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Global Markets Division Container shipping

Tough times ahead
Sector research

Vienna, 31st January

Team Overview

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- Market environment
- Supply/demand



- B.Sc. Business Administration



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- Peer group
- Conclusion



- B.Sc. Business Administration



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- The shipping industry
- Sector introduction
- Global economic outlook



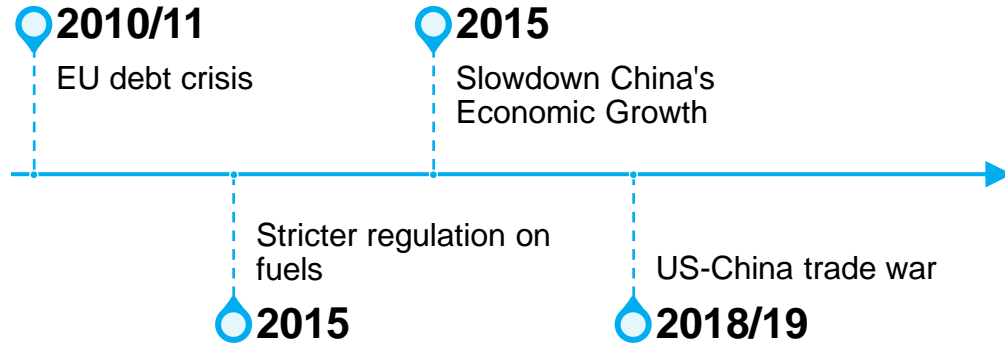
- B.Sc. Business and Economics

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The shipping industry

80% of world trade carried by sea, **Pre-covid** underperformance?

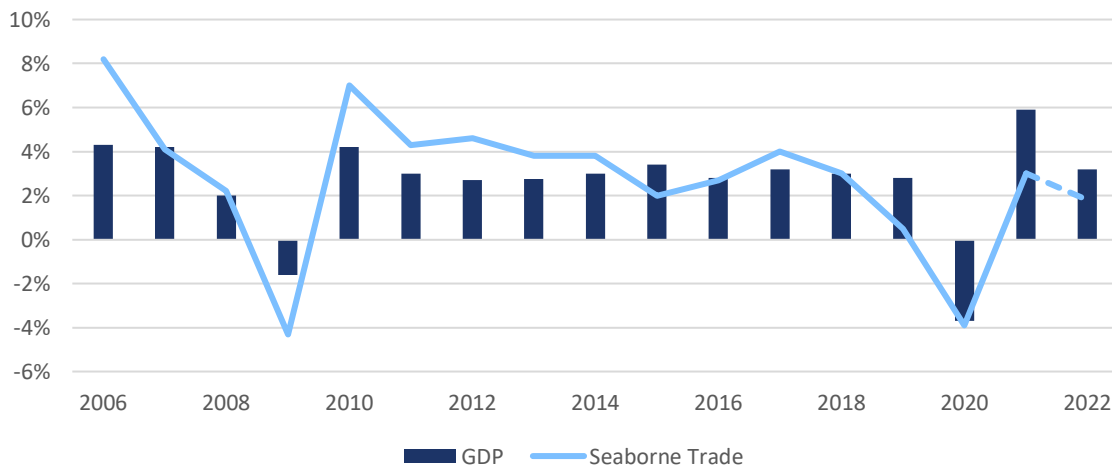
Crucial events 2010s



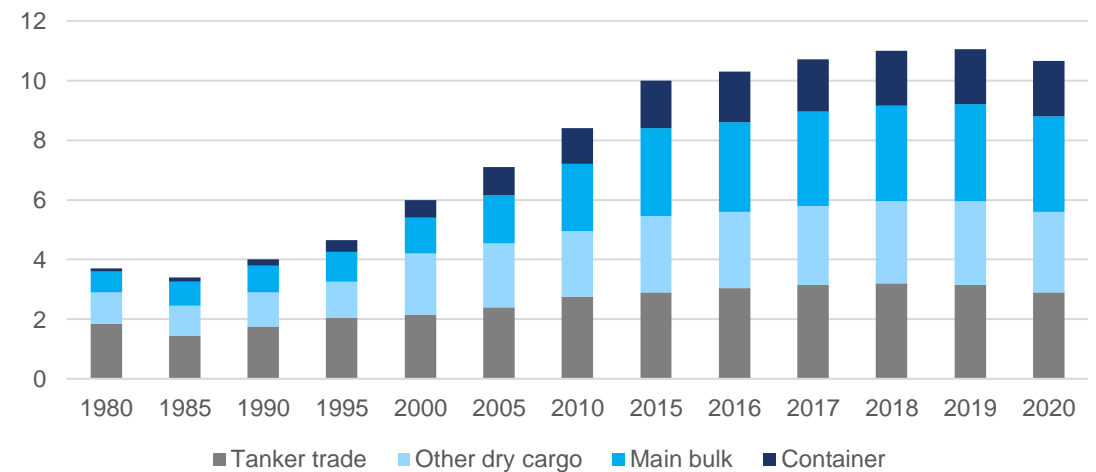
Reasons for underperformance

-  **Overcapacity**
-  **Slow economic growth**
-  **Geopolitical & trade tensions**
-  **Increasing regulation in the shipping industry**

Growth in international maritime trade & World GDP



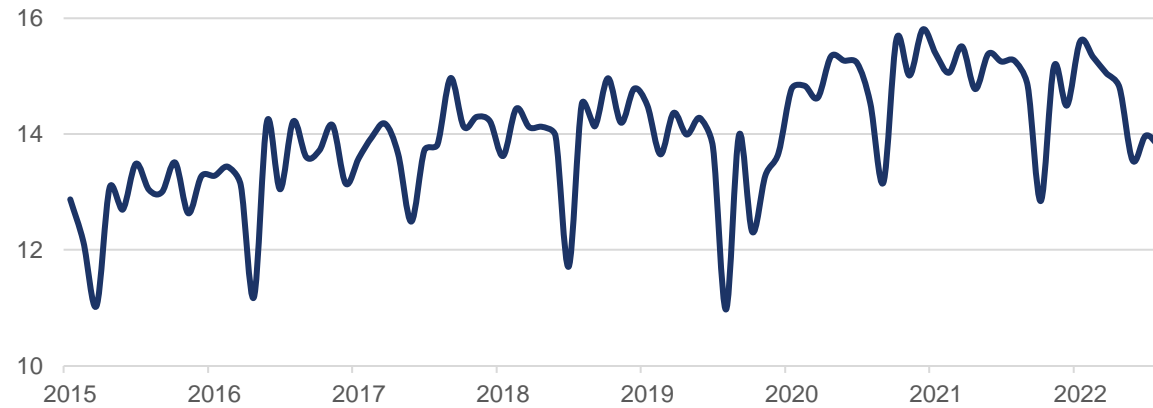
Global trade development by type of cargo *in bn tons*



Containerized cargo sector

Recent performance of containerized cargo shipping

Global Container Volumes in million TEUs



Context



Focus on container shipping

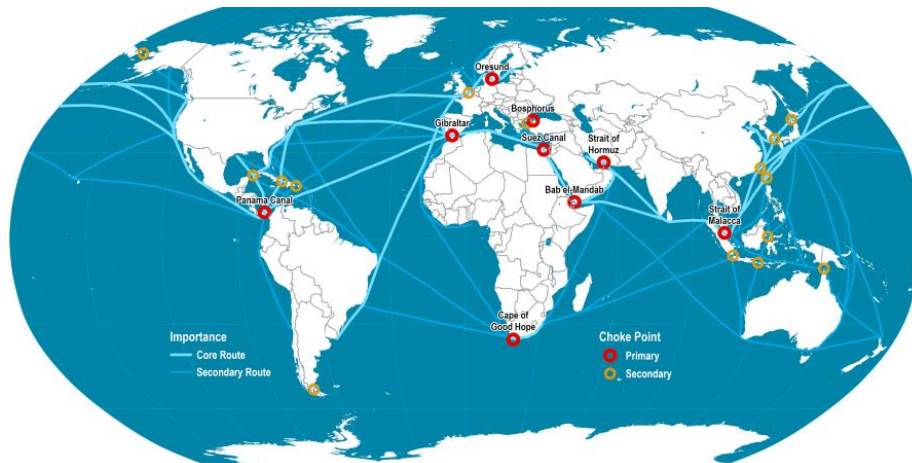


TEU (Twenty-foot Equivalent Unit) = Measure for cargo capacity



Focus on container shipping

Global Trade Flows in 2022



Trans-pacific route
33 MM TEUs



Europe-Asia-Europe route
26 MM TEUs



Transatlantic route
9 MM TEUs



Asia: Shanghai & Singapore
9 of top 10 ports in Asia



Europe: Rotterdam & Antwerp



USA: Los Angeles & Long Beach

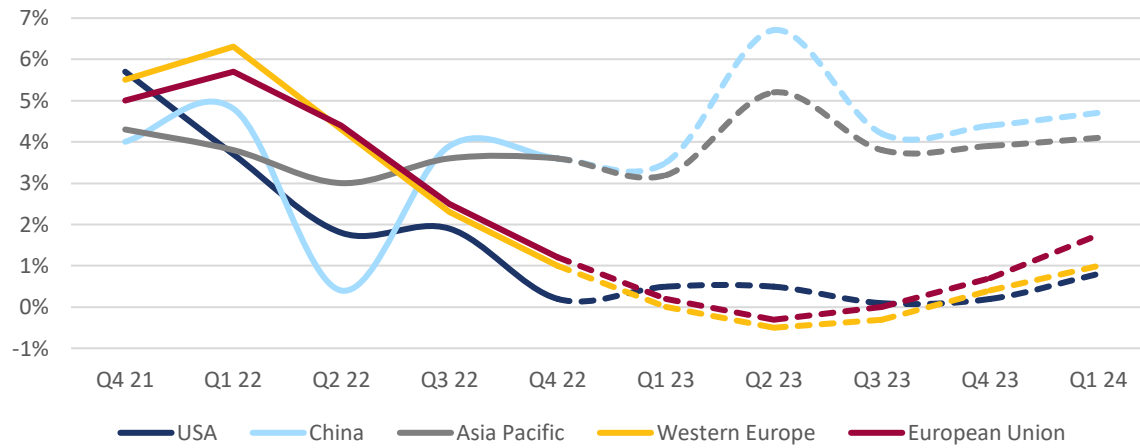


Biggest ports by volume

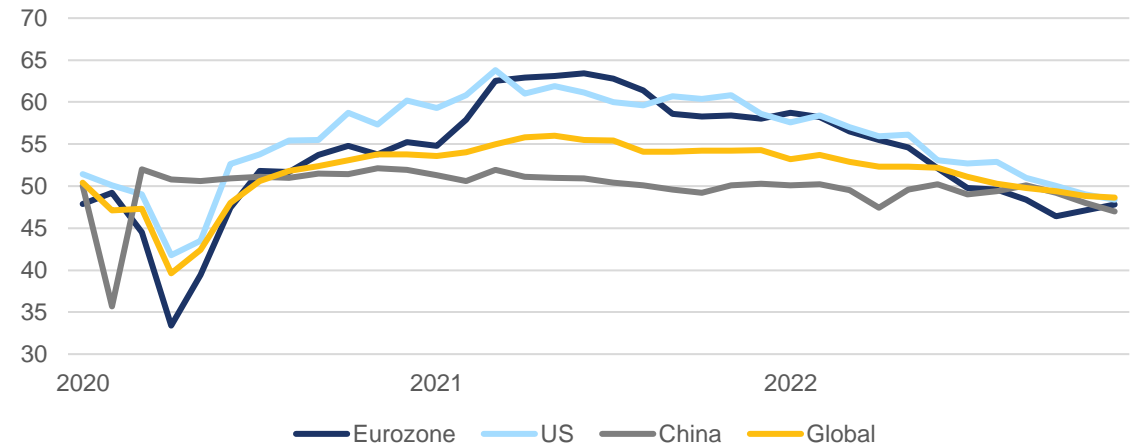
Global economic outlook

Chinese opening is backing Asia's economic growth, whereas Europe's and the US forecasts are not as promising

Global Real GDP (YoY%)



PMI



Economies impact on the shipping sector



Asia outperforming rest of the world



Expected GDP growth declining in Europe and the US



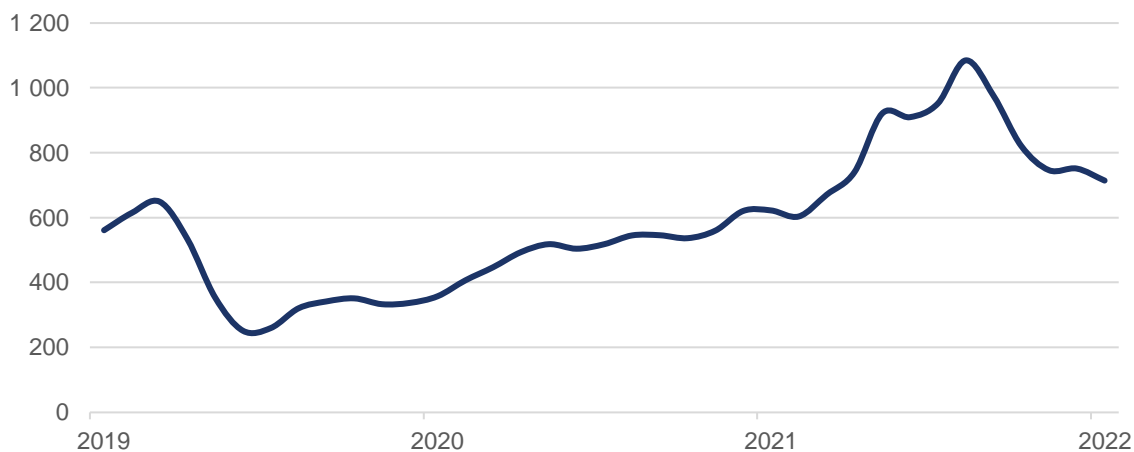
Economic environment gives a weak basis for the shipping industry



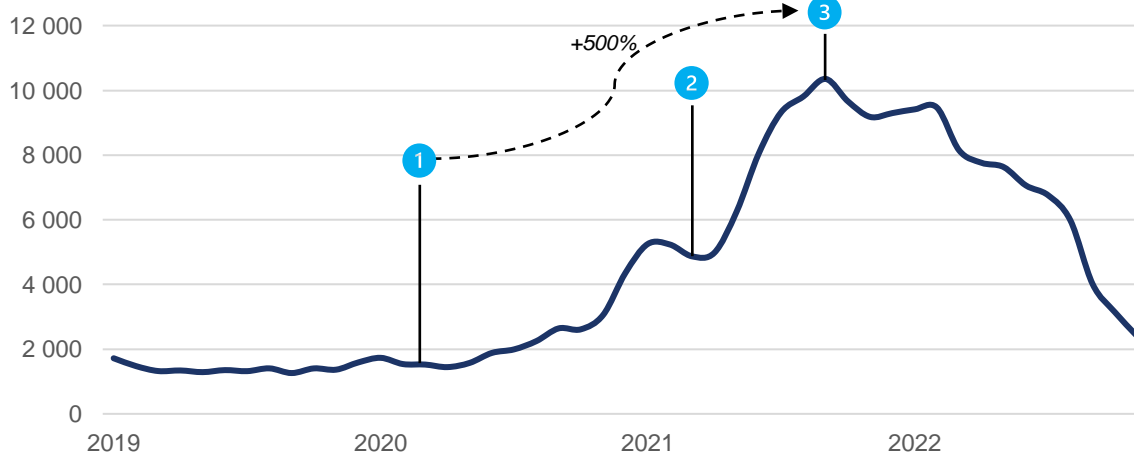
PMI below 50
→ pressuring global trade

After turbulent times, the market has arrived at pre-pandemic levels

Monthly VLSFO price worldwide 2019 - 2022 in USD per metric ton



Monthly container freight rate index worldwide 2019 – 2022 in USD



Context



Very Low Sulphur Fuel Oil (VLSFO) as one of the main costs for shippers



War between Russia and Ukraine (since 02.2022) and Inflation in general increased prices



High costs for shipping companies drive freight rates

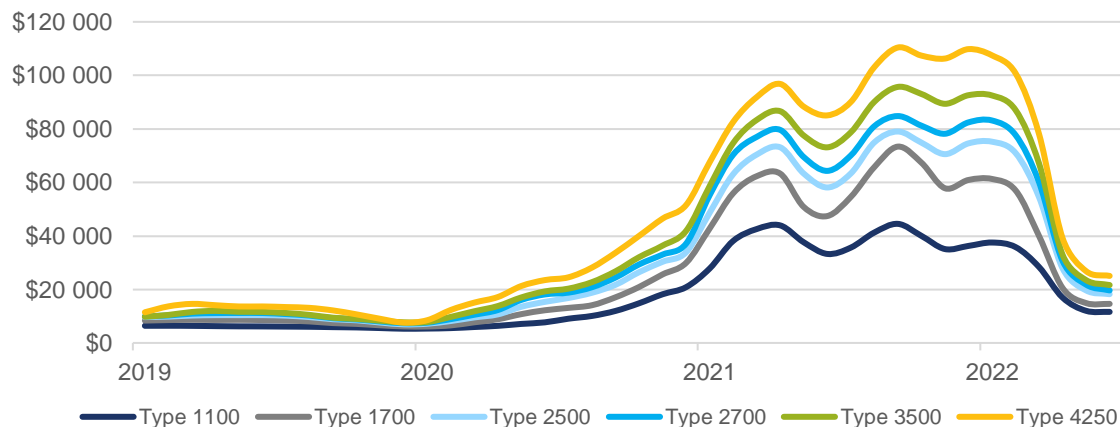
- 1 **Container shipping hit especially hard by COVID-19**
 - port closures,
 - labor shortages, insufficient capacity utilization, displacement of containers, rise in cost of bunker fuel
- 2 **Congestions (Suez Canal)**
- 3 **Peak reached September 2021 at 10,400 USD, since pandemic related issues were being resolved**



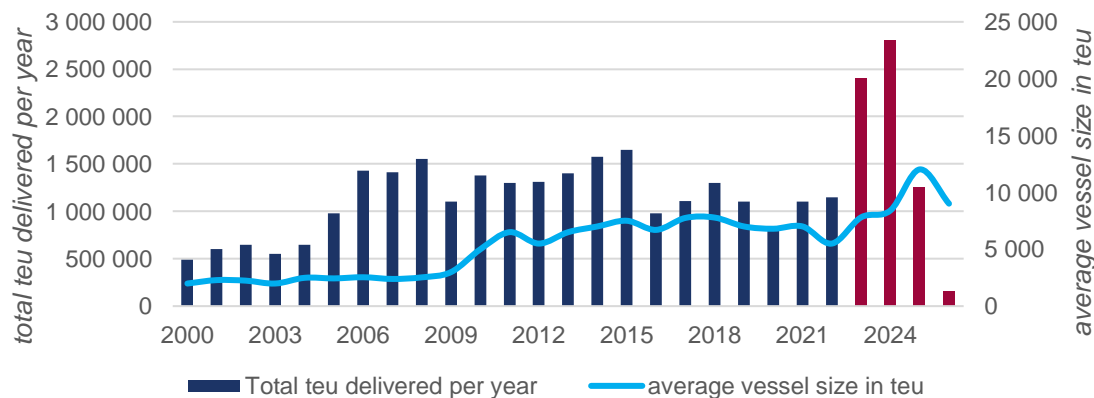
Are companies able to keep high revenue from previous periods in a low-rate environment?

Oversupply due to immense investments in the merchant fleet during record profitability in the past years







Daily charter rates



Container ship - fleet development



What's changing?

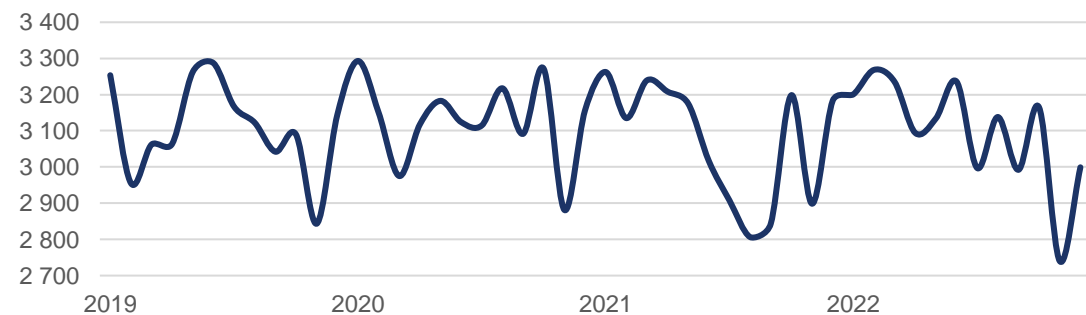
-  **Future container ships deliveries will mark historic fleet size**
-  **Increasing in both average vessel size and total volume**
-  **Fleet size reaches record capacities**
-  **Not a Forecast → actual orderbook**
-  **Oversupply resulting in sharply declining charter rates**
-  **Can Demand keep up with increasing shipping supply?**

Port volumes starting to decline following lower demand for global trade

Port of Los Angeles in kTEU



Singapore Port Container Throughput in kTEU



Key Take-aways



Most important ports regarding container volumes



Measuring only container throughput



Demand remains stable in the long run



Monthly data is ideal to monitor on a continuous basis



Demand is stable over time, while supply outperforms

Share prices of the biggest companies in the sector show a low correlation with port volumes

Container shipping peer group

Name	P/E Ratio	P/E Ratio Next Year	Market Cap (mm)*
AP Moller - Maersk A/S	3,79	5,78	37.968,4\$
COSCO SHIPPING Holdings Co Ltd	2,2	3,04	22.485,5\$
Nippon Yusen KK	1,8	4,62	11.816,6\$
Orient Overseas International	2,21	2,18	11.772,4\$
Evergreen Marine Corp Taiwan	3,13	6,66	10.875,7\$
Mitsui OSK Lines Ltd	1,74	4,93	8.857,4\$
HMM Co Ltd	1,99	4,41	7.996,6\$
Yang Ming Marine Transport Corp	2,48	10,79	7.246,8\$
Wan Hai Lines Ltd	4,69	32,52	7.011,9\$
Kawasaki Kisen Kaisha Ltd	1,16	3,84	5.323,1\$

- Largest container shipping companies
- Only exposed to container shipping market environment
- High p/e Ratio forecasts due to low earning estimates

Peer group – correlation with port throughput (2017-2023, monthly)

Name	LALBLA	CNIFCT
AP Moller - Maersk A/S	0,298	0,02
COSCO SHIPPING Holdings Co Ltd	-0,06	-0,009
Nippon Yusen KK	0,227	-0,082
Orient Overseas International	0,109	0,001
Evergreen Marine Corp Taiwan	0,096	-0,155
Mitsui OSK Lines Ltd	0,079	-0,129
HMM Co Ltd	0,149	-0,018
Yang Ming Marine Transport Corp	0,136	-0,159
Wan Hai Lines Ltd	0,08	-0,134
Kawasaki Kisen Kaisha Ltd	0,296	-0,141

- Low correlation between share prices and port volumes
- Chinese opening has no big effect on stock performances

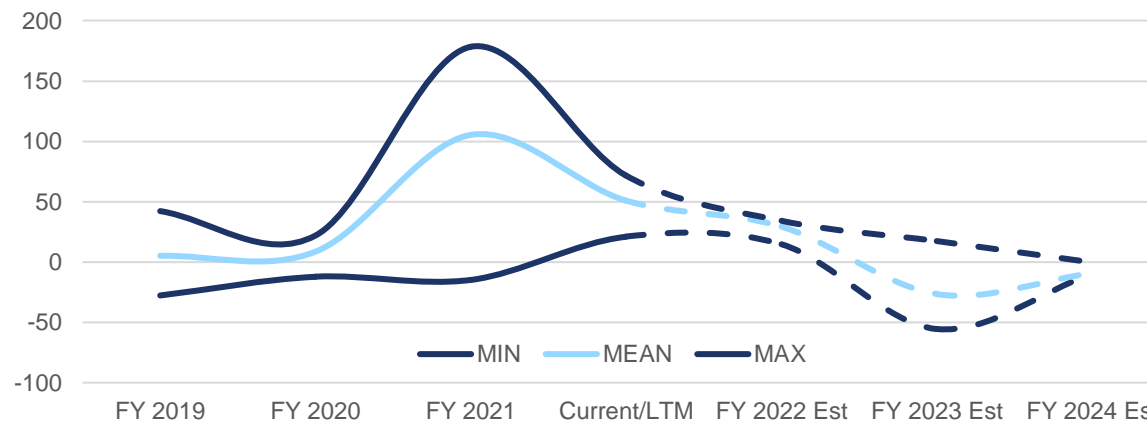
Peer group

Changes in the environment will have their consequences for profits

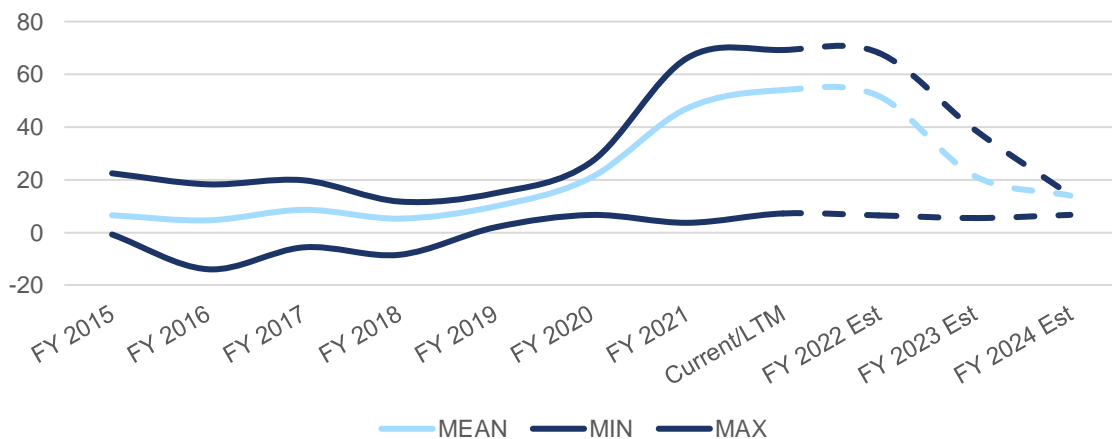
Peer Group Performance



Revenue growth YoY (%)



Adj. EBITDA Margin %



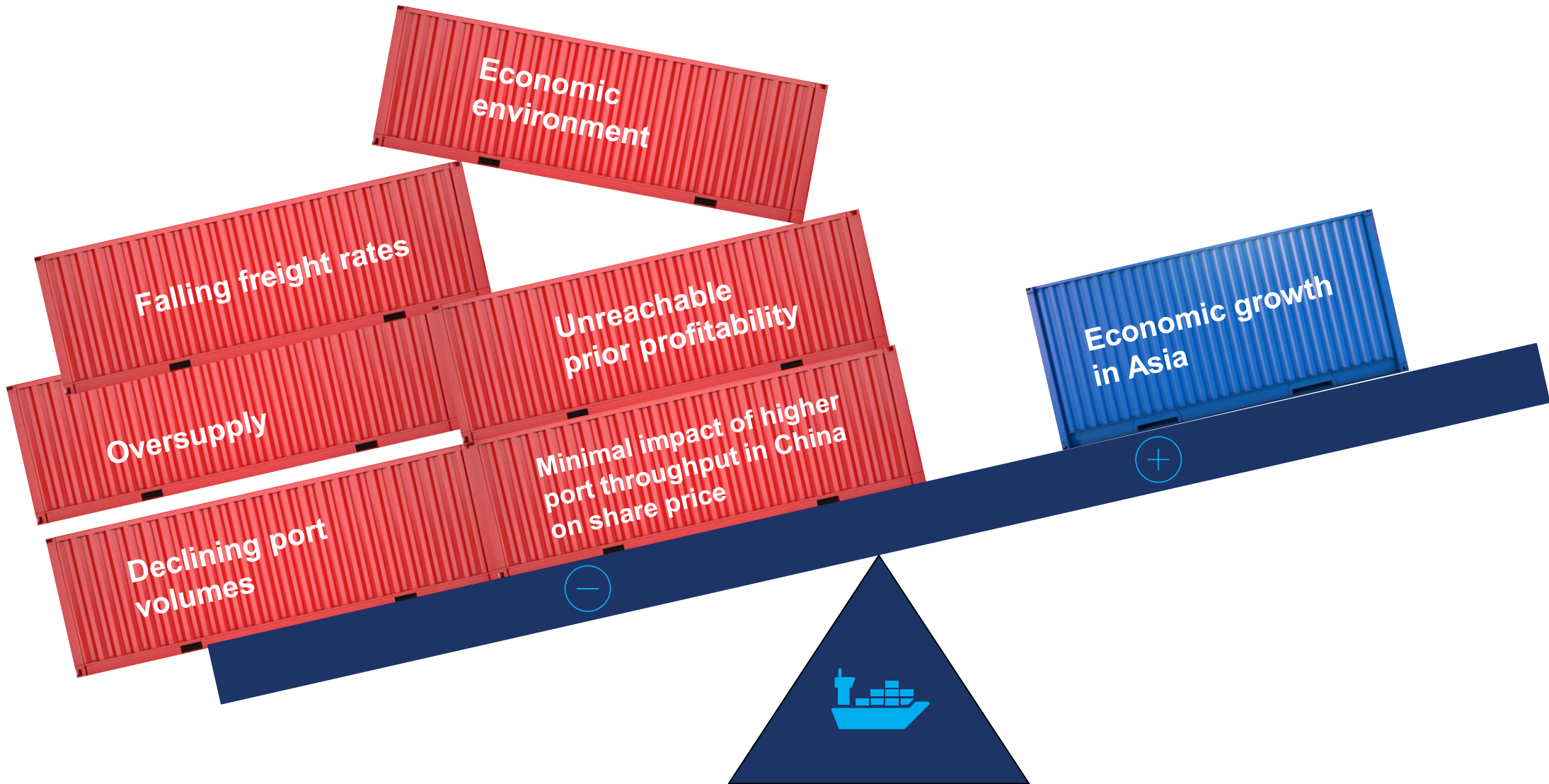
historic profitability in the last quarters driving share prices



sharp decline in margins across the industry

Conclusion

What drives the industry



Appendix

Sources

Source Name	Link	Used for
Statista	https://www.statista.com/statistics/1250636/global-container-freight-index/	
UN CTAD	https://unctad.org/system/files/official-document/rmt2021_en_0.pdf	
Fred stlouisfed	https://fred.stlouisfed.org/series/IMPGS	
SonicShares	https://www.sonicshares.com/wp-content/uploads/dlm_uploads/2021/05/SonicShares_BOAT_Fact-Sheet_2022.01.31_final.pdf	
Economics Dashboard	https://www.fitchratings.com/research/sovereigns/economics-dashboard-global-supply-chain-pressures-easing-rapidly-21-10-2022	
What was China's Zero Covid policy	https://www.bbc.com/news/59882774	
shipping industry during covid	https://www.ncbi.nlm.nih.gov/pmc/articles/PMC8754447/	
database for vessel movement	https://www.maritime.dot.gov/data-reports	
BLOOMBERG		
UNCTAD	https://unctadstat.unctad.org/wds/TableViewer/tableView.aspx?ReportId=32363	

Sources

Source Name	Link	Used for
Alphaliner	Online liner shipping solution - Alphaliner	Merchant Fleet development
Capital IQ		Peer group
Yahoo Finance		Peer group historical prices
Bloomberg		Peer group correlation
Bloomberg Intelligence		Industry data
Statista		VLSFO prices,