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YELLOW CORP
Form 425
September 03, 2003

Filed by Yellow Corporation

Pursuant to Rule 425 under the Securities Act of 1933
and deemed filed pursuant to Rule 14a-12 and Rule 14d-2(b)
of the Securities Exchange Act of 1934

Subject Company: Yellow Corporation

Commission File No.: 0-12255

Subject Company: Roadway Corporation

Commission File No.: 000-32821

FORWARD-LOOKING STATEMENTS

Certain statements made herein contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The words "expect," "will," "look forward to" and similar expressions are intended to identify forward-looking statements.

The expectations set forth in this filing regarding accretion, returns on invested capital, achievement of annual savings and synergies, achievement of strong cash flow, sufficiency of cash flow to fund capital expenditures and achievement of debt reduction targets are only the parties' expectations regarding these matters. Actual results could differ materially from these expectations depending on factors such as the combined company's cost of capital, the ability of the combined company to identify and implement cost savings, synergies and efficiencies in the time frame needed to achieve these expectations, prior contractual commitments of the combined companies and their ability to terminate these commitments or amend, renegotiate or settle the same, the combined company's actual capital needs, the absence of any material incident of property damage or other hazard that could affect the need to effect capital expenditures, any unforeseen merger or acquisition opportunities that could affect capital needs, the costs incurred in implementing synergies and the factors that generally affect both Yellow's and Roadway's respective businesses as further outlined in Management's Discussion and Analysis of Financial Condition and Results of Operations in each of the companies' respective Annual Reports on Form 10-K for the year ended December 31, 2002 and the Risk Factors outlined in Yellow's Current Report on Form 8-K filed on August 4, 2003. Yellow's plans regarding the maintenance of the separate Yellow and Roadway brands and networks, the continuation of the Roadway headquarters as a major operational center, the focus on administrative and back office synergies and workforce rationalizations are only its current plans and intentions regarding these matters. Actual actions that the combined company may take may differ from time to time as the combined company may deem necessary or advisable in the best interest of the combined company and its shareholders to attempt to achieve the successful integration of the companies, the synergies needed to make the transaction a financial success and to react to the economy and the combined company's market for its transportation services.

ADDITIONAL INFORMATION

Yellow and Roadway will file a proxy statement/prospectus and other relevant documents concerning the proposed merger transaction with the Securities and Exchange Commission (SEC). Investors are urged to read the proxy statement/prospectus when it becomes available and any other relevant documents filed with the SEC because they will contain important information. You will be able to obtain the documents free of charge at the website maintained by the SEC at www.sec.gov. In addition, you may obtain documents filed with the SEC by Yellow free of charge by requesting them in writing from Yellow or by telephone at (913) 696-6100. You may obtain documents filed with the SEC by Roadway free of charge by requesting them in writing from Roadway or by telephone at (330) 384-1717. Yellow and Roadway, and their respective directors and executive officers, may be deemed to be participants in the solicitation of proxies from the stockholders of Yellow and Roadway in connection with the merger. Information about the directors and executive officers of Yellow and their ownership of Yellow stock is set forth in the proxy statement for Yellow s 2003 Annual Meeting of Stockholders. Information about the directors and executive officers of Roadway and their ownership of Roadway stock is set forth in the proxy statement for Roadway s 2003 Annual Meeting of Stockholders. Investors may obtain additional information regarding the interests of such participants by reading the proxy statement/prospectus when it becomes available.

The following documents are filed herewith pursuant to Rule 425 under the Securities Act of 1933:

Slideshow presentation to investors and analysts on September 3-5, 2003.

(LOGO) YELLOW CORPORATION

(LOGO) ROADWAY CORPORATION

Yellow Roadway Corporation

A Bold Strategic Combination

Building for the Future

September 3-5, 2003

Making global commerce work by connecting people, places, and information.

(LOGO) YELLOW CORPORATION

First, an update on Yellow performance

Yield and Tonnage Balance

[CHART]

Operating Income Growth

[CHART]

(LOGO) YELLOW CORPORATION

(LOGO) Roadway Corporation

Roadway Transaction

The Right Strategy, the Right Partner

n Advances strategy

n One-stop shopping

Greater penetration of premium services

Non-asset solutions to larger base of customers

Next-day opportunities

Technology solutions for customers and operations

n Continued investments in both companies' brands

n Operate networks separately

Not crunching Yellow Transportation and Roadway Express together

Pre-empts labor and customer issues

Preserves brand equity

n Over time, further brand differentiation

(LOGO) YELLOW CORPORATION

(LOGO) Roadway Corporation

The Right Strategy, the Right Partner

n Enhanced Scale and Market Position

n Combined revenue of approximately \$6 billion

Nearly 48,000 employees in over 700 locations

n Largest North American transportation company focused on shipments over 150 pounds

n Strong #3 position more competitive with UPS and FedEx

n Large customer bases with limited overlap

(LOGO) YELLOW CORPORATION

(LOGO) Roadway Corporation

The Right Time

- n Both companies are solidly profitable
- n Roadway management team supportive of strategy
- n 5-year labor agreement
- n Favorable financial markets
- n Potential of economic recovery
- n Substantial operating leverage
- n Incremental margins of 15 - 20%

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(LOGO) Roadway Corporation

Mitigating the risks

n Customer retention

n Don't provide reasons for customers to change

Do what we said we would do

Maintain high levels of service and quality

Key customer interfaces remain in place

n Provide enhancements to customer experience

Implement best practices

Leverage cost structure / investments across the larger organization

Additional service offerings of combined company

n Customer feedback to date has been supportive of transaction

Ongoing and proactive customer communications programs

No visible customer leakage

(LOGO) YELLOW CORPORATION

(LOGO) Roadway Corporation

Mitigating the risks

n Employee Retention / Union Relations

n Goal is to grow from a larger, stronger competitive position

n Retaining key employees is a top priority

James Staley, President & CEO of Roadway, will remain in his position at Roadway

Keeping trained and knowledgeable field employees is critical to customer service

n Continuous and proactive communication is key

n Do what we said we would do

n Productive dialogue with Teamsters senior management

(LOGO) YELLOW CORPORATION

(LOGO) Roadway Corporation

Near-term synergies

- n Accretive with only \$30 million of cost synergies
 - n Represents less than 0.5% of operating expenses
- n Run rate cost synergies of between \$45 million and \$125 million twelve months after closing
- n Examples of conservative case synergies:
 - n Purchased transportation (rail, ocean, air, cartage)
 - n Duplicate support infrastructure
 - n Equipment and parts purchasing
 - n Technology acquisition and licensing (no systems integration required)
 - n Best practices opportunities

(LOGO) YELLOW CORPORATION

(LOGO) Roadway Corporation

Longer-term potential synergies

n Target is at least 5% of costs (\$300+ million)

n Examples of longer-term synergies:

n Optimization of linehaul networks and terminal efficiency

n Moving toward common technology systems

n Common equipment maintenance systems

(LOGO) YELLOW CORPORATION

(LOGO) Roadway Corporation

Pro forma leverage

Debt to EBITDA

[BAR CHART]

Debt to Capital

[BAR CHART]

- n Both companies will continue to reduce debt
- n Free cash flow generation allows for rapid debt reduction
- n NOPAT return on capital above cost of capital within 12 months of closing

(LOGO) YELLOW CORPORATION

(LOGO) Roadway Corporation

Anticipated capital structure at closing

n Debt structure provides flexibility at attractive terms

| | <u>(millions)</u> |
|----------------------------------|-----------------------|
| n ABS borrowings | \$ 103 |
| n Term loan | 175 |
| n Convertible notes | 250 |
| n New senior unsecured notes | 150 |
| n Roadway senior unsecured notes | 252 ⁽¹⁾ |
| n Industrial development bonds | 14 |
| | <hr/> |
| n Total debt | \$ 944 ⁽²⁾ |
| | <hr/> |

n All-in cost of debt of approximately 7%

(1) \$225 million of notes marked to fair value of \$252 million as part of purchase accounting

(2) Total debt amount may vary

(LOGO) YELLOW CORPORATION

(LOGO) Roadway Corporation

Timeline update

- n Department of Justice review
 - n Second request received on August 18
 - n Currently providing responses
- n SEC process
 - n Preliminary proxy filed on August 19
 - n Announcement of record date pending
 - n Shareholder vote likely in fourth quarter
- n Financing
 - n Majority of capital structure is in place
 - n Senior unsecured notes offered after DOJ clearance
 - n Secured facility (revolver, term loan) completed near closing
- n Closing targeted for fourth quarter

(LOGO) YELLOW CORPORATION

(LOGO) Roadway Corporation

Transaction terms and structure

- Transaction value
- n \$48 per share
 - n Equity value: \$961 million
 - n Total enterprise value: \$1.2 billion
 - n Adjusted total enterprise value: \$1.5 billion⁽¹⁾
- Consideration
- n 50% cash and 50% Yellow stock
 - n Roadway shareholders will be given a right to elect cash or stock for each share they own
 - n Following election, cash and stock will be pro rata amongst shareholders (i.e., in aggregate approximately 50% stock and 50% cash)

⁽¹⁾ Leases capitalized at 5.0x.

(LOGO) YELLOW CORPORATION

(LOGO) Roadway Corporation

Transaction terms and structure (cont d)

Value per Roadway share assuming 50% stock / 50% cash consideration

[CHART]

(LOGO) YELLOW CORPORATION

(LOGO) Roadway Corporation

Summary

- n Summary of transaction benefits
 - n Consistent with strategy one-stop shopping
 - n Strong brand equity preserved
 - n Increased scale of operations and stronger market share
 - n Low risk integration strategy
 - n Non-asset opportunities with even larger customer base
- n Continued financial strength
 - n Solid liquidity and leverage positions / ability to generate free cash flows
 - n Significant operating leverage and incremental margins (15 - 20%)
 - n NOPAT return on capital > WACC with 12 months of closing

(LOGO) YELLOW CORPORATION

(LOGO) Roadway Corporation

Forward-looking statements

n This presentation (and oral statements made regarding the subjects of this presentation, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The words expect, will, remain, estimated, anticipated and similar expressions are intended to identify forward-looking statements. The expectations set forth in this release regarding accretion, incremental margins, economic recovery, achievement of annual savings and synergies, achievement of strong cash flow, sufficiency of cash flow to fund capital expenditures and achievement of debt reduction targets are only the parties' expectations regarding these matters. Actual results could differ materially from these expectations depending on factors such as the combined company's cost of capital, the ability of the combined company to identify and implement cost savings, synergies and efficiencies in the time frame needed to achieve these expectations, prior contractual commitments of the combined companies and their ability to terminate these commitments or amend, renegotiate or settle the same, the combined company's actual capital needs, the absence of any material incident of property damage or other hazard that could affect the need to effect capital expenditures, any unforeseen merger or acquisition opportunities that could affect capital needs, the costs incurred in implementing synergies and the factors that generally affect both Yellow and Roadway businesses as further outlined in Management's Discussion and Analysis of Financial Condition and Results of Operations in each of the companies' respective Annual Reports on Form 10-K for the year ended December 31, 2002. Yellow plans regarding the maintenance of the separate Yellow and Roadway brands and networks, technology matters, service offerings, the focus on administrative and back office synergies and are only its current plans and intentions regarding these matters. Actual actions that the combined company may take may differ from time to time as the combined company may deem necessary or advisable in the best interest of the combined company and its shareholders to attempt to achieve the successful integration of the companies, the synergies needed to make the transaction a financial success and to react to the economy and the combined company's market for its transportation services.