



M&A in the Port Industry: Future Drivers of Growth for Port Investments

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MTBS Port Transactions

Focus on EMEA, covering the globe

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M&A

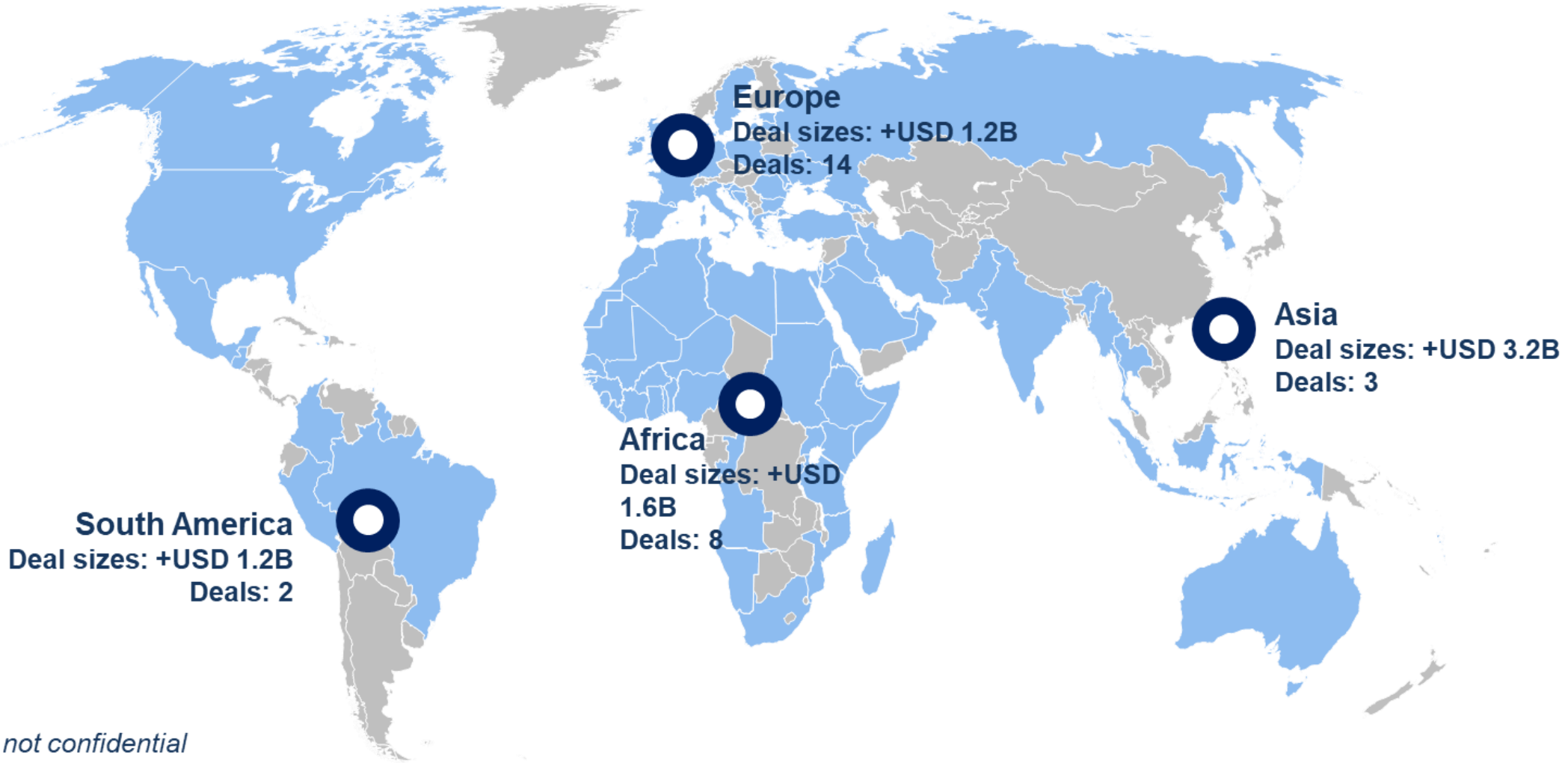
Mergers & Acquisitions

MTBS: Maritime & Transport Business Solutions

Three focus areas, all specialised in the Port Sector

Previous Experience

 Closed Transactions*



**Deal size only included if not confidential*

MTBS Port Transactions

M&A from a Port Sector Background



Financial Advisor



**Anaklia Development Consortium
Georgia**

Master Concession



Investment agreement between Government
of Georgia and ADC

Committed investments 2.5 billion USD

2017



Commercial Advisor



Port of Piraeus, Greece

Commercial advisory to



COSCO Group

For the acquisition of 67% shares in
Piraeus Port Authority

deal size EUR 368.5 million

2016



Financial Advisor



**Multi purpose Terminal East-2 Concession
Burgas, Bulgaria**

Bid Preparation
Navibulgar



Winning Bid
Deal size: EUR 100 million

2011



Commercial Advisor



Kumport, Turkey

Commercial advisory to



For the acquisition of shares in the terminal

Deal size confidential

2014-2015

Introduction

Future Drivers of Growth for Port Investments

Content of Presentation of Today

1. Overview of Port M&A Market: key developments in the last 5 years
2. Key areas of opportunities in the next 5-10 years
3. Unlocking value through involvement of contractors & financial investors





Agenda

Introduction

Overview of Port Investments in Recent Years

Key Areas of Opportunities for next 5-10 Years

Unlocking Value through involvement of contractors & financial investors

Overview of Port Investments in recent years

Three main drivers of port M&A activity in past 10-20 years

1. PPP Wave

- Privatisation of brownfield developments
- Inclusion of private sector in greenfield terminals



2. New Port Development

- Multiple greenfield ports established to relief pressure from old City-ports
- Greenfield ports also established in order to accommodate larger vessels



3. Corporate Mergers & Acquisitions

- Market consolidation of port operators
- Integration of port operations with shipping lines



Overview of Port Investments in recent years

1. PPP Wave

Port Sector has seen big PPP/privatisation wave in past 10-20 years

PPP Wave:



- Traditionally supported by World Bank and other IFIs

- Multiple deal structures exist:

- Privatisation of brownfield assets
- Implementation of PPP on new terminals



- Gradual push towards more privatised models:

- Initially: focus management contracts and landlord PPPs
- Recently: increased focus on BOT, PDMC and Private Ports



Overview of Port Investments in recent years

1. PPP Wave

Strongly visible in Black Sea

BMF Burgas (Bulgaria):

- Navilbulgar won tender back in 2011;
- Brownfield project + expansion obligations, total concession duration initially more than 20 years;
- BMF successfully developed phase 1 of the Project and is looking for more opportunities to expand;
- Successful implementation despite presence of competing ports.



Overview of Port Investments in recent years

Three main drivers of port M&A activity in past 10-20 years

New Port Development:

- Supported by trade growth:
 - Increased volume of trade
 - Changes in logistics: larger vessels and bigger call sizes
 - Changes in trade composition: more containers instead of breakbulk
- Supported by population growth:
 - Especially relevant for agribulk
- Supported by income growth:
 - Increased consumption, more finished products import



Overview of Port Investments in recent years

2. New Port Development

Strongly visible in the Black Sea

Anaklia (Georgia):

- Tender for a DBFMOT concession successfully implemented in 2015;
- Private consortium responsible for all investments, including breakwater and dredging;
- Project has attracted multiple international investors and International Financial Institutions;
- Project aims to solve logistic bottlenecks for the country and open up the Caucasus and Central Asian region.



Overview of Port Investments in recent years

3. Corporate Mergers & Acquisitions

Focused on horizontal and vertical integration of ports

Corporate Mergers & Acquisitions:



- Supported by horizontal consolidation:
 - Acquisition of individual terminals on a case-by-case basis
 - Acquisition of terminal portfolios to increase geographic presence



- Supported by vertical integration:
 - Shipping lines establishing terminal operating companies
 - Shipping lines buying into individual terminals



Overview of Port Investments in recent years

3. Corporate Mergers & Acquisitions

Recent examples in Europe

Yilport – TERTIR:

- Yilport acquired TERTIR in 2015
- Portfolio acquisition: TERTIR primarily owned terminals in Europe (Portugal)
- Strengthened Yilport's position in Southern Europe;
- Provided an entry in South America, through the port of Paita (Peru)



Overview of Port Investments in recent years

4. What growth can still be achieved?

Three main drivers of past M&A activity expected to decline in coming years

1. PPP Wave: most terminals have been privatised

- Attractive brownfield terminals have been privatised
- Small pockets of opportunities in certain countries remain

2. New Port Development: not justified by growth and trade projections

- Economic and population growth projections down
- Trade multipliers have shown a steady decline in the past years
- Future trade growth uncertain:
 - Overall reduction of globalisation forces
 - Changes in global production patterns

3. Corporate M&A: current market consolidation offers little opportunity

- Most smaller terminal operators have been acquired
- Terminal operations increasingly integrated with shipping logistics



Agenda

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Overview of Port M&A Market in Recent Years

Key Areas of Opportunities for next 5-10 Years

Unlocking Value through involvement of contractors & financial investors

Key Opportunities for next 5 – 10 years

Where to find growth in the next years?

Three potential drivers of port M&A activity in coming years

1. PPP Maturation and Re-Tendering

- Re-tendering of concessions offers opportunities for new investors
- Traditional greenfield ports turn into brownfield assets

2. Adjustment to Changes in Global Trade Patterns

- Energy transition: replacement of coal and oil with LNG
- Offshore activities: windfarms instead of oil rigs
- Reshoring of manufacturing: return of raw materials?

3. Focus on Infrastructure Quality, rather than Capacity

- Improve operational efficiency through digitalization and general innovation
- Improve sustainability through a focus on energy efficiency
- Adjustment to new energy sources: LNG power, cold ironing

Key Opportunities for next 5 – 10 years

1. PPP Maturation and Re-Tendering

Many concessions passed lock-in term, or near maturity: offers opportunity for re-thinking a business case

PPP Maturation and Re-Tendering:

- Maturation of concessions offers opportunities for new investors:
 - Original concessionaires now allowed to divest
 - Re-negotiations: opportunity to renegotiate terms and investment plan
 - Re-tendering: open opportunity for all investors
- Traditional greenfield ports turn into brownfield assets:
 - Risk profile of assets has changed substantially
 - Required capabilities of concessionaires has changed substantially



Key Opportunities for next 5 – 10 years

1. PPP Maturation and Re-Tendering

Example of Port Sector that requires Re-Thinking of current concessions

Jeddah (Saudi Arabia):

- Currently, three terminal operators active in the port:
 - RSGT;
 - DPW;
 - Gulftainer.
- Expiring concessions provide a unique opportunity:
 - How to improve current service level?
 - How to increase supply to meet demand?
 - What to do with obsolete assets? Is there a potential for re-purposing?



Key Opportunities for next 5 – 10 years

2. Adjustment to Changes in Global Trade Patterns

Demand for certain commodities will decline substantially: can these facilities be re-used?

Adjustment to Changes in Global Trade Patterns



- Energy transition: replacement of coal and oil with LNG
 - Public pressure on coal handling inside city ports
 - General shift to less pollutant energy sources



- Offshore activities: windfarms instead of oil rigs
 - Focus on handling turbines, rather than pipes and platforms
 - Future opportunities also include deep-sea mining

- Reshoring of manufacturing: return of raw materials?
 - Offshore production trend starts to reverse
 - New production techniques (3D-printing) require other materials



Key Opportunities for next 5 – 10 years

2. Adjustment to Changes in Global Trade Patterns

Example of Terminals that may require re-thinking: bulk export

Bulk Export ports are risk of closure:

- Lower demand in Western economies:
 - North-West Europe is moving away from coal, ports in the Netherlands have to close facilities;
 - Overall economic growth in US and Europe lower than 10-20 years ago
- Public opposition:
 - Environmentalists have more power than 10-20 years ago, Brazil has already seen some (temporary) port closures
- What to do with the obsolete terminals? Can they be repurposed?

Port of Rotterdam: Reduction of Coal Imports



Port of Rotterdam: New LNG Facility




Key Opportunities for next 5 – 10 years

3. Focus on Infrastructure Quality, rather than Quantity

Port Sustainability increasingly important

Focus on Infrastructure Quality, rather than Capacity:

- 
- Improve operational efficiency through digitalization and general innovation:
 - Maximise existing infrastructure capacity; postpone capex
 - Optimise opex
 - Improve sustainability through a focus on energy efficiency:
 - Re-use energy normally wasted in ports
 - Use terminal area to generate sustainable energy
 - Adjustment to new energy sources: LNG power, cold ironing
 - Cold ironing adjustments require investments
 - New power sources could improve overall competitive strength of ports





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Overview of Port M&A Market

How to Unlock Value in New Opportunities?

Three types of investors to address new M&A opportunities



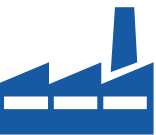
1. Increased Involvement of Financial Investors

- Match long-term funding with long-term assets
- Increased focus on (financing) cash flow optimisation



2. Increased Involvement of Contractors

- Allow for optimisation of design and port phasing
- Better life-cycle management of assets, increased flexibility of port development
- Contractors increasingly involved in port concessions



3. Increased Involvement of Industrial Players

- Cross-overs with IT and manufacturing firms
- Cooperation with port industries

Overview of Port M&A Market

1. Increased Involvement of Financial Investors

Efficient financing of replacement or expansion investments



Corporate Portfolio: GPH (Turkey)



Individual Asset: Port of Mersin (Turkey)



Overview of Port M&A Market

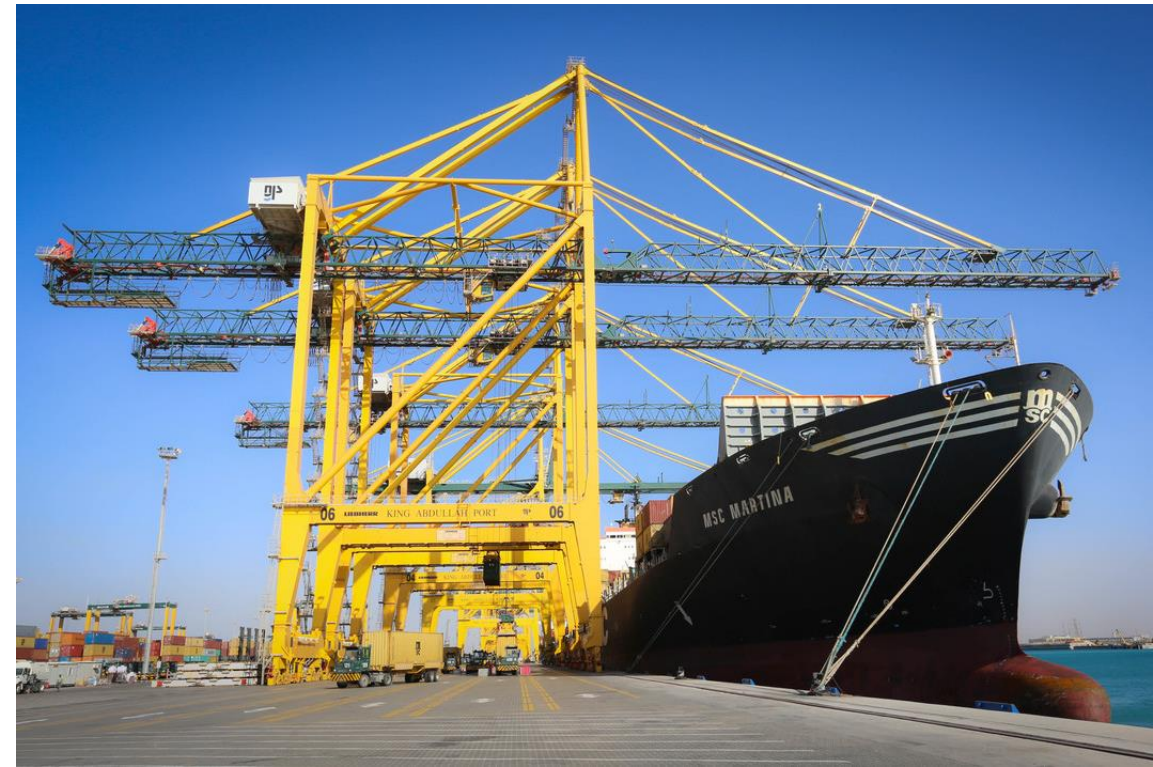
2. Increased Involvement of Contractors

Focus on minimisation of life-cycle costs, maximisation of design flexibility

Limakport Iskenderun (Turkey)



King Abdullah Port (Saudi Arabia)



Overview of Port M&A Market

3. Increased Involvement of Industrial Players

Increasing sustainability and efficiency of ports

Innovative storage concepts: DPW



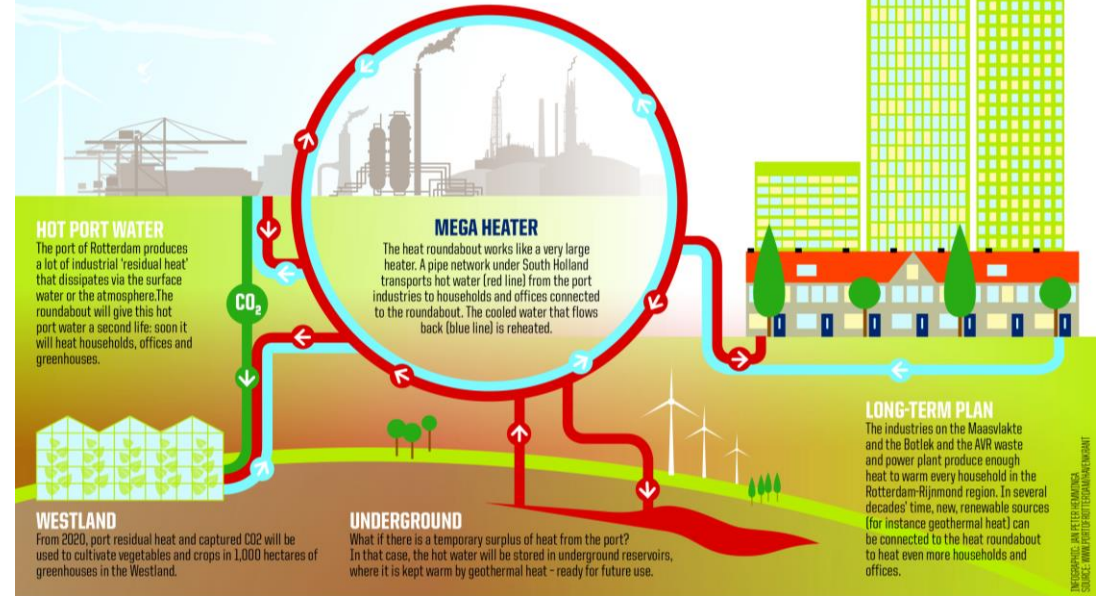
Circular Economy: Port of Rotterdam

'Heat roundabout'

The port of Rotterdam produces a lot of heat. From 2020, residents and businesses will benefit from this, thanks to the heat roundabout – a large underground network of pipes.

TOWN

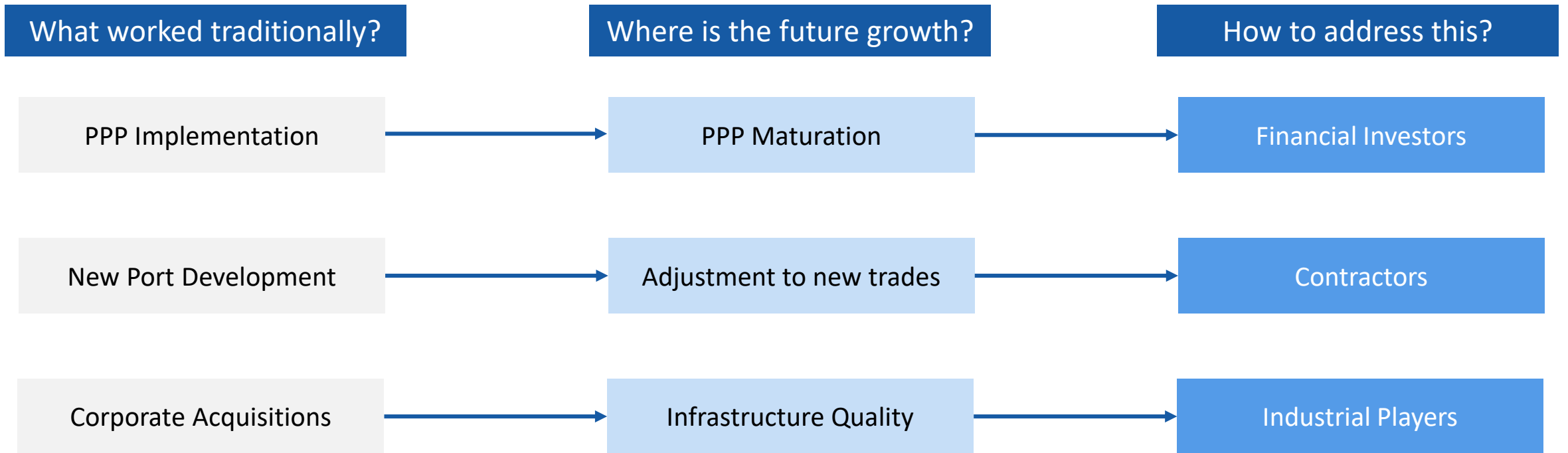
In 2020, the heat roundabout will supply heating to 350,000 existing and new households, as well as offices and monuments.



Overview of Port M&A Market

Summary of Presentation

What worked, where is the new opportunity and how to unlock the growth



Thank you

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