

Bulletin:

Abu Dhabi Ports' Acquisitions Are Within Credit Metric Thresholds

November 23, 2022

This report does not constitute a rating action.

DUBAI (S&P Global Ratings) Nov. 23, 2022--S&P Global Ratings said today that Abu Dhabi Ports Co. PJSC (AD Ports)' financial ratios will remain in line with our thresholds despite three recently announced debt-funded acquisitions.

We understand the deals are accretive to AD Ports' (A+/Stable/--) core business and will enhance its scale and scope. They include 70% of Egypt-based Transmar International Shipping Company (Transmar) and Transcargo International S.A.E. (TCI; United Arab Emirates [AED] 514 million purchase consideration) in September, 80% of Dubai-based Global Feeder Shipping (GFS; AED2.9 billion) in November, and 100% of Spanish-based Noatum (AED2.5 billion) in November. The total consideration is AED6 billion (\$1.63 billion), of which AED5.4 billion is expected to be paid by first-half 2023. AD Ports plans to fund the transactions through a new acquisition loan. We currently assess its liquidity as adequate and, with the planned funding sources should be sufficient to cover uses 1.2x times over the next 12 months. Cash balance was AED716.8 million at Sept. 30, 2022, after paying considerations for Transmar and TCI.

When the transactions close (expected in first-half 2023), we forecast our main credit ratios will be unchanged, including funds from operations (FFO) to debt above 13% or debt to EBITDA below 4x. The acquired companies have full-year revenue of AED11.5 billion and EBITDA of AED2.9 billion. Post-closing, we expect debt to EBITDA of 3.0x-3.7x and FFO to debt of 20%-25% in 2022-2023. In comparison, AD Ports' revenue and EBITDA for the rolling 12 months to Sept. 30, 2022, was AED4.9 billion and AED1.9 billion and its debt to EBITDA and FFO to debt was 3.0x and 31.2%.

We will assess the effects on the business risk profile once we better understand AD Ports' updated strategy, including the acquisitions, their business models, associated synergies, and management's capacity to run a more geographically diverse and complex group. In our view, there is limited potential for a positive rating action over the next 24 months because an upgrade would require one-notch improvements in both the stand-alone credit profile (SACP; bbb) and our sovereign credit rating on Abu Dhabi (AA/Stable/A-1+), which is not our base-case scenario.

We regard AD Ports as a government related entity, with a very high likelihood of receiving timely and sufficient extraordinary support from the Abu Dhabi government. We expect the government to remain the significant majority shareholder at AD Ports (via Abu Dhabi Developmental Holding Co. PJSC or ADQ, which owns 75.42%). Our assessment of government support results in a

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four-notch uplift to the ratings on AD Ports from its SACP.

The acquisitions

On Sept. 14, 2022, AD Ports completed the acquisition of a 70% equity stake in Transmar and TCI for AED514 million (\$140 million; EBITDA multiple 3.1x). Transmar is a regional container shipping company that operates across the Middle East, Red Sea, Arabian Gulf, and eastern coast of Africa. It has special capabilities for handling petrochemical products, which make up a significant proportion of trade along these routes. TCI is a terminal operator and stevedoring company that specializes in project cargo handling, heavy lift, breakbulk, industrial breakbulk, general cargo, and container handling, as well as warehousing and storage facilities. TCI is the largest operator and sole container operator in Adabiya Port (Egyptian Red Sea region), holding a significant market share of handling and stevedoring services.

On Nov. 3, 2022, the company announced an agreement to acquire an 80% equity stake in Dubai-based global shipping company GFS for AED2.9 billion (\$800 million; EBITDA multiple 1.7x). We expect the transaction to close in first-quarter 2023. GFS has built one of the largest fleets of container ships globally, featuring 26 owned and operated vessels with a total capacity of 72,500 twenty-foot equivalent units (TEUs), covering the Middle East, Indian subcontinent, and southeast Asia. Aligning GFS' services with AD Ports' group companies SAFEEN Feeders and Transmar will make AD Ports the world's largest independent feeder company by vessels owned, with a fleet of 35, and the third largest globally by volumes carried, with capacity of 100,000 TEUs.

On Nov. 18, 2022, AD Ports announced it acquired 100% of global integrated logistics platform Noatum for AED2.5 billion (€660 million; EBITDA multiple 4.6x). We expect the transaction to also close in first-quarter 2023. Noatum operates in logistics, maritime, and port terminals. Its footprint spans 26 countries with market-leading positions in Spain and Turkey and a significant presence in the U.S., U.K., China, and southeast Asia. AD Ports intends to merge its logistics business with Noatum to build a significant presence in the region and enhance services across the company's global footprint.

Related Research

- Abu Dhabi Ports Co. PJSC, Aug. 23, 2022

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