

11th Annual Marine Money Greek Ship Finance Forum Thursday, 8 October 2009, Ledra Marriott, Athens

EVENT REPORT

Full House in Athens

....on a longer term shipping should correct but quality, transparency and financial strength are key to survival.

Despite the tough market and the general lack of ship finance, **Marine Money's Greek Ship Finance Forum** again filled the seats in Athens. With 310 delegates and speakers and some 40 more for the TEN Ltd lunch there was plenty gossip and exchange of views at the 11th Annual conference held on the 8th of October 2009.

The event had started with a speaker's dinner the previous night co-hosted by **Navios Maritime Holdings** and was to end in the early hours of the following morning at the Capital Party co-hosted by **Capital Product Partners LP** at a well known Athens night club. Even if the market is tough, we still know how to enjoy ourselves.

Back at the conference our day began with **Guy Verberne**, a leading economist at **Fortis Bank (Nederland)** telling us that the economic recovery has come and it may well be sustainable. China, he says, has plenty foreign reserves to prolong it's stimulus package for as long as it needs and he sees no meaningful cutbacks from the stimulus packages of western governments, at least through 2010. A risk is for a double dip in 2011 if we get too bogged down in debt.

Vassilis Karakoulakis of **Clarkson Securities** told us how FFAs are useful tools for owners and their financiers when used wisely. In this uncertain shipping market the FFA can provide a welcome earnings floor; useful for a bank's cash flow model.

Christos Tsirikos of **PriceWaterhouseCoopers SA** talked about distressed assets. Not cheap ships however, but rather discounted bank debt. This he believes may be the opportunity that shipping funds may be able to take advantage of. A suggestion was that a new player taking discounted debt from an existing lender can in this way create a long term relationship with shipowners and, why not, even share in the upside by converting the discounted debt amount into equity.

Our first panel of the day consisted of owners and bankers and was moderated by lawyers. The title **The Big Issues** said it all – lack of finance; how long will the banks be patient; the order book, etc. **Ulf Andersson** of **Nordea Bank** opened the discussion by telling the audience that what little finance is available for shipping from banks will be selective and focused on only the strongest owners.



Lefteris Papatrifon of **Excel Maritime** stated that companies with their houses in order could attract finance for the right project. **Evangelos Pistiolis** of **Topships** bluntly stated that until such times as the banks sorted out their own balance sheets there would be no meaningful finance for shipping. **Frank Dunne** of **Watson Farley Williams** rounded up the finance discussion by saying that he sees no new finance for new business and although some owners were hoping to attract finance through Export Credit Agencies (ECA's) the fact is that ECA's themselves are choked up with their own credit problems since they largely lent on containerships.

Regarding the orderbook **Evangelos Marinakis** of **Capital Product Partners LP** strongly stated that this is the biggest problem facing the shipping industry and added that shipyards have to face reality and be more willing to accommodate requests for cancellation and delay. When asked whether there is a collective voice from the shipping industry when confronting the yards **Mr. Marinakis** said that unfortunately this is not the case and each shipowner negotiates on his own. Even the Greeks do not group together, he said, when on occasions 50% of the orders to individual yards are from Greek owners. **Mr. Pistiolis** agreed that yards must be reasonable and that their inflexibility is causing additional pain for the shipping industry which will boomerang on the yards in due course.

Hamish Norton of **Jefferies** gave a presentation on High Yield. In the general market high yield is back although we have not yet seen a shipping issuer. But Hamish believes the time will come – and soon. And **Shawn Frost**, the Athens based US Capital Markets Partner of **Ernst & Young** gave some insight into the “new” SEC and it's new focus. Some items to keep in mind when reporting – fair value disclosure, hedging, disclosure of impairment.

The **TEN Ltd** lunch, a traditional of the Greek event, was followed by a lively discussion entitled **The Public Inquisition**. For the first time in Athens two analysts – **Natasha Boyden** of **Cantor Fitzgerald** and **Urs Dur** of **Lazard Capital Markets** – moderated a panel of owners and a banker. Heated discussion pursued after **Ioannis Zafirakis** of **Diana Shipping Inc**, when talking about investment decisions in the current market, said “we can afford to be wrong, but not to be stupid.” **Angeliki Frangou** of **Navios Maritime Holdings** burst out saying she had just bought six capes in a \$360M transaction, and she wasn't stupid. A discussion ensued about structured transactions, which was the case in **Ms. Frangou's** acquisition, and buying vessels because they appear to be cheap. **Akis Tsirigakis** of **Starbulk Carriers Corp** agreed that if the deal is well structured, and risks are well hedged, the price paid for an asset is of secondary concern. **Ioannis Lazaridis** of **Capital Product Partners LP** argued that taking inflation and the price of commodities into account, the price of ships was approaching a historical low, and there would be good buying opportunities ahead. **Gust Biesbroeck** of **Fortis Bank (Nederland)** said that in his 25 year career in shipping the uncertain variable was always the demand for ships. For the first time, the uncertain variable is the supply of ships and we are therefore trading new ground.

The next panel, chaired by **Brett Esber** of **Blank Rome**, looked to answer the question of whether Private Equity



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will fill the Gap. Probably as expected the panelists – **Peter Wallace** of **Pareto Private Equity**, **Henrik Uth** of **Mari-Time Holdings Ltd**, **Cees Kamphof** of **DVB Bank** and **Anthony Argyropoulos** of **Cantor Fitzgerald** - clearly stated that private equity, whilst available and in big numbers, is unlikely to be attracted to shipping in a big way. A few select deals may be done and the shipping funds which are set up may well likely focus on distressed debt (see **Christos Tsirikos** above) rather than distressed ships.

After presentations by **Carl Siddle** of **Deloitte LLP** and **Mark Friedman** of **Evercore Partners Inc** the day closed with a panel discussion entitled **Short term pain: Long term gain**. Moderated by **Rob Lustrin** of **Seward & Kissel** the discussion looked beyond the next two years and where might we be then. **Dale Ploughman** of **Seanergy Maritime Holdings Corp** believes that with 40% cancellation and the expected growth in demand, in a few years we should again see some equilibrium in shipping. The key is to protect against the next two years with strong charters. **Wiley Griffiths** of **Morgan Stanley** reckons there will start to be differentiation between public

companies and increasing transparency and a strong balance sheet will be essential. The other panelists agreed that on a longer term shipping should correct but quality, transparency and financial strength are key to survival.

The day ended with a cocktail reception hosted by **International Registries, Inc.** We were pleased that once more we filled the room and had lively debate and discussion within and outwith the conference room.

Text by Kevin Oates, published also in Marine Money's Freshly Minted Weekly Newsletter on 15 October 2009.

To view the Freshly Minted, you may use the below Trial password for the month of October 2009. Go to www.marinemoney.com click on "subscriber login" and enter:

User Name: october
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List of Participants is available at: <http://www.marinemoney.eu/2009/athens/pdf/ListOfParticipants.pdf>

With the tremendous support from sponsors, speakers and participants for this Marine Money Greek Ship Finance Forum, we look forward to another success in Athens in October 2010.

With warm regards, Kevin Oates & Mia Jensen, Marine Money Greek Office.