1 August 2016

Container ports industry entering new phase as M&A deals change the landscape

London, UK, 1 August 2016 – Softening demand growth coupled with larger liner shipping alliances and bigger ships is moving the container ports industry towards a value sector from growth sector, albeit still highly profitable, according to the *Global Container Terminal Operators Annual Review and Forecast 2016* report published by global shipping consultancy Drewry.

Global and international container terminal operators are faced with the dual challenges of weaker demand growth and rising operating and capital costs due to larger vessels and alliances. On the stock markets, ports are increasingly seen as a mature value sector rather than a growth sector.

Global container port demand is forecast by Drewry to grow by less than 3% per annum over the next five years with projections softened in particular due to the sharp slowdown in China's exports. Positives are the resilience of the Middle East and South Asia and potential recovery of Russia (along with oil prices). In response, terminal operators and investors have been urgently reviewing capacity expansion plans. Many projects within the five-year forecast horizon are already too far advanced to change significantly, but those scheduled to appear later in the period are subject to reconsideration in terms of timing and scale.

Forecast global / international container terminal operator capacity ranking, 2020

Operator	Capacity rank	
	2020	Current
Cosco-China Shipping	1st	4th and 8th
APM Terminals *	2nd	2nd
PSA International	3rd	3rd
Hutchison Port Holdings	4th	1st
DP World	5th	5th
Terminal Investment Ltd	6th	6th
CMA CGM **	7th	9th

** Grup TCB included in 2020 ranking calculations*

*** APL included in 2020 ranking calculations*

Calculations are based on the total capacity for all terminals (regardless of size of shareholding) and do not include the capacity of other operators in which minority stakes are held.

Source: Drewry Maritime Research

For terminal operators, the focus is switching from greenfield developments to M&A activity, with a number of major deals already in the pipeline and more likely to come. APM Terminals has acquired Grup TCB, CMA CGM bought APL and Yilport is taking over Tertir. Three Chinese companies – China Merchants Port Holdings, Cosco and China Shipping (the latter two now merged) – have a strong appetite and significant activity in terms of expansion through buying existing businesses. By 2020 the combined Cosco-China Shipping entity will be the largest of Drewry's global/international terminal operators (measured by capacity), albeit with a large proportion of this in one country (China).

Neil Davidson, Drewry's senior analyst for ports and terminals said "It is clear that global and international terminal operators are fundamentally

reviewing their strategies, becoming cooler on greenfield projects and more interested in M&A opportunities. A natural response to the increasing size of liner alliances is for terminal operators to look to consolidate terminal ownership in parallel."

"However, a dichotomy in approaches is evident. On the one hand many of the established international players have become more cautious because they are concerned that returns may be less than what they are used to. But on the other hand there are several expansion minded players like the Chinese operators and Yilport Holdings (a new entrant this year in Drewry's league tables of global and international terminal operators) whose top strategic priority is to acquire more assets", added Davidson.

END

"Global Container Terminal Operators Annual Review and Forecast 2016" is an annual report published by Drewry Maritime Research and is priced at £1,995 for a single issue. The report is available from the Drewry website www.drewry.co.uk.

For further information, please contact James Harley, Drewry's Head of Marketing:

Drewry,
15-17 Christopher Street,
London EC2A 2BS
United Kingdom

T: +44 (0)20 7650 1676
F: +44 (0)20 7987 9396
E: harley@drewry.co.uk
W: www.drewry.co.uk

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Drewry serves its clients through four business units: Drewry Maritime Research, publishing market-leading research on every key maritime sector; Drewry Maritime Advisors, supporting the needs of shipping and financial institutions; Drewry Supply Chain Advisors, providing seafreight procurement support to retailers and manufacturers; and Drewry Maritime Equity Research, delivering an Investment Research Service on listed companies operating in the industry.

Drewry has a truly global perspective of the maritime sectors and areas of expertise it covers and employs over 100 professionals across an international network of offices in London, Delhi, Singapore and Shanghai.