

1st Annual Marine Money London Ship Finance Forum
Thursday, 21 January 2010, London Marriott, Grosvenor Square
EVENT REPORT

London calling. London calling.

.... more education about shipping is key to attract investor appetite in London.

Marine Money returned to London after a long absence to host a wonderful 1st annual conference on 21st January 2010. This was the first of 14 Marine Money conferences for 2010 and we got off to a cracking start. Over 180 delegates and speakers attended with about one third coming from overseas.

The day started with a keynote address from **Mr. Alderman and Sherriff David Wootton** of the **City of London** whose role, led by the Lord Mayor, is to promote the UK-based financial and business services sector, regardless of ownership and wherever in the UK. Mr. Wootton stressed the continued importance of shipping to the City of London, and indeed the City of London to shipping. He reminded us that in the City of London there are some 400 shipbroking firms and these firms (and their offices overseas) cater for about 50% of global S&P transactions, 50% of tanker chartering and over 30% of dry bulk chartering. Additionally UK banks organize about 13% of all shipping finance, London accounts for about 63% of P&I insurance and 17% of hull insurance and of course the English legal system remains forefront in most shipping contracts and litigation. Why did we not return to London earlier ?

Our next speaker was the always entertaining and highly respected **Martin Stopford of Clarksons Research Services**. In summary Martin stated that in 2009 China defied gravity to save the dry bulk market and really needs to do the same in 2010 to save all markets. The huge concern, as we all know, is the "eight wheel juggernaut" of deliveries that is looming in 2010 and the conclusion is not good unless a great many of these vessels fail to be delivered.

The next discussion, preambled by **Randee Day of Seabury Advisors** and **Albert Stein of AlixPartners**, discussed the theme of the moment, Restructuring the world's shipping debt. Both Randee and Albert commented on the current crisis, comparisons with previous crises and stressed that any solution must focus on co-operation between banks, owners and yards.

The discussion then turned to the panel of **Keith McRae of DvB Bank**, **Robin Perkin of RBS**, **Bart Veldhuizen of Lloyds Banking Group** and **Richard Blood of Moore Stephens**. The common theme was that it is certainly preferable to keep a relationship solvent rather than to call default and go through the hell of arrest and auction. Keith McRae conceded that the close to zero cost of capital is to a



degree papering over the cracks and others on the panel continued this theme by saying that it does not cost banks much to stand still. Robin Perkin of RBS says that crisis is really only applicable to the container sector, in which RBS do not have much exposure. In the other sectors cash flows remain sufficient to pay operating costs, interest and very often some principal. That is not a definition of crisis. Bart Veldhuizen said interestingly that sometimes he regrets having a mortgage, not that he does not want the security, but so that there could be less focus on asset values and more on corporate type restructuring to solve the issue. In response to a question from the moderator, **Frank Dunne, of Watson Farley & Williams**, Richard Blood stated that it is not good for the industry to prop up the weakest owners. It is best to clear out the weaker players and move on with a stronger industry.

Jean Richards of SecondWind Shipping Limited commented from the floor that in previous crises it is often not until the second or third year of the crisis that we see real casualty. As such, she went on, we are probably still in the early days of this crisis and not at the end of the beginning that some seem to think.

Elizabeth Parrott of the London Stock Exchange gave a presentation of the public markets in the UK, and listing requirements. Interestingly though few IPOs were done on the UK markets during 2009 the amount of funds raised from follow-ons by listed companies in 2009 was more than in 2008.

On the panel discussion that followed, moderated by **Chris Randall of Norton Rose LLP**, was **Robin Byde** who covers shipping (and transportation) for **HSBC Bank plc** and **Pratyush Chatravarty of Clarksons Investment Services**. Robin commented on the disparity between airline stocks and shipping stocks, not just in the UK but globally, and how more education about shipping is key to attract investor appetite in London. It was mentioned that shipping has been slow in London and investment banks really must make a niche for shipping on FTSE or AIM if we are to see progress during the next upturn.

The following panel was moderated by **Michel Bourgery of MB Finance**. The discussion was on FFAs and derivatives and the panelists were **Vassilis Karakoulakis of the Freight Derivatives Desk of Clarksons Securities Ltd**, **Jeremy Penn of the Baltic Exchange** and **Michael Saverys of Bocimar International**. All three agreed that the use of FFAs has grown exponentially in recent years, are here to stay and are part of any serious shipowner's arsenal when planning ahead. Like in the physical market, counter party is of key concern but now that the FFA market has matured the issue of counter party is less than previously and that the major players are in fact the trading floors of major investment banks.



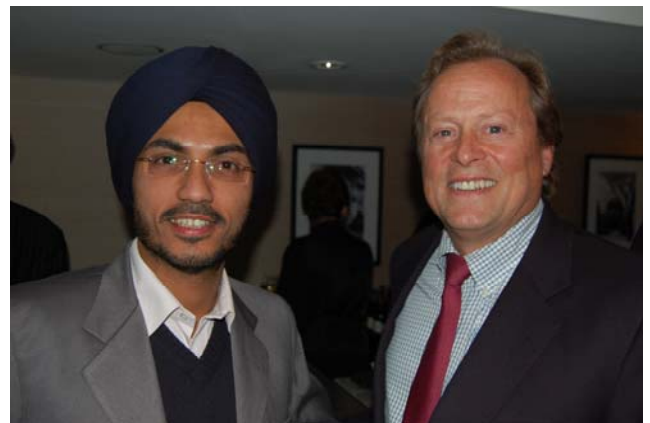
Event Report: 1st Annual Marine Money London Ship Finance Forum, 21 January 2010

After lunch we considered opportunities the weak market might present and what sources of finance may be available to support transactions. Firstly **Ferdinand Knapp of Citibank** discussed M&A opportunities, then **Simon Deefholts of HSBC plc** talked about debt capital markets and finally **Hamish Norton of Jefferies & Co** gave a presentation on high yield.

The next panel discussion was entitled Filling the Black Hole – or just where will the finance come from. Topics discussed included private equity, Norwegian bonds, Islamic Finance and indeed the shipping commercial debt market, or lack thereof. Moderator of the panel was **John Forrester of Holman Fenwick Willan** and panelists were **Erik Helberg of RS Platou Markets**, **Andrew Hampson of Tufton Oceanic**, **Andreas Povlson of BTMU Capital**, **Einar Wold of DNB NOR Markets** and **Ronald Dal Bello of First Ship Lease (Switzerland) AG**. The common theme through the discussion was that quality deals with quality people can still find finance, albeit on more conservative terms than before. However, Andrew Hampson stated that the black hole of unfinanced shipping is anything between \$100 billion and \$400 billion and all of private equity, Norwegian bonds and Islamic Finance is a drop in the ocean compared to such numbers. Tufton Oceanic's own estimate of finance not committed for vessels on order is about \$140 billion. Andreas Povlson stated that the banks do not in fact want the black hole to be plugged because the delivery of all those unfinanced vessels is what will keep the industry depressed for years to come.

The day ended with a discussion about the year ahead – if indeed shipping is a good candidate for investors' money. The moderator of the panel, **Brian Devine of Blank Rome LLP** and the panelists were **James Lawrence, Chairman of Marine Money**, **Nigel Anton of Standard Chartered Bank**, one of the few banks still actively lending today, **Jan Morten Eskilt** of third party ship manager **OSM Group Ltd**, **Stergios Souyoutzoglou of SafeShip Investment Company** and **Sadan Kaptanoglu** of Turkish shipping company **Kaptanoglu Holdings**. Much was discussed on the panel but Sadan Kaptanoglu summed up the day when she said that without shipping half of the world's population will starve and the other half will freeze. Despite the current difficulties shipping is here to stay.

With that in mind, we look forward to seeing you in London again in January 2011.



Text by Kevin Oates, published also in Marine Money's Freshly Minted Weekly Newsletter on 28 January 2010.

To view the Freshly Minted newsletter, the below Trial password is good for the month of January 2010. Go to www.marinemoney.com click on "subscriber login" and enter:

User Name: january
Password: 2010london

Conference Agenda is at: <http://www.marinemoney.eu/2010/london/program.htm>

List of Attendees and Sponsors is at: <http://www.marinemoney.eu/2010/london/pdf/ListOfParticipants.pdf>

Conference Organisers: Mia Jensen and Kevin Oates, Marine Money - Greek Office.
Kevin's mobile: +30 6944 302 827, Mia's mobile: +30 697 22 100 69, mia@marine-marketing.gr