

# UK TRANSPORT & LOGISTICS

M&A ACTIVITY FOR H1 2019

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# SECTOR SNAPSHOT



## UK TRANSPORT AND LOGISTICS M&A ACTIVITY FOR H1 2019

### Deal volumes resilient in UK Transport and Logistics M&A

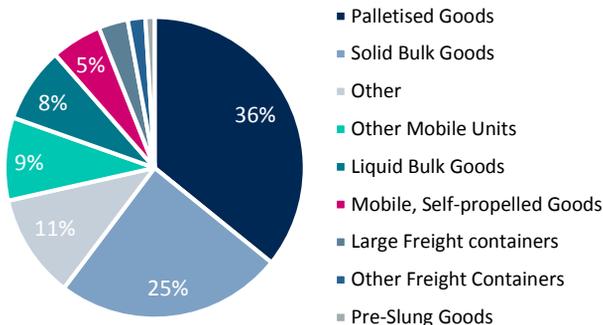
M&A activity in the Transport and Logistics sector has shown significant signs of growth in H1 2019, with 47 deals completed involving UK target companies. The number of deals remained relatively stable which demonstrates the industry's productivity and appeal. Total transaction values remain promising with £2.4bn in total disclosed deals, largely attributed by the acquisition of Flybe Group PLC by Connect Airways Limited which accounts for 64% of the disclosed deal values.

The complexity of new technology has enabled the modern transport and logistics industry to grow, with a change in focus towards providing a more digitalised service and an increase in competition for 'last-mile' deliveries. Despite looming potential restrictions on cross-border movements, with additional red-tape and question over fuel duty and taxes, the UK Transport and Logistics sector looks set to remain strong in the latter half of 2019.

### Transport and Logistics Sector By Load Types

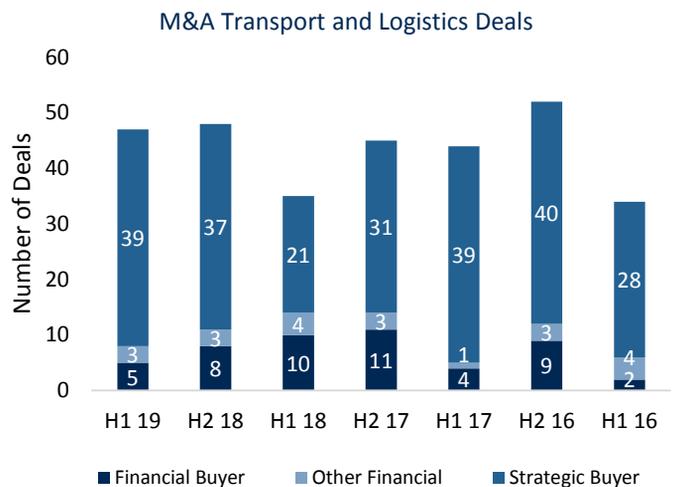
The overall Transport and Logistics sector contributes over £120bn to the UK economy, employing almost 2.5 million people (c8% of the nation's workforce). The high levels of growth experienced is set to continue as the popularity of online shopping increases and significant continued investment in improving UK infrastructure; with projects such as HS2, Crossrail and Thames Tideway increasing demand for the haulage of bulk materials across the UK.

There is a shift in the usual delivery market (for emission and urban-agility reasons) towards the use of drones, smaller electric/hybrid vehicles and autonomous vehicles as the need for 'last-mile' delivery and city-service vehicles rises. However, despite this trend; bulky and hard-to-move materials required by other industries still require transporting by highly skilled couriers meaning that niche markets remain strong also.



This market change is driving M&A activity within the sector which makes up a fifth of the number of road and rail sub sector deals in H1 2019. This strength in the 'last-mile' delivery market is supported by the freight transport industry with the increasing numbers of LGV (light goods vehicles) on UK roads. This growth is in conjunction with increased demand for home delivery services, continued popularity of online shopping, the manufacturing industry's move towards just-in-time distributions and an increase in rapid response servicing.

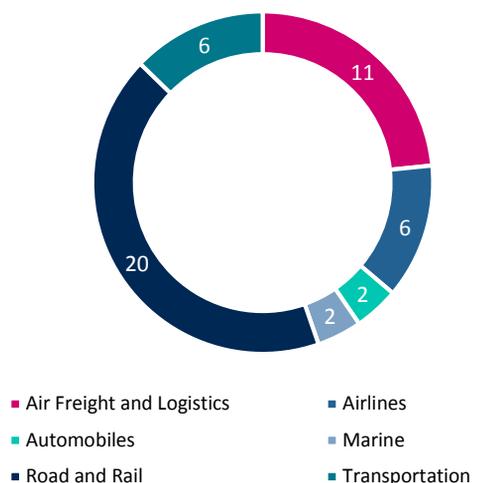
### Transport and Logistics M&A Activity



Source: S&P Capital IQ

Other financial primarily relates to debt funded deals with no disclosed equity investor.

### Transport and Logistics Deals by Category



## UK Market Transactions

  
**CONNECT AIRWAYS**  
 Acquired  
  
 For GBP 1.5bn

  
**CONNECT AIRWAYS**  
 Acquired  
  
 For GBP 10m

  
**Hill & Smith Holdings PLC**  
 Acquired  
  
**ATG ACCESS**  
 For GBP 23m

  
 Acquired  
  
**First**  
 For GBP 11.2m

  
 Acquired  
  
**Marstek MARINE**  
 Innovative Ship Solutions  
 For GBP 10m

  
**ROOTALA**  
 passenger transport  
 Acquired  
  
**First**  
 For GBP £5.3m

*“There is an overall sense of optimism for the latter half of 2019, with major players expected to increase their activity in the sector.”*

After a dramatic drop in deals in 2018, the UK has seen a resurgence in M&A activity across the Transport and Logistics industry. Airline operator Connect Airways Limited, has made numerous deals in H1 2019 including the £1.5 bn acquisition of Flybe Group PLC marking the largest deal value in H1 2019. The group will remain as a non-trading entity, however plans are in place to rebrand Flybe to Virgin Atlantic in due course. The airline operator has also entered an agreement to acquire Stobart Air Limited from Stobart Aviation Limited for £10m. This opens up more exciting opportunities for the airline sector and demonstrates the attractiveness of the industry.

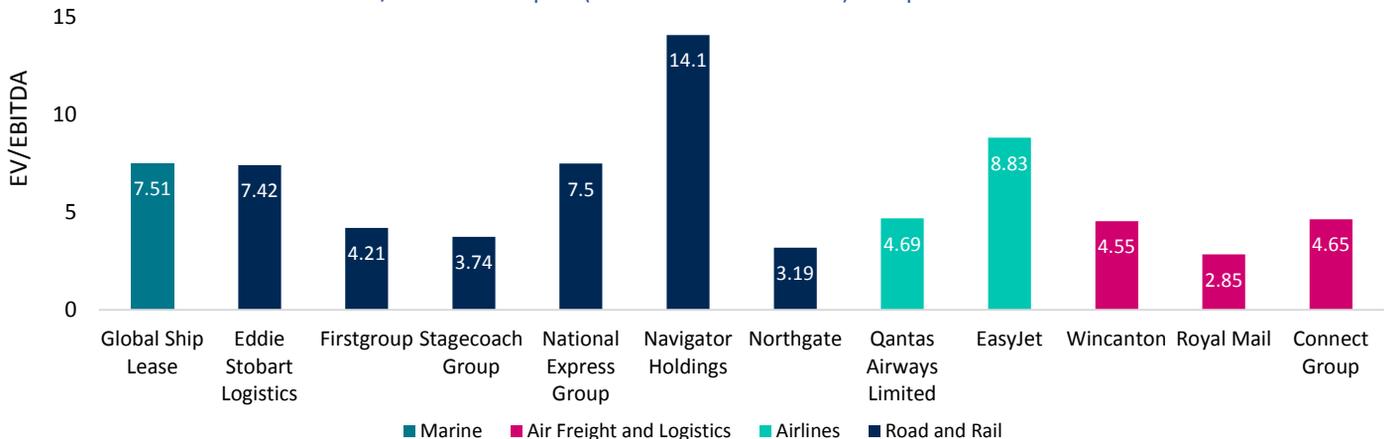
Hill & Smith Holdings PLC, the international group with lead positions in infrastructure and galvanizing, has acquired ATG Access Ltd for £22.5m. The acquisition will provide the group a strong platform to introduce new products and accelerate their expansion both in the UK and abroad. This demonstrates the opportunity of growth within the industry.

Both Rotala PLC and the Go-Ahead Group PLC have made acquisitions of depots from First Manchester Limited for £5.3m and 11.2m respectively. This will allow both companies to expand their presence in Greater Manchester, Britain’s second-largest urban area, as well as their portfolio within the bus market. These companies play a key part in market development, as well as opening up opportunities for improved and more efficient quality of service for regular commuters.

*“The volume of goods being transported is expected to quadruple by 2050 with digitalisation being the key driver of this growth.”*

## Quoted Companies

EV/EBITDA Multiples (Last Available Accounts) - Prepared Oct 19



The average discounted EV/EBITDA shows a steady average of 4.3x for H1 2019, a slight drop on the previous year. Despite companies such as Navigator Holdings retaining fairly high EV/EBITDA valuations, others such as Royal Mail have struggled. Royal Mail specifically suffered following their announcement of worker strikes which have threatened productivity. Despite individual cases such as these, the overall average market multiples remains steady reflecting the underlying strength in the market.

The transport and logistics industry within the UK shows promising signs for the future with the development of new technologies and the increasing number of logistics providers in niche markets making the UK an attractive place for investment both domestically and from overseas.

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## Overseas Acquirers

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Overseas acquirers have shown a continued interest in UK Transport and Logistic companies with nine overseas deals completed in H1 2019. This demonstrates the attractiveness of the industry on a global scale.

The largest deal is the acquisition of a minority stake in motorway service chain, Welcome Break Group Limited, by Korean military fund – MMAA for £26.67m. The company's low sensitivity to economic cycles made the venture attractive to the Korean institutional investors. This demonstrates the success of the industry overseas despite issues surrounding Brexit.

Other overseas deals include the acquisition of ferry operator Wightlink Limited by Canadian investment firm, Fiera Infrastructure (terms undisclosed). This investment will be an addition to Fiera's open-ended global midmarket infrastructure strategy.

May 2019 saw the acquisition of IC Logistics by Scandinavian logistics company SGL. The acquisition is a natural strategic step in the ongoing growth and development of SGL Group's focus in the e-commerce industry. This is in the hope of propelling IC Logistics forward and supporting their ambition to become Scandinavia's leading fashion logistics provider.

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## Orbis Transport and Logistics Transaction

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### June 2018 Deal Completion

#### Business Overview

Wellocks supply a range of high-quality food ingredients to a premium customer base, ranging from Michelin star restaurants to 5\* hotels and premier league football clubs. The business employs around 470 people nationwide, operates from four

strategically placed business units and makes over 6,000 nationwide deliveries a week via its own fleet of temperature-controlled vehicles.

#### Our Role

Orbis advised the shareholders of Wellocks during a two-year period on potential exit strategies, resulting in William Jackson Food Group acquiring the company in June 2018. We utilised our strong knowledge of the sector to identify strategic buyers for the business. William Jackson were selected as a result of their strategic valuation and their focus on a family-run ethos. William Jackson aims to uphold the premium brand image of Wellocks and translate this into further organic growth for the overall group.

Read more on the Orbis website.



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## Private Equity Activity

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Private equity continues to account for a number of deals in the sector in H1 2019. This remains relatively similar to previous years showing a stable pattern of private equity interest in the industry.

March saw the acquisition of Pallet-Track Ltd, one of the UK's fastest growing companies in the Sunday Times, by private equity house TPA Capital, terms undisclosed. Their investment comes at a time when the demand for flexible palletised logistics is growing, Pallet-Track's has a highly efficient platform to ensure that a high level of customer satisfaction is met. TPA's injection will aid the growth of the road haulage operator's ambitions for long-term sustainable growth.

Private Equity firm 3i has invested in three projects across Europe as part of its dedicated operational fund. The third acquisition of the fund, DISA, is a Dublin based passenger train leasing company which provides a fleet of passenger trains to Abellio Rail Mitteldeutschland in Germany. The 14-year concession, acquired from Dutch railway group NS, became operational in 2018.

European fund manager, STAR Capital has completed the acquisition of global aviation group, ASL, for an undisclosed term. The investment will allow both parties to innovate and develop their products and services to attract new customers. This continues to demonstrate the growth potential in the industry.



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## About Orbis

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Orbis is a mid-market corporate finance boutique advising on a wide range of M&A transactions covering business services, in addition to food & consumer, industrials, technology, media & telecoms, and healthcare. Orbis also has an active investment portfolio held through its investment vehicle Intrinsic Equity.

If you are considering your strategic options for enhancing the value of your business or your client's business, please contact either Gary or Steph.

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## Contact

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Orbis is an independent corporate finance advisory firm, working with business owners, management teams and investors to advise them through every aspect of corporate finance.

The partners have over 100 years of deal-making experience and combine their broad network of global relationships with deep sector knowledge and investor skills to deliver a specialist M&A experience.

Orbis is the UK partner for Clairfield International, a global investment bank, offering clients access to over 400 corporate finance professionals situated in over 20 countries across the globe.

## Orbis Partners : Services

A complete range of M&A services providing a wealth of experience to our clients

- |                             |  |
|-----------------------------|--|
| <b>Company Sales</b>        | <ul style="list-style-type: none"> <li>Extensive mid market M&amp;A expertise and experience across the team.</li> <li>International reach – over 20 countries and growing.</li> <li>Over 90% of all sale mandates involve an overseas party.</li> </ul> |
| <b>Acquisition Support</b>  | <ul style="list-style-type: none"> <li>Research and origination - internal research team and tools.</li> <li>Strategic and financial assessment.</li> <li>Deal management.</li> </ul>  |
| <b>Due Diligence</b>        | <ul style="list-style-type: none"> <li>Experienced and informed advice.</li> <li>Extensive experience within the UK and of international transactions.</li> <li>Partner Led</li> </ul>   |
| <b>Management Buy Out</b>   | <ul style="list-style-type: none"> <li>Deal leadership and fund raising.</li> <li>Align interests with management team.</li> <li>Co-investors on 15 deals.</li> </ul>  |
| <b>Capital Raising</b>      | <ul style="list-style-type: none"> <li>Supporting existing business to fund development.</li> <li>Supportive investor bringing focus on value creation.</li> <li>Co-investors on 3 deals.</li> </ul>   |
| <b>Business Improvement</b> | <ul style="list-style-type: none"> <li>Independent advice and planning strategy led by sector insights.</li> <li>Turnaround and profit improvement credentials.</li> <li>Leading the team through uncertainty whilst developing a game plan.</li> </ul>  |

## Orbis Partners : Transport and Logistics Credentials

|  |   |   |  |  |
|--|---|---|--|--|
|  <p>Merged with</p>                                   |  <p>Carried out a share capital increase subscribed by</p>   |  <p>Acquired</p>  <p>Advisor to the buyer</p>                      |  <p>Sold to</p>  <p>Advisor to the seller</p>  |  <p>Reorganised its capital with</p>                    |
|  <p>Acquired 100% of</p>  <p>Advisor to the buyer</p>  | <p>The managers and founders of</p>  <p>Took over 100% of the shares in a sponsor less MBO</p> <p>Advisor to the buyer</p>                      |  <p>Sold 100% of the shares to</p>  <p>And a private investor</p>  |  <p>Sold a minority stake to 20 of its member affiliates</p> <p>Advisor to seller</p>    |  <p>Arranged an OBO with</p>  <p>Advisor to seller</p>  |

Clairfield International was founded in 2004 by four European M&A boutiques and has since expanded to encompass all major economies worldwide with the addition of knowledgeable partners in key markets.

Our strengths are our entrepreneurial spirit, local expertise, industry know-how, and close bonds among all team members spanning the globe.

300+

TEAM MEMBERS

80%

OF OUR MANDATES  
ARE INTERNATIONAL

6

SECTOR TEAMS OF SPECIALIZED  
EXPERTISE BACKED BY

22

COUNTRY TEAMS  
ACROSS THE WORLD

30%

DEALS CLOSED WITH  
INTERNATIONAL BUYERS

70

INDUSTRY ADVISORS



Leading independent  
M&A advisor for  
midmarket deals

Top 10

IN EUROPEAN  
MIDMARKET RANKINGS

Top 20

IN WORLDWIDE  
MIDMARKET RANKINGS

130+

DEALS CLOSED ANNUALLY

EUR 20 billion

CUMULATIVE DEAL VALUE  
LAST 5 YEARS

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