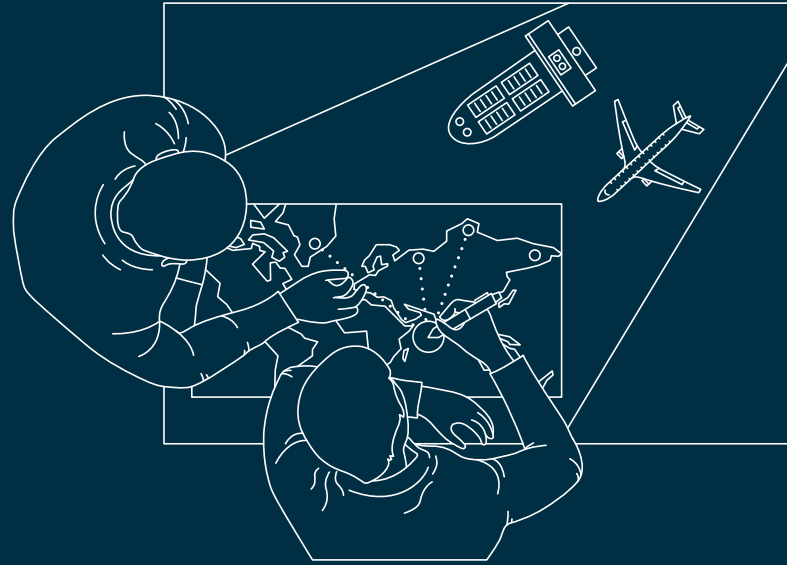


# infrata



## Shipping Lines: '22 Recap and '23 Outlook

Intermodal Africa  
Durban, South Africa  
April 19<sup>th</sup> 2023

# Services

infrata



## Technical Advisory

Our technical advisory services underpin all the work that we do. Our advisors are with you every step of the way, from the stage of evaluating investment opportunities and risks, to value creation and divestment.

## Strategic & Commercial Advisory

Infrata brings a track record of developing bespoke solutions to meet the specific needs of its individual clients, from O&M Advisory Support role at bid stage to Asset Management services post-transaction. This creative approach is essential to our success, and that of our clients.

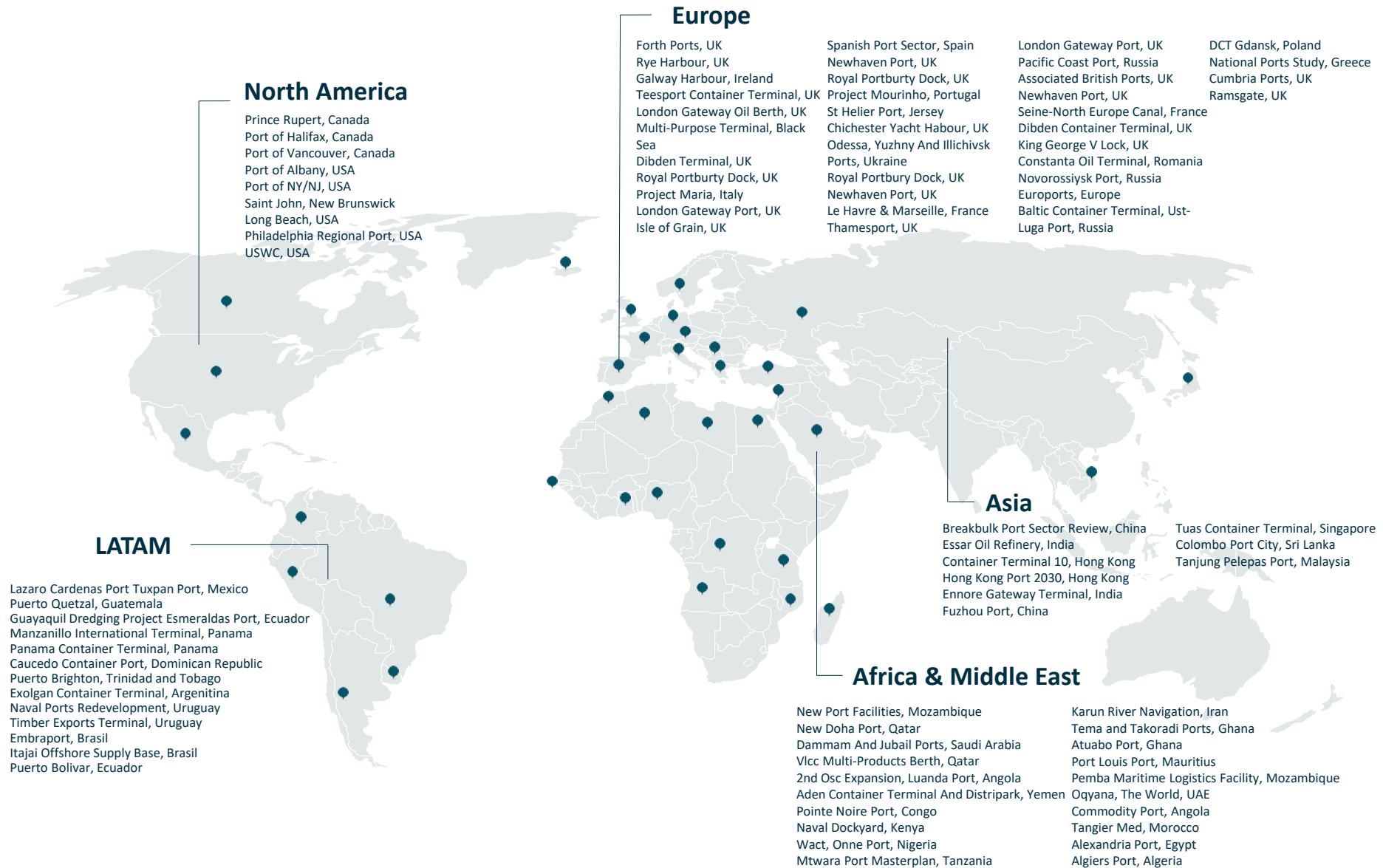
## Demand & Traffic Advisory

We believe that accurate traffic forecast analysis is crucial to making a shrewd investment in infrastructure. Market analysis and sector insight help us evaluate revenue potential with our clients.

## Environmental, Social & Governance Advisory

The infrastructure landscape is changing. Increasingly, Environmental, Social, and Governance (ESG) are playing a key role in investment decisions. We are able to support you in this key transition.

# Selection of Teams Ports Experience

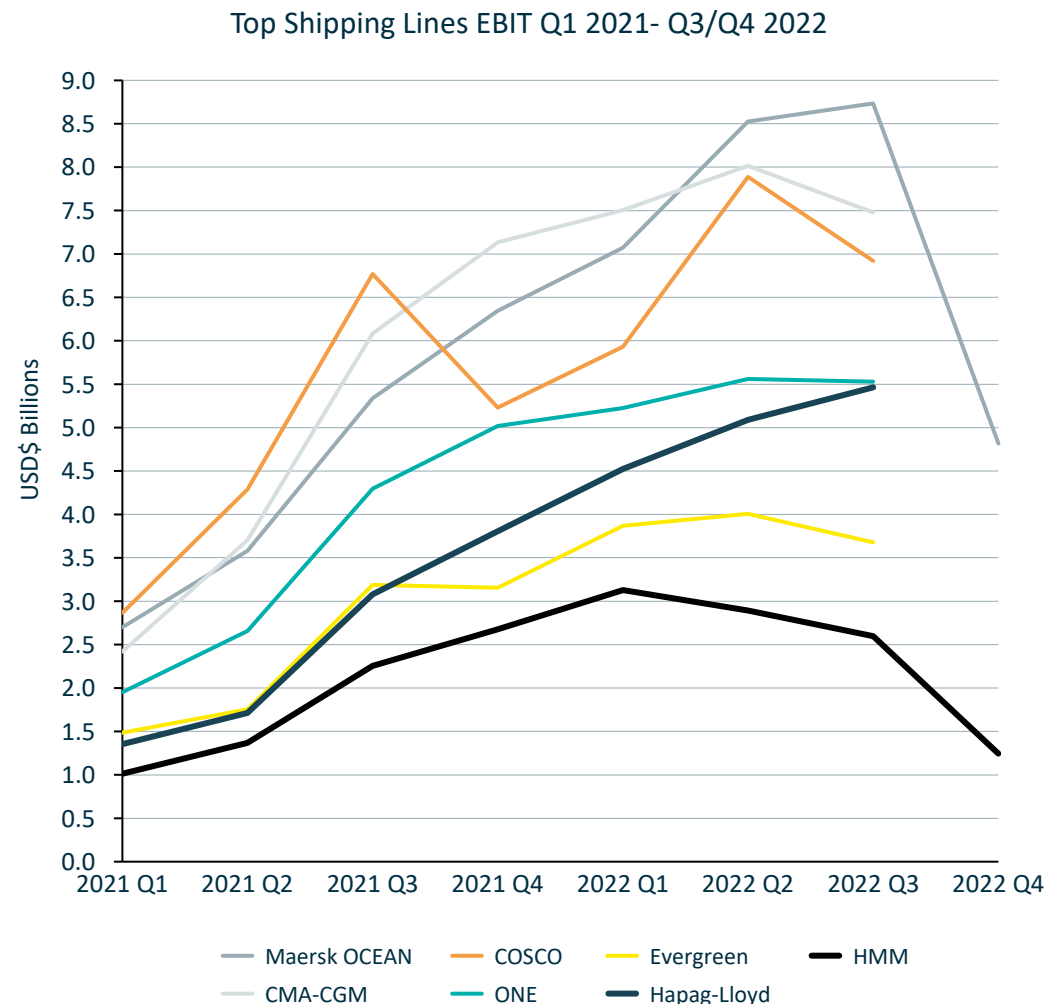


# Financial Results of Major Shipping Lines

2022 has seen huge profit margins for the major shipping lines. 2022 Q3 had EBITs significantly higher compared to the same period in 2021, but recent FY reports indicate drastic drops in Q4.

- From Q1 2021 to Q3 2022, total EBIT of the seven lines shown has increased at a CAGR of 195.9%.
- Maersk Line EBIT Q3 2022 came to 8.7 billion, 63.6% higher than Q3 2021. Evergreen Q3 2022 revenues were 77.5% than Q3 2021.
- Slight drop-off in Q3 2022 in preparation for 2023 drop.
- Maersk reported a 45% drop off between Q3 and Q4 2022
- Expectations for lessening demand & revenue in 2023.

Shipping Line	Q3 21- Q3 22 EBIT YoY % Change
Maersk Line	63.6%
COSCO	22.9%
CMA-CGM	2.2%
ONE	28.7%
Hapag-Lloyd	15.4%
Evergreen	77.5%
HMM	15%

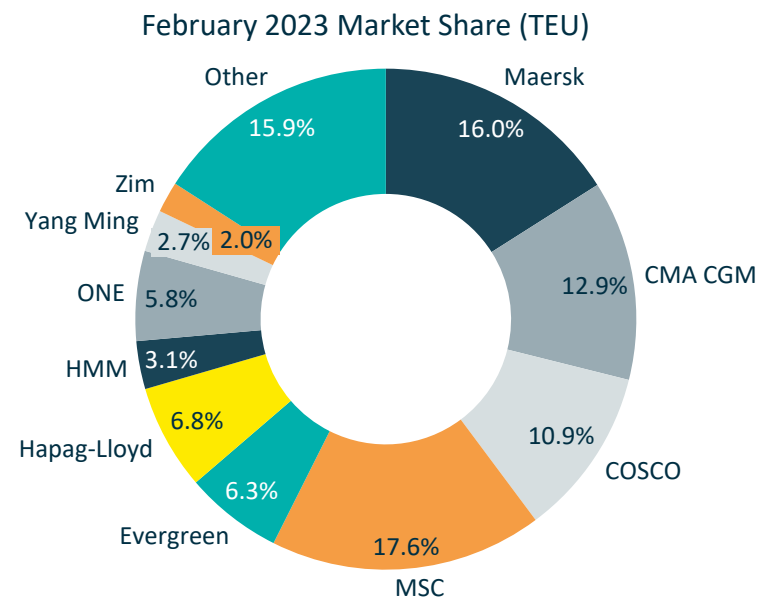


\*MSC is private and therefore does not release financial information  
Source: AlphaLiner

## Market Share and Capacity Growth

The top ten shipping lines hold 84.1% of the total market share, with MSC at #1 after overtaking Maersk as the largest container line in 2022.

- Frequent consolidations and M&As have resulted in the top ten shipping lines dominating the container shipping market.
- Larger operators are more insulated from changing market conditions, as they can easily change the networks they offer and move vessels within much wider global schedule networks..
- MSC are now the leading shipping line in terms of tonnage deployed following a 7.5% increase in capacity.
- Other major vessel investments by Zim (29%), Evergreen (12.5%), CMA (7.1%) and Yang Ming (6.8%) to keep up with competition and alliance partners.



Rank	Line	Capacity 1/1/2023	Capacity 1/1/2022	Gain/Loss	% Change	2022 Rank
1	MSC	4,598,373	4,276,918	321,455	7.5%	2
2	Maersk Line	4,219,395	4,281,100	-61,705	-1.4%	1
3	CMA CGM	3,393,190	3,167,922	225,268	7.1%	3
4	COSCO	2,871,859	2,934,447	-62,588	-2.1%	4
5	Hapag-Lloyd	1,782,689	1,751,027	31,662	1.8%	5
6	Evergreen	1,661,865	1,477,644	184,221	12.5%	7
7	ONE	1,528,921	1,542,261	-13,340	-0.9%	6
8	HMM	816,365	819,790	-3,425	-0.4%	8
9	Yang Ming	707,354	662,047	45,307	6.8%	9
10	ZIM	533,823	413,862	119,961	29.0%	11



# Port Investments

Shipping lines increasingly look to investing in port terminals to consolidate assets, reduce costs, and increase efficiency. Some divestment occurring due to the Russia-Ukraine conflict.

GCC Region	Americas	Europe / Med	Africa
<ul style="list-style-type: none"><li>• <u>Khalifa Port</u></li><li>• CMA CGM subsidiary CMA terminals owns 70% stake in new container terminal port expected operational by 2025.</li></ul>	<ul style="list-style-type: none"><li>• <u>Bayonne and New York Tmls</u></li><li>• CMA CGM Group acquisition<ul style="list-style-type: none"><li>• <u>Port NOLA Louisiana</u></li><li>• TiL to invest in new tml</li></ul></li></ul>	<ul style="list-style-type: none"><li>• <u>Jade Wesrer Port Wilhelshaven</u></li><li>• H-L 30% stake of CT and 50% of rail.</li> <li>• <u>Tollerort GmbH</u></li><li>• Minority stake (&lt;25%) acquisition of HHLA's Container Terminal Tollerort GmbH by COSCO</li><li>• <u>Port of Livorno</u></li><li>• MSC buys 100% stake in Terminal Darsena Toscana</li></ul>	<ul style="list-style-type: none"><li>• <u>Abu Qir Port, Egypt</u></li><li>• Evergreen 20% stake in HPH operated facility</li><li>• <u>Terminal TC3, Morocco</u></li><li>• Hapag-Lloyd</li><li>• <u>Damietta, Egypt</u></li><li>• Hapag-Lloyd building new transshipment terminal</li></ul>

**Russia**

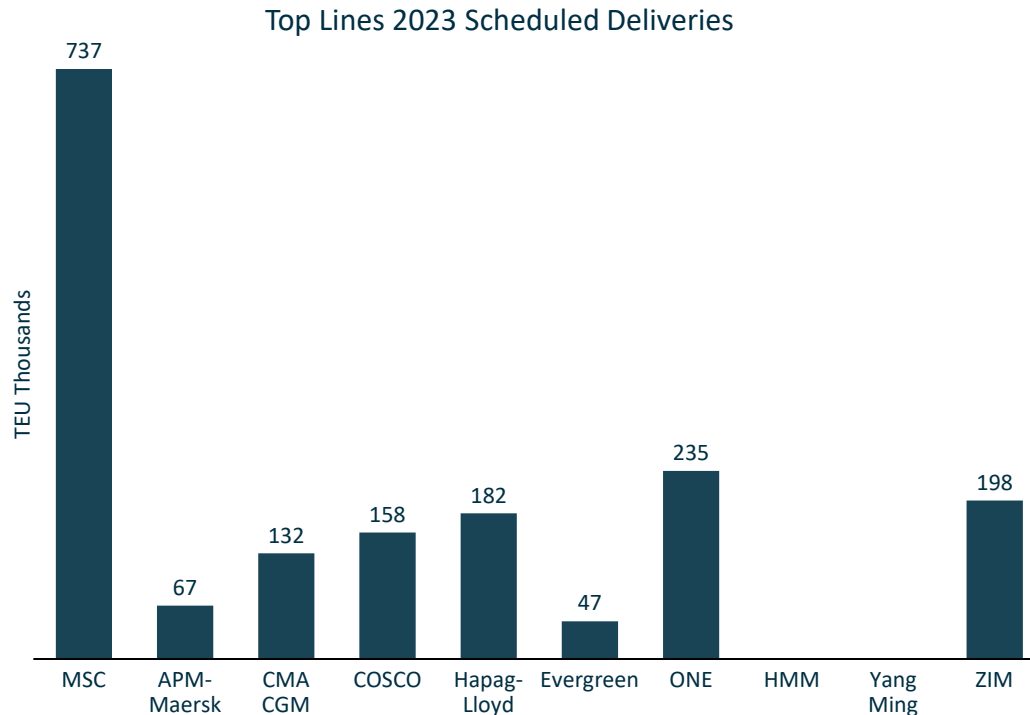
- Maersk divests 30.75% shareholding in Global Ports Investments PLC. Line is no longer involved in any entities operating in Russia.
- CMA CGM divests in Moby Dik Terminal (Saint Petersburg) and Yanino Logistics Park (Leningrad) through asset swap with Global Ports.



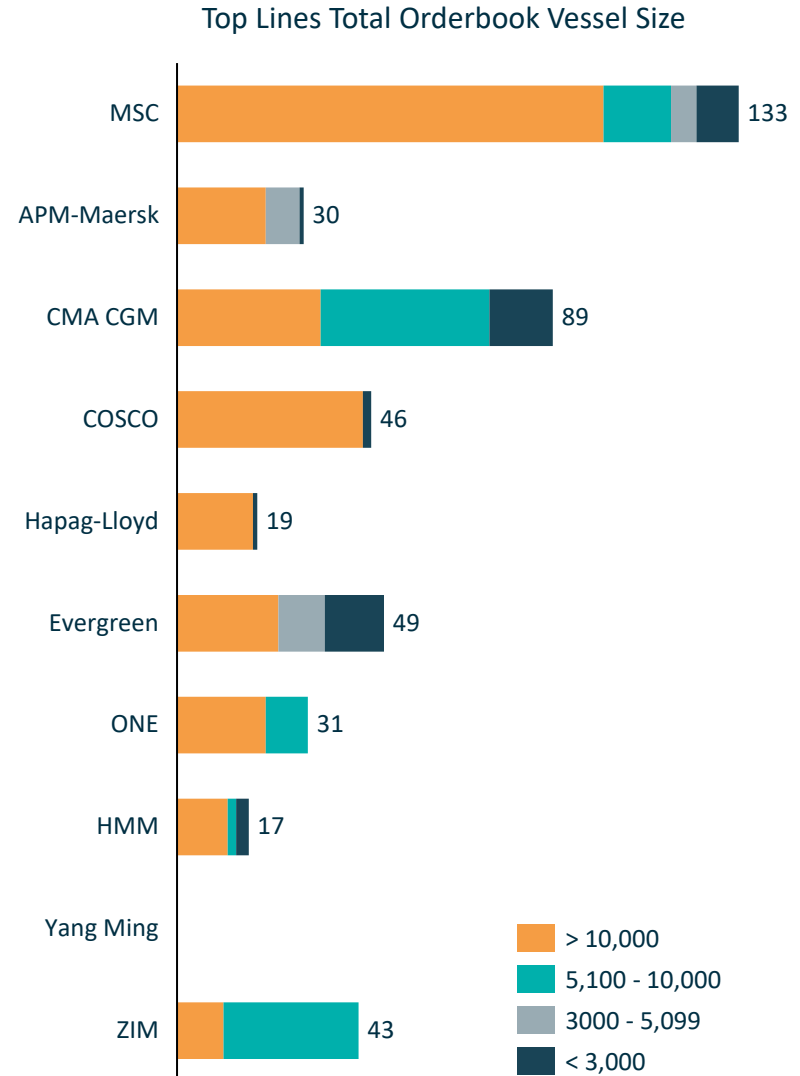
# Investment in Vessels

The top lines are investing in increasingly larger capacity ships with their orderbooks comprised of many ULCS orders.

- An estimated 6.6 million in new tonnage is currently on order.
- 5.5 million of that new tonnage is for the top 10 lines. 1.65 million TEU scheduled for delivery in 2023.
- Focus on larger ships, with 329 ULCS on order among the top lines.
- In 2022, MSC received the largest ship ever built, a further increase in size to 24,116 TEU.
- MSC has 18 megamax and 63 post-panamax ships scheduled for delivery in 2023.



Source: AlphaLiner



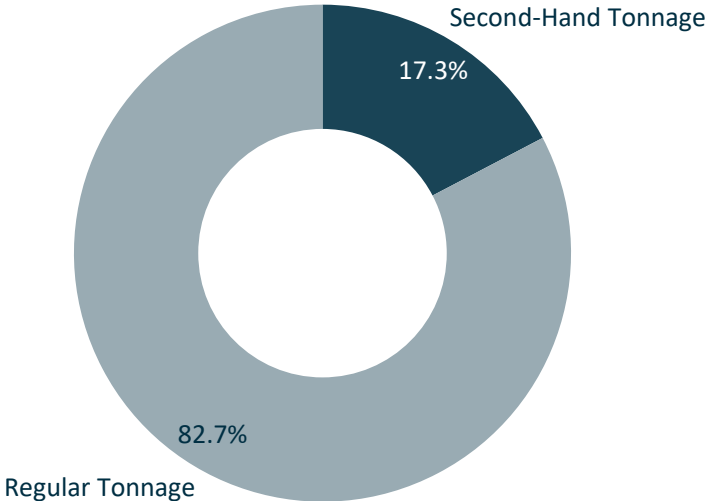


# MSC Fleet Expansion: Second-Hand Vessels

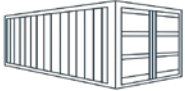
MSC has deviated from the trend by acquiring second-hand vessels to bolster their fleet.

- In addition to newbuilds, MSC’s impressive growth can be attributed to their continued acquisition of second-hand tonnage.
- Estimated to have spent close to \$10 billion since the COVID-19 pandemic on second-hand tonnage.
- The line has purchased 271 second-hand container ships comprising 1 million TEU as of the beginning of 2023.
- Taking advantage of falling ship values to continue fleet expansion.
- May run into difficulties in mid/long term with older vessels needing to be replaced sooner than newbuilds, especially with new environmental laws.

MSC Total Tonnage (current and ordered)



\$10b spent



+1m TEU



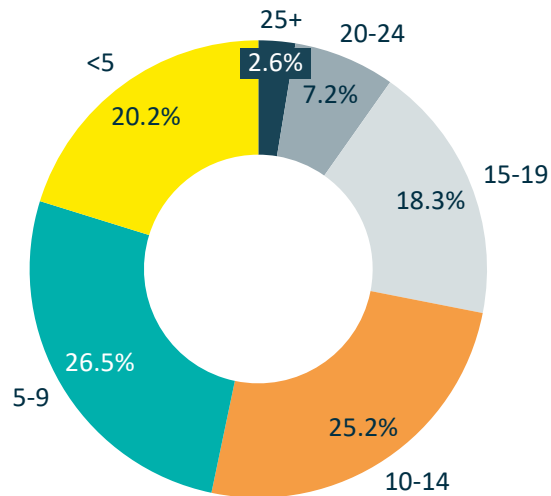
+271 ships

# Fleet Assessment

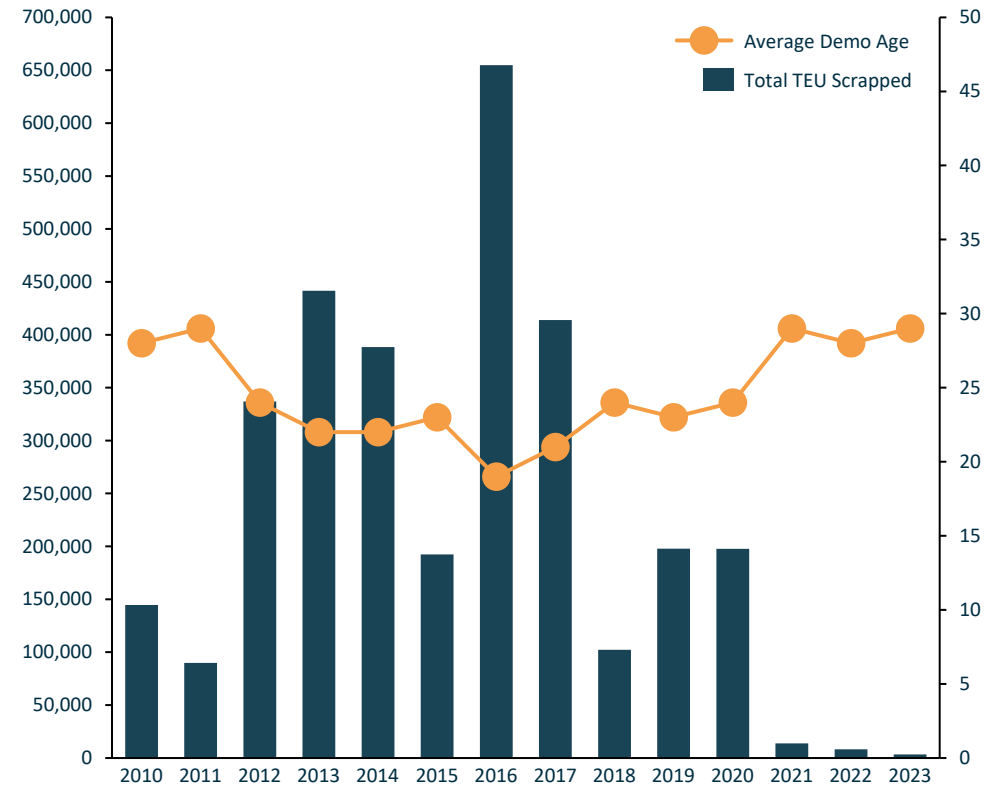
Only 2.6% of TEU tonnage of the current total cellular fleet is overage (25+ years). With a large orderbook tonnage expected, oversupply poses a plausible risk.

- The average age of vessels that were deletions between 2018-2021 was 25 years of age.
- The average age of the cellular fleet is only 13.34 years and 10.7 years TEU weighted.
- Approximately 670,000 TEU is delivered by the cellular fleet above 25 years of age, accounting for only 2.6% of the total TEU delivered – lower size classes.
- Older tonnage with typically lower tonnage likely to be replaced with new and larger tonnage.
- How will lines deal with overcapacity & decide which ships to scrap?

Age of Total Cellular Fleet Tonnage



Total Scrapped TEU

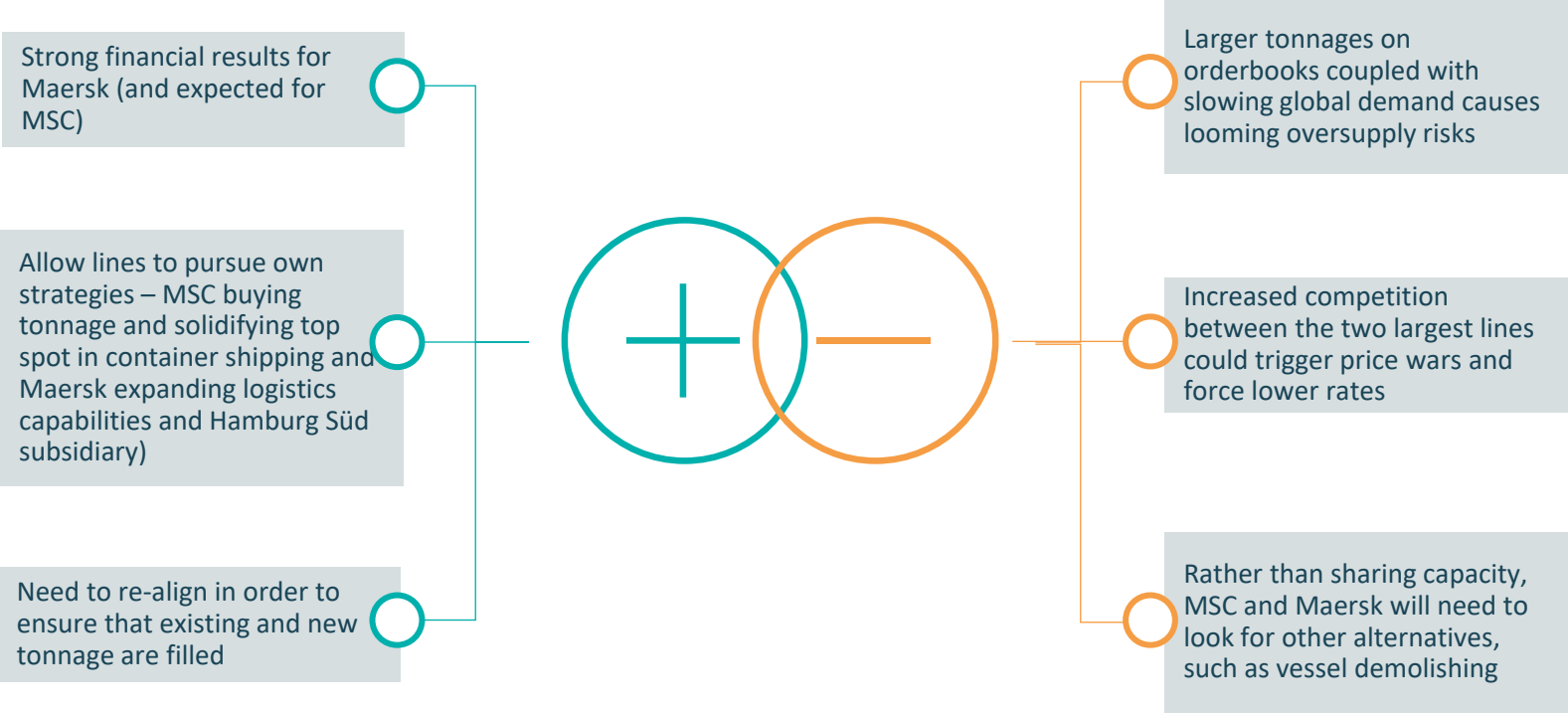


\*2023 based on reported demolitions up to February

## 2M Alliance Break-up

In January 2023, the world’s two largest container shipping lines, MSC and Maersk, announced that their “marriage of convenience” would be terminated from 2025.

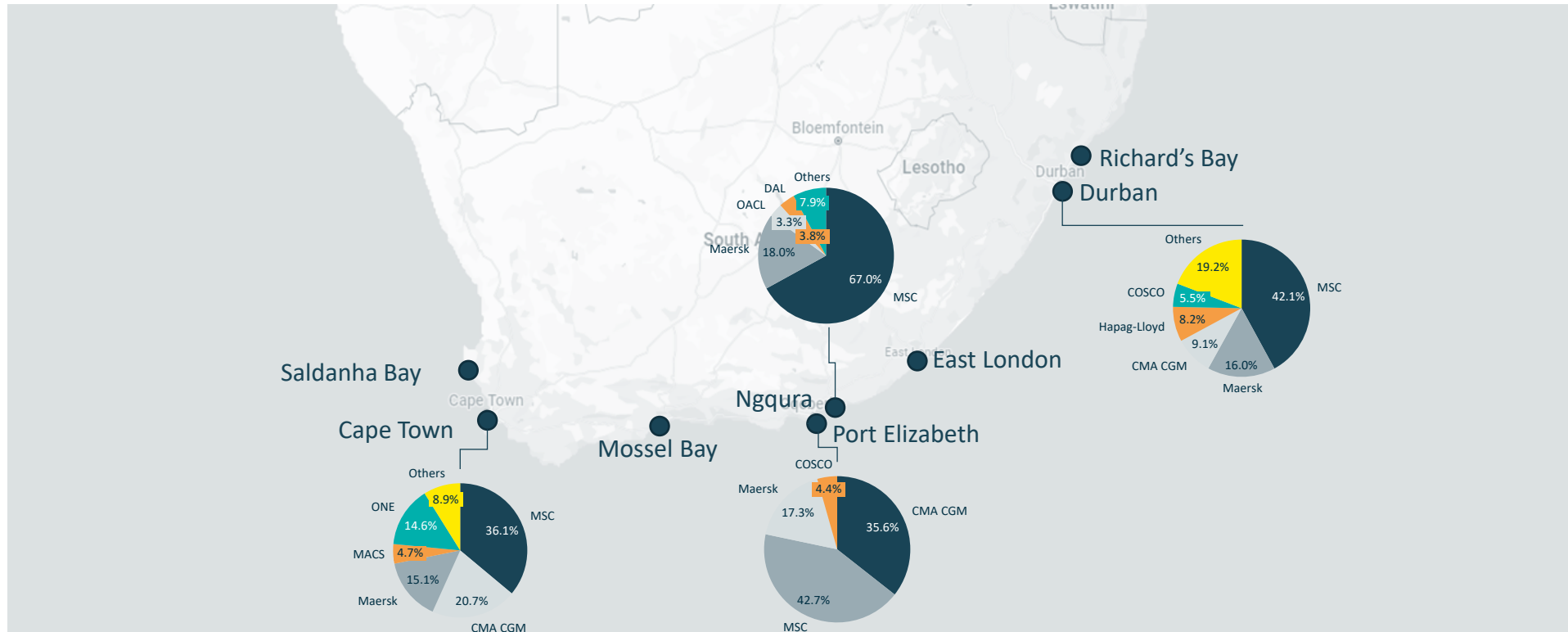
- Since 2015, Maersk and MSC have maintained a Vessel Sharing Agreement (VSA), allowing the lines to use capacity on each other's ships on certain routes between Asia-Europe, Transatlantic, and Transpacific trade lanes, to optimize operations and cost efficiency.
- The VSA has allowed Maersk and MSC to move more than 4 million TEUs together.
- Alliances have been able to mitigate the looming risk of oversupply.
- Though the alliance breakdown will not be official until 2025, it should be expected that their networks will start to diverge much sooner.
- Speculation that this breakup could instigate others, such as Ocean Alliance and THE Alliance, to also reevaluate their own VSAs.
- Continued speculation about future positions of Hapag-Lloyd and CMA-CGM in particular.



# Shipping Lines Regional Interest

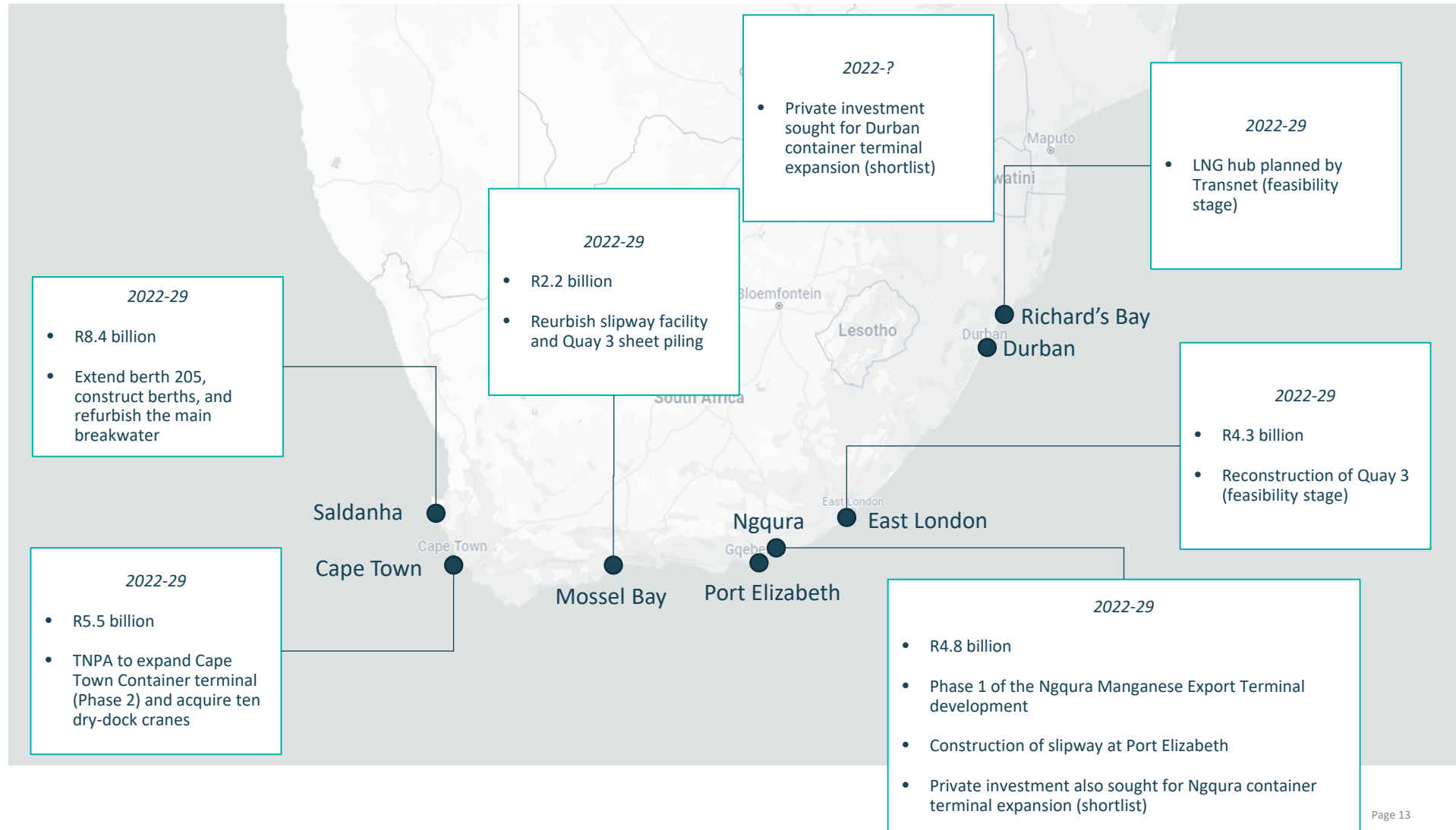
The South African region remains a strategic region for shipping lines due to its geographic location. All major shipping lines are calling at ports in the region.

Shipping Line Call Distribution by TEU (March 2023)



# Regional Planned Port Development

Many South Africa ports will see upgrades and expansions from TNPA improving their competitive position in the region. Ensuring that regional ports maintain adequate infrastructure for increasing vessel sizes is essential to remaining competitive; however, simultaneously must mitigate the risk of overcapacity.



## South African Port Privatisation

Transnet has shortlisted firms to operate Durban Pier 2 and Ngqura Container Terminals (DCT2 and NCT) under a 25-year SPV between Transnet and the winning bidders, which will then be returned to Transnet after the period.



### Durban Pier 2 Shortlist (August 2022)

- APM Terminals
- China Harbour Engineering Company and Guangzhou Port Co.
- COSCO
- DP World
- Global Ports Services
- Grindrod Freight Services and HHLA
- ICTSI
- Star Classics Investments and AD Ports
- TIL and REMGRO



### Ngqura Container Terminals Shortlist (August 2022)

- ICTSI
- Red Sea Gateway Terminal and MMC Port Holdings
- Star Classic Investments and AD Ports
- TIL and REMGRO

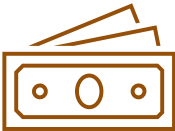
# Conclusions

## Unprecedented global demand



Increased demand from 2019-2022 as a result of the pandemic is expected to slow in the near future.

## Record-breaking revenues



Lesser demand and lower freight rates will expectedly reduce revenues.

## Increasing Ship Sizes



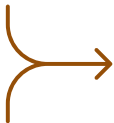
Lines' newbuilds and orderbooks suggest continuing increase in vessel size

## Geopolitical tensions disrupt the supply chain



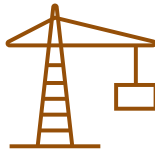
Lines focus on acquisitions to offer end-to-end supply chain services and port investment to improve efficiencies

## M&A and Port Investments



Lines focus on acquisitions to offer end-to-end supply chain services and port investment to improve efficiencies

## Port Developments



Port developments in the region focused on improving capacity, efficiency, and sustainability.

## Future Outlook for South Africa

1

Services from the Far East will increase in size leading to cascade of larger vessels onto secondary services including those calling at ports in South Africa

2

Bigger ships offer opportunities for more transshipment and the Indian Ocean and East Africa facilities are well placed to handle transshipment services at their major t/s hubs

3

South African ports must be prepared to handle bigger vessels, or lines will not call with mainline vessels. Given surplus tonnage, now is also a great time to attract additional calls, although container terminals need to be wary of over capacity in the region as a whole if all expansion plans go ahead

4

Increase in the incidence of transshipment will see a requirement for larger feeder vessels, so vessels serving outports will also see an increase in vessel size and volumes





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