

UK & IRELAND M&A UPDATE - Q1 2020

LOGISTICS & SUPPLY CHAIN MANAGEMENT



UK LOGISTICS : KEEPING THE COUNTRY MOVING

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As we all look to chart a course through these uncertain times, businesses are shifting their focus to managing the changing operational and financial environment. Keeping people safe has become the priority whilst managing cash and liquidity through this period will be key. It is too early to predict when we can start to manage our way out of this, but the current work of operators across the industry has brought to the fore the true value of an efficient and effective supply chain.

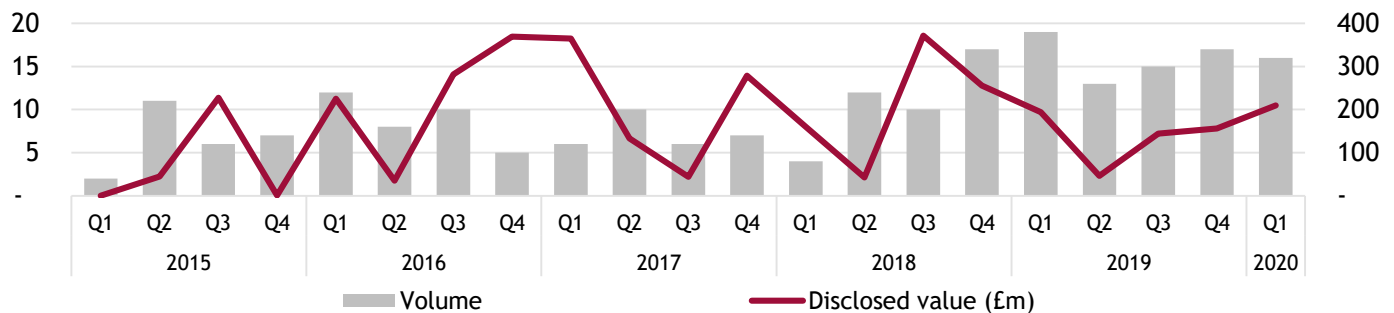
The large scale disruption caused by Coronavirus (Covid-19) accelerated towards the end of Q1. Ahead of this, we saw relatively strong activity in the UK & Ireland logistics deal market, with a relatively flat volume and an uptick in aggregate disclosed deal value during the period. Kion Group's acquisition of DAI highlighted the value in technology software, and XPO's announced intention to acquire K+N's UK contract logistics business to underpin its European operations (subject to competition sign off) supports the search for margin through large scale consolidation.

I wanted to take the opportunity in this update to highlight just a few great stories about how businesses are adapting to the changing market and supporting the critical services across the country. I would like to thank all those involved in the Logistics and Supply Chain industry who are working tirelessly to keep the country moving.

JASON WHITWORTH, M&A PARTNER

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Q1 2020 deal activity



XPO

Acquisition K+N UK contract logistics

XPO announced it is to acquire the UK contract logistics division of K+N, a deal due to complete subject to competition authority sign off.

However, In its SEC filing dated March 20th XPO announced that it is curbing its strategic reviews in light of current economic conditions.

Kion acquisition of DAI

EV:£105m. EBITDA multiple 11.3x

Germany's Kion Group acquired UK based logistics automation software solutions business Digital Applications International. Kion provides supply chains automation tech and industrial trucks. DAI expands the group's offering in 'intralogistics' software.

The deal shows the significant appetite for, and value in, software and technology companies supporting the logistics industry.

EV Cargo

Acquisition NFT assets

NFT Distribution, the temperature controlled 3PL provider, reported losses of £30m for the 18 months to September 2018.

Certain assets have been acquired out of administration by EV Cargo. EV Cargo is the consolidated group of all EmergeVest's 3PL assets in the UK. While little is known on the details of the deal, it was reported that 2,000 jobs had been saved.

KEEPING THE UK MOVING

Frontline medical and caring staff rightly occupy the majority of column inches for their herculean efforts. However, supply chain key workers also deserve recognition for their contribution. Logistics professionals have maintained essential supply chains whilst managing the safety of their employees and we are pleased to see the UK government has officially recognised the logistics industry and its workers as essential.

Just a few published stories - we recognise businesses large and small are adapting to keep the country moving:

Redeploying supply chains

H&M redeploying to support the medical response to Covid-19, sourcing facemasks and distributing these to frontline medical staff across Europe.

Clipper Logistics establishing a new supply chain to help deliver Personal Protective Equipment (PPE) for the NHS, mobilising its warehousing and fulfilment operations within five days of engaging with the NHS

FedEx, quick to respond to the outbreak, committing transport and logistics support to humanitarian relief efforts including the shipping of 200,000 surgical masks to Direct Relief in China.

Responsible home delivery

Wincanton and UPS, among many final mile operators taking steps to mitigate the spread of the coronavirus while maintaining essential deliveries. This includes eliminating driver - customer contact, and implementing hygiene and social distancing protocols as they go about maintaining their delivery schedules.

Swiss based technology company Scandit has developed and launched a mobile app allowing contactless proof of delivery. DB Schenker are among early adopters.

CASH IS KING

With some in the industry considering how they can manage volume to keep people safe and supply chains moving, others have seen their end markets close and are looking at how to efficiently scale down operations. Whatever the situation, the management and protection of cash remains paramount. Reviewing and updating cash flow forecasts, scenario planning and analysing liquidity is key to surviving these turbulent times.

The government has announced a high level of support and accessing that support will be important to so many. Furlough was a word unknown to many only a few days ago but now forms a critical part of so many strategies.

The banks have received a huge volume of enquiries for the Coronavirus Business Interruption Loan Scheme (CBILS), and this volume will only increase now the loan scheme has extended from small companies (up to £45m turnover) to large companies (up to £500m). However, in reality, this may cover far fewer situations than the government, and borrowers, may hope for.

Companies seeking access to additional liquidity headroom should also look at their balance sheets for the headroom in current facilities or, if cash flow lending proves challenging, consideration of asset based lending.

Automatic VAT deferral and improved Time to Pay arrangements with HMRC are both undoubtedly good news and we have seen a large take up of these schemes, particularly TTP. These will provide a lifeline to businesses.

Understanding the requirements and accessing the right support requires careful planning and consideration and we continue to talk to clients about how we can help them manage their options.

£210m

Aggregate disclosed deal value

16 deals

completed in Q1

Increase in cross border activity to
25% of deals



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



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