

Container Throughput Growth,  
Capacity Review and Revenue  
Analysis: Outlook on Global  
Trade and Implications for  
Mediterranean Route

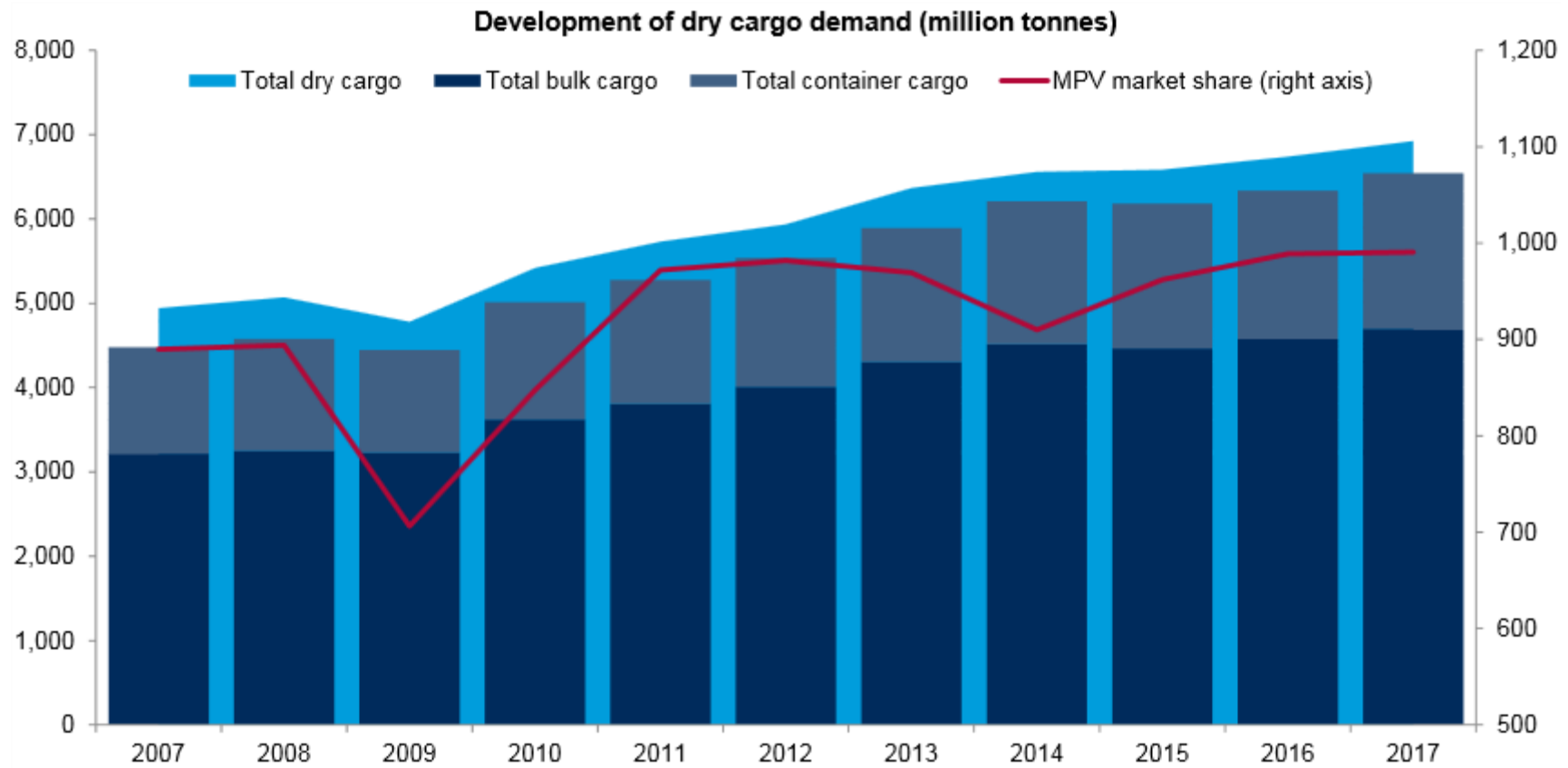
THE (recent) PAST

- Before the crisis, between 2006 and 2010, main ship owners signed contracts for new bigger ships to be built, based on economic forecasts which pointed out to long and strong growth era.

International crisis brings out a new scenario

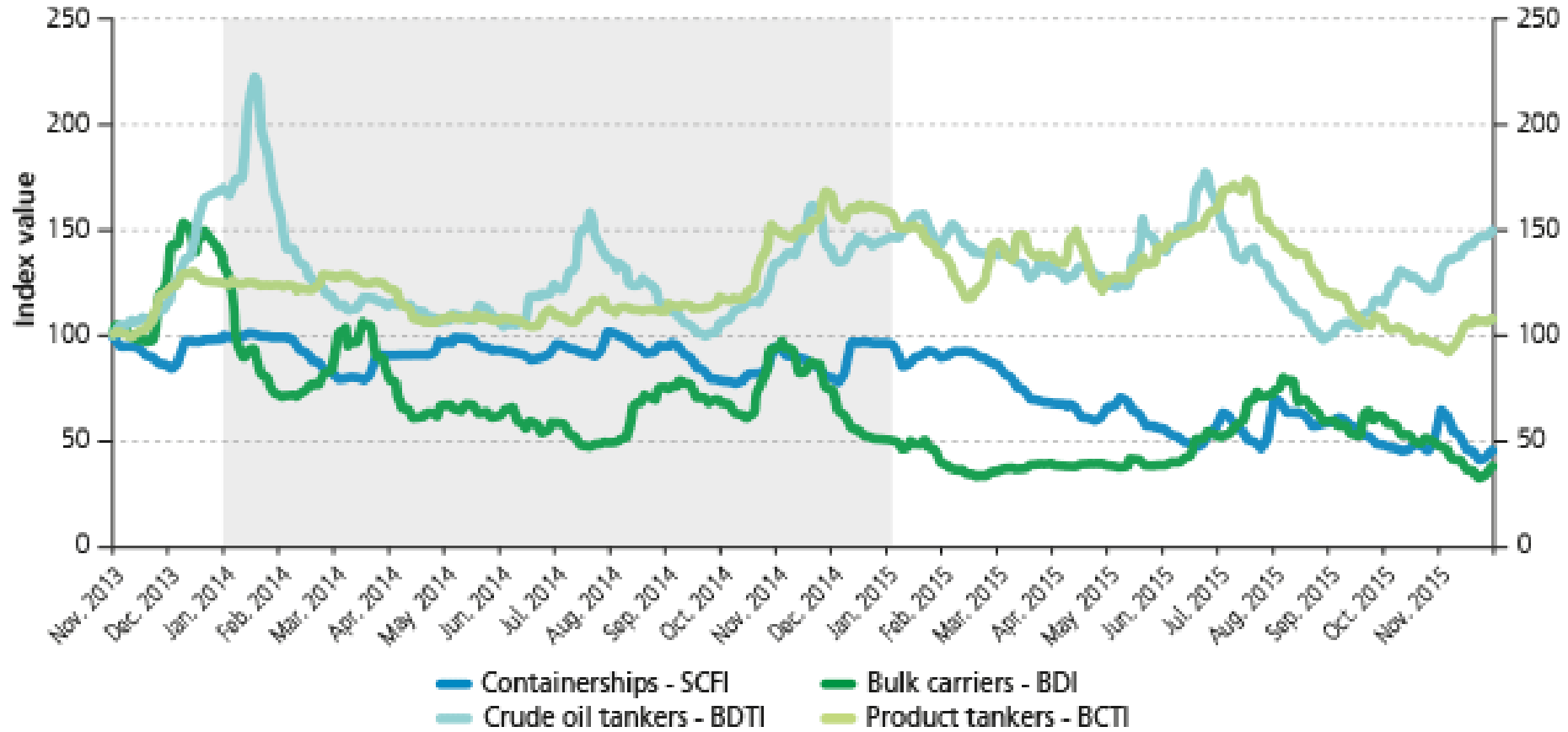
**SAME OR LOWER DEMAND + MORE CAPACITY = PERFECT STORM!!**

First consequence: Carriers have to fight for market quotas, decreasing rates as a first measure, as vessel utilization becomes first target.



Source: Drewry's Multipurpose Shipping Market Review and Forecaster

## Freight rate developments 2013-2015



Source: BIMCO, Baltic Exchange and Shanghai Shipping Exchange

Consequences of lower rates and low yield:

**Reduction of fleets**

**Share or eliminate loss making services and calls**

**Merges**

**Acquisitions**

Despite such measures:

- Negative indicators from 2014 don't overcome
- Lower growth in 2015 GDP
- China economic changes

## **THE WORST MOMENT**

Dec 2015: Carriers lose millions dollars per week.

Hanjin bankruptcy in August 2016

**THE PRESENT**



## **KEYS FOR RECOVERY:**

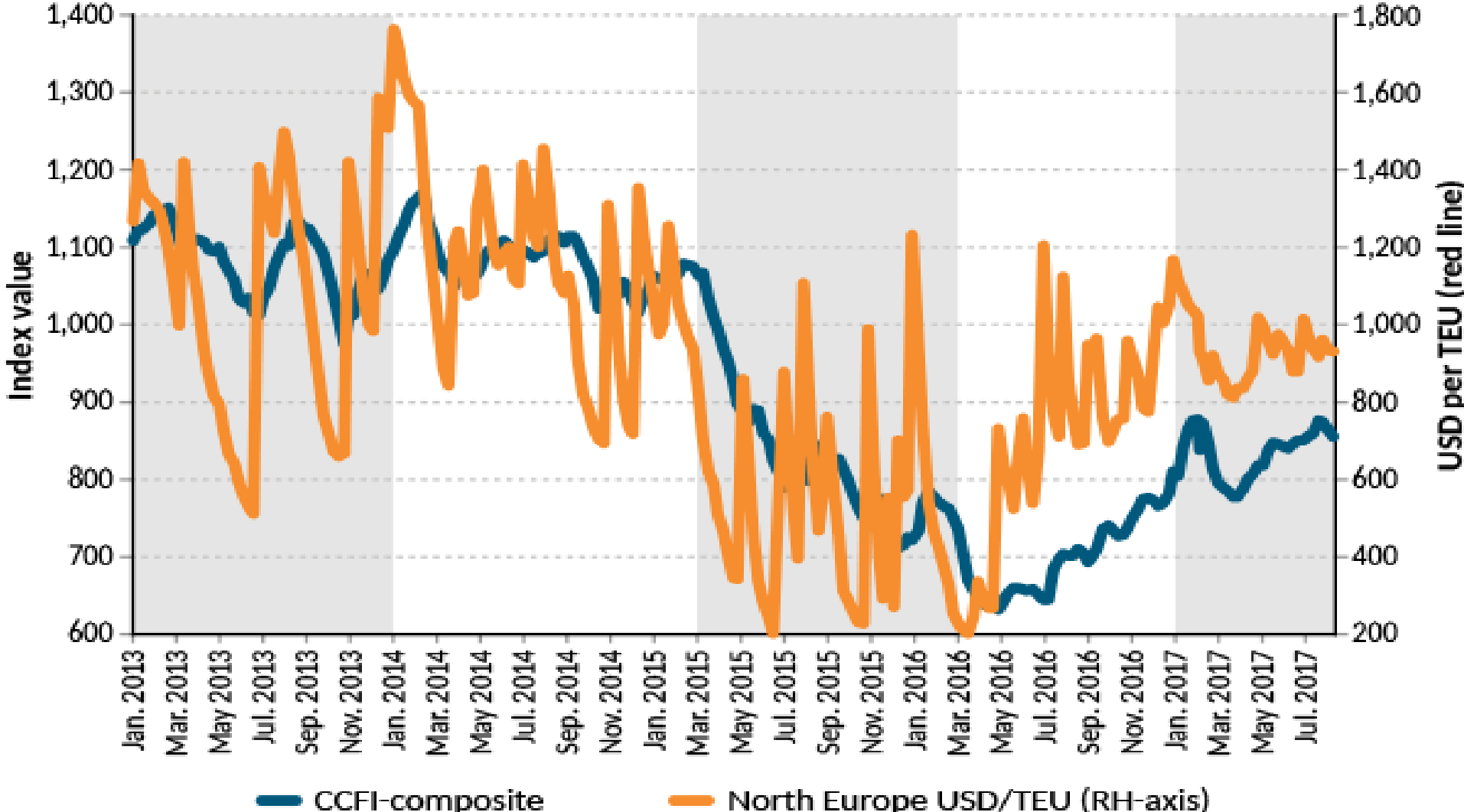
- Dollar exchange against euro rises: Exports from Europe Booming
- China economy recovers – Exports to china booming
- Smaler fleets: demolition vessels to scrap
- Hanjin disappears from the board
- Consumption recovery worldwide
- Merges and acquisitions leave less players

# BIG SHIPPING DEALS:

- 2015: Cosco Group and China Shipping Group announced a merger to create Asia's biggest container line, Cosco Shipping Holdings Co.
- 2016: Cosco Shipping Holdings acquires OOCL.
- 2016: CMA CGM SA buys Singapore's Neptune Orient Lines (APL)
- 2016: Maersk agrees to buy Hamburg Süd.
- 2017: Hapag-Lloyd AG completed its acquisition of United Arab Shipping Co.
- 2018: NYK, MOL, Kline consolidate their container shipping businesses.

# China and Shanghai containerized freight index

2013-2017



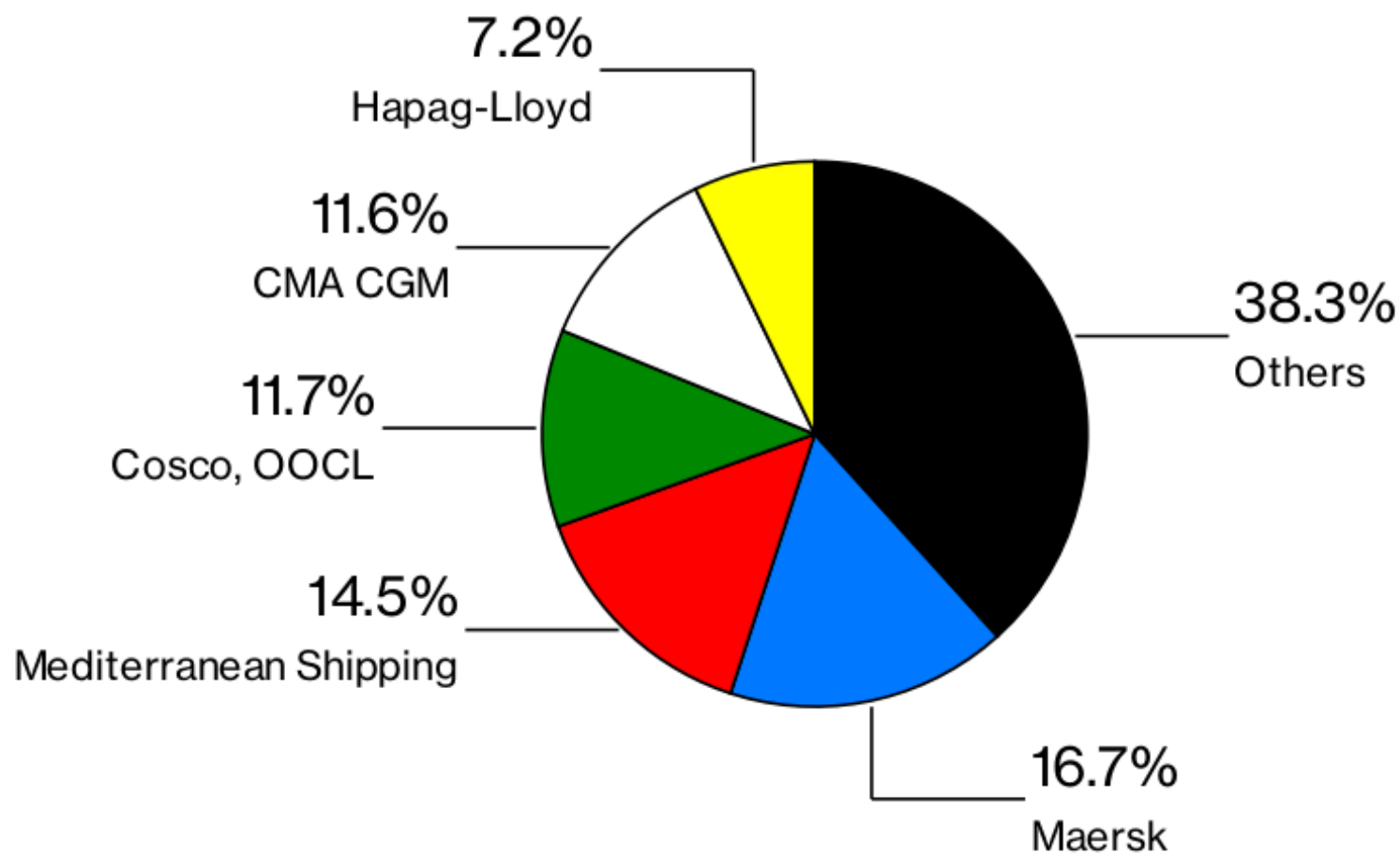
Source: BIMCO, Shanghai Shipping Exchange

## KEYS FOR RECOVERY:

- Freight rates are coming back from the abyss.
- Spot freight rates in 2017 are up more than 100% from the very low levels of 2016, but may still be at a loss-making level now and so spot rates are not the best indicator for market profitability.
- 2018: back to black

# Tipping Scale

Top 5 container lines control more than half of the global market

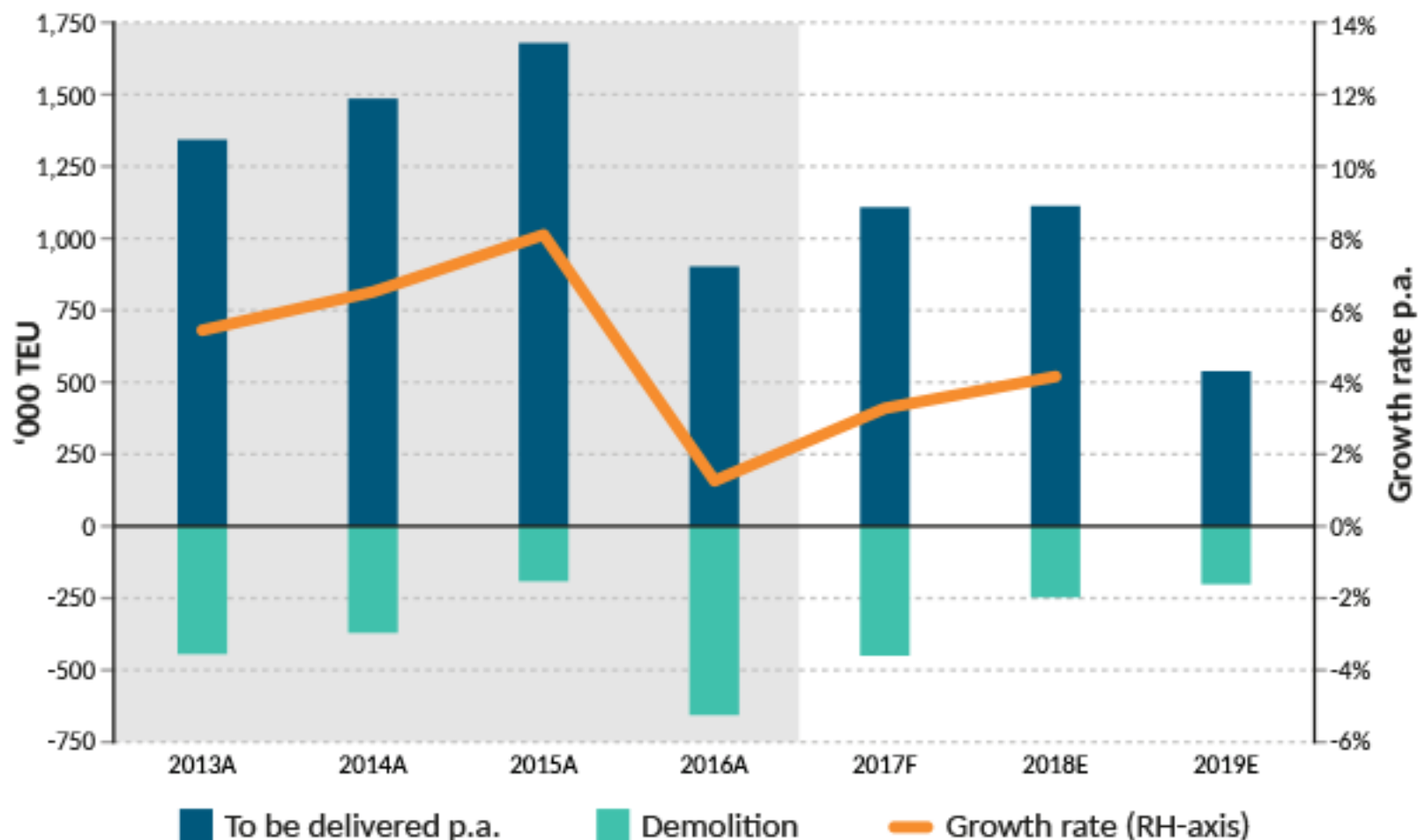


Note: Figures as of Aug. 10

Source: Alphaliner

THE (near) FUTURE

## Container ship fleet growth



Source: BIMCO estimates on Clarkson's raw data

A is actual. F is forecast. E is estimate which will change if new orders are placed. The supply growth for 2017-2019 contains existing orders only and is estimated under the assumptions that the scheduled deliveries fall short by 10% due to various reasons and 30% of the remaining vessels on order are delayed/postponed.

# NEW VESSEL DEPLOYMENT

- Carriers need size to finance and fill bigger ships.
- Mega-ships into operation = more overcapacity = Rates decrease
- More mergers: some medium-size carriers can be eaten to avoid continuing a simple regional player.
- 2020: no more than six global carriers with comprehensive networks.



# Maersk's Toft: 'handful' of lines to remain (Trade winds)

Maersk Line's COO Soren Toft has envisioned a future where only a handful of giant container lines remain. He told the Straits Times that acquisition activity could pick up again as growth slows.

"We expect that within - I cannot give a timeframe on it - that you will see maybe a handful of shipping companies, a little bit similar to what you see in the courier express and parcel industry, where there're really, you know, three global companies," he was cited as saying.

Toft went on to say that the changing market calls for a fresh approach, with owners moving beyond competition on costs and ship size to instead focus on improving services like port turnaround times.

Maersk group CEO Soren Skou has previously said the world's largest shipping company is "out of the market" for further deals this year for rival liner operators.

The \$4bn takeover of Germany's Hamburg Sud will take precedence, he added. "We were all very surprised by how much the sector actually consolidated last year," Skou said.

"We have to absorb the Sud acquisition before we can do anything else," Skou said. "Maersk is out of market."

# SHIPPING BUSINESS BECOMES A GEOPOLITIC ISSUE (CHINA)

- China against P3 Alliance (Maersk, MSC, CMA CGM) to avoid a Top1 european Carrier.
- China wants to secure its supply chains and strengthen its naval presence by dominating in container shipping (COSCO CHINA OOCL carriers + terminals)
- China will not accept that a European competitor would dare to buy up a shipping firm from their “backyard” (Yang Ming and Evergreen). As COSCO is already cooperating with OOCL and Evergreen in the Ocean Alliance, it has the best cards for possible acquisition.

# SHIPPING BUSINESS BECOMES A GEOPOLITIC ISSUE (EUROPE)

- CMA CGM, as the dominant player in Ocean Alliance, could become junior partner if COSCO manages to take over OOCL and Evergreen.
- French state might consider to buy shares in CMA CGM to pre-empt the Chinese (COSCO) from doing so.
- A joint French-German carrier, partly state-owned, would not only be a powerful expression of that new political reality, but also become world's largest carrier.

**WHAT ABOUT THE MED?**

# WHAT ABOUT THE MED?

- Med is the link between south Europe and rest of continents with France, Italy, Spain as main points.
- West Mediterranean bloc demand for Asian products increases 5.2% in 2017 with Spain as the powerhouse: job creation is increasingly boosting household purchasing power and demand for goods from the Far East.

# WHAT ABOUT THE MED?

- Asian imports in the East Mediterranean rising by 6.1% in 2017 due to a calmer political environment in Turkey and tourist industry recovery.
- Greece economy is still struggling against crisis as the weakest, despite stability.
- Markets of the Black Sea and Adriatic continue to outperform the rest of the sub-regions with recoveries in Russia and Ukraine with imports into Romania and Bulgaria.

# WHAT ABOUT THE MED?

- Carriers have opted to deploy 14,000 teu newbuild ships on dedicated Asia to Mediterranean loops since the new alliances became operational in April 2017.
- Trend line shows that rates have generally lifted over the past 12 months, indicative of the underlying growth in the trade.
- Situation in Catalonia (?)

THANK YOU VERY MUCH