



2019 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 and Trucks are in High Demand

The industry is facing a lack of skilled drivers and capacity concerns, leading to increased wages and costs.

Key Industry Drivers Signal Strength

The e-commerce and manufacturing industries are expecting 31.1% and 6.5% growth respectively over the next four years.

Freight Demand Hits 20-Year High

Economists expect freight tonnage to continue to grow approximately 3-4% in 2019.

Stable Interest Rates

Interest rate hikes have stalled, creating a favorable environment for M&A and equipment financing.

Weather Dampens First Quarter

Brutal winter weather caused some companies to temporarily suspend operations, negatively affecting performance.

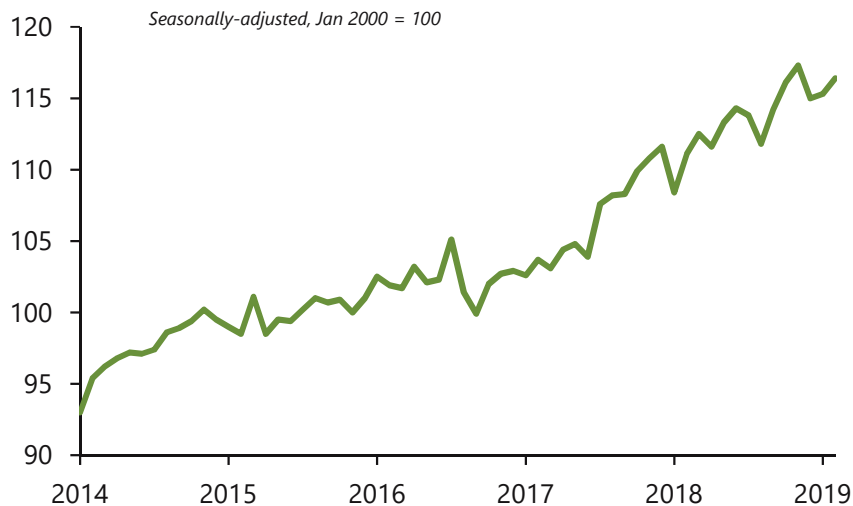
Fragmented Over-the-Road Market

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

Key M&A Statistics

The latest data on Truck Tonnage & Heavy Truck Sales

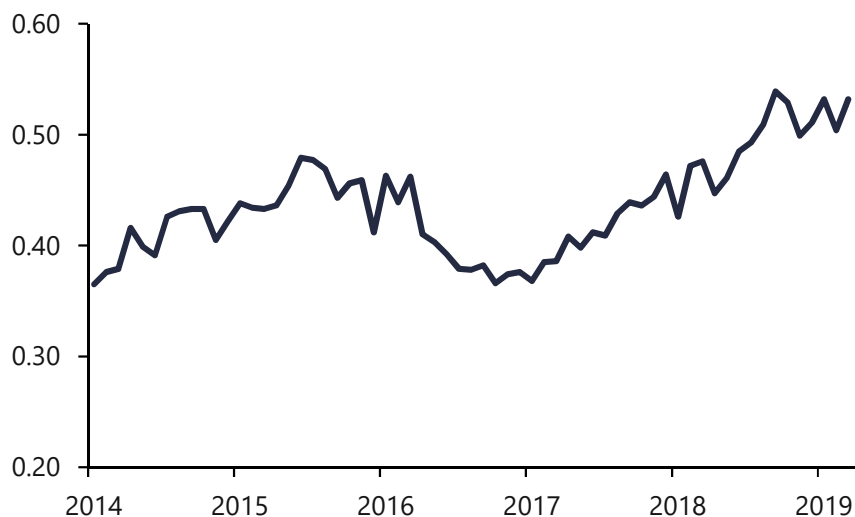
Truck Tonnage Index



Truck tonnage has fallen off its November 2018 high, but it is beginning to grow again. In 2018, truck tonnage grew at 6.6%, the largest gain since 1999 (10.1%) and far better than 2017 (3.8%).

Source: U.S. Bureau of Transportation Statistics

Heavy Truck Sales (in millions)



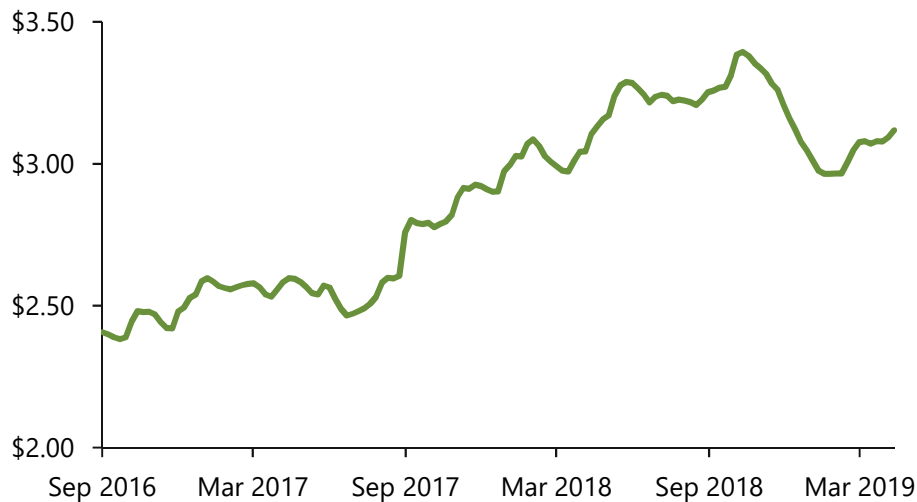
Heavy truck sales have increased over the past year as companies face increased demand. Sales have continued to remain strong during the first quarter of 2019, indicating strength in company investment.

Source: U.S. Bureau of Economic Analysis

Key M&A Statistics

The latest data on Diesel Prices & Spot Rates

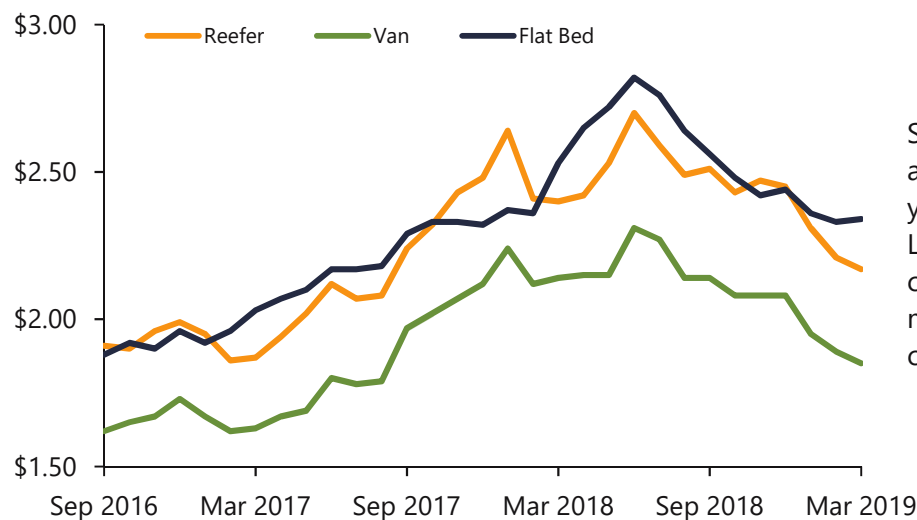
Diesel Prices (per gallon)



Diesel prices have dropped more than 25¢ off from their Summer 2018 highs. This decline has decreased operating costs and has helped lower shipping rates overall.

Source: U.S. Department of Energy

Spot Rates (per mile)



Spot rates have decreased almost 20% from their two-year high in June 2018. Lower diesel prices combined with strong spot market capacity have contributed to lower rates.

Source: DAT

Industry Outlook

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

1 | THE DRIVER SHORTAGE AND CAPACITY CRUNCH CONTINUES.

As freight tonnage is approaching a new high, drivers continue to be in high demand. Shipping companies are investing in new trucks to increase their capacity and to keep up with their shipment timelines. This has kept the need for drivers high and is causing companies to raise benefits and wages, leading to higher prices for shippers.

2 | KEY INDUSTRY DRIVERS LOOK STRONG.

The retail and manufacturing sectors are estimated to account for 85.6% of trucking demand. Both the e-commerce and manufacturing industries are expected to grow 31.1% and 6.5%, respectively, over the next four years. This opens an opportunity for growth in the transportation industry between long-distance carriers and last-mile carriers to consolidate so that they can provide a full-chain shipment service to clients.

3 | EFFICIENCY IS KEY.

As the transportation space becomes more competitive, companies are searching for ways to cut costs and increase efficiency. Many are turning to logistics companies to improve their supply chain processes. The ELD mandate has also offered data on productivity of drivers and routes. Companies have now started to analyze this data in hopes of increasing productivity, and in turn, helping out their bottom line.

4 | BRUTAL WINTER SEASON AFFECTS SHIPMENTS.

The winter of 2018-2019 was fierce, causing shipment delays and loss in driving time for companies. The brutal cold and snow storms in the Midwest and Northeast caused major companies such as FedEx and UPS to suspend service multiple times in order to ensure the safety of their employees, negatively affecting their first quarter results.

5 | CONTINUED STEADY GROWTH.

Based on all economic factors and a very hot year for transportation in 2018, the overarching sentiment is that 2019 will be a relatively average year for growth. Economists expect that the industry will be off the highs of 2018 and have continued, steady growth of approximately 3-4% in terms of tonnage during 2019.

6 | GLOBAL GROWTH REMAINS A QUESTION.

Over the past few months, concerns about the global economy have started to amplify with slowing growth in Europe and Asia. While the U.S. still remains strong, the Chinese and U.S. trade relations has the ability to significantly affect the transportation sector. If the tariffs are indeed raised, the trucking industry could take a hit from a decrease in imports and shipments from ports. The Federal Reserve seems to have taken notice of these potential economic weaknesses and has halted interest rates hikes – creating a favorable M&A environment.

Sources: IBISWorld, FTR Transportation Intelligence, Transportation Topics, Forbes

Notable Transactions

A look at select Middle Market Transportation deals over the past six months

Transportation M&A activity has been vibrant since the start of 2019.

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.

Universal Logistics Holdings Acquires Michael's Cartage

Universal Logistics Holdings, a leading asset-light transportation and logistics provider, has announced the acquisition of Michael's Cartage, a Chicago-based full-service intermodal drayage provider. This purchase allows Universal Logistics to further expand into the Midwest.

Universal Logistics has been very active in the M&A space with five transactions over the past 14 months.

The goal of Universal Logistics' acquisition strategy is to expand nationwide by purchasing premier service providers in key transportation markets. Financial terms were not disclosed.

Grammer Industries acquires Sterling Transport Company

Grammer Industries, a private-equity backed chemical hauling company, purchased Sterling Transport, a North Carolina-based provider of transportation services for chemical and hazardous materials.

Grammer continues to look for acquisitions that will provide for the expansion of their services or geography. Financial terms were not disclosed.

Hub Group Acquires CaseStack

Hub Group, a freight transportation management company, has acquired CaseStack, a non-asset based provider of logistics and brokerage services.

CaseStack has distinguished itself through its retailer consolidation programs and technology enabled brokerage services.

As trucking companies look to increase efficiency, logistic and brokerage companies with strong technology platforms have seen valuations increase with double-digit EBITDA multiples common.

The sale price for this transaction was \$255 million, equivalent to 11.6x EV/EBITDA and 1.1x EV/Revenue.

Sources: Pitchbook, Company Press Releases

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Selected Transactions

A comprehensive view of Middle Market Transportation deals over the past 12 months

Month	Seller	Acquirer	EV / Revenue	EV / EBITDA
Apr 2019	Michael's Cartage <i>Provider of intermodal drayage services.</i>	Universal Logistics Holdings	nd	nd
Apr 2019	Trinity Logistics <i>Provider of freight brokerage and logistics services.</i>	Burris Logistics	nd	nd
Apr 2019	H.O. Wolding <i>A cross-border transport and logistics operator.</i>	Bison Transportation	nd	nd
Apr 2019	Sterling Transport Co. <i>Provider of transportation services.</i>	Grammer Industries	nd	nd
Mar 2019	iD Commerce + Logistics <i>Provider of e-commerce fulfillment and logistics services.</i>	Symbia Logistics	nd	nd
Mar 2019	RJW Logistics Group <i>Provider of supply-chain logistics services.</i>	Mason Wells	nd	nd
Mar 2019	Andrie <i>Provider of transportation services.</i>	Auxo Investment Partners	nd	nd
Feb 2019	Livingston International <i>Provider of freight brokerage services.</i>	Platinum Equity	nd	nd
Feb 2019	Stevens Worldwide <i>Provider of freight brokerage and logistics services.</i>	Wheaton Van Lines	nd	nd
Feb 2019	Precision Truck Lines (Heavy-Haul Division) <i>Provider of specialized freight transportation services.</i>	GTI Transport	nd	nd
Feb 2019	Strive Logistics <i>Provider of logistics services.</i>	Redwood Logistics	nd	nd
Feb 2019	Source Logistics <i>Provider of freight brokerage and logistics services.</i>	FitzMark	nd	nd
Jan 2019	Our Freight Guy <i>Provider of freight brokerage and logistics services.</i>	GlobalTranz Enterprises	nd	nd
Jan 2019	Ace Logistics <i>Provider of refrigerated freight logistics services.</i>	Britton Transport	nd	nd
Jan 2019	RoadOne IntermodalLogistics <i>Provider of container drayage, transloading & warehousing services.</i>	Nonantum Capital Partners	nd	nd
Jan 2019	Nolan Transportation Group <i>Provider of freight brokerage services.</i>	Gryphon Investors	nd	nd
Jan 2019	GoodShip International <i>Provider of freight forwarding services.</i>	SEKO Logistics	nd	nd
Dec 2018	Fleet Car Carriers <i>Provider of transportation services for automobiles.</i>	United Road Services	nd	nd
Dec 2018	Xpress Global Systems <i>Provider of transportation services for floor covering products.</i>	Aterian Investment Partners	nd	nd

nd = financial terms not disclosed

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Dec 2018	Business Transportation Solutions <i>Provider of freight transportation services.</i>	Alliant	nd	nd
Dec 2018	Optimal Freight <i>Provider of truckload & LTL transportation services.</i>	CFI Logistics	nd	nd
Dec 2018	CaseStack <i>Provider of non-asset based logistic services.</i>	Hub Group	1.1x	11.6x
Dec 2018	Container Connection <i>Provider of harbor drayage services.</i>	Universal Logistics Holdings	1.1x	nd
Dec 2018	ConneXion <i>Provider of freight forwarding services.</i>	AIT Worldwide Logistics	nd	nd
Nov 2018	Selland Auto Transport <i>Provider of transportation services for automobiles.</i>	Jack Cooper Transport Co.	nd	nd
Nov 2018	Domek Logistics <i>Provider of international freight forwarding services.</i>	Magnate Worldwide	nd	nd
Oct 2018	Hybrid Transit Systems <i>Provider of freight transportation services.</i>	Alliant	nd	nd
Oct 2018	Davis Transfer Co. <i>Provider of full truckload carrier services.</i>	USA Truck	1.0x	nd
Oct 2018	AFF Global Logistics <i>Provider of third-party logistics and freight forwarding services.</i>	Odyssey Logistics & Technology Corp.	nd	nd
Oct 2018	WorldFresh Express <i>Provider of freight forwarding services for perishable food products.</i>	AIT Worldwide Logistics	nd	nd
Oct 2018	HA Logistics <i>A freight brokerage and logistics provider.</i>	SunteckTTS	nd	nd
Oct 2018	Yusen's Intermodal (Freight Brokerage Division) <i>A freight brokerage and logistics provider.</i>	Transplace	nd	nd
Oct 2018	Specialized Rail Service <i>Provider of local and regional intermodal drayage services.</i>	Universal Logistics Holdings	nd	nd
Oct 2018	Smith Transportation Services <i>Provider of truckload and intermodal freight brokerage services.</i>	Post Capital Partners	nd	nd
Sep 2018	AFN Logistics <i>Provider of freight brokerage and logistics services.</i>	GlobalTranz Enterprises	nd	nd
Sep 2018	Mode Transportation <i>A freight brokerage and logistics provider.</i>	York Capital Management	0.8x	10.0x
Sep 2018	TAGG Logistics <i>Provider of transportation logistics services.</i>	Dot Family Holdings	nd	nd
Sep 2018	BTC Express <i>Provider of transportation services for perishable food commodities.</i>	Kriska Transportation Group	nd	nd

nd = financial terms not disclosed

Selected Transactions

A comprehensive view of Middle Market Transportation deals over the past 12 months

Month	Seller	Acquirer	EV / Revenue	EV / EBITDA
Sep 2018	PinPoint GPS Solutions <i>Provider of fleet-tracking and logistics services.</i>	Descartes Systems Group	nd	nd
Aug 2018	SynchOne, LLC <i>Provider of freight brokerage and logistics services.</i>	GlobalTranz Enterprises	nd	nd
Aug 2018	D. Mosley Trucking Inc. <i>Provider of flatbed trucking services.</i>	PS Logistics	nd	nd
Aug 2018	Red River Vehicle Holdings <i>Transportation firm specializing in crude oil deliveries.</i>	Adams Resources & Energy	nd	nd
Aug 2018	Southern Counties Express, Inc. <i>Provider of diversified transportation services.</i>	Universal Logistics Holdings	1.2x	nd
Aug 2018	Miller Transporters <i>Provider of chemical transportation services.</i>	Heniff Transportation Systems	nd	nd
Aug 2018	MNX Global Logistics <i>Provider of logistics services.</i>	Audax Private Equity	nd	nd
Aug 2018	Builders Transportation <i>Provider of transportation services for the steel and aluminum industry.</i>	Daseke	nd	nd
Jul 2018	Landair Holding, Inc. <i>Provider of truckload carrier services.</i>	Covenant Transportation Group	0.8x	nd
Jun 2018	Epes Transport System, LLC <i>Provider of transportation services.</i>	Penske Logistics, Inc.	nd	nd
Jun 2018	CJ Logistics <i>Provider of transportation logistics services.</i>	DSC Logistics	0.5x	nd
May 2018	Roar Logistics (Phoenix Division) <i>Provider of freight management services.</i>	CI Capital Partners	nd	nd
May 2018	Alaska Express <i>A domestic freight forwarding firm.</i>	AFF Global Logistics	nd	nd

nd = financial terms not disclosed

Next Steps

A sample of our experience with Transportation business owners



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.

Market Value Assessment

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

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