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DSKE - Aveda Transportation and Energy Services Inc., Daseke, Inc. -
M&A Call

EVENT DATE/TIME: APRIL 16, 2018 / 3:00PM GMT



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PRESENTATION

Operator

Good day, everyone, and thank you for participating in today's conference call to discuss Daseke's acquisition of Aveda Transportation and Energy Services.

Delivering today's prepared remarks is Don Daseke, Chairman and CEO, and Scott Wheeler, President, CFO and Director. After their prepared remarks, the management team will take your questions.

Before we go further, I would like to turn the call over to Cody Slach of Liolios Group, Daseke's IR adviser, as he reads the company's safe harbor statement within the meaning of the Private Securities Litigation Reform Act of 1995 that provides important cautions regarding forward-looking statements.

Cody, please go ahead.

Cody Slach - *Liolios Group, Inc. - Director of IR*

Thanks, Sonya. Today's presentation includes forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Such forward-looking statements include projected financial information. Forward-looking statements, including those with respect to revenues, earnings, performance, strategies, prospects and other aspects of Daseke's business are based on current expectations that are subject to risks and uncertainties that could cause actual results to differ materially from our expectations and projections.

I encourage you to read our filings with the SEC for a discussion of the risks that can affect our business. We undertake no obligation to revise our forward-looking statements to reflect events or circumstances occurring after today.

During the call, there will also be a discussion of some items that do not conform to U.S. generally accepted accounting principles, or GAAP, including adjusted EBITDA. Reconciliations of this non-GAAP measure to its most directly comparable GAAP measure is included in the appendix to this investor presentation and press release issued this morning, both of which are available in the Investors tab of the Daseke website at daseke.com.



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In addition to being in the flatbed specialized trucking business, Daseke is in the business of acquiring other flatbed specialized carriers to join Daseke. Therefore, investors in Daseke's stock should assume Daseke is always evaluating, negotiating and performing due diligence on potential acquisitions.

Now I would like to turn the call over to Daseke's Chairman and CEO, Mr. Don Daseke. Don?

Don R. Daseke - Daseke, Inc. - Founder, Chairman & CEO

Well, thank you, Cody, and good morning, everyone. It's a pleasure to be joining you. It's an exciting day for Daseke as we welcome the Aveda Transportation and Energy Services team to our growing family.

As you can see on Slide 4, Aveda is one of the largest oil rig moving companies in North America. They provide specialized transportation services and equipment required for the exploration, development and production of petroleum resources in the U.S., principally in and around the states of Texas, Pennsylvania, Oklahoma, Ohio and North Dakota as well as the Western Canadian Sedimentary Basin. Their services include specialized hauling of rigs and worksite equipment through safe and secure transportation of heavy and oversized commodities as well as time-sensitive delivery and an array of high-quality surface rental equipments.

Moving to Slide 5. There are approximately 1,100 active oil rigs in North America, representing an approximate \$2 billion market. Aveda had 15 locations covering North America's most prolific oil and gas plays. Their current terminal locations cover almost 80% of the potential North American market, and nearly 90% of their revenue is diversified across all the 7 of the major U.S. basins.

Now on to Slide 6. Aveda owns one of the largest fleets in their industry, with approximately 430 tractors, 660 trailers and 200 light-duty trucks. And it's worth noting that in November 2017 outside equipment appraisal valued Aveda's machinery and equipment at approximately CAD 114 million or USD 90 million. Much like Daseke's top-quality customer base, Aveda serves the blue-chip customer base that includes the likes of Shell, Hess and ConocoPhillips.

Now to Slide 7. Aveda has built a team with a passion for excellence and a clear vision of their goals, thanks to a leadership team that has orchestrated a significant turnaround in the company. Hired in April 2016, President and CEO Ronnie Witherspoon built an executive team with considerable experience who took the company with approximately CAD 9 million or USD 7 million in revenue in the quarter of his arrival to over CAD 53 million or USD 42 million in the quarter ended December '17.

Aveda just prereleased their first quarter 2018 numbers and they estimate the revenue of the first quarter of 2018 at \$59 million to \$60.5 million. Ronnie has over 20 years of oilfield industry experience and will be a strong addition to Daseke. And he is supported by an executive team with extensive industry expertise.

As we've stated in the past, Daseke's 2 core principles are investing in great people and building an organization of scale. Aveda strongly builds upon these core principles and is a truly exceptional fit for our platform.

With that said, I'd like to turn the call over to Scott Wheeler to let him discuss the financial details as well as walk through key motivators of the transaction before opening the call to your questions.

Scott?

R. Scott Wheeler - Daseke, Inc. - President, CFO & Director

Thank you, Don. Hello, everyone. As laid out in this morning's press release and again with more detail on Slide 8, we have entered into an agreement to acquire Aveda for CAD 0.90 per share or USD 0.71 per share, which is approximately USD 43 million plus the assumption or retirement of approximately CAD 74 million or USD 58.5 million in debt for total upfront consideration of CAD 128.6 million or USD 101.5 million.

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Aveda shareholders will have the choice of accepting cash, the equivalent in Daseke stock or a combination. The transaction also includes an additional contingent payment if Aveda EBITDA growth exceeds USD 14.2 million over the 12-month period following the closing as defined in the arrangement agreement. The contingent consideration would be payable in the third quarter of 2019 and capped to CAD 0.45 per share, which is 36% -- USD 0.36 per share or approximately USD 21.8 million.

We expect to fund the transaction using cash on hand, but we will also evaluate the possibility of assuming or refinancing a portion of the debt.

The agreement was unanimously approved by both companies' boards of directors, which includes Aveda's largest shareholders, Werklund Capital Corporation and Werklund Ventures Ltd., holders of 25% of Aveda stock. The transaction is expected to close in June, subject to Aveda shareholder approval and other customary closing conditions.

Moving on to Slide 9. In 2017, Aveda generated approximately CAD 200 million in revenue or USD 158 million, up 172% from CAD 73 million or approximately USD 58 million in 2016. Adjusted EBITDA in 2017 improved significantly to approximately CAD 16 million or USD 13 million versus CAD 7 million loss or USD 6 million loss in 2016.

Now on to Slide 10. The purchase price values Aveda at a multiple of 8.1x their fiscal year 2017 EBITDA of CAD 15.9 million or USD 12.6 million, which excludes any anticipated synergies. Based upon the terms of the arrangement agreement, Aveda shareholders will receive up to CAD 0.45 per share or USD 0.36 per share for EBITDA growth in the 12 months following the closing that exceeds CAD 18 million or USD 14.2 million in today's dollars.

Using the Canadian dollar here, at the base level of CAD 18 million in EBITDA, the year 1 multiple would be 7.1; it would be 5.9 based upon the midpoint of CAD 22.8 million in EBITDA; and based on the maximum payout of CAD 0.45 per share for EBITDA of CAD 26.7 million, the multiple would be a 5.1. Note that any EBITDA above the max or cap levels results in no additional consideration.

Turning to Slide 11, and to expand upon Don's comments, I'd like to focus on the key motives behind the acquisition. First, Aveda is one of the market leaders in a strategic niche of oil and gas exploration and production. Similar to other specialized niches we serve, like commercial glass and high-security cargo, we believe oil and gas is a market where we can use our scale to generate higher margins once Aveda is integrated into Daseke.

Second, given their recent performance, Aveda has demonstrated the ability to outpace market growth, and we believe joining Daseke will enable them to fuel their continued outperformance. With Aveda's revenue growth of 172% during 2017 compared to the average rig count growth of 69% for the same period, Aveda has clearly outpaced the industry growth by a significant margin.

Third, Aveda regularly outsources a material amount of flatbed freight associated with both local and long-distance rig moves to other carriers and we would now anticipate capturing a large part of this revenue and margin within Daseke.

In addition to these immediately addressable opportunities for incremental flatbed loads within Daseke, we have also identified other significant cost savings in the way of purchasing, fuel, insurance and the elimination of Aveda's public company costs.

Finally, the addition of Aveda further diversifies our revenue stream and post-acquisition, we estimate that the oil and gas end market will represent approximately 10% of our revenue. Given our significant strength in renewable energy transportation, we believe the oil and gas niche is appropriate to diversify our energy end markets.

Given the strategic rationale, we are quite happy to be discussing Aveda as our first acquisition in 2018 and pleased the February equity raise allowed us to be opportunistic in acquiring an industry leader that can benefit from the shared resources that Daseke uniquely provides.

Speaking of this, I'd like to remind our investors about our strategic priorities for 2018. They are outlined on the Slide 12 and remain unchanged.



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First, we are focused on operational effectiveness that expands across every company we own. We formed a regional leadership structure with 6 of our long-tenured operating division presidents. The new structure will streamline communications, increase the speed of implementation of new initiatives and deliver a much higher level of accountability. We will also focus on the continuing evolution of our processes and systems and consolidation -- consolidating our operations where prudent.

Second, we're focused on organic growth. This will be addressed in several ways, including continuing to drive rate increases as contracts come due. We'll also have a stronger effort in controlling costs and developing what we hope are best-in-class purchasing and procurement program. We will also be investing capital for growth in strategic niches where we can be the market leader and focus on maximizing our sales and technology effectiveness. Aveda exemplifies this strategy and, of course, driver and recruiting and retention are always a focus. We -- only a few months into these initiatives, we are very pleased with our progress.

Third, and most relevant to today's announcement, we expect to continue to grow through acquisitions. Beyond Aveda, our pipeline still remains robust, and we expect to execute our execution -- our acquisition strategy in 3 main areas: first, we will look to add specific strategic niches where we can either generate higher margins, become the market leader or do both. Aveda is a perfect example of the type of company we target in this regard. Second, we will look to continue to grow scale in the flatbed market. And finally, we will seek tuck-ins to our existing company.

As Slide 13 indicates, we believe we have the balance sheet that affords us the opportunity to continue to acquire companies that fit these criteria, while our organization focuses on driving operational effectiveness across the platform.

Before turning the call back to the operator, I'd like to summarize the key drivers of our proposed acquisition of Aveda as shown on Slide 14. We are acquiring a market leader operating in a specialized oil and gas market that is strong and is expected to continue to grow. They present a complementary blue-chip customer base that further diversifies our revenue streams as well as a highly capable team led by a 20-year oilfield industry veteran in Ronnie Witherspoon. This acquisition fits our strategic niche focus, and we believe we can earn higher margins as a result. Further, we believe we are acquiring Aveda at an attractive valuation given a rapidly improving industry environment and their strong execution. And finally, there are material synergies not contemplated in the purchase price that we're confident we can capture uniquely within Daseke.

This concludes our remarks. And now I'll turn the call back over to the operator.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from Paul Penney of Northland Capital.

Paul Richard Penney - Northland Capital Markets, Research Division - MD& Senior Research Analyst

Could you -- this is a slight change in terms of your previous statements and your previous strategy in terms of: one, you're buying a public company; and two, you're going in multiple of 8x is about 200 basis points higher than the high end of the range before. Can you just give us some more comfort on both of these in terms of why you're so motivated to act? And how this is different from your past path?

R. Scott Wheeler - Daseke, Inc. - President, CFO & Director

Paul, I'll take that one. I don't think if you look at the 2017 annual number, that's representative of the business. You need to look at the run rate of the business. And today they released not only their fourth quarter but also some estimates on the first quarter. And you should also look at the contingent consideration that was constructed to be achieved. We certainly did our work, but the only kind of third-party public information that's out there is from analyst estimates and those estimates are obviously stale at this point. But they would have put the -- if you use their 2018 multiple -- estimate for EBITDA, I would put the multiple at just over a 6. And certainly we believe that what we will end up paying is about a 5. The earnout



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is probably the headline difference from what our traditional differences -- difference from our typical deal structure. But given the growth of the business, certainly the owners felt like that it was important that they receive some consideration for that, but we certainly didn't want to pay for something that we didn't necessarily get. So earnout seemed to make sense in this situation. Also, yes, we say typically we are looking for businesses of a certain type. But we will, and we'll continue to look at a variety of structures depending upon the situation, and it's a benefit to Daseke and its shareholders, and there are only so many public companies in this space anyway. But clearly, these are -- I think these are variations on a theme and not clear departures. Don, would you say anything different?

Don R. Daseke - *Daseke, Inc. - Founder, Chairman & CEO*

No, I think that's absolutely right. Paul, to a certain extent, the 2017 numbers are very stale now for Aveda. Obviously, they showed that their revenue in the first quarter of this year was about 50%, their EBITDA is about 70% from last year first quarter. So that shows the track that they're on. And that's obviously before any synergies, before any cost reductions that we can bring them. So we think this will be an exceptionally attractive transaction for us.

Paul Richard Penney - *Northland Capital Markets, Research Division - MD& Senior Research Analyst*

Great. And can you just give little more historical context, Don? Was this a -- was there a bidding process here? Or was this a broker deal? And then could you elaborate more on some of the potential synergies and some of the cross-selling opportunities that maybe you're excited about in the near term?

Don R. Daseke - *Daseke, Inc. - Founder, Chairman & CEO*

Yes, Paul. This was not a broker deal. This -- we went directly to them because we thought that they represented a unique opportunity for us. And we've been negotiating with them and their major shareholder for many, many, many months. And so we spent a lot of time getting to know them and their operating people and feel very comfortable they have our high standard or people at the companies we want to acquire. We mentioned earlier in the press release that we see immediate cost savings in diesel fuel, tires, insurance, things like that. They outsource several millions dollars of business a month to other trucking companies. And so -- and since a high percentage of their businesses is in Texas and Oklahoma, so we have a lot of existing trucks and company resources. We think it's an incredible opportunity for us to take advantage of what they already outsource and move that to -- move part of that to a Daseke company.

Paul Richard Penney - *Northland Capital Markets, Research Division - MD& Senior Research Analyst*

Great. And last one. And do you think there's other oil and gas-related acquisitions out there that are potential fits going forward as you grow out this vertical?

Don R. Daseke - *Daseke, Inc. - Founder, Chairman & CEO*

I don't know. That's certainly possible, and we'll certainly consider that.

Operator

Our next question comes from Jason Seidl of Cowen.



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Jason H. Seidl - Cowen and Company, LLC, Research Division - MD and Senior Research Analyst

Don, Scott, congratulations on closing your deal. I want to talk a little bit about Aveda's cyclical. Obviously, you guys have only shown us 2 years here. If we looked at it on a rolling 10-year basis or 5-year basis, how cyclical would this business be? Because you look at the '17 numbers and they lost money, and they're doing well this year. I just want to sort of try to get a feel for it and how we should look at it going forward?

R. Scott Wheeler - Daseke, Inc. - President, CFO & Director

I will take that one, Don. Jason, the Aveda today is very different than the Aveda then. There's a completely new management team with significant experience. Aveda's customer base was different then and I should say they had less financial stability. And so now their customers are blue-chip customers like Shell, ConocoPhillips, Nabors, Hess. These are names that are the stalwarts in the industry. And we're not unrealistic about the cyclical in oil prices. But we're very constructive on this business in the long term. And so it's a different business. And frankly, the fundamental -- industry fundamentals of oil and gas exploration and production are dramatically different than they were back then given the preponderance of North American production compared to former importing of oil to meet North American needs. So you will see a much -- we have seen a much greater or tighter range in prices of oil and gas with fewer peaks and fewer valleys or -- and more of a midrange valuation over a long period of time. It appears much more sustainable and less cyclical.

Jason H. Seidl - Cowen and Company, LLC, Research Division - MD and Senior Research Analyst

Okay. That's good color. When you're looking at your potential opportunities in grabbing some of that outsourced flatbed business that they haul, have you done sort of a lane comparison? And also, I guess, I would assume this is minimal, but is there any overlap in customer base at all? Are you doing work for some of these companies already in just different areas?

R. Scott Wheeler - Daseke, Inc. - President, CFO & Director

Yes. We've done the deep-dive analysis, but there is very little customer overlap. But I would say a lot like our crane moves. When we move a big crawler crane there, the crane may go on a super heavy haul type load, but there are oftentimes dozens of flatbed loads that are associated with it. And that's exactly the same thing here. So this is much more when one of these big things gets moved, there are a lot of these traditional flatbed loads that go along with it, they could fit Daseke -- flatbed or step deck kind of loads that could fit Daseke extremely well. And we certainly figured out where we think we can deploy resources to capture that revenue and that margin.

Jason H. Seidl - Cowen and Company, LLC, Research Division - MD and Senior Research Analyst

Okay. And you obviously said there are some purchasing synergies. You went over that a little bit. You said there were some public company costs. I don't know if you can give us an exact amount, but I imagine it's probably de minimis amount for these guys.

R. Scott Wheeler - Daseke, Inc. - President, CFO & Director

Yes. On the public company costs, it's not a big number. But the purchasing synergies, we believe, are real, and we'll be more specific about those when we close the transaction in June.

Jason H. Seidl - Cowen and Company, LLC, Research Division - MD and Senior Research Analyst

Okay. And just to cue in on something Don said before I turn over to somebody else, I don't want to hog up all the time. But you said you've been looking at these guys from months. So this was one of the potential candidates that you are looking at while you're in the process of doing your last secondary, correct?



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R. Scott Wheeler - *Daseke, Inc. - President, CFO & Director*

Yes. And a very large deep pipeline as well. We were evaluating a variety of options. And we were able to reach agreement with Aveda's shareholders, Board of Directors and management team, all of which have been terrific people and terrific to work with. Don, would you add anything to that?

Don R. Daseke - *Daseke, Inc. - Founder, Chairman & CEO*

No. No. This is just one of the -- one that's been in our pipeline for a while. And uniquely in this situation, typically we don't announce the -- an acquisition until we close it. Because this is a very public company and the shareholders technically of Aveda have to approve it, they have to preannounce it in this case, and we're estimating we'll close in June then.

Operator

Our next question comes from Steve Dyer of Craig-Hallum.

Steven Lee Dyer - *Craig-Hallum Capital Group LLC, Research Division - Managing Partner & Senior Research Analyst*

Just had a question around CapEx requirements for these guys. You talked about you essentially paid what their equipment is worth. They haven't generated any free cash flow recently that I can see. How should we think about what this adds to your CapEx profile and free cash flow as well?

R. Scott Wheeler - *Daseke, Inc. - President, CFO & Director*

We think that this will be -- they have been refurbishing a lot of equipment lately because a lot of it's very specialized equipment. The -- we do believe that there are some opportunities to use our capital to provide some opportunities for organic EBITDA growth. And we would see that. I don't know that it's a significant number. But I would think that we would spend some money on CapEx that's for incremental equipment over and above replacement equipment this year for them. And we would -- we find it to be very attractive. But it's still single-digit percent of the overall CapEx budget.

Steven Lee Dyer - *Craig-Hallum Capital Group LLC, Research Division - Managing Partner & Senior Research Analyst*

Got you. Okay. And then, I guess, just my back-of-the-envelope would put you on a pro forma basis about 3.5x levered if you paid this all in cash -- or the earnout all in cash. How active would you expect to be acquisition-wise the rest of the year? You've talked about this maybe being a little bit more of a digestion year and optimizing what you have. I think going forward, would you still anticipate a fairly active pipeline?

R. Scott Wheeler - *Daseke, Inc. - President, CFO & Director*

Don, do you want to take that one?

Don R. Daseke - *Daseke, Inc. - Founder, Chairman & CEO*

Sure. Yes, I would certainly expect us to be negotiating additional acquisitions this year and we can't preannounce or comment on the amount or size of those acquisitions. But we definitely are very aggressively -- we'll continue to be aggressive. As Scott pointed out, our acquisition thrust this year is equally tempered by our focus on organic growth. And Aveda is an example that we expect significant organic growth potential over the next number of years with them. Back to an earlier question, I expect that our strategy is to gain market share with major customers. And so whatever



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the cycle, we think if we do the right job and we have a material position with major customers, we believe that we can gain market share in whatever the market is in their particular industry. We've proven that in the past, and we certainly believe that to be case with this company.

Operator

Our next question comes from Willard Milby of Seaport Global Securities.

Willard Phaup Milby - *Seaport Global Securities LLC, Research Division - Associate Analyst*

So I guess looking at Slide 12, this oil rig transportation will join the high security and the commercial glass, that it sounds little niche vertical. Will Ronnie be kind of leading that initiative going forward? Will that be kind of -- you talked about regional leaders. Is he going to be the next regional leader with this addition?

R. Scott Wheeler - *Daseke, Inc. - President, CFO & Director*

We will group...

Don R. Daseke - *Daseke, Inc. - Founder, Chairman & CEO*

Go ahead, Scott.

R. Scott Wheeler - *Daseke, Inc. - President, CFO & Director*

Yes. He will be grouped with Tex Robbins who -- and he has significant operations in Texas and Oklahoma. Great footprint also in there. So the central region is where Aveda would be housed.

Willard Phaup Milby - *Seaport Global Securities LLC, Research Division - Associate Analyst*

Okay. I'm just trying to think about how to think about Aveda. Are they going to be that a siloed niche like high security, commercial glass? Or will there be overlap and maybe some sharing of equipment and duties among Lone Star, the E.W. Wylies, and maybe even Big Freight up in Canada?

R. Scott Wheeler - *Daseke, Inc. - President, CFO & Director*

I would think that those are the exact kinds of companies that we will be hauling those loads that are the loads that they are outsourcing to other carriers today. And those are exactly the kinds of companies that we want to have a very deep and close relationships, would be companies like Lone Star, Big Freight, E.W. Wylie, as you suggested.

Willard Phaup Milby - *Seaport Global Securities LLC, Research Division - Associate Analyst*

Okay. And I know we saw some preannounced numbers for Q1 here, adjusted EBITDA for Aveda, 4.4 to 4.6, I believe. Correct me if I'm mistaken there, but if we look at Daseke as a whole, obviously stronger Q2, Q3 businesses. Is Aveda fitting that mold as well? Or is it kind of -- we're looking at a flat curve with this EBITDA?



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R. Scott Wheeler - *Daseke, Inc. - President, CFO & Director*

Well, they have been going up on -- in every quarter on a quarter-over-quarter basis based upon their growth rates. There is some seasonality. But in the northern climates, in many times -- in many cases, they do like the cold because, as I mentioned, the worksites are not muddy and they're very easier to move around in. So where we have places up in the southern parts of North America where people just don't work as much outdoors and with oil and gas, they tend to go 24/7, 365.

Willard Phaup Milby - *Seaport Global Securities LLC, Research Division - Associate Analyst*

All right. And one last one. Looking at the release, I guess, Aveda put out, looks like 27% of their shareholders of -- or shareholders representing 27% of their shares have agreed to a lockup. Can you disclose the length of that lockup or any details surrounding that at this time?

R. Scott Wheeler - *Daseke, Inc. - President, CFO & Director*

No, we can't.

Operator

Our next question comes from Barry Haimes of Sage Asset Management.

Barry George Haimes - *Sage Asset Management, LLC - Managing Partner and Portfolio Manager*

Couple of questions. One is, to the extent Aveda shareholders want to take stock, is there a specific time frame in which the Daseke stock will be priced? Or how does the Daseke get stock priced for this?

R. Scott Wheeler - *Daseke, Inc. - President, CFO & Director*

It's already been priced at the current price.

Barry George Haimes - *Sage Asset Management, LLC - Managing Partner and Portfolio Manager*

Okay. Got it. And is the large shareholder then taking stock or cash or a combination?

R. Scott Wheeler - *Daseke, Inc. - President, CFO & Director*

We don't know yet. They have time to -- they have to have a shareholder votes. They have time to elect what they're going to take. We don't know. But we anticipate a large portion of this will be in cash.

Barry George Haimes - *Sage Asset Management, LLC - Managing Partner and Portfolio Manager*

Okay. And then the final question is, you talked about the opportunity to maybe get some of those flatbed moves that Aveda was outsourcing. Do you have enough asset capacity to move those on your asset side? Or would you anticipate most of those would get moved on the (inaudible) side?



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R. Scott Wheeler - *Daseke, Inc. - President, CFO & Director*

I believe that would be a combination and we may -- for the places of the greatest activity, Permian Basin, Delaware Basin, West Texas, Oklahoma, we may even establish greater company assets in those locations or owner operators dedicated to us in those locations where we have a significant concentration of activity and business.

Operator

(Operator Instructions) Our next question comes from Kirk Wilson of Beacon Securities.

Kirk Wilson - *Beacon Securities Limited, Research Division - MD & Research Analyst*

Most of my questions have been answered, but I do have one regarding the earnout with Aveda. I assume going forward or for the period of the earnout, June 1 '18 to May 31 '19, that Aveda will be accounted for as a subsidiary, you can correct me if I'm wrong there. So one of the key improvements in margins, then talked already about their refurb program they are putting into place, they were -- the intention there is to move a material amount of their third-party revenues to revenues from company-owned assets. You talked already about the material improvement in synergies between the companies. But when we're looking at the earnouts on the EBITDA basis, will the third-party revenues that Daseke will provide to Aveda will those be handled separately from Aveda's accounting for the earnout period?

R. Scott Wheeler - *Daseke, Inc. - President, CFO & Director*

Yes. The Aveda shareholders would receive a credit of 7% of the revenues towards their EBITDA earnout calculation. So they would not be penalized for that being moved to Daseke capacity.

Don R. Daseke - *Daseke, Inc. - Founder, Chairman & CEO*

Concern over there is not receiving that credit, Scott. It goes into the calculation of the bonus for the Aveda people. But their shareholders aren't receiving the credit. But the EBITDA is credited -- yes, 7% of the revenue they direct to other Daseke companies is credited in the EBITDA in computing the deferred payment going to the Aveda shareholders.

Operator

Our next question comes from Raveel Afzaal of Canaccord Genuity.

Raveel Afzaal - *Canaccord Genuity Limited, Research Division - Analyst*

I'm wondering what are the next steps to get this transaction closed from your end. I don't suspect, but do you need any approval from Competition Bureau?

R. Scott Wheeler - *Daseke, Inc. - President, CFO & Director*

No. We don't need any further approvals to our knowledge at this time.

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Raveel Afzaal - *Canaccord Genuity Limited, Research Division - Analyst*

Okay. And then how was the fair market value of the assets factored into the price that you paid? Did you take that into account? And how did you guys think about that when you were valuing this business, because it seems like that's close to \$1 as well, tangible book value?

R. Scott Wheeler - *Daseke, Inc. - President, CFO & Director*

We've absolutely looked at the value of the assets and the net value of the assets minus the debt when we looked at the total consideration for the business. We always take that into consideration, particularly in an asset-intensive business like this one as opposed to an asset-light business. It's a very important component of how we evaluate the business. So it was absolutely taken into consideration. It gave us a great deal of comfort around the eventual price that we negotiated. And Don, would you append to that in any way?

Don R. Daseke - *Daseke, Inc. - Founder, Chairman & CEO*

No. I think that's actually one of the many factors we look at in -- for evaluating any business.

Raveel Afzaal - *Canaccord Genuity Limited, Research Division - Analyst*

Great. And then just going back to the subcontractor revenues, and just if you can explain that more to me. I mean, last year, they did about 37% of their revenues from subcontractors, on which they realized hardly any margin. So I mean, this number is going to come down. So how will that EBITDA contribution be split up between Aveda and you guys? Can you just explain that 7% one more time?

R. Scott Wheeler - *Daseke, Inc. - President, CFO & Director*

Sure. I'll take that. The -- they have been using the subcontractors that are potentially no margin to Aveda. But those subcontractors are making margin, or they wouldn't have taken the business. And therefore, we would like to take as much as we can that makes common sense on Daseke so that we can make that margin that those subcontractors are making. We will be crediting 7% of all of those revenues that go to Daseke towards the calculation of the EBITDA so that there is no disincentive for anyone in any way not to go ahead and make this common sense move of moving this right on Daseke. So it's -- we believe it's a situation where we appropriately take care of both the Aveda and the Daseke shareholders.

Raveel Afzaal - *Canaccord Genuity Limited, Research Division - Analyst*

Okay. And then how will you decide what the margins are? It seems like the normalized margins can be anywhere between 25% -- close to 25%, 28% on internally generated revenues. And then on subcontractors, as you said, it's hardly anything. So how will you figure out what the normalized margins are then when you're contribute -- pushing the 7% down to Aveda?

R. Scott Wheeler - *Daseke, Inc. - President, CFO & Director*

I'm not sure I understand the question. But we are going to credit for every dollar that Aveda subcontracts to a Daseke operating company. They would receive 7% of that dollar as a credit towards their EBITDA calculation, not...

Operator

Our next question comes from Bruce Martin of Still Lake Capital.

APRIL 16, 2018 / 3:00PM, DSKE - Aveda Transportation and Energy Services Inc., Daseke, Inc. - M&A Call

Bruce Martin

Just back to the stock question. You said it's going to be struck around where the stock is today if they take stock. You expect them to take cash. So 2 questions. One is, when do they have to decide if they're taking stock or cash? And I probably have a follow-up, but I want to hear that first.

R. Scott Wheeler - *Daseke, Inc. - President, CFO & Director*

Between now and June closing.

Bruce Martin

So they can avail themselves of either a \$9 stock price if the stock rises between now and June that they have carte blanche on that. And they could do -- it could be the entire price can be in stock -- I mean the entire purchase price other than the debt assumption.

R. Scott Wheeler - *Daseke, Inc. - President, CFO & Director*

It's a shareholder-by-shareholder decision.

Bruce Martin

And then just for everyone to get their head around because I think again public shareholders, we had a stock that was much higher 6 months ago, probably less than 6 months ago. The recent share price, perhaps you thought you had to do it opportunistic, add money. You were looking at this transaction, but now you're de facto selling even more stock at an even lower price. How are we supposed -- what are we missing as shareholders looking at that and saying what is the delta between where the stock was trading and where you continue to sort of issue stock? How should we get our heads around that?

R. Scott Wheeler - *Daseke, Inc. - President, CFO & Director*

Well, we believe this is the right deal for Daseke. We believe it's beneficial for our shareholders. It's more beneficial to do this deal than to pass. Our shareholders had continuously made it clear to us that they prefer us to issue shares as part of the consideration of a transaction. Obviously, this is not a transaction where we're dealing with 1 or 2 or 3 owners but a public company, and this will be an individual-by-individual decision. The timing is what the timing is, but obviously, it won't close until June.

Bruce Martin

Was it driven by Aveda's side, though, the request to have the option to have stock? Or was it driven by your side to give them that option?

R. Scott Wheeler - *Daseke, Inc. - President, CFO & Director*

It was a very long negotiation over a period of months that as transactions go, it's just one of the hundreds of things that gets discussed on both sides.



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Don R. Daseke - Daseke, Inc. - Founder, Chairman & CEO

I would just add one comment. There is -- from an overall standpoint, there is what we consider a strong alignment between our management and shareholders and that the management of Daseke owns about 35% of our company. So when we think of structuring transactions, we are thinking of it as management and shareholders alike believe very strongly that we're operating in the shareholders' best interest.

Bruce Martin

Well, Don, I agree in general that I would love to have insiders holding stock, but I would disagree that you're acting in the shareholders' best interest when you're willing to do that at any stock price. That part doesn't make sense to me. You guys have done a great job of increasing the value of the business. It was reflected in the market. But it feels like that your share as a currency is not as valued by the company. And I think that may be impacting the share price even more. And so I'm not sure how you would answer how you get around -- you will do it at any price. Having people have stock is terrific, but knowing that you can get that stock at bargain-basement prices, it's exciting for the new guys coming in, but it's distressing for the existing investors.

Don R. Daseke - Daseke, Inc. - Founder, Chairman & CEO

I appreciate your comment, and I just think that this transaction is a very unique opportunity for us. With them having thousands of shareholders, there is no way to predict how many shareholders will take cash versus stock. And so that is the situation we have in this particular acquisition.

Operator

Ladies and gentlemen, this does conclude our question-and-answer session. I would now like to turn the call back over to Mr. Daseke for any closing remarks.

Don R. Daseke - Daseke, Inc. - Founder, Chairman & CEO

Well, we appreciate all of you participating in the call today. Whenever you do have any questions, please let us know. We're very excited, as I said earlier, about this acquisition. We think it's a terrific company, and we think the terms are exceptional. This particular company has unusual synergy with us, and we think that's attractive. And as you can see by their results for last year and the first quarter of this year, they are very rapidly growing. So thanks again for participating in the call, and we appreciate all of you, and let us know when we can be helpful. Thank you.

Operator

Well ladies and gentlemen, this does conclude today's teleconference. You may disconnect your lines at this time. Thank you for your participation.

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