

Lloyd's List

Robust ship finance market 'expected to continue'

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- | by [Petrofin survey shows bankers are feeling bullish with eight out of 10 planning to make more funding available in the next year, writes Nigel Lowry](#)

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While Petrofin's updated end-year research will not be made public until well into the new year, the impressions of managing director Ted Petropoulos are that this figure is unlikely to decline and may indeed increase, albeit at a slower pace than the startling growth seen in the last few years.

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One of the reasons for his confidence is a separate piece of research undertaken by the firm through an opinion survey of 40 international shipping bankers from the western hemisphere.

"It showed that about eight out of 10 bankers are relatively bullish and expect to be lending more next year," says Mr Petropoulos.

"For next year, most people are concerned about whether there will be a soft landing or a hard landing in the shipping markets, but the fairly aggressive attitude indicates that bankers are either prepared to do more business in a countercyclical situation or else they feel that the market may not be as bad as some people fear — I suspect more the latter," he notes.

In spite of the international scope of the poll, Mr Petropoulos considers that the attitudes are likely to be representative of bankers active in lending to Greek owners, many of whom were included in the survey.

Another reason for expecting a vibrant ship finance sector in Greece to be reflected in the 2005 figures and to continue into 2006 is his view that bankers as a breed may tend to downplay their results.

"Banks are always concerned," states Mr Petropoulos. "It is usually all doom and despondency. But despite the market turbulence most banks have had a good year.

"Despite softening freights, the vast majority of their clients are still cash flow positive and are still able to pay their way quite happily. At least in the bulk shipping sector, there are very few problems as yet. There has also been a reasonable amount of fee-related business, so non risk-related business has been developing."

Petrofin does, however, see a difference between banks' approach towards existing clients with a track record and towards new, potential clients where Mr Petropoulos views banks as "reverting to the cautious old style of looking very carefully before they go in".

Perhaps the main difference that the past 18 months have seen in Greek ship finance has been the wave of public equity

offerings involving companies from the country's maritime industries.

TOP Tankers led the way last year with a flotation on Nasdaq and a quick-fire follow-on offering to help expand its tanker fleet, but since then the US public markets have seen successful Greek-related initial public offerings by Angeliki Frangou's International Shipping Enterprises, subsequent purchaser of Navios, now also listed on Nasdaq, as well as IPOs by DryShips, Diana Shipping, Aries, Quintana, Eagle Bulk and StealthGas, not to mention two secondary offerings by Excel Maritime Carriers.

Interest has not yet been exhausted as early this month two other deals appeared to be coming to the market — a planned IPO by Dimitris Melisanidis-headed bunker supplier Aegean Marine Petroleum Network and a proposed follow-on offering of stock by Diana.

It is a ritual for long-time ship finance institutions connected with the Greek market to underline their view that equity financing will not replace the traditional mortgage loan as Greek owners' favoured route of raising finance.

However, outside observers also share the perspective that recent merger and IPO activity has not been bad news for the banks.

"It is not a problem for them," says one finance expert. "First of all, loan turnover is good for banks and provides the possibility of earning new fees, and secondly it brings an opportunity to provide follow-up credit facilities, as we have already seen, although admittedly only some banks can do this.

"When you get a chunk of equity, the general rule is you can start building on it with traditional finance," the source points out.

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