

Fostering innovation in logistics through technological advancements

M&A and Transactions Advisory
Sector Focus – Logistics



The Global & Regional Economic Highlights - 2022

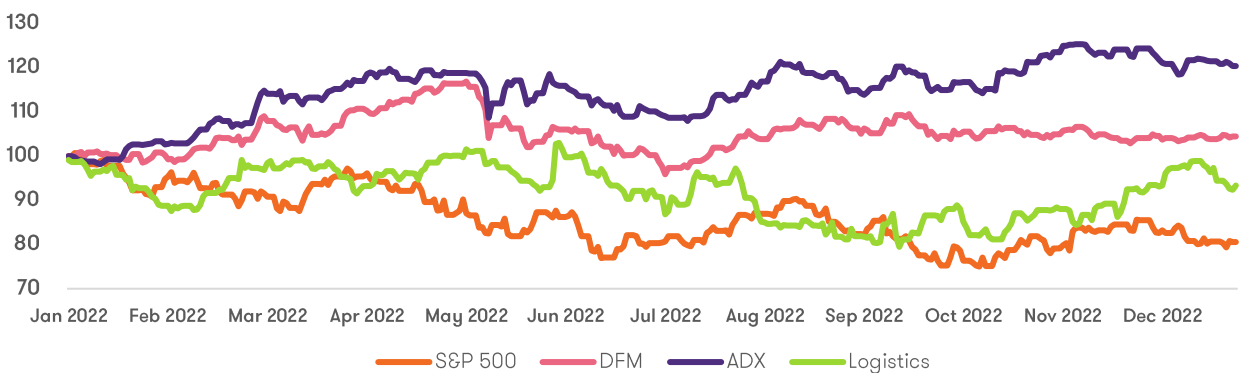
The regional economy performed strongly in the fourth quarter of 2022 owing to a successful FIFA World Cup, a booming tourism season, and favorable trade agreements being signed by energy exporters. Furthermore, the quarter saw an influx of new capital as international and domestic investors opened new offices in the region.

- Overall, 2022 was an extremely strong year for the domestic economy amid the challenging global macro economic headwinds. The GCC market witnessed positive economic development aided by double-digit growth in oil production as pandemic-related production cuts were fully unwound. Domestic demand has continued to rebound from the pandemic and the recovery in travel and tourism has supported the non-oil sectors, particularly in the UAE.

What lies ahead? 2023 outlook

- The 2023 economic outlook depends on a number of factors including a) the successful calibration of monetary and fiscal policies b) the course of the Russia-Ukraine war and c) the recovery and growth prospects of China.
- Emerging markets are set to outperform as a result of several governments undertaking diversification and infrastructure development initiatives, including the UAE, and with a growth gap widening between developed and emerging markets.
- On the logistics front, the region is expected to see an active M&A market given the fragmented nature of the sector and the opportunity for consolidation. Investor appetite is expected to remain strong, given supply chain importance in the modern world and the world leading transportation infrastructure in the MENA region. Furthermore, rapidly evolving technologies and innovations such as the use of artificial intelligence, automation and robotics will continue to drive innovation in fleet modernisation, warehousing, and last mile delivery solutions.

The global logistics market size which reached a value of USD 9.96 trillion in 2022 is expected to grow at a CAGR of 6.3% in 2023 - 2028 to reach a value of USD 14.37 trillion by 2028.



While the international market indices witnessed a downturn in the second half of 2022, the logistics sector continued to show signs of immense growth, in line with the positive trajectory noted in the domestic capital markets

Source: Expert Market Research, Eikon Refinitiv

How is technology shaping the future of logistics?

Technological evolution is pushing the boundaries and changing how the world does business. Within the logistics industry, technological advancements continue to increase productivity in supply chains and provide solutions to some of the most complex logistical problems across the globe.



Blockchain Technology

- Blockchain has gained popularity in the logistics sector. While often associated with cryptocurrencies, the technology is also used as a system to store sensitive information and prevent cyber threats.
- **How does it work?** When new data comes in, it is entered into a fresh block which is then connected to a previous block, creating a chain-like structure chronologically.
- The technology promotes transparency and enhances the management of complex supply chains through **traceability, tracking and smart contracts**.
- The **digitalisation** of several ledger systems continues to **safekeep logistical operations**, where success rates can be seen in the implementation by companies such as DHL, FedEx, UPS and Maersk.
- Walmart has implemented blockchain, where the precise point of contamination can be identified in the blockchain. This has assisted in preventing document fraud, computer system hacking, and goods theft.



Internet of Things (IoT)

- IoT has helped the logistics sector optimise processes such as warehousing, inventory management and transportation control.
- With its ability to create an integrated ecosystem and amalgamate operations for businesses to exchange data, the implementation of IoT has helped **increase accuracy and visibility in the industry**.
- For example, sensors are being built into cargo ships which are connected to alarm systems that are **monitoring and tracing transit goods**. These sensors transmit information and enable insights into hidden risks.
- Other than fleet management, facilitating the storage of goods and inventory levels is enhanced with the help of RFID tags and sensors, allowing businesses to reduce loss and labor costs.



Artificial Intelligence (AI) and Machine Learning (ML)

- AI & ML go hand in hand in terms of replicating the decision making and problem-solving complexities of the human mind.
- These tools are utilised to **spot trends** in the supply chain to **make necessary changes in business models**.
- The use of AI in such decision-making **decreases human error, facilitates planning, and shortens warehouse analysis times**.
- Making accurate prognoses also makes it much simpler to predict demand. With the use of AI and ML, many firms today rely on **last mile logistics analysis, supplier selection, and staff planning**.
- DHL uses an AI platform to monitor eight million posts on social media in order to track potential supply chain problems. Such data is extracted and analysed from conversations in the media by processing text, speech and other human user inputs.



Automation and Robotics

- Warehouses are examples of automation in the logistics industry, as it involves the **digitisation of manual procedures**.
- While automated loading and unloading systems have been established with the aid of **autonomous unguided vehicles (AVGs)**, the complexity to automatically avoid obstacles and change paths is where the future lies.
- **Automating last-mile deliveries** and contemporary **surveillance technologies** are rapidly gaining popularity. Due to improvements in data processing, processes like loading and unloading trailers can now be automated.
- Automation and robotics is continuing to evolve in companies like Amazon. Just recently, the company launched Amazon Prime air, a drone delivery service.

Sources: Trasnmetrics, Dektry, Bizintella, Futursim, The Verge

A focus on Logi-Tech within the MENA Region

The logistics industry in the MENA region is leading the way as innovators by adopting a digital first approach in the adoption of technology.

Latest News and Achievements within the MENA Region

- In order to provide a door-to-door delivery service, **FedEx has launched a pilot run** of the Roxo SameDay Bot.
- The technology includes laser detecting and ranging sensors combined with AI and ML, with the aim being to replicate a convenient and fast paced delivery.

- The digital division of AD Ports, **Maqta Gateway, will soon be piloting full aerial drone delivery** in Abu Dhabi.
- The pilot involves the delivery of parcels to several Emirates Post locations.
- This initiative is in line with the company’s aim to reduce its carbon footprint.



- **Bahrain International Airport** has developed a new simulation system that provides an integrated platform for air traffic controllers.
- This Hi-tech system allows the simulation to take place in various weather conditions, and is equipped to provide accurate meteorological information, traffic radar and radio communications.

- DP World recently unveiled “CARGOES Customs”**, an AI-enhanced online application that facilitates paperless commerce and improves supply chain efficiency. This application will optimise the use of border management and revenue collection activities.
- This technology is an **AI-driven** risk engine and a smart valuation platform that enables streamlining of customs procedures which will help **increase transparency and efficiency** in global trade.

\$1.6 bn

To be expected in the GCC warehouse automation market by 2025

\$33 bn

Expansion of Al Maktoum Airport Dubai

87%

Revenue from KSA, UAE and Egypt in 2025

>5%

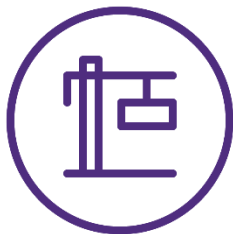
CAGR over 2023 to 2028

Sources:: Gulf Business, Zawya, Materials Middle-east, Meed, Statista, Mordor Intelligence



Recent activity in the regional logistics space

Amidst global challenges, M&A activity in the region remained buoyant showing signs of growth and consolidation, further cementing the region's position as a global logistics hotspot.



AD Ports Group

- AD Ports Group acquired Noatum, an integrated logistics platform with presence in the US, Spain, Turkey, UK, China, and Southeast Asia, for a deal value of AED 2.5bn.
- This transaction will be AD Ports Group's 3rd international acquisition in 2022, following the majority acquisitions of Transmar & Transcargo International (TCI), and Global Feeder Shipping (GFS).



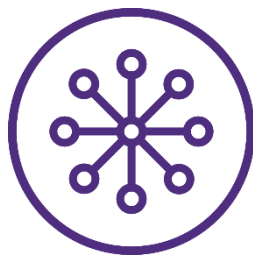
Aramex

- Aramex acquired cross-border e-commerce platform, Access USA Shipping (MyUS) for a deal value of USD 265mn.
- The transaction is expected to boost Aramex's cross-border express business through increased volumes, customers and destinations.



Mubadala Capital

- Mubadala Capital is set to acquire Canada Cartage, a logistics platform operating through a network of 33 facilities across Canada.
- Canada Cartage offers a spectrum of services in the logistics space is expected to supplement Mubadala's international growth plans.



X-ERA

- UAE-based tech-services and logistics operator, X-ERA acquired B2B marketplace SPEED, as part of its international expansion strategy.
- SPEED's platform connects FMCG suppliers with SME merchants and retailers, and currently has a merchant base of 35,000.



Cartlow

- Cartlow, a leading reverse logistics platform based in the UAE, has acquired Meltoo, a platform for second-hand items.
- The transaction is expected to broaden the customer network of both parties and unlock further synergistic opportunities.

Select market multiples in global logistics market

- The market multiples selected below 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.

					EV / EBITDA		EV / EBIT	P/E	
Company Name	HQ	Share Price	Market Cap	LTM EBITDA	EBITDA +1	LTM EBIT	LTM Earnings	Earnings +1	
		US\$	US\$m						
MENA									
Agility Public Warehousing Company KSCP	Kuwait	2.4	6,294	23.4x	13.7x	36.3x	47.5x	2.3x	
Gulf Warehousing Company QPSC	Qatar	1.1	652	9.0x	8.4x	14.0x	10.1x	9.6x	
Aramex PJSC	UAE	1.0	1,403	9.9x	7.0x	26.5x	29.5x	17.6x	
Abu Dhabi Ports Company PJSC	UAE	1.6	7,956	17.9x	12.3x	26.5x	24.9x	20.0x	
Mean				15.1x	10.4x	25.8x	28.0x	12.4x	
Median				13.9x	10.4x	26.5x	27.2x	13.6x	
Max				23.4x	13.7x	36.3x	47.5x	20.0x	
Min				9.0x	7.0x	14.0x	10.1x	2.3x	
Emerging Markets									
Allcargo Logistics Ltd	India	4.9	1,198	6.1x	7.8x	7.6x	9.4x	11.8x	
CTS International Logistics Corp Ltd	China	1.6	2,039	11.3x	8.1x	11.3x	15.4x	12.1x	
ZTO Express (Cayman) Inc	China	27.1	23,214	15.5x	11.6x	20.9x	23.7x	19.4x	
Kerry Express (Thailand) PCL	Thailand	0.5	926	NM	12.9x	NM	NM	NM	
Mean				11.0x	10.1x	13.2x	16.1x	14.4x	
Median				11.3x	9.9x	11.3x	15.4x	12.1x	
Max				15.5x	12.9x	20.9x	23.7x	19.4x	
Min				6.1x	7.8x	7.6x	9.4x	11.8x	
Developed Markets									
DFDSAS	Denmark	36.9	2,164	6.1x	6.0x	12.6x	7.8x	8.2x	
KRS Corp	Japan	7.3	184	6.5x	6.0x	17.8x	14.2x	14.1x	
Sumitomo Warehouse Co Ltd	Japan	14.9	1,198	4.4x	7.6x	5.7x	5.9x	11.3x	
ArcBest Corp	USA	70.0	1,710	2.9x	3.2x	3.9x	5.5x	6.4x	
Clipper Logistics PLC	UK	10.5	1,095	NM	NM	NM	NM	NM	
Mean				5.0x	5.7x	10.0x	8.4x	10.0x	
Median				5.3x	6.0x	9.2x	6.9x	9.7x	
Max				6.5x	7.6x	17.8x	14.2x	14.1x	
Min				2.9x	3.2x	3.9x	5.5x	6.4x	

Valuations in the developed markets are yet to recover from the subdued economic activity in 2022, whereas regional and emerging markets are already showing signs of prospects via attractive forward market multiples.

Market multiples sourced from Refinitiv Eikon. As information correct as of 31 December 2022. NM 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 and 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 oil & gas.



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Qasim is a skilled and result oriented corporate finance advisor given his experience in the UK, complemented with cross-border transactional experience and a global contact base. Qasim is spearheading the team's logistics sector initiative.

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