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**Transcript**

# AD Ports Q1-23 Earnings Call

**Tuesday, 16 May 2023**

**Ahmed Hazem** Good morning, ladies and gentlemen, and welcome to the AD Ports Group 1Q 2023 results conference call. With us on the line today is Mr Martin Aarup, Group CFO of Abu Dhabi Ports Group. Mr Ross Thompson, the Group Chief Strategy Officer, and Mr Marc Hammoud. On behalf of myself, Ahmed Hazem from EFG Hermes I'd like to welcome you all today on the call and congratulate the company on a very solid set of results in the quarter. Without further delay, I'd like to hand over the call to Marc. Marc, please go ahead.

**Marc Hammoud** Thank you, Ahmed. Good morning, good afternoon, everyone. Thank you for joining our third earnings call, for the period of Q1 2023. I will kick off the presentation, as usual, before handing over to Ross for the strategy update, and Martin, for the financial update for the first quarter of this year. I'll kick it off with the key messages for the first quarter.

The first quarter is really a continuation of the 2022 strong delivery that we achieved. The key messages are, again, the strong macro backdrop that we have in the UAE and in the region. The top-down story remains very supportive, whether it's government initiatives to attract FDI in the industrial sector, free trade agreements that the country is trying to push. All hands are on deck to continue to push the macro story. At AD Ports Group we continue to be the main beneficiary of all these initiatives and the macro backdrop.

On the results, we continue to deliver on our growth strategy, as you can see in the numbers, revenue was up 73%. If you look at like-for-like, we're talking about 35%. EBITDA grew 33% and 14% on a like-for-like basis and net profit was up 18%. Although we're a trade business, we remain quite resilient, with 70% of our Q1 23 revenue being long-term, sticky, recurring business. We also continue to invest heavily in our business, with 1.02 billion CapEx invested in Q1 2023. We remain committed to our five-year CapEx plan of our 15 billion for the period of 2023, 2027. And one more detail to keep in mind is that this CapEx is front loaded project and it's contract based for most of it.

On the acquisition front, a small acquisition was completed in April. Not in Q1, so there's no impact on Q1 numbers. That's TTEK, which is a developer of border control solutions and custom systems. We completed the merger between Al Eskan Al Jamae and KEZAD Communities, that's part of the Economic Cities and Free Zone Cluster. And now we focus on completing GFS and Noatum in Q2 and Q3 of this year. Balance sheet still offers good flexibility for further organic and inorganic growth, as you can see the net debt to EBITDA ratio was at 2.1 times at the end of the quarter, and we continue to have a well-managed debt maturity profile with very little debt servicing in the short term.

Equity story, a lot has been said on this just in the key message. What I can mention on top of that is the growth is a triple-play growth. We aim at providing you the details of this growth always between organic and inorganic. Keep in mind that the organic growth is always a combination of the exiting assets ramping up operations and the organic CapEx that we continue to deploy. And, as we deploy it, provides further organic growth. The other point I'd like to mention here is, again, the stable and highly predictable revenue base and the fact that we have quite a resilient model, although we're a trade company.

Our five clusters, that's the picture in terms of revenue and EBITDA contribution for the first quarter. As you can see, the Maritime has continued to increase in terms of contribution, it's now at 34% of EBITDA. And I look at EBITDA because of the different profitability profile of the different clusters. The first cluster remains the Economic Cities and

Free Zone. Unlike the name suggests, the Ports business continues to be around 20% of total EBITDA. I'll hand it over to Ross for the strategy update. Ross, over to you.

**Ross Thompson** Do you hear me?

**Marc Hammoud** Now we can, yes.

**Ross Thompson** Good afternoon, everyone. I will quickly take you through a number of slides where we'll give you an update on the company strategy and the focus of the company, particularly here in 2023. We're now in what we see as our phase three of growth. To the right-hand side of this slide and to the top of that slide, you see 2023.

The key focus for us and the company has been on closing the major acquisitions that were enacted last year, which is GFS, Noatum, in particular. We hope to have completion of those soon and we've been working of the integration of those companies within the Group operating model, and really optimising the underlying operating model, so it's very, very efficient. But also, positioning the Group where it can take advantage of a significant amount of synergies that we've identified with these acquisitions, that will drive both into the bottom line and the top line.

As we've come into the first quarter we've had a number of key projects that have been a focus for us. We'll come onto it later in the presentation, but we've announced a small acquisition of TTEK, which is effectively a bolt-on to our digital business. It provides custom solutions, particularly to governments, a service that we outsourced previously and now we're taking that capability in sourced. We've inaugurated the Aqaba Cruise Terminal in Jordan and we're just coming to the end of the first cruise season of its operation. And we announced the 30-year concession of Safaga Port in Egypt, along with the merger of KEZAD Communities and Al Eskan Al Jamae. We've continued to build on the acquisitions that we made last year, but focus on stabilising the company and driving the integration and the synergies of the large-scale acquisitions, while complementing those with additional business growth. Next slide, please.

The company continues on its growth strategy. For those that have joined previous calls, you would've seen this slide, which remains a constant for us. But our key objectives are really to consolidate and grow our position in the UAE, in Abu Dhabi, as a significant trade enabler to open up new routes, to open up supply density and to connect the region to more of its key trading partners. Number two, we're very focused on regional expansion. There was a number of MOUs signed in the last months with foreign governments and foreign entities, particularly in Egypt, in Africa, where we're continuing to expand our asset base. Linking with the potential to link GFS' services and Noatum's services to the region, to really create a value-accretive model.

Number three we expand globally to be a leading logistics and trade services player, and these are some of the acquisitions that we announced in 2022, that we implement now. The key objectives for us is to maximise the returns in our portfolio. I think you're starting to see the fruit of that through the financial results that are coming through. We want to own the customer relationships and create maximum stickiness with those customers that we have. And we want to create superior supply chain outcomes for our customer base, and that's what's really driving the business as we go forward. Next slide, please.

Just to touch on regional growth, how we see regional growth. It is a clearly integrated business model with revenue synergies between our five clusters, but also the ecosystem that surrounds us. We integrate very heavily with the local

airlines and the local airports and now, in 2023 we start to see a new mode of transport coming into the UAE. Insofar that Etihad Rail has started container services from Khalifa Port as of this month. We had the first train leave this week from Khalifa port laden with containers, and this will be linking our ports with the rest of the UAE.

It really opens up a new avenue and, effectively, we're creating different layers of supply chain solutions here in the UAE for our customers. But what we see is this integrated system drives value through each of our businesses and it still remains the case that although out top customer base is diversifying and we're introducing new top customers. Largely, our top customers have revenues in more than two of our five cluster base and once we have revenues in two to three, we create that long-term stickiness with our customers. Next please, Marc.

Again, a slide that you would've seen before, but it remains a constant. We see our growth playing out inorganically, where we have opportunities in logistics, in shipping services and ports. They will be in relevant geographies to our trade. We will look for scale in our deals, and they have to be financially attractive to us. Any company that we look at and we buy will have to have strong integration potential and strong accretive value into the rest of our businesses. That's a key for us going forward. Next slide, please.

A little update on some of the projects that have been delivered. We're finding an increasing demand of what we call Build-to-Suit projects in KEZAD in our industrial zones. Which is where we effectively take on the building and the design and build for the client and they do the fit only. Then we commercialise not only the land through rent, but we commercialise the building either through a sale on completion or through a rental proposition. But significantly, Noon e-fulfilment centre is under construction. This is one of our first e-fulfilment centres in Abu Dhabi, significant for us. It will open up other opportunities and create a cluster around it. Emtelle factory in KEZAD also under construction, completion date around April 2024. Both of these are on 15-year leases, which are renewable projects.

We have other in the pipeline, as well. Two in the pipeline at Change Food Facility, which we signed in quarter one, and the Amaero Facility. Again, these are substantive projects. They will take time to deliver, at least two years, but these are signed and under planning for pre-development stage and construction phase. Next slide, please.

Warehouse projects, we continue to deliver increasing amounts of warehouses, which we own and lease in KLP4, KLP5 and KLP21. Largely the occupancy rates are increasing as we move forward, but these have only been delivered this year. Occupancy rates in KLP4 is 58%, 40% in KLP5 and KLP21. We are ahead of where we need to be with these, in terms of where we should be in occupancy. They're heavily demanded and they're a product that we continue to build to the market, based on market demand. Next please, Marc.

We announced a 30-year concession agreement of a multi-purpose terminal in Safaga Port in Egypt. We will be spending around about $200 million on Capex in 24 and 25. This is mostly on equipment. The capacity is to be able to handle dry bulk, liquid, containers and ro-ro. We have capacity of around about 5 to 6 million tons in terms of the bulk products and containers just under half a million TEUs, and in the ro-ro 50,000 vehicle units at any one point in time. This is an area that we see great potential in. We have a number of interested commercial parties in our hands at the moment. Right now this is with the Egyptian Parliament for approval. Once it's approved, we'll be announcing to the market of the signing of the concession. Next slide, please, Marc.

One of our significant transactions was the merger of KEZAD Communities and Al Eskan Al Jamae. This created one of the largest residential cities and facilities management companies in the region. Currently we'll be operating at a capacity of 58,000 beds. The occupancy rate in quarter one 2023 was 87% and covers an area of just under 950 m², a significant size. It's located in one of our industrial cities in the Musaffah Area, around about 27 km away from Abu Dhabi centre. But it really serves as a workforce accommodation that drives the employment sector and the residential side of the employees for our industrial cities. Next slide, please, Marc.

We announced the acquisition of TTEK. TTEK, it will be a short period to close. We hope to see that close in quarter two of this year. Total purchase consideration was $26.7 million, there's $17.1 million as an upfront payment, the rest is based on commercial milestones to be made. They have significant projects in hand, and significant projects they are bidding for on an exterior basis. They provide digital services to governments, particularly in terms of customs delivery. This is an element that we needed to bolt onto our existing digital business, to provide the one-stop-shop solution in terms of single windows which we develop, and in terms of solution to countries where we operate and we provide services to their local government and around our ports ecosystem. Next one, please.

I think we touched on this, that we've had a busy start to 2023. Al Eskan Al Jamae merger and TTEK are the inorganic projects that we've delivered, but the focus from 2022 has really been on the GFS and Noatum closing. We've covered this slide before, it's just a recap of what happened in 2022. If you can move on to the last slide, Marc, please.

Just to our acquisitions aligned to our strategy about building that supply chain density along our key trade routes. This is an example of where we see our acquisitions that we're making, where they fit in on the ecosystem and on the supply chain value chain, if you like. With that, I'll hand over to Martin.

**Martin Aarup** Thank you very much, Ross. Good afternoon, all. Marc, next slide, please. In Q1 we delivered another strong set of financial and operational results for the first quarter of 2023, in continuation of the full year 2022 strong delivery. Our growth trajectory remains linked to our integrated business model, built on a foundation of long-term contracts and concessions, enhanced service offerings, and diversification into synergistic new businesses.

The Group's revenue grew 73% year-on-year to 1.817 billion in Q1, driven by the robust performance of our Maritime, Economic Cities and Ports Clusters, as well as the acquisitions made in 2022 and Q1 of 2023. Here it's the ones that Ross covered, DIVETECH, ASCL, SAFEEN Subsea, Transmar, TCI and Al Eskan Al Jamae. EBITDA increased 33% year-on-year to 699 million, driven by the Maritime and Ports clusters, as well as acquisitions. Total net profit for the period jumped 18% year-on-year to 363 million. On a like-for-like basis, excluding new businesses acquired, revenue grew 39% year-on-year and EBITDA grew 14% year-on-year. Next slide, please.

Operationally in the Ports Cluster general cargo volumes increased 40% year-on-year and reached 9.8 million tons. We also saw a positive trend quarter-on-quarter on the back of strong bulk and project cargo volumes. Our recent expansions of Khalifa port, the so-called South Quay and Khalifa Logistics Port, were inaugurated last December, widening our service offering and, thus, driving growth in the future. Container throughput grew to 1.1 billion TEUs for Q1, up 18% year-on-year.

The Q4 volumes were extraordinarily high, as Khalifa Port temporarily benefited from congestion in the Indian subcontinent and, hence, a slight decrease quarter-on-quarter for Q1. In line with the year-on-year increase in

volumes, utilisation rate increased from 43% in Q1 of 2022 to 51% in Q1 of 2023, driven by continued ramp-up of the terminals and partner shipping lines gradually shifting their regional volumes to Khalifa port, in line with their contractual obligations. For Q1 we saw a slight change in the volume mix, with O&D volumes reaching 39% versus 37% in Q4. In terms of our ro-ro and cruise segments, both had record performance in Q1, with ro-ro volumes increasing 32% year-on-year and cruise passengers increasing 361% year-on-year. In fact, the 2022/2023 cruise season registered more than 700,000 visitors and 184 port calls, compared to 180,000 visitors and 130 port calls in the 2021/2022 season. Next slide.

In the Economic Cities Cluster we have also started the year with strong performance with net new land leases of close to 1 km², on track to achieve the 3.5 to 4 km² annual guidance we have previously communicated. It should be noted that the Q1 2022 land leases included the mega deal with Al Rawabi, which is due to the uneven nature of the business, where major leases come at an irregular basis from a quarter perspective. The continued steady lease out of Economic Cities is supported by the strong macro environment and the alignment with Abu Dhabi industrial strategy to turn the emirate into a manufacturing hub and to make a strong push to diversify the economy. Fast-growing industries continue to include automotive, food processing and distribution, agri-tech, green technology, pharmaceutical production and distribution, and retail.

Warehouse capacity, including cold storage, increased by 270,000 m² in Q4, bringing the total capacity to 570,000 m² which resulted in a mechanical drop in the overall utilisation. Warehouse leases were up 46% year-on-year, as we continue to see strong demand and gradually lease out the new capacity we're able to offer to the market. Next slide.

In the Maritime Cluster key operational indicators, such as vessel fleet, port calls, container feeder volumes and marine services all recorded strong growth year-on-year. This was mainly driven by a combination of vessel fleet and service network expansion. The number of owned and chartered container bulk vessels increased to 30, up from 7 in Q1 of 2022. Also the number of services increased to eight from two in Q1 of 2022. Disruptions in the UAE/India/Gulf services due to the congestion in Indian ports impacted the quarter-on-quarter container volume performance for SAFEEN Feeders and, hence, a slight drop in Q1 versus Q4. We continue to focus on creating a balanced, synergistic portfolio of maritime businesses with different market cycles, to limit business performance volatility. As of Q1 more than 40% of the Maritime Cluster top line are long-term or sticky revenue, which is a critical component for us going forward. Next slide, please.

In our Logistic Cluster's polymers business we saw a 1% year-on-year drop and a significant drop quarter-on-quarter. Reason being that we were negatively impacted by a temporary planned maintenance shutdown of one of our strategic customers. On a positive note, the production facility has been back on full capacity from mid-April. Single window transactions in our Digital Cluster were up 34% year-on-year, on the back of strong growth in trading volumes across the board, as well as the addition of new services launched throughout 2022, as part of the Advanced Trade and Logistics Platform by Maqta. The quarter-on-quarter performance were in line with the overall trade activity. Next slide.

As mentioned earlier, the Group's revenue grew 73% year-on-year to 1.817 billion in Q1. The Maritime Cluster reported revenue growth of close to 260% year-on-year, reaching 950 million in a combination of capacity increases, wider service offering and increased activity in new business segments. On a like-for-like basis the growth was around

150% year-on-year. Contributions from new acquisitions accounted for 30% of the total Q1 Maritime Cluster revenue. Key business segments driving the growth were marine, feeder and offshore services. The Economic Cities top line growth was 13% year-on-year, driven by previously signed leases, higher utility revenues and the merger with Al Eskan Al Jamae, whose contribution with a full quarter amounted to 73 million. This was partly offset by temporary lower utilisation of Razeen staff accommodation that were previously fully used for COVID-19 isolation and quarantine purposes.

The Ports Cluster reported revenue growth of 24% year-on-year in Q1 and 17% on a like-for-like basis. In line with volume growth, the cluster delivered double-digit growth in concession fees, which together with strong general and project cargo volumes, as well as rebound in our ro-ro and cruise businesses with record volumes. TCI inorganic contribution was 17 million for Q1. The Logistics Cluster contributed 139 million to the Group's revenue in Q1, declining 3% year-on-year as the performance was impacted by the temporary maintenance shutdown that I mentioned earlier, of one of the strategic customers' production plant and also the end of the COVID-19 vaccine business. The Digital Cluster contributed 101 million in Q1, relatively stable, as its performance was impacted by slightly lower demand for internal IT services. Next slide.

EBITDA increased 33% year-on-year to 699 million in Q1, implying an EBITDA margin of 38.5% for the quarter, in line with the short-term guidance of 35 to 40% communicated earlier to the market. Key contributions to the EBITDA growth came from the Maritime and Ports Clusters, as well as acquisitions. On a like-for-like basis, excluding new businesses acquired, EBITDA growth was 14% year-on-year. Maritime Cluster increased 169% year-on-year to 290 million and 122% year-on-year on a like-for-like basis. This was driven by strong top line growth and contribution from the new acquisitions previously mentioned. These acquisitions accounted for roughly 18% of the cluster's total Q1 EBITDA.

Additionally, the Maritime Cluster benefited from a 45 million gain on sale of certain vessels during the quarter. Economic Cities recorded a 12% year-on-year increase in EBITDA, impacted by a mechanic ECL provision and lower share of profit from the ZIF JV, which was offset by a full quarterly contribution of 45 million related to Al Eskan Al Jamae. Ports Cluster EBITDA increased by 33% year-on-year to 173 million, mainly on the back of strong volume performance, favourable product mix and operating leverage. Logistics Cluster was down year-on-year to 32 million due to one-off gain of 73 million in Q1 of 2022 from the sale of a purpose-built warehouse as part of a new long-term contract with a strategic customer. Digital Cluster EBITDA slightly up year-on-year, delivering 59 million EBITDA for the quarter. Next slide.

Our overall EBITDA margin softened to 38.5% in Q1 versus 50.1% in the same period of 2022. Ports and Digital Clusters' EBITDA margin improved, whereas Economic Cities was flat and Maritime and Logistics Clusters declined. Changed in business mix reduced overall EBITDA margin with significantly higher contribution from lower margin Maritime Cluster. Apart from Al Eskan Al Jamae, the acquired companies generally have relatively lower EBITDA margins. Logistics cluster Q1 2022 margin was positively impacted by the 73 million one-off gain from the sale of the purpose-built warehouse that I previously mentioned. Maritime Cluster also here in Q1 of 2023 was positively impacted by the 45 million gain on sale of vessels coming from the ceasing of the Guinea transhipment contract. Next slide.

Our capital structure as of Q1 comprised a 31% debt-to-equity ratio, excluding the payables to the project companies and mainly consisting of the unsecured $1 billion bond issued in 2021 and the $1 billion RCF facility with the syndicate of local and international banks. Q1 increase in debt was partly due to consolidation of existing debt of Al Eskan Al Jamae, post merger with KEZAD Communities, and partly due to additional RCF drawdown for organic growth CapEx. Our strategy continue to be to utilise bond as the predominant long-term funding vehicle, with the RCF servicing as a liquidity backstop.

In April we concluded a new $2 billion equivalent acquisition financing facility, with a syndicate of local and international banks at terms better than our existing RCF. With a net debt to EBITDA ratio of 2.1 at the end of Q1 versus 2 flat by the end of 2022, we maintain a solid financial position and robust balance sheet with capital resources available for funding both organic and inorganic growth in a cost-effective manner. We continue to have a well-managed debt maturity profile, in sync with the long-term nature of our assets with adequate liquidity lines to cater for our growth aspiration and maintaining an investment-grade credit rating on a standalone basis. Next slide.

During Q1 we have continued to execute on our ambitious organic CapEx programme, of which majority is revenue generating. In Q1 we spent around 1 billion, as per plan. Main recipients were our Ports, Economic Cities and Maritime Clusters, and will remain so in the future. In Ports we continued the expansion of Khalifa Port, mainly for the new CMA Terminal and for the upcoming connection to Etihad Rail that Ross mentioned. In our Economic Cities CapEx was mainly deployed for Build-to-Suit assets, warehouses, specialised industrial clusters, such as the Metal Park, Wholesale, Food Hub and Auto Hub, and the continued gradual unlocking of land in line with demand. For Maritime we continue to expand our vessel fleet, mainly for bulk and offshore vessels. Our overall 15 billion organic CapEx programme for 2023 to 2027 is front loaded, commercially backed in nature and largely contracted. Next slide.

Our operating cash flow for Q1 amounted to 335 million, significantly up year-on-year, however slightly down quarter-on-quarter. This implies a cash conversion of 48% for Q1, mainly due to timing in collections. Our free cash flow improved to minus 544 million for the quarter and continue to be impacted by our heavy organic CapEx programme. Based on current visibility and in line with previous guidance, we expect to become free cash flow positive by 2025. Next slide.

We continue to live in a turbulent period, with inflation and interest rate pressure, as well as ongoing geopolitical tensions. This uncertainty and an increase in supply of new container vessels planned for delivery through 2023 and 2024 will slow container trade growth here in 2023. This has softened the container shipping market rates in the main East-West trades, which has now spilled over to the secondary inter-regional trades as well. However, AD Ports Group has a unique business model with defensive attributes on account of highly synergistic assets and long-term contracted revenues, while investing heavily in both organic and inorganic growth.

Moreover, our strategic alignment with the Emirate of Abu Dhabi offer significant business opportunities in a region which is currently experiencing a strong economy, notably on the back of the high oil prices and strong GDP forecast, and various government initiatives to diversify the economy. We anticipate continuing our growth trajectory in 2023 in our core businesses and for the newly acquired companies, with no changes to our previously communicated guidance. Therefore, in the medium term we expect to deliver a revenue CAGR of 25 to 30% and an EBITDA CAGR of

20 to 25% between 2022 and 2027, as well as organic capital investments up to 15 billion over the period 2023 to 2027. Over to you, Marc.

**Marc Hammoud** Thank you, Martin. I think, Ahmed, we can open the floor for questions.

**Ahmed Hazem** Thank you, Marc. Now, everyone, let's open up the floor for Q&A. If you have a question you can use the raise hand function or you can send your questions via the Q&A box. To give time to people to raise their hand, I'll ask the first question in the Q&A box. Could you shed some light on the reason behind the congestion in the Indian ports in 1Q 2023, and do you see it sustainable going forward?

**Ross Thompson** Shall I take this? I think there was a number of congested areas in South East Asia, Sri Lanka and some of the Indian ports, of an overspill. What happened is lines were readjusting their network and using Khalifa Port for consolidation of some of their services and redistribution from there. Is it sustainable? The congestion in those areas has slightly eased. Having said that, the underlying growth of our container business continues to grow and, of course, we've got the CMA Terminal opening towards the end of this year and into next year, so we expect to see container growth rates sustained and substantial over the next 18 months.

**Ahmed Hazem** Thank you for that, Ross. We'll take the next question from Anna Antonova. Anna, your line is open, please unmute locally as well. Anna, your line is open now, please go ahead.

**Anna Antonova** Hello, can you hear me?

**Ahmed Hazem** Yes, we can hear you now, please go ahead.

**Anna Antonova** Sorry, I had technical problems in unmuting. Gentlemen, thank you very much for the presentation. We've got a couple of questions from our side and, just for simplicity, I will ask them one by one. Our first question is could you please shed some more light on what was the disposal of the assets in your LD JV which was behind the AED 78 million of investing cash flows in Q1. I think you mentioned during the presentation that there was a vessel sale one-off in Maritime segment. Is that was this asset disposal was related to?

**Martin Aarup** Yes, Anna, correct. In connection with finalising the contract in Guinea, we have sold majority of the vessels, that has resulted in a gain. Proceeds from the vessels has been used to repay the banks and distribute to the joint venture shareholders of the Louis Dreyfus JV that we had in Guinea.

**Anna Antonova** Thank you, Martin. Just to be clear, I understand that you operate this Kamsar terminal on behalf of EGA in Guinea through this JV, so you're talking about that you're ceasing this transhipment contract. Do I understand correctly that basically, the contribution from this LD JV will go down to zero in the next couple of quarters because you've started to discontinue the business?

**Martin Aarup** Partly correct. We are not operating the Kamsar terminal, that we stopped one or two years back. This is related to the transhipment contract that we have previously been doing for EGA in connection with transhipping of bauxite. We have basically ceased that contract and will not continue with that going forward.

**Anna Antonova** All right, thank you so much. Our second question is on the M&A. Now the full closing of Noatum and GFS deals currently appear to be a bit delayed, maybe not for Noatum, but for GFS. I think you mentioned Q3 and I think the previous guidance was roughly by the end of Q2. Are there any particular reason for this kind of minor but still a bit of a delay, any regulatory hurdles that you're currently experiencing?

**Ross Thompson** No regulatory hurdles, it's just the process and the time that it takes. Where GFS has been just a little bit slower in some of the main jurisdictions that we need approvals from.

**Anna Antonova** Understood, thanks. On a similar line, the acquisition of TTEK that you expect to be completed by the end of Q2, do I understand correctly that it will be consolidated in your digital segment as a provider of the digital customs solutions?

**Ross Thompson** Yes, correct.

**Anna Antonova** How much of revenue or EBITDA do you expect it to add to the division? I understand it's a start-up, so the financial contribution will be minor. How should we think about this?

**Marc Hammoud** Anna, this is Marc. We indicated revenue and EBITDA performance of TTEK when we announced the deal, so you can take these numbers as reference numbers.

**Anna Antonova** So, it was in the earlier press release. Thanks a lot, we'll take a look. Maye then just moving on to the segmental performance. In the Maritime we noticed that the Q1 EBITDA margin was at quite a healthy level of 32%. I would assume that this already factors in the full effect of the consolidation of recently acquired companies. Do you expect the margins in this business in the current asset parameter to stay at about 30% levels going forward? Is that a reasonable expectation for this division?

**Martin Aarup** It's correct that it includes the recently acquired entities, with the exception of GFS, of course. We do expect over time that we will gradually move down to around the 25% in terms of margin, plus-minus.

**Anna Antonova** That will be after these new big M&As are finalised but if, for example in the current asset parameter as of end of Q1, so that’s a sustainable level for that asset parameter and the number of assets that you had in Q1. Is that a correct assumption?

**Martin Aarup** No, it's also with the existing asset parameter because, again, as you know, the Maritime Cluster is consisting of different types of assets. Some of them are on spot, a big chunk of it is on long-term contracts. As we also communicated earlier, we still do see some correction in the rates in some of the segments and, therefore, we do expect with the current asset parameter that we will gradually move down towards the 25% margin.

**Anna Antonova** All right, understood, thanks. That’s a very useful comment. Then maybe along the similar lines of the margins in Logistics. In Q1 the EBITDA margin was at 23% and I understand that it was partly related to the end of the COVID vaccine business. Is this sub-30% the normalised level going forward, due to the changes in the underlying business mix? I remember you guided that the plant of your strategic customer will be ramping to full production back up, but in terms of margins overall, into the year end, so how should we think about this?

**Martin Aarup** I think Q1 was an exceptional quarter for us from a logistics perspective, particularly because of the prolonged maintenance shutdown of the facility. And, therefore, I do anticipate that the Q1 is more an exceptional period when it comes to the EBITDA margin and should trade upwards compared to previous quarters.

**Anna Antonova** Understood, thanks. Final question from our side, I understand other participants would also like to ask questions. We've noted that in Q1 this year the Corporate segment started to earn some small but positive revenue, which was not the case before. It is minor on a Group level, but still, I'm very curious, what does this relate to? Did you start to offer services to some external clients and what is the nature of those?

**Martin Aarup** That is well spotted, Anna. The reason why we have not mentioned it here is because it's pretty insignificant. We have done a minor restructuring within the organisation, where the Maritime Academy that we previously had under the Maritime Cluster, where we're basically training cadets and captains and so forth, we have moved that under the Corporate segment. That's the reason why you see a slight positive revenue coming from some advisory consultancy work that we're doing in the Maritime Academy.

**Anna Antonova** Understood, thanks. May I ask what was the reason? It's Maritime Academy and it was historically in the Maritime segment. Any particular reason why decided to move it and allocate to another segment?

**Martin Aarup** It's not only that. We actually see broader in terms of the Maritime Academy, in terms of the trainings that they're providing, but also advisory services. We didn't see that fit into a fully commercial cluster, and we also wanted to make sure that we have a strong focus within the commercially run clusters in the Maritime Cluster, that's why we decided to move it to the Corporate segment.

**Anna Antonova** Understood, all clear. Thank you so much for the comments, that's all from our side. Thanks.

**Ahmed Hazem** Thank you, guys. We don't have any further hands raised at the moment, so just a reminder for everyone, if you have questions, please use the raise hand function. In the meantime, I can ask the question from Alok Nawani. Can you please explain what caused the like-for-like revenue decline for the Economic Zones and Free Zones segment? What is the outlook for the remainder of the year?

**Martin Aarup** Again a good question. The reason on the like-for-like is that the Razeen facilities that we have, the operating staff accommodation that we had by Abu Dhabi Ports prior to the merger with Al Eskan Al Jamae, previously that was fully contracted out for COVID quarantine and isolation. Those contracts have ceased to exist fully by end of last year and, therefore, we basically went from full capacity to basically nil capacity and we're gradually ramping up in terms of leasing out those facilities as we speak right now. We never went to nil capacity, but there's just an element going from full capacity to a much lower utilisation rate on a temporary basis. And that's also part of the reason by the merger between KEZAR Communities and Al Eskan Al Jamae, that we were able to provide much better service and a much better value proposition to the market. That will spill over to Razeen facilities, and both the rates and the occupancy level going forward.

**Ahmed Hazem** Thank you, Martin. We don't have any questions in the Q&A box or raised hands, so let me take this opportunity to ask a question from my end. Can we get a sense from you guys on the announcement on the tanker acquisitions that you just made, the decision to put them on a pooling agreement? What sort of returns are

you expecting on those and would those be exposed to spot volatility or a fixed rate, as per the agreement that you have? Thank you.

**Martin Aarup** Marc, will you take that or should I?

**Marc Hammoud** Are you referring to the agreement with Aramex?

**Martin Aarup** No, the KMG vessels, right?

**Marc Hammoud** The KMG vessels are part of a seven-year agreement, so no, they're not spot. We will continue to explore further collaboration with KazMunayGas on additional vessels, so it's part of a longer, long-term contract with KazMunayGas and it includes also potentially some logistic cooperation in the future. So, beyond the vessel pool agreement that we already started delivering on.

**Ahmed Hazem** Can we get a sense on the return profile on these assets as per the agreement? Is it mid-single-digit, mid-teen IRR or return on capital profile, or is it lower than that?

**Marc Hammoud** It's similar to the ones that we have with Invictus, with Saif Powertec. What we've been saying in terms of IRR is that we start at low teens and build on top of that, depending on the counterparty risk. Whether it's the company, the country it operates in, the type of business, the length of the contract. You can assume higher than mid-teens for most of these contracts, and some of them are in the low 20s.

**Ahmed Hazem** Thank you, Marc, very clear. We have a question coming from Ankit Bansal in the meantime. The Maritime Cluster had a like-for-like growth of 152%. To what extent is this driven by volume versus pricing? And, within volumes, to what extent is this driven by new vessels that were organically purchased in 2022 versus increased utilisation of vessels?

**Martin Aarup** That was a lot of questions in one. It's a good question. We don't provide that level of disclosure, so I think what you've seen again in our Maritime Cluster is a mix of different types of businesses. We have certain vessels that are under long-term contracts. We have our marine services that is basically linked to the port operations activity and we have our offshore that is on medium-term contract, and then we have our spot business, when it comes to our feeder services. In that respect, there's been a lot of different factors. There has been a strong correction in rates, but we've also seen a big expansion in terms of the number of vessels that we have and the services that we're providing, but also the utilisation.

Again, I also want to highlight here that SAFEEN Feeders is less than two years old. And we have scaled up significantly in the services that we're providing, and that has a big ramp-up period. We have seen a strong increase in utilisation, but we have also announced a number of new services throughout the period. It's really a mix and it's very much depending quarter-on-quarter. We don't disclose on the specifics and what is driving the subsegments in terms of the pricing versus the capacity utilisation and the volumes.

**Ahmed Hazem** Thank you, Martin. As a reminder for everyone, you can use the raise hand function or send your questions in the Q&A box. If there are no further questions, Marc and Martin, back to you, if you have any closing remarks.

**Marc Hammoud** Thank you, Ahmed, first, for organising and hosting this conference call. Thank you to EFG Hermes. Thank you all for participating. What I'd like to say is that this presentation, along with the data book will be posted by the end of the day, for you to continue to appreciate in detail the results. I can say that the set of disclosure will improve this quarter versus the previous quarters, and we'll strive to continue to improve our transparency and our communication to the market. Thank you very much for participating and I'm sure we'll speak soon for most of you. Thank you.

**Ahmed Hazem** Thank you, Marc. Thank you, Martin and thank you everyone for joining. You may now disconnect.