



# INDUSTRY OVERVIEW

## TRANSPORTATION & LOGISTICS

### Q4 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



### \$5.3bn Revenue

- Annual Growth 2017 – 2022 13.7%
- Annual Growth 2022 – 2027 3.5%



### \$456.6mm Profit

- Annual Growth 2017 – 2022 7.3%



### 8.6% Profit Margin

- Annual Growth 2017 – 2022 -2.9pp



### 9,379 Businesses

- Annual Growth 2017 – 2022 3.3%
- Annual Growth 2022 – 2027 3.7%



### 30,424 Employment

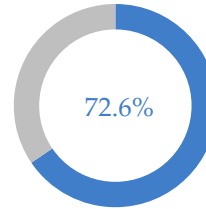
- Annual Growth 2017 – 2022 5.5%
- Annual Growth 2022 – 2027 3.8%



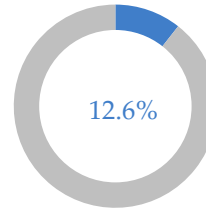
### \$1.4bn Wages

- Annual Growth 2017 – 2022 12.7%
- Annual Growth 2022 – 2027 3.7%

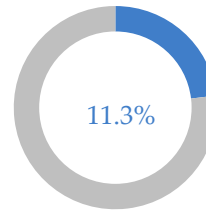
## Segments



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

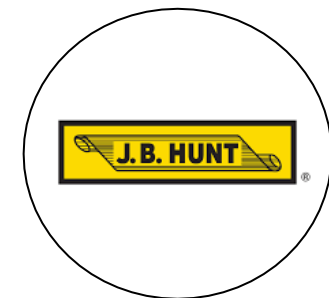
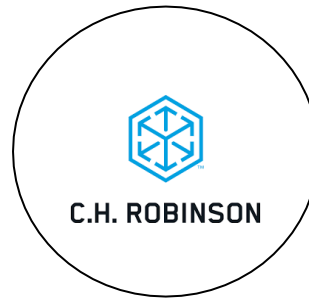
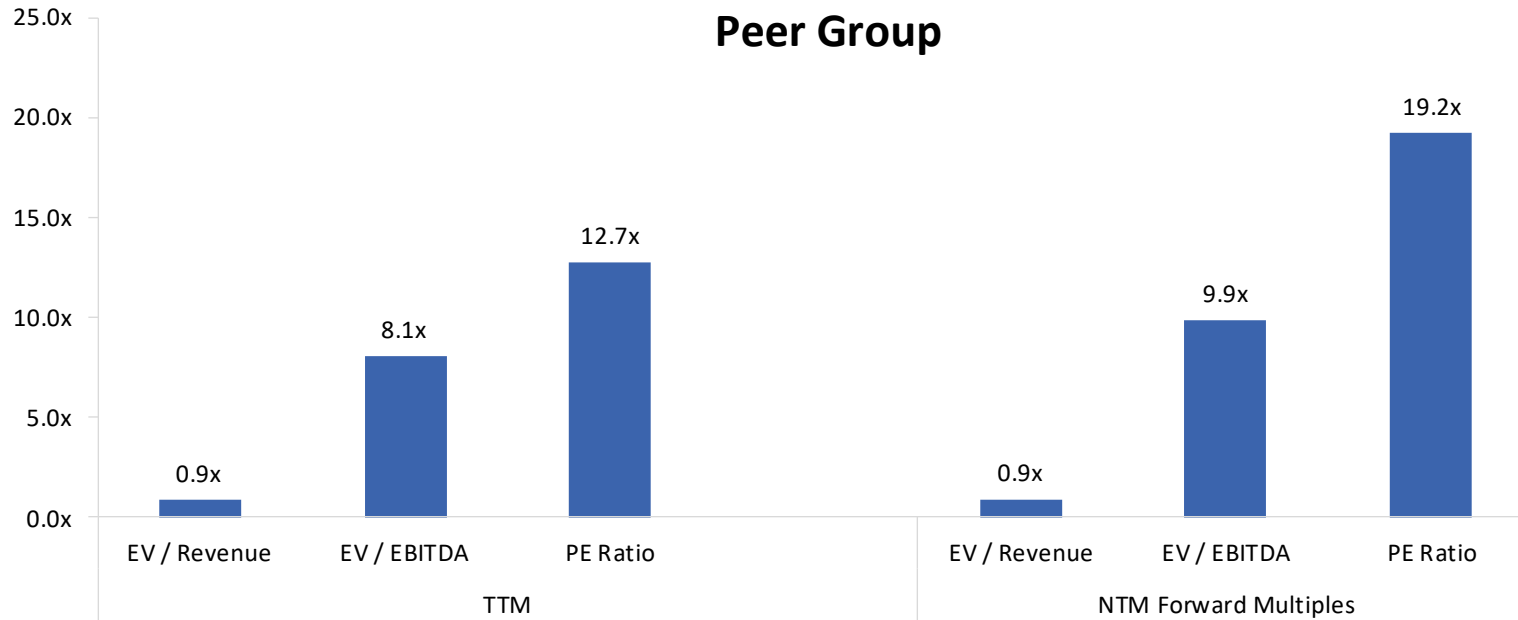
- High Revenue Growth (2022-2027)
- High Performance Drivers
- Consumer Spending



### THREATS

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

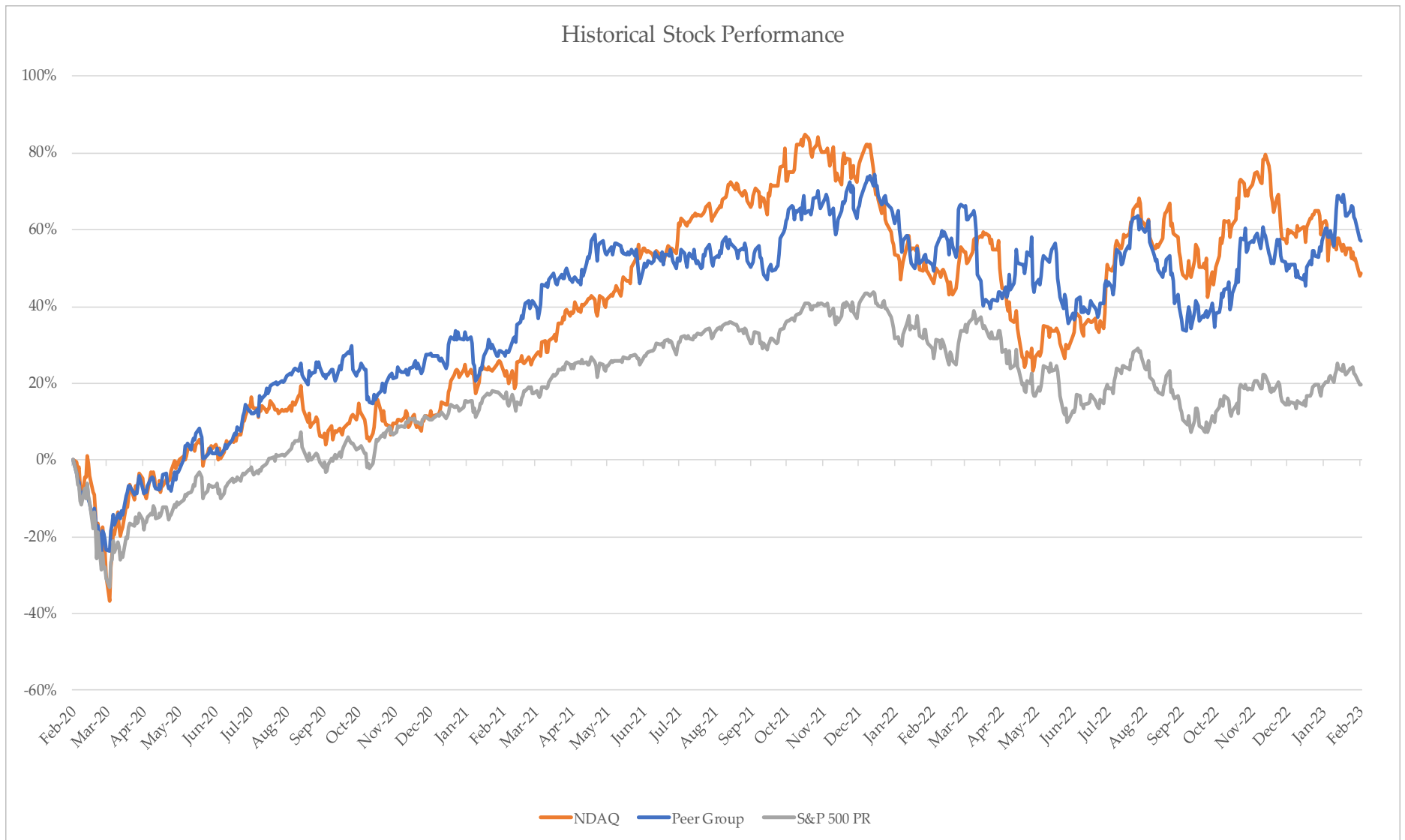
# VALUATION TRENDS



# PUBLIC COMPS

\$ in Millions	Hub Group	C.H. Robinson Worldwide	J.B. Hunt Transport	Ryder System	Expeditors International of Washington	
Ticker	HUBG	CHRW	JBHT	R	EXPD	
Total Revenue	5,311	24,697	14,661	12,011	19,026	
Gross Profit	898	1,870	2,399	2,390	2,433	
EBIT	488	1,267	1,372	1,444	2,126	
Net Income	362	941	1,010	867	1,591	
EBITDA (Normalized)	623	1,450	2,042	2,722	2,245	
Total Debt	429	2,361	1,244	7,084	498	
EV	3,270	13,770	20,299	11,264	15,229	
Employees	4,727	17,652	33,045	70,200	19,000	
Ratio Analysis						Median
Revenue/Employee	\$1,123,628	\$1,419,428	\$443,678	\$149,763	\$1,001,374	\$1,001,374
EV/Revenue	0.61x	0.56x	1.37x	0.94x	0.89x	0.89x
Debt/EBITDA	0.54x	1.80x	0.65x	2.17x	0.22x	0.65x
EV/EBITDA (Normalized)	5.19x	9.50x	10.27x	4.14x	7.79x	7.79x
Market Cap/EBITDA	4.94x	8.55x	9.66x	1.36x	8.85x	8.55x
Market Cap (mm)	3,105	11,627	19,089	4,447	16,741	
Close Price	93.45	99.79	184.00	96.06	105.20	
52 Week Low	60.81	86.60	153.92	61.71	86.08	
52 Week High	104.67	121.23	218.18	102.36	119.90	
Gross Margin	16.9%	7.6%	16.4%	19.9%	12.8%	16.4%
EBIT	9.2%	5.1%	9.4%	12.0%	11.2%	9.4%
EBITDA	11.9%	5.5%	13.5%	27.3%	11.5%	11.9%
Acct. Receivable Days	50	57	41	44	66	50
Inventory Days	NM	NM	NM	3	NM	3
Acct. Payable Days	35	31	24	39	42	35
Revenue Growth	35.2%	6.9%	28.5%	24.3%	34.9%	28.5%

# TRANSPORTATION & LOGISTICS INDEX VS. S&P 500



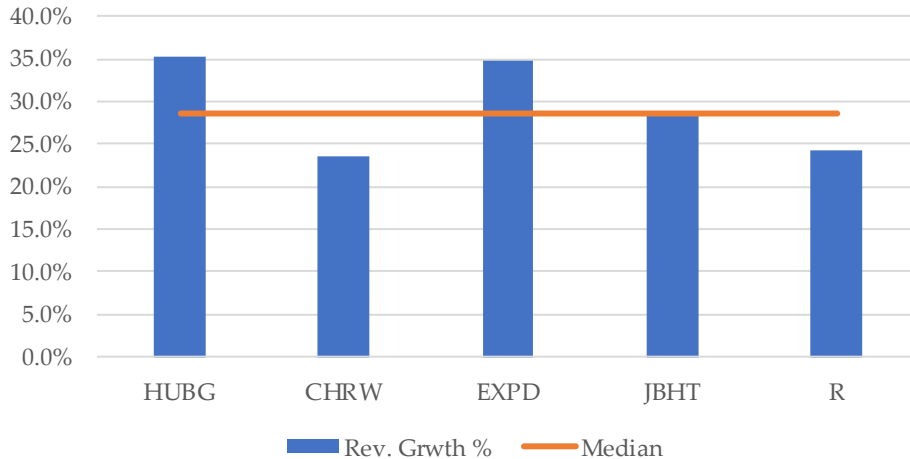
DCA Transportation Logistics Index: HUBG, CHRW, EXPD, JBHT, R, XPO

# RECENT TRANSACTIONS

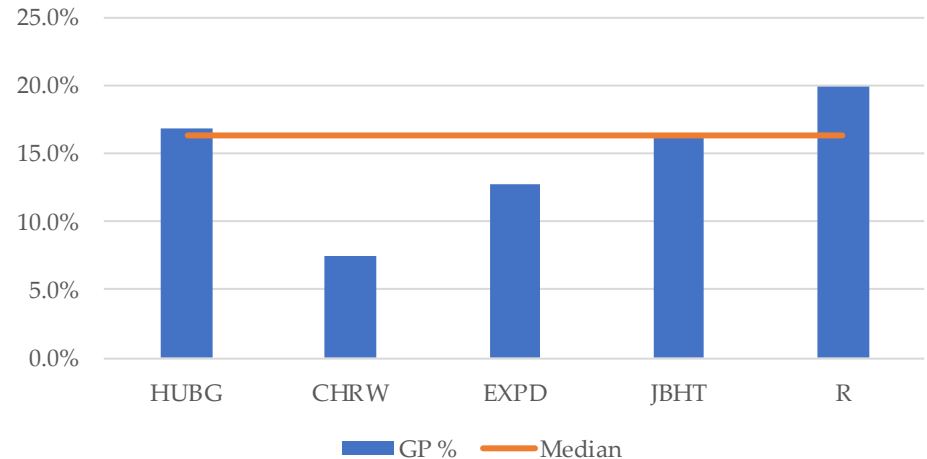
Deal Date	Companies	Investors	Deal Size (\$MM)	HQ Location
30-Dec-2022	Sentai Energy	JOVO Energy	17.16	Chengdu, China
30-Dec-2022	Sociedad Concesionaria Intermodal Bilbao	Azora Capital	NM	Bilbao, Spain
29-Dec-2022	Doga	Nazca Capital	105.62	Barcelona, Spain
28-Dec-2022	United Vision Logistics	Bluestem Equity	NM	Lafayette, LA
23-Dec-2022	Partida Aduanas	Everwood Capital	NM	Algeciras, Spain
21-Dec-2022	C&D Logistics	Arviat Equity Partners	NM	Surrey, Canada
09-Dec-2022	Bulk Express Transport	Alterna Equity Partners	NM	Miami, FL
09-Dec-2022	Getaround	InterPrivate II Acquisition	259.00	San Francisco, CA
30-Nov-2022	Steyr Motors	Mutares	NM	Steyr, Austria
29-Nov-2022	North Georgia Warehousing	Bluejay Advisor	NM	Adairsville, GA
11-Nov-2022	SEA Transport	Endless	NM	Felixstowe, United Kingdom
01-Nov-2022	Capital Express	Red Dog Equity	NM	Omaha, NE
01-Nov-2022	Evoasis	BlackRock Private Equity Partners	219.70	Tainan, Taiwan
01-Nov-2022	Karlsvognen	Rebellion Capital	NM	Gadstrup, Denmark
01-Nov-2022	L&M Marine	One in a Row Ventures	NM	Stapleton, AL
01-Nov-2022	Neovia Logistics Services	Ares Management , Oaktree Capital Management, Vector Capital	480.00	Irving, TX
01-Nov-2022	RANDYS WorldWide	Greenbriar Equity Group	NM	Everett, WA
31-Oct-2022	Universal Pure	Aurora Capital Partners	NM	Lincoln, NE
27-Oct-2022	Norled	CBRE Investment Management	NM	Stavanger, Norway
17-Oct-2022	Verbrugge International	TD Greystone Asset Management	NM	Terneuzen, Netherlands
10-Oct-2022	M/G Transport Services	Maritime Partners	NM	Matairie, LA
06-Oct-2022	Auxitec	Kaizaharra Corporación Empresarial, Talde Private Equity	NM	Vitoria-Gasteiz, Spain
01-Oct-2022	CustomDrive	Dubin Clark & Company	NM	Jacksonville Beach, FL
01-Oct-2022	Swifte	Snappyde	NM	Los Angeles, CA

# OPERATING METRICS

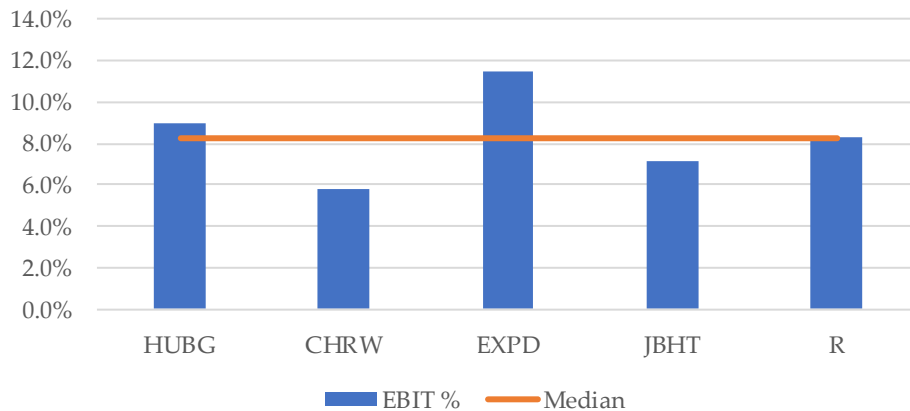
## Revenue Growth



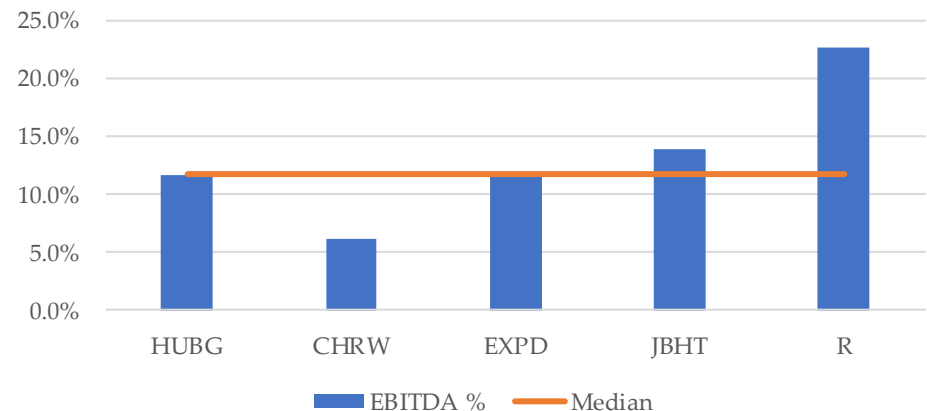
## Gross Profit Margin



## EBIT Margin Normalized



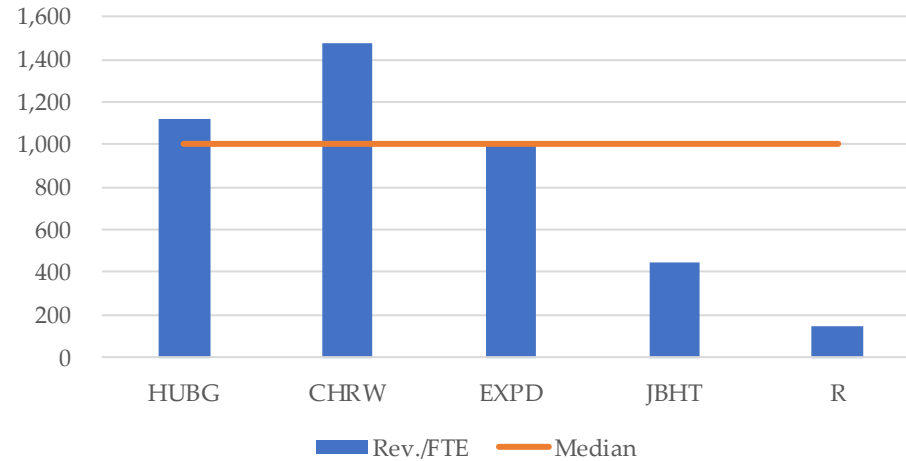
## EBITDA Margin Normalized



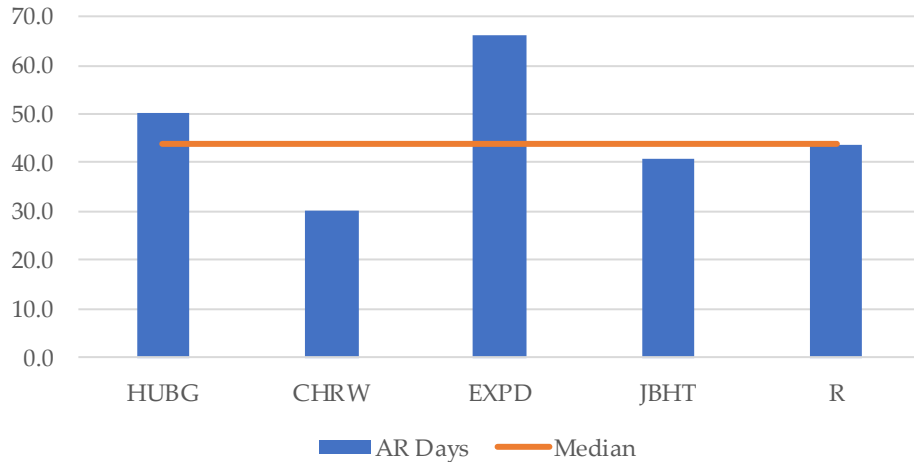


# RATIO ANALYSIS

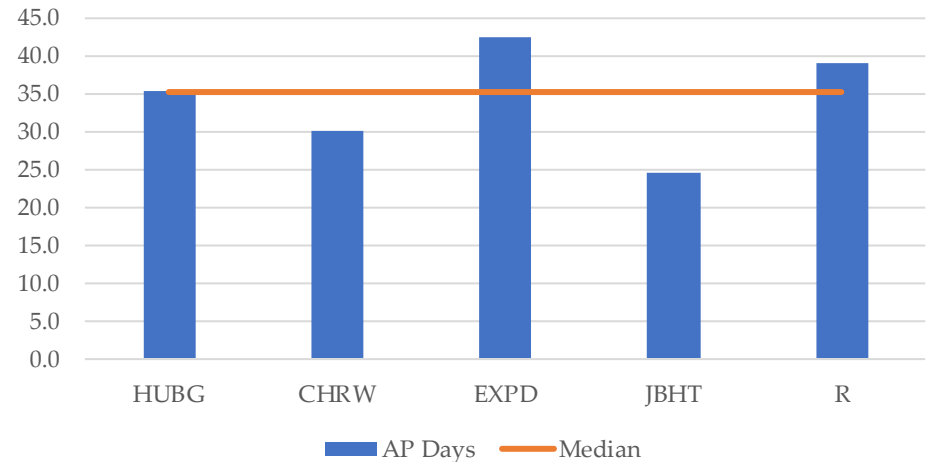
## Revenue per Employee



## AR Days



## AP Days



# VALUATION TRENDS

(\$MM)		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	93.45	3,105	3,270	5,311	634	10.81	5,277	509	7.75
CHRW	C.H. Robinson Worldwide	99.88	11,627	13,770	24,697	1,360	7.48	20,017	903	4.79
EXPD	Expeditors International of Washington	105.20	16,741	15,229	19,026	2,181	9.59	12,588	1,413	5.48
JBHT	J.B. Hunt Transport	182.58	19,089	20,299	14,661	1,986	9.66	14,544	2,057	9.30
R	Ryder System	96.10	4,447	11,264	12,011	3,275	17.41	12,265	2,851	11.70

		Multiples					
Ticker	Company	TIM			NTM Forward Multiples		
		EV / Revenue	EV / EBITDA	PE Ratio	EV / Revenue	EV / EBITDA	PE Ratio
HUBG	Hub Group	0.61x	5.20x	8.78	0.62x	6.42x	12.06
CHRW	C.H. Robinson Worldwide	0.56x	10.13x	13.50	0.69x	15.24x	20.85
EXPD	Expeditors International of Washington	0.89x	8.05x	12.74	1.21x	10.78x	19.20
JBHT	J.B. Hunt Transport	1.37x	10.27x	19.82	1.40x	9.87x	19.63
R	Ryder System	0.94x	3.44x	5.67	0.92x	3.95x	8.21

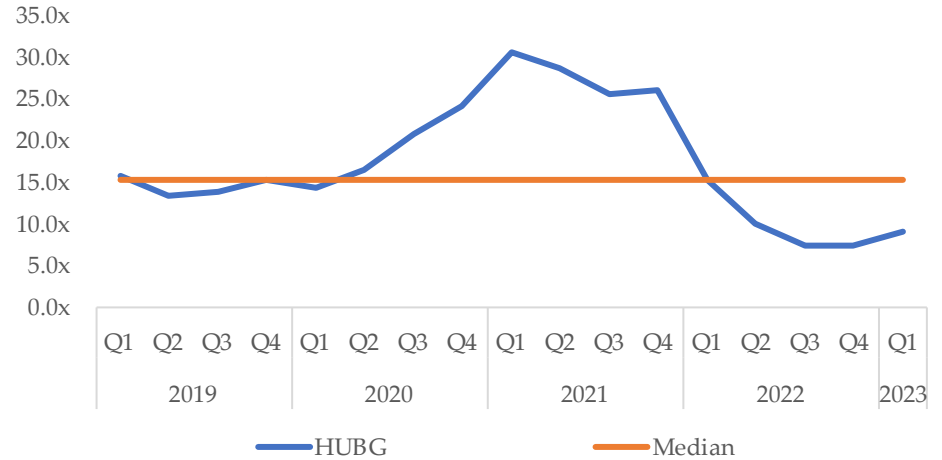
# PUBLIC COMP

## Hub Group (NAS: HUBG)

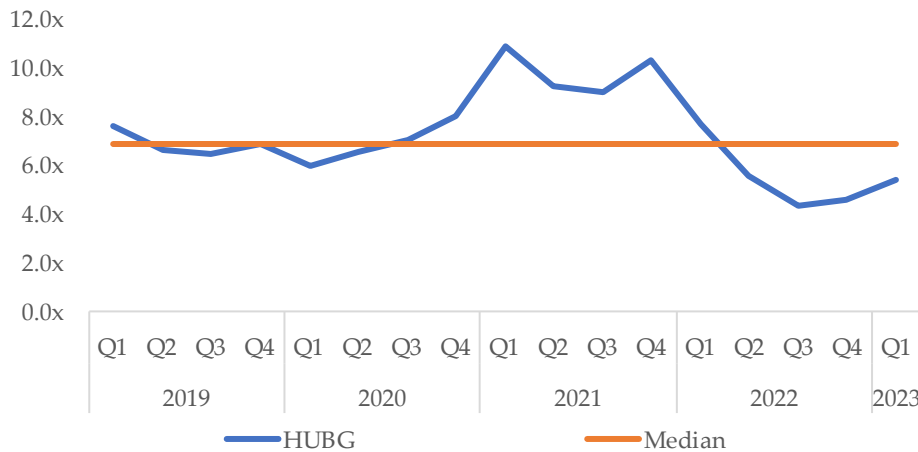
Hub Group, Inc. is an asset-light freight transportation management company. The Company offers intermodal, truck brokerage and logistics services. It operates through its Hub segment. Its segment provides intermodal, truck brokerage and logistics services through a network of operating centers throughout 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.



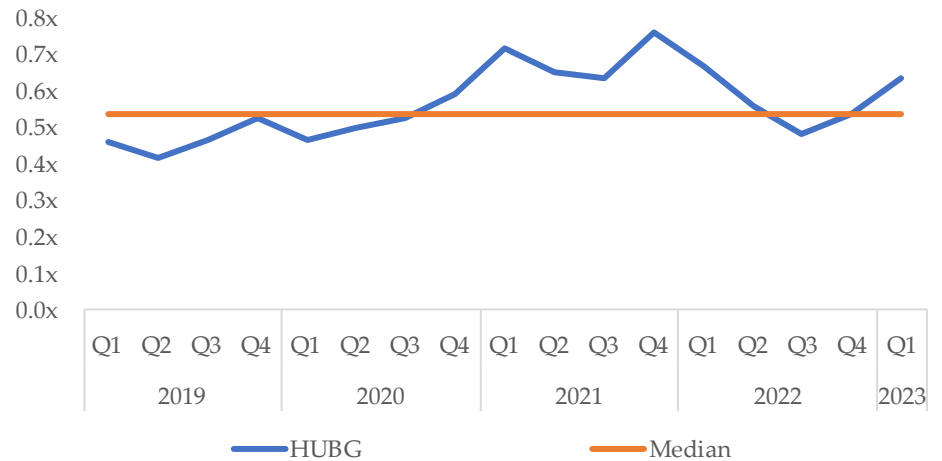
### P/E Hub Group



### EV/EBITDA Hub Group



### EV/Revenue Hub Group



# PUBLIC COMP

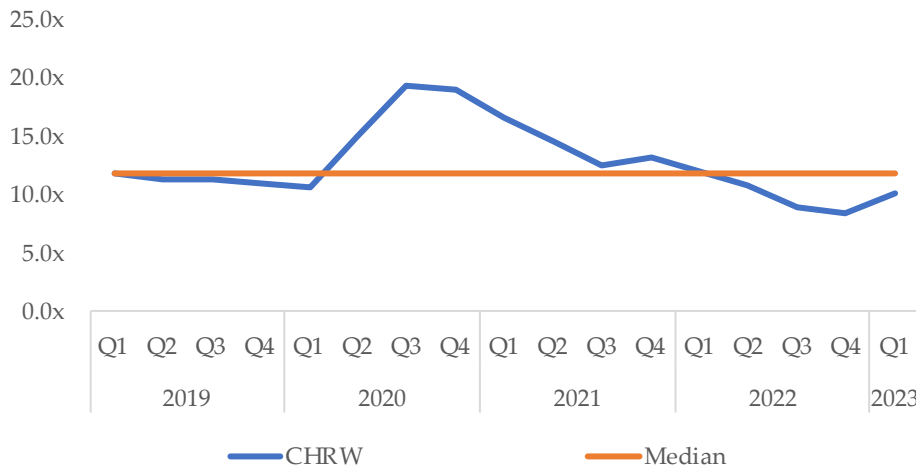
## C.H. Robinson Worldwide (NAS: CHRW)

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.

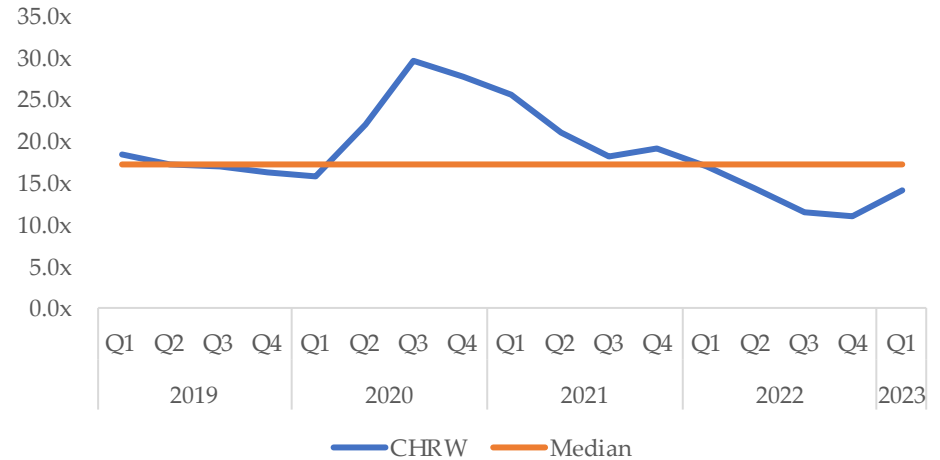


## C.H. ROBINSON

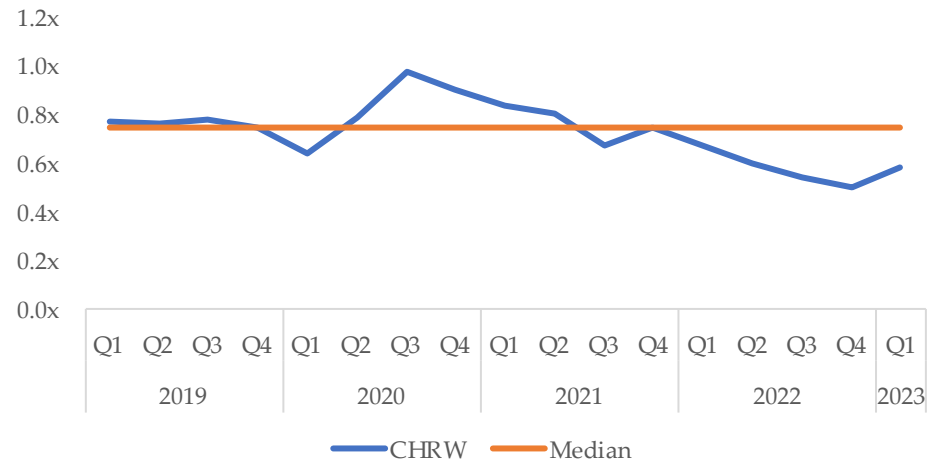
### EV/EBITDA C.H. Robinson Worldwide



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



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





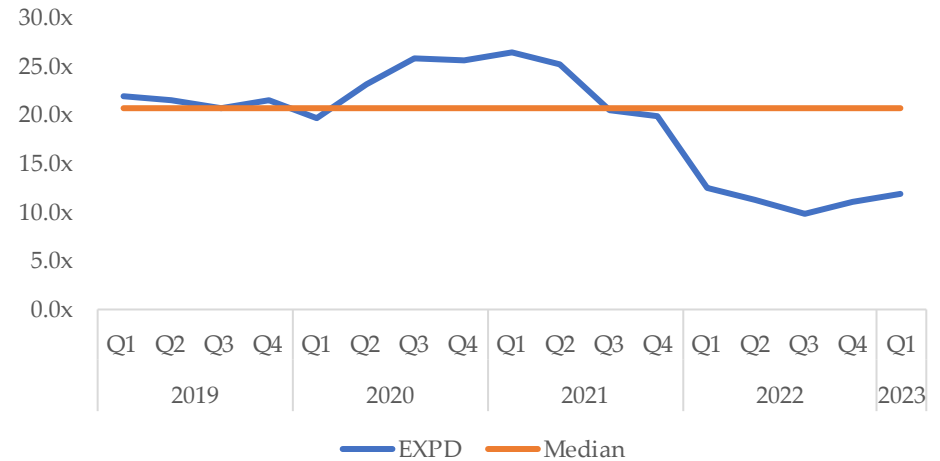
# PUBLIC COMP

## Expeditors International (NAS: EXPD)

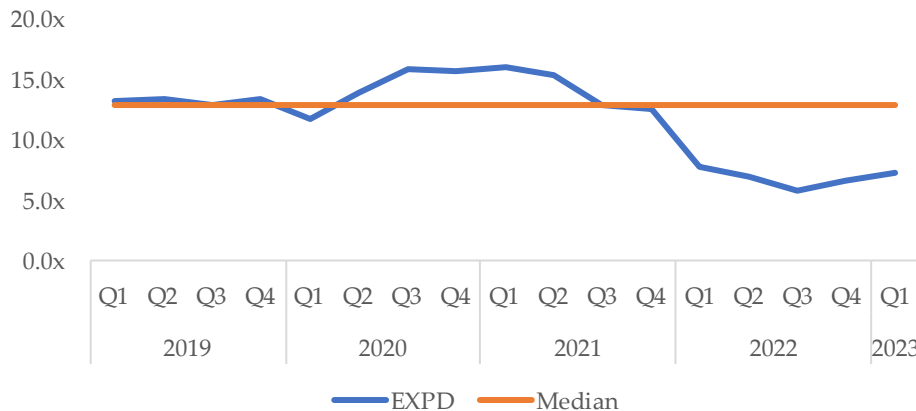
Expeditors International of Washington, Inc. is a logistics company. The Company is a third-party logistics provider, and purchases cargo space from carriers, including airlines and ocean shipping lines on a volume basis and resells that space to its customers. The Company provides a range of customer 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.



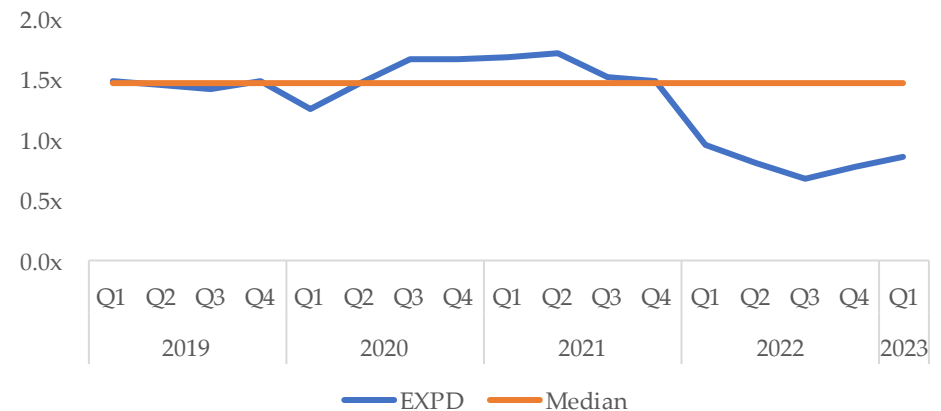
## P/E Expeditors International of Washington



## EV/EBITDA Expeditors International of Washington



## EV/Revenue Expeditors International of Washington



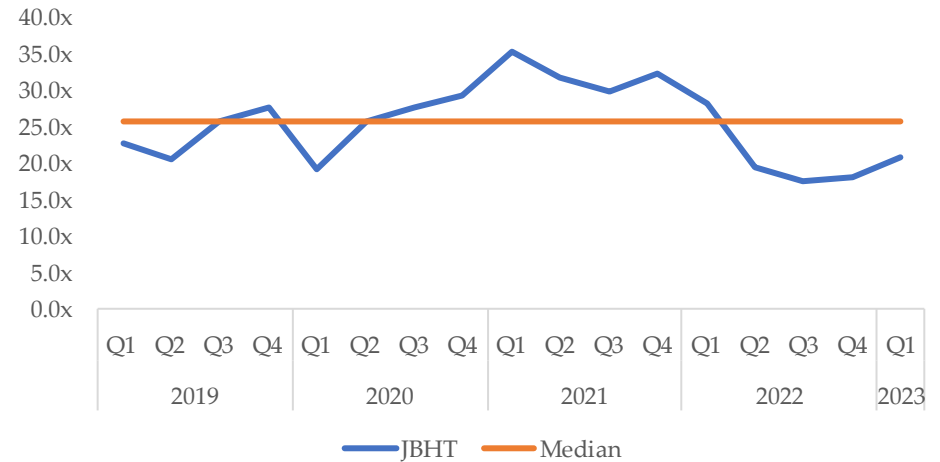
# PUBLIC COMP

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

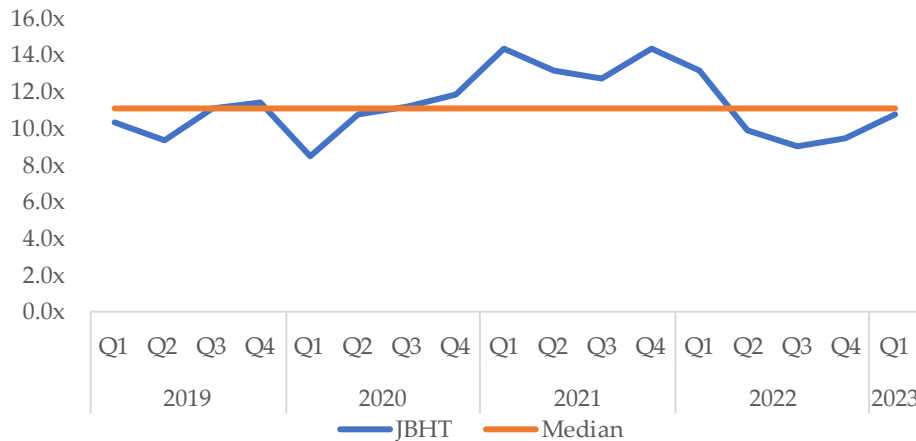
J.B. Hunt Transport, Inc. is a Fortune 500 company that specializes in technology-driven freight shipping for large and small businesses. A top-ranked third-party logistics (3PL) provider and one of the largest transportation logistics companies in North America, we provide safe and reliable services 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.



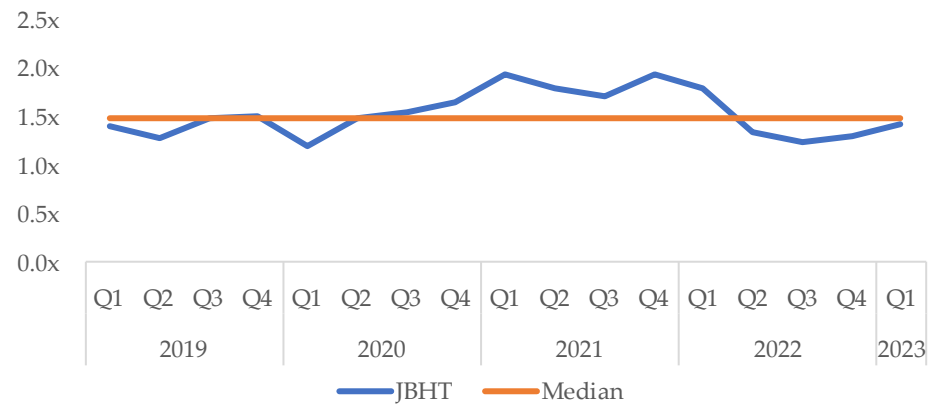
## P/E J.B. Hunt Transport



## EV/EBITDA J.B. Hunt Transport



## EV/Revenue J.B. Hunt Transport



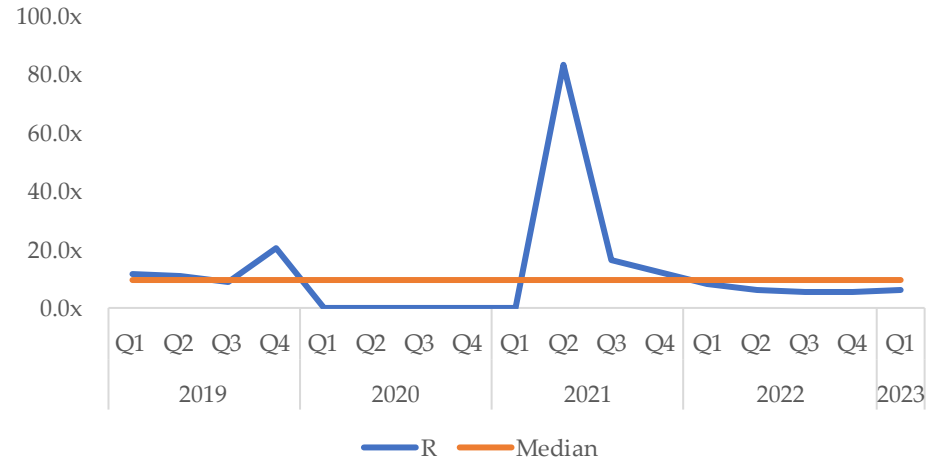
# PUBLIC COMP

## Ryder System (NYSE: R)

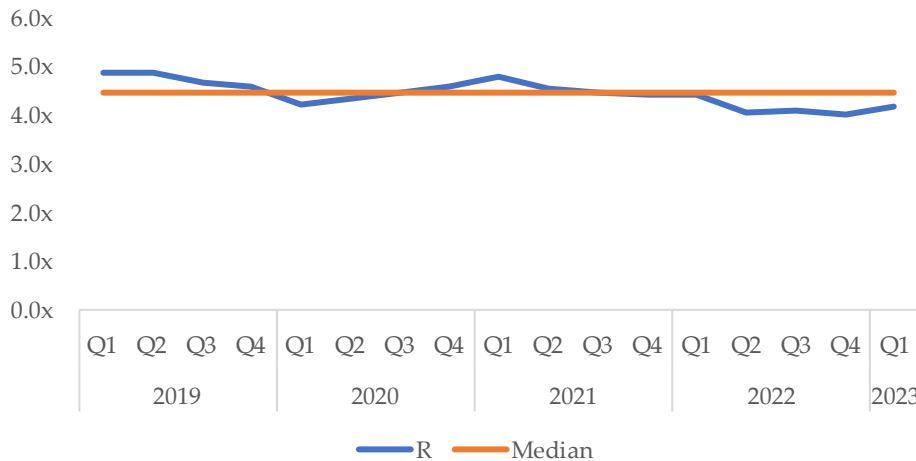
Ryder System, Inc. is engaged in offering transportation and supply chain management solutions. The Company operates through three segments: Fleet Management Solutions (FMS), which provides leasing, commercial rental, contract maintenance, and contract-related maintenance of trucks, tractors and trailers 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.



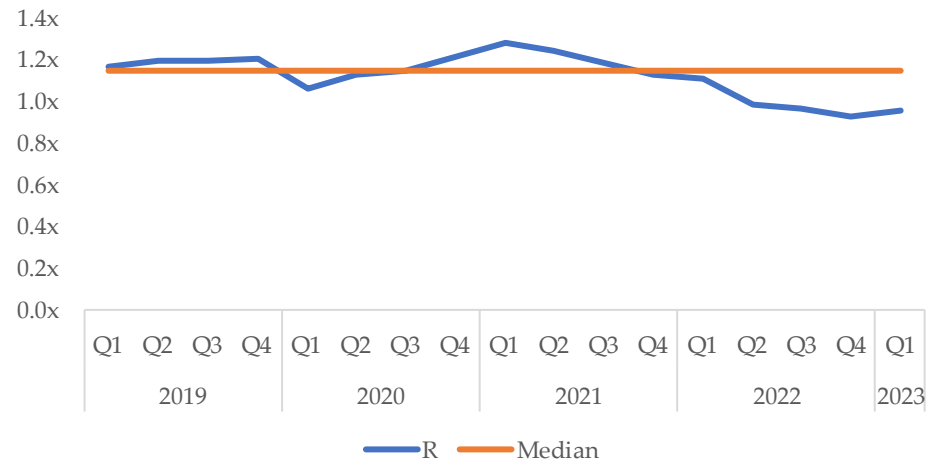
### P/E Ryder System



### EV/EBITDA Ryder System



### EV/Revenue 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.