



Grant Thornton

Regional Focus On Sustainability Within the Logistics Sector

M&A and Transactions Advisory
Sector Focus - Logistics

October 2022

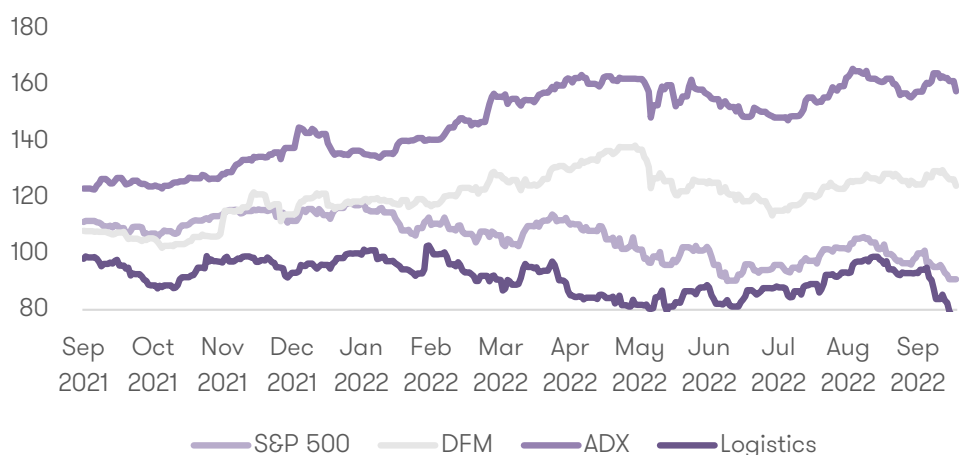
The Global & Regional Economic Outlook

M&A activity in the regional logistics sector continues to be buoyant, fuelled by the proliferation of trade agreements, a growing expat population and the continuing e-commerce boom

- The logistics sector has continued to perform well despite the global economic headwinds, as the proliferation of trade agreements among various nations, a growing expat population and the continuing e-commerce boom remain the major demand drivers of the sector. In addition to this, the regional economies are expected to benefit from the upcoming FIFA World Cup as well as the tourist heavy winter months.
- Whilst experiencing the ebb and flow of inflationary pressures and uncertain global market conditions, the UAE remains resilient and futuristic, as showcased by the ongoing Dubai hosted summit, 'World Green Economy Summit 2022: 'Climate Action Leadership through Collaboration: The Roadmap to Net-zero', which reflects UAE's vision of advancing climate action, strengthening partnerships and international efforts to accelerate climate initiatives and ensure a smooth transition towards a green, yet financially strong economy.
- On the global front, economic growth is projected to decelerate to 3.2% in 2022 owing to the Russia-Ukraine war, inflationary pressures and unemployment, which are further inducing tighter financial conditions worldwide.
- Inflation regionally has been notably lower than in most of the developed markets as a result of improvement in the economy as well as higher oil and gas prices.

Despite the volatile and uncertain global market conditions, the logistics market is expected to reach \$6.55 Trillion by 2027, exhibiting a CAGR of 4.7% during 2022-2027.

Foreign trade for the UAE's non-oil sector grew by 17% in H1 2022, surpassing AED 1tn for the first time.



S&P500 and Logistics Indexes demonstrating the volatile market conditions, while DFM and ADX demonstrating the signs of strengthening local economies

Source: IMF, Arab News, Research and Markets, Business Wire, Eikon Refinitiv, Gulf News, Kamco Invest

The Concept of “Green Logistics” and the New Sustainability Imperative

Sustainability is continuing to be a key focus area across the logistics sector. Large corporates are proactively pushing the concept forward with the goal being to reduce their own carbon footprint.

The Green Logistics market size was worth c. USD 1.4 trillion in 2021 and is estimated to hit approximately USD 1.5 trillion by 2028

Pop-up Warehousing

A pop-up warehouse is a temporary place for companies to store and sell their products. Utilizing pop-up warehousing has become a popular and sustainable way to manage seasonality and periodic fluctuations in bulk orders. Walmart has been a pioneer in adding ‘pop-up’ direct-to-consumer fulfillment capacity at its distribution centers to help handle the increased volume of e-commerce orders by being close to the end customer.

Process Optimisation and Digitisation

By using historic traffic data, travel times, delivery windows, and emissions by vehicle type, leading logistics players have begun developing fully dynamic, customizable route planning tools that empower the users to drive their own green strategies through reducing the kilometers travelled and the number of routes needed.

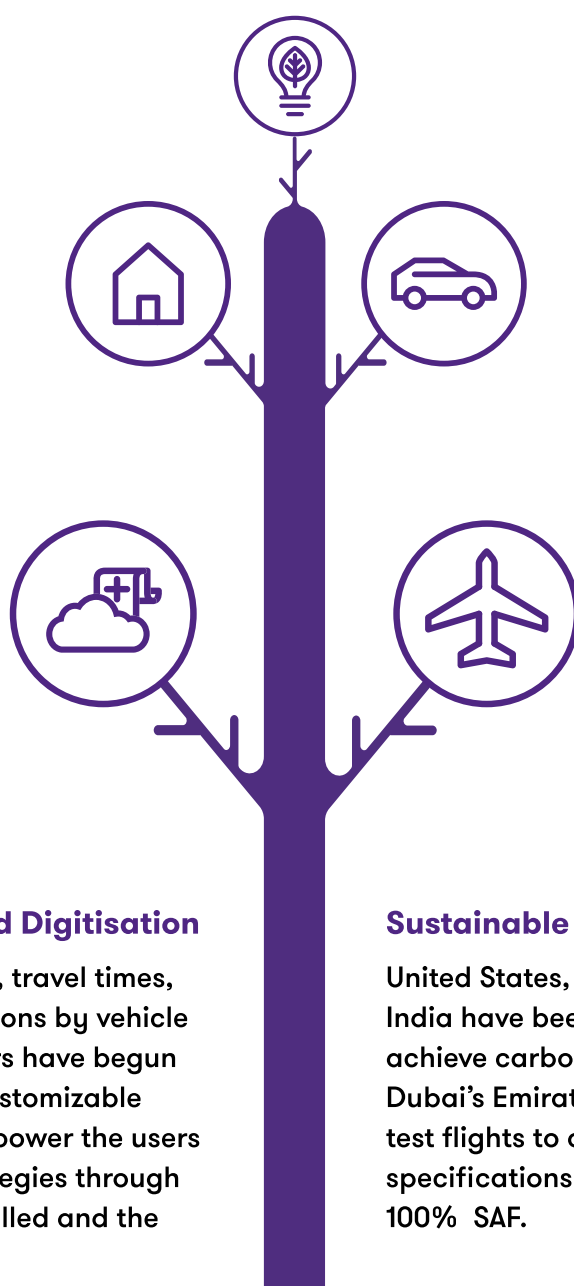
Electric Vehicles (EV)

To meet changing customer preferences and achieve aggressive delivery speeds, businesses are rapidly shifting to Electric Vehicle (EV) fleets. At less than half the cost per mile (when compared to gas or diesel), EV fleets have lower operating costs and less downtime.

DHL has put more than 11,000 EVs into operation. On the aviation front, startup Eviation unveiled the world’s first all-electric passenger aircraft in 2019, an idea that could soon extend to cargo shipments.

Sustainable Aviation

United States, United Arab Emirates and India have been creating roadmaps to achieve carbon neutral aviation emissions. Dubai’s Emirates is in process of conducting test flights to develop standardised industry specifications supporting the adoption of 100% SAF.



A Focus on Sustainability Within the MENA and GCC Region

The logistics industry in the MENA region is leading the way in the adoption of green initiatives and reducing carbon emissions.

Region's **first commercial scale waste to energy plant** inaugurated in Sharjah by The Emirates Waste to Energy company, a joint venture between BEEAH and Masdar, backing UAE's waste diversion goals and Net Zero by 2050 strategic initiative.

The United Arab Emirates aims to **capture 25% of the global market for hydrogen**, while Saudi Arabia aims to become the world's largest supplier. Other countries following suit are Oman and Egypt.

Latest News and Achievements Within the Region

A total of **46 green hydrogen projects** are already underway in the Middle East and Africa. For the period to 2030, more than 40 investments of over \$20 billion have so far been announced.

DHL Express installed a solar plant in its Amman facility, to reduce its energy consumption by 100% as part of its regional sustainability drive to become carbon neutral by 2050.

Sources: Beeah Group website, Arab News, Consultancy-ME, Logistics Middle East

Other Fast Facts - MENA and the Broader Logistics Space

~6%

CAGR to be achieved in MENA logistics market in 2022-2027

~4%

Real GDP growth rate of MENA region's economies in 2022-2027

356

M&A deals in MENA region, worth USD42.6 billion in H1 2022

#1

UAE's rank in the World Bank's Logistics Performance Index (LPI)

Key growth drivers (Logistics)

- Increase in e-commerce demand post lockdown
- Focus on AI and digitization to replace traditional logistics processes
- Infrastructure development and spike in cross-border sales
- Reliance on local networking and diversification of services

Sources: Mordor Intelligence, Zawya, World Bank, Shipy

A Flavor of Recent Market Activity in the Regional Logistics Space

M&A activity in the MENA region is forecasted to remain strong with active regional acquirers and a healthy amount of overseas investment.



AD Ports Group

- AD Ports Group completed the acquisition of a 70% equity stake in Transmar International Shipping Company (Transmar) and Transcargo International S.A.E. (TCI).
- Transmar is a regional container shipping company with operations across the Middle East, Red Sea, Arabian Gulf and Eastern Coast of Africa.
- This is the first overseas acquisition by AD Ports Group and amounts to a total purchase consideration of AED 514 million (US \$140 million) for the 70% shareholding rights.



Shuaa Capital

- Dubai based investment bank, Shuaa Capital, which manages US \$14 billion in assets and has 152 offshore support vessels within its portfolio has recently secured US \$160 million for its leveraged buyout of Allianz Marine and Logistics Services Holding, Abu Dhabi's offshore support vessel (OSV) provider.
- The seven-year acquisition is financed by National Bank of Fujairah and Arab Petroleum Investments Corporation (Apicorp) and provides one of the largest Secured Overnight Funding Rate (SOFR) based facilities of its size for an LBO in the region.



DP World

- DP World has revealed plans to acquire Imperial Logistics with a cash offer valued at roughly US \$890 million.
- Imperial Logistics, an integrated logistics provider has a presence across 25 countries with operations mainly across Africa and in Europe.
- The acquisition is seen to expand DP World's fast growing industry services in Africa and help build efficient supply chains within the cargo industries in the region.



ADNOC

- ZMI Holdings and ADNOC Logistics & Services (ADNOC L&S), the shipping and maritime logistics arm of ADNOC Group, have entered into a definitive agreement to take over ZMI.
- The strategic deal, which is one of the largest transactions to date in oil field services in MENA, will expand ADNOC L&S' fleet with 24 jack-up barges and 38 offshore support vessels bringing its total fleet size to more than 300 vessels.

Sources: Forbes Middle East, The Economic Times, Zawya, The National News

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 |
| MENA | | US\$ | US\$m | | | | | |
| Agility Public Warehousing Company KSCF | Kuwait | 2.3 | 6,489 | 21.3× | 17.3× | 33.9× | 53.5× | 40.5× |
| Gulf Warehousing Company QPSC | Qatar | 1.2 | 702 | 9.6× | 8.9× | 15.0× | 11.0× | 10.4× |
| Aramex PJSC | UAE | 1.1 | 1,551 | 10.8× | 7.3× | 27.7× | 33.6× | 20.1× |
| Abu Dhabi Ports Company PJSC | UAE | 1.6 | 8,287 | 20.8× | 14.9× | 28.7× | 28.7× | 24.9× |
| Mean | | | | 15.6× | 12.1× | 26.3× | 31.7× | 24.0× |
| Median | | | | 15.8× | 11.9× | 28.2× | 31.1× | 22.5× |
| Max | | | | 21.3× | 17.3× | 33.9× | 53.5× | 40.5× |
| Min | | | | 9.6× | 7.3× | 15.0× | 11.0× | 10.4× |
| Emerging | | | | | | | | |
| Allcargo Logistics Ltd. | India | 4.8 | 1,192 | 6.6× | 8.4× | 8.3× | 9.0× | 12.2× |
| CTS International Logistics Corp. Ltd. | China | 1.4 | 1,916 | 11.5× | 7.8× | 11.5× | 15.4× | 11.3× |
| ZTO Express (Cayman) Inc. | China | 24.9 | 21,335 | 16.0× | 11.5× | 22.0× | 25.5× | 19.2× |
| Kerry Express (Thailand) PCL | Thailand | 0.5 | 961 | 170.1× | 13.4× | NM | NM | NM |
| Mean | | | | | 10.3× | 13.9× | 16.6× | 14.2× |
| Median | | | | | 10.0× | 11.5× | 15.4× | 12.2× |
| Max | | | | | 13.4× | 22.0× | 25.5× | 19.2× |
| Min | | | | | 7.8× | 8.3× | 9.0× | 11.3× |
| Developed | | | | | | | | |
| DFDS AS | Denmark | 26.8 | 1,669 | 6.5× | 5.3× | 15.6× | 9.1× | 6.2× |
| KRS Corp | Japan | 9.5 | 239 | 7.2× | 6.8× | 19.3× | 19.5× | 19.0× |
| Sumitomo Warehouse Co. Ltd. | Japan | 15.0 | 1,210 | 4.8× | 7.3× | 6.1× | 6.3× | 9.9× |
| ArcBest Copr | USA | 70.2 | 1,746 | 3.3× | 3.0× | 4.3× | 6.1× | 5.6× |
| Clipper Logistics PLC | UK | 10.5 | 1,095 | 12.6× | 10.9× | NM | NM | NM |
| Mean | | | | 6.9× | 6.7× | 11.3× | 10.2× | 10.2× |
| Median | | | | 6.5× | 6.8× | 10.9× | 7.7× | 8.0× |
| Max | | | | 12.6× | 10.9× | 19.3× | 19.5× | 19.0× |
| Min | | | | 3.3× | 3.0× | 4.3× | 6.1× | 5.6× |

Prevailing market volatilities are impacting valuations globally and forward market multiples are expected to recalibrate across the developed, emerging and MENA regions.

Market multiples sourced from Refinitiv Eikon. Information correct as of 26 September 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 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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