

# Intersections

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## *Third-quarter 2013 global transportation and logistics industry mergers and acquisitions analysis*



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To help provide further insights on recent mergers and acquisitions (M&A) activity, PwC is pleased to share with you our quarterly analysis of M&A activity in the global transportation and logistics (T&L) industry.

Deal values in the third quarter remained mostly anemic, leading to the weakest quarterly average deal size of the past few years. The pace of announced volume, however, has increased slightly from the first half of the year.

One of the most significant drivers of deal volume is the pace of US deal flow, with US-involved volume during the third quarter robust compared to historical norms, while the Eurozone is likely to end the year with one of the lowest annual totals over the decade. The disparity can most likely be attributed to an economic recovery that is stronger in the US than in several other large, developed nations.

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

- Local market trucking and passenger air deals have driven recent US deals in the sector. The trucking announcements stem from a range of strategies, including horizontal consolidation and tuck-in acquisitions designed to expand capabilities. The relative fragmentation of trucking has also contributed to the overall trend of smaller deal sizes. With recent consolidation among major domestic airlines, US-based passenger air announcements this quarter also focused on smaller targets, including providers of charter and airport services.
- Strategic investors are carrying the market, with volumes keeping pace with long-term averages, but the annual volume of financial investment is now headed toward a ten-year low. The modest financial investment in the market this quarter remains skewed toward smaller shipping deals, including minority stakes in port services. Financial investors are expected to continue to seek opportunities to improve performance.
- Despite their attenuated role in the overall deal market, financial investors have paid high valuations for recent deals, thus helping drive an overall rise in valuation for transportation M&A. Valuations for all third-quarter transportation M&A announcements, as measured by value/sales ratios, reached near-record highs for the sector. While overall M&A volumes are modest, there is more competition for high quality targets among both strategic and financial investors, which has led to higher prices for these deals.



Going forward, acquirers are taking a cautious view of the transportation deal market, focusing on smaller, generally easier to integrate, local-market acquisitions. Nevertheless, they are willing to pay more for the “right” deal.

But ongoing economic uncertainty and high valuation may keep some acquirers sidelined. These factors may serve to dampen enthusiasm for large deals for transportation and logistics targets during the final quarter of 2013.

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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