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**Press Release**

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*Contact:* Kallia Mylonaki  
*Tel:* 210 8114386  
*Email:* email: [kallia.mylonaki@pwc.com](mailto:kallia.mylonaki@pwc.com)  
*Pages:* 3



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**The key trends and current challenges for the shipping industry and their impact to the shipping finance teams were presented during the “The PwC Annual Shipping Industry Finance Update” event organized by PwC Greece.**

Key trends and hot topics in the shipping industry were presented by PwC Greece in the “The PwC Annual Shipping Industry Finance Update” event. More than 100 shipping finance professionals attended the event and were updated on key areas that PwC experts believe that shipping businesses should take into consideration when planning their strategies in the year ahead:

- Current developments with respect to the **IMO 2020** regulation on low sulphur fuel, as well as the **IMO strategy** on the de-carbonization of the industry, the new **EU regulations** and the need for the shipping companies to monitor these and develop strategies to be compliant;
- PwC's view on **US GAAP** and **IFRS** accounting considerations related to the decision by some companies to invest and install **scrubbers**;
- The importance of **technology** in shipping, the recent technological developments and how the shipping finance teams and their companies can benefit from technology solutions;
- PwC's insights into the **recent trends in shipping M&A activity** and the key considerations for finance teams when going through a detailed due diligence process based on PwC's experience in a number of recent shipping M&A transactions.

According to PwC experts, **shipping environmental regulations** will continue to be a key challenge in the next years, with more regulations coming on a local and regional level. According to Helena Athoussaki, Head of Maritime Sustainability, PwC Greece, the **reduction of carbon emissions and the IMO 2020 regulation on low sulphur fuel** dominate the agenda for shipping companies, unfortunately with many unknown parameters remaining on the table. Trying to assess the cost of compliance and select the best option to remain competitive, is not an easy exercise. Risk assessment can be done based on different scenarios and criteria, taking into consideration among others the operating profile of each vessel, the dynamics of the bunkering industry, while looking at the risk universe of the technical, operational, financial and commercial environments specific to each company.

**IMO GHG strategy** constitutes another potential challenge, sending a clear signal to the industry participants that the ultimate goal is the de-carbonization of the industry. Companies should take measures and look into various zero-carbon technologies and fuels deployed, particularly when they finance or build new vessels since this will commit the companies for a long period of time and into the period when the new regulations for carbon emissions come into force. They will need to assess all options, implications and risks associated with design and implement a future proof strategy. To this



end, shipping companies should put in place a specific action plan for the mid-term and reflect this within their business plans and strategies going forward.

For those companies that have made the decision to install scrubbers, they will also need to face the task of assessing the accounting and reporting implications of this strategy. According to Santos Equitz, Managing Director, T&L Leader and Capital Markets, PwC Greece, this would involve the assessment of several potential accounting impacts, among others capitalization criteria for the scrubbers and their depreciable life, impact on future cash flows for impairment testing, the likely implications of different financing options used to fund them and possible impact on the company's going concern assessment.

Moreover, as technology continues to disrupt the way we do business, shipping finance departments should not be left behind. Ioannis Potamitis, Director, Applications, PwC Greece, stated that Systems Integration, Budgeting and Reporting & Consolidation automation are the challenges that they have to deal with when it comes to **systems and performance management**.

Specifically, lack of accuracy & completeness of information is the main weakness of non-integrated systems along with the lack of a common language among different departments. The installation of a reporting system by itself will not resolve the aforementioned issues if the information is not accurate, timely and complete when recorded. Thus, the implementation of an **integrated system** could be the first step towards change while the implementation of a **budgeting system** could be the base for a common language between the operations and the finance departments. During the preparation for such a system implementation, the finance department should ensure that specific processes are in place and that the data is available and accurate to be migrated in the new system.

For facilitating shipping finance professionals, PwC has developed a shipping template based on latest technology, which covers the areas of Finance and Procurement. The template has already interfaces with other industry specific applications and it includes an integrated PwC solution for Document Management with enhanced workflows and approvals. Integration, process efficiency, timely monitoring of purchasing, inventory, cash position as well as debt and liabilities are some of the features from which finance departments can benefit. The next version of the template will also include applications for Vessel Performance Management and Plant Maintenance.

Last but not least, **M&A activity in the shipping industry** has seen a notable increase in the past year and finance departments of shipping companies, should take note of this trend as they plan their growth strategies. PwC has been involved in a number of recent shipping M&A transactions and Ioannis Vovos, Director, Deals, shared his insights, the current trends and through the use of examples from these recent experiences in shipping M&A transactions, he highlighted some practical issues that shipping companies need to look out for. For the medium term, and for as long as the global markets remain volatile, it will be difficult for shipping companies to tap into the US capital markets via an IPO. On the other hand, shipping M&A activity is expected to continue at least at the same pace as 2018, as financial investors of private companies will continue seeking to position themselves in more "liquid" and "marketable" listed shares or to exit investments as they are reaching the end of their investment horizon (usually between 5 and 7 years). In general, shipping M&A transactions are more complex than asset acquisitions, take longer to conclude (usually 4 – 6 months for the execution phase alone) and divert management's and finance teams' attention from day-to-day operations. Conducting thorough due diligence in share acquisitions or mergers is a valuable tool which aims to safeguard shareholder value, provide robust arguments during value negotiations and supports companies make better-informed decisions.

Ms. Santos Equitz, Managing Director, T&L Leader and Capital Markets, PwC Greece commented: "2018 was an active year in the shipping M&A market. Whether the deal was an opportunistic move to create a larger company that can access capital, merge complementary fleets or enter into a new



market, there is no “one size-fits-all” to a successful deal structure. If you are contemplating a potential capital market transaction, PwC Greece can assist your finance executives and management team through the key stages of a M&A deal and the overall due diligence process.”

Mr. Socrates Leptos, Partner, Global Shipping & Ports Leader, PwC Greece commented “In a constantly evolving environment, shipping businesses have to take the right decisions on a broad range of important issues such as the creation of a sustainable business environment, the improvement of operational performance, compliance with new environmental regulations, improve internal and external reporting in a timely and transparent manner and embrace the latest technology to boost returns for all stakeholders. Through its extensive experience in servicing the shipping industry, PwC has had the benefit to develop practices, solutions and insights to assist companies deal with these challenges and facilitate their decision making and through events such as our Annual PwC Shipping Industry Finance Update, we have the opportunity to share some of these insights with the shipping community”.

#### **About PwC**

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 158 countries with more than 250,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at [www.pwc.com](http://www.pwc.com). © 2019 PwC Greece. All rights reserved.