

Trucking & Logistics M&A Recap

THIRD QUARTER 2022

EDITOR



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Economic volatility is leading to new M&A considerations for transportation and logistics companies

Transportation companies looking at M&A are facing an abundance of new challenges. Rising interest rates, an equipment shortage and a possible recession are creating unique dynamics that require careful consideration.

Due to supply chain constraints and the corresponding equipment shortage, transportation companies can be waiting for the delivery of newly purchased trucks while simultaneously running a sale process for the business. In this situation, there is debate surrounding who should bear the cost of the new trucks. A seller would argue that they have not received any benefit for a truck that is delivered after closing and thus should not be responsible to pay for it. On the other hand, a buyer will argue that the new trucks are required to maintain current or projected sales volume and so the seller should bear the cost. Who ultimately ends up paying for the new trucks is different in each transaction.

Another common debate given current market conditions is whether buyers consider profits earned from the recent fuel surcharge hikes as sustainable.

As fuel prices remain well above historic averages, many trucking companies are able to manage fuel surcharges and earn stronger profit margins than they might in a stable cost environment. In many circumstances the fuel surcharge is covering more than just higher fuel costs. Increased labour and insurance costs and higher equipment prices may also be subsidized via the fuel surcharge. Whether trucking companies will be able to increase base freight rates to subsidize a reduction in fuel surcharge if fuel costs come down will require an in-depth view of the seller's relationships with customers.

While the current volatile economic environment requires careful and strategic management, transportation & logistics M&A activity remains steady in North America. Public company valuation multiples have been trending down, but large players continue to look to M&A to execute on their inorganic growth strategies.

We hope you enjoy this edition of our Trucking & Logistics Recap and encourage you to reach out to a member of our team with any questions.



Select Q3 2022 Transactions

July 11, 2022: Jardine Transport Group, a New Brunswick based provider of long-haul trucking services across North America acquired K&T Transport Ltd. K&T Transport is an open deck, transport, and logistics company. The acquisition is consistent with Jardine's strategy of building a leading transportation company based in Atlantic Canada.

July 22, 2022: Stella-Jones Inc., a leading producer and supplier of pressure-treated wood products acquired all operating assets of the Dinsmore Trucking group for approximately \$9 million. Dinsmore's operations comprises of specialty poles and logs carrier and transportation business and are principally located in Ontario and Alberta. The acquisition will help Stella-Jones to better serve its network and customers.

Aug 03, 2022: Fastfrate Group, an Ontario based provider of end-to-end supply chain solutions completed the majority acquisition of Ontario-based Challenger Motor Freight Inc. Fastfrate is excited to add Challenger's industry-leading cross-border trucking capabilities to complete its already diverse suite of services. Challenger will continue to operate as an independent brand following the closing of the transaction, with current shareholders retaining an ownership interest. EY acted as the exclusive financial advisor to Fastfrate.

Aug 31, 2022: Heartland Express, Inc., an Iowa based truckload carrier acquired Contract Freighters Truckload Business from TFI International, Inc., for approximately \$525 million. CFI provides dry van and temperature-controlled truckload services throughout the U.S. and into Mexico and Canada. The acquisition will strengthen Heartland's driver and customers capability and increase its cross-border expertise.

Sept 15, 2022: DB Schenker, a Virginia based leading logistics service provider acquired USA Truck, for approximately \$435 million including assumed cash and debt. USA Truck provides comprehensive capacity solutions throughout North America. The acquisition will strengthen and expand USA Truck's presence in North America, through utilizing DB Schenker's complementary international logistics expertise, air transport services and ocean gateways.

Select EY Transactions

FASTFRATE
has acquired

CHALLENGER
We go the Distance

EY* acted as exclusive financial advisor to Fastfrate Group

EY Building a better working world
* Ernst and Young Orenda Corporate Finance Inc.

UNITED TRANSFER LTD.
has been acquired by

FASTFRATE

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

EY Building a better working world
* Ernst and Young Orenda Corporate Finance Inc.

FASTFRATE
has acquired

ASL Distribution Services

EY* acted as exclusive financial advisor to Fastfrate Group

EY Building a better working world
* Ernst and Young Orenda Corporate Finance Inc.

PREMIER
has been acquired by

HENIFF
TRANSPORTATION SYSTEMS, LLC

EY* acted as exclusive financial advisor to Premier Bulk Systems

EY Building a better working world
* Ernst and Young Orenda Corporate Finance Inc.

PENNER INTERNATIONAL
has been acquired by

CAV

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

EY Building a better working world
* Ernst and Young Orenda Corporate Finance Inc.

TAM International Inc.
An investment has been made in TAM International Inc. by

pfm
CAPITAL INC.

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

EY Building a better working world
* Ernst and Young Orenda Corporate Finance Inc.

ARGUS CARRIERS LTD.
has been acquired by

Mullen Group

EY* acted as exclusive financial advisor to Argus Carriers Ltd.

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InterUrban Delivery Service Ltd.
has been acquired by

Mullen Group

EY* acted as exclusive financial advisor to Inter-Urban Delivery Service Ltd.

EY Building a better working world
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THREE STAR TRUCKING LTD.
has been acquired by

VERTEX

EY* acted as exclusive financial advisor to Three Star Trucking Ltd.

EY Building a better working world
* Ernst and Young Orenda Corporate Finance Inc.

TimeLine LOGISTIC
has been acquired by

TFI International

EY* acted as exclusive financial advisor to TimeLine Logistic International

EY Building a better working world
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ATS
has entered a strategic partnership and made a financial investment in

Q-LINE TRUCKING

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

EY Building a better working world
* Ernst & Young Orenda Corporate Finance Inc.

* Ernst and Young Orenda Corporate Finance Inc.



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:

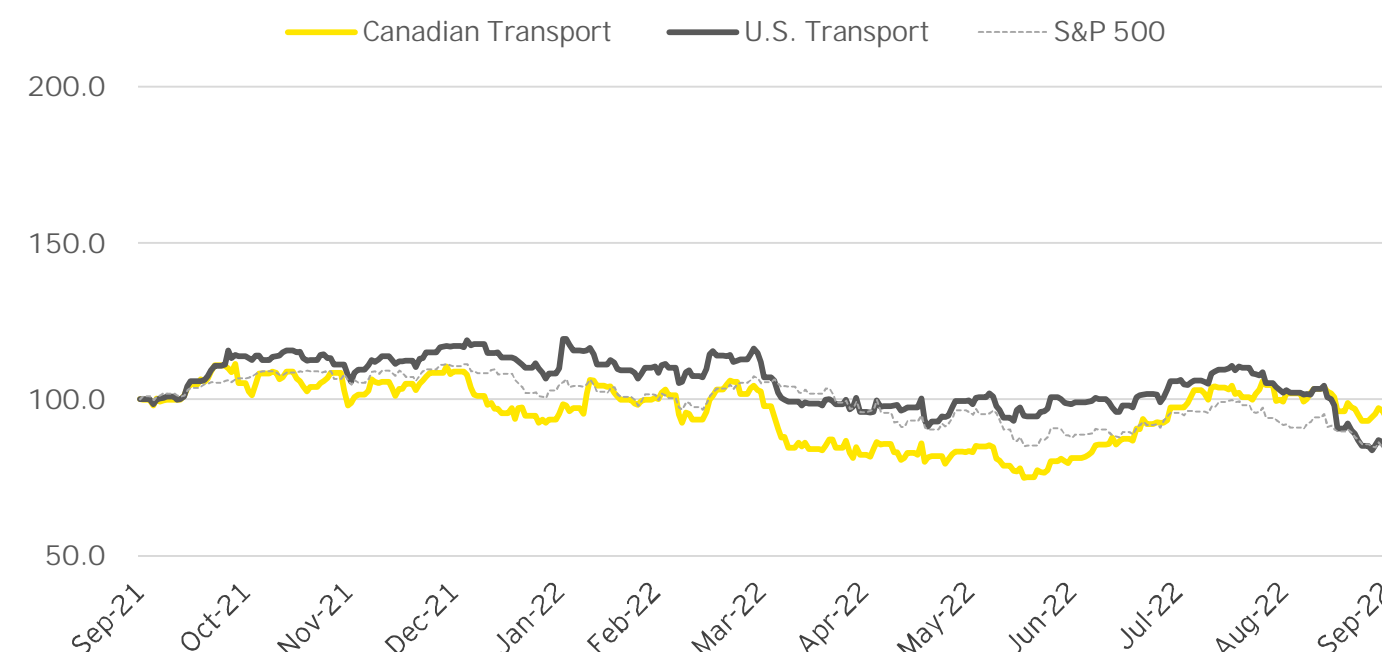
Canada

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

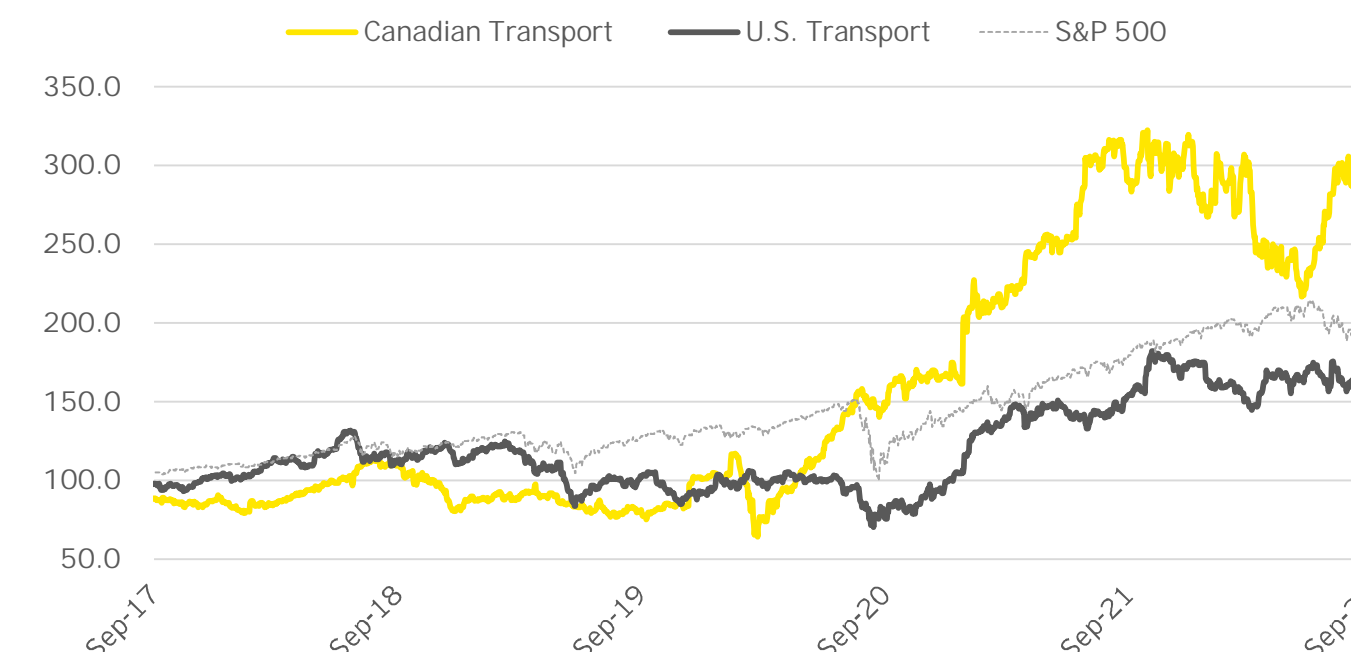
United States

C.H. Robinson Worldwide Inc.
FedEx Corporation
Forward Air Corporation
Hub Group Inc.
Heartland Express Inc.
J.B. hunt Transport Services Inc.
Knight-Swift Transportation Holdings Inc.
Landstar Systems Inc.
Marten Transport Ltd.
Radiant Logistics Inc.
Ryder System Inc.
United Parcel Service Inc.
Universal Logistics Holding Inc.
Werner Enterprises Inc.
XPO Logistics Inc.
Yellow Corporation

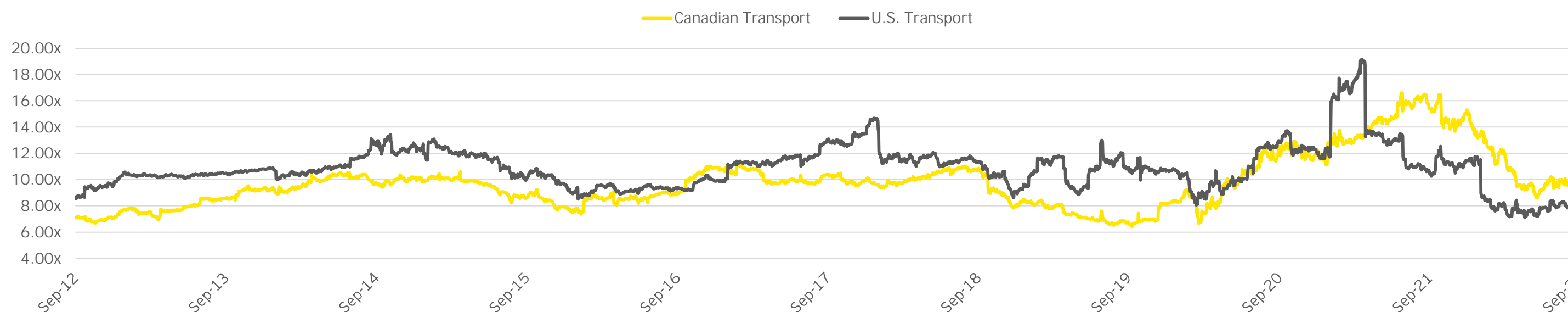
Past 1-Year Return



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.

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