

Mossberg's Investor Digest

Best Idea Profile:

Radiant Logistics, Inc. (NYSE MKT: RLGT)

DESCRIPTION:

Radiant Logistics is a non-asset based provider of third-party logistics services that offers customized time-critical domestic and international transportation and logistics solutions to manufacturers, distributors and retailers. Radiant doesn't own the planes, trains or automobiles; instead it uses a network of independent carriers and international agents worldwide. It usually handles larger shipments than the typical UPS or Federal Express haul. Radiant Logistics, Inc. became a public company in January of 2006, and is based in Bellevue, Washington.

KEY INVESTMENT CONSIDERATIONS:

Scalable Business – The incremental cost to support the next dollar of revenue is negligible as Radiant is able to leverage its business. This also makes the company very nimble to adjust to economic downturns and recoveries. It uses a network of independent carriers and international agents around the world, reaching 25 airports with regularly scheduled service. Because it doesn't own the assets, ongoing capital expenditure requirements are minimal. It is also able to negotiate attractive pricing with transportation providers because of the volume of its business.

Attractive Plan for Growth – The non-asset based business model is the heart of Radiant's growth strategy. Radiant has demonstrated its ability to grow organically and by acquisition. It brings on new agent stations that recognize the benefit of additional tools and opportunities that Radiant offers them. It also gives business owners a unique opportunity for succession planning and liquidity. Radiant looks for accretive acquisitions that involve conversion of current agent stations, acquisitions of competing agent stations, or acquisitions of competing networks. It targets candidates that generate \$1 to \$3 million of EBITDA and is able to achieve minimal integration risk and immediate cost synergies. On a recent call, management stated that there are more opportunities in its acquisition pipeline than it's ever had and that the company has more financial flexibility than ever to execute its strategy of growth.

Fragmented Industry – Transportation logistics is a highly fragmented industry, much like the trucking industry itself. One-truck (or other vehicle) operators, as well as small fleet operators, face stiff competition to efficiently manage their business. Radiant's model is set up to help these operators maximize their income and minimize their costs. This makes for a compelling option

for haulers and shippers, and a driver of non-asset based growth for Radiant.

Large and Diversified – Radiant has one of the largest network footprints in the industry with more than 90 company-owned and exclusive independent agent offices. It serves a diversified account base with no single account representing more than 5% of revenues.

Strong Cash Flow – Cash flow is typically higher than net income because of significant non-cash depreciation and amortization. March is seasonally the slowest quarter and was particularly impacted by the bad weather in the northeast.

VALUATION:

This small market cap stock is narrowly followed by analysts. Radiant Logistics posted its quarterly earnings results of \$0.04 per share on May 14, beating the Thomson Reuters consensus estimate by \$0.02. On average, analysts predict that Radiant will post \$0.12 earnings per share for the current June fiscal year. Management's guidance for the June quarter is for \$0.04 per fully diluted share. Recent insider selling near the stock's 52-week high most likely represents management's need to diversify, not a lack of optimism about the company.

Radiant Logistics, Inc. (NYSE MKT:RLGT)

Investment Data (as of 5/29/14)

Recent Price	\$3.03
52-Week Range	\$1.79 - \$3.50
Fiscal Year End	June 30
Dividend	NA
Yield	NA
Shares Outstanding	34 M
Average Trading Volume (3 mos)	60k
Market Capitalization	\$103 M
Cash	\$4 M
Long-term Debt	\$6 M
Enterprise Value (EV)	\$106 M
Book Value	\$1.15
TTM Revenue	\$328 M
P/ Revenue	0.3x
TTM EPS	\$0.13
P/ EPS	23x
TTM EBITDA	\$12 M
EV/ EBITDA	9x

We attempt to provide subscribers with reasoned opinions based on our analysis of publicly available information from sources believed to be reliable, but make no representations as to its accuracy or completeness. Best Idea profiles are not based upon individual needs of subscribers nor are they an offer to buy or sell securities. Additional disclosures can be found under the Disclosures portion of the Mossberg's Investor Digest website.