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»Healthy« Hespont back for growth

After some relatively quiet years, Hespont now comes out of the woods again with plans for its ship management and ship owning businesses. Talking exclusively to HANSA, the top management reveals plans, goals and lessons learned. By *Michael Meyer*

CEO Phrixos Papachristidis adds, »We understand ourselves as a provider of marine transportation services. Predominantly, we are a third party technical manager, but we also have ownership. Today it is one vessel, but we have more ownership projects in the pipeline. An important part of our »service leg« is crewing, not only for ourselves, but also for third party customers.«

Currently, Hespont has ship management contracts for 26 vessels, including bulkers, tankers, offshore support vessels and tugs. The two biggest customers are Scorpio and Nordic American Tankers and US investors. But the client base is supposed to grow in the very near future. According to Papachristidis, the company is expecting soon another pub-

lic listed company as new customer for third party management.

And this might not be the end, as Hespont pursues a growth strategy – actively pursuing organic and inorganic ways, the CEO says. »We have been growing the fleet for ship management by asking owners directly. But we are also looking at acquiring ship management companies and we are talking to several. Our target is a managed fleet of 100 vessels in less than ten years,« he emphasizes. He describes the 100% family-owned company as »one of the smaller third party ship managers and thus we are very flexible. Customers are much more demanding nowadays in technical support, maintenance and reporting standards. Contract details very much depend

on how much the owner is willing to pay for quality. We don't subscribe to the belief that our small size puts us at any competitive disadvantage. Two values that are very important for us are integrity and transparency.«

CFO Joachim Brack adds, »One of our advantages is that we were ship owners before. We know how owners are thinking. In these days, when a lot of vessels are used for asset play or a later resale, good maintenance has a huge effect.«

Talking about the potential set-up of the future, Papachristidis explains, »We want to further develop our integrated marine services group, which has functions, that are self-sufficient on their own and that are spread on all segments like technical/commercial management, crewing, construction supervision and all related types of services.«

Besides ship management, the management team has plans for ship owning as well. In its heyday, Hespont's owned fleet comprised 29 ships, which were realised with the KG system. However, the company, which was founded 1946 by Phrixos Papachristidis' grandfather and since then was active as owners, operators, managers for tankers and bulkers, might be best known for super tankers of the VLCC and ULCC classes respectively, which were owned in a 50/50 partnership with Loews corporation. That ended in 2004, when the first Hespont KG was financed.

Together with German companies Peter Döhle and



Photos: Hespont

Phrixos Papachristidis and a portrait of his grandfather who founded the company in 1946

HCI Capital AG, Hellespont Hammonia GmbH & Co. KG was founded, but eventually in 2010, Papachristidis and Hellespont bought out the 25% minority interests of the German partner and renamed the company to Hellespont Ship Management.

Today, there is only one ship owned, although this might change now. »On the owning side, we are looking at acquiring ships on a fixed income basis and we have several projects in mind. At the moment we are looking at a possible bulk carrier project,« Papachristidis states. CFO Brack adds, »We are talking about up to 16 vessels in terms of growing our owning business. These are still projects and they may not materialize, but we are confident some will.« Some of those vessels are new building projects.

To realise the growth plans, Hellespont uses equity partners and debt financing. Papachristidis explains, »We are not selling shares, but that cannot be excluded in the future. It is one of the ways to gain capital for projects. At present public capital markets are not realistic, but certainly in our vision. Access to capital markets is on the table. What we did very early in terms of money raising activity for growing our businesses was to look outside of Germany. New York, London or even to Asia (Chinese leasing) are interesting options.« Commenting on a potential sale of shares, COO Michael Kennedy argues, »That would heavily depend on the deal. We wouldn't say that we don't think about it. It is possible, but it is not pursued actively right now.«

According to Brack, Hellespont is debt free nowadays: »No one is pushing us in



Today, the »Hellespont Progress« is the only vessel owned by Hellespont, but the fleet is expected to grow again

a merger. We are definitely healthy now which allows us to think about new building projects. After 2012 we were quickly restructured and we started to make money with ship management. We do not have any legacy from the past. This is what differs us from other German companies, there is no bank liability.«

The main reason for the cases of insolvency in the past was that Hellespont had only one main charterer, Sanko from Japan, the CFO says. »When this company filed for insolvency it caused a collateral damage, 14 vessels were affected. That was a hard time, but we got rid of these problems and we learned not to put all the eggs in one basket. That is a reason why we are now diversifying more.«

However, notwithstanding the ship owning plans, ship management and crewing will be the bigger part of the activities, COO Kennedy states. Still operating out of four offices in Hamburg, Singa-

pore, Athens and Manila, Hellespont's by far biggest exposure is to the ship management and crewing market. Whereas Hamburg is the largest office in terms of revenue, most of the 160 employees are based in Manila with a little over 100 people. From the Philippines, not only the crew for 26 vessels under Hellespont's technical management are provided, but also for another 30 vessels. All in all, the company has 2,500 seafarers in its books. However, crewing is not only done in Manila. »We also provide crew for OSV and tugs from our Hamburg and Singapore office. Our Manila office is providing crew predominantly for bulkers and tankers. In Manila we are still the biggest customer, but now less than half. The rest is for third party customers,« Kennedy explains.

What also won't change in the near future is a strong presence. »We are very committed to Hamburg. For the future we are here to stay, Papachristidis says.■

