

TRANSPORTATION & LOGISTICS SUMMARY REPORT

First Quarter 2020

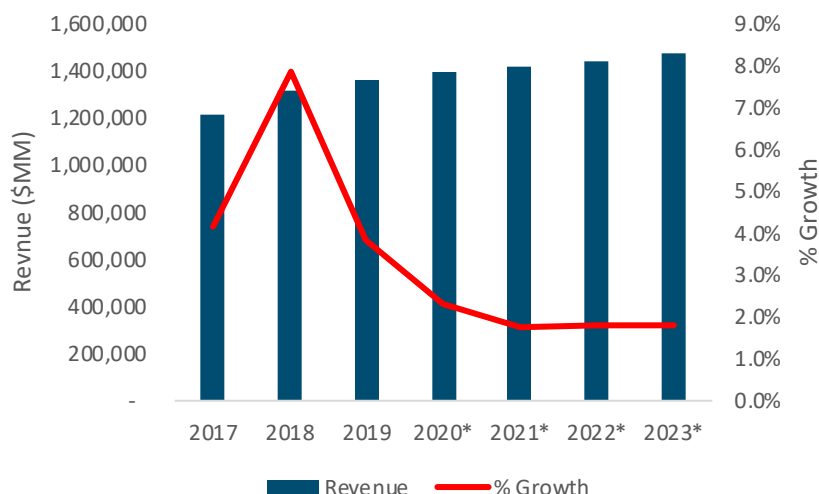


TRANSPORTATION AND LOGISTICS MARKET OVERVIEW

- Throughout the early half of 2019, demand for the transport of freight, commodities and passengers through various modes such as truck, rail, pipeline, ship and aircraft benefited from a strong United States economy and increased consumer confidence. Global expansion driven by increased trade volumes and industrial output during the period allowed sector revenue to climb to \$1.4 trillion, a 3.5% annualized growth rate over the last five years. However, as the year progressed, and moving into 2020, the industry has experienced a shift in performance, particularly driven by commodity price declines and the recent market disruptions and implications of the coronavirus.
- Operators in the industry are largely dependent on fuel prices, generally passing a significant portion of price increases to customers through fuel surcharges. Drops in commodity prices negatively affected operators in 2019 and continue to do so into 2020. With the EIA forecasting crude prices to hover near \$43/bbl and \$38/bbl in 2020 for Brent and WTI, respectively, depressed fuel prices are expected to present a challenge to operators, resulting in lower surcharge revenue.
- Reduced manufacturing output has also presented a recent threat, specifically as concerns over the coronavirus cause disruptions in global supply chains. While production in China has slowly begun to come back online, the virus has entered pandemic status, with disruptions proving to be unavoidable throughout the world.
- The recently issued edition of the Cass Freight Index Report, a widely used barometer for freight volumes and market conditions, reported declines in shipments and expenditures in both January and February of 2020, the lowest since 2009, and expressed concerns on whether 2020 will experience any growth at all in these two areas due to slow recoveries in supply chains and uncertainty around containment of the virus.
- The T&L sector experienced a significant increase in investment activity in 2019, reaching a total investment value of \$140bn, a 19% increase over the previous year. Deal values and volume also increased compared to 2018, with a 40% rise in the volume of deals led by financial investors.
- Due to the uncertainties discussed above and continuing developments around the world, it remains tough to predict M&A activity continuing into the year. We expect transaction volume in the next few months to come out low, however should containment happen in fast order, and as supply chains and manufacturing activities slowly recover, we expect M&A to generate interest as buyers look to capitalize on a changing industry landscape through revampments in supply chains to combat technological disruptions.

RCO Research, IBISWorld, PwC, Cass Freight Index, EIA.

INDUSTRY REVENUE



*Indicates forecasted industry revenue. IBISWorld.

AVERAGE INDUSTRY PERFORMANCE

TEV (\$MM)	Rev. (\$MM)	EBITDA %
Truck Transportation		
10-25	29.5	15.1%
25-50	46.4	17.8%
50-100	67.2	20.0%
100-250	216.5	12.6%
Freight Trucking		
10-25	33.6	14.0%
25-50	43.3	17.6%
50-250	185.6	14.9%
Support Activities for Transportation		
10-25	18.8	20.5%
25-50	56.0	15.5%
50-250	126.4	15.0%

GF Data® 2012 through December 2019.

FEATURED SEGMENT: TRUCK PARTS



- Over the last few years, as the demand for transportation services grew, the T&L industry saw a rise in usage of the existing national fleet as well as in new truck builds.

- In 2019, production for Class 8 trucks reached 342k, the second-best year in history, following 2006. Growth in vehicle builds for class 5-7 trucks followed, reaching 280k in 2019, the largest year for the category since the 1960's.

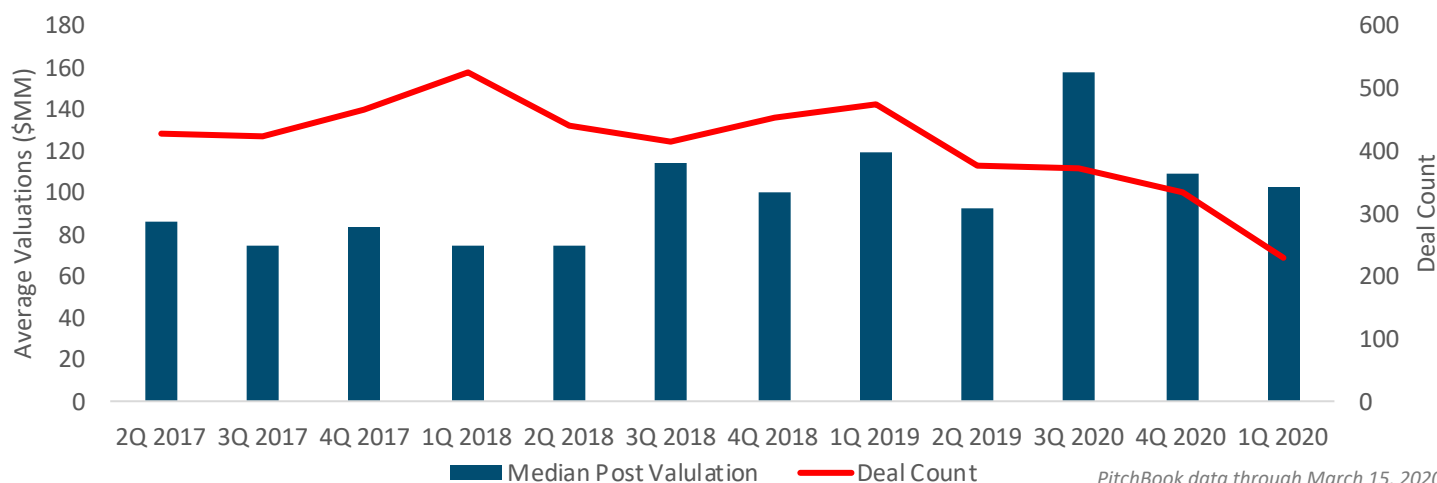
- Transportation providers, including specialized, local and long-distance trucking companies, source truck components from heavy duty truck part dealers and manufacturers. Consequently, manufacturers and repair service providers drove demand for truck parts, increasing revenue for heavy duty truck part centers.
- Demand for truck part providers is determined by performance in the truck transportation industry, which has continued to experience modest growth over the last 5 years, reaching \$17.9bn in revenue.
- Concerns over commodity prices and overall market conditions have led to a short-term disruption in the overall demand for T&L industry services. With the US manufacturing downturn expected to continue to persist throughout the earlier part of 2020, truck manufacturers have evidenced this firsthand, particularly through lower per-day build rates and overall waning of customer demand. Nonetheless, while uncertainties remain, the probability of a recession remains low, and industry performance should begin to slowly recover as we progress throughout the year.

TRUCK PART DEALERS INDUSTRY PERFORMANCE



*Indicates forecasted industry revenue. IBISWorld, ACT Research.

NORTH AMERICAN DEAL COUNT & AVERAGE VALUATIONS - UP TO \$250MM



PitchBook data through March 15, 2020.

- Companies in the North American middle market transportation and logistics industry experienced a total capital investment of \$23.77 billion in 2019, and \$3.86bn through YTD March 15, 2020, with the majority of deals occurring in California and Texas.
- Throughout FY 2019, the industry announced 1,556 transactions, a decrease when compared over the same period in 2018, however, median valuations in 2019 reached \$115MM, a \$26MM increase from the previous year.

PitchBook data through March 15, 2020.

TEV/EBITDA MULTIPLES

TEV (\$MM)	10-25	25-50	50-250
Truck Transportation	5.4x	5.0x	6.1x
Freight Trucking	5.1x	5.2x	6.4x
Support Activities for Transportation	5.6x	6.4x	7.1x

GF Data® 2012 through December 2019.

FEATURED TRANSPORTATION AND LOGISTICS TRANSACTIONS



On March 11, 2020, Offen Petroleum, a portfolio company of Court Square Capital Partners, announced the pending acquisition of trucking company Bosselman Carriers as well as the business assets of fuel distributor, Bosselman Energy.

Acquired by



Bosselman offers trucking services and is a licensed fuel distributor in 20 states. The Company offers delivery of petroleum products to convenience stores, ethanol plants, terminals, airports and numerous other customers. The acquisition will allow Offen, a fuel distributor, to expand its business lines and expand geographies.

Financial terms of the agreement were not disclosed.¹

On March 2, 2020, transportation and logistics provider CRST International, Inc., announced the acquisition of NAL Group, a leading provider of final mile logistics services.

NAL Group is a privately held logistics company, offering last-mile delivery, dispatch, simple and complex installation, warehousing and express services for major retail chains and e-commerce. The acquisition will compliment CRST's experience in final mile logistics and complex in-home installation services.

Financial terms of the agreement were not disclosed.²



Acquired by



Acquired by



On February 26, 2020, PS Logistics, a provider of flatbed transportation and logistics services, announced the acquisition of trucking company Southeast Logistics.

Southeast offers flatbed freight transportation and asset-based transportation services to a wide range of industries. The company has two terminals in Tuscaloosa and Waynesboro, MS and specializes in shipments to the construction, steel and oil and gas industries. The acquisition will allow PS Logistics to scale and increase operations in the southeast region.

Financial terms of the agreement were not disclosed.³

PitchBook.

1. Transaction Press Release, dated March 11, 2020. <https://www.prnewswire.com/news-releases/offen-petroleum-announces-pending-acquisition-of-bosselman-energy-301021270.html>
2. Transaction Press Release, dated March 02, 2020. <https://www.crst.com/2020/03/crst-international-inc-acquires-nal-group/>
3. Transaction Press Release, dated February 26, 2020. <https://www.freightwaves.com/news/ps-logistics-completes-acquisition-of-southeast-logistics>

ROMANCHUK & CO.

FIRM CAPABILITIES



Romanchuk & Co. is a boutique investment banking firm providing mergers and acquisitions (M&A) and financial advisory services to lower middle-market leaders within the diversified industrials sectors. We advise owners and investors of privately-held businesses, private equity firms and corporations on the preparation and sale of their company, assist them in identifying strategic

opportunities, and help them execute upon those strategies. Our team of licensed investment bankers specializes in providing sell-side M&A advisory services to lower middle-market companies with enterprise values ranging from \$15 million to \$250 million. For more information, please visit our website at www.romanchukco.com.

RECENT EXPERIENCE

Our most recently closed deals showcase our firm's unique ability to execute transactions across the diversified industrials sectors, while maximizing value for our clients in the lower middle-market. Drawing on our collective industry experience and strengths, Romanchuk & Co. is focused on providing creative, impactful M&A strategies to our clients across the diversified industrials sector.



INDUSTRY RECOGNITION



Romanchuk & Co. was selected as the Boutique Investment Banking Firm of the Year for 2018. Over 230 nominees, representing over 600 companies, became finalists for the awards. An independent judging committee of 29 top M&A industry experts determined the ultimate recipients of the awards.

In addition, Romanchuk & Co. was named a finalist in the following categories: Energy Deal of the Year, Industrials Deal of the Year (\$10MM-\$50MM), M&A Deal of the Year (\$10MM-\$25MM), and M&A Deal of the Year (\$50MM-\$75MM).

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