



The Institute of Chartered Accountants of India
(Setup by an Act of Parliament)

Indian CA- A Global Traveler

NIKHIL SATHE

At the Pune Branch of WIRC of ICAI

Friday Feb 14, 2020





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PRIVATE CAPITAL OPTIONS IN NORTH AMERICA

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Nikhil Currently Managing Director of M & A Advisory at Prestigious Armstrong & Associates



- Nikhil has been CFO of Genpro Inc, NJ based Non-Asset 3PL between 2013-2018.
- Prior to Genpro Nikhil worked as a CFO of Kelron Logistics(Presently XPO Canada) for about 11 years, the company he contributed to grow from a boutique shop to a recognized player in the 3PL non-asset place in North America.
- Nikhil also has had a very successful tenure with Fritz/ UPS for over 6 years and was mainly involved with M & A in international and North American targets.
- Nikhil brings wealth of knowledge in finance, management and operations in 3PL with extensive international experience.
- Nikhil has been a regular speaker at major industry associations in the US and Canada for over 8 years
- Nikhil is educated as CPA from the US, CA from India and Executive MBA from Queens University in Canada.
- Nikhil is a member of FEI(Finance Executives International), CSCMP, AICPA and SCL and ACG Toronto Chapter.

Nikhil Sathe, Thought Leader in T & L Space in North America



- **CFO/COO—3PL Industry Expert in P & L Management, M&A that Drive Profits, Synergies & Sustainability – Deep Domain international experience in 3PL Non Asset/ Light Asset Environment, with more than 20+ years at Mid Market C Level in high growth 3PL's**
- **Currently MANAGING DIRECTOR, HEADING M & A ADVISORY PRACTICE AT PRESTIGIOUS ARMSTRONG & ASSOCIATES, LEADING 3PL CONSULTING FIRM IN NORTH AMERICA**
- **VISIONARY AND PROACTIVE SENIOR EXECUTIVE** with extensive international and C-level experience in the logistics and transportation industry; strong background in P & L Management, private equity, turnarounds, restructuring, mergers, and acquisitions.
- **INSPIRATIONAL & DECISIVE LEADER** recognized for building and nurturing high-performing teams by leveraging exceptional passion, energy, and integrity, as well as influencing and presentation skills. Track record of significantly growing enterprise value by focusing on triple bottom line approach and identifying hidden profit and business opportunities beyond the status quo.



■ RECOGNITIONS

- Recognized Speaker on M&A and risk management, Leading Age Thinker, and Knowledge Capital in 3PL Industry by TIA, TLC, Eye for Transport, SCL, and *Logistics Quarterly and Armstrong's 3PL Value Creation Summits since 2007.*

■ ASSOCIATIONS

- Council for Supply Chain & Management Professionals (CSCMP), U.S., Supply Chain & Logistics Association (SCL), Canada; Finance Executives International (FEI), Canada ; American Institute of Certified Public Accountants (AICPA), U.S., Association for Corporate Growth (ACG), Toronto Chapter, Canada; Institute of Chartered Accountants of India (ICAI), India

Supply Chain Market Research and Consulting Services



**ARMSTRONG &
ASSOCIATES, INC.**

Website: www.3PLogistics.com

About Armstrong & Associates, Inc.

- Founded in 1980 - Supply Chain Market Research and Consulting Services
- Over 62,000 Newsletter Subscribers
- Current Market Research:
 - *“E-Commerce Logistics in the United States”*
 - *“The Business of Warehousing in North America – 2018 Market Size, Major 3PLs, Benchmarking Costs, Prices and Practices”*
 - *“Global and Regional Infrastructure, Logistics Costs, and Third-Party Logistics Market Trends”*
 - *“Third-Party Logistics Market Results and Trends for 2018 – Including Estimates for 190 Countries”*
 - *“Trends in 3PL/Customer Relationships”*
 - *“Digital Freight Matching – Capturing Technology-Based Efficiencies in the Trucking Industry”*
 - *Who's Who in Logistics Online Guide to Global Supply Chain Management*
 - Over 595 Detailed 3PL Profiles; 7,900+ 3PL Customer Relationships
- 4th Annual 3PL Value Creation Asia Summit in Hong Kong: May 15, 2019
- **Articles & Press Coverage:** Air Cargo World, American Shipper, DC Velocity, The Economist, Global Trade, Journal of Commerce, Logistics Management, Logistics Quarterly, Modern Materials Handling, NPR-Marketplace, SupplyChainBrain, Transport Topics, Wall Street Journal
- **Consulting Services:** 3PL Mergers and Acquisitions, 3PL Operational Due Diligence, 3PL Strategic Planning, Logistics Outsourcing, Logistics Provider Contracting & Negotiation, Systems Evaluation & Selection, Expert Witness
 - *Over 30 3PL strategic planning engagements and 20 closed Investment/M&A deals.*
- **Global Resources:** U.S. Organization; Eric Xiang, Wuhan China; Frank Lange, Chiang Mai, Thailand

Our Clients – An Emphasis on 3PL Expertise



Benchmarking and Outsourcing Clients – Unsurpassed Experience



STRICTLY CONFIDENTIAL

**Funding Options for New/
Existing Businesses**

February 2019



Funding Options Available for Privately Held Businesses

- Private Equity
- Family Funds/ Offices
- Senior/ Junior/ Mez Lenders
- Venture Capital/ Angel Investors
- Regulated/ Non-Regulated Lenders
- ABL- Asset Based Lenders

PE Landscape in North America

- Billions of \$ of “ Dry Powder” is available in NA
- PE’s are aggressive in making big breakthroughs in T & L Space
- PE portfolios typically outperform others
- Typical Criteria for PE Assets- Target/ IRR/ Cash to Cash/ Exit

What do the Private Equity Firms do?

- Raise Capital
- Invest in Assets
- Manage Assets
- Exit and Reinvest

PE Based Investments

- Huge Market
- Rewarding Career
- Focus on Certain Industry Verticals
- Private Equity Vs Family Funds Vs Public Equity
- M & A Domain
- Role of Private Equity
- Private Equity in Emerging Markets
- Compensation levels are 125-150% over market for C level positions
- Profitability, Scalability and Growth Centric Models

What is Venture Capital?

- Venture capital is the term used to call the financial resources provided by investors to startup firms and small businesses that show potential for long-term growth. It has become a very important source of capital for entrepreneurs, who often have problems with financing their needs through risk-averse banks. Venture capital investments incorporate a high level of risk as only a part of the VC companies develop into successful and high-return bringing businesses.

In the United States, the years 1999-2001 were the most prosperous for venture capital investments in terms of the [value of investments](#) and [number of deals](#). In 2017, the value of U.S. venture capital investments amounted to nearly 72 billion U.S. dollars. The software sector dominated the U.S. venture capital investments in 2017, with about 30 billion U.S. dollars [U.S. venture capital deals](#). It can be explained by the presence of Silicon Valley, where a large amount of hi-tech companies are concentrated.

Venture Capital, what do they do?

- EGC'S Look for Private Equity or VC money for high risk, high growth businesses
- ECG'S finance Intangible Assets with Equity than Debt
- Angel Investor Vs Institutional VC's- What is the difference?
- VC's use Stage Financing and Convertible Securities more often
- Venture Capital is often called "Vulture Capital"
- See tremendous growth in Europe, North America and G7 Countries and less in BRICS countries
- Key Differences in VC in Europe, USA, Canada & Japan
- Venture Capital in Developing Countries

Venture Capital, what do they do?


- VC funds five stages- Start Up, Seed, Growth, Late, Buyouts
- PE's about Money- VC's about People
- VC's Aggressive, Funds Have Deadlines, Shorter Exit Periods
- Diversity Investments
- Innovation and Transformation Investments
- Technology- Changing Trends- Drones, Uberization, Big Data, Autonomous Trucks, IoT's, Cloud, AI- VC go crazy about Technology start ups!
- Angel Investors Vs Institutional Investors- Pitchdeck

M & A in Transportation & Logistics

- Type of Buyers, Strategic & Financial
- Carriers, Shippers and 3PL's
- Sophistication of Freight Transportation in Europe & North America
- Heightened M & A Activity in the last 5+ years
- Market Fragmentation presents opportunities for consolidation
- Non Asset/Light Asset space attracts investments

Typical Acquisition & Development Strategy


STEP1: Acquire a platform company that is scalable, but is not achieving optimum EBITDA relative to its size. (6 Months)




STEP2: Focus on and exploit EBITDA improvements in the platform base. (first 12-18 Months)



STEP 3: Search for and acquire strategically selected bolt-on acquisitions, to broaden service offering and maximize strategic value. (Years 2-5)



STEP 4: Integrate bolt-ons into GPEI fabric, thereby creating strategic value in optimized operations, targeted acquisitions and strong organic growth



STEP 5: Drive accelerated top line growth with a high priority to EBITDA maximization., (Years 4&5)

Typical Acquisition & Development Strategy: Critical Assumptions


Margins increase 15% Year over Year and 10% in year 5 and 6



EBITDA 25% of Margins increased to 27.5% of Margins in Year 5 and 6 to drive economies of scale



Bolt ons/ Tuck ins are \$ 3 Million EBITDA scalable organization with a niche or a differentiator asset



Prudent Capital Structure with 50% debt and 50% Equity, balancing responsibly between sources of debt



Exit Period after year 6 to get optimal Value



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Changing Role of a Chartered Accountant

- Tactical to Strategic Focus
- Local to Global Footprint
- From Generalist to a Specialist
- Fast Growing Emerging Market BRICS countries
- Vertical and Industry Niche
- Globalization and Outsourcing
- Innovation and Technology





Challenges that an Indian CA faces in International Markets

- Credentials and Status
- Academic Vs practical approach
- Soft skills
- Communication, Presentation and Influencing Skills
- Lack of Network





Glorified Accountant Vs Value Creator

- Strategic and Growth Focus
- Mentoring, Coaching and Teaching Skills
- People Skills
- Industry or Vertical Expertise
- Creating Value- What is Value Proposition?
- Technological Savvy
- Project Management Skills
- Leadership Skills
- Thinking Outside the Box





Key to Success

- Networking Skills
- Leaving a favorable Impression
- Excellent Communication Skills
- Adapting to North American ways and culture
- Resume Building and Marketing
- Building References
- Normalizing Credentials
- Working Smart
- Career Plan & Social Branding





PE Based Investments

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Canadian Market

- Open Immigration for Skilled Workers- Accountants are in demand
- Relatively Conservative, opening rapidly for new immigrants
- Strong Chapter presence in Toronto and Vancouver
- Strong Networking community
- Stable and peaceful country, high livability index
- Global Citizenship
- Tremendous Opportunities for Growth and Family
- Winters are harsh





US Market

- Immigration is tough and lengthy
- H₁B's are tight and low priority for CA's
- TN Visas could open opportunities
- Education and IT could be the ways to enter the US Market
- Need for Professional Consolidation
- Outsourcing- BPO's and KPO's is the WAY TO GO
- Globalization and Wage Arbitrage
- Labor Perspective





My Coordinates

- NIKHIL SATHE
- nssathe@gmail.com or Nikhil@3plogistics.com
- Skype: nikhilsathe
- Mobile 7022226106 India
- Mobile (416) 997-9300 Canada/ USA

