Lloyd's List

CMA CGM tops performance league

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- by Janet Porter

CMA CGM was the best-performing line, according to Alfaliner.

French line posted the highest operating margin in first half of 2011

FRENCH line CMA CGM topped the list in terms of operating margins during the first half of 2011, one of only four container lines that was in the black during the period.

Of those carriers that publish their results, Hong Kong's OOCL had a profit margin of 4%, followed by Maersk Line with 3% and Hapag-Lloyd with 1%, new analysis from Alphaliner shows. But CMA CGM achieved a margin of 8% when posting an operating profit of $592m on turnover of $7.3bn. The world's second largest box line, Mediterranean Shipping Co, does not issue any financial figures.

The worst performer in the period was Chilean line CSAV whose losses of $525m equated to 19% of revenue, while most others had a negative operating margin of around 5%. Virtually every line was thought to be in the red in the second quarter, while several are warning of full-year losses, given weak freight market conditions.

CMA CGM's good performance compared with most of its competitors came amid negative press comments about the company's bonds that are trading at a deep discount, reflecting lack of liquidity rather than any sell-off. The line has declined to comment, but is known to be frustrated by the fact that direct links are being made between weak spot markets and its revenue, since most carriers move a large amount of cargo under contracts in which rates are set for a period. These prices are more stable and do not fluctuate as much as the relatively volatile spot market.

On current trends, and following evidence of some improvement in certain trades apart from the Asia-north Europe route, CMA CGM expects to be in the black this year.

In a recent interview with Lloyd's List, CMA CGM chief executive Jacques Saadé said well-organised companies with big ships should be able to get through the next three years without losing money, although he acknowledged there was unlikely to be a repeat of the bumper profits achieved in 2010.

Neither is there any evidence to back up talk about the risks associated with CMA CGM's bonds that mature in 2017, with brokers saying ship hire payments are being settled punctually.

Research by Lloyd's List Intelligence also failed to uncover any signs of late payments to vendors, usually the first evidence of cash flow difficulties.

"Reduced shipment volumes and freight rates in some major east-west trade lanes in the second half of 2011 appear to be having no major adverse effect on those bunker suppliers

dealing with the largest global container lines such as CMA CGM, " said senior marine analyst Chris Thorby.

"Despite concerns in the financial markets with respect to its bonds and derivatives, CMA CGM's regular bunker suppliers continue to face no payment delays from the shipping line in September 2011, and credit terms have not been tightened up noticeably."

One trading company, which has supplied CMA CGM for some years, extends a $7.5m credit line to the company and had no intention of changing this, said Mr Thorby. Some physical suppliers have higher credit lines than this in place with CMA CGM.

That may reflect the fact that CMA CGM, like its larger competitors, is involved in many east-west and north-south trades worldwide. In some of these, freight rates are holding up well.

Neither are containership owners and operators rushing to place ships in lay-up as they did in 2009 when cargo volumes collapsed. This time , there is still a demand for ships as trade continues to grow, albeit at a fairly modest pace.

Nevertheless, the supply overhang is depressing revenue per box, with carriers such as CSAV now saying they are looking for a strategic partner as the best way to reduce sky-rocketing losses and bring its network down to a reasonable size.

Collectively, the world's top 20 carriers lost almost $400m in the first half of the year, compared with a profit of $3.8bn in the corresponding period of 2010, according to Alphaliner.

This year is nowhere near as bad as 2009 when combined losses of those carriers that publish their results came to $6.25bn, although the 2011 interim results include a number of non-recurring items that helped soften the bottom line figures, including asset sales.

But what may delay recovery this time compared with 2009 is the shift in focus. In 2009, most carriers put ships in to lay-up in order to reduce surplus capacity and restore profitability. But with lines now more concerned about market share, any upturn is expected to be slow.

"This behaviour will delay the recovery of the entire sector in a situation where the operating environment is expected to get worse by late 2011 and early 2012, before any real recovery can be expected," says Alphaliner.

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