



NOLAN
& ASSOCIATES

Transportation M&A Update



About this Report

The outlook, key statistics and most relevant transactions for Transportation

Owners of Transportation companies face a unique set of challenges in finding success in profitably operating their businesses.

If it's not the drivers, it's the fuel. If it's not the fuel, it's the damages. If it's not the damages, it's the rates. Rarely is there a day in this industry where all things align perfectly.

In order for healthy M&A activity to be vibrant in this space, there is a certain set of conditions that must be present.

Today, the appropriate dynamics are at play for owners of companies to greatly capitalize on a sale transaction during a time of favorably unique market conditions.

This report provides the key takeaways on the current dynamics driving M&A activity in Transportation, along with covering the most recent and relevant transactions that have closed in the space.



Patrick J. Nolan, President
Nolan & Associates

About Nolan & Associates



1976

YEAR
FOUNDED



300+

TRANSACTIONS
CLOSED



100+

INDUSTRIES
REPRESENTED



GLOBAL

M&A
EXPERIENCE

Top M&A Takeaways

The key topics we have been discussing with business owners

Drivers!
Drivers!
Drivers!

The driver shortage is forecasted to increase by over 30,000 drivers through 2021.

Freight
Demand at
Five Year
High

Continued growth in the economy has increased demand for consumer and commercial shipments.

Tech
Evolutions
Keep
Coming

New technology and regulations have the potential to disrupt current industry practices.

Fragmented
Over-the-
Road
Market

The largest 3 truckload carriers account for just 6% of the market's revenue, leaving room for consolidation.

Rising
Interest
Rates

Increased interest rates are likely to have an effect on M&A and equipment financing.

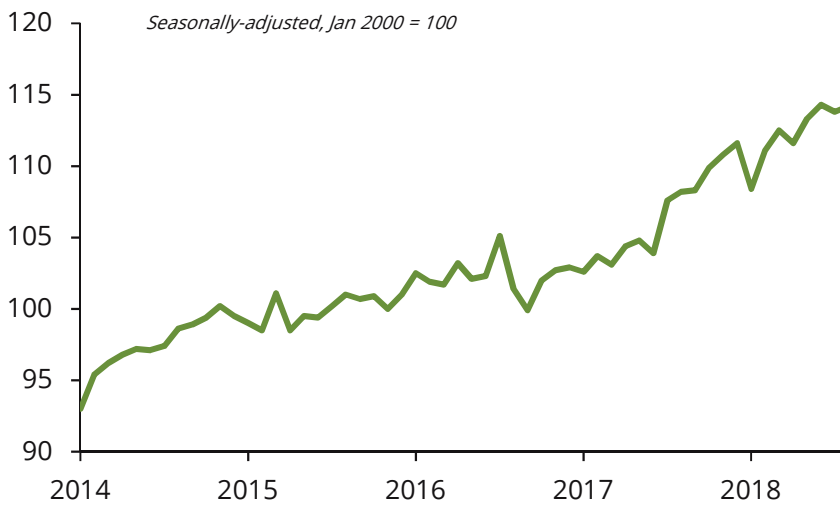
Economic
Cycle
Concerns

Strong M&A market paired with strong demand for freight could signal the market is hitting a peak.

Key M&A Statistics

The latest data on Truck Tonnage & Spot Rates

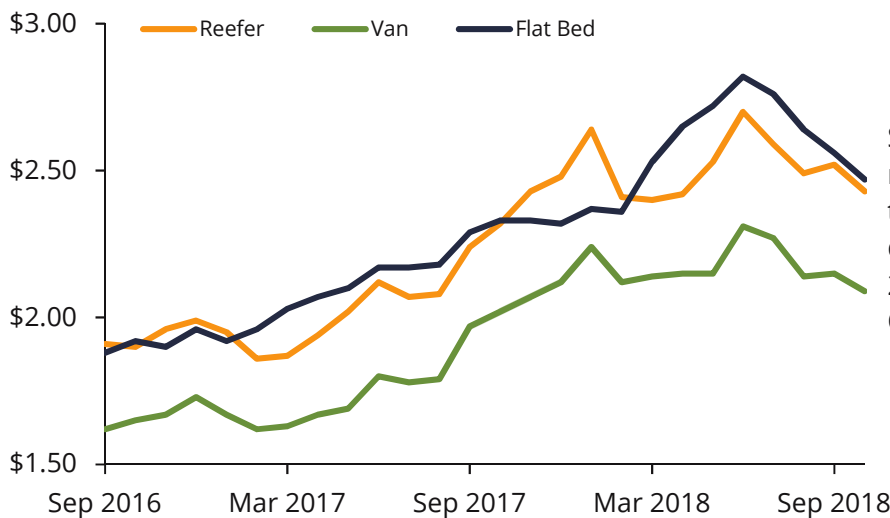
Truck Tonnage Index



Truck tonnage has increased 6.1% since June 2017 and is up 22.8% since 2014. Many companies are trying to cope with increased demand by acquiring other businesses.

Source: U.S. Bureau of Transportation Statistics

Spot Rates (per mile)



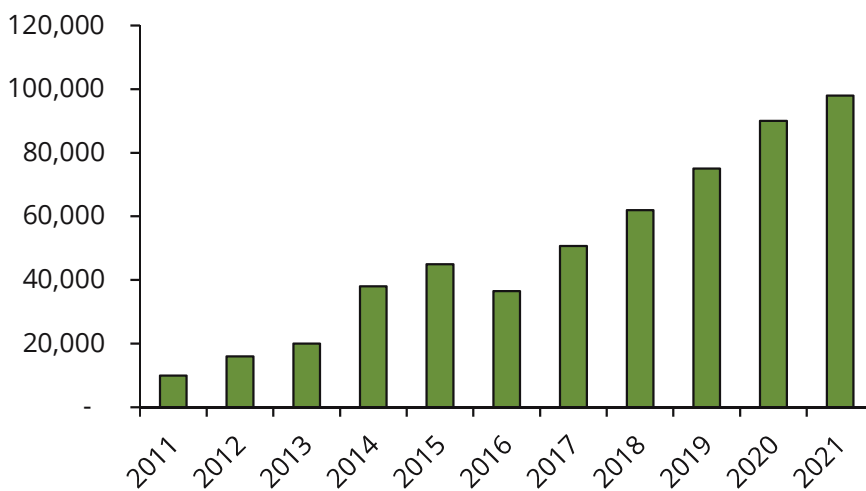
Spot rates have increased more than 25% in the past two years driven by freight demand and an increase of 20% in fuel prices since October 2017.

Source: DAT

Key M&A Statistics

The latest data on the Driver Shortage & Driver Wages

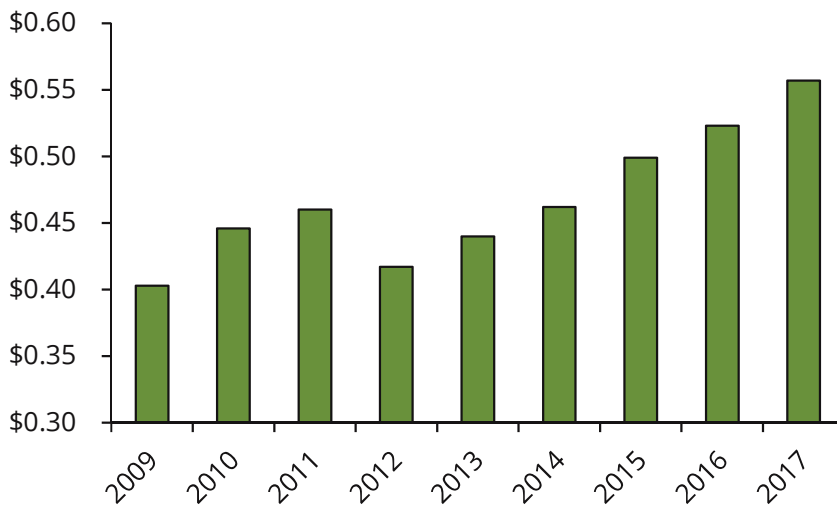
Driver Shortage



The driver shortage is forecasted to increase by over 30,000 drivers through 2021. Companies are looking to make acquisitions to help solve their driver capacity issues.

Source: ATA

Driver Wages (per mile)



Driver wages have been steadily increasing since 2012 at a CAGR of 5.9%. Firms with higher margins have been very popular within the M&A space as costs from wages and fuel have been rising.

Source: ATRI

Industry Outlook

6 Trends we've uncovered from our discussions with buyers & sellers

1) THE DRIVER SHORTAGE CONTINUES.

The lack of qualified human resources is driving shipping prices higher and leading to more competitive wages and benefit packages to be offered by companies. Driver turnover is at a three-year high with turnover at large truckload fleets hitting 98%.

3) TRUCKING REVENUE CONTINUES TO GROW.

Trucking revenue increased 3.5% in 2017 to \$700.3 billion, up from \$676.2 billion in 2016. Trucking-specific revenue represents 79.3% of the entire transportation industry revenue. Rail, water, pipeline and air freight revenues represent the other 20.7%. Over the past three years, trucking has consistently transported approximately 70% of all freight as measured in weight.

5) CONSUMER DEMAND IS INCREASING.

A healthy and growing economy drives up the level of consumers' discretionary income. Consumers have been shifting their focus to e-commerce and next-day delivery, along with developing an expectation for fresh products, causing freight demand to outpace GDP growth. This is forecasted to continue as e-commerce sales are expected to rise 8.3% annually through 2023.

2) SPOT RATES ARE ON THE RISE.

According to DAT, October 2018's national spot rates for reefers, flatbeds and vans were up 4.7%, 6.0% and 3.5% respectively as compared to October 2017. This stems from the current capacity crunch facing trucking companies and an increase in fuel prices.

4) TECH DISRUPTORS WILL POSE NEW CHALLENGES AND OPPORTUNITIES.

New technology developments may cause the industry outlook to shift. For example, the introduction of Uber Freight has the potential to shake up how shippers and carriers interact. Likewise, electric trucks have the possibility to cut fuel costs for carriers, allowing for higher profitability. Autonomous truck driving technology would have significant effects if safety and regulatory approvals materialize.

6) REGULATIONS ARE ROLLING OUT IN 2018 AND BEYOND.

Over the past year, new regulations in the industry such as the ELD mandate have changed how the industry and drivers operate. On the horizon is a new entry-level driver training rule, which will be implemented in 2020. This regulation establishes more extensive entry-level driver training requirements in order to obtain a CDL.

Sources: ATA, DAT, IBISWorld, Forbes

Notable 2018 Transactions

A look at select Middle Market Transportation deals this year

Transportation M&A activity has been vibrant over the past 24 months.

Companies experiencing strong profitability are challenged by growth; therefore, they are pursuing acquisitions in order to capitalize on a favorable carrier market.

Private equity groups that were once shy to invest in over-the-road transportation are now seeking growing companies as part of their portfolios. These conditions are driving the activity outlined below.

Daseke Acquires Aveda Transportation and Energy Services

Daseke, the largest owner of flatbed and specialized transportation in North America, announced a merger agreement with Aveda Transportation and Energy Services, one of the largest oil rig moving companies in North America.

Daseke has been very active in the OTR M&A space by purchasing three companies in 2017 and two year-to-date.

The goal of Daseke's acquisition strategy is to enter specialized markets where they can leverage their scale to grow businesses.

For this transaction, the EV/ EBITDA was 8.8x and the EV/Rev was 0.7x.

Dot Family Holdings acquires TAGG Logistics

Dot Family Holdings, a family investment fund with goals focused on acquiring leading middle-market distribution companies, announced the acquisition of TAGG Logistics, a nationwide B2B and B2C e-commerce fulfillment, distribution and packaging services company.

The key motivation for Dot to make this acquisition was the appeal of the rapidly growing e-commerce industry.

Financial terms were not disclosed.

York Capital Management Acquires Mode Transportation

York Capital Management has acquired Hubgroup subsidiary Mode Transportation, an asset-light, third-party logistics company focused on delivering a variety of transportation services. Mode Transportation utilizes technology that integrates their entire supply chain allowing shippers to have around-the-clock access to their loads.

For asset-light companies with a technology edge in the asset-light transport niche, double digit EV/EBITDA multiples have been common.

The sale price for this transaction was \$238.5 million, equivalent to 10x EV/EBITDA.

Sources: Pitchbook, Company Press Releases

2018 Transactions

A comprehensive view of Middle Market Transportation deals in 2018

Month	Seller	Acquirer	EV / Revenue	EV / EBITDA
Oct	Hybrid Transit Systems <i>Provider of freight transportation services.</i>	Alliant	nd	nd
Oct	Davis Transfer Co. <i>Provider of full truckload carrier services.</i>	USA Truck	1.0x	nd
Oct	AFF Global Logistics <i>Provider of third-party logistics and freight forwarding services.</i>	Odyssey Logistics & Technology Corp.	nd	nd
Oct	WorldFresh Express <i>Provider of freight forwarding services for perishable food products.</i>	AIT Worldwide Logistics	nd	nd
Oct	HA Logistics <i>A freight brokerage and logistics provider.</i>	SunteckTTS	nd	nd
Oct	Yusen's Intermodal (Freight Brokerage Division) <i>A freight brokerage and logistics provider.</i>	Transplace	nd	nd
Oct	Smith Transportation Services <i>Provider of truckload and intermodal freight brokerage services.</i>	Post Capital Partners	nd	nd
Sep	AFN Logistics <i>Provider of freight brokerage and logistics services.</i>	GlobalTranz Enterprises	nd	nd
Sep	BTC Express <i>Provider of transportation services for perishable food commodities.</i>	Kriska Transportation Group	nd	nd
Sep	PinPoint GPS Solutions <i>Provider of fleet-tracking and logistics services.</i>	Descartes Systems Group	nd	nd
Aug	Mode Transportation <i>A freight brokerage and logistics provider.</i>	York Capital Management	0.8x	10.0x
Aug	TAGG Logistics <i>Provider of transportation logistics services.</i>	Dot Family Holdings	nd	nd
Aug	SynchOne, LLC <i>Provider of freight brokerage and logistics services.</i>	GlobalTranz Enterprises	nd	nd
Aug	D. Mosley Trucking Inc. <i>Provider of flatbed trucking services.</i>	PS Logistics	nd	nd
Aug	Red River Vehicle Holdings <i>Transportation firm specializing in crude oil deliveries.</i>	Adams Resources & Energy Inc.	nd	nd
Aug	Southern Counties Express, Inc. <i>Provider of diversified transportation services.</i>	Universal Logistics Holdings	1.2x	nd
Aug	Miller Transporters <i>Provider of chemical transportation services.</i>	Heniff Transportation Systems	nd	nd
Aug	MNX Global Logistics <i>Provider of logistics services for pharmaceutical transportation.</i>	Audax Private Equity	nd	nd
Aug	Builders Transportation <i>Provider of transportation services for the steel and aluminum industry.</i>	Daseke, Inc.	0.7x	5.5x

nd = financial terms not disclosed

2018 Transactions

A comprehensive view of Middle Market Transportation deals in 2018

Month	Seller	Acquirer	EV / Revenue	EV / EBITDA
Jul	Manna Freight Systems, Inc. <i>Provider of last-mile logistics services.</i>	Pilot Freight Services, Inc.	nd	nd
Jul	Walt's Drive-A-Way Services, Inc. <i>Provider of truckload and logistics services.</i>	Warehouse Services, Inc.	nd	nd
Jul	Landair Holding, Inc. <i>Provider of truckload carrier services.</i>	Covenant Transportation Group	0.8x	nd
Jun	Epes Transport System, LLC <i>Provider of transportation services.</i>	Penske Logistics, Inc.	nd	nd
Jun	CJ Logistics <i>Provider of transportation logistics services.</i>	DSC Logistics	0.5x	nd
Jun	GlobalTranz Enterprises <i>Provider of logistics and supply chain management solutions.</i>	The Jordan Company	nd	nd
May	Roar Logistics (Phoenix Division) <i>Provider of freight management services.</i>	CI Capital Partners	nd	nd
May	Alaska Express <i>A domestic freight forwarding firm.</i>	AFF Global Logistics	nd	nd
Apr	Normandin Transit <i>Provider of truckload freight & logistics services.</i>	TFI International	nd	nd
Apr	Aveda Transportation <i>Provider of transportation services to the oil & gas sector.</i>	Daseke, Inc.	0.7x	8.8x
Mar	Transportation Technologies, Triple C Transport & C&H Logistics <i>Provider of refrigerated transportation services.</i>	Englander Transportation	nd	nd
Mar	Abilene Motor Express <i>Provider of diversified trucking services.</i>	Knight-Swift Transportation	1.0x	nd
Feb	Central Arizona Freight <i>Provider of freight transportation services.</i>	Red Arts Capital	nd	nd
Feb	Fore Transportation <i>Provider of customized transport and logistics services.</i>	Universal Logistics Holdings	1.1x	nd
Feb	PS Logistics <i>Provider of asset-based & asset-light transport & logistics services.</i>	One Equity Partners	nd	nd
Feb	Shelton Trucking Services (Assets) <i>A freight brokerage and logistics provider.</i>	PS Logistics	nd	nd
Jan	AJR Transportation <i>Provider of freight brokerage and logistics services.</i>	GlobalTranz Enterprises	nd	nd
Jan	Auto & Boat Relocation Services <i>Relocation, transport and brokerage services for boats and automobiles.</i>	Jack Cooper Transport Co.	nd	nd
Jan	Redwood Logistics <i>Provider of integrated logistics and transport services.</i>	CI Capital Partners	nd	nd

nd = financial terms not disclosed

Next Steps

A sample of our experience with Transportation business owners



Jeremy Reymer Owner of Driving Ambition

Jeremy sold Driving Ambition to Transforce so he could work on a new transportation software company called DriverReach.



Jim Marmon Owner of Team Drive-Away

Jim sold Team Drive-Away to CID Capital for twice the valuation he was previously offered by direct buyers and private equity groups to gain liquidity.



Due to our experience with Transportation business owners, we are aware of the active sellers and buyers in the space. If you have an interest in discussing your range of value or your likely buyers, please contact us for a complimentary Market Assessment.



- ➔ Current Range of Value
- ➔ Likely Buyers and Investors
- ➔ Sale and Recapitalization Scenarios
- ➔ Recommendations to Enhance Valuation

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