

Genco Shipping: the fine print, forecasts and fleet renewals

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Legal documents do not make for lively reading, however, the fine print [of Genco's announcements](#) does actually include a series of cash flow forecasts, noting that rate forecasts came from a conservative take on rate estimates of equity market analysts.



These forecasts, prepared at the beginning of March, turn negative in 2017, consistent with a view of a shorter economic cycle and dangers of more drybulk over-ordering.

	2014	2015	2016	2017
Net Voyage Revenues \$Million	\$ 232.0	\$ 302.4	\$ 215.7	\$ 197.6
Service Revenue	8.4	9.5	8.9	8.8
Cash Revenues \$Million	\$ 240.4	\$ 312.0	\$ 224.6	\$ 206.3
Vessel Operating Expenses	\$ (101.7)	\$ (103.7)	\$ (107.0)	\$ (112.4)
Cash G&A	(18.2)	(18.6)	(19.0)	(19.3)
Technical Management Fees	(6.9)	(6.9)	(7.0)	(7.2)
Cash EBITDA \$Million	\$ 113.7	\$ 182.8	\$ 91.6	\$ 67.4
Drydock Expense	\$ (15.5)	\$ (11.7)	\$ (22.6)	\$ (17.9)
Purchase of Vessels (pre-financing)	-	-	(30.0)	(90.0)
Taxes	(2.2)	(2.6)	(2.3)	(2.2)
Unlevered Free Cash Flow \$Million	\$ 96.0	\$ 168.5	\$ 36.7	\$ (42.8)

These cash flows do not reflect interest due or debt repayments. On the approximately \$250m of debt that would be outstanding, interest of around \$15 - \$20m annually could be expected. If Genco seeks to retain cash (subject to cash sweeps imposed by lenders), these could be managed. The company will also benefit from an initial \$100m infusion, through the sale of warrants (similar to options to buy shares) to holders of the 2007 debt, and the convertible notes.

In the forecasts, operating expenses, which assume inflation of 2% per year, begin with daily operating expenses of \$6,000 for capesize vessels, \$5,300 for panamax vessels, \$5,200 for supramax vessels, \$5,000 for handymax vessels, and \$4,900 for handysize ships. Estimated drydocking expenses were not broken out but said to be computed on a vessel by vessel basis, depending on the schedule and the age of the vessel.

The growth in "vessel operating expenses", not fully defined, seems to suggest that Genco's vessels will see more spot operation in the coming years. Fleet size is not specified, but the reference to fleet renewal suggests a steady state fleet size; the cash flows show deposits on new vessels being placed in 2016- 2017. In actuality, a big market dip might bring bargains on second hand ships.

The forecasts also reveal estimates of ballast water treatment systems during each vessel's first drydock after 1 January 2016 at \$950,000 per capesize vessel, \$800,000 per panamax vessel, \$750,000 per supramax vessel, \$700,000 per handymax vessel, and \$650,000 per handysize vessel.

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