

TRANSPORT · LOGISTICS · SUPPLY CHAIN

FOURTH 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 Q3 2016 included 55 closed deals, according to data published by industry data tracker FactSet. The average transaction value was \$197 million.

One of the largest deals in the quarter took place in September when XPO Logistics announced it would acquire Con-way Inc., one of the country's largest trucking companies, for \$3 billion. XPO will launch a tender offer for all of Con-way's outstanding shares at a cash

price of \$47.60 per share. All of the divisions under Con-way, which include Con-way Freight, Menlo Logistics, Con-way Truckload and Con-way Multimodal, are expected to be rebranded as XPO Logistics.

On the public markets, stocks in the sector finished on a high but have trended down entering the fourth quarter. Industry leader in non-asset logistics, C.H. Robinson Worldwide, Inc. ("C.H. Robinson") (NASDAQ: CHRW), had a mixed quarter as its truckload net revenues decreased 10.4 percent in the third quarter of 2016 compared to the third quarter of 2015. However, total truckload volumes increased approximately 7.5 percent in the third quarter of 2016 compared to the third quarter of 2015.

Transactional Overview

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

September 2016 - ABF Logistics, a subsidiary of ArcBest Corp acquired Logistics & Distribution Services LLC for US\$25 million in cash and contingent payments. ABF Logistics provides third-party logistics services. It offers brokerage, intermodal, ocean shipping, transportation management, warehousing, and household goods moving. Logistics & Distribution Services LLC operates as a logistics and distribution company. The company was founded in 2001 and is headquartered in Reno, NV.



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September 2016 - Livingston International, Inc., a portfolio company of Sterling Capital Partners and Canada Pension Plan Investment Board, acquired Affiliated Customs Brokers Ltd. The transaction allows Livingston International Inc's to expand and strengthen its service offering in both Canada and United States. Founded in 1950, Affiliated Customs Brokers Ltd is located in Montréal, Québec, Canada and provides freight cargo logistics services. It has approximately 450 employees.

July 2016 - Matson Logistics, Inc., a subsidiary of Matson Navigation Co, Inc., which is ultimately owned by Matson Inc., acquired Span-Alaska Transportation, Inc., also known as Span-Alaska Transportation LLC, a portfolio company of Evergreen Pacific Partners Management Co, for US\$197.6 million in cash. Matson Navigation Co., Inc. provides freight transportation services. Its fleet of vessels includes containerships, combination container and roll-on and roll-off ships and custom-designed barges. Span-Alaska Transportation LLC provides freight transportation services. It offers shipping to and from Alaska.

Selected Q3 Closed Transactions	
Target/Issuer	Buyers/Investors
Affiliated Customs Brokers Ltd.	Livingston International, Inc.
Gardner Trucking, Inc.	CRST International, Inc.
Logistics & Distribution Services LLC	ABF Logistics, Inc.
United Express Service, Inc.	NFI Industries, Inc.
Triumph Transport, Inc.	Central States Trucking Co.
St George Logistics Corp.	Wind Point Advisors LLC
Span-Alaska Transportation LLC	Matson Logistics, Inc.
Global Transportation Services, Inc.	American Fast Freight, Inc.

Industry Update

Developers of self-driving vehicles are moving closer to delivering technology that could improve safety, increase productivity, and reduce operating costs for trucking companies. Citing potential safety benefits, the US Department of Transportation issued federal policy for testing and deployment of automated vehicles in September 2016. The framework clarifies federal and state roles for the regulation of such vehicles, laying necessary groundwork for companies that plan to deploy self-driving cars and trucks. One such company, Otto, plans to start hauling freight with semi-autonomous vehicles sometime in 2017, according to Reuters. Commercial use of fully automated trucks is likely still many years away, and manufacturers will have to overcome significant challenges, including vehicle technology, inadequate infrastructure, and high development costs. However, Otto's viability got a boost in August 2016: the company was acquired by Uber for \$680 million.

Industry Indicators

- The average US retail price for diesel and regular gas, a major operating cost for trucking fleets, fell 2% and 0.9%, respectively, in the week ending October 17, 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 August 2016 compared to the same period in 2015.
- Total US revenue for general freight trucking fell 1.4% in the second 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.

