

## TRANSPORT · LOGISTICS · SUPPLY CHAIN

FOURTH QUARTER

2015

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 for North American based target companies in the Transportation and Logistics sector for Q3 2015 included 68 closed deals, according to data

published by industry data tracker FactSet. The average transaction value was \$309 million. The biggest news of the quarter was the announcement in September that XPO Logistics will acquire Con-Way for \$3 billion. The deal will make XPO the second largest provider of less-than-truckload (LTL) services in North America, and will expand its global contract logistics platform. The transaction will increase

XPO's revenue to \$15 billion and will nearly double EBITDA to \$1.1 billion. The transaction is expected to be substantially accretive to XPO's earnings in the first 12 months. XPO intends to increase Con-Way's annual operating profit by \$170 million to \$210 million over the next two years through synergies and operational improvements. XPO will remain asset-light with net capex of 3.3% of revenue, while significantly increasing ground transportation capacity.

Trucking activity remained strong in the quarter as tonnage, while slightly off from its high, is still very robust.

## Transactional Overview

Notable closed transactions for the period in the transportation and logistics sector include:

**September 2015** - LMS Holdco Ltd intends to acquire Less Mess Storage, Inc. for CAD14.2 million (US\$10.7 million) in cash, via plan of arrangement. Less Mess Storage, Inc. provides self-storage services. It operates through two segments, Office Rental and Self-Storage. LMS is a holding company based in Canada.

**July 2015** - Gibson Energy, Inc. acquired T&R Transport for US\$35 million in cash. The transaction allows Gibson Energy to expand its environmental services platform within the Bakken formation region. Gibson Energy, Inc. develops, implements and supports midstream solutions for the oil and gas industry. T&R Transport



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operates as an oil field trucking company. It provides oil field water transportation services to Western North Dakota and Eastern Montana.

**July 2015** - Roadrunner Transportation Systems, Inc. acquired Stagecoach Cartage & Distribution LP for US\$40 million. Under the terms of transaction, Roadrunner Transportation Systems would pay US\$35 million and an additional contingent payout of up to US\$5 million to Stagecoach Cartage & Distribution LP. Roadrunner Transportation Systems provides transportation and logistics services. It offers a suite of solutions, including customized and expedited less-than-truckload, truckload and logistics, transportation management solutions, intermodal solutions freight consolidation, inventory management, and domestic and international air. Stagecoach provides freight trucking services.

Selected Q3 Closed Transactions	
Target/Issuer	Buyers/Investors
Steelcare, Inc.	Canadian Pacific Railway Ltd.
Connell Transport Co. Ltd.	Tandet Management, Inc.
M33 Integrated Solutions	Transplace, Inc.
Eastern Connection Operating, Inc.	Dicom Transportation Group Canada
Coyote Logistics LLC	United Parcel Service, Inc.
Stagecoach Cartage & Distribution LP	Roadrunner Transportation Systems
Loop Transportation, Inc.	Hallcon Corp.
T&R Transport	Gibson Energy, Inc.

## M&A Trends

M&A in the transportation and logistics space continues to be driven by non-asset logistics companies with proprietary technology. A deal that illustrates this is the whopping \$1.8 billion cash acquisition of Coyote Logistics, LLC, a portfolio company of Warburg Pincus LLC, by United Parcel Service. The acquisition would allow UPS to expand its portfolio and transportation management services.

## Industry Update

Proposed fuel efficiency rules will likely accelerate investment in fleet upgrades by the US trucking industry. Federal transportation and environmental regulators in June 2015 announced new fuel efficiency standards for heavy-duty trucks that aim to cut carbon emissions by 24% by 2027 and reduce oil consumption by 1.8 billion barrels over the lifetimes of the new trucks. Under the new rules, a best-in-class long-haul truck would get about 10 miles per gallon of fuel compared to the 5 to 7 miles today.

Technology companies are attempting to significantly streamline the processes used by shippers to book freight forwarding services. One such company, Freightos, recently received \$14 million in Series B funding to expand its offerings, according to TechCrunch. Freightos has developed an online platform that helps forwarders manage their rates and automate their routing and pricing. Shippers can use the platform to receive instant competitive quotes that take into account a wide variety of shipping fees.

- The average US retail price for diesel and regular gas, a major operating cost for trucking fleets, fell 33.9 percent and 31.3 percent, respectively, in the week ending September 14, 2015, compared to the same week in 2014.
- According to data from the Interindustry Economic Research Fund, Inc. (IERF), an economic research group, revenue for US truck transportation is forecast to grow at an annual compounded rate of 5% between 2015 and 2019.

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.

