



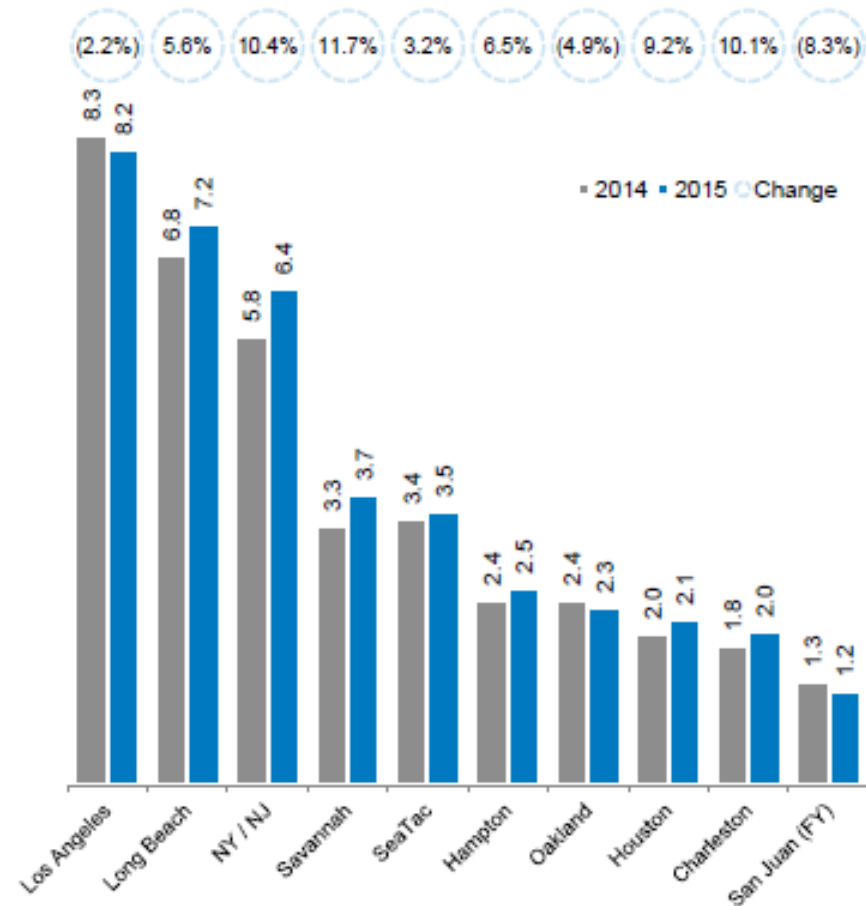
Private Sector Port Financing, Investment & Development Initiatives

26 October 2016

Operating Models of U.S. Container Terminals

TOP 10 U.S. CONTAINER PORTS BY TEUS (2014 - 2015)

(in millions of TEUs)

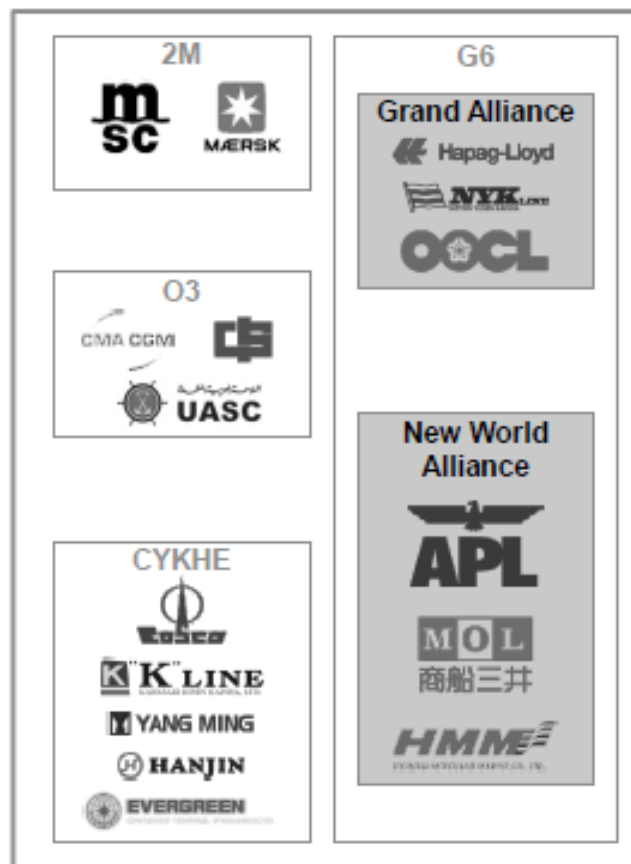


- Approximately 25% of the top 10 container ports in the U.S. are operated by port authorities
- Approximately 75% of U.S. port authorities follow a landlord model
 - Terminal leases primarily held by 3 types of lessees:
 - ~59% held by carriers or carrier-affiliated operators
 - ~33% held by institutional financial investors
 - ~8% held by family / private operators
 - Percentage held is determined by 2013 TEU volume by equity, although breakdown by number of terminals held by each party results in nearly identical numbers
- Similar data on bulk terminals is difficult to obtain, although generally, private and financial investors have a much larger presence in the space

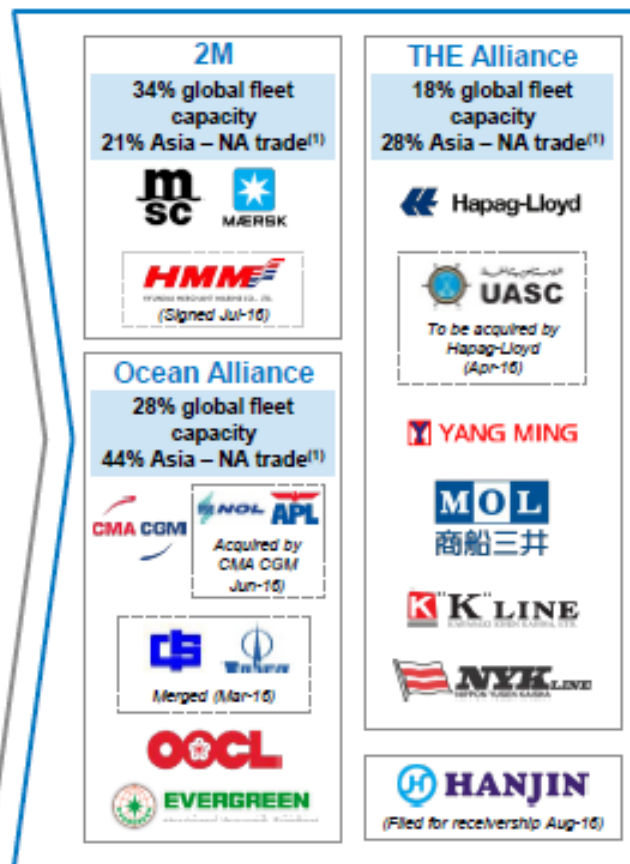
The vast majority of North American container port terminals are leaseholds on public land

Container Shipping Alliances

CURRENT SITUATION



2017 ONWARDS



Many shipping companies are leveraging equity through sale of minority stakes:

- GIP acquired 35% stake in TIL portfolio (Apr-13)
- Terminal Link (CMA CGM) sold 49% of 15 terminals to CMHI (Jun-13)
- K-Line sold 30% stake in two west coast terminals to Ports America (Jul-14)
- APMT looked to divest 49% of PANYNJ terminal to Brookfield (Nov-14)
- NYK sold 49% of NYK Ports to Macquarie Infrastructure Partners III (Dec-14)
- CMA CGM sale of NOL/APL GGS (LA) and Kaohsiung (HK) terminals (ongoing)
- Hanjin bankruptcy and reported sale process for LA TTI terminal (ongoing)

Carriers have limited capital market access with little cash available for terminal improvements given the vessel order book and economic pressures

Changes in Marine Terminal Valuations

TERMINAL OPERATORS

PORT AUTHORITIES (LANDLORD)



Landlord Port Authorities have historically transacted significantly higher versus Terminal Operators

Traditional Role of Port Authorities

- Core business of landlord port authorities
 - Improvement of infrastructure
 - Land creation/stabilization
 - Dredging
 - Landside access
 - Master planning and management of the port area
 - Outreach to public stakeholders
 - Worker safety
 - Environmental issues

- Despite ports' favorable cost of capital for capex, available funding is stretched thin with improvements for many terminals
 - MAGs previously provided a steady cash flow, but are now rare in leases
 - Lift charges are discounted as volumes increase – successfully driving volume, but hurting cash flow
 - Port Authorities look for tax increments and grants to remain viable

- Implications on Return of Capital
 - Operating ports straining to achieve 10% return
 - Private operators look for 10-20% return
 - Some landlord ports are experiencing negative returns

Realizing the Value of the Enterprise

- A broad universe of financial investors are interested in marine terminal assets, from infrastructure funds to public pension funds
 - Some investors require controlling interest (typically those with terminal operating capabilities)
 - Minority investors are willing to invest at risk and take market risk
 - All focus on their strategic plan – existing assets, opinion on potential changes in shipping
 - Less interested in stevedoring

- Port Authorities should work to re-establish active participation in the operating enterprise of their gateways
 - Proactive approach to building and maintaining the gateway
 - Growth should be collaborative within the gateway instead of competitive
 - Buy back or allow leases to expire for underperforming terminals
 - Restructure into well-capitalized enterprises
 - Change land configurations to enhance the value of the gateway
 - Determine best process to realize the true value of any terminal lease extension
 - Financial investors will show great interest in thoughtful restructuring of terminals

Disclaimer

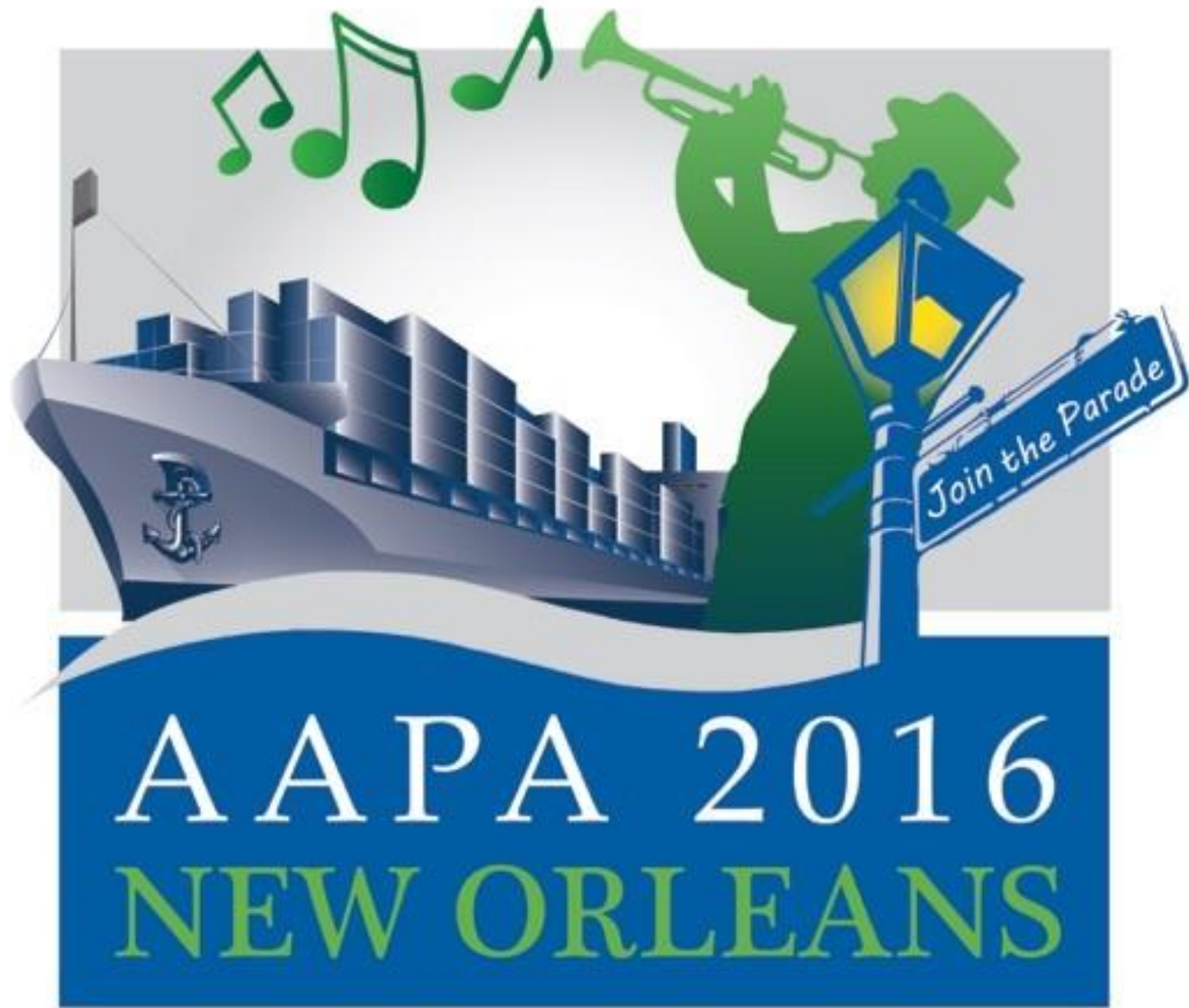
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