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CONTAINERS

Nikolas Pateras container ship sale revealed amid glowing Contships credit report

Clarksons Securities expects feeder ship owner to easily repay its debut, five-year Nordic bond

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Major container ship firm Contships Logistics notched up one more sale to the string of secondhand transactions it has concluded recently to renew its fleet.

The world's largest independent owner in the 900-to-1,500-teu range has agreed to offload the 1,118-teu Contship Win (built 2008), according to a Clarksons Securities credit report released earlier this week.

The vessel is expected to be delivered to its new, undisclosed owners in May, with Clarksons assuming that the Qinghsan Shipyard-built vessel changed hands for $8.5m.

According to VesselsValue, the ship was worth about $5m when Contships acquired it eight years ago.

TradeWinds reported in November that the Contship Win was fixed by Danish liner operator AP Moller-Maersk for between four and six months at $13,000 per day.

It becomes the ninth vessel Pateras sold since October last year in divestments, raising his company more than $60m in total.

On the other hand, Contships Logistics spent about $85m over the same period to acquire six vessels that are on the whole larger and younger than the ones it sold.

That whirlwind of transactions brings the current size of Contships' fleet to 43 vessels, bolstering the company's position as the world's largest independent owner in its niche market ahead of rivals such as USC Barnkrug, Juengerhans and Kotoku Kaiun.

Contships partly financed its recent acquisitions with the help of a debut $100m debt issue in the Nordic bond market in January.

Double-digit yield

In a credit report issued on Tuesday, Clarksons Securities said it expected the company to easily redeem the five-year bond, which carries a 9% coupon.

"We take comfort in the fact that the combination of fleet scrap value and contracted Ebitda backlog continues to fully cover the company's outstanding gross debt," said Clarksons Securities, which was retained as co-manager for the senior, unsecured, sustainability-linked bond.

Under a base-case scenario, Clarksons expects Contships to repay nearly all of its outstanding bank and bond debt and reach a net cash position by 2030.

"Importantly, our stress scenarios indicate that the company would still be able to repay most of its debt even if market rates were to drop below the company's cash breakeven for a prolonged period," the analysts said.

"This underscores that Contships is structurally well-positioned to withstand a downturn, should one materialise," Clarksons added.

Contships counts CMA CGM, Mediterranean Shipping Company (MSC) and Cosco among its biggest clients.

According to the credit report, Contships issued its bond at 98% of face value, and it is currently trading in the 95%–to-97% range, which implies a yield of around 10%.

"We view this as an attractive level for a company expected to reduce leverage to low 1.0x within the year," the credit report said.