



Project

Liner Shipping Strategy Review

Client resume

Our client is a globally recognised, high performing marine transportation enterprise operating in multiple sectors of shipping.

This assignment focused on one of the client's specialist business sectors which faced key strategic decisions as regards long term tonnage provision and future service profitability.

Objective

Drewry was commissioned to conduct a detailed review evaluating a range of strategic options:

- Immediate discontinuation of the business unit and exit from the sector
- Measured wind up of the business unit and exit from the sector
- Sale of the business unit and exit from the sector through divestment
- Merger or partnership with another company
- Service continuation through life extension of the existing vessels
- Continuation through further investment in vessel provision (newbuilding, second-hand acquisition, chartering or life extension)

Additionally, the Drewry team, comprising two liner market specialists, was required to evaluate medium term service profitability and, using financial modelling, establish a realistic projection of cargoes, revenues and costs against which to measure service continuation options.

The goal was to calculate and compare the financial results of each option and make recommendations on the optimum strategy.

Actions taken

The Drewry consultants met with the client's executive management to discuss the scope of the study, the company's situation and its options, and to be briefed on the commercial, operational and financial detail / background of this specialist business.

This was followed by a meeting with the senior line managers to receive detailed financial, operational and commercial data relating to service profitability, competition, cargo availability and selection, target accounts etc.

Company performance was benchmarked against other operators in the sector to identify strengths and weaknesses. Further, investment options were evaluated through such tasks as:

- Identification of wind up costs
- Identification of potential service or asset purchasers and of potential partners
- Estimation of the potential sale valuations for the business unit
- Forecasts of volumes, costs and profitability for the business unit
- Financial evaluations of the various options to continue operations

The result

The Drewry team recommended that the client should continue to operate the business unit, having identified strong upwards revenue and profit potential. A medium term strategy for securing appropriate vessel capacity was recommended. At the same time, partnership and / or sale opportunities were identified that might provide for a future managed exit from the sector to maximise the realisation of tangible and intangible asset values.

The client adopted the recommendation to continue operations in this business unit and the positive projections for its profitability were subsequently borne out by results well in excess of the client's own projections at the time of the study. These results have confirmed the validity of the recommendation to retain the business unit, unless a sale at full asset value could be secured.

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