

Overview

Global Third-Party Logistics (“3PL”) transaction activity decreased from 44 deals in Q3 2016 to 32 deals in Q4 2016, a slight reversal of the quarter-over-quarter growth seen during the first half of 2016. This type of sequential Q4 slowdowns in 3PL transaction activity is not uncommon as both sellers and acquirers have historically shifted focus, or at least made them a lower priority, in order to dedicate internal resources to maintaining service levels during the holiday shipping season (Q3 to Q4 declines from 2014 through 2016 depicted in the graph below).

Despite the lull in transaction activity during Q4 2016, the 3PL category of the Transportation & Logistics industry continues to be one of the most attractive areas of investment for both strategic and financial investors. Valued at approximately \$500 billion globally (source: IBIS World), and representing only approximately 10% of total global transportation spend, EdgePoint believes the 3PL segment will grow two to three times faster than GDP through 2025.

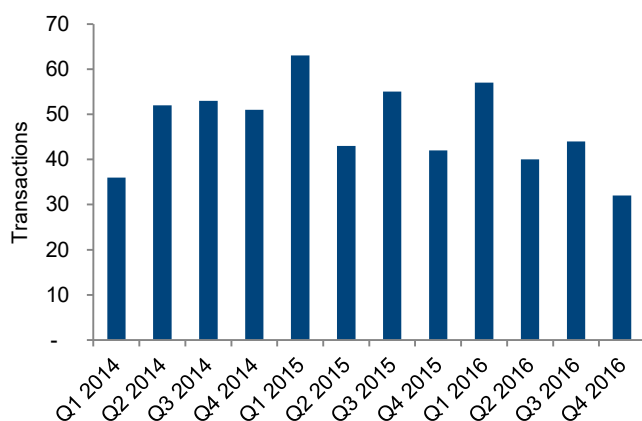
Growth in 3PL activity has been driven primarily by strategic acquirers and their desire to win a larger share of customers’ (shippers) annual transportation spend. This strategy has

largely been achieved by adding new incremental multi-modal solutions to offer a more comprehensive solution, entering new end markets, and expanding to new geographies through the acquisition of established, niche service providers.

In addition to expanding multi-modal service portfolios, strategic acquirers have been actively pursuing acquisitions in response to the increasing demands from the rapidly expanding e-commerce business volume. As e-commerce has created new opportunities and logistics challenges, strategic acquirers have aggressively pursued companies that specialize in localized fulfillment, enhanced online consumer experiences, and same-day delivery. Given the rapid growth and fragmentation of e-commerce 3PLs, this sub-sector of the 3PL industry is an attractive area of focus for financial acquirers as well.

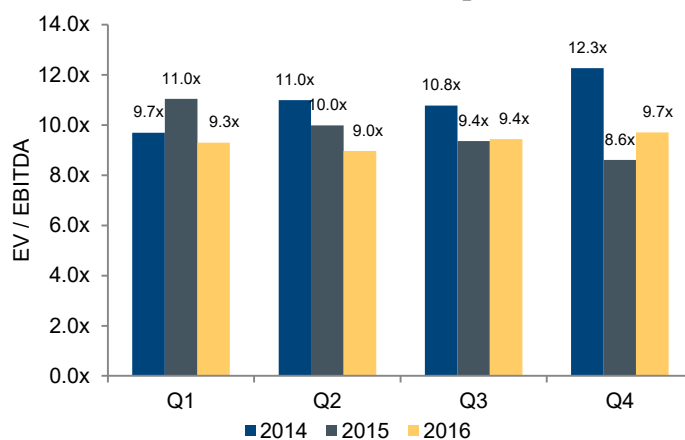
3PL deal volume was driven by activity in the Asian region (53% of total Q4 deal volume), followed by the UK / Eurozone and North American regions (23% and 20% of total Q4 transaction volume, respectively). Intra-region transactions (transactions between a seller and buyer domiciled in the same region) accounted for 65% of Q4 2016 deal activity, up from 60% in 2015, as strategic acquirers looked to increase domestic wallet spend.

Transactions by Quarter



Source: CapIQ

Valuation Metrics by Quarter



Source: CapIQ

Reported M&A Activity

Transactions consummated by strategic acquirers accounted for 52% of Q4 2016 deal volume, a decrease from 72% during Q4 2015. This decrease is attributable to the large number of “mega-deals” that occurred during late 2015 and early 2016, and a number of strategic acquirers devoting resources to the integration of new targets as opposed to additional acquisitions.

Notable transactions include the \$1.4 billion acquisition of GENCO Distribution Systems by FedEx (January 2015), the \$1.8 billion acquisition of Coyote Logistics, LLC by UPS (August 2015), and the \$3.5 billion acquisition of Con-Way, Inc. by XPO Logistics (October 2015).

Moving into 2017, the backdrop for transaction activity in the

3PL industry continues to be favorable for owners of 3PL business contemplating a transaction. As strategic buyers remain focused on acquisitions as a primary tool to expand multi-modal service offerings, and financial buyers remain attracted to the industry due to the growth and fragmentation of e-commerce 3PLs, Third Party Logistic companies are likely to continue trading at multiples at or above current levels.

EdgePoint expects M&A activity in the 3PL sector to accelerate during coming quarters the as holiday shipping season comes to an end and previously active strategic acquirers transition their internal focus from the integration of recent acquisitions to accelerating growth through new acquisitions.

Noteworthy Third-Party Logistics Transactions | Q4 2016

M&A Closed Date	Target/Issuer	Buyers/Investors	Price (\$USDmm)	Target Description	Target Country
10/17/2016	R² Freight & Logistics, Inc.	-	ND	Provides a comprehensive mix of supply chain logistics services	United States
10/27/2016	Diamond Transportation Services, Inc.	National Express Group PLC (LSE:NEX)	ND	Provides paratransit and shuttle services to the Greater Washington, DC area	United States
10/27/2016	Xpo Logistics, Inc./Truckload Business	TransForce, Inc.	ND	Provides transportation and logistics services	United States
10/31/2016	Trademark Global, Inc.	Bertram Capital Management LLC	ND	Provides shipping and warehousing services	United States
11/28/2016	Lakeside Logistics Inc	Transplace Inc.	ND	Provides logistics services and transportation management	Canada
12/8/2016	Best Courier and Delivery Services and JS Logistics, Inc.	USPack Logistics Corp.	ND	Provides product, storage and on-demand rush delivery services	United States
12/19/2016	TTS, LLC	Sunteck Transport Group, Inc.	ND	Provides multimodal, agent-based freight management services	United States
12/19/2016	CTSI-Global	Blue-Grace Logistics LLC	ND	Provides supply chain management solutions	United States
12/21/2016	Marken Limited	United Parcel Service, Inc. (NYSE:UPS)	ND	Provides transportation services for clinical trial materials and medicine	United Kingdom
12/29/2016	National Fast Freight Inc.	TFI International Inc. (TSX:TFII)	ND	Offers less-than-truckload shipping services throughout Canada	Canada
12/30/2016	RPM Transportation Consultants, LLC	KCI Technologies Inc.	ND	Provides transportation and logistics services	United States

Source: CapIQ

Representative EdgePoint Transactions

Sell-Side Advisory



Style Crest Logistics, Inc.
has sold to
Peoples Services, Inc.

Sell-Side Advisory




Central Warehouse
has sold to
Peoples Services, Inc.

Sell-Side Advisory



Laser Xpedited
Transportation
has sold to
A Private Investment Firm

Sell-Side Advisory



Cavallo Bus Lines, Inc.
has recapitalized with
Bennett Capital Partners



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M&A
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INTEGRITY™