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Yang Ming needs millions or market recovery to keep cash flowing

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As with other container lines, Yang Ming benefited from a strengthening market in the fourth quarter.

Yang Ming said it will announce new investors after trading of its shares recommences on May 4, with one maritime analyst estimating the carrier needs at least $300 million in equity injections within the next 12 months to avoid a liquidity crunch unless it can reverse declining revenue.

“The recapitalization plan will initially allow Yang Ming to reduce its equity capital, after which infusion of new capital is then obtained from various private and public investors,” Yang Ming told JOC.com. “At the appropriate time, we will also announce the identities of those new investors.”

Even with the injections, Alphaliner warns that securing that much capital would only bring its debt-to-equity ratio to 304 percent from its current 482 percent. Yang Ming in February raised $54 million via new share issues that was mainly taken by the National Development Fund of Taiwan.

But Alphaliner says that's not enough and the carrier hasn't said how much it plans to raise via a second wave of capitalization. The Taiwanese government in November set aside $1.9 billion for the country's shipping industry, and Yang Ming can draw on those funds if necessary.

Trading in Yang Ming stock on the Taiwan Stock Exchange was suspended last week, which the carrier said is a normal procedure when companies recapitalize.

"This brief pause in trading is a necessary step taken in furtherance of and consistent with Yang Ming's recapitalization plan which was announced in early 2017," Yang Ming said. "For the avoidance of doubt, the suspension is simply a standard procedure that is routinely carried out in the Taiwan Stock Exchange when a company implements a recapitalization as in the case of Yang Ming."

Like other container carriers, such as Maersk Line and CMA CGM, Yang Ming's loss in the fourth quarter narrowed, declining by $89 million compared with the third quarter, and came to $62 million. But Alphaliner said that Yang Ming has lost some of that momentum, with revenue in the first quarter down 3.8 percent compared to the last quarter of 2016 to $974 million.

The carrier, though, has outpaced the market in the first three months of the year in handling US containerized imports. Yang Ming's share of US imports rose by 8.77 percent to 214,597 TEU compared with a 7.25 percent increase in the first quarter recorded by the rest of the market, according to PIERS, a sister division of JOC.com.

Yang Ming was last profitable in 2013, when it posted a profit of $92.2 million. The company in 2016 nearly doubled its losses year-over-year to $493.6 million.

Yang Ming told JOC.com that besides its recapitalization, it's improving operations and reducing costs by increasing its share of higher-paying freight, adjusting low revenue generating services, and improving cargo imbalance flow. The carrier said it has already reorganized its operational flow chart to increase efficiency.

In an April 3 notice to customers, Yang Ming said the deployment of additional ships with capacities of 14,000 TEU will bring down slots costs and fuel savings. The carrier added that its membership in THE Alliance, involving NYK Line, MOL, 'K' Line, and Hapag-Lloyd, provides customers with greater service. THE Alliance is the only alliance to create a failsafe to ensure that customers' cargo makes it to its final destination should a member fail.

"With the implementation of our cost savings strategies and recapitalization plan, and with the support from our new investors, Yang Ming is well positioned in 2017 to best serve our customers' needs. Yang Ming firmly believes that our size, strategic plans, and alliance make up our competitive advantages," the company said in the notice.

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