

# S&M Transportation Inc.



- From FY-2021 to FY-2022 EBITDA increased by 123% to \$1.8mn, with Net Income growing by 87% to \$1.15mn.
- Considering the rent and lease expenses, liquidity is relatively low, yet above its' peers. The high Debt to Asset ratio (75.6%) limits the entity's financial flexibility.

Strengths

- Complex logistics services:** S&M offers 3PL services as well as complex end-to-end logistics solutions, including container services, light manufacturing, packaging, JIT delivery, same-day order processing etc.
- Acquisition:** S&M acquired Miami Warehouse Logistics, Inc. ("MWL"), a 23 year old 3PL provider, in 8/2023. Considering MWL's solid revenue growth as a standalone entity in FY-2022 (+32%) we view the acquisition generally as positive potentially giving S&M a competitive edge in the marketplace.
- Owner Experience:** Tommy Hodges, owner/chairman, has been in the industry since 1965, and he appears very influential, as a Chariman, or former chairman of several trucking associations in Tennessee. He is also serves as chairman of Titan Trucking, Inc.

Challenges

- Liquidity:** Y-o-y Current Ratio declined from 3.47x to 1.19x, as Current Liabilities increased by nearly 200%, mainly due to oper. lease liab. (\$1.6mn)
- High Leverage:** Since FY-2021 Total Liabilities increased 2.8x, whereby 67% of it was due to Operating Lease Liabilities (\$5.7mn), resulting in a Leverage of 75.6%, nearly 50% higher than the industry median, further limiting the entities capacity to borrow funds.
- Competition:** Due to low barriers of entry, the trucking industry is highly competitive based heavily on reliability, speed of service and price.

## Scorecard Summary

	Weight	Score	Dimension	Contribution
Financial	65%	5.6	Liquidity	<div></div>
			Leverage	<div></div>
			Profitability	<div></div>
Business	35%	5.3	Industry Risk	<div></div>
			Competitive Position	<div></div>
			Mgmt / Governance	<div></div>
			Sponsor / Parent	<div></div>
Modifiers		-0.8	Revenue Segment	<div></div>
			Trend Analysis	<div></div>
			Financial Flexibility	<div></div>
			Fixed Cost Coverage Risk	<div></div>

Industry Benchmarks - Primary: Cargo Ground Transportation

## Company Overview

Headquarters	Saraland, AL	U.S.
Type	Private (Non-PE)	
Employees	122 (S&M 90, MWL 32)	
Year Founded	1987	
Website	https://smtrans.com/	
Business	Provides warehousing facilities and logistical services	
Revenues	\$22.7M	

- Company Overview:** S&M Transportation Inc. is a trucking company based in Saraland, AL. Founded in 1987 they have specialized in the transportation of dry goods and refrigerated products.
- Product:** Container services, Logistics, Trucking, Storage and Distribution
- Customers:** S&M Transportation mainly serves customers in the States of Alabama, Louisiana, and Tennessee given they operate a location in each state.
- Ownership:** The company is owned by Tommy Hodges.

## Financial Ratio Benchmarking

# of Benchmarks:		8	Industry Median	Company Metric	Percentile Rank
Liquidity	Current Ratio		0.95	1.19	<div></div>
	Quick Ratio		0.84	1.19	<div></div>
Leverage	Net Debt / EBITDA		4.02	5.82	<div></div>
	Debt to Assets		54.3%	75.6%	<div></div>
Profitability	EBITDA Margin		7.5%	8.0%	<div></div>
	ROCE %		7.0%	9.5%	<div></div>
	Revenue		\$43M	\$23M	

- Although current ratio is higher than industry median, concern over liquidity to meet high rent expenses, driven by lease liabiliites.
- EBITDA margin of 8.0% exceeds the industry median of 7.5%.

## Financial Statement Highlights

\$ '000s	Jul-22 T6	Dec-21 T12	Dec-22 T12	Chg
Income Statement				
Total Revenue	-	17,714	22,716	28.2%
Gross Profit	-	14,747	19,641	33.2%
Adjusted EBITDA	-	816	1,822	123.1%
Gross Profit Margin		83.3%	86.5%	+322 bps
EBITDA Margin		4.6%	8.0%	+341 bps
Balance Sheet				
Cash And Cash Equivalents	-	355	542	52.8%
Total Current Assets	-	3,149	3,236	2.8%
Total Assets	-	5,637	14,734	161.4%
Total Current Liabilities	-	907	2,711	198.8%
Total Debt	-	2,469	11,138	351.1%
Total Equity	-	2,596	3,234	24.6%
Cash Flow				
Net Income	-	615	1,151	87.1%
CAPEX	-	90	231	156.5%
Depreciation & Amortization	-	736	682	-7.4%
Fixed Charge Coverage Ratio		0.88x	1.06x	+0.2x

- EBITDA margins expanded from 4.6% in FY-2021 to 8.0% in FY-2022 as increase in Revenues (+28.2%) outweighed increase in expenses (22.4%).
- Net Income nearly doubled in FY-2022 compared to FY-2021.
- Significant increase in Total Debt (3.5x) in FY-2022 compared to FY-2021 mainly due to recognition of Operating Lease Liabilities (\$7.3mm).

## Business Risk Highlights

- Industry:** The cargo ground transportation industry is a vital part of the global supply chain. A comparatively low barrier to entry puts pressure on margins though. The projected CAGR through 2028 of 3.85% is indication relative stability.
- Competitive Position:** S&M Transportation Inc. competes with many well-known trucking companies such as Schneider National Inc., Werner Enterprises Inc, and many others - due to a comparatively low barrier of entry. Considering the recent acquisition of MWL, it seems that the entity wants to focus on increasing it's participation along the value chain, including e-commerce (who often is looking for 3PL warehouses)
- Management:** No specific information has ben uncovered about notable changes in managerial positions at S&M Transportation Inc. The owner, Thommy Hodges, appears to be an industry veteran, with a strong regional industry influence and network. We are not aware of any succession plans though, as Thommy appears to be of an advanced age.
- PE Sponsor:** n/a.