



Scale : Synergy : Value

# A new solution for Australian warehouse business owners.

*Offering national **scale** to increase revenues, achieving **synergies** to reduce costs, and enhancing the **value** in your business.*

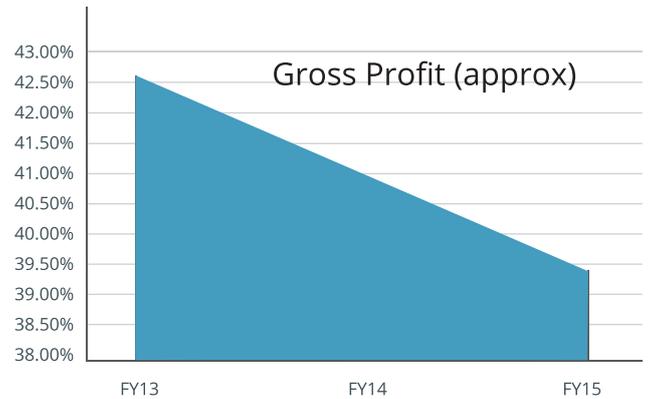
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# The challenges (Why?)

Australian warehouse business owners are facing unprecedented challenges to diversify their client base, compete for work with national clients, enhance their profitability and ultimately, exit their business.

## AUSTRALIAN WAREHOUSE INDUSTRY DYNAMICS

- ✔ **Exceptionally fragmented** - 1,600 businesses across Australia
- ✔ Single site operators – **increasing challenge to compete** against corporates to secure larger contracts
- ✔ Accelerating industry **consolidation**
- ✔ Substantial **margin pressure** – Gross Profits falling 3% FY13 to FY15
- ✔ High **customer concentration** risk
- ✔ Ongoing **need to invest** in technology to maintain market share



## WAREHOUSE OWNERS HAVE A CHALLENGE TO EXIT THEIR BUSINESS

**Glut of sellers** *Many warehouse owners are aging*

- ✔ The first “baby boomer” owners turn 69 in 2015 and are within reach of retirement

**Inability to attract buyers** *Owners have limited ability to sell*

- ✔ Many single-site operators lack the size and scale to attract a corporate buyer
- ✔ Succession through the family is often not an option e.g. no interest from next generation to take on the business risk
- ✔ Many businesses are difficult to sell due to dependence on owner operator
- ✔ Low EBIT would not attract financial buyers
- ✔ Limited profit and high fixed costs deter owner-operators

**Need to cash-out** *Yet many owners have genuine need to sell*

- ✔ Substantial capital costs that need to be recovered
- ✔ Long-term leases with substantial penalties for early termination
- ✔ Need to fund retirement



## The solution (What?)

*Australian Integrated Logistics provides a national platform to deliver scale to its members. Through this scale, AIL and its members will secure new business. The value of members' businesses will increase, and members will be presented with multiple options to exit.*

### **AIL** DELIVERS SCALE, SYNERGIES, VALUE & POTENTIAL EXIT TO ITS MEMBERSHIP

#### Scale

- ✔ By leveraging its membership and national presence, AIL will present as a premium logistics provider within the Australian market – a credible alternative to the large corporates
- ✔ Initial scale at launch is intended to exceed 100,000m2 with over \$50 million in annual turnover
- ✔ AIL provides its members with a national network

#### Synergy

- ✔ AIL will provide a centralised business development function on behalf of its members
- ✔ Where AIL can leverage its scale, it will provide reduced costs to its members

#### Value

- ✔ Members' businesses will increase in value as new work is introduced & customer base is diversified
- ✔ With its scale, the ultimate sale of AIL will be at a higher multiple and value than any individual member could independently achieve

#### Potential Exit

- ✔ For members who wish to sell some or all of their business, AIL will offer to acquire part of their business
- ✔ This initial exit will enable owners to “take some cash off the table” and de-risk

# The approach (How?)

*AIL's unique approach enables business owners to join with minimal risk, at low cost while retaining control of their business. AIL's approach is focussed on achieving maximum value for the business owner over 3 phases.*

## THE AIL JOURNEY INVOLVES 3 PHASES

1: National Collective	2: Roll-up	3: AIL Exit
ACTIVITIES		
<ul style="list-style-type: none"><li>• Recruit member firms</li><li>• Expand revenues</li><li>• Improve technology, systems and processes</li><li>• "Fortify" individual businesses</li></ul>	<ul style="list-style-type: none"><li>• Acquisition of equity in individual members</li><li>• Owners can take some cash off the table<ul style="list-style-type: none"><li>• Integration of processes and systems</li></ul></li></ul>	<ul style="list-style-type: none"><li>• Optimisation for sale</li><li>• Trade sale/ financial sale</li><li>• Achieve higher sale value based on scale</li></ul>
OUTCOMES		
<ul style="list-style-type: none"><li>☑ Flexibility for members</li><li>☑ Low barriers to enter AIL</li><li>☑ Benefit from collective</li></ul>	<ul style="list-style-type: none"><li>☑ Ability to "take cash off the table"</li><li>☑ Ability to de-risk</li><li>☑ Ability to participate in AIL's growth</li></ul>	<ul style="list-style-type: none"><li>☑ Maximise value to owner</li><li>☑ Capture the benefits of scale on exit</li><li>☑ Achieve higher multiple than any individual member</li></ul>

## KEY MEMBERSHIP TERMS

- ▶ **Fee Structure**  
AIL membership is **primarily success based**  
Membership includes a **low cost annual fee**  
**Success fee** paid to AIL based on new work introduced to members
- ▶ **Alignment**  
**Standard levels of service** must be adopted to secure national accounts  
**Pricing for new work** will be pre-agreed with members
- ▶ **Exit**  
A **pre-agreed process for valuing members' businesses** will be applied on entry to Phase 2 - on terms demonstrably better than standalone position  
Members who retain equity in AIL will cash-out at the **same multiple as the AIL founders**
- ▶ **Exclusivity**  
Members will be offered a degree of **exclusivity based on geography and service**
- ▶ **Complete Flexibility**  
Members have **no obligation to progress to Phase 2** (i.e. to sell any of their business)

# Our objectives (Benefits)

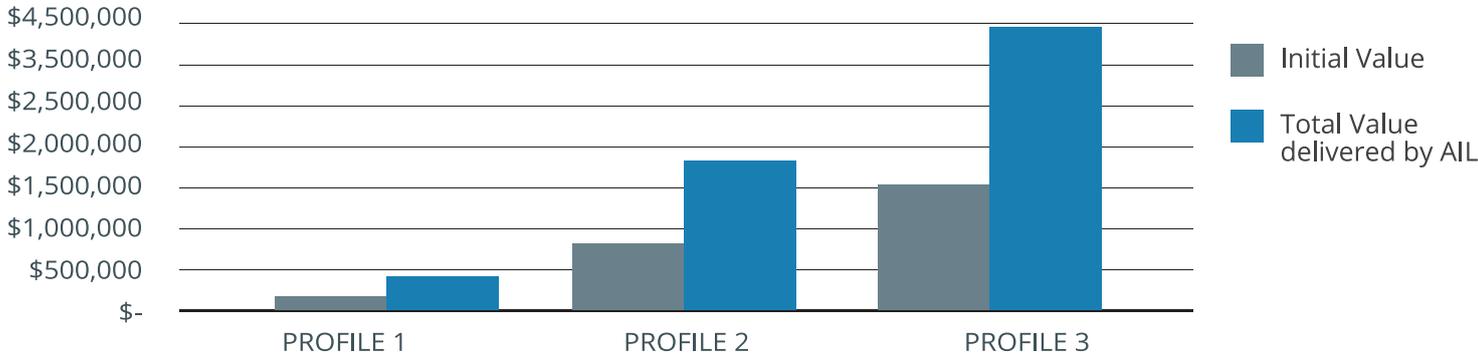
AIL intends to deliver tangible benefits to its members resulting in improved profitability, reduced risk and the achievement of measurably higher value. As such AIL offers significant benefits and clear strategic advantages, while presenting a flexible approach with few obligations on members at entry.

## TANGIBLE BENEFITS OF AIL MEMBERSHIP

BENEFIT	OUTCOME	AIL APPROACH
Profitability Improvement	Increased revenues	<ul style="list-style-type: none"> <li>☑ National customer accounts</li> <li>☑ Cross referrals</li> </ul>
	Achieved economies of scale	<ul style="list-style-type: none"> <li>☑ Investment in technology</li> <li>☑ Streamlined management structure</li> <li>☑ Unified IT systems and processes</li> </ul>
	Harvested operating efficiencies	<ul style="list-style-type: none"> <li>☑ Improved asset utilisation</li> <li>☑ More efficient transport network</li> </ul>
Reduced Risk	Improved ability to exit	<ul style="list-style-type: none"> <li>☑ Ability for owner to “take cash off the table” by partial sale to AIL</li> <li>☑ Ability to exit entirely when AIL is sold</li> </ul>
	Reduced business risk	<ul style="list-style-type: none"> <li>☑ Reduced reliance on key customers</li> <li>☑ Reduced reliance on owner</li> </ul>
Measurable Value	Increased valuation at Phase 2	<ul style="list-style-type: none"> <li>☑ Improved member profitability increases their valuation</li> <li>☑ Entry to Phase 2 at a pre-agreed multiple</li> </ul>
	Increased value received at Phase 3	<ul style="list-style-type: none"> <li>☑ Increase in value received due to AIL’s scale (revenue and national presence)</li> <li>☑ Increase in value received due to AIL’s corporate M&amp;A capability</li> </ul>

**Indicative member outcomes – model indicates 100% return on investment (ROI) for AIL’s largest members and potentially higher returns for smaller members.**

### INDICATIVE MEMBER OUTCOME



# Our team (Who?)

*With over 30 years of experience in warehouse, logistics and transportation and over 30 years' history in mergers, acquisitions and business sales, the ALL team is uniquely qualified to deliver outcomes to its members.*

## AUSTRALIAN INTEGRATED LOGISTICS

### Logistics industry expertise:

Directors have >30 years' experience in warehouse, logistics and transportation

### Credibility from track record:

30 year history in M&A and business sales

National footprint

Operates under an AFSL



**Doug Golden**

BComm, FAICD, CPA, FCILT

- ✔ 30 years' warehouse, logistics, transportation experience in expansion, mergers, acquisitions and divestment
- ✔ Established a national warehousing company
- ✔ Managed sale and acquisition of warehouse businesses

### M&A and advisory expertise:

> \$10B in combined transaction experience

Tier-1 level M&A and advisory experience

Highly disciplined approach to business sales



**Marcus Salouk**

B Eng, MAppFin, GAICD, FFinsia, CPEng, RPEQ

- ✔ >25 years' international consulting, advisory experience
- ✔ Mergers, acquisitions and divestment experience
- ✔ Large bid management credentials leading bids > \$500M
- ✔ Responsible manager for Australian Financial Services License

### Breadth of expertise:

Preparation and optimisation for sale

Business sales

Business acquisition and roll-ups

Logistics tender management

Logistics contract management

Professional business development

Business/profit improvement



**Vernon Powell**

CA, FCA, CEP

- ✔ Ex-CFO of ultra-high growth businesses
- ✔ Highly experienced in business roll-up strategies
- ✔ Completed over 25 acquisitions and implementations
- ✔ Executed divestment and merger programmes

# AUSTRALIAN INTEGRATED LOGISTICS – SCALE : SYNERGY : VALUE





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