



December 8, 2021 | Gansevoort Meatpacking, NYC

Private Equity Investing in the Transportation & Logistics Industry Conference

THOUGHT LEADER WRAP-UP

We are thrilled that so many of you were there, in person, for what we hope becomes an annual event. Here is a brief wrap-up of the great thought leadership shared for your continued success in 2022.



Keynote

BOB FARRELL, Former CEO, *GlobalTranz*

Benesch was thrilled to welcome Bob Farrell, former CEO of GlobalTranz as our Keynote Speaker. Bob walked us through one of the biggest deals of 2021: the merger that brought together 3PLs GlobalTranz and Worldwide Express. Bob explained that “private equity is about turning intentions into reality.” And with the backing of CVC Capital Partners, that happened this year when truckload/LTL-focused GlobalTranz merged with Worldwide Express, creating a logistics giant that has significant parcel capabilities through Worldwide and the longer-haul business that GlobalTranz has long been known for.

To read more about Bob’s remarks, please [click here](#) to read an article from John Kingston of *FreightWaves* who covered the event.

PANEL 1: New and Disruptive Technologies in the Industry



Moderator: MARC BLUBAUGH, Partner, *Benesch*
SHELLEY BENNETT, Senior Vice President and General Counsel, *Lytix*
PARIS COLE, CEO, *Truckstop.com*
DAVID FRIEDMAN, Board Member and CFO, *Venti Technologies*

- Fully autonomous vehicles exist in “pockets” but we are far away from fully autonomous
- Driverless technology isn’t being widely adapted likely because of unions, regulations and to some extent, technology
- Gartner estimates that the global telematics market is about \$32.9 billion in 2021 and will grow to \$63.7 billion in 2024 (i.e. roughly 25% compound annual growth rate)
- Privacy laws including BIPA and GDPR must be top of mind for any technology-related company or any company that stores employee data
- Robotics have come a long way; many of the driver technologies are safer than humans (for situations like distractions—dropping a cell phone while driving, etc.)

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PANEL 1 (continued from page 1)

- When autonomous vehicles become mainstream, “winners” will be white glove delivery services because they will always need a human touch, companies who adapt to technology and giant companies like Amazon because they have a “data DNA”
- What makes the Transportation & Logistics sector so attractive to PE:
 - Big market
 - Not a lot of capital was invested historically
 - Technology has lagged historically, but tech curve is growing
 - Profitable companies and high growth rates
 - Lots of data integration in the industry which makes it easy to scale the data

- Private equity investments have allowed Transportation & Logistics companies to grow sales and R&D teams (making it hard for others to catch up), creating more products and value for investors
- COVID-19 has propelled technology because companies are finding ways to work while moving people around less
- There are different mechanisms for scoring/rating drivers but this technology isn't being used much right now due to driver shortages

Takeaways from panelists:

- Understand your technology—it evolves quickly, functionality may need to be added from time to time, multiple vendors' services may overlap, etc.
- Look for technology that is practical and has a clear value proposition, not just a hot buzz word

PANEL 2: Consolidations, Deal Activity and Strategic Partnerships



Moderator: PETER SHELTON, Partner, *Benesch*
PAUL JONES, Managing Director, *Stifel, Nicolaus & Company, Inc.*
MARK FORNASIERO, Managing Partner, *Clarendon Capital*
MICHAEL McLARY, CEO, *Ascend Transport Group*

2021 Observations:

- Proprietary deals are more attractive to investors, and can create greater value
- Deal process has been very slow in some cases, creating “deal fatigue”
- Deal volume was extremely high in 2021 due to 2020 hangover and continued strong buy-side demand
- Labor cost inflation is affecting everyone

2022 Predictions:

- 2022 deal activity will be at least 90% as robust as 2021
- There is a lot of demand for deals due to significant dry powder on hand with both financial and strategic buyers
- Asset light remains “hot”; opportunities remain in asset heavy businesses—but asset heavy is a bit more of an acquired taste—and generally fewer financial buyers
- Deal professionals want to get out to as many conferences and networking opportunities as possible to find deals
- There will be a lot of focus on paying off debt and building cash reserves
- Buyers shouldn't get overly excited about current earnings; be patient and be picky about deals
- Supply chain disruptions/shortages are expected to remain for at least the next 12 months, and perhaps until the next recession when demand declines

PANEL 3: Emerging Last Mile Transportation Trends and Myths (Debunked), and Shifting Consumer Preferences



Moderator: JONATHAN TODD, Partner, *Benesch*
 BEN ARNSTEIN, Head of Strategy, *veho*
 LEE GARBER, Partner, *NewSpring Capital*
 ERIC MAUTNER, CEO, *Need it Now Delivers*

Takeaways from panelists:

- Final mile is challenging relative to other segments because the consumer is customer, in addition to the shipper, and you are often delivering right into their home
- Consumers buying habits continue their rapid change as we emerge from COVID
- End customers demand higher levels of control, transparency, and user experience throughout the delivery process
- Technology is on the forefront of many solutions with the physical service offering and its execution enabled every step of the way by that platform
- Labor shortages are a key challenge from a service delivery and operating cost perspective, and inflation will further strain the impact in 2022
- The independent contractor model is deployed widely and, while change may be disruptive, clarity on risks and deployment will be welcome

PANEL 4: Deal Structuring, Valuation and Diligence Issues, and Post-Closing Integration



Moderator: ERIC ZALUD, Partner, *Benesch*
 SETH WILSON, Managing Partner, *Headhaul Capital Partners LLC*
 DANIEL GOYETTE, President, *C.A.T. Inc.*
 RON LENTZ, Managing Partner, *Logisyn Advisors, Inc.*

Post-closing integration:

- It is easy to keep senior leadership around when they are getting a “piece of the pie”
- If you want to keep the owner(s) around, create a key role for them
- Keep the DNA of the business, you don’t want to buy a business and tear it apart
- Give retention bonuses and incentivize important people at the company (figure out who has key relationships with customers, drivers, etc.)
- Conduct a full day or two strategy session with owner to come up with very focused action items and create 100-day, 200-day etc. plan
- Update infrastructure—when funds for IT etc. are coming out of an owner’s pocket, IT teams are often small, systems are old, etc.
- Ansarada—great tool for due diligence process, includes virtual data rooms, etc.

2022 Predictions:

- More offers on the table than ever
- Lots of M&A activity
- Need to normalize EBIDTA and cash flow
- Lots of money to be spent in the industry
- Tremendous amount of cash on strategic buyers’ plates

- What multiples and EBIDTA are attractive for a T&L industry deal?
- Seth Wilson from Headhaul mentioned that he loves “special situations”/ deals outside the norm
- Cash flow is more important than multiples
- What is important in moving a deal forward?
- Deal needs to add value to the overall business
- Could be on the customer side, purchasing power, etc.
- Must be chemistry with owner, including post-closing