



M&A DEAL ANALYSIS

“Conquering the European maritime market: Evergreen acquires Italia Marritima for €405 Million”

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M&A DEAL ANALYSIS

Acquirer: Evergreen Marine Corporation

Target: Italia Marittima

Deal value: €405 million

Sector: Maritime Services

Type of M&A: Acquisition

Exit multiple: -

Announced date: 31/01/2024

Completed date: 01/02/2024



Acquirer details

Name: Evergreen Marine Corporation

Founding year: 1968

Headquarters: Taipei, Taiwan

CEO: Wu Kuang-Hui (2023 – present)

Number of employees: 10K+ employees

Market Cap: 303,706M TWD

EV: 252,194M TWD

- LTM Revenues: 276,715M TWD
- LTM EBITDA: 68,614M TWD
- LTM EBITDA margin: 12.56%
- LTM EV/EBITDA: 2.15x
- LTM EV/Sales: 0.91x

(All financial data as of 31/12/2023)

Company industry: Maritime transport, container services

Target Details

Name: Italia Marittima

Founding year: 1833

Headquarters: Trieste, Italy

CEO: Michela Nardulli

Number of employees: 70-100

Market Cap: X

EV: X

- LTM Revenues: Undisclosed
- LTM EBITDA: Undisclosed
- LTM EBITDA margin: Undisclosed
- LTM EV/EBITDA: Undisclosed
- LTM EV/Sales: Undisclosed

(All financial data as of X)

Company industry: Maritime transport, container services

Deal Overview

The acquisition of Italia Marittima S.p.A., recently completed by EMA, an Evergreen Marine Corporation subsidiary, saw the purchase of 100% of its shares. This transaction, which took place on January 31, 2024, represents a crucial step for EMA in its expansion in the maritime sector.

The investment, amounting to 405,000,000€, enables EMA to take full ownership and control of the company, allowing for greater integration and synergy between the two previously partnered entities. This concentration of resources and skills is expected to improve operating efficiency and enhance shareholder value within the “Evergreen Line”.

On the other hand, the sheer scale of the acquisition has also drastically modified EMA's financial parameters, with the investment representing 8.97% of total assets and 12.98% of equity attributable to owners. This was achieved using available cash, testifying to EMA's financial strength and ability to implement strategic initiatives, which, despite its numerous implications, marks a crucial milestone for EMA as it prepares to conquer the maritime industrial sector.

Industry Overview

The shipping industry is the key factor that determine our global economy. After all, the economy is based on importing and exporting goods.

Without this industry, intercontinental trade would quite simply not be possible. This means the mass import and export of affordable food, manufactured goods, and bulk raw materials we see today could not happen.

However, it's important to note that marine-based shipping is by some distance the most common mode of commodity transportation. According to the UK Chamber of Shipping, in the UK more than 95% of all imports and exports are transported by ships. That's because sea freight has a number of advantages. Firstly, unlike road and rail freight, ships can be used to transport goods overseas. Secondly, large scale cargo ships have the ability to carry significantly heavier loads than planes. They can also operate at a much more efficient cost, making it the most attractive form of shipping. This makes the marine shipping industry big business. The maritime industry plays a crucial role In supporting the global trade ecosystem, serving as the primary mode of transportation for goods internationally.

The maritime industry exists as the backbone of global trade, facilitating the movement of goods on an unprecedented scale. Shipping vessels, ranging from massive container ships to nimble cargo vessels, transport a vast array of products, including raw materials, finished goods, and commodities. This efficient mode of transportation allows businesses to engage in cross-border trade, enabling them to access diverse markets and create economic opportunities.

One of the primary reasons for the dominance of the maritime industry in shipping is its cost-effectiveness. Shipping offers a cost-efficient solution for transporting large quantities of goods over long distances. Compared to other modes of transportation, such as air freight or land transport, shipping tends to be more economical, making it an attractive choice for businesses engaged in international trade. Shipping is the cheapest transport solution. Thanks to the size of the vessels and the ever improving efficiency of the industry, shipping is by far the cheapest transport solution. Shipping costs only account for a tiny percentage of the shelf price of any product, usual

Shipping as a sustainable transport solution. When it comes to reducing CO2 emissions, shipping can be part of the solution, rather than the problem. Shipping emits far less per tonne/km than any other mode of transport: it contributes only a fraction of the total volume of atmospheric emissions compared to road vehicles, trains and air transport, as well as other emission sources such as power plants. Shipping transports 90% of the world's goods and emits less than 2.2% of the world's CO2. In other words, in terms of CO2 emissions per tonne of cargo transported over one mile, shipping is recognised as the most efficient form of commercial transport.

Advancements in technology continue to shape the maritime industry, enhancing safety, efficiency, and environmental sustainability. Automation and digitalization have improved navigation systems, allowing for more precise route planning and real-time monitoring of vessels. Additionally, developments in ship design, propulsion systems, and fuel efficiency are addressing environmental concerns and contributing to the industry's sustainability goals.

As the industry evolves, embracing innovation and addressing sustainability concerns will be paramount in ensuring its continued contribution to the seamless flow of goods across borders. The maritime industry not only connects nations but also serves as a testament to the resilience and adaptability required in the ever-evolving landscape of international trade

Deal rationale

Expanding Shipping Power and Enhancing European and Mediterranean Commerce

The acquisition of Italia Marittima and Evergreen marks a significant stride in the maritime logistics sector, particularly within Italy and the broader European and Mediterranean regions. This strategic consolidation aims at enhancing Evergreen's operational capabilities and expanding its logistical networks.

Strategic Expansion of Shipping Power

The primary rationale for Evergreen's acquisition of Italia Marittima revolves around strategic expansion in a geographically crucial area. Italy, with its extensive coastline and proximity to major European and North African trade routes, offers a pivotal maritime hub for Evergreen. By integrating Italia Marittima's established operational infrastructure and local market expertise, Evergreen positions itself to capitalize on existing maritime routes and to explore new ones. This expansion is not merely geographical but also strategic, enhancing Evergreen's ability to manage larger volumes of maritime traffic and to offer more direct and frequent services to a broader clientele.

Growth in Assets and Operational Capabilities

The acquisition significantly boosts Evergreen's assets, particularly in terms of cargo boats. This increase in assets is critical for maintaining competitive edge in the global shipping industry, which is characterized by high capital investment and economies of scale. More assets mean enhanced capacity for cargo operations, reduced operational costs per unit, and improved service delivery. The expanded fleet allows Evergreen to offer more versatile and tailored services to their clients, addressing specific logistic needs and adapting to dynamic market demands.

Leveraging Technological Advances

A critical element of the merger's value derives from the technological prowess of Italia Marittima, which has long been recognized for its innovation in maritime logistics technology. Italia Marittima has invested considerably in cutting-edge technologies, including automated cargo handling systems, advanced navigation and communication tools, and robust logistics management software. These technological assets are pivotal in enhancing operational efficiency and reducing human error, leading to safer and more reliable maritime operations.

By incorporating these advanced technologies, Evergreen not only inherits a technologically advanced fleet but also benefits from streamlined operations that can significantly cut down on transit times and operational costs. This technological infusion is expected to enhance data-driven decision-making, optimize route planning, improve fuel efficiency, and enhance overall environmental sustainability. Additionally, the integration of advanced technologies will likely propel Evergreen to the forefront of digital innovation in the shipping industry, providing a competitive edge in an era where technology increasingly dictates market leadership. The synergy of Italia Marittima's technological capabilities with Evergreen's operational scale creates a formidable force in the maritime sector, poised to deliver superior service quality and operational excellence.

Enhancing Commerce in Europe and the Mediterranean

Italia Marittima's integration into Evergreen's operations is strategically key not only for the company but also for the broader economic landscape of Europe and the Mediterranean. The enhanced shipping capabilities imply more efficient cargo movement within the Mediterranean basin, facilitating smoother and quicker trade flows. This efficiency boosts commerce, not only in Italy but across Europe, contributing to economic stability and growth. Improved maritime logistics directly affect industries reliant on timely and cost-effective supply chain operations, ranging from manufacturing to retail.

Synergistic Benefits and Enhanced Service Quality

Beyond expanding geographical reach and asset base, the merger brings about synergistic benefits that enhance overall service quality. Combining the operational practices and corporate cultures of both companies can lead to innovation in service delivery, operational efficiency, and customer relationship management.

The merger between Italia Marittima and Evergreen is a well-calculated move aimed at leveraging strategic geographical advantages, expanding asset bases, and enhancing service capacities. This M&A deal is set to transform not only the operational dynamics of Evergreen but also the commercial landscape of Europe and the Mediterranean. By facilitating more efficient trade routes and improving logistical services, the deal is a cornerstone in the advancement of maritime commerce in the region, promising economic benefits at multiple scales. The forward-looking approach in this merger

underscores the importance of strategic alignment and adaptive growth in today's complex global market, highlighting the transformative power of well-executed mergers and acquisitions in the shipping industry.

Deal structure

Evergreen Marine Corp (Taiwan) Ltd, a prominent container shipping, marine cargo handling, and related logistics services provider based in Taiwan (China), has completed a strategic acquisition of 100% of Italia Marittima SpA, an Italy-based global container transportation firm.

The acquisition, valued at \$438.69 million, was structured as an all-cash transaction, underscoring Evergreen's financial strength and its strategic intent to boost its market presence in Europe.

By financing the deal with cash, Evergreen aims to streamline the integration process and quickly leverage Italia Marittima's extensive network and operational capabilities. This approach also minimizes financial complexity and potential dilution for Evergreen's shareholders. The acquisition not only expands Evergreen's service offerings but also enhances its competitive position in the Mediterranean and European logistics markets, aiming to capitalize on synergistic opportunities between the two companies' assets and operational frameworks.

This strategic alignment is expected to drive operational efficiencies and offer a broader range of solutions to their combined customer base.

Risks and Implications

Market risk

Since the pandemic, the world has experienced a significant slowdown in globalization, affecting the demand for goods and services globally. This deceleration has had a ripple effect on international trade volumes, putting pressure on shipping companies to adjust their operational strategies. The contraction in market demand necessitates a reevaluation of existing logistical networks and the agility to respond to changing market dynamics.

Maritime Risks in the Red Sea

Furthermore, ongoing conflicts have exacerbated instability in the Middle East, particularly in Yemen. Pirate attacks and regional turmoil present substantial risks for maritime activities in the Red Sea, key for the Italia Marittima's trades, especially around the Bab-El-Mandeb Strait. This critical chokepoint is pivotal for maritime traffic between Europe and Asia. The prevailing instability has led to increased risks of attacks on vessels, potential maritime blockades, and heightened piracy, all of which significantly disrupt international shipping routes. These disruptions not only escalate operational costs but also critically impact the safety of crew and cargo, which are paramount concerns for shipping companies.

Industry-Specific Risks and Vulnerabilities

The shipping industry is inherently exposed to a range of risks, a notable example being the incident involving an Evergreen-operated vessel, the Ever Given, which became lodged in the Suez Canal in March 2021. This blockage vividly highlighted the vulnerabilities within the sector. The Suez Canal is a vital waterway, accounting for about 12% of global trade, and the stranding of the Ever Given halted

the passage of hundreds of ships, effectively freezing an estimated \$9 billion in trade each day according to Lloyd's List. This incident not only disrupted global supply chains but also led to significant financial losses across multiple industries worldwide. It underscored the cascading effects that operational mishaps in key chokepoints can have on global commerce, amplifying the need for robust risk mitigation and crisis management strategies within the shipping industry.

Trade Through the Red Sea and Deviations Around Africa

The Red Sea serves as a major conduit for global trade, especially for oil shipments from the Middle East to Europe and the U.S. Significant disruptions in this area compel shipping companies to consider longer alternative routes, notably around the Cape of Good Hope. This deviation extends the journey by approximately 3,500 nautical miles, adding 10 to 15 days of transit time, depending on vessel speed. Such extended routes not only delay deliveries but also significantly increase fuel consumption by up to 30%, which in turn raises shipping costs and impacts the carbon footprint of operations.

Risks Over Land-Based Transportation Routes

As a response to the risky maritime routes affected by regional instability, some trade flows, particularly those involving non-bulk goods, might shift to land-based routes. The development of the Belt and Road Initiative by China, which aims to enhance connectivity between Asia, Africa, and Europe through overland corridors, presents a potential alternative. Although these land corridors are currently less developed for high-volume trade compared to sea routes, they offer diversification of geopolitical risks. However, they also face their own challenges, including higher costs for overland transportation compared to sea freight, political instability along certain corridor sections, and logistical complexities in coordinating across multiple national jurisdictions.

The conclusion of the deal in such a unique global context carries various idiosyncratic risks. However, a well-defined business plan could enable the overcoming of these challenges. This is further supported by the robust commercial prowess of the 180-unit fleet, which can significantly contribute to operational resilience and strategic flexibility.

Market Reaction

As for the market reaction, an important event to remember is the day when Evergreen's container ship got stuck in the Suez Canal, in that day the stock price tumbled by 8%. However since then the stock price recovered quickly, reaching the highest price in over a year. From the event till today the stock price had always a positive trend. In summary the stock price had shown resilience following the acquisition.

This acquisition represents a significant step in the consolidation effort by the group. Evergreen has made strategic moves to enhance its holding, including acquiring a 5% stake in south Asia gateway terminals and optimizing its competitiveness. The acquisition of Marittima marks a milestone in the history of the shipping industry. And Evergreen continues to strengthen its position in the industry.

However, important to consider is that often the market react to the acquisition based on the informations available, so the true value unfolds throughout the years.

Deal Advisors

Evergreen Marine Corporation

Financial advisors: WLCC & Co., CPAs

Legal advisors: Undisclosed

Italia Marritima

Financial advisor: CPAs

Legal advisor: Undisclosed

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