes gross fuel expense.
(3) HTLD purchased A & M Express on July 7, 1997, and operating results are included beginning 3Q97.
(4) Income taxes are based on the company's estimated effective tax rates.

Source: Bear, Stearns & Co. Inc. estimates.

Exhibit 90. Heartland Express (HTLD) — Balance Sheet ($ in millions, except per share data)

	1997	1998	1999	2000	2001E	2002E
ASSETS						
Cash, cash equivalents, & municipal bonds	$96.0	$143.4	$126.2	$128.0	$143.7	$171.3
Trade receivables, less allowance	24.2	21.4	23.5	25.0	26.5	27.8
Deferred income taxes	15.8	16.1	16.0	16.8	18.5	20.4
Other current assets	1.9	1.3	2.5	4.1	5.0	5.0
Total Current Assets	**138.0**	**182.3**	**168.2**	**173.9**	**193.7**	**224.5**
Property and equipment (at cost)						
Land and land improvements	3.9	3.8	3.7	3.2	3.4	3.6
Buildings	9.2	9.2	9.7	8.5	8.5	8.5
Furniture and fixtures	2.0	2.5	2.6	2.6	2.6	2.6
Shop and service equipment	1.4	1.4	1.6	1.5	1.5	1.5
Revenue equipment	118.8	112.2	121.8	129.6	164.6	194.6
less accumulated dep. and amort.	(54.3)	(60.6)	(66.5)	(56.3)	(73.5)	(91.4)
Property and equipment, net	81.0	68.6	72.9	89.1	107.1	119.3
Other Assets	6.5	6.0	5.4	5.0	5.2	4.2
TOTAL ASSETS	**225.5**	**256.8**	**246.5**	**268.1**	**305.9**	**347.9**
LIABILITIES AND SHAREHOLDERS' EQUITY						
Current maturities of LT debt	0.0	0.0	0.0	0.0	0.0	0.0
Accounts payable and accr. liab.	8.9	7.6	10.6	6.7	7.1	7.5
Insurance accruals	34.7	35.5	34.3	35.7	36.4	37.1
Other current liabilities	12.3	11.1	11.6	13.1	13.1	13.1
Total Current Liabilities	**55.8**	**54.3**	**56.5**	**55.4**	**56.5**	**57.6**
Long-term debt, net of current maturities	0.0	0.0	0.0	0.0	0.0	0.0
Deferred income taxes	15.9	15.7	15.1	17.5	18.0	18.6
Stockholders' Equity	153.7	186.8	174.8	195.1	231.4	271.7
TOTAL LIABILITIES AND EQUITY	**225.5**	**256.8**	**246.5**	**268.1**	**305.9**	**347.9**
Book value/per share	$4.10	$4.98	$4.76	$6.11	$7.28	$8.45
Leverage Analysis						
LTD/total capital (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total debt/total capital (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total debt/total assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total debt/total debt + equity (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash interest coverage	NM	NM	NM	NM	NM	NM
Asset turnover	1.2x	1.0x	1.1x	1.0x	1.0x	0.9x
Financial Return Analysis						
Pretax return on avg. assets (%) (1)	20.7%	19.1%	17.8%	18.0%	17.3%	16.0%
Return on total capital (%) (2)	21.7%	19.4%	18.3%	18.5%	17.0%	16.0%
Return on average equity (%) (3)	0.0%	19.4%	18.3%	18.5%	17.0%	16.0%
Free cash flow return on capital (%) (4)	17.8%	28.0%	-9.1%	0.9%	7.3%	10.9%

(1) EBIT/average total assets.
(2) Net income plus tax-affected interest/(total debt+equity).
(3) Net income/average equity.
(4) (Gross cash flow-dividends-maintenance capital expenditures)/(total debt+equity).

Source: Bear, Stearns & Co. Inc. estimates.

Exhibit 91. Heartland Express (HTLD) — Cash Flow Statement ($ in millions, except per share data)

	1997	1998	1999	2000	2001E	2002E
OPERATING SOURCES						
Net income	30.1	$33.1	$33.1	$34.3	$36.2	$40.4
Depreciation & amort.	17.5	19.2	17.3	17.2	17.2	18.0
Deferred taxes	(3.1)	(0.4)	(0.5)	1.5	1.2	1.2
Gain on sale of fixed assets	(0.1)	(0.3)	(0.9)	(1.5)	(2.0)	(2.0)
Changes to working capital	2.4	1.1	(3.4)	(1.6)	(2.5)	(1.0)
Total Operating Sources	**46.8**	**52.7**	**45.6**	**49.9**	**50.1**	**56.5**
OPERATING USES						
Capital expenditures	22.4	5.5	18.6	36.3	35.0	30.0
Proceeds from sale of equipment	(0.3)	(0.5)	(1.6)	(2.2)	(0.5)	(1.0)
Net capital expenditures (1)	22.1	5.0	17.0	34.2	34.5	29.0
Other	1.2	0.3	0.7	(0.1)	(0.1)	(0.1)
Total Operating Uses	**23.3**	**5.3**	**17.7**	**34.1**	**34.4**	**28.9**
OPERATING CASH FLOW	**23.5**	**47.4**	**27.9**	**15.8**	**15.7**	**27.6**
NONOPERATING SOURCES						
Net borrowings	0.0	0.0	0.0	0.0	0.0	0.0
Net debt repayments	(18.5)	0.0	0.0	0.0	0.0	0.0
Net purchase of municipal bonds	11.7	19.8	0.0	0.0	0.0	0.0
Acquisitions	0.0	0.0	0.0	0.0	0.0	0.0
Repurchase of common stock (2)	0.0	0.0	(45.1)	(14.0)	0.0	0.0
Total Nonoperating Sources	**(6.9)**	**19.8**	**(45.1)**	**(14.0)**	**0.0**	**0.0**
Beginning cash	59.6	76.2	143.4	126.2	128.0	143.7
Net change in cash	16.6	67.2	(17.2)	1.8	15.7	27.6
Ending Cash	**76.2**	**143.4**	**126.2**	**128.0**	**143.7**	**171.3**
Cash Flow Analysis						
EBITDA	$59.9	$64.1	$60.9	$62.5	$66.9	$70.3
Gross cash flow (3)	$44.4	$51.9	$50.0	$53.0	$54.6	$59.5
Operating cash flow (4)	$23.5	$47.4	$27.9	$15.8	$15.7	$27.6
Free cash flow (5)	$24.6	$47.7	($16.5)	$1.7	$15.6	$27.5
Cash Flow Analysis per Share						
EBITDA	$1.60	$1.71	$1.66	$1.96	$2.10	$2.18
Gross cash flow (3)	$1.18	$1.38	$1.36	$1.66	$1.72	$1.85
Operating cash flow (4)	$0.63	$1.26	$0.76	$0.50	$0.49	$0.86
Free cash flow (5)	$0.66	$1.27	($0.45)	$0.05	$0.49	$0.86

(1) HTLD purchased A & M Express on July 7, 1997, and operating results are included beginning 3Q97.
(2) The company repurchased 3,539,749 shares of its outstanding stock in 3Q99 at the market price of $12.75 per share.
(3) Net income plus depreciation, amortization, and deferred taxes.
(4) Total operating sources less operating uses.
(5) Total equity sources less net capex and share repurchases.

Source: Bear, Stearns & Co. Inc. estimates.

Exhibit 92. Knight Transportation (KNGT) — Annual Income Statement ($ in millions, except per share data)

	1997	1998	1999	2000	2001E	2002E
REVENUE						
Revenue, before fuel surcharge	$99.4	$125.0	$151.5	$207.4	$235.1	$267.4
Fuel surcharge	-	-	-	9.5	9.1	5.3
Total Revenue (5,6)	99.4	125.0	151.5	216.9	244.2	272.7
Year-over-Year Growth	*28.3%*	*25.7%*	*21.2%*	*43.2%*	*12.6%*	*11.7%*
OPERATING EXPENSES						
Salaries, wages, and benefits	28.0	35.9	44.7	69.2	79.0	88.4
Fuel expense - net (1)	10.2	12.2	15.8	26.8	28.6	32.2
Fuel expense - gross	-	-	-	*36.3*	*37.7*	*37.5*
Operations and maintenance	5.6	7.4	8.8	11.3	13.3	14.7
Insurance and claims	2.5	3.1	4.0	4.9	8.8	9.9
Operating taxes and license	4.1	5.2	5.6	7.5	7.6	9.6
Communications	0.6	1.0	1.2	1.5	1.8	2.1
Depreciation and amortization	9.6	12.4	14.2	19.1	19.3	18.8
Lease expense - revenue equip.	-	-	-	3.6	7.7	8.6
Purchased transportation	19.0	21.8	27.6	25.9	25.7	30.8
Miscellaneous operating expenses	2.4	3.1	3.7	5.6	7.6	8.0
Total Operating Expenses	81.9	102.0	125.6	175.4	199.4	223.1
OPERATING EXPENSES AS A PERCENTAGE OF REVENUE						
Salaries, wages, and benefits	28.2%	28.7%	29.5%	33.4%	33.6%	33.1%
Fuel expense - net (1)	10.2%	9.7%	10.4%	12.9%	12.2%	12.0%
Fuel expense - gross	-	-	-	*17.5%*	*16.0%*	*14.0%*
Operations and maintenance	5.6%	5.9%	5.8%	5.5%	5.7%	5.5%
Insurance and claims	2.5%	2.5%	2.6%	2.3%	3.7%	3.7%
Operating taxes and license	4.1%	4.2%	3.7%	3.6%	3.2%	3.6%
Communications	0.6%	0.8%	0.8%	0.7%	0.8%	0.8%
Depreciation and amortization	9.6%	10.0%	9.4%	9.2%	8.2%	7.0%
Lease expense - revenue equip.	-	-	-	1.8%	3.3%	3.2%
Purchased transportation	19.1%	17.4%	18.2%	12.5%	10.9%	11.5%
Miscellaneous operating expenses	2.4%	2.4%	2.4%	2.7%	3.2%	3.0%
OPERATING RATIO, Net Fuel Surcharge (2)	**82.4%**	**81.6%**	**82.9%**	**84.6%**	**84.8%**	**83.4%**
Year-over-Year Change Operating Ratio	*-61bp*	*-80bp*	*128bp*	*166bp*	*26bp*	*-139bp*
Operating Income	17.5	23.0	25.9	32.0	35.7	44.3
Year-over-Year Growth	*32.9%*	*31.5%*	*12.7%*	*23.6%*	*11.4%*	*24.2%*
OTHER INCOME AND EXPENSE						
Interest income	0.0	0.2	0.9	0.9	0.7	0.7
Interest expense	(0.1)	(0.4)	(1.2)	(4.0)	(2.8)	(3.2)
Other	0.0	0.0	0.0	(0.3)	0.0	0.0
Other Income, Net	(0.0)	(0.3)	(0.3)	(3.4)	(2.0)	(2.5)
Pretax Income	17.5	22.7	25.6	28.6	33.6	41.8
Effective tax rate	41.3%	41.3%	39.6%	38.0%	40.5%	40.3%
Income taxes	7.2	9.4	10.2	10.9	13.6	16.8
Net Income (cont.)	10.3	13.3	15.5	17.7	20.0	25.0
Extraordinary item	0.0	0.0	0.0	0.0	0.0	0.0
Net income (reported)	10.3	13.3	15.5	17.7	20.0	25.0
EPS CONTINUING	**$0.45**	**$0.58**	**$0.68**	**$0.79**	**$0.86**	**$1.05**
Extraordinary item	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
EPS REPORTED	**$0.45**	**$0.58**	**$0.68**	**$0.79**	**$0.86**	**$1.05**
Year-over-Year EPS Growth (continuing)	*29.5%*	*29.2%*	*16.1%*	*16.5%*	*9.2%*	*22.5%*
Avg. Shares Outstanding (diluted) (3,4)	22.7	22.9	22.8	22.5	23.2	23.7

(1) Values prior to C00 reflect gross fuel expense.
(2) Total operating expenses (net fuel expense) as a percentage of total revenue (excluding fuel surcharge).
(3) 1Q98 earnings report included impact of 3-for-2 stock split in the form of a 50% stock dividend paid on or about May 18, 1998.
(4) 1Q01 earnings report included impact of 3-for-2 stock split in the form of a 50% stock dividend to be paid on or about June 1, 2001.
(5) Completed the acquisition of Action Delivery Inc. in first-quarter 1999.
(6) Knight Transportation acquired John Fayard Fast Freight Inc., completing the deal in first-quarter 2000.

Source: Bear, Stearns & Co. Inc. estimates.

Exhibit 93. Knight Transportation (KNGT) — Quarterly Income Statement ($ in millions, except per share data)

	1Q98	1Q99	1Q00	1Q01	1Q02E	2Q98	2Q99	2Q00	2Q01	2Q02E	3Q98	3Q99	3Q00	3Q01E	3Q02E	4Q98	4Q99	4Q00	4Q01E	4Q02E
REVENUE																				
Revenue, before fuel surcharge	$28.3	$33.5	$43.6	$54.0	$59.8	$30.4	$36.7	$51.7	$58.7	$64.3	$32.9	$38.1	$55.8	$60.2	$70.1	$33.5	$43.2	$56.4	$62.2	$73.2
Fuel surcharge	-	-	1.5	2.6	1.9	-	-	1.9	2.5	1.3	-	-	2.4	2.1	1.1	-	-	3.6	1.9	1.0
Total Revenue (5,6)	28.3	33.5	45.1	56.7	61.7	30.4	36.7	53.6	61.2	65.6	32.9	38.1	58.2	62.3	71.3	33.5	43.2	60.0	64.0	74.1
Year-over-Year Growth	*32.5%*	*18.6%*	*34.5%*	*25.7%*	*8.8%*	*25.3%*	*20.8%*	*46.1%*	*14.1%*	*7.2%*	*28.0%*	*15.8%*	*52.9%*	*7.0%*	*14.4%*	*19.0%*	*28.9%*	*38.7%*	*6.8%*	*15.8%*
OPERATING EXPENSES																				
Salaries, wages, and benefits	8.3	10.0	14.1	18.3	20.2	8.5	10.7	17.5	19.5	21.3	9.3	11.2	18.9	20.4	23.5	9.7	12.8	18.8	20.7	23.4
Fuel expense - net (1)	2.8	3.1	5.4	6.6	7.6	3.0	3.6	6.5	7.5	7.3	3.3	3.9	7.5	6.5	8.1	3.1	5.3	7.4	8.1	9.1
Fuel expense - gross	-	-	*6.9*	*9.2*	*9.6*	-	-	*8.5*	*10.0*	*8.6*	-	-	*9.9*	*8.6*	*9.3*	-	-	*10.9*	*9.9*	*10.1*
Operations and maintenance	1.7	1.9	2.5	3.1	3.3	1.7	2.1	2.8	3.2	3.5	2.1	2.3	3.0	3.5	3.9	1.9	2.5	3.1	3.5	4.0
Insurance and claims	0.8	0.9	0.7	2.1	2.3	0.9	0.8	1.2	2.2	2.4	0.7	1.0	1.3	2.3	2.6	0.6	1.2	1.6	2.3	2.6
Operating taxes and license	1.1	1.3	1.7	1.7	2.1	1.2	1.3	1.9	1.7	2.4	1.4	1.5	2.0	2.1	2.6	1.5	1.6	2.0	2.1	2.5
Communications	0.2	0.3	0.3	0.4	0.4	0.2	0.3	0.4	0.5	0.6	0.2	0.3	0.4	0.4	0.5	0.3	0.3	0.4	0.5	0.6
Depreciation and amortization	2.8	3.4	4.2	4.9	4.7	3.0	3.6	4.8	4.8	4.7	3.2	3.3	5.1	4.8	4.7	3.4	3.8	5.1	4.8	4.7
Lease expense - revenue equip.	-	-	-	1.9	2.0	-	-	0.8	2.1	2.2	-	-	1.3	1.9	2.2	-	-	1.6	1.8	2.1
Purchased transportation	4.9	5.9	6.8	5.9	6.3	5.4	6.8	6.3	6.2	7.3	5.6	7.2	6.5	6.9	8.2	5.9	7.6	6.3	6.7	9.1
Miscellaneous operating expenses	0.6	0.8	1.0	1.5	1.7	0.7	0.9	1.4	1.9	2.1	0.8	1.0	1.5	2.1	2.0	1.0	1.1	1.6	2.0	2.3
Total Operating Expenses	23.2	27.6	36.7	46.2	50.6	24.6	30.2	43.6	49.6	53.7	26.8	31.6	47.3	51.0	58.3	27.4	36.2	47.7	52.6	60.5
OPERATING EXPENSES AS A PERCENTAGE OF REVENUE																				
Salaries, wages, and benefits	29.5%	29.7%	32.3%	33.9%	33.8%	28.1%	29.2%	33.9%	33.3%	33.1%	28.4%	29.5%	33.8%	33.9%	33.5%	28.9%	29.6%	33.3%	33.3%	32.0%
Fuel expense - net (1)	9.8%	9.1%	12.5%	12.1%	12.8%	9.7%	9.8%	12.6%	12.7%	11.3%	10.1%	10.1%	13.5%	10.9%	11.6%	9.3%	12.2%	13.1%	13.0%	12.5%
Fuel expense - gross	-	-	*15.9%*	*17.0%*	*16.0%*	-	-	*16.4%*	*17.0%*	*13.3%*	-	-	*17.8%*	*14.4%*	*13.2%*	-	-	*19.4%*	*16.0%*	*13.8%*
Operations and maintenance	6.0%	5.7%	5.7%	5.8%	5.6%	5.7%	5.8%	5.4%	5.4%	5.4%	6.4%	5.9%	5.3%	5.8%	5.5%	5.7%	5.7%	5.5%	5.6%	5.5%
Insurance and claims	2.8%	2.8%	1.7%	3.8%	3.8%	3.0%	2.3%	2.4%	3.7%	3.7%	2.3%	2.6%	2.3%	3.7%	3.7%	1.9%	2.8%	2.9%	3.6%	3.6%
Operating taxes and license	4.0%	3.9%	3.8%	3.1%	3.4%	4.0%	3.4%	3.7%	2.9%	3.8%	4.2%	3.8%	3.5%	3.4%	3.7%	4.5%	3.7%	3.5%	3.4%	3.4%
Communications	0.8%	0.9%	0.7%	0.7%	0.7%	0.7%	0.9%	0.8%	0.8%	0.9%	0.8%	0.8%	0.7%	0.7%	0.7%	0.8%	0.7%	0.7%	0.8%	0.8%
Depreciation and amortization	9.9%	10.3%	9.5%	9.0%	7.8%	9.9%	9.9%	9.3%	8.2%	7.3%	9.9%	8.6%	9.1%	7.8%	6.6%	10.1%	8.8%	9.1%	7.8%	6.4%
Lease expense - revenue equip.	-	-	-	3.4%	3.4%	-	-	1.6%	3.6%	3.5%	-	-	2.3%	3.2%	3.2%	-	-	2.8%	2.9%	2.9%
Purchased transportation	17.2%	17.7%	15.6%	10.8%	10.5%	17.7%	18.6%	12.2%	10.5%	11.3%	17.0%	19.0%	11.7%	11.5%	11.7%	17.7%	17.6%	11.1%	10.8%	12.4%
Miscellaneous operating expenses	2.1%	2.3%	2.4%	2.8%	2.8%	2.3%	2.4%	2.7%	3.3%	3.3%	2.4%	2.5%	2.7%	3.5%	2.8%	2.8%	2.6%	2.9%	3.2%	3.2%
OPERATING RATIO, Net Fuel Surcharge (2)	**82.2%**	**82.4%**	**84.2%**	**85.6%**	**84.7%**	**81.1%**	**82.3%**	**84.4%**	**84.5%**	**83.5%**	**81.5%**	**82.9%**	**84.9%**	**84.7%**	**83.1%**	**81.7%**	**83.7%**	**84.7%**	**84.6%**	**82.6%**
Year-over-Year Change Operating Ratio		*14bp*	*187bp*	*133bp*	*-84bp*		*123bp*	*204bp*	*14bp*	*-103bp*		*142bp*	*194bp*	*-15bp*	*-159bp*		*208bp*	*92bp*	*-11bp*	*-194bp*
Operating Income	5.0	5.9	6.9	7.8	9.1	5.7	6.5	8.1	9.1	10.6	6.1	6.5	8.4	9.2	11.8	6.2	7.0	8.645	9.6	12.7
Year-over-Year Growth	*42.3%*	*17.7%*	*16.2%*	*13.6%*	*17.0%*	*30.5%*	*13.0%*	*24.6%*	*12.6%*	*16.9%*	*30.8%*	*6.9%*	*29.9%*	*9.0%*	*28.7%*	*25.2%*	*14.2%*	*23.1%*	*11.0%*	*32.5%*
OTHER INCOME AND EXPENSE																				
Interest income	0.0	0.1	0.3	0.2	0.2	0.0	0.2	0.3	0.2	0.2	0.0	0.3	0.1	0.2	0.2	0.1	0.3	0.2	0.2	0.2
Interest expense	(0.0)	(0.2)	(0.8)	(0.9)	(0.9)	(0.0)	(0.2)	(1.1)	(0.6)	(0.8)	(0.1)	(0.3)	(1.1)	(0.6)	(0.8)	(0.2)	(0.5)	(1.1)	(0.6)	(0.7)
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.3)	0.0	0.0
Other Income, Net	(0.0)	(0.1)	(0.5)	(0.7)	(0.7)	(0.0)	(0.0)	(0.8)	(0.5)	(0.7)	(0.1)	(0.0)	(1.0)	(0.4)	(0.6)	(0.1)	(0.2)	(1.1)	(0.4)	(0.5)
Pretax Income	5.0	5.8	6.4	7.1	8.4	5.7	6.5	7.3	8.6	10.0	6.0	6.5	7.4	8.7	11.2	6.0	6.8	7.5	9.2	12.2
Effective tax rate	41.2%	39.6%	39.2%	40.3%	40.3%	41.3%	39.7%	36.8%	41.2%	40.3%	41.3%	39.5%	38.0%	40.3%	40.3%	41.2%	39.7%	37.9%	40.3%	40.3%
Income taxes	2.1	2.3	2.5	2.9	3.4	2.4	2.6	2.7	3.5	4.0	2.5	2.6	2.8	3.5	4.5	2.5	2.7	2.9	3.7	4.9
Net Income (cont.)	2.9	3.5	3.9	4.2	5.0	3.4	3.9	4.6	5.1	5.9	3.5	3.9	4.6	5.2	6.7	3.5	4.1	4.7	5.5	7.3
Extraordinary item	0.0	0.0	0.0	0.0	0.0											0.0	0.0	0.0	0.0	0.0
Net income (reported)	2.9	3.5	3.9	4.2	5.0	3.4	3.9	4.6	5.1	5.9	3.5	3.9	4.6	5.2	6.7	3.5	4.1	4.661	5.5	7.3
EPS CONTINUING	**$0.13**	**$0.15**	**$0.17**	**$0.18**	**$0.21**	**$0.15**	**$0.17**	**$0.20**	**$0.22**	**$0.25**	**$0.15**	**$0.17**	**$0.20**	**$0.22**	**$0.28**	**$0.16**	**$0.18**	**$0.21**	**$0.23**	**$0.31**
Extraordinary item	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
EPS REPORTED	**$0.13**	**$0.15**	**$0.17**	**$0.18**	**$0.21**	**$0.15**	**$0.17**	**$0.20**	**$0.22**	**$0.25**	**$0.15**	**$0.17**	**$0.20**	**$0.22**	**$0.28**	**$0.16**	**$0.18**	**$0.21**	**$0.23**	**$0.31**
Year-over-Year EPS Growth (continuing)	*38.8%*	*19.7%*	*13.6%*	*5.5%*	*16.3%*	*29.0%*	*15.0%*	*21.2%*	*6.8%*	*15.6%*	*29.2%*	*10.7%*	*19.5%*	*9.9%*	*26.3%*	*23.3%*	*19.2%*	*11.5%*	*13.9%*	*30.2%*
Avg. Shares Outstanding (diluted) (3,4)	22.9	23.0	22.2	23.0	23.5	22.9	23.1	22.5	23.2	23.6	22.8	23.0	22.6	23.3	23.7	22.9	22.3	22.6	23.4	23.8

(1) Values prior to C00 reflect gross fuel expense.
(2) Total operating expenses (net fuel expense) as a percentage of total revenue (excluding fuel surcharge).
(3) 1Q98 earnings report included impact of 3-for-2 stock split in the form of a 50% stock dividend paid on or about May 18, 1998.
(4) 1Q01 earnings report included impact of 3-for-2 stock split in the form of a 50% stock dividend to be paid on or about June 1, 2001.
(5) Completed the acquisition of Action Delivery Inc. in first-quarter 1999.
(6) Knight Transportation acquired John Fayard Fast Freight Inc., completing the deal in first-quarter 2000.

Source: Bear, Stearns & Co. Inc. estimates.

Exhibit 94. Knight Transportation (KNGT) — Balance Sheet ($ in millions, except per share data)

	1997	1998	1999	2000	2001E	2002E
ASSETS						
Cash and cash equivalents	$0.5	$0.1	$3.3	$6.2	$13.7	$13.8
Trade receivables	11.9	18.2	25.2	33.9	38.0	42.2
Notes receivable, current	0.0	0.6	1.6	0.1	0.5	0.5
Inventories and supplies	0.4	1.3	0.6	0.8	0.9	1.0
Prepaid expenses	0.7	1.6	1.6	5.0	3.0	3.0
Deferred tax assets	1.9	2.7	2.7	3.0	3.2	3.4
Total Current Assets	**15.5**	**24.6**	**34.9**	**49.1**	**59.3**	**63.8**
Land and improvements	4.3	6.0	6.1	11.3	12.4	13.7
Buildings and improvements	1.9	6.0	6.2	9.7	10.7	11.7
Furniture and fixtures	2.1	3.2	3.9	5.6	5.9	6.2
Shop and service equipment	1.0	1.2	1.3	1.4	1.5	1.6
Revenue equipment	75.7	93.7	127.3	156.4	150.3	146.4
Leasehold improvements	0.4	0.5	0.5	0.6	0.6	0.7
Property and equipment, gross	85.5	110.5	145.3	185.1	181.4	180.3
Less accumulated depreciation	(20.0)	(26.0)	(32.2)	(42.1)	(43.4)	(44.7)
Property and Equipment, Net	**65.4**	**84.6**	**113.2**	**143.0**	**138.1**	**135.6**
Notes receivable, net of current	0.0	2.8	8.4	1.4	2.0	2.0
Other assets, gross	1.8	4.9	8.0	13.8	36.4	61.9
Less accumulated amortization	0.0	0.0	(0.0)	(0.3)	(0.3)	(0.3)
Other assets, net	1.8	4.9	8.0	13.5	36.1	61.6
TOTAL ASSETS	**82.7**	**117.0**	**164.5**	**207.0**	**235.5**	**263.0**
LIABILITIES AND EQUITY						
Accounts payable	4.8	7.1	8.1	6.1	6.9	7.7
Accrued liabilities	3.1	5.2	3.5	4.4	4.6	4.9
Current portion of long-term debt	0.0	1.8	2.7	5.5	5.5	5.5
Claims accrual	3.5	3.7	4.6	5.6	5.7	5.9
Total Current Liabilities	**11.4**	**17.9**	**19.0**	**21.6**	**22.7**	**23.9**
Line of credit	2.0	3.5	29.0	34.0	34.0	32.0
Long-term debt, net of current	0.0	7.9	11.7	14.9	14.9	9.9
Deferred tax liabilities	12.5	17.0	22.0	31.4	37.7	45.2
TOTAL LIABILITIES	**25.9**	**46.3**	**81.7**	**101.9**	**109.3**	**111.1**
SHAREHOLDERS' EQUITY						
Preferred stock	0.0	0.0	0.0	0.0	0.0	0.0
Common stock	0.1	0.1	0.2	0.2	0.2	0.2
Additional paid-in capital	24.0	24.5	27.0	28.9	29.8	30.7
Retained earnings	32.6	46.0	61.5	79.2	99.2	124.2
Treasury stock	0.0	0.0	(5.8)	(3.1)	(3.0)	(3.0)
Accumulated other comprehensive loss	0.0	0.0	0.0	0.0	(0.2)	0.0
Total shareholders' equity	56.8	70.6	82.8	105.1	126.1	152.0
TOTAL LIABILITIES AND EQUITY	**82.7**	**117.0**	**164.5**	**207.0**	**235.5**	**263.0**
Book value/share	$2.50	$3.09	$3.62	$4.67	$5.43	$6.43
Leverage Analysis						
LTD/total capital	0.0%	8.0%	8.1%	8.0%	7.0%	4.1%
Total debt/total capital	2.8%	13.3%	29.9%	29.3%	25.6%	19.8%
Total debt/total debt + equity	3.5%	16.4%	44.7%	43.3%	37.1%	28.3%
Total debt/equity	0.0x	0.2x	0.5x	0.5x	0.4x	0.3x
Cash interest coverage	400.2x	84.5x	33.5x	12.6x	19.7x	19.8x
Asset turnover	1.2x	1.1x	0.9x	1.0x	1.0x	1.0x
Financial Return Analysis						
Pretax return on avg. assets (%) (1)	23.8%	23.0%	18.4%	17.2%	16.1%	17.8%
Return on total capital (%) (2)	19.9%	19.8%	18.2%	18.2%	15.9%	17.1%
Return on average equity (%) (3)	20.0%	20.9%	20.2%	18.9%	17.3%	17.9%
Free cash flow return on capital (%) (4)	0.1%	-2.4%	-19.8%	0.5%	7.5%	6.1%

(1) EBIT/average total assets.
(2) Net income plus tax-affected interest/(total debt+equity).
(3) Net income/average equity.
(4) (Gross cash flow-dividends-maintenance capital expenditures)/(total debt+equity).

Source: Bear, Stearns & Co. Inc. estimates.

Exhibit 95. Knight Transportation (KNGT) — Cash Flow Statement ($ in millions, except per share data)

	1997	1998	1999	2000	2001E	2002E
OPERATING SOURCES						
Net income	$10.3	$13.3	$15.5	$17.7	$20.0	$25.0
Depreciation and amortization	9.6	12.4	14.2	19.1	19.3	18.8
Noncash compensation expense	0.0	0.0	0.0	0.0	0.0	0.0
Provision, allowance for doubtful accts./notes	0.1	0.4	0.3	0.7	0.7	0.7
Deferred income taxes, net	3.5	3.7	5.1	5.8	5.8	5.8
Tax benefit on stock option exercises	0.0	0.1	0.1	0.4	0.4	0.4
Change in net working capital (1)	0.2	(2.3)	(9.6)	(9.2)	(10.0)	(10.0)
TOTAL OPERATING SOURCES	23.6	27.7	25.5	34.5	36.2	40.6
OPERATING USES						
Purchase of property and equipment, net	(23.5)	(29.3)	(37.3)	(34.0)	(25.0)	(30.0)
Investment in communications company	0.0	(4.0)	(0.9)	0.0	0.0	0.0
Investment in other companies	0.0	(0.3)	(0.3)	(1.7)	(1.0)	(1.0)
Cash received from business acquired	0.0	0.0	0.1	2.5	2.0	2.0
Increase in notes receivable	0.0	(3.4)	(6.6)	(1.7)	(2.0)	(2.0)
TOTAL OPERATING USES	(23.5)	(37.0)	(44.9)	(34.9)	(26.0)	(31.0)
OPERATING CASH FLOW	0.1	(9.3)	(19.4)	(0.3)	10.2	9.6
FINANCING SOURCES						
Borrowing on line of credit	2.0	1.5	25.5	5.0	0.0	(2.0)
Proceeds from sale of notes receivable	0.0	0.0	0.0	10.1	0.0	0.0
Borrowings of long-term debt	0.0	10.0	6.6	0.0	0.0	0.0
Payments of long-term debt	(0.4)	(0.3)	(1.9)	(9.9)	0.0	(5.0)
Net change of debt	1.6	11.2	30.3	5.2	0.0	(7.0)
Payments of accounts payable - equipment	(2.9)	(2.8)	(2.2)	(3.2)	(3.0)	(3.0)
Purchase of treasury stock, at cost	0.0	0.0	(5.8)	0.0	(1.0)	(1.0)
Proceeds from sale of common stock	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from exercise of stock options	0.6	0.5	0.3	1.2	1.3	1.5
NET CASH FROM FINANCING ACTIVITIES	(0.8)	8.9	22.6	3.2	(2.7)	(9.5)
Cash at beginning of year	1.2	0.5	0.1	3.3	6.2	13.7
Net change in cash	**(0.7)**	**(0.4)**	**3.2**	**2.9**	**7.6**	**0.1**
Cash at end of year	0.5	0.1	3.3	6.2	13.7	13.8
Cash Flow Analysis						
EBITDA	$27.0	$35.4	$40.1	$51.2	$55.0	$63.1
Operating cash flow (2)	0.1	(9.3)	(19.4)	(0.3)	10.2	9.6
Gross cash flow (3)	23.3	29.5	34.7	42.7	45.2	49.5
Free cash flow (4)	0.1	(1.7)	(17.6)	0.6	10.2	9.6
Cash Flow Analysis per Share						
EBITDA	$1.19	$1.55	$1.75	$2.27	$2.37	$2.67
Operating cash flow (2)	$0.00	($0.41)	($0.85)	($0.02)	$0.44	$0.41
Gross cash flow (3)	$1.02	$1.29	$1.52	$1.90	$1.94	$2.09
Free cash flow (4)	$0.00	($0.07)	($0.77)	$0.03	$0.44	$0.41

(1) Includes changes in accounts receivable and payable, accruals and taxes payable, and other current assets.
(2) Total operating sources less operating uses.
(3) Total operating sources less net capex and share repurchases.
(4) Net income plus depreciation, amortization, and deferred taxes minus capital expenditures and dividend payouts.

Source: Bear, Stearns & Co. Inc. estimates.

Exhibit 96. Swift Transportation (SWFT) — Annual Income Statement ($ in millions, except per share data)(1)

	1997	1998	1999	2000	2001E	2002E
Revenue						
Owned equipment	$682.8	-	-	-	-	-
Less trip lease/intermodal	-	-	-	-	-	-
Owner operator	-	-	-	-	-	-
Trucking, MSCA (2)	380.8	-	-	-	-	-
Subtotal, Trucking	1,063.6	-	-	-	2,001.4	2,226.5
Fuel surcharge, SWFT	-	-	-	-	13.6	-
Other (3)	66.0	-	-	-	99.2	84.9
Total Revenue (4)	**1,129.6**	**1,401.8**	**1,682.3**	**1,973.8**	**2,114.2**	**2,311.4**
Y-O-Y Growth	*25.2%*	*24.1%*	*20.0%*	*17.3%*	*7.1%*	*9.3%*
Operating Expenses						
Salaries, wages, & benefits	379.7	482.2	565.9	674.9	775.5	832.1
Operating supplies & expenses	135.0	121.0	136.7	162.1	247.3	269.6
Fuel expense - gross (2)	91.3	138.4	174.2	264.2	216.7	225.8
Purchased transportation	195.7	278.2	354.4	399.2	367.6	413.0
Rental expense	46.5	42.3	46.0	70.6	91.7	100.7
Insurance & claims	41.6	44.9	49.5	53.9	69.7	78.7
Depreciation & amortization	77.5	94.6	119.1	134.4	138.3	144.7
Communications & utilities	16.4	18.3	22.0	25.4	29.0	32.9
Operating taxes & licenses	34.8	36.1	41.2	46.8	50.0	55.6
Other	2.1 -	-	-		7.1	7.3
Total Operating Expenses	**1,020.6**	**1,256.1**	**1,509.1**	**1,831.5**	**1,992.8**	**2,160.4**
Operating Expenses as a Percentage of Revenue						
Salaries, wages, & benefits	33.6%	34.4%	33.6%	34.2%	36.7%	36.0%
Operating supplies & expenses	12.0%	8.6%	8.1%	8.2%	11.7%	11.7%
Fuel expense - gross (2)	8.1%	9.9%	10.4%	13.4%	10.3%	9.8%
Purchased transportation	17.3%	19.8%	21.1%	20.2%	17.4%	17.9%
Rental expense	4.1%	3.0%	2.7%	3.6%	4.3%	4.4%
Insurance & claims	3.7%	3.2%	2.9%	2.7%	3.3%	3.4%
Depreciation & amortization	6.9%	6.8%	7.1%	6.8%	6.5%	6.3%
Communications & utilities	1.5%	1.3%	1.3%	1.3%	1.4%	1.4%
Operating taxes & licenses	3.1%	2.6%	2.5%	2.4%	2.4%	2.4%
Other	0.2%	0.0%	0.0%	0.0%	0.3%	0.3%
Operating Ratio	**90.4%**	**89.6%**	**89.7%**	**92.8%**	**94.3%**	**93.5%**
Y-O-Y Change	*-107bp*	*-74bp*	*9bp*	*309bp*	*147bp*	*-79bp*
Operating Income	**108.9**	**145.6**	**173.2**	**142.3**	**121.4**	**151.0**
Y-O-Y Growth	*40.8%*	*33.7%*	*19.0%*	*-17.8%*	*-14.7%*	*24.4%*
Other Income and Expense						
Interest expense, net (5)	-	-	-	-	(33.2)	(35.2)
Interest expense, SWFT	(4.5)	(14.8)	(22.2)	(34.1)	-	-
Interest income, SWFT	0.2	0.3	0.3	0.7	-	-
Net interest expense, MSCA	(5.8) -	-	-		-	-
Other	0.6	2.0	3.6	1.1	(0.7)	(0.8)
Other Income, net	(9.5)	(12.5)	(18.2)	(32.3)	(33.8)	(36.0)
Pretax Income	**99.4**	**133.1**	**155.0**	**110.0**	**87.5**	**115.0**
Income taxes, total	38.8	52.3	57.6	41.1	33.9	44.4
Effective tax rate	39.0%	39.3%	37.2%	37.3%	38.7%	38.6%
Net Income (Continuing)	**60.6**	**80.8**	**97.4**	**68.9**	**53.6**	**70.6**
Extraordinary Item (6)	0.0	0.0	0.0	0.0	(5.5)	0.0
Net Income (Reported)	60.6	80.8	97.4	68.9	48.1	70.6
EPS Continuing	**$0.69**	**$0.91**	**$1.10**	**$0.81**	**$0.63**	**$0.83**
Extraordinary Item (6)	$0.00	$0.00	$0.00	$0.00	($0.06)	$0.00
EPS Reported	**$0.69**	**$0.91**	**$1.10**	**$0.81**	**$0.57**	**$0.83**
Year-over-Year Growth (continuing)	*36.6%*	*31.7%*	*20.2%*	*-26.4%*	*-21.7%*	*31.8%*
Avg. Shares Outstanding (diluted) (7)	87.6	88.6	88.9	85.5	84.9	84.8

(1) All data pro forma reflecting impact of June 29, 2001, merger with M.S. Carriers. Historical data adjusted for restatements/reclassifications; reported pro forma comparison data have been restated so that MSCA revenue conforms with SWFT revenue recognition policy. SWFT provided restated annual pro forma results for 1998-2000. 1997 data based on a pooling of reported SWFT/MSCA operating results (2) MSCA began reporting gross fuel expense and fuel surcharge revenue in 1Q01 (along with comparison data), which explains variance between reported totals for 2000 and quarterly 2000 information presented in this model. (3) Starting in 2Q01, fuel surcharge revenue not reported separately, but as part of other revenue. (4) SWFT acquisitions: Direct Transit (DTI) on 4/8/97 (assets), 49% stake in Trans-Mex Inc. completed on 3/3/00, van division of Cardinal Logistics Management completed on 12/19/00, merger with M.S. Carriers completed on June 29, 2001. (5) Beginning in 1Q01, reported interest expense and income no longer reported separately; consolidated and reported as net interest expense. (6) Onetime MSCA merger-related charges of about $9 million pretax booked in 2Q01. (7) Diluted share count reflects reported/estimated impact of June 29, 2001, merger with MSCA — 1.7 SWFT shares offered for every outstanding MSCA share (1.32 million SWFT and 0.3 million MSCA shares offered prior to deal close in compliance with pooling rules).

Source: Bear, Stearns & Co. Inc. estimates.

Exhibit 97. Swift Transportation (SWFT) — Quarterly Income Statement ($ in millions, except per share data)(1)

	1Q98	1Q99	1Q00	1Q01	1Q02E	2Q98	2Q99	2Q00	2Q01	2Q02E	3Q98	3Q99	3Q00	3Q01E	3Q02E	4Q98	4Q99	4Q00	4Q01E	4Q02E
Revenue																				
Owned equipment	$156.9	$191.5	$223.5	$249.8	-	$175.9	$213.5	-	-	-	$186.2	$223.2	$240.7	-	-	$194.2	$227.9	$246.7	-	-
Less trip lease/intermodal	(3.98)	(6.84)	(10.64)	(6.53)	-	(5.1)	(10.3)	-	-	-	(5.2)	(11.7)	(9.4)	-	-	(6.7)	(12.7)	(11.5)	-	-
Owner operator	32.6	41.3	56.3	60.1	-	38.0	46.5	-	-	-	39.2	52.2	63.9	-	-	41.2	51.3	62.1	-	-
Trucking, MSCA (2)	106.2	130.9	150.7	174.0	-	121.3	140.8	-	-	-	124.9	147.5	172.0	-	-	128.8	149.5	174.2	-	-
Subtotal, Trucking	**291.6**	**356.8**	**419.8**	**477.4**	**514.4**	**330.2**	**390.5**	**454.3**	**506.4**	**553.9**	**345.0**	**411.3**	**467.2**	**506.6**	**567.4**	**357.4**	**416.1**	**471.5**	**511.1**	**590.8**
Fuel surcharge, SWFT	0.1	(0.1)	8.7	13.6	-	0.0	(0.1)	-	-	-	(0.1)	0.3	12.5	-	-	(0.0)	1.6	17.6	-	-
Other (3)	17.0	21.1	30.1	18.7	24.7	19.3	25.7	46.0	29.2	23.3	19.7	28.3	17.0	26.3	21.6	22.0	30.3	18.2	25.0	15.4
Total Revenue (4)	**308.8**	**377.8**	**458.6**	**509.6**	**539.0**	**349.5**	**416.1**	**500.3**	**535.6**	**577.2**	**364.7**	**439.9**	**496.7**	**532.9**	**589.0**	**379.3**	**447.9**	**507.2**	**536.1**	**606.2**
Y-O-Y Growth	*24.1%*	*22.3%*	*21.4%*	*11.1%*	*5.8%*	*23.8%*	*19.1%*	*20.2%*	*7.0%*	*7.8%*	*23.4%*	*20.6%*	*12.9%*	*7.3%*	*10.5%*	*25.2%*	*18.1%*	*13.2%*	*5.7%*	*13.1%*
Operating Expenses																				
Salaries, wages, & benefits	105.6	133.3	156.6	192.7	191.4	117.5	141.0	167.9	196.1	210.1	125.9	147.3	170.1	195.1	214.6	133.2	144.3	180.3	191.7	216.0
Operating supplies & expenses	36.9	43.9	55.3	67.2	70.1	42.3	46.4	39.0	43.3	47.9	42.3	46.6	60.9	68.5	75.0	42.3	50.0	62.9	68.4	76.6
Fuel expense - gross (2)	22.6	24.1	39.8	46.5	49.1	23.3	28.1	61.5	73.2	69.8	23.2	32.3	43.6	48.0	52.1	23.9	34.6	49.4	49.1	54.8
Purchased transportation	61.0	75.4	98.1	94.9	102.4	70.2	88.3	103.8	92.5	102.7	71.7	93.8	99.4	88.2	101.5	75.3	96.8	100.9	91.9	106.3
Rental expense	10.0	11.1	14.2	20.2	21.3	9.1	10.9	17.5	25.3	27.1	11.0	9.9	16.9	22.9	25.3	11.2	13.0	18.0	23.3	26.9
Insurance & claims	11.1	11.7	13.9	17.2	19.4	12.1	11.4	13.2	17.7	19.9	12.1	12.7	12.5	16.8	18.8	9.7	13.7	14.3	18.0	20.6
Depreciation & amortization	22.4	27.8	31.8	35.0	36.7	22.2	27.3	34.3	34.3	37.5	23.4	31.0	33.4	34.4	34.2	26.5	32.9	34.8	34.6	36.4
Communications & utilities	4.3	5.0	5.9	6.9	7.5	4.3	5.7	5.9	7.1	7.7	4.7	5.6	6.5	7.2	8.2	5.0	5.7	7.1	7.8	9.3
Operating taxes & licenses	8.8	10.7	11.7	13.0	14.0	9.4	10.2	12.4	12.9	14.1	8.9	10.6	12.2	13.1	14.7	9.1	9.7	10.5	11.0	12.7
Other	0.7	1.5	1.2	2.3	1.6	1.1	1.4			0.0	1.0	1.3	1.6	2.4	2.9	1.2	1.2	1.8	2.4	2.7
Total Operating Expenses	**283.5**	**344.6**	**428.6**	**495.9**	**513.5**	**311.6**	**370.7**	**455.5**	**502.4**	**536.9**	**324.2**	**391.2**	**457.1**	**496.4**	**547.5**	**337.3**	**401.9**	**479.9**	**498.0**	**562.5**
Operating Expenses as a Percentage of Revenue																				
Salaries, wages, & benefits	34.2%	35.3%	34.2%	37.8%	35.5%	33.6%	33.9%	33.6%	36.6%	36.4%	34.5%	33.5%	34.3%	36.6%	36.4%	35.1%	32.2%	35.5%	35.8%	35.6%
Operating supplies & expenses	12.0%	11.6%	12.1%	13.2%	13.0%	12.1%	11.1%	7.8%	8.1%	8.3%	11.6%	10.6%	12.3%	12.9%	12.7%	11.2%	11.2%	12.4%	12.8%	12.6%
Fuel expense - gross (2)	7.3%	6.4%	8.7%	9.1%	9.1%	6.7%	6.8%	12.3%	13.7%	12.1%	6.4%	7.3%	8.8%	9.0%	8.8%	6.3%	7.7%	9.7%	9.2%	9.0%
Purchased transportation	19.7%	20.0%	21.4%	18.6%	19.0%	20.1%	21.2%	20.7%	17.3%	17.8%	19.7%	21.3%	20.0%	16.6%	17.2%	19.8%	21.6%	19.9%	17.2%	17.5%
Rental expense	3.2%	2.9%	3.1%	4.0%	4.0%	2.6%	2.6%	3.5%	4.7%	4.7%	3.0%	2.3%	3.4%	4.3%	4.3%	3.0%	2.9%	3.5%	4.4%	4.4%
Insurance & claims	3.6%	3.1%	3.0%	3.4%	3.6%	3.5%	2.7%	2.6%	3.3%	3.4%	3.3%	2.9%	2.5%	3.2%	3.2%	2.5%	3.1%	2.8%	3.4%	3.4%
Depreciation & amortization	7.3%	7.4%	6.9%	6.9%	6.8%	6.4%	6.6%	6.9%	6.4%	6.5%	6.4%	7.1%	6.7%	6.5%	5.8%	7.0%	7.3%	6.9%	6.5%	6.0%
Communications & utilities	1.4%	1.3%	1.3%	1.4%	1.4%	1.2%	1.4%	1.2%	1.3%	1.3%	1.3%	1.3%	1.3%	1.4%	1.4%	1.3%	1.3%	1.4%	1.5%	1.5%
Operating taxes & licenses	2.8%	2.8%	2.6%	2.6%	2.6%	2.7%	2.5%	2.5%	2.4%	2.4%	2.4%	2.4%	2.5%	2.5%	2.5%	2.4%	2.2%	2.1%	2.1%	2.1%
Other	0.5%	0.3%	0.3%	0.4%	0.3%	0.3%	0.3%				0.3%	0.3%	0.3%	0.5%	0.5%	0.3%	0.3%	0.4%	0.5%	0.5%
Operating Ratio	**91.8%**	**91.2%**	**93.5%**	**97.3%**	**95.3%**	**89.2%**	**89.1%**	**91.0%**	**93.8%**	**93.0%**	**88.9%**	**88.9%**	**92.0%**	**93.2%**	**93.0%**	**88.9%**	**89.7%**	**94.6%**	**92.9%**	**92.8%**
Y-O-Y Change	-	*-59bp*	*224bp*	*385bp*	*-206bp*	-	*-7bp*	*195bp*	*278bp*	*-204bp*	-	*2bp*	*311bp*	*111bp*	*-19bp*	-	*80bp*	*488bp*	*-172bp*	*-11bp*
Operating Income	**25.3**	**33.2**	**30.0**	**13.7**	**25.6**	**37.9**	**45.4**	**44.8**	**33.1**	**40.3**	**40.5**	**48.7**	**39.6**	**36.5**	**41.5**	**42.0**	**46.0**	**27.3**	**38.1**	**43.7**
Y-O-Y Growth	*48.6%*	*31.1%*	*-9.6%*	*-54.4%*	*86.8%*	*35.0%*	*19.8%*	*-1.3%*	*-26.1%*	*21.6%*	*22.0%*	*20.4%*	*-18.8%*	*-7.7%*	*13.6%*	*36.6%*	*9.5%*	*-40.6%*	*39.3%*	*14.8%*
Other Income and Expense																				
Interest expense, net (5)	-	-	-	(9.8)	(6.8)	-	-	-	(6.9)	(8.1)	-	-	-	(7.8)	(9.5)	-	-	-	(8.6)	(10.8)
Interest expense, SWFT	(1.3)	(2.1)	(3.2)	-	-	(1.6)	(2.1)	-	-	-	(1.3)	(2.8)	(4.2)	-	-	(2.1)	(2.5)	(4.4)	-	-
Interest income, SWFT	0.2	0.1	0.2	-	-	0.0	0.0	-	-	-	0.1	0.2	0.0	-	-	0.0	-	-	-	-
Net interest expense, MSCA	(1.6)	(2.9)	(3.4)	-	-	(2.3)	(2.9)	(8.8)	-	-	(2.1)	(3.1)	(4.7)	-	-	(2.4)	(3.7)	(5.0)	-	-
Other	0.5	0.8	0.9	(0.2)	(0.2)	0.5	1.3	0.5	(0.1)	(0.2)	0.4	0.9	0.4	(0.2)	(0.2)	0.9	0.8	(0.1)	(0.2)	(0.2)
Other Income, net	(2.3)	(4.1)	(5.5)	(10.0)	(7.0)	(3.4)	(3.8)	(8.3)	(7.0)	(8.3)	(3.0)	(4.8)	(8.4)	(8.0)	(9.7)	(3.6)	(5.4)	(9.5)	(8.8)	(11.0)
Pretax Income	**23.0**	**29.1**	**24.4**	**3.7**	**18.5**	**34.5**	**41.6**	**36.6**	**26.1**	**32.0**	**37.5**	**43.9**	**31.2**	**28.5**	**31.8**	**38.3**	**40.6**	**17.8**	**29.2**	**32.7**
Income taxes, total	8.9	11.1	9.2	1.5	7.2	13.5	15.8	13.8	10.2	12.3	14.7	16.5	11.8	11.0	12.3	15.1	14.2	6.3	11.3	12.6
Effective tax rate	38.8%	38.1%	37.5%	39.6%	38.6%	39.2%	37.9%	37.8%	38.9%	38.6%	39.3%	37.7%	37.8%	38.6%	38.6%	39.4%	35.0%	35.3%	38.6%	38.6%
Net Income (Continuing)	**14.1**	**18.0**	**15.3**	**2.2**	**11.4**	**21.0**	**25.9**	**22.7**	**16.0**	**19.6**	**22.8**	**27.4**	**19.4**	**17.5**	**19.5**	**23.2**	**26.4**	**11.5**	**18.0**	**20.1**
Extraordinary Item (6)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(5.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Income (Reported)	14.1	18.0	15.3	2.2	11.4	21.0	25.9	22.7	10.5	19.6	22.8	27.4	19.4	17.5	19.5	23.2	26.4	11.5	18.0	20.1
EPS Continuing	**$0.16**	**$0.21**	**$0.18**	**$0.03**	**$0.13**	**$0.24**	**$0.29**	**$0.27**	**$0.19**	**$0.23**	**$0.26**	**$0.31**	**$0.23**	**$0.21**	**$0.23**	**$0.26**	**$0.30**	**$0.13**	**$0.21**	**$0.24**
Extraordinary Item (6)	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	($0.07)	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
EPS Reported	**$0.16**	**$0.21**	**$0.18**	**$0.03**	**$0.13**	**$0.24**	**$0.29**	**$0.27**	**$0.12**	**$0.23**	**$0.26**	**$0.31**	**$0.23**	**$0.21**	**$0.23**	**$0.26**	**$0.30**	**$0.13**	**$0.21**	**$0.24**
Year-over-Year Growth (continuing)	*49.1%*	*29.7%*	*-14.0%*	*-85.4%*	*422.8%*	*34.1%*	*23.4%*	*-6.6%*	*-30.4%*	*22.4%*	*22.8%*	*19.4%*	*-25.8%*	*-9.0%*	*11.0%*	*31.0%*	*13.2%*	*-54.7%*	*57.7%*	*11.4%*
Avg. Shares Outstanding (diluted) (7)	88.8	87.7	86.5	86.3	84.7	89.0	88.9	83.7	84.4	84.8	88.5	89.1	85.1	84.5	84.9	88.6	88.7	85.6	84.6	85.0

(1) All data pro forma reflecting impact of June 29, 2001, merger with M.S. Carriers. Historical data adjusted for restatements/reclassifications; reported pro forma comparison data have been restated so that MSCA revenue conforms with SWFT revenue recognition policy.
(2) MSCA began reporting gross fuel expense and fuel surcharge revenue in 1Q01 (along with comparison data), which explains variance between reported totals for 2000 and 2000 information presented in this model.
(3) Starting in 2Q01, fuel surcharge revenue not reported separately, but as part of other revenue.
(4) SWFT acquisitions: Direct Transit (DTI) on 4/8/97 (assets), 49% stake in Trans-Mex Inc. completed on 3/3/00, van division of Cardinal Logistics Management completed on 12/19/00, merger with M.S. Carriers completed on June 29, 2001.
(5) Beginning in 1Q01, reported interest expense and income no longer reported separately; consolidated and reported as net interest expense.
(6) Onetime MSCA merger-related charges of about $9 million pretax booked in 2Q01.
(7) Diluted share count reflects reported/estimated impact of June 29, 2001, merger with MSCA — 1.7 SWFT shares offered for every outstanding MSCA share (1.32 million SWFT and 0.3 million MSCA shares offered prior to deal close in compliance with pooling rules).

Source: Bear, Stearns & Co. Inc. estimates.

Exhibit 98. Swift Transportation (SWFT) — Balance Sheet ($ in millions, except per share data)[1]

	1998	1999	2000	2001E	2002E
Assets					
Cash	8.0	10.2	19.6	90.9	42.1
Accounts receivable, net	174.7	229.0	271.7	304.6	348.3
Equipment sales receivables, SWFT	5.3	6.0	5.8	6.7	7.7
Inventories and supplies, SWFT	4.9	7.4	9.0	9.9	10.8
Prepaid expenses, SWFT	15.2	17.0	27.2	27.2	27.2
Prepaid expenses & other, MSCA	9.4	6.6	8.6	9.0	9.5
Recoverable income taxes, MSCA	0.0	4.4	3.1	3.4	3.7
Defered tax asset	11.2	17.8	14.1	15.5	17.1
Assets held for sale, SWFT	5.5	5.5	3.2	3.2	3.2
Other, SWFT	0.0	0.0	3.2	0.0	0.0
Total Current Assets	**234.1**	**303.9**	**365.5**	**470.3**	**469.6**
Property and equipment (at cost)					
Revenue equipment	932.6	1146.6	1284.3	1399.9	1553.8
Land	15.2	21.4	36.1	38.2	41.7
Facilities & improvements, SWFT	85.9	112.7	128.7	141.5	155.7
Service equipment & other, MSCA	43.2	50.8	56.1	56.7	57.2
Buildings, MSCA	30.1	33.9	40.0	40.8	42.4
Construction in progress, MSCA	2.4	7.1	2.9	3.0	3.4
Furniture & office equipment, SWFT	15.6	20.3	23.5	24.7	27.2
Total property and equipment	1,125.0	1,392.7	1,571.5	1,704.8	1,881.4
Less accumulated D&A	(259.1)	(330.1)	(392.7)	(531.0)	(625.7)
Net property and equipment	**865.9**	**1,062.6**	**1,178.8**	**1,173.8**	**1,255.7**
Other assets	12.4	16.6	30.1	34.7	71.0
Goodwill, SWFT	7.8	7.1	6.3	5.8	5.4
Total Assets	**1,120.3**	**1,390.1**	**1,580.7**	**1,684.7**	**1,801.7**
Liabilities and Shareholders' Equity					
Current Liabilities					
Accounts payable	42.0	61.2	61.1	83.0	112.5
Accrued liabilities	44.1	56.7	49.4	59.3	74.2
Claims accruals	41.9	57.3	56.9	61.5	66.4
Current portion of LTD	27.9	39.7	65.9	65.9	65.9
Securitization of A/R, SWFT	0.0	0.0	117.0	117.0	117.0
Deferred taxes	2.9	0.0	7.2	8.3	8.3
Total Current Liabilities	**158.8**	**214.9**	**357.6**	**395.1**	**444.3**
Borrowing under revolver, SWFT	128.0	152.5	154.0	159.0	139.0
LTD, net of current portion	161.8	218.1	223.1	208.4	193.4
Claims accruals, SWFT	28.1	21.1	21.0	23.6	26.4
Deferred taxes	112.5	161.0	170.1	195.6	225.0
Total Shareholders' Equity	**531.1**	**622.5**	**654.9**	**703.0**	**773.6**
Total Liabilities and Equity	**1,120.3**	**1,390.1**	**1,580.7**	**1,684.7**	**1,801.7**
Book Value per Share	$5.99	$7.00	$7.66	$8.28	$9.12
Leverage Analysis					
LTD/total capital	77.8%	90.9%	126.8%	119.3%	100.9%
Total debt/total debt + equity	37.4%	39.7%	46.1%	43.9%	40.0%
Total debt/equity	0.6x	0.7x	0.9x	0.8x	0.7x
Cash interest coverage	16.3x	13.2x	8.1x	7.8x	8.4x
Asset turnover	1.3x	1.2x	1.2x	1.3x	1.3x
Financial Return Analysis					
Pretax return on avg. assets [2]	19.5%	13.8%	9.6%	7.4%	8.7%
Return on total capital [3]	13.4%	13.3%	9.9%	7.6%	9.0%
Return on average equity [4]	16.4%	16.9%	10.8%	7.9%	9.6%
Free cash flow return on capital [5]	-7.3%	0.0%	-5.9%	4.6%	-1.3%

(1) All data pro forma reflecting impact of June 29, 2001, merger with M.S. Carriers.
(2) EBIT/average total assets.
(3) Net income plus tax-affected interest/(total debt+equity).
(4) Net income/average equity.
(5) (Gross cash flow-dividends-maintenance capital expenditures)/(total debt+equity).

Source: Bear, Stearns & Co. Inc. estimates.

Exhibit 99. Swift Transportation (SWFT) — Cash Flow Statement ($ in millions, except per share data)(1)

	1998	1999	2000	2001E	2002E
Operating Sources					
Net income	80.8	97.4	68.9	48.1	70.6
Depreciation & amortization	91.2	115.5	135.3	138.3	144.7
Deferred income taxes	9.6	45.9	25.1	22.6	29.4
Tax benefit from ex. of stock options, SWFT	3.3	3.3	0.9	3.0	3.0
Provision for A/R losses, SWFT	1.1	1.2	2.3	1.5	1.5
Other	0.1	0.3	0.5	0.0	0.0
Total Operating Sources	**186.1**	**263.6**	**233.0**	**213.5**	**249.2**
Operating Uses					
Capital expenditures	313.1	331.5	372.0	175.0	320.0
Equip. sales proceeds/o.b.s. leases	(93.0)	(110.7)	(172.9)	(55.0)	(90.0)
Purchase of carriers	17.0	0.0	1.5	2.0	2.0
Payments received on equip. sales receivables, SWFT	(3.4)	(5.3)	(6.0)	(5.5)	(6.0)
Disbursements for contracts receivable, SWFT	0.0	0.0	0.0	0.0	0.0
Working capital	(3.1)	39.7	61.0	25.0	35.0
Total Operating Uses	**230.7**	**255.3**	**255.7**	**141.5**	**261.0**
Operating Cash Flow	**(44.6)**	**8.3**	**(22.6)**	**72.1**	**(11.7)**
Nonoperating Sources					
Revolver, net change, MSCA	0.0	3.5	4.8	20.0	(10.0)
Issuance/(repayments) of long-term debt	(20.2)	(31.4)	(43.8)	(14.7)	(15.0)
Increase (decrease) in notes payable	71.5	24.5	1.5	(15.0)	(10.0)
Net increase (decrease) in debt	51.3	(3.4)	(37.5)	(9.7)	(35.0)
Net increase in borrowings, A/R securitization	0.0	0.0	117.0	0.0	0.0
Proceeds from sale of common stock, net	4.8	5.5	5.6	24.4	3.0
Repurchase of common stock	(9.6)	(8.2)	(43.7)	(15.0)	(5.0)
Cash dividends paid	0.0	0.0	0.0	0.0	0.0
Equity invstmt./Loans to invstmt. entities	0.0	0.0	(9.4)	0.0	0.0
Total Nonoperating Sources	46.5	(6.1)	32.1	(0.3)	(37.0)
Cash & Equivalents at Beginning of Year	5.6	7.5	9.7	19.1	90.9
Net Change in Cash	1.9	2.2	9.4	71.7	(48.7)
Cash & Equivalents at End of Year	**7.5**	**9.7**	**19.1**	**90.9**	**42.1**
Cash Flow Analysis					
EBITDA	$240.2	$292.4	$276.7	$259.6	$295.7
Operating cash flow (2)	($44.6)	$8.3	($22.6)	$72.1	($11.7)
Gross cash flow (3)	$181.5	$258.8	$229.3	$209.0	$244.7
Free cash flow (4)	($54.2)	$0.1	($66.3)	$57.1	($16.7)
Cash Flow Analysis per Share					
EBITDA	$2.71	$3.29	$3.24	$3.06	$3.49
Operating cash flow (2)	($0.50)	$0.09	($0.26)	$0.85	($0.14)
Gross cash flow (3)	$2.05	$2.91	$2.68	$2.46	$2.89
Free cash flow (4)	($0.61)	$0.00	($0.78)	$0.67	($0.20)

(1) All data pro forma reflecting impact of June 29, 2001, merger with M.S. Carriers.
(2) Total operating sources less operating uses.
(3) Net Income plus depreciation, amortization, and deferred taxes.
(4) Operating cash flow less share repurchases and dividends paid.

Source: Bear, Stearns & Co. Inc. estimates.

Exhibit 100. U.S. Xpress Enterprises (XPRSA) — Annual Income Statement ($ in millions, except per share data)

	1997	1998	1999	2000	2001E	2002E
REVENUE (1,5,6,7)						
US Xpress		$508.3	$654.8	$733.6	$757.1	$840.2
CSI/Crown		74.5	57.7	58.2	65.2	70.8
Intercompany		(1.4)	(4.3)	(4.7)	(10.6)	(10.6)
Total Revenue	**362.8**	**581.4**	**708.2**	**787.1**	**811.7**	**900.4**
Year-over-Year Growth	*3.4%*	*60.2%*	*21.8%*	*11.1%*	*3.1%*	*10.9%*
OPERATING EXPENSES						
Salaries, wages, and benefits	148.9	234.0	275.1	288.1	305.5	336.0
Fuel and fuel taxes	61.3	77.0	100.3	136.0	140.0	150.3
Vehicle rents	21.6	32.4	54.5	59.4	64.4	71.6
Depreciation and amortization, net of gain on sale	13.2	26.0	29.3	34.4	35.8	34.9
Purchased transportation	22.7	60.8	83.9	104.3	96.4	108.5
Operating expenses and supplies	22.5	37.6	44.6	51.4	56.0	62.9
Insurance premiums and claims	15.3	20.2	28.4	31.8	34.0	39.9
Operating taxes and licenses	6.0	9.8	14.7	13.5	13.8	15.2
Communications and utilities	6.3	9.0	12.2	11.2	12.2	13.3
General and other operating expenses	25.4	30.3	32.5	35.0	36.3	40.1
Total Operating Expenses	**343.1**	**537.0**	**675.4**	**765.2**	**794.3**	**872.6**
OPERATING EXPENSES AS A PERCENTAGE OF REVENUE						
Salaries, wages, and benefits	41.0%	40.2%	38.8%	36.6%	37.6%	37.3%
Fuel and fuel taxes	16.9%	13.3%	14.2%	17.3%	17.2%	16.7%
Vehicle rents	6.0%	5.6%	7.7%	7.6%	7.9%	7.9%
Depreciation and amortization	3.6%	4.5%	4.1%	4.4%	4.4%	3.9%
Purchased transportation	6.3%	10.5%	11.8%	13.2%	11.9%	12.1%
Operating expenses and supplies	6.2%	6.5%	6.3%	6.5%	6.9%	7.0%
Insurance premiums and claims	4.2%	3.5%	4.0%	4.0%	4.2%	4.4%
Operating taxes and licenses	1.6%	1.7%	2.1%	1.7%	1.7%	1.7%
Communications and utilities	1.7%	1.5%	1.7%	1.4%	1.5%	1.5%
General and other operating expenses	7.0%	5.2%	4.6%	4.4%	4.5%	4.4%
OPERATING RATIO	**94.6%**	**92.4%**	**95.4%**	**97.2%**	**97.9%**	**96.9%**
Year-over-Year Change	*-116bp*	*-220bp*	*301bp*	*184bp*	*65bp*	*-94bp*
OPERATING INCOME	**19.7**	**44.4**	**32.8**	**21.9**	**17.4**	**27.8**
Year-over-Year Change	*31.5%*	*125.2%*	*-26.2%*	*-33.1%*	*-20.8%*	*59.9%*
Interest Expense, Net	**(5.5)**	**(9.9)**	**(12.3)**	**(15.4)**	**(16.6)**	**(15.9)**
Pretax Income	**14.2**	**34.5**	**20.4**	**6.5**	**0.8**	**11.8**
Income taxes, total	6.4	13.8	8.3	3.0	0.33	4.72
Effective tax rate	44.7%	39.9%	40.4%	46.3%	39.8%	39.9%
NET INCOME (CONTINUING)	**7.9**	**20.7**	**12.2**	**3.5**	**0.5**	**7.1**
Extraordinary item	0.0	0.0	(0.7)	(1.4)	0.0	0.0
NET INCOME (REPORTED)	7.9	20.7	11.4	2.1	0.5	7.1
EPS CONTINUING	**$1.16**	**$1.37**	**$0.82**	**$0.25**	**$0.04**	**$0.50**
Extraordinary item (2,3)	$0.00	$0.00	($0.05)	($0.10)	$0.00	$0.00
EPS REPORTED	**$1.16**	**$1.37**	**$0.77**	**$0.15**	**$0.04**	**$0.50**
Year-over-Year Change (continuing)	*182.2%*	*17.8%*	*-40.0%*	*-70.0%*	*-85.4%*	*NM*
Avg. Diluted Shares (4)	12.2	15.2	14.9	14.1	13.8	14.2

(1) Data for U.S. Xpress include all truckload operations. Data for CSI/Crown include data for CSI/Reeves from its date of acquisition in 8/95.
(2) Litigation related onetime charge in 2Q99 ($1.25 million pretax).
(3) Onetime pretax charge of $2 million in 4Q00 related to write-down of a receivable from Dedicated Transportation Services, Inc.
(4) Share count rose to 15.2 million shares after August 1997 3.8-million-share secondary offering (2.8 million shares sold by company and one million by management, including the shoe).
(5) Assets of RosedaleTransport, Inc. were acquired April 1, 1997, for $3.1 million.
(6) US Xpress acquired JTI Inc. for $2.7 million, marking the completion of the deal on May 1, 1997.
(7) Victory Express was acquired as of January 29, 1998, for approximately $51 million.

Source: Bear, Stearns & Co. Inc. estimates.

Exhibit 101. U.S. Xpress Enterprises (XPRSA) — Quarterly Income Statement ($ in millions, except per share data)

	1Q98	1Q99	1Q00	1Q01	1Q02E	2Q98	2Q99	2Q00	2Q01	2Q02E	3Q98	3Q99	3Q00	3Q01E	3Q02E	4Q98	4Q99	4Q00	4Q01E	4Q02E
REVENUE (1,5,6,7)																				
US Xpress	$108.1	$147.1	$179.8	$174.9	$193.0	$118.1	$162.5	$188.1	$188.6	$205.8	$129.8	$167.5	$182.6	$192.6	$215.0	$152.3	$177.7	$183.1	$201.0	$226.4
CSI/Crown	15.8	14.1	13.4	14.4	15.1	20.4	15.0	15.5	19.5	20.8	20.4	14.9	15.7	16.6	18.4	18.0	13.7	13.5	14.7	16.5
Intercompany			(1.3)	(2.8)	(2.8)		(1.0)	(1.2)	(5.6)	(5.6)		(1.7)	(1.2)	(1.2)	(1.2)	(1.4)	(1.6)	(1.0)	(1.0)	(1.0)
Total Revenue	**123.9**	**161.3**	**191.8**	**186.5**	**205.3**	**138.4**	**176.4**	**202.4**	**202.5**	**221.0**	**150.2**	**180.7**	**197.1**	**208.0**	**232.2**	**168.9**	**189.8**	**195.7**	**214.7**	**241.9**
Year-over-Year Growth	*35.3%*	*30.1%*	*19.0%*	*-2.8%*	*10.1%*	*28.3%*	*27.5%*	*14.7%*	*0.1%*	*9.1%*	*30.2%*	*20.3%*	*9.1%*	*5.5%*	*11.7%*	*42.0%*	*12.4%*	*3.1%*	*9.7%*	*12.6%*
OPERATING EXPENSES																				
Salaries, wages, and benefits	51.8	63.2	71.6	71.3	79.0	56.5	68.7	73.6	77.0	83.3	59.6	69.9	70.9	77.8	85.5	66.0	72.9	72.0	79.4	88.2
Fuel and fuel taxes	18.5	21.4	33.9	32.1	34.4	18.7	23.2	32.9	34.1	36.1	18.8	26.5	33.3	34.7	37.7	21.1	29.2	35.9	39.1	42.1
Vehicle rents	7.9	11.9	14.9	14.6	16.9	7.9	13.6	14.9	16.2	17.7	7.8	14.7	14.9	16.8	18.5	8.8	14.4	14.8	16.7	18.5
Depreciation and amortization, net gain on sale	5.5	6.9	7.9	9.3	8.6	5.7	7.2	8.2	8.7	8.8	6.4	7.4	8.7	8.9	8.7	8.4	7.8	9.6	8.9	8.7
Purchased transportation	10.6	19.3	25.3	23.1	24.7	13.0	20.2	27.6	24.9	27.2	15.9	20.9	26.3	24.7	29.0	21.2	23.5	25.1	23.6	27.6
Operating expenses and supplies	7.6	9.7	11.5	12.5	14.5	8.7	11.0	12.9	13.7	15.0	10.3	12.0	13.2	14.8	16.5	10.6	11.6	13.8	15.0	16.9
Insurance premiums and claims	4.2	5.7	7.6	7.4	9.1	4.6	7.1	8.1	8.0	9.7	5.6	7.8	8.2	8.9	10.2	6.3	8.6	7.9	9.7	10.9
Operating taxes and licenses	2.2	3.0	3.4	3.1	3.6	2.2	3.8	3.5	3.5	3.8	2.6	3.7	3.3	3.5	3.7	2.9	4.2	3.4	3.7	4.1
Communications and utilities	2.0	3.0	3.0	2.9	3.4	2.2	2.8	2.7	2.9	3.2	2.6	3.3	2.8	3.1	3.3	2.3	3.1	2.7	3.2	3.5
General and other operating expenses	6.5	7.8	8.0	8.0	8.9	7.3	8.3	8.9	8.9	9.8	8.1	8.1	8.9	9.4	10.2	8.3	8.3	9.2	10.1	11.1
Total Operating Expenses	**116.7**	**152.0**	**187.0**	**184.3**	**203.1**	**126.8**	**165.9**	**193.3**	**197.8**	**214.7**	**137.7**	**174.2**	**190.5**	**202.8**	**223.3**	**155.9**	**183.5**	**194.3**	**209.5**	**231.6**
OPERATING EXPENSES AS A PERCENTAGE OF REVENUE									0.0											
Salaries, wages, and benefits	41.8%	39.2%	37.3%	38.2%	38.5%	40.8%	38.9%	36.4%	38.0%	37.7%	39.7%	38.7%	36.0%	37.4%	36.8%	39.1%	38.4%	36.8%	37.0%	36.5%
Fuel and fuel taxes	14.9%	13.3%	17.7%	17.2%	16.7%	13.5%	13.2%	16.2%	16.8%	16.4%	12.5%	14.7%	16.9%	16.7%	16.3%	12.5%	15.4%	18.4%	18.2%	17.4%
Vehicle rents	6.4%	7.4%	7.7%	7.8%	8.2%	5.7%	7.7%	7.4%	8.0%	8.0%	5.2%	8.1%	7.5%	8.1%	8.0%	5.2%	7.6%	7.6%	7.8%	7.7%
Depreciation and amortization, net gain on sale	4.4%	4.3%	4.1%	5.0%	4.2%	4.1%	4.1%	4.1%	4.3%	4.0%	4.3%	4.1%	4.4%	4.3%	3.8%	5.0%	4.1%	4.9%	4.2%	3.6%
Purchased transportation	8.6%	12.0%	13.2%	12.4%	12.0%	9.4%	11.5%	13.7%	12.3%	12.3%	10.6%	11.6%	13.3%	11.9%	12.5%	12.6%	12.4%	12.8%	11.0%	11.4%
Operating expenses and supplies	6.2%	6.0%	6.0%	6.7%	7.0%	6.3%	6.2%	6.4%	6.8%	6.8%	6.9%	6.6%	6.7%	7.1%	7.1%	6.3%	6.1%	7.0%	7.0%	7.0%
Insurance premiums and claims	3.4%	3.6%	4.0%	3.9%	4.4%	3.3%	4.0%	4.0%	4.0%	4.4%	3.7%	4.3%	4.2%	4.3%	4.4%	3.7%	4.5%	4.0%	4.5%	4.5%
Operating taxes and licenses	1.7%	1.9%	1.8%	1.7%	1.7%	1.6%	2.1%	1.7%	1.7%	1.7%	1.7%	2.1%	1.7%	1.7%	1.6%	1.7%	2.2%	1.7%	1.7%	1.7%
Communications and utilities	1.6%	1.8%	1.6%	1.6%	1.6%	1.6%	1.6%	1.3%	1.4%	1.4%	1.7%	1.8%	1.4%	1.5%	1.4%	1.3%	1.6%	1.4%	1.5%	1.5%
General and other operating expenses	5.2%	4.8%	4.2%	4.3%	4.3%	5.3%	4.7%	4.4%	4.4%	4.4%	5.4%	4.5%	4.5%	4.5%	4.4%	4.9%	4.4%	4.7%	4.7%	4.6%
OPERATING RATIO	**94.2%**	**94.2%**	**97.5%**	**98.9%**	**98.9%**	**91.6%**	**94.0%**	**95.5%**	**97.6%**	**97.1%**	**91.7%**	**96.4%**	**96.6%**	**97.5%**	**96.2%**	**92.3%**	**96.7%**	**99.3%**	**97.6%**	**95.8%**
Year-over-Year Change	*-40bp*	*6bp*	*325bp*	*138bp*	*6bp*	*-98bp*	*243bp*	*148bp*	*214bp*	*-51bp*	*-66bp*	*470bp*	*26bp*	*86bp*	*-135bp*	*8bp*	*437bp*	*264bp*	*-176bp*	*-180bp*
OPERATING INCOME	**7.2**	**9.3**	**4.8**	**2.1**	**2.2**	**11.7**	**10.6**	**9.1**	**4.8**	**6.3**	**12.5**	**6.5**	**6.6**	**5.2**	**8.9**	**13.0**	**6.3**	**1.3**	**5.3**	**10.3**
Year-over-Year Change	*45.2%*	*28.9%*	*-48.0%*	*-55.9%*	*3.9%*	*45.1%*	*-9.3%*	*-13.7%*	*-47.6%*	*32.6%*	*41.4%*	*-47.7%*	*1.3%*	*-21.5%*	*71.9%*	*40.6%*	*-51.4%*	*-78.8%*	*292.0%*	*95.4%*
Interest Expense, Net	**(1.8)**	**(3.1)**	**(3.4)**	**(4.2)**	**(3.8)**	**(2.2)**	**(3.1)**	**(4.0)**	**(4.1)**	**(3.9)**	**(2.7)**	**(3.1)**	**(4.1)**	**(4.1)**	**(4.1)**	**(3.3)**	**(3.0)**	**(3.9)**	**(4.1)**	**(4.2)**
Pretax Income	**5.5**	**6.2**	**1.4**	**(2.0)**	**(1.6)**	**9.5**	**7.5**	**5.1**	**0.6**	**2.4**	**9.8**	**3.4**	**2.5**	**1.1**	**4.9**	**9.8**	**3.3**	**(2.6)**	**1.1**	**6.1**
Income taxes, total	2.2	2.5	0.6	(0.8)	(0.6)	3.8	3.0	2.1	0.3	1.0	3.9	1.4	1.1	0.4	1.9	3.9	1.4	(0.8)	0.5	2.4
Effective tax rate	40.2%	40.0%	40.0%	39.9%	39.9%	40.0%	40.0%	40.1%	39.9%	39.9%	40.0%	40.1%	44.9%	39.9%	39.9%	39.8%	43.0%	29.2%	39.9%	39.9%
NET INCOME (CONTINUING)	**3.3**	**3.7**	**0.9**	**(1.2)**	**(0.9)**	**5.7**	**4.5**	**3.1**	**0.4**	**1.5**	**5.9**	**2.1**	**1.4**	**0.6**	**2.9**	**5.871**	**1.9**	**(1.8)**	**0.7**	**3.7**
Extraordinary item	0.0	0.0	0.0	0.0	0.0	0.0	(0.7)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(1.4)	0.0	0.0
NET INCOME (REPORTED)	3.3	3.7	0.9	(1.2)	(0.9)	5.7	3.7	3.1	0.4	1.5	5.9	2.1	1.4	0.6	2.9	5.9	1.9	(3.3)	0.7	3.7
EPS CONTINUING	**$0.22**	**$0.25**	**$0.06**	**($0.09)**	**($0.07)**	**$0.38**	**$0.30**	**$0.22**	**$0.03**	**$0.10**	**$0.39**	**$0.14**	**$0.10**	**$0.05**	**$0.21**	**$0.39**	**$0.13**	**($0.13)**	**$0.05**	**$0.25**
Extraordinary item (2,3)	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	($0.05)	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	($0.10)	$0.00	$0.00
EPS REPORTED	**$0.22**	**$0.25**	**$0.06**	**($0.09)**	**($0.07)**	**$0.38**	**$0.25**	**$0.22**	**$0.03**	**$0.10**	**$0.39**	**$0.14**	**$0.10**	**$0.05**	**$0.21**	**$0.39**	**$0.13**	**($0.24)**	**$0.05**	**$0.25**
Year-over-Year Change (continuing)	*21.4%*	*14.4%*	*-75.9%*	*NM*	*NM*	*18.2%*	*-20.4%*	*-27.7%*	*-87.0%*	*266.9%*	*17.0%*	*-63.9%*	*-29.6%*	*-52.7%*	*343.9%*	*19.7%*	*-66.9%*	*NM*	*NM*	*417.8%*
Avg. Diluted Shares (4)	15.2	15.1	14.6	13.7	14.1	15.2	15.0	14.3	13.8	14.2	15.2	14.8	14.0	13.9	14.3	15.1	14.6	13.8	14.0	14.4

(1) Data for U.S. Xpress include all truckload operations. Data for CSI/Crown include data for CSI/Reeves from its date of acquisition in 8/95.
(2) Litigation related onetime charge in 2Q99 ($1.25 million pretax).
(3) Onetime pretax charge of $2 million in 4Q00 related to write-down of a receivable from Dedicated Transportation Services, Inc.
(4) Share count rose to 15.2 million shares after August 1997 3.8-million-share secondary offering (2.8 million shares sold by company and one million by management, including the shoe).
(5) Assets of RosedaleTransport, Inc. were acquired April 1, 1997, for $3.1 million.
(6) US Xpress acquired JTI Inc. for $2.7 million, marking the completion of the deal on May 1, 1997.
(7) Victory Express was acquired as of January 29, 1998, for approximately $51 million.

Source: Bear, Stearns & Co. Inc. estimates.

Exhibit 102. U.S. Xpress Enterprises (XPRSA) — Balance Sheet ($ in millions, except per share data)

	1997	1998	1999	2000	2001E	2002E
ASSETS						
Cash & equivalents	$2.7	$6.6	$0.3	$0.0	$18.7	$4.0
Accounts receivable	67.6	117.1	111.7	103.5	106.7	117.2
Operating insurance, licenses, and supplies	5.7	8.6	6.1	4.3	4.7	5.2
Deferred income taxes	3.1	4.2	2.1	2.2	2.5	2.7
Other current assets	0.5	1.3	4.2	6.7	7.1	7.4
Total Current Assets	**79.6**	**137.9**	**124.3**	**116.8**	**139.7**	**136.5**
Property and equipment at cost	180.4	269.1	275.9	315.5	375.5	455.5
Less accumulated depreciation and amortization	(44.3)	(52.2)	(69.5)	(96.6)	(132.9)	(168.3)
Net Property and Equipment	**136.1**	**216.9**	**206.3**	**218.9**	**242.6**	**287.2**
Goodwill, net	12.6	64.8	70.2	67.5	60.7	51.6
Other assets	5.5	6.9	8.2	17.1	14.2	5.96
TOTAL ASSETS	**233.8**	**426.5**	**409.0**	**420.2**	**457.2**	**481.3**
LIABILITIES AND STOCKHOLDERS' EQUITY						
Accounts payable	8.6	17.1	17.4	19.1	20.7	24.4
Accrued salaries, wages, and benefits	4.3	6.6	7.3	8.5	8.9	9.4
Claims and insurance accruals	5.8	8.4	5.5	8.7	9.1	9.6
Other accrued liabilities	5.2	6.7	5.1	6.1	7.0	8.1
Current portion of long-term debt	10.9	0.9	1.2	1.5	13.5	18.5
Total Current Liabilities	**34.8**	**39.6**	**36.5**	**43.9**	**59.4**	**70.0**
Long-term debt, net of current	52.1	202.5	181.3	179.9	194.9	194.9
Deffered income taxes	17.4	28.8	26.5	36.9	42.4	48.8
Other long-term liabilities	1.0	2.0	3.2	2.6	3.0	3.0
Total Stockholders' Equity	**128.5**	**153.7**	**161.5**	**156.9**	**157.4**	**164.5**
TOTAL LIABILITIES AND EQUITY	**233.8**	**426.5**	**409.0**	**420.2**	**457.2**	**481.3**
Book Value per Share	$10.56	$10.14	$10.88	$11.09	$11.37	$11.56
Leverage Analysis						
LTD/total capital	26.2%	52.3%	48.7%	47.8%	49.0%	47.4%
Total debt/total capital	31.7%	52.5%	49.0%	48.2%	52.4%	51.9%
Total debt/total debt + equity	**32.9%**	**57.0%**	**53.0%**	**53.6%**	**57.0%**	**56.5%**
Total debt/equity	0.5x	1.3x	1.1x	1.2x	1.3x	1.3x
Cash interest coverage	6.0x	7.1x	5.0x	3.6x	3.2x	3.9x
Asset turnover	1.6x	1.4x	1.7x	1.9x	1.8x	1.9x
Financial Return Analysis						
Pretax return on avg. assets (1)	9.5%	13.4%	7.8%	5.3%	4.0%	5.9%
Return on total capital (2)	2.9%	5.4%	1.4%	-1.4%	-2.7%	-0.7%
Return on average equity (3)	8.3%	14.7%	7.7%	2.2%	0.3%	4.4%
Free cash flow return on capital (4)	-10.2%	-29.1%	-11.4%	-0.4%	-4.4%	-8.0%

(1) EBIT/average total assets.
(2) Net income plus tax-affected interest/(total debt+equity).
(3) Net income/average equity.
(4) (Gross cash flow-dividends-maintenance capital expenditures)/(total debt+equity).

Source: Bear, Stearns & Co. Inc. estimates.

Exhibit 103. U.S. Xpress Enterprises (XPRSA) — Cash Flow Statement ($ in millions, except per share data)

OPERATING SOURCES	1997	1998	1999	2000	2001E	2002E
Net income	$7.9	$20.7	$11.4	$2.1	$0.5	$7.1
Deferred taxes	3.1	8.9	1.2	0.7	1.0	3.0
Depreciation & amortization	14.5	25.8	30.0	34.7	36.3	35.4
Gain on sale of property and equipment	(1.3)	0.2	(0.8)	(0.3)	(0.5)	(0.5)
Equity in earnings of unconsolidated affiliate						
Changes in operating assets and liabilities	(16.2)	(25.7)	(7.3)	17.4	(5.0)	(10.0)
Other, net	0.0	0.0	0.1	0.1	0.1	0.1
Total Operating Sources	**8.0**	**29.9**	**34.5**	**54.7**	**32.4**	**35.1**
OPERATING USES						
Capital expenditures	24.9	96.8	74.6	56.2	48.0	65.0
Proceeds from sales of property and equipment	(24.6)	(60.5)	(60.8)	(12.0)	(12.0)	(15.0)
Acquisition of subsidiary, net of cash acquired	3.0	62.6	1.8	0.0	0.0	0.0
Other	(0.1)	0.0	0.0	5.0	0.0	0.0
Total Operating Uses	**3.2**	**99.0**	**15.6**	**49.2**	**36.0**	**50.0**
OPERATING CASH FLOW	**4.8**	**(69.1)**	**18.9**	**5.5**	**(3.6)**	**(14.9)**
Nonoperating Sources						
Net borrowings (payments) under lines of credit	1.0	169.5	(21.0)	(9.8)	12.0	5.0
Payments of long-term debt	(26.5)	(84.2)	(0.9)	(1.2)	0.0	0.0
Borrowings under long-term debt	21.3	0.0	0.0	10.0	15.0	0.0
Proceeds from exercise of stock options	0.1	0.1	0.0	0.0	0.0	0.0
Proceeds from issuance of common stock	0.0	0.4	0.2	0.3	0.2	0.2
Book overdraft	0.0	0.0	0.9	2.1	0.0	0.0
Repurchase of stock	(0.0)	(12.9)	0.0	0.0	0.0	0.0
Increase (decrease) in other liabilities	0.0	0.0	(4.5)	(7.1)	(5.0)	(5.0)
Total Nonoperating Uses	**(4.1)**	**73.0**	**(25.3)**	**(5.7)**	**22.2**	**0.2**
CASH at BEGINNING of period	4.4	2.7	6.6	0.3	0.0	18.7
NET INCREASE (DECREASE) in CASH	0.7	3.9	(6.4)	(0.2)	18.6	(14.7)
Cash at End of Period	**5.1**	**6.6**	**0.3**	**0.0**	**18.7**	**4.0**
Cash Flow Analysis						
EBITDA	$34.2	$70.2	$62.8	$56.6	$53.7	$63.2
Operating cash flow (1)	8.0	29.9	34.5	54.7	32.4	35.1
Gross cash flow (2)	25.5	55.4	42.6	37.5	37.8	45.5
Free cash flow (3)	7.7	(19.3)	20.7	10.5	(3.6)	(14.9)
Cash Flow Analysis per Share						
EBITDA	$2.81	$4.63	$4.23	$4.00	$3.88	$4.44
Operating cash flow (1)	$0.66	$1.97	$2.33	$3.87	$2.34	$2.47
Gross cash flow (2)	$2.09	$3.65	$2.87	$2.65	$2.73	$3.20
Free cash flow (3)	$0.63	($1.27)	$1.39	$0.74	($0.26)	($1.05)

(1) Total operating sources less operating uses.
(2) Net income plus depreciation, amortization, and deferred taxes.
(3) Total operating sources less net capex and share repurchases.

Source: Bear, Stearns & Co. Inc. estimates.

Exhibit 104. Werner Enterprises (WERN) — Annual Income Statement ($ in millions, except per share data)

	1997	1998	1999	2000	2001E	2002E
OPERATING REVENUE						
Trucking revenue	$724.8	$837.3	$989.1	$1,097.0	$1,142.0	$1,252.5
Flatbed	0.0	0.0	3.0	51.7	58.3	55.1
Other (2,3)	47.3	26.2	60.3	66.0	59.3	63.0
Total Revenue	**772.1**	**863.4**	**1,052.3**	**1,214.6**	**1,259.6**	**1,370.5**
Year-over-Year Growth	*20.0%*	*11.8%*	*21.9%*	*15.4%*	*3.7%*	*8.8%*
OPERATING EXPENSES						
Salaries, wages, and benefits	279.0	325.7	382.8	429.8	452.8	489.9
Fuel	67.6	56.8	79.0	137.6	148.4	154.8
Supplies & maintenance	63.1	72.3	87.6	102.8	112.3	120.9
Taxes & licenses	58.5	67.9	82.1	89.1	93.6	101.5
Insurance & claims	21.2	23.9	31.7	34.1	44.5	48.6
Depreciation	72.6	82.5	100.0	109.1	114.9	118.4
Rent & purch. transportation	132.3	139.0	185.1	216.9	197.5	219.6
Communications & utilities	8.4	10.8	13.4	14.5	15.5	16.2
Other (1)	(8.2)	(11.1)	(11.7)	(2.2)	3.2	2.6
TOTAL OPERATING EXPENSES	**694.4**	**767.8**	**950.1**	**1,131.8**	**1,182.7**	**1,272.7**
OPERATING EXPENSES AS A PERCENTAGE OF REVENUE						
Salaries, wages, and benefits	36.1%	37.7%	36.4%	35.4%	35.9%	35.7%
Fuel	8.8%	6.6%	7.5%	11.3%	11.8%	11.3%
Supplies & maintenance	8.2%	8.4%	8.3%	8.5%	8.9%	8.8%
Taxes & licenses	7.6%	7.9%	7.8%	7.3%	7.4%	7.4%
Insurance & claims	2.7%	2.8%	3.0%	2.8%	3.5%	3.5%
Depreciation	9.4%	9.6%	9.5%	9.0%	9.1%	8.6%
Rent & purch. transportation	17.1%	16.1%	17.6%	17.9%	15.7%	16.0%
Communications & utilities	1.1%	1.3%	1.3%	1.2%	1.2%	1.2%
Other	-1.1%	-1.3%	-1.1%	-0.2%	0.3%	0.2%
TOTAL OPERATING EXPENSES	**89.9%**	**88.9%**	**90.3%**	**93.2%**	**93.9%**	**92.9%**
Year-over-Year Change	*22bp*	*-102bp*	*136bp*	*289bp*	*71bp*	*-104bp*
OPERATING INCOME	**77.6**	**95.6**	**102.2**	**82.8**	**76.9**	**97.9**
Year-over-Year Change	*27.3%*	*44.6%*	*31.6%*	*-13.4%*	*-24.8%*	*18.2%*
Interest expense	(3.0)	(4.9)	(6.6)	(8.2)	(3.4)	(5.1)
Interest income	1.6	1.7	1.4	2.7	2.8	4.2
Other	(0.1)	(0.1)	(0.2)	0.2	(1.1)	(0.8)
TOTAL OTHER EXPENSE	**(1.6)**	**(3.3)**	**(5.4)**	**(5.4)**	**(1.7)**	**(1.7)**
PRETAX INCOME	**76.1**	**92.3**	**96.8**	**77.5**	**75.2**	**96.2**
Income taxes	27.7	35.1	36.8	29.4	28.2	35.9
Tax rate	36.4%	38.0%	38.0%	38.0%	37.5%	37.3%
Net Income (continuing)	**48.4**	**57.2**	**60.0**	**48.0**	**47.0**	**60.3**
Extraordinary items	0.0	0.0	0.0	0.0	0.0	0.0
Net income (total)	48.4	57.2	60.0	48.0	47.0	60.3
EPS CONTINUING	**$1.01**	**$1.19**	**$1.26**	**$1.02**	**$0.98**	**$1.25**
Extraordinary item	0.00	0.00	0.00	0.00	0.00	0.00
EPS REPORTED	**$1.01**	**$1.19**	**$1.26**	**$1.02**	**$0.98**	**$1.25**
Year-over-Year Growth (continuing)	*17.8%*	*18.5%*	*5.4%*	*-19.3%*	*-3.5%*	*27.1%*
Average Shares (fully diluted) (2)	48.0	47.9	47.6	47.3	47.9	48.4

(1) Includes gain on sales of revenue equipment.
(2) Five-for-four stock split announced during the 2Q98 in the form of a 25% dividend.
(3) Effective June 30 (2Q) Werner contributed its non-asset based logistics business to Transplace.com LLC in exchange for a 15% equity interest in TPC.

Source: Bear, Stearns & Co. Inc. estimates.

Exhibit 105. Werner Enterprises (WERN) — Quarterly Income Statement ($ in millions, except per share data)

	1Q98	1Q99	1Q00	1Q01	1Q02E	2Q98	2Q99	2Q00	2Q01	2Q02E
OPERATING REVENUE										
Trucking revenue	$188.5	$225.4	$263.2	$275.7	$294.8	$206.5	$247.7	$275.7	$289.8	$312.6
Fuel surcharge	0.0	0.0	8.9	14.1	13.9	0.0	0.0	10.8	13.6	12.8
Other (2,3)	11.2	15.6	19.2	14.8	14.9	5.2	12.9	20.7	19.4	20.0
Total Revenue	**199.7**	**241.0**	**291.4**	**304.6**	**323.5**	**211.7**	**260.6**	**307.2**	**322.8**	**345.4**
Year-over-Year Growth	*16.1%*	*20.7%*	*20.9%*	*4.5%*	*6.2%*	*9.3%*	*23.1%*	*17.9%*	*5.1%*	*7.0%*
OPERATING EXPENSES										
Salaries, wages, and benefits	74.3	89.3	103.3	109.1	115.7	79.7	95.2	107.5	114.9	122.4
Fuel	14.7	14.0	31.2	35.1	36.4	14.2	18.2	31.8	35.7	37.5
Supplies & maintenance	17.5	20.1	25.3	26.9	28.6	17.2	21.0	26.3	29.3	30.9
Taxes & licenses	15.9	19.8	21.5	23.1	24.9	16.7	19.8	22.2	23.2	25.0
Insurance & claims	6.6	9.4	7.0	10.7	11.6	6.0	7.9	8.2	10.9	11.7
Depreciation	19.5	23.5	26.3	29.2	29.1	20.4	24.7	26.8	28.9	29.7
Rent & purch. transportation	33.4	42.3	57.0	50.3	53.8	32.8	43.9	59.3	55.2	58.5
Communications & utilities	2.6	3.1	3.7	3.7	4.0	2.5	3.4	3.5	3.6	3.8
Other (1)	(2.8)	(1.8)	(2.5)	0.4	0.8	(2.8)	(3.2)	(0.9)	1.2	0.8
TOTAL OPERATING EXPENSES	**181.6**	**219.7**	**272.8**	**288.5**	**305.0**	**186.6**	**231.0**	**284.8**	**302.8**	**320.4**
OPERATING EXPENSES AS A PERCENTAGE OF REVENUE										
Salaries, wages, benefits	37.2%	37.1%	35.5%	35.8%	35.8%	37.6%	36.5%	35.0%	35.6%	35.5%
Fuel	7.4%	5.8%	10.7%	11.5%	11.3%	6.7%	7.0%	10.4%	11.1%	10.9%
Supplies & maintenance	8.8%	8.4%	8.7%	8.8%	8.9%	8.1%	8.1%	8.6%	9.1%	9.0%
Taxes & licenses	7.9%	8.2%	7.4%	7.6%	7.7%	7.9%	7.6%	7.2%	7.2%	7.3%
Insurance & claims	3.3%	3.9%	2.4%	3.5%	3.6%	2.8%	3.0%	2.7%	3.4%	3.4%
Depreciation	9.7%	9.8%	9.0%	9.6%	9.0%	9.6%	9.5%	8.7%	9.0%	8.6%
Rent & purch. transportation	16.7%	17.6%	19.6%	16.5%	16.6%	15.5%	16.8%	19.3%	17.1%	17.0%
Communications & utilities	1.3%	1.3%	1.3%	1.2%	1.2%	1.2%	1.3%	1.1%	1.1%	1.1%
Other	-1.4%	-0.8%	-0.8%	0.1%	0.2%	-1.3%	-1.2%	-0.3%	0.4%	0.2%
OPERATING RATIO	**90.9%**	**91.2%**	**93.6%**	**94.7%**	**94.3%**	**88.2%**	**88.6%**	**92.7%**	**93.8%**	**92.8%**
Year-over-Year Change		*27bp*	*245bp*	*109bp*	*-46bp*		*44bp*	*409bp*	*112bp*	*-69bp*
OPERATING INCOME	**18.1**	**21.2**	**18.5**	**16.1**	**18.5**	**25.0**	**29.7**	**22.4**	**19.9**	**25.0**
Year-over-Year Change	-	*17.1%*	*-12.7%*	*-13.4%*	*15.4%*	-	*18.6%*	*-24.5%*	*-11.1%*	*25.3%*
Interest expense	(1.0)	(1.2)	(2.2)	(1.4)	(1.4)	(1.2)	(1.6)	(2.0)	(0.8)	(1.3)
Interest income	0.4	0.3	0.4	0.9	0.7	0.4	0.3	0.6	0.6	0.9
Other	(0.0)	(0.0)	(0.1)	(0.4)	(0.2)	(0.0)	(0.0)	(0.2)	(0.3)	(0.2)
TOTAL OTHER EXPENSE	**(0.6)**	**(0.9)**	**(1.9)**	**(0.9)**	**(0.9)**	**(0.8)**	**(1.3)**	**(1.6)**	**(0.6)**	**(0.6)**
PRETAX INCOME	**17.5**	**20.4**	**16.6**	**15.1**	**17.6**	**24.2**	**28.3**	**20.8**	**19.3**	**24.4**
Income taxes	6.7	7.7	6.3	5.7	6.6	9.2	10.8	7.9	7.3	9.1
Tax rate	38.0%	38.0%	38.0%	37.5%	37.5%	38.0%	38.0%	38.0%	37.5%	37.5%
Net Income (continuing)	**10.9**	**12.6**	**10.3**	**9.5**	**11.0**	**15.0**	**17.6**	**12.9**	**12.1**	**15.2**
Extraordinary items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income (total)	10.9	12.6	10.3	9.5	11.0	15.0	17.6	12.9	12.1	15.2
EPS CONTINUING	**$0.23**	**$0.27**	**$0.22**	**$0.20**	**$0.23**	**$0.31**	**$0.37**	**$0.27**	**$0.25**	**$0.32**
Extraordinary item	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EPS REPORTED	**$0.23**	**$0.27**	**$0.22**	**$0.20**	**$0.23**	**$0.31**	**$0.37**	**$0.27**	**$0.25**	**$0.32**
Year-over-Year Growth (continuing)	*15.1%*	*17.5%*	*-17.7%*	*-9.2%*	*15.3%*	*18.7%*	*18.5%*	*-26.0%*	*-7.6%*	*25.1%*
Average Shares Outstanding (2)	48.2	47.6	47.3	47.7	48.2	48.2	47.6	47.3	47.9	48.3

	3Q98	3Q99	3Q00	3Q01E	3Q02E	4Q98	4Q99	4Q00	4Q01E	4Q02E
OPERATING REVENUE										
Trucking revenue	$209.9	$256.0	$280.1	$287.9	$319.7	$232.3	$260.0	$277.9	$288.6	$325.4
Fuel surcharge	0.0	0.2	13.6	13.5	12.8	0.0	2.7	18.3	17.0	15.6
Other (2,3)	9.8	13.9	10.8	10.4	11.6	0.0	17.8	15.2	14.7	16.6
Total Revenue	**219.7**	**270.1**	**304.6**	**311.9**	**344.1**	**232.3**	**280.6**	**311.4**	**320.3**	**357.6**
Year-over-Year Growth	*9.7%*	*23.0%*	*12.7%*	*2.4%*	*10.3%*	*12.7%*	*20.8%*	*11.0%*	*2.9%*	*11.6%*
OPERATING EXPENSES										
Salaries, wages, and benefits	83.4	97.8	109.3	113.8	124.7	88.3	100.4	109.7	115.0	127.1
Fuel	13.8	21.6	35.2	37.4	38.7	14.1	25.2	39.3	40.2	42.2
Supplies & maintenance	18.4	23.0	26.9	29.0	31.8	19.1	23.4	24.3	27.0	29.5
Taxes & licenses	17.1	20.5	22.6	23.2	25.3	18.3	22.0	22.9	24.2	26.3
Insurance & claims	5.5	7.0	9.9	11.2	12.4	5.7	7.4	9.0	11.7	12.9
Depreciation	20.6	25.4	27.8	28.2	29.9	22.1	26.3	28.2	28.6	29.7
Rent & purch. transportation	34.3	45.4	48.6	43.8	50.7	38.6	53.6	51.9	48.2	56.5
Communications & utilities	2.8	3.4	3.7	3.9	4.1	2.9	3.5	3.6	4.3	4.3
Other (1)	(2.7)	(2.9)	(0.5)	0.8	0.8	(2.7)	(3.8)	1.7	0.8	0.8
TOTAL OPERATING EXPENSES	**193.2**	**241.3**	**283.5**	**291.3**	**318.5**	**206.4**	**258.1**	**290.6**	**300.0**	**329.2**
OPERATING EXPENSES AS A PERCENTAGE OF REVENUE										
Salaries, wages, benefits	38.0%	36.2%	35.9%	36.5%	36.3%	38.0%	35.8%	35.2%	35.9%	35.6%
Fuel	6.3%	8.0%	11.6%	12.0%	11.3%	6.1%	9.0%	12.6%	12.5%	11.8%
Supplies & maintenance	8.4%	8.5%	8.8%	9.3%	9.3%	8.2%	8.3%	7.8%	8.4%	8.3%
Taxes & licenses	7.8%	7.6%	7.4%	7.4%	7.4%	7.9%	7.8%	7.4%	7.5%	7.4%
Insurance & claims	2.5%	2.6%	3.3%	3.6%	3.6%	2.5%	2.6%	2.9%	3.6%	3.6%
Depreciation	9.4%	9.4%	9.1%	9.0%	8.7%	9.5%	9.4%	9.0%	8.9%	8.3%
Rent & purch. transportation	15.6%	16.8%	16.0%	14.0%	14.8%	16.6%	19.1%	16.7%	15.1%	15.8%
Communications & utilities	1.3%	1.3%	1.2%	1.2%	1.2%	1.2%	1.3%	1.2%	1.3%	1.2%
Other	-1.2%	-1.1%	-0.2%	0.3%	0.2%	-1.2%	-1.4%	0.5%	0.3%	0.2%
OPERATING RATIO	**87.9%**	**89.3%**	**93.1%**	**93.4%**	**92.6%**	**88.8%**	**92.0%**	**93.3%**	**93.7%**	**92.1%**
Year-over-Year Change		*138bp*	*377bp*	*32bp*	*-84bp*		*317bp*	*131bp*	*34bp*	*-158bp*
OPERATING INCOME	**26.5**	**28.8**	**21.0**	**20.6**	**25.6**	**25.9**	**22.4**	**20.8**	**20.3**	**28.4**
Year-over-Year Change	-	*25.2%*	*-20.6%*	*-28.7%*	*21.5%*	-	*-3.0%*	*-19.7%*	*-9.3%*	*36.2%*
Interest expense	(1.2)	(1.7)	(2.0)	(0.7)	(1.2)	(1.4)	(2.0)	(1.9)	(0.5)	(1.1)
Interest income	0.4	0.4	0.7	0.6	1.2	0.4	0.4	0.9	0.7	1.4
Other	(0.0)	(0.1)	0.1	(0.2)	(0.2)	(0.0)	(0.1)	0.4	(0.2)	(0.2)
TOTAL OTHER EXPENSE	**(0.8)**	**(1.5)**	**(1.2)**	**(0.2)**	**(0.3)**	**(1.0)**	**(1.7)**	**(0.7)**	**0.0**	**0.1**
PRETAX INCOME	**25.7**	**27.4**	**19.8**	**20.3**	**25.3**	**24.9**	**20.7**	**20.2**	**20.4**	**28.4**
Income taxes	9.8	10.4	7.5	7.6	9.5	9.5	7.9	7.7	7.6	10.7
Tax rate	38.0%	38.0%	38.0%	37.5%	37.5%	38.0%	38.0%	38.0%	37.5%	37.5%
Net Income (continuing)	**15.9**	**17.0**	**12.3**	**12.7**	**15.8**	**15.4**	**12.8**	**12.5**	**12.7**	**17.8**
Extraordinary items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income (total)	15.9	17.0	12.3	12.7	15.8	15.4	12.8	12.5	12.7	17.8
EPS CONTINUING	**$0.33**	**$0.36**	**$0.26**	**$0.26**	**$0.33**	**$0.33**	**$0.27**	**$0.26**	**$0.26**	**$0.37**
Extraordinary item	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EPS REPORTED	**$0.33**	**$0.36**	**$0.26**	**$0.26**	**$0.33**	**$0.33**	**$0.27**	**$0.26**	**$0.26**	**$0.37**
Year-over-Year Growth (continuing)	*12.2%*	*6.9%*	*-26.8%*	*1.6%*	*23.4%*	*10.4%*	*-17.1%*	*-1.9%*	*0.0%*	*38.3%*
Average Shares Outstanding (2)	47.8	47.7	47.2	48.0	48.4	47.5	47.6	47.3	48.1	48.5

(1) Includes gain on sales of revenue equipment.
(2) Five-for-four stock split announced during 2Q98 in the form of a 25% dividend.
(3) Effective June 30 (2Q) Werner contributed its non-asset-based logistics business to Transplace.com LLC in exchange for a 15% equity interest in TPC.

Source: Bear, Stearns & Co. Inc. estimates.

Exhibit 106. Werner Enterprises (WERN) — Balance Sheet ($ in millions, except per share data)

	1997	1998	1999	2000	2001E	2002E
ASSETS						
Cash & equivalents	$22.3	$15.913	$15.4	$25.5	$38.2	$74.8
Accounts receivable, less allowances	93.5	94.3	127.2	123.5	128.3	140.2
All other current assets	30.0	35.0	46.2	57.8	69.3	83.2
Total Current Assets	**145.8**	**145.3**	**188.8**	**206.8**	**235.9**	**298.2**
Property & equipment (at cost)						
Buildings & improvements	35.2	52.9	65.2	72.6	83.1	95.4
Revenue equipment	578.9	686.4	800.6	829.5	949.5	1089.5
Land & other	84.0	90.2	104.8	119.5	139.0	161.7
Total property & equipment at cost	698.1	829.5	970.6	1,021.7	1,171.7	1,346.7
Less accumulated depreciation	(176.3)	(205.5)	(262.6)	(313.9)	(413.5)	(559.6)
Net Property & Equipment	**521.8**	**623.9**	**708.1**	**707.8**	**758.2**	**787.1**
Other Assets	0.0	0.0	0.0	12.6	0.0	0.0
TOTAL ASSETS	**667.6**	**769.2**	**896.9**	**927.2**	**994.0**	**1,085.2**
LIABILITIES & SHAREHOLDERS' EQUITY						
Accounts payable	44.2	48.1	35.7	30.7	32.1	34.5
Insurance and claims accruals	22.2	23.3	25.0	0.0	5.0	5.0
All other current liabilities	25.5	20.5	60.5	70.7	81.3	93.5
Total Current Liabilities	**91.8**	**91.9**	**121.2**	**101.4**	**118.4**	**133.0**
Long-term debt	60.0	100.0	120.0	105.0	85.0	75.0
Deferred income taxes	91.4	105.9	130.6	152.4	175.3	201.6
Insurance & claims accruals	29.3	30.8	30.3	32.3	32.3	32.3
Other long-term liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Total Shareholders' Equity	**395.1**	**440.6**	**494.8**	**536.1**	**583.1**	**643.3**
TOTAL LIABILITIES AND EQUITY	**667.6**	**769.2**	**896.9**	**927.2**	**994.0**	**1,085.2**
Book Value per Share	**$8.24**	**$9.20**	**$10.39**	**$11.34**	**$12.17**	**$13.30**
Leverage Analysis						
LTD/total capital (%)	10.4%	14.8%	15.5%	12.7%	9.7%	7.9%
Total debt/total capital	10.4%	14.8%	15.5%	12.7%	9.7%	7.9%
Total debt/total debt + equity (%)	**13.2%**	**18.5%**	**19.5%**	**16.4%**	**12.7%**	**10.4%**
Cash interest coverage	50.1x	36.4x	30.8x	23.5x	56.7x	42.6x
Asset turnover	1.2x	1.1x	1.2x	1.3x	1.3x	1.3x
Financial Return Analysis						
Pretax return on avg. assets (%) (1)	12.8%	13.3%	12.3%	9.1%	8.0%	9.4%
Return on total capital (%) (2)	12.1%	12.1%	11.1%	8.5%	7.5%	9.2%
Return on average equity (%) (3)	13.0%	13.7%	12.8%	9.3%	8.4%	9.8%
Free cash flow return on capital (%) (4)	-7.9%	-9.6%	-8.3%	7.9%	8.7%	10.2%

(1) EBIT/average total assets.
(2) Net income plus tax-affected interest/(total debt+equity).
(3) Net income/average equity.
(4) (Gross cash flow-dividends-maintenance capital expenditures)/(total debt+equity).

Source: Bear, Stearns & Co. Inc. estimates.

Exhibit 107. Werner Enterprises (WERN) — Cash Flow Statement ($ in millions, except per share data)

	1997	1998	1999	2000	2001E	2002E
OPERATING SOURCES						
Net income	$48.4	$57.2	$60.0	$48.0	$47.0	$60.3
Depreciation	72.6	82.5	100.0	109.1	114.9	118.4
Deferred income taxes	9.5	14.7	22.2	18.8	20.6	22.7
Other operating sources	(7.1)	(10.4)	(12.9)	(6.1)	(8.0)	(8.0)
Total Operating Sources	**123.4**	**144.1**	**169.3**	**169.7**	**174.5**	**193.4**
OPERATING USES						
Capital expenditures	215.6	258.6	255.3	169.1	150.0	175.0
Less: retirements of prop. & equip.	(62.9)	(86.3)	(84.3)	(55.9)	(35.0)	(55.0)
Net capital expenditures	152.6	172.4	171.0	113.2	115.0	120.0
Changes to working capital	(2.7)	6.2	37.3	(0.4)	(5.0)	(5.0)
Total Operating Uses	**150.0**	**178.5**	**208.3**	**112.8**	**110.0**	**115.0**
OPERATING CASH FLOW	**(26.6)**	**(34.4)**	**(39.1)**	**56.9**	**64.5**	**78.4**
NONOPERATING SOURCES						
Net issuance of debt	30.0	40.0	30.0	(15.0)	(20.0)	(10.0)
Dividends	(3.8)	(4.2)	(4.7)	(4.7)	(4.8)	(4.8)
Issuance of common stock, net	0.0	0.0	0.0	0.0	0.0	0.0
Repurchase of common stock	(2.5)	(9.1)	(3.9)	(2.8)	(3.0)	(3.0)
Stock options exercised	3.1	1.3	2.2	0.7	1.0	1.0
Total Nonoperating Sources	**26.8**	**28.1**	**38.5**	**(46.8)**	**(51.8)**	**(41.8)**
Beginning cash	22.1	22.3	15.9	15.4	25.5	38.2
Net change in cash	0.2	(6.4)	(0.5)	10.1	12.8	36.6
Ending Cash	**22.3**	**15.9**	**15.4**	**25.5**	**38.2**	**74.8**
Cash Flow Analysis						
EBITDA	$150.3	$178.2	$202.2	$191.9	$191.8	$216.3
Operating cash flow (1)	($26.6)	($34.4)	($39.1)	$56.9	$64.5	$78.4
Gross cash flow (2)	$130.5	$154.5	$182.2	$175.9	$182.5	$201.4
Free cash flow (3)	($32.9)	($47.7)	($47.7)	$49.5	$56.8	$70.6
Cash Flow Analysis per Share						
EBITDA	$3.13	$3.72	$4.24	$4.06	$4.00	$4.47
Operating cash flow (1)	($0.55)	($0.72)	($0.82)	$1.20	$1.35	$1.62
Gross cash flow (2)	$2.72	$3.22	$3.82	$3.72	$3.81	$4.16
Free cash flow (3)	($0.69)	($1.00)	($1.00)	$1.05	$1.18	$1.46

(1) Total operating sources less operating uses.
(2) Net Income plus depreciation, amortization, and deferred taxes.
(3) Operating cash flow less share repurchases and dividend payments.

Source: Bear, Stearns & Co. Inc. estimates.

Other companies mentioned:

A.G. Edwards Inc. (AGE-44)	K-Mart Corp. (KM-12)
Burlington Northern Santa Fe Corp. (BNI-27)	Norfolk Southern (NSC-20)
Canadian National Railway (CNI-46)	Procter & Gamble Co. (PG-71)
CSX Corp. (CSX-40)	Sears, Roebuck & Co. (S-47)
DuPont (DD-43)	Union Pacific Corp. (UNP-55)
Hewlett-Packard Co.§ (HWP-26)	Wal-Mart Stores Inc. (WMT-56)
Kimberly-Clark Corp. (KMB-62)	