

2024

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# TENNEY GROUP

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ANNUAL M&A REPORT



# NOTE FROM OUR CEO

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It is such a privilege to serve business owners who literally make America move. 2023 was a challenging year for M&A in transportation & logistics but, be encouraged. We expect 2024 to be a more normalized environment for business sales, acquisitions, and value creation.

Wherever you may be headed in the coming year, remember this industry is wonderful yet incredibly unforgiving at the same time. To remain in control of all your available strategic options, stay educated and agile.

We've designed our 2024 Annual M&A Report for that very reason. Use it to gain market insights from recent deals, to learn valuable tips from our All-Star Panel of Industry Acquirers, and enjoy a rare conversation with Tenney Group's Founder that unpacks 50 years of advising on deals in transportation.



*Spencer Tenney*  
**Spencer Tenney**  
CEO, Tenney Group



# 2023 M&A OVERVIEW & 2024 FORECAST

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Despite challenges in 2023, we still saw many transactions get completed. This report addresses what Tenney Group observed around the deal table in 2023 and examines what we expect to take place in 2024. The commentary within this report is geared toward sellers and buyers of T&L companies with annual revenues ranging from \$20M to \$300M.

## Notable Deals in 2023

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KNIGHT-SWIFT ACQUIRED US EXPRESS

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SCHNEIDER ACQUIRED M&M TRANSPORT

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HUB GROUP ACQUIRED FOWARD AIR'S FINAL MILE SEGMENT

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TFI ACQUIRED DASEKE

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COX AUTOMOTIVE ACQUIRED ARCBEST'S FLEETNET AMERICA

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TRIDENT & BLUEJAY CAPITAL ACQUIRED PRIORITY COURIER EXPERTS

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FORWARD AIR & OMNI LOGISTICS MERGER

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COVENANT LOGISTICS ACQUIRED DEDICATED POULTRY HAULER LEW THOMSON & SON

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MULLEN GROUP ACQUIRED B&R ECKELS TRANSPORT

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TRIMAC ACQUIRED DOYLE SIMS & SONS

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DUPRE LOGISTICS ACQUIRED INTERSTATE TRANSPORT

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US MULTI-MODAL GROUP ACQUIRED OVERLAND DISTRIBUTION

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BIG G ACQUIRED RTR TRANSPORTATION

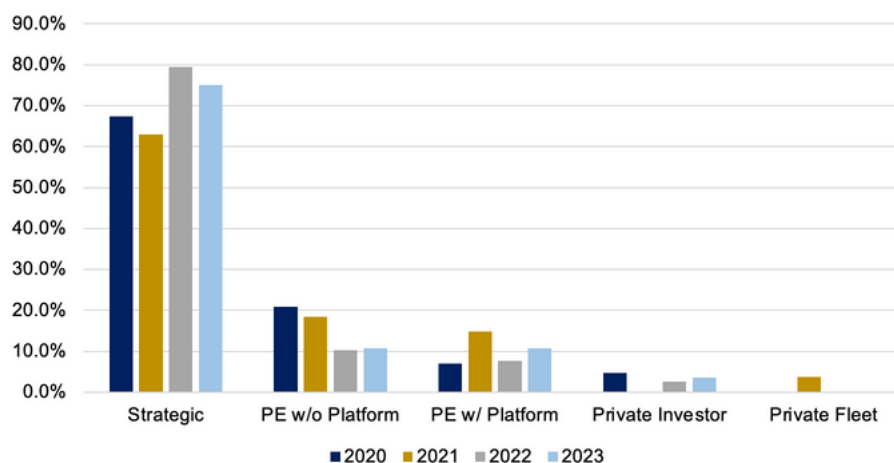
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TENNEY GROUP ADVISED DEAL

# INTERNAL BUYER AND OFFER ANALYSIS

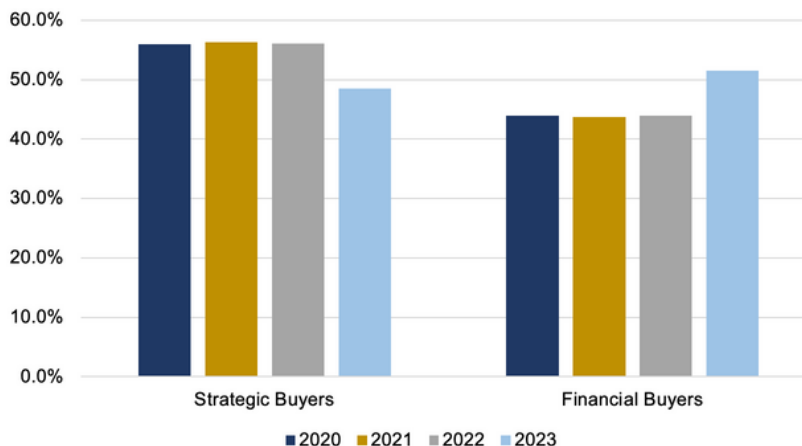
The following internal data is pulled from 2023 transactions we advised on. It is a small sample and could be misleading if applied without context. Our purpose in sharing it is to elevate the understanding of how different buyers approach deal structure for lower middle market acquisitions.

**Offers by Buyer Type**



	2020	2021	2022	2023
Strategic	67.4%	63.0%	79.5%	75.0%
PE w/o Platform	20.9%	18.5%	10.3%	10.7%
PE w/ Platform	7.0%	14.8%	7.7%	10.7%
Private Investor	4.7%	0.0%	2.6%	3.6%
Private Fleet	0.0%	3.7%	0.0%	0.0%

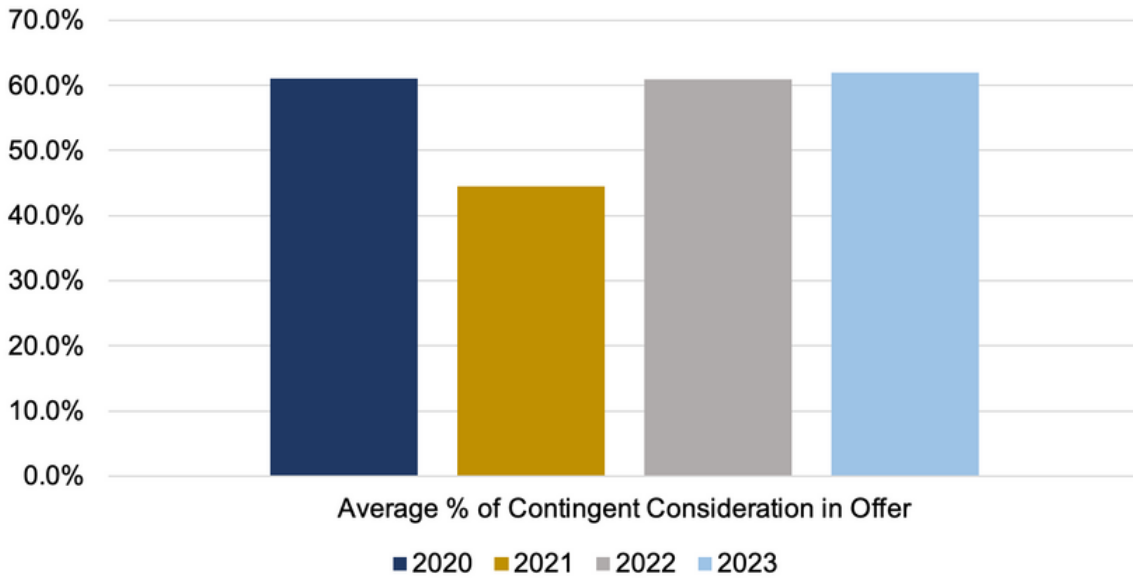
**NDA's by Buyer Type**



	2020	2021	2022	2023
Strategic Buyers	56.0%	56.3%	56.1%	48.5%
Financial Buyers	44.0%	43.7%	43.9%	51.5%

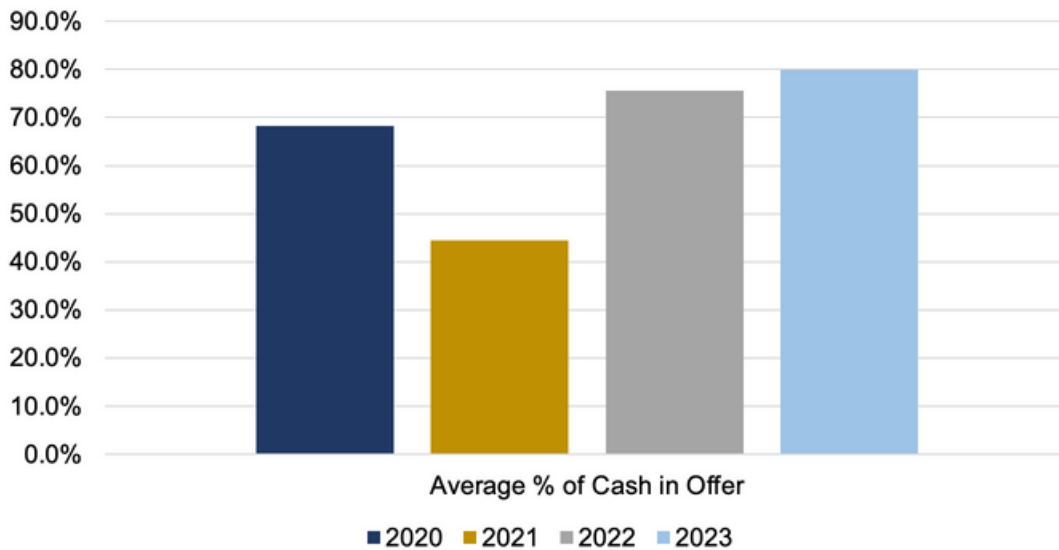
# INTERNAL BUYER AND OFFER ANALYSIS

## Offer Analysis by Structure - Contingent Consideration (*Earnout + Seller Financing*)



	2020	2021	2022	2023
Average % of Contingent Consideration in Offer	61.0%	44.5%	60.9%	61.9%

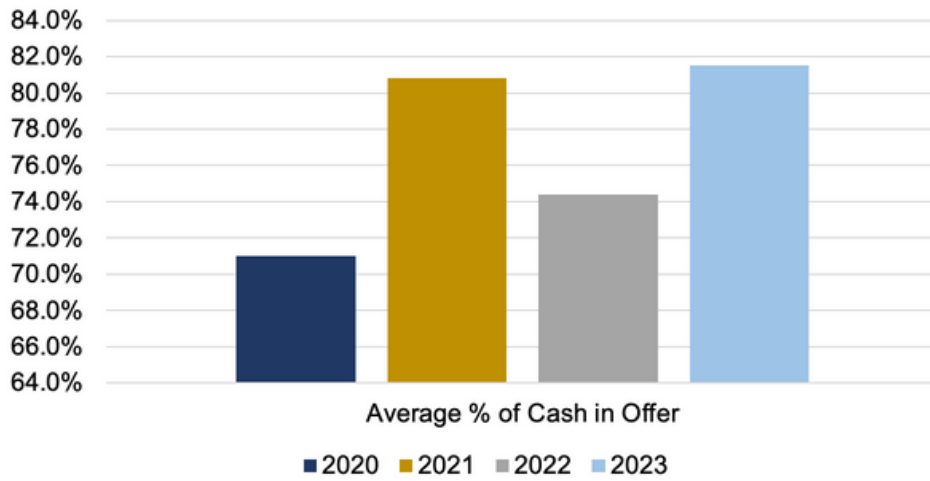
## Offer Analysis by Structure - Cash Consideration



	2020	2021	2022	2023
Average % of Cash in Offer	68.2%	82.5%	75.6%	79.9%

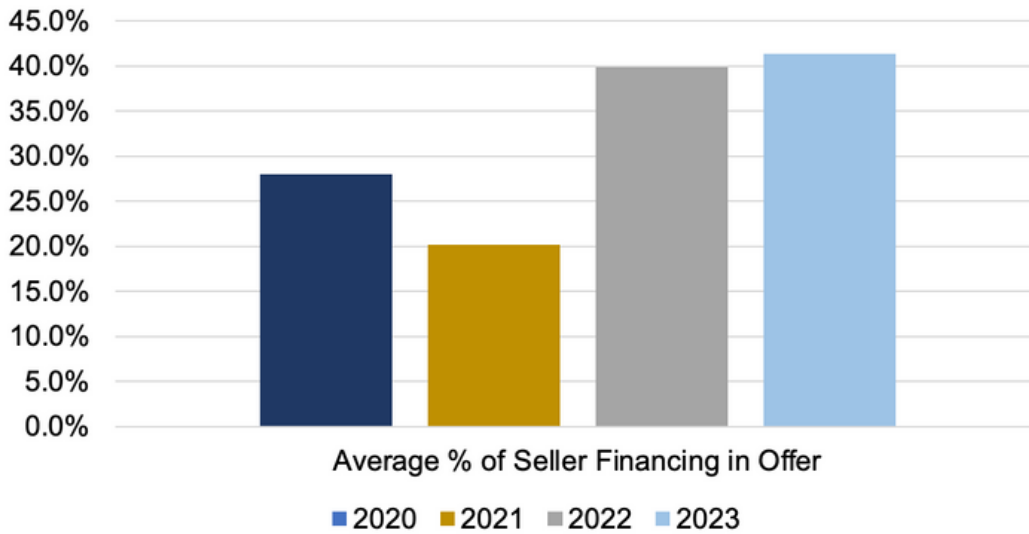
# INTERNAL BUYER AND OFFER ANALYSIS

## Offers from Strategic Buyers - Cash Consideration



	2020	2021	2022	2023
Average % of Cash in Offer	71.0%	80.8%	74.4%	81.5%

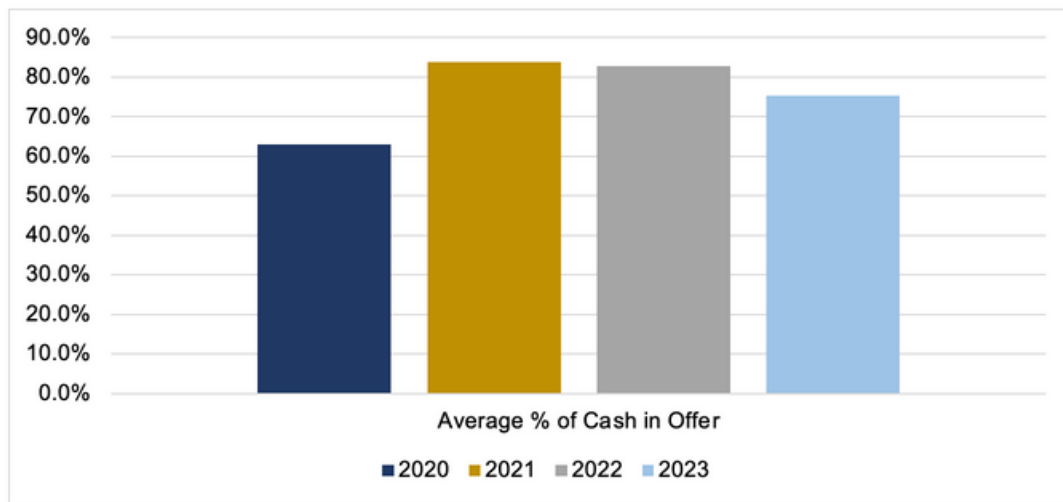
## Offers from Strategic Buyers- Seller Financing in Offer



	2020	2021	2022	2023
Average % of Seller Financing in Offer	28.0%	20.2%	39.9%	41.4%

# INTERNAL BUYER AND OFFER ANALYSIS

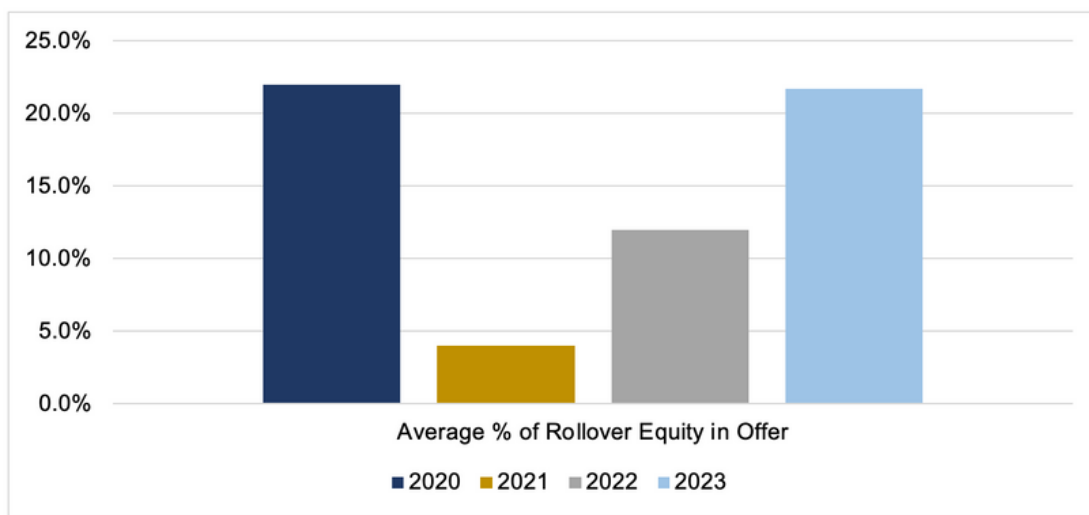
## Offers from Financial Buyers - Cash Consideration



	2020	2021	2022	2023
Average % of Cash in Offer	63.0%	83.9%	82.8%	75.3%



## Offers from Financial Buyers - Rollover Equity in Offer



	2020	2021	2022	2023
Average % of Rollover Equity in Offer	22.0%	4.0%	12.0%	21.7%

# RECAP OF 2023 MARKET

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## **Short Supply of Healthy Sellers Equals**

### **Reduced M&A Activity**

Inflation, interest rate hikes, and the declining freight market were center stage in 2023. Many T&L business owners who expected to exit last year never began the process. Either they closed their doors suddenly to cut their losses, declared bankruptcy, or called an audible to wait until market conditions normalized.

Consequently, buyers had fewer acquisition opportunities to consider for value creation. Contrary to our prediction, M&A activity, specifically for small to mid-sized fleets, declined.

## **Structure Plays Major Role in M&A Outcomes**

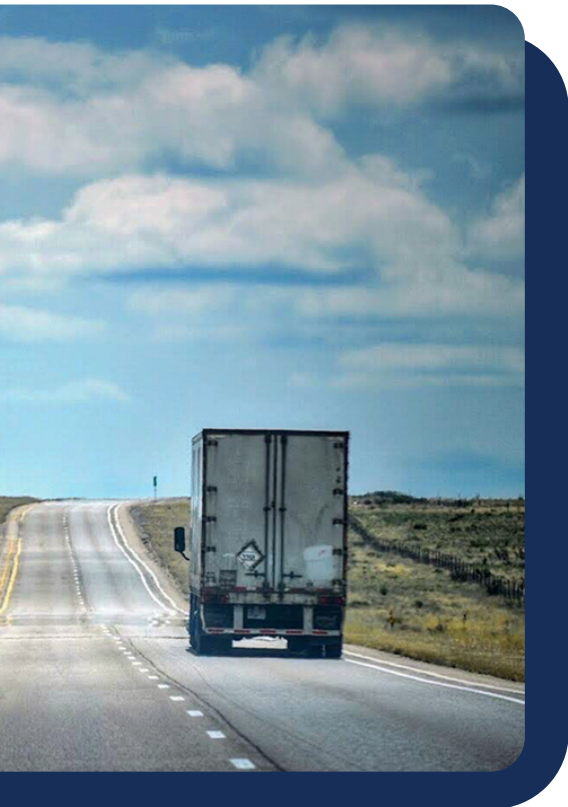
As we predicted in last year's report, structure played a major role in creating alignment between buyers and sellers in a very volatile freight market. The deals with the greatest total consideration (value) for sellers involved shared risk components: earnouts, rollover equity, seller notes, etc. These provisions protected buyers from "some" of the downside of the deal while not punishing sellers disproportionately for temporary performance dips.





# RECAP OF 2023 MARKET

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However, even when buyers and sellers reached a meeting of the minds on value and structure, it was extremely challenging to stay aligned through due diligence. Many acquisition targets experienced 20-30% month-over-month performance declines after going under a letter of intent. Consequently, many buyers and sellers paused discussions rather than misuse valuable time and resources on a deal that would never satisfy either party or their boards.

## **Niche Experts Shine Bright . . . Particularly in Challenging Market**

Sellers who were market leaders with limited spot market exposure and who offered niche expertise experienced different outcomes - highly competitive valuations with mostly cash at close.

In 2021/2022, it was often difficult to challenge the skepticism around "record" performance when market tailwinds enhanced all P&Ls. In some ways, it was easier for buyers to appreciate and value a true market leader in 2023. The volume of non-asset T&L in deals paled in comparison to the last two years. Still, we found it encouraging to reinforce that there are still buyers and capital sources for the right 9-figure acquisition in any capital or freight market.

# PREDICTIONS FOR 2024

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## **Valuation Alignment Creates M&A Activity Spike**

After a three-year roller coaster of buyers and sellers failing to find the same valuation universe, 2024 will be different. Considering the realities of 12 recent interest rate hikes, normalized equipment values, a recovering freight market, and potential nuclear verdicts, sellers will be more inclined to evolve on valuation expectations.

Similarly, buyers will be much more aggressive in their efforts to offset rising costs that threaten long-term sustainability. According to the American Transportation Research Institute, the average increase in cost per mile per truck in 2023 was 21.3%.

Many economic experts predict multiple interest rate reductions in 2024. If that happens, buyers and sellers will reach a consensus around deal points more easily and in less time.

## **Top Buyers Demonstrate Discipline**

Cautionary tales of 2023, Conway in particular, will influence the way publicly traded companies, venture capital, and private equity firms approach T&L acquisitions and freight tech investments. They will remain very disciplined when it comes to valuation, and they will prioritize many tuck-in deals that offer limited strategic risk.

# PREDICTIONS FOR 2024

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We don't expect a high quantity of transformational-type transactions. This market is not built for that. However, if these acquirers see a rare opportunity to make a major move while paying a fair valuation, they will pounce on it. To that end, Tenney Group expects a few extraordinary deal announcements in 2024.

## **Supply of Companies Available to Purchase, 10-Year High**

Many asset-light companies who experienced 20-30% top-line losses in 2023 will forego taking on the future alone. Instead, they will take on strategic investors to enhance their capabilities and to set up the company for sustained success. Additionally, many asset-heavy T&L business owners who intended to sell in 2020 will begin their industry exit.

In 2020, owners in this group were too underwater with Covid to think about exiting, and in 2021/2022, they made too much money to walk away. In 2023, their financials couldn't convey the right investment story. Fatigue and evolving transaction goals will make 2024 the year of the exit. Consequently, acquirers will have unique value-creation opportunities through a variety of acquisition options.

# 2024 All-Star Buyer Panel

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In this special annual report addition of The Hot Seat, Spencer Tenney is joined by three T&L industry experts to discuss the 2023 M&A market and give their predictions on what's ahead in 2024.

Today's special M&A panel covers:

- The 2023 M&A Market
- How to Build Trust and Alignment in Deals
- Strategic Rationale for Acquisitions
- Culture Compatibility in M&A
- Deal Sourcing
- Criteria for Acquiring a Business
- Advice for First-Time Acquirers

[Watch Now](#)

# READY TO EXPLORE A SALE?



## Our Proven Process

Our sales process has been proven to be the most effective sales process in the transportation industry for over 50 years. When it comes to deal-making, the T&L 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
- Specialized Carriers

### Logistics / Other:

- 3rd Party Logistics
- Final Mile
- Warehousing

[Learn More](#)

# MARKET STABILIZATION IN 2024

*By Meg Meurer, CCO Tenney Group*

**In the wake of a challenging year in transportation, we are cautiously optimistic entering 2024.** As we continue to track macroeconomic trends, industry economists, and have dozens of conversations with prospective buyers and sellers each week, we anticipate a shift towards a more stable environment to transact in 2024. Stability is a key catalyst for buyers, sellers, lenders, and investors to drive deal flow.



Over the course of the last twelve months, we attended over 40 industry events and met with many business owners around the country to learn about their desire to create and protect value amid historic volatility in rates, volume, equipment, interest rates, and other key drivers that presented opportunities and challenges for industry participants to operate or transact in.

Through it all, we remain amazed by the resiliency and creativity of the men and women who keep our country moving.

# MARKET STABILIZATION IN 2024

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Despite headwinds in the broader freight M&A environments, we were fortunate to have steady growth in the latter part of 2023 as buyers and sellers remained opportunistic in looking for ways to advance their current position. As we enter 2024, buyers continue to express keen interest in acquiring to gain capabilities and scale, diversifying into new verticals, and strategically enhancing their market presence through increased density or expansion in key geographical areas.

T&L companies that have demonstrated unique capabilities by retaining and growing customer relationships in a challenging market, and remained vigilant in managing rising costs, will remain attractive acquisition targets and command the most competitive valuation. We remain dedicated to supporting sellers who find themselves approaching retirement without a clear succession plan or those who simply seek to find the right partner for their next phase of growth.



# MARKET STABILIZATION IN 2024

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Moving in 2024, we have implemented many structural enhancements aimed at refining process flow and enhancing our capacity to support clients, adding substantial value throughout the business sale journey.

Our commitment extends to continuous investment in our team, with strategic hires of subject matter experts and seasoned transportation operators.

Over the past twenty-four months, our team has doubled in size, fueling our excitement for the upcoming year and our unwavering dedication to providing clients with an expanded array of options as they embark on their next chapter!



*Meg Meurer*

**Meg Meurer**

CCO, Tenney Group





# 2024 INDUSTRY EXPERTS COMMENTARY

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We asked industry experts what they were most optimistic about in 2024 when it comes to the transportation and logistics industry. Here is what they had to say.

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**Jonathan Todd**  
Partner - T&L, Benesch Law

“We are in a “back to basics” environment where discipline is the name of the game. It is time for a renewed focus on strong business operations. This is the single best way to compete today, even if it is not flashy. Quality operators executing on thoughtful strategic plans will be the winners in organic growth and M&A deals - and it is never too late to improve!”



**Chris Tanke**  
Principal, Acrisure Midwest/HNI

“In 2024 I am very optimistic that the trucking industry will enjoy its’ safest year ever. Companies who have made substantial investment in safety technology to prevent and mitigate crashes will see real results in crash reduction. Those firms that have created a value-based safety culture will continue to see benefits from drivers making the right safety decisions every time. Carriers who achieve solid results in crash reduction will be rewarded by their insurance partners with stable rates in 2024.”



# 2024 INDUSTRY EXPERTS COMMENTARY

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**Jeff Mitten**

President - Executive Search,  
J. Louis Lynn, Inc.

“Within the Full Truckload, Intermodal, 3PL, and Highway Brokerage space, the single most encouraging thing I see is the pent-up desire for growth. Throughout 2023, my clients have been refining their service offerings, applying a disciplined and focused intensity to their existing operations, and preparing themselves for aggressive next-stage growth in 2024. I believe this year is going to be very interesting!”



**Peter Racen**

Partner, Moneta

“ This time is different. This is the phrase we hear a lot in the wealth management industry and I’m sure 2024 will present some event that no one saw coming. There will almost always be a “crisis du jour” in terms of geopolitical events, politics, regulatory change, monetary policy, etc. Events such as these can lead to regular consternation over the short term. However, a long-term perspective is important with investing as long-term factors such as earning growth, economic conditions, and corporate fundamentals provide the foundations of the trajectory of markets. I am optimistic about the opportunities in 2024 to assist my business clients in laying the foundation for their exit strategy. No matter what event(s) occur in 2024, it is never too early to start putting a plan together.”



# 2024 INDUSTRY EXPERTS COMMENTARY

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**Dan Washam**  
SVP, U.S. Bancorp

“There are four key things I’ll be watching for this year. Will the truckload market inflection and recovery be steep enough to drive meaningful working capital investment for carriers and brokerages? Will the Fed achieve a ‘soft landing’ for the U.S. economy, or will their tightening efforts nudge the country into a recession? Will clarity on Basel 3 Endgame and interest-rate relief free up bank lending capacity, leading to more M&A? And will RTP and FedNow expansion among banks give carriers more access to instant payments?”





Charles Tenney, the founder of Tenney Group, shares insights from his 50-year career in the transportation and logistics industry. In this anniversary interview, he shares:

- Discovering his calling to be a deal advisor.
- Keys to succession planning.
- Selling Tenney Group to his son.
- Life after the transaction.
- His favorite client stories from the last 50 years.
- Defining success and the keys to achieving it.

[Watch Now](#)

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