



Resilience in the MENA Region Against Global Headwinds

M&A and Transactions Advisory
Sector Focus - Logistics

June 2022



The Global & Regional Economic Outlook

Amidst global economic uncertainties, the MENA region is on a growth trajectory fuelled by elevated oil prices and accelerating business-friendly reforms.

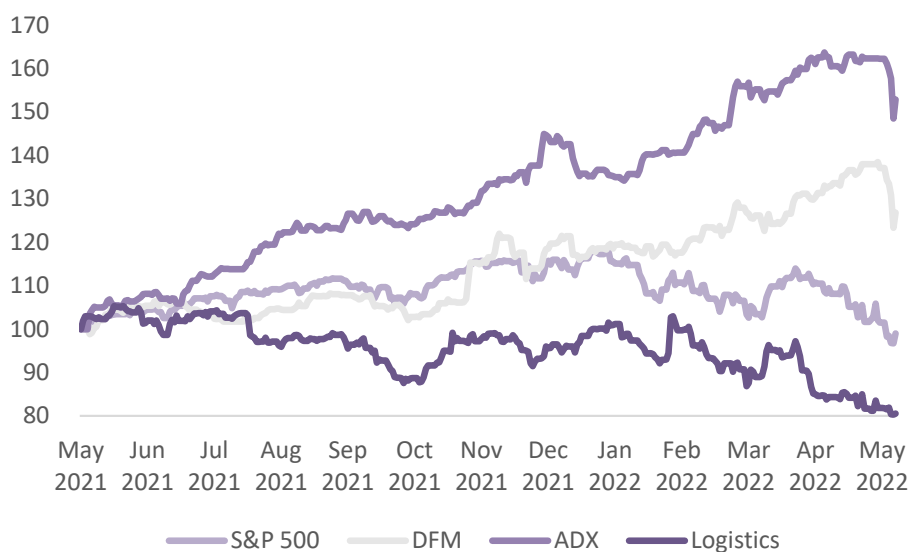
- Global economic growth is projected to slow down in 2022 to 3.6%, from an achieved 6.1% in 2021. The ongoing war in Ukraine is the main contributor to this slowdown, in addition to the global inflation.
- Global inflation is expected to remain high in 2022 due to war-induced price increases and broadening price pressures across many sectors, with low-income populations being hit the hardest.



- The economic growth forecast for the MENA region was at 5%, up from 4.1% in 2021. Whilst many nations are struggling with the prevailing global uncertainties, oil-producing and exporting nations are benefitting off the back of current high oil prices. The MENA region is expected to be the only region worldwide to see growth rate rising in 2022, in contrast to other regions worldwide, where growth is expected to slow down or remain flat.

The global logistics market is estimated to be \$9.1Tn in 2022 and is expected to reach \$12.3Tn by 2027, growing at a CAGR of 6.2%

- The war in Ukraine, sanctions imposed on Russia and new pandemic-related shutdowns in China are disrupting the global supply chains and curtailing the growth in the sector.



S&P500 and Logistics Indexes showing impact of global uncertainties, while DFM and ADX demonstrating the signs of strengthening local economies.

Source: IMF, hbr.org, Arab News, Research and Markets, Business Wire, Refinitiv Eikon

A Focus on the UAE and the Broader MENA Logistics Sector

A combination of initiatives by regional governments and developments in e-commerce are driving the growth in logistics and warehousing activity in the region.



The UAE is among the top three logistics centres in emerging markets. Agility Emerging Market Logistics Index, which ranks countries on their competitiveness based on logistics strength, business climates and digital readiness ranked the UAE in the third position in their latest review.



The growth in e-commerce activity in the MENA region following the Covid-19 pandemic is driving growth in the warehousing and logistics space. The total e-commerce market size in the MENA region was estimated at \$31.7 billion in 2021 and expected to reach \$49 billion by 2025. The total e-commerce market size in the UAE reached in excess of \$5 billion and anticipated to surpass \$8 billion by 2025.



Increase in government initiatives. The UAE government's initiatives such as Dubai IOT strategy, Dubai Blockchain Strategy, introduction of drones for last mile delivery, UAE National AI program, Smart Dubai 2021, Dubai 3D printing Strategy, Dubai Data Initiatives and National Innovation Strategy are expected to revolutionize the logistics and warehousing market.



Logistics is being identified as a key global expansion focus. The UAE and Greece plan to set up a \$4.2bn investment initiative. Investments will be made in sectors including logistics, infrastructure, renewable and new forms of energy, health care and pharmaceuticals, and food and agriculture.



Strengthening ties with markets beyond the GCC region. AD Ports plans to join the Red Sea Ports Authority and the Egyptian Group for Multipurpose Terminals Company to develop, operate and manage a multi-purpose terminal (MPT) in Safaga Port. The project (planned to be completed in 2024) comprises up to 1,000 metres long docks to handle dry and liquid bulk cargo, offering vessel traffic management, dangerous goods control, provision of navigation aids, anchorage, dredging, pilotage, towage, mooring and unmooring solutions.



Etihad Rail plans to unveil the roadmap for transforming the transportation and logistics industries in the region. Etihad Rail, the developer and operator of the UAE national railway network, plans to host the 16th edition of Middle East Rail, which is the largest transport event in the Middle East. The event will focus on the latest rail innovations and technologies, and generate business opportunities in the rail, logistics, and transportation industry.

Source: The National News, Gulf Business, wam.ae, EZDubai, Zawya, Logistics Middle East

Positive Trends Across MENA Logistics Market Observed in H1 2022



Blockchain Technology

Distributed Ledger Technology (DLT) will be heavily adopted by the maritime insurance industry. Increasing adoption of Internet of Things (IoT) will transform risk management of containers in transit, especially those carrying potentially flammable cargo.



Sustainability

UAE to reduce carbon emissions in the shipping and air cargo industry by 50% by 2050. Development of green technologies and implementation of eco-friendly shipping practices like hull cleaning, sustainable aviation fuel (SAF) utilized by the UAE to mitigate environmental risks in the region.



Diversification

Air cargo expected to be the key mode of transport in the long term as businesses transfer manufacturing from China to Mexico and Canada. Supply chain diversification to trigger mid and long-term increases in air cargo as more companies diversify their supply chains to mitigate risks.



Localisation

Localising the supply chain is becoming more common in the quick delivery e-commerce market to fulfill same day deliveries at a reasonable price. Localisation to increase the ability to exhaust local inventory when desired as on-demand delivery becomes the new normal.

Source: Transport and Logistics Middle East report – Etihad Cargo



5% CAGR

expected between 2022 to 2027 in the UAE freight and logistics market

110 Cargo Planes

currently operational in the UAE, 240 more planes than in 2020

57m Travellers

expected to transit through Dubai International Airport in 2022

30% to 40%

expected between 2022 to 2027 in the UAE freight and logistics market

Market Highlights in the Logistics Space



DP World wins global vaccine logistics award. DP World, Dubai-based global port operator, has received the 'Best Logistics Technology and Cold Chain Delivery' award at the Vaccine Industry Excellence Awards in 2022, held in Washington DC. This award is in recognition of DP World's work over the last two years to address challenges in vaccine delivery and supply chain bottlenecks.



AD Ports Group net profit increased by 41% to \$84 million in Q1 2022.

- The Group revenue increased by 15% year-on-year to \$285 million for Q1 2022, compared with \$245 million in 2021.
- Adjusted EBITDA for the period increased by 34% year-on-year to \$143 million (Q1 2021: \$107 million).
- AD Ports Group's KIZAD Wins Most Innovative Logistics Hub Award at TLME's Innovation Awards 2022.

Source: Gulf News, Gulf Business

Recent Market Activity in Regional Logistics Space

Amidst challenging global environment, M&A activity in the region remained buoyant.



Aldar Properties

Aldar Properties, the biggest developer in Abu Dhabi by market value, has set up a logistics business line after acquiring a 70% stake in Abu Dhabi Business Hub at more than AED500m (\$136m), which owns a warehousing, industrial and office complex in the emirate. Aldar Logistics, the company's new unit, will focus primarily on the UAE, with the potential for regional expansion.



Swvl

Swvl Holdings Corp., a Dubai-based ride sharing startup, has acquired the Turkish transportation-as-a-service operator Volt Lines. The deal values the startup at over \$40 million, and gives Swvl access both to Volt Lines' tech as well as its over 110 corporate client contracts.

Swvl announced a definitive agreement to acquire Zeelo, the UK's largest smart bus platform and technology scale-up, measured by bookings. The focus of the transaction was Zeelo's commitment to driving the shift from single-occupancy vehicles to zero-emission mass transit and deploying transportation services to connect more people to work and educational opportunities.



DP World

Dubai-based global port operator DP World closed a deal to acquire Imperial Logistics in South Africa. The acquisition is expected to boost DP World's supply chain efficiencies and enable the company to offer integrated end-to-end solutions along key trade lanes in and out of Africa.



Aramex

Aramex raised foreign ownership limit to 100%, paving the way for foreign capital to overtake a larger stake in the company. Under this strategy, Aramex will be the first Dubai-listed corporate to raise the foreign ownership limit to 100%.



AD Ports Group

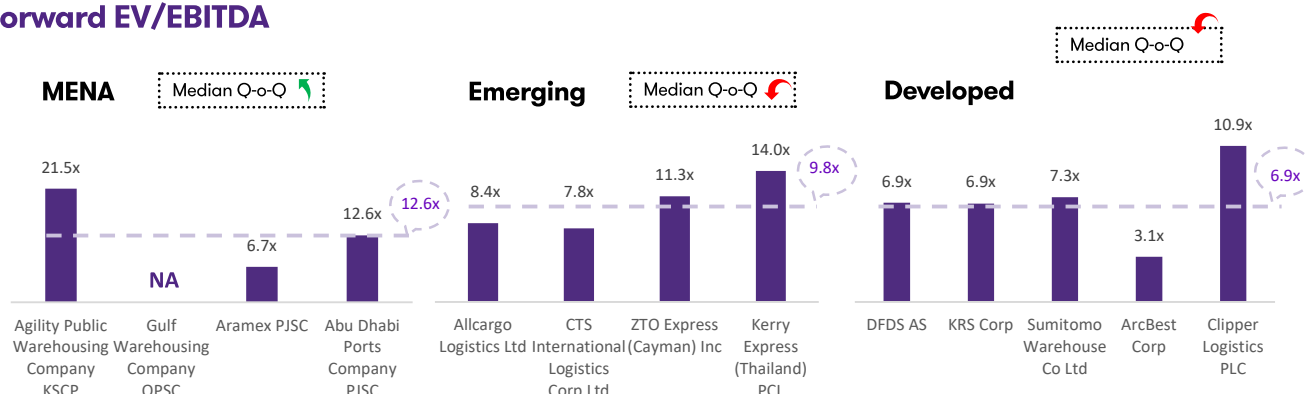
AD Ports Group has acquired Divetech Marine Engineering Services, a UAE-based topside-subsea solutions provider that offers a range of services including installation, inspection, repair and maintenance for ports and other maritime organisations.

Source: The National News, Magnitt, Logistics Gulf News, Zawya

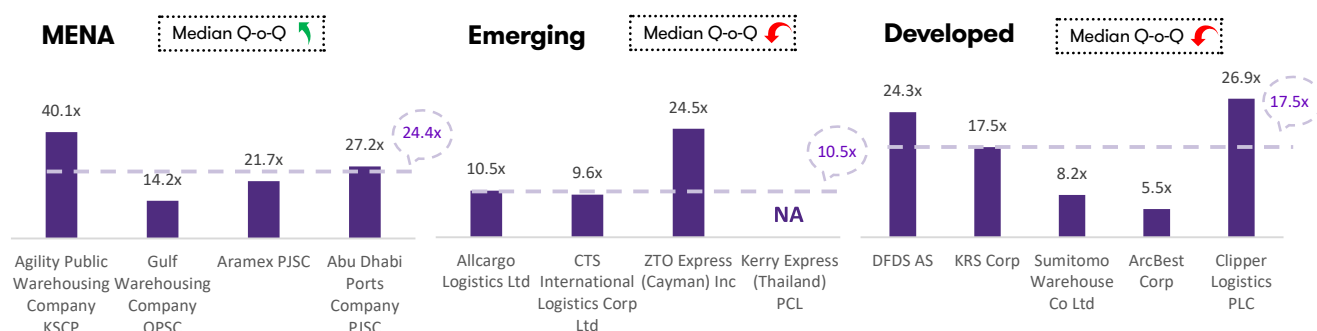
Select Market Multiples in the Global Logistics Market

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

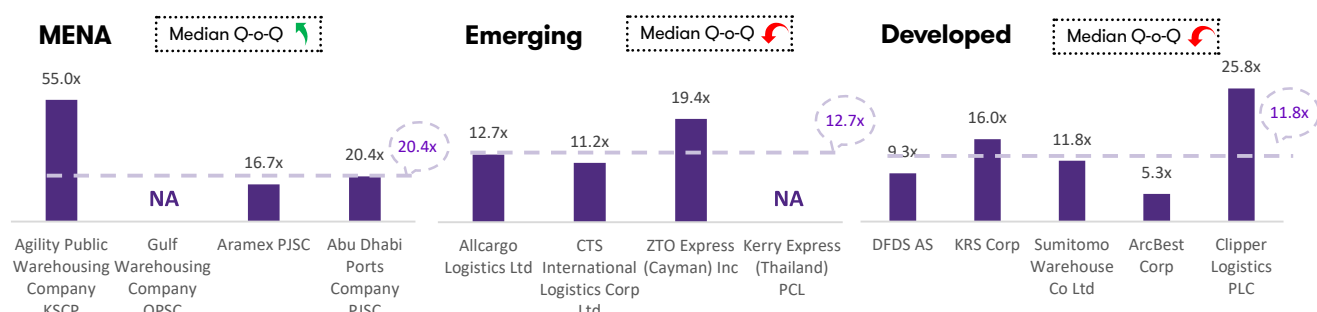
Forward EV/EBITDA



LTM EV/EBIT



Forward PE



- Prevailing market volatilities seem to be impacting the valuations globally.

Market multiples sourced from Refinitiv Eikon. As information correct as of 12 May 2022. 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, **IPOs/Capital Markets Advisory**, 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.



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