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FINANCE

# Returning boss Grimaldi outlines 'new era' for struggling Finnlines

Back in the role he last held in 2009, the new president and chief executive of Finnlines has drawn up a five-point plan to turn around the company's fortunes, including a hunger for profit

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Emanuele Grimaldi has outlined his project to turn Finnlines back into a money-spinner.

The Italian shipowner, who takes over as president and chief executive of the Finnish ro-ro and passenger liner operator, has detailed a five-point plan to turn the company around and fully incorporate it into the 100-strong fleet and global operations of Grimaldi Group.

In a letter to Finnlines shareholders explaining his reasons for taking the reins from outgoing managing director Uwe Bakosch, who resigned on 5 November after four-and-a-half years in the job, Grimaldi says he is "unhappy with the fact the company is still floating in a territory of around zero profit results".

"This trend has to change," he wrote. "That is why... I am taking back the direct and full control of the management."

Grimaldi, thus, resumes a position he held when he stepped in to rescue the company in the first half of 2009. It was then racking up losses of EUR 11m ($14.8m) per month.

He promises "a new era for Finnlines", whose operation of 13 ropax vessels posted a loss of EUR 3.9m ($5.27m) in the January-to-September period this year.

Grimaldi writes that "what is often missing — and fixing this could add a lot to our company — is an entrepreneurial attitude".

He promises to install a "new entrepreneurial spirit" designed to spread "passion for working long hours, if necessary", which will "set a true hunger for profit and value creation for the benefit of the company".

"As I did all my working life long, I will be doing this first myself and I am sure that, as usual, my commitment will be infectious," he wrote.

A second point focuses on reducing Finnlines' debt and financial exposure, with measures to start "in the very short term".

"Such a task will be achieved by the punctual repaying of mortgaged loan instalments, by the selling of heavy-to-sustain/non-productive assets and, if necessary, through increases of capital," Grimaldi added.

## SPEED UP IN COST-CUTTING

The third point will speed up and intensify cost-cutting linked to fuel consumption, unproductive services, operative costs, real estate and equipment leases.

"There is room for significant savings," he wrote. "Productivity has to grow among Finnlines units and employees, especially in the port sector, and I will make sure of reaching this goal by adopting any available sensible solution."

A fourth pledge is to "increase efforts to improve energy efficiency with the intention of meeting the strict requirements set by the January 2015 rules on sulphur emissions in an efficient way".

That includes Finnlines' ongoing investment in larger, more fuel-efficient ships of 3,000 to 4,000 lane metres, replacing smaller, older ships.

In a related move, Grimaldi confirms to TradeWinds an order for a sixth container/ro-ro (conro) vessel in South Korea as part of its 17-ship fleet renewal. It has been ordered at Hyundai Mipo Dockyard and adds to five already on order for delivery in the second half of next year and in 2015. These 900-teu, 29,000-dwt to 31,300-dwt units are estimated to be costing between $70m and $75m and will replace older vessels in Grimaldi's 100-strong fleet.

In addition, there are five 3,800-teu conros on order for wholly owned Grimaldi subsidiary Atlantic Container Line (ACL) at China's Hudong-Zhonghua Shipbuilding, as well as six ro-ros acquired from Pacific Basin Shipping. The vessels were mostly booked in August 2012 in what Grimaldi says were fantastic deals for the owner because of a favourable exchange rate and low shipbuilding prices.

"I think this business is unprecedented and will never be replicated," he said.

Meanwhile, Grimaldi told Finnlines' shareholders that his group is investigating the best technological options to save fuel and will programme in "common sense" slow-steaming policies. He is, however, leaving his options open as to the best solution to regulation in the sulphur emission control areas (SECAs).

"For the time being, several options are available, including scrubber installation, LNG retrofit, marine diesel oil (MDO) retrofit," he said. "We could even opt for changing nothing, as there are already contacts with various fuel producers for purchasing 0.1% sulphur products at competitive prices."

A fifth and final point relates to synergy with the global operations of Grimaldi Group, which has remained consistently profitable in recent years and logged a profit of around EUR 160m in 2012.

"In order to compete in international markets, Finnlines has to lean on a global strategy where only a multinational group like Grimaldi can operate in almost all European coastal states, in the US, in many South American, North and West African ports and even in some Asian ports," wrote Grimaldi.