



# PCE Industry Report

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Transportation & Logistics



# Middle Market M&A Summary

## Transportation & Logistics

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2nd Quarter 2016

### Key Highlights

- The average value of the top transactions was \$742 million.
- The largest transaction was the acquisition of Harbor Guard Boats, Inc. by Daniel Medina & Madhava Rao Mankal for \$3.5 billion.
- The smallest transaction was the acquisition of Contential Rail, LLC by Train Travel Holdings for \$300 thousand.
- The public company industry median TEV/EBIT multiple is 12.9x.
- The public company industry median TEV/EBITDA multiple is 7.7x.

### Key Trends

- The Marine subsector is trending positively, the Air Freight & Logistics subsector is trending neutrally, and the Railroad & Trucking and Transportation Infrastructure subsector's transaction volumes are trending negatively.
- The Railroad & Trucking subsector's transaction volume was the largest at 45% of the industry over the past quarter.
- The combination of weak demand, excess capacity, deteriorating pricing power, and increasing driver wage inflation will continue to hamper growth, and share prices, for transportation and trucking companies.<sup>1</sup>
- Seeking to attain economies of scale as well as acquire new services, approximately a third of businesses within the logistics sector are looking to acquire other businesses over the next 6 months.<sup>2</sup>
- The new \$6 billion Panama Canal expansion project will spur continued growth in the size of container ships, resulting in smaller & older vessels being scrapped in higher volumes.<sup>3</sup>

IBIS World, S&P Capital IQ, and PCE Proprietary Data

Source:

<sup>1</sup>"The Transportation Industry has had a Rough Ride This Year", Omaha Herald, June 2016.

<sup>2</sup>"Mergers & Acquisitions Dominate 3rd Party Logistics", Trucking Info, June 2016.

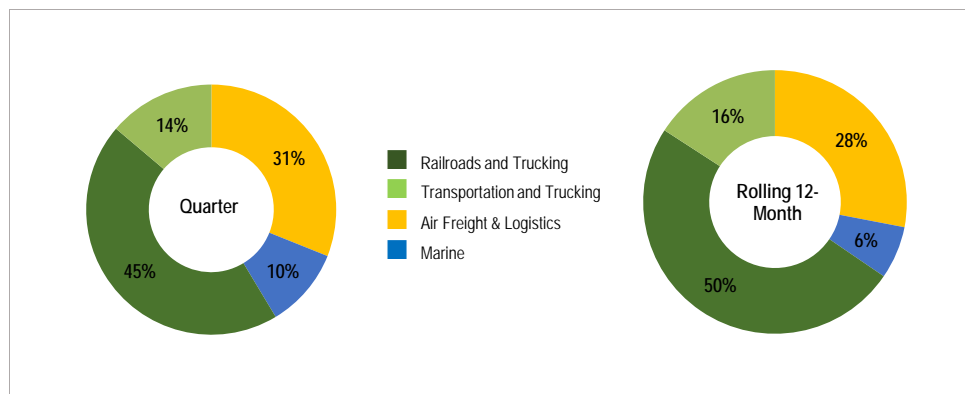
<sup>3</sup>"Expanded Panama Canal Means Scrap Heap for Last Generation", Logistics Management, June 2016.

## Industry Trends During Quarter

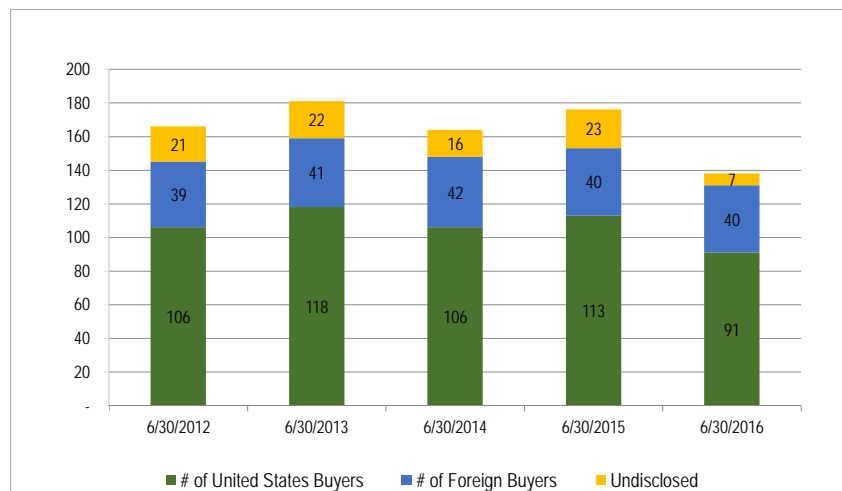
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Air Freight & Logistics	⇒	↓	↓
Marine	↑	↑	↑
Railroads and Trucking	↓	↓	↓
Transportation Infrastructure	⇒	↑	↑

\* Based on transactions with reported financial data only; historically - 30% to 40% of transactions report financial data

## Transaction Volume as % of Industry



## Rolling 12-Month Transaction Volume Trends by Buyer Origin



## Largest Transactions Closed During Quarter by Transaction Value (\$ in millions)

Sector	Target	Buyer	Transaction Value
Marine	Harbor Guard Boats, Inc.	Daniel Medina & Madhava Rao Mankal	\$3,501.8
Air Freight & Logistics	Southern Air Holdings, Inc.	Atlas Air Worldwide Holdings, Inc.	\$110.0
Air Freight & Logistics	The Apex Group	Kerry Logistics Network Limited	\$87.9
Air Freight & Logistics	Hybrid Logistics, Inc. and General Transportation Services, Inc.	CAI International Inc.	\$12.0
Railroads and Trucking	Continental Rail LLC	Train Travel Holdings, Inc.	\$0.3

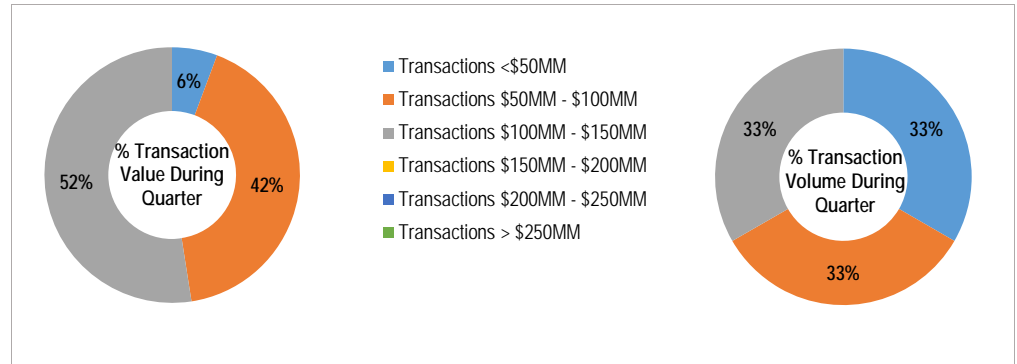
Source: S&P Capital IQ as of 7/28/2016 and PCE Proprietary Data

## Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	9
Number of Transactions with Disclosed Values	3
Transaction Value*	\$209.90
Average Transaction Value*	\$69.97
Median Transaction Value*	\$87.90

\*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.

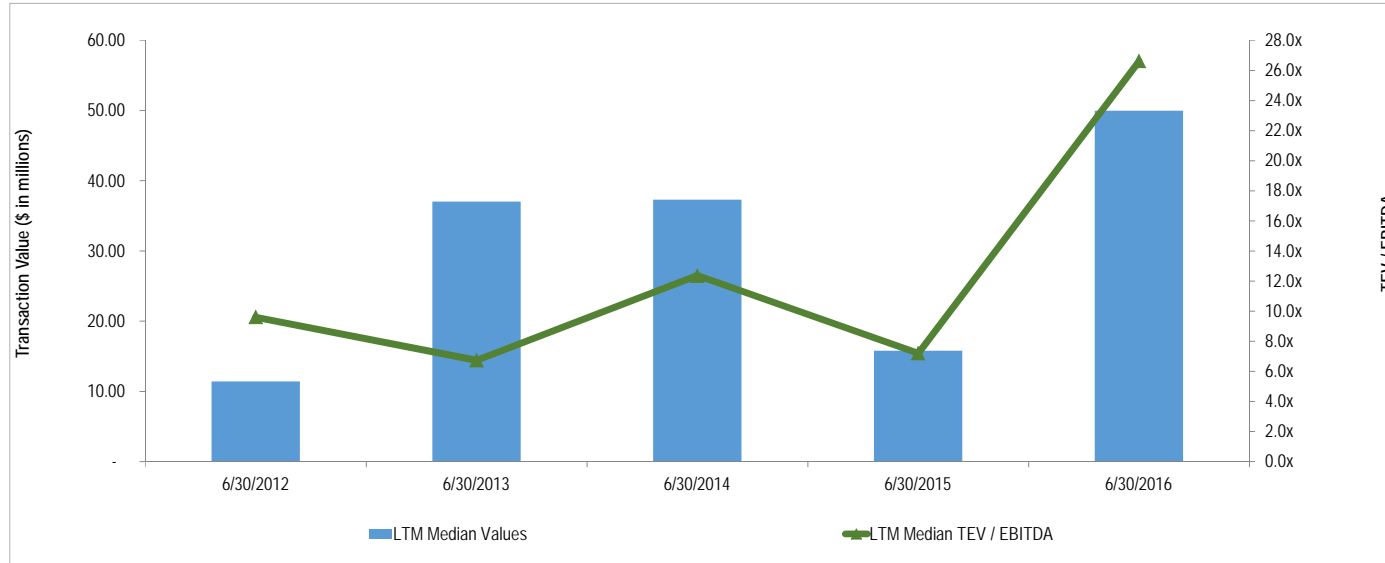
## Transactions by Value & Volume



Based on transactions with disclosed financial data only

## Private Sector Value & EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



\* Values and multiples may be skewed given data includes reported information only. While ~ 30% - 40% of transactions disclose values, only ~ 3% - 5% disclose EBITDA multiples. As a result, data may be a poor indicator of overall market performance.

Source: S&P Capital IQ as of 7/28/2016 and PCE Proprietary Data

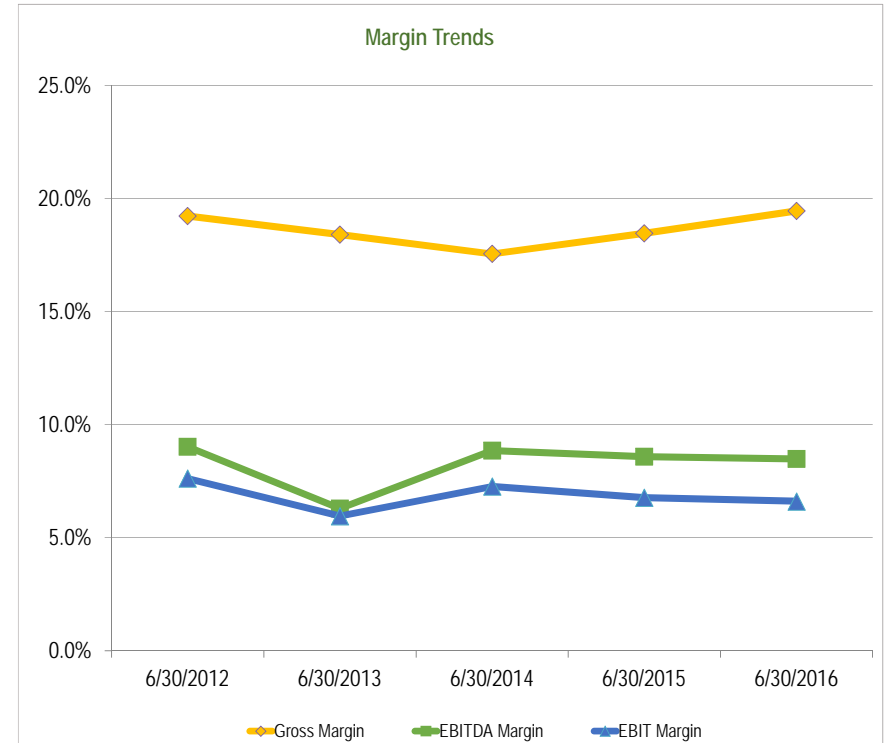
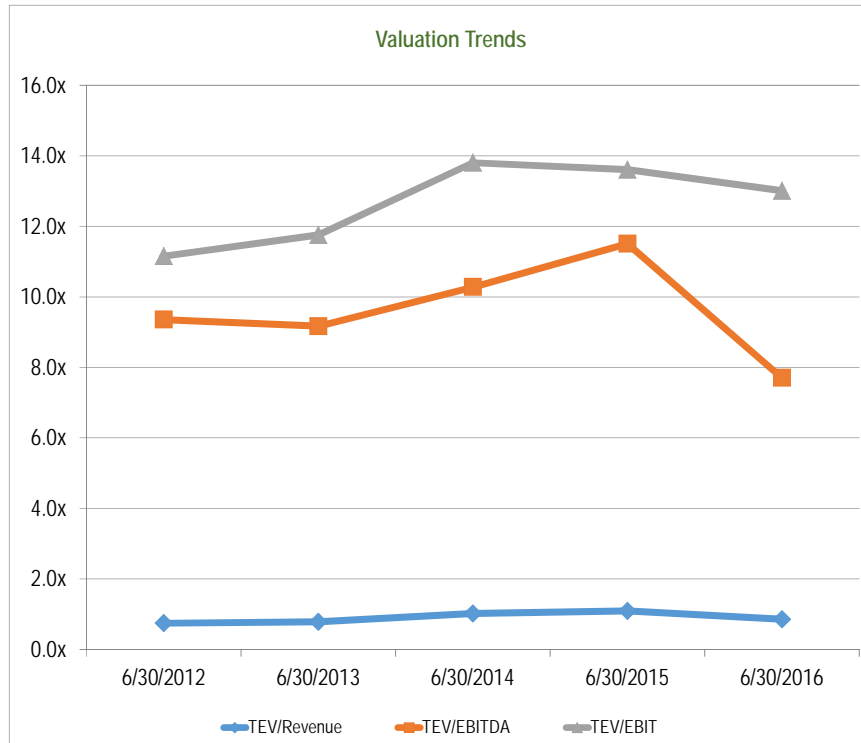
# Air Freight & Logistics

2nd Quarter 2016

## Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	LTM 6/30/2016 Trends	
Average	\$12,981	0.9x	9.3x	17.8x	TEV/Revenue	↓
Median	\$1,379	0.9x	7.7x	13.0x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	LTM 6/30/2016 Trends	
Average	21.3%	11.2%	7.1%	Gross Margin	↑
Median	19.5%	8.5%	6.6%	EBITDA Margin	↓
				EBIT Margin	↓



Source: S&P Capital IQ as of 7/28/2016 and PCE Proprietary Data

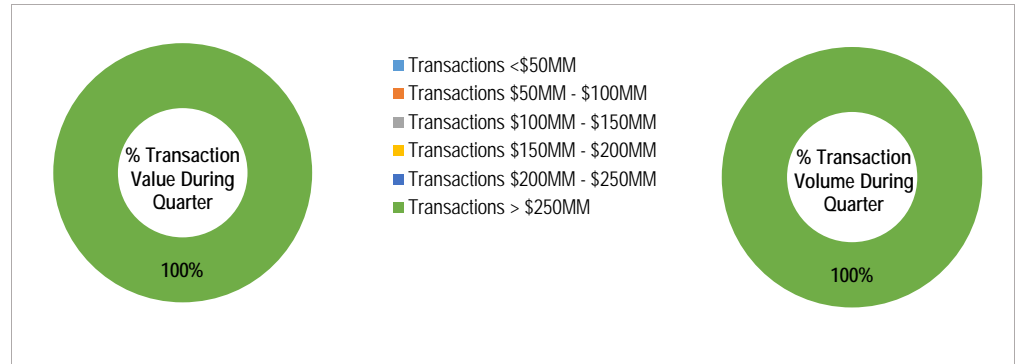


### Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	3
Number of Transactions with Disclosed Values	1
Transaction Value*	\$3,501.82
Average Transaction Value*	\$3,501.82
Median Transaction Value*	\$3,501.82

*\*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.*

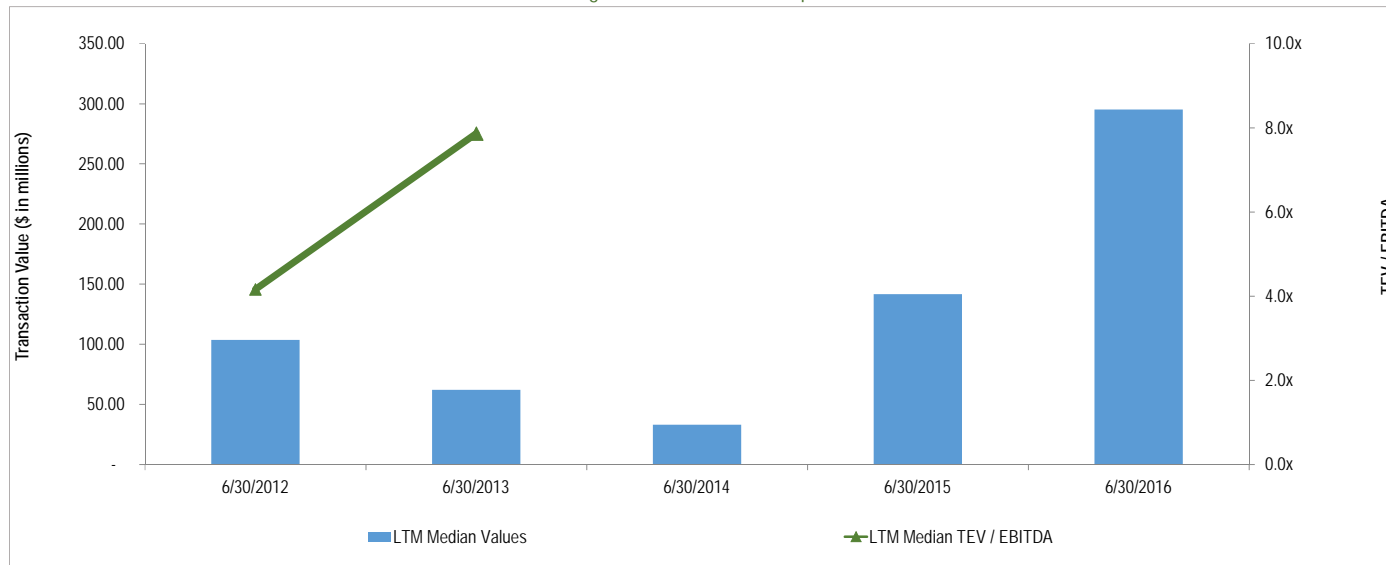
### Transactions by Value & Volume



Based on transactions with disclosed financial data only

### Private Sector Value & EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



\* TEV/EBITDA multiples not available for time period shown.

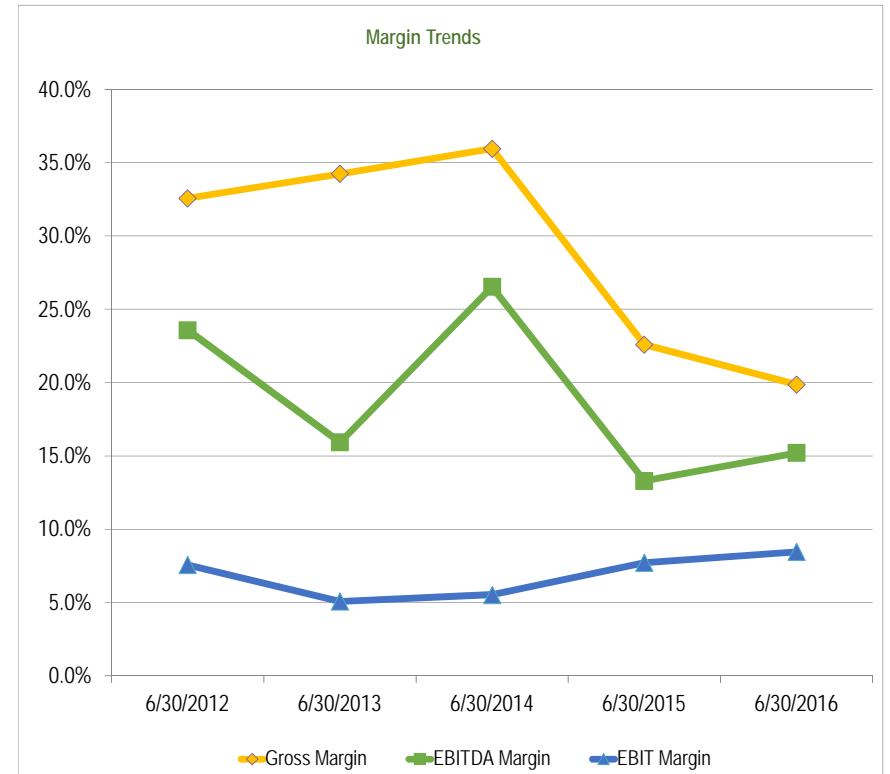
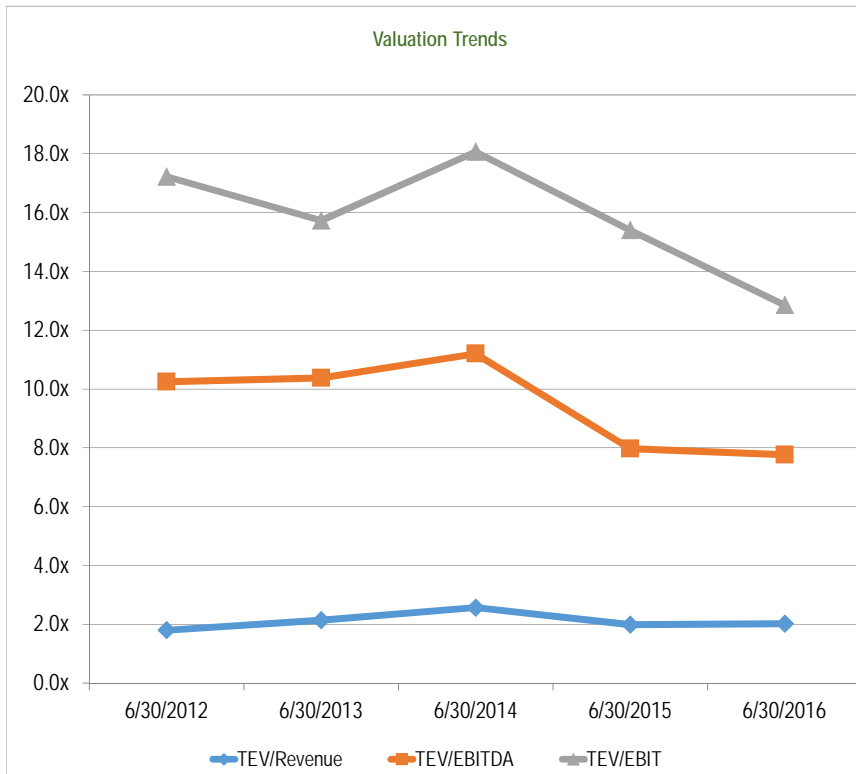
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Source: S&P Capital IQ as of 7/28/2016 and PCE Proprietary Data

## Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	LTM 6/30/2016 Trends	
Average	\$949	2.5x	7.5x	14.3x	TEV/Revenue	↑
Median	\$85	2.0x	7.8x	12.9x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	LTM 6/30/2016 Trends	
Average	21.1%	6.5%	-15.2%	Gross Margin	↓
Median	19.9%	15.2%	8.5%	EBITDA Margin	↑
				EBIT Margin	↑



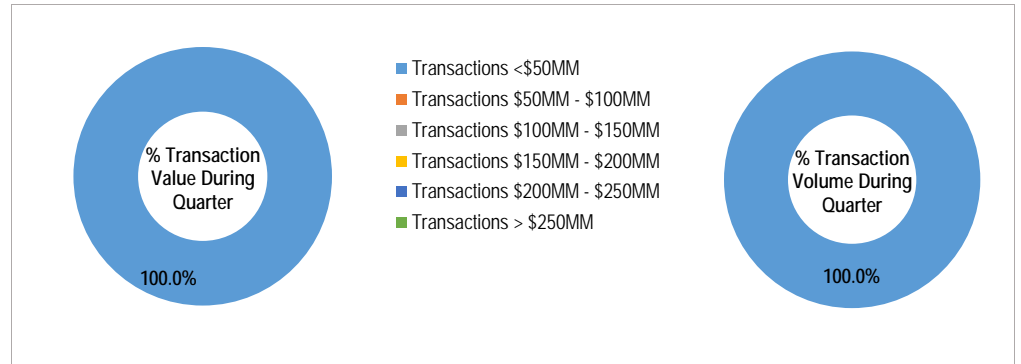
Source: S&P Capital IQ as of 7/28/2016 and PCE Proprietary Data

## Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	13
Number of Transactions with Disclosed Values	1
Transaction Value*	\$0.26
Average Transaction Value*	\$0.26
Median Transaction Value*	\$0.26

*\*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.*

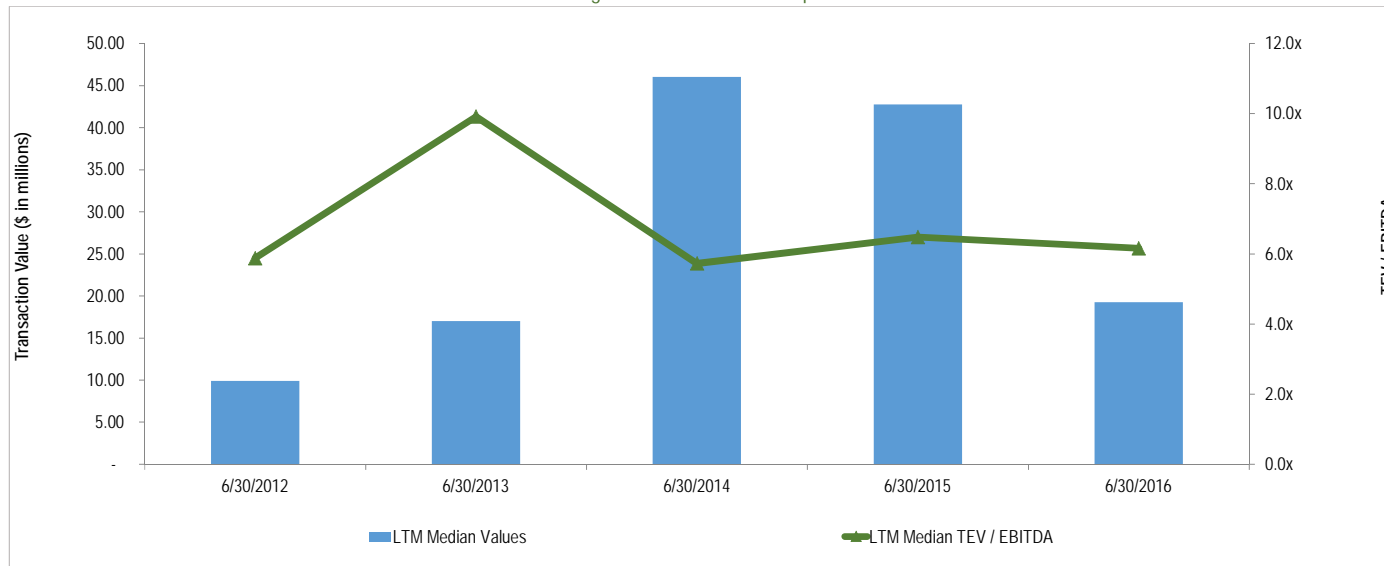
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## Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



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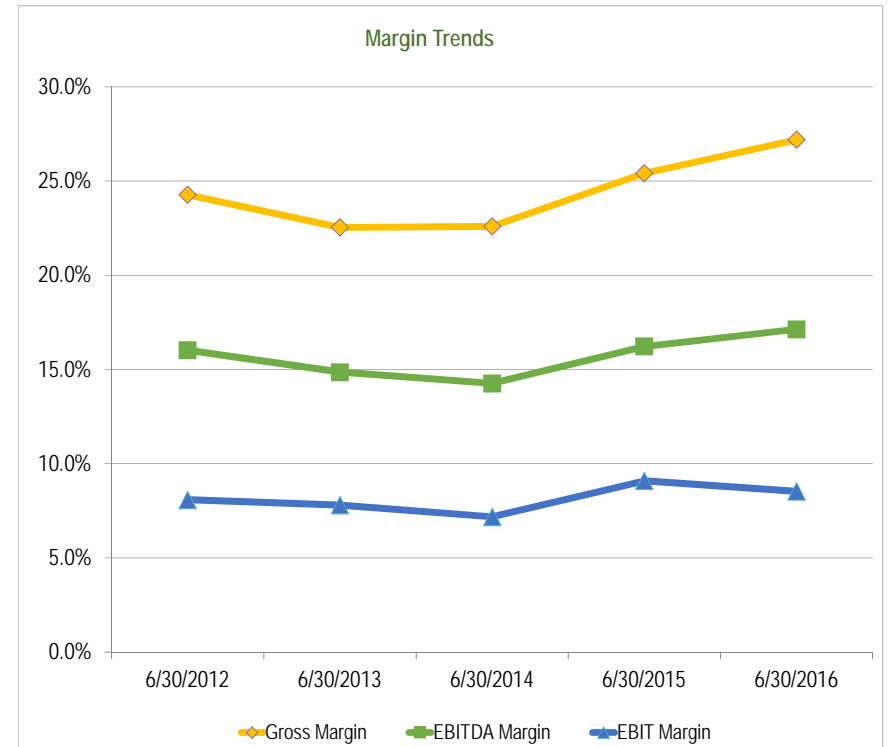
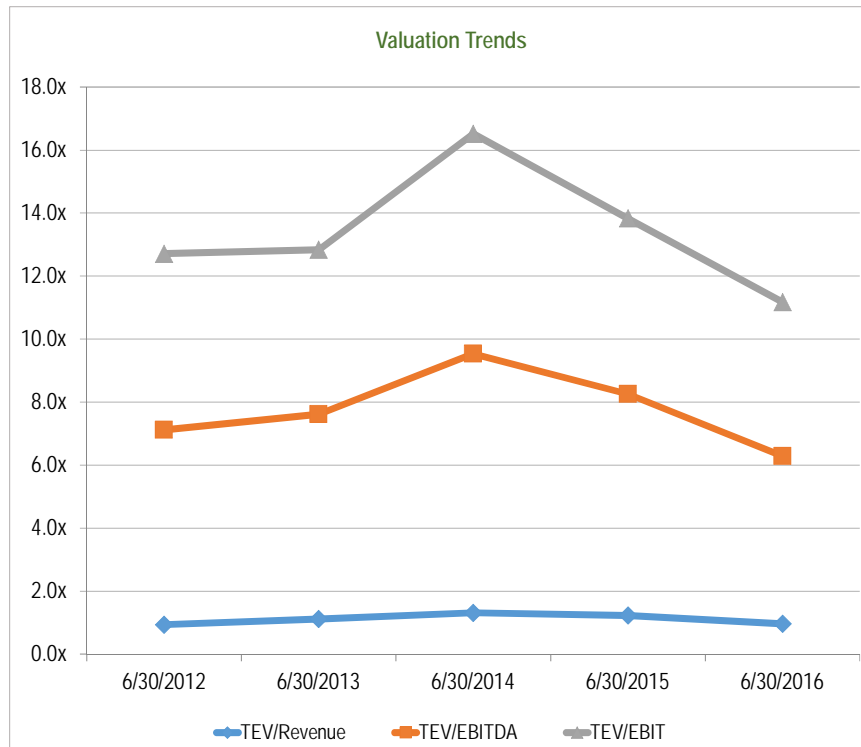
# Railroads and Trucking

2nd Quarter 2016

## Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 6/30/2016 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$6,836	1.6x	7.0x	12.6x	TEV/Revenue	↓
Median	\$2,000	1.0x	6.3x	11.2x	TEV/EBITDA	↓
					TEV/EBIT	↓

	Margins			Last Twelve Months 6/30/2016 Trends	
	Gross Profit	EBITDA	EBIT		
Average	27.5%	20.5%	12.5%	Gross Margin	↑
Median	27.2%	17.1%	8.5%	EBITDA Margin	↑
				EBIT Margin	↓



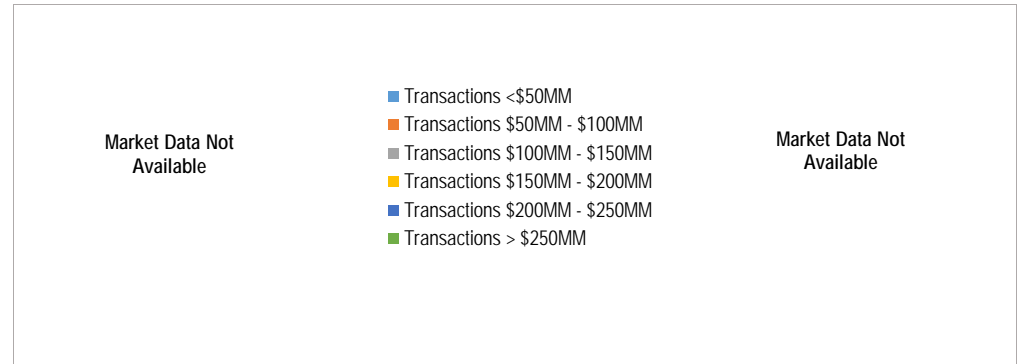
Source: S&P Capital IQ as of 7/28/2016 and PCE Proprietary Data

## Summary of Sector Transactions During Quarter (\$ in millions)

Transaction Volume	4
Number of Transactions with Disclosed Values	0
Transaction Value*	\$0.00
Average Transaction Value*	\$0.00
Median Transaction Value*	\$0.00

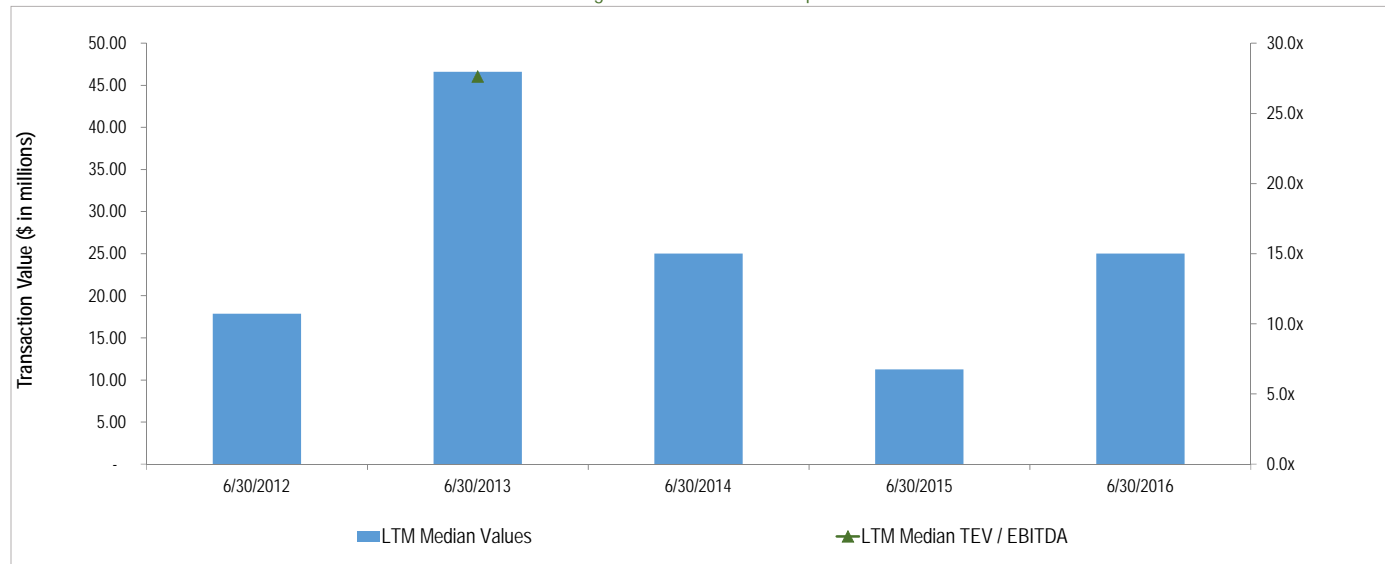
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## Transactions by Value & Volume



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Rolling 12-Month Value & Multiple Trends



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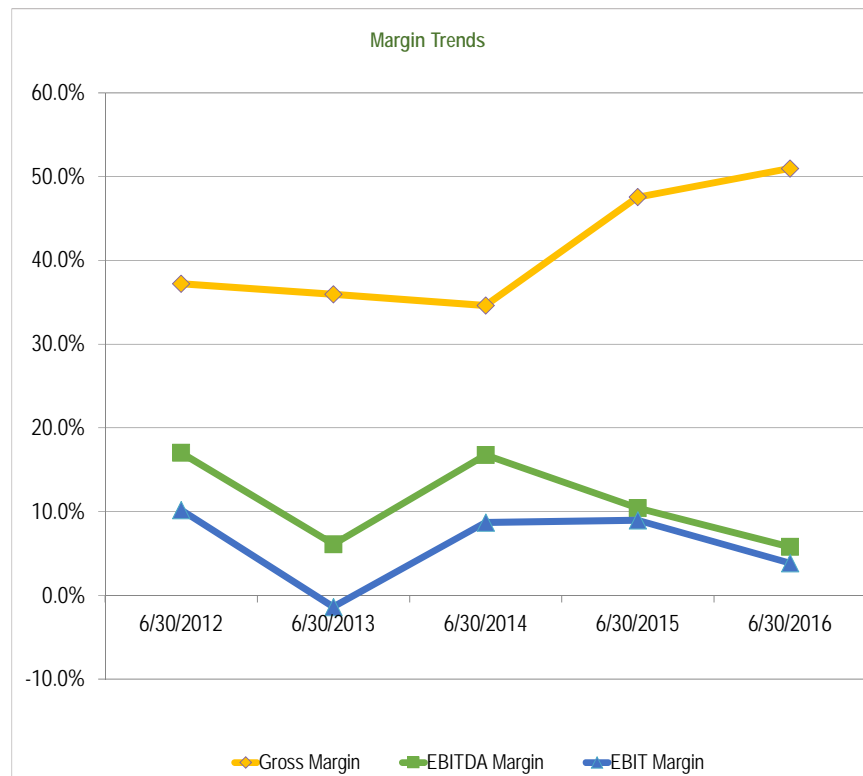
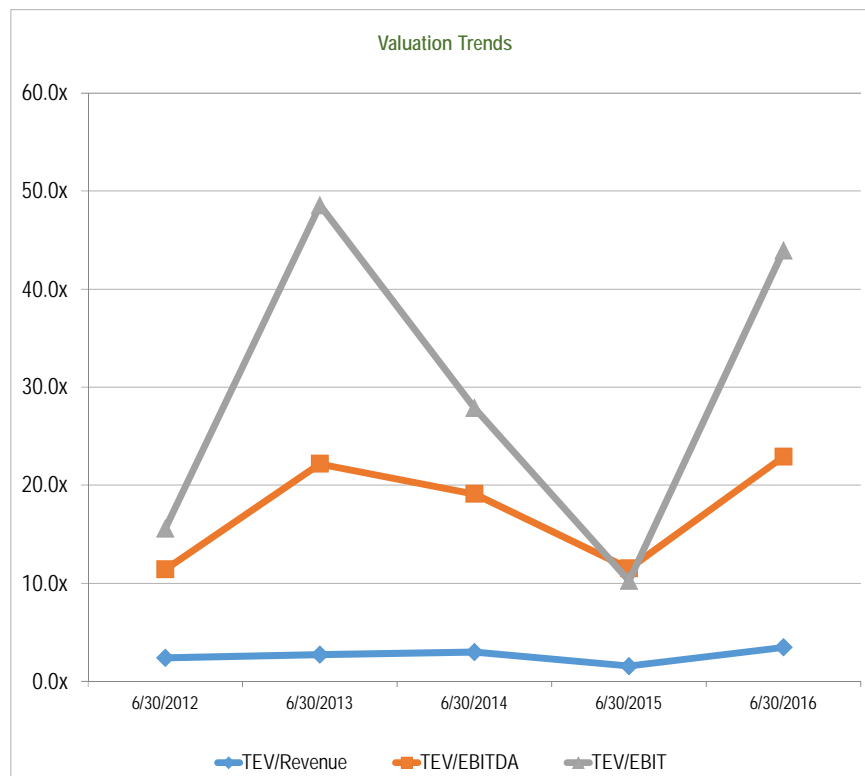
# Transportation Infrastructure

2nd Quarter 2016

## Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months	
	Market Cap	Revenue	EBITDA	EBIT	LTM 6/30/2016 Trends	
Average	\$2,492	3.5x	22.9x	44.0x	TEV/Revenue	↑
Median	\$1,381	3.5x	22.9x	44.0x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months	
	Gross Profit	EBITDA	EBIT	LTM 6/30/2016 Trends	
Average	43.1%	8.2%	2.0%	Gross Margin	↑
Median	51.0%	5.8%	3.9%	EBITDA Margin	↓
				EBIT Margin	↓



Source: S&P Capital IQ as of 7/28/2016 and PCE Proprietary Data



# About PCE

When you're navigating the critical and sometimes challenging phases of the business life cycle, nothing is more important than getting the right advice at the right time. At PCE, that's our specialty. Providing clients with the insightful strategies, creative solutions, and expert guidance they need to address the challenges they face today and achieve the goals they set for tomorrow.

PCE, a leading financial services firm for mid-market companies, offers a full range of services:

- M&A (mergers & acquisitions)
- Growth Capital – Equity & Debt
- Business Valuation
- ESOP (Employee Stock Ownership Plans)
- Financial & Management Consulting
- MBO (management buy outs)
- Bankruptcy
- Restructuring
- Fairness and Solvency Opinion
- Management Consulting
- Succession Planning
- Strategic Analysis
- Litigation Support

Experienced in all market sectors, PCE has established several specialty practice areas:

- Aerospace & Defense
- Banking, Finance & Insurance
- Building Products & Construction
- Business Services
- Consumer & Food
- Diversified Industrials
- Healthcare
- IT & Telecom
- Power & Energy
- Transportation & Logistics

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## Data Assumptions

This report represents transaction activity as mergers & acquisitions, consolidations, restructurings and spin-offs. Targets are defined as U.S. Based companies with either foreign or U.S. based buyers. Transaction information provided is based on closed dates only.

## Glossary

EBIT - Earnings Before Interest and Taxes

EBITDA - Earnings Before Interest, Taxes, Depreciation, Amortization

LTM - Last Twelve Months

TEV - Total Enterprise Value