

UK LOGISTICS: A RE-EMERGING APPETITE FOR M&A

With the pandemic continuing to have a dramatic impact on our lives, and Brexit reaching the sharp end of the deal or no-deal decision-making, there is still a great deal of uncertainty in the economy, with performance being driven by the nature of the end-customer markets and the ability of businesses to adapt. E-commerce, food distribution into retail and international freight, particularly around PPE, are some of those markets that are continuing to see growth in demand against the backdrop of the further regional lockdown policies being implemented.

There remains a strong sense of caution across the market. However there are signs that trade buyers and investors are starting to see opportunities to generate value, and this is reflected in an increase in Q3 M&A

activity. Although deal volume year to date, at 33 deals, is significantly down on the previous year's 47 deals, there continues to be strong activity from key operators. Deal value in Q3 jumped off the scale due to the £900m acquisition by Advent International of the Hermes Parcelnet and Hermes Germany operations from Otto Group, and the £420m acquisition by Compania Logistica de Hidrocarburos CLH S.A. of fifteen storage terminals from Inter Terminals Limited. The larger deals reflect the appetite for market leadership and opportunity for operational performance benefits in scale.

Trade deals in the quarter made up two thirds of the deals, with PE both in the UK and US continuing to show interest in the UK market. The high level of available "investment ready" funds across private

equity means investors are actively engaged searching out both niche and disruptive growth opportunities.

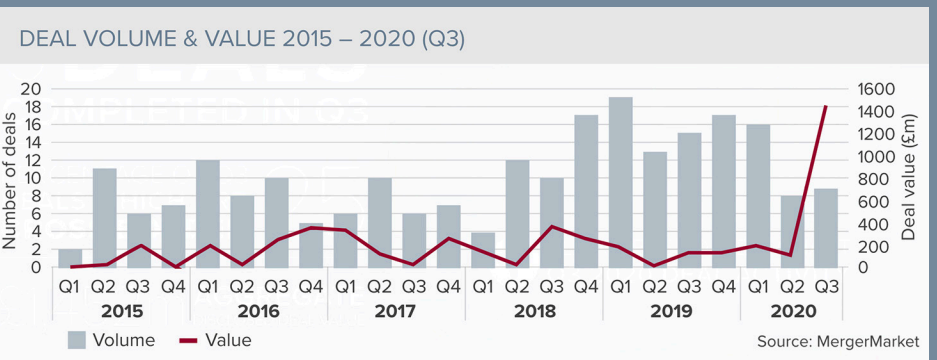
Having experience of previous downturns, I cannot avoid being apprehensive as the economic impact of the pandemic continues to unfold. However, I continue to be impressed by the way operators are proving to be exceptionally robust and resilient as they adapt, with a number delivering strong growth. Based on the conversations we are having in the market, companies continue to show appetite to make acquisitions in the forthcoming months to support the changing demands of the economic landscape, and the opportunities and challenges it presents.

JASON WHITWORTH, M&A PARTNER

9 DEALS COMPLETED IN Q3

PERCENTAGE OF Q3 DEALS WHICH ARE CROSS BORDER **25**

£1,452m AGGREGATE DISCLOSED DEAL VALUE



ADVENT INTERNATIONAL'S ACQUISITION OF HERMES PARCELNET AND HERMES GERMANY

Transaction value £903m

The Otto group has disposed of a significant portion of Hermes Parcelnet (75% stake) and Hermes Germany (including its group companies; 25% stake). Hermes, a provider of package delivery services specialising in B2C and C2C segments, expanded to the UK in 2000, reporting £73m EBITDA. The acquisition by Advent International, a US private equity firm, will enable Hermes to benefit from its resources and expertise, achieving further growth and development.



SALE OF FORTEC DISTRIBUTION NETWORK TO FOR-EX DISTRIBUTION NETWORK

Enterprise value: undisclosed

Fortec Distribution Network Limited, a UK based provider of palletised freight distribution services, was sold to For-ex Distribution Network, a subsidiary in the Pall-Ex group. Post deal, Fortec will continue to operate as a separate pallet network in the UK, as a part of the overall Pall-Ex group of companies. This is the second purchase by Pall-Ex Group, following its MBO in November 2019, strengthening its position in the UK.

PALATINE PRIVATE EQUITY'S ACQUISITION OF NRG FLEET SERVICES LTD

Transaction value: undisclosed

NRG Fleet Services, a UK based provider of fleet management services, was sold to private equity house, Palatine.

The transaction supports both organic and acquisitive growth of NRG, which Palatine will utilise as a buy & build platform, developing NRG's services and market position.

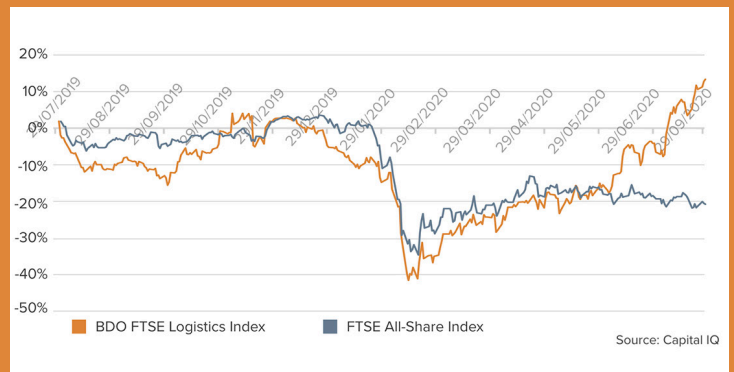


BDO LOGISTICS FTSE INDEX VS FTSE ALL-SHARE INDEX JULY 19 - SEPTEMBER 2

Following the reduction seen as the COVID-19 crisis hit the UK, the BDO Logistics Index has bounced back to levels 11% ahead of where our index started in July 2019. In comparison, the FTSE All-Share Index is 22% down over that period.

It is particularly from July of this year that the Logistics index has significantly outperformed the wider market, reflecting the recognition of the sector's role at the forefront of keeping the economy moving.

Both Clipper and Wincanton have presented positive outlooks, despite the uncertain backdrop and the impact of COVID-19, driven by their ability to leverage the growth seen in e-commerce and the expected economic stimulation through infrastructure investment.



THE NEXT EDITION OF THE UK LOGISTICS CONFIDENCE INDEX WILL BE RELEASED IN NOVEMBER 2020 - FIND OUT HOW THE SECTOR IS DOING...



The UK Logistics Confidence Index, produced by BDO in partnership with Barclays and specialist sector research agency Analytiqa, surveys 100 senior decision makers in the sector each year.

The report will focus on the latest hot topics and key issues impacting the sector, from the impact of COVID-19, Brexit and skills supply, through to changing end consumer requirements and the impact of automation.

TO DISCUSS ANY MATTERS ARISING FROM THIS UPDATE, PLEASE CONTACT OUR SECTOR TEAM:



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