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INVESTMENT  
BANKING

# Trucking & Logistics *M&A Quarterly Update*

Second Quarter 2021

## As normalcy starts to return, the trucking industry looks to gradually strengthen in 2021 after a roller coaster of 2020

### Executive Summary

- Trucking will continue to be a dominant industry with **freight tonnage expected to grow more than 25% to \$20.6bn by 2030**
- **Shortage of drivers could pose a problem in the near and long-term;** shortage of 100,000 drivers predicted in 5 years, rising to 160,000 by 2028
- Autonomous trucks have major potential to disrupt the trucking industry; **billions are being invested into the development of trucks that drive themselves**
- **Expect the amount of driver safety regulations to continue to increase;** regulations may include tracking and reporting seat, location, driving status and where drivers stand within federal hours-of-services requirements

### Key Takeaways

- **Van, Flatbed, and Reefer prices rose significantly in early 2021;** Van spot prices are up 12.3%, Flatbed spot prices up 10.8%, and Reefer prices up 12.6% in Q1 2021
- **Strategic acquirors led M&A activity in Q1 2021,** making up 94% of transactions; financial and private equity acquirors made up 6% of activity
- **Median TEV/EBITDA is 6.8% for companies with >\$1B revenue;** the median for the industry overall is 7.6%
- Industry executives report that **the driver shortage is becoming more acute,** causing a renewed focus on increased driver wages and retention efforts

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As many will recall from my note in our previous Trucking & Logistics M&A Quarterly Update, we envisioned “changes coming down the road” in the M&A market for the Trucking & Logistics industry. I mentioned that some of the changes would be headwinds and some tailwinds. As we start seeing the M&A market through the windshield, I wanted to quickly highlight some of the main factors you need to be considering.

The first factor to consider is the currently **anticipated increases in taxes** being discussed daily, if not hourly, in our nation’s capital.

While taxes are heading north, interest rates are at **near historic lows**. Of course, these record low interest rates allow acquirors to access additional capital at very attractive rates, which increases their availability to pay more for a business.

Finally, private equity firms currently have **record amounts of “dry powder”** available for investment in family- and founder-owned businesses, including companies in the Trucking & Logistics industry.

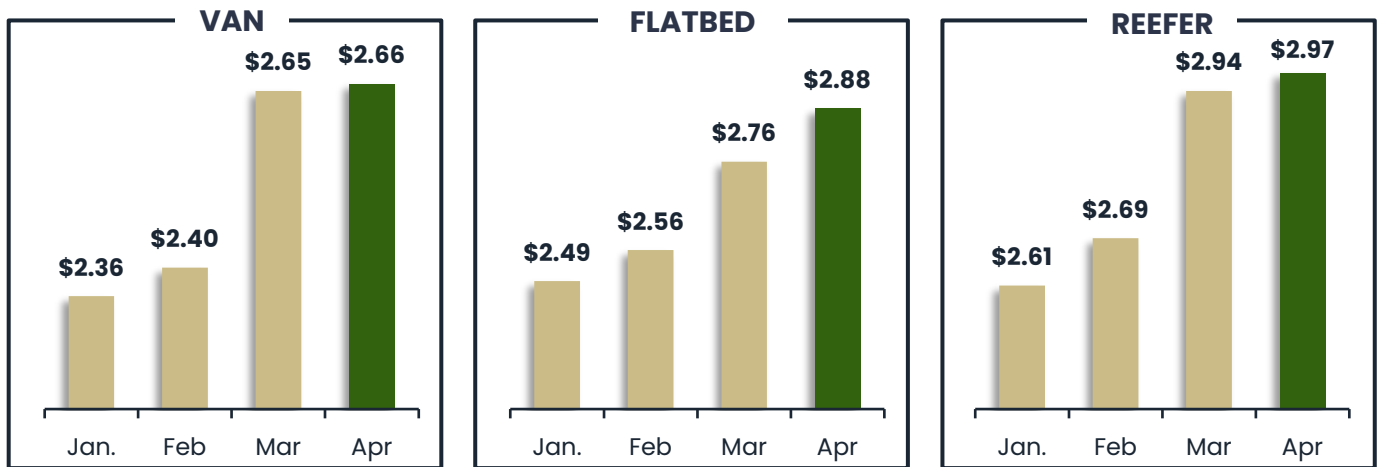
My quick note here is intended to provide a summary of these major factors. We provide more detail on the next page under a section titled, “*M&A Time of Transition*,” where we also link to a more detailed report we have compiled that we hope you will read and enjoy.

How these factors may impact the Trucking & Logistics M&A market are yet to be seen, but we remain bullish for the balance of 2021.

Please enjoy this information and reach out to me if you would like to discuss any of these factors or how all of these factors together may impact your and your families’ goals and objectives.

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

## Q1 2021 National Average Spot Rates *Rates Continue to Surge for all Trucking Categories*



## M&A Time of Transition

2021 is a time of transition for many business owners. While there are many factors that go into the decision to sell a company, 2021 presents unique circumstances that may further impact that decision.

A few of the factors impacting the Trucking & Logistics M&A market, especially for a family- or founder-owned Trucking & Logistics company, are:

**TAXATION.** With the advent of a new administration, announced potential tax policy changes, including proposed increases in corporate and individual rates, will almost certainly impact the sale of a Trucking & Logistics company.

**INTEREST RATE ENVIRONMENT.** Interest rates remain near historic lows. These historically low interest rates mean:

- a lower interest environment that creates a lower cost of capital to a potential buyer
- a lower cost of capital usually means that the buyer can pay more for the assets being purchased while still getting the rate of return they require

**DRY POWDER IN THE MARKET.** Private equity buyers, many strategic buyers and many family office buyers have accumulated vast amounts of capital in the past year which they desperately need to get to work. The impact of the pandemic has not decreased their access to capital, but it has impacted their ability to deploy the capital recently. Financial and strategic buyers are actively seeking qualified investments. This has caused a competitive investment process, which has benefited many sellers.

For a more in-depth analysis of these and other factors, please feel free to click on the following link to view the Bridgepoint Investment Banking 2021 M&A Climate Report and how it impacts the potential sale of a business. We believe you will find these insights very beneficial.

[Download the Whitepaper](#)

## Recent Industry Transactions

Date Announced	Target	Acquiror
03/24/2021	Star Leasing Company	I Squared Capital Advisors
03/15/2021	Voyage Auto	Cruise
03/12/2021	Empire Truck Lines	IMC Companies
03/12/2021	Seville Container Freight Station, Inc./Seville Freight Systems Inc./Seville Transfer Ltd.	Expolanka USA
03/10/2021	RevGroup Holdings	UniGroup
03/10/2021	Southwest Rail Industries	Sojitz Corporation of America
03/09/2021	LTO Holdings	LMP Finance
03/08/2021	Assets of Jesse Baro	Denali Water Solutions
03/04/2021	Franchises in Memphis & St. Louis	Pilot Freight Services
03/01/2021	Jason Jones Trucking	P & S Transportation
02/23/2021	Skelton USA	Andlauer Healthcare Group
02/18/2021	Excel Transportation	TFI International Inc.
02/16/2021	ASL Distribution Services Limited	Consolidated Fastfrate
02/12/2021	Savoie	XTL Group of Companies
02/05/2021	International Truckload Services	Titanium Transportation Group
02/02/2021	Premier Bulk Systems	Heniff Transportation Systems
02/02/2021	Senior Move Masters	Westview SHPP
02/01/2021	Fleetway Transport	TFI International Inc.

## Notable Transportation Transactions in Q1 2021

### Transportation & Logistics



**On January 25<sup>th</sup>, 2021** TFI International announced it acquired UPS Freight for about \$800 million. The deal that will transform the Canadian trucking and logistics company into a North American less-than-truckload juggernaut.

"We're excited by this very attractive opportunity to extend our long-standing record of successful growth through acquisition, which will vault TFI International to one of the largest North American LTL carriers."  
– Alain Bedard, CEO, TFI International

### Transportation & Logistics



**On March 24<sup>th</sup>, 2021** I Squared Capital announced it acquired Columbus, OH-based Star Leasing, a leading trailer lessor in the U.S.

"Trailer leasing has remained resilient throughout the COVID-19 pandemic, and we see strong potential for growth in the sector driven by robust demand for trailer capacity to meet increasing needs for supply chain velocity."  
– Thomas Lefebvre, Partner, I Squared Capital

### Transportation & Logistics



**On February 12, 2021** Canadian cross-border trucking and logistics company XTL Group announced it acquired Quebec carrier Transport Savoie – the first acquisition in its 36-year history – in a deal that expands its refrigerated transport service.

"Essential goods make up a good part of business. This allows us to further develop and grow the refrigerated/temperature-controlled segment."  
– Craig Germain, COO, XTL Group



## Selected Public Comparables

(\$ in millions, except per share data)

Company Name	Country	3/30/2021	Equity	Enterprise	P/E	TEV/Revenue	TEV/EBITDA	TEV/EBIT
		Share Price	Value	Value	LTM	LTM	LTM	LTM
ArcBest Corporation	United States	\$70.69	\$1,795.2	\$1,831.0	26.3x	0.62x	7.6x	19.3x
Heartland Express, Inc.	United States	\$19.75	\$1,579.5	\$1,465.7	22.7x	2.27x	7.8x	18.7x
J.B. Hunt Transport Services, Inc.	United States	\$169.34	\$17,900.1	\$19,027.7	35.7x	1.97x	3.0x	26.2x
Knight-Swift Transportation Holdings Inc.	United States	\$49.07	\$8,128.4	\$9,004.9	20.4x	1.93x	7.7x	15.7x
Landstar System, Inc.	United States	\$168.98	\$6,486.6	\$6,374.0	34.0x	1.54x	20.2x	23.7x
Marten Transport, Ltd.	United States	\$17.13	\$1,417.5	\$1,352.3	20.4x	1.55x	6.9x	16.3x
Old Dominion Freight Line, Inc.	United States	\$240.61	\$28,136.2	\$27,610.8	42.4x	6.88x	23.3x	30.4x
P.A.M. Transportation Services, Inc.	United States	\$61.28	\$350.8	\$621.4	19.8x	1.28x	6.7x	18.1x
Patriot Transportation Holding, Inc.	United States	\$11.11	\$37.5	\$32.9	75.2x	0.39x	3.3x	NM
Roadrunner Transportation Systems, Inc.	United States	\$5.59	\$211.6	\$622.2	NM	0.34x	NM	NM
Saia, Inc.	United States	\$232.16	\$6,064.8	\$6,226.0	44.6x	3.42x	18.0x	35.0x
Schneider National, Inc.	United States	\$25.33	\$4,492.4	\$4,431.2	21.3x	0.97x	7.1x	14.5x
TFI International Inc.	Canada	\$73.40	\$6,861.8	\$8,097.0	24.0x	2.12x	12.6x	23.6x
Universal Logistics Holdings, Inc.	United States	\$26.05	\$701.3	\$1,246.1	14.6x	0.90x	6.4x	15.5x
USA Truck, Inc.	United States	\$18.56	\$153.4	\$336.2	35.0x	0.61x	5.1x	23.8x
Werner Enterprises, Inc.	United States	\$48.04	\$3,267.2	\$3,448.2	19.7x	1.45x	7.0x	14.9x
XPO Logistics, Inc.	United States	\$124.06	\$12,679.4	\$19,864.4	159.1x	1.22x	8.7x	37.5x
Yellow Corporation	United States	\$0.00	\$437.1	\$1,510.0	-	0.33x	8.5x	86.3x

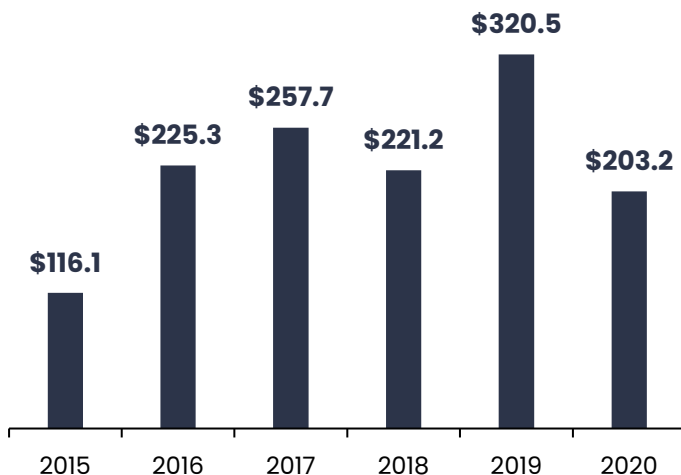
### Sub-\$1bn TEV

	P/E	TEV/Revenue	TEV/EBITDA	TEV/EBIT
High	35.0x	1.55x	8.5x	86.3x
Mean	23.2x	0.88x	6.9x	29.9x
Median	20.4x	0.76x	6.8x	18.7x
Low	14.6x	0.33x	5.1x	15.5x

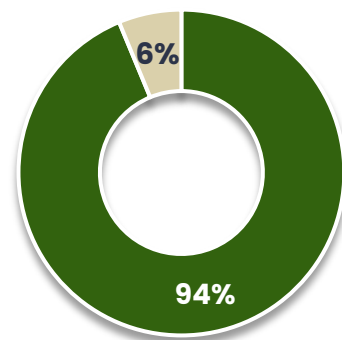
### Total

	P/E	TEV/Revenue	TEV/EBITDA	TEV/EBIT
High	159.1x	6.88x	23.3x	86.3x
Mean	38.4x	1.66x	9.4x	26.2x
Median	25.1x	1.37x	7.6x	21.5x
Low	14.6x	0.33x	3.0x	14.9x

## 2015-2020 PE Fundraising Capital Raised (\$bn)



## Transactions by Acquiror Type Q1 2021



Strategic  
Financial / Private Equity

## Bridgepoint Executive Summary

- **Sector-focused trucking, transportation and vehicular boutique investment bank focused on the middle market**
- Deep sector experience, completing **more than \$50 billion of transactions in the trucking, transportation and vehicular 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> Convertible Debt and Preferred Equity Placement  Sole Financial Advisor	<b>NOT DISCLOSED</b> Buy-side Advisor on its potential acquisition of publicly traded technology services company and related acquisition financing  Sole Financial Advisor	<b>NOT DISCLOSED</b> Sell-side Advisor and Buy-side acquisition financing  Sole Financial Advisor	<b>USD1.0 million</b> Follow-on equity offering  Senior Co-Man	<b>USD300 million</b> Joint Bookrunner and Joint Arranger for new revolving credit facility and senior note offering  Bookrunner	<b>USD266 million</b> Exit financing facilities  Bookrunner	<b>USD3.0 billion</b> Joint Bookrunner on senior notes offering  Joint Bookrunner	<b>USD300 million</b> Secondary equity offering  Joint Lead Bookrunner	<b>USD100 million</b> Bridgepoint/Moore Capital Investors, LLP  Lead Bookrunner & Sole Financial Advisor
<b>GOODYEAR</b>  Sole Financial Advisor	<b>PrairieCare</b> Senior and Mezzanine debt financings for debt recapitalization  Sole Financial Advisor	<b>FleetFridge</b> USD 375 Million Senior secured credit facilities/senior notes  Sole Financial Advisor	<b>VALUE PLACE</b> USD5.1 million Secured Promissory offering  Lead Bookrunner	<b>TransWood</b> USD 60 million Global financing  Sole Financial Advisor	<b>TransWood</b> USD 60 million Global financing  Sole Financial Advisor	<b>TransWood</b> USD 60 million Global financing  Sole Financial Advisor	<b>TransWood</b> USD 60 million Global financing  Sole Financial Advisor	<b>TransWood</b> USD 60 million Global financing  Sole Financial Advisor
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## Sectors of Focus



Industrials & Transportation



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Technology



Healthcare



Consumer & Retail

274

YEARS OF EXPERIENCE

\$121B

IN TRANSACTIONS

216

TOTAL TRANSACTIONS

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