



Spring 2023

M&A Spotlight on

Transportation & Logistics



At Origin Merchant Partners (“Origin”), we pride ourselves on developing creative and strategic solutions tailored to the unique objectives of every client. As a founder-led team of entrepreneurs, we understand the distinctive needs of business leaders.

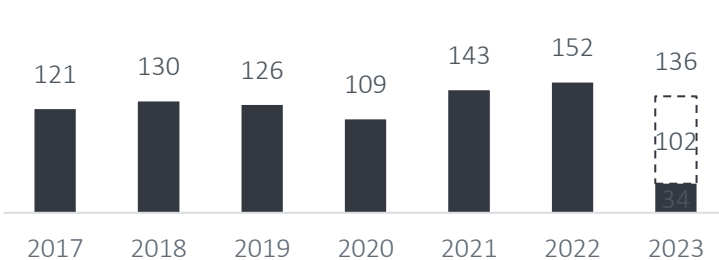


RESILIENCE THROUGH CONSOLIDATION

Global markets today face a peculiar set of conditions: relatively positive economic data coupled with rapidly rising interest rates and geopolitical tensions. These conditions are conducive to small and mid-sized firms, concerned about operating in an environment of expensive credit and related uncertainty, seeking the stability of a partnership with a large incumbent or financial sponsor, who in turn has an opportunity to pursue a roll-up strategy and reap the benefits from the resulting economies of scale.

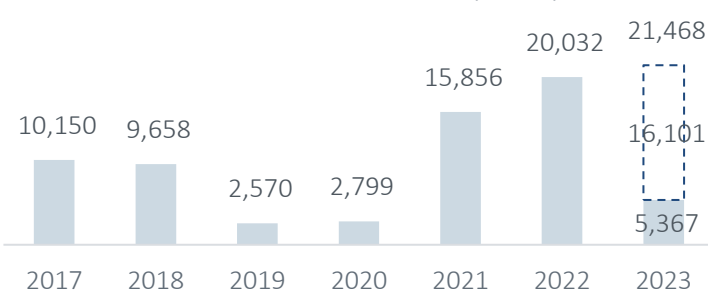
The data seems supportive of this view, with the total and average deal values continuing to march upwards, and 2023 deal volume projected to remain above pre-COVID levels.

Total Number of Transactions^{1,2}



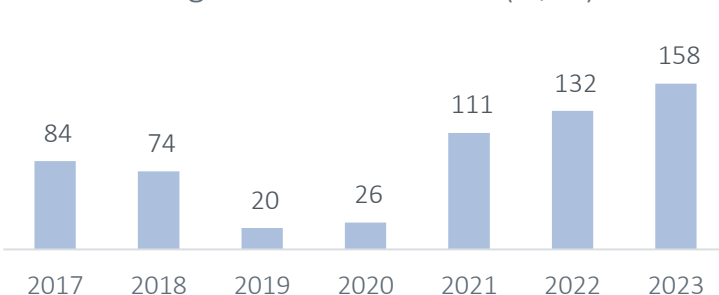
The number of deals in the sector is moderating vs. 2021/22, but is on track to remain above pre-COVID levels.

Total Transaction Value (C\$M)^{1,2,3}



Despite fewer deals, total transaction value continues to trend upwards, with estimates for 2023 indicating that the quest for scale will continue.

Average Transaction Value (C\$M)^{1,3}



This notion is reinforced by accelerating average transaction value, with 2023, like 2021/22, projected to be significantly above pre-pandemic levels.

1. Data for targets from United States and Canada, taken from Capital IQ Pro, as of March 31st, 2023.

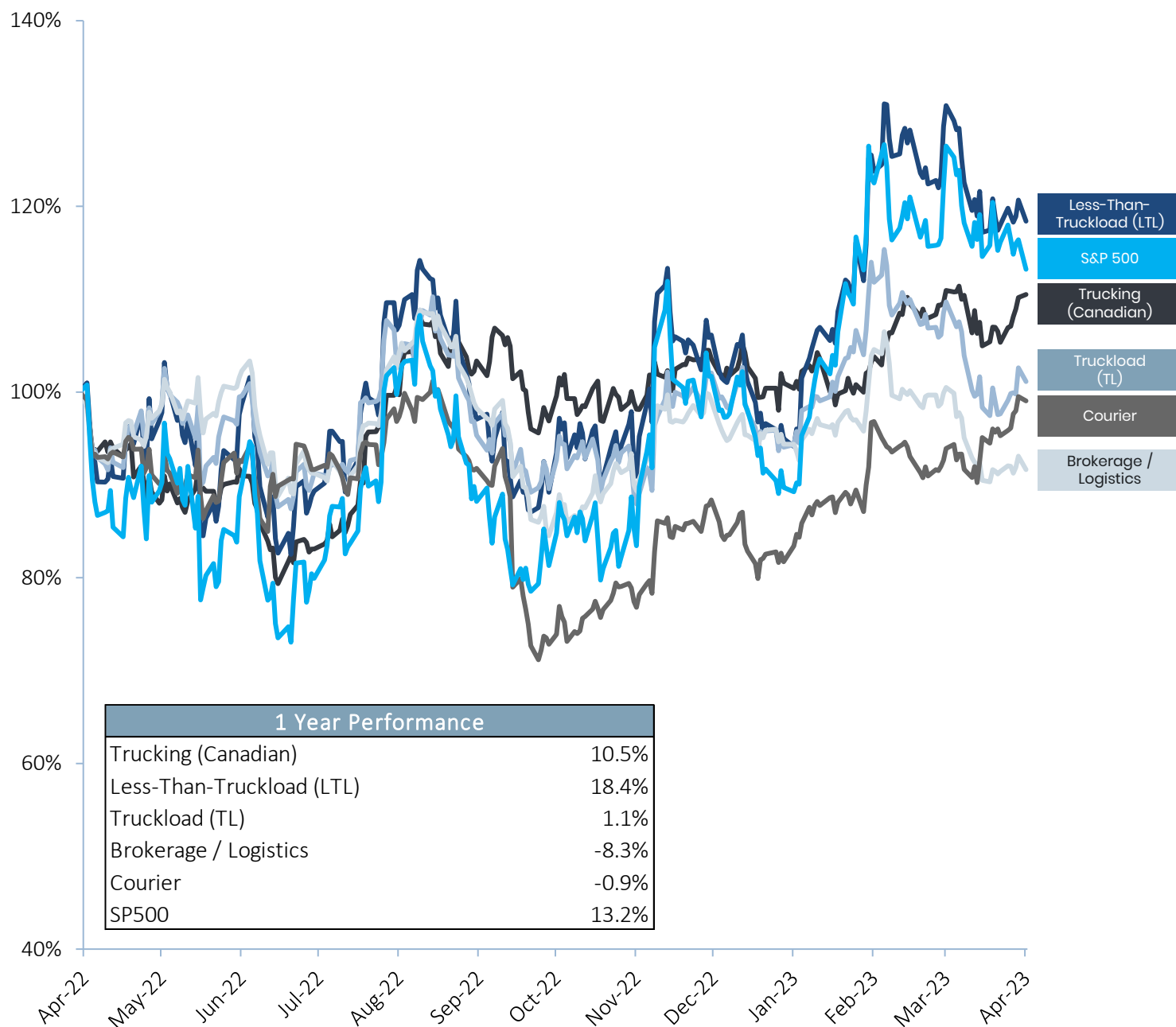
2. Dotted portion represents annual run rate based on data for Q1 2023.

3. Only publicly disclosed transaction values presented.



TRANSPORTATION & LOGISTICS INDEX PERFORMANCE

- T&L stocks have been on an upward trend since the start of Q4 2022, in line with the broader market.
- The Less-Than-Truckload (LTL) category has outperformed the S&P500 over the last twelve months, while the other subsectors have trailed it to varying degrees.



Source: Capital IQ Pro

PUBLIC COMPANY COMPARABLES¹

Transportation and Logistics Industry Universe²

Figures as of March 31, 2023 market close; in CAD millions, unless noted otherwise

	TEV / EBITDA			EBITDA Margin	ROIC	
	LTM	2022A	2023E	2022A	2021	2022
Canadian Trucking and Logistics						
Trucking (Canadian)						
Average	8.8x	8.8x	8.1x	15.7%	8.1%	13.4%
Median	8.0x	8.0x	7.8x	14.7%	8.0%	13.0%
U.S. & International Trucking and Logistics						
Less-Than-Truckload (LTL)						
Average	10.6x	10.6x	11.1x	22.1%	21.4%	26.1%
Median	10.7x	10.7x	11.0x	22.5%	19.0%	21.4%
Truckload (TL)						
Average	6.6x	6.6x	6.3x	16.6%	10.8%	11.6%
Median	6.3x	6.3x	5.8x	15.4%	9.9%	10.0%
Brokerage / Logistics						
Average	9.1x	9.3x	8.5x	14.4%	16.9%	22.2%
Median	6.9x	7.6x	6.8x	11.4%	12.7%	20.9%
Courier						
Average	9.0x	8.9x	8.7x	12.5%	17.0%	15.3%
Median	9.7x	9.4x	9.0x	10.6%	15.2%	13.9%

MACRO NEWS

- The slowdown in freight volumes has resulted in excess trucking capacity, which has led to a 30% YoY drop in contract rates
- Ocean freight rates have returned to pre-COVID levels after remaining significantly elevated throughout 2021/22
- Warehousing vacancy remains at record lows
- Cardboard box demand – an indicator of e-commerce activity – remains healthy, with 6% growth in Q1 vs. 2019, but below COVID peaks
- Retailers are seeking to consolidate 3PL partners with the best operators for improved efficiency, reporting, etc.

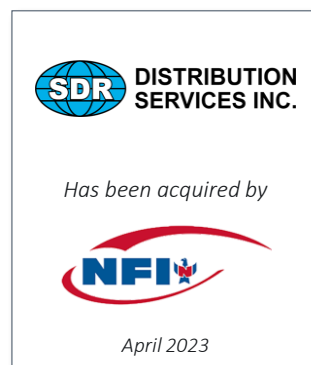
1. Data taken from Capital IQ Pro. EBITDA figures presented above have not been adjusted for the impacts of IFRS 16, wherever applicable.

2. Companies

- Trucking (Canadian): Andlauer Healthcare Group Inc., Mullen Group Ltd., TFI International Inc., Titanium Transportation Group Inc.
- Less-Than-Truckload (LTL): ArcBest Corporation, Old Dominion Freight Line, Inc., Saia, Inc.
- Truckload (TL): Daseke, Inc., Heartland Express, Inc., J.B. Hunt Transport Services, Inc., Knight-Swift Transportation Holdings Inc., Marten Transport, Ltd., Schneider National, Inc., Werner Enterprises, Inc., XPO, Inc.
- Brokerage / Logistics: A.P. Møller - Mærsk A/S, C.H. Robinson Worldwide, Inc., CJ Logistics Corporation, DSV A/S, Expeditors International of Washington, Inc., Forward Air Corporation, GXO Logistics, Inc., Hub Group, Inc., ID Logistics Group SA, Landstar System, Inc., Matson, Inc., Nippon Yusen Kabushiki Kaisha, Universal Logistics Holdings, Inc., Wincanton plc
- Courier: Deutsche Post AG, FedEx Corporation, United Parcel Service, Inc.

HIGHLIGHTED TRANSACTION

- **SDR Distribution Services, Inc. (“SDR”)** has provided a range of 3PL solutions to clients across North America for almost 20 years. The company is a leader in the North American 3PL market, specializing in the demanding fashion, footwear, accessories, and related soft goods fulfillment market. SDR differentiates itself from competitors by offering bespoke, high-touch services for retailers and wholesalers who require exceptional levels of customer service.
- SDR received numerous approaches from potential acquirors in the last few years, as the business gained scale and recognition in the industry. A key consideration for the family-owned company was to find a buyer that would preserve the customer-focused and people-first culture that has been the backbone of SDR’s success. Origin Merchant Partners was engaged to run a sale process to maximize value and partner fit.
- Origin pursued a broad sale strategy, contacting North American and international strategic and financial buyers with prior or current investments in the trucking and 3PL sectors.
- Significant interest was received from Transportation & Logistics (“T&L”) players as well as financial sponsors – particularly those with a relevant platform or an expressed interest in acquiring a platform in the T&L space.
- **NFI Industries Inc. (“NFI”)** was identified in the process as the logical strategic buyer. NFI is a fully-integrated North American supply chain solutions provider headquartered in Camden, N.J. Founded in 1932, the company is family owned, and operates over 70 million square feet of warehouse facilities. NFI’s legacy of best-in-class end-to-end logistics solutions and existing footprint in Canada, coupled with its multi-generational management style, created an excellent fit for SDR’s future, and its acquisition of SDR represented an excellent fit for both parties.



SELECT TRANSACTIONS

ASL Distribution Services

Exclusive Financial Advisor on its sale to

FASTFRATE
CONSOLIDATED FASTFRATE INC.

Deal Description:

- ASL, a 3PL provider, including final-mile solutions, sold to Fastfrate, a transportation focused strategic buyer

RODAIR

Exclusive Financial Advisor on its Sale to

RHENUS LOGISTICS

Deal Description:

- Rodair, a customized logistics provider, sold to Rhenus, a large international strategic buyer

Confidential Mandate
US Aerospace Company
Strategic Asset Purchase

Exclusive Financial Advisor to the Independent Committee of The Board of Directors

Deal Description:

- Our client secured financing for strategic operating assets to secure longer term contracts and optimize fleet performance

Brookfield
Business Partners

Financial Advisor with Respect to Confidential Portfolio Company Transaction

Deal Description:

- Brookfield merged an international logistics business with a Canadian logistics/distribution business in a multi-billion dollar transaction

RECENT NORTH AMERICAN T&L DEAL ACTIVITY



- On March 29th, **EQT** announced that it has agreed to acquire **Lazer Logistics (“Lazer”)**, a US-based provider of outsourced yard management and trailer spotting services, from **Harvest Partners**, a US-based PE firm, for an undisclosed amount. EQT will leverage its T&L expertise to help Lazer usher in its next phase of growth through fleet electrification and digitalization.
- On March 21st, **Knight-Swift Transportation**, a US-based diversified freight transportation company, announced an agreement to acquire **U.S. Xpress**, an asset-based truckload carrier, for US\$808 million. The transaction provides economies of scale, with the pro-forma combined entity boasting of ~25,000 tractors and 93,000 trailers.
- On March 21st, **DSV** announced that it reached agreements to acquire US-based transport and logistics companies **S&M Moving Systems West** and **Global Diversity Logistics**, for an undisclosed amount. These acquisitions will strengthen DSV's position within the semiconductor industry, align with its new Phoenix-Mesa Gateway Airport operations and support DSV's growing cross-border services to Latin America.
- On March 15th, **R&R Express**, a US-based transportation and logistics provider, announced the acquisition of **Load to Ride (“LTR”)**, a US-based regional and national transportation and logistics provider, for an undisclosed amount. LTR's fleet of more than 100 trucks and 200 trailers expands the R&R Express fleet and provides faster transport initiation and overall transit times.
- On February 27th, **Big G Express (“Big G”)**, a US-based asset-based truckload carrier, announced that it has acquired **RTR Transportation**, a US-based full-service nationwide dry van truckload carrier, for an undisclosed amount. The acquisition will help Big G gain market share with blue-chip customers in the automotive industry.
- On February 21st, **TFI International** announced the acquisition of **Axsun Group (“Axsun”)**, a Canada-based provider of intermodal and freight brokerage services, for an undisclosed amount. Axsun's complementary service offerings and asset-light approach will help strengthen TFI's intermodal solutions.
- On February 2nd, **Jones Capital**, through its portfolio company **Jones Logistics (“JoLo”)**, a US-based specialized transportation and logistics company, announced its acquisition of **Nationwide Express**, a US-based trucking, warehousing and 3PL provider, for an undisclosed amount. The acquisition expands JoLo's geographic footprint and its intermodal and managed transportation offerings.
- On January 25th, **Calera Capital**, through its portfolio company **FitzMark**, a US-based 3PL and transportation management software provider, announced that it has acquired **GTO 2000**, a US-based provider of temperature-controlled truckload transportation, for an undisclosed amount. The deal enhances FitzMark's refrigerated freight offerings.
- On January 5th, **NOVA Infrastructure**, through its portfolio company **Harbor Logistics**, a US-based diversified logistics company, announced that it has acquired **ATS Logistics**, a US-based provider of transportation and warehousing services, for an undisclosed amount. ATS is the largest drayage provider by volume for the Port of Charleston and has one of the largest asset-based fleets at the Port, which is one of the busiest in the US.
- On January 5th, **Forward Air Corporation (“Forward”)**, a US-based asset-light transportation provider, announced that it has entered into an agreement to acquire the assets of **Land Air Express**, a US-based full service expedited LTL provider, for US\$56.5 million. The acquisition is a part of Forward's focus on its core LTL business and expands its presence in the Midwest.

ABOUT ORIGIN MERCHANT PARTNERS

ORIGIN MERCHANT PARTNERS is an independent North American investment bank that brings innovative thinking and extensive experience to every transaction. With offices in Toronto, Montreal, and Chicago, the firm provides mergers and acquisitions, capital raising, and finance advisory services delivered by a team of more than 50 professionals. Origin's 19 Principals each bring more than 20 years of investment banking and/or financial sector experience, with expertise across a broad range of industries. Since inception in 2011, Origin's investment banking team has completed more than 250 transactions with an aggregate deal value exceeding \$11 billion. For more information, please visit www.originmerchant.com

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