



Tank Terminal Refinancing
Whitepaper

INSIGHTS GLOBAL
ENABLING INTELLIGENT DECISIONS

**How to successfully
secure refinancing in
the tank terminal
business**



INSIGHTS GLOBAL



TABLE OF CONTENTS

Introduction	3
The case of Mr. Smith	4
How to successfully secure refinancing in the tank terminal business	6
Insights Global's Market Assessment and Company Position report (MACP)	6
Why Insights Global?	8
Our way of working	9
Why Mr. Smith should have requested our MACP report	11
Appendix: Insights Global Tank Terminal Market Models	12



INTRODUCTION

If you are a terminal operator looking to secure refinancing on your tank terminal, congratulations on having downloaded this whitepaper.

Because in this whitepaper you'll discover:

- ▶ What kind of information your finance partners will be looking for.
- ▶ How Insights Global can provide you unique information and valuable insights that will make your request more 'bankable.'
- ▶ The specific market dynamics that can influence your business.

Discover the true value of your assets

Tank terminals are considered infrastructure assets with a low risk profile that generate stable revenue streams. This makes terminals an appealing investment opportunity for banks and shareholders.

Competition among terminals is quite fierce. The tank terminal market is also very fragmented, with more than a thousand terminal operators and five thousand terminals worldwide. For outsiders, this can make the terminal industry somewhat opaque: there are many operational, economic, and infrastructural variables involved with successfully operating a tank terminal. All this can make it challenging to accurately assess the actual value and future potential of a tank terminal.

In this whitepaper, Insights Global will share essential aspects to consider when you want to create an enticing refinancing report for your bank and other relevant stakeholders.

The bigger picture

Strategic players like terminal operators and oil traders invest in tank storage assets to support their business goals. Investment funds and banks invest in tank storage assets for their stable revenues and margins.

To present a successful refinancing bid, gaining a clear understanding of both these perspectives is vital.

Creating a refinancing report for a tank terminal sounds straightforward. As an operator, you know your business inside and out. However, banks and shareholders are often looking for a broader perspective. That's why a solid refinancing report should also focus on aspects like market dynamics, competitive structures, and future outlooks.

Don't forget that if it turns out that your refinancing report does not sufficiently convince your bank or other investors, the terms of the refinancing loan might be less favorable and thus more costly for your business.

Insights Global strives for better functioning markets in energy and chemical markets by enabling intelligent decisions.

THE CASE OF MR. SMITH

To illustrate the value of hiring expertise advisors, we will use the virtual case of Mr. Smith, a treasury manager at a medium-sized tank terminal we'll call 'TankTerm.'

Mr. Smith's tank terminal has been operating for over ten years and has achieved a healthy profit every year. Now the time has come to refinance a large part of the outstanding loans, the CEO of TankTerm tasks Mr. Smith with creating a refinancing report to present to the bank.

Mr. Smith turns to a big consultancy firm – 'ConsultanFirm' in this illustration - that he worked with during a previous job as treasury manager at an FMCG producer.

ConsultanFirm analyzes TankTerm. However, at this time, Mr. Smith does not realize that these consultants have only high-level experience in the tank terminal industry. No-one at ConsultanFirm fully understands the dynamics, drivers, and trade flows in this specific part of the oil and chemical value chain.

Not knowing what he doesn't know, Mr. Smith is confident he has selected the right team because it consists of people working at reputable firms with a long-standing track record in refinancing advisory.

So, ConsultanFirm's team sets out to study all the relevant (to their understanding) details of the refinancing report.

They look at:

- ▶ Market outlook
- ▶ Client contracts
- ▶ Opex
- ▶ Capex
- ▶ Ebitda

Mr. Smith has no reason to suspect something is missing from his due diligence and risk assessment study. When he worked with ConsultanFirm during his time in the FMCG industry, their report helped him to sail through the refinancing process without any problems.

However, the team is overlooking some crucial facts:

The large number of tanks, varied tank range, and competitive berth to capacity ratio enable TankTerm to be more flexible in its operations than nearby terminals. Taking into account the market developments, this characteristic will give TankTerm a critical competitive advantage in the coming years.

It is the kind of fact that only a business expert like Insights Global with in-depth factual and actual knowledge of the tank terminal industry can provide.

As a consequence of overlooking this crucial data about TankTerm, ConsultanFirm's report does not identify the value of this opportunity and strongly underestimates the future performance of the terminal.

Mr. Smith presents the report to the bank. After careful consideration, the bank is not entirely convinced of the future perspective of the tank terminal. As a result, they offer TankTerm a higher interest rate than Mr. Smith was expecting.

Mr. Smith and his team spent a lot of time, effort, and money in this refinancing process. Nonetheless, he has the feeling they left something on the table. However, he can't really blame anyone, because 'hadn't they checked all the important marks?'

Mr. Smith could only blame himself if he had read the Tank Terminal Refinancing Whitepaper you are reading now.

What should Mr. Smith do next time when the loans of TankTerm are due to be refinanced?

For starters, Mr. Smith should read the next section.



HOW TO SUCCESSFULLY SECURE REFINANCING IN THE TANK TERMINAL BUSINESS

Creating a strong refinance report means that you have to gain a solid and in-depth understanding of the current performance of your business and its future potential.

This means:

- ▶ Understanding how location, infrastructure, and connectivity impact the operation of the tank terminal.
- ▶ Mapping out the competitive landscape through SWOT analyses.
- ▶ Forecasting the future outlook of logistics, supply, demand, imbalances, trade flows, and storage rates.

Our expert assessments will also help you better understand your business, which in turn enables you to identify opportunities to grow. For big general consultancies, it's nearly impossible to provide you with the required up-to-date information from their shelves, as they might do for other industries, to prepare you for your refinancing proposal.

We are in the perfect position to help you draft a 'bankable' refinancing proposal that is both realistic and convincing. Insights Global does not only own and operate the leading online platform and database for the terminal industry, tankterminals.com, but also has ample experience in working with banks, investors and shareholders.

INSIGHTS GLOBAL'S MARKET ASSESSMENT AND COMPANY POSITION REPORT (MACP)

When securing refinancing, your financial partners expect you to do your due-diligence. In order to give your investors a clear view of both the market and your company, you not only need an excellent understanding of your own business, but also a clear awareness of the market forces that influence the success of your terminal.

With our Market Assessment and Company Position report (MACP), we aim to provide you and your financial partners with an X-ray overview of the economic and operational performance of your tank terminal and the market it operates within. In our report, we analyze all the different aspects and variables that have an impact on your business - today and tomorrow.

Because of our experience in creating these reports for the terminal industry, we have a clear understanding of what kind of information investors and banks are looking for in a refinancing report. This way, you'll be able to make the best refinancing case possible, and swiftly answer any question your finance partners may have.





Research Methodology

For Market Assessment and Company Position projects, we use our Insights Global tank terminal reality market models, a highly effective practical approach and research methodology. The research methodology aims to provide factual and data-driven conclusions and projections in line with how terminal markets function in reality (not just theory).

During our research, we cover the following topics:

- ▶ Location, Connectivity, and Infrastructure
- ▶ Competitive Landscape
- ▶ Logistical Factors and Trade Flows
- ▶ Storage Rates

The MACP report is compiled and organized for presentation to investment committees and banks to secure the refinancing of loans. This report also contains scenario analysis and sensitivity analysis that quantifies the impact of significant business risks concerning your assets. When applicable, commercial contracts with existing clients will also be analyzed.

WHY INSIGHTS GLOBAL?

How do you identify the ideal independent advisor with the required knowledge and experience in the industry to help you prepare for your next refinancing round?

Most consultancy firms will tell you they base their refinance valuations upon recent transactions and multiples. And they do.

However, to fully understand the current and future value and performance of your terminal, you need access to more specific data.

Insights Global's competitive value comes from collecting and understanding data on:

- ▶ The terminal's location
- ▶ Infrastructure
- ▶ Activity level
- ▶ Logistical performance
- ▶ The competitive environment
- ▶ Commercial position
- ▶ The business outlook for relevant market segments
- ▶ Business drivers
- ▶ Local dynamics

Only if and when you partner with an advisor who understands the industry and will provide you with the essential and detailed insights, you can build a robust and realistic valuation of your refinancing proposal.

Given the complexity and dynamic of the Tank terminal industry, we will look at a wide range of operational factors, like throughput levels, contract structures, jetty occupancy rates, and commercial occupancy of storage tanks.

Over the years, we have gained a reputation among banks as a knowledgeable and reputable consultant partner in the international petroleum, (petro)chemical, and renewables industries. This makes our reports highly 'bankable' and helps to streamline the entire refinancing process.

Not only will we help you make the best case possible, but you will also be able to identify growth opportunities for your business, so you'll be better prepared for the future ahead.

OUR WAY OF WORKING

In a marketing assessment and company position report, we aim to give a clear overview of the commercial outlook of terminal assets. Studying a wide array of factors and variables, we are able to extensively analyze the performance of your terminal and present you and your stakeholders with our conclusions, recommendations, and advice.

In our report, we will answer three main questions:

- ▶ How favorable is the location of your tank terminal?
- ▶ What's your tank terminal's competitive position in the regional market?
- ▶ What's the regional market outlook for your tank terminal?

Location factors

Locational aspects are analyzed by studying regional markets with regards to local activity, infrastructure and main trade flows that are applicable and relevant for the specific product market segments, like the Amsterdam Gasoline market, the Antwerp Chemicals market, the Rotterdam Bunker fuel market or the Singapore middle distillates market and the Houston methanol market.

Competitive and commercial factors

We determine the competitive position and the commercial outlook by analyzing developments and outlook in relevant market fundamentals and market dynamics.

Specifically, we analyze the different relevant KPI's like tank occupancy and utilization rates, tank turns, and berth occupancy rate compared to competitors.

Market outlook

In our market research, we deploy our extensive market intelligence.

We have access to data on:

- ▶ Storage rates
- ▶ Logistical performance
- ▶ Product flow data
- ▶ Production capacities refineries and chemical plants

Also, our own tanks terminal database contains necessary valuable, comprehensive information you can't get anywhere else.

Furthermore, we have developed forecasting models based on econometric research that enables scenario planning. And – like no other consultancy does – we confirm research results with our market contacts on the ground.

That's why our reports will give you the best information and the advantage you need to get the best possible refinance terms.

Users of our reports say that they value the precise structure of our reports. Clear and comprehensive conclusions allow you to quickly assess the potential of your tank terminal operation and make the informed, intelligent decision you want to make during the refinancing process.

You don't have to worry about missing details or being distracted by irrelevant facts.





WHY MR. SMITH SHOULD HAVE REQUESTED OUR MACP REPORT

With our report in hand on the economic and operational performance of TankTerm, Mr. Smith would have entered the refinancing process with the best preparation possible.

Besides significantly reducing the risk of failing to secure refinancing, the learnings from the report would have helped Mr. Smith getting the best terms possible, improving TankTerm's bottom line by reducing loan and interest payments.

Furthermore, the MACP report would also offer Mr. Smith valuable insights into new growth opportunities for TankTerm. Lastly, he would have access to his dedicated contacts at an independent market research consultant specialized in international petroleum and petrochemical industries for making the most intelligent decisions for his future investments and refinancing projects.

The next time his outstanding loans are due for refinancing, Mr. Smith will not be caught by surprise anymore. Thanks to the MACP report, he can rest assured that he is in full control of his business and will be able to answer any question the bank may have.

What's in a name?

Big consultancy ConsultanFirm may have been able to provide Mr. Smith with general (global) insights, but what you need is relevant detailed insights - global.

Are you planning to start a refinancing process for your tank terminal?

To succeed, you will need advice from highly experienced experts in the tank terminal business. Join our next Market Update webinar and discover how the Insights Global can transform your business.

[Register for webinar](#)

 Stationsweg 1b, 4811 AX Breda, Nederland

 info@insights-global.com

 +31850662500

www.insights-global.com



APPENDIX: INSIGHTS GLOBAL TANK TERMINAL MARKET MODELS

Enabling intelligent decisions

Insights Global is an independent market research company specialized in international petroleum and (petro)chemical industries. We offer market data, market analysis reports, consultancy, and training services to support smart commercial decision making.

We understand the real complexities and realities, which we translate to clear market and commercial outlooks in our tailored reports.

Not surprisingly, Insights Global owns and operates the leading online platform and database for the terminal industry:

TankTerminals.com

Our customers praise us for being fast, factual, and actual because our data-driven conclusions are always cross-checked on the ground.

For instance, we visually check the Rhine barge flows fill rate, and we can SEE the berth occupancy for Mr. Smiths TankTerm. Our local contacts in ports will confirm reported congestion in ports.

That's why you will find our people at headquarters in the Netherlands making many international phone calls, day to day.

Insights Global Analysis Framework

In a Market Assessment and Company Position project, the focus is on developing a view on the top line of the business.

However, it is also crucial to conduct a detailed analysis of the terminal characteristic and performance indicators. Insights Global has the required in-depth expertise and an extensive network in the tank terminal market.

And don't forget, Insights Global owns tankterminals.com, a database that provides the detailed terminal data you need to make smart decisions. To help you understand our tank terminal market model, it is essential to comprehend Tank Terminal functions and capacity.

Tank Terminal Functions

A tank terminal can have various functions for its clients. Consider:

- ▶ Logistical purposes
- ▶ Trading platform
- ▶ Strategic storage

Tank terminals are likely to support a combination of these functions. See **Figure A** below for tank terminal function details.

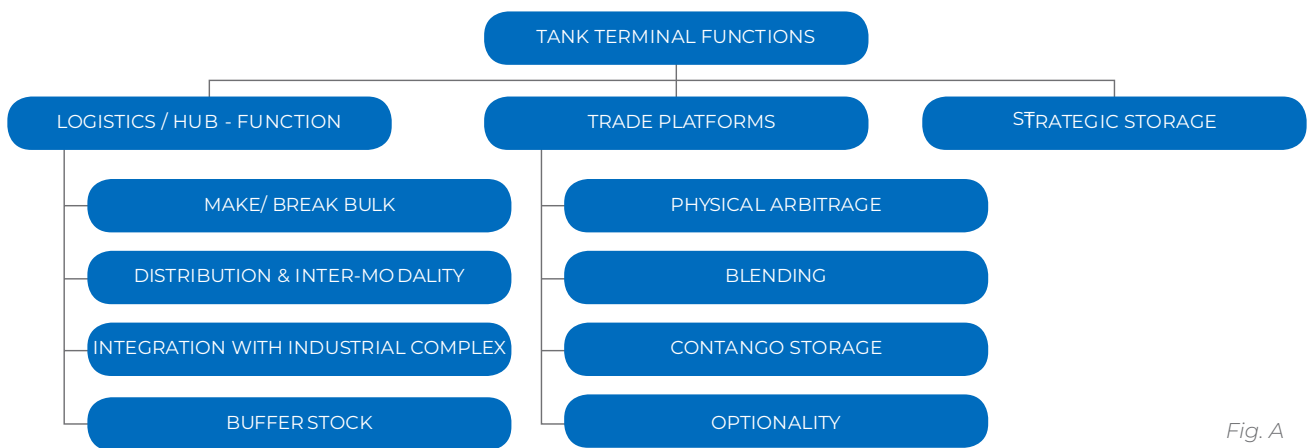


Fig. A

Each function has its commercial specifics and requires a distinct analysis approach.

Tank terminal capacity

When looking at the economic performance of tank terminals, the two main factors are:

1. Storage rates

The price tank terminals get for renting out their tank capacity

2. Occupancy rates

The percentage of capacity that has been rented out to customers

Revenues for renting tank capacity is equal to:

Storage rate X Occupancy rate X Terminal capacity

Example:

An oil terminal of 1 million cbm storage capacity has a monthly storage rate of €3 per cbm.

The occupancy rate on a yearly basis: **90%**.

The yearly revenues are $12 \times 3 \times 1 \text{ million} \times 0.95 = \text{€}34.2 \text{ million}$

For liquid bulk terminals, storage rates or rental fees are often used as an all-in fee. However, sometimes revenues are based on throughput instead of storage capacity. Also, terminals have separate rates for (un)loading trains and trucks, extra throughputs, nitrogen, heating, and other storage-related services.

There is no standard terminal situation!

Depending on market circumstances, a terminal that functions excellent in specific high-value segments can ask premium storage rates and will find enough demand to rent out its tank capacity.

However, the continually changing markets alter clients' requirements and shift profit potential and demand between market segments.

To identify which market variables are relevant and how these variables influence commercial circumstances for tank terminals, Insights Global has developed a conceptual model.

Insights Global's Tank Terminal Commercial Performance Model

Figure B below shows the relation between market circumstances and economic performance. In this model, market fundamentals drive market dynamics. A terminal with a good fit for these market dynamics will find that their storage rates are supported.

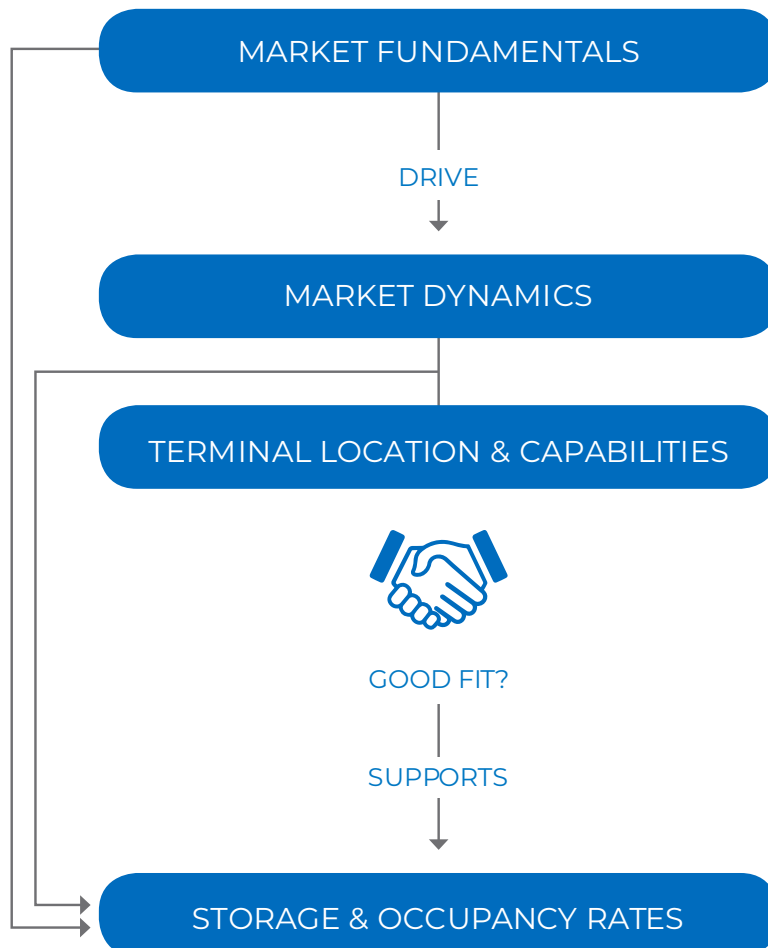


Fig. B

Figure C (below) shows the structure of both market fundamentals and market dynamics applicable to the tank terminal sector.

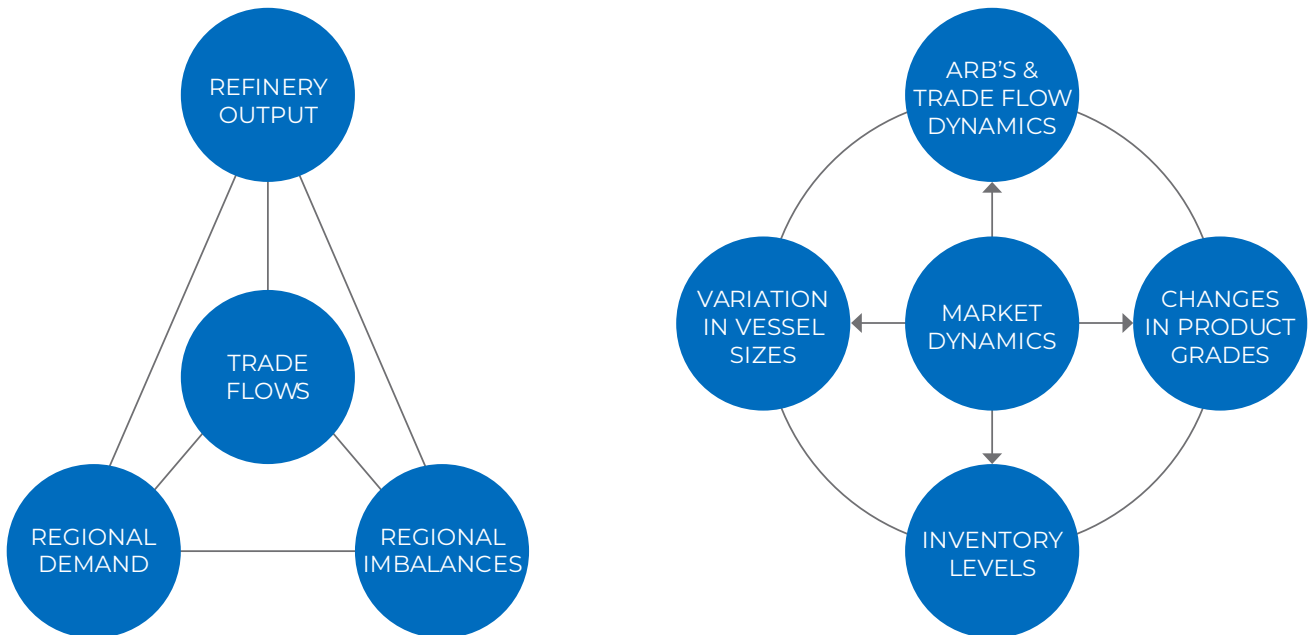


Figure C: Detailed graphical representation of 'Market Fundamentals' and 'Market dynamics' as part of the INSIGHTS GLOBAL conceptual model Tank Terminal economic performance (left diagram: Market fundamental 'Logistics' in more detail; right diagram: Market dynamics).

The distinction between market fundamentals and market dynamics lies mostly in the difference in the rate of change. Market fundamentals tend to be more stable compared to market dynamics.

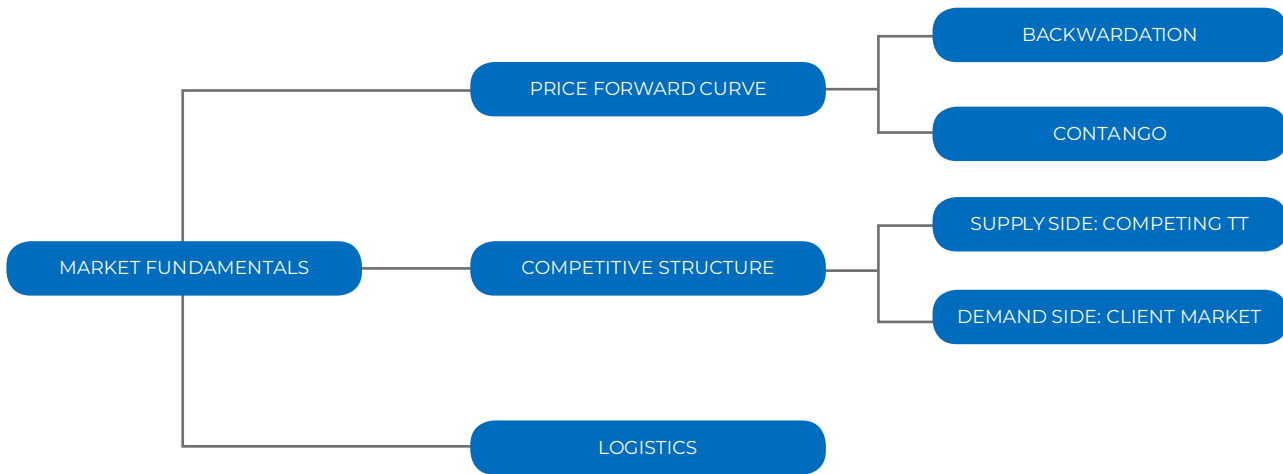
Meanwhile, market dynamics have a direct relation to operational activities at tank terminals.

The main focus points in our market assessment reports are related to market fundamentals:

- ▶ logistics
- ▶ forward curve outlook
- ▶ competitive structure

You will also find dedicated chapters on each of these subjects in our market assessment reports. When appropriate and relevant, the expected impact on market dynamics and corresponding tank terminal operations will also be addressed.

MARKET FUNDAMENTALS



We need to pay close attention to market fundamentals as they influence the economic performance of tank terminals.

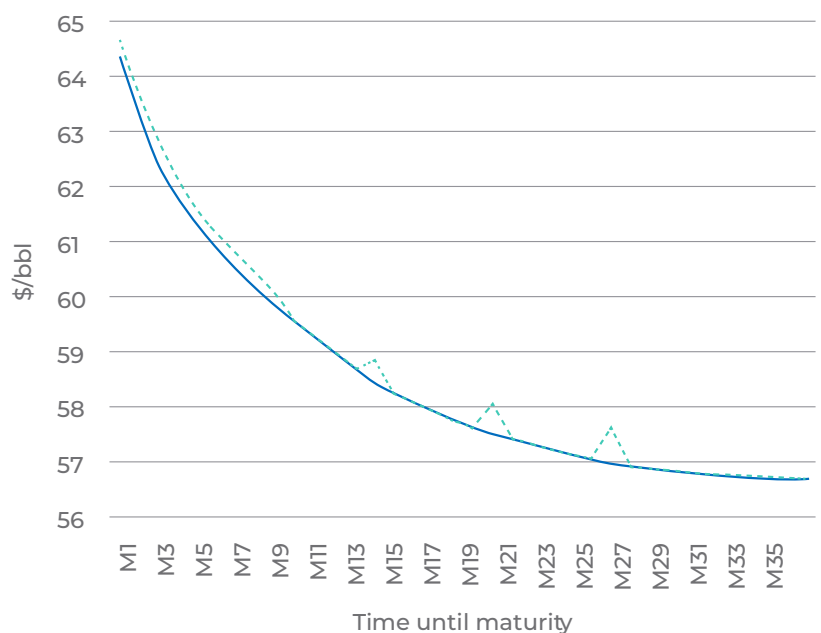
Relevant market fundamentals for the oil storage business are:

- ▶ The shape of the forward curve.
- ▶ The competitive market structure.
- ▶ The logistical factors: supply, demand, imbalances, and trade flows.

For chemical storage, forward curves are not relevant because there are no financial derivatives markets for chemicals.

Ice Brent Crude Forward Curve

(Oil) futures markets determine the shape of the forward curve. The oil price forward curve can be upward sloping (contango) or downward sloping (backwardation). In a backwardated market, there is less demand for tank storage than in the case of a contango. Inventory levels are also lower in a backwardation compared to a contango. Both demand and tank availability is therefore affected, and this influences the commercial setting.



Supply and demand in a competitive market

The competitive market structure consists of a supply-side and demand-side market structure. Tank capacity and market shares of various terminal operators are vital factors that determine the supply-side competition.

The number of players, their size, and diversity are critical factors on the demand-side of the market. Both demand- and supply-side competition influence the economic performance of the terminals.

Factors that influence Tank Terminal demand

Tank terminals are part of the oil and chemical products supply chain, and therefore logistical considerations such as local product demand, regional refinery and chemical plant output, and trade flows are very relevant. Developments in these factors influence the demand and requirements for tank terminal capacity.

Product demand levels

Inventories are needed at various locations in the supply chain to balance variations in supply and demand. Inventory levels managed by suppliers should be set at sufficient levels to ensure proper service levels.

The minimum inventory level needed for a specific service level is proportional to - amongst other factors - the volume that is supplied from that inventory point.

Strategic storage requirements are proportional to oil product and chemical consumption levels.

If consumption in a particular region is declining, less inventory is needed to balance variations in supply and demand, and less is needed for security of supply reasons.

Oversupply

A frequently occurring situation related to both logistics and forward curves is a global oversupply of crude oil or oil products; Supply and demand will be structurally out of balance, and as a result, inventory levels rise to balance physical oil markets.

Tank terminal capacity is needed to store the excess product, and to stimulate players to hold on to such inventories, a **contango** price forward curve emerges.

Because of the nature of the crude oil and oil products markets, such periods of oversupply and contango tend to last for quite some time, sometimes lasting over three years. This requires a considerable amount of spare tank capacity.

Trade flows

If in a specific location or region, there is an imbalance between refining or chemical plant output (production) and consumption, this difference will sooner or later be imported or exported from or to other regions, see **Figure D**. To facilitate these trade flows, tank storage capacity is needed.

The more significant the imbalance, the more tank storage capacity is required. If these trade flows travel over vast distances, transport lots become more substantial to capture economies of scale and lower freight costs per ton. Because tank-sizes are generally related to transport lot-sizes, this also increases the demand for tank storage capacity.

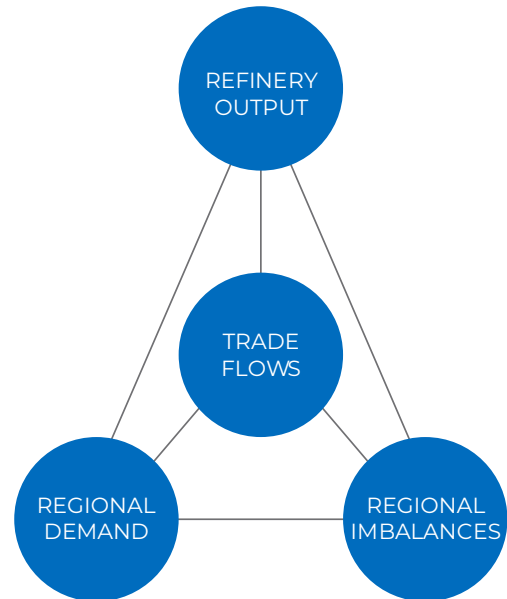


Fig. D

Market Dynamics

The market fundamentals described in the previous section are closely linked to market dynamics (**Figure E**).

Relevant market dynamics for the oil storage business are:

- ▶ Inventory levels
- ▶ Arbitrage and trade flows
- ▶ Changes in product specifications
- ▶ Variation in vessel sizes

These market dynamics have a direct influence on operations and terminal requirements. A terminal that adapts to these dynamics better and faster than competitors is likely to show superior commercial performance.

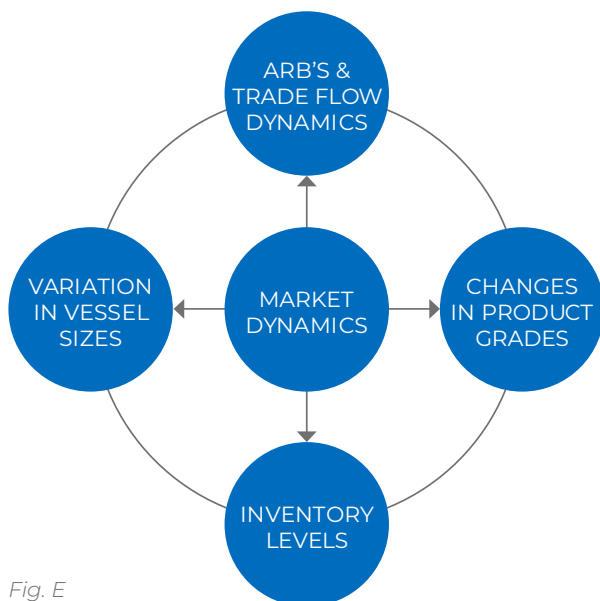
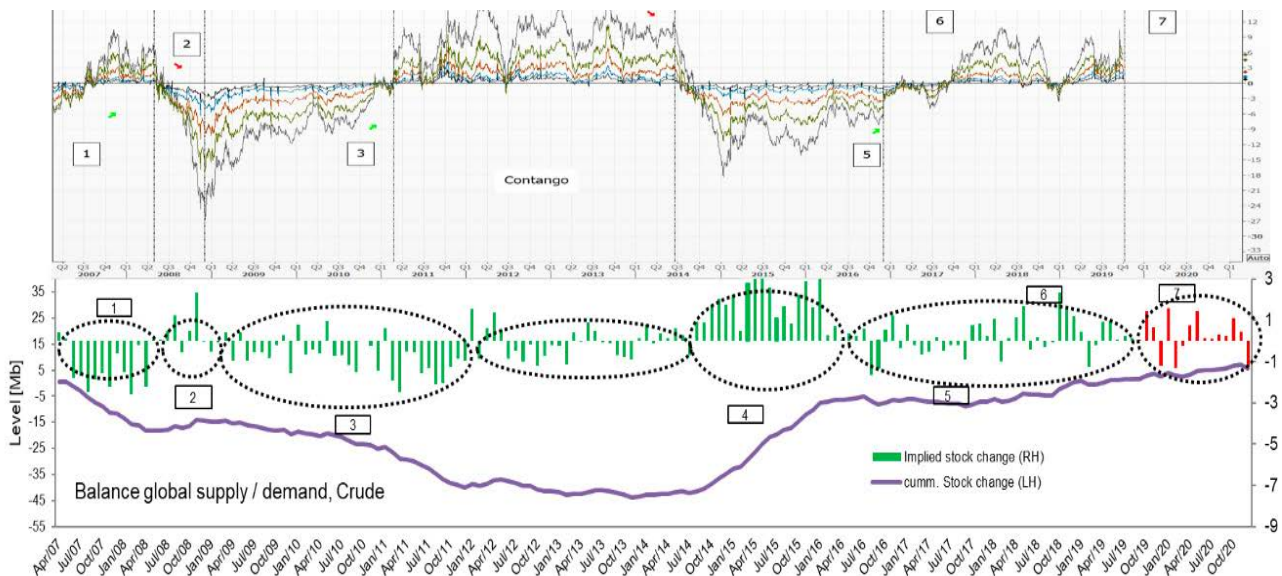


Fig. E

Inventory levels

The shape of the forward curve and global imbalances between supply and demand are both related to inventory levels. In an oversupply situation, inventory levels are likely to rise, and the forward curve is expected to be in contango. High inventory levels reduce tank capacity availability and create a shortage in the market. Furthermore, the contango supports storage rates.

But we can also turn this around: In a tight market, inventory levels are low, and the forward curve is likely to be in backwardation. Low inventory levels increase tank availability, and the backwardation weighs on storage rates.



Source: EIA, Ice Europe

Grade is good

Arbitrage and trade flow dynamics and variation in vessel sizes are linked to each other and logistical fundamentals, as highlighted in the Marketing Fundamentals section of this White Paper. Changes in oil product grades are related to fuel demand and fuel requirements, which is part of the fundamental 'logistics.' A market that requires more different grades of product needs more tanks to segregate such grades.



INSIGHTS GLOBAL