

# Transportation and Logistics Industry Snapshot July 2021

## Executive Summary

The industry is composed of companies that provide consolidation of freight consignments, trade document preparation, packing, crating and other preparations of goods for transportation and logistics consulting services. When industrial production and consumer spending increase, more goods need to be transported, raising freight volumes. Consequently, increased freight volumes have caused demand for industry services to rise. Over the past five years, the industry has experienced revenue growth due to steady increases in manufacturing, retail, and trade activity.

## Key Industry Takeaways

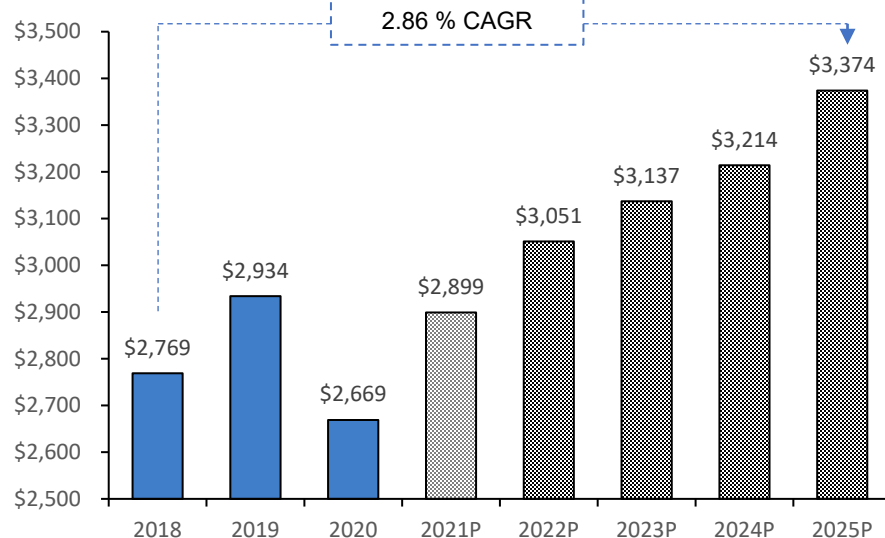
- The industrial production index measures the level of output from the mining, manufacturing, electric and gas industries. A rise in the volume and value of manufactured goods creates demand for industry services to help pack and ship these products.
- Continued implementation of electronic trade documentation platforms will benefit many companies by increasing information transparency and streamlining processes, reducing the time needed to move cargo to its destination and reducing costs.
- In Q4 2020, as the pandemic spiked across the country, millions of Americans opted for shopping online instead of heading to retailers' brick-and-mortar locations. This e-commerce boom drove record-setting peak season shipping in the parcel space (e.g. UPS), but had ripple effects into the truckload market as well. Year-over-year (Y/Y) spot and contract truckload rates had been trending upwards since Q1, then went into overdrive in the second half of 2020.
- Industry consolidation and increased external competition has restrained any new growth industry players entering the market may experience.

## Logistics Market at a Glance

\$2.9b	Industry Revenue in 2020
7.6%	Profit Margin in 2020
9,040	Logistic & Transportation businesses
49.7%	Q4 2020 Truckload spot rate Y/Y
2.19%	Expected CAGR of 3PL Revenue to 2025
40%	Logistics Revenue from Roadway Transport

## Sector Growth & Outlook

### Logistics Revenue



### Sector Outlook

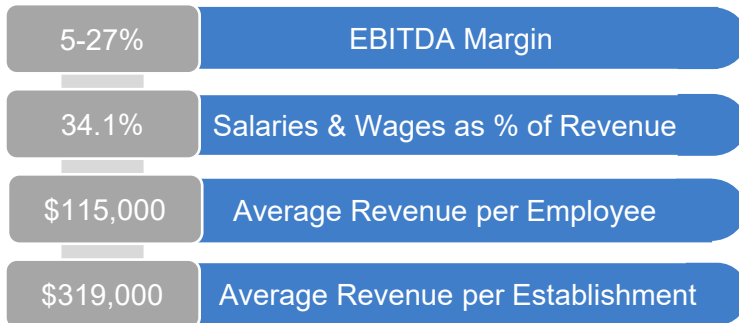
The industry is expected to grow in the coming years as a resurgence in consumption levels and trade activity will bolster freight volumes, which will generate demand for freight packing and logistics services. Anticipated rises in trade demand, domestic and international, as well as increased use of airline freight will lead to increased revenue for the industry as companies look to outsource transportation services. This increase will lead to higher wages as specialization and demand increases in the industry.

# Transportation & Logistics Overview

## Market Snapshot

- Packing and crating services that are not directly related to vehicle operations account for an estimated 77.4% of revenue for the Freight Packing and Logistics Services industry in 2020
- Packing and logistics services for vehicle or storage operation, such as trucking and warehousing, freight transportation arrangement services, and supply chain management consulting services has decreased as a share of revenue over the past five years.
- Demand relies on activity in upstream industries, namely the manufacturing, wholesaling, retailing, logistics and transportation industries which all grow in tandem with the economy.

### Benchmarking



## Market Trends

- 4 PL providers are responsible for managing the entirety of activities involved in the supply chains such as storage, processes, procurement, distribution and others. This logistics service is usually chosen by companies in large part due to the ability to streamline supply chains, only having a single point contact for logistics networks, lower time and money required for logistics, uniformity, and consistency which may be lacking in other logistics models.
- Globally, market players have been actively upgrading technology with respect to various aspects of logistics such as WMS for warehousing, RFID for transportation, IoT for communication among different departments, cloud for data storage, and last-mile delivery software for delivery and route optimization for the truck drivers, among others.
- Robotics automation, ASRS, and autonomous vehicles have benefitted the market in reducing costs incurred and increasing ROI on the overall investment on solutions and infrastructure.
- Airfreight is expected to rise at an annualized rate of 4.2% over the next twenty years. As airliners continue their growth, they will likely outsource more packing and logistics services to specialized industry operators.

Private Transaction						
Sale Date	Target Business Description	Deal Value	EBITDA	Net Sales	DV/EBITDA	DV/Sales
3/5/2021	Transportation (Trucking) and Logistics Company	\$3,500,000	\$621,595	\$2,843,697	5.6x	1.2x
12/30/2020	Provider of Cold Chain Logistics Services	\$761,451,000	\$44,021,000	\$521,193,000	17.3x	1.5x
12/22/2020	Third Party Logistics Company	\$14,500,000	\$2,726,892	\$29,398,979	5.3x	0.5x
7/27/2020	Third-Party Logistics Provider	\$580,000	\$201,982	\$3,015,516	2.9x	0.2x
2/27/2020	Provides Transportation and Logistics to the Oil/Gas Industry	\$31,034,875	\$8,566,724	\$93,219,837	3.6x	0.3x
12/3/2018	Third Party Logistics Company	\$4,770,000	\$1,431,886	\$4,279,932	3.3x	1.1x
10/5/2018	Lessor of Tank Space for the Storage of Petroleum Based Products	\$105,889,000	-\$34,965,000	\$14,079,000	-3.0x	7.5x
9/11/2018	Third Party Logistics and Warehousing	\$210,000	\$94,561	\$1,452,299	2.2x	0.1x
8/8/2018	Provides Consulting Services	\$200,130,000	\$16,320,790	\$28,966,725	12.3x	6.9x
3/27/2018	Broker and Logistics Service Provider Plant/Flower Growers	\$250,000	\$115,462	\$1,949,012	2.2x	0.1x
Median				\$9,179,466	2.2x	0.8x

Public Comps								
Company Name	Rev. Growth %	Gross Margin	EBITDA Margin	FTE	Revenue/FTE	EV/Revenue	EV/EBITDA	Revenue
Hub Group	-4.7%	6.8%	6.6%	5,000	\$699,000	0.6x	9.3x	\$3,495,644
C.H. Robinson Worldwide	5.9%	7.2%	4.8%	15,405	\$1,052,100	0.7x	13.7x	\$16,207,106
Expeditors Internationl	23.7%	11.5%	9.9%	17,480	\$578,700	1.6x	14.1x	\$10,116,481
J.B. Hunt Transport Services	5.1%	15.0%	12.9%	30,309	\$317,900	1.8x	13.9x	\$9,636,573
Ryder System	-5.7%	15.1%	27.0%	64,200	\$131,200	1.1x	4.0x	\$8,420,091
XPO Logistics	-2.4%	15.8%	7.6%	141,000	\$115,300	0.9x	9.7x	\$16,252,000
Median				23,895	\$448,300	1.0x	11.7x	\$9,876,527