

## Transport Acquisitions Rise; Experts See More to Come

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Trucking acquisitions are accelerating in North America, as hyperactive buyers TransForce Inc. and XPO Logistics Inc. swooped up three companies, and executives with other firms said more deals could be in the works.

TransForce, No. 9 on the TRANSPORT TOPICS Top 100 list of the largest for-hire carriers in the United States and Canada, agreed to buy No. 49 Contrans

Group Inc. for C\$495 million, its second acquisition of a TT100 company in two months.

XPO on July 29 agreed to buy privately held New Breed Holding Co., a contract logistics provider, for \$615 million, and said that it had completed the purchase of Atlantic Contract Logistics, which manages last-mile shipments, for \$36.5 million.

"We have motivated sellers now," Richard Mikes, managing partner at acquisition consultant

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A Contrans truck travels in Ontario, Canada. TransForce has agreed to buy the specialized hauler for C\$495 million.

## More Acquisitions Expected

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Transport Capital Partners, told TT last week. "When the stock market is good, that creates more interest" because higher financial metrics such as price-earnings ratios can reap greater rewards for sellers.

During June, TransForce reached an agreement to buy No. 71 Transport America, a U.S. truckload carrier, for \$310 million, and acquired a smaller Quebec waste hauler two days later.

CEO Alain Bedard on a July 25 conference call signaled continued interest in the U.S. truckload market, as well as opportunities to expand in the last-mile delivery market if e-commerce accelerates further later this year.

"We've got lots of potential to grow either organically over there or to do some acquisitions," he said.

Bedard isn't the only one eyeing the U.S. truckload market.

"We also continue to be more active on the acquisition front, and are pursuing several high-quality opportunities," said Kevin Knight, CEO of Knight Transportation. No. 31 Knight last year pursued No. 50 USA Truck, which successfully fended off the effort.

No. 78 Epes Carriers last week said it has purchased Clay Hyder Truck Lines, based in Hickory, North Carolina. Epes didn't disclose the terms of the deal for Hyder, which has 17 independent contractors and 85 trailers. Hyder primarily is a shorthaul regional

carrier, according to the statement from Epes, which has about 1,150 power units.

Mikes said in addition to motivated sellers, activist buyers are helping spark further interest in making deals.

"When you have people doing roll-ups, that creates some interest on the part of people who haven't looked at deals in the past," said Mikes, referring to companies that try to build through multiple acquisitions.

Potential sellers today often are family-owned companies.

"There are a lot of people that started out after deregulation who are in their 60s now," Mikes said. "A lot of people are looking at succession planning. Their kids may not want to get in the industry."

John Anderson, advisory director for Greenbriar Equity Group, also said he expects more activity.

"The [mergers and acquisition] market has been very robust," he told TT. "There is a confluence of driving factors for sellers and buyers. I am optimistic there will be good opportunities to buy and sell."

The market is being driven by factors such as the improving economy, which allows fleets to generate better results, in turn making them more attractive, Anderson said.

From the buyer's perspective, financing is widely available, and there is growing pressure from buyers such as private equity firms to make deals as funds flow into those companies, he added.

Mikes, a former vice chairman at

No. 38 Ruan Transportation Management Systems, warned a drop in stock prices could cool the market.

In addition, "one big negative is the business confidence level," he said. "People don't want to go out and borrow money and take a chance. Until there are more positive employment gains and more people are looking for jobs, things are kind of dicey."

TransForce offered C\$14.60 per share for Contrans, whose stock had risen nearly 30% in the past year.

Bedard praised Alberta-based Contrans as "a great specialty truckload" company that "has generated solid results over the years."

TransForce's latest moves follow the purchase of former Top 100 carrier Vitran Corp.'s Canadian assets in March and completion of the Clarke Inc. acquisition two months earlier.

All of the moves expand TransForce to a C\$4.5 billion company, which could vault the Montreal-area business to No. 6 on the TT Top 100.

XPO's acquisitions also are transforming the company's size, which will reach \$3 billion in revenue annually with the addition of New Breed, Chief Financial Officer John Hardig told TT last week.

The move broadens XPO's offerings, which primarily have been focused on brokerage that currently accounts for 55% of revenue.

CEO Bradley Jacobs said the acquisition enables XPO "to deliver integrated end-to-end logistics solutions for any company of any size with any combination of transportation needs."

XPO is No. 45 on TT's Logistics 50 and New Breed is No. 23.