

STATE OF THE INDUSTRY

EXIT & SUCCESSION PLANNING



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Greatest Wealth Transfer in American History

According to [Cerulli Associates](#), over \$80 trillion of wealth will transfer between generations over the next 20+ years. The Silent and Baby Boomer generations (mid to late-50s and older) are projected to account for over 80% of wealth transferring to Generation X and Millennials (mid-20s to early 50s).

Older generations benefitted from a robust post-WWII economy, with asset value growth driven by increasing real estate values, stock markets and tax policies favoring long-term wealth accumulation.

Both the forthcoming transition of wealth and the fact that most of the personal wealth of private business owners is associated with their business highlight the need for all organizations to have a strategic exit or succession plan in place.

The trucking industry is seeing the same demographic shift: according to the Bureau of Labor Statistics, the average age of professional truck drivers is 55 — 10 years older than the average age across similar industries like manufacturing and construction.

Exit and Succession Planning

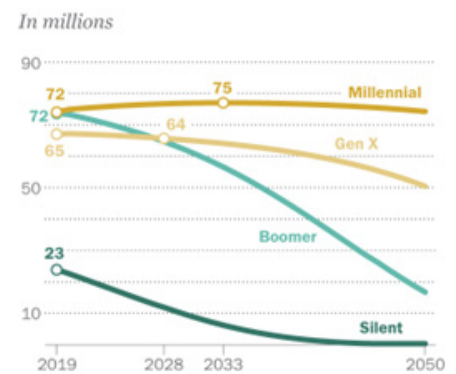
Exit and succession planning is a comprehensive process of working with a business owner to articulate their personal, business and financial goals and objectives for the management and ownership of the business. Ideally, this is a long-term process, providing the business owner with adequate time to assess their options, devise a plan, evaluate and adjust accordingly to successfully execute that plan.

Business owners have several options for the management transition. First, they could sell the business to a 3rd party buyer (exit). This buyer is typically either a strategic or institutional acquirer. The business could also transition to other family members, existing management team or employees, or a combination of both (succession).

Just as importantly, practical exit and succession planning should enable the business and its owner to avoid the worst-case outcome of a forced transaction and poor financial outcome for the owner and their family.

Key considerations that must be evaluated during the exit and succession planning process include the current business valuation, continuity of the business, family continuity and legacy and the owner's personal finances, as well as their desired financial outcome.

Projected population by generation

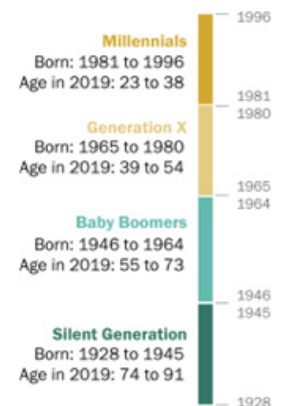


Note: Millennials refer to the population ages 23 to 38 as of 2019.

Source: Pew Research Center tabulations of U.S. Census Bureau population estimates released April 2020 and population projections released December 2017.

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The generations defined



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Despite the strong business case for owners to develop a comprehensive exit and succession plan, industry tells us that not many owners have one:

Exit

- » Only 20% of small businesses available for sale each year sell.
- » Almost 60% of owners have no formal exit or succession plan in place, despite a desire to retire in 10 years or less.
- » 70% of owners don't know the after-tax income they will need to support their lifestyle after they transition their business.

Succession

- » Only 25% of owners were comfortable that their management team would be successful if the owner wasn't involved after the transition.
- » 82% of owners say their children would rather have money from the sale of the business, rather than the business itself.
- » 90% of owners think the business will stay in the family; however, only 30% survive to 2nd generation, 12% to 3rd generation, 3% to the 4th generation.



When working with business owners on their exit and succession plans, common obstacles we encounter and ultimately overcome with owners include:

- » Owners unwilling to consider retirement or business transfer
- » Owners unable to relinquish control
- » Inadequate workforce planning, key successors not developed
- » Owners are too busy working in the business to focus on the future
- » Owners are unaware of different options and implications
- » Owners fear selling or letting go of the business and identity as a business owner

Trucking Industry Trends

As OTA readers are aware, the trucking industry is currently facing several labor challenges regarding driver shortages, retention and compensation.

The American Trucking Association (ATA) has projected that the trucking industry will need to hire roughly 1.1 million new drivers in the next decade (or about 110,000 drivers per year) to keep up with the current industry demand.

In addition, the industry continues to face the business and operational uncertainty brought on by several factors, including the global pandemic, continued global supply chain bottlenecks and impact of higher inflation on operational and fuel costs, respectively. These factors have likely made running a successful trucking business more challenging.

A few of the key areas of focus when working with a trucking/transportation business owner on their exit and succession plan are likely to include:

- » What are their long-term personal and professional goals for the business?
- » Do they want to sell the business or transition ownership to family / internal management?
- » What do they think their business is worth? How does that compare to the market? If there is a difference, what steps could we take to increase the value of the business?
- » Thorough review of past, current and projected business financials
- » Review of key customers, customer concentration, suppliers, strength of existing management team, predictability of future business results, documented key processes, type of freight and growth potential.

Exit and Succession Planning is Simply Good Business Strategy

Simply put, exit and succession planning is a solid, long-term business strategy. This is because effective, proactive planning provides for the adequate analysis of various external and internal business alternatives and for proper implementation and execution.





Ohio Trucking Association

The Ohio Trucking Association is a 100-year-old full-service trade association operating in Columbus, Ohio. With over 815 total members in the trucking, logistics, warehousing and moving industries, our promise to our members is simple: the Ohio Trucking Association will work to improve operational efficiency, profitability and relevancy for all of Ohio's transportation industry. Advocacy, professional development, networking and cost savings initiatives are the keys to carrying out this promise to our members. No matter what the cause, our industry is stronger when operating as one. We encourage you to explore more about becoming involved with the Ohio Trucking Association at www.joinota.com.

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Schneider Downs Transportation and Logistics Industry Group

Established in 1956, Schneider Downs has grown to be one of the largest independent public accounting and advisory firms in Columbus, Ohio; Western Pennsylvania and Metropolitan Washington, with over 500 personnel in total, including 57 shareholders and partners.

More than 25 years ago, we established the Schneider Downs Transportation and Logistics Industry Group. The group includes assurance, tax, technology and management consulting professionals who combine their individual expertise to serve our wide range of transportation and logistics clients—from local carriers to national enterprises, including: trucking, general freight, flatbed and box, TL, LTL, tank waste brokerage, bulk commodity dump, 3PL, heavy hauling/ permitted loads, moving and warehousing. The Transportation and Logistics Industry Group meets on a regular basis to review and analyze issues central to this industry. As a result, our transportation and logistics professionals possess the most current knowledge of transportation issues, regulations and trends. We work with you to seek innovative ways to reach your strategic goals.

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