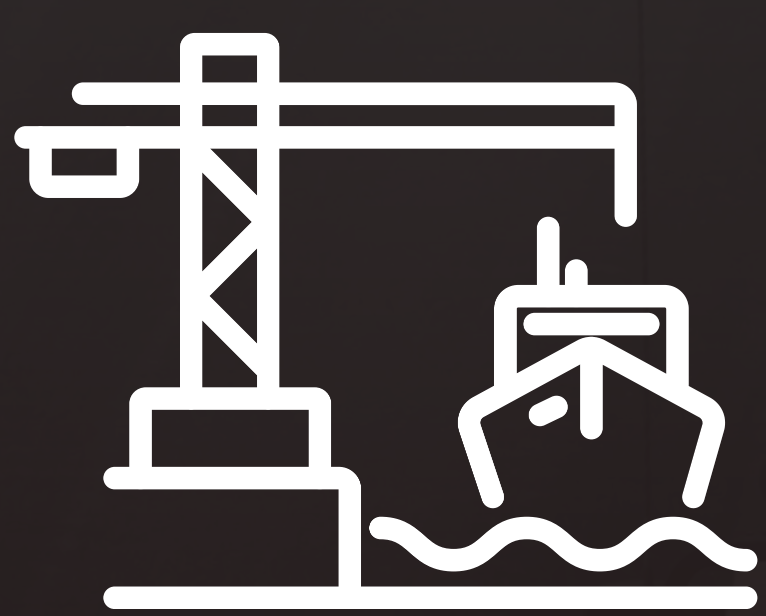
Left Lane ASSOCIATES
Supply Chain M&A Advisors

FALL 2024 UPDATE

M&A OUTLOOK

Based on prevailing sector trends and discussions with professionals in transportation, logistics, and financial services, macroeconomic challenges and residual effects of the North American freight recession continue to shape M&A activity within the supply chain industry – with some signs of recovery. While potential acquirors continue to approach deals with increased scrutiny, a strong appetite remains for supply chain businesses that provide highly specialized services, operate in defensible market niches, or are able to demonstrate a platform for sustainable growth. As cargo volumes rise, rates stabilize, and costs become more predictable, subtle indicators point to improving operating conditions within the North American trucking sector in 2025. Left Lane Associates sees this as a promising time for value-driven acquisitions, where buyers can leverage attractive valuations to create growth opportunities and enhance their market positioning. Multiple prominent transactions occurred within the North American supply chain industry over the last several months, with the most recent being Kenan Advantage Group's acquisition of the Michigan-based, PRM Trucking Inc., in which Left Lane Associates provided acquisition advisory services.

PORT STRIKES



In October 2024, approximately 45,000 port workers represented by the International Longshoremen's Association (ILA) launched a labour strike across U.S. East and Gulf Coast ports after contract negotiations with the United States Maritime Alliance (USMX) stalled.[1] The strike – estimated by J.P. Morgan to have potentially cost the U.S. economy approximately USD 5 billion per day – ended after three days as both parties reached a tentative agreement.[1] This agreement, effective until January 15, 2025, enables both parties to return to the negotiating table and address unresolved issues, including worker concerns over the automation of processes and the potential for resulting job losses.[1] Despite these labour challenges and the looming threat of the strike, container traffic at major U.S. ports surged in the third quarter of 2024, driven by early holiday shipments.[2] Anticipating East Coast disruptions, the ten largest U.S. container ports recorded a 19.3% year-over-year increase in inbound volume in August, reflecting resilient performance leading up to the fall season.[3]

[1] https://www.reuters.com/world/us/ship-queue-grows-us-ports-dockworker-strike-enters-third-day-2024-10-03/

[2] https://www.ttnews.com/articles/port-volumes-jump-july-2024

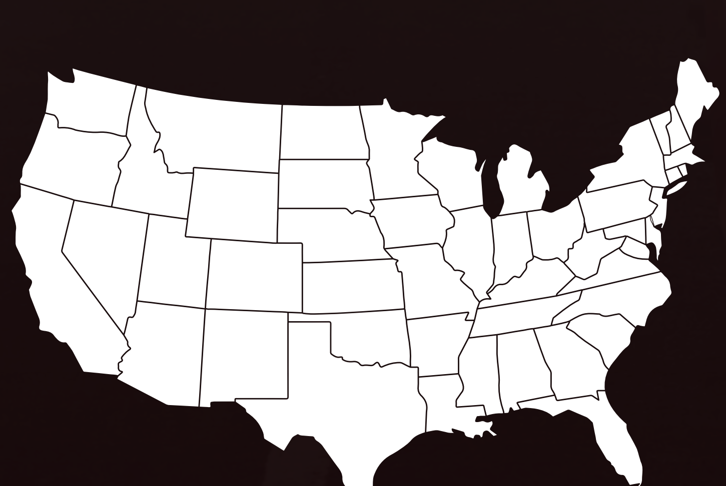
[3] https://gcaptain.com/u-s-imports-surge-august-inbound-container-volumes-skyrocket-nearly-20/

CROSS-BORDER PROGRESS

Following a bottoming-out of the North American over-the-road (OTR) trucking market in the first half of 2024, OTR spot rates and truck-to-load ratios showed signs of progress across key segments to begin the fall period. Over Canadian cross-border lanes into the United States, spot rates for the dry van segment saw a gradual increase of 2% quarter-over-quarter, while the average spot rate for refrigerated freight rose 31% quarter-over-quarter by late September, representing its highest point since September 2023.[4] Amid these gains, the average spot rate for flatbed freight experienced a 13% decline, falling by 13% quarter-over-quarter.[4] In addition, the third quarter saw truck-to-load ratios improve by 47%, dropping from 11.14 to 5.86 trucks per load by the end of September 2024.[4] Availability peaked in July and declined as the third quarter progressed, as demand began to align more closely with available capacity.[4] Looking forward to the final month of the year and into 2025, the weeks ahead hold promise for American and Canadian carriers alike as freight volumes rise with the holiday season.

[4] LoadLink Proprietary Data

A NEW ADMINISTRATION



For U.S. carriers and Canadian carriers with U.S. operations, the results of November's U.S. federal election could boost economic growth within the United States in 2025 – potentially sparking a rise in trucking demand – with the incoming administration led by president-elect Donald Trump considering higher tariffs on imported goods. Other anticipated business-friendly policies from the Trump administration, such as Trump's support for lowering the corporate tax rate from 21% to as low as 15% for companies that make their products in the U.S., would also bode well for the trucking industry as these policies would have a positive downstream effect on freight haulage from U.S.-based manufacturing plants.[5] Moreover, further reductions to the interest rates in 2025 in both the United States and Canada would reduce the operating costs for carriers in both countries, providing a more favourable operating environment for these businesses.

[5] https://www.freightwaves.com/news/proposed-trump-tax-cuts-expected-to-be-a-boon-for-freight?

LOOKING TO CAPITALIZE ON THE NORTH AMERICAN SUPPLY CHAIN M&A MARKET? PLEASE CONTACT:

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