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Opportunities and Challenges in the current economic environment

Current Market Opportunities and Challenges

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Change – The only constant...



It will take time before bank lending to the shipping sector becomes widely available again

- The characteristics of the current shipping market act as a hurdle between finance providers and shipping companies.
- The Banking sector faces its own tougher challenges
 - Increased supervision and scrutiny
 - Regulatory capital
 - Funding requirements/cost
 - Bad loans
- Need to change, collaborate and restructure

Debt restructuring activity will continue to increase

- Banks need to:
 - Restructure problematic loans;
 - Deleverage/reduce exposures;
- Companies need to:
 - actively manage and monitor exposures;
 - develop contingency plans and seek alternatives.

We have not seen as much debt restructuring activity as we would expect!

- Need to collaborate with all stakeholders (lenders, shipyards, charterers, suppliers etc).
- Debt restructuring can be very complex – Need to act early!

Alternatives...

- Funding:
 - Raising equity in the global capital markets;
 - Issuing debt securities;
- Private Equity
- Merge/Recapitalise

Need to be innovative and maintain flexibility.

Companies need early preparation!

Identifying and managing expectations...

- Companies should identify expectations of the various stakeholders (finance providers, analysts, regulators etc).
- Managing those expectations often requires a “cultural transformation” of the organisation;
- Reduced risk/uncertainty = cheaper financing
- Focus on flexibility and quality infrastructure

Identifying and managing expectations... (cont'd)

Some of the areas that should be considered in preparing to meet the requirements of third party investors include:

- Strategy
- Financial reporting
- Corporate Governance
- Internal control environment
- Information systems

Listed companies – greater scrutiny, greater risk

- Listed companies performance has varied and so has the relative success of their transactions;
- Investor and analysts demands evolve – Areas to consider:
 - Investment strategy and capital commitments;
 - Dividend policy;
 - Earnings volatility;
 - Related party transactions;
 - Capital structure;
 - Risk management policies

Conclusions

To conclude

- Bankers – a lot on their plate!
- Be proactive!
- Debt restructuring - Collaborate and Innovate;
- Alternatives/Contingency plans – Prepare & invest in people;
- Challenge existing thinking – maintain flexibility.

“It is not the strongest of the species that survives, nor the most intelligent; it is the one that is more adaptable to change”

Charles Darwin

Thank you!

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