

Transportation & Logistics M&A Recap

Q1 2024

NATIONAL LEADER



Brock McMillan

Senior Vice President

brock.mcmillan@ca.ey.com

EDITOR



Blake Hermann

Senior Associate

blake.hermann@ca.ey.com

Is the end in sight for the 'freight recession' impacting North American ground transportation?

The North American transportation landscape has been unpredictable since early 2023. Demand fluctuations, rising labour costs and high interest rates have put tremendous pressure on trucking executives to manage cash effectively. However, there are signs the end of the so called "freight recession" may be in sight, as analysts and executives are forecasting increased freight demand beginning in mid-2024.

Full truckload (FTL) dry van is the most common type of ground freight transportation. As such, dry van rates are a standard barometer of freight demand. Demand indicators in FTL have generally turned positive in recent months. Notably, there are strong intermodal and import trends that suggest the inventory cycle is turning.

FTL fixed contracts are at historically low levels and have been below spot rates for over a year. With roughly 60% of fixed FTL volume up for contract in Q1, if demand begins to surge spot rates could increase sharply if carriers favour more lucrative opportunities over existing low-rate contracts. Nonetheless, trucking firms' 2024 forecasts, with a focus on cash preservation, suggests volume growth is expected to gain traction by mid-2024.

Since Q4 2022, less-than-truckload (LTL) performance has been inconsistent across the industry. The surge in e-commerce has increased reliance on LTL for "middle mile" transport, mitigating the same demand drop experienced in FTL. The dissolution of a major LTL provider, Yellow Corp., also boosted volumes for remaining carriers in the latter half of 2023.

Despite market fluctuations, LTL shippers' seemingly systematic pricing power has resulted in projected general rate increases in 2024 ranging from 5% to 7.5%.

Another variable impacting trucking companies in 2024 is diesel fuel prices, which are notably lower today compared to the previous year. This has led to a rebalancing of carrier fuel surcharge programs following the volatility in surcharge profits driven by the high fuel prices in 2022 and 2023. Carrier fuel surcharge programs, aimed at generating a small margin above the fuel costs paid out to drivers, have adjusted back to a state of normalcy. As fuel typically makes up the second-largest non-capital expense for trucking companies, after driver salaries, and given the current unstable geopolitical environment, transportation executives will be closely monitoring diesel prices and fuel surcharges over the coming months.

Numerous uncontrollable factors have shaped the challenging freight landscape over the past 18 months. Freight brokers and shippers have watched as multiple well-known industry participants shut their doors. However, demand indicators suggest a potential improvement is on the horizon.

We hope you enjoy this issue of our Transportation & Logistics Recap. Please feel free to reach out to a member of our team should you have any questions.


Select EY Transactions




has been acquired by




EY* acted as exclusive financial advisor to Siemens Transportation Group

has been acquired by




EY* acted as exclusive financial advisor to B&R Eckel's Transport Ltd.

has completed a

Syndicated financing


EY* acted as the exclusive Debt Capital Advisor to Groupe Morneau Inc. in structuring and managing the syndication of the debt financing.





has partnered with





EY* acted as exclusive financial advisor to 18 Wheels Warehousing & Trucking Ltd.


has acquired




EY* acted as exclusive financial advisor to Fastfrate Group

has acquired



EY* acted as exclusive financial advisor to Fastfrate Group




has been acquired by



EY* acted as exclusive financial advisor to Penner International inc.





has been acquired by




has been acquired by




EY* acted as exclusive financial advisor to Argus Carriers Ltd. and InterUrban Delivery Service

has been acquired by



EY* acted as exclusive financial advisor to United Transfer 2008 Ltd.




An investment has been made in TAM International Inc. by




EY* acted as exclusive financial advisor to TAM International Inc.





has entered a strategic partnership and made a financial investment in




EY* acted as exclusive financial advisor to Q-Line Trucking Ltd.

has been acquired by



EY* acted as exclusive financial advisor to TimeLine Logistic International



* Ernst and Young Orenda Corporate Finance Inc.



Select Q1 2024 Transactions

Jan 08, 2024: Overland Container Transportation Services, an Alberta-based provider of intermodal transportation services acquired fellow Alberta-based A&L Intermodal. A&L Intermodal provides intermodal trucking services. The acquisition will increase Overland Container's fleet to over 600 chassis and 100 drivers.

Jan 17, 2024: Mullen Group, an Alberta-based provider of trucking and logistics services announced its intent to purchase British Columbia-based ContainerWorld Forwarding Services, which it expects to close in Q2. ContainerWorld provides inventory management, freight forwarding, warehousing and distribution services. This acquisition will expand Mullen Group's operations in British Columbia & Ontario and add over one million square feet of warehousing space, in addition to annual revenue contributions of ~\$150M.

Feb 12, 2024: Kenan Advantage Group, an Ohio-based provider of logistics services and a tank truck transporter acquired Michigan-based Northern Dry Bulk. Northern Dry Bulk provides transportation and storage of plastic resins for automotive, packaging and electronic markets. The acquisition will allow Kenan Advantage Group to enter the dry bulk transportation business and aligns with its strategic growth initiatives to expand into new end markets.

Feb 22, 2024: J.B. Hunt Transport Services, an Arkansas-based provider of transportation, delivery and logistic services acquired Walmart's intermodal assets. Walmart's assets consist of intermodal container and chassis fleets. The acquisition will increase the J.B. Hunt's current volume & capacity commitments and will enable the development of comprehensive intermodal solutions.

Mar 04, 2024: Metro Supply Chain Group, an Ontario-based provider of third-party logistics services announced the acquisition of Ontario-based SCI Group from Canada Post Corporation and Purolator Holdings. SCI Group provides 3PL logistics and supply chain solutions. The acquisition strengthens Metro Supply Chain's position in strategic contract logistics services across a number of key geographic markets.

Mar 11, 2024: TFI International, a Quebec-based provider of transportation and logistics services acquired British Columbia-based Hercules Forwarding, a less-than-truckload (LTL) carrier focused on intra-U.S. transportation and Canada to U.S. cross border transportation. The acquisition strengthens TFI's LTL portfolio and helps to scale up its cross-border business. Hercules' current network includes 31 terminals, 210 trucks, ~600 trailers and ~75 containers and generates more than USD \$100M revenue.

Mar 13, 2024: Source Energy Services, an Alberta-based logistics provider focused on the supply and distribution of high-quality sand acquired Alberta-based RWR Trucking's sand trucking assets. The acquisition strengthens Source Energy's last mile logistics services and will add a fleet of 27 tractors and 52 trailers, along with key members of the RWR team, and account for ~10% of Source Energy's last mile trucking requirements.

Apr 01, 2024: TFI International, a Quebec-based provider of transportation and logistics services closed its previously announced acquisition of Texas-based Daseke, for an enterprise value of CAD \$1.5 billion, implying an EV/EBITDA multiple of 5.3x. Daseke is a transportation and logistics solutions provider with a significant flatbed presence, dedicated to serving challenging industrial end-markets. The acquisition is highly complementary to TFI's existing operations and scales its truckload segment into one of the North American leaders.

Ernst & Young Orenda's **Transportation** Index

The Ernst & Young Orenda Corporate Finance North American transportation index tracks the performance of the most widely traded North American transportation companies relative to the benchmark S&P 500 Composite Index.

Our North American transportation index consists of the following publicly traded transport companies:

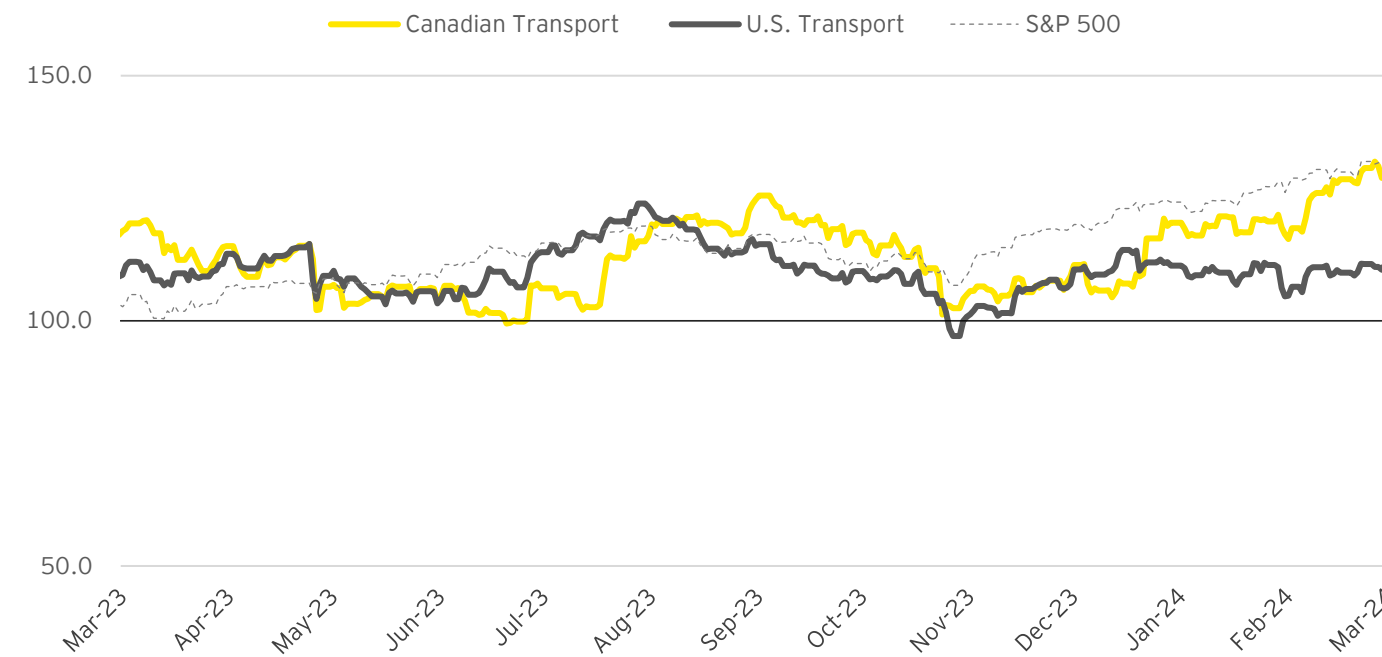
Canada

- Andlauer Healthcare Group Inc.
- Mullen Group Ltd.
- TFI International Inc
- Titanium Transportation Group Inc

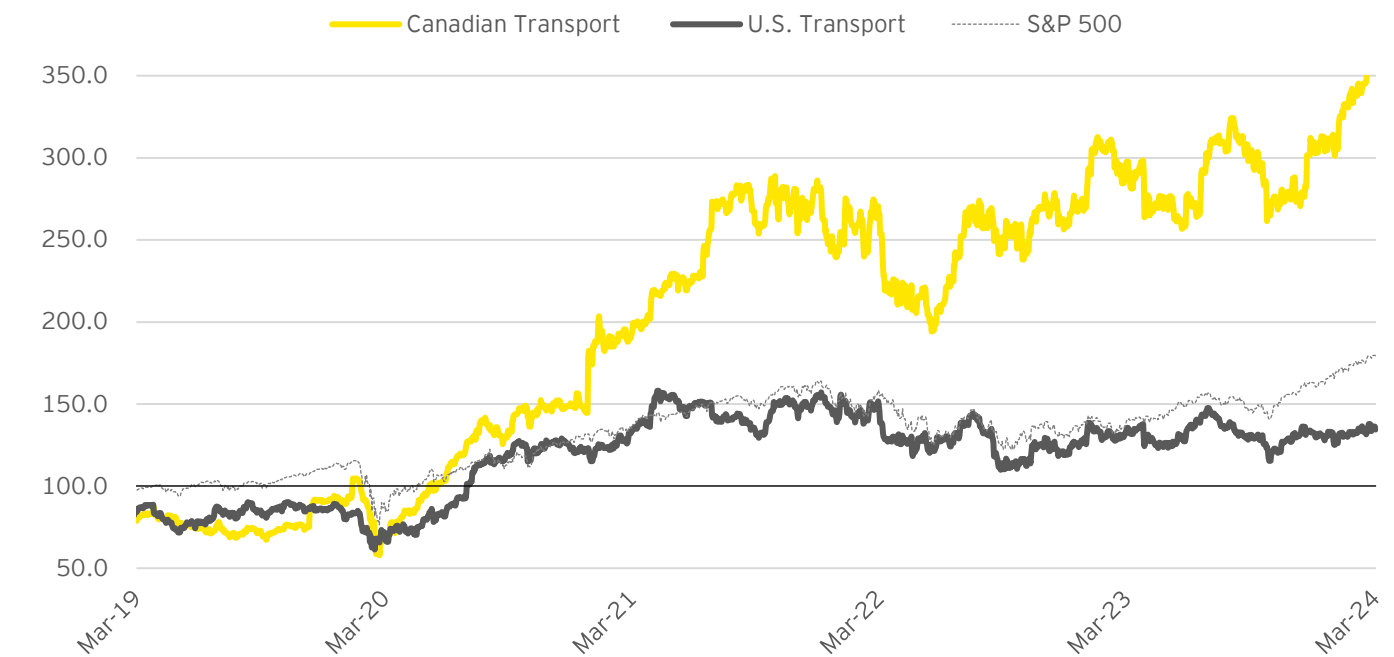
United States

- ArcBest Corporation
- C.H. Robinson Worldwide Inc.
- Covenant Logistics Group, Inc.
- FedEx Corporation
- Forward Air Corporation
- Heartland Express Inc.
- Hub Group Inc.
- J.B. hunt Transport Services Inc.
- Knight-Swift Transportation Holdings Inc.
- Landstar Systems Inc.
- Marten Transport Ltd.
- Old Dominion Freight Line, Inc.
- Radiant Logistics Inc.
- Ryder System Inc.
- Saia, Inc.
- Schneider National, Inc.
- United Parcel Service Inc.
- Universal Logistics Holding Inc.
- Werner Enterprises Inc.
- XPO Logistics Inc.

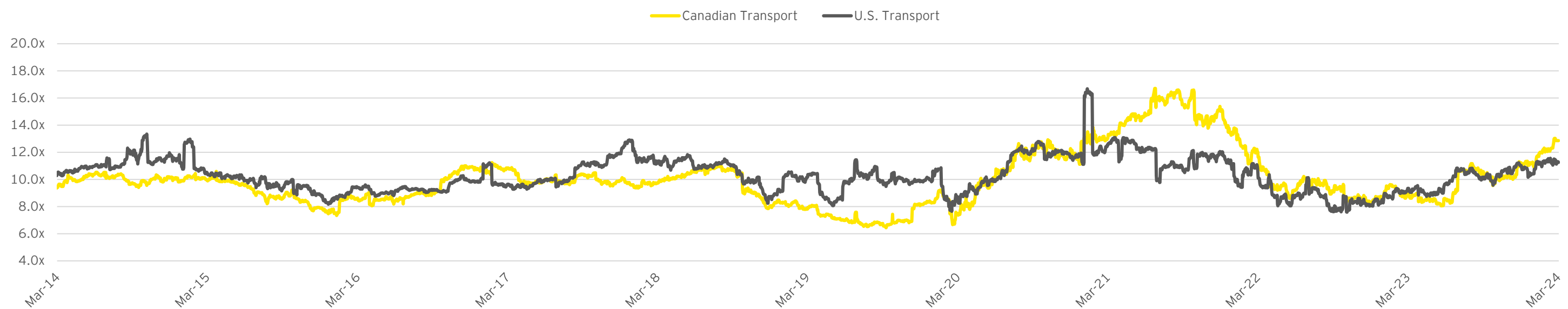
Past 1-Year Return



Past 5-Year Return



10-Year TEV / TTM EBITDA Multiple (Public Companies)



Note: The indices in this newsletter have been compiled by Ernst & Young Orenda Corporate Finance Inc. solely for illustrative purposes. The companies chosen are publicly traded companies that are commonly used for industry composites to show stock performances within a sector. The indices do not include all public companies that could be categorized within each sector and were not created as benchmarks, nor should they imply benchmarking or recommendations for a particular stock or sector.



Our Transportation Team

National Leader



Brock McMillan *
Senior Vice President
+1 403 206 5335
brock.mcmillan@ca.ey.com

Ontario



Chris Hutchinson *
Senior Vice President
+1 416 932 6002
chris.hutchinson@ca.ey.com



Ryan Marinelli
Analyst
+1 416 932 4932
ryan.marinelli@ca.ey.com

Quebec



Walid Safi
Senior Vice President
+1 514 879 8029
walid.safi@ca.ey.com

Saskatchewan + Manitoba



Michael Campbell
Senior Vice President
+1 306 649 8305
michael.campbell@ca.ey.com



Blake Hermann
Senior Associate
+1 306 649 8321
blake.hermann@ca.ey.com

BC



Robert Withers
Senior Vice President
+1 604 899 3550
robert.withers@ca.ey.com



Samuel Watson
Vice President
+1 604 891 8480
samuel.watson@ca.ey.com

Alberta



Ross Johnson
Senior Vice President
+1 403 206 5253
ross.johnson@ca.ey.com

Atlantic Canada



Mike Lutes
Senior Vice President
+1 416 943 2699
mike.j.lutes@ca.ey.com

Capital Markets



Bill Wu
Senior Vice President
+1 416 943 2545
bill.wu@ca.ey.com

EY | Building a better working world

EY exists to build a better working world, helping to create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

Ernst & Young Orenda Corporate Finance Inc. is registered as an exempt market dealer in Alberta, British Columbia, Manitoba, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario, Quebec and Saskatchewan.

© 2024 Ernst & Young LLP. All Rights Reserved. A member firm of Ernst & Young Global Limited.

4059037

ED None

This publication contains information in summary form, current as of the date of publication, and is intended for general guidance only. It should not be regarded as comprehensive or a substitute for professional advice. Before taking any particular course of action, contact Ernst & Young or another professional advisor to discuss these matters in the context of your particular circumstances. We accept no responsibility for any loss or damage occasioned by your reliance on information contained in this publication.

ey.com/en_ca/strategy-transactions