

*The Hong Kong Polytechnic University
Department of Logistics and Maritime Studies
Research Seminar*

Cash Flow Sensitivities in the Shipping Industry

by

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Time: 11:00am - 12:00nn

Venue: M104, Li Ka Shing Tower

The Hong Kong Polytechnic University

(Conducted in English)

Abstract:

Using a system of equations model, we analyze how cash flow shocks influence the investment and financing decisions of shipping firms in different economic environments. Even financially healthy shipping firms felt strong negative effects on their financing activities during the recent crisis. These firms were nevertheless able to increase long-term debt. Banks internalized the impact of foreclosure decisions on vessel prices and avoided an industry-wide collateral channel effect. Even during benign economic conditions, financially weak shipping firms underinvest because of their inability to raise sufficient external capital. The substitution between long- and short-term debt during the pre-2008 crisis periods shows that the composition of financing sources is more indicative of whether firms face financial constraints than the mere sizes of the financing-cash flow sensitivities. An analysis of firms' excess cash holdings confirms the importance of financial flexibility.

Bio:

Wolfgang Drobetz is full professor of corporate finance and ship finance at the University of Hamburg. He holds a Ph.D. in economics from the University of St. Gallen and completed his “Habilitation” at the University of Basel. Wolfgang taught financial theory at the Bucerius Law School and the WHU Otto Beisheim Graduate School of Management. His research interests include corporate finance, corporate governance, asset management, and ship finance. Wolfgang’s research has been published in leading academic and practitioner journals. He is a member of the editorial board of several academic journals and served as co-president of the European Financial Management Association.

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All are welcome!