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ODFL, Estes wage billion-dollar bidding war for Yellow LTL terminals

Estes offered $1.3 billion for all of Yellow's terminals, with ODFL countering days later with a $1.5 billion bid. Photo credit: Andriy Blokhin / Shutterstock.com.

William B. Cassidy, Senior Editor | Aug 21, 2023, 11:36 AM EDT

As a trucking company, Yellow is dead, but its terminals and assets live on, and who controls them has sway over the future shape of the US less-than-truckload (LTL) sector, a $58.7 billion industry.

A bidding war erupted last week for control of those assets, between Estes Express Lines and Old Dominion Freight Line (ODFL), the fourth-largest and second-largest LTL providers, respectively. Estes offered $1.3 billion for all Yellow's terminals, with ODFL countering days later with a $1.5 billion bid.

Both offers are "stalking horse" bids that set the floor price for the more than 160 terminals owned by Yellow in a bankruptcy auction. It's not known if Estes will counter

ODFL's bid, and other offers may come.

Control of Yellow's terminal assets would give the possessor unparalleled say in who gets to expand, and where, in the LTL business. The victor will be able to pick and choose which of Yellow's terminals they want to keep and which facilities they want to lease or sell to other carriers or developers.

The bids may be as much about blocking other company's expansion plans as securing hard-to-find properties, said Satish Jindel, president of transportation research firm SJ Consulting Group.

"It's very hard to break into the LTL industry, not like truckload where you just put a truck and a driver on the highway," said Jindel. "In LTL you need terminals. Now here's Yellow's property up for sale. You have the opportunity to buy not just a terminal but a whole network of terminals."

Who might want to do that? Knight-Swift Transportation Holdings for one. The largest US truckload operator has moved into LTL through the acquisitions of regional carriers AAA Cooper Transportation and Midwest Motor Express and calls building a nationwide LTL network "a strategic priority."

"We really like the LTL business," Knight-Swift CFO Adam Miller told the *Journal of Commerce* in an interview last month. "We want LTL to be a major component of our business, $2 billion in the next five years, with a solid 80% operating ratio. We're trying to chase down the best operators in the sector."

And Knight-Swift is adding terminals to its existing subsidiaries, with plans to purchase or expand 11 facilities.

The *Journal of Commerce* interviewed Jindel before ODFL's offer became public Friday, but he noted that Estes' $1.3 billion bid may not be the final offer. Mike Regan, a shipper advocate and chief relationship officer at TranzAct Technologies, called Estes' bid "a preemptive strike."

"This keeps people out of the LTL trucking business," Regan said Friday. That is, of course, unless they're willing to put a bigger bid on the table, as ODFL did Friday.

Rare opportunity

The opportunity the Yellow bankruptcy offers to gain access to LTL real estate may not be once-in-a-lifetime, "but you don't get many deals like this in a lifetime," Regan said.

Out of the 308 LTL terminals Yellow operated at the end of 2022, 166 were owned by the company, according to its most recent annual report. Yellow sold at least one of those terminals this spring, a facility in Compton, Calif., to truckload provider Universal Logistics for approximately $80 million.

If the $1.5 billion bid covers 165 terminals, the cost per terminal to ODFL would be only $9 million. That's a bargain even in a weakened industrial real estate market, if you have $1.5 billion to offer. The bid agreement requires ODFL to deposit $75 million — 5% of its offer.

The eventual value of the assets in an auction are likely to be much higher, Regan said. "You can spend years preparing a site for a terminal and building it." For the LTL carriers, "this was a no-brainer."

Regan believes Yellow's terminals may eventually bring in more than $2 billion at auction.

The terminal is the "funnel" through which LTL freight moves, with few exceptions. And there are fewer LTL terminals today than there were when Yellow acquired Roadway Express in 2003, Regan said, bringing the two top LTL carriers of the day under the corporate umbrella that became Yellow.

There are fewer LTL companies today, too, but ODFL and Estes are two that have used profits to grow.

ODFL, Estes reinvesting profits

ODFL is one of the few LTL carriers to consistently expand its terminal network, opening 37 new service centers since 2012. At that time, the publicly owned Thomasville, N.C.-based company had 255 terminals, 231 of them owned directly and 24 leased.

ODFL increased its LTL revenue 19.3% in 2022 to $6.2 billion, according to SJ Consulting Group data.

Estes, the largest family owned trucking company, has more than 280 terminals, and has been adding to them as well. The company recently opened a 76-door facility in New Orleans, and recently opened terminals near seaports in Savannah and Southern California.

The company has consistently invested in terminals, technology and its workforce. The company did not lay off employees during the 2020 recession or in the current freight downcycle, President Webb Estes said at the SMC3 Connections Conference in Orlando in June.

"There's a lot of good opportunities in being debt free," Estes said in an interview at the event.

ODFL had about 51,000 shipments a day in 2022, according to SJ Consulting Group data, while Estes had about 49,000, a slightly higher count than Yellow. FedEx Freight had 107,800 shipments a day.

Estes increased its LTL revenue 16.4% in 2022 to $4.4 billion, according to SJ Consulting Group data.

"If you want to be a $6 billion carrier, you can't do it without more terminals and doors," Jindel said.

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