‘Standing room only’ event, with investors still standing

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John Wobensmith, ceo of Genco Shipping & Trading

Capital Link’s 2017 Shipping Conference, now in its 11th year, drew a standing-room only crowd, with financial industry participants greatly outnumbering shipping people.

Importantly, after being missing from agendas at shipping conferences over the past year, dry bulk was back. Its prime positioning of, leading off the busy day, gives a hint of the renewed confidence in the sector.

The panel, consisting of seven top executives from listed companies, were enthusiastic about the sector’s newfound strength – but offered a wide spectrum of opinions about lessons learned, and, indeed, about the way forward.

The panelists emphasized that now is a time to buy their shares. Scorpio Bulk’s ceo Robert Bugbee stressed this point, saying that companies that have maintained liquidity are now in a good position to buy tonnage. Ex-banker Hamish Norton, now president of Star Bulk Carriers, emphasized the importance of controlling costs. John Wobensmith, ceo of Genco Shipping & Trading, expanded on this theme, further highlighting the needs for listed companies to prepare themselves for lengthy downturns.

When there is an opportunity (the present time may qualify), the companies should raise money and reinforce their balance sheets to wait out periodic and cyclical market slumps. When the discussions turned to lessons learned, there was some divergence of opinion.

Wobensmith offered a hope that finance providers (including private equity) had learned not to support over-ordering, while Bugbee expressed doubts about the industry’s discipline. On a brighter note, Bugbee noted that demand growth was much stronger than anticipated by market participants, and the market is heading for another upward cycle.

In the dry bulk session, Pacific Basin Shipping’s ceo Mats Berglund captured a thought that endured across multiple panels, saying “let cargo drive the upturn”, suggesting that real increases in demand were paramount if dry bulk will continue to climb out of its long abyss.

The same thoughts were reinforced on the banking panel, later in the day. Citi’s global industry head of shipping Michael Parker suggested that banks will be getting “closer to the cargo” in the future – “…that’s in area that will be very interesting for banks.”

The observations was echoed by the ceo of Amsterdam Trade Bank, Harris Antoniou, a long-time banker who has close ties with the coal industry. In his remarks, Antoniou suggested that finance needs to be tied much more closely to the entire value chain.

What about bankers repeating history and overfunding the industry? Citi’s Parker presented a view that much tighter financial regulations would go a long way towards preventing financing excesses by shipping banks. Francis Birkeland from ABN Amro had a simpler view, emphatically telling the audience: “At ABN Amro, we’ve decided to be cautious with newbuilds, even for what appears to be a good project.”

Private equity was also the subject of a panel, as it is still a potential finance source for shipping to fill the holes left as traditional shipping banks shy away from funding the industry.

Apollo Management’s Art Regan noted that more deals are being shown to Apollo because of the ongoing lack of bank capital, but, with agreement from panelist Isaiah Toback, from investor Castlelake, noted that “the cost of the equity has to go up.” This favors Apollo, and “others like us,” Regan said.

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