

UK & IRELAND M&A UPDATE - Q4 2019

LOGISTICS & SUPPLY CHAIN MANAGEMENT



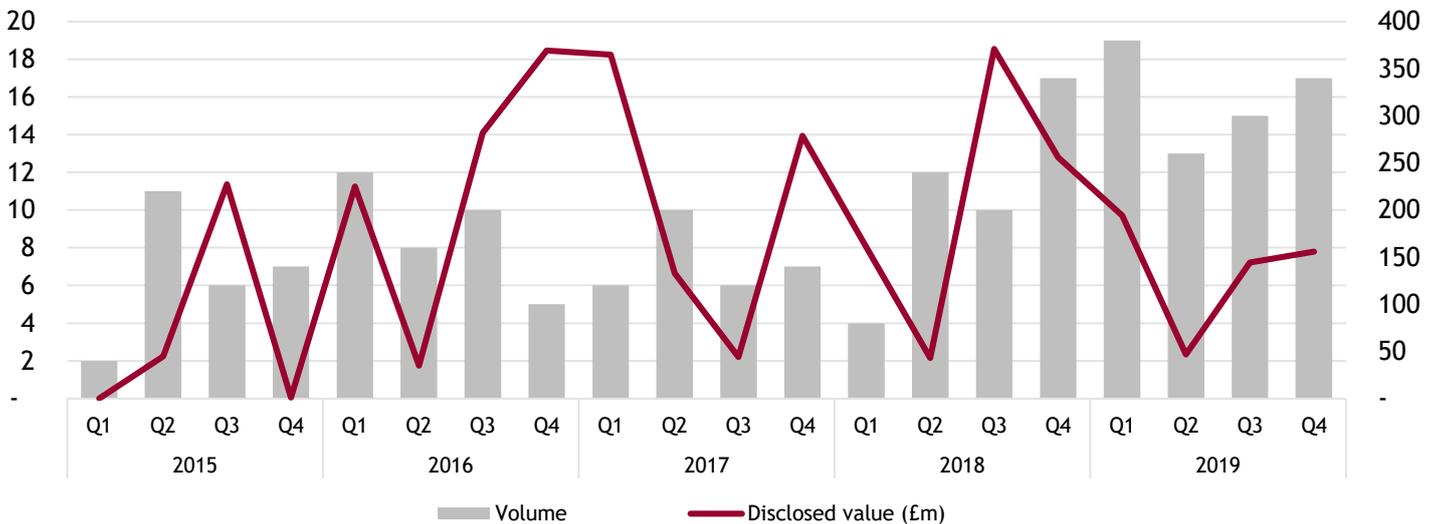
64
UK deals completed in 2019 up 49% on 2018

Average deal value of disclosed deals
£28.5m
(£51.9m in 2018)

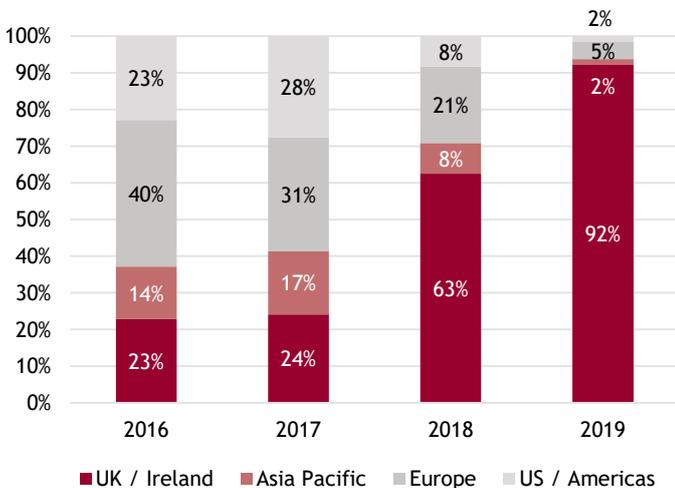
92%
Domestic transactions

Aggregate disclosed deal value
>£0.5bn
(£830m in 2018)

UK DEAL VOLUME & VALUE 2016 - 2019



UK & IRELAND ACQUISITIONS BY BUYER GEOGRAPHY



Q4 2019 IN FIGURES:

29%
Q4 deals with institutional investor / backing

Freight Logistics
Most active subsector with
5
completed transactions

17
deals completed in Q4,
(second highest quarterly total in last five year period)

£156m
Aggregate disclosed deal value

INSTITUTIONAL INVESTOR APPETITE GROWS AS THE DEALS KEEP COMING

“ 2019 UK deal volumes increased 49% on 2018 as the industry continues to see consolidation, and increased interest from institutional investors, who completed 16 deals, double the 2018 activity.

Since the EU referendum there has been a large swing towards domestic buyers, up from 24% in 2017 to 92% of deals completed in 2019. Geographic expansion through acquisition remains a key driver for growth as supply chains become ever more global and logistics providers look to replicate their successes in new markets. Whilst international buyers remain active, political uncertainty has certainly been a factor in deferring UK acquisition decisions and allowed bigger groups to focus in Europe and further east. Average disclosed deal value has fallen 45%, from £51.9m in 2018 to £28.5m in 2019, perhaps reflecting a reduced appetite from international buyers for large investment.

I expect 2020 to be a buoyant market for logistics deals, with technology a key driver as incumbent market leaders look to adopt nascent technology and stay ahead of the curve. The drive for consolidation will continue and interest from foreign investment is likely to grow again towards the end of the year if we get more clarity as to our European trading relationship. ”

JASON WHITWORTH, M&A PARTNER

Technology driving deal activity

Of the 17 deals completed in Q4 2019, six were acquisitions of technology-related businesses. Examples include:

- ▶ **Mayfair Equity Partners** acquired a majority shareholding in price comparison site **Parcel2go**. The investment will provide funds to accelerate growth and undertake opportunistic M&A.
- ▶ UK registered **Locodels** was acquired by **Hrvatska Posta**, the Croatian post office. Locodels is one of a number of ‘delivery orchestration platforms’ harnessing the ‘crowd’ to handle the final mile through Uber-esque platforms connecting businesses requiring deliveries with a crowd of deliverers.

Eddie Stobart (ESL) receives liquidity injection from DBAY

ESL has been through turbulent times of late with its shares being suspended in August 2019, a £2m accounting issue, a £200m debt pile and financial losses. After being courted by Wincanton and former CEO Andrew Tinkler, ESL received a new £55m liquidity line from DBAY in the form of a PIK facility. Since the package, CEO Sebastien Desreumaux has stepped down and CFO Anoop Kang is due to depart in April.

Going forward William Stobart, son of the founder, takes over day to day management of the business. The immediate effects will be seen in ESL’s next earnings release which is expected in April 2020.

Clipper to remain public

This month, Sun Capital announced that it would be walking away from the potential Public to Private deal with Clipper Logistics. After a period of concerted effort from both sides, a mutually agreeable price could not be reached resulting in talks being abandoned.

It is believed Sun Capital tabled an offer of c. £300m. Following the announcement, the shares dropped 18% from a high of 303.5 in December to 249.5p on 28 January, giving the business a market cap of c. £254m.

The future remains bright for the e-fulfilment business as it signs up new customers, including Joules, and remains logistics partner of choice for the fast fashion market.

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



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