Drive Plan At-a-Glance

What you need to know

Macro-economic trends are placing downward pressure on transportation volumes and rates
• Imports / Exports are down as tariffs and trade worries continue to effect the entire supply chain.
• North American manufacturing and industrial production have flattened or begun to decline.

After several boom years, operators are struggling with higher costs structure and higher debt / leverage
• Increased regulation, insurance costs, and a tight labor market have all contributed to rising costs for operators.
• Through Q3 2019 a record ~800 trucking operations went out of business.
• Notable bankruptcies include Celadon Group, New England Motor Freight Inc., and Jack Cooper.

Asset-light logistics and transportation companies continue to innovate
• Automation, digitalization, and technology transformation continue to shape the industry.
• “Asset Light” model allows companies to better utilize existing “hard” assets and provide more value to customers.
• The need to modernize continues to drive M&A activity in the logistics sector as start-ups are acquired by both financial buyers and strategic buyers.

Actions to take now
• Be ready and prepared for a Transaction ... it will create value, even if you don’t engage in a Transaction.
• Review local activity—cities and counties are increasingly targeting trucking and logistics firms.
Required Investments for All T&L Segments: Technology, Automation and Digitalization

**Investments in technology paying off more than traditional “hard” asset investments**

- Digitalization, automation, cloud, and apps continue to shape the transportation and logistics supply chain.

- Traditional assets are still needed in the industry, however, they must be balanced with technological investment in order to drive value.

- Tools used to for predictive freight matching, freight tracking, pricing, visibility, payments, driver safety and compliance, and fleet management drive customer relationships and customer value as well as enhance the value of the business.

- Continued investment in “digital fitness” will be a requirement for success as companies that fall behind on technology risk becoming obsolete.

- Crafting a business plan that integrates business strategy, “hard” asset strategy, and digital strategy into a clear and focused vision will be critical.
Freight Forwarders and 3rd Party Logistics Company Face Increased Pressure to Modernize

• Of the approximately $18B that has been invested in logistics startups over the last decade, approximately $16B has been invested in the last five years.

• The majority of these new entrants into the market place are considered “asset light” and look to technology as a means to enter the marketplace. An example is virtual freight forwarders that use digital technology to offer interactive freight rate benchmarking and match shippers with available capacity.

• Large incumbents are increasingly pressured to modernize and implement new technologies to hold on to market share;
  • As a result, strategic M&A activity is steadily increasing as incumbents look to gain new technologies and partner with quickly growing startups.
  • 77% of companies say that they have digitized their companies and 81% say that spend on software will increase over the next two years.

• At the start of 2019 the North American logistics market was valued around $900B. By 2024, the market is expected to grow at a CAGR of 5% and reach a value of $1.2T. In order to capture this growth, logistics company need to focus on their operational efficiencies and make sure they have the technological assets needed to stay relevant.
Transportation & Logistics Drive Plan

- Consumers want faster delivery. Consumers expect delivery in 4.1 days or less and in many cases 1-2 days.
- Ecommerce has continued to shift the logistics supply chain away from large, centralized warehouses, to networks of smaller, decentralized warehouses.
  - Demand for “small box” facilities of 50K – 200K sq/ft located closer to urban areas is increasing.
  - In 2018 more than 183M sq/ft of new warehousing space was constructed as compared with 100M coming online annually during the past 10 years.
- By 2025, the United States is expected to have 23,000 robot-powered warehouses, up from 2,500 in 2018.
- By 2023, the broader market for warehouse and logistics automation is expected to grow from $53B to $80B.
- The demand for robotics and automation is being primarily driven by the rising costs of labor and consumer expectations for same- or next-day delivery.
  - Average warehouse pay since 2012 has increased from $10.46 to $13.30 in 2018, an increase of 27%. At the same time the Consumer Price Index has increased only 9%.
  - Technologies are needed that can streamline operations efficiencies and lower costs including, warehouse management software for e-commerce fulfillment, cartonization, and EDI.

**Consumer Expectations Driving Warehouse Expansion**

**Automated Warehouse Market Growth**

**Consumer’s Acceptable Delivery Time (Days)**
Financial Pressure Rising on Trucking Companies

- A combination of rising costs and lower spot pricing has put pressure on carriers to remain solvent.
- In November, the American Transportation Research Institute released its Analysis of the Operation Costs of Trucking for the year ended December 2018.
- 2018 saw record high costs. Per mile marginal costs have steadily risen since 2015, primarily driven by fuel prices, increased regulation, rising insurance premiums, and a competitive labor market.
- While fuel costs are below the highs of 2011 – 2014, commodity price stabilization has caused diesel prices to rise in the past year. Additionally, tensions in the Middle East have the potential to raise fuel prices as supply is affected.
- The American Trucking Association’s Driver Shortage was estimated at approximately 60,000 in 2019. In response, carriers have consistently raised wages and benefits leading to higher operating costs.
Macro Indicators Trending Down

ATA U.S. Trucking Tonnage Index

IATA Air Freight (Monthly YoY Change)

Cass U.S. Freight Index (YoY % Change by Qtr.)

AAR Weekly Rail Traffic

Transportation & Logistics Sector Lagging SP500

Trucking index held even ... while others fell behind

Note: The indices in the chart above are composed using the public companies included on the following pages.
Source: Capital IQ
## Public Trucking Company Valuations

EBITDA multiples highly correlated to margin and growth. Average and Median multiples steady at 6.4x – 7.3x.

<table>
<thead>
<tr>
<th>Trucking</th>
<th>($U.S. in millions, except per share data)</th>
<th>1/15/20</th>
<th>52 Week</th>
<th>Market</th>
<th>Enterprise</th>
<th>TTM Data</th>
<th>EV Multiple</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Company Name</td>
<td>Share Price</td>
<td>High - Low</td>
<td>Cap</td>
<td>Value</td>
<td>Sales</td>
<td>EBITDA</td>
</tr>
<tr>
<td>J.B. Hunt Transport Services, Inc.</td>
<td>$119.12</td>
<td>$122.29 - $83.64</td>
<td>$12,681</td>
<td>$14,021</td>
<td>$9,033</td>
<td>$1,156</td>
<td>12.8%</td>
</tr>
<tr>
<td>Old Dominion Freight Line, Inc.</td>
<td>205</td>
<td>205.39 - 124.46</td>
<td>16,284</td>
<td>16,075</td>
<td>4,127</td>
<td>1,107</td>
<td>26.8%</td>
</tr>
<tr>
<td>Knight-Swift Transportation Holdings Inc.</td>
<td>38</td>
<td>39.37 - 27.03</td>
<td>6,483</td>
<td>7,546</td>
<td>5,042</td>
<td>973</td>
<td>19.3%</td>
</tr>
<tr>
<td>Werner Enterprises, Inc.</td>
<td>38</td>
<td>39.21 - 27.27</td>
<td>2,644</td>
<td>2,989</td>
<td>2,488</td>
<td>471</td>
<td>18.9%</td>
</tr>
<tr>
<td>Heartland Express, Inc.</td>
<td>21</td>
<td>22.71 - 17.29</td>
<td>1,715</td>
<td>1,657</td>
<td>577</td>
<td>176</td>
<td>29.4%</td>
</tr>
<tr>
<td>TFI International Inc.</td>
<td>34</td>
<td>35.52 - 28.19</td>
<td>2,794</td>
<td>4,512</td>
<td>3,924</td>
<td>548</td>
<td>14.0%</td>
</tr>
<tr>
<td>Saia, Inc.</td>
<td>97</td>
<td>107.00 - 55.13</td>
<td>2,440</td>
<td>2,711</td>
<td>1,750</td>
<td>273</td>
<td>15.6%</td>
</tr>
<tr>
<td>Marten Transport, Ltd.</td>
<td>21</td>
<td>22.80 - 16.42</td>
<td>1,176</td>
<td>1,137</td>
<td>830</td>
<td>161</td>
<td>19.4%</td>
</tr>
<tr>
<td>ArcBest Corporation</td>
<td>28</td>
<td>41.87 - 24.69</td>
<td>719</td>
<td>781</td>
<td>3,045</td>
<td>199</td>
<td>6.5%</td>
</tr>
<tr>
<td>Covenant Transportation Group, Inc.</td>
<td>14</td>
<td>24.99 - 12.35</td>
<td>252</td>
<td>581</td>
<td>934</td>
<td>117</td>
<td>12.6%</td>
</tr>
<tr>
<td>Universal Logistics Holdings, Inc.</td>
<td>19</td>
<td>27.49 - 17.86</td>
<td>512</td>
<td>964</td>
<td>1,522</td>
<td>173</td>
<td>11.4%</td>
</tr>
<tr>
<td>Canadian General Investments, Limited</td>
<td>21</td>
<td>20.62 - 16.44</td>
<td>427</td>
<td>(147)</td>
<td>31</td>
<td>0</td>
<td>(4.8x)</td>
</tr>
<tr>
<td>YRC Worldwide Inc.</td>
<td>3</td>
<td>8.67 - 1.95</td>
<td>101</td>
<td>1,231</td>
<td>4,959</td>
<td>193</td>
<td>3.9%</td>
</tr>
<tr>
<td>P.A.M. Transportation Services, Inc.</td>
<td>58</td>
<td>71.56 - 41.82</td>
<td>329</td>
<td>540</td>
<td>529</td>
<td>99</td>
<td>18.6%</td>
</tr>
<tr>
<td>USA Truck, Inc.</td>
<td>7</td>
<td>20.93 - 6.98</td>
<td>62</td>
<td>250</td>
<td>540</td>
<td>48</td>
<td>8.9%</td>
</tr>
</tbody>
</table>

Next twelve months (NTM) figures are based on the median of Wall St. analysts.
Sources: Capital IQ and company filings.
Public Railroad & Air Company Company Valuations

Largest rail freight companies have strong market share.
FedEx shares and earnings down materially after being dropped by Amazon for Prime deliveries during busy holiday season.

### Railroads

($U.S. in millions, except per share data)

<table>
<thead>
<tr>
<th>Company Name</th>
<th>1/15/20</th>
<th>52 Week</th>
<th>Market Cap</th>
<th>Enterprise Value</th>
<th>TTM Data</th>
<th>EV Multiple</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Share Price</td>
<td>High - Low</td>
<td>Sales</td>
<td>EBITDA</td>
<td>Margin</td>
<td>TTM Sales</td>
</tr>
<tr>
<td>Union Pacific Corporation</td>
<td>$181.07</td>
<td>$182.73 - $149.09</td>
<td>$125,511</td>
<td>$151,855</td>
<td>$22,253</td>
<td>$10,857</td>
</tr>
<tr>
<td>Canadian National Railway Company</td>
<td>94</td>
<td>98.09 - 82.42</td>
<td>67,197</td>
<td>77,948</td>
<td>11,437</td>
<td>5,810</td>
</tr>
<tr>
<td>Norfolk Southern Corporation</td>
<td>202</td>
<td>211.46 - 160.19</td>
<td>52,593</td>
<td>64,818</td>
<td>11,502</td>
<td>5,303</td>
</tr>
<tr>
<td>CSX Corporation</td>
<td>75</td>
<td>80.73 - 63.14</td>
<td>58,059</td>
<td>72,806</td>
<td>12,195</td>
<td>6,393</td>
</tr>
<tr>
<td>Kansas City Southern</td>
<td>160</td>
<td>161.73 - 101.11</td>
<td>15,791</td>
<td>18,879</td>
<td>2,831</td>
<td>1,376</td>
</tr>
<tr>
<td>GWR Group Limited</td>
<td>0</td>
<td>0.11 - 0.05</td>
<td>14</td>
<td>12</td>
<td>0</td>
<td>(2)</td>
</tr>
<tr>
<td>The Greenbrier Companies, Inc.</td>
<td>27</td>
<td>44.36 - 21.30</td>
<td>884</td>
<td>1,739</td>
<td>3,198</td>
<td>261</td>
</tr>
<tr>
<td>PT Atlas Resources Tbik</td>
<td>0</td>
<td>0.07 - 0.04</td>
<td>160</td>
<td>254</td>
<td>59</td>
<td>(6)</td>
</tr>
<tr>
<td>FreightCar America, Inc.</td>
<td>2</td>
<td>8.66 - 1.69</td>
<td>23</td>
<td>60</td>
<td>273</td>
<td>(34)</td>
</tr>
<tr>
<td>USD Partners LP</td>
<td>10</td>
<td>11.95 - 8.86</td>
<td>278</td>
<td>503</td>
<td>111</td>
<td>43</td>
</tr>
</tbody>
</table>

Median
- TTM Sales: $10,039
- TTM EBITDA: $3,014
- EBITDA Margin: 48.6%
- EV Multiple: 6.8x

Average
- TTM Sales: $38,887
- TTM EBITDA: $6,386
- EBITDA Margin: 42.0%
- EV Multiple: 4.6x

### Expedited & Air

<table>
<thead>
<tr>
<th>Company Name</th>
<th>1/15/20</th>
<th>52 Week</th>
<th>Market Cap</th>
<th>Enterprise Value</th>
<th>TTM Data</th>
<th>EV Multiple</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Share Price</td>
<td>High - Low</td>
<td>Sales</td>
<td>EBITDA</td>
<td>Margin</td>
<td>TTM Sales</td>
</tr>
<tr>
<td>United Parcel Service, Inc.</td>
<td>$117.95</td>
<td>$125.31 - $92.65</td>
<td>$100,597</td>
<td>$122,557</td>
<td>$73,374</td>
<td>$7,906</td>
</tr>
<tr>
<td>FedEx Corporation</td>
<td>159.49</td>
<td>199.32 - 137.78</td>
<td>42,335</td>
<td>69,189</td>
<td>4,456</td>
<td>4.4%</td>
</tr>
<tr>
<td>Atlas Air Worldwide Holdings, Inc.</td>
<td>27.45</td>
<td>60.72 - 20.61</td>
<td>721</td>
<td>5,591</td>
<td>2,757</td>
<td>506</td>
</tr>
</tbody>
</table>

Median
- TTM Sales: $73,521
- TTM EBITDA: $69,189
- EBITDA Margin: 10.8%
- EV Multiple: 1.3x

Average
- TTM Sales: $66,555
- TTM EBITDA: $48,440
- EBITDA Margin: 11.9%
- EV Multiple: 1.3x

Next twelve months (NTM) figures are based on the median of Wall St. analysts.
Sources: Capital IQ and company filings.
### Public Logistics Company Valuations

EBITDA margins tend to be lower than other T&L segments, averaging 8% vs. 19% for the industry overall, due to the “asset-light” business model.

Operating margins and net income margins are generally higher and more consistent in the logistics sector.

#### Logistics

($U.S. in millions, except per share data)

<table>
<thead>
<tr>
<th>Company Name</th>
<th>1/15/20 Share Price</th>
<th>52 Week High - Low</th>
<th>Market Cap</th>
<th>Enterprise Value</th>
<th>TTM Data</th>
<th>EV Multiple</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expeditors International of Washington, Inc.</td>
<td>$78.99</td>
<td>$81.15 - $66.74</td>
<td>$13,406</td>
<td>$12,567</td>
<td>$8,366</td>
<td>10.2%</td>
</tr>
<tr>
<td>C.H. Robinson Worldwide, Inc.</td>
<td>83</td>
<td>92.72 - 74.12</td>
<td>11,057</td>
<td>12,198</td>
<td>15,654</td>
<td>6.3%</td>
</tr>
<tr>
<td>Landstar System, Inc.</td>
<td>118</td>
<td>120.23 - 94.97</td>
<td>4,561</td>
<td>4,393</td>
<td>4,277</td>
<td>8.5%</td>
</tr>
<tr>
<td>Hub Group, Inc.</td>
<td>54</td>
<td>54.78 - 38.08</td>
<td>1,855</td>
<td>2,099</td>
<td>3,786</td>
<td>7.2%</td>
</tr>
<tr>
<td>XPO Logistics, Inc.</td>
<td>83</td>
<td>86.47 - 45.73</td>
<td>7,530</td>
<td>14,860</td>
<td>16,901</td>
<td>9.5%</td>
</tr>
<tr>
<td>Forward Air Corporation</td>
<td>70</td>
<td>72.09 - 55.06</td>
<td>1,971</td>
<td>2,171</td>
<td>1,385</td>
<td>11.7%</td>
</tr>
<tr>
<td>Roadrunner Transportation Systems, Inc.</td>
<td>8</td>
<td>14.75 - 7.30</td>
<td>311</td>
<td>737</td>
<td>1,999</td>
<td>NA</td>
</tr>
<tr>
<td>Universal Logistics Holdings, Inc.</td>
<td>19</td>
<td>27.49 - 17.86</td>
<td>512</td>
<td>964</td>
<td>1,522</td>
<td>11.4%</td>
</tr>
<tr>
<td>Echo Global Logistics, Inc.</td>
<td>23</td>
<td>25.95 - 18.00</td>
<td>594</td>
<td>760</td>
<td>2,236</td>
<td>3.0%</td>
</tr>
<tr>
<td>Radiant Logistics, Inc.</td>
<td>5</td>
<td>7.33 - 4.40</td>
<td>269</td>
<td>319</td>
<td>872</td>
<td>4.5%</td>
</tr>
</tbody>
</table>

**Median**

- TTM Sales: $2,135
- TTM EBITDA: $3,011
- EBITDA Margin: $223
- TTM EBITDA Margin: 8.5%

**Average**

- TTM Sales: $5,107
- TTM EBITDA: $5,700
- EBITDA Margin: $449
- TTM EBITDA Margin: 8.0%

### All Freight Transportation & Logistics Companies

<table>
<thead>
<tr>
<th></th>
<th>Median</th>
<th>Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>TTM Sales</td>
<td>$2,135</td>
<td>$18,275</td>
</tr>
<tr>
<td>TTM EBITDA</td>
<td>$2,794</td>
<td>$8,040</td>
</tr>
<tr>
<td>EBITDA Margin</td>
<td>$267</td>
<td>$1,396</td>
</tr>
<tr>
<td>NTM Sales</td>
<td>$12.6%</td>
<td>18.8%</td>
</tr>
<tr>
<td>NTM EBITDA</td>
<td>1.1x</td>
<td>1.8x</td>
</tr>
<tr>
<td>NTM EBITDA Margin</td>
<td>9.8x</td>
<td>9.8x</td>
</tr>
</tbody>
</table>

Next twelve months (NTM) figures are based on the median of Wall St. analysts.

Sources: Capital IQ and company filings.
<table>
<thead>
<tr>
<th>Close Date</th>
<th>Acquirer/Investor</th>
<th>Target</th>
<th>Target Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan-20</td>
<td>Prudential Capital Group, L.P.; Brightwood Capital Advisors, LLC; Red Arts Capital</td>
<td>Mme, Inc.</td>
<td>Operates an asset based trucking company.</td>
</tr>
<tr>
<td>Jan-20</td>
<td>SEKO Worldwide, LLC</td>
<td>Air - City Inc.</td>
<td>Provides freight and logistics services.</td>
</tr>
<tr>
<td>Dec-19</td>
<td>Luther King Capital Management Corporation; LKCM Headwater Investments</td>
<td>GE Supply Logistics, LLC</td>
<td>Provides supply chain management solutions and inventory logistics management programs for small commodity parts to the aerospace industry, commercial and industrial users, and OEMs.</td>
</tr>
<tr>
<td>Dec-19</td>
<td>Heniff Transportation Systems, LLC</td>
<td>Superior Bulk Logistics, Inc.</td>
<td>Offers logistics and trucking services.</td>
</tr>
<tr>
<td>Dec-19</td>
<td>Visible Supply Chain Management, LLC</td>
<td>Kansas Continental Express, Inc.</td>
<td>Provides shipping logistics and freight transportation services.</td>
</tr>
<tr>
<td>Dec-19</td>
<td>Morneau Eskimo</td>
<td>Beacon Transit Lines Inc.</td>
<td>A regional carrier, specializes in next day less than truckload delivery of temperature sensitive goods.</td>
</tr>
<tr>
<td>Dec-19</td>
<td>Hillbrand</td>
<td>Royal Logistics Inc./Royal Service Transport, Inc.</td>
<td>Represents combined business of Royal Logistics Inc. and Royal Service Transport, Inc.</td>
</tr>
<tr>
<td>Dec-19</td>
<td>TransWood Carriers, Inc.</td>
<td>Kane Transport, Inc.</td>
<td>Offers petroleum, asphalt, biodiesel, and ethanol transportation services.</td>
</tr>
<tr>
<td>Dec-19</td>
<td>Undisclosed</td>
<td>D&amp;E Transport, LLC</td>
<td>Provides trucking services.</td>
</tr>
<tr>
<td>Dec-19</td>
<td>Grammer Industries, Inc.</td>
<td>LIMarCo Logistics, LLC</td>
<td>Offers transportation services of Liquified Petroleum Gas and Natural Gas Liquids.</td>
</tr>
<tr>
<td>Dec-19</td>
<td>Transportation Insight, LLC</td>
<td>Meridian Logistics, LLC</td>
<td>Provides less than truckload, truckload, temperature-controlled freight, and intermodal rail freight services.</td>
</tr>
<tr>
<td>Dec-19</td>
<td>Enterprise Holdings, Inc.</td>
<td>Discount Car &amp; Truck Rentals Ltd.</td>
<td>Provides car and truck rental services in Canada and Australia.</td>
</tr>
<tr>
<td>Dec-19</td>
<td>STG Logistics</td>
<td>Veeco Holdings, LLC</td>
<td>Provides transportation, and warehousing and distribution services.</td>
</tr>
<tr>
<td>Nov-19</td>
<td>Soo Line Corporation</td>
<td>Railroad Acquisition Holdings LLC</td>
<td>Owns and operates railroads.</td>
</tr>
<tr>
<td>Nov-19</td>
<td>MODE Transportation, LLC</td>
<td>SunteckTTS</td>
<td>Provides transportation logistics services.</td>
</tr>
<tr>
<td>Nov-19</td>
<td>Lineage Logistics, LLC</td>
<td>Emergent Cold LLC</td>
<td>Owns and operates cold storage facilities.</td>
</tr>
<tr>
<td>Nov-19</td>
<td>Undisclosed</td>
<td>Mountain Valley Express Co., Inc.</td>
<td>Provides road transportation of freight with live tracking services.</td>
</tr>
<tr>
<td>Nov-19</td>
<td>Star Truck Rentals, Inc.</td>
<td>Operations of Schilli Nationallease</td>
<td>Operations of Schilli Nationallease comprises 10 employees, leased rolling stock and a 20,000 square foot, 7 acre shop facility and is located in the United States.</td>
</tr>
<tr>
<td>Nov-19</td>
<td>Tower Arch Capital, L.P.</td>
<td>OSM Worldwide, LLC</td>
<td>Provides domestic and international package shipping services.</td>
</tr>
<tr>
<td>Nov-19</td>
<td>Mason Dixon Intermodal, Inc.</td>
<td>Morgan Southern, Inc.</td>
<td>Provides intermodal freight transportation solutions.</td>
</tr>
</tbody>
</table>

Discussed on slide 14
### Selected Recent Freight Transport & Logistics M&A Activity

<table>
<thead>
<tr>
<th>Date</th>
<th>Acquirer/Entity 1</th>
<th>Acquirer/Entity 2</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oct-19</td>
<td>Capstone Logistics, LLC</td>
<td>Priority Express Courier, Inc.</td>
<td>Provides courier services.</td>
</tr>
<tr>
<td>Oct-19</td>
<td>Medway Air Ambulance Inc.</td>
<td>Critical Care Medflight Inc.</td>
<td>Provides air and ground medical transport services.</td>
</tr>
<tr>
<td>Oct-19</td>
<td>United Road Services, Inc.</td>
<td>Team Drive-Away, Inc./ Team FR8 Management Inc.</td>
<td>Provides commercial equipment and truck transportation services.</td>
</tr>
<tr>
<td>Oct-19</td>
<td>Manitoulin Global Forwarding Inc.</td>
<td>Associated Cargo Specialists (Canada) Inc.</td>
<td>Provides shipping agency, logistics, and freight forwarding services.</td>
</tr>
<tr>
<td>Oct-19</td>
<td>IMC Companies LLC</td>
<td>TRANShional System, Inc.</td>
<td>Provides intermodal logistics services.</td>
</tr>
<tr>
<td>Oct-19</td>
<td>NEF Group, Inc.</td>
<td>SOS Global Express, Inc.</td>
<td>Provides freight forwarding and logistics services.</td>
</tr>
<tr>
<td>Oct-19</td>
<td>Manitoulin Global Forwarding Inc.</td>
<td>Demark Customs Brokers, Inc.</td>
<td>Provides logistics solutions, which includes freight forwarding, customs brokerage, global communications, inland transportation, and warehousing services.</td>
</tr>
<tr>
<td>Oct-19</td>
<td>ICV Partners, LLC</td>
<td>Horizon Air Freight, Inc.</td>
<td>Offers freight forwarding services.</td>
</tr>
<tr>
<td>Oct-19</td>
<td>FleetCor Technologies, Inc.</td>
<td>Travelance, Inc.</td>
<td>Provides crew and workforce accommodations, and transportation management services.</td>
</tr>
<tr>
<td>Oct-19</td>
<td>Clasquin SA</td>
<td>Cargoulution Inc.</td>
<td>Provides freight forwarding and cargo solutions.</td>
</tr>
<tr>
<td>Sep-19</td>
<td>Undisclosed</td>
<td>Berkshire Hathaway Inc.</td>
<td>Through its subsidiaries engages in insurance, freight rail transportation, and utility businesses.</td>
</tr>
<tr>
<td>Sep-19</td>
<td>EVO Transportation &amp; Energy Services, Inc.</td>
<td>Johmar Leasing Company, LLC</td>
<td>Owns vehicles and related assets for lease to freight trucking companies.</td>
</tr>
<tr>
<td>Sep-19</td>
<td>Energy Transfer LP</td>
<td>SemGroup Corporation</td>
<td>Provides gathering, transportation, storage, distribution, marketing, and other midstream services for producers, refiners of petroleum products, and other market participants.</td>
</tr>
<tr>
<td>Sep-19</td>
<td>Connor, Clark &amp; Lunn Infrastructure Ltd.</td>
<td>Vidal Street Industrial Park Inc.</td>
<td>Provides location for storing railcars for the industrial customers.</td>
</tr>
<tr>
<td>Sep-19</td>
<td>Groupe Bernières inc</td>
<td>Dobbec International Inc.</td>
<td>Provides freight transportation and related services.</td>
</tr>
<tr>
<td>Sep-19</td>
<td>Sev1Tech, Inc.</td>
<td>Engineering Solutions and Products, LLC</td>
<td>Provides logistics and project management solutions to Department of Defense, integrated logistics, technology, system integration, and project management worldwide.</td>
</tr>
<tr>
<td>Sep-19</td>
<td>TIP Trailer Services Management B.V.</td>
<td>Trailer Wizards Ltd.</td>
<td>Operates as a commercial trailer rental, leasing, sales, service, parts, and storage company.</td>
</tr>
<tr>
<td>Sep-19</td>
<td>AxleHire, Inc.</td>
<td>Covet Logistics API</td>
<td>Offers shipping services.</td>
</tr>
<tr>
<td>Aug-19</td>
<td>Canadian National Railway Company</td>
<td>Massena Rail Line of CSX Corporation</td>
<td>Comprises train tracks.</td>
</tr>
</tbody>
</table>
Deal Spotlight: **Red Arts Capital Acquires MME Inc.**

**Transaction Overview**
- **MME Inc.** is the parent company to wholly owned subsidiaries, **Midwest Motor Express Inc.** and **Midnite Express, Inc.**
- Midwest Motor Express, headquartered in Bismarck, North Dakota, is a top 25 less-than-truckload (LTL) carrier operating 32 service centers throughout 16 states.
- Midnite Express, based in West Fargo, North Dakota, offers dry can truckload (TL) and brokerage services throughout the continental U.S.
- **Red Arts Capital**, is a Chicago based investment firm that focuses on supply chain and industrials investments in mature, family-owned, and privately held businesses.

**Transaction Considerations**
- Midwest Motors Express utilize marketing partnerships and alliance to provide shipping service globally giving them access to the U.S. Canada, Europe, Asia, and the Pacific Rim.
- Additionally, the carrier partners with regional carriers to provide next and second day service on the majority of the lanes it serves.
- Red Arts Capital believes LTL freight carrier represent an opportunity for long-term investment due to the unique competitive dynamics.

**Financial Information**
- Midwest Motor Express 2018 Revenue: ~$100M
- Midnite Express 2018 Revenue: ~$20M
- Debt-to-Equity: 0.6X
- Operating Ratio: 94%
- Annual Capital Expenditures: ~$9M

- Midwest Motor Express has approximately 800 employees.
- The Company’s debt to equity of .6x is below the 1.5 debt to equity generally viewed in the industry as healthy.
- Red Arts Capital has a portfolio of regional LTL carriers including Central Arizona Freight and Brown Transfer Co.

Source: S&P Capital IQ, PitchBook, Company Press Releases, Moss Adams Research
Cybersecurity – Expect an Increase in Attacks on Trucking and Logistics Companies in 2020

What Is the Main Threat
• Ransomware – Attackers attempts to extort money from victim by demanding payment to unlock encrypted data (often starts with an unsuspecting employee opening a phishing email)

Why Are Transportation & Logistics Companies Prime Targets
• Interruptions impact initial victim plus supply chain and customers, thus, magnifying losses and impact
• Victims more likely to pay ransom to avoid losses to self plus supply chain and customers
• Recovery of systems and restoration of data could take several days or weeks

Notable Victims in 2019
• J&M Tank Lines – In April 2019, a ransomware attack impacted the company’s ability to bill customers and pay drivers. $250k in ransom demanded, but CEO refused. It took four days to recover systems.
• A. Duie Pyle – Fell victim to ransomware attack in June 2019. The malware was on its systems for two months before triggered! Company did not pay ransom but took “days” to rebuild its systems.
• Roadrunner Transportation Systems, Inc. – Malware attack on LTL segment resulted in several quarantined servers and applications and decreased Q3 2019 revenue by $10MM.

What You Can Do
• Regularly test your employees on their susceptibility to email phishing attacks
• Train your employees on recognizing various threats to the security of the company’s critical business data
• Implement two-factor authentication for access to critical business systems
• Have a third-party consultancy conduct a comprehensive cybersecurity assessment and penetration testing
• Regularly test and validate that data back-up and system recovery steps are appropriate and timely
State Tax Developments

Sales and use tax

The United States Supreme Court’s 2018 decision in South Dakota v. Wayfair, Inc. means many more remote sellers are collecting sales taxes. While transportation businesses are frequently exempt from many of these taxes, purchases of equipment and tools may be taxable. States are increasing their enforcement activities in this area, and sellers are in many cases aggressively collecting sales taxes.

Action steps:

• Identify all exempt purchases and be prepared to issue exemption certificates
• Perform a reverse audit to ensure sales and use taxes aren’t being paid on exempt purchases
State Tax Developments (Continued)

Gross receipts taxes

Several state and local jurisdictions apply gross receipts taxes to transportation and logistics companies. The tax base can vary— intra-state vs. inter-state transactions; gross proceeds vs. net income on brokerage activity, and mileage vs. origin/destination apportionment. States that have recently adopted “economic presence” nexus standards applicable to existing gross receipts or margins taxes include Hawaii, New Mexico, and Texas.

Oregon has implemented a new tax—the Corporate Activity Tax, or CAT. Despite the title, the tax applies to all business entities regardless of form. The tax went into effect January 1, 2020. This new tax is imposed at the rate of 0.57% on Oregon-sourced receipts less a subtraction based on federal Cost of Goods Sold or labor inputs.

Portland, Oregon recently passed a law subjecting all “retail sales,” including services, to a 1% tax on gross receipts attributed to Portland. The tax is imposed on gross receipts from logistics services provided in Portland, and on transportation that begins or ends in Portland.

Action steps:

• Review jurisdictions that impose gross receipts taxes and ensure receipts are being properly calculated and sourced based on individual jurisdiction rules

• Analyze accounting procedures to identify items that may be misclassified as revenues

• Identify appropriate opportunities for building increased costs into customer invoices

• Discuss new taxes with procurement offices to ensure any vendor markups are accurate and appropriate
State Tax Developments (Continued)

Income and franchise taxes—Market Sourcing and Economic Performance

More and more states are taxing businesses based on the “market” for their services instead of where the business is based. These states also have “economic performance” filing requirements, so a business can have a tax liability even if it never physically entered the state. This has particular importance to logistics providers.

Over half of the states and the District of Columbia now require businesses to engage in a multi-part analysis to determine where the business customers received the benefit of the taxpayer’s service. At least two states implemented this requirement effective in 2018; more states will be requiring this analysis and reporting in 2019 and subsequent years.

The interplay of economic performance nexus rules with market sourcing requirements means a logistics company can have a significant state tax liability in a state it has never entered. The analysis can have different results for businesses operating as corporations as opposed to partnerships, so it’s important to review requirements in detail. The analysis can be especially complex for 4PLs.

Action steps:

• Review jurisdictions with market sourcing and economic performance nexus provisions
• Opportunities may be available to recover taxes if receipts have been reported incorrectly
State actions on employees and independent contractors

Worker classification

On Sept. 18, 2019, the governor signed AB 5 into law. The bill codified the 2018 California Supreme Court’s 2018 decision in Dynamex Operations West, Inc. v. Superior Court of Los Angeles (Dynamex).

Dynamex created a new standard for evaluating independent contractor relationships, identified as the ABC Test.

For a worker to be properly characterized as an independent contractor, the hiring entity must meet all three prongs of the ABC Test:

A. The worker’s performance of the work is free from the control and direction of the hirer, both under the contract for the performance of the work and in fact.

B. The worker performs work that is outside the usual course of the hiring entity’s business.

C. The worker is customarily engaged in an independently established trade, occupation or business of the same nature as that involved in the work performed.

The second prong is considered especially relevant to the trucking industry.
State actions on employees and independent contractors (Continued)

Worker classification—current developments

On January 16, 2020, a federal judge in San Diego granted a preliminary injunction prohibiting California from enforcing AB5 against trucking companies. As a result, California can’t currently enforce the law for trucking companies. This does not end the controversy but prohibits California from enforcing the law while the California Trucking Association’s lawsuit goes to trial.

Action steps:

• Review use of contractors and owner-operators in California.
• Monitor the legal status of AB5 in California and determine whether the injunction protects your business.
• Monitor other states, as several states follow California’s lead in regulatory and legal matters.
Moss Adams: Your Transportation & Logistics Deal Partner

Regardless of your transaction size or geographic footprint, we’re committed to helping you cultivate transaction value.

Timely, Decisive Support
The success of your transactions hinges on well-timed input.

Single Point of Contact
When you’re working with complex stakeholder teams, clear and constructive communication is vital.

Deal Flow
Keeping a pulse on prospective investments is imperative.

A Life-Cycle Approach to Client Service
Your mission to create value is constant.

We equip you with time-sensitive data and deal points to address issues and refine your strategy.

A key leader on your Moss Adams engagement team will deploy resources where needed and serve as your frontline point person.

We can facilitate introductions to select client organizations whose operations we know firsthand, including many midsize companies.

From acquisition to exit and all points between, we provide guidance to help you in each stage of the investment life cycle.
Transportation & Logistics Clients

T&L M&A transactions advised in 2018

Arizona
Phoenix

California
Fresno
Los Angeles
Manhattan Beach
Napa
Orange County
Silicon Valley
Sacramento
San Diego
San Francisco
Santa Rosa
Stockton
Walnut Creek
Woodland Hills

Colorado
Denver

Kansas
Kansas City

New Mexico
Albuquerque

Oregon
Eugene
Medford
Portland

Texas
Dallas
Houston

Washington
Bellingham
Everett
Issaquah
Seattle
Spokane
Tacoma
Tri-Cities
Wenatchee
Yakima

30+ locations west of the Mississippi
Moss Adams Services

We offer a full range of services and specializations that span accounting, consulting, and wealth management to suit your specific needs.
Investment Banking & Advisory - Selected Recent Transportation & Logistics Companies

- **Gordon Trucking**
  - acquired by **Heartland Express**
  - Moss Adams Capital acted as financial advisor to Gordon Trucking in this transaction.

- **McFarland Cascade**
  - acquired by **Stella-Jones**
  - Moss Adams Capital acted as financial advisor to McFarland Cascade in this transaction.

- **Red Dot Corporation**
  - has acquired **JBAR A/C, Inc.**

- **Moss Adams Capital**
  - provided corporate financial services for **Watkins and Shepard Trucking, Inc.**

- **Haney Truck Line, Inc.**
  - acquired by **Evergreen Pacific Partners**
  - Moss Adams Capital acted as financial advisor to Haney Truck Line, Inc. in this transaction.

- **Groeniger & Company**
  - acquired by **Ferguson Enterprise, Inc.**
  - Moss Adams Capital acted as financial advisor to Groeniger & Company in this transaction.

- **Trans-System, Inc.**
  - obtained $13.6 million in financing from **CIT**
  - CIT now known as Tyco Capital
  - Moss Adams Capital acted as financial advisor to Trans-System, Inc. in this transaction.

- **Diablo Valley Packaging**
  - acquired by **Berlin Packaging**
  - Moss Adams Capital acted as financial advisor to Diablo Valley Packaging in this transaction.
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