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STONEPATH GROUP INC
Form 8-K
September 09, 2003

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): September 5, 2003

Stonepath Group, Inc.

(Exact Name of Registrant as Specified in Charter)

Delaware	001-16105	65-0867684
----- (State or Other Jurisdiction of Incorporation)	----- (Commission File Number)	----- (IRS Employer Identification No.)

1600 Market Street, Suite 1515 Philadelphia, Pennsylvania	19103
----- (Address of Principal Executive Offices)	----- (Zip Code)

Registrant's telephone number, including area code: (215) 979-8370

Item 5. Other Events and Required FD Disclosure

On September 8, 2003, Stonepath Group, Inc. (the "Company") issued a press release announcing that its credit facility has been increased by \$5 million to \$20 million, providing additional flexibility for the Company's acquisition strategy and on-going working capital requirements. The secured credit facility was obtained from LaSalle Business Credit, LLC, a subsidiary of ABN AMRO.

Item 7. Financial Statements and Exhibits.

Exhibit Number	Description
-----	-----

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10.10 Second Amendment to Loan and Security Agreement dated September 5, 2003 by and among LaSalle Business Credit, LLC, Stonepath Group, Inc., Contract Air, Inc., Distribution Services, Inc., Global Container Line, Inc., M.G.R., Inc., Net Value, Inc., Stonepath Logistics Domestic Services, Inc., Stonepath Logistics Government Services, Inc., Stonepath Logistics International Services, Inc., Stonepath Logistics International Services, Inc., Stonepath Operations Inc., and United American Acquisitions and Management, Inc.

99.1 Press Release dated September 8, 2003

Item 9. Regulation FD Disclosure.

The following information is furnished pursuant to Item 9, "Regulation FD Disclosure."

Commencing on September 9, 2003, the Company will participate in a series of meetings with private investors relative to the possibility of raising capital through a sale of securities in a private placement transaction. At these meetings the Company intends to present the information contained in the following slides, some of which may constitute material non-public information. Certain of the slides include information on the Company's historic and projected EBITDA. The Company's management believes that information on its EBITDA is useful to investors because its GAAP-based net income includes a charge for the amortization of acquired customer relationship intangible assets. This amortization creates a discrepancy with the economic reality of the growth in customer relationships experienced by the Company. A reconciliation of the EBITDA information to the Company's historic and projected EBITDA is included at the end of this Item 9.

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Company Presentation Materials

[Graphic Omitted] STONEPATH GROUP
Global Logistics for a New World

Overview | September 2003

[Graphic Omitted]
AMERICAN
STOCK EXCHANGE (R)
LISTED
STG (TM)

Safe Harbor Statement

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 filings and other public documents, including our 2002 Annual Report on Form 10-K/A, our Quarterly Report on Form 10-Q/A for the period ending June 30, 2003, which can be found on our corporate Web site, www.stonepath.com.

[Graphic Omitted] STONEPATH GROUP p. 2

Our Mission

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

[Graphic Omitted]

[Graphic Omitted] STONEPATH GROUP p. 3

Building Shareholder Value

STG vs. Nasdaq Transportation Index
(1 Year Comparison)

[Graphic Omitted]

STG:
+101%

Nasdaq
Trans
Index:
+56%

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[Graphic Omitted] STONEPATH GROUP p. 4

Key Facts

Symbol	STG (AMEX)
Corporate Headquarters	Philadelphia, PA
Amex Listing	Sept. 2000
Stock Price (9/04/03) and 52-Week Range	\$2.27 \$1.01 to \$3.29
Primary and Fully Diluted Shares Outstanding	29mm 45mm
Float	27mm
Market Cap	\$65.8mm
Volume (daily 90-day average)	161,500
Debt (9/04/03)	\$11.5mm
Insider Ownership	15% of fully diluted shares
Institutional Ownership	11% of fully diluted shares
Employees	650

[Graphic Omitted] STONEPATH GROUP p. 5

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 - CEO, International Operations

[Graphic Omitted] STONEPATH GROUP p. 6

A Global Logistics Organization

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 [Graphic Omitted]
 STONEPATH

----- Domestic Services Division -----	----- International Services Division -----
Complete U.S. Network	Worldwide Network
Time-Definite Transportation & Distribution Services for Retail Industry	Air & Ocean Freight Services
Time-Definite Transportation for Automotive Industry	Serve Multi-Market Needs for Global Client Base
Providing Logistics Services for DOD Contractors	International Freight Forwarding, Customs and Logistics Services
	Serve Multi-Market Needs for Global Client Base

[Graphic Omitted] STONEPATH GROUP p. 7

 Aggressive Expansion & Profitable Results

(\$millions except per share figures)

[Graphic Omitted]

Gross Revenue			EBITDA		
2001A	2002A	2003E	2001A	2002A	2003E
-----	-----	-----	-----	-----	-----
15.6	139.7	210.0	(2.8)	4.6	8.9

Net Income			Diluted EPS		
2001A	2002A	2003E	2001A	2002A	2003E
-----	-----	-----	-----	-----	-----
(3.3)	2.4	5.4	(0.16)	0.08	0.13

Note: EBITDA, Net Income and Diluted EPS information presented here excludes amounts attributed to Discontinued Operations and Preferred Dividend.

[Graphic Omitted] STONEPATH GROUP p. 8

Logistics Market			
	Domestic	Global	%
	-----	-----	---
o Non-Outsourced Logistics	\$659 B	2,760 B	92%

o 3PL Providers	\$61 B	240 B	8%

Total 2001 Estimates	\$720 B	\$3,000 B	100%

Source: Armstrong & Associates, SalomonSmithBarney and USbancorp Piper Jaffray

[Graphic Omitted] STONEPATH GROUP p. 9

- Market Characteristics
-
- o Highly Fragmented
 - Over 5,000 regional logistics companies between \$5-\$50 million in revenues, in the U.S. alone
 - o Growth Drivers:
 - o Globalization
 - o Technology
 - o Outsourcing
 - o Supply Chain Efficiency
 - o 3 to 5-year projected CAGR is 15 - 20%

[Graphic Omitted] STONEPATH GROUP p. 10

Serving Customers throughout the U.S.

Philadelphia, Corp. HQ
 Minneapolis
 Milwaukee
 Chicago
 Indianapolis
 Detroit
 St. Louis
 Miami
 Atlanta
 Norfolk

[Graphic Omitted]

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Washington, D.C.
New York, NY
Boston
Portland, ME
Seattle
Portland, OR
San Francisco
Los Angeles
Phoenix
Salt Lake City
El Paso
Dallas/Fort Worth

[Graphic Omitted] STONEPATH GROUP p. 11

And throughout our Worldwide Network

[Graphics omitted: Maps]

Europe

- o AUSTRIA
- o BELGIUM
- o CYPRUS
- o CZECH REPUBLIC
- o DENMARK
- o FINLAND
- o FRANCE
- o GERMANY
- o GREECE
- o HUNGARY
- o IRELAND
- o ITALY
- o MALTA
- o NETHERLANDS
- o NORWAY
- o POLAND
- o PORTUGAL
- o ROMANIA
- o RUSSIA
- o SPAIN
- o SWEDEN
- o SWITZERLAND
- o UKRAINE
- o UNITED KINGDOM

Asia

- o CHINA
- o JAPAN
- o HONG KONG
- o TAIWAN
- o PAKISTAN
- o INDIA
- o NEPAL
- o BURMA
- o THAILAND
- o CAMBODIA
- o MALAYSIA
- o SINGAPORE
- o INDONESIA
- o SRI LANKA

Latin
America

- o BRAZIL
- o ARGENTINA
- o VENEZUELA
- o PANAMA
- o BELIZE
- o PERU
- o COLUMBIA
- o BOLIVIA
- o PARAGUAY
- o URUGUAY
- o CHILI
- o GUYANA
- o HONDURAS
- o COSTA RICA

[Graphic Omitted] STONEPATH GROUP p. 12

Deep Client Relationships

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[GRAPHIC OMITTED: TARGET LOGO] [GRAPHIC OMITTED: LOCKHEED MARTIN LOGO]
 [GRAPHIC OMITTED: BEST BUY LOGO]
 [GRAPHIC OMITTED: WILSONS LEATHER LOGO]
 [GRAPHIC OMITTED: FORD LOGO]
 [GRAPHIC OMITTED: DAIMLER CHRYSLER LOGO] [GRAPHIC OMITTED: CARPET ONE LOGO]
 [GRAPHIC OMITTED: GM LOGO] [GRAPHIC OMITTED: BUFFALO WILD WINGS LOGO]
 [GRAPHIC OMITTED: AT&T Wireless LOGO]

- o Target Corp. "Transportation Carrier of the Year" Award (2002)
- o Best Buy "Excellence in Supply Chain" Award (2003 and 2002)
- o Best Buy "Best of the Best" Vendor Award (2001)

[Graphic Omitted] STONEPATH GROUP p. 13

Stonepath's Acquisition Trail

G-Link Group	\$15MM	August
Customs Services Int'l.	\$15MM	July
Regroup Express	\$18MM	June
[LOGO OMITTED] UNITED AMERICAN	\$24MM	May 2

FREIGHT SERVICES, INC.		
A STONEPATH LOGISTICS COMPANY		
GLOBAL (SM)	\$75MM	April
TRANSPORTATION SERVICES, INC.		

A STONEPATH LOGISTICS COMPANY		
AIR PLUS		

L I M I T E D	\$66MM	October
=====		
A STONEPATH LOGISTICS COMPANY		

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2002 Pro Forma Revenues

\$213MM

[Graphic Omitted] STONEPATH GROUP p. 14

Acquisition History

		Air Plus -----	Global -----
Cash on Close	A	\$17.50	\$5.00
Base Earn-Out		\$17.00	\$5.00
Base Purchase Price	B	\$34.50	\$10.00
Additional Earn-Out		-	\$2.00
		-----	-----
Total Purchase Price		\$34.50	\$12.00
Annual Earnings Target	C	\$6.00	\$2.00
			Valuation Multiple

Based on Cash at Close	A/C	2.9x	2.5x
Including Base Earn-Out	B/C	5.8x	5.0x
		-----	-----

(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

[Graphic Omitted] STONEPATH GROUP p. 15

Acquisition Considerations

- o Candidate Attributes
 - Profitable
 - Strong customer relations
 - Integratable
 - Management must stay
 - Accept earn-out methodology

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- o Transaction Mechanics
 - Purchase Price: \$0.5mm to \$50mm
 - Valuations: 3x-6x Pre-Tax Earnings
 - Cash Up-Front: 30%-50% of Total Consideration
 - Contingent Purchase Price 50%-70% of Total Consideration

[Graphic Omitted] STONEPATH GROUP p. 16

Integration & Organic Growth

- o "Strategic Integration Committee" producing results
- 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 client needs

[Graphic Omitted] STONEPATH GROUP p. 17

3PL Competitive Landscape

(\$millions except per share figures)

Company	Financial Data (LTM)				Market Data	
	Gross Revenue	EBITDA	Net Income	Diluted EPS	Mkt Cap	Recent Price (a)
CH Robinson Worldwide	\$ 3,362.5	\$ 183.7	\$106.1	\$ 1.24	\$3,307.1	\$ 39.06
Expeditors Int'l of Washington	\$ 2,493.6	\$ 222.0	\$119.6	\$ 1.11	\$3,981.5	\$ 38.00
EGL, Inc.	\$ 1,916.6	\$ 72.0	\$ 21.7	\$ 0.47	\$ 856.8	\$ 18.15
UTi Worldwide (b)	\$ 459.2	\$ 61.3	\$ 32.5	\$ 1.06	\$1,120.1	\$ 36.42
Median	\$ 2,205.1	\$ 127.8	\$ 69.3		\$2,213.6	\$ 37.21
Average	\$ 2,058.0	\$ 134.7	\$ 70.0		\$2,316.4	\$ 32.91
Stonepath Group	\$ 193.7	\$ 6.3	\$ 3.8	\$ 0.10	\$ 65.8	\$ 2.27

(a) As of market close September 4, 2003.

(b) Based on LTM April 2003 financial statements. Others based on LTM June 2003 financial statements.

Source: Multex and Stonepath Management

[Graphic Omitted] STONEPATH GROUP p. 18

Stonepath Milestone Review

2002 Acquired Global Transportation Services, international platform
 Opened logistics centers in Miami and New York
 Acquired United American, adding automotive niche
 \$15M credit facility in place
 Transport Specialists (TSI) acquired, government sector
 Opened logistics center in Hong Kong

2003 Tech-Logis(TM) system announced
 Opened Norfolk, Va., logistics center
 \$6M private placement completed
 Full year of profitability reported for 2002
 Opened Indianapolis logistics center
 Acquired business of Regroup Express
 Acquired business of Customs Services International
 Acquired 70% interest in G-Link Group's Singapore and
 Cambodian operation
 Increased credit facility to \$20M

[Graphic Omitted] STONEPATH GROUP p. 19

Summary

- o Building blocks and platform are in place
- o Significant opportunities to acquire profitable companies
- o Solid revenue and earnings growth
- o FY03 earning estimates at \$5 million (\$0.13 per fully diluted share)
- o STG trading at significant discount compared to peer group
- o Each additional \$10 million deployed in acquisitions could equate to at least \$4 million in incremental ebitda
- o Goal is to generate \$500 million in run-rate revenues by the end of 2006

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[Graphic Omitted] STONEPATH GROUP p. 20

A reconciliation of the EBITDA information contained in the foregoing slides to the most directly comparable GAAP measure in accordance with SEC Regulation G follows:

	Calendar Year			LTM
	-----			---
	(amounts in millions)			
	2001	2002	2003	
Net income(1)	(3.3)	2.4	5.4	3.8
Income taxes	-	.1	.3	.2
Interest expense	-	-	.2	-
Depreciation and amortization	.5	2.1	3.0	2.3
	----	----	----	----
Earnings before interest, taxes, depreciation and amortization (EBITDA)	(2.8)	4.6	8.9	6.3
	====	====	====	====

 (1) Net Income and EBITDA information presented excludes amounts attributable to discontinued operations and preferred dividends.

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: September 9, 2003

By: Dennis L. Pelino

 Name: Dennis L. Pelino

Title: Chairman and Chief Executive Officer

Exhibit Index

Exhibit Number	Description
10.10	Second Amendment to Loan and Security Agreement dated September 5, 2003 by and among LaSalle Business Credit, LLC, Stonepath Group, Inc., Contract Air, Inc., Distribution Services, Inc., Global Container Line, Inc., M.G.R., Inc., Net Value, Inc., Stonepath Logistics Domestic Services, Inc., Stonepath Logistics Government Services, Inc., Stonepath Logistics International Services, Inc., Stonepath Logistics International Services, Inc., Stonepath Operations Inc., and United American Acquisitions and Management, Inc.
99.1	Press Release dated July 15, 2003