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## EXCLUSIVE – Prostar Capital sells bulk liquid storage terminal in the Port of Fujairah

By Kali Persall

After six years of ownership, Prostar Capital has sold its high-performing bulk liquid storage terminal facility GTI Fujairah (GTIF) to Mercantile & Maritime Group (M&M).

GTIF is located in the Port of Fujairah in the United Arab Emirates — a major strategic energy trading port and one of the largest bunkering hubs in the world. The asset consists of 14 tanks and 2.2 million barrels, storing 352,000 cubic meters of black and white refined petroleum products. It is interconnected to all terminals in Fujairah, with six jetty lines providing access to nine main berths and two bunker barge berths.

The sale of GTIF represents the first exit from Prostar’s 2015 vintage Prostar Asia-Pacific Energy Infrastructure Fund I. Prostar has added a number of ESG improvements since it acquired the asset in 2017, closing in 2018. Now, GTIF has its own power generation system, including solar, and it has been consistently ranked as one of the leading operators in the port throughout Prostar’s ownership.

“We’ve been in the [bulk liquid storage] sector now for more than 15 years, and I think GTI Fujairah is a good example of what a quality asset can do,” Steve Bickerton, senior managing director at Prostar, shared in an exclusive interview with IREI.

Bickerton believes the port’s geographic location outside the Strait of Hormuz, near the Persian Gulf makes it particularly attractive for investors trying to gain access to the storage market.

The buyer — M&M — is an independent commodity trading business that offers trading, shipping, advisory, infrastructure asset management, field services, and storage and bunkering services. M&M operates in both growing and established markets, and specializes in the physical trading of oil and gas, shipping and logistics for crude oil, and high-end consultancy services.

“The Mercantile & Maritime Group is excited to be acquiring one of the leading and most innovative terminal assets in the region, which also champions best-practice environmental standards in oil storage,” said Murtaza Lakhani, CEO and group founder at M&M. “By increasing our presence in the Middle East, this acquisition, which illustrates our long-term direction and continued strategic portfolio expansion, provides the infrastructure for enhanced access to both growing and established markets.”

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Prostar did not disclose financial terms of the sale. However, Bickerton revealed Prostar originally bought the asset at a “very good EBITDA multiple,” below where the trading comps were at the time, and has now seen a significant improvement in its exit EBITDA multiple — especially compared with where comps are currently. In other words, “a very positive investment experience for us,” added Bickerton.

“Having delivered on our growth objectives during our ownership, we are pleased to be passing on the asset to the Mercantile & Maritime Group, who we expect will oversee the terminal’s continued growth,” he said.

One such key growth objective for Prostar was getting the terminal recontracted after acquiring it. The previous owner of GTIF was also one of the main customers, so when they sold the asset, they left. “So part of our strategy was we acquired the asset, we recontracted it, we got better rates, we grew the EBITDA,” said Bickerton. Securing high-quality, long-term customers was the next part of Prostar’s growth strategy. According to Dave Noakes, senior managing director at Prostar, GTIF has long-term take-or-pay contracts in place, and the asset has been

fully utilized since the day Prostar acquired it to the day they sold it. The current roster of customers supply fuel oil and refined products as part of their operating models.

Bickerton attributes GTIF's EBITDA multiple expansion to Prostar's derisking of the project through strong contracting strategies and the improvement in the quality of the customers, securing the best possible rates due to the terminal's reputation as one of the best in the Port of Fujairah. He also said the growth in EBITDA comes from a major focus on reducing OpEx and making the terminal as automated and as efficient as possible.

Following the deal, Prostar will remain invested in the Port of Fujairah through its continued 40 percent ownership of GTIF's neighboring 1.2 million-cubic-meter bulk liquid storage facility Fujairah Oil Terminal (FOT), which was the first terminal in the port to store ultra-low sulfur fuel oil. FOT, according to Bickerton, also has significant growth potential. FOT is in the final stages of building a new connection to the VLCC Jetty, which was inaugurated in 2016 by the UAE for large crude carriers.

"It'll be one of the only terminals that's connected to the VLCC Jetty, and that's going to drive significant growth, we believe, in not only in storage rates but demand for capacity associated with that terminal," said Bickerton. "So, that's where our ongoing focus in Fujairah is going to be: on FOT and building out the rest of that potential capacity."