

# The impact on investment in the global shipping industry of a more volatile economic environment

*Mark Long*  
*Global Head of Shipping*

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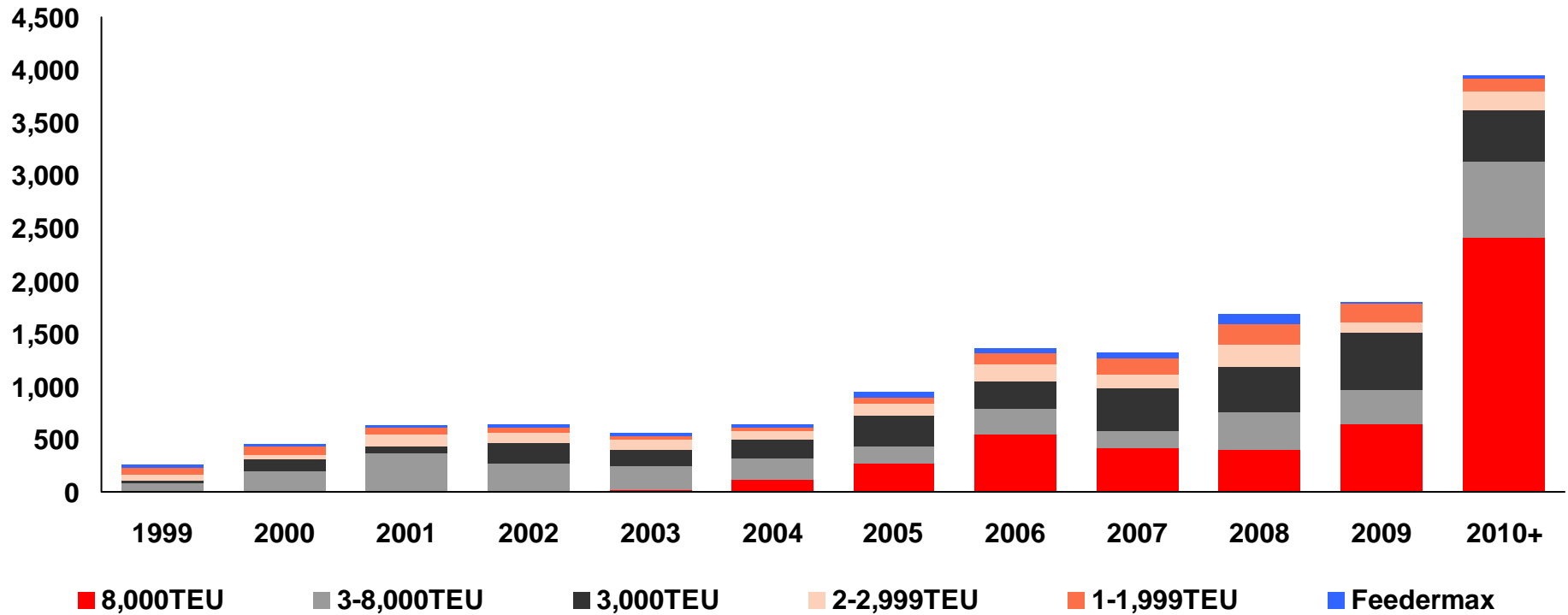
# Impact of Credit Crisis

- **Recent Central Bank and Government actions have reduced the risk of further bank collapses**
- **Government regulation and markets are forcing banks to de-lever, however this will take time**
- **Banks expected to return to a more traditional model to rebuild fundamentals**
- **Higher cost of capital and reduced leverage will impact corporate access to debt finance**
- **Lenders/investors more risk averse and more focused on credit fundamentals**
- **Prospect of market volatility and disruptions remains**

# Container ship deliveries reach all time high

## Total container ship deliveries

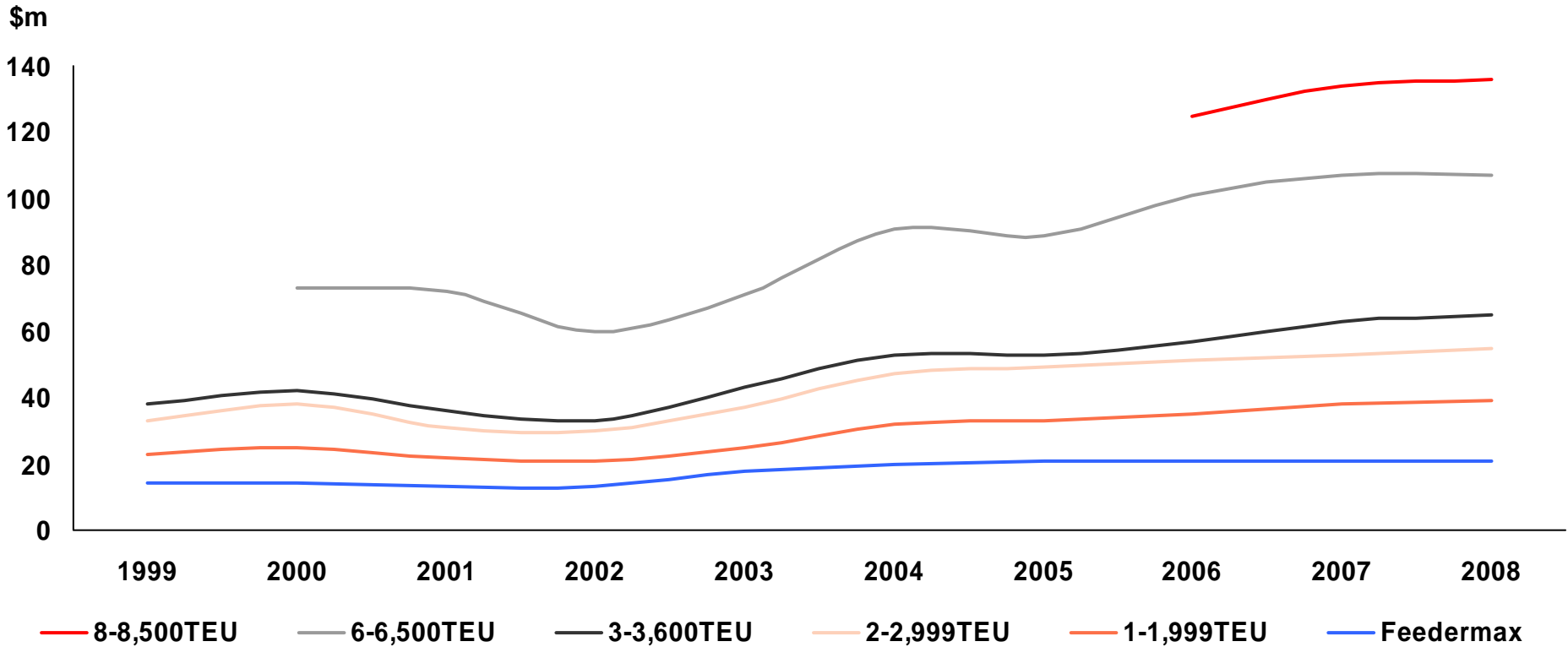
TEU ('000)



Source: Clarkson's Sin

# Will newbuilding prices continue upwards?

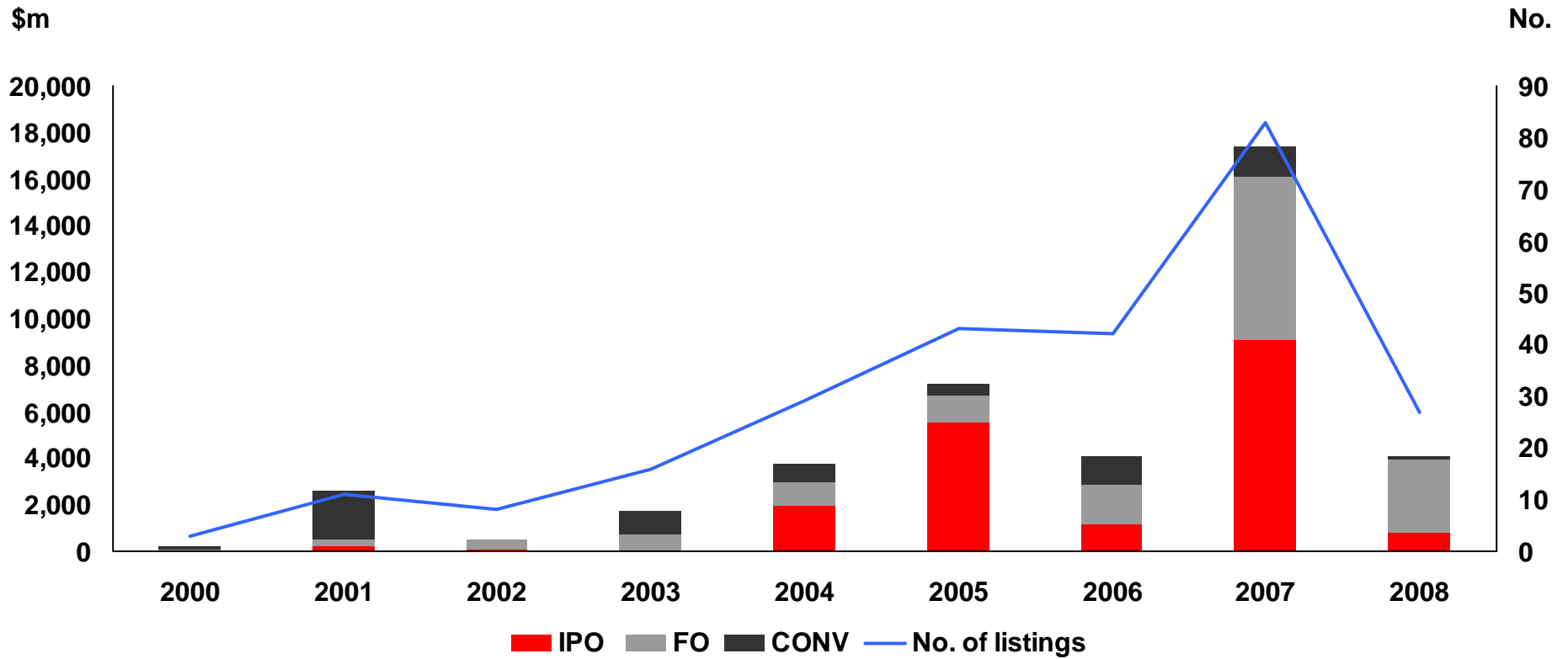
## Container ship newbuild price



Source: Clarkson's Sin

# Global Shipping ECM deals

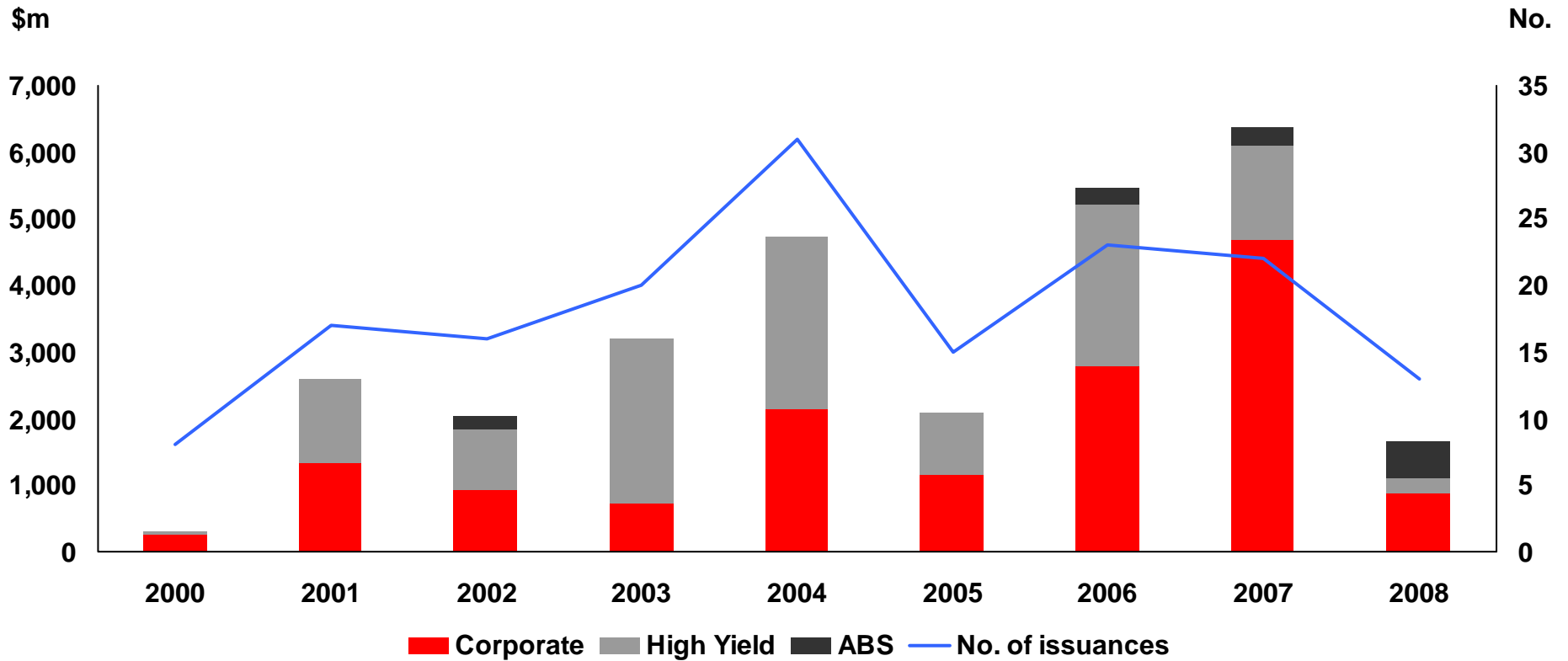
## Global Shipping ECM deals



Source: Dealogic

# Global Shipping DCM deals

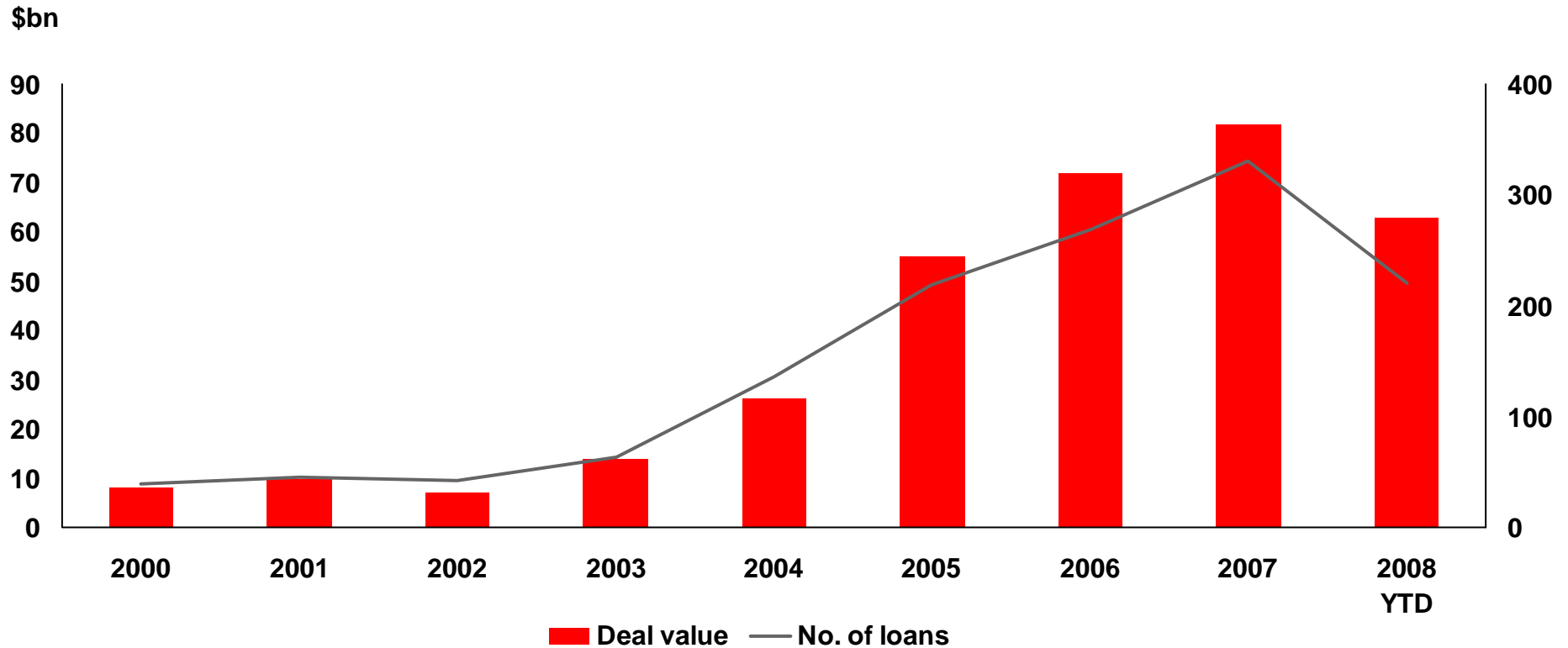
## Global Shipping DCM deals



Source: Dealogic

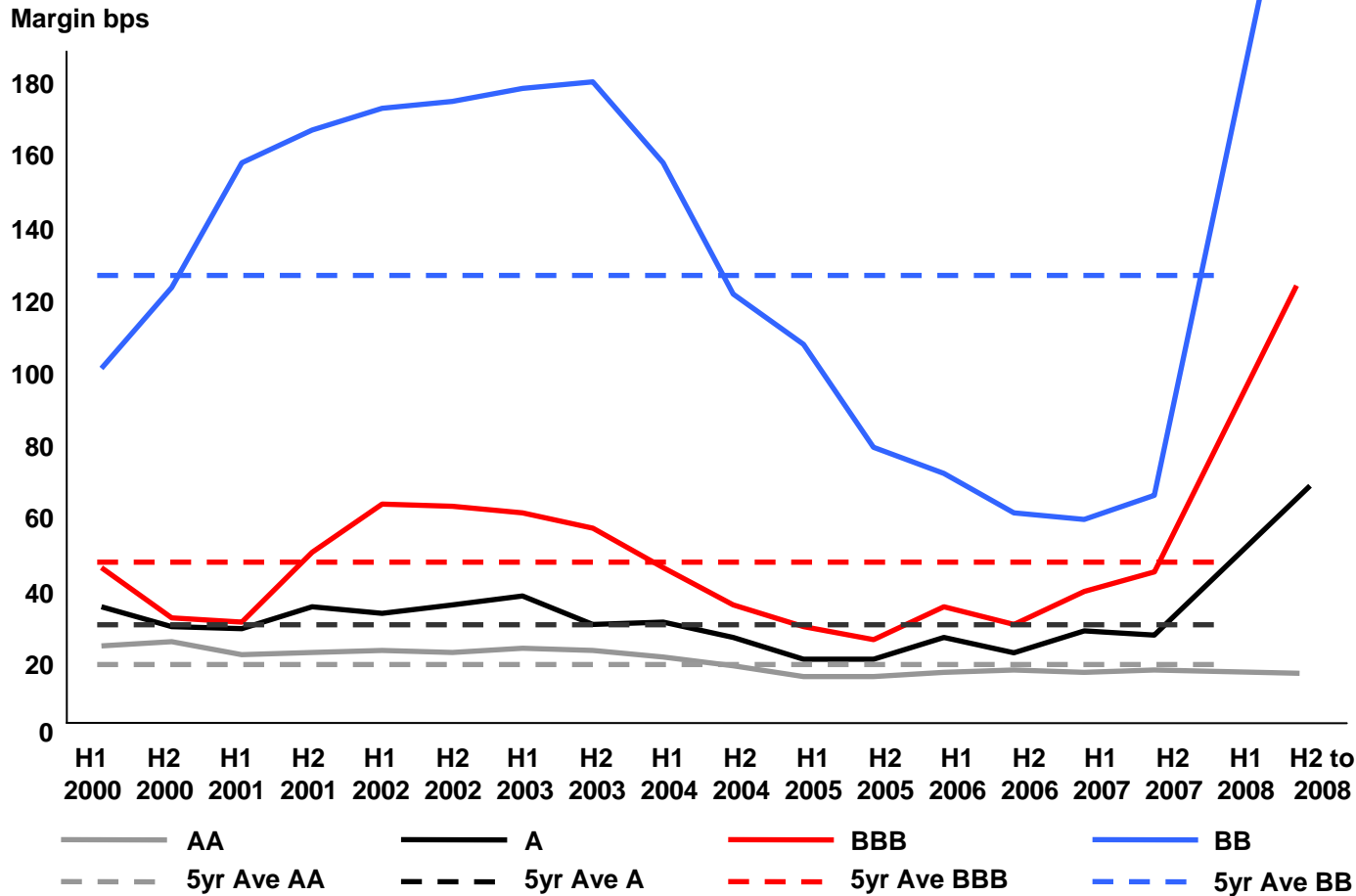
# Global shipping has traditionally had a heavy reliance on Bank Debt

Global Shipping Loan Volumes by year



Source: Dealogic

# Syndicated debt market getting tougher



Source: Dealogic

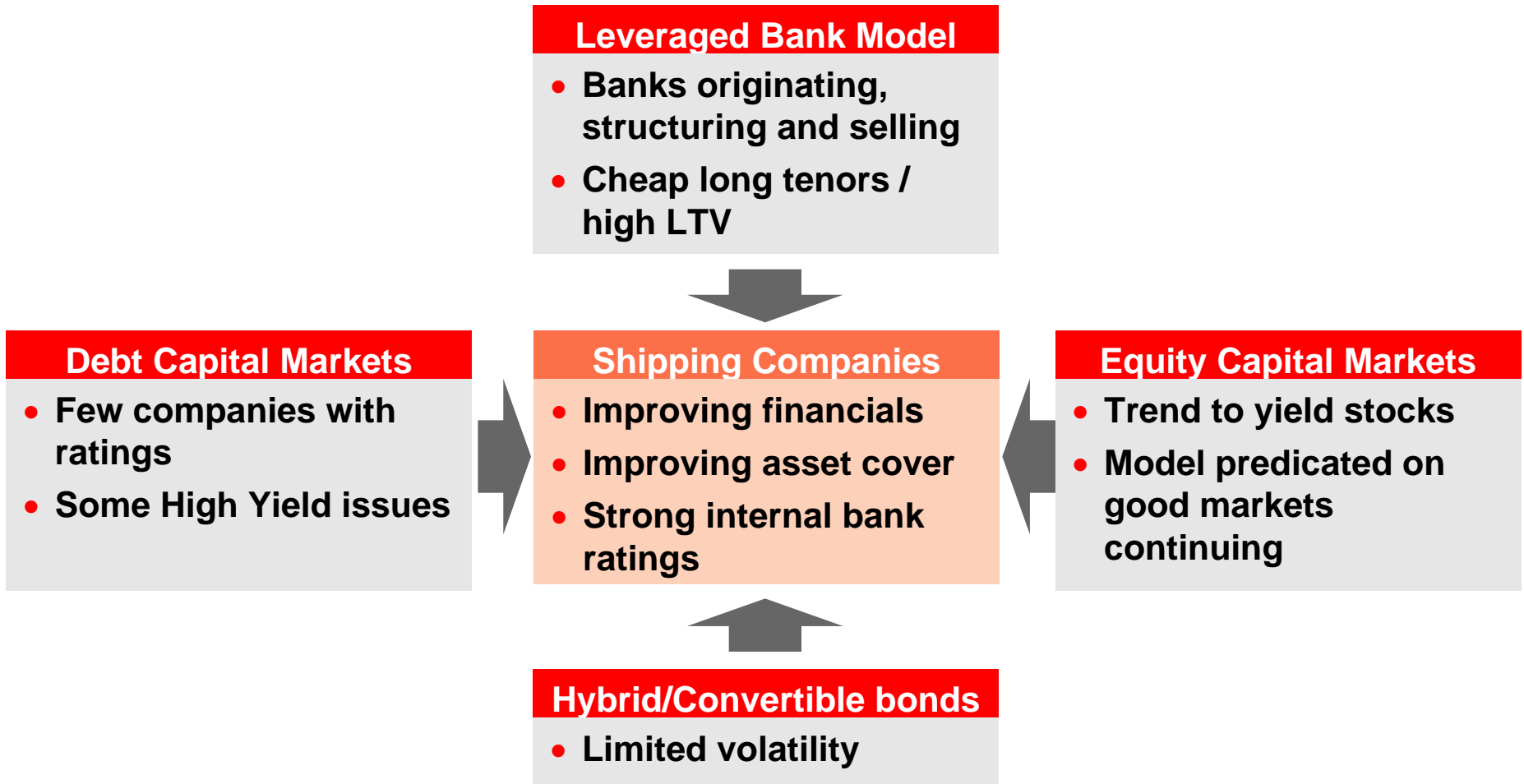
- Relationship banking and clubdeals
- Pricing increases and re-pricing
- Tenor reduced
- Increased amortisation
- More conservative structures (lower LTV)
- Documentation tightening



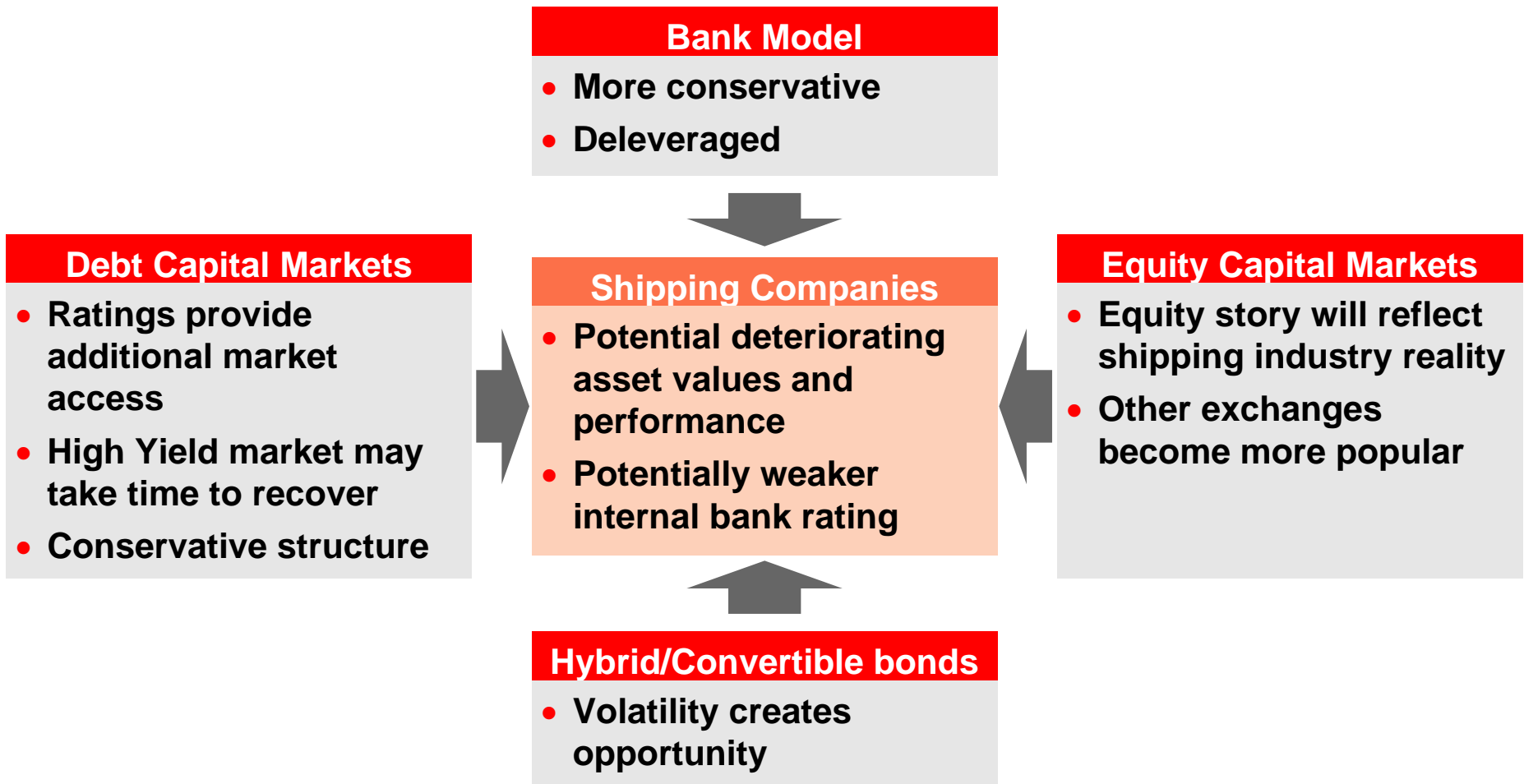
# Export Credit Agency financing has increased in popularity

- Overall Shipping business
  - KEXIM: US\$12bn over the period 2003/2007
  - KEIC: US\$10bn over the period 2003/2007
  - 2008 KEIC estimates US\$10bn of ship financing
- KEIC acts as a credit insurer:
  - Up to 80% loan on contract value
  - 12-year repayment period
- But there has been an upward pricing trend on all transactions

# Old model



# New model: more diverse capital structure



# Conclusion

- **Back to credit basics for banks with pricing moving up and a focus on relationships**
- **Equity capital markets remain challenging**
- **Windows of opportunity will arise across the capital markets**
- **When stability returns, markets will remain cautious**
- **New order book looks increasingly difficult to finance**
- **Delivery delays and cancellations likely to be inevitable**

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