

TRANSPORTATION & LOGISTICS

Q1 2024 MARKET UPDATE

The Investment Implications of Nearshoring in Mexico

In this quarter’s industry update, we will examine the supply and demand dynamics created by nearshoring in Mexico and the impacts on transportation and logistics (T&L) stakeholders.

Today’s influx of nearshoring investment into Mexico is laying the foundation for a long-term impact across sectors. Here, we will explore the factors that have facilitated this strategic shift, identify the companies making significant investments, and consider the impacts associated with this change—and what T&L operators can do to stay ahead.

The Situation

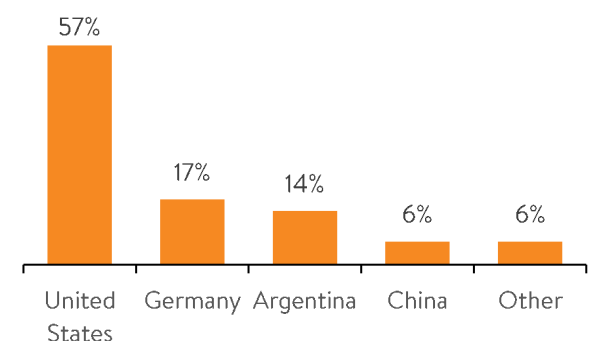
The disruption caused by COVID-19 accentuated the importance of global supply chain contingency planning, flexibility, and visibility—prompting all stakeholders to seek solutions that reduced supply chain vulnerability. While nearshoring in Mexico has been in practice for decades, with varying levels of industry engagement over time, there is renewed interest due to three key advantages:

- Efficiency through Proximity:** Mexico’s proximity to the U.S. lowers transportation costs, reduces lead times, and simplifies the complexities of shipping goods over long distances—via air or ocean—by enabling ground transportation as an option. Mexico also offers supply chain resiliency by reducing dependence on distant suppliers and mitigating geopolitical risks associated with global disruptions, even though Mexico presents its own set of geopolitical risks.
- Ease through Trade Agreements:** The United States-Mexico-Canada Agreement (USMCA), which replaced the North American Free Trade Agreement (NAFTA) in July 2020, reduces trade barriers with virtually no tariffs on Mexican imports. In addition, since the Trump administration enacted a 25% tariff on steel, aluminum, machinery, electronics, and consumer goods imported from China—a position maintained and, in the case of steel and aluminum, recently increased by the Biden administrationⁱ—American companies have a clear incentive to trade with countries covered by free trade agreements.
- Cost Competitiveness:** While labor costs in China have been rising steadily, Mexico remains competitive, particularly for high-skilled labor. The average salaries of production workers and machine operators are 3x less in Mexico than in China.ⁱⁱ Plus, the cost of shipping an ocean container from China to the U.S., in addition to tariffs, makes nearshoring in Mexico more cost-effective than offshoring to China.

Mexico’s New Supply and Demand Equation

Shippers are creating meaningful demand for the Mexican market, as illustrated by investment commitments across a range of sectors exceeding \$31 billion in Q1 2024 alone, compared to the full-year 2023 total of \$36 billion.ⁱⁱⁱ While the U.S. leads the nearshoring investments in 2024, other countries are following suit with investments in Mexico to gain better access to the U.S. market. New production operations are garnering the largest chunk of investments, with over 50% of investments associated with the manufacturing sector. Companies are also building data centers, redeveloping existing infrastructure, and unlocking value with new technology advances.

Contribution by Country to 2024 Investment of Nearshoring in Mexico



Source: Mexican Ministry of Economy as of March 19, 2024



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Major global firms are announcing massive investments, with many opening new manufacturing facilities and making multi-year commitments.

Firm	Investment	Timeline
Amazon (AWS)	\$5 billion <i>to open a cluster of data centers in Queretaro^{iv}</i>	Over 15 years
Tesla	\$5 billion <i>to build an electric vehicle plant in Monterrey^v</i>	By 2025
Walmart	\$2.1 billion <i>to remodel existing stores, build new ones, and expand supply chain and omnichannel capacity^{vi}</i>	In 2024
DHL	\$500 million <i>to decarbonize fleets, retrofit real estate, and increase workplace and warehouse tech-enablement^{vii}</i>	Over 5 years
IKD Co. (China-based auto supplier)	\$178 million <i>to establish an aluminum vehicle parts plant in Guanajuato^{viii}</i>	In 2024
Nippon Steel	\$71 million <i>to build a steel plant in Apaseo El Grande^{ix}</i>	In 2024

Source: [Borderlands Mexico: Investment Surges in Mexico as Companies Shift Supply Chains, Plan New Factories](#). FreightWaves. March 31, 2024.

Laredo has emerged as the second-ranked U.S. trade gateway, handling a substantial \$25 billion in trade monthly, and Mexico recently overtook Canada and China as the top U.S. trading partner, valued at \$798 billion.^x In response, multinational T&L companies are flocking to Mexican border cities to support the growing demand for warehousing space, transloading capabilities, transportation capacity, and managed transportation opportunities. Companies investing in these featured land ports help enable the cross-border transportation network and are well-positioned to benefit from the anticipated growth. A selection of recent examples follows.

- C.H. Robinson is opening a new 400,000-square-foot facility in Laredo, Texas.^{xi}
- Ryder System’s expansion in Laredo includes a new 228,000-square-foot multiclient warehouse and a cross-dock.^{xii}
- Echo Global Logistics is opening new locations in Laredo and the Mexican trade centers of Mexico City and Monterrey.^{xiii}
- Maersk, whose footprint in Mexico already spans 1.6MM sq. ft., shared plans to expand in the Mexican cities of Guadalajara and Monterrey, leveraging Maersk’s IMMEX program to deliver sorting, storage, cross-docking, inventory management, labeling, packaging, re-packaging, and order fulfillment services.^{xiv}
- Arrive Logistics and BlueGrace Logistics are also increasing operations in Guadalajara.^{xv}



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ASSET-BASED TRANSPORTATION



FREIGHT BROKERAGE

TRANSPORTATION & LOGISTICS

Q1 2024 MARKET UPDATE

Staying a Step Ahead

While nearshoring offers meaningful advantages, the industry’s shift to transition significant capabilities to Mexico will come with its own set of challenges. Here’s how savvy operators can stay a step ahead.

	Challenge	Considerations
Capacity Constraint	Mexican fleet capacity is not expanding at the same rate as outside investment. As the recently announced manufacturing facilities and other investments come online, demand for capacity will soon outpace supply. Capacity will also be tight due to an imbalance of freight moving north vs. south.	Shippers should consider diversifying their approach by partnering with multiple local transportation providers as well as improving access, recruiting, and internal control to support B1 drivers. In addition, shippers can closely monitor and manage border crossing capacity and utilize other locations if possible.
Surge in Freight Rates	Based on the projected surge in demand, cross-border freight rates will likely outpace the broader average market rates. The strength of the peso could also lead to increased rates from Mexican carriers.	Shippers should budget for increased rates and negotiate and secure contracts now while carriers are still prioritizing long-term commitments at competitive rates. Transportation companies should ensure they include annual pricing escalators at a minimum of CPI and have the ability to negotiate rates beyond such amounts depending on market conditions.
Security	Mexico has higher instances of freight theft than the U.S. As freight volumes have increased, so too has the opportunity for fraud and theft, as seen in Q1 2024, when \$700 million in cargo was stolen. ^{xvi} Criminal tactics have gotten more sophisticated, including spoofing tracking software and setting up fake domains for small and large carriers and 3PL companies.	Shippers and transportation partners will need to use multiple sources to validate the parties moving their freight within Mexico and to ensure compliance with all rules and regulations. In addition, teams should analyze risks by lane, route, and the timing of when freight is moved. Investing in GPS and tracking technology will offer visibility into shipment progress. Depending on the value of the cargo, shippers may seek the costliest solution: hiring a trusted escort to follow shipments.

End Notes

- ⁱ Duehren, A., & Tita, B. (2024, April 17). [Biden Calls for Steep Hike to Tariff on Chinese Steel](#). Wall Street Journal.
- ⁱⁱ Martin, A. (2023, November 30). [As China Concerns and Costs Grow for Manufacturers, Is Mexico's Time Now?](#) Dallas News.
- ⁱⁱⁱ Mahoney, N. (2024, April 3). [Borderlands Mexico: Investment Surges in Mexico as Companies Shift Supply Chains, Plan New Factories](#). FreightWaves.
- ^{iv} Hilaire, V. (2024, February 26). [Amazon's AWS to Invest Over \\$5BN to Boost Cloud Computing in Mexico](#). Reuters.
- ^v Vasquez, A. (2023, March 1). [Tesla to Invest \\$5 billion in Mexico Plant, Official Says](#). Bloomberg.com.
- ^{vi} Harrup, A. (2024, March 13). [Wal-Mart de Mexico to Invest MXN34.5 Billion in 2024](#). MarketWatch.
- ^{vii} Baker, E. (2023, July 19). [DHL Supply Chain Invests €500m in Latin America](#). Parcel and Postal Technology International.
- ^{viii} Saldaña, J. (2024, March 12). [IKD to Invest US\\$178 Million in Guanajuato](#). MEXICONOW.
- ^{ix} Saldaña, J. (2024a, March 11). [Nippon Steel Invests US\\$71.3 Million to Set Up Plant in Guanajuato](#). MEXICONOW.
- ^x Mahoney, N. (2024a, March 24). [Borderlands Mexico: Echo Global Logistics Grows Cross-Border Footprint](#). Yahoo! Finance.
- ^{xi} Mahoney, N. (2023, September 11). [CH Robinson Expands Border Footprint with Major Facility in Texas](#). Yahoo! Finance.
- ^{xii} Wolf, C. D. (2024, March 4). [Nearshoring Trend Drives More Border Growth](#). Transport Topics.
- ^{xiii} Mahoney, N. (2024, March 24). [Borderlands Mexico: Echo Global Logistics Grows Cross-Border Footprint](#). Yahoo! Finance.
- ^{xiv} Salgado, A. (2024, March 25). [Maersk Seeks Bigger Stake in Booming Cross-Border Market](#). Supply Chain Dive.
- ^{xv} Mahoney, N. (2024, February 16). [Borderlands: Cross-border Logistics Firms Expand Operations into Mexico](#). FreightWaves.
- ^{xvi} Garsten, E. (2024, March 5). [Cargo Thefts Near \\$700 Million as Supply Shortages Create Dealer Desperation](#). Forbes.



FREIGHT FORWARDING



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FREIGHT BROKERAGE

G2 RECENTLY CLOSED PROJECTS



About the Mandate:

Founded in 2007 and headquartered in Columbus, Ohio, Zipline Logistics LLC (“Zipline” or the “Company”) is a leading tech-enabled freight broker exclusively serving the consumer-packaged goods segment. The Company’s services include multimodal shipments consisting of full truckload, less-than-truckload, intermodal, port drayage, temperature-controlled shipping, and expedited shipping. Underpinning a high-touch service-centric focus is a proprietary technology solution called KANOPI that was developed to optimize client supply chain efficiency, reduce costs, and improve performance by increasing order visibility and providing significant intelligence. In 2022, Zipline recapitalized the business with Frontenac Company LLC (“Frontenac”) to support the next stage of growth.

Since partnering with Frontenac in 2022, Zipline made a strategic decision to aggressively pursue add-on acquisitions to accelerate its growth potential. The Company sought to add depth to its brokerage capacity for consumer products, bolster transportation management capabilities, expand warehouse offering, and enhance temperature-controlled services. The targets’ transportation management system technology would be a critical factor in determining fit, as interoperability with the KANOPI platform was imperative. Alba acquired Philadelphia, PA-based John A. Steer Co. (“Steer”) in December 2023.

Zipline and Frontenac engaged G2 Capital Advisors, LLC (“G2”) as the exclusive buy-side advisor to identify and originate acquisition targets that met the Company’s criteria and expansion goals. As with all clients, G2 worked as a trusted advisor and strategic partner to help Zipline reach its growth objectives and create long-term shareholder value. “Welcoming Steer to the Alba family marks a milestone in our journey by reinforcing our commitment to custom brokerage excellence and fortifying our position in the perishables market. Together, we elevate our standing as a leading global logistics services provider,” says Alba’s Chief Executive Officer, Damien Stile.

Zipline successfully acquired Summit Eleven, Inc. (“Summit Eleven”) in March 2024, a multi-modal transportation service provider based in Austin, Texas. Through this acquisition, Zipline gained additional logistics capabilities, particularly in temperature-controlled brokerage, and expanded leadership team expertise.

Wally Lynch, Zipline CEO, said, “We were pleased with G2’s execution: They provided clear industry knowledge to help with the acquisition rationale and brought numerous targets to the table, allowing us to find the one that met our layered objectives. We are thrilled to team up with Summit Eleven, and believe they are a great cultural fit who will help to enhance our ultimate vision to deliver unparalleled value to our partners and clients.”

Chris Casteleyn, Head of Transportation & Logistics at G2, said, “It’s exciting to help two firms with common goals come together to enhance customer experiences through technology and service. We thoroughly enjoyed collaborating with Zipline’s innovative and visionary leaders. Our G2 team is confident that Zipline has identified a highly complementary partner to further their delivery of exceptional service. We anticipate both a successful integration and navigation of this ever-changing market environment.”

SELECT ONGOING G2 PROJECTS

Temperature-Controlled Warehousing

PROJECT
FRIGID

Sell-Side

About the Mandate:
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.

Final Mile Delivery

PROJECT
COSMO

Sell-Side

About the Mandate:
G2 is currently advising a regional provider of final mile, big & bulky delivery services. The company is seeking a partner to support the next phase of growth through a sale or majority recapitalization.

Asset-Based Transportation & Brokerage

PROJECT
JAZZ

Sell-Side

About the Mandate:
G2 is currently advising a leading provider of energy and chemical transportation services. The company is seeking a new partner to support the future growth through a sale of the business.

Final Mile Delivery

PROJECT
ANGEL

Sell-Side

About the Mandate:
G2 is currently advising a regional provider of B2C final mile delivery services. The company is seeking a partner to support the next phase of growth through a sale or majority recapitalization.

Third Party Fulfillment and Logistics

PROJECT
GRANITE

Buy-Side

About the Mandate:
G2 is currently advising a provider value-add warehousing and distribution services. The company is seeking acquisition opportunities that will expand its market penetration, geographic presence or end market reach.

Final Mile Delivery

PROJECT
Rx

Buy-Side

About the Mandate:
G2 is currently advising a provider of pharmaceutical delivery services. The company is seeking acquisition opportunities that will expand its market share and service capabilities.

SELECT ONGOING G2 PROJECTS

Freight Forwarder

PROJECT MOVE

Buy-Side

About the Mandate:

G2 is currently advising a provider of customs brokerage and freight forwarding services. The company is seeking acquisition opportunities that will expand its market penetration, service capabilities or geographic presence.

Third Party Fulfillment and Logistics

PROJECT SPIRIT

Buy-Side

About the Mandate:

G2 is currently advising a leading provider of value-added warehousing and distribution services. The company is seeking acquisition opportunities that will expand its geographic reach and capabilities.

PROJECT ROYAL

Buy-Side

About the Mandate:

G2 is currently advising a provider of door-to-door transportation services. The company is seeking acquisition opportunities that will expand its market penetration and geographic reach.

KEY T&L TRADING STATISTICS

Sector	Number of Companies	Median Enterprise Value (\$MM)	LTM ¹			
			Median Revenue Growth	Median EBITDA Growth	EV / Revenue	EV / EBITDA
Ocean Freight	7	\$9,901	-7.5%	-16.4%	2.1x	7.3x
Air	2	\$2,314	-1.7%	-9.4%	2.1x	8.5x
Truckload	8	\$5,726	-3.0%	-8.9%	1.1x	8.1x
LTL	5	\$16,879	-4.9%	2.4%	3.6x	17.3x
Third Party Logistics	12	\$31,088	-3.3%	-6.1%	1.5x	12.9x
Rail	6	\$91,384	2.6%	6.5%	5.7x	14.4x

Data sourced from S&P Capital IQ. LTM as of March 31, 2024

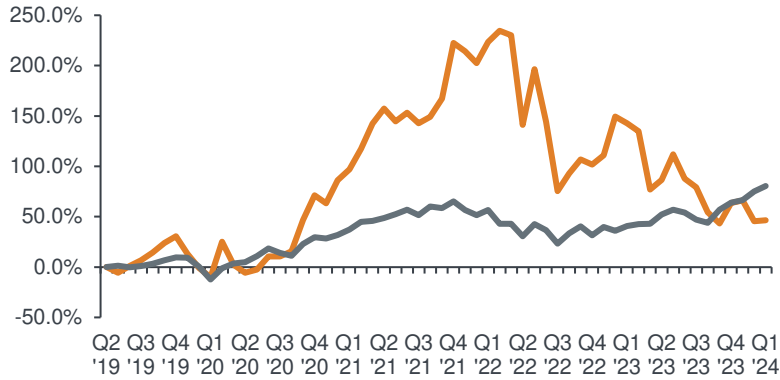
Q1 2024 M&A TRANSACTIONS

DATE	ACQUIRER	TARGET	TARGET DESCRIPTION
Apr-24	Quantix SCS, LLC	CLX Logistics	Provides transportation management, managed services, brokerage, liquid bulk 3PL, intermodal, rail and international services.
Mar-24	Zipline Logistics, LLC	Summit Eleven Inc	Provides multi-modal transportation.
Mar-24	MAGNATE WORLDWIDE Ltd.	Quality Air Forwarding, Inc.	Provides air express and ground transportation services for industrial manufacturing and biomedical markets.
Mar-24	Trimac Transportation	Feldspar Trucking Co.	Hauls bulk materials used in the production of glass and ceramics, such as sand, clay and feldspar.
Mar-24	I Squared Capital Advisors	WOW Logistics Co.	Temperature-controlled warehousing and transportation services across 25 facilities.
Mar-24	TFI International Inc.	Hercules Forwarding Inc.	LTL carrier with an emphasis on intra-US and US-to-Canada cross-border transportation.
Mar-24	Diamond State Trucking, Inc.	Yordy Transport LLC	Operates 30 power units and moves railroad and building materials to central and southeast US.
Mar-24	IMC Companies LLC	American Pacific Transportation	Provides domestic rail and international harbor drayage, as well as regional truckload and dedicated distribution services.
Feb-24	Warehouse Specialists, Inc.	ShippingTree, LLC	Provides cloud-based logistics and e-commerce fulfillment services for consumer product companies.
Feb-24	RK Logistics Group Holdings, Inc.	On Time Trucking, Inc.	Provides regional less-than-truckload (LTL) freight delivery.
Feb-24	J.B. Hunt Transport, Inc.	Walmart (intermodal Asset)	Intermodal assets of Walmart, including container and chassis fleets.
Feb-24	Total Distribution, Inc.	Assets of Swafford Trucking, Warehousing, and Transportation, Inc.	Provides transportation and warehousing services in South Carolina.
Feb-24	ADL Final Mile	Assets of Sonic Systems, Inc.	Providing courier services including same day, next day, and dedicated route services.
Feb-24	Kenan Advantage Group, Inc.	Northern Dry-Bulk, Inc.	Hauls and stores plastic resins used in the automotive, packaging and electronics industries.
Feb-24	Radiant Logistics, Inc.	Select Logistics, Inc. / Select Cartage	Provides both domestic and international freight forwarding services and supports the cruise line industry.
Feb-24	Ryder System, Inc.	Cardinal Logistics	Provides dedicated fleet, transportation management, last mile, warehousing and distribution services
Jan-24	Rock-It Cargo USA, LLC	SOS Global Express, Inc.	Provides freight forwarding and logistics services for live events in the sports and broadcast industries.
Jan-24	Yandell Truckaway	Eagle Transportation Company & Redwood Empire Wine Storage	Eagle provides bulk transportation services to the wine industry, and Redwood provides temperature-controlled storage and D2C fulfillment for winery customers.
Jan-24	Metro Supply Chain Group Inc.	Sci Group Inc.	Supply chain and transportation management to omni-channel retail, technology, health and beauty sectors
Jan-24	Kenco Group, Inc.	The Shippers Group	Provides supply chain, third party logistics, warehousing, and distribution services in the Southwest.
Jan-24	PS Logistics, LLC	Buddy Moore Trucking, Inc.	Provides flatbed trucking services, hauling popes, steel, and building products.

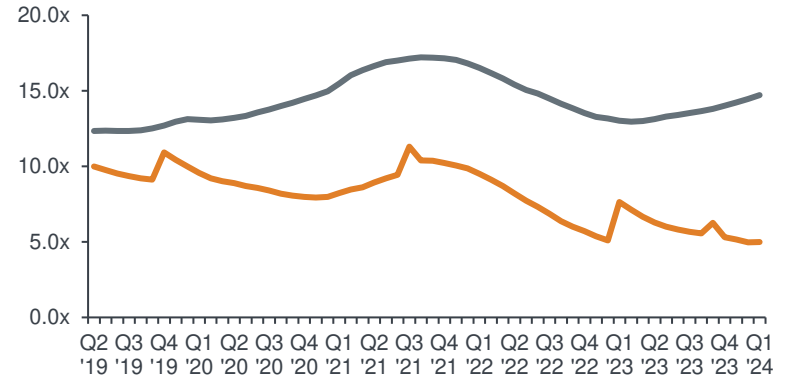
Data sourced from S&P Capital IQ as of trading on March 31, 2024
Past performance is no guarantee of future results

MARKET INDICATORS

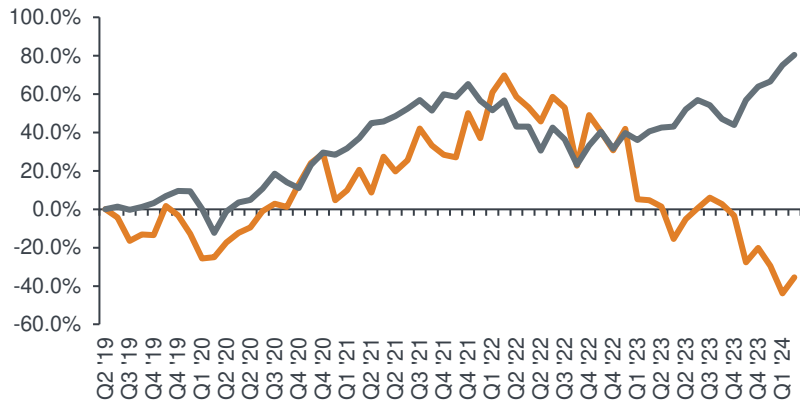
Ocean Freight Market Cap



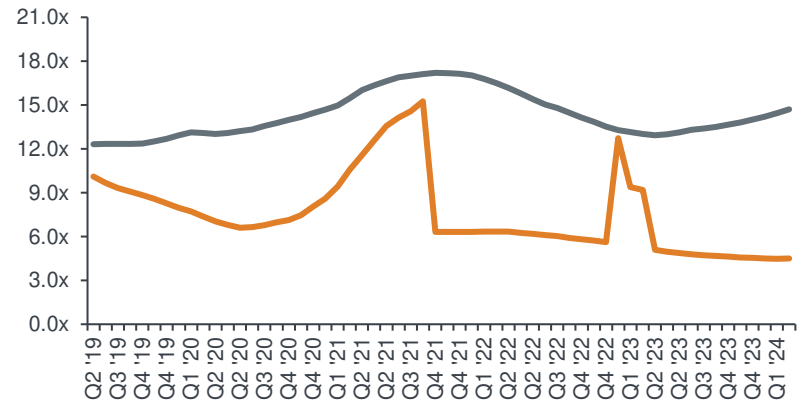
Ocean EV / EBITDA



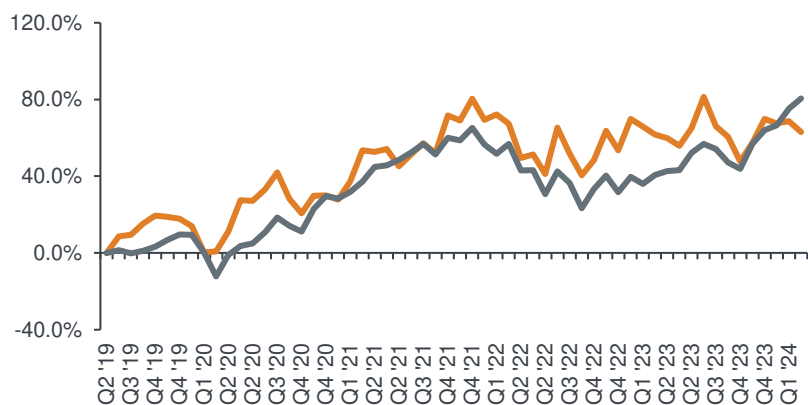
Air Freight Market Cap



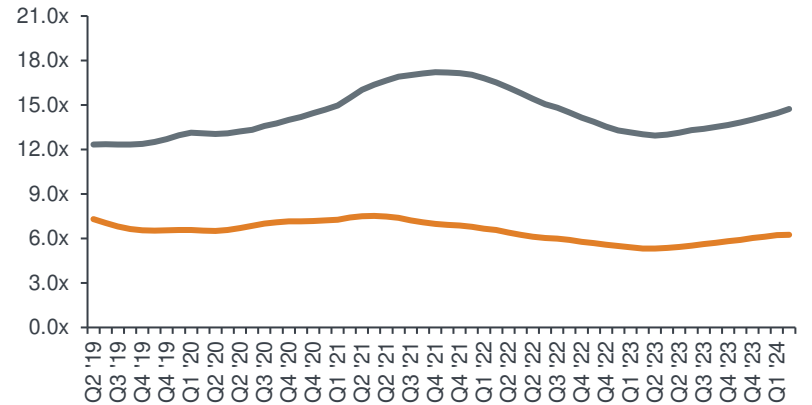
Air Freight EV / EBITDA



Truckload Market Cap



Truckload EV / EBITDA

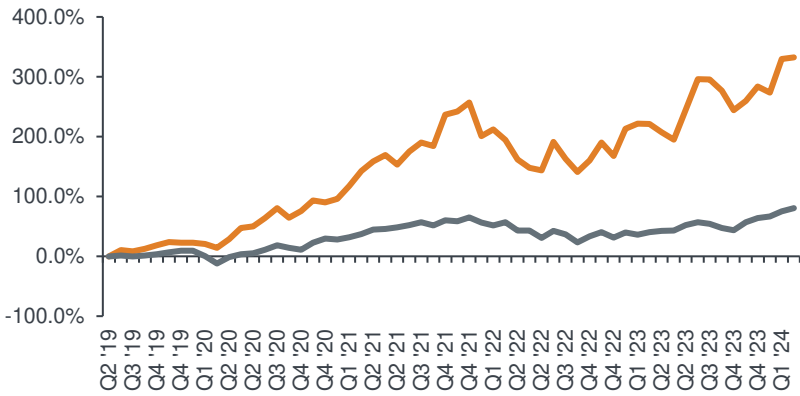


— T&L Sector — S&P 500

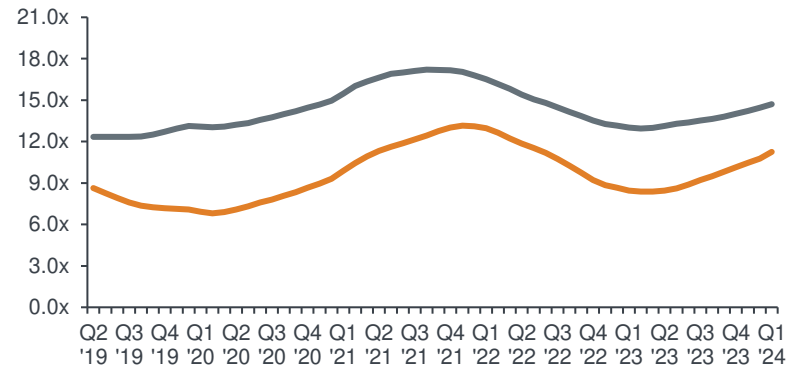
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MARKET INDICATORS

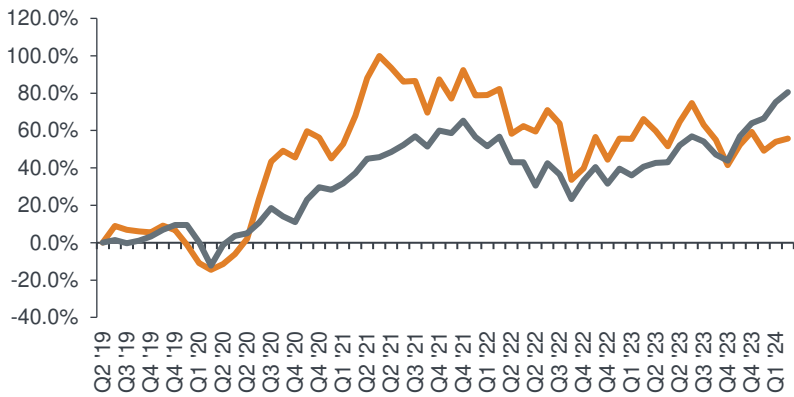
LTL Market Cap



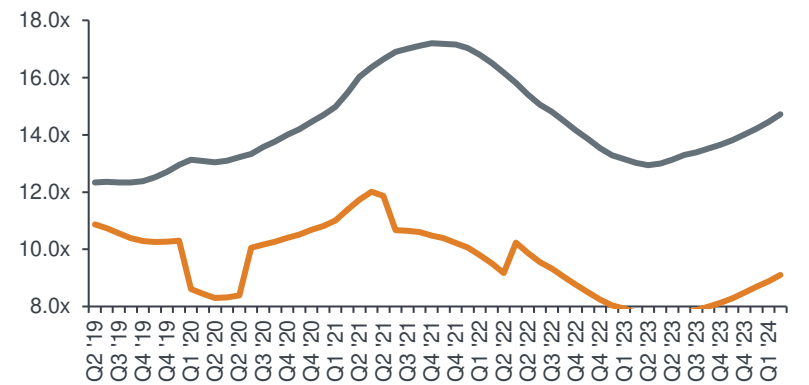
LTL EV / EBITDA



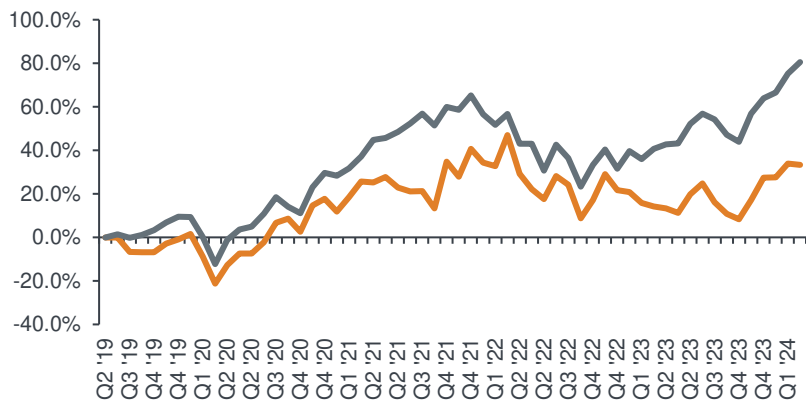
Third Party Logistics Market Cap



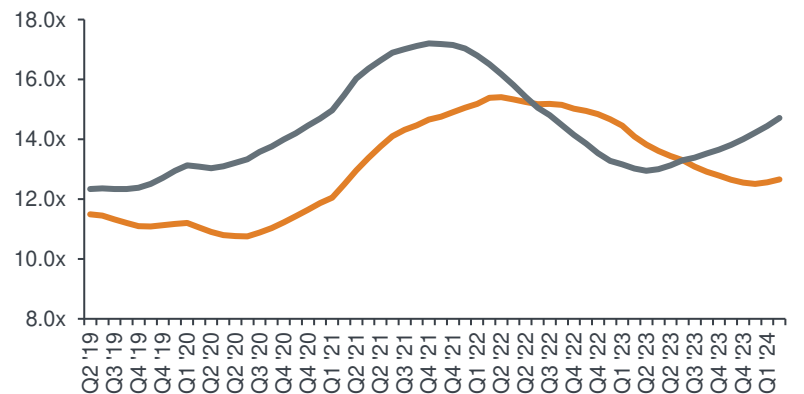
Third Party Logistics EV / EBITDA



Rail Market Cap



Rail EV / EBITDA



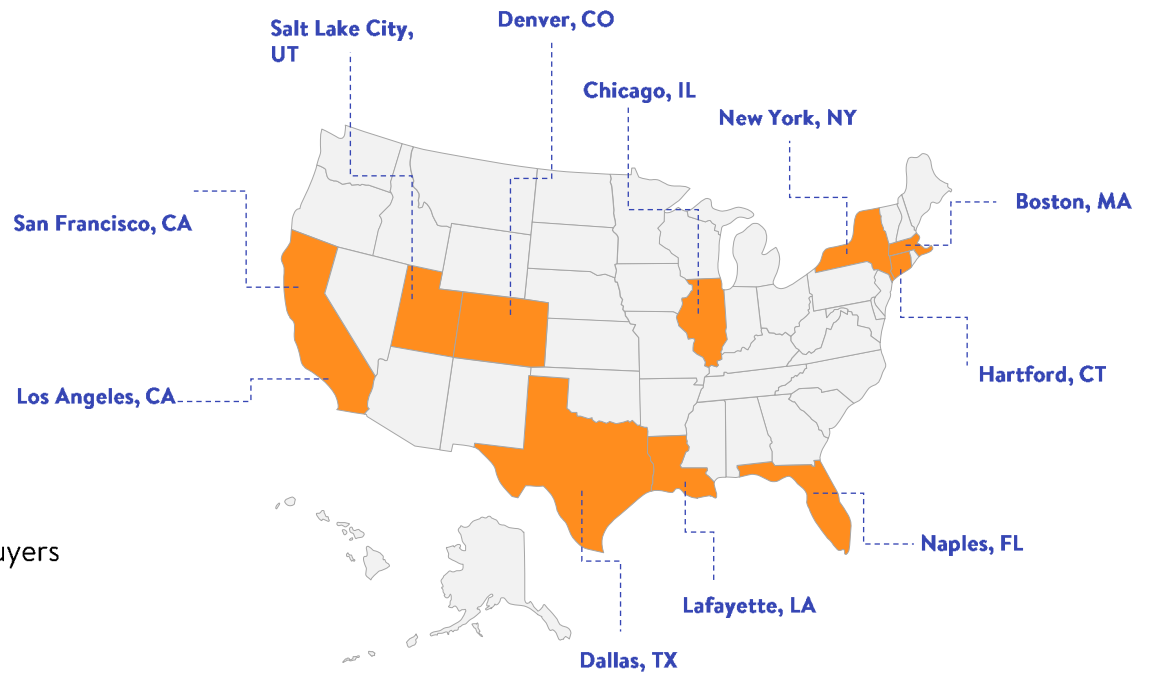
— T&L Sector — S&P 500

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G2 FIRM OVERVIEW

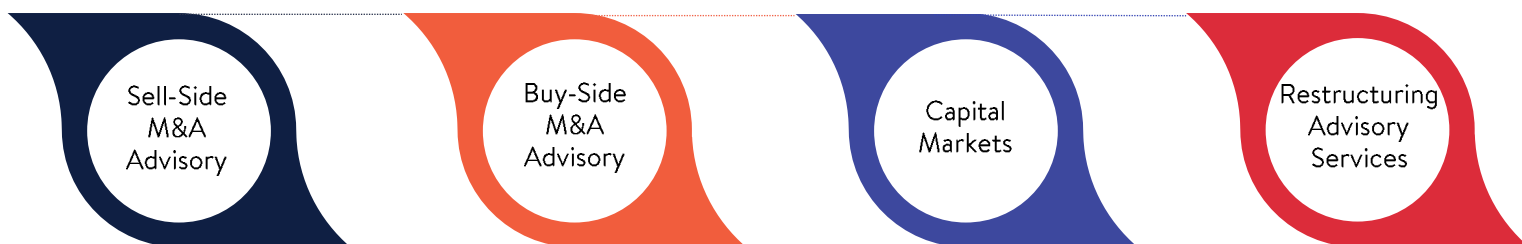
Overview:

- 500+ mandates in 12+ years
- \$5B+ total executed transaction value
- Extensive industry experience
- Robust strategic and sponsor relationships
- Active touchpoints with logical sellers and buyers



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

T&L Focus Sectors:

- International Logistics
- Final Mile / Courier
- Warehousing / Distribution
- Asset-Based Transportation
- Freight Brokerage



Industrials & Manufacturing

I&M Focus Sectors:

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



Technology & Business Services

TBS Focus Sectors:

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



Consumer & Retail

C&R Focus Sectors:

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

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