

AHERN ADVISORY

The Ahern/Benesch Transportation Conference

On September 22, 2011, Ahern & Associates in conjunction with the Benesch Law Firm, hosted a transportation and logistics conference at the JW Marriott Hotel & Resort in Chicago, Illinois;

- The conference was a direct result of many inquiries that Ahern & Benesch had received from their transportation customers, and;
- The conference was prompted over concerns about CSA, Hours of Service, and acquisitions.
- The reviews from people that attended the conference were outstanding;
- **In fact, one of our keynote speakers (Jonathan Adams, Managing Director for Sterne Agee investment banking firms) stated it's one of the best conferences he's ever attended;**
- "You have a terrific following in this industry and it was refreshing to attend the conference that was so focused on providing a forum for honest and objective discussion – rather than the usual corporate chest beating that these events so often become".

The speakers were outstanding!

- **Tommy Hodges, Chairman of Titan Transportation/Ex Chairman of the American Trucking Association, and;**
- **Lane Kidd, President of the Arkansas Trucking Association** spoke specifically on CSA 2010 and Hours Of Service.
- **Rich Plewacki, Partner Benesch Law Firm** spoke about IRS attacking the independent contract agreement
- **Their comments could be felt throughout the attendants.**
- They focused on the impact that CSA and Hours of Service is having on our industry.
- **Tommy Hodges indicated; what was most frustrating about the CSA issues are that there is no training of the agents to enforce the regulations.**
- It takes a Philadelphia lawyer to understand the law.
- In most instances, most trucking companies cannot interpret the new CSA regulations, and;
- How can you effectively regulate an industry when the agents don't understand the laws and they're paid to enforce the regulations?

Lane Kidd stated that, approximately 51,000 carriers already have a CSA alert;

- 55% of carriers out of 91,918 carriers have a CSA infraction.

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- Of those 91,918 carriers, approximately 2,700,000 are truck drivers employed by these firms.
- The most frequent occurrences are;
 1. Fatigued driving.
 2. Vehicle maintenance, and;
 3. Unsafe driving.

Tommy Hodges went on to say that, if the Hours of Service rules are revised, it's going to have a further negative impact on the trucking industry.

Mr. Doug Waggoner, President and Chief Executive Officer of Echo Global Logistics was the luncheon keynote speaker;

- Echo started their business in 2005.
- The first year, they produced \$40MM of logistics business.
- For the year ending 2010, Echo projects revenues to be \$600MM, and;
- In the next 2 years, Echo projects \$1 billion of revenue.

Echo is the fastest growing logistics company in the country that focuses on technology. When Doug Waggoner was asked why his company was so successful, in such a short amount of time, he indicated they stress processes, technology and they constantly monitor the productivity of their employees and customers.

Another topic that was discussed was getting your company ready to sell or recapitalize. That panel consisted of some of the larger, well known investment banking firms, as well as myself and Jim Hill. The discussion centered around;

- Values that companies are selling for based on multiples of EBITDA.
- How to prepare your company for sale, and;
- What buyers look for, in reference to making a decision whether they want to purchase a target company or not.

The key speakers were;

- Jim Hill- Benesch Law Firm
- Jonathan Adams, Managing Director of transportation and logistics for Sterne Agee, and;
- Marc Blubaugh- Benesch Law Firm
- Paul Jones, Managing Director of Raymond James – investment banking and yours truly.

There were many questions from the audience and several comments that kept reoccurring were;

- Be mentally and emotionally prepared to sell.
- Have your company realistically priced;
- Don't think, because your next door neighbor received a "ridiculous" number (which probably isn't fact) you can receive the same, and;
- Higher multiples of EBITDA are a direct function of revenue size and EBITDA performance.

Jonathan Adams made a statement that, within the next 3 years, the gap between asset and non-asset buyers will meet. Both gentlemen stated that there is a substantial amount of liquidity in the marketplace to purchase trucking and logistics companies, today, **but they both implied that; if we go into a major recession, it could definitely affect their investment processes** going forward.

Another topic that received quite a bit of interest was; what people are buying and why. What are the pricing trends and where else should you look? **Five of the guest panel speakers, (other than myself), were;**

- **Mike Bloss – Senior Vice President of Mergers & Acquisitions Echo Global Logistics.**
- **Dave Mitchell – Managing Director of Transportation Resource Partners, and;**
- **Jim Hill – Benesch Law Firm.**
- **Matt Hankins, Vice President of Sterling Capital Partners.**
- **Eric Zalud – Benesch Law Firm.**

Mike Bloss discussed Echo’s procedures;

1. How they buy companies.
2. What multiples of EBITDA they are willing to pay, and;
3. Echo’s acquisition process

Mike stressed Echo’s philosophy on purchasing “business partners” that offer strategic growth opportunities by becoming part of a larger company.

Matt Hankins and his group are Private Equity Investors and own one of the largest logistics firms in Canada. Transportation Resource Partners is also a Private Equity firm who, over the years, have invested heavily in transportation.

Dave Mitchell explained TRP’s philosophy that; they don’t buy companies, but they partner with companies and help them grow;

- Dave outlined TRP’s criteria in reference to acquisitions that they look for.
- Their minimum “thresholds”, and;
- The multiples that they are willing to pay.

Jim Hill and Marc Blubaugh discussed the state of the capital markets and logistics and touched on pricing trends, availability of capital and provided an outlook going forward. Ahern discussed how to make a transportation and logistics company more profitable and attractive for a sale;

- We touched on the acquisition process.
- How to go through the process.
- What the process consist of.
- We explained the difference between a transportation and analytical firm.
- Business broker, and;
- Investment banking firm, and;
- **The investment banking firms walked each of the attendees through their processes.**

In closing, Ahern and Benesch , capsulized the industry challenges with:

- Hours of Service;
- CSA Compliance;
- Independent Contractor Update;
- How to Buy and Sell a Transportation Business;
- The “Sales Process” and pricing expectations.

For the many that reserved and attended, they indicated that they received a lot of useful information. For the few, that did not show up, you missed a huge opportunity.

In closing, when we have these conferences, they are designed based upon:

1. Ahern’s clients and readers’ requests on receiving informative information that can assist in their trucking and logistics business, and;
2. Benesch Law Firm’s clients requests for additional information on transportation opportunities.

QUOTE OF THE WEEK: Knowledge is power! The more knowledge you have, the more powerful you can become.
(Andy Ahern)