



TRANSPORT · LOGISTICS · SUPPLY CHAIN

THIRD QUARTER

2013

This Industry Practice Group was established to draw on the experience of CFA dealmakers, many of whom as former business owners and CEOs, have first-hand knowledge and have completed many transactions in this industry. Working with your local CFA representative, you can be sure that the collective wealth of knowledge is available to every CFA client.

Direction of the Mergers & Acquisitions Market

According to data collected by Ernst & Young, there has been a consistent trend throughout global M&A over the past three years associated with declining deal conversion rates and a longer average time to completion. Although these trends do not seem favorable, they may be attributed to an increase in pending bids caused by a more optimistic lending environment. Since September 2010, there have been 82 transactions under \$1 billion in the transportation & logistics (“T&L”) industry within North America, totaling almost \$6.5 billion in aggregate value.

Though 2013 started slowly in terms of deal size and volume, North America has shown more stability than other regions of the world reflected in the increasing trend in NAFTA trade activity. North America’s stable growth and regional trade activity is expected to contribute to an increase in transaction volume in the logistics and transportation sector. As the world economy has improved over the last few years, deals focused on financially distressed companies have become less frequent and a healthier M&A market has emerged. Though uncertainty is still a major presence throughout the globe, a growing North American economy, coupled with optimistic financial markets and increasing trade activity should generate continued deal flow expansion throughout the T&L sector.

Transactional Overview

There has been a wave of activity in the non-asset T&L sector. Greenbriar Equity’s acquisition of 3PL Transplace Logistics was one of the more significant North American T&L industry transactions over the past 6 months. Insiders peg transaction value between \$300 - \$400 million. Greenbriar’s acquisition complemented their existing investment in GENCO Distribution, a provider of contract and reverse logistics services. Though this acquisition was most notable, smaller strategic buyers have been dominating M&A activity in T&L, according to a report by Moss Adams. According to the study, private equity firms and large public strategic



MERGERS, ACQUISITIONS, AND CAPITAL RESOURCES SINCE 1956

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Selected Q2 Transactions	
Target/Issuer	Buyers/Investors
Adrian Carriers, Inc.	Roadrunner Transportation Systems, Inc. (NYSE:RRTS)
Interide Logistics LC	XPO Logistics, Inc. (NYSE:XPO)
James J. Boyle & Co.	Hitachi Transport System Ltd. (TSE:9086)
Trendset Inc.	AFS Logistics, LLC

Figure 1

companies have been involved in approximately twenty percent of all transactions in the space since 2012. Private equity interest in particular is projected to show sustained growth as investors need to deploy capital to beat the returns they are seeing from the bank.

Both 2011 and 2012 were dominated by North American deal activity in the trucking industry, with logistics coming in second in regard to overall volume. Another notable transaction involved the strategic acquisition of Phoenix International Freight Services Ltd. by CH Robinson Worldwide, Inc. in September, 2012 for \$645.26 million. Phoenix, which primarily provides international freight forwarding services, including ocean, air, and customs brokerage, brings additional expertise and scale to a world leader in non-asset based logistics. The acquisition provided CH Robinson with a footprint in international

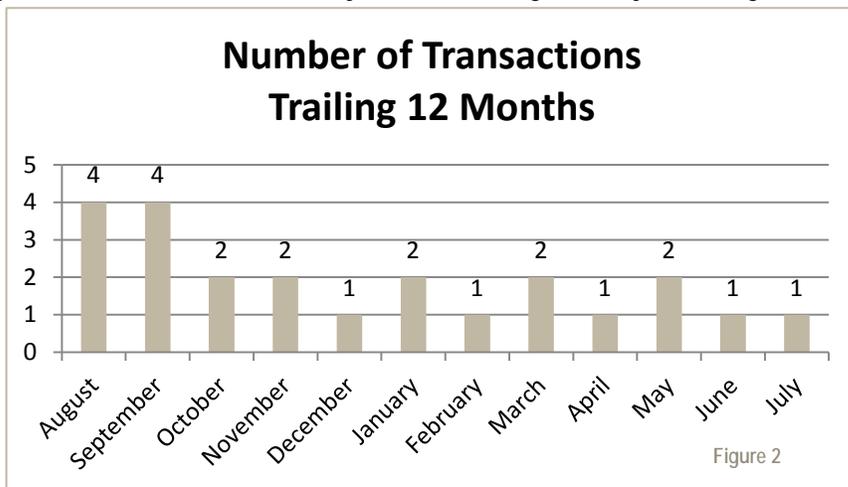


Figure 2

forwarding. As global trade expands, and scale and technology continue to become more important, shippers will increasingly look to transportation providers to provide global services.

Strategic consolidation in the T&L sector has been a dominating theme recently and this is not expected to change going forward. Transaction multiples have been trending upward year over year, with EV/EBITDA increasing 44% since the end of 2010. The rise in multiples can be attributed to both the North American growth in trade activity and renewed investor confidence in the region.

Going Forward

During the remainder of 2013, the T&L sector is expected to see a high amount of strategic consolidation as well as continued privatization of infrastructure. A report from PriceWaterhouseCoopers explains that the continued rise in stock prices has allowed strategic buyers to increase bids by using stock as currency more frequently in acquisitions. The study also concludes that this phenomenon will benefit future M&A transactions in the sector by allowing strategic buyers to stockpile cash. Conditions are favorable to conclude that worldwide growth in mergers & acquisitions will continue, and that North America's stable economic activity should contribute to regional growth for the T&L sector.

The Transport, Logistics and Supply Chain Practice Group is a multi-disciplinary group of investment banking advisors within Corporate Finance Associates. Collectively, the Transport, Logistics and Supply Chain Practice Group provides M&A advice to public and private companies in all sectors of the transportation, logistics and supply chain industries, including international freight forwarders, warehouse management technology and both domestic and international 3PL operations. For information on mergers, acquisitions, divestitures, recapitalizations, joint ventures or financial resources, contact your local Corporate Finance Associates office.

