



# INDUSTRY OVERVIEW

## TRANSPORTATION & LOGISTICS

### Q1 2022



# TRANSPORTATION AND LOGISTICS: INDUSTRY OUTLOOK

## FORECAST: CONTINUED GROWTH

- ❑ Industry revenue is forecast to rise at an annualized rate of 2.2% to \$3.6 billion over the next five years to 2027. A resurgence in consumption levels and trade activity will likely bolster freight volumes, which will generate demand for freight packing and logistics services.
- ❑ The freight transportation services index is anticipated to increase 1.8% over the five years to 2027. Nevertheless, the recent slowdown in US manufacturing activity and the continuation of a trade war may weaken demand during the next five years to 2027.

## EFFICIENCY TAKES FLIGHT

- ❑ Many freight packing and logistics companies have benefited from electronic trade documentation platforms, with more systems expected to be adopted over the next five years. For instance, the International Air Travel Association (IATA) has implemented its global cargo paperless environment program.
- ❑ IATA's move is designed to cut costs, enabling airlines to compete more effectively with other transportation modes by increasing information transparency and streamlining processes, reducing the time needed to move cargo to its destination.

## THE FUTURE OF FLIGHT

- ❑ While airfreight remains a very small percentage of total freight transportation of the United States, it is forecasted to grow over the next five years. According to Boeing, world airfreight traffic is projected to more than double over the next 20 years, increasing at a CAGR of 4.2% between 2017 and 2037.
- ❑ In response to the Covid-19 pandemic, many airlines have offered more cargo services to cushion falling demand for passenger flights. As these services continuously grow, they will likely outsource more airfreight packing and logistics services to specialized industry operators.

## MERGERS AND ACQUISITIONS: INCREASED ACTIVITY

- ❑ Large companies are expected to continue to engage in mergers and acquisitions to expand the scope of their services and geographical range.
- ❑ To compete successfully with third-party logistics companies, industry players will likely need to continue expanding their services to provide greater value-added support.

# EXTERNAL INDUSTRY DRIVERS

## CONSUMER SPENDING

- ❑ Consumer spending dictates demand for goods that require industry services. Manufacturers, wholesalers and retailers that distribute a wide range of products are major industry customers. Freight packing and logistics service providers work with companies in these markets to help pack and ship products.
- ❑ Consequently, an increase in consumer spending boosts demand for industry services from manufacturers, wholesales, and retailers. Consumer spending is expected to increase in 2022, representing a potential opportunity for the industry.

## TOTAL TRADE VALUE

- ❑ International trade is an increasingly important source of demand for freight packaging and logistics services. Rising global income and consumption levels have underpinned growth in both imports and exports, boosting demand in industry services.
- ❑ The total trade value is expected to increase in 2022. However, export demand remains highly uncertain amid global recovery from the Covid-19 pandemic.

## FREIGHT TRANSPORTATION SERVICES INDEX

- ❑ The freight transportation services index measures the annual output of the US transportation sector. When freight volumes increase, demand for packing and logistics services rises. Thus, industry demand is positively correlated with the freight transportation services index.
- ❑ The freight transportation services index is expected to increase in 2022.

## INDUSTRIAL PRODUCTION INDEX

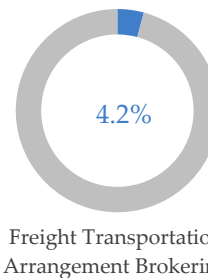
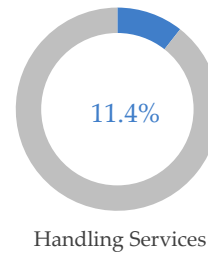
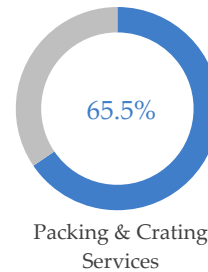
- ❑ The industrial production index measures the level of output from the mining, manufacturing, electric and gas industries. A rise in the volume and value of manufactured goods creates demand for industry services to help pack and ship these products.
- ❑ The industrial production index is expected to increase in 2022.

# INDUSTRY AT A GLANCE

## Key Statistics

- 
**\$3.2bn Revenue**
  - Annual Growth 2017 – 2022 1.3%
  - Annual Growth 2022 – 2027 2.2%
- 
**\$139.6mm Profit**
  - Annual Growth 2017 – 2022 -11.0%
- 
**4.3% Profit Margin**
  - Annual Growth 2017 – 2022 -3.9%
- 
**8,418 Businesses**
  - Annual Growth 2017 – 2022 1.1%
  - Annual Growth 2022 – 2027 2.0%
- 
**26,249 Employment**
  - Annual Growth 2017 – 2022 2.5%
  - Annual Growth 2022 – 2027 2.2%
- 
**\$1.1bn Wages**
  - Annual Growth 2017 – 2022 9.2%
  - Annual Growth 2022 – 2027 2.2%

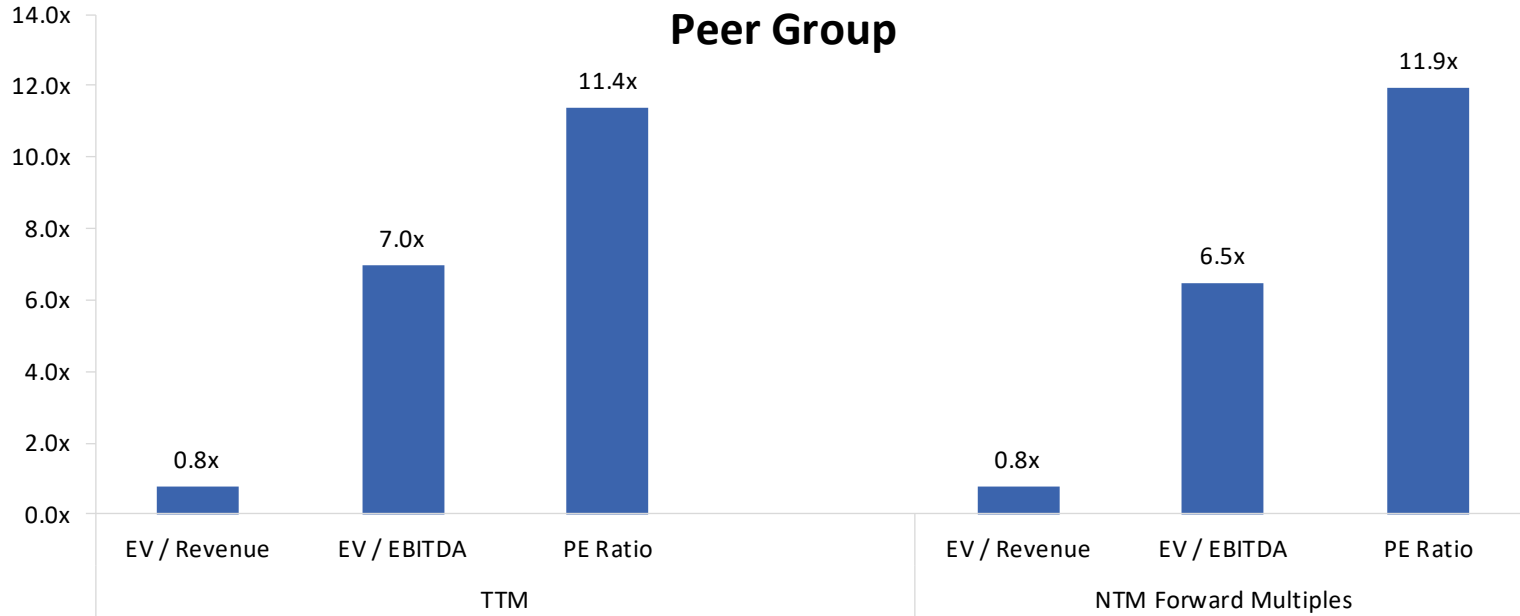
## Segments



## SWOT Analysis

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**STRENGTHS**
  - Low Imports
  - Low Capital Requirements
- 
**WEAKNESSES**
  - Low & Increasing Barriers to Entry
  - Low & Steady Level of Assistance
  - High Competition
  - Low Profit vs. Sector Average
  - High Product/Service Concentration
- 
**OPPORTUNITIES**
  - High Revenue Growth (2022-2027)
  - High Performance Drivers
  - Consumer Spending
- 
**THREATS**
  - Low Revenue Growth (2005-2022)
  - Low Revenue Growth (2017-2022)
  - Low Outlier Growth
  - Total Trade Value

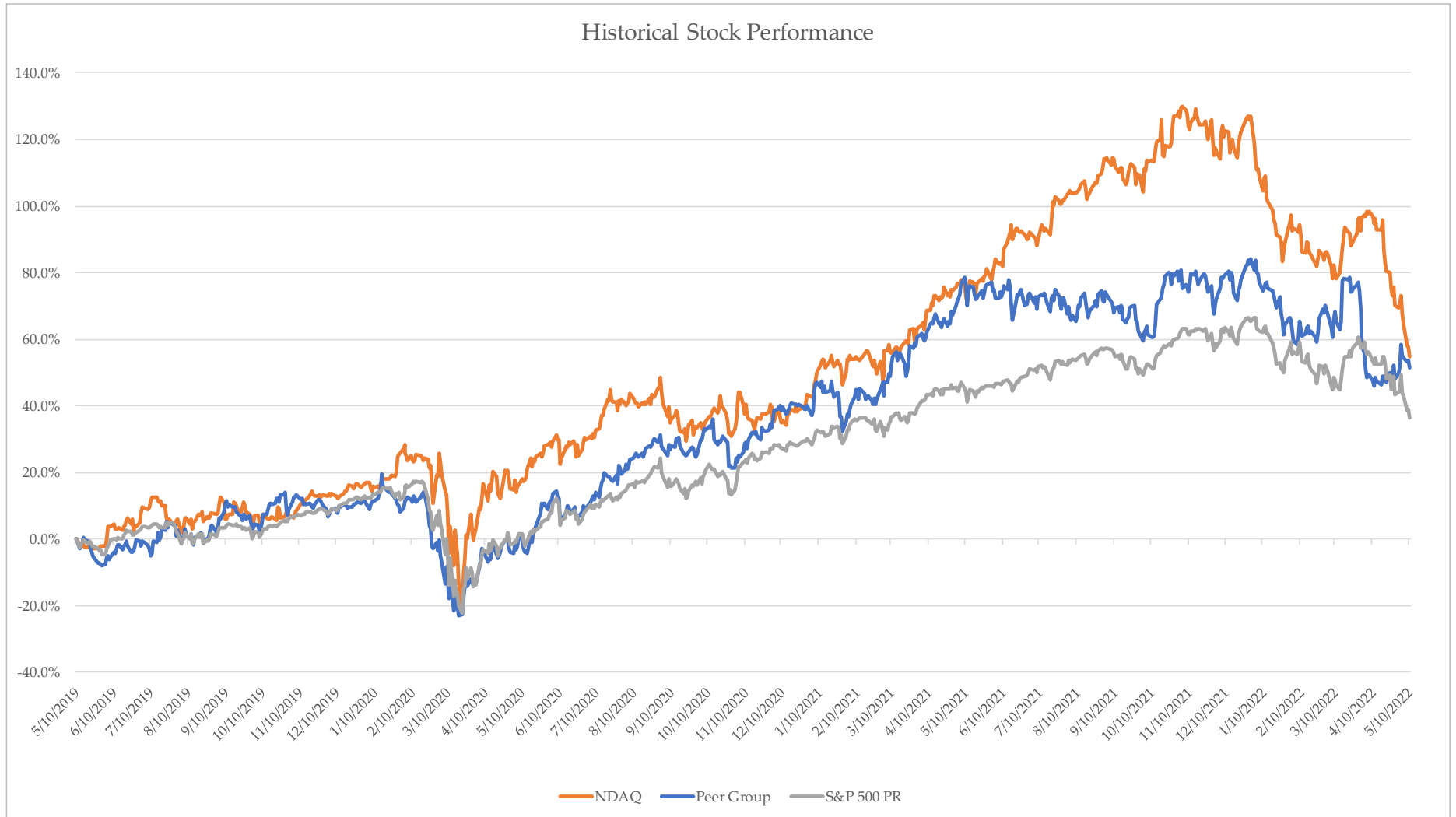
# VALUATION TRENDS



# PUBLIC COMPS

\$ in Millions	Hub Group	C.H. Robinson Worldwide	Expeditors International of Washington	J.B. Hunt Transport Services	Ryder System	XPO Logistics		
Ticker	HUBG	CHRW	EXPD	JBHT	R	XPO		
Total Revenue	\$3,929	\$21,150	\$14,108	\$11,409	\$9,276	\$12,383		
Gross Profit	492	1,503	1,810	1,719	1,695	1,942		
EBIT	151	1,002	1,575	931	712	594		
Net Income	\$110	\$762	\$1,161	\$673	\$364	\$339		
EBITDA (Normalized)	289	1,200	1,702	1,545	2,371	1,205		
Total Debt	304	2,038	456	1,300	6,261	4,401		
EV	2,631	16,019	15,484	18,979	10,192	10,534		
Employees	5,000	15,968	17,480	30,309	64,200	42,000		
<b>Ratio Analysis</b>								<b>Median</b>
Revenue/Employee	\$785,742	\$1,324,508	\$807,094	\$376,422	\$144,483	\$294,833	\$581,082	
EV/Revenue	0.57x	0.64x	0.94x	1.46x	0.99x	0.82x	0.88x	
Debt/EBITDA	1.05x	1.52x	0.27x	0.88x	2.64x	6.81x	1.28x	
EV/EBITDA (Normalized)	9.00x	12.51x	12.99x	12.74x	4.47x	10.02x	11.27x	
Market Cap/EBITDA	9.41x	11.92x	14.53x	12.78x	1.72x	5.18x	10.66x	
Market Cap (mm)	2,516	13,783	16,741	17,827	3,633	6,300		
Close Price	72.63	108.30	100.01	170.13	71.05	54.77		
52 Week Low	60.81	84.67	94.95	155.11	61.71	51.80		
52 Week High	87.21	112.15	137.80	218.18	93.05	90.78		
Gross Margin	12.5%	7.1%	12.8%	15.1%	18.3%	15.7%	12.8%	
EBIT	3.8%	4.7%	11.2%	8.2%	7.7%	4.8%	7.7%	
EBITDA	7.1%	5.2%	11.5%	13.0%	27.7%	8.6%	11.5%	
Acct. Receivable Days	51	50	61	40	43	74	50	
Inventory Days	NM	NM	NM	NM	3	NM	3	
Acct. Payable Days	36	29	40	25	39	38	36	
Revenue Growth	14.1%	36.9%	67.6%	22.0%	9.3%	70.5%	22.0%	

# TRANSPORTATION & LOGISTICS INDEX VS. S&P 500



DCA Transportation Logistics Index: HUBG, CHRW, EXPD, JBHT, R, XPO

# RECENT PRIVATE TRANSACTIONS

Deal Date	Target	Acquirer	Deal Synopsis
05-May-2022	Roadtex Transportations	Echo Global Logistics	Roadtex Transportation entered into a definitive agreement to be acquired by Echo Global Logistics, via its financial sponsors The Jordan Company and Barings, through an LBO on May 5, 2022 for an undisclosed amount.
28-Apr-2022	Westwood Shipping Lines	John Swire & Sons (London)	Westwood Shipping Lines reached a definitive agreement to be acquired by John Swire & Sons (London) for an undisclosed amount on April 28, 2022. the acquisition complements John Swire & Sons growth strategy to widen its liner network while also vertically integrating many of its shipping services.
01-Mar-2022	West Star Aviation	The Sterling Group	West Star Aviation, a company of Norwest Equity Partners, was acquired by The Sterling Group through an LBO on March 1, 2022 for \$430.1 million. In support of the transaction, Main Street Capital BDC provided debt financing of \$310 million in the form of Senior Term Loan.
03-Feb-2022	Tenneco (NYS: TEN)	Apollo Global Management	Tenneco (NYS: TEN) entered into a definitive agreement to be acquired by Apollo Global Management through an estimated \$7.1 billion public-to-private LBO on February 3, 2022. The acquisition will allow the company to continue to invest in and grow its multiple segments and footprint.
13-Jan-2022	Seapeak (NYS: TGP)	Stonepeak Infrastructure Partners	Seapeak (NYS: TGP) was acquired by Stonepeak Infrastructure Partners through a \$1.5 billion public-to-private LBO on January 13, 2022.

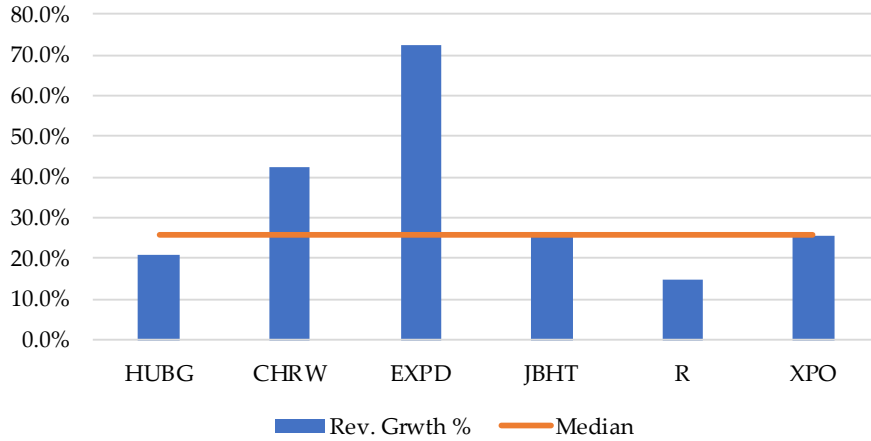


# RECENT PUBLIC TRANSACTIONS

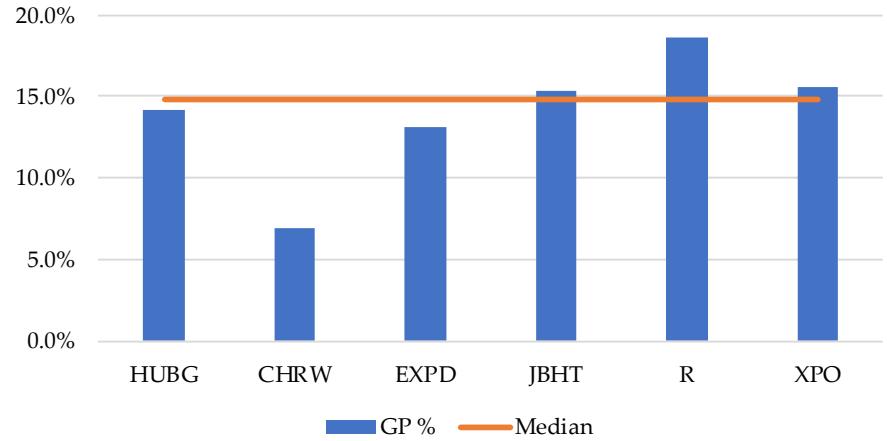
Deal Date	Target Companies	Investors	Deal Synopsis
22-Apr-2022	Swire Pacific Offshore	Tidewater (NYS: TDW)	Swire Pacific Offshore, a subsidiary of Swire Pacific (HKG: 00019), was acquired by Tidewater (NYS: TDW) for \$190 million on April 22, 2022. The acquisition helps Tidewater to capitalize on the continued improvement in the offshore supply vessel market.
04-Apr-2022	Cogoro (NAS: GGR)	Poema Global Holdings (NAS: PPGH)	Cogoro (NAS: GGR) acquired Poema Global Holdings (NAS: PPGH) through a reverse merger for \$550 million on April 4, 2022, resulting in the combined entity to be traded on the NASDAQ Stock Exchange under the ticker symbol GGR.
28-Mar-2022	Clipper Logistics (LON: CLG)	GXO Logistics (NYSE: GXO)	Clipper Logistics (LON: CLG) reached a definitive agreement to be acquired by GXO Logistics (NYSE: GXO) for \$1 billion on March 28, 2022. The combination would increase opportunities for both businesses in the high-growth e-commerce and e-fulfilment areas.
01-Mar-2022	Sabre Corporation (NAS: SABR) (AirCentre Business)	CAE (TSE: CAE)	The AirCentre business of Sabre Corporation (NAS: SABR) was acquired by CAE (TSE: CAE) for \$392.5 million on March 1, 2022. The acquisition will enable CAE to expand its digital flight and crew operations.
01-Mar-2022	Zenith Freight Lines	J.B. Hunt Transportation Services (NAS: JBHT)	Zenith Freight Lines, a subsidiary of Bassett Furniture Industries, was acquired by J.B. Hunt Transportation Services (NAS: JBHT) for approximately \$87 million on March 1, 2022. This investment enhances J.B. Hunt's furniture delivery capabilities by expanding their nationwide and end-to-end supply chain solution for their customers.

# OPERATING METRICS

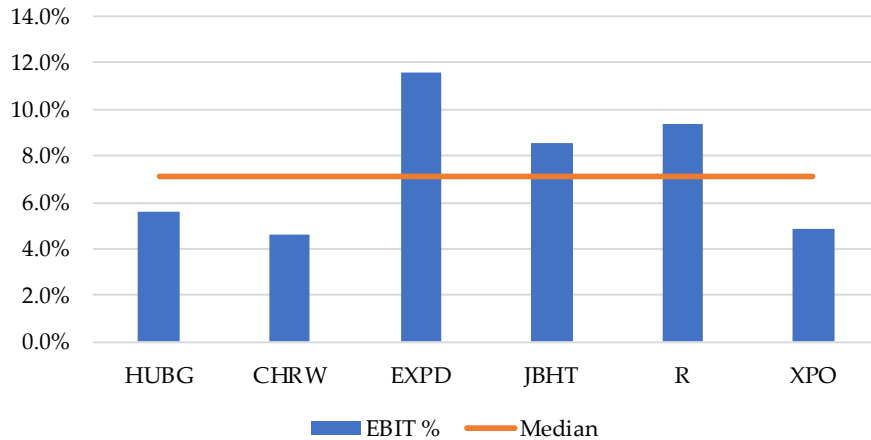
## Revenue Growth



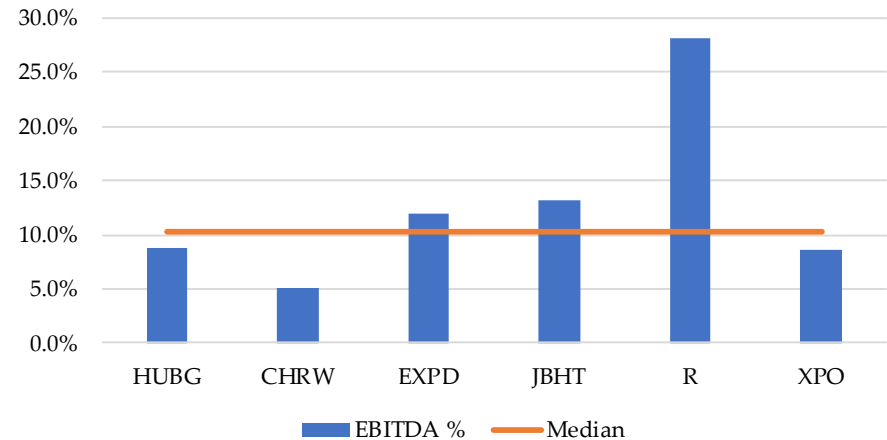
## Gross Profit Margin



## EBIT Margin

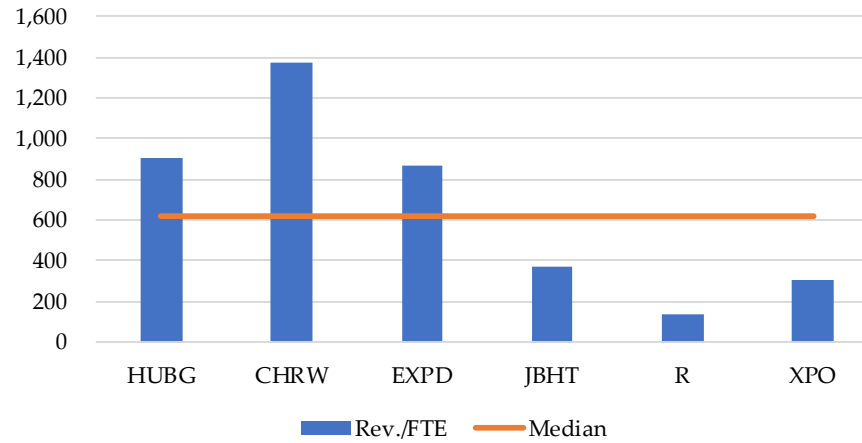


## EBITDA Margin

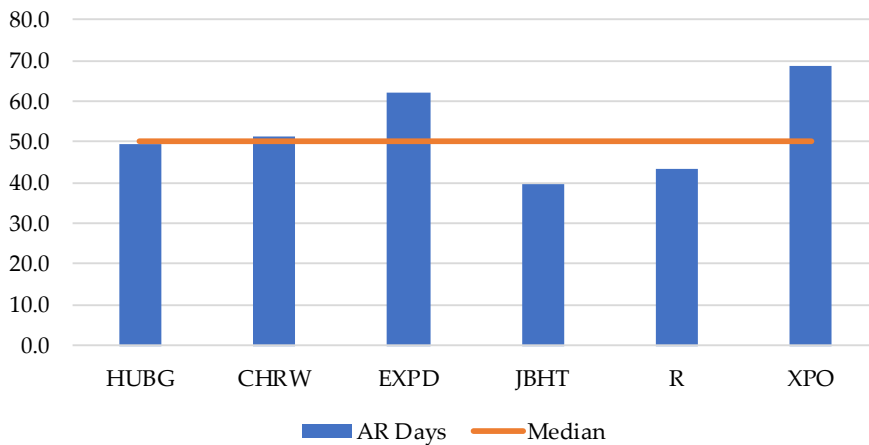


# RATIO ANALYSIS

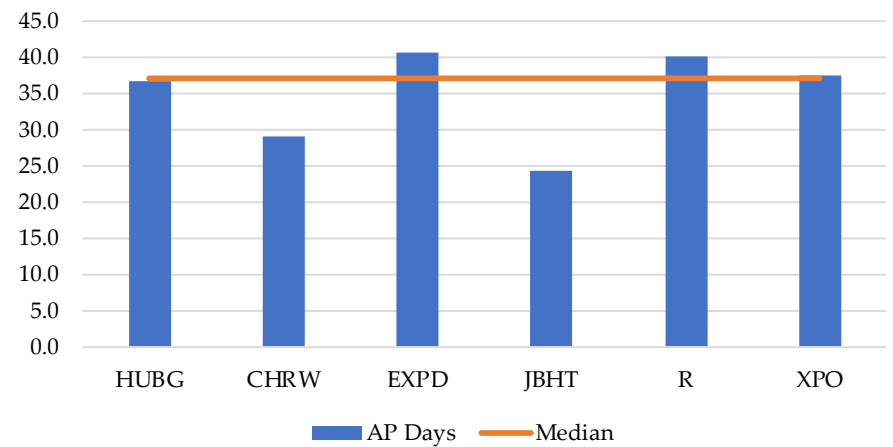
## Revenue per Employee



## AR Days



## AP Days



# VALUATION TRENDS

		Fundamentals								
Ticker	Company	TTM						NTM Estimates		
		Close Price	Market Cap	Enterprise Value	Total Revenue	EBITDA	Basic EPS	Total Revenue	EBITDA	Normalized EPS
HUBG	Hub Group	73.18	2536.43	2650.84	4610.95	463.16	7.22	5410.01		9.04
CHRW	C.H. Robinson Worldwide	108.27	13779.11	16014.86	25114.22	1284.09	7.16	26060.19		6.97
EXPD	Expeditors International of Washington	107.99	18115.74	16451.82	17989.00	2047.88	8.75	17205.85	1255.13	7.46
JBHT	J.B. Hunt Transport Services	169.60	17771.27	18923.58	13038.74	1740.48	8.15	14627.05		9.40
R	Ryder System	70.48	3604.11	10163.01	10295.19	2882.06	12.32	11577.21	3048.70	13.06
XPO	XPO Logistics	51.56	5930.35	9301.35	15140.00	1652.00	6.20	13604.46	1434.25	5.48

		Multiples					
Ticker	Company	TTM			NTM Forward Multiples		
		EV / Revenue	EV / EBITDA	PE Ratio	EV / Revenue	EV / EBITDA	PE Ratio
HUBG	Hub Group	0.57	5.72	10.28	0.49		8.09
CHRW	C.H. Robinson Worldwide	0.64	12.47	15.27	0.61		15.53
EXPD	Expeditors International of Washington	0.91	8.03	12.50	0.96	13.11	14.47
JBHT	J.B. Hunt Transport Services	1.45	10.87	21.04	1.29		18.04
R	Ryder System	0.99	3.53	5.84	0.88	3.33	5.40
XPO	XPO Logistics	0.61	5.89	7.49	0.68	6.49	9.41

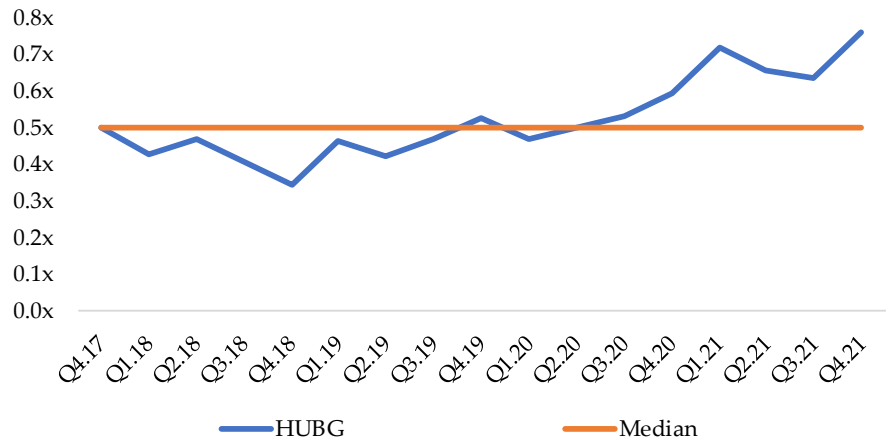
# PUBLIC COMP



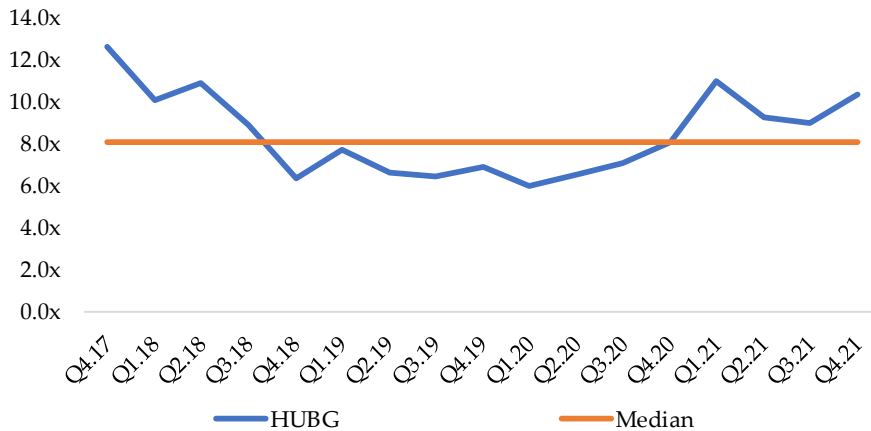
# Hub Group

**Hub Group, Inc. (NAS: HUBG)** is an asset-light freight transportation management company that provides intermodal, truck brokerage, and logistics services. The company operates through two segments, Mode and Hub. Its intermodal services include arranging for the movement of its customer's freight in containers and trailers over long distances.

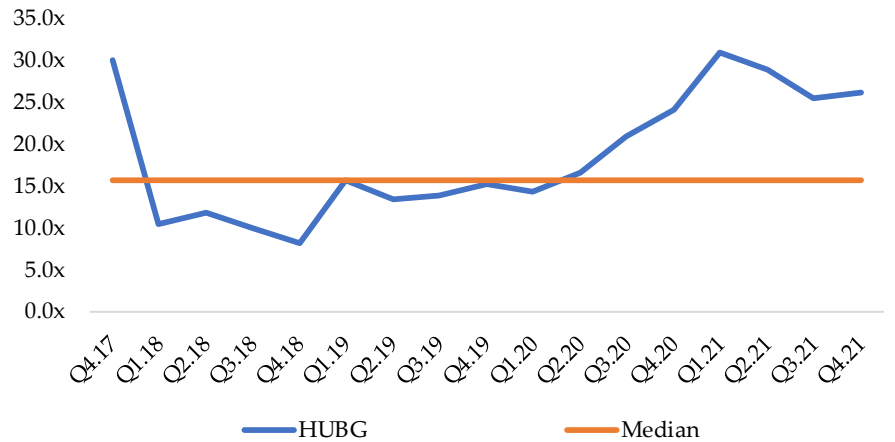
### EV/Revenue Hub Group



### EV/EBITDA Hub Group



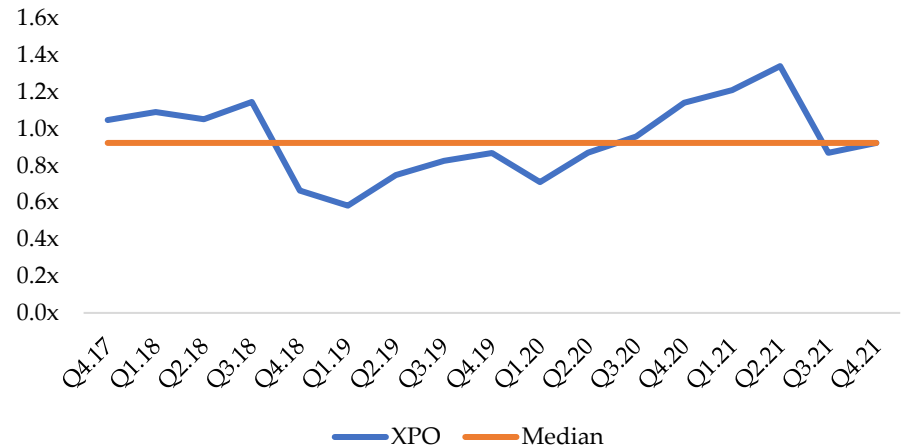
### P/E Hub Group



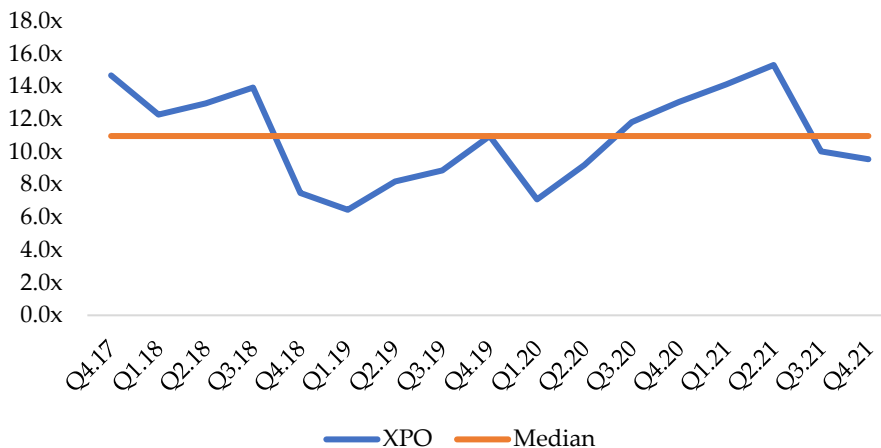
# XPO Logistics

XPO Logistics (NYS: XPO) is a diversified trucking and logistics company. XPO's portfolio reflects its transportation operations, which consists of asset-based less-than-truckload shipping, asset-light freight brokerage including intermodal and truck brokerage, heavy goods last mile delivery, and its European truckload and LTL operations.

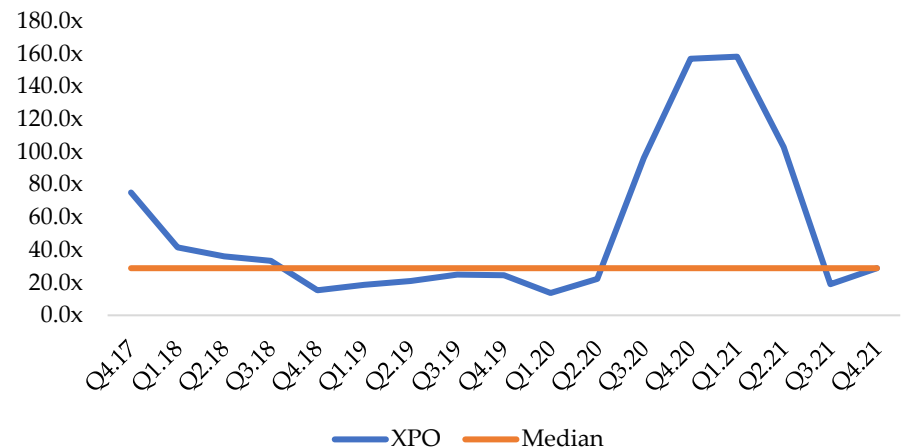
### EV/Revenue XPO Logistics



### EV/EBITDA XPO Logistics



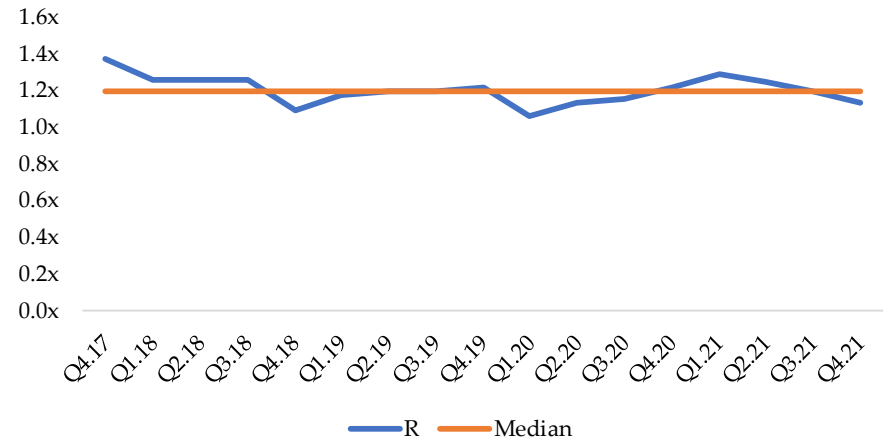
### P/E XPO Logistics



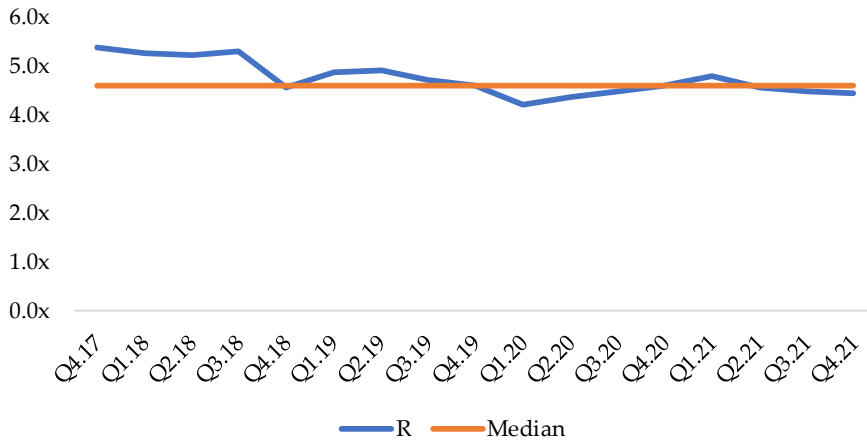


**Ryder System, Inc. (NYSE: R)** is engaged in offering transportation and supply chain management solutions. The Company operates through three segments: Fleet Management Solutions (FMS), Dedicated Transportation Solutions (DTS), and Supply Chain Solutions (SCS). The company serves the automotive, consumer packaged goods, energy, food and beverage, healthcare, industrial manufacturing, metals, retail, technology and electronics, and transportation and logistics industries.

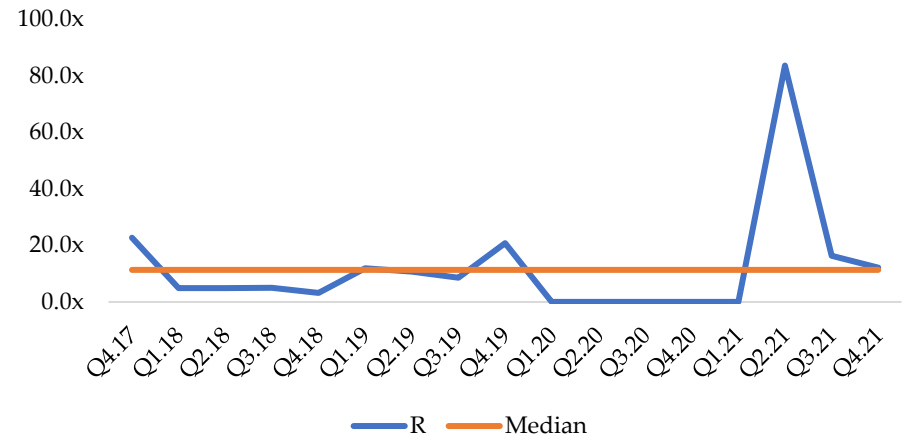
### EV/Revenue Ryder System



### EV/EBITDA Ryder System



### P/E Ryder System

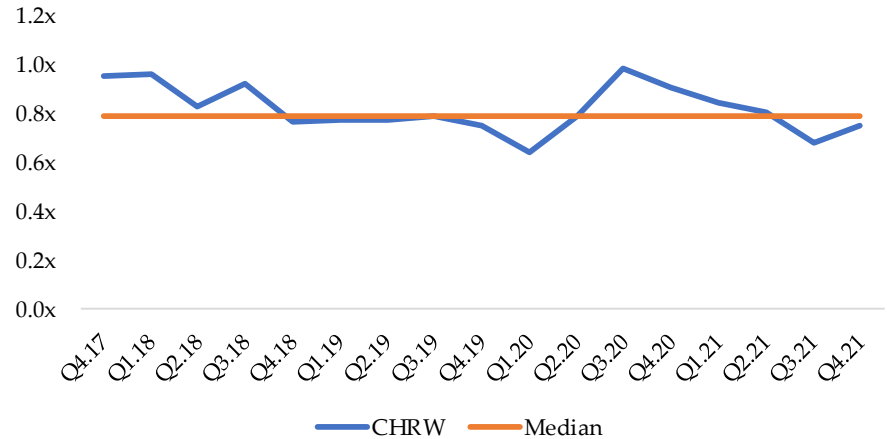




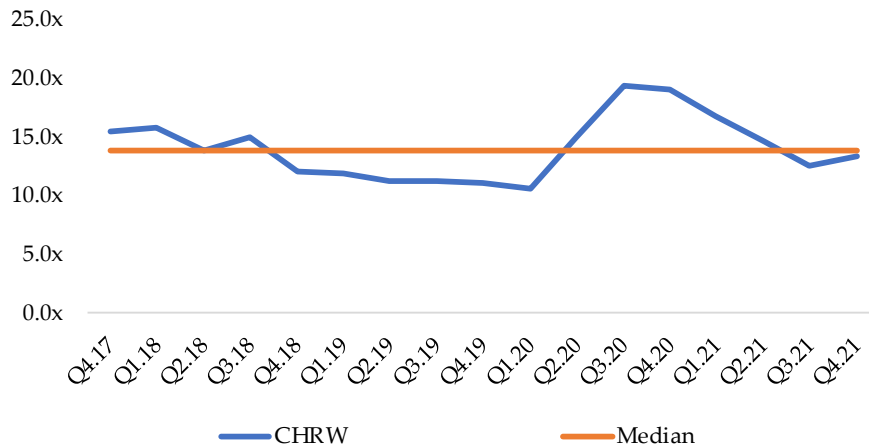
## C.H. ROBINSON

**C.H. Robinson Worldwide (NAS: CHRW)** is a top-tier non-asset-based third-party logistics provider. It focuses heavily on domestic freight brokerage, but the firm also operates a large air and ocean forwarding division.

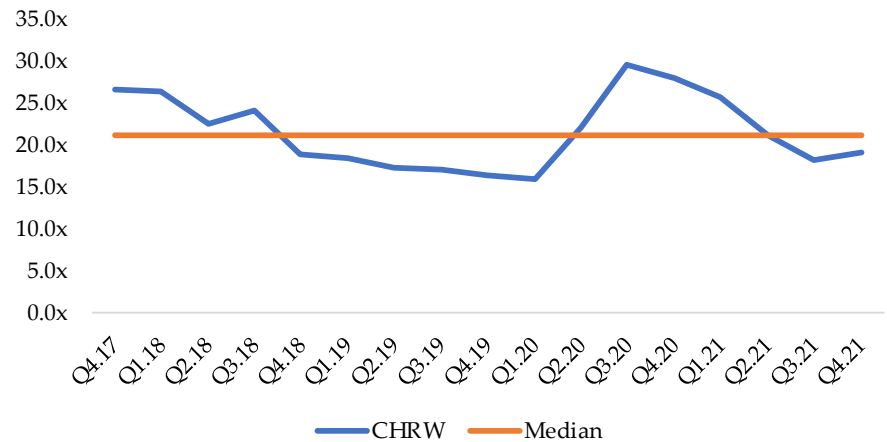
EV/Revenue C.H. Robinson Worldwide



EV/EBITDA C.H. Robinson Worldwide



P/E C.H. Robinson Worldwide

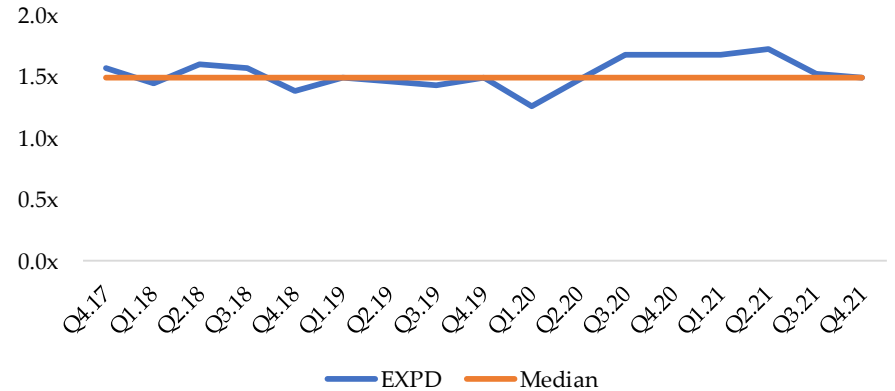




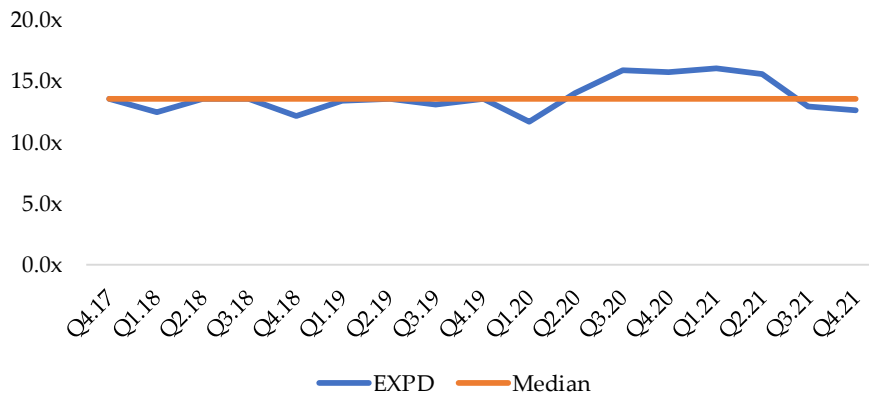
# Expeditors<sup>®</sup>

Expeditors International of Washington, Inc. (NAS: EXPD) is a non-asset-based third-party logistics provider, mainly focused on international freight forwarding. It employs sophisticated IT systems and contracts with airlines and ocean carriers to move customers' freight across the globe. The firm operates more than 200 full-service office locations worldwide, in addition to numerous satellite locations.

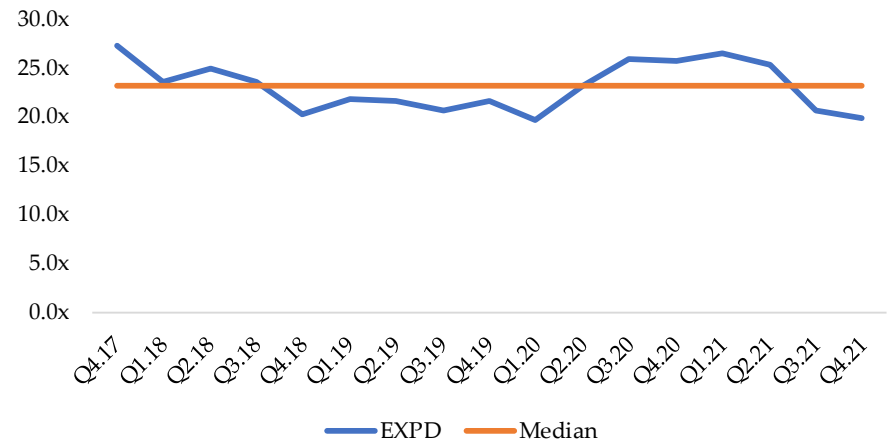
EV/Revenue Expeditors International of Washington



EV/EBITDA Expeditors International of Washington



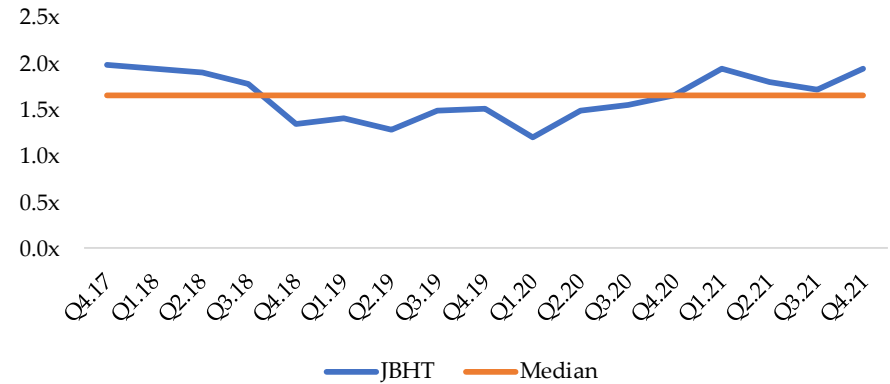
P/E Expeditors International of Washington



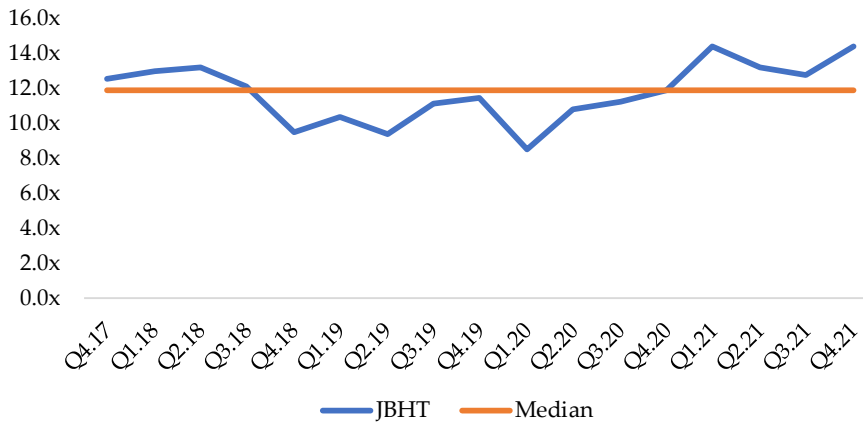


**J.B. Hunt Transport Services (NAS: JBHT)** ranks among the top surface transportation companies in North America by revenue. Its primary operating segments are intermodal delivery, dedicated trucking services, for-hire truckload, heavy goods final-mile delivery, and asset-light truck brokerage.

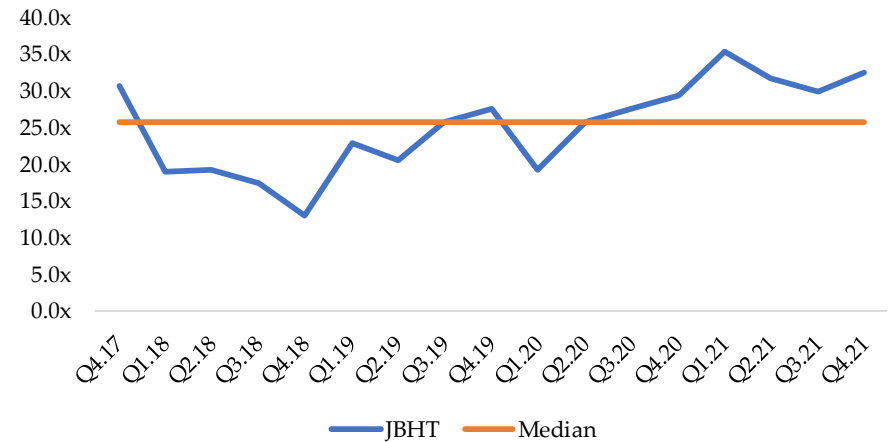
### EV/Revenue J.B. Hunt Transport Services



### EV/EBITDA J.B. Hunt Transport Services



### P/E J.B. Hunt Transport Services



# DAVIDSON CAPITAL ADVISORS PROFESSIONALS

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## **Robert S. Cashion** **Managing Director, Investment Banking and Advisory Services**

Prior to joining Davidson Capital Advisors, Mr. Cashion spent over 20 years in the financial services industry. He manages the firm's overall corporate finance and consulting practice where he oversees and executes the firm's investment banking, advisory and capital raising engagements.

Mr. Cashion worked with several financial institutions and consulting firms delivering investment banking, leveraged finance, consulting and restructuring services. He worked with Bank of America Merrill Lynch and its predecessor firms in the High Grade Capital Markets, Corporate Finance and the Special Situations group.

Mr. Cashion has been involved in industry sectors including general industrial, distribution, business services, retail, technology and healthcare. Mr. Cashion holds B.A. Education, B.S. Accounting, and an MBA from the University of North Carolina. He is a Certified Public Accountant and holds FINRA 7, 63 and 79 securities licenses.



980-237-9474 | Direct  
[robert.cashion@davcapadvisors.com](mailto:robert.cashion@davcapadvisors.com)



# DAVIDSON CAPITAL ADVISORS PROFESSIONALS

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## **Elizabeth Folger** **Managing Director, Institutional Client Coverage**

Prior to joining Davidson Capital Advisors, Ms. Folger spent 16 years in the financial services industry in a variety of functions, most recently with Bank of America Merrill Lynch and its predecessor firms. She manages the sales and auction processes for the firm's sell side M&A and capital raising engagements. Her deep experience in the sales and trading has resulted in excellent execution for our client's projects.

She worked in the Loan Syndication Sales Group, headquartered in Charlotte, with her primary responsibilities for sales and distribution of syndicated loans for middle market and large corporate credits. Also, Ms. Folger worked on the Corporate Bond Trading desk where she managed and traded risk positions of \$50-\$100 million of intermediate term bank and finance paper.

Ms. Folger has been involved in a variety of sectors including general industrial, distribution, business services, retail, technology and healthcare. She holds a Bachelor of Arts from Hollins University.



980-237-9474 | Direct  
[beth.folger@davcapadvisors.com](mailto:beth.folger@davcapadvisors.com)

# DAVIDSON CAPITAL ADVISORS ANALYST TEAM

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## **Maxwell Purdy** **Corporate Finance Coverage**

Prior to joining Davidson Capital Advisors in 2021, Mr. Purdy interned with Graycliff Partners, a private equity located in New York, NY. He graduated from University of North Carolina Chapel Hill in 2021 with a BS in Political Science and a minor in Economics and Entrepreneurship.

Maxwell assists in leading the firm's corporate finance client coverage as well as private equity coverage.

## **Kyle Burnett, Jr.** **Analyst, Investment Banking**

Prior to joining Davidson Capital Advisors in 2021, Mr. Burnett interned with UBS Financial Services, Inc., a Swiss multinational investment bank. He graduated from Northwestern University in 2021 with a Bachelor of Arts in Economics and Political Science.