

<b>Deal Terms</b>	
<b>1 PWTN SW = 2.375 DSV DC</b>	
<b>Target: Panalpina</b>	
Country	Switzerland
Bloomberg	PWTN SW
Sector	Logistics
Share price (CHF)	197.60
Market cap (CHFm)	4,693.0
Free float (%)	42
<b>Acquirer: DSV A/S</b>	
Country	Denmark
Bloomberg	DSV DC
Sector	Logistics
Share price (DKK)	569.20
Market cap (DKKm)	106,972.0
Free float	95
<b>PWTN SW Price Chart (Last 12 months)</b>	
	
<b>Status</b>	
<b>Author</b>	
<b>Gabor Szabo, CFA</b>	
<b>Event Driven Analyst</b>	
g.szabo@chainbridgeresearch.com	
+36 1 888 0535 (direct line)	
Gabor Kokosy	
g.kokosy@chainbridgeresearch.com	
Tomas Stanay	
t.stanay@chainbridgeresearch.com	
Gabor Szabo, CFA	
g.szabo@chainbridgeresearch.com	
Muhammad Daniyal	
d.shafiq@chainbridgeresearch.com	
Chain Bridge Research	
100 Wall Street, 20th Floor	
New York, NY 10005	
Tel (UK): +44 207 570 0322	
Tel (New York): +1 212 796 5769	

## Panalpina (PWTN SW) / DSV (DSV DC) Takeover offer

We see upside to the companies' 4Q19 deal close estimate and expect deal close in 3Q.

### Key conditions

- Minimum acceptance: 80%+, regulatory approvals, DSV shareholder approval

### Shareholder support:

- The bidder secured support from shareholders holding ~69% of PWTN shares including the Ernst Goehner Foundation, Cevian and Artisan Partners.
- The Ernst Göhner Foundation has undertaken not to sell or dispose of its DSV shares for a period of 24 months following settlement of the Public Exchange Offer

### Regulatory:

- Antitrust issues appear to be manageable:
  - Freight forwarding and transport services might be considered as one market as per EC precedents.
  - The world's top 20 freight forwarding companies control less than a third of the global market.
  - DSV estimates it has only a 2% share of the freight-forwarding market
  - Panalpina brings a boost in both air-cargo volumes and ocean-going containers, complementing the Danish group's strength in road shipments. The combined company will become the second-biggest shipper of air cargo and No. 4 in the global logistics market overall

### Valuation / counter-bid:

- We don't expect a counter-offer as deal valuation appears to be full based on EBITDA multiple and ROIC.
- Also, DSV's offer is supported by 69% of PWTN shareholders including the Foundation.

### Dividends:

- In case Panalpina pays any dividend, the exchange ratio would be reduced accordingly.
  - Next PWTN dvd would be payable in May. Management has not decided yet whether to propose a dividend at the upcoming shareholder meeting.
- DSV will propose a dividend policy with a pay-out ratio to approx. 15% of the net profit (compared to approx. 10% for 2018)

### Timeline

- The main offer period for the Public Exchange Offer is expected to commence in the end of May 2019 subsequent to Public Exchange Offer materials being duly approved by regulatory bodies and to last until the end of June 2019 with a right to extend.
- Parties might have to file a registration statement to the SEC.
- Deal is expected to close in 4Q2019.
  - We see upside to the companies' 4Q deal close estimate as we expect simple reviews in main jurisdictions (EC, US, China).

## Key terms of the proposal

### Transaction Details

Announcement Date	April 1, 2019
Offer structure	All share takeover offer
Offer terms	1 PWTN SW = 2.375 DSV DC Fractional DSV shares will be settled in cash
Deal size	CHF4.6b
% owned by PWTN stockholders	23%
Target's Board Recommendation	Yes
Voting Agreement	Yes (Panalpina: ~69%, including Ernst Goehner Foundation, Cevian, Artisan Partners.
Target Incorporation	Switzerland
Announcement	Click <a href="#">here</a> for the announcement
Synergies	DSV reckons it can pump up Panalpina's operating margin of roughly 2 percent up to its own 7 percent level, all other things being equal. Panalpina's business mix is tilted towards DSV's most profitable activities. It implies about 300 million francs of annual cost savings.

### Indicated Closing Date

4Q2019

### Dividends

Panalpina pays dividends annually in May. Last payout was CHF3.75/share.

In case Panalpina pays any dividend, the exchange ratio would be reduced accordingly

DSV pays dividends annually in March. Last payout was 2.25 DKK.

DSV will propose a dividend policy with a pay-out ratio to approx. 15% of the net profit (compared to approx. 10% for 2018)

Key PWTN SW shareholders	%	Key DSV shareholders	%
Ernst Goehner Foundation	45.90	Blackrock	5.5
Cevian Capital	12.3	DSV	5.3
Artisan Partners	10.0	Wellington	3.9
PSquared	3.3	Capital Group	3.8
Burlington Loan Management	2.9	Morgan Stanley	3.7
Davidson Kempner	2.9	Vanguard	2.7

### Timetable (Co est)

■ Offer Announcement	April 1, 2019
■ Regulatory filings	By end of May 2019
■ Offer to commence	By end of May 2019
■ Offer to close	By end of June 2019
■ DSV's listing prospectus to be published	By end of June 2019
■ DSV EGM	By end of July 2019
■ Regulatory approvals	3Q2019
■ Deal close	3Q2019

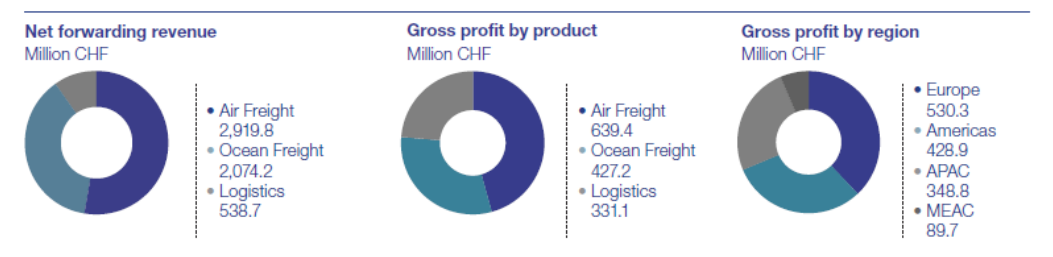
### Key conditions

■ Minimum acceptance	80%+(including 69% subject to agreement to tender)
■ Shareholder vote	DSV
■ Regulatory	■ Yes (CBR est.: EC, US, Brazil, China, others)
■ Listing	■ Yes
■ US registration statement	■ Yes

effectiveness

## Panalpina description

- The Panalpina Group is one of the world's leading providers of supply chain solutions.
- The company combines its core products - Air Freight, Ocean Freight, and Logistics and Manufacturing - to deliver globally integrated, tailor-made end-to-end solutions for twelve core industries.
- The Panalpina Group operates a global network with some 500 offices in around 70 countries, and it works with partner companies in another 100 countries. Panalpina employs approximately 14,000 people worldwide
- **Key figures**



Source: Panalpina

- Air freight: 1,000,000 tonnes (approx. 20% of volume is perishables and approx. 5% is customer controlled)
- Sea freight: 1,500,000 TEUs (approx. 35% of volume is related to freight management services/non-NVOCC)

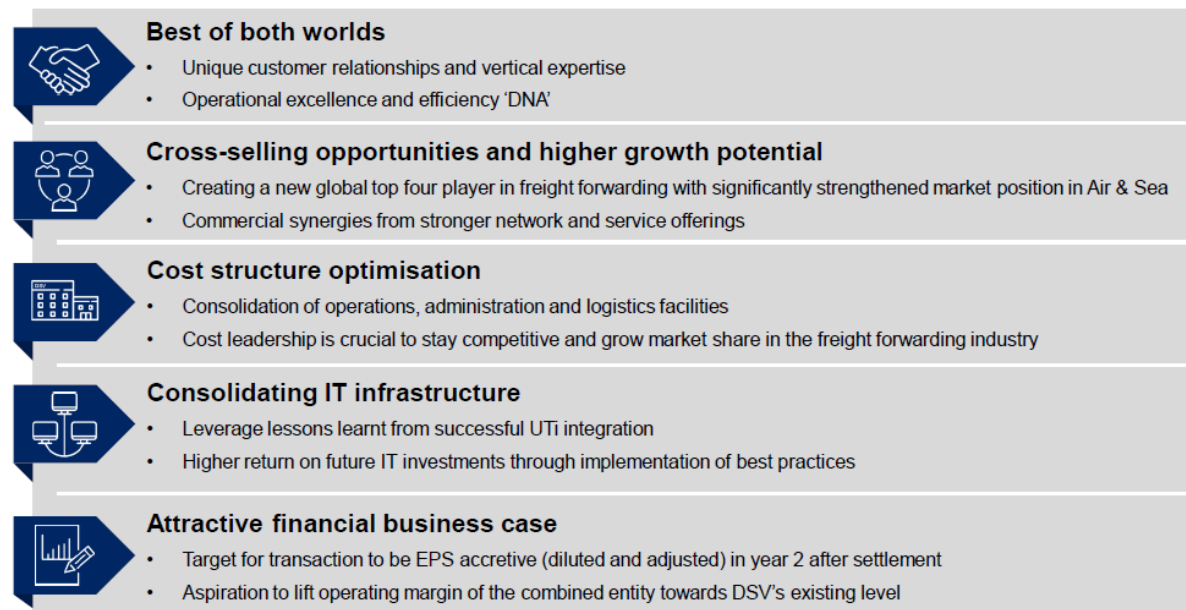
## Bidder description

- DSV A/S is the parent company for a group of companies that offer transport and logistics.
- The Group provides truck, ship, and plane transport services, as well as warehousing and logistic services.
- DSV operates in Europe, North America, and the Far East.
- DSV is organised into three divisions offering the complete range of services to support our customers' entire supply chain:
  - Air & Sea – transportation by air and sea
  - Road – transportation by road
  - Solutions – warehousing and logistics services
- Recent acquisitions:
  - DSV is an industry consolidator and seeks to acquire a large, global company focused on air and sea operations.
  - UTi:
    - The state of UTi, and its two money-losing years before being acquired by DSV, posed an integration challenge. UTi hurt DSV's margins in 2016, yet DSV exceeded its own expectations by restoring margins in 2017 to higher levels than before the deal. This exhibits management's capabilities to take on a large, underperforming company, and raise its level of performance and returns to DSV standards.

DSV's Recent Run of Acquisitions			
A	Effective Action Type	Ticker / ID	Summary
1)	10/23/18 Acquisition	DSV DC	WITHDRAWN - Target: Ceva Logistics AG, Sought: 100.00%
2)	09/04/18 Acquisition	DSV DC	Target: S&H Fulfillment BV, Sought: 100.00%
3)	01/25/16 Acquisition	DSV DC	Target: UTi Worldwide Inc, Sought: 100.00%
4)	12/03/14 Acquisition	DSV DC	WITHDRAWN - Target: UTi Worldwide Inc, Sought: 100.00%
5)	12/31/13 Acquisition	DSV DC	Target: Airmar Cargo SA, Sought: 100.00%
6)	12/31/13 Acquisition	DSV DC	Target: SBS Worldwide Ltd, Sought: 100.00%
7)	09/04/13 Acquisition	DSV DC	Target: Ontime Logistics AS, Sought: 100.00%
8)	04/30/13 Acquisition	DSV DC	Target: Seaintainers Group A/S, Sought: 100.00%
9)	11/07/12 Acquisition	DSV DC	Target: DSV-GL Latin America SA, Sought: 60.00%
10)	10/01/12 Acquisition	DSV DC	Target: Swift Freight International LLC
11)	09/27/12 Acquisition	DSV DC	Target: Certain assets, Sought: 100.00%
12)	12/31/10 Acquisition	DSV DC	Target: Transmedit Forwarding Pty, Sought: 100.00%

Source: Bloomberg

## Rationale



Source: DSV, Panalpina

## Key deal risks

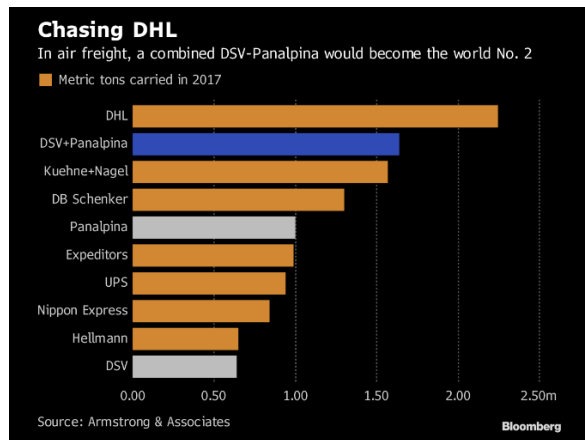
### COUNTER-BID / BUMP

- We don't expect a counter-offer as deal valuation appears to be full based on EBITDA multiple and ROIC.
- Also, DSV's offer is supported by 69% of PWTN shareholders including the Foundation.

### REGULATORY RISKS

- Antitrust issues appear to be manageable:
  - Freight forwarding and transport services might be considered as one market as per EC precedents.
  - Market definition:
    - [EC precedent](#)
    - "The results of the market investigation proved inconclusive as to the question of whether the transport of goods should be looked at as strictly separate from freight forwarding services. Moreover, large majorities of the Parties' short-sea competitors as well as freight forwarders rejected the assertion that the use of own means of transport, i.e. a fleet of trucks or vessels, was determinant of whether a supplier of transport solutions should be considered a freight forwarder, a door-to-door shipper or a transport company.
    - While the Commission has in past cases indicated that "freight transport services constitute an input to freight forwarding services" and that "freight forwarding providers offer a service to customers, which is often sub-contracted to the transport carrier", the market investigation has shown that the distinction between freight forwarding and transport services has increasingly become blurred. While freight forwarders as organisers of the transportation itinerary have taken on the execution of transport services themselves, transport providers more and more offer organisation services in addition to their own transportation services"
  - The world's top 20 freight forwarding companies control less than a third of the global market,
    - DSV estimates it has only a 2% share of the freight-forwarding market

- Panalpina brings a boost in both air-cargo volumes and ocean-going containers, complementing the Danish group's strength in road shipments.
  - Panalpina has much higher exposure to APAC as compared to DSV.
  - **Air Freight:**

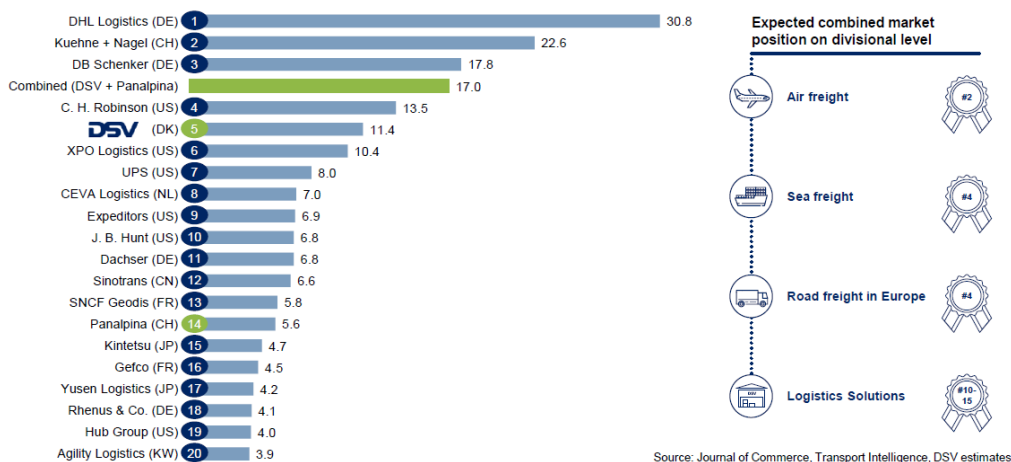


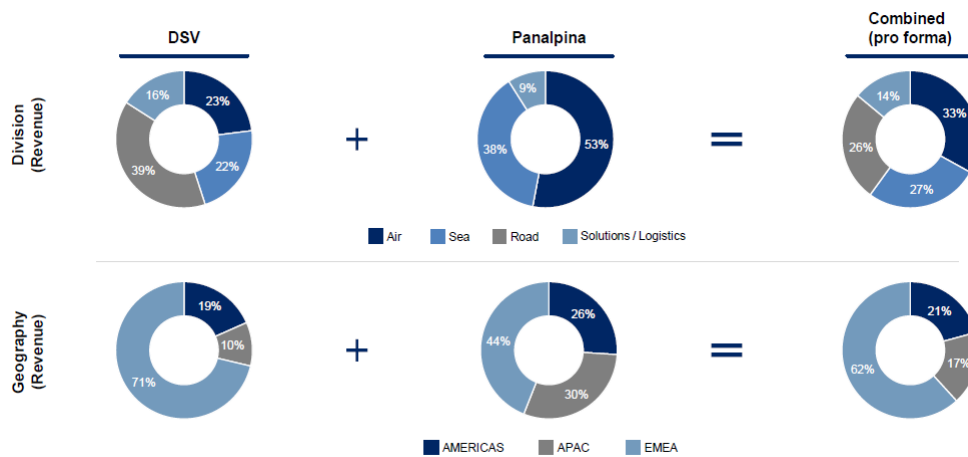
- **Oceanic freight**



- **Top freight-forwarders:**
  - The combined company will become the second-biggest shipper of air cargo and No. 4 in the global logistics market overall

Global top 20 freight forwarders based on 2017 revenue (billion USD)





## Valuation

### DEAL PREMIUM

- 43% premium to the Jan. 15 trading price

### DEAL MULTIPLE

- Transaction multiple: 28.1 reported 2018 EV/EBITDA
- CEVA/CGM transaction was struck at ~17.5x (2018 EBITDA was depressed compared to prior years and 2019 estimate)

### ROIC

- We assumed 25% tax rate, 7.5% WACC and CHF275m synergies.

Deal value	2019	2020	2021
<i>Bid price (CHF/sh.)</i>	197.5	197.5	197.5
<i>O/S (m)</i>	23.8	23.8	23.8
<b>Market value (CHFm)</b>	<b>4,690.7</b>	<b>4,690.7</b>	<b>4,690.7</b>
Net Debt (CHFm)	188.1	188.1	188.1
<b>Deal value (CHFm)</b>	<b>4,878.9</b>	<b>4,878.9</b>	<b>4,878.9</b>
<b>ROIC calculation</b>			
<b>BEST EBIT</b>	<b>156.8</b>	<b>192.3</b>	<b>212.3</b>
<i>Synergies</i>	275.0	275.0	275.0
<b>Adj. EBIT</b>	<b>431.8</b>	<b>467.3</b>	<b>487.3</b>
<i>Tax (25%)</i>	107.9	116.8	121.8
<b>NOPAT</b>	<b>323.8</b>	<b>350.5</b>	<b>365.5</b>
<b>ROIC</b>	<b>6.6%</b>	<b>7.2%</b>	<b>7.5%</b>
<b>WACC</b>	<b>7.5%</b>	<b>7.5%</b>	<b>7.5%</b>

### EPS

- Target to be EPS accretive\* in year 2 after settlement. Aspiration to lift operating margin towards DSV's existing level
- We assumed 25% tax rate, CHF275m synergies, CHF275m cost of synergies in 2019-2020.

	2019	2020	2021	2022
<b># of shares (m)</b>				
Target shares acquired (O/S)	24	24	24	24
Bidder (O/S)	188	188	188	188
<b>Bidder shares issued to target shareholders</b>	<b>56</b>	<b>56</b>	<b>56</b>	<b>56</b>
<b>Total Bidder shares post-merger</b>	<b>244</b>	<b>244</b>	<b>244</b>	<b>244</b>
<b>EPS (CHF)</b>				
Target EPS	4.622	5.736	6.148	5.530
Bidder EPS	3.56	3.89	4.25	4.70
<b>MergedCo</b>	<b>3.184</b>	<b>3.55</b>	<b>3.87</b>	<b>4.16</b>
<i>Annual synergies (CHFm)</i>	<i>275.0</i>	<i>275.0</i>	<i>275.0</i>	<i>275.0</i>
<i>% of synergies realised</i>	<i>25%</i>	<i>60%</i>	<i>100.0%</i>	<i>100.0%</i>
<i>Syn/share (post tax)</i>	<i>0.21</i>	<i>0.51</i>	<i>0.84</i>	<i>0.84</i>
<i>Cost of synergies</i>	<i>- 0.56</i>	<i>- 0.56</i>	<i>-</i>	<i>-</i>
<i>Interest payment on debt/share (post tax)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<b>Adjusted MergedCo EPS</b>	<b>2.83</b>	<b>3.49</b>	<b>4.71</b>	<b>5.00</b>
<b>Earnings accretion/dilution</b>				
<b>Bidder accretion</b>	<b>-20.3%</b>	<b>-10.2%</b>	<b>10.8%</b>	<b>6.3%</b>

**Disclosures:**

---

This report was produced by Independent European Research, LLC dba as Chain Bridge Research ("Chain Bridge"), and is intended only for use by the recipient. All materials published by Chain Bridge are intended for use only by professional, institutional, buy-side investors. Use by the general investing public is prohibited. The information and analysis contained in these publications are copyrighted and may not be duplicated or redistributed for any reason. Chain Bridge reserves the right to refuse any subscription request based upon the above criteria. Companies and individuals residing in Hungary, and affiliates of firms based in Hungary are prohibited from subscribing to the services of Chain Bridge Research

Chain Bridge Research  
100 Wall Street, 20th Floor  
New York, NY 10005  
Tel (UK): 44 207 570 0322  
Tel (New York): 212-796-5769  
www.chainbridgeresearch.com

Neither the information, nor any opinion expressed, constitutes a solicitation by Chain Bridge for the purchase or the sale of securities. This publication does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual investors. It is intended only for investors who are "eligible counterparties" or "professional clients", and may not, therefore, be redistributed to third parties without the express written consent of Chain Bridge. The information set forth herein was obtained from publicly available sources that we believe to be reliable. While due care is taken by Chain Bridge in compiling the data and in forming its opinions, Chain Bridge gives no warranty, express or implied, and it does not guarantee the accuracy or completeness of the information provided. Additional information is available upon request.

Chain Bridge manages conflicts identified through its confidentiality and independence policies, maintenance of a Stop List and a Watch List, personal account dealing rules, policies and procedures for managing conflicts of interest arising from impartial investment research, and disclosure to clients via client documentation. Chain Bridge and/or persons associated with it may own securities of the issuers described herein and may make purchases or sales after this report has been disseminated to Chain Bridge institutional subscribers.

The following Research Analysts employed by Chain Bridge contributed to this report: Gabor Szabo, CFA, Tomas Stanay, Muhammad Daniyal Shafiq, Gabor Kokosy. Chain Bridge's home office is at 100 Wall Street, 20th Floor, New York, NY. Its branch office is located at Obuda Gate, 26-28 Arpad fejedelem utja, 1023 Budapest, Hungary. The firm's branch office is where information about the valuations herein are located, unless otherwise indicated in the report.

At the time of this report, there are no planned updates to the recommendations. For previous recommendations concerning financial instrument(s) or issuer(s) mentioned in this report – if any – or other financial instrument(s) and issuer(s) during the preceeding 12-month period, please refer to our [website](#).

The reports published by Chain Bridge intend to provide clients with a view regarding the various risks and critical factors impacting the completion of certain mergers and acquisitions. Therefore, the opinions expressed do not fit with traditional buy, sell, and hold ratings.

PCS Research Services, an affiliate of Chain Bridge, is the exclusive marketer and distributor of this and other reports produced by Chain Bridge. Neither Chain Bridge nor PCS is an investment firm or a credit institution. Affiliates of Chain Bridge and PCS include investment firms that are SEC registered investment advisers and FINRA Member broker-dealers (together, "Affiliates"). The Affiliates have not performed and do not expect to perform investment banking services for the issuer(s); are not market makers, and are not party to any agreements with the issuer(s). The issuer(s) has not been a client of Chain Bridge, PCS or the Affiliates. Chain Bridge, the research analysts, PCS, and the Affiliates have not received any compensation from the issuer(s). Chain Bridge research analysts' remuneration is determined exclusively by Chain Bridge management, and is based on the quality and accuracy of the analyst's research. Investment firm Affiliates do not contribute to appraisals of Chain Bridge analysts. Remuneration from Chain Bridge to research analysts is not linked to investment firm activities of Affiliates. Conflicts of interest for employees of PCS and Affiliates are managed by a formal code of ethics and information barrier procedures which include, but are not limited to, policies related to restricted lists, personal trading rules, and the prohibition of misuse of material non-public information.

Copyright 2019 - Chain Bridge Research.