Operator: Good afternoon, everyone, and welcome to the Echo Global Logistics Third Quarter Conference Call. As a reminder, today's call is being recorded. After the speakers' prepared remarks, there will be a question and answer period.

And now it is my pleasure to turn the call over to your host, Kara Smith, Director of Investor Relations. Please go ahead.

Kara: Thank you, Robbie. Good afternoon, and thank you for joining Echo Global Logistics' third quarter fiscal 2009 conference call, our first call as a public company. On the call today are David Menzel, Chief Financial Officer, and Doug Waggoner, Chief Executive Officer.

The order of business this afternoon will be some brief prepared remarks from Doug and Dave about the third quarter, followed by our outlook for the balance of the year, then we'll open the call up to questions.

Before we begin, I'd like to remind everyone that elements of this presentation are forward-looking and based on our best view of the business as we see it today. Please refer to the details that are set out in the press release and our filings with the Securities and Exchange Commission. I would also like to remind you that, during the course of this conference call, we may discuss the non-GAAP measures in talking about the company's performance. Reconciliations to the most directly comparable GAAP financial measures are provided in the tables in the press release. This conference call is also being broadcast on the Internet and is available through the Investor Relations section of the Echo website.

I'd like to now turn the call over to Mr. Doug Waggoner, Chief Executive Officer of Echo Global Logistics. Please go ahead, Doug.

Doug: Thank you, Kara, and welcome to our inaugural earnings call. It's been an exciting time for Echo both leading up to and following our recent IPO.

First of all, I would like to thank all of you for joining us. It was a pleasure seeing many of you on the road show, and we look forward to meeting more of you in the future.

Given that this is our first public earnings release and there are likely a number of you that are new to the Company on the call today, I would like to take this opportunity to briefly review our business model, as well as some important attributes that differentiate Echo in the marketplace. After that, I'll give you a little more color on the quarter and some trends we're seeing, and then turn the call over to Dave.

Echo manages freight transportation for our clients using our proprietary technology that we call Evolved Transportation Manager, or ETM. This technology helps us to efficiently procure, execute and manage transportation spend for our clients. Certain components of our technology are broadly available to both our clients and to our carriers, including access to our data warehouse and analytics.

We classify our business into two categories. The first is transactional, which resembles traditional freight brokerage. Transactional business represents approximately 60 percent of our revenue and grows in conjunction with increased sales headcount, improved productivity that comes with tenure, and from acquisitions.

The second category of our business is enterprise. Enterprise business consists of contractual transportation management and includes solution development, sourcing, and ongoing shipment-by-shipment level execution -- essentially all the services necessary to ensure that products get transported in the most efficient and cost-effective manner possible while also meeting our clients' service requirements. Our enterprise engagements are typically one to three years in length and include dedicated operational teams, coupled with technology integration. We currently have 114 enterprise clients. We have a large pipeline of enterprise opportunities. As with any pipeline, there are stages of development that range from lead generation to final contract negotiation.

The pipeline generally consists of larger clients, and the gestation period of these deals is somewhat difficult to predict. But in the third quarter of 2009, we secured seven enterprise clients, meaning that we signed contracts and have moved into implementation during the quarter. Depending on the complexity and the scope of an engagement, we implement our services over a time frame that ranges from as little as two weeks to as long as two months. Throughout our history, we've had seven enterprise contracts come up for renewal and have been successful in renewing all of those contracts, which I believe is a testament to the quality of service and cost savings that we provide our enterprise clients.

Our mix of transportation modes is comprised of roughly 44 percent less-than-truckload or LTL transportation, 36 percent truckload or TL transportation, and then the remaining 20 percent is spread across intermodal, international, and small package. We have three distinct sales channels, including inside sales, outside sales, and business development. Our inside sales group markets to smaller transactional shippers via one of our outbound call centers. Our outside sales group represents "feet on the street" and is comprised of seasoned transportation industry sales professionals working remotely and making face-to-face sales calls for both transactional and enterprise business. Our business development group sells enterprise deals and is adept at constructing solutions, negotiating contracts, and preparing the client for the transition to our implementation team. At the end of the third quarter we had a total of 464 sales personnel, 288 in inside sales, 161 remote--working remotely in outside sales and our acquired offices, and 15 on our business development team.

So that's a high-level overview of Echo. I'll now get on with the review of the third quarter. We are proud of our third quarter accomplishments. Despite a very tough economic environment, for the third quarter of 2009 our total revenue increased by 20 percent to $70.2 million, gross profit increased 26 percent to $15.4 million, and this represents a gross margin of 22 percent, which is a 90-basis point improvement as compared to the same quarter last year. We achieved this growth through execution of our long-term plan, which calls for increasing transactional revenue by expanding and improving the productivity of our transactional sales force, as well as securing more large enterprise clients. The recession has caused double-digit revenue declines throughout our industry. In fact, a review of our top 20 clients from the third quarter of 2008 reveals that their combined revenue declined 23 percent on a year-over-year basis. While we expect these revenues to improve as the economy recovers, we have enjoyed gains in market share that have more than offset this decline.

We look at the two components of revenue: volume and price per transaction. It's significant to note that our volume, as represented by shipment count, was up 45 percent on a year-over-year basis. This growth in volume was partially offset by a 17 percent decline in revenue per shipment. The decline in pricing was caused in part by differentials in fuel surcharge but was primarily due to reduction in LTL weight per shipment. Because LTL is priced on a per-pound basis, revenue per shipment correlates with average shipment weight. Again, we believe the reduced weight per shipment is a direct result of a challenging macroeconomic environment and will return to normal levels as the economy recovers.

Despite our growth in volume and the economic pressures on pricing, we've been able to manage our gross margin as well as our G&A expenses, so we've enjoyed operating leverage as we've grown the business. Our sequential growth resulted from market share gains in our transactional and enterprise segments and the acquisition of Raytrans, which is a flatbed truckload brokerage that we acquired in June of 2009.

Before wrapping up my portion of the call, I want to take a minute to provide you with some thoughts on what we're seeing in the marketplace right now. First, we're starting to see the benefits of the early stages of the economic recovery, although it's clear we have a long way to go to get back to normal levels. While we will continue to face economic headwinds in the fourth quarter, similar to most companies, we feel confident that our offering will continue to resonate with both current and potential clients and to drive additional growth in 2010 and beyond. Our primary focus is to maximize our potential in this trillion dollar-plus industry. We have and will continue to invest in opportunities that perpetuate our growth and the long-term adoption of our model.

I'll now turn the call over to our CFO, David Menzel, who will review additional financial highlights for the quarter.

David: Thanks, Doug. I'd like to start by giving a little additional color on our two primary categories of business, enterprise and transactional.

Our enterprise business grew 18 percent in the third quarter compared to the prior year, driven primarily by the addition of new clients in 2009. In fact, of our 28.2 million in enterprise revenue in Q3-09, 11.4 million came from new clients added during the year. As Doug highlighted, this growth was offset by revenue declines from existing clients due to economic conditions. This reduced client concentration and created greater diversifications of revenue as revenue from our five largest clients actually decreased from 27 percent of total revenue in the third quarter of 2008 to 18 percent of total revenue in the third quarter of 2009.

From a transactional perspective, our top-line revenue growth was driven primarily by the acquisition of Raytrans, which was completed in Q2-09. In addition, the number of clients we served increased roughly from 6,000 to 9,000 during the quarter. It's important to note that our transactional sales force is about the same size at the end of the quarters ended September 30 '08 and '09, at 303 employees, 288 of which were inside sales, as Doug highlighted earlier. This means that our productivity metrics in terms of the number of clients per sales rep and the number of shipments per sales rep increased considerably during the comparable period, while revenue and gross profit per sales rep, excluding the impact of acquisitions, remained roughly the same -- again, due to a weaker pricing environment. Our sales agents increased from 106 to 161 during the quarter when compared to the third quarter of 2008, primarily due to the acquisition of Raytrans.

Our net revenue for the third quarter increased by 26 percent, to $15.4 million. This growth was driven by the increases in total revenue discussed earlier, plus a 91-basis point increase in our gross margin, attributable to a slight shift in mix in business between enterprise and transactional. Enterprise business was 41 percent of the total in Q308 and 40 percent of the total in Q309.

Moving on to operating expenses, our commission expense increased 5 percent in the third quarter of '09 compared to the prior year, due in large part due to the increase in net revenue, as our commission plans are tied to net revenue. Our G&A

expenses consist of personnel expenses, facilities office expenses, professional services, and other G&A cost. In Q3-08, salary expense represented 67 percent of the total G&A for the period, compared to 69 percent of the total in Q309. G&A expenses increased by 18 percent in the third quarter of ’09, to 7.6 million versus 6.4 million in the prior year. The higher G&A costs were driven primarily by an increase in our salary headcount, as salaried employees went from 222 to 296, up 33 percent. Our increase in salaried personnel is directly correlated to the increase in shipment volume, and the fact that our volume has grown more rapidly than our headcount reflects fundamental improvements in productivity.

Our operating income increased 136 percent during the quarter, from $1 million in Q3-08 to 2.3 million in Q3-09. This increase is a function of our growth in net revenues of 26 percent, which exceeded our growth in total operating expenses of 16 percent. Accordingly, our operating margin expanded from 8 percent of net revenue to 15 percent of net revenue during the period.

Below the operating line, there are two items I’d like to highlight. First, interest expense increased from 55,000 in Q3-08 to 558,000 in Q3-09. This increase is attributable to the increased borrowings outstanding during the period under a line of credit agreement and a subordinated debt agreement utilized to fund the Raytrans acquisition, as well as the increase in the interest rate under the subordinated debt agreement. Both of these obligations were paid in full upon the closing of the IPO. Our effective tax rate decreased to 27 percent in Q309, down from 41 percent in Q3-08. The decrease is an adjustment to reflect our expectation of an effective tax rate of about 34 percent for the full year 2009 and is a result of the estimated impact of elections regarding research and development tax credits filed on prior year returns, as well as reductions due to changes in state apportionment attributable to our ongoing expansion.

Our net income increased 135 percent in the third quarter of ’09, totaling 1.3 million. This resulted in diluted EPS of 8 cents a share, and we had 13.2 million diluted shares outstanding during the period. We issued 5.7 million additional shares in connection with the IPO in October ’09. In addition, our preferred stock converted to common stock. As such, we had 21.5 million shares of common stock outstanding immediately after the offering.

From a cash flow perspective, we used approximately 3.9 million in cash in operating activities during the third quarter of ‘09. This was primarily due to our increase in revenue during the quarter, causing a corresponding increase in accounts receivable of 4.6 million. This increase was not fully offset by a corresponding increase in accounts payable, as we decided to reduce our payment terms to key carriers in the interest of strengthening our business partnerships. We spent $2.3 million on investing activities which included purchases of property and equipment, capitalized software development, and the acquisition of FMI, a small freight brokerage located in Minnesota. These investments were funded by increased borrowings under our line of credit agreement.

As all of you know, on October 7, 2009, we closed our IPO, generating 79.8 million in gross IPO proceeds, or 74.2 million after the underwriter discount. Of those proceeds, 14.1 million was used to pay down our line of credit, 7 million was used to extinguish our subordinated debt, and 3.6 million was paid in accrued dividends to holders of our preferred shares. In connection with our initial public offering, all the preferred shares were exchanged for common shares of stock. Our balance sheet is strong and we're well capitalized, providing us the resources necessary to capitalize on potential opportunities, either organically or through acquisition.

That concludes my review, and I'd now like to turn it back over to Doug.

Doug: Thanks, Dave. Despite operating in a very difficult freight environment, Echo generated strong third-quarter results as we continue to take market share and grow our business. We're optimistic that our business model will continue to see widespread adoption, especially as the US economy begins its recovery. As I related previously, our current view of the economy is that the recovery is L-shaped, with slight improvements coming in Q4 in 2010. At this time we'll not be communicating specific quarterly guidance for the fourth quarter. However, we can say that the ultimate strength of our fourth quarter will likely correlate with the overall economic conditions during the period.

And with that, I would like to now open it up for questions.

Operator: The question and answer session will be conducted electronically. To ask a question, please press star 1 on your telephone keypad at this time. And if using a speaker phone, please make sure your mute function is turned off to allow your signal to reach our equipment. Once again, it is star 1 for questions. And we'll go first to Bill Greene with Morgan Stanley.

Q: Hi, good afternoon. Can you talk a little bit about the gross margin trends? I'm specifically thinking that we're in a period where fuel prices have been rising a bit. We've got a recovering -- albeit it is slow -- but a recovering freight market. Some other brokers have suggested this will create pressures on their gross margins. Can you talk about how you think that will affect yours as you look forward?

Answer: Sure, Bill. Unlike a lot of the pure truckload brokers, I think Echo's business tends to float with the market on a cost-plus basis, so as we see, first of all, the capacity tightening in the industry, it's a very, very large market relative to Echo. We have lots of sourcing opportunities, and the sheer size of the market gives us opportunities to do that. Also, our improved balance sheet gives us some ability to change the terms in the truckload segment, which Dave alluded to, and we believe there's additional buying power that comes with accelerating payments to certain truckload carriers. And if you look at the business that we fixed the savings on, it's actually a very small percentage of the overall total.

Q: So you don't really lock in rates for your customers on a go-forward basis to any real duration?

Answer: No, we really don't, and in fact a lot of our business, particularly in the transactional area, our salespeople are looking at screens and what our costs are and applying a mark-up. And so in one effect, as the rates go up in the marketplace, we actually benefit from it because we're marking up a higher base.

Q: Okay. Now, how are you dealing with the YRC situation? Do you have liabilities to them in any way if they suddenly close? How is it going to affect Echo?

Answer: Well, approximately 7 percent of our cost of transportation goes through YRC right now. We've continued to support them. They've provided good service to us and competitive pricing, but we monitor it on a regular basis. If you think about the portion of our business that's transactional, we can switch that to another carrier on a moment's notice, and in fact we have the option even today to do that, so on a shipment-by-shipment basis, we're looking at the market. For our enterprise clients where we've actually sourced a portion of their business with YRC, we've done the homework, talked to other carriers, to find capacity should there be a failure in the market, and we feel confident that we can move that freight without incident. As for any potential liabilities, my experience in this industry in past failures is that the freight usually gets moved by other carriers who share in the revenue, and it's to the originating carrier's advantage to make that happen so that they can get paid for what they've picked up.

And with respect to your question about liability, we do not have any liability that we would incur relative to YRC, any receivable exposure or any exposure in that regard.

Q: Okay. And then, any--a dislocation of that magnitude, would that end up being a positive for your ability to take advantage in the marketplace? Or is that not a positive, given that it's 7 percent of your transportation cost?

Answer: Well, my view is that, first of all, it will cause some noise in the marketplace because there's a spectrum of profitability of customers out there. So I think the LTL carriers will take that opportunity to adjust pricing on a customer-by-customer basis and there will be dislocated shippers out there that are going to be looking for help. So I think actually we'll see a lot of shippers coming to Echo to help them with their transportation, but meanwhile, we've got great relationships with a number of carriers and feel confident that we have the capacity that we need.

Q: Okay, thank you for the time.

Answer: Thanks, Bill.

Operator: And once again, it is star 1 if you'd like to ask a question. We'll go next to Nate Brochmann with William Blair & Company.

Q: Good afternoon, gentlemen.

Answer: Hi, Nate.

Q: I wanted to talk a little bit--obviously you guys have a very compelling value proposition to a lot of your smaller and medium-size shippers. I'm just wondering, during this harsh economic period whether you're seeing it even easier to sign up new shippers to come into Echo's fold a little bit, given the ability for you to reduce their costs?

Answer: I think people are a little more ready to take the call because everybody's looking for ways to save money. That being said, our close ratio of new enterprise deals is basically staying on the tread line. We have a couple of anecdotal instances where companies that we pitched six or nine months ago that appeared to go dormant returned our call and said they wanted to keep talking. So I think there's a little bit of that, Nate, but generally we work hard at mining the pipeline. We have some percentage of success and we just keep chipping away at it.

Q: And in terms of the carrier capacity out there, I know that you guys are fairly small and there's a lot of sourcing opportunities. But have you seen a lot of carriers go by the wayside and kind of how that trend might be? But then also, on the other side, whether more might be more eager to sign up with Echo?

Answer: Well, Nate, we've got about 22,000 carriers in our database today, although we're active with about 4,600, so within our own rolodex, we have a lot of opportunities to form new relationships. There have been a number of closures of small carriers, particularly truckload carriers. We haven't really felt that as an impact on our sourcing, and there's plenty of capacity in the market for us to find new relationships and capacity.

Q: Great, and then just one last carrier question. Do you have any sense of what fraction of your carriers take advantage of maybe a quick-pay program and what some of those terms might look? And again, it sounds like that trend's been increasing a little bit.

Answer: Currently it's actually less than 1 percent of our total and we actually plan to start to more aggressively launch that program, and it's one of the ways in which we hope to be able to deliver some improved margin as capacity tightens in the marketplace.

Q: Great, thank you very much.

Answer: Thanks, Nate.

Operator: Once again, it is star 1 for questions. We'll take Bill Douglas from Douglas & Associates.

Q: Good afternoon, everyone. I have a question with regards to your transactional-based business, which you have alluded to being the greater portion of your business with regards to revenue generation and, correspondingly, the increase in the number of sales, I think, associates you said that within that division and the increase with them. What do you see as far as the larger global plans for the expansion of the transactional business, or is that more in a contraction mode versus being in an expansion mode against the enterprise business?

Answer: Well, Bill, we like both segments. They have different characteristics, but we think that it balances out our revenue growth plan. On the transactional side, we have plans to add about 120 net sales positions in 2010. Those will be spread over the course of the year. We bring people in in classes of about 20 to 30 and they go through three weeks of classroom training, three weeks of buddy system training, and then they hit the floor. So we'll continue to hire the inside salespeople as well as look for outside salespeople that are remotely located.

Q: Would you--does the--it seems to be a prevalent mode these days that the expansion of the Internet with regards to the mode of doing business seems to be much more prevalent and getting ever so much more in this space. Is there plans for that in your near future as far as enhancing that position?

Answer: Yes, we've got basically four growth strategies. The first is our inside sales that I talked about, our outside and enterprise sales, which I also mentioned. Acquisitions is a piece. And then we have a relatively new strategy, which is our web sales initiative. We're actually piloting that today, working with customers that sell products via e-commerce and creating widgets that they can use on their website so that their customers can get freight costs and manage the shipping activity. So we think that the web sales initiative is an exciting new piece of our business that we'll be rolling out in the next couple of quarters.

Q: Great, thank you.

Answer: And it also basically leverages existing technology, so it's putting a--kind of a new front end on it.

Q: So this is a technology currently that's in place or is it something still yet to be developed?

Answer: Well, really, the core technology is already in place and it's what we use every day, so this is just creating some connections so that it can be used in an e-commerce environment.

Q: Got it. Okay, thank you.

Answer: Thank you.

Operator: Thank you. We'll go next to Andrew Root with Alkeon Capital.

Q: Hi, thanks for taking my question. I was curious if you have any feeling for what holiday shipping trends look like at this point and whether or not maybe customers are talking about trying to secure capacity for short lead time, inventory turns, or reorders if things get good, just in general what your feeling is about the flavor of business right now?

Answer: Well, it's a good question because we believe that the economy's getting nominally better on a sequential basis. But that being said, we've not seen a huge pop that you would sometimes see in October. The remaining question, I think, for everybody is, when do we see the business volumes tail off towards the holidays? And some years that happens later, some years it happens earlier, so at this point I would only be speculating and I've not really got any quantifiable information from customers that I could nail down on that. It's the question mark.

Q: And is that--does some of that relate to the reason for not guiding for the December quarter, or is that more just a normal policy matter?

Answer: First of all, we've not formulated our 2010 guidance strategy, but we will talk about that on our fourth quarter call. But I think the point is, these are uncommon times. This economy is unusual, to say the least. And so we feel that we're going to perform significantly better than our competition in the space. We're continuing to grab market share, and so we're doing what we said we would do, but it's tough to predict this economy.

Q: The sequential improvement--was it sort of seasonally normal across all business lines, or are there some of your modes that are leading others and some others that are lagging?

Answer: I would characterize it as, in general, consistent across our business lines. Having said that, we've seen a slight--I would just call it a modest increase in our truckload business, some of which resulting from the acquisition of Raytrans, but there's just some modest increases in that segment as we continue to focus on that market. But generally speaking, it's consistent across all our business lines.

Q: Great, thank you.

Answer: Thank you.

Operator: And, with that, we have no further questions in the queue. That does conclude today's call, and thank you for your participation.

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