

Transportation & Logistics M&A Market Update[©]

Addressing the M&A Needs of Transportation and Logistics Professionals

April 2011

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The McLean Group
Transportation &
Logistics Practice

About Us:

The McLean Group is a national investment bank serving middle market businesses. For more information, visit www.mcleanllc.com.

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Industry Brief

2010 proved to be a year of recovery for the transportation & logistics markets. The following analysis reviews trends and transactions in the marine and port industry segments of the US and Canada, as well as the anticipated influence on 2011 mergers and acquisitions activity. The analysis includes mid-sized companies in such industries as:

- Ship Operation and Management
- Ship Building, Repair and Equipment
- Marine Cargo Logistics
- Port Facilities
- Port Services, and
- Tug and Barge.

Container trade is often a reliable proxy for marine-related trade, and cargo container data shows a healthy rebound in 2010 US ports activity, continuing into 2011. The National Retail Federation's most recent Port Tracker edition projects that container imports will be up 7.5% in the first half of 2011, after imports and exports combined recorded a 20% gain for all of 2010. Though encouraging, these increases followed a dismal 2009 in which import volumes were at their lowest level since 2003.¹ Cargo trade tends to closely track overall economic activity and by the end of September 2009, an estimated 548 container vessels with a carrying capacity of 1.3 million 20-foot equivalent units (TEUs) were idled at seaports worldwide as a result of the decline in global demand for containership services.²

Mergers and acquisitions activity declined during the downturn as business confidence eroded along with international cargo traffic. Restrained access to funding in these capital-intensive industry segments further exacerbated the trend through 2009. In 2010, dealmakers began to return as economic conditions and trade improved with a few trends becoming apparent. Healthy companies continue to diversify their service offerings by expanding from carrier operations into logistics services and vice versa. Also, a number of energy companies moved to control their logistics chain through acquisition of terminals and storage facilities. So far in 2011 those trends have continued, and such key inland and coastal players as Kirby and Crowley are actively expanding.

¹Journal of Commerce: March 7, 2011

Deal Highlights

Highlighted Mergers & Acquisitions

Great Lakes Dredge and Dock Acquires L.W. Matteson (announced) January 2011

Matteson's specialized equipment and expertise enables Great Lakes, the largest provider of dredging services in the US, to expand its services to river and environmental dredging, as well as levee repair.

Deal Value: \$37.5 million cash, \$7.5 million seller note

Implied Enterprise Value/EBITDA: 6.0

Martin Midstream Partners, LP acquires terminals of L&L Holdings January 2011

Martin Midstream is a publicly-traded limited partnership (NASDAQGS: MMLP) with diverse operations primarily in the Gulf Coast region. Through coordinated transactions with Martin Resource Management, Martin Midstream acquired 13 marine terminals to augment their fuel and lube distribution system.

Deal Value: \$36.5 million

Crowley Maritime acquires Jarvis International Freight January 2011

The addition of Jarvis International expands Crowley's logistics services to include: export packing for the Federal Government; international freight forwarding of air and ocean shipments; drilling projects in Belize, Brazil and Madagascar; civil construction in Equatorial Guinea, and oilfield work in Algeria.

Deal Value: Undisclosed

Kirby Corporation acquires Enterprise Marine Bunker Services February 2011

Kirby added to its inland liquid barge fleet: 21 tank barges and 15 towboats that deliver engine fuel to cruise ships, container vessels and freighters at ports primarily in South Florida, as well as other locations in Mobile, AL and Houston, TX.

Deal Value: \$53.2 million

Algoma Central acquires balance of Seaway Marine Transport February 2011

Algoma Central (Canada) is to acquire the partnership interest of Upper Lakes Group in Seaway Marine Transport. In the transaction, Algoma added eleven dry-bulk freighters to its fleet of 19 bulk carriers and seven product tankers.

Deal Value: \$85 million

Kirby Corporation agrees to acquire K-Sea Transportation Partners March 2011

With this acquisition, Kirby will extend its reach with sea-going barges: K-Sea operates 58 tank barges and 63 tugs in most US coastal zones.

Deal Value: \$600 million (\$335 million cash and stock; \$265 million assumed debt)

2010 Selected Transactions

Date	Deal Description	Transaction Value
Jan 2010	Signal International acquires Bender Shipbuilding and Repair in bankruptcy to expand marine construction and repair capabilities.	\$31 million
Jan 2010	Kinder Morgan Energy acquires liquid bulk terminals and other assets of Slay Industries to gain access to St. Louis terminals.	\$104 million
Jan 2010	"K" Lines acquires 51% of Air Tiger Express. The cargo liner acquired ATEC to expand its freight forwarding offerings.	\$22 million
Feb 2010	Calgon Carbon acquires Hyde Marine to expand into regulation-driven marine environmental arena (ballast water treatment).	Undisclosed

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May 2010	BAE Systems acquired Atlantic Marine Property Holding Co. Shipyards in Mobile, AL and Jacksonville, FL enabling BAE to better meet Navy requirements.	\$352 million
Jun 2010	Platinum Equity acquired American Commercial Lines, public to private, as a portfolio platform.	\$786 million
Jul 2010	Genesis Energy LP (NYSE: GEL) acquires remaining 51% of DG Marine, gaining petroleum terminals and barges in the Gulf and Mississippi River.	\$25.5 million
Sep 2010	Crowley Maritime acquires Islandwide Air and Ocean to extend logistics and cargo handling capabilities to Puerto Rico customers.	Undisclosed
Dec 2010	AGL Resources (NYSE: GAS) acquires Nicor, Inc. including Tropical Shipping, which acquired VI Cargo services earlier in 2010.	\$3,266 million
Dec 2010	Vigor Industrial LLC acquires Todd Shipyard, adding the Puget Sound shipyard to its Pacific Northwest marine repair/construction abilities.	\$129 million

Source: Capital IQ

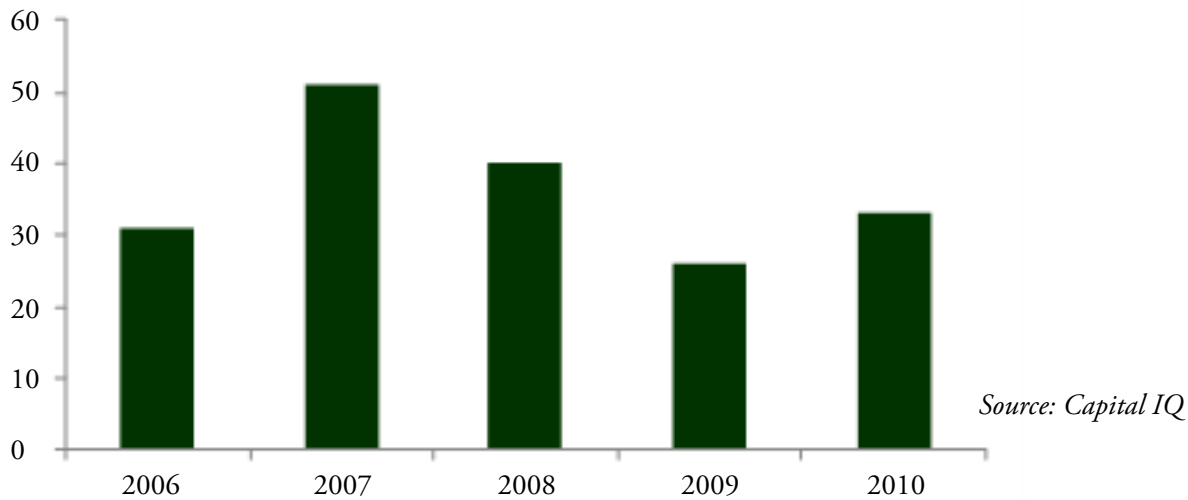
Moving Forward

Most indicators suggest that economic activity for port- and marine-related companies will continue to build in 2011 and likely into 2012. Mario Moreno at the Journal of Commerce predicts that trade between the US and Asian countries, the prime drivers of growth, will increase 9.1% in 2011. This momentum will certainly enhance business for marine companies but will also provide fuel for deal activity, along with a number of discernable trends:

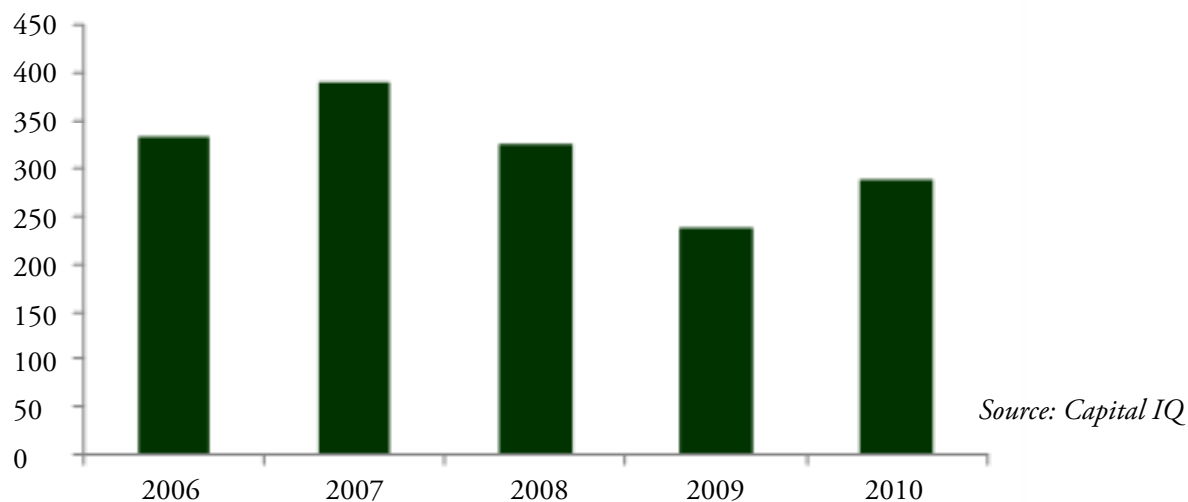
- Healthy companies that weathered the downturn will seek both horizontal and vertical expansion, similar to the 2010 Crowley and BAE deals, respectively.
- Energy companies and holding companies will continue to seek supply-chain assets such as ports, terminals and ships/barges. A few “alternative” energy efforts may drive activity, such as offshore wind planning, clean coal and even wood pellet exportation to Europe.
- Private equity groups will become more active as they seek to deploy sideline capital and leverage becomes more accessible.
- Marine-related equipment and service companies as well as distributors, will acquire and be acquired as marine repair, construction and regulatory requirements increase.
- Competition among ports for secular growth in international trade continues. East Coast ports are investing to capture predicted marginal business from the Panama Canal expansion to be completed in 2014. Canada and the West Coast are responding, and many firms may benefit.
- Asset squeeze issues will likely drive innovation and M&A, such as the shortage of shipping containers and likely truck chassis and ship capacity as well.

As with any economic outlook, a number of factors could derail the recovery in commerce and trade. However, the momentum that is building in the overall ports, shipping and logistics sectors seems to have a firm foundation. Please contact Harry Ward at The McLean Group to discuss the Transportation and Logistics markets or visit our web site to explore the range of bankers and industry specialists at your disposal.

US Marine Deal Counts 2006 - 2010



International Marine Deal Counts 2006 - 2010



The McLean Group Transportation & Logistics Practice

The McLean Group's Transportation & Logistics practice provides broad transaction know-how to a wide range of clients in this multi-faceted industry. We have a history of working with such top logistics companies as Roadway, Excel Logistics and Logisticon. Our bankers' international network of contacts enables us to remain current with international industry trends.

Transportation

- * Air, Ocean & Surface Freight Forwarding
- * Maritime Shipping
- * Trucking
- * Rail

Logistics

- * Air, Ocean & Surface Freight Forwarding
- * Distribution & Fulfillment
- * Third-Party Logistics (3PL)
- * Technology

About the Author

Harry Ward, Director at The McLean Group's Hampton Roads, VA office, has more than 20 years' executive management and start-up experience in middle market maritime, distribution and technology companies. He has worked closely with owners in a range of industries, opening new markets and implementing value enhancement strategies in preparation for company acquisitions.

In southeast Virginia, Mr. Ward focuses on the development of custom exit strategies for owners of government contracting, logistics and transportation companies.

A US Naval Academy graduate, Mr. Ward served as a US Navy helicopter pilot and survival instructor. He earned an MBA in finance from San Diego State University.

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About The McLean Group

The McLean Group is a national, middle market investment bank providing mergers & acquisitions (M&A), capital formation, market intelligence, business valuation, litigation support and exit planning services. Headquartered in the Washington, DC metropolitan region's technology, communications and government contracting corridor, the firm is among the top middle market investment banks in the nation.

- **M&A:** The McLean Group uses its considerable expertise in a wide variety of industries to identify the most probable and suitable candidates to complete transactions under the most favorable terms for its clients.
- **Capital Formation:** The McLean Group arranges private equity, venture capital, senior debt and subordinated debt in amounts ranging from \$5 million to \$250 million to support clients' expansions, mergers & acquisitions (M&A), refinancings, recapitalizations, leveraged buyouts and shareholder liquidity objectives.
- **Market Intelligence:** By leveraging superior competitive analyses, the firm provides business executives with comprehensive market intelligence reports, which provide the market insight and analytical expertise required to reduce risk and uncertainty in strategic decision making.
- **Business Valuation:** As a core competency and complement to its M&A business, The McLean Group provides business valuation services, including intangible asset and financial security valuations for a variety of transactions, financial reporting and tax purposes.
- **Litigation Support:** From quantifying economic damages to valuing a minority interest in a business, the firm has the business valuation experience and credentials to support cases involving a variety of legal issues.
- **Exit Planning Services:** Based on its extensive experience advising owners of middle market businesses, The McLean Group has developed a proprietary process that analyzes more than 60 value/risk drivers that can have a significant impact on the value of a business.