

Company Update

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Airfreight/Logistics

UTi Worldwide Inc. (UTIW-\$27.03)

Buy (1)

Company Statistics

12-month Price Target:	\$36
52-wk Range:	\$21.35-\$32.00
Market Capitalization (M):	\$2,709
Shares Outstanding (M) fd:	100.2
Avg. Daily Vol. (000):	1,273
Dividend:	\$0.06
Yield:	0.22%
12-month Total Return:	-5.20%
Debt/Total cap:	31%
Est. 3-yr. EPS Growth:	37.3%
EV/EBITDA:	13.9x
FCF Yield:	3.8%

Financials

FYE	Jan	2006A	2007A	2008E	2009E	2010E
P/E Ratio:		47.7x	25.0x	22.6x	18.5x	--
Revenue (M):		\$2,785.6	\$3,561.4	\$4,195.9	\$4,912.6	--
Operating Income (M):		\$98.8	\$158.6	\$189.9	\$226.6	--
EBITDA Margin:		13.1%	16.3%	16.5%	16.8%	--
FCF/sh:		\$1.05	\$1.07	\$1.22	\$1.76	--
EPS:						
	Q1	\$0.18	\$0.20	\$0.18A	--	--
	Q2	\$0.11	\$0.35	\$0.34	--	--
	Q3	\$0.17	\$0.31	\$0.36	--	--
	Q4	\$0.10	\$0.24	\$0.32	--	--
Total		\$0.57	\$1.08	\$1.20	\$1.46	--

Company Description

UTi Worldwide, Inc., headquartered in Rancho Dominguez, CA, acts as a third-party logistics company, providing air and ocean freight forwarding and customs brokerage. UTi also provides supply chain management solutions, including contract logistics, distribution management, vendor consolidation, cargo insurance, purchase order management, consulting, warehousing, and customized logistics information.

UTIW: INLINE QUARTER; WE'LL TAKE IT

Key Points

- **WE'RE PLEASED WITH AN INLINE Q1'08...** UTIW reported fiscal Q1'08 (April) EPS of \$0.18 (-8% yr/yr), inline with our estimate and consensus of \$0.18, and guidance of \$0.16-\$0.20. Operating income was exactly inline with our forecast, as total net revenues and operating expenses each exceeded our forecasts by approximately \$13M. All-in, we are pleased with the inline results after the company's disappointing FQ4'07 results, which drove a 20% one-day sell off in the name on 3/29/07.
- **... BUT MARGIN PRESSURES REMAIN.** UTIW's margin performance was the most significant disappointment in Q4'07, in our view, as the EBIT margin of 9.9% was down 440 bps sequentially and well below our estimate. The company blamed the margin shortfall on a number of issues, which we believe are largely still present, as the Q1'08 EBIT margin declined 170 bps yr/yr and 60 bps sequentially to 9.3%, and modestly missed our forecast. Cost issues typically don't correct themselves in just one quarter, so we believe that investors will need some patience in that regard. However, management noted on the call that it will be focusing aggressively on its cost reduction initiatives going forward, and we should see more significant progress later this year. Compensation for most senior executives is tied to a number of specific metrics, including growth, margins, cash flow, etc., so we expect management's efforts to show up on the bottom-line in future quarters.
- **LIGHT ON DETAILS AHEAD OF ANALYST DAY.** UTIW recently rolled out its five-year strategic plan, called CLIENTasONE, but management was understandably light on details ahead of its Analyst Day event early next week in Long Beach, CA. We believe the company clearly tried to save some of the "good stuff" for those meetings, but management did note that the company is essentially out of the acquisition game for the remainder of FY'08.
- **REITERATED FULL-YEAR GUIDANCE.** UTIW reiterated its prior FY'08 EPS guidance of \$1.14-\$1.22 versus our estimate of \$1.20 and consensus of \$1.15, which implies 19%-27% growth versus \$0.96 in FY'07. Again, we'll take it after the company issued quarterly and full-year EPS guidance on its fiscal Q4'07 call that was materially below consensus.
- **MAINTAIN BUY (1) RATING AND ESTIMATES.** We are maintaining our EPS estimates and \$36 12-month price target, based on approximately 30x and 25x our unchanged FY'08 and FY'09 EPS estimates, respectively. Over the last five years, the stock has traded as high as 33x one-year forward consensus EPS estimates, as low as 18x, and a median of 26x. After recent investments that UTIW has made into its business, we believe that the company is well positioned for an economic re-acceleration. Should that occur over the coming quarters, we believe that UTIW's multiple will re-expand.

Additional Discussion

RISKS. In our opinion, risks to UTIW attaining our price target include currency fluctuations, IT integration risks, acquisition integration risks, the current capacity situation and the potential for net revenue margin erosion, and global economic weakness.

\$ in millions

	FY'03	FY'04	FY'05	FY'06	Q1'07	Q2'07	Q3'07	Q4'07	FY'07	Q1'08A	Q2'08E	Q3'08E	Q4'08E	FY'08E	FY'09E
					Apr '06	Jul '06	Oct '06	Jan '07		Apr '07	Jul '07	Oct '07	Jan '08		
Gross Revenue:															
Airfreight	621.9	720.7	1,017.6	1,214.0	307.6	341.5	374.4	357.7	1,381.2	344.1	396.2	441.8	429.3	1,611.4	1,901.5
Ocean Freight	283.9	360.3	672.6	826.1	206.5	234.2	244.0	252.8	937.6	232.3	274.0	285.5	295.7	1,087.6	1,272.5
Customs Brokerage	64.2	67.9	77.6	81.0	19.8	22.0	22.1	22.4	86.4	21.9	24.2	24.4	24.7	95.1	106.6
Contract Logistics	75.8	229.7	312.3	443.7	118.6	125.4	130.7	144.4	519.2	141.5	150.4	154.3	166.1	612.3	716.4
Other	124.2	124.4	179.7	220.8	121.2	166.9	175.0	173.9	637.0	204.9	192.0	197.7	194.8	789.4	915.7
Total Gross Revenue	1,170.1	1,502.9	2,259.8	2,785.6	773.7	890.1	946.3	951.3	3,561.4	944.7	1,036.9	1,103.7	1,110.6	4,195.9	4,912.6
% growth	31.5%	28.4%	50.4%	23.3%	22.8%	29.7%	27.7%	30.6%	27.9%	22.1%	16.5%	16.6%	16.7%	17.8%	17.1%
Net Revenue:															
Airfreight	157.5	198.8	253.3	291.0	74.9	81.5	87.0	86.2	329.6	85.2	94.7	104.7	105.6	390.2	462.1
Ocean Freight	66.6	75.1	98.9	118.3	31.5	36.3	39.8	38.9	146.6	37.0	43.6	46.3	47.0	173.8	204.9
Customs Brokerage	61.1	65.5	75.4	78.5	19.2	21.6	21.5	21.8	84.1	21.2	23.9	23.9	24.2	93.1	104.4
Contract Logistics	64.0	193.0	257.1	370.7	99.7	108.7	109.3	121.3	439.0	121.7	128.6	131.1	141.2	522.7	612.5
Other	55.7	63.7	89.1	107.8	46.4	57.3	58.5	63.0	225.2	70.9	68.7	71.6	70.7	281.9	327.8
Total Net Revenue	404.8	596.1	773.8	966.4	271.6	305.4	316.2	331.2	1,224.5	336.0	359.5	377.6	388.7	1,461.8	1,711.7
% growth	32.9%	47.3%	29.8%	24.9%	22.8%	28.2%	24.9%	30.5%	26.7%	23.7%	17.7%	19.4%	17.4%	19.4%	17.1%
Expenses:															
Labor Expense	210.7	337.7	430.0	547.2	147.9	150.3	162.9	181.9	643.0	184.7	181.5	192.2	206.0	764.5	893.5
SG & A	143.4	201.8	259.0	292.3	84.5	94.6	97.6	104.8	381.5	108.5	112.5	117.0	118.6	456.7	530.6
Depreciation & Amortization	11.4	15.5	21.4	28.1	9.3	10.0	10.4	11.8	41.4	11.4	12.8	13.1	13.5	50.8	61.0
Total Operating Expenses	365.4	554.9	710.4	867.6	241.6	254.9	270.9	298.4	1,065.9	304.6	306.8	322.3	338.1	1,271.9	1,485.1
EBITDA	50.7	56.7	84.8	126.9	39.3	60.5	55.7	44.6	200.0	42.8	65.4	68.3	64.1	240.7	287.6
% margin	12.5%	9.5%	11.0%	13.1%	14.5%	19.8%	17.6%	13.5%	16.3%	12.7%	18.2%	18.1%	16.5%	16.5%	16.8%
% growth	13.8%	11.7%	49.6%	49.6%	15.6%	107.3%	43.8%	78.1%	57.6%	9.0%	8.2%	22.6%	43.9%	20.3%	19.5%
EBIT	39.3	41.2	63.4	98.8	30.0	50.5	45.3	32.8	158.6	31.4	52.6	55.2	50.6	189.9	226.6
% margin	9.7%	6.9%	8.2%	10.2%	11.0%	16.5%	14.3%	9.9%	13.0%	9.3%	14.6%	14.6%	13.0%	13.0%	13.2%
% growth	31.8%	4.7%	53.8%	55.9%	10.6%	123.8%	43.7%	86.9%	60.6%	4.8%	4.2%	21.9%	54.5%	19.8%	19.3%
Miscellaneous, net	(1.2)	(0.5)	1.0	(0.3)	0.2	(0.3)	0.3	0.2	0.4	(0.4)	-	-	-	(0.4)	-
Interest Expense	(0.5)	1.0	(0.5)	(3.9)	(3.0)	(3.7)	(4.0)	(4.6)	(15.3)	(4.1)	(4.4)	(4.4)	(4.3)	(17.2)	(18.0)
Interest Income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EBT	37.6	41.7	63.9	94.6	27.1	46.6	41.6	28.5	143.7	27.0	48.2	50.8	46.3	172.4	208.6
Taxes	12.5	13.6	26.1	35.2	6.8	10.6	10.2	4.3	31.8	8.0	13.5	14.2	13.0	48.7	58.4
% rate	33.2%	32.7%	40.9%	37.2%	25.2%	22.8%	24.4%	15.0%	22.2%	29.6%	28.0%	28.0%	28.0%	28.2%	28.0%
Minority Interest	(1.4)	(1.6)	(2.7)	(4.2)	(0.9)	(1.5)	(0.9)	(0.6)	(3.8)	(0.9)	(1.0)	(1.0)	(1.0)	(3.9)	(4.0)
Net Income	23.7	26.5	35.0	55.2	19.4	34.5	30.5	23.6	108.0	18.1	33.7	35.6	32.4	119.8	146.2
% growth	23.6%	11.5%	32.3%	57.7%	8.1%	217.5%	80.2%	142.6%	95.7%	-6.6%	-2.3%	16.8%	37.0%	10.9%	22.0%
EPS - Basic	\$ 0.31	\$ 0.29	\$ 0.38	\$ 0.59	\$ 0.20	\$ 0.36	\$ 0.31	\$ 0.24	\$ 1.12	\$ 0.18	\$ 0.34	\$ 0.36	\$ 0.33	\$ 1.21	\$ 1.48
Wt. Average Shares - Basic	77.8	90.9	92.2	94.1	95.5	96.3	97.3	98.4	96.9	98.7	98.7	98.7	98.7	98.7	98.7
% growth	20.3%	-4.6%	30.4%	54.5%	5.3%	209.1%	75.4%	134.1%	90.1%	-9.7%	-4.6%	15.1%	36.6%	8.9%	22.0%
EPS - Diluted	\$ 0.30	\$ 0.28	\$ 0.37	\$ 0.56	\$ 0.20	\$ 0.35	\$ 0.31	\$ 0.24	\$ 1.08	\$ 0.18	\$ 0.34	\$ 0.36	\$ 0.32	\$ 1.20	\$ 1.46
Wt. Average Shares - Diluted	79.5	94.4	95.7	98.0	99.0	99.8	99.8	100.2	99.7	100.2	100.2	100.2	100.2	100.2	100.2
% growth	19.0%	-6.1%	30.6%	53.9%	6.5%	211.0%	77.2%	138.7%	92.4%	-7.7%	-2.7%	16.3%	37.1%	10.4%	22.0%
Net Revenue Margin Analysis: (% of gross revenue)															
Airfreight	25.3%	27.6%	24.9%	24.0%	24.3%	23.9%	23.2%	24.1%	23.9%	24.8%	23.9%	23.7%	24.6%	24.2%	24.3%
Ocean Freight	23.4%	20.9%	14.7%	14.3%	15.3%	15.5%	16.3%	15.4%	15.6%	15.9%	15.9%	16.2%	15.9%	16.0%	16.1%
Customs Brokerage	95.1%	96.6%	97.1%	97.0%	96.7%	98.3%	97.1%	97.3%	97.4%	96.7%	98.5%	98.0%	98.2%	97.9%	98.0%
Contract Logistics	84.4%	84.0%	82.3%	83.5%	84.0%	86.7%	83.6%	84.0%	84.6%	86.0%	85.5%	85.0%	85.0%	85.4%	85.5%
Other	44.8%	51.2%	49.6%	48.8%	38.3%	34.3%	33.5%	36.2%	35.4%	34.6%	35.8%	36.2%	36.3%	35.7%	35.8%
Total Net Revenue	34.6%	39.7%	34.2%	34.7%	35.1%	34.3%	33.4%	34.8%	34.4%	35.6%	34.7%	34.2%	35.0%	34.8%	34.8%
Operating Expense Margin Analysis: (% of net revenue)															
Labor Expense	52.1%	56.6%	55.6%	56.6%	54.4%	49.2%	51.5%	54.9%	52.5%	55.0%	50.5%	50.9%	53.0%	52.3%	52.2%
SG & A	35.4%	33.8%	33.5%	30.2%	31.1%	31.0%	30.9%	31.6%	31.2%	32.3%	31.3%	31.0%	30.5%	31.2%	31.0%
Depreciation & Amortization	2.8%	2.6%	2.8%	2.9%	3.4%	3.3%	3.3%	3.6%	3.4%	3.4%	3.6%	3.5%	3.5%	3.5%	3.6%
Total Operating Expenses	90.3%	93.1%	91.8%	89.8%	89.0%	83.5%	85.7%	90.1%	87.0%	90.7%	85.4%	85.4%	87.0%	87.0%	86.8%

IMPORTANT DISCLOSURES

Price Chart

UTIW

1) 04/07/04	2) 06/08/04	3) 09/08/04	4) 10/14/04	5) 06/17/05	6) 09/08/05	7) 11/07/05	8) 03/30/07
Buy (1) \$16.67	Buy (1) \$20.67	Buy (1) \$22	Buy (1) \$25.67	Buy (1) \$28.33	Buy (1) \$29	Buy (1) \$40	Buy (1) \$36



BB&T Capital Markets' rating distribution by percentage (as of March 31, 2007):

All companies under coverage:		All companies under coverage to which it has provided investment banking services in the previous 12 months:	
Buy (1)	48.7%	Buy (1)	12.0%
Hold (2)	47.7%	Hold (2)	8.8%
Underweight/Sell (3)	3.2%	Underweight/Sell (3)	10.0%
Not Rated (NR)	0.3%	Not Rated (NR)	0.0%
Suspended (SP)	0.0%	Suspended (SP)	0.0%

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The BB&T Capital Markets Equity Research Department Stock Rating System consists of three separate ratings. The appropriate rating is determined by a stock's estimated 12-month total return potential, which consists of the percentage price change to the 12-month price target and the current yield on anticipated dividends. A 12-month price target is the analyst's best estimate of the market price of the stock in 12 months. A 12-month price target is highly subjective and the result of numerous assumptions, including company, industry, and market fundamentals, both on an absolute and relative basis, as well as investor sentiment, which can be highly volatile.

The definition of each rating is as follows:

- Buy (1): estimated total return potential greater than or equal to 10%
- Hold (2): estimated total return potential greater than or equal to 0% and less than 10%
- Underweight (3): estimated total return potential less than 0%

- NR: Not Rated
- NA: Not Applicable
- NM: Not Meaningful
- SP: Suspended

Stocks rated Buy (1) are required to have a published 12-month price target, while it is not required on stocks rated Hold (2) and Underweight (3).

BB&T Capital Markets Equity Research Disclosures as of June 8, 2007

Company	Disclosure
UTi Worldwide Inc. (UTIW)	1, 6

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST

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2. The analyst serves as an officer, director, or advisory board member of the subject company.

3. The analyst or a member of the analyst's household owns shares of the subject company.
4. BB&T Capital Markets has managed or co-managed a public offering of securities for the subject company in the last 12 months.
5. BB&T Capital Markets has received compensation for investment banking services from the subject company in the last 12 months.
6. BB&T Capital Markets expects to receive or intends to seek compensation for investment banking services from the subject company in the next three months.
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8. The subject company is, or during the past 12 months was, a client of BB&T Capital Markets, which provided non-investment banking, securities-related services to, and received compensation from, the subject company for such services. The analyst or employees of BB&T Capital Markets with the ability to influence the substance of this report knows the foregoing facts.
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The analyst(s) principally responsible for preparation of this report received compensation that is based upon many factors, including the firm's overall investment banking revenue.

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OTHER DISCLOSURES

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