

Q4 2017 & Q1 2018 Overview

Over the past six months, the transportation and infrastructure (T&I) industry experienced more merger and acquisition transactions than in prior quarters, with historically high valuations as evidenced by the EV/EBITDA multiples of publicly traded companies in these subsectors and robust economic conditions.

Transaction activity over the past six months in the T&I industry has, then, included a high volume of strategic acquisitions as well as investments by financial buyers looking to capitalize on the strong growth outlook. All five of the industry's subsectors witnessed consolidation as companies sought to expand their capabilities, capacity, geographic footprint, and technologies in order to keep pace with customer demand. Meanwhile, more and more private equity firms have been establishing a positive investment thesis based on infrastructure and are continuing to make new platform and add-on acquisitions, particularly in the E&C, aerospace, and T&L subsectors.

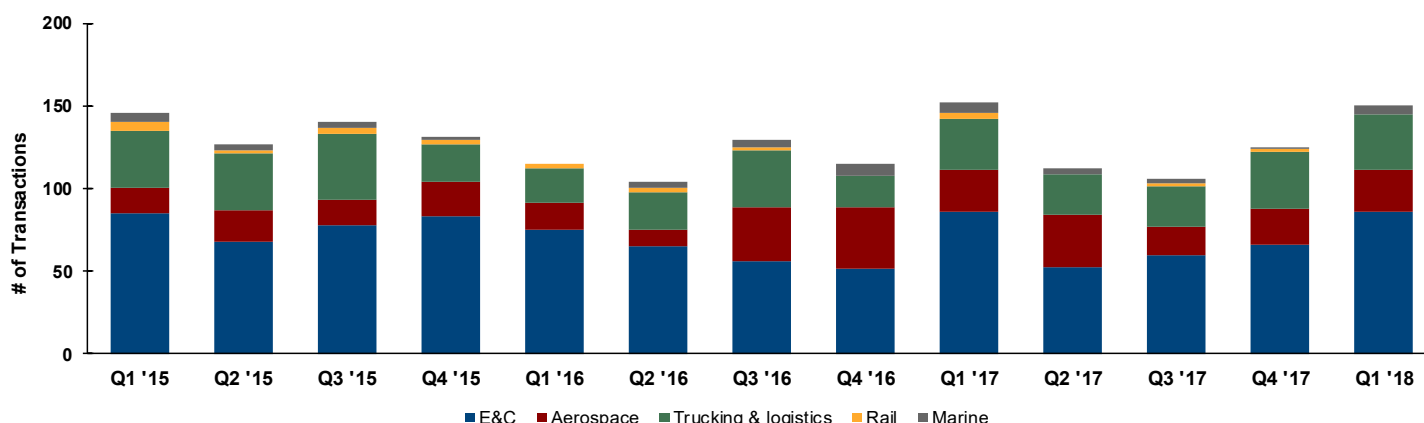
As presented on the following pages, valuations for public participants in the T&I sector reached a three-year high in Q4 2017, driven largely by tax reform and increased earnings across all

subsectors. Subsequently, public valuations decreased slightly in Q1 2018, reflecting trends seen elsewhere in public markets.

The T&I industry exhibited positive trends in the operational metrics monitored by EdgePoint in Q4 2017 and Q1 2018. Public works spending on infrastructure and high levels of residential construction have helped to drive total construction spending up by more than 6% in the past six months. At the same time, improvements in consumption and factory output have resulted in higher freight ton miles and truck tonnage in recent quarters. Furthermore, the aerospace industry achieved an all-time high of approximately 800 aircraft deliveries in Q4 2017, with the total global fleet exceeding 31,000 for the first time.

The chart below highlights M&A activity in the T&I industry, which increased in Q4 2017 and Q1 2018. A total of 275 deals closed in the industry over the past six months, up from approximately 250 from Q4 2016 to Q1 2017. In addition, M&A activity is currently at a three-year high on a last twelve month (LTM) basis, with around 500 deals in the LTM that ended March 31, 2018, as compared with 480 at the same point last year.

Transportation & Infrastructure M&A Transactions by Quarter

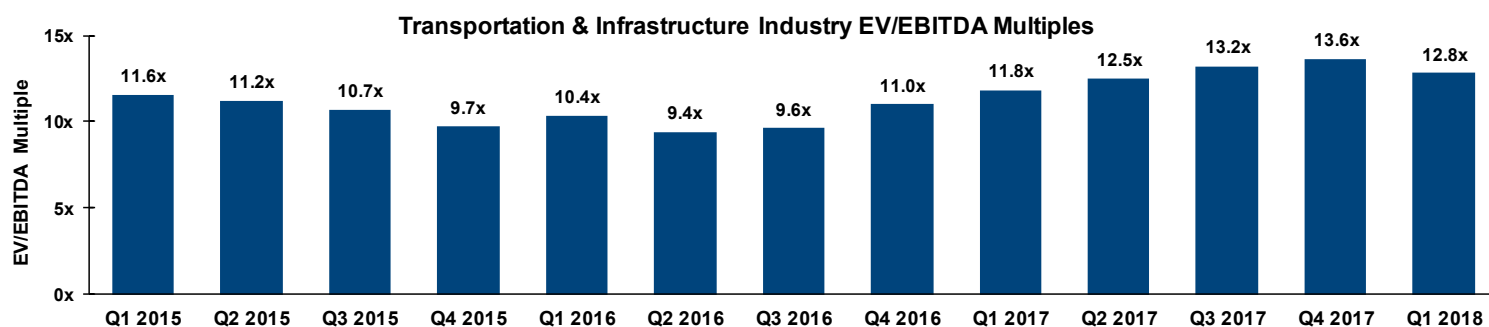


Source: EdgePoint Proprietary Database, Company Filings, CapIQ, News Releases

Q4 2017 & Q1 2018 Overview (continued)

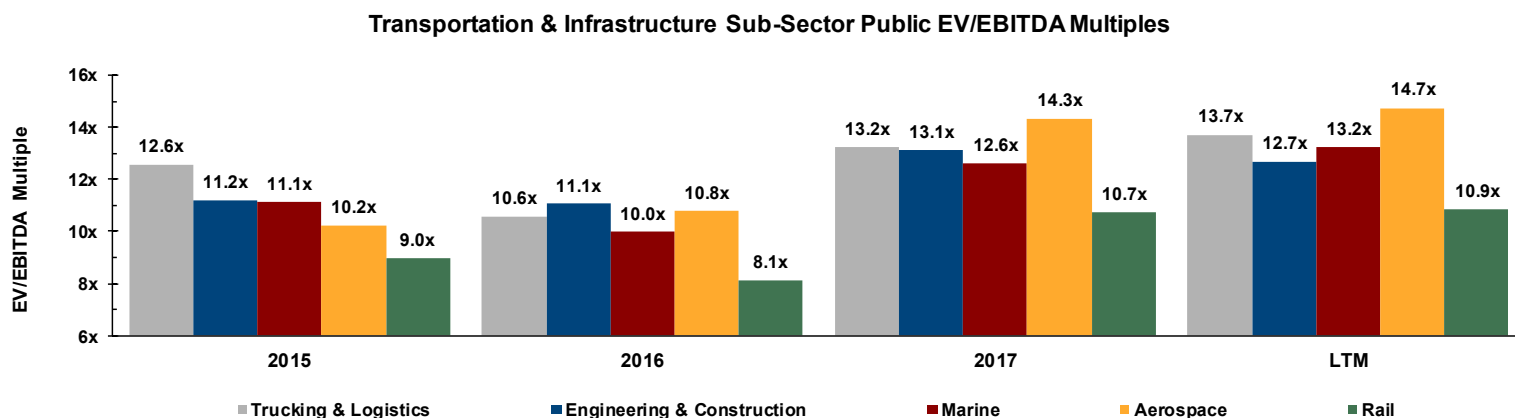
Valuation multiples for public registrants in all subsectors increased for six consecutive quarters before decreasing slightly in Q1 2018. This trend largely mirrors the broader stock market; thus the S&P 500 peaked in January 2018 and has since dropped by 8%. Similarly, the EV/EBITDA multiple for public companies in the T&I sector peaked at 13.8x on December 31, 2017, before decreasing some 6% over Q1 2018. This relationship between the valuations of the broader public markets and those observed in the T&I sector corroborates the multiples presented below, which are still trading at close to a three-year high.

Public Company Comparisons Trading Multiples



Source: CapIQ, public trading data as of November 23, 2017

When compared to prior years, valuation multiples increased uniformly across subsectors. Generally, the public companies in the T&I subsectors are trading at historical highs.



Source: CapIQ, public trading data as of November 23, 2017

While valuation multiples decreased slightly in Q1 2018, they remain at levels not seen since 2010 or even pre-2007. This situation is largely encouraged by a positive analyst outlook for the remainder of 2018 and into 2019. Improved fundamentals, the availability of financing, tax reform, pent-up demand for construction, high factory and merchandise inventory levels, and high earnings levels overall have contributed to a consensus growth expectation among analysts of approximately 3.5% (source: CapIQ). These valuations are further supported by the

favorable operating metrics discussed later in this newsletter as well as by analyst outlook. Dodge Data & Analytics and FMI predict that construction starts will increase by 3% in 2018 and 2019, led by residential and public structures. The *Engineering News-Record* suggests similar growth rates for all forms of the transportation industry (trucking, logistics, rail, and marine) driven by improvements in manufacturing, consumer spending, and international trade. Freight volumes are likewise expected to increase by approximately 3.5% annually through 2023.

North American Merger & Acquisition Activity

Engineering & Construction Industry

Following one of the largest transactions in E&C industry history last year—that between Jacobs Engineering Group and CH2M Hill Companies—M&A activity in the industry continued at a rapid pace over the past six months. In addition to a high volume of consolidations involving regional firms in Q4 2017 and Q1 2018, deal activity included a number of acquisitions by marquee private equity firms looking to capitalize on the strong trends in the industry. This trend is particularly noteworthy considering that the E&C sector has not historically been attractive to at least some financial buyers owing to its perceived cyclical-



OAKTREE



NAPEC

ity and project-based nature. In one example, Oaktree Capital Management acquired NAPEC, a provider of maintenance and construction services to the energy and public utility sector. Other notable activity in the E&C industry includes the streak of acquisitions completed by Installed Building Products (IBP), the fast-growing, Columbus-based building supplier and service company. Over the past six months, IBP purchased several targets to capitalize on the robust construction outlook.

Aerospace Industry

In the aerospace sector, M&A activity in Q4 2017 and Q1 2018 focused tightly on strategic acquisition of niche companies with proprietary technologies. Thus Boeing acquired Aurora Flight Sciences in order to accelerate its development of autonomous technology and robotics capabilities, and AMTEK completed its acquisition of FMH Aerospace, which will benefit its thermal management systems business with new proprietary and mission critical offerings. So also TransDigm, which offers a spectrum of engineered components and systems to the aerospace industry, has announced its acquisition of Extant Components Group for \$525 million, a move that is expected to add \$85 million in product revenue and suggests a very healthy valuation multiple. In addition to such strategic aerospace transactions over the past six months, financial buyers with aerospace platforms were also active. H.I.G., for instance, acquired Whitney, Bradley, and Brown, and Arlington Capital Partners acquired Cadence Aerospace. EdgePoint expects continued M&A momentum in the aerospace subsector as both strategic and financial acquirers compete for capabilities.



INSTALLED BUILDING PRODUCTS



Trucking & Logistics Industry

The T&L industry experienced similar levels of M&A activity in Q4 2017 and Q1 2018 compared with the same period a year ago, with approximately 60 transactions in each period. Consistent with recent consolidation trends, transaction activity in the T&L sector included a large number of strategic acquisitions as organizations sought to expand their capacities and geographic reach. Thus the global heavy-haul logistics provider Wallenius Wilhelmsen completed its acquisition from Platinum Equity of Keen Transport for a reported valuation multiple of 6.4x EBITDA, thereby securing a greater presence in the high and heavy hauling market in the U.S.



Knight Transportation, the largest truckload carrier in the U.S., has already made its first acquisition since completing its large combination with Swift Transportation last September, demonstrating its intent to continue to grow through acquisition. In March 2018, the firm purchased Abilene Motor Express to add 400 trucks and an estimated \$100 million in annual revenue, giving it around 2% of a highly fragmented market.

Rail Industry

A quiet six month period for the rail industry was rattled in April 2018 (after the date of scope for this Newsletter) when rumors started about the merger of Wabtec and GE Transportation Systems ("GETS"). Confirmed after the date of scope of this newsletter, the transaction values GETS at approximately 13.5x the FY 2017 EBITDA of GETS, 9.5x when taking into account tax benefits and synergies. While Wabtec was likely the only viable domestic strategic buyer of GETS, the combination of Wabtec and GETS does have some curious synergy questions. These questions, which were raised by Analysts during a conference call to announce the transaction, are related to the prospect of negative synergy with GE competitor EMD. While Wabtec downplayed the amount of business that it could lose with



EMD, the primary competitor to GE, it does seem possible that there is conflict with EMD that creates opportunities for alternative suppliers. However, Management is clearly more focused on and positive about the synergy opportunities, which include the prospect of leadership

in autonomous operation locomotives. Considering that the freight railroads have largely completed positive train control ("PTC"), the opportunity for this autonomous operation opportunity seems to exist more on the Transit side. EdgePoint will continue to monitor this transaction as it will undoubtedly have implications for the Rail industry.

North American Merger & Acquisition Activity (continued)

Marine Industry

M&A activity in the marine sector continued at a modest but steady pace in Q4 2017 and Q1 2018, with six transactions observed by EdgePoint. There have been numerous consolidations in recent years as customers continue to demand increased capacity and capabilities from their shipping partners. In March



2018, the Canadian cargo handler Logistec Corporation announced its acquisition of the Houston-based marine terminal operator Gulf Stream Marine for a reported valuation multiple of 8.0x.

Previously owned by the private equity firm CapStreet Group, Gulf Stream Marine will give Logistec a foothold in the rapidly growing U.S. Gulf region. Another example of industry consolidation occurred in February 2018, when Kirby Corporation signed an agreement to purchase Higman Marine in an effort to increase its fleet of tank barges and towboats so as to handle more petroleum and other commodity products.



Industry Q&A: Sam Orme | VP Corporate Development | Savage Services



Sam Orme

*VP Corporate Development
Savage Services*



- 16+ years experience in M&A and corporate development
- Instrumental in more than 20 M&A transactions with Savage Services since 2013
- Educational background includes MBA from Washington State University and BS in Finance and Economics from Univ. of Utah

In your opinion, what significant dynamics drive M&A decisions in the logistics industry?

Clearly, consolidation is the big theme in transportation right now. The big are getting bigger. You have to get on board and get bigger or you will be left behind. The days of finding a small niche and competing for a long time are getting harder and harder. Competition is aggressive and customers are demanding better safety, better insurance, bigger scale, and lower cost. That is giving the large and nimble an advantage. Savage constantly focuses on being large and nimble. As an example, our recently announced merger with Bartlett Grain is a clear example of taking two leading supply-chain logistics firms and adding scale and expertise across a larger footprint.

How do you generally evaluate the buy vs build decision?

We build whenever possible of course. That being said, M&A is a core part of our strategy. We have closed over 20 acquisitions in the last 6 years. While we grow organically as much as we can, we buy other companies when we need expertise and scale. Our dream at Savage is to follow our customers and develop strategic

assets (rail terminals, storage, and vessels) to enhance their growth. As an example, our acquisition of Settoon Towing from Plains All American last year was an opportunity where it made more sense to buy versus build. With the acquisition, we got the best marine team in the industry, the second newest fleet of barges in the industry, one of the newest boat fleets - all while not diluting the market by "building" into it.

Where do you see the greatest opportunities from an M&A perspective?

Because the market is very competitive for deals in the \$5M - \$20M EBITDA range, we see more opportunity in smaller transactions where we believe valuations are more reasonable. Another area in which we see more plentiful acquisition candidates is environmental services and trans-loading terminal. Savage invests significant time in direct relationship building with business owners that could be potential acquisition candidates or partners. While we have a large network of investment bankers that show us many good deal opportunities, we have found the most success when acquiring companies with whom we have established a direct and perhaps longer-term relationship. It is for that reason that we regularly contact business owners, CEOs, and peers to establish and maintain relationships that we hope will eventually turn into a formal partnership or acquisition opportunity.

What are the most important synergies you look to achieve in a Transaction?

We tend to discount the prospect of cost-saving synergies and instead underwrite deals based upon growth synergy opportunities. The best synergies in our view are those in which we add a "capability" via acquisition and we can leverage that new expertise and capability into our existing customer base. Customers love it when we can bring a broader solution set to them. The benefit for Savage is margin points tend to drop to the bottom line a bit easier. Everyone wins except the competition. That is the dream.

Recently Announced and Closed Transactions *(select transactions, not intended to be all-inclusive)*

Announced / Closed	Date	Target	Buyers / Investors	Price (MM USD)	EBITDA Multiple	Cross- Border	Target Business Sub-Sector
Closed	3/27/2018	AeroKool Aviation Corporation	Kelly Aerospace Inc.	ND	ND	-	Aerospace
Closed	3/22/2018	Universal Avionics Systems Corporation	Elbit Systems Ltd. (TASE:ESLT)	\$120	ND	YES	Aerospace
Closed	3/19/2018	Extant Components Group Holdings, Inc.	TransDigm Group Incorporated (NYSE:TDG)	\$525	ND	-	Aerospace
Closed	2/28/2018	Moeller Manufacturing & Supply, Inc.	Consolidated Aerospace Manufacturing, LLC	ND	ND	-	Aerospace
Closed	2/28/2018	United Technologies Corporation (NYSE:UTX)	Pershing Square Capital Management, L.P.	ND	ND	-	Aerospace
Closed	2/23/2018	SGT, Inc.	KBRwyle Technology Solutions, LLC	\$355	ND	-	Aerospace
Closed	2/1/2018	FMH Aerospace Corp.	AMETEK, Inc. (NYSE:AME)	\$235	ND	YES	Aerospace
Closed	1/31/2018	ECS Federal, Inc.	ASGN Incorporated (NYSE:ASGN)	\$775	ND	-	Aerospace
Closed	12/8/2017	Oxford Performance Materials Inc.	Hexcel Corporation (NYSE:HXL)	ND	ND	-	Aerospace
Closed	11/14/2017	Whitney, Bradley and Brown, Inc.	H.I.G. Capital, LLC	ND	ND	-	Aerospace
Closed	11/14/2017	Cadence Aerospace, LLC	Arlington Capital Partners LP	ND	ND	-	Aerospace
Closed	10/31/2017	HNZ Group Inc.	PHI, Inc.	\$189	13.8x	YES	Aerospace
Closed	10/5/2017	Aurora Flight Sciences	The Boeing Company (NYSE:BA)	ND	ND	-	Aerospace
Closed	3/21/2018	FM Sylvan, Inc.	Blue Point Capital Partners	ND	ND	YES	E&C
Closed	3/9/2018	Diamond B Constructors, Inc.	Harris Contracting Company	ND	ND	YES	E&C
Closed	3/7/2018	Steamboat Technical Services, LLC	Trihydro Corporation	ND	ND	-	E&C
Closed	2/28/2018	GGC Engineers, Inc.	CT Consultants, Inc.	ND	ND	-	E&C
Closed	2/1/2018	HMA Land Services Limited	Vertex Resource Group Ltd. (TSXV:VTX)	ND	ND	YES	E&C
Closed	1/29/2018	ADI Energy, LLC	Oaktree Capital Management, L.P.	ND	ND	-	E&C
Closed	1/23/2018	SENTEL Corporation	Vectrus, Inc. (NYSE:VEC)	\$36	ND	-	E&C
Closed	1/16/2018	Butsko Utility Design, Inc.	NV5 Global, Inc. (NasdaqCM:NVEE)	ND	ND	YES	E&C
Closed	1/12/2018	Katerra Inc.	Foxconn Venture Pte, Ltd.	\$30	ND	YES	E&C
Closed	1/5/2018	Moretrench American Corporation	Keller Group plc (LSE:KLR)	\$90	5.7x	YES	E&C
Closed	1/4/2018	Climate Pros, Inc.	Saw Mill Capital LLC	ND	ND	YES	E&C
Closed	12/26/2017	Skyscene, LLC	NV5 Global, Inc. (NasdaqCM:NVEE)	ND	ND	-	E&C
Closed	12/4/2017	NAPEC Inc.	Oaktree Capital Management, L.P.	\$259	10.0x	-	E&C
Closed	11/3/2017	Protective Coating Specialists, Inc.	Installed Building Products, Inc. (NYSE:IBP)	ND	ND	-	E&C
Closed	11/3/2017	Building Solutions, LLC	Installed Building Products, Inc. (NYSE:IBP)	ND	ND	-	E&C
Closed	10/30/2017	A+ Insulation, LLC	Installed Building Products, Inc. (NYSE:IBP)	ND	ND	-	E&C
Closed	10/5/2017	Heery International, Inc.	CBRE Group, Inc. (NYSE:CBRE)	\$55	ND	-	E&C
Closed	10/3/2017	Westinghouse Electric Company LLC	Toshiba Corporation (TSE:6502)	\$522	ND	YES	E&C
Closed	3/5/2018	Oceanstar, Inc.	Seldat Distribution Inc.	ND	ND	-	Marine
Closed	3/1/2018	Gulf Stream Marine, Inc.	Logistec Corporation (TSX:LGT.B)	\$66	8.0x	YES	Marine
Closed	3/1/2018	All Assets of Rand Logistics, Inc.	American Industrial Partners	ND	ND	-	Marine
Closed	2/4/2018	Higman Marine Services, Inc.	Kirby Corporation (NYSE:KEX)	\$419	ND	YES	Marine
Closed	10/9/2017	ITS Technologies & Logistics, LLC	AMP Capital Investors Limited	ND	ND	YES	Rail
Closed	10/2/2017	Magnus, LLC	A. Stucki Company	\$0	ND	-	Rail
Closed	3/16/2018	Abilene Motor Express, Inc.	Knight Transportation Inc.	ND	ND	-	Trucking & logistics
Closed	2/21/2018	WhiteWater Midstream LLC	WPX Energy, Inc. (NYSE:WPX)	ND	ND	-	Trucking & logistics
Closed	2/21/2018	AIRTRADES Freight Forwarders Inc.	Delmar International Inc.	ND	ND	-	Trucking & logistics
Closed	2/15/2018	Tidewater Logistics Corporation	Apollo Global Management, LLC (NYSE:APO)	ND	ND	-	Trucking & logistics
Closed	2/7/2018	Marshall Trucking Inc.	Mullen Trucking Corp.	ND	ND	YES	Trucking & logistics
Closed	2/2/2018	Fore Transportation, Inc.	Universal Logistics Holdings, Inc. (NasdaqGS:ULH)	ND	ND	-	Trucking & logistics
Closed	12/12/2017	New Acton Mobile Industries LLC	WillScot Corporation (NasdaqCM:WSC)	ND	ND	-	Trucking & logistics
Closed	12/7/2017	Keen Transport, Inc.	Wallenius Wilhelmsen Logistics ASA (OB:WWL)	ND	6.4x	YES	Trucking & logistics
Closed	11/1/2017	Indiana Transport, Inc.	Patrick Industries, Inc. (NasdaqGS:PATK)	ND	ND	YES	Trucking & logistics
Closed	10/3/2017	Parcel Inc.	Walmart Inc. (NYSE:WMT)	ND	ND	YES	Trucking & logistics

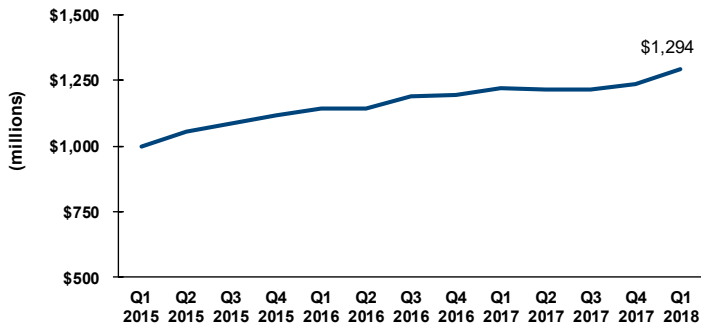
Sources: EdgePoint Proprietary Database, Company Filings, CapIQ, News Releases

Historical Industry Metrics

The operational metrics monitored by EdgePoint showed modest improvements over the past six months in a manner consistent with broader macroeconomic trends. Thus total construction spending increased by 6% in Q1 2018 compared with the same point last year, driven primarily by growth in public infrastructure, multi- and single-family residences, and commercial structures. *ENR* expects trends in public construction spending to become even more favorable over the remainder of 2018 owing to the \$21.2 billion infrastructure package recently enacted by the U.S. Congress, which will impact highways, airports, wastewater treatment, and drinking water systems. Over the past year, freight ton-miles continued to grow steadily at a rate of approximately 2% as demand for coal, frac sand, and chemicals increased. *Progressive Railroading* expects rail metrics to

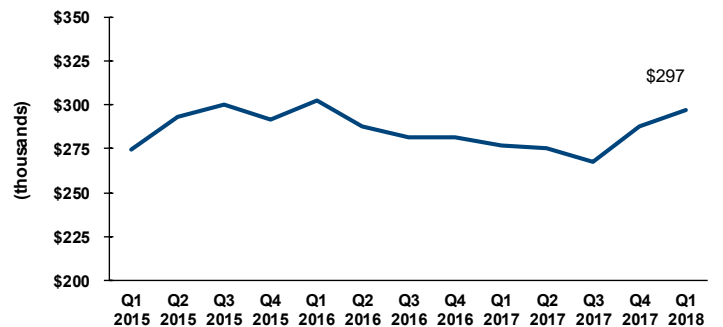
keep growing at the current growth rate, especially since tightening truck capacity is increasing demand for rail transportation. Nevertheless, U.S. truck and waterway tonnage showed mixed results over the last six months, having been impacted by inconsistent inventory levels among U.S. companies. Overall, these metrics improved somewhat YoY and are expected to continue to do so with growth in U.S. consumption and factory output. As already noted, aircraft deliveries reached an all-time high of some 800 in Q4 2017 as the world's commercial aircraft fleet reached 31,000 for the first time. According to the Center for Aviation, deliveries are expected to go on increasing for the rest of 2018 based on a growing backlog that is now equivalent to nearly 10 years of production.

Total Construction Spending



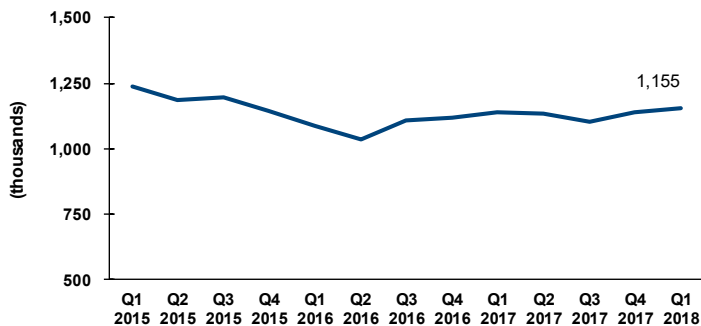
Source: St. Louis Federal Reserve

Public Construction Spending



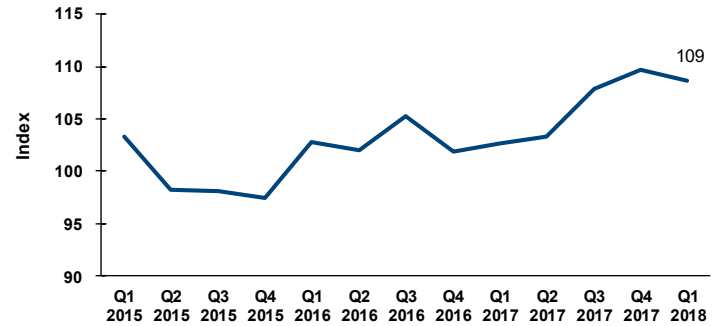
Source: St. Louis Federal Reserve

Freight Ton Miles



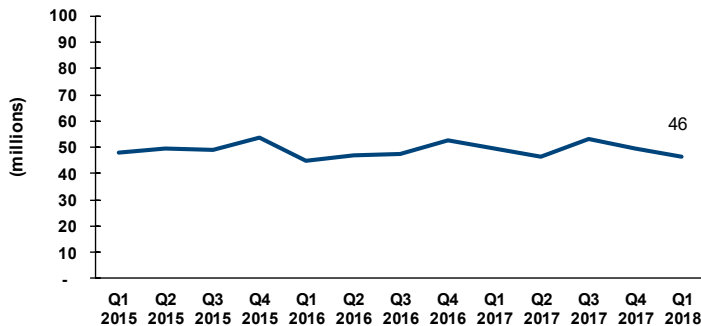
Source: St. Louis Federal Reserve

Truck Tonnage



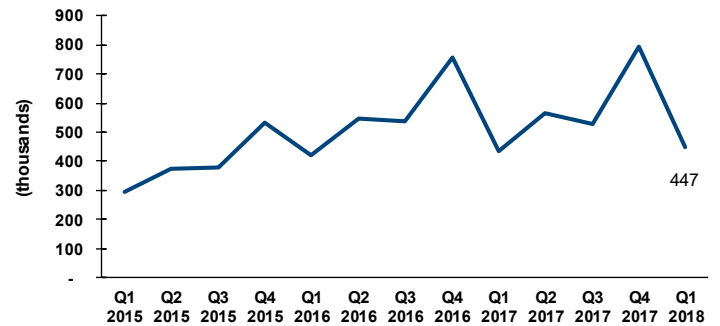
Source: St. Louis Federal Reserve

US Waterway Tonnage



Source: Bureau of Transportation Statistics

Aircraft Deliveries



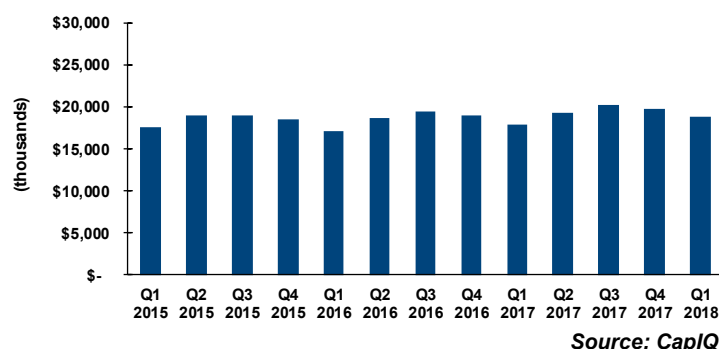
Source: General Aviation Manufacturers Association

Quarterly Revenue

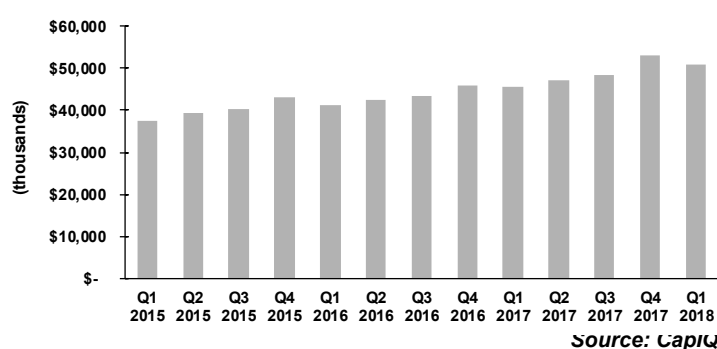
Revenue for the publicly traded participants in the T&I sectors in Q4 2017 and Q1 2018 showed marked improvement over the previous year, driven by the macroeconomic factors just noted. Thus the revenue increase in the engineering and construction subsector was 4.9%, driven by investment in both public infrastructure and private construction. Revenue in the T&L and marine sectors increased around 13.7% and 11.7%, respectively,

over Q4 2016 and Q1 2017, as overall U.S. factory output and imports increased. The publicly traded participants in the aerospace subsector reported a revenue increase of 6.0% over the same period last year as total aircraft deliveries reached an all-time high in Q4 2017. Rail revenue also continued to increase steadily over the past six months, at a rate of 3.5%, as a result of a slight increase in commodity shipments.

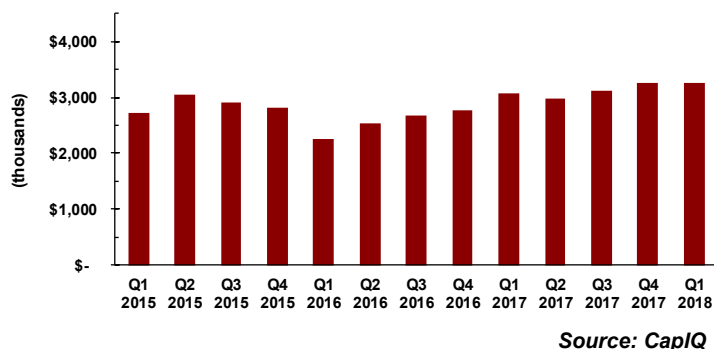
E&C Quarterly Revenue



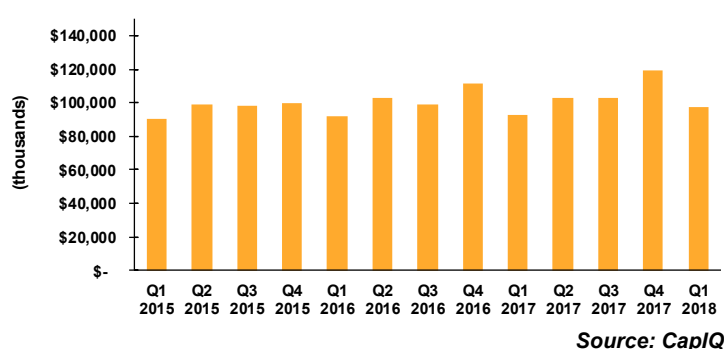
T&L Quarterly Revenue



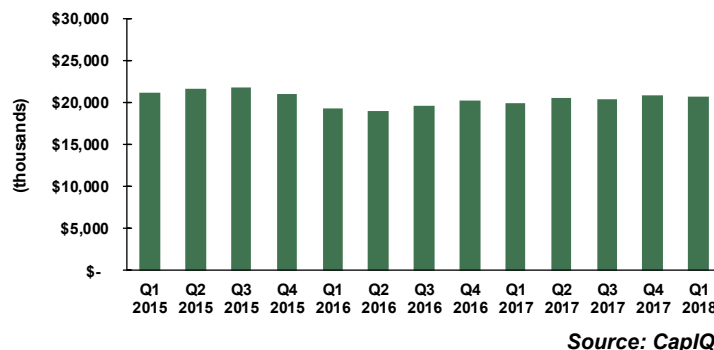
Marine Quarterly Revenue



Aerospace Quarterly Revenue



Rail Quarterly Revenue



About EdgePoint

EdgePoint is a leading investment bank and advisory firm specializing in middle market merger, acquisition, divestiture, and corporate financing services for private business owners and corporations. EdgePoint is a registered broker dealer and member of FINRA and SIPC. With professional backgrounds in the country's largest investment banks, commercial banks, corporate development departments, and financial advisory firms, EdgePoint professionals offer sophisticated transactional services to the middle market. EdgePoint is a member firm of the Alliance of International Corporate Advisors ("AICA"), an integrated global network of middle-market advisory and finance firms. With 200 professionals in 59 offices throughout the Americas, Europe, and Asia, EdgePoint offers its clients global perspective and capital market access.



To learn more about EdgePoint and our Transportation & Infrastructure services, or to discuss the content of this newsletter, please contact:

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Representative EdgePoint Transportation & Infrastructure Transactions

RAILPROS
RAILPROS
FIELD SERVICES

has been acquired by

B & W RIVER
CAPITAL PARTNERS

EdgePoint served as exclusive financial advisor to RailPros

"Results with Integrity"

EDGEPOINT

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BP Express
Inc.

has been recapitalized by

LC
Laud Collier Capital LLC

EdgePoint served as exclusive financial advisor to BP Express, Inc.

"Results with Integrity"

EDGEPOINT

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AMERICAN TURBOCHARGER TECHNOLOGIES

has been acquired by

A. STUCKI
CORPORATION

a portfolio company of
STONE CANYON INDUSTRIES

EdgePoint served as exclusive financial advisor to American Turbocharger Technologies

"Results with Integrity"

EDGEPOINT

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ATP

has been recapitalized by

Wabtec
CORPORATION

EdgePoint served as exclusive financial advisor to ATP

"Results with Integrity"

EDGEPOINT

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SCI STANDARD COMPONENTS, INC.
DESIGNERS & BUILDERS OF WORLD CLASS TOOLING

has been acquired by

summit equity
group, llc

EdgePoint served as exclusive financial advisor to Standard Components, Inc.

"Results with Integrity"

EDGEPOINT

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LOUIS PERRY & ASSOCIATES, INC.

has been acquired by

CDM Smith

EdgePoint served as exclusive financial advisor to The Louis Perry Group

"Results with Integrity"

EDGEPOINT

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General Electric

Sold its transit rail parts business to

Wabtec
CORPORATION

EdgePoint served as exclusive financial advisor to General Electric Company

"Results with Integrity"

EDGEPOINT

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WACO
SCAFFOLDING & EQUIPMENT

Sold its transit rail parts business to

Longroad
Asset Management

EdgePoint served as exclusive financial advisor to Waco

"Results with Integrity"

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M&A
Advisory
RESULTS with
INTEGRITY™