

2023

TENNEY GROUP

ANNUAL REPORT



NOTE FROM OUR CEO

It is such a privilege to serve business owners who literally make America move. 2022 was a fascinating year for M&A in the transportation & logistics space. We expect 2023 to be similar but also very different when it comes to building and protecting business value.

Wherever you may be 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 Annual Report is designed to help you address both 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



2022 M&A OVERVIEW & 2023 FORECAST

2022 was an incredibly active year transportation and logistics mergers and acquisitions space. This report addresses what we witnessed in the market and at the deal table this year. Who should read this report? Anyone interested in buying or selling T&L companies in the annual revenue range of \$20 million - \$300 million.

NOTABLE DEALS IN 2022

ACQUIRER	ACQUIRED
Mediterranean Shipping Company	Bollore Africa Logistics SAS
CXO	Clipper Logistics
Ashley Homestore	Wilson Logistics' (Western Div.)
Maersk	Pilot Freight
Ascend	Fuchs Trucking
Wind Point Partners	Intermodal Division of XPO
Heartland Express	CFI
Brown Bear Transportation	Abenaqui Carriers
DB Schenker USA	USA Truck
Hirschbach	John Christner Trucking
PAM Transport	Metropolitan Trucking
Angles Equity & KJM Capital	Freymiller
Ryder	Whiplash
Berger Logistik	Super-T Transport
TA Services	KPI Logistics
Mediterranean Shipping Company	C&K Holdings
Echo Global Logistics	Roadtex Transportation
TA Services	C2 Freight Resources
FastFrate	Challenger Group
Werner	Baylor Trucking Inc.
Kenan Advantage Group	American PetroLog

Tenney Group facilitated deal.



JOIN THE TENNEY GROUP BUYER NETWORK

EXPLORE THE DEALS THAT FIT YOUR UNIQUE BUSINESS GOALS.

Join our buyer network and leverage the relationships and trust we've built over the last 50 years.

Additional Benefits of Joining the Buyer Network

- Avoid driver recruitment issues
- Stop waiting on backlogged new equipment
- Quickly gain a competitive advantage in a new market.



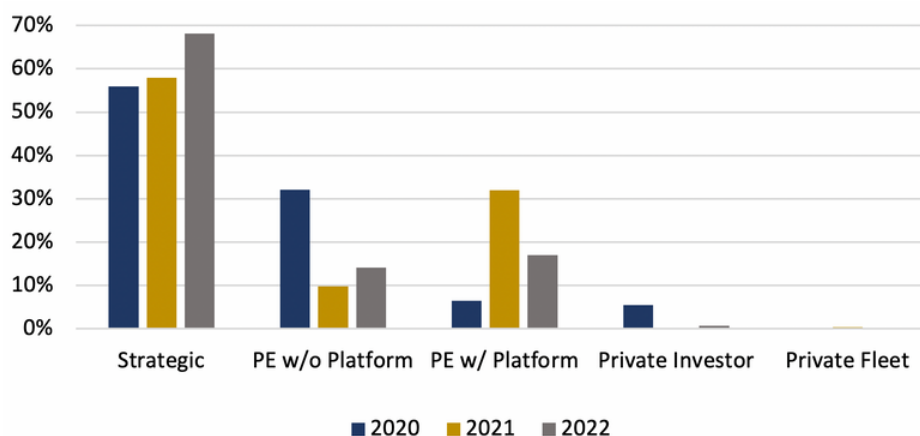
CONTACT US
AND SET UP
A BUYER
PROFILE

BUYER ANALYSIS

Inside Look of Buyer/Offer/Deal Structure Analysis

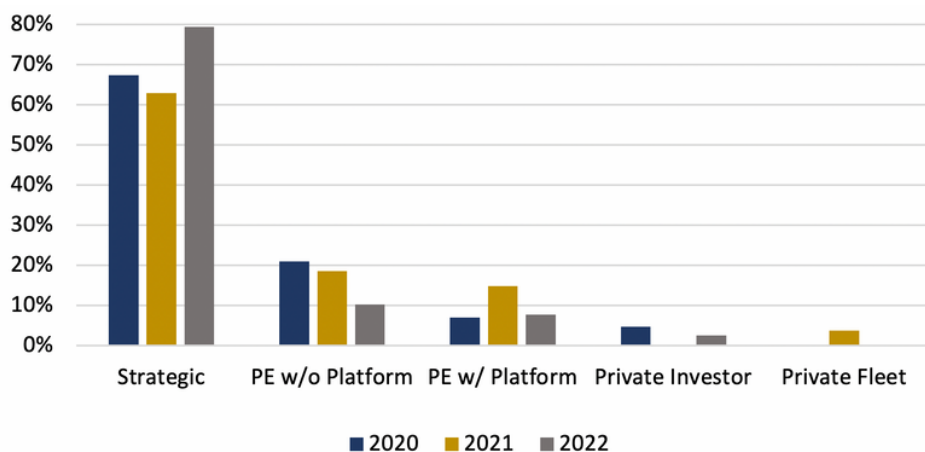
The following data is an inside look of Tenney Group's transaction activity within the last 36 months.

Buyer Engagement by Type (Signed NDAs)



	2020	2021	2022
Strategic	56.0%	57.9%	68.0%
PE w/o Platform	32.1%	9.8%	14.1%
PE w/ Platform	6.4%	32.0%	17.1%
Private Investor	5.5%	0.0%	0.7%
Private Fleet	0.0%	0.3%	0.0%

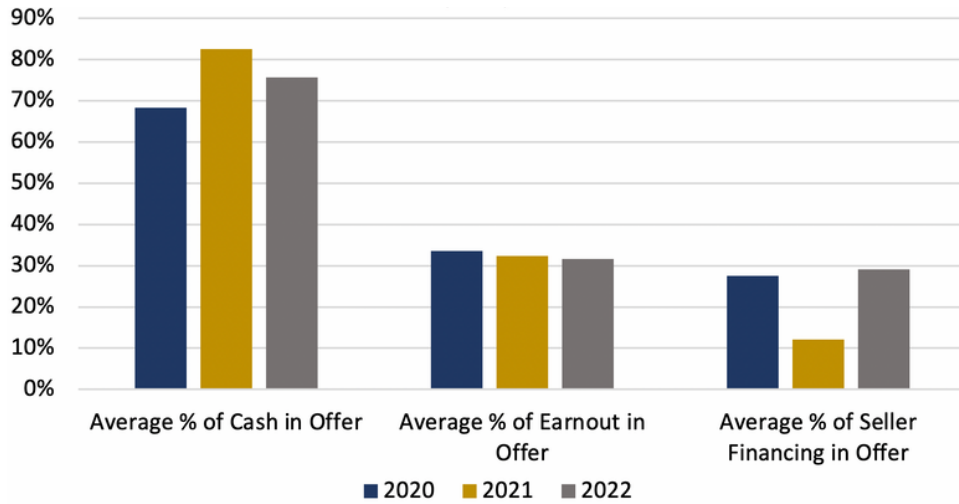
Offers by Buyer Type



	2020	2021	2022
Strategic	67.4%	63.0%	79.5%
PE w/o Platform	20.9%	18.5%	10.3%
PE w/ Platform	7.0%	14.8%	7.7%
Private Investor	4.7%	0.0%	2.6%
Private Fleet	0.0%	3.7%	0.0%

OFFER ANALYSIS

Offer Analysis by Structure

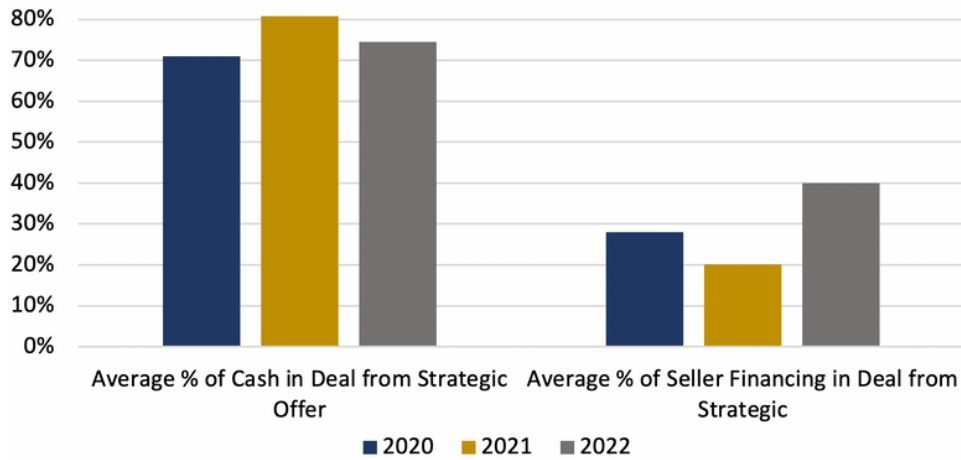


	2020	2021	2022
Average % of Cash in Offer	68.2%	82.5%	75.6%
Average % of Earnout in Offer	33.5%	32.4%	31.7%
Average % of Seller Financing in Offer	27.5%	12.1%	29.2%

¹ Only offers with earnout included

² Only offers with seller financing included

Offers from Strategic Buyers

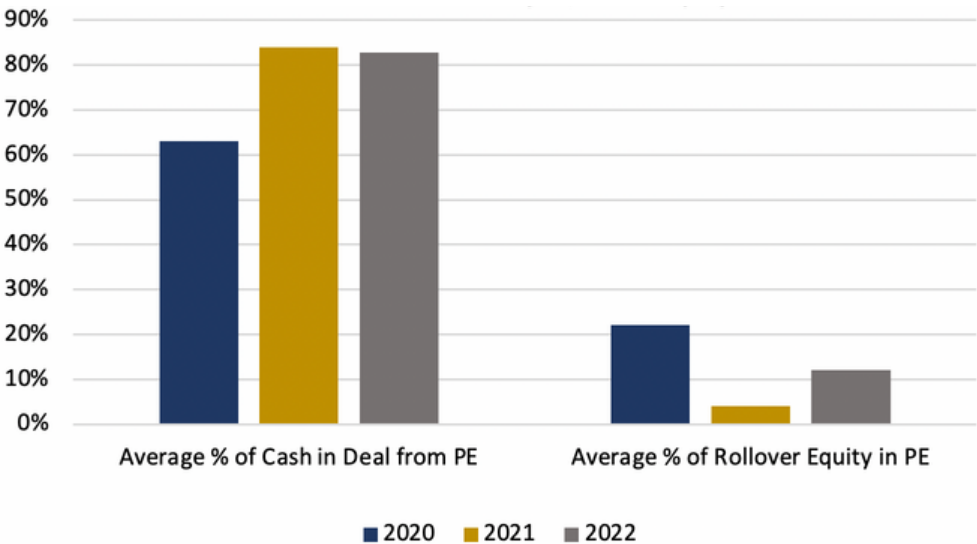


	2020	2021	2022
Average % of Cash in Deal from Strategic Offer	71.0%	80.8%	74.4%
Average % of Seller Financing in Deal from Strategic	28.0%	20.2%	39.9%

¹ Only offers with seller financing included

OFFER ANALYSIS

Offers from Financial Buyers/Private Equity



	2020	2021	2022
Average % of Cash in Deal from PE	63%	84%	83%
Average % of Rollover Equity in PE	22%	4%	12%

¹ Only offers with rollover equity included



RECAP OF M&A MARKET IN 2022 AND A LOOK BACK AT OUR PREDICTIONS

2022 was a tale of two halves.

The first half was in large part a continuation of record M&A deal activity and deal volume. In the second half, we saw buyers and sellers hesitate for the first time in 24 months. 40-year record inflation and multiple interest rate hikes stopped several large deals in their tracks – especially in Q4.

This resulted in a pronounced decline in recorded deal activity 2H22 vs. 2H21. According to Price Waterhouse Cooper, trucking deal volumes were down 15% LTM November vs same period in 2021.



It is important to remember that only a fraction of the actual deal volume gets reported due to size and confidentiality constraints. Internally, our deal volume more than surpassed our predictions of a 20% increase. Several of our deals from 2021 and 2022 have still not been reported publicly.

So, what are you supposed to do with this information? As always, take published statistics with a grain of salt. Use it to inform your gut feelings but resist making unilateral decisions based on other 3rd party data that has known limitations.



TENNEY GROUP PREDICTIONS FOR 2023

1. Valuations Normalize & Structures Evolve

Inflated equipment values and extremely cheap debt drove record-high valuations from the middle of 2020 to the middle of 2022. In 2023, we will likely see a normalizing in valuations. This will be especially true for asset-light businesses. According to Price Waterhouse Cooper (PWC), asset-light businesses have experienced 7 straight years of increased values.

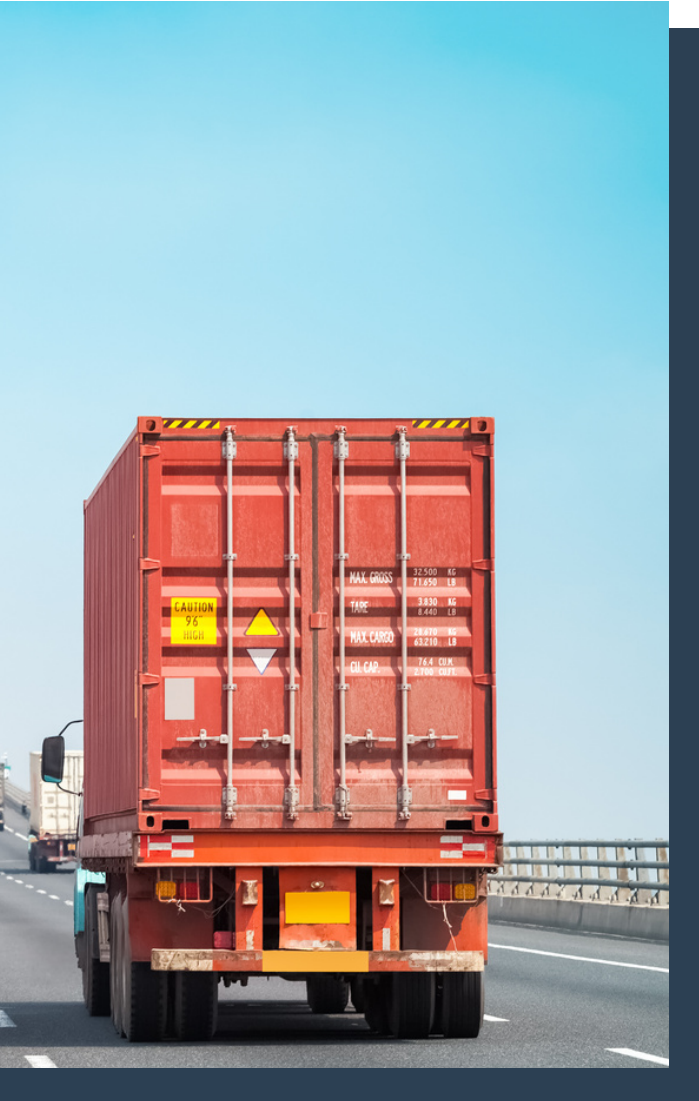
Still, the fundamental factors that have been driving high M&A activity are still alive and well. We expect valuations to stay competitive and for deal structures to address new and evolving risks in the market. In order to maximize outcomes, buyers and sellers will have to consider these factors to maximize desired outcomes.



**THE FUNDAMENTAL
FACTORS THAT HAVE
BEEN DRIVING HIGH
M&A ACTIVITY ARE
STILL ALIVE AND WELL.**



TENNEY GROUP PREDICTIONS FOR 2023



2. Strategic Shift in Acquisition Target Profiles

Freight volatility influences the way buyers evaluate transaction risks. We are noticing several experienced industry acquirers modifying their target acquisition profiles for 2023. This market will help buyers identify which acquisition candidates are built for resiliency and which aren't.

Buyers are prioritizing small, niche experts who are expected to deliver solid performance irrespective of the freight market. We expect experienced acquirers to use these next 12 months to diversify their revenue types and to enhance their capabilities through proven winners.

We also expect to see regional players reduce the floor size of their typical acquisition profile. Tuck-in acquisitions will be pursued to offset growth limitations linked to driver recruitment/retention and to offset the relentless rise of expenses.

Due to a dramatic increase in first-time acquirers combined with the rising cost of capital, companies available to purchase with 100 or less trucks will attract much more attention than they have in previous years. Eric Heath, Senior Vice President, has dubbed 2023, "The Year of the Tuck-In."

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TENNEY GROUP PREDICTIONS FOR 2023

3. Higher Deal Activity - Smaller Transactions

In Q3 of 2022, Tenney Group accepted more new buyer registration profiles than in any other quarter in company history. This was during a 40-year inflation peak and after multiple interest rate hikes.

We contend that the reason for this was that many acquirers that wanted and needed to buy in 2021/2022 believed that market value was over-inflated. Consequently, many qualified buyers stayed on the sidelines. That is changing quickly. Additionally, many potential sellers delayed exiting because they were experiencing record profits.

There was also a group of sellers who attempted to exit but overplayed their non-reoccurring financial performance which resulted in no transaction. Now that performance is normalizing to some degree, we believe the environment will be ideal for buyers and sellers to have a meeting of the minds on value and structure.

Lastly, aging baby boomer business owners with no successor and no appetite to take on any more risks will offer the market a considerable supply of companies to purchase. We may see fewer transformational T&L transactions in 2023 due to the higher cost of capital. All other factors point to a very active year of M&A. Challenge headlines that say otherwise.



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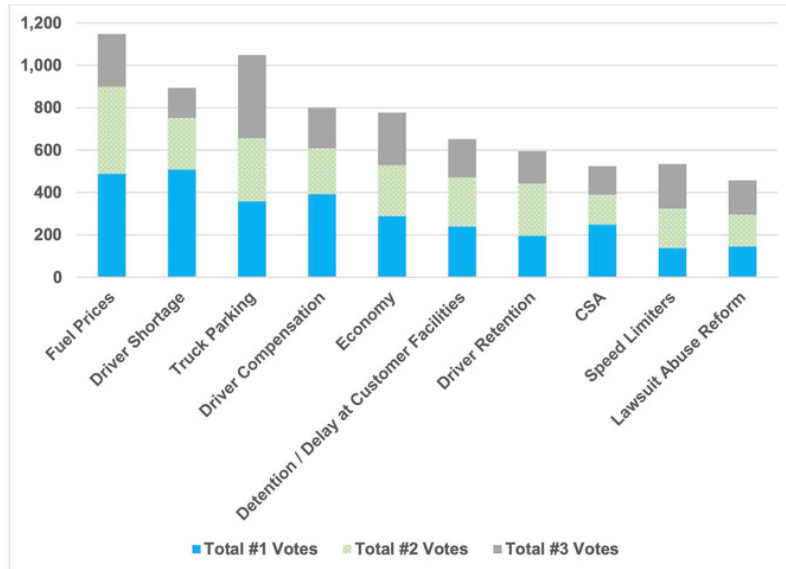
**MANY POTENTIAL
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WHAT ARE THE BIGGEST ISSUES FACING THE TRUCKING INDUSTRY IN 2023?

There are plenty of issues facing the T&L industry in the next 12 months. The question is which issues matter most to the men and women who work in the space. On a recent episode of The Hot Seat Podcast, we interviewed Rebecca Brewster, the President & COO of the American Transportation Research Institute (ATRI) about these issues and what they mean for 2023.

Figure 1: Distribution of Industry Issue Prioritization Scores*



*The bars reflect total points from first, second and third place rankings. Issues that generate more second and third place rankings may appear to have a higher ranking than preceding issues.

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GIVEN WHAT THEY'RE FORECASTING FOR FUEL PRICES, I DON'T SEE IT DROPPING OUT OF THE TOP TEN ISSUES LIST IN 2023 AND I THINK WE'LL SEE ANOTHER LARGE INCREASE IN OUR OPERATIONAL COST IN TRUCKING.

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What is ATRI?

American Transportation Research Institute (ATRI) is a trucking not-for-profit research institute with its mission to conduct transportation research, with an emphasis on the trucking industry's essential role in a safe, efficient and viable transportation system. All research is free of charge.

History of the Survey

American Transportation Research Institute (ATRI) is a trucking not-for-profit research institute with its mission to conduct transportation research, with an emphasis on the trucking industry's essential role in a safe, efficient and viable transportation system. All research is free of charge.

Who took the survey?

- 4200 surveys collected
- Trucking Professional Drivers - 47.2%
- Motor Carriers & Executives - 38.8%
- Stakeholders - 14%



[Click to Listen](#)



TENNEY

GROUP

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

[Click to schedule a confidential meeting.](#)

WWW.TENNEYGROUP.COM



SCAN FOR MORE INFO

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**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

TENNEY
— GROUP —

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