

TECHNOLOGY LEADS THE WAY IN Q1 AS M&A APPETITE REMAINS HIGH

Key trends we have been talking about for some time include the drive to scale through consolidation, focus on growth areas of international freight, e-commerce and fulfilment, and interest in technology to enhance the service offering and deliver efficiencies. Investment activity in Q1 highlighted all of these, but this quarter the influence of technology in driving deal flow has been particularly apparent, as almost half of this quarter's deals in the sector were tech-related.

Against a backdrop of disrupted supply chains, increasing freight costs and new Brexit requirements, as well as shifting consumer demand, logistics providers are under increasing pressure to run more effectively and efficiently. Hence, systems that offer improved control and visibility of distribution and the ability to scale operations are sure to attract investors. Whether B2C or B2B, consumer expectations are driving higher across all aspects of delivery. The investor interest is widespread, from private equity, family office investors, specialist consultants and existing logistics technology specialists, through to traditional logistics operators. They are targeting software businesses across all aspects of the industry such as fleet telematics, workforce and

supply chain management, shipment tracking solutions and warehouse management systems.

Increased activity and demand for quality across key services such as international logistics, e-commerce, fulfilment and reverse logistics is reflected in the valuations of the leading listed companies, as the BDO FTSE Logistics Index continues to significantly outpace the FTSE All-share Index. In addition, the interest and influence of private equity in the sector continues to grow, with nearly 40% of deals this quarter involving direct investment, and that is before adding acquisitions by businesses already private equity backed. Key transactions include Equistone's investment in the international freight business Ligentia, which boasts smart technology and global international supply chains, and Constellation Cold Logistics' (backed by Arcus Infrastructure Partners) acquisition of HSH Cold Stores, looking to further the expansion across Europe of its specialist cold storage, logistics and tech-enabled value-add service group. Where key qualities across scalability, tech and management all come together, competition for investment opportunities is fierce, and valuations are being driven up.

It is still too early to say with certainty what long term impact the UK/EU Free Trade Agreement will have on the logistics sector, and the flow of goods – the Food and Drink Federation are at the time of writing reporting a substantial drop in figures for February 2021 particularly for exports of dairy and meat. However there is no doubt new paperwork and process requirements have driven up complexity and cost, and presented significant opportunities across customs, advisory and consultancy support services. International freight costs remain high and the pandemic disruption has been added to by events such as Ever Given's prolonged stay in the Suez Canal.

Looking forward, with the re-opening of non-essential retail stores in the UK, a retail boom on the back of pent-up demand is predicted by some. This may be at the expense of some online trading, but whatever the volume shift, it will no doubt have an impact on the demand for logistics services once more, and so the industry will need to remain agile to move with the times.

JASON WHITWORTH
M&A PARTNER

15 DEALS
COMPLETED IN Q4

27% OF DEALS IN Q1 ARE **CROSS BORDER**

>33% OF Q1 DEALS INVOLVED **PRIVATE EQUITY INVESTMENT**

£285m **AGGREGATE** DISCLOSED DEAL VALUE



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LOGISTICS M&A

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ACQUISITION OF LIGENTIA UK LIMITED BY EQUISTONE PARTNERS EUROPE LIMITED

UK private equity house Equistone backed the primary MBO of Ligentia, the UK-based company providing logistics, transportation, warehousing and supply chain management solutions.

Ligentia will continue to be led by the founder and CEO of the company alongside existing management, who will reinvest in the business.

Equistone will support Ligentia in delivering its ambitious growth plans through strategic acquisitions. It will also support the enhanced development of Ligentix, Ligentia's proprietary customer technology platform.



SALE OF STIRLING SOLUTIONS LIMITED TO MANDATA (Management and Data Services) LTD

LDC-backed Mandata has acquired Stirling Solutions, combining the expertise of two of the UK's longest established transport management software providers for the logistics and haulage industry.

The acquisition is in line with Mandata's strategy of strengthening its service offering, as transport operators outside the large companies with big budgets look for scalable solutions to help them manage their business processes.



CONSTELLATION COLD LOGISTICS' ACQUISITION OF HSH COLD STORES LIMITED

UK-based cold storage business HSH Cold Stores has been bought by Constellation Cold Logistics, a UK-based platform vehicle of Arcus Infrastructure Partners for acquiring logistics and cold storage businesses.

This is the fourth cold storage investment for Constellation, following investments in Norway, the Netherlands, and Belgium. Constellation is looking to establish a strong presence in the UK market, where the essential nature of cold chain logistics infrastructure has been highlighted through both the Brexit process and the COVID-19 pandemic.



SALE OF MATRIX TELEMATICS LIMITED TO BRIDGES FUND MANAGEMENT LIMITED

UK-based fleet telematics and software provider Matrix was acquired by UK-based private equity Bridges Fund Management Limited via an MBO.

Bridges noted this as a perfect example of the kind of exciting mission-driven businesses they are looking to partner with in the North-West – and the North of England more broadly – in the coming years.

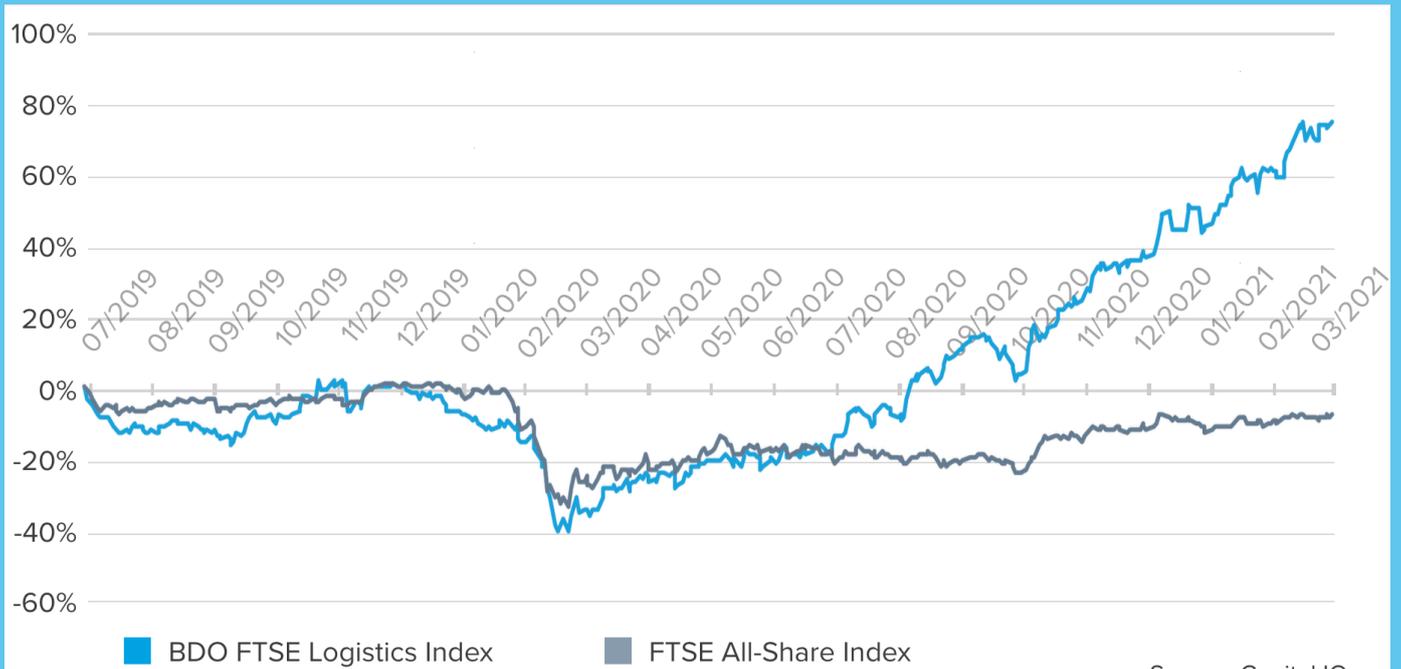


MULTIPLE ACQUISITIONS FOR CARIBOU WORLDWIDE LTD

In Q1 2021, Caribou has acquired Andover and Alton -based TM Couriers Limited, Manchester-based C&D Transport Solutions Ltd and Swindon-based Six Ten Logistics Ltd.

Caribou, the tech-focused parcel delivery group founded by Fresh Thinking Group, is going through a period of significant expansion, with plans to fulfil the vision of a much larger network, acquiring companies that will thrive in a collaborative holding group, where they share high-level resources and scale their offerings.

BDO LOGISTICS FTSE INDEX VS FTSE ALL-SHARE INDEX JULY 19 - MARCH 21



Following value reductions as the pandemic hit in March /April last year, the BDO Logistics Index has bounced back to levels 77% ahead of where our index started in July 2019. This performance far exceeds the FTSE All-Share Index which is 8% down over the same period.

The Logistics Index has now significantly outperformed the wider market, diverging increasingly since July 2020, reflecting the sector's role at the forefront of keeping the economy moving and

its ability to adapt service requirements to meet the demands of the changing economic dynamics.

This rise is underpinned by a strong performance from key operators. Eddie Stobart / Logistics Development Group plc (LDG) achieved a 100% increase in its value within the first two weeks of the quarter, which later corrected to a 68% quarterly increase to March 2021. LDG witnessed an eleven fold increase excluding IFRS impact in its EBITDA in FY20.

Other key operators also reported anticipated full year results above market expectations. Xpediator announced profits significantly ahead of market expectations, 40% over the prior year, due to increased demand in UK and Europe. Wincanton's revenue grew 15% in Q4 2020, with a 40% increase across digital and efulfilment services. Xpediator, Royal Mail Group and Wincanton delivered quarterly value increases between 43% and 59%.

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



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