



How State-Owned Companies and Private Sector Can Work Harmoniously to Build Integrated Corridor Solutions

Maritime & Transport Business Solutions



Agenda

Introduction to MTBS

Current African Ports and Logistics Landscape

Strategic Corridors & solutions

Recommendations

Introduction to MTBS

Port sector specialists with three strong focus areas

Group
Overview

Value
Proposition



**Port Finance
International**
an MTBS company

Training & Summits



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Finance & Strategy



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Mergers & Acquisitions

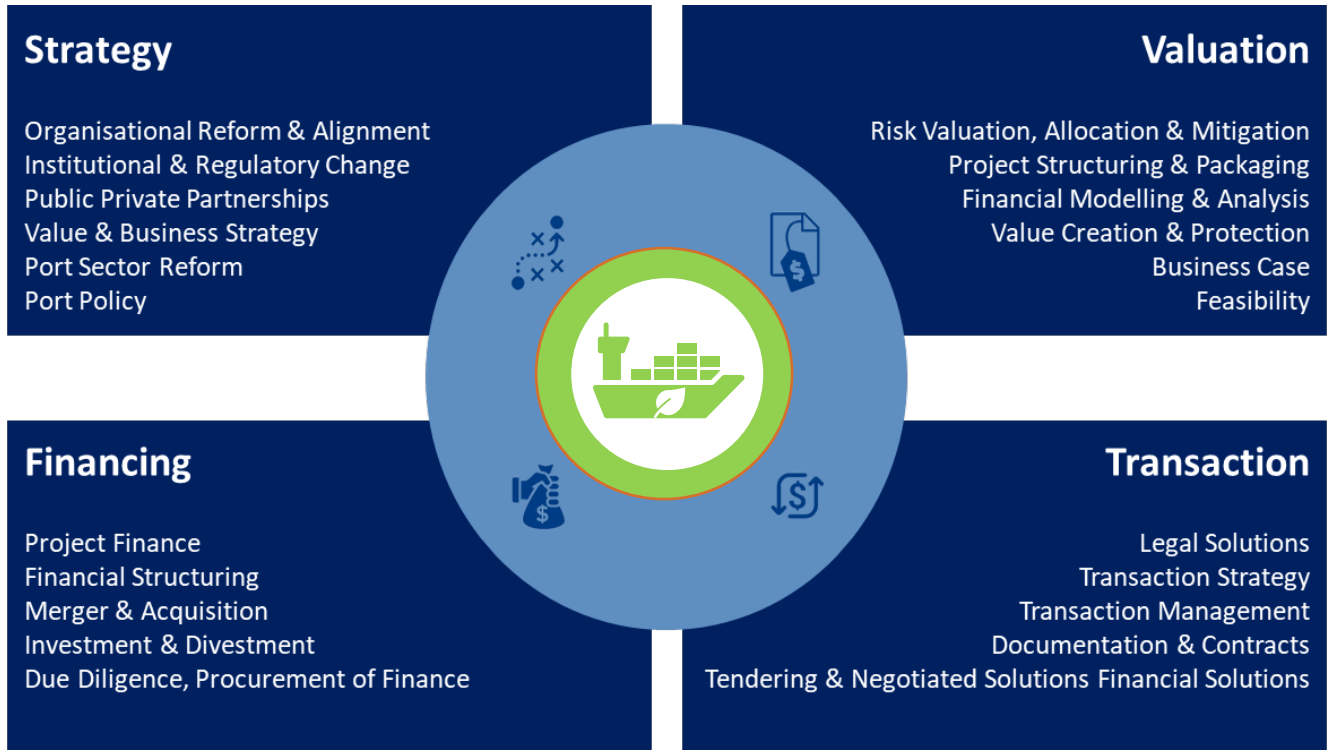
Introduction to MTBS

Our mission is to unlock value in the maritime & transport industries

Group
Overview

Value
Proposition

On the interface of land and water, positioned between public and private interests, ports are the most strategic nodes in the global transport network. Therefore, MTBS Group believes that ports offer a unique value proposition. It is the mission of the MTBS Group to unlock and protect this value by offering its clients entrepreneurial business solutions and creating the quality profits they seek.



Guiding Principles

- Industry Best Practice**
 - Knowledge leadership
 - State-of-the-art techniques
 - Vast international experience
- Creation of Value**
 - Create & protect value
 - Quality profits
 - Entrepreneurial business solutions
- Ease of Implementation**
 - Realization driven
 - Focus on client context
 - Implementable project deliverables



Training & Summits



Finance & Strategy

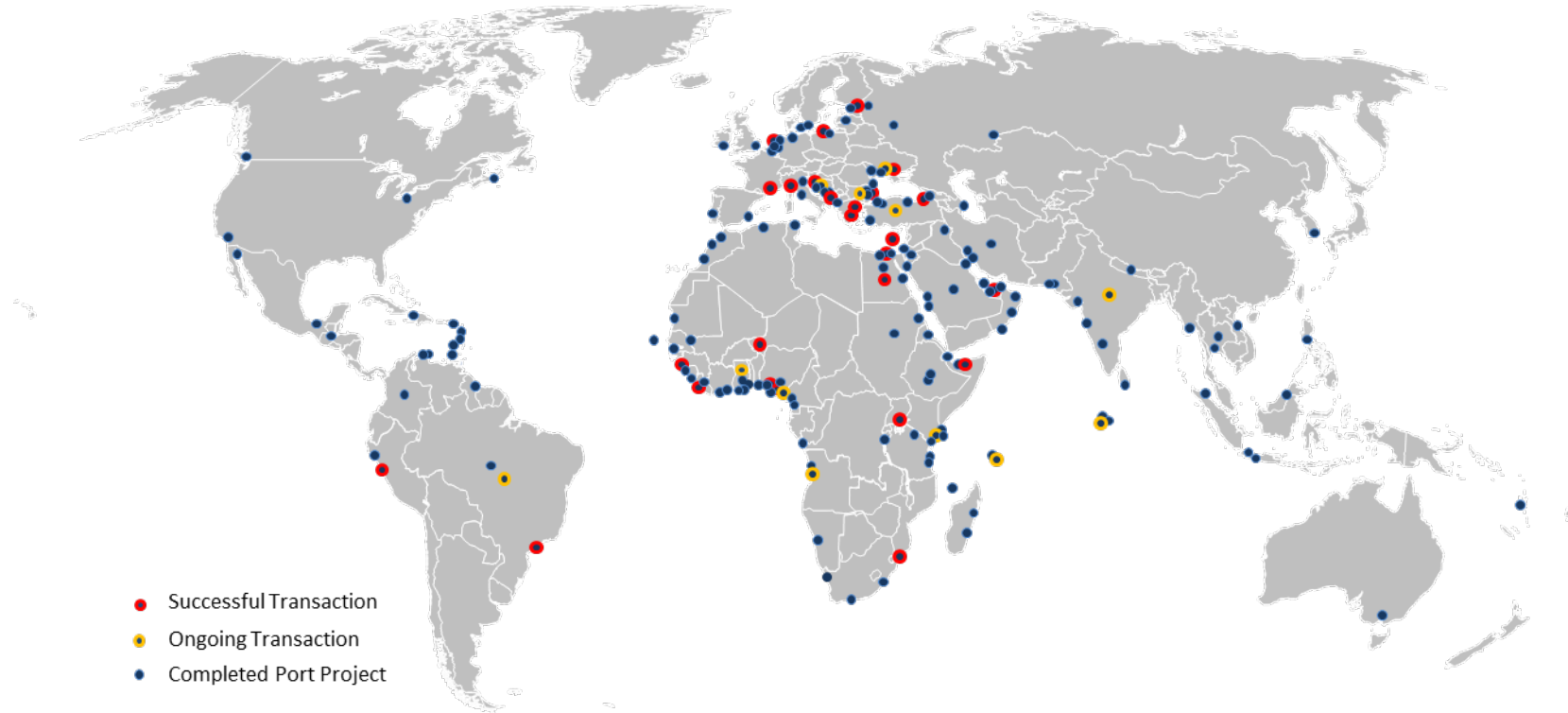


Mergers & Acquisitions



Introduction to MTBS

MTBS Track Record and Extensive Global Experience



Significant Portfolio Size - 50 Port Projects per Year - Diversified Portfolio Background

Broad Client Base - Strong Home Market - International Focus

For more information, please visit www.mtbs.nl/projects



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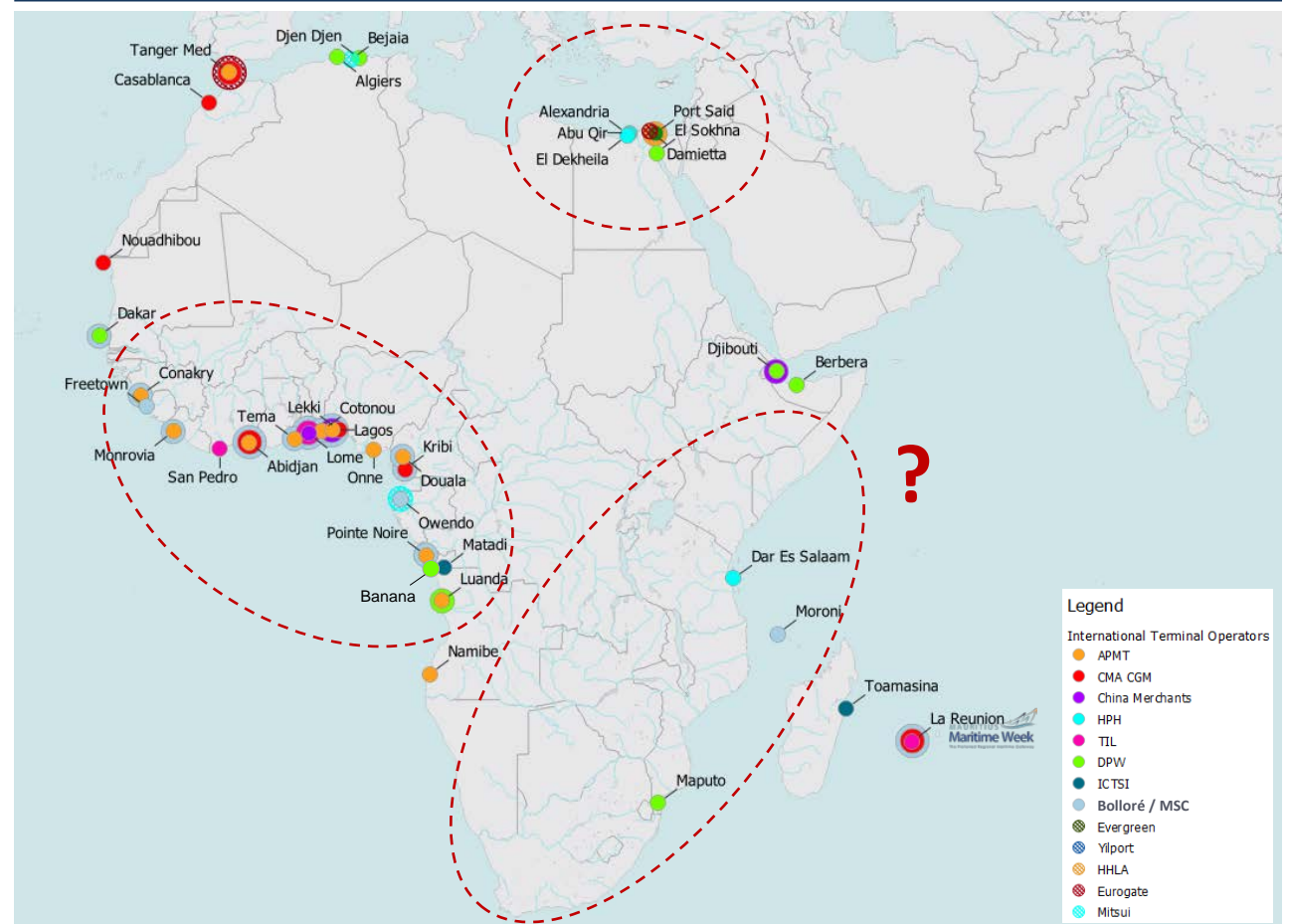
African Container Terminal Transactions

Many ongoing and planned container transactions in Africa

Key Observations

- Large increase of port PPPs on the African continent over the past decades
- High concentration of PPPs in West Africa and Egypt as a result of many sea-access countries and relatively developed economies (West Africa) or its location along key maritime trade route (Egypt – Suez Canal)
- ‘Gaps’ appear in Southern and Eastern Africa, despite devolved economies and the presence of important trade nodes (Cape route)
- However, many ongoing and planned container terminal transactions expected to ‘fill the gap’

Presence of International Terminal Operators in Africa



Note: DP World is locked in dispute with the government of Djibouti over its rights to operate the Doraleh Container Terminal.

Port Sector Analysis

Regional Presence of ITOs – Leading Terminal Operators in Africa

Transnet Port Terminals is the third largest terminal operator by volumes in Africa and therefore plays a critical role in the continent's trade

Key Observations

- Of the top ten global terminal operators (presented in the first table on the right-hand side, by 2020 throughput), only PSA International, COSCO and SSA Marine do not have a presence in Africa. PSA does however own a 20% stake in Hutchison Ports.
- With 31.9% (highest percentage of all global regions) of total 2020 African container throughput being handled by state operators, the African continent is one which provides ample opportunity for international terminal operators to expand their asset base.
- Ports held by Transnet National Ports Authority in its portfolio of terminals are evidently of interest to terminal operators, whether they already have a regional presence or not.
- Handling 30.2% of Africa's total container throughput in 2020, APM Terminals is continent's the largest terminal operator by throughput. Bolloré Ports, with a share of 17.2%, follows in second place.

Largest Terminal Operators

| Rank | Global |
|------|----------------------|
| 1 | China Cosco Shipping |
| 2 | PSA International |
| 3 | APM Terminals |
| 4 | Hutchison Ports |
| 5 | DP World |
| 6 | TIL |
| 7 | China Merchants |
| 8 | CMA CGM |
| 9 | SSA Marine |
| 10 | ICTSI |

Top Ten League Table of Terminal Operators with a Presence in Africa

| Rank | Operator / Owner | % of 2020 Total Throughput in Africa | Location of Main Terminals |
|------|---|--------------------------------------|--|
| 1 |  APM Terminals | 30.2% | Abidjan, Tema, Lagos, Onne, Tanger Med, Pointe Noire etc. |
| 2 |  Bolloré Ports | 17.2% | Abidjan, Tema, Lagos, Cotonou, Libreville, Pointe Noire, Lome etc. |
| 3 |  Transnet National Ports Authority | 14.0% | Durban, Cape Town, Port Elizabeth, East London, Ngqura, etc. |
| 4 |  China Merchants | 8.7% | Lagos, Djibouti, Lome |
| 5 |  CMA CGM | 8.0% | Abidjan, Casablanca, Tanger Med, Nouadhibou, Kribi, Longoni, etc. |
| 6 |  Terminal Investment Limited | 7.8% | Lome, San Pedro, Pointe des Galets, Las Palmas |
| 7 |  Kenya Ports Authority | 4.7% | Mombasa |
| 8 |  DP World | 4.6% | Maputo, Dakar, Algiers, Djen Djen, Berbera |
| 9 | DCTMC | 2.8% | Djibouti |
| 10 |  Marsa Maroc | 2.1% | Casablanca, Agadir |

Source: Drewry Maritime Research

African Container Terminal Transactions

MTBS is lead transaction advisor in all current container terminal tenders in the African ports landscape

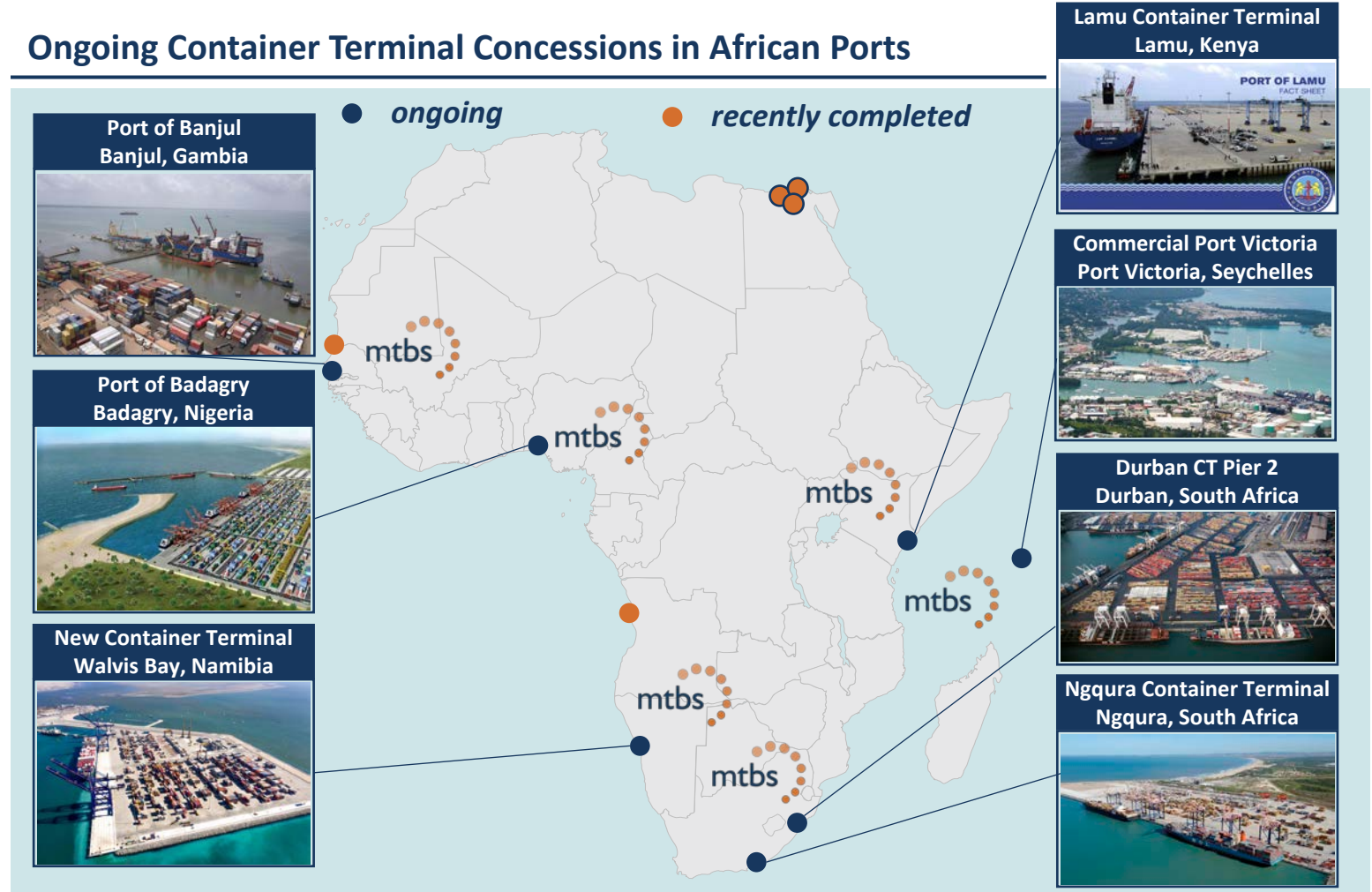
Key Observations

- Expectation is that we will see **increased port M&A activities**
- Many developments that will **alter the competitive ports landscape in Africa.**

Recently completed PPP transactions:

- Damietta (Eurogate) – *May 2022*
- Ndayane Senegal (DP World) – *Jan 2022*
- Port of Luanda (DP World) – *March 2021*
- Alexandria (CMA Terminals) – *Jan 2021*
- Abu Qir (Hutchison) – *Aug 2020*

Ongoing Container Terminal Concessions in African Ports





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Transport Corridor Analysis

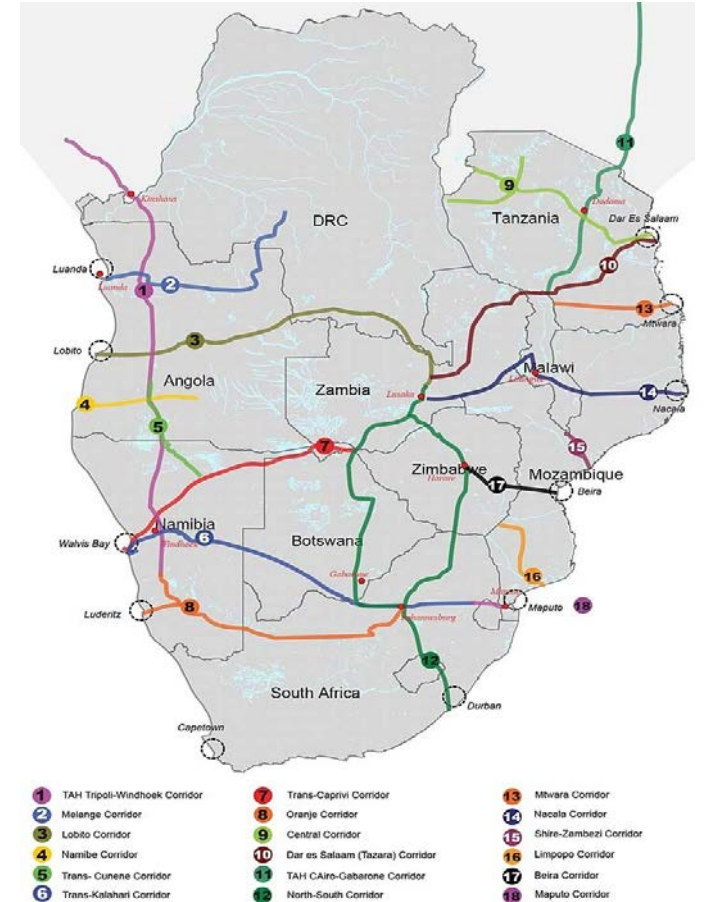
Hinterland Connectivity – Main Regional Port Corridors

The North South Corridor is the most dominant corridor in the Sub-Saharan region and starts in the Port of Durban

Key Observations

- The Port of Durban competes with the ports of Dar Es Salaam, Walvis Bay, Nacala, Beira, Maputo, and Cape Town for the same hinterland markets. The landlocked countries in the SADC region can be served by several transport corridors.
- One of those corridors is the Durban North South Corridor. This corridor links Durban and the inland dry-port of City-Deep in the Gauteng region to Lubumbashi in the DRC, by a network of road and rail systems that go through Botswana, Zimbabwe, Malawi, Zambia and Mozambique. The rail network stretches over 3,000 km.
- According to the United States International Development Agency (USAID), the Durban Corridor competes primarily for the hinterland of Zimbabwe, Malawi and Zambia with the following corridors:
 - The **Dar Es Salaam Corridor** connects the port of Dar Es Salaam to Kolwezi (DRC) via Zambia and Malawi by a regional road network. There is a regional rail system (Tazara) that links the port of Dar Es Salaam with Zambia and the DRC;
 - The **Beira Corridor** links the port of Beira in central Mozambique to Kolwezi in the DRC, via Zimbabwe, Zambia, and Malawi by a regional road network. Furthermore, the Beira Corridor consists of a rail network linking Mozambique to Zimbabwe and Malawi;
 - The **Nacala Corridor** consists of a rail network linking Northern Mozambique with Malawi and Zambia, and a road network that serves Malawi, Zambia, and Southern DRC;
 - The **Walvis Bay Corridor** links the port of Walvis Bay to Kolwezi in the DRC. Therefore, Zambia and the DRC are linked by a regional road network;
- The market share by transport corridor for all transit cargo (including country to country transit volumes) was most significant for the Durban North South Corridor (47%), followed by Dar Es Salaam (31%), Beira (16%), Walvis Bay (4%) and Nacala (2%) in 2016. International transit cargo (transit cargo flowing through maritime ports) market share by transport corridor was as follows: Beira (35%), Dar Es Salaam (29%), Durban North South (29%), Walvis Bay (4%), and Nacala (3%) (USAID, 2019).

Overview Transport Corridors



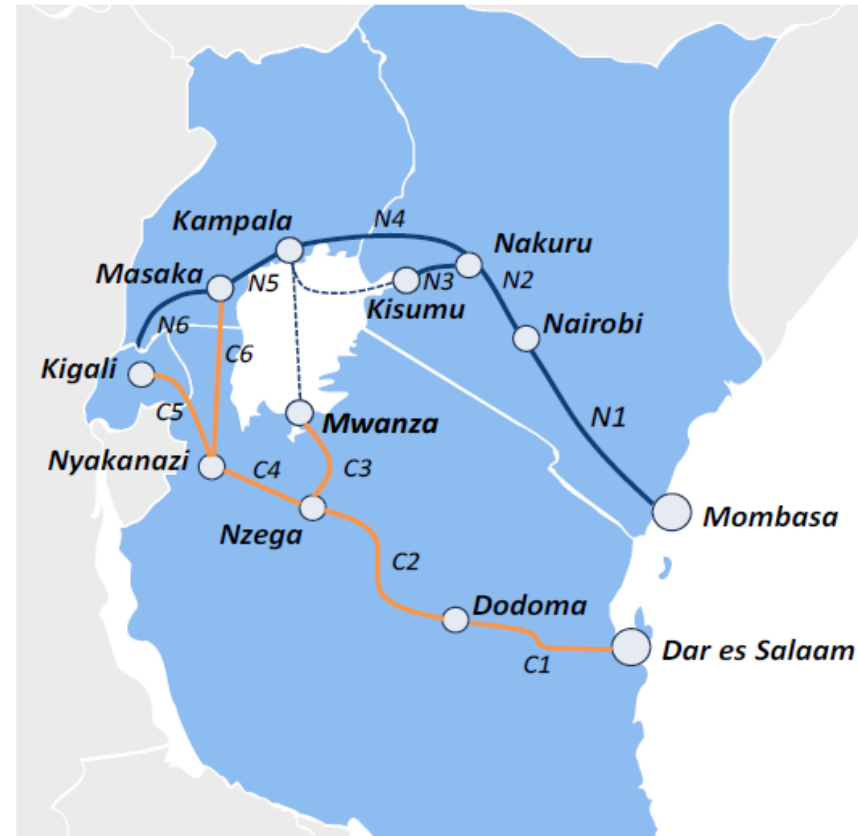
Source: Byiers, B., and J. Vanheukelom (2014)

Corridors in East Africa

This larger freight flow is explained by Kenya having a larger cargo volume base and the Northern Corridor proves to be more competitive both from a cost and time perspective.

Figure: Volume Transported in million tons per Corridor Segment – Northern and Central Corridor

| Northern Corridor | | 2020 | 2040 |
|-------------------|------------------------|------|------|
| N1 | Mombasa – Nairobi | 25.8 | 66.1 |
| N2 | Nairobi – Nakuru | 20.2 | 53.1 |
| N3 | Nakuru – Kisumu | 3.1 | 7.2 |
| N4 | Nakuru – Kampala | 12.8 | 36.5 |
| N5 | Kampala – Masaka | 3.9 | 12.5 |
| N6 | Masaka – Kigali | 2.3 | 7.8 |
| Central Corridor | | 2020 | 2040 |
| C1 | Dar es Salaam – Dodoma | 9.7 | 26.8 |
| C2 | Dodoma – Nzega | 6.4 | 18.3 |
| C3 | Nzega – Mwanza | 1.0 | 2.6 |
| C4 | Nzega – Nyakanazi | 4.0 | 12.2 |
| C5 | Nyakanazi – Kigali | 2.0 | 6.4 |
| C6 | Nyakanazi – Kampala | 1.1 | 3.3 |

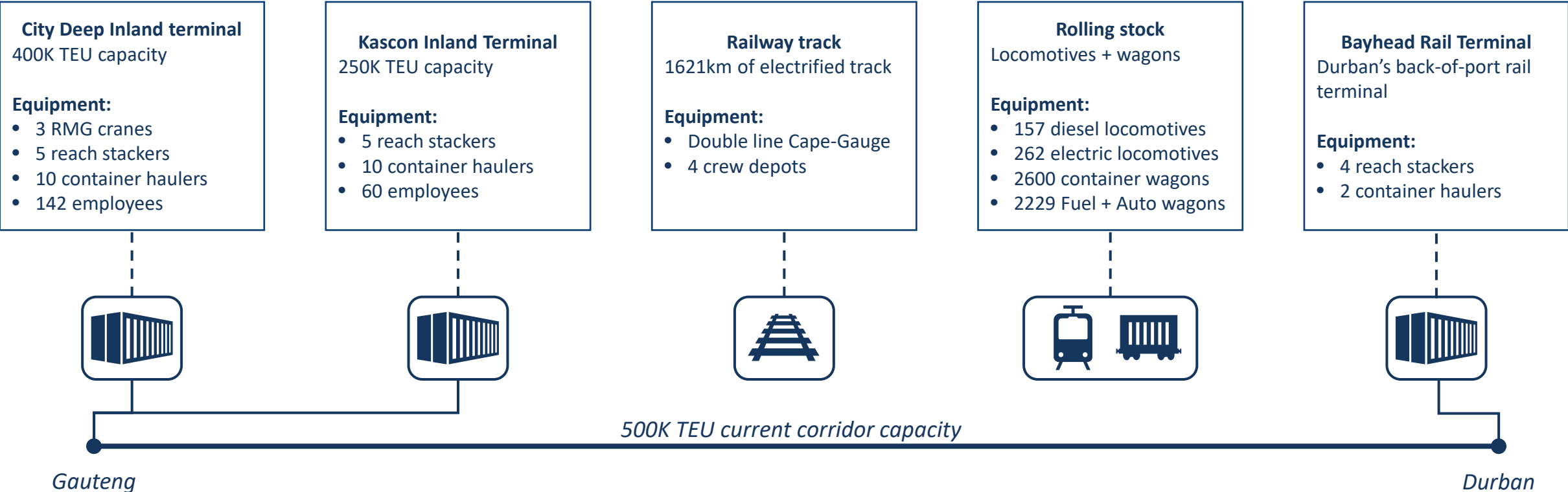


Source: MTBS

MTBS is currently supporting a consortium of Global and local players to bid for the Durban Container Corridor in South Africa

Project assets comprise infrastructure and equipment of both the railway operation and 3 hinterland container terminals

Transaction assets



Globally the Private and Public sector are working harmoniously together for corridor solutions which is slowly starting to spread into the African continent

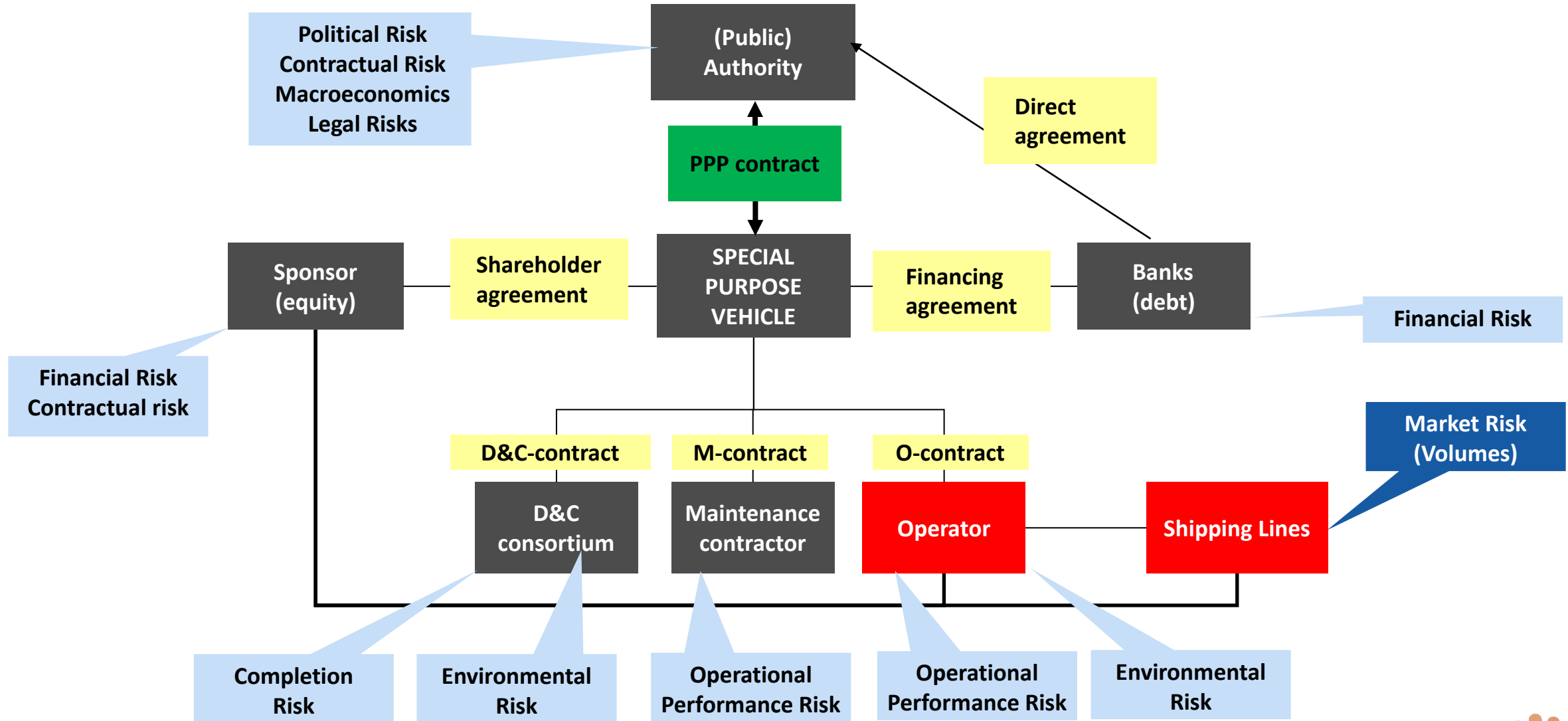
Regional bodies like PA's, SARA and PMAESA are playing critical roles in achieving this.

- ✓ **For the European Union**, for example, 37 per cent of exchanges involve transit through seaports.
- ✓ To facilitate these, and bring additional stakeholders to the scene, **governments and private companies** have been creating new corridors, inland ports and logistical zones.
- ✓ **In Europe**, for example, rail or barge services have dedicated inland ports. In North America, on the other hand, port authorities tend to set up logistical zones in adjacent areas. **Hinterland connections** typically involve intermodal transport.
- ✓ **For Tanger Med, Morocco**, for example, securing intermodal connections has boosted import-export traffic while also attracting export-oriented industries.
- ✓ **Intermodal and hinterland transportation** tends to be coordinated along inland corridors which together with maritime corridors form the main arteries of world trade.
- ✓ Intermodal corridors that involve rail, barge and inland terminals **require considerable coordination and cooperation**.
- ✓ **UNCTAD's Corridor Performance Programme** helps countries analyse costs, times, and distances.
- ✓ For Africa, we need more port and rail authorities to work more closely :
 - Approved integrated port rail masterplans between countries
 - Cross Border transport agreements with tangible projects
 - Co-ordinating authorities / bodies for cross border rail transport



Typical African Corridor Transaction Example

Best practice: risks balanced by allocating between public and private parties





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Lessons learnt: need of innovative custom-made PPP structures

Choosing the optimal port management model and corresponding PPP structure for port, rail or an integrated solution

Tailored PPPs consider market dynamics whereas standard PPP structures and procedures do not guarantee success

- **No one-size-fits-all**
 - Each PPP Contract is a unique arrangement, tailored to the risk management capabilities of the Grantor and the Concessionaire
- **Risk-adjusted returns**
 - Focus on returns, without adjustment for risks, leads to sub-optimal PPP contract design
- **Involve the private sector in an early stage. Assess the market interest and use it as input for defining the right PPP Contract**
 - Requirements of potential co-investors should be assessed prior to the start of a transaction



Respond to the relevant market dynamics, for example through market consultations among interested parties

Recommendations for a successful Corridor solution / tender

Based on numerous experiences of tender processes worldwide

- ✓ **National port and rail master plans: Capacity management & sequencing**
- ✓ **Transaction to be carried out by credible and fully authorized concessioning port authority**
- ✓ **Tender should be business case driven. Focus on long term value rather than closing the deal. Focus on Bankability.**
- ✓ **Competitive dialogue procedure creates most value: early involvement of bidders, towards a balanced contract**
- ✓ **Feasible business case for both the port authority and terminal operator translated into valuable concession contract**
- ✓ **Concession contract: valuable, bankable and enforceable**
- ✓ **Transaction preparation phase is crucial:**
 - Transaction structuring: valuation, risk allocations and value engineering, documentation
 - Transaction management: first time right and commit to timelines

Thank you

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Maputo Corridor Analysis

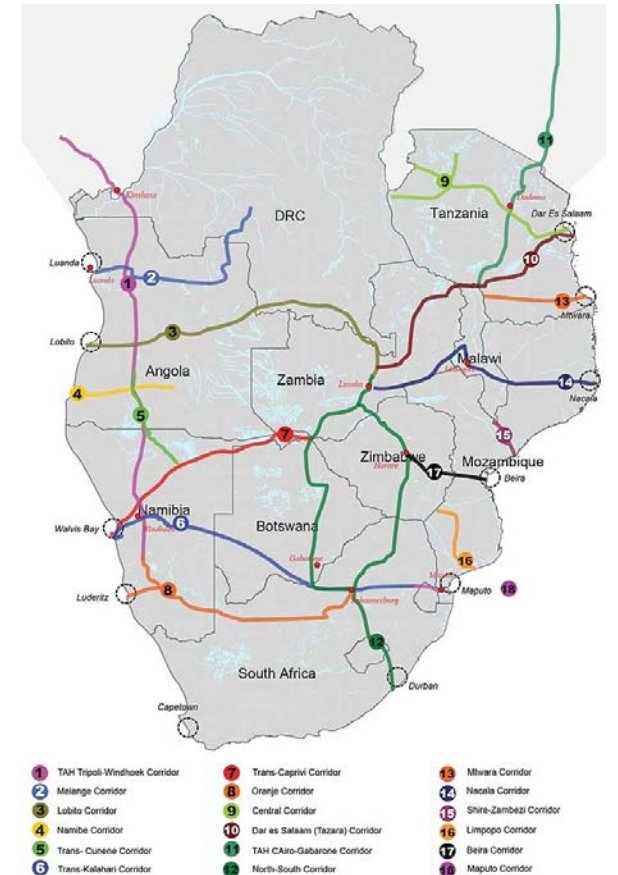
Hinterland Connectivity – Main Regional Port Corridors

The Maputo Corridor is a relatively short, but extremely important trade corridor

Key Observations

- Other transport corridors in the Sub-Saharan region are, amongst others:
 - The Maputo Corridor, connecting Maputo to the Gauteng region via rail and road. It also connects the landlocked region of the northern South African Mpumalanga and Limpopo provinces to the Port of Maputo. The Mpumalanga province accounts for 76% of South Africa’s coal mining output, which is primarily transported, via the corridor, to the Port of Maputo. The key elements of the corridor are the N4 toll road, the rail corridor, the Lebombo/Ressano Garcia border post, and the port and terminal facilities at the Port of Maputo. It is a relatively short corridor, comprising of 590 km by roads from Johannesburg, and 581 km by rail. However, it is an extremely busy trade corridor.
 - The Maputo Corridor is connected with the Trans-Kalahari Corridor. The Trans-Kalahari Corridor provides an onwards connection to the Port of Walvis Bay in Namibia.
 - The Oranje Corridor links the port of Lüderitz and Walvis Bay to South Africa’s Northern Cape Province. The benefit of the Trans-Oranje Corridor is to serve the mines in the Northern Cape in South Africa via the ports in Namibia, as capacity in ports close the South African mines are limited. The Port of Lüderitz is positioning itself as a full-trade facilitator of the Trans-Oranje Corridor with a firm volume commitment of 1 M tons per annum (Namport, 2021).
 - The North-South Corridor is a combination of the Durban North South Corridor and the Dar Es Salaam (Central) Corridor.

Overview Transport Corridors



Source: Byiers, B., and J. Vanheukelom (2014)