Red Sea hostilities boost Zim share price, Ofer set to cash out

Conflict in the Red Sea has boosted the share price of Zim Integrated Shipping Services and sees Idan Ofer linked Kenon Holdings set to exit the business.

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Idan OferCredit: Quantum Pacific Shipping

Friday's announcement that NYSE-listed Zim's largest shareholder Kenon Holdings, which is 62% owned by Idan Ofer, will sell its remaining 14.8 million shares in the shipping line, for an expected $360 million, is understandable as shares are trading at $23.78 at the close on 22 November.

Former shipping analyst Mark McVicar told *Seatrade Maritime News*: "Maybe Idan Ofer could have sold in 2022 when shares were trading at $80 [$84.50 in March 2022] but the fleet is in good shape and its balance sheet is strong, these things are all about timing."

McVicar believes that some of the top ten lines, probably Maersk and the Japanese lines will take a closer look at Zim's books, "but a discounted placing on the institutional market," is most likely.

There are no rumours regarding the possible sale of the carrier to another line and merger and acquisition activity in the liner industry tends to come in batches, and that does not seem likely at this point, added the analyst.

Zim reported third quarter net earnings of $1.13 billion last week, up from a net loss of $2.27 billion Q3 in 2023, while volumes increased 12% to 97,000 teu, while the average freight rate per teu increased 118% to $2,480 per teu year-on-year.

Eli Glickman, Zim President & CEO, stated: "We are pleased to share our success with our shareholders and declare a special dividend of $100 million on top of the regular 30% of quarterly net income dividend payout of $340 million… Our growing earnings power is reflective of a strong rate environment, but also a testament to our diligent execution, upscaling our capacity and enhancing our cost structure."

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Zim will take delivery of the last four of 46 newbuildings, including 28 LNG powered vessels, mainly chartered ships, which will mean that Zim "will be operating a fleet that is both well-equipped to meet emissions reduction targets and well suited to the trades in which we operate," said Glickman, who believes "declining unit costs" means the company is "well positioned to deliver profitable growth over the long term."

McVicar, who was involved in Zim's IPO in January 2021, added that the company is in strong position, with its major trades on the Pacific, including its premium service from Southeast Asia to the US East Coast, s service "which they have made work very well," as well as its operations on the Asia to Europe trades.

"The carrier has many ships on charter, but many of these charters will be up for renewal next year, so if the market softens it will have the flexibility to shrink the fleet by around 15% over the next couple of years," added McVicar.

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The retired analyst conceded, however, that this year's strong results for Zim and other container shipping lines was a result of the Red Sea diversions caused by the conflict in the Middle East, which has absorbed much of the 478 vessels, with a combined capacity of 3.1 million teu delivered this year.