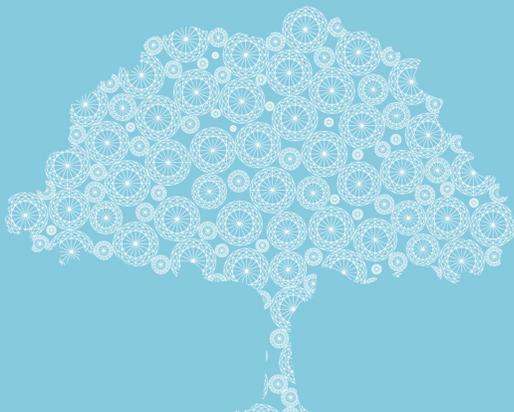




Al Masah Capital: Transportation & Logistics in MENA



May 2015



Transportation & Logistics in MENA

EXECUTIVE SUMMARY

Transportation and logistics are known to play key roles in international trade. According to the World Trade Organization (WTO), merchandise exports were worth USD18.3 trillion in 2013, reflecting a CAGR of 8% over 2005–13. As economies grow closer through trade channels, the value of merchandise trade is expected to witness manifold growth, thereby propelling the demand for the transportation and logistics industry. According to Armstrong & Associates, the size of the global transportation and logistics industry was about USD8.6 trillion (~12 of the global GDP) in 2013. Growth in this sector will likely be driven by developing countries, as they are spending a higher share of their GDP than their developed peers.

The transportation and logistics industry in MENA was valued at USD66 billion in 2013 (representing 2.7% of the GDP). Of this, the GCC transport and logistics industry was worth USD40 billion. The share is way lower than other regions across the world. However, it is only bound to increase supported by various growth enablers such as fast-growing consumer segment, robust trade activity, fast-growing non-oil economy, and a determined series of government investments.

MENA lies at the cusp of international trade and commerce between the East and West, an intermediate place in the ladder of comparative advantage. As countries in MENA seek to diversify their economies away from hydrocarbons, significant investments are being made into the development of state-of-the-art infrastructure and logistics facilities. With this, the region has full potential to become a transportation and logistics hub for the world.

MENA's vast consumer base of ~231 million people is a huge market for logistics companies. The population of MENA expanded at a CAGR of 1.9% over the last decade, higher than the world average of 1.1% and that of developed nations such as the US (0.8%) and the UK (0.7%). In addition, e-commerce is gaining ground in the country. Over the last decade, merchandise trade in the region registered a CAGR of 16% to USD2 trillion in 2013 from USD470 billion in 2003. With its vast transportation infrastructure of 136 sea ports and 151 airports, the region serves as a major trading and transshipment hub. With more than 19.3 million TEUs of container traffic in 2013, the UAE surpassed countries such as Germany, Italy, the UK, the Netherlands, Spain, and Belgium, which used to handle more traffic at the turn of the century. Other MENA countries registering strong growth in container traffic over 2000–13 include Saudi Arabia (4.5x), Egypt (4.4x), and Oman (3.4x).

Countries in MENA are investing heavily in transportation and logistics infrastructure. The region is expected to outlay USD4.3 trillion in infrastructure spending by 2020. An ambitious regional rail network worth USD128 billion, in the form of the GCC rail network, is already under construction. Several light-rail projects worth USD76 billion for the region's metropolitan areas are also in the pipeline. Apart from rail, there are numerous ongoing projects related to the development of ports such as the USD750-million second terminal at Dammam's King Abdulaziz Port, Saudi Arabia, the development of the Khalifa Port by the Abu Dhabi government, and The Sohar Port and Free Zone in Oman. The region also has developed many free zones such as the Dubai Airport Free Zone Authority (UAE), Tanger Free Zone (Morocco), Salalah Free Zone



Transportation & Logistics in MENA

(Oman), Aqaba Special Economic Zone (Jordan), Bahrain Logistics Zone (Bahrain), and Jebel Ali Free Zone Authority (UAE).

MENA's transportation and logistics industry faces various challenges. Currently, the transportation and logistics industry is highly fragmented, which leads to inconsistent market regulations, poor service quality, and unskilled manpower, among others. There also exist operational gaps such as inefficient clearance process, clearance/regulatory problems with customs and other government bodies, and high non-tariff-related trading costs.

Despite these challenges, the MENA transportation and logistics industry is evolving at a rapid pace. Logistics companies in MENA are venturing into other regions with high growth potential. Companies in MENA now seek contract logistics services to focus on primary activities and simultaneously carry out logistics activities with better expertise and at a lower cost.

The MENA transportation and logistics industry witnessed significant M&A activity. During 2010–14, more than 87 M&A deals were struck. Aramex (UAE), Agility Public Warehousing Co (Kuwait), and DP World (UAE) were the most active companies in the space. Furthermore, the region has nearly 35 transportation and logistics companies listed on various stock exchanges across MENA. The transportation and logistics industry has six publicly listed companies, with market capitalization of more than USD1 billion. Numerous renowned private companies also operate in the region.

Considering the scale of ambitions, it seems that MENA is focused to become a global logistics hub. Growing international trade and a rising demand for trans-shipment services, fast growing population, and large-scale investment will only drive expansion in the region's logistics sector.

AN OVERVIEW OF TRANSPORTATION AND LOGISTICS INDUSTRY

Transportation and logistics refer to the management of the flow of resources between the point of origin and the point of consumption. The entire process usually involves integration of information flow, material handling, production, packaging, inventory, transportation, and warehousing.

The industry comprises companies engaged in transport, storage and distribution of freight by road, rail, water and air

The transportation and logistics industry comprises companies engaged in the transport, storage, and distribution of freight by road, rail, water, and air. For the purpose of this report, we have divided the industry into four segments: transportation, freight forwarding, warehousing, and value-added logistics services (VALS).

- **Transportation** entails air, road, rail, and marine transport.
- **Warehousing** includes warehousing or storage services during manufacturing and/or distribution.
- **Freight forwarding** includes documentation, insurance, and custom clearance.
- **Value-added logistics services** include packaging, labeling, bar coding, tagging, warranty processing, and returns management.

Exhibit 1: Segments of the transportation and logistics industry



Source: Al Masah Capital Research

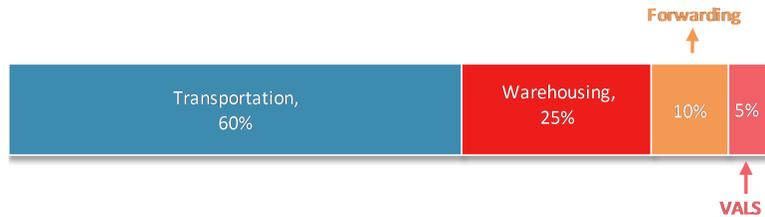
Segmental breakdown of the industry

Transportation is the most important segment of the industry, accounting for 40–60% of the total logistics cost, followed by warehousing (15–20% of the cost). Freight-forwarding and VALS constitute the remaining share.

Transportation is the most important segment of the industry, accounting for 40–60% of the total logistics cost

The cost breakdown is an ideal case for most developed and developing countries. However, the share of these segments can vary depending on the nature of the industry they serve. For instance, FMCG, food processing, pharmaceuticals, and consumer durables may involve higher cost allocation to warehousing compared with other industries, on the back of controlled temperature and storage requirements.

Exhibit 2: Segments of the transportation and logistics industry



Source: Al Masah Capital Research

Evolution of the logistics market

Prior to the 1990s, the logistics industry primarily comprised basic transportation and warehousing facilities

The logistics industry has grown exponentially over the past two decades. Logistics services have evolved from traditional transportation services to integrated, industry-focused value-added services. Prior to the 1990s, the logistics industry primarily comprised basic transportation and warehousing facilities. Defined policies and regulations were largely absent. Infrastructure developments, technological advancements, and policy changes have contributed to the progress of the logistics industry.

Exhibit 3: Evolution of the logistics industry

Before 1990s:	1990s to 2000	Post 2000
<ul style="list-style-type: none"> Logistics outsourcing limited to transportation and warehousing only Mainly short term contracts signed Focus on reducing inventory and distribution costs through physical distribution management 	<ul style="list-style-type: none"> Introduction of value added services such as custom clearance, freight forwarding, inventory management, system support, etc Focus on integration of various business functions to manage end to end supply chain 	<ul style="list-style-type: none"> Emergence of third-party logistics service providers Higher outsourcing and more value added services such as reverse logistics being provided Focus on integration supply chain with the customers to create value 4PLs

Source: Al Masah Capital Research

The global merchandise exports reached USD18.3 trillion in 2013, reflecting a CAGR of 8% over 2005–13

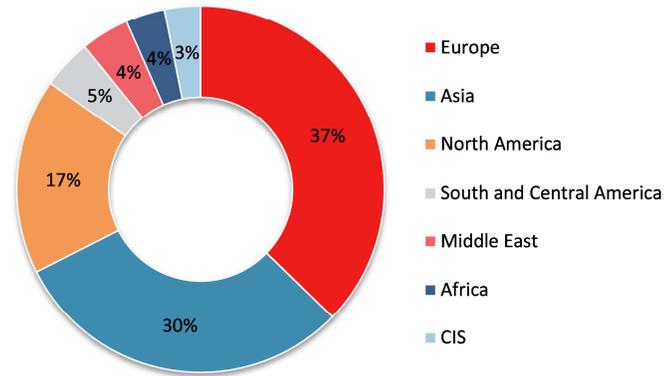
Growing importance of transportation and logistics

Transportation and logistics play an important role in international trade. According to World Trade Organization (WTO), merchandise exports reached USD18.3 trillion in 2013, reflecting a CAGR of 8% over 2005–13. Trade dynamics have changed significantly over the last few years, with developing countries now accounting for 40% of merchandise exports, up from 28% in 2005. On the contrary, the share of developed nations dropped to 56% in 2013 from 68% in 2005.

As economies grow closer through trade channels, merchandise trade value will likely witness manifold growth.

Exhibit 4: World exports by destination (2013)

Total Merchandise exports: USD18.3 trillion



Source: The World Trade Organization, Al Masah Capital Research

Major world economies engage in external and internal trade. Europe, Asia and North America have over 50% of its trading activity as internal.

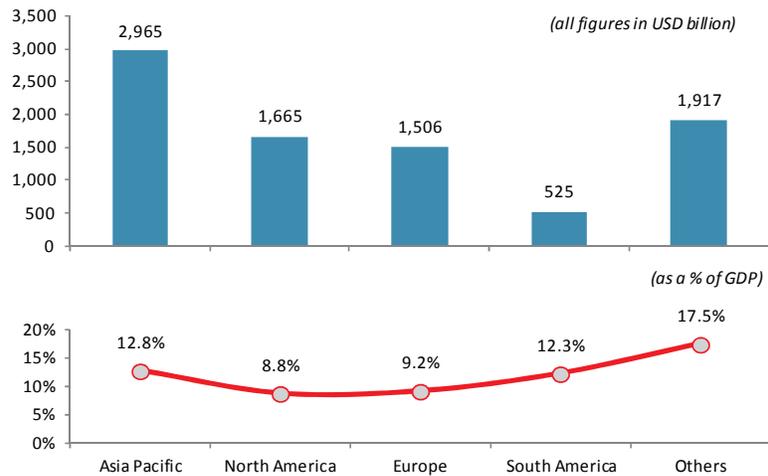
Rising external and internal trade would spur demand for transportation and logistics. Over the next few years, demand growth is likely to shift from traditional Western economies to emerging Asian and Middle East economies. New trade corridors between Asia and Africa, Asia and South America, and MENA and Asia will redefine global supply chains.

The size of the global transportation and logistics industry was about USD8.6 trillion in 2013

GLOBAL TRANSPORTATION AND LOGISTICS INDUSTRY

According to Armstrong & Associates, a Wisconsin-based US consultancy, the size of the global transportation and logistics industry was about USD8.6 trillion (~12% of the global GDP) in 2013. Asia-Pacific accounted for one-third of the global logistics market, backed by robust spending by China and Japan, followed by North America (USD1.7 trillion) and Europe (USD1.5 trillion).

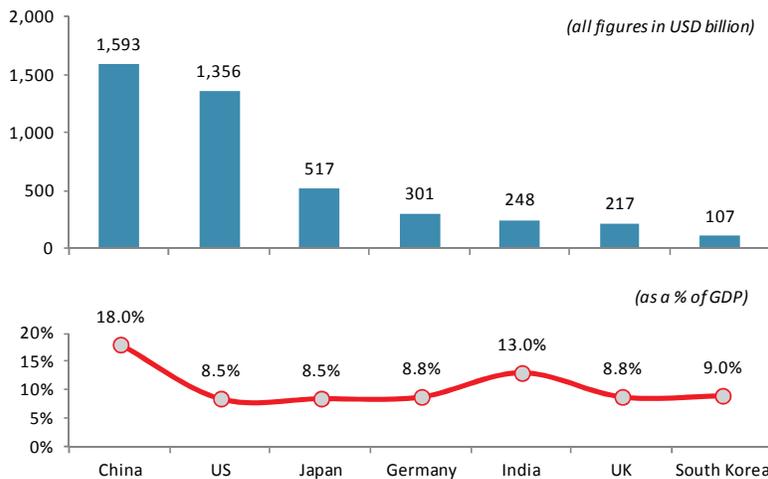
Exhibit 5: Transportation and logistics spend by major world regions (2013)



Source: Armstrong & Associates

Developing countries typically have higher value as a percent of their GDP on transportation and logistics, compared with developed countries.

Exhibit 6: Transportation & logistics spend by major countries (2013)



Source: Armstrong & Associates

Developing countries spend a higher share of their GDP on transportation and logistics than their developed peers

According to data from Armstrong & Associates, developing countries such as China and India, as well as emerging Southeast Asian countries, spend 10–20% of the GDP on transportation and logistics. In comparison, developed markets such as the US, Europe and Japan spend 7–10% of their GDP on transportation and logistics.

Below is the list of some of the renowned names in the transportation & logistics sector.

Exhibit 7: Some of the renowned transportation & logistics companies		
Company	Country	Details
DHL	Germany	DHL is part of the world's leading postal and logistics group Deutsche Post. DHL employs over 285,000 people across 220 countries and territories
Kuehne + Nagel	Switzerland	Kuehne + Nagel Group is one of the world's leading logistics companies, employing over 63,000 staff at 1,000 locations in over 100 countries
DB Schenker Logistics	Germany	DB Schenker combines transport and logistics activities of Deutsche Bahn, employing over 65,000 staff across 2,000 locations in 130 countries
FedEx	US	FedEx is a global courier delivery services company headquartered in Memphis, US. The company has an employee base of 300,000 in more than 220 countries.
UPS	US	Headquartered in Georgia, UPS is the world-leading package delivery company and provider of supply chain management solutions. UPS delivers over 15 million packages a day to more than 6.1 million customers in over 220 countries and territories around the world.

Source: Respective companies, Al Masah Capital Research

The MENA is strategically located on the cusp of international trade and commerce between the East and West

The transportation and logistics industry in MENA generated approximately USD66 billion in revenue in 2013

MENA TRANSPORTATION AND LOGISTICS INDUSTRY

The Middle East and North Africa (MENA) is strategically located in the middle of the Far East and Europe, the cusp of international trade and commerce between the East and West. The region is positioned as a hub for international trade as well as transport and logistics companies. Global enterprises considering exports to the MENA region view Dubai as their primary entry point to the market. With well-established, modern port facilities; attractive free trade zones; and a locally headquartered marine terminal operation (one of the largest in the world), the region has much to offer to companies.

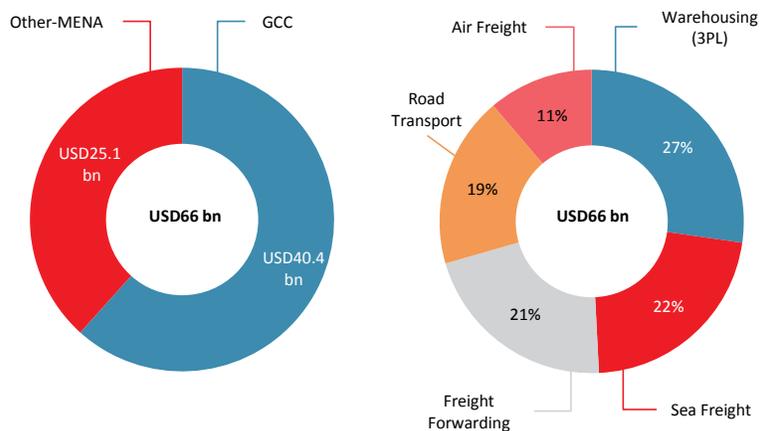
Currently, MENA has a lower spend on the transportation and logistics industry than other nations

According to our research, the transportation and logistics industry in MENA generated approximately USD66 billion in revenue in 2013 (representing 2.7% of the GDP), while the GCC transport and logistics industry was worth USD40.4 billion (representing 2.5% of the GDP). The share is very low when compared to other regions across the world. However, the share is only bound to increase backed by various growth enablers —fast growing consumer segment, robust trade activity, fast-growing non-oil economy and a determined series of government investments.

According to a Booz & Co report¹, the size of the GCC transport and logistics industry, as a percentage of the GDP, was 2.3% in 2008.

The Booz & Co report shows that Warehousing (Third-Party Logistics) is the largest segment within the transportation and logistics industry in MENA, followed by Sea Freight, Freight Forwarding, Road Transport, and Air Freight.

Exhibit 8: MENA transportation and logistics industry



Source: Booz & Co, Al Masah Capital Research

Within MENA, Saudi Arabia represents the largest transportation and logistics market. The market was worth USD17 billion in 2013. The KSA was followed by Egypt (USD11.1

¹ Finding Opportunity in Middle East Logistics, November 2009

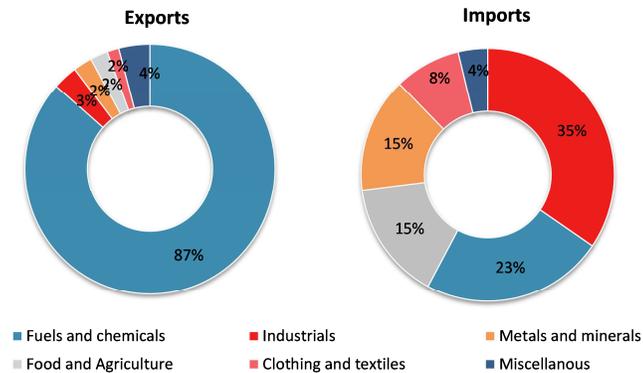
MENA exports mainly comprise hydrocarbon and mining products, which account for over 80% of the exports

billion), the UAE (USD8.1 billion) and Qatar (USD7.9 billion). These countries account for about 70% of the transportation and logistics market in MENA.

Top products for exports by MENA

MENA exports mainly comprise hydrocarbon and mining products, which account for over 80% of the exports. Other products exported by MENA are plastics, organic chemicals, and fertilizers. Export diversification remains low in the region; however, it is intensifying for some GCC countries, particularly the non-oil exporting ones. Within MENA, Saudi Arabia accounts for about 45% of the exports on value terms, followed by Qatar and Kuwait at 17% and 14%, respectively

Exhibit 9: Key products for trade by MENA



Source: UN Comtrade, Al Masah Capital Research

MENA import industrial goods, metals, food products, etc., from all over the world

MENA countries import various goods from all over the world. The chief import goods include industrial goods (nuclear reactors, boilers, machinery, mechanical appliances, electrical machinery, equipment, and parts, etc.), metals (iron, steel, etc.), vehicles other than railway or tramway rolling-stock, and parts and accessories, pharmaceutical products, organic chemical, plastics, and food products.

Within MENA, Saudi Arabia accounts for about 35% of the imports on value terms, followed by Egypt and Algeria, at 14% and 11%, respectively.

The MENA region has total of 136 Sea ports handling 44.8 million TEUs of container traffic

Dubai's Jebel Ali is honored as the world's largest man-made harbour and the biggest port in the MENA region

MENA transportation and logistics infrastructure

The MENA region is strategically positioned to benefit from the ongoing boom in international trade. Although the region has a diversified network of air, sea and road transport, the bulk of economic activity is skewed toward maritime transport.

The MENA region has total of 136 Sea ports handling a total of 44.8 million TEUs of container traffic. Of these, the GCC has nearly 48 ports which together handles 70% of MENA container port traffic. The UAE alone has nine sea-ports with total container traffic of 19.3 million 20-foot equivalent units (TEUs) in 2013 or nearly 4% of the MENA share.

Besides sea transport, the region has 151 airports of which 44 airports are located with the GCC region. The railway network is presently under-developed in the region. There are closed to 750,000 kilometers of roadways in the region.

Major ports/trade routes in the region

MENA has a large number of ports as all countries in the region have a coastline. The largest port is Dubai/Jebel Ali (UAE) which handled 13.6 million 20-foot equivalent units (TEUs) in 2013. Dubai is followed by Jeddah (Saudi Arabia), Sharjah/Khor Fakkan (UAE), Port Said (Egypt) and Salalah (Oman).

- Dubai's Jebel Ali is honored as the world's largest man-made harbour and the biggest port in the MENA region. The port handled 13.6 million TEUs in 2013 and stood amongst the top 10 ports in the world in 2013 in terms of container handling. DP World, the port operator, is building a new container terminal (Terminal 3), which would increase total capacity at Jebel Ali to 19 million TEUs.

Exhibit 10: Major container ports in MENA



Source: Containerization International, Al Masah Capital Research

- Jeddah has emerged as one of the more important Middle East gateways. In 2013, total container throughput at Jeddah port stood at 4.6 million TEUs. Jeddah port has three terminals: Northern Container Terminal, Red Sea Gateway Terminal, and Southern Container Terminal.

- The twin ports of Sharjah and Khor Fakkan handled 3.8 million TEUs of cargo in 2013. The Sharjah Terminal mainly handles local cargo for the UAE, while Khor Fakkan Terminal handles regional transshipment cargo.
- Port Said, which is located close to the entrance of the Suez Canal, is targeting to become the leading port in the Mediterranean basin. Port Said Container & Cargo Handling, and APM Terminals operate the two terminals at Port Said. In 2013, Port Said handled 4.1 million TEUs of cargo.
- The Port of Salalah is a multi-purpose port, with facilities to handle bulk cargo, containers, general and liquid cargoes. It also offers value added services such as bunkering, container repairs, a container freight station, warehousing and ship repairs. Located on the East-West trade lane between Europe and Asia, it relies almost entirely on transshipment or relay cargo. In 2013, Salalah's throughput was 3.3 million TEUs.

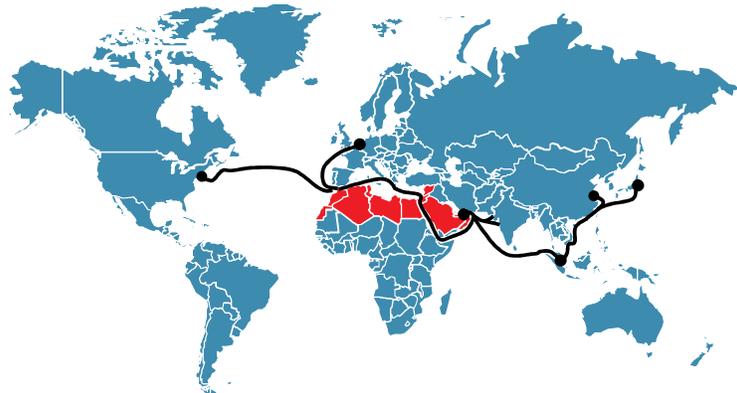
MENA engages in maximum merchandise trade with Europe

MENA has trade relations with almost every country/region across the globe. The region exports hydrocarbons and hydrocarbon-related products that are in great demand, and meets a large part of its food requirement through imports.

Data from the World Trade Organization suggests that MENA engages in maximum merchandise trade with Europe (35% of all exports and imports), followed by Asia (34%), and North America (15%). Others like the Commonwealth of Independent States (or CIS) and South/Central America account for the remaining 16% share.

The most common trade routes to/from the above destinations are mapped below.

Exhibit 11: Major trade routes from MENA



Source: Al Masah Capital Research

- **Europe:** Jebel Ali – Khor Fakkan – Jeddah – Suez Canal – Cagliari – Southampton – Antwerp
- **Asia:** Jebel Ali – Singapore – Hong Kong – Shanghai / Japan
- **North America:** Jebel Ali – Khor Fakkan – Jeddah – Suez Canal – Cagliari – New York

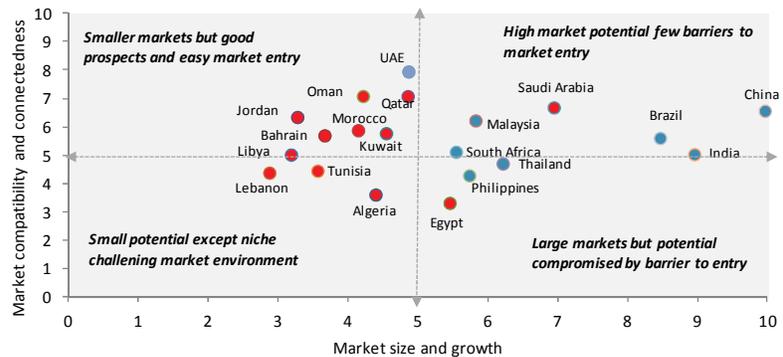
Saudi Arabia is one of the most attractive targets for logistics investments

Assessing MENA countries' attractiveness as a logistics market

An assessment of the most attractive targets for logistics among emerging countries has revealed that several MENA countries offer prospects of strong growth and easy market entry.

According to the Agility's Emerging Market Logistics Index 2014 report, Saudi Arabia is one of the most attractive targets for logistics investments. Moreover, it is the easiest market to operate within the MENA region. Saudi Arabia's competitors include China, Brazil, Turkey, Malaysia and Chile. Other MENA countries, particularly those in the GCC, such as the UAE, Qatar, Oman, Kuwait and Bahrain, are also emerging as potential investment destinations.

Exhibit 12: Attractiveness of MENA countries as a logistics market



Source: Agility Emerging Market Logistics Index 2014, Al Masah Capital Research

The emerging markets quadrant displays the relative positions of the countries in the index. The chart is divided into four areas based on size and potential entry barriers (an average of market compatibility and market connectedness).

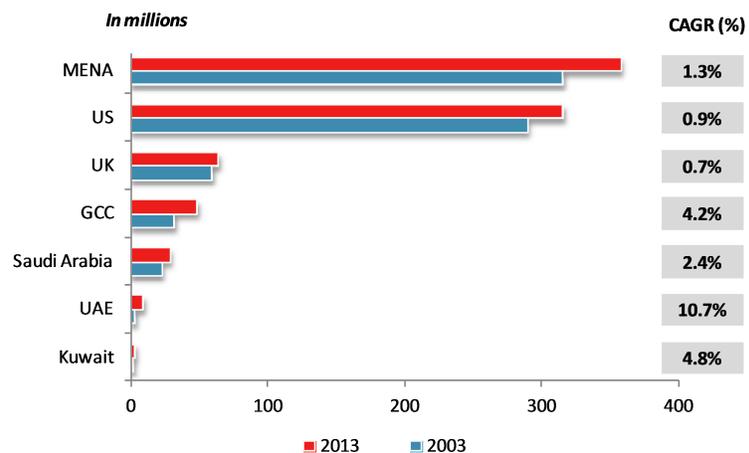
GROWTH DRIVERS FOR TRANSPORTATION & LOGISTICS INDUSTRY

Growing population means an increased need for logistics in the region

MENA region's population of ~231 million is a huge market for logistics companies

MENA region's population of ~231 million is a huge market for logistics companies. The total population of MENA has grown at a CAGR of 1.9% over the last decade, higher than the world average of 1.1% and that of developed nations like the US (0.8%) and the UK (0.7%). A growing population calls for higher demand of consumer and industrial goods, which indirectly need logistical services in order to reach people.

Exhibit 13: Growth in population



Source: The World Bank, Al Masah Capital Research

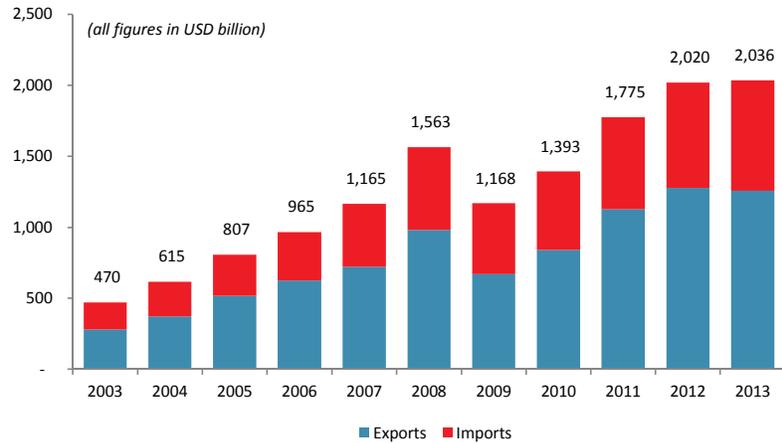
Increased trade activity to propel demand for transportation and logistics

Merchandise trade in the MENA region increased at a CAGR of 16% to USD2 trillion in 2013 from USD470 billion in 2003

Merchandise trade in the MENA region has been growing rapidly. Over the last decade, merchandise trade in the region increased at a CAGR of 16% to USD2 trillion in 2013 from USD470 billion in 2003. Furthermore, merchandise trade accounted for nearly 84% of the GDP for MENA countries in 2013, up from 76% in 2009. At 97%, this ratio was higher for the GCC, up from 88% in the same period.

Exports (which formed a little more than 60% of overall merchandise trade for the region) remained the major driver, rising nearly 4.5x to USD1.3 trillion in 2013 from USD280 billion in 2003. Imports grew to USD778 billion in 2013 from USD190 billion in 2003.

Exhibit 14: Merchandise trade



Source: The World Bank, Al Masah Capital Research

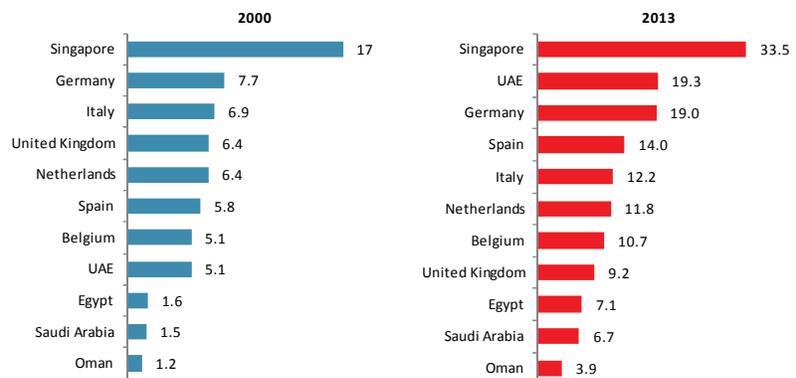
MENA serves as a trading and transshipment hub

The UAE is following Singapore closely, the second largest container traffic handler in the world

The number of seaports in some MENA countries increased exponentially over the past decade. With more than 19.3 million TEUs of container traffic in 2013, the UAE surpassed countries such as Germany, Italy, the UK, the Netherlands, Spain and Belgium, which handled more traffic than the UAE at the turn of the century. The UAE appears to be following Singapore closely, the second largest container traffic handlers in the world. With a container traffic of 175 million TEUs, China is the global leader. The UAE's container traffic posted a double-digit CAGR of 11% during 2000–13, compared with a 5% growth in Singapore's container traffic during the same period.

Apart from the UAE, some other MENA countries that witnessed strong growth in terms of container traffic over 2000–13 include Saudi Arabia (4.5x), Egypt (4.4x) and Oman (3.4x).

Exhibit 15: Total container traffic (million TEUs)



Source: The World Bank, Al Masah Capital Research

Re-exports constitute more than 50% of Oman's non-oil exports

Oman, Qatar and the UAE feature in the Top 10 sea freight fastest-growing trade lanes

The increase in container traffic resulted from GCC countries' efforts toward diversification of exports and increases their re-exports. For instance, re-exports constitute more than 50% of Oman's non-oil exports. Given the strategic location of MENA, several countries have been eyeing the Gulf Coast for re-exports. In March 2015, the UAE-Belgium Business Forum was organized to boost trade between the UAE and Belgium. Dubai is an ideal partner for Belgium as a re-export hub with strong links across MENA and Southeast Asia.

MENA countries lead in terms of sea and air trade routes

MENA countries represent the fastest-growing trade lanes. Oman, Qatar and the UAE feature in the Top 10 sea freight fastest-growing trade lanes – Emerging Markets to US/EU, with Oman occupying the top two spots. Sea exports from Oman to the US have increased following the 2009 free trade agreement between the countries. Oman is making efforts to diversify into other commodities, besides its key exports of oil and petroleum products.

Exhibit 16: Fastest-growing trade lane Emerging markets to US/EU (Sea Freight)

Rank	Origin	Destination	2005-13 CAGR
1	Oman	US	46%
2	Oman	EU	41%
3	Cambodia	EU	36%
4	Paraguay	US	22%
5	Bolivia	EU	19%
6	Qatar	EU	15%
7	Paraguay	EU	14%
8	Vietnam	US	14%
9	Tunisia	US	13%
10	UAE	EU	13%

Source: Agility Emerging Market Logistics Index 2014, Al Masah Capital Research

MENA countries, particularly the UAE and Saudi Arabia, rank among the top 10 air freight trade lanes.

Exhibit 17: Air Freight Top 10 Trade Lanes – US/EU to Emerging Market

Rank	Origin	Destination	2013 Tonnes*	Y/Y growth (%)
1	EU	China	537,428	1%
2	US	China	2,60,482	0%
3	EU	UAE	1,77,416	4%
4	EU	India	1,45,137	-9%
5	US	Brazil	1,26,386	0%
6	EU	Brazil	1,14,020	1%
7	EU	Saudi Arabia	92,300	6%
8	EU	South Africa	89,457	-15%
9	EU	Mexico	82,743	-9%
10	EU	Russia	82,668	2%

Source: Agility Emerging Market Logistics Index 2014, Al Masah Capital Research, Note* - forecast



Transportation & Logistics in MENA

The MENA region recorded the fastest e-commerce growth in the world, reaching USD15 billion in 2012.

MENA is expected to outlay USD4.3 trillion in infrastructure spending by 2020

Growth in E-commerce

E-commerce is emerging as a growth driver for the logistics industry. According to a report by VISA Inc., the MENA region recorded the fastest e-commerce growth in the world, reaching USD15 billion in 2012. MENA achieved the fastest growth in e-commerce, given the high rate of Internet penetration and changing buying habits of consumers. There are about 4.4 million online buyers in the region, primarily spread across countries such as the UAE, Saudi Arabia, Egypt and Kuwait. Of these, the UAE has about 3.6 million e-commerce customers. The latest estimates from Euromonitor International suggest a 95% growth in online retail in the UAE over the next five years.

Investment in transportation and logistics

The growth in transportation and logistics in MENA is being driven by government initiatives toward economic diversification from energy-based industries to expansion into other commercial sectors such as trade, export-import, and tourism. This renewed focus on commercial sectors is paving the way for more investments in new transport infrastructure, including seaports, airports, and major rail initiatives across the MENA region.

The region is expected to spend USD4.3 trillion² on infrastructure by 2020. An ambitious USD128 billion regional rail network, in the form of GCC rail network, is already under construction. In addition to the above, there are several light rail projects worth USD76 billion for the region's metro areas are also in the pipeline.

The Deloitte GCC Powers of Construction report suggests that nearly 30% of all the projects planned or underway in GCC (as of February 28, 2013) are pertaining to transportation. Kuwait and Oman allocated the most to the transportation (airports, ports and rail) industry.

GCC rail network

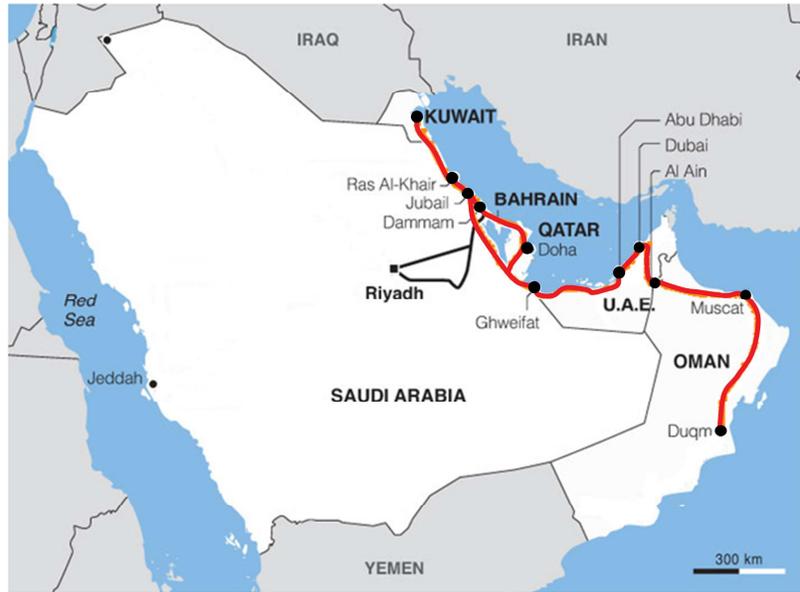
With an estimated cost of USD128 billion, the 2,177-kilometer GCC rail network would offer passenger and freight services.

The network will run from Kuwait, through Saudi Arabia, to the UAE and Oman, with branches linking Bahrain and Qatar.

Expected to be fully operational in 2018, the trains on the network will run at a speed of 220 km/hour (passenger trains) and 80–120 km/hour (freighter trains).

² Construction gets a boost in GCC countries, Dec 2013 (HSBC Global Connections)

Exhibit 18: GCC rail network (route map)



Source: Reuters, National rail companies, Al Masah Capital Research

Key transportation and logistics projects under development

Saudi Arabia

Saudi Arabia is the only GCC country with an existing rail network. However, the railway line between Dammam and Riyadh was built in the 1950s and needs to be overhauled to fulfill the current transport requirements. In line with this, Saudi Arabia has plans to introduce metros in Jeddah and Riyadh. It is also planning the construction of a 950-kilometer Landbridge railway line from Jeddah to Dammam, and Haramain High Speed Rail linking Mecca, Medinah and Jeddah to facilitate the movement of pilgrims.

Saudi Arabia is the only GCC country with an existing rail network

- **Jeddah Metro:** The Jeddah Metro project is a planned 180-kilometer, three-line railway (orange, blue and green) running across the city; it is expected to cost USD9.3 billion.
- **Riyadh Metro:** The USD8 billion Riyadh Metro entails development of six lines (red, blue, orange, yellow, green, and purple), 176 kilometers of track, and 85 stations. The metro will include a mixture of underground and elevated construction.
- **Landbridge project:** With an estimated investment of USD7 billion, the project would be a rail link between the Red Sea and the Gulf. It entails construction of a 950-kilometer new track between Riyadh and Jeddah, and another 115-kilometer track between Dammam and Jubail.
- **Haramain High Speed Rail:** The USD13.7 billion project involves construction of a 450-kilometer rail link between Mecca and Medinah, with seven stations and 25 bridges.
- **North South Railway:** A few parts of this 2,750-kilometer freight line are already functional, and have been servicing the regional commodities industry

for over a year. The network begins in Riyadh and reaches Hudaitha, connecting Sudair, Qassim, Hail and Al Jouf.

There are a number of ongoing projects in Saudi Arabia, including the USD750 million second terminal at Dammam's King Abdulaziz Port, two additional terminals totaling USD40 million at the King Fahd Industrial Port in Al Jubail, and the soon-to-be-unveiled Portside Logistics Facility at the Jubail Commercial Port.

Qatar

Qatar is improving its transport infrastructure as a part of the preparations for the FIFA World Cup 2022. Qatar has plans for a metro in Doha, a long distance passenger and freight rail service, and a light rail transit extending to 30.5 kilometers.

- **Doha Metro:** With an estimated cost of USD15.2 billion, the Doha Metro network would consist of four lines (red, gold, green and blue) extended to 354 kilometers covering more than 90 stations across the greater Doha area. Phase I of the project is expected to be completed in 2019.
- **Long Distance Passenger and Freight Rail:** Qatar plans for a long distance passenger and freight rail transportation system encompassing 350 kilometers at varied speeds (ranging between 220 and 350 km/hrs for passenger trains, and 120 km/hrs for freight trains).
- **Lusail Light Rail Transit:** The project comprises four lines extending to 30.5 kilometers in total (19 kilometers at ground level, 10 kilometers underground, and 1 km above the ground) and would consist of a fleet of 34 trains covering 37 stations.

United Arab Emirates

The UAE has plans to construct a 1,200-kilometer national rail network, extend/construct metro at Dubai/Abu Dhabi, add 340 kilometers long light rail transit network, and a tramway.

- **UAE National Network:** Etihad Rail is developing a 1,200-kilometer national rail network at a cost of USD11 billion to link major industrial and urban centers across the country, and to provide onward links to the planned lines in Saudi Arabia and Oman.
- **Dubai Metro:** The Dubai Metro, the first metro system to be built in a Gulf country, was completed five years back. The Red Line of Dubai Metro was launched in September 2009, and the Green Line was inaugurated in September 2011. The Dubai metro has planned three more lines.
- **Abu Dhabi Metro:** This comprises a combined metro and light rail system of 131 kilometers to connect the Central Business District, Sowwah Island, Reem Island, Saadiyat Island, Yas Island, Abu Dhabi International Airport, Masdar, Capital City District, Emerald Gateway, Zayed Sports City and ADNEC.
- **Abu Dhabi Light Rail:** The system consists of 340 kilometers long light rail transit network. It is divided into three lines – the first line would connect the Central Business District by linking Al Reem Island, Sowwah Island, downtown Abu Dhabi Island and Marina Mall; the second would link the Al Raha Beach Development, Yas Island, Masdar City and Abu Dhabi International Airport; and the third would connect the Saadiyat Island and the Capital District.

Qatar is improving its transport infrastructure as a part of the preparations for the FIFA World Cup 2022

The UAE has plans to construct a 1,200-kilometer national rail network

- Al Sufouh Tramway: It is a USD1.8 billion project covering 14.6 kilometers track with 17 stations.

Dubai Customs and the Department of Economic Development have developed a “virtual corridor” to boost the trade sector and facilitate the movement of goods. The corridor is a virtual freight and logistics path to connect seaports, airports and free zones in Dubai through a single platform. The proposed corridor would streamline and expedite the customs clearance process, leading to time and cost savings. The pilot phase of this initiative was implemented in September 2014. Thereafter, more than 12,000 cargo transfers (weighing 64,000 tonnes) have been made, and more than AED120 million achieved in savings by reducing the burden of deposit-related financial issues.

The development of the Khalifa Port by the Abu Dhabi government is another initiative aimed at driving the logistics sector. Located midway between Dubai and Abu Dhabi, the Khalifa Port is the first semiautomated container port in the region. Launched in September 2012, the port is owned by Abu Dhabi Ports and operated by Abu Dhabi Terminals (ADT), a private joint stock company. The port currently handles general cargo and all of Abu Dhabi’s container traffic. In Phase 1, the port had an annual capacity of 2.5 million TEUs and 12 million tonnes of general cargo. On the completion of all phases, the port’s container volume capacity may increase to 15 million TEUs and 35 million tonnes of general cargo per year.

Oman

A lot of investments has been taking place in Oman too.

- Sohar airport: At the end of 2014, Oman inaugurated the Sohar airport, an international airport situated in the Al Batinah region. The airport will offer 50,000 tonnes of air freight cargo capacity to support regional growth.
- Sohar Port and Free Zone: The Sohar Port and Free Zone is expected to record an increase in logistics activities as a result of the commercial closure of the Port of Muscat and the subsequent transfer of cargo to Sohar.
- South Batinah Logistics Hub: The Oman government is promoting the country as a gateway to the region through the South Batinah Logistics Hub, a state-of-the-art facility to offer one-stop-shop services to logistics providers and customers.
- Megaport: Qatar is building a USD7 billion megaport close to the Mesaieed Industrial Zone. The port is expected to become operational in 2016.

Egypt

Egypt plans to upgrade/construct metro and tram networks.

- Cairo Metro: The Cairo metro has been in operation since 1987. It consists of three operational lines (red, yellow and green). A fourth line, expected to operate between Haram District in the east and New Cairo district in the west, is being added; it is due for completion in 2020.
- Heliopolis-New Cairo Tram: The project involves a complete overhaul of the existing tram system by replacing it with new tracks and new carts. It also

Oman inaugurated the Sohar airport, an international airport situated in the Al Batinah region in 2014

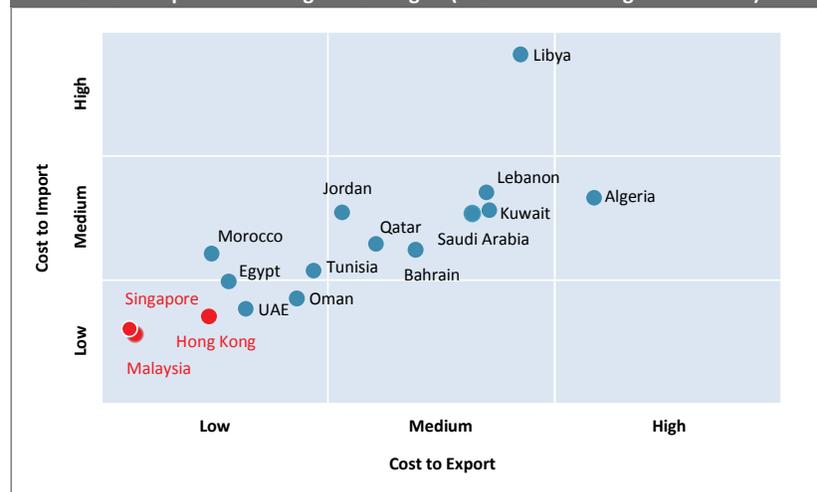
Egypt plans to upgrade/construct metro and tram networks

involves upgrading the link from Stadium station to Nasr City station with an extension to reach and serve New Cairo.

MENA requires larger investment in transportation & logistics

The region needs to invest more in transportation & logistics. Although the average cost of exports and imports (on per container basis) from/in MENA is way below the world average of USD1,515 and USD1,823, respectively, most countries in the region are yet to achieve the level of transportation & logistics sophistication commensurate with their economic strength and potential.

Exhibit 19: Transportation & logistics cost grid (MENA versus the global leaders)



Source: The World Bank (2013), Al Masah Capital Research

Barring the UAE, Oman, and Egypt, most MENA countries fall into the medium-to-high cost zones for exports and imports, hinting at existing growth opportunities.

Hosting of World EXPO 2020 and FIFA World Cup 2022

The UAE and Qatar will be hosting two global events in the next decade: the World EXPO 2020 and the FIFA World Cup 2022.

- In November 2013, the UAE won the bid to host the World EXPO 2020 Dubai. The city was competing with Ekaterinburg (Russia), Izmir (Turkey), and Sao Paulo (Brazil) for hosting the world's largest fair.
- In December 2010, Qatar won the right to host the FIFA World Cup 2022, the world's most-watched sporting event. Qatar beat bids from the US, Australia, South Korea and Japan.

These events are likely to work as catalysts for the economic, cultural, and social transformation of the two countries, and the MENA/GCC region. Apart from the economic benefits for the host countries in the form of increased tourism, job opportunities, and hospitality revenues, these mega events would expedite the physical redevelopment of the host nations and the cities.

Both the UAE and Qatar have committed investments in transportation due to the World EXPO 2020 and the FIFA World Cup 2022

Dubai, for instance, is spending billions of dollars to expand and upgrade its air infrastructure. Dubai International Airport (DIA) is undergoing renovation costing USD7.8 billion, including the construction of Concourse 3 and Concourse 4 and expansion of Terminal 1 and 2. The city is also building the new Al Maktoum International Airport, which, on completion, would have the capacity to handle 160 million passengers per year. Separately, Dubai's transport authority said it would expedite plans for a USD1.4 billion extension of its metro rail line.

Exhibit 20: Upcoming mega events in Dubai and Qatar



In November 2013, Dubai won the bid to host the World EXPO 2020



In December 2010, Qatar won the bid to host the FIFA World Cup 2022

Source: Government Authorities, Al Masah Capital Research

In preparation for the FIFA World Cup in 2022, Qatar has planned to invest USD140 billion in transport infrastructure until 2018. The country is constructing a new airport, several kilometers of roads and a metro system to support the anticipated influx of visitors for the World Cup.

Development of free zones

The free zone model was created in 1934. The first such zone in MENA was Jordan's Aqaba port, which opened for business in 1973. Achieving success, Jordan introduced the financially and administratively independent Free Zone Corporation in 1976. Several countries followed suit, resulting in over 70 free zones³ in the region as of now.

Free zones have played a pivotal role in the development of GCC, particularly the UAE, which is home to nearly 40 free zones, including the world renowned Dubai Airport Free Zone Authority (DAFZA).

Dubai Airport Free Zone Authority, UAE

Established in 1996, DAFZA houses over 1,600 multinational companies from various industry sectors such as aviation, freight & logistics, IT & telecommunications, pharmaceuticals, engineering, food & beverage, jewelry and cosmetics. As per a recent press release, 39% of the companies in DAFZA are from Europe and North America, followed by GCC & Middle East (38%), Asia (17%), Offshore Islands (3%), Africa (2%) and Australia (1%). Located next to Dubai International Airport, DAFZA provides a host of investment and tax incentives, including 100% ownership by foreign investors, complete repatriation of capital and profits, corporate tax exemption, import & export tax exemption, and personal income tax exemption.

Free zones have played a pivotal role in the development of GCC, particularly the UAE

³ The role of free zones, August 2013 (MEED)

In 2012, the Financial Times Foreign Direct Investment (fDi) Magazine⁴ ranked DAFZA “the best Free Zone in the World”.

DFZA was closely followed by Dubai International Financial Centre (ranked second) and China’s Shanghai Waigaoqiao Free Trade Zone (third). Interestingly, 24 MENA-based free zones found a place among the top 50 free zones of the future (2012/13).

Tanger Free Zone, Morocco

Established in 1999, Tanger Free Zone (TFZ) is located near Ibn Battouta International Airport. The 500-hectare zone is home to 475 companies from various industry sectors, including Agri-food, textiles and leather, metallurgy, mechanical, electronics, chemical and high technology. TFZ allows exemption from taxes on dividends and partnership shares, corporate tax during the first five years, all registration taxes and stamp duties, value-added tax, and allows tax-free repatriation of foreign earnings.

The Financial Times Foreign Direct Investment (fDi) Magazine ranked TFZ the sixth best Free Zone in the World.

Tanger Free Zone (Morocco) was ranked the sixth best Free Zone in the World

There are generally four types of free zones: (1) free trade zones; (2) export processing zones; (3) special economic zones; and (4) industrial zones.

- Free trade zones are usually located near seaports or airports. Incentives for establishing operations in such zones include exemptions from national import and export duties on goods that are meant for re-exports.
- Export processing zones are more or less similar to free trade zones, but focus on exports with a significant value added, rather than just on re-exports.
- Special economic zones apply a multi-sectoral development approach and focus on both domestic and foreign markets. Incentives for establishing operations in such zones include infrastructure, tax and custom exemptions, and simpler administrative procedures.
- Industrial zones are targeted toward specific economic activities, for instance, heavy engineering or agri-products.

Salalah Free Zone, Oman

Established in 2006, Salalah Free Zone (SFZ) is the Sultanate’s first special economic zone. The 1500-hectare zone, located adjacent to Salalah port, focuses on supporting the development of a new sea-air cargo corridor, in partnership with Oman Air and Salalah port. SFZ allows 100% ownership by foreign investors, exemption from customs duties on raw materials and finished products, allows 30-year tax holiday on profits and dividends, and no restrictions on the transfer and repatriation of income.

The Financial Times Foreign Direct Investment (fDi) Magazine ranked SFZ the 17th best Free Zone in the World.

Salalah Free Zone (Oman) is the 17th best Free Zone in the World

Aqaba Special Economic Zone, Jordan

Established in 2001, Aqaba Special Economic Zone was launched as a duty-free, low tax development zone for logistics, warehouses, and transportation companies. Located

⁴ The rank is based on performance, growth and expansion plans and presence of high growth industries, with particular focus on financial and other incentives, tax exemptions, recent transport services and infrastructure development and economic potential.



Transportation & Logistics in MENA

*Bahrain Logistics Zone
was ranked the 30th
best Free Zone in the
World*

close to the country's sea ports, Aqaba city and an international airport, Aqaba Special Economic Zone allows 100% ownership by foreign investors, 100% repatriation of profits and capital, and a flat-rate 5% income tax on net profit.

The Financial Times Foreign Direct Investment (fDi) Magazine ranked Aqaba Special Economic Zone the 20th best Free Zone in the World.

Bahrain Logistics Zone, Bahrain

Established in 2008, Bahrain Logistics Zone (BLZ) is located close to Khalifa bin Salman Port, and is operated by Ports and Maritime Affairs (PMA) at the Ministry of Transportation. The 100-hectare zone focuses on third-party logistics, storage and distribution, and is engaged in other logistics services and activities. BLZ allows 100% foreign company ownership.

The Financial Times Foreign Direct Investment (fDi) Magazine ranked BLZ the 30th best Free Zone in the World.

Jebel Ali Free Zone Authority, UAE

Established in 1985, Jebel Ali Free Zone Authority (JAFZA) is a manufacturing, heavy industry and distribution hub with over 7,000 companies, including 120 Fortune 500 companies. The 100-sq km zone offers a host of benefits and incentives in the form of 100% ownership by foreign investors, 50-year guarantee of zero corporate or personal taxes, and no restrictions on the transfer and repatriation of income.

KEY ISSUES AND CHALLENGES

Fragmented industry

There are about 4,700 players in the logistics industry in the UAE

The MENA logistics industry is very fragmented with “several thousand” players. Furthermore, given the attractiveness of this market, the number of new players entering this space is increasing. According to Frost & Sullivan, in the UAE alone, there are about 4,700 players in the logistics industry, of which ~500 companies are MNCs and organized companies. The remaining ~4,200 companies are unorganized and operate in segments such as FMCG and consumer sectors.

A fragmented structure has led to challenges in terms of inconsistent market regulations, quality of services offered, skilled manpower, and unsophisticated management techniques.

Operational gaps between important trade lanes

Companies spend 30–45 working days each year on resolving clearance/regulatory problems with customs and other government bodies

The logistics industry in the GCC has been on a sound growth track, backed by consistent consumer behavior and high leverage on the natural resources within the region. However, several factors pose a challenge to the prospects of logistical oneness within the region. These challenges include an inefficient clearance process, poor quality of trade- and transport-related infrastructure, competence and quality of logistics services, ability to track and trace consignments, and frequency of shipments reaching the consignee within the scheduled delivery time.

The factors mentioned above have affected the flow of goods and trade between GCC countries. For instance, companies spend 30–45 working days each year on resolving clearance/regulatory problems with customs and other government bodies. Such instances delay the process and push up costs. The non-tariff related trading costs; red tape, corruption, and bureaucracy; can sometimes reach 9% of the value of goods shipped.

Saudi Arabia imposes a mandatory lab tests on many commodities that enter the country, which in turn leads to a 14-day hold on shipments until fully tested and cleared. This further results in 14 days’ worth of extra stock build-up for FMCG companies to secure the availability of their products on shelves. The clearance process and unnecessary storage and logistical costs have been weighing high on the companies cashflows.

Inconsistent quality of road network in MENA

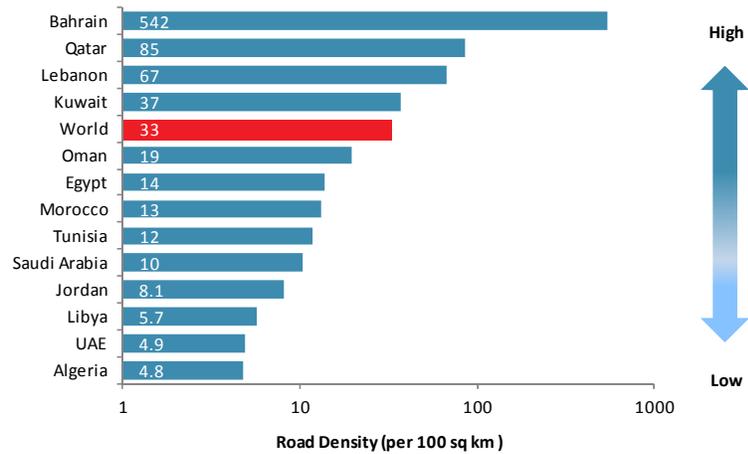
MENA’s road density of 8.9 per 100 sq km is well below the world average of 32.6 per 100 sq km

Good road and rail network, which plays a crucial role in the movement of goods within a country, is a precursor to the overall well-being of an economy. However, MENA scores low on this front. MENA’s road density of 8.9 per 100 sq km is well below the world average of 32.6 per 100 sq km. Barring Bahrain, Qatar, Lebanon and Kuwait; all other MENA countries have road densities below 20 per 100 sq km. The quality of roads is poor in Libya, Lebanon, Egypt and Algeria.

Road density in developed and developing countries like Germany (180 km), UK (172), India (143), Japan (90) and the US (67) has been found to be quite high.

Barring Bahrain, Qatar, Lebanon and Kuwait; all other MENA countries have road densities below 20 per 100 sq km

Exhibit 21: Road density in nine MENA countries is below the world average



Source: The World Bank, CIA, Al Masah Capital Research

Road density is the ratio of the length of the country's total road network to the country's land area. The road network includes all roads in the country: motorways, highways, main or national roads, secondary or regional roads, and other urban and rural roads.

Source: The World Bank

The institutions in charge of transport and logistics in MENA have weak policy formulation and management capacity

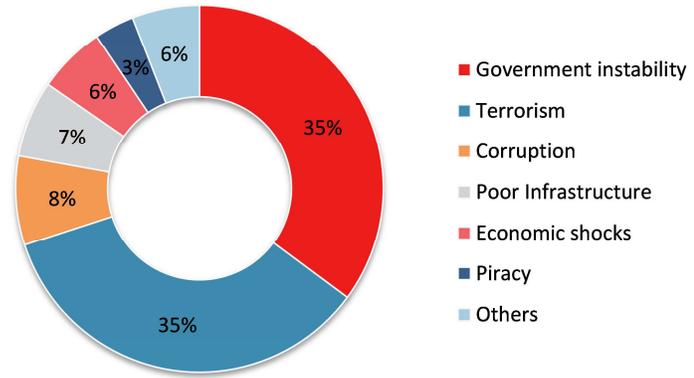
Unclear government regulations

According to the World Bank, the institutions in charge of transport and logistics in MENA have weak policy formulation and management capacity. There are a number of regulatory/government/semigovernment bodies such as the Roads and Transport Authority (RTA), JAFZA, DAFZA, and Dubai Maritime City Authority in the region. Each agency is individually trying to regulate and develop the industry, rather than adopting a coordinated approach⁵. The land use planning rigidities and property rights imposed by the government is also a major constraint.

Agility, in its Emerging Markets Logistics Index for 2014, cited government-related issues and unrest in the MENA region as the top two supply chain risks. Political instability is estimated to be responsible for 35% of all supply chain-related problems, followed by unrest/terrorism.

⁵ Dubai SME - Transportation & Storage Industry in Dubai

Exhibit 22: Major supply chain risk for MENA



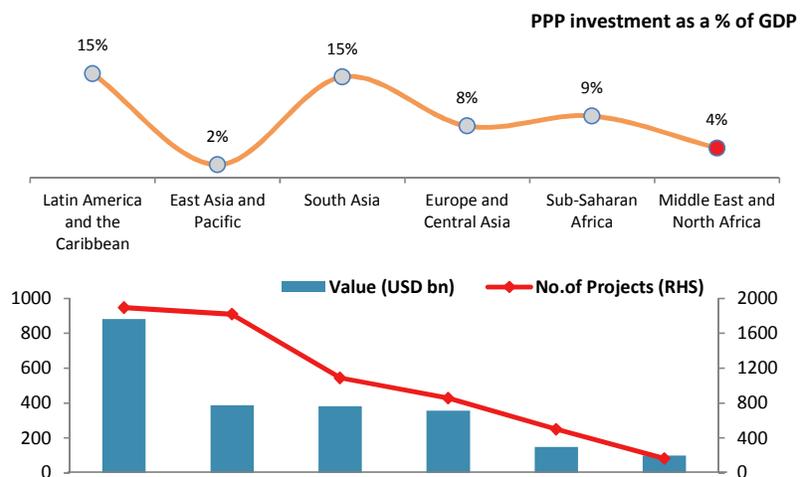
Source: Agility Emerging Market Logistics Index 2014, Al Masah Capital Research

Low private sector participation in the industry

The PPP investment as a percent of GDP stood at 4% in MENA, lower than other regions

The public sector has traditionally dominated MENA’s transport and logistics industry. The World Bank’s data on public-private partnerships (PPPs) over 1990–2014 indicates that the MENA region has experienced lower number of PPP projects compared to other parts of the world, both in terms of count and value. Moreover, PPPs in transport in MENA have been very low. The PPP investment as a percent of GDP stood at 4% in MENA, lower than other regions such as Latin America and the Caribbean, and South Asia which had PPP investment as a percent of GDP at 15%.

Exhibit 23: Public-private partnership projects (1990–2014)



Source: The World Bank PPI Project Database, Al Masah Capital Research

MENA-based logistics companies are seeking to expand into Asian markets and other high-growth countries

The contract logistics sector in the MENA region would expand 33% by 2017

RECENT TRENDS IN MENA LOGISTICS INDUSTRY

MENA logistics companies expanding to other regions

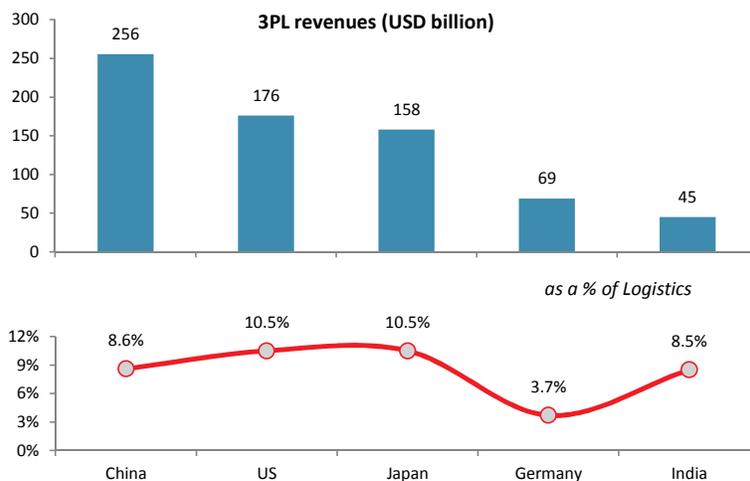
Trade between MENA and Asia is gaining momentum. Given the geographic similarities between these regions, many MENA-based logistics companies are seeking to expand into Asian markets and other high-growth countries.

UAE-based Aramex announced plans to expand operations in Southeast Asia by partnering with Thailand-based Leo Global Logistics, a logistics service provider. According to the deal, Aramex Thailand would expand the company's owned operations in Singapore, Malaysia, Indonesia, Hong Kong, China and Australia to help facilitate cross-border delivery across the region. Similarly, Kuwait-based Agility plans to construct a distribution park on a 40-acre site in the Tema Port Free Trade Zone Enclave in Accra, Ghana. The Agility Distribution Park, one of the many logistics hubs that Agility is building across the African continent, would provide international standard logistics infrastructure to local, regional, and global companies operating in Ghana.

Contract logistics

MENA companies are seeking contract logistics services in order to focus on primary activities and simultaneously carry out logistics activities with better expertise and at a lower cost. According to research firm Transport Intelligence, the contract logistics sector in the MENA region would expand 33% by 2017, or 7.5% a year on average, as increased competition and cost pressures prompt companies to focus on core competencies. Furthermore, land in the region is relatively scarce, expensive to develop, and subject to a complex web of zoning requirements, which would further contribute to the growth of logistics in the region.

Exhibit 24: Contract Logistics



Source: Armstrong & Associates, Al Masah Capital Research

Contract logistics primarily refer to the outsourcing of logistics activities. Contract logistics aggregate logistics functions into a complex service package that is based on



Transportation & Logistics in MENA

The 3PL logistics service provider industry in the MENA region is highly fragmented

customer requirements. The suppliers of these services are called third-party logistics providers or 3PLs.

The 3PL logistics service provider industry in the MENA region is highly fragmented, with many small players offering point solutions such as freight forwarding, warehousing, and transportation services. Few providers have nationwide capabilities, and even fewer have the headcount, assets, or IT sophistication to serve clients across the region. Also, the level of outsourcing in MENA's transport and logistics industry is low. Based on our primary interviews with industry experts, a report by the Government of Dubai concluded that the outsourcing level of logistics functions in the GCC stands at 18–20% of the total value of the goods transported, compared with 40% in the UK and 20–25% in Western Europe.



Transportation & Logistics in MENA

COUNTRY PROFILES

1. **United Arab Emirates**
2. **Saudi Arabia**
3. **Qatar**
4. **Kuwait**
5. **Oman**
6. **Egypt**
7. **Bahrain**

UNITED ARAB EMIRATES

Trade performance

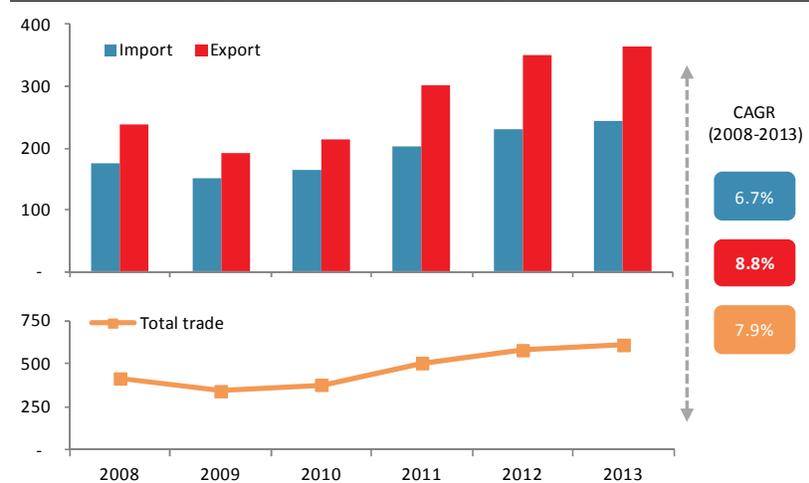
Value of exports and imports

In 2013, the UAE's merchandise exports increased 4.3% year-on-year to USD365 billion

The UAE's merchandise trade increased at a CAGR of 7.9% from USD416 billion in 2008 to USD610 billion in 2013. During the period, merchandise exports grew faster at 8.8% vis-à-vis merchandise imports (6.7%).

In 2013, the UAE's merchandise exports increased 4.3% year-on-year to USD365 billion. Meanwhile, merchandise imports rose 6.5% to USD245 billion.

Exhibit 25: Value of imports and exports (USD billion)



Source: World Trade Organization, Al Masah Capital Research

The UAE's merchandise trade was equivalent to 154% of its gross domestic product (GDP) in 2013.

Key trading partners

India, Iran, the European Union, Switzerland and Iraq are the UAE's top five export destinations, while India, China, the US, Germany, and Japan are the top five sources for imports.

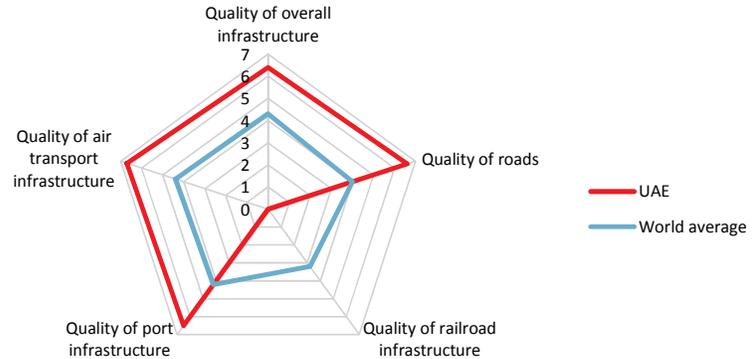
Transportation & logistics landscape

The UAE has the best freight infrastructure in the MENA region. The quality of road, seaport and air transport infrastructure in the country is at par with that in the developed countries. However, the UAE has a limited rail network.

The UAE is investing billions of dollars in five different railway projects – Etihad Rail, Abu Dhabi Metro, Abu Dhabi Light Rail, Dubai Metro and Al Sufouh Tramway – overseen by the National Transport Authority.

The UAE is investing billions of dollars in five different railway projects

Exhibit 26: Freight infrastructure score



Source: World Economic Forum, The Global Competitiveness Report, Al Masah Capital Research

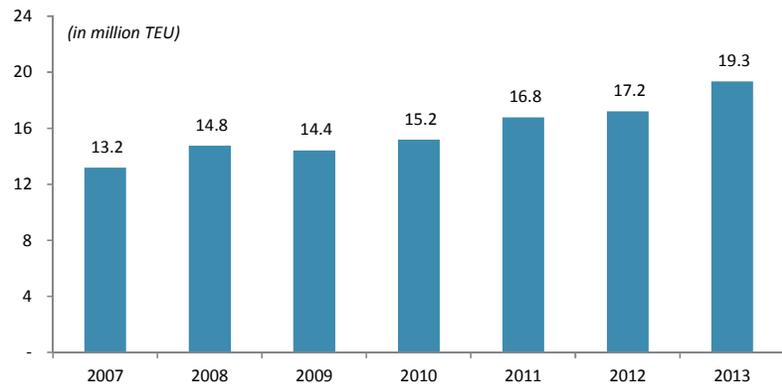
Sea transport

The UAE has nine seaports, which handled 19.3 million TEUs of freight in 2013. Container traffic at the ports witnessed a CAGR of 6.6% between 2007 and 2013.

Dubai Port, the country's largest, handled 13.6 million TEUs of freight in 2013.

Dubai Port, the country's largest, handled 13.6 million TEUs of freight in 2013

Exhibit 27: Container port traffic – UAE

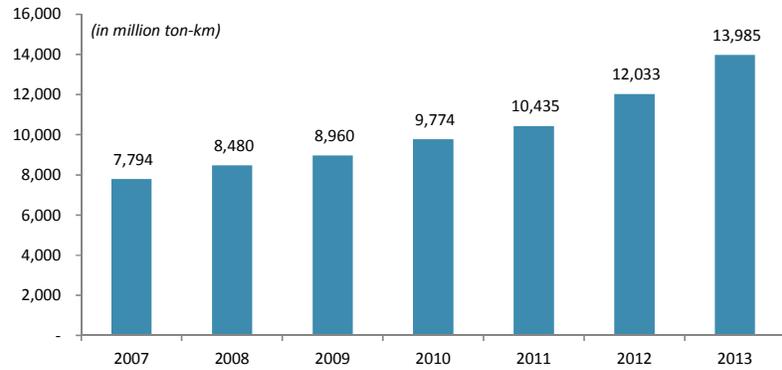


Source: The World Bank, Al Masah Capital Research

Air transport

The UAE has six airports, with the Dubai International Airport being the major one. In 2013, the country's airports handled 13,985 million tonne-km of freight. Cargo traffic at the airports witnessed a CAGR of 10.2% between 2007 and 2013.

Exhibit 28: Air transport, freight – UAE



Source: The World Bank, Al Masah Capital Research

Roads and railroads

The UAE has a road network of 4,080 kilometers; all roads are paved. The quality of roads is good, particularly in Abu Dhabi and Dubai. The country's 1412-kilometer rail network links Riyadh and the Eastern Province.

The UAE currently has no rail network for freight transport, but has a metro line and monorail. The Dubai Metro, started in 2009, covers approximately 75 kilometers through the Red and Green Lines. The monorail, which connects the mainland to Palm Jumeirah, covers 5.5 kilometers one way.

The UAE currently has no rail network for freight transport, but has a metro line and monorail

SAUDI ARABIA

Trade performance

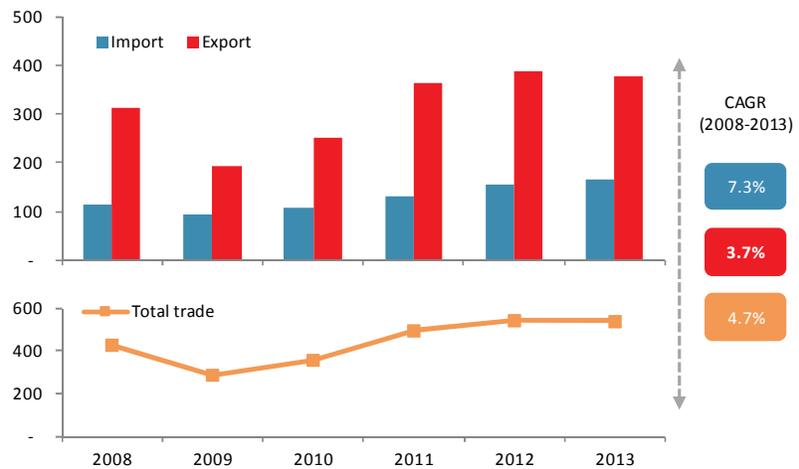
Value of exports and imports

In 2013, Saudi Arabia's merchandise exports declined 3.2% year-on-year to USD376 billion

Saudi Arabia's total merchandise trade expanded at a CAGR of 4.7% from USD429 billion in 2008 to USD540 billion in 2013. During the period, merchandise imports grew faster at 7.3% compared to merchandise exports (3.7%).

In 2013, Saudi Arabia's merchandise exports declined 3.2% year-on-year to USD376 billion. Meanwhile, the Kingdom's merchandise imports rose 5.3% to USD164 billion.

Exhibit 29: Value of imports and exports (USD billion)



Source: World Trade Organization, Al Masah Capital Research

Saudi Arabia's merchandise trade accounted for 72% of its gross domestic product (GDP) in 2013.

Key trading partners

Japan, US, the European Union, the UAE and India are the top five export destinations for Saudi Arabia, while the US, China, Germany, Japan, and South Korea are the top five sources for imports.

Transportation & logistics landscape

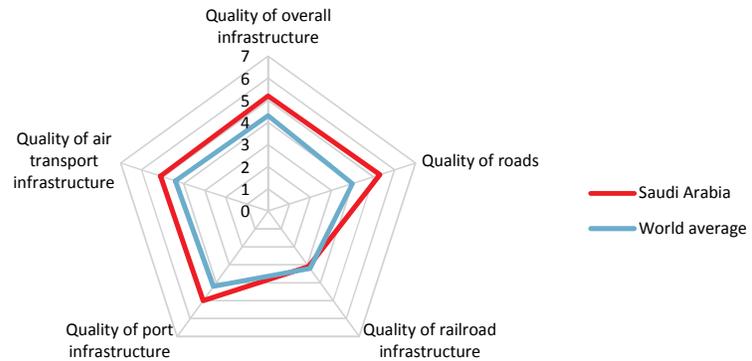
Saudi Arabia has a reasonably sound freight infrastructure compared with the global average. KSA's infrastructure is modern and well-developed, with the quality of road, seaport and air transport infrastructure being well above the world average.

Road transportation has been the backbone of freight transport in Saudi Arabia. The KSA is served by a 221,372-kilometer road network. The Kingdom is linked to Bahrain by the King Fahd Causeway, the world's second longest causeway measuring 15.5 miles.

Road transportation has been the backbone of freight transport in Saudi Arabia

However, rail transportation is limited, with freight services existing between the port of Dammam and capital Riyadh. Saudi Arabia boasts of the largest port network in the Middle East. The country has 21 sea ports and 28 paved airports.

Exhibit 30: Freight infrastructure score



Source: World Economic Forum, The Global Competitiveness Report, Al Masah Capital Research

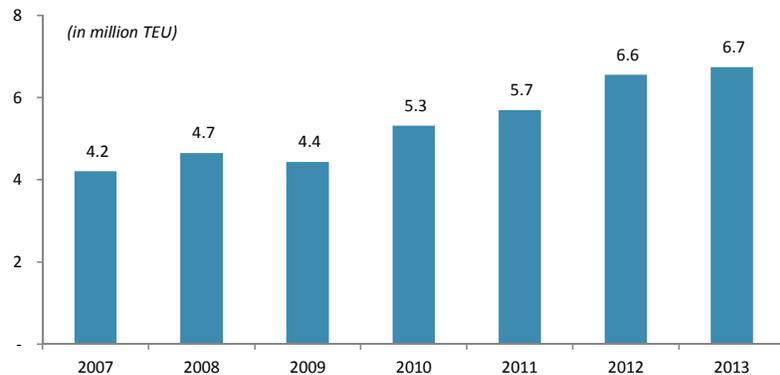
Sea transport

Saudi Arabia has 21 seaports, which handled 6.74 million TEUs of freight in 2013

Saudi Arabia has 21 seaports, which handled 6.74 million TEUs of freight in 2013. Container traffic at KSA ports witnessed a CAGR of 8.2% between 2007 and 2013.

Jeddah Islamic port, the country's largest, handled 4.6 million TEUs of freight in 2013.

Exhibit 31: Container port traffic - Saudi Arabia

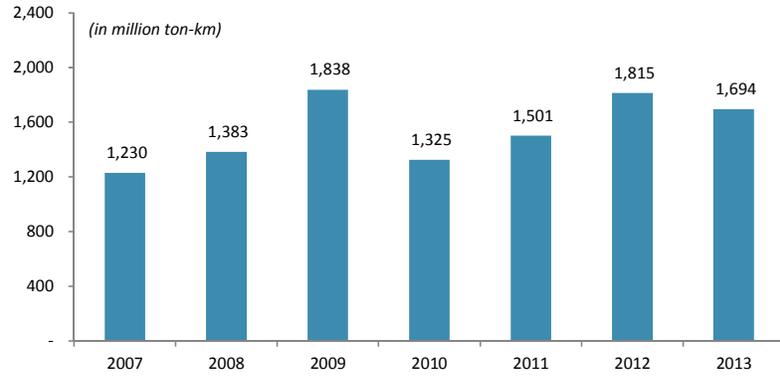


Source: The World Bank, Al Masah Capital Research

Air transport

Saudi Arabia has 28 paved airports, which handled 1,694 million tonne-km of freight in 2013. Cargo traffic at KSA airports witnessed a CAGR of 5.5% between 2007 and 2013.

Exhibit 32: Air transport, freight - Saudi Arabia



Source: The World Bank, Al Masah Capital Research

Roads and railroads

Saudi Arabia has the largest road network of 221,372 kilometers in the MENA region, but just 21% of this is paved. The Kingdom's rail network is 1412 kilometers long and links Riyadh and the Eastern Province.

In 2013, Qatar witnessed merchandise exports worth USD137 billion, up 3.1% over the previous year

QATAR

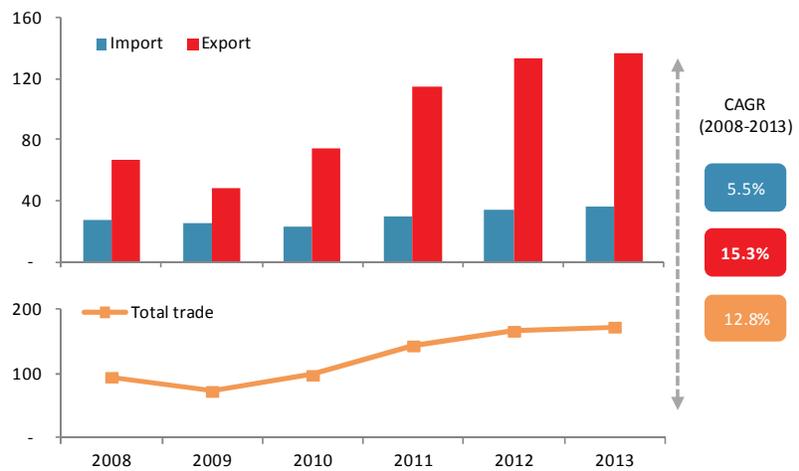
Trade performance

Value of exports and imports

Qatar's total merchandise trade increased at a CAGR of 12.8% from USD95 billion in 2008 to USD174 billion in 2013. During the period, merchandise exports grew faster at 15.3% vis-à-vis merchandise imports (5.5%).

In 2013, Qatar witnessed merchandise exports worth USD137 billion, up 3.1% over the previous year. During the same period, merchandise imports rose 6.7% to USD37 billion.

Exhibit 33: Value of imports and exports (USD billion)



Source: World Trade Organization, Al Masah Capital Research

Qatar's merchandise trade was equivalent to 86% of its gross domestic product (GDP) in 2013.

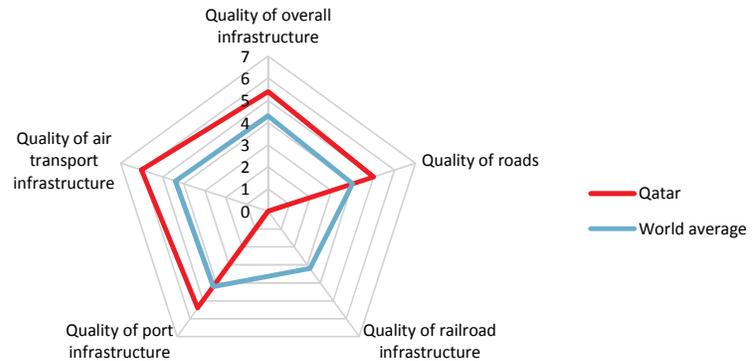
Key trading partners

Japan, South Korea, India, the European Union, and Singapore are the top five export destinations for Qatar, while the US, China, Japan, the UAE and Germany are the top five sources for imports.

Transportation & logistics landscape

Qatar has relatively modern and superior freight infrastructure compared to the world average. The quality of the country's roads, seaports and air transport infrastructure is at par with those in developed countries. However, Qatar does not have a rail network.

Exhibit 34: Freight infrastructure score



Source: World Economic Forum, The Global Competitiveness Report, Al Masah Capital Research

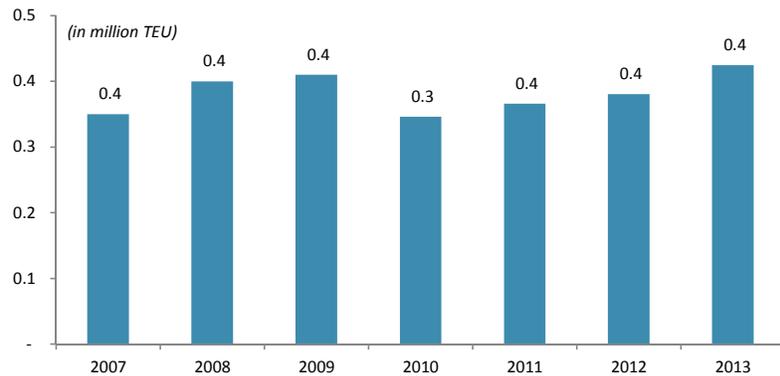
Sea transport

Qatar's six seaports handled 0.42 million TEUs of freight in 2013

Qatar's six seaports handled 0.42 million TEUs of freight in 2013. Container traffic at Qatari ports witnessed a CAGR of 3.3% between 2007 and 2013.

Doha Port is the country's main seaport.

Exhibit 35: Container port traffic – Qatar



Source: The World Bank, Al Masah Capital Research

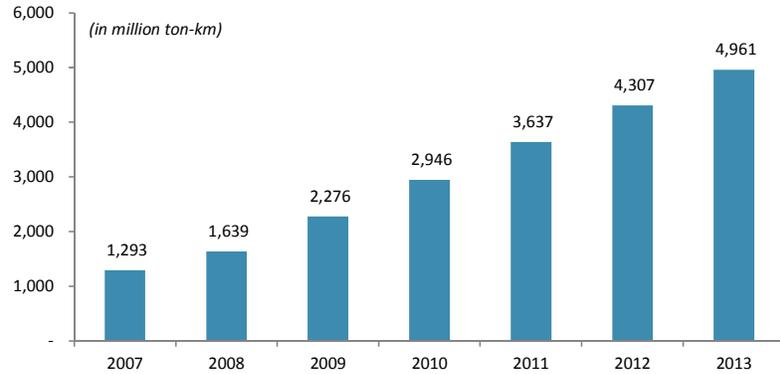
Air transport

Cargo traffic at the airports witnessed a CAGR of 25.1% between 2007 and 2013

Qatar has two airports. In 2013, the country's airports handled 4,961 million tonne-km of freight. Cargo traffic at the airports witnessed a CAGR of 25.1% between 2007 and 2013.

Qatar completed the first phase of Hamad International Airport. Built at a cost of USD15.5 billion, the new airport is capable of handling 30 million passengers and 1.4 million tonnes of cargo a year.

Exhibit 36: Air transport, freight – Qatar



Source: The World Bank, Al Masah Capital Research

Roads and railroads

Qatar has a road network of 9,830 kilometers, of which 90% are paved. The road network links Doha with its ports as well as major industrial, gas and oil developments. Qatar's road network is also linked to Hofuf in Saudi Arabia, and Abu Dhabi in the UAE.

Qatar does not have a rail infrastructure.

KUWAIT

Trade performance

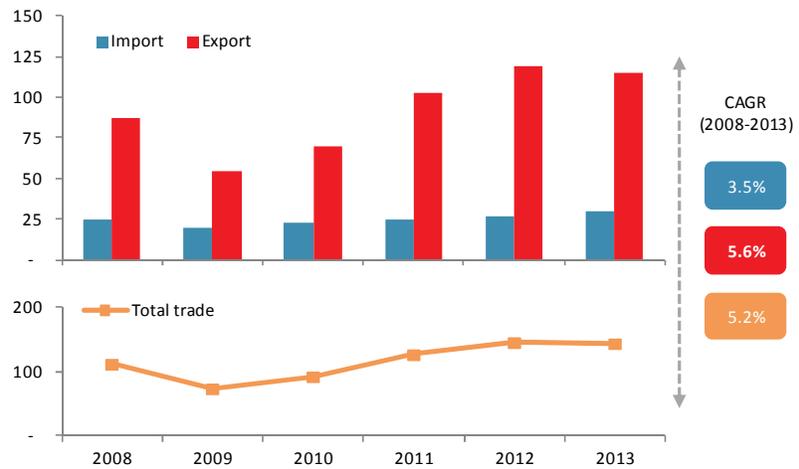
Value of exports and imports

In 2013, Kuwait's merchandise exports declined 3.3% year-on-year to USD115 billion

Kuwait's total merchandise trade advanced at a CAGR of 5.2% from USD112 billion in 2008 to USD145 billion in 2013. During the period, merchandise exports grew faster at 5.6% compared to a 3.5% growth in merchandise imports.

In 2013, Kuwait's merchandise exports declined 3.3% year-on-year to USD115 billion. Meanwhile, merchandise imports rose 8.2% to USD30 billion.

Exhibit 37: Value of imports and exports (USD billion)



Source: World Trade Organization, Al Masah Capital Research

Kuwait's merchandise trade accounted for 78% of its gross domestic product (GDP) in 2013.

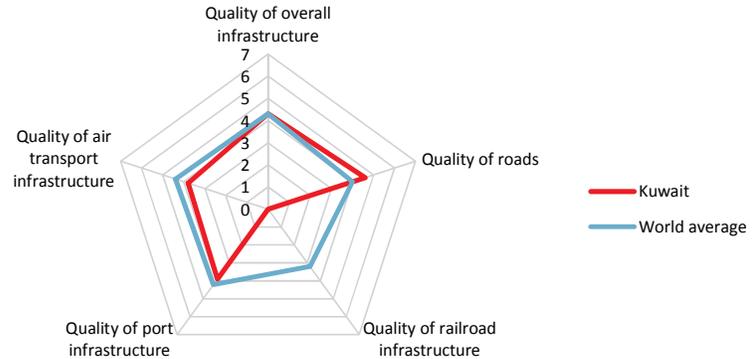
Key trading partners

South Korea, India, Japan, China, and the US are the top five export destinations for Kuwait, while the US, China, Saudi Arabia, South Korea and India are the top five sources for imports.

Transportation & logistics landscape

Kuwait has a modern transportation system, which includes a road network, international airport, and seaports. The quality of roads in Kuwait is superior to the world average.

Exhibit 38: Freight infrastructure score

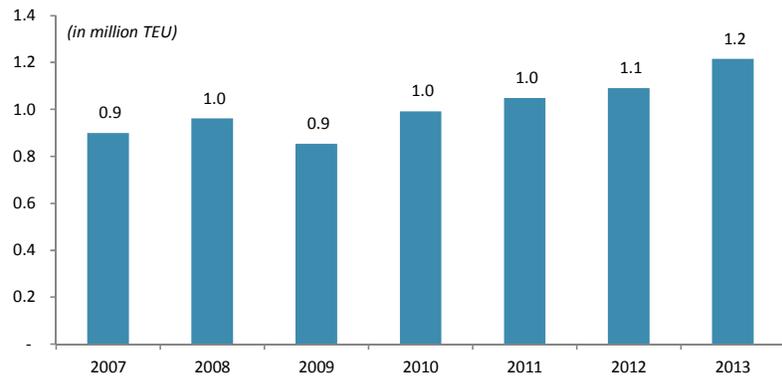


Source: World Economic Forum, The Global Competitiveness Report, Al Masah Capital Research

Sea transport

Kuwait has three seaports: Shuwaikh, Shuaiba and Doha. In 2013, the country's seaports handled 1.2 million TEUs of freight. Container traffic at Kuwaiti ports witnessed a CAGR of 5.1% between 2007 and 2013.

Exhibit 39: Container port traffic – Kuwait

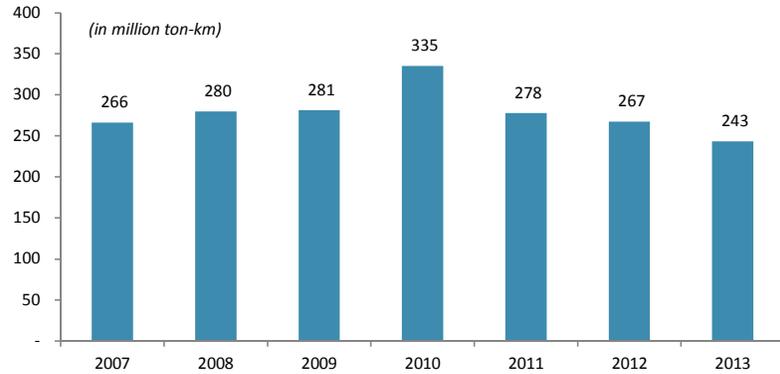


Source: The World Bank, Al Masah Capital Research

Air transport

Kuwait has only one airport, the Kuwait International Airport which is the main hub of most activities. In 2013, the country's airport handled 243 million tonne-km of freight. Cargo traffic at the airport witnessed a decline of 1.5% between 2007 and 2013.

Exhibit 40: Air transport, freight – Kuwait



Source: The World Bank, Al Masah Capital Research

Roads and railroads

Kuwait has a good road infrastructure. The country has 6,608 kilometers of road network, of which 85% is paved.

The country does not have any railroads, but is looking at investing in light and heavy railroads and a metro system. Kuwait aims to establish a 511-kilometer rail network and a 160-kilometer metro system by 2020.

Kuwait has 6,608 kilometers of road network, of which 85% is paved

OMAN

Trade performance

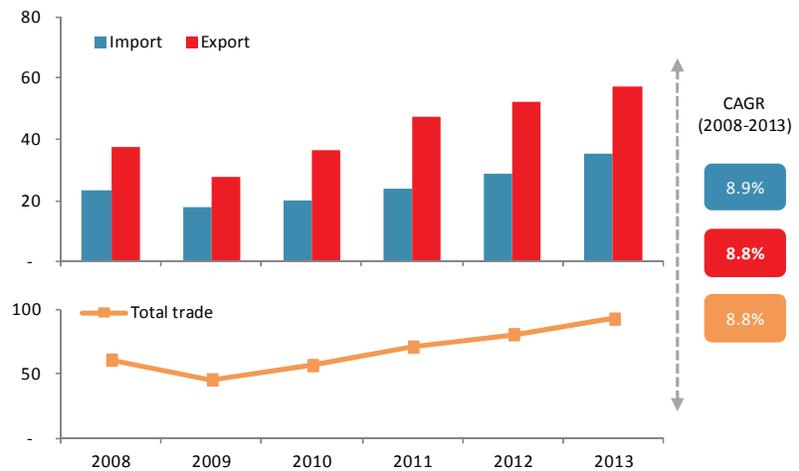
Value of exports and imports

In 2013, Oman's merchandise exports grew 10.1% year-on-year to USD57 billion

Oman's total merchandise trade expanded at a CAGR of 8.8% from USD61 billion in 2008 to USD93 billion in 2013. During the period, merchandise imports grew faster at 8.9% compared to merchandise exports (8.8%).

In 2013, Oman's merchandise exports grew 10.1% year-on-year to USD57 billion. During the period, merchandise imports rose 23.6% to USD35 billion.

Exhibit 41: Value of imports and exports (USD billion)



Source: World Trade Organization, Al Masah Capital Research

Oman's merchandise trade was equivalent to 115% of its gross domestic product (GDP) in 2013.

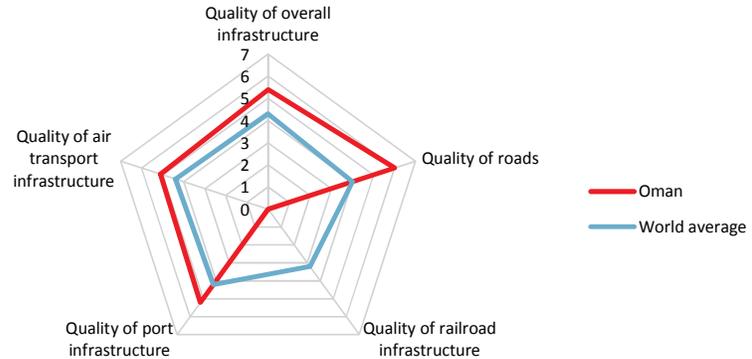
Key trading partners

The UAE, India, China, Saudi Arabia, and Iraq are the top five export destinations for Oman, while the UAE, the European Union, India, China, and Brazil are the top five sources for imports.

Transportation & logistics landscape

Oman has a fairly good freight infrastructure. The quality of road, seaport and air transport infrastructure in the country is much better than the world average.

Exhibit 42: Freight infrastructure score



Source: World Economic Forum, The Global Competitiveness Report, Al Masah Capital Research

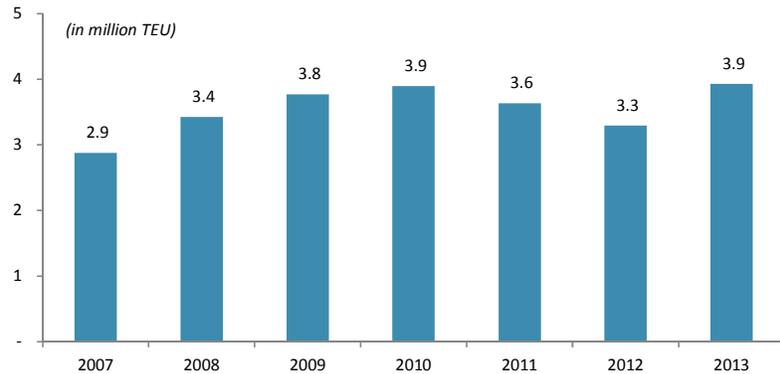
Sea transport

Oman has seven seaports, which handled 3.9 million TEUs of freight in 2013. Container traffic at Omani ports witnessed a CAGR of 5.3% between 2007 and 2013.

Salalah port, the country's largest, handled ~90% of freight in 2013.

Container traffic at Omani ports witnessed a CAGR of 5.3% between 2007 and 2013

Exhibit 43: Container port traffic – Oman

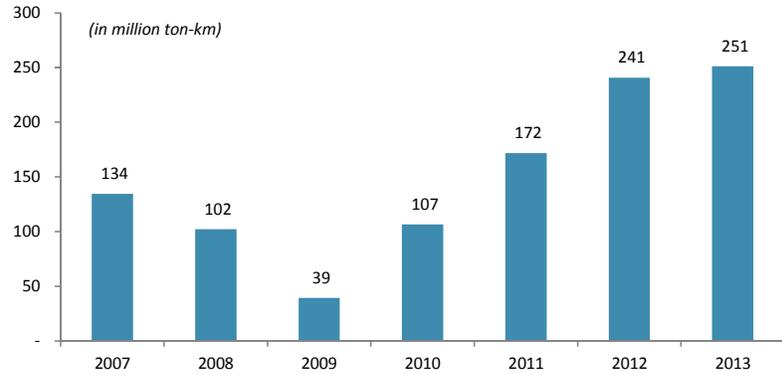


Source: The World Bank, Al Masah Capital Research

Air transport

Oman has six paved airports, with Muscat International Airport being the largest. In 2013, the country's airports handled approximately 251 million tonne-km of freight. Cargo traffic at the airports witnessed a CAGR of 11% between 2007 and 2013.

Exhibit 44: Air transport, freight – Oman



Source: The World Bank, Al Masah Capital Research

Roads and railroads

Oman has a road network of 30,240 kilometers, of which 49% is paved. A four-lane highway runs west from Muscat along the Gulf of Oman, connecting the country to Dubai in the UAE.

Oman does not have a railway system.

EGYPT

Trade performance

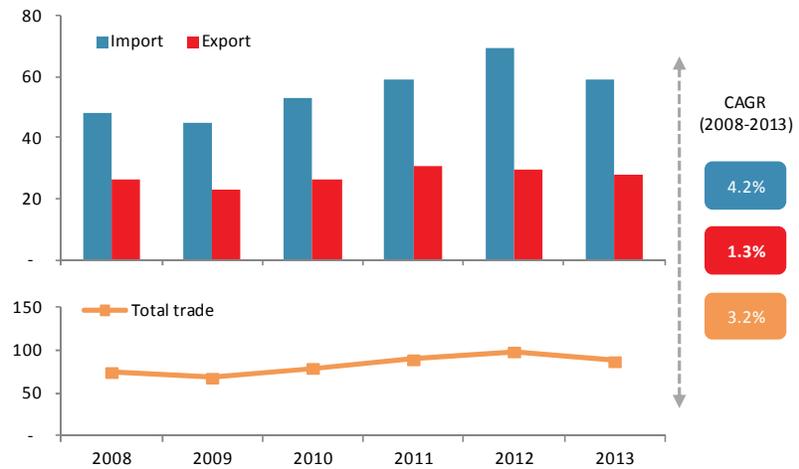
Value of exports and imports

Egypt's total merchandise trade increased at a CAGR of 3.2% from USD75 billion in 2008 to USD89 billion in 2013. During the period, merchandise imports grew faster at 4.2% vis-à-vis merchandise exports (1.3%).

In 2013, Egypt's merchandise exports decreased 4.8% year-on-year to USD28 billion, while merchandise imports fell 14.3% to USD59 billion.

In 2013, Egypt's merchandise exports decreased 4.8% year-on-year to USD28 billion

Exhibit 45: Value of imports and exports (USD billion)



Source: World Trade Organization, Al Masah Capital Research

Egypt's merchandise trade was equivalent to 32% of its gross domestic product (GDP) in 2013.

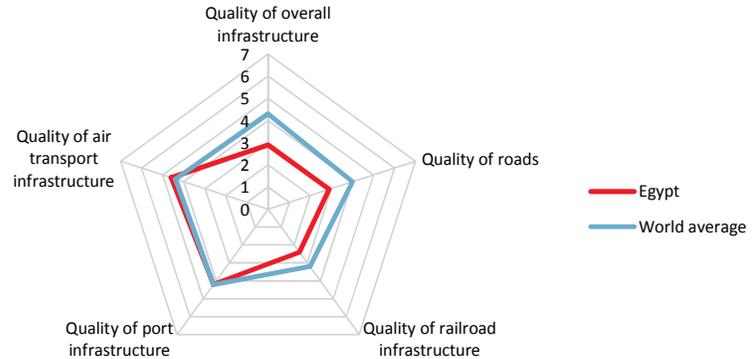
Key trading partners

Italy, India, the US, Saudi Arabia, and Turkey are the top five export destinations for Egypt, while China, the US, Germany, Russian Federation, and Ukraine are the top five sources for imports.

Transportation & logistics landscape

Egypt's transport infrastructure is weaker than the world average. In terms of quality, the country's road network is one of the least developed in the region. However, Egypt's seaports and air transport infrastructure are rated quite well due to its geographical location.

Exhibit 46: Freight infrastructure score



Source: World Economic Forum, The Global Competitiveness Report, Al Masah Capital Research

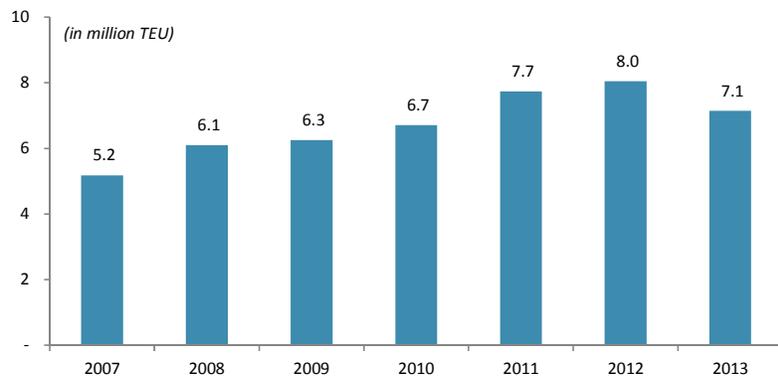
Sea transport

Egypt has 28 seaports; they handled 7.14 million TEUs of freight in 2013

Egypt has 28 seaports; they handled 7.1 million TEUs of freight in 2013. Container traffic at the Egyptian ports witnessed a CAGR of 5.5% between 2007 and 2013. Port Said, the country's largest, handled 4.1 million TEUs of freight in 2013.

Egypt's Suez Canal connects the Mediterranean Sea to the Red Sea through the Gulf of Suez. The Suez Canal is the main trade route between Europe and Asia.

Exhibit 47: Container port traffic – Egypt

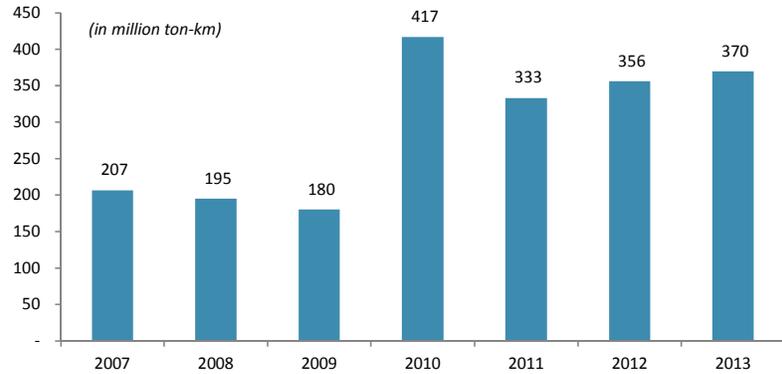


Source: The World Bank, Al Masah Capital Research

Air transport

Egypt has 25 paved airports, which handled 370 million tonne-km of freight in 2013. Cargo traffic at the airports witnessed a CAGR of 10.2% between 2007 and 2013.

Exhibit 48: Air transport, freight – Egypt



Source: The World Bank, Al Masah Capital Research

Egypt has a road network of 137,430 kilometers, of which 92% is paved

Roads and railroads

Egypt has a road network of 137,430 kilometers, of which 92% is paved. The country's rail network is 5,195 kilometers long, and connects Cairo and Alexandria with most main towns in the country.

Egypt also offers 3,500 kilometers of inland waterway network.

BAHRAIN

Trade performance

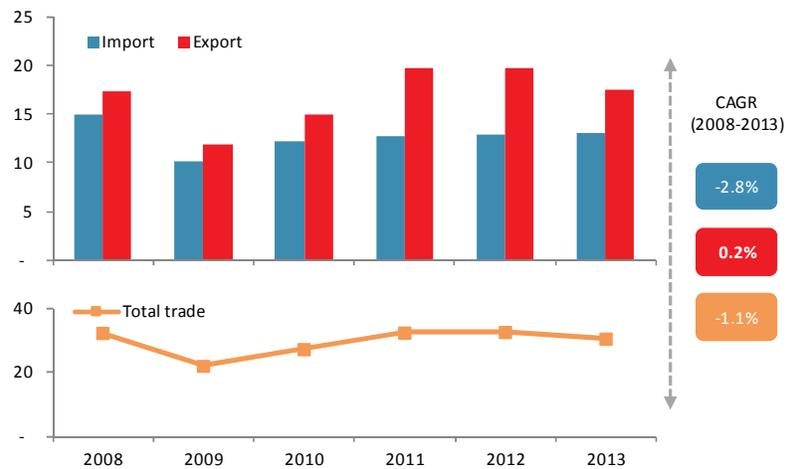
Value of exports and imports

Bahrain's total merchandise trade remained almost unchanged from USD32 billion in 2008 to USD31 billion in 2013. During the period, merchandise exports grew faster at 0.2% compared to a 2.8% drop in merchandise imports.

In 2013, Bahrain's merchandise exports fell 11.5% year-on-year to USD18 billion, while merchandise imports increased 1.3% to USD13 billion.

Bahrain's total merchandise trade remained almost unchanged from USD32 billion in 2008 to USD31 billion in 2013

Exhibit 49: Value of imports and exports (USD billion)



Source: World Trade Organization, Al Masah Capital Research

Bahrain's merchandise trade was equivalent to 95% of its gross domestic product (GDP) in 2013.

Key trading partners

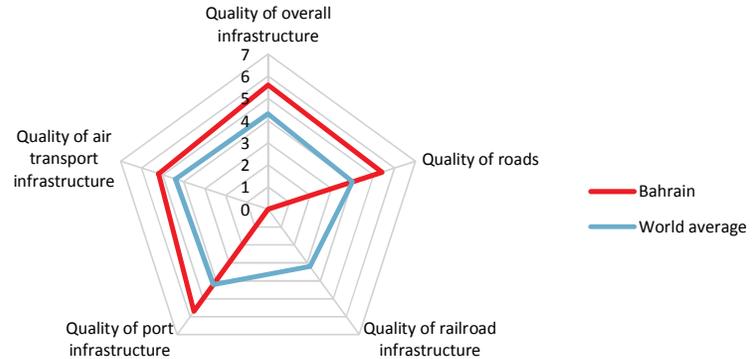
Saudi Arabia, India, Qatar, the UAE and the European Union are the top five export destinations for Bahrain, while Saudi Arabia, China, Brazil, the US and Japan are the top five sources for imports.

Transportation & logistics landscape

Bahrain's freight infrastructure has been rated good. The quality of road, seaport and air transport infrastructure in the country is at par with that of developed countries. However, Bahrain does not have a rail network.

Bahrain's King Fahd Causeway, a 25-kilometer long causeway, links Bahrain with the Eastern region of Saudi Arabia. The King Fahd Causeway was opened in 1986 by the late King Fahd Bin Abdul Aziz of Saudi Arabia and the late Emir Shaikh Eisa Bin Salman Al Khalifa of Bahrain.

Exhibit 50: Freight infrastructure score



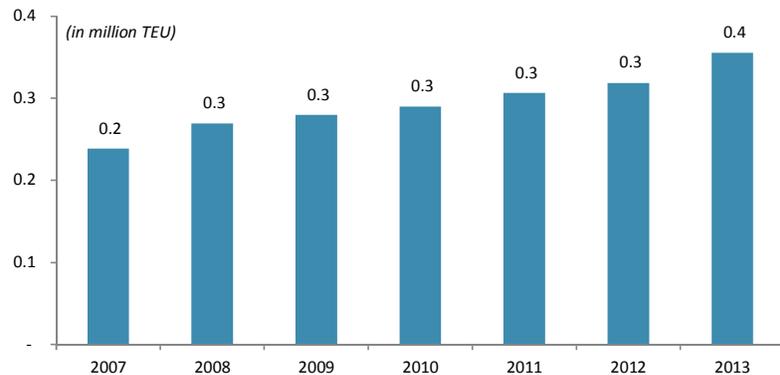
Source: World Economic Forum, The Global Competitiveness Report, Al Masah Capital Research

Sea transport

Bahrain has two seaports, which handled 0.4 million TEUs of freight in 2013. Container traffic at Bahraini ports witnessed a CAGR of 6.9% between 2007 and 2013.

Bahrain has two seaports, which handled 0.36 million TEUs of freight in 2013

Exhibit 51: Container port traffic – Bahrain

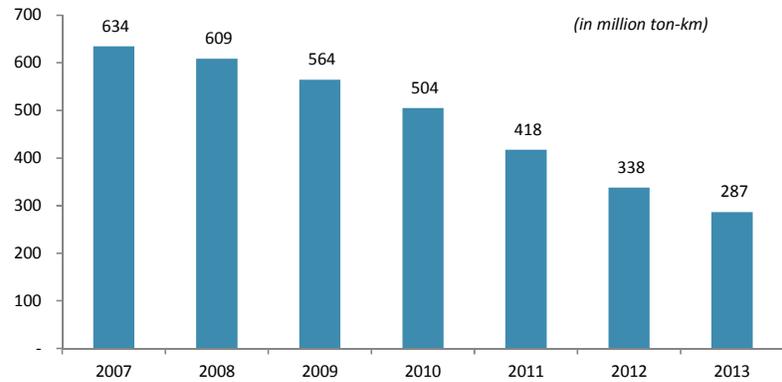


Source: The World Bank, Al Masah Capital Research

Air transport

Bahrain has only one airport. The Bahrain International Airport is being expanded and would be able to receive 13 million passengers a year by 2018 from the current 9 million. The country's airport handled 287 million tonne-km of freight in 2013.

Exhibit 52: Air transport, freight – Bahrain



Source: The World Bank, Al Masah Capital Research

Roads and railroads

Bahrain has a road network of 4,122 kilometers, of which 84% is paved. The country's road network is well developed; most of the major roads are four to six lanes wide and are well maintained.

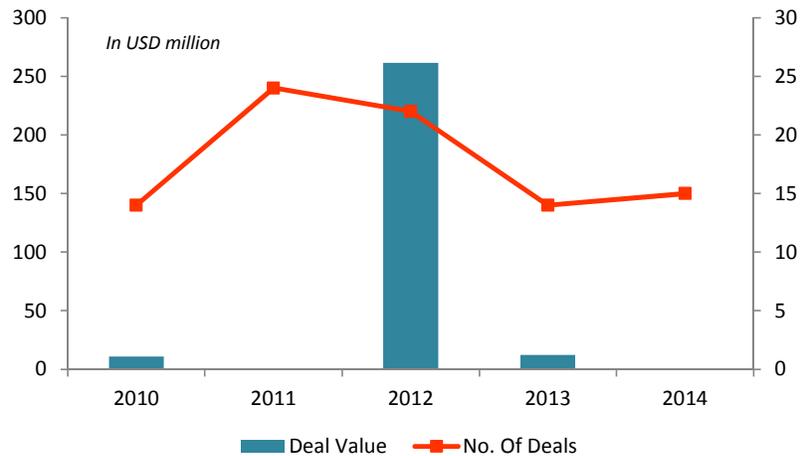
The country does not have railroads.

M&A ACTIVITY IN TRANSPORTATION & LOGISTICS INDUSTRY

During 2010–14, more than 87 M&A deals occurred in the industry

MENA transportation & logistics industry has witnessed considerable amount of M&A activity. During 2010–14, more than 87 M&A deals occurred in the industry. In terms of deal count, M&A activity hit a high note in 2011, with 24 deals, and in terms of deal value, 2012 was the peak period.

Exhibit 53: M&A deal activity in MENA transportation & logistics industry (2010–14)



Source: Thomson Banker, Al Masah Capital Research

Aramex, Agility and DP World — active buyers

Aramex (UAE), Agility Public Warehousing Co (Kuwait) and DP World (UAE) were the most active companies in the space. They were followed by Gulf Agency Company (UAE), GulfTainer Company Limited (UAE), The Transport & Warehousing Group Co. (Kuwait), and Toll Holdings (Australia).

Exhibit 54: Most active buyers (2010–14)



Source: Thomson Banker, Al Masah Capital Research

Increasing interest from international firms

The number of deals in the industry has declined over two years. However, there has been a rise in M&A interest from international transportation & logistics companies like Kuehne + Nagel and DB Schenker.

- In April 2013, Switzerland-based logistics firm Kuehne + Nagel International announced the acquisition of a 70% stake in Universal Freight Services Co. from Khimji Ramdas Group. Oman-based Universal Freight Services provides local and international customers with integrated, IT based logistics solutions. No financial terms were disclosed.
- In June 2013, Germany-based logistics firm DB Schenker announced the acquisition of a 49% stake in Salem Freight International LLC, an Abu Dhabi-based provider of air, sea and land freight services, from Al Saman Group. The financial terms were not disclosed.

A list of select M&A transactions in the MENA transportation & logistics industry during 2010–14 is given below.

Year	Target company	Acquirer company	Amount paid USD million	Stake %	EV/EBITDA x	EV/EBIT x
2014	Economic Zones World FZE	DP World Ltd	-	100%	-	-
2014	MMG-Marine Services Division	Jana Marine Services Co LLC	-	100%	-	-
2014	Able Logistics Group FZCO	Kerry Logistics Network Ltd	-	70%	-	-
2013	Universal Freight Services Co	Kuehne + Nagel International	-	70%	-	-
2013	Salem Freight International	DB Schenker	-	49%	-	-
2013	United Projects Group	Agility Public Warehousing Co	92.8	61.8%	5.8	11.5
2012	Egyptian Container Handling Co	DP World	46.4	10%	-	-
2012	En Route International Ltd	Dnata Co	-	100%	-	-
2012	CiTylinK	EgyptAir	-	50%	-	-
2012	Lehmann Shipping A/S	Gulf Agency Co	-	100%	-	-
2011	SAT Albatros Sea-Air Transport	Toll Holdings Ltd	-	100%	-	-
2011	Maxx Logistics	Sinotrans Dubai	-	100%	-	-
2011	Stor-Mat Systems	Kanoo Group	-	100%	-	-
2010	Sheltam Railways Co	Citadel Capital	-	49%	-	-
2010	John Nurminen Navis Oy	Gulf Agency Co	-	100%	-	-

Source: Thomson Banker, Al Masah Capital Research

COMPANIES IN THE BUSINESS

There are nearly 35 transportation and logistics companies listed on various bourses across MENA

There are nearly 35 transportation and logistics companies listed on various bourses across MENA. With market capitalization of USD17.8 billion, DP World is the most valuable publicly listed company in the MENA transportation and logistics space.

The Kuwait Stock Exchange hosts the highest number of transportation and logistics companies listed on a MENA bourse. The nine companies on the exchange have a combined market capitalization of ~USD4 billion. The Qatar bourse comes second with six companies worth ~USD79.3 million.

Exhibit 56: MENA transportation & logistics, all publicly listed companies



Source: Thomson Reuters, Al Masah Capital Research

The MENA transportation and logistics industry has six publicly listed companies, with total market capitalization of more than USD1 billion.

Exhibit 57: Transportation & logistics companies listed on the various stock exchanges in MENA

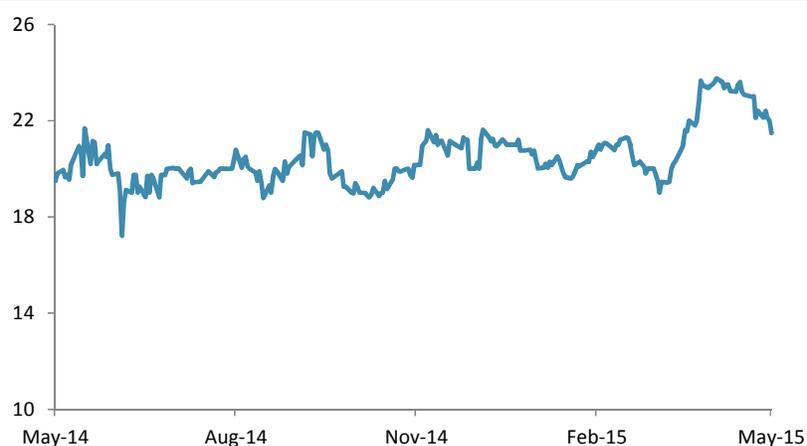
Company	Country	Market Cap	Revenue - FY14	EBITDA - FY14	EBIT - FY14
		USD million	USD million	USD million	USD million
DP World Limited	UAE	17,829	3,463	1622	1201
National Shipping Co of Saudi Arabia	Saudi Arabia	4,988	966	349	188
Qatar Navigation QSC	Kuwait	3,109	721	373	300
Agility Public Warehousing Company	Qatar	2,876	4,634	351	250
Aramex Pjsc	UAE	1,395	994	129	106
Gulf Warehousing Company QSC	Qatar	943	185	70	48
Alexandria Containers	Egypt	672	125	-	76
Salalah Port Services Company	Egypt	303	-	-	-
Saudi Transport And Investment Co	Kuwait	294	30	16	13
Canal Shipping Agencies	Oman	167	8	5	5
KGL Logistics Company Ksc	Saudi Arabia	154	87	22	19
Port Services Corp.	Oman	55	-	-	-
Jordan National Shipping Lines Co	Jordan	27	7	4	2
Masafat For Specialised Transport	Jordan	16	27	6	3
Timar	Morocco	11	26	1	1

Source: Thomson Reuters, Data as of May 21 2015

DP WORLD

Key statistics		Major Shareholders	
Ownership	Public	Shares Outstanding (mn)	830.0
Country	UAE	Dubai World	80.5%
Established	2005	Public	19.5%
Price (USD)	21.48		
M-Cap (USD bn)	16.7		
No. of Employees	28,000		

Exhibit 58: Share price chart – 1 year (in USD)



Source: Thomson Reuters, Last updated as of May 14, 2015

Business description

Established in 2005, the UAE-based DP World is engaged in the business of international marine terminal operations and development, logistics, and consultancy services. DP World operates through a network of 65 terminals located across six continents. In 2013, the company handled more than 55 million TEUs of cargo; it is targeting to handle 100 million TEUs by 2020.

The company enjoys a dual listing on the NASDAQ Dubai and the London Stock Exchange.

Key financials

Exhibit 59: Income statement (in USD mn)

	2010	2011	2012	2013	2014
Total Revenue	3,188.94	2,977.73	3,121.02	3,073.25	3,463.35
EBITDA	1,076.23	900.86	1,193.02	1,206.98	1,468.43
Operating Income	617.835	471.75	782.39	811.49	1,047.44
Net Income	374.81	683.29	738.4	639.64	700.57
Earnings Per Share	0.45	0.82	0.89	0.77	0.84
Dividend Per Share	0.17	0.24	0.24	0.23	0.24

Source: Bloomberg

AGILITY PUBLIC WAREHOUSING CO

Key statistics		Major Shareholders	
Ownership	Public	Shares Outstanding (mn)	1,099.2
Country	Kuwait	National Real Estate Co	22.4%
Established	1979	Public Inst. for Social Sec.	20.0%
Price (KWf)	790	Public	57.6%
M-Cap (KWD mn)	911.8		
No. of Employees	37,418		

Exhibit 60: Share price chart – 1 year (in KWf)



Source: Thomson Reuters, Last updated as of May 14, 2015

Business description

Kuwait-based Agility Public Warehousing Co has two main lines of business: Agility Global Integrated Logistics, and Agility Infrastructure. Agility Global Integrated Logistics basically provides supply chain solutions. It offers air, ocean and road freight forwarding, warehousing, distribution, and specialized services in project logistics, chemical logistics, and fairs & events. Agility Infrastructure offers industrial real estate management, ground handling and airport services, customs modernization, and remote infrastructure & life support.

Key financials

Exhibit 61: Income statement (in KWD mn)

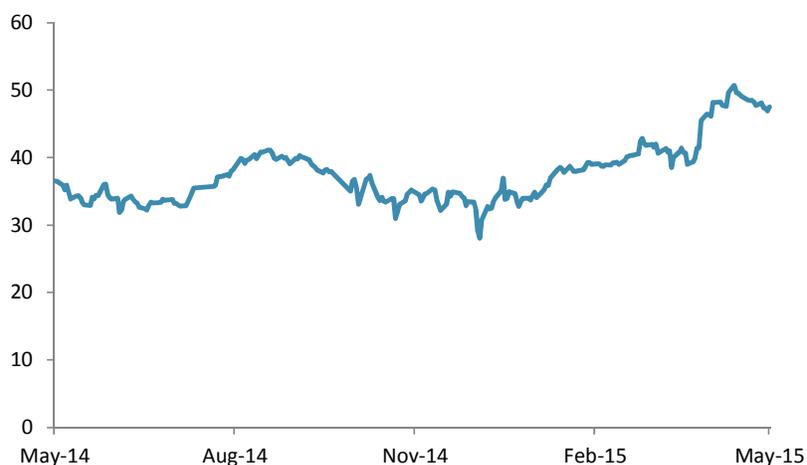
	2010	2011	2012	2013	2014
Total Revenue	1,605.70	1,330.92	1,417.75	1,375.69	1,357.35
EBITDA	119.33	55.42	71.56	83.67	76.24
Operating Income	32.07	8.07	34.66	49.07	46.69
Net Income	25.11	27.04	33.69	46.21	50.84
Earnings Per Share	0.02	0.03	0.03	0.04	0.05
Dividend Per Share	0.04	0.03	0.03	0.04	0.04

Source: Bloomberg

NATIONAL SHIPPING CO OF SAUDI ARABIA

Key statistics		Major Shareholders	
Ownership	Public	Shares Outstanding (mn)	315.0
Country	Saudi Arabia	Public Investment Fund	28.1%
Established	1979	Public	72.9%
Price (SAR)	47.5		
M-Cap (SAR bn)	18.7 billion		
No. of Employees	1,345		

Exhibit 62: Share price chart – 1 year (in SAR)



Source: Thomson Reuters, Last updated as of May 14, 2015

Business description

National Shipping Company of Saudi Arabia (Bahri) is engaged in the transportation of general cargo, crude oil, chemicals and liquefied petroleum gas by ship. Bahri distributes ships, and offers ship repair and maintenance rental services.

The company has offices in Saudi Arabia, Dubai, Singapore, the UK, and the US.

Key financials

Exhibit 63: Income statement (in SAR mn)

	2010	2011	2012	2013	2014
Total Revenue	2,049.83	1,991.08	2,464.63	2,846.70	3,626.41
EBITDA	671.24	405.36	676.35	790.75	1,178.24
Operating Income	453.58	229.51	453.79	502.29	575.35
Net Income	414.88	287.77	503.99	752.26	533.84
Earnings Per Share	1.32	0.91	1.60	2.39	1.58
Dividend Per Share	1.00	0.50	1.00	1.00	1.00

Source: Bloomberg

QATAR NAVIGATION

Key statistics		Major Shareholders	
Ownership	Public	Shares Outstanding (mn)	114.5
Country	Qatar	Qatar Petroleum	8.6%
Established	1957	Public	91.4%
Price (QAR)	99.6		
M-Cap (QAR bn)	11.4		
No. of Employees	3,200		

Exhibit 64: Share price chart – 1 year (in QAR)



Source: Thomson Reuters, Last updated as of May 14, 2015

Business description

Qatar Navigation (Milaha) is engaged in maritime and logistics services business. The company operates through five segments: Milaha Maritime and Logistics, Milaha Capital, Milaha Gas, Milaha Petrochem, Milaha Trading, and Milaha Offshore.

Key financials

Exhibit 65: Income statement (in QAR mn)

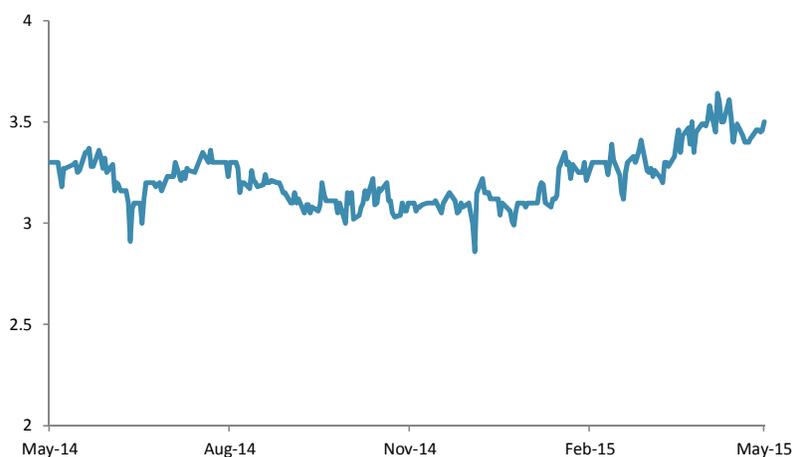
	2010	2011	2012	2013	2014
Total Revenue	2,128.55	2,191.43	2,290.83	2,236.84	2,625.88
EBITDA	789.16	760.51	812.22	894.64	948.85
Operating Income	342.09	429.21	531.27	647.38	675.56
Net Income	1,098.71	710.99	835.42	949.79	1,064.3
Earnings Per Share	9.59	6.21	7.33	8.33	9.34
Dividend Per Share	4.00	3.50	3.75	5.00	5.50

Source: Bloomberg

ARAMEX

Key statistics		Major Shareholders	
Ownership	Public	Shares Outstanding (mn)	1464
Country	UAE	Levant Logistics Holdings co	9.9%
Established	1982	Mason Hill Advisors LLC	5.5%
Price (AED)	3.63		
M-Cap (AED bn)	5.3		
No. of Employees	10,295		

Exhibit 66: Share price chart – 1 year (in AED)



Source: Thomson Reuters, Last updated as of May 14, 2015

Business description

Established in 1982, Aramex is an international express, mail delivery, and logistics services company based in Dubai, UAE. The company operates through 309 offices across 200 major cities worldwide. Aramex has main hubs in Amman, Dubai, Hong Kong, Liege, London, New York City, and Singapore. The company has strong presence in MENA, followed by Europe, Asia, and North America. Aramex has been listed on the Dubai Financial Market since 2005 and has an employee base of 10,295.

Key financials

Exhibit 67: Income statement (in AED mn)

	2010	2011	2012	2013	2014
Total Revenue	2,211.00	2,576.20	3,072.60	3,324.80	3,649.50
EBITDA	278.35	310.24	368.67	429.17	464.01
Operating Income	229.60	254.90	295.90	348.60	382.50
Net Income	204.10	211.50	244.10	277.96	318.40
Earnings Per Share	0.14	0.14	0.17	0.19	0.22
Dividend Per Share	0.08	0.05	0.10	0.12	0.14

Source: Bloomberg

ALEXANDRIA CONTAINER CARGO HANDLING CO

Key statistics		Major Shareholders	
Ownership	Public	Shares Outstanding (mn)	24.6
Country	Egypt	Holding Co for Mari. & Land	55.8%
Established	1984	Alexandria Port Authority	39.9%
Price (EGP)	208.1	Public	4.3%
M-Cap (EGP bn)	5.1		
No. of Employees	2,700		

Exhibit 68: Share price chart – 1 year (in EGP)



Source: Thomson Reuters, Last updated as of May 22 2014

Business description

Alexandria Container and Cargo Handling Co (Alex Cont) is engaged in the business of marine ports and services. The company offers a range of maritime services, including stevedoring and storage, security, tariff of both domestic and foreign trades, and transshipment container handling. Alex Cont operates two terminals – Alexandria container terminal and ElDekheila terminal.

Key financials

Exhibit 69: Income statement (in EGP mn)

	2010	2011	2012	2013	2014
Total Revenue	404.83	446.28	515.94	693.33	893.19
EBITDA	216.36	247.86	244.86	333.29	NA
Operating Income	222.51	216.79	248.26	384.63	503.92
Net Income	219.52	239.25	285.41	384.92	538.69
Earnings Per Share	8.91	9.71	11.58	15.62	21.86
Dividend Per Share	5.02	5.73	6.53	NA	9.0

Source: Bloomberg



Transportation & Logistics in MENA

The MENA region also has a large number of privately held companies in the transportation & logistics space. A few are mentioned below.

Almajdouie Logistics, Saudi Arabia

Established in 1965, Almajdouie Logistics is among the largest logistics service providers in the MENA region with a total area of 2 million square meters of terminal and storage facilities in Saudi Arabia. The company has more than 6,000 employees.

Al-Futtaim Logistics, UAE

Established in the 1980s, Al-Futtaim Logistics is engaged in various supply chain solutions, including freight forwarding and customs clearance, warehousing and contract logistics, goods transportation & distribution, and corporate transportation. Al-Futtaim recently opened a 50,000 square meters warehouse, distribution and office facility in JAFZA South Zone and Dubai Industrial City.

Gulf Agency Company, UAE

Established in 1956 by Swedish entrepreneur Bengt Lindwall, the Gulf Agency Company has evolved into a widely-recognized global provider of integrated shipping, logistics, marine and related services. The company employs over 10,000 professionals at 300 offices worldwide.

Premier Logistics, Oman

Established in 1978, Premier Logistics is Oman's leading specialist logistics solutions provider. The company specializes in three core activities: Oil and Gas Logistics, Supply Chain Management, and Freight Forwarding Services. Al-Futtaim Logistics is a part of Al-Futtaim Group.

RHS Logistics, UAE

Established in 1998 in Jebel Ali Free Zone, RHS Logistics is a third-party logistics provider of choice. The company has representative offices throughout the Arabian Gulf, Iran and CIS states. RHS Logistics is a part of the RHS Group, owned by Rais Hassan Saadi.

Wared Logistics, Saudi Arabia

Wared Logistics is a provider of importation, transportation, distribution, and logistics management solutions. The company operates transportation hubs, warehouses, and distribution centers in multiple geographies, including Saudi Arabia, Egypt, Syria, Lebanon, and the UAE. Wared Logistics is a joint venture between Zahid Group Holding and Construction Products Holding Company.

Abdul Muhsen Shipping, UAE

Established in 1991, Abdul Muhsen Shipping is located in the Jebel Ali Free Zone, Dubai. The company offers various logistics services, such as CFS operations, logistics and distribution, shipment, clearing and forwarding, air and sea freight, cargo consolidation, custom clearance, and freight forwarding logistics. The company started its Jebel Ali free zone office in 2001. The zone spans 25,000 square meters, including a 4,000-square-



Transportation & Logistics in MENA

meter space for warehouse. In addition, the company has leased 550 square meters of covered warehouse space near the zone in order to meet growing demand from customers and vendors. Abdul Muhsen has a team of more than 100 highly qualified, knowledgeable and trained professionals as well as a dedicated customer service department.



Transportation & Logistics in MENA

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