International Post Corporation

# GLS acquires Rosenau transport in Canada

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Royal Mail plc (RMG.L) announces that its subsidiary, General Logistics Systems (GLS), has agreed to acquire Canadian logistics company Mid-Nite Sun Transportation Ltd (the 'Acquisition') one of the largest independent freight carriers in Western Canada that operates as 'Rosenau Transport'. The shareholders of Mid-Nite Sun Transportation Ltd are (via holding companies) members of the Rosenau family, the Rosenau Transport management team and their families.

The combination of the two businesses will create a network stretching across Canada which will enable GLS to cover the vast majority of the Canadian population and deliver further growth and synergies. It also provides a link to GLS operations along the US West Coast, unlocking significant growth opportunities with new and existing customers as the Rosenau Transport network moves to the combined GLS freight and parcel model. There is also the opportunity for revenue synergies by selling freight and parcel services into/out of the Rosenau Transport network, including cross border services.

The total consideration is C$360.0 million (approximately £210.5 million) on a debt and cash free basis. The Acquisition will be funded through existing cash and borrowing facilities and is expected to be earnings and cash flow accretive to GLS and Royal Mail Group in the current financial year ended 31 March 2022.

Rosenau Transport generated unaudited revenue of C$175.0 million2 and EBITDA of C$41.6 million2 in the 12 months ended 31 August 2021, with a mid-teens % operating profit margin. It has 24 owned facilities throughout four provinces, and as at 31 August 2021 gross assets were C$197.3 million2. The Acquisition is subject to customary closing conditions and regulatory approvals.

The addition of Rosenau Transport complements and enhances GLS' strategy to deliver change and sustainable growth, through strengthening the GLS international network and its position as a cross-border player.

Canada is the world's 9th largest economy3 with a combined parcel and freight market of approx. C$25 billion4, growing around 5% per annum4. GLS entered the Canadian market in August 2018 following the acquisition of Dicom. Today GLS Canada operates a network

of 2 hubs and 27 depots, with around 1,400 employees. Since Dicom was acquired it has delivered revenue growth of around 8% p.a. with a mid-teens operating profit margin in FY2020-21.

Rosenau Transport will be fully consolidated within GLS for reporting purposes after the transaction closes. The parties intend to close the transaction on 1 December 2021 subject to customary closing conditions and regulatory approvals.

Martin Seidenberg, Chief Executive Officer, GLS, said: "The addition of Rosenau Transport to GLS complements and enhances our Accelerate strategy. With its strong presence in Western Canada, high quality, entrepreneurial culture, as well as freight capabilities and parcel potential, Rosenau Transport's model is similar to our existing Canadian business and provides an excellent fit. I look forward to welcoming Ken and the Rosenau Transport team to GLS and capturing the significant opportunities ahead of us."

Rick Barnes, President of GLS Canada stated: "As we link two regional carrier networks together, with direct service to most cities and towns in the country, we will produce one of the most integrated transportation systems in Canada. The extended geographical reach will provide our 30,000 clients with a new, national and international alternative for all of their shipping needs".

Ken Rosenau, President Rosenau Transport commented "Rosenau Transport is excited to join the GLS family and align with an industry leading organization that will open new opportunities and markets on a global scale. The combined networks of GLS and Rosenau Transport will allow us to offer a comprehensive Canadian solution to better serve our clients. We look forward to working closely with Rick Barnes and the GLS Group to continue to champion our company's motto – "Our Business is Built on Service, For our Customers, For Each Other and For our Communities".

Source: Royal Mail


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