

Vic De Zen, the illustrious Canadian billionaire who founded the Royal Plastics Group, is said to have a thing for elephants. And, really, who doesn't?

Particularly, De Zen believes they're a source of great luck (exclusively trunk up, though).

Who's going to argue with an Order of Canada recipient who turned 20 bucks in his pocket when he arrived from Italy 50 years ago into a multi-billion-dollar international plastics empire?

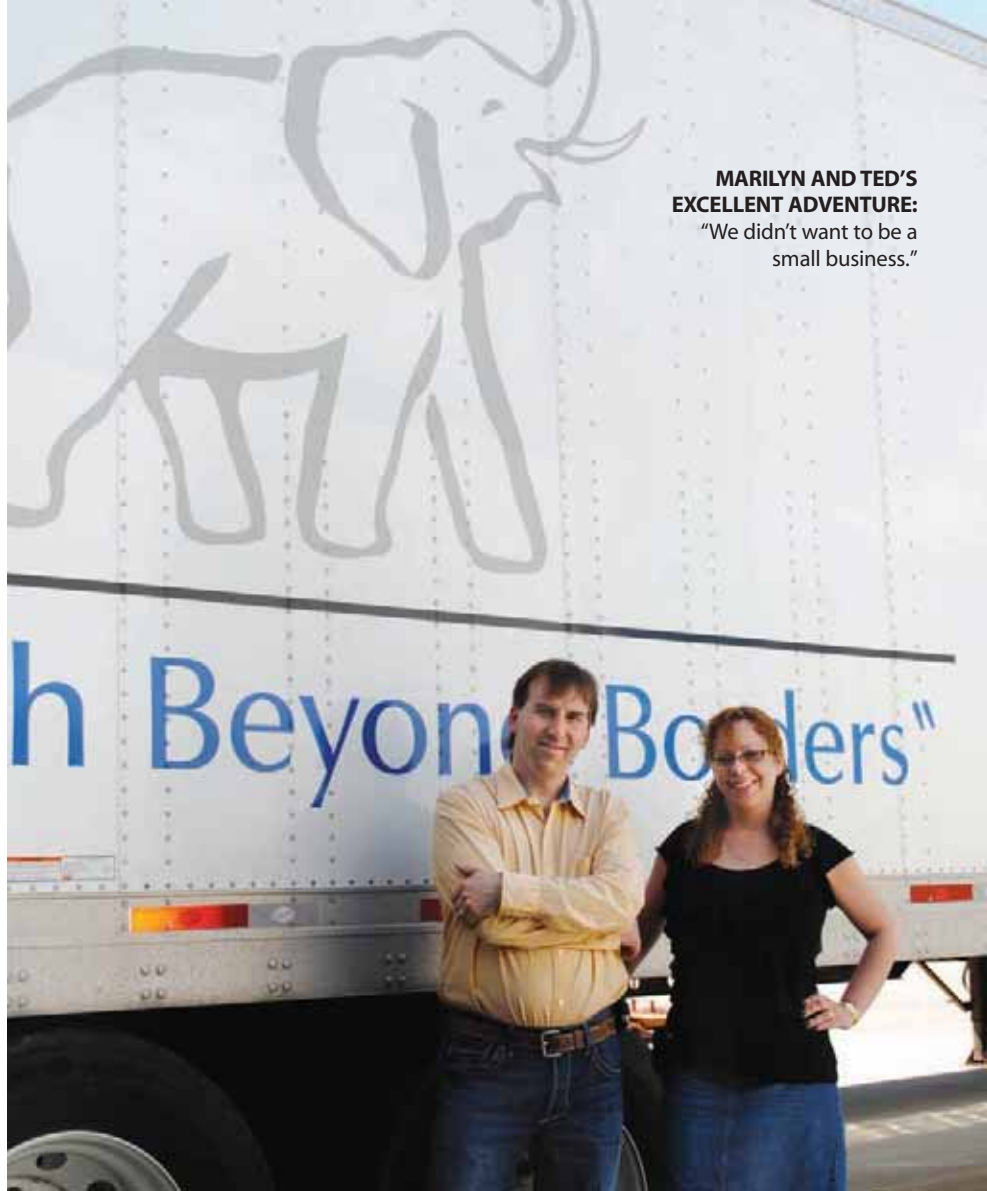
Dozens of pint-sized elephant figures supposedly line the shelves of his Woodbridge, Ont., office, and it's also why the image adorns the trailers of Titanium Trucking Services, a medium-sized, north-Toronto dry-van fleet that De Zen's latest corporate brainchild, the Zzen group, made a major investment in a few years ago.

Ted and Marilyn Daniel, the husband-and-wife founders of Titanium who sold 51-percent equity to Zzen, know firsthand, though, that their partner's fortune is hardly based on luck. As day-to-day operators of the company, they're quite vocal about their intention to trace some of the same growth strategies.

"The whole idea when we started was that we weren't going to be a small business. In fact, we probably did overkill in our processes and infrastructure," says Marilyn. "We envisioned growing into a large company right off the bat."

So far, so good. Titanium, which started in 2002 as (and still includes) a logistics brokerage business, was recently named to *Profit Magazine's* Fastest Growing Companies List for the third consecutive year. The trucking side was specifically launched in 2006—the "good" half of the aught years at that point in the rearview mirror—with a small handful of trucks. They grew steadily with owner-operators and today, after the May acquisition of family-run truckloader Flex-Mor Industries of Bolton, Ont., it runs a mixed fleet of about 100 power units and 400 trailers.

Neither Marilyn nor Ted grew up in trucking, although the latter worked as a



**MARILYN AND TED'S
EXCELLENT ADVENTURE:**

"We didn't want to be a small business."

CFO for several fleets before opening the logistics office with his wife, founding partner Carmine Imbrogno and (later) Doug Billau. At the time, Marilyn, interestingly enough, was a political analyst for the Ministry of the Attorney General.

So, with a lucrative government gig sewn up, why do this instead?

"It was simply a business opportunity," she says. "We are very entrepreneurial by nature, so by our early 30s we were already looking for something new to do."

Despite the big city legal background, it's apparent that the trucking part of the business is where her enthusiasm is these days. "Logistics by the nature of the business is about flip freight cheap," she quips. "We don't do that."

Her fervor for safety and compliance issues and grasp of industry regs and conditions could easily lead an observer to assume she's a naturalized descendant

of the industry.

The Daniels exhibit a kind of racquet-sport synchrony at the office. Both of them are obviously strong-willed and enjoy waxing philosophical, but as communicators the overlap works. The constant finishing of each other's sentences, for example, is hardly a contest. It's much less an interruption than it is confidence in common ideas.

If there is an element of luck in this journey, it's how Ted and Marilyn came to partner with De Zen. They were looking for new, bigger digs for the brokerage and warehousing business in Vaughan, a town which maps like a Monopoly board of sorts for the Zzen Group. They were scoping out one De Zen-owned building and the man himself just happened to be hanging around.

Marilyn says De Zen and Ted "hit it off right away" and instead of just renting

Little Big Fleet

How does a small carrier born just before the Great Recession grow without really diversifying? It helps to have progressively smart owners, a legendary moneymen behind you, and a big appetite for acquisitions. | **BY MARCO BEGHETTO**

space from him, it wasn't long before De Zen was making a game-changing investment.

"I wasn't looking for a venture capitalist that was just going to give us money and then show up for [his returns]," says Ted. "But with Vic we got a true partner; a vertically integrated company which has a major stake. Strategically, it made more sense to have a partner that gives you the ability to open doors and the ability to leverage your balance sheet to be able to go get the equipment to service the Walmarts of the world."

Incredibly, Titanium Trucking propelled forward at a time when profit margins squeezed in on many general, cross-border truckload carriers. And it did so without really diversifying during the recession as others who relied on too few sectors felt the need to do.

For the couple, the only thing riskier

than "having your eggs in one basket" during tough times is ending up with too many baskets you can't grip.

"I'm a big fan of sticking to what you know," says Marilyn. "I tend not to follow trends so much because for the most part we've gone against the trend..."

"...I'm a full-load van, over-the-road, carrier," pipes up Ted as Marilyn nods. "There's something to be said about being the best at what you do. I don't need to go into intermodal; I don't think I'm going to go to flatbed or go into tankers. Until I saturate the van market, I don't really see a need."

Quite arguably, Titanium was able to drive the ball farther in stiff headwinds because of a brokerage-division-boosting cashflow, De Zen's financial leverage and, obviously, it's a preferred mover of a lot of plastic.

But De Zen manufacturing companies

are hardly Titanium's only large customers. "We specifically target companies that need more than just a truck—blanket wrap services, drop trailers, storage and warehousing, if needed."

To which Ted adds: "We chose our customers. We're not out looking for garbage customers or garbage freight."

Besides, a lot of comparably sized trucking companies have similar pillars of support without the same level of resiliency. In fact, says Ted, the recession was a good time to measure proficiencies against the competition.

"Trucking has become very sophisticated and in some ways it was more forgiving in the past when you had some margins to handle disparities, claims, and all the other issues; now you have to invest in things like \$100,000 servers," he says. "Let's say you're a \$50-million trucking company, you could easily with just a little bit of inefficiency lose one or two percent of revenue as opposed to making two percent. And that could be catastrophic if you let that run off for two or three years. You're going bankrupt."

Meanwhile, the low barriers to entry—"and days of drivers banding together in groups of three and four" to start companies—are coming to an end.

"You need to be proficient in so many different ways to [attract quality freight] and rates—in technology, in legalities, in compliance, [and] in management with this new era of Gen X and Gen Y employees."

Because of all these costs, rules and supply chain pressures, it seems, anecdotally anyway, that a lot of fleet owners are in one of two gears these days: Either they're expanding; or they're watching the phone hoping the next call is from the CFO of a large carrier.

While it's perhaps not considered "large" by most standards, Titanium started making some calls last year.

"Growth by acquisition was definitely a capacity issue," says Marilyn. "I just sat on a bid with [a major retailer] and one of their concerns is looking for contractual commitments in 2012 and one of their questions was about the looming driver shortage and where we see ourselves."

"If you're committing to these lanes you better be able to service them. Do

THE MATCHMAKER

Culture is a word “that a lot of people scribble down,” says David Firman, the man sought out by Titanium Trucking’s owners Ted and Marilyn Daniel to scout a suitable fleet for acquisition. “It’s meant to mean a lot. But often, it means nothing.”

Just because two companies appear to be a good fit on paper—with, say, similar structures, procedures, lanes and operations—it doesn’t always work out.

“I’ve been around several acquisitions and I know that a lot of them just don’t work,” says Firman, who handled his own deal when he sold his company, Firm Transportation and Distribution Services, to Contrans in 2004. (He stayed on with Stan Dunford’s Contrans as a financial exec overseeing subsequent acquisitions before going back out on his own). “I could have found a company that just wanted to sell and get out and perhaps Ted and Marilyn would have been in over their heads.”

In Flex-Mor, though, Firman discovered two youngish principals who wanted to carry on with the company and be “part of something bigger going forward.”

Greg Black “brought a very strong trucking operational component” while his brother Sheldon, the caretaker of the existing customer base, would deliver valuable sales and marketing experience. (Their dad Morley Black was the owner and founder.)

Firman pushed the idea of equity in Titanium for the two brothers and after some discussion with the folks at Zzen, the Daniels agreed. “You just don’t find a situation like this very often,” says Firman. “The [equity] was unique. But in my eyes it’s a beautiful thing because the people I brought to Ted and Marilyn have a stake going forward and not just for a period of one or two years.”

The Daniels had high praise for Firman’s work. “David is one of the best people you can hire to go and find that needle in a haystack,” says Ted. “Forget some number cruncher that could do an EBITDA calculation with a multiple of minus this or that. [David’s] a guy who’s been in this business for 25 or 30 years and knows a lot of guys in the business and knows who their dads were.”

In turn, Firman commends Ted and Marilyn for their focus and also the Zzen Group for their general hands-off approach. “They became more involved as the deal progressed, but by and large they abided by the decisions that Ted and Marilyn felt strongly about. Full credit for letting their partners do what they needed to do.”

It seems that whenever recessionary clouds move in there’s always chatter about an increase in M&As in the market. While the big boys tend to get bigger, Firman contends that consolidation or buyouts between small and medium-sized fleets is still a rarity in Canada.

“I might be a bit of a contrarian, but from my perch I don’t think it’s happening to greater extent or they’re not as frequent as the market seems to have thought they would be,” he says. “There’s a lot of talk, but many don’t want to pull the trigger ... because there’s an aversion to risk.”

“I could sell 10 companies a month if I could find good companies that are about \$5 million in annual sales. But do you know how hard it is to find that business? That’s a lifestyle business. That guy pulls out a couple hundred grand every year and he’s never going to sell. That’s an attractive business because it’s small and there’s no risk, but it just never comes on the market.”

Luckily for the Daniels, sometimes a needle surfaces.



WITHOUT A HITCH:
The key to the successful corporate hookup was consolidation.

you have the leverage and the balance sheet to either acquire or replace 20 trucks when they come due? If you say you have 20 trucks per week, you better have 20 trucks.”

Ted and Marilyn then tapped David Firman, a former transport company owner-turned fleet-hunter for-hire, who began investigating possible acquisition targets. (See “The Matchmaker,” left).

At first, Titanium’s owners felt they could use a small, “tuck-in” brokerage to expand the logistics arm, but the wishlist kept expanding and after some discussion with Firman and the brass at Zzen, Ted and Marilyn realized an asset-based buy made more sense and they got the green light to go find one.

“We looked at about 10 different companies,” says Ted. “Some were good while others were looking for someone to take their problems away.”

With assistance from investment and merchant banking firm Spira Capital Partners, Firman eventually concluded that the best fit for Titanium, operationally and culturally, would be Flex-Mor—a similarly sized, family truckload fleet with a certain service quality that kept customers loyal.

“What drew us more to Flex-Mor was we saw first-hand they were kind of on the same level as we were,” says Marilyn. “We didn’t want to steal a company; we didn’t want to overpay for a company; but we really wanted to make sure there were real synergies there.”

Overall, the transition has been as smooth as a southern drawl. There have been a few challenges, though. Like the experience of integrating a pool of older, company drivers with a fleet of existing, younger owner-ops.

While Ted and Marilyn have until now been partial to owner-ops—“all our owner-ops went across the border on May two-four, while the drivers said ‘I’ll see you Tuesday’”—they have no intention of whittling away the company-driver wing.

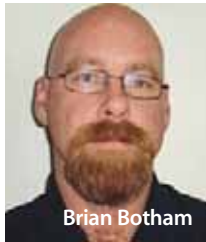
Quite the opposite, actually. “I’m looking to invest in some new equipment and replace some of their units and continue with the company fleet strategy,” says Ted, although “more consistency” with truck nameplates will be the policy going forward.

THE GOSPEL ACCORDING TO BRIAN

Years ago when she was a policy analyst for the government, Marilyn Daniels' idea of "on-duty, not-working" might have been about her colleagues' job description.

But when she later threw herself into running a logistics and trucking company with her husband Ted, she knew she needed to get up to speed on a myriad of regulations and legal issues of a much different sort.

Enter **Brian Botham**, the well-known safety guru at CMV Safety Consulting in Waterloo, Ont., and former *Today's Trucking's* compliance columnist. (Botham is somewhat retired from transportation. He opened a bar in his native Bahamas—called Red Beard's in case you were wondering).



Brian Botham

Marilyn quickly adopted Botham's evangelism for trucking safety while taking a North American Transportation Management Institute (NATMI) course he was teaching at the time.

When this writer asks if she's a "disciple of Brian," husband Ted quips, "Funny you say that because for six months after that, it was like I was married to a preacher."

After the NATMI course, she hired Botham as a personal consultant.

"It wasn't cheap but I realized I had to capitalize on that knowledge base very quickly because of how much was involved in this industry and I didn't have anybody to learn it from."

She admits at one time the fleet's SafeStat rating was sub-par. "We were so small that a couple of violations put me at a high percent. But I brought it down by over 20 percent with Brian's help and a lot of hard work."

Botham, she says, "definitely brought me from zero to 100 in trucking. My learning curve was directly linked to him."

Here's to Red Beard.

And how about that new equipment—as a relatively new truck shopper, is Ted comfortable with the costs and technical unknowns associated with newer EPA-mandated engines?

"Do I have a choice? No. So, you just do it," Nuff said.

The couple definitely foresees more such ventures down the road. "The Zzen Group is building more plants as we speak.

Capacity will be an issue for the next two or three years," says Ted. "Hopefully, I'll have grown a little more organically by then and [another] acquisition will be my next step."

Another thing about elephants is they supposedly never forget. It's a good quality in business too, but probably not as useful as the ability to keep looking forward. That's Ted and Marilyn. ▲



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