



An Introduction to Ti's Inorganic Growth Strategy Development, Due Diligence & IPO Capabilities

Joel Ray, Head of Ti Consulting



M&A Services

- As part of its strategic consulting division, Ti is well placed to provide advice to companies wishing to either expand their operations or sell their business.
- Ti is considered the leading provider of strategic advice within the sector and, due to the work that we undertake, are well known and have strong contacts within the mid to large sized companies operating across all segments of the market.
- In the past we have assisted companies to identify new partners, either on a commercial basis or with some form of shareholding (comprising part or 100%).

TI'S M&A SERVICES COMPRISE:

Providing assistance with corporate strategic planning and acquisition strategy	Researching companies operating in defined markets
Identifying likely targets meeting the acquisition criteria	Reviewing the publicly available information on the targets and drawing up a short-list of suitable companies
Drafting confidential sales memorandum, including an anonymous profile of the Client's own operation	Making initial, confidential, contact with owners of potential acquisition targets
Providing assistance with operational & commercial due diligence e.g. reviewing the integrity of business plans, testing financial models plus assessing trends in the market and how they impact on the target company's prospects	Assembling data on comparable listed companies and purchases/sales of comparable companies to assist in valuations
Providing assistance in structuring deals, including valuations and earn-out periods, etc.	Negotiating the best deal for the client, including the consideration to be paid (cash or shares), upfront payment and any earnout period /payment milestones

Target Search Projects

Ti can provide the 'target search' element of the service only, whereby we will investigate the market to proactively identify potentially suitable companies that marry with the Client's acquisition strategy.

There a number of approaches that Ti uses to identify potential acquisition targets. These typically include:

- Researching opportunities provided by sellers' advisors
- Contacting the major strategic consultancies and specialist boutique advisors to establish who they currently represent
- Monitoring trade press for sale / partnership adverts
- Undertaking a bespoke target search exercise

However, it is unlikely that the target will meet all, or a high percentage, of the requirements set-out in the purchaser's acquisition strategy.

It is also highly likely that negotiations will develop into a competitive bidding scenario, where the client may be pit against larger companies with deeper pockets.

A competitive bidding situation could also inflate the valuation expectations of the seller and their advisors, potentially making the deal unattractive.

Undertaking a bespoke and tailored target search exercise will ensure that those companies most closely matching with a Client's criteria can be identified and investigated, allowing management to dedicate their time on only assessing suitable contenders.

This approach should also allow the client to sign exclusivity at a much earlier stage as it will be unlikely that the targets will be holding discussions with any other parties.

Ti is unique in that some 15,000 individuals globally subscribe to our Logistics Briefing Service, providing us with unparalleled access to global, regional and local companies, many of whom may be unknown to Clients. Part of the search process will include interrogating this database of subscribers to identify companies that could possibly suit the client's requirements.

In addition, our senior analysts have extensive contacts globally, having previously undertaken consulting projects in a wide range of markets, and have knowledge of local-hero regional and national operators that other advisors cannot easily access.

Example M&A Projects

- Sale of Acumen Logistics to Autologic Holdings
- Acquisition of Air Business UK by An Post (Irish Post Office)
- Acquisition of JMC Vantrans Ltd. by An Post (Irish Post Office)
- Acquisition search in China, on behalf of a global integrator
- Regional partnership search in France, on behalf of a leading European Pallet Network Group
- Identification of possible European automotive logistics providers, on behalf of a European Automotive Logistics Company
- Provision of advice on acquisition strategy to an Irish retail logistics company
- Global Partner search, on behalf of a Turkish logistics company
- Providing advice on exit from UK chilled transport operator to Phoenix Equity Partners
- Advised Abraaj Group, a GCC investment bank, on opportunities in sub-Saharan Africa
- Advised KFW DEG, a German Investment bank, on investment opportunities in 17 emerging markets globally
- Advised on 3 year development plan leading to an exit strategy for a European Pallet Network company, on behalf of Phoenix Equity Partners
- Sale of Dubai freight forwarder (ongoing project - confidential)



Due Diligence Projects

Ti undertakes operational, commercial and IT due diligence for clients as part of its M&A portfolio of services, ensuring that the target is the right fit for the Client and that growth expectations are realistic.

Operational / IT Due Diligence	
<p>Market Dynamics: Market Structure / Characteristics</p> <ul style="list-style-type: none"> • Market drivers • Restrictions to growth and barriers to entry – Regulatory environment, dominance of major 3PLs, customers' reluctance to outsource, etc. • Market leaders, fragmentation, competitive dynamics, etc. • Profitability analysis of different segments • Value and growth rates of customer segments • Logistics market size estimate and likely growth rates – Overall market size / growth • Segment specialisation analysis – Which segments require specialist equipment / expertise, etc. • New entrants – recent and potential? • IT and technology analysis – A high level review of systems and equipment employed (proprietary or off-the-shelf) 	<p>Competitive Analysis</p> <ul style="list-style-type: none"> • Overview of competitive landscape - Who are the key competitors, what are their strengths / weaknesses, compared with the target • Brief financial analysis (revenue, margin, growth, key ratios, etc.) • Segments served, key clients, contract data, etc. • Company structures, e.g. part of wider group, public, privately owned, etc. • Operational analysis • Geographic analysis • Asset strategy (owned or outsourced) • Key differentiators of the main players
<ul style="list-style-type: none"> • Market Positioning • Analysis of target's position in the market segments, compared with its competitors • Are the segments growing and profitable? • Fit with the Client • Forecast growth of the market opportunities for companies to diversify into other vertical sectors • Geographic expansion opportunities and strategies 	
Commercial Due Diligence	
<ul style="list-style-type: none"> • Segments served, key clients, contract data, etc. • Who are the top 10 customers? What percentage revenue do they account for? What length contracts do they have? • How much of the business is transactional or relationship-based verses contractual? • What are the trends in the market? Where is the market heading? How could this affect the value of the target company? • Review of the target's business plan and predictions. How realistic are these targets? How achievable is the business plan? • Is the pricing and margins in line with industry norms? What is the forecast for prices in the future? 	

Example Due Diligence Projects

DUE DILIGENCE FOR US SHIP MANAGEMENT COMPANY

Ti undertook operational and commercial due diligence of a ship management company on behalf of Morgan Stanley, who was representing a 'buy-side' client. The project involved assessing the growth opportunities in the target company's sectors, its capabilities to expand its business and identify any threats that could hinder any growth.

UNDERTOOK MARKET DUE DILIGENCE ON THE POTENTIAL ACQUISITION OF MARKEN

A major European Post Office asked Transport Intelligence to undertake a review of the Pharmaceutical and Clinical Trials logistics markets in order that management could assess the growth potential and attractiveness of a potential investment opportunity. This not only involved investigating the wider pharmaceutical sector but also the courier services serving the clinical trials segment. An important part of the study was providing an understanding of the operational differences between courier / delivery activities and end-to-end logistics solutions and also the competitive environments.

UNDERTOOK OPERATIONAL DUE DILIGENCE OF A TRANSPORT MANAGEMENT SYSTEM COMPANY

Ti undertook a detailed assessment of the target organisation, focusing on the operational, sales and management capabilities and how these compared with the main competitors. Ti also reviewed the markets in which the target operated, the likely growth rates going forward and the average profits achievable in different market segments. An assessment of other likely future opportunities and the target's potential to satisfactorily capitalise on these opportunities was also undertaken. In addition, Ti analysed the attractiveness of the company in the segments that it served, the strengths / weaknesses compared with other industry players, its likely ability to react to changing market conditions, the buying behaviour of the target's main customer base and whether the management structure was suitable for sustainable long term development.

IPO Prospectus

Development of industry reports for companies floating on stock exchanges.

A Prospectus is the key marketing and legal document that the companies use to market shares to the public.

The IPO Prospectus includes all the material information about the company and the IPO that an investor needs in order to make an investment decision. Typically, it will include (amongst other things) a description of the company's business, a description of the company's strengths and strategy, information relating to the industry and the company's positioning within this (including its ability to grow), disclosure of historical financials

for the previous three years, information about management, the offer, and key risks associated with the company and the investment.

Ti regularly works with investment banks and advisors by providing the industry specific intelligence required that will allow potential investors to make educated investment decisions on the value and growth potential of the IPO candidate. Typically, this 'industry-section' will include:



Example IPO Projects

DEVELOPMENT OF INDUSTRY REPORTS IN SUPPORT OF IPO, CITIGROUP

Citigroup, along with The Tristar Group, employed Ti to produce a number of industry reports to support the IPO of the UAE based energy logistics company. The reports provided in-depth analysis into the overall market size, competitive landscape, key trends and future potential opportunities in, but not limited to, the downstream energy and chemical liquid logistics markets in the GCC, humanitarian / peacekeeping logistics in East Africa and also fuel bunkering in Gaum and the UAE. Ti also provided validation on the growth objectives of Tristar. Ti travels to the UAE and wider GCC region regularly and, as part of this project, set-up a number of interviews with prominent logisticians in the region to provide additional insight to add to the extensive desk-based research exercise. An important part of the study was estimating the size and growth rate of the GCC downstream fuel and lubricant market, which helped to underpin a number of the key growth assumptions made by the company.

PHILIPPINES IPO PROSPECTUS, UBS

Ti was instructed by UBS Investment Bank to produce a report on the Filipino express parcel and logistics markets to support the IPO of local company, LBC Express. A number of Ti's senior analysts travelled to Manila and interviewed the key international and local logistics companies in order to provide in-depth analysis into the express and logistics markets in the country. The project comprised a full PESTLE analysis, a detailed review of the competitive environment, market size analysis, growth rates, opportunities for the sector and LBC's ability to capitalise on any growth

potential. There was a particular emphasis on reviewing the 'Overseas Filipino Workers (OFW)' sector, their logistics / express demands and the Balakbayan Box market. The information obtained during this project was used to develop an IPO prospectus for the listing of the local express operator.

EUROPEAN ROAD TRANSPORT COMPANY IPO PROSPECTUS, JP MORGAN / MORGAN STANLEY

Ti undertook a detailed market assessment within the European FTL sector to demonstrate Waberer's competitiveness in a growing segment of the wider European logistics market. Management at Waberer's were keen to investigate the possibilities of floating the company on the Budapest Stock Exchange and, therefore, requested that Ti undertake a bespoke research study into the European road freight market, as well as an overview of the sector in a number of specific geographic markets - Hungary, Germany, France, Italy and the UK. The report comprised a review of the current macroeconomic situation in Europe, an analysis of the wider road freight market, the competitive landscape, market size and growth estimates, drivers of growth, recent trends / developments, pricing conditions and sensitivity, bargaining power, regulatory overview – including regulatory bodies, licences required, e.g. ADR, WEE, etc. -, freight rate analysis, fuel cost analysis and general market characteristics. In addition, historical trade lane analysis – growth / decline in volumes on key road freight trade lanes -, supply vs demand analysis, KPI analysis and detailed financial analysis - revenue trends over the past five years and historic profitability in the sector – were also investigated.

Case Study - Assessing an Investment Target in the European Express Parcels Market

'independent financial group investigating attractiveness of investing in European express sector'

Ti frequently undertakes research for financial institutions including banks, private equity firms and hedge funds, which are looking at making an investment in the express, logistics and supply chain industries. Using our knowledge of the sector, our experienced consultants and tried and tested methodologies we are able to provide in-depth in-sight into the market environment and a target company's positioning or identify potentially suitable partners.

BRIEF:

A leading financial institution, asked Ti to provide advice on the current strategic, competitive and operational positioning of an express parcels carrier in Europe as well as a review of its wider competitive environment within the market, including:

- The competitive strengths and weaknesses of the company, including product range, geographic coverage, service quality, price, technology, innovation and brand, compared with its main competitors.
- The European express market, particularly with regard to the position of the target's main parcel competitors, including the general customer perception, the intensity of competition, likelihood of consolidation and possible new entrants.
- Any likely structural changes in the market and how these may affect the company, the impact of modal shifts, distance-based pricing, point-to-point line-haul rather than hub-and-spoke, B-to-B and B-to-C, etc.
- Areas of likely volume growth potential, especially in the B-to-B segment. In addition, an assessment of future possible pricing strategies adopted by the main players, including drivers (competition, cost inflation, etc.) and the margins that are likely to be achieved in the future.

- The perception of the attractiveness of the company as an employer (culture, career opportunity, incentives/pay) and the perception of the company's management and strategy going forward.

METHODOLOGY:

Ti deployed a variety of primary and secondary research techniques, combined with its own analytical models and industry experience. Ti's consulting team was led by two senior analysts with extensive operational and strategic experience of the European express market, formerly executives within market leading express companies.

- Ti's analysts set up a programme of face-to-face and telephone interviews with external industry experts, including many of the target company's competitors and customers. They also spoke to respected industry contacts to gain their views on the company and its current positioning, providing a 360 degree view of the carrier.
- Ti's team of researchers and analysts regularly tracks the European express market and the main international, pan-European and domestic players operating within the sector, providing the team dedicated to the project with unique access to an unparalleled proprietary resource of data and analysis.

Case Study - Assessing an Investment Target in the European Express Parcels Market continued ...

- An extensive electronic survey of industry executives was also undertaken using Ti's own proprietary database of industry contacts as well as using social media pay-per-click (PPC) campaign targeting multiple European markets. This allowed Ti to identify the company's competitive advantage and brand perception in the market relative to its main competitors.
- Ti has been sizing the European (and global) express market for almost 20 years and has a wealth of data tracking its development. Ti's analysts were able to draw on the data to identify the company's market share in individual countries and estimate, where necessary, its position in certain niche segments relative to its competitors. Using econometric forecasting models it was able to assess how well positioned the company was compared with many of its competitors.

THE OUTCOME

Following the primary and secondary research, Ti was able to provide a range of quantitative and qualitative analysis to the Client on the positioning of the company against a range of criteria. The report and subsequent presentation to the investor team allowed the financial institution to take a positive view on the potential of the company.

The 6 Pillars of Ti Consulting

The 6 Pillars of Ti Consulting



Overseas Experience - Ti has extensive experience undertaking major projects in both developed & emerging markets

Ti has completed bespoke consultancy projects in most European markets, including many eastern European countries, throughout Asia, the Middle East, Africa & the Americas. These involved visits to the countries, holding interviews with country managers & board level representatives.



ABOUT TI

Ti Insight is a leading logistics and supply chain market research and analysis company providing:

- Supply Chain and Logistics Market Research Reports
- Global Supply Chain Intelligence (GSCi) online knowledge platform
- Consulting and Market Research projects
- Training, Conferences and Webinars.

Ti has acted as advisors to the World Economic Forum, World Bank, UN and European Commission as well as providing expert analysis to the world's leading manufacturers, retailers, banks, consultancies, shipping lines and logistics providers.

Expertise includes:

- Analysis of corporate strategies of leading express, freight forwarding and logistics companies.
- Global usage and perception studies of shipper and logistics provider behaviour.
- Micro-economic analysis of key logistics segments: express, freight forwarding, road freight, contract logistics, warehousing, air cargo, shipping and e-commerce logistics.
- Analysis of supply chain strategies employed in industry vertical sectors: pharmaceutical, fashion, high tech, oil and gas, consumer, chemical, cold chain, automotive and retail.
- Market sizing and forecasts of key logistics segments and vertical sectors.
- Intelligence on emerging markets logistics sectors in Asia, Africa, Latin America, Eastern Europe and Middle East.

What Sets Ti apart?

- Led by leading industry experienced experts
- Globally recognised and trusted brand
- Global Associate Network provides a multi-country, multi-disciplinary and multi-lingual extension to Ti's in-house capabilities
- More than fifteen years of knowledge delivery to global manufacturers, retailers, banks, consultancies, shipping lines and logistics providers
- Unique web-based intelligence portals
- On-going and comprehensive programmes of primary and secondary research.

For further information about Ti or any of its products and services, please contact Michael Clover, Head of Commercial Development: [Email: mclover@ti-insight.com](mailto:mclover@ti-insight.com)

Contact Ti Consulting

Intelligence tailored to you

Insight drives strategy - if you would like to talk to us about our global or local logistics insights please contact:

Joel Ray

Head of Ti Consulting

T: (0) 1666 519 910

E: jray@ti-insight.com

www.ti-insight.com