

STIFEL

Third-Party Logistics (“3PL”) Industry Update and Outlook

Presented by:

Evan Armstrong, CEO

November 21, 2022



**ARMSTRONG &
ASSOCIATES, INC.**

Website: www.3PLogistics.com

About Armstrong & Associates, Inc.

- Founded in 1980 - Supply Chain Market Research and Consulting Services
- Over 88,000 Newsletter Subscribers
- Current Market Research:
 - *“Latest Third-Party Logistics Market Results and Predictions – Estimates for 190 Countries”*
 - *“Rising Tide: The Rapid Growth of E-Commerce Logistics, 3PL Solutions, Last-Mile Delivery, and the Dominance of Amazon”*
 - *“DIGITIZATION – The Convergence of Modern Freight Brokerage, Digital Freight Matching, and Automation in Domestic Transportation Management”*
 - *“Trends in 3PL/Customer Relationships”*
 - *“The Business of Warehousing in North America – Market Size, Major 3PLs, Benchmarking Costs, Prices and Practices”*
 - *“Global and Regional Infrastructure, Logistics Costs, and Third-Party Logistics Market Trends”*
 - *Who's Who in Logistics Online Guide to Global Supply Chain Management*
 - Database of Over 700 3PL Profiles and 8,500 3PL Customer Relationships
- 10th Annual 3PL Value Creation North American Summit: Chicago – October 12-13, 2022
- Articles & Press Coverage: Air Cargo News, Air Cargo World, American Shipper, Bloomberg, DC Velocity, Economist, Financial Times, Forbes, FreightWaves, Global Trade, Journal of Commerce, Logistics Management, Modern Materials Handling, New York Times, NPR-Marketplace, Reuters, SupplyChainBrain, Transport Dive, Transport Topics, Wall Street Journal
- Consulting Services: 3PL Strategic Planning, 3PL M&A Advisory, Custom Market Research, Operational Due Diligence, Logistics Outsourcing, 3PL Digitalization Strategy, Expert Witness
 - *Over 40 3PL strategic planning engagements and 24 closed Investment/M&A deals.*

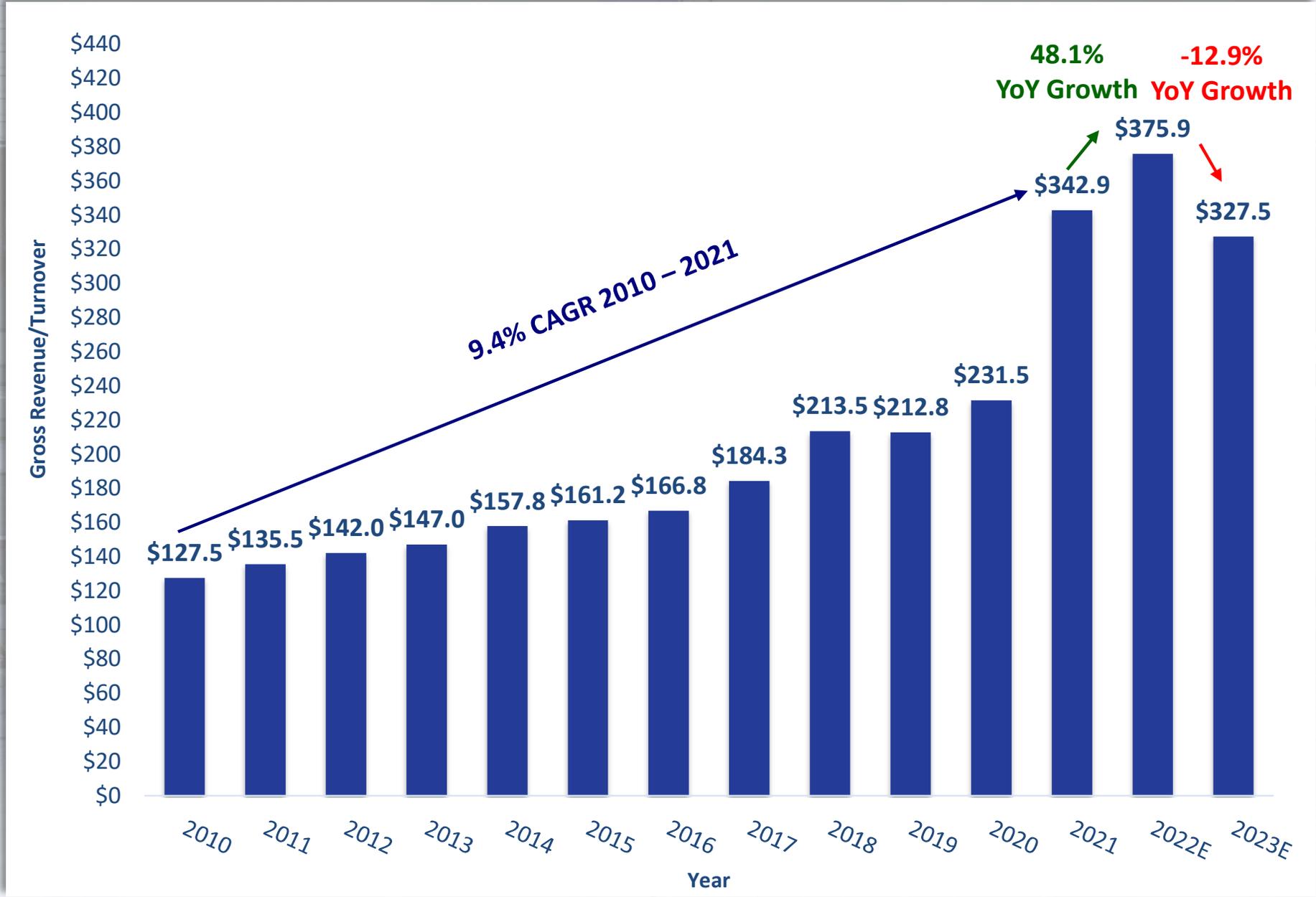
3PL Market Research



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U.S. 3PL Market Gross Revenue 2010 – 2023E (US\$ Billions)



Historical Growth by U.S. 3PL Market Segment

3PL Market Segment	2021 Gross Revenue (US\$ Billions)	Gross Revenue 1996-2021 CAGR	2021 Net Revenue (US\$ Billions)	Net Revenue 1995-2021 CAGR
Domestic Transportation Management	139.0	11.5%	19.8	11.8%
International Transportation Management	122.4	11.6%	35.6	12.0%
Dedicated Contract Carriage	23.1	7.2%	23.0	7.6%
Value-Added Warehousing & Distribution	54.6	8.3%	41.1	10.4%
Total*	339.1	10.2%	119.4	10.2%

*Total 2021 gross revenue (turnover) for the 3PL market in the U.S. is \$342.9 billion. \$3.8 billion is included for the contract logistics software segment.

U.S. 3PL Segment Growth Projections

3PL Segment	2022E Gross Revenue (Turnover) (US\$ Billions)	2022E vs. 2021 Gross Revenue (YOY %)	2022E Net Revenue (US\$ Billions)	2022E vs. 2021 Net Revenue (YOY %)
DTM	151.0	8.6%	21.9	10.8%
ITM	137.1	12.0%	35.8	0.6%
DCC	24.8	7.4%	24.6	7.0%
VAWD	59.0	8.1%	44.2	7.6%
Total*	371.9	9.6%	126.5	5.9%

*Total 2022E gross revenue (turnover) for the 3PL market in the U.S. is estimated at \$375.9 billion. \$4 billion is included for the contract logistics software segment.

3PL Segment	2023E Gross Revenue (Turnover) (US\$ Billions)	2023E vs. 2022E Gross Revenue (YOY %)
DTM	132.9	-12.0%
ITM	107.5	-21.6%
DCC	24.1	-3.0%
VAWD	59.0	0.0%
Total*	323.5	-13.0%

Top 25 U.S. Dedicated Contract Carriage 3PLs

A&A Rank	Provider	2021 DCC Power Units*
1	J.B. Hunt	11,698
2	Penske Logistics	8,505
3	Ryder Supply Chain Solutions	5,300
4	Werner Logistics	5,235
5	Knight-Swift Transportation	4,800
6	NFI	4,600
7	Schneider	4,265
8	Ruan	3,556
9	Cardinal Logistics Management	3,450
10	U.S. Xpress Enterprises	2,564
11	C.R. England	2,375
12	Marten Transport	1,572
13	Covenant Logistics Group	1,450
14	DHL Supply Chain North America	1,400
15	Averitt Express	1,381
16	Universal Logistics	1,163
17	Hub Group	1,043
18	Cowan Logistics	766
19	AIM Integrated Logistics	722
20	PTI Logistics	710
21	USAT Logistics	701
22	Blackhawk Transport	612
23	CEVA Logistics (North America)	604
24	Bay and Bay Transportation Services	600
25	Dupré Logistics	550

*Power units are company reported or Armstrong & Associates, Inc. estimates.

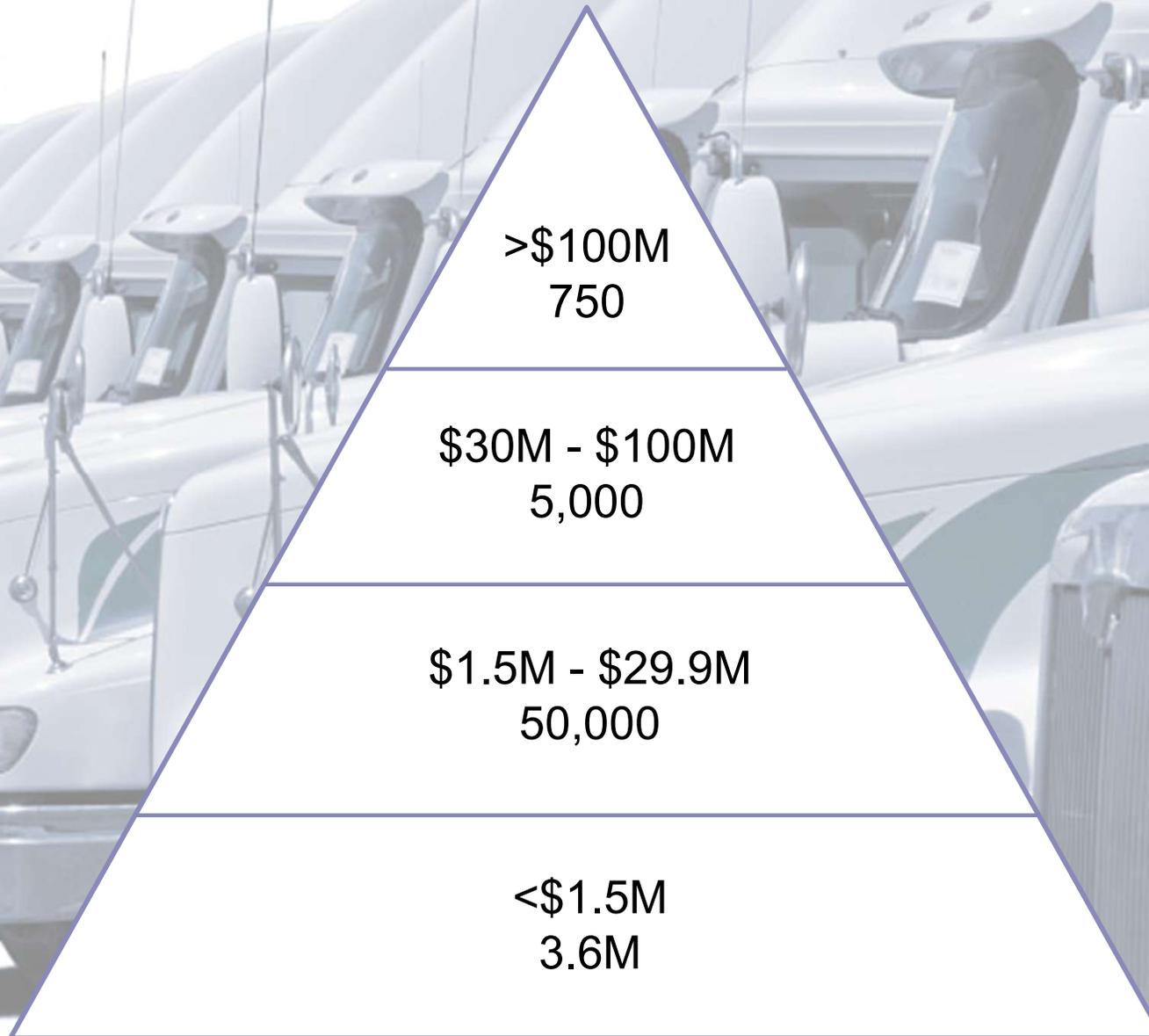
DTM / DFM / Digitalization



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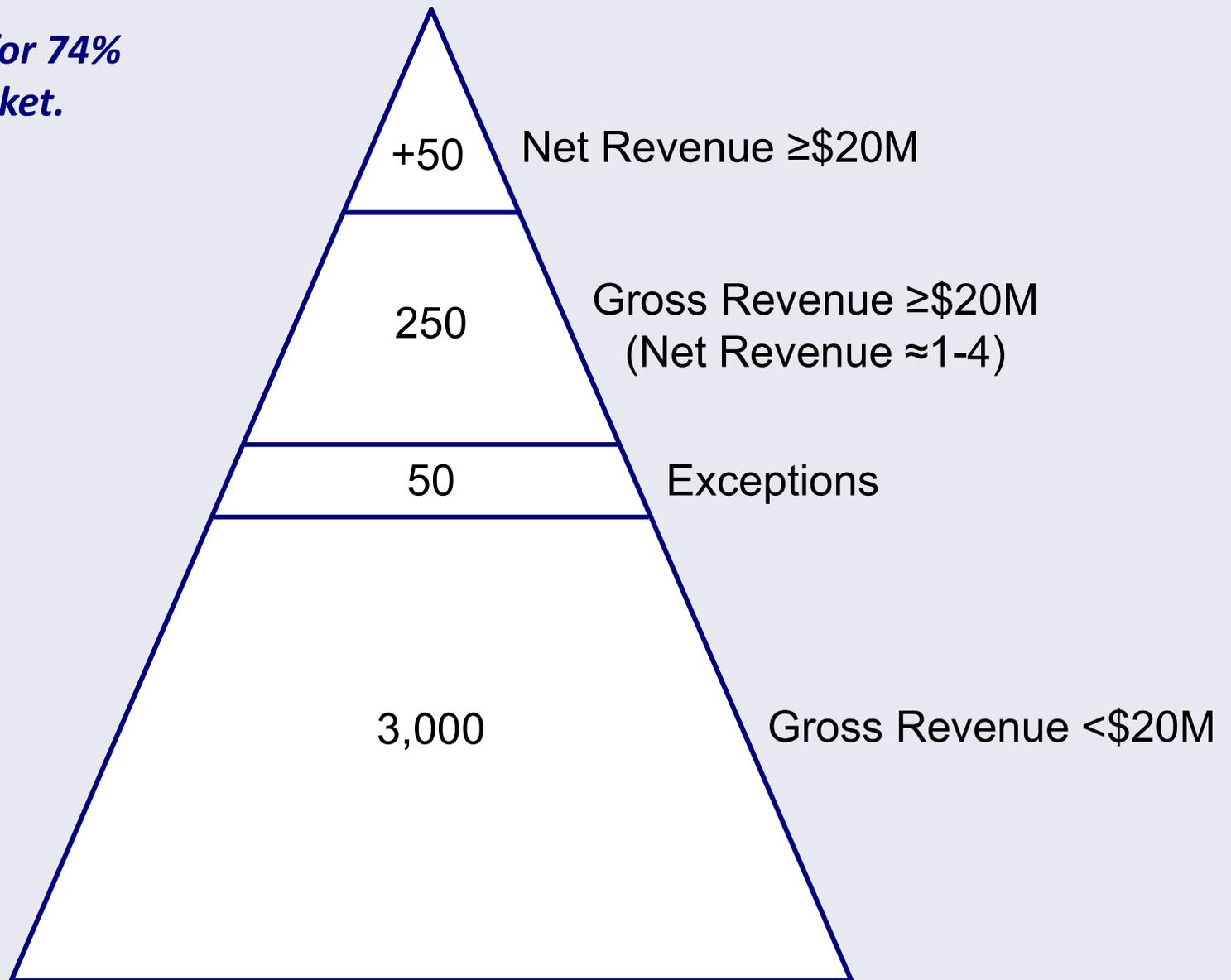
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U.S. Transportation Spends of Domestic Shippers



North American DTM Market Reality

*The Top 50 account for 74%
of the U.S. DTM Market.*



Private Equity wants Net Revenue $>$ \$20M, EBIT of \$3M or more.

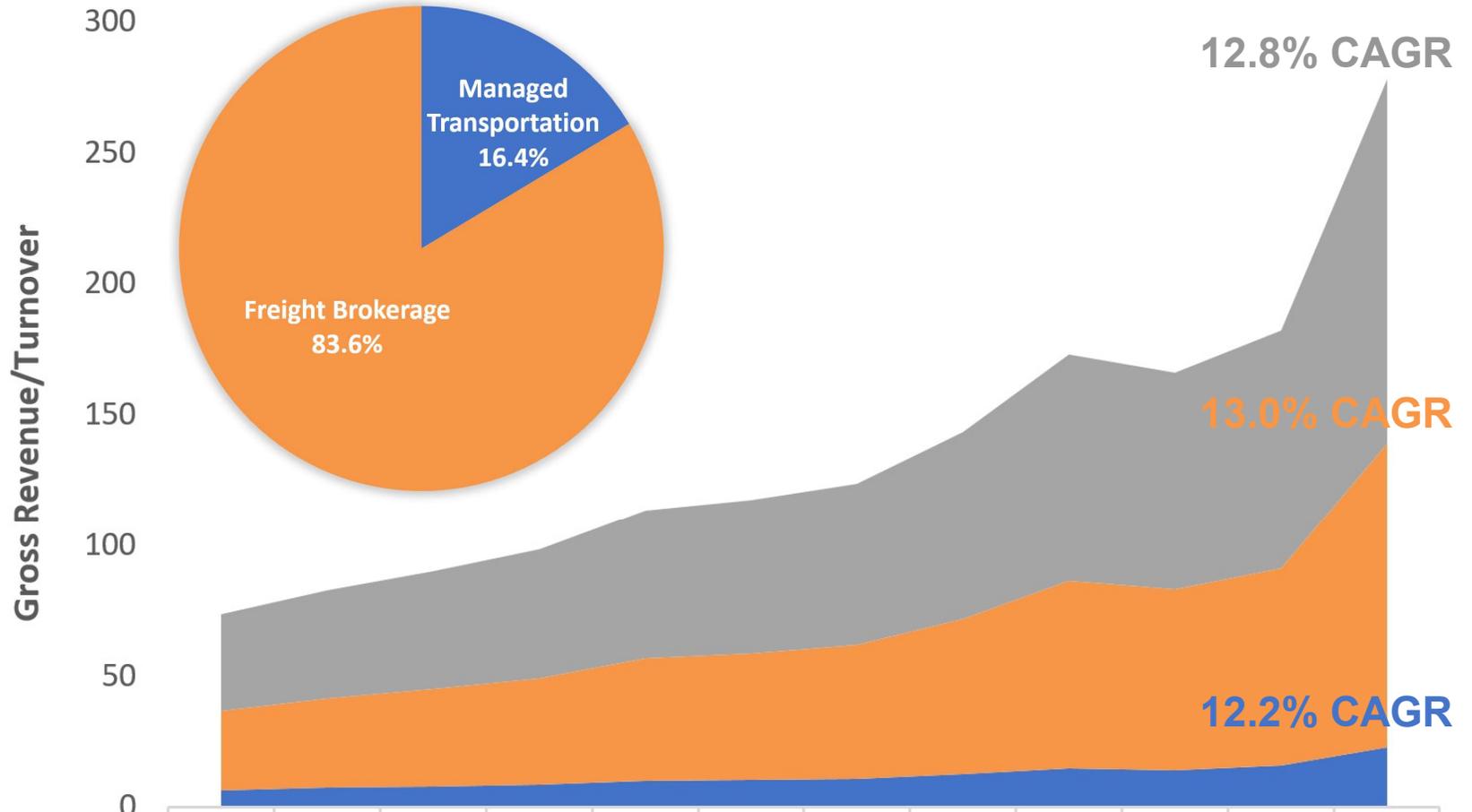
Top 50 Domestic Transportation Management (DTM) 3PLs

A&A Rank	Provider	2021 Gross DTM Revenue (US\$ Millions)*
1	C.H. Robinson	15,626.0
2	Total Quality Logistics	7,791.0
3	Uber Freight	6,440.0
4	Transportation Insight	5,800.0
5	Coyote Logistics	5,500.0
6	Worldwide Express	4,600.0
7	Echo Global Logistics	3,745.0
8	Hub Group	3,730.0
9	XPO Logistics	3,700.0
10	Landstar	3,510.0
11	MODE Global	3,400.0
12	J.B. Hunt	3,379.6
13	Schneider	2,660.0
14	ArcBest	1,810.0
15	TFI International	1,662.1
16	Arrive Logistics	1,631.6
17	Knight-Swift Transportation	1,276.0
18	Ascent	1,259.0
19	Allen Lund	1,220.9
20	Redwood Logistics	1,160.0
21	Convoy	1,130.0
22	Integrity Express Logistics	1,027.3
23	Trinity Logistics	992.2
24	Traffix	898.0
25	ITS Logistics	879.6

A&A Rank	Provider	2021 Gross DTM Revenue (US\$ Millions)*
26	Universal Logistics	860.0
27	Armstrong Transport	850.0
27	PLS Logistics	850.0
28	BNSF Logistics	800.0
29	Priority1	757.0
30	MegaCorp Logistics	742.1
31	BlueGrace Logistics	720.0
32	Spot Freight	713.3
33	Matson Logistics	707.4
34	Pepsi Logistics	705.0
35	ATS Logistics Services	681.0
36	R&R Express	667.0
37	NFI	635.0
38	Werner Logistics	622.5
39	FLS Transportation Services	600.0
40	Ryder Supply Chain Solutions	562.0
41	Axle Logistics	519.6
42	Circle Logistics	513.5
43	Odyssey Logistics & Technology	493.7
44	England Logistics	489.7
45	TransAmerica Express Logistics	480.2
46	DSV (North America)	478.3
47	TA Services	478.0
48	Logistic Dynamics	477.0
49	Radial	456.0

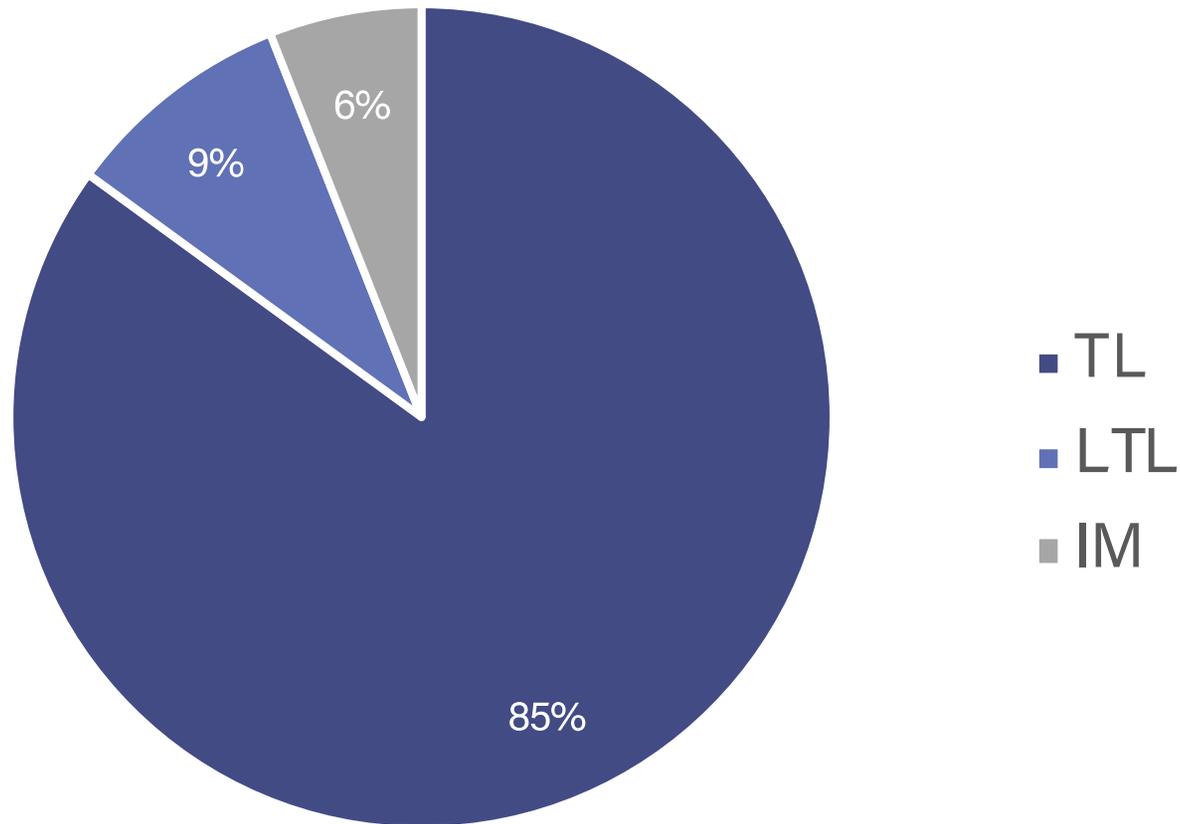
*Revenues cover all Domestic Transportation Management (DTM) Sub Segments (Freight Brokerage, Managed Transportation and IMC) and are company reported or A&A estimates.

U.S. Domestic Transportation Market (DTM) 2010-2021 (US\$ Billions)



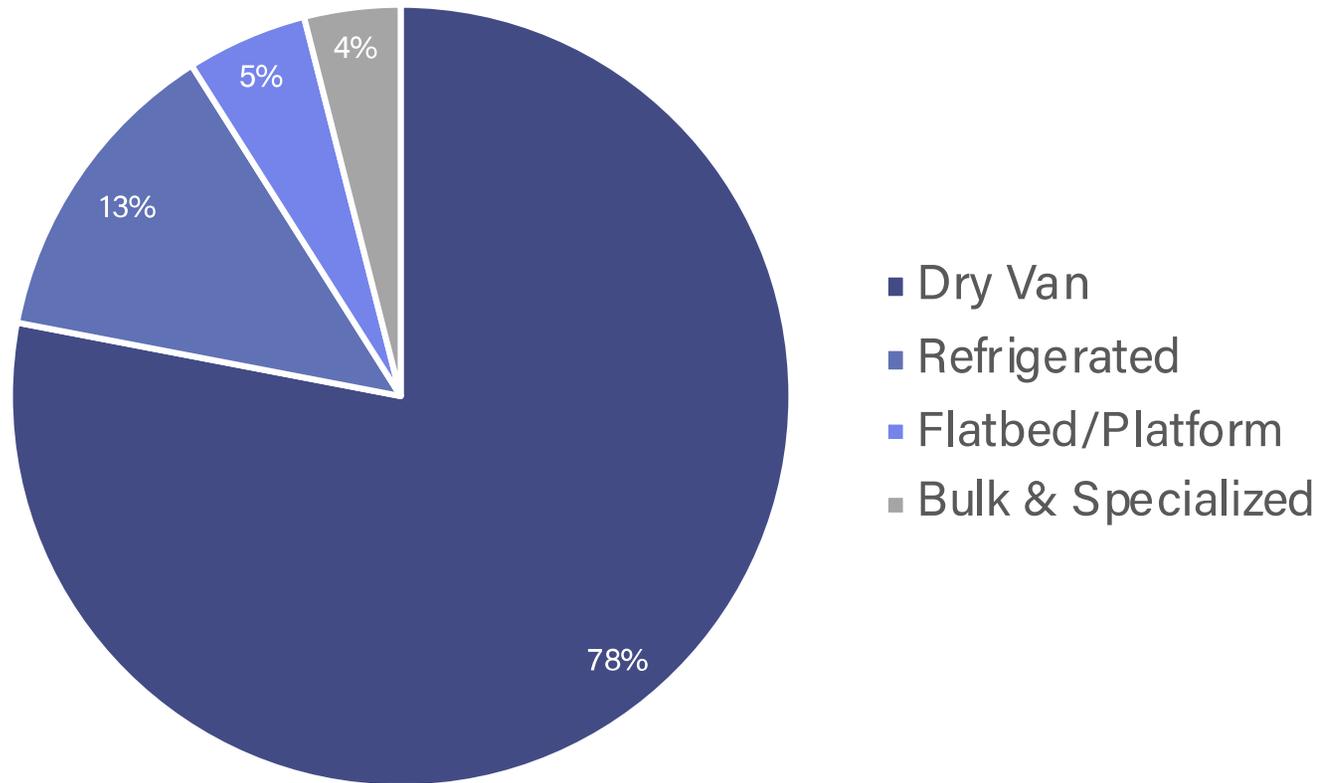
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
■ DTM	36.8	41.3	45.1	49.2	56.8	58.7	61.8	71.7	86.5	83.0	91.2	139.0
■ Freight Brokerage	30.4	34.0	37.2	40.6	46.9	48.5	51.1	59.3	71.9	68.9	75.3	116.2
■ Managed Transportation	6.4	7.3	7.9	8.6	9.9	10.2	10.7	12.4	14.6	14.1	15.9	22.8

DTM Revenue by Mode



- The current DTM/Freight Brokerage market is dominated by truckload dry van shipments. Truckload accounts for 85% of revenue. Less-than-truckload and intermodal have grown to 9% and 6% respectively.

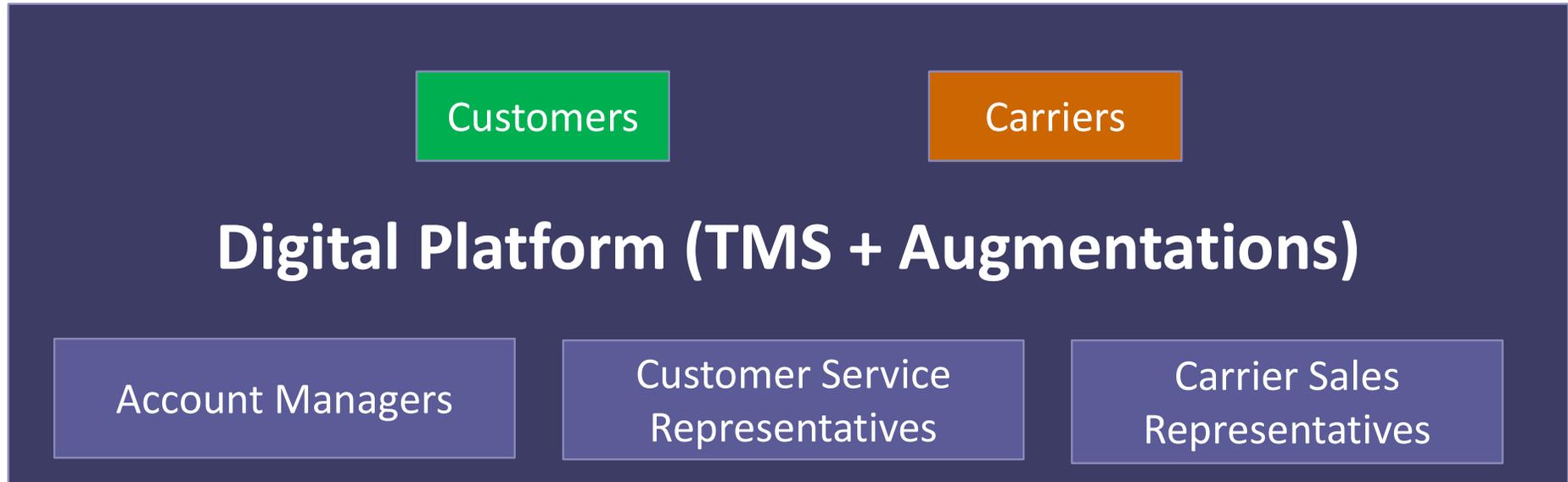
DTM Truckload Revenue by Equipment Type



- Dry van traffic accounts for 78% of truckload revenue. Refrigerated is 13%. Flatbed/Platform is 5%, and others including bulk and specialized account for 4%.

DTM / Freight Brokerage Strategy

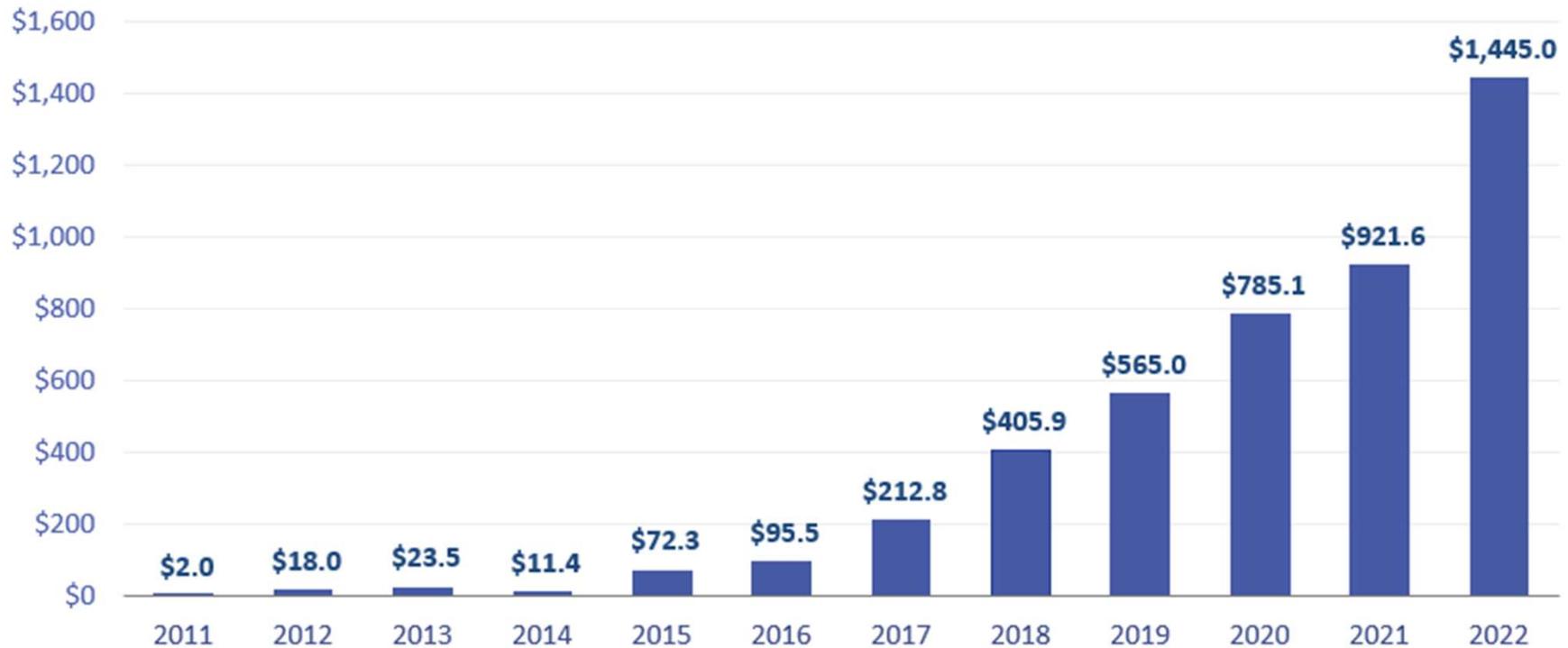
- Right brokerage and organizational model
- Digitalization/Process Automation are key



- **Build Domestic transportation network scale:**
 - \$100M, \$300M, \$500M, \$1B+ in purchased transportation
 - The U.S. has approximately 750 Shippers with spends >\$100M
- **Mode Diversification and Managed Transportation**
 - Reefer, Flatbed, Specialized, LTL, and Intermodal

Investment in Digital Freight Matching

Digital Freight Matching Venture/Equity Investment by Year
(US\$ Millions)



- **\$4.6B** in investment in U.S. Digital Freight Matching companies through July 2022.
- Uber Freight, Flexport, and Convoy have received top funding at **\$1.1B**, **\$935M**, and **\$836M**.
- 2021/2022 current investments in U.S. Digital Freight Matching companies are significant at over **\$2.3B**.

Truckload Digital Freight Broker Core Functionality Comparison



Digital Freight Broker Core Functionality

	Digital Freight Broker (Convoy / Uber)	Leading Tech-Enabled Legacy Freight Brokers (CHRW / Coyote)	Small to Mid-Sized 3PL	McLeod / Tai TMS + Augmentations	Commentary
Automated Pricing (Shipper)	●	●	◐	◑	DFBs and leading 3PLs have automated shipment quoting, tendering, and acceptance with shippers. Small to mid-sized 3PLs often do not have automated pricing. DAT and lane history are the primary sources for quoting and confidence is low.
Intelligent Capacity Management (Digital Carrier Monitoring and Automated Execution)	●	●	◐	◑	Small to mid-sized 3PLs may have built some DFM functionality. DFBs, CHRW, and Coyote are automatically matching spot market loads to carriers. Most is done within private carrier networks.
Instant Booking Experiences (Carrier)	●	●	○	◑	Small to mid-sized 3PLs do not have instant booking. DFBs and leading 3PLs have “book-it-now” functionality with carriers for automated tendering and acceptance.
Visibility Management (Real-time tracking and exception handling)	●	●	◑	◑	Small to mid-sized 3PL’s current real-time track and trace percent is 40 - 50% using “off-the-shelf” systems. Other T&T apps include FourKites, TruckerTools, and Project44. A&A’s DFB KPI is to have 80% real-time tracking.
API-Based Network	◑	◑	○	◑	Limited use of APIs. DFBs and leading 3PLs have built APIs with top shippers. Truckload carrier APIs are still limited. Project44 is often used for LTL APIs. AVRIL can be used as a bridge to APIs to interface systems.
Communication via Web or Mobile Client	●	●	◑	◑	Small to mid-sized 3PLs may use “off-the-shelf” systems such as MacroPoint. MacroPoint and FourKites are the most accepted off-the-shelf apps for mobile communication with truckload carriers.
Workflow and Back Office Automation	●	◑	◑	◑	Small to mid-sized 3PLs may use RMIS, My Carrier Packets, or other apps for carrier onboarding and can use TriumphPay / HubTran which is a leading freight bill audit and payment application.

Digital Freight Broker Key Performance Indicators

- Carrier Reutilization (Reutilize Performing Carriers--Target: 10 Loads / “A” Carrier / Month, No “One and Done”)
- Revenue per Employee (Target: \$2M, then \$4M)
- Percent of Freight Real-Time Tracked (Target: 80%)
- Percent of Digital Bookings (Target: 20% of Transactional / Spot Truckloads)
- Back-office Automation – Freight Bill Audit and Payment (Target 300 Freight Bills Processed / Person / Day)

Percent of DTM Gross Revenue which has been Digitalized



VAWD / E-Commerce Fulfillment



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Top 25 North American Warehousing 3PLs by Millions of Square Feet

A&A Rank	Provider	2021 Warehousing Space within North America*
1	DHL Supply Chain North America	143.0
2	GXO Logistics	90.0
3	Ryder Supply Chain Solutions	75.2
4	NFI	60.0
5	GEODIS North America	52.1
6	CJ Logistics America	51.1
7	Americold	46.0
8	Lineage Logistics	45.0
9	Kenco	36.3
10	Saddle Creek Logistics Services	31.0
11	FedEx Logistics	30.7
12	Penske Logistics	26.5
13	DB Schenker North America	23.7
14	Kuehne + Nagel North America	18.7
15	CEVA Logistics North America	18.1
16	Maersk Logistics North America	18.0
17	UPS Supply Chain Solutions	17.3
18	DSV North America	16.4
19	Kintetsu World Express North America	15.0
20	Warehouse Services	14.0
20	WSI	14.0
21	United States Cold Storage	13.9
22	Radial	13.4
23	C.H. Robinson	12.9
24	Metro Supply Chain Group	12.8

Amazon 232.5
(Estimated space available for 3PL.)**

*Square footage is company reported or Armstrong & Associates, Inc. estimates.

**Source: Amazon Global Supply Chain and Fulfillment Center Network, MWPVL International, Inc., May 2022

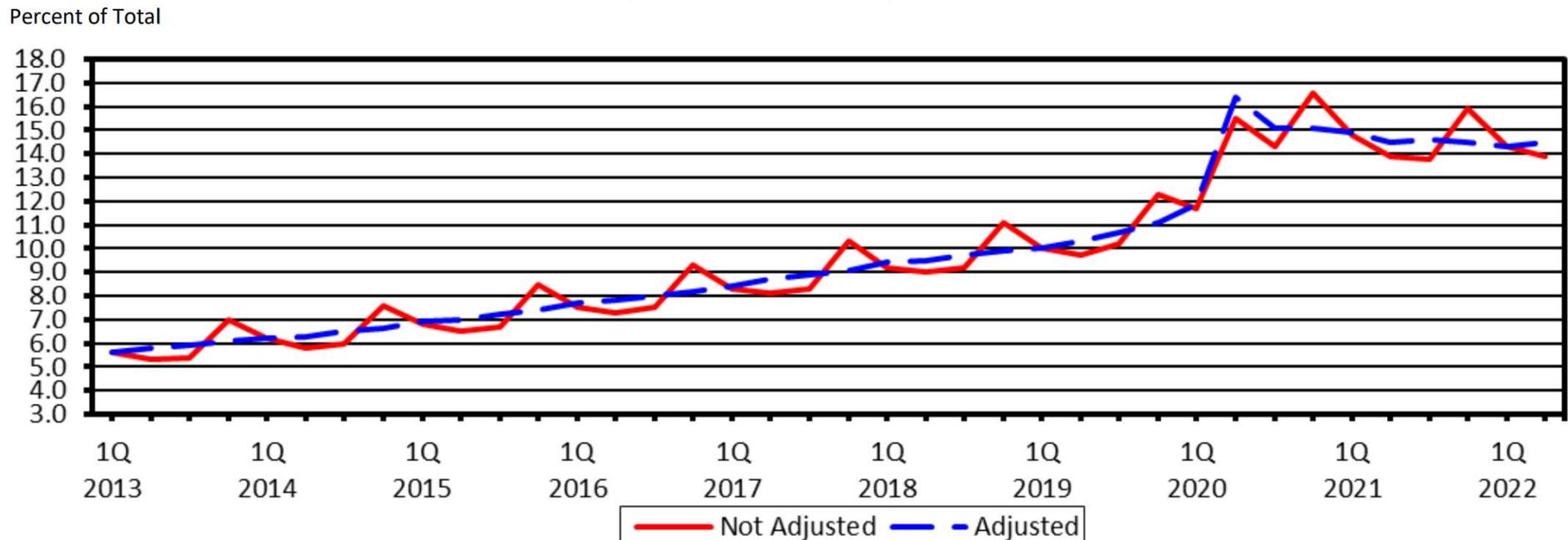
E-Commerce Logistics Overview in the U.S.

U.S. B2C E-Commerce Sales

The Census Bureau of the U.S. Department of Commerce estimates that **retail e-commerce sales in the second quarter of 2022 were \$257.3 billion, an increase of 2.7% from the first quarter of 2022; however, still up 21.7% from the second quarter of 2020.**

E-commerce retail now represents 14.5% of retail sales in the United States. This is down 1.6% versus Q2 2020, showing signs of a slow normalizing to pre-pandemic levels.

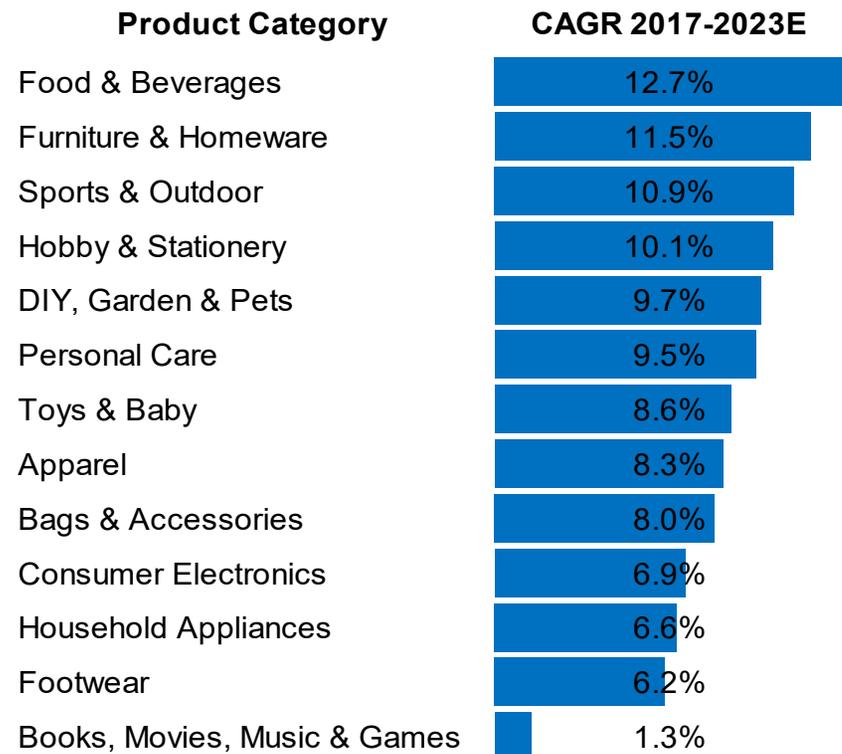
**Estimated Quarterly U.S. Retail E-commerce Sales as a Percent of Total Quarterly Retail Sales:
1st Quarter 2013 – 2nd Quarter 2022**



E-Commerce Logistics Overview in the U.S.

U.S. B2C E-Commerce Sales Overview

- The Census Bureau of the U.S. Department of Commerce estimates that **retail e-commerce sales in the second quarter of 2020 were \$211.5 billion, a COVID-19 driven increase of 31.8% from the first quarter of 2020, and a whopping 44.5% increase from the second quarter of 2019.**
- **E-commerce retail now represents 16.1% of retail sales in the United States.**
- **The segment grew at a 14.6% Compound Annual Growth Rate (CAGR) from 2015 through 2019 and shows no sign of slowing.**
- According to Statista, **Food & Beverages, Furniture & Homeware, and Sports & Outdoor are the leading categories in U.S. online trade** with CAGRs of 12.7%, 11.5%, and 10.9% respectively, from 2017 to 2023.



E-Commerce Logistics Overview in the U.S.

Market Share of Leading E-Commerce Companies in the U.S. (June 2022)

Company Name	Share of Retail E-Commerce Sales	Number of 3PL Relationships	Top 3PL Competitors Serving Company
Amazon	37.8%	24	Apex/Kuehne + Nagel, GlobalTranz/WWE, Hub Group, Pilot Freight Services/Maersk Logistics, UPS Supply Chain Solutions
Walmart	6.3%	66	APL Logistics/KWE, C.H. Robinson, DHL Supply Chain, DSV, Expeditors, GEODIS, K+N, UPS Supply Chain Solutions, XPO
Apple	3.9%	9	Apex/Kuehne + Nagel, DB Schenker, DHL Supply Chain, GEODIS
eBay	3.5%	3	CJ Logistics, FIEGE Logistik
Target	2.1%	23	C.H. Robinson, Expeditors, Hub Group, J.B. Hunt, Knight-Swift, Maersk Logistics
The Home Depot	2.1%	28	CEVA Logistics, DHL Supply Chain, DSV, GXO Logistics, Kuehne + Nagel, Maersk Logistics
Best Buy	1.6%	9	C.H. Robinson, GEODIS, GlobalTranz/WWE, Kuehne + Nagel, Ryder Supply Chain
Costco	1.6%	12	Knight-Swift, VersaCold/Lineage, XPO

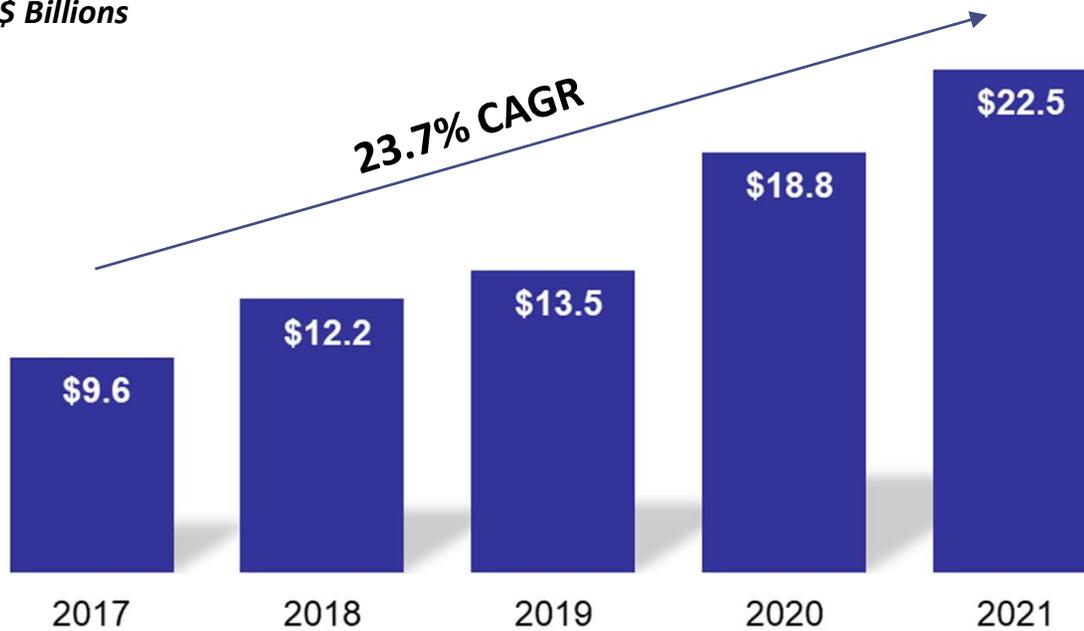
Sources: Statista; Armstrong & Associates, Inc.

Note: Only included e-commerce companies with over 1.5% market share.

E-Commerce Logistics Overview in the U.S.

One of the Fastest Growing 3PL Segments

US\$ Billions



E-commerce is one of the most rapidly growing 3PL segments. Retailers rely on Amazon and third-party logistics providers to help manage omnichannel and e-commerce operations.

U.S. 3PL E-Commerce Revenues reached \$22.5 billion in 2021, producing a 4-year CAGR of 23.7%.

2019/2020 saw the highest YoY growth since 2017, at 39%, as e-commerce purchases spiked due to the pandemic and shutdowns.

For 2022, we expect 19.8% growth as companies continue to outsource versus build internal fulfillment operations.

U.S. VAWD Space – Dedicated vs. Multi-client 2016-2022E

(Millions of Square Feet)

U.S. VAWD Space - Dedicated: 2016-2022E



U.S. VAWD Space - Multi-client: 2016-2022E



Year	2016	2017	2018	2019	2020	2021	2022E
Total Dedicated	1,501.1	1,438.3	1,352.6	1,301.8	1,197.7	1,166.0	1,143.2
Total Multi-client	391.7	529.5	693.0	826.6	1,076.0	1,195.9	1,345.0

In 2016, Dedicated contract warehouses dominated at 79.3% of total space versus Multi-client warehouses at only 20.7%. With the surge in e-commerce activity, Multi-client VAWD space grew at a CAGR rate of 25% for from 2016 to 2021; Dedicated declined 4.9%. In 2021, Multi-client VAWD space accounted for 50.6% of total space in the U.S. and we expect it to tally over 54% by the end of 2022. The South and West have seen the largest CAGRs for Multi-client space at 29% and 34% respectively.

3PL Mergers & Acquisitions

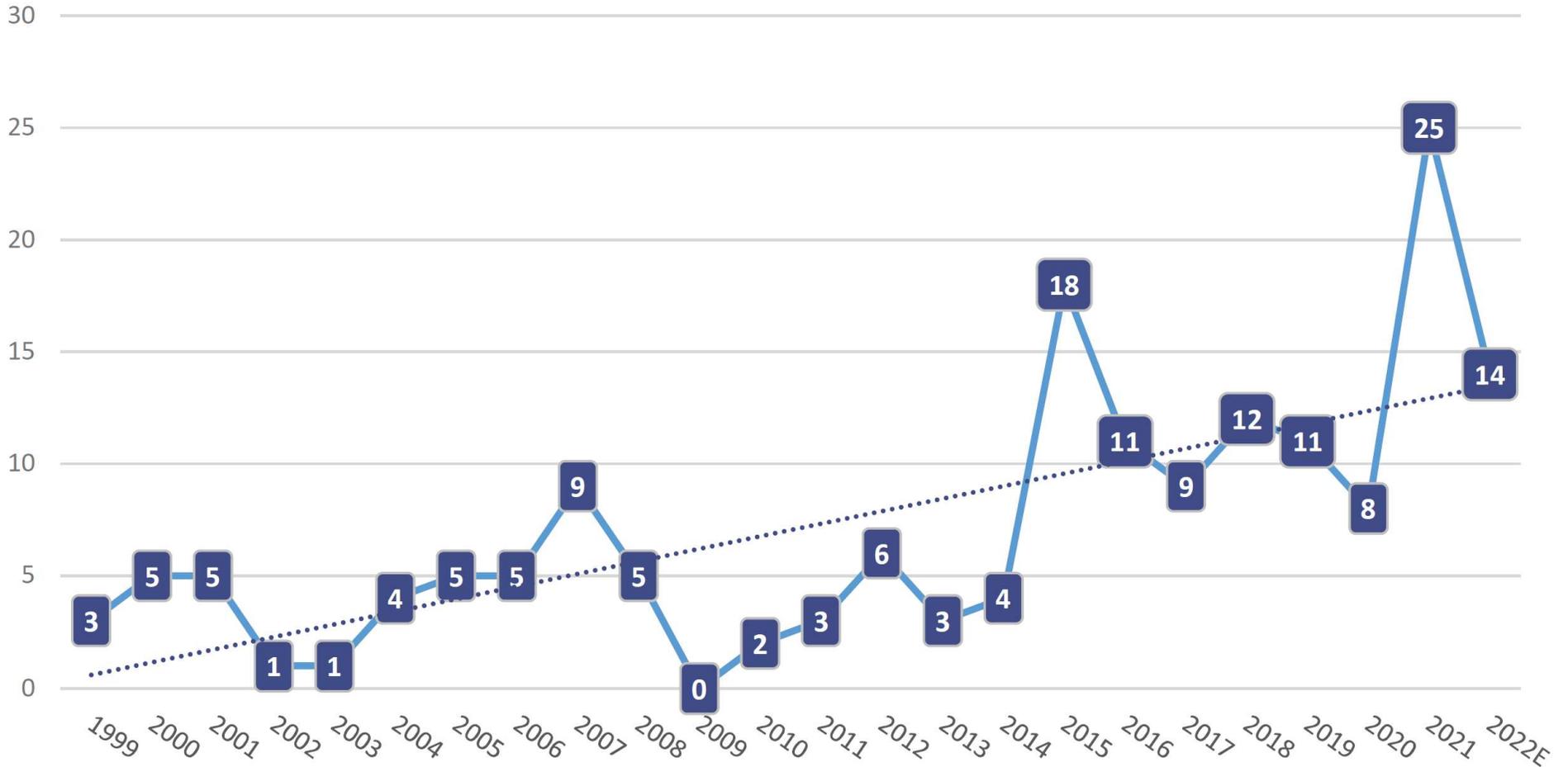


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3PL Acquisitions Over \$100 Million

(1999 – June 30, 2022)*



*M&A activity over \$100 million with published terms or A&A estimates.
Source: Primary, Company Information; Secondary, A&A Estimates

M&A Activity 2021 to 2022

Buyer	Year	Target	Purchase Price (\$M)	Multiple
	2021	Transplace	2,250	17**
	2021	Echo Global Logistics	1,300	19**
	2021	Syncreon	1,200	8**
	2021	Midwest Logistics Systems	263	6**
	2021	Langdon Group	205	8.1**
	2022	Whiplash	480	8.1**
	2022	Imperial Logistics	890	8.1**
	2022	J.F. Hillebrand	1,650	11.4**
	2022	XPO Logistics North American Intermodal Business	710	10**
	2022	Kane Logistics	240	8**
	2022	Ingram Micro CLS Business	3,000	8**
	2022	BDP International	1,000	11.4**
	2022	Pilot Freight Services	1,680	13**
	2022	Senator International Freight Forwarding Group	644	8**
	Pending	LF Logistics	3,600	15**
	Pending	The Topocean Group	240	11.4**
	Pending	Clipper Logistics	1,280	8**

EBIT* or EBITDA** Multiple, Source: Primary, Company Information; Secondary, A&A Estimates

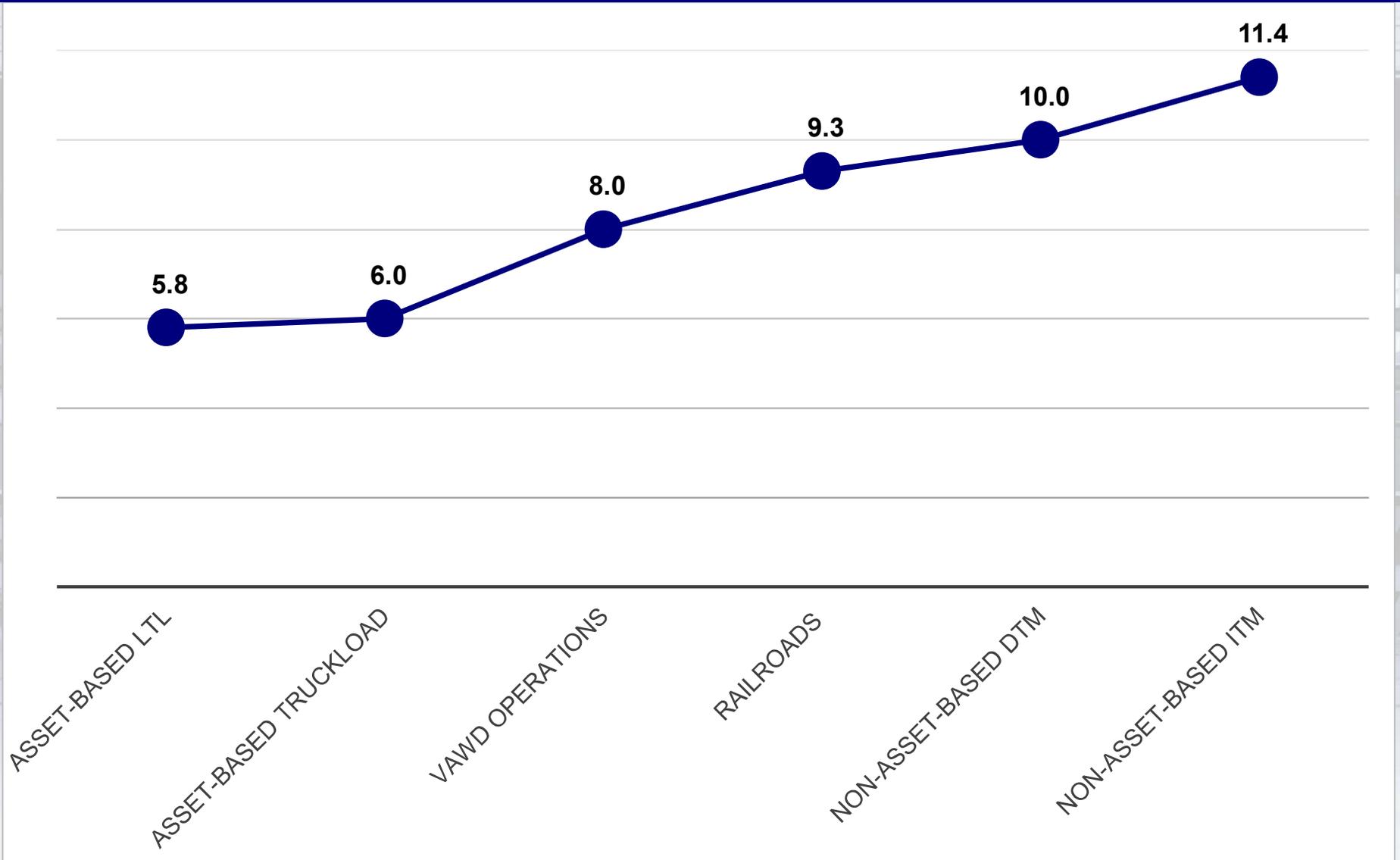
M&A Activity 2021

Buyer	Year	Target	Purchase Price (\$M)	Multiple
 Lineage	2021	Cryo-Trans	500	9.3**
 DFDS	2021	HSF Logistics	357	6.9**
 TJC THE JORDAN COMPANY	2021	AIT Worldwide	1,200	17.4**
 ATL PARTNERS	2021	Arrive Logistics	300	10**
 TFI International	2021	UPS Freight	800	5.8**
 KUEHNE+NAGEL	2021	Apex International Corporation	1,500	11.4**
 KNIGHT TRANSPORTATION	2021	AAA Cooper Transportation	1,350	5.8**
 SWIFT TRANSPORTATION				
 Platinum Equity	2021	Ingram Micro	7,200	8**
 CVC	2021	Worldwide Express	1,750 + to finance merger	--
 GLOBALTRANZ				
 MAERSK	2021	Visible Supply Chain Management	838	13**
 DSV	2021	Agility's Global Integrated Logistics Business	4,316	16.8**
 (SF) HOLDING 顺丰控股	2021	Kerry Logistics	2,300	10**
 SEKO	2021	Bansard International	235	11.4**
 LS	2021	OnTrac Logistics	1,300	--
 LaserShip				
 ArcBest	2021	MoLo Solutions	235 plus 215 earn outs (for 100% of target)	10**

EBIT* or EBITDA** Multiple, Source: Primary, Company Information; Secondary, A&A Estimates

M&A Valuations

Transportation & Logistics Historical EBITDA Multiples



Source: Armstrong & Associates, Raymond James

M&A Valuation Drivers

- Size and scale of operations
- Business model
- Brand strength
- Strong executive management team
- Solid track record of growth and earnings
- Strategic vision
- I.T. platform and level of digitalization / automation
- Diversified customer base
- Vertical industry / e-commerce expertise
- Asset versus non-asset operations

Thank You!



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