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LOGISTICS REPORT

Uber's Freight Unit to Buy Logistics Tech Firm Transplace for \$2.25 Billion

The combination is aimed at expanding Uber's delivery business and reach into industrial shipping services in the U.S.



An Uber self-driving ride-hailing car and a self-driving freight truck, shown in 2017.

PHOTO: REUTERS

By [Paul Page](#)

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Uber Technologies Inc.'s Freight unit is buying technology-focused logistics services provider Transplace in a cash and stock deal worth about \$2.25 billion that extends the ride-hailing giant's reach into the U.S. domestic shipping sector.

Uber reached an agreement to acquire Dallas-based Transplace from TPG Capital, the private-equity arm of investment firm TPG. Under the agreement, Uber will pay up to \$750 million in common stock of Uber Freight's parent company and the rest in cash to TPG Capital.

Uber said it plans to finance the approximately \$1.5 billion cash portion of the transaction with a bond issue before the deal closes.

The acquisition comes as San Francisco-based Uber is seeking to bulk up delivery operations beyond its core ride-hailing operations built on its app matching people to a fleet of drivers, a business that has taken a hit as the Covid-19 pandemic has upended travel and consumer behavior.

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The company earlier this week announced the latest expansion of its Uber Eats food-delivery business with an extension of grocery delivery across the U.S. under an agreement with supermarket chain Albertsons Cos.

Freight is just a sliver of Uber's overall business, providing \$302 million in gross bookings of the company's overall revenue of \$19.5 billion in gross bookings in the three months ending March 31.

The company is seeking to bring greater efficiency through digital bookings to the domestic shipping sector but faces strong competition from traditional middlemen that match freight loads to available trucks and from a lineup of tech-focused startups including Convoy and Transfix Inc.

Uber Freight head Lior Ron said in a statement the combination with Transplace would "bring together complementary best-in-class technology solutions and operational excellence...that will transform shippers' entire supply chains, delivering operational resilience and reducing costs at a time when it matters most."

Uber last fall sold a \$500 million stake in Uber Freight to investors in a funding round led by Greenbriar Equity Group LP and it withdrew from freight brokerage in Europe last year.

Greenbriar is a former owner of Transplace and sold the company to TPG Capital for \$1 billion in 2017 following a spate of acquisitions by the logistics provider to expand its services.

Evan Armstrong, president of Armstrong & Associates Inc., a logistics-industry research group based in Milwaukee, said the combined business would make Uber Freight the eighth-largest third-party logistics company in the U.S., with some \$4.4 billion in revenue, based on 2020 sales estimates.

“This transaction is very complementary,” said Mr. Armstrong. Transplace has been strong in transportation management, which includes broad management of transportation operations for shippers, he said, but weaker in Uber Freight’s core business of freight brokerage, which involves buying truck capacity for shippers on a daily basis.

The combination will bring Uber Freight closer to showing a profit, according to Benjamin Gordon, managing director of BG Strategic Advisors, an investment firm that advises on mergers and acquisitions in the logistics sector, because of Transplace’s array of services and contracts with customers.

“They are getting a market leader and they are getting an opportunity to get to profitability,” he said. “They have the ability to go to the market now with a sustainable business model. Being a low-margin freight broker, where you are just knocking down the price, is a great way to gain market share but it’s a poor way to get to profitability.”

Transplace was formed in 2000 through the merger of the third-party logistics operations of six of the largest U.S. truckload carriers in a bid to create a single web-based marketplace for trucking freight transport. The company says it has about \$11 billion worth of freight under its management.

Transplace counts customers including consumer-goods supplier Colgate-Palmolive Co. , food provider Del Monte and automotive parts supplier Eaton, according to its website.

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