2022

TENNEY GROUP

MID-YEAR REPORT

ANOTHER

RECORD YEAR

IN TRANSPORTATION MERGERS AND ACQUISITIONS

NOTE FROM THE CEO

Seeing business owners navigating through this unique period in our industry's history, which includes record M&A activity, is truly inspiring.

In the back half of 2022, some of you may engineer transformative acquisitions. Others will take steps towards exiting the industry through a business sale.

Wherever you are headed, I encourage you to do two things:

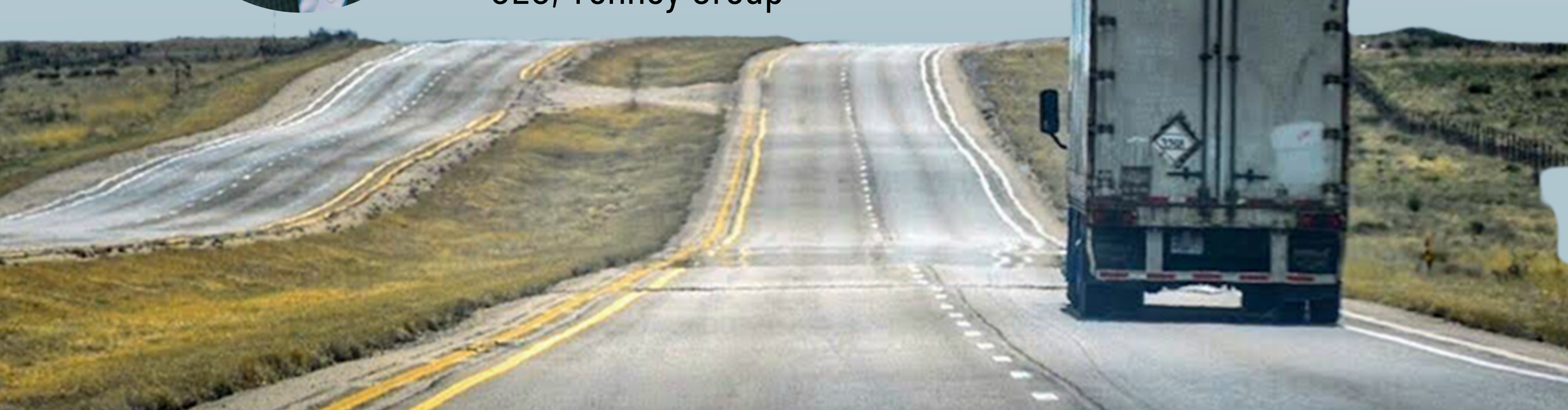
1. Continue to educate yourself about the M&A process and the factors that drive it.

2. Surround yourself with trusted advisors who understand our industry well in advance of executing a sale or acquisition.

Our Mid-Year Report is designed to help you address both of these objectives. We hope you enjoy access to recent deals, video interviews with industry M&A leaders, and links to a variety of industry M&A whitepapers.

Spencer Tenney

Spencer Tenney
CEO, Tenney Group



NOTABLE M&A DEALS IN THE FIRST HALF OF 2022

The M&A market in the transportation and logistics space has continued to be incredibly active in 2022. Here is a list of notable deals from the first half of this year that you may have missed.

Tenney Group facilitated deal.

ARE YOU READY TO GROW WITH AN ACQUISITION?

CONTACT US AND SET UP A BUYER PROFILE

SCAN ME

The transportation industry is facing a wide array of challenges. In the last 18 months, Tenney Group has seen a surge of businesses registering in our Buyer Network to combat these challenges. What does this mean for you? It means that we may be entering a market where growing through acquisitions is the only viable option to secure a competitive advantage. The competition to get deals done is higher than ever before. Join our Buyer Network and we'll learn about your business goals and only show you deals that fit the criteria you're looking for.

WWW.THETENNEYGROUP.COM

The Tenney Group is a transportation industry specialized M&A advisory firm. We've been solely dedicated to the logistics industry since 1973. Our core focus is sell-side representation services for owners of trucking and logistics companies with annual revenues ranging between $20M and $300M.

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QUICK HITS FROM TRANSPORTATION INDUSTRY LEADERS

RANDY HOOPER

PARTNER, KSM

When it comes to taxes, what should buyers and sellers be thinking about?

In every deal, buyers and sellers need to consider how the deal's structure impacts the seller's tax rate and the buyer's potential tax deduction. Buyers and sellers will always have this push / pull as long as capital gains tax rates are lower than ordinary tax rates.

TORRE HAMMER

PARTNER, MOSS ADAMS

How are buyers and sellers developing effective tax strategies around M&A?

The structure of a transaction can have a dramatic impact on taxes. Buyers and sellers often have differing tax objectives when structuring a sale. It is important to identify multiple sales structure scenarios and understand how each structure will be taxed differently for each party. The tax difference between various transaction structures can have significant ramifications, and proper planning will help determine the best structure for you. Understanding these tax structure options early in the process often benefits the buyer and seller in the deal negotiations.

CHARLIE EDDY

MEMBER, WARREN AVERETT

What do you recommend people do to prepare for a future sale?

First of all, start planning early and build a team of professional advisors that are experienced in buying and selling businesses. This team should include lawyers, certified public accountants, and investment bankers that can all work together to provide advice that will enable the business owner to obtain their desired results.

Secondly, gaining an understanding of how a buyer will determine the value of the trucking company is vitally important. Most valuations are based on the cash flows generated from the business. Trucking companies are generally sold for a multiple of earnings before interest, taxes, depreciation, and amortization (EBITDA).

Once these calculations are performed, it is then important to build a strategy that will improve the value of the trucking company. Key areas of focus should include:

- Profitable revenue and cash flow growth
- Customer satisfaction\retention
- Driver recruitment and retention
- Capital equipment and maintenance programs
- Debt management

QUICK HITS FROM TRANSPORTATION INDUSTRY LEADERS

MARC BLUBAUGH

PARTNER, BENESCH, FRIEDLANDER, COPLAN & ARONOFF

What legal trends are you seeing on the horizon for the transportation M&A market?

One important legal trend in deal flow relates to the final mile sector. We expect that, while final mile delivery companies will continue to be attractive targets in light of the explosion in e-commerce, buyers will apply increased scrutiny in two specific areas in order to separate the wheat from the chaff: (1) whether the target possesses the requisite operating licenses and (2) whether the target is subject to a substantial risk arising from worker misclassification. Many fast-growing companies in this sector have proven to be somewhat naïve regarding how their legal obligations change as they grow.

TODD METZGER

PARTNER, SCOPELITIS

What challenges will anyone considering M&A be facing as we head into the back half of 2022?

Transportation M&A faces some headwinds going into the second half of 2022 from increasing interest rates, decreasing spot rates, leveling off of used equipment prices, increasing new equipment manufacturing and a general down turn in the economy. Nevertheless, I believe M&A deal flow will stay strong through the end of 2022. Perhaps not at the record levels seen in the fourth quarter of 2021, but still robust. I believe strategic buyers (operators) will continue to be out in force seeking capacity expansion through acquisition and “good buys” as a result of smaller operators over extending from a credit standpoint assuming the elevated spot rates would continue. Private equity buyers will continue to be active seeking to expand current transportation platforms at acceptable ROIs.

MARK SCUDDER

CEO, SCUDDER LAW

What are buyers scrutinizing the most right now in the transportation M&A market?

We are seeing robust market activity as sellers seek to capitalize on strong trailing earnings and a favorable used equipment market. Meanwhile, buyers are interested but increasingly scrutinizing ‘add-backs,’ normalizing equipment gains and spot market profits, and building market cycle and claims risk into their valuation and structure proposals. The impact of fleet age and equipment delivery schedules, and who pays for equipment being delivered, are becoming negotiated items, along with the impact of fuel prices on working capital. All-in-all, deals will continue to be done, but the terms will be more tailored to the individual situation.

BRANDON KNIGHT

MANAGING PRINCIPAL OF INDUSTRY, CLA

What trends are you seeing around the quality of earnings analysis?

QofE’s have now become expected in deals over a certain size. This due diligence of a company preparing for sale identifies the opportunities and strengths of an organization, that will inevitably arise in a transaction. When engaged on the front end by the potential seller (partnering with the investment bank), the Owners become aware of improvement opportunities, financially prepare for a transaction, and greatly increase the enterprise value and probability of sale.

THE HOT SEAT

SCAN TO LISTEN

In this episode of The Hot Seat, Spencer Tenney is joined by KSM Transport Advisor's President David Roush and COO of Canada, Chris Henry. Spencer, David, and Chris go over the role that operational due diligence plays in M&A, knowing when to kill a deal and the data that is most important to any successful deal.

NAFC

AMERICAN TRUCKING ASSOCIATIONS

2022 M&A MID-YEAR PANEL

SCAN ME

DAN COOK

PRACTICE & PRINCIPAL LEADER, TRUE NORTH

HEIDI HORNUNG-SCHERR

PRESIDENT, SCUDDER LAW FIRM

RANDY HOOPER

PARTNER, KSM

SPENCER TENNEY

CEO, TENNEY GROUP

Scan to listen to this panel that is 100% focused on the M&A challenges within the transportation industry. The panel covers the competitive landscape in the M&A space, what's driving this activity and best practices for anyone considering a M&A deal in the next 12 months.

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READY TO EXPLORE A SALE OF YOUR TRANSPORTATION BUSINESS?

OUR PROVEN PROCESS

Our sales process has been proven to be the most effective sales process in the transportation industry for 40+ years. When it comes to deal-making, the transportation and logistics industry is not like other industries. Our industry-specialized sales process is designed to address the many unique pitfalls that limit what transportation business owners can accomplish at the closing table.

INDUSTRIES WE SERVE

Trucking:

- Dry Van
- Refrigerated
- Flatbed/Heavy Haul
- LTL
- Intermodal/Drayage
- Liquid Bulk
- Dry Bulk
- Auto Hauling
- Specialized Carriers

Logistics / Other

- 3rd Party Logistics
- Final Mile/White-Glove
- Warehousing

WWW.TENNEYGROUP.COM

Reach out to us for a confidential meeting to explore if a sale is a right move for your business.

"IT'S VERY SATISFYING TO HELP TRANSPORTATION BUSINESS OWNERS EXIT THIS INDUSTRY. IT'S THRILLING TO WATCH THEM ENJOY THE FRUITS OF THEIR LABOR AND ABUNDANTLY BLESS OTHERS IN THE NEXT CHAPTER OF LIFE."

CHARLES TENNEY
FOUNDER, TENNEY GROUP

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