

# **Shipbuilding: Pleasure...then Pain**

Measures to sooth the Pain

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Portugal, Lisbon, 11 May 2010  
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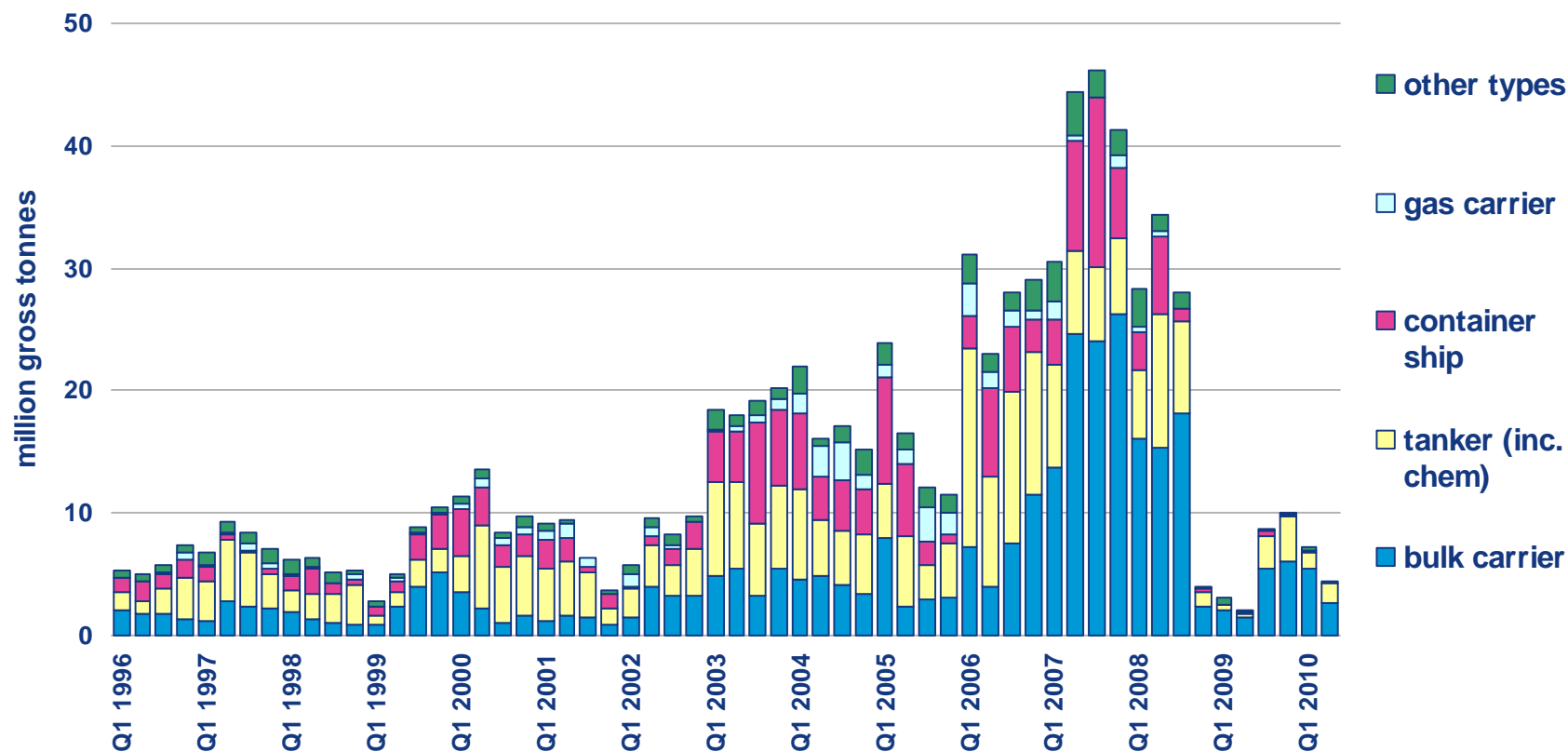
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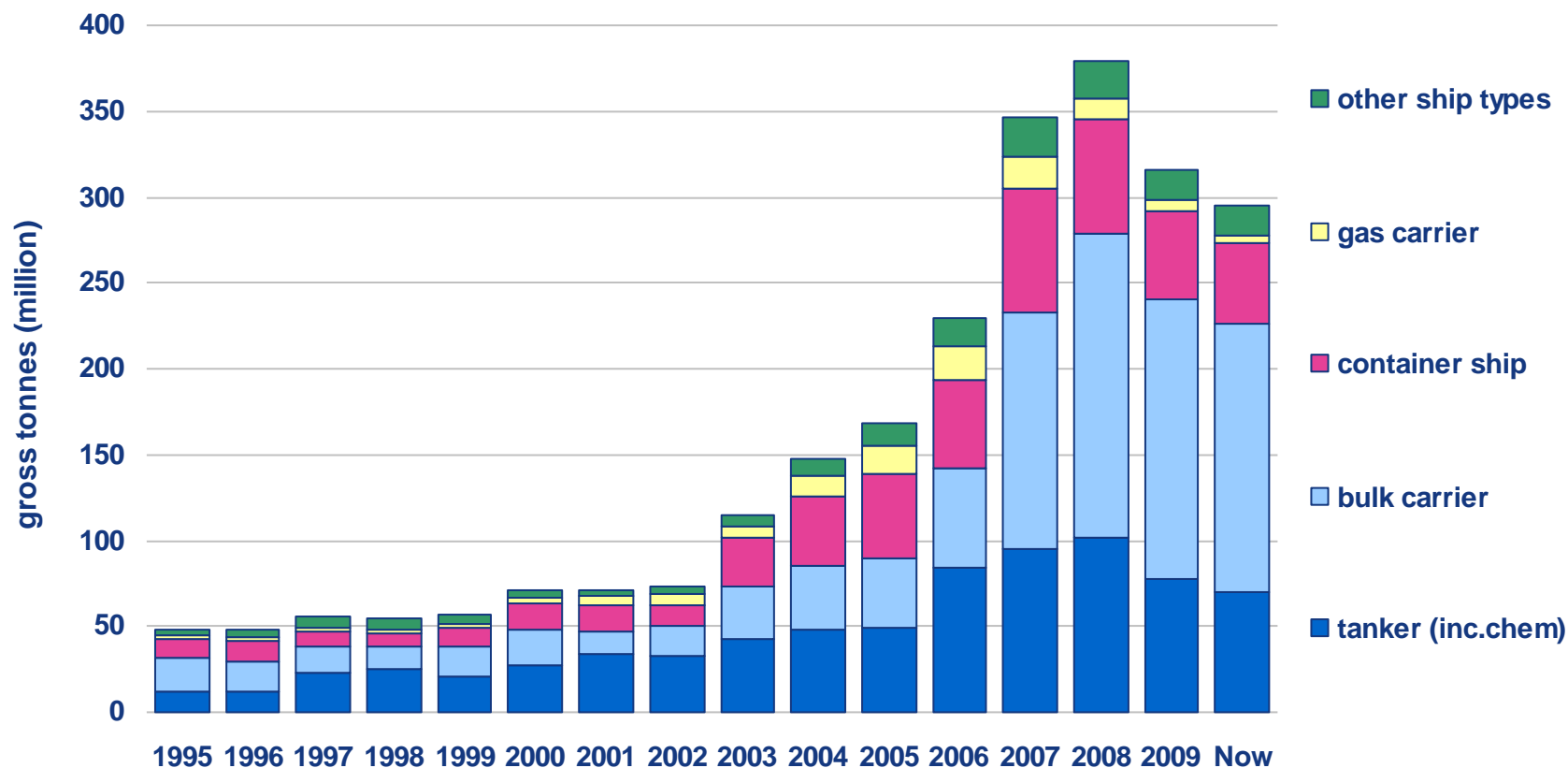
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# Newbuilding

# New Orders 1996-2010 [>999 GT]



# All Types Orderbook Development (>999GT)

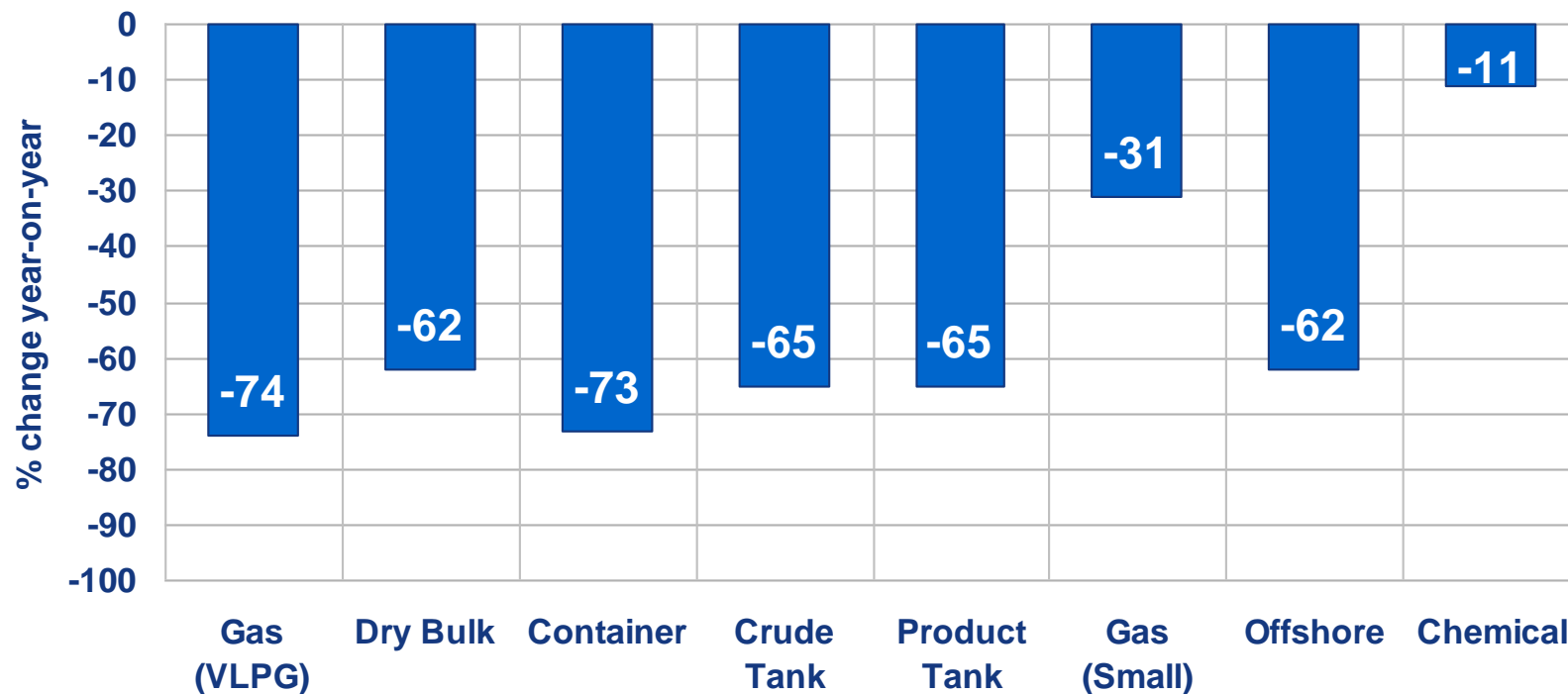


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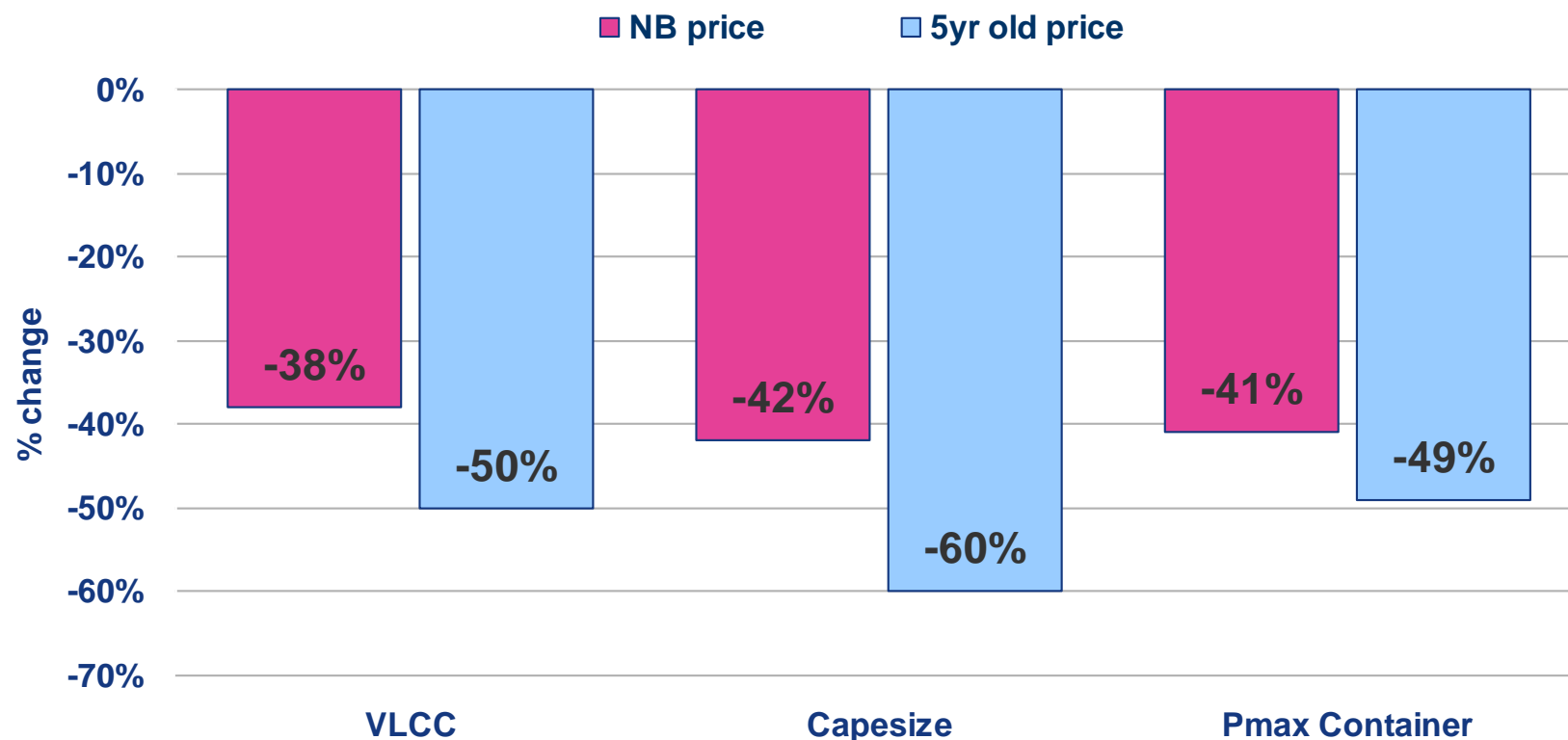
# Financial Pain

# Clarksons Earnings Pain Index

■ Clarksons Pain Index 2008 Vs 2009

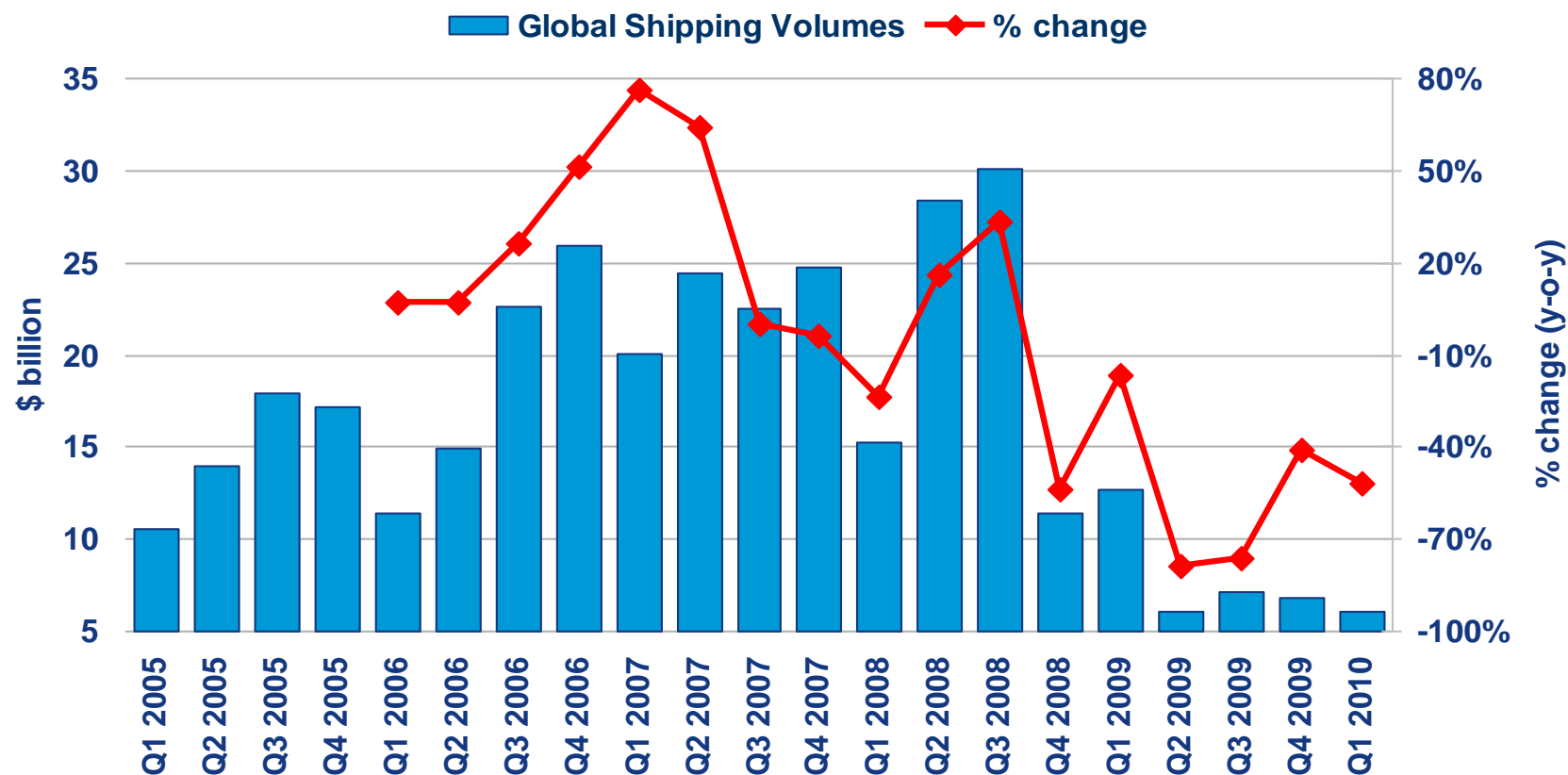


# Assets - % Drop since Peak 2008





# Global Shipping Loan Volumes



Source : Dealogic

# Finance Market Characteristics

Finance T&C's  
less  
favourable to  
owners

Low LTV  
ratio's

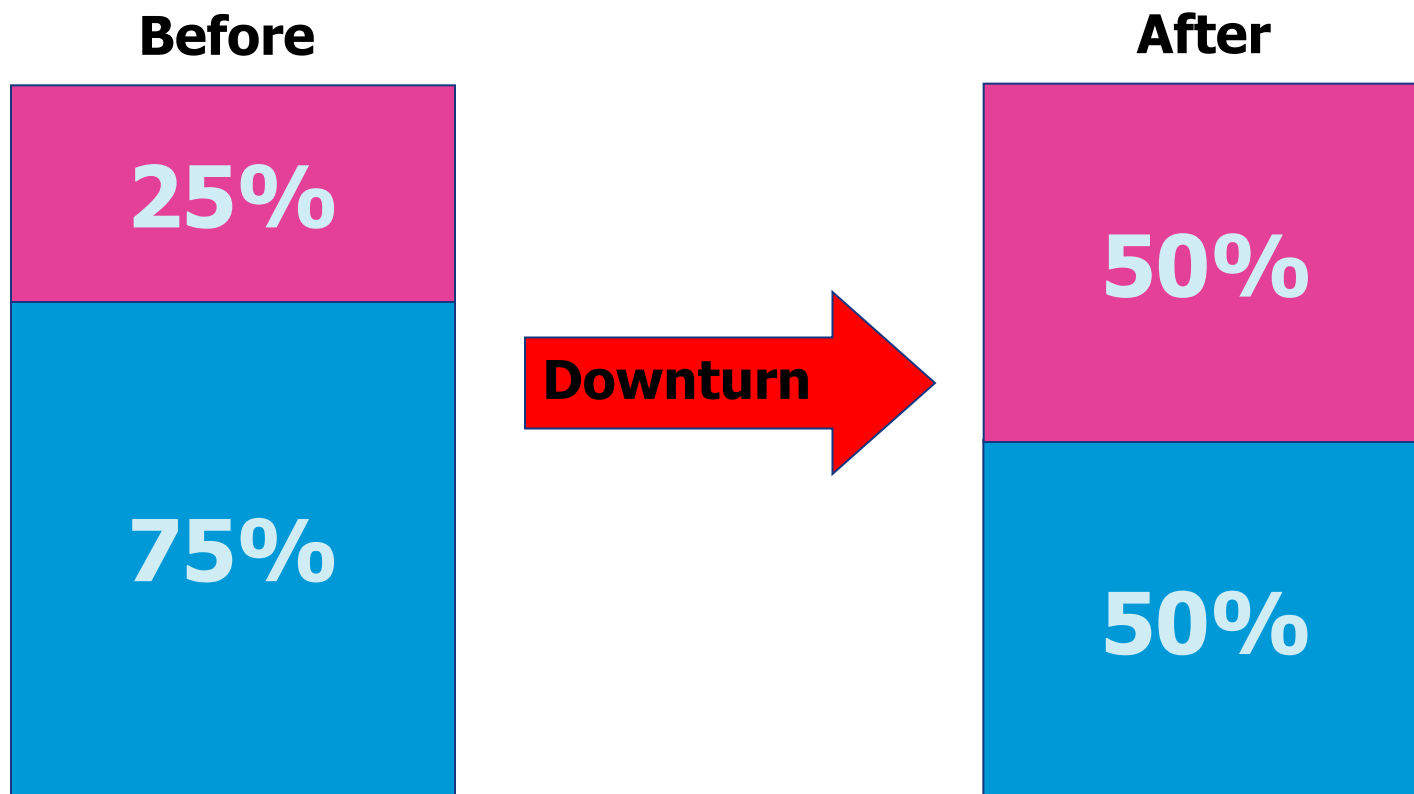
Debt  
Restructuring

Evidence of  
Employment

Finance now  
more  
expensive

Non shipping  
banks out of  
the market

## Debt to Equity

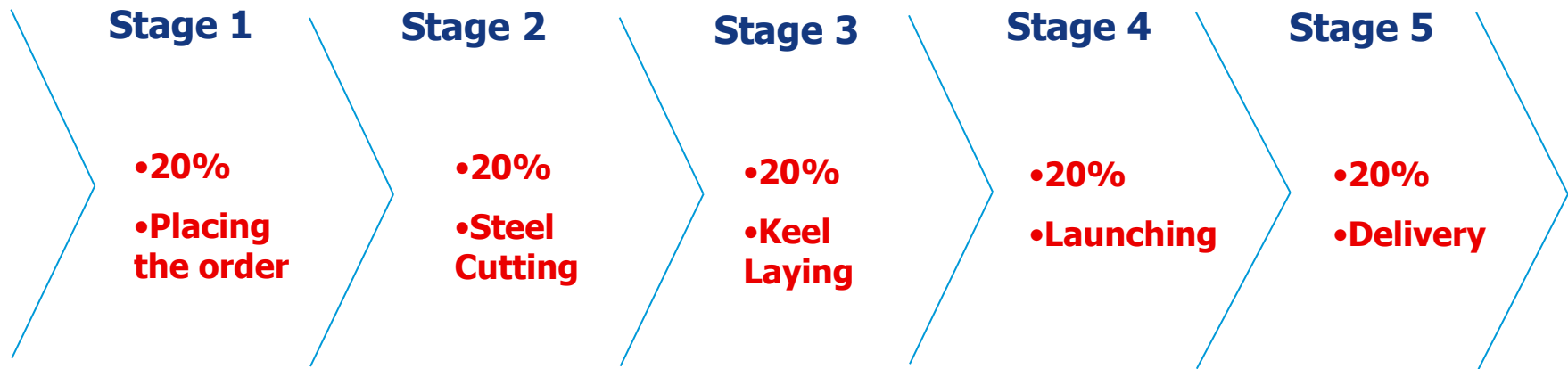


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# **Modelling The Orderbook**

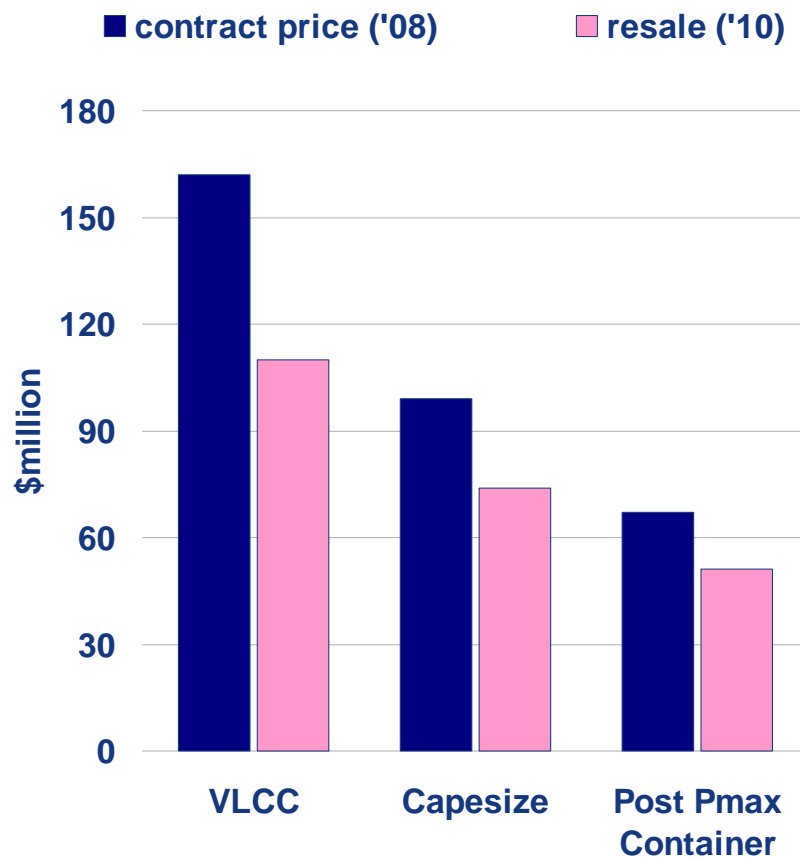
## **A Financial Perspective**

# Typical Payment Schedule



- Yards generally took orders with approximately 18 months lead time, however, more recently yards had upwards of 3 years lead time, but changed payment terms.
- Payment scheme varies from yard to yard – e.g. Korean and Japanese yards mostly demanding tail heavy payments of 50% and 60% on ship delivery
- Key question for most existing shipbuilding contracts is when steel cutting instalment becomes due (stage 2 can be missed and instead a payment of 10% may occur 6m after placing the order)

# Price adjustments...Value Gap



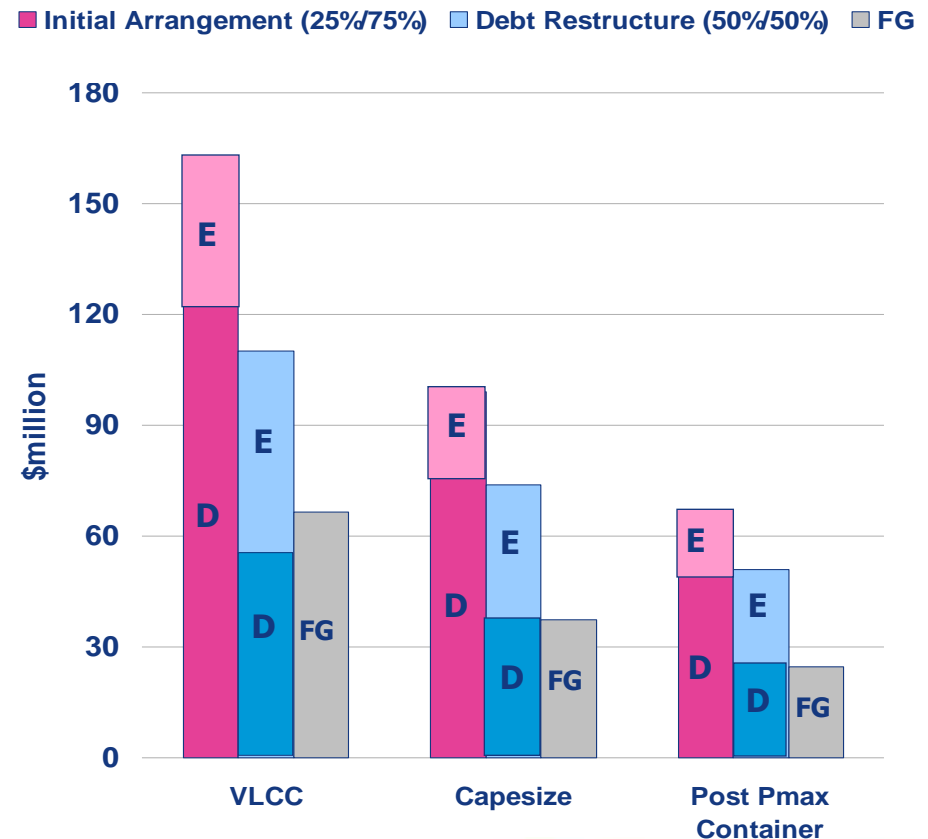
- **Value Gap** results from the drop in market value from initial contracted price

- A large proportion of current orders were placed in the peak of shipping markets. Since then there has been a huge drop in the market value of assets since late 2008

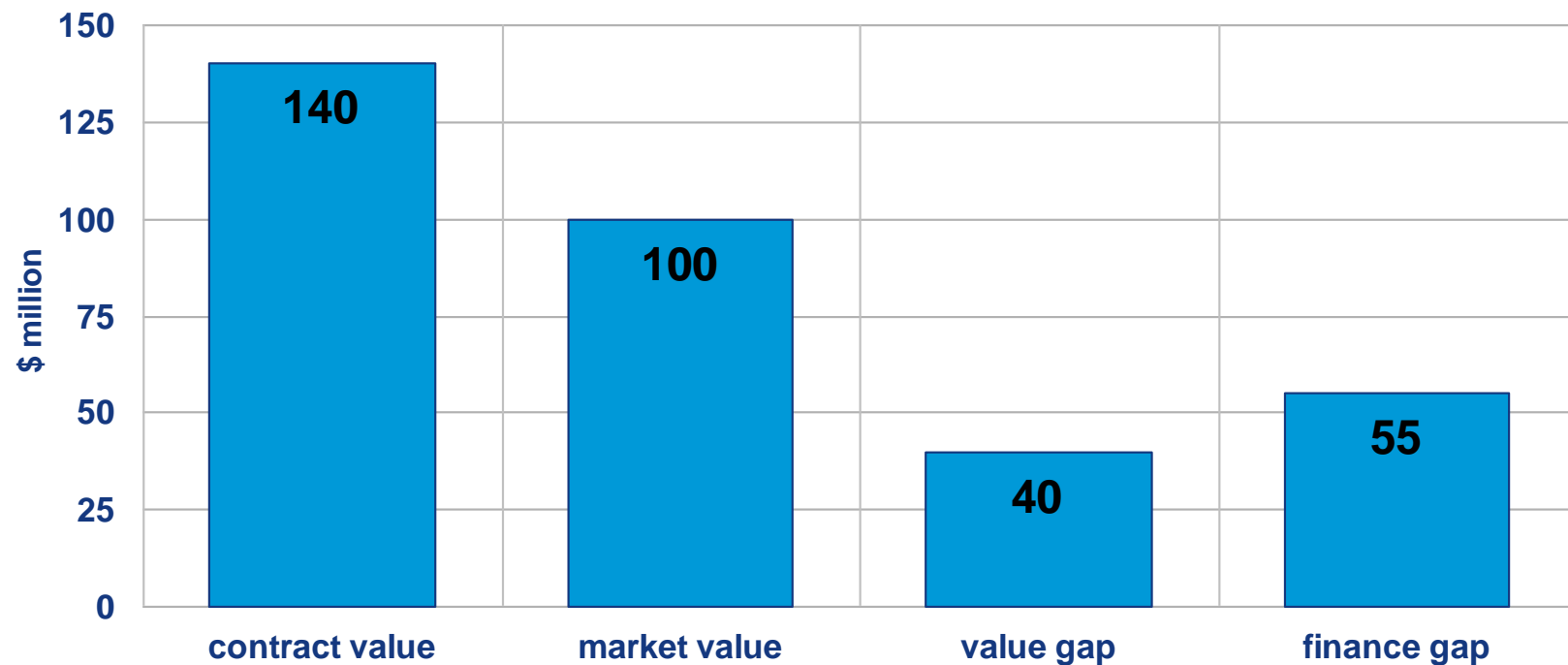
- Despite recent recovery in ship prices, the majority of vessels on order still remain at lower levels than their contracted price.

# Price adjustments...Finance Gap

- **Finance Gap** is the difference between initially arranged loan and the potentially renegotiated bank commitment as a result of the drop in market values and less available finance
- Companies' leverage levels could reach more than 80% in good markets and drop to as low as 50% in trough periods
- Due to the significant drop in asset values and changes in financial scheme, the current funding gap exists in the majority of orders
- Whether a bank may recall agreed/already supplied finance much depends on the owner's credit profile, leverage, investment portfolio with the bank and covenants.



## Example – A \$55m problem!





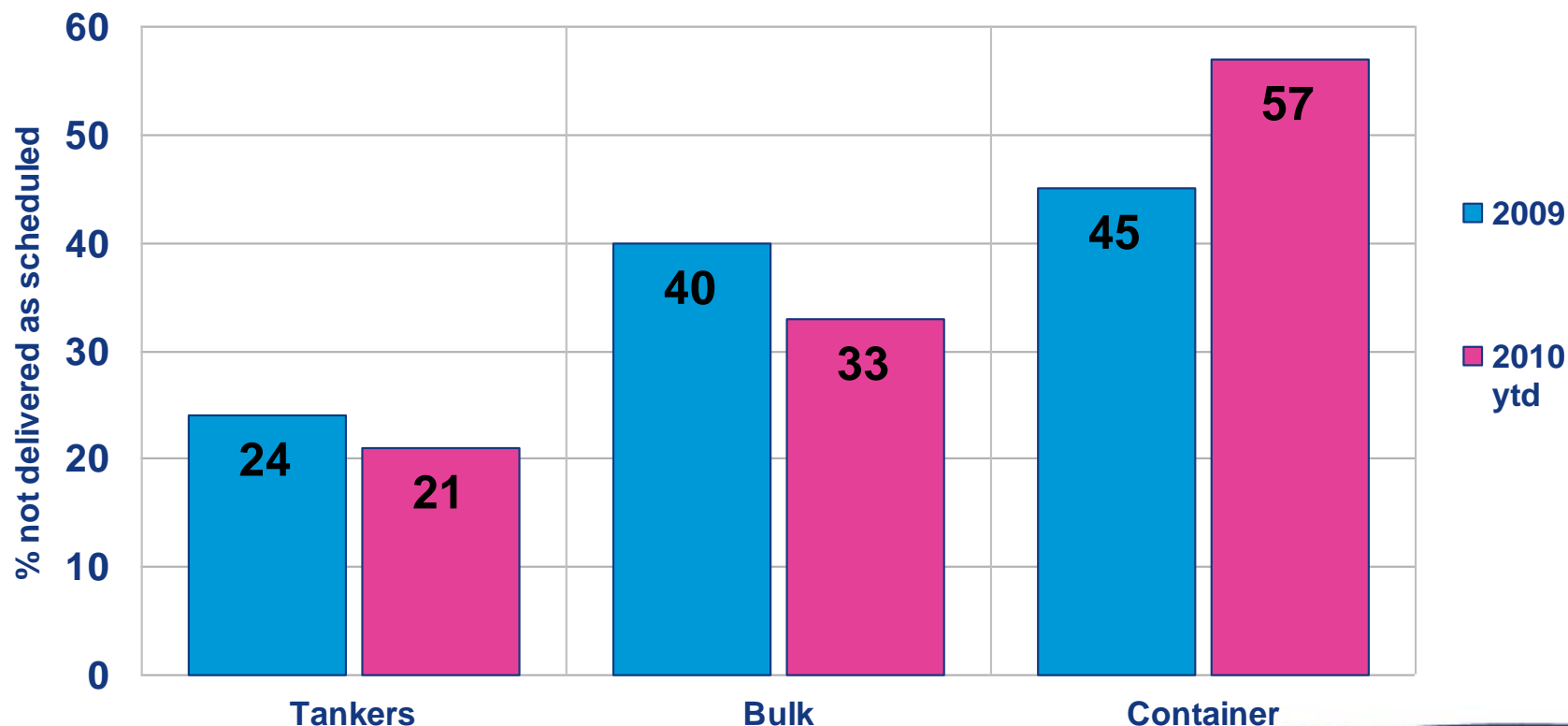
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# **Value & Finance Gaps.....**

## **Causing Cancellation & Slippage**

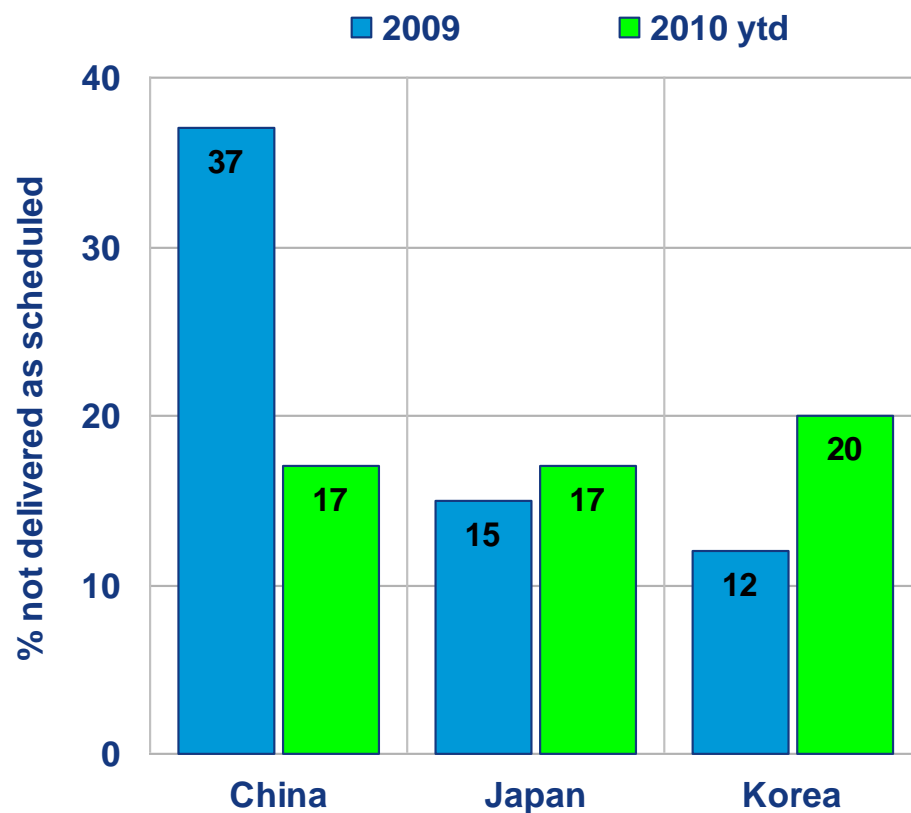
# Cross Sector Slippage 2009 Vs 2010

**Proportion (%) of schedule that did not deliver in 09/10**

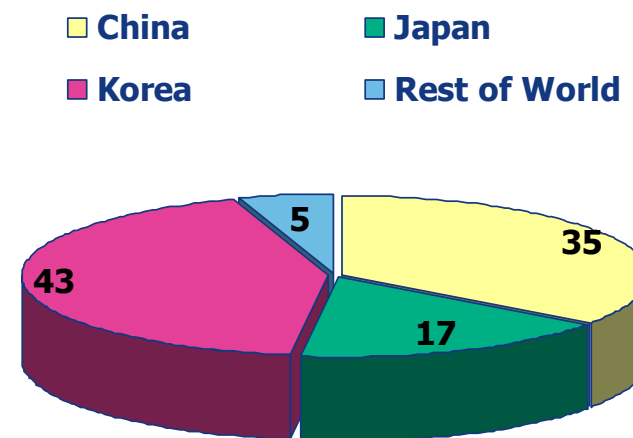


# Tanker Slippage 2009 Vs 2010

Proportion (%) of schedule that did not deliver in 09/10

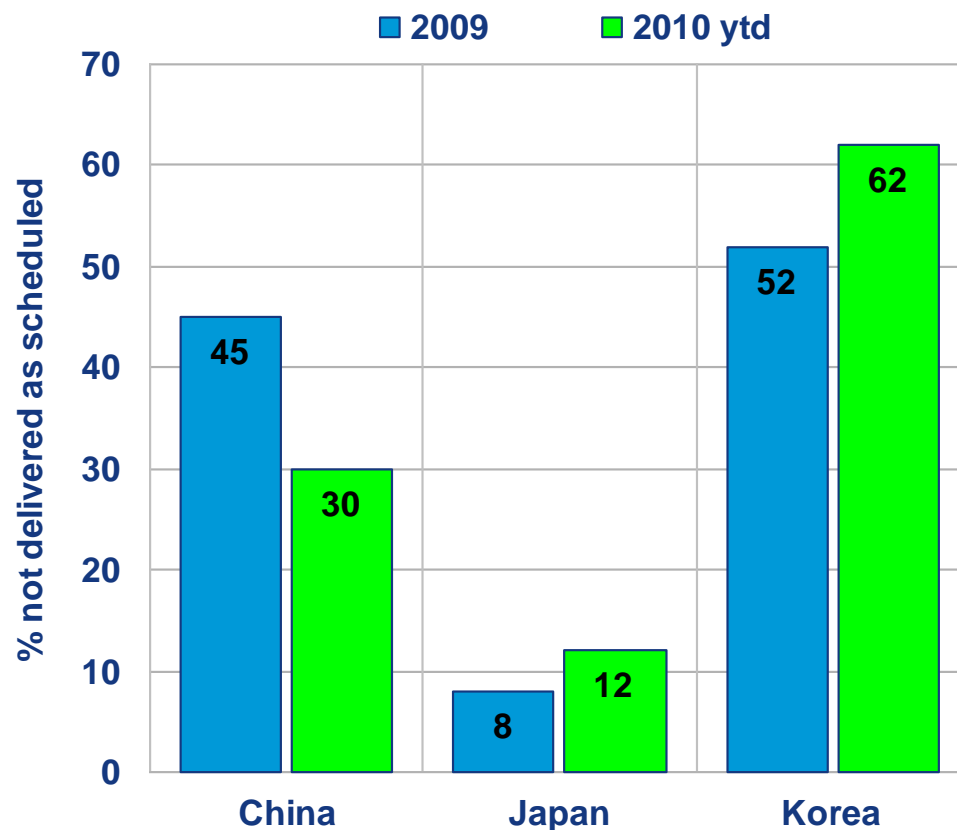


Perspective – Market Share

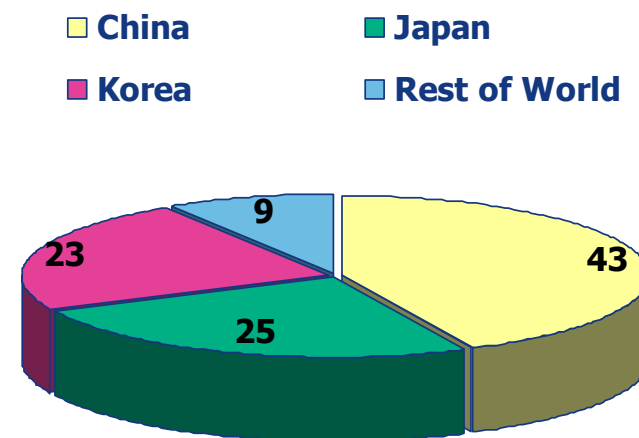


# Bulk Carrier Slippage 2009 Vs 2010

Proportion (%) of schedule that did not deliver in 09/10

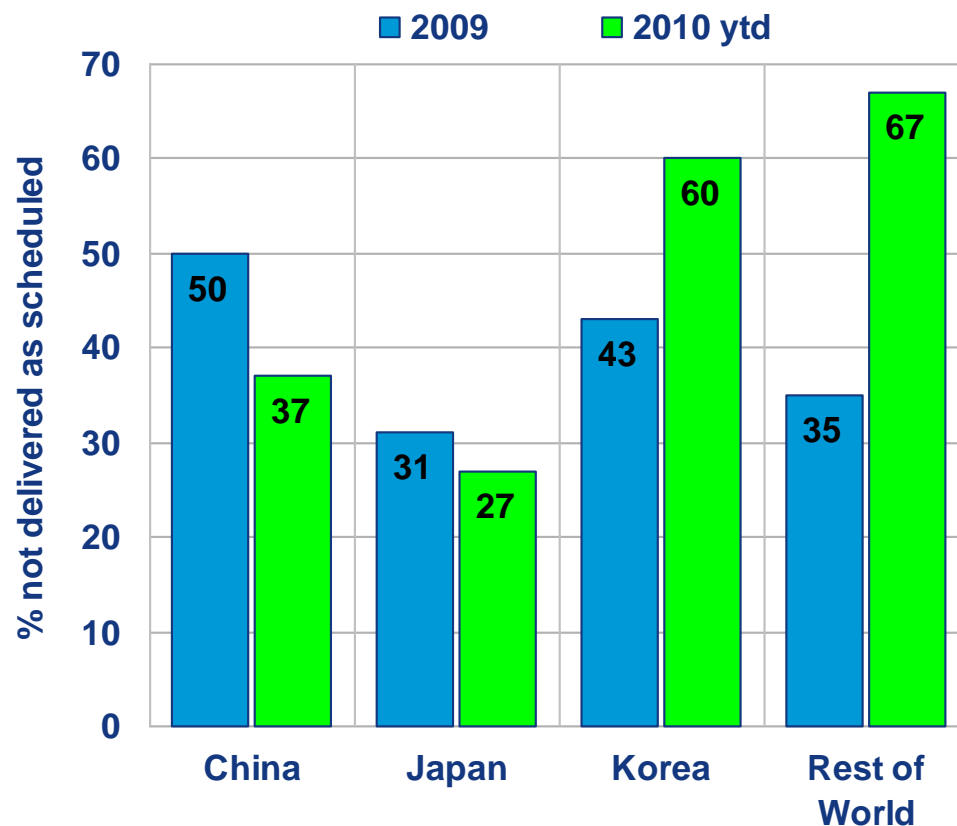


Perspective – Market Share

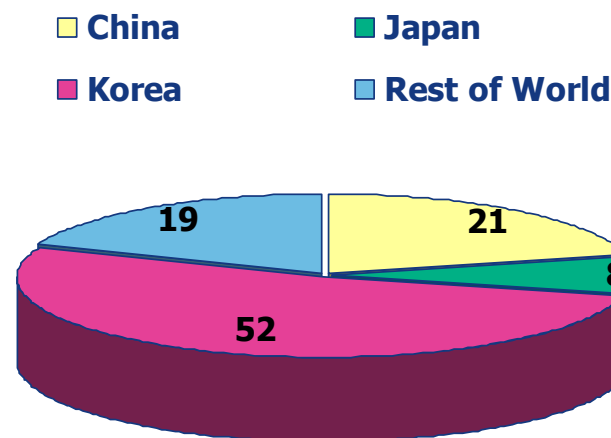


# Container Ship Slippage 2009 Vs 2010

Proportion (%) of schedule that did not deliver in 09/10



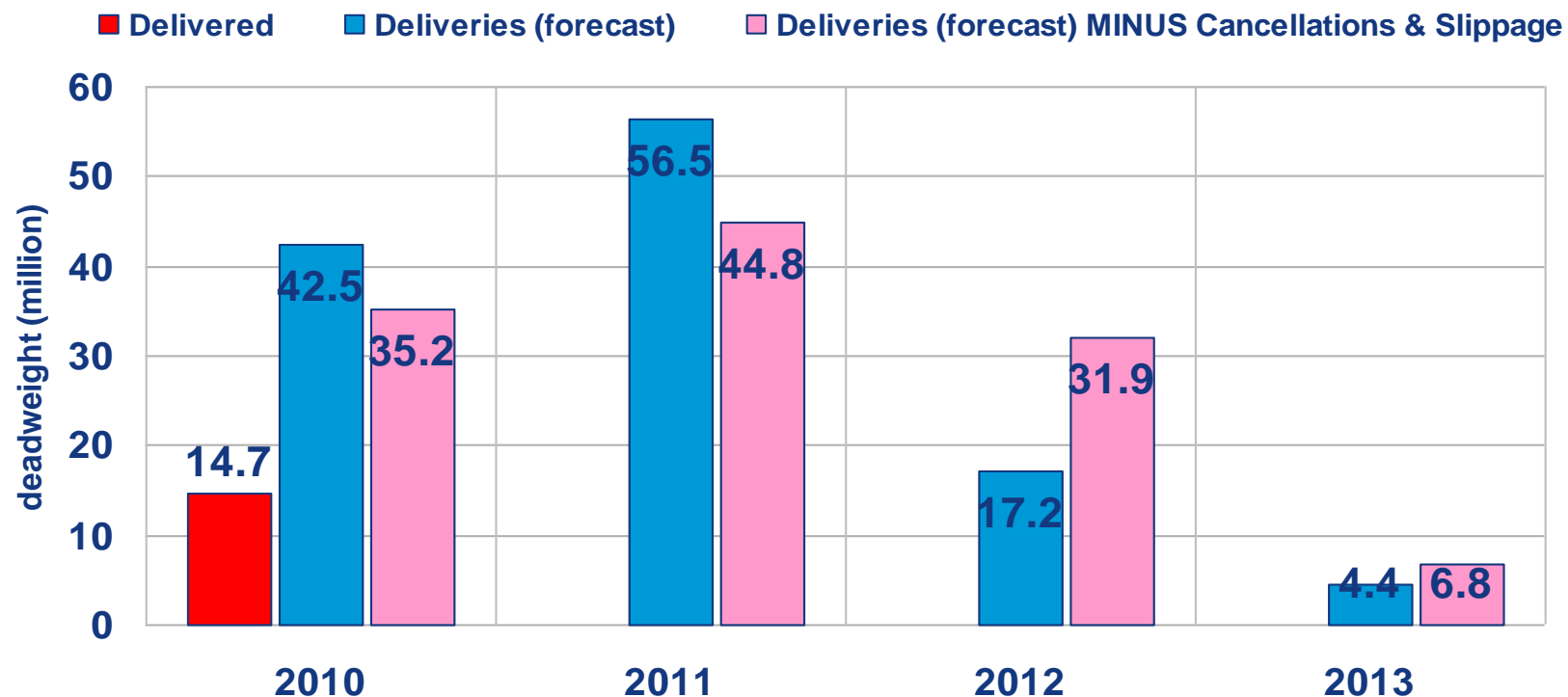
Perspective – Market Share



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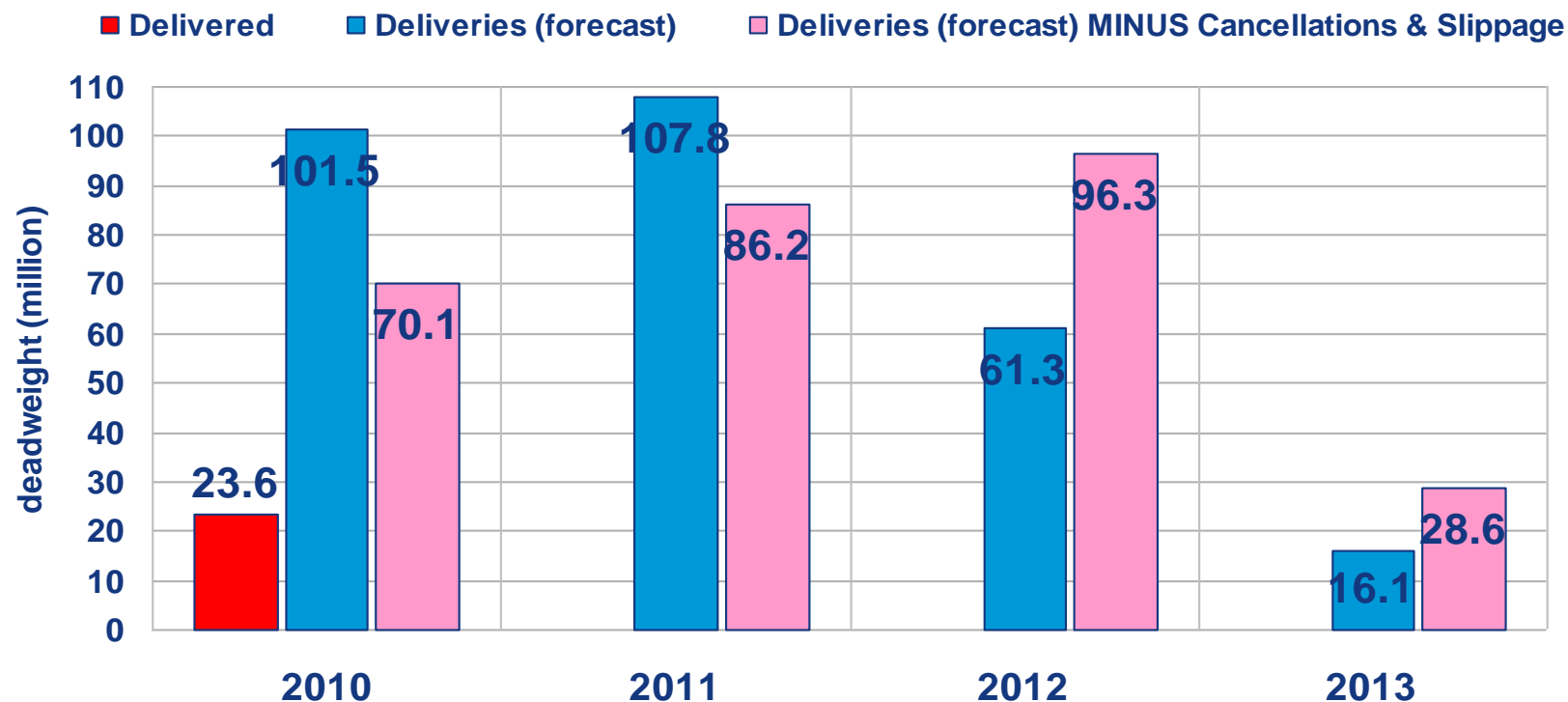
# Spreading the Pain

# Tanker Fleet Delivery Schedule



**\*2010 delivery forecast reflects remainder of year**

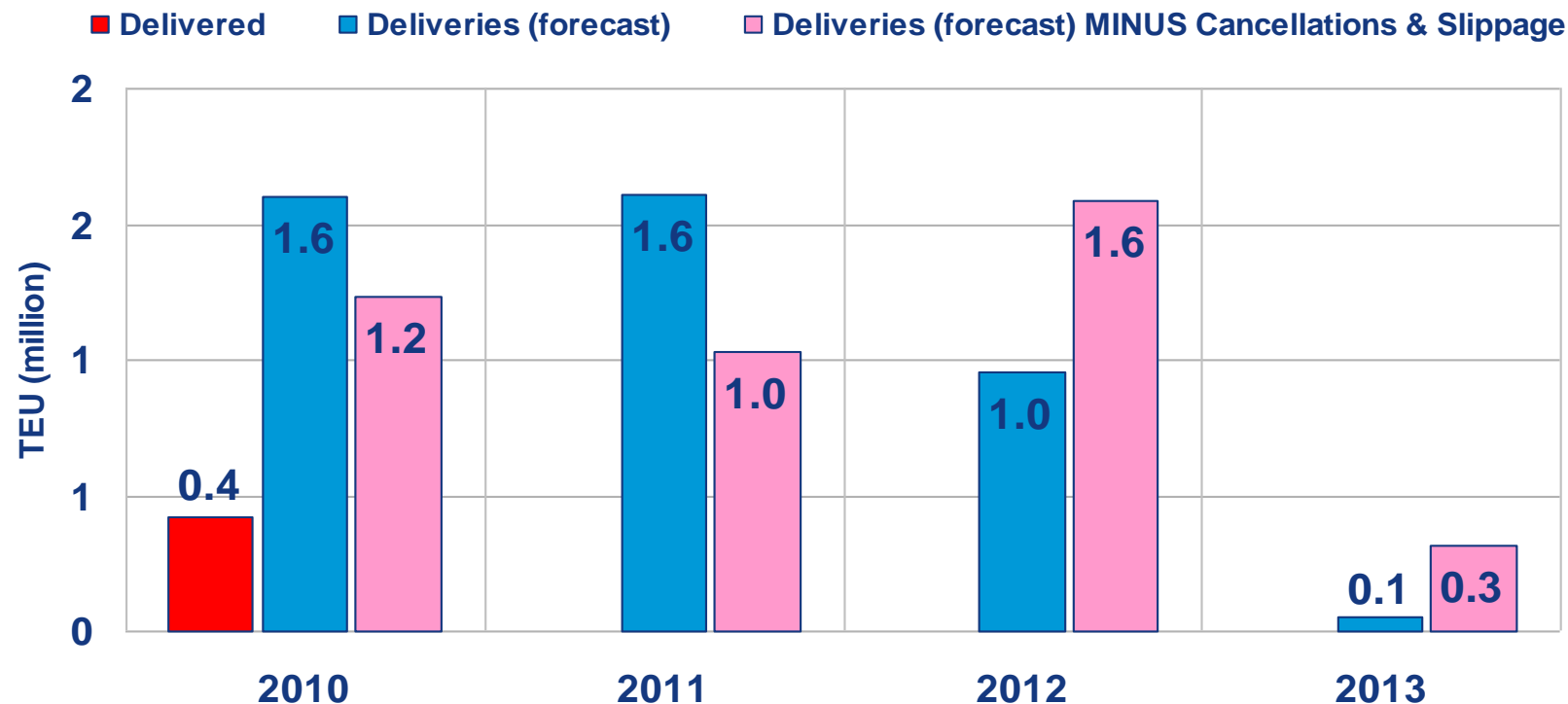
# Bulk Carrier Fleet Delivery Schedule\*



\*2010 delivery forecast reflects remainder of year



# Container Ship Fleet Delivery Schedule\*



\*2010 delivery forecast reflects remainder of year

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# Thank You