



Q2 & Q3 2018 Overview

Over the past six months, merger and acquisition activity in the Transportation and Infrastructure (“T&I”) industry was characterized by a greater transaction volume than in any six-month period since 2013 and historically high valuations, as evidenced by the EV/EBITDA multiples of publicly traded companies in these subsectors. In the backdrop of this transaction activity are record levels of earnings for industry participants, high levels of cash, and immense pressure to put cash to work or distribute to shareholders / investors. These dynamics are typically the optimal recipe for formidable transaction activity.

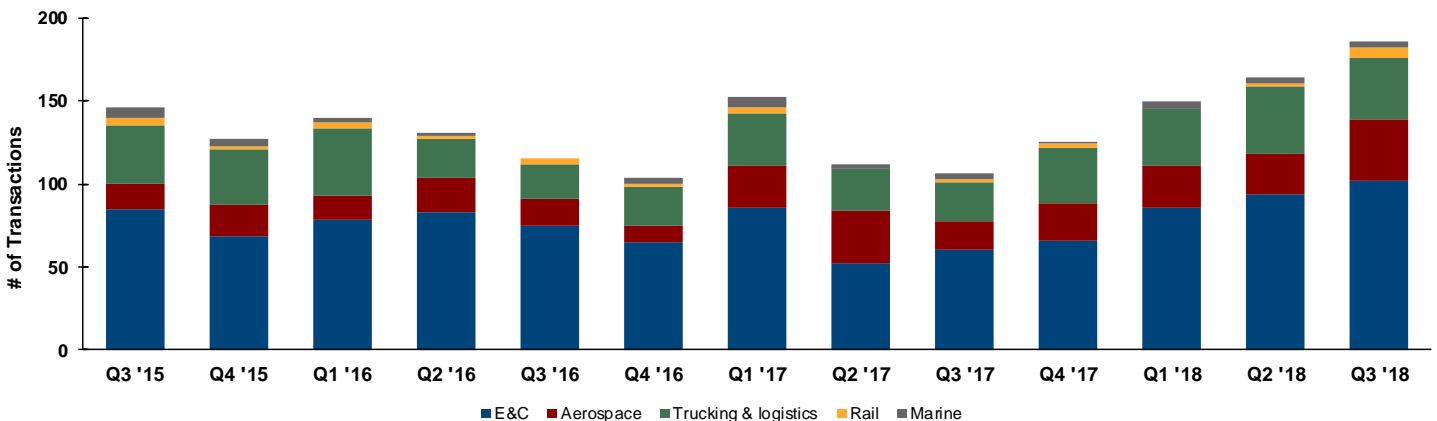
Transaction activity over the past six months in the T&I industry included both a high volume of strategic combinations as well as investment by financial investors with a positive outlook on the sector. EdgePoint observes general consolidation in all subsectors of the T&I industry. A number of transactions in the past six month period featured a motivation for product and service line expansion in an effort to grow via cross-selling opportunities. Private equity investment in the sector was across all subsectors, but interestingly included more transactions in the Trucking & Logistics and Engineering & Construction subsec-

tors than EdgePoint has witnessed in past quarters. This is notable as those subsectors are typically lower priority to financial investors—so the trend suggests that favorable macroeconomic factors are beginning to outweigh historical concerns about cyclical in those subsectors.

Valuation multiples for public participants in the T&I sector remain near a three-year high in Q3 2018, driven largely by positive outlook across the sector. Positive trends in the operational metrics monitored by EdgePoint in Q2 and Q3 2018 have been the support for both high valuation and increased transaction activity.

As illustrated in the chart below, M&A activity in the T&I industry increased in Q2 and Q3 2018. A total of 350 T&I transactions closed over the past six months, up from approximately 218 from Q2 to Q3 2017. In addition, M&A activity is currently at a three-year high on a last twelve month (LTM) basis, with approximately 625 deals in the LTM that ended September 30, 2018 (compared with 475 at the same point last year).

Transportation & Infrastructure M&A Transactions by Quarter

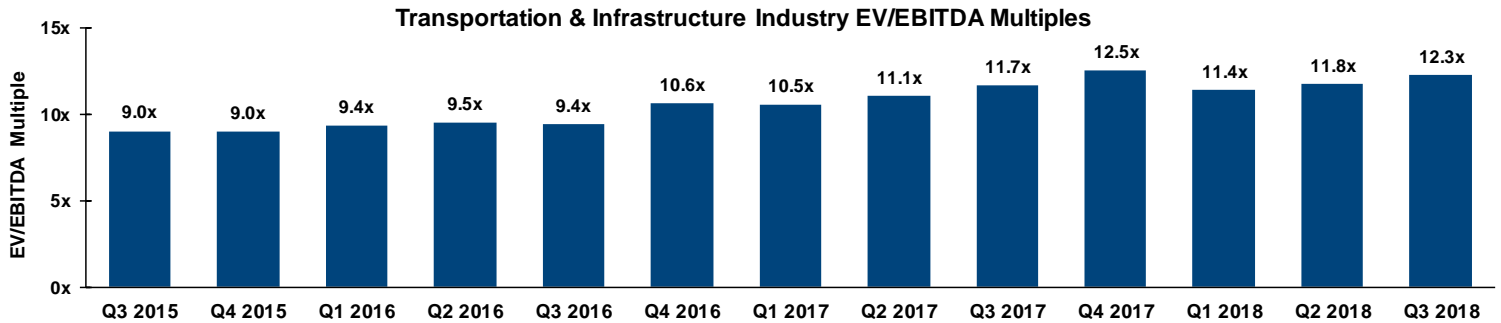


Source: EdgePoint Proprietary Database, Company Filings, CapIQ, News Releases

Q2 & Q3 2018 Overview (continued)

Valuation multiples for public registrants in all subsectors increased for two consecutive quarters following the pullback in Q1 2018. The EV/EBITDA multiple for public companies in the T&I sector reached 12.3x at September 30, 2018, near the previous peak of 12.5x on December 31, 2017. While the trends in the T&I industry generally mirror the broader stock market, it is interesting to note that the T&I industry valuation multiples were higher in September 2018 than the previous two quarters, mirroring the overall movement of the S&P 500. The relationship between the T&I sector and the broader public markets validate the multiples presented below, which are still trading near a three-year high.

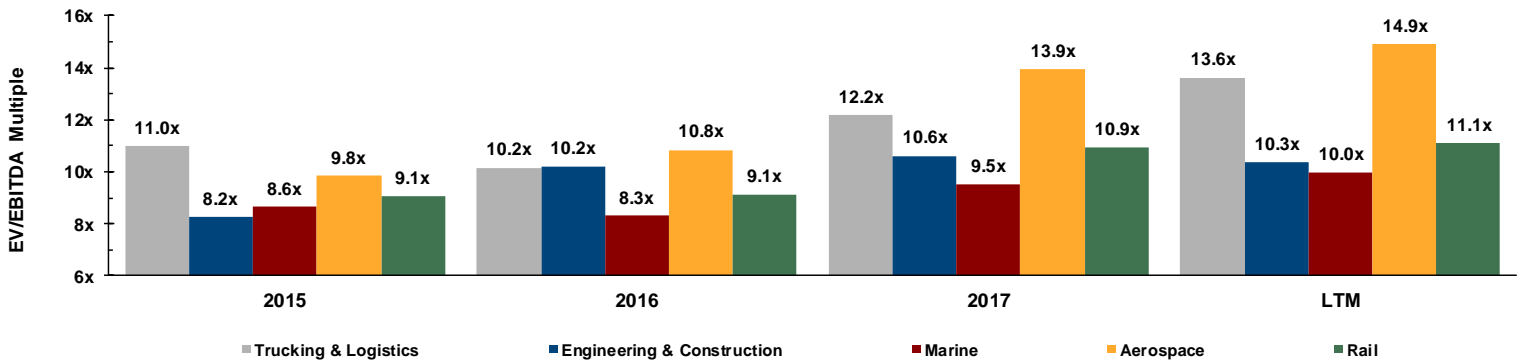
Public Company Comparisons Trading Multiples



Source: CapIQ, public trading data as of November 8, 2018

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

Transportation & Infrastructure Sub-Sector Public EV/EBITDA Multiples



Source: CapIQ, public trading data as of November 8, 2018

Valuation multiples increased through Q3 2018, and remain at levels not seen since 2010 or even pre-2007. Renewed optimism for an infrastructure plan, improved fundamentals, the availability of financing, pent-up demand for construction, high factory and merchandise inventory levels, and overall high earnings levels have contributed to 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. FMI predicts that construction put in place will increase by 6% in 2019, led by strong growth in both private and public nonresidential spending. 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. As a result, the American Trucking Association predicts freight volumes to increase by approximately 2.8% annually through 2029.

North American Merger & Acquisition Activity

Engineering & Construction Industry

M&A activity in the E&C industry continued at a rapid pace over the past six months. Favorable macro-economic conditions for construction, including ten years of under-supply, have created an opportunity for investors or strategic buyers to get ahead of the pent-up demand. In the past six months, Installed Building Products appeared to sense this opportunity as it continued its acquisition streak from Q2 and Q3 2018. In the past twelve months, IBP has completed 12 transactions of installation service providers, expanding its end markets and strengthening its relationship with builders in the process. Private equity firms completed 16 transactions in the E&C subsector in the past six months, up from 11 during the previous six month period. These transactions included companies that might have otherwise been viewed as cyclical, including infrastructure services provider PowerTeam Services, which was acquired by Clayton, Dubilier & Rice, as well as the engineering and survey firm ESP Associates, which, was acquired by Strength Capital. Significant deal activity from financial buyers suggests that the macroeconomic outlook for infrastructure and construction outweighs the historical concerns about cyclical activity with these investors.



Aerospace Industry

M&A activity in the Aerospace industry over the past six months consisted of some strategic plays that provide insight into the direction of the industry. Boeing made some of the most interesting acquisitions in Q2 and Q3, acquiring assets that put it in the national security sector and expanded its aerospace components distribution business. In August 2018, Boeing acquired Millennium Space Systems, which provides technology for military satellites. This investment decision is consistent with the strategy, announced in 2017, to expand the Company's defense and space unit to reduce cyclical activity and grow its global market share of aerospace services.



In an effort to grow its distribution and supply chain services segment (through its subsidiary Aviall), Boeing also acquired the Aerospace Solutions Group from aerospace parts distributor KLX Inc. for nearly \$4.5 billion. The reported purchase price represented a 15.0x multiple of EBITDA. However, when adjusted for expected cost savings of \$70 million, the synergy-adjusted multiple is 12.0x. Mirroring that interest in the aftermarket, TransDigm announced in October (after the date of scope for this Newsletter) that it plans to acquire parts supplier Esterline



Technologies Corporation for \$4.4 billion, a move that further expands TransDigm's presence in the aftermarket segment. In addition to such strategic aerospace transactions over the past six months, financial buyers with aerospace platforms were also active. For instance, American Industrial Partners acquired L3 Technologies' supply chain management business, Vertex Aerospace, for \$540 million.

Trucking & Logistics Industry

M&A activity in the T&L subsector increased approximately 20% to 60 transactions in Q2 and Q3 2018, driven largely by the need for capabilities and resources to accommodate record e-commerce activity and fierce competition for drivers. Ryder System strengthened its e-commerce fulfillment capabilities through the acquisition of MXD Group. With the acquisition, Ryder adds 109 e-commerce facilities boosting its coverage to 95% of the U.S. and Canada. Covenant Transportation also added 430 tractors and 900 trailers through its 7.9x EBITDA acquisition of Landair Transport, bolstering its managed freight service offering. A sector for which private equity interest is typically inconsistent, financial investors made several acquisitions in asset-light logistics companies during Q2 and Q3 of 2018. Most notably, York Capital Management acquired Mode Transportation, a non-asset based, third-party logistics provider, from Hub Group for approximately 10.0x EBITDA in a transaction valued at \$239 million. In addition Audax made two acquisitions during the period, including MNX Global Logistics a third-party logistics provider and Van Pool Transportation LLC, a provider of specialized outsourced school transportation.



Rail Industry

M&A activity in the Rail subsector intensified to the highest levels since 2013. The activity was largely focused on short-line railroads, with several operators taking advantage of strong earnings and transport activity to test the market, as well as the strategy of CSX to shed approximately 8,000 miles of non-core track. Watco picked up the Decatur and Eastern Illinois Railroad from CSX, increasing its network to 39 railroads and over 5,100 miles of track. OmniTrax also expanded its short-line portfolio during the latest six months with its acquisitions of the Alabama & Tennessee River Railway and Fulton County Railway from CSX. In addition to the freight short-line railroads acquired during the most recent period, Royal Hyway Tours, a subsidiary of Carnival Corporation, acquired the White Pass & Yukon Rail Route from TWC Enterprises Limited.



North American Merger & Acquisition Activity (continued)

Rail Industry (Continued)

The \$290 million acquisition expands Carnival’s Alaskan cruise excursions through the 68 mile scenic railway connecting the cruise ship port of Skagway to Lake Bennett in the Yukon.

EdgePoint anticipates acquisitions in the short-line space to build off recent momentum as CSX continues to review more than 8,000 miles of track as it looks to divest underperforming segments.

Marine Industry

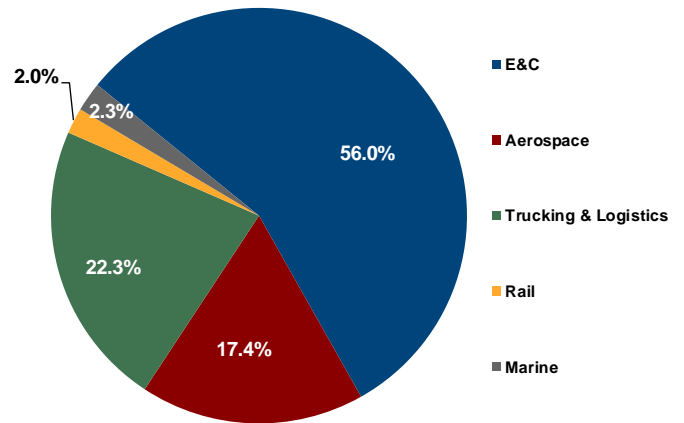
M&A activity in the marine sector continued at a modest but steady pace in Q2 and Q3 2018, with eight transactions observed by EdgePoint. Consistent with other sectors, there have been numerous consolidations in recent years as customers continue to demand increased capacity and capabilities from

their shipping partners. In May 2018, the nation’s largest operator of tank barges, Houston-based Kirby Corporation announced its acquisition of the inland marine tank barge business from Targa Resources, a leading provider of midstream services in North America, for \$69.3 million. As a result of the transaction, Kirby will be positioned to meet customer demand for movement of pressurized cargo along the Gulf Coast with the addition of 16 pressure barges to its existing fleet while expanding capacity by approximately 260,000 barrels.



Key Metrics

Like prior quarters, the majority of transaction activity in the T&I industry during Q2 and Q3 2018 occurred in three primary subsectors: Engineering & Construction (56.0%), Aerospace (17.4%), and Trucking & Logistics (22.3%). Together, these subsectors accounted for nearly 96% of all announced and completed transactions in the T&I industry during the period. The majority of transactions by subsector remains weighted towards the E&C industry due to the predominance of consolidation among regional contractors. Deal activity increased during Q2 and Q3 in all other subsectors with total volume reaching three year highs. Based on the improving EV/EBITDA multiples for the public participants in the industry, EdgePoint expects this dynamic to continue into 2019.



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

Election Impact

There is renewed expectation that lawmakers may reach an agreement on an infrastructure bill following the 2018 interim election, and both President Trump and House Democrats have expressed optimism regarding a deal in 2019. Rep. Peter DeFazio, the expected Transportation and Infrastructure Committee Chair, voiced his desire to push through a \$500 billion package for surface transportation during the first six months of 2019. President Trump, who has made his affinity for infrastructure projects known since he took office, renewed his stance on the topic and stated that he was optimistic that Democrats would bring a plan for infrastructure that both parties could agree upon. In addition, the State of California renewed its commitment to infrastructure investment this November, with voters re-

jecting an attempt to repeal the Gas Tax initiative that would fund an estimated \$1 trillion of roadway and infrastructure investment in the state.

T&I firms are positioned to reap the rewards of rejuvenated optimism regarding an infrastructure plan. Engineering and Construction firms are best positioned to benefit from the increase in government spending. However, Trucking & Logistics, Aerospace, Rail, and Marine companies should all expect increased profits as the proposed improvements, to roads, bridges, dams, airports, ports, and waterways will lead to improved efficiency and reduced repair and maintenance.

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
Announced	9/25/2018	Ascent Aerosystems LLC	Universal mCloud Corp.	\$7	ND	YES	Aerospace
Announced	9/13/2018	MRA Systems, LLC	Vision Technologies Aerospace Incorporated	\$630	10.0x	-	Aerospace
Announced	9/10/2018	Engility Holdings, Inc. (NYSE:EGL)	Science Applications International Corporation	\$2,490	13.7x	-	Aerospace
Announced	9/6/2018	Business Unit of Rockwell Collins, Inc.	Safran SA	ND	ND	YES	Aerospace
Closed	8/16/2018	Millennium Space Systems, Inc.	The Boeing Company	ND	ND	-	Aerospace
Closed	7/13/2018	SKANDIA, Inc.	TransDigm Group Incorporated	\$84	ND	-	Aerospace
Closed	7/2/2018	Applied Defense Solutions, Inc.	L3 Technologies, Inc.	\$50	ND	-	Aerospace
Closed	5/1/2018	KLX Inc.	Aviall Inc.	\$4,483	15.0x	-	Aerospace
Closed	5/1/2018	Vertex Aerospace LLC	American Industrial Partners	\$540	ND	-	Aerospace
Closed	4/19/2018	Cubic Global Defense Inc & Omega Training Group Inc	Valiant Integrated Services LLC	\$138	NM	-	Aerospace
Closed	4/4/2018	American Cooler Service, Inc.	Aviation Technical Services, Inc.	ND	ND	-	Aerospace
Announced	9/19/2018	Dunbar Mechanical, Inc.	Limbach Holdings, Inc.	\$20	ND	-	E&C
Closed	9/17/2018	Water-Tite Solution, Inc.	Installed Building Products, Inc.	ND	ND	-	E&C
Closed	9/6/2018	Chelsea Group Limited	Ameresco, Inc.	ND	ND	-	E&C
Closed	9/4/2018	Trademark Roofing and Gutter Co., Inc.	Installed Building Products, Inc.	ND	ND	-	E&C
Announced	8/28/2018	True Grit Engineering Limited	Stantec Inc.	ND	ND	-	E&C
Closed	8/22/2018	PowerTeam Services, LLC	Clayton, Dubilier & Rice, Inc.	ND	ND	-	E&C
Closed	8/13/2018	Cutting Edge Glass, Inc.	Installed Building Products, Inc.	ND	ND	-	E&C
Announced	7/30/2018	Berger Group Holdings, Inc.	WSP Global Inc.	\$400	8.9x	YES	E&C
Closed	7/3/2018	Konematic Inc.	ASSA ABLOY AB (publ)	ND	ND	YES	E&C
Closed	6/25/2018	Peak Utility Services Group	ORIX Capital Partners, LLC	ND	ND	-	E&C
Closed	6/19/2018	Green Star Plus, LLC	Installed Building Products, Inc.	ND	ND	-	E&C
Closed	4/26/2018	Cegertec Experts Conseils Inc.	Stantec Inc.	ND	ND	-	E&C
Closed	4/10/2018	ESP Associates, Inc.	Strength Capital	\$46	ND	-	E&C
Closed	4/10/2018	CHA Consulting, Inc.	First Reserve Corporation	ND	ND	-	E&C
Closed	4/9/2018	Project Management LLC	Ashford Holding Corp.	\$203	12.1x	-	E&C
Closed	9/10/2018	Bay Pointe Marina Corporation	MarineMax, Inc.	ND	ND	-	Marine
Announced	5/3/2018	Inland Marine Tank Barge Business	Kirby Corporation	\$69	ND	-	Marine
Closed	4/5/2018	Universal Maritime Inc.	Ship Supply Of Florida, Inc.	ND	ND	-	Marine
Closed	9/28/2018	San Pedro Valley Railroad, LLC	Ironhorse Resources, Inc.	ND	ND	-	Rail
Closed	8/23/2018	U S Rail Holdings LLC	United Rail, Inc.	\$5	ND	-	Rail
Announced	8/17/2018	Tahawus Rail Line	OmniTRAX, Inc.	ND	ND	-	Rail
Closed	8/7/2018	Grenada Railroad, LLC	International Rail Partners LLC	ND	ND	-	Rail
Closed	7/10/2018	Alabama & Tennessee River & Fulton County Railways	OmniTRAX, Inc.	ND	ND	-	Rail
Announced	7/9/2018	Decatur and Eastern Illinois Railroad	Watco Companies, LLC	ND	ND	-	Rail
Closed	6/6/2018	White Pass & Yukon Route Railway	Royal Hwy Tours Inc.	\$290	ND	-	Rail
Closed	9/3/2018	Dicom Transportation Group Canada Inc.	General Logistics Systems B.V.	\$360	ND	YES	Trucking & logistics
Closed	8/31/2018	Mark VII, Inc.	York Capital Management	\$239	10.0x	-	Trucking & logistics
Closed	8/8/2018	Capstan Hauling Ltd.	ENTREC Corporation	\$14	ND	-	Trucking & logistics
Closed	7/27/2018	Timeline Logistic International LTD	TFI International Inc.	ND	ND	-	Trucking & logistics
Closed	7/27/2018	Brasseur Transport Inc.	TFI International Inc.	ND	ND	-	Trucking & logistics
Closed	7/25/2018	Freight Management Plus, Inc.	Echo Global Logistics, Inc.	ND	ND	-	Trucking & logistics
Closed	7/10/2018	MXN Global Logistics	Audax Group, Inc.	ND	ND	-	Trucking & logistics
Closed	7/5/2018	Landair Holdings, Inc.	Covenant Transportation Group, Inc.	\$107	7.9x	-	Trucking & logistics
Closed	7/5/2018	Van Pool Transportation LLC	Audax Group, Inc.	ND	ND	-	Trucking & logistics
Closed	6/18/2018	Metro Truck & Tractor Leasing, Inc.	Ryder System, Inc.	ND	ND	-	Trucking & logistics
Closed	6/7/2018	DSC Logistics, Inc.	CJ Logistics USA Corporation	\$216	ND	-	Trucking & logistics
Closed	5/28/2018	SaaS Transportation, Inc.	Wisetech Global Limited	\$4	7.6x	YES	Trucking & logistics
Closed	4/3/2018	MXD Group, Inc.	Ryder System, Inc.	\$120	ND	-	Trucking & logistics

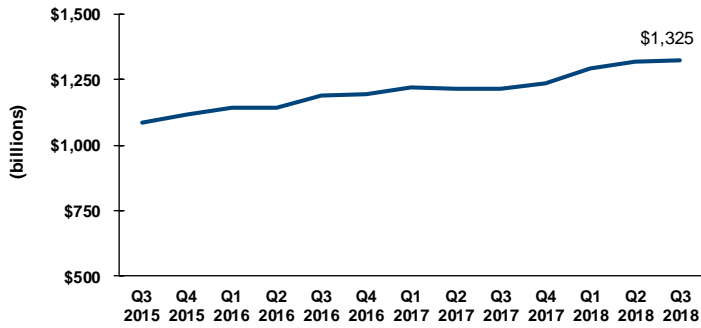
Sources: EdgePoint Proprietary Database, Company Filings, CapIQ, News Releases

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 9% in Q3 2018 compared with the same point last year, driven primarily by growth in public infrastructure, multi- and single-family residences, and commercial structures. As noted previously, the appetite for public construction spending will grow following the most recent election cycle. There remains strong demand for improvements to infrastructure including highways, airports, wastewater treatment, and drinking water systems. Over the past year, freight ton-miles continued to grow steadily at a rate of approximately 3% as the decline in coal production was more than offset by the increase in intermodal shipments. *Progressive Railroading* and

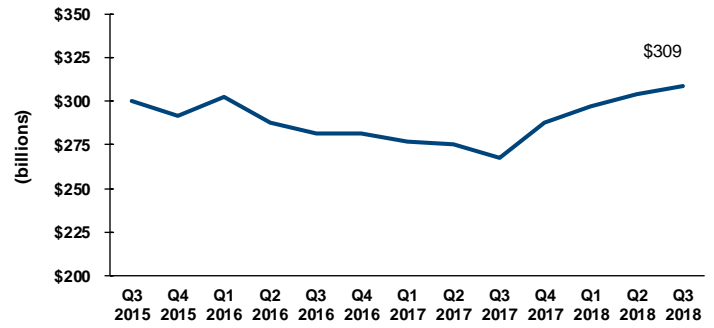
the *Intermodal Association of North America* reported a YoY increase in intermodal volume of 4.4% as domestic demand increased. This dynamic is expected to continue as coal's favorability in electricity generation continues to diminish and the demand for rail transportation of freight will keep growing at the current growth rates given the tightening truck capacity. Nevertheless, U.S. truck and waterway tonnage showed mixed results over the last six months, with the truck tonnage index reaching its highest level and waterway tonnage relatively flat. Overall, these metrics improved somewhat YoY and are expected to continue to do so with growth in U.S. consumption and output. As noted, aircraft deliveries maintained momentum after reaching an all-time high of some 800 in Q4 2017.

Total Construction Spending



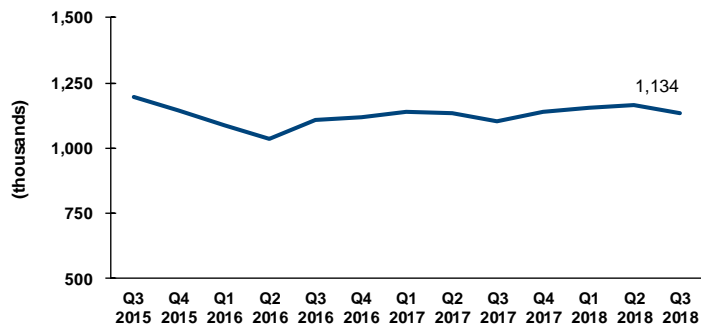
Source: St. Louis Federal Reserve

Public Construction Spending



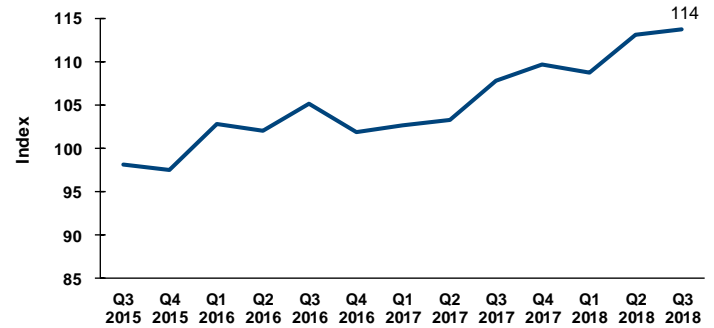
Source: St. Louis Federal Reserve

Freight Ton Miles



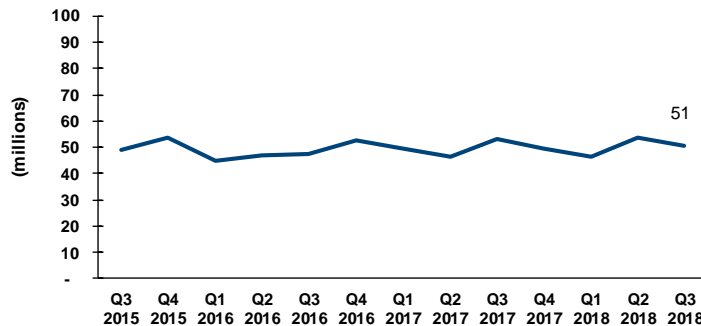
Source: St. Louis Federal Reserve

Truck Tonnage



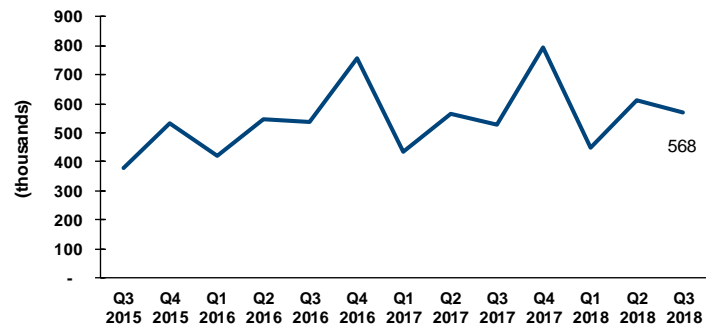
Source: St. Louis Federal Reserve

US Waterway Tonnage



Source: Bureau of Transportation Statistics

Aircraft Deliveries



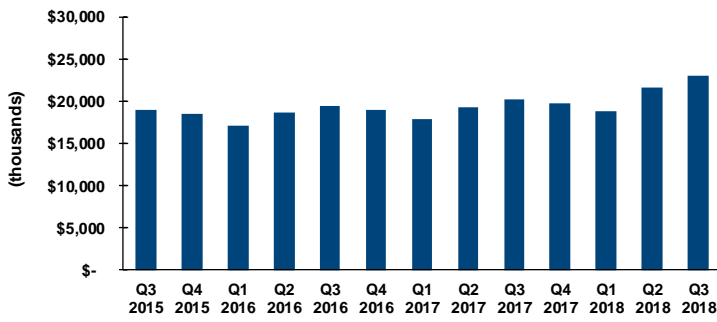
Source: General Aviation Manufacturers Association

Quarterly Revenue

Revenue for the publicly traded participants in the T&I sectors in Q2 and Q3 2018 exhibited marked improvement over the previous year, driven by improved macroeconomic fundamentals mentioned on the previous page. Engineering & Construction revenue increased 12% from the same period last year, driven by investment in both public infrastructure and private construction. Revenue in the T&I and marine sectors increased

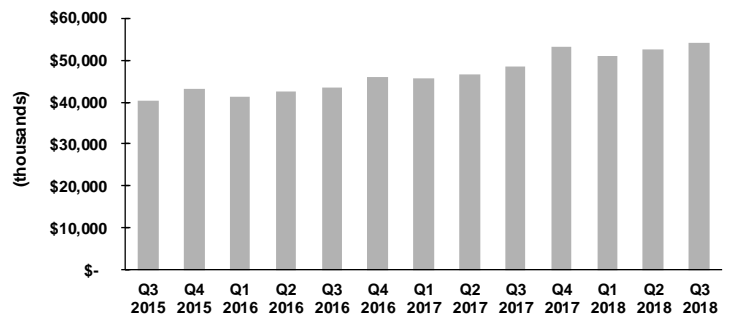
around 12.2% and 26.3%, respectively, over Q2 and Q3 2017, as U.S. factory output reached near pre-recession levels. The publicly traded participants in the Aerospace subsector reported a revenue increase of 10.0% over the same period last year as total aircraft deliveries continued at a strong pace. Rail revenue also continued to increase over the past six months, at a rate of 10.0% due to the continued increase of commodity shipments.

E&C Quarterly Revenue



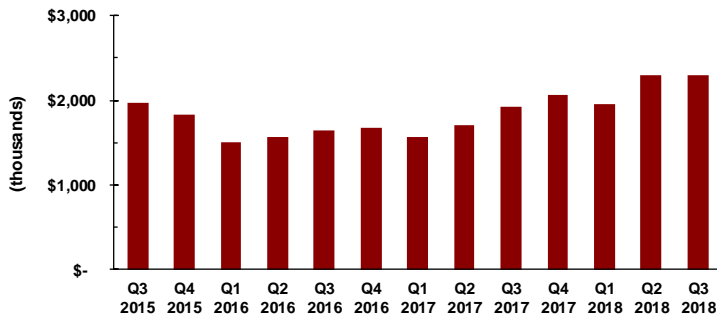
Source: CapIQ

T&I Quarterly Revenue



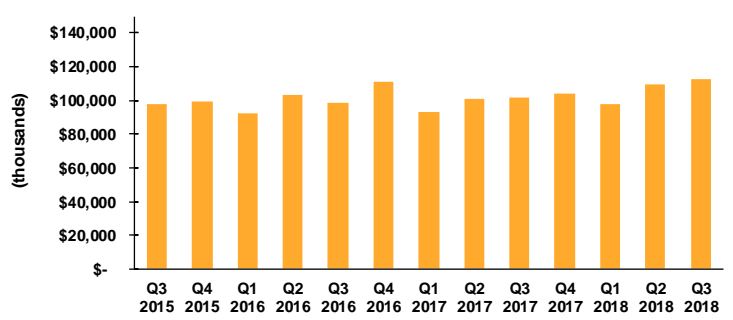
Source: CapIQ

Marine Quarterly Revenue



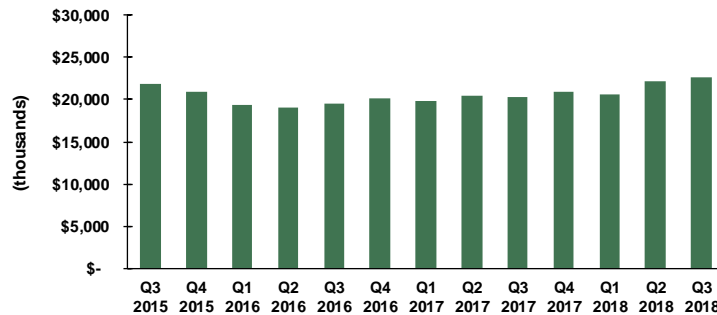
Source: CapIQ

Aerospace Quarterly Revenue



Source: CapIQ

Rail Quarterly Revenue



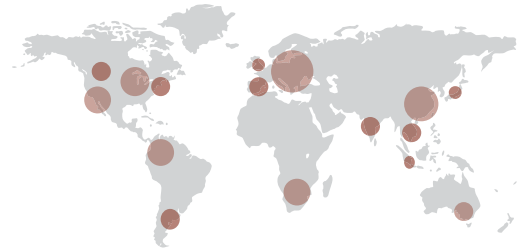
Source: CapIQ

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 services, or to discuss the content of this newsletter, feel free to contact us.



Representative EdgePoint Transportation & Infrastructure Transactions

BICO STEEL
Operating subsidiaries of The Burger Iron Company

have been acquired by

VALIDOR CAPITAL

EdgePoint served as exclusive financial advisor to BICO Steel

ATP

has been recapitalized by

Wabtec CORPORATION

EdgePoint served as exclusive financial advisor to ATP

AMERICAN TURBOCHARGER TECHNOLOGIES

has been acquired by

ASTUCKI
a portfolio company of
STONE CANYON INDUSTRIES

EdgePoint served as exclusive financial advisor to American Turbocharger Technologies

RAILPROS FIELD SERVICES

has been acquired by

BOWRIVER CAPITAL PARTNERS

EdgePoint served as exclusive financial advisor to RailPros

LOUIS PERRY & ASSOCIATES, INC.

has been acquired by

CDM Smith

EdgePoint served as exclusive financial advisor to The Louis Perry Group

BP Express Inc.

has been recapitalized by

LC
Laud Collier Capital LLC

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

Structural Engineering Firm

has been recapitalized by a

Family Office

EdgePoint served as exclusive financial advisor to the structural engineering firm

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.



EdgePoint is an **independent, advisory-focused, investment banking** firm serving the **middle market**.

