

Intersections

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First-quarter 2014 global transportation and logistics industry mergers and acquisitions analysis



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PwC is pleased to share with you our quarterly analysis of mergers and acquisitions (M&A) activity in the transportation and logistics (T&L) sector. *Intersections* offers insights on deals in the sector during the first quarter of 2014, as well as our expectations for M&A in the coming year.

Deal activity started slowly this year, with M&A volume in the first quarter as low as that of the last few years. Also, announcements were less robust when considering the trend in total value.

We previously noted that US- and Eurozone-related deals accounted for most transactions prior to the financial crisis and global recession, and that the proportion of these deals declined post-recession. This trend has continued, and there is substantial opportunity for emerging market acquirers to consolidate their relatively fragmented domestic transportation modes. These markets could contribute significantly to future M&A totals in the sector.

Despite relatively slow activity in some of the more developed markets, valuations for targets in advanced economies have continued to recover across most modes, regardless of whether strategic or financial investors were involved. Consequently, sector multiples have remained at near historical highs. In contrast, valuations for emerging market targets have remained relatively steady.

We believe that companies in advanced economies are using this economic expansion to selectively consolidate their existing markets and expand their services. This trend results from more modest economic growth rates in many of these countries, as well as still-accommodating capital markets. Even as the uptick in equity financing continues, acquirers have yet to shy away from also issuing more debt and deploying more of their internal funds.

PwC analysts are monitoring several additional trends expected to affect the values and locations of deals in the T&L sector:

- Shipping has been active, particularly in container lines, where new mergers, partnerships, and vessel-sharing agreements — involving the likes of the proposed P3 alliance, the Hapag-Lloyd/CSAV merger, and the COSCO/China Shipping partnership — are in progress. These arrangements can help the industry address capacity-related challenges and may encourage smaller competitors to seek similar alliances.
- Trucking deal activity has also increased, with several recent acquisitions expected to help carriers expand their service offerings. We continue to expect a high volume



of trucking M&A, due to relatively poor financial performance in a highly fragmented mode.

- Many airlines, after multiple consolidations, are focused on new joint ventures and cross-border minority stakes. Some of these may serve to increase M&A volume, but many have relatively small disclosed — and in some cases undisclosed — values. So while these deals are unlikely to rank among the T&L sector's largest, they can help airlines boost their competitive positioning.

We're pleased to present our first-quarter 2014 analysis as part of our ongoing commitment to providing you with a deeper understanding of M&A trends and prospects in the industry.

Launch the data explorer at <http://www.pwc.com/us/en/industrial-products/publications/intersections.jhtml> for a deeper dive into the data, or contact us to further discuss our insights.

Sincerely,



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