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# Port investor sees significant need for consolidation in European ports

**In three years, investment company Blue Ocean Capital has been involved in close to 25 transactions in the European port sector. Family-owned companies in particular feature prominently in the portfolio, says CEO Jacob Ingemann Olsen, who anticipates increased consolidation.**

| Photo: Blue Ocean Capital

**BY KATRINE GRØNVALD RAUN**
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It has become difficult for several medium-sized and small companies in the European port sector to get by.

And as was the case among shipping companies, where container carriers such as Hamburg Süd, UASC and OOCL have been acquired, there is a need for gathering the sector on fewer hands, says Jacob Ingemann Olsen, CEO of investment company Blue Ocean Capital, whose background includes positions at Maersk and several other shipping companies.

Blue Ocean Capital is hearing from several stakeholders in the sector looking to go down this path.

"We're frequently being contacted by family-owned companies that need capital to buy up competitors, or which are struggling to maintain their competitive edge and are looking to sell, as they're not making as much money as they used to," he says in an interview with ShippingWatch.

"We definitely see a significant need for consolidation. Many of the customers among shipping lines have consolidated, for instance in container, and here there's also a need for increasingly large players in the terminal sector, which can meet customers' needs in terms of new investments and more integrated services," he explains, stressing that this also applies to other cargo types such as breakbulk and dry bulk.

North European terminal operator Eurogate is among those who have felt the changes among its customers in recent years. Elements such as the alliances among the container carriers and the mega vessels deployed by all the major liner shipping companies today have created challenges, the operator recently told ShippingWatch.

**Targets medium-sized transactions**

Blue Ocean Capital does not target the biggest transactions, but rather investments with partners in companies typically worth USD 70 to 250 million, before deducting debt. And in this field, a series of small operators in the major ports around Antwerp, Rotterdam and Hamburg look particularly interesting. Companies that have for more than 100 years been run by families or cooperatives, and which are not interested in selling to each other.

"Not everyone's equally well-run and profitable today, and they all, to a certain extent, need consolidation and capital for further growth. We're getting inquiries from sellers as well as buyers who are looking to be part of this consolidation process," says Olsen.

Back in 2015, he and his partners joined forces with Australian investment bank Macquarie to raise capital for what would at first serve as a dedicated investment in the bank, focused on European port infrastructure and port companies that operate, for instance, container terminals.

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> JACOB INGEMANN OLSEN, CEO, BLUE OCEAN CAPITAL

For the past three years, Blue Ocean Capital has been involved in around 25 transactions, and since 2017 the company has been open for new institutional investors, mainly from London and New York, explains Olsen.

In Antwerp, for instance, the company has been involved in a couple of transactions. Antwerp is the biggest breakbulk port in Europe, but it has no dominant terminal operator. According to Jacob Ingemann Olsen, the market has been strained for some time now, on its margins as well as profits, and as such, many players are still looking to sell or buy up.

**Hails from the sector**

Olsen himself comes from the sector, having spent eight years at the Maersk Group serving in various CFO positions. He has also worked at now-defunct shipping company Armada Group in Switzerland, and after that as head of the global portfolio at Norwegian shipping company Gearbulk, based out of London, where he also works today. The other partners in Blue Ocean Capital also come from the sector, and they use this experience looking to find new deals in the market.

"We go out and find the transactions in the market, because we know the players from our network. We often find a company that needs to be matured in order to be sold, typically owned by a family headed for a generational change or restructuring, or which needs to expand and needs fresh growth capital. We know where to find these companies, and we know what challenges they face," explains Olsen.

"There's a big difference in risks, whether we're looking at a small or medium-sized terminal operator in the Mediterranean ports, as opposed to some of the major ports around Antwerp, Rotterdam and Hamburg. We have good way in to many of these sellers and owners, and it's important for us that we find investment opportunities for our investors and partners that can't otherwise find for sale in the open M&A market. This is where we can create value, because we know these players intimately."

**Excessive prices**

Even though Blue Ocean Capital has plenty to do right now, one of the current challenges is the fact that price expectations among sellers are exorbitantly high, as Olsen says. The company is working with different types of investors. Financial investors, who typically operate with a shorter investment focus and requirements for high returns an exit after five to seven years. And strategic industry investors, who can perhaps themselves drive synergies in an acquisition by building on operations from an existing container terminal, for example.

"The prices are definitely the biggest obstacle right now in terms of driving transactions through. But we're typically seeing a deal flow of 12-15 transactions over the course of a year. The same applies to this year. And the first half of the year has been fairly active for us," he says.

For the first half of the year, Blue Ocean Capital settled deals totaling USD 180 million, and the company expects to reach a transaction volume of around USD 325 million in 2018.

"There's still demand from financial investors for investing in this segment, and a desire from the strategic investors to acquire and consolidate further market shares," says Olsen, citing as an example DP World's acquisition of feeder shipping company Unifeeder.

"We're going to see further integration between shipping lines as well as terminal operators globally."

*English Edit: Daniel Logan Berg-Munch*

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