



TRANSPORT · LOGISTICS · SUPPLY CHAIN

THIRD QUARTER

2016

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 Q2 2016 included 41 closed deals, according to data published by industry data tracker FactSet. The average transaction value was \$341 million.

One of the largest deals of the quarter took place in the air travel space. The announced acquisition of Virgin America by the Alaska Air Group for a proposed \$2.6 billion will propel Alaska Airlines into the top five American carriers. The move would also give Alaska valuable space at major California airports and lucrative transcontinental routes.



U.S. truck tonnage increased in the second quarter illustrating an uptick in commerce, trade and spending across the broad markets.

Transactional Overview

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

June 2016 - CAI International Inc. acquired Hybrid Logistics Inc. for US\$12 million in cash and contingent payout. CAI International, Inc. is an intermodal freight container leasing and management company. Hybrid Logistics, Inc. provides logistic services. Its services include flatbed shipments, rail-intermodal, less than truckload, full truckload, and freight management.

May 2016 - Trimac Holdings Ltd acquired the remaining 35.3% stake not already owned in Trimac Transportation Ltd for CAD61 million (US\$48.7 million) in cash. Trimac Holdings Ltd. provides investment service to transportation industries. Trimac Transportation Ltd. provides bulk trucking services in Canada. It also provides complementary logistics services and shop and wash services.



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FOR MORE INFORMATION CONTACT

Corporate Finance Associates
24461 Ridge Route, Suite A200
Laguna Hills, CA 92653

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info@cfaw.com
www.cfaw.com

June 2016 - Kerry Logistics Network Limited, one of Asia's leading logistics providers, completed its cross-border acquisition of U.S. based, APEX Maritime and its affiliated companies for \$US 87.9 million. APEX offers a full suite of services from air and ocean freight, customs brokerage, logistics solutions, and door-to-door delivery in the US. The increased capacity through this partnership means more options, expanded geographies and better cost optimization for customers of both companies.

| Selected Q2 Closed Transactions | |
|-----------------------------------|------------------------------|
| Target/Issuer | Buyers/Investors |
| RCS International, Inc. | On-Demand Mail Services LLC |
| Apex Carriers LLC | AAGEX Freight Group LLC |
| Apex Transportation Solutions LLC | AAGEX Freight Group LLC |
| Lodeso, Inc. | Schneider National, Inc. |
| Watkins & Shepard Trucking, Inc. | Schneider National, Inc. |
| Apex Maritime Co., Inc. | Kerry Logistics Network Ltd. |
| Hybrid Logistics, Inc. | CAI International, Inc. |
| RCS International, Inc. | On-Demand Mail Services LLC |

Industry Update

Trucking industry employment declined for a fifth straight month in June 2016. The freight economy began to soften during the first quarter of 2016 - after an uptick in employment in January, according to the American Trucking Associations (ATA), and driver demand weakened. Total employment for for-hire trucking fell by a noteworthy 6,300 jobs in June, according to a recent Department of Labor Employment Situation Report. Driver turnover rates also declined during the quarter, per the ATA, with turnover at large truckload fleets falling to an annualized rate of 89%. The turnover rate at small truckload carriers -- fleets generating less than \$30 million in annual revenue - came in at 88% during the same time frame. Turnover at less-than-truckload carriers, a small but growing part of the market, maintained its low rate, falling three points to just 8%.

Expansion by Amazon and other online retailers is boosting demand for warehouses in cities across the US, according to Bloomberg. E-commerce customers are becoming more accustomed to speedy shipping service, thanks in part to Amazon's emphasis on same-day delivery, requiring retailers to find more warehouse space closer to population centers. The demand for warehouse space in cities is driving up rents: over the past year, prime warehouse rents are up nearly 10% across the US. The increase has been even greater in some large urban areas. Retailers that historically had one or two large warehouses in the middle of the country are now looking for smaller spaces in cities such as Atlanta, Dallas, and Kansas City to cut down their shipping times.

Industry Indicators

- The average US retail price for diesel and regular gas, a major operating cost for trucking fleets, fell 14.2% and 20.5%, respectively, in the week ending July 11, 2016, compared to the same week in 2015.
- Total US manufacturers' shipments, an indicator of the volume of goods shipped by truck, fell 2.7% year-to-date in May 2016 compared to the same period in 2015.
- Total US revenue for general freight trucking rose 2.9% in the first quarter of 2016 compared to the previous year.

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.

