

Jack Cooper Holdings Corp.

Second Quarter 2016 Earnings Call



JACK COOPER

August 17, 2016

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Non-GAAP Financial Measures

EBITDA, adjusted EBITDA and margins thereon are “non-GAAP financial measures” presented as supplemental measures of the Company’s performance. They are not presented in accordance with accounting principles generally accepted in the United States, or GAAP. The Company believes these measures provide additional meaningful information in evaluating its performance over time. However, EBITDA, adjusted EBITDA and margins thereon have limitations as analytical tools, and you should not consider them in isolation, or as substitutes for analysis of the Company’s results as reported under GAAP. In addition, in evaluating EBITDA, adjusted EBITDA and margins thereon, you should be aware that the adjustments may vary from period to period. The Company’s presentation of these measures should not be construed as an inference that future results will be unaffected by unusual or nonrecurring items. This presentation provides a reconciliation of net loss to EBITDA and adjusted EBITDA. Adjusted EBITDA for each of our segments is reconciled to segment operating income (loss), the most directly comparable GAAP performance measure.

Q2-2016 Operating Results Highlights



(000's)	QTD			YTD		
	6/30/2016	6/30/2015	Change	6/30/2016	6/30/2015	Change
JCT Revenues	\$ 150,485	\$ 171,133	\$ (20,648)	\$ 305,430	\$ 309,055	\$ (3,625)
JCL Revenues	16,084	16,913	(829)	33,917	26,970	6,947
Intercompany eliminations	(1,728)	(921)	(807)	(3,389)	(1,628)	(1,761)
Consolidated JCHC Revenues (before FSC)	164,841	187,125	(22,284)	335,958	334,397	1,561
JCT Fuel surcharge	4,348	11,168	(6,820)	9,002	21,779	(12,777)
Consolidated JCHC Revenues (including FSC)	<u>\$ 169,189</u>	<u>\$ 198,293</u>	<u>\$ (29,104)</u>	<u>\$ 344,960</u>	<u>\$ 356,176</u>	<u>\$ (11,216)</u>
Net loss	\$ (4,659)	\$ (17,298)	\$ 12,639	\$ (12,272)	\$ (42,143)	\$ 29,871
Provision for income taxes	183	395	(212)	438	663	(225)
Interest expense, net	10,948	11,494	(546)	22,486	21,359	1,127
Depreciation and amortization	12,547	12,826	(279)	25,451	25,522	(71)
EBITDA	<u>\$ 19,019</u>	<u>\$ 7,417</u>	<u>\$ 11,602</u>	<u>\$ 36,103</u>	<u>\$ 5,401</u>	<u>\$ 30,702</u>
EBITDA	\$ 19,019	\$ 7,417	\$ 11,602	\$ 36,103	\$ 5,401	\$ 30,702
Other, net	447	(749)	1,196	(2,359)	2,411	(4,770)
Legacy workers compensation	-	226	(226)	-	(83)	83
(Gain) loss on disposal of property and equipment	769	689	80	1,428	1,301	127
Professional fees	16	106	(90)	74	424	(350)
Stock based compensation	211	213	(2)	421	494	(73)
Severance and employment agreement charges	104	33	71	732	179	553
Pension withdrawal liability	2,863	237	2,626	2,863	237	2,626
Goodwill and intangible asset impairment	-	15,352	(15,352)	-	15,352	(15,352)
Adjusted EBITDA	<u>\$ 23,429</u>	<u>\$ 23,524</u>	<u>\$ (95)</u>	<u>\$ 39,262</u>	<u>\$ 25,716</u>	<u>\$ 13,546</u>
JCT AEBITDA (a)	\$ 22,621	\$ 22,940	\$ (319)	\$ 37,098	\$ 25,883	\$ 11,215
JCL AEBITDA (a)	1,147	781	366	2,910	298	2,612
Unallocated adjusted corporate operating expenses	(339)	(197)	(142)	(746)	(465)	(281)
Adjusted EBITDA	<u>\$ 23,429</u>	<u>\$ 23,524</u>	<u>\$ (95)</u>	<u>\$ 39,262</u>	<u>\$ 25,716</u>	<u>\$ 13,546</u>
JCHC Net Earnings Margin (before FSC)	-2.8%	-9.2%	642 bp	-3.7%	-12.6%	895 bp
JCT AEBITDA Margin (before FSC)	15.0%	13.4%	163 bp	12.1%	8.4%	377 bp
JCL AEBITDA Margin	7.1%	4.6%	251 bp	8.6%	1.1%	747 bp
JCHC AEBITDA Margin (before FSC)	14.2%	12.6%	164 bp	11.7%	7.7%	400 bp

(a) See appendix (page 8) for a reconciliation of segment operating income (loss) to segment AEBITDA.

Q2-2016 vs. Q2-2015 Revenue Discussion

Revenue decrease of \$29.1 million quarter-over-quarter primarily associated with three items:

- Fuel surcharge reduction of \$6.8 million related to declining fuel prices from 2015 to 2016
- Customer plant shut-downs and other disruptions, such as the April 2016 Japanese earthquake, resulted in an estimated revenue impact of ~\$9.9 million
- Terminal closures during Q2-2016 resulted in decreases to revenue of \$7.1 million

Revenue impacts as discussed above account for \$23.8 million or 82% of the quarter-over-quarter revenue variance.

Q2-2016 Operating Performance Discussion

- We estimate that customer plant shut-downs and other disruptions, such as the April 2016 Japanese earthquake, impacted revenues by ~\$9.9 million, segment operating earnings and terminal-level EBITDA by ~\$3.0 million.
 - Terminal shut-downs during the second quarter are unusual.
- Terminal closures resulted in quarter-over-quarter decreased revenue of \$7.1 million, decreased segment operating earnings of \$0.6 million net of pension withdrawal and severance, and decreased terminal-level EBITDA of \$1.1 million net of pension withdrawal and severance.
 - Pension withdrawal liability of \$2.9 million associated with one terminal closure.
 - No additional terminal closures currently planned.

Customer plant shut-downs/other disruptions and terminal closures resulted in a quarter-over-quarter revenue reduction of ~\$17.0 million, an ~\$3.6 million reduction to segment operating earnings and an ~\$4.1 million reduction in terminal-level EBITDA.

2016 Year-to-Date Operating Performance Discussion

- We estimate that customer plant shut-downs and other disruptions, such as the April 2016 Japanese earthquake, impacted revenues by ~\$9.9 million, segment operating earnings and terminal-level EBITDA by ~\$3.0 million.
- Terminals closed during Q2-2016 reported year-to-date revenue of \$3.3 million, year-to-date segment operating losses of \$(2.6) million net of related pension withdrawal and severance, and terminal-level EBITDA of \$(2.1) million, net of related pension withdrawal and severance.

Customer plant shut-downs/other disruptions and terminal closures resulted in a negative impact to segment operating earnings of ~\$5.6 million and terminal-level EBITDA of ~\$5.1 million, net of related pension withdrawal and severance.

Other Updates

- Operational initiatives update
- The Company reached a tentative national master freight carhaul agreement with the Teamsters, which is expected to be voted upon during September 2016.
- Jack Cooper Holdings Corp. became an SEC registrant upon completion of Exchange Offer for 2020 notes on June 13, 2016.
- Liquidity: \$64.0 million and \$62.0 million drawn on the Credit Facility at June 30, 2016 and August 12, 2016, respectively.

Appendix

Appendix: Segment Reconciliations



Transport Segment (000's)	QTD			YTD		
	6/30/2016	6/30/2015	Change	6/30/2016	6/30/2015	Change
Operating income (loss)	\$ 6,450	\$ 9,216	\$ (2,766)	\$ 6,854	\$ (976)	\$ 7,830
Less: Other, net	71	785	(714)	2,872	(2,181)	5,053
Plus: Depreciation and amortization	12,208	12,220	-12	24,773	24,307	466
EBITDA	<u>\$ 18,729</u>	<u>\$ 22,221</u>	<u>\$ (3,492)</u>	<u>\$ 34,499</u>	<u>\$ 21,150</u>	<u>\$ 13,349</u>
Plus (less):						
Other, net	(71)	(785)	714	(2,872)	2,181	(5,053)
Loss on disposal of assets	769	689	80	1,428	1,301	127
Legacy workers' compensation charge	-	226	(226)	-	(83)	83
Pension withdrawal liability	2,863	237	2,626	2,863	237	2,626
Professional fees	16	106	(90)	74	424	(350)
Severance and employment agreement charges	104	33	71	685	179	506
Stock based compensation	211	213	(2)	421	494	(73)
Acquisition integration costs	-	-	-	-	-	-
Transport AEBITDA	<u>\$ 22,621</u>	<u>\$ 22,940</u>	<u>\$ (319)</u>	<u>\$ 37,098</u>	<u>\$ 25,883</u>	<u>\$ 11,215</u>
Logistics Segment						
	QTD			YTD		
	6/30/2016	6/30/2015	Change	6/30/2016	6/30/2015	Change
Operating income (loss)	\$ 869	\$ (15,119)	\$ 15,988	\$ 2,305	\$ (16,152)	\$ 18,457
Less: Other, net	(518)	(36)	(482)	(513)	(230)	(283)
Plus: Depreciation and amortization	278	548	-270	558	1,098	-540
EBITDA	<u>\$ 629</u>	<u>\$ (14,607)</u>	<u>\$ 15,236</u>	<u>\$ 2,350</u>	<u>\$ (15,284)</u>	<u>\$ 17,634</u>
Plus (less):						
Other, net	518	36	482	513	230	283
Severance and employment agreement charges	-	-	-	47	-	47
Goodwill and intangible asset impairment	-	15,352	(15,352)	-	15,352	(15,352)
Logistics AEBITDA	<u>\$ 1,147</u>	<u>\$ 781</u>	<u>\$ 366</u>	<u>\$ 2,910</u>	<u>\$ 298</u>	<u>\$ 2,612</u>
AEBITDA by Segment						
Transport AEBITDA	\$ 22,621	\$ 22,940	(319)	\$ 37,098	\$ 25,883	11,215
Logistics AEBITDA	1,147	781	366	2,910	298	2,612
Unallocated adjusted corporate operating expenses	(339)	(197)	(142)	(746)	(465)	(281)
Consolidated AEBITDA	<u>\$ 23,429</u>	<u>\$ 23,524</u>	<u>\$ (95)</u>	<u>\$ 39,262</u>	<u>\$ 25,716</u>	<u>\$ 13,546</u>
Transport Operating Earnings (Loss) Margin (before FSC)	4.3%	6.1%	(184) bp	4.6%	-0.6%	520 bp
Logistics Operating Earnings (Loss) Margin (before FSC)	5.4%	-94.0%	9,940 bp	14.3%	-100.4%	11,475 bp
Transport AEBITDA Margin (before FSC)	15.0%	13.4%	163 bp	12.1%	8.4%	377 bp
Logistics AEBITDA Margin	7.1%	4.6%	251 bp	8.6%	1.1%	747 bp