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DSKE - Q1 2017 Daseke Inc Earnings Call

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PRESENTATION

Operator

Welcome to the Daseke Incorporated First Quarter 2017 Conference Call.

(Operator Instructions)

As a reminder, today's conference call is being recorded and will be made available for replay.

I would now like to introduce your first speaker for today, Geralyn DeBusk of Halliburton Investor Relations.

Geralyn DeBusk - *Halliburton Investor Relations - President*

Thank you for joining us today on Daseke's First Quarter 2017 Earnings Conference Call.

On slide one, this presentation today 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 these non-GAAP measures to their most directly comparable GAAP measures are included in the appendix to the investor presentation and press release issued this morning. Both of which are available in the investors tab of the Daseke Web Site, daseke.com.

On slide two, this morning's conference call will be hosted by Don Daseke, President and Chief Executive Officer and Chairman of the Company, who will discuss our consolidation strategy and outlook.

Scott Wheeler, Executive Vice President, Chief Financial Officer and Director will provide details on our financial results and discuss the two recent acquisitions.

Also on the call this morning are Angie Moss, Vice President and Chief Accounting Officer and John Michell, Director of Finance.

After our prepared remarks, the management team will take your questions. With that, I will know turn the call over to our Chairman, President and CEO, Don Daseke.

Don Daseke - *Daseke, Inc. - President, CEO, Chairman*

I'm Don Daseke, President and CEO of Daseke. On behalf of all the people of Daseke, I welcome you to today's call. We appreciate your interest in our growth story.

Turn to slide three. Today's call will be centered on three key areas. One, executing on a consolidation strategy; two, first quarter results are consistent with our expectations; and three, we are seeing an improving industry environment.

Moving to slide four, Daseke is the largest owner and a leading consolidator of the $133 billion open deck specialized transportation and logistics market. We are the largest equipment owner and operator yet we represent less than 1% of this highly fragmented market.

This represents a massive opportunity for growth. Our operations focus on the transportation and logistics of industrial output on behalf of major industrial manufacturers across North America.

Daseke has a highly diversified customer base and many of our largest and longstanding -- and longest standing relationships are with Fortune 500 companies for whom we transport heavy, cumbersome, high value and time sensitive cargo.

Between 2009 and 2016, we've grown revenue from 30 million to 652 million. During that time frame, we acquired and integrated nine open deck and specialized companies.

On February 27 of this year, we entered the public market with the stated goal of having strong access to more efficient capital to continue our consolidation strategy of this highly fragmented market.

Turning to slide five, on May 1, we consolidated two more top tier open deck specialized companies. We're proud to welcome the Schilli Companies of Indiana and Big Freight Systems, our first Canadian Company.

Our record is to attract the top tier open deck specialized carriers to join us as we build Daseke for the long term. These two new companies are industry leaders in the open deck specialized market.

They will bring new dimensions to Daseke's depth of services and geographic footprint. Their contributions will add to Daseke's scale of operations including adding asset light revenue, first class industrial warehousing operations, a new Midwestern presence as well as an even stronger presence in the Canadian market.

Combined, Schilli and Big Freight's total 2016 estimated revenue was $119 million and $13 million of adjusted EBITDA, of which an estimated 40% of revenue is asset light or logistics related. After giving pro forma effect to these mergers, Daseke's 2016 revenues and adjusted EBITDA would have $770 million and $101 million, an 18% increase and a 14% increase respectively as compared to actual 2016 results.

We confirm our guidance for 2017 organic adjusted EBITDA of $95 to $104 million and pro forma adjusted EBITDA of $140 million. I am very proud that as of our first earnings call as a public Company, a clear message of consolidating the large and very fragmented open deck specialized market has been reinforced by our swift and concise actions. I now turn it over to our EVP and CFO, Scott Wheeler.

Scott Wheeler - *Daseke, Inc. - EVP, CFO, Director*

Thank you, Don. Turning to slide six, I'm pleased to be with you this morning to present our first quarterly reporting -- first quarter reporting as public Company. Q1 of 2017. Turning to slide seven, as of March 31st, 2017, Daseke had acquired and integrated nine operating companies including open deck transfer station services across the United States, Canada and Mexico.

During the quarter, the Company had an average of 280,098 employees, 290,025 tractors including 200,280 Company tractors and 645 owner operators, drove over 62 million miles and operated from 43 locations. The Company also continued to carry $100 million in total liability insurance. For the first quarter of 2017, the revenue of the Company was split 50% from the flat bed segment and 50% from the specialized segment.

Furthermore, the Company's revenues were 66% asset based and 34% asset light. With the asset based operations, we can provide much higher levels in certainty of service. With the added capability of asset light operations, we can ensure our customers that we can handle almost all their needs, whether the freight travels on our equipment or someone else's with Daseke taking responsibility for the entire process, yet allowing for operating flexibility.

Turning to slide eight, the Company has a well-diversified revenue stream from multiple industry verticals. Of the Company's total revenues, the metals vertical lead at 24%, followed by building materials at 19% and two other classifications providing approximately 16% each. The Company did experience certain shifts in our freight mix, which can have an impact on total rates per mile.

No significant percentages of our mix of total revenue shifted materially except for our heavy equipment and energy vertical due to cyclical downturns in the movement of wind energy producing material. Turning to slide nine, we discuss the first quarter 2017 operating results. Total revenues increased to approximately two percent for the first quarter of 2017 compared to 2016 and were flat when excluding our fuel surcharge revenue.

Adjusted EBITDA was $18 million in the first quarter of 2017 compared to $23 million in the first quarter of 2016. These results are in line with our expectations and consistent with our full year targets disclosed in our proxy statement filed in February. Q1 of 2016 was a strong quarter. In subsequent quarters in 2016, consistent with the industry, Daseke experienced a strong supply side market, creating downward pressure on rates and producing less than preferred results.

While our net revenue was flat year over year in Q1 2017, we drove 198,800 greater miles to achieve those flat revenues. Furthermore, for certain replacement equipment purchases, we shifted the financing of that equipment from debt structures to operating leases, causing an incremental operating cost of $1.2 million.

These additional costs, when combined with higher fuel costs and slightly less efficiency in utilization driven by market conditions, resulted in lower operating income.

For net income, we had several one-time expenses related to our stock merger transaction and recapitalization that negatively impacted our earnings. These one-time expenses included a $3.9 million write-off of unamortized deferred loan fees and $1.6 million of spac merger costs. We feel that these expenses were well justified, providing us with a publicly traded stock, a $70 million asset-based revolving line of credit, and $250 million term loan B, and a $100 million delayed draw term loan, and a simplified and enhanced balance sheet.

We are encouraged by the recovery in pricing that is underway. So while we anticipated a modest decline in Q1 versus last year, we believe the market is improved sufficiently in Q2 and the balance of the year will be positive year-on-year, particularly Q3 and Q4.

Turning to slide 10, as you can see, there is some seasonality in our business. We have open deck freight and as such, our freight is exposed to the elements and is used more frequently in the warmer months. So typically, you will see higher levels of rates, revenues, and earnings in Q2 and Q3 then typically lower levels of rates, revenues, and earnings in Q1 and Q4.

We believe that a sequential trend is a good indication of the recent performance. We would typically expect Q1 to have results very much like the preceding Q4. We feel good about Q1, due to the sequential growth of miles, revenue, and adjusted EBITDA. With adjusted EBITDA increasing from $15.3 million in Q1 2016 to $17.6 million this quarter.

We are pleased with how Q1 progressed. While market conditions in January and February remained challenging, as they were during Q4 of 2016, March was strong. Q1 2016 was a strong quarter and rates were declining through the entirety of 2016, so we anticipated Q1 2017 would be more like what we saw in Q4 of 2016 than what we experienced in Q1 2016. Looking at revenues for Q1 of 2017, you see a 6.7 increase or approximately $10 million over the Q4 of 2016. And revenue per truck per quarter increased 5.9% or approximately $2400 per truck Q1 2017 over Q4 of 2016.

Turning to slide 11, now let's look at our two reporting segments, flatbed and specialized. On this side, the flatbed segment has shown a positive trend this quarter, with revenues growing 11% over Q1 of 2016 and 11% over Q4 of 2016 or $8 million. Revenue per tractor per quarter was up from $38,600 to $39,500 in the first quarter of 2017, compared to the first quarter of 2016. Revenue per tractor per quarter was up $2800 when compared to the fourth quarter 2016. This segment drove over 2 million more miles in Q1 '17 over Q4 '16, with 13 more trucks in service.

Turning to slide 12, the specialized segment, revenues slightly improved over the quarter, although the specialized freight market remains challenging. Revenues declined 1.1% from Q1 of 2016 but were up 3% over Q4 of 2016, or $2.3 million. Revenue per tractor per quarter was slightly down from $48,700 to $48,200 in the first quarter of 2017, compared to the first quarter or 2016. Revenue per tractor per quarter was up $2300 in the first quarter of 2017, when compared to the fourth quarter of 2016. This segment drove over 1.2 million miles more in Q1 '17 over Q4 '16, with 32 fewer trucks and a slightly lower rate per mile driven by a shift in freight mix.

On slide 13, the macro trends continue to be very positive and support our perspective on the full year. Much like much of the industry, we believe that in the latter parts of the year, increased industrial and manufacturing output, decreased trucking capacity driven by the new governmental regulations requiring electronic logging devices, and resulting favorable rate environment will positively impact industry pricing. For example, we cite three examples from the DAT Load Board and data Web Site. DAT recently gave the Q1 flatbed spot rate pricing environment a grade of A minus, versus C plus for the drive-in and D for the refrigerated pricing environments.

Flatbed load-to-truck ratios are up meaningfully, both year-over-year and since the end of 2016. At the end of April, the flatbed load-to-truck ratio was over 40 loads per truck, a 100% increase over April of 2016. This measurement is a good indicator of the supply and demand dynamics in flatbed freight. Corresponding with the load-to-truck uptick, we've seen a meaningful improvement in flatbed spot rates for the first time since 2014. We view this as a positive forward indicator.

While the significant improvement in flatbed spot rates is a tangible sign of the recovery, it is also important to note that Daseke has minimal spot rate exposure. There is normally a three to six month lag between a move in spot pricing and a corresponding move in contract rates, which means the improvement may not show through the numbers until later in the year. This supports our view, and that of many market experts, that much of the recovery will begin in Q2 and continue into Q3 and Q4. And we're pleased with the momentum we're seeing as early as March.

Turning to slide 14, we are now very excited to discuss our recent acquisitions and our ongoing consolidation strategy. On slide 15, only two months after we became a public Company, we see the recent results of the consolidation strategy of Daseke. The Schilli Companies and Big Freight Systems joined the Daseke family on May 1st.

These two top-tier companies produced estimated revenues of $119 million and adjusted EBITDA of $13 million in 2016. Their combined revenues were 60% asset-based and 40% asset light or logistics related. Including these two companies, Daseke now has over 3500 trackers, 7300 open deck and specialized trailers, and over 1 million square feet of industrial logistics warehousing and distribution operations.

In total, these companies were purchased for a 5.5 time multiple of the 2016 adjusted EBITDA. With the contribution of asset light revenue, first-class industrial warehousing operations, a new Midwestern presence, as well an even stronger presence in the Canadian market, all Daseke's operating companies should be able to benefit from our synergies and growing scale of operations. As we have experienced historically, we would expect both cost and revenue synergies to become apparent in the midterm, taking place gradually over the ensuing months but focused on long-term, sustainable, and incremental improvements in earnings.

On slide 16, Daseke's 2016 revenue and adjusted EBITDA would have been an estimated $770 million and $100 million, respectively after giving pro forma effect to these mergers, an 18% increase and a 14% increase, respectively, as compared to actual 2016 results. This is, without taking in to account potential synergies these companies will receive from Daseke's scale. We expect that these two new additions will contribute significantly towards our 2017 pro forma adjusted EBITDA target of $140 million. We will continue to focus on consolidating companies in the top-tier of the open deck special lot.

On slide 17, the Schilli Companies began operation in 1961 and has its headquarters in Remington, Indiana near Indianapolis. Schilli's strong presence in the Midwest adds a new geographical dimension to Daseke. Schilli's services include open deck and specialized transportation, with a strong longstanding customer base in building materials, as well as 800,000 square feet of industrial warehousing and distribution operations focused on freight that moves on open deck and specialized equipment. These warehousing and distribution facilities are strategically located near core customer production sites in Indiana and Georgia. And the Company also provides export packaging and a free trade zone facility in Savannah, Georgia.

On slide 18, Big Freight Systems began operations in 1948 and has its headquarters in Steinbach, Manitoba near Winnipeg. Big Freight represents Daseke's first Canadian-based Company and Canadian operating authority. This should provide greater efficiencies in the movement of cross-border freight. Big Freight also opens an entire new market to Daseke, power sports vehicles along with approximately 300,000 square feet of industrial warehousing. We are also proud to say that Big Freight was recently honored by the Truckload Carriers Association with the National Fleet Safety Award; a highly sought after prize. This is a testimony to their team and to the quality of the carriers that choose to join Daseke. We could not be more pleased to have these two outstanding companies join our team.

On slide 19, given our view of continued organic growth opportunities, as discussed above, combined with our view of our robust and actionable acquisition pipeline, we feel confident that we will be able to achieve the pro forma adjusted EBITDA target of $140 million for 2017. Our expectation for organic growth in the second-half of 2017 is supported by key leading industry metrics and M&A activity is supported by capital resources and a robust pipeline.

On May 1st we received a $40 million draw on the delayed draw terminal facility to accomplish the two transactions above. Giving effect to that draw as of March 31st Daseke would have had $60 million of undrawn capacity on its delayed draw terminal. A $70 million undrawn revolving line of credit of $35 million of cash on its balance sheet.

As a newly public Company we intend to evaluate the steps to access a variety of capital options to continue our consolidation strategy.

On slide 20, large open deck carriers of scale are rare and therefore can have a competitive advantage. There are less than 30 North American companies that operate over -- 1,000 tractors in this sector. As of May 1, 2017 Daseke operates over 3,500 tractors. We believe this makes Daseke the largest pure play open deck carrier in the market.

We see and believe we will continue to see significant synergies due to our integration strategies that allow us to reduce costs on a per unit basis, pursue incremental revenue opportunities and achieve increased operational improvements.

As to growth, we have demonstrated -- and have a demonstrated proven record of acquisitions that have taken Daseke from $6 million of adjusted EBITDA in our first year of operations, 2009 to a pro forma adjusted EBITDA of $100 million in 2016 after giving effects to our two recent additions. This is a compound annual growth rate of 48%.

On slide 21, you will find an executive summary of today's key points. We are executing on our consolidation strategy. June 1, 2017 results were consistent with our expectations and we see an improving industry environment. We feel confident that we can continue to execute on the plan presented in our February 6th proxy statement and continue to do what the markets should expect from Daseke.

Slide 22, we would like to thank you for your time today. We feel very pleased with our recent results and our positioning to execute on our strategy. We will now open the floor to questions from our guests.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Matthew Frankel with Cowen and Company.

Matthew Frankel - *Cowen and Company - Analyst*

First thing I just wanted to quantify if we can, the favorable rate trends that you guys have mentioned a few times, sequentially as we move from the first quarter to the second quarter. Just looking back at 2016, look like it was about a 4% or so -- 3% to 4% all in sequential rate increase for the quarter. I'm wondering if that's a similar type of seasonal uptick that you're seeing today. Is it stronger than that? Is it weaker than that? If you can talk about that I would appreciate it.

Scott Wheeler - *Daseke, Inc. - EVP, CFO, Director*

I'm not sure I'm entirely clear on the question. So let me repeat it back and make sure that I understand that the question is of the improvement that we stated that we saw in March, that seasonal -- or was there other characteristics related to that improvement? And I believe is the question.

Matthew Frankel - *Cowen and Company - Analyst*

Well, let me clarify. So -- hi. If you talked about a seasonal improvement from the first quarter into what you're seeing in the second quarter thus far giving you confidence in how the rest of the year may play out. And if I look back at the -- you know if I look back at the first quarter of 16, to the second quarter of 16, you see about a 3% to 4% rate increase over that period of time.

So I'm wondering if we're seeing that typical seasonal uptick thus far in the second quarter, or things are stronger or weaker, just looking for some commentary on that.

Scott Wheeler - *Daseke, Inc. - EVP, CFO, Director*

I would put it this way. We can't comment on what we're seeing past the end of the quarter obviously. But we are seeing both a seasonal uptick in rate and as well as demand.

Matthew Frankel - *Cowen and Company - Analyst*

Okay. Fair enough. Going to the acquisitions you made. Just want to clarify on the logistics business that you referenced a sizable percentage, about 40 percent is asset light from the acquired companies. I'm curious if you could just parse out for us what percentage of that is just pure brokerage versus owner operator. Just trying to get a handle on what the businesses mixes are there.

Scott Wheeler - *Daseke, Inc. - EVP, CFO, Director*

We typically do not break out the differences between owner operator and brokerage. And the other component of this is the warehousing piece which is fairly significant. Particularly Schilli but also for Big Freight. So there are some -- there's a -- we would expect in the future to have an incremental revenue that we would record called logistics.

Matthew Frankel - *Cowen and Company - Analyst*

Okay. Anything in the blended EBITDA multiple on 16 that you paid for these companies is a bit higher than what you've done, at least on an average in the past. But it was a little less than five times.

Here we're looking at about 5.5 times. I wondering if that's a change in the marketplace. If there's -- you're potentially competing with some people for assets, or if that's just -- these are higher quality companies and you know you thought it was appropriate to pay a slightly higher premium. If you could comment on that, I would appreciate it.

Scott Wheeler - *Daseke, Inc. - EVP, CFO, Director*

Well every deal is different and every deal has its own characteristics. What we've reported in the past was a blended average and there are different multiples that are typically inherent in asset heavy companies and different multiples that are insurance and asset lighter companies and I think if you would look to blend a 60, 40 in the multiple, you would find it to be very much in line with the expectations.

Matthew Frankel - *Cowen and Company - Analyst*

Okay. So, bigger picture. If you could comment on just the drivers of what you're seeing here in the marketplace. You guys do have some top customers that make up a sizable percentage of the overall business. I'm curious if this is coming from a few select customers. There's -- this is actually a broad based pickup in industrial activity in the U.S.

Scott Wheeler - *Daseke, Inc. - EVP, CFO, Director*

Well we track our industry verticals as you can see fairly carefully as much as we can. And what we are seeing is it's not major shifts in a mix much at all. And the only thing that I eluded to that was different was just due to some timing of things. We've moved less wind energy production equipment in Q1 than we would perhaps on a normal basis.

But in general we're seeing strength across the board.

Operator

John Engstrom with Stifel.

John Engstrom - *Stifel - Analyst*

Congratulations on being able to announce two deals prior to your first quarterly earnings release. I'm not sure too many other companies in the transportation space have done that, if any.

I was hoping to start off with a question on bid season. The question regarding rate per miles already asked. I was hoping to talk a little bit more broadly on some of the larger Daseke system wide large contracts that you guys may or may not be targeting, not necessarily on a name level.

But if you could talk a little bit about the pipeline that you guys are looking at and what you guys are working on in terms of large contracts. I think that could be helpful commentary for sort of managing expectations around what current volume could look like in 2017 and 18 maybe? Would that be possible?

Scott Wheeler - *Daseke, Inc. - EVP, CFO, Director*

Well we obviously can't comment on specific customer contracts. But in general contract renewals and extensions are a recurring part of our business. We have a -- what we consider to be a very sticky customer base. We have very little turnover among our customers. And we continue to try and seek new green field opportunities as well.

We have the opportunity now to present to major national shippers a full North American foot print that can execute on their needs across North America, regardless of origination or destination points. We will continue to hone and refine our abilities, skill sets around major national RFP's and RFQ's. On which we are active. But the top end of this market is characterized by very solid quality companies that also have very solid quality relationships as do we.

And so it is a incremental business. It's not -- typically not big chunks at a time. As it relates to green field large national customers. And so the volumes are -- are something different. And we feel -- we've seen positive signs there.

[I meant the public] announcement, that it's not news but we recently won a major award from Volvo, 5 year contract related to moving things out of the port of Savanna to help them build their new plants. And things related to the output and the components of that plant. And we're very proud to announce that new contract.

We already have significant relationships out of the port of Savanna with other high end European automobile manufacturers.

John Engstrom - *Stifel - Analyst*

Yes, it's tremendous --

Scott Wheeler - *Daseke, Inc. - EVP, CFO, Director*

-- [and a] new customer for us. Yes.

John Engstrom - *Stifel - Analyst*

And it looked like that contract was quite large and I would say that any single individual operating Company may have a large challenge landing such a contract, but being that you guys have weaved together such an expansive network of these operating companies. I want to say, really enabled being able to plan such a large contract. Would you say that's true?

Scott Wheeler - *Daseke, Inc. - EVP, CFO, Director*

Yes. And also think the fact that we are of now a public Company of scale with transparency governance credibility that goes with that. It certainly was a component in the decision making of Volvo to award the contract as they stated to us.

John Engstrom - *Stifel - Analyst*

Yes. Okay. Thank you for that. So the next question I had pertained to, sort of, a deal bucket. Obviously, you guys released an announce regarding Schilli and Big Freight. Knowing that Big Freight's in Canada, I'm wondering if, from an analyst perspective, if their revenues and costs are in Canadian dollars.

If one were to theorize that the dollar would be -- could potentially -- if it's clearly strong to -- relative to the loonie, that the Canadian dollar were to come back on a positive move in the oil, but that would positively lever you guys to form currency translation and what that could mean for your balance sheet and cash flows.

Scott Wheeler - *Daseke, Inc. - EVP, CFO, Director*

Well, I don't know that we're going to approach it that way. Currently most of their contracts are Canadian dollar denominated. We have some that are U.S. dollar denominated, but the way we built the system, we believe we're going to have little exposure to FX risk or reward.

John Engstrom - *Stifel - Analyst*

Okay. So, the other question I had pertained to -- so the previous analyst presentation target 40 million in the quarter EBIDTA for 2017. Presuming that number still true, it just sounds like it would be, given you reiterate with the 140 million target.

I'm wondering if you just comment at a high level now, for any criteria that you may be looking for in a future target with respect to relative asset intensity, geographical exposure, and maybe industry and market exposure. Just any color you can -- you can provide there, I think could be helpful.

Don Daseke - *Daseke, Inc. - President, CEO, Chairman*

Now, as Scott stated, every potential acquisition candidate is unique and the both geographically kind of business present asset heavy, asset light. And so our objectives are the same as we've stated in the proxy statement as far as geographical and type of business. Our focus is quality. That's been the focus of all the companies to join us. And that remains the priority.

Scott Wheeler - *Daseke, Inc. - EVP, CFO, Director*

And also, a long term view to building the right mix over time and there will be a sequence that has a long-term view to it as opposed to a short term view. As it rates to asset mix, intensity, et cetera.

Operator

Eric Gomberg with Dane Capital Management.

Eric Gomberg - *Dane Capital Management - Analyst*

You talked about Volvo, I have a few questions, but the impact of being a public Company what the reaction of customers has been and has that increased the opportunity set.

Don Daseke - *Daseke, Inc. - President, CEO, Chairman*

Okay. The reaction of customers has been very positive. Has been very positive by our people as well as the customers, because customers -- big customers like to deal with big companies and particularly public companies, because then they know the financials are transparent. They know the financial strength of the carrier. We've had nothing but positive reactions from customers.

Eric Gomberg - *Dane Capital Management - Analyst*

Okay. And a question on deal backlog, which a couple of the folks asked about, when you were de SPACing you talked about 24 NDAs, three LOIs, obviously you closed two of them, just curious how robust your opportunity set is. Five point five times EBITDA is not expensive, but it's a little bit above your historic range, but again, this is more asset light than typical. Does that historic EBITDA range still apply and how robust is the deal backlog?

Don Daseke - *Daseke, Inc. - President, CEO, Chairman*

I think our deal backlog is -- as robust, if not, more so than when we filed the proxy statement. And we can't talk anymore specifically about future transactions at this time, but we feel very good about the future and that's why we reconfirmed our adjusted targeted EBITDA for the end of the year.

Eric Gomberg - *Dane Capital Management - Analyst*

Okay. And you guys did not comment on free cash flow, which is supposed to be a fairly strong number for the year. You still feel Okay with that?

Don Daseke - *Daseke, Inc. - President, CEO, Chairman*

Yes.

Eric Gomberg - *Dane Capital Management - Analyst*

Okay, great. And then just looking to the back half of the year, ELD is coming to a fact that auto further improved pricing and obviously, spot pricing's been good, but I think what you do is mostly contract and tends to have a lag. But, it would seem that there could be tightness in the margin in the back half of the year.

And having been through several cycles, just curious your thoughts on what back half of '17, big picture, and '18 could look like in terms of pricing improvements where it goes from a buyer's market to a seller's market.

Scott Wheeler - *Daseke, Inc. - EVP, CFO, Director*

Well, it's hard to predict exactly what we think it will be. We feel all the data we receive, all the inputs we receive, all the conversations we have; it is to believe that we should have improving rate environment for multiple reasons. One, we expect more output from our customers.

Two, we expect there to be less available hours of trucks of our type to be driven. We also could see, once again, as I eluded to in our prepared comments, related to our mix of freight, you could see us drive the same miles, but with a different mix of freight that may affect the rates that we have.

And this -- is it -- as it relates to 2018, or further, the one possibility that we can't comment on, we don't know anything about it. I don't think anybody knows where it would go or if it would go, but the possibility of a major focus from the Federal government on rebuilding our infrastructure could be very, very constructive to our business.

Operator

(Operator Instructions)

Chris McCampbell with Hilltop Securities.

Chris McCampbell - *Hilltop Securities - Analyst*

When you talk about the sources of funding for your acquisition strategy, are you looking to expand your credit facilities or would you also consider equity dilution at this price?

Scott Wheeler - *Daseke, Inc. - EVP, CFO, Director*

Well, it's an interleague process, and the balance sheet is a building process and we can't really know exactly what our deal structure will be in the future and we will continue to evaluate all options.

Operator

[Newpin Arar with Deshaw].

Unidentified Participant

One, as it relates, to the acquisitions, was it a substantial difference in the structure with respect to cash versus stock break up between the two?

Scott Wheeler - *Daseke, Inc. - EVP, CFO, Director*

We're not going to talk about the differences between the two deals, right now, we want to talk about them in the aggregate.

Operator

And I am showing no further questions at this time.

I'd like to turn the call back to Mr. Daseke for closing remarks.

Don Daseke - *Daseke, Inc. - President, CEO, Chairman*

Thank you everyone. We really appreciate your interest in our Company. We're very excited to be a public Company and we're very excited on the path that we're on. Our management team and all of the people of Daseke family look forward to the future.

We appreciate your interest in us and, as always, we're available if you have questions and look forward to discussing future events on future calls with you. Thanks to all of you for your time this morning.

Operator

Ladies and gentlemen, thank you for participating in today's conference. This does conclude the program and you may all disconnect. Everyone have a wonderful day.
