

The Fight for the Supply Chain

BIPC 2018

1st November, 2018

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Maritime Research

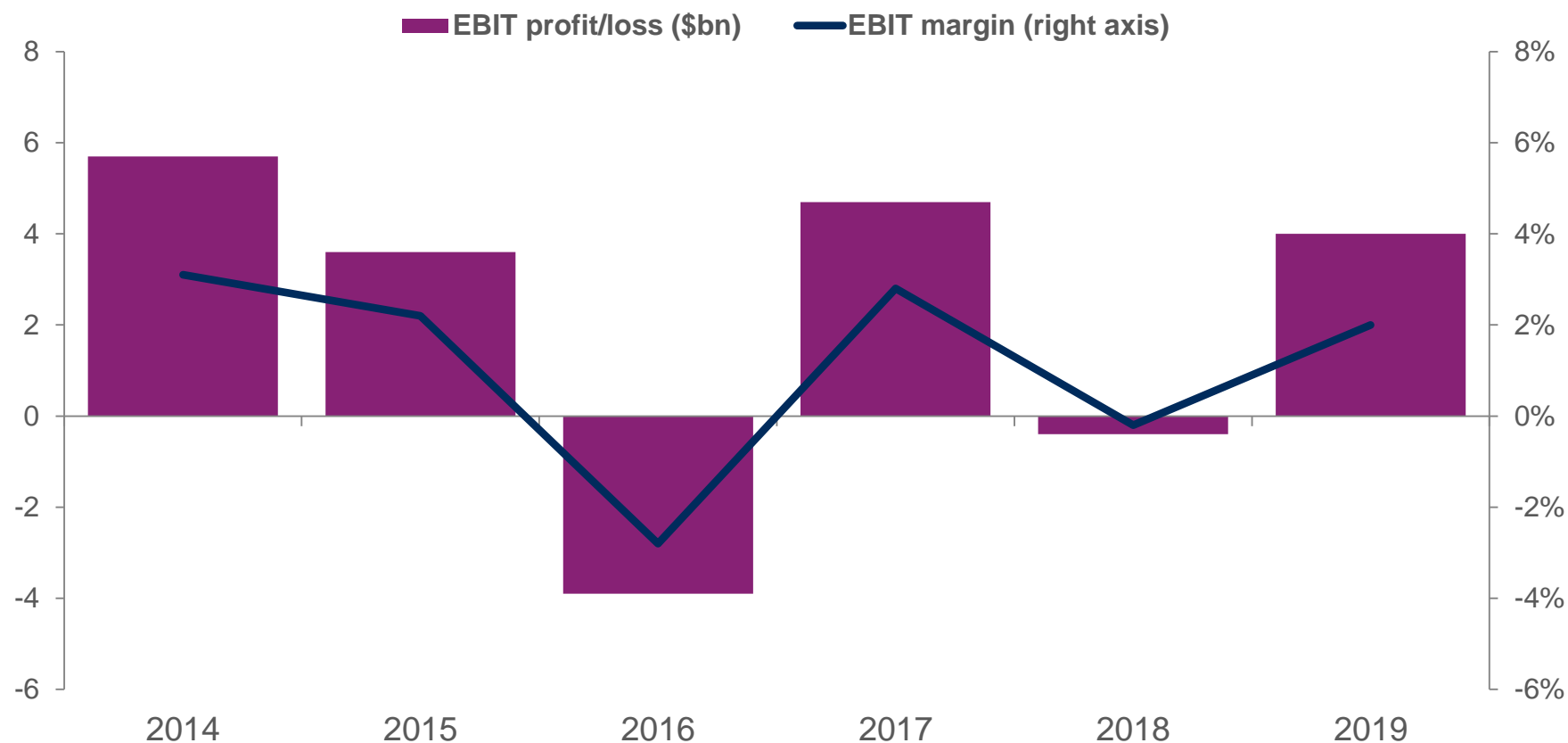
Maritime Advisors

Supply Chain Advisors

Maritime Financial Research

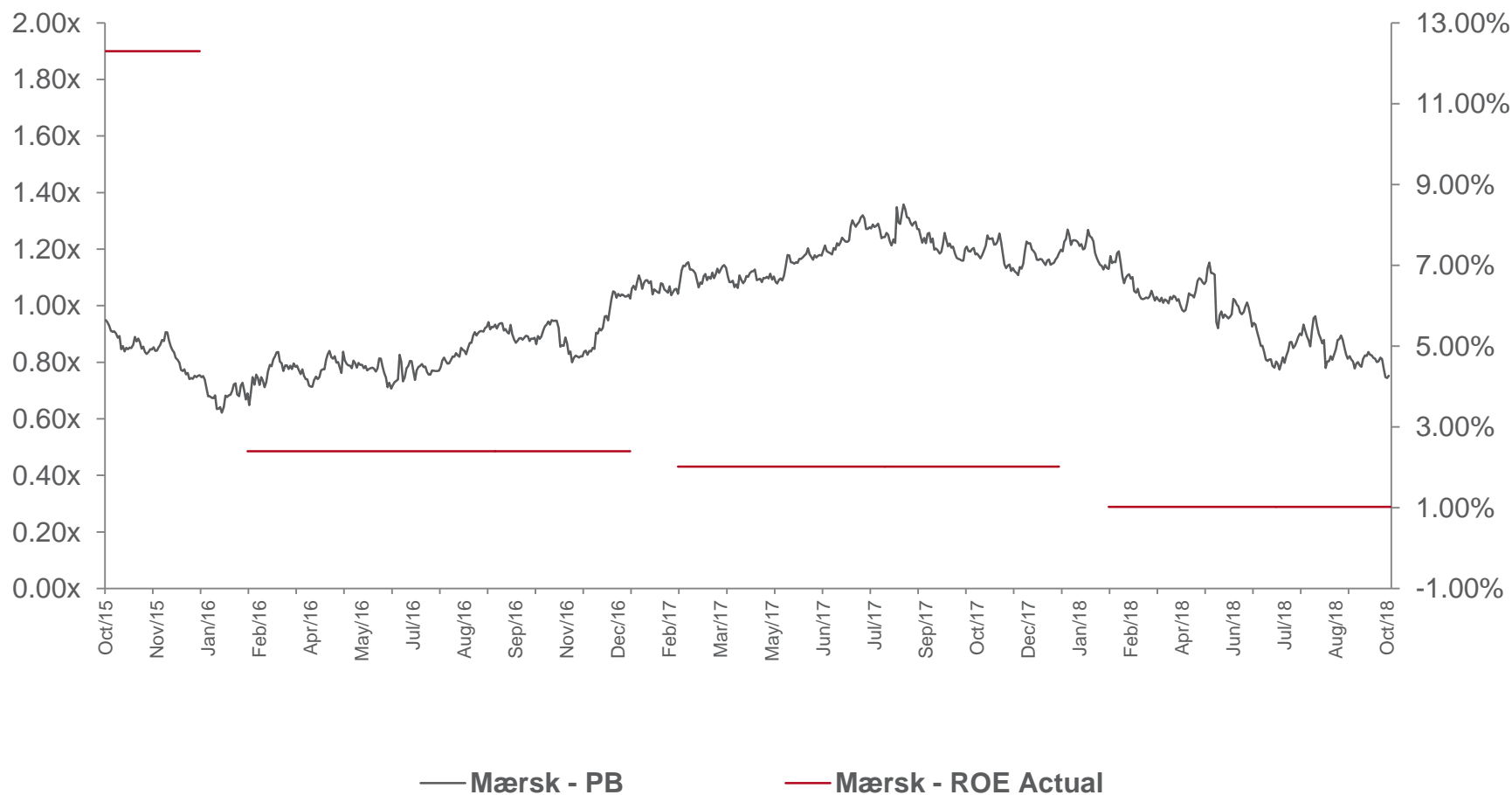
Background: Pressure on Profit

Liner Margins: Squeeze Continues



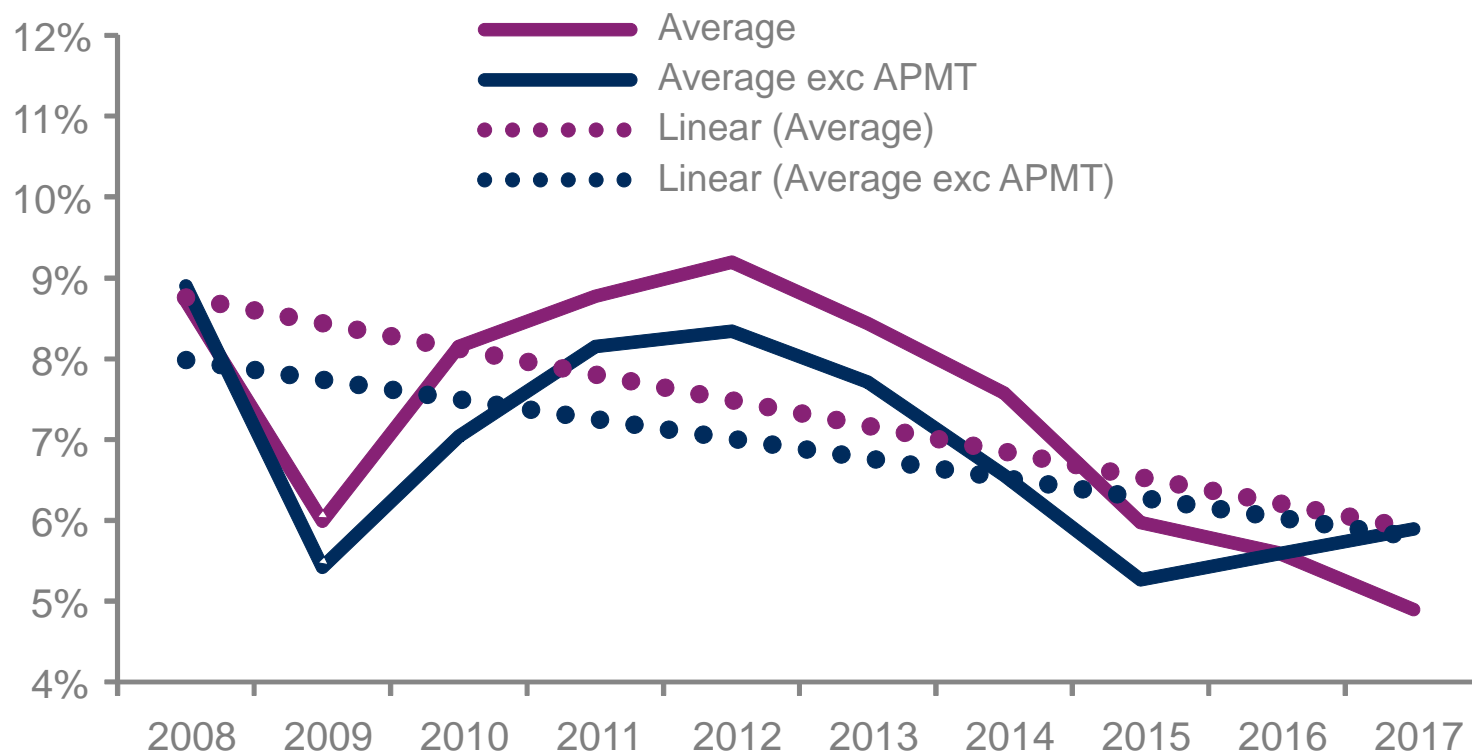
Note: EBIT margins based on average of sample carriers after currency conversion to US dollars when necessary. Sample consists of APL - excluded post 4Q15; CMA CGM; Evergreen Marine Corp; Hanjin Shipping (container) - excluded post -2Q16; Hapag-Lloyd, HMM (container); K Line (containerships); Maersk Line; Matson (ocean transportation); MOL (containerships); NYK (liner); Regional Container Lines; Samudera Container Lines; Wan Hai; Yang Ming and Zim

Liner Returns: Disappointment Continues



Terminal Operator Returns: Trending Down

Sample Port Operators: Return On Invested Capital (ROIC), 2008-17



Challenge for Industry Players

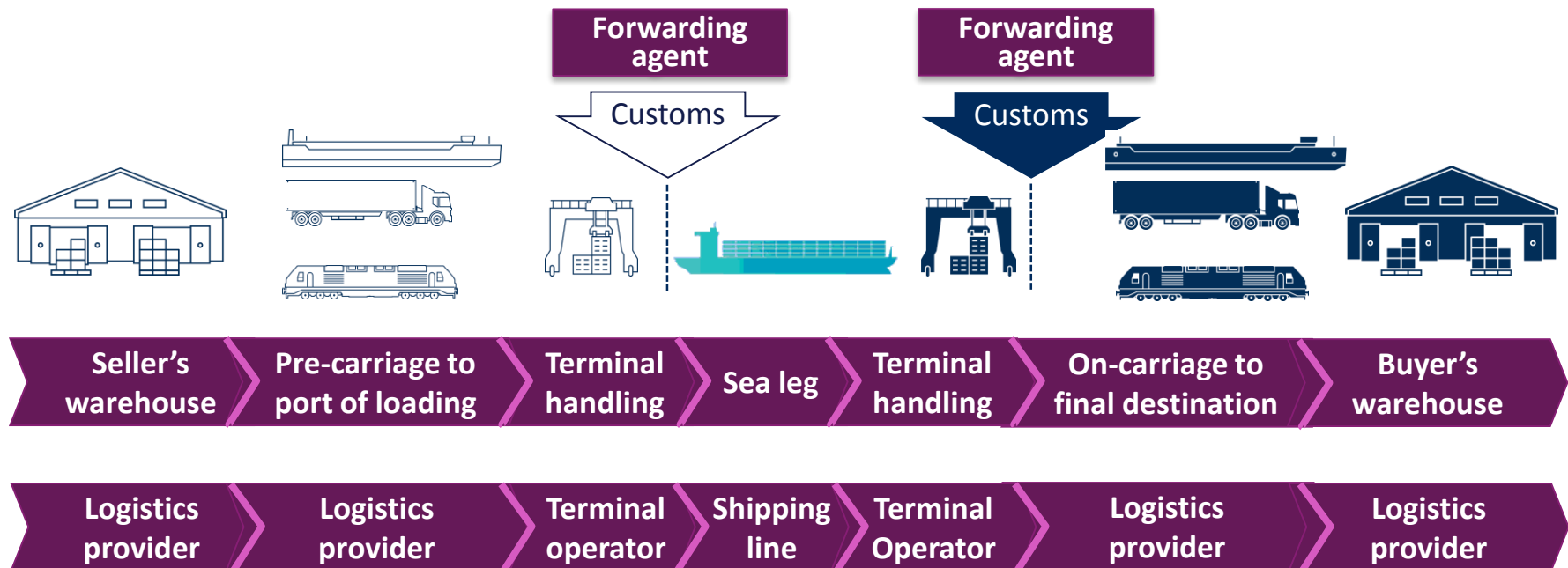
- Sustain competitiveness
- Stabilise volume
- Improve margins and returns

Many operators are widening scope of services

Supply Chain: Players and Roles

Supply Chain Players

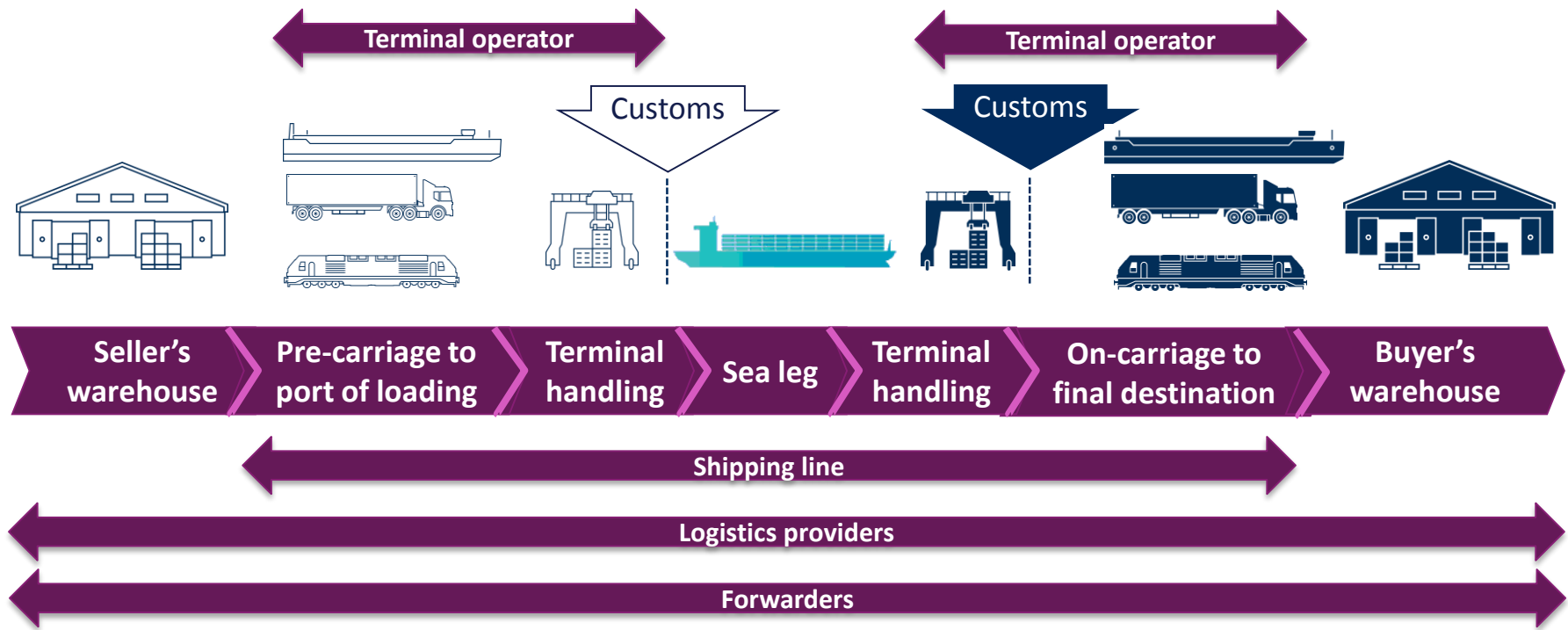
- The intermodal supply chain involves multiple players
- Each has a core (or original) role...



Supply Chain Players

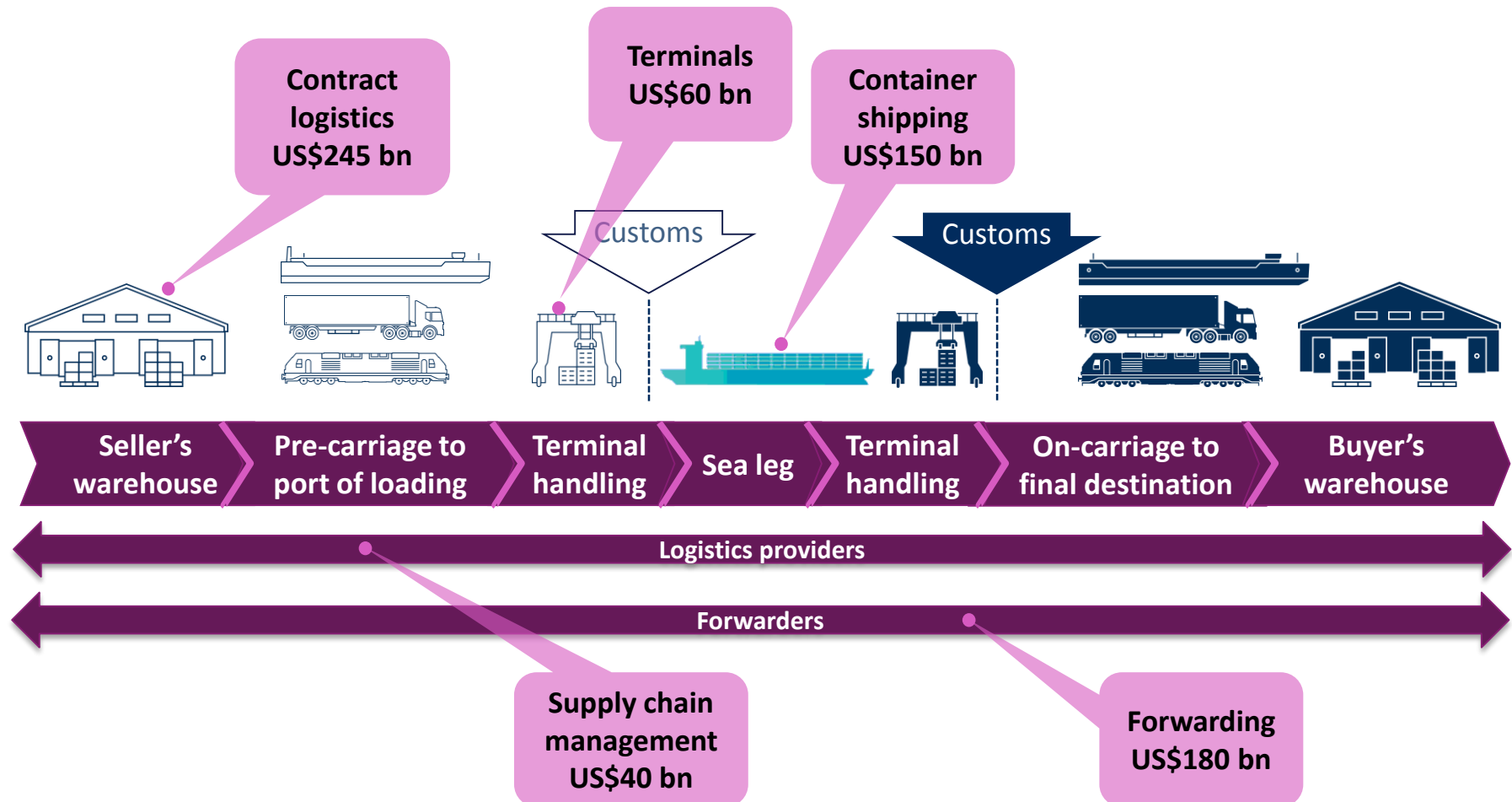
- ...but tries to expand outside it

“Door-door” and whole supply chain perspective



Where Is the Money?

...to secure new sources of revenue and profit, to improve competitiveness...



The End Customer

...and to get closer to the end customer.



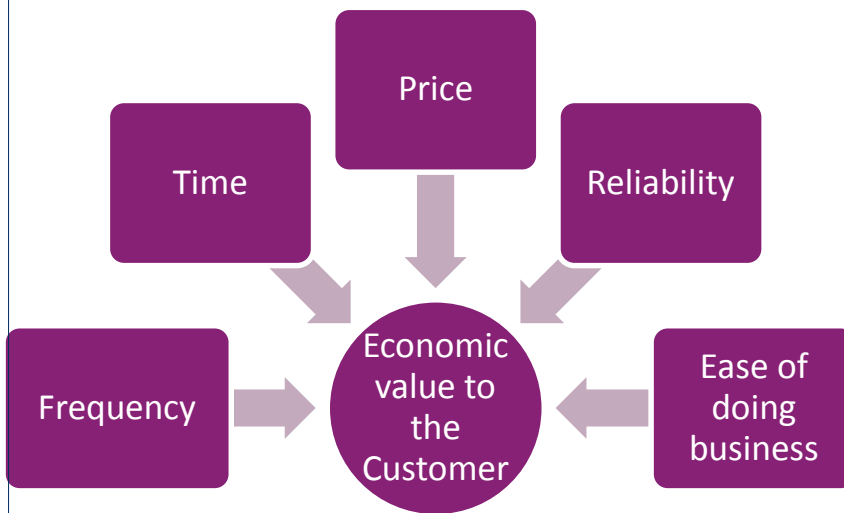
Risks

- Competition with customers
- Loss of management focus on core business key success factors
- Failure to manage expanded scope
- Internal conflict

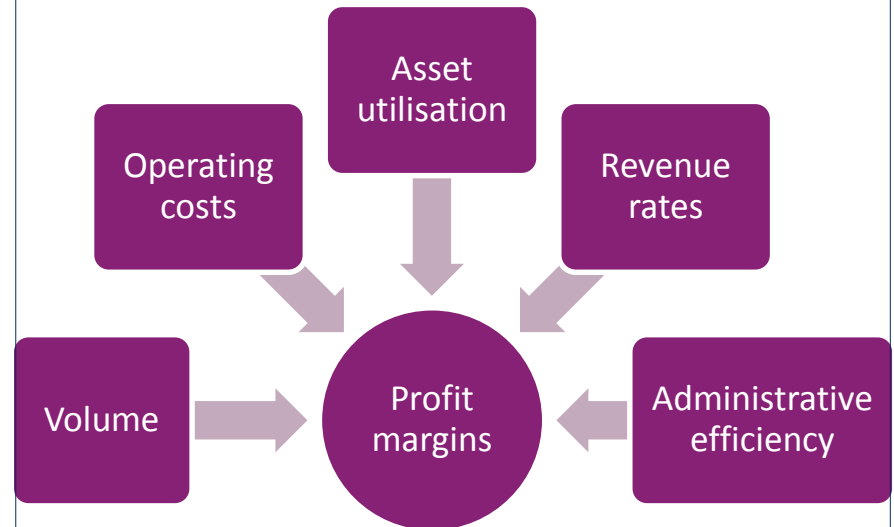
Expanding Scope

What Works?

Delivering economic value to the customer...



...profitably.



Requires management competence and focus on key success factors

Ports and Terminals: Inland and IT

**PSA PARTNERS WITH ASHCROFT TERMINAL
TO PROVIDE INLAND TERMINAL SERVICES IN CANADA**

**MODERN TERMINALS TO PARTICIPATE IN TRADELENS
BLOCKCHAIN SHIPPING SOLUTION OF MAERSK AND IBM**

**PSA AND GeTS TO DEVELOP NEW GLOBAL TRADE FACILITATION
& SUPPLY CHAIN PLATFORM "CALISTA™"**

**DP WORLD ACQUIRES LEADING PORT RELATED
LOGISTICS SOLUTIONS PROVIDER IN EUROPE**

CMPort to promote "Port-Park-City" potential with Hong Kong as the foothold

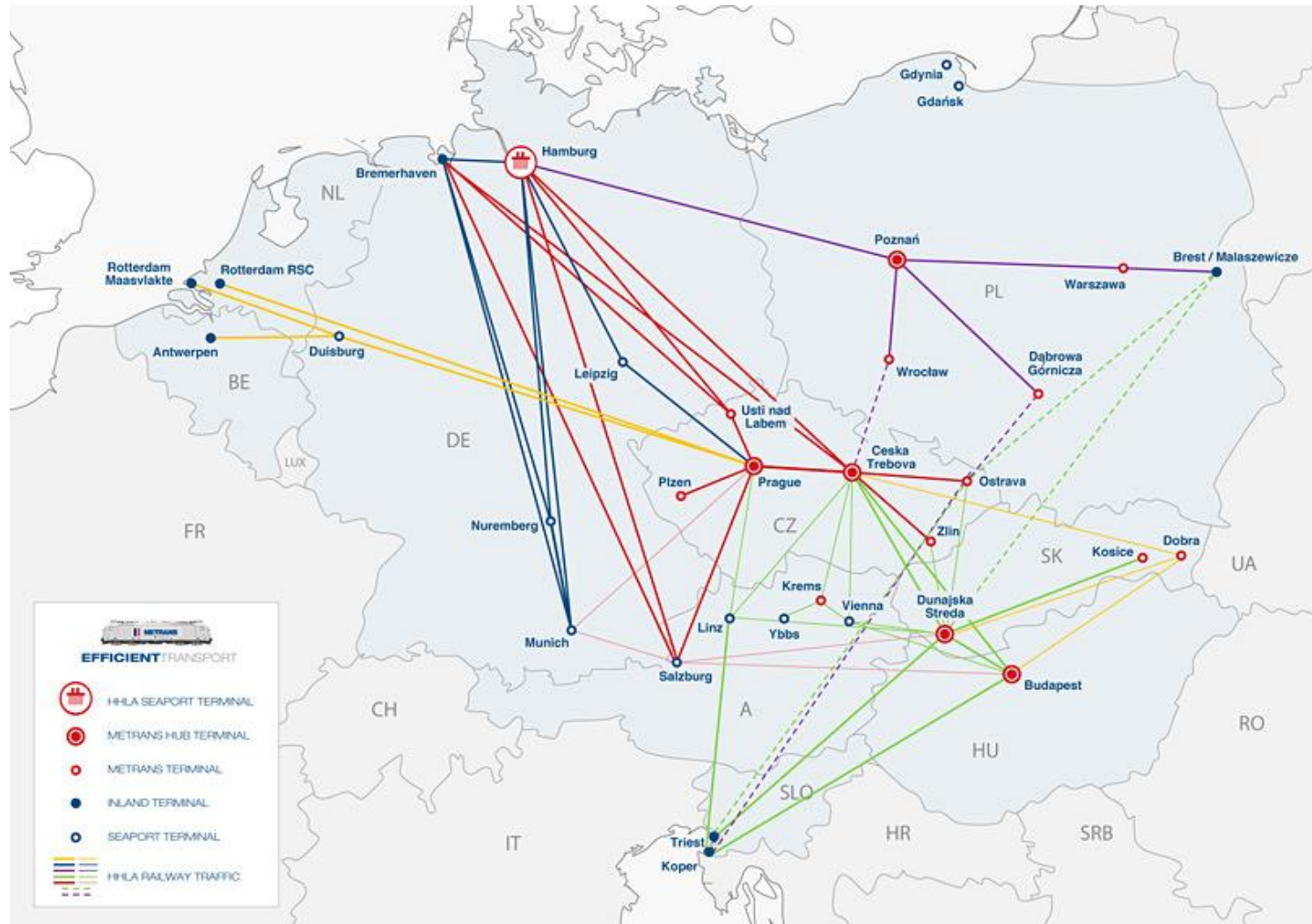
**DP World acquires fully integrated logistics services provider in
Peru**

**DP World Builds its Digital Capability through Oracle
Cloud Applications**

**DP World and NIIF joint venture Hindustan Infralog to acquire
90% of Continental Warehousing Corporation**

**DP World and Virgin Hyperloop One partner to create new global company that provides
hyperloop-enabled cargo systems**

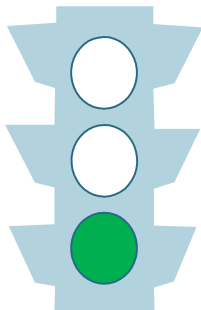
Case: HHLA Secures Its Hinterland



Does It Work?

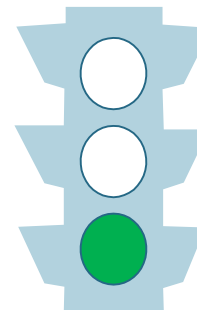
Economic value

- **Frequency**
- **Reliability**
- **Time**
- **Price**
- **Ease of doing business**



Profitability (2018 1H)

- **Volumes: - 4.2%**
- **Revenue: + 0.9%**
- **EBIT: + 10.7%**
- **EBIT margin: 18.6%**



Case: Maersk Global Integrator Plan

Objectives

- To have a competitive network with greater geographic coverage, competitive transit times, and high reliability.
- To have a network that is cost-competitive.
- Drive higher-level returns, less volatility in earning and less reliance on freight rates



The Global Integrator

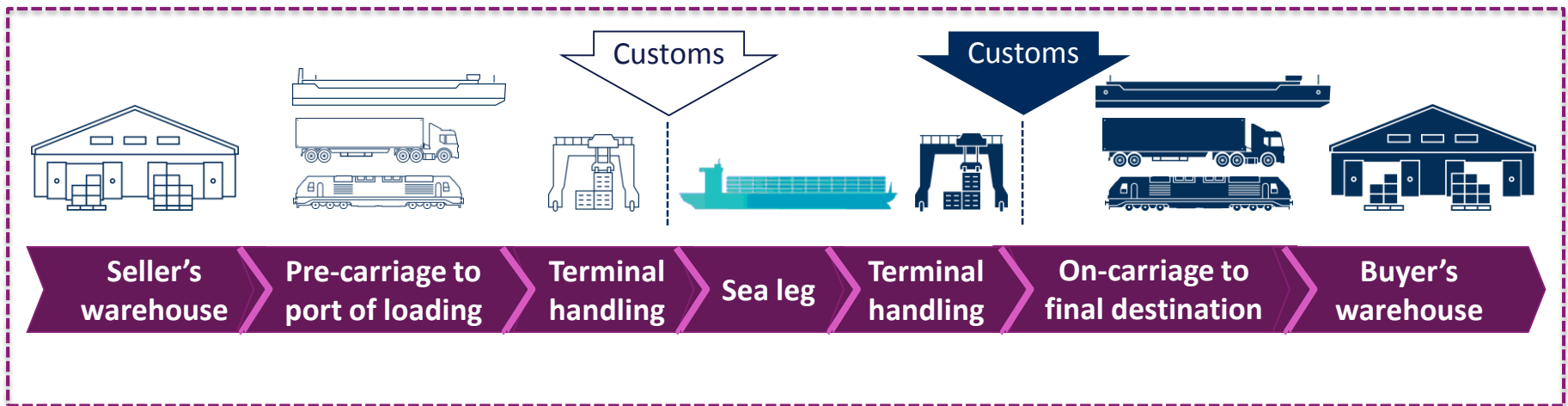
Focus

- Provide simple end-to-end solutions to customers' complex supply chain needs, provide several online value-added services
- Digital innovation, e.g. mobile tracking, remote container management
- Complement physical offering and delivery network, including inland services and custom house brokerage.

Maersk Scope

“We are building a company that is a global integrator of container logistics – a company very similar to UPS and FedEx; and I hope they will be considered peers of ours when we are done with this transformation journey in three to five years; a network-based, asset-based global logistics company...”

----- Soren Skou, Maersk CEO



Maersk Global Integrator

Implications

- BCOs only need to deal with Maersk.
- Increased competition for freight forwarders/brokers and third party logistics services.

Challenges

- Added investment in technology
- Re-think customer services strategies
- Alienation of forwarder customer base
- Incompatibility of focus



Shipping line

Operational efficiency
Asset utilisation
Reliability
Unit costs

Logistics provider / Forwarder

Customer supply chain
Management of flows
Mark ups and job margins

Will It Work?

Economic value

Will it deliver improved

- **Frequency**
- **Reliability**
- **Time**
- **Price**
- **Ease of doing business**

?

Profitability

Will it deliver improved

- **Volume**
- **Operating costs**
- **Asset utilisation**
- **Revenue rates**
- **Administrative efficiency**

?

...and what happens to APM Terminals?

Maritime Research

Robust, objective market analysis and forecasts to inform business decisions

Market Sectors

Container Shipping
Ports and Terminals
Dry Bulk
Gas Shipping
Tanker Shipping
Specialised Shipping
Ship Management
Logistics Management
Intermodal Transport

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Market Entry Analysis
Operational Due Diligence
Technical Due Diligence
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Ocean Freight Procurement Support
Network Design and Optimisation
Commercial Due Diligence
Hinterland Logistics Analysis

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Market Sectors

Container Shipping
Container Manufacturing
Ports and Terminals
Dry Bulk
Gas Shipping
Tanker Shipping

Advisory Expertise

Credit Analysis
Bond Analysis

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