Trucking M&A ... What to Expect in Today’s Environment

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Speakers

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Connecting The Dots … *in Today’s M&A Market*

**It’s Not Easy**
The Owner Needs a Gameplan

- Whether or not you’re in a deal
- Understand the M&A market
- Stay up on Business Intelligence
- Know how you’ll be viewed
- Readiness & Preparedness
- Create and Protect Value
- Be Ready

Create a Gameplan for Value
2015 M&A Activity ... Ahead of Last Year

U.S. Transportation & Logistics Activity

YTD September 30
+ 15% compared to 2014

Source: CapitalIQ
Overall Returns ... Higher for Transportation Group

**NASDAQ Transportation Index**

**3 YEAR**

**1 YEAR**

**60%+ over three years (vs S&P 40%)**

**14.7% over one year (vs S&P 4.4%)**

Source: S&P Capital IQ
Valuation Depends on Segment and Niche

Source: S&P Capital IQ

Note:
Discounts to public multiples will apply to smaller, private companies.
# Unmasking EBITDA Multiples

<table>
<thead>
<tr>
<th>Enterprise Value (&quot;EV&quot; or the &quot;Deal Value&quot;)</th>
<th>$100,000,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Income</td>
<td>$ 15,000,000</td>
</tr>
<tr>
<td>+ Interest</td>
<td>$ 1,500,000</td>
</tr>
<tr>
<td>+ Depreciation</td>
<td>$ 6,500,000</td>
</tr>
<tr>
<td>EBITDA</td>
<td>$ 23,000,000</td>
</tr>
</tbody>
</table>

**EBITDA “Multiple”**

4.34x

<table>
<thead>
<tr>
<th>Enterprise Value</th>
<th>$100,000,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Debt</td>
<td>18,000,000</td>
</tr>
<tr>
<td><strong>Equity Value</strong></td>
<td><strong>$ 82,000,000</strong></td>
</tr>
</tbody>
</table>
"...well-run TL carriers typically don't get more than 5x their EV/EBITDA, while LTL carriers can go higher, but 5x is generally considered fair, with 6x to 7x occasionally for large, stable linchpin LTL companies (ex: American Freightways purchase in January 2001)... while Logistics companies can often go for 8x to 12x their EV...."

**Answer ... It Depends**
Key Considerations ... from Two Perspectives

**Buyers**
- Grow, Fill in Gap, Defend
- Retention vs. Interfere
- Market, Precedent, Return Threshold
- Step-Up Basis
- Need vs rationalize
- Stand-Alone vs. Integrate
- Spec, Trade Prep, FMV vs Book
- Quality, Pay Plan, ELDs
- GAAP Accruals

**Sellers**
- Why Sell? Founder
- Retire, Monetize, Eliminate PGs
- Retire vs Need a check
- Price Tax
- Replace Income, "Fair," "Mental Number"
- Minimize
- Employees Integration
- Fight for vs. Buyer Choice
- Stand-Alone vs. Integrate
- Equipment
- Credit for New Units; Buyer Choice to Upgrade
- Drivers
- If Earn Out, No Negative Changes
- Liabilities
- Part of the Business
## Case Study Contrast –

<table>
<thead>
<tr>
<th>Strategic</th>
<th>Tactical</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A&amp;S / Taylor</strong></td>
<td><strong>Robinson / Tango</strong></td>
</tr>
<tr>
<td>• Targeted Niche</td>
<td>• Add-On Acquisition</td>
</tr>
<tr>
<td>• Stand-Alone Operations</td>
<td>• Integrate Immediately</td>
</tr>
<tr>
<td>• Growth Platform in Sector</td>
<td>• Driver Capacity</td>
</tr>
<tr>
<td>• Strong Management</td>
<td>• Management Not Ongoing Leadership</td>
</tr>
<tr>
<td>• Solid Profitability</td>
<td>• Marginal Profitability</td>
</tr>
<tr>
<td><strong>Multiple of Earnings</strong></td>
<td><strong>Asset Value</strong></td>
</tr>
</tbody>
</table>
Competitive Landscape Drives M&A

Where We Stand Today

Source: Stifel
Looking Forward

Future Competitive Landscape

Source: Stifel
## 2016 -- Multiple Participants Involved

<table>
<thead>
<tr>
<th>Focus of Company</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Integrated Logistics Companies</td>
<td>UPS/Fedex</td>
</tr>
<tr>
<td>Traditional Logistics Companies Going Vertical</td>
<td>XPO</td>
</tr>
<tr>
<td>National Segment-Focused Trucking Companies</td>
<td>Heartland</td>
</tr>
<tr>
<td>National Multi-Segment Trucking Companies</td>
<td>Celadon</td>
</tr>
<tr>
<td>Regional/Local Trucking Companies</td>
<td>Transforce</td>
</tr>
<tr>
<td>Specialty Trucking Companies</td>
<td>Daseke</td>
</tr>
<tr>
<td>Private Equity Firms</td>
<td>Apax</td>
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*MOSS ADAMS CAPITAL LLC*
2016 Forecast for M&A

Consolidation Will Continue

If You’re in the Industry ... M&A will Affect You

Opportunities will Appear at Unexpected Times

Create Value, Protect Value ... by Being Ready
Bridging the Gap ... From Past to the Future

**Past Performance**
- Trailing Earnings
- Last Audited Statement
- Trailing Twelve Months

**Predictable Future**
- Forward Earnings
- Transferrable Earnings
- Expected Synergies
- New Market Opportunities
Building Up Value

Key Value Drivers

- Fleet
- Drivers
- Customers
- Contracts
- Management
- Technology
- Safety Record
- Growth
- Profitability

Full transaction value

Strategic importance to buyer

Tax benefits

Synergies

Outlook

Predictable Earnings

Stand-alone valuation
Readiness for Due Diligence

- Anticipate.
- Find. Gather. Organize.
- Review before delivery.
- No Surprises!!

- Virtual Data Rooms
- Multiple Parties
- Controlled Access
- Highly Efficient
Holding The Deal Together

It’s Hard to Get a Deal Closed ... It Takes a Team
We Wish You Success !!!