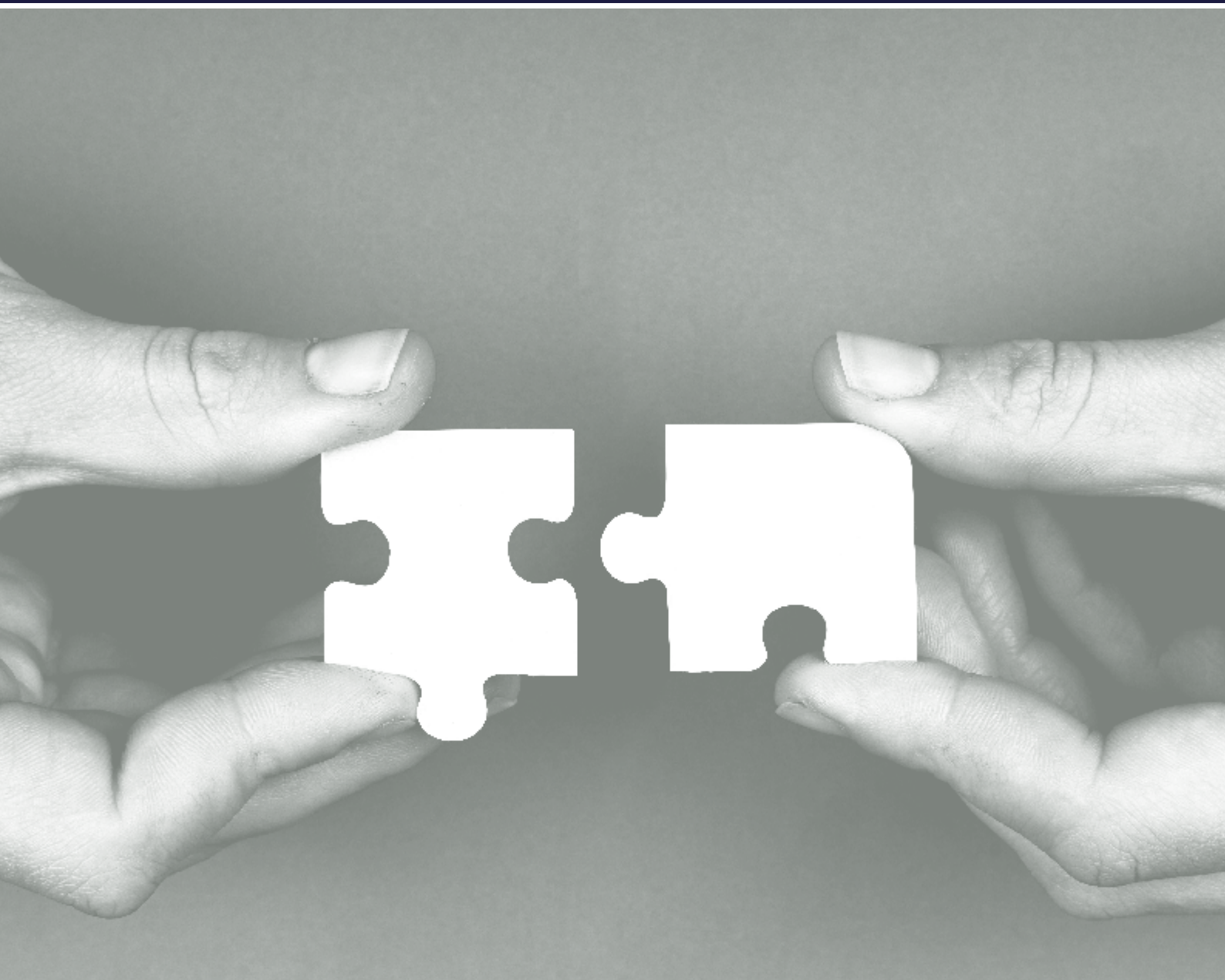


UK Logistics Sector Mergers and Acquisitions Index 2025

Insight Report



LOGISTICS UK

We support, shape and stand up for safe and efficient logistics

Logistics UK is one of the biggest business groups in the UK, supporting, shaping and standing up for efficient logistics. We are the only organisation in the UK that represents all of logistics, with members from the road, rail, water and air industries, as well as the buyers of freight services such as retailers and manufacturers whose businesses depend on the efficient movement of goods.

An effective supply chain is vital to Keep Britain Trading, directly impacting over seven million people employed in making, selling and moving the goods that affect everyone everywhere.

With EU Exit, technology and other disruptive forces driving changes in the way goods move across borders and through the supply chain, logistics has never been more important to UK plc.

As champions and challengers, Logistics UK speaks to government with one voice on behalf of the whole sector, greatly increasing the impact of our messages and achieving amazing results for members.

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RPGCC is a full-service audit and accounting firm listed in the Accountancy Age 50 + 50. We offer all the services you would expect from a firm of our size from audit, accounting, bookkeeping and payroll through to due diligence, advice on mergers and acquisitions and independent financial advice.

Our service lines are all Partner-led, there is no AI here. Just real people providing professional advice assisted by best-in-class technology.

Each of our clients is different with their own unique qualities and requirements. We know that a one size service does not fit all. Our team use their expertise and innovative thinking, together with a personal approach to help, guide and support boards, business owners, entrepreneurs and private clients, helping them to achieve their goals and the best possible financial outcomes.

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To read the full report, become an Executive Member and benefit from a comprehensive suite of services designed to keep you abreast of key trends, policy issues and commercial risks across the supply chain.



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About the authors



Philip Bird

Corporate Finance Partner & Head of Logistics
RPG Crouch Chapman LLP

Philip Bird is RPGCC's Corporate Finance Partner and head of logistics. Philip has over 25 years' experience in corporate finance in the following areas:

- Mergers & acquisitions advice.
- Debt & equity raising.
- Exit planning.
- General strategic advice to companies.
- Private equity and management team advice.

Philip has particular experience in the transport and logistics sector. He has worked closely with a wide range of clients including major listed global logistics groups as well as privately held companies in the development and execution of their corporate strategies.

Prior to joining RPGCC Philip was a Partner at CBW LLP and BDO LLP.



David Wells OBE

Chief Executive
Logistics UK

David Wells is Chief Executive of Logistics UK, one of the biggest business groups in the UK and the only organisation which represents all of logistics. With more than 21,000 members from the road, rail, sea and air industries, as well as the buyers of freight services such as retailers and manufacturers, the members of Logistics UK operate more than half of the UK fleet of HGVs, and consign over 90% of freight moved by rail, and 70% of air and sea freight.

David joined Logistics UK in April 2009 as Finance and IT Director, subsequently taking on additional responsibility for the Vehicle Inspection Service and Training and Tachograph Analysis Service. David became Chief Executive in early 2015 and since then has seen membership grow by 40%.

Having completed an engineering degree in Liverpool, David studied for membership of the Chartered Institute of Management Accountants, qualifying in November 1993 whilst working in industry. His career has centred around engineering and service businesses and has both European and North American finance and operations experience.

In 2022, David was awarded an OBE by HM The Queen in the New Year's Honours list, for services to transport and logistics.

Foreword

It is 12 months since we commissioned the last UK Logistics Sector M&A Index report. During that time, geopolitics have continued to shift, with the UK's first change of governing party in 14 years, plus political transitions or elections in many other major economies, including the US, France and Germany.

Geopolitical conflicts, such as the war in Ukraine and developments in the Middle East, continue to impact on global supply chains. While global trade hit a record high in 2024, much of the growth was driven by a rise in the trade of services, with goods accounting for a more modest share of the increase.

One interesting theme that has emerged from the fieldwork of this report is the sense of settling into a new normal post-COVID. Following a perception that businesses were overvalued during the pandemic, there is a sense that we have now entered a period of more realistic pricing, to which businesses will have to adjust.

Meanwhile, the high inflation we saw in 2022 and 2023 has been brought under control, and the interest rate environment is broadly stable.

Provisional estimates from the Office for National Statistics (ONS) report a modest decline of 9% in the number of mergers and acquisitions across all sectors between Q2 and Q3 in 2024. However, the Bank of England's report on Q2 2024 reported a slightly more positive sentiment emerging from the range of investment intentions, compared to the previous quarter.

Given this mixed wider context, the results of this research are on balance reassuring, with the UK Logistics Sector M&A Index returning to positive territory. The salient message that we have received from our respondents is one of optimism, tempered with a degree of caution. However, if we dig behind the numbers a little, we can also see that opinions have become more polarised, with more respondents registering high or low scores, but fewer occupying the middle ground.

We do hope the findings of this report will prove useful to you and will help provide a wider context for any investment decisions you may need to take during the coming year.

A handwritten signature in black ink, appearing to read 'Philip B', with a horizontal line underneath the first part of the signature.

Executive summary

RPG Crouch Chapman and Logistics UK, in conjunction with leading independent research firm Analytiqa, have undertaken the latest survey of companies' expectations for mergers and acquisitions (M&A) activity in the sector over the next 12 months.

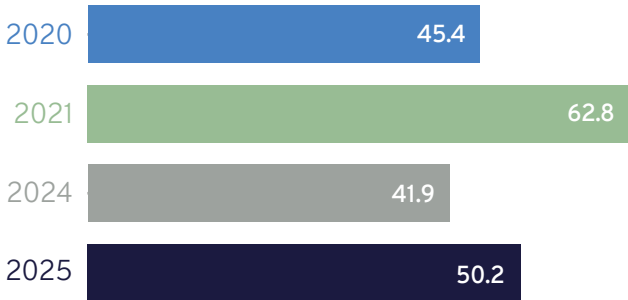
These results draw on the insights of more than 100 senior executives within logistics companies in the UK to provide a view on expected trends in M&A, including valuations, as well as addressing a range of issues currently facing the sector, including business investment, productivity and decarbonisation.



UK Logistics Sector M&A Index

This is the fifth M&A Index for the UK logistics sector undertaken by Analytiqa on behalf of Logistics UK and the second on behalf of RPG Crouch Chapman, the first four having being undertaken in 2020, Q1 2021, 2021 and 2024.

UK logistics sector M&A Index

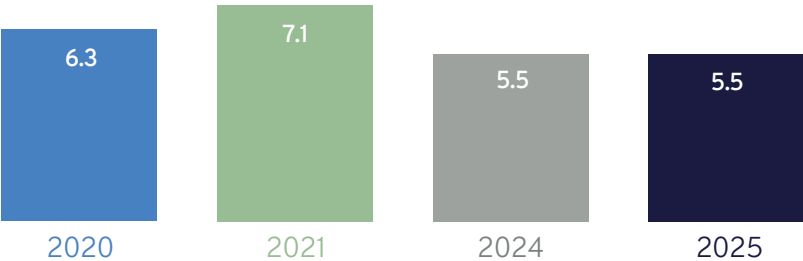


Source: Analytiqa 2024

The UK Logistics Sector M&A Index score for 2024 is 50.2, which means it has returned to positive territory (everything above 50 being positive). This is a marked increase on the 41.9 score recorded in our last report in 2024. However, it is significantly lower than the 62.8 score recorded in 2021, published during a time when large parts of the UK economy were opening up following the lifting of COVID-19 restrictions.

The numbers provide a cautiously optimistic outlook, but paint a picture of concerns about increased labour costs, owing to increases in employers' National Insurance contributions and minimum wage levels. However, the majority of respondents think consolidation through M&A activity will continue in the sector over the next 12 months, with the overwhelming majority of transactions expected to be at the smaller end of transaction sizes. This is set against a wider backdrop of modest growth, with the UK economy growing by just 0.1% in the third quarter of 2024 and expected to be 1.5% in 2025 (Source: ONS).

On a scale of 1-10, where 1= least optimistic and 10= most optimistic, how optimistic are you about the outlook for the UK logistics sector over the next 12 months?



Source: Analytiqa 2024

1 Business sentiment

- 1.1 A cautiously optimistic outlook is emerging in the UK logistics sector, suggesting that expectations of future M&A activity may be on the rise.
- 1.2 Our M&A Index score has risen to 50.2, almost a fifth higher than it was in the last report in 2024.
- 1.3 Broadly the same number of logistics businesses are optimistic about the outlook for the sector, with the average optimism score standing at 5.53 out of 10, compared to 5.54 out of 10 in our 2024 report. It is interesting to note that those respondents who participated in our research after the Autumn Budget were slightly more pessimistic about the outlook for the sector than those who participated before it.

2 Current challenges

- 2.1 Increased labour costs top the list of factors that are having a negative impact on company performance.
- 2.2 Price pressure from customers is also a significant negative factor.

3 Valuation and consolidation

- 3.1 More than one in five respondents have completed M&A activity in the last 12 months.
- 3.2 More respondents are expecting to undertake M&A activity over the next twelve months compared to our 2024 research.
- 3.3 94% of respondents predict that consolidation is likely to continue over the next 12 months.

4 Of those respondents likely to undertake M&A activity, the main trigger is a recent change or review of company strategy.

5 Business investment

- 5.1 Over half (56%) of respondents are looking to increase levels of investment in their business over the next 12 months, down from 64% in 2024.
- 5.2 The change in government has impacted negatively on the investment plans of more than a third of respondents.

6 Productivity challenges

- 6.1 The main impediment to company productivity is the ability to recruit skilled staff.
- 6.2 Managing costs and business regulations also presents significant challenges to productivity.

7 Key M&A drivers

- 7.1 When considering whether to undertake M&A activity, almost one in five respondents reported the desire to expand their service offer.
- 7.2 Respondents' wish to access new or specific customers or achieve economies of scale also featured highly.
- 7.3 Economic uncertainty was cited as the greatest challenge to respondents' business when considering whether to undertake M&A activity.
- 7.4 In terms of size of deals, there is expected to be less activity at the large end, with three quarters of respondents stating that they would contemplate deals up to £10 million.
- 7.5 More international mergers and acquisitions are being contemplated, with more than half of respondents focused on the UK.

8 M&A success factors

- 8.1 Having an effective post-integration plan has emerged as the number one factor contributing to an M&A's success.
- 8.2 Achieving synergies and managing culture and change come in at joint second.

9 Financing M&A

- 9.1 Respondents report an increased reliance on internal resources, away from bank finance, to fund M&A objectives.
- 9.2 Interest from operators in funding deals solely from bank finance has dipped from 15% in 2024 to 13% in 2025.
- 9.3 Funding acquisitions through external investors or the use of other (non-bank) financial institution borrowing is also set to increase.

10 Barriers to M&A activity

- 10.1 Alternative, higher priority strategies has been identified as the major barrier to M&A activity by three in ten respondents.
- 10.2 More than one in six respondents reported that awaiting clarity on government policy was a potential barrier to M&A activity.

11 Looking ahead

- 11.1 The change of government in the UK and geopolitical tensions in the rest of the world are presenting challenges for logistics, while decarbonisation continues to ascend the agenda.
- 11.2 More than one-third of respondents (35%) are likely or very likely to undertake M&A activity over the next 12 months, a slight increase to the 32% reported in 2024.
- 11.3 Of those not intending to complete M&A activity in the next 12 months, more than four out of 10 respondents have mid-term strategies for M&A activity.

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T: 01892 526171*
F: 01892 534989
www.logistics.org.uk



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Registered office: Hermes House, St John's Road, Tunbridge Wells, Kent TN4 9UZ
Registered in England Number 391957

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