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# *Intersections*

Fourth-quarter 2015 transportation and logistics industry mergers and acquisitions analysis

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## To our Intersections readers



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Welcome to *Intersections*, PwC's quarterly analysis of deal activity in the transportation and logistics (T&L) sector. In this report, you'll find an overview of T&L mergers and acquisitions during 2015, as well as expectations for deal activity in the future, based on broader industry trends.

We are pleased to share the following highlights for the year:

- It was a noteworthy year for total M&A deal value in 2015, as it nearly doubled (\$172.7 billion from \$87 billion) the previous year's total. However, total deal volume decreased by 3 percent (224 deals from 231 deals) during the same period.
- With the fourth quarter accounting for more than 42 percent (\$73.2 billion) of the total deal value in the year, 2015 ended strong. This is primarily attributed to the 9 megadeals (those valued at \$1 billion or more) announced in the quarter, totaling more than \$61 billion. On a sequential basis, the fourth quarter saw a 170.7 percent increase over the third quarter in total deal value, despite 8.9 percent lower volume over the same period.
- The number of megadeals grew considerably to 28 deals, up from 17 deals the previous year. This increased the average deal value to \$771 million, up from \$376.7 million in 2014.
- Cross-border deal value nearly tripled, compared to the previous year. Large players within the sector continue to expand their international operations and service offerings in efforts to develop global transportation networks.
- Emerging and developing economies saw a 12.5 percent increase in 2015 deal volume compared to 2014. Governments continue to feel financial pressures from the sluggish global economy, driving further privatization of national infrastructure to generate capital.
- Consolidation continued within a fragmented trucking industry, as strategic investors followed an inorganic path of attaining growth and scale. The average deal value in 2015 increased 59 percent, (\$571.7 million from \$359.3million) from the previous year.
- Financial investors continue to expect capital to become more difficult to obtain in the coming year, as the Federal Reserve continues to tighten monetary policy. M&A activity may increase as the private equity market fears an end to this relatively free financing period.

- In-line with 2014, shipping led all industries in deal value for the year, with a 29.9 percent year-over-year increase. An oversupply of large shipping vessels and efforts to leverage economies of scale are driving M&A and strategic alliances between players within the industry. This is likely attributed to a desire to sustain competitiveness during the industry downturn.
- Deals involving Asia and Oceania accounted (once again) for approximately half of the global activity (54 percent), totaling 120 deals worth \$96.2 billion. China-involved deals led the region, primarily being driven by the declining Chinese economy. China's reduced growth projections are causing overall softness in valuations and equity markets, leading to an increased number of attractive acquisition targets and industry exits.
- Commodity pricing pressures will continue to have mixed effects on the various industries within the sector. Lower oil prices are reducing airline and trucking companies' operating costs, however, some companies are returning capital to shareholders versus funding further fleet expansion via M&A. Volatility in the commodity market continues to negatively impact the railroad industry, causing a shift in focus towards intermodal growth in efforts to offset headwinds. We feel that intermodal M&A may grow across the modes, as companies look to control great percentages of the value chain (end-to-end logistics offerings).

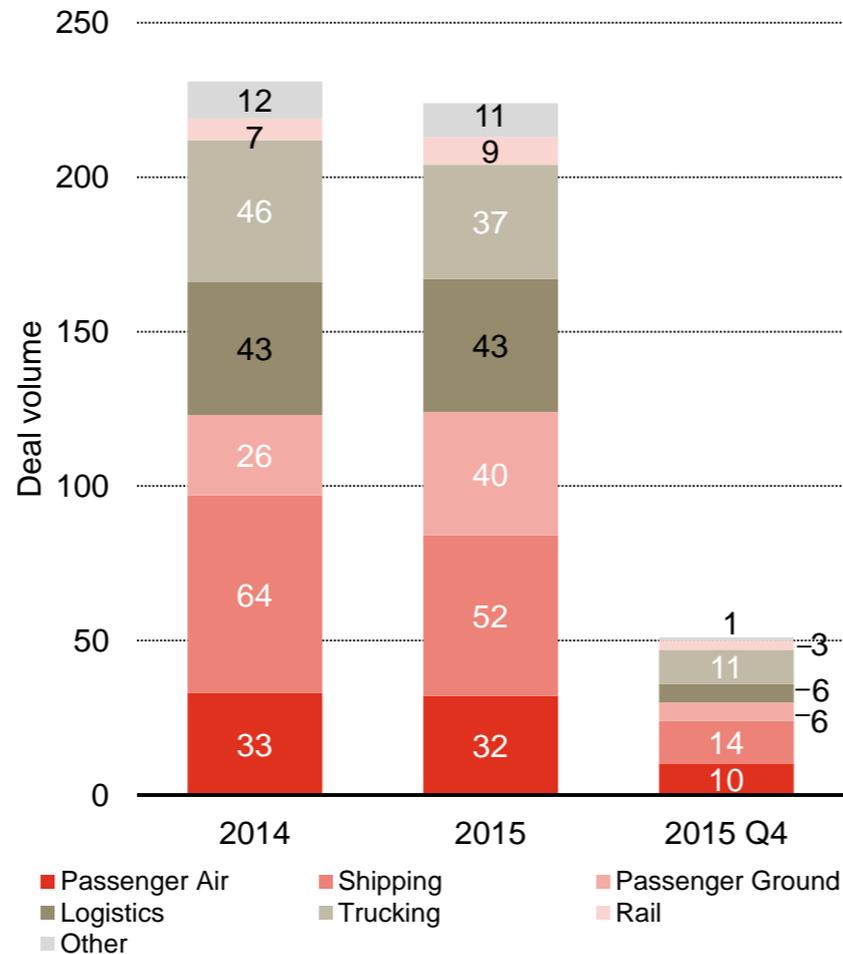
We are cautiously optimistic about 2016, as the US economy is poised to grow around 2.7 percent and unemployment has dropped to pre-recession levels of 5 percent. Europe is projected to experience modest growth next year, while India is expecting to see around an 8 percent increase. China's GDP projections have continued to decelerate, but it is expected to stabilize between 6 to 7 percent. Russia and Brazil are expected to see minor contractions in overall economic growth over the following year. Our analysis indicates that global economic pressures will continue to drive M&A activity within the sector in 2016.

We hope this report will serve as a useful tool for monitoring trends as you shape your business strategy. Launch the data explorer at <http://www.pwc.com/us/intersections> for a deeper dive into the data, or contact us to further discuss our insights.

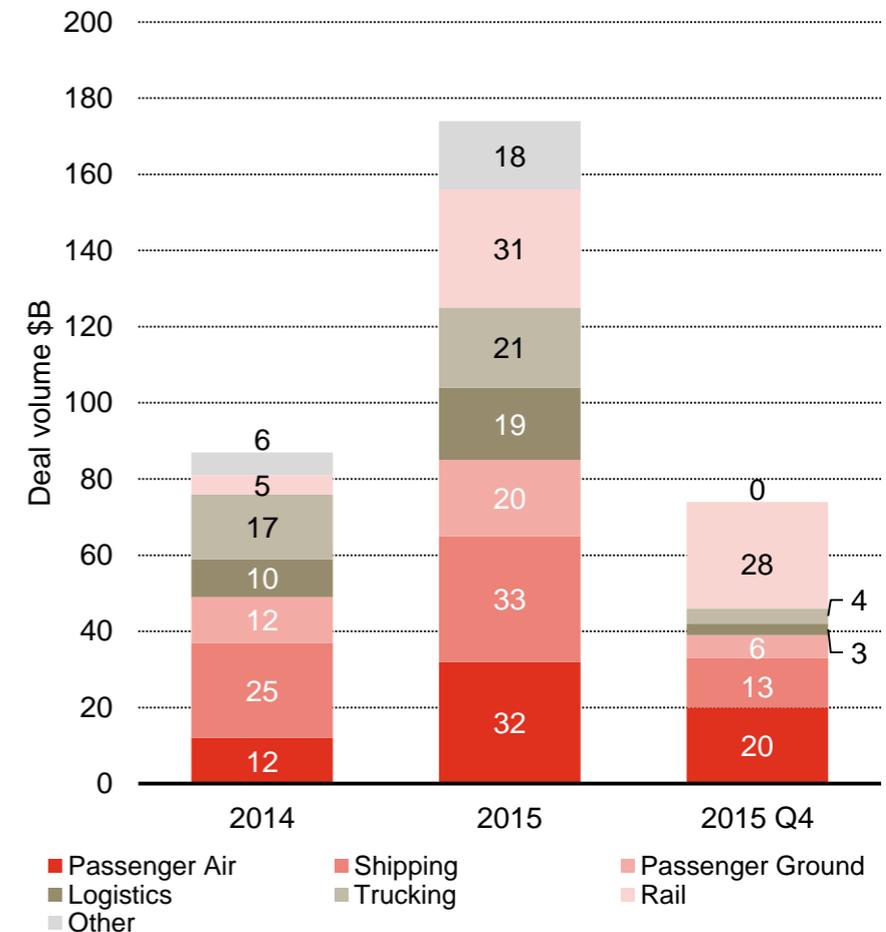
# Deal activity

Average deal value increased more than twofold (104.7 percent) to \$771 million in 2015, from \$376.7 million the previous year.

Total deal volume, by sub-sector (2014-2015) – disclosed deal value of \$50M+



Total deal value, by sub-sector (2014-2015) – disclosed deal value of \$50M+



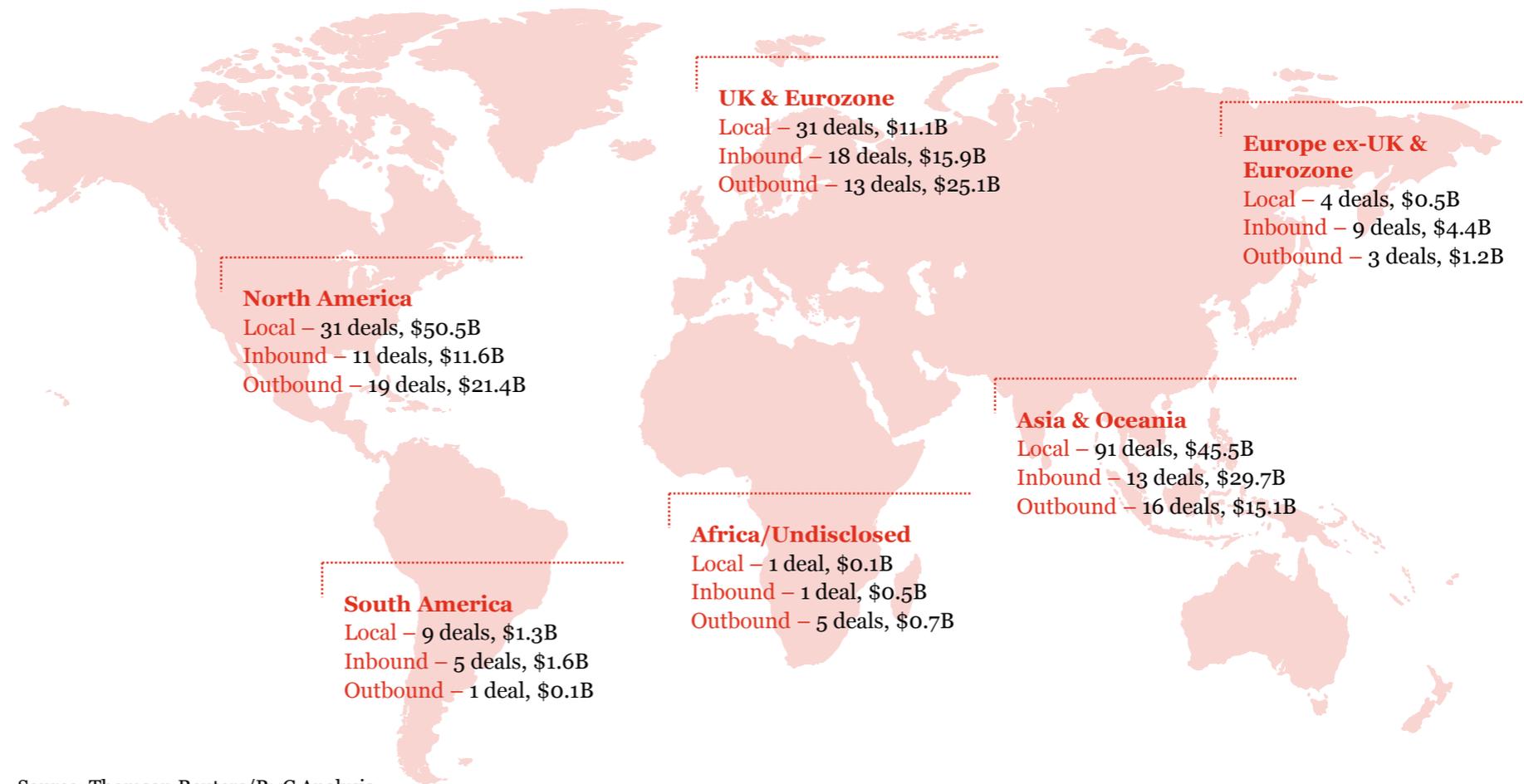
Deal volume in 2015 decreased marginally by 3 percent to 224 deals (from 231 deals in 2014), while deal value increased by nearly double to \$172.7 billion (from \$87 billion in 2014). As a result, average deal value also increased more than two-fold (104.7 percent) to \$771 million in 2015 from \$376.7 million in 2014. The shipping industry saw the greatest deal activity in 2015, accounting for 23.2 percent in total deal volume and 18.9 percent in total deal value.

In the fourth quarter, deal volume reduced by 25 percent (51 deals) on a year-over-year basis, while the value increased significantly by 170.7 percent (\$73.2 billion). Therefore, average deal size increased by more than three times—from \$352 million in 2014 to \$1.4 billion in 2015.

# Deal market characteristics

*In 2015, Asia and Oceania accounted for 54 percent of global deal activity, totaling 120 deals worth \$96.2 billion.*

M&A global map for 2015 deals – disclosed deal value of \$50M+



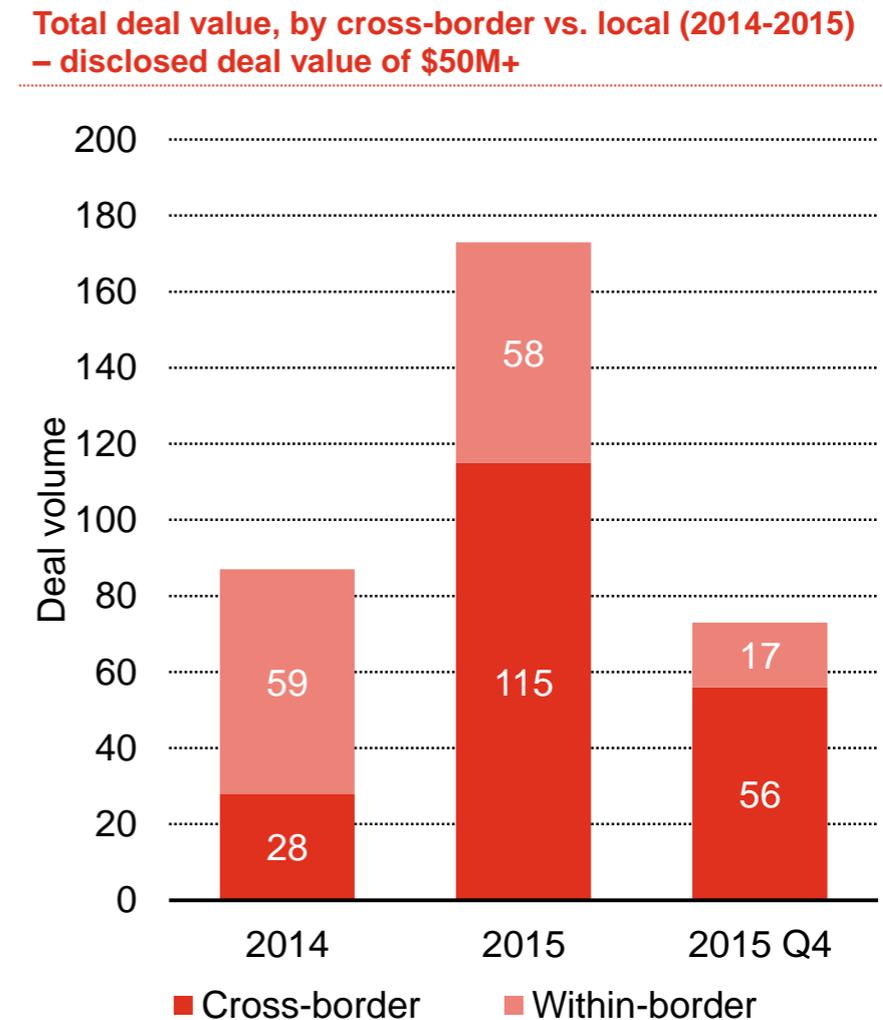
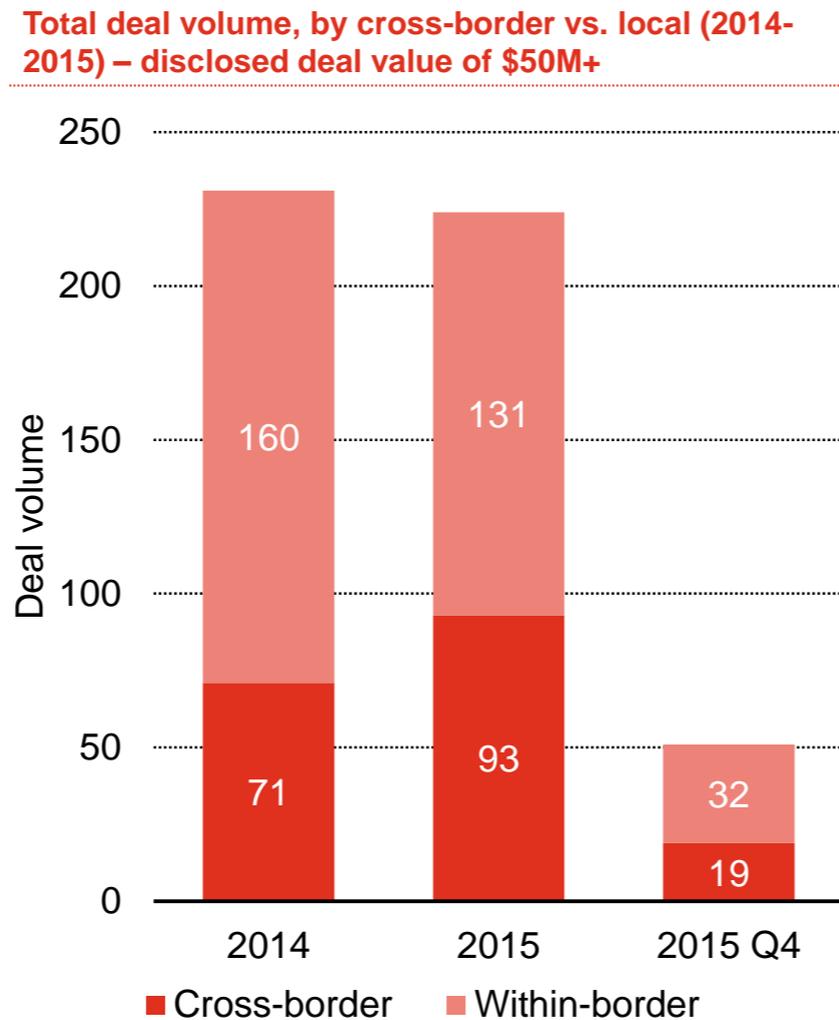
Source: Thomson Reuters/PwC Analysis

In 2015, Asia and Oceania-involved deals accounted for 54 percent of global activity, totaling 120 deals worth \$96.2 billion. North America-involved deals ranked second with 61 deals worth \$83.5 billion. This includes two megadeals worth \$34.7 billion, which comprised 42 percent of the region's total deal value. Finally, UK and Eurozone-involved deals totalled 62 valued at \$52.1 billion.

In the fourth quarter, the Asia and Oceania region witnessed an increase in overall deal volume that accounted for more than half of the worldwide activity. This was led by the announced acquisition of Japan-based New Kansai International Airport Co Ltd by France-based Kansai Airports for \$17.9 billion. The France-based financial institution was the sole bidder for the distressed government asset, which still requires Japan's Transport Ministry's approval. The deal was driven by Japan's Prime Minister Shinzo Abe's need to provide debit relief to the country's government through privatizing the national airport infrastructure. In 2015, the volume of infrastructure-involved deals saw a step-up. This is expected to be a continued theme in 2016, as governments continue to feel the pressure of the sluggish global economy.

# Deal market characteristics

*Cross-border deal value in the T&L sector increased by more than three times to \$114.9 billion, while volume increased by 31 percent to 93 deals in 2015.*



In 2015, local deals accounted for 33.5 percent of the total deal value (\$57.8 billion) and 58.5 percent of the total deal volume (131 deals). Within the same year, local deal's volume and value decreased 18.1 and 1.3 percent compared to 2014. In the fourth quarter, local deal volume declined by 31.9 percent, while deal value increased by 32 percent to \$17.4 billion, on a year-over-year basis.

Cross-border deal value increased by more than three times to \$114.9 billion and deal volume increased by 31 percent to 93 deals in 2015. Average cross-border deal value increased from \$400.8 million in 2014 to \$1.2 billion in 2015. In the fourth quarter, cross-border deal volume decreased by 9.5 percent, while deal value increased significantly by 418.3 percent to \$55.8 billion, on a year-over-year basis.

# Large deals

## Mega deals in 2015 (deals with a disclosed value of at least \$1 billion)

	Date announced	Target name	Target nation	Acquirer name	Acquirer nation	Status	Deal value (\$M)	Category	Deal summary
1	11/17/15	Norfolk Southern Corp.	United States	Canadian Pacific Railway Ltd.	Canada	Pending	27,545	Rail	Canadian Pacific planned to launch a hostile offer to acquire the entire share capital of Norfolk Southern, a provider of railroad transportation services.
2	11/10/15	New Kansai International Airport Co. Ltd.- Operating Concession of Kansai International Airport & Osaka International Airport	Japan	Kansai Airports	France	Pending	17,911	Passenger Air	Deal to privatize Kansai International Airport by Prime Minister Shinzo Abe's effort to attract investments and cut its massive debt.
3	06/29/15	GE Capital Fleet Services- US & Mexico Fleet Operations	United States	Element Financial Corp.	Canada	Completed	7,211	Other	Element Financial plans to merge this acquisition with their previously acquired GE Capital's Canadian fleet business in June of 2013, to achieve cost savings.
4	06/30/15	Asciano Ltd.	Australia	Brookfield Infrastructure Partners LP	Canada	Pending	6,576	Shipping	Brookfield acquisition provides the foundation for a global container platform by combining Asciano's Australian container terminals with their existing assets in North America and Europe and an international rail logistics business through the combination of Asciano's above-rail operations with theirs.
5	03/11/15	ITR Concession Co. LLC	United States	Industry Funds Management Pty. Ltd.	Australia	Completed	5,725	Passenger Ground	IFM Investors view the Indiana Toll Road as an essential operating asset for its strategic geographical position as ITRCC is sold in a bidding process due to filing Chapter 11 Bankruptcy.
6	06/12/15	Zhejiang Transfar Road-Port Development Co. Ltd.	China	Zhejiang Transfar Co. Ltd.	China	Completed	5,198	Trucking	The deal will expand Transfar Logistics' road logistics platform operations providing further integration of logistics infrastructure facility services and Internet logistics services.
7	11/10/15	Asciano Ltd.	Australia	Investor Group	Australia	Pending	5,081	Shipping	An investor supporting the Brookfield acquisition provides the foundation for a global container platform by combining Asciano's Australian container terminals with their existing assets in North America and Europe and an international rail logistics business through the combination of Asciano's above-rail operations with their Australian and Brazilian logistics businesses.
8	02/18/15	Toll Holdings Ltd.	Australia	Japan Post Co. Ltd.	Japan	Completed	5,065	Logistics	Japan Post acquisition of Toll Holdings will propel them into being a leading global logistics player and will fuel their growth into the global marketplace.
9	04/07/15	TNT Express NV	Netherlands	FEDEX Corp.	United States	Pending	4,743	Logistics	The UPS acquisition for TNT Express was rejected by EU regulators stating it would create unhealthy competitive conditions, leaving an opportunity for FedEx to capture a piece of the European market, which they have long desired.
10	07/23/15	LeasePlan Corp. NV	Netherlands	LP Group BV	Netherlands	Pending	4,065	Other	LP Group believes that its financial investment and strategic guidance will support LeasePlan's existing long-term strategy and growth ambitions.
11	09/09/15	Con-way Inc.	United States	XPO Logistics Inc.	United States	Completed	3,016	Trucking	XPO Logistics acquisition of Con-way will provide scale and make the company one of the largest freight transportation and logistics providers in the US.
12	07/30/15	Swissport International AG	Switzerland	HNA Group Co. Ltd.	China	Pending	2,820	Passenger Air	HNA Group's acquisition of Swissport will further strengthening their global footprint, service offerings, and global network.
13	11/13/15	Skyway Concession Co. LLC	United States	Investor Group	Canada	Pending	2,800	Passenger Ground	CPPIB, OMERS, and Ontario Teachers' acquisition of Skyway provides an opportunity to invest in a mature and significant toll road in the US fitting the groups strategy to invest in core infrastructure assets with long-term, stable cash flows in key global markets.
14	04/28/15	Groupe Norbert Dentressangle SA	France	XPO Logistics Inc.	United States	Completed	2,759	Trucking	XPO's acquisition of Norbert Dentressangle combines similar service portfolio, and will allow them to use their operations as a platform to grow in the European market.
15	06/29/15	General Electric Capital Corp.- European Fleet Operations	France	Arval Service Lease SA	France	Completed	2,697	Other	GE continues to divest portions of its GE Capital arm and has signed a provisional accord with Arval to acquire their European portions of the business that was not sold to Element.

# Large deals

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	Date announced	Target name	Target nation	Acquirer name	Acquirer nation	Status	Deal value (\$M)	Category	Deal summary
16	12/07/15	Neptune Orient Lines Ltd.	Singapore	CMA CGM SA	France	Intended	2,421	Shipping	CMA CGM acquisition of Neptune Orient Lines will increase their presence in the Pacific Ocean trade routes and consolidate some of the global container shipping fleets.
17	03/31/15	ABP (Jersey) Ltd.	United Kingdom	Investor Group	Canada	Completed	2,371	Shipping	CPPIB, Borealis Infrastructure, GIC, and Hermes Infrastructure's acquisition of ABP expands their portfolio with a UK infrastructure assets that delivers long-term predictable cash flows with a robust cash yield.
18	12/02/15	Sto Express Co. Ltd.	China	Zhejiang IDC Fluid Control Co Ltd	China	Pending	2,255	Trucking	The STO Express reverse takeover deal with Zhejiang IDC Fluid Control has led them to become the first major express parcel service to be publicly listed.
19	09/23/15	Landmark Aviation	United States	BBA Aviation PLC	United Kingdom	Pending	2,065	Passenger Air	BBA Aviation's acquisition of Landmark Aviation will create the biggest fixed-base operator in the world, driving further consolidation within this highly fragmented industry.
20	07/31/15	Coyote Logistics LLC	United States	United Parcel Service Inc.	United States	Completed	1,800	Trucking	UPS's acquisition of Coyote Logistics increases UPS full-truckload scale while generating new revenue growth and synergy opportunities.
21	04/14/15	Hainan Airlines Co. Ltd.	China	Haihang Airlines Group Co. Ltd.	China	Pending	1,520	Passenger Air	The acquisition of Hainan will enable HNA to optimize its existing aviation, airport, logistics, and tourism services.
22	01/20/15	Eversholt Rail (UK) Ltd.	United Kingdom	CK Investments SARL	Hong Kong	Completed	1,515	Other	CKI acquisition of Eversholt Rail will provide funding and extensive experience in managing infrastructure assets, allowing Eversholt the capability to deliver on their strategy.
23	11/24/15	AirportlinkM7 Brisbane Toll Road	Australia	Transurban Queensland	Australia	Pending	1,439	Passenger Ground	Transurban Queensland acquisition will enhance their existing network of toll roads in Brisbane.
24	02/25/15	Navig8 Crude Tankers Inc.	United States	Gener8 Maritime Corp.	United States	Completed	1,424	Shipping	The merger will create the new company Gener8 Maritime, creating a company with significant scale, which is positioned for growth with one of the largest, youngest, and most efficient fleets in the industry.
25	04/14/15	Tianjin Airlines Co. Ltd.	China	Hainan Airlines Co. Ltd.	China	Pending	1,288	Passenger Air	Hainan Airlines acquisition of a 48 percent stake in Tianjin Airlines will expand their domestic air passenger and cargo transportation business.
26	10/30/15	Asciano Ltd.	Australia	Investor Group	Australia	Completed	1,214	Shipping	An investor supporting the Brookfield acquisition provides the foundation for a global container platform by combining Asciano's Australian container terminals with their existing assets in North America and Europe and an international rail logistics business through the combination of Asciano's above-rail operations with their Australian and Brazilian logistics businesses.
27	02/17/15	APL Logistics Ltd.	Singapore	Kintetsu World Express Inc	Japan	Completed	1,200	Rail	Kintetsu's acquisition of APL Logistics will fuel its overseas expansion and boost its container-line business.
28	12/13/15	China Shipping Ports Development Co. Ltd.	China	COSCO Pacific Ltd.	Hong Kong	Pending	1,183	Logistics	Chinese state companies, COSCO, and China Shipping Group's merger will create the fourth biggest global carrier.

Megadeal value increased more than twofold (235.8 percent) to \$124.9 billion in 2015 from \$37.2 billion in 2014. This was driven by an increase of 11 megadeals with substantial deal value. The United States was the country with the most deal volume and value, totaling eight megadeals representing 39.4 percent of the 28 megadeal's total value. Deals increase within the United States can be attributed to domestic companies struggling to grow organically and the unprecedentedly low financing rates.

# Methodology

*Intersections* is an analysis of mergers and acquisitions in the global transportation and logistics industry. Information was sourced from Thomson Reuters and includes deals for which targets have primary NAICS codes that fall into one of the following NAICS industry groups, NAICS industries, or national industries: scheduled air transportation; nonscheduled air transportation; rail transportation; deep-sea, coastal, and Great Lakes water transportation; inland water transportation; general freight trucking; specialized freight trucking; urban transit systems; interurban and rural bus transportation; taxi and limousine service; school and employee bus transportation; charter bus industry; other transit and ground passenger transportation; support activities for air transportation; support activities for rail transportation; support activities for water transportation; other support activities for road transportation; freight transportation arrangement; other support activities for transportation; postal service; local messengers and local delivery; general warehousing and storage; refrigerated warehousing and storage; other warehousing and storage; process, physical distribution, and logistics consulting; and auto equipment rental and leasing.

This analysis includes all individual mergers and acquisitions for disclosed or undisclosed values, leveraged buyouts, privatizations, minority stake purchases, and acquisitions of remaining interest announced between January 1, 2015, and December 31, 2015, with a deal status of completed, intended, partially completed, pending, pending regulatory approval, unconditional (i.e., initial conditions set forth by the acquirer have been met but deal has not been completed), withdrawn, seeking buyer, or seeking buyer withdrawn. The term deal, when referenced herein, refers to transactions with a disclosed value of at least \$50 million unless otherwise noted.

Regional categories used in this report approximate United Nations (UN) regional groups as determined by the UN Statistics Division, with the exception of the North America region (includes North America and Latin and Caribbean UN groups), the Asia and Oceania region (includes Asia and Oceania UN groups), and Europe (divided into United Kingdom, plus Eurozone and Europe ex-UK and Eurozone regions). The Eurozone includes Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, and Spain. Oceania includes Australia, New Zealand, Melanesia, Micronesia, and Polynesia. Overseas territories were included in the region of the parent country. China, when referenced separately, includes Hong Kong. International Monetary Fund classifications were used to categorize economies as advanced or developing and emerging.

# Resources

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