Eurofin
Lateral Thinking

NEWSLETTER

MAR
2014
ISSUE
06

IN THIS ISSUE

Business Opportunity Outlook

Greece

We are pleased to attach the sixth issue of Eurofin's monthly Greek Newsletter providing business news and highlighting investment opportunities in Greece.

EUROFIN GROUP

Celebrating 30 Years! (1984 - 2014)

The purpose of this newsletter is to provide an up-to-date summary of current developments in both the private and public sectors in Greece and highlight areas of potential interest for prospective investors all over the world.

The Eurofin Group is an investment banking boutique established in 1984. With offices in London, Athens and Singapore, Eurofin offers advisory services and assistance to companies and individuals conducting business or considering investments in a number of different industries and countries.

Although the main focus of the Group is in the shipping industry, over the years Eurofin has also been active in other sectors such as Energy, Telecoms and Tourism among others.

Having established our Athens office in 1989, we have kept a close watch on the developments in Greece, especially in the past few years as the country has been in the forefront of global news due to all the wrong reasons.

NATIONAL ECONOMY NEWS AND TRENDS

- In yet another positive message to the country's lenders, Greece posted a surplus in its current accounts for 2013, amounting to €1.2 billion, with economists agreeing that it is a first since records started in 1948
- The latest data and estimates on the direction of the 2013 fiscal year are pointing to a smaller-than-expected economic contraction, while there are clear indications of a market rebound. The economy contracted just 3.7 percent in 2013, beating expectations, as the last quarter of the year showed that gross domestic product was only 2.6 percent down from the last quarter of 2012, according to Hellenic Statistical Authority (ELSTAT) figures.
- Unemployment, however, registered a new record in Greece in November as the jobless rate climbed to 28 percent from 27.7 percent in October and 26.3 percent in November 2012, according to data released by the Hellenic Statistical Authority (ELSTAT).
- Salaried employment was on the rise in January as hiring outbalanced lay-offs by 6,397 positions, according to a report released by the Labor Ministry. The data pointed to a reversal from the figures recorded in January last year when lay-offs had outnumbered hiring by 17,507 jobs.
- The Harmonized Index of Consumer Prices fell by 1.4 percent in January 2014 compared with a year earlier, according to a Hellenic Statistical Authority (ELSTAT) announcement.
- Corruption costs Greece some €554 million every year, according to the first European Commission report on the phenomenon that was published recently.
- Economic sentiment rose slightly in January from the previous month, according to the Foundation for Economic & Industrial Research (IOBE) think-tank. IOBE's economic climate index, which combines consumer confidence with sub-indexes of business expectations in industry, construction, retail trade and services, came in at 92.6 points, from 91.4 a month earlier.
- Greek industrial output rose in December for the first time in six months, adding to signs that the economy may be bottoming out after a six-year slump. Industrial production rose 0.5 percent year-on-year in December after a revised 5.4 percent drop the previous month, boosted by a 7.1 percent rise in electricity production, according to the Hellenic Statistical Authority (ELSTAT).
- As sector professionals had predicted, Greek exports posted an annual decline in 2013 for the first time after three years of growth.
- According to the countries' finance ministers, Greece and Switzerland remain divided on how to resolve the problem of untaxed money stashed away by Greeks in Swiss banks, more than two years after talks between their governments began.
- New debts to the state amounting to €9.2 billion were created in 2013, reaching a total of €62.2 billion, according to figures released by the Finance Ministry.

BACK TO TOP

FINANCIAL MARKETS NEWS

- Alpha Bank, Greece's fourth-largest lender by assets is in talks to acquire part of Citibank's local retail banking operations.
- Non-performing loans have reached more than 2 million in number, as a consequence of the crisis for households, professionals and small businesses with debts from housing, consumer and corporate loans of up to €1 million. This brings down the number of loans still being serviced to 5 million, which also includes some 1 million loans under adjusted payment plans.
- The crisis has cost the local banking sector no less than €100 billion to date due to the debt restructuring (PSI) and nonperforming loans.
- Private sector deposits at Greek banks posted a significant decline of more than €2 billion in January compared with December 2013, according to estimates by bank officials. The officials note that the decline is due to the increased tax obligations of both households and enterprises.
- Banks are expecting a return to credit expansion in the last quarter of this year after three years of major contraction in the rate of loans issued to the domestic economy.

- Consultations between the Bank of Greece (BoG) and officials from the country's systemic banks started on the conclusions of Blackrock's stress tests on the local credit sector, with the bank officials saying that the early signs point to additional capital requirements adding up to €5 billion.
- Efforts by Greece's top four lenders to cut costs and sell non-core activities may generate a capital equivalent boost to - the Hellenic Financial Stability Fund's (HFSF) current buffer of €5 billion, according to the country's Central Bank.
- Greece's largest lender, National Bank, plans to make €3 billion ($4 billion) worth of corporate loans this year to support businesses and assist the economy's recovery, according to its CEO.
- Greece sold €812.5 million ($1.10 billion) of six-month treasury bills on Tuesday to roll over a maturing issue, the country's debt agency PDMA said. The T-bills were priced to yield 4.0 percent, down from 4.10 percent in a January auction. The sale's bid-cover ratio was 2.31, up from 2.07 in the previous sale.

BACK TO TOP

BUSINESS NEWS

- Passenger traffic at Athens International Airport posted an annual rise of 7 percent in January, following three more months of growth in the last quarter of 2013.
- Aegean Airlines, along with its subsidiary Olympic Air, reported a remarkable 18 percent increase year-on-year from its Athens hub, and a 41 percent rise from its hub in Thessaloniki in domestic traffic last month, for the first time in four years.
- The Greek National Tourism Organization (GNTO) has joined forces this year with TUI Travel Plc to create a program to promote and advertise Greece as a holiday destination in 12 European countries where the group is active. GNTO will invest €920,000 to cover 50 percent of the program's cost, with the rest being covered by TUI. The €1.84-million- program will promote Greece in the UK, Germany, Sweden, Norway, Finland, Denmark, France, the Netherlands, Belgium, Austria, Poland and Switzerland.
- Scandinavian tourism professionals expect traffic to Greece from the traditionally philhellenes market to grow by 10 to 11 percent this year, while Sweden alone will post an increase of up to 10 percent.
- Hotels constitute the No 1 pick for foreign investors who are active in the local property market. It is a trend unlikely to change in the near future, at least until prices stop heading south, according to property market professionals' opinion based on the recent pan-European survey conducted by PricewaterhouseCoopers and the Urban Land Institute (ULI). The survey showed Athens rising 14 spots – from 27th in the previous survey to 13th – among the continent's destinations for investment in property, reflecting the growth in investor interest over just 12 months.
- The Athens office market has slid to 40th spot out of 67 cities around the world in cost terms, from 39th last year, according to an annual survey conducted by international property consultancy Cushman & Wakefield.
- The rate of decline seen in house prices slowed down in the last quarter of 2013, as data from the Bank of Greece has shown. The price drop across Greece in the October-December period amounted to 8.5 percent compared with the same period in 2012, against declines of 11.4, 11.7 and 9.2 percent in the first three quarters of the year respectively.
- It will take at least two or three years before the local property market emerges from the deep crisis of recent years due to the weight of the excessive supply and the lack of demand, according to an economic conjuncture survey by the Athens University of Economics and Business.
- Cushman & Wakefield, one of the world's biggest real estate firms, is expected to take over the management of Greece's Church Property Utilization Company (EAEAP).
- Construction activity continued its recovery for a second straight month in November, compared with the same month in 2012. Hellenic Statistical Authority (ELSTAT) data showed an 89 percent jump in volume, along with a 36 percent rise in the number of building permits issued and a 62.8 percent increase in surface area.
- Germany's Deutsche Telekom is close to a deal to increase its controlling 40 percent stake in Greece's OTE by buying a further 10 percent from the debt-laden government, the newspaper "To Vima" reported.

- Electricity demand in Greece slumped 4.6 percent last month compared with January 2013, according to data released by ADMIE (Independent Power Transmission Operator).
- The steel industry in Greece is losing its battle for survival as the countdown has begun for the shutdown of the factories of the Manesis group's "Hellenic Halyvourgia" and "Halyvourgiki", owned by the Constantinos Angelopoulos group, at Aspropyrgos, Western Attica.
- The Environment and Energy Ministry announced a series of measures amounting to at least €150 million and intended to reduce the cost of energy for Greek industry, although the response from energy-intensive companies was lukewarm.
- The global oil industry's response to a presentation of Greece's hydrocarbon indications at a recent exhibition in Houston, Texas, was at first surprise and then interest, according to the President of the Hellenic Hydrocarbon Management Company, Sofia Stamataki. Among the companies present in Houston that have already shown an interest in the Greek hydrocarbon market, were leading brands such as ConocoPhillips, Statoil, British Petroleum, Shell, ExxonMobil, Chevron and Noble.
- Athens-listed company "Korres Natural Products" announced its strategic partnership with New York-listed cosmetics giant Avon for the production and distribution of the Greek company's products in Latin America.
- Lidl Hellas, the local subsidiary of German global supermarket chain Lidl Stiftung & Co KG, inaugurated a new logistics hub in Eastern Attica. The new logistics centre, which will handle storage and distribution, covers an area of 50,000 square meters and will employ 120 people.
- A €300-million investment in the creation of a major shopping center in Athens by a Blackrock-owned company came closer to realization with the signature of a ministerial decision allowing for a change of land usage in the neighborhood near Plato's Academy in Athens.
- After a year's delay, the deal between Greek railway service operator Trainose and Hewlett Packard is finally about to be put into action, albeit on a pilot basis. The agreement provides for the US company to make Piraeus its distribution center for Central and Eastern Europe, the Middle East, North Africa and other Mediterranean countries.

BACK TO TOP

TENDERS - PROCUREMENTS

- State sell-off fund TAIPED (Hellenic Republic Assets Development Fund) is turning its sights to the part-privatization of Athens International Airport, which however would entail a stake of no more than the 30 percent provided for in the country's bailout agreement instead of the majority stake originally envisaged.
- TAIPED named Jermyn Street Real Estate Fund IV LP as the preferred bidder for the Astir Palace hotel company, just a few days after the other co-owner of the hotel firm, National Bank, also chose the same bidder.
- The Greek parliament approved legislation to privatize its electricity grid, seeking to attract investment and secure the energy supply of tourist destinations such as Santorini and Crete. The law allows potential investors to buy a 66 percent stake of grid operator ADMIE (Independent Power Transmission Operator), which runs about 11,000 kilometers (7,000 miles) of high-voltage power lines across the country.
- Developing the plot of the old airport at Elliniko, Southern Athens, will require an investment of about €10 billion, which places the ambitious privatization project among the biggest in the broader Mediterranean region for the next few years. Direct investment will reach €6-7 billion while secondary investment for networks, infrastructure, public areas and so on will require another €3 billion, according to Lamda Development, the only party to submit a bid to develop the old airport plot at Elliniko in southern Athens.
- Greece has completed work on the terms for an invitation to investors to express interest in a 67 percent stake in Piraeus Port Authority SA, operator of the country's largest harbour.

BACK TO TOP

GREEK CONTROLLED SHIPPING MARKET DEVELOPMENTS

The Greek shipowning community - often praised for its ability to time the shipping market – is maintaining its strong buying momentum, on the back of the improving freight rate environment and attractively priced shipping assets from a historical standpoint. During January 2014, Greek interests acquired a total of 90 vessels; 36 Newbuildings and 54 2nd-hand (i.e. 3 vessels per day). Although final data for February 2014 is not yet available, according to broking sources the strong buying trend continued unabated. The strong confidence is evidenced by a number of sizeable deals (in the LNG, LPG, Tanker and Dry Bulk sectors) which were concluded during February by reputable Greek shipowners: J. Angelicoussis' LNG arm (Maran Gas) proceeded with a $405 million investment for the construction of 2 x LNG vessels, Latsis Group (Latsco) ordered 2 x Very Large Gas Carriers (VLGS) in Korea for an estimated $150 million, Th. Angelopoulos (Metrostar) ordered 2 additional Very Large Crude Carriers (VLCCs) in Korea thus increasing his total number of newbuilding VLCCs to 6 (representing an investment of about $ 558 Million).

Availability of Debt ship-finance remains tight with capacity being channelled primarily to top tier shipping names and mostly in Energy shipping deals. As an example, during February, Oceanus (the joint venture between G. Economou and US Fund MatlinPatterson), secured a $353 million facility from Kexim and a consortium of Banks (Korea Exchange Bank, DVB Bank and Swedbank) for its $880 million shipping order of 4 x 159,800 cum LNG carriers from Korea.

Greek shipowners continue to capitalise on US Institutional interest for investments in shipping. According to market sources, during February 2014, Oaktree invested, through its joint venture with P. Pappas (Oceanbulk), in two VLCCs (estimated investment of $180 million) whilst Institutional interest for increased investments in shipping is also evidenced by recent news that computer billionaire Michael Dell has decided to invest $33 million in Harry Vafias' publicly listed StealthGas through a private placement offering. Furthermore, there are at present two Greek controlled shipping companies that are in the process of being publicly listed in the US Capital markets; Dimitrios Souravlas and Ekaterini Lanaras' chemical Tanker shipping company Stalwart Tankers Inc has filed for a $100 million IPO on Nasdaq and Hadjipateras' controlled LPG shipping company, Dorian LPG is also aiming for a listing in the US, having already raised well over $500m on the OTC market.

BACK TO TOP

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