

FOCUS

Investment Banking

SUPPLY CHAIN LOGISTICS INDEX

Q 4 2 0 2 1

By: Eric Oganessoff, Barry Calogero,
& John Grady

WWW.FOCUSBANKERS.COM



About This Report

Welcome to the FOCUS Supply Chain Team quarterly report. This edition includes comments on trends in logistics, recent notable transactions and the FOCUS LOGISTICS Index that provides financial metrics on 15 of the most prominent and active logistics acquirers.

The FOCUS Logistics Index

These companies were selected since they are important logistics companies, they are public, they have a significant US presence and, for the most part, they have been active acquirers.

Who We Are

- Middle market investment bank since 1982; serving clients from \$10-\$300M in transaction size
- Nationwide presence with 35+ bankers and 15+ staff and advisors
- Deep industry experience in targeted industry verticals
- M&A Worldwide partner firm, providing FOCUS clients local expertise—globally

Supply Chain Team

Our team is one of the most experienced middle market supply chain investment banking teams in the country. Dedicated to the M&A market, we provide sell-side and buy-side advisory services to the Supply Chain industry.

- 3PL/4PL
- Cold chain/food distribution/refrigeration
- Last mile/local delivery and fulfillment
- Supply chain collaboration, IT/software, enterprise integration
- Distributors—stocking/value-added
- Track/Trace—GPS, RFID, telematics, IOT
- Fleet management systems
- Freight brokerage
- Trucking

2021 Performance of the FOCUS 15:

- As a group the FOCUS 15 has lagged the S&P performance rising 24.4% vs 29.2% for the S&P.
- This group also lagged the Transportation ETF (IYT) that increased to 27.6 % in 2021.
- The FOCUS 15 ended the year at an average enterprise value of 8.5x EBITDA and 1.1x 2021 Revenue.
- The multiple of EBITDA ranged from a high of 15.1x for UPS to a low of 4x for Ryder and the multiple of revenue ranged from a high of 2.2x for Knight-Swift to a low of 0.3x for Nippon Express.
- We also looked at the gross margin percent for each firm. Many believe this is an indicator of the value add provided by the products and services to a company's customer base. For the group this ranged from a high of 32.4% for Knight-Swift to a low of 7.1% for C.H. Robinson.

Trends for 2022 in logistics

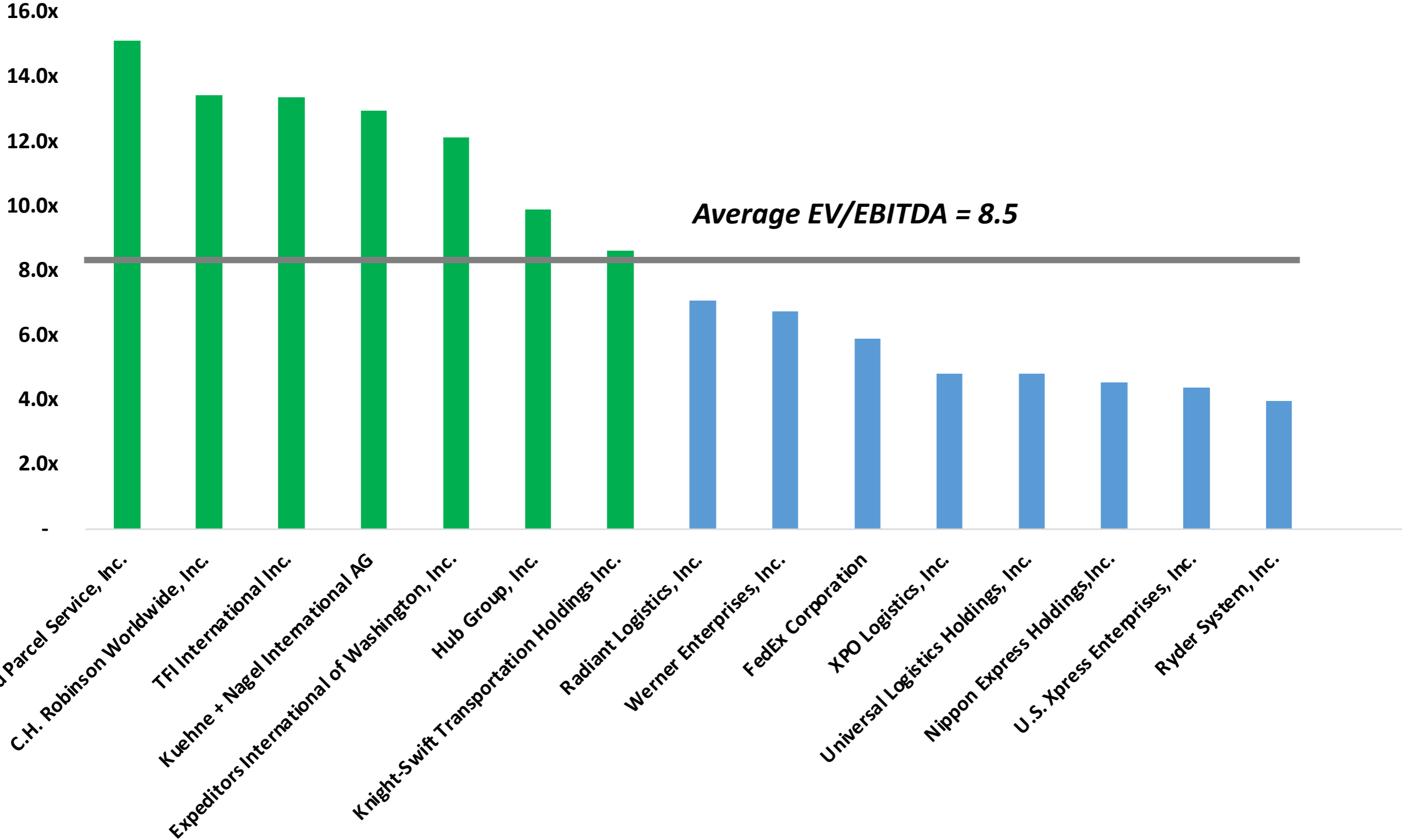
- We expect M&A to continue to be strong in 2022 due to the rearrangement of the strategic operating model of the industry driven by the change in supply chain models to meet the new strategies of 'just in case' vs 'just in time', the need for urban micro-fulfillment centers, the repurposing of some retail stores to order fulfillment centers, the continuing emphasis of visibility and delivery expectations. Companies who do not have these capabilities will continue to acquire companies that do.
- Supply chain constraints will be a driver of increased M&A activity in companies that specialize in supply chain visibility and integration as a strategic way to drive increased efficiency and utilization.
- Strategic significance of supply chain and logistics on overall economic and business performance resulting from supply chain weaknesses in the past 2 years will heighten the demand for logistics companies in 2022 as a method to ease volatility.
- M&A activity involving 3PLs will accelerate due to: market pressure for 3PLs to expand service offerings, increase desire to offer one-stop solutions to customers, need to drive scale in specific markets (particularly where near-shoring is dictated), and a desire to expand geographic footprint.
- Operationally the single biggest issue in the logistics market is worker shortage with particular problems with the shortage of drivers.

Notable December 2021 Transactions (the rush to close in 2021)

- **December 30** -- [American Eagle Outfitters](#) (AEO) acquires Quiet Logistics for \$350 million to expand its order fulfillment capabilities. This is the second supply chain logistic company AEO has purchased in 2021.
- **December 21** -- [Ryder System Inc.](#) has expanded its fulfillment network and added automation capabilities through the acquisition of 3PL Whiplash for \$480 million, giving it warehouse assets in key markets and ports including Long Beach, CA, Seattle/Tacoma, New York/New Jersey and Savannah, GA.
- **December 20** – Reliance Steel announced the purchase of [Rotax Metals](#) to support Reliance’s product diversification strategy by expanding its portfolio of specialty bronze, brass and copper product offerings.
- **December 14** -- [Redwood Logistics](#) (Redwood), one of the fastest-growing supply chain and logistics companies in North America, announced a new strategic investment from AEA Investors (AEA), a leading global investment firm with over \$15 billion in assets.
- **December 14** -- [Reliance Steel](#) announced the purchase of Admiral Metals providing reliance with a leading distributor of non-ferrous metal products in the Northeastern US.
- **December 13** -- [Quad-C Management, Inc.](#) (“Quad-C”), a leading middle market private equity firm, announced today that it has completed the recapitalization of MNX Global Logistics (“MNX”), a global leader in time critical logistics. Quad-C is purchasing the business from Audax Private Equity (“Audax”).
- **December 10** -- Warehouse and Supply Chain management software specialist [Principal Logistics Technologies Ltd.](#) has announced its acquisition of WMS expert Chess Logistics Technology to expand to expand its customer base and offer complementary services.
- **December 8** -- [CMA CGM](#) lays out \$3.0 billion to acquire e-commerce Ingram Micro Commerce & Lifecycle Services when combined with Ceva Logistics will create world's fourth-largest provider of contract logistics services.
- **December 7** -- [3 PL Radiant Logistics](#) boosts international growth with \$35 million acquisition of global trade management software vendor Navegate to broaden customer base.
- **December 2** -- [3PL Central](#) acquired CIO Technologies, including its flagship product CartRover, to drive seamless integrations for omnichannel fulfillment.
- **December 1** -- Singapore-based port group [PSA International](#) has acquired Philadelphia-based logistics and transportation solutions company BDP International from New York-based private equity firm Greenbriar Equity Group, L.P., to complement and extend PSA’s capabilities to provide agile, resilient, and innovative cargo solutions.

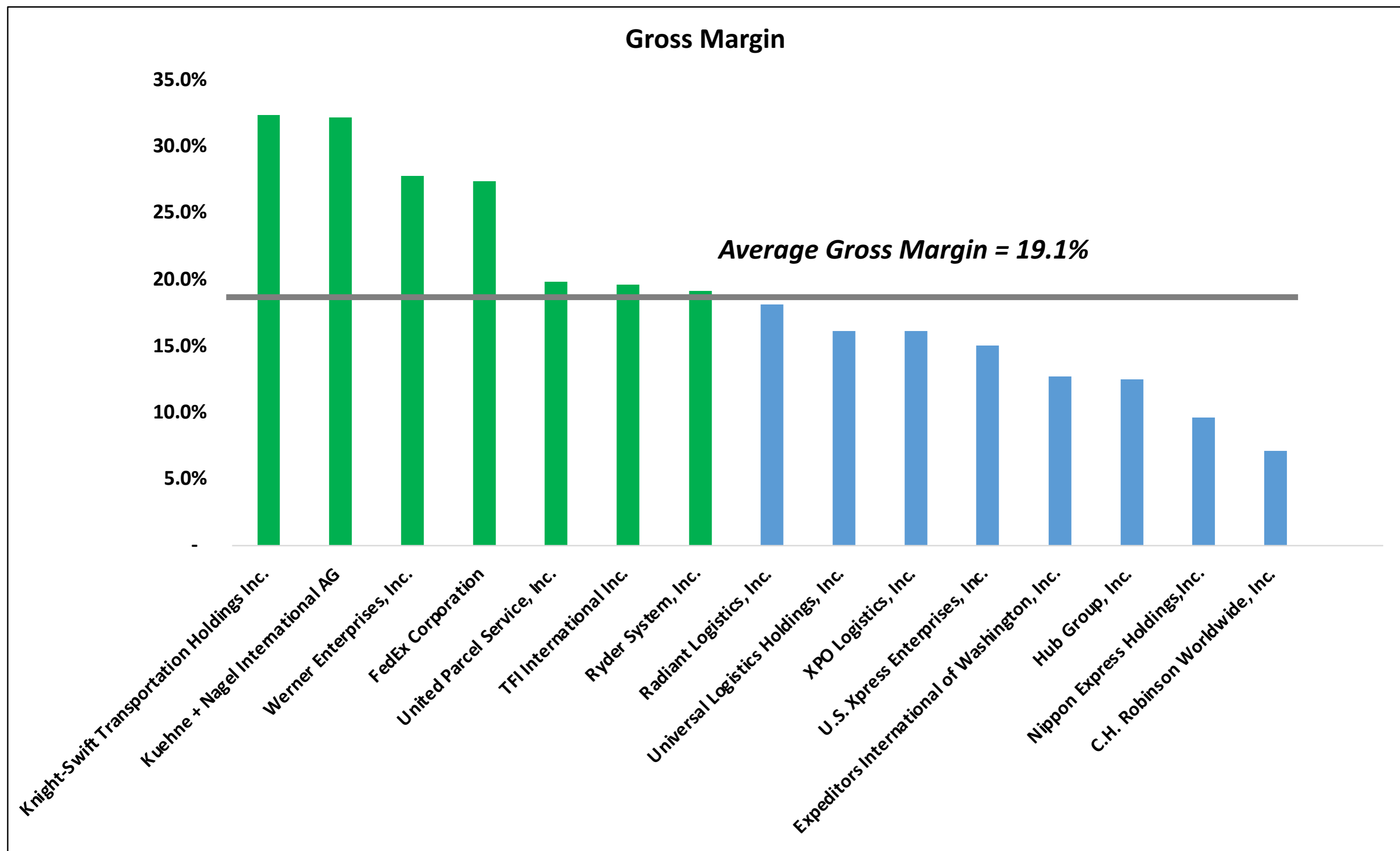
FOCUS LOGISTICS INDEX

EV/EBITDA



Source: CapIQ

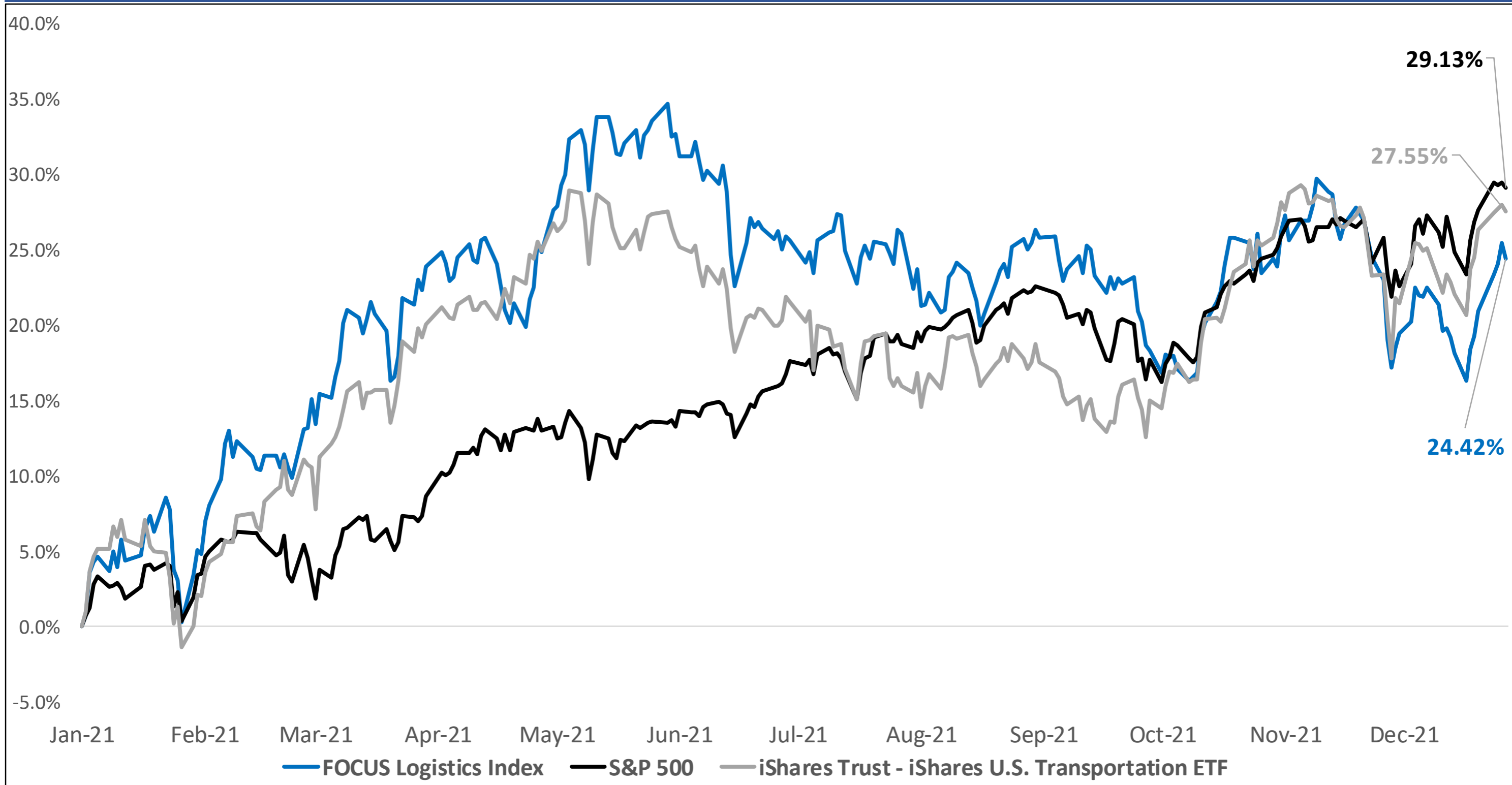
FOCUS LOGISTICS GROSS MARGINS



Source: CapIQ

2021 Performance of the FOCUS 15 vs the S&P vs the Transportation ETF (IYT)

One Year Stock Performance



Source: CapIQ

Note: The iShares U.S. > Transportation ETF (IYT) represents the transportation industry of the US which reaches into multiple tiers of the economy, as consumer goods as well as raw materials are always in need of being ferried from one location to another. IYT is heavily exposed to two corners of the transportation market with railroads and trucking making up the two biggest sections by far. The two biggest holdings of the IYT at the beginning of January 2022 were Union Pacific and UPS.

SUPPLY CHAIN

FOCUS LOGISTICS TRADING

Public Trading Information

FOCUS Logistics 15 Companies

(in USD millions, except per share amounts)

Company Name	Stock Price	Market Cap	Net Debt	Enterprise Value	LTM Revenue	LTM EBITDA	LTM EBIT	Margins			EV as a multiple of			Net Debt/EBITDA	Fwd. P/E Ratio
								Gross Profit	EBITDA	EBIT	LTM Revenue	LTM EBITDA	LTM EBIT		
1 Ryder System, Inc.	81.6	4,379.2	6,058.4	10,437.6	9,275.8	2,540.0	794.5	19.2%	27.4%	8.6%	1.1x	4.0x	13.1x	2.3x	9.0x
2 United Parcel Service, Inc.	213.9	185,909.5	15,047.0	200,972.5	94,412.0	10,874.0	7,963.0	19.9%	11.5%	8.4%	2.1x	15.1x	25.2x	1.1x	17.9x
3 FedEx Corporation	258.6	68,510.5	29,996.0	98,506.5	89,552.0	11,722.0	7,825.0	27.5%	13.1%	8.7%	1.1x	5.9x	12.6x	1.8x	11.5x
4 Kuehne + Nagel International A	322.0	38,754.0	384.7	39,154.4	29,347.0	2,429.5	2,171.2	32.2%	8.3%	7.4%	1.3x	13.0x	17.6x	0.1x	21.8x
5 Expeditors International of Wa	133.4	22,598.5	(1,364.1)	21,237.6	14,640.1	1,620.4	1,567.6	12.7%	11.1%	10.7%	1.5x	12.1x	13.5x	NM	19.5x
6 Universal Logistics Holdings, In	18.7	502.9	537.9	1,040.8	1,669.6	173.8	102.7	16.2%	10.4%	6.2%	0.6x	4.8x	10.1x	2.5x	6.6x
7 Nippon Express Holdings, Inc.	60.0	5,430.2	1,004.3	6,567.3	19,893.2	1,471.2	838.5	9.7%	7.4%	4.2%	0.3x	4.5x	7.9x	0.7x	11.6x
8 Radiant Logistics, Inc.	7.2	352.7	74.9	428.0	999.4	52.0	35.3	18.2%	5.2%	3.5%	0.4x	7.1x	12.1x	1.2x	9.9x
9 U.S. Xpress Enterprises, Inc.	5.9	297.9	635.5	934.8	1,872.5	114.7	38.6	15.0%	6.1%	2.1%	0.5x	4.4x	24.2x	3.0x	8.7x
10 C.H. Robinson Worldwide, Inc.	107.1	13,865.1	1,835.7	15,700.7	21,149.7	1,069.7	1,001.5	7.1%	5.1%	4.7%	0.7x	13.4x	15.7x	1.6x	16.5x
11 XPO Logistics, Inc.	76.4	8,763.9	4,159.0	12,922.9	18,436.0	1,655.0	883.0	16.1%	9.0%	4.8%	0.7x	4.8x	14.6x	1.6x	16.8x
12 Hub Group, Inc.	84.2	2,914.5	72.9	2,987.4	3,928.7	291.0	163.1	12.5%	7.4%	4.2%	0.8x	9.9x	18.3x	0.2x	17.1x
13 Knight-Swift Transportation Ho	60.8	10,081.9	1,938.4	12,033.1	5,459.1	1,331.4	778.1	32.4%	24.4%	14.3%	2.2x	8.6x	15.5x	1.4x	12.1x
14 Werner Enterprises, Inc.	47.7	3,188.4	318.6	3,543.6	2,589.5	514.0	263.3	27.9%	19.8%	10.2%	1.4x	6.7x	13.5x	0.6x	13.2x
15 TFI International Inc.	110.1	10,244.7	1,901.6	12,125.2	6,201.5	812.9	560.7	19.7%	13.1%	9.0%	2.0x	13.4x	21.9x	2.1x	18.9x
Min		297.9	(1,364.1)	428.0	999.4	52.0	35.3	7.1%	5.1%	2.1%	0.3x	4.0x	7.9x	0.1x	6.6x
Mean		25,052.9	4,173.4	29,239.5	21,295.1	2,444.8	1,665.7	19.1%	12.0%	7.1%	1.1x	8.5x	15.7x	1.4x	14.1x
Median		8,763.9	1,004.3	12,033.1	9,275.8	1,331.4	794.5	18.2%	10.4%	7.4%	1.1x	7.1x	14.6x	1.5x	13.2x
Max		185,909.5	29,996.0	200,972.5	94,412.0	11,722.0	7,963.0	32.4%	27.4%	14.3%	2.2x	15.1x	25.2x	3.0x	21.8x

Source: CapIQ

Meet the Supply Chain Team



Eric Oganessoff
Managing Director
Supply Chain Team Leader
Eric.Oganessoff@focusbankers.com
202-470-1969



Barry Calogero
Managing Director
Supply Chain Team
Barry.Calogero@focusbankers.com
703-628-3093



John Grady
Managing Director
Supply Chain Team
John.Grady@focusbankers.com
737-222-4122

About FOCUS Investment Banking LLC

With more than three decades of experience, [FOCUS Investment Banking](#) is a trusted name in middle market M&A advisory services worldwide. Whether helping to sell, buy, or raise capital, FOCUS strives to maximize the value of every transaction for the benefit of its clients.

FOCUS' Supply Chain Team is one of the most experienced supply chain investment banking teams in the country. The combination of deep industry and operational experience, extensive market penetration, years of transaction experience, and a comprehensive approach to M&A provides our customers with customized strategies tailored to meet each client's objectives.

Securities transactions conducted by FOCUS Securities LLC, an affiliated company, registered Broker Dealer member FINRA/SIPC. For more information, visit www.focusbankers.com/supply-chain.

© 2022 FOCUS Investment Banking LLC

MID ATLANTIC REGION

FOCUS Investment Banking LLC
Headquarters
8065 Leesburg Pike, Suite 750
Vienna, VA 22182
202.785.9404
202.785.9413 (fax)

SOUTHEAST REGION

FOCUS Investment Banking LLC
Atlanta Office
3353 Peachtree Road NE, Suite 1160
Atlanta, GA 30326
404.504.8620
404.814.9141 (fax)

WESTERN REGION

FOCUS Investment Banking LLC
Los Angeles Metro Office
18012 Sky Park Circle, Suite 200
Irvine, CA 92614
213.943.1395
213.943-1397 (fax)