



# Haifa Port Company Ltd.

**A compelling opportunity to acquire a major Israeli infrastructure asset**



**October 2020**

# Disclaimer

This general overview (the "Overview") is created by Haifa Port Company Ltd. (the "Company" or "HPC"). Information is being furnished solely to provide a general overview of HPC's business activities and its privatization process. Neither the State of Israel (the "State") nor the Government Company Authority ("GCA"), HPC, and/or any of their respective affiliates, directors, officers, employees or representatives make any representation or warranty, express or implied, as to the accuracy or completeness of any of the information contained in this Overview. Each recipient/reader expressly disclaims any liability relating to or resulting from the use of this Overview and should not rely on the accuracy or completeness of this Overview. The financial projections presented in this Overview represent the subjective views of HPC's management, its current estimates, forward looking statements (including information regarding HPC's financial outlook, future plans, objectives, business prospects) as well as HPC's current expectations of future performance based on various assumptions which the management believes are reasonable, but which may or may not prove to be correct and could materialize differently than as expected. There can be no assurance that management's views are accurate or that management's projections will be realized. Industry experts may disagree with these assumptions and with management's view of the market and the prospects for HPC. Furthermore it is expressly clarified that some projections included in this Overview are based on assumptions relating to agreements and arrangements which, to date, have not yet been executed and are still under discussions or have not been approved in accordance with the law. This Overview is not an offering document and is not intended to serve as a basis for business related decisions by a recipient. The sale process is subject to the directives and provisions of the sale procedure that have been and will be published on the GCA website.

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- Privatization process

# Introduction

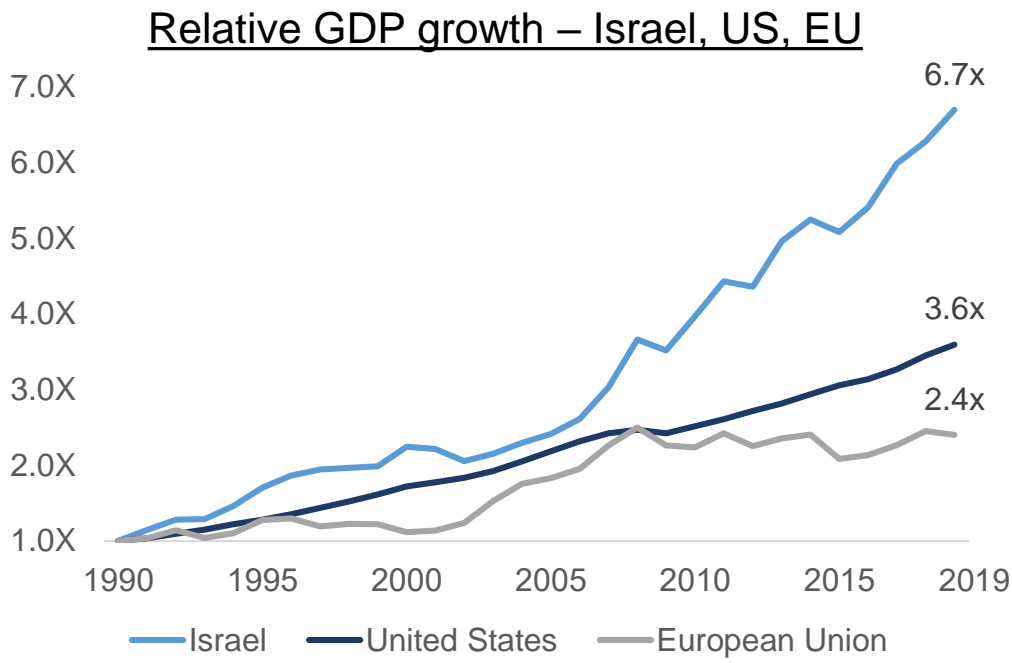
The State of Israel, through the Government Companies Authority (“GCA”) has announced its intention to privatize the Haifa Port Company (“HPC”)

A 100% sale is anticipated to a buyer/group led by a strategic entity with significant maritime experience

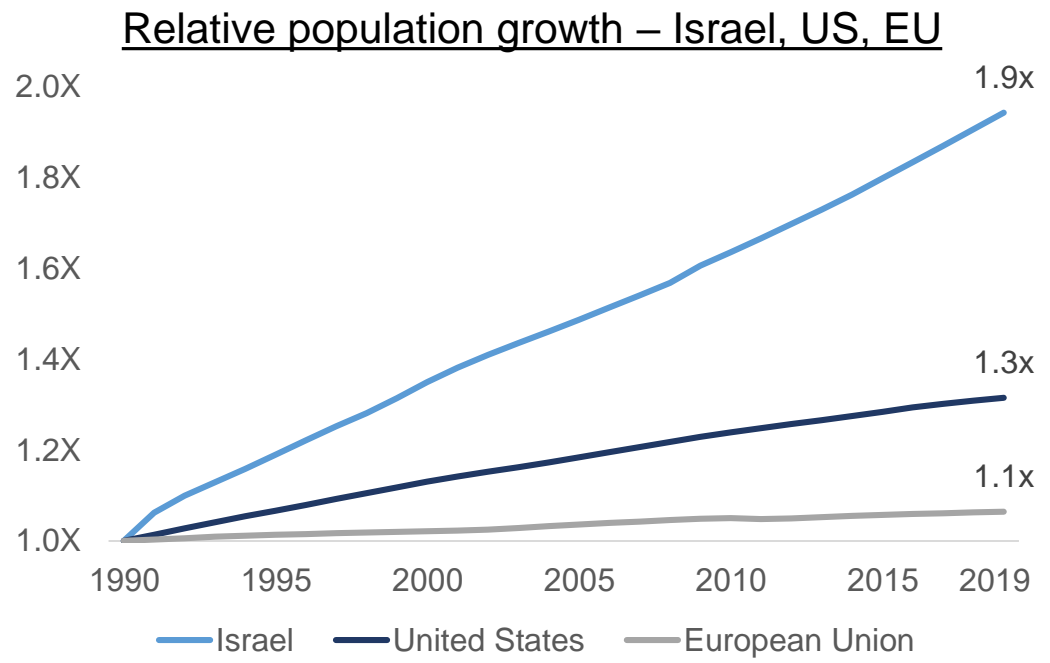
The process will involve ‘money in’ and ‘money out’; specifically, the first ILS 1 billion will be invested into HPC

This presentation serves as an introduction to the HPC and the sale process

# Israeli GDP and population growth rates significantly exceed those of the US and EU over the last 30 years



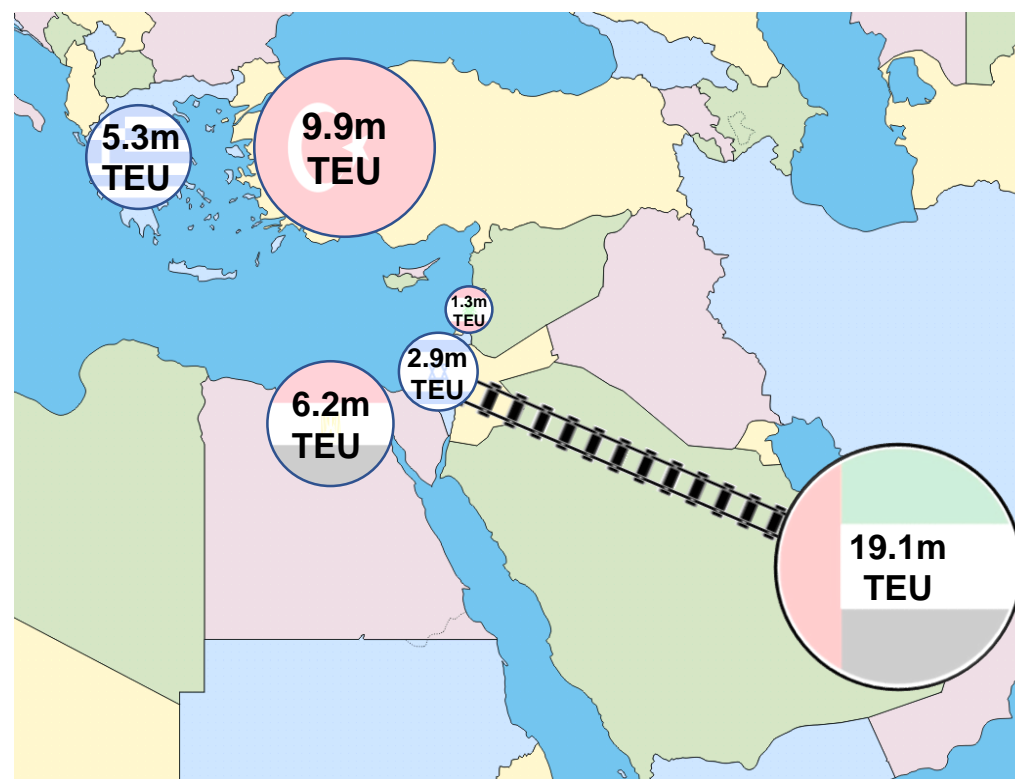
Israel GDP, 2019: \$395 billion



Israel Population, 2019: 9.1M



Israel is currently a small player in the Eastern Mediterranean region, but Israeli port volumes are expected to grow due to increased capacity coming online (2021)



Recent geopolitical events may create further significant upside

# Haifa Port Company: world class multi-purpose port

## Eastern Container Terminal

- Length: 960m
- Depth: up to 14.5m
- Area: 403 dunam
- Use: containers, bulk, general cargo

## Carmel Container Terminal

- Length: 700m
- Depth: up to 16.2m
- Area: 273 dunam
- Use: containers

## Kishon - West Terminal

- Length: 642m
- Depth: up to 10m
- Area: 287 dunam
- Use: general cargo and bulk

## Kishon-East Terminal

- Length: 677m
- Depth: up to 10m
- Area: 190 dunam
- Use: general cargo and bulk

## Waterfront (2km)

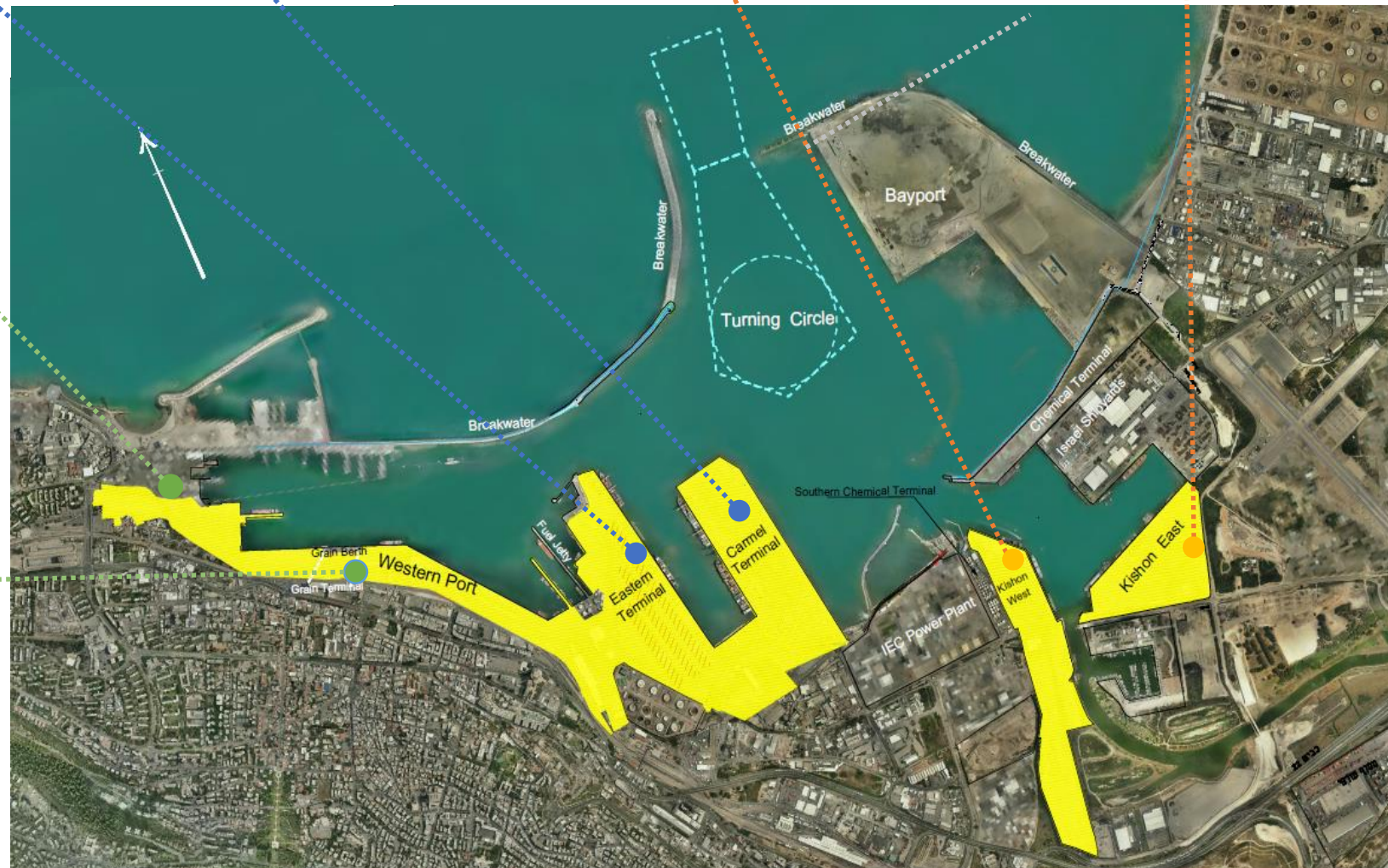
### Central & Western Terminal

- Development opportunity
- Future center for tourism, recreation, commerce and leisure
- 40 dunam commercial use
- 22.5 dunam offices

## Passenger Terminal

- Up to 600,000 passengers annually
- Cruise passenger facilities

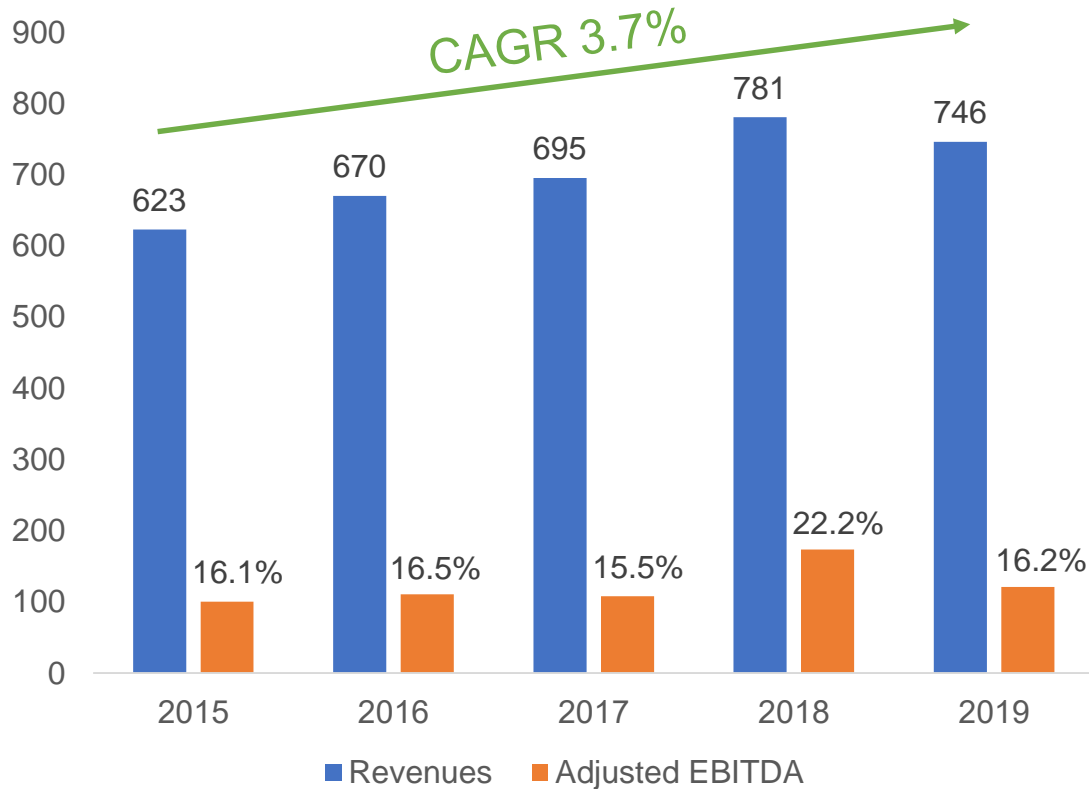
-  Containers
-  Cargo
-  Others



# Key Facts - 2019

## Financial overview \*

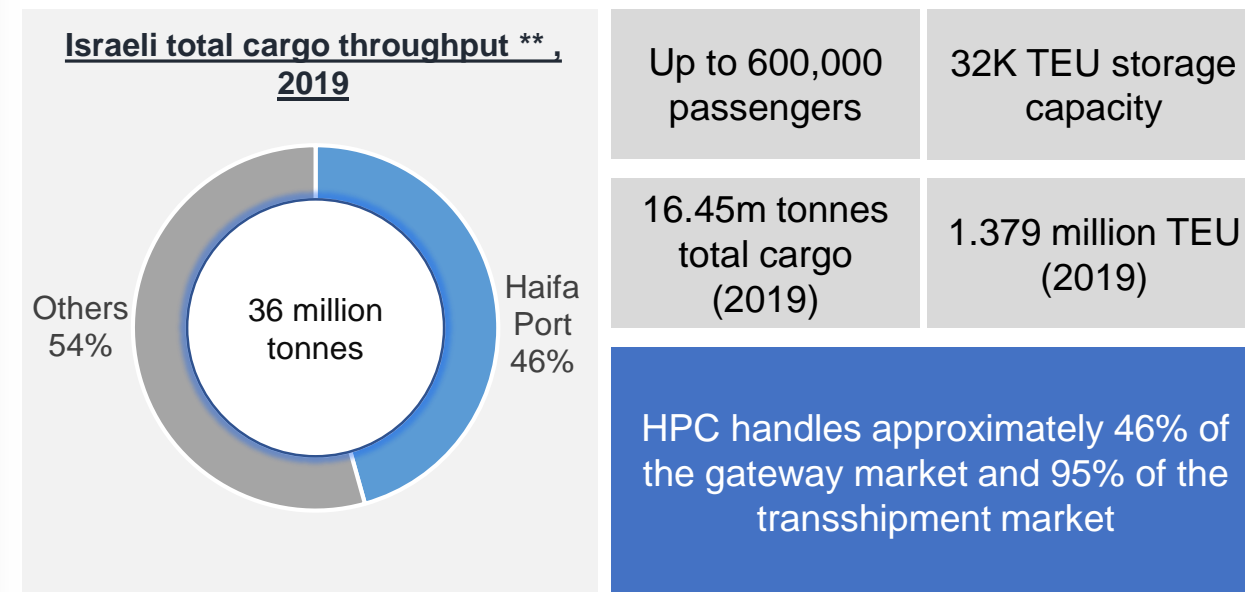
(millions ILS)



\* Excludes one-off items

Source: Administration of Shipping & Ports, Haifa Port Company

## 2019 operating overview \*



\*Restated to exclude activities not included in privatization (e.g. dedicated automated bulk handling berths)

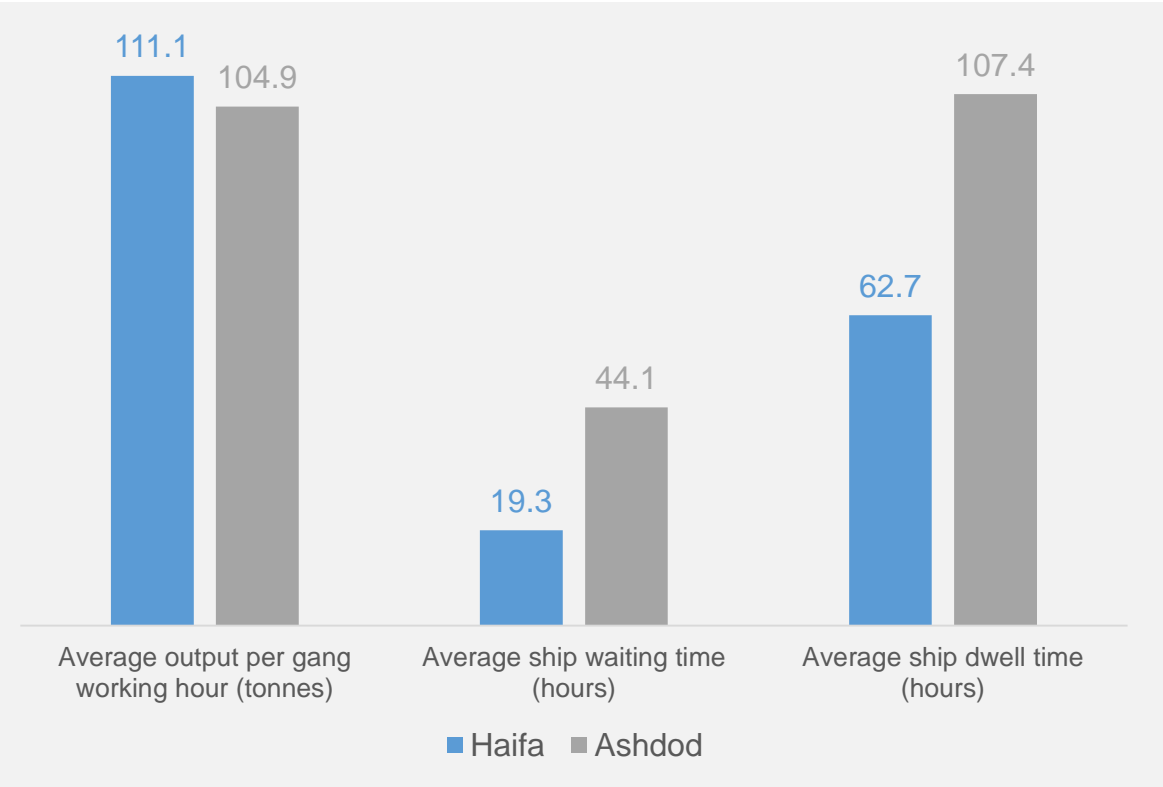
\*\* Includes containers, bulk and general cargo



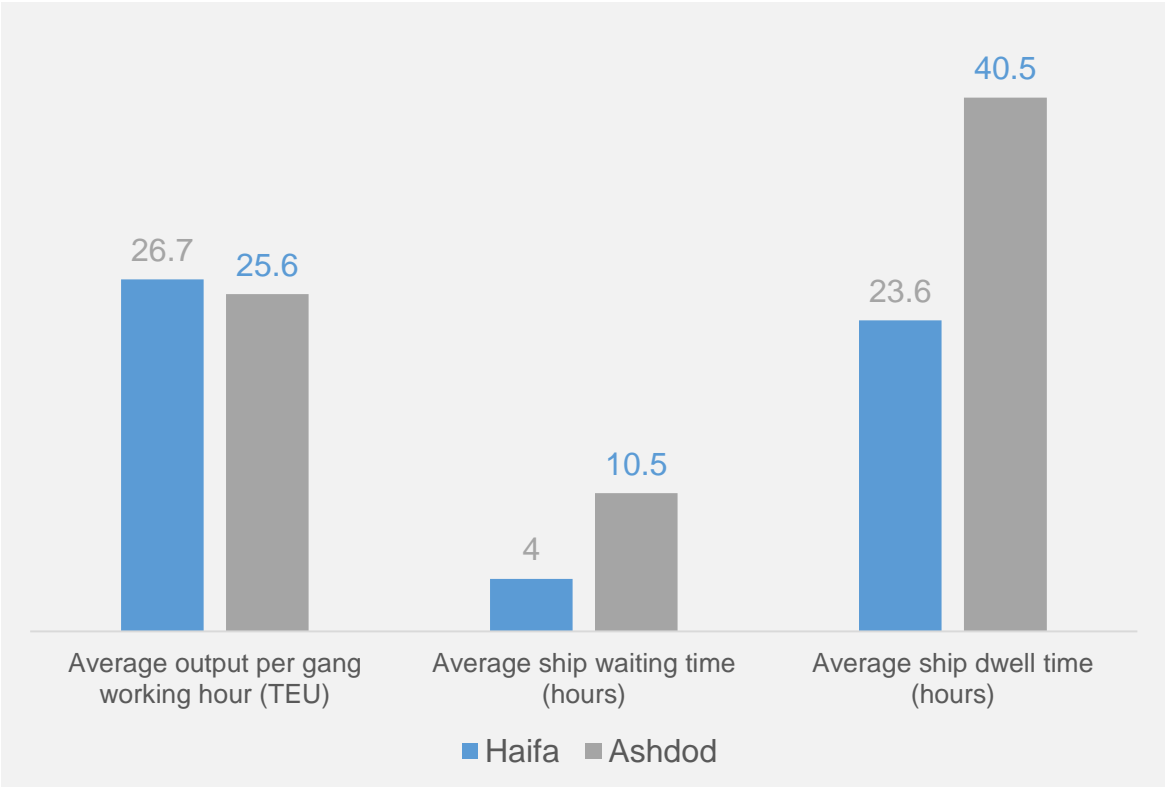


# HPC is the most efficient Israeli cargo port

General cargo - KPI (2019)



Containers – KPI (2019)



Source: ASP data






# Israeli port infrastructure



\* Estimated capacity for phase 1

# HPC is fully prepared for the expansion of the market

	Phase 1	Phase 2
<b>Key events</b> 	<p>Opening of 2 new ports</p> <p>Expected to add 2.2m TEU of national capacity</p>	<p>Israeli ports approach container capacity – 4.9 million TEU</p> <p>Israeli ports volumes increase and the new ports request authorization to expand capacity by an additional 1.85 million TEU</p>
<b>Market impact</b> 	<ul style="list-style-type: none"> <li>Increased competition in container segment</li> <li>Volume increase in transshipment segment</li> </ul>	<ul style="list-style-type: none"> <li>Reach 'steady state' capacity</li> <li>Focus on service levels and pricing</li> </ul>
<b>HPC response</b> 	<p>Diversify business mix and commence efficiency improvements</p> <ul style="list-style-type: none"> <li>Expand range of activities</li> <li>Expand general cargo capabilities</li> <li>Launch early retirement plan</li> <li>Implement efficiency improvements</li> <li>Develop waterfront</li> <li>Develop trade with opening Arab markets</li> </ul>	<p>Completion of infrastructure upgrades and achieve efficiency improvements</p> <ul style="list-style-type: none"> <li>Invest in infrastructure and automation upgrades</li> <li>Further efficiency improvements</li> <li>Reorganize workforce</li> </ul>

# Key investment highlights



Critical infrastructure with national importance



Strong balance sheet and cash position



Finalized agreement with worker's union



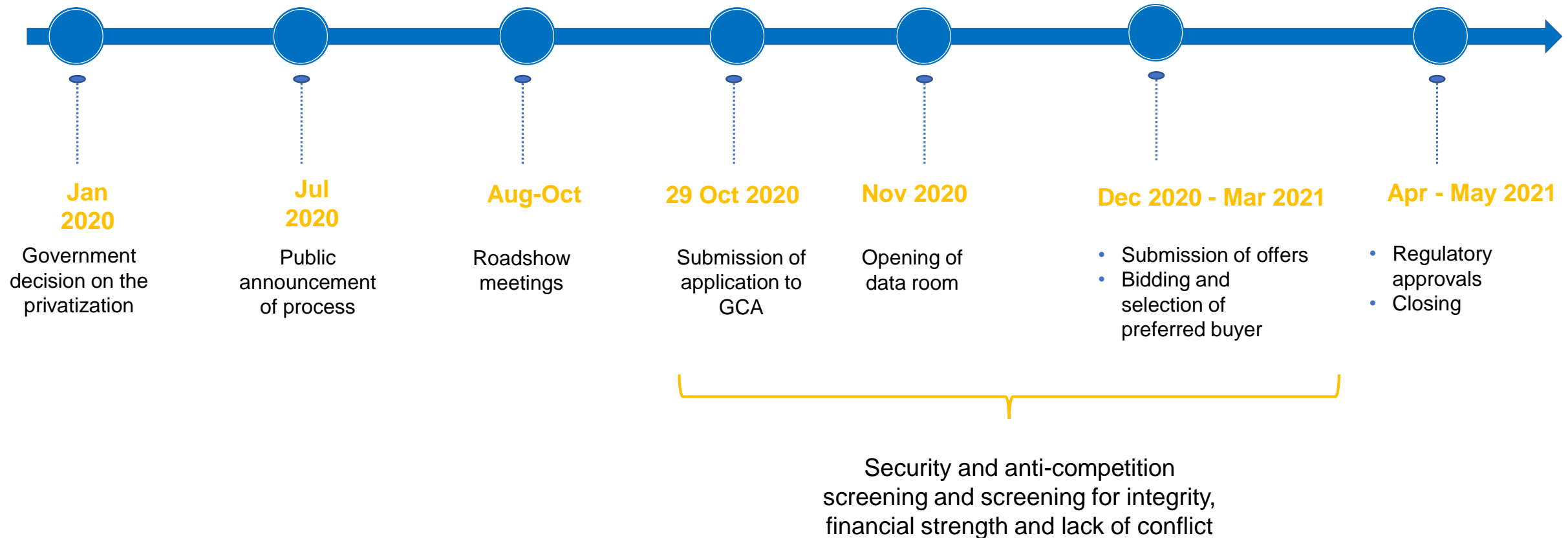
Strong strategic options



Clear regulatory and competitive environment



# Overview of the process

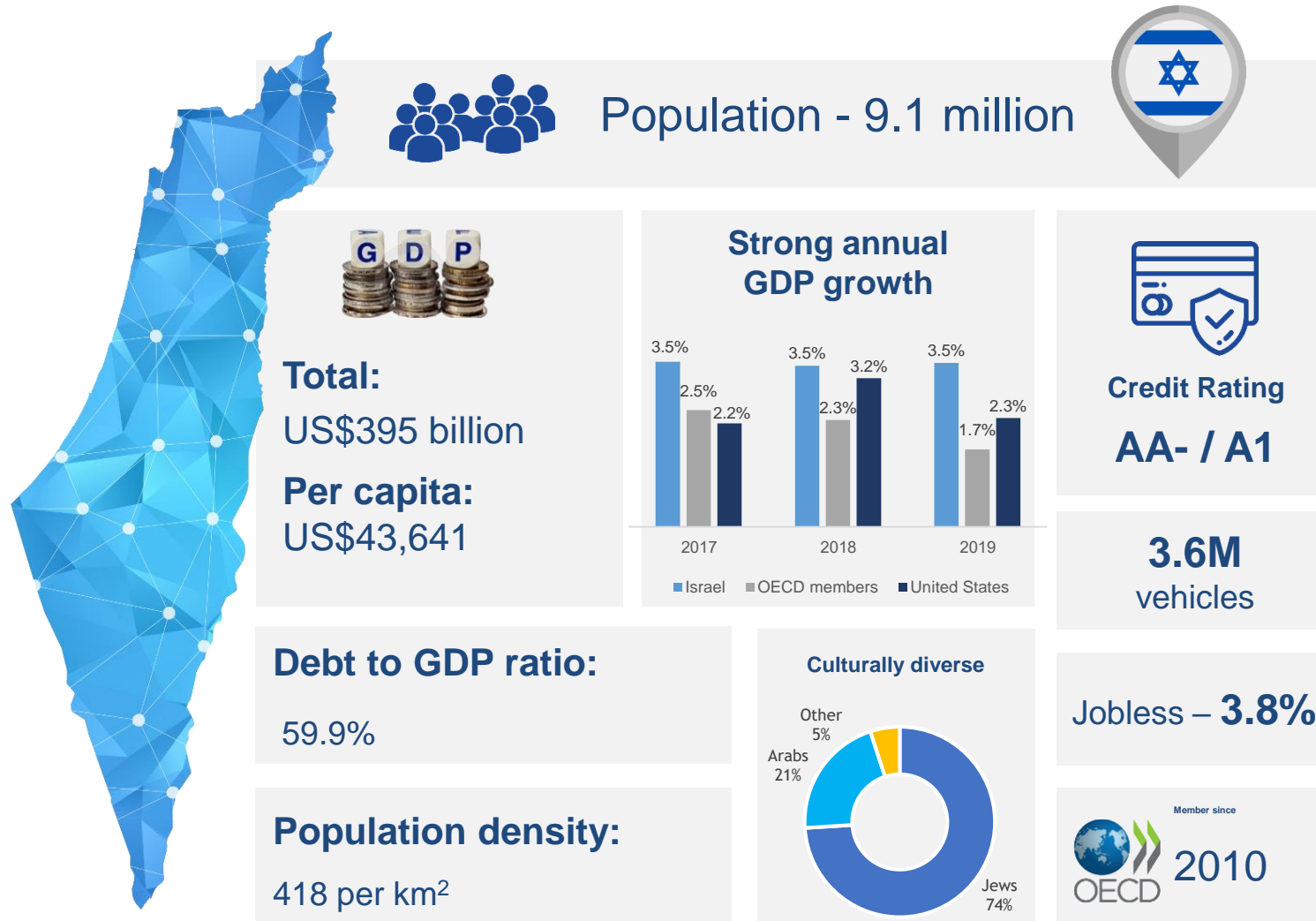


Note: this information is provided for convenience and illustration purposes only. It is not the full process guideline and procedure and cannot be used as their interpretation. The indicated dates, as well as the process stages, are estimates only and are subject to approvals and possible future changes

# Israel macroeconomic overview



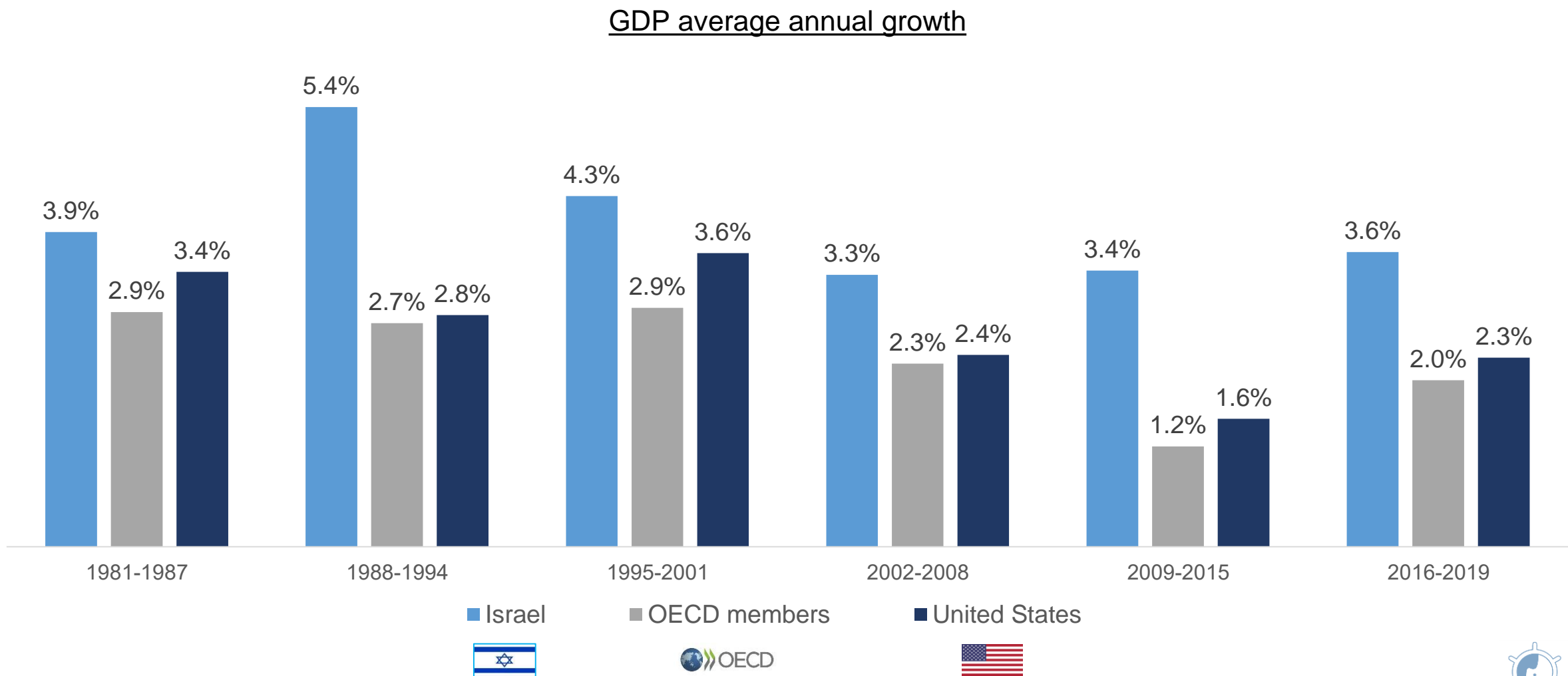
# Key figures



\*Data presented as of December 2019

Source : Bank of Israel, World Bank, Israel central bureau of statistics and Trading Economics

# Israel's GDP has been growing at a relatively high and steady rate



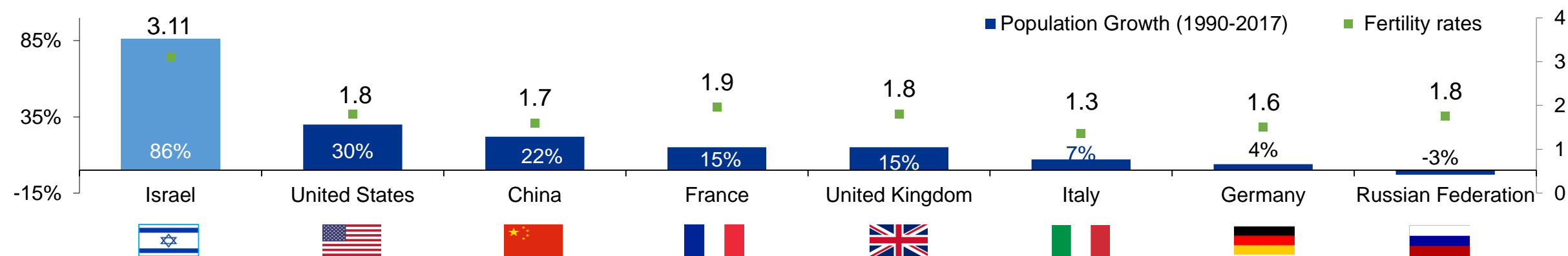
Source : Worldbank



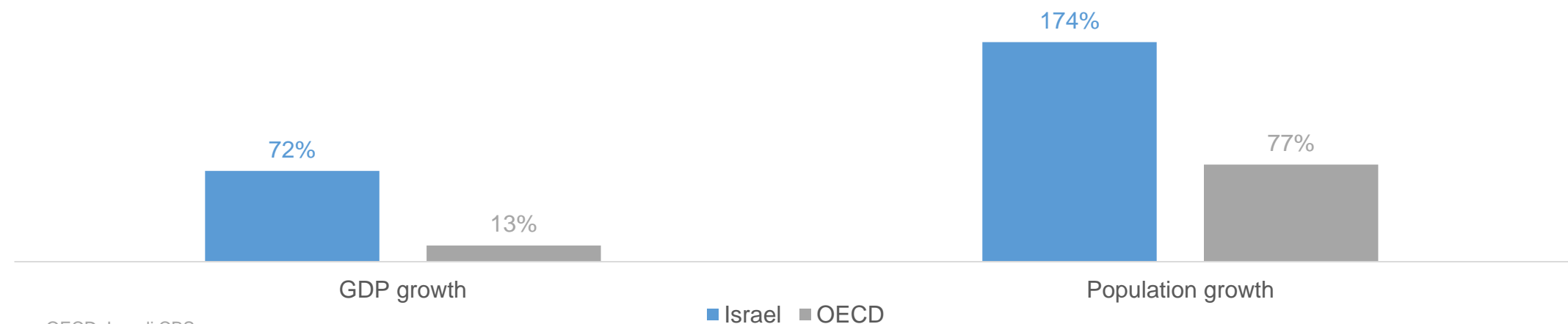


# Based on expected population growth alone, Israel expects continued strong medium and long term growth

Significant **historical** population growth



GDP and population growth **forecast** (2018-2050)

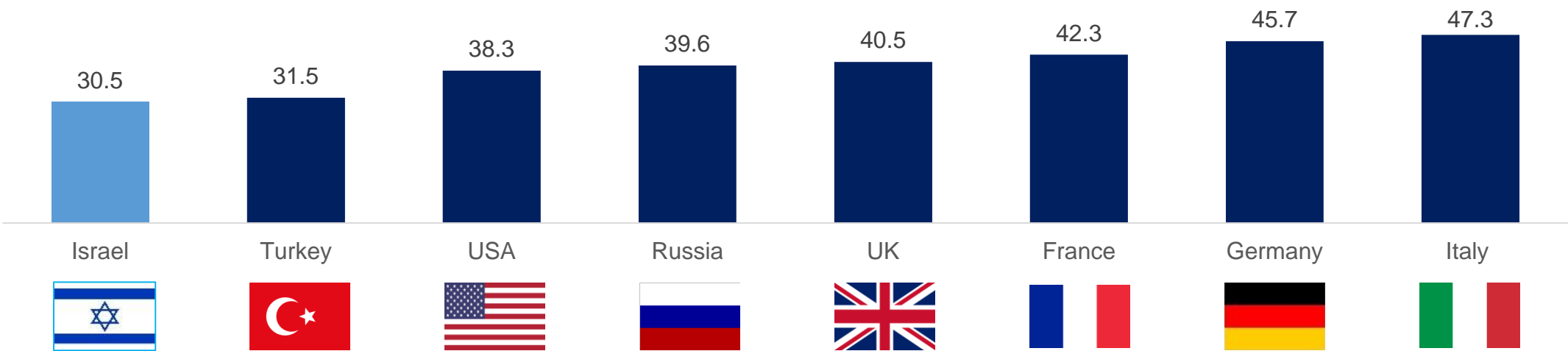


Source : OECD, Israeli CBS

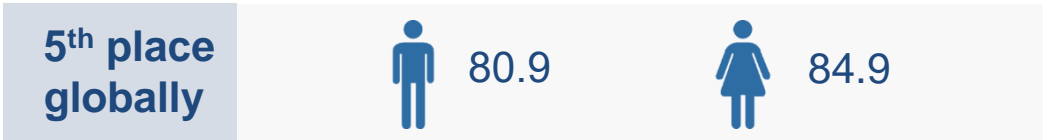


# Israel has a young population – supporting consumer spending and economic growth

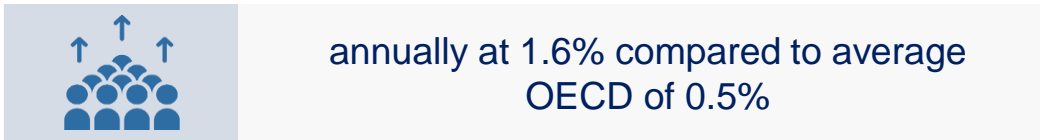
Median age (years), 2019



Israel Life Expectancy:



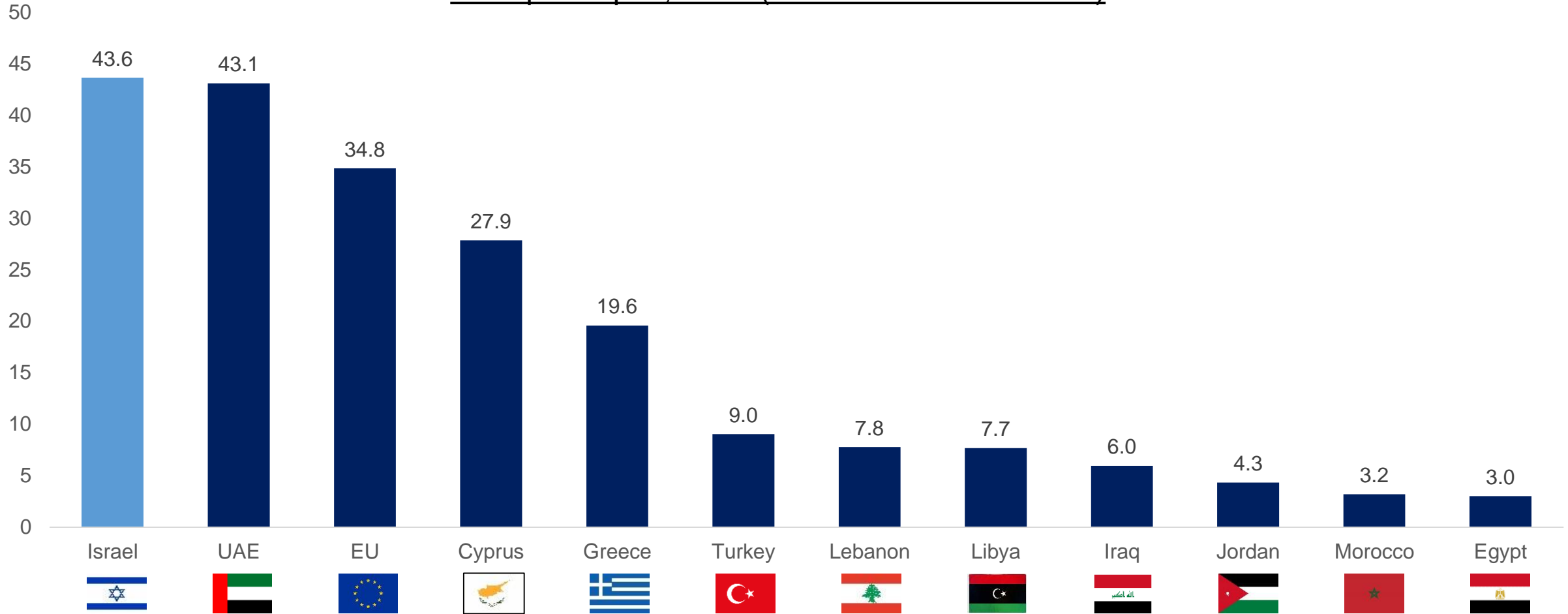
Israel's population is growing



Source: Worldmeter – demographics, World Bank, Israel central bureau of statistics

# Israel's economy is the strongest in the region

GDP per capita, 2019 (current thousands USD)



Source: Worldbank

In total, there are over 350 multinational companies in Israel



\* Israeli headquarters in Haifa or northern Israel region



# Northern Israel is expected to experience strong population growth as government encourages investment in Israel's northern metropolis as a national priority

## Haifa Bay Strategic Plan – Objectives:

- Economic development – expansion of employment and career opportunities
- Recreational opportunities: **capitalizing on the waterfront opportunity - combining the boardwalk and the port for an urban recreational experience**
- Improved regional air quality
- Connecting the cities of Haifa metropolis
- Attracting young population

## Haifa Bay Strategic Plans:

- 700 dunam of port hinterland for logistics activities supporting port traffic / national trade
- Plans pending approval - **Innovation Valley**: urban hub integrating industrial, commercial and residential activities
- Industrialization plan which includes 5 municipalities in the Haifa region

## Innovation Valley

Phase	Industrial area (dunam)	Residential units
1	600	9,000
2	1,000	36,000
3	250	18,000
4	250	20,000
<b>Total</b>	<b>2,100</b>	<b>83,000</b>



# Israel port sector overview



# Ashdod Port Company and HPC dominate Israeli maritime movements. But two new ports are under construction and are expected to alter the competitive landscape

Current ports				
	Haifa Port Company	Israel Shipyards(*)	Ashdod Port Company	Eilat
Location	North	North	Center	Far South (Red Sea)
Operational	√	√	√	√
Revenue - ILS (2019)	746M	117M **	1.087B	19.7M
Operator	HPC	Israel Shipyards Ltd	Ashdod Port Company	Papo Maritime
Lease expiration	2054	2058	2054	2028
Max depth	16.2m	11m	15.5m	10m
Quay length	1660m	800m	1823m	530m
Container capacity - TEU	2M	n/a	1.8M	n/a
Max containers vessel size – TEU	15.7K	n/a	14K	n/a

\* Israel Shipyards' primary business is cement handling, shipbuilding and repair

\*\* The port revenues exclude the cement segment (ILS 283M)

Ports under construction (*)	
Haifa BayPort	Ashdod HaDarom
North	Center
Expected during 2021	Expected during 2021
n/a	n/a
Shanghai International Ports Group (China)	TIL Group (Netherlands)
2046	2046
17.3	17.3
Phase 1: 800m Post phase 2: 1,535m	Phase 1: 800m Post phase 2: 1,300m
Phase 1: 1.1 million Post phase 2: 1.9 million	Phase 1: 1.1 million Post phase 2: 2.16 million
24k	24k

\* Phase 1 – expected to begin in 2021

Phase 2 – is dependent on Israeli container volume

# Haifa Port Company overview









# Haifa Port Company

## Board of directors



**Eshel Armony**  
Chairman

- In office since 2017
- Former CEO of the Ministry of Construction and Housing
- Former CEO of Kfar Saba municipality



**Hila Oren**  
Director



**Liza Singer**  
Director



**Natalie Or-Chen**  
Director



**Asaf Rafeld**  
Director

## Management team



**Mendi Zaltzman**  
CEO

- In office since 2009
- 3 times elected as CEO
- Former CEO of Eilat Port



**David Cohen**  
VP Operation



**Shirley Helman  
Harosh**  
VP Finance



**Alitche Frenkel**  
VP Marketing



**Dalit Bizan**  
VP Resources



**Gal Somech**  
Legal Adviser



**Ana Genkin**  
Acting Internal  
Auditor



**Asaf Gavish**  
Corporate Secretary



**Zohar Rom**  
Spokeperson

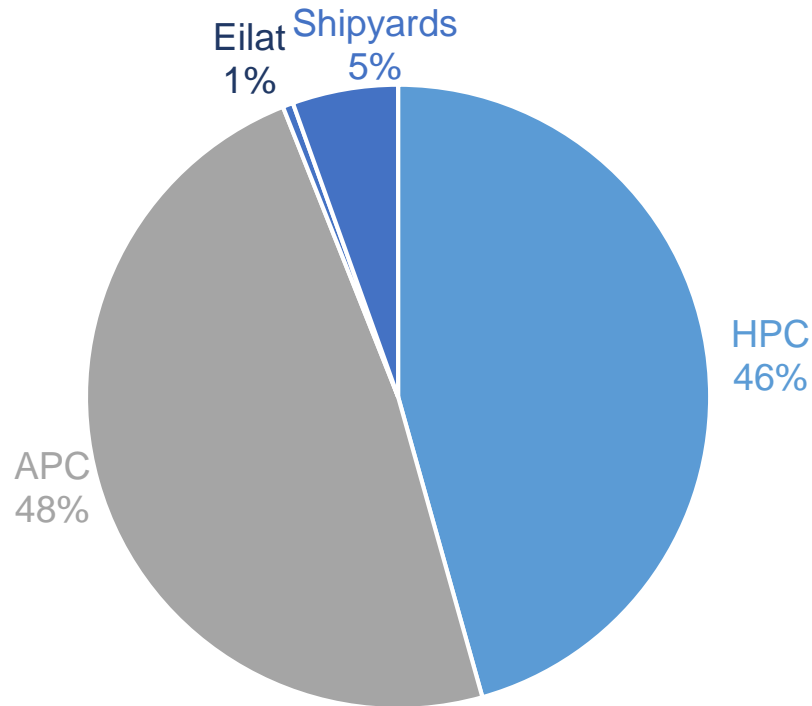
# Haifa Port Company

## Analysis of historic trading



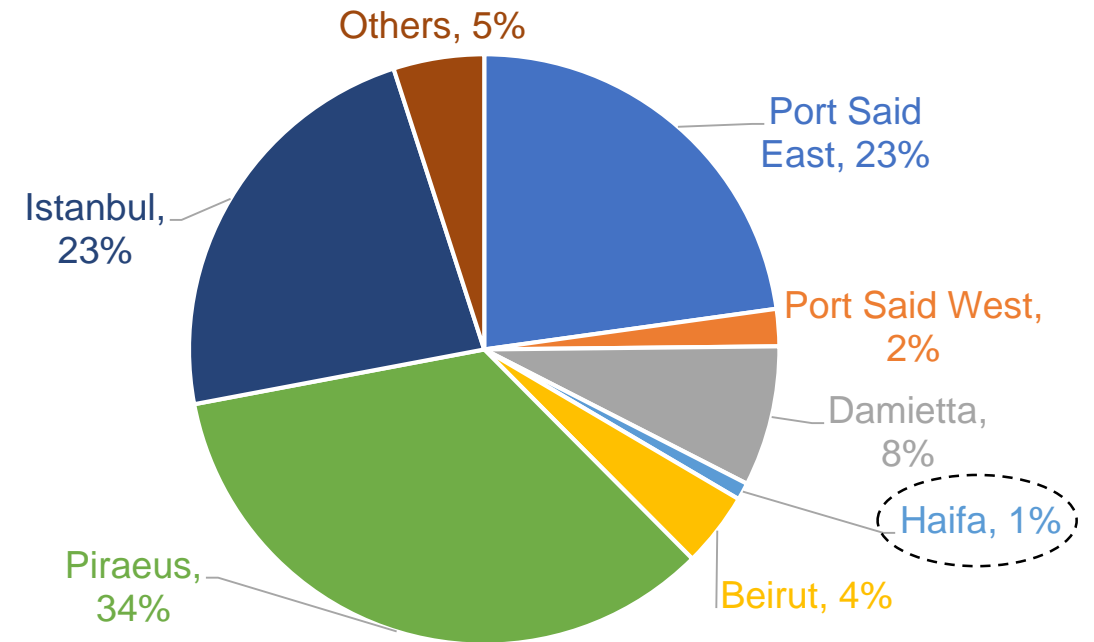
# HPC competes in both the gateway and transshipment markets

Gateway market share (weight), 2019 (\*)



HPC is a major player in Israel gateway market with 46% market share

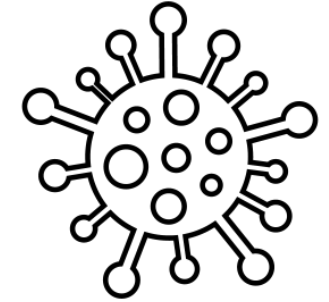
Transshipment market share (TEU), 2017



Israeli ports to date are secondary East Med hubs with HPC handling just 1% of this market

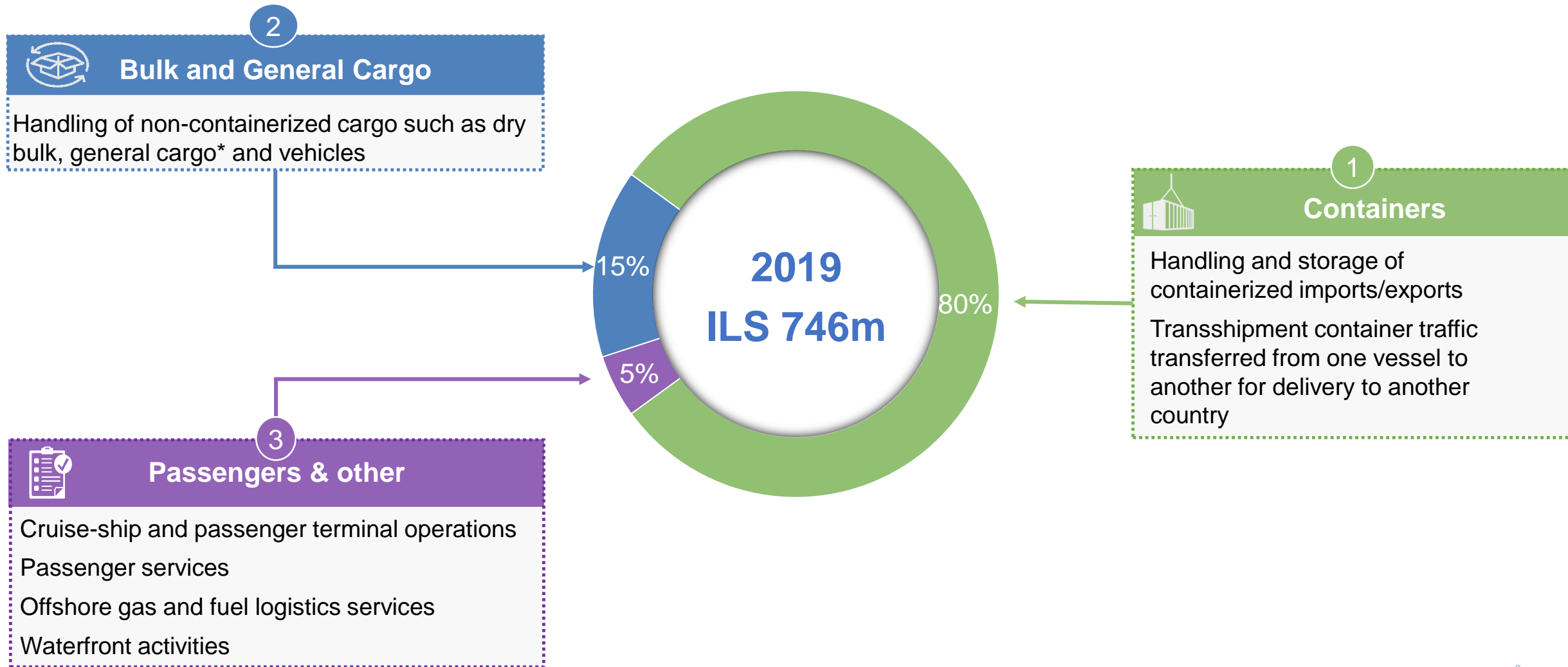
\* Gateway traffic covers containerized, general cargo and bulk, excluding automated dedicated bulk berths

# HPC has not experienced significant negative impacts as a result of the Covid-19 crisis



- Worldwide container traffic dropped 0.1% YTD through July 2020
- Recovery in volumes is being driven by consumer spending transfer from services to goods
- HPC container throughput increased by 3.9% in H1 2020 compared to H1 2019
- HPC general cargo dropped 6.5% over the same period, primarily due to decline in vehicle imports (a worldwide phenomena during Covid-19). In Israel, there are signs in August/September 2020 that the vehicle sector is recovering
- Cruise activity has come to a complete halt as a result of Covid-19, however, this segment accounts for only ~2.6% of HPC's revenue

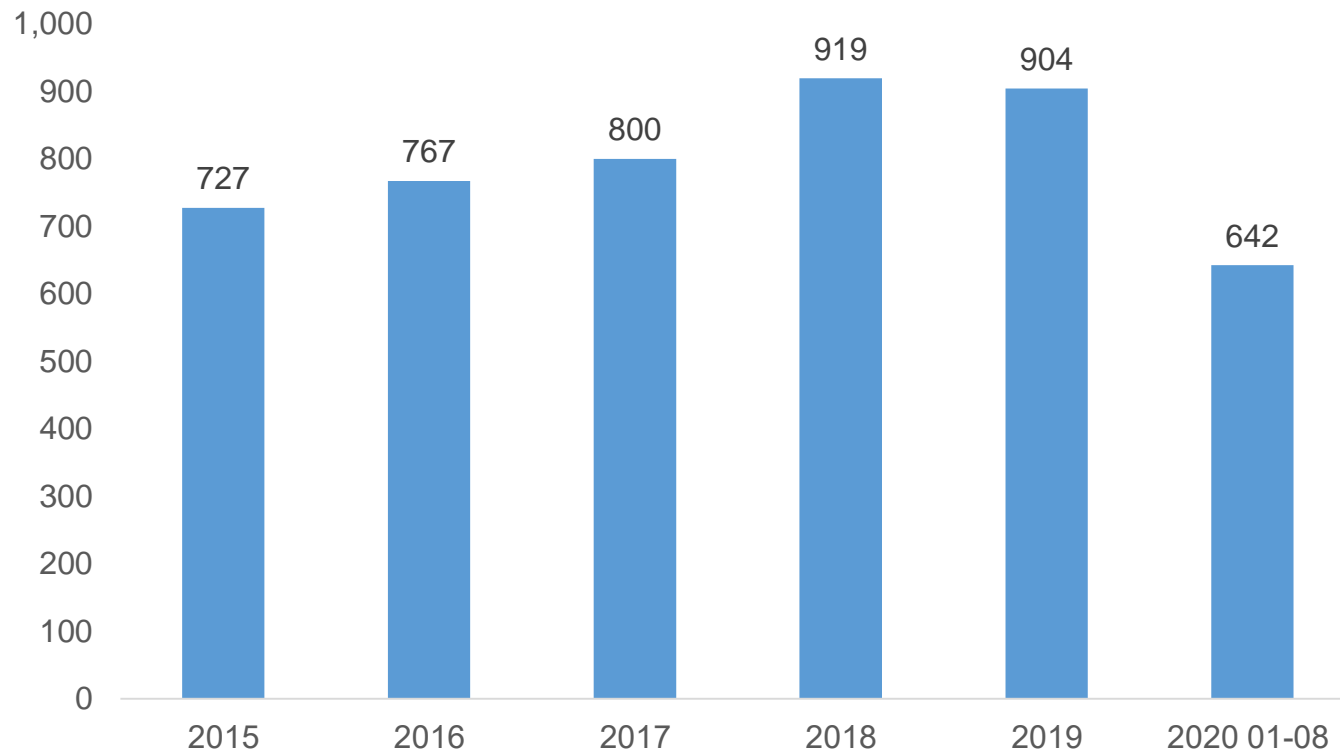
# HPC is a diversified multi-function port



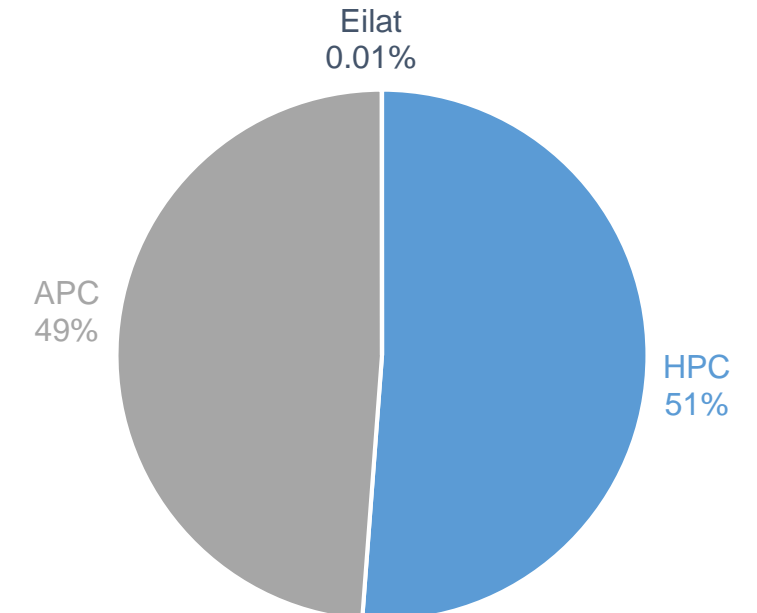
\* General Cargo: Metal, gypsum, cement, grains products, iron scrap, wood, paper, cement clinker, etc

# In 2019, local full containers accounted for approximately 65% of HPC's container volume

Local full container volume (thousand TEU) (\*)



Local full container market share, 01-08 2020

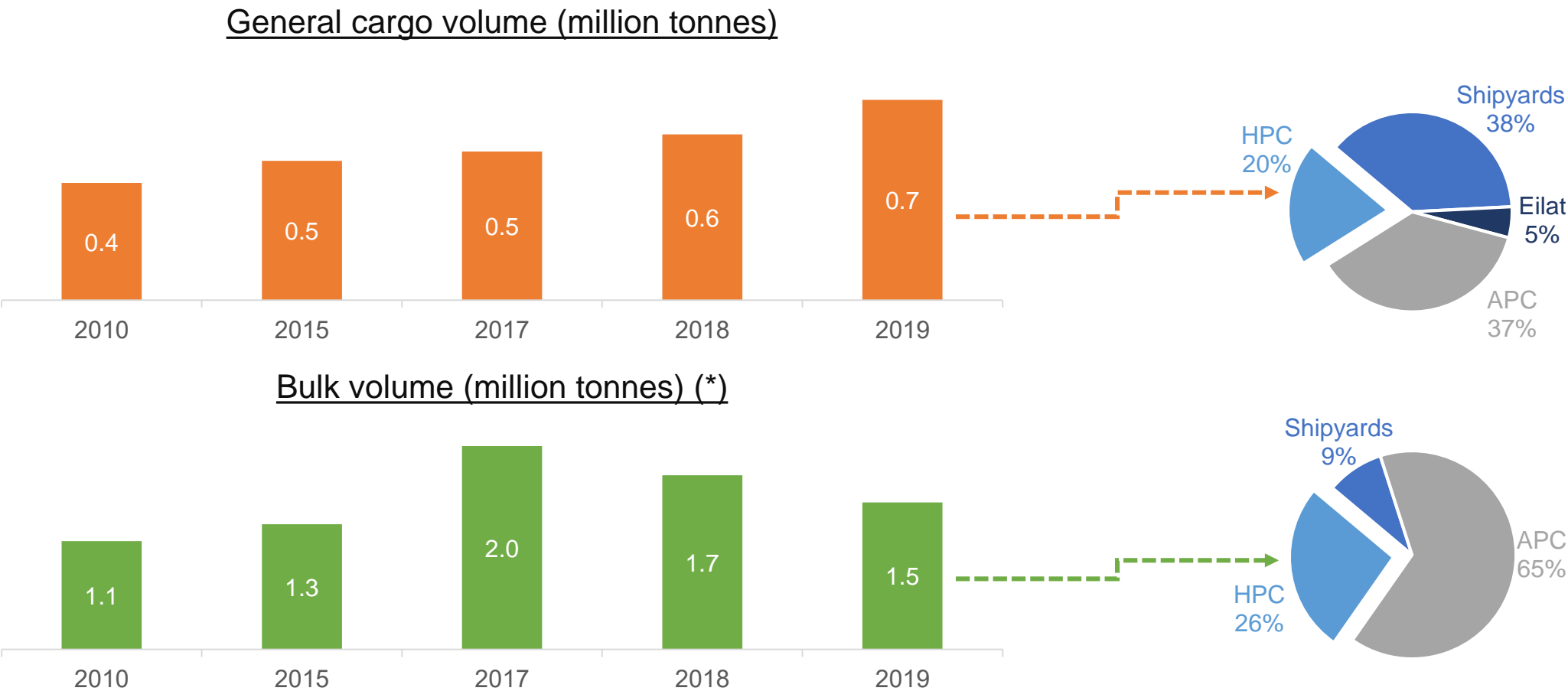


\* HPC experienced volume increases in 2018 due to service disruption at Ashdod Port

Sources: Ministry of Transport, Report on Cargo Movement in the ports of Israel, 2019



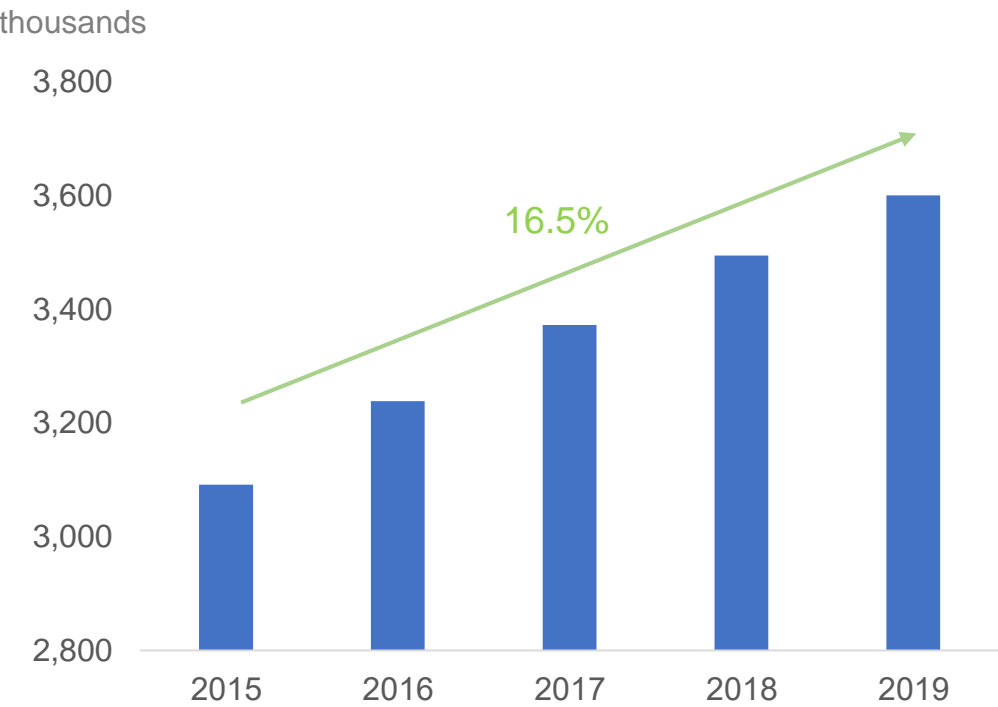
Over the past decade, HPC has improved its market share in the bulk and general cargo segment, growing by 53% (weight)



(\*) 2018-2019 downturn is due to temporary disruption as a result of infrastructure investment

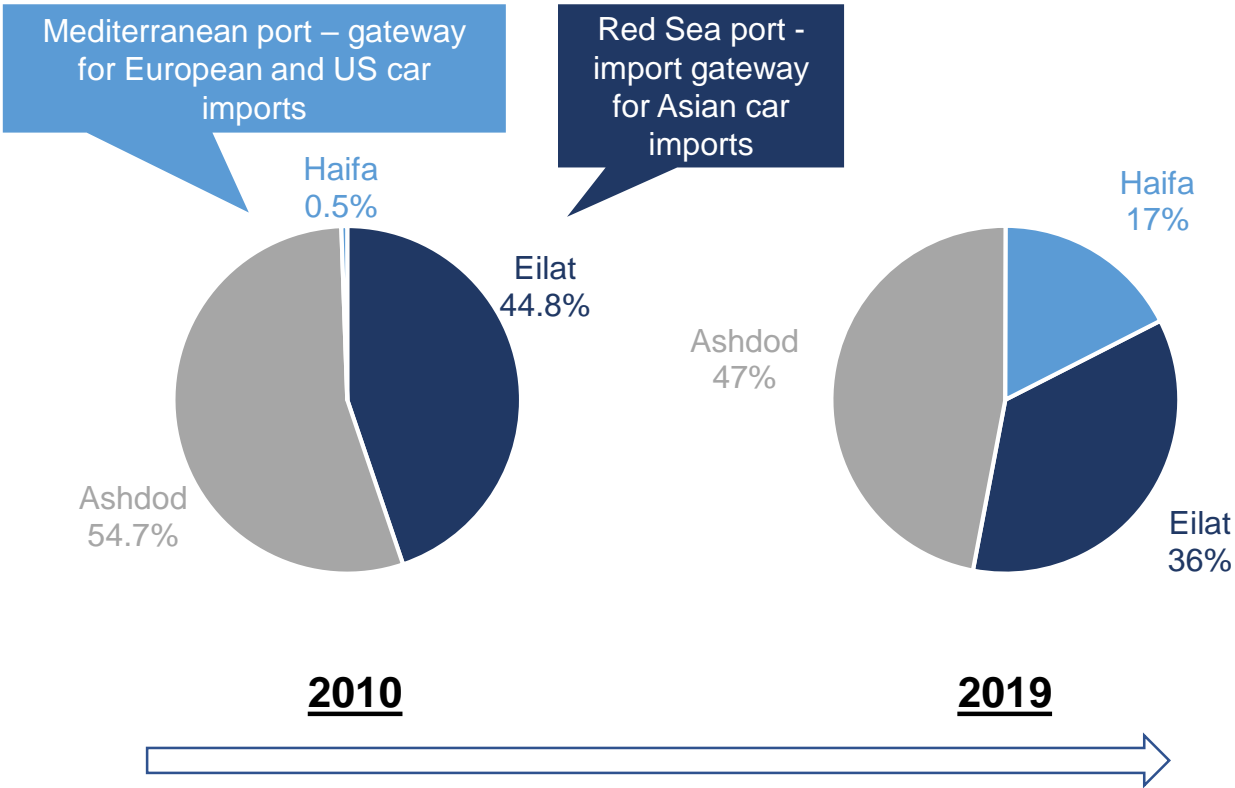
# Over the past decade Haifa increased its market share in the vehicles segment

Israel – number of vehicles



Over the last 5 years, Israel imported (on average) in excess of 300,000 vehicles per year

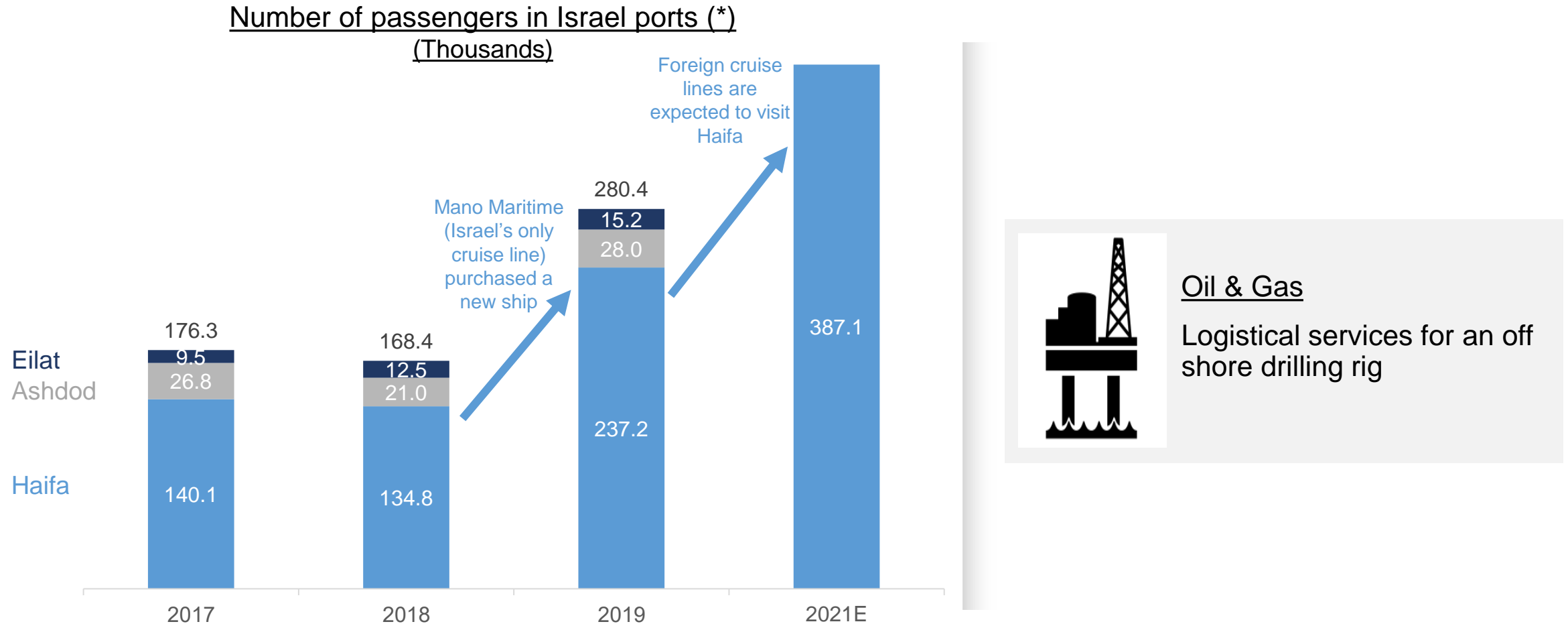
Israel ports – vehicles market share



HPC entered this segment in 2010 and currently has a 27% market share of the Israeli Mediterranean vehicle imports



# Others activities such as cruises, tourism and gas operations are part of HPC's growing plan



HPC dominates the Passenger and Cruise segments, with an 85% market share  
Plans exist to develop the waterfront into a recreational center

\* 2021 estimations are based on a COVID free scenario

Sources: Haifa Port, ASP - Report on Cargo Movement in the ports of Israel, 2019

# Historic trading - financial overview

ILS (million)	2017	2018 <sub>3</sub>	2019
<b>Total Revenue</b>	<b>695</b>	<b>781</b>	<b>746</b>
Cost of sales	(557)	(582)	(591)
Gross profit	138	199	155
Administration and general costs	(98)	(92)	(102)
Other income / (costs)	1	(0.2)	1
Operating profit	42	106	54
Operating profit %	6.0%	13.6%	7.3%
Adjusted EBITDA	108	174	121
EBITDA %	15.5%	22.2%	16.2%

Notes:

1. All figures are restated to only include activities part of the transaction
2. Excludes one-off items
3. HPC experienced some temporary volume increases in 2018

# Haifa Port Company Strategy Overview



# HPC is prepared and moving forward with plans to address the new competitive challenges

1



## Streamline workforce

- Downsize from 1,030 to 700 by 2024, including early retirement of 200 first generation employees (funding covered from existing provisions)
- New efficiency agreements with workers unions

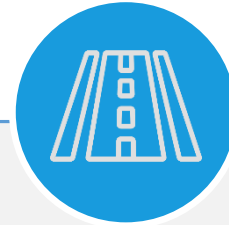
2



## Expand maritime supply chain logistics services

- Increase general cargo and cruise volumes
- Expand services in maritime logistics supply chain

3



## Upgrade infrastructure

- Upgrade roads, quays, cranes and logistics
- Convert certain quays to multi-purpose to accommodate larger general cargo vessels
- Infrastructure works to increase water depth
- Automation and Advanced IT systems

4



## Develop waterfront

- Retail, office and hotel/tourism waterfront development
- Creation of an international tourism hub

# HPC retirement plans will allow smart restructuring and operational changes



## 1. Restructuring



### Overview

- Agreements have been reached with unions regarding early retirement and efficiency measures (\*)



### Early Retirement

- 55-60% of HPC's operating costs are employee related. Retirement plans will accelerate labor cost reductions
- 25-35% of the workforce will retire by the end of 2024, representing more than 25% of the existing labor costs



### Efficiency

- Additionally, agreements with unions will allow the port to boost its automation process



- Cost reduction
- Improve margins
- Retirement of unproductive personnel
- Improve port efficiency
- Operational flexibility
- **Retirement program fully funded from existing excess pension reserves**



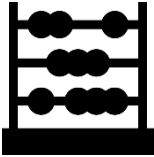
- P&L one-time accrued expense

\* The Marine Services Department will become a government-owned corporation under IPA  
Source: Review of maritime transport, 2019, KPMG model valuation



# Revenues from non-container related activities will facilitate HPC's evolution in Israel's new competitive port market

## Current activities



- Focus on increasing bulk and general cargo segment by adjusting Eastern quay to serve both container and General cargo
- Continue focus on efforts to grow cruise traffic

## New activities



- Expand range of activities, including value added activities, including vehicle depot, grain terminal, logistics, smart storage and export / import services



- Increase general cargo throughput
- Increase non-cargo related revenues
- Realize HPC's competitive advantages



- Adjustment period

# HPC's upgraded infrastructure will enable diversification of the port's revenues while maximizing its competitive advantages



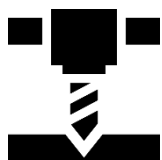
## Investment

- Investment in cranes and advanced equipment to handle a variety of cargo types



## modification

- Conversion of certain container quays into multi-functional activities (to mitigate impact of expected loss of container volume to the new ports)



## Construction

- Increase maximum depth of the berth to allow docking of larger vessels
- Options for deepening of other quay



- Access to larger vessels
- Improve port efficiency
- Government to contribute towards the investment cost
- Expand handling capabilities
- Help diversify sources of income



- Interruptions during construction period
- Drawings on cash flows (note: internal cash together with government funding will be sufficient to meet requirements without need for external debt financing)

# The Haifa waterfront opportunity

## Overview:



- 2.0 km of waterfront area for commercial activity, recreation, employment and tourism
- National Outline Plan approved
- License to operate for more than 30 years
- Synergistic with cruise ship services and mega-yachts

Commercial areas	40 dunam
Offices	22.5 dunam
Hotel rooms	200 rooms
Public spaces	20 dunam
Residential areas	500 units totaling 56 dunam*

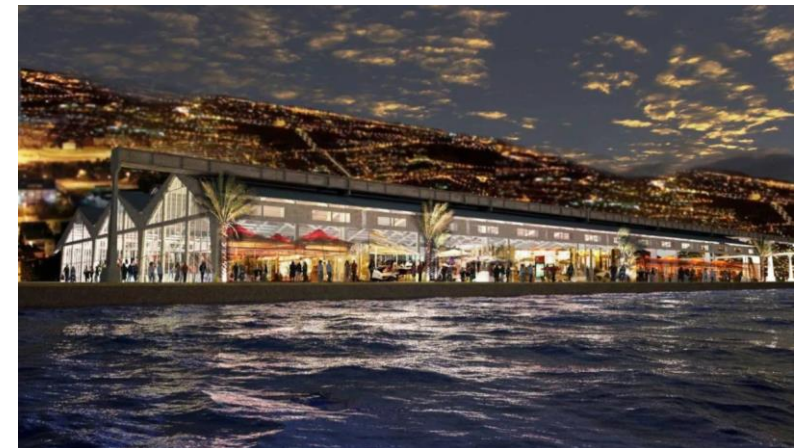
\* To be transferred to Israel Land Authority and HPC will be compensated up to ILS 150 million



- Diversify revenues
- Strong municipal support
- Long term license to operate



- Additional permissions required from agencies



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# Haifa Port Company privatization process



# The buyer must be controlled by a strategic entity

## The deal structure

### The potential buyer

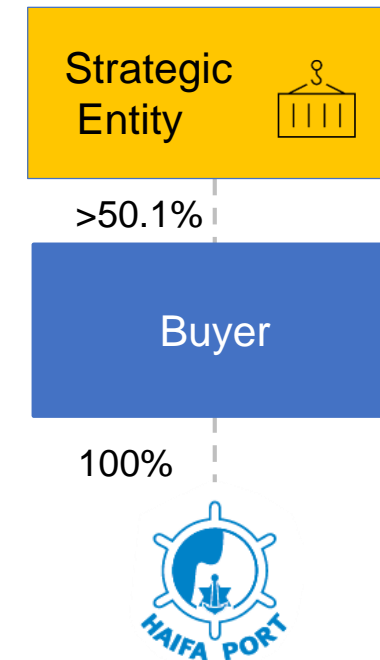
Buyer must be controlled by a Strategic Entity, with experience in one of the following:

- Marine terminal operations
- Maritime shipping
- Combination of terminal operations and other relevant experience such as cargo vessel or logistics and supply chain operations

Experience will be examined jointly for the a Strategic Buyer group (Consortium) providing that:

- each strategic entity in the buyer holds at least 5% of the shares of the potential buyer.
- Meets at least 20% of the requirements needed in the maritime terminal operations and maritime shipping
- Or at least 40% of the requirements needed in the combined condition

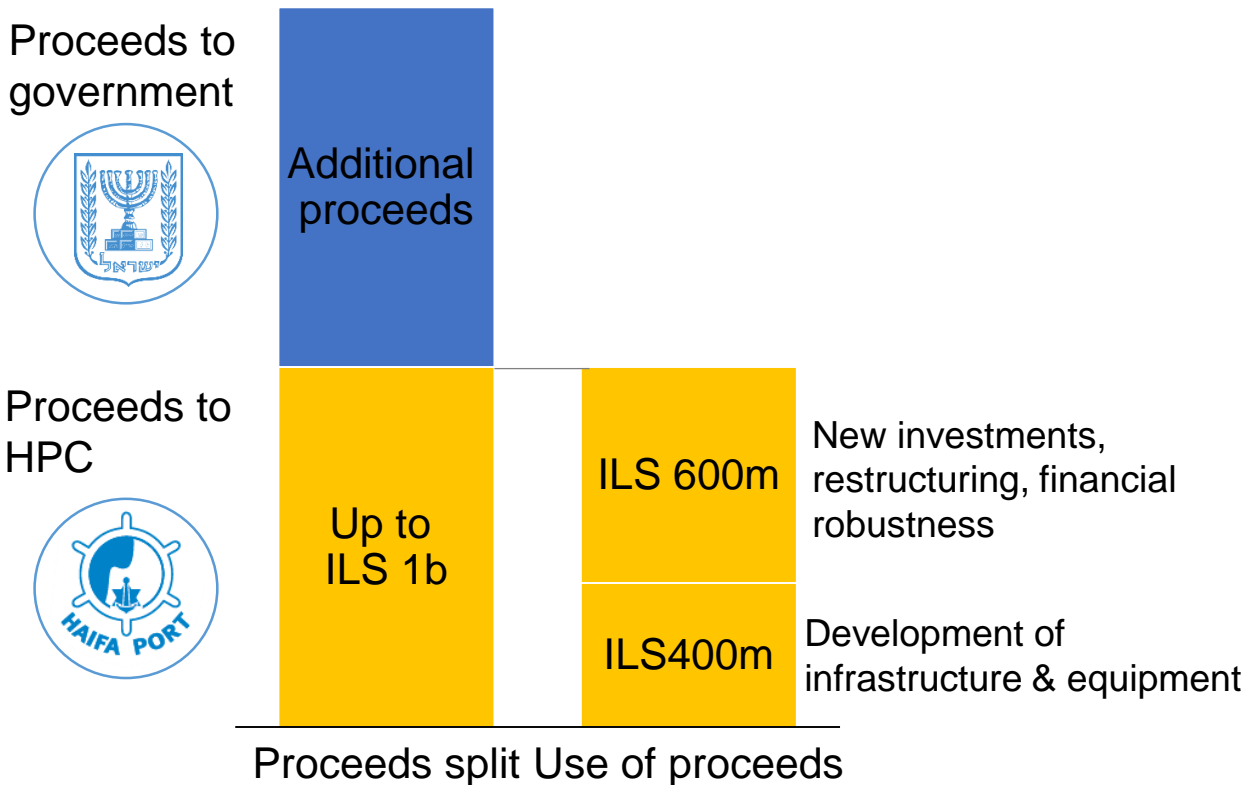
### The holding structure



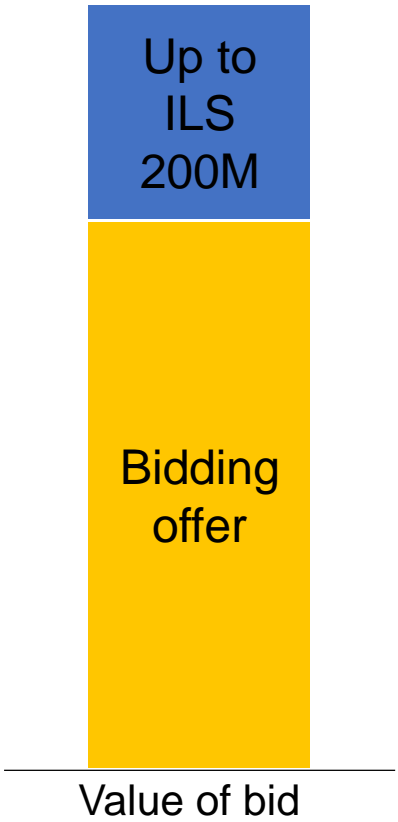
If the Strategic Entity is a consortium, the Lead Strategic Entity must hold at least 30% in the Buyer

# Substantial part of proceeds from buyer's payment will be invested in the Company to fund development

## The use of proceeds



**Container terminal operations and maritime transportation experience can increase the value of the Buyer's bid.**



# Contact details

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