

Trucking & Logistics M&A Recap

Q4 2022

NATIONAL LEADER



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Transportation industry bracing for a challenging year following record-setting 2022

For many transportation companies, 2022 was a record year. But executives are now preparing for a year that will surely have its share of challenges.

The largest publicly traded transportation companies on average project 2022 net income to be up about 15% year over year. However, many have seen profitability drop in each of the last two quarters. This decline in profits can be attributed to a variety of factors, including rising diesel prices, which are up approximately 39% in the last 12 months and declining trucking rates.¹ Smaller transportation companies are being disproportionately affected by rising diesel prices, since they are not typically able to secure as high a fuel discount as their larger counterparts.

Rising diesel prices and declining rates aren't the only challenges transportation companies are facing. When asked about the biggest issues the industry will face in 2023 by TruckNews.com, Fastfrate Group executive chairman Ron Tepper noted that higher wages, increased insurance costs and rising equipment costs are also hurting profitability. Notably, the U.S. Bureau of Labor Statistics reported that the average hourly earnings of transportation and warehousing employees are up 3.7% year over year and 11.8% in the last 24 months, while national dry truckload spot rates are down 20% from the start of the year.²

¹ Source: Statistics Canada

² Source: DAT Freight and Analytics

Transportation companies are being forced to either pass along these increased costs to customers, something that is not always easy to do, or cut costs in other areas of the business to maintain margins.

Another indication of the state of the industry is the FTR Trucking Conditions Index, which tracks market conditions in the U.S. full-load truck market. The index crashed to an 18-month low in October, before rebounding slightly in November. At the same time, large public transportation companies Knight-Swift and J.B. Hunt began warning of a "trucking slump" due to declining spot rates and higher costs.

While not all transportation companies are likely to experience the same level of decline, such as those primarily operating in Western Canada, where GDP growth and freight volumes are expected to remain strong in 2023, executives are going to need to carefully manage the turbulent environment in which they operate.

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 Q4 2022 Transactions

Sept 15, 2022: DB Schenker, a Virginia-based leading logistics service provider acquired USA Truck, for approximately USD \$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.

Oct 01, 2022: Werner Enterprises, Inc., a Nebraska-based transportation and logistics service provider acquired Indiana-based Baylor Trucking Inc. for approximately USD \$95 million, implying a TEV/Revenue multiple of 1.2x. Baylor is a truckload carrier that operates trucks and trailers in the east and south-central U.S. The acquisition will help Werner in expanding its terminal, fleet and professional driver footprint in the east-central and south-central U.S. truckload markets.

Oct 12, 2022: KAG Logistics, Inc., an Ohio-based logistics provider with focus on energy commodities, renewable fuels and specialty products acquired Toronto-based Connectrans Logistics Inc. Connectrans Logistics provides premium logistics services for cross-border freight transportation between Canada and the U.S. The acquisition will expand KAG's footprint in the Canadian logistics market and will enhance its capabilities with access to the U.S. marketplace.


Oct 31, 2022: Bison Transport, a Winnipeg-based, asset-heavy freight solutions provider acquired Maine-based Pottle's Transportation. Pottle's is a truckload carrier with 200+ tractors and 750+ trailers. The acquisition will expand Bison's footprint in the U.S. and strengthen its cross-border offering.

Dec 01, 2022: Metro Supply Chain Inc., a Toronto-based leading provider of end-to-end supply chain solutions and last-mile delivery acquired Quebec-based QuickContractors.com Inc. Quick Contractors operates managed networks of independent contractors, installers and assemblers. The acquisition will allow Metro Supply Chain to combine expertise in home delivery and installation to provide consumers with next-level service.


Dec 12, 2022: Environmental 360 Solutions Ltd. (E360S), an Ontario-based provider of environmental and waste management solutions acquired the assets of Alberta-based Canadian Hydrovac Ltd. from Mullen Group Ltd. Mullen Group provides trucking and logistics services throughout Canada and the U.S. The sale comes as Mullen Group looks to execute on its strategy of divesting its non-core assets.

Dec 16, 2022: Express Mondor, a Quebec-based transportation services provider specializing in oversized loads and heavy equipment hauling acquired fellow Quebec-based W.J. Deans Transportation Inc. W.J. Deans provides truck transportation services specializing in the transportation of heavy metallurgical goods. The acquisition will expand Express Mondor's presence across North America and make its flatbed fleet one of the largest in Canada.


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Ernst & Young Orenda's Transportation Index

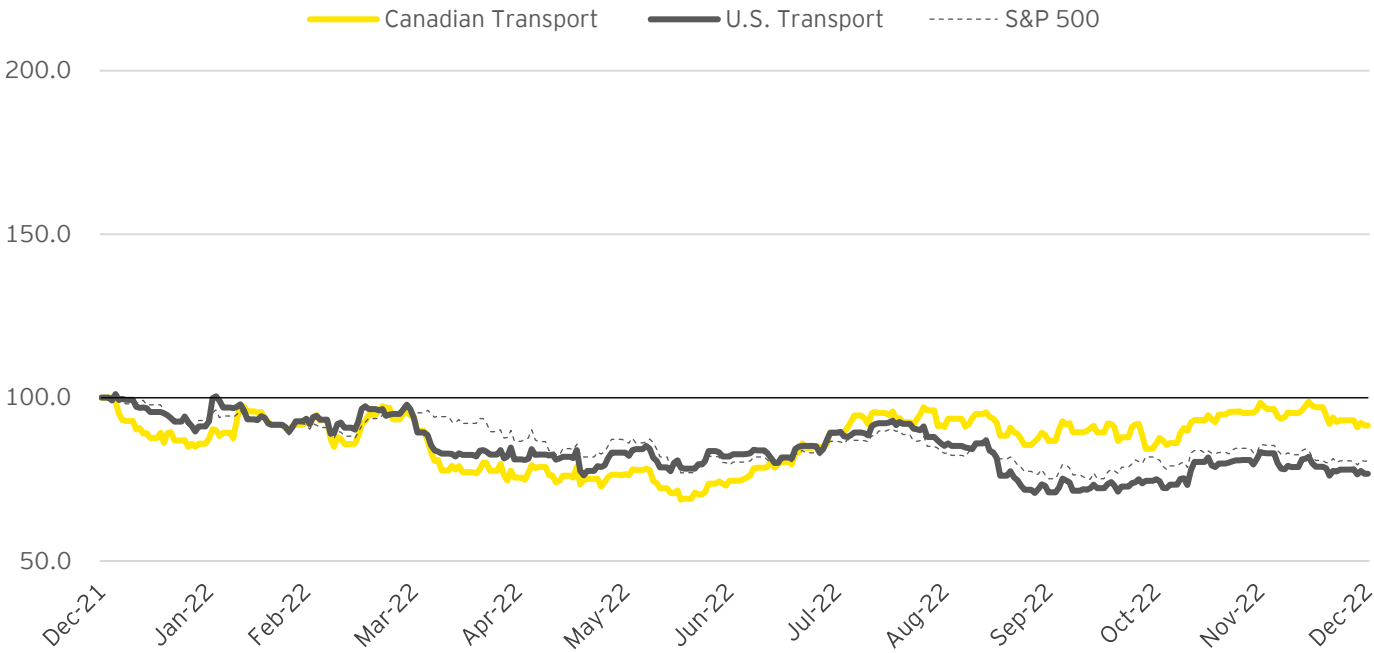
The Ernst & Young Orenda Corporate Finance North American transportation index tracks the performance of the most widely traded North American transportation companies relative to the benchmark S&P 500 Composite Index.

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

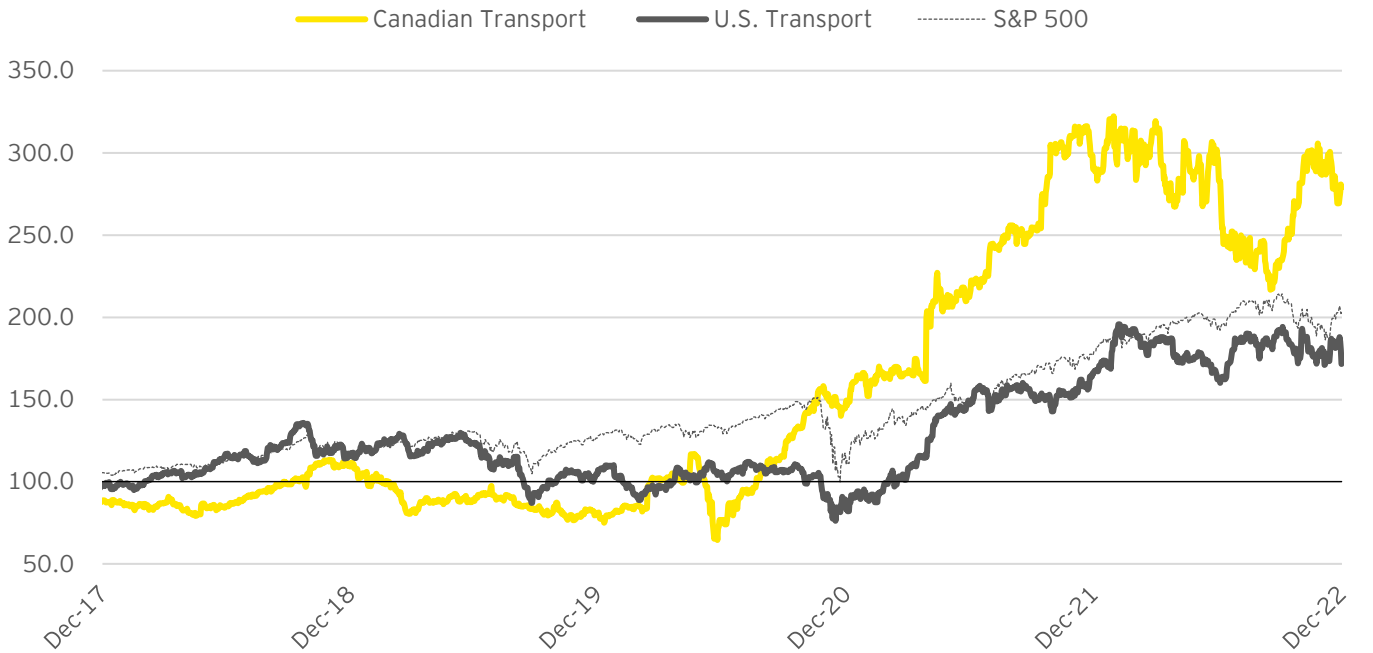
- Canada**
- Andlauer Healthcare Group Inc.
 - Mullen Group Ltd.
 - TFI International Inc
 - Titanium Transportation Group Inc

- United States**
- 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.
 - 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.
 - Yellow Corporation

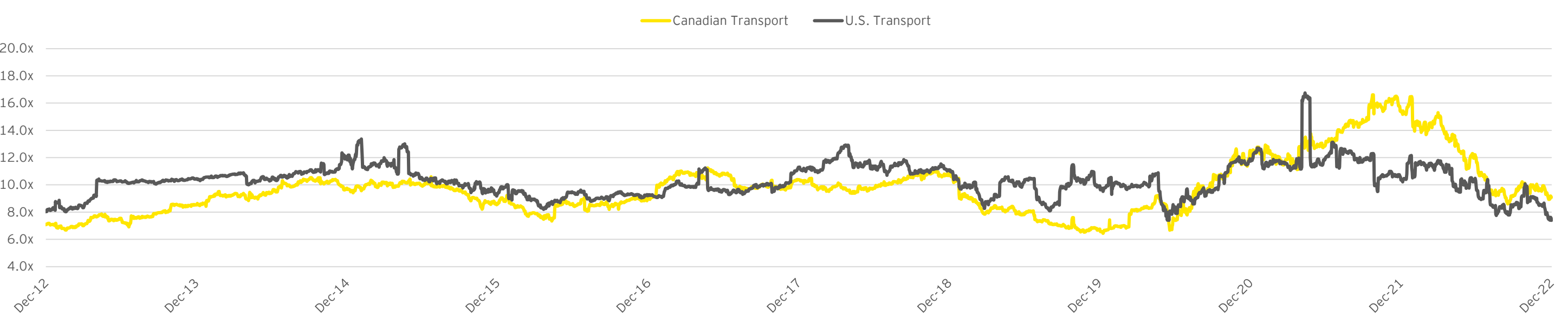
Past 1-Year Return



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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