

Intersections

Fourth-quarter 2009 global transportation and logistics industry mergers and acquisitions analysis

Innovation: A course to recovery

Visit our transportation and logistics industry website at www.pwc.com/us/industrialproducts

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Welcome to the fourth-quarter 2009 edition of *Intersections*, our analysis of mergers and acquisitions in the transportation and logistics sector. In our last update, we expressed optimism that the deal market had begun a recovery. This sentiment was validated during the quarter. Activity continued to increase when measured by both the number and value of deals, even after adjusting for the impact of the \$36.7 billion Burlington Northern Santa Fe acquisition.

Methodology

Intersections is an analysis of mergers and acquisitions in the global transportation and logistics industry. Information was sourced from Thomson Reuters and includes deals for which targets have primary NAICS codes that fall into one of the following NAICS industry groups, NAICS industries, or national industries: scheduled air transportation; nonscheduled air transportation; rail transportation; deep-sea, coastal, and Great Lakes water transportation; inland water transportation; general freight trucking; specialized freight trucking; urban transit systems; interurban and rural bus transportation; taxi and limousine service; school and employee bus transportation; charter bus industry; other transit and ground passenger transportation; support activities for air transportation; support activities for rail transportation; support activities for water transportation; other support activities for road transportation; freight transportation arrangement; other support activities for transportation; postal service; local messengers and local delivery; general warehousing and storage; refrigerated warehousing and storage; other warehousing and storage; and process, physical distribution, and logistics consulting.

This analysis includes all individual mergers and acquisitions for disclosed or undisclosed values, leveraged buyouts, privatizations, minority stake purchases, and acquisitions of remaining interest announced between January 1, 2007, and

December 31, 2009, with a deal status of completed, intended, partially completed, pending, pending regulatory approval, unconditional (i.e., initial conditions set forth by the acquirer have been met but deal has not been completed), withdrawn, seeking buyer, or seeking buyer withdrawn. The term deal, when referenced herein, refers to transactions with a disclosed value of at least \$50 million unless otherwise noted.

Regional categories used in this report approximate United Nations (UN) regional groups as determined by the UN Statistics Division, with the exception of the North America region (includes North America and Latin and Caribbean UN groups), the Asia and Oceania region (includes Asia and Oceania UN groups), and Europe (divided into United Kingdom, plus Eurozone and Europe ex-UK and Eurozone regions). The Eurozone includes Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia, and Spain. Oceania includes Australia, New Zealand, Melanesia, Micronesia, and Polynesia. Overseas territories were included in the region of the parent country, and China, when referenced separately, includes Hong Kong. International Monetary Fund classifications were used to categorize economies as advanced or developing and emerging.

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PwC Global Transportation & Logistics practice

PwC's Transportation and Logistics practice provides industry-focused assurance, tax, and advisory services. Through our global network, we can draw upon the in-depth industry experience of professionals in every country in which your company operates. Our people can help you deal with the challenges of today, and they understand the implications for tomorrow.

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PwC Global Transaction Services practice

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Special report: Innovation and economic recovery

When the world entered the worst recession since the Great Depression, it was as if the global economy had lifted a veil on risk and exposures, forcing companies to adopt a “back to basics” approach to business. As the economy recovers, companies hope to shrug off their “hunker down” mentality and find new ways to succeed in an altered business landscape. The question is: Which transportation and logistics (T&L) companies will be first to get back in the game, and how will they do it?

Largely, the answers will be innovation and how well T&L companies optimize acquisitions to transform from distribution and warehouse managers to highly global supply chain providers driven by information technology. Among the short-term challenges facing the industry is the management of capacities. As the economy begins to grow, many logistics service providers are working to find innovative solutions for balancing capacity with demand as demand begins to recover. Winners will also include those T&L companies that look inward to achieve the efficiencies necessary to cut and sustain costs, improve performance, and compete in an increasingly automated business environment.

In the first of a series of reports on the development of the T&L industry through 2030, PricewaterhouseCoopers (PwC) explores how supply chains will evolve in an energy-constrained, low-carbon world. The report, *Transportation & Logistics 2030*, maintains that supply chains will benefit from technology and that the supply chain of 2030 will remain “primarily a complex global system, but one where transport costs and emissions are increasingly key constraining factors.”

Additionally, the report cites oil prices as having a significant impact on T&L companies. The industry, it says, is “more than ever challenged to develop forward-looking solutions” to address the importance of the carbon footprint for transportation.

But as T&L companies look to innovation to resolve environmental and supply chain issues, Christopher Wasden, a PricewaterhouseCoopers strategy and innovation specialist, cautions that unless technological breakthroughs have economic value, they are, from a business perspective, “simply novel and ultimately useless.”

“Simply put, that which is creative and new becomes innovative only when it adds value — that is, when people are willing to pay for it,” Wasden said in the fall 2009 edition of the PwC publication *View*. To harness innovation and make it work, Wasden explains, requires an understanding of what drives and sustains it. Innovators need something to cause them to react — something Wasden calls “tensions.”

The many faces of innovation

Many industries have been transformed because of innovations involving advances in technology — automation, virtualization, digital transformation, microelectronics, and so on. Consider the efficiencies gained by the financial services industry with the advent of electronic trading systems, or how travel websites have revolutionized airline and hotel booking. In an industry where advanced computer systems hooked into satellite systems keep track of barges, trains, trucks, and even individual packages, no wonder US-based and global T&L companies are embracing innovative ways of doing business and developing products.

According to PwC's recently released *Manufacturing Barometer* survey, 65 percent of respondents intend to increase operational spending over the next 12 months. The top areas where they intend to increase spending are new product or service introductions (37 percent), research and development (37 percent), geographic expansion (27 percent), business acquisition (23 percent), facilities expansion (22 percent), and information technology (22 percent). The quarterly report explores the current and future state of the industrial manufacturing economy based on interviews with senior executives from large, multinational manufacturing companies. It is likely that T&L companies will be looking to increase spending in these areas as well.

Some of the impetus — or “tension” — behind the T&L industry's interest in product development revolves around “smart equipment.” In particular, the relationships among equipment, company, customer, and supplier are becoming more and more digitized. Before long, for example, T&L equipment suppliers will demand to see how their equipment operates while in flight or on the road.

Innovation and the nuts and bolts of day-to-day business

In addition to seeking opportunities for new product development, T&L companies are using innovation to change the way they run their businesses. Large T&L companies, in particular, are looking for ways to reduce transactional costs across the trading partner spectrum by leveraging e-channels and technology. Dubbed the “no-touch order” concept, the idea is to receive orders electronically through a customer portal, then use enterprise resource planning (ERP) systems to process those orders. Additionally, T&L companies are exploring best practices for new computing models, such as Infrastructure as a Service, Software as a Service, and specific elements of cloud computing, to improve performance and reduce costs.

T&L companies face the following business strategy issues:

- Revenue growth
- Cost containment
- Inventory optimization
- Strategic pricing

Companies may want to consider the following innovative solutions to address business strategy issues:

- Expansion of business intelligence software
- Growth in manufacturing intelligence
- Business model integration
- The move from wired to wireless technologies to cut operational costs

All T&L companies are interested in ways to save operational costs by automating routine processes. Rather than move routine systems offshore, companies are starting to automate the processes. Examples of back-office processes such as procurement, invoicing, and payroll through the implementation of ERP systems.

Innovation, mergers, and acquisitions

Innovation plays a significant role in the acceleration of the mergers and acquisitions (M&A) process. Companies with a high level of technology infrastructure are better able to integrate customer, product, and business data into an acquiring or acquired company. A company’s technological innovations also potentially render it more attractive as a target. If acquired by a global company, that target company gains an opportunity to market its innovations to a broader customer base and possibly to a wider geographical area.

M&A also plays a significant role in the acceleration of innovation. Because innovation is difficult, expensive, and requires specific skill sets, companies often find it easier, cheaper, faster, and more profitable to buy innovation through the M&A process.

Navigating the right path to innovation

What steps should T&L companies take to develop an innovation strategy? For some organizations, acquiring competitors is a way to open up new markets, acquire new technology, accelerate international growth, or improve distribution networks. And as the economy continues to improve, companies that act quickly on acquisition opportunities will secure the most attractive deals in terms of valuation with the most potential to stimulate growth.

With the world emerging from the global recession, T&L companies that embrace and execute on the decades-old concepts of digital transformation and IT innovation will be those that are able to change their game and succeed. The concepts are the same as they were 10 years ago, but because of the economic crisis and an evolving regulatory environment, the touch points have changed for where those concepts can be applied.

Stanford economist Paul Romer famously said, “A crisis is a terrible thing to waste.” For a T&L industry hit hard by the global recession, innovation will be critical to reaping profits through advances in reduction of carbon emissions, supply chain management, and use of advanced distribution and logistics solutions.

PricewaterhouseCoopers’ transportation and logistics experience

Deep transportation and logistics experience

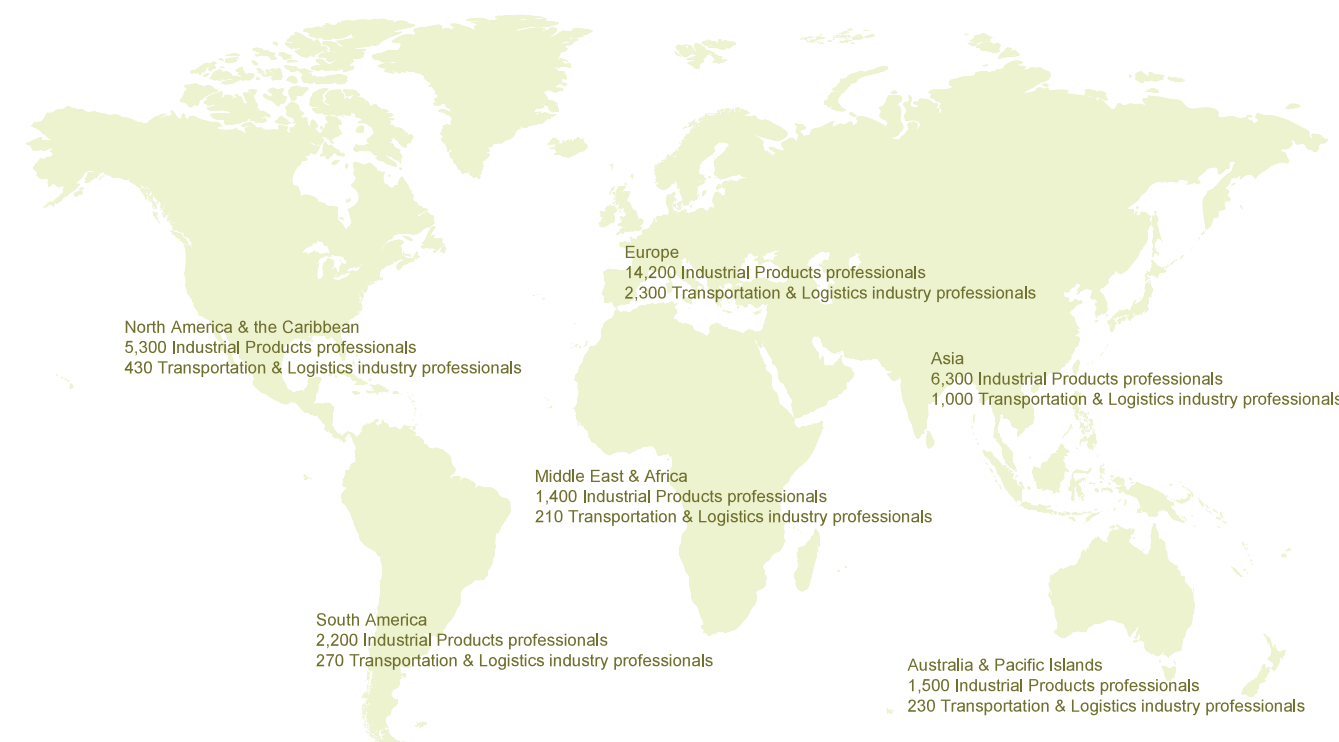
PwC continues to have the leading Fortune Global 500 market share in the industry. Our Transportation and Logistics practice is composed of a global network of more than 4,400 industry professionals who provide assurance, tax, and advisory services to public and private transportation and logistics companies around the world. Central to the successful delivery of our services is an in-depth understanding of today’s industry issues, in addition to a wealth of specialized resources and “best practices” that help in solving complex business challenges. Our highly skilled team encourages dialogue on top-of-mind trends and issues through active participation in industry conferences and associations, such as the American Trucking Association, the Air Transport Association, the American Railroad Association, and the European Logistics Association. To address your industry needs wherever they arise, our professionals are concentrated in areas where the transportation and logistics industry operates today and in the emerging markets where it will operate in the future.

Quality deal professionals

PwC’s Transaction Services practice, with more than 3,800 dedicated deal professionals worldwide, has the right industry and functional experience to advise you on factors that could affect a transaction, including market, financial accounting, tax, human resources, operating, information technology, and supply chain considerations. Teamed with our Transportation and Logistics industry practice, our deal professionals can bring a unique perspective to your transaction, addressing it from a technical as well as industry point of view.

Local coverage, global connection

In addition to having more than 4,400 professionals who serve the transportation and logistics industry, our team is part of an expansive Industrial Products group that consists of nearly 31,000 professionals, including approximately 15,800 providing assurance services, 9,000 providing tax services, and 6,200 providing advisory services. This expands our global footprint and enables us to concentrate efforts in bringing clients a greater depth of talent, resources, and know-how in the most effective and timely way.



Specialty case study: Making a smart acquisition

Client: A private equity company considers the acquisition of a private T&L company

Client issue	<p>When a private equity client considered acquiring a private, US-based T&L company, it engaged PricewaterhouseCoopers to analyze the transaction from both a financial and a technology perspective. PwC was a proven provider of financial and other due diligence services.</p> <p>The private equity firm proceeded with the acquisition. Later, the client asked PwC to develop a prioritized 100-day plan that included assistance with improving the financial close cycle and supporting processes. The private equity client was concerned that the acquired company was not making its numbers and wanted the portfolio company to have a timely, consistent way to forecast and report revenue.</p>
Approach	<p>Within five weeks, PwC provided a prioritized, quantified set of recommendations for the client to narrow and improve the close process, to redesign the forecasting and budgeting process, and to align the metrics reporting and key performance indicators — while working within the present technology limitations. The client company then pursued each avenue on its own for three to four months. During this time, PwC stayed in contact to check that a good tracking system was in place and status reporting was effective.</p> <p>The portfolio company made significant progress on the financial close and consolidation for month-end. When the PwC team was first engaged, the acquired company took nearly 25 days to close its books and complete its month-end measure reports. Now, the time to close the books has been reduced to 11 or 12 days. Further, the company now spends less time each month updating the forecast for the next 12 months and is providing more accurate information.</p>
Impact	<p>As a result of the engagement team's diligence efforts, the client gained a transparent view of the company's financial position and technology improvement requirements. The client company returned to PwC for these improvements because of the credibility it established by delivering a valuable action plan aligned with the client company's objectives. The solutions provided improved the quality of information and reduced the record-to-report cycle time. Additionally, as the private equity client focuses on maximizing the value of its portfolio companies and making intelligent decisions about geographic profitability analyses, customer analyses, and product analyses, the improvements ultimately help the private equity firm make these decisions.</p>

Perspective: Thoughts on deal activity in the fourth quarter of 2009

Although Berkshire Hathaway's takeover of Burlington Northern Santa Fe was the only railroad announcement of the quarter, this acquisition was characteristic of the current T&L deal market in several ways. For example, large deal activity has accelerated, with three of the seven 2009 large deals announced during the fourth quarter. In addition, financial investment in the sector has improved, with these participants involved in the majority of transportation and logistics deals announced during the fourth quarter.

The passenger air mode was highly active, led by the British Airways merger with Spanish carrier Iberia and the leveraged buyout of London Gatwick airport by Global Infrastructure Partners from BAA. This matched our expectation that passenger air entities were likely to drive activity within the sector because of the prevalence of distressed targets as well as new open skies agreements, which facilitate cross-border transactions. We continue to hold this view and note the potential for several upcoming passenger air announcements. It appears as of this writing that American Airlines will expand its trans-Atlantic alliance with British Airways, Iberia, and other Oneworld airlines, in addition to seeking approvals for a joint venture with Japan Airlines. Also, BAA is in talks with the UK Competition Commission regarding further potential airport divestitures.

We were surprised this quarter by the increase in the relative level of minority stake purchases as well as the stagnancy in deal valuations. However, we believe that these data points are related and expect that as acquirers build their financial strength, they will be better positioned to engage in controlling-interest transactions, which typically command a valuation premium.

During 2010, the proportion of deals involving distressed entities, which have typified the market in recent quarters, is expected to give way to more deals involving financially strong parties. A primary reason is that sector constituents have had some time to deleverage their balance sheets and reduce costs, better positioning these companies to turn their focus to M&A activities. In addition, capital markets continue to recover from their languorous state immediately after the leverage bubble. While we are optimistic about the prospects for a more robust deal market, we qualify this outlook by noting that the recoveries in several key economies globally remain tentative, which could limit the upside to deal activity this year.

Quarterly transportation and logistics deal activity
Measured by number and value of announced deals worth \$50 million or more (1Q07-4Q09)

	2007				2008				2009			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Number of deals	40	58	56	60	56	43	49	48	22	13	26	33
Total deal value (US\$ billions)	19.5	25.4	24.7	24.2	22.6	34.1	18.9	21.5	5.9	2.5	8.1	48.5
Average deal value (US\$ billions)	0.5	0.4	0.4	0.4	0.4	0.8	0.4	0.4	0.3	0.2	0.3	1.5

Deal activity by number of deals
Measured by number of announced deals worth \$50 million or more



Deal activity by total deal value
Measured by value of announced deals worth \$50 million or more



Number, value of deals continue to climb

In the previous Intersections report, it was noted that the balance of risks favored a recovery in the pace of transportation and logistics deals. The activity of the fourth quarter appears to have confirmed that a bottom in the deal market had occurred. The pace of deals and deal value announced during the fourth quarter of 2009 picked up considerably from both the third quarter and the lows of the second quarter. While most of the increase in deal value during the fourth quarter was driven by the \$36.7 billion Berkshire Hathaway acquisition of Burlington Northern Santa Fe, the pace of deal value increased even when subtracting that deal from fourth-quarter totals.

In line with the previous expectation that deals involving US entities would recover as the United States emerges from recession, the relative level of these deals and their deal value to total deals and deal value increased in the fourth quarter compared with all of 2009.

Moving your company forward with the economy

As the world rapidly changes and becomes more complex, T&L companies are seizing opportunities to reexamine their businesses. They are looking for ways to squeeze more performance from technology and processes and advance their strategic goals. These are companies actively engaged in change — adjusting to a global marketplace, new reporting standards, evolving regulations, expansion, contraction, and foreign operations.

A year ago, the global recession was deepening and credit markets were almost frozen. Struggling companies looked to carve out and sell portions of their operations to generate needed capital or exit noncore business units. This environment presented extraordinary opportunities for companies with strong balance sheets and available capital to expand market share and increase profitability.

M&A activity over the past few years has been strong as the T&L industry consolidated to improve its financial strength, increase negotiating power with customers and suppliers, and boost capacity utilization. Companies focused on rationalizing operations and building core activities and assets through acquisitions, divestitures, carve-outs, privatizations, and other transactions. As the industry consolidates, new opportunities are arising for multinational firms to expand into global markets.

Change is the answer to a new beginning, but where to begin?

Capturing the benefits of change requires insight into its potential to impact the enterprise as a whole. This means strategy, structure, people, processes, and technology. To move from strategy to execution, companies need to translate strategy into practical results while avoiding major disruptions to ongoing operations.

PwC Advisory professionals understand the fundamentals of creating, capturing, and measuring value. We know how to address people, processes, strategy, structure, and technology in an integrated fashion, and we can help you execute your plans —across functions and the organization.

From enterprise-wide process improvement to sustainable cost reduction; from transactions that capture and create value to rapid crisis response; from strategic IT solutions that align with business need to cost-effective talent management and sourcing, the mission of our Advisory practice is to help business leaders anticipate, create, and manage change.

How PricewaterhouseCoopers can help with M&A

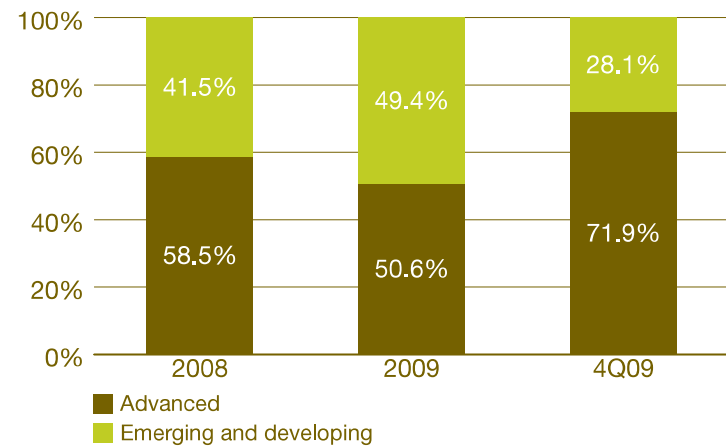
Whether the business objective is to diversify products or services, enter new markets, or achieve revenue or cost synergies, many difficult choices are associated with making the right M&A decision.

The strategy professionals within PwC's Transaction Services practice help clients to align and clarify senior management teams' strategic priorities for organic and inorganic growth. Advisory services are offered in commercial due diligence, M&A strategy, and growth strategy and innovation.

Once management's priorities are determined, PwC can assist by identifying potentially attractive industry and product areas and working with top management to refine screening criteria and produce a short list of best-fit acquisition targets that match priorities.

Clients gain the information they need to strengthen their deal pipelines, become more credible and proactive bidders, and potentially avoid bad deals. Clients also benefit from the convenience of a single advisor and point of contact who has commercial and financial proficiency, as well as deep experience ranging from strategy to deal due diligence to postdeal integration.

Acquirers from advanced versus emerging and developing economies
Measured by number of deals worth \$50 million or more



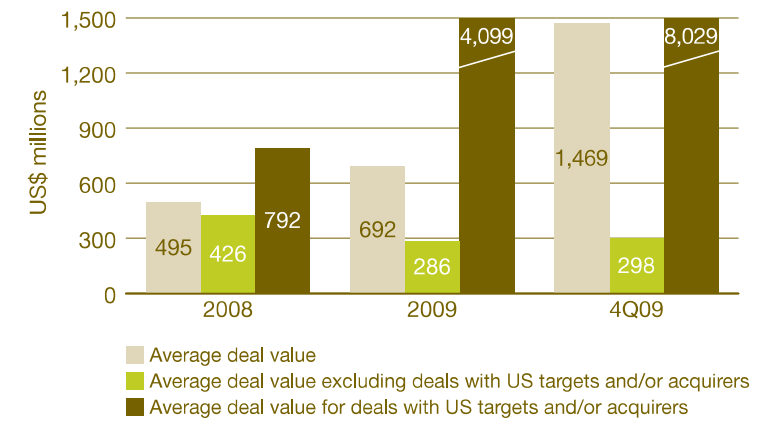
US leads advanced countries' greater proportionate acquisitions

Acquirers from advanced economies sharply increased their relative participation in deals during the fourth quarter compared with acquirers from emerging and developing economies. US acquirers' return to deal activity drove this trend. In fact, the majority of 2009 deal activity by US acquirers was announced during the fourth quarter. As the US economy and other advanced economies enter a tentative recovery, it is likely that acquirers from these countries will display continued fortitude by entering into a greater number of M&A transactions than in recent periods.

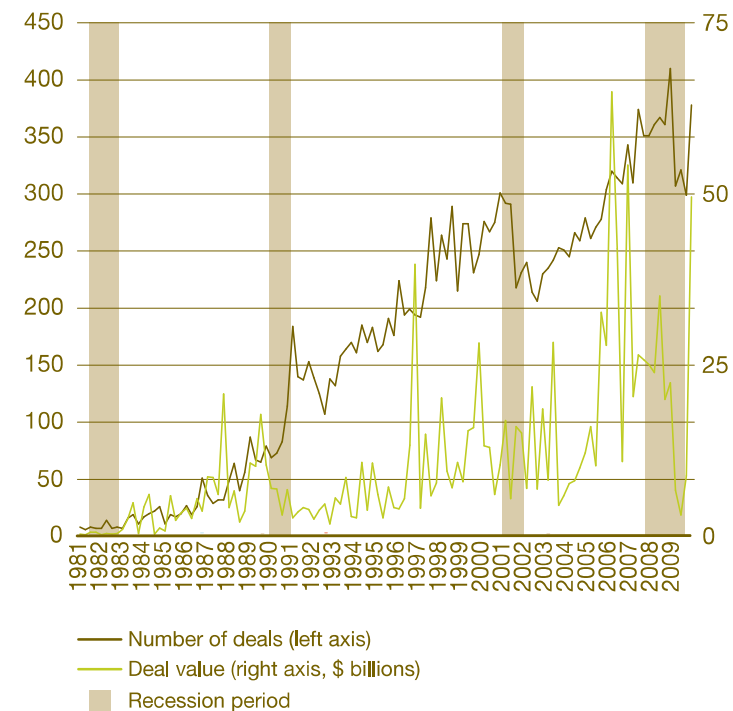
Largest '09 deals make average value soar

Average deal values increased significantly in the fourth quarter compared with all of 2009, driven by the announcement of the three largest deals of the year during this quarter. These deals were the Berkshire Hathaway acquisition of Burlington Northern Santa Fe for \$36.7 billion, the British Airways acquisition of Iberia Lineas Aereas de Espana for \$2.9 billion, and Global Infrastructure Partners' leveraged buyout of London Gatwick Airport from BAA Ltd. for \$2.5 billion. In addition, the Burlington Northern Santa Fe deal was the first announcement with a disclosed value exceeding \$10 billion since 2008. This deal also resulted in a substantial shift in the relative level of announced value by mode toward rail.

Deal activity by average deal value
Measured by value of announced deals worth \$50 million or more



Historical transportation and logistics deal activity and the business cycle
Measured by number and value of all transportation and logistics deals (1981–2009; quarterly observations)



Steep increase in activity holds promise

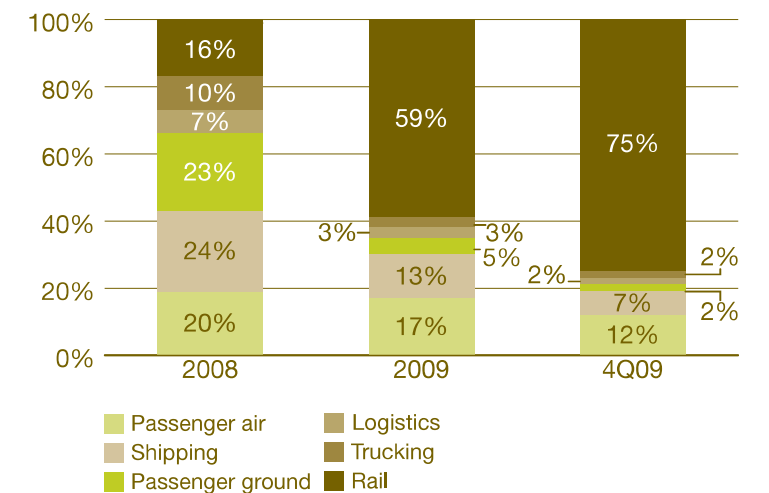
Previous Intersections reports have noted that the historical pattern of global transportation and logistics M&A activity coming out of two of the past three US recessions has been one of general improvement. Activity as measured by both the value and number of announced deals increased following the 1981–1982 recession, and deal value also increased following the 2001 recession. The exception to this pattern was the 1990–1991 recession, which was followed by a decline in both measures.

Most economists believe that the recessions in the United States and Europe have ended. This is noteworthy since deal activity rebounded sharply during the fourth quarter of 2009 as measured by both number and value of deals. In addition, it bodes well for potential increases in deal activity as we enter 2010.

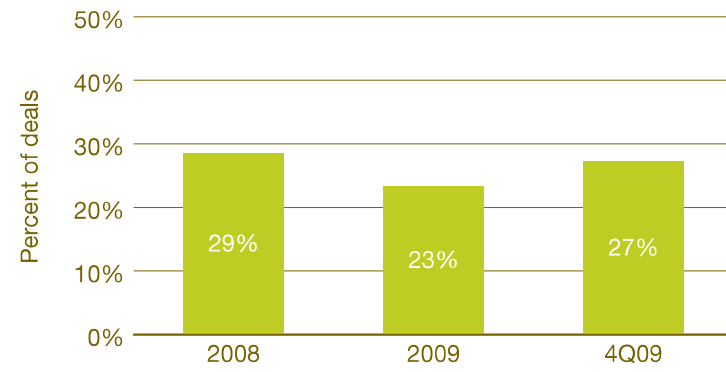
It is likely that 2008 represented a trough in this M&A cycle for average deal value. Looking forward, higher average deal values in 2010 should be supported by improvements in equity markets, a marginal easing of credit conditions, and less risk aversion as acquirers shift their focus away from internal actions such as cash conservation and balance sheet deleveraging and turn more toward external strategic actions, such as M&A, to support growth.

Previous reports have noted that deals for distressed passenger air targets could account for a significant proportion of transportation and logistics deal value. This is likely to remain the case; in addition, new open skies agreements could facilitate future acquisitions and joint ventures. For example, Japan Airlines (JAL) has faced serious financial difficulties complicated by high debt and pension obligations. The recently signed US-Japan open skies agreement led the carrier to consider competing joint venture bids from American Airlines and Delta Airlines. As of this writing, American has reportedly reached an agreement with JAL that would strengthen their alliance in passenger air routes.

Deals by transportation and logistics mode
Measured by value of announced deals worth \$50 million or more



Minority stake purchases
Measured by percent of deals worth \$50 million or more for < 50% ownership

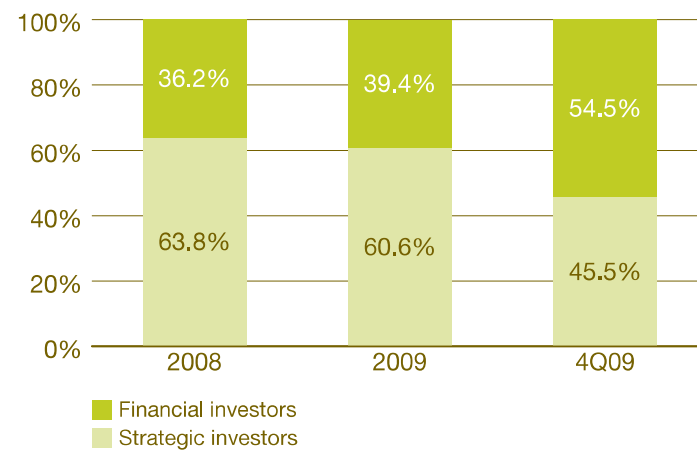


Quarter sees more acquisitions driven by financial interests

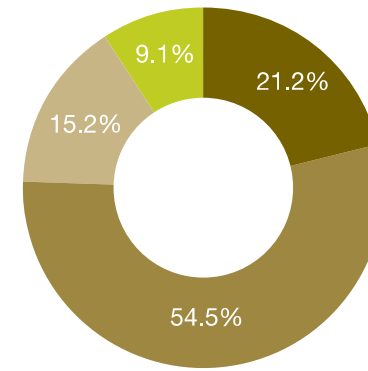
Previous reports indicated the likelihood that minority stake purchases would remain popular until capital-raising conditions had eased significantly. This continued to be the case during the fourth quarter, in which minority stake purchases approximated the relative level of 2008. The relative movement toward minority stake deals during the fourth quarter also coincided with a significant shift in deal activity toward financial investor participation.

These concomitant trends provide evidence that the capital markets have recovered enough to encourage financial investors to become more acquisitive. However, the investors appear to be choosing a bifurcated approach to deal making through minority stakes and large deals. Specifically, financial investors were involved in most of the deals for minority interests and for two of the three large deals announced during the fourth quarter. Though the largest deal of the quarter involved a rail target (Burlington Northern Santa Fe), financial investor deal interest remained broadly distributed among transportation modes.

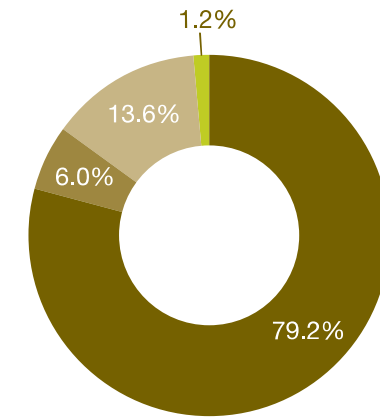
Deal activity by investor group
Measured by number of announced deals worth \$50 million or more



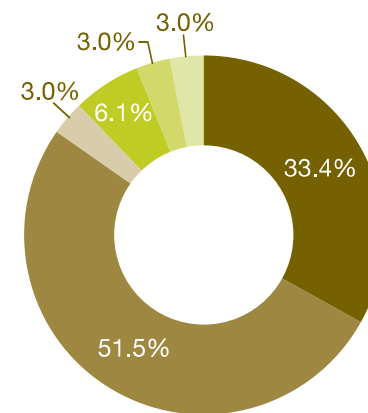
Regional distribution of deals by target region
Measured by number of deals worth \$50 million or more (4Q09)



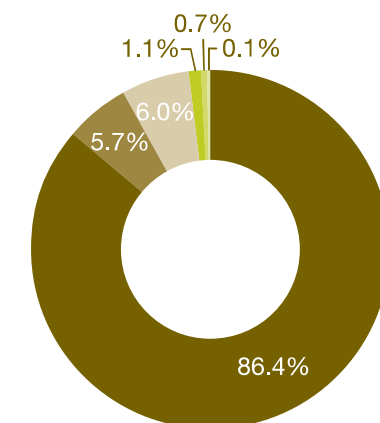
Regional distribution of deals by target region
Measured by value of deals worth \$50 million or more (4Q09)



Regional distribution of deals by acquirer region
Measured by number of deals worth \$50 million or more (4Q09)

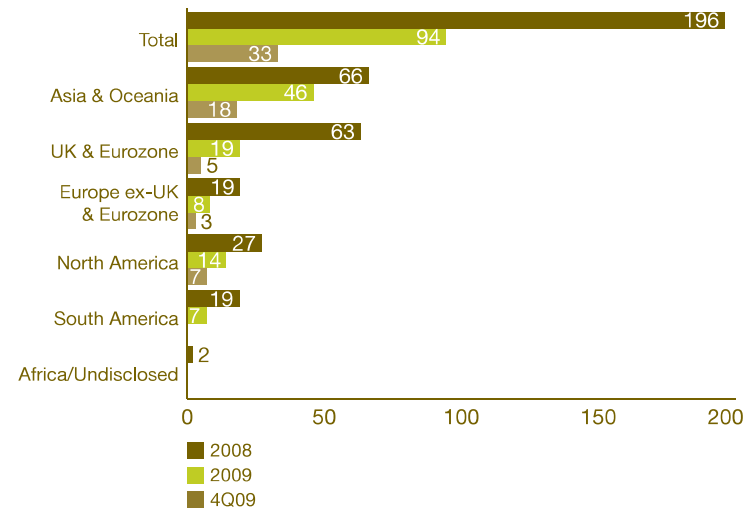


Regional distribution of deals by acquirer region
Measured by value of deals worth \$50 million or more (4Q09)



■ North America
 ■ Asia & Oceania
 ■ UK & Eurozone
 ■ Europe ex-UK & Eurozone
 ■ South America
 ■ Africa/Undisclosed

Regional distribution of all deals by target region
Measured by number of announced deals worth \$50 million or more



Focus on Asia and Oceania, North America; deal makers more likely to cross borders

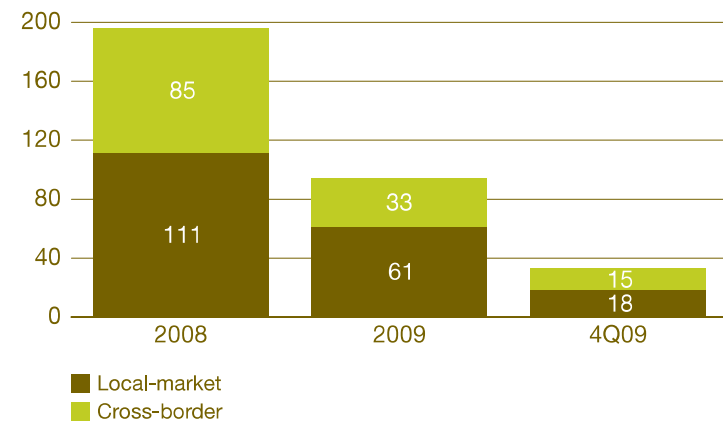
The regional distribution of deal activity indicates that deals increasingly involved targets in Asia and Oceania and North America during the fourth quarter compared with prior periods. This relative increase came largely at the expense of deals for targets in the UK and Eurozone region. A driver of this shift in deal activity could be the differences in expected economic growth among nations in these regions. For example, the International Monetary Fund estimates that real GDP growth in 2010 will be more robust in many of the major economies in Asia and Oceania and North America compared with the UK and Eurozone.

Entities in North America also accounted for an overwhelming proportion of deal value in the fourth quarter owing to the impact of the Burlington Northern Santa Fe deal, which accounted for approximately 75 percent of total deal value announced in the quarter.

The proportion of deals that involve cross-border entities increased during the fourth quarter by about 10 percent compared with all of 2009. This demonstrates that acquirers have become more willing to engage in the risks inherent in cross-border acquisitions compared with local-market deals, in which the greater likelihood of asset or network overlap can limit risk by providing for more easily achievable cost-related synergies.

Looking forward, deal activity is likely to continue to shift toward targets in regions with better growth prospects. In addition, cross-border deals should gain in popularity as companies become more comfortable expanding in foreign, and possibly new, markets.

Local-market vs. cross-border deals (all nations)
Measured by number of announced deals worth \$50 million or more

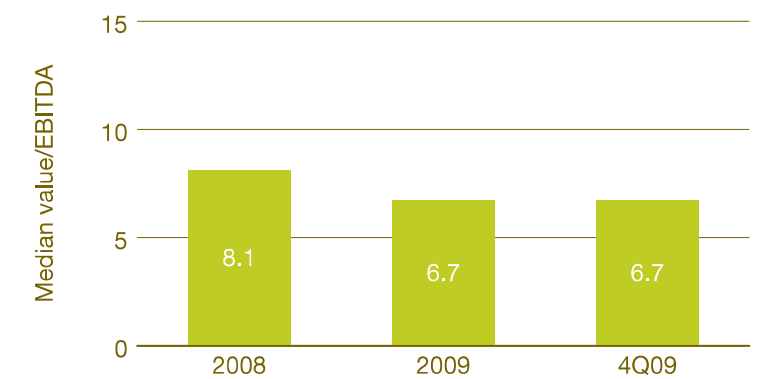


Strength of minority purchases keeps median values muted

Deal valuation as measured by the median deal value/EBITDA multiple appears to have bottomed during 2009. The panoply of evidence indicates that the deal environment is improving — for example, the overall pace of deals has increased, and significant financial investor participation in the market has resumed. However, it is likely that the continued interest in minority stakes has resulted in the lack of a recovery in deal valuations. The reason for this is that the valuation of minority stakes typically involves a discount because of the lack of transfer of controlling interest in the target entity. For example, in the fourth quarter, Kumho Asiana Group, through a subsidiary, raised its stake in Asiana Airlines to 26 percent from 14 percent at a deal value/EBITDA ratio of 3.3, significantly below the median for the quarter.

In line with the expectation that interest in minority stake purchases will slowly cede to interest in deals that target controlling stakes, the median deal valuation is likely to move upward over time.

Deal valuation by median value/EBITDA
Measured by value/EBITDA for deals worth \$50 million or more



Large deals in 2008 (deals with a disclosed value of at least \$1 billion)

Month announced	Target name	Target nation	Acquirer name	Acquirer nation	Status	Value of transaction in US\$ bln	Category
May	Pennsylvania Turnpike	United States	Investor group	Spain	Withdrawn	12.80	Passenger ground
Jun	Angel Trains Ltd	United Kingdom	Investor group	Australia	Completed	7.01	Rail
Oct	Hapag-Lloyd AG	Germany	Albert Ballin GmbH & Co KG	Germany	Completed	4.70	Shipping
Jan	Korea Express Co Ltd	South Korea	Investor group	South Korea	Completed	4.33	Logistics
Oct	Porterbrook Leasing Co Ltd	United Kingdom	Investor group	Germany	Completed	3.11	Rail
Apr	Northwest Airlines Corp	United States	Delta Air Lines Inc	United States	Completed	2.96	Passenger air
Aug	Asciano Group	Australia	Asciano Group SPV	United States	Withdrawn	2.68	Rail
Sep	Midway International Airport	United States	Investor group	United States	Withdrawn	2.52	Passenger air
Apr	Prosafte SE-FPSO Business	Cyprus	Shareholders	Cyprus	Completed	1.66	Shipping
Jan	Quintana Maritime Ltd	Greece	Excel Maritime Carriers Ltd	Greece	Completed	1.63	Shipping
Sep	Smit Internationale NV	Netherlands	Koninklijke Boskalis Westminster NV	Netherlands	Withdrawn	1.55	Shipping
Feb	Japan Airlines Corp	Japan	Investor group	Japan	Completed	1.48	Passenger air
Jan	Cia de Distribucion Integral Logista SA	Spain	Imperial Tobacco Group PLC	United Kingdom	Completed	1.40	Logistics
Sep	Alitalia Linee Aeree Italiane SpA-Passenger Assets	Italy	Cia Aerea Italian Srl (CAI)	Italy	Completed	1.31	Passenger air
Aug	Brussels Airport Co SA	Belgium	Macquarie European Infrastructure Fund III	United Kingdom	Completed	1.22	Passenger air
Mar	Rodoanel Oeste	Brazil	Integracao Oeste	Brazil	Completed	1.18	Passenger ground
Jun	XB Luxembourg Holdings 1 SA	Luxembourg	DSV Air & Sea Holding A/S	Denmark	Completed	1.17	Logistics
Oct	Dom Pedro I Highway	Brazil	Integracao Dom Pedro I	Brazil	Pending	1.14	Passenger ground
Jan	LLX Logistica SA	Brazil	Shareholders	Brazil	Completed	1.12	Logistics
Dec	Los Lagos	Chile	Atlantia SpA	Italy	Pending	1.06	Passenger ground
Mar	Global Ship Lease Inc	United Kingdom	Marathon Acquisition Corp	United States	Completed	1.03	Shipping
Mar	Groupe Eurotunnel SA (GET SA)	France	Goldman Sachs Group Inc	United States	Pending	1.02	Rail

Large deals in 2009 (deals with a disclosed value of at least \$1 billion)

Month announced	Target name	Target nation	Acquirer name	Acquirer nation	Status	Value of transaction in US\$ bln	Category
Nov	Burlington Northern Santa Fe Corp	United States	Berkshire Hathaway Inc	United States	Pending	36.72	Rail
Nov	Iberia Lineas Aereas de Espana SA	Spain	British Airways PLC	United Kingdom	Pending	2.90	Passenger air
Oct	London Gatwick Airport Ltd	United Kingdom	Global Infrastructure Partners	United States	Completed	2.47	Passenger air
Mar	Smit Internationale NV	Netherlands	Koninklijke Boskalis Westminster NV	Netherlands	Pending	1.56	Shipping
Sep	Hanjin Shipping Co Ltd -Shipping & Relevant Business	South Korea	Shareholders	South Korea	Completed	1.35	Shipping
Jul	National Express Group PLC	United Kingdom	Investor Group	Spain	Withdrawn	1.24	Passenger ground
Jul	Shanghai Airlines Co Ltd	China	China Eastern Airlines Corp Ltd	China	Pending	1.10	Passenger air

Buffet's firm leads as large deals gain steam

The thesis in earlier Intersections reports that large deal activity would increase is supported by the significant improvement in the pace of large deal activity over the course of 2009. Six of the seven 2009 large deals were announced during the second half of the year; in addition, the three largest 2009 deals were announced during the fourth quarter.

The largest deal of 2009 is the Berkshire Hathaway acquisition of Burlington Northern Santa Fe, which is also the largest deal ever by the Warren Buffet-led investment firm. Moreover, this was also the first deal announcement for greater than \$10 billion since the 2008 announcement of a winning bid in the privatization of the Pennsylvania Turnpike. One of the rationales for the Burlington deal is that it should allow the railroad to focus less on showing the short-term performance often sought by public investors and more on generating long-term returns, which could require greater near-term capital expenditures. In addition, the deal appears to be a sign of confidence in the potential for a US economic recovery, given the sensitivity of railroad traffic to bulk commodity shipments as well as intermodal transport.

The second-largest deal of the year is the British Airways signing of a memorandum of understanding with Iberia to create Europe's third-largest airline. A final merger deal could

be in place in early 2010. Rationales for the merger include a strengthened trans-Atlantic network through combining British Airways' US routes with Iberia's Latin America routes; and revenue and cost synergies, which are expected to reach 400 million euros by the fifth year. Merger negotiations had been ongoing for some time, and the deal will still face potential stumbling blocks in the form of regulatory hurdles and British Airways' substantial pension deficit.

The final large deal announced during the fourth quarter is the leveraged buyout of London Gatwick Airport by Global Infrastructure Partners, a joint venture of Credit Suisse Group and GE Infrastructure. London Gatwick was owned by Spanish construction firm Grupo Ferrovial's airport operating subsidiary BAA Ltd. BAA was facing regulatory pressure to make this divestiture because of the company's dominant market position among London airports.

The prospects for large deal activity in 2010 are relatively bright. Credit conditions are easing, equity markets have begun to improve, and several large economies that were in recession could be entering recovery — all of which represent potential drivers for more large deals this year.