



A New Perspective

M&A & Transactions Advisory

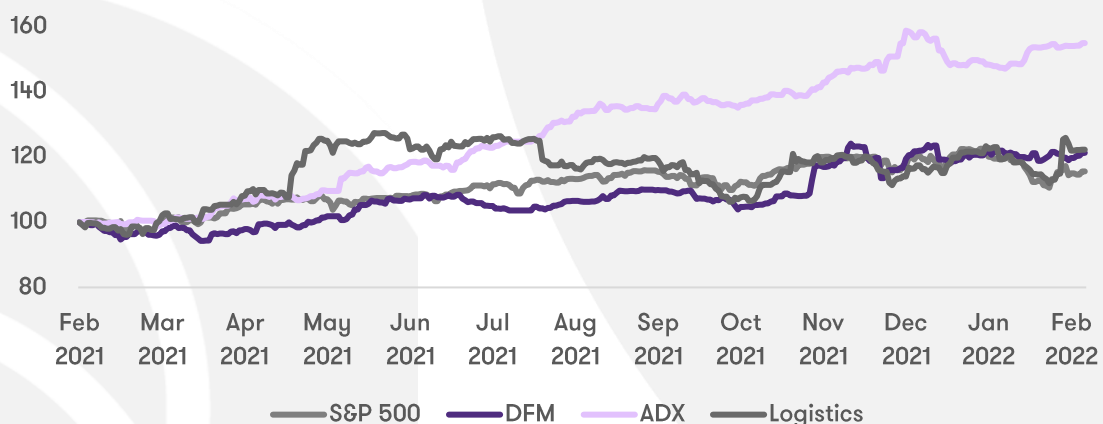
Sector Focus - Logistics

March 2022

The Global & Regional Economic Outlook*

Equity capital markets remain buoyant both globally and within the UAE, with increasing valuations continuing in 2022.

- **Global economic recovery, higher oil prices and an upsurge in e-commerce to support growth in the logistics and freight-forwarding business in 2022.** With COVID-19 related lockdowns easing, recovery is forecast across sectors with logistics ideally positioned to capitalize with increased demand for 3PL (Third-Party Logistics) and 4PL (Fourth-Party Logistics) proving pivotal⁽¹⁾.
- **Economic growth is forecasted to accelerate to 4.4% in 2022 before slowing to 3.4% in 2023 for the MENA region.** The region experienced a strong economic recovery in the second half of 2021, bringing output back to its pre-pandemic level in some economies. In Saudi Arabia, expanding oil output was accompanied by a recovery in the non-oil sector made possible by rapid vaccine progress.⁽²⁾ Factors like the e-commerce boom, infrastructure development and spike in cross-border sales are projected to drive the logistics sector growth in the region over the coming year.⁽³⁾
- **In the MENA region, the key stock markets experienced strong recovery in 2021, with the GCC stock market index marking the biggest gains since 2008.** In the stock market, the ADX has increased by 55% from February 2021 to February 2022, with the DFM increasing by around 21% over the same period, with the impact of geopolitical headwinds at the end of February still unknown.⁽⁴⁾ The composite Logistics Index outperformed the S&P 500 and DFM over the period.
- **Global transportation and logistics M&A activity increased significantly in 2021.** Sector deal value globally in the second half of 2021 amounted to USD 120 billion, of which USD 14 billion accounted for transactions within the passenger ground sector. The growth in overall deal volume was driven by deals in the logistics, vehicle rental/leasing and trucking sectors, with transactions in aviation also occurring.⁽⁵⁾



Logistics Index moving in line with the broader environment improvement over the last twelve months⁽⁴⁾

- *This publication has not taken into account the potential impact that the developing situation in Russia and Ukraine may have on the sector.*

(1) Global Trade Outlook 2022 (2) World Bank Outlook 2022 (3) Aramex Trends – 2021 (4) Indices rebased to 100 as of 22 February 2021. "Logistics Index" consists of market participants as per Pg. 6. All information correct as of 22 February 2022 (5) Global M&A deals in logistics sector - Statista

A Focus on the MENA Logistics Market

The logistics sector within the MENA region is strongly positioned to benefit from the Covid-19 recovery and leverage the competitive position and digital readiness while attracting international and local dealmakers to the space.

- **Despite the global challenges, M&A activity in MENA hits new highs in 2021 and will continue to grow in 2022.** Fueled by demand for technology and data-driven assets as well as the pent-up deal-making demand from 2020 being realized, Europe and MENA region showed strong growth in deal volumes, with an increase of 34% in 2021.⁽¹⁾ UAE, Saudi Arabia, Qatar, Oman, Bahrain and Kuwait, Jordan and Morocco rank among the top 20 emerging markets showing competitive business climates, logistics strengths and digital readiness that will attract global investors and dealmakers in facilitating transactions in the MENA region within the logistics sector in the near future.⁽²⁾
- **The UAE freight and logistics market is forecasted to continue its growth.** The UAE freight and logistics market is expected to record a CAGR of more than 5% between 2022 and 2026 mainly driven by rising international trade and the consistent and fast growth of e-commerce across the region. Emirates SkyCargo transported over 265,000 metric ton of perishables and food on its flights in 2021, facilitating an important volume of the global cross-border logistics.⁽³⁾
- **Automation, Big Data and IoT forecasted to disrupt the logistics sector, becoming dominant themes in the expansion of the sector.** The transportation-and-warehousing industry has the third-highest automation potential of any sector primarily owing to supply chain innovations including Freight as a Service (FaaS), long-haul autonomous trucks, smart driver management and theft prevention.⁽⁴⁾ Globally, such innovations lead to estimates of the logistics industry reaching a value of \$12,975 billion by 2027.⁽⁵⁾
- **Strategic decisions being taken by the UAE government indicate the importance being placed on the logistics sector as a key asset in promoting growth in the future.** Abu Dhabi government-owned company ADQ transferred a 22.32% stake in logistics firm Aramex, which it acquired in 2020, to Abu Dhabi Ports, another company in its portfolio, streamlining the operations of two of the largest logistics players regionally.⁽⁶⁾

(1) Morgan Stanley – M&A Outlook 2022 (2) Agility Emerging Markets Logistics Index 2022 (3) UAE Freight and Logistics Market 2022 – Mordor Intelligence (4) Economic Times (5) Global Trade – 2022 (6) The National News

Recent significant fundraises in MENA - Logistics

In recent months, innovative early-stage players in the logistics space are increasingly attracting funding from institutional investors. GT believes this trend will continue, with more companies looking to secure expansion funding.

Udrive

UAE-based pay-per-minute car rental tech startup and ride-sharing platform **Udrive** closed its **\$5 million bridge round** with investments from Cultiv8 and Oman Holding International. Known as the first technology platform in the GCC to offer car rentals by the minute, Udrive recorded strong growth in 2021, making it one of the largest rental booking platforms by transactions per car in the region.⁽¹⁾

Freterium

The Moroccan-based transport management software provider, raised **\$4 million in seed funding**. Founded in 2020, the trucking logistics SaaS (Software as a Service) startup connects shippers with their logistics system in real-time. The round was led by Partech, and there was participation from Y Combinator, Flexport, CDG Invest, Swiss Founders Fund, Outlierz Ventures, and angels from the U.S., Europe, Asia and Africa. Freterium currently has more than 20 enterprise customers and over 3,000 users on its software.⁽²⁾

Redbox

Founded in 2019, the Saudi-based LaaS (Locker as a Service) and digital logistics solution provider **RedBox** raised **\$3 million** in its latest funding round to facilitate the e-commerce boom in the country. The **Seed round** was led by Vision Ventures and included participation by RAF Investments and prominent angel investors.⁽²⁾

TruKker

The Middle East based digital freight network serving the Middle East and Central Asia, **TruKker** raised **\$96 million** in a mix of **Equity and Debt financing** with regional and global backing, positioning the startup as a rising star in the logistics space across emerging markets. The equity round was led by ADQ and Riyadh-based Saudi Technology Ventures (STV) with the participation of Mubadala. As part of the financing round, the company also raised **\$50 million in venture debt** from Mars Growth, a Liquidity Group and MUFG joint venture fund, and San Francisco-based Partners for Growth, backed by the Silicon Valley Bank.⁽³⁾

(1) Gulf News (2) MAGNiTT (3) Business Wire

Key Logistics Events in the UAE

With the gradual recovery of economies in the region, and an increasing level of activity in the logistics space, several key events are returning which are aimed at promoting the industry and dialogue between stakeholders.

Breakbulk Middle East 2022

- After being postponed in 2021 due to international travel restrictions and lockdowns, Breakbulk Middle East returned in 2022
- A major Dubai-based event promoting the region's project cargo, logistics and maritime segments, on themes that included recovery strategies to tackle current challenges and the market outlook of the sector..
- Several key themes were prominent throughout the event, including:
 - Digital transformation
 - Closing the talent gap
 - Project financing and investments
 - Project opportunities in Saudi Arabia
- Key partners at the event included **DP World, ADP Group, AMSteel and ADNOC**

Key Upcoming Logistics Events



Middle East Bunkering Convention 2022 - Dubai

Middle East Bunkering Convention focuses on the key issues and challenges faced by the marine fuels sector and wider shipping industry. The convention is aimed at shipowners and operators, bunker supplies and traders, surveyors, agents, maritime lawyers and related service industries. ⁽¹⁾



Middle East Rail 2022 - Abu Dhabi

Middle East Rail, hosted by Etihad Rail brings together the leaders of the transportation community and hosts regional and international government representatives. The event will comprise conference, exhibitions and networking events. ⁽²⁾



Hypermotion Dubai 2022- Dubai

From the latest disruptive digital technology to government operators developing strategic regulations, Hypermotion will explore innovative concepts transforming logistics, freight and mobility in the Middle East and Africa. ⁽³⁾

(1) www.hellenicshippingnews.com (2) www.terrapinn.com. (3) <https://www.eyeofriyadh.com/events/details/hypermotion-dubai-2022> Event dates are as of the date of date of this document and may change.

Select Market Multiples in Global Logistics Market

From our last Logistics Sector publication in September 2021, average EV / LTM EBITDA has increased for the MENA multiple set (+1.9x) and decreased for Emerging and Developed (-1.1x and -0.7x)

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.

Company Name	HQ	Share Price (21 Feb)	Market Cap (21 Feb)	EV (21 Feb)	EV / EBITDA		EV / EBIT	P/E	
					LTM EBITDA	EBITDA +1	LTM EBIT	LTM Earnings	Earnings +1
MENA									
		US\$	US\$m	US\$m					
Agility Public Warehousing Company KSCP	Kuwait	3.4	7,596	9,094	16.2x	19.7x	29.0x	61.3x	24.6x
Gulf Warehousing Company QPSC	Qatar	1.2	724	1,181	9.6x	9.2x	15.0x	11.8x	11.3x
Aramex PJSC	UAE	1.1	1,614	1,713	8.8x	6.7x	18.8x	35.0x	17.6x
Abu Dhabi Ports Company PJSC	UAE	0.9	4,643	5,900	14.7x	NA	21.8x	43.2x	NA
Mean					12.3x	11.8x	21.1x	37.8x	17.8x
Median					12.2x	9.2x	20.3x	39.1x	17.6x
Max					16.2x	19.7x	29.0x	61.3x	24.6x
Min					8.8x	6.7x	15.0x	11.8x	11.3x
Emerging									
Allcargo Logistics Ltd	India	4.6	1,136	1,405	8.2x	9.2x	11.1x	11.6x	15.0x
CTS International Logistics Corp Ltd	China	1.9	2,544	2,522	14.4x	10.6x	14.4x	20.1x	14.7x
ZTO Express (Cayman) Inc	China	30.7	26,252	24,981	22.1x	15.0x	31.5x	37.5x	24.3x
Kerry Express (Thailand) PCL	Thailand	0.7	1,279	1,259	16.7x	14.6x	NM	NM	68.5x
Mean					15.4x	12.4x	19.0x	23.1x	30.6x
Median					15.6x	12.6x	14.4x	20.1x	19.6x
Max					22.1x	15.0x	31.5x	37.5x	68.5x
Min					8.2x	9.2x	11.1x	11.6x	14.7x
Developed									
DFDS AS	Denmark	295.8	2,640	4,695	9.1x	7.0x	23.3x	17.7x	10.8x
KRS Corp	Japan	8.2	208	570	6.6x	6.4x	18.0x	15.0x	14.0x
Sumitomo Warehouse Co Ltd	Japan	18.6	1,538	2,057	7.6x	8.0x	11.2x	10.4x	12.5x
ArcBest Corp	USA	86.9	2,259	2,359	6.0x	4.7x	8.7x	11.1x	8.5x
Clipper Logistics PLC	UK	12.0	1,225	1,525	12.9x	11.6x	27.6x	27.6x	28.2x
Mean					8.4x	7.6x	17.8x	16.4x	14.8x
Median					7.6x	7.0x	18.0x	15.0x	12.5x
Max					12.9x	11.6x	27.6x	27.6x	28.2x
Min					6.0x	4.7x	8.7x	10.4x	8.5x

Market multiples sourced from Refinitiv Eikon. As information correct as of 21 February 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.

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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.

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.



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