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LOGISTICS REPORT

UPS to Sell Freight Trucking Business to TFI for \$800 Million

In exiting truck cargo, UPS to focus on parcel-delivery network



UPS Freight generated an estimated \$3.15 billion in 2020 revenue.

PHOTO: CAITLIN O'HARA/REUTERS

By Jennifer Smith and Paul Ziobro

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United Parcel Service Inc. agreed to sell its freight business to rival TFI International Inc. for \$800 million, saying it is pulling out of the domestic trucking market to focus on the soaring small-package-delivery business.

The sale is one of the biggest strategic shifts by new Chief Executive Carol Tomé since she took the position last June. She has adopted a mantra of “better, not bigger” in assessing UPS's operations, and jettisoning the freight business eliminates future capital investments needed to keep the division competitive.

The agreement announced Monday would allow the business to continue using UPS's domestic package network for five years to fulfill shipments. TFI, which is based in Canada, provides similar freight trucking services, as well as logistics services and parcel shipping in Canada.

UPS Freight offers less-than-truckload services, in which cargo from multiple shippers is combined in a single trailer, in all 50 states, Canada and Mexico. The business has about 14,500 employees, 80% of whom are full-time, UPS said.

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The unit is the sixth-largest carrier by revenue in the U.S. LTL market, behind carriers including [FedEx Corp.](#)'s FedEx Freight unit and [Old Dominion Freight Line Inc.](#), according to SJ Consulting. UPS Freight generated an estimated \$3.15 billion in 2020 revenue, down slightly from 2019, according to UPS. TFI, which has truckload, less-than-truckload and logistics operations, reported revenue of about \$4.1 billion in 2019.

UPS on Monday said it expects to book a noncash impairment charge of roughly \$500 million before taxes for 2020. The deal is expected to close in the second quarter.

UPS moved into the trucking market with its acquisition in 2005 of Overnite Corp. for \$1.25 billion, then its largest-ever acquisition. It said it decided to sell the business after assessing its portfolio, enabling it to pay down long-term debt. The delivery giant said it would retain historical pension assets and liabilities, while pension benefits earned after closing will be TFI's responsibility.

UPS and rival FedEx have faced [huge increases in shipping volume](#) during the coronavirus pandemic, as consumers have ordered everything from their essential goods like

toothpaste and toilet paper to bulky items to outfit home offices and outdoor play sets. The carriers have raised shipping rates and added new surcharges to offset the higher costs, but it has had little effect in slowing demand for online buying.

“As more and more parcel goes B2C [business-to-consumer], the bundling with freight and parcel is less relevant,” said Satish Jindel, president of research firm SJ Consulting Group Inc. UPS’s freight “is mostly industrial and manufacturing,” he added.

The acquisition leaves UPS rival FedEx, whose FedEx Freight unit has better operating margins than UPS Freight, as the biggest major parcel shipper with a less-than-truckload operation, Mr. Jindel said.

The Teamsters union represents some 11,000 UPS Freight workers who ratified a five-year contract with the company in late 2018.

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