



**THIRD-PARTY LOGISTICS (3PL)**  
*Investment Perspective*

*Prepared by*

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## ● ● ● ● ● 3PL Investment Perspective

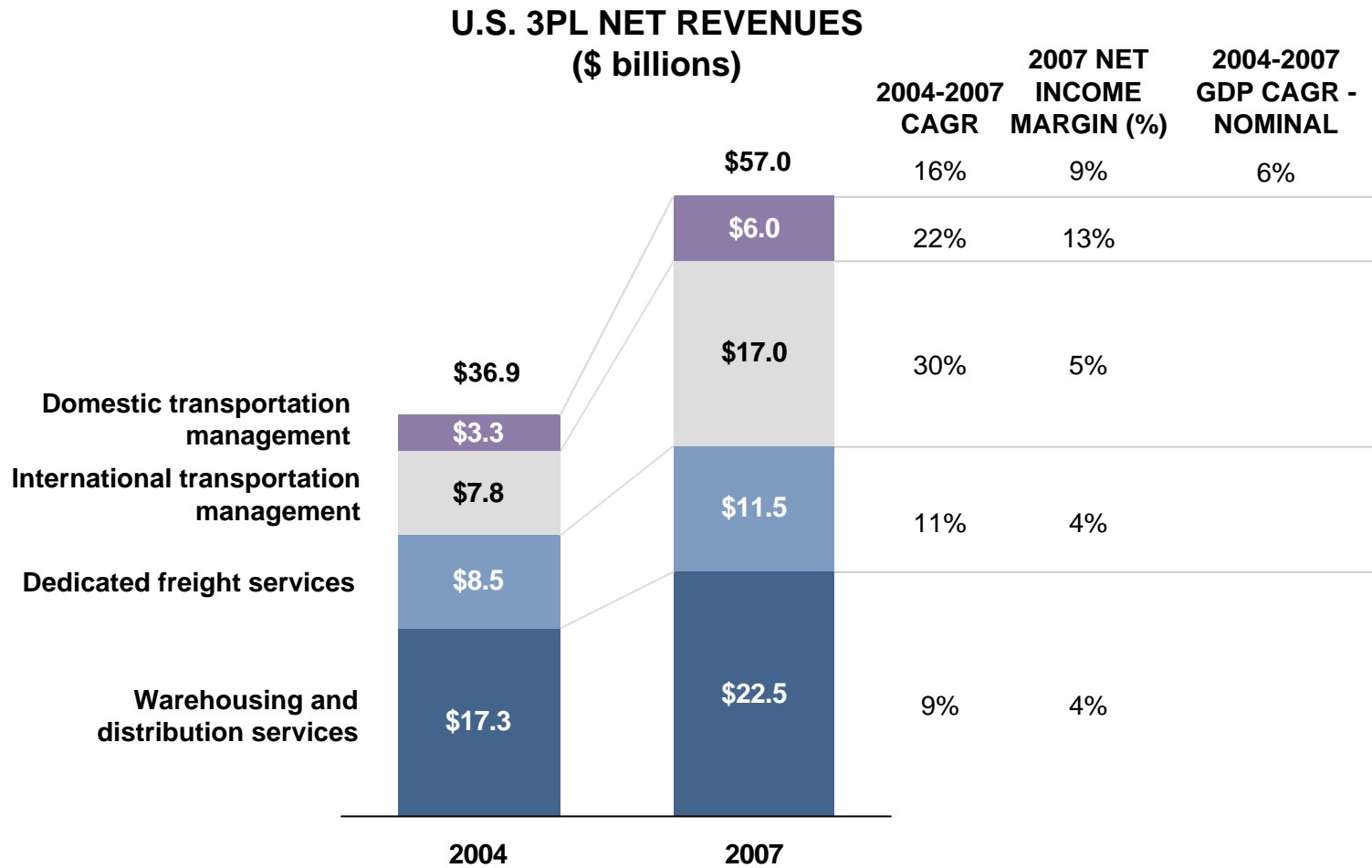
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### **3PL providers represent a dynamic sector with attractive investment opportunities**

- 3PL revenues are growing at double-digit levels across a range of services
- Changes in supply chains and adverse macroeconomic conditions will contribute to continued sector growth
- Investment opportunities arise with the continuing sector consolidation and increasing value of 3PL specialists

● ● ● ● ● 3PL Landscape

The 3PL market is large and its growth has outpaced GDP





## 3PL Landscape

### 3PL providers' service offerings range from broad-based to highly specialized

Sector	Description	Specialty Niches
Domestic transportation management	Transportation management services dealing with shipments originating in and destined for North American points; these services are often performed in conjunction with freight brokerage	<ul style="list-style-type: none"> <li>• Freight brokerage</li> <li>• Freight payment</li> <li>• Network modeling</li> </ul>
International transportation management	International transportation management services dealing with shipments originating in or destined for North American points, usually performed in conjunction with air or ocean freight forwarding	<ul style="list-style-type: none"> <li>• Consolidation/deconsolidation</li> <li>• Customs brokerage</li> <li>• Provision of Foreign Trade Zone (FTZ)</li> </ul>
Dedicated freight services	Dedicated contract freight services supplying tractors, drivers, and management; trailers may be included or the client's trailers may be used	<ul style="list-style-type: none"> <li>• Pooled deliveries</li> <li>• Refrigerated transport</li> <li>• Home delivery/"white glove"</li> </ul>
Warehousing and distribution services	Multi-year contract warehousing or distribution center operations; may occur in single-client dedicated facilities or within multiple client public warehouses; typical services include receiving, inventory management, pick/pack, and shipping; value-added services, such as kitting, may also be included	<ul style="list-style-type: none"> <li>• E-commerce/multi-channel fulfillment</li> <li>• Reverse logistics (returns)</li> <li>• Light assembly and refurbishing of electronics</li> <li>• Specialty packaging</li> </ul>



## 3PL Growth Drivers

**3PL providers are well positioned to continue growing; dramatic changes in virtually all supply chains make efficiency and versatility paramount and corporations are increasingly looking to contract logistics providers to fill the gaps**

Development	3PL providers' edge
The rising costs of offshore production have driven corporations to “in-sourcing”	<ul style="list-style-type: none"> <li>• Experience managing supply chains for changing business models</li> <li>• Can quickly scale operations to assume distribution roles in client facilities or in leased/shared facilities, eliminating the need for long-term commitment to assets by the client</li> </ul>
Stagnant economic outlook makes supply chain efficiency critical	<ul style="list-style-type: none"> <li>• Proven track record of increasing supply chain efficiency and maximizing logistics cost savings</li> <li>• Expertise in technical aspects (e.g., end-to-end supply chain visibility, customs, inventory management)</li> </ul>
Increased regulatory intensity (and sanctions) have raised the stakes of doing business	<ul style="list-style-type: none"> <li>• OSHA and Sarbanes-Oxley have fundamentally changed the risks, compliance costs, and requirements of successfully operating a worldwide supply chain</li> </ul>

*“By 2010, the need for greater supply chain flexibility will overtake product quality and customer service as the major driver for improving supply chain strategy.”*

*–Global Supply Chain Trends Survey, 2008*

## ● ● ● ● ● 3PL Growth Drivers

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**Adverse macroeconomic conditions accentuate the need for corporations to focus on cost containment in their supply chains**

<b>Development</b>	<b>3PL providers' edge</b>
Rising fuel and commodity prices have squeezed corporations, big and small	<ul style="list-style-type: none"><li>● Through their purchasing power, can negotiate better pricing for fuel</li><li>● For small to mid-size corporations, can maximize savings through consolidation and rationalization of transportation, and increased efficiency</li></ul>
Tight credit markets make rationalizing capital expenditures increasingly important	<ul style="list-style-type: none"><li>● Ownership of/access to broad asset bases allows corporations to minimize capital expenditures and asset acquisitions (and debt levels)</li><li>● Scale and breadth, enabling small and medium-size enterprises that require end-to-end supply chain solutions to remain competitive and grow</li></ul>

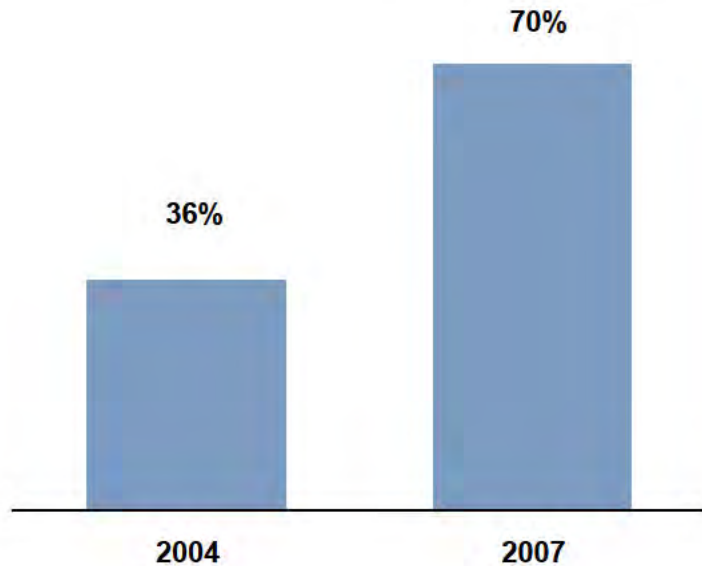
*“A lot of our supply chain design work was really developed in the 1980s and 1990s, when our capital spending was fairly high and oil was 10 bucks a barrel. I could say that the supply chain design is now upside down. The environment has changed.”*

*–Keith Harrison , Procter & Gamble, Head of Global Supply Chain (Financial Times)*

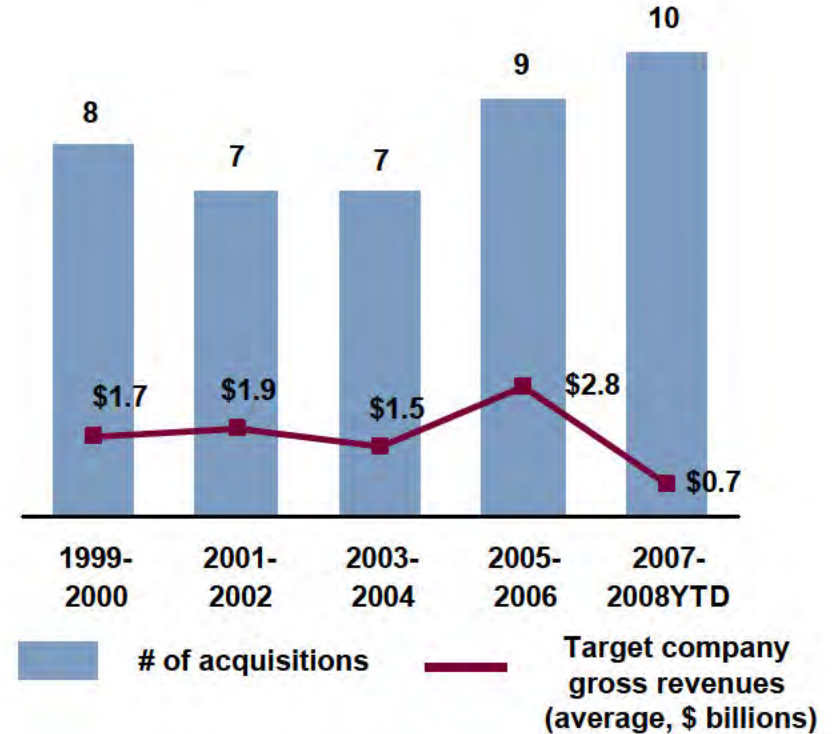
## 3PL Acquisitions

Since 2004, top players have acquired strategic add-ons to supplement their scale and breadth; middle-market consolidation is expected to continue

U.S. 3PL MARKET SHARE – TOP 10 PLAYERS



WORLDWIDE 3PL ACQUISITION HISTORY

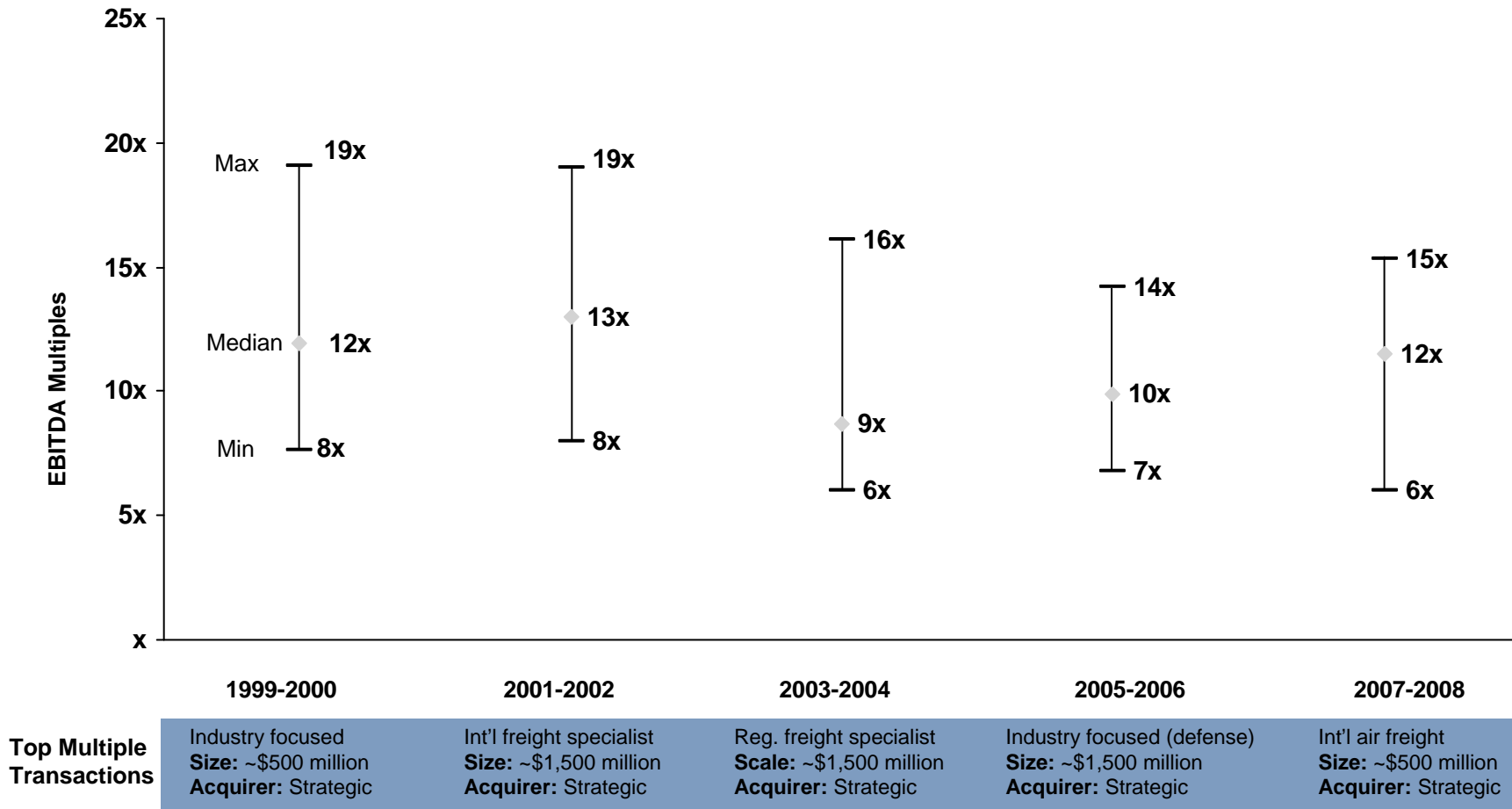


Note: Gross revenue includes revenue from subcontracted services  
Source: Armstrong and Associates; KSA analysis

● ● ● ● ● 3PL Acquisitions

Top players have paid premium multiples for mid-size to large differentiated players

WORLDWIDE 3PL ACQUISITION MULTIPLES







## 3PL Opportunities

**In light of the current supply chain landscape changes, future acquisitions will likely continue to focus on differentiated players; corporations with regional breadth, specific segment specializations, and integrated end-to-end service offerings will likely be sought-after targets**

<b>Company Profile</b>	<b>Description</b>	<b>Benefit</b>	<b>Examples of Market Leaders</b>
North American multi-regional/national	3PLs with significant geographic coverage and business growth	Scale of geographic coverage and current business enable companies to take advantage of ongoing consolidation	Kenco DSC
Segment specialists	3PLs that control large market share in focused areas	Specialization yields higher barriers to entry in terms of infrastructure and skill set	Genco (reverse logistics) TLC (multi-temperature)
Global “end-to-end”	3PLs capable of managing end-to-end supply chain planning and execution	“One-stop shopping” for small and mid-size companies looking to minimize complication in their supply chain execution	Expeditors International NFI