

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                        |
| -----  | -----                    | -----                             |
| (State or Other Jurisdiction of Incorporation) | (Commission File Number) | (IRS Employer Identification No.) |

|  |            |
|--|------------|
| Two Penn Center Plaza, Suite 605, Philadelphia, PA | 19102      |
| -----  | -----      |
| (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  
-----  
AMEX  
L I S T E D

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Slide Two

## 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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Slide Three

## Our Mission

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

Slide Four

## 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                         |

Slide Five

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

Slide Six

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

Slide Seven

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%

Slide Eight

Stonepath's Acquisition Trail

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

Slide Nine

A Global Logistics Organization

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[LOGO]

STONEPATH LOGISTICS

|  |   |   |
|--|---|---|
| -----<br>Stonepath Logistics<br>Domestic Services<br>----- | -----<br>Stonepath Logistics<br>International Services<br>----- | -----<br>Stonepath Logistics<br>Technologies<br>----- |
|--|---|---|

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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                    |   |                                    |

Slide Ten

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)

Slide Eleven

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

Slide Twelve

### 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     |
| <br>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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Slide Thirteen

### 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

Slide Fourteen

### 3PL Competitive Landscape

| Company            | C.H.<br>Robinson | EGL, Inc. | Expeditors | Forward<br>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

Slide Fifteen

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

