While the stockpiling and subsequent depletion of inventory levels have negatively impacted freight volumes in the short term, Mullen appears to believe this trend will begin to reverse itself. “The good news is that inventories will eventually be brought into balance and volumes will normalize. And when this occurs, the freight recession will end.”

Despite the inventory overhang experienced at many warehouses, it’s not all tough news for the transportation industry. Cooling inflation, fiscal stimulus and seasonal tailwinds are all factors that will help reduce the impact of the above-noted macroeconomic factors on supply chains. However, executives are being forced to ensure their businesses are operating as efficiently as possible to navigate the turbulent freight environment.

M&A activity across the transportation industry has remained strong in recent months, specifically in the logistics space. We have noted that many transportation companies experienced record years in 2022, forcing buyers to take a deep dive into what is behind the earnings during the due diligence phase of a transaction.

We hope you enjoy this edition of our Trucking & Logistics Recap. Please feel free to reach out to a member of our team with any questions.
The Deal

EY advised the shareholders of B&R Eckel’s Transport Ltd. (“B&R” or the “Company”) on a sale to Mullen Group Ltd. (“Mullen”).

About B&R Eckel’s

B&R was established in 1965 in Bonnyville, Alberta, and has a long history of servicing customers in the greater Northeastern Alberta (“NEAB”) region. B&R provides three primary service offerings to a diverse group of customers in NEAB: less-than-truckload, full truckload and general oilfield hauling. With a dedicated group of 420 employees working within a network of 16 facilities, B&R operates a fleet of 400 power units and over 950 trailers that generate annualized revenue of $85 million.

About Mullen Group

Mullen Group is one of Canada’s largest logistics providers. Its network of independently operated businesses provide a wide range of service offerings including less-than-truckload, truckload, warehousing, logistics, transload, oversized, third-party logistics and specialized hauling transportation. In addition, Mullen provides a diverse set of specialized services related to the energy, mining, forestry and construction industries in Western Canada, including water management, fluid hauling and environmental reclamation.

The Win-Win

The acquisition of B&R allows Mullen to support the next stage of growth for the business, allowing the Company to execute on various strategic initiatives and drive meaningful growth and operational improvement across the Company’s target markets. The transaction provides a liquidity event for B&R’s shareholders, who have successfully grown the business to become regional leaders in the industry. EY’s deep sector expertise in trucking and logistics, and diversified transaction experience helped achieve an optimal outcome for B&R’s shareholders.
**Select EY Transactions**

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Q2 2023 Transactions

**Apr 26, 2023:** Covenant Logistics Group, a Tennessee-based provider of transportation and logistics services acquired Arkansas-based Lew Thompson & Son Trucking. The enterprise value of the transaction is approximately USD $130 million inclusive of a $30 million earnout, implying a EV/Revenue multiple of 2.0x and EV/EBITDA multiple of 5.2x. Lew Thompson & Son Trucking provides poultry feed and live haul freight transportation services. The acquisition will allow Covenant to build a more diversified and resilient operating model.

**Apr 27, 2023:** Tramac Transportation Services, an Alberta-based provider of trucking services for bulk commodities acquired Ohio-based American Industrial Partners Logistics (“AIP”). AIP provides bulk terminal services, transportation, and warehousing for the plastics, liquid chemical, food grade storage and metal production industries. The acquisition is a continued step in Tramac’s five-year strategy to further position it as a leader in bulk transportation, wash and maintenance.

**May 01, 2023:** TFI International, a Quebec-based provider of transportation and logistics services announced it has agreed to acquire Saskatchewan-based Siemens Transportation Group. Siemens provides LTL, TL and flat-deck services across North America through its 15 terminals. The acquisition will expand TFI’s footprint in both Canada and the U.S. The transaction closed on July 13. EY acted as the exclusive financial advisor to Siemens Transportation Group.

**May 01, 2023:** Mullen Group, an Alberta-based provider of trucking and logistics services announced it has agreed to acquire Alberta-based B&R Eckel’s Transport. B&R provides LTL, TL, and general oilfield hauling services. The acquisition will enable Mullen Group to expand its presence in Canada. EY acted as the exclusive financial advisor to B&R Eckel’s Transport.

**May 17, 2023:** Tramac Transportation Services, an Alberta-based provider of trucking transportation services for bulk commodities acquired Quebec-based Transport Sylvain Lasalle (“TSL”). TSL is primarily a transporter of propane gas in Quebec and Ontario. The acquisition will expand Tramac transportation’s reach in Eastern Canada and strengthen its service capabilities.

**Jun 06, 2023:** Flexport, a California-based provider of freight forwarding and customs brokerage services acquired Ontario-based Shopify Logistics. The acquisition will strengthen Flexport’s AI-driven optimization to streamline the full global supply chain, reducing costs and improving reliability for customers.

**Jun 07, 2023:** Trappers Transport, a Manitoba-based provider of temperature-controlled food logistics services acquired Manitoba-based Plett Trucking. Plett provides truck transportation of fresh and frozen food products. The transaction will expand Trappers Transport’s cross-border and domestic transportation offering.

**Jul 01, 2023:** Knight-Swift Transportation, an Arizona-based provider of freight transportation services acquired Tennessee-based U.S. Xpress Enterprises, for an enterprise value of USD $808 million, implying a EV/Revenue multiple of 0.4x and EV/EBITDA multiple of 5.5x. U.S. Xpress offers truckload and brokerage services through its fleet of over 7,200 tractors and 14,400 tailers. The acquisition will provide Knight-Swift significant opportunities to improve earnings, gain customers and reach more professional drivers.
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.
- Salia, Inc.
- Schneider National, Inc.
- United Parcel Service Inc.
- Universal Logistics Holding Inc.
- Werner Enterprises Inc.
- XPO Logistics Inc.
- Yellow Corporation

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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