
European Transport Trendspotter: PEs mull logistics consolidation

Analysis

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Private equity (PE) firms have their eyes on consolidation plays in the European logistics services sector at the beginning of 2H23, dealmakers said.

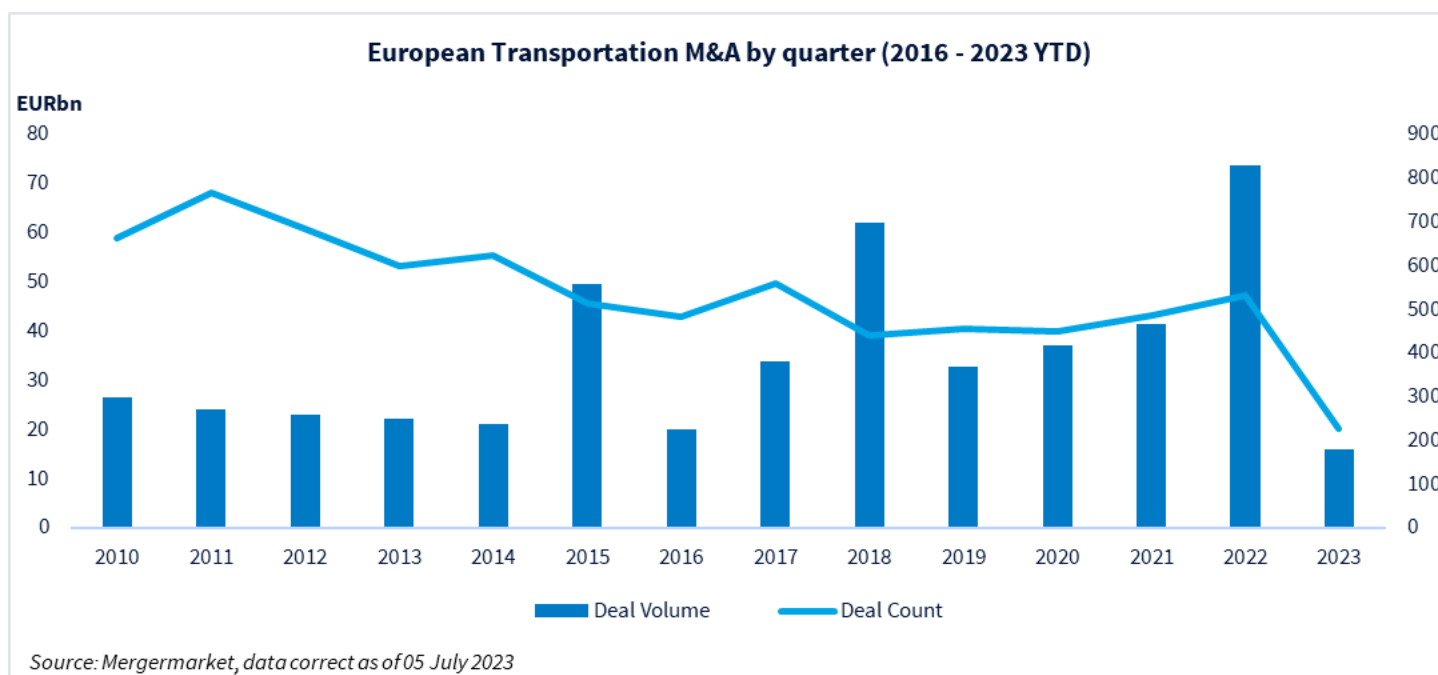
“For private equity, the services market is interesting because it requires less capex investment, which translates in good free cashflow,” said Sayed Deliri, an associate at Capitalmind Investec. The market is still highly fragmented, he added.

One advantage of deals in logistics services is that the companies involved in services tend to be less asset-based than traditional transport plays, which means that tech can be deployed to add value, dealmakers said. One hot area involves logistics centres in Greece that are close to ports.

An example to watch is [Makios Logistics](#), a Greece-based provider of integrated logistics services and temperature-controlled warehousing, which has been held by sponsor HIG Capital since January 202, and has a [Likely to Exit](#) (LTE) score of 52 out of a possible 100, with 39% of the score derived from the days the sponsor has held it, according to *Mergermarket's* predictive algorithm*.

Despite PE interest in the European transport and logistics world, overall deal volumes fell by almost 33% to EUR 15.9bn in 1H23 from 2H22, according to *Mergermarket* data. At -74%, the fall was even steeper from 1H22.

The strongest quarter was 2Q23, with volumes of EUR 10.7bn. This was more than double 1Q23's figure of EUR 5.2bn, showing promise of an upswing in 2H23 if the trend continues, as seems likely.



The second half is already off to a strong start. Bolloré Group [EPA:BOL] announced on [11 July](#) that it has signed an agreement to sell 100% of Bolloré Logistics to CMA CGM Group for EUR 4.65bn, prior to calculating debt and cash on the completion date.

“Technology is central to the ability of businesses around the world to deliver on climate pledges and we expect to see a strong focus on new technologies and efficiencies in the transport sector when looking at M&A deals,” said Martina Farkas, partner and global co-head of Linklaters transportation sector group.

One tech-savvy logistics and sustainable transport company is Tikehau-backed [Groupe Sterne of France](#), which bought German competitor Nox NachtExpress [last year](#). The sponsor has an LTE score of 52, with a third of its score coming from the time held and 26% from loans maturing meaning the sponsor could exit in the next couple of years, according to the algo.

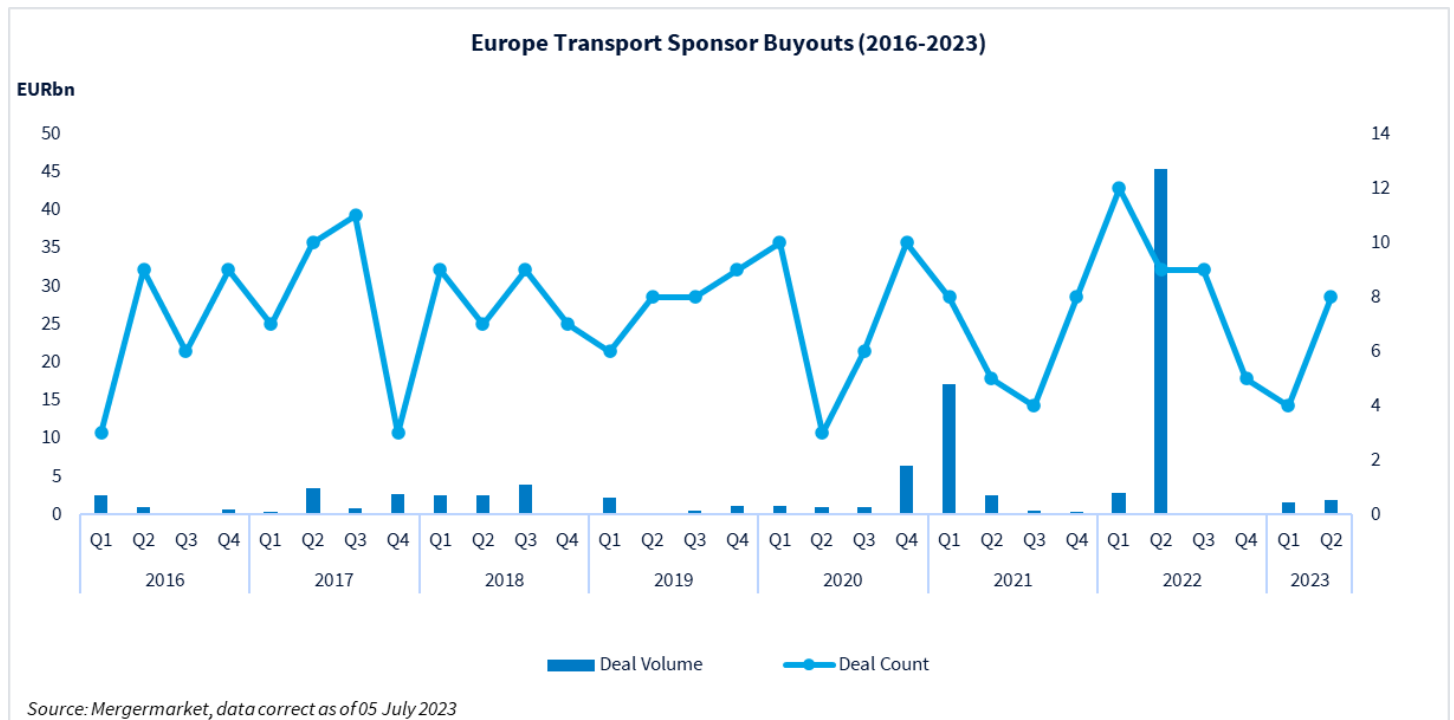
Other logistics deals in the pipeline include Czech e-commerce logistics group Packeta Group, which has [started to actively seek a buyer](#). Meanwhile, Accent Equity could launch a process for Swedish temperature-controlled logistics firm [TempCon, as reported](#).

The potential exit of automotive industry service provider [Formel D](#) from sponsor 3i Group [LON:III], with an LTE score of 67, is another one to watch. Its score is weighted to the three years the asset has been held. Last year, the company said it could consider an exit within two years, [Mergermarket reported](#).

Meanwhile, delivery companies have boomed since the Covid-19 era and Polish last-mile delivery services provider InPost [AMS:INPST] is one company on the ball with the boom, with around EUR 200m immediately available for acquisitions, its CEO International Michael Rouse told [Mergermarket](#).

Turkish parcel-delivery company MNG Kargo is also a name to watch. The company, which has an LTE score of 59, has received interest from global strategics, [as reported](#).

Sponsor exits in the sector surged 135% by total deal volumes to EUR 2.2bn in 1H23 vs 1H22. One exit to watch is Staci of France, which has been put on the block by [Ardian](#).



Aviation Liftoff

Airlines and airports are also taking off again, with the IPO of Athens International Airport (AIA) expected to launch at the end of this year or [early 2024](#). The IPO could value AIA at an enterprise value of more than EUR 3bn.

“Confidence is returning to the aviation sector which suffered as a result of the dislocation caused by the Covid-19 pandemic and the war in Ukraine,” said Olga Petrovic, partner and global co-head of Linklaters transportation sector.

Lufthansa’s [ETR:LHA] sale of a stake in its aircraft maintenance, repair, and overhaul (MRO) division is another key asset on the table for later in the year. JPMorgan and Citi are advising the airline on an auction that could value the subsidiary at EUR 6bn-EUR 7bn, as [reported](#).

While high interest rates continue to increase the cost of debt, the market expects to see several pre-IPO capital raises across the aviation sector throughout the remainder of the year, as companies look to the equity markets for capital, Petrovic added.

“If the AIA IPO is a success, it could not only lift the Greek stock market but breathe new life into European aviation industry M&A and into IPOs,” another dealmaker said.

Other related deals include the ongoing sale of [Sabena Technics](#), a French maintenance, repair, and overhaul (MRO) services provider to civil and military aircraft operators, as reported.

Old and new modes

Traditional assets such as buses and trains are also back on the map in the post-Covid-19 era, as passengers feel safer to travel again. An example is [Flixbus](#), the German long-distance bus operator, expected to soon select banks for its EUR 1bn German IPO, as reported earlier in July. It has an LTE score of 64.

Meanwhile, [Italo-Nuovo Trasporto Viaggiatori](#), an Italian high-speed railway group with an LTE score of 61, is in an advanced sale process. Italian shipping group MSC and Global Infrastructure Partners (GIP) are discussing the creation of a continuation fund as the instrument for MSC's takeover of the asset, [as reported](#).

Financial sponsors are also looking for growth opportunities in niche sub-sectors, and this ranges from the growing appetite for gigafactories to support the transition to electric vehicles, and the increasing importance of liquefied natural gas (LNG) as the energy supply is squeezed across Europe, said Petrovic.

With the war in Ukraine still causing disruption to traditional supplies of gas, shipping LNG from the North Africa region has been a key strategy to combat the loss of Russian supplies and this has positively impacted M&A for port terminals for LNG storage and M&A in the space, several dealmakers said.

Examples include Italy's largest gas storage operator Snam, [BIT:SRG] which has hired Rothschild and Societe Generale to prepare a bid for its smaller peer Edison Stoccaggio, expected to launch an auction in the second half, [as reported](#).

Another Italian example is Adriatic LNG, the Italian liquefied natural gas terminal, which has Blackrock and Igneo Infrastructure Partners as the remaining bidders for a 70% stake, [as reported](#).

Shipping's role in global warming

As wildfires rage in Greece and elsewhere in the Mediterranean, the need for the sector to cut down on fossil fuels amid increased global warming is urgent, especially in the shipping segment, add dealmakers.

"Long-haul transportation and shipping sectors have seen the introduction of several emission-reducing initiatives over the past decade, however, their transition away from fossil fuels lags behind the short-haul and automotive sectors," said Farkas.

As the urgency of the climate crisis intensifies across the globe, there is an increasing demand for zero-emissions transportation and a "greening" of the transport system. On the back of this need, the divestment of more traditional vessels can be seen, a shipping source added, noting that small players that cannot afford to be able to comply with regulatory changes may get snapped up by larger companies with deeper pockets. More traditional assets such as ferry lines may also be divested for the same reasons, he added.

Vision Ridge and Havila Holding launched a sale in June of Norwegian ferry operator Fjord1, this news service [reported](#). Fjord1 is the largest ferry operator in Norway, but doesn't have much room to grow.

Finally, Greek-owned [Danaos Corp](#) is positioning itself for a deal to increase its stake in US-based Eagle Bulk Shipping [NASDAQ:EGLE], [as reported](#).

by Cristiano Dalla Bona and Elaine Green, with analytics by Manu Rajput

** Mergermarket's LTE predictive analytics assign a score to sponsor-backed companies to help track and predict when an exit could occur through M&A, an IPO, a direct listing or a deSPAC transaction.*