

Finance

# Top companies' emphasis switches to equity markets

Well-known consultant Ted Petropoulos answers questions on the changing financing scene facing the Greek shipping industry

THESE are interesting times for the financing of Greece's huge shipping industry.

A new Lloyd's List survey of banking in Greek shipping, published in our colour supplement devoted to the country, has found that commercial bank lending to Greek shipowners has risen to an all-time high of more than \$17bn.

While the industry has traditionally drawn the majority of its support from international institutions, now locally based banks are making their presence felt in this specialised market.

At the same time, new legislation to allow shipping companies to list on the national stock market has opened up a tantalising alternative for owners to finance their activities.

In this interview, consultant Ted Petropoulos offers his thoughts on some of the main issues pertinent to the financing of the Greek fleet.

**Q: In terms of the number of banks active in Greek shipping, is competition growing or is the market stable?**

**A:** The Greek market is stable. The number of Greek banks actively involved in shipfinance is rising. The recent entries by Aegean Bank and Marfin Bank demonstrate a growing trend.

On the other side, there is

evidence that interest in the Greek shipping finance market by non-Greek banks without a physical presence in Greece is waning.

A point to note is that ship-lending capacity is still rising, even though the number of banks involved altogether is rather stable.

**Q: What effect are banks' capital adequacy rules having in the market?**

**A:** There are a number of effects at this time.

All banks are in the process of implementing internal credit rating systems. All banks are increasingly focusing on shipping loan yields and overall profits from client relationships.

Loan spreads have already begun to rise even though Basle II is a good three years away.

Larger shipping companies are looking into their future capital structure with greater emphasis on the equity markets and a "corporate" style of ownership which will assist them both in equity raising as well as in minimising borrowing costs.

**Q: Are locally based Greek banks bringing anything new and positive to the table, and do you expect their share of lending to grow in future?**

**A:** Locally based Greek banks do claim with some justification to know Greek clients

and their mentality better. The same could be said only for the committed non-Greek ship finance banks with a long presence in the market.

Greek banks are trying to differentiate their lending products by an investment banking approach. They seek to do quasi-equity related deals for well-known names or clients in order to improve on their records.

This aim can be potentially very rewarding but may also be dangerous should the shipping market experience a prolonged downturn.

Greek banks are also trying to play a more active role in the internal syndication markets as well as in capital raising exercises including flotation by some clients.

**Q: Do you consider the revamped Athens Stock Exchange legislation is now adequate for shipping and what kind of shipping companies, under what conditions, are going to be attracted in the near future?**

**A:** The legislation loopholes have been addressed. There remain, however, concerns over how the legislation will be effectively applied.

Present stock exchange personnel addressing flotations are widely viewed as strongly supportive and capable.

The problems arise from

possible adverse changes that political or fiscal considerations may bring about in the future.

Many owners feel they may well end up trapped with a lot of bureaucracy and costly unwinding expenses as well as a loss of face. It is a deeply held fear of anything that is state-controlled.

However, all the above concerns would wither away if the exchange were booming and price-earnings multiples rising. Instead, the prospect of obtaining a premium in today's market appears slim and the market's ability to raise meaningful amounts for shipping has not been clearly assessed.

Nevertheless, once a few names become listed and the entry system is tested there may well be more followers.

The smart move would be to enter now in a limited way, dipping a toe in the water, with the support of the stock exchange and the investment community as a counter cyclical move — we are in shipping after all! — and be poised to expand when conditions allow.

In the long term all the above problems will be seen as teething problems as shipping needs capital. The public markets in the US and Europe are the only ones that can provide the enormous amounts of capital required.



Petropoulos: 'a deeply held fear of anything that is state-controlled.'