

TRANSPORT · LOGISTICS · SUPPLY CHAIN

FIRST QUARTER

2014

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 for Q4 2013 through February 24, 2014 included 96 deals announced or closed according to data provided by *S&P Capital IQ*. According to a report from international consulting firm *PriceWaterhouseCoopers*, deal activity was strong to close 2013 with infrastructure targets (asset heavy airport and port assets) accounting for the majority of mega transactions. According to the *PWC* report, with US airline consolidation mostly complete, areas ripe for consolidation include trucking and logistics. Another sub-sector projecting an increase in activity is shipping, though anti-competition laws may lead to more partnerships and alliances than deals.

Transactional Overview

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

January 2014 - Wesco Aircraft Holdings, Inc. (NYSE:WAIR) entered into an agreement to acquire Haas Group International Inc. from The Resolute Fund, L.P. of The Jordan Company, L.P. and other shareholders for \$550 million in cash. The consideration is subject to certain closing adjustments. Haas Group reported revenues of \$573.5 million in 2012. The transaction is subject to expiration of waiting period under HSR Act and absence of five percent or more of the outstanding shares of Haas Common Stock exercising appraisal rights. The transaction is expected to be completed by the end of the first calendar quarter of 2014. Haas Group International Inc., through its subsidiaries, provides chemical management, product distribution, supply chain management, and hazardous communications services.

January 2014 - Forward Air Corp. (NasdaqGS:FWRD) signed a stock purchase agreement to acquire Central States Trucking Company and Central States Logistics, Inc. from Central States Inc. for \$95.6 million on January 23, 2014. Central States Trucking Company and Central States Logistics will be acquired on a cash-free, debt-free basis with an adjustment for working capital. As part of the agreement, \$10 million will be the escrow amount which shall be payable as 50% on 12 months from the closing date and the balance of the escrow amount shall be released and paid on 18 months from the closing date. Forward Air also anticipates approximately \$15 million in net present value of expected cash tax savings as a result of the transaction. The



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Selected Q4 Transactions	
Target/Issuer	Buyers/Investors
Online Freight Services, Inc.	Echo Global Logistics, Inc. (NasdaqGS:ECHO)
Central States Trucking Co.	Forward Air Corp. (NasdaqGS:FWRD)
Golden State Overnight Delivery Serv	The Halifax Group
Atlantic Express Transportation Corp.	Logan Bus Company, Inc.
Three Warehouse & Distrib. Facilities	STAG Industrial, Inc. (NYSE:STAG)
Gordon Trucking, Inc.	Heartland Express, Inc. (NasdaqGS:HTLD)
Clarke Transport Inc.	TransForce Inc. (TSX:TFI)
On Time Express, Inc.	Radiant Transportation Services, Inc.

Figure 1

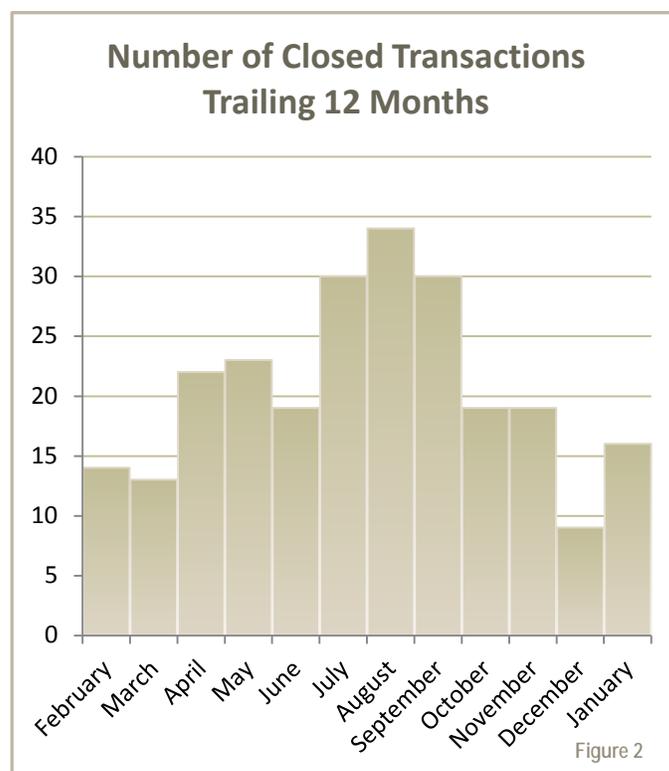
transaction will be funded by Forward Air's cash reserves. Central States Trucking Company and Central States Logistics had 2013 unaudited revenues of approximately \$66 million.

November 2013 - Heartland Express, Inc. (NasdaqGS:HTLD) acquired Gordon Trucking, Inc. from the Gordon family for approximately \$320 million in cash, stock and debt assumption on November 11, 2013. The purchase price was on a debt-free, cash-free basis. The consideration included approximately \$150 million in assumed Gordon debt and \$150 million paid to the stockholders of Gordon and associated asset owners. Heartland Express, Inc., together with its subsidiaries, operates as a short-to-medium-haul truckload carrier of general commodities in the United States. The company provides regional dry van truckload services through its regional terminals; and transports freight for shippers using late-model equipment and a combined fleet of owned and independent contractor tractors. It transports appliances, automotive parts, consumer products, paper products, packaged foodstuffs, and retail goods.

Industry Dynamics

According to data from research firm *First Research*, the US warehousing and storage industry includes about 7,000 companies with combined annual revenue of about \$27 billion. More than 85 percent of US *Fortune 500* companies use third-party logistics (3PL) for logistics and supply chain functions, according to a recent report by supply chain market research firm *Armstrong & Associates*. Growth trends in 3PL use are encouraging for warehouse and storage firms that offer 3PL services; 3PL spending among *the Global Fortune 500* has risen 67 percent since 2005 and is valued at more than \$250 billion.

According to *First Research*, the trucking and transportation side of the sector includes about 65,000 establishments (single-location companies and units of multi-location companies) with combined annual revenue of \$130 billion. Companies in this industry provide long-distance and local trucking, including truckload (TL) and less-than-truckload (LTL) services. The US industry is fragmented: the 50 largest companies account for 40 percent of revenue.



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.

