

Global Logistics industry still left with acquisition 'hangover'

12/May/2010

New research by Transport Intelligence, contained within its recent report 'Financial Ratio Analysis and Benchmarking of Global Transport & Logistics Sector Leaders 2010', reveals that the industry is still suffering the hangover from its acquisition binge of the past ten years.

The report, which analyses in detail the annual results of 20 of the world's largest publicly listed freight transport and logistics companies, shows that a quarter of their assets are intangible, largely made up of 'goodwill' on acquisitions. Total assets of the 20 companies in the survey came to €108bn and of this over €25bn (23.5%) was made up of intangibles.

The reduction in earnings as a result of the economic downturn has given rise to some substantial downward adjustments to the book value of intangible assets as a result of the 'impairment tests' required under International Accounting Standards. (These tests are typically based on a forward projection of the cash flows that can be generated by the business unit to which the goodwill belongs.) Nevertheless this high level of intangible assets remains.

Most companies in the survey have borrowed heavily to acquire intangible assets and in several cases the borrowings, net of cash balances, exceed the value of the net tangible assets. The survey shows that six of the twenty companies' net indebtedness currently exceeds net tangible assets.

David Bagshaw, Senior Analyst at Transport Intelligence, commented, "The figures in the report indicate that collectively the industry needs to see an improvement in trading results, not only to justify the €25bn of intangible assets that remain in the balance sheets but more immediately to service the borrowings taken on to acquire both goodwill that remains and also the goodwill that has been written off."

About 'Financial Ratio Analysis and Benchmarking of Global Transport & Logistics Sector Leaders 2010'

As part of a unique new research project, Transport Intelligence's financial analysts have undertaken a detailed review of the financial accounts of the world's largest express and logistics companies. The results shed light on the performance of the companies over the past year as well as their financial structure using a range of financial ratios. A total of 20 companies were reviewed and, where appropriate, ranked in order of performance.

About Transport Intelligence

Transport Intelligence is a leading research and analysis company specialising exclusively in the transport, logistics and express sectors. Based in the UK, it has offices in Hong Kong and Atlanta, USA. The company was established in 2002 and has since grown to become the market leader, delivering logistics intelligence through a range of innovative reports, databases and interactive websites.

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Source: Transport Intelligence, May 12, 2010