



# Q4 TRANSPORTATION & LOGISTICS

Quarterly Industry Newsletter

G2 | CAPITAL ADVISORS

G2 Capital Advisors is pleased to present its Transportation & Logistics industry update for Q4 2021, providing commentary and analysis on M&A and market trends within the Transportation & Logistics sectors.



G2 Insights



Trading Statistics



Select Q4 2021 Deals



Market Indicators



Active G2 Mandates

# G2 Insights

## Transportation & Logistics

A capacity crunch throughout the transportation, logistics and warehousing sectors continued through the end of 2021. Shifts in consumer spending, tight capacity, supply shortages and ongoing coronavirus threats have impacted how shippers and carriers do business.

Demand for goods and materials continues to outpace the supply needed to produce and transport goods from points of production to consumption. U.S. consumers have shifted their consumption habits from services to durables, driven by the pandemic and more time spent at home. Closely related is the trend toward faster and more frequent deliveries, which continues to spur growth in final mile.

We've highlighted some of the key themes that impacted the transportation & logistics industry in 2021 and where shippers and carriers have focused their efforts to combat the supply chain challenges and capitalize on the heightened demand.

### **PORT CONGESTION CONTINUES AS IMPORTS REACH NEW HIGHS**

[Click for Article A](#)

The maritime industry garnered significant attention in 2021 and remains under a tremendous amount of pressure to keep pace with the increase in volumes of imported goods. Total 2021 containerized freight imports set a new annual record at 32,970,647 TEU (twenty-foot equivalent units), representing a 15% increase over 2020. However, the increased demand for imports has led to a massive backlog at the ports due to a shortage of truckers and warehouse workers, combined with late-arriving ships, old infrastructure and stretched rail networks.

The ports of Los Angeles and Long Beach, which account for roughly 40% of the country's imported goods, remained in the spotlight throughout 2021 due to significant congestion at the terminals. The time it currently takes goods originating in Shanghai to reach their destinations through these ports has more than doubled since January 2020 to 62 days, and rates have increased by more than five times the pre-pandemic rate. With more cargo entering the U.S. than ever before, there's a lack of yard and warehouse space to store the goods, and containers on the docks are not moving inland fast enough. Current estimates show 30%+ of containers are waiting five or more days to be unloaded.

At the same time, an increasing number of empty containers are being repositioned to Asia for reloading. Roughly four in five containers are leaving the Port of Los Angeles empty, compared to three in five pre-pandemic. Faster repositioning of empties back to Asia means that ocean carriers can take advantage of the higher rates for the U.S.-bound journey. While this comes at the expense of U.S. exporters looking for capacity, carriers don't have the flexibility they once did to wait until the containers are filled with American goods. With containers piling up and potential fines for those staying idle for too long, companies are feeling the pressure to get rid of empty containers.

### **CAPACITY CONSTRAINTS DRIVING RATES TO ALL-TIME HIGHS**

[Click for Article B](#)

Increased demand and capacity constraints put upward pressure on rates throughout 2021. National average dry van and reefer spot rates reached new all-time highs of \$3.00 and \$3.47 per mile, respectively, in December. This represents annual increases of 22% and 29% for dry van and reefer rates, respectively. The number of shipments, however, declined in the last few months of the year. According to the latest U.S. Bank National Shipments Index, Q4 shipment volume was down 5.1% compared to Q4 2020 and down 2.4% compared to Q3 2021. Contributing to this decrease was retailers pulling inventory forward and stocking up for the holiday season in Q3 given the uncertainty and delays across the supply chain and lack of available capacity. These challenges will persist until driver and equipment availability improves and volumes become more consistent and predictable.

### CAPACITY CONSTRAINTS DRIVING RATES TO ALL-TIME HIGHS (CONT'D)

[Click for Article C](#)

In attempt to mitigate driver shortages, carriers are raising wages, improving working conditions, offering enhanced benefits to improve retention and using aggressive recruiting efforts which include higher sign-on bonuses. In addition, companies are offering safety bonus programs to encourage safe driving while also providing additional opportunities for compensation. However, in such a competitive labor market, increased compensation alone is often not enough to recruit drivers. Quality of life and home time have become differentiators and carriers that can cater to this have had seen a positive impact in their recruitment efforts.

While the labor shortage is widespread, OTR trucking has been hit harder as shorter hauls can provide healthier lifestyles and allow drivers to sleep in their own bed every night. According to FMCSA data, the total number of drivers is up for small fleets but down for larger fleets, highlighting the shift in driver demand for shorter-hauls.

### M&A UTILIZED FOR DIVERSIFICATION, CAPACITY AND VERTICAL INTEGRATION

[Click for Article D](#)

The pandemic has highlighted the significant risks associated with an interconnected global supply chain and the impact of disruption. These challenges have prompted companies to rethink their supply chain strategies and potentially find solutions through M&A.

Given the continued growth in e-commerce, shippers want to be better positioned to quickly deliver goods to consumers. Logistics has become a key differentiator for companies when fulfilling customer expectations for quick, reliable delivery. Shippers are looking for ways to control more of the customer experience, including investments and acquisitions up and down the supply chain.

One example is American Eagle's \$350MM acquisition of Quiet Logistics in order to obtain dedicated in-house fulfillment support. The acquisition brings American Eagle's supply chain closer to its customers, enabling the retailer to improve its product ordering process and reduce inventory levels. Similarly, Ashley Furniture announced its acquisition of Wilson Logistics in December which will expand its brokerage and distribution operations in the western U.S., adding 800 tractors and 2,000 trailers.

As transportation companies generate record high earnings, many are accelerating their M&A strategies to diversify or expand capacity. Knight-Swift's acquisition of AAA Cooper for \$1.3 billion expanded the truckload giant into the LTL market, which has experienced strong growth as e-commerce sales surge. The deal also adds ~70 facilities throughout the Southeast and Midwest, and nearly 3,000 tractors and 7,000 trailers to its fleet.

Werner Enterprises, not historically known for its M&A strategy, closed its first truckload deal in 2021 with ECM Transport for \$142 million, adding 500 drivers, 500 tractors and 2,000 trailers. Werner also expanded into the final mile segment through the acquisition of New England Home Delivery Services in November for \$64 million.

Even though 2021 was a record year of M&A in Transportation & Logistics, G2 is anticipating more consolidation in 2022 and beyond as retailers continue to try to control their own destiny and other service providers seek to establish a bigger, stronger global presence to better position themselves in a dynamic supply chain environment.

# Key Trading Statistics

## Transportation & Logistics

Sector	Number of Companies	Average Enterprise Value (\$MM)	Average EBITDA Margin	LTM <sup>1</sup>			
				Average Revenue Growth	Average EBITDA Growth	EV / Revenue	EV / EBITDA
Ocean Freight	7	\$20,043	29%	10.2%	33.9%	2.9x	8.4x
Air	3	\$3,536	29%	3.8%	1.9%	2.6x	8.7x
Truckload	9	\$5,312	19%	5.9%	7.4%	1.3x	7.1x
LTL	5	\$13,688	17%	9.4%	14.2%	3.2x	16.4x
Third Party Logistics	13	\$40,769	12%	4.7%	11.7%	1.4x	11.1x
Rail	6	\$91,394	46%	3.3%	3.1%	6.8x	16.3x

*[\\*For complete supporting information, click here.](#)*

<sup>1</sup> LTM Multiples and comparison to December 31, 2020; Excludes outliers above 25.0x EV / EBITDA

Key Trading Statistics in Millions USD (converted where necessary)  
Data sourced from S&P Capital IQ on December 31, 2021

# Selected Q4 2021 Industry Deals

## Transportation & Logistics Transactions

Several notable transactions occurred in the T&L industry in Q4 2021, which have been summarized below.

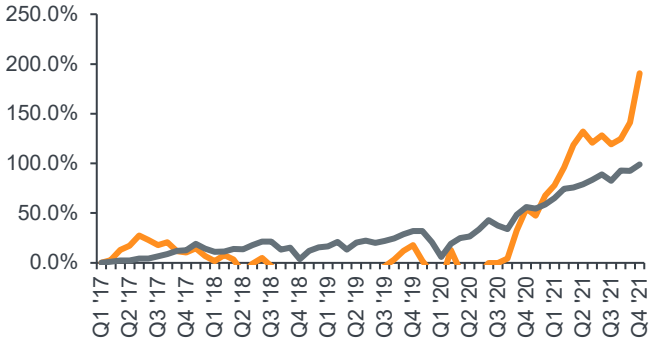
Selected Q4 2021 M&A Transactions					EV / LTM	
Date	Target	Acquirer	Target Description	Enterprise Value	Revenue	EBITDA
Dec-21	Whiplash, Inc.	Ryder System, Inc.	Whiplash provides third-party logistics supply chain solutions to a wide range of industries across multiple channels in the United States.	\$480.0	NA	NA
Dec-21	Wilson Logistics, Inc.	Ashley Furniture Industries, Inc.	Wilson Logistics, Inc. provides asset-based third-party logistics (3PL) services. The company was incorporated in 2001 and is based in Springfield, Montana.	NA	NA	NA
Dec-21	LF Logistics Holdings	A.P. Møller - Mærsk A/S.	LF Logistics Holdings Limited is a holding company. The company, through its subsidiaries, offers logistics services.	\$3,860.0	NA	14.4x
Dec-21	Wagner Industries, Inc.	LongVue Capital, LLC	Wagner Logistics provides third-party logistics services in the United States. The company offers transportation, warehousing/distribution, fulfillment, and contract packaging services.	NA	NA	NA
Dec-21	Redwood Logistics LLC	AEA Investors LP	Redwood Logistics, LLC provides integrated logistics and transportation services including transportation brokerage, asset-based warehouse and distribution, freight exchange and supply chain solutions.	NA	NA	NA
Dec-21	MNX Global Logistics	Quad-C Management, Inc.	MNX provides expedited transportation and logistics services to a range of industries in the United States and internationally.	NA	NA	NA
Dec-21	CLS Assets of Ingram Micro Inc.	Ceva Logistics AG	Commerce & Lifecycle Services Business of Ingram Micro Inc. comprises Shipwire and the company's technology forward logistics businesses. The asset is located in the United States.	3,000.0	NA	NA
Dec-21	RAC MME Holdings, LLC	Knight-Swift Transportation Holdings Inc.	RAC MME Holdings, LLC provides less-than-truckload (LTL), full truckload, and specialized and international logistics transportation services in the United States.	\$150.0	NA	NA
Dec-21	Mission Critical Delivery Solutions, Inc.	Strategic Delivery Solutions, LLC	Mission Critical Delivery Solutions, Inc. provides specialized medical distribution services for major healthcare industries in the United States.	NA	NA	NA
Nov-21	Select Express & Logistics, LLC	AIT Worldwide Logistics, Inc.	Select Express & Logistics, LLC engages in delivering customized logistic solutions including nationwide final-mile, assembly and installation, same day delivery, fleet outsourcing, and custom solutions.	NA	NA	NA
Nov-21	Quiet Logistics	The Original Real Co	Quiet Logistics, Inc. provides e-Commerce fulfillment services to clients through its own software solutions.	\$350.0	NA	NA
Oct-21	OnTrac Logistics, Inc.	Lasership, Inc.	OnTrac Logistics, Inc. offers speed up ground delivery and parcel distribution services. The company was incorporated in 1984 and is based in Chandler, Arizona.	NA	NA	NA
Sep-21	Echo Global Logistics, Inc.	The Jordan Company, L.P.	Echo Global Logistics, Inc. provides technology-enabled transportation and supply chain management solutions in the United States.	\$1,394.8	0.4x	13.1x

Source: S&P Capital IQ, Transport Topics, Logistics Management, FreightWaves

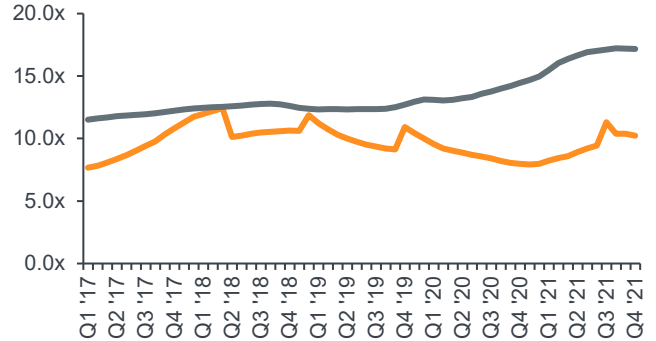
# Public Trading EV/EBITDA Performance by Segment

## Transportation & Logistics

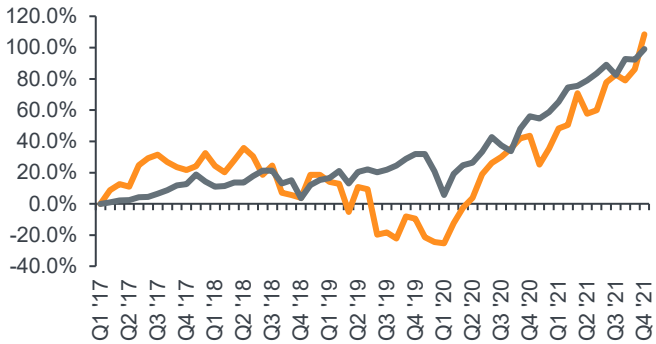
### Ocean Freight Market Cap



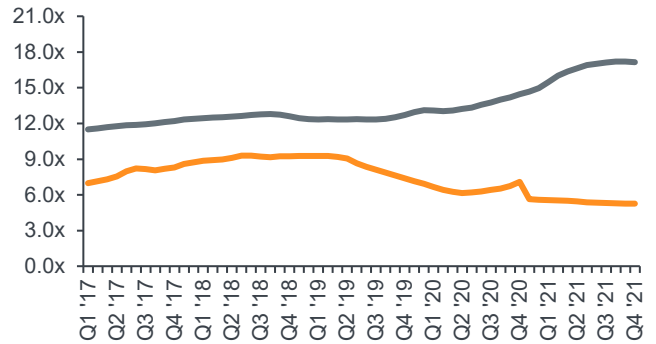
### Ocean Freight EV / EBITDA



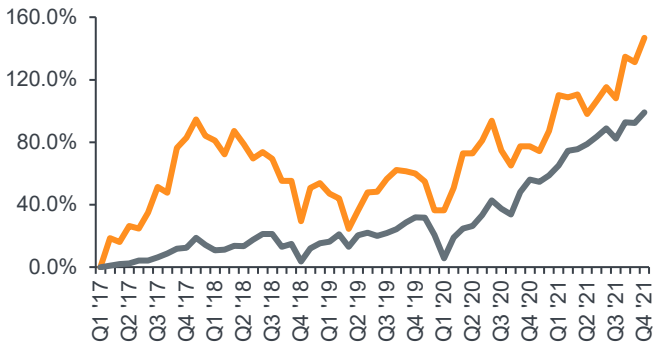
### Air Market Cap



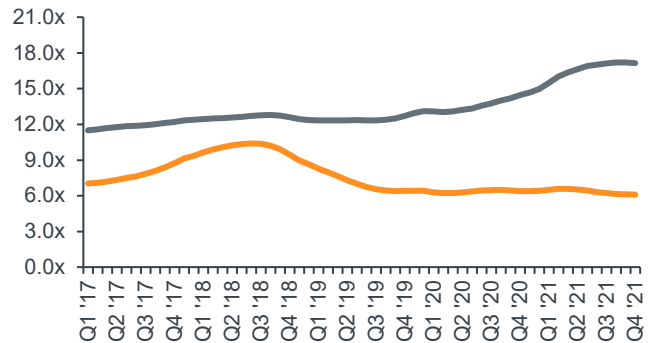
### Air EV / EBITDA



### Truckload Market Cap



### Truckload EV / EBITDA



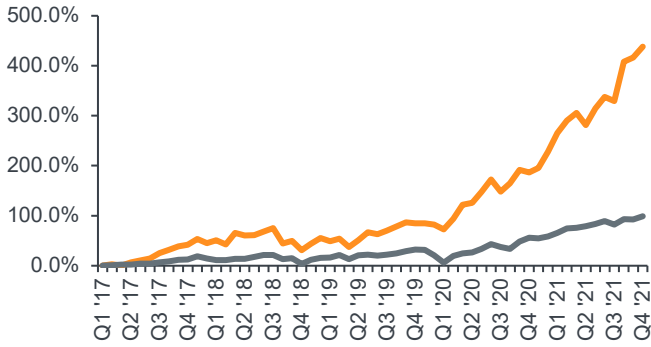
█ T&L Sector
 █ S&P 500

Data sourced from S&P Capital IQ as of trading on December 31, 2021  
 Figures represent category averages

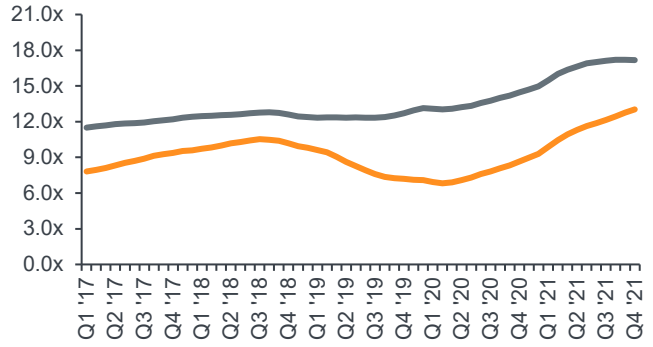
# Public Trading EV/EBITDA Performance by Segment

## Transportation & Logistics

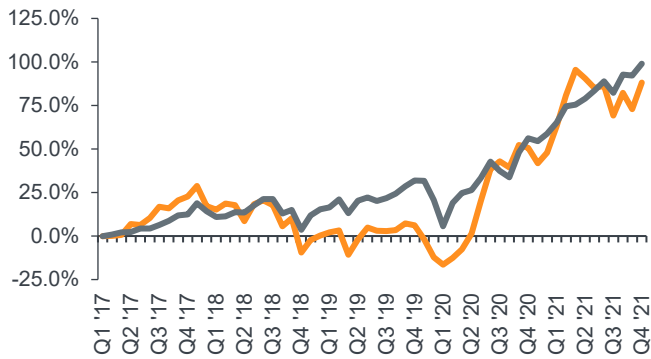
### LTL Market Cap



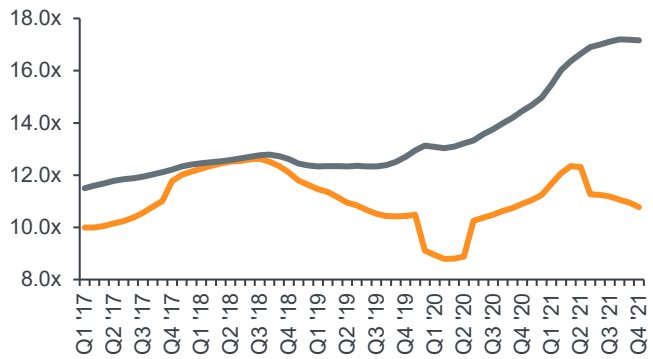
### LTL EV / EBITDA



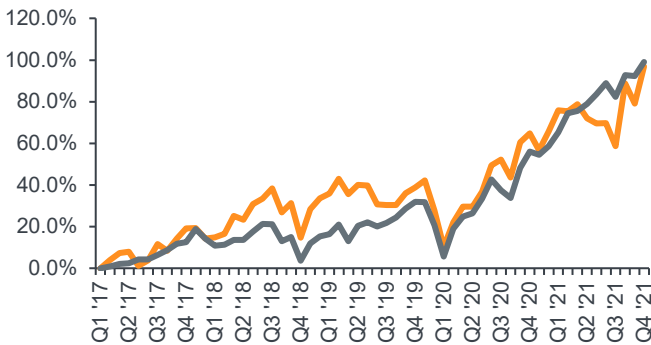
### Third Party Logistics Market Cap



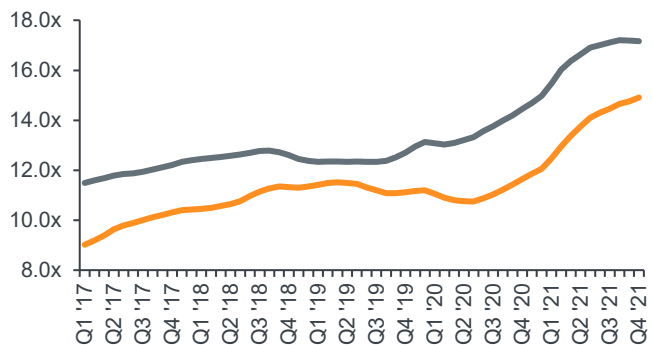
### Third Party Logistics EV / EBITDA



### Rail Market Cap



### Rail EV / EBITDA



■ T&L Sector
 ■ S&P 500

Data sourced from S&P Capital IQ as of trading on December 31, 2021  
 Figures represent category averages

# Select Ongoing G2 Projects

## Transportation & Logistics

### PROJECT LINCOLN

Sell-Side

*Regional Courier Service  
Provider*

- **Project Lincoln** – G2 has been engaged by a regional courier services provider offering on-demand and dedicated final mile and courier services in central U.S. states. The company is seeking a partner to support its next phase of growth through a recapitalization or sale of the business.

### PROJECT LIGHTNING

Sell-Side

*Logistics Service Provider to  
Mission Critical Parts*

- **Project Lightning** – G2 is currently advising a leading provider of B2C and B2B fulfillment and value-added services for eCommerce brands. The company is seeking a partner to support the next phase of growth through a sale or recapitalization.

### PROJECT SORRENTO

Sell-Side

*Fulfillment and Logistics  
Provider*

- **Project Lightning** – G2 is currently advising a global provider of mission-critical, time-sensitive spare parts logistics solutions for high-tech OEM customers. The company is seeking to find a new partner to support the business through its next stage of growth.

### PROJECT SCHAUMBURG

Sell-Side

*Multi-Modal Transportation  
Service Provider*

- **Project Schaumburg** – G2 is currently advising a multi-modal transportation provider including asset heavy, asset-light and warehouse services. The company is seeking a partner to support the next phase of growth through a sale or recapitalization.

### PROJECT MONUMNET

Sell-Side

*Temperature-Controlled  
Warehouse and Distribution  
Provider*

- **Project Monument** – G2 is currently advising a temperature-controlled value-added warehouse & distribution service provider. The company is seeking to find a new partner to support the future growth of the business.

### PROJECT CHILL

Buy-Side

*Provider of Domestic Freight  
Management Solutions*

- **Project Chill** – G2 is currently advising an asset-light provider of transportation and logistics services. The company is seeking acquisition opportunities that will expand its market penetration and geographic footprint.



# G2 Overview

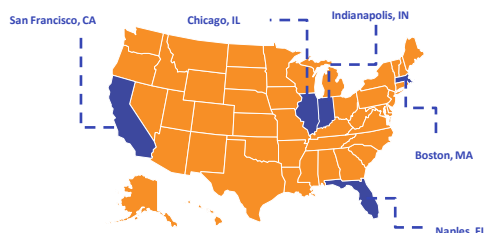
## Investment Banking and Restructuring Advisory

G2 Capital Advisors provides C-level led investment banking and restructuring advisory services to middle market institutional investors and companies. G2 offers a comprehensive suite of investment banking services, creating a one-stop shop with non-conflicting strategic alternatives perspectives on what is truly best fit for each client.

### Overview:

- 300+ mandates in 10 years
- \$3B+ total executed transaction value
- Extensive industry experience
- Robust strategic and sponsor relationships
- Active touchpoints with logical sellers and buyers

~50 team members across 5 offices



### A Multi-faceted Platform:

Focused on crafting bespoke operational and financial advisory solutions for our corporate and investor clients. G2 works with clients across a range of situations.



### Sector Expertise:



Transportation & Logistics



Industrials & Manufacturing



Technology & Business Services



Consumer & Retail

#### T&L Focus Sectors:

- Freight Forwarding
- Trucking / Final Mile
- Warehousing / Distribution
- Third Party Logistics (3PL)
- e-Commerce Fulfillment

#### I&M Focus Sectors:

- Building Products / Construction
- Metals / Materials
- Container / Packaging
- Niche Manufacturing
- Distribution

#### TBS Focus Sectors:

- Tech-enabled Services
- BPO
- Managed Services
- Internet & Digital Media
- Business Services

#### C&R Focus Sectors:

- Fast Moving Consumer Goods
- Retail & E-Commerce
- Quick Serve Restaurants
- Fast Casual Dining
- Marketing Services

G2 offers clients an operational, experience-based approach within each of its practice sectors.

# Reference

## Contact & Glossary of Terms



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Term	Definition
<b>Revenue</b>	Total revenue from the sale of goods and services rendered during the reporting period, in normal course of business, reduced by sales returns and allowances, and sales discounts. For banks, this item is defined as net interest income after loan loss provisions
<b>EBITDA</b>	Earnings before interest, taxes, depreciation, and amortization. Calculated as Revenue – Expenses, excluding interest, taxes, depreciation and amortization
<b>Market Cap</b>	Market value of a company using most recently reported basic weighted average shares outstanding. Calculated as Market Price (as of period end) * Basic Weighted Average Shares Outstanding
<b>Long-Term Debt</b>	Sum of the carrying values as of the balance sheet date of long-term debt with a maturity beyond one year or the normal operating cycle, if longer
<b>Net Debt</b>	Net Debt shows the company's overall debt situation by netting the value of debts with cash and other similar liquid assets. Calculated as Total Debt – Cash & Cash Equivalents and Short Term Investments
<b>Enterprise Value</b>	Enterprise Value represents the combined economic value of a company as of the most recent fiscal year end. Calculated as Diluted Market Capitalization + Total Debt + Minority Interest + Preferred Stock – Cash and Short Term investments
<b>P/E</b>	A valuation ratio of a company stock price compared to its per share earnings. Calculated as Market Price / Earnings per Share for the last annual period
<b>Tangible Book Value</b>	Total Shareholder's Equity – Goodwill and Intangible Assets

For more information about G2, please visit: [www.g2cap.com](http://www.g2cap.com)

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