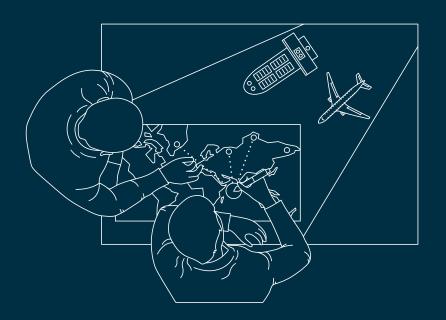
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Shipping Lines: '22 Recap and '23 Outlook

Intermodal Africa Durban, South Africa April 19th 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

Europe Forth Ports, UK Spanish Port Sector, Spain London Gateway Port, UK Rve Harbour, UK Newhaven Port, UK Pacific Coast Port, Russia Galway Harbour, Ireland Royal Portburty Dock, UK Associated British Ports, UK **North America** Teesport Container Terminal, UK Project Mourinho, Portugal Newhaven Port, UK London Gateway Oil Berth, UK St Helier Port, Jersey Seine-North Europe Canal, France Prince Rupert, Canada Multi-Purpose Terminal, Black Chichester Yacht Habour, UK Dibden Container Terminal, UK Port of Halifax, Canada Odessa, Yuzhny And Illichivsk King George V Lock, UK Port of Vancouver, Canada Dibden Terminal, UK Constanta Oil Terminal, Romania Ports. Ukraine Port of Albany, USA Royal Portburty Dock, UK Royal Portbury Dock, UK Novorossiysk Port, Russia Port of NY/NJ, USA Project Maria, Italy Newhaven Port, UK Euroports, Europe Saint John, New Brunswick London Gateway Port, UK Baltic Container Terminal, Ust-Le Havre & Marseille, France Long Beach, USA Isle of Grain, UK Thamesport, UK Luga Port, Russia Philadelphia Regional Port, USA USWC. USA Asia Breakbulk Port Sector Review, China Tuas Container Terminal, Singapore LATAM Essar Oil Refinery, India Colombo Port City, Sri Lanka Container Terminal 10, Hong Kong Tanjung Pelepas Port, Malaysia Hong Kong Port 2030, Hong Kong Lazaro Cardenas Port Tuxpan Port, Mexico Ennore Gateway Terminal, India Puerto Quetzal, Guatemala Fuzhou Port, China Guayaquil Dredging Project Esmeraldas Port, Ecuador Manzanillo International Terminal, Panama Panama Container Terminal, Panama Caucedo Container Port, Dominican Republic **Africa & Middle East** Puerto Brighton, Trinidad and Tobago Exolgan Container Terminal, Argenitina Naval Ports Redevelopment, Uruguay New Port Facilities, Mozambique Karun River Navigation, Iran Timber Exports Terminal, Uruguay New Doha Port, Qatar Tema and Takoradi Ports, Ghana

Embraport, Brasil

Puerto Bolivar, Ecuador

Itajai Offshore Supply Base, Brasil

DCT Gdansk, Poland National Ports Study, Greece

Cumbria Ports. UK

Ramsgate, UK

Atuabo Port, Ghana

Port Louis Port, Mauritius

Commodity Port, Angola Tangier Med, Morocco

Alexandria Port, Egypt

Algiers Port, Algeria

Pemba Maritime Logistics Facility, Mozambique

Dammam And Jubail Ports, Saudi Arabia

2nd Osc Expansion, Luanda Port, Angola

Aden Container Terminal And Distripark, Yemen Ogyana, The World, UAE

Vlcc Multi-Products Berth, Qatar

Mtwara Port Masterplan, Tanzania

Pointe Noire Port, Congo

Naval Dockyard, Kenya Wact, Onne Port, Nigeria

Financial Results of Major Shipping Lines

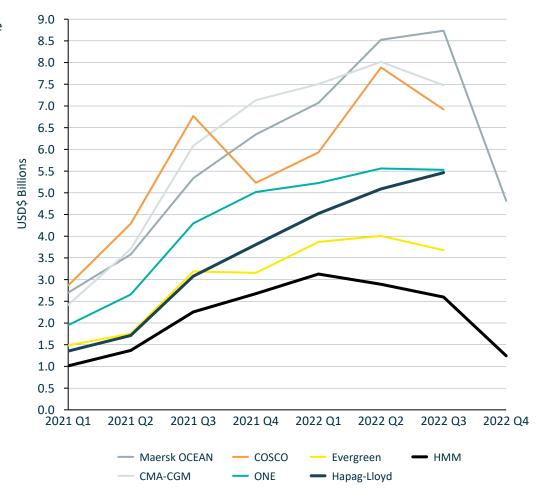


2022 has seen huge profit margins for the major shipping lines. 2022 Q3 had EBITs significantly higher compared to the same period in 2021, but recent FY reports indicate drastic drops in Q4.

- 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%
НММ	15%





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^{*}MSC is private and therefore does not release financial information

Market Share and Capacity Growth

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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	нмм	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

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Source: AlphaLiner

Shipping Line M&A Activities



Owing to the financial success of 2022, shipping lines have been able to invest in offering end-to-end supply chain services through acquisition of logistics, e-commerce, and air freight companies.

Notable Acquisitions of 2022



- Senator International
- + Pilot Freight Services
- + LF Logistics
- + B2C Europe
- + Visible SCM



- + Gefco
- + Colis Privé
- + Ingram Micro CLS



+ Bolloré Group

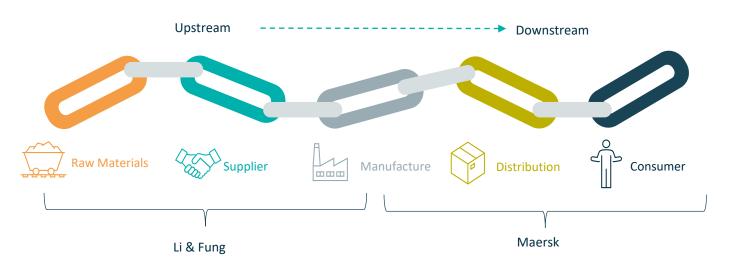


+ Launched own Supply **Chain Logistics Division**



- + SM Saam Terminal **Operator & Logistics** S.A.
- + Spinelli Group

A Strategic Partnership Example



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

- •Khalifa Port
- CMA CGM subsidiary CMA terminals owns 70% stake in new container terminal port expected operational by 2025.

Americas

- Bayonne and New York Tmls
- •CMA CGM Group acquisition
- Port NOLA Louisiana
- •TiL to invest in new tml

Europe / Med

- <u>Jade Wesrer Port</u> Wilhelshaven
- •H-L 30% stake of CT and 50% of rail.
- •Tollerort GmbH
- •Minority stake (<25%) acquisition of HHLA's Container Terminal Tollerort GmbH by COSCO
- Port of Livorno
- •MSC buys 100% stake in Terminal Darsena Toscana

Africa

- •Abu Qir Port, Egypt
- Evergreen 20% stake in HPH operated facility
- •Terminal TC3, Morocco
- Hapag-Lloyd
- Damietta, Egypt
- Hapag-Lloyd building new transshipment terminal

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

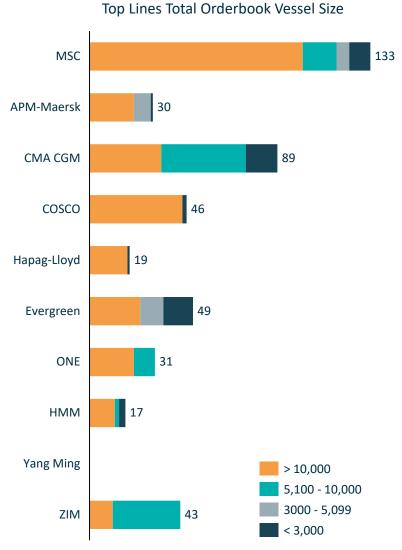


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The top lines are investing in increasingly larger capacity ships with their orderbooks comprised of many ULCS orders.

- 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.





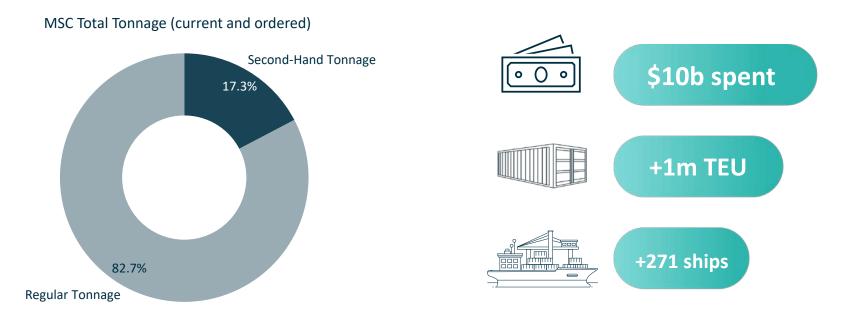
Source: AlphaLiner

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.



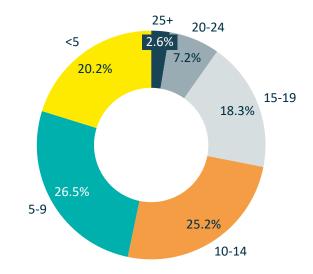
Fleet Assessment

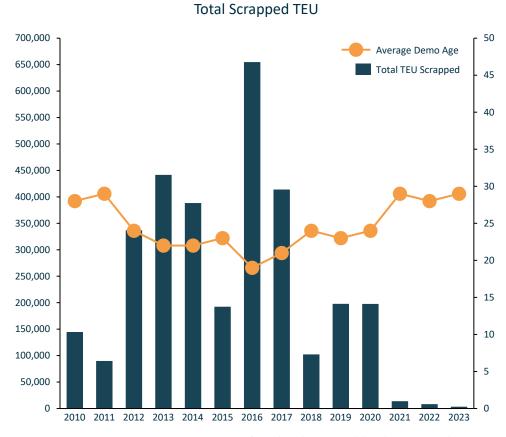


Only 2.6% of TEU tonnage of the current total cellular fleet is overage (25+ years). With a large orderbook tonnage expected, oversupply poses a plausible risk.

- 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





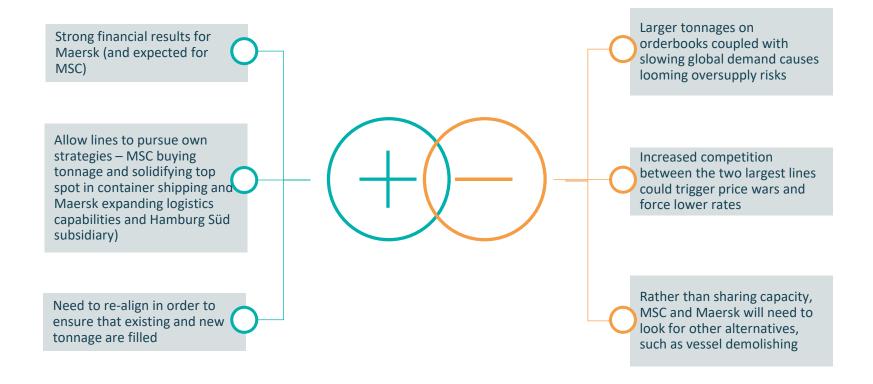
*2023 based on reported demolitions up to February

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 revaluate 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.

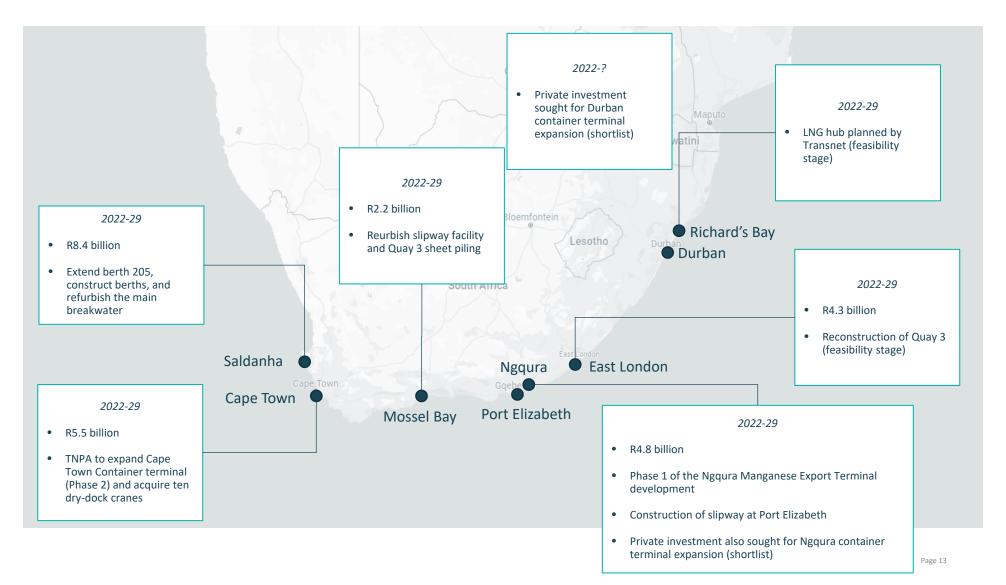
Shipping Line Call Distribution by TEU (March 2023) Bloemfontein Richard's Bay Lesotho DAL Durban OACL cosco Hapag-Lloyd East London Saldanha Bay CMA CGM Ngqura Cape Town Port Elizabeth Mossel Bay Others Maersk ONE CMA CGM 17.3% 35.6% MACS 4.7% Maersk 42.7% CMA CGM

Source: AlphaLiner

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.





- 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



Nggura Container Terminals Shortlist (August 2022)

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

Conclusions

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Unprecedented global demand



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

Increasing Ship Sizes



Lines' newbuilds and orderbooks suggest continuing increase in vessel size

M&A and Port Investments



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

Record-breaking revenues



Lesser demand and lower freight rates will expectedly reduce revenues.

Geopolitical tensions disrupt the supply chain



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

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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



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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