

Global (Container) Port Companies

Presentation by
Fisher Associates
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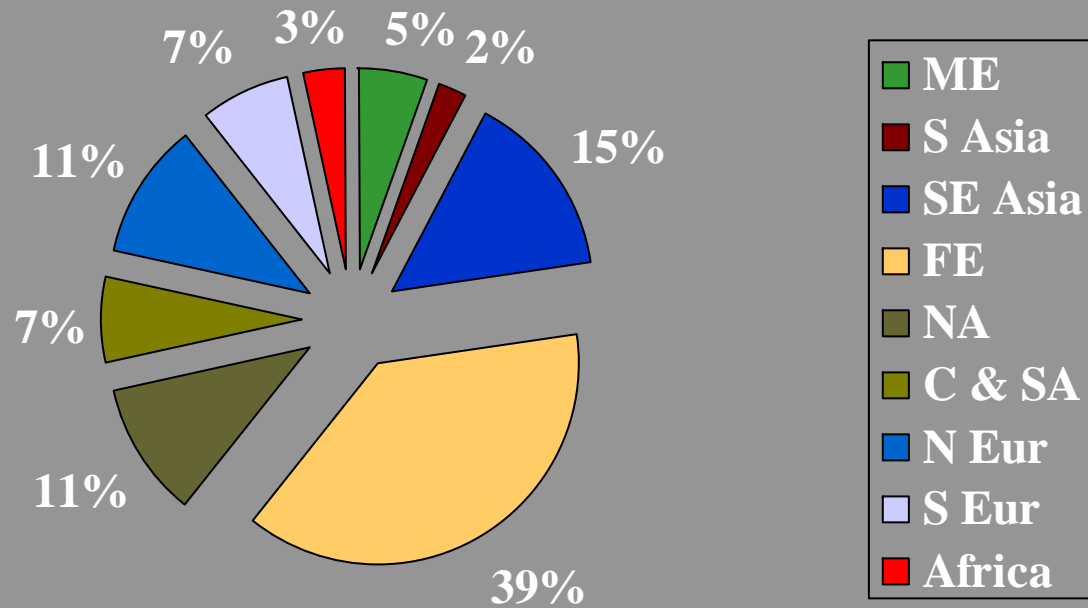
Facts and figures

- Global port companies:
 - Provide 58% of container port capacity
 - Handle 67% of global throughput (basis terminals in which they have shares)
 - Handle 44% on an equity basis
 - As a group they are growing faster than the market

The top operators

- Hutchison Port Holdings
- PSA International
- APM Terminals
- DP World
- Eurogate
- Evergreen
- MSC
- Cosco Group
- SSA
- How you rank them depends on how you measure them!
- PSA International is challenging No.1

Global container markets



Issues 1

- Who is making the money?
 - Who can remember back a few years when the shipping cycle was at the bottom?
 - Who can remember sustained losses by port companies?
- Supply and demand balance:
 - **Ports:** In periods of high growth, capacity margins decrease, but returns are there, capital is smart, and real risks of under capacity small – except risk from environmental issues
 - **Shipping:** Efficient in providing market signals, high rates encourage new capacity, until there is too much, on we go

Issues 2

- How long before China and India are the world's largest economies?
 - The potential is huge!
 - The challenge of planning, funding and providing port capacity is serious
 - Their logistics are characterised by a multitude of small companies, and relative inefficiency
- Concentration
 - Global port and shipping companies are taking an increasing share of the total market

Issues 3

- Politics
 - The influence of politically dogmatic regimes
 - Political reactions (and plain xenophobia) may have an increasing impact on the industry
- Underlying risks
 - Remarkable resilience recently to oil price hikes, but economic dips WILL come

Strategic drivers 1

- This is a question of incentives
- States such as Dubai and Singapore are in personal and relative battles for sustainable economies
- The ports and logistics sector is a relatively low risk, easily acquirable overseas investment
- Potential to leverage core national skills

Strategic drivers 2

- P&O Ports – was there ever a higher strategic goal? It's all about next years bonus!
- The UK and **most** other OECD countries do not believe that the maritime industry needs to form a lynchpin of their international competitiveness
- From a long term strategic perspective, paying a premium for companies driven by short term shareholder returns is good business for those with real strategic intent

Strategic drivers 3

- Line based terminal Co.s driven by strategy
 - Maersk is surely set on global domination!
 - Cosco national economic / development agenda
- Emma Maersk and those that follow
- Shipping companies cannot afford the risk of terminals being inadequate, or of excessive supplier power raising price
- They have to be in the terminals market

Future developments

- Increasing concentration
- Increased shares for global port companies with real strategic intent
- Cosco Pacific is the one to watch
 - but can it internationalise?
- Where next for Hutchison?
- Can a global leader emerge?