

Regional Port Developments and Market Outlook



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INTRODUCTION

What's happening - Globally



- Tonnage oversupply and cascading, reshaping of alliances



- IMO Sulphur Cap and LNG implications for Bunkering and Trade routing



- Pressure on terminal operators to upgrade facilities and provide high service levels

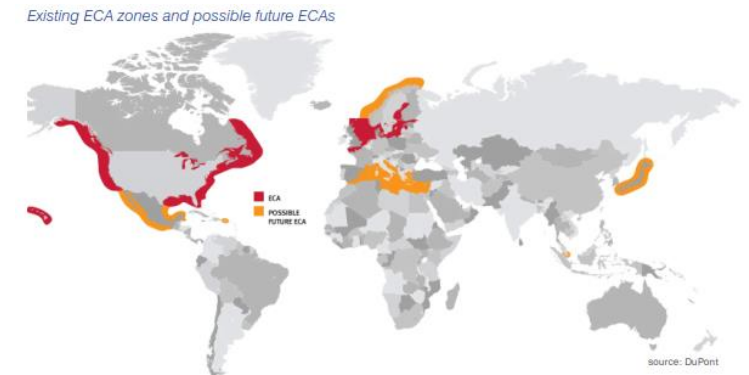


- Port authorities reshaping less competitive infrastructure



- Trade tariffs creating uncertainty

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GULF REGIONAL MARKET

Current Issues Impacting International Shipping - Middle East



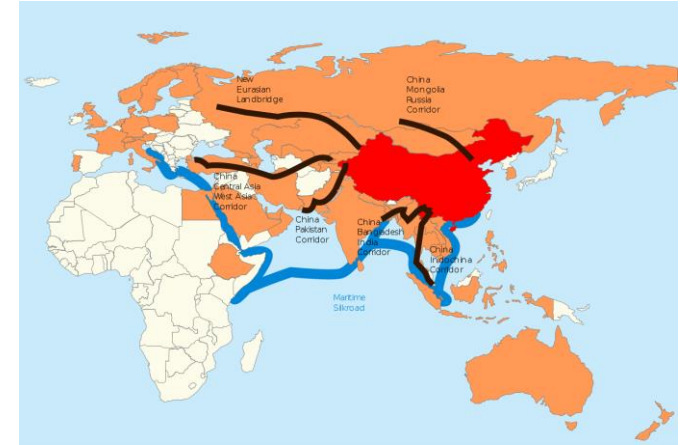
Politics

- Continued diversification of economies
- Regional political tensions: Iran, Qatar, Yemen
- Belt and Road initiative



Economics

- Petrochemicals most significant share of traded cargo
- Containers increasing share of port throughput
- Transshipment hub expansions along Suez Canal/Red Sea
- Development of Saudi Landbridge and GCC rail system
- IMO new sulphur cap impact on routing
- Bunkering in Gulf region



GULF REGION SUMMARY

Country	Investment Condition	Major Container Ports	Container Port Developments	Latest Volume (TEUs)	Comments
Bahrain	B2 / Stable	1: Khalifa bin Salman	Nil	400,000	
Iran	Withdrawn	2: Bandar Abbas (Shahid Rajaei), Bandar Khomeini	Shahid Beheshti by Indian interests	2,130,000	Ongoing sanctions
Iraq	Caa1 / Stable	1: Umm Qasr	Umm Qasr ongoing	540,000	Aqaba alternative possible for north region
KSA	A1 / Stable	3: KAP, JIP, Dammam, Jubail	KAP ongoing, JIP and SGP Dammam possible	5,736,000	North Red Sea site (Duba?) could support resort developments (Neom)
Kuwait	Aa2 / Stable	2: Shuwaikh, Shuaiba	Boubyan likely	1,230,000	
Oman	Baa3 / Negative	2: Sohar, Salalah	Duqm, Sohar likely	4,785,000	Fujairah and Sohar may compete
Qatar	Aa3 / Stable	1: Hamad	Hamad ongoing	776,000	Political issues have forced some diversification
UAE	Aa2 / Stable	4: Mina Khalifa, Jebel Ali, Ajman, Khorfakkan	Khalifa , Jebel Ali and Fujairah ongoing, Ajman and RAK likely	20,600,000	Fujairah and Sohar may compete
Yemen	Unstable	1: Aden	Nil	270,000	Post conflict investment possible

GULF PORT OVERVIEW + DEVELOPMENTS

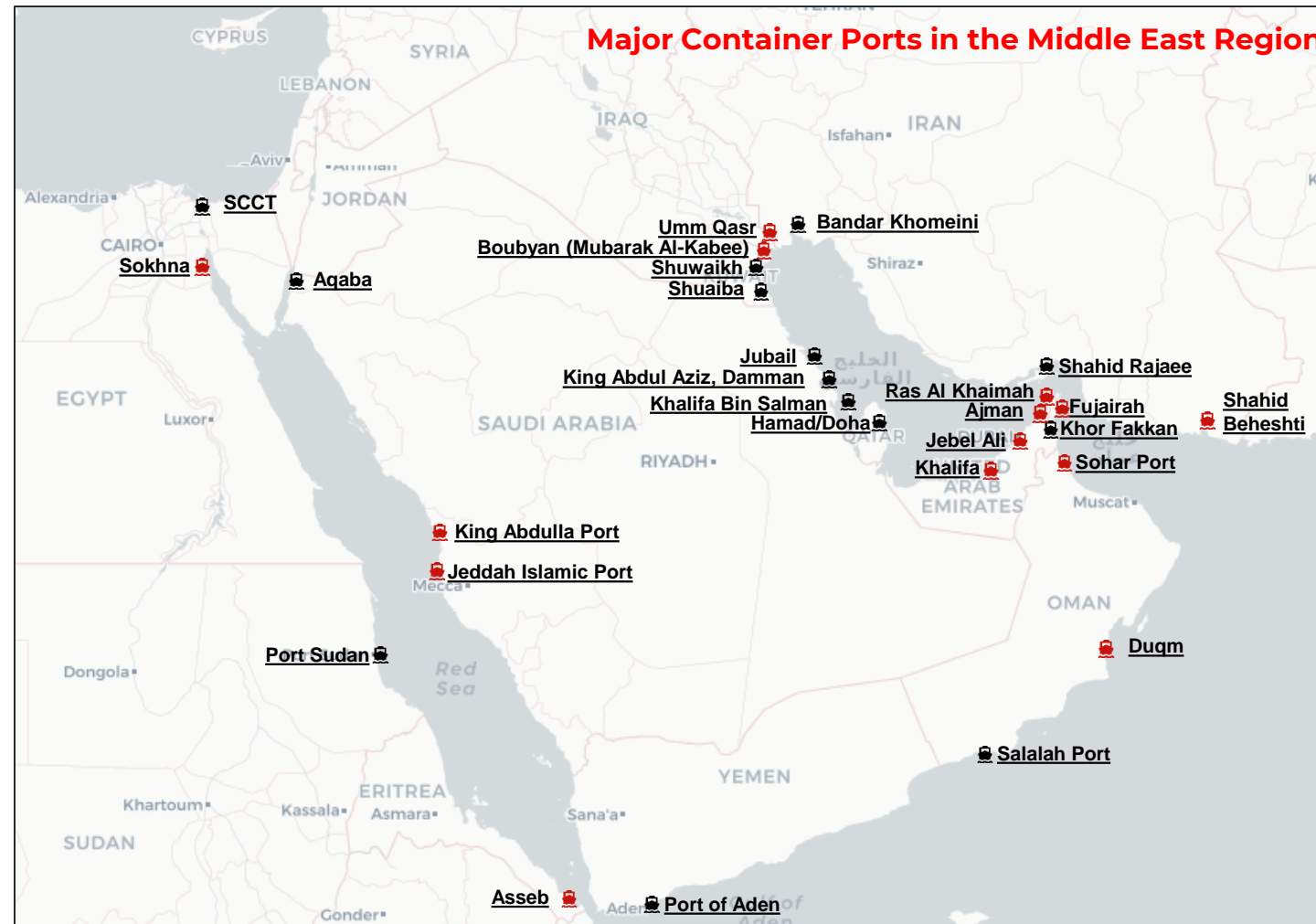
Port Development plans:

Jeddah Islamic Port (KSA)
 Terminal developments
King Abdullah Port (KSA)
 Continued development
Khalifa (UAE – Abu Dhabi)
 MSC and CSP investing in container terminals
Jebel Ali (UAE – Dubai)
 Terminals 4 & 5
Ajman (UAE – Ajman)
 Offshore terminal development
RAK & UAQ (UAE)
 Container development
Fujairah (UAE – Fuj)
 Terminal redevelopment
Boubyan (Mubarak Al-Kabee) (Kuwait)
 New port development
Umm Qasr (Iraq)
 Continued development by various operators
Sohar (Oman)
 North and South Basins
Duqm (Oman)
 CT development
Shahid Beheshti (Iran)
 Terminal development
Sokhna (Egypt)
 Expansion
Asseb (Eritrea)
 Development

Ports:

- *Shahid Rajaee* (Iran)
- *Bandar Khomeini* (Iran)
- *Shuaiba* (Kuwait)
- *Shuwaikh* (Kuwait)
- *Jubail* (Saudi Arabia)
- *King Abdulaziz, Damman* (Saudi Arabia)
- *Khalifa Bin Salman Port* (Bahrain)
- *Hamad/Doha* (Qatar)
- *Khor Fakkan* (Oman)
- *Salalah Port* (Oman)
- *Port of Aden* (Yemen)
- *Port of Sudan* (Sudan)
- *SCCT* (Egypt)
- *Aqaba* (Jordan)

Major Container Ports in the Middle East Region

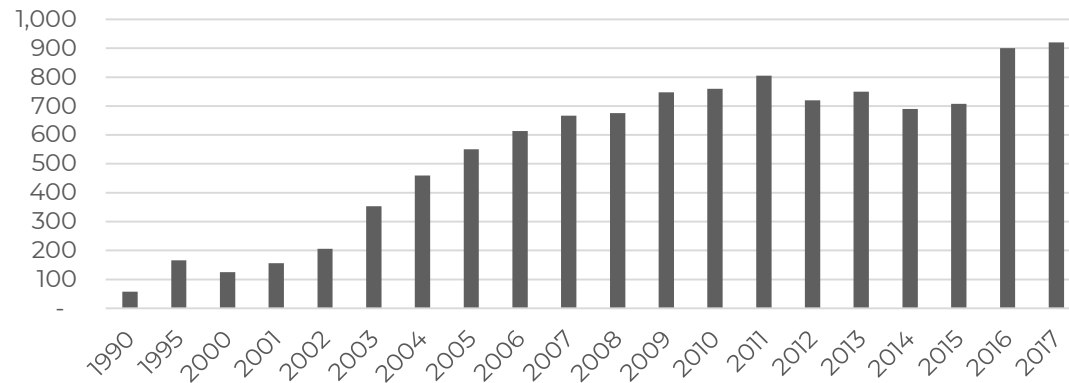


Djibouti & Berbera

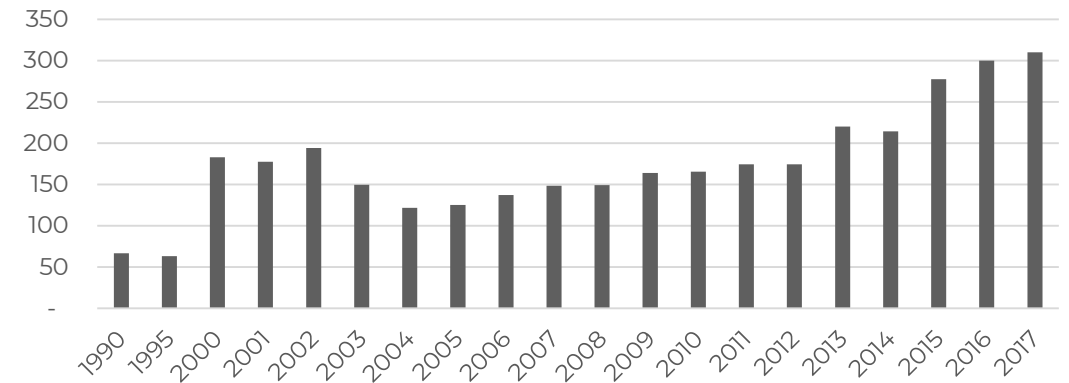
GULF CONTAINER HISTORICAL DEMAND

Kuwait, Bahrain, and Qatar total annual container throughput ('000) TEU

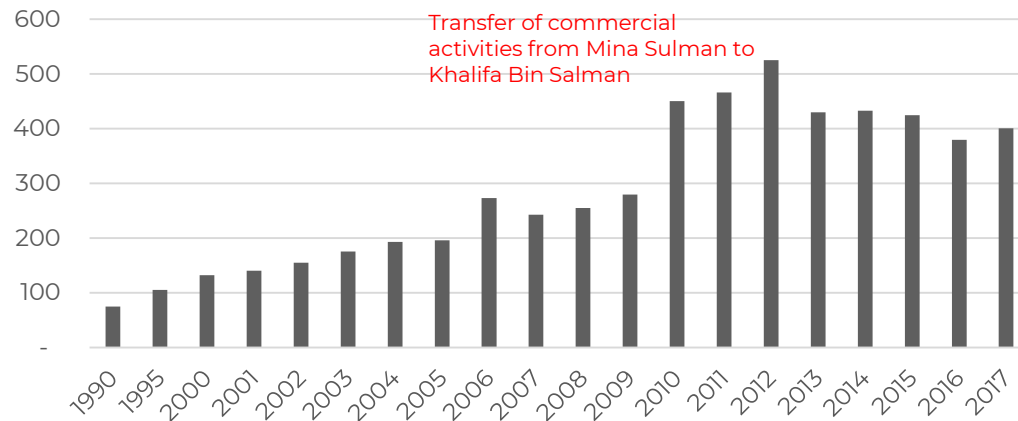
Shuwaikh – Kuwait



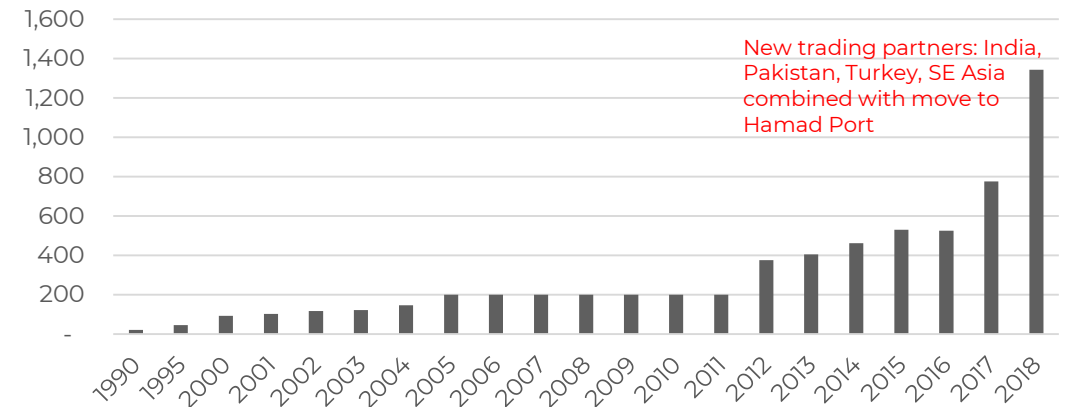
Shuaiba – Kuwait



Mina Sulman now Khalifa Bin Salman – Bahrain



Hamad / Doha – Qatar

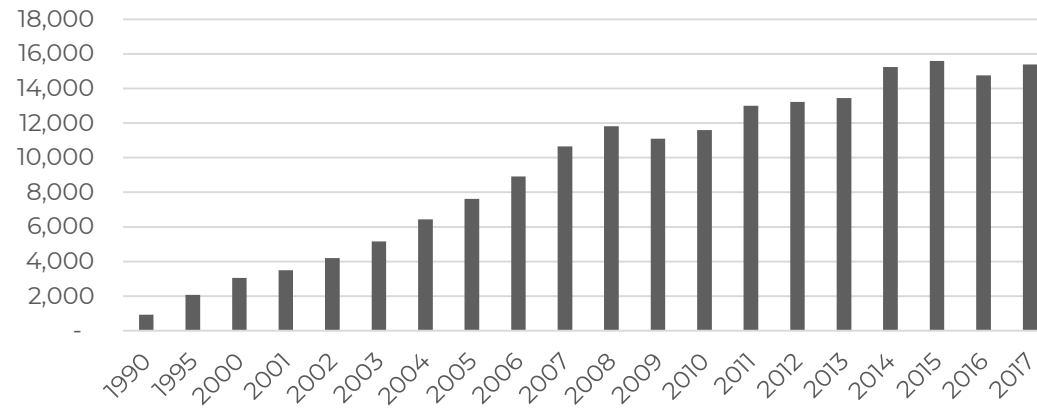


Source: Port Authorities, Shipping reports, WSP estimates used if gap in data (based on World Bank figures)

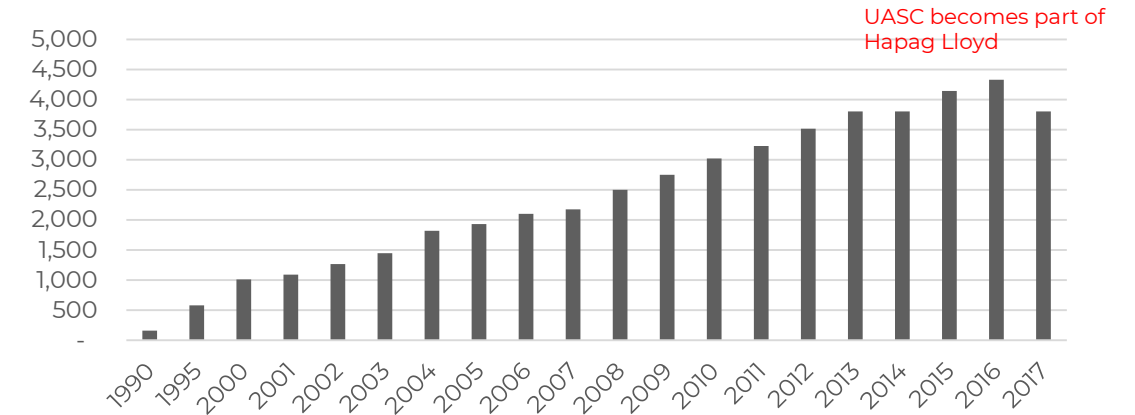
GULF CONTAINER HISTORICAL DEMAND

UAE total annual container throughput ('000) TEU

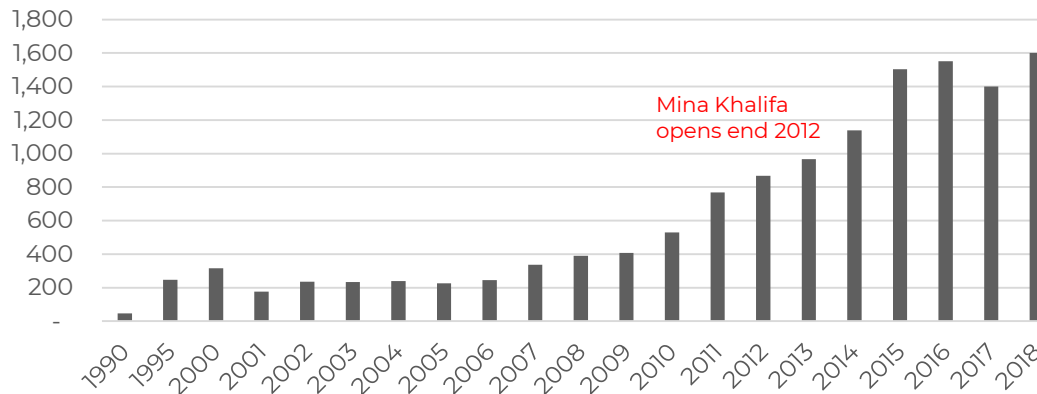
Jebel Ali/Port Rashid – Dubai



Khor Fakkan – Dubai



Khalifa (formerly Mina Zayed) – Abu Dhabi



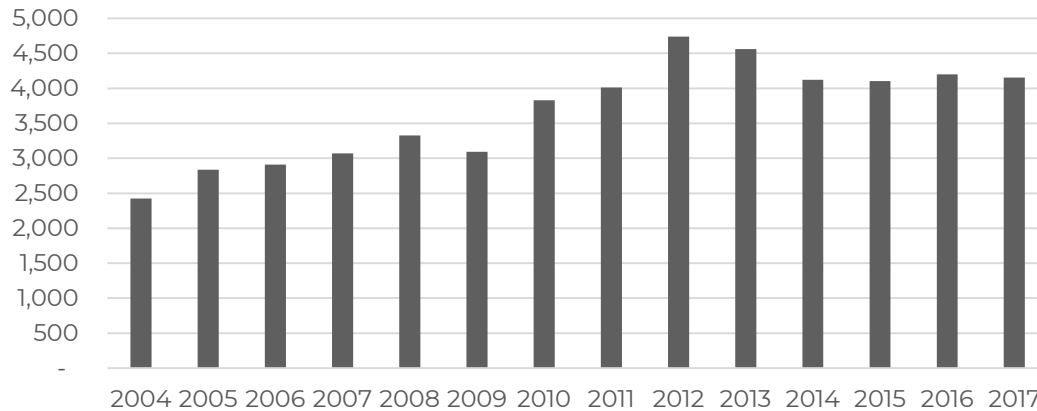
UAE Market leader developments

- UAE development of Mina Khalifa ongoing (South Quay & Foreshore) projects plus:
 - MSC investing in CT1 (ADT) at Mina Khalifa
 - COSCO opened CT2 at Mina Khalifa
- AD Ports developing Fujairah
- Likely developments at Ajman, RAK and UAQ (UAE) by HPH
- Continued development of CT4 & 5 at Jebel Ali by DP World

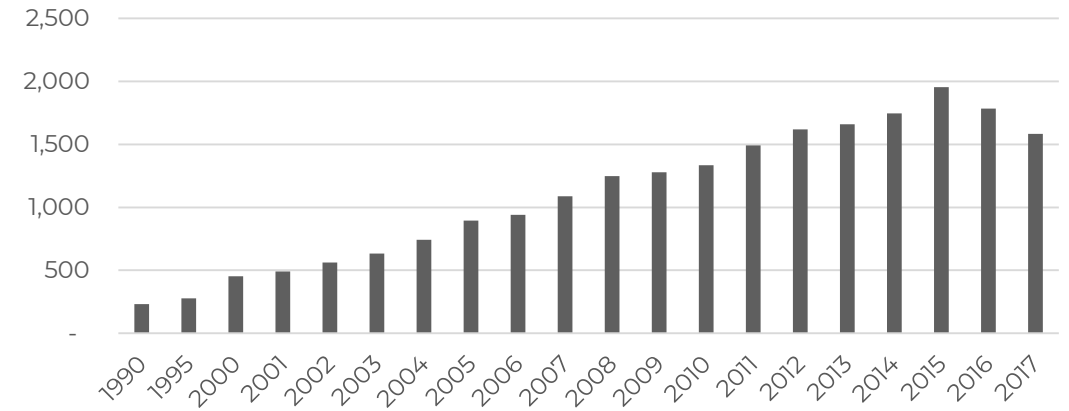
GULF CONTAINER HISTORICAL DEMAND

Kingdom of Saudi Arabia (KSA) annual container throughput ('000) TEU

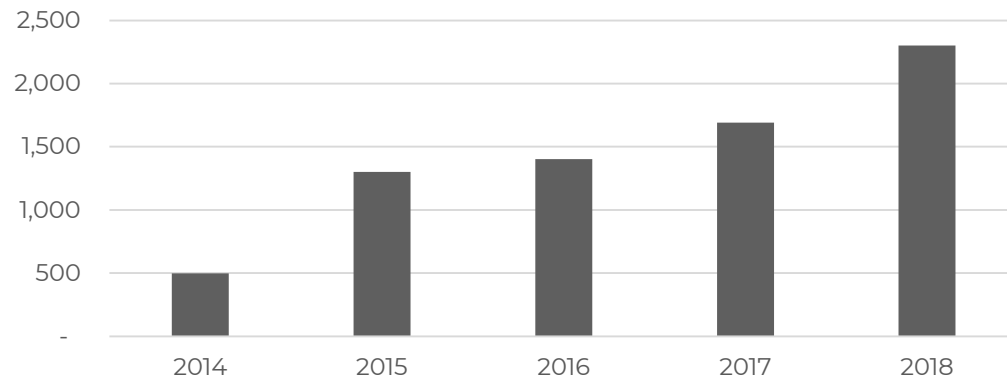
Jeddah Islamic Port – Saudi Arabia



Dammam / King Abdulaziz – Saudi Arabia



King Abdulla Port – Saudi Arabia



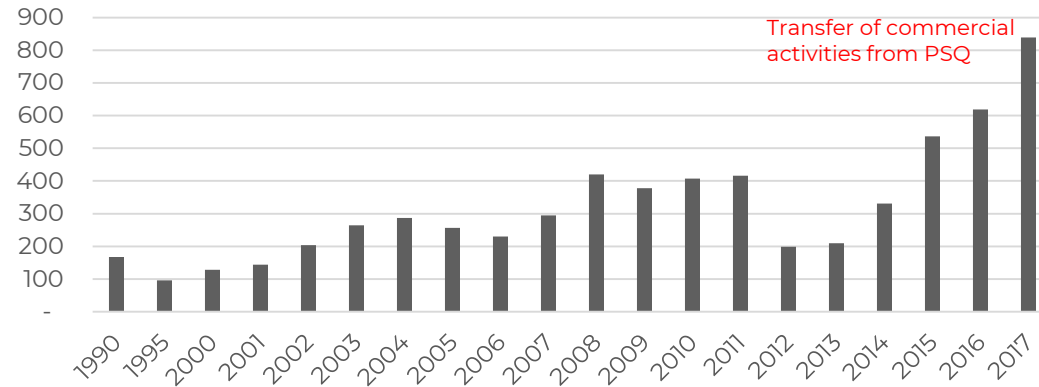
- West Saudi Arabia strong growth of King Abdulla Port (KAP) built in 2013
- Market share on East Saudi losing out/stalling as competition increases

Source: Port Authorities, Shipping reports, WSP estimates used if gap in data (based on World Bank figures)

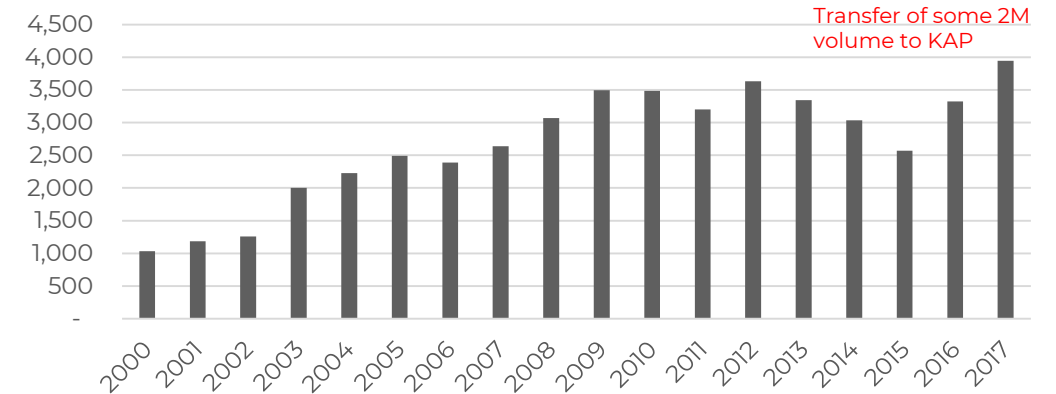
GULF CONTAINER HISTORICAL DEMAND

Oman total annual container throughput ('000) TEU

Sohar – Oman
Transitioned from Qaboo (Muscat) *volumes combined



Salalah – Oman



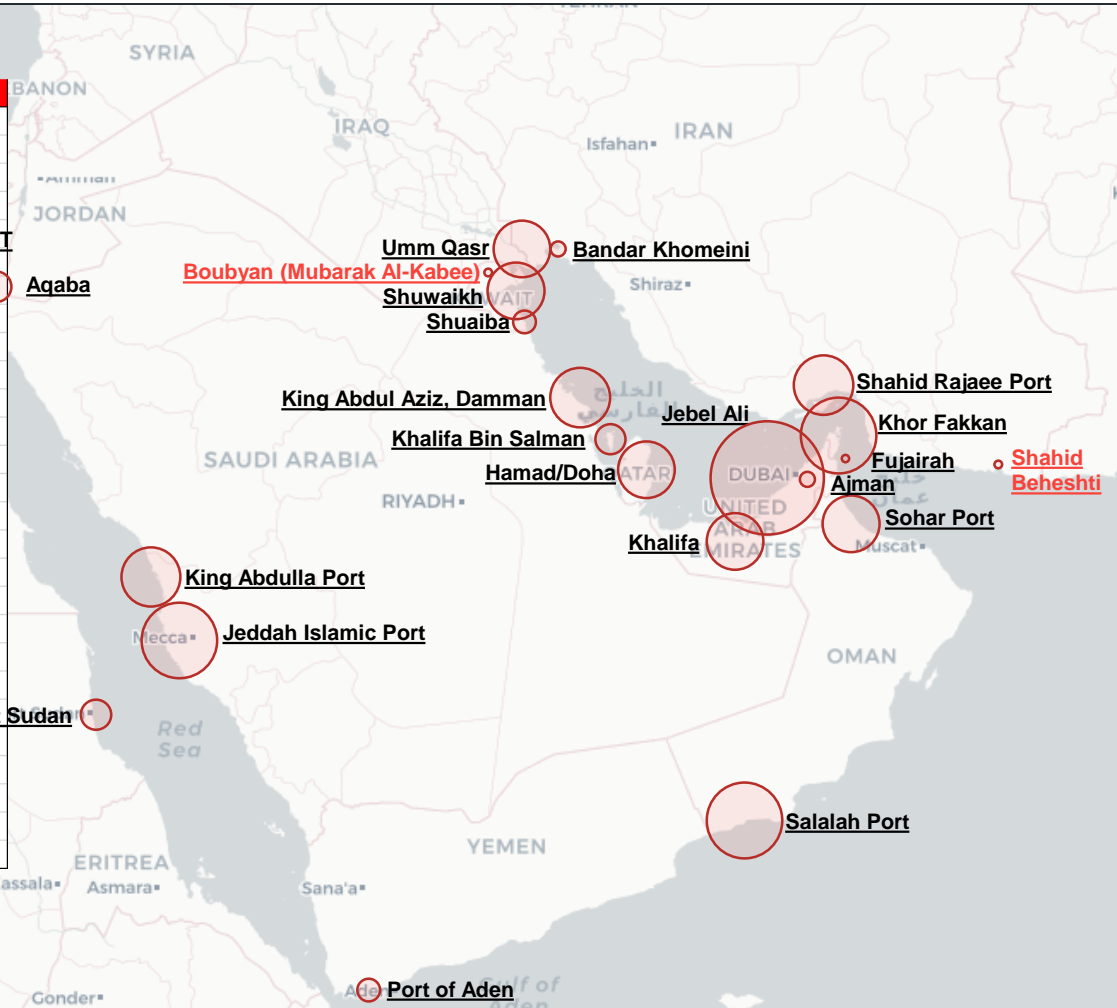
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- The development of Sohar has encouraged larger ships making direct calls.



REGIONAL DEMAND OVERVIEW

Size of Container Ports in the Middle East Region





Terminal	Location	CT Operator	Comment
Jebel Ali	UAE	DP World	
Khorfakkan	UAE	Gulftainer	
Mina Khalifa	UAE	AD Ports	
Fujairah	UAE	AD Ports	
Ajman (HAJT)	UAE	HPH	Also RAK & UAQ
Khalifa bin Salman	Bahrain	APMT	
Bandar Khomeini	Iran	Govt	
Shahid Rajaee	Iran	Govt	
Shahid Beheshti	Iran	Indian interests	
Umm Qasr	Iraq	HPH, TIL, ICTSI & Gulftainer	
King Abdullah Port	KSA	NCT	NPS & TIL
Jeddah Islamic Port	KSA	DP World, Gulftainer & RSGT	
Dammam	KSA	IPS & SGP	HPH & PSA
Jubail	KSA	Gulftainer	
Shuaiba	Kuwait	Govt	
Shuwaikh	Kuwait	Govt	
Sohar (OICT)	Oman	HPH	SIPC includes Port of Rotterdam interests
Salalah Port	Oman	APMT	
Hamad Port	Qatar	Q Terminals	Effectively Govt
Port of Sudan (SPCT)	Sudan	ICTSI announced	
Port of Aden	Yemen	Govt	
Suez Canal Container Terminal	Egypt	APMT	
Sokhna Port	Egypt	DP World	
Aqaba Port	Jordan	APMT	
Port of Asseb	Eritrea	Govt	
Djibouti Port	Djibouti	DP World (?), China Merchants	
Berbera Port	Somaliland	DP World	








MARKET OUTLOOK

		Overall investmen t activity	Regions	Commodities	Issues
	Independent global port operators	high	<u>interest in emerging markets & inland distribution</u>	diversified interest	no secured cargo / riskier attracting financing under competitive conditions global brand difficult for non- containers
	Strategic terminal operators/investors (possibly linked to shipping line)	high	<u>along East-West main trade lane</u>	mainly containers	high valuations with unsure returns

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	Strategic terminal operators/investors (possibly linked to shipping line)	high	<u>along East-West main trade lane</u>	mainly containers	high valuations with unsure returns
	Financial investors / infrastructure funds	medium	<u>established markets</u>	containers, oil and portfolios	<u>limited industry knowledge and risk averse</u>
	Mixed consortia	medium	<u>established markets</u>	mainly containers, oil and portfolios	good mix of expertise but difficult to align

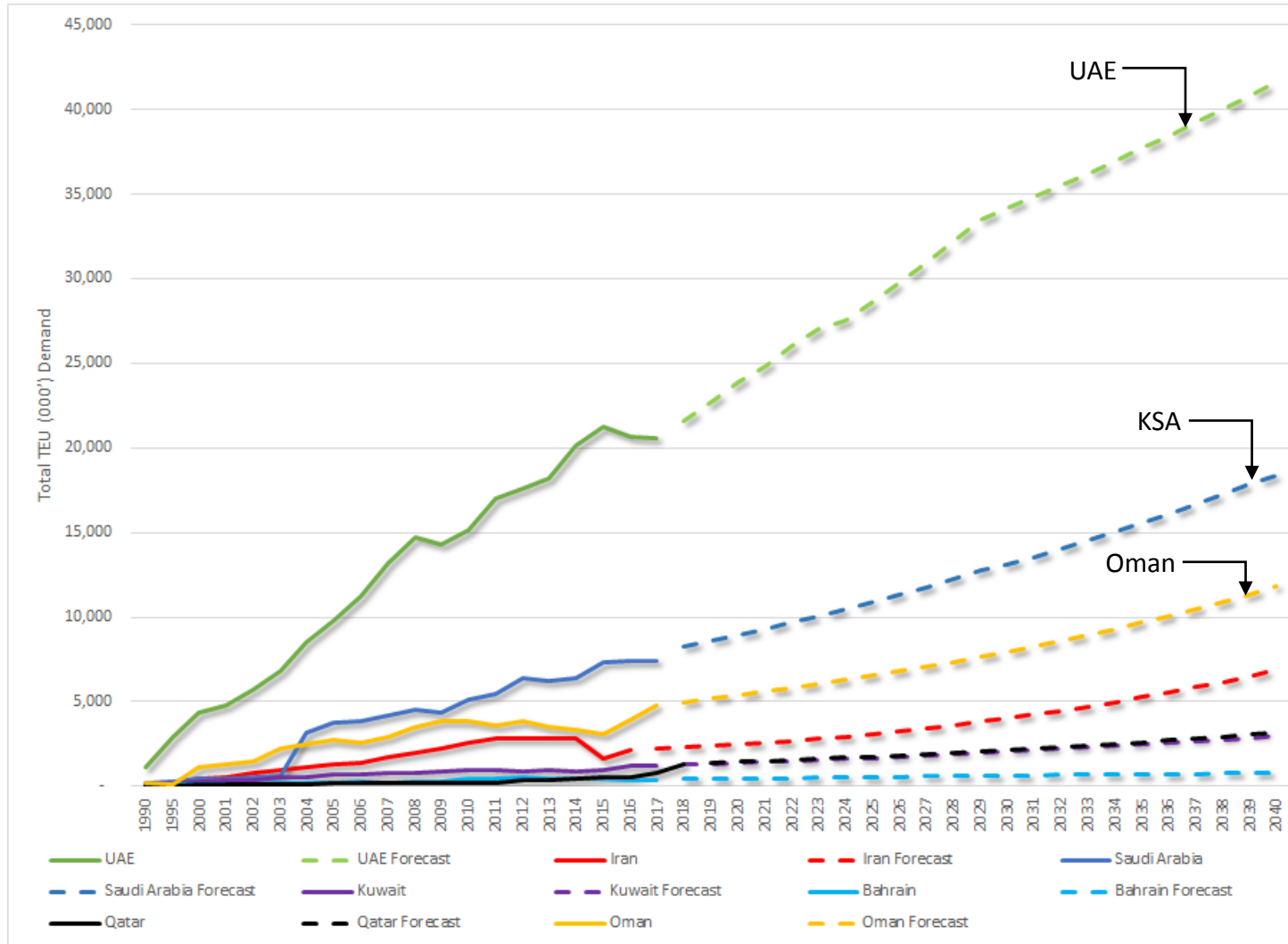
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	Strategic terminal operators/investors (possibly linked to shipping line)	high	<u>around main trade routes & inland distribution</u>	mainly containers	<u>question marks on link to liners</u> <u>some liners have cash constraint and divestments needed</u> <u>vertical integration</u>
	Financial investors / infrastructure funds	medium	<u>established markets</u>	containers, oil and portfolios	<u>limited industry knowledge and risk averse</u>
	Mixed consortia	medium	<u>established markets</u>	mainly containers, oil and portfolios	good mix of expertise but difficult to align
	New entrants: contractors	low	<u>often emerging markets</u>	diversified interest	building up experience

MARKET OUTLOOK

Growth Outlook per country

- General GDP MENA average slowdown from 4.0% increase in 2020 to 3.3% in 2040
- Iran – sharper increase given sanctions are resolved by 2025 (end of second term of current U.S Presidency)

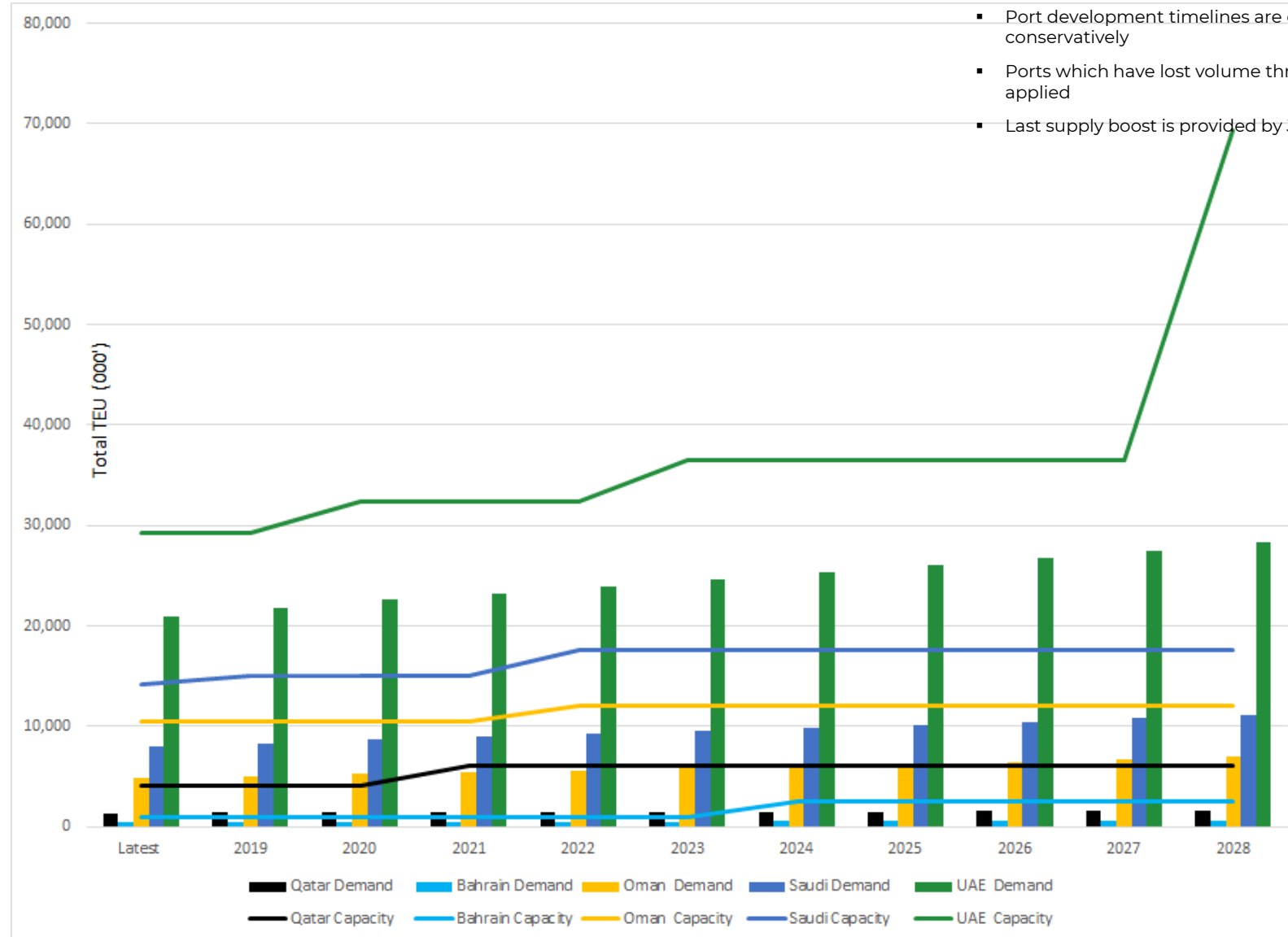


Source: WSP estimates; HSBC forecast 2050, World Bank

MARKET OUTLOOK

Examples of Demand and Supply projections per country

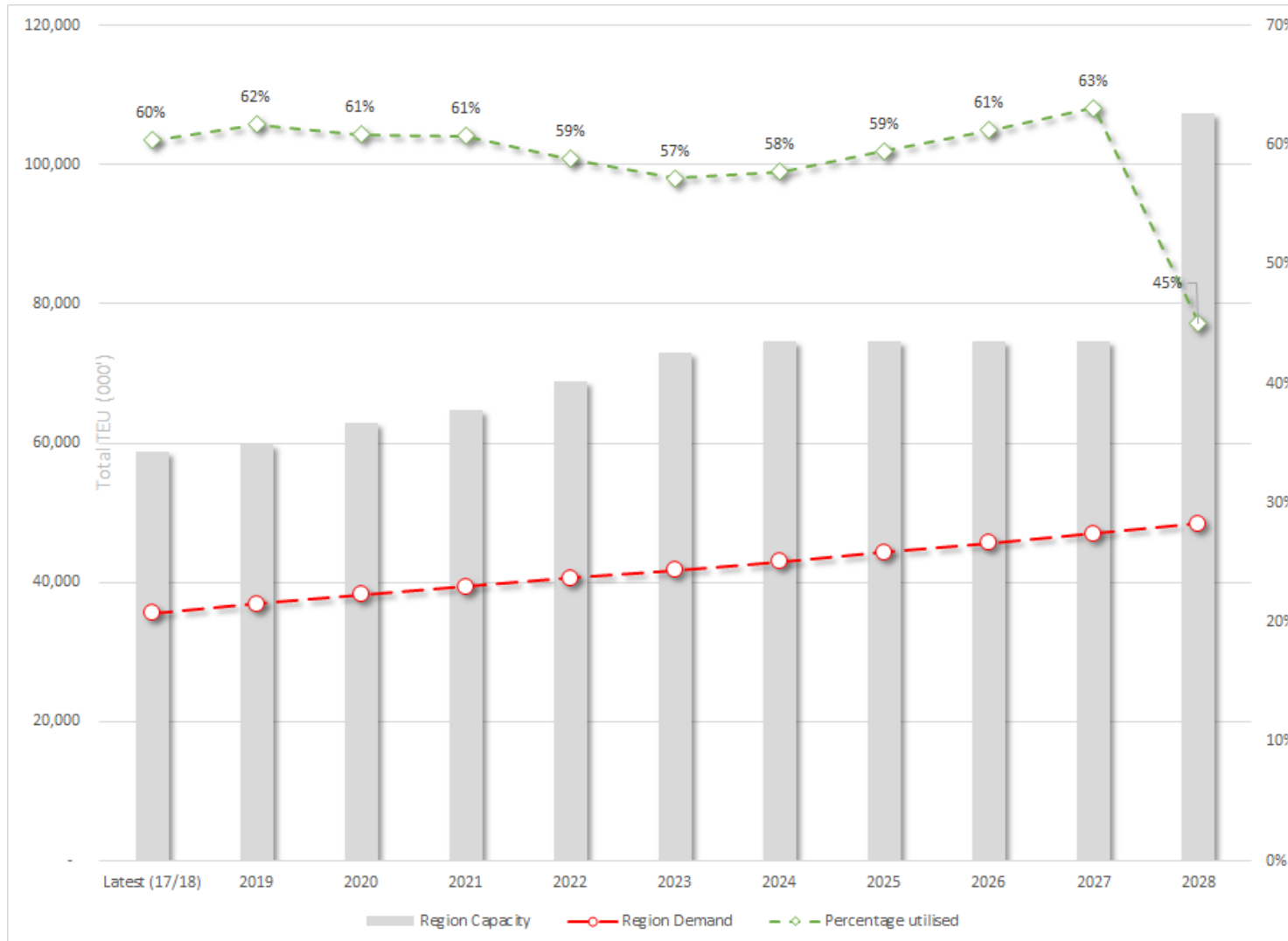
- Almost all major ports in the region are planning major capacity upgrades
- Major overcapacity expected if all projects are realised
- Growth is calculated using GDP predictions + WSP insights *per port* as opposed to at a national level in previous slide
- Port development timelines are estimates supply increases are allocated conservatively
- Ports which have lost volume throughput in last 2 years have a lower growth rate applied
- Last supply boost is provided by Jebel Ali's planned capacity increase



MARKET OUTLOOK

Demand and Supply of region*

- Almost all major ports in the region are planning capacity increases
- Some overcapacity expected if all projects are realised
- Ports which have lost volume throughput in last 2 years have a lower growth rate applied
- Last boost provided by Jebel Ali planned capacity increase



*Excluding Iran and Iraq
Source: WSP estimates; HSBC forecast 2050, World Bank

Specific Opportunities - Conclusions

Market Summary:



- A high number of container ports in the region. Recent volume development has been good
- Supply-demand utilisation is falling and could place pressure on some ports to attract and retain cargo
- UAE will remain a key location, particularly ports supporting free/industrial zones (JA/JAFZA & Khalifa/KIZAD) - but other important port calls too in other countries such as Qatar due political issues and KSA and Oman with the development of rail.
- Important to distinguish between different types of container cargo - i.e. origin/destination (import/export) and transshipment as these are different markets and increased competition due to falling utilisation may cause the transshipment market to switch
- As ship sizes continue to increase, greater use of transshipment over Jebel Ali and Abu Dhabi and more feeder services throughout region - feeder sizes also to grow
- Development of the Saudi Landbridge and GCC rail network may favour Red Sea ports (KAP & JIP) and Gulf of Oman ports (Sohar, Fujairah & Khor Fakkan)



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What it means - opportunities:



- In December 2018, COSCO Shipping Ports and Abu Dhabi Terminals inaugurated CSP Abu Dhabi Terminal at Khalifa Port - design capacity of 2.5 million TEU p.a. and can handle ships of 20,000 TEU
- In May 2018, MSC signed a 30-year concession deal with Abu Dhabi Ports in which MSC will invest over US\$1 billion
- Mumbai-based Ports Global Ltd has assumed operational control of Shahid Beheshti (a division of Chabahar Port located in Southeast Iran)
- Mid-East-based operators are looking to expand internationally - i.e. GULFTAINER in Wilmington (DE) and Port Canaveral (FL) and Abu Dhabi Terminals known to be considering international portfolio options globally
- DP World has a heavy focus on Africa and not solely in ports





COMMERCIAL & OPERATIONAL EXPERIENCE IN OVER 250 CONTAINER TERMINALS GLOBALLY



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