# Trucking Companies

*NAICS: 484110, 484121, 484122, 484210, 484220, 484230*
*SIC: 4212, 4213*

*prepared February 18th, 2022*

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# Coronavirus Update

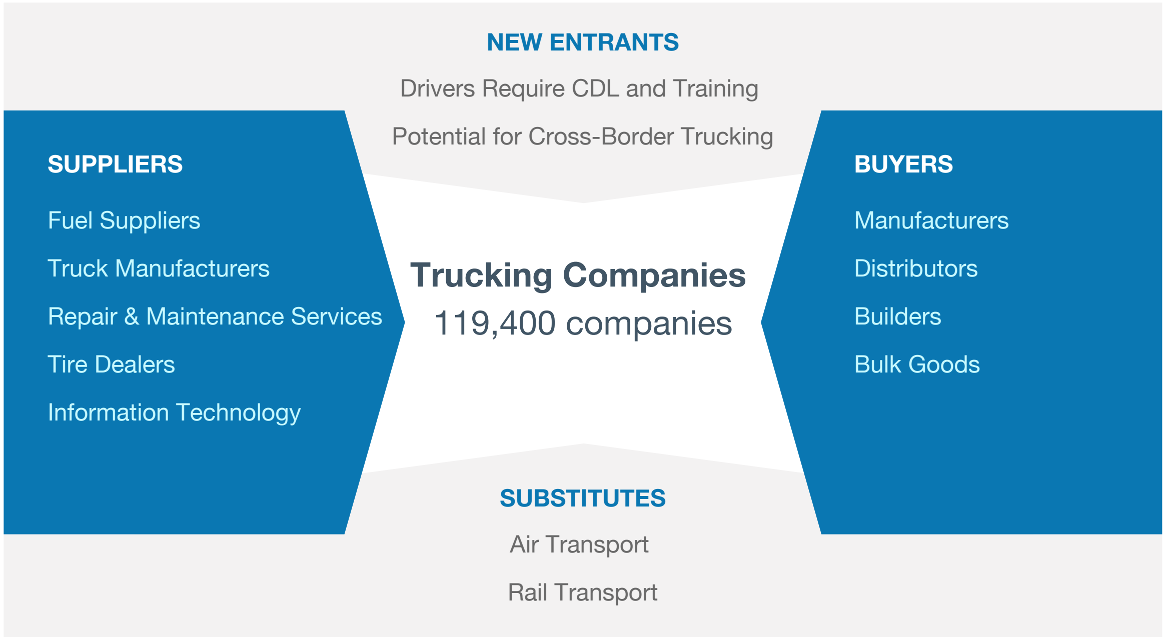
### Feb 15, 2022 -- Canada Invokes Emergency Powers to Reopen Key Border Crossings

- FTR Transportation Intelligence expects slower growth of freight volumes in 2022 and easing trucking capacity utilization. Freight rate growth in 2022 is expected to moderate but remain at elevated levels. Headwinds for 2022 include reduced consumer spending due to inflation, the dwindling effect of pandemic-related stimulus, and continued driver shortages.
- Transportation capacity, including trucking, is tight, according to the Logistics Manager's Index (LMI) report released in February. The LMI was 71.9 in January. A reading above 50 indicates logistics expansion, while a reading below 50 suggests a contraction. January's transportation utilization index fell 4.7 points to 62.4, while the transportation capacity index rose 2.1 points to 44.8. The transportation price index rose 1.1 points in January to 88.7. January marked the 18th month when the transportation price index reading was in the 80s or 90s. The LMI report's authors suggest, aside from COVID-19 itself – high transportation cost inflation could be a primary impediment to a more complete economic recovery. Those surveyed for January's LMI survey believe transportation prices in 2022 will keep going up despite any increase in capacity.
- For much of the pandemic, lower diesel prices helped trucking companies' bottom lines. However, US spot prices for ultra-low sulfur diesel have been rising. The price for a gallon of diesel for the week ending February 4 was more than $2.79, about $1.17 above the level seen the comparable week in February 2020.
- North American Class 8 truck orders in January fell 50% to 21,400 units from a year earlier, according to FTR. The drop in truck orders came despite strong demand from trucking firms. Truck makers have been cautious about filling their order boards as they negotiate with fleet owners on price. They face production uncertainty for 2022 amid supply chain issues for key components, especially a pandemic-related lack of semiconductors. Amid the pent-up demand, some large trucking firms are operating Class-8 trucks beyond their trade-in cycles, according to FTR.
- As the US economy gains steam and demand for freight keeps rising, US trucking firms have to increase pay to attract drivers, according to FreightWaves. While the wage increases have helped maintain fleet sizes, the lack of drivers has stifled fleets' ability to grow organically. The US infrastructure law signed by President Biden in mid-November includes a pilot program that would allow 18-20- year-olds to drive tractor-trailers across state lines. According to the American Trucking Association, the trucking industry is about 80,000 drivers short – up nearly 20,000 compared to before the pandemic began. The National Transportation Institute estimates that, on average, carriers increased driver wages by 8% in 2021.
- Trucking firms may be under increasing pressure from customers to require their employees to be vaccinated. In early September, Tyson Foods said it would require all of its US workers to get vaccinated, including 1,300 drivers for its private delivery fleet. Industry watchers suggest more shippers, especially of food-grade freight, may begin pressuring trucking companies to have vaccinated drivers. On September 9, the Biden Administration announced that businesses with more than 100 employees would have to require their workers to be vaccinated or be subject to at least weekly COVID-19 testing. However, on January 13, the Supreme Court blocked the vaccine requirement. According to a January survey by Gartner, more than one-third of US employers plan to move forward with their vaccine mandates despite the Supreme Court decision.
- Canadian truck drivers protesting COVID-19 vaccine mandates for cross-border truckers snarled traffic at major border crossings between the US and Canada. The busiest commercial crossing, the Ambassador Bridge, was reopened on February 13 after being blocked by protestors for more than a week. Protests also blocked key border crossings in Alberta and Manitoba. To clear the protestors, Canada's Prime Minister Justin Trudeau declared a national emergency. The blockade of the Ambassador Bridge is estimated to have affected more than $300 million in trade per day, according to Canada's Deputy Prime Minister. A wide majority of cross-border truckers are vaccinated, according to FreightWaves. Canada's largest trucking industry trade group, the Canadian Trucking Alliance (CTA), has condemned the protests.
- After a major slowdown in mergers and acquisitions (M&A) in 2020 due to the pandemic, deal activity in the trucking industry picked up in the second half of 2021, according to Transport Topics. Surging trucking demand has driven up sales and profitability for many trucking firms, which has helped push valuations higher and increased some fleet owners' incentives to sell. While some firms are looking for bolt-on acquisitions to enhance their fleets, others may be looking to sell amid concerns about changes to the US tax code. Firms that struggled before the pandemic may have gotten a boost from the increase in trucking demand and now see an opportunity to cash out near the top of the market. Many industry watchers expect the conditions that drove M&A

activity in 2021 to carry over into 2022. Private fleets, such as those operated by retailers and wholesalers, may look to M&A as a way to expand capacity amid a tight transportation market that is not expected to loosen soon.

- In late November, the US Federal Motor Carrier Safety Administration (FMCSA) extended several COVID-19 emergency waivers and declarations to provide regulatory relief to trucking firms and their drivers during the pandemic. The waivers and declarations originally put in place early in the pandemic and last extended in August 2021 offer leeway on service hours, license renewal, and medical examination requirements. The waivers and declarations only apply to truck drivers hauling freight related to pandemic relief, including vaccines and other COVID-19 prevention medical supplies, sanitation and PPE supplies, emergency-related building supplies, groceries, paper goods, fuel, and livestock and feed. The latest extension of the waivers and declarations is set to remain at least through the end of February 2022.

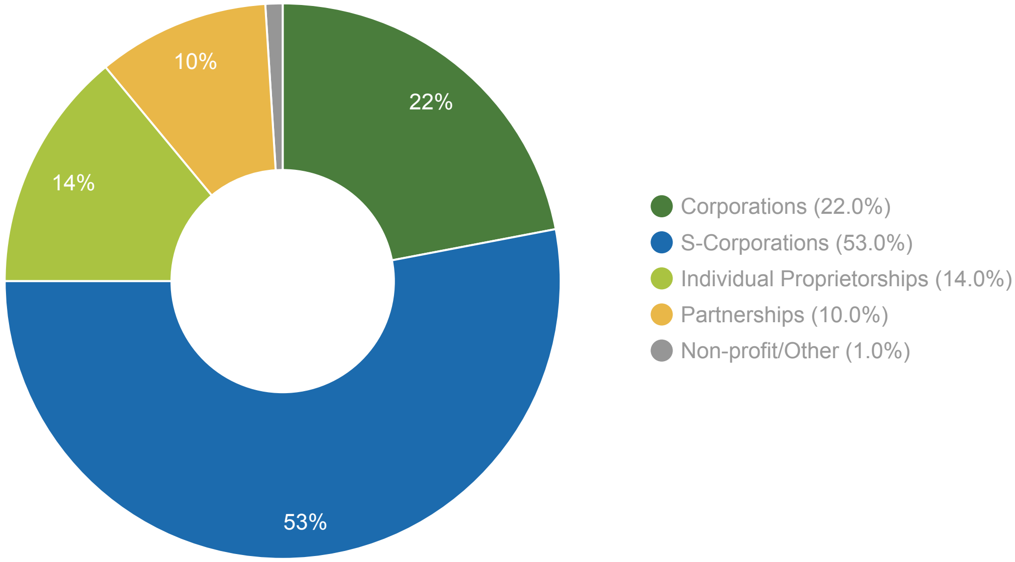
# Industry Structure



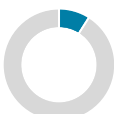

A typical trucking company operates out of a single location, employs 12 workers and generates about $2-3 million annually.

- The trucking industry consists of 119,400 companies, employs 1.4 million workers and generates over $324 billion in annual revenue.
- 88% of trucking companies operate out of a single location.
- One in 4 drivers is an independent owner-operator who owns their truck and contracts out services to trucking companies.
- About 80% of trucking establishments employ fewer than 10 workers.

## Industry Demographics

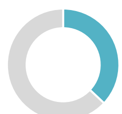



*Source: US Census Bureau*



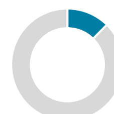
**Female Owned**

9.0%



**Minority Owned**

37.0%



**Veteran Owned**

12.4%

*Source: Census Bureau*

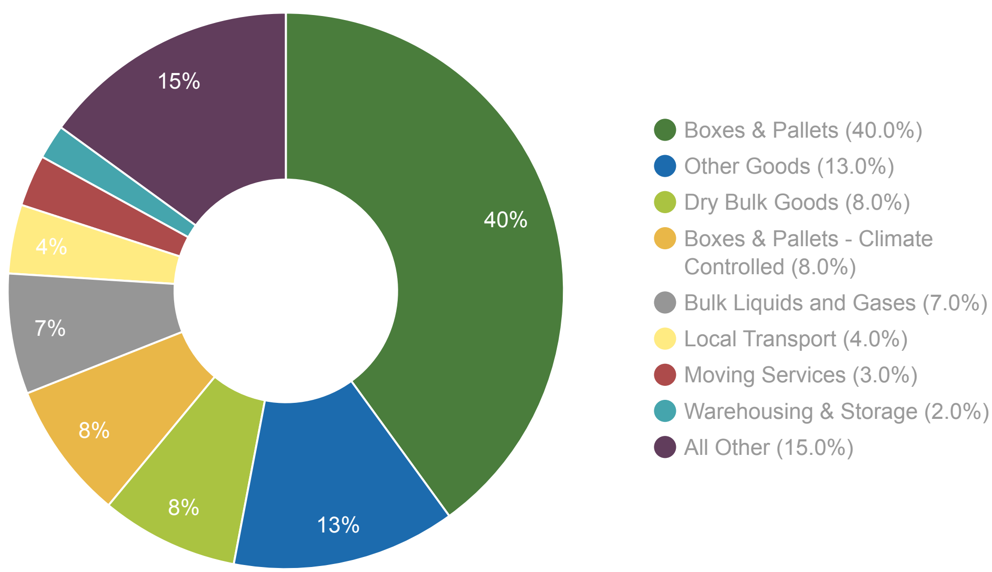
# How Firms Operate

## Products and Operations

Trucking companies provide transportation services for a wide variety of goods. Trucks may haul dry freight (processed food and beverage, paper products, household goods), refrigerated freight (meat, dairy), platform freight (building materials), or bulk freight (petroleum products, chemicals, farm and forest products).

- Truck loads may consist of boxes, pallets, or bulk goods (dry, liquid or gas). Trucks also transport automobiles, livestock, and waste. Some trucks are climate controlled and provide refrigeration.
- The majority of truck loads are full Truck Loads (TL), meaning a single customer fills the entire trailer. About 15% of loads are Less Than Full Truck Loads (LTL), where freight from multiple customers is consolidated into one trailer.
- Long haul drivers average just over 100,000 miles annually; the average daily run is almost 500 miles.
- A typical semi-trailer truck lasts about 10 years.
- The average marginal cost to operate a truck is $1.65 per mile or $65.11 per hour, according to the American Transportation Research Institute (ATRI).

**Trucking Companies Revenue**




*Source: US Census Bureau*

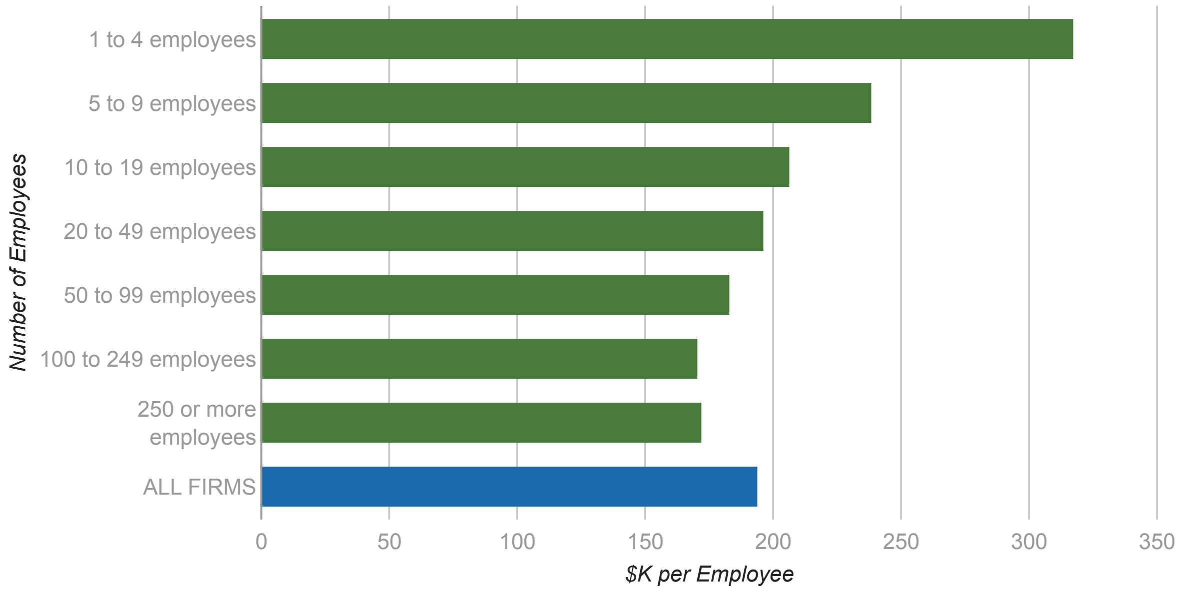
Trucking companies may operate long haul routes (which provide transport from city to city) or short haul routes (which stay in the same area). Long haul routes may take weeks to complete, while short haul routes are typically completed in a single day. LTL loads require multiple stops to pick up and drop off freight for various customers. Trucking companies may work with consolidators to combine loads for an LTL job.

Trucking operators may have established consistent customer relationships with regularly scheduled jobs. New jobs may involve participating in a competitive bidding process. Operators consider truck utilization and driver availability when routing and scheduling jobs. Maintenance and repair are important to keep trucks running. Because fuel is a major expense, trucking companies manage diesel costs carefully.

Typical staff positions include drivers, dispatchers, and maintenance and repair technicians. Truck drivers must possess a commercial driving license (CDL) and require some training. Some drivers belong to unions. Small trucking companies may outsource maintenance and repair.

Trucking companies may contract with independent owner-operators to supplement their own fleets and handle business peaks. This gives them the flexibility to reduce costs when demand is soft. Some companies operate entirely with owner-operators.

**Revenue per Employee by Firm Size**




*Source: US Census Bureau*

## Profit Drivers

### Hauling Rates

To be profitable, the hauling rates that truckers charge for a job must cover their fixed and variable costs, along with a profit margin. Fixed costs include loan payments on the truck, insurance, license fees, office rent, and other overhead expenses. Variable costs include fuel, per mile truck maintenance costs, tolls, meals, lodging, and the driver's salary. Competitive hauling rates vary by the type of load and by the "freight lane" covered, such as the interstate route between two major cities.

### Load Planning

Trucking companies increase profitability by achieving a high utilization of drivers and trucks and avoiding "deadhead miles" (driving an empty truck back to its base location). Planning routes to minimize idle time, ensure the availability of return loads, and comply with Hours of Service regulations is the key to higher profitability. Companies may focus on specific freight lanes for business development to optimize load scheduling. Larger companies typically use load planning software systems to assist in assigning drivers to routes.

### Fuel Management

Fuel is a major cost for trucking companies and fuel prices can be volatile. Most of the cost of diesel fuel is passed on to customers through fuel surcharges. However, when fuel prices rise sharply, there may be a lag in recouping the higher cost and short-term profitability will suffer. Most companies rely on fuel surcharges rather than fuel-contract hedging to compensate for volatile prices. Trucking companies can also reduce fuel consumption by upgrading to more efficient truck models and training drivers to drive 55 mph and minimize idling time.

### Minimizing Driver Turnover

Driver turnover in the trucking industry is high. The cost of recruiting a new driver averages $2,000 to $3,000, but can jump to $20,000 when administrative, advertising, and training costs are included. Companies that lower driver turnover save on recruiting and training costs. They may also experience operational advantages by having more experienced drivers who drive efficiently and know the routes and customers.

# Industry Trends

### Trends are affected by the COVID-19 pandemic.

Changes in revenue, employment, business practices, trade and forecasts are occurring rapidly and data reporting by the government lags the changes. We are tracking changes in the “Coronavirus Update” chapter.

### Trucking Tonnage Slows

As the economy strengthens, growth in the manufacturing, retail, and construction sectors boost demand for transportation services. Trucks hauled over 11.4 billion tons of goods in 2020, down 3.3% from 2019, but representing 72-73% of total freight moved in the US, according to the American Trucking Association. Trucking companies are an integral part of the supply chain, transporting inventories ranging from raw materials to finished products. Having cut costs and reduced capacity to survive the past recession, companies are more efficient and well-poised to operate more profitability with rising demand.

### Expanded Fleets and Capacity

Trucking companies are slowing their investment in new trucks, even as the economy strengthens and freight demand rises. During the past recession, fleets reduced their size to accommodate lower demand for freight services and they minimized large capital purchases. However, the industry was approaching full capacity at the beginning of 2018. New tax laws adopted at the start of 2018 helped by allowing firms to retain more cash to purchase trucks and equipment. Truck manufacturers received orders for 482,000 Class 8 semi-tractors in 2018, a record number, according to ACT Research. Class 8 sales slowed in 2019 to 179,000 orders as fleets assessed their new capacity, then rose to 283,000 orders in 2020 due to strong growth in freight demand and rates.

### Driver Shortage Looms

The trucking industry is enjoying a surge in demand, but finding drivers to operate more trucks is becoming a challenge. Turnover rates jumped at the end of 2017 as drivers moved to companies offering higher wages and benefits and better schedules. Turnover has continued to climb. The American Trucking Association estimates the shortage of 80,000 drivers in 2021 could reach 160,000 by 2030, if efforts to attract and train more drivers fail. The industry will need to recruit almost 1 million new drivers over the next decade to replace those retiring, leaving the profession, or are unable to drive (driving record, failed drug test) and to support growing transport demand. A bright spot for the trucking industry is the introduction of self-driving trucks, which are currently being tested on the roads. These vehicles don’t require a driver to operate, so hours of service (HOS) limitations become less of a factor and labor costs are reduced, along with reliance on drivers.

### Electric Logging Device Mandate Enforced

Trucks are now required to have an electronic logging device (ELD). This equipment records a truck’s driving time and movement, and provides evidence as to whether a driver is adhering to federal Hours of Service (HOS) laws. For trucking companies, benefits include minimized paperwork involved in logging driver hours and the collection of data (fuel mileage, idling times, hard braking), which allows companies to analyze driver efficiency, improve operations, and reduce costs and wear on vehicles. Companies that fail to install these devices risk citations, halted trucks and shipment delays, higher insurance rates, and points accumulated by the Federal Motor Carrier Safety Administration (FMCSA) that could impact drivers’ and trucking companies’ ability to operate.

### Improving Fuel Efficiency

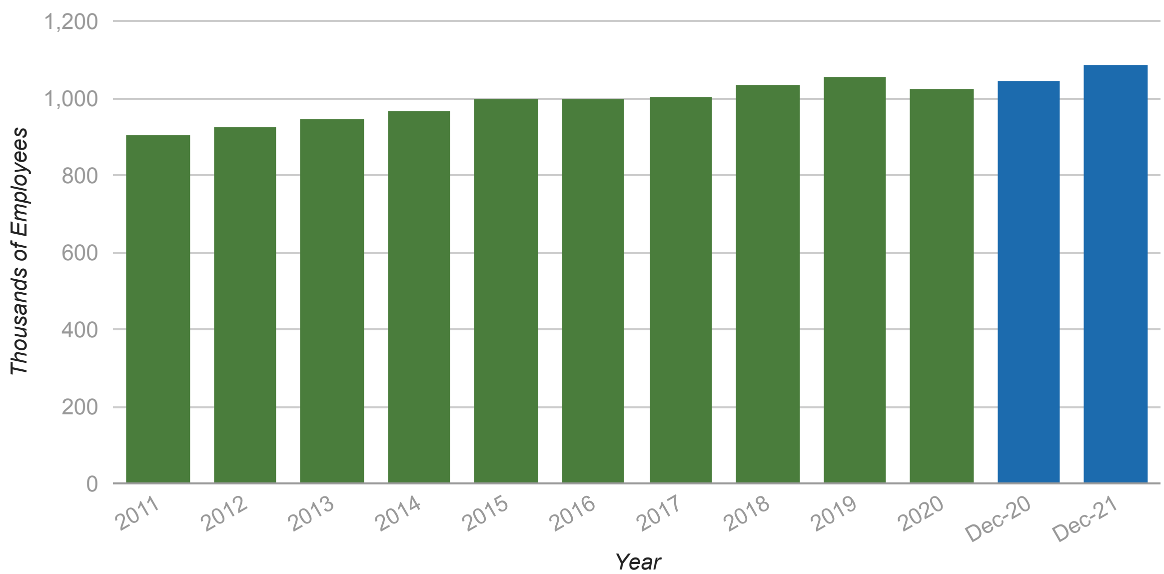
To cope with volatile fuel costs and address growing environmental concerns, the industry is investigating ways to improve fuel efficiency. Trucking companies are exploring optimizing engine specifications and gear ratios for a fleet’s unique route, and the use of programs that minimize idling time and encourage adherence to speed limits - all to reduce emissions and fuel consumption. Companies may also implement computerized route management systems, which calculate the most efficient paths between stops and help navigate around congestion. Widespread adoption of alternative fuels is still a challenge, primarily due to cost and lack of distribution networks.

## Employment and Wage Trends

### Employment by trucking companies increases

Overall employment by trucking companies changed 4.4% in December compared to a year ago, according to the latest data from the Bureau of Labor Statistics.

**Trucking Companies Employment**

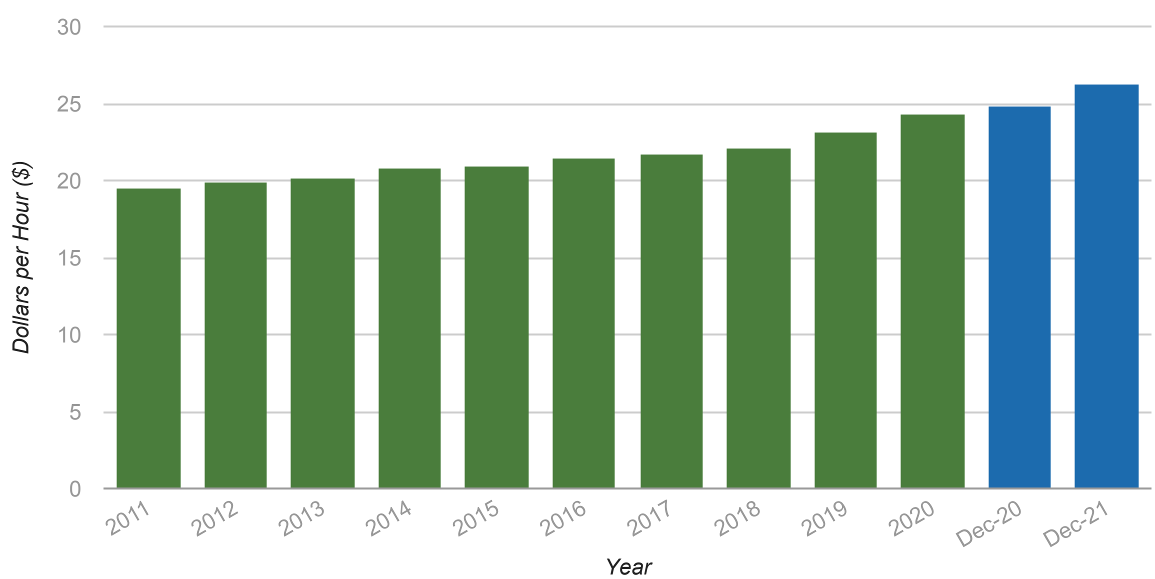



*Source: Bureau of Labor Statistics*

### Wages at trucking companies rise

Average wages for nonsupervisory employees at trucking companies were $26.25 per hour in December, a 5.5% change compared to a year ago.

**Average Wages for Nonsupervisory Employees**



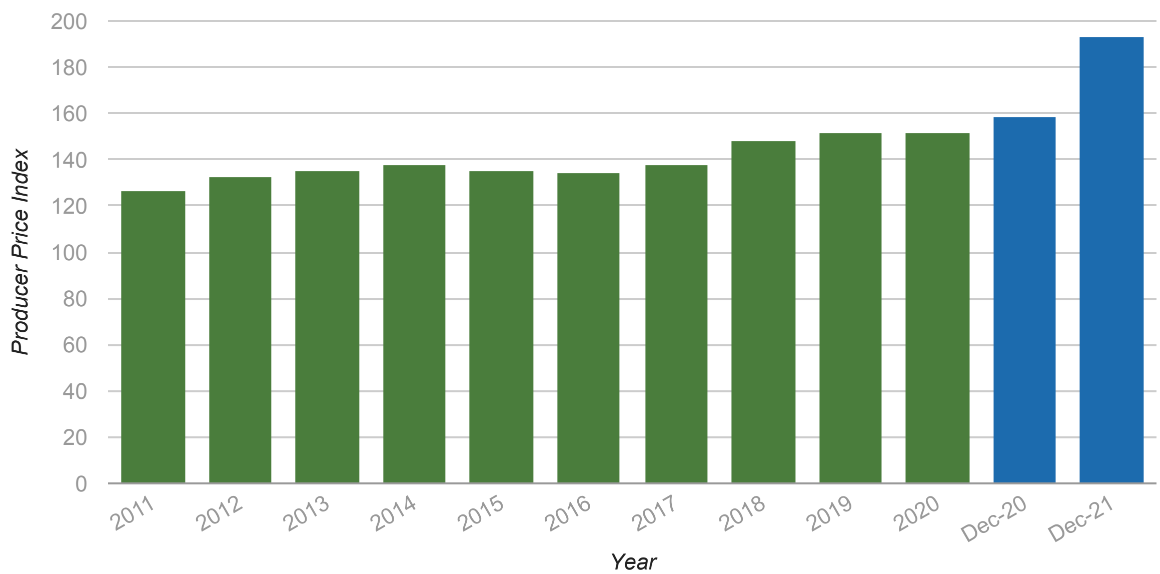

*Source: Bureau of Labor Statistics*

## Price Trends

### Producer Prices for trucking companies rise

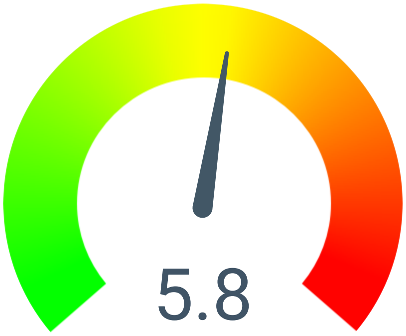
The Producer Price Index for trucking companies changed 21.56% in December compared to a year ago, according to the latest data from the Bureau of Labor Statistics.

**Producer Price Index for trucking companies**




*Source: Bureau of Labor Statistics*

# Credit Underwriting and Risks




**Industry Risk Rating:**
Stable/Satisfactory

| | | |
|---|---|---|
| **Business Exit Rates:** | 7.0 | Higher than US average for all businesses |
| **Cyclical Sensitivity:** | 6.5 | High sensitivity |
| **Barriers to Entry:** | 5.3 | Moderate initial capital; moderate regulatory/technical barriers; moderate concentration |
| **External Risk:** | 6.5 | High external risk |
| **Industry Outlook:** | 5.9 | Lower than GDP; high cyclical risk |
| **Financial Summary:** | 4.6 | Average margins; moderate liquidity; low leverage |

## Key Metrics

| METRIC | VALUE | COMPARISON |
|---|---|---|
| **Performance During 2007–2009 Recession** | -17.1% | 0.0% GDP |
| **Business Exit Rate 2019–2020** | 11.44% | 9.0% All Industries |
| **Compound Annual Growth Forecast (2020–2025)** | 5.32% | 6.1% GDP |
| **SBA 7(a) Default Rate by Number of Loans (2010-2019)** | 4.34% | 3.82% All Industries |
| **SBA 7(a) Default Rate by Gross Loan Amount (2010-2019)** | 1.61% | 1.21% All Industries |

## Underwriting Considerations

- Owners tend to not be business savvy. How experienced is the owner/operator? Does the company have a sound CPA for financial direction assistance?
- Working Capital Lines of Credit are typical to support AR, which is the typical collateral source. Review a current AR Aging - are concentration risk and AR over 90 days.?
- Look at AR Day trends and compare to industry averages.
- What condition are the trucks? Does the owner expect any capital investments related to additional trucks in the next 2-3 years?

## Industry Risks

### High Failure Rate

Small trucking start-ups have a high failure rate, with an estimated 85% failing before their second year of operation, according to the National Association of Small Trucking Companies. As a result, banks are often reluctant to finance new trucking operations or extend lines of credit. Building a fleet requires large investments and comes with expensive maintenance costs. The value of used trucks depreciates rapidly, eroding a company's asset base. Highly variable fuel costs affect cash flow and profitability. Demand for services can be cyclical for small companies that operate without contracts.

### Exposure To Volatile Fuel Costs

During periods of high oil prices, diesel fuel can become the industry's largest expense – exceeding labor. Bankruptcies increase when fuel prices are high, since marginally successful trucking companies are typically unable to sustain financial losses for an extended period of time. High fuel costs are especially damaging in urban, congested markets, where trucks can spend extra time idling. Many companies are unable to pass the full cost of increases on to customers.

### High Driver Turnover

Historically, truck driver turnover has been extremely high – exceeding 140% at times. Extended periods away from home, unpredictable schedules and variable wages present difficult working conditions. Turnover is highest among new drivers, who may find themselves assigned to a less desirable, long-haul route from the start. Increased safety and security measures are additional burdens when searching for new drivers. In a tight labor market, trucking companies may be forced to offer perks or pay for training to ensure adequate staffing.

### Limited Driver Hours

The federal Hours of Service (HOS) rules dictate how long a driver can be on duty and behind the wheel. While the implementation of HOS has improved the industry's safety record, many trucking companies feel the rules are too strict and have become an economic burden. Increasing government pressure to tighten HOS standards has resulted in backlash from the trucking industry, which claims that lack of flexibility fails to recognize differences in drivers' body clocks and can result in increased highway danger.

### Evolving Safety And Environmental Requirements

Trucking companies face a constantly changing set of government regulations aimed at improving transportation safety and minimizing environmental impact. Increasingly stringent federal laws can require significant capital expenses and higher costs for trucking operators. The EPA periodically issues new standards for truck emissions, often requiring fleet upgrades or replacements. Stricter HOS laws would result in higher labor costs. The federal mandate to install electronic logging devices (ELD) requires investment in technology.

### Dependence On Economic Conditions

Demand for trucking firms is highly dependent on overall economic conditions and the manufacturing sector in particular. During difficult economic periods, manufacturers reduce their output and volume of product shipments. Regional trucking firms may also be highly dependent on manufacturing sectors that have been moving production overseas, such as textiles or furniture.

## Company Risks

### Lax Safety Standards

Trucking companies often try to squeeze costs at every opportunity, sometimes at the expense of safety. Drivers may exceed speed limits or violate HOS laws to make an on-time delivery. Infrequent maintenance and repairs can compromise vehicle safety. Lax safety standards can result in accidents, litigation, or fatalities. Most of the burden of enforcement lies with the trucking operator, since government compliance reviews happen infrequently.

### Neglecting Vehicle Maintenance

Delays or lack of maintenance can result in inefficient truck operations, excessive fuel consumption, and a shortened vehicle life cycle. Wear and tear on trucks is inevitable, given the miles travelled on a daily basis. Maintenance can be expensive, especially for older vehicles, but is critical to maintaining performance and avoiding increased operating costs. Adhering to a strict maintenance schedule can maximize the life of a fleet and help companies delay new fleet purchases.

### Customer Concentration

Trucking companies that rely on a few customers or a particular industry for a high percentage of their business face additional demand risk. If a particular company or industry faces financial difficulties, the trucking company could lose business that is difficult to make up in the short term. With high fixed costs, companies have difficulty adjusting to revenue declines and profits suffer.

### Driver Shortage

Demand for drivers is steadily rising due to retirements, industry expansion, and increased government regulation. The current shortage is 60,800 for-hire drivers, according to the American Trucking Associations, and the shortage could grow to over 180,000 drivers by 2028. Companies in the long-haul truckload sector are forecast to experience the most shortages and difficulty recruiting. To attract drivers, some companies are buying new trucks with automated or automatic transmissions that are easier to drive and offering a variety of bonuses.

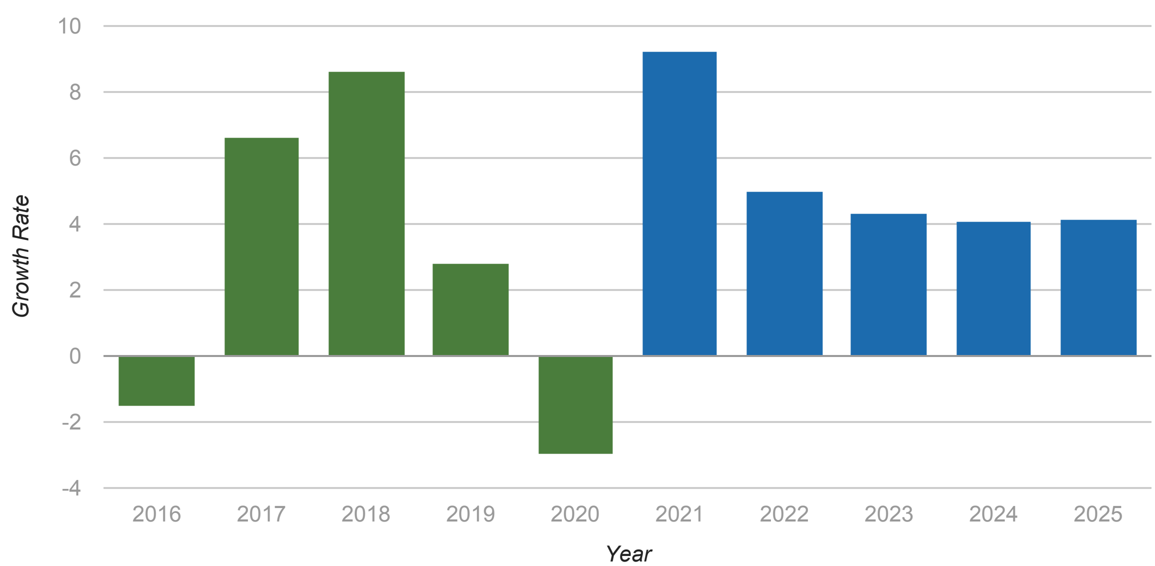
# Industry Forecast

Sales for the US trucking companies industry are forecast to grow at a 5.32% compounded annual rate from 2020 to 2025, slower than the growth of the overall economy.

Vertical IQ forecasts are based on the Inforum inter-industry economic model of the US economy. Inforum forecasts were prepared by the Interindustry Economic Research Fund, Inc.

Last Update: August 2021

**Trucking Companies Industry Growth**




*Source: Interindustry Economic Research Fund, Inc.*

# Working Capital

## Sell and invoice

Trucking operators may have established customer relationships with regularly scheduled jobs. New jobs often involve participating in a competitive bidding process. Quotes for jobs are based on the distance traveled, weight carried, and type of load. Carriers may not issue invoices until after deliveries are made, which can delay payments well beyond when expenses are incurred, causing cash flow problems.

> 8% of local trucking companies said they go to their accountant or bookkeeper for cash flow advice, while 0% turn to their banker and 92% do not seek advice, according to a survey of small businesses by Barlow Research Associates.
>
> *Source: Barlow Research Associates.*

## Collect

Most trucking companies offer customers 30 to 60 days to pay invoices, and receivables run about 35 to 40 days. During tough economic times, trucking companies may be faced with bad debt when their customers go out of business. Some operators track customer payment histories and will demand payment upon delivery for those who are chronically late. Customers can also ”backcharge” a carrier for damage, shortage, or late delivery.

## Manage Cash

Gross margins average 35-36% of sales. Since fuel expenses can be highly variable, some trucking companies pay for diesel in advance to secure better pricing. Often, fuel suppliers demand quick payment, sometimes within a week of delivery. Even when fuel costs are passed on to customers via fuel surcharges, sudden increases in fuel costs affect cash flow. Some companies sell their receivables to freight bill factoring companies, which front the trucking company cash upon delivery for a fee and percentage of the invoice.

## Pay

Major expenses include fuel, salaries, truck/trailer lease payments, maintenance, and insurance. The average marginal cost to operate a truck is $1.65 per mile, according to the American Transportation Research Institute (ATRI). Salaries are about 10-11% of sales.

## Report

After-tax net profit averages 5-6% of sales. Companies track delivery performance (on-time percentage) and fuel costs per trip. Government regulations require them to track the number of hours driven by drivers.

## Cash Management Challenges

### Timely Invoicing And Collections

Trucking companies don’t typically invoice customers until freight is delivered, which is well after the operating costs of the trip have been incurred. Delays in customer payment put further strain on cash flow. Many truckers lack staff resources for timely invoicing and collections follow-up and may be reluctant to risk repeat business opportunities with aggressive collection procedures. Instead, they may sell their receivables to a freight factoring company.

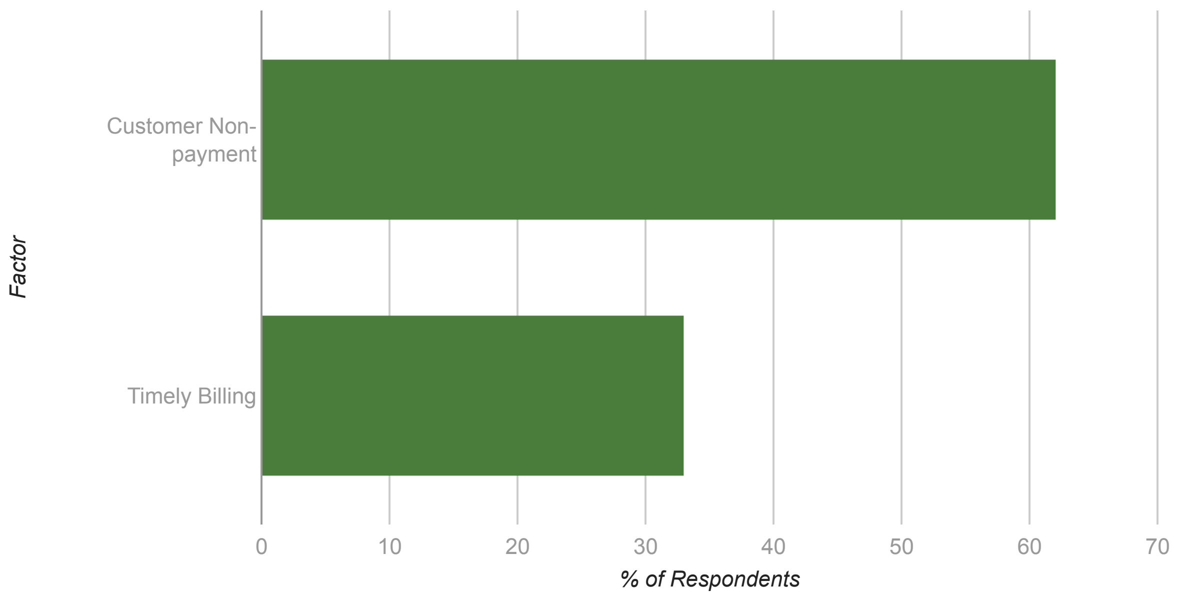
### Variable Operating Costs

The cost of delivering loads can vary greatly, depending on fuel prices, the length of the trip, the type of load, traffic conditions, and delivery requirements. Truckers need to fully understand their costs to ensure that jobs are profitable and be able to adjust their hauling rates to reflect changes in fuel prices and other cost items.

### Low Truck Utilization

Trucks represent a daily fixed cost for companies to cover loan payments, insurance, and licensing fees. Time that trucks sit idle waiting for a job or because drivers have exceeded Hours of Service regulations is a lost revenue opportunity. Trucks that have to drive back empty to their base location or to the next delivery pickup also represent lost revenue.

## Factors Causing Cash Flow Stress: Local Trucking




*Source: Barlow Research Associates*

# Capital Financing

Trucking companies can require significant capital: According to Navistar, a new Class 8 truck costs about $118,000, though some models can be as high as $150,000. Evolving safety and environmental regulations can force companies to upgrade or even replace their entire fleets, involving large capital outlays. Due to the risky nature of the trucking industry and the high failure rate, companies often have trouble obtaining financing.

Better operators upgrade their fleets regularly to improve fuel economy and reduce maintenance expenses. The average age of its fleet can be a good indicator of how well a company is investing to stay competitive.

Trucking companies may invest in technology to improve operating performance or satisfy government regulations. Federal law mandates the installation of electronic onboard systems (EOBS) to track driver performance for trucking companies that consistently violate Hours of Service (HOS) limits. EOBS costs range from $1,000-$3,000 per unit plus a monthly fee. Trucking companies are also investing in route management systems, which combine GPS and software, to help optimize travel routes and reduce costs.

## Examples of Equipment Purchases

**New Western Star Class A Truck (4900EX)**

*$140,000 - 150,000*

Flatbed sleeper truck with Cummins engine.

**Used 2008 International Prostar Class A Truck**

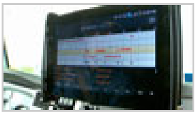
*$70,000 - 80,000*

Used raised roof sleeper truck with 330,000 miles.

**New Freightliner Cascadia Class A Truck**

*$120,000 - 130,000*

New raised roof sleeper truck with Cummins engine.



**Electronic Onboard Recorder (EOBR)**

*$1,000 - 3,000*

Tracks driver performance for compliance with federal regulations and optimization of fuel efficiency. Can be integrated with fleet management systems.

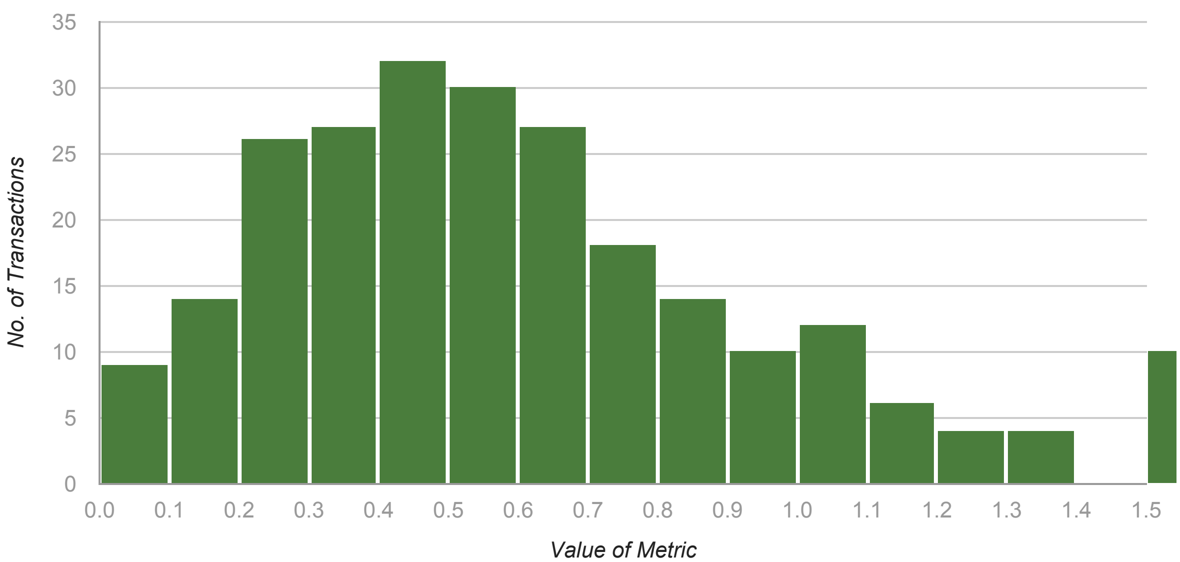
# Business Valuation

This data on business valuations is supplied by DealStats, an online database with the most complete financial details on nearly 36,000 acquired companies. These companies are mostly small and medium-sized private firms.

**Summary Valuation Data for Trucking Companies**

| | MEDIAN | MEAN | # TRANSACTIONS | DATES |
|---|---|---|---|---|
| **Price to Net Sales** | 0.54 | 0.79 | 243 | 01/31/1995–06/22/2021 |
| **Price to Gross Profits** | 0.78 | 1.64 | 208 | 01/31/1995–06/22/2021 |
| **Price to EBITDA** | 4.33 | 11.92 | 150 | 01/31/1995–06/22/2021 |
| **Price to EBIT** | 4.65 | 8.69 | 198 | 01/31/1995 –06/22/2021 |

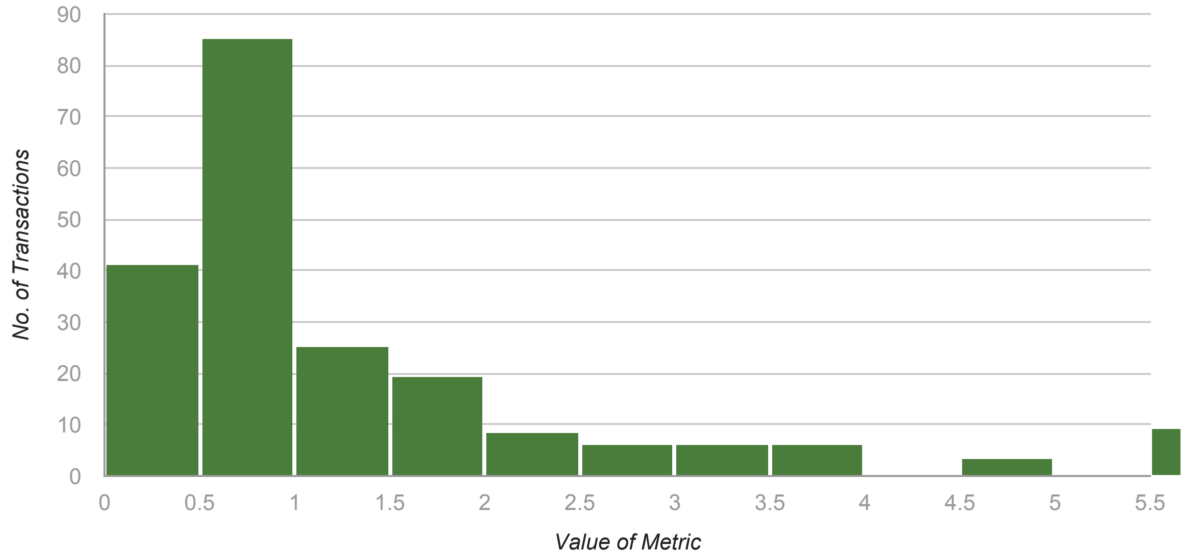
Click on the metric below to see a distribution of transactions for the industry:




*Source: DealStats*

**Count:** 243 **Min:** 0.03 **Max:** 35.51 **Mean:** 0.79 **Median:** 0.54

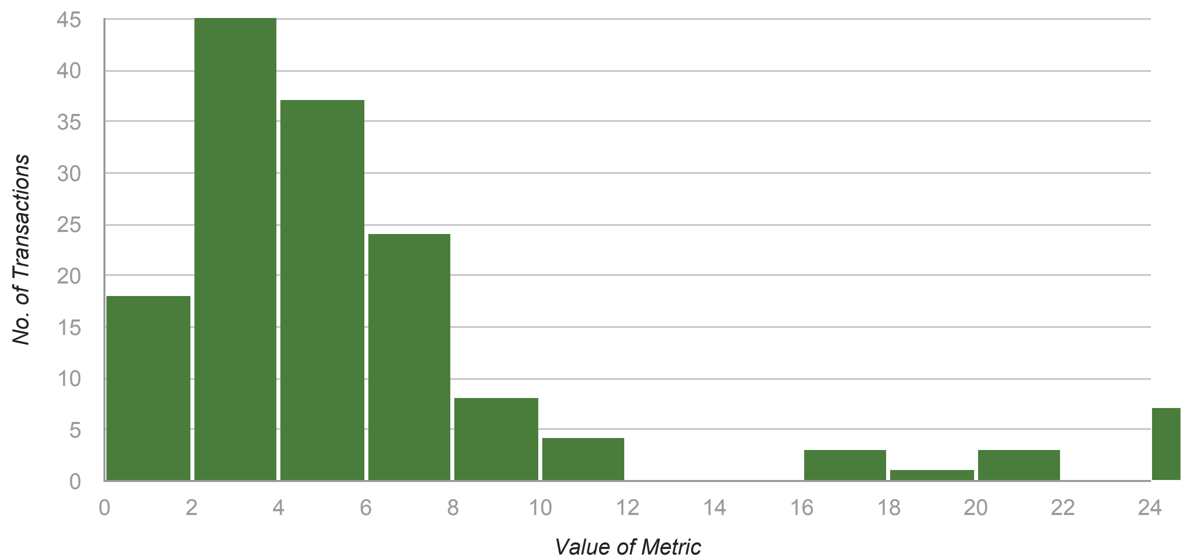
*Price to Sales = Selling Price/Net Sales*
*Date range: 01/31/1995 - 06/22/2021*




*Source: DealStats*

**Count:** 208 **Min:** 0.05 **Max:** 42.92 **Mean:** 1.64 **Median:** 0.78

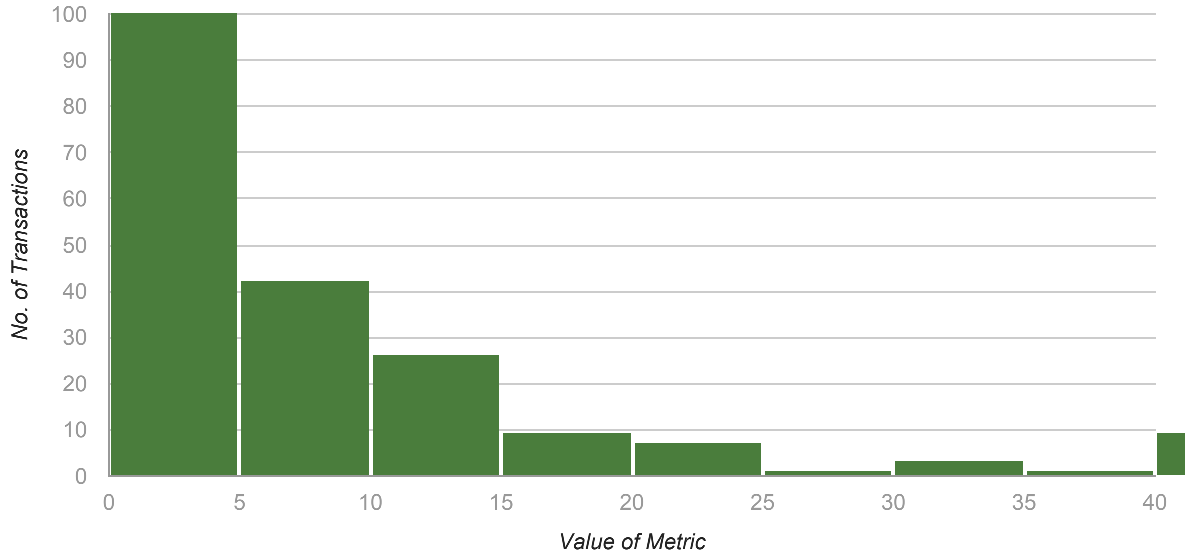
*Price to Gross Profit = Selling Price/Gross Profit*
*Date range: 01/31/1995 - 06/22/2021*




*Source: DealStats*

**Count:** 150 **Min:** 0.91 **Max:** 639.1 **Mean:** 11.92 **Median:** 4.33

*Price to EBITDA = Selling Price/Operating Profit + Depreciation & Amortization*
*Date range: 01/31/1995 - 06/22/2021*




Source: DealStats

**Count:** 198 **Min:** 0.0 **Max:** 159.65 **Mean:** 8.69 **Median:** 4.65

*Price to EBIT = Selling Price/Operating Profit*
*Date range: 01/31/1995 - 06/22/2021*

***Selling Price, also known as MVIC (Market Value of Invested Capital)** is the total consideration paid to the seller and includes any cash, notes and/or securities that were used as a form of payment plus any interest-bearing liabilities assumed by the buyer. The MVIC price includes the noncompete value and the assumption of interest-bearing liabilities and excludes (1) the real estate value and (2) any earnouts (because they have not yet been earned, and they may not be earned) and (3) the employment/consulting agreement values. In an Asset Sale, the assumption is that all or substantially all operating assets are transferred in the sale. In an Asset Sale, the MVIC may or may not include all current assets, non-current assets and current liabilities (liabilities are typically not transferred in an asset sale).*

*Source: DealStats 2019 (Portland, OR; Business Valuation Resources LLC). Used with permission. DealStats is available at [https://www.bvresources.com/learn/dealstats](https://www.bvresources.com/learn/dealstats)*

# Financial Benchmarks

The following financial benchmark data is based on annual financial statements submitted by member institutions of the Risk Management Association from Q2 of the first year listed through Q1 of the following year.

## Financial Ratios (Trucking Companies, Industry-wide)

| MEASURE | 2018-19 | 2019-20 | 2020-21 |
|---|---|---|---|
| Current Ratio | 1.15 | 1.09 | 1.30 |
| Quick Ratio | .97 | .91 | 1.13 |
| Days Inventory | 4.26 | 4.79 | 3.69 |
| Days Receivables | 37 | 36 | 40 |
| Days Payables | 18.25 | 19.05 | 19.56 |
| Pre-tax Return on Revenue | 3.90% | 3.18% | 4.15% |
| Pre-tax Return on Assets | 8.09% | 6.21% | 7.31% |
| Pre-tax Return on Net Worth | 23.58% | 17.81% | 21.41% |
| Interest Coverage | 9.48 | 8.99 | 9.94 |
| Current Liabilities to Net Worth | .87 | .83 | .80 |
| Long Term Liabilities to Net Worth | 1.05 | 1.03 | 1.13 |
| Total Liabilities to Net Worth | 1.92 | 1.87 | 1.93 |
| *Number of Firms Analyzed* | *3,573* | *2,793* | *1,654* |

## Income Statement (Trucking Companies, Industry-wide)

| ITEM | 2018-19 | 2019-20 | 2020-21 |
|---|---|---|---|
| Revenue | 100.0% | 100.0% | 100.0% |
| Cost of Sales | 64.88% | 63.68% | 61.74% |
| Gross Margin | 35.12% | 36.32% | 38.26% |
| Officers Compensation | 1.38% | 1.27% | 1.25% |
| Salaries-Wages | 7.37% | 8.03% | 8.96% |
| Rent | 2.18% | 2.41% | 2.15% |
| Taxes Paid | 1.43% | 1.61% | 1.39% |
| Advertising | 0.12% | 0.12% | 0.22% |
| Benefits-Pensions | 1.01% | 1.15% | 1.72% |
| *Number of Firms Analyzed* | *3,573* | *2,793* | *1,654* |

| ITEM | 2018-19 | 2019-20 | 2020-21 |
|---|---|---|---|
| Repairs | 1.42% | 1.57% | 1.67% |
| Bad Debt | 0.06% | 0.06% | 0.07% |
| Other SG&A Expenses | 5.18% | 5.51% | 5.73% |
| EBITDA | 14.97% | 14.59% | 15.1% |
| Amortization-Depreciation | 7.77% | 8.17% | 8.11% |
| Operating Expenses | 27.92% | 29.9% | 31.27% |
| Operating Income | 7.2% | 6.42% | 6.99% |
| Interest Expense | 1.89% | 1.88% | 1.83% |
| Other Income | -0.77% | -0.83% | -1.97% |
| Pre-tax Net Profit | 6.08% | 5.37% | 7.13% |
| Income Tax | 0.21% | 0.23% | 0.05% |
| After Tax Net Profit | 5.87% | 5.14% | 7.08% |
| *Number of Firms Analyzed* | *3,573* | *2,793* | *1,654* |

## Balance Sheet (Trucking Companies, Industry-wide)

| ASSETS | 2018-19 | 2019-20 | 2020-21 |
|---|---|---|---|
| Cash | 12.91% | 12.24% | 18.8% |
| Receivables | 23.33% | 22.45% | 21.46% |
| Inventory | 1.34% | 1.7% | 1.18% |
| Other Current Assets | 3.9% | 3.99% | 3.57% |
| Total Current Assets | 41.49% | 40.37% | 45.01% |
| Net Fixed Assets | 46.13% | 46.84% | 42.8% |
| Net Intangible Assets | 4.9% | 4.71% | 4.58% |
| Other Non-Current Assets | 7.48% | 8.07% | 7.61% |
| *Total Assets* | *100.0%* | *100.0%* | *100.0%* |

| LIABILITIES | | | |
|---|---|---|---|
| Accounts Payable | 8.25% | 7.95% | 7.32% |
| Loans/Notes Payable | 15.63% | 15.58% | 15.56% |
| Other Current Liabilities | 10.54% | 9.86% | 9.69% |
| *Number of Firms Analyzed* | *3,573* | *2,793* | *1,654* |

### LIABILITIES

| | | | |
|---|---|---|---|
| Total Current Liabilities | 34.43% | 33.39% | 32.58% |
| Total Long Term Liabilities | 37.07% | 38.79% | 40.23% |
| Total Liabilities | 71.5% | 72.17% | 72.8% |
| Net Worth | 28.51% | 27.82% | 27.21% |
| Total Liabilities & Net Worth | 100.0% | 100.0% | 100.0% |
| *Number of Firms Analyzed* | *3,573* | *2,793* | *1,654* |

*Vertical IQ financial benchmark data is based on data provided by the Risk Management Association (RMA) and Powerlytics, Inc. RMA's Annual Statement Studies provide comparative industry financial benchmarks based on financial statements of small and medium business clients of RMA's member institutions. Additional detail on income statement line items is provided using Powerlytics financial benchmarks, which are based on reporting submitted to the IRS. Additional detail on these data sources can be found at RMA and Powerlytics.*

# Bank Product Usage

The following table provides the frequency of bank product usage by Trucking and Courier Services, which includes Trucking Companies, with less than $10 million in annual revenue. It is provided by Barlow Research Associates, Inc., the premier market research firm in the financial services industry.

## Top Bank Products Used by Trucking and Courier Services

| BANK PRODUCT | % OF FIRMS |
|---|---|
| Business checking account services | 93.0 |
| Business debit card or business check card | 75.0 |
| Overdraft protection for business checking | 66.0 |
| Business credit card issued in your company's name (Visa, MasterCard, Amex, etc.) | 62.0 |
| Automated clearing house services (ACH) | 59.0 |
| Point-of-sale credit card processing | 57.0 |
| Wire transfer services | 53.0 |
| Business savings or money market account | 52.0 |
| Electronic payments initiated through the Internet (Bill Payment) | 49.0 |
| Credit lines secured by receivables, inventory, property or other assets | 42.0 |
| Remote deposit capture (scanning checks at your office or by mobile device for electronic deposit) | 41.0 |
| Unsecured short-term loans or working capital line of credit (less than one year) | 40.0 |
| Term loans or equipment financing (one year +) | 37.0 |
| Payroll processing | 36.0 |
| Money market mutual funds or short-term investments | 32.0 |
| SBA loans | 31.0 |
| Commercial real estate mortgage | 28.0 |
| Certificates of deposit | 27.0 |
| Account reconciliation processing (ARP) | 26.0 |
| Equipment leasing | 24.0 |
| Accounts receivable collection (lockbox) | 23.0 |
| Commercial real estate mortgage (company occupied building) | 23.0 |
| Commercial real estate mortgage (investment property) | 23.0 |
| Company sponsored 401(k), SEP, pension or profit sharing plan | 20.0 |
| Overnight investment or sweep accounts | 14.0 |

| BANK PRODUCT | % OF FIRMS |
| --- | --- |
| International (foreign exchange, import/export letters of credit) | 6.0 |

Barlow's Small Business Banking program is a multi-client research program sponsored by leading banks. Each quarter, a stratified random sample of businesses throughout the United States with sales between $100,000 to $10 million compiled from an independent list provider are invited to participate in a comprehensive banking survey of over 100 questions. The results measure channel adoption, bank satisfaction, brand power, account management, service quality, business product usage and the selling abilities of leading providers. The results in this chapter are calculated directly from the business product usage section and represent usage for the average small business ($100K-<$10MM).

For more information on Barlow's banking research, go to [http://www.barlowresearch.com/](http://www.barlowresearch.com/)

# Quarterly Insight

## 4th Quarter 2021

### New Class 8 Orders Pushed Out to 2022

North American Class 8 truck orders in October fell 39% to 24,500 units from a year earlier, according to FTR. The drop in truck orders came despite strong demand from trucking firms. Truck makers have been cautious about filling their order boards as they negotiate with fleet owners on price and they face production uncertainty for Q1 2022 amid supply chain issues for key components, especially a pandemic-related lack of semiconductors. To cope with the backlogs, some truck OEMs are canceling 2021 orders and moving them into 2022, sometimes at higher prices to offset increased input costs. Other truck makers have put monthly limits on new orders to prevent overbooking.

## 3rd Quarter 2021

### Semiconductor Shortage Pushes Up Used Truck Prices

Class 8 truck orders in July were flat compared to the prior month, but industry watchers suggest orders are being held artificially low because of shortages of key parts, especially a pandemic-related lack of semiconductors. North American orders for Class 8 trucks were 25,800 in July, virtually identical to the 25,809 orders in June, according to Act Research. Amid high US GDP, rising freight rates, and huge carrier profits, carriers want to upgrade fleets, but some equipment manufacturers have reported being sold out for 2021. Daimler Truck and Volvo Group have said semiconductor shortages could lead to factory downtime later in the year. The lack of new trucks to buy is leading to significant price inflation in the used market. Prices for late-model, low-mileage used trucks were up 60% in July compared to year-earlier levels, according to FreightWaves.

## 2nd Quarter 2021

### Driver Shortage Persists

As the US economy gains steam and demand for freight keeps rising, US trucking firms are having to increase pay to attract drivers, according to The Wall Street Journal. Some industry insiders believe enhanced unemployment benefits and stimulus checks may be hindering the industry's hiring efforts. Another issue affecting the available pool of drivers is the Federal Motor Carrier Safety Administration's new database for tracking drug and alcohol use by commercial driver's license holders. Trucking firms must also compete with other types of jobs, such as construction, that offer similar pay but don't require as much travel away from home. Of trucking carriers surveyed in the first quarter of 2021, 75% said they planned to increase driver wages this year, according to Cowen & Co. However, higher pay has not necessarily made a dent in the driver shortage, according to CNN Business. Higher pay may be contributing to a rise in driver turnover as drivers switch employers more frequently amid stronger wage competition. Higher paychecks may also prompt drivers to drive less so they can spend more time at home, which can worsen the driver shortage.

## 1st Quarter 2021

### Study: Long-Haul Trucking Struggles to Attract Drivers

Long-haul trucking companies need to do more to attract and retain drivers amid competition from other types of blue-collar work, including warehousing and short-haul driving, according to a recent study by Coyote Logistics and data analytics firm Emsi. The study suggests many truck driving job postings are going unfilled compared to other types of blue-collar work. Hiring for truck driving jobs is about one-sixth lower than the rate of blue-collar jobs overall. For long-haul driving jobs, one driver is hired for every nine job postings. There are two local, light truck job postings for every driver hired. The rise of ecommerce has spurred demand for local driving jobs which makes hiring long-haul drivers more difficult as drivers overwhelmingly prefer short-haul work. To attract drivers, the study suggests long-haul trucking firms must offer potential hires more on-the-job training, higher wages, and lifestyle enhancements.

## 4th Quarter 2020

### Shortages Push Contract, Spot Rates Higher

Tight capacity and a driver shortage is pushing contract and spot rates higher across vans, flatbeds, and refrigerated trucks. Bob Costello, chief economist at American Trucking Associations, said in mid-October that capacity in the industry is as tight as it has been in years. An undetermined number of fleets closed early on because of the COVID-19 pandemic, Costello added, and those that are continuing to operate are likely running with fewer trucks. Van spot load rates were up 28.8% year over year in September, according to DAT Solutions. They have continued to rise in October and averaged $2.46 per mile on October 10, a 9-cent increase since the beginning of the month. Flatbed rates were up 9.9% year-over-year in September and have jumped a nickel to $2.46 a mile on October 10. Refrigerated rates were up 19% year-over-year in September and up 3 cents to $2.60 per mile on October 10 .

## 3rd Quarter 2020

### Supply Chain Disruptions Tighten Capacity, Boost Rates

Truckload capacity has tightened as supply chains continue to adjust to the challenges of the COVID-19 pandemic. The imbalance between the volume of freight demand and the capacity available to move it shifted some truckload services demand to the spot market, and drove up spot rates. For the week ending August 2, monthly average rates for dry van, refrigerated hauling, and flatbed hauling hit close to year-to-date high points, according to transport information firm, DAT Solutions. On a monthly average basis, dry van rates were up nearly 8% compared to the same period in July, and refrigerated rose more than 5%. Flatbed rates increased just under 1%. Industry watchers expect continued volatility in food-related markets, and hurricane season may also affect state and regional freight volumes.

## 2nd Quarter 2020

### Freight Volume Down

While the initial demand for household staples spurred trucking volumes in March, activity waned in April, according to American Transportation Research Institute (ATRI) analysis of GPS data in six states. Load demand in April fell compared to the prior month among all major load categories. Specialty trailer and refrigerated demand fared better compared to dry van and flatbed loads. The American Trucking Association's advance seasonally adjusted for-hire truck tonnage index fell 12.2% in April compared to March, marking the biggest drop in 26 years. However, industry watchers are optimistic that freight volumes and rates may rebound as the states gradually reopen their economies. All 50 US states are in some stage of reopening.

## 1st Quarter 2020

### Restraining Order On California Independent Contractor Law Extended

A federal judge extended in January 2020 a temporary restraining order that blocks California from forcing motor carriers to comply with the state's worker classification law known as Assembly Bill 5 (AB5). The law, which went into effect on January 1, 2020, requires companies that hire independent contractors to reclassify them as employees, with a few exceptions. Many logistics industry experts say that AB5 may result in higher transportation costs that, if ultimately passed to consumers, could negatively impact both the transport industry and the broader economy. The order was issued as part of the California Trucking Association's lawsuit challenging AB5.

# Industry Terms

### CDL

Commercial Driving License. Drivers are required to have a CDL to operate a truck.

### Class 8 Truck

Truck with a gross vehicle weight rating of greater than 33,000 pounds. Class 8 includes all tractor trailer trucks.

### Drayage

Transport of goods over a short distance.

### EOBR

Electronic Onboard Recorder: Computer system for tracking driver performance, often required for companies violating Hours of Service laws.

### HOS

Hours of Service: The length of time a driver is legally allowed to drive.

### LTL

Less Than Truck Load: When freight from multiple customers is consolidated into one trailer.

### TL

Truck Load: When a customer fills the truck’s entire trailer.

# Web Links

**[American Trucking Association]**
News, trends and statistics for trucking industry. Issues State of the Industry report annually.

**[FleetOwner]**
Truck sales, trends, and news.

**[Truckinginfo]**
News and trends, website for Heavy Duty Trucking magazine.

**[US Department of Transportation]**
Transportation statistics.

# Related Profiles

**Auto Parts Distributors**

NAICS: 423120 SIC: 5013, 5015, 5531

**Auto Repair Shops**

NAICS: 811111 SIC: 7538

## Niche Profiles

**Motor Vehicle Towing**

NAICS: 488410 SIC: 7549

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