



Analyst warns investors about IPOs

By Gillian Whittaker, TradeWinds, 29 April 2005

Initial public offerings (IPOs) may be the flavour of the month for shipping companies but at least one observer is questioning how long the trend will last. Greek analyst and researcher Ted Petropoulos believes their life is finite and "whoever makes it through the window will make it; whoever doesn't is outside." Petropoulos, whose company Petrofin Research delves at regular intervals into the ship-finance markets, believes that only one or two of the star performers in the capital markets will develop into blue-chip shipping companies. Calling non-bank financing to date "really marginal", Petropoulos estimates that shipping IPOs in 2004 raised some \$700m and for 2005 the number could stand at around \$5bn. This compares with worldwide traditional bank finance totalling some \$230bn at the end of 2004. In his presentation to a shipping conference organised by the British Hellenic Chamber of Commerce in Piraeus, Petropoulos gave succinct descriptions of the players in the capital-market scenarios. Apologetically labelling investors "the suckers", Petropoulos said: "As far as some IPOs are concerned, I really scratch my head as to how they will make a reasonable return." He called public relations companies, auditors, valuers and lawyers in fact all those whose task it is to make the issue happen "the beauticians", while the hard-hitting analyst described the process of listing as "laborious and time-consuming" and said it tests organisations to the highest degree. "When you start the race you are not sure your horse will make it and some don't," he warned. "I would like to believe the best IPOs are done when the cycle is low but such is the nature of the beast that you can only do IPOs in the good times," Petropoulos said. He believes IPO activity will suddenly stop and IPO performance will depend on how high in the shipping cycle the investor has bought in. "If you invest in a high market, your return on equity is not likely to be very high," he said. However, Petropoulos says that when the market falls there could be good investment opportunities.

*from Trade Winds
29th April 2005*
