

# Mossberg's Investor Digest

## Best Idea Profile:

## Patriot Transpiration (NASDAQ:PATR)

### DESCRIPTION:

Headquartered in Jacksonville, Florida; Patriot Transportation Holding, Inc., and its subsidiaries are engaged in the transportation and real estate businesses. The transportation business is conducted through Florida Rock & Tank Lines, Inc. which operates in the Southeastern United States. The Tank Lines unit hauls petroleum, other liquids and dry bulk commodities by tank trailers. Patriot's real estate activities are conducted through two wholly owned subsidiaries: Florida Rock Properties, Inc. and FRP Development Corp. The Company's real estate operations consist of two reportable segments: Mining Royalty and Developed property. Real Estate related operations and investments are conducted primarily in the Southeastern and Mid-Atlantic United States.

### KEY INVESTMENT CONSIDERATIONS:

**Component Parts Equate to Value** – Patriots distinctly different yet valuable business units make the company an interesting value play for investors. Below are brief business unit descriptions and valuations.

**Trucking (Tank lines)** – Patriot's transportation segment hauls petroleum, liquids and dry bulk commodities. The transportation segment primarily serves customers in the petroleum industry in the Southeastern U.S. Tank Lines has from two to six major tank truck competitors in each of its markets. Price, service, and location are the major factors that affect competition in the transportation segment within a given market. During FY2010, the transportation segment's ten largest customers accounted for approximately 57.3% of the transportation segment's revenue. The Company owns and operates a fleet of 388 trucks and 502 trailers plus 9 additional trucks that are prepared for sale.

**Florida Rock Properties** – The Mining royalty land segment owns real estate including construction aggregate royalty sites and parcels held for investment. Nearly all of the companies mining properties are leased to Vulcan Materials Company under long-term mining leases. The Company owns seven locations currently being mined and six locations not being mined. The construction aggregates properties are being carried on the Company's books for just over \$24 million. Mining royalties reported for FY2010 were \$3.5 million for Aggregates (4.4 million tons) and \$577k in Cement (653 tons).

**Florida Rock Properties Development** – The developed property rentals segment acquires, constructs, and leases office/warehouse buildings primarily in the Baltimore/Northern Virginia/Washington area and holds real estate for future development. The Company owns 267 acres in 12 developed parcels of land, all but one of which are in the Mid-Atlantic region of the United States. The company has current building portfolio of 2.92 million square feet and 29 high quality office/warehouse facilities.

### VALUATION:

The 1986 Spin-off from Florida Rock Industries, Inc. has left Patriot with some valuable, if disparate assets. Investors carefully evaluating these assets may find that they add up to a compelling value. All three Patriot businesses are established and profitable. The fuel trucking business is less cyclical than spot trucking. A modest 1.5x sales multiple would value this business at \$69 million. The Aggregate and Cement royalty business revenues come from leased property with little costs associated with them and includes over 449 tons of reserves. Assuming a weighted price per ton of \$20.50 based on FY2010 prices this is a valuable business (and prices are increasing). The Commercial properties have a net book value of \$137 million. The bottom line is that investors can use a variety of valuation methods that equate to far more than the Company's current market capitalization.

### (Patriot Corporation: NASDAQ:PATR)

Investment Data (as of 7/29/11)

<b>Recent Price</b>	<b>\$23.17</b>
52-Week Range	\$19.49 - \$33.12
Fiscal Year End	Sep
Dividend	NA
Yield	NA
Shares Outstanding	9.3MM
Average Trading Volume (3 mos)	13.8k
Market Capitalization	\$215MM
Cash	\$17MM
Long Term Debt	\$65MM
Enterprise Value (EV)	\$268MM
BV/ Share	\$17.25
TTM Revenue	\$113MM
P/ Revenue	1.9x
TTM EPS	\$1.34
P/ EPS	17x
TTM EBITDA	\$27MM
EV/ EBITDA	10x

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.