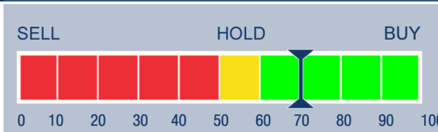
Tue Jul 04 18:38:17 EDT 2006

EXPEDITORS INTL WASH INC (EXPD)

Air Freight & Logistics

Market Grader

Overall Grade: EXPD 70.1

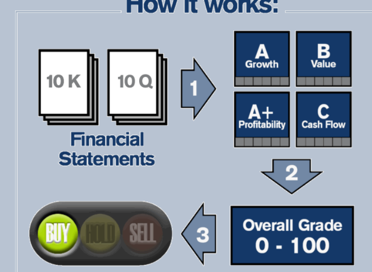


EXPD Overview

Company Scores Very Good Fundamental Grades - MarketGrader currently has a BUY rating on EXPEDITORS INTL WASH INC (EXPD), based on a final overall grade of 70.1 scored by the company's fundamental analysis. EXPEDITORS INTL WASH INC scores at the 92nd percentile among all 5649 U.S. listed equities currently followed by MarketGrader. Our present rating dates to November 3, 2005, when it was upgraded from a HOLD. Relative to the Air Freight & Logistics sub-industry, which is comprised of 22 companies, EXPEDITORS INTL WASH INC's grade of 70.1 ranks second. The industry grade leader is UNITED PARCEL SERVICE INC (UPS) with an overall grade of 75.6. The stock, up 64.61% in the last six months, has outperformed both the Air Freight & Logistics group, up 11.24% and the S&P 500 Index, which has returned -0.05% in the same period. Please go to pages two and three of this report for a complete breakdown of EXPD's fundamental analysis.

Stock Price	07/03/2006	$58.28
Earnings Estimates		
Last Earnings Release		05/03/2006
Last Qtr. Actual vs. Est.		$0.24 / $0.19
Next Release	08/02/2006	$0.26
Year Ending	12/31/2006	$1.13
Year Ending	12/31/2007	$1.36

How it works:



The picture above illustrates, in a simple way, how the MarketGrader stock rating system works. Every day the system gathers up to five years of historical financial data from each company it covers. All data compiled is from annual and quarterly company reports and it does not include any analyst estimates, price targets or any other form of forward looking information. All numbers are then broken down into four unique grading categories: Growth, Value, Profitability and Cash Flow. Each category contains six fundamental indicators, determined by the company's industry. Some of the figures used in the creation of these indicators (for example earnings from operations or cash flow), are not incorporated in the analysis as reported by the companies, but built by the MarketGrader system from its own methodology to ensure identical accounting standards across all companies. Each of the 24 fundamental indicators is individually graded based on a nine letter scale of A+ to F. The grade composition chart on the left breaks down the analysis of the company presented in this report, allowing you to see the indicators used. It provides a bird's eye view of the company's strengths and weaknesses. Pages two and three of the report explain the factors contributing to each indicator's grade. Finally, the MarketGrader system compiles all 24 fundamental indicators into an overall company grade, on a 0 to 100 scale. This final grade determines the MarketGrader Buy, Hold or Sell rating, illustrated by the traffic light on the upper right corner of every page on this report.

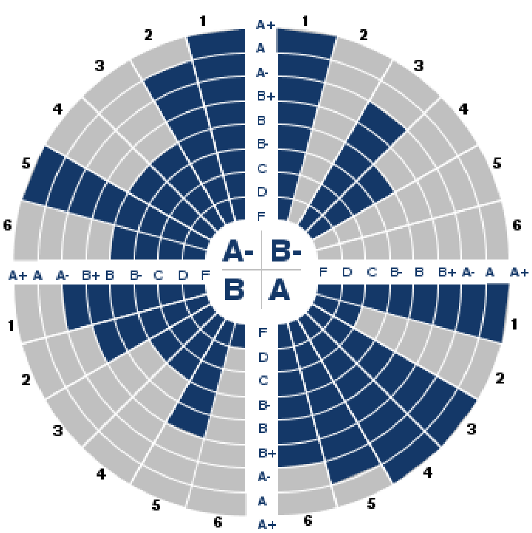
EXPD Grade Composition

Growth

Market Growth LT (1)
Market Growth ST (2)
Growth Potential (3)
Rel. Price Strength (4)
Earnings Mom. (5)
Earnings Surprise (6)

Value

(1) Capital Structure
(2) P/E Analysis
(3) P/Book Ratio
(4) P/Cash Flow Ratio
(5) P/Sales Ratio
(6) Market Value



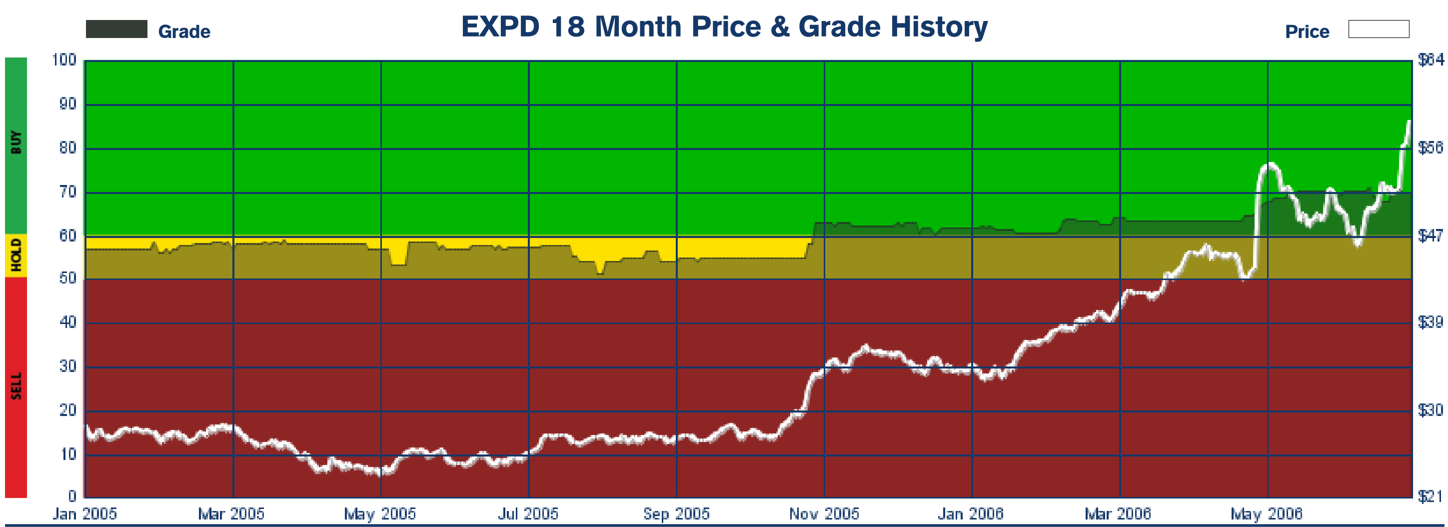
Profitability

Asset Utilization (1)
Capital Utilization (2)
Operating Margins (3)
Relative Margins (4)
Return on Equity (5)
Quality of Revenues (6)

Cash Flow

(1) Cash Flow Growth
(2) EBITDA Margin
(3) Debt/CF Ratio
(4) Interest Coverage
(5) Economic Value
(6) Retention Rate

EXPD 18 Month Price & Grade History



Fundamental Analysis

Growth: Remarkable Growth Trend

EXPEDITORS INTL WASH INC continues to demonstrate outstanding top and bottom line growth performance. Compared to full year results published three years before, the company's annual revenue grew 69.9% during its fiscal year ended December 31, 2005 while year to year quarterly sales increased 24.2% in its most recently reported quarter. Its most recent full year net income of $218.6 million represents a 94.3% increase compared to the same figure three years before, while the company's quarterly net income increased 69.6% to $52.4 million in the most recently reported quarter relative to the same quarter a year ago. EXPD 's ability to exceed earnings estimates with its latest earnings release on May 3, 2006 generated momentum for the stock, reflected by a 18.6% price increase in the days surrounding the announcement. The company is averaging a 6.5% earnings surprise (difference between expected and actual earnings) over its last six reported quarterly figures, which means it's consistently managing to beat quarterly Wall Street estimates, an important driver of stock price momentum.

Grades

Growth	A-
Market Growth LT	A+
Market Growth ST	A
Growth Potential	B
Rel. Price Str.	B
Earnings Momentum	A+
Earnings Surprise	B

Value: Unjustified Valuation

EXPD trades at about 51.80 times earnings per basic share (excluding extraordinary items); this compares very unfavorably to the MarketGrader-calculated optimum PE ratio of 16.9, based on a historical 7.28% EPS growth rate, suggesting the stock is significantly overvalued. Our optimum PE Analysis assigns each stock the highest possible valuation afforded by its long term EPS growth rate; this historical growth rate measures the average year-to-year change in earnings per share for the company's last eight quarters (when available). The company's recent strong revenue growth coupled with a low earnings per share growth rate suggest it may be gaining market share at the expense of profit margins. The stock trades at 6.93 times tangible book value per share (tangible book value is based on the company's common equity minus intangibles such as goodwill); this is a mostly fair valuation of the company's assets on the balance sheet. It trades also at 23.47 times cash flow per share, a sign that investors are assigning a fair amount of value to the company's non-cash assets and its earnings potential. EXPD trades unfavorably at 1.52 times trailing 12-month sales, a 68.07% premium to the industry average price to sales ratio of 0.90. The company's market capitalization of $6,215.91 million is 102.90 times its latest quarterly net income (including depreciation), representing an exceptionally rich valuation.

Value	B-
Capital Structure	A+
P/E Analysis	F
Price/Book Ratio	A-
Price/Cash Flow	B
Price/Sales Ratio	F
Market Value	F

Fundamental Analysis

Profitability: Average Operating Results

EXPEDITORS INTL WASH INC exhibits acceptable operating performance with a good 23.9% return on equity. Management seems conservative considering the company has no debt and an acceptable return on equity that would justify some leverage. The balance sheet looks exceptionally sound considering the company had $567.82 million in cash on hand in the most recent quarter. The company's latest annual net income of $218.6 million (for fiscal year ended December 31, 2005) compared to its $ 1,566 million in assets is a sign of healthy operating efficiency, reflected in an adequate Asset Utilization indicator grade. Some weakness can be attributed to EXPD's operating margins of 9.1%, 0.7% lower than the 9.16% Air Freight & Logistics Industry average.

Grades

Profitability	B
Asset Utilization	A-
Capital Utilization	B+
Operating Margins	B-
Relative Margins	B-
Return on Equity	B+
Quality of Revenues	D

Cash Flow: Strong Cash Position Suggests Healthy Outlook

EXPD displays very robust year-to-year cash flow growth of 58.1% and a barely satisfactory EBITDA (earnings before interest, taxes, depreciation and amortization) margin of 9.1%. The company maintains a very conservative capital structure considering it has no debt and it generated $60.4 million in cash flow in its last quarter ended March 31, 2006; this compares to $38.2 million for the same quarter a year before. EXPD's economic value added is extraordinary based on a low cost of debt and moderate cost of equity, when compared to a 23.57% return on investment. The company is financing its tremendous growth at least in part organically supported by an average 23.94% reinvestment rate over the last four quarters.

Cash Flow	A
Cash Flow Growth	A+
EBITDA Margin	C
Debt/Cash Flow	A+
Interest Coverage	A+
Economic Value	A
Retention Rate	A-

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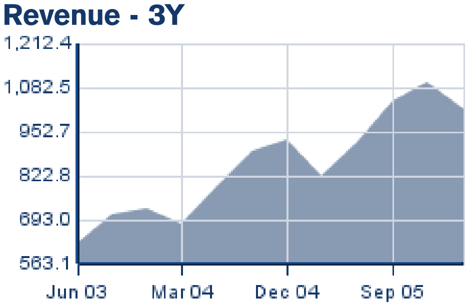
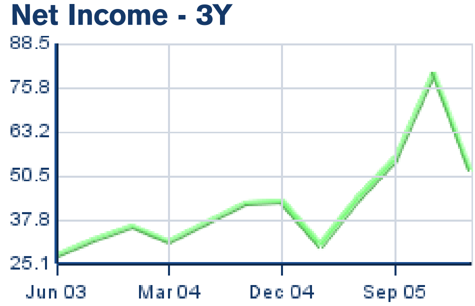
Profile

Expeditors International of Washington, Inc. provides global logistics services. The company offers its customers an international network supporting the movement and strategic positioning of goods. The company's services include the consolidation or forwarding of air and ocean freight. In each U.S. office, and in many overseas offices, the company acts as a customs broker. It also provides additional services including distribution management, vendor consolidation, cargo insurance, purchase order management and customized logistics information. The company does not compete for domestic freight, overnight courier or small parcel business and does not own aircraft or steamships. Airfreight services accounted for approximately 39.0% and 37.0% of 2004 and 2003 consolidated revenues net of freight consolidation expenses, respectively. When performing airfreight services, the company typically acts either as a freight consolidator or as an agent for the airline which carries the shipment. When acting as a freight consolidator, the company purchases cargo space from airlines on a volume basis and resell,s that space to its customers at lower rates than the customers could obtain directly from airlines. The Customs Brokerage and Import services division (38.0% and 37.0%) assists importers to clear shipments through customs by preparing required documentation, calculating and providing for payment of duties on behalf of the importer, arranging for any required inspections by governmental agencies, and arranging for delivery. The company also provides other services at destination including temporary warehousing, inland transportation, inventory manipulation and management, cargo insurance and product distribution. Ocean Freight Services (23.0% and 26.0%) revenue comes from commissions paid by carriers and fees charged to customers for added services, including preparing documentation, procuring insurance, arranging packing and crating, and providing consultation. Historically, the company's operating results have been subject to seasonal trends when measured on a quarterly basis. The first quarter has traditionally been the weakest and the third and fourth quarters have traditionally been the strongest.

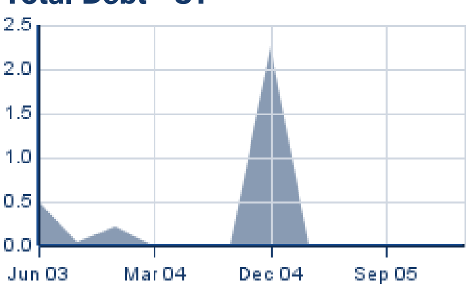
Revenue - 3Y



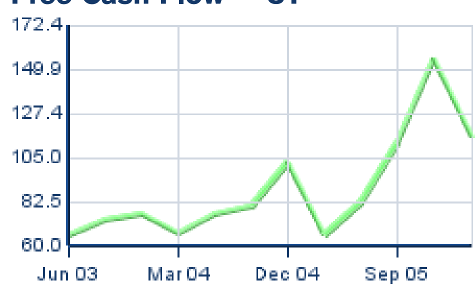
Net Income - 3Y



Total Debt - 3Y



Free Cash Flow* - 3Y



* Calculated as Net Cash Flow Minus Cash Dividends

Financials	Last Qtr. (03/31/2006)	Last Fiscal Yr. (12/31/2005)
Income Statement		
Revenue	$1,024.59	$3,901.78
Net Income	$52.35	$218.63
EPS	$0.49	$2.05
Cash Flow	$60.40	$250.94
Balance Sheet		
Total Assets	$1,656.21	$1,566.04
Total Debt	N/A	N/A

All numbers in millions except for EPS

Ratios		Grades
Price/Earnings	51.8	F
Price/Book	6.9	A-
Price/Cash Flow	23.5	B
Price/Sales	1.5	F
Debt/Cash Flow	0.0	A+
Return On Equity	23.9%	B+
Operating Margin	9.1%	B-

Share Data	
Price (07/03/2006)	$58.28
52 Week High	$58.28
52 Week Low	$25.19
Average 3 Month Volume	1,128,901
Market Cap.	$6,215.91 M
Shares Outstanding	213,364,000
Float	213,364,000

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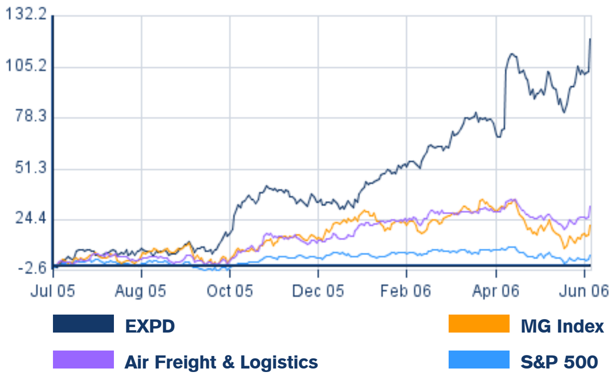
Stock Performance - 1 Year (%)



50 & 200 Day Moving Average - 1 Year

10 YR Stock Price

Market Share

	Share%		Company (total 22)	1Y%	3Y%	Grade
1	39.8	▼	UNITED PARCEL SERVICE INC	37.3	40.0	75.6
2	27.4	▲	FEDEX CORP	25.2	26.4	65.4
3	11.2	▼	TNT NV	17.4	15.7	48.6
4	5.3	▲	C H ROBINSON WORLDWIDE INC	4.4	4.2	60.7
5	3.6	▲	EXPEDITORS INTL WASH INC-[5/22]	3.4	2.9	70.1
6	2.9	▲	EGL INC	2.8	2.4	46.4
7	1.7	▼	PACER INTERNATIONAL INC	1.8	2.1	46.7
8	1.5	▲	ATLAS AIR WORLDWIDE HLDG INC	1.4	N/A	38.1
9	1.4	▼	HUB GROUP INC -CL A	1.5	1.7	52.7
10	1.4	▼	ABX AIR INC	1.2	1.5	56.5

Peer Comparison

Company (total 22)	Grade	Rating	Revenue* in millions	EPS*	Earnings Surprise**	PE Ratio	ROE	Market Cap in millions
UNITED PARCEL SERVICE INC	75.6	🟢	$11,521.0	$0.89	1.5%	23.1	23.7%	$90,227.8
EXPEDITORS INTL WASH INC-[2/22]	70.1	🟢	$1,024.6	$0.49	6.5%	51.8	23.9%	$6,215.9
FORWARD AIR CORP	68.2	🟢	$82.3	$0.35	2.2%	28.0	25.5%	$1,304.6
FEDEX CORP	65.4	🟢	$8,494.0	$1.82	4.8%	19.8	15.7%	$36,092.2
C H ROBINSON WORLDWIDE INC	60.7	🟢	$1,499.1	$0.34	10.3%	42.5	26.1%	$9,511.1
ABX AIR INC	56.5	🟡	$369.2	$0.14	-3.8%	11.2	25.6%	$353.6
HUB GROUP INC -CL A	52.7	🟡	$356.7	$0.42	12.2%	26.6	14.0%	$505.1
TARGET LOGISTICS INC	48.9	🔴	$37.1	$0.04	N/A	27.5	11.5%	$73.9
TNT NV	48.6	🔴	$3,127.8	$0.51	-6.0%	21.8	23.6%	$17,260.8
PARK OHIO HOLDINGS CORP	48.4	🔴	$260.2	$0.43	-7.8%	6.7	27.0%	$196.4

*As reported for most recent quarter **Average of last six quarters