

An Overview of Private Equity

National Home Delivery Association

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Presented by:

Alex Rafla

Principal

Clarendon Capital

arafla@clarendongrp.com

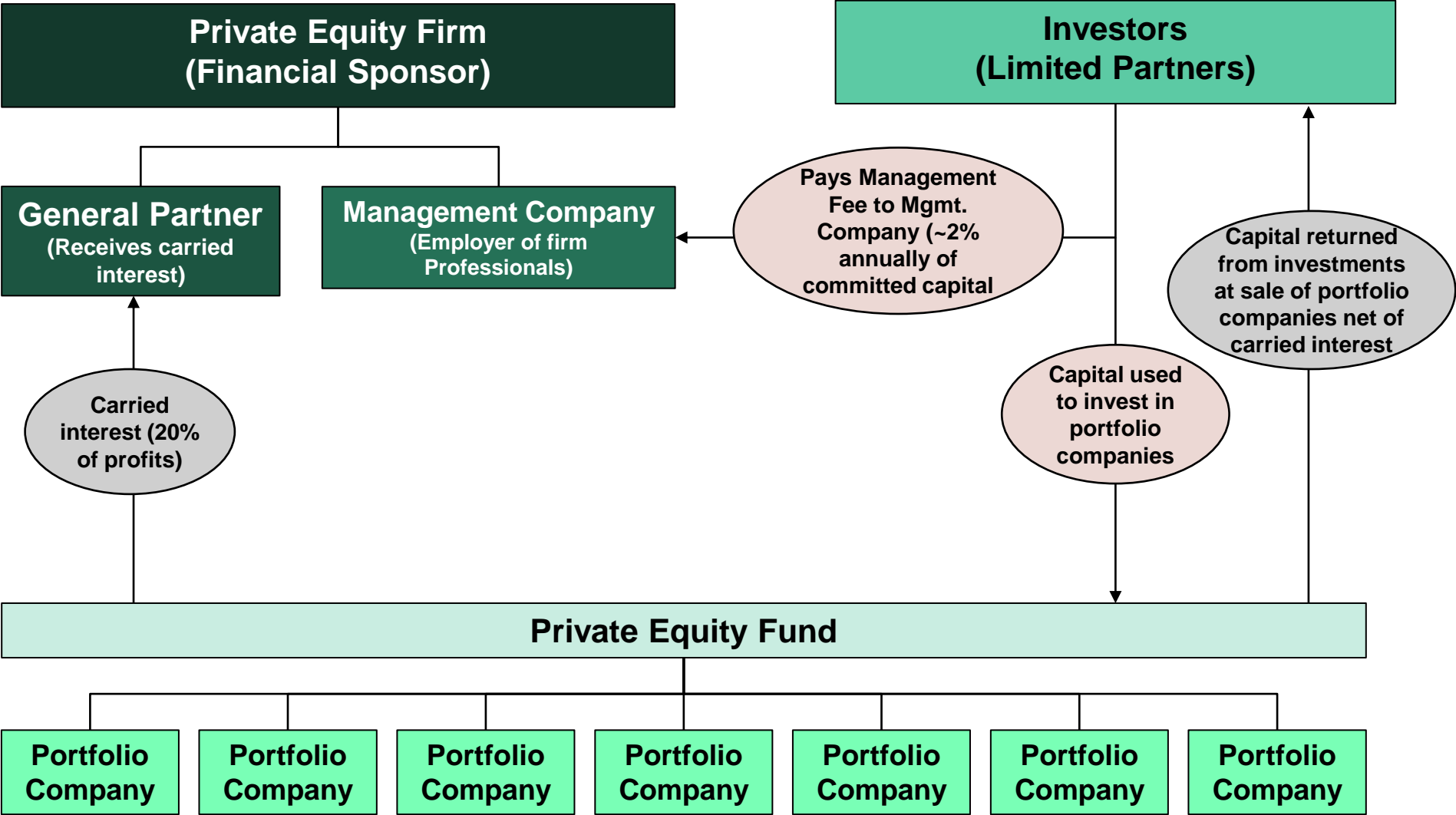


Strictly Private & Confidential

What is Private Equity?

- Private equity is a class of investments (similar to stocks, bonds, and other assets) that consist of a portfolio of equity investments in privately held companies (i.e. companies whose stock is not traded in the public markets).
- Private equity firms are asset managers that make equity investments in privately held companies through their private equity funds. These funds are partnerships between investors, also known as limited partners, and private equity firms, also known as a financial sponsor.
- Private equity funds are a pool of capital from limited partner investors (pension funds, endowments, family offices, high net worth individuals) and partners/employees of the private equity firms.
- These funds are the vehicle used to invest in and later sell privately held companies typically over a 10–12-year time horizon. The average hold period (from investment to exit) for most private equity investments is 5 years.
- The goal of private equity firms is to sell those companies for a profit and provide investment returns of greater than 8% per year (IRR) to their limited partner investors. Limited Partners seek average net returns (after fees) of ~20% IRR and 2x+ capital invested.
- The firms charge a 2% annual fee on the capital their limited partners commit to the fund plus a 20% fee on the gains of those investments as long as their limited partners make at least 8% IRR, net of fees.
- Private equity typically re-invests the cash generated in the business to fund organic and M&A growth and forgoes dividends or distributions throughout their hold period, instead relying on the sale of the business as the primary manner to return outsized gains to their limited partners (investors of their fund) and earn their fees.

The Private Equity Model – Simple Diagram



What Private Equity Firms Seek in a Platform Investment

- Quality leadership/management team. Although some PE firms may change out leadership and/or add senior executives where there are gaps, many prefer to back an existing leader as leadership changes create risk.
- Large, growing and fragmented markets with opportunities to win market share and execute strategic, synergistic add-on acquisitions.
- Low customer concentration, where no single customer represents more than 10-15% of revenue and contribution margin.
- Low exposure to highly cyclical end market verticals. Although T&L is a cyclical industry, companies may have more or less cyclical exposure based on the end markets verticals of their customers (i.e. Oil & Gas, Automotive).
- High free cash flow conversion and predictable capital expenditures to support debt leverage.
- Scalable business model poised for growth with opportunities for margin improvement.
- Technology that enables efficient processes, provides operational visibility, and real time financial and operating metrics that support data driven decision making.

Private Equity has been a key avenue for providing investment capital to help scale some of the largest big and bulky final mile carriers

Sample of Current and Previous Private Equity Investments in Big and Bulky Final Mile

| Private Equity Firm | Company |
|------------------------|-------------------------------|
| ATL Partners | Pilot Freight Services, Manna |
| Headhaul/Argosy | DSI Logistics |
| GrayCliff Partners | NAL Group |
| Arcapita | 3PD |
| LongVue Capital | Select Express |
| NewSpring Holdings | US Pack |
| Windpoint Partners/STG | FreightForce |
| Palm Beach Capital | NeedItNow |
| Seacoast Capital | UX Specialized |
| Platinum Equity | MXD Group |
| H.I.G. Capital | Cardinal Logistics |
| Greenbriar Equity | FragilePak |
| Headhaul/Argosy | Diverse Logistics |

Clarendon Capital Overview

Clarendon has an unparalleled track record focused exclusively on the transportation, logistics and distribution market space

- Clarendon Capital, LLC and its predecessors The Clarendon Group, LLC and The Clarendon Group II, LLC (collectively, “Clarendon”) was founded in 1998 focused on developing and executing on investment opportunities in the transportation, logistics and distribution sectors.
- Our professionals have over a century of experience as investors, board members, senior executives, and strategic advisors in the market space.
- Clarendon has made thirteen private equity investments in the transportation, logistics and distribution space, and its eight investment exits have resulted in over a 4x gross multiple of capital and 35% IRR.
- We have been an active investor, closing on American Expediting in June 2019, Phoenix Intermodal Solutions in April 2020, Allstates WorldCargo in May 2020, Cub Ventures in December 2021, and We Ship Express in August 2023, all proprietarily sourced investments that are consistent with our fund strategy
- We have extensive experience working with founder and family-owned businesses in the sector, supporting their objectives in joining forces with a strategic financial partner.

Clarendon professionals have over a century of experience focused on the transportation, logistics and distribution market space...

Clarendon Professionals

| | |
|---|--|
| <p>Mark Fornasiero <i>Managing Partner</i></p> | <ul style="list-style-type: none"> ▪ Clarendon: 1998 - Present ▪ A.T. Kearney Transportation Practice: Managed strategic development, M&A and profit improvement engagements for PE portfolio companies and transportation clients ▪ Princeton Transportation Consulting Group: Managed team applying university research from Princeton and M.I.T. to software that improved the profitability of transportation clients ▪ Education: Stanford University: MBA; Cornell University: B.S. Operations Research & B.A. Economics |
| <p>Michael Raue <i>Partner</i></p> | <ul style="list-style-type: none"> ▪ Clarendon: 1998 - Present ▪ A.T. Kearney Transportation Practice: Managed turnaround, market entry, post-merger integration, cost reduction, and marketing strategy engagements for transportation clients. ▪ Princeton Transportation Consulting Group: Led team designing and implementing optimization decision support software in transportation sector ▪ Education: Stanford University: MS Operations Research; University of Maryland: B.S. Mathematics |
| <p>Alexander Rafla <i>Principal</i></p> | <ul style="list-style-type: none"> ▪ Clarendon: 2015 - Present ▪ Accenture: Strategy Consultant advising corporate and federal clients in transportation and logistics ▪ Logistics Capital & Strategy: Advisor to corporate and financial sponsor clients in the transportation and logistics industry on growth strategy initiatives, M&A, restructuring, market entry, and operational improvement ▪ Education: The George Washington University: BBA International Business |
| <p>Michael Raynor <i>Principal</i></p> | <ul style="list-style-type: none"> ▪ Clarendon: 2019 - Present ▪ CapitalView Investment Partners: Middle market investor focused on complex business challenges ▪ American Capital Ltd.: Focused on special situation middle market equity and debt investments ▪ Imperial Capital: M&A, Restructuring and Financing advisory services for middle market investment bank ▪ Education: Yale University: B.A. in History; Swiss Finance Academy: Investment Banking Training Program |
| <p>Ricardo Dadoo <i>Operating Partner</i></p> | <ul style="list-style-type: none"> ▪ Clarendon: 2014 - Present ▪ Logistics Assistance: Founder of transportation services company that had a successful sale ▪ UPS Mexico: Launched UPS' Mexican operations and grew revenue from \$0-\$90M in seven years. ▪ Other: VP of Mexicana Airlines Cargo, Operadora de Bolsa, Bank of America ▪ Education: NYU Stern School of Business: MBA; University of Denver: B.S. Business Administration |
| <p>John Larkin, CFA <i>Strategic Advisor</i></p> | <ul style="list-style-type: none"> ▪ Clarendon: 2019 - Present ▪ Stifel: Managing Director Investment Banking and Head of Research, Transportation & Logistics Group ▪ RailWorks: Served as Chairman & CEO of consolidator in the rail services sector ▪ Alex. Brown & Sons: Managing Director and Head of Transportation and Logistics Equity Research team ▪ Education: Harvard University: MBA; UT Austin: M.S. Civil Eng.; U of Vermont: B.S. Civil Eng. |

...as private equity investors, board members, senior executives, investment bankers and strategic advisors...

Clarendon Professionals

Allison Miyake
CFO & CCO

- Clarendon: 2022 – Present
- IQEQ: Client Services Director providing fund administration and compliance services to private equity clients
- Christofferson, Robb & Company: Management Company Controller
- Other: Fund management, controller and compliance roles at Blackstone Credit, Deerfield Mgmt., Swiss Re and Audit at Ernst & Young.
- Education and Certifications: Fordham University: BS Accounting, Minor in Spanish; Certified Public Accountant

Bruce Markowitz
General Counsel

- Clarendon: 2017 - Present
- Tanager Corporation: co-founder, lead investor, Vice-Chairman and G.C. for infrastructure company
- Morgan Lewis and Reed Smith: Partner advising private equity and corporate clients
- Awarded Presidential Fellowship by U.S. President conducting research in domestic monetary policy
- Education: American U. Wash. College of Law: JD, U.of NY at Albany: MPA /Finance, U.of Rochester: BA

Timm Hwang
Sr. Associate

- Clarendon: 2022 - Present
- Corp. Dev. Manager at W.R. Grace & Co; Corp. Strategy & Planning Mgr. at Bloomberg Industry Group; PE Associate at GEF Capital Partners; Financial Leadership Development: Amazon.com; Audit Manager at KPMG
- Education: Georgetown University: MBA, Virginia Polytechnic Institute: B.A. Accounting, CPA, CFA Level II

Asad Khan
Sr. Associate

- Clarendon: 2023 – Present
- Executive Director of Strategic Development at Dickinson Fleet Services – PE backed by Ridgemont Equity Partners
- Analyst at BMO Financial Group, focused on providing M&A advisory and capital to middle market companies
- Education: Indiana University, B.S. in Finance, minor in Economics

Samantha Wei
Sr. Associate

- Clarendon: 2023 - Present
- Investment Banking Vice President at Evercore Inc. focused on M&A advisory, divestitures and spin-offs
- Investment Analyst roles at Aurora Investment Management and Pavilion Advisory Group
- Education: NYU Stern School of Business: MBA; Northwestern University: B.A. Economics and Statistics

Aneesh Susarla
Associate

- Clarendon: 2023 - Present
- Investment Banking Analyst at Evercore Inc. focused on M&A advisory to public & private companies
- Education: University of Virginia: B.A. Economics and Statistics

...with an advisory board that has deep roots as investors, board members, senior executives and strategic advisors in the sector

Advisory Board

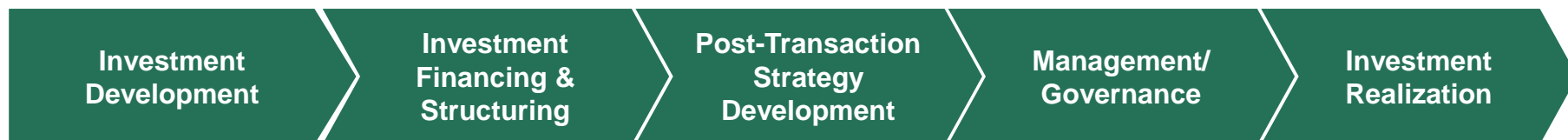
| | |
|--|---|
| <p>Greg Back (2018)</p> | <ul style="list-style-type: none"> ▪ Led several hundred million dollars in equity investments and realized net gains exceeding \$1 billion ▪ Managing Member of Free Sky Capital, an early-stage investor in technology enabled companies, including transportation and automotive technology ▪ Previously Managing Director and General Partner at Warburg Pincus, where Greg led supply chain and logistics investing |
| <p>Farrukh Bezar (2021)</p> | <ul style="list-style-type: none"> ▪ Currently Senior Vice President of Marketing at CSX Corporation, with responsibility for leading the company's merchandise marketing groups as well as overseeing corporate strategy ▪ Former partner with Clarendon Group, Lynwood Partners, and Oliver Wyman, and Principal at A.T. Kearney and Booz Allen ▪ Former Vice President of Business Development at supply chain software provider Electron Economy ▪ Held sales/marketing positions at the Santa Fe Railroad; financial analyst at Chase Manhattan Bank |
| <p>Joseph Kolshak (2014)</p> | <ul style="list-style-type: none"> ▪ Three decades experience in passenger, freight and military aviation, aerospace, aircraft maintenance and supply, automotive, and energy distribution ▪ Prior Board Member of MNX Corporation, a leading private equity backed global expedited air courier ▪ Formerly EVP & Chief of Ops. at Delta Airlines, SVP Operations at United Airlines, CEO of Aeroman |
| <p>Abhay Pande (2019)</p> | <ul style="list-style-type: none"> ▪ Over 25 years experience focused on M&A transactions and investments in transportation, energy and infrastructure sectors ▪ Former Managing Director at American Capital Energy & Infrastructure and Citigroup Global Markets ▪ Former Principal in the transportation practice at A.T. Kearney |
| <p>Steve Sashihara (2018)</p> | <ul style="list-style-type: none"> ▪ Co-founder and CEO of Princeton Consultants, a technology / optimization focused consulting firm providing solutions for the transportation sector ▪ Chairman of Princeton TMX, a transportation management software business for shippers ▪ Highly regarded thought leader in technology, ops. research and optimization in the transportation sector |
| <p>Ronald Sorrow (2011)</p> | <ul style="list-style-type: none"> ▪ Formerly Executive Chairman of RoadOne, an exited Clarendon investment ▪ Former CEO-in-Residence for AVRON Partners, a partnership with private equity firm Austin Ventures ▪ Co-founder and CEO of RoadLink, Clarendon's first investment, leading the company from start-up to exit ▪ Formerly CEO for CSX Intermodal and senior positions at Airborne Freight, Saunders Leasing and Truck Systems and Continental Trailways |
| <p>Justin Zubrod (2011)</p> | <ul style="list-style-type: none"> ▪ Led 400+ engagements on strategy, organization and M&A for companies, investors and policy makers ▪ Founder and managing partner of Justin Zubrod & Company, an advisory firm to transportation and logistics clients ▪ Former partner and transportation practice leader at Booz Allen Hamilton ▪ Former transportation practice leader at A.T. Kearney |

Clarendon's expertise stretches across a broad array of subsectors that connect various transportation and logistics needs

Illustrative

| Transportation | Logistics & Distribution | Services & Suppliers |
|--|--|---|
| <p>Motor Carriage</p> <p>Truckload, Less-Than-Truckload, Reefer, Flatbed, Dry Bulk, Liquid Bulk, Drayage</p> | <p>Third-Party Logistics</p> <p>Freight Forwarding, NVOCC, Customs Brokerage, Air Courier, Truck Brokerage, Intermodal Marketing, Project Logistics</p> | <p>Information Technology</p> <p>Network Optimization, Revenue Management, TMS, WMS, YMS, Cargo Visibility, Mobility Solutions, Price Discovery, Digital Freight Matching, Blockchain Apps</p> |
| <p>Air Cargo</p> <p>(De)Consolidation, Cartage, Next Flight Out, Ground Support, Surface Substitution</p> | <p>Value Added Warehousing</p> <p>Dedicated, Port Logistics, CFS/CES, Transloading, Pick-and-Pack, Kitting, Light Assembly</p> | <p>Outsourced Labor</p> <p>Trailer Spotting, (Un)Loading, Fleet M&R, Safety Training, Rail Flagging, Crew Matching, Driver Staffing</p> |
| <p>Maritime</p> <p>Jones Act Operators, Container Lines, Bulk Carriers, Inland Barges, Ferries</p> | <p>First & Last Mile</p> <p>Regional Parcel, Same Day Ground Courier, Pool Distribution, B2C/B2B Delivery, Reverse Logistics, Heavy Goods Logistics</p> | <p>Infrastructure Services</p> <p>Rail Lift Services, Track M&R, Container Yard Storage, Chassis Repair, Inland Ports, Toll Road Ops</p> |
| <p>Rail</p> <p>Short Line, Regional, Industrial, Outsourced Rail Services</p> | <p>Distribution & Fulfillment</p> | <p>Equipment Leasing</p> <p>Trucks, Trailers, Chassis, Containers, Railcars, Unit Load Devices, Totes, Pallets, Handling Equipment</p> |
| <p>Passenger</p> <p>Ambulance, Non-Emergency Medical Transport, Para-Transit, Limousine, Shuttle Bus, Motor Coach</p> | <p>Mobile Refueling, Automotive Parts, High Value Service Parts, Manufactured Goods, Inventory Management, E-Commerce Fulfillment</p> | <p>Component Manufacturers</p> <p>Truck Safety Systems, Autonomous Trucks, Intelligent Rail Network, Asset Tracking Systems, Alternative Energy Systems, Aerodynamic Devices</p> |

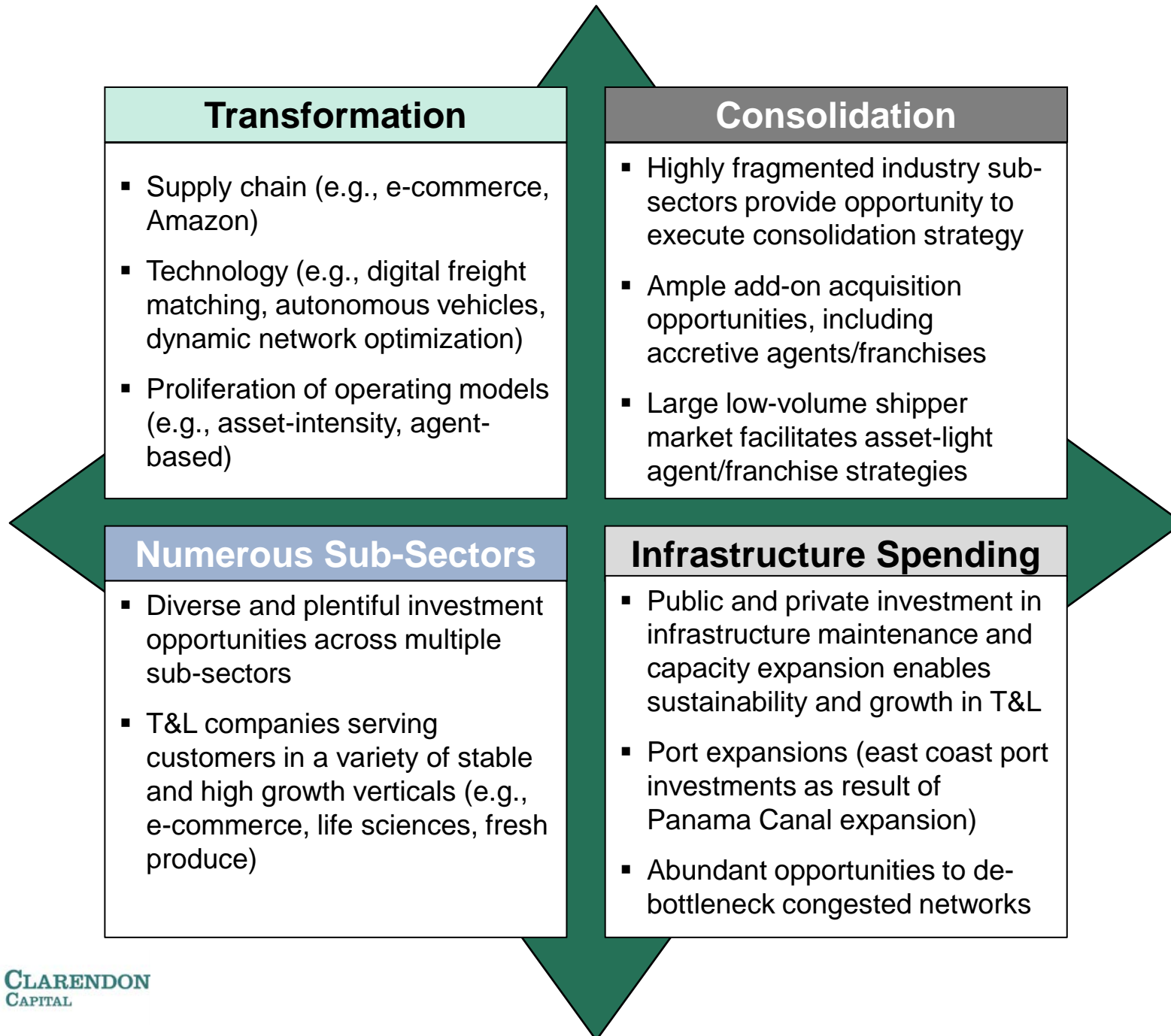
Our capabilities and industry knowledge build value throughout the investment life cycle with an eye towards maximizing strategic objectives



| Key Activities | <ul style="list-style-type: none"> •Investment Thesis Development •Company and Industry Analysis | <ul style="list-style-type: none"> •Financial Structuring •Arrange Financing | <ul style="list-style-type: none"> •Deep Dive Strategy Assessment & Development | <ul style="list-style-type: none"> •Support management team •Track progress toward goals | <ul style="list-style-type: none"> •Cultivate Relationships Supporting Attractive Liquidity Event |
|----------------|--|--|--|--|--|
|----------------|--|--|--|--|--|

| Capabilities | <ul style="list-style-type: none"> •Collaboratively develop go-forward investment theses with company principals •Identify key opportunities, primary growth drivers, and segment dynamics •Analyze financial and operating data to crystalize the investment opportunity •Create growth plan supporting execution of investment thesis | <ul style="list-style-type: none"> •Develop scenarios to determine optimal capital structure •Bridge view on economic variability and resulting capital structure constraints •Leverage network of debt and sub-debt capital providers | <ul style="list-style-type: none"> •Build roadmap to value enhancement •Identify actions to improve performance, develop team, and enhance technology and brand •Develop and support organic and M&A growth opportunities | <ul style="list-style-type: none"> •Leverage network of industry professionals to support management team and board development •Define meaningful KPIs and reporting that have clear linkages to broad strategy and value creation •Align management incentives with shareholders | <ul style="list-style-type: none"> •Cultivate financial buyers looking for an investment for which the there is a strong strategic fit •If appropriate, cultivate strategic buyers for which company fulfills a strategic need •Customize a process tailored to maximize the objectives of ownership group and management team |
|--------------|---|---|--|---|---|
|--------------|---|---|--|---|---|

Current industry dynamics in the transportation, logistics and distribution sectors make it an ideal area for investment



Clarendon investment themes are driven by strong tailwinds

Illustrative Investment Themes

Fragmented and Underserved T&L Sub-Sectors

- Enhance middle market transportation and logistics companies that have been historically underserved by financial sponsors that can add real value to investments
- Identify platform worthy targets in highly fragmented sectors and develop consolidation strategy to establish national provider with economies of scale

eCommerce Supply Chain Tailwinds

- Identify opportunities to take advantage of growth in e-commerce driven omni-channel distribution across the supply chain
- Leverage shippers' desire to better manage the e-commerce supply chain, reduce inventory, move closer to customers and same day/next day delivery demand trends

Agent or Franchise Based Operating Models

- Establish agent/franchise based operating models in fragmented T&L sectors with large number of small service providers

Technology-Enabled Solutions

- Solutions that increase efficiencies in T&L and address industry headwinds
- Visibility, tracking, connectivity technologies, fintech, and security solutions, automation, machine learning/big data analytics