

# TRANSPORT · LOGISTICS · SUPPLY CHAIN

FOURTH QUARTER

2013



MERGERS, ACQUISITIONS, AND CAPITAL RESOURCES SINCE 1956

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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.

## Transportation M&A

M&A activity in the North American transportation and logistics sector in the third quarter of 2013 was active with 62 deals announced or closed in the period according to data provided by S&P Capital IQ. According to a report from international consulting firm PricewaterhouseCoopers (PwC), deal making activity in North America and Europe was somewhat tempered compared to other parts of the world due to strategic companies largely remaining idle, or on the sidelines. Moreover, the respective economic challenges in each region are impacting activity, but the near-term outlook for North America is bright due to a recent upswing in manufacturing activity.

## Transactional Overview

Notable announced or closed transactions in the transportation and logistics space include:

**September 2013 - Knight Transportation Inc.** (NYSE:KNX) made a proposal to acquire USA Truck Inc. (NasdaqGS:USAK) from Franklin Advisory Services, LLC, GAM International Management Limited and others for \$94.9 million in cash. Under the terms of the proposal, Knight Transportation will acquire all the outstanding shares for \$9 per share. Knight's proposal is subject to customary conditions, including due diligence, the negotiation of a mutually satisfactory definitive

agreement and the approval of the transaction by Knight's Board of Directors. The proposed transaction is not subject to any financing condition. The transaction is expected to close as early as the fourth quarter of 2013. The transaction is expected to be accretive to Knight's expected earnings per share in 2014 and beyond.

**September 2013 - Alas Aviation Corp.** (OTCPK:ALAS) entered into a binding letter of intent to acquire Ultimate Jet, LLC for \$50.5 million on September 25, 2013. Under the terms of the transaction, Alas Aviation Corp. will pay consideration in the form of cash, assumption of debt and will issue common stock. As per the terms of the deal, Alas Aviation Corp. will acquire Ultimate Jet, LLC along with its wholly owned subsidiaries Ultimate Jet Charters, LLC and Ultimate Real Estate, LLC. The transaction and the execution of a definitive agreement is subject to due diligence by Alas Aviation Corp., Ultimate Jet's completion of a public company accounting oversight board financial audit and such representations and warranties as are customary with respect to similar transactions. The transaction is expected to close on or before December 15, 2013.

Selected Q3 Transactions	
Target/Issuer	Buyers/Investors
U. S. Worldwide Logistics, Inc.	OIA Global Logistics
G.W. Palmer Logistics, LLC	Roadrunner Transportation Systems (NYSE:RRTS)
Secunda Canada LP	Siem Offshore Inc. (OB:SIOFF)
Transport Corporation of America Inc	Roadrunner Intermodal Services, LLC
Liedtka Trucking Inc.	PGT Trucking, Inc.
Eastern Associated Terminal Co LLC	CSX Transportation, Inc.
C-Lift LLC	SEACOR Holdings Inc. (NYSE:CKH)
MXD Group, Inc.	Platinum Equity, LLC

Figure 1

September 2013 - TransForce Inc. (TSX:TFI) offered to acquire 90.49% stake in Vitran Corp Inc. (TSX:VTN) from Clarke Inc. (TSX:CKI), Columbus Capital Management, LLC, T. Rowe Price Associates, Inc., and others for \$66.9 million in cash on September 25, 2013. Under the terms of transaction, TransForce will acquire shares of Vitran not already owned by TransForce for \$4.5 each. The acquisition would be financed through existing cash and credit facilities of TransForce. TFI Holdings Inc., subsidiary of TransForce already holds a 9.51% stake in Vitran. Upon completion, Vitran would remain a standalone business within the TransForce group of companies and existing Vitran management team will be retained.

## Industry Dynamics

According to a report from *First Research*, an industry research provider, companies in this industry provide air, rail, truck, and waterborne transportation; transit and ground passenger, pipeline, postal, courier and messenger transportation services; and warehousing and storage services.

Major companies include Union Pacific, United Continental, UPS, US Postal Service, and YRC (all based in the US), as well as AP Moller Maersk (Denmark), Deutsche Lufthansa and Deutsche Post (Germany), and East Japan Railway and NYK Line (Japan). The US transportation and logistics sector generates more than \$700 billion in annual revenue. Key demand drivers include globalization, GDP expansion, and population growth.

**Number of Transactions  
Trailing 12 Months**

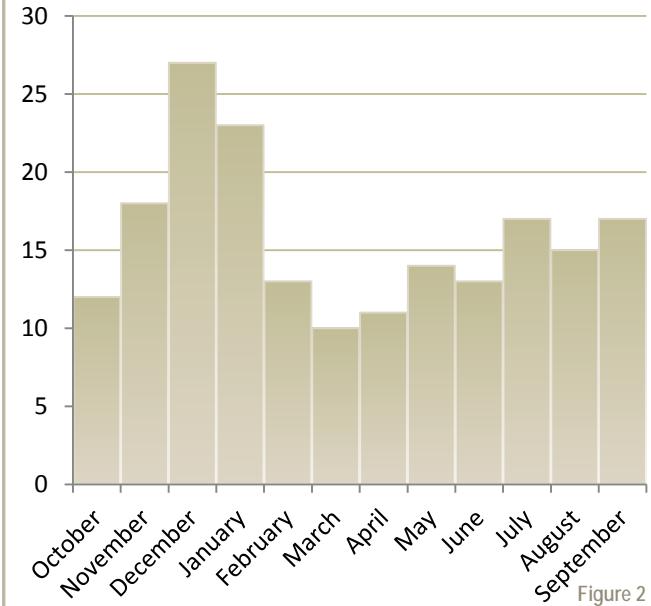


Figure 2

## Major Trends

**Fuel** - Government mandates, high gas and diesel prices, environmental concerns and a desire to be less oil-dependent are driving adoption of alternative fuels across the transportation sector. Trucking companies, railroads and air charter services are all exploring the use of biodiesels. Natural gas-powered engines and electric hybrid motors have also been adopted in limited numbers.

**Security** - Concerns about terrorism in the US and abroad have led governments to enforce more stringent security requirements for all modes of transportation. Department of Transportation security guidelines address such issues as cargo security procedures and training of security personnel. Adhering to new guidelines can raise costs for transportation and warehousing companies.

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.

