

Intersections

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



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Welcome to *Intersections*, PwC's quarterly analysis of mergers and acquisitions (M&A) in the transportation and logistics (T&L) sector. We are pleased to present our third-quarter 2014 analysis as part of our ongoing commitment to providing you with a deeper understanding of related trends and prospects in the industry.

The pace of deal volume increased slightly during the third quarter, while deal values weakened. This contrast primarily owes to a continued shift in activity by mode. However, deal valuations were at or above pre-recession levels, driven by a steady mix of financial and strategic investors.

Last quarter, trucking and logistics deals were on the rise. During the third quarter, these acquisitions were again a major focus of the market. The North American trucking M&A market is particularly robust.

Acquiring carriers are seeking to expand truckload businesses, enhance logistics offerings, invest in technology, and add new capacity as freight demand improves. In addition, several deals have helped companies improve their geographical reach within the United States and across North America. However, trucking and logistics companies tend to be smaller than many other sector constituents, and deal multiples are also often lower. Both factors contribute to lower average deal sizes, as well as lower deal value totals, for the overall sector.

Our analysts are monitoring several other trends that are expected to affect the value and location of deals in the T&L sector, including:

- Infrastructure deals, which accounted for the majority of megadeals in 2013, have been relatively sparse in 2014. This lull could be temporary, as governments continue to explore privatizations. For example, Spain is planning to sell a 49% stake in state-owned airport operator Aena Aeropuertos later this year. And Vietnam intends to sell a minority stake in ACV, the state-owned developer and manager of all airports in the country, in 2015.
- Privatizations have the potential to drive a modest increase in airline deal totals: Cyprus and Croatia, among other countries, reportedly may divest positions in state-owned carriers.
- In shipping, there has been a recent M&A focus on alliances, such as the proposed O3 consisting of UASC, CMA CGM, and China Shipping Container Lines, as well as several LBOs of Asian carriers. Additional shipping transactions may be afoot in China, where the government has recently loosened rules on foreign investment and ownership restrictions in certain areas.



Looking forward, overall deal totals could be hindered in the near term by a focus on smaller announcements in modes such as trucking and shipping, likely resulting from the higher fragmentation and relatively weak performance of these modes.

However, once infrastructure assets return to the market, there could be a big jump in deal values. While overall deal valuations are high, the substantial cash levels of strategic investors should be enough to finance new M&A. Accordingly, we are sanguine about the health of the transportation and logistics deal market as we enter the final quarter of 2014.

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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