

Edgar Filing: STONEPATH GROUP INC - Form 8-K

STONEPATH GROUP INC  
Form 8-K  
October 16, 2002

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT  
Pursuant to Section 13 or 15(d) of the Securities  
Exchange Act of 1934

Date of Report (Date of earliest event reported) October 16, 2002  
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STONEPATH GROUP, INC.  
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(Exact Name of Registrant as Specified in Charter)

Delaware	0-26929	65-0867684
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(State or Other Jurisdic- tion of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

Two Penn Center Plaza, Suite 605, Philadelphia, PA	19102
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(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code 215-564-9193  
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Not Applicable  
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(Former Name or Former Address, if Changed Since Last Report)

Item 5. Other Events.

Commencing on October 16, 2002, Stonepath Group, Inc. (the "Company") will participate in a series of meetings with private investors during which it will present the following information about the Company, some of which may constitute material non-public information.

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Certain of the information contained herein should be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 as amended, and Section 21E of the Securities Exchange Act of 1934 that reflect the Company's current views with respect to future events and financial performance. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions about us and our affiliate companies, that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. While it is impossible to identify all of the factors that may cause our actual results, levels of activity, performance, or achievements to differ materially from those set forth in such forward-looking statements, such factors include: (i) our limited operating history, (ii) our ability to identify, acquire, integrate and profitably manage additional businesses; (iii) our ability to obtain the additional capital necessary to make additional cash acquisitions, (iv) the scarcity and competition for the operating companies we need to acquire to implement our business strategy, (v) competition in the freight forwarding, logistics and supply chain management industry, (vi) our historic losses and our ability to achieve operating profitability, (vii) the impact of current and future laws effecting the Company's operations, (viii) general economic conditions, (ix) regional disruptions in transportation, such as those recently experienced on the West Coast of the United States, and (x) other factors which are or may be identified from time to time in our Securities and Exchange Commission filings and other public announcements, including our Annual Report on Form 10-K filed on March 29, 2002. There can be no assurance that these and other factors will not affect the accuracy of such forward-looking statements.

Slide One

GLOBAL LOGISTICS

[GRAPHIC OMITTED]

STONEPATH GROUP

Overview  
October, 2002

[GRAPHIC OMITTED] STG  
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AMEX  
L I S T E D

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## Safe Harbor Statement

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This presentation may include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 as amended, and Section 21E of the Securities Exchange Act of 1934. We have based these forward-looking statements on our current expectations and projections about future events. These forward-looking statements are subject to known and unknown risks, uncertainties and assumptions about us and our affiliate companies, that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. Factors that might cause or contribute to such a discrepancy include, but are not limited to, those identified in our other Securities and Exchange Commission filing and other public documents, including our Annual Report on Form 10-K filed on March 29, 2002, and our Form 10-Q for the second quarter ended June 30, 2002, which can be found on our corporate Web site, [www.stonepath.com](http://www.stonepath.com).

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## Our Mission

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- o To become a leading provider of global logistics services by integrating experienced logistics companies with innovative technologies.

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## Key Facts

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Symbol	STG (AMEX)
Corporate Headquarters	Philadelphia, PA
Amex Listing	Sept. 2000
Stock Price (10/14/02) and 52-Week Range	\$1.12    \$0.81 to \$2.95
Primary and Fully Diluted Shares Outstanding	23.4mm    39.7mm
Float	21.9mm
Market Cap	\$26.2mm
Volume (daily 90-day average)	38,100
Cash & S/T Investments (6/30/02)	\$1.6mm

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Debt (6/30/02)	None
Insider Ownership	12% of fully diluted shares
Institutional Ownership	3% of fully diluted shares
Employees	430

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Management

- o Dennis Pelino - Chairman & Chief Executive Officer
- o Bohn Crain - Chief Financial Officer & Treasurer
- o Neil O'Connell - Chief Technology Officer
- o Gary Koch - CEO, Domestic Operations
- o Jason Totah - COO, International Operations

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Logistics Market - 2001

o Non-Outsourced Logistics	\$659 B	92%
o Third Party Logistics Providers	\$61 B	8%
Industry Total in 2001	\$720 B	100%

Source: Armstrong & Associates

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Market Characteristics

- o Highly Fragmented
- o Growth Drivers:
  - o Globalization

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- o Technology
  - o Outsourcing
  - o Supply Chain Efficiency
- o 3 to 5-year projected CAGR is 15 - 20%

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Stonepath's Acquisition Trail

TRANSPORT SPECIALISTS, INC. -----	\$3MM	October 1, 2002
UNITED AMERICAN ----- FREIGHT SERVICES, INC. A STONEPATH LOGISTICS COMPANY	\$22MM	May 28, 2002
GLOBAL TRANSPORTATION SERVICES INC. ----- A STONEPATH LOGISTICS COMPANY	\$45MM	April 4, 2002
AIR PLUS ----- L I M I T E D =====	\$58MM	October 5, 2001
----- A STONEPATH LOGISTICS COMPANY		
2001 Pro Forma Revenues	\$128MM	

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A Global Logistics Organization

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[LOGO]

STONEPATH LOGISTICS

----- Stonepath Logistics Domestic Services -----	----- Stonepath Logistics International Services -----	----- Stonepath Logistics Technologies -----
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Air Plus Limited	Global Transportation Services, Inc.	TECH-LOGIS (TM) System
Retail Focus		State-of-the-art operating systems
United American Freight Services, Inc.	Air & Ocean Freight Services	End-to-end Solutions
Automotive Focus	Serve Multi-Market Needs for Global Client Base	Technology Assets
Transport Specialists, Inc.		
US Government Focus		

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Deep Client Relationships

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[BEST BUY LOGO]

[TARGET LOGO]

[LOCKHEED MARTIN LOGO]

[WILSONS LEATHER LOGO]

[FORD LOGO]

[DAMILER CHRYSLER LOGO]

[GM LOGO]

- o Best Buy "Excellence in Supply Chain" Award (2002)
- o Target Corp. Transportation Non-Retail Carrier of the Year Award (2000)
- o Best Buy "Best of the Best" Vendor Award (2001)

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Acquisition Considerations

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- o Candidate Attributes
  - Profitable
  - Strong Customer relations
  - Integratable
  - Management must stay
  - Accept earn-out methodology
  
- o Transaction Mechanics
  - Purchase Price: \$0.5mm to \$10mm
  - Valuations: 3x-6x Pre-Tax Earnings
  - Cash Up-Front: 30%-50% of Total Consideration
  - Contingent Purchase Price 50%-70% of Total Consideration

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### Acquisition History

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		Air Plus	Global	UAFS
Total Purchase Price		\$34.50	\$12.00	\$16.10
Cash on Close	A	\$17.50	\$5.00	\$5.10
Base Earn-Out		\$17.00	\$5.00	\$5.00
		-----	-----	-----
Base Purchase Price	B	\$34.50	\$10.00	\$10.10
Additional Earn-out		-	\$2.00 (1)	\$6.00 (2)
		-----	-----	-----
		\$34.50	\$22.00	\$26.20
Earnings Target	C	\$6.00	\$2.00	\$2.20

### Multiple

Based on Cash at Close	A/C	2.9x	2.5x	2.3x
Including Contingent Purchase Price B/C		5.8x	5.0x	4.6x

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(1) 40% of earnings in excess of \$10M over the 5 year earn-out period up to a maximum of \$2M.  
 (2) 50% of earnings in excess of \$2.2M annual earnings target for each of the 4 years of the earn-out period, subject to a maximum of \$6M.  
 \*In millions except for multiples

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### Integration & Organic Growth

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- o Integration process has begun
- o "Strategic Integration Committee"
- o Maximizing best practices between companies
- o Fostering Organic Growth
- o Investing in businesses through specific performance initiatives:
  - Technology
  - Shared Services
  - Expanded Sales Force
  - Opening Additional Logistics Centers to Meet Clients Needs
- o Planned expansion into Far East through acquisition of strategic international logistics companies based in Asia

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### 3PL Competitive Landscape

Company	C.H. Robinson	EGL, Inc.	Expeditors	Forward Air	UTIW	STG
Ticker	CHRW	EAGL	EXPD	FWRD	UTIW	STIG
Price(\$)	\$26.76	\$11.50	\$29.76	\$17.69	\$18.27	\$1.12
Market Cap	\$2.3B	\$536M	\$3.1B	\$391M	\$465M	\$26M
Net Income '02 (E)	\$92.4	\$8.1	\$108.6	\$21.4	\$19.2	\$3.0
Fully Diluted EPS	\$1.07	\$0.17	\$1.00	\$0.95	\$0.75	\$0.08
P/E-2002 (E)	24.9x	68.1x	29.9x	18.7x	24.3x	14.1x
Net Income '03 (E)	\$99.1	\$23.9	\$129.0	\$27.5	\$26.1	TBD
Fully Diluted EPS	\$1.15	\$0.50	\$1.18	\$1.20	\$1.02	TBD
P/E - 2003 (E)	23.2x	23.1x	25.1x	14.7x	17.9x	TBD

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Source: JP Morgan Logistics Conference, Sept. 5-6th; and Stonepath Management

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Summary

- =====
- o Building blocks and platform are in place
  - o Significant opportunities to acquire profitable companies
  - o Current run-rate \$125 - \$150 million in revenues
  - o Current run-rate \$4 - \$5 million operating income (\$0.11 - \$0.13 eps)
  - o 3Q and 4Q will demonstrate this run-rate
  - o Each additional \$10 million deployed in acquisitions could equate to at least \$4 in incremental pre-tax income
  - o Goal is to be a \$500 million company in the next several years

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

STONEPATH GROUP, INC.

Date: October 16, 2002

By: /s/ Dennis L. Pelino

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Name: Dennis L. Pelino  
Title: Chairman and Chief Executive Officer

