



THIRD-PARTY LOGISTICS

Sector Brief | Q4 2024

Key Themes Across Third-Party Logistics

Stabilization of Freight Rates



- By 2025, freight rates are expected to stabilize following the past 18-24 months of volatility driven by normalization post-COVID, global disruptions, supply chain bottlenecks, and fluctuating demand. As economies recover and supply chains adapt, efficiency improvements will help optimize capacity and reduce delays. Return to seasonal trends (e.g., produce season squeeze on capacity) as well as reactions (albeit temporary) to supply chain disruptions (e.g., port strikes, hurricanes, etc.) suggests a supply / demand curve approaching closer to equilibrium
- Increased adoption of automation, investment in port infrastructure, and the normalization of global trade patterns will contribute to more predictable shipping costs

Cross-Border Logistics and Tariff Overhauls



- President-elect Trump has pledged to increase all tariffs to 40% and tariffs on China to anywhere between 60-100%. The prospect of increased tariffs could accelerate the push to reshore manufacturing facilities, which began in the aftermath of the pandemic. U.S. firms manufacturing their products abroad (outside of USMCA and select free trade agreements) could see cost increases
- Additionally, tariffs will create a surge in demand for warehousing and inventory management services, as companies seek to stockpile goods to avoid higher duties. While the future tariffs add uncertainty, they also may spur greater reliance on 3PLs for expert logistics management and compliance with new trade policies. Potential tariffs also result in a pull-forward of goods set to be impacted by tariffs internationally, as well as domestic transportation demand

Rising Demand for Cold Chain Logistics



- The demand for cold chain logistics is rapidly increasing due to the growth of industries like pharmaceuticals, agriculture, and biotechnology. Cold Chain Logistics M&A has commensurately increased alongside the demand for these services. As global trade expands, properly maintaining temperature-sensitive goods in transit and storage is crucial to preserving quality and safety
- The rise of e-commerce, particularly online grocery sales, has further fueled the need for efficient cold storage and transportation systems. As consumers seek fresh and high-quality products, businesses are investing in advanced refrigerated transportation, real-time tracking, and temperature-controlled storage solutions to meet these evolving demands and ensure product integrity across supply chains

Implementation of Digitization and AI



- Digital solutions and the use of artificial intelligence (AI) are transforming third-party logistics by streamlining operations and enhancing efficiencies across the supply chain. AI-powered solutions are improving inventory management, demand forecasting, and warehouse automation, enabling 3PL providers to optimize storage and reduce operational costs. Machine learning algorithms analyze real-time data to predict demand patterns, optimize routes, and enhance decision-making for better resource allocation. Additionally, AI enhances risk management by identifying potential disruptions and providing proactive solutions. By leveraging AI, 3PL providers can offer more agile, data-driven services, improving overall supply chain visibility and performance while meeting the demands of modern logistics

Growth in Last Mile Logistics



- Last mile logistics is experiencing rapid growth, driven by the rise of e-commerce and consumer demand for faster, flexible deliveries. 3PL providers are adopting technologies like AI, route optimization, and autonomous vehicles to improve efficiency and reduce costs. Urbanization and the push for sustainability are shaping delivery strategies, employing micro-warehouse strategies and utilizing electric vehicles. Consumer expectations for real-time tracking and flexible delivery options are also increasing. To stay competitive, 3PLs are leveraging data-driven insights, automation, and strategic partnerships to streamline operations and meet growing demand for faster, more cost-effective deliveries

What We're Reading

2025 Truckload Freight Rates Forecast

- Given the persistent capacity surplus, disruptions like recent hurricanes and short-lived strikes are not likely to create long-term routing guide challenges
- Select industry experts anticipate spot rates will remain stable through the end of 2024 and most of the first half of 2025, demonstrating moderate YoY growth with typical seasonal volatility. Contract rates have stabilized, indicating a floor has been reached
- Asset carriers will face ongoing pressure from shippers to provide lower rates, making it difficult to operate profitably. In turn, carriers may have to reduce investment in their fleets or shut down operations, reducing available capacity in the market

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Air Cargo Capacity Set to Come Under Pressure in 2025

- Next year could see a lack of air cargo capacity as passenger aircraft additions ease, additional freighters are in short supply, and e-commerce demand remains strong
- Belly capacity growth is slowing down, there are delays to aircraft production and the high demand being experienced on the passenger side of the market is affecting the amount of feedstock that is available to be converted into cargo aircrafts

[Link](#)

LTL General Rate Increases Buck Pricing Concerns for Industry

- Multiple less-than-truckload carriers have levied general rate increases across multiple tariff codes in Q4, tamping down concerns that the industry is losing its ability to pass through rate increases two years into an industrial recession
- While yield increases have slowed on a year-over-year comparison, the industry is comping notable increases in prior periods. Contractual rate increases at the public carriers were up by mid-to-high single digits again during the third quarter

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Santa's Delivery Helpers: Here are How the Major Shippers are Hiring for the Holidays

- Shipping demand appears to be strong, with the National Retail Foundation finding that 57% of people plan to shop online during the holiday season
- USPS said that it would hire ~7,500 temporary workers for the holiday season, a decrease from the ~10,000 seasonal workers they hired in 2023
- UPS will look to hire over 125,000 employees to handle holiday deliveries. They are also offering current employees a \$250 bonus to those who refer seasonal hires

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Recent Harris Williams Industry Content

Specialty Logistics: RJW Logistics Group Solves Complex Supply Chain Challenges



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Insights From the 2024 Harris Williams 3PL Conference








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Supply Chain & Logistics Technology 2H 2024



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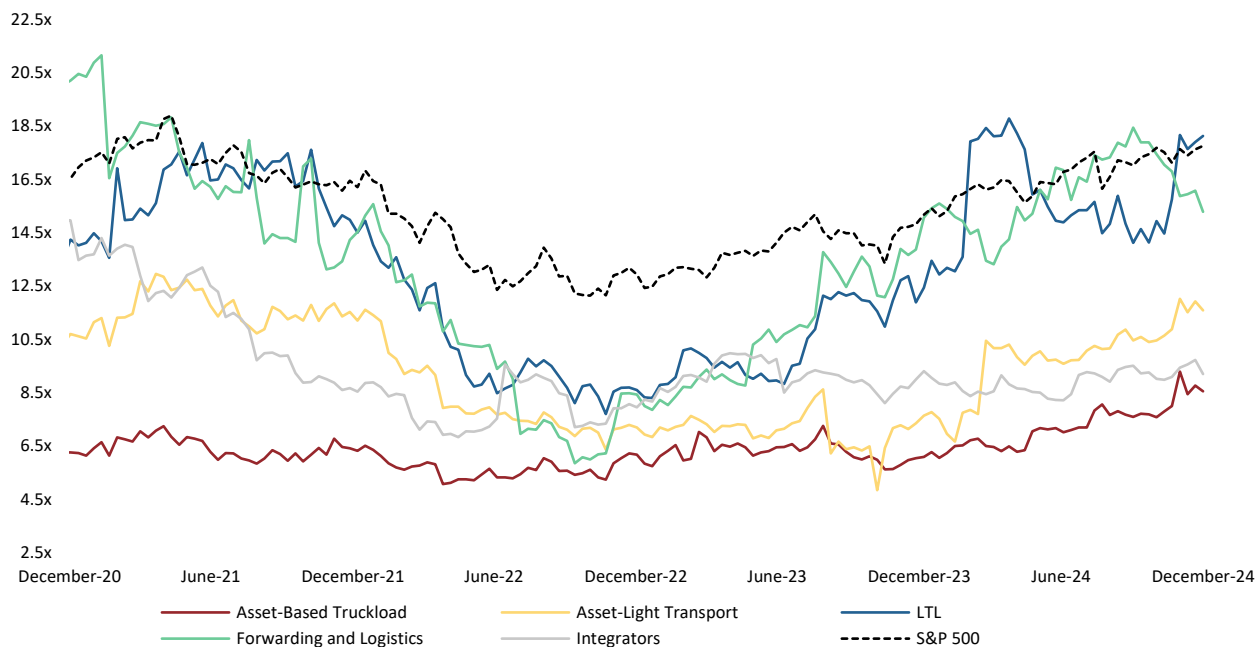
Select Recent Public Market Commentary

Company	Key Takeaway	Presentation & Earnings Call Excerpts ¹
 C.H. ROBINSON	<ul style="list-style-type: none"> Total revenue for Q3 was reported at \$4.6B, up 7.0% from Q3 2023 Strong Q3 results attributed to improved efficiency in North American surface transportation and global forwarding as the company continues to deliver double-digit productivity growth 	<p>"I think with our balance sheet and the ability to invest in a tough market and continue to invest like we've done, it gives us the strength. We've got the biggest data set and a number of things that if this is a prolonged market, we're going to continue to improve with our operating discipline. We're going to continue to have a positive balance sheet that allows us to invest and then get ourselves set for when this thing starts to inflect."</p> <p>Dave Bozeman, President and CEO, 10/30/2024</p>
 Hub Group	<ul style="list-style-type: none"> Total revenue for Q3 was reported at \$987.0M, down 3.7% from Q3 2023 Decreased revenue figures attributed to lower revenue per load figures, down 16% YoY, resulting from a mix of rising fuel costs and pricing pressures 	<p>"In the third quarter, we commenced the consolidation and integration of our final mile cross-dock, consolidation and fulfillment networks. The focus of this strategy is to create a single high service and efficient Hub Group network of facilities that can better service our customers and position us to compete and win in the market. This action comprised of integrating 2.6 million square feet of multipurpose space, transferring product and hiring labor while completing systems implementations."</p> <p>Phillip D. Yeager, President and CEO, 10/30/2024</p>
 MAERSK	<ul style="list-style-type: none"> Total revenue for Q3 was reported at \$15.8B, up 30.0% from Q3 2023 Maersk's results reflect the positive impact of significantly higher ocean freight rates, up 54.0% YoY, improved volumes and higher revenue per move in terminals 	<p>"The Red Sea disruption remains entrenched such that we plan according to this new reality and the launch of the Gemini network via the Cape of Good Hope. The downward pressure, nevertheless, has come from increasing supply as expected. Rates peaked in July and then have partially normalized as expected and have stabilized for now."</p> <p>Vincent Clerc, CEO, 10/31/2024</p>
 ups	<ul style="list-style-type: none"> Total revenue for Q3 was reported at \$22.2B, up 5.6% from Q3 2023 Despite a tougher than expected macroeconomic environment, UPS was able to lean into key market segments and drive increased margins through ongoing productivity initiatives 	<p>"As we discussed, we have a goal to become the #1 complex healthcare logistics provider in the world....Last month, we entered into an agreement to acquire Frigo-Trans, a move that will enhance our end-to-end temperature-sensitive healthcare capabilities across Europe. Today, 80% of pharmaceuticals in Europe require temperature-controlled transportation. Frigo-Trans offers pan-European cold chain transportation as well as temperature-controlled and time-critical freight forwarding capabilities."</p> <p>Carol B. Tome, CEO and Director, 10/24/2024</p>
 XPO	<ul style="list-style-type: none"> Total revenue for Q3 was reported at \$2.1B, up 4.0% from Q3 2023 Investments in network capacity and cost efficiency, coupled with strong margin expansion in the LTL segment, resulted in a successful quarter for XPO 	<p>"In the third quarter, we grew yield, excluding fuel, by 6.7% year-over-year. This underpinned the 200 basis points of OR improvement we reported. We achieved this by executing on multiple initiatives that are yield and margin accretive. With our customers under contract, we increased renewal pricing by high single digits year-over-year for the fifth consecutive quarter supported by the service improvements we're making."</p> <p>Mario A. Harik, CEO and Director, 10/30/2024</p>

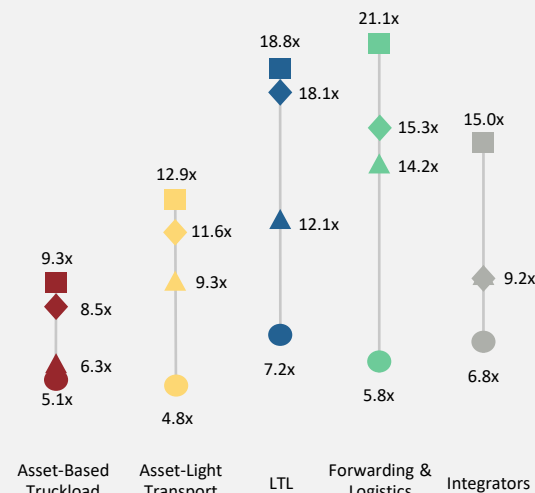
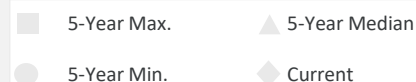
Public Market Trends

HISTORICAL PUBLIC COMPARABLE VALUATIONS¹

PUBLIC COMPARABLES



TRADING STATISTICS – MEDIAN EV / EBITDA



ASSET-BASED TRUCKLOAD



ASSET-LIGHT TRANSPORT



LTL



FORWARDING & LOGISTICS



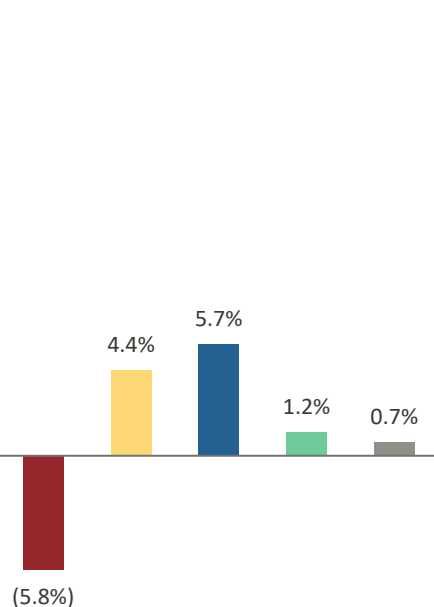
INTEGRATORS



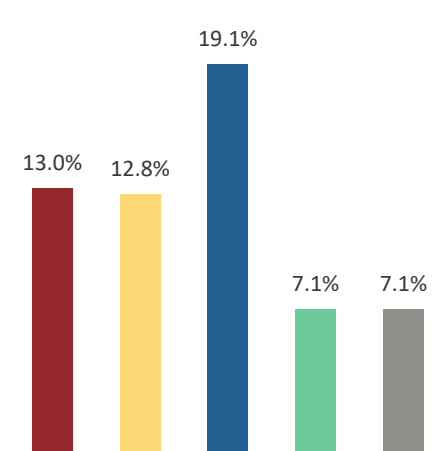
Public Market Trends (Cont.)

PUBLIC COMPANY – OPERATING METRICS¹

2024E Annual Revenue Growth

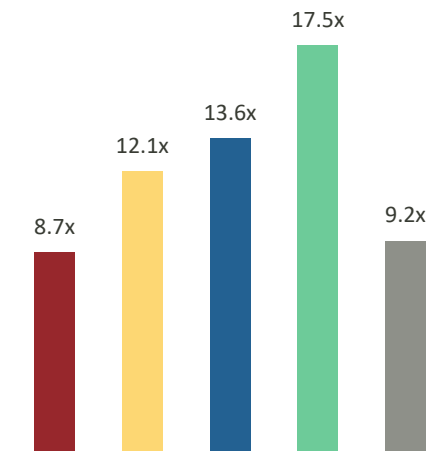


2024E EBITDA Margin

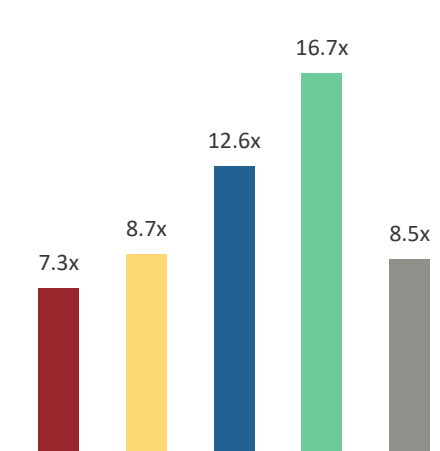


PUBLIC COMPANY – VALUATION METRICS¹

Median EV / LTM EBITDA²



Median EV / NTM EBITDA³



ASSET-BASED TRUCKLOAD



ASSET-LIGHT TRANSPORT



LTL



FORWARDING & LOGISTICS



INTEGRATORS



Select Third-Party Logistics M&A Transactions

HW

Closed 11/26/2024



**Berkshire
Partners**

Announced 11/07/2024

ViaEurope

swissport

Closed 10/09/2024

Jamco

IMPERATIVE
LOGISTICS GROUP

Announced 09/13/2024

DB SCHENKER

DSV

Announced 09/10/2024

FRIGO-TRANS®



Berkshire Partners Makes a Strategic Investment in RJW Logistics Group

- Harris Williams advised RJW Logistics, a portfolio company of Mason Wells, on their strategic investment from Berkshire Partners. RJW Logistics is an end-to-end middle mile retail logistics provider offering an alternative to traditional shipment methods through its unique suite of integrated asset-light logistics services. Berkshire's prior experience within the CPG space gave it a unique appreciation for RJW's retail consolidation solutions, which streamline efficiencies across the complex retail supply chain, and provided it with an opportunity to benefit from significant industry tailwinds

Swissport International to Acquire ViaEurope

- Swissport International, a global leader in airport ground services and air cargo handling, has agreed to acquire ViaEurope, a logistics services provider specializing in end-to-end border e-commerce solutions. The acquisition of ViaEurope will allow Swissport to increase its service offerings and capture market share in a rapidly growing sector. Cross-border e-commerce volume is expected to increase more than 50% by 2027

Imperative Logistics Group Acquires JAMCO

- Imperative Logistics Group, a provider of domestic and global forwarding solutions, has closed its acquisition of JAMCO, an international logistics provider specializing in U.S.-Mexico cross-border solutions. The acquisition will allow Imperative to capitalize on the \$14.0B cross-border logistics market and capture tailwinds presented by nearshoring U.S. supply chains and heightened tariffs on China

DSV to Acquire DB Schenker

- DSV has agreed to acquire DB Schenker, the logistics arm of German state-owned rail operator Deutsche Bahn, for €14.3B. The combined entity will be the world's largest logistics company with combined revenues of ~€39.3B and a 6-7% estimated global market share. The acquisition will allow DSV to strengthen its global reach and capabilities and increase its presence within the European road transport sector. The transaction is expected to close in Q2 2025, upon clearing regulatory hurdles

UPS to Acquire Frigo-Trans

- UPS has agreed to acquire Frigo-Trans, an industry-leading healthcare logistics provider based in Germany. Frigo-Trans' offerings include temperature-controlled warehousing and a variety of cold chain transportation solutions. The transaction will enhance UPS' end-to-end capabilities in a market in which customers increasingly require temperature-sensitive and time-critical logistics solutions. Subject to regulatory approvals, the transaction is expected to close in the first quarter of 2025

Third-Party Logistics Sector Landscape

The full sector landscape is available upon request. Please reach out to T&Linsights@harriswilliams.com

Asset-Light Brokerage & Freight Forwarding

BROKERAGE				
TRUCKLOAD		LESS-THAN - TRUCKLOAD	DIGITAL FREIGHT MATCHING	INTERMODAL/ DRAYAGE
Agent / Franchise Go-to-Market	Company Store Go-to-Market			
	Brokerage Divisions of Asset Carriers			

FREIGHT FORWARDING

Third-Party Logistics Sector Landscape (Cont.)

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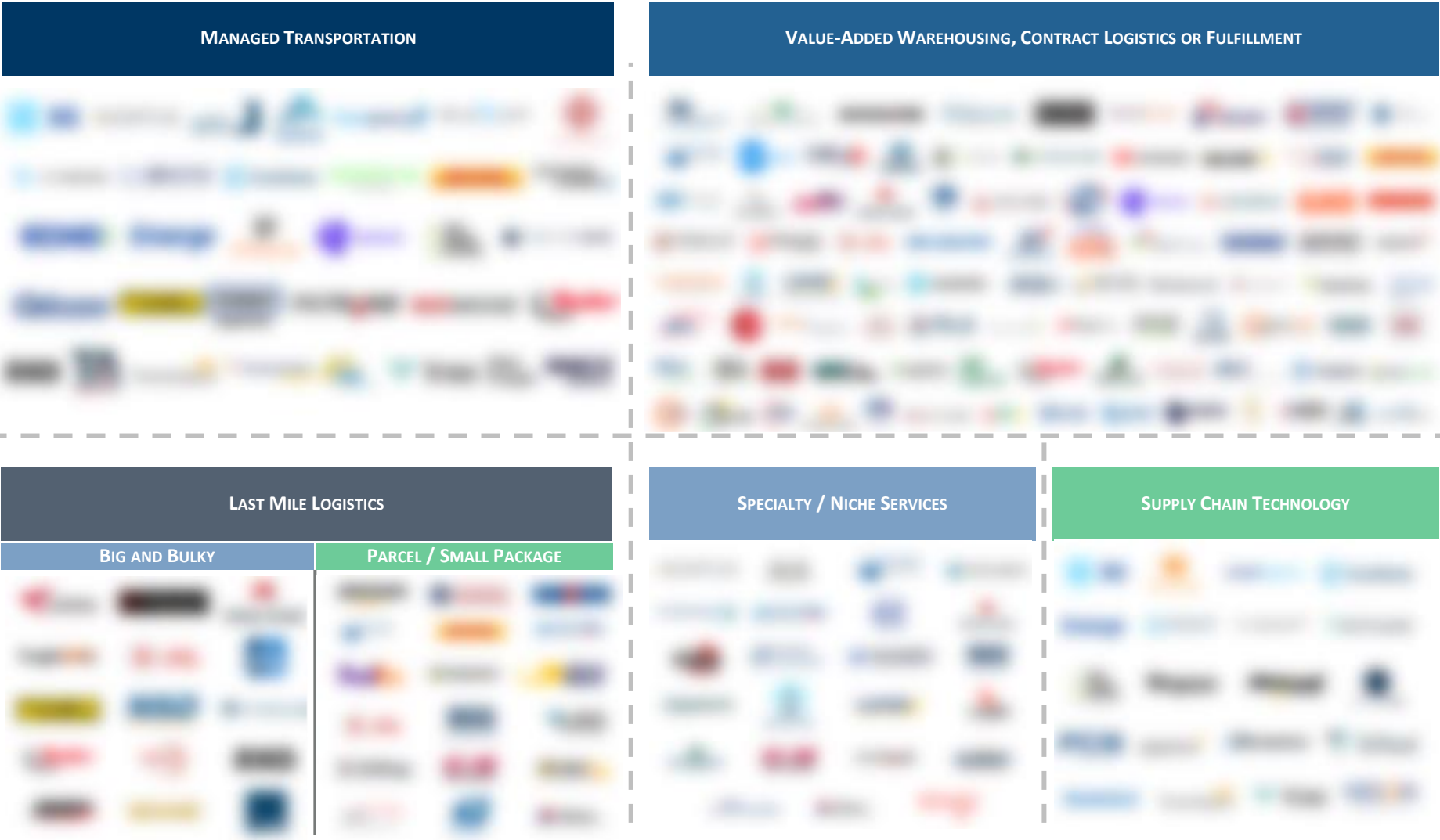
Asset-Oriented Providers

TRUCKING			
TRUCKLOAD	LESS-THAN-TRUCKLOAD	INTERMODAL / DRAYAGE	
			
DEDICATED	FLATBED	TANK / BULK	REFRIGERATED
			

Third-Party Logistics Sector Landscape (Cont.)

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Value-Added Services



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Deep Industry Experience

Proven Expertise

Core Values That Drive Success



MERGERS & ACQUISITIONS

PRIVATE CAPITAL SOLUTIONS

PRIMARY FUND PLACEMENT

























75% Revenue from repeat clients

87% Managing Directors promoted from within

30+ Year history

Our Transportation & Logistics Group advises leading third-party logistics businesses worldwide.

 a portfolio company of  has received a strategic investment from 	 a portfolio company of  has been acquired by 	 a portfolio company of  has been recapitalized with 	 a portfolio company of  has been acquired by 	 a portfolio company of  has been acquired by 	 a portfolio company of   has been acquired by 	 a portfolio company of  has been acquired by 
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