

IHS MARITIME & TRADE

Fleet Capacity Forecast

Investor Applications

Although institutional investors haven't historically played a significant role in the industry, shipping lends itself to those actors looking for new sources of high returns. The highly cyclical nature of the trade has a prolonged effect on the rate of return and asset values which if, taken advantage of, can yield substantial ROI. Hedge and wealth funds are increasingly interested in the opportunities presented by ship ownership, taking advantage of the consolidation and offloading of 'bad debt' by traditional shipping banks following the 2008 financial crisis and distressed conditions of the industry. While the market is very hot now, it is unlikely to remain so for more than a few years. However, the presence of these actors in the market is likely to be long term. The ship owners who are currently being bought out by private equity firms will inevitably start being floated and when they go public, they will gain shareholders, including hedge funds thus cementing the institutional investor in the shipping industry for many years to come.

In the past, investors have relied on their extensive knowledge and expertise of the industry and sub-conscious understanding of value to make decisions. In contrast, institutional investors lack this knowledge and are used to data-driven decisions. They would use IHS reports and forecasts as a sanity check on their own data and analysis as well as a means of proving they have done their due diligence.

The investment analyst needs to assess a range of disparate investment opportunities quickly and accurately. Access to granular and transparent data and analysis is therefore very important. The user would quickly review the methodology provided in the IHS Fleet Capacity Forecast to address this need and then customise and export data and graphs to use in presentations internally on the investment opportunity.

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Such investors, or those looking to advise or support an investment, would use the long term forecast to analyse potential future areas of high activity and ultimately returns. For example, a fund manager could use the tool to look at the North American shale gas and tight oil production and see the impact this trade will have on the gas and tanker industry in the future. The IHS Fleet Capacity Forecast indicates not only segments of interest but also sub-segments to target for investment. For the LNG fleet, for example, the New-Panamax vessels are expected to be invested in heavily due to increased exports from the US, regional gas price differentials and the opening of the new Panama Canal locks. As investment in larger ships is expected, there is also expectation that investment in smaller ships will follow to pick up the high volumes flowing towards the power hungry markets of Asia. A combination of infrastructure limitations and high demand for cheap energy is likely to influence the investment in smaller sizes. This is reflected in the number of newbuildings forecasted and can be used by investors to analyse future demand of vessels invested in today.

Moreover, potential investors can also use the tool to see changes in the average age of the fleet, which is a good indication of trading activities and can be used to create projections for operating profit when investing or providing a credit line to a ship owner. Average age also gives an indication today of when they should plan to offload the asset in the future. This should be taken into account when planning finance structure and timing of investments. The IHS Fleet Capacity Forecast sees, for example, the average age of Panamax vessels declining while conventional gas carrier lives are being extended. This could have a significant impact on the NPV of an investment, reversing the rationale for one sub-fleet over another when looking only at number of new builds.

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