

Ship Finance

Drought of shipping IPOs set to continue until September

European instability and New York share volatility dampen prospect of deals

RAJESH JOSHI – NEW YORK

NO SHIPPING company initial public offerings in New York are likely until September at the earliest, and a host of uncertainties could slow down follow-on issues as well.

Two "live" situations this week – instability in Europe and the highest level of the volatility index for New York shares for a year – have added an edge to what is traditionally a slow season for shipping share issues.

The comeback predicted for September will depend on whether these factors are still influencing momentum and sentiment at the end of the summer, financial experts say.

The overall caution also echoes warnings by some sources at the start of the year that New York is not yet ripe for shipping IPOs, notwithstanding the three flotations in March. The consensus at the time was that follow-ons would be easier to sell.

Dahlman Rose chief executive Simon Rose does not expect further shipping IPOs until September. He said: "The market



Rose: market "needs a rest" at least until the end of the summer.

needs a rest. While there would be more IPOs this year, expect activity to start only after the end of summer," he said.

New York Maritime, the non-profit-making organisation dedicated to promoting the city as a maritime centre, is resigned to an arid IPO summer.

Nymar chairman Peter Shaerf said: "The window that opened in March closed very swiftly. I hope [Mr Rose] is right, and we start seeing activity in September.

"However, I would not be surprised if it takes longer. Still, some established public companies might attempt follow-

on issues, if vessel acquisition opportunities arise."

Compass Maritime Services managing director for projects and finance Basil Karatzas said: "September is the earliest IPOs can come back."

Mr Karatzas said the recent decline in freight markets, especially in dry bulk, would add to "seasonably slow" finance markets, which usually remain so until the end of summer.

He said the US stock market traditionally picks up after Labour Day, the bank holiday on the first Monday in September. This is "one possible window when IPO

NEW YORK SHIPPING EQUITY MARKETS 2010

Company	Equity raised	Date	Sector
IPOs			
Baltic Trading	\$228m	March	Dry bulk
Crude Carriers	\$256m	March	Tankers
Scorpio Tankers	\$163m	March	Tankers
Follow-ons:			
Aegean Marine Petroleum	\$140m	January	Bunkering
Nordic American Tanker Shipping	\$140m	February	Tankers
Overseas Shipholding Group	\$159m	March	Tankers
Safe Bulkers	\$79m	March	Dry bulk
Teekay Offshore Partners	\$99m	March	Shuttle tankers
Teekay Tankers	\$103m	April	Tankers
Navios Maritime Partners	\$92m	May	Dry bulk
SPAC (blank cheque)			
Navios Maritime Acquisition*	\$260m*	–	Tankers

* Funds were raised in July 2008. A vote at this company on May 25 is expected to endorse its decision to buy 13 product tankers for \$457m, for which it would then raise some \$350m in the debt markets.

aspirants might find the market in a good mood". Otherwise, the next window would only be the end of November, just before the Christmas slowdown, Mr Karatzas said.

"This year, all this will also depend on other factors. For example, can Europe hold it together?" Mr Karatzas said.

Jefferies managing director and head of maritime Hamish Norton acknowledged the influence of external factors, but refused to be drawn into identifying months for the window to open or shut.

"I have been doing this work since 1984, and the window can

open at very short notice," Mr Norton said. He was not prepared to rule out IPO activity in the summer, something that he has seen happen in the past.

Mr Karatzas agreed with the principle of "being prepared". He said IPO aspirants would keep doing their homework, involving market research as well as documentation.

"Owners wanting to go public must be ready for take-off at a moment's notice," Mr Karatzas said.

Independent sources have suggested to Lloyd's List that at least two private shipping groups from a major European maritime nation are currently collating pre-IPO regulatory documents, but do not plan to go public until autumn.

One reason IPOs are likely to stall is the price performance of the three companies that went public, and the fact that one did not make it.

Baltic Trading's \$228m issue was the first shipping issue in 18 months, followed by Crude Carriers' \$256m issue. Both priced at the bottom of range, then saw their share price decline.

Alma Maritime pulled its proposed \$225m issue, and Scorpio Tankers pushed through a \$162.5m IPO at a dollar below the intended range.

Mr Rose said: "The fact that one deal came to market but did not happen suggests the market would wait a while before another flotation."

Despite sharing this caution, Mr Shaerf added: "What is certain is that when IPOs do return, New York would be the first place in the world where we would see activity." ■

Safmarine adds UAE port call

SOUTH African container shipping line Safmarine has added new calls to two of its services, writes Gavin van Marle.

The Maersk-owned carrier will add the port of Sharjah in the UAE to the Gulf-East Africa service that it operates jointly with its parent.

Safmarine liner executive Jan Scheck said: "Sharjah is currently served via a feeder to Jebel Ali and a direct call will allow Safmarine to improve on the service we're currently offering our growing customer base in the Gulf and Africa."

The first call at Sharjah will be made on June 9 by Maersk's *ER Etsfleth*, but the line said it was not increasing capacity on the service.

However, that is not the case on its 225 west Africa-South Africa service, where it is adding a call at the port of Cotonou in Benin and adding a third, 1,700 teu vessel.

Sailing time on the 16-day service will be reduced to 13 days. ■

Fesco and MOL forge stronger Far East links

RUSSIAN container shipping line Fesco and its Japanese counterpart MOL are deepening their co-operation in Russia's Pacific container trades and increasing capacity between the two countries, writes Gavin van Marle.

MOL executive Junichiro Ikeda said: "Russia has been one of the most important emerging countries, and it is one of the markets MOL is focusing on in the new mid-term management plan.

"Fesco and MOL are the only carriers that operate direct services between Japan and the Russian Far East. Our service has been bi-weekly for a long time. We are taking this opportunity to launch the Busan [Pusan] transshipment service and increase our service frequency to weekly sailings."

The carriers' jointly operated Japan Trans Siberian Lines service will increase in frequency from fortnightly to weekly sailings on July 12, and calls at five Japanese ports and Russia's Pacific ports of Vladivostok and Vostochny.

The two companies are also introducing a new service using the South Korean port of Pusan as



Pusan will be used as a transshipment hub by Fesco and MOL. Bloomberg

a transshipment hub. Slots will be offered on MOL's CBE service between Japan and Thailand, which calls at Pusan on its way from Japan, for Russia-bound containers, as well as on a commercial feeder service from Kobe to Pusan.

Fesco is to launch a dedicated service linking Pusan, Vladivostok and Vostochny, employing one 1,200 teu ship, and traffic for Japan from Russia can either go on a common feeder from Pusan to Yokohama and Nagoya, or on MOL's deepsea CNY service, between Asia and the US east coast. ■

Ridgebury may need mezzanine top-up

RIDGEBURY Tankers hoped to complete its \$225m private institutional placement in New York yesterday, writes Rajesh Joshi.

However, questions were swirling at the weekend whether the aspiring tanker owner might need to top off its funding with mezzanine borrowing to reach its targeted capital requirement.

At the same time, the fate of the issue appeared to be closely linked with pricing and sentimental trends set by global stock markets on Monday morning, particularly on the major bourses in the Far East, after last week's helter-skelter performance.

Sources familiar with the situation said that, other factors remaining equal, Ridgebury was

confident of pulling off its Rule 144A placement.

Sources suggested the pricing of the private placement was "non-negotiable", rejecting earlier speculation that Ridgebury might have to place its issue at a discount.

This clarification also appears to suggest Ridgebury's success in raising the full amount targeted in its prospectus would depend on whether it sells the entire block of 15.7m shares it has put up for sale at \$15 each.

Observers suggested that should the company not reach this figure, it would still go ahead with its placement, making up the difference with a mezzanine loan.

Parties close to the transaction refused to comment on this aspect at the weekend.

Jefferies & Co is Ridgebury's placement agent. As a Rule 144A deal, it is not a public issue but involves qualified institutional buyers.

According to the prospectus, Jefferies already has a preliminary commitment to lend Ridgebury \$80m via a credit facility, with the interest being the higher of 6% or the London interbank offered rate plus 4%.

The prospectus states: "We expect to draw upon [this facility] to complete our acquisition of our initial fleet in the event that the proceeds from this offering are not sufficient to complete such acquisition."

The credit facility otherwise is "for bridge financing for future vessel acquisitions". Proceeds of Ridgebury's subsequent flotation,

as and when it materialises, are to pay off this facility.

Ridgebury is a vehicle backed by US investor Robert Burke, who has pledged \$5.8m, and Teekay, which has "indicated an interest" in putting in \$5m.

The business idea is for the heavily indebted Teekay to reverse three suezmaxes into Ridgebury for \$211.9m, which is to be paid off from the proceeds of the offering.

After Ridgebury's plan to keep the vessels in the Gemini pool was stymied, the company approached Connecticut-based Heidmar to enter the trio in the latter's pool instead.

Sources confirmed such an approach had been made but refused to comment on further details, citing regulatory and confidentiality reasons. ■

Shipping sector temporarily out of favour

NIGEL LOWRY – ATHENS

INVESTORS have cooled towards shipping but any disenchantment is likely to be temporary, according to a leading shipping investment banker.

"Generally speaking the industry is out of favour as investors do not see too many prospects of recovery," said Cantor Fitzgerald partner Anthony Argyropoulos. "But industrial interest goes in and out of sectors over time. It will come back."

Speaking to the Informa Greek Shipping & Ship Finance Conference, Mr Argyropoulos said the course of the market showed investors had "not been comfortable building up stock prices".

While charter rates had risen some 400% from their most depressed point, stocks were up only about 150% from their floor.

Although markets had been open for business this year, several large initial offerings had recently been withdrawn and investors had become risk averse, he said.

The three shipping companies newly listed in the US this year were all trading below their IPO price, "which does not leave a good taste in investors' mouths".

"I expect the IPO market to open and close over time," Mr Argyropoulos said. "Generally speaking, the stars need to align in industry fundamentals in order to alleviate certain investor concerns. Investor interest can start building up quite significantly but for this to happen investors need to feel comfortable about the newbuilding orderbook in particular."

"Also the 2010 shipping IPOs are performing poorly; they need to trade above the issue price," Mr Argyropoulos said. "Nevertheless, the presence of public markets in

shipping is here to stay and I expect this to grow."

Shipping offerings could attract investors by giving them "a simple, transparent and well-articulated story at a cheap valuation".

He proposed that shipping's profile could be aided by an industry forum, funded by public companies, specifically to improve the image of shipping with institutional investors.

Listed shipowners speaking at the same conference were generally welcoming of new initial public offerings in the industry.

"I see it as very constructive if we have more public companies in the industry," said Evangelos Marinakis, chief executive of New York-listed Crude Carriers and chairman of Nasdaq-listed Capital Product Partners.

"I expect to see more consolidation, especially in the tanker market," he said. "The

more companies the more transparency and it would make mergers and acquisition easier. It would be very helpful."

Due to the credit crisis previously supportive banks were not funding the industry and "capital markets give us a valuable

"The stars need to align in industry fundamentals in order to alleviate certain investor concerns"

alternative," said Mr Marinakis. "Capital markets in my opinion are always open. If you go to the market with quality products or services, they have the experience to judge what quality is and as soon as they trust in you they will reciprocate."