



# Trucking & Logistics *M&A Quarterly Update*

Fourth Quarter 2021

# Limited Truck Capacity and Supply Chain Issues Expected to Impact Trucking Industry in the Near Future

## Executive Summary

- **The transportation industry has continued to rise** due to a lift in the industrial economy, strong housing demand, continued inventory restocking and a release of pent-up consumer demand
- **The bullish cycle isn't expected to end until demand rolls over**, either driven by an end to the restocking cycle or an economic recession – neither of which are on the near-term horizon
- Although LTL stocks are trading at all-time-high multiples, the industrial economy provides a multitude of growth opportunities and a longer cyclical runway, with a likely **multiyear period of double-digit earnings growth**
- Trucking will continue to be a dominant industry with **freight tonnage expected to grow more than 25% to \$20.6bn by 2030**

## Key Takeaways

- **Truck capacity is expected to decline**, as the intense driver shortages and historically low inventories continue to limit available capacity
- **Shippers' view on truck rates has stayed consistent through Q3 2021** as pricing expectations continue to remain elevate, compounded by supply chain issues
- While 0–3-month freight demand outlook has decreased YoY, **the outlook remains elevated relative to history**; yet shippers also suggest that the duration of the broader demand recovery hinges on labor availability
- **Conditions are still tough for shippers** and will likely remain difficult for some time; strong capacity utilization will support higher rates

While we could speak for hours concerning current developments impacting our Industry, I will attempt to keep this short. **The M&A market for the Trucking & Logistics Industry remains very active during Q4 of 2021 and heading into 2022.** There is a tremendous amount of cash "sitting on the sidelines" and looking for an opportunity to acquire or invest in well-run and well-managed Trucking & Logistics companies. The impact of tax law changes, the excellent ATRI lists (nationally or at the state levels) of critical issues facing our Industry, vaccine mandates (stayed or unstayed) and various other factors have not seemed to dampen enthusiasm for our Industry. Many founder- and family-owned company owners (our focus) are seriously considering their next moves. Whether the time is right for an ownership transition or whether the time is right to expand their operations, all seem to be topics "on the table" for consideration. While completing a transaction or series of transactions by year-end, unless already well underway, may be beyond the scope of reasonableness at this time, Q1 or Q2 of 2022 remains a legitimate goal for the right transaction(s).

For those not convinced that an ownership transition is appropriate at this time for family reasons, market reasons or other legitimate reasons, we are discussing with clients the potential for recapitalizations (debt or minority equity) to provide access to capital to accomplish their legitimate business expansion goals, including acquisitions, capital reserve maintenance or "taking some chips off the table." These options, and other options required to meet their goals, are being actively considered in offices around the country.

From an operations perspective, our clients, notwithstanding uncertainty in independent contractor status and the impact on our Industry and multiple supply chain and other Industry issues, are keeping "their eyes on the target." They are viewing their people (drivers and staff) and the culture of their operations as one of, if not the greatest, of their assets.

We anticipate trucking companies to continue their focus on health and safety initiatives at all levels. Technological advancements are a part of life in our Industry. Our clients who will prosper in this environment seem to be keeping a close eye on this, without buying every new gadget that comes to market, but focusing on how to keep "ahead of the curve" and "skating to where the puck will be, not to where it is right now."

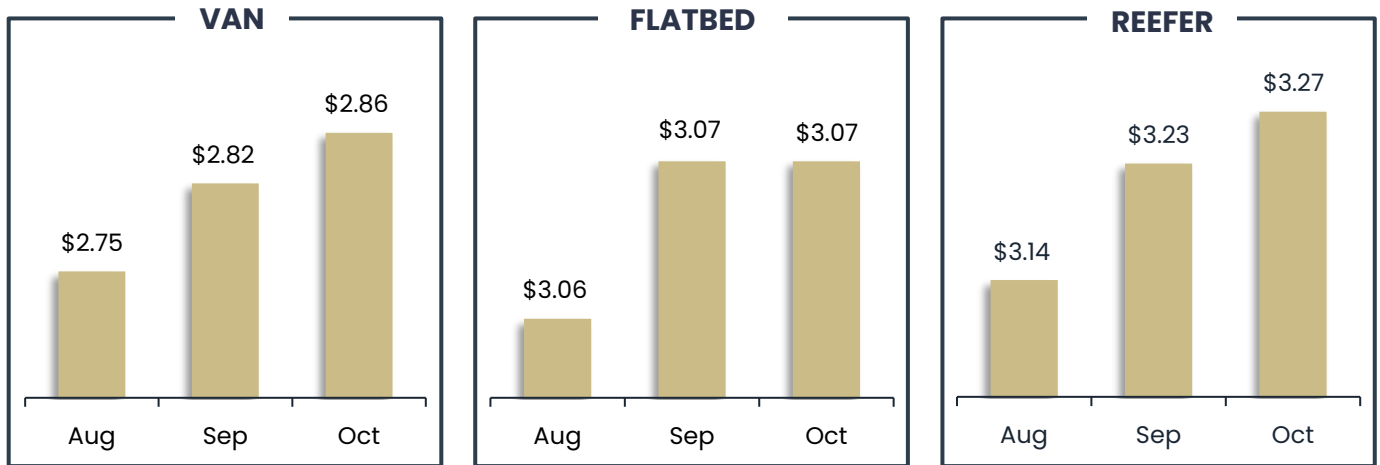
Our Industry is resilient. For those of us with a few years under our belts, however, we realize at the same time that our Industry is cyclical and has its peaks and valleys. We remain optimistic for the long-term viability and health of the Trucking & Logistics Industry even in these challenging times.

We are writing this quick message on the morning of Veterans Day 2021 and I would be remiss if I did not take this opportunity to thank each and every one of our Veterans for their service to our Country, even if it will be a little belated by the time this is published. Thank You for your Service!

– Wm. Lee Merritt, Managing Director & Transportation Sector Lead – Bridgepoint Investment Banking

P.S. If you are considering a capital raise or M&A transaction in the near term, **please review our [new article](#) containing tips specifically for the Trucking & Logistics industry.** You can read it [here](#).

## Q3 2021 National Average Spot Rates

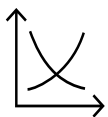


## Critical Issues

### The American Transportation Research Institute's 2021 Critical Issues (by concern level):

1. Driver Shortage
2. Driver Retention
3. Driver Compensation
4. Lawsuit Abuse Reform
5. Truck Parking
6. Compliance, Safety, Accountability
7. Detention/Delay at Customer Facilities
8. Infrastructure / Congestion / Funding
9. Insurance Cost / Availability
10. Diesel Technician Shortage

## Surface Transportation Industry Themes



Supply chains have not healed from COVID shocks; Bridgepoint expects strong demand and a lack of capacity throughout 2022



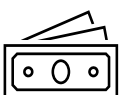
North American industrial production and manufacturing is growing but labor is a challenge for continued growth



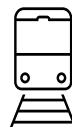
U.S. port volumes at record levels as demand for imports continues to surge



Trucking rates near record high levels as capacity is scarce due to driver shortages



Consumer spending on goods remained elevated, even with an increase in spending on services



Rail carloads have moderated YoY as auto and intermodal struggle with supply chain disarray

## Recent Industry Transactions

| Date Announced | Target   | Acquiror                               |
|----------------|--|--|
| 09/29/2021     | Molo Solutions, LLC  | ArcBest Corporation (NasdaqGS:ARCB)    |
| 09/27/2021     | Franchise Stations in Strategic Markets in The Pacific Northwest and Oklahoma                          | Pilot Freight Services, Inc.           |
| 09/24/2021     | IAS Logistics DFW, LLC   | WFS Global SAS                         |
| 09/21/2021     | Prime Trailer  | Boxwheel Trailer Leasing, LLC          |
| 09/16/2021     | MFX, LLC   | Brooks Furniture Xpress, Inc.          |
| 09/10/2021     | Roadie, Inc.   | United Parcel Service, Inc. (NYSE:UPS) |
| 09/09/2021     | Complete Transport Systems, LLC  | EFL Global Logistics (Pte.) Ltd.       |
| 09/08/2021     | Utility Equipment Services, Inc.   | ML Utilities Fleet Solutions           |
| 08/05/2021     | SSBB, LLC  | Xpress Global Systems, LLC             |
| 08/03/2021     | Intelligent Logistics, LLC   | AIT Worldwide Logistics, Inc.          |
| 08/03/2021     | TWO MEN AND A TRUCK International, Inc.  | The ServiceMaster Company, LLC         |
| 08/02/2021     | Platinum LV/Whittlesea Checker Taxi, Inc. /Celebrity Coaches/Mammoth Limousine/Bell Trans A Nevada Cor | National Transportation, Inc.          |
| 08/02/2021     | North America Central School Bus, LLC  | H.I.G. Capital, LLC                    |
| 07/30/2021     | RJ's Transportation, LLC   | A&R Logistics, Inc.                    |
| 07/30/2021     | Substantially all transportation assets of Patriot Transit, LLC and Patriot Logistics, LLC             | PS Logistics, LLC                      |
| 07/28/2021     | Delta Distribution, LLC  | Xpress Global Systems, LLC             |
| 07/22/2021     | All Assets of Greater Houston Transportation Company   | WHC Worldwide, LLC                     |

## Notable Q3 Transportation Transactions



**On July 1<sup>st</sup>, 2021** Werner Enterprises announced that it had acquired an 80% equity stake in ECM Transport Group.

"The addition of ECM's skilled drivers, nondriver associates and terminal network strengthens our portfolio by adding short-haul expertise in a segment in which consumer demand and supply chain needs are growing."  
– Derek Leathers, President, CEO & Founder, Werner Enterprises



**On July 1<sup>st</sup>, 2021** CSX Corporation announced that it has completed its acquisition of Quality Carriers, Inc., the leading North American provider of bulk liquid chemicals transportation.

"By combining CSX's and Quality Carriers' capabilities, we can deliver an unparalleled multimodal solution that will generate substantial value for our customers."  
– James Foote, President & CEO, CSX



**On July 6<sup>th</sup>, 2021** Knight-Swift Transportation announced that it has acquired 100% of Dothan, Alabama-based AAA Cooper Transportation. AAA specializes in LTL, dedicated contract carriage and ancillary services.

"This transaction firmly positions us as a meaningful player in the less-than-truckload space, where we intend to grow both organically and through future acquisitions."  
– Dave Jackson, CEO, Knight-Swift Transportation



**On September 29<sup>th</sup>, 2021** ArcBest announced that it has acquired MoLo Solutions, a Chicago-based truckload freight brokerage. With the acquisition, ArcBest will become a top 15 U.S. truckload broker with access to 70,000+ carrier partners.

"We are pleased to add MoLo's capabilities and talent to our truckload brokerage offering, allowing us to better meet the critical needs of our customers, deliver comprehensive supply chain solutions and accelerate our company's continued growth." – Judy McReynolds, CEO, ArcBest



## Selected Public Comparables

(\$ in millions, except per share data)

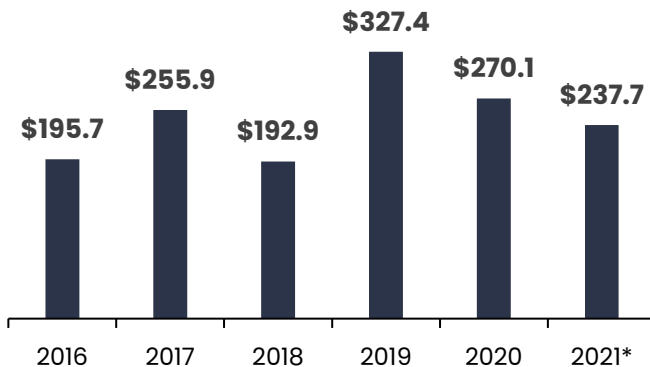
| Company Name                               | Country | 6/30/2021<br>Share Price | Market<br>Capitalization | TEV / Revenue | TEV / EBITDA | TEV / EBITDA |
|--|---------|--------------------------|--------------------------|---------------|--------------|--------------|
|  |         |                          |                          | LTM           | LTM          | NTM          |
| ArcBest Corporation                        | US      | \$96.80                  | \$2,474.0                | 0.7x          | 6.5x         | 5.9x         |
| Heartland Express, Inc.                    | US      | \$16.32                  | \$1,288.3                | 1.8x          | 6.3x         | 5.4x         |
| J.B. Hunt Transport Services, Inc.         | US      | \$195.78                 | \$20,559.6               | 1.9x          | 2.8x         | 12.5x        |
| Knight-Swift Transportation Holdings, Inc. | US      | \$57.56                  | \$9,553.6                | 2.1x          | 8.0x         | 6.7x         |
| Landstar System, Inc.                      | US      | \$179.94                 | \$6,857.3                | 1.2x          | 13.8x        | 12.8x        |
| Marten Transport, Ltd.                     | US      | \$17.02                  | \$1,411.7                | 1.4x          | 6.5x         | 5.9x         |
| Old Dominion Freight Line, Inc.            | US      | \$344.93                 | \$39,946.4               | 8.0x          | 25.8x        | 21.9x        |
| P.A.M. Transportation Services, Inc.       | US      | \$60.65                  | \$677.3                  | 1.3x          | 2.6x         | NM           |
| Patriot Transportation Holding, Inc.       | US      | \$15.53                  | \$52.8                   | 0.5x          | 4.7x         | NM           |
| Roadrunner Transportation Systems, Inc.    | US      | \$2.25                   | \$86.1                   | NM            | NM           | NM           |
| Saia, Inc.                                 | US      | \$328.12                 | \$8,610.2                | 4.0x          | 18.7x        | 15.6x        |
| Schneider National, Inc.                   | US      | \$25.78                  | \$4,580.0                | 0.8x          | 5.5x         | 5.1x         |
| TFI International, Inc.                    | Canada  | \$107.00                 | \$9,955.6                | 1.9x          | 12.7x        | 9.9x         |
| Universal Logistics Holdings, Inc.         | US      | \$20.41                  | \$549.4                  | 0.6x          | 5.7x         | 4.6x         |
| USA Truck, Inc.                            | US      | \$19.48                  | \$163.8                  | 0.5x          | 4.0x         | 4.4x         |
| Werner Enterprises, Inc.                   | US      | \$45.70                  | \$3,056.6                | 1.3x          | 6.2x         | 5.5x         |
| XPO Logistics, Inc.                        | US      | \$86.92                  | \$9,963.3                | 0.9x          | 6.2x         | 14.0x        |

### >\$1B MC Companies

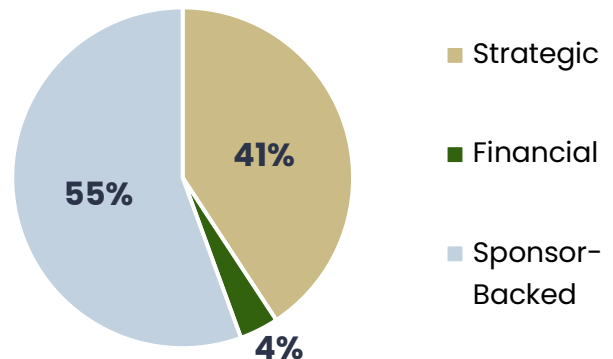
|        |       |      |       |
|--------|-------|------|-------|
| High   | 1.34x | 9.1x | 4.62x |
| Mean   | 0.66x | 5.2x | 4.51x |
| Median | 0.54x | 4.7x | 4.51x |
| Low    | 0.38x | 2.6x | 4.41x |

|        |       |       |        |
|--------|-------|-------|--------|
| High   | 8.03x | 25.8x | 21.95x |
| Mean   | 1.73x | 8.5x  | 9.30x  |
| Median | 1.31x | 6.3x  | 6.32x  |
| Low    | 0.38x | 2.6x  | 4.41x  |

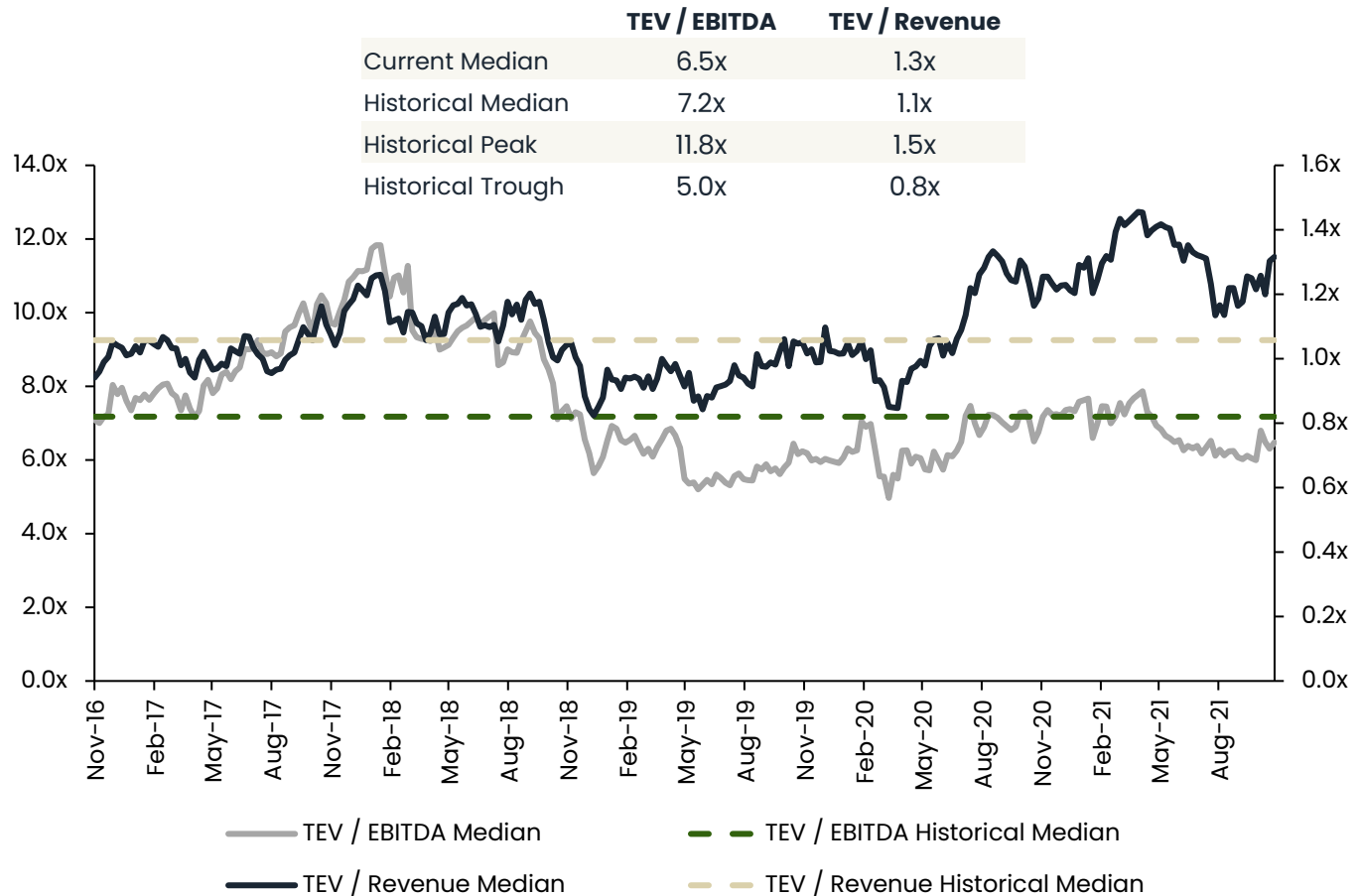
### 2016-2021 PE Fundraising Capital Raised (\$bn)



### Transactions by Acquiror Type Q3 2021



## Sector Valuation Multiples



## Infrastructure Package

- President Biden signed the infrastructure bill on November 15, 2021, advancing a \$1.2 trillion spending package
- Along with repairing the roads and bridges trucks traverse, the infrastructure bill is likely to increase demand for flatbed services, while possibly increasing competition with the construction industry over the labor pool
- For the Owner-Operator Independent Drivers Association, the lack of funding for truck parking is troubling, but the group did voice relief that the text does not include a measure to increase the minimum insurance requirement to \$2 million
- The legislation is also expected to boost construction markets and in turn create demand for dry van and flatbed carriers

The infrastructure package includes a 38% increase in road and bridge funding, and an infusion of highly-trained, younger talent into our workforce.”  
– Chris Spear, CEO, American Trucking Associations

The prioritization of our nation’s fundamental transportation network will mitigate the supply chain challenges we are experiencing today.”  
– Matthew Shay, CEO, National Retail Federation

The bill has the potential to continue to serve not only as a backup to raise, but also extend the runway of this healthy rate environment for carriers such as Daseke.” – Jonathan Shepko, CEO, Daseke

## Bridgepoint Executive Summary

- **Boutique investment bank focused on the middle market with significant sector expertise in trucking and transportation logistics**
- Deep sector experience, completing **more than \$50 billion of transactions in the trucking, transportation and logistics space**
- Member of numerous state and national trucking associations
- Full-service investment banking capabilities spanning a market-leading leveraged finance practice, sell-side M&A, and buy-side M&A
- Tenacious, creative and results-oriented boutique investment bank focused on **impact and value creation for the companies we serve**
- Confidential, independent and unconflicted capital solutions and strategic advice

## Selected Bridgepoint Transaction Experience

|  |  |  |  |   |  |  |   |   |
|--|--|--|--|---|--|--|---|---|
| <b>USD1.9 million</b><br>Convertible Debt and Preferred Equity Placement<br><br>Sole Financial Advisor | <b>NOT DISCLOSED</b><br>Buy-side Advisor on its potential acquisition of publicly traded technology services company and related acquisition financing<br><br>Sole Financial Advisor | <b>NOT DISCLOSED</b><br>Self-side Advisor and Buy-side acquisition financing<br><br>Sole Financial Advisor           | <b>USD1.0 million</b><br>Follow-on equity offering<br><br>Senior Co-Manager                | <b>USD300 million</b><br>Joint Bookrunner and Joint Arranger for new revolving credit facility and senior note offering<br><br>Joint Bookrunner | <b>USD266 million</b><br>Exit financing facilities<br><br>Joint Bookrunner | <b>USD3.0 billion</b><br>Joint Bookrunner on senior notes offering<br><br>Joint Bookrunner | <b>USD300 million</b><br>Secondary equity offering<br><br>Joint Lead Bookrunner | <b>USD1.0 million</b><br>Bridgepoint/Moore Capital Investors, LLP<br><br>Lead Bookrunner & Sole Financial Advisor |
| <b>GOODYEAR</b><br><br>Sole Financial Advisor  | <b>PrairieCare</b><br>Senior & Mezzanine debt financings for debt recapitalization<br><br>Sole Financial Advisor   | <b>FleetFridge</b><br>USD 375 Million<br>Senior secured credit facilities/senior notes<br><br>Sole Financial Advisor | <b>VALUE PLACE</b><br>USD5.1 million<br>Secured Promissory offering<br><br>Lead Bookrunner | <b>TransWood</b><br>Global Financing<br><br>Sole Financial Advisor  | <b>TransWood</b><br>Global Financing<br><br>Sole Financial Advisor         | <b>TransWood</b><br>Global Financing<br><br>Sole Financial Advisor                         | <b>TransWood</b><br>Global Financing<br><br>Sole Financial Advisor              | <b>TransWood</b><br>Global Financing<br><br>Sole Financial Advisor  |
| <b>GOODYEAR</b><br><br>Sole Financial Advisor  | <b>PrairieCare</b><br>Senior & Mezzanine debt financings for debt recapitalization<br><br>Sole Financial Advisor   | <b>FleetFridge</b><br>USD 375 Million<br>Senior secured credit facilities/senior notes<br><br>Sole Financial Advisor | <b>VALUE PLACE</b><br>USD5.1 million<br>Secured Promissory offering<br><br>Lead Bookrunner | <b>TransWood</b><br>Global Financing<br><br>Sole Financial Advisor  | <b>TransWood</b><br>Global Financing<br><br>Sole Financial Advisor         | <b>TransWood</b><br>Global Financing<br><br>Sole Financial Advisor                         | <b>TransWood</b><br>Global Financing<br><br>Sole Financial Advisor              | <b>TransWood</b><br>Global Financing<br><br>Sole Financial Advisor  |
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## Sectors of Focus



Industrials &  
Transportation



Business &  
IT Services



Technology



Healthcare



Consumer &  
Retail

260

YEARS OF EXPERIENCE

\$122B

IN TRANSACTIONS

222

TOTAL TRANSACTIONS

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