

### SECTOR TRANSACTION LEVELS STEADY, AS PRIVATE EQUITY INTEREST REMAINS STRONG

Transaction volume has fallen back slightly in the second quarter of 2022, yet with significant domestic and international private equity investment continuing to drive deal activity, both in acquiring logistics assets and in funding consolidation growth plans.

- ▶ UK private equity investment included the acquisition of Inchcape Shipping Services by Epris LLP, Winch & Co continuing their sector investment by acquiring their second transport business in six months and Cathay Investments' acquisition of Mercian.
- ▶ US private equity activity continued, with TSG Consumer Partners acquiring a majority stake in Cadogan Tate, a specialist in the transport of fine art and other valuable possessions, and GreenPoint Partners investing in Infinium Logistics, a final mile logistics platform.
- ▶ PE-backed trade acquisitions included Belgium based Customs Support Group acquiring Osburn Customs Services, representing its 10th acquisition since 2021, following investment by Castik Capital.

Trade consolidation also continued. CitySprint, recently acquired by DPD, bought Urgent Deliveries, a regional express delivery service provider. Deal interest continued across the sector spectrum, including customs services, technology, freight forwarding and specialist niche logistics.

M&A activity at the larger end of the market remains strong. The acquisition of Clipper Logistics by GXO completed in Q2 with an enterprise value of c. £1bn. This required international clearances and authorisations. The acquisition of John Menzies plc by Kuwaiti Agility Logistics, valuing the business around £1bn is expected to complete in August. CMA CGM acquired GEFCO, European automotive logistics provider, consolidating its market position, whilst strengthening the range of logistics services it offers, creating one of the world's largest automotive logistics providers.

XPO announced their latest strategic split, this time carving out their European operations through either a sale or listing on a European Stock exchange. The CEO noted, "by separating these businesses through a spinoff, we can significantly enhance value creation for

our customers, employees and shareholders, as we did with our successful spinoff of GXO last year".

Make UK's Q2 2022 Manufacturing Outlook report, prepared in partnership with BDO and ahead of the recent Bank of England announcements, found manufacturers in many sectors seeing activity slow down and prices rise at record rates. For the third quarter in a row the growth of output and orders reduced. Access to materials is still a problem for those with robust order books. BDO's recent Retail Forecast reported an expectation that customers will be unlikely to accept price rises, particularly when it comes to non-discretionary products. Rising prices were also identified as beginning to put off international customers from UK goods.

As the economic pressures driving inflation and fears of recession have escalated over the last few weeks we are certainly heading into an uncertain time. With energy price hikes, political leadership turmoil, increases in NIC and more in corporation tax to come, and interest rates heading up, the sector will need to remain flexible and resilient to market changes, with the primary focus once again on operational efficiency and service effectiveness to maintain performance. While these economic pressures can be a driver for consolidation, uncertainty as to future earnings will have a knock-on effect on consideration of valuation, which will create some interesting challenges for the next six months of market activity.

**15 DEALS COMPLETED IN Q2**

**40%**  
OF DEALS IN Q2 WERE  
**CROSS BORDER**

**PRIVATE EQUITY BACKING INVOLVED IN OVER HALF OF Q2 DEALS**

DEAL VOLUME & VALUE 2017 - 2022 (Q2)



## EPIRIS' ACQUISITION OF INCHCAPE SERVICES

UK private equity manager Epiris LLP has acquired Inchcape Services, UK-based provider of strategic maritime, cargo, and supply chain solutions to ship owners and operators in various market segments, vessels, and asset types worldwide.

Inchcape recently recorded c. £400mn of revenue, and £33m of EBITDA. The PE backers stated, **“(they are) backing a global market leader with untapped potential and where our experience in strategy, operational excellence and M&A can be used to help the team transform the business.”**

PE investment continues to drive M&A activity in the sector, with opportunity for further consolidation in the market encouraging buy & build strategies.



## TSG CONSUMER PARTNERS' ACQUISITION OF CADOGAN TATE LIMITED

Cadogan Tate, a £20m revenue UK-based logistics group that offers packing, moving, shipping, storage and insurance for fine art and other valuable possessions, has been acquired by US based private equity house TSG Consumer Partners.

With TSG support, the company plans to grow into new geographies and deepen its presence in existing markets through greenfield site development and acquisitions. The CEO noted **“this is the perfect time to bring on a new growth partner”** and **“leverage their digital capabilities and expertise in developing brands internationally”**.

## CITYSPRINT'S ACQUISITION OF ECOSPEED

CitySprint, a UK-based provider of courier and logistics services with expertise in same day delivery services, backed by the DPD Group in 2021 for a rumoured £250m, has acquired Urgent Deliveries Ltd (also known as EcoSpeed), a provider of same day urgent courier services and transportation services across Manchester and surrounding areas.

The acquisition of a strong regional courier business highlights CitySprint's ongoing growth strategy. EcoSpeed will gain access to CitySprint's national same day delivery network, whilst CitySprint continues growing its market share through consolidation.



## US INVESTMENT FLOWING INTO THE UK, WITH THE ACQUISITION OF INFINIUM LOGISTICS

Infinium, UK-based last mile logistics platform at the forefront of decarbonization, advanced fulfilment, delivery and parking solutions, has been acquired by New York's GreenPoint Partners, making its first investment from its new real assets technology fund, which invests in businesses underpinning the digital transformation of real asset industries.

Infinium currently manages around 30 sites across Europe and is targeting a £500 million portfolio of owned assets across Europe with full electrification infrastructure.

James Lee, Founder and Executive Chairman of Infinium Logistics, noted, **“Nowhere is the intersection of technology, real estate and sustainability more pronounced than final mile logistics and the transition of delivery vans and trucks to new, low carbon energy sources. GreenPoint Partners is a business that understands and shares this unique cross section of expertise and is the perfect partner to support the rapid growth of our platform.”**

It is anticipated that technology will drive significant shifts in real estate, and GreenPoint view this transition as an exciting investment opportunity. Success will require both tech enabled operating platforms and high-quality underlying real estate to pursue this growth strategy.

## PENTAGON FREIGHT SERVICES ACQUIRES CARLBOM SHIPPING

Pentagon Freight Services, £43m revenue UK-based provider of freight forwarding and logistics services to the oil and gas industry worldwide, has acquired Carlbom Shipping, marine ports and services company offering transportation support services, founded in 1897.

Carlbom's expertise in ships' agency, its prominent presence in the Humber region and its expertise in servicing offshore windfarms, combined with Pentagon's international logistics network in the UK, Europe, Australasia, the Middle East, and the Americas, enables the combined entity to offer unprecedented levels of coverage to clients across the international maritime and logistics sectors.

Pentagon's first acquisition was described as **"one to further enhance Pentagon's worldwide service provision and secure a new strategic location in Europe."**



## WINCH & CO CONTINUES ITS LOGISTICS RUN

Winch & Co, a boutique private equity firm based in Leeds, has acquired its second transport business in six months, having set its sights on adding five logistics businesses to its portfolio.

Eclipse Distribution, a UK-based haulage and logistics company, was acquired in Q4 last year for £4m, which was followed by the acquisition of Dedicated Transport Solutions (DTS), a UK based freight trucking services provider, in April this year.

Winch said: **"If there's anything the Covid pandemic taught us, it's the importance of logistics and warehousing. Without operators such as DTS and Eclipse, the nation would have ground to a halt."**

Winch & Co's strategy indicates the current market appetite, and available dry powder for the logistics sector.

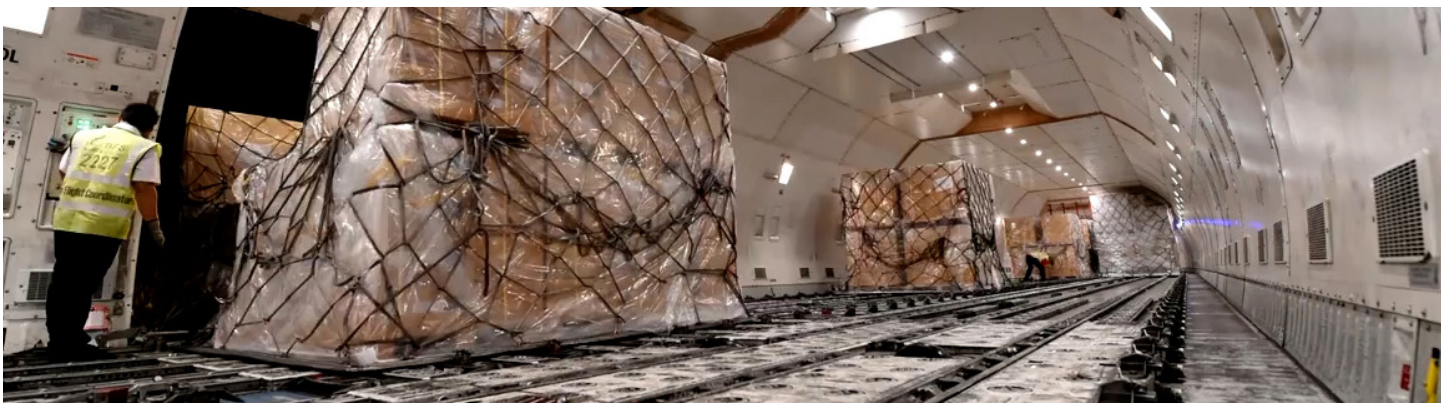
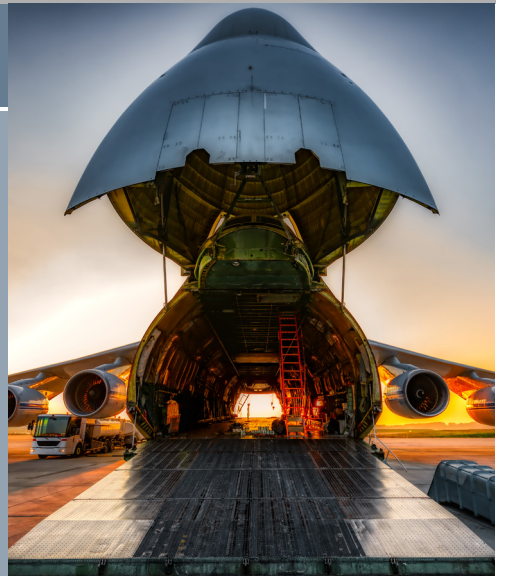


## CUSTOMS SUPPORT GROUP CONTINUES ITS BUY AND BUILD STRATEGY

Customs Support Group, 500 employee Netherlands-based digital customs agent providing customs solutions in handling customs formalities in Europe, was backed by Luxembourg-based Castik Capital, in November 2020 to support its growth strategy to become the leading European independent customs broker through organic growth and acquisitions.

It has since made acquisitions across Europe, most recently in Q2 2022 acquiring KSI Portline, UK customs clearance service provider, and Osburn Customs Services, UK-based provider of customs clearance and bonded warehousing services for the import and export community. In July 2022 it acquired Belgium-based customs provider, Portmade.

Customs Support Group's PE-backed buy and build strategy has now led to over ten acquisitions, and it has become the leader in the UK and one of the leaders across Europe. The acquisitions allow it to offer customers the opportunity to benefit from all of its wider European operations.

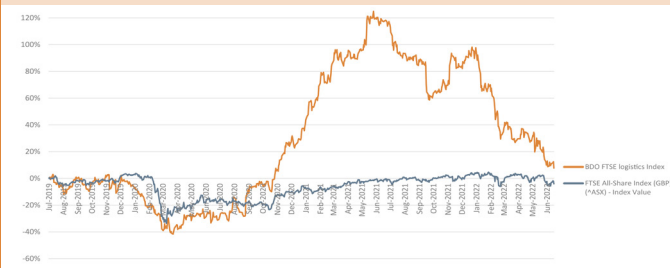


## BDO LOGISTICS

We have updated the BDO Logistics FTSE Index to reflect a three year rolling valuation tracker. It also sees the removal of Clipper Logistics from the index following completion of its sale to GXO and subsequent de-listing in May 22.

The chart demonstrates that most of the value gains made by the Logistics index over the FTSE All Share Index through the pandemic have now fallen back. The significant gains when the Logistics index rose by 69% in the six months to June 21, have been balanced by a steady decline to 8% above the starting point by end of June 2022. This reflects the repositioning of consumer spending patterns with the return to the high street, the threat of inflation, particularly with increasing labour and fuel costs, and the Ukraine war impacting consumer confidence. The FTSE All-Share Index has recovered steadily during the same period.

### BDO LISTED LOGISTICS FIRMS VS FTSE ALL-SHARE INDEX JULY 19 - JUNE 22



### Points to note from the quarter:



**Xpediator's** share price witnessed a sharp decline of 33% in Q2, following the announcement of its results in the first week of April and continued uncertainty following a number of recent director changes, despite announcing the re-appointment of the CFO active from 1st July. Revenues and adjusted profit before tax for the year to December 2021 presented a 34% and 25% increase against the prior year respectively, however cash generation from operating activities declined from £14.1m in 2020 to £4.7m in 2021. **Royal Mail Group** dipped 19% in the quarter, following publication of its annual results to March 2022, which presented a declining operating profit of 6% against the previous year, with a weakening net debt and cash flow position.



**Braemar Shipping Services'** market cap improved 11% in the quarter, as it benefited from increased demand as the market looks for alternatives to road and freight shipments given the labour constraints and increasing costs. In addition, market analysts have suggested a positive outlook for 2023, with EBITDA forecast to grow from £12.6m to £15.8m in 2023.

## BDO LOGISTICS

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<https://www.bdo.co.uk/en-gb/insights/industries/retail-and-wholesale/logistics-and-supply-chain-management-delivering-quality-service>



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