



DCFL Insights

The Haulage Sector in the UK

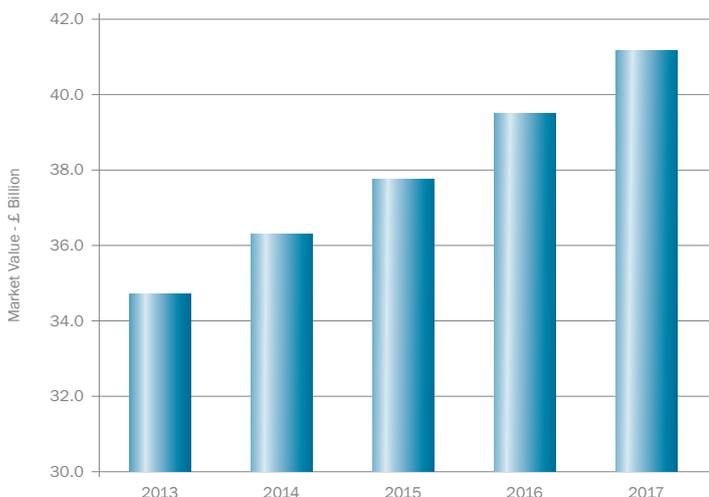
Executive Summary

The fortunes of the transport and logistics industry are closely connected to the economic cycle; when economic activity is buoyant, higher volumes of goods inevitably translates into increased demand for transport and logistics services. With the UK economy finally emerging from recession the logistics sector is showing similar signs of sustained recovery. UK GDP is forecast to grow at an average rate of 2.5% over the next two years with positive implications for the sector as a whole.

UK Road Haulage Forecasts

The UK Road Haulage sector grew by 1.4% in 2012 to reach a value of £34.4bn and is forecast to have a value of £41.2bn by 2017 representing 3.7% annual average growth.

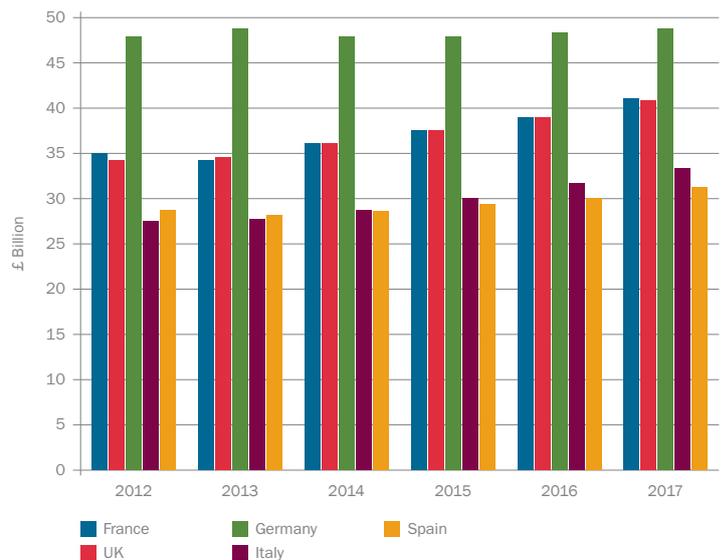
UK Road Haulage Sector Forecast Growth



Source: Datamonitor

This high level of growth compares favourably to the major European markets of Germany (0.4%) and France (3.2%). On current forecasts the UK will be on track to be the third largest market in Northern Europe.

European Road Haulage Markets



This increased market activity means that UK road haulers are optimistic with some forecasting revenue growth as high as 10%.

Government assistance for UK haulers

The UK Government has introduced a road user levy for HGVs of over 12 tonnes aimed at ensuring vehicles make a contribution to the wear and tear on the UK road network. However, for UK registered vehicles, Vehicle Excise Duty has been reduced and, consequently, over 90% of UK HGVs will not see costs rise. This new act will help the industry remain competitive by creating a level playing field for domestic operators.

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Air Freight and Shipping

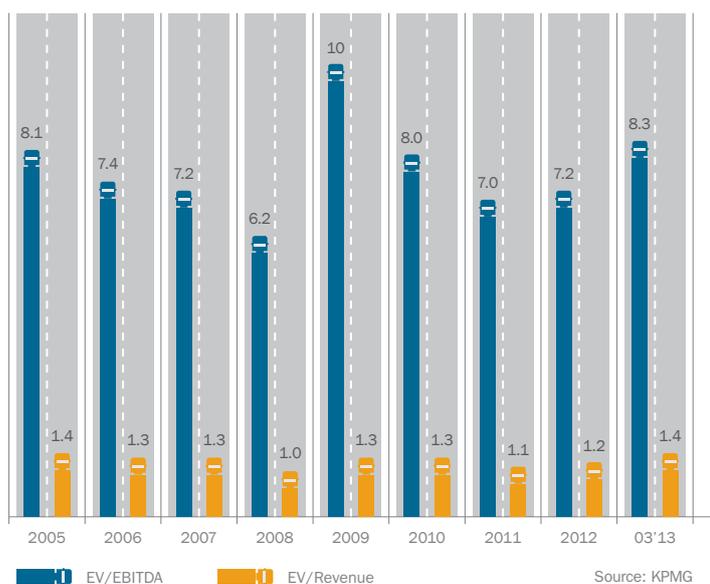
Air freight continues to be an integral part of the industry with 35% of the international trade in goods being by air. However, the UK air freight sector remains challenging as volumes continue to decline. Revenues are forecast to fall from £3.6bn in 2013 to £3.3bn in 2018, representing a decrease of 8.3%.

Despite the shipping industry still suffering from overcapacity the UK marine freight industry grew by 3.1% in 2013 to reach a value of £5.1bn and is forecast to reach £6.3bn in 2018. This mirrors the levels of growth forecast for the road haulage sector.

Global Insights on Mergers & Acquisitions (M&A)

The number of M&A transactions in the sector has fluctuated substantially since 2008. Last year saw a significant drop in number of deals taking the number down from 1,003 to 872 in 2013. However, the value of deals in 2013 actually rose to reach £32.3bn from £28.1bn in 2012 representing a 15% increase in deal value. Looking at valuation trends over the past three years we can see that multiples have risen year on year helping fuel the increase in deal values seen in 2013.

Transportation & Logistics NTM Multiple Valuation Trends



As the UK economy picks up steam M&A activity is expected to continue to grow both in terms of values and volumes.

Recent Mergers & Acquisitions

Imperial Tankers Ltd, a UK based provider of liquefied gases and bulk liquids haulage services, was acquired by Suttons Transport Group Ltd in September 2014 for around £27 million. Given that the two companies operate in the same sector the acquisition forms part of Suttons' strategy to simplify its operations and focus on core services.

The UK's largest privately owned container haulage firm, Maritime Group, acquired Aegeus Transport, for an undisclosed fee, in August 2014. The acquisition includes the entire company, employees and assets of the fourth largest container transport company in the UK.

Other recent transactions in the sector are Dfd's acquisition of Quayside International, a UK based freight transportation firm, in July 2014 and Simarco International Ltd acquisition of lfb Ltd, another UK based freight transportation company, in April 2014.

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