Lloyd's List

Is there new money behind the headline figures?

- Wednesday 11 January 2012, 16:49
- by David Osler

Syndicated loans concluded 383 deals worth a combined $115.7bn in the halcyon days of 2007.

Is there new money behind the headline figures?

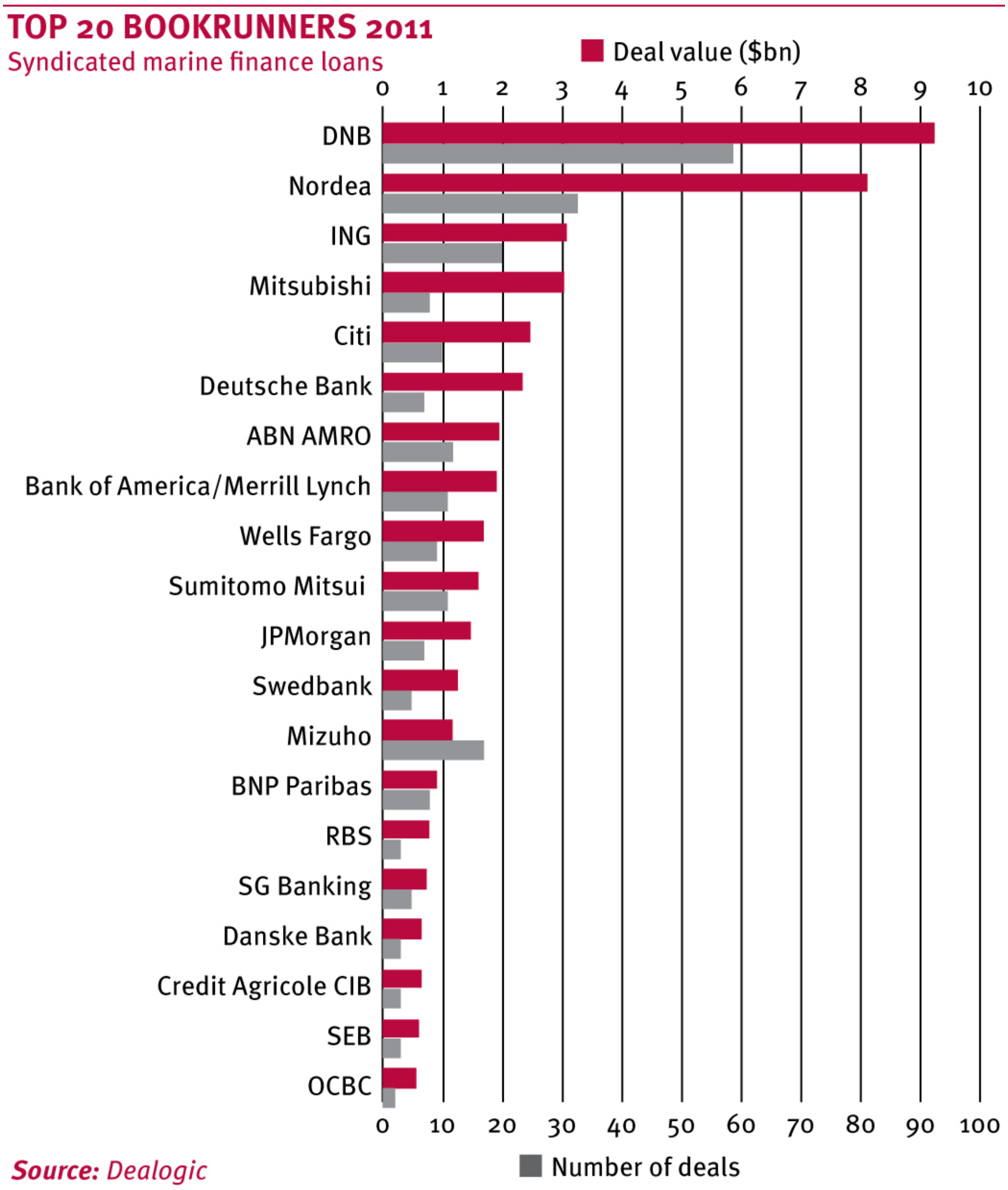
Dealogic's reported 26% lending rise masks shortage of new money for syndicated loans

TAKE a cursory glance at the latest annual summary of shipping-related syndicated loans from data provider Dealogic, and you could be forgiven for thinking that things are slowly getting back to normal in the wake of the credit crunch.

The headline figures reveal that aggregated syndicated marine loans from the top 20 bookrunners came to $68.4bn spread across 244 deals in 2011, which in cash terms looks like an increase of 26% over $54.2bn across 204 deals in 2010.

Sure, those tallies are well below the halcyon days of 2007, which saw 383 deals and lending of $115.7bn. But things are heading in the right direction, right?

Well, up to a point, perhaps. Market observers suggest that between half and three-quarters of the money is going on restructuring deals. They add that only blue-chip concerns are usually considered creditworthy. Depending on who you speak to, chances for new customers to secure finance range from slim to non-existent.



Harry Theochari, who puts together many deals as head of transport at corporate law firm Norton Rose, advises us to take the Dealogic statistics with a pinch of salt.

“As far as I am aware, there is very little new money going into the market. Basically what is happening is that existing troublesome facilities are coming up in the numbers as new loans,” he says.

“But in reality, it isn’t really new money. It is a new facility which is there to repay or prepay or restructure or refinance an existing facility in a manner that will hopefully see a shipowner be able to work the problem out.”

Theochari: very little new money going into the market

On Mr Theochari's estimation, Norton Rose was involved with more than $15bn worth of syndicated facilities last year. By far the majority of that sum went towards restructurings and reschedulings, and he believes that three-quarters of what looked like new facilities in fact dealt with existing issues.

"Technically, Dealogic is not cheating. These are new facilities. But they are not new facilities to do new deals or new business. They are to deal with existing problems."

Of the fresh deals done, LNG and offshore concerns had pride of place, he adds. Mr Theochari's impressions support the Dealogic findings. Of the three biggest deals of 2011, the number two and three slots are occupied by BW Offshore and North Atlantic Drilling, which borrowed $2.4bn and $2bn apiece.

Top of the table is a $2.5bn loan to cruise kings Carnival Corp. But that loan, according to Mr Theochari, doesn't really count.

"Carnival Corp you can't really look at as shipfinance; it is a corporate. If you look at the terms of their facilities, there is very little shipping element in there. The whole thing is based on their balance sheet. It is a top-quality company and it is people like that that will always be able to borrow money."

While leading shipping bankers agree that much of the total is going on restructuring and refinancing, they dispute Mr Theochari's assessment of the proportions at work here.

Stephen Fewster, global head of asset-backed finance at ING Bank, argues: "Those figures include offshore financing as well, not just shipping, and I would say there has been a reasonable amount of new money in there.

"I'm talking for ING, but off the top of my head, I would have thought about half the total is new money. ING was very active last year in a number of transactions, including offshore, shipping and container boxes."

Ronny Bjørnådal, global head of syndicated loans at Nordea, says much of the lending covered by the last two comparable sets of figures also went on refinancing.

"I would say that the league tables were probably a little bit more misleading in 2009 and 2010, and they are starting to show a more accurate picture in terms of business activity, with relatively speaking more new transactions," he suggests.

"We see a huge demand for financing to the LNG sector, we probably have identified some $10bn of capex over the next couple of years. There is a huge activity level on the offshore drilling side which will require huge tickets from the banks."

Bjørnådal: huge demand for financing to the LNG sector

Mr Bjørnådal believes that most borrowers will actively pursue alternative financing sources such as export-credit agencies, the bond markets and convertibles, as capital continues to be a scarce factor.

"Export credit agencies will have to step up to the plate to finance the orderbook. A combination of bank and bond deals will continue to happen, and more bundling or packaged deals where several finance sources have to combine to provide the necessary financing."

But Alan McCarthy, of shipfinance consultancy Eurofin, has a similar sense of where things are heading to Mr Theochari. "Only the very big names and the most prestigious transactions are attracting syndicate financing," he says. "The syndicate market is effectively closed for most small, medium and even some large shipowners these days.

“What capital the banks have is being reserved for the top ten or 15 players in each of the sectors and the most prestigious and risk-free deals available. What you are looking at is lending to major rated corporates, with the bonus of security by way of ship mortgages added to it.

“As we know, most shipping companies – even very good ones – do not have any ratings. I haven’t seen the Dealogic tables, but you probably won’t found many unquoted or unrated companies on it.”

Even where the money is forthcoming, the terms are not particularly generous. Mr McCarthy forecasts that while the big boys could, before 2008, expect to be able to borrow at less than one percentage point above the London Interbank Offered Rate, those qualifying for loans can currently expect a spread of at least twice that.

Article from Lloyd's List

http://www.lloydslist.com/ll/sector/finance/article388555.ece

Published: Wednesday 11 January 2012