INFRASTRUCTURE DIVISION · RESEARCH REPORT

The Future of UK Ports

An Evaluation of the ABP Transaction

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Abstract

Two Canadian pension funds, CPP Investments and OMERS, are selling their 63.88% stake in Associated British Ports, the UK's largest port operator, in a deal reported at £9–10bn. We ask whether a buyer can make the numbers work at that price. ABP is a rare asset. It owns its land outright, most of its income is contracted and linked to inflation, and its margins beat every other UK port group. Even so, every valuation we ran comes in below the price, and a core infrastructure fund would earn about 6.4% a year in our base case. The deal works for a bidder with cheap capital that is confident ABP can keep growing earnings at close to 7% a year.

Subject

Sale of CPP Investments' and OMERS' 63.88% stake in Associated British Ports

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01 Executive summary

CPP Investments and OMERS are selling their 63.88% stake in Associated British Ports (ABP), the UK's largest port operator, in a process reported to value the group at approximately £10bn. Apollo, IFM and KKR were named as finalists in August 2026, and this report asks whether a new owner can earn an adequate return at that price.

In a market with no volume growth, ABP stands out as a high-quality business. UK port tonnage is at its lowest since 2000, yet ABP has held a 23% share, and its revenue has risen by 34% since 2019 even as tonnage through its ports fell by 11%. Pricing, contracts and property explain the difference. Some 51.7% of 2024 revenue was fixed or guaranteed, and ABP's 57.8% EBITDA margin is the highest among UK port groups. Cash generation tells a weaker story, because over FY2021–25 free cash flow after capex, interest and tax totalled only £67m, while £796m was paid to shareholders and net debt rose by £1.03bn.

Every valuation method places its central estimate below the reported price. Our DCF values ABP at £4.8bn within a range of £4.1–5.8bn, listed comparables imply £5.6–9.2bn with a median of £7.4bn, and completed infrastructure precedents point to £7.1–7.9bn. To reach £9–10bn, the discount rate would have to fall to 5.6–5.9%, close to the risk-free rate and well below the 7.5% yield on ABP's own bonds.

At £9.5bn, a core infrastructure fund earns a net IRR of 6.4% in our base case, which assumes EBITDA growth fades to 3.5% by FY2035. Working backwards, the fund would reach the 8.9% core target if EBITDA grew by 6.9% a year over the next decade, close to the 7.0% ABP achieved between FY2019 and FY2025. Because that growth came mainly from pricing and indexation, the real test is whether it continues as inflation normalises. Property and energy projects add upside, although they need capital beyond our plan, and leverage adds little at current debt costs, so returns depend on operating growth.

Priced at £9–10bn, ABP is being valued as a scarce, long-duration core asset rather than on its standalone cash flows. That price works best for a buyer with a low cost of capital, a long hold period and confidence that ABP can sustain its recent growth.

02 ABP and the transaction

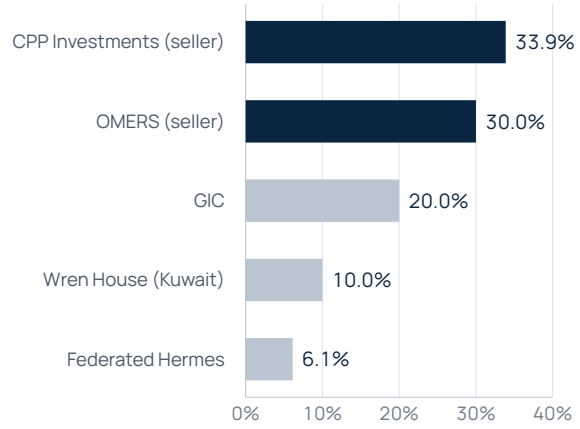
Associated British Ports (ABP) is the UK's largest port operator, with a network of 21 ports including Immingham, Southampton, Hull and Port Talbot. Alongside cargo handling and marine services, it owns a substantial property portfolio around its ports, giving investors exposure to several sources of income.

As a landlord, ABP leases land and facilities to port users and handles cargo itself only in selected operations. Its income therefore rests on long-term contracts and property rents rather than spot volumes, and in 2024 some 51.7% of revenue was fixed or guaranteed, including 27 percentage points of minimum-volume guarantees (Associated British Ports, 2025b). The group generated revenue of £819.8m and consolidated EBITDA of £473.7m in 2025, up 4.6% and 10.1% respectively (ABPA Holdings Limited, 2020–2026).

EXHIBIT 1

The two sellers hold 63.9% of ABP's ordinary shares

Shareholding (% of B ordinary shares)



Source: ABPA Holdings Limited (2020–2026).

EXHIBIT 2

The sale reached a three-bidder final round within seven months

2026	REPORTED MILESTONE
5 Feb	FT reports CPP Investments and OMERS exploring a sale
8 Apr	Bloomberg reports a sale of about £10bn drawing interest from KKR, GIP and DP World
Jun	Auction launched
23 Jul	Deadline for initial non-binding offers
21 Aug	Shortlist of Apollo, IFM, KKR and Adani Ports
25 Aug	**Apollo, IFM and KKR reported in the final round**

Source: Financial Times (2026), Nair and Chan (2026), Nair et al. (2026), Gallivan et al. (2026).

CPP Investments and OMERS are seeking to sell their combined 63.88% stake (Exhibit 1). Given that OMERS has been a shareholder since the 2006 take-private and CPP Investments since 2015, the sale is better read as long-term investors realising value than as a signal that they expect the business to deteriorate (Associated British Ports, 2025a; Gallivan et al., 2026).

Having begun with early preparations in February 2026, the process became a competitive auction in June (Exhibit 2). Infralogic reported a shortlist of Apollo, IFM, KKR and Adani Ports on 21 August, and four days later Bloomberg reported that Apollo, IFM and KKR had reached the final round (Gallivan et al., 2026; Nair et al., 2026).

The final ownership structure is also uncertain, since GIC, which holds 20%, reportedly considered increasing its holding through a right of first offer. Peel Ports explored a bid as well, but its position as a competing UK port operator raised potential competition concerns (Gallivan et al., 2026).

Reporting has centred on a whole-business valuation of around £10bn, with Infralogic citing approximately £9bn, or about 20 times EBITDA (Financial Times, 2026; Gallivan et al., 2026). The question this report addresses is whether a new owner can earn an attractive return at that price while funding the investment ABP's ports require, rather than relying on the quality of the existing business alone.

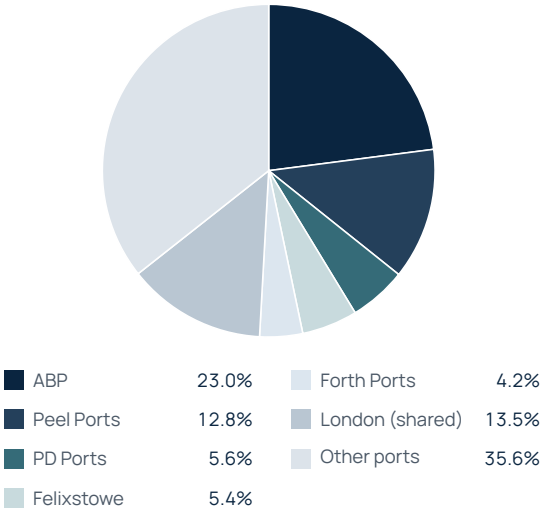
03 Industry analysis

UK ports are privately owned and commercially run, and those in England and Wales handle about 95% of UK trade by volume, operating "on commercial principles, independently of government, and very largely without public subsidy", with the Government leaving capacity and investment decisions to the market (Department for Transport, 2026a). Unlike water or energy networks, ports have no economic regulator setting their charges. They compete for mobile traffic such as containers and ro-ro, but much bulk cargo is tied to the nearest deep-water berth because refineries, steelworks and power stations are built beside it. New entrants face a long road, since

EXHIBIT 3

ABP's ports handle almost a quarter of UK major-port tonnage

Share of UK major-port tonnage by port owner, 2025 (419.5 Mt)



Source: Department for Transport (2026b).

EXHIBIT 4

ABP is the leading UK gateway for vehicles and wood pellets

ABP ports' share of UK traffic, 2025 (Mt unless stated)

	UK	VS 2019	ABP	SHARE
Liquid bulk	160.0	−16%	36.1	23%
Dry bulk	78.7	−15%	21.9	28%
Ro-ro	97.0	−7%	18.6	19%
Containers	66.9	+0%	14.3	21%
Other general cargo	16.9	+0%	5.3	31%
All cargo	**419.5**	**−11%**	**96.3**	**23%**
Vehicles (m units)	2.78	−24%	1.24	**45%**
Wood pellets	9.9	n/a	4.6	**46%**

Source: Department for Transport (2026b).

greenfield terminals take five to ten years to plan and build and need scarce waterfront land (IBISWorld, 2026). ABP, moreover, owns the land in its ports, whereas terminal operators elsewhere typically hold concessions of 20 to 50 years.

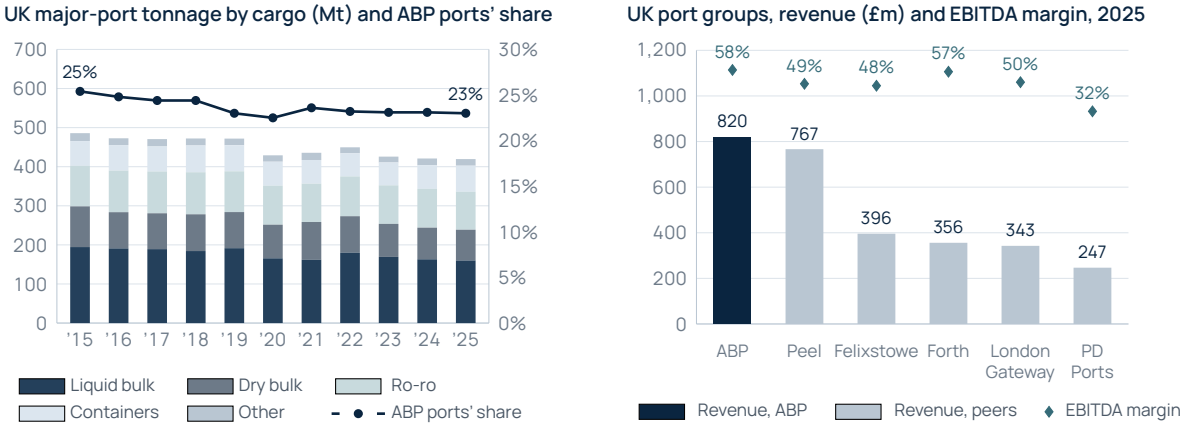
UK major ports handled 419.5 million tonnes in 2025, 11% less than in 2019 and the lowest level since the current series began in 2000 (Department for Transport, 2026b). Most of the fall is in energy and heavy industry, with liquid bulk down 16% since 2019 and dry bulk down 15%, whereas container volumes returned to growth in 2025, rising 10%. Globally, IBISWorld (2026) expects terminal revenue to grow by only 2.6% a year to 2031, half the 5.3% achieved over the past five years.

While ownership is concentrated at the top, it is fragmented below (Exhibit 3). ABP's ports handle 23% of UK major-port tonnage and Peel's 13%, but no other group exceeds 6%, and 36% passes through independent and trust ports such as Milford Haven, Dover and Belfast. The Port of London's 13% is shared among several operators, including Forth Ports at Tilbury and DP World at London Gateway (Department for Transport, 2026b). Combined, ABP and Peel would control more than a third of UK tonnage, which explains why Peel's interest in the sale raised competition concerns (Section 02).

ABP has proved resilient in this shrinking market. The nine major ports where it is the harbour authority handled 96.3 million tonnes in 2025 (Exhibit 4), and their share has held at around 23% since 2019 after falling from 25.4% in 2015 as coal imports for power generation ended (Department for Transport, 2026b). In several specialised trades, ABP is the leading UK gateway, handling 45% of imported and exported vehicles and 46% of wood pellets shipped for biomass power in 2025, with Grimsby & Immingham the country's largest vehicle port. Heavy industry has driven the losses. Coal through ABP ports fell from 12.1 to 2.8 million tonnes between 2015 and 2025, and ores halved after Tata Steel closed its Port Talbot blast furnaces in 2024 (Tata Steel, 2024), which is why

EXHIBIT 5

UK port volumes are shrinking, but ABP has held its share and earns the highest margin among UK peers



Source: Department for Transport (2026b), Bureau van Dijk (2026), ABPA Holdings Limited (2020–2026).

tonnage through ABP ports fell by 11% between 2019 and 2025 even as group revenue rose by 34% (Section 04).

Among UK port groups, ABP combines the largest scale with the highest margin (Exhibit 5). Its FY2025 EBITDA margin of 57.8% is 7.6–9.8 percentage points above the container-led groups, Peel Ports (49.2%), London Gateway (50.2%) and Felixstowe (48.0%), and just above Forth Ports (56.7%) (ABPA Holdings Limited, 2020–2026; Bureau van Dijk, 2026). On growth, it is less distinctive. From a post-pandemic base, ABP's revenue rose by 8.5% a year between 2021 and 2025, in line with Forth Ports (8.4%) and PD Ports (8.3%) and ahead of Felixstowe (3.5%), so the premium attached to ABP rests on the quality and diversity of its earnings rather than on faster growth.

What the industry offers a buyer is a protected position without a volume tailwind. Land ownership, ABP's role as harbour authority and the absence of price regulation make its earnings defensible, yet the growth implied by the reported price will have to come from repricing contracts, developing land and new energy-transition activity.

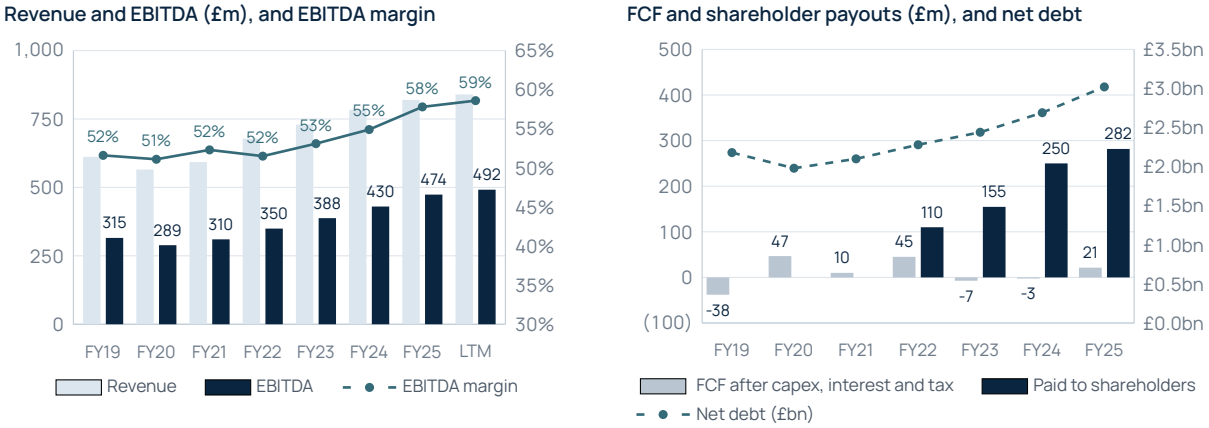
04 Financial performance

Between FY2019 and FY2025, ABP's revenue rose from £612m to £820m, a compound annual growth rate of 5.0%, while consolidated EBITDA increased from £315m to £474m (7.0% per year) and the EBITDA margin widened from 51.6% to 57.8% (Exhibit 6). Over the same period, bulk cargo fell from 54.5 to 42.5 million tonnes. Earnings have therefore grown faster than cargo, driven by pricing, indexation and property rather than volume (ABPA Holdings Limited, 2020–2026).

A large part of this income is protected from short-term trading. Lease income from ABP's £3.3bn investment-property portfolio reached £192m in FY2025, 23% of revenue, having grown by 6.9% per year since 2019, and management reported that 51.7% of 2024 revenue was fixed or guaranteed (Associated British Ports, 2025b). Earnings fell 8% in the pandemic year of 2020 but exceeded their 2019 level by 2022. Management's forecasts have also tended to be cautious, with actual EBITDA

EXHIBIT 6

Earnings have compounded, but cash returned to owners has been funded by debt



Note: LTM is the twelve months to 30 June 2026.

Source: ABPA Holdings Limited (2020–2026, 2026).

in 2026 is consistent with the plan, as first-half EBITDA rose 7.3% to £251.6m despite a further 17% fall in bulk volumes (ABPA Holdings Limited, 2026).

Cash generation is much weaker than these earnings suggest. Although cash generated by operations has averaged 97% of EBITDA, capital expenditure net of grants has absorbed 47.5% of EBITDA, and external interest and tax took a further £214m in FY2025. As a result, free cash flow after capex, interest and tax totalled just £67m over FY2021–25. Over the same period, about £1.0bn left the ring-fenced group as restricted payments, £796m of it to shareholders, and net debt rose by £1.03bn (ABPA Holdings Limited, 2020–2026). In effect, distributions have been funded by borrowing against rising EBITDA, the pattern Baird (2013) identifies in UK port buyouts. Two points temper this. Leverage fell from 6.9× to 6.4× over 2019–25 because EBITDA grew faster than debt, and not all capital expenditure is maintenance, since £241m over FY2021–25, a quarter of the total, went into investment property and more into growth projects, although ABP does not disclose the split.

The financing structure makes this sustainable while EBITDA grows, but it leaves limited room for underperformance. Leverage has stayed below the 6.75× ABP targeted for 2025 (Associated British Ports, 2024) and stood at 6.4× in June 2026 against a 7.5× covenant trigger, which means EBITDA could fall by around 15% before the trigger is reached. Interest cover was 2.4× against a 1.75× trigger (ABPA Holdings Limited, 2026). With management's plan adding a further £750m of net debt by 2028, leverage would stay near 6.6× (ABPA Holdings Limited, 2020–2026).

05 Valuation

Bloomberg reported a headline value of approximately £10bn and Infralogic a valuation of around £9bn, or roughly 20 times EBITDA (Gallivan et al., 2026; Nair & Chan, 2026), so at the reported price ABP would change hands at 19.0–21.1 times FY2025 EBITDA. On this basis, the 63.9% stake held by CPP Investments and OMERS would be worth £3.8–4.5bn, of which £2.6bn represents the sellers'

EXHIBIT 7

At £9–10bn, ABP would change hands at 19–21 times FY2025 EBITDA

£M UNLESS STATED	£9.0BN	£10.0BN
EV / FY2025 EBITDA (£473.7m)	19.0×	21.1×
EV / LTM June 2026 EBITDA (£491.6m)	18.3×	20.3×
EV / FY2026F EBITDA, management plan (£508.9m)	17.7×	19.7×
EBITDA yield on enterprise value (FY2025)	5.3%	4.7%
Less covenant net debt (31 December 2025)	(3,016)	(3,016)
Equity value including shareholder loans	5,984	6,984
Value of the 63.9% stake	**3,824**	**4,463**
of which shareholder loans	2,627	2,627
of which ordinary shares	1,196	1,835

Note: Covenant net debt excludes £173m of net derivative liabilities and £59m of lease liabilities.

Source: Nair and Chan (2026), Gallivan et al. (2026), ABPA Holdings Limited (2020–2026).

share of the shareholder loans that transfer with the shares (Exhibit 7). We test this price using a discounted cash flow (DCF), trading comparables and precedent transactions.

5.1 Discounted Cash Flow

The DCF values ABP at £4.8bn, or 10.1 times FY2025 EBITDA, well below the reported range. Cash flows follow management's certified plan for FY2026–28, after which EBITDA growth fades from 6.0% to 3.5% by FY2035, with 3.0% terminal growth reflecting roughly 2% inflation, passed through indexed contracts and leases, plus 1% real growth. Capital expenditure starts at the group's historical 47.5% of EBITDA and falls to 35% by FY2035, still above depreciation to fund growth, and operating cash conversion is set at the historical 97% of EBITDA. Cash flows are discounted at a WACC of 8.3%, built from the 2042 gilt yield of 5.85%, a 5.0% equity risk premium, an unlevered beta of 0.54 from seven listed port operators relevered to 0.72 at 30% gearing, and a pre-tax cost of debt of 7.5% from the yield on ABP's own 2042 bond (Bloomberg L.P., 2026; Damodaran, 2026; S&P Global Market Intelligence, 2026). The 30% gearing is roughly ABP's own net debt against the reported price. The terminal value accounts for 66% of enterprise value.

Although the value itself is sensitive, the conclusion is robust to reasonable changes in these assumptions. Moving WACC and terminal growth by half a percentage point either way gives a range of £4.1–5.8bn (Exhibit 8). Market inputs are taken at 7 October 2026 to reflect bidders' current cost of capital, while cash flows start from the last audited accounts at 31 December 2025. Lower end-2025 rates would raise the DCF, but it would still be far below the reported price. Reaching £9bn would require a WACC of 5.9% at 3% terminal growth, essentially the 2042 gilt yield, and £10bn would require 5.6%, below it, both well below the 7.5% yield at which ABP's own bonds trade. Setting tax allowances equal to depreciation is conservative given full expensing of qualifying plant.

EXHIBIT 8

The DCF values ABP at £4.8bn, and no reasonable input range reaches the reported price

Inputs

INPUT	VALUE
Risk-free rate (UK gilt 2042)	5.8%
Equity risk premium	5.0%
Unlevered / relevered beta	0.54 / 0.72
Cost of equity	9.4%
Pre-tax cost of debt (ABP 2042 bond)	7.5%
Target gearing (D / D+E)	30.0%
WACC	**8.3%**
Terminal growth	3.0%
Enterprise value (£m)	**4,786**

Enterprise value (£m) by WACC and terminal growth

WACC	2.0%	2.5%	3.0%	3.5%	4.0%
7.3%	5,122	5,498	5,961	6,546	7,309
7.8%	4,652	4,950	5,311	5,756	6,319
8.3%	4,257	4,498	**4,786**	5,133	5,561
8.8%	3,921	4,119	4,351	4,628	4,961
9.3%	3,632	3,797	3,987	4,210	4,476

Note: Market inputs at 7 October 2026. Valuation date 31 December 2025.

Source: Bloomberg L.P. (2026), S&P Global Market Intelligence (2026), Damodaran (2026), ABPA Holdings Limited (2020–2026).

5.2 Comparable Companies And Precedent Transactions

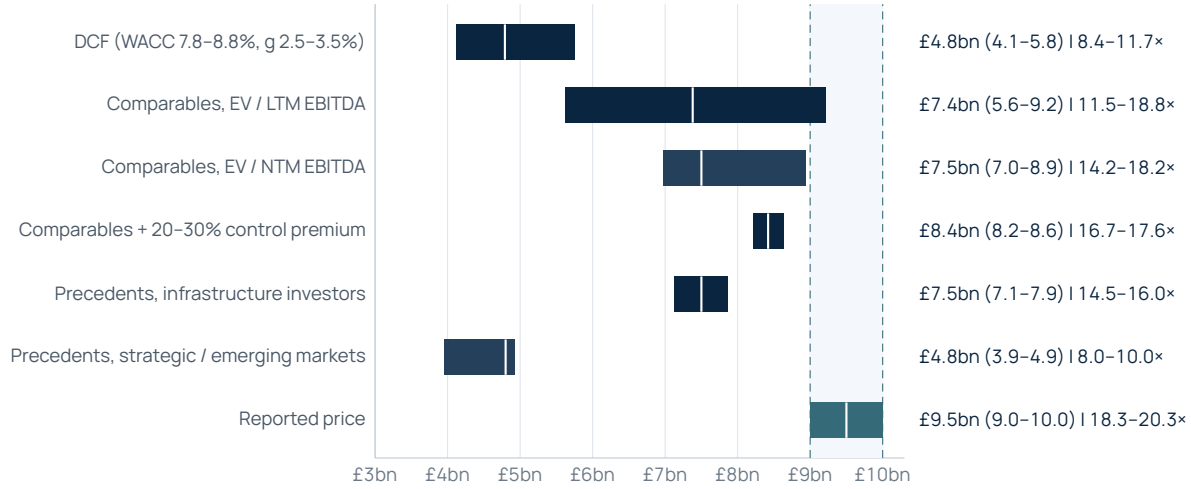
Listed port operators trade at a median of 15.0 times trailing EBITDA, with an interquartile range of 11.5–18.8 times, implying £5.6–9.2bn on ABP's LTM June 2026 EBITDA of £492m (S&P Global Market Intelligence, 2026). It is an imperfect peer set. Most operators run concessions and are exposed to emerging markets, whereas ABP owns its land freehold in a developed market, and the closest analogue, Port of Tauranga, a New Zealand landlord port that also owns its land, trades at 21.7 times, at the top of the range. Because listed multiples reflect minority holdings, adding a 20–30% control premium to the median gives £8.2–8.6bn. Forward multiples, available for only three peers, imply £7.0–8.9bn but are less reliable, as COSCO trades at 7.4 times trailing but 14.8 times forward EBITDA, which suggests the two figures are on different bases.

Precedent transactions point to a similar central value, although completed acquisitions of developed-market port businesses by infrastructure investors are few. Macquarie's 2025–26 acquisition of Qube was agreed at 14.5 times proportionally consolidated EBITDA (Qube Holdings Limited, 2026), and ABP's own 2006 take-private at about 16 times forecast EBITDA (Reuters, 2006), which on LTM EBITDA implies £7.1–7.9bn (S&P Global Market Intelligence, 2026). Australian landlord-port leases show how strongly long-term capital competes for scarce port assets. Port Botany and Port Kembla were leased for A$5.07bn in 2013, and Port of Melbourne went for A$9.7bn in 2016, against the A$4–6bn the Victorian Premier had indicated, although neither multiple was disclosed (American Journal of Transportation, 2016; IJGlobal, n.d.; Port Technology International, 2016). Strategic acquisitions, largely of emerging-market terminal concessions by shipping lines and port groups, mostly traded at 7–10 times and are less comparable. As for the 2025 sale of a 49% stake in PD Ports, often cited at around 20 times, that figure reflected the seller's asking multiple, and the final price was not disclosed (Infralogic, 2025; PD Ports, 2025).

EXHIBIT 9

Every method's central estimate sits below the reported £9–10bn

Enterprise value range by method (£bn), with the central estimate marked



Note: Multiples are enterprise value over LTM June 2026 EBITDA of £491.6m.

Source: S&P Global Market Intelligence (2026), Qube Holdings Limited (2026), Reuters (2006), ABPA Holdings Limited (2020–2026).

5.3 Why The Methods Differ

Since every method uses the same earnings, the gap between the DCF and the market-based methods reflects the return investors accept rather than different forecasts. The comparables median implies a WACC of about 6.5% and the infrastructure precedents about 6.4%, against 8.3% built from market inputs. A control premium lifts the comparables to £8.2–8.6bn, slightly above the precedent range, but the larger gap lies between the DCF and both market-based methods. It reflects a lower required return, because scarce, long-life UK infrastructure attracts pension and sovereign capital with return targets below those implied by CAPM.

On this evidence, the reported price of £9–10bn is full, sitting above the central estimate of every method (Exhibit 9) and above the top of both the infrastructure precedent range (£7.1–7.9bn) and the control-adjusted comparables (£8.2–8.6bn). It implies a long-run unlevered return of approximately 6%, the discount rate at which the DCF equals the price, which is below the yield on ABP's own bonds. A buyer with a lower cost of capital than market inputs imply could support it, as could one expecting growth beyond our base case, and Section 06 considers both.

06 Buyer strategy and risks

Reporting in August identified Apollo, IFM and KKR as finalists, with Adani Ports shortlisted earlier in the process (Gallivan et al., 2026; Nair et al., 2026). Each brings a different investment model. IFM, owned by Australian pension funds, and KKR's core infrastructure strategy typically invest over long holding periods, Apollo combines infrastructure equity with a large credit platform, and Adani would be a strategic buyer with its own international port network. Existing shareholder GIC was also reported to be considering a larger holding, while Peel Ports, the UK's second-largest port operator, was kept at arm's length because of potential competition concerns (Gallivan et al., 2026).

EXHIBIT 10

No buyer type reaches its target return at £9.5bn in the base case

100% BASIS, IRRS NET OF FEES	A. CORE INFRA FUND	B. HOLDCO LEVERAGE	C. LOW LEVERAGE / STRATEGIC
Opco leverage target by 2030	6.75×	6.75×	5.00×
Holding-company debt (× FY2025 EBITDA)	–	1.5×	–
Equity cheque for the 63.9% stake, before £116m leakage (£m)	4,264	3,810	4,264
Net IRR, exit at entry multiple (about 20×)	**6.4%**	**6.4%**	**6.2%**
Net IRR, exit at 18×	4.9%	4.8%	4.8%
Net IRR, exit at 16×	3.2%	2.8%	3.3%
Money multiple	1.92×	1.95×	1.99×
Lowest interest cover, covenant basis (trigger 1.75×)	1.93×	1.93×	2.43×
Target net IRR	**8.9%**	**10.5%**	**10.0%**

Source: ABPA Holdings Limited (2020–2026, 2026), LGPS Central Limited (2026).

6.1 Returns At The Reported Price

We model the investment as a ten-year buyout in which a buyer pays £9.5bn, the midpoint of the reported range, plus 2% transaction costs. ABP's £3.0bn of existing ring-fenced debt remains in place, leverage is raised to ABP's 6.75× target by 2030 with the new debt distributed, and the business is sold at the end of FY2035 at the entry multiple of about 20 times EBITDA. Operating cash flows follow the DCF. We assume the price is set on a locked-box basis at 31 December 2025 and treat the £116m paid to shareholders in the first half of 2026 conservatively, as leakage borne by the buyer. Deducting it from the price instead would raise the net IRR to about 6.6%. We also assume ABP qualifies for the public infrastructure exemption, so interest remains fully tax-deductible, and deduct no exit costs. Under the 30% interest cap, the net IRR would be about 6.1%. Returns are shown net of 1.25 percentage points of fund fees and compared with the target returns of 8.9% for core and 10.5% for value-add infrastructure that LGPS Central reports for a UK local-government pension portfolio, consistent with median infrastructure fund net IRRs above 8.5% for the 2013–22 vintages (LGPS Central Limited, 2026; Preqin, 2026).

In our base case, a core infrastructure fund earns a net IRR of 6.4% (Exhibit 10), below the 8.9% core target. That case is prudent, following management's plan to FY2028 and then fading EBITDA growth to 3.5%, whereas ABP grew EBITDA by 7.0% a year between FY2019 and FY2025 and has beaten its own forecasts by an average of 3.2% since FY2021. Operating performance, rather than leverage, drives returns. Most of the lift from an unlevered 6.9% to a gross 7.6% comes from keeping ABP's existing debt, which costs 6.4% on average and rises towards 7.5% as it is refinanced, while re-levering from 6.4× to 6.75× adds only about 0.03 percentage points. Holding-company debt adds almost nothing either, since at about 9.5% (7.1% after tax) it costs roughly what the asset earns. If refinancing costs rise towards 7.5%, re-levering to 6.75× reduces interest cover to about

EXHIBIT 11

Each two-turn change in the exit multiple moves the net IRR by about 1.5 points

Core fund net IRR by entry price and exit multiple

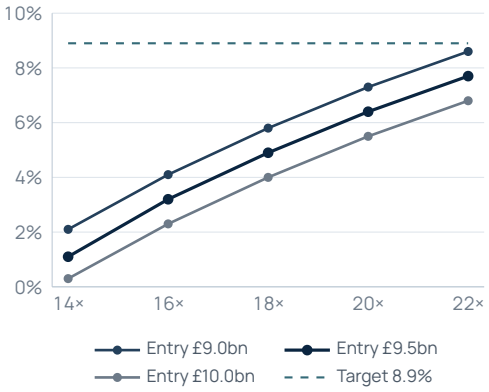
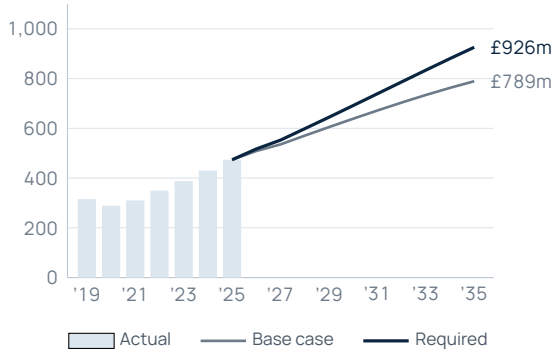


EXHIBIT 12

Reaching 8.9% at £9.5bn needs FY2035 EBITDA of £926m, against £789m in the base case

EBITDA, FY2019–35 (£m)



Note: Both exhibits assume the core-fund structure. Exhibit 12 assumes an exit at 20×.

Source: ABPA Holdings Limited (2020–2026, 2026), LGPS Central Limited (2026).

1.9× against a 1.75× trigger. The exit multiple matters most (Exhibit 11), with each two-turn change moving the IRR by around 1.5 percentage points in either direction.

6.2 Reaching The Target Return

Working backwards shows what a bid at £9.5bn needs to deliver, and a core fund can reach its 8.9% target in any of three ways. EBITDA could grow by about 6.9% a year to FY2035, reaching £926m rather than £789m in our base case (Exhibit 12), the fund could exit at around 24 times, or, assuming the exit stays at around 20 times, it could pay about £8.3bn on entry, 17.5 times FY2025 EBITDA. Of these, the growth route is the most credible, being close to the 7.0% a year ABP delivered between FY2019 and FY2025, when EBITDA rose by £158m mainly through pricing and indexation with modest capital above depreciation. Exhibit 12 assumes growth of the same kind, so the test is whether it continues as inflation normalises. If the extra £137m of FY2035 EBITDA had to come from new projects instead, it would need around £1.4bn of investment at a 10% EBITDA yield, which would absorb much of the return.

6.3 Sources Of Growth

Property and land. The most tangible lever is property. ABP owns more than 8,600 acres, and since 2021 it has been bringing forward over 1,000 acres of strategic development land with strong road and rail links, while lease income has grown by 6.9% a year since 2019 (ABPA Holdings Limited, 2020–2026; Associated British Ports, 2021, 2026e). Developments such as HELM at Immingham convert port land into long-dated rental income (Associated British Ports, 2026c), and because leases are indexed and the land is freehold, this growth carries less execution risk than new port infrastructure.

Energy transition. Energy-transition projects offer larger upside, but over a longer horizon. The UK Government has agreed to support a floating offshore wind hub at Port Talbot, subject to subsidy clearance, and ABP has planning consent for a carbon dioxide import terminal at Immingham linked

to the Viking CCS project, which has not yet reached a final investment decision (Associated British Ports, 2026b, 2026d; Energy Voice, 2026). As the cancellation of the Immingham Green Energy Terminal hydrogen project in 2025 showed, delivery depends on public funding and customers' investment decisions (New Civil Engineer, 2025). In our illustrative case a £750m programme earning a 10% EBITDA yield adds about 0.5 percentage points to a core fund's IRR, provided the exit values project earnings close to ABP's core multiple. Valued at our 8.3% cost of capital, the same programme would reduce value by about £165m. Projects secured on long-term contracts at higher yields would add more, so these are best viewed as options that add to the core case once contracted. Since ABP does not itemise its capital plan, part of this spending may already sit within management's forecasts.

Operations. Operational and digital improvements play a supporting role. ABP has invested in mobile maintenance systems and drone-based inspection, which PricewaterhouseCoopers (n.d.) estimates reduced inspection costs by 38%, but with an EBITDA margin already close to 58%, efficiency gains are more likely to protect margins than to transform the investment case.

6.4 Risks

Most of the risk sits in the exit, the financing and the cargo base. Of these, the exit multiple matters most, as each two-turn reduction from around 20 times costs about 1.5 percentage points of IRR, while our DCF implies around 8.5 times FY2035 EBITDA. New debt at about 7.5% costs more than ABP's 6.4% average. Management's plan assumes the average rate falls below 6%, so its rise in interest from £183m to £213m by 2028 reflects more debt, and refinancing at current rates would add to it. Further leverage would also compete with capital expenditure, the pattern Baird (2013) identifies. Bulk volumes are still declining, down 22% since 2019 and a further 17% in the first half of 2026, and growth projects depend on customers and public funding (ABPA Holdings Limited, 2026; Associated British Ports, 2026a). Ports are notifiable under the National Security and Investment Act, which matters most for strategic bidders (Cabinet Office, 2024; Gallivan et al., 2026), and cyberattack is ABP's principal technology risk (Associated British Ports, 2026a). ABP's contracted revenue and indexed leases cushion the operating risks, though not the exit and financing ones.

6.5 Assessment

For long-term infrastructure investors, ABP offers what they value most, namely a scarce, freehold port and property portfolio with indexed, largely contracted earnings and the highest margin among UK port groups. At £9–10bn the price is full, and returns depend on execution rather than on financial structuring. If ABP sustains growth close to its recent record, a core fund reaches its target, but if growth fades as in our base case, returns are around 6.4%. The bidder best placed to win is therefore the one with the lowest cost of capital and the most confidence that pricing, indexation and rents can keep earnings growing, treating property and energy projects as funded upside. Relying on additional leverage instead would repeat the pattern Baird (2013) describes of payments to owners funded by debt.

07 Conclusion

How much ABP is worth depends heavily on the buyer's cost of capital. Discounted at market inputs, it is worth £4.8bn as a standalone business, while infrastructure investors have paid multiples implying £7.1–7.9bn for comparable assets. The reported £9–10bn sits above both, reflecting the scarcity of large, freehold UK infrastructure and the depth of long-term capital competing for it.

For a buyer, the investment case rests on two things. The first is ABP's ability to keep growing EBITDA at around 7% a year, as it has since 2019, while volumes in its traditional trades decline, which depends mainly on pricing, indexation and rents, with property development and energy-transition projects adding upside. The second, continued demand for core infrastructure at exit, would support a sale at around 20 times EBITDA in 2035. If both hold, a core fund can reach its target return at the reported price, whereas if growth fades as in our base case, returns are around 6.4%.

The sellers realise value at a full price after holding the business for 11 and 20 years. For the buyer, ABP offers stable, indexed earnings, a protected market position and a large land bank to develop, and we expect the winner to be the bidder with the lowest cost of capital and the strongest conviction in ABP's growth. The success of the deal will ultimately be judged on whether pricing, indexation and rents keep earnings growing as inflation normalises, with the property and energy pipeline adding to that over the next decade.

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