

QUARTERLY HIGHLIGHT

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BMI Appraisals Limited

Valuation Service after a Turbulent Sea

Global recession left dry bulk shipping industry scrapping the bottom, major shipping companies underwent a big drop in stock prices. However, global trading is at its turnaround in 2012, recent increase in the Baltic Dry Index (BDI) statistics confirms the uptick development furthermore (Figure I). Meanwhile, boosted by the recovery in global economy, container shipping industry rebounded in 2010 and is expected to make further strides.

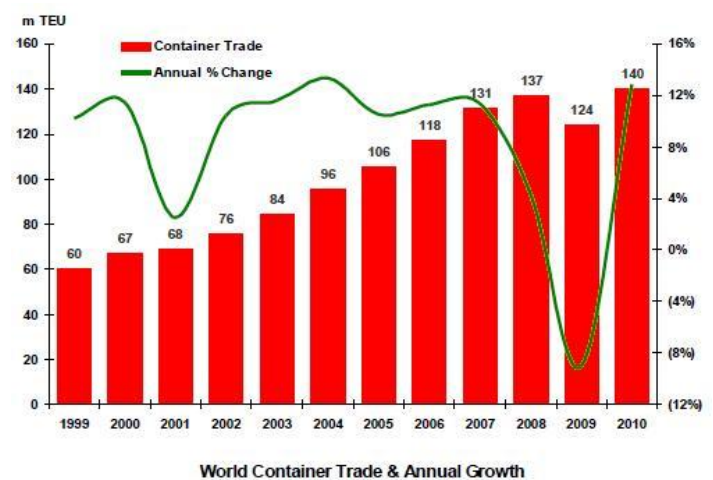
Figure I :BDI Index



Source: Bloomberg

Together with global trading, the positive annual growth in world container trade indicates an affirmative trend for container vessel trading market which has already demonstrated a growth of 15% since the beginning of 2010 (Figure II). Growth in the next five years will be average 7.5% per year, compared to 5.8%¹ per year from 2012 to 2017. And logistics companies have also enjoyed an increase in revenue of 10%² in 2010.

Figure II : World Container Trade & Annual Growth



Source: Clarksons Shipping Intelligence Network

Nevertheless, Asia economy has been projected at a 9.7% growth in 2012, subsequently shipping industry is expecting to have a stable growth in the coming years as global trades slowly picking up. Due to the financial revival, an accurate reassessment on fix assets is more significant than ever before. The main incentives are as follows:

- To determine the fair market value of assets for internal reconstruction, sale or leaseback transactions purposes which are highly demanding in post-recession era. For instance, based on Baltic Exchange data, a ship with 172,000 dwt capacity is valued at 37.4 M to date, which has dropped 1/3 from its value 8 years ago.
- To enable a more accurate profit forecast of ships or vessels weighing the oversupply in the market. As stated on BDI index, 2011 DWT is 19% more than 2010, yet only 45% slippage are in the order book.

- To present Return on Capital Employed justified to current financial situations to investors, which might have shifted due to the economic downturn in past years.
- To allow companies employing the valuation report as a financial instrument to attain a fluent mortgage application against ship and vessels through financial institutions.

BMI Appraisals would like to take this opportunity to introduce our ship & vessel valuation professional service to you and explore the prospect of future cooperation. At BMI Appraisals, we provide intergraded valuation and consultancy services relating to Shipping and Logistics for marine, commodity and insurance purposes. We have solid experience in conducting the survey of various craft types and high powered machinery for private individuals, insurance companies and finance houses. Our team has performed individual vessel & fleet valuation services as well as very specific projects supporting merger and acquisition, purchase price allocation, salvage claims, taxation issues and financing proposals, etc.

Our services include:

- Condition & Valuation surveys of all types of vessels
- Pre-Insurance and Pre-Purchase surveys of all types of vessels
- Loss assessment of all types of vessels and damaged cargo
- Survey and valuation of Slipways, docks and boatyards, etc.

BMI Appraisals comprises an expert team of experienced professionals in marine industry who strive to achieve high accuracy for our clients. We strongly believe in serving your professional needs rather than just acting as a service provider. Should you have any queries, please do not hesitate to contact our Managing Director – **Dr. Tony Cheng** at (852) 2593-9633 or tcheng@bmintelligence.com.

1. "Value Creation in Container Shipping" MergeGlobal
2. Business Insider Oct 24.2011

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