



# logisticsREPORT

## INDUSTRY OVERVIEW

The logistics industry witnessed improved growth in Q4 2014 due to growing downstream demand and rising trade levels. Warehousing, freight, and logistic services remain largely tied to downstream manufacturing, wholesale, and retail markets. Rising disposable income, 4% growth in international trade, and increasing levels of outsourcing to the business services sector, since the recession, have boosted industry performance throughout 2014.

In Q4 of 2014, the number of M&A transactions decreased from 36 to 30. Transactions in air freight and logistics led the industry accounting for 38% of total transactions. 63% of transactions were conducted by strategic buyers, and 57% of these buys were executed by UPS or FedEx, indicating a market trend towards the consolidation of smaller industry players. Though the number of transactions saw a slight decline, the demand for this select set of targets increased, as indicated by higher historic valuations. These valuations were driven by demand from strategic buyers and industry reports forecasting a 5% growth for 2015. Projections also lead to numerous private placements from firms looking to capture potential value from the industry's forecasted growth.

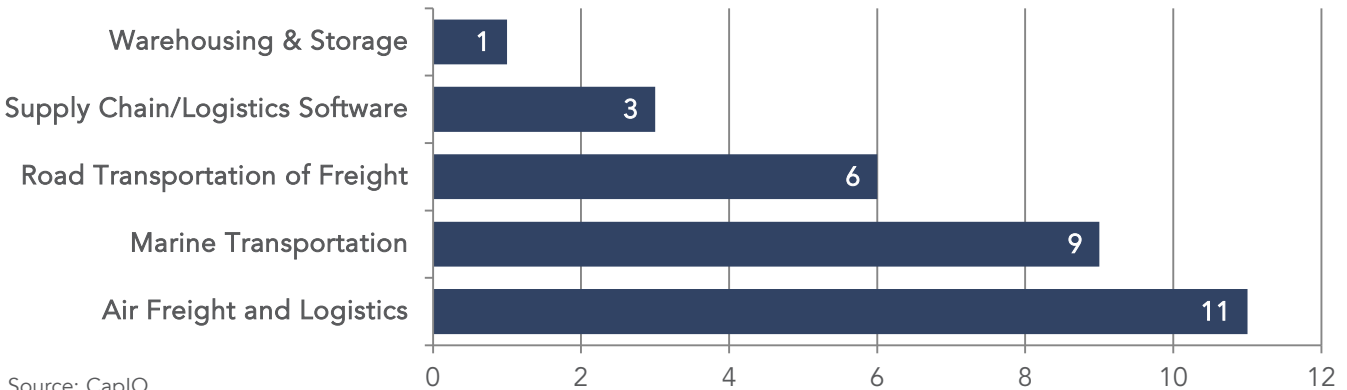
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## TRANSACTION HIGHLIGHTS

### TRANSACTIONS

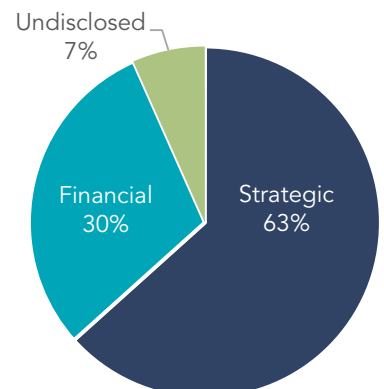
#### # BY SEGMENT (QX)



Source: CapIQ

## STRATEGIC VS. FINANCIAL TRANSACTIONS HIGHLIGHTS

STRATEGIC TRANSACTIONS	11.11.14 <b>Matson Navigation Company, Inc.</b> acquired <b>Horizon Lines, Inc. (OTCPK:HRZL)</b> for \$460 million, funded from cash on hand and available borrowings under its revolving credit facility.
FINANCIAL TRANSACTIONS	10.13.14 <b>Goldman Sachs Group, Merchant Banking Division,</b> announced its' acquisition of <b>Neovia Logistics Services, LLC.</b> This transaction, subject to customary closing conditions, holds an estimated value of more than \$1 billion, including debts.



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.



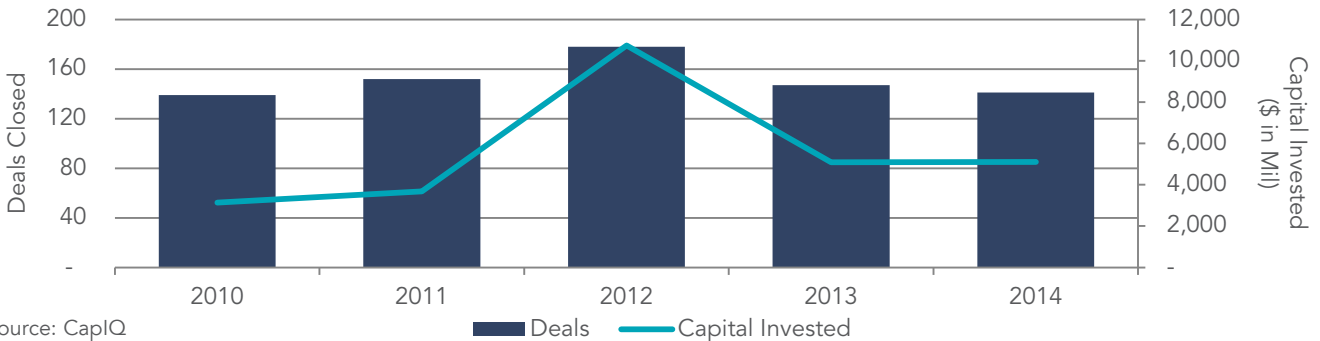
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## TRANSACTION ACTIVITY

Date	Target	Buyers	Target Description	Transaction Comments
11/24/2014	Fifth Gear, LLC	Speed Commerce, Inc. (NasdaqGM:SPDC)	Logistics & Supply Chain Management Software	Speed Commerce, Inc. (NasdaqGM:SPDC) acquired assets of Fifth Gear, LLC from a group of sellers for \$74.5 million on November 21, 2014. Speed Commerce will also make an additional earnout payment of maximum 7 million shares. Speed Commerce financed the acquisition and refinanced its existing term loan facility with a new \$100 million credit facility led by Garrison Capital.
11/11/2014	Horizon Lines, Inc., Hawaii Trade Lane Business	The Pasha Group	Marine Transportation Of Freight (Primary)	The Pasha Group entered into definitive agreements to acquire Hawaii trade lane business from Horizon Lines, Inc. (OTCPK:HRZL) for approximately \$140 million on November 11, 2014. Under the terms of the agreement, Pasha will acquire certain subsidiaries of Horizon constituting nearly all of Horizon's Hawaii trade-lane business. Pasha Group funded the transaction through committed debt financing agreement.
11/7/2014	Campus Bellhops, LLC	Lowercase Capital; Great Oaks Venture Capital LLC; Bullet Time GP, LLC; Binary Capital; Queensbridge Venture Partners	Air Freight and Logistics (Primary)	Bellhops announced that it has received \$6.5 million in its series A round of funding led new investor Binary Capital Fund I, L.P., Binary Capital on November 7, 2014. The company has not disclosed its valuation or revenues.
10/27/2014	A&S Services Group, LLC	Celadon Group Inc. (NYSE:CGI)	Road Transportation of Freight (Primary)	Celadon Group Inc. (NYSE:CGI) acquired A&S Services Group, LLC from Larsen MacColl Partners, L.P. for \$86.8 million on October 24, 2014. As per the terms of the deal, Celadon Group will pay \$55 million in cash and \$31.8 million in operating leases that Celadon will capitalize and record on its balance sheet.
10/1/2014	Barr-Nunn Transportation, Inc.	Knight Transportation Inc. (NYSE:KNX)	Road Transportation of Freight (Primary)	Knight Transportation Inc. (NYSE:KNX) acquired Barr-Nunn Transportation, Inc. for approximately \$120 million on October 1, 2014. The purchase price is subject to further adjustments, including a post-closing true-up. As a part of consideration, Knight Transportation paid \$112.4 in cash, valued on a cash-free, debt-free basis and \$3.5 million earn-out payment.

Source: CapIQ

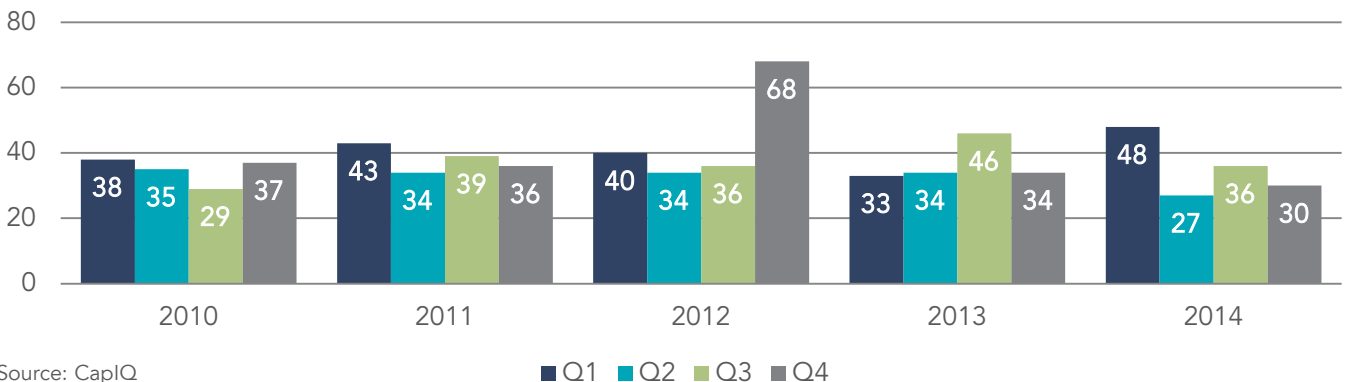
## US LOGISTICS M&A ACTIVITY



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.





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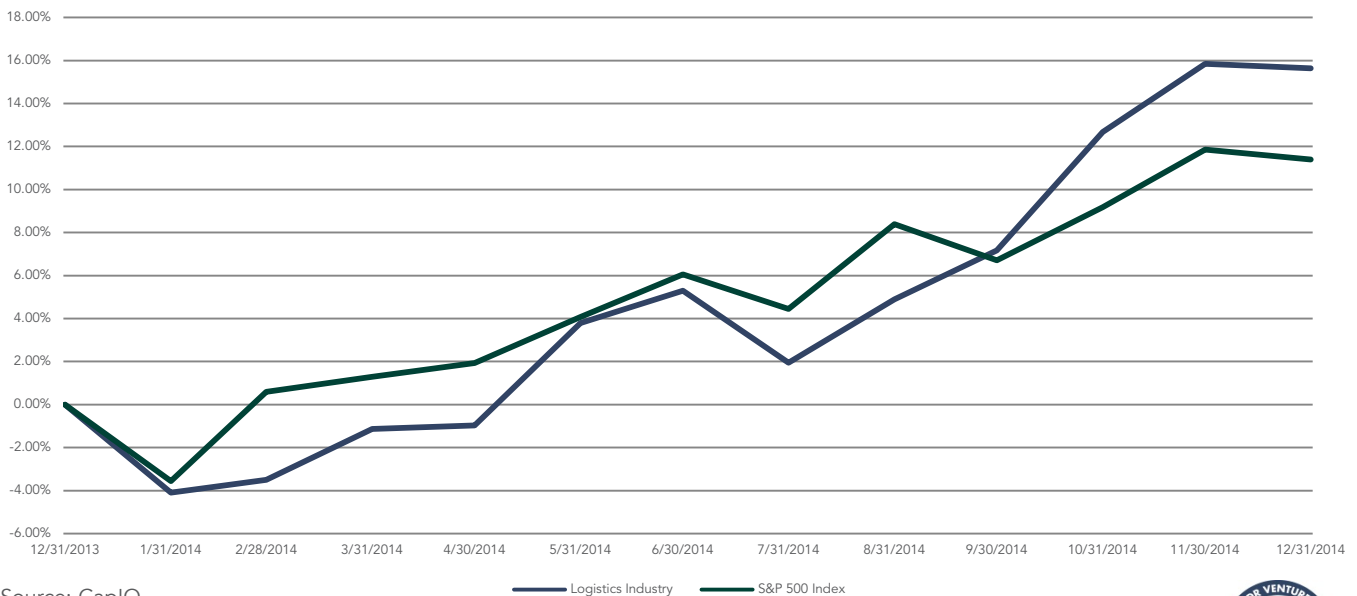
## PUBLIC BASKET

Throughout the fourth quarter of 2014 the public sector of the logistics industry outpaced the S&P 500 by more than 4%. This growth is due primarily to the continual upswing of e-commerce and consumer spending. As the use of e-commerce and mobile commerce have grown, so has the outsourcing of services to third-party logistics providers. Further driving the industry's expansion and profitability has been the reduction of international trade barriers and costs associated with transportation and freight. Large cap market leaders such as FedEx, Union Pacific, UPS and CH Robinson Worldwide have been able to take advantage of changing economic conditions and have seen positive performance, while small cap companies have suffered. In late November, the U.S. economy saw a slight decline caused by uncertainty in oil prices. This market movement caused a decline for all logistics companies; however, as an industry heading into 2015, it is still outperforming its benchmark.

Company	Symbol	State	Market Cap		Stock Price			Price/ LTM EPS	Price/ Book	TEV/ Rev	TEV/ EBITDA
			(\$ in Mil)	Price	Month Change	YTD Change					
CH Robinson Worldwide Inc.	NasdaqGS:CH	MN	\$ 10,548	\$ 72.72	(1.38%)	24.63%	24.9x	10.4x	0.8x	14.7x	
Astea International Inc.	NasdaqCM:A1	PA	\$ 5	\$ 1.47	13.95%	(42.35%)	NM	5.8x	0.2x	NM	
Baltic Trading Limited	NYSE:BALT	NY	\$ 137	\$ 2.38	(24.36%)	(63.12%)	NM	0.4x	5.8x	24.7x	
CSX Corp.	NYSE:CSX	FL	\$ 34,371	\$ 35.27	(3.36%)	22.58%	18.8x	3.1x	3.4x	9.2x	
FedEx Corporation	NYSE:FDX	TN	\$ 49,928	\$ 177.12	(0.60%)	23.19%	24.1x	3.3x	1.1x	8.4x	
FreeSeas Inc.	NasdaqCM:FF	NA	\$ 10	\$ 0.09	(26.67%)	(96.30%)	NM	0.1x	5.9x	NM	
Globus Maritime Limited	NasdaqGM:G	NY	\$ 26	\$ 2.35	(26.10%)	(40.66%)	13.0x	0.4x	3.7x	13.6x	
Providence and Worcester R	NasdaqGM:PV	MA	\$ 86	\$ 17.65	(6.27%)	(9.72%)	65.5x	1.1x	2.5x	14.2x	
Union Pacific Corporation	NYSE:UNP	NE	\$ 99,881	\$ 113.76	(2.58%)	35.43%	20.7x	4.6x	4.7x	10.7x	
United Parcel Service, Inc.	NYSE:UPS	GA	\$ 100,254	\$ 110.72	0.73%	5.37%	28.4x	17.9x	1.9x	13.4x	
<b>Average</b>			<b>\$ 29,525</b>	<b>\$ 53.35</b>	<b>(7.66%)</b>	<b>(14.10%)</b>	<b>27.9x</b>	<b>4.7x</b>	<b>3.0x</b>	<b>13.6x</b>	

Source: CapIQ

## LOGISTICS INDUSTRY VS. S&P 500 RUNNING 12 MONTHS



Source: CapIQ



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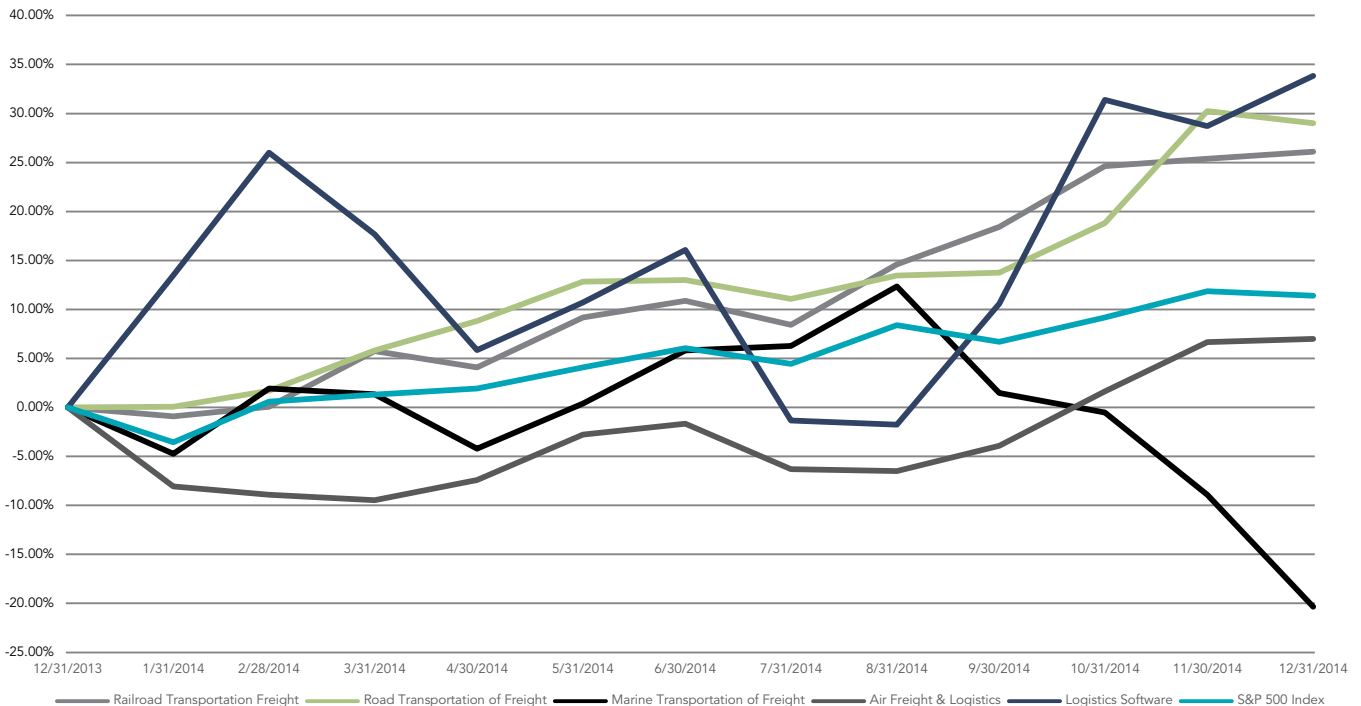
## INDUSTRY SEGMENTS

The fourth quarter of 2014 proved to be positive for all industry segments, except one, with an average growth of 5% since the end of September. Marine Transportation and Freight is the only industry segment that has seen a downturn in Q4. This segment had declining market movements since Q3 and continued to show considerable losses, likely driven by unstable economic outlooks for both Europe and Asia, going into year end. The decline within marine transportation is reflected in Kirby Corporation's tumbling share price and more than \$1.8 billion reduction in market cap. Leading the industry is Road Transportation of Freight with a 13% growth this quarter, outperforming the YTD industry average by almost 10% and S&P 500 by 14%. The logistics industry as a whole has seen considerable growth this quarter; however, the uncertainty within the oil markets has affected each segment differently pending its response to unstable oil prices.

Market Segment	Market Cap	Stock Price			Price/ LTM EPS	Price/ Book	TEV/ Sales	TEV/ EBITDA
		Month	YTD	LTM				
Railroad Transportation of Freight	\$ 32,383	0.6%	26.1%	26.1%	19.71x	3.24x	3.57x	9.57x
Road Transportation of Freight	\$ 2,397	(0.9%)	29.0%	29.0%	27.84x	4.30x	1.27x	9.74x
Marine Transportation of Freight	\$ 598	(12.6%)	(20.4%)	(20.4%)	23.87x	0.87x	4.78x	11.63x
Air Freight and Logistics	\$ 12,875	0.3%	7.0%	7.0%	24.72x	4.43x	1.10x	17.03x
Logistics Software	\$ 1,132	4.0%	33.8%	33.8%	42.45x	9.80x	2.52x	19.25x
Industry Average	\$ 6,544	(0.2%)	15.6%	15.6%	24.57x	2.43x	2.85x	12.59x
S&P 500 Average	\$ 37,711	(0.4%)	11.4%	11.4%	27.79x	4.98x	3.23x	11.72x

Source: CapIQ

## LOGISTICS SEGMENTS VS. S&P 500 RUNNING 12 MONTHS



Source: CapIQ

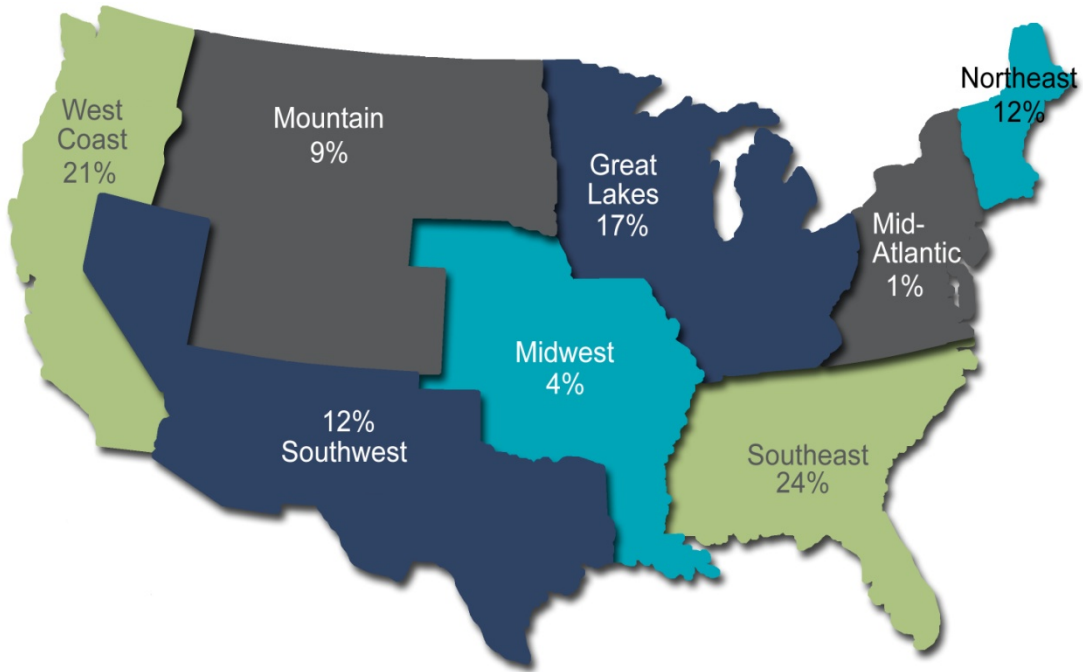


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## INDUSTRY GEOGRAPHY

### COMPANIES BY REGION

LOGISTICS COMPANIES BY REGION AS OF DECEMBER 31, 2014



Source: CapIQ

### COMPANIES BY SIZE

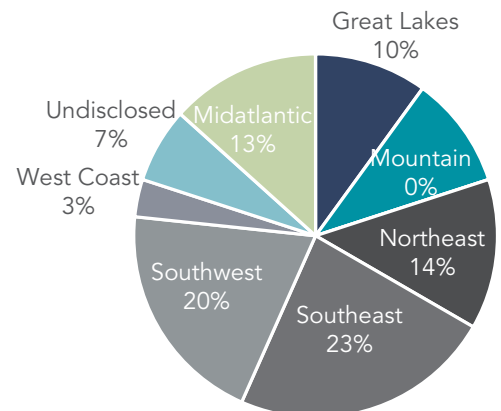
State	Undisclosed	\$ 0 - 5 Revenue	\$5 - 10 Revenue	\$10 - 25 Revenue	\$25 - 50 Revenue	\$50 - 100 Revenue	\$100+ Revenue
AZ	94	1	1	0	0	0	9
CO	86	1	2	0	0	0	6
KS	82	0	2	1	0	1	4
ND	48	0	0	0	0	0	5
NE	68	0	2	0	0	0	8
NM	22	0	1	0	0	0	0
OK	94	0	0	0	0	0	3
SD	21	0	2	0	0	0	2
TX	715	0	2	0	1	1	32
UT	71	0	2	0	0	0	5
WY	12	0	0	0	0	0	1

\* Revenue in millions

Source: CapIQ

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### TRANSACTIONS BY REGION



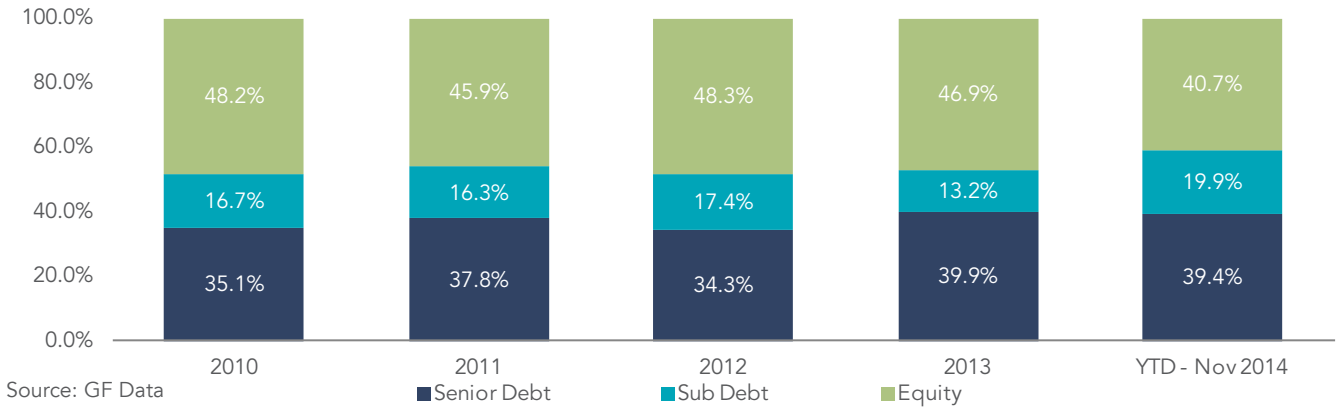
Source: CapIQ



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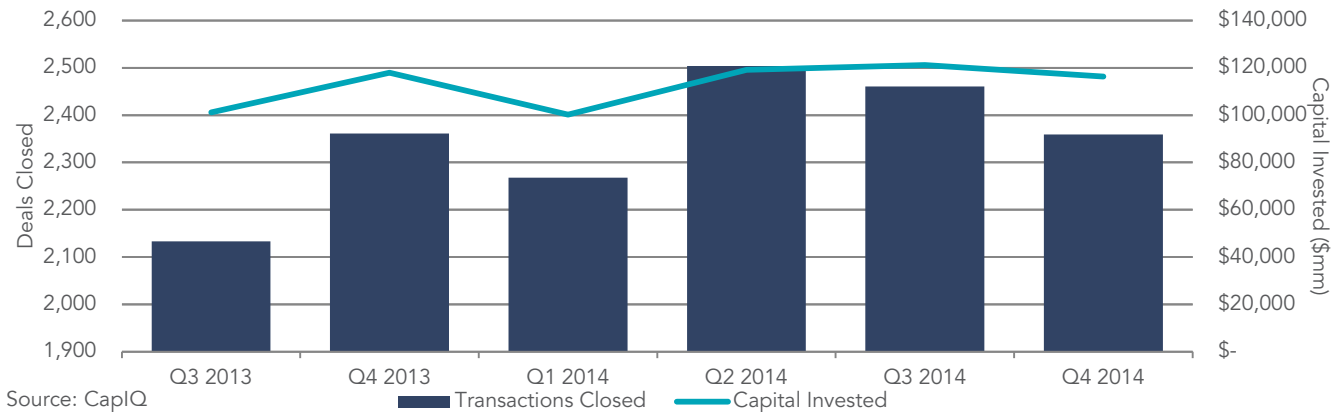
## M&A MARKET ACTIVITY, OVERALL LOWER MIDDLE MARKET

### CAPITAL STACK - \$10-25 MILLION TEV



Source: GF Data

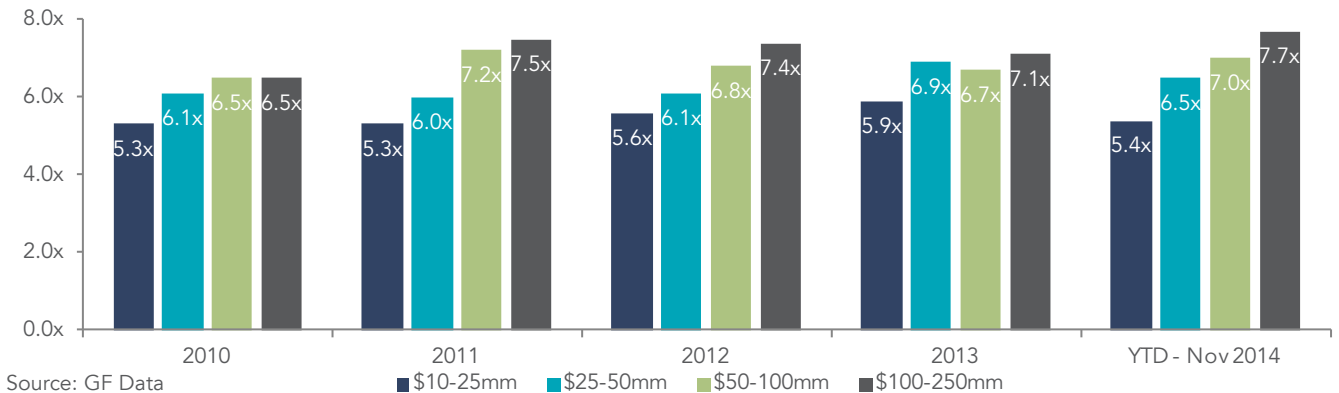
### US MIDDLE MARKET M&A ACTIVITY



Source: CapIQ

### TRANSACTION MULTIPLES

#### EBITDA MULTIPLES BY TRANSACTION SIZE



Source: GF Data

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.

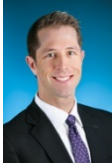




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## ABOUT SDR VENTURES

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 Owners<sup>SM</sup> helps business owners maximize value in their business. SDR offers transaction advisory, capital formation, strategic advisory and performance exchange services.



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## 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.

### PRIVATE CAPITAL FORMATION

#### Capital Placement

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

#### Recapitalization

Whether recapitalizing a majority or minority of your company, we tailor our process to each client's specific needs to generate multiple options and favorable terms.

## RECENT TRANSACTIONS

<p>DECEMBER 2014</p> <p>Deal financing provided by</p> <p><b>Guaranty Bank and Trust Company</b></p> <p>SDR Ventures CAPITAL FORMATION</p>	<p>OCTOBER 2014</p> <p>Has been acquired by</p> <p>SDR Ventures SELL SIDE TRANSACTION</p>	<p>AUGUST 2014</p> <p>Has been acquired by</p> <p><b>Private Investor Group</b></p> <p>SDR Ventures SELL SIDE TRANSACTION</p>	<p>JULY 2014</p> <p>Has completed a equity recapitalization with</p> <p><b>REVELSTOKE CAPITAL PARTNERS LLC</b></p> <p>SDR Ventures CAPITAL FORMATION</p>	<p>JULY 2014</p> <p>Has been acquired by</p> <p>SDR Ventures SELL SIDE TRANSACTION</p>	<p>APRIL 2014</p> <p>Has been acquired by</p> <p><b>Barkwood, Inc.</b></p> <p>SDR Ventures SELL SIDE TRANSACTION</p>
<p>MARCH 2014</p> <p><b>PAN Capital Holdings LLC</b></p> <p>Commercial real estate loan provided by</p> <p><b>Hexagon</b></p> <p>SDR Ventures CAPITAL FORMATION</p>	<p>NOVEMBER 2013</p> <p>Has acquired</p> <p><b>A Business Unit of a Public Company</b></p> <p>SDR Ventures BUY SIDE TRANSACTION</p>	<p>OCTOBER 2013</p> <p>Deal financing provided by</p> <p><b>ColBiz Structured Finance</b> ColBiz 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><b>Zeus &amp; Company</b></p> <p>SDR Ventures BUY SIDE TRANSACTION</p>	<p>NOVEMBER 2013</p> <p>Has acquired</p> <p>SDR Ventures BUY SIDE TRANSACTION</p>

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