



logisticsREPORT

INDUSTRY OVERVIEW

Q2 2014 M&A activity in the logistics industry reflected the ongoing strategy disagreement among large operators: does the concept of agility mean logistics companies should restructure themselves to be asset-lean or does it mean they should focus on tech-enabled organizational structures that maximize asset utility? As some incumbents divested business segments, others happily acquired discounted assets with the intention of integrating them into their optimized models. New players to the industry, however, are almost exclusively building their business around tech enabled models, driving up valuations of public and private logistics software providers.

The industry is confronting concerns surrounding high and volatile energy costs, increased regulation in carbon emissions and road use restrictions, and blurring lines between market segmentation (e.g., the re-emergence of rail as a cost effective F&L alternative for the automotive and agricultural industries). One of the premiere methods of confronting these concerns is through scale and integration; while deal volume in 1H 2014 beat the previous year's, the most substantive story of Q2 is the ratio of strategic to financial buyers. With 92% of acquisitions deriving from strategic intentions, it is clear that managers are making plays to hedge against their industry's headwinds.

If you have any questions please contact us.

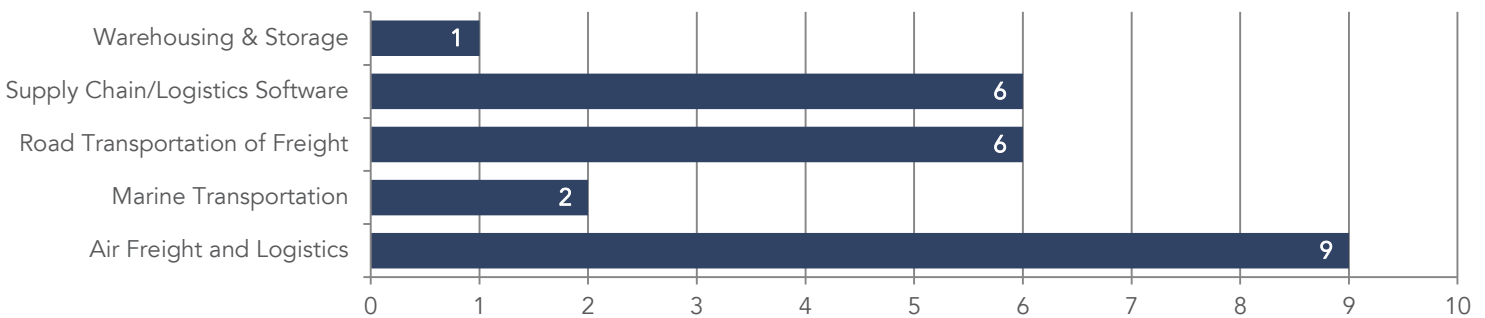
- Travis Conway, Director (tconway@sdrventures.com)

- Morgan Lieberthal, Analyst (mlierberthal@sdrventures.com)

TRANSACTION HIGHLIGHTS

M&A TRANSACTIONS

BY SEGMENT (Q2)

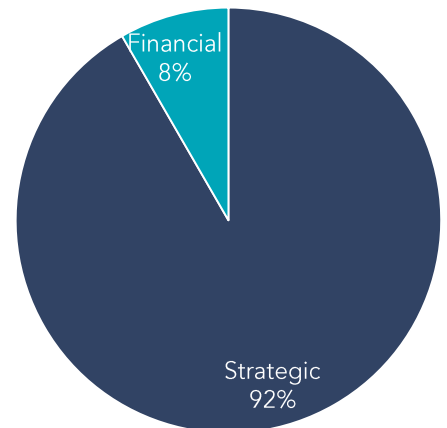


Source: CapIQ

STRATEGIC VS. FINANCIAL TRANSACTIONS HIGHLIGHTS

| | | |
|------------------------|---------|--|
| STRATEGIC ACQUISITIONS | 6.2.14 | TransForce Inc. (TSX: TFI) agreed to acquire Transport America, Inc. for \$310 million, representing the largest logistics transaction of 2014. |
| | 5.13.14 | Echo Global Logistics, Inc. (NasdaqGS: ECHO) acquired the assets of One Stop Logistics, Inc. for \$37.3 million. |
| | 5.23.14 | NeoPost S.A. acquired Systems & Programming Solutions Inc. for \$20 million, representing a valuation of 2.0x revenue. |
| FINANCIAL ACQUISITIONS | 4.7.14 | Span-Alaska Transportation, Inc. announced that it has received an undisclosed amount in equity funding from Evergreen Pacific Partners. |

Source: CapIQ



The information contained herein is based on sources we believe reliable but is not guaranteed by us and is not to be considered all inclusive. It is not to be construed as an offer or consultation of an offer to sell or buy any securities.

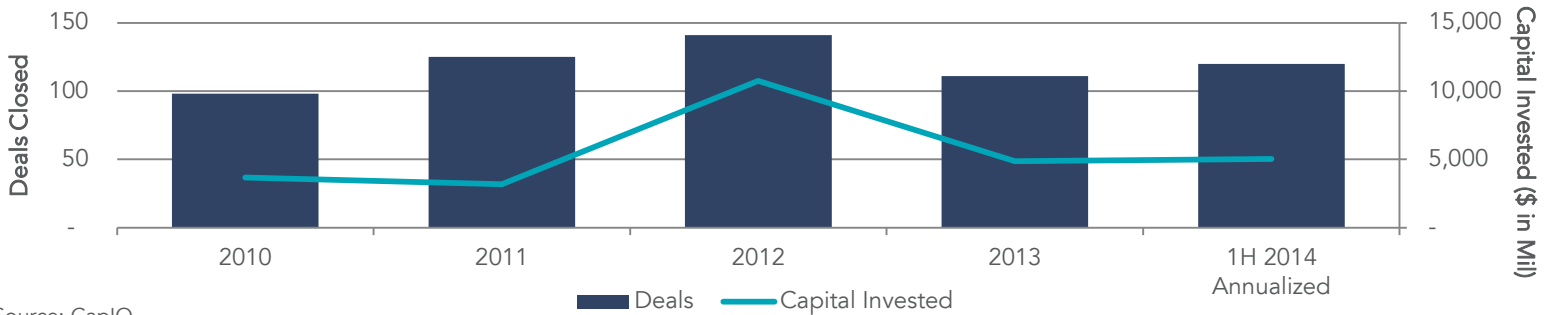


logisticsREPORT

TRANSACTION ACTIVITY

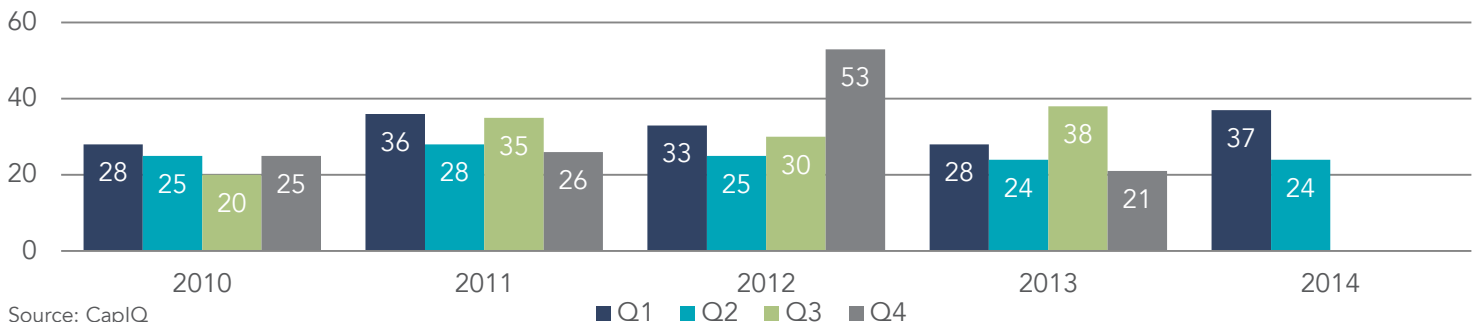
| Date | Target | Buyer | Transaction Comments |
|------------|---|---|--|
| 01/11/2014 | Quest Solution Inc. | Amerigo Energy, Inc. (OTCPK:AGOE) | Amerigo Energy entered into a definitive agreement to acquire Quest Solution for \$16 million. For calendar year 2013, Quest achieved unaudited revenue of approx. \$34 million with approximately \$8 million in assets. |
| 02/20/2014 | Refrigerated Warehouse at 1701 Brightseat Road in Landover | Salus Property Investments, LLC | Salus Property Investments acquired the building at 1701 Brightseat Road in Landover for \$31.7 million on February 20, 2014. Finmarc plans to use the sale proceeds to acquire other properties in the D.C. area. |
| 03/14/2014 | Unitrans International Corporation | Roadrunner Transportation Systems, Inc. (NYSE:RRTS) | Roadrunner Transportation Systems acquired Unitrans International from a syndicate of investors for \$55.5 million in cash. Unitrans International Corporation generated revenues of \$84 million in 2013. |
| 01/02/2014 | Dakota, Minnesota & Eastern Railroad Corporation, West End Operations | Genesee & Wyoming Inc. (NYSE:GWR) | Genesee & Wyoming agreed to acquire west end operations from DM&E Railroad for approx. \$210 million. The purchase price is subject to certain adjustments including the purchase of inventory, equipment & vehicles. |
| 01/02/2014 | Canadian Pacific Railway Limited, West End of Dakota, Minnesota | Genesee & Wyoming Inc. (NYSE:GWR) | G&W also agreed to acquire West End of Dakota, Minnesota from Canadian Pacific Railway for \$210 million. The transaction should generate annual revenues of approx. \$65 million and be immediately accretive. |
| 01/06/2014 | Pacer International, Inc. (NasdaqGS:PACR) | XPO Logistics, Inc. (NYSE:XPO) | XPO Logistics agreed to acquire Pacer International for \$320 million in cash & stock. XPO obtained senior secured credit facilities to fund the transaction & general corporate purposes, including potential future acquisitions. |
| 01/30/2014 | Haas Group International Inc. | Wesco Aircraft Holdings, Inc. (NYSE:WAIR) | Wesco Aircraft Holdings agreed to acquire Haas Group International for \$550 million in cash. The acquisition will be financed by a new \$525 million term loan B facility. Haas Group reported revenues of \$573.5 million in 2012. |

US LOGISTICS M&A ACTIVITY



Source: CapIQ

LOGISTICS TRANSACTIONS # OF TRANSACTIONS BY QUARTER



Source: CapIQ

*Note: These data represent the recorded transactions, are not all inclusive of completed transactions, and are meant to be representative of the industry.



logisticsREPORT

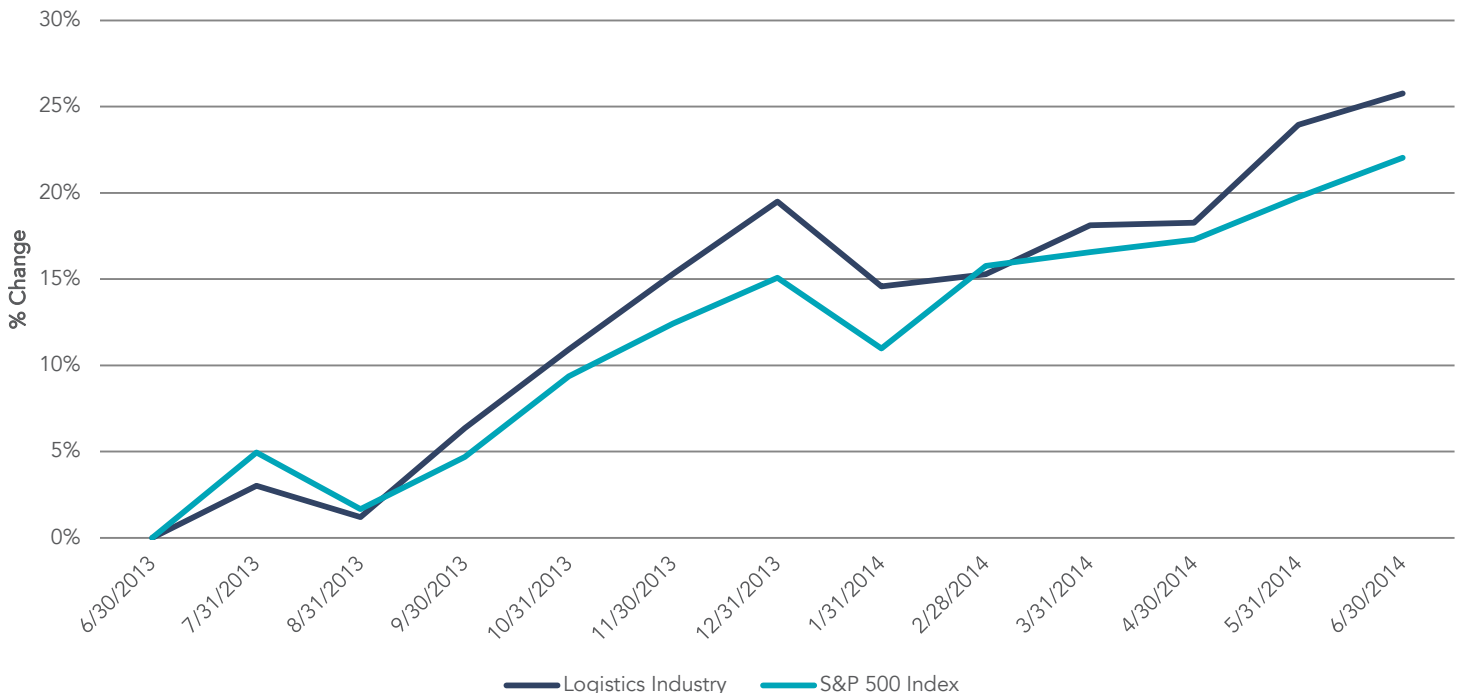
PUBLIC BASKET

2013 Q4's miss on consumer spending forecasts, the largest driver of US GDP, stunted share price and valuation growth among most publically traded players in the industry, but the second half of Q2 reversed the dropping dagger trend. Increased consumer spending, favorable weather and well-played acquisitions of targets with superior freight selection and mobile software bolstered margins and contributed to the industry's overall performance. With increasing equipment-operator pay and rising operational expenses, managers are curbing investors' concerns by building scale and publicizing their use of new technologies. Middle market operators can aid in increasing acquirers' footprints but premium valuations will come from those who can demonstrate superior fleet selection and tech integration.

| Company | Symbol | State | Market Cap | | Stock Price | | Price/ LTM EPS | Price/ Book | Price/ Rev | Price/ EBITDA |
|-----------------------------------|---------------|-------|-------------|-----------|--------------|------------|-------------------|----------------|---------------|------------------|
| | | | (\$ in Mil) | Date | Month Change | YTD Change | | | | |
| CH Robinson Worldwide Inc. | NasdaqGS:CHRW | MN | \$ 9,468 | \$ 63.79 | 6.57% | 9.32% | 23.8x | 9.7x | 0.8x | 14.2x |
| Astea International Inc. | NasdaqCM:ATEA | PA | \$ 9 | \$ 2.40 | 60.00% | (5.88%) | NM | 16.9x | 0.5x | NM |
| Baltic Trading Limited | NYSE:BALT | NY | \$ 336 | \$ 5.98 | (6.71%) | (7.14%) | NM | 0.9x | 10.8x | 38.2x |
| CSX Corp. | NYSE:CSX | FL | \$ 30,944 | \$ 30.81 | 4.80% | 7.09% | 17.9x | 2.9x | 3.3x | 8.9x |
| FedEx Corporation | NYSE:FDX | TN | \$ 44,735 | \$ 151.38 | 5.01% | 5.29% | 22.8x | 2.9x | 1.0x | 7.7x |
| FreeSeas Inc. | NasdaqCM:FREE | NA | \$ 17 | \$ 0.68 | (39.01%) | (71.43%) | NM | 1.2x | 11.5x | NM |
| Globus Maritime Limited | NasdaqGM:GLBS | NY | \$ 36 | \$ 3.49 | (6.17%) | (11.87%) | 15.7x | 0.6x | 4.0x | 9.2x |
| Providence and Worcester Railroad | NasdaqGM:PWX | MA | \$ 88 | \$ 18.18 | 3.91% | (7.01%) | 71.9x | 1.2x | 2.6x | 15.4x |
| Union Pacific Corporation | NYSE:UNP | NE | \$ 90,421 | \$ 99.75 | 0.12% | 18.75% | 20.4x | 4.2x | 4.4x | 10.4x |
| United Parcel Service, Inc. | NYSE:UPS | GA | \$ 93,975 | \$ 102.66 | (1.17%) | (2.30%) | 23.4x | 15.1x | 1.8x | 11.2x |
| Average | | | \$ 27,003 | \$ 47.91 | 2.73% | (6.52%) | 28.0x | 5.6x | 4.1x | 14.4x |

Source: CapIQ

LOGISTICS INDUSTRY VS. S&P 500 RUNNING 12 MONTHS



Source: CapIQ



logisticsREPORT

INDUSTRY SEGMENTS

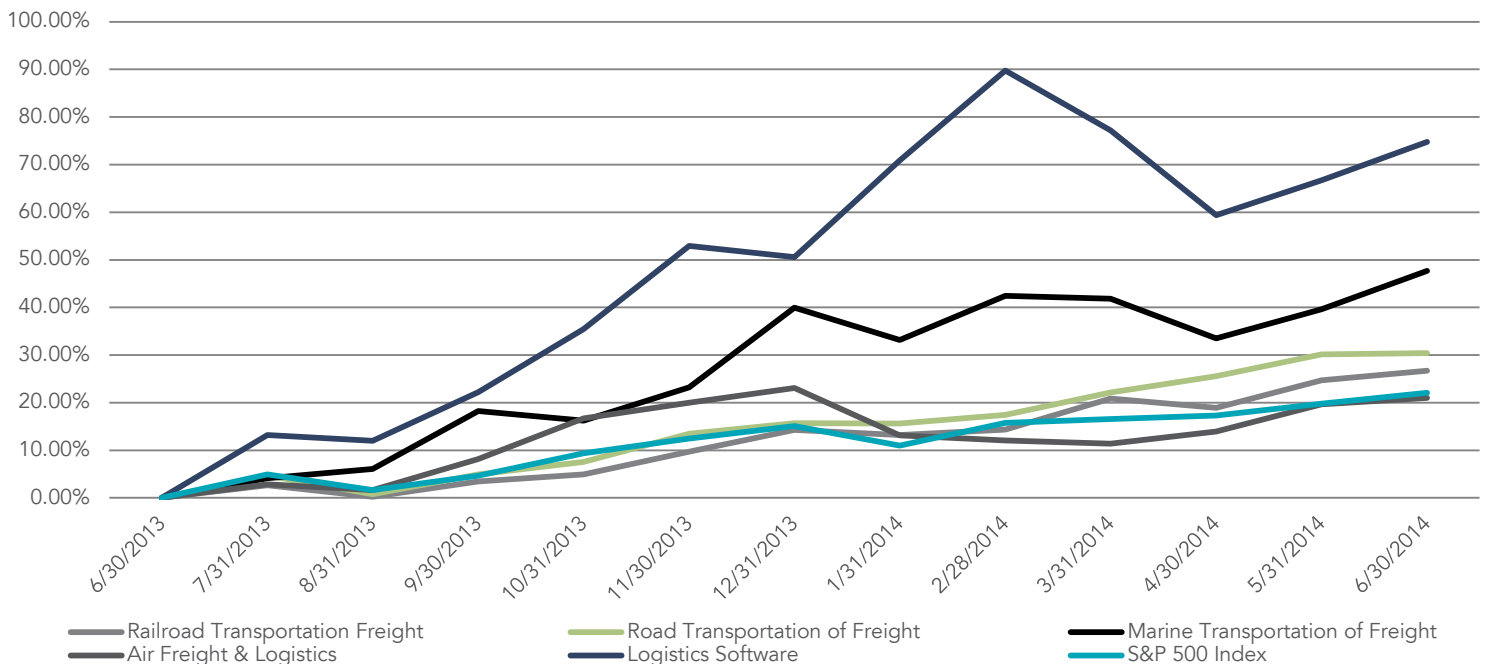
This newsletter has noted before that the railroad segment is generating increased revenues despite a diminishing demand for coal transportation, as companies such as Union Pacific Railroad (NYSE:UNP) have developed stronger product mixes, including automotive, agricultural, and industrial machinery. We noted that forward-thinking road transportation operators should consider the effect of possible market share erosion from the rail segment and, subsequently, increased competition within the road transportation vertical. High performing companies in Q2 (aside from the railroad segment) did just that – companies such as Old Dominion Freight Line (NASDAQ:ODFL), which had a share price growth of about 15% in Q2, focused on developing integrated structures designed to meet customers’ complete supply chain needs. Enough credit cannot be given to the effect that technology integration has had on this industry in recent quarters, which is clearly reflected in the table below.

| Market Segment | Market Cap | Stock Price | | | Price/ LTM EPS | Price/ Book | Price/ Sales | Price/ EBITDA |
|------------------------------------|------------|-------------|--------|-------|-------------------|----------------|-----------------|------------------|
| | | Month | YTD | LTM | | | | |
| Railroad Transportation of Freight | \$ 28,476 | 1.6% | 10.9% | 26.7% | 17.89x | 2.91x | 3.28x | 8.90x |
| Road Transportation of Freight | \$ 2,011 | 0.2% | 12.7% | 30.4% | 27.27x | 3.89x | 1.24x | 9.40x |
| Marine Transportation of Freight | \$ 782 | 5.8% | 5.5% | 47.7% | 32.52x | 1.13x | 6.58x | 13.26x |
| Air Freight and Logistics | \$ 11,832 | 1.1% | (1.7%) | 21.0% | 23.18x | 3.90x | 1.04x | 11.17x |
| Logistics Software | \$ 982 | 4.8% | 16.1% | 74.8% | 44.87x | 12.32x | 2.40x | 19.10x |
| Industry Average | \$ 5,797 | 1.5% | 5.3% | 25.8% | 25.26x | 2.67x | 3.10x | 12.19x |
| S&P 500 Average | \$ 36,146 | 1.9% | 6.1% | 22.0% | 28.33x | 4.79x | 3.20x | 11.80x |

Note: Refrigerated & Farm Product Warehousing & Storage do not have any public companies

Source: CapIQ

LOGISTICS SEGMENTS VS. S&P 500 RUNNING 12 MONTHS



Source: CapIQ



logisticsREPORT

INDUSTRY GEOGRAPHY

COMPANIES BY REGION

LOGISTICS COMPANIES BY REGION AS OF JUNE 30, 2014



Source: CapIQ

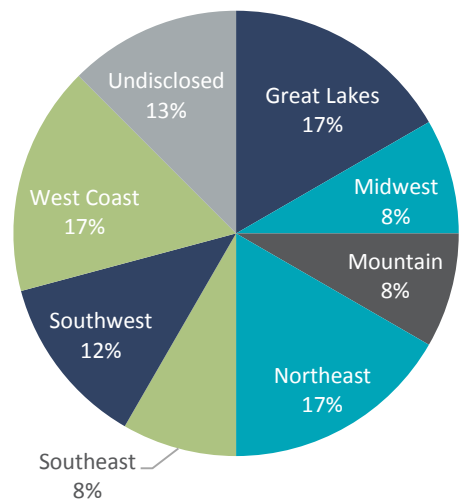
COMPANIES BY SIZE

| State | Undisclosed | \$ 0 - 5 Revenue | \$ 5 - 10 Revenue | \$ 10 - 25 Revenue | \$ 25 - 50 Revenue | \$ 50 - 100 Revenue | \$ 100+ Revenue |
|-------|-------------|------------------|-------------------|--------------------|--------------------|---------------------|-----------------|
| AZ | 39 | 6 | 27 | 16 | 9 | 1 | 2 |
| CO | 39 | 9 | 18 | 20 | 4 | 1 | 0 |
| KS | 22 | 4 | 27 | 13 | 1 | 2 | 3 |
| ND | 19 | 1 | 10 | 6 | 2 | 0 | 0 |
| NE | 24 | 6 | 18 | 13 | 3 | 0 | 3 |
| NM | 5 | 4 | 6 | 2 | 0 | 0 | 0 |
| OK | 28 | 7 | 31 | 8 | 3 | 2 | 1 |
| SD | 10 | 1 | 8 | 3 | 0 | 1 | 1 |
| TX | 32 | 9 | 9 | 10 | 3 | 0 | 1 |
| UT | 28 | 8 | 21 | 14 | 0 | 0 | 0 |
| WY | 4 | 1 | 4 | 4 | 1 | 0 | 0 |

*Revenue in millions

Source: CapIQ

TRANSACTIONS BY REGION



Source: CapIQ

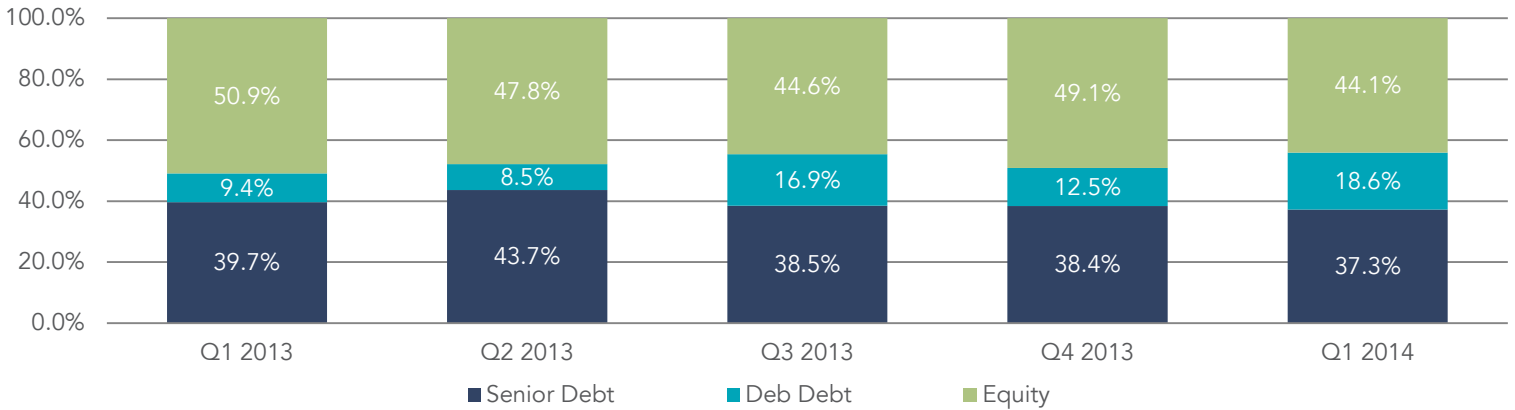
*Note: These data represent the recorded transactions, are not all inclusive of completed transactions, and are meant to be representative of the industry.



logisticsREPORT

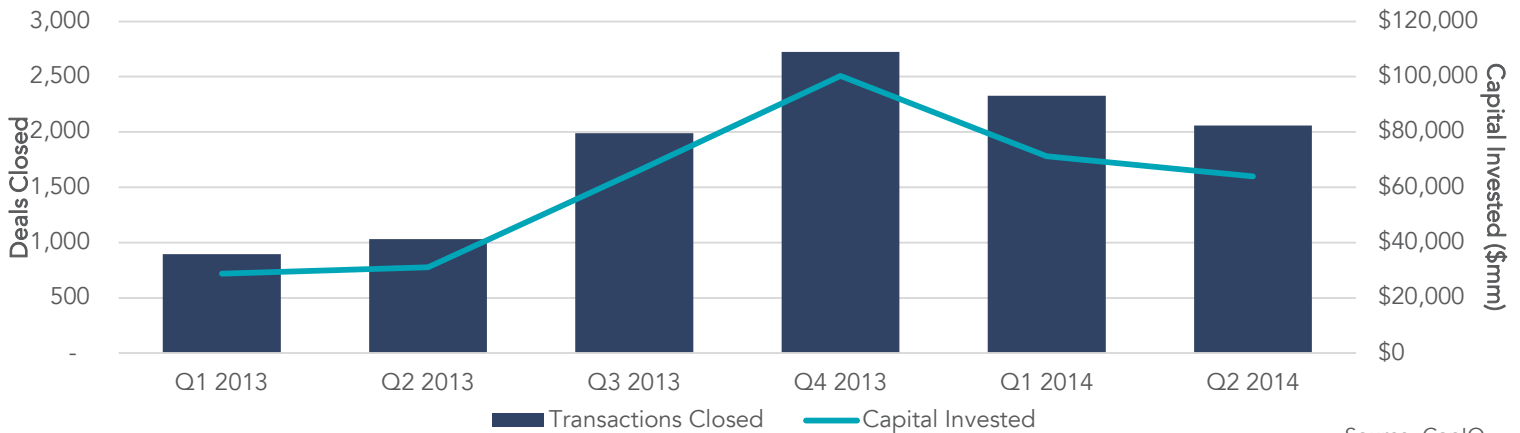
M&A MARKET ACTIVITY – OVERALL LOWER MIDDLE MARKET

CAPITAL STACK



Source: GF Data

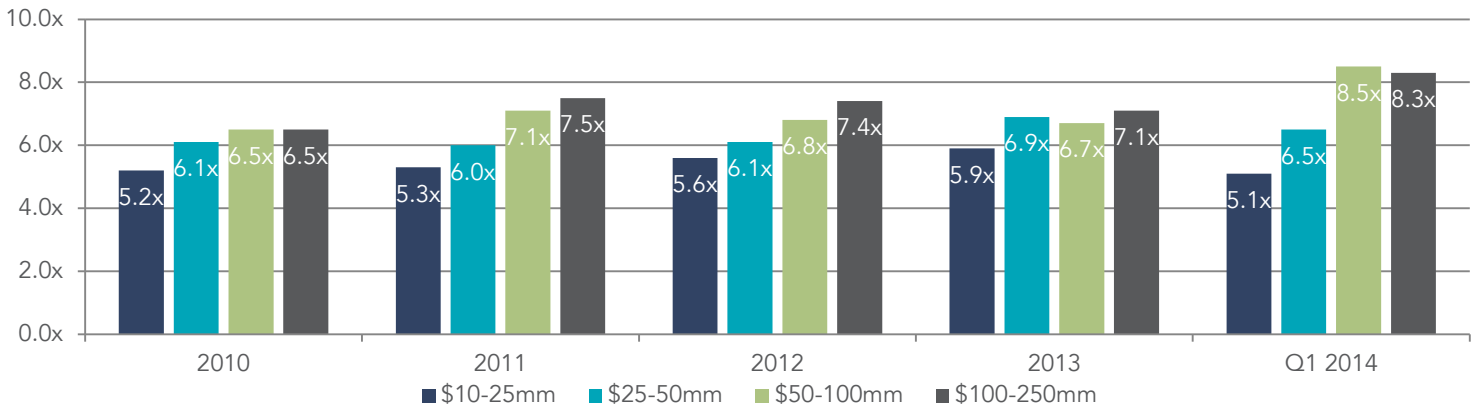
US MIDDLE MARKET M&A ACTIVITY



Source: CapIQ

TRANSACTION MULTIPLES

EBITDA MULTIPLES BY TRANSACTION SIZE



Source: GF Data

*Note: These data represent the recorded transactions, are not all inclusive of completed transactions, and are meant to be representative of the lower middle market.



logisticsREPORT

ABOUT SDR VENTURES

SDR Ventures is a boutique investment bank serving privately held business owners of companies with values up to \$300 million. Operating beyond the confines of a traditional investment bank, SDR's approach of Thinking Like OwnersSM helps business owners maximize value in their business. SDR offers transaction advisory, capital formation, strategic advisory and performance exchange services.



Travis Conway
Director - Logistics Team
p: 720.221.9220
e: tconway@sdrventures.com



Morgan Lieberthal
Analyst – Logistics Team
p: 720.221.9220
e: mlieberthal@sdradvisors.com

SERVICES

TRANSACTION ADVISORY

Buy Side

Running a proven process effective at generating responses, identifying "off-the-radar" opportunities, negotiating and closing accretive acquisitions.

Sell Side

Our process is designed to identify the "right" buyer and maximize shareholder value for our clients.

CAPITAL FORMATION

Private Capital Placement

An effective and efficient process negotiating favorable debt and equity with the right capital partner for our clients.

RECENT TRANSACTIONS

| | | | | | |
|---|---|--|---|--|---|
| <p>JULY 2014</p>  <p>Has been acquired by</p> <p>REVELSTOKE CAPITAL PARTNERS LLC</p> <p>SDR Ventures SELL SIDE TRANSACTION</p> | <p>JULY 2014</p>  <p>Has been acquired by</p>  <p>FRONTENAC COMPANY</p> <p>SDR Ventures SELL SIDE TRANSACTION</p> | <p>APRIL 2014</p>  <p>Has been acquired by</p> <p>Barkwood, Inc.</p> <p>SDR Ventures SELL SIDE TRANSACTION</p> | <p>MARCH 2014</p> <p>PAN Capital Holdings LLC</p> <p>Commercial real estate loan provided by</p>  <p>Hexagon</p> <p>SDR Ventures CAPITAL FORMATION</p> | <p>NOVEMBER 2013</p>  <p>Has acquired</p> <p>A Business Unit of a Public Company</p> <p>SDR Ventures BUY SIDE TRANSACTION</p> | <p>OCTOBER 2013</p>  <p>Debt Financing provided by</p>  <p>CoBiz Structured Finance CoBiz Financial</p> <p>SDR Ventures CAPITAL FORMATION</p> |
| <p>SEPTEMBER 2013</p>  <p>SDR Ventures CAPITAL FORMATION</p> | <p>SEPTEMBER 2013</p>  <p>Has acquired</p>  <p>Zeus & Company</p> <p>SDR Ventures BUY SIDE TRANSACTION</p> | <p>NOVEMBER 2012</p>  <p>Western Paper Distributors</p> <p>Has acquired</p>  <p>WPS COMPANY</p> <p>SDR Ventures BUY SIDE TRANSACTION</p> | <p>JUNE 2012</p>  <p>AtLast Fulfillment</p> <p>Has been acquired by</p>  <p>newoistics SHIPPING MADE NEW HOME</p> <p>SDR Ventures SELL SIDE TRANSACTION</p> | <p>MAY 2012</p> <p>Cohio Ventures LLC</p> <p>Has acquired</p>  <p>Mountain Tech</p> <p>SDR Ventures BUY SIDE TRANSACTION</p> | <p>MARCH 2012</p>  <p>Denney Transport, LTD</p> <p>Capital provided by</p>  <p>Mutual of Omaha Bank</p> <p>SDR Ventures CAPITAL FORMATION</p> |

CONTACT US

Address
5613 DTC Parkway, Suite 820 | Greenwood Village, CO 80111

Website
www.sdrventures.com

Phone
720.221.9220

