



A New Perspective



M&A & Transactions Advisory

Sector Focus – Logistics

October 2021

The Global & Regional Economic Outlook

Despite a difficult climate due to the pandemic across geographies and industries, Grant Thornton sees signs of optimism in both the resilience of the MENA markets and a strong recovery in economic and transactional activity.

In the MENA region, the key stock markets experienced large economic downturns in 2020 as a result of depressed global economic activity and lockdown but have now largely recovered.

Overall economic activity in the region has shown recovery in 2021, with GDP in the MENA region forecast to grow by 2.4% this year.⁽¹⁾ In the stock market, the ADX has increased by 70% from September 2020 to September 2021, with the DFM increase by around 25% over the same period.⁽²⁾

Despite the global challenges, M&A activity continued with a strong uptick in H1 2021. As companies attempt to deal with downturns associated with the Covid-19 pandemic, as well as capitalize on depressed valuations, M&A activity has continued apace. In the first half of 2021, global M&A activity totaled \$2.1 trillion, representing a 158% increase over the same period in 2020.⁽³⁾

The UAE has continued to dominate M&A activity in the region, with Egypt receiving the largest level of investment from international acquirers. In terms of the broader MENA region, Egypt, Oman and Qatar accounted for the largest share of M&A from an external acquirers perspective. With a focus on the GCC, in Q1 2021, the UAE and Saudi Arabia accounted for around 75% of all M&A activity in the region (by deal volume), with the trend forecast to continue⁽⁴⁾.

Logistics index moving in line with the broader environment improvement over the last twelve months⁽⁵⁾



⁽¹⁾ World Bank Regional Economic Outlook June 2021 ⁽²⁾ Eikon share price data ⁽³⁾ Fortune M&A Analysis, June 2021 ⁽⁴⁾ S&P Capital IQ, GCC Stock Exchanges and Local press reports ⁽⁵⁾ Indices rebased to 100 as of 30 September 2020. "Logistics Index" consists of market participants as per the following page. All information correct as of 30 September 2021.

A Focus on the MENA Logistics Market

Based upon recent market developments and observable trends in the logistics sector, the MENA region is well positioned to capitalise on the positive momentum.

MENA countries represent an attractive market for logistics companies. Three MENA countries (UAE, Saudi Arabia and Qatar) rank amongst the top-10 most attractive places for logistics providers and freight forwarders to operate⁽¹⁾, based on business environment and growth potential.













Strong government support aimed at stimulating and promoting the logistics market in the region will continue to drive growth. Saudi Industrial Development Fund (SIDF), supporting capex in the logistics market, is funding automation spending up to 75% of the project cost through fixed-rate loans.⁽²⁾ Widespread use of Special Economic Zones (SEZ) throughout MENA is being used to promote inward logistics investment.

The logistics market within MENA is likely to experience fundamental shifts in the coming years, both as a result of the Covid pandemic and changing consumer behavior. The market size of e-commerce in the U.A.E. for 2020 was \$4.5bn and is forecast to continue to grow at 25% per annum.⁽³⁾ This increasing shift to online shopping will require large scale adoption and implementation of digital processes in the logistics space, with IoT tracking devices, contactless delivery and improved warehouse management technology all becoming a necessity.



(1) Agility Emerging Markets Logistics Index, 2021 (2) Businesswire market research (3) Aramex Trends for 2021

Logistics Transaction Activity Buoyant Over Last 2 Years

Date	Target	Acquirer	Target Country	EV	LTM EBITDA	EV/LTM EBITDA
MENA						
September 2020	Aramex PJSC	ADQ		N/A ⁽¹⁾	269	N/A
June 2020	Maman Cargo Terminals	Allied Logistics Ltd.		319	49	6.5x
February 2020	DP World PLC	Port & Free Zone World		13,619	3,107	4.5x
Announced	MNG Kargo	Aramex PJSC		N/A ⁽¹⁾	N/A ⁽¹⁾	N/A ⁽¹⁾
EMERGING						
April 2021	Speedy AD	GeoPost SA		284	39	7.4x
September 2020	YTO Express Group Co Ltd	Alibaba Network Co		7,245	485	14.9x
August 2020	Future Supply Chain Solutions Ltd	Future Enterprises Ltd		284	34	8.4x
January 2020	TransContainer PJSC	Delo-Tsentr OOO		2,223	295	11.1x
DEVELOPED						
June 2021	CAI International Inc	Mitsubishi HC Capital Inc		2,890	259	11.1x
March 2021	Diamond S Shipping Inc.	International Seaways Inc		977	125	7.8x
February 2021	Kerry Logistics Network Ltd	Flourish Harmony Co Ltd.		4,972	677	7.3x
October 2020	CJ Logistics Corp	Naver Corp		6,412	692	9.3x
					Average	8.5x
					Median	7.8x

Global logistics transaction in the last six months occurring at around 8.5x LTM EBITDA, with MENA region seeing a number of transactions in the space since 2020.

Recent market activity demonstrates the ability of logistics companies with a digital offering to achieve premium pricing. In July, Dubai-based logistics and transportation app, Swvl, announced a combination with Queen's Gambit Growth Capital, a Nasdaq SPAC. The merger took place at an implied equity value of \$1.5bn, the "first middle east Nasdaq unicorn," reflecting the attractiveness of the underlying business and region to investors.

Grant Thornton believes that the Logistics market in the MENA region represents an attractive proposition at the current time. With widespread government support for the sector, both in terms of regulation and funding, coupled with the highly fragmented market place, the opportunities for potential acquisitions are far reaching. Despite increasingly buoyant capital markets, share prices in many countries remain below pre-pandemic levels, indicating acquisitions at attractive price points could be possible.

In addition to publicly available information, and based on recent projects undertaken in the logistics space, Grant Thornton has observed transaction multiples of between 6.0x and 7.0x EV / EBITDA, and EV / Revenue multiples of 1.0 – 1.2x.

(1) No implied EV included as ADQ minority acquisition occurred over time at various price points in a series of on and off market transactions. Precedent transactions and share price data sourced from Eikon. Transactions are selected on the basis of available transaction data, size and, where available, geographical relevance. Relevant MENA transactions are included based on their relevance to the selected market multiples. (*) Information not publicly available.

Select Market Multiples in Global Logistics Market

Company Name	HQ	15 Sept Share Price	15 Sept Market Cap	15 Sept EV	EV / EBITDA		EV / EBIT	P / E		
					LTM EBITDA	EBITDA +1	LTM EBIT	LTM Earnings	Earnings +1	
		US\$	US\$m	US\$m						
MENA										
Agility Public Warehousing	Kuwait	3.27	7,295	8,754	13.4x	12.1x	22.3x	39.7x	NA	
Gulf Warehousing Company QPSC	Qatar	1.39	809	1,299	10.4x	NA	16.3x	12.6x	NA	
Aramex PJSC	UAE	.96	1,403	1,592	7.3x	6.2x	14.2x	28.0x	18.3x	
Mean					10.4x	9.1x	17.6x	26.8x	18.3x	
Median					10.4x	9.1x	16.3x	28.0x	18.3x	
Max					13.4x	12.1x	22.3x	39.7x	18.3x	
Min					7.3x	6.2x	14.2x	12.6x	18.3x	
Emerging										
Alicargo Logistics Ltd	India	3.63	890	1,160	11.9x	9.5x	20.8x	27.3x	19.3x	
CTS International Logistics Corp Ltd	China	1.97	2,584	2,475	15.4x	11.9x	15.4x	22.7x	19.0x	
ZTO Express (Cayman) Inc.	China	31.08	26,586	24,923	23.2x	15.8x	33.3x	38.1x	35.5x	
Kerry Express (Thailand) PCL	Thailand	1.14	1,973	1,860	15.6x	15.0x	36.8x	51.5x	44.7x	
Mean					16.5x	13.0x	26.6x	34.9x	29.6x	
Median					15.5x	13.4x	27.1x	32.7x	27.4x	
Max					23.2x	15.8x	36.8x	51.5x	44.7x	
Min					11.9x	9.5x	15.4x	22.7x	19.0x	
Developed										
DFDS A S	Denmark	53.12	3,120	4,939	9.7x	7.7x	23.4x	24.1x	16.6x	
KRS Corp	Japan	16.59	210	543	6.9x	5.9x	18.6x	19.6x	17.4x	
Sumitomo Warehouse Co Ltd	Japan	16.49	1,367	1,982	10.0x	8.8x	17.3x	15.4x	11.2x	
ArcBest Corp	USA	81.77	2,090	1,905	6.8x	5.0x	11.8x	15.9x	11.8x	
Clipper Logistics PLC	UK	9.83	1,006	1,310	12.2x	10.6x	26.4x	35.0x	26.6x	
Mean					9.1x	7.6x	19.5x	22.0x	16.7x	
Median					9.7x	7.7x	18.6x	19.6x	16.6x	
Max					12.2x	10.6x	26.4x	35.0x	26.6x	
Min					6.8x	5.0x	11.8x	15.4x	11.2x	

The market multiples selected opposite are based upon companies operating in the logistics sector with Last Twelve Months (LTM) revenue of between \$500m and \$5b.

This range reflects companies with similar turnover to the MENA companies, in order to provide a comparable point of reference.

Although there are other companies of a similar size, this universe represents an indicative selection.

Market multiples sourced from Eikon. As information correct as of 30 September 2021. N/A indicates data not available. Companies are indicative and do not represent the entire universe of logistics providers in each region. Where relevant and of interest, companies will be added and removed from the data set on an ongoing basis.

M&A Transactions Advisory Team

Our M&A and Transactions Advisory team actively originates and executes transactions across a range of sectors. Some of the current as well as recently completed transactions include businesses in logistics, technology, real estate, food & beverage, healthcare, education, financial services and energy sectors.

Our global footprint enables us to leverage our relationships within the region as well as internationally with the ability to advise on all aspects of a transaction from start to finish including buyer/seller identification, deal negotiations, valuations, due diligence, financial modelling, debt advisory, SPA advisory and fundraising (equity/debt).

Our culture of providing tailored advice proactively to our clients throughout a transaction enables us to develop an in-depth understanding of our clients' objectives, which is at the core of our pragmatic solution offering.



Salmaan Khawaja
Partner
M&A and Transactions Advisory

✉ salmaan.khawaja@ae.gt.com

Salmaan is a Partner in the M&A and Transaction Advisory Practice at Grant Thornton UAE. He is a seasoned professional with in-depth experience of M&A, valuations, fundraising, Corporate Finance and IPOs.



Neha Julka
Director
M&A and Transactions Advisory

✉ neha.julka@ae.gt.com

Neha is a chartered business valuer, management accountant and CFA holder with significant valuation expertise gained both locally and globally.



Colm Treston
Director
M&A and Transactions Advisory

✉ colm.treston@ae.gt.com

Colm has significant experience in Corporate Finance, debt advisory and banking and structured finance helps in bringing a wide angled view to each engagement.



Michael Waterson
Manager
M&A and Transactions Advisory

✉ michael.waterson@ae.gt.com

Michael has a number of years experience in valuations and investment banking, with a focus on M&A in the global transportation sector.

Grant Thornton UAE All rights reserved

Grant Thornton refers to the brand under which the Grant Thornton member firms provide assistance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Dubai

Rolex Tower, 23 Floor
Sheikh Zayed Road
PO Box 1620
Dubai, UAE

T +971 4 388 9925

F +971 4 388 9915

Abu Dhabi

Al Kamala Tower
Office 1101, 11 Floor
Zayed the 1st Street
Abu Dhabi, UAE

T +971 2 666 9750

F +971 2 666 9816

Abu Dhabi

DD-16-121-031
16th Floor WeWork Hub71
Al Maqam Tower
ADGM Square
Al Maryah Island
Abu Dhabi, UAE
F +971 2 666 9816

Sharjah

Al Bakr Tower
Office 305
7/9 Al Khan Street
Sharjah, UAE

T +971 6 525 9691

F +971 6 525 9690