



The International Maritime Transport and logistics Conference
Towards Global Competitiveness in Maritime Industry



"INVESTING IN PORTS"
The Trends, The Future



ECONOMIC IMPACTS OF ACQUISITION & MERGER OF SHIP BUILDINGS & SHIP YARD COMPANIES

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INTRODUCTION

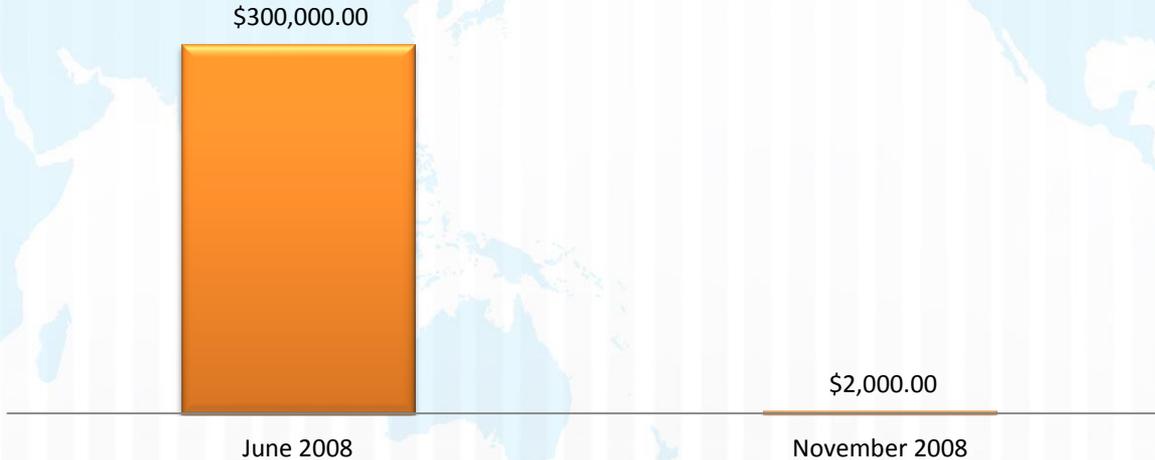
- A merger or acquisition refers to the process of combining two or several companies to make one new entity or corporation.
- The hard economic conditions led to fewer orders on shipping building industries while small and medium shipping liners opted to consolidate their efforts in order to fight for survival in the global market.

ECONOMIC FACTORS THAT LEAD TO MERGERS & ACQUISITIONS

- Global economic crisis.
- The oversupply conditions that developed mainly due to the global recession .
- The adverse effects of fuel prices before 2010.
- low freight rates and the high number of small ship sizes.
- The demand for upgraded ports is also increasing as shipping alliances seek to maximize their returns.

ECONOMIC FACTORS THAT LEAD TO MERGERS & ACQUISITIONS

Average Revenue Per Day



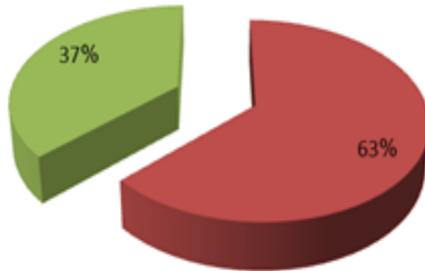
ECONOMIC FACTORS THAT FACILITATE MERGERS & ACQUISITIONS

- *Globalization.*
- *Internet and electronic communication.*
- *Privatization of state owned entities.*
- *Trading blocks.*
- *Economic hardship.*

ECONOMIC IMPACT OF MERGERS & ACQUISITIONS

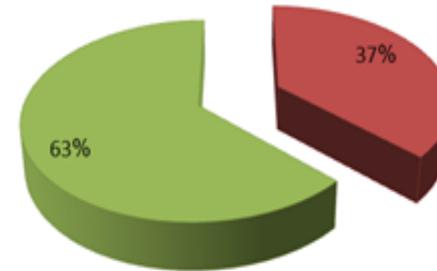
Global Shipping Market before 2001

■ The Rest of the world ■ Top Ten Shipping Companies



Current Shipping Market

■ The Rest of the world ■ Top Ten Shipping Companies



ECONOMIC IMPACT OF MERGERS & ACQUISITIONS

Operating Profit Margin for Shipping Companies



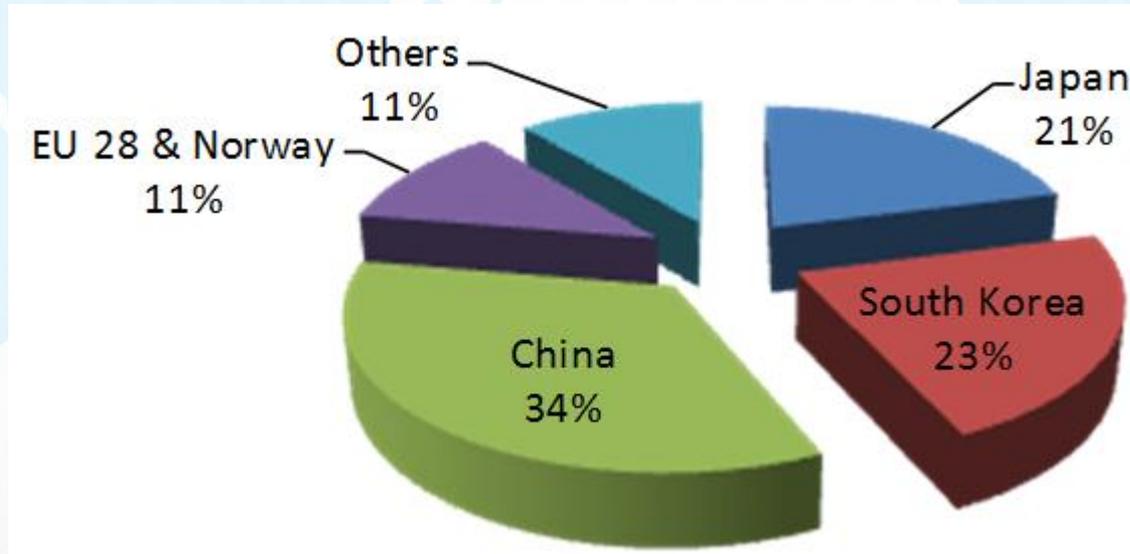
Source: Alphaliner

ECONOMIC IMPACT OF MERGERS & ACQUISITIONS

- *The European shipbuilding industry dominated the market for most parts of the current and last century however the high growth of the Japanese economy and the government supportive programs assisted the industry to takeover global leadership.*
- *The earthquake of the year 2011 and the preceding Tsunami that hit the Japanese coast resulted in serious damages to the country's economy especially the shipping industry. Japanese government is reconsidering its funding of the industry and it may not support the industry in future.*
- *European ship builders have experienced lower completion rates and reduced order book that was occasioned by the expansion of emerging new markets in Vietnam, Brazil, India, Russia, Philippines and Turkey. The emerging markets took over 6% since 2008 increasing annually till now.*

ECONOMIC IMPACT OF MERGERS & ACQUISITIONS

Average Global Shipbuilding Market in 2017-2018

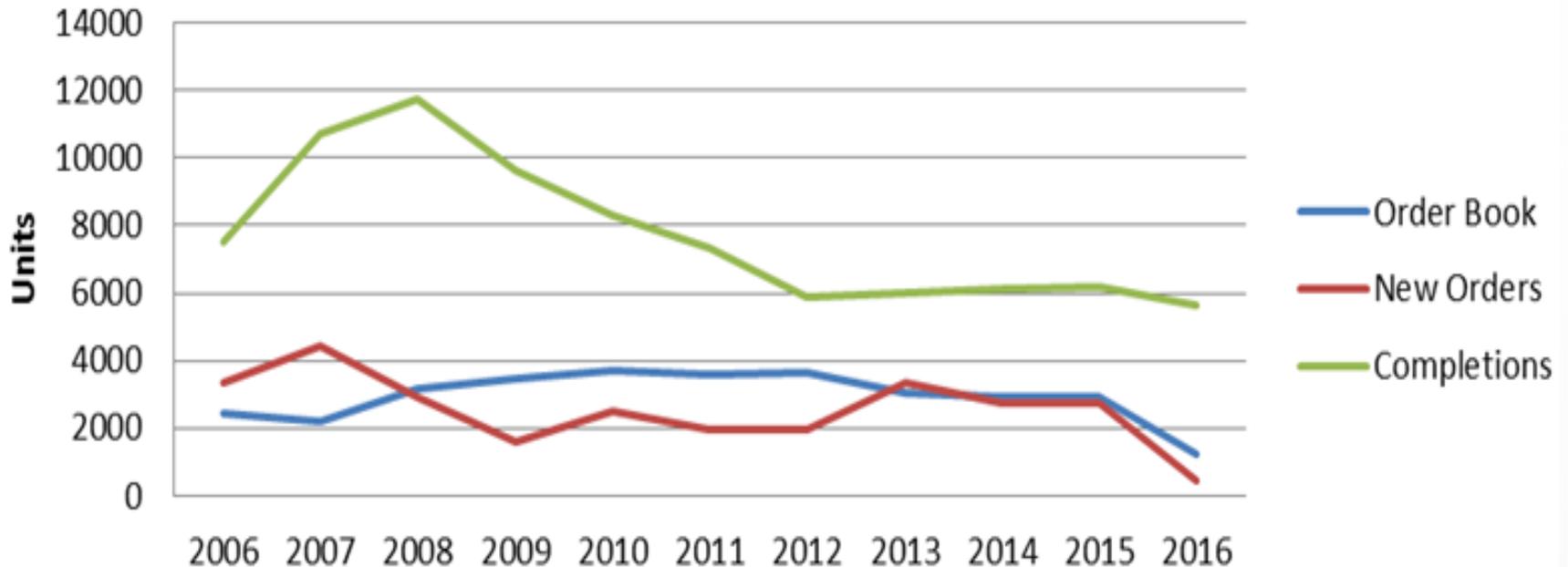


Why We Need M & A ?

- *The demand for shipbuilding has changed in the last decade as new shipbuilding orders for tankers and cargo carriers plummeted while the demand for cruise ships attracted about 70% of the total global investment during the first half of the year 2016 increasing annually there after.*

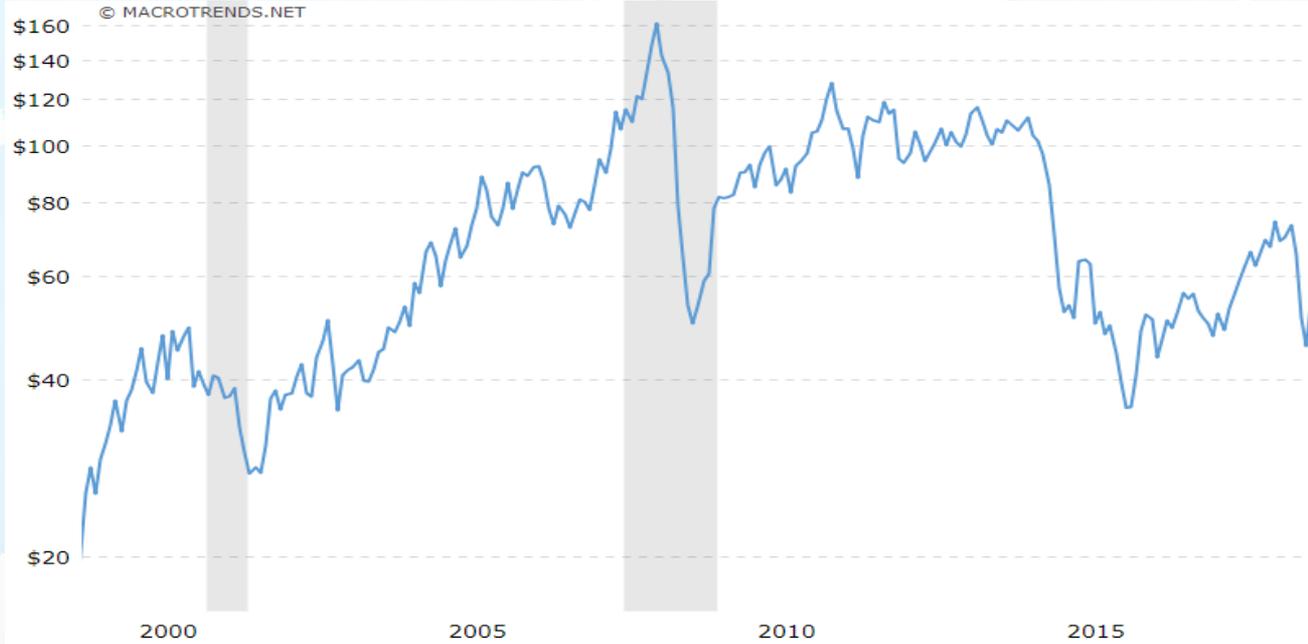
Why We Need M & A ?

Global Commercial Shipbuilding Production Units



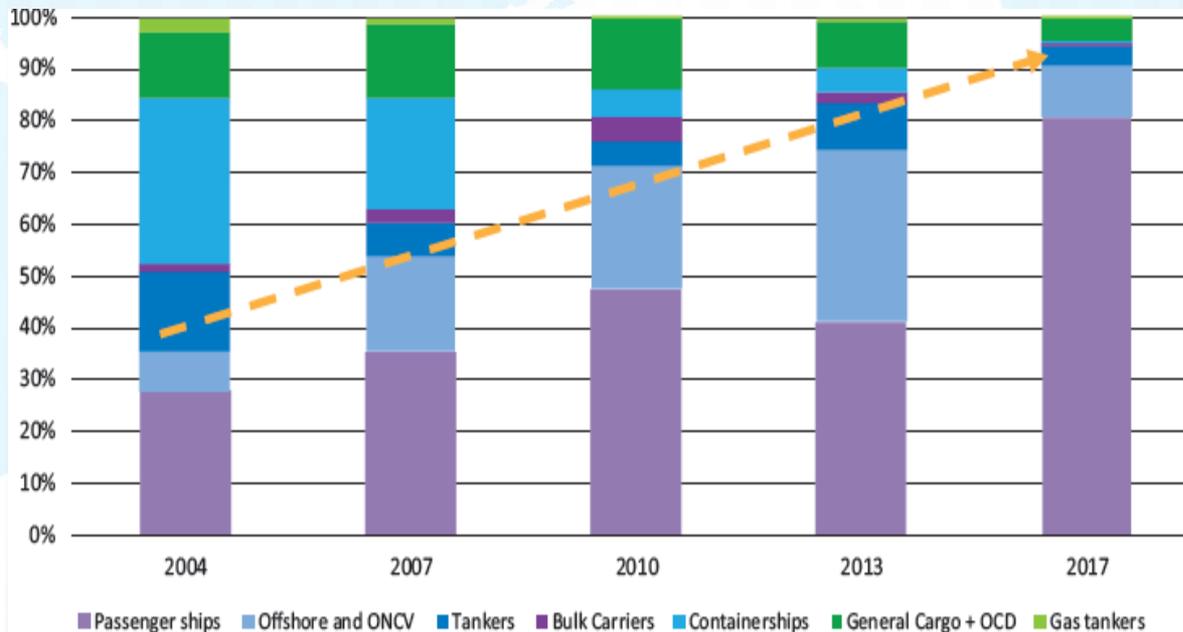
Why We Need M & A ?

Oil Prices



The European Order Book

The European order book by ship type shows the progressive specialization of European shipbuilders in high-tech, complex vessels (e.g. passenger ships). In 2017, and were over 90% of the Order book.



Who Dominate Now ?

Rank	Operator	Teu	Share	Existing fleet	Orderbook
1	APM-Maersk	4,055,330	17.8%		
2	Mediterranean Shg Co	3,329,198	14.6%		
3	COSCO Group	2,782,485	12.2%		
4	CMA CGM Group	2,628,104	11.5%		
5	Hapag-Lloyd	1,676,339	7.3%		
6	ONE (Ocean Network Express)	1,511,350	6.6%		
7	Evergreen Line	1,185,257	5.2%		
8	Yang Ming Marine Transport Corp.	653,996	2.9%		
9	Hyundai M.M.	440,429	1.9%		
10	PIL (Pacific Int. Line)	403,166	1.8%		
11	Zim	305,324	1.3%		
12	Wan Hai Lines	247,891	1.1%		
13	IRISL Group	154,415	0.7%		
14	Antong Holdings (QASC)	148,264	0.6%		
15	KMTC	145,436	0.6%		
16	Zhonggu Logistics Corp.	138,480	0.6%		
17	X-Press Feeders Group	120,558	0.5%		
18	SITC	108,211	0.5%		
19	SM Line Corp.	81,292	0.4%		
20	TS Lines	78,652	0.3%		
21	Arkas Line / EMES	73,700	0.3%		
22	RCL (Regional Container L.)	61,782	0.3%		
23	Sinotrans	57,678	0.3%		
24	Sinokor	56,563	0.2%		
25	Salam Pacific Indonesia Lines	53,208	0.2%		
26	UniFeeder	49,899	0.2%		
27	Matson	43,561	0.2%		
28	Grimaldi (Napoli)	39,738	0.2%		
29	NileDutch	39,277	0.2%		
30	Global Feeder Shipping LLC	38,666	0.2%		

ECONOMIC IMPLICATIONS OF M&A ACTIVITIES

- *The major economic implication of mergers and acquisitions has been noted in the significant growth in the number of large shipping vessels and congestion of ports.*
- *The transport sector has witnessed increased growth as countries across the world make effort to create expand and integrate infrastructure especially in the marine sector. Port efficiency is critical when dealing with a huge number of vessels. Over 90% of all international trade deliveries is done via shipping vessels (Wagner, 2015).*

CONCLUSION

- Majority of listed shipping entities have experienced a decline in average profits and EBITDA making them easy targets for acquisition and mergers. Alliances have proved to be more preferable compared to M & A among the relatively small players in the shipping business.
- Major ocean carriers and liners are selling off terminal assets to concentrate on core business.
- Creation of alliances have little effect on solving overcapacity issues or high freight charges besides alliances are still affected by inefficiencies hence M & A activities are still expected to increase as the shipping sector realigns its operations while embracing technology in various fields.
- Low fuel prices have relatively cushioned shipping lines from excessive losses even as revenues continue to decline.
- The strategy that most of the leading corporations in the shipbuilding and shipping industry are using to expand their market share and profitability is to merge and acquire other companies in the market.



Thanks !