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LOGISTICS REPORT

# Knight-Swift Expands Trucking Reach With AAA Cooper Acquisition

The deal valuing the company at $1.35 billion pushes the largest U.S. truckload carrier into a thriving less-than-truckload sector


Trucker Knight-Swift Transportation Holdings Inc. is acquiring regional operator AAA Cooper Transportation Inc., pushing it into the less-than-truckload market.

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*By Jennifer Smith*
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Trucker Knight-Swift Transportation Holdings Inc. is pushing into a critical transport sector that moves smaller shipments for retail and industrial customers, as red-hot freight demand strains U.S. trucking capacity.

The Phoenix-based truckload giant is buying regional operator AAA Cooper Transportation Inc. in a transaction with an enterprise value of $1.35 billion, the companies said Tuesday.

The deal closed July 5 and consisted of $1.3 billion in cash, $10 million in Knight-Swift shares and roughly $40 million in assumed debt. Dothan, Ala.-based AAA Cooper, which serves customers across the Southeast and Midwest, will continue to operate independently under the Knight-Swift umbrella.

The acquisition gives Knight-Swift, the largest U.S. truckload carrier, a foothold in the less-than-truckload business, in which trucking companies combine shipments from multiple customers on a single trailer.

The less-than-truckload, or LTL, sector has seen strong growth as e-commerce sales surge and companies move smaller, more frequent shipments to online fulfillment sites. LTL also can offer better margins and higher prices than the more fragmented and volatile truckload market, and has benefited as tight trucking capacity has pushed more shippers to get around bottlenecks in distribution networks.

AAA Cooper is the 17th-largest U.S. LTL carrier by 2020 revenue, according to transport research firm SJ Consulting Group Inc., which advised Knight-Swift on the transaction. The deal adds nearly 3,000 tractors and 7,000 trailers to Knight-Swift's fleet, and is expected to add $780 million in 2021 revenue.

Knight-Swift Chief Executive Dave Jackson said the company, created through the 2017 merger of Knight Transportation Inc. and the larger Swift Transportation Co. , has been eyeing the LTL sector for years.

"It's an industry that enjoys consistency...those businesses just continue to be profitable," Mr. Jackson said Tuesday. "This now gives us 14% of our revenues that are in this stable LTL basket."

Knight-Swift chose AAA Cooper because of the carrier's scale and profitability, the company said in a statement, which added the deal "positions us as a meaningful player in the LTL space, where we intend to grow both organically and through future acquisitions."

Mr. Jackson said the combination is part of a broader push aimed at helping Knight-Swift customers find the most efficient way to move their freight, whether through Knight-Swift's truckload fleet, its brokerage unit or by using other modes.

AAA Cooper Chief Executive Reid Dove, who will continue in that role and has been appointed to Knight-Swift's board, said in a statement the deal would enable the carrier to accelerate its growth "with the support and partnership of the strongest provider in the full truckload space."

Over time, Knight-Swift "can realize some cost synergies by combining purchasing power," Stephens Inc. transportation analyst Jack Atkins wrote in a Monday research note. "We look for KNX to leverage its new LTL footprint in the Southeast to expand to complementary geographies."

The LTL sector has high barriers to entry because it requires both a large fleet to keep operations moving under a schedule and a network of terminals for sorting freight, an expensive undertaking as real-estate values near population centers have increased. Two new companies have entered the market since 1980, said SJ Consulting Group Inc. President Satish Jindel, and carriers rarely come up for sale.

One prominent exception is the operator formerly known as UPS Freight, which United Parcel Service Inc. sold to Canadian trucker TFI International Inc. for $800 million in a deal that closed in April. That business was the fifth-largest U.S. LTL carrier by 2020 revenue, according to SJ Consulting.

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