



PCE Industry Report

Transportation & Logistics



Middle Market M&A Summary

Transportation & Logistics

3rd Quarter 2017

Key Highlights

- The average value of the top transactions was \$891 million.
 - The largest transaction was the acquisition of Swift Transportation Company by Knight-Swift Transportation Holdings for \$2.97 billion.
- The public company industry median TEV/EBIT multiple is 18.4x.
- The public company industry median TEV/EBITDA multiple is 10.7x.

Key Trends

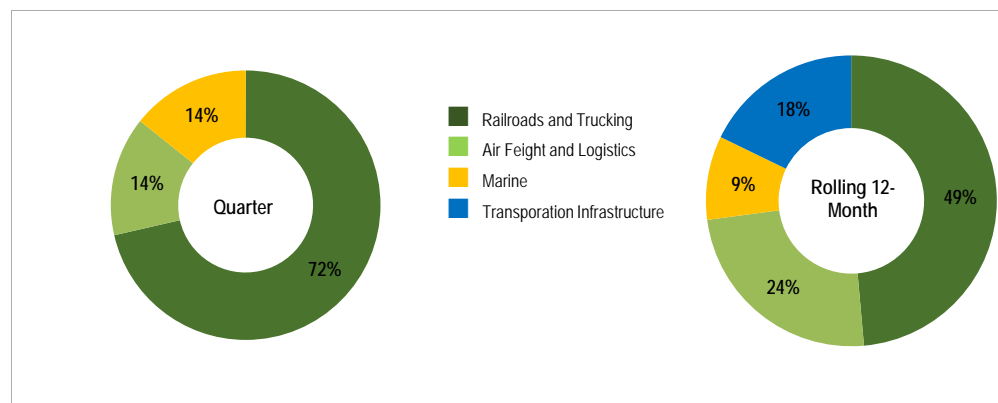
- On-demand freight matching startups such as Uber Freight are projected to disrupt the established logistics industry. This year alone venture firms are expected to pour \$1 billion into cloud-based freight platforms.
- The U.S. House of representatives confirmed a bill last week to hasten the use of self-driving cars and bar states from blocking such vehicles. Upon this confirmation, prominent trucking trade group and truck maker, Navistar International Corp (NAV.N) urged a U.S. Senate panel to include self-driving commercial trucks to the legislature. This advancement in technology potentially puts hundreds of thousands of jobs on the line over the coming years.
- While commercial airline demand is continually on the rise, many airlines have been struck by a shortage in pilots. Cowen & Company released a study revealing that 42% of American airline pilots will be retiring over the next decade, approximately 22,000. While current US Pilot corps trainees is only 19,000, this shortage has forced many airlines to reduce the number of flights they offer, as well as increase wages for pilots.
- China's COSCO Shipping announced plans to acquire rival Orient Overseas International in a \$6.3 billion deal. This deal would create the third largest carrier in the industry and one of the six super carriers responsible for 70% of global carrier capacity and 69% of all U.S. exports and imports.
- XPO Logistics, Inc. (NYSE:XPO), announced plans to double its current last mile footprint to 85 hubs by the end of next year allowing XPO's last mile footprint within 90% of the U.S. population. This announcement came shortly after XPO reported profit increases of 11% in the second quarter, setting records in net income and revenue.

Industry Trends During Quarter

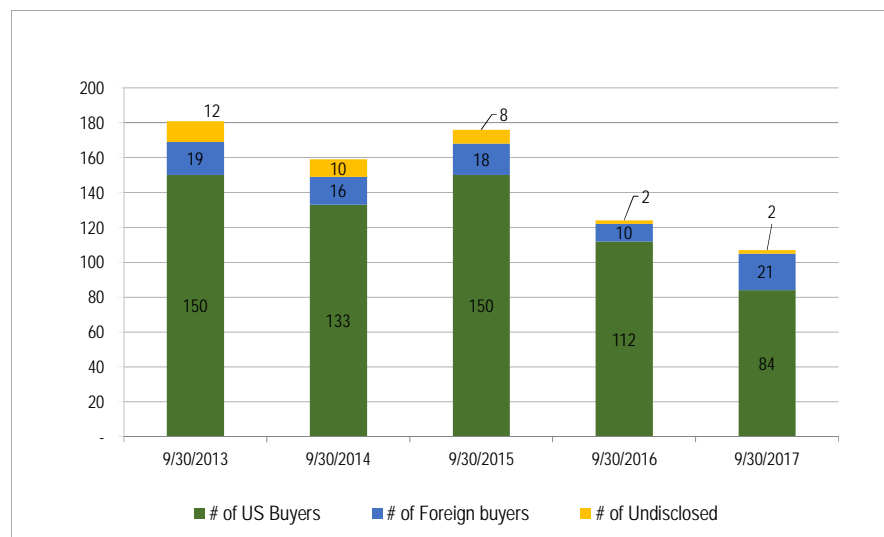
Sector	Transaction Volume	TEV/ Revenue	TEV/EBITDA
Railroads and Trucking	↑	↓	↑
Air Freight and Logistics	↓	↑	↑
Marine	↓	↑	↑
Transportation Infrastructure	↓	↓	↓

* 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
Railroads and Trucking	Swift Transportation Company	Knight-Swift Transportation Holdings Inc.	\$2,970.6
Marine	Navig8 Product Tankers Inc.	Scorpio Tankers Inc.	\$1,204.4
Railroads and Trucking	Penske Truck Leasing Co., L.P.	Penske Automotive Group, Inc.; MBK USA Commercial Vehicles Inc.	\$674.0
Railroads and Trucking	Estenson Logistics, LLC	Hub Group Trucking, Inc.	\$285.0
Railroads and Trucking	Interstate Distributor Co., Inc.	Heartland Express, Inc.	\$117.0
Air Freight & Logistics	Unitrans, Inc.	Quick International Courier, Inc.	\$95.0

Source: S&P Capital IQ as of 10/13/2017 and PCE Proprietary Data

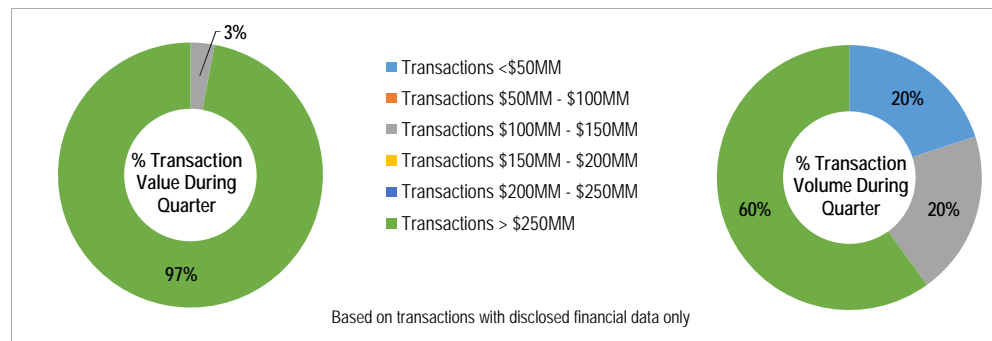
Railroads and Trucking

3rd Quarter 2017

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

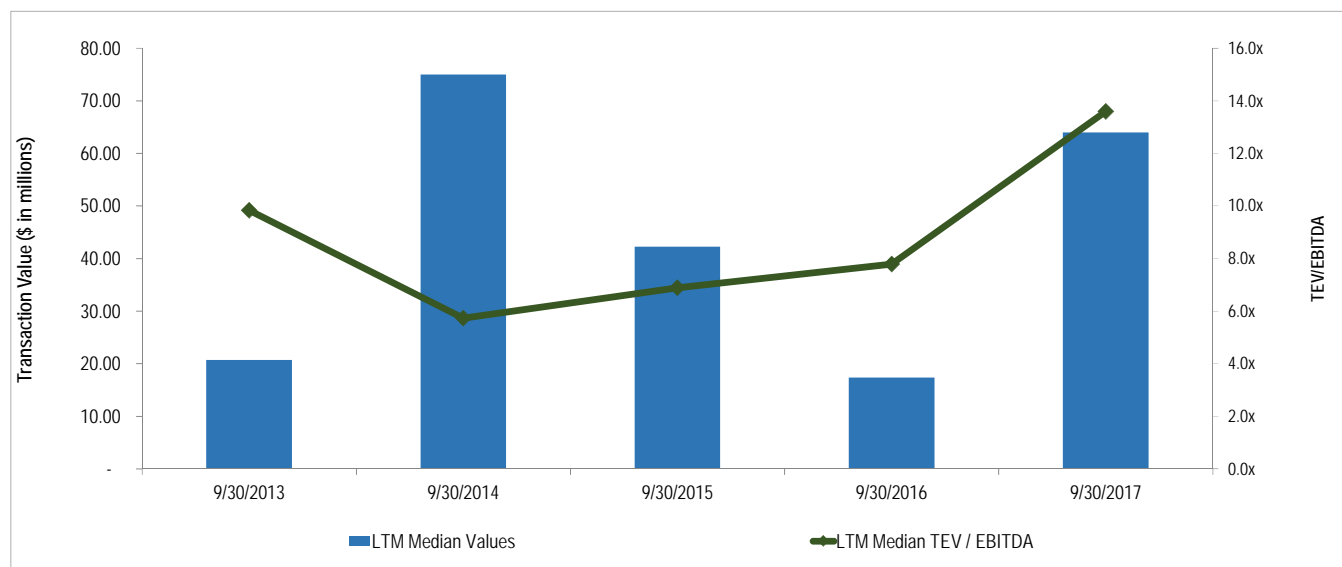
Transaction Volume	16
Number of Transactions with Disclosed Values	5
Transaction Value*	\$4,047.87
Average Transaction Value*	\$809.57
Median Transaction Value*	\$285.00
*Based on transactions with reported financial data only; historically ~ 30% to 40% of transactions report financial data.	

Transactions by Value & Volume



Private Sector Value and EBITDA Multiple Trends

Rolling 12-Month Value & Multiple Trends



Source: S&P Capital IQ as of 10/13/2017 and PCE Proprietary Data



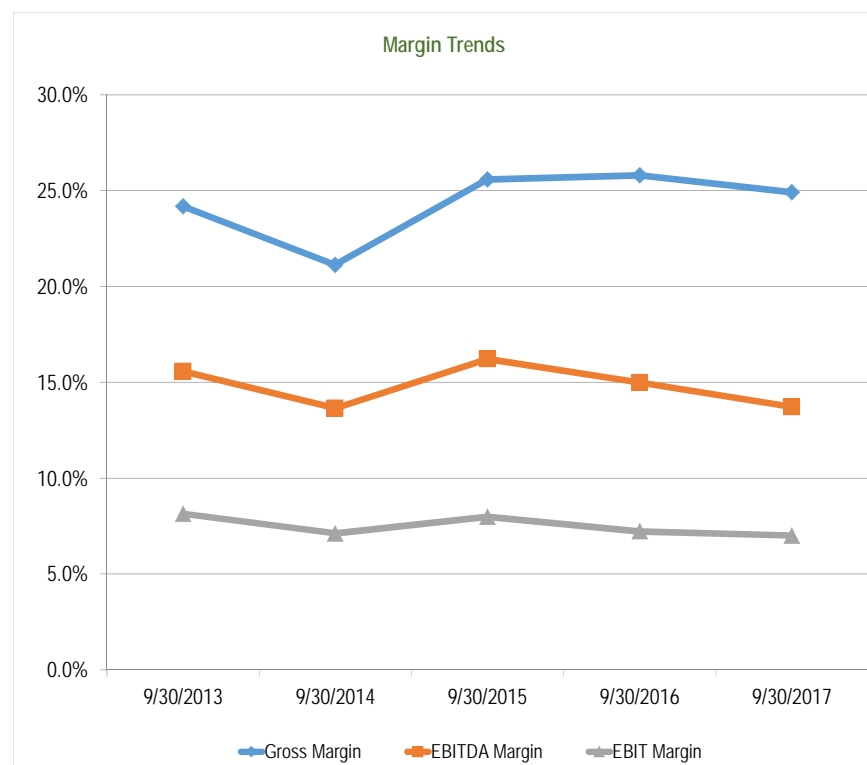
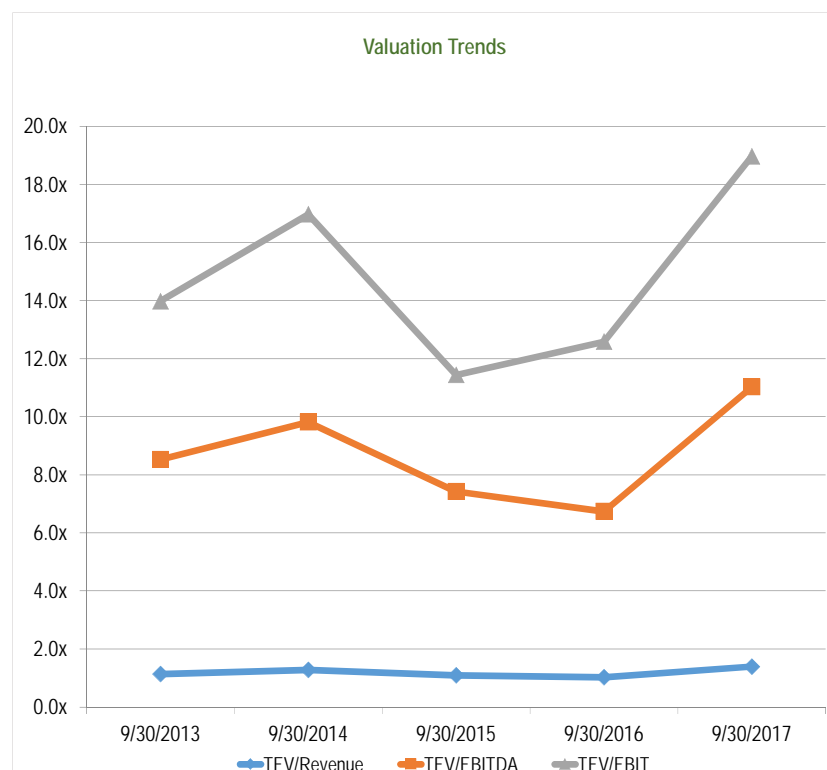
Railroads and Trucking

3rd Quarter 2017

Summary of Public Comparables (\$ in millions)

	Total Enterprise Value				Last Twelve Months 09/30/2017 Trends	
	Market Cap	Revenue	EBITDA	EBIT		
Average	\$9,155	2.2x	11.7x	29.9x	TEV/Revenue	↑
Median	\$2,330	1.4x	11.0x	19.0x	TEV/EBITDA	↑
					TEV/EBIT	↑

	Margins			Last Twelve Months 09/30/2017 Trends	
	Gross Profit	EBITDA	EBIT		
Average	26.4%	18.9%	10.6%	Gross Margin	↓
Median	24.9%	13.7%	7.0%	EBITDA Margin	↓
				EBIT Margin	↓



Source: S&P Capital IQ as of 10/13/2017 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:

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- 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:

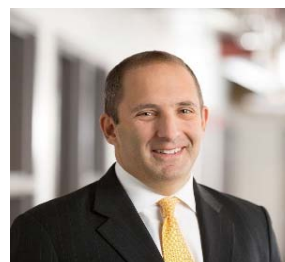
- Aerospace & Defense
- Banking, Finance & Insurance
- Building Products & Construction
- Business Services
- Consumer & Food
- Diversified Industrials
- Healthcare
- IT & Telecom
- Power & Energy
- Transportation & Logistics

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Contact Us



Michael Poole
Direct: 407-621-2112
Main: 407-621-2100
mpoole@pcecompanies.com



Michael Rosendahl
Direct: 201-444-6280 x1
Main: 407-621-2100
mrosendahl@pcecompanies.com

PCE Locations

Orlando
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Chicago
New York

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

