

An overview of SEA port developments and outlook

Consolidating Asia's booming growth



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12th February 2015

Presentation agenda

- Recent port development trends

- Volume outlook for SEA ports

- Development and investment outlook for SEA ports

- Conclusion



1. RECENT PORT DEVELOPMENT TRENDS

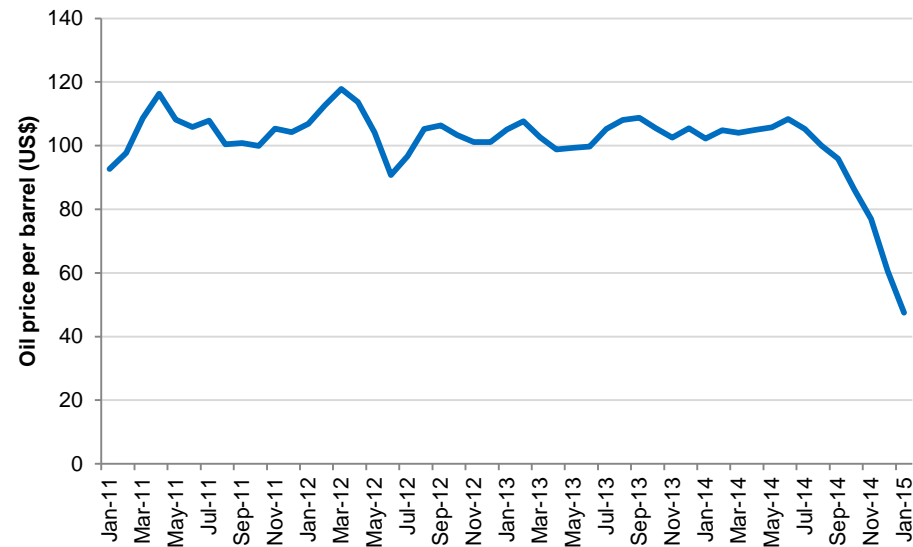
Recent port development trends

Lower oil prices:
“Rising tide floats all boats”



Recent port development trends

Lower oil prices:
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- Oil price has dropped from US\$105 in Jul 2014 per barrel to US\$47 in Jan 2015.

Recent port development trends

Lower oil prices: *“Rising tide floats all boats”*

- **Bulk charters are realizing savings as the charterers operate on spot bunker.**
- **Liner companies would take longer to realize savings from lower bunker fees due to hedging of fuel costs**
- **Terminal operators could see lower operating fuel costs if fuel is not subsidized.**

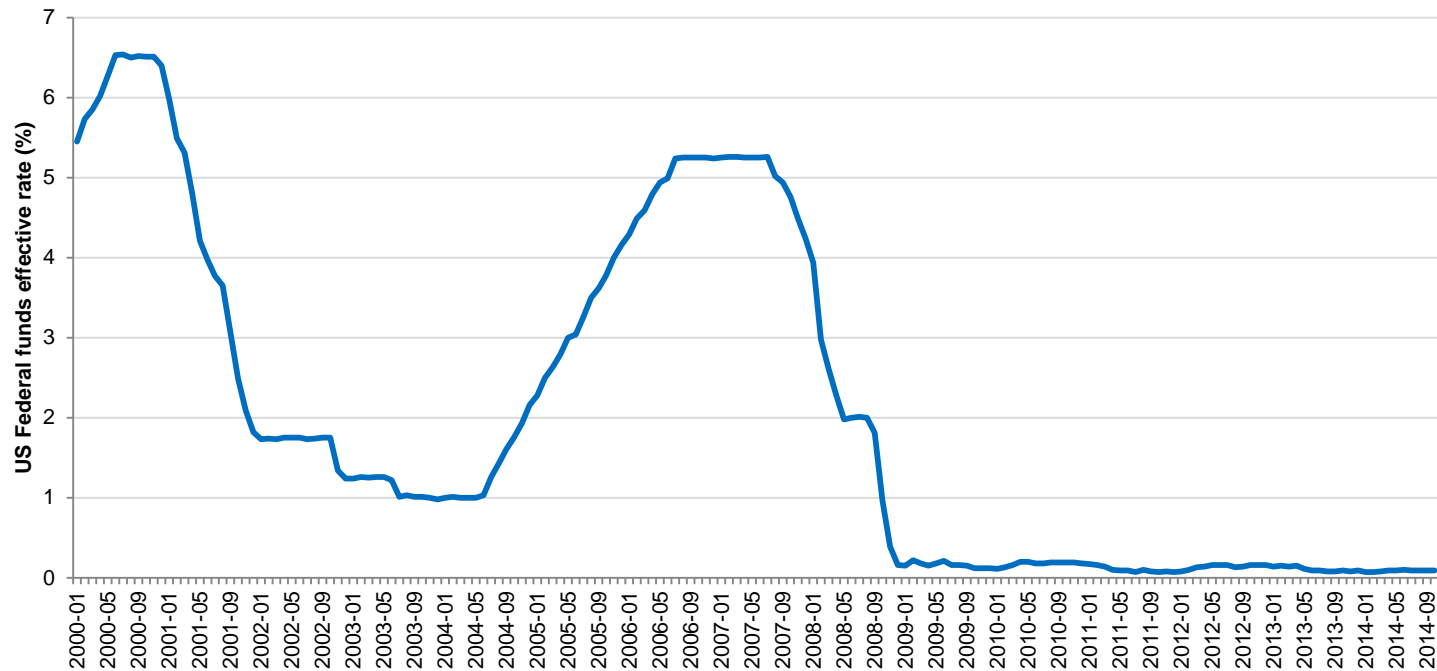
Recent port development trends

**Rising interest rates:
*“Money isn’t getting any cheaper”***



Recent port development trends

**Rising interest rates:
“Money isn’t getting any cheaper”**



- **US Federal effective tax rates at 0.09%, planned interest rates increases in 2015.**

Recent port development trends

Rising interest rates: *“Money isn’t getting any cheaper”*

- **Impact on current terminal operations would be increased interest payments on existing loans => Refinancing**
- **Port valuations multiples could be reduced as financing costs increase.**

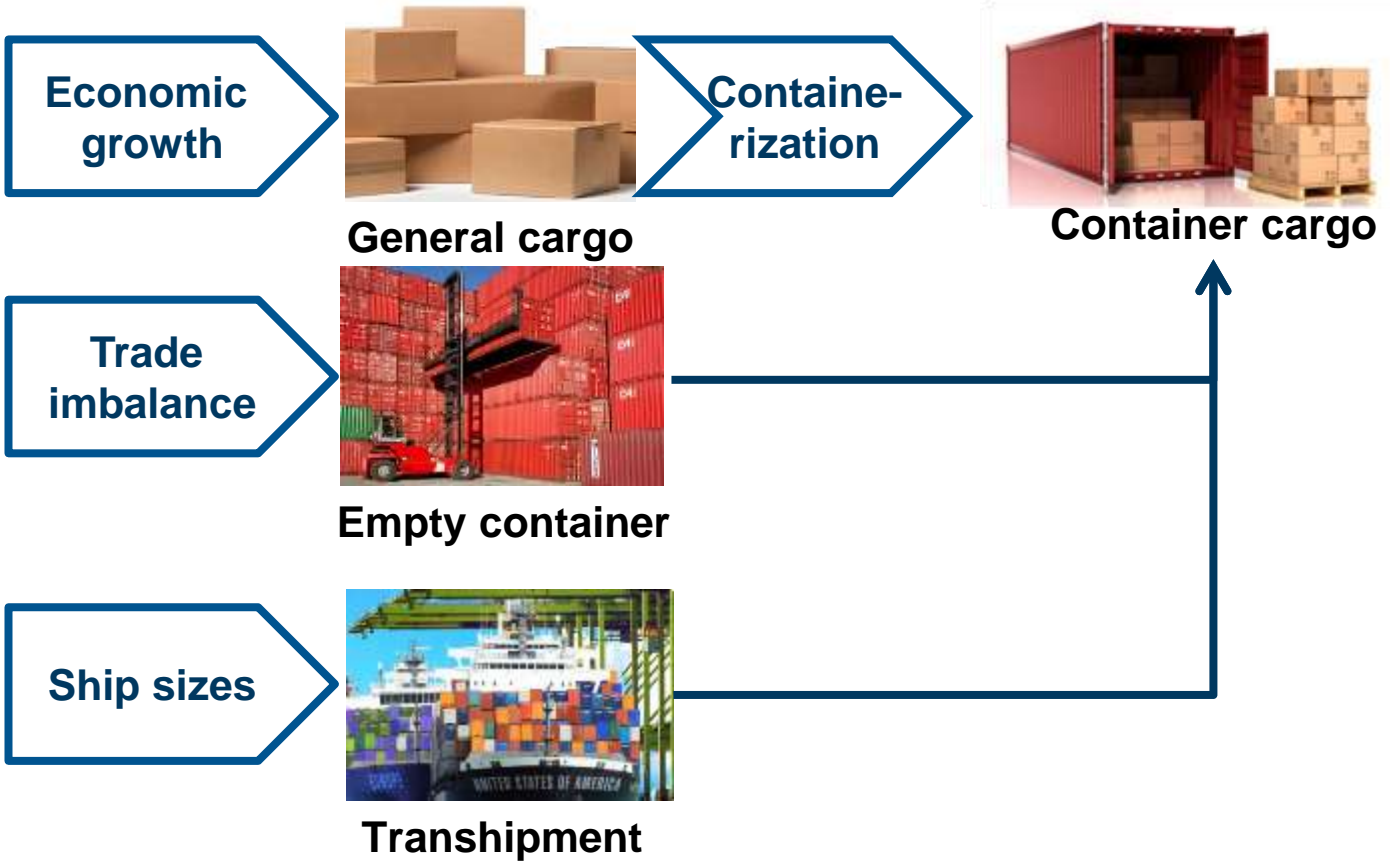
Recent port development trends

Container mix is a key revenue driver
“Not all containers are the same”

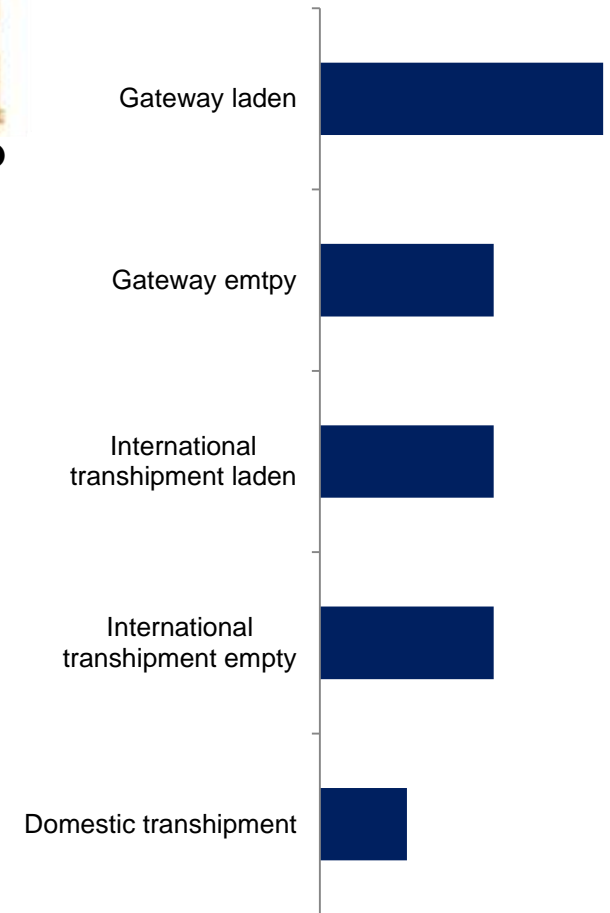


Recent port development trends

Container mix is a key revenue driver
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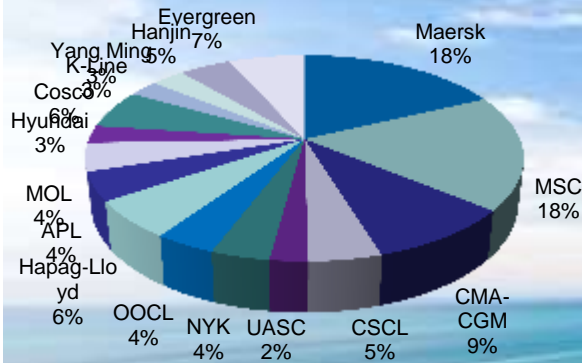
Tariff per container type



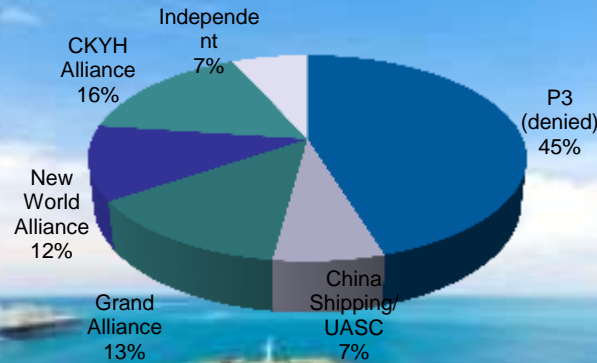
Recent port development trends

Shipping alliances

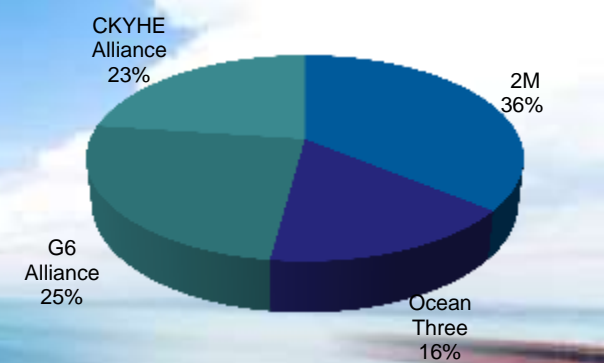
“My customers have become The Customer”



HHI:0.099 (fragmented)



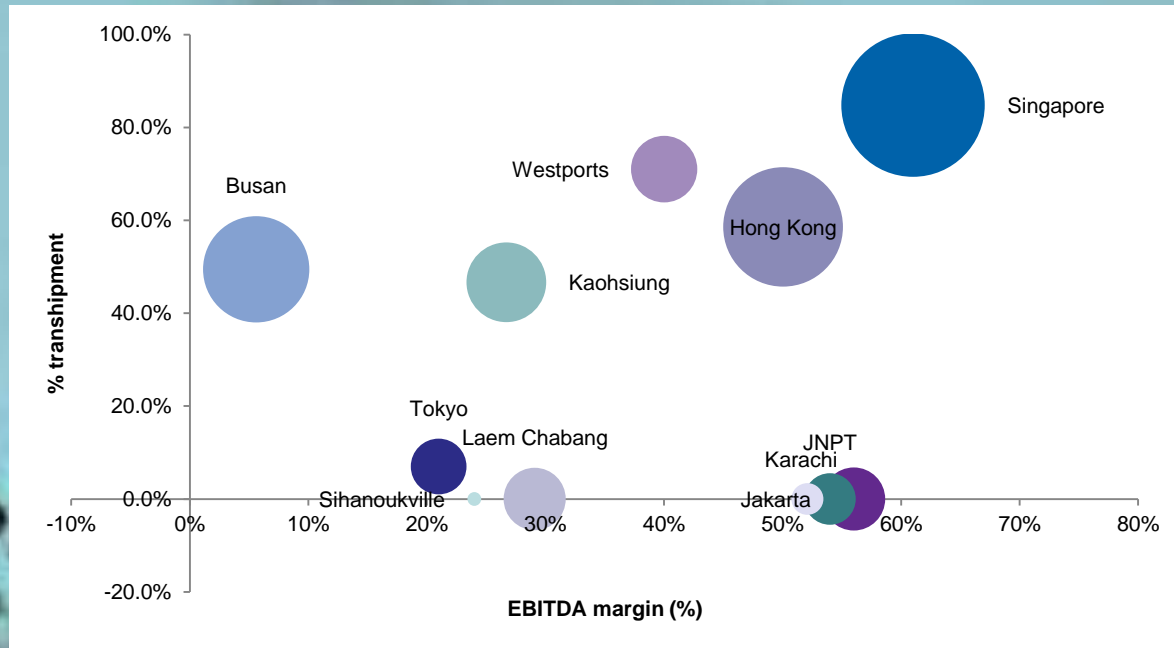
HHI:0.271 (concentrated)



HHI:0.270 (concentrated)

Recent port development trends

EBITDA margins varies widely for Asian ports. Gateway ports, while handling less volumes, tend to have higher margins.



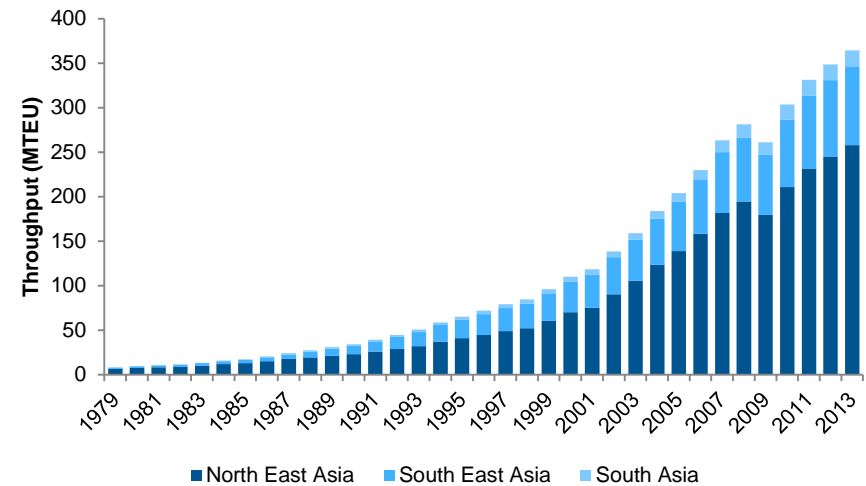
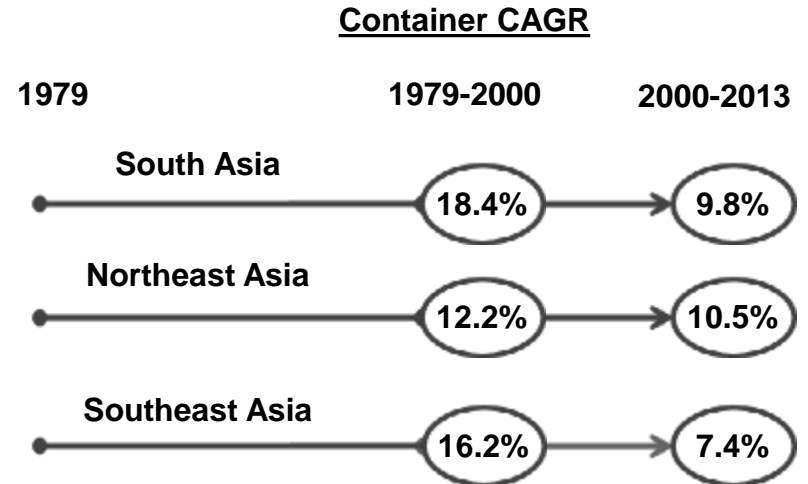
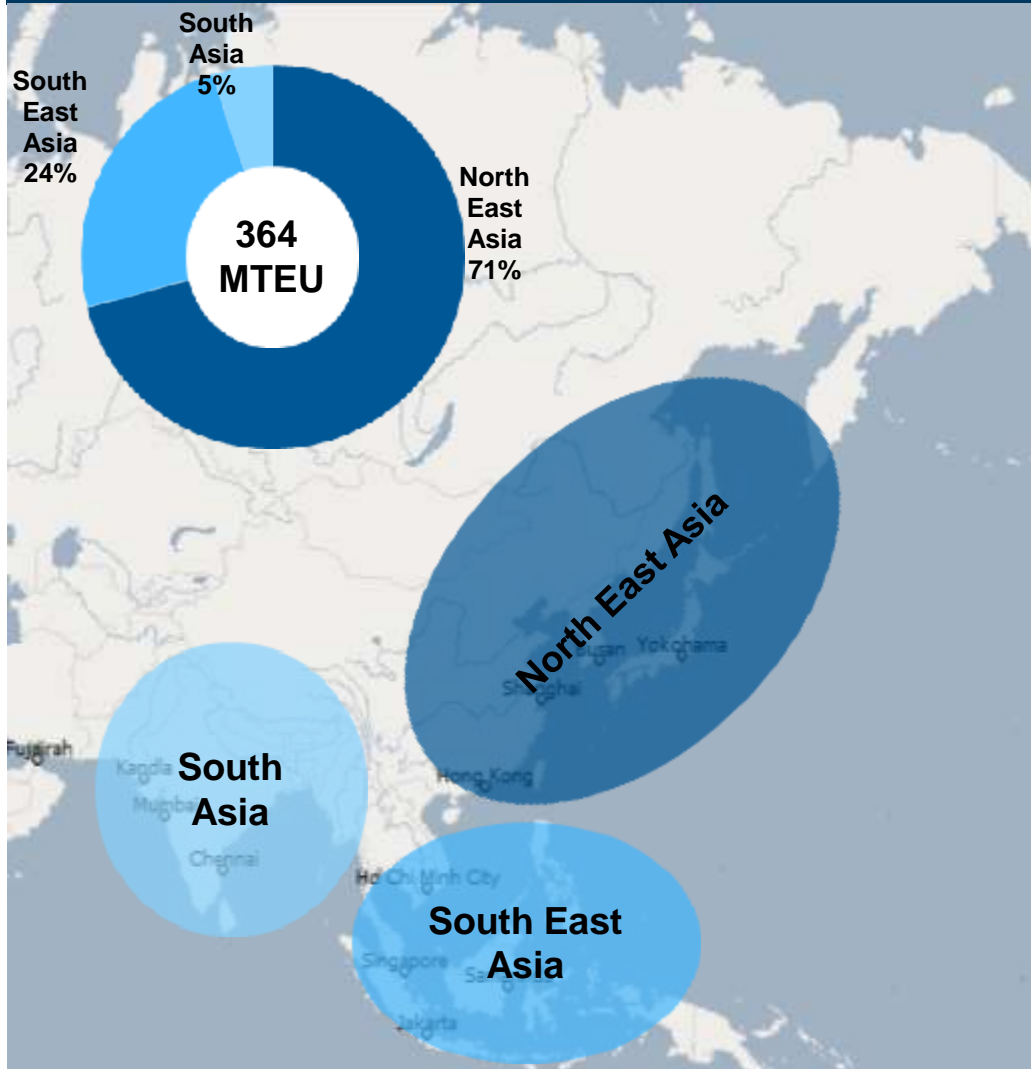
- The largest ports in Asia are the transshipment hubs. Their EBITDA margins varies widely
- The gateway hubs in emerging regions tend to achieve higher EBITDA margins



2. VOLUME OUTLOOK FOR SEA PORTS

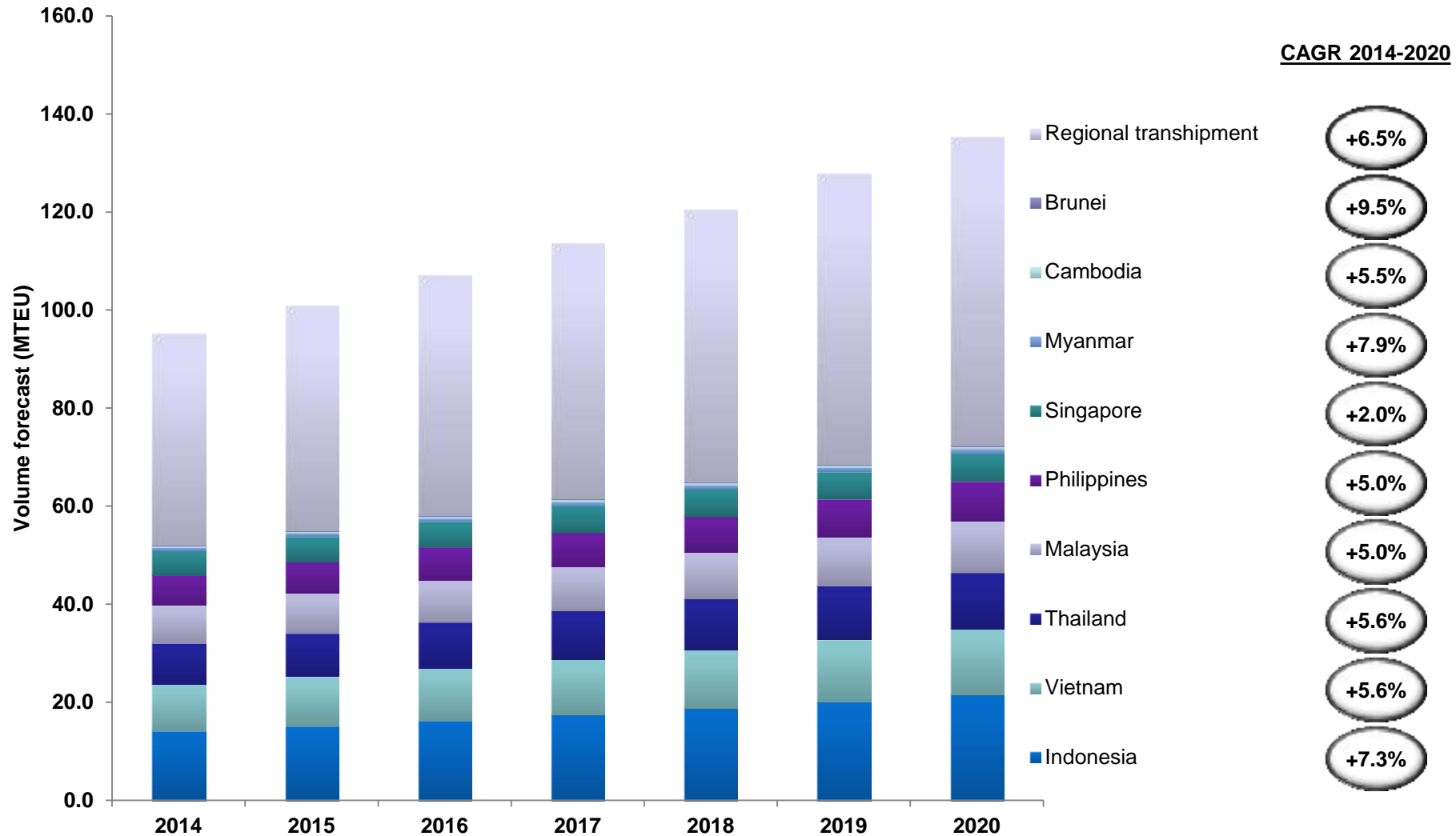
Volume outlook for SEA ports

Asia ports accounts for 57% of total world port container volume. SEA ports account for 13.6% market share.



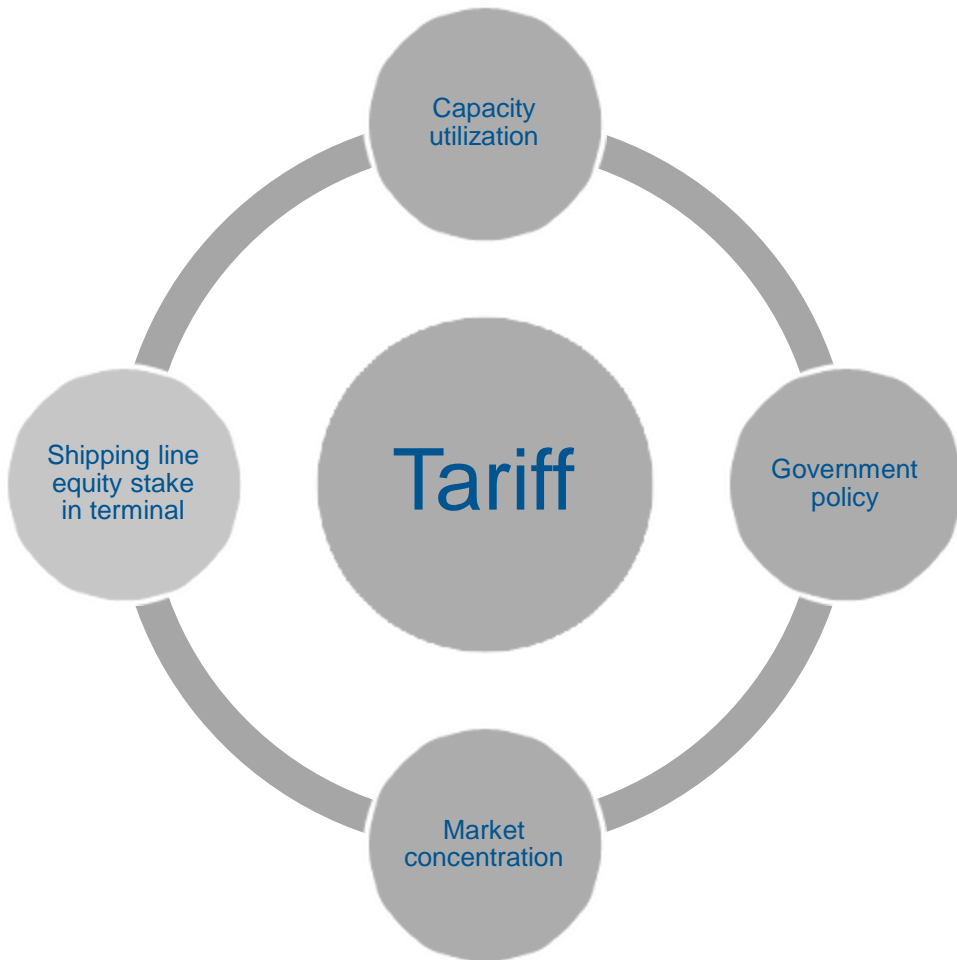
Volume outlook for SEA ports

SEA ports container volume are projected to grow from 95 MTEU in 2014 to 136 MTEU in 2020, a CAGR of 6.1%. Growth is projected to be strongest for emerging countries.

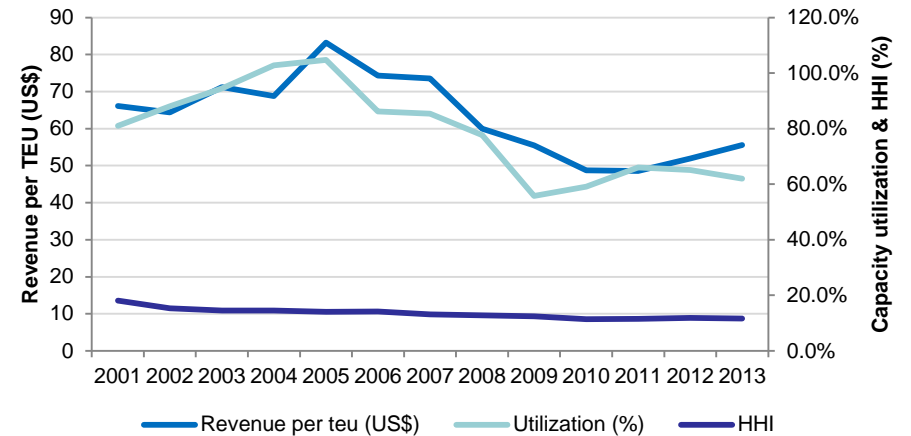


Volume outlook for Asian ports

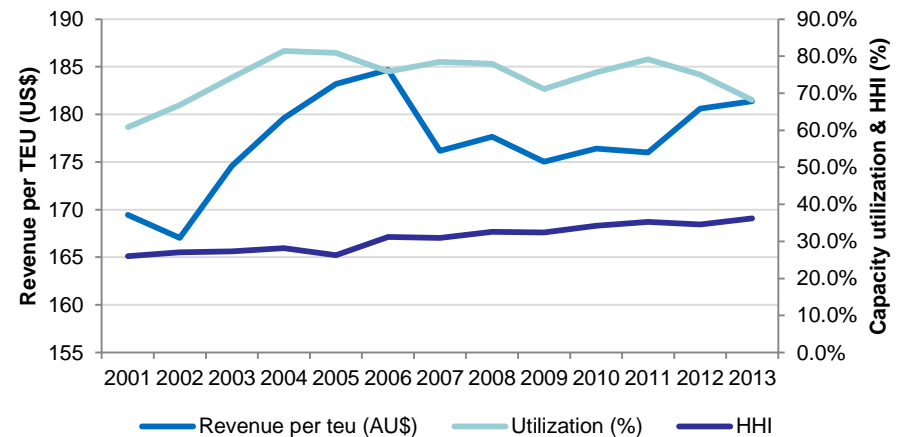
Drewry has reviewed the historical development of container handling tariff in major ports. Tariffs trends very closely with capacity utilization.



Busan, South Korea historical revenue per TEU, '01-'13



Australian ports, revenue per TEU, '01-'13





3. DEVELOPMENT AND INVESTMENT OUTLOOK FOR SEA PORTS

Asian ports investment criteria

Criteria for investment - Evaluating Asian Ports: Access, Volume, Margins, Price



Investment access

- Does the country welcome foreign port ownership
- Are there investment opportunities?



Container volume

- Strong growth or captive volume
- Competitive landscape
- Gateway or transshipment



Strong gross profit margins

- Tariff levels
- Sufficient operating margins



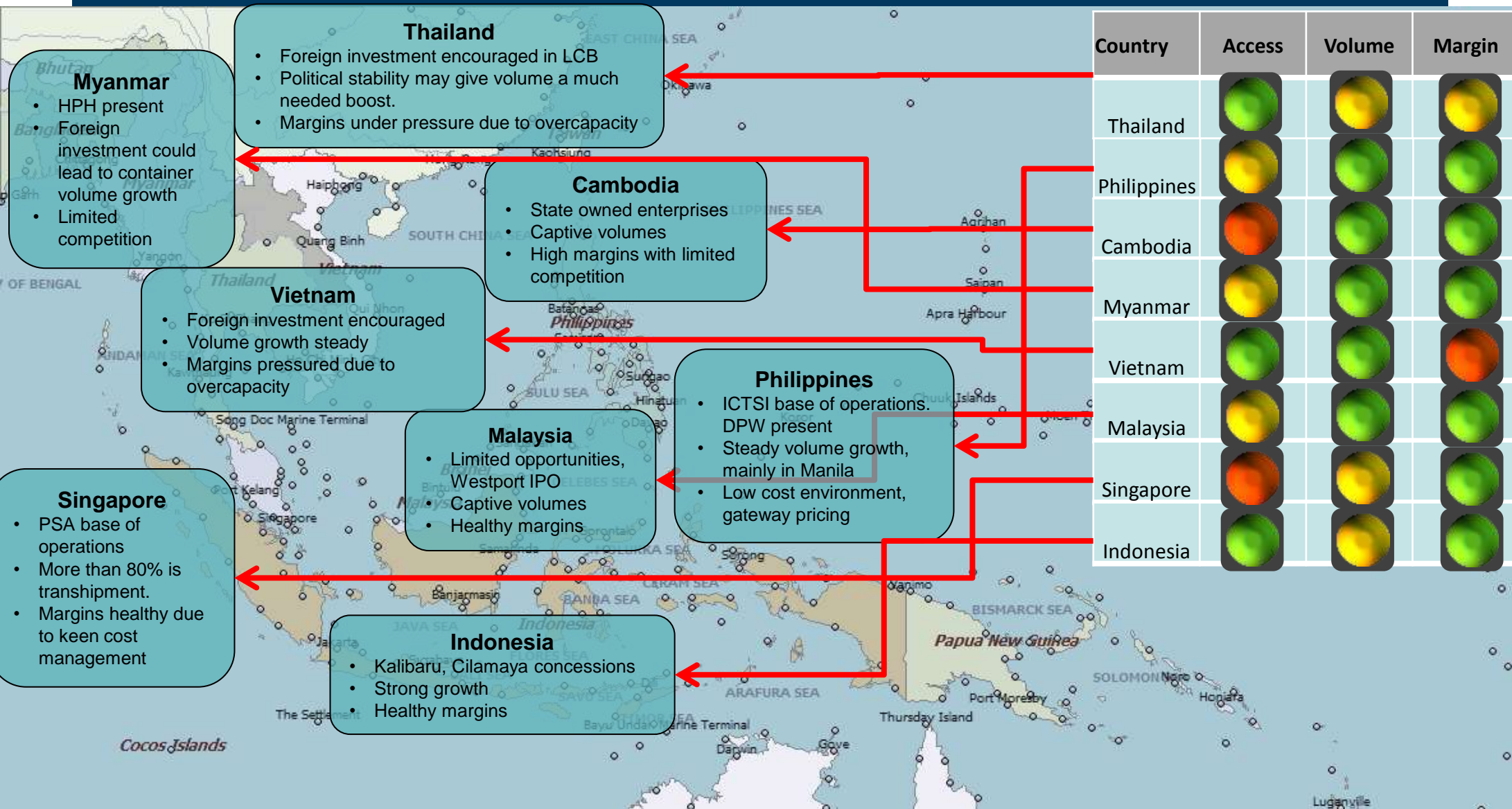
Transaction price

- Pricing can be inferred from listed companies

5 year outlook



South East Asia Ports





4. CONCLUSION

Conclusion



- ▶ Lower oil prices and rising interest rates are key drivers for port valuations in the short term. Political stability will be key to port development (Indonesia, India, Thailand)



- ▶ Asia region economies growing independently of traditional Europe and USA economies. Domestic and Intra-Asia trade are the new cornerstones for Asia trade



- ▶ Opportunities for investing in Asian ports are limited but comes with the assurance of captive volumes. Margins remain a concern. Careful due diligence required.

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