

# PATRIOT TRANSPORTATION HOLDING, INC./NEWS

Contact: Matt McNulty  
Chief Financial Officer

904/858-9100

---

## PATRIOT TRANSPORTATION HOLDING, INC. ANNOUNCES RESULTS FOR THE FIRST QUARTER OF FISCAL YEAR 2019

Patriot Transportation Holding, Inc. (NASDAQ-PATI) Jacksonville, Florida; January 30, 2019

### First Quarter Operating Results

The Company reported net income of \$884,000, or \$.27 per share, compared to net income of \$3,592,000, or \$1.09 per share, in the same quarter last year. First quarter 2018 net income included \$3,041,000, or \$.92 per share, due to revaluing the company's net deferred tax liabilities per the *Tax Cuts and Jobs Act of 2017*. First quarter 2019 net income included \$634,000, or \$.19 per share, from gains on real estate sales.

Total revenues for the quarter were \$28,054,000, up \$153,000 from the same quarter last year. Transportation revenues (excluding fuel surcharges) were \$24,980,000, down \$590,000 mainly due to a \$.07 per mile decrease on a higher average haul length. Miles increased by 25,000 to 9,277,000 over the same quarter last year partially offsetting the impact of the lower revenue per mile (\$67,000). Fuel surcharge revenue was \$3,074,000, up \$743,000 from the same quarter last year due to higher diesel prices. Several locations were impacted during the quarter by Hurricane Michael, and in particular our Panama City location experienced severe damage and an extended shutdown period in which we lost significant revenue that negatively impacted our operating profit (~\$50,000).

Compensation and benefits increased \$165,000, or 2 cents per mile, mainly due to increased driver training pay (\$135,000) as average drivers in training increased from 29 in the first quarter last year to 38 in this year's first quarter. Owner operator count increased from 13 to 20 this quarter versus the same quarter last year which increased our compensation and benefits cost. We pay owner operators a higher percentage of the revenues they generate offset by lower variable costs (e.g. fuel, maintenance) paid directly by the owner operator. Fuel expenses increased \$154,000, or 1 cent per mile, on higher average diesel prices offset by improved fuel economy due to our longer average haul length and more owner operators paying directly for their fuel. Repair and tire expense increased \$92,000 due to several high dollar repairs. Other operating expenses were up \$89,000 due to increased tolls, increased driver hiring and travel expense and some site maintenance at a few of our terminal offices. Insurance and losses increased \$226,000 primarily due to one very high dollar health claim (\$334,000 in this quarter) partially offset by reduced wreck repair expense (\$119,000). Depreciation expense was down \$360,000 as a result of down sizing our fleet and placing twenty three full service lease trucks in certain markets where we do not have maintenance shops. However, during the quarter we carried some excess equipment that we are

currently in the process of selling and that negatively impacted the quarter's results (~\$100,000). Sales, general & administrative costs increased \$146,000 due mainly to accruals for bonus compensation (\$99,000) and higher IT and Payroll expense to support the changes we are making to our systems and the way we compensate drivers. Corporate expenses were up due mainly to non-recurring legal fees in connection with becoming a "smaller reporting company" under new SEC guidelines. Gain on sale of assets increased \$759,000 due primarily to a gain of \$866,000 on the sale of a prior terminal site in Ocoee, Florida that was relocated to Orlando, FL.

As a result, operating profit this quarter was \$1,107,000 (which includes the \$866,000 gain from land sales and a \$303,000 loss on health insurance) compared to operating profit of \$744,000 in the same quarter last year. Operating ratio was 96.1 this quarter versus 97.3 in the same quarter last year.

### **Summary and Outlook**

We sold an excess parcel of land in Ocoee, FL for \$1,268,000 which benefitted operating profit this quarter, increased our cash and reduced our capital employed in the transportation business. This quarter was negatively impacted by the large loss we experienced on health claims. We have implemented some recent changes, in particular to our pharmacy and wellness plans, and expect to see meaningful savings from those changes. The driver shortage and high driver turnover remains a problem for the industry. With our number of drivers in training improving over the prior several quarters, we are hopeful that our initiatives are having their desired impact on attracting new drivers. Demand for our services is still very high and we are continuing to allocate our available resources to fulfill the needs of those customers who are willing to partner with us on both pricing and efficiently managing the day to day operation of our business.

Our team did an outstanding job throughout Hurricane Michael and its aftermath and we are especially grateful for their dedication and perseverance. We are in the process of repairing the damages to the Panama City terminal and working with our insurance company to determine the insured value applicable to the losses. At this point, we do not anticipate a material negative financial impact from the damages we sustained.

We are not pleased with the bottom line operating results for this first quarter but we do see several positive trends. Our balance sheet improved during the quarter as we increased our cash and investments since September 30, 2018 by \$2,903,000, increased shareholder equity by \$942,000 and remained debt free. We have seen a sustained improvement in the number of drivers in training and are hopeful that will lead to an increase in our driver count. There has been positive improvement in the market on pricing and there are plenty of opportunities today to increase our business levels at better rates if we can obtain additional driver capacity. We are in the process of selling excess equipment which will reduce our depreciation, maintenance, tire and tag expense. The recent changes we made to our pharmacy and wellness plans are expected to generate material recurring savings on our health expense. Management expects all of our IT system related upgrades to be fully implemented during the second quarter of fiscal 2019 and anticipate these changes will greatly enhance the capabilities of our field personnel and our back

office staff to provide improved customer service. We are optimistic that the strategic plan we have in place will lead to the improved operating profit we targeted for this fiscal year.

The Company will host a conference call on January 30, 2019 at 3:00 PM (EDT). Analysts, shareholders and other interested parties may access the teleconference live by calling 1-800-311-9409 domestic or international at 1-334-323-7224 then enter pass code 83270. Computer audio live streaming is available via the Internet through the Company's website at [www.patriottrans.com](http://www.patriottrans.com) at the Investor Relations tab or at one of the following links (whichever is most compatible with your device or player) <http://stream.conferenceamerica.com/pth013019> or <http://stream.conferenceamerica.com/pth013019.m3u>. An audio replay will be available for sixty (60) days following the conference call by dialing toll free 1-877-919-4059 domestic or international 1-334-323-0140 then enter pass code 26726183. An audio archive can be accessed via the internet at <http://archive.conferenceamerica.com/archivestream/pth013019.mp3>

*Investors are cautioned that any statements in this press release which relate to the future are, by their nature, subject to risks and uncertainties that could cause actual results and events to differ materially from those indicated in such forward-looking statements. These include general economic conditions; competitive factors; political, economic, regulatory and climatic conditions; driver availability and cost; the impact of future regulations regarding the transportation industry; freight demand for petroleum product and levels of construction activity in the Company's markets; fuel costs; risk insurance markets; pricing; energy costs and technological changes. Additional information regarding these and other risk factors and uncertainties may be found in the Company's filings with the Securities and Exchange Commission.*

Patriot Transportation Holding, Inc. is engaged in the transportation business. The Company's transportation business is conducted through Florida Rock & Tank Lines, Inc. which is a Southeastern transportation company engaged in the hauling of liquid and dry bulk commodities.

**PATRIOT TRANSPORTATION HOLDING, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**

(In thousands)  
(Unaudited)

	<b>THREE MONTHS ENDED DECEMBER 31,</b>	
	<u><b>2018</b></u>	<u><b>2017</b></u>
<b>Revenues:</b>		
Transportation revenues	\$ 24,980	25,570
Fuel surcharges	3,074	2,331
Total revenues	<u>28,054</u>	<u>27,901</u>
<b>Cost of operations:</b>		
Compensation and benefits	12,038	11,873
Fuel expenses	4,276	4,122
Repairs & tires	1,665	1,573
Other operating	1,132	1,043
Insurance and losses	2,942	2,716
Depreciation expense	1,970	2,330
Rents, tags & utilities	847	855
Sales, general & administrative	2,468	2,322
Corporate expenses	532	487
Gain on disposition of PP&E	(923)	(164)
Total cost of operations	<u>26,947</u>	<u>27,157</u>
Total operating profit	1,107	744
Interest income and other	101	2
Interest expense	<u>(10)</u>	<u>(10)</u>
Income before income taxes	1,198	736
Provision for (benefit from) income taxes	<u>314</u>	<u>(2,856)</u>
<b>Net income</b>	<u>\$ 884</u>	<u>3,592</u>
Unrealized investment gains, net	2	—
Tax reform gain on retiree health	<u>—</u>	<u>32</u>
<b>Comprehensive Income</b>	<u>\$ 886</u>	<u>3,624</u>
<b>Earnings per common share:</b>		
Net Income-		
Basic	0.27	1.09
Diluted	0.27	1.09
<b>Number of shares (in thousands) used in computing:</b>		
-basic earnings per common share	3,328	3,303
-diluted earnings per common share	3,331	3,304

**PATRIOT TRANSPORTATION HOLDING, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands) (Unaudited)

	December 31, 2018	September 30, 2018
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 436	1
Treasury bills available for sale	19,766	17,298
Accounts receivable (net of allowance for doubtful accounts of \$151 and \$153, respectively)	7,684	7,866
Federal and state taxes receivable	299	547
Inventory of parts and supplies	890	895
Prepaid tires on equipment	1,699	1,746
Prepaid taxes and licenses	397	609
Prepaid insurance	1,994	2,348
Prepaid expenses, other	116	134
Total current assets	33,281	31,444
Property and equipment, at cost	93,622	94,710
Less accumulated depreciation	60,636	60,799
Net property and equipment	32,986	33,911
Goodwill	3,431	3,431
Intangible assets, net	816	855
Other assets, net	181	176
Total assets	\$ 70,695	69,817
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 3,589	3,271
Bank overdraft	—	625
Accrued payroll and benefits	3,918	3,963
Accrued insurance	2,358	1,896
Accrued liabilities, other	237	408
Total current liabilities	10,102	10,163
Deferred income taxes	5,941	5,940
Accrued insurance	204	204
Other liabilities	1,100	1,104
Total liabilities	17,347	17,411
Commitments and contingencies		
Shareholders' Equity:		
Preferred stock, 5,000,000 shares authorized, of which 250,000 shares are designated Series A Junior Participating Preferred Stock; \$0.01 par value; none issued and outstanding	—	—
Common stock, \$.10 par value; (25,000,000 shares authorized; 3,328,466 and 3,328,466 shares issued and outstanding, respectively)	333	333
Capital in excess of par value	37,492	37,436
Retained earnings	15,356	14,472
Accumulated other comprehensive income, net	167	165
Total shareholders' equity	53,348	52,406
Total liabilities and shareholders' equity	\$ 70,695	69,817