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Hapag and Maersk Raise Outlook for 2024 as Volatile Market Fuels Profits

Hapag-Lloyd increased its 2024 outlook just days after Maersk also increased in full-year forecast (Hapag)

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Despite increases in operating costs due to the Red Sea diversions, disruptions due to port strikes in the U.S., Canada, and Europe, and volatile rates, container carriers are continuing to report strong financial results. Driven by strong demand and the volatility in the market, both A.P. Moller-Maersk and Hapag-Lloyd previewed strong results for the third quarter and raised their forecasts for 2024 full-year results.

The carriers have repeatedly warned of the challenges in the markets but at the same time have also raised their forecasts several times over the course of the year. With no signs of near-term shifts in the market or resolution of the disruptions, Maersk and Hapag are expecting solid fourth quarters and added billions to their full-year projections.

"On the back of strong third quarter results combined with strong container market demand and the continuation of the Red Sea situation," A.P. Moller-Maersk reported Monday, October 21 that it was raising its forecast. Further, it said the outlook for the global container market volume growth for the full year 2024 had been revised to around six percent versus an early year forecast of negative to flat performance and the latest previous forecast of four to six percent volume growth.

Maersk reports it had total revenues of $15.8 billion in the third quarter and revenues of $4.8 billion (EBITDA). The company is due to report full results for the quarter on October 31. For the full year, they increased earnings projections to a total of $11 to $11.5 billion (EBITDA) which is an increase ranging between $500 million to $2 billion for the full year.

Soon-to-be partner Hapag-Lloyd, who will join Maersk in the new Gemini Cooperation in 2025, followed suit today, October 24, highlighting a strong third quarter and increased outlook. They however warned that "against a backdrop of very volatile freight rates and major geopolitical challenges, the forecast is subject to a high degree of uncertainty."

Hapag advised investors, "Given the current course of business, characterized by stronger than expected demand and improved freight rates, and despite increased expenses related to the necessary diversion of vessels around the Cape of Good Hope, the Executive Board of Hapag-Lloyd AG is raising its earnings outlook for the financial year 2024."

The sector's fifth largest carrier, Hapag reported that preliminary figures showed nine-month earnings of $3.6 billion (EBITDA). It will report its results on November 14.

Hapag followed Maersk's example and is adding a range of between $400 million to $1.1 billion to its full-year EBITDA forecast. It is now expecting EBITDA earnings of between $4.6 to $5 billion for 2024.

The strong expectations for the year represent a reversal from warnings that all the major carriers issued entering 2024. Citing dramatic declines in freight rates despite consistent volumes, the outlook projected a period of consolidation for the container carriers. They also worried about overcapacity and the impact of deliveries from the enlarged orderbook, only to have all these concerns offset by the volatility in the market and demands as they dealt with the problems in the Red Sea, limitations in the Panama Canal, and a broad range of other issues while shippers continued to maintain strong volumes.