

# M&A SPOTLIGHT ON TRANSPORTATION & LOGISTICS



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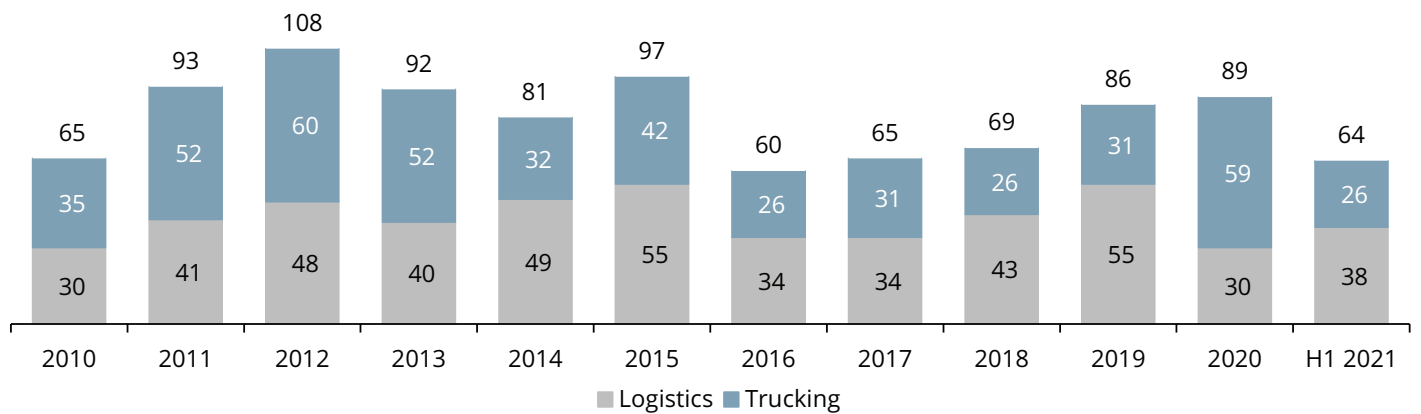
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# NORTH AMERICAN

# DEAL LANDSCAPE

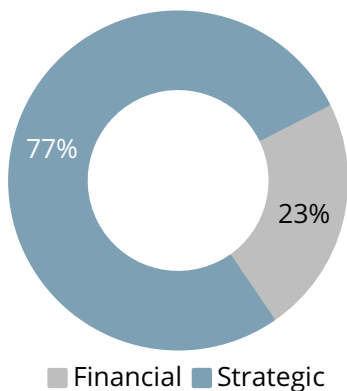
Transportation & Logistics (T&L) M&A had a strong start to the year, with H1/21 deal activity already accounting for 84% and 69%, respectively, of 2019 trucking and logistics volume<sup>1</sup>. Strategic acquisitions continued to outpace financial, as companies sought to address recent pandemic-exacerbated challenges such as bottlenecks within their supply chain, and improve on last-mile delivery. In recent years, with the exception of 2020, logistics acquisitions outnumbered trucking acquisitions as businesses looked for solutions to keep up with the shift to online shopping and the increased expectation for quicker delivery times.

North American Transportation and Logistics Total Deals - 2010 to H1 2021<sup>1</sup>



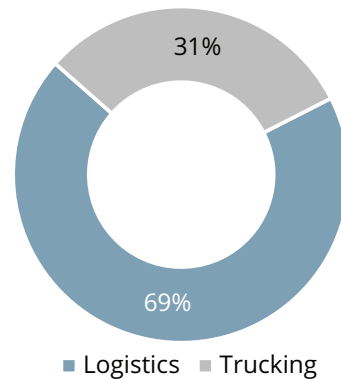
Source: BKD Analysis and S&P Capital IQ

H1 2021 by Buyer Type



Source: BKD Analysis and S&P Capital IQ

Global H1 2021 Deals by Subsector



Source: BKD Analysis and S&P Capital IQ

<sup>1</sup> We are using 2019 as a comparable as the early months of the pandemic skewed 2020 results.

## ORIGIN SECTOR PERSPECTIVE

## INTERVIEW WITH ROBERT FEDROCK

*Rob Fedrock has seen considerable T&L deal activity over the past year, with more in the pipeline. In the following interview, Rob shares insights on trends, deal activity and opportunities, drawn from his own experience in the sector.*



**Let's start with the trends that have emerged during or were accelerated by the pandemic. Can you share what you are seeing?**

**Robert Fedrock:** There's definitely been a shift in the type of transportation demands. An obvious area is the acceleration in consumers' online shopping. That is driving a different type of transportation requirement, Final Mile being one. Final Mile was a focus before the pandemic, but is even more of a factor now. This happened pretty dramatically with the institution of lockdowns. For example, with the lockdowns, many people started ordering office supplies for delivery to their homes rather than to their offices. So in this particular case, both consumer and business consumption are driving the Final Mile delivery to the home.

**How are transportation/logistics businesses responding to the challenge?**

**RF:** It's always been a tricky business to get the Final Mile piece right. It requires a lot of technology and precision because you're trying to make margins off small dollar deliveries. Frankly, many logistics and trucking companies have tried to enter that market and then shied away due to the complexity, but the pandemic has forced a number of them to go back and revisit the space. There was always strong growth predicted for Final Mile logistics and delivery, but the pandemic has accelerated that significantly.

**Is the need to perfect the Final Mile piece contributing to M&A in the sector? It's been a busy time for T&L - what is driving the deal activity?**

**RF:** I'd say Final Mile is an aspect of it, and those assets are trading at a premium right now, but there's a broader push going on as well. Through the course of numerous conversations with T&L providers in Canada and the US, we definitely hear from many prospective buyers and sellers. COVID has accelerated change in the industry, and I think that's tipped the balance. People that may have been contemplating an exit down the road are rethinking their timeline, and looking at the robust market as an opportunity to monetize. On the other

side, we are hearing from many business owners that are thinking about how to make acquisitions in this market. Those companies want scale to serve their customers more effectively and generate higher returns. It seems rare that anybody that wants to stand still in this market.

**Picking up on your comment about those "thinking about how to make acquisitions in this market", are those mostly large strategics?**

**RF:** There are definitely large strategics in the buyer mix, but we've also had discussions with family and founder-owned businesses that are acquisitive. And there is also strong interest from private equity firms looking for T&L exposure, or to add bolt-ons to their existing platforms. We're seeing interest from all over.

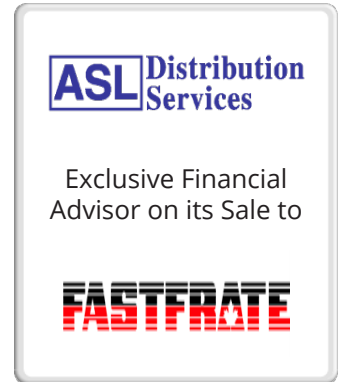
**How are buyers addressing valuation given that in many instances, T&L businesses have seen a spike in performance through COVID?**

**RF:** Valuation definitely presents a challenge because of the COVID dynamics. Buyers have to ask whether a target has reached a new plateau, and is going to grow from there, or performance is going to fall back to historic levels. Generally, it's very tough to put a multiple on that COVID-driven spike without a compelling business case that it will remain post-pandemic. We have seen buyers with

an appetite to pay a base amount for the business based on historic performance, and structure an earn-out for the upside.

**To wrap up, is there a transaction of note that you’ve worked on over the past year that you can share with us?**

**RF:** Definitely. We advised ASL Distribution Services on its recent sale to Fastfrate. ASL is a diversified logistics company that, pre-COVID, had made a big push into Final Mile. So the company was well positioned to leverage that when the pandemic hit. Many of their customers saw their ecommerce businesses accelerate considerably through the pandemic, and ASL had the capability to ramp up with them. We were able to generate significant competitive tension through the sale process – there was strong interest from financial and strategic buyers – and at the end of the day Fastfrate, a strategic, was the best fit.



I want to add, we’ve talked about types of sellers, and in this case, the company was founder owned. This was a situation where a number of the shareholders were already thinking about succession planning, so the timing and outcome of the sale worked very well.

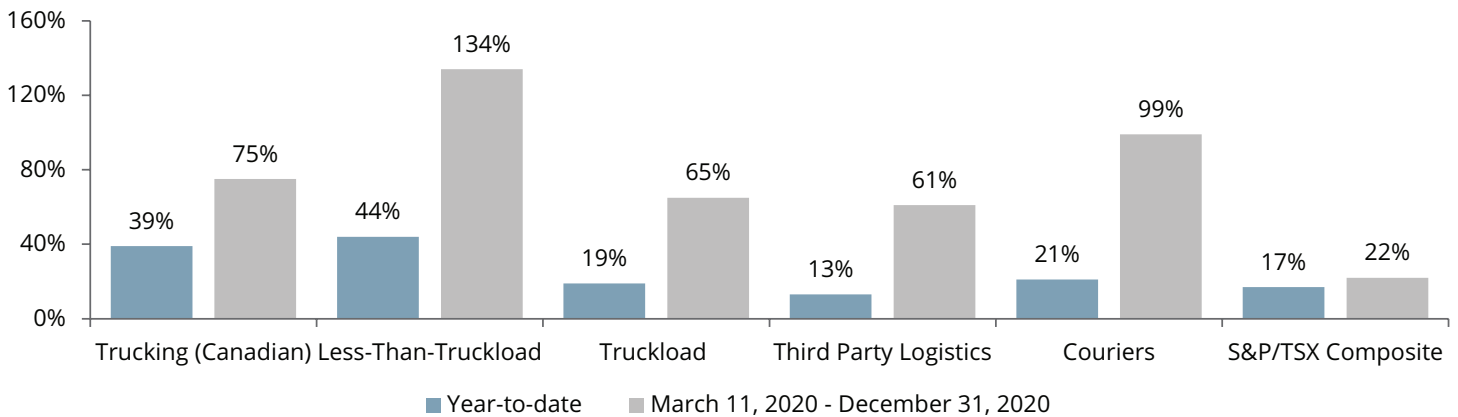
*This interview was originally published as part of a T&L sector spotlight in [Miller Thomson LLP’s Straight Talk: Recent Trends in Canadian M&A](#).*

*For a deeper dive into Final Mile issues and opportunities, read Origin Senior Advisor Perry Caicco’s report, [Solving the Final Mile](#).*

TRANSPORTATION & LOGISTICS

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## PUBLIC COMPANY COMPARABLES

## T&amp;L - Comp Tables

## Trucking (Canadian)

	Price (in US\$)	Market Cap	TEV	TEV / EBITDA		ROIC	
				LTM	2021E	2020	LTM
<i>(in USD millions, unless otherwise indicated)</i>							
TFI International Inc.	\$139.66	10,330	11,916	16.8x	11.5x	7.1%	12.0%
Andlauer Healthcare Group Inc.	\$42.91	1,313	1,470	27.1x	17.3x	14.8%	12.5%
Mullen Group Ltd.	\$13.53	1,035	1,573	7.5x	8.5x	1.9%	2.2%
Titanium Transportation Group Inc.	\$3.20	112	176	9.2x	6.4x	5.0%	3.9%
<b>Average</b>				<b>15.1x</b>	<b>10.9x</b>	<b>7.2%</b>	<b>7.6%</b>

## Third-Party Logistics

	Price (in US\$)	Market Cap	TEV	TEV / EBITDA		ROIC	
				LTM	2021E	2020	LTM
<i>(in USD millions, unless otherwise indicated)</i>							
Expeditors International of Washington, Inc.	\$123.02	20,900	19,681	14.2x	12.2x	18.3%	26.3%
C.H. Robinson Worldwide, Inc.	\$90.00	11,853	13,363	14.3x	12.4x	9.1%	13.0%
Landstar System, Inc.	\$156.57	5,993	5,908	13.4x	11.6x	18.4%	30.1%
Forward Air Corporation	\$87.49	2,390	2,652	17.7x	14.0x	0.4%	3.7%
Hub Group, Inc.	\$63.51	2,183	2,346	9.0x	7.8x	5.1%	6.3%
Echo Global Logistics, Inc.	\$30.79	820	906	10.9x	7.2x	2.8%	8.2%
Universal Logistics Holdings, Inc.	\$21.55	580	991	5.4x	4.8x	5.4%	10.8%
<b>Average</b>				<b>12.1x</b>	<b>10.0x</b>	<b>8.5%</b>	<b>14.1%</b>

## Couriers

	Price (in US\$)	Market Cap	TEV	TEV / EBITDA		ROIC	
				LTM	2021E	2020	LTM
<i>(in USD millions, unless otherwise indicated)</i>							
United Parcel Service, Inc.	\$191.78	167,048	183,307	17.8x	12.2x	-6.8%	7.5%
Deutsche Post AG	\$67.27	82,744	74,905	10.3x	5.5x	4.8%	13.2%
FedEx Corporation	\$273.54	73,130	102,505	8.7x	9.8x	3.2%	7.9%
<b>Average</b>				<b>12.3x</b>	<b>9.2x</b>	<b>0.4%</b>	<b>9.5%</b>

## Less-Than-Truckload (LTL)

	Price (in US\$)	Market Cap	TEV	TEV / EBITDA		ROIC	
				LTM	2021E	2020	LTM
<i>(in USD millions, unless otherwise indicated)</i>							
Old Dominion Freight Line, Inc.	\$274.60	31,801	31,252	22.0x	19.6x	17.9%	23.5%
Saia, Inc.	\$244.05	6,404	6,520	17.4x	15.1x	12.5%	15.2%
ArcBest Corporation	\$67.40	1,723	1,653	5.9x	4.6x	5.3%	9.8%
<b>Average</b>				<b>15.1x</b>	<b>13.1x</b>	<b>11.9%</b>	<b>16.2%</b>

## Truckload (TL)

	Price (in US\$)	Market Cap	TEV	TEV / EBITDA		ROIC	
				LTM	2021E	2020	LTM
<i>(in USD millions, unless otherwise indicated)</i>							
J.B. Hunt Transport Services, Inc.	\$166.54	17,519	18,405	13.4x	11.8x	10.1%	11.8%
Knight-Swift Transportation Holdings Inc.	\$49.08	8,146	8,863	7.2x	6.4x	5.2%	7.1%
GXO Logistics, Inc.	\$65.50	7,508	9,594	17.4x	15.4x	-0.6%	0.0%
Schneider National, Inc.	\$21.47	3,814	3,582	5.2x	4.7x	6.5%	9.1%
Werner Enterprises, Inc.	\$44.71	3,037	3,156	6.2x	5.4x	10.2%	13.7%
Heartland Express, Inc.	\$16.50	1,312	1,145	6.3x	5.4x	9.1%	9.2%
Marten Transport, Ltd.	\$15.01	1,244	1,164	5.9x	5.4x	9.6%	9.9%
Daseke, Inc.	\$9.56	596	1,200	6.8x	5.8x	0.1%	4.9%
USA Truck, Inc.	\$13.85	117	279	4.1x	4.1x	1.8%	6.1%
<b>Average</b>				<b>8.1x</b>	<b>7.2x</b>	<b>5.8%</b>	<b>8.0%</b>

## T&amp;L

## RECENT DEAL ACTIVITY

## Logistics

- On August 3<sup>rd</sup>, **Bridgestone Americas (“Bridgestone”)**, a tire and rubber producer, announced its acquisition of **Azuga Holdings (“Azuga”)**, an end-to-end fleet management solution company, for US\$391 million. The acquisition is expected to rapidly advance Bridgestone’s comprehensive solutions for small to enterprise-sized fleets, providing real-time vehicle operations insights and data analytics that will improve safety, increase efficiency, and enhance customer service experiences
- On July 22<sup>nd</sup>, **Uber Freight**, a creator of an app that matches trucking companies with loads to haul, announced its acquisition of **Transplace**, a non-asset based third-party logistics service provider, for roughly US\$2.25 billion in a combination of stock and cash. This acquisition will create one of the leading logistics technology platforms, and one of the largest and most comprehensive managed transportation and logistics networks in the world
- On July 19<sup>th</sup>, **ERoad**, a transportation safety technology company, announced that it had entered into a conditional agreement to acquire **Coretex Limited**, a provider of telematics solutions, for US\$109.49 million in upfront consideration and US\$21.24 million in contingent consideration. This acquisition positions the combined business as a bigger player in the global telematics market
- On July 8<sup>th</sup>, **Descartes Systems Group (“Descartes”)**, a provider of software-as-a-service solutions for logistics intensive businesses, announced that it has acquired **GreenMile**, a provider of cloud-based mobile route execution solutions for food, beverage, and broader distribution verticals, for US\$30 million upfront, plus potential performance-based consideration, in an all-cash deal. This acquisition provides Descartes with expertise in retail food and beverage distribution, and extends their operational footprint and presence in Latin-America
- On July 1<sup>st</sup>, **DP World**, a Dubai-owned port operator, announced its acquisition of **syncreon**, a US-based global logistics provider, for US\$1.2 billion. This acquisition will allow DP World to deliver end-to-end solutions to cargo owners

- On June 30<sup>th</sup>, **Mullen Group**, a logistics provider, announced the closure of its acquisition of **QuadExpress**, a non-asset based third party logistics provider, for US\$40 million. This acquisition is Mullen Group’s first in the US, and provides Mullen Group access to the large US market

## Transportation

- On August 5<sup>th</sup>, **Aterian Investment Partners**, a private investment firm, through its portfolio company **Xpress Global Systems, LLC (“XGS”)**, announced its acquisition of SSBB Inc. and affiliates, “Michigan Carpet” or “Delta Distribution”, a specialized flooring less-than-truckload company, for an undisclosed amount. This acquisition will strengthen XGS’s operational footprint and aligns with their strategic growth objective
- On July 28<sup>th</sup>, **Trimac Transportation (“Trimac”)**, a trucking transportation services company, announced its acquisition of **Zengistics**, a non-asset-based freight brokerage, for an undisclosed amount. This acquisition provides Trimac with an entry into the asset-less transportation market
- On July 6<sup>th</sup>, **GEODIS**, a global supply chain operator, announced it has acquired all of the assets of **Velocity Freight Transport, Inc.**, a freight brokerage company, for an undisclosed amount. This acquisition will expand GEODIS’ freight brokerage capabilities and allow them to grow their capacity solutions service for clients
- On July 5<sup>th</sup>, **Knight Swift Transportation Holdings Inc. (“Knight-Swift”)**, a truckload motor shipping carrier, announced its acquisition of **AAA Cooper Transportation**, a less-than-truckload carrier that offers dedicated contract carriage and ancillary services, for US\$1.35 billion in a combination of stock, cash and debt. This acquisition is Knight-Swift’s first within the less-than-truckload space, and positions the company as a meaningful player within the space
- On July 1<sup>st</sup>, **Werner Enterprises (“Werner”)**, a transportation and logistics provider, announced its acquisition of an 80% equity stake in **ECM Transport Group**, a provider of asset and non-asset-based transportation solutions, for US\$142.4 million, with an option to purchase the remaining 20% after five years. This acquisition provides Werner with short-haul expertise in a segment where consumer demand and supply chain needs are growing

## ABOUT ORIGIN MERCHANT PARTNERS

Origin Merchant Partners is a leading independent investment bank providing acquisition, divestiture and capital raising services across North America. For additional information on the matters contained herein please contact any member of our team below.



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