FINANCE

Genmar and Torm miles apart in Chapter 11 debate

At a recent shipping conference in New York, delegates heard two shipowners' very different stories of getting through financial difficulties.

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It was a tale of two chief financial officers and two different views of the Chapter 11 process on a panel at the recent joint Hellenic-Norwegian chambers' annual shipping conference in New York.

From General Maritime Corp (Genmar), there was former chief financial officer Jeffrey Pribor who, although he has described in colourful terms the pain of bankruptcy, ultimately embraced the process as his company's best solution.

From Torm, there was current chief financial officer Roland Andersen, who made it clear that when the company kept saying it wanted to avoid Chapter 11 during its marathon restructuring negotiations, management really meant what it said.

"We were a little different in that we had no bonds," Andersen said, drawing a contrast with Chapter 11 filers Genmar and Overseas Shipholding Group (OSG).

"Our challenge was to bring the stakeholders together but it was paramount for us to do it out of court. We had the pleasure of advisors saying Chapter 11 could be the solution for us.

FINANCE EXPERTS: Former Genmar man Jeffrey Pribor (left) and Roland Andersen of Torm. **Photos:** JOE BRADY AND TORM

"What we used Chapter 11 for was to benchmark our solution. It was an alternative we could choose but wanted not to choose. Our stakeholders agreed it was better to agree to a solution out of court. Everybody felt that they made considerable concessions. But we felt that Chapter 11 was cumbersome, that it takes a lot of time, is very costly and, in our opinion, it might cause a lot more business disruption."

Torm arrived at a solution that featured concessions by its lenders and charterers in return for taking a large majority stake in the company collectively.

It is not as though Pribor enjoyed Genmar's Chapter 11 journey — he has compared it to cutting off an arm to save a life and to being a patient lying conscious on the operating table — but he ultimately came to accept the restructuring as one that kept the company alive, and with a much stronger balance sheet.

"Did you say 'pleasure' of advisors or plethora of advisors?" he asked Andersen in jest. Pribor is freshly installed as new head of shipping investment banking at Jefferies after leaving Genmar this month.

"Our experience when we did go in was that it was a positive in some ways," Pribor said. "It was explainable, it was definable and, hopefully as others will find out, it was survivable. We were able to say 'we will get out'."

Still, it was clearly not Genmar's first choice. "We were absolutely trying to do a restructuring deal out of court until we weren't."

But in the end, Pribor added "we got exactly what we wanted. We looked at how we could reduce the balance sheet and how much new equity we needed to get the level of debt down to one that we could support. We came up with a view and sold that to the banks, sold it to [private-equity backer] Oaktree first".

He went on: "With our original debt load, it cost us $18,000 per day per vessel to service our debt. After Chapter 11, the financial cost per ship was under $4,000. It was a much lower break-even."

Genmar emerged after about six months with Oaktree as its 98% owner as a result of its infusion of $375m in capital. Oaktree is down to about 90% today after selling off a share to an unidentified private-equity partner.

> Roland Anderson: We felt that Chapter 11 was cumbersome, that it take a lot of time, is very costly and... it might cause a lot more business disruption.

DRY CARGO

MOL pins hopes on spot space to combat losses

The Tokyo-based shipping giant wins a meaty new long-term contract but says it still wants to be a major tramp player

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RIO TINTO DEAL: Coal being prepared for loading at the Newcastle terminal in Australia. **Photo:** BLOOMBERG

Mitsui OSK Lines (MOL) insists it still sees the dry-bulk tramp business as a main profit centre despite scaling down in response to a predicted ¥177bn ($1.9bn) loss this fiscal year.

Last week, the Tokyo shipping giant announced a 20-year deal with Rio Tinto to ship 8.5 million tonnes of iron ore between Australia and China. The deal will managed by Singapore arm MOL Cape.

It is the sort of long-term stable business brokers are expecting the company to focus on as it attempts to repair losses.

Yet company president Koichi Muto says the idea behind downsizing and shifting its tramp business to Singapore is a bid to make it more competitive and enhance the company's cash flow. The number of vessels operating in the dry market will be reduced from 170 to 120 over the next two years.

He adds that MOL would take in tonnage for shorter-term contracts on the spot market and this may benefit non-Japanese owners.

In a wide-ranging interview in the Japanese financial press, Muto is quoted as saying: "I'm not saying free vessels are something bad. I'm saying high-cost free vessels are bad. We will continue to do business with cost-competitive free vessels. But even so, we will have to keep our fleet size commensurate with our marketing capacity."

He adds that taking tonnage on shorter-term contracts would help reduce costs. "Our future vision is to seek growth by forming a bigger fleet resilient to market fluctuations, while strengthening our marketing capacity," he said.

"To do that, we need to have owners who can offer such ships. In the present situation, we may have difficulties finding such owners at home. But if we look at other countries around the world, we have owners who can meet our needs. We will naturally continue to compose a fleet of long time-chartered vessels and try to build a flexible cost structure by incorporating short time-chartered vessels into our fleet."

(See MOL/Rio Tinto deal, page 38.)

HYUNDAI SAMHO: One pair of boxships set for delivery this year. **Photo:** HYUNDAI SAMHO

SHIPYARDS

Confident Thenamaris on course for expansion

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Leading Greek owner Thenamaris is showing its confidence in the market on both the dry and wet sides.

The company has expanded its dry-bulk orderbook with capesize and supramax tonnage and also emerged as the buyer of a medium-range (MR) tanker.

Sources close to the company confirm it has three 180,000-dwt bulkers on order from China's Shanghai Waigaoqiao Shipbuilding (SWS), with a further option that is due to be declared later this year. The firm vessels are slated for delivery in the first half of 2015.

TradeWinds reported last month that the company was believed to have switched an order for a 320,000-dwt VLCC tanker to a bulker newbuilding and to have added one more capesize plus two options.

No price has been revealed on the orders but SWS was said at the time to be marketing the capesizes at $46m each.

The owner has also booked a pair of 63,000-dwt bulkers with Sino Pacific Shipbuilding for delivery in 2014. Again, no price has been revealed on the order.

Thenamaris is known for an astute judgement of the markets and its moves are watched with interest.

At the moment, the company's fleet is heavy on the tanker side, with a total of 38 ships listed, including its most recent acquisition, the 37,200-dwt *Seamercury* (ex-*Baltic Adonia I*, built 2003), which brokers say was picked up for $12.2m.

In recent years, Thenamaris has run down its dry-bulk side. Currently, it lists just six vessels in its fleet — one kamsarmax, one handymax and four supramax bulkers.

In addition to wet and dry-bulk vessels, Thenamaris has orders in place for three 160,000-cbm LNG carriers at Samsung Heavy Industries (SHI) and two pairs of containerships, one from Hyundai Samho Heavy Industries and one from Zhejiang Ouhua Shipbuilding with the boxships due to be delivered this year.