MORGAN STANLEY & CO. *Incorporated*

Institutional Research

Progress Report

June 30, 1977

TRANSWAY INTERNATIONAL CORPORATION
(TNW - NYSE)

Recent Price	1977 Price Range	Div	Yield	Earnings Per Share 1976	Earnings Per Share 1977E	Price/Earnings 1976	Price/Earnings 1977E
26	26 - 21	$1.60	6.2%	$3.11	$3.75	8.4	6.9

Common Stock: 6.5-million shares outstanding

SUMMARY AND INVESTMENT CONCLUSION

Transway International Corporation is a diversified transportation-distribution company with primary operating subsidiaries in freight forwarding, marine services, trailer manufacturing, and distribution of LP gas in the Caribbean. U.S. Freight, as the Company used to be known, was a major transportation innovator during the 1960s, pioneering in railroad piggyback for the underlying line-haul of its less-than-truckload freight business. Reflecting successful diversification into other transportation related activities, earnings in the last five years have risen 69%, or at a 14% compound annual rate, on 43%-higher operating revenues.

Net income this year is expected to increase over 20% to $3.75-$4.00 per share and a further 10%-15% to $4.25-$4.40 in 1978. Although Transway is not carried as a new-money buy in the Morgan Stanley model portfolio, this analyst considers the stock attractive on the strength of its modest valuation on forecast 1977-1978 earnings and the 6.2% current yield.

RECENT RESULTS AND CURRENT OUTLOOK

Transway started off 1977 with record first-quarter revenues of $171.5-million, up 20%, and a 42% increase in net earnings to $5.4-million. Net per share rose 41% to $0.83, against $0.59 last year. As the estimates in Table 1 indicate, the freight forwarding division had a difficult period because of cold weather interruptions and a temporary rate lag which has since been corrected. Tonnage was still up 9% in the quarter and is ahead over 10% so far this year, according to management. Based on the 5% rate increase effected at the end of March and tonnage gains year to date, we expect 1977 forwarding revenues to be up about 14%, with margins improving.

Table 1

Transway International

Estimated Breakdown of First-Quarter Operating Income*
($ Millions)

	1976		1977	
	Amount	% of Total	Amount	% of Total
Freight Forwarding	$2.8	35%	$ 1.8	15%
Marine Services	0.8	10	3.2	27
Great Dane Trailer	1.6	20	3.1	26
Tropigas (LP)	2.4	30	3.2	27
Other	0.4	5	0.7	5
Total	$8.0	100%	$12.0	100%

*Before unallocated corporate and interest expenses
Morgan Stanley Research Estimates

Transway's marine services division in the Caribbean also achieved record first-quarter results. Coordinated Caribbean Transport, a roll on/roll off trailership operation, will soon be benefiting from conversion to "articulated tug-barges," a technological innovation which will cut crew size by one-third. The cruise ship operation has been turned around and should show substantial profits this year. Great Dane Trailer, experiencing booming demand for its high-quality trailers, increased revenues 100% in the first quarter to approximately $40-million, and it is estimated that earnings have more than doubled so far in 1977. Tropigas, a distributor of LP gas in the Caribbean, benefited from the cold weather in the first quarter with a 35% earnings gain and is expected to do well throughout this year.

Table 2 shows estimated 1977 results along with a five-year summary of operations. We believe Transway will show record earnings per share this year ranging between $3.75 and $4.00 on revenues of approximately $700-million. We project a further 1978 earnings increase in the 10%-15% range to $4.25-$4.40. The Company's forwarding activity is expected to benefit from 9%-10% tonnage growth this year and adequate freight rate increases, most of which have already been granted. Trailer demand should continue robust into 1978, providing Great Dane with two excellent years. Transway's marine services and Tropigas operations seem likely to record satisfactory and sustainable gains over the period.

Table 2

Transway International

Operating Summary
($ Millions Except Per Share Data)

	1972	1973	1974	1975	1976	1977E
Total Revenues	$425.6	$487.5	$592.1	$516.0	$608.2	$700.0
Operating Profit						
Freight Forwarding	13.0	16.5	14.6	11.6	16.1	18.2
Marine Services	1.9	1.9	5.7	8.0	8.8	12.0
Trailer Manufacturing	6.3	6.0	6.6	1.5	9.2	15.0
LP Gas Distribution	4.0	6.9	7.8	8.5	6.3	7.5
Other Operations	1.7	1.7	2.8	1.3	0.7	0.7
Total Operating Profit	$ 26.9	$ 33.0	$ 37.5	$ 30.9	$ 41.1	$ 53.4
Unallocated Expenses	4.9	4.6	6.7	6.6	9.2	10.3
Pretax Profit	22.0	28.4	30.8	24.3	31.9	43.1
Taxes	9.9	13.2	12.2	6.2	11.5	18.1
Net Income	12.1	15.2	18.6	18.1	20.4	25.0
Net Income Per Share	$ 1.86	$ 2.35	$ 2.86	$ 2.78	$ 3.11	$ 3.83
Dividends Per Share	1.40	1.40	1.40	1.40	1.40	1.60

E = Morgan Stanley Research Estimates

FINANCES

Transway is conservatively capitalized and in overall strong financial condition. Net return on shareholders' equity recently reached 16.3%. Despite a record capital budget of $25-million and increased dividend payments, 1977 internal cash flow alone should cover the Company's financing needs (except for $10-million in Government-guaranteed Title XI financing under the Merchant Marine Act in each of 1977 and 1978 to replace Company roll on/roll off vessels with the new "articulated tug-barges"). The well-protected dividend of $1.60 per share provides a current yield of 6.2%.

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