

FOLLOWING A RECORD YEAR IN 2021, THE DRIVE FOR CONSOLIDATION CONTINUES INTO 2022.

Transaction activity has remained buoyant into the first quarter of 2022, with a disclosed transaction value of over £1bn, dominated by the acquisition of Clipper Logistics by GXO. This is included on the basis it has now received shareholder approval, but formal completion is scheduled for the end of May. In addition, other high profile transactions, such as the acquisition of John Menzies plc by Kuwaiti Agility Logistics for c. £1bn, were announced but await approval.

Deal activity and interest continues across the sector spectrum, including fulfilment, pallets, ambient chilled and frozen distribution, and technology. The appetite for quality real estate also remains strong, with Urban Logistics acquiring £72m of assets in February. Savills recently reported 2021 as having the lowest supply and vacancy rate in sq ft of warehousing since 2010, as trade parties search out capacity as they accelerate their expansion plans.

Attracted by value-added asset-light services, increased technology enablement and enhanced growth dynamics, private equity investors remain active. Axcel completed a double investment, acquiring both Carousel from Livingbridge, and the Danish based Danx, with the intention to merge the companies to form a combined group with turnover of 188m EUR.

Transaction valuations are dependent on many variables. Diversification across sectors, provision of value-add/specialised services, utilisation of technology and automation, quality of customers, and global reach are all important factors. Despite more turbulent economic headwinds, valuations across the sector remain high, with trade parties in particular prepared to recognise the significant growth opportunities and synergies available through consolidation for businesses with scale and global reach. GXO's offer values Clipper at 13.6x post synergies profit, 27.0x profit before cost synergies.

Looking forward it is difficult to ignore the increased challenges we are all now facing. The situation in Ukraine, continued supply chain disruption in key locations around the world, and the significant inflationary pressures, particularly in energy and fuel, are starting to have an increasing impact. With cost increases across the market some are currently benefitting through cost-plus contracts, the inflated price of freight, or the ability to agree increased pricing, but we are yet to understand the ultimate impact on consumer demand. It remains to be seen whether e-commerce, which boomed during the pandemic, is vulnerable to a possible dip in consumer confidence and a fall in economic activity.

The decision to delay the last implementation of Brexit checks in July once more will relieve some potential bottlenecks, but the recent disruption caused by the P&O affair coupled with the return of leisure travel produced more headlines highlighting ongoing stresses across the sector. However, such events and disruption continue to allow the industry to shine a light on the benefit and value in quality service. Generally logistics remains a sector operating with tight margins and hence businesses remain focused on how to drive these up. More competitive pricing, investment in new technology and delivering operational efficiencies remain the core points of focus.

44% OF DEALS IN Q1 WERE CROSSBORDER

11% OF Q1 DEALS INVOLVED PRIVATE EQUITY INVESTMENT

18 DEALS COMPLETED IN Q1

QUARTERLY DISCLOSED TRANSACTION VALUE OVER £1BN, DOMINATED BY APPROVAL OF GXO'S ACQUISITION OF CLIPPER LOGISTICS

DEAL VOLUME & VALUE 2016 - 2022 (Q1)



AGILITY LOGISTICS' ACQUISITION OF JOHN MENZIES PLC

UK-based logistics solutions company John Menzies plc is currently negotiating its sale to Agility, the Kuwait-based company providing warehousing facilities, transportation and freight management services, for an enterprise value of £1.1bn, valuing each share at £6.05.

The board rejected previous offers of £4.60 and £5.10 per share on the basis the valuation had not reflected the full impact of management's actions with volume not yet returning to pre-pandemic levels.

The deal is still currently being discussed.



STEF SA'S ACQUISITION OF LANGDON GROUP

Langdon Group, UK-based provider of temperature controlled haulage and warehousing services, has been acquired by Stef SA, the French company engaged in the transportation of fresh and frozen products and seafood.

Nagel-Group, who acquired the business in 2004, will continue to make use of the Langdon Group's distribution network for its operations in the UK following the disposal.

The acquisition of Langdon Group represents an important step in STEF Group's network development strategy and an 8th country of operation in Europe. It also allows Nagel-Group to progress in its strategy of concentrating its resources on its European activities, while maintaining a strong partner in the UK.

BUSINESS GROWTH FUND'S SALE OF 365 RESPONSE LIMITED

365 Response Limited, UK-based developer of transport management and procurement software to the NHS and local government organisations, has been acquired by RLDatix, UK-based provider of governance, risk and compliance and workforce management solutions for healthcare.

This transaction provided BGF with an exit strategy for the mission critical transport management provider following their £3m investment in September 2020, accelerating the technology platform development, and scaling up operations.

Further investment took place in October 21 to help fund two strategic bolt-ons, prior to the successful exit.



AXCEL MANAGEMENT'S ACQUISITION OF CAROUSEL LOGISTICS LIMITED

Carousel Logistics Limited, a UK-based integrated logistics solutions provider, has been acquired by Danish private equity firm Axcel Management, with a simultaneous acquisition of Danish in-night logistics provider of spare parts DANX.

Axcel Management provided Livingbridge, a UK private equity investor, with an exit following a nine year investment, during which the business maintained a strategy for continued organic growth through existing client penetration, new client development in current and adjacent sectors, geographic market expansion and value-added service progression. The business expanded its international footprint and service offering, leading to a 500% increase in revenue during the investment term.

Livingbridge took advantage of a growing sector, where continued investments lead to exponential growth. Axcel is now acquiring and merging Carousel and Danx to create a pan-European in-night logistics provider.

The CEO noted, "Livingbridge has played an integral role in providing expertise and guidance that has enabled us to optimise our offering and scale the business internationally through organic development and acquisitions. We are now in a strong position to embark on a new chapter with Axcel and DANX A/S and to further establish ourselves as the premier pan-European logistics player."

MBO OF EXPECT DISTRIBUTION

Expect Distribution, a UK-based provider of logistics services, has been acquired in a MBO whereby the management team acquired a majority stake in the business from the current owners, R & N Rushworth.

The MBO at the “MotorTransport Haulier of the Year” by its operations and financial directors, and backed by Shawbrook Bank, aims to ensure business continuity.

The new shareholders noted, “Expect is a business that is close to our hearts, and we are excited to take responsibility for its future growth”.



STORSKOGEN UK'S ACQUISITION OF STOP START TRANSPORT LIMITED

Stop Start Transport Limited, UK based provider of bespoke solutions for warehouse, logistics, and distribution needs, has been acquired by Swedish investment company StorskoGen.

This acquisition marks the investment firm's first logistics acquisition, and their fifth acquisition in the last 12 months.

Third party investment into the sector is increasing, as the pandemic has highlighted the importance of an efficient and effective supply chain. Further investment is to be expected.



GXO LOGISTICS' ACQUISITION OF CLIPPER LOGISTICS PLC

Clipper Logistics, UK logistics services provider to the retail sector, have confirmed that the shareholders have approved its sale to GXO Logistics Inc, the US-based provider of outsourced supply chain management and warehousing services, for a consideration of £965m.

The transaction is subject to completion of confirmatory due diligence, agreement of the detailed terms of the offer and finalising debt finance terms.

GXO have valued each share at c.£9.20, giving an equity value of £965m, an implied enterprise value / 2022 adjusted EBIT (IAS 17 basis) multiple of 13.6x when factoring in full annual run-rate cost synergies, and 27.0x pre-synergies.

It is expected that significant further value will result from the creation of a combined business with a global footprint that better matches its customers' footprint.



BDO FTSE LOGISTICS INDEX VS FTSE ALL-SHARE INDEX JULY 19 – MARCH 22

The BDO Logistics FTSE Index returned to growth on the back of Q4's reversal, with a modest 0.5% quarterly increase. This increase compares to a FTSE All-Share decrease of 0.5%.



Following a 25% rise in the previous quarter, **Royal Mail Group** saw its share price declining 37%, reaching its lowest value in the last 12 months. Although performance remained ahead of pre-pandemic levels, parcel volumes experienced a 7% decline for the quarter versus a year ago. In addition, absences peaked in January costing more than £340 million in overtime, additional temporary staffing and sick pay, as well as targeted support for the offices most impacted.



Clipper Group witnessed a 23% quarterly increase, with an intra quarter decline of 14% mid January prior to the announcement of the GXO offer. GXO's offer presents a 49% premium to the share price on the last business day of the proposal.

BDO LOGISTICS

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With details of our teams and service line offerings, and of our wide deal experience, client contacts and networks in the sector, find out more about how we can help you.

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



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