NEWSLETTER

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Hapag-Lloyd 'back on track' and preparing IPO

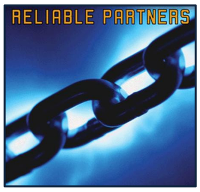
Hapag-Lloyd returned to the black in the final quarter of 2010, while its main shareholder, Tui, continues to ponder whether to sell. Michael Frenzel, CEO of Tui, which has a 49.8% stake in Hapag-Lloyd, said: "We have succeeded in bringing Hapag Lloyd back on track. The improvement in earnings will be sustained. Tui's strong financial commitment has been justified."

Hapag-Lloyd, the world's fifth-largest shipping line, reported a Q4 operating profit of just under €88 million (US$119.5m), compared with a loss of €58 million in the same quarter last year. Revenue jumped 33.7%, year on year, to hit €1.5 billion, and volumes increased from 1.1 million teu to 1.2 million teu, mainly thanks to growth on the transpacific trade.

Meanwhile, average fourth-quarter container rates increased to $1,639 per teu in 2010 from $1,368 per teu in 2009. However, the Q4 profit and revenue were both down on Q3's figures because of the seasonal decline in volumes.

Leisure giant Tui said plans for a possible initial public offering (IPO) of Hapag-Lloyd remained on track, but it has refused to rule out other options: it is also considering selling some, or all, of its shares. Tui believes its investment in Hapag-Lloyd is worth around €2 billion, of which €1.5 billion is equity.

A decision would come in the second quarter, depending on how the market develops, reports suggested. Speculation that the German carrier could launch the IPO before the end of April have been described as ambitious by analysts.

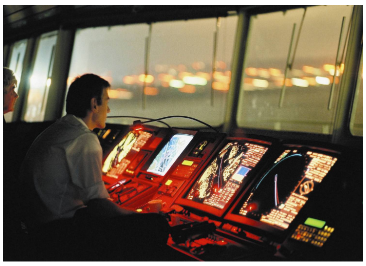


Carriers' reliability on overall schedule still decreasing

According to a Drewry Maritime Research report carriers' overall schedule reliability fell after improving in the two previous quarters.

The proportion of the 3,027 vessel calls arriving on time at selected ports around the world during October-December decreased to 55 percent from 60 percent but topped the 53 percent score in the fourth quarter of 2009, Drewry said in its latest Schedule Reliability Insight report.

Maersk Line retained the number one slot with an on-time score of 70.2 percent, followed by APL at 67.7 percent and Hyundai at 67.6 percent. The Trans-Pacific trade had the best on-time reliability among major east-west trades at 64 percent, the same as in the third quarter. Asia-Europe-Mediterranean services slipped to 50 percent from 64 percent, while trans-Atlantic services fell to 66 percent.



Drewry said only eight of the top 20 container lines, as ranked by vessel capacity, topped the 55 percent on-time average for the industry."It is always difficult explaining fluctuations in service reliability, but considering the near universal declines it is fair to say that most of the big carriers were caught out by the unusually bad weather and port disruptions in the fourth quarter," said Simon Heaney, editor of Schedule Reliability Insight.

Only three of the major carriers, MOL, "K" Line and CSAV, managed to improve their reliability percentages in the fourth quarter of 2010, with CSAV achieving the biggest rise of 9.9 points from a low base of 35.6 percent in the third quarter.

"Hopefully, these worse than expected results were just a blip caused by events outside of carriers' control," Heaney said. "From talking to carriers, we know that many view reliability as a key differentiator, so we would expect that to translate into higher on-time percentages in the near future. We certainly urge shippers to make schedule integrity a key component in the next round f global tenders." First-quarter schedule reliability is expected to decline because of events in Egypt.

Drewry has been monitoring container service reliability since the end of 2005. Historically, industry averages have ranged between 50 and 60 percent, with a high of 68 percent in the second quarter of 2009 and a low of 46 percent in the first quarter of 2007.

The survey tracks whether carriers meet their scheduled days of arrival at three ports in North America, two in Europe and one each in Asia, the Middle East and Oceania. When several carriers are members of a joint service, the reliability is attributed to each carrier involved in the service.

Troubled French carrier could raise $800m to ease its debts

CMA CGM could be about to raise an extra US$800 million through a high-yield bond issue to help secure its financial base.

According to IFW's sister publication, Lloyd's List, the French carrier would need agreement from its 77 creditor banks before it could push the bond through. CMA CGM's main lenders are reported to have signed-up to the agreement, but it is taking others involved in syndicates longer to complete the process. However, it is expected that the bond offering could be launched by the end of March.

The bond issue would be used to reduce the line's unsecured debt, which is estimated at around 40% of the $5 billion owed. CMA CGM declined to comment on the reports.

Late last month, Turkish group Yildirim, with interests in shipping, ports and mining companies, invested $500 million in CMA CGM, in return for redeemable bonds. CMA CGM said the Yildirim investment had enabled it to "sustainably strengthen its balance sheet and secure its investment plan, while providing additional funds to support expansion".

There is no further news on a deal with French sovereign fund FSI, which was set to invest $150m for a minority share in the s hipping line in December