

CONTAINERS

How Contships turned ship sales into big gains — thanks to MSC



Nikolas Pateras-run company multiplies its money with asset play for secondhand vessels

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As scores of owners stampede to order expensive feeder ship newbuildings, the Greek company that pioneered investing in them turns impressive profits by flipping some of the 64 secondhand vessels it acquired over the past decade.

Contships Logistics has just made a killing with a pair of such ships, which it purchased from German limited partnerships just six years ago for \$11m en bloc.

The Nikolas Pateras-run company agreed this week to sell the 1,484-teu Contship Run and Contship Sea (both built 2007) to MSC Mediterranean Shipping Company for \$34m in total, according to market sources.

That 210% profit margin becomes even wider when one also takes into account the cash Contships earned by chartering the vessels through the Covid pandemic and the Red Sea blockade.

Based on available freight rate and chartering information, the two ships are estimated to have raised about \$64m in charter income between 2019 and 2025.

Accounting for operation expenses as well, the \$11m Pateras invested in the two vessels thus produced \$63m in net income — a profit margin of 472%, unadjusted for inflation.

This performance is in line with Pateras' previous history as an investor in bulkers, tankers and multipurpose vessels.

The traditional Greek owner's previous company, Pacific & Atlantic, scored a huge profit when it offloaded about 50 such ships for around \$500m between 2006 and 2008 — just before shipping markets crashed.

In 2014, Pateras went on to establish Contships Management.

What began as a moderate bet on the feeder containership market quickly turned into a high-stakes game, in which the company invested in 64 secondhand feeder ships to become the world's largest independent owner of such vessels with a capacity of up to 2,000 teu.

Over the past two years, Pateras has been taking advantage of rising values in the sector to offload several of these ships at lucrative prices, selling 24 of them for about \$230m in total.

The most frequent buyers of these vessels were Turkey's Medkon Lines and MSC.

Over the same period, Contships used part of its liquidity for 10 acquisitions, including a \$71.9m en-bloc deal for five vessels from MPC Container Ships.

Contships has further fleet renewal in its sight, boosted by \$175m gross proceeds in Nordic bond sales this year that made it the first private Greek company to break into this market.

Investors have been attracted by the \$300m in dividends that the company has paid out to shareholders throughout its life, alongside minimal bank debt and \$150m in cash holdings following its latest two ship sales.

The first Greek company with a laser focus on feeder ships, however, has refrained so far from joining the feeder ship newbuilding trend, citing high newbuilding costs.

According to estimates published in Contships' latest quarterly earnings report, other players have inked 80 feeder ships since March, propelling the current orderbook to about 285 newbuildings or 7% of existing ships on the water, in terms of fleet numbers.