

Logistec Corporation (LGT.B:TSE)

Industrial Transportation – Transportation Services

“Shipping the True Value”

Company Profile

Logistec Corporation (Logistec) is a marine and environmental services provider based out of Montréal, Quebec. Within the firm’s marine services segment, it provides cargo handling, stevedoring (loading & unloading vessels), transportation, and marine agency services. Within the environmental sector, the firm provides structural rehabilitation for underground water mains, regulated materials management, site remediation, risk assessment, and woven-house manufacturing.

Need for Water Infrastructure Replacement

Within the United States, the water infrastructure is aging past its expected usefulness and will most likely need to be replaced in the near future. In the next 20 years, approximately \$530 billion will need to be spent on replacing these pipes, which will increase the demand for Sanexen’s Aqua-Pipe technology, if the firm is able to market it as being the lower cost, less disruptive, and more efficient alternative.

Continuous Share Buybacks

Since 2005, Logistec has engaged in share buybacks through the firm’s Normal Course Issuer Bid (NCIB). On average, the firm has repurchased approximately 3.1% of shares outstanding annually. We expect this trend to continue in the foreseeable future since we have no reason to believe that the management team has no indicated any plans to discontinue the program.

Valuation & Recommendation

Based on our discounted cash flow analysis and comparable company analysis, we place a **buy** rating for Logistec and determined a weighted 12 month target share price of \$47.43. Since there is a need for water infrastructure replacement in the foreseeable future, we recommend Logistec for investors seeking a long term investment with low volatility.

Please see legal disclaimer at bottom.

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Equity Research Canada

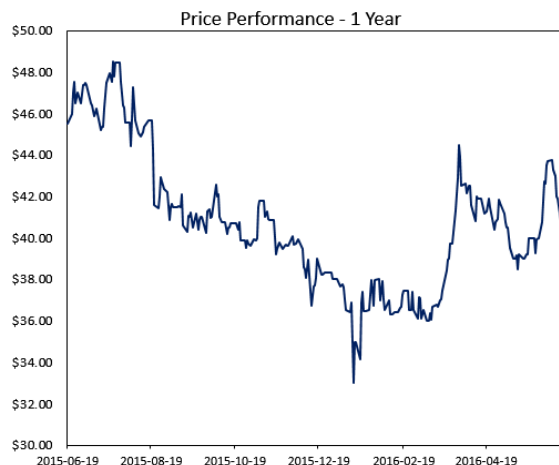
Price Target	CAD\$ 47.43
Rating	Buy
Current Share Price, close	CAD\$ 40.99
Total Return	15.71%

Key Statistics

52 week H/L	\$48.50/\$33.00
Market Capitalization	\$506.9M
Net Debt	\$32.9M
Enterprise Value	\$541.6M
Net Debt/Enterprise Value	6.07%
Diluted Shares Outstanding	4.76M
Free Float %	89%
Dividend Yield	0.84%
LTM P/E	19.5x
LTM EV/EBITDA	10.22x

WestPeak’s Forecast

	<u>2016E</u>	<u>2017E</u>	<u>2018E</u>
Revenue	\$362M	\$384M	\$407M
EBITDA	\$53.1M	\$62.2M	\$66.0M
EBIT	\$40.5M	\$49.4M	\$51.6M
Net Income	\$30.2M	\$38.1M	\$40.1M



Business Overview and Fundamentals

Subsidiary Companies

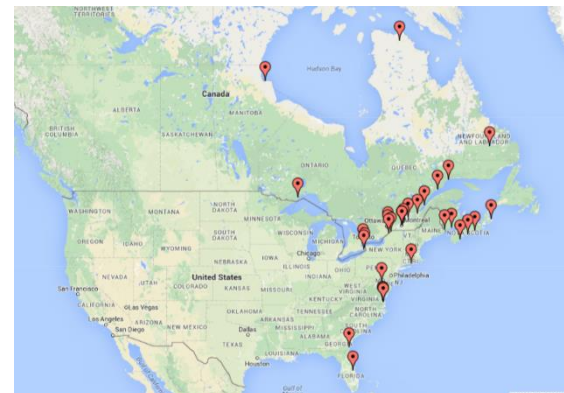
Logistec Corporation (TSE:LGT.B) primarily operates under several subsidiary companies within both the marine and environmental services industries. Below is the list of subsidiaries that Logistec has ownership in.

Subsidiary Name	Ownership	Subsidiary Name	Ownership
Autoterm Inc.	100%	Ramsey Greig & Co. Ltd.	100%
BalTerm, LLC	100%	SETL Real Estate Management Inc	100%
CrossGlobe Transpot, Ltd.	100%	Sorel Maritime Agencies Inc.	100%
Lakehead Shipping Company Limited	100%	Tartan Terminals, Inc.	100%
Les Terminaux Rideau Bulk Terminals Inc.	100%	Sanexen Environmental Services	100%
Logistec Marine Agencies Inc.	100%	Niedner Inc.	100%
Logistec Stevedoring Inc.	100%	Sanexen Environnement SAS	100%
Logistec Stevedoring (Atlantic) Inc.	100%	Mistral Environnement SAS	100%
Logistec Stevedoring (New Brunswick) Inc.	100%	Sanexen Water, Inc	100%
Logistec Stevedoring (Nova Scotia) Inc.	100%	MtLINK Multimodal Solutions Inc.	86%
Logistec Stevedoring (Ontario) Inc.	100%	Excava-Tech Inc.	Minority
Logistec Stevedoring U.S.A. Inc.	100%	9223-555 Quebec Inc	Minority
Logistec USA Inc.	100%		

Marine Services

Logistec specializes in handling dry cargo. Typically cargo contains raw materials, dry bulk, fruit grain, and bagged cargoes. The firm operates in 44 terminals at 30 different ports. Logistec also offers container stuffing and destuffing, warehousing and distribution, ancillary trucking services, and manages coal transportation via railway.

Within the marine services segment, Logistec primarily operates under the following companies:



Location of Terminals

1. Logistec Stevedoring Inc.

Operates Marine Terminals within North America and provides stevedoring, truck and rail loading and warehousing services.

2. Nunavut Eastern Arctic Shipping

Nunavut Eastern Shipping is a subsidiary of Transport Nanuk Inc, Joint-venture with the Northwest Company. The firm provides cargo consolidation services, vessel transportation, containerization and marine transportation for Arctic communities.

3. Logistec Marine Agencies Inc.

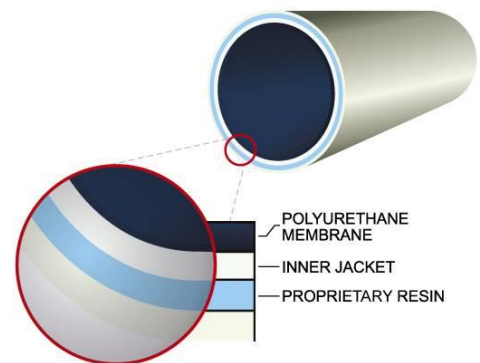
The firm provides marine services which includes completing government forms, assistant crews, vessel repairs, ship spares and any other husbandry matters. The Company operates under Sorel Maritime Agencies Inc. Ramsey Greig & Co. Ltd. and Churchill Marine Agencies at various ports.

Environmental Services

Logistec operates within the environmental services industry through Sanexen Environmental Services Inc. (Sanexen), a wholly-owned subsidiary that specializes in the consultation of contaminated site remediation and water main rehabilitation. Sanexen provides trenchless structural rehabilitation of underground water mains, regulated materials management, site remediation, risk assessment, and woven-hose manufacturing for industrial and governmental customers. Through Sanexen, the Company acquired Mistral Environnement SAS, a materials management services firm located in France, allowing the Logistec to expand geographically.

Aqua-Pipe Technology

Sanexen developed the Aqua-Pipe technology, which allows for the rehabilitation of drinking water supply lines by creating a new structural pipe within aging pipes that have reached the end of their useful life. Aqua-Pipe is composed of a composite material with a specific epoxy resin. The structural lining used in the Aqua-Pipe is manufactured by Nieder Inc., a fully-owned subsidiary of Sanexen.



Source: aqua-pipe.com

Common Shares (Class A and Class B)

Logistec has its stock listed on the Toronto Stock Exchange as LGT.A and LGT.B. Class A Common Shareholders are entitled to 30 votes per share. Class B Subordinate Voting Shares receive only one vote per share, but holders are entitled to receive a dividend equal to 110% of any dividend declared on each Class A Common Shares. On May 7th 2014, Logistec approved a two-for-one stock split of both Class A and Class B Shares.

Growth Strategy

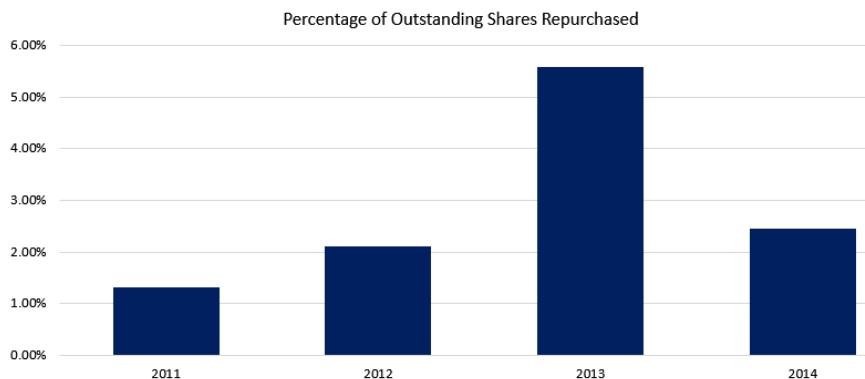
Within the firm's marine services segment, part of the growth strategy includes strengthen the existing network. The company wants to focus on maximizing cargo utilizing existing networks, diversifying cargo base, and maximize efficiencies through modern processes. Additionally, Logistec is looking to diversify and grow their existing network by accessing new ports within North America, creating value-added solutions, outsource and provide turnkey solutions, and to focus on mining, biomass and port logistics. Within port logistics, the firm expanded into transloading services within Montréal, Québec in 2015 and expects continued growth in 2016.

The focus on environmental services segment growth is primarily based on geographic expansion. For the Aqua-Pipe, Logistec is looking to expand primarily within the United States and for other environmental services, the firm wants to focus on expansion within Ontario, the Arctic and France.

The firm is looking to grow through acquisitions in order to expand the firm's port network and to take advantage of the difficult economic environment. In 2015 and 2014, the portion of capital expenditure being invested into new projects were 63.4% and 52.0% respectively.

Normal Course Issuer Bid (NCIB)

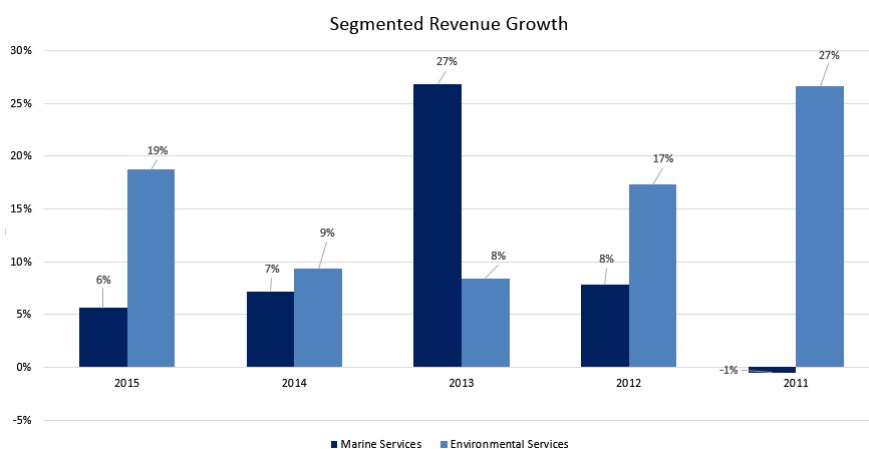
Since 2005, Logistec has repurchased shares for cancellation purposes. Each NCIB starts on the October 24th and ends on October 23rd the following year. Under the 2015 NCIB, the Company is intending to repurchase up to 5% of issued and outstanding shares (approximately 249,460 Class B shares). However, historically, the average number of shares actually repurchased was equivalent to approximately 3%.



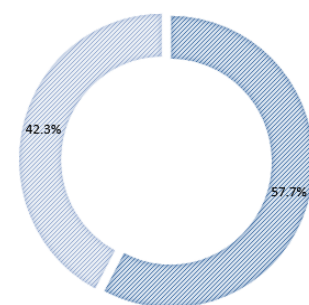
**2013 was adjusted for stock split*

Revenue Growth and Segmented Geographic Revenue Breakdown

Logistec has seen excellent growth in the last 5 years with a compounded annual growth rate of 12.0%, driven by growth within the environmental services segment. Geographically, Logistec's revenue streams are located entirely within Canada and the United States, making up 69.6% and 30.4% of revenue respectively. The firm's top line is broken down into their marine services and environmental services. Although Logistec's revenue is primarily composed of marine services, the environmental services segment has been growing at a higher rate.



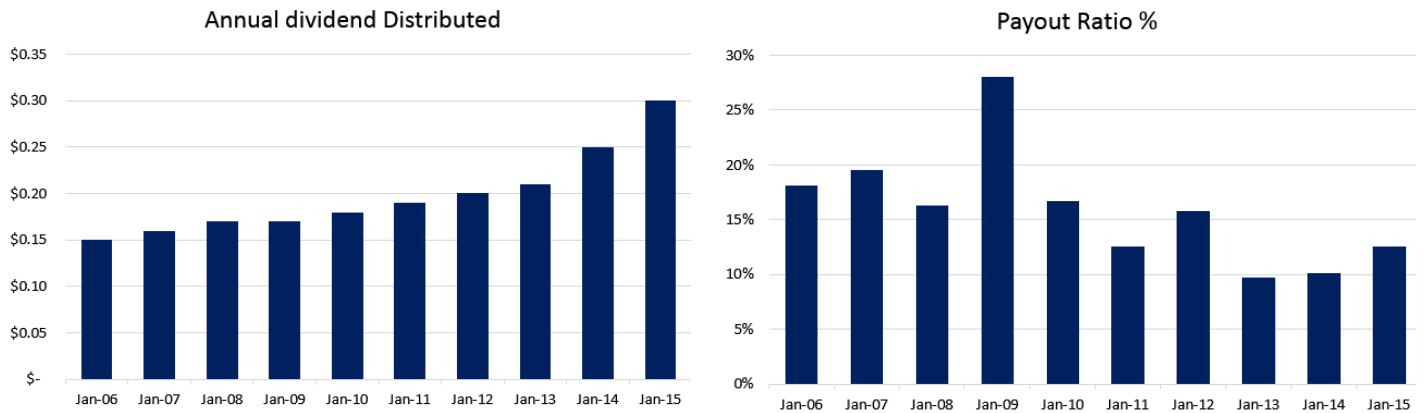
BUSINESS SEGMENT REVENUE BREAKDOWN



■ Marine Services ■ Environmental Services

Low Dividend Yield and Consistent Dividend Growth

Logistec has either maintained or increase dividends annually in the past 10 years. Although they have increased dividends, the most recent dividend yield was only 0.85%. Additionally, the firm's payout ratio has not grown in line with annual dividend distributed. Therefore, it should be noted that although there has been consistent annual dividend growth, Logistec is not a dividend stock.



Purchase of Remaining Shares of Sanexen

On March 24th 2016, Logistec entered an agreement to acquire the remaining 29.8% equity interest in Sanexen for \$43.8 million, giving Logistec 100% equity interest in the subsidiary. The acquisition of the remaining shares of Sanexen is important for the future of Logistec. It allows Logistec to fully enter the environmental services industry, which is where we believe majority of the growth for the firm will occur.

Brunswick Warehouse Fire and Virginia Flood

In 2015, a fire in Brunswick, Georgia destroyed two warehouses and caused significant damage at the Company's bulk facility. Insurance will be sufficient to cover the cost associated with the fire. This resulted in higher handling costs, storage constrains and productivity issues. Reconstruction of the warehouse has started, but operations will be impaired until it is fully completed. Although the damages from the fire will cause short term difficulties and higher costs, the new warehouse will be larger and more efficient. Also in 2015, Logistec's paper warehouse in Virginia suffered major cargo damage due to a flood which caused similar efficiency issues.

New Terminal in Montréal, Québec

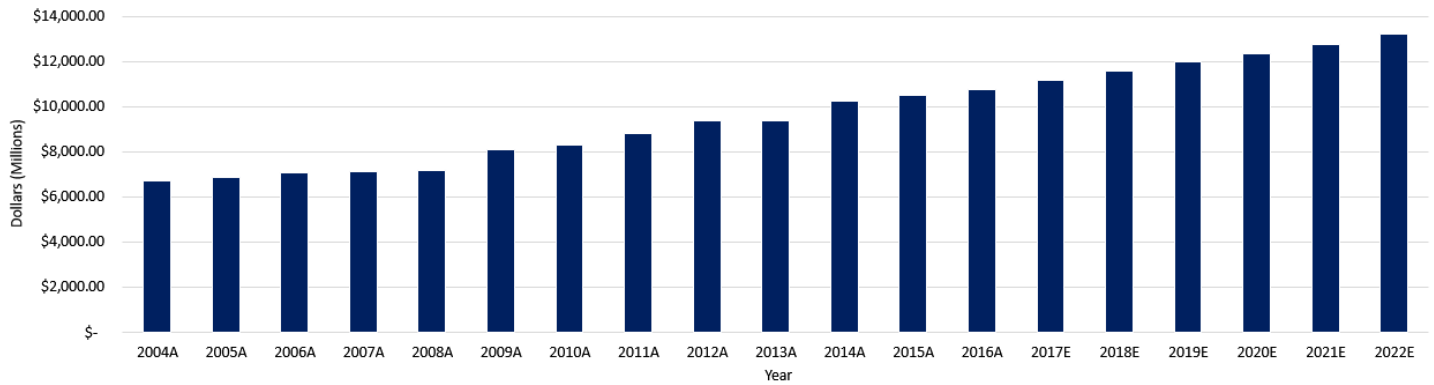
Logistec is in the process of completing a new terminal located in Montréal, Québec. The terminal is in operation, but will be finished by the end of 2016. Early operations led to higher temporary costs. The development of the new terminal allows the firm to maximize efficiency at the location upon completion.

Macro Environment and Industry Overview

Stevedoring and Marine Cargo Handling

The Stevedoring and Marine Cargo Handling industry is expected to grow on average by 3.4% annually over next 5 years. The growth is primarily fueled by expected increase in oil prices starting in 2017 and expected higher demand for ocean transportation. Because water transportation has a low per-unit shipping cost, increase in oil prices are correlated with increase in demand for water transportation. The industry has limited growth potential since geographically, it is limited to only existing ports of call and building new ports often require a large amount of capital and time to complete. However, this also acts as a barrier to entry for potential competitors who are trying to entry to industry or expand into new ports. The historical 10 year average annual revenue growth is 4.1%.

Stevedoring and Marine Cargo Revenue in the US



Ocean and Coastal Transportation

In recent history, the industry has suffered from lacklustre demand due to poor domestic economic conditions and stagnant per capita disposable income growth. This led to slower retail and manufacturing activity and a decline in transportation needs. Although the annual revenue growth for the industry within Canada and the United States is expected to grow by 1.7% and 2.4% respectively, headwinds attributed to lacklustre demand for commodities and lower dry-bulk rates remain, which will affect the industry’s revenue. Barriers to entry within the industry are high due to high regulation, strict policy requirements and high capital intensity. Additionally, large and established firms are more likely to obtain large, long-term contracts.

Environmental Consulting

Over the last five years, the industry experienced mixed results with only an annualized growth of 0.5% which came from an increased emphasis on environmental sustainability, but was offset by a decrease in government funding. In the next five years, the industry is expected to grow on average by 4.9% annually, which is primarily driven by an expected increase in environmental protection legislation and regulation. Government expenditure and investment, another key driver for the industry, is expected to grow at a slow, yet steady pace.

Water and Sewer Line Construction

The demand for the water and sewer line construction declined in the last few years due to residential construction collapse and budget deficits faced by the governments. The 2009 American Recovery and Reinvestment Act propelled some growth within the industry since a large amount was allocated to the Environment Protection Agency’s (EPA) Clean Water State Revolving Fund and Drinking Water State Revolving Fund, but the government budget sequestration in 2013 hindered further industry growth. Because of the lack in funding, the industry’s average annual revenue growth declined by 1.7% annually over the last 10 years. The industry has since seen some recovery with an annual growth of 2.2% in the last 5 years.

Over the next 5 years, the industry is expected to grow annually by an average of 2.1%, which is led by an expected increase in local and state government investment in infrastructure as mandated by the EPA. Within the United States, much of the water and wastewater infrastructure is outdated and will need to be replaced in the near future in order to ensure safe water streams.

Remediation and Environmental Clean Up Services

Over the next 5 years (2017 – 2021), the industry within North America is forecasted to grow by approximately 2.2% annually. The United States saw zero growth over the last five years due to government budget constraints, while Canada had very minimal growth. The forecasted growth is primarily fueled by expected increase in government spending on both sides of the border since the industry relies heavily on public-sector funding for remediation projects.

Barriers to Entry – Marine Services

1. Capital Intensity

High costs comes from the purchase of cranes, vessels, vehicles and other specialized equipment and the large land expenses associated with the industry.

2. Previously Established Relationships and Contracts

New entrants are at a disadvantage since many firms have long established relationships with current industry customers. Many of these contracts are secured for years with well-established companies and therefore, the number of opportunities are limited unless the entering firm is looking to acquire an established competitor.

3. Limited Land

Waterfront land that is capable for a cargo-handling terminal is very limited. Most established ports are government owned and requires permits and government approval before the firm could begin operation at the location.

4. Strict Regulation

New entrants must satisfy strict safety, environmental, labour and licensing requirements in order to operate.

Barriers to Entry – Environmental Services

1. Need for Highly Skilled Workers

Within the environmental consulting industry, companies are highly reliant on skilled workers to provide the solutions. These workers require advanced backgrounds and experience.

2. Government Regulation

Operators are subject to extensive clean up regulation at all levels of government. Failure to meet regulations will result in fines towards the company. Often, permits are required to operate, which are are difficult to obtain and may be costly.

3. Fixed Price Contracts

Since contracts have a fixed price, companies must be able to properly assess a project's cost in order to make a profit. Established firms already know the cost and therefore, smaller and less experienced firms have a larger risk of miscalculation and making it more difficult to enter the industry.

Catalyst

Drinking Water Infrastructure Replacement Demand in the United States.

Within the United States, much of the drinking water infrastructure is nearing the end of its useful life and will need to be replaced. Between 2011 and 2035, an estimated cost of \$536 billion will need to be spent on replacing the aging water mains within the United States. By 2040, national-level investment is expected to grow from \$13 billion a year to \$30 billion annually, which will be used to cover majority of the costs associated with replacing the water pipes. Although investments into new water infrastructure will increase to accommodate some of the demand, most municipalities will still be restricted by budget constraints. If Sanexen is able to position itself as a lower cost, less disruptive and more efficient alternative to digging, removing and replacing existing pipeline, the Company should see an increase in demand for the Aqua-Pipe Technology.

Merger and Acquisition Activity for the Transportation and Logistic Industry

One of Logistec's growth strategies is to expand through the acquisition of other firms within the industry. Since there are a limited number of ports within North America, expanding inorganically is a viable option. In the first quarter of 2016, there was a decline in deal activity, however, there was strong megadeal activity with over 71% of total deal value in the quarter coming from five deals. Due to the lower crude oil prices, firms occur lower costs and now have funds to be used for capital spending, which includes acquisitions. There is an increase in number of Transportation and Logistic companies that continue to drive growth through inorganic means. Within the near future, the growth of mergers and acquisitions within the Transportation and Logistics industry is expected.

Management Team

Ms. Madeleine Paquin, President, CEO, Director

Ms. Paquin has been the President and CEO of Logistec Corporation since 1996 and a director of the Company since 1987. She is currently a director for several marine commerce related organizations and therefore is well connected within the industry. Ms. Paquin does not own any Class B stocks. Because of her long tenure with Logistec and her connections within the marine commerce industry, she will be vital for the growth of the firm going forward. Her compensation in 2014 included a salary of \$468,269 and bonus of \$469,976.

Mr. George R. Jones, Chairman of the Board

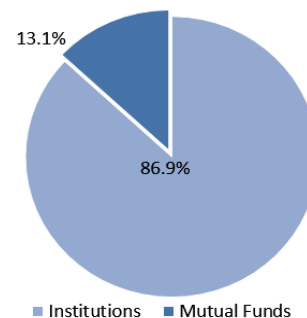
Mr. Jones formally served as one of the directors for Logistec and is currently a director for MagMinterals Potash Corporation. His previous experience within the natural resources industry will prove to be critical for the firm's success in both the environmental services and marine services segment. It should be noted that Mr. Jones is currently 70 years old and should be expected to retire in the near future.

Shareholder Base, Liquidity, Capital Structure

Shareholder Summary

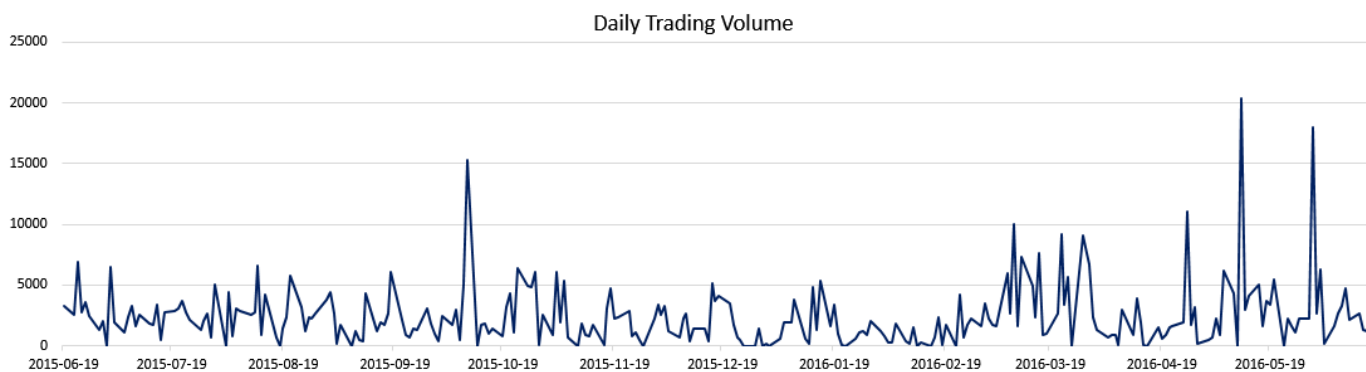
Logistec has 4,764,200 shares outstanding. Majority of the shares outstanding are held by institutions with the rest being held by mutual funds. The top five shareholders are Sumanic Investment Inc. (45.79%), Caisse de Dépôt et Placement du Québec (8.20%), Walter Financial Inc. (8.18%), QV Investors Inc. (7.76%) and Mawer Investment Management Ltd. (1.89%).

Current Ownership



Low Trading Volume and Illiquidity

Logistec's stock experiences very little to no trading volumes on most days. The 12 month average daily volume is about 2,450 shares, which is very low, especially considering the market capitalization of the stock.



Risks

Currency Fluctuation Risks

The firm currently operates primarily in the United States and Canada, which means the Company is subject to fluctuations between the CAD and the USD. The risk is greater for Logistec since they do not currently hedge against either currency. Although it may not affect Logistec directly since each segment of the business is financially self-sustaining, including the firm's U.S. subsidiaries, it may affect the demand from consumers. Canadian firms that operate within the United States may occur higher costs due to the exchange rate and therefore may cause demand fluctuations for Logistec's services within the United States. Over the last two years, the USD/CAD exchange rate has seen significant fluctuations.



Source: Yahoo Finance

Liquidity Risk

Logistec's stock does not have a high daily trading volume and therefore, shareholders may have troubles trying to exit their position. Due to Logistec's illiquidity and its small market capitalization, the firm's stock is exposed to potential price manipulations and other illiquidity risks that could come from a small number of large trades.

Management Risk

Because of the experience that Logistec's management team has within the marine services and environmental industry, they play a crucial part in the success of the firm. The loss of any member, especially Ms. Paquin, can have severe negative results for the firm.

Labour Related Risk

The marine services segment of Logistec is strongly unionized. Due to the nature of unions, risk arises from the possibility of strikes and work stoppages when the two sides are negotiating collective agreements. Additionally, certain facilities are located near areas where it can be difficult to find qualified labour.

Valuation

Discounted Cash Flow Analysis Assumptions

Weighted Average Cost of Capital Calculation

The weighted average cost of capital (WACC) was calculated to be 7.36%. This took into consideration the risk free rate, equity beta, expected market return, tax rate and financing methods. In order to consider changes in Logistec's WACC, we have included a sensitivity analysis in the appendix.

In general, we believed that the firm would operate at historical values or grow in line with net income since there were no indications that would lead us to believe otherwise. Other assumptions are listed below.

Revenue

Logistec has generated an average five-year annual growth rate of 12.4%. However, we do not believe a 12.4% growth rate is sustainable because of the mature industry that the Company operates in. Therefore, we implemented a conservative growth rate of 6% for the next five years (2017 – 2021) based on the following factors:

1. For Logistec's marine transportation segment, we believe that the firm will grow in line with the growth of the United States trade volume at 4.6%
2. Although the forecasted growth for the environmental consulting industry is 4.9%, we believe Logistec will be able to grow at a higher rate due to the expected demand from the need to replace water pipes
3. Large increase in demand for water pipe replacement within the United States in the near future after lacklustre historical growth from the past 5 years
4. Forecasted 3.5% revenue growth for the stevedoring and marine cargo industry and historical five-year revenue growth (2011 – 2016) of 4.1%

5. Reconstruction of the warehouse in Georgia and Virginia combined with the completing of the Montreal warehouse will allow the Company to maximize efficiency, while reducing costs

Following the 5 years, we expect the firm to gradually decline in growth as it approaches the forecasted long-term perpetuity rate of 2.0%, which represents the estimated GDP growth within North America. Since there can be changes to the GDP growth rate in the future, we have included a sensitivity analysis in the appendix.

Share Repurchases

We projected equity repurchases to equate to approximately \$3.1 million of shares outstanding per fiscal year. This represents an approximate repurchase of 3.01% shares outstanding at \$40.00 per share. We projected the repurchase to occur for at least 10 years since the NCIB has been utilized since 2005 and the management team has given no indications that they have considered cancelling the program.

Capital Expenditure

Historically, capital expenditures have been represented as approximately 7% of sales. However, since one of Logistec's growth strategy is to expand their network of ports through acquisitions, we believed that capital expenditure must grow at a faster rate. Therefore, we projected capital expenditures to be approximately 8% of sales.

Tax Rate

The statutory income tax rate for Logistec is 27.9% as stated in the 2015 annual report. However, we noticed that in recent history, the effective tax rate has fluctuated from the statutory tax rate. Therefore, we used a tax rate of 22.38%, which represents the average effective tax rate over the past five years.

Class A and Class B Shares

Logistec offers both class A and B shares. For the purposes of our discounted cash flow analysis, we determined the proportion of net income that is attributed to each class utilizing the earnings per share and the number of shares outstanding, as stated in the most recent annual report.

Comparable Company Analysis

Because Logistec operated in two different industries, there were no true comparable companies for the firm. However, there were several publically traded firms that operated solely within the marine transportation industry or the environmental consulting industry. Therefore, we decided to have two comparable company analyses (CCA) in our valuation. The target share price was weighted based on the most recent revenue segment breakdown being 57.7% and 42.3% for the marine services and the environmental services segment respectively. Based on the industry, we will be valuing the company based on the EV/EBITDA multiple.

We used the following companies for our analysis on the marine services segment.

1. Algoma Central Corporation

Algoma is a Canadian based marine transportation firm that operates in three segments: Domestic Dry-Bulk, Product Tankers and Ocean Shipping.

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2. Nordic American Tankers Limited

Nordic American Tankers Limited is an international tanker company. The firm includes two main subsidiaries: Scandic American Shipping Limited and Orion Tankers Limited.

3. Wisdom Marine Lines Co.

Wisdom Marine Lines engages ship leasing and marine transportation. The firm primarily focuses on bulk cargo and general cargo, which includes raw materials.

4. PBF Logistics LP

PBF Logistics LP is engaged in the receiving, handing and transferring of crude oil. The Company operates in the transportation, terminaling and storage industries.

5. XPO Logistics, Inc.

XPO Logistics, Inc. provides transportation and logistics services and supply chain solutions.

6. U-Ming Marine Transport Corporation

U-Ming Marine Transport Corp. is a Taiwan-based company that focuses on the transportation of bulk cargo. The Company is also involved in shipping agent services and vessel trading businesses.

We used the following companies for our analysis on the environmental services segment.

1. Tetra Tech, Inc.

Tetra Tech, Inc. provides consulting, engineering, program management and technical services that focus on natural resource management.

2. Tutor Perini Corporation

Tutor Perini Corporation is a construction company that offers general contracting, construction management and design-build services. Within the Civil segment, the Company focuses on the construction and the repair of infrastructure.

3. TRC Companies, Inc.

TRC Companies, Inc. provides engineering, consulting and construction management services to the environmental, energy and infrastructure markets. They are primarily based on the United States.

4. Ecology and Environment, Inc.

Ecology and Environment, Inc is an environmental consulting firm that provides environmental solutions to private and various levels of government.

5. Fluor Corporation

Fluor Corporation is a holding company that provides professional services that operates in five different segments, which includes Industrial & Infrastructure and Government.

6. Mastec, Inc.

Mastec, Inc. is an American based company that is involved in a range of industries. Its primary activities include engineering, building, installation, maintenance and upgrades of communications, energy and utility infrastructure.

Valuation Summary

Using our DCF assumptions, we determined a target share price of \$48.07. With the comparable company analysis, we determined a target share price for the marine services segment to be \$38.59, while the environmental services segment produced a target share price of \$54.96. Therefore, the weighted target share price for the comparable company analysis was determined to be \$45.92. Because Logistec operates in two completely separate business segments, there is no true comparable to the firm and therefore, we decided weight the DCF and CCA at 75% and 25% respectively. Using a weighted DCF and CCA, our 12 month target share price for Logistec is \$47.43.

Recommendation

Although Logistec is operating in two mature industries and their historic growth rate of approximately 12% is seemingly impossible to maintain, there is still value in the firm, especially considering the expected macroeconomic headwinds in the near future. Based on their strong management team, expected increase in demand for the Aqua-Pipe technology and Normal Course Issuer Bid in place to create shareholder value, we believe that Logistec is currently undervalued in the market.

Therefore, based on our analysis, we determined a weighted target share price of **\$47.43** on a 12 month time horizon and a **buy** rating. If Logistec is able to secure contracts to fully take advantage of the demand for water infrastructure replacement and extend the growth of the marine services segment through acquisition and organic growth, the Company should expect to see an increase in their value in the near future.

Appendix 1: Balance Sheet

BALANCE SHEET

Logistec Corporation (LGT.B)

	2014A	2015A	2016A	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E
Cash & Cash Equivalents	26,381	23,811	11,064	4,261	9,308	20,262	33,327	47,532	64,072	82,634	103,872	128,548	156,602
Other Current Operating Assets	79,774	102,002	101,541	109,510	116,080	123,045	130,428	138,254	145,857	153,880	161,574	168,037	173,078
Net Property, Plant & Equipment	99,663	111,022	116,588	130,402	143,762	156,760	169,481	182,002	194,080	205,792	216,878	227,081	236,161
Other Non-Current Assets	81,169	91,580	90,263	97,982	103,861	110,093	116,699	123,701	130,504	137,682	144,566	150,348	154,859
* Total Assets	286,987	328,415	319,456	342,155	373,012	410,160	449,934	491,488	534,514	579,988	626,889	674,014	720,700
Revolving Credit Facilities	0	0	0	0	0	0	0	0	0	0	0	0	0
Short-Term Portion of Debt	1,261	2,159	3,368	3,751	3,301	2,870	3,156	3,123	3,090	3,057	3,057	3,057	3,057
Other Current Operating Liabilities	45,902	51,937	43,045	44,419	47,084	49,909	52,903	56,078	59,162	62,416	65,537	68,158	70,203
Long-term Debt	28,007	29,920	41,676	36,679	31,886	31,558	31,230	30,901	30,573	30,573	30,573	30,573	30,573
Other Non-Current Liabilities	32,393	34,754	44,208	40,599	43,035	45,617	48,354	51,255	54,075	57,049	59,901	62,297	64,166
* Total Liabilities	107,563	118,770	132,297	125,448	125,306	129,954	135,643	141,357	146,899	153,094	159,068	164,085	167,999
Share Capital	34,911	45,491	49,835	49,835	49,835	49,835	49,835	49,835	49,835	49,835	49,835	49,835	49,835
Additional Paid-In Capital	0	0	0	-3,126	-6,252	-9,378	-12,504	-15,630	-18,756	-21,882	-25,008	-28,134	-31,259
Retained Earnings	144,513	164,154	137,324	169,998	204,122	239,749	276,960	315,925	356,535	398,940	442,994	488,227	534,126
* Total Shareholder Equity	179,424	209,645	187,159	216,707	247,705	280,207	314,291	350,131	387,614	426,893	467,821	509,929	552,701

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Appendix 2: Income Statement

INCOME STATEMENT

Logistec Corporation (LGT.B)

	2014A	2015A	2016A	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E
Revenue	322,220	358,008	362,495	384,245	407,299	431,737	457,642	485,100	511,781	539,929	566,925	589,602	607,290
Cost of Goods Sold	112,841	120,062	124,265	130,643	138,482	146,791	155,598	164,934	174,005	183,576	192,754	200,465	206,479
* Gross Profit	209,379	237,946	238,230	253,602	268,818	284,947	302,043	320,166	337,775	356,353	374,170	389,137	400,811
Sale of Goods and Administration	154,521	181,834	185,088	191,354	202,835	215,005	227,906	241,580	254,867	268,884	282,329	293,622	302,430
* EBITDA	54,858	56,112	53,142	62,248	65,982	69,941	74,138	78,586	82,908	87,468	91,842	95,516	98,381
Depreciation, Depletion and Amortization	10,246	12,328	12,665	12,825	14,344	15,814	17,244	18,643	20,020	21,349	22,637	23,857	24,979
* EBIT	44,612	43,784	40,477	49,423	51,638	54,128	56,894	59,943	62,888	66,120	69,205	71,659	73,402
Interest Expense (Income)	225	623	700	1,588	1,480	1,551	1,760	1,976	2,229	2,521	2,863	3,260	3,712
* Pre-Tax Earnings	44,387	43,161	39,777	47,835	50,158	52,577	55,135	57,968	60,659	63,599	66,342	68,399	69,690
Tax	9,870	10,288	9,554	10,705	11,225	11,767	12,339	12,973	13,576	14,233	14,847	15,308	15,597
* Net Income	34,517	32,873	30,223	37,129	38,933	40,810	42,796	44,995	47,084	49,365	51,495	53,091	54,094

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Appendix 3: Cash Flow Statement

CASH FLOW STATEMENT

Logistec Corporation (LGT.B)

	2014A	2015A	2016A	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E
Net Income	34,517	32,873	30,223	37,129	38,933	40,810	42,796	44,995	47,084	49,365	51,495	53,091	54,094
Depreciation, Depletion and Amortization	10,246	12,328	12,665	12,825	14,344	15,814	17,244	18,643	20,020	21,349	22,637	23,857	24,979
Changes in Current Operating Assets	13,078	14,024	14,233	7,969	6,571	6,965	7,383	7,826	7,604	8,022	7,694	6,463	5,041
Changes in Current Operating Liabilities	-8,988	-19,418	-32,135	1,374	2,665	2,825	2,995	3,174	3,084	3,254	3,121	2,621	2,045
Change in Net Working Capital	4,090	-5,394	-17,902	-6,595	-3,905	-4,140	-4,388	-4,651	-4,520	-4,768	-4,573	-3,841	-2,996
* Cash from Operations	48,853	39,807	24,986	43,359	49,371	52,484	55,651	58,986	62,584	65,946	69,558	73,106	76,076
Capital Expenditures	0	0	0	0	0	0	0	0	0	0	0	0	0
Dispositions	-40,049	-26,118	-25,614	-26,639	-27,704	-28,812	-29,965	-31,163	-32,098	-33,061	-33,722	-34,060	-34,060
Other Investing Activities	1,077	704	780	0	0	0	0	0	0	0	0	0	0
* Cash from Investing	-39,579	-35,003	-30,984	-37,967	-31,147	-32,462	-33,833	-35,264	-36,083	-37,265	-37,754	-37,446	-36,701
Revolving Credit Facilities				0	0	0	0	0	0	0	0	0	0
Dividends	-12,748	-3,408	-3,560	-4,456	-4,808	-5,183	-5,585	-6,029	-6,474	-6,961	-7,441	-7,857	-8,195
Change in Debt	19,595	1,784	14,478	-4,614	-5,242	-760	-42	-361	-361	-33	0	0	0
Change in Equity	-9,378	-5,750	-12,082	-3,126	-3,126	-3,126	-3,126	-3,126	-3,126	-3,126	-3,126	-3,126	-3,126
* Cash from Financing (Pre-Revolver)	-2,531	-7,374	-1,164	-12,195	-13,177	-9,069	-8,753	-9,516	-9,961	-10,119	-10,567	-10,983	-11,321
Beginning Cash Balance	19,638	26,381	23,811	11,064	4,261	9,308	20,262	33,327	47,532	64,072	82,634	103,872	128,548
Changes in Cash (Pre-Revolver)	6,743	-2,570	-7,162	-6,803	5,048	10,954	13,065	14,206	16,540	18,562	21,238	24,677	28,054
Ending Cash Balance (Pre-Revolver)				4,261	9,308	20,262	33,327	47,532	64,072	82,634	103,872	128,548	156,602
* Ending Cash Balance	26,381	23,811	16,649	4,261	9,308	20,262	33,327	47,532	64,072	82,634	103,872	128,548	156,602

Appendix 4: Discounted Cash Flow Analysis and WACC Calculation

DISCOUNTED CASH FLOW ANALYSIS

Logistec Corporation (LGT.B)

	2014A	2015A	2016A	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E
Current Equity to Total Capitalization Ratio			86%										
Current Debt to Total Capitalization Ratio			14%										
Current LTM Equity Beta			0.78										
Current Risk Free Rate			1.61%										
Current LTM Equity Risk Premium			10.27%										
Current Cost of Equity			8.35%										
Current Tax Rate			24.0%										
Current Cost of Debt (Post Tax)			1.32%										
Current Weighted Average Cost of Capital (WACC)			7.36%										

Long-term Perpetuity Growth Rate 2.00%

EBIT				49,423	51,638	54,128	56,894	59,943	62,888	66,120	69,205	71,659	73,402
Tax Rate				22%	22%	22%	22%	22%	22%	22%	22%	22%	22%
Depreciation, Depletion and Amortization				12,825	14,344	15,814	17,244	18,643	20,020	21,349	22,637	23,857	24,979
Capital Expenditure				-26,639	-27,704	-28,812	-29,965	-31,163	-32,098	-33,061	-33,722	-34,060	-34,060
Change in Net Working Capital				-6,595	-3,905	-4,140	-4,388	-4,651	-4,520	-4,768	-4,573	-3,841	-2,996
Unlevered Free Cash Flow				17,953	22,816	24,876	27,052	29,356	32,216	34,841	38,058	41,577	44,898
Unlevered Free Cash Flow Attributable to Class B Shares				7637	9706	10582	11508	12488	13705	14822	16190	17687	19099
Discounted Free Cash Flow Attributable to Class B Shares				7,114	8,422	8,553	8,664	8,757	8,952	9,018	9,176	9,337	9,392

Present Value of Projected Cash Flows	\$	87,385
Present Value of Perpetuity Cash Flows	\$	175,373
Total Enterprise Value	\$	262,758
Total Debt	\$	45,044
Cash	\$	11,064
Total Equity Value	\$	228,778
Shares Outstanding (thousands)		4,759
Price/Share	\$	48.07

		Discount Rate (WACC)								
		5.86%	6.36%	6.86%	7.36%	7.86%	8.36%	8.86%	9.36%	
Long-term Growth Rate	1.00%	\$59.55	\$52.69	\$47.03	\$42.27	\$38.22	\$34.74	\$31.71	\$29.05	
	1.25%	\$62.09	\$54.67	\$48.60	\$43.54	\$39.26	\$35.60	\$32.43	\$29.66	
	1.50%	\$64.92	\$56.86	\$50.32	\$44.92	\$40.38	\$36.52	\$33.20	\$30.30	
	1.75%	\$68.09	\$59.28	\$52.21	\$46.43	\$41.60	\$37.52	\$34.02	\$30.99	
	2.00%	\$71.68	\$61.98	\$54.30	\$48.07	\$42.92	\$38.59	\$34.90	\$31.72	
	2.25%	\$75.76	\$65.01	\$56.61	\$49.87	\$44.35	\$39.74	\$35.85	\$32.51	
	2.50%	\$80.46	\$68.43	\$59.19	\$51.86	\$45.92	\$41.00	\$36.87	\$33.35	
	2.75%	\$85.90	\$72.33	\$62.08	\$54.07	\$47.64	\$42.37	\$37.98	\$34.26	

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Appendix 5: Comparable Company Analysis (Marine Services)

COMPARABLE COMPANY ANALYSIS (Marine)

Logistec Corporation (LGT.B)

Company	Price	Currency	Mkt-Cap	Cash	T. Debt	EV	LTM				EV/Sales	EV/EBITDA	EV/EBIT	P/E
							Sales	EBITDA	EBIT	Net Income				
Algoma Central Corporate	11.41	CAD	444.00	150.00	307.00	601.00	402.00	90.00	46.00	42.00	1.50	6.68	13.07	10.57
Nordic American Tankers Ltd.	14.66	USD	1,299.00	45.00	330.00	1,584.00	453.00	211.00	127.00	114.00	3.50	7.51	12.47	11.39
Wisdom Marine Lines	36.75	TWD	18,954.00	2,280.00	52,143.00	68,817.00	11,189.00	7,374.00	3,588.00	2,567.00	6.15	9.33	19.18	7.38
PBF Logistics LP	22.15	USD	826.00	29.00	600.00	1,397.00	148.00	111.00	96.00	76.00	9.44	12.59	14.55	10.87
XPO Logistics, Inc.	26.98	USD	2,968.00	279.00	5,513.00	8,600.00	10,466.00	491.00	-3.00	-199.00	0.82	17.52	NEG	NEG
U-Ming Marine Transportation Corp.	24.60	TWD	20,788.00	25,419.00	33,511.00	28,881.00	7,491.00	2,817.00	498.00	112.00	3.86	10.25	57.99	185.61
Logistec Corporation (LGT.B)	40.99	CAD	506.90	12.15	53.98	541.60	362.00	53.00	41.00	26.00	1.50x	10.22x	13.21x	19.50x
High											9.4x	17.5x	58.0x	185.6x
Average											4.2x	10.6x	23.5x	45.2x
Median											3.7x	9.8x	14.6x	10.9x
Low											0.8x	6.7x	12.5x	7.4x
											EV/Sales	EV/EBITDA	EV/EBIT	P/E
Implied Share Price - High											\$273	\$72	\$189	\$390
Implied Share Price - Average											\$120	\$42	\$74	\$95
Implied Share Price - Median											\$104	\$39	\$45	\$23
Implied Share Price - Low											\$21	\$25	\$38	\$16

Appendix 6: Comparable Company Analysis (Environmental Services)

COMPARABLE COMPANY ANALYSIS (Environmental)

Logistec Corporation (LGT.B)

Company	Price	Currency	Mkt-Cap	Cash	T. Debt	EV	LTM				EV/Sales	EV/EBITDA	EV/EBIT	P/E
							Sales	EBITDA	EBIT	Net Income				
Tetra Tech, Inc	29.96	USD	1,736.00	114.00	360.00	1,983.00	1,749.00	113.00	71.00	21.00	1.13	17.55	27.93	82.67
Tutor Perini Corp	22.90	USD	1,124.00	140.00	826.00	1,810.00	4,939.00	187.00	118.00	56.00	0.37	9.68	15.34	20.07
TRC Companies	6.47	USD	201.00	15.00	108.00	294.00	450.00	14.00	2.00	1.00	0.65	21.00	147.00	201.00
Ecology and Environment	9.77	USD	42.00	12.00	1.00	34.00	120.00	9.00	8.00	3.00	0.28	3.78	4.25	14.00
Fluor Corp	50.90	USD	7,087.00	1,875.00	1,691.00	7,035.00	17,989.00	903.00	714.00	373.00	0.39	7.79	9.85	19.00
MasTec Inc.	23.04	USD	1,895.00	4.00	1,013.00	2,908.00	4,179.00	150.00	-16.00	-76.00	0.70	19.39	NEG	NEG
Logistec Corporation (LGT.B)	40.99	CAD	506.90	12.15	53.98	541.60	362.00	53.00	41.00	26.00	1.50x	10.22x	13.21x	19.50x
High											1.1x	21.0x	147.0x	201.0x
Average											0.6x	13.2x	40.9x	67.3x
Median											0.5x	13.6x	15.3x	20.1x
Low											0.3x	3.8x	4.3x	14.0x
											EV/Sales	EV/EBITDA	EV/EBIT	P/E
Implied Share Price - High											\$29.81	\$86.62	\$483.99	\$422.60
Implied Share Price - Average											\$14	\$53	\$132	\$142
Implied Share Price - Median											\$12	\$55	\$47	\$42
Implied Share Price - Low											\$5	\$13	\$11	\$29

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