



# Truck & Trailer Rental and Leasing Industry and M&A Update

KPMG Corporate Finance LLC  
July 2023

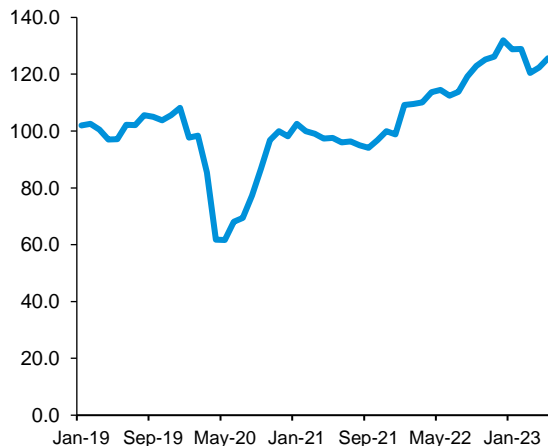
# Industry Overview

## Industry Commentary

- ✓ The U.S. Truck and Trailer Rental and Leasing industry generates over \$30 billion of annual revenue, with approximately 1 million commercial vehicles being leased or rented from third parties.
  - While market share is concentrated among sizeable national players, the remaining competitive landscape is fragmented among many regional, mid-sized, and smaller companies.
- ✓ Despite an uncertain economic environment, shipping volumes and demand for leased and rental vehicles remains steady as consumer demand and production activity persists.
- ✓ Rising interest rates require operators to closely evaluate vehicle financing strategies and may further the appeal of leasing and/or renting vehicles – instead of owning – for end users.
  - To date, the recently introduced accounting standard, ASC 842, which requires capitalization of certain operating leases has not significantly impacted the demand from end users.
- ✓ Technological innovations, driverless and electric vehicles, MPG minimum standards and other industry dynamics may require significant capital allocation and represent key operating considerations for industry participants as they look toward the future.

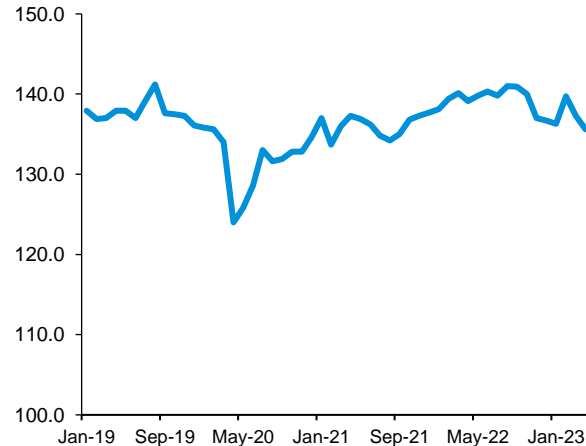
Source: IBIS, IHS Markit

### Truck and Trailer Manufacturing Index

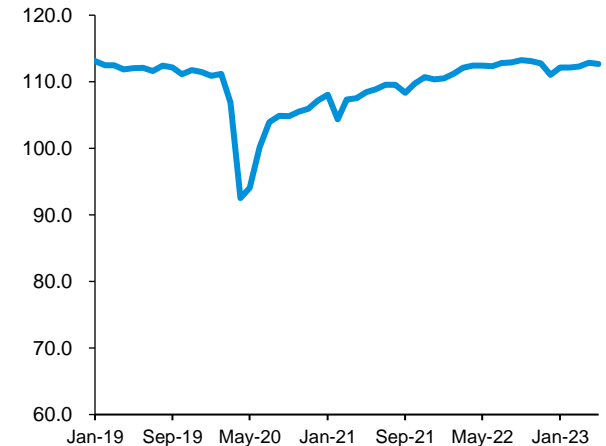


Source: FRED; Index Jan 2000 = 100

### Freight Transportation Services Index



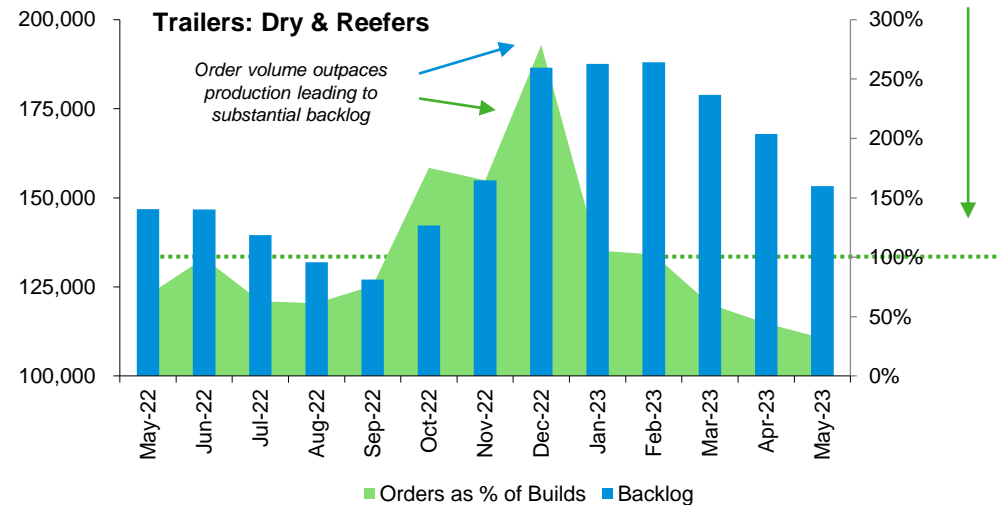
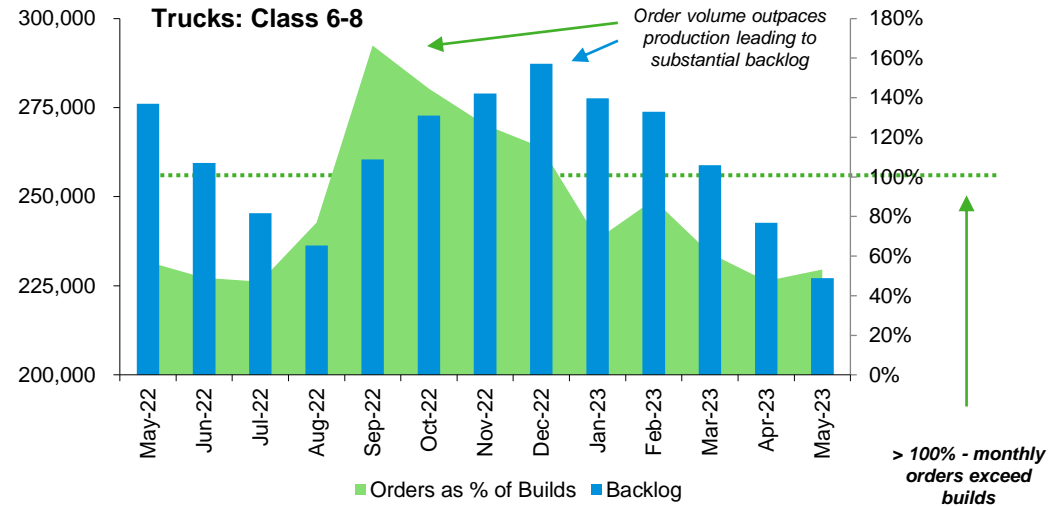
### Industrial Production Index



# Commercial Vehicle Trends

## Orders, Production, and Backlog – Recent Trends

- ✓ Following the pandemic in 2020, supply chain constraints coupled with robust truck demand resulted in historically high levels of OEM backlog.
- ✓ During the back half of 2022, orders were outpacing production volumes in both commercial trucks and trailers.
- ✓ This trend has pushed out new vehicle allocations and made slotting critical for companies requiring new trucks and trailers.
- ✓ For rental and leasing companies, the shortage of new vehicles has affected the business mix and timing for new and existing customers.
  - Leasing revenue has been affected by an inability to provide new vehicles.
  - Rental revenue has increased as customers are renting vehicles to satisfy demand.
  - Maintenance revenue has increased as vehicle lives are being extended.
  - Low unemployment has created challenges in finding experienced technicians and other employees and pressured wages.
  - Used truck and trailer prices were at all time highs, driving significant profitability on sales.
- ✓ In recent months, the market has shown signs of settling down as order volumes have waned and production volumes have begun to catch-up, returning backlog and new and used pricing to more normalized levels.



Source: KPMG Analysis; Third-party sources



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## Both Sectors Have Strong M&A Drivers



Companies looking to **expand or bolster geographic footprint and network**.



Companies seeking access to additional resources – particularly **vehicles and labor** – which have been challenging to obtain in recent periods.



Companies enhancing or expanding **secondary service offerings**, including repairs and maintenance, used vehicle sales, parts sales, and logistics solutions, as well as **dealers expanding leasing operations**.



Companies' ability to leverage **operational efficiencies and synergies** that can be attained through an acquisition.



Owner-operators of many multi-generational businesses are nearing retirement without a clear next generation to transition the business to and/or taking advantage of the **active market dynamics** in advance of potential industry challenges.

### Transaction Considerations

- ✓ Revenue Mix and Profitability Trends
  - “Normalized” earnings vis-à-vis impact of last few years
- ✓ Vehicles on Order
  - OEM allocations, timing of delivery
  - Fleet “true-up” at closing
- ✓ Fleet Inspections and Condition of Fleet
- ✓ Vehicle Debt
  - Treatment at closing, prepayment penalties
- ✓ Environmental Diligence
  - Fuel tanks, groundwater testing, Phase I & II
- ✓ Transaction Structure
  - Stock v. asset deal; indemnification and tax implications

### Deal Trends

- ✓ High level of private equity activity in the Trailer Leasing space.
  - Notable “roll up” strategies from select aggressive acquirers.
  - Cash flow dynamics of trailer leasing businesses are attractive for institutional capital.
- ✓ Heightened recent M&A interest in Truck Leasing.
  - National pure play strategics, sizeable regional players, dealerships, and other T&L operators demonstrating an appetite for acquisitions.
- ✓ Aging ownership of independents without a transition strategy.
- ✓ Scale, fleet mix, geographic location, revenue mix and end customers all factor into value.
- ✓ Geography, cultural alignment, employee integration, and customer transition represent key non-economic deal factors.

# Highlighted M&A Transactions

## Truck Rental and Leasing

Date	Buyer	Target	Business and Transaction Notes
May-23	Penske Truck Leasing	Star Truck Rentals	Commercial truck rental & leasing. 18 locations across MI and IN.
May-23	Penske Truck Leasing	Kris-Way Truck Leasing	Commercial truck rental & leasing. 7 locations across ME and NH..
Mar-23	Argosy Capital Group	Vac2Go, LLC	Vacuum truck rentals and repair services. 7 locations across Southern U.S.
Nov-22	RELAM (Paceline Equity Partners)	Wiskerchen Truck & Equipment	Sale, service, rental, and leasing of Hi-Rail Trucks equipment.
Aug-22	Miller Truck Leasing	Leroy Holding	Commercial truck rental & leasing. 8 locations, primarily in upstate NY.
Jan-22	Hub Truck Leasing & Rental	Public Service Truck Renting	Commercial truck rental & leasing. 2 locations in NY.
Dec-21	City Rent a Truck	Broadway Truck and Van Rental	Truck & van rental solutions. Divestiture from Broadway Ford Truck Sales.
Dec-21	Penske Truck Leasing	DeCarolis Truck Rental	Commercial truck rental & leasing. 10 locations across upstate NY.
Sep-21	Alinda Capital Partners	Big Truck Rental	Refuse vehicle rentals across North America. HQ in FL and Ontario, CA.
Jun-20	Aim, Airoidi and Brown NationalLease	Assets of McCoy NationalLease	Commercial truck rental & leasing, Platform divided among the three acquirors.

## Trailer Rental and Leasing

Date	Buyer	Target	Business and Transaction Notes
Feb-23	TIP Trailer Services (I Squared Capital)	EURO-Leasing	Trailer leasing operations of Euro-Leasing in Denmark. 1,650 trailers.
Aug-22	Wafra Inc.	Contract Leasing Corporation	Trailer and chassis leasing. 15,700 units across 13 locations in eastern U.S.
Jun-22	TIP Trailer Services (I Squared Capital)	Ryder's Trailer Leasing and Maintenance UK Operations	Trailer leasing and maintenance business in the UK. 3,500 trailer units.
Mar-22	American Trailer Rental Group (Wind Point Partners)	Storage Trailers of Alabama; B&W Trailer Rentals	Two separate transactions. Solutions include storage rental services, trailer rental, used equipment sales, and repairs and maintenance.
Jan-22	American Trailer Rental Group (Wind Point Partners)	Ala-Ga Trailer Leasing LLC; Smartway Trailer Rentals; Colorado Storage Systems	Three separate transactions. Solutions include industrial storage and over-the-road cartage trailer leasing.
Sep-21	Partners Group & Barings	Milestone Equipment Holding	Trailer, chassis, and container leasing. 95,000 units. 70+ locations in the U.S.
Jun-21	Wind Point Partners	American Trailer Rental Group	Trailer rental solutions. 16,000 units through 19 branches in the U.S.
Mar-21	I Squared Capital	Star Leasing Company	Trailer leasing solutions. 19,000 trailers across 13 locations in the U.S.
Jan-20	Mizuho Leasing Company	PLM Fleet	Reefer trailer leasing solutions across the U.S. Mizuho acquired 50% interest.
Dec-19	TIP Trailer Services (I Squared Capital)	PEMA GmbH	Commercial vehicle lease and rental company. 19,000 units across Europe.

Source: Capital IQ. List compiled by KPMG CF. Figures displayed represent the time of the transaction.












# KPMG Corporate Finance\* – Leading Middle Market Advisor

## Worldwide Advisor Ranking<sup>1</sup>

2003- 2022		No. of deals
1	<b>KPMG*</b>	<b>9,230</b>
2	PricewaterhouseCoopers	8,615
3	Houlihan Lokey	6,470
4	Deloitte	5,961
5	Ernst & Young LLP	5,441
6	Rothschild & Co	5,253
7	Goldman Sachs & Co	3,790
8	Lazard	3,758
9	JP Morgan	3,726
10	Morgan Stanley	3,506

## Middle Market Services with Deep Vertical Expertise

<b>Advisory Services</b>	 Business Services	 Consumer Markets	 Energy & Natural Resources
<b>Debt &amp; Equity Financing</b>			
<b>M&amp;A</b>	 Financial Services	 Healthcare & Pharmaceuticals	 Industrial Markets
<b>Special Situations</b>			
<b>Fairness Opinions</b>	 Real Estate	 Private Equity	 Technology, Software & Telecom

## Industry Recognition

Has awarded  
 **KPMG Corporate Finance LLC**  
 Middle Market Investment Bank of the Year 2021

Has awarded  
 **KPMG Corporate Finance LLC**  
 Global Technology Deal of the Year Award (Mid-Market) 2021

Has awarded  
 **KPMG Corporate Finance LLC**  
 Cross Border Deal of the Year Award (Mid-Market) 2020

## Superior Value Proposition



**Leading M&A Advisor**

No. 1 global M&A advisor by deal volume



**Tailored, Swift Execution**

Tailored processes that maximizes results



**Superior Global Network**

Unparalleled access and buyer insights



**Fully Integrated Offering**

Seamless investment banking, FDD offering, Strategy, Consulting, etc

## Unmatched Global Reach



Note: (1) Thomson Reuters SDC. Completed transactions of US\$500 million or less of enterprise value. May9, 2023.  
 (\*) Refers to the global Corporate Finance practices of KPMG International's network of independent member firms



# Your Dedicated KPMG Corporate Finance LLC Team

Proven and experienced team with relevant sector expertise and M&A track record

## Dedicated Advisory Team



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## Senior-Level Attention

- ✓ Hands on, senior-level commitment and attention
- ✓ Cohesive, experienced team with track record of success
- ✓ Proven ability to drive competitive process to optimize terms

## Direct Sector Expertise

- ✓ Highly relevant, recent rental & leasing experience
- ✓ Strong understanding of key value drivers
- ✓ Focus on privately-held, owner-operated businesses

## Buyer Relationships

- ✓ Relationships with decision makers at key buyers
- ✓ Unique insights into investor priorities and behaviors
- ✓ Understanding of industry specific “hot buttons”

## Highly Relevant Experience and Expertise



has been acquired by



Rental | Leasing | Logistics

*“Rob and his team exhibited professionalism, dedication, and skill throughout this process. Their guidance proved invaluable to myself and the stakeholders in Star Truck Rentals as we navigated this transformative event in the Company’s lifecycle.”*

- Tom Bylenga



has been acquired by



Rental | Leasing | Logistics

*“This transaction is my second experience with this team. Their attention to detail, proactive approach and professionalism made the process very smooth in both cases, provided options and ultimately resulted in great outcomes.”*

- Paul DeCarolis



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