

# INDUSTRY OVERVIEW

## TRANSPORTATION & LOGISTICS

### Q2 2022





# TRANSPORTATION & LOGISTICS INDUSTRY KEY TAKEAWAYS

## □ Industry Demand 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.

## □ Global Transportation & Logistics Market

- **Outlook:** 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 forecast 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.

# 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

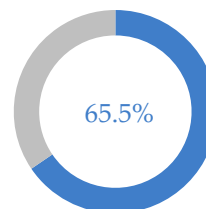
- Annual Growth 2017 – 2022 2.5%
- Annual Growth 2022 – 2027 2.2%



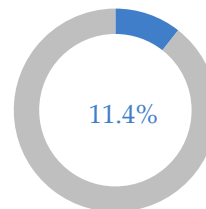
### \$1.1bn Wages

- Annual Growth 2017 – 2022 9.2%
- Annual Growth 2022 – 2027 2.2%

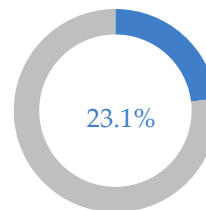
## Segments



Packing & crating services



Handling Services



Other services

## SWOT Analysis



### 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

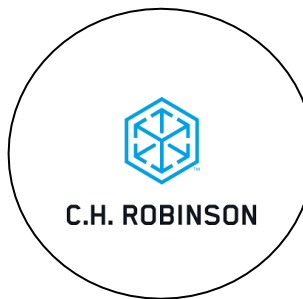
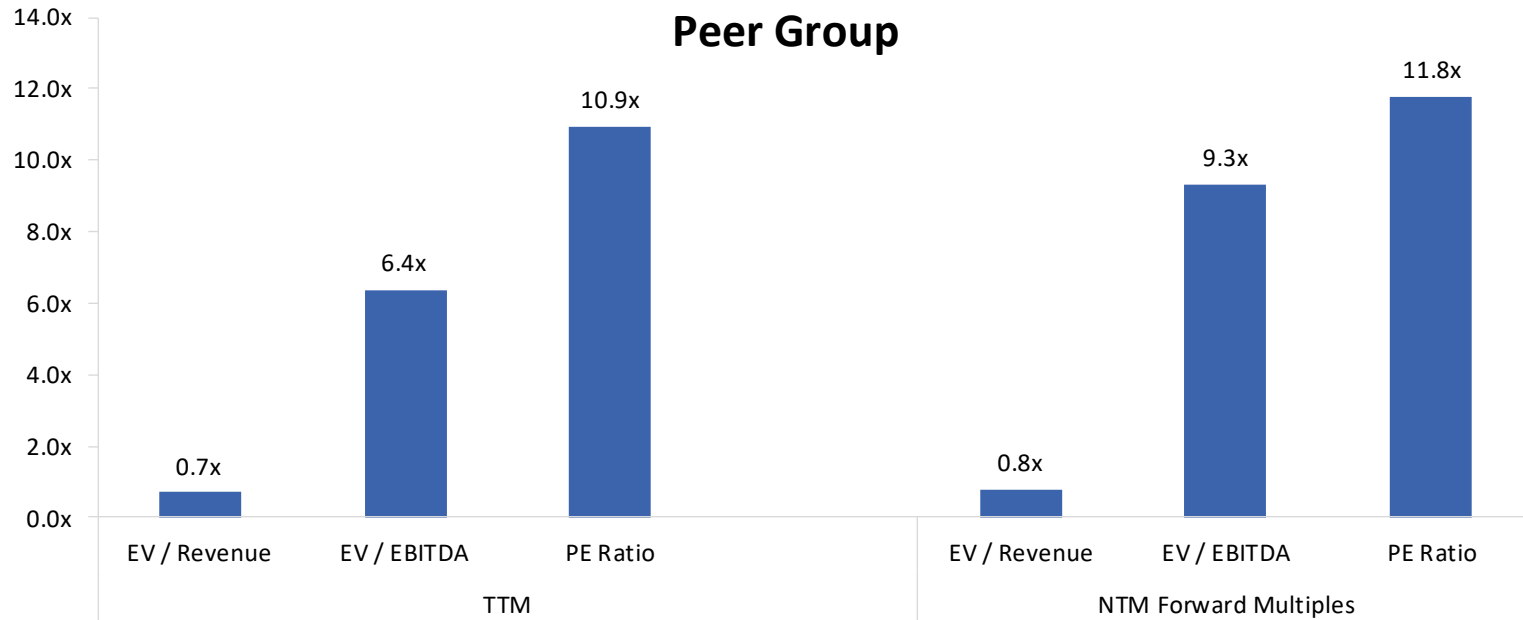
- High Revenue Growth (2022-2027)
- High Performance Drivers
- Consumer Spending



### THREATS

- Low Revenue Growth (2005-2022)
- Low Revenue Growth (2017-2022)
- Low Outlier Growth
- Total Trade Value

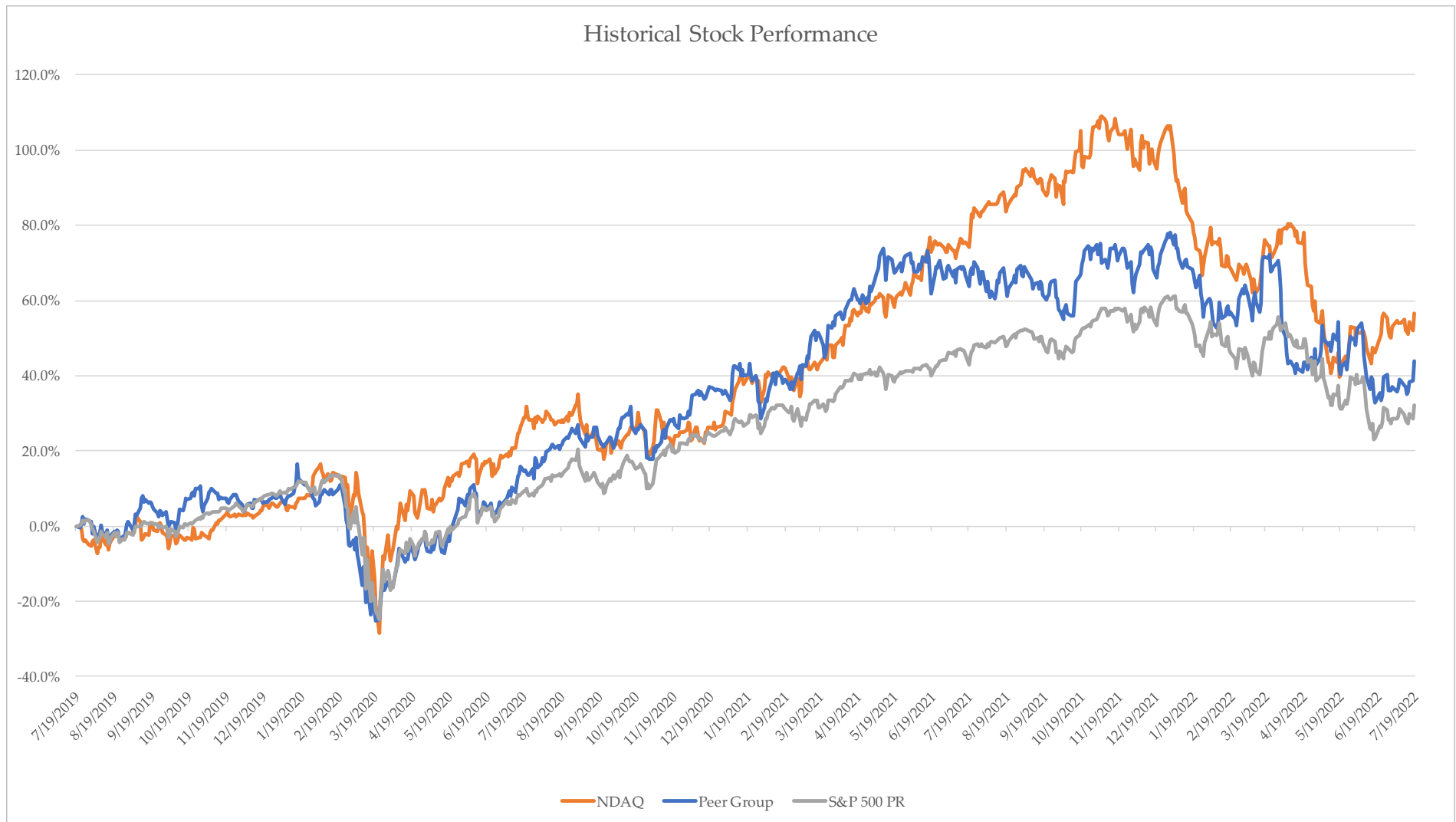
# VALUATION TRENDS



# PUBLIC COMPS

\$ in Millions	Hub Group	C.H. Robinson Worldwide	Expeditors International of Washington	J.B. Hunt Transport	Ryder System	
Ticker	HUBG	CHRW	EXPD	JBHT	R	
Total Revenue	\$4,611	\$25,114	\$17,989	\$13,039	\$10,295	
Gross Profit	706	1,760	2,270	2,024	1,975	
EBIT	329	1,194	1,997	1,172	1,086	
Net Income	\$242	\$941	\$1,474	\$858	\$644	
EBITDA (Normalized)	461	1,415	2,118	1,793	2,513	
Total Debt	321	2,479	470	1,297	7,318	
EV	2,538	14,778	14,539	18,766	10,228	
Employees	4,700	17,258	19,000	33,045	70,200	
Ratio Analysis						Median
Revenue/Employee	\$981,054	\$1,455,222	\$946,789	\$394,575	\$146,655	\$946,789
EV/Revenue	0.55x	0.59x	0.81x	1.44x	0.99x	0.81x
Debt/EBITDA	0.65x	1.57x	0.22x	0.75x	2.33x	0.75x
EV/EBITDA (Normalized)	7.70x	12.04x	7.86x	13.18x	4.42x	7.86x
Market Cap/EBITDA	7.26x	11.70x	8.78x	13.14x	1.49x	8.78x
Market Cap (mm)	2,423	12,542	16,203	17,614	3,670	
Close Price	73.13	100.93	100.13	174.46	75.10	
52 Week Low	60.81	84.67	92.58	153.92	61.71	
52 Week High	87.21	115.99	137.80	218.18	93.05	
Gross Margin	15.3%	7.0%	12.6%	15.5%	19.2%	15.3%
EBIT	7.1%	4.8%	11.1%	9.0%	10.5%	9.0%
EBITDA	10.0%	5.1%	11.4%	13.3%	28.0%	11.4%
Acct. Receivable Days	49	53	65	40	43	49
Inventory Days	NM	NM	NM	NM	3	3 YREQUIRED
Acct. Payable Days	37	29	41	24	40	37
Revenue Growth	0	0	1	0	0	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
30-Jun-2022	JFK Cartage	Cougar Express	The company reached a definitive agreement to be acquired by Cougar Express, a subsidiary of Transportation And Logistics Systems (PINX: TLSS), for \$1.7 million on June 30, 2022. With this acquisition Cougar Express aims to generate significant revenue, operational efficiencies and cost savings, while providing with a larger and much more functional facility. The deal is expected to be closed by July 31, 2022.
26-May-2022	Freight Connections	Transportation And Logistics Systems	The company reached a definitive agreement to be acquired by Transportation And Logistics Systems (PINX: TLSS) for an undisclosed amount on May 26, 2022. The acquisition will help Transportation And Logistics Systems to re-establish a base of operations in Northern New Jersey, with a much stronger business and a seasoned operator, with over 30 years of industry experience.
12-May-2022	Southern Indiana Railway	Anacostia Rail Holdings Company	The company was acquired by Louisville & Indiana Railroad, a subsidiary of Anacostia Rail Holdings Company for an undisclosed amount on May 12, 2022. The acquisition enables Louisville & Indiana Railroad to enhance its existing freight service, including the conversion of an engine house to a maintenance-of-way facility and surrounding property to store track material.
11-May-2022	Getaround	InterPrivate II Acquisition	The company reached a definitive agreement to acquire InterPrivate II Acquisition for \$259 million through a reverse merger on May 11, 2022, putting the company's pre-money valuation at \$941 million.
05-Apr-2022	Central Minnesota Logistics	Ascent Global Logistics	The company was acquired by Ascent Global Logistics for an undisclosed amount on April 5, 2022. The acquisition bolsters the partnerships Ascent Specialized has with existing customers and strengthens its position in multiple industries.

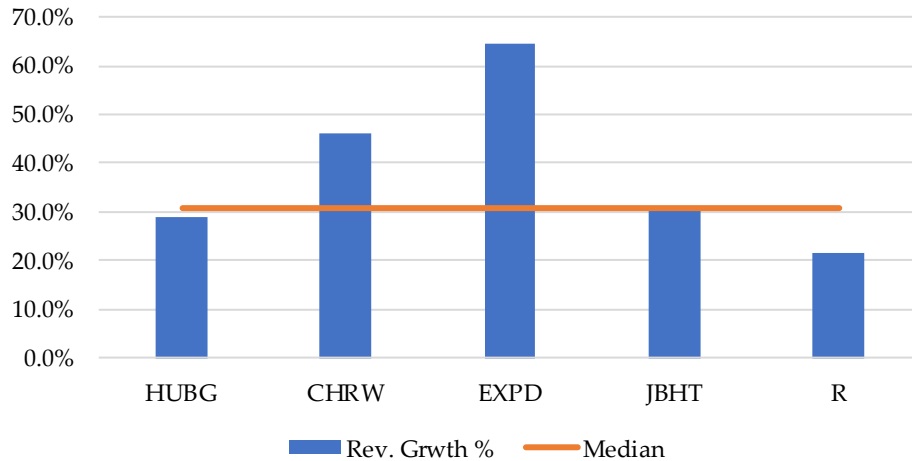
# RECENT PUBLIC TRANSACTIONS

Deal Date	Target Companies	Investors	Deal Synopsis
08-Jul-2022	Xpel Technologies (NAS: XPEL)	BlackRock (NYS: BLK)	BlackRock (NYS: BLK) acquired a 10.6% stake in the company (NAS: XPEL) on July 8, 2022, through a private placement.
09-Jun-2022	FirstGroup (LON: FGP)		The company was in talks to be acquired by I Squared Capital through a GBP 1.23 billion public-to-private LBO as of May 25, 2022. Subsequently, the deal was canceled on June 9, 2022.
06-Jun-2022	Spirit Airlines (NYS: SAVE)		The company had received a bid to be acquired by JetBlue Airways (NAS: JBLU) for \$3.6 billion on June 6, 2022.
15-May-2022	Canoo (NAS: GOEV)		The company is rumored to be in talks regarding a potential acquisition by Apple (NAS: AAPL) for an undisclosed amount on May 15, 2022. The acquisition will help Apple to bolster its e-vehicle division.
01-Apr-2022	Air Partner	Wheels Up (NYS: UP)(Kenneth Dichter)	The company (LSE: AIR) was acquired by Wheels Up Experience (NYSE: UP) for approximately \$109 million on April 1, 2022. The acquisition will expand Wheels Up suite of services and business offerings into group charter, freight, specialist services, safety, security, emergency planning and incident response and managed services.

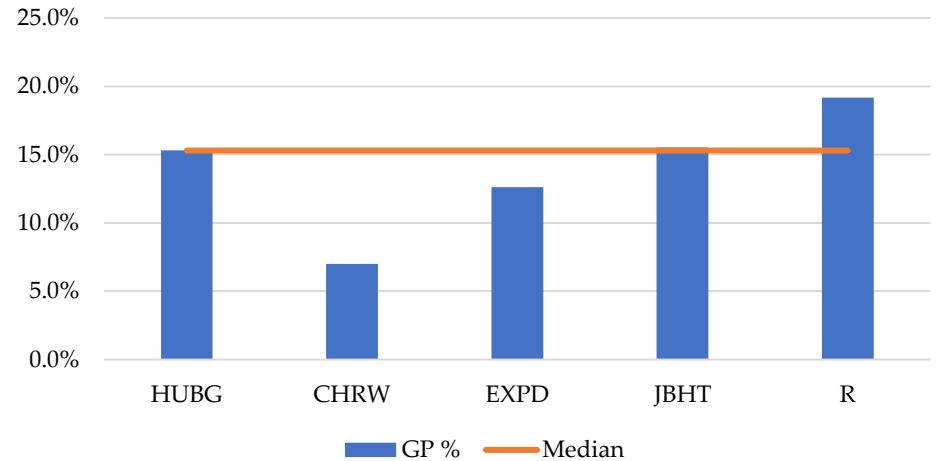


# OPERATING METRICS

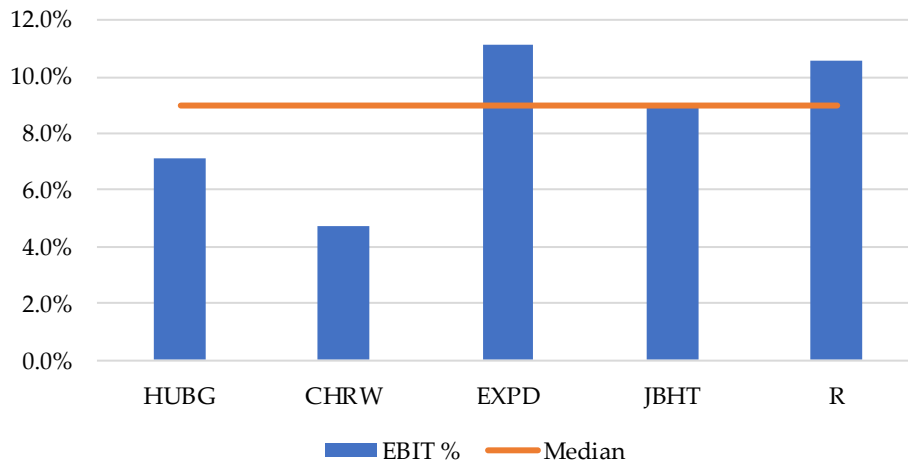
## Revenue Growth



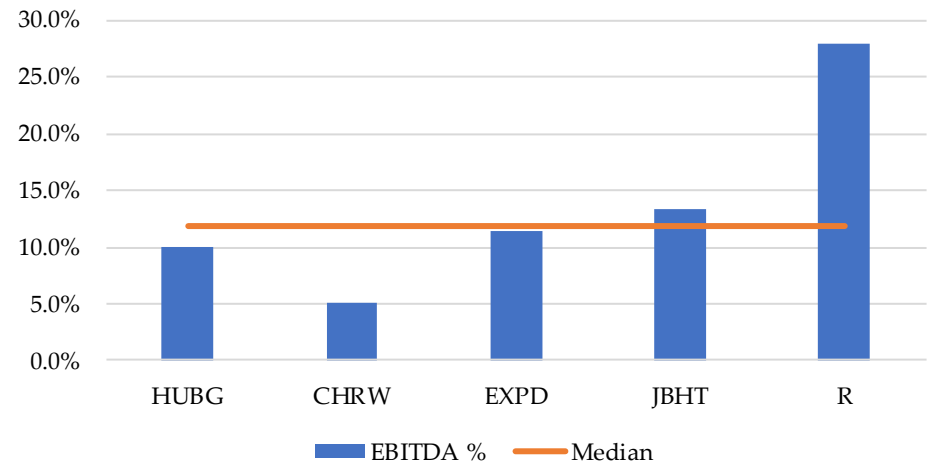
## Gross Profit Margin



## EBIT Margin

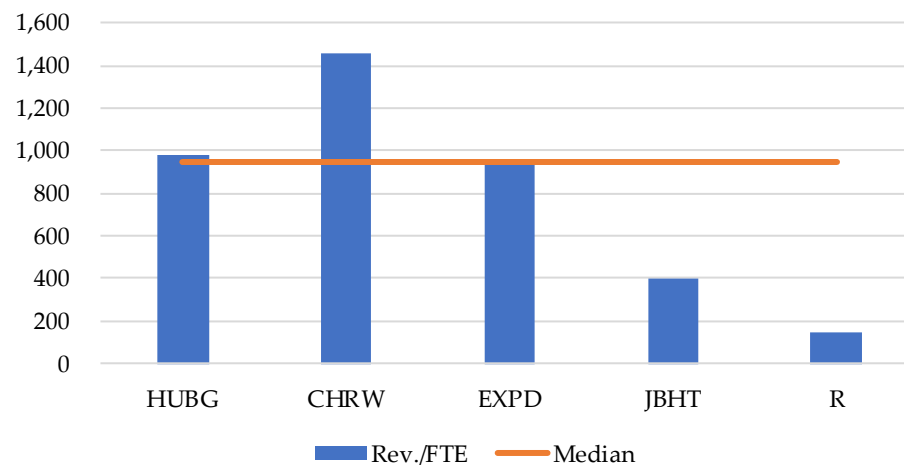


## EBITDAMargin

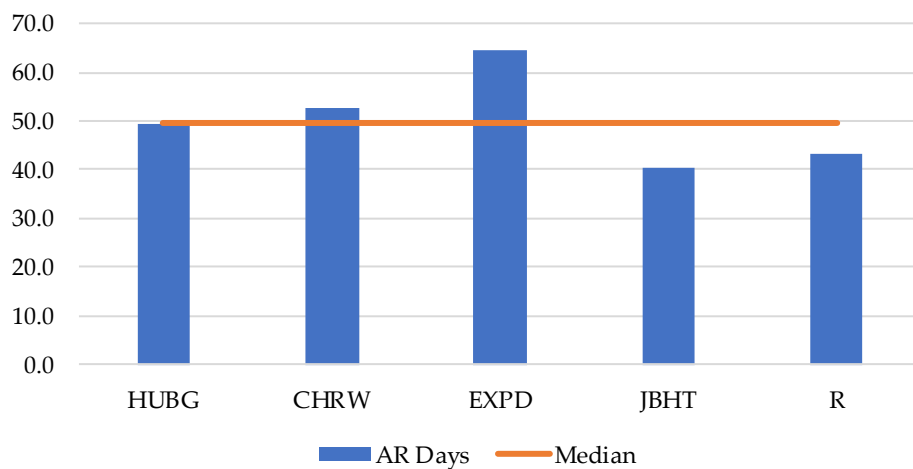


# RATIO ANALYSIS

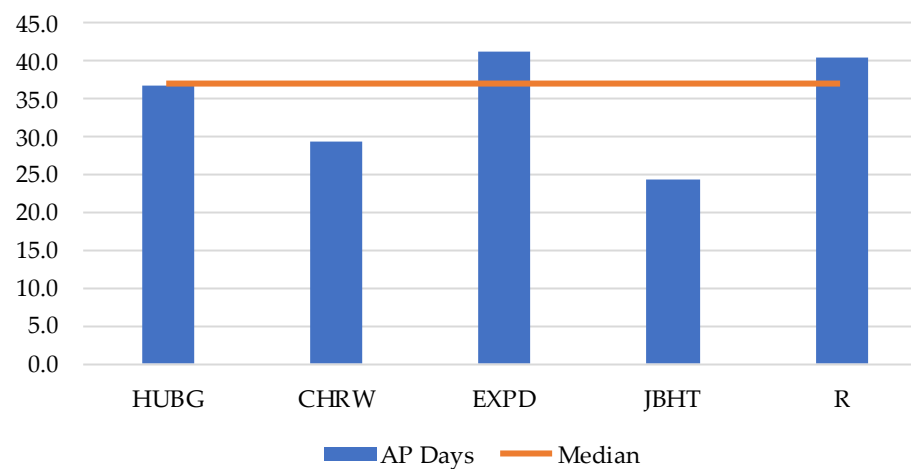
## Revenue per Employee



## AR Days



## AP Days



# VALUATION TRENDS

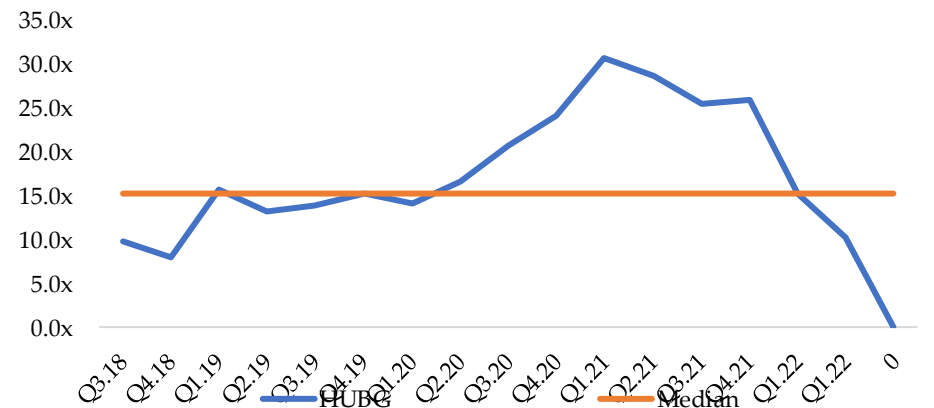
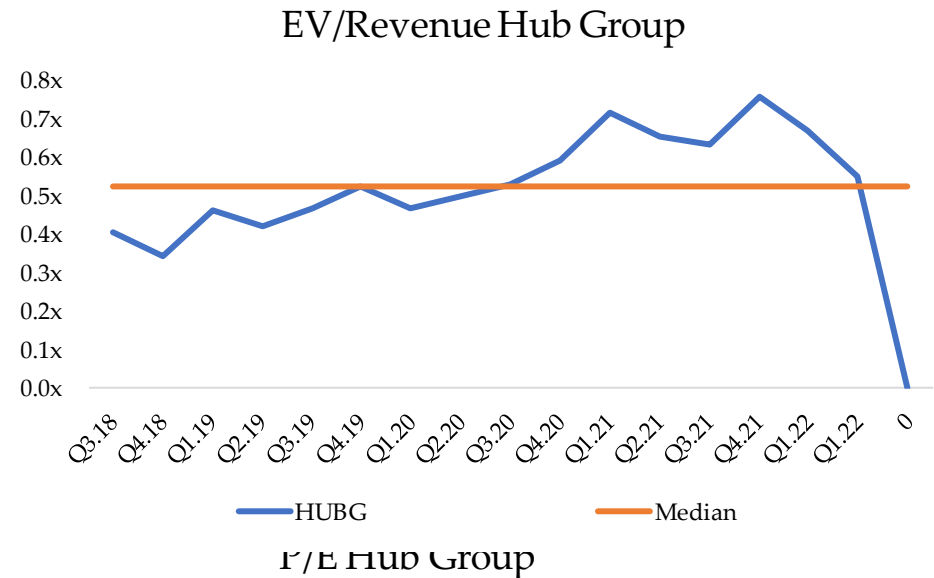
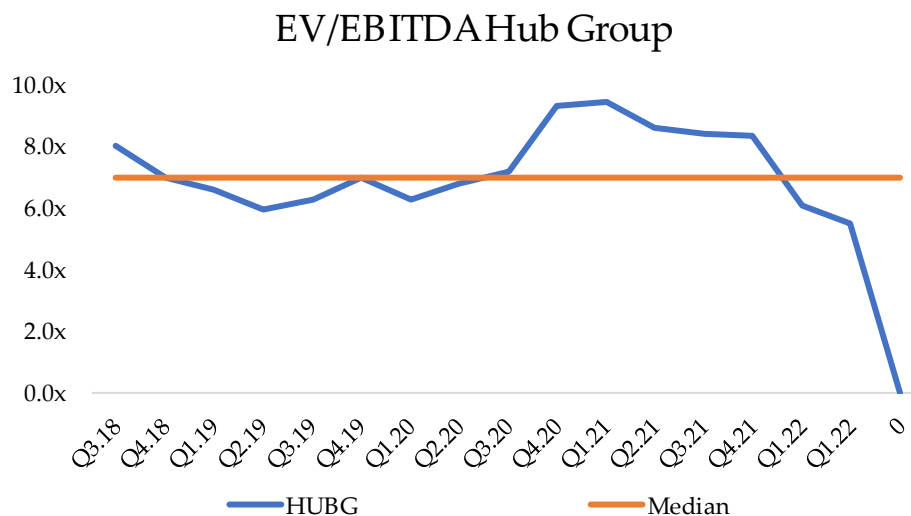
Fundamentals										
Ticker	Company	TIM						NTM Estimates		
		Close Price	Market Cap	Enterprise Value	Total Revenue	EBITDA	Basic EPS	Total Revenue	EBITDA	Normalized EPS
HUBG	Hub Group	73.13	2423.43	2537.85	4610.95	463.16	7.22	5470.52		8.41
CHRW	C.H. Robinson Worldwide	100.93	12542.08	14777.84	25114.22	1284.09	7.16	25257.94	1265.61	6.65
EXPD	Expeditors International of Washington	100.13	16203.35	14539.43	17989.00	2047.88	8.75	16376.65	1262.34	6.93
JBHT	J.B. Hunt Transport	174.46	17614.09	18766.40	13038.74	1740.48	8.15	14768.67	2015.62	9.48
R	Ryder System	75.10	3669.57	10228.47	10295.19	2882.06	12.32	11502.86	2943.60	12.15
XPO	XPO Logistics	51.81	5559.99	8930.99	15140.00	1652.00	6.20	12956.67	1395.45	5.70

Multiples								
Ticker	Company	TIM			NTM Forward Multiples			
		EV / Revenue	EV / EBITDA	PE Ratio	EV / Revenue	EV / EBITDA	PE Ratio	
HUBG	Hub Group	0.55	5.48	10.27	0.46		8.70	
CHRW	C.H. Robinson Worldwide	0.59	11.51	14.24	0.59	11.68	15.18	
EXPD	Expeditors International of Washington	0.81	7.10	11.59	0.89	11.52	14.45	
JBHT	J.B. Hunt Transport	1.44	10.78	21.65	1.27	9.31	18.41	
R	Ryder System	0.99	3.55	6.22	0.89	3.47	6.18	
XPO	XPO Logistics	0.59	5.66	7.53	0.69	6.40	9.09	

# PUBLIC COMP

## Hub Group (NAS: HUBG)

Hub Group, Inc. is an asset-light freight transportation management company. The Company offers intermodal, truck brokerage and logistics services. It operates through its Hub segment. Its segment provides intermodal, truck brokerage and logistics services through a network of operating centers throughout the United States, Canada and Mexico. The Hub segment services customers in a range of industries, including consumer products, retail and durable goods. It operates through a network of operating centers and independent business owners. The Company also provides drayage services with its own drayage operations.



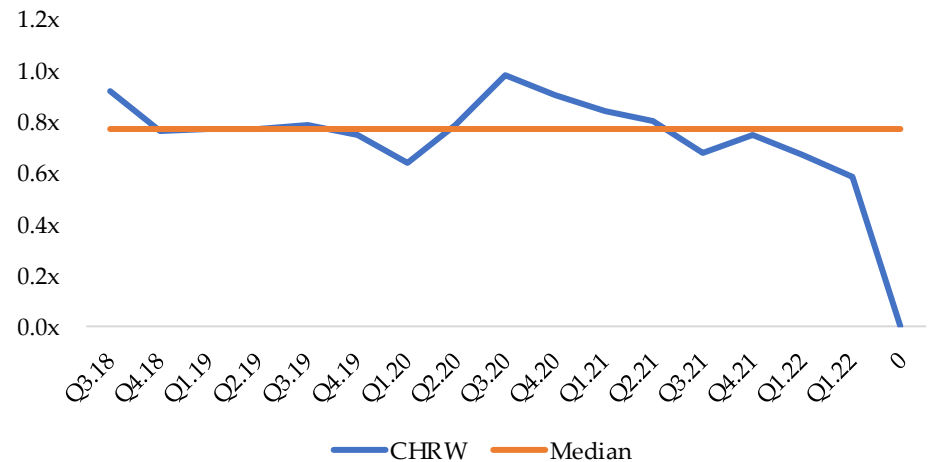


# PUBLIC COMP

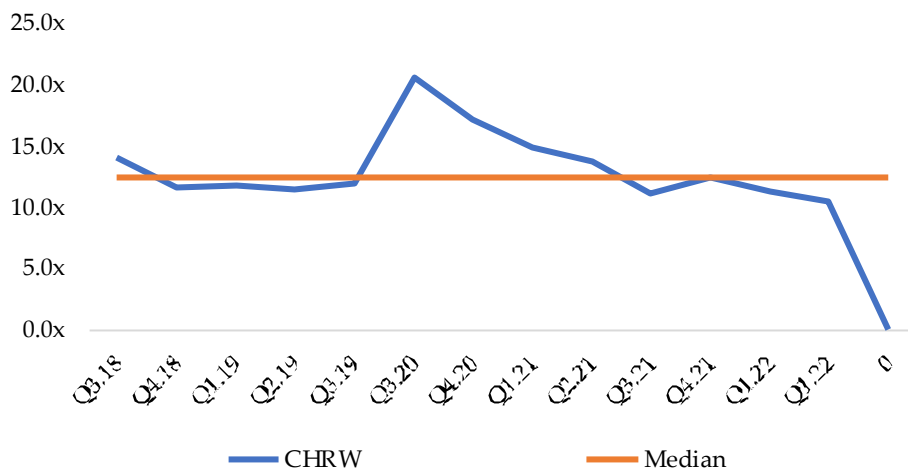
## C.H. Robinson Worldwide (NAS: CHRW)

C.H. Robinson Worldwide, Inc. is a provider of transportation services and logistics solutions through a network of offices operating in North America, Europe, Asia, Australia, New Zealand and South America. The Company's segments include North American Surface Transportation (NAST), Global Forwarding, Robinson Fresh, and All Other and Corporate. The NAST segment provides freight transportation services across North America through a network of offices in the United States, Canada and Mexico. The primary services provided by Global Forwarding segment include ocean freight services, air freight services, and customs brokerage. The Robinson Fresh segment provides sourcing under the trade name Robinson Fresh. The All Other and Corporate segment primarily consists of Managed Services and Other Surface Transportation outside of North America. It develops global transportation and distribution networks to provide transportation and supply chain services throughout the world.

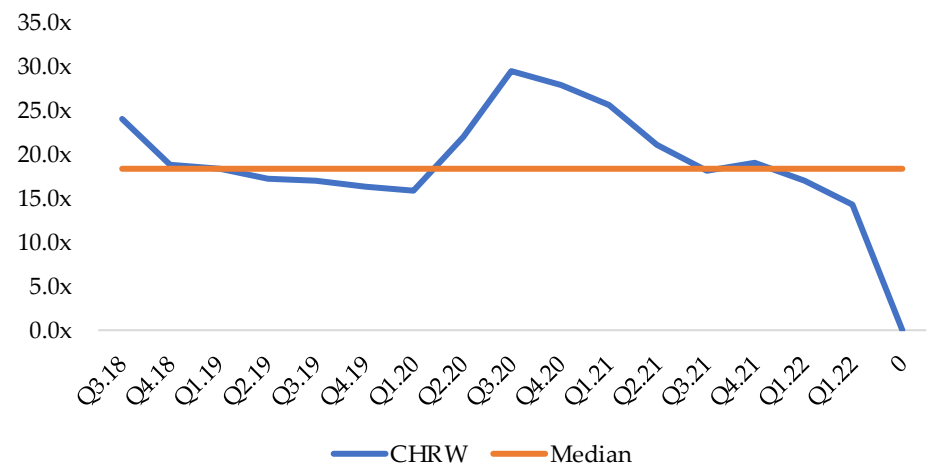
### EV/Revenue C.H. Robinson Worldwide



### EV/EBITDA C.H. Robinson Worldwide



### P/E C.H. Robinson Worldwide

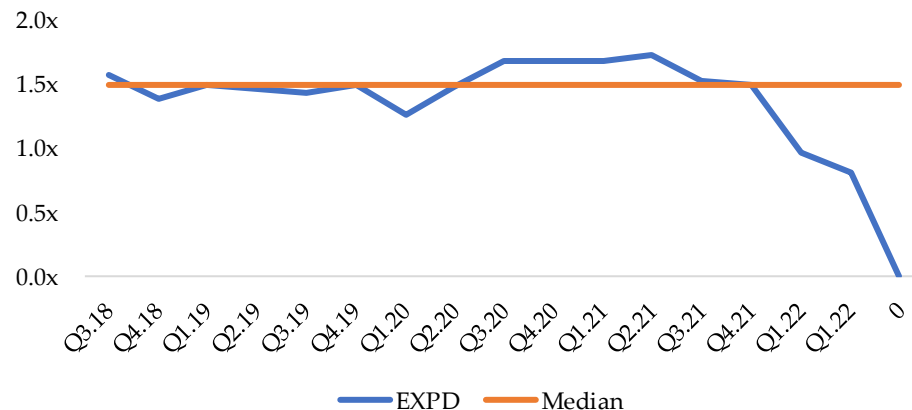


# PUBLIC COMP

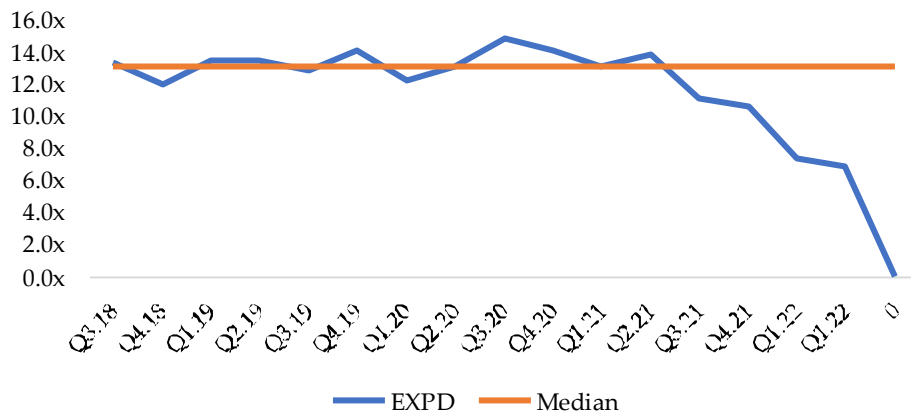
## Expeditors International (NAS: EXPD)

Expeditors International of Washington, Inc. is a logistics company. The Company is a third-party logistics provider, and purchases cargo space from carriers, including airlines and ocean shipping lines on a volume basis and resells that space to its customers. The Company provides a range of customer solutions, such as order management, time-definite transportation, warehousing and distribution, temperature-controlled transit, cargo insurance and customized logistics solutions. In addition, the Company's Project Cargo unit handles special project shipments that move through a single method or combination of air, ocean, and/or ground transportation. The Company's services include airfreight services, ocean freight and ocean services, and customs brokerage and other services. The Company operates along five geographic areas: the Americas; North Asia; South Asia; Europe, and the Middle East, Africa and India.

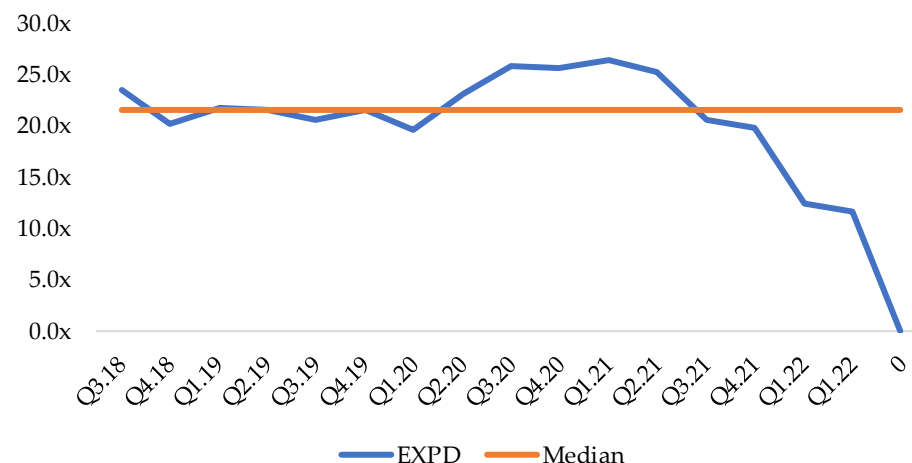
### EV/Revenue Expeditors International of Washington



### EV/EBITDA Expeditors International of Washington



### P/E Expeditors International of Washington

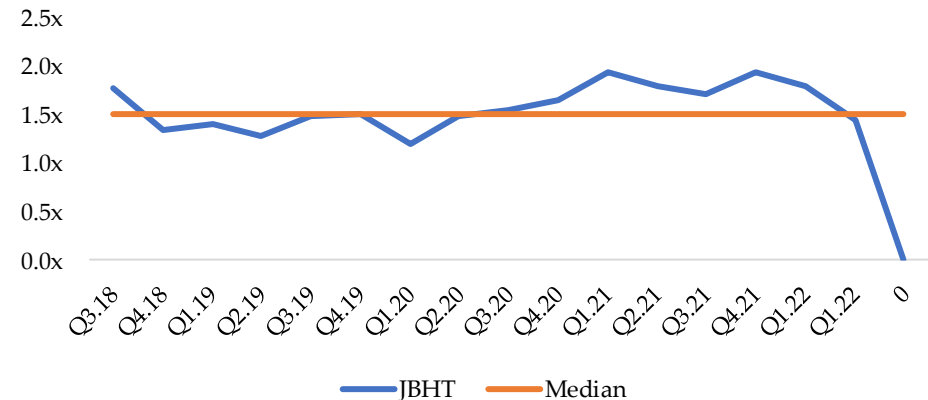


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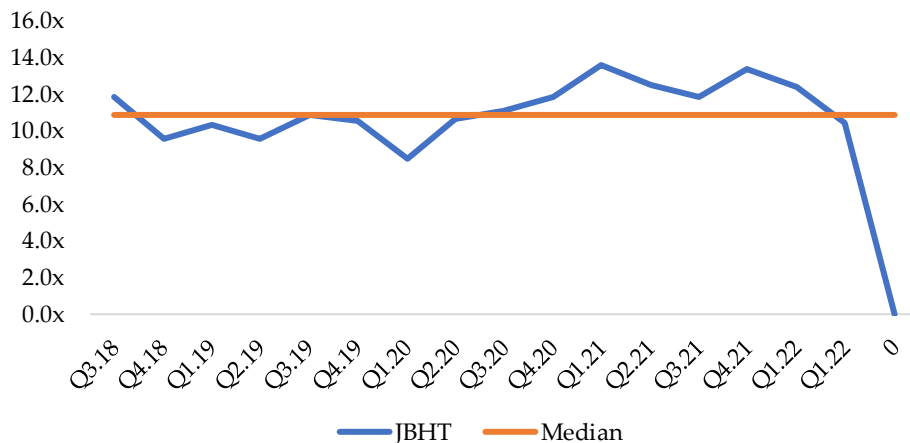
## J.B. Hunt (NAS: JBHT)

J.B. Hunt Transport, Inc. is a Fortune 500 company that specializes in technology-driven freight shipping for large and small businesses. A top-ranked third-party logistics (3PL) provider and one of the largest transportation logistics companies in North America, we provide safe and reliable services for a diverse group of customers throughout the continental United States, Canada and Mexico. Utilizing an integrated, multimodal approach, J.B. Hunt offers capacity-oriented solutions centered on delivering customer value and industry-leading service.

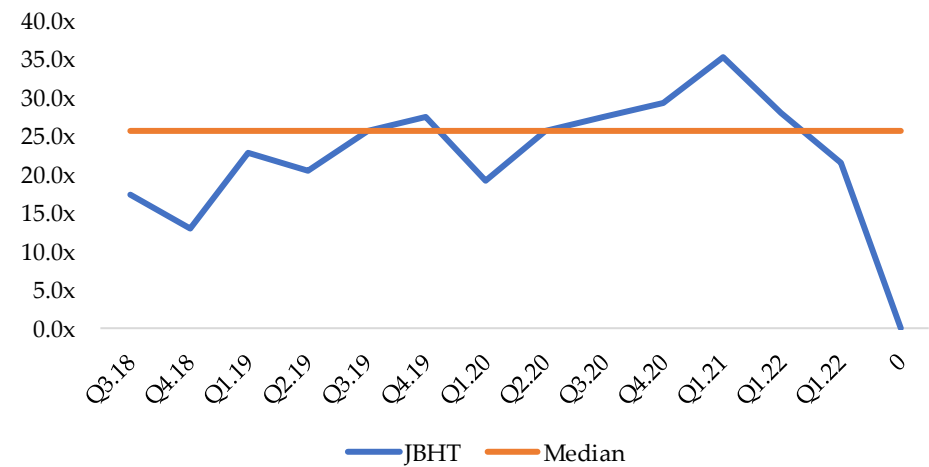
### EV/Revenue J.B. Hunt Transport



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



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

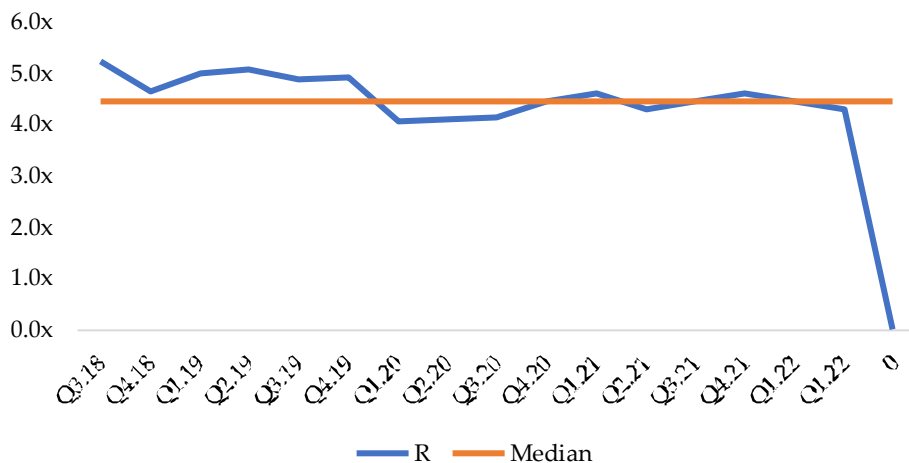


# PUBLIC COMP

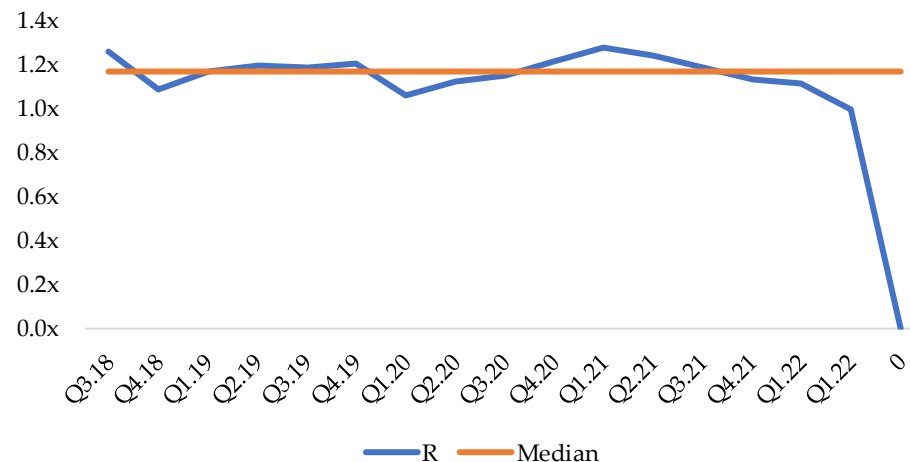
## Ryder System (NYSE: R)

Ryder System, Inc. is engaged in offering transportation and supply chain management solutions. The Company operates through three segments: Fleet Management Solutions (FMS), which provides leasing, commercial rental, contract maintenance, and contract-related maintenance of trucks, tractors and trailers to customers principally in the United States, Canada and the United Kingdom; Dedicated Transportation Solutions (DTS), which provides vehicles and drivers as part of a dedicated transportation solution in the United States, and Supply Chain Solutions (SCS), which provides supply chain solutions, including distribution and transportation services in North America and Asia. Through its FMS business, the Company provides its customers with various fleet solutions. In addition, it provides its customers to purchase a selection of used trucks, tractors and trailers through its used vehicle sales program.

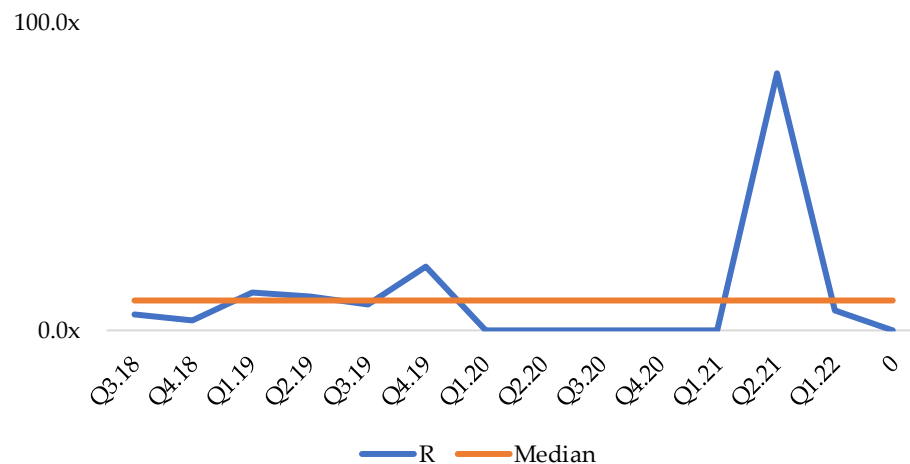
### EV/EBITDA Ryder System



### EV/Revenue Ryder System



### P/E Ryder System





# 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.



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# 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.



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# 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.