Spotlight Interview: Jill Raker, Greenbriar Equity

We spoke to Jill Raker, Managing Partner at Greenbriar Equity Group in Rye, N.Y., about some of the biggest trends in the transportation and logistics sector, as well as her views on investing and creating value for stakeholders.

Jill Raker
Managing Partner
Greenbriar Equity Group
www.greenbriarequity.com

Hopkins: *What is your biggest challenge in generating returns for investors in the evolving T&L landscape? In other words, what keeps you up at night?*

Raker: Good question! The biggest challenge is that valuations are exceedingly high right now as a result of an over-abundance of debt and equity capital. Our job is to stay patient and work extra hard to find opportunities that meet our return expectations. Interestingly, our two most recent investments were made outside of auction processes with owners/CEOs who proactively chose us because of our industry expertise and reputation as a good partner. Often management teams care more about how much they will make in the future versus capturing the last nickel of the price today.

Hopkins: *What investment have you learned the most from?*

Raker: This is tough question because I honestly have learned a lot from every investment that we've made. Rather than single one out, I would say that I've learned over my 15 years with Greenbriar that there are lots of different ways to create value and have a successful investment. One theme that we've been good at is picking market-leading, good businesses, making them even better, and then finding the right strategic home for them to get to the next level. We've also been successful with value creation built on a consolidation theme where we have a great platform company, and we fold in a series of tuck-in acquisitions that benefit from the economies of scale from a larger footprint. A final value creation theme that we've successfully pursued is purchasing a "carve-out" of a non-core division from a corporate owner that can flourish as a standalone business supported by our capital and focus.

Hopkins: *How do you think the parcel and final mile delivery space will look in 5-10 years with the rapid growth in e-commerce and entry of Amazon into the delivery space?*

The Greenbriar Equity Difference

Industry focus: Exclusively invests in transportation and logistics

Operating network: Experienced industry executives to support key initiatives

Culture: Relationship-oriented, collaborative, excellence, high ethical standards

Raker: I certainly don't see FedEx or UPS going away but it does seem likely they will lose some share with Amazon as it relies more heavily on alternative ways to deliver product, whether that be through the USPS, its own capacity, or a series of regional providers. Amazon has a tremendous benefit in that its investors support its strategy of growth over profit. With that support, it is able to offer delivery guarantees that it, not the customer, subsidizes in return for driving market share and customer loyalty. Over the next 5-10 years, I think Amazon will continue to enhance that service experience for the customer while at the same time working to drive down the transportation costs where it is economical to do so. Not in an effort to own every node of its transportation, but more in an effort to keep all of its providers competitive and to ensure it has sufficient capacity to meet customer demand.

Hopkins: *When do you think we will see autonomous trucks becoming commonplace on U.S. highways and what other game-changing technologies and/or trends are you keeping an eye out for?*

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Raker: It is really hard to predict, but I think autonomous trucks as commonplace is still pretty far away—more than a decade. There are several things that need to come together—including the technology for the trucks, any needed changes to the road infrastructure, safety questions related both to drivers as well as to concerns around cyber terrorism, the regulatory environment, and the potential for political resistance among driver constituents. That said, in the next decade, we certainly will see the evolution of the technology in the truck providing more automation to the driver, similar to what is happening with passenger vehicles, and we will see some penetration of autonomous vehicles with drivers on standby as firms test different applications.

Hopkins: *There has been much fanfare in the area of drone delivery, including significant investment by large strategics. Do you foresee a time when home delivery of packages will be a regular occurrence?*

Raker: I don't see wide spread drone home delivery in the next ten years but maybe I do not have enough imagination! Figuring out the air space regulations, particularly in densely populated areas, is one hurdle. A second is demonstrating that drones truly are more economical than our current method, even though a drone is typically carrying just one package and needs to go back and forth to the inventory base between each delivery and each local base needs to have a full stock of inventory. Apart from home delivery, there are some other interesting applications for drones, such as in the warehouse environment. That I would guess will see more near-term adoption of drone technology.

Proudest Investment

GENCO Distribution: Leader in reverse logistics

- 2010: Minority investment
- 2015: Facilitated the sale of GENCO to FedEx
- After having developed a relationship with CEO and owner Herb Shear years before, Greenbriar was the only PE firm he contacted when he needed capital to acquire ATC Technology. The firm partnered with Mr. Shear to integrate the business and then helped facilitate the sale of GENCO to FedEx.

Most Recent Logistics Investment

SEKO: Technology-enabled supply chain solutions

Greenbriar's investment put SEKO's previously fragmented global ownership under a single corporate umbrella and provides management the wherewithal to pursue growth opportunities

Hopkins: *Over the past few years, there has been considerable buzz around the idea of the "Uberization of freight". Do you think this will eventually be a reality, and what are some of the obstacles that might prevent this?*

Raker: First, I think that moving freight has more complexity and nuances than moving passengers and so you can't just apply the Uber model to freight and expect it will work. Freight is more complex than passengers—there are multiple types of freight, it moves longer distances, often has multiple stops, and importantly can require manual intervention because there are exceptions that need to be handled as freight encounters surprises across the supply chain. In addition, it is helpful to remember that technology is already a big part of the brokerage industry—technology load boards that match freight with carriers have been around for decades and most brokerage firms already rely heavily on technology to manage freight for their clients. Another difference between Uber's core model and the freight market is that Uber brought new capacity to passengers whereas there is no such incremental Class 8 tractor capacity sitting in people's driveways. As a result, I don't see a step change about to happen with the "Uberization" of freight. I do though think new technology entrants are speeding the rate of change in the industry and improving technology will allow brokers to more efficiently and less manually broker freight. There is an opportunity, through technology, to handle many more loads per broker at a lower margin, allowing some combination of better pricing to the customer, better compensation to the carrier, and/or better financial returns to the broker. At our portfolio company Transplace, we use proprietary transportation management technology to automate and optimize the entire supply chain process thereby saving money for ourselves and our clients. ■