

## UTi Worldwide, Inc. (UTIW)

Rating **NEUTRAL\***  
Price (06 Jun 07) 26.52 (US\$)  
Target price (12M) (from 28.00) 29.00 (US\$)  
52 week high - low 31.91 - 21.68  
Market cap. (US\$ m) 2,658.36

\* Stock ratings are relative to the coverage universe in each analyst's or each team's respective sector.

### Research Analysts

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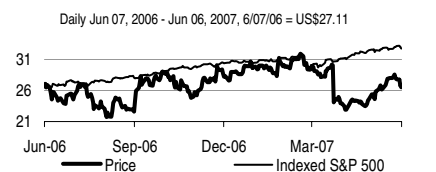
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### EARNINGS

## Hitting the Brakes on Acquisitions

- UTi Worldwide, Inc. reported fiscal 1Q08 EPS of \$0.18 before the bell this morning—a penny ahead of our estimate and in-line with consensus. Earnings exceeded our expectations primarily due to better than anticipated top line results—driven by strength at the Contract Logistics segment. Overall solid performance for the quarter is undoubtedly a welcome sigh of relief for investors following last quarter's disappointing results.
- In light of the company's cost management initiatives, we are slightly increasing our FY07 EPS estimate by 1 cent to \$1.16—thereby placing our estimate at the lower end of the company's reiterated guidance range of \$1.14-\$1.22. However, hiccups during recent quarters give us pause—as such we choose to leave our FY09 EPS estimate of \$1.45 intact. By applying a 25x multiple (increased slightly to reflect the aforementioned cost initiatives) on our FY08 EPS estimate, our 12-month share target increases by \$1 to \$29. As we do not believe enough potential upside exists for investors, we maintain our Neutral rating on the stock.
- Looking ahead, management outlined aggressive steps that it is taking in order to achieve better operating results—with particular emphasis on the expense line (which appeared to run amuck in 4Q07). Specifically, the company has placed a “moratorium” on acquisitions for the remainder of the fiscal year (with the exception of expansion within its Global Specialized Solutions segment), is reducing headcount in certain areas of the business, and has delayed certain IT initiatives. That being said, the “4-as-1” technology integration will continue as planned—management indicated that it is a vital driver of long-term operating efficiencies in the freight forwarding segment. While we believe management is taking the appropriate measures to re-align the business units, we cannot help but remain cautious on the stock for the near-term.

### Share price performance



On 06/06/07 the S&P 500 index closed at 1,490.72.

Quarterly EPS	Q1	Q2	Q3	Q4
2007A	0.20	0.34	0.31	0.24
2008E	0.18	0.29	0.39	0.30
2009E				

### Financial and valuation metrics

Year	1/07A	1/08E	1/09E
EPS (CS adj., US\$)	1.08	1.16	1.45
Prev. EPS (US\$)		1.15	1.45
P/E (x)	24.5	22.9	18.2
P/E rel. (%)	157.5	162.2	139.8
Revenue (US\$ m)	3,561.4	4,177.0	4,765.5
EBITDA (US\$ m)	200.0	237.4	287.9
OCFPS (US\$)	0.91	1.25	1.61
P/OCF (x)	33.3	21.2	16.5
	—	—	—
	—	—	—
	—	—	—
Number of shares (m)	100.24		
BV/share (current, US\$)	6.64		
		Dividend (current, US\$)	0.06
		Dividend yield	0.2%

Source: Company data, Credit Suisse estimates.

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- The Contract Logistics segment was a bright spot in the quarter as gross and net revenues grew 30% and 31% to \$141.5 million and \$121.7 million, respectively—both ahead of our forecast. Indeed, gross margins improved 70 basis points year-over-year. Segment growth was driven primarily due to the addition of new dedicated customers and the expansion of its existing customer base during the quarter. Despite this, management noted that the segment should continue to be pressured by rising stock costs (\$3.3 million in 1Q08) related to the Wal-Mart Baytown contract. Similarly, International Healthcare Distributors in Africa continued to be pressured by development costs.
- The freight forwarding division reported solid 1Q08 results airfreight gross revenues grew 12% to \$344.1 million and ocean gross revenues rose 12% to \$232.3 million—although both came in modestly below of our estimates. Management noted that while airfreight posted the highest growth in the Europe/Middle East/North Africa (EMENA) region, demand was slower in Asia (largely due to the timing of the Chinese New Year)—as a shift into ocean freight was observed. Indeed, ocean business in the Greater China region posted the fastest growth. Looking ahead, airfreight volumes in Asia are expected to pick up in July or August as peak season commences. The company also commented that EMENA continued to display the highest growth of the regions for the month of May—likely proving favorable for the segment for 2Q08.
- The company reported a new segment this quarter, “Distribution,” which essentially encompasses the North American truck brokerage business. While gross and net revenues grew 53% and 22% to \$118.8 million and \$35.5 million we note that fiscal 1Q07 including just 2 months of Market Transport—thus, year-over-year growth rates should normalize going forward. However, management did note that the trucking operating environment remains challenged—consistent with our asset-based industry channel checks.
- UTIW will host an investor day on June 12<sup>th</sup> in Long Beach, CA where the company plans to discuss its new “Client-as-One” strategy in detail. Additionally, we expect the company to provide an update on its ongoing “4-as-1” IT project and other long-term initiatives. We will provide further commentary following the meeting.

**Companies Mentioned** (Price as of 06 Jun 07)

UTi Worldwide, Inc. (UTIW, \$26.52, NEUTRAL, TP \$29.00, MARKET WEIGHT)

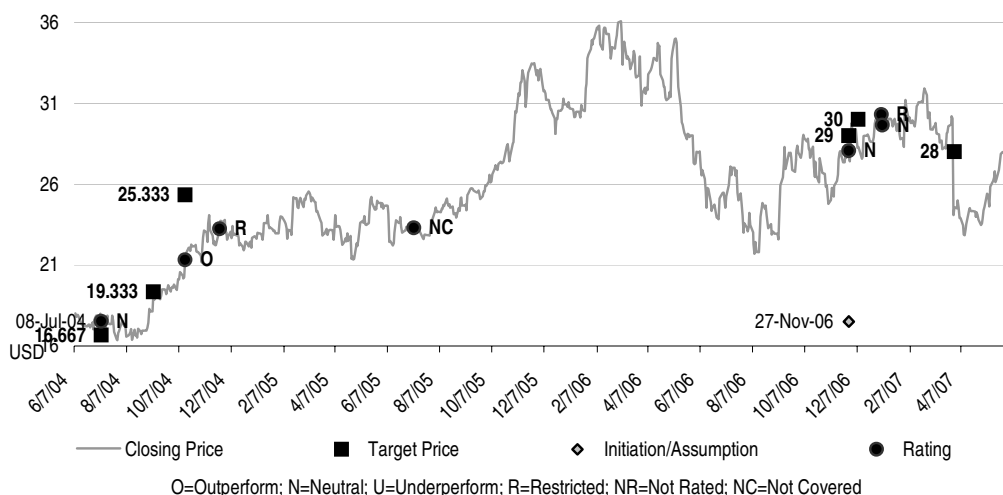
## Disclosure Appendix

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See the Companies Mentioned section for full company names.

### 3-Year Price, Target Price and Rating Change History Chart for UTIW



UTIW Date	Closing Price Price (US\$)	Target Price Price (US\$)	Rating	Initiation/Assumption
7/8/04	17.533	16.667	NEUTRAL	X
9/7/04	19.32	19.333		
10/14/04	21.333	25.333	OUTPERFORM	
11/23/04	23.243		RESTRICTED	
7/8/05	23.3		NOT COVERED	
11/27/06	28.06	29	NEUTRAL	X
12/8/06	28.3	30		
1/4/07	30.3		RESTRICTED	
1/5/07	29.64		NEUTRAL	
3/30/07	24.58	28		

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<b>Restricted</b>	3%	

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*See the Companies Mentioned section for full company names.*

**Price Target:** (12 months) for (UTIW)

**Method:** Our target price of \$29 for UTIW is calculated by applying a 25x multiple (slightly lower than its 5-year historical average multiple to account for integration risks) on our FY08 EPS estimate of \$1.16.

**Risks:** Risks to achieving our target price of \$29 for UTIW are changes to the global economy, competitive pricing pressure, a cyclical rotation out of the logistics sector, the ability to integrate acquisitions, the availability of underlying transportation carriers. In addition, one of our largest concerns is the company's ability to successfully implement a united global IT platform.

*See the Companies Mentioned section for full company names.*

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