

# **PATRIOT TRANSPORTATION HOLDING, INC./NEWS**

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

Patriot Transportation Holding, Inc. (NASDAQ-PATI) Jacksonville, Florida; July 31, 2019

### **Third Quarter Operating Results**

The Company reported net income of \$396,000, or \$.12 per share, compared to \$1,086,000, or \$.33 per share, in the same quarter last year. Income before income taxes was \$531,000 versus \$1,407,000 in the same period last year.

Total revenues for the quarter were \$27,526,000, down \$1,878,000 from the same quarter last year. Transportation revenues (excludes fuel surcharges) were \$24,907,000, down \$1,538,000. The decrease in transportation revenues is primarily due to the decrease of 865,000 miles over the same quarter last year as we have continually been running with ~30 less average drivers this year versus last year. Transportation revenue per mile was up \$.08 due to increased freight rates which has helped to offset the negative impact of fewer miles. Fuel surcharge revenue was \$2,619,000, down \$340,000 from the same quarter last year.

Compensation and benefits decreased \$147,000 mainly due to lower company miles partially offset by higher driver training pay and more owner operators. Fuel expenses decreased \$635,000 due to lower company miles and lower cost per gallon. Repair and tire expense increased \$84,000 due to several high dollar repairs. Insurance and losses decreased \$403,000 primarily due to lower health and workers' compensation claims. The lower health claims are partly attributable to the new Specialty Drug program we implemented January 1, 2019 which has resulted in ~\$25,000 of monthly savings since implementation. Depreciation expense was down \$161,000 as a result of downsizing our fleet. Loss on disposition of assets was (\$115,000) this quarter versus a gain of \$175,000 in the same quarter last year due primarily to a loss from a single vehicle rollover accident during the quarter and lower equipment sales activity. During the month of May, we closed our Charlotte terminal. Charlotte has been a very tough driver market as well as a low freight rate environment for the past several years. As a result, Management determined it was in the Company's best financial interest to exit the market. In the quarter, the Charlotte terminal generated an operating loss before overhead allocation of (\$121,000) versus (\$7,000) last quarter and (\$20,000) in the same quarter last year primarily due to the added expense associated with the closure (e.g. severance, relocating equipment, etc.).

As a result, operating profit this quarter was \$423,000 compared to \$1,353,000 in the same quarter last year. Operating ratio was 98.5 this quarter versus 95.4 in the same quarter last year.

## **First Nine Months Operating Results for Fiscal year 2019.**

The Company reported net income of \$1,569,000, or \$.47 per share, compared to net income of \$4,490,000, or \$1.35 per share in the same period last year. Income before income taxes was \$2,128,000 versus \$1,873,000 in the same period last year. The first nine months of 2019 income included \$634,000, or \$.19 per share, from gains on real estate sales. The first nine months of 2018 net income included \$3,041,000, or \$.92 per share, due to a deferred tax benefit resulting from revaluing the company's net deferred tax liabilities per the *Tax Cuts and Jobs Act of 2017*.

Total revenues for the first nine months were \$82,588,000, down \$2,696,000 from the same period last year. Transportation revenues (excludes fuel surcharges) were \$74,424,000, down \$2,967,000. Miles declined by 1,219,000 to 27,199,000 versus 28,418,000 in the same period last year.

Net fuel expense (i.e. gross fuel expenses less fuel surcharges) decreased by \$1,052,000 due to fewer miles driven and higher fuel surcharges in the early part of the period. Repair and tire expense increased \$497,000 due to several high dollar repairs and the expensing of prepaid tires as we purchased more tractors and trailers in this period versus the same period last year. Other operating expenses were up \$157,000 due to increased tolls, driver hiring and driver travel expense. Insurance and losses were down \$1,344,000 due mainly to lower auto liability (\$1,117,000) and lower health (\$223,000) claims. Depreciation expense was down \$768,000 as we sold excess equipment to right size our fleet. Sales, general & administrative costs increased \$279,000 due mainly to increased driver recruiting efforts and higher IT expense (on-going system upgrades). Gain on disposition of assets increased \$767,000 due primarily to a gain of \$866,000 on the sale of a prior terminal site in Ocoee, Florida and a gain of \$231,000 on the insurance settlement for hurricane damages and losses sustained at our Panama City, Florida location.

As a result, operating profit was \$1,823,000 compared to \$1,805,000 in the same period last year. Operating ratio was 97.8 versus 97.9 last year.

## **Summary and Outlook**

Our balance sheet remains solid with \$20,000,000 of cash and investments and zero debt. We have grown our shareholder equity by \$2,100,000 thus far this fiscal year. This quarter was negatively impacted by the lower driver count resulting in lower revenue miles. Although we continue to see a higher number of drivers in training our turnover rate has not improved resulting in a flattening of our driver count this year versus the decline we saw throughout last year. Management believes the biggest challenge we face today is driver retention and we are keenly focused on continuing to develop our strategy around improving retention. There is plenty of business available in many of our markets that we believe we can add if we can grow the driver count in those markets. Management is pleased with the efforts this year to improve freight rates which resulted in an increase of \$.08 per mile on transportation revenue quarter over quarter. The cost of hiring and retaining drivers continues to rise as do insurance premiums across the transportation industry. As a result, we are optimistic that freight rates will continue in a positive direction for the foreseeable future.

The decrease in equipment is producing significant recurring savings as are the recent changes we made to our specialty drug and wellness plans. We are in the early stages of renegotiating our pharmacy and health plan agreements and thus far we are optimistic about potential recurring savings moving into fiscal 2020. We will continue to pursue relationships with those customers who are willing to properly compensate us for the safe, reliable service we provide, particularly during this severe driver shortage. We are optimistic that the strategic plan we have in place will lead to improved operating profits.

## **Conference Call**

The Company will host a conference call on July 31, 2019 at 3:00 PM (EDT). Analysts, shareholders and other interested parties may access the teleconference live by calling 1-844-369-8770 domestic or international at 1-862-298-0840. 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 <https://www.investornetwork.com/event/presentation/51799>. An audio replay will be available for sixty (60) days following the conference call by dialing toll free 1-877-481-4010 domestic or international 1-919-882-2331 then enter pass code 51799. An audio archive can be accessed through the Company's website at [www.patriottrans.com](http://www.patriottrans.com) on the Investor Relations tab or at <https://www.investornetwork.com/event/presentation/47589>.

*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</b>		<b>NINE MONTHS ENDED</b>	
	<b>JUNE 30,</b>		<b>JUNE 30,</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>Revenues:</b>				
Transportation revenues	\$ 24,907	26,445	\$ 74,424	77,391
Fuel surcharges	2,619	2,959	8,164	7,893
Total revenues	27,526	29,404	82,588	85,284
<b>Cost of operations:</b>				
Compensation and benefits	11,985	12,132	35,875	36,048
Fuel expenses	3,988	4,623	12,268	13,049
Repairs & tires	1,901	1,817	5,572	5,075
Other operating	1,189	1,247	3,510	3,353
Insurance and losses	2,211	2,614	7,155	8,499
Depreciation expense	1,976	2,137	5,922	6,690
Rents, tags & utilities	833	792	2,571	2,534
Sales, general & administrative	2,479	2,465	7,508	7,229
Corporate expenses	426	399	1,825	1,676
Loss (gain) on disposition of PP&E	115	(175)	(1,441)	(674)
Total cost of operations	27,103	28,051	80,765	83,479
Total operating profit	423	1,353	1,823	1,805
Interest income and other	116	64	330	97
Interest expense	(8)	(10)	(25)	(29)
Income before income taxes	531	1,407	2,128	1,873
Provision for (benefit from) income taxes	135	321	559	(2,617)
<b>Net income</b>	<b>\$ 396</b>	<b>1,086</b>	<b>\$ 1,569</b>	<b>4,490</b>
Unrealized investment gains, net	7	—	19	—
Tax reform gain on retiree health	—	—	—	32
<b>Comprehensive income</b>	<b>\$ 403</b>	<b>1,086</b>	<b>\$ 1,588</b>	<b>4,522</b>
<b>Earnings per common share:</b>				
Net Income -				
Basic	\$ 0.12	0.33	.47	1.35
Diluted	\$ 0.12	0.33	.47	1.35
<b>Number of shares (in thousands) used in computing:</b>				
-basic earnings per common share	3,347	3,324	3,339	3,315
-diluted earnings per common share	3,348	3,328	3,340	3,316

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

	<u>June 30,</u> 2019	<u>September 30,</u> 2018
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 6,020	1
Treasury bills available for sale	14,430	17,298
Accounts receivable (net of allowance for doubtful accounts of \$165 and \$153, respectively)	7,472	7,866
Federal and state taxes receivable	117	547
Inventory of parts and supplies	944	895
Prepaid tires on equipment	1,666	1,746
Prepaid taxes and licenses	196	609
Prepaid insurance	1,994	2,348
Prepaid expenses, other	373	134
Total current assets	<u>33,212</u>	<u>31,444</u>
Property and equipment, at cost	93,729	94,710
Less accumulated depreciation	<u>59,678</u>	<u>60,799</u>
Net property and equipment	<u>34,051</u>	<u>33,911</u>
Goodwill	3,431	3,431
Intangible assets, net	740	855
Other assets, net	171	176
Total assets	<u>\$ 71,605</u>	<u>69,817</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 3,221	3,271
Bank overdraft	—	625
Accrued payroll and benefits	3,892	3,963
Accrued insurance	2,339	1,896
Accrued liabilities, other	310	408
Total current liabilities	<u>9,762</u>	<u>10,163</u>
Deferred income taxes	6,017	5,940
Accrued insurance	204	204
Other liabilities	1,096	1,104
Total liabilities	<u>17,079</u>	<u>17,411</u>
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; 3,347,329 and 3,328,466 shares issued and outstanding, respectively)	335	333
Capital in excess of par value	37,966	37,436
Retained earnings	16,041	14,472
Accumulated other comprehensive income, net	184	165
Total shareholders' equity	<u>54,526</u>	<u>52,406</u>
Total liabilities and shareholders' equity	<u>\$ 71,605</u>	<u>69,817</u>