



# ALPHALINER

## Weekly Newsletter

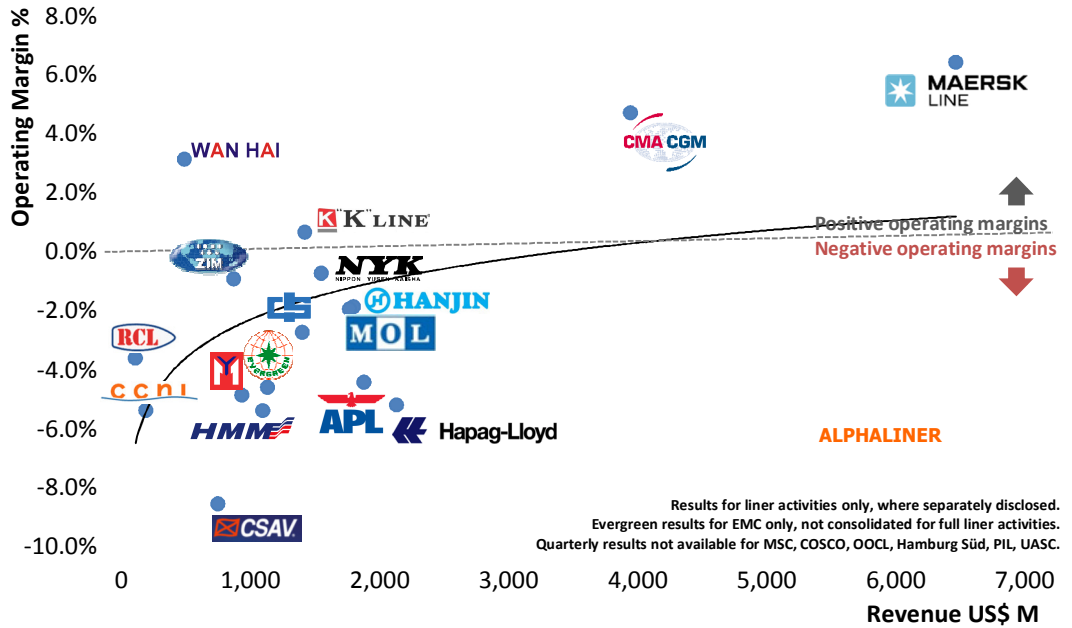
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Web: [www.alphaliner.com](http://www.alphaliner.com) | E-mail: [editor@alphaliner.com](mailto:editor@alphaliner.com) | Sales: [commercial@alphaliner.com](mailto:commercial@alphaliner.com)

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### Chart of the week

Carriers' Operating Margins vs Revenue : 1st Quarter 2014



Results for liner activities only, where separately disclosed. Evergreen results for EMC only, not consolidated for full liner activities. Quarterly results not available for MSC, COSCO, OOCL, Hamburg Süd, PIL, UASC.

#### Operating income & margins by carrier

In US\$ millions	Revenue	Operating Profit	Op. Margin
Maersk	6,463	415	6.4%
CMA CGM	3,941	186	4.7%
Hapag-Lloyd	2,129	-110	-5.2%
APL	1,878	-83	-4.4%
Hanjin	1,797	-33	-1.9%
MOL	1,764	-34	-1.9%
NYK	1,546	-11	-0.7%
K Line	1,419	9	0.7%
CSCL	1,400	-38	-2.7%
EMC	1,131	-52	-4.6%
HMM	1,094	-59	-5.4%
Yang Ming	931	-45	-4.9%
Zim	867	-8	-0.9%
CSAV	745	-64	-8.5%
Wan Hai	486	15	3.1%
CCNI	188	-10	-5.4%
RCL	106	-4	-3.6%

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### Earnings gap widens between large and small carriers

The earnings scorecard for 17 main ocean carriers surveyed in the first quarter of 2014 shows a significant gap between Maersk Line and the rest of the market. At 6.4%, Maersk's operating margin for the period from January to March was well ahead of the (negative) average margin of -2.6% for the other 16 carriers. The 9.0% EBIT margin gap that Maersk has over its peers, is its widest quarterly performance gap since 2009.

Together with CMA CGM, which reported a positive core operating margin of 4.7%, the two carriers' results illustrate the distinct advantage that large container shipping lines appear to have over their peers. Only four out of the 17 carriers reported positive operating results during the quarter, with average operating margins (not weighted by revenue) at -2.1%. Maersk's and CMA CGM's operating profits of \$415 M and \$186 M respectively (adjusted for non-recurring items), account for 96% of the profits reported by the four carriers, with Wan Hai and K Line posting modest gains of \$15 M and \$9 M only.

Although the average margin of -2.1% in the first quarter was an improvement over the -3.5% margin recorded in the same quarter last year, the majority of carriers were unable to reverse the negative operating trend. Almost all of the carriers blamed excessive competition and weak freight rates for the poor performance, with the over-supply situation expected to last until 2015.