
Generational Business Intelligence

Transportation M&A Update

Winter 2023



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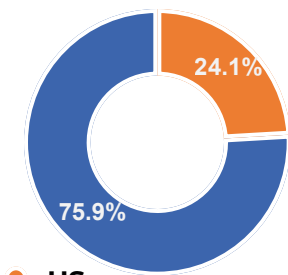
Experience you can trust

Industry Insights

US Industry Overview

- In 2022, the US freight trucking market looks to exceed the previous year of \$514.7 B¹ due to heightened demand, lower-than-usual supply levels and increased costs across the board. As a result, freight rates are rising.²

Market Share



- US
- RoW

Source: MMR Report

Trucking is responsible for most of the overland freight movement in the US, with the trucking industry being worth the largest amount.³

Growing Technological Advancements

- Growing technological advancements in the trucking industry are influencing the adoption of high-capacity trucks with various features, such as refrigeration, which will generate new prospects for the market over the coming years.⁴

According to the data from Acumen Research and Consulting, the semi and fully autonomous truck market is expected to post a 10.1% CAGR to ~\$88.0 B over 2020–2027⁵

Government Initiatives

White House looks to boost US trucking industry

- According to Transportation Department projections, freight tonnage will rise by 50% by 2050 to 28.7 B tons. Trucks, which currently carry 65.0% of US freight tonnage, are expected to remain the predominant freight carrier

- The White House said the Transportation Department is providing \$30M to help states expedite issuance of commercial driver’s licenses.⁶

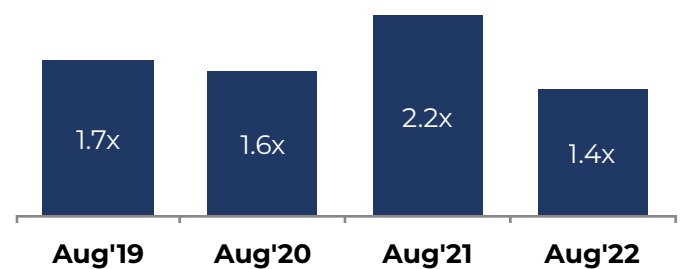
Growth Prospects

- 2022 is showing a technology shift toward the adoption of electric and self-driving trucks which could solve the driver shortage problem; however, we are likely a few years away from this becoming mainstream.
- Analysts are optimistic about the trucking industry, expecting annual earnings growth of 29% over the next 5 years.
- Meanwhile, revenues for trucking companies have grown 19% per year (as of July 7, 2022) owing to increased costs, which ultimately drove freight rates throughout the year.
- Earnings for companies in the trucking industry have deteriorated over the last three years owing to the pandemic.^{7,8}

Performance of Growth Multiples

- According to the US trucking industry analysis by Simply Wall St, as of July 2022, the US industry had a market cap of \$187.5 B with a PE ratio of 9.3x.

PS Ratio



Source: Simplywall.st

According to the American Trucking Association (ATA) forecast, freight tonnage in the US will grow 24% by 2022. With this growth, industry revenue is projected to rise 66%⁹



Industry Insights

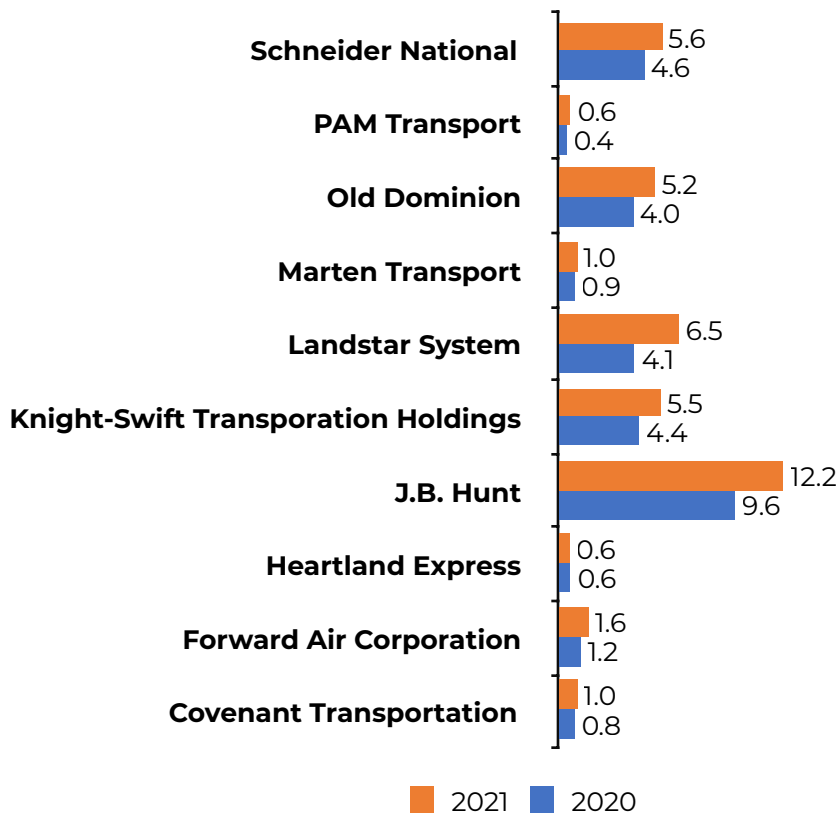
US Trucking Industry Segmentation

- The US trucking industry can be segmented into three main sectors – full truckload (FTL), less-than-truckload (LTL), and couriers.³
- In 2022, the US truckload industry looked to exceed \$212 B (2021). Over the recent years, the industry has experienced a continuous increase due to improving economic needs for inland freight transportation in the US.¹⁰

Performance of Key Players

- In 2021 the market showed an overall recovery despite a challenging environment marked by labor and equipment shortages, as well as regulatory uncertainty.⁸

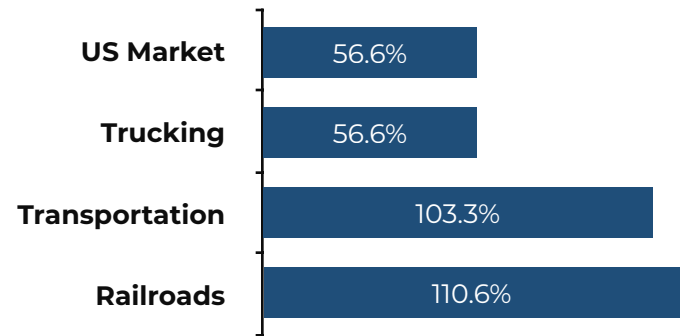
Key Players' Revenue Comparison, 2020-2021 YTD



Source: CCJ Digital Report

Industry Comparison

Industry Growth* Comparison Based on Earnings (Last 5 Years)



Source: Simply Wall St

Note: *Rate at which each industry is expected to grow its earnings annually

Bottlenecks

The issues impacting the trucking industry include supply shortages, skyrocketing prices, bottlenecked ports, limited shipping containers, and labor & driver inadequacy

- Combined with the pandemic and the supply chain crisis, the truck driver shortage is causing major bottleneck issues in delivery.
- The decline in road conditions is worsening traffic congestion due to a lack of infrastructure.¹¹

Traffic Congestion Due To the Lack of Infrastructure

- The US National Highway System has reached an unprecedented state of decline and the improvements are not keeping pace.
- It is estimated that 1.2 B hours of productivity are lost annually in the trucking industry due to freight issues.
- The time drivers spend sitting idly in traffic translates to an added \$74.1 B in operational costs.⁹



Market Trends

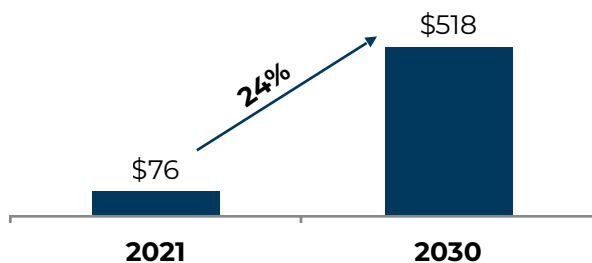
Advancement of Technology

- Dynamic routing is being increasingly used as it optimizes routes by incorporating weather, traffic, and other real-world obstacles. ¹²
- IoT-related innovations are supporting sophisticated use-cases, such as cargo space optimization and preventive maintenance predictions. ¹³

Mobility-as-a-Service (MaaS)

- MaaS is being increasingly adopted because of its ability to mitigate issues such as traffic congestion. The global MaaS market is expected to post ~24% CAGR from \$76 B to \$518 B over the next decade. ¹⁴

M-a-a-S Market Size (\$B)



Source: Verified Market Research

Urbanization

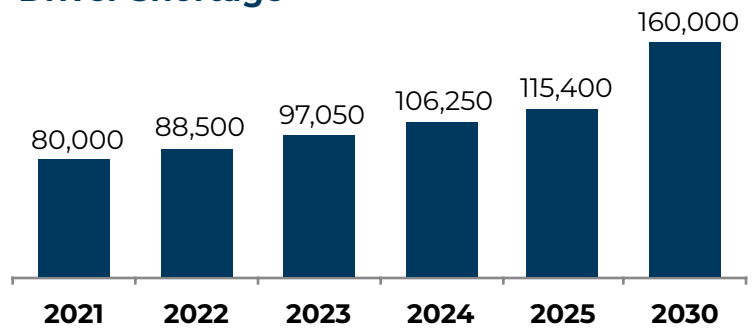
- Rapid urbanization has boosted the demand for both freight and passenger transportation services.
- Urbanization is helping with the development of companies in the trucking industry by improving accessibility to previously unavailable routes. ¹⁵

Workforce Scarcity

- According to American Trucking Association's estimate, the US trucking industry's driver shortage may increase

from 80,000 in 2021 to 160,000 by 2030. ¹⁶

Driver Shortage



Source: ATA

- At ~90%, driver turnover also remains a challenge.
- As e-commerce creates additional demand for warehousing jobs and short-haul freight, long-haul trucking positions are getting harder to fill.

Last Mile Delivery

- Changes in the last mile delivery phase of ecommerce fulfillment, driven by consumer demand for faster delivery times and better visibility, have become a focal point for businesses and the third-party logistics providers (3PLs). ¹⁷
- Consumers want their products delivered in two-days at a minimum requiring faster fulfillment. As a result, companies are making structural changes like building Urban Fulfillment Centers and Micro Warehouses.
- More companies are testing Autonomous Vehicles, Drones and Robotic Delivery space to enhance their last mile delivery options.
- According to the Deloitte Future of the Movement of Goods Survey, 80% of companies surveyed are either currently investing or planning to invest in technologies such as autonomous trucks or delivery drones/droids. ¹⁸

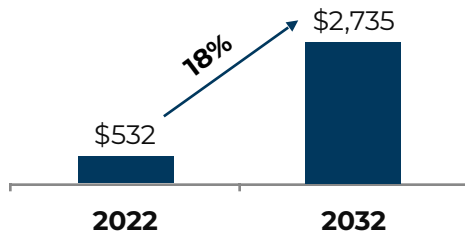


Market Trends

Growth of E-commerce

- Over 2022-2032, the global e-commerce logistics market is estimated to grow from \$531.6 B to \$2,734.6 B ¹⁹

M-a-a-S Market Size (\$BN)



Source: Globe News Wire

- As per a survey conducted by WD Partners in 2021, e-commerce is the preferred shopping channel for 68% consumers, up from 52% in 2020. ²⁰
- Increase in e-commerce revenues has motivated suppliers to offer customers same-day delivery options, exerting more pressure on the supply chain. ²¹

Shift in Production Locations

- Companies are starting to look at new locations to conduct their production operations and meet the existing demand for trucks.
- For example, for production of Dry Vans, Texas, Illinois and Ohio are target locations for production. While for Reefers, California and Illinois are the preferred locations in the US ²²

Role of Data Analytics

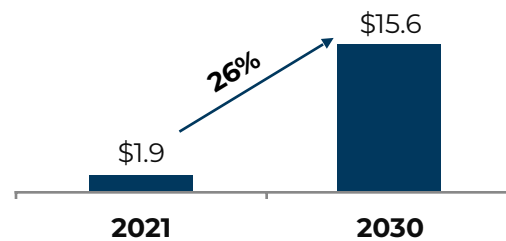
- When applied to the economies of scale, data analytics provide insight that can help lower overall fulfillment costs. Analytics allow companies to monitor and discover areas to cut costs throughout every area of their supply chain.

- Overall last-mile delivery costs can be pushed further down, allowing more companies to offer expedited shipping. ¹⁷

Investment in Electric Vehicles

- The global electric truck market is expected to grow at a 26.4% CAGR from \$1.9 B in 2021 to \$15.6 B in 2030. ²³

Electric Truck Market (\$B)



Source: Globe News Wire

- Rising fuel costs are also pushing logistics companies towards adopting EVs.
- Companies have already begun to embrace the shift towards EV with UPS placing an order for 10,000 electric delivery vehicles and Amazon is buying 100,000 from the start-up Rivian. ²⁴
- Government around the world are pushing towards an EV shift; In the US, General Motors and their battery company, LG Energy, won \$824 M in incentives from the state of Michigan ²⁵

Increasing Bankruptcies

- Over the past few years, several large and small shipping companies have closed their doors because of harsh market conditions prevalent within the industry.
- Trucking company bankruptcies saw big players such as New England Motor Freight (NEMF), Falcon Transport, Carney Trucking Company, LME, and ALA Trucking go out of business. ²⁶

M&A Trends

M&A Summary

According to leading industry analysts, the current wave of trucking M&As will continue if low interest rates, driver shortage, and favorable economic conditions for carriers persist.

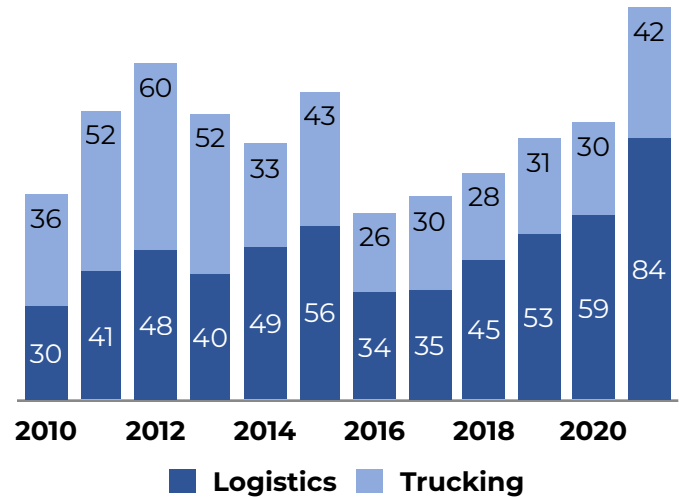
- Another driving force is the inability of carriers to expand organically as it is nearly impossible to add qualified drivers due to driver shortage.
- Acquisitions are the quickest way to expand a fleet without the cost of buying additional trucks and finding qualified drivers.²⁷
- As businesses address several challenges, the high level of M&A activity in the T&L sector is anticipated to continue in FY 2022.
- Many businesses are looking into near-shoring prospects and are attempting to gain more control over their supply chain due to uncertainty around new COVID-19 variants, the war in Ukraine, material & equipment shortages, and overall supply chain disruptions.²⁸

Trucking & Logistics Deal Summary

- In 2021, the sixth year in a row to see high M&A volume, continued recovery and momentum resulted in 126 concluded M&A transactions, reaching a 12-year high.
- In 2020, the T&L industry witnessed 89 M&A deals, up from 84 in 2019.
- The strong M&A transaction volume is likely due to several supply chain dynamics, recent enhancements in the industry's earnings profile, and increased focus on infrastructure spending.²⁹

Trucking & Logistics US Deals

Trucking & Logistics US Deals Volume 2010–2021

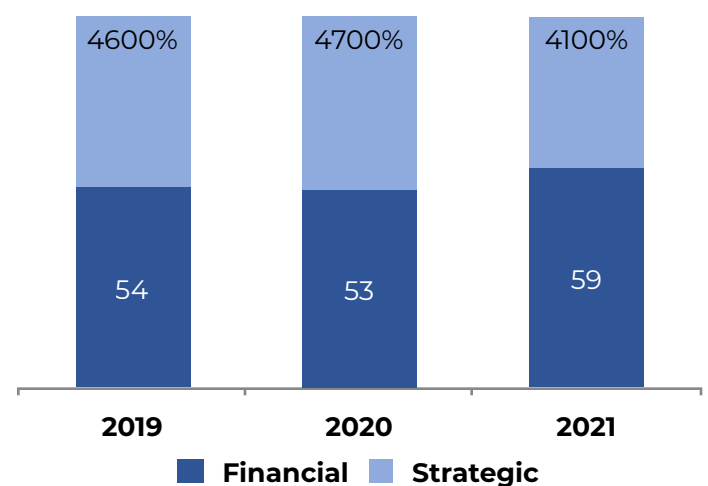


Source: BKD Capital Advisors Report

The T&L industry dynamics and tailwinds have attracted capital from strategic and PE investors

- PE investors became increasingly active in the T&L market in 2021, as private equity platform and add-on investments accounted for nearly 60% of the total deal volume (compared to ~54% and 53% in 2019 and 2020, respectively).²⁹

Deals by Buyer Type



Source: BKD Capital Advisors Report



M&A Trends

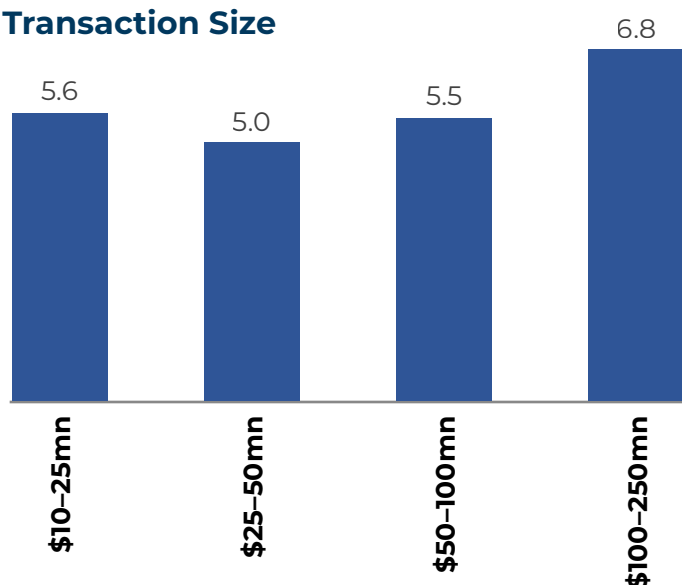
Select Strategic Buyers 2018–2021

Investor Name	# of Acquisitions
TFI International	5
Manitoulin Global Forwarding	3
Knight-Swift Transportation Holdings	3
Ryder System	3
Hub Group	3
A.P. Møller – Mærsk	3
IMC Companies	3
Mason Dixon Intermodal	2
Allen Lund Company	2

Source: BKD Capital Advisors Report

Transaction Activity Overview

Trucking EV/EBITDA Multiples by Transaction Size



Source: BKD Capital Advisors Report

Select M&A Deal Rationale

Portfolio Strengthening

- A.P. Moller-Maersk (Maersk) acquired Pilot Freight Services for \$1.8 B to enable Maersk to extend its integrated logistics

offering into its customers' supply chain by providing international, domestic, and cross-border logistics.³⁰

Operations Expansion

- Schneider National, Inc. acquired Midwest Logistics Systems Ltd. for \$260 M in cash. This transaction will help to grow Schneider's dedicated operations and generate \$1 B in annual revenue from dedicated operations.³¹

Growth Expansion

- ArcBest Corporation (Nasdaq GS:ARCB) acquired Molo Solutions LLC for \$690 M in cash. This transaction enabled ArcBest to rank among the top 15 US truckload brokers with access to 70,000+ carrier partners.³²

Market & Geographic Expansion

- Knight-Swift Transportation Holdings acquired AAA Cooper Transportation, Inc. for \$1.4 B in a cash and stock transaction. This transaction enabled Knight-Swift Transportation Holdings to gain a foothold in the less-than-truckload business in the Southeast and expand to complementary geographies.³³

Future M&A Trends

The number of M&As in 2022 could set a record with a predicted 20% deal volume rise

- The high level of M&A activity in the T&L industry is expected to continue in FY 2022 as many businesses are looking into near-shoring prospects and attempting to gain more control over their supply chain.³⁴

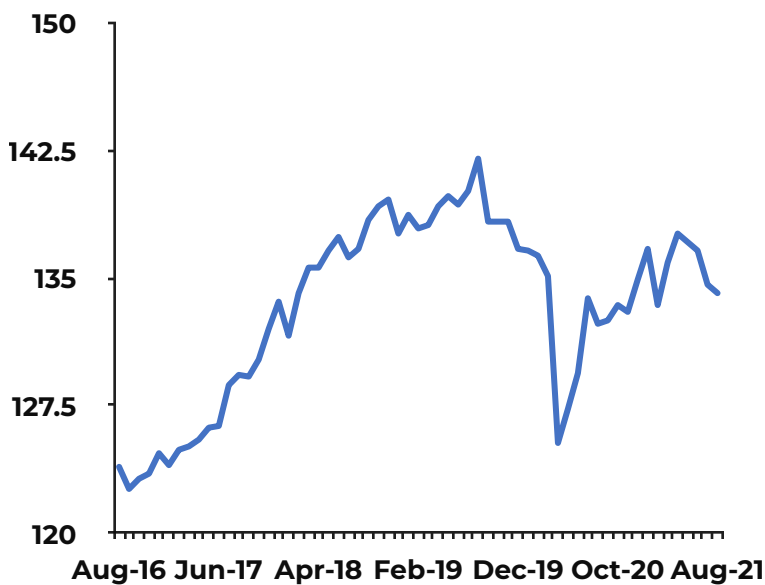


Appendix

Freight Transportation Industry

- According to the US Department of Transportation, the Freight Transportation Services Index (TSI), which is based on the amount of freight carried by the for-hire transportation industry, rose 1.4% during 2020 and 2021.
- The volume of freight moved declined from August 2019 through February 2020, then collapsed with the arrival of COVID in March but quickly rebounded in 2021 ¹

Freight TSI, Aug'16—Aug'21



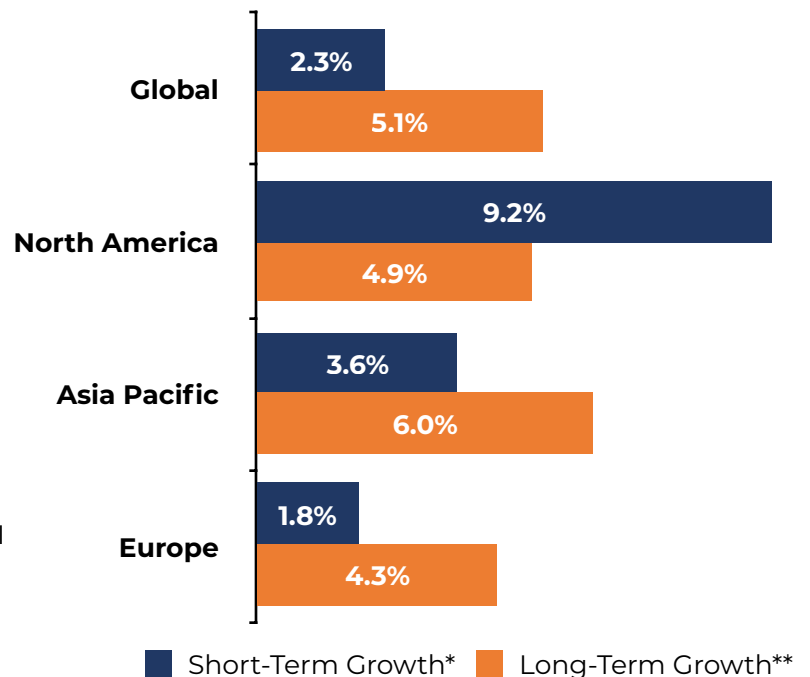
Source: Bureau of Transportation Statistics

Freight Forwarding Industry

The freight forwarding industry in North America is expected to have a market recovery rate of 4.9% during 2021-2025.

- In 2022, real GDP growth is expected to continue above 3.9% YOY, driven by continued expansions in the US & Asia.
- Strong consumer demand, pandemic-related restrictions, and the lack of container capacity is continuing through 2022 and will likely keep freight rates high across all geographies. ²

Freight Forwarding Market Recovery



Source: FTIConsulting

Note: *Short-term Growth refers to the recovery rate during 2019—2021

**Long-term Growth refers to the forecasted growth rate during 2021—2025

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- 4 [Freight Trucking Market Size, Share & Industry Analysis](#)
- 5 [Semi & Fully Autonomous Truck Market](#)
- 6 [White House looks to boost U.S. trucking industry](#)
- 7 [U.S. Trucking Industry Analysis](#)
- 8 [2021 to go down as a record year for carrier earnings](#)
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- 31 [Schneider to expand with acquisition of dedicated carrier](#)
- 32 [ArcBest to Acquire MoLo Solutions, Enhancing Scale and Accelerating Growth](#)
- 33 [Knight-Swift enters LTL arena with \\$1.35B acquisition of AAA Cooper](#)
- 34 [M&A experts forecast record deal volume in 2022](#)

Appendix

- 1 [Freight Transportation Services Index, August 2016-August 2021](#)
- 2 [Transportation and Logistics Industry – Year End Recap](#)

