



THOUGHT LEADER WRAP-UP

Fourth Annual Investing in the Transportation & Logistics Industry Conference

December 5, 2024

Keynote

Gazing into the Crystal Ball: What Transportation & Logistics Executives Need to Know about the Future of Globalization, Artificial Intelligence, and Demography

GREG LINDSAY, Expert on Globalization, Urbanization and Innovation; Chief Communications Officer, *Climate Alpha*



Greg Lindsay's presentation covered key trends and shifts in urban planning, logistics, and technology, with a focus on the interplay between demographics, mobility, and innovations in delivery and automation.

1. Post-Pandemic Urban and Demographic Shifts:

- The pandemic accelerated migration from major metropolitan areas to smaller cities and suburbs, driven by affordability and the rise of remote/hybrid work.
- Millennials are moving to more walkable suburban areas, but they are not replicating their parents' suburban lifestyles.

2. Technological Disruption in Logistics:

- Innovations in last-mile and last-meter delivery, including drones, robots, and predictive algorithms, are reshaping supply chains.
- Companies like Amazon are leveraging automation and data to revolutionize logistics, even experimenting with airship warehouses and predictive delivery.

3. Future of Mobility and Urban Design:

- Electric vehicles, autonomous transport, and cargo solutions are driving shifts in urban infrastructure and logistics.
- Cities are rethinking their layout, emphasizing sustainability, walkability, and the integration of e-commerce fulfillment centers with urban living spaces.

4. Autonomous Systems and AI:

- The potential of autonomous vehicles extends beyond transport to other infrastructure, such as self-driving buildings and automated last-mile solutions.
- Questions of liability, regulation, and workforce displacement were raised as critical challenges.

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KEYNOTE (continued from page 1)

5. Emerging Business Models and Consumer Behavior:

- A shift toward on-demand, localized fulfillment models, such as dark stores and autonomous micro-deliveries, is evident.
- Companies are leveraging data collection to predict consumer behavior and tailor services, often raising privacy and ethical concerns.

6. Global Perspectives and Innovations:

- International examples, such as drone deliveries in China and the UAE's plans for flying taxis, illustrate the rapid adoption of advanced logistics and transport technologies abroad.

7. Regulatory and Economic Challenges:

- The presentation emphasized the need for adaptive regulations to manage emerging technologies while balancing privacy, safety, and efficiency.
- The geopolitics of supply chains, especially the US-China rivalry, were highlighted as a factor shaping global logistics.

The talk underscored how urban living, technology, and logistics are converging, creating both opportunities and challenges in shaping the future of the sector.

CEO Roundtable Panel



Panelists:

BRIAN BOURKE, Chief Commercial Officer, Global, *SEKO Logistics*

JASON PROVONSHA, CEO, *Steam Logistics*

KENDRA TANNER, President & CEO, *Allstates WorldCargo*

Moderator:

MARC S. BLUBAUGH, Partner, *Benesch*

High-Level Takeaways from the CEO Roundtable

1. Logistics Industry Outlook

- The logistics sector is cautiously optimistic heading into 2025, with signs of recovery in freight markets, such as increased tender rejections and incremental spot market rate improvements.
- Nearshoring continues to drive growth, with investments shifting from China to regions like Mexico and Southeast Asia.

2. Challenges and Opportunities

- Uncertainty: Geopolitical risks and trade policies (especially potential tariffs) are major concerns, creating unpredictability for supply chains and costs.
- Resilience Strategies: Companies are leveraging technology, diversifying sourcing, and planning for disruptions in order to maintain efficiency and margins.

3. Mergers and Acquisitions (M&A)

- M&A activity is expected to rise in 2025 as companies recover from the prolonged freight recession and private equity firms deploy sidelined capital.

- Firms are using M&A strategically to enhance growth, diversify operations, and capitalize on market opportunities.

4. Technology and AI

- AI is being integrated for operational efficiencies, particularly in back-office automation and customer service improvements.
- However, the industry remains people-driven, with relationships and trust continuing to play a pivotal role in logistics operations.

5. Leadership and Culture

- CEOs emphasized the importance of building resilient company cultures to navigate downturns and leverage growth opportunities.
- Networking, continuous learning, and customer-centric strategies are critical for staying competitive and innovative.

6. Strategic Focus for 2025

- Companies are focusing on domestic manufacturing incentives, infrastructure investments, and aligning with evolving trade policies.
- Practical advice from leaders included fostering adaptability, focusing on core strengths, and maintaining access to reliable industry information.

M&A Outlook 2025 Panel



Panelists:

JONATHAN ADAMS, Managing Director, Transportation & Logistics, *Capstone Partners*

MARK FORNASIERO, Managing Director, *Clarendon Capital*

KRISTOPHER HOPKINS, Managing Director, Head of T&L Investment Banking, *BMO Capital Markets*

PAUL MARTINS, CEO, *Ascent Global Logistics*

Moderator:

PETER SHELTON, Partner, *Benesch*

Summary of the key points related to M&A Activity:

1. Industry Conditions and Trends:

- 2023 and 2024 were challenging years for the transportation and logistics sector, characterized by a slow recovery from the “freight recession” and volatile market conditions.
- Positive changes are anticipated for 2025, driven by the outlook for an improved regulatory environment, stabilizing freight rates, continued reduction in excess trucking capacity and economic growth, driven in part by stronger consumer sentiment.

2. Drivers of M&A Activity in 2025:

- **Capital Deployment:** Private equity (PE) funds have amassed significant “dry powder” (over \$1 trillion) needing deployment. Likewise, strategic buyers have significant cash to deploy.
- **Valuation Realignment:** Seller expectations are aligning more closely with buyer valuations.
- **Strategic Focus:** Increased attention on supply chain capacity and niche business models (e.g., specialized logistics services) will create M&A opportunities.

3. Observations on Deal-making:

- Successful deals in 2023 and 2024 were often in niche or specialized markets, with companies offering unique value propositions (e.g., logistics for wine and spirits or high-density pulp transportation).
- Structured deal terms, such as earn-outs and seller notes, have been prevalent means to bridge valuation gaps.
- M&A activity is likely to accelerate in the second half of 2025, as market conditions stabilize and interest rates decline.

4. Key Challenges and Opportunities:

- Aligning M&A strategies with market dynamics, such as technology adoption and operational efficiencies, remains critical.
- Consolidation in fragmented sectors like brokerage will continue, driven by competitive pressures and economies of scale.
- Tariff and regulatory uncertainties could pose risks, but may afford buyers with negotiating leverage in some cases.

5. Long-Term Outlook:

- Industry participants remain cautiously optimistic, with an emphasis on growth through M&A and investments in resilient, tech-enabled supply chain businesses.
- Stakeholders anticipate a more disciplined approach to valuation and deal-making compared to the high-watermark years of 2021–2022.

Mexico Business Environment Update – T&L Sector Panel



Panelists:

ALFIE BINGHAM, CEO, *Bulkmatic Transport Company*

KEVIN COLEMAN, CEO, *CJ Logistics*

MARTIN ROJAS, Senior Advisor for the Americas, *International Road Transport Union*

Moderator:

JONATHAN TODD, Partner, *Benesch*

1. Focus on Mexico in Cross-Border Trade

- Mexico has grown in its position as a key player in international trade, with trend nearshoring driving significant investment and infrastructure growth.
- Trade between the U.S. and Mexico reached nearly \$1 trillion, growing at an average annual rate of 6%, outpacing overall GDP growth.

2. M&A and Investments in Mexico

- Foreign investment in Mexico operations has seen unique opportunities and challenges over the years. Examples include rail privatization, energy reforms, and the adoption of NAFTA/USMCA.
- Operations are leveraging Mexico's competitive (although increasing) labor costs, proximity to the U.S., and growing infrastructure for strategic advantages.

3. Challenges in Security and Operations

- Security remains a critical issue particularly for cargo theft and personnel safety.
- Collaboration with local law enforcement and the use of technology (e.g., GPS tracking, AI-enabled cameras, personnel screening) are common solutions to help manage risk.

4. Evolving Political and Economic Environment

- Political changes in Mexico have caused a degree of uncertainty for businesses, including concerns about judicial reforms and regulatory stability.
- Despite challenges, nearshoring and foreign investment are expected to continue fostering growth.

5. Opportunities for U.S. Businesses

- Today's business environment in Mexico continues to hold many opportunities, and in many ways more opportunities, for US business due to strong existing operations and increased infrastructure. Many opportunities exist to drive efficiencies supporting North American trade.
- Some companies are focusing on non-core operational functions such as establishing strong back-office administration in Mexico, supported by a skilled local workforce.

6. Outlook for the Future

- Optimism remains high for the long-term growth of international trade and logistics within the region, fueled by responses to geopolitical risk.
- Continued efforts are needed to address inefficiencies in border operations and to ensure security for reliable sustained growth.

PANEL 4: Post-Closing Integration Panel



Panelists:

BILL LALLY JR., CEO, *Janel Group*

ERIC MAUTNER, EVP of Mergers & Acquisitions, Americas, *GEODIS*

SETH WILSON, Partner, *Argosy Private Equity*

Moderator:

ERIC ZALUD, Partner, *Benesch*

1. Post-Merger Integration (PMI)

CHALLENGES:

- Retaining workforce and preserving company culture post-acquisition is critical; must get granular and understand who has customer relations.
- Misalignment between buyer and seller expectations can hinder success.

STRATEGIES:

- Earn-outs, equity rollovers, and retention programs are key to smooth transitions.
- Focus on communication and alignment across leadership and staff levels; frequent meetings at all levels, to foster communication.
- Cultural and Operational Alignment:
- M&A success relies heavily on integrating employees, systems, and branding thoughtfully; make sure that the founder/"general" has good "lieutenants".
- Overcoming resistance to data-driven decision-making in legacy companies is a common hurdle, same with internal budgeting.

2. Leadership and Organizational Dynamics

IMPORTANCE OF LEADERSHIP:

- Maintaining leadership post-acquisition (avoiding the "tennis shoe model" of quick exits) is essential; don't want to just "rip the band-aides off, and go."
- Identifying and retaining "lieutenants" within the acquired company helps sustain stability; must be able to retain employees with granular knowledge.

ROLE OF CULTURE:

- "Culture eats strategy for breakfast" – aligning values and expectations is vital for long-term success. Cultural aspects, should be deeply and broadly co

3. Future Predictions (2025)

INDUSTRY GROWTH:

- Modest but steady growth anticipated, with optimism surrounding deal flow and recovery.

M&A MARKET OUTLOOK:

- Increasing convergence on realistic valuations expected to drive deal activity.
- Dry powder in private equity and strategic reserves will likely lead to robust deal-making in H2 2025.





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