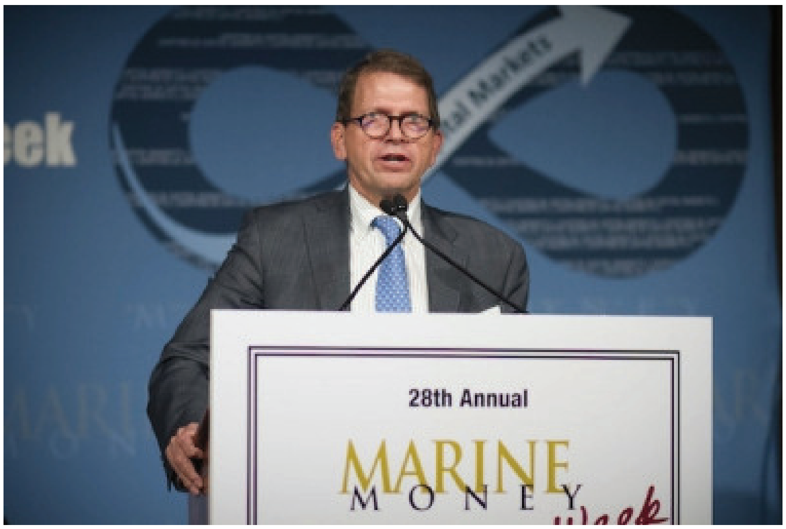
Wall Street and shipping: A house divided by doing 'pretty darn good'



Jeff Pribor, the global head of maritime investment banking at Jefferies
Photo: Chris Preovolos

By Barry Parker from New York

“Shipping and Capital Markets” was the theme of the Marine Money Week, in New York, last week and saw at least some of the industry basking in sun of better markets.

The event, held at New York’s very posh Pierre Hotel, drew upwards of 1,300 attendees. As a veteran attendee of this event, with this iteration billed as the 28th annual conference, I can say that the overall tone was delightfully sunnier than in recent years- fueled, certainly, by the booming tanker market, which has continued to generate Wall Street activity.

Absent this time were the armies of expensively suited vulture investors and restructuring bankers, many of whom are lawyers schooled in the intricacies of bankruptcy work, who filled up the room in recent years. There appeared to be an increasing number of commercial lenders in attendance compared to the dearth in the last few years. Indeed, one speaker described Sea Bridge Financial, a new lending partnership between Credit Agricole and Sumitomo Mitsui Trust, now in the midst of deploying up to $1bn of shipping debt.

Conference chair Jeff Pribor, the global head of maritime investment banking at Jefferies, in his welcoming remarks, described the relationship between Wall Street and the shipping industry as “a house divided”, with negative views about dry bulk but many bright spots surrounding tankers. Quick to counter sentiments that dry bulk’s contagion had spread to other sectors, Pribor offered the view that, instead: “The state of the union for Wall Street and shipping is at least not too bad, and, I would say, pretty darn good.” He then pointed to examples of public offerings and merger/ acquisition deals. He noted that the tie-up of Navig8 Crude with General Maritime, with an IPO offering now “on the road”, ie doing investor roadshows, was an example of consolidation finally happening.

Paddy Rodgers, the ceo of Euronav, another consolidator, now basking in the sunshine of a VLCC market moving from strength to strength, stressed the importance of consolidation, and presented the view that shipping companies need the capital markets as they create companies with some scale, which can then exert “pricing power” in a marketplace dominated by powerful charterers. Throughout the conference, attendees heard a variant of this theme- with several speakers asserting that capital markets investors prefer bigger companies- with more “liquidity” (where they are public) and ability to buy, or sell, bigger share positions.

Though the various flavours of “Capital” markets provided considerable grist for Marine Money, an over-arching theme, really, is whether commercial banks- which long dominated ship finance, will continue to have a major place in funding the maritime industry. In the views of many pundits, private capital has filled a void created as banks have pulled back from maritime lending.

In a breakfast meeting organized by New York Maritime (NYMAR), following the conference, this topic was addressed head on by Pribor, and his former-colleague “Hal” Malone III, who has newly moved over to Navig8, as chief strategic officer. Both gave the view that banks’ returning in a big way- where it to happen, would be a slow process. The two panelists also sought to dispel the notion of “Private Equity” as being monolithic. Pribor drew an analogy to the automotive industry, where different groups of private investors, with diverse investment objectives and time-lines, came in, at various points in the post - 2008 recovery cycle.

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