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COMPANY INTERVIEW

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Janel World Trade Ltd. (JLWT.OB)

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JAMES JANNELLO founded Janel International Forwarding Co., Inc. (later renamed The Janel Group), the predecessor to Janel World Trade Ltd., in 1974, and he has been the Chief Executive Officer and a Director of Janel World Trade Ltd. since June 2002. He has successfully guided the company through recent economic cycles, has delivered strong revenue growth, and has increased Janel's market presence through a network of company-owned locations in the U.S. and independent international agents in more than 52 countries worldwide. Mr. Jannello is a Licensed Customs Broker and has more than 40 years experience in the industry.

SECTOR — TRANSPORTATION

(ALS608) TWST: Please start with an overview of Janel World Trade and explain what a third-party logistics provider does.

Mr. Jannello: I started Janel in 1975 in New York as a customs and logistics broker. I saw that there was a need to provide quality import customs brokerage and related transportation services in what was an emerging market at the time. The startup of the business did not require me to make a huge investment in any transportation assets, like trucks or airplanes. Rather, the business we are in is non-asset based and we are a third-party logistics provider. We basically serve as an outsourced logistics department for our clients. We take care of all the moving parts necessary with any shipment around the world, from customs brokerage to shipment tracking and homeland security mandates. We utilized the services of direct, asset-based carriers and other transportation providers to handle the movement of our customers' shipments. We have been around a long time and we're ranked in the top 2%, by the way, of all logistics companies when it comes to customs brokerage services.

TWST: What factors do you weigh when selecting the best transportation solutions for your customers?

Mr. Jannello: There are basically two factors we consider when customizing a transportation solution for our customers, cost and reliability. Many vendors out there may offer a very attractive cost but without the reliability. So the true cost can be too high. Our customers use us because we have been out there for more than 35 years and know that we know which transportation provider to use, who will get the shipment there on time as promised and who will be able to meet our service standards for order tracking from where the shipment begins until the final delivery point or, in other words, from the factory to the door.

TWST: What are your advantages over asset carriers?

Mr. Jannello: The definition of an asset carrier is a logistics company that actually has a large fixed investment in transportation assets, and they use all of their assets in the movement of freight for the customer from the factory to the door. We, however, as a third-party carrier, don't make that big investment in airplanes,

trucks and shipping fleets. With that investment, those asset carriers are boxed in with a fixed-cost infrastructure and must have all of their assets, and understandably so, in use in order to pay for the large investment they made. As a non-asset-based logistics provider, our transportation cost is variable and we are able to purchase transportation services from multiple providers. So we wind up with a variable versus fixed cost. As an example, we are able to negotiate favorable pricing as we call upon multiple transportation providers when it comes to the movement of freight. There are times that a better price can be obtained from another carrier, as they may be very competitive with their pricing in order to utilize the assets they own. In other words, we can shop around for the best price and we're not restricted to using our own assets. We have no exclusive arrangements with any of the carriers we use. Our non-asset-based model provides us with a variable cost structure and allows for a high level of operating flexibility.

TWST: Who are your primary customers and what industries are they in?

Mr. Jannello: We have large well-known customers that everyone in your investor readership is familiar with, down to much smaller companies that are very regional. We have more than 1,700 accounts, which represent a very diverse cross section of industries, so we diversify our business risk. We aren't significantly impacted if a market structure or industry is going through a rough patch and business slows down. We're very conscious of maintaining that diversification.

TWST: Last year, you acquired the assets of Ferrara International Logistics. What was the rationale for the acquisition?

Mr. Jannello: We acquired the assets of Ferrara International Logistics on October 4, 2010, at the beginning of our new fiscal year; we are on a September 30 fiscal year. We expect approximately \$7 million in annual revenue from this addition with some of the revenue coming in with very high gross profit margins of up to 35%. We're very proud of Janel and building the company to the point where we had revenues of more than \$88 million in 2010. Now our focus has been expanded to include continued revenue growth and an increase in our bottom line. The Ferrara asset

acquisition is a concrete step to enhancing our overall profitability and will contribute to good year-to-year net income growth. I'm not forecasting here, but that is our focus and we think we can break \$100 million in revenue in 2011.

TWST: Are you open to more acquisitions in the future?

Mr. Jannello: Absolutely. Whenever we can discover a smaller logistics broker that has healthy gross profit margins and offers a good fit with their personnel and Janel's personnel, we will be interested in exploring other acquisitions. Obviously, there are many factors that come into play beyond just the cost, but if we can boost our bottom line and it is accretive to earnings, we are interested in talking. We have the best balance sheet we have had in years with cash on hand currently at \$1.2 million, and \$1.2 million available from our bank line of credit. With that financial flexibility, we have the capital to grow organically and through smart acquisitions, but we're not going to make any acquisition just for the sake of building our top line. It has to make sense to our net income.

TWST: At the end of December, you announced that Janel had a record-breaking year in terms of revenue. What were your fourth-quarter and annual results, and what did the financials look like for 2010?

Mr. Jannello: We had a strong fourth quarter and reported revenue of \$31 million, which was 74% higher than the prior year. Our income before taxes was \$718,000 for the year and \$289,000 for the fourth quarter. We finished the year with revenue of \$88 million. This is what we are building on in 2011.

TWST: What trends are you seeing in the transportation industry and how do you feel you are positioned to take advantage of those trends?

Mr. Jannello: We've seen a very healthy rebound in shipping volumes since 2008 and 2009. Everyone knows how challenging business has been in most industries in the U.S. and the world, but we're seeing a sustained recovery in world trade since the depths of the Great Recession. We have independent international agents in approximately 52 countries around the world and are positioned nicely in Shanghai, Hong Kong and Central America, where we see great opportunities for growth with the Central American Free Trade Agreement (CAFTA) and throughout the U.S. China is always in the news when it comes to trade, and we continue to see the positive trends there with growth in shipping volumes from China. We would like to take advantage of an increase in exports from the U.S. to China. We're ready for that growth because we have been doing business there for some time and have those very important business relationships essential to conducting business in China.

TWST: You just released your first-quarter, 2011 financial results. Would you give us a quick rundown on that report?

Mr. Jannello: Our first quarter is historically our slowest. But in the quarter ended December 31 we reported a 55% increase in revenue over the comparable prior-year quarter with revenue

coming in at \$26.4 million. This is the best first quarter in terms of revenue in our 38-year history and follows successive record revenues for the second, third and fourth quarters of fiscal 2010. As I mentioned earlier, during the quarter we assimilated our October 4, 2010 acquisition of the assets of Ferrara International Logistics, which we expect will contribute to our net income given their healthy gross profit margins.

TWST: What are your goals for 2011?

Mr. Jannello: Our goal is to have another record year in revenue with increased net income. Coming off our great year in 2010 with revenues of \$88 million and our acquisition of assets of Ferrara, we think that revenue exceeding \$100 million is certainly attainable. That's not a forecast but it is something that we think is an attainable goal. Along with this goal, we want to see our bottom line increase exponentially. We have a real opportunity this year to build our net income substantially with the very positive effects of the momentum we have seen and with the acquisition.

TWST: Is there anything else investors should know about Janel World Trade?

Mr. Jannello: We at Janel are proud of our long history of business going back over 35 years. We have a seasoned team of industry veterans with many having more than 20 years experience in the industry. Our President, Bill Lally Sr., has been with us from the beginning, and all our offices are headed by logistics industry veterans with decades of experience who have seen and managed the inherent ups and downs of this industry. A key differentiator with us from some of our competition is that many of our customers have had their employees talking to us for years, and a comfort and trust that develops over time really helps our customers and it helps us actually. Considering our market capitalization, which stands at about \$7.4 million when our price is at \$0.35 a share, we feel Janel is a compelling investment story. We've been very judicious in how we grow our business, we minimize the need for any dilution with our share issuance and we have obtained conventional bank lines of credit. We have a little more than 21 million shares outstanding and a public float of about 6.5 million shares. We hope actually that some of your readers will take a good look at us and follow us in 2011 as we continue to execute our business plan of increasing revenues as we increase our net income and build shareholder value.

TWST: Thank you. (LMR)

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