BUSINESS SERVICES

THIRD PARTY LOGISTICS

INDUSTRY SPOTLIGHT | Q1 | 2024

CHICAGO | ATLANTA | DALLAS | ARTEMIS-IB.COM

ARTEMIS
TRANSACTION ADVISORS
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ARTEMIS TRANSACTION ADVISORS

Trusted by Private Business Owners for Over 30 Years

Artemis Transaction Advisors has had the privilege of working and partnering with incredible business owners in the logistics sector. Our relationships have led to extraordinary transactional outcomes for our clients, whom we have been honored to represent.

We are pleased to present this quarterly industry update for the third-party logistics subsector.

We look forward to continuing to help our clients be rewarded for the great businesses they have created.

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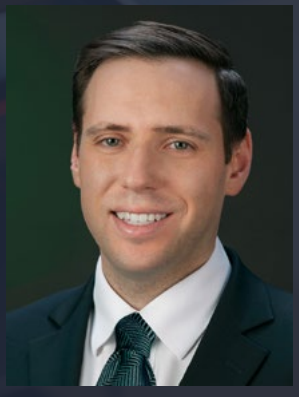

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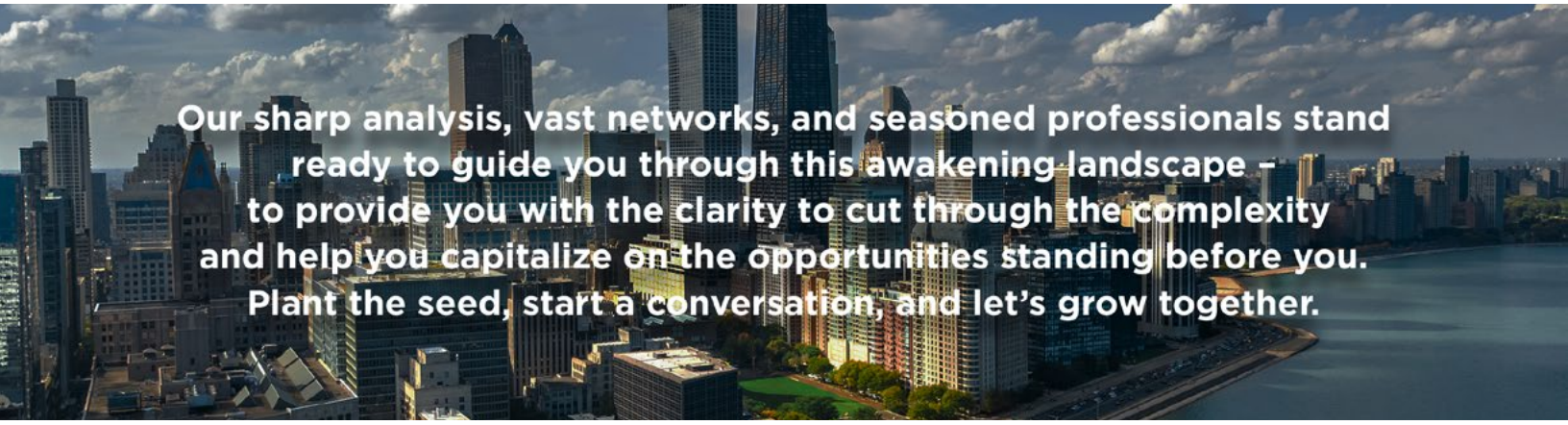
TIP OF THE SPEAR | Q1 2024

The frost is melting, and new signs of life are emerging in every direction. A keen observer will note the tendrils poking through the frozen ground and the sweet chorus of birdsong playing throughout the city. While the grass is not quite as green as the Chicago River was a few weeks ago, the annual metamorphosis is well underway, and it will only be a matter of time until the next season takes hold.



A similar renewal is taking place in our corner of the M&A market. While the public markets appear to have skipped winter altogether, the private markets have been in a deep freeze for the past eighteen months. Factors ranging from interest rate volatility, absence of credit availability, ongoing supply chain challenges, and divergent valuation expectations between buyers and sellers all contributed to this frosty dealmaking environment. Data from our friends at GF Data confirmed that deal activity in the lower middle market segment was nearly 50% off 2021 highs at year-end.

So why do we at Artemis feel confident in this period of renewal? Sentiment, the great leading indicator of activity, appears to be improving. Like the warmth of spring, the improvement in sentiment is thawing the market. Initially led by strategic acquirers, we are now seeing a meaningful uptick in private equity activity. A Q1 2024 Reuters article indicated that U.S. M&A volumes increased 59% to $431.8 billion, led by large deals, which are typically a harbinger for the broader market. Similarly, the success of recent IPOs, like Reddit, reflects greater confidence and investor appetite for risk. While buyers have been patient, it appears they are now ready to put capital to work. Even with the uptick in deal activity, as of March 31st, a record $4.0 trillion in dry powder (investable capital) remains available globally. This money must be deployed, and the middle market remains an attractive destination for that capital.

Economic indicators reflect this renewed optimism. Although inflation remains stubborn, it has cooled significantly from prior highs. Similarly, the US GDP exhibited continued strength, growing 3.2% in Q4 2023 and 2.5% overall in 2023. Recessionary fears appear to have subsided.

Lastly, technological advancements in artificial intelligence, renewable energy, and healthcare (hat tip to Ozempic for our summer six-packs) have injected a fervor and enthusiasm reminiscent of the dotcom era. Innovations in these fields are reshaping existing markets and creating new ones. As companies and investors align with these trends, the M&A landscape is being redefined. The opportunity for growth through acquisitions that enable technological integration and sector convergence draws heightened focus, laying fertile ground for strategic deals.

Against this backdrop of growing enthusiasm, we at Artemis remain at the tip of the spear, at the forefront of this changing dealmaking environment. Our sharp analysis, vast networks, and seasoned professionals stand ready to guide you through this awakening landscape – to provide you with the clarity to cut through the complexity and help you capitalize on the opportunities standing before you. Plant the seed, start a conversation, and let's grow together.

Sincerely,

The Artemis Team

Darrell M. Butler
Founder & Managing Director

Andrew P. Samuels
Vice President

TRENDING TOPICS | Q1 2024

REVERSE LOGISTICS

Reverse Logistics is the process of moving goods from customers back to sellers or manufacturers after they have been sold or used.

The traditional forward logistics supply chain was neither designed nor optimized to handle the volume of returns demanded by modern consumers and facilitated by sellers.

"For every $1B in sales, the average retailer incurs $165M in returns."
National Retail Federation (2022)

$743B Total value of returned merchandise in the US in 2023

INDUSTRY OVERVIEW

E-COMMERCE GROWTH: $646.7B in 2023 (imarc)
SUSTAINABILITY: $1008.4B in 2032
GOVERNMENT: 5% (2024-2032)
NOTABLE OPERATORS:

FedEx Corporation, UPS, KUEHNE+NAGEL, optoro, loop, BlueYonder, C.H. ROBINSON

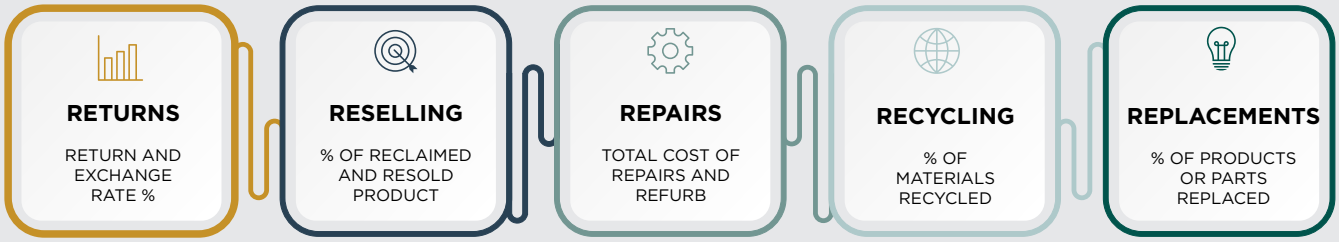
KEY DRIVERS

E-COMMERCE GROWTH – Projected to grow ~7.9% annually, is fueled by consumer expectations for easy returns and tight economic conditions, resulting in increased retail returns.

SUSTAINABILITY – Initiatives for companies to minimize environmental impact of product returns such as reducing waste and increasing recycling rates.

GOVERNMENT – Environmental protection laws, waste management regulations, and product safety standards, with non-compliance potentially leading to legal liabilities, and reputational damage for companies.

THE 5 R's OF REVERSE LOGISTICS



HIGHLIGHTED TRANSACTION

11/1/2023 – PayPal Holdings, Inc. sells Happy Returns to United Parcel Service, Inc. for $465M.

RATIONALE – "By combining Happy Returns' easy digital experience with UPS's small package network of close to 5,200 The UPS Store locations, box-free, label-free returns wil soon be available at more than 12,000 convenient locations in the U.S." - UPS CEO Carol B. Tomé

INVESTOR	PLATFORM		ACQUIRER
PayPal	h·	→	UPS

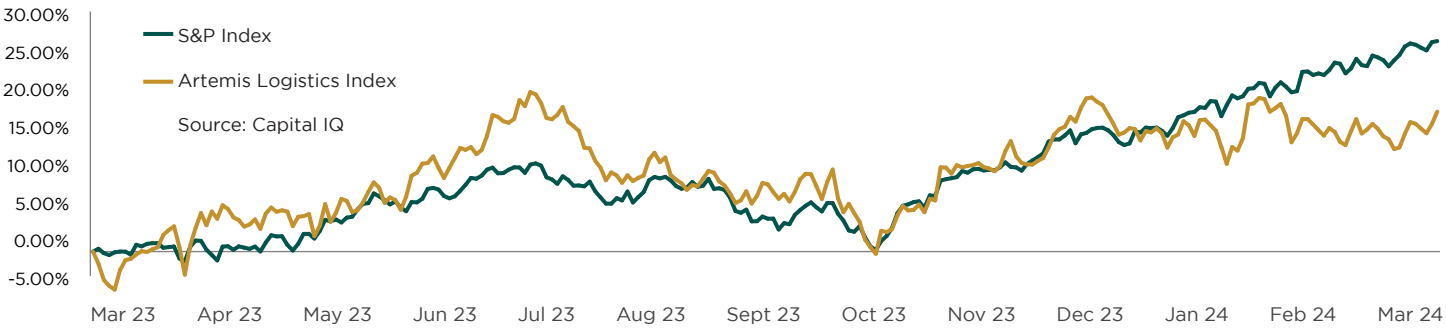
VALUATION TRENDS | Q1 2024

Record high U.S. PE dry powder coupled with stable balance sheets of many strategic buyers are expected to generate elevated levels of transaction activity in 2024 given the growing pipeline and backlog of sellers. Ongoing conversations with lenders and private equity investors with active investments in the asset-light logistics industry revealed ongoing preference towards asset-light vs. asset-heavy solutions providers. Key attributes sought by investors targeting the asset-light space include: (i) Specialization (ii) Integration with customer operations (iii) Alignment with high-growth end markets and (iv) Scalability.

ARTEMIS THIRD-PARTY LOGISTICS INDEX ($ in Millions)

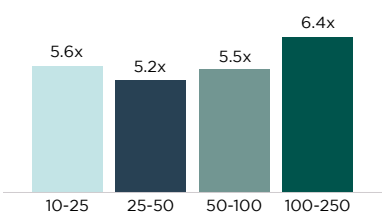
COMPANY	TICKER	MARKET CAP	ENTERPRISE VALUE	LTM TOTAL REVENUE	LTM EBITDA	LTM EBIT	EV/LTM REVENUE	EV/LTM EBITDA
Forward Air Corporation	FWRD	769	2,593	1,371	200	146	1.2x	2.6x
Expeditors International of Washington, Inc.	EXPD	17,511	16,527	9,300	1,008	940	1.3x	9.6x
C.H. Robinson Worldwide, Inc.	CHRW	8,705	10,512	17,596	592	532	0.6x	13.2x
GXO Logistics, Inc.	GXO	6,049	9,699	9,778	753	392	1.2x	6.2x
Landstar System, Inc.	LSTR	6,622	6,216	5,313	398	340	1.0x	13.0x
XPO, Inc.	XPO	14,563	18,300	7,744	993	561	1.5x	8.9x
Ryder System, Inc.	R	5,081	13,025	11,783	2,550	838	1.0x	4.0x
RXO, Inc.	RXO	2,404	2,957	3,927	134	67	0.6x	9.3x
Covenant Logistics Group, Inc.	CVLG	588	880	1,104	119	49	0.8x	5.3x
Radiant Logistics, Inc.	RLGT	253	280	888	32	14	0.3x	4.4x
	MEAN	**$6,254**	**$8,099**	**$6,880**	**$678**	**$388**	**0.9x**	**7.7x**
	MEDIAN	**$5,565**	**$7,957**	**$6,529**	**$6,529**	**$366**	**1.0x**	**7.6x**

ARTEMIS LOGISTICS INDEX PERFORMANCE VS S&P 500



TRANSPORTATION

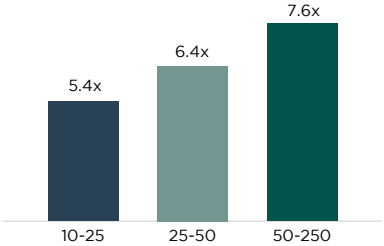
EV/EBITDA by TEV



Note: GF DATA, blinded transactions for NAICS Code 484: Truck Transportation N=30

LOGISTICS

EV/EBITDA by TEV



Note: GF DATA, blinded transactions for NAICS Code 488: Support Activities for Transportation N=47

NOTABLE M&A TRANSACTIONS | Q1 2024

CLOSE DATE	TARGET	ACQUIRER	TRANSACTION VALUE
3/19/2024	Quality Air Forwarding, Inc.	Magnate Worldwide Ltd. LLC	--
3/15/2024	WOW Logistics Co.	I Squared Capital Advisors LLC	--
3/11/2024	Transloading Business of Cascade Warehouse Company, Inc.	Savage Services Corporation	--
2/27/2024	Superior Transport & Logistics Inc.	eShipping, LLC	--
2/21/2024	Growth Jet	Fulfillment Hub USD	--
2/1/2024	Select Logistics, Inc. Select Cartage, Inc.	Radiant Logistics, Inc.	--
2/1/2024	Global Transport Solutions Group	AIT Worldwide Logistics	--
2/1/2024	Cardinal Logistics Management Corportion	Ryder System, Inc.	$290.0
1/31/2024	SOS Global Express Inc.	Rock-it Cargo (Global Critical Logistics)	--
1/26/2024	Colorado Distribution Group Transportation, LLC	Symbia Logistics	--
1/25/2024	Omni Logistics, LLC	Forward Air Corporation	$3,200.0
1/23/2024	Empire Frieght Logistics, LLC	KODIS Holdings, LLC	--
1/4/2024	The Shippers Group	Kenco Group, Inc.	--
12/31/2023	Ascent Global Logistics, Inc.	H.I.G. Capital, LLC	--
11/13/2023	Ralph's Transfer Inc.	Riverstone Logistics, LLC	--
11/13/2023	Doddle Parcel Services Limited	Blue Yonder Italy S.R.L.	--
11/6/2023	Spotting Operations of Hirschbach Motor Lines, Inc.	Lazer Logistics, Inc.	--
11/2/2023	Source Logistics Corp.	Palladium Equity Partners, LLC	--
11/1/2023	Happy Returns, Inc.	United Parcel Service, Inc.	$465.0
10/25/2023	NOVA Coldstore Corp.	Lineage Logistics Holdings, LLC	--
7/18/2023	Freight Friend	The Internet Truckstop, LLC	--
7/17/2023	WaySync, Inc.	Ship Angel Inc.	--
5/4/2023	Lazer Logistics	EQT Partners Inc.	--
3/1/2022	Amware Fulfillment, LLC	Staci SAS	--
11/15/2022	Kenco Group, Inc.	PPC Investment Partners LP	--
10/31/2022	Contec, LLC	Revolution Capital Group, LLC	--
8/22/2022	TAG Logistics, LLC	Hub Group, Inc.	--
8/12/2022	AFL Logistics GmbH & American Freight Line S.E. Inc.	Scan Global Logistics	--
3/24/2021	48forty Solutions, LLC	Summit Partners, L.P.; Audax Management Co. LLC; Summit Partners Growth Equity Fund X	--
5/30/2021	Bridgeway Connects, Inc.	Gemspring Capital, LLC	--
5/4/2020	Go To Logistics, Inc.	Stellex Capital Management, LLC	--
12/30/2021	SEKO Worldwide, LLC	Ridgemont Partners Management, LLC	--
		MEAN MEDIAN	$1,318.30 $465.00

Source: Capital IQ

$ In Millions -- Not Disclosed

ARTEMIS MISSION STATEMENT

To provide our clients with customized, strategic investment banking services while delivering a superior level of excellence and professionalism. To prioritize our clients' interests and exhibit the utmost integrity and dedication to the achievement of clients' goals.

GLOBAL ACCESS FOR MIDDLE MARKET

We are tenacious dealmakers, devoted to maximizing value for the business owners we serve.
Artemis Transaction Advisors, LLC provides comprehensive transaction services for sell-side and buy-side mergers & acquisitions for privately owned and multi-generational business owners.

THE ARTEMIS LOGISTICS PRACTICE | Q1 2024

Artemis Logistics Practice publishes industry reports focused on trends within the logistics sector.

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SELECT DISTRIBUTION AND LOGISTICS TRANSACTIONS