

PATRIOT TRANSPORTATION HOLDING, INC./NEWS

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

Patriot Transportation Holding, Inc. (NASDAQ-PATI) Jacksonville, Florida; May 1, 2019

Second Quarter Operating Results

The Company reported net income of \$289,000, or \$.09 per share, compared to a net loss of (\$188,000), or (\$.06) per share, in the same quarter last year.

Total revenues for the quarter were \$27,008,000, down \$971,000 from the same quarter last year. Transportation revenues (excludes fuel surcharges) were \$24,537,000, down \$839,000 due to a decrease of 379,000 miles over the same quarter last year. The decrease in miles was due primarily to one of our customers moving into one of our markets with their private fleet and the closure of our Spartanburg satellite location. Despite an average longer haul length, transportation revenue per mile was up \$.02 due to increased freight rates. Fuel surcharge revenue was \$2,471,000, down \$132,000 from the same quarter last year.

Compensation and benefits decreased \$191,000 mainly due to lower company miles and lower payroll taxes partially offset by higher owner operator pay (the average owner operator count increased by 6 versus the same quarter last year). Fuel expenses decreased \$300,000 due primarily to lower company miles. Repair and tire expense increased \$321,000 due to several high dollar repairs and the expensing of prepaid tires as we purchased more tractors in this quarter versus the same quarter last year. Other operating expenses were up \$126,000 due to increased tolls, driver hiring and driver travel expense. Insurance and losses decreased \$1,167,000 primarily due to settlement of prior year liability claims for less than the actuarial estimates and lower health claims. Depreciation expense was down \$247,000 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. Sales, general & administrative costs increased \$119,000 due mainly to increased driver recruiting efforts, higher IT expense (on-going system upgrades) and higher payroll expense (to support changes to driver pay). Gain on disposition of assets increased \$298,000 to \$633,000 this quarter due primarily to a gain of \$247,000 on the insurance settlement for hurricane damages and losses sustained at our Panama City, Florida location in this year's first quarter.

As a result, operating profit this quarter was \$293,000 compared to an operating loss of (\$292,000) in the same quarter last year. Operating ratio was 98.9 this quarter versus 101.0 in the same quarter last year.

First Six Months Operating Results for Fiscal year 2019.

The Company reported net income of \$1,173,000, or \$.35 per share, compared to net income of \$3,404,000, or \$1.03 per share in the same period last year. The first six 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*. The first six months of 2019 net income included \$634,000, or \$.19 per share, from gains on real estate sales.

Total revenues for the first six months were \$55,062,000, down \$818,000 from the same period last year. Transportation revenues (excludes fuel surcharges) were \$49,517,000, down \$1,429,000. Miles declined by 354,000 to 18,252,000 versus 18,606,000 in the same period last year.

Net fuel expense (i.e. gross fuel expenses less fuel surcharges) decreased by \$757,000 due to fewer miles driven and higher fuel surcharges in the early part of the period. Repair and tire expense increased \$413,000 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 \$215,000 due to increased tolls, driver hiring and driver travel expense. Insurance and losses were down \$941,000 due to lower claims. Depreciation expense was down \$607,000 as we sold excess equipment to right size our fleet. Sales, general & administrative costs increased \$265,000 due mainly to increased driver recruiting efforts, higher IT expense (on-going system upgrades) and higher payroll expense (to support changes to driver pay). Gain on disposition of assets increased \$1,057,000 due primarily to a gain of \$866,000 on the sale of a prior terminal site in Ocoee, Florida and a gain of \$247,000 on the insurance settlement for hurricane damages and losses sustained at our Panama City, Florida location.

As a result, operating profit was \$1,400,000 compared to \$452,000 in the same period last year. Operating ratio was 97.5 versus a 99.2 last year.

Summary and Outlook

Our balance sheet remains solid with \$19,000,000 of cash and investments and zero debt. This quarter was negatively impacted by the decrease in transportation revenue on the lower revenue miles but we are having success adding business in certain markets. One of our primary focuses, together with driver retention, is improving our freight rates. The past few years, the rate environment has been difficult but recently we have seen positive improvement in the market as customers are finding it more difficult to get their freight delivered. With improved numbers of drivers in training, the other key focus today is retention. Our turnover year to date has increased slightly over fiscal 2018. However, we did see a meaningful improvement to driver turnover in the month of March. Our new driver advocate position is still in its infancy but so far, the feedback has been very positive. The decrease in equipment is producing significant recurring savings as are the recent changes we made to our pharmacy and wellness plans. 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.

The company owns a 25-acre parcel of land in Tampa, Florida where we maintain our terminal facility on approximately 5 acres of the property. The property is not currently being used for its

highest and best use and we intend to sell the property and relocate our Tampa terminal to a more suitable location. During the quarter, we filed all the required applications and plans to the City of Tampa for approval of a commercial mixed-use master site plan for the property. We anticipate obtaining all those approvals over the next few months and being in a position to market a fully entitled site later this year.

Subsequent Event. On Monday, April 22nd, 2019 the Company announced plans to exit the Charlotte, NC petroleum hauling market. Our intentions are to continue hauling petroleum products on a transitory basis for our current customers through May 22, 2019. Charlotte has continually proven to be a very difficult driver hiring and retention market coupled with a customer rate structure that does not afford Patriot Transportation the opportunity to make an acceptable return on our capital. We believe we will be able to retain some of our Charlotte drivers to run a new dry bulk opportunity that will be managed from another one of our terminals. Any excess equipment remaining after the closure will be sold. The closure will result in the loss of approximately \$2.5 M of revenue (prior to the addition of the dry bulk opportunity) and a slight improvement to the Company's operating profit.

Conference Call

The Company will host a conference call on May 1, 2019 at 3:00 PM (EDT). Analysts, shareholders and other interested parties may access the teleconference live by calling 1-844-602-0380 domestic or international at 1-862-298-0970. Computer audio live streaming is available via the Internet through the Company's website at www.patriottrans.com at the Investor Relations tab or at <https://www.investornetwork.com/event/presentation/47589>. 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 47589. An audio archive can be accessed through the Company's website at 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)

	THREE MONTHS ENDED MARCH 31,		SIX MONTHS ENDED MARCH 31,	
	2019	2018	2019	2018
Revenues:				
Transportation revenues	\$ 24,537	25,376	\$ 49,517	50,946
Fuel surcharges	2,471	2,603	5,545	4,934
Total revenues	27,008	27,979	55,062	55,880
Cost of operations:				
Compensation and benefits	11,852	12,043	23,890	23,916
Fuel expenses	4,004	4,304	8,280	8,426
Repairs & tires	2,006	1,685	3,671	3,258
Other operating	1,189	1,063	2,321	2,106
Insurance and losses	2,002	3,169	4,944	5,885
Depreciation expense	1,976	2,223	3,946	4,553
Rents, tags & utilities	891	887	1,738	1,742
Sales, general & administrative	2,561	2,442	5,029	4,764
Corporate expenses	867	790	1,399	1,277
Gain on disposition of PP&E	(633)	(335)	(1,556)	(499)
Total cost of operations	26,715	28,271	53,662	55,428
Total operating (loss) profit	293	(292)	1,400	452
Interest income and other	113	31	214	33
Interest expense	(7)	(9)	(17)	(19)
Income (loss) before income taxes	399	(270)	1,597	466
Provision for (benefit from) income taxes	110	(82)	424	(2,938)
Net income (Loss)	\$ 289	(188)	\$ 1,173	3,404
Unrealized investment gains, net	10	—	12	—
Tax reform gain on retiree health	—	—	—	32
Comprehensive income (loss)	\$ 299	(188)	\$ 1,185	3,436
Earnings per common share:				
Net Income (loss) -				
Basic	\$ 0.09	(0.06)	.35	1.03
Diluted	\$ 0.09	(0.06)	.35	1.03
Number of shares (in thousands) used in computing:				
-basic earnings per common share	3,342	3,316	3,335	3,310
-diluted earnings per common share	3,343	3,316	3,336	3,311

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

	<u>March 31,</u> 2019	<u>September 30,</u> 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 222	1
Treasury bills available for sale	18,863	17,298
Accounts receivable (net of allowance for doubtful accounts of \$154 and \$153, respectively)	8,390	7,866
Federal and state taxes receivable	163	547
Inventory of parts and supplies	907	895
Prepaid tires on equipment	1,666	1,746
Prepaid taxes and licenses	338	609
Prepaid insurance	2,115	2,348
Prepaid expenses, other	187	134
Total current assets	<u>32,851</u>	<u>31,444</u>
Property and equipment, at cost	93,044	94,710
Less accumulated depreciation	<u>59,414</u>	<u>60,799</u>
Net property and equipment	<u>33,630</u>	<u>33,911</u>
Goodwill	3,431	3,431
Intangible assets, net	778	855
Other assets, net	190	176
Total assets	<u>\$ 70,880</u>	<u>69,817</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 3,397	3,271
Bank overdraft	—	625
Accrued payroll and benefits	3,764	3,963
Accrued insurance	2,169	1,896
Accrued liabilities, other	231	408
Total current liabilities	<u>9,561</u>	<u>10,163</u>
Deferred income taxes	5,950	5,940
Accrued insurance	204	204
Other liabilities	1,099	1,104
Total liabilities	<u>16,814</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	37,909	37,436
Retained earnings	15,645	14,472
Accumulated other comprehensive income, net	177	165
Total shareholders' equity	<u>54,066</u>	<u>52,406</u>
Total liabilities and shareholders' equity	<u>\$ 70,880</u>	<u>69,817</u>