

# M&A DISCOVERY TRANSPORTATION & WAREHOUSING 2024

**TULLY RYAN**

Certified M&A Advisor

**Jesse Stone**

Certified M&A ADVISOR

**JASON ROWE, PHD**

SENIOR M&A ADVISOR



# M&A DISCOVERY

## ..... NAVIGATING YOUR PATH TO SUCCESS

You've worked hard to build a successful company and create a legacy. Selling your business is a high-stakes and emotional event. You need a no-surprises approach to help guide you through the final few steps to realizing the value you have worked so hard to achieve.



# M&A DISCOVERY

## NAVIGATING YOUR PATH TO SUCCESS



We're in one of the longest-running positive M&A cycles in recent history. Even as global economic headwinds develop, corporate and private equity investors continue to experience unparalleled access to capital for potential deals. This suggests that the current wave of US industry consolidations and aggressive private equity investing will continue into the foreseeable future, even as deal volume has slowed from recent peaks.

At the same time, with increasing valuations for companies, expectations on sellers are more rigorous. Proactive preparation has become mandatory; processes are more accelerated and data-driven, quality of earnings analysis and sell-side due diligence have become critical. Sellers have to respond appropriately and with confidence as experienced buyers move toward a close.

Selling your company takes informed planning. Whether you are divesting the business completely or bringing in a private equity investor to fuel additional growth, the strategy you develop and follow will play a critical role in creating value for your shareholders and family. Everyone has access to a lot more data to value your business,. The one piece of information the market doesn't have is your story: what you've done and what the business can do next. Your story, when told effectively, can set up a clear and credible case for terms you can justify. A successful transaction will require that you are clear about buyers' expectations, understand your company's value and can evaluate and explain the prospects for your business. Many business owners approach selling their businesses as a finite deal while others have more than a one-time payout in mind. An optimum transaction will structure the deal to meet your long term goals. Before you take the first steps, you will want to work through what you want to accomplish for yourself and your stakeholders with a prospective transaction.

Whatever path you may be considering, we hope this guide serves as a useful starting point for the conversations you will have with your stakeholders, trusted employees and family, as well as your advisers as you realize the value you've worked hard to create.

Tully Ryan  
Managing Director / Certified M&A Advisor  
Murphy Business & Financial – North Carolina  
252-339-6471

Jesse Stone  
Managing Director / Certified M&A Advisor  
Murphy Business & Financial – South Carolina  
803-603-5377



# M&A DISCOVERY

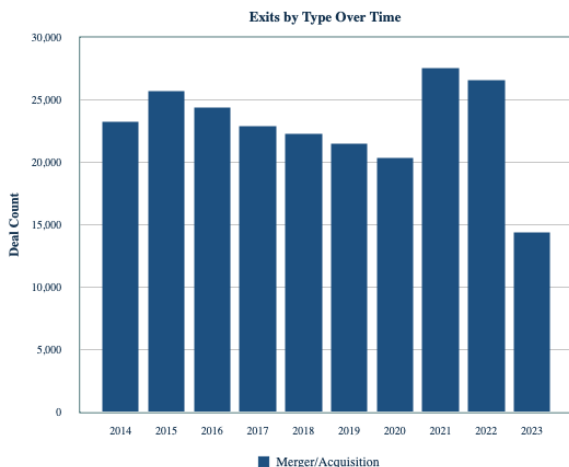
## ANALYZING TRENDS FOR 2024 & BEYOND

As we delve into the current market landscape, there's a distinct sense of optimism surrounding the M&A arena, particularly as we anticipate 2024 and the transition into 2025.

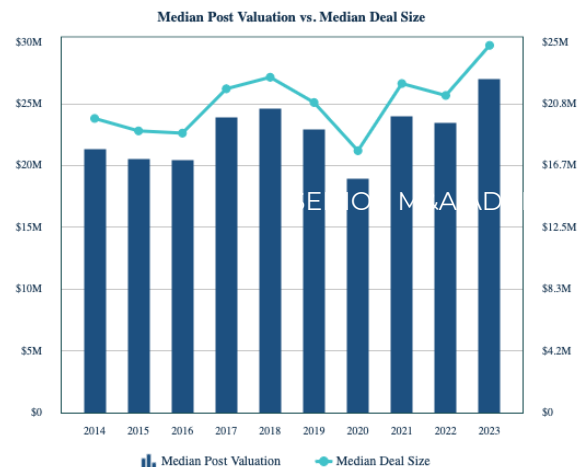
While we acknowledge that the broader macroeconomic conditions will undoubtedly continue to exert influence over dealmaking activities, there is a notable silver lining on the horizon—an impending period of increased interest rate stability. This newfound stability is poised to create an environment that is far more conducive for dealmakers, enabling them to confidently and accurately assess transaction pricing.

In our assessment, M&A has evolved into a pivotal "growth driver" unlike any we've witnessed in recent years. Business leaders across industries are increasingly recognizing its potential as a potent tool for strategically repositioning their enterprises, catalyzing growth through targeted acquisitions, and ultimately delivering sustainable, long-term outcomes.

## US M&A VOLUME & VALUE TRENDS



Source: PitchBook Data



Source: PitchBook Data



# M&A DISCOVERY

## SELLERS PREPARE FOR SUCCESS

As we cast our sights forward, we anticipate the emergence of strategic buyers with cash on their balance sheet actively seeking strategic opportunities. Main street to the mid-market segment, encompassing lower to mid-tier M&A activities, is expected to take center stage, with divestitures playing a pivotal role in shaping the deal pipeline. For prospective buyers, securing access to capital will be of paramount importance, necessitating a meticulous approach to financial and non-financial due diligence.

Conversely, for those contemplating the sale of their businesses, meticulous preparation will be the linchpin to achieving success in this dynamic and ever-evolving M&A landscape. Business owners should be prepared and primed to capitalize on the fast-paced and potentially transformative M&A opportunities that lie ahead.

### PREPARATION IS KEY

#### What buyers want

##### Buyers are paying more attention to:

- new strategic growth and value creation levers
- business model transformation opportunities
- technological capabilities (i.e., cloud, cyber, AI)
- a clear hypothesis of impact of generative AI on the business model
- deeper data analysis
- operating model robustness and durability
- Acquiring and retaining talent
- roadmaps to sustainable transformation

#### How can sellers get “deal ready”?

##### Savvy sellers need to prepare:

- a compelling equity story with quality supporting data
- a transformation strategy with targets and KPIs
- a detailed M&A roadmap
- new growth levers
- cost reduction opportunities
- a technology roadmap
- a scenario analysis of upsides and risks (including AI)
- an operations strategy and leverage
- a workforce strategy and metrics
- financial and operating data to meet sustainability reporting requirements



# M&A DISCOVERY

## ..... MARKET OVERVIEW

The U.S. Transportation and Warehousing sector, vital to the economy, facilitates the movement of goods and passengers via trucks, trains, ships, and more. Including operators of ports, warehouses, and logistics service providers, it mirrors the overall economic performance.

Up to 2023, the sector's revenue grew at a 2.0% CAGR, reaching \$1.6 trillion. A 14.0% decline in 2020, due to COVID-19 disruptions, was followed by a 2021 rebound from increased consumer spending. Ongoing geopolitical events, like the Russian invasion of Ukraine, impacted sector services. Fuel surcharge increases countered rising crude oil prices, but a 1.3% revenue decline is anticipated in 2022 during the U.S. and global economic recovery.

From 2017 to 2019, sector revenue rose with U.S. economic improvement. Increased trade volumes and consumer confidence drove demand in passenger air travel, waterways, car services, railroads, and public transit. E-commerce growth boosted courier services, and rideshare apps expanded the taxi and limousine industry. However, plummeting fuel prices challenge profitability.

Future outlook: a forecasted 1.6% CAGR in sector revenue to \$1.7 trillion by 2028. Challenges include crude oil and commodity price volatility, sustained inflation, and recovery maintenance. Growing online sales and intricate supply chains will sustain demand for innovative logistics. Factors such as commodity price fluctuations, shifts in U.S. economic performance, and evolving regulations will shape the sector's trajectory in the next five years.



# M&A DISCOVERY

## INDUSTRY OUTLOOK

Consumer spending remains robust, particularly in travel, benefitting segments like airlines, passenger rail, cruise, car services, and public transit. E-commerce drives goods consumption, bolstering the transportation and warehousing sector. Economic unease may limit consumer spending, potentially impacting industry performance in the outlook period.

The Ukraine conflict introduces volatility, impacting sector operations and revenue streams. Global crude oil production rises due to Russian oil sanctions, causing fuel prices to plummet and reducing revenue from fuel surcharges. Ongoing supply chain disruptions, coupled with travel restrictions and trade sanctions, further challenge the sector's global outlook.

As the initial effects of the conflict subside, oil prices are expected to fall in 2023, stimulating international activity and increasing downstream demand. Developing business environments see continued growth in online sales, driving demand for couriers and logistics services. However, electronic processes reduce traditional mail delivery needs.

Supply chain integration and complexity fuel third-party logistics growth, with automation becoming prevalent. Automation in carrier terminals and surveillance enhances efficiency, reducing costs. Amid supply chain challenges, operators seek alternative energy sources, particularly in major US ports transitioning to electric vehicles. Amazon's commitment to an all-electric delivery fleet by 2030 sets a trend, emphasizing sustainability in the sector's future.



# M&A DISCOVERY

## INDUSTRY TRENDS

**Consumer Spending Fuels Sector Growth:** The sector's expansion hinges on resurging consumer spending post-pandemic, driving demand for manufacturers, retailers, and distributors to move goods efficiently.

**Rising Disposable Income and Office Return:** Increased disposable income empowers consumers to allocate more to local transportation services. The anticipated return to office work in 2023 is poised to further boost activity in this sector.

**Revival of Air Transportation:** Air travel is resurging as travel restrictions lift. Rebooked trips contribute to increased air travel, marking a positive trend for the sector.

**Impact of Rising Interest Rates:** The Federal Reserve's interest rate hikes signal a potential growth slowdown, affecting downstream markets.

**Influence of Oil Prices:** Oil prices play a crucial role, affecting operators who pass on costs through fuel surcharges and increased prices. Despite current surges due to geopolitical events, oil prices are expected to ease by 2023, benefiting operators.

**Expanding US Trade:** The sector's growth aligns with U.S. trade expansion, driven by increased movement of goods. The freight transportation services index signals a robust recovery, with both imports and exports expected to grow in 2023.

**Challenges of Interest Rate Increases:** Interest rate hikes pose challenges, impacting downstream demand and presenting financing obstacles. As a capital-intensive sector, rising rates increase costs for expansion and operations, affecting financing for warehouses and equipment.

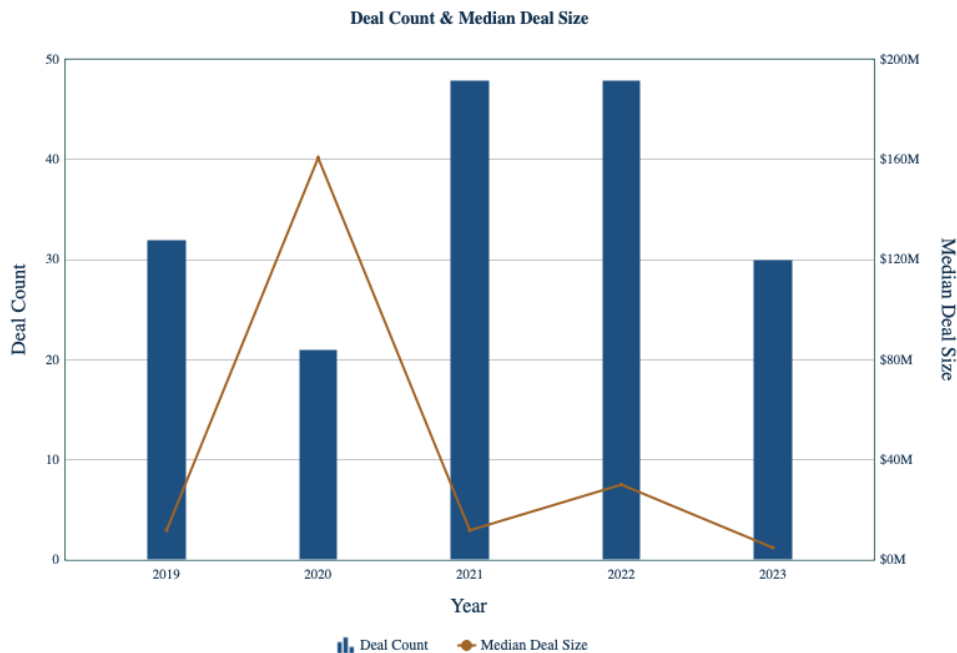




# M&A DISCOVERY

## CONSOLIDATION

Prominent transportation and warehouse conglomerates are pursuing expansion through the acquisition of smaller players. Within sectors such as Postal Services (refer to IBISWorld report 49111), Courier and Local Delivery Services (49222), and air transportation subsegments, dominant monopolies prevail.



Created on 17-Sep-2023 | Source: PitchBook Data



In the context of the Murphy M&A Discovery report, we can observe that over the preceding five years, the manufacturing sector has experienced significant merger and acquisition activity, with its peak occurring in 2021 and 2022. The median deal size has exhibited somewhat consistent fluctuations, reaching its lowest point at \$4.7M million so far in 2023.



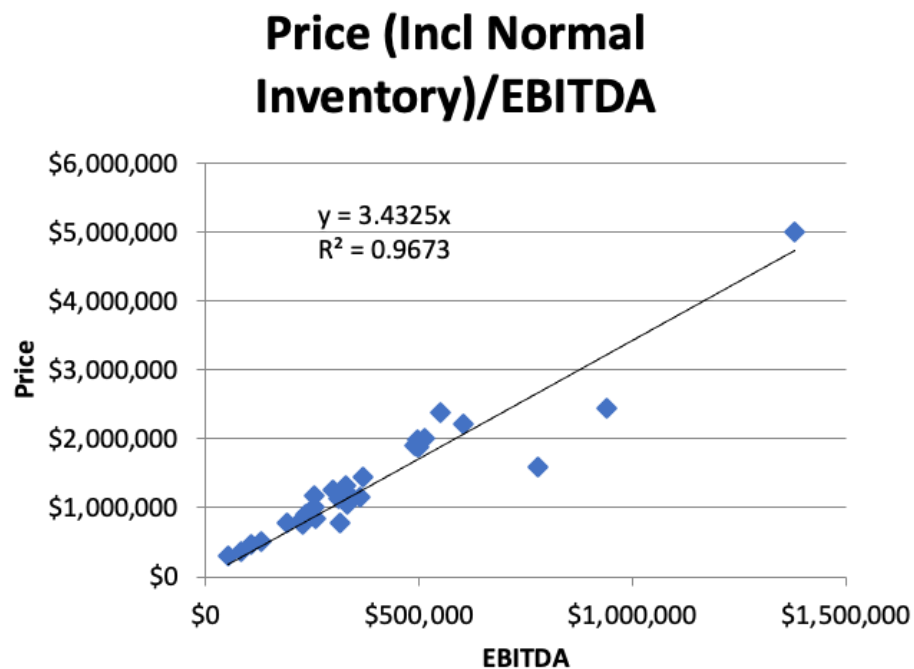
# M&A DISCOVERY

## LARGE MAIN STREET BUSINESSES TRANSACTIONS

### Regression Analysis of Warehousing and Transportation Companies

Below is a chart illustrating the results of a regression analysis conducted on Construction Equipment Dealerships transactions using data sourced from PeerComps. In this chart, each diamond symbolizes a company that has been sold, and its position on the chart represents the corresponding sale price (on the left axis) in relation to a specific financial metric (on the bottom axis).

In the equation that characterizes the line that best fits these observations, "y" denotes the value (sale price), and "x" signifies the financial metric (EBITDA). The numerical value associated with this equation represents the multiple applied. Additionally, we use R-squared as a statistical metric to assess how well this equation aligns with the actual outcomes. R-squared ranges from 0 (indicating no correlation) to 1.0 (indicating a perfect correlation).



# M&A DISCOVERY

## INDICATION OF VALUE: MAIN STREET BUSINESSES

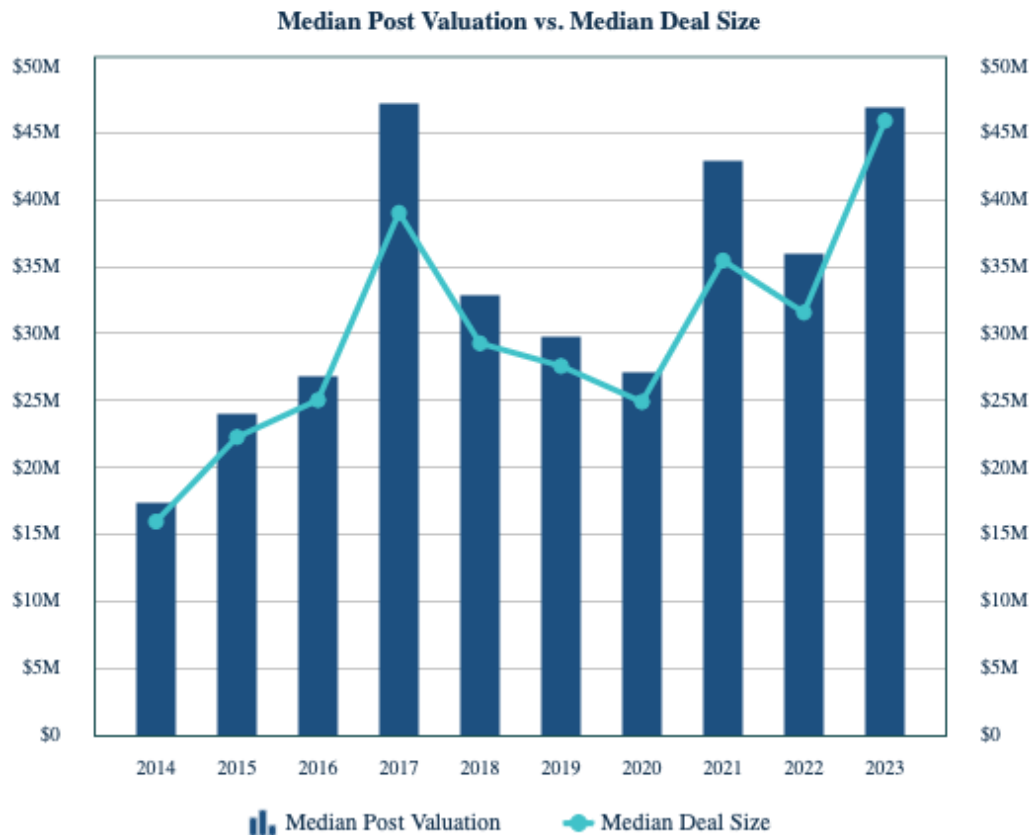
This indicative valuation range is based on EBITDA analysis relative to other companies that have sold. Once we receive detailed financials, we can perform a more thorough assessment based on Seller's Discretionary Earnings (SDE) and EBITDA, that may increase the value, or could decrease it, depending on the various expenses of each location.

EBITDA	Indicative Value Range
\$100,000 - \$250,000	\$386,000 - \$965,000
\$250,000 - \$500,000	\$965,000 - \$1,930,000
\$500,000 - \$1,000,000	\$1,930,000 - \$3,860,000
\$1,000,000 - \$2,500,000	\$3,860,000 - \$9,650,000
\$2,500,000 - \$5,000,000	\$9,650,000 - \$19,300,000



# M&A DISCOVERY

## MULTIPLE RANGES PAID BY STRATEGIC BUYERS



Understanding Median Post Valuation vs. Median Deal Size is vital for business owners eyeing a sale. It gauges industry competitiveness, helping assess where your business stands in terms of valuation and deal size, ensuring informed decisions in the selling process.

# WHO WE ARE



We are a skilled team of trusted and experienced M&A advisors specializing in lower-middle market companies ranging from \$5MM to \$50MM in annual revenue. Our primary objective is to help your clients determine an accurate business valuation and develop an exit strategy that matches their timeline and meets their financial expectations. Our dedicated team of advisors will handle the complexities and noise of searching for the right buyer and completing the transaction so that your clients can stay focused on running and growing their business.

Our client-centric approach and demonstrated results have made us the partner of choice for many great companies. Our goal is to maximize the value of your client's company and maximize cash to shareholders. When you choose to partner with us, you are opting for the full-service approach. Your clients enjoy:

**AN INITIAL DEEP-DIVE  
CONSULTATION AND  
BUSINESS VALUATION**

**OUR CONFIDENTIAL  
MARKETING PROCESS  
DESIGNED TO SELL  
YOUR BUSINESS**

**A THOROUGH  
SCREENING OF  
PROSPECTIVE BUYERS**

**PROVEN SALES PROCESS  
CONFIDENTIALLY,  
DISCREETLY,  
AND PROFITABLY**

**NEGOTIATING OFFERS  
AND STRUCTURING  
THE DEAL**

**EXPERTISE DURING  
DUE DILIGENCE AND  
CLOSING**

We have extensive real-world experience in business research and advanced analytics. We understand the importance of data, information, and action. This gives us a unique perspective on M&A deals and allows us to deliver similarly unique outcomes for your clients. We welcome the opportunity to discuss our process with you and share our blueprint for success.



# OUR SERVICES

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**BUSINESS  
BROKERAGE**



**MERGERS &  
ACQUISITIONS**



**BUSINESS  
VALUATION**

# OUR SUCCESS

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**96%**

BUSINESSES WE  
SELL TRANSACT FOR  
AT LEAST 96% OF  
THE LISTED PRICE,  
ON AVERAGE

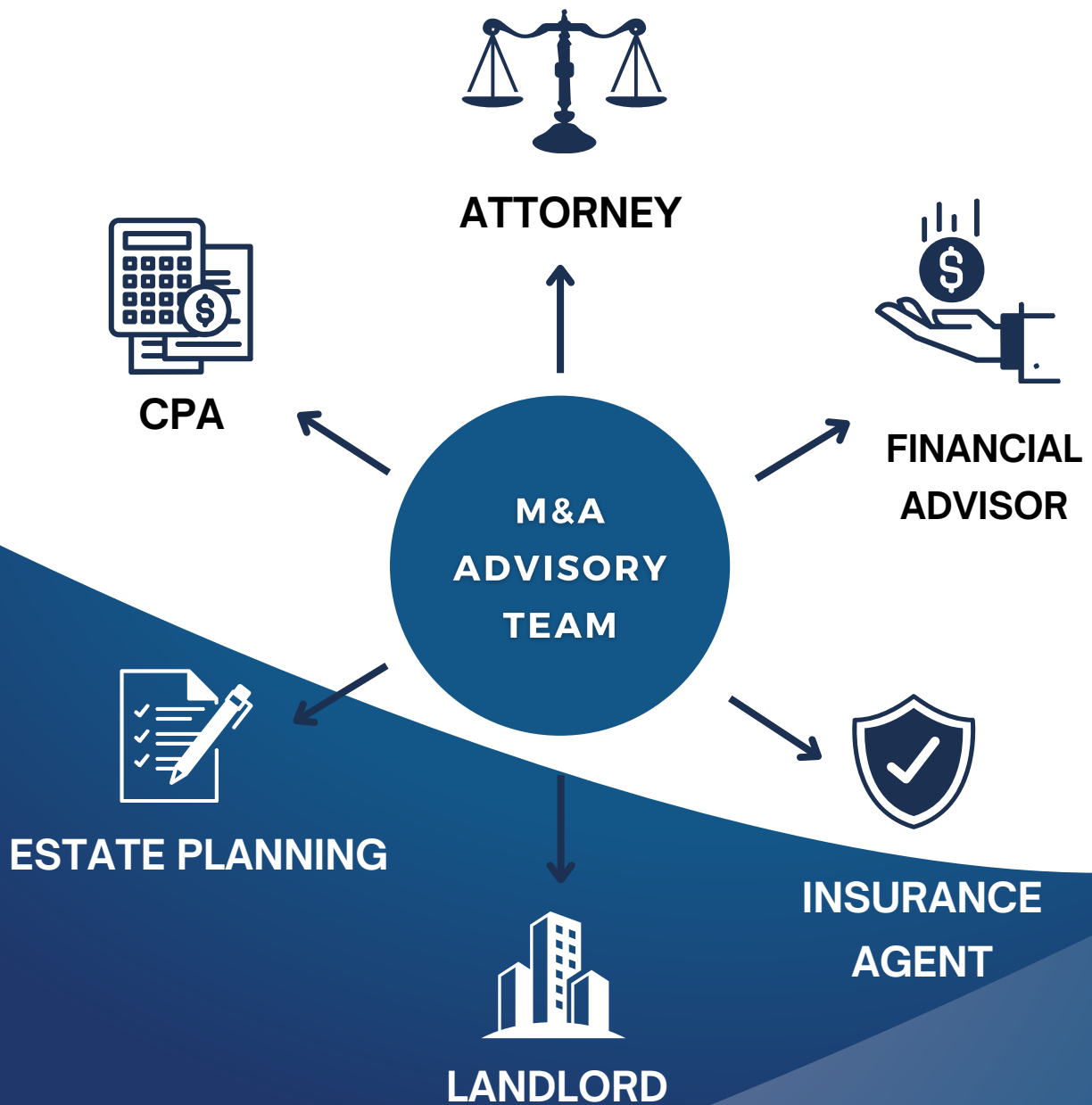
**\$419MM**

TOTAL TRANSACTION  
VOLUME NATIONWIDE  
IN 2022

**140+**

OVER 140 OFFICES  
ACROSS THE U.S. HELPING  
TO CONNECT YOUR  
BUSINESS WITH BUYERS

# HOW WE MANAGE THE DEAL TEAM



# WE BRING BUYERS TO THE TABLE



Our network of buyers share our passion for building strong relationships and thinking long-term when it comes to mergers and acquisitions. We have a proven track record of working with many types of buyers across multiple industries.

**STRATEGIC BUYERS**

**PRIVATE EQUITY  
GROUPS**

**HIGH NET  
WORTH INDIVIDUALS**

**FAMILY OFFICES**

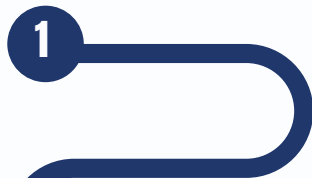
We leverage our buyer network to provide our sell-side clients with rich opportunities and to entice prospective buyers to bring in compelling offers. Our buyers are interested in acquiring great companies.



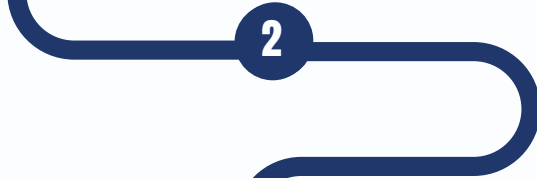


# 4 STEPS TO QUALIFIED OFFERS

**BUSINESS VALUATION**



**OFFERING PACKAGE**



**MARKETING PLAN**



**SCREEN PROSPECTS**

**EVALUATE OFFERS**



# TULLY RYAN

## CERTIFIED M&A ADVISOR

Tully Ryan, a recognized industry leader, serves as the firm's managing director. A Certified M&A Advisor and licensed real estate broker, Tully has over 30 years of experience leading companies in all facets of business including business development, go-to-market planning and execution, financial controls, capital raises, and acquisitions. Tully has also served on various boards including the East Carolina University Board of Visitors and the Carolina Virginia Business Brokers Board of Directors.



# JESSE STONE

## CERTIFIED M&A ADVISOR

Jesse Stone, is a South Carolina native who has been a top Merger and Acquisition Advisor for close to a decade. Jesse has 20 years' experience starting, acquiring, selling and brokering companies in the Southeast. Jesse has served on several chamber of commerce boards, community development and economic boards in the Carolinas. Jesse has a passion to assist business owners in successfully exiting their company.

# JASON ROWE, PHD

## SENIOR M&A ADVISOR

Jason Rowe has over 25 years of business-to-business sales and marketing experience. Jason specializes in the use of historical databases and predictive analytics to maximize business valuation across all industry sectors. He holds a PhD in Business Administration (Marketing) from the University of Kentucky and an MBA and BBA in Marketing, both from Marshall University.



# CLIENT TESTIMONIALS

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”

Tully Ryan and the team at Murphy Business Sales have a deep understanding of our market, the competitive landscape and important trends. Their tailored approach resulted in a terrific outcome for the acquisition of our (business) as well as our employees who are excited about the next phase of the company. Murphy Business’ valuable counsel, experience, and diligent process management were all critical in achieving a great result.

**-George Leviton**

***COO OF TWIN TOWERS TRADING SITE MANAGEMENT LLC***

# CLIENT TESTIMONIALS

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”

Tully, and the entire Murphy Business Team, streamlined our acquisition management processes through seamless communication and collaboration between Monro and Murphy. They Identified existing automotive repair and tire chains for acquisitions, assisted with due diligence and negotiating the purchase, directed real estate lease related activities, and managed the process through closing — all in coordination with our Legal and Finance team. Tully and his team got things done in an expeditious and efficient manor, adding value to our M&A group by allowing us to focus on priority issues and close more transactions.

**-Paul Barrata**

***VICE PRESIDENT OF REAL ESTATE MONRO, INC.***

# CLIENT TESTIMONIALS

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”

We were looking for a team that had experience with middle market acquisitions. Our Wells Fargo Wealth Advisor referred us to Ron Buck and Tully Ryan with Murphy Business Sales, and we got exactly what we were looking for. Ron, Tully, and the entire Murphy team not only met, but far surpassed our expectations. We were extremely satisfied with their expertise, thoroughness, and level-headed navigation through the inevitable noise of the transaction. Not to mention the price, terms, strength of the buyer, and the time it took to complete the transaction. We really appreciate all that they did for us, from initial engagement to closing (and even post-closing), and would highly recommend them to other owners interested in selling their business.

**-Mark Edelman and Ken McMullen**

***CO-OWNERS, MARK-AIR, INC***

# CLIENT TESTIMONIALS

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”

Overwhelmingly positive experience with Murphy Business. I tried selling my business for 3 years with a different business broker and within 167 days after listing, Murphy Business found a buyer and closed the sale for 100% of our asking price. I have had an overwhelmingly positive experience with the Murphy Business Services team and Tully Ryan. I have found Tully to be honest, knowledgeable, and attentive to the needs of both buyer and seller.

By setting realistic expectations and using his expertise and past experiences, Tully brings incredible value to both sides of the transaction, facilitating successful transactions which maximize value for sellers, while simultaneously setting up a buyer for long-term success. I would not hesitate in recommending him to anyone who is seriously considering selling their business.

**-Chris Carpenter**

***PRESIDENT***

# CONTACT US



**TULLY RYAN**

**CERTIFIED M&A ADVISOR**

t.ryan@murphybusiness.com



**JESSE STONE**

**CERTIFIED M&A ADVISOR**

j.stone@murphybusiness.com



**JASON ROWE, PHD**

**SENIOR M&A ADVISOR**

j.rowe@murphybusiness.com

