

# The Containership Market

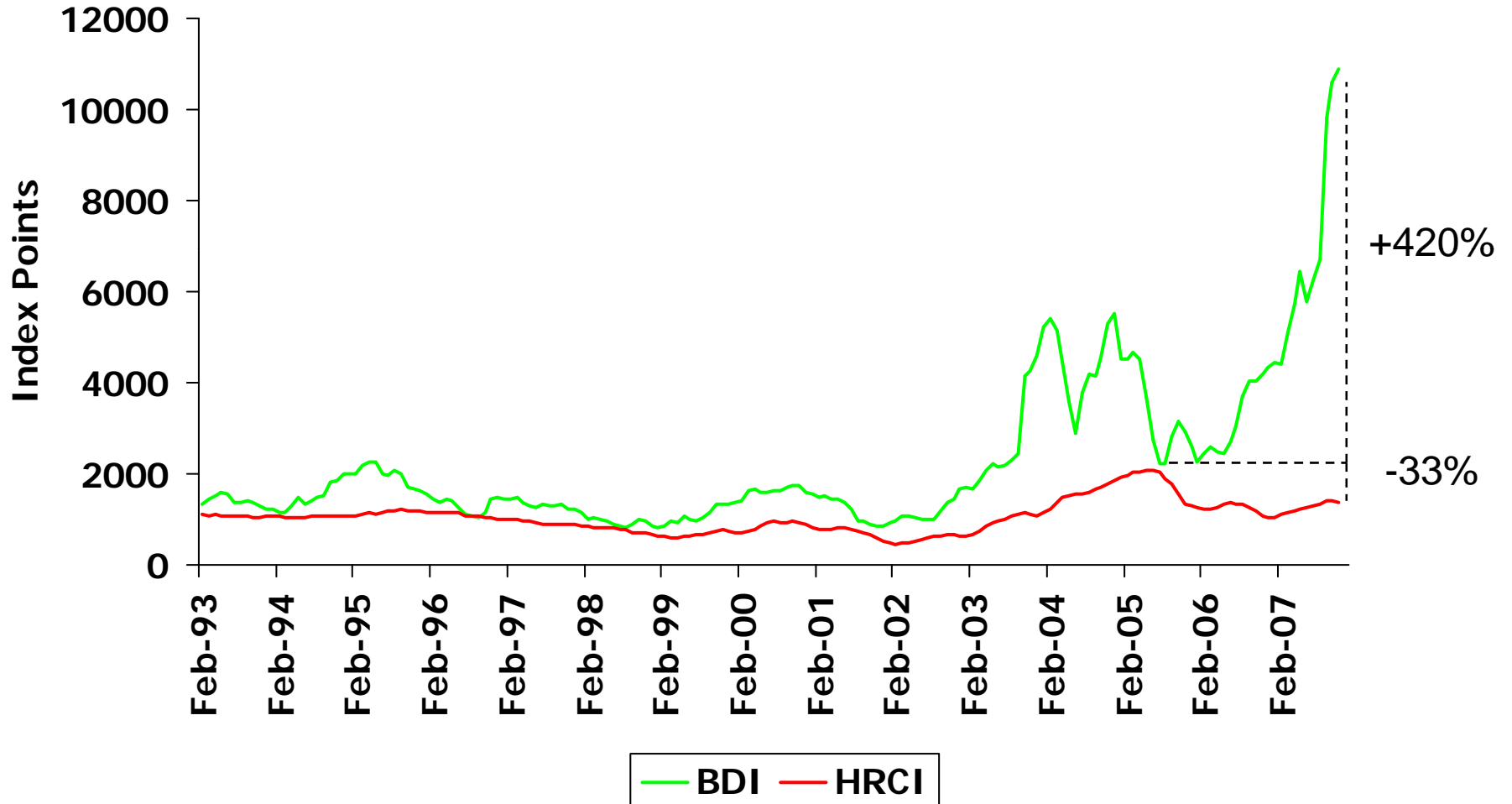
4<sup>th</sup> December 2007

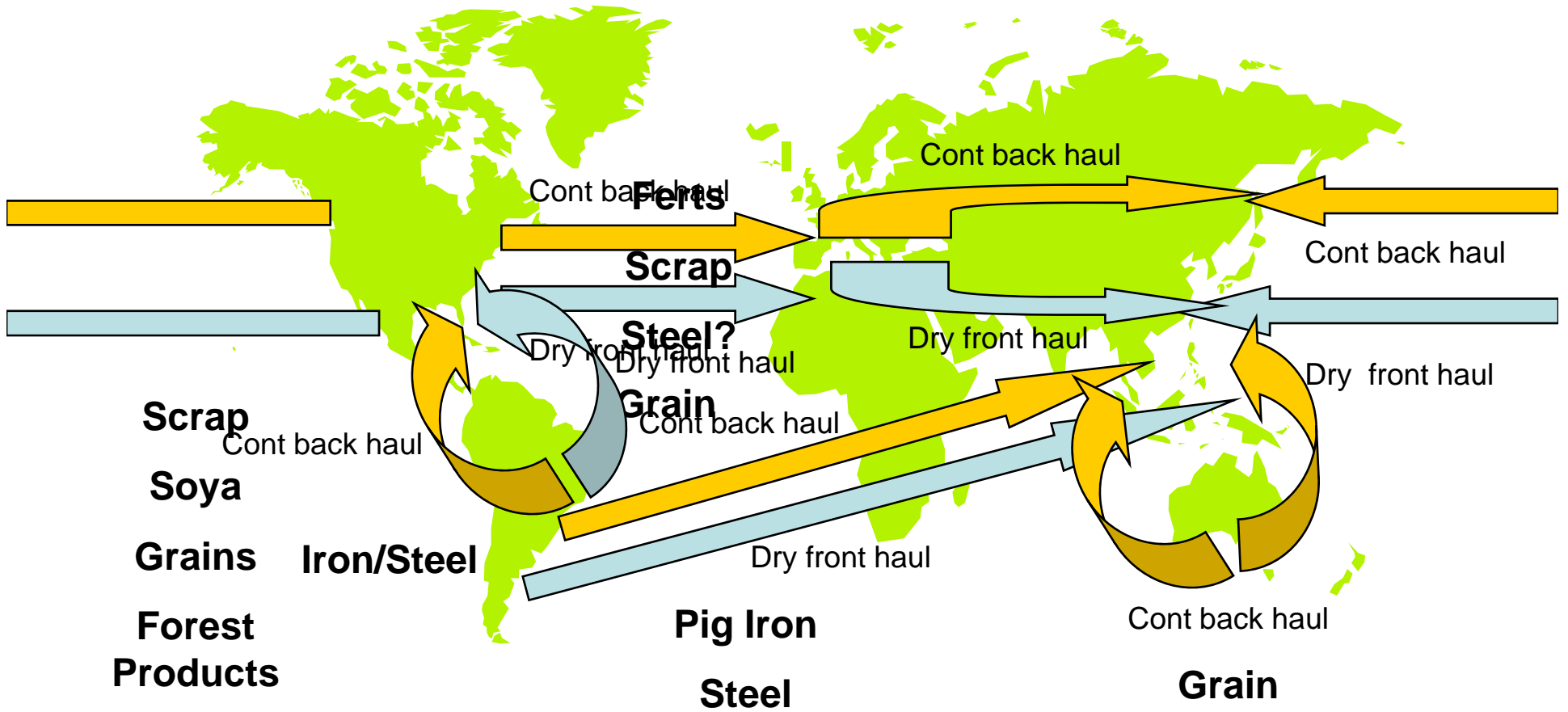
**‘Down but not out’**

Capital Link Forum

Paul Dowell

# Containership Market in Context





# Containerisation of Dry Cargo

- **Balanced Trades**
  - Rice
  - Sugar
  - Soya
  - Steel
- **Container Front Haul**
  - Asia to Europe
    - Timber
    - Steel Products
    - Stone
  - Europe to US
    - Steel

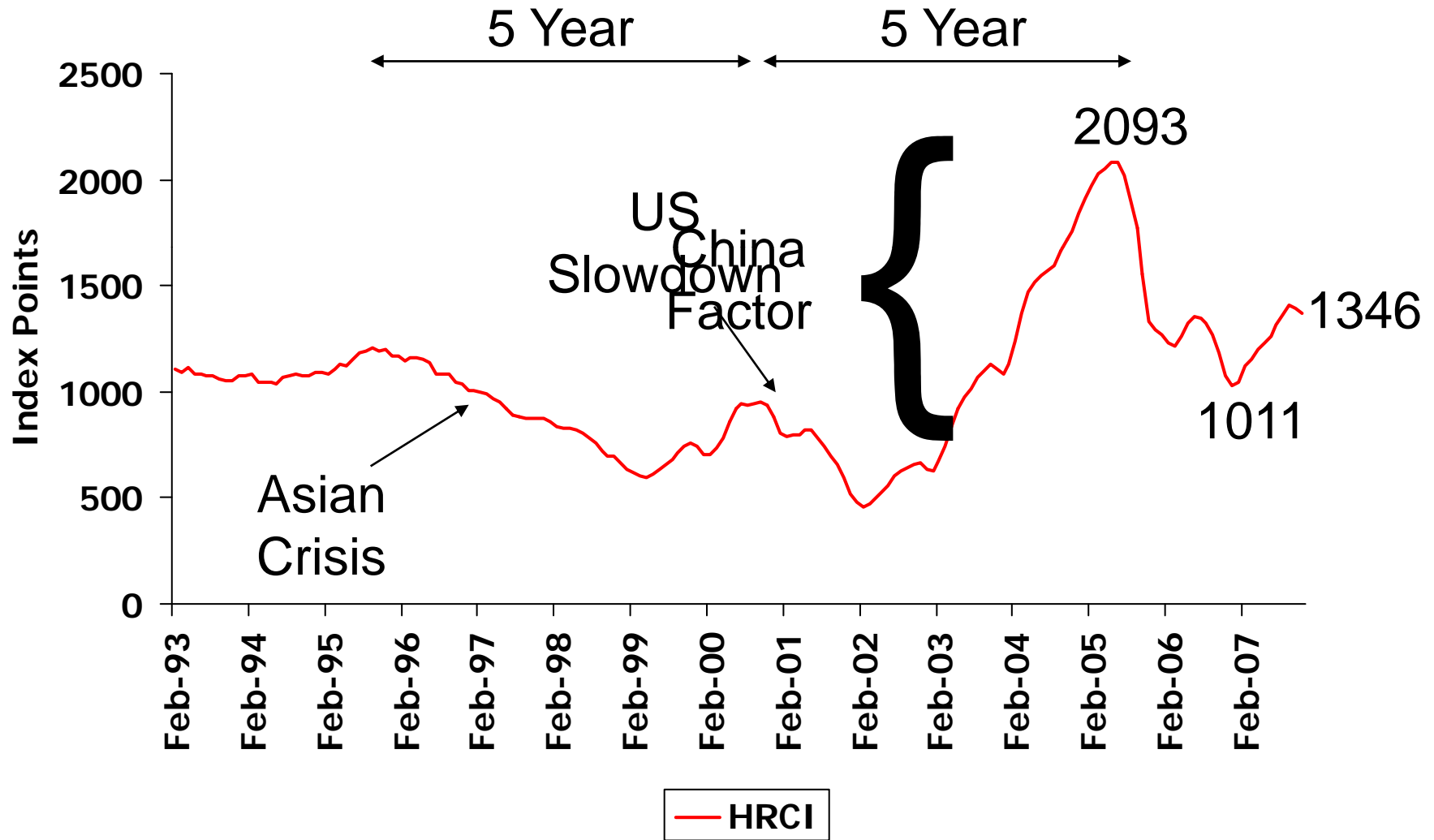
US = 5 m tonnes  
Europe = 5 m tonnes  
Brazil = 2 m tonnes  
Australia = 2 m tonnes

Inter Asia  
= 3 m tonnes

Other  
= 3 m tonnes

Total  
= 25 m tonnes

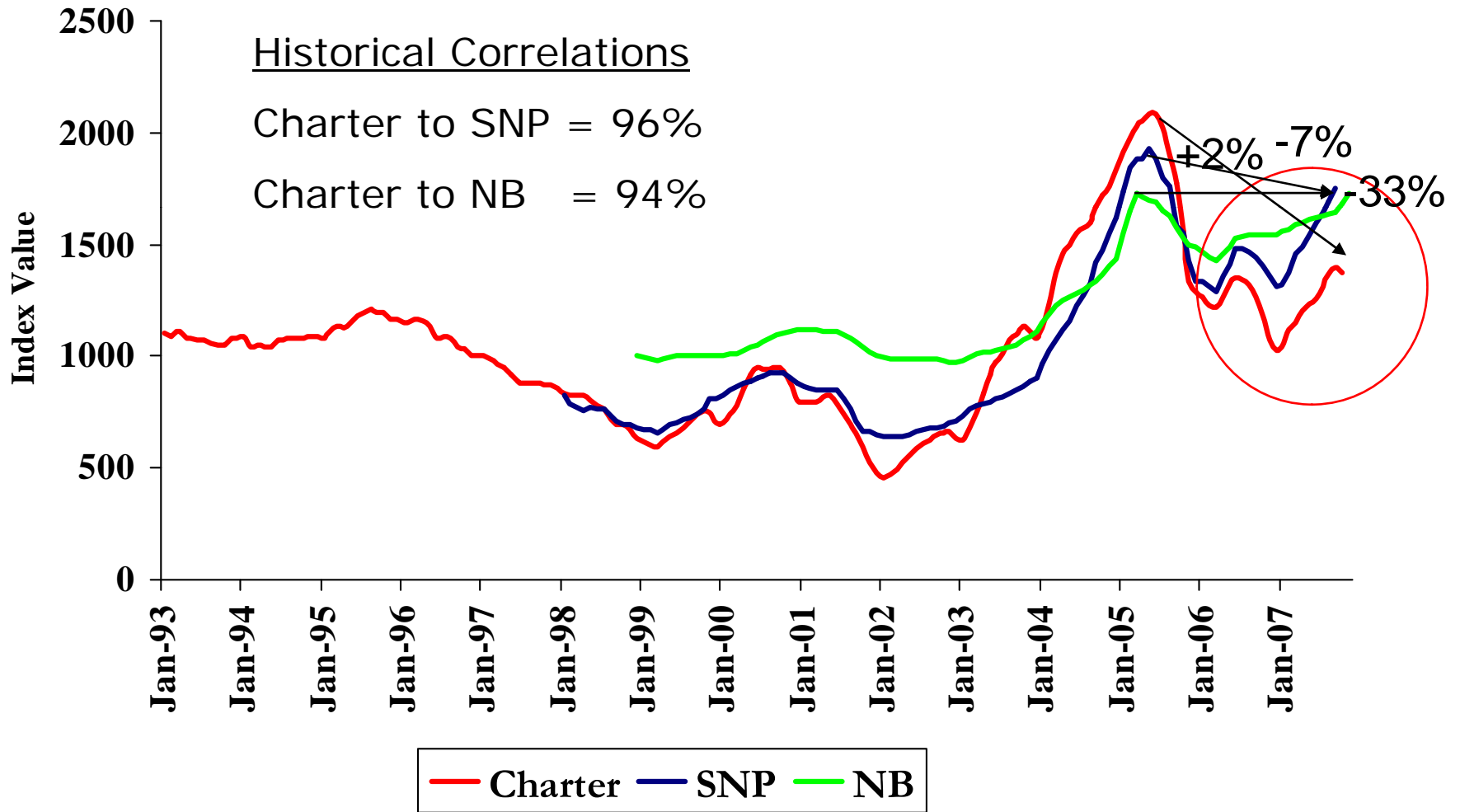
# Howe Robinson Containership Charter Index



# Time Charter Volatility (12 month)

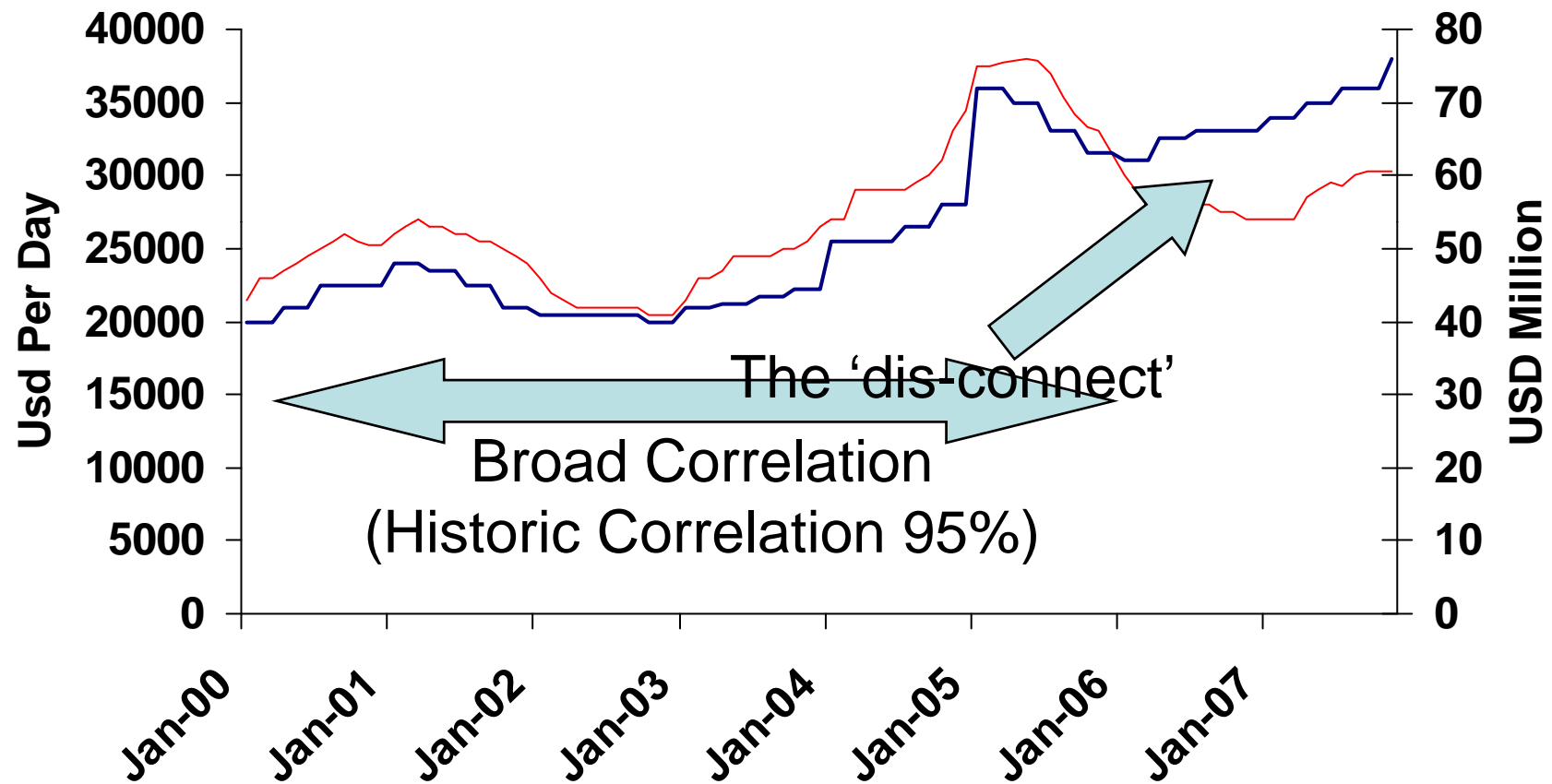
	<b>1700 teu</b>	<b>4250 teu</b>
High	33,000	48,000
Low	5,900	10,400
Average	14,000	29,000
Start 07	12,000	27,000
Peak 07	18,500	38,000
Late Nov 07	16,250	37,000

# Howe Robinson's Containership Indices





# Panamax illustration (5 year tc rate v. Contract Price)



# Newbuilding Prices V. Revenue

	November 2007	
	Price	Charter rate
4300 teu	\$76 m	\$30,500 (5 y)

	November 2007		June 2005	
	Price	Charter rate	Price	Charter rate
4300 teu	\$76 m	\$30,500 (5 y)	\$72 m	\$38,000

	November 2007		June 2005		March 2004	
	Price	Charter rate	Price	Charter rate	Price	Charter rate
4300 teu	\$76 m	\$30,500 (5 y)	\$72 m	\$38,000	\$51 m	\$30,500

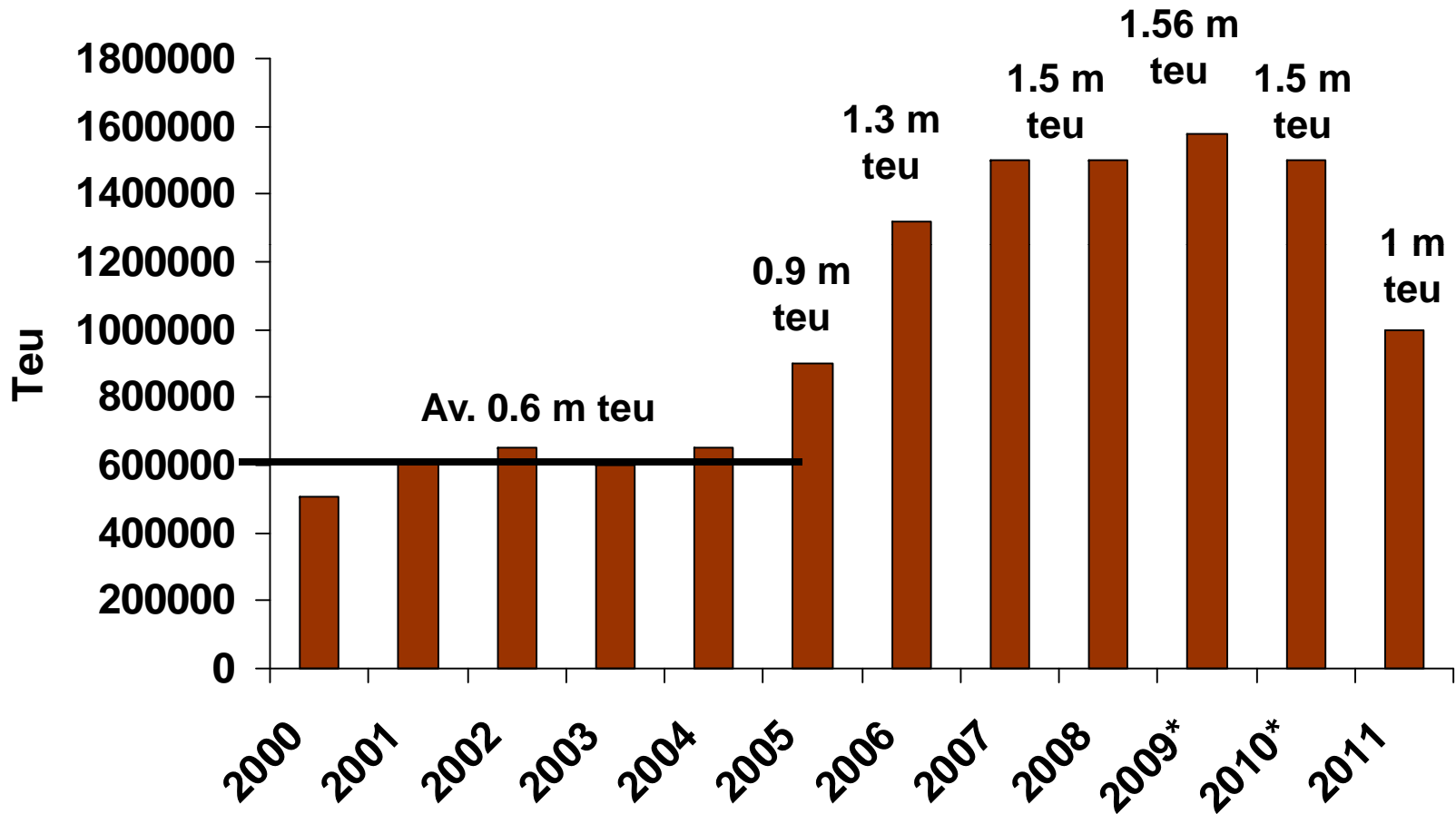
- **Owner's Perspective**

- Too much money chasing too few projects
- Highly competitive
- IPO KGs (HCI, MPC, Lloyds Fonds, Mare Nave)
- Non German IPOs
  - Seaspans – Canada
  - Danaos – New York
  - Rickmers - Singapore
  - FSL - Singapore
  - PST – Singapore
  - Goldenport – London
  - Euroseas – New York
- Private Funds
  - Synergy – Cyprus
  - Seachange - USA
  - SFI – USA
  - Seacastle – Singapore

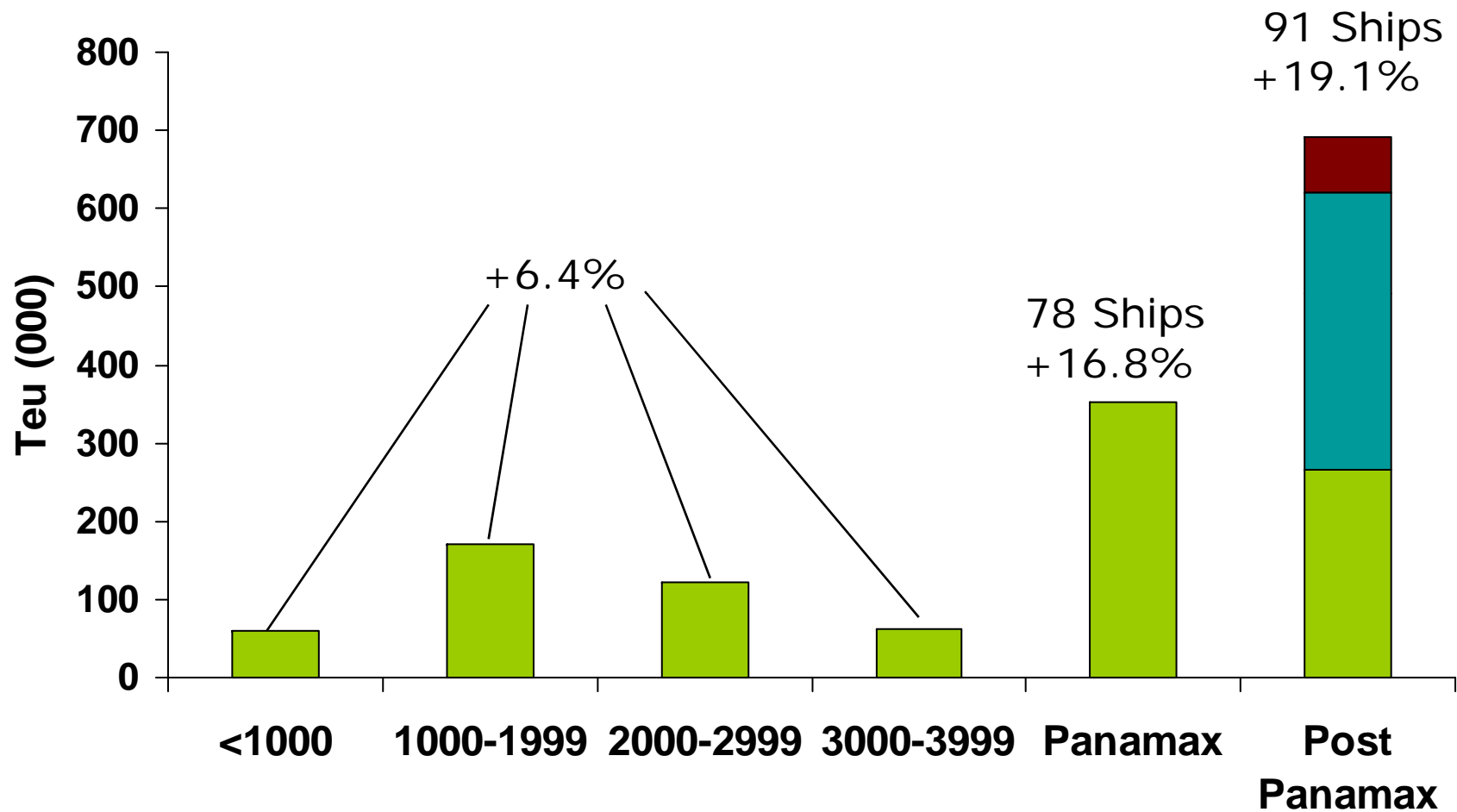
# The Orderbook

- 1390 ships
- 6.2 million teu
- 56% of the fleet

# Capacity Entering Service 2000-2011

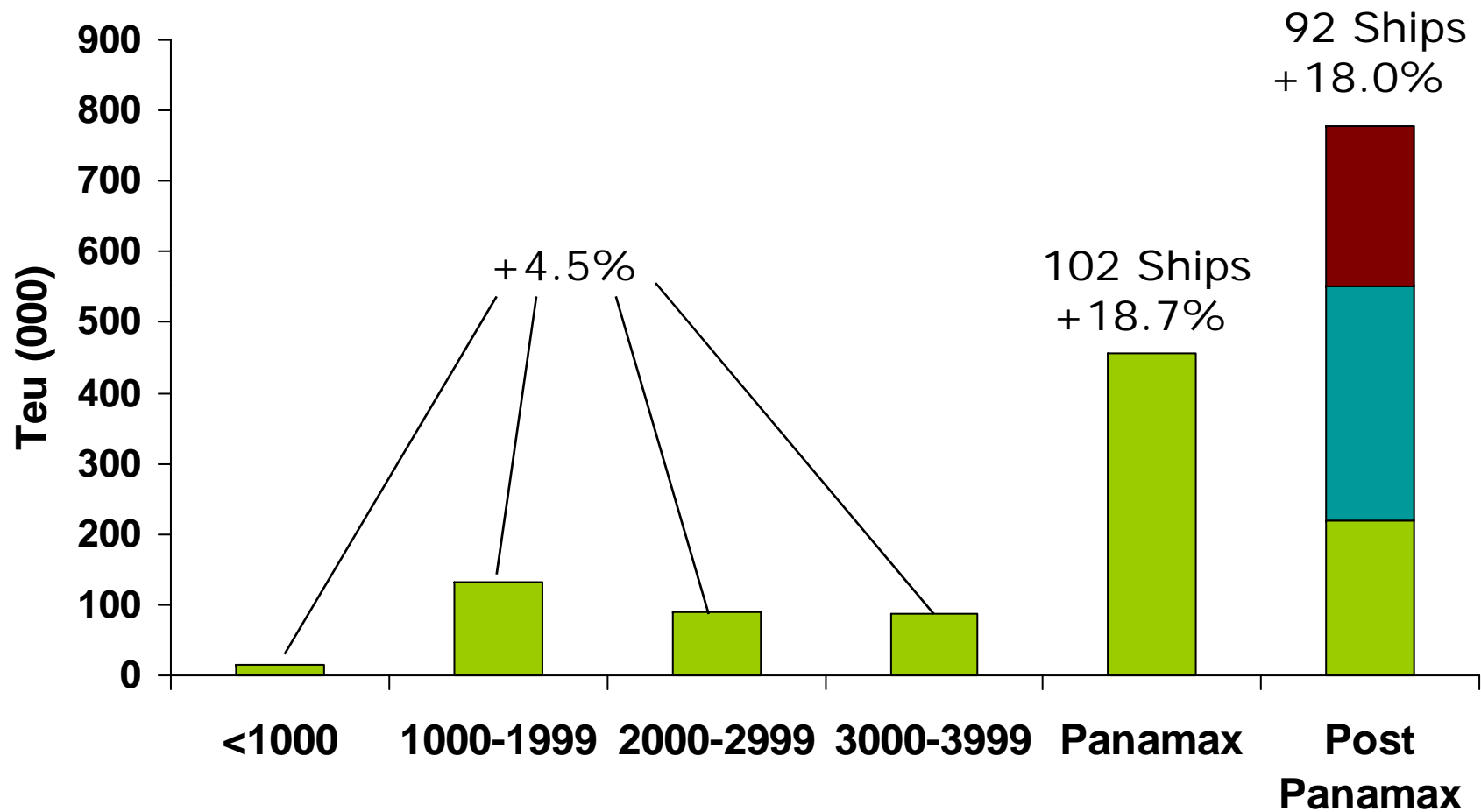


# Fleet Growth 2008

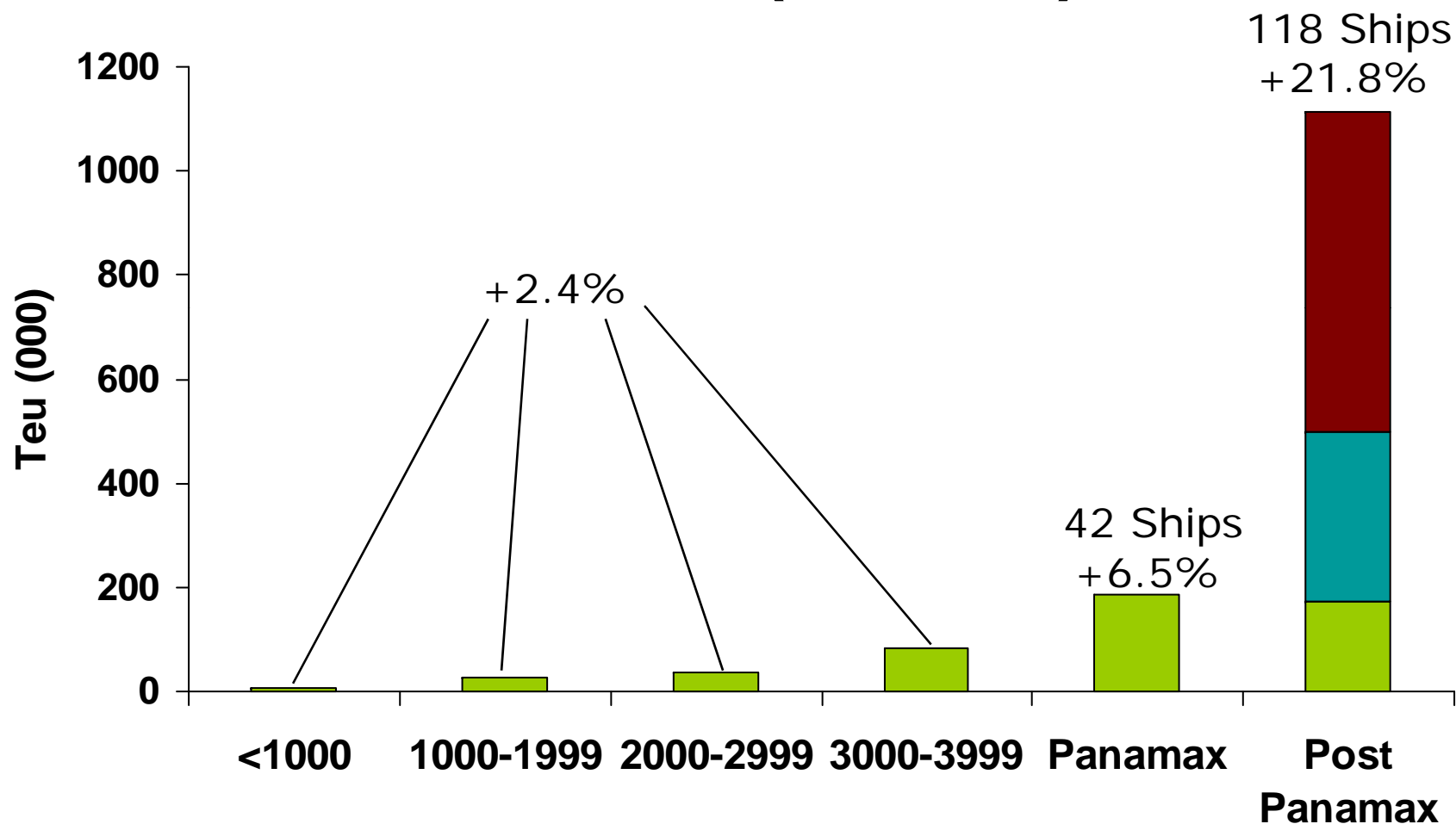




# Fleet Growth 2009



# Fleet Growth 2010 (to date)



# The Bigger Picture

## Demand – A base case

	Asia- Eur	East/ West Asia- US	TA	North/ South	Other	Total
<b>2007</b>	20%	6%	3%	10.5%	11%	11%
<b>2008</b>	18%	6%	4%	10.5%	11%	11%
<b>2009</b>	16%	8%	4%	10.5%	10.5%	10.5%
<b>2010</b>	15%	9%	3%	10%	10%	10.5%

**N.B. Assumes Europe remains strong and a soft landing in the US**

# Supply/Demand 2008

Trade	East/ West	North/ South	Other	Total
<b>Dom Trade 2007</b>	32,019,072	25,438,835	70,611,257	128,069,163
<b>Demand Growth</b>	10.6%	10.5%	11.0%	11.0%
<b>Additional Moves</b>	3,391,702	2,671,078	7,767,238	13,830,018
<b>Av. Voyage Time</b>	47	43	15	
<b>Voy. Per Year</b>	7.7	8	24	
<b>Utilisation</b>	88%	75%	75%	
<b>Capacity Req.</b>	543,556	419,567	425,602	1,388,725
<b>Deployment</b>	925000	387500	187500	1500000
<b>Scrapping</b>	10000	20000	20000	50,000
<b>Oversupply</b>	<b>371,444</b>	<b>-52,067</b>	<b>-258,102</b>	<b>61,275</b>

Oversupply = 0.75%

# Inefficiencies

- Port Congestion
- 9 vessel loops
- Slow Steaming
- Heavier Boxes
- High Cube Containers

# Supply/Demand 2009

Trade	East/ West	North/ South	Other	Total
<b>Dom Trade 2008</b>	35,870,592	28,109,913	78,378,495	142,358,999
<b>Demand Growth</b>	10.0%	10.5%	10.5%	10.7%
<b>Additional Moves</b>	3,891,323	2,951,541	8,229,742	15,072,606
<b>Av. Voyage Time</b>	48	43	15	
<b>Voy. Per Year</b>	7.7	8	24	
<b>Utilisation</b>	88%	75%	75%	
<b>Capacity Req.</b>	614,363	463,621	450,945	1,528,929
<b>Deployment</b>	1025000	375000	130000	1530000
<b>Scrapping</b>	0	20000	25000	45,000
<b>Oversupply</b>	<b>410,637</b>	<b>-108,621</b>	<b>-345,945</b>	<b>-43,929</b>

Undersupply = 0.25%

# Supply/Demand 2010

Trade	East/ West	North/ South	Other	Total
<b>Dom Trade 2009</b>	39,965,767	31,061,453	86,608,237	157,635,458
<b>Demand Growth</b>	11.0%	10.0%	10.0%	10.3%
<b>Additional Moves</b>	4,348,273	3,106,145	8,660,824	16,115,849
<b>Av. Voyage Time</b>	48	43	15	
<b>Voy. Per Year</b>	7.6	8	24	
<b>Utilisation</b>	88%	75%	75%	
<b>Capacity Req.</b>	684,733	487,906	474,566	1,647,204
<b>Deployment</b>	1150000	325000	105000	1580000
<b>Scrapping</b>	0	10000	15000	25,000
<b>Oversupply</b>	<b>465,267</b>	<b>-172,906</b>	<b>-384,566</b>	<b>-92,204</b>

Undersupply = 0.5%



# Conclusion

- The containership charter rates have bottomed out
- The containership charter market is at reasonable levels when put in a historic context
- However, the cost of investing is looking full compared these earnings
- This is a result of aggressive buying interests
- But IF demand growth can be maintained supply/demand looks broadly balanced
- There are though significant risks
  - A positive outlook relies on a strong performance in Europe and a soft landing in the US
- Any reduction in containership demand may be supplemented by the dry bulk sector

## A final thought

- Basis 9-10% annual growth/ Current newbuilding prices
  - 2012 – 1.675 m teu = USD 28 bn
  - 2013 – 1.75 m teu = USD 30 bn
  - 2014 – 1.9 m teu = USD 32.5 bn
  - 2015 – 2.1 m teu = USD 35 bn

**Thank you**