

PIL predicts Red Sea crisis to keep it in black for 2024

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Despite sharply reduced earnings in 2023, Singapore's Pacific International Lines (PIL) expects the Red Sea crisis to keep the once-struggling liner operator in the black for 2024.

PIL submitted its 2023 financial statements to the Accounting and Corporate Regulatory Authority of Singapore early in April 2024. The figures showed PIL's net profit dived to US\$307 million, from US\$3 billion in 2022 and US\$2.6 billion in 2021, as the freight market normalised after the Covid-19-fuelled boom.

In mid-2020, as PIL faced a third consecutive loss-making year, the company secured a restructuring arrangement with Heliconia Capital Management, a subsidiary of Singapore's state-backed investment vehicle Temasek Holdings.

Consequently, in February 2021, Ivy 2 Investments VCC, a variable capital company managed by Heliconia, purchased 5 million preference shares in PIL, although the company remains controlled by the founding Teo family. As of March, Ivy 2 Investments has over 2.37 million preference shares.

In March 2021, PIL, with court approval, reached an agreement to delay payments to bond holders. However, the pandemic-induced windfall saw PIL repay US\$1 billion of debt ahead of schedule by the end of 2021.

PIL CEO Lars Karstrup said in an interview with local media that while PIL's 2023 net profit had fallen sharply, it gelled with the rest of the market.

He described the results as "in line with peers at a time when container shipping rates began their downward trajectory, after pandemic-induced supply chain disruptions and a slowdown in the e-commerce boom."

Karstrup said that PIL navigated the market correction through cost management, improved efficiencies and network expansion, amidst steady shipment volumes.

PIL reduced fuel consumption, optimised ship deployment and used digitalisation to enhance operational efficiency. The boom years have left PIL with cash holdings of US\$1.9 billion, which should be adequate weather any challenges, said Karstrup.

Karstrup added that the rerouting of ships around the Cape of Good Hope amid the Red Sea crisis has absorbed some of the tonnage overhang, and sets PIL on course for a profitable 2024.

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