MERGEGLOBAL

Time to Buy:

Strategic Growth in Truckload

November 2009

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Introduction

The truckload (TL) sector is considered a mature, fragmented and intensely competitive business in which dozens of carriers fail every year. However, even in the current, harsh environment, certain competitors have demonstrated a superior ability to create value for their shareholders. What are the secrets to achieving such success and are there other means of building shareholder value?

Clearly, one way to create shareholder value is to expand profit margins. Previously, we wrote about how certain TL competitors achieve above-average profitability through effective customer and market selection which enables them to optimize system-wide pricing, operating costs and fleet requirements ("Lifting The Veil of Value in Truckload", American Shipper, November 2008).

Another path to creating shareholder value, and the focus of this article, is to accelerate revenue growth. However, in order to ensure such growth creates value, management must achieve it while maintaining or improving margins and returns. Ideally, margin expansion accompanies revenue growth, although in both truckload and the broader freight industry aggressive growth initiatives have often led to a larger but less profitable revenue base. The most successful TL companies have executed growth initiatives in extremely disciplined, deliberate manners, targeting incremental pieces of business which complement their existing operations. Because profitable growth requires careful attention to how each new piece of business fits with the existing portfolio, it is typically accomplished organically, through sales and marketing efforts.

We are finally beginning to see the first signs of recovery in the trucking sector, with stabilizing volumes giving way to small but distinct increases in seasonally-adjusted sequential demand. Given what we believe will be a highly supply-constrained market over the next 2-3 years, we expect an upcycle in pricing and profitability to be well in place by this time next year.

Today, there are unique opportunities to accelerate growth through acquisition which have previously not presented themselves in the truckload industry. Many of the winners in truckload over the next five years will bolster their competitive positions now through carefully targeted acquisitions over the next 12-18 months.

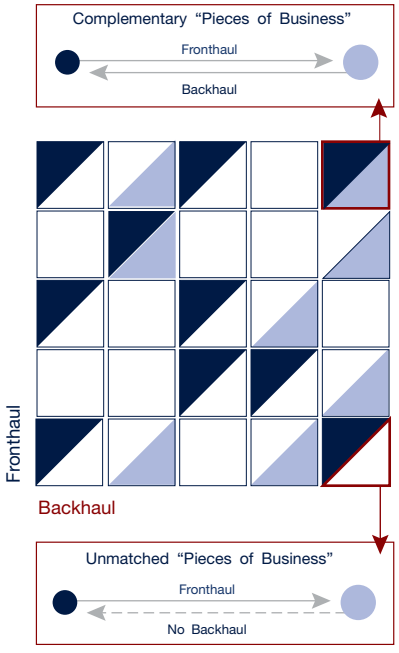
Profitable Growth through Complementary Business

A trucking business is, at its essence, a portfolio of customers and operations which combine to form a network with both static and dynamic characteristics. How that portfolio is constructed and grown is the key to how the network functions and profitability is achieved. As a consequence it is critical to understand a) the economic building blocks of a truckload company, and b) the way those blocks fit together, as these two concepts determine profitability.

In its most basic form, truckload services appear relatively simple: a truck picks-up a load at point A and drops off at point B. In fact, the revenue and costs for any single load, in isolation, are relatively simple to assess. This assessment becomes more complicated, however, when a series of loads, or an itinerary, is considered because the decision to take one load determines what loads are available for the next leg (i.e., at or near the destination of the first). The decision to take the second load determines available options for the third and so on, with the constraint that the driver must ultimately return home.

FIGURE 1: Piece of Business Portfolio Concept

Source: MGI



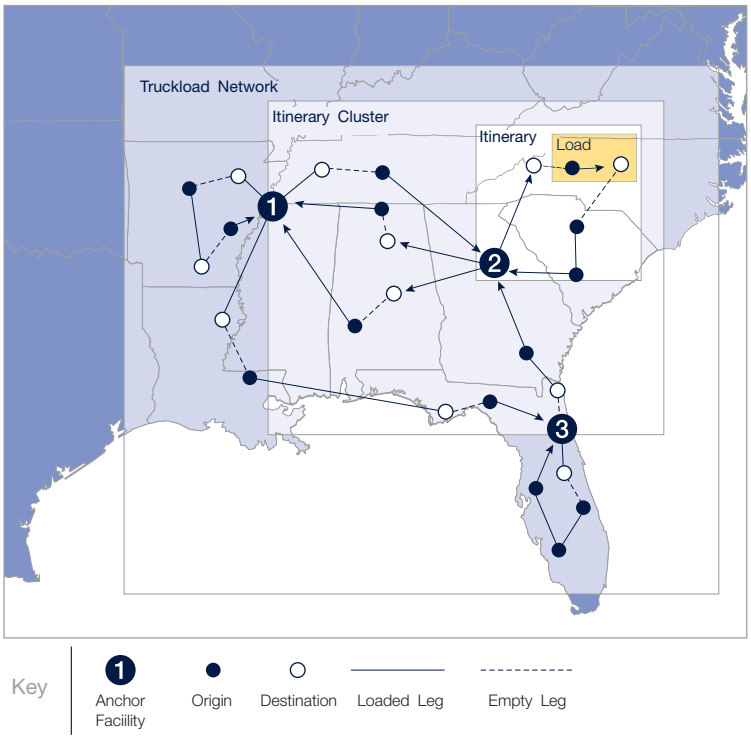
Dimensions of Complementary Business	Examples
Geography	■ Fronthaul ■ Backhaul
Temporal Shipping Patterns	■ Time of day (*early morning, evening*) ■ Day of week (*Mon., Tues, etc.*) ■ Shipping season (*Spring, Christmas*) ■ Business cycle
Customer Vertical	■ Building products ■ Industry equipment ■ Consumer packaged goods ■ Electronics
Service	■ Dedicated carrier (either insourced private fleet or outsourced) ■ OTR - Company Trucks amd drivers ■ OTR - Owner-Operator power ■ Domestic Intermodal ■ Truckload Brokerage
Customer Size	■ Loads per week above threshold ■ Loads per week below threshold
Length of Haul	■ Above threshold ■ Below threshold

In order to maximize profitability, itineraries must be constructed in a manner which a) minimize the cost of getting the tractor to its next load, and b) maximize the potential profitability of the remaining series of loads. In other words, the loads must complement each other, meaning that if a trucker has an attractive load from A to B, the optimal matching load would be another attractive load which took the driver from B back to A. Of course, things get more complex when you string together thousands of loads with hundreds (or thousands) of trucks over the course of a year, quarter or day, and attempt to maximize the profitability of the entire system (Figure 1).

The above notwithstanding, organic growth typically doesn't happen in load-by-load or route-by-route increments. Instead, the increment in which a new "piece of business" is typically added is a number of lanes emanating from a single location (often a distribution center or manufacturing facility). Furthermore, these lanes are generally one-way, leaving the task of constructing the remaining portion of the itinerary (closing the loop) to the trucker. It helps, therefore, to think of growing a TL carrier in partially-constructed "itinerary cluster" increments. Each potential new piece of business will have a number of outbound lanes associated with it and must be evaluated in terms of how those

FIGURE 2: The Building Blocks of Truckload Networks

Source: MGI



Load: Single load from origin to destination. Loads are the basic building block of revenue.

Itinerary: Series of fronthaul loads and backhauls that seek to minimize empty miles and return driver to itinerary origin. Itineraries are the basic building blocks of profitability.

Itinerary Cluster: Groups of itineraries having a common origin. Itinerary bundles are the basic building blocks of growth.

Truckload Network: Structured to integrate itinerary clusters. Truckload networks are built from loads, itineraries, and itinerary clusters and reflect company's strategy.

lanes will become a cluster of closed-loop itineraries. Ideally, this will be accomplished by meshing it with the company's existing portfolio of itinerary clusters (Figure 2). For competitive reasons, a bid reflecting the stand-alone value of an itinerary cluster will rarely win, as competing truckers, with similar direct costs, are likely to have some number of complementary routes and will submit a bid reflecting their system's combined profitability. The best performing truckers pursue growth with backhauls always in mind; the worst leave the backhaul responsibilities entirely to the dispatcher, resulting in lower rates, unhappy drivers, or both.

However, there are dimensions beyond the simple geographic complement of a backhaul which are less obvious but can provide opportunities for profitable growth. In addition to the geographic dimension, we provide four additional dimensional examples where truckers can look for profit-enhancing growth by finding complementary pieces of business.

GEOGRAPHIC DIMENSION

The most fundamental, and conceptually simplest dimension of complementary new business is geographic. To minimize backhauls, carriers should seek to create geographically balanced business portfolios. If a carrier has a customer that generates headhaul loads (e.g., from Chicago to St. Louis), that carrier's portfolio would be much more profitable if he is able to carry backhaul loads which match the headhaul into St. Louis. The concept of geographically complementary business extends beyond basic out and back itineraries (e.g., Chicago to St. Louis and back) to multi-leg itineraries which are constructed to minimize the amount of empty miles which are needed to return the driver to his origin. Profitable growth requires the creation of geographically balanced portfolios, which can be achieved by investing heavily to cultivate business in backhaul origin markets.

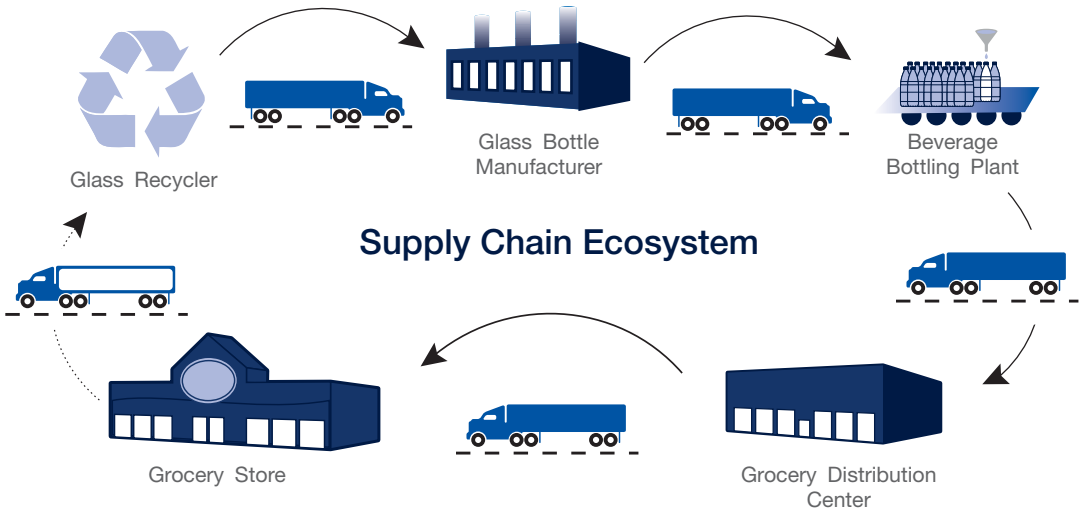
CUSTOMER VERTICAL DIMENSION (SUPPLY CHAIN ECHELONS)

A portfolio constructed of complementary portions of the supply chain provides another opportunity for profitable growth. Best of all, business portfolios created from multiple segments of the supply chain generally also produce portfolios which are geographically complementary.

For instance, consider a carrier that has built a portfolio which spans the entire supply chain ecosystem, from the top to the bottom of the supply chain. Figure 3 illustrates an example of a balanced supply chain

FIGURE 3: Complementary Customer Verticals – Supply Chain Ecosystem

Source: MGI



portfolio. A carrier picks up a load of recycled glass from a recycling center and transports it to a glass bottle manufacturer; from the bottle manufacturer the carrier transports a load of bottles to a beverage bottler; from the bottler, the carrier delivers a truckload of beverages to a regional distribution center; and finally, the carrier delivers non-refrigerated foodstuffs from the distribution center to the retailer. By serving the entire supply chain ecosystem, the carrier has also created a geographically balanced portfolio with minimal empty miles. Profitable growth is achieved by targeting the customer's customers.

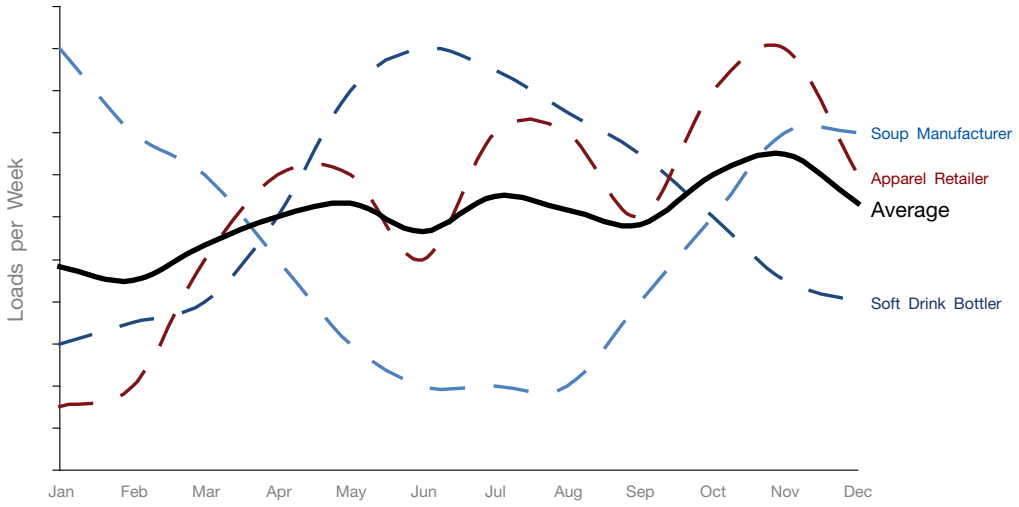
TIME DIMENSION (OPERATING CYCLES)

Time offers another dimension in which complementary pieces of business can be found. Because shipping needs follow predictable operating cycles, combining multiple customers with similar but offsetting cycles can smooth demand for a truck operator.

To use a seasonal example as illustrated in Figure 4 (an annual operating cycle), a trucker with a large soft drink bottling customer might have substantially increased demand during the early summer months, when demand for soft drinks is higher and inventories are built-up, but relatively little trucking demand in the winter months. Ideal seasonal complements in this example might be a retailer, whose pre-Christmas inventory build would generate demand just as soft drink demand was falling off, and a soup manufacturer, whose need for truckload transport picks up as the winter sets in and carries through to the early spring, well after the retail shipping season has passed.

FIGURE 4: Complementary Operating Cycles – Shipper Seasonality

Source: MGI



Operating cycles occur along shorter and longer time intervals as well, as described in the following examples:

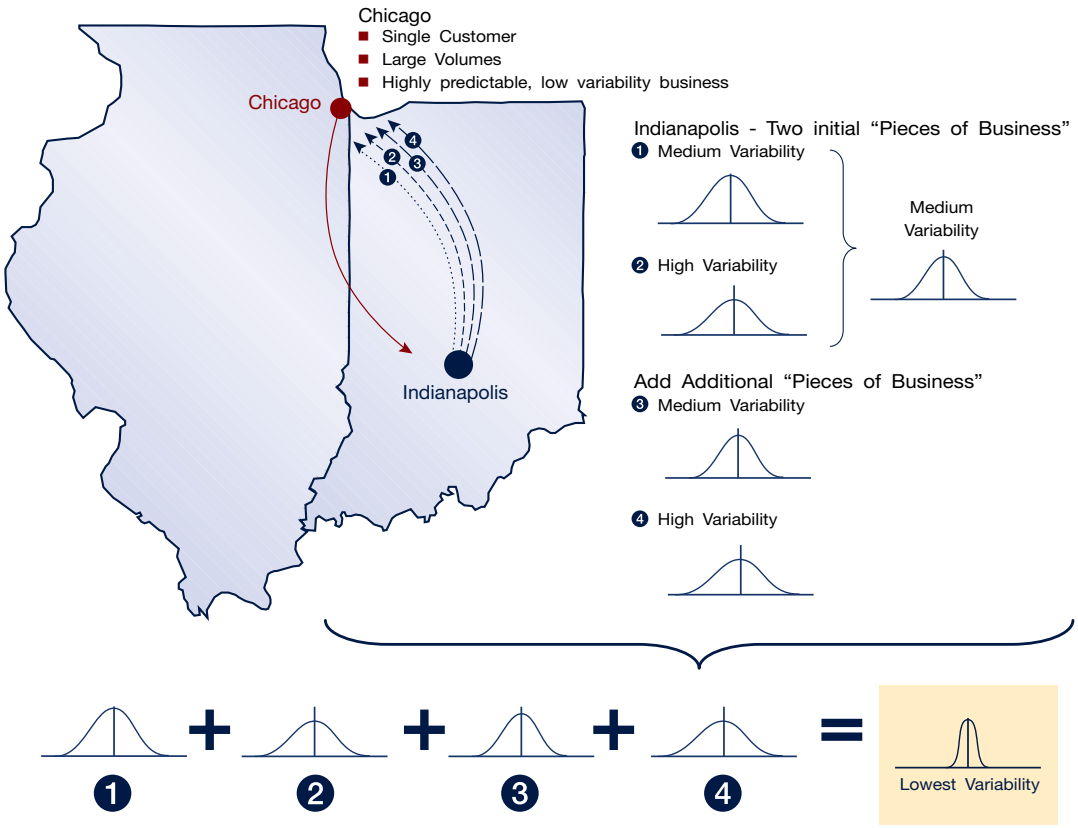
- Daily shipping cycles – a retailer in city A requires deliveries late in the evening, past closing time to avoid interfering with daytime shoppers. This could be paired with a manufacturer on the outskirts of the city that dispatches 3rd shift production early in the mornings, allowing a driver to rest overnight to comply with hours of service rules, but minimize wait time before his next load.
- Weekly shipping cycles – a manufacturing customer with Monday, Wednesday and Friday loads could be paired with a customer requiring Tuesday and Thursday pick-ups.
- Business cycles – a combination of economically sensitive customers (e.g. high-end retailers, such as Neiman Marcus) and customers in a defensive or counter-cyclical sector (e.g. a food manufacturer, or a discount dollar store such as Dollar General).

TIME DIMENSION (VARIABILITY)

Another example of complementary shipper demand in the time dimension is load variability. This relates not to the time cycle of tendered loads (which we described in the operating cycle section), but to the irregularity of tendered loads. For example, a trucker with a steady volume of regular loads into a city lacks a similarly steady shipper with outbound loads. The two most apparent options are:

FIGURE 5: Complementary Shipping Variability

Source: MGI



- A customer 50 miles outside with steady flows in the other direction, but requires a deadhead move and the rates are not attractive (because the city has inbound flow imbalance).
- A customer on the outskirts of the city, but with highly unpredictable flows and stringent availability requirements (meaning the trucker must guarantee a truck on short notice or face penalties or loss of the business).

In contrast, a third less apparent option is serving multiple small shippers which, even though they have irregular demand individually, offer a relatively predictable flow of demand as a group (Figure 5). Identifying the third option would require additional sales and marketing spending to identify and service the smaller shippers, but these would be offset by the higher utilization and potentially more attractive rates. Furthermore, a broader set of services would allow the company

to address "overflow" periods, without negatively impacting profitability (discussed in the next section).

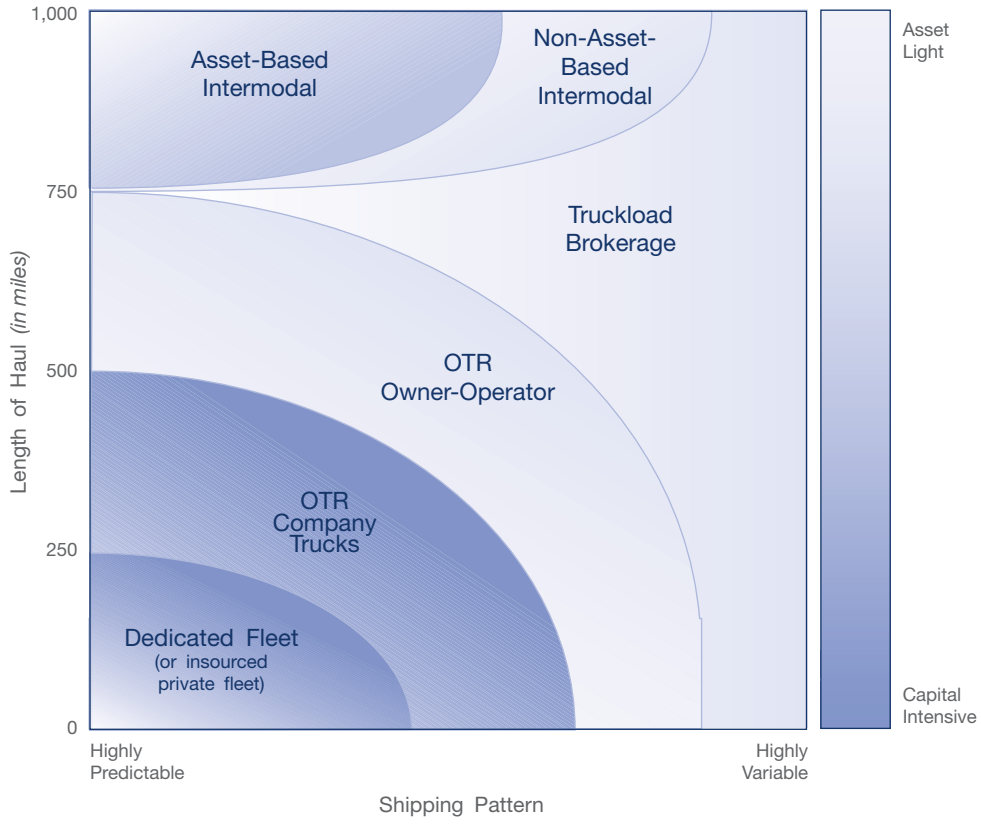
SERVICE DIMENSION

The fourth dimension of complements is services, which consists of various forms of domestic surface transport. For the purposes of this discussion, we've broken the services into 5 broad groups:

- Dedicated Carrier (either outsourced or insourced Private Fleet)
- Over-the-Road Carrier (OTR) – Organic Fleet
- Over-the-Road Carrier (OTR) – Owner-Operator
- Domestic Intermodal
- Brokerage

FIGURE 6: Service Portfolio – Length of Haul and Shipping Patterns

Source: MGI



Each of the services is a rough substitute for the others, as a given load could be delivered using any of the services. However, depending on a load's characteristics, most notably its length of haul and variability, the costs to serve it will vary substantially across different service types. For example, a 1,500 mile load could be served with an OTR truck; however, over such a long distance intermodal service is likely a lower cost option. Similarly, substituting brokered power for OTR power in servicing a highly unpredictable load source can eliminate the need to keep power units available to service the load.

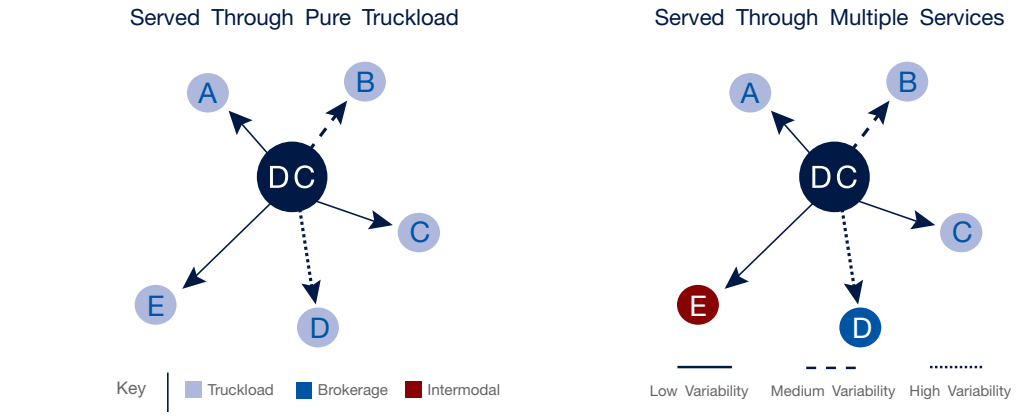
Figure 6 shows which services are best suited to address a load depending on its a) length of haul and b) variability. Holding other variables equal, loads with the longest lengths of haul (generally in excess of 750 miles) are most efficiently served with intermodal service, as the economics of rail transport overcome increased handling costs and circuity. For lengths of haul which aren't long enough for intermodal, outside-contractor labor becomes most competitive (i.e., owner-operators or brokered loads), as it shifts backhaul risks to the power provider, and away from the contracting trucker. For example, a company driver in an OTR tractor that's been dispatched on a 1,500 mile load, must be routed home eventually. Unless a similar, attractive backhaul can be identified, this may require a series of less-than-desirable loads, compromising the profitability of the full itinerary.

Looking at variability, the less predictable the load, the better suited it is for a less capital intensive service such as brokerage. In order to serve highly variable loads with an OTR service, a trucker needs to ensure he has sufficient capacity available and nearby, so that when the call comes for a pick-up he's able to respond. As a result, his ability to route his OTR fleet tractors efficiently will be constrained. In contrast, if he has a well-run brokerage operation he has the freedom to route his OTR fleet as required, knowing that he can turn to brokered power in the event that he can't carry the load with organic power.

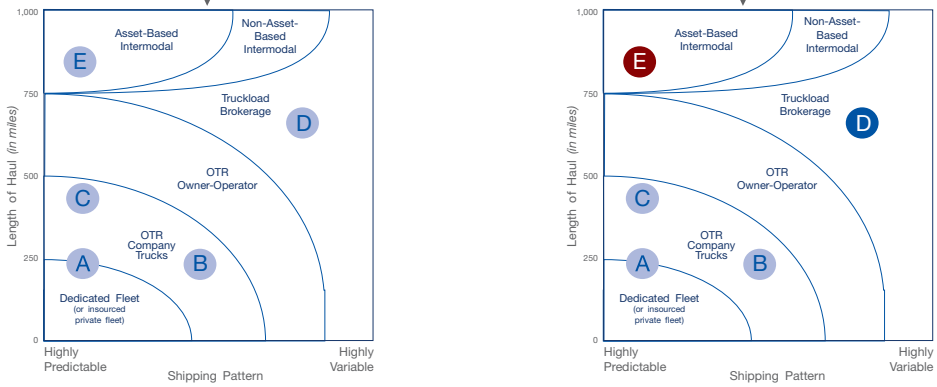
Additional synergy can be developed by integrating components of what have traditionally been categorized as distinct OTR and dedicated operations. A large number of customers like to procure dedicated and OTR services from the same carrier. In fact, there is often a fine line between dedicated and OTR when price-elastic dedicated customers negotiate more flexible contract terms which result in a "quasi-dedicated" operation that is blended into one-way OTR networks. This type of expansion enables carriers to utilize common equipment more efficiently.

FIGURE 7: Complementary Service Dimensions to Support Profitable Growth

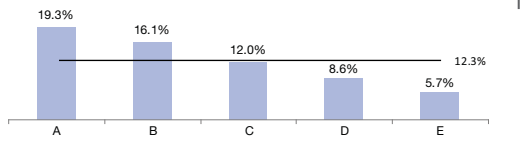
Source: MGI



A trucker is bidding on a set of outbound lanes from a distribution center, which vary by length of haul and the variability of the loads shipped. For the purpose of this example, we assume it is an all or nothing bid (i.e. cannot cherry pick a subset of lanes).

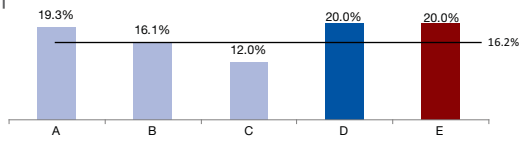


Each lane's LOH and load variability determines what type of service is optimally suited for it (i.e. which service can be provided for the lowest cost).



Lane	LOH (Miles)	Load Variability	Revenue	Op Income	Capital Employed	Margin	CE Turnover	Return on Cap Empl
A	250	Low	225	27	140	12.0%	1.6x	19.3%
B	250	Med	225	23	140	10.0%	1.6x	16.1%
C	400	Low	210	17	140	8.0%	1.5x	12.0%
D	700	High	200	12	140	6.0%	1.4x	8.6%
E	800	Low	200	8	140	4.0%	1.4x	5.7%
			1,060	**86**	**700**	**8.1%**	**1.5x**	**12.3%**

A trucking company with just an OTR fleet, is forced to serve the longer, more variable lanes with a sub-optimal service. In order to win the business, he must bid a rate low enough on these long, unpredictable lanes to beat competitors with lower-cost service offerings such as brokerage or intermodal. As a result, he either wins the business, but generates a poor return on the entire set, or loses the bid.



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C	400	Low	210	17	140	8.0%	1.5x	12.0%
D	700	High	200	3	15	1.5%	13.3x	20.0%
E	800	Low	200	6	30	3.0%	6.7x	20.0%
			1,060	**75**	**465**	**7.1%**	**2.3x**	**16.2%**

A trucking company with multiple offerings is able to serve the longer lanes with brokerage and intermodal services. As a result, while the margins aren't as attractive on the longer lanes, he is not required to invest in additional tractors to serve them, and his ROCE is 30% greater than those of the OTR-only competitor.

The Foundations for a Strong Upcycle

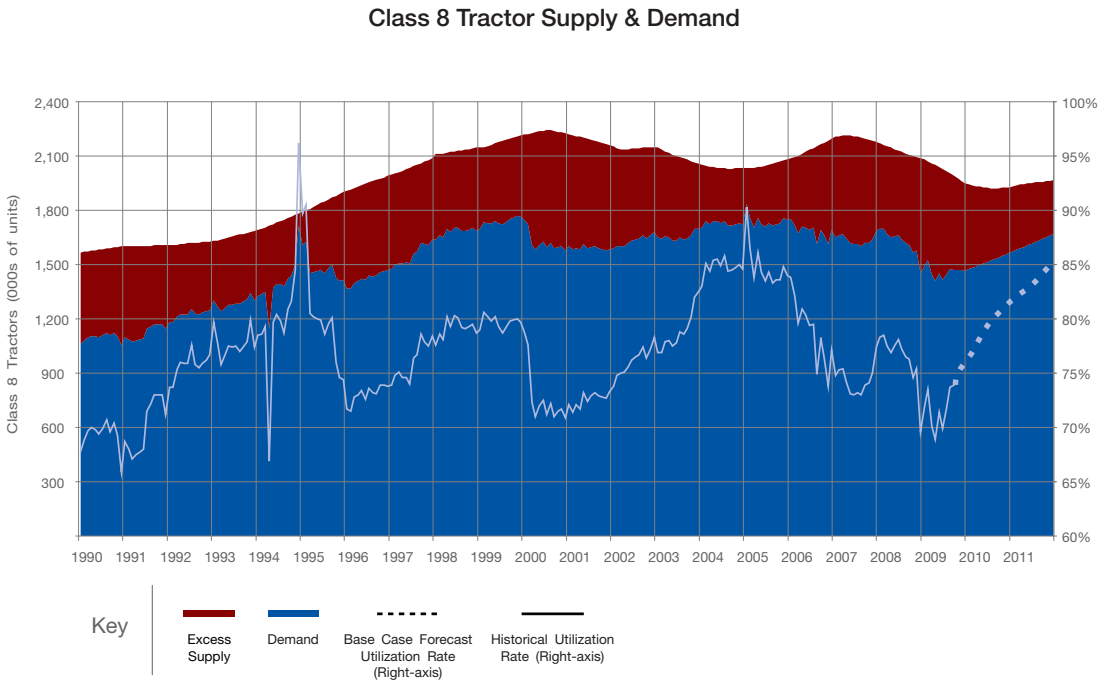
As plans are developed to answer the question of "how should we grow," managements also must ask the equally important question of "when should we grow." Recent economic indicators suggest that the broad economy has bottomed—therefore, trucking executives need to consider how they are positioned for growth right now.

Demand began eroding for truckload services in 2006, before dropping sharply in late 2008 and early 2009 along with the broader economy. The difficult environment was compounded by excess capacity built-up during a tractor-buying binge in 2005 and 2006, driven by trucking companies flush with cash after several years of strong profitability and a desire to purchase more fuel-efficient tractors ahead of strict new emissions standards. This drove sustained utilization rates from all-time highs in 2004 and 2005, to near 20-year lows in early 2009, pressuring pricing and profitability. (Figure 8)

But in just the past few months, we've seen a marked change in the market. Demand appears to have bottomed and utilization rates have begun to climb again, with the seasonally-adjusted ATA Truckload

FIGURE 8: Domestic US Trucking - Supply/Demand Balance

Source: MGI



Tonnage index up nearly 5% in September from its April low. Even with modest continued demand growth, current excess capacity will be sufficiently absorbed to support rate increases in 2010. Futhermore, capacity is likely to remain constrained into 2012, as truckers are unlikely to invest in new capacity anytime soon, and trucks purchased in the 2005-2006 binge years are retired from the OTR fleet. In fact, when new orders for tractors do return in a meaningful way, recent OEM consolidation and rationalization of manufacturing capacity will limit how quickly new tractors enter the market.

Though it is impossible to know precisely how the nascent economic recovery will play out, we believe there is substantial risk that the industry will be caught short of capacity and experience a strong upcycle in pricing and profitability over the next three to four years. Though trucking managements have been focused on cost-cutting and often their very survival, we have reached an inflection point where the attention needs to shift back to growth and how to best take advantage of the emerging recovery.

Why M&A Now?

In the past, strategically-motivated Mergers & Acquisitions (M&A) in the truckload sector has been relatively limited – particularly when compared to other freight sectors such as forwarding, logistics or Less-Than-Truckload (LTL). There are a number of reasons for this:

- Organic growth options – As discussed earlier in this article, growth in the truckload sector lends itself to organic growth, which also avoids the added cost of acquisition premiums.
- The lack of a clear strategic impetus – Traditional rationales for acquisitions – such as rationalization of overhead or horizontal integration of related services – have been viewed as having limited applicability in truckload or at least as being insufficient to inspire potential acquirers to incur the costs and undertake the risks associated with acquisitions.
- Concerns over integration – In many cases, the founder of a company is a key element of the company's identity and there are concerns about integration of cultures.
- Unclear value creation opportunities – Both private and public equity investors have generally not appreciated the nuances of truckload operations and the ability of well-positioned and well-managed companies have to create shareholder value.

Some of the concerns about M&A listed above are fair; some are mixed; some are wrong; and some need to be reconsidered. A number of new issues have emerged and factors have changed over time, warranting a fresh look at M&A in the context of today's environment. (Figure 9)

As we sift through the wreckage of the economic downturn, distressed trucking companies have become available for little or no acquisition premiums. While careful consideration must be given to how a target's portfolio of business fits with the existing business, distressed acquisitions offer prudent buyers the opportunity to rapidly accelerate growth in a single transaction. These valuations are even more compelling when consideration is given to what is likely to be an extremely supply-constrained industry over the next several years, as demand recovers.

Furthermore, though conventional wisdom suggests that traditional sources of synergy are difficult to come by, our experience suggests they do exist. For example, advances in information technology are enabling more efficient analysis of customer profitability and linking tactical dispatching decisions to advanced yield management systems. While

the fixed costs associated with these IT systems aren't large enough to offer significant operating leverage, they are often out of reach for small and medium trucking companies. And in a business where enhancing a company's margin per mile by a couple pennies can increase profitability (and value) by 20% or more, the benefit of such sharing is significant.

Finally, while integrating cultures will always be an issue in M&A, demographics and a better understanding of OTR-substitute services will lessen these impediments. A number of small and mid-size trucking companies today were founded in the years following interstate trucking deregulation in late-70s and early-80s – about thirty years ago.

FIGURE 9: Assessing M&A as a Tool for TL Growth

Source: MGI

	Historical Arguments Against M&A	Considerations in the Current Environment
Organic Growth Preference	· Sense that business can be expanded through organic growth by purchasing fleet without paying a premium. · "Nuts and bolts" mundane nature of industry does not provide context for "visionary" thinking that often (unfortunately) emboldens acquirers.	· Distressed companies available for cost of fleet and assets (no premium). · Significant imbalance in supply / demand looming, given supply takeout -- meaning valuations are even more compelling.
Strategic Rationale	· No perceived significant cost takeout (unlike potential rationalization of an LTL network) · No perceived strategic imperative to provide full range of truckload services (unlike in forwarding, where competitors often feel competitive pressure to serve numerous geographies and/or provide all types of logistics services).	· Truckload is a game of penniesper mile (on cost and price). While rationalization of overhead may be limited (given lack of overhead), a small improvement creates tremendous value (one percentage point improvement in margin can lead to 10% increase in enterprise value). · Information tools are improving, enabling companies to better extract value from dedicated / OTR integrated offering. · Shift in customer behavior looking for fewer truckload providers creates opportunity for integrated dedicated/OTR offering. · Evidence that moving beyond the traditional "overflow model" for an integrated brokerage / OTR capability can create value (e.g. recent initiatives by J.B. Hunt).
Integration Issues	· The heritage of many truckload companies still has the distinct imprint (and involvement) of its founders and the sense that acquisitions would create cultural integration issues for acquiror and target. · For brokerage, sense that truck brokerage businesses are people oriented and difficult to integrate.	· Many company founders have reached points in their careers where they would like to reduce their involvement. · With a greater understanding of the brokerage model and properly aligned employee incentives traditional OTR and in-house brokerage units can be coordinated.
Unclear value creation opportunities	· Investors viewed truckload as a sector with a few opportunities to establish competitive advantage through low cost structure and/ or premium pricing. · In general, financial investors who might drive a rollup have not been active in truckload.	· Private and public equity investors are beginning to recognize that provision of truckload services is not a simple business in which competitors generally achieve a similar return on their assets. · Enormous variability in profitability of competitors and in valuation—probably more so than other sectors. As such, competitors with superior business models have opportunities to make acquisitions of second tier companies and enhance profitability and valuation.

These owners, now in their 60s and 70s, are reducing their involvement in day-to-day operations (and looking for options to monetize their life's work), and relying increasingly on professional managers in more corporatized environments. Integration of asset-light (or human resource-heavy) brokerage or intermodal operations can also be successfully accomplished, as long as buyers understand the incentive structure and ensure that employees are motivated following an acquisition.

Conclusion

We believe that the truckload sector remains misunderstood. Superior management teams can create value through well developed growth strategies with strong execution. While growth requires capital (considerably less for brokerage), incremental improvements go a long way in creating value. Given the likely magnitude of a supply-demand imbalance in an upswing, acquisitions can be a particularly potent strategic tool for growth in the current environment for those who are bold and capable.

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Mr. Clancy has advised clients on a wide range of strategic issues including: business strategy, mergers & acquisitions, bankruptcy support, customer segmentation, price elasticity, network strategy, capital investment decisions and operational improvement. He has worked with numerous clients in the air freight, small package, less-than-truckload, container shipping, logistics and transportation infrastructure industries.

Mr. Clancy's mergers & acquisition due diligence experience includes advising private equity firm clients on the industry economics and competitive position of acquisition targets. Mr. Clancy has been involved in several bankruptcy proceedings and restructurings of transportation companies where he worked with debtor to develop a new business plan and advised creditors on the feasibility of debtor restructuring plans.

Mr. Clancy is a graduate of James Madison University where he received a Bachelor of Science degree in Policy Analysis. He is also a member of American Trucking Association (ATA), The Truckload Carriers Association (TCA), The International Air Cargo Association (TIACA), the Council of Supply Chain Management Professionals (CSCMP) and the Intermodal Association of North America (IANA). He is the author of numerous articles on strategic issues in transportation and logistics industries and is a frequent speaker at key industry conferences and university symposia.

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David Hoppin, a co-founder of MergeGlobal, Inc., has 16 years experience in strategic consulting for clients in the airline, air freight, containership and freight forwarding/logistics industries. He has directed a wide variety of consulting engagements, from commercial strategy (customer and market selection) to fleet and network planning to supporting clients involved in alliance or merger/acquisition negotiations. Before co-founding MergeGlobal, Mr. Hoppin was an engagement manager for an aviation consulting firm in Washington, D.C. and an analyst for Bankers Trust Company in New York.

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John Moses joined MergeGlobal in early 2005 from JP Morgan Securities where he was a Managing Director in their Leveraged Finance business. Mr. Moses has over 24 years of transportation and financial sponsor related investment banking experience, principally at Bankers Trust/Deutsche Bank where he was a Managing Director in its Leveraged Finance business, ran their air transport practice and headed their Financial Sponsors Coverage unit in Chicago during his long tenure there. In the past two decades, Mr. Moses has led over 100 major M&A advisory and financing assignments with a total transaction value in excess of $25 billion. Notably, he played a key role in 1989 leveraged buyout of Northwest Airlines and was the lead banker to Atlas Air during its rapid expansion and development in the air freight ACMI business in the 1990's.

Mr. Moses graduated cum laude from Amherst College with a Bachelor of Arts degree in Political Science.

JAMES W. WESTPHAL | MANAGING DIRECTOR
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Jim Westphal has over 20 years of professional experience in investment banking and corporate development. Prior to joining MergeGlobal, he spent 13 years as an M&A and transportation specialist at Salomon Brothers, UBS, and Deutsche Bank. At UBS he started and ran the North American Transport Group and the Global Logistics Group. At Deutsche bank he was Managing Director and head of the US Transportation Group. From 2002 to 2004, Jim served as a special advisor and head of strategy and M&A of Atlantic Aviation (the second largest fixed base operator in the world) where he led five acquisitions, a recapitalization, and the company's ultimate sale to Macquarie Bank. Prior to his career in investment banking he was a consultant at Monitor Company.

Mr. Westphal holds a B.A. in Economics from Amherst College and an M.B.A. and M.A. in East Asian Studies from the University of Virginia.

MergeGlobal provides clients a continuum of services including financial and strategic advisory. Founded in 1993, the firm is headquartered near Washington, D.C.

FINANCIAL ADVISORY

Founded in 2005, MergeGlobal's financial consulting practice combines financial expertise with deep industry knowledge to significantly improve shareholder value for clients in the Global Transportation and Logistics industries.

We and our clients recognize that:

- Shareholder value is created not only in the transaction process but in the planning process leading up to a decision to buy or sell a business.
- Valuation requires more than the application of mathematical formulas.
- Qualitative analysis, judgment, experience, and industry knowledge are crucial.
- Original thinking and a willingness to question conventional wisdom are scarce resources which open unusual opportunities.

Specific areas of expertise:

- Sell side M&A (divestitures, private and public company sale)
- Buy side M&A
- Mergers, joint ventures, and other business combinations
- Financial restructuring, distressed debt and M&A situations
- Fairness opinions
- Business valuation
- Board of directors advisory
  (strategic business review, including both M&A and non-M&A strategic initiatives)

STRATEGIC ADVISORY

Founded in 1993, MergeGlobal's strategic consulting practice specializes in developing business strategy for companies in the Global Transportation and Logistics industries. MergeGlobal's approach is highly quantitative and hypothesis-driven. We have completed over 200 engagements for clients in North America, Europe, Asia and Latin America. Our industry experience spans all modes of transportation, logistics and suppliers to the industry.

Specific areas of expertise:

- Business strategy
- Network economics
- Market and customer analysis
- Pricing
- Competitive benchmarking
- Operational improvement
- Capital investment decisions
- Bankruptcy and restructuring support