AD Ports Group 4Q22 results

Wednesday, 15 February 2023

Ahmed Hazem Good morning and good afternoon, ladies and gentlemen. This is Ahmed Hazem from EFG Hermes Research and I'd like to welcome you all today to AD Ports Group fourth quarter and full-year 2022 earnings call. With us on the line today is Mr Martin Aarup, Group CFO of AD Ports, Mr Ross Thompson, Group CSO of AD Ports, and Mr Marc [inaudible] a very strong set of results. Without further delay, I'd like to hand over the call to Marc. Marc, please go ahead.

Marc Hammoud Thank you very much, Ahmed. Good morning, good afternoon everyone. I'd like to welcome you to this Q4 and full-year 2022 earnings call. We're going to start presenting our results and, after that, we will host a Q&A session. Without further ado, I'll kick it off with the key messages. I think the key takeaway for the call is that we continue to grow strongly organically and we stepped up our earnings accretive M&A activity in 2022. If we drill down into the key messages, first off, the macro and the top-down story remains positive and supportive, and I can't emphasise enough on this. We'll see it when we present the rest of the material here, it's a very strong point in our story.

If we focus on Q4 results, as you can see, we continue to grow strongly, 58% growth for the revenue to 1.76 billion. EBITDA growth was at 24% to 546 million, and the bottom line grew by 42% to AED 365 million. Resilience of the business, that remains a key attribute in our equity story. We have about 75% of our 2022 revenue being long-term sticky and recurring revenues. We continue to invest heavily in our revenue-generating CapEx, as per the announced CapEx programme that most of you know now, five-year CapEx plan of AED 15 billion. It's front loaded, so related to the ongoing projects that we have at the moment. If we look at the numbers, it's 142 billion for Q4 alone and a total of 563 billion in total for the full year in 2022.

From the Q3 earnings call that we had, we announced two further transactions, two M&A deals. One is for the acquisition of 100% ownership in Noatum, which is a global logistic service provider, for an EV of €660 million. Then in December we announced the merger of KEZAD Communities, part of the Economic Cities and Free Zone Cluster, with Al Eskan Al Jamae, which is another staff accommodation company, in an equity share swap transaction, to create Abu Dhabi's largest integrated operator of staff accommodation. Finally, I would mention our strong balance sheet, which still offers flexibility for further organic and inorganic growth. Our net debt to EBITDA stood at 1.9 times at the end of last year.

Resilient growth equity story, and I started talking about that. We have a resilient business model and we see why, which basically sets a strong foundation of long-term secured cash flow while we have triple-play growth drivers. As part of the equity story, there's four pillars. I mentioned the importance of the macro and top-down story. I think Abu Dhabi Ports Group is a key beneficiary of this favourable top-down story. I would mentioned specifically this strong alignment between our business model and the Abu Dhabi economic diversification and industrial manufacturing strategy. It wants to turn the emirate into an industrial manufacturing hub and, as I said, we're one of the key enablers, but also one of the key beneficiaries of that.

Triple-play growth, why? Because firstly, we continue to ramp up operations of existing assets, so that's CapEx we spent over the past three, four years that continues to major and deliver growth. The second lever is obviously the CapEx programme that we have, the 15 billion I just mentioned. As we continue to deploy this CapEx, we will deliver growth coming from the assets in which we invest. The third lever, on which we started to deliver as well last year, is the M&A pipeline that we executed and that we will continue to look at on an opportunistic basis.

Third point, and I touched on it as well, is the solid, sticky recurring revenue base that we have with about 75% of our 2022 top line being stable and highly predictable. Finally, with the net debt to EBITDA of 1.9 times, as I said. Even if we account for the GFS Noatum and Al Eskan Al Jamae transactions, we would be at 3.3 times at the end of 2023, post these acquisition and deb associated to these acquisitions. We're still in good shape for future growth and our balance sheet is supportive for that. I'll hand over to Ross, to give you an update on the strategy.

Ross Thompson Good evening, everyone. My name is Ross Thompson, I'm the Group Chief Strategy and Growth Officer. Next slide, please. I think over the last 12 months we've been very consistent with our strategy and the objectives we've had from that, they've largely been three-fold.

One is to continually invest in our high margin businesses inside Abu Dhabi and the UAE, particularly in our ports business, to grow the capabilities and the footprint of Khalifa Port. And in our economic cities, to deploy capital to unlock additional land and attract additional investment in that. Number two has been largely around regional focus, to create a network of trade corridors between our main assets here in the UAE and our core markets that surrounds us, our core trading markets. You've seen with our press releases that we've stepped into operations in Jordan and in Egypt, in particular. On the third side, it's been to globally expand, particularly in the areas of maritime services in terms of shipping and in terms of logistics. And we've done that largely through inorganic growth or through acquisition, and we plan to continue to do that and scale our business over time.

The objectives of doing this is to create a customer-led expansion, that stickiness of our customer relations, to be able to own the customer relation, to create trade corridors between our main assets and our key trading markets. To influence the routing of trade to and from our key markets. And to create supply chain density, where we can offer true end-to-end solutions to our markets and our customer base. Next slide, please.

Again, quite consistently our inorganic strategy has been well defined. We have undertaken a cohesive effort to target logistics players, primarily to drive trade. To build relationships on a global basis with clients to diversify our client base. Feeder services and shipping services to connect our key routes, particularly to bring greater number of services and connect Khalifa Port and our other assets to our trade partners. We've developed our ports and those asset bases, ports tend to operate as mini monopolies, but they are the beachhead investments in certain markets for us and provide us the opportunity to deliver trade and drive trade through those economies. But also, it's woken up opportunities for the rest of our Group, to extend the hinterlands and the logistic supply chain by bringing our logistics and our feeder services together.

We do these in relevant geographies. Our relevant geographies are areas where we have a high degree of trade that are paired with our assets, and they're in areas where we see good growth potential in those economies. We look for deals, we look for inorganic acquisitions that are a certain size and scale, that optimise our ability to influence cargo and trade routes in certain areas, that deliver sustainable returns that have high growth appetite and high growth potential. This is really key and underpins our acquisition strategy. We look for companies with high growth potential in certain market segments, so we look for strong management teams, strong cash flows, good fundamentals in the business, and we look for value in the deal. But it has to build on our strategy to deliver the supply chain density that we're building in our core market. Next slide, please.

In our markets we competed six transactions this year. In quarter one Divetech, which made us the largest subsea diving company and supports our offshore and the oil and gas sector, which is particularly important to us as a business from earnings and particularly important to the region. We acquired Alligator Shipping in the same quarter, which is an NVOCC very specific to the India and the UAE trade. That is the UAE's second-largest trading partner behind China, a very core market for us. They brought with them a collection of strong and long-lasting customer relationships, that we've now converted to Abu Dhabi assets and are now riding on Safeen and GFS vessels between India and the UAE.

In quarter two, Safeen Subsea, which was a partnership with NMDC, largely in the offshore industry, again to support largely oil and gas, obviously a strong market sector within the region. In quarter three we completed Transmar and TCI, an Egyptian-based container shipping company, also an NVOCC and a stevedoring company, which gave us access to the ports of Adabiya and Sokhna in Egypt, handling breakbulk, containers and general cargo. It also gave us market leadership between the Gulf and the UAE and the Red Sea and Egyptian trades, particularly for polymers business, which is a significant business that had a lot of overlap with Abu Dhabi Ports and a huge amount of synergies between their customer base and our customer base. It was a missing piece in our shipping network and it was a very good fit for us, to give us presence in the Red Sea and the Egyptian markets.

Lastly, in quarter four we completed larger scale deals. Number one was Noatum, which is a global logistics company, maritime company and port terminals company. Presence in 26 countries across five continents. Very good integrated logistics that operates in both freight forwarding and contract logistics. Very well represented in Europe, in Turkey, in Nord America. Quite beneficial to our logistics company and our capabilities within the region, which was a missing piece for Noatum, there was a lot of synergies within that business. We have bought Noatum as a growth platform, particularly in the logistics side of the business, logistics, maritime and ports, and fits very well with our business, given that the ports and terminals will now report through our ports entity once the deal is regulatory approved. The maritime through our maritime and the logistics will come to our logistics proposition on a global basis.

The second was an agreement to acquire GFS, the largest feeding company within the region. 24 own vessels, 20 services in very, very core markets with Red Sea, India, GCC, South East Asia. They really have market leadership from South East Asia into the Gulf and vice versa and very strong from Asia into South East Asia and beyond. Again, we see a huge growth potential for this company. They have entered into the Med market, they will continue their growth trajectory, and we see this as a cornerstone of linking our core trading corridors, our core trading customers with our existing asset base.

Lastly, within quarter four we agreed to transact Al Eskan Al Jamae, which is a merger between KEZA Communities and Al Eskan Al Jamae at Abu Dhabi's largest integrated staff accommodation owner and operator. Significant capacity of beds, right from blue collar to mid-level management layer. It brings skill, it brings operation and know-how and focus onto a significant area of our economic zones business. Next slide, please.

Largely these companies have been in spaces where we haven't faced or won't face large integration issues or long time of integration. They're largely moving into spaces where we aren't represented and we're adding on. The level of integration and the level of time to do that is relatively small in these cases, as we grow our business and we take on more in these areas, and integration becomes more of an issue in that. Having said that, they're under different equity structures. Divetech, ASCL and Noatum, who are 100% acquisitions. Transmar, GFS, Al Eskan Al Jamae and Safeen Subsea are all majority equity, where we consolidate, we have control of the board. I think the key on our largest acquisitions of GFS, Al Eskan Al Jamae and Noatum, we believe regulatory approval is on track for Al Eskan Al Jamae quarter one 2023. This is when we'll see the impact onto our P&L and we begin to consolidate. For Noatum and

GFS, it is at some point in quarter two. It looks to be mid to end quarter two, but we continue working with the regulatory authorities all around the world for closure on those deals.

Then we've been through the rationale and you can see the contributions of those transactions that we've closed into the 2022 finances. And you'll see, as we go forward in 2023, once we close the regulatory approval on the larger scale deals towards quarter three, quarter four, you'll see the impact of those on the company balance sheet. Just to finalise where these acquisitions fit in, in that supply chain density that we're trying to create.

You can see where Noatum and TCI provide logistical and end-to-end services. They fit very well by bringing cargos into our ports of destination, but they're also on the final first or last mile distribution side. But, in effect, we're able to structure agreements now with our customer base, where we can sell end-to-end client solutions to them. This is where we see our share of supply chain spend in our major customers or our major market shares increasing. By adding the services, by adding the connections, by adding these new companies, we're able to service our clients on a lot more geographic basis. That creates the stickiness and the recurring revenues that we're after. I'll hand over to Martin, to take you through the financials.

Martin Aarup Thank you, Ross. Next slide, Marc. As you can see here, our business is truly integrated across the logistics supply chain, allowing us to provide end-to-end solutions to our clients and be the one-stop shop for all their trading and logistics requirements. The majority of our top customers continue to touch all of our five clusters, which creates a lot of synergies and stickiness. With the recent acquisitions in the maritime domain, our maritime cluster is now the third largest by revenue, or the largest by revenue, followed by our economic cities and ports cluster. From an EBITDA perspective, economic cities is the main contributor, followed by maritime and ports. We will continue to have a balanced mix across the different clusters, or create the strongest possible ecosystem with maximum synergies, cross-selling opportunities and returns. Next slide, please.

Our growth trajectory remains linked to our integrated business model that is built on a foundation of long-term client contracts and concessions, enhanced service offerings and diversification into synergistic new businesses. Our revenue grew 58% year-on-year to more than 1.7 billion in Q4, driven by strong growth in our maritime cluster and a robust performance in our economic cities and ports clusters. Q4 net profit also reached a record level of 365 million.

For the full year 2022, revenue grew 41% year-on-year to 5.5 billion, mainly driven by the maritime cluster and also effects from the new acquisitions. On a like-for-like basis, excluding new businesses acquired during the year, the revenue grew by 23%. EBITDA for the year increased 37% year-on-year to almost 2.2 billion, implying an EBITDA margin of 39.8%. Key contributions to the EBITDA growth came from the maritime, the ports and the digital clusters. On a like-for-like basis, again excluding the new businesses acquired during the year, underlying EBITDA growth was 27%. Net profit growth accelerated to 53% year-on-year, reaching in excess of 1.3 billion, implying a net profit margin of 23.7%. Next slide, please.

Operationally in the port cluster, general cargo volumes increased on a like-for-like basis by 3% in 2022 and reached 31.7 million tons. This compared to 44..6 million tons in 2021, which included a one-off sand supply project of almost 15 million tons. On a quarter-on-quarter basis, as you see in the graph here, we saw a positive upward trend on the back of strong bulk and project cargo business. Furthermore, our recent two expansions in Khalifa Port, the South Quay and the Khalifa Logistics Port, were inaugurated in December, bringing additional space for leases with dedicated berths.

Container throughput grew to 4.3 million TEUs in 2022, up 28% year-on-year, as utilisation of our two existing container terminals continue to improve. Average utilisation reached 51% in 2022 versus 40% in 2021, with Q4 utilisation reaching 55%. This is on the back of major capacity expansion of 3.6 million TEUs completed by the two terminals, ADT and CSP, in 2021, and then with the continued gradual recovery from COVID-19 and the supply chain disruptions that we have seen. Container mix was 66% transhipment volume and 34% O&D volumes in 2022, which is similar to what we had in 2021. Ro-ro and cruise passenger volumes also rebounded strongly on the back of the abated effect of the COVID-19 pandemic. Next slide.

In the economic cities cluster, a record of 4.2 square kilometre of net new leases were signed in 2022, more than what we did full-year for each of 2021 and 2020. The accelerated growth is supported by the strong macro environment and the alignment with Abu Dhabi's industrial strategy to turn the emirate into a manufacturing hub and to make a strong push to diversify the economy by 2031. Fast-growing industries include the food processing, metals, ag-tech, green technology, pharmaceuticals and retail.

The limited new land leases that we signed in Q4 is due to the uneven nature of the business where major leases come at an irregular basis from a quarter perspective. Warehouse leases were up 42% year-on-year, as we continue to see very strong demand for new warehouses. The warehouse capacity utilisation reduced from 96% in Q3 to 70% in Q4, on the back of additional 260,000 square meters of additional warehouses, including cold storage, being commissioned in Q4. Which will allow us to increase also our warehousing revenues going forward. Next slide.

In the maritime cluster all operational indicators show the vessel fleet, port calls, container feeder volumes, transhipment volumes, marine services all recorded very strong growth. The number of owned and operated container and bulk vessels increased from 12 in 2021 to 47 in 2022. Additionally, we now operate seven services, including Transmar, up from two at the end of 2021. Container volumes grew 35% year-on-year, on the back of a 40% increase in port calls. Transhipment volumes covering both steel and bulk side were up 8% year-on-year, in line with operational ramp-up of our two transhipment contracts. It should be noted that in our maritime cluster we are building a synergistic portfolio of assets with different market cycles to limit business performance volatility. And in 2022 around 40% of the total maritime cluster revenue were long-term or sticky in nature. Next slide.

In our logistics cluster we saw a steady growth of our polymers business, up 10% year-on-year with a 5% improvement in the capture rate. We expect continued growth from this business going forward, as the COVID-19 impact on demand for polymers and the lack of availability of containers ease. Single-window transactions in our digital cluster were up 123% year-on-year, on the back of strong growth in trading volumes across the board, as well as additions of new services launched throughout 2022, as part of the advanced trade and logistics platform. Next slide.

Economic cities cluster recorded revenue increase of 6% year-on-year to reach more than 1.6 billion in 2022, mainly benefitting from previously signed new land leases, higher utilities revenues and strong momentum in warehouses revenues, as well. Overall revenue for the ports cluster grew by 7% year-on-year to more than 1.1 billion, backed up by health product mix, as well as revenues from acquisition of TCI, one of the two entities under IACC in Egypt. Double-digit growth in concession fees and leases, as well as strong rebound in the ro-ro and cruise businesses, on the back of the abated effect of the COVID-19 pandemic more than offset the decline in general cargo revenues, which in 2021 significantly benefited from the one-off sand supply contract that we previously talked about.

On a like-for-like basis, the port cluster revenue grew by 21% year-on-year, when adjusted for both the sand supply contract and the TCI acquisition. Maritime cluster revenue growth of 256% year-on-year in 2022, to more than 2.1 billion, was driven by a wider service offering and increased activity in new business segments, including the feeder, chartering, transhipment and offshore services. The maritime cluster added four new companies to the portfolio in 2022, as Ross mentioned earlier. Divetech, Alligator Shipping, Transmar and Safeen Diving and Subsea Services. These new business contributed to revenue and EBITDA with 688 million and 149 million in 2022, and I expect it to continue to support the clusters growth going forward.

The logistics cluster registered a 12% year-on-year revenue decline to 532 million in 2022, mainly due to the reduction in the vaccine business, with the easing of the COVID-19 pandemic, and also the revisions of a contract with a key client from a short-term, asset-heavy to a longer-term, asset-light model, as well as temporary lower volumes due to the non-availability of empty containers for export during 2022. Revenue of the digital cluster grew by 11% year-on-year from 360 million in 2021 to 400 million in 2022, driven by increased revenue from development progress of various technology-led solutions. Next slide.

Overall EBITDA for the year grew 37% year-on-year to reach close to 2.2 billion, implying an EBITDA margin of 39.8%. Key contributions to the EBITDA growth came from the maritime, ports and digital clusters. Some of the new businesses, including those acquired during the year, generated lower EBITDA margins compared with the existing businesses, which led to a slight drop in the overall EBITDA margin. On a like-for-like basis, excluding new businesses acquired during the year, EBITDA growth was 27%. For economic cities clusters, albeit healthy revenue growth, EBITDA was virtually flat year-on-year, mainly due to specific conservative one-off provisions made, related to legacy issues in ZonesCorp from before Abu Dhabi Ports took over the company.

Ports cluster EBITDA increased 9% year-on-year to 642 million on the back of favourable product mix and operating leverage. Maritime cluster EBITDA surged around 450% year-on-year to 668 million and more than 300% year-on-year on a like-for-like basis, when excluding the new acquisitions. The new acquisitions accounted for 22% of the 2022 maritime cluster EBITDA. Logistics cluster EBITDA increased 3% due to the one-off gain of 73 million in Q1 2022 from the sale of a purpose-built warehouse as part of the new long-term contract with a strategic customer, as well as contribution from the Aramex investment since Q1 of 2022. Digital cluster EBITDA increased 27% year-on-year, in line with the revenue growth. Next slide.

Our overall EBITDA margin softened to 39.8% in 2022 versus 40.9 in 2021. Ports, maritime, logistics and digital clusters' EBITDA margins improved, while economic cities cluster's EBITDA margin temporarily declined due to the earlier mentioned one-off conservative specific provisions that we have made related to legacy issues in ZonesCorp. Change in business mix has slightly weakened overall margin, with significantly higher contribution from the relative lower margin maritime cluster. In line with previous guidance, we expect that our overall EBITDA margin will land in the range of 35 to 40% in the short to medium term. Next slide.

Our capital structure as of Q4 comprised 20% debt, excluding the payables to the project companies and mainly consisting of the unsecured $1 billion bond issued in 2021, while the RCF facility of $1 billion with a syndicate of local and international banks, largely remains undrawn. Our strategy continues to be to utilise bonds as the predominant long-term funding vehicle, while the RCF serving as a liquidity backstop. In addition to that, we are in advanced stage of putting in place a $2 billion-equivalent acquisition financing facility with a syndicate of local and international banks, at terms better than our existing RCF. This facility will be concluded during Q1, sufficiently in advance of the acquisition financing requirements of our recent acquisitions.

With a net debt to EBITDA ratio of 1.9 at the end of 2022 versus 2.3 in 2021, we maintain a solid financial position and robust balance sheet, with significant capital resources available for funding both organic and inorganic growth in a cost-effective manner. We continue to have a well-managed debt maturity portfolio, in sync with the long-term nature of our asserts, with adequate liquidity lines to cater for our growth aspirations and maintaining and investment-grade credit rating. Next slide.

We continue to execute on our ambitious organic CapEx programme, all of which are virtually revenue generating. In Q4 we spent 1.4 billion, which brings us to 5.6 billion for the full year, as per plan. Main recipients are our maritime, economic cities and ports clusters. In ports we continued the expansion of Khalifa Port, mainly for the new CMA terminal and for the upcoming connection to Etihad Rail. In addition to that, other major ports projects included the new Khalifa Logistics Port and South Quay, which were inaugurated in Q4. In our economic cities CapEx was mainly deployed for Build-to-Suit assets, warehouses, specialised industrial clusters, such as the new metal park, wholesale food hub and auto hub that we announced during 2022 and the continued gradual unlocking of land in line with demand. For maritime we continue to expand our vessel fleet across all asset classes, predominantly container, bulk and offshore vessels. Next slide.

In terms of our cash flows, the operating cash flow amounted to 1.6 billion for the full year 2022, more than double that of 2021. This implies a cash conversion of 74%, while our free cash flow remain negative at 4.5 billion, due to the large ongoing revenue-generating growth CapEx. Next slide, please.

We continue to live in a turbulent period, with high inflation and interest rates, as well as ongoing geopolitical tensions. This uncertain backdrop, with an increase in supply of new container vessels planned for delivery through 2023 and 24 will slow container trade growth in 2023. This has softened container shipping market rates in the main East-West trades, but secondary, interregional trade remained somewhat firmer. However, Abu Dhabi Ports Group has a unique business model with defensive attributes, as Marc mentioned earlier, on account of highly synergistic assets and long-term contracted revenues, while investing heavily in both organic and inorganic growth.

We have planned organic capital investments of more than 15 billion over the period 2023 to 2027. Moreover, our strategic alignment with the Emirate of Abu Dhabi offers significant business opportunities in a region which is currently experiencing a buoyant economy. Notably, on the back of the high oil prices and strong GDP forecast and with various government initiatives to diversify the economy. We anticipate continuing our growth trajectory in 2023 in our core businesses and also for the newly acquired businesses that Ross mentioned earlier.

We are, therefore, upgrading our guidance on recent announced acquisitions in Q4 of 2022, and 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. That is obviously without considering any additional new potential inorganic growth that is not yet announced. Next slide. Over to you, Marc.

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

Ahmed Hazem Thank you, Martin, Ross and Marc. A very informative presentation. For everyone on the call, you can place your questions in the Q&A box and I can ask them for you or you can use the raise hand function and we will open your mic. Until people get their questions in, we have one question from Tolani Abere. On your balance sheet you mentioned that you have room to take on higher leverage while maintaining an investment-grade rating. You are currently rated A+ by the agencies. Are you committed to that A+ rating or are you comfortable being downgraded while you remain in the investment phase, as long as you remain investment-grade?

Martin Aarup We continue the guidance that we have consistently conveyed since our listing, and that is that we want to maintain an investment-grade credit rating on a standalone basis. That allows us to go down one notch without considering the sovereign uplift. We can go down a notch in terms of the credit rating and still maintain an investment-grade credit rating, considering the fact that we're A+ at the moment.

Ahmed Hazem Thank you, Martin. We have a question coming from Alok Nawani. Alok, your line is open. Please ask your question.

Alok Nawani Good evening, gents, and thanks very much for the call. First question on your CapEx guidance of 15 billion over the coming five years. Just as a reference point, at 2022 you had a similar guidance of 15 billion for five years spanning 22 onwards, of which you've already deployed five-plus in the past year. We were thinking 10 billion remaining for the next four years, but now you seem to have upgraded that by a third. Just to better understand, is that coming simply at a function of you absorbing new assets, like Noatum and GFS, or is that expansion over and above that? If so, where is that coming from?

That's the first question. The second question, if I may, if you could shed some light on the margin contraction that we've seen in the maritime segment in the fourth quarter, what's driving that and if that's a more sustainable level, in your view, going forward?

Martin Aarup Good questions. On the first one, yes, you're absolutely correct. We have guided for 15 billion from 2022 to 2026, and now we are guiding for 15 billion from 2023 to 2027, after spending more than 5 billion during 2022. Reason being, simply, is that the growth opportunities ahead of us is tremendous. You will have seen that there has been a number of announcements throughout 2022 in terms of new investment opportunities. Coupled with that, and looking at the opportunities that comes ahead of us and with the acquisitions that we have done, this is an update in terms of our estimated CapEx spend over the next five years. But it is predominantly driven by the fact that there are more growth opportunities, we are growing faster than what we had anticipated at that point in time.

We'll continue to invest in the three main clusters, will be the maritime in terms of still expanding our vessel portfolio, we have the ports cluster where we are spending a lot still on the Khalifa Port expansion, where we'll go on for the next couple of years. Then, of course, in our economic cities, as we gradually build that out, we see a very strong demand. We had the highest level of new land leases coming in in last year. We also announced a number of Build-to-Suit structures and also, the hubs that we talked about earlier. And some of those require additional capital compared to what we had envisioned in the period 2022 to 2026.

In terms of the margin contraction that you're seeing in Q4, the one that is actually having the biggest impact in terms of the overall margin contraction, particularly for Q4, is related to economic cities. That's mainly because of these one-off provisions that we have made for legacy issues in ZonesCorp. That's a one-off, we would expect that to rebound here from Q1.

In terms of the maritime cluster, what has happened in Q4, as well, is that we have new businesses coming in and, therefore, the business mix has changed a little bit, in the sense of we had, particularly the new Safeen and subsea services, which comes in at a relatively lower margin compared to the rest of the businesses. We're also seeing some impact coming from the reduction in rates. What we see in Q4 in terms of the maritime cluster, around that level is something that can be expected also going forward.

Alok Nawani Great. Thank you very much.

Ahmed Hazem Our next question comes from [Unclear]. Can you please provide the 2022 full-year revenue and EBITDA of GFC and Noatum, even though these are not being consolidated yet?

Martin Aarup No, we are not allowed to do that. This is confidential information. It's still under regulatory approval, so the deals are not finalised yet and, therefore, we are unfortunately not privy to share the information.

Ahmed Hazem Sure, thank you. As a reminder for everyone, you can use the raise hand function or you can send your questions in the Q&A box. We're not getting any questions coming through. As a final reminder, are there any questions coming through either raise hand or Q&A box, please? We have Taha Medani. Taha, you have a question, please go ahead. Sorry, Taha, we could not hear the first part of your question.

Taha Medani How do you plan on buying these new businesses? Would you focus more on maritime or on ports or the economic zones? Is it based on our synergies that would come through the business or is it based on basically ROI? How do you decide on, let's say two similar businesses in terms of finance, but one being in maritime and the other in logistics, for example?

Ross Thompson I'll answer that first part of your question. It's based on both, we have a framework and it depends on the sector. What we look at in maritime is largely different to what we look at in logistics. Synergistic value is hugely important to us, but really, at this stage what we're looking for is growth platforms that greatly accelerate our presence in core markets. Those platforms have future scaling opportunities too. We really see the market, in my opinion, is a little bit dry for ports at the moment. That doesn't mean to say that we're not pursuing port opportunities, of course we will, but predominantly in maritime and logistics is where the opportunities of value are coming from.

Now clearly we have financial objectives in these transactions, we have hurdle rates and return rates that we're looking for. We're looking for value in the deal, but what we're really, really concerned about is that we're buying companies that fit together to create that supply chain density in core routes and markets that we operate in, and in future operate in. We have set lists of criteria, both financial, both on the synergistic value and both on the growth potential and the scalability potential of those deals. They're predominantly how we go about identifying our targets.

Taha Medani All right, thank you.

Ahmed Hazem We have a question coming in the Q&A box from Jay Lawrence. Given the current net debt to EBITDA levels of 3.3 times, what would you potentially stretch this to in order to continue value accretive M&A?

Martin Aarup The guidance that we have given consistently since our listing and will continue to give, is that we will maintain an investment-grade credit rating. That means that as a yardstick, we can go up to 5.5 times net debt to EBITDA, according to the S&P metric.

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

Martin Aarup Thank you, Ahmed. I'd like to take the opportunity to thank you for organising this call and thanking EFG Hermes. I'd like also to say that all these materials, including this presentation and the supplement data sheet will be posted on the website over the next couple of days, so that you can have access to them. We look forward to interacting with you in the near future, either when we go on the road or at investor conferences. Thank you again for participating to the call and hope to meet you soon. Thank you.

Ahmed Hazem Thank you Marc, Martin and Ross and everyone who’s attended. With that, we conclude the call. You may now disconnect.