



# IPOs-Stock Exchange & Shipping

By Ted Petropoulos, MD Petrofin S.A.

University of Piraeus

*15/01/2007*



This presentation will address the following:

1. Shipping public companies: the importance historically and today of global shipping public companies
2. The development and status of Greek-related shipping public companies
3. Challenges and opportunities for Greek shipping public companies
4. The structure and development of the private equity market
5. Private Equity and Greek shipping
6. Conclusions



# 1. Shipping public companies

- Shipping public companies account for a mere 0.3 to 0.4% of global stock market value coming off a peak of over 0.5% in 2005 (see Table 1).
- This compares with shipping's estimated approximately 2% share of world GDP underlining the shipping sector's underweight status (figure from Dresdner Kleinwort Wasserstein).



## 1. Shipping public companies

### Marine stocks v. global market



Source: DataStream



# 1. Shipping public companies

## Leading 18 Shipping stocks

- The world's top 18 shipping stocks by capitalisation (excluding cruise companies) consist primarily of liner companies and figure no Greek-based or Greek-related public companies (see Table 2).



## Leading 18 Shipping stocks

## Table 2

<b>Company</b>	<b>Country of Listing</b>	<b>Market cap (\$bn)</b>
A.P. Moller	Denmark	41,6
MOL	Japan	11,88
MISC	Malaysia	9,528
NYK	Japan	8,9
Teekay	US	3,189
Cosco	China	3,556
Frontline	Norway	2.399
Hyundai MM	South Korea	3.046
OSG	US	2,226
OOIL	Hong Kong	3,943
Evergreen	Taiwan	1,710
Kirby	US	1,8
Bergesen Gas	Norway	1,731
Hanjin	South Korea	2,025
China Shipping	China	1,867
Torm	Denmark	2,395
NOL	Singapore	2,082
Wilh. Wilhelmsen	Norway	1,904



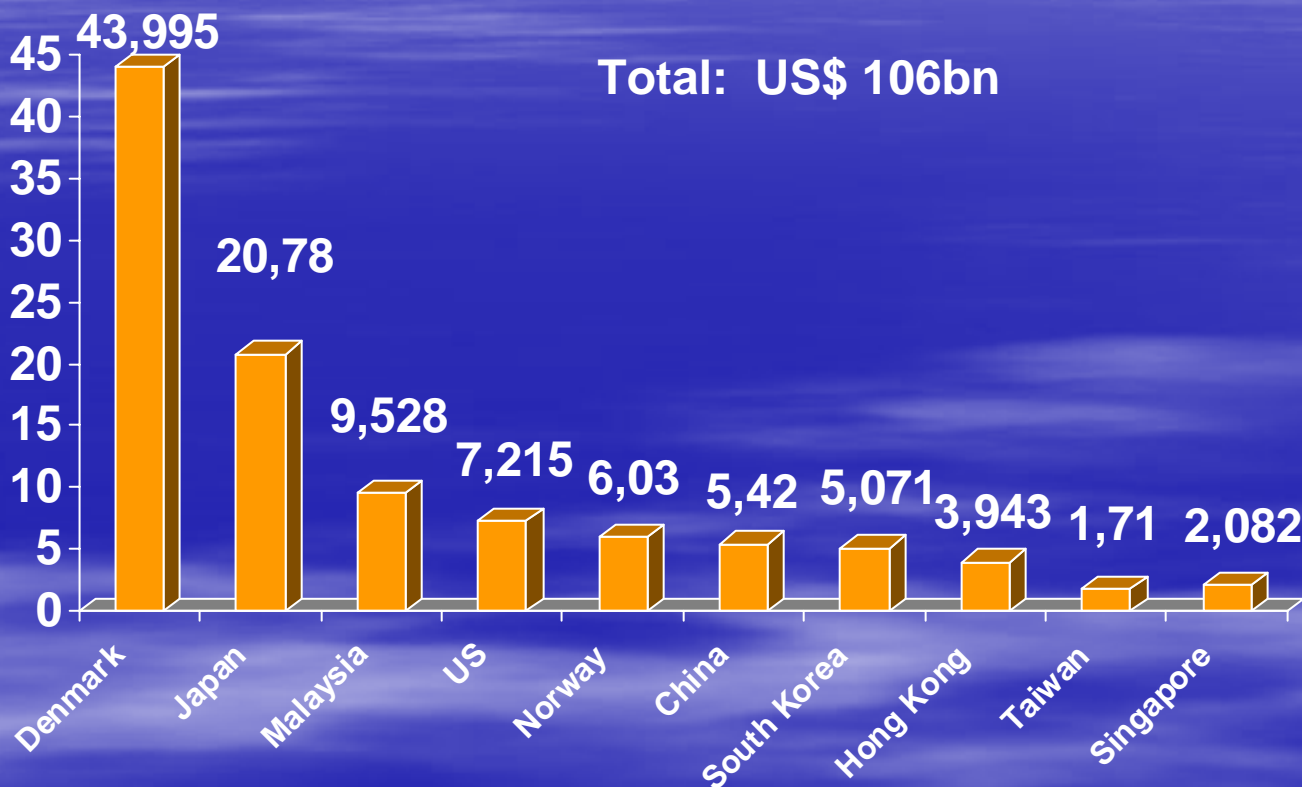
# 1. Shipping public companies

*Leading nations in shipping stocks  
(capitalization of top 18 companies)  
in US\$bn - as early January 2007*



# Leading nations in shipping stocks (capitalization of top 18 companies)

in US\$bn - as early January 2007



Based on Trade Winds – Cruise lines not included





# 1. Shipping public companies

## *Transportation IPOs - recent history*

- **Table 4** shows the development of transportation IPOs as a whole which have grown from 0% in 1999-2000 to a high of 10% in 2005 and 7.6% up to beginning January 2007.

# IPO Industry History – as of January 2007

Industry	1999		2000		2001		2002		2003		2004		2005		2006	
Business Services	15	3%	6	1%	6	7%	1	1%	8	12%	18	8%	6	3%	8	4%
Capital Goods & Services	10	2%	0	0%	3	4%	0	0%	1	1%	7	3%	5	3%	5	3%
Communications	66	14%	84	21%	4	5%	2	3%	6	9%	9	4%	14	7%	12	6%
Consumer	22	5%	7	2%	7	8%	12	17%	6	9%	21	10%	21	11%	20	10%
Energy	4	1%	19	5%	10	12%	2	3%	1	1%	10	5%	20	10%	33	17%
Financial	21	4%	6	1%	12	14%	14	20%	16	24%	42	19%	33	17%	30	15%
Health Care / Biotech	12	2%	79	19%	23	28%	13	19%	8	12%	50	23%	34	18%	36	18%
Materials	2	0%	4	1%	1	1%	2	3%	3	4%	2	1%	9	5%	8	4%
Technology	320	66%	191	47%	15	18%	19	27%	15	22%	47	22%	29	15%	30	15%
Transportation	1	0%	0	0%	2	2%	4	6%	4	6%	6	3%	20	10%	15	8%
Utilities	2	0%	2	0%	0	0%	0	0%	0	0%	2	1%	3	2%	1	1%
<b>TOTAL IPOs</b>	<b>486</b>		<b>406</b>		<b>83</b>		<b>70</b>		<b>68</b>		<b>216</b>		<b>194</b>		<b>198</b>	

Source: Renaissance Capital's IPOhome.com  
<http://www.ipohome.com/marketwatch/ipoindustryhistory.asp>

**Table 4**





## 2. The development and status of Greek related shipping public companies

- In the early 2000s, Excel was the only Greek shipping public company operating a tiny and overage fleet.
- By 2006-early 2007, there are 15 Greek US public shipping companies, the majority of which listed via IPOs (Table 5).
- There also exist 2 further Greek public companies in the London market (GO Carriers in Aim and Goldenport Holdings in the main LSE)



# Greek companies listed in the US - How have their IPOs fared since listing Table 5

	Data from Nasdaq –and Trade Winds (January 2007) Company Name	Market Cap	Share Price				Change
			52-week high	52-week low	Initial	Current	
<b>Nasdaq</b>	Aries Maritime Transport Limited	260	14,8	9,07	12,5	9,17	<b>-26,6%</b>
<b>NYSE</b>	DANAOS CORP	1,306	24.10	19.61	21	23.93	<b>+13.95%</b>
<b>NYSE</b>	Diana Shipping Inc.	839	15.95	9,5	17	15.81	<b>-7%</b>
<b>Nasdaq</b>	DryShips Inc.	639	18.06	8,5	18	18.01	-
<b>Nasdaq</b>	Omega Navigation Enterprises, Inc.	244	-	-	17	15.82(MM)	<b>N/A</b>
<b>Nasdaq</b>	StealthGas Inc.	168	14,79	10,9	14.5	11.68	<b>-19.45</b>
<b>Nasdaq</b>	Quintana Maritime Limited	552	11,41	7,3	11.5	11.01	-
<b>Nasdaq</b>	Navios Maritime Holdings Inc.	333	5,65	3,8	<b>N/A</b>	5.37	<b>N/A</b>
<b>AMEX</b>	Star Maritime Acquisition Corp	281	10,16	8,1	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>Nasdaq</b>	TOP Tankers Inc.	131	18,32	4.61	<b>N/A</b>	4.65	<b>N/A</b>
<b>NYSE</b>	Tsakos Energy Navigation Ltd.	874	49.93	33,71	<b>N/A</b>	45.9	<b>N/A</b>
<b>NYSE</b>	Excel Maritime Carriers -	288	14.75	7,3	<b>N/A</b>	14.61	<b>N/A</b>
<b>Nasdaq</b>	FreeSeas	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>
<b>NYSE</b>	Paragon Shipping Inc	75	<b>N/A</b>	<b>N/A</b>	10	<b>N/A</b>	<b>N/A</b>
<b>NYSE</b>	Aegean Marine Petroleum	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>	15.5	<b>N/A</b>
<b>pending</b>	<b>Euroseas</b>						



### 3. Challenges and opportunities for Greek shipping public companies

- *Analysis and prospects of Greek public companies*
- *IPOs/public companies – a blessing or a curse*

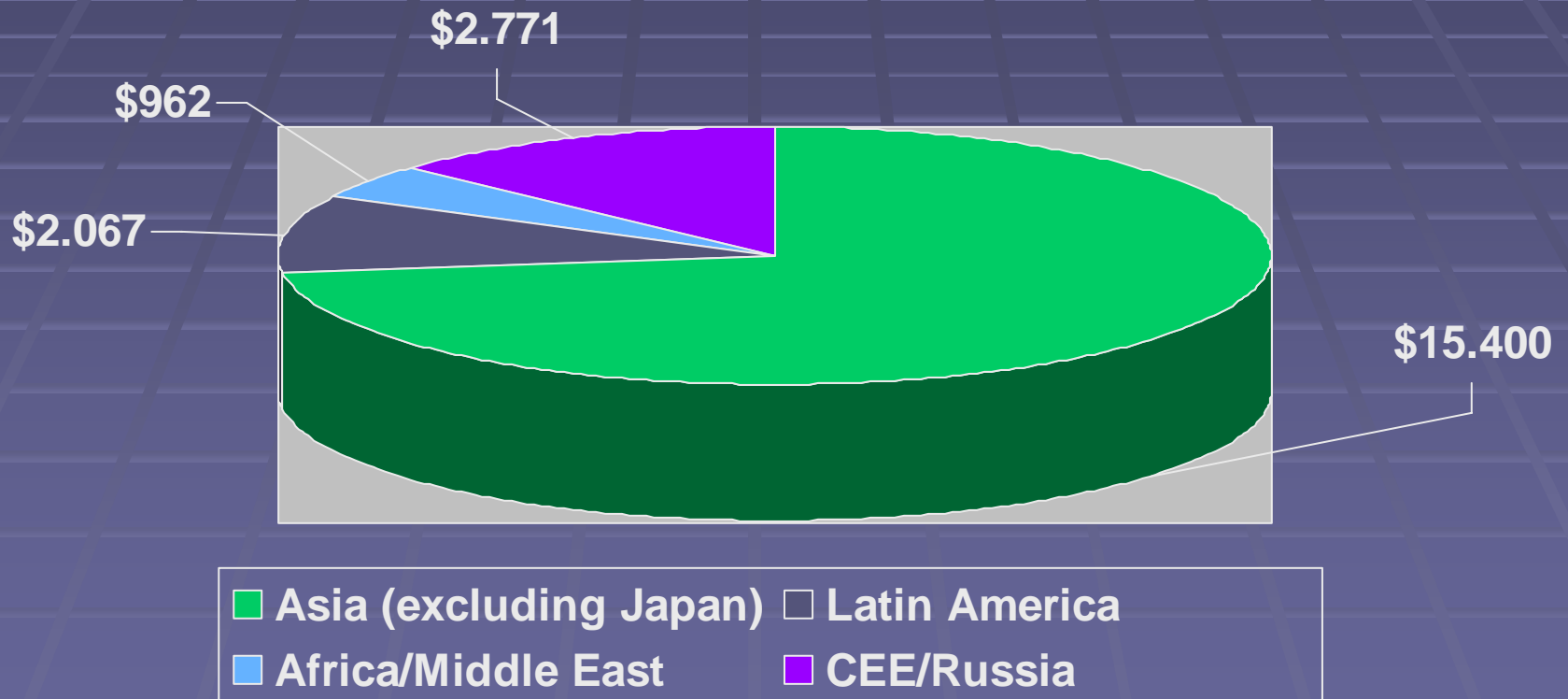


## 4. The structure and development of the private equity market

- Over 260 private equity funds worldwide.
- Over \$800bn invested.
- Over \$174bn of P.E. funds in 2005, and \$346bn in the first half of 2006.

## 4. The structure and development of the private equity market

### Emerging Market PE Fundraising by Region (US\$ millions)

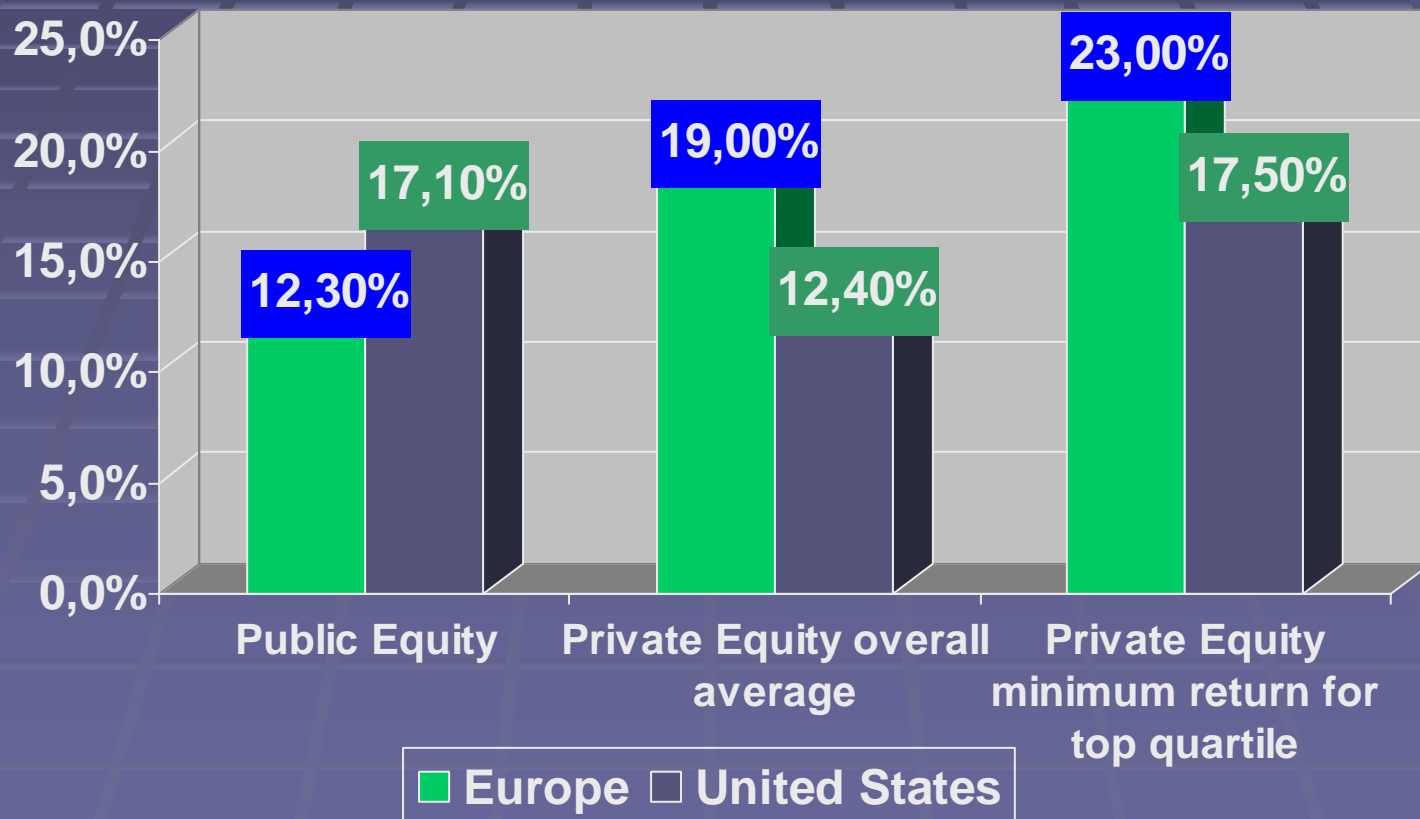


Sources: The Carlyle Group, data from Venture Equity Latin America, EMPEA, as presented in Marine Money issue of September / October 2006



## 4. The structure and development of the private equity market

### Average Annual Net Returns to Investors, 1986-2003



Sources: McKinsey, Thomson Financial, as presented in Marine Money issue of September / October 2006







# 4. The structure and development of the private equity market

## Equity Returns: Private vs. Public

IRR%	3-year	5-year	10-year	15-year	20-year
<b>US</b>					
NASDAQ 12.4	12.4	(1.1)	7.3	9.3	9.3
S&P 500 8.7	8.7	(0.1)	7.7	9.8	10.2
DJIA 18.2	18.2	(2.2)	7.7	12.6	10.0
Russell 3000 13.9	13.9	(0.1)	7.5	9.7	9.2
U.S. Buyout All Quartile 16.1	16.1	4.8	9.8	11.4	12.9
U.S. Buyout Top Quartile 27.0	27.0	18.9	28.7	27.1	35.0
<b>Europe</b>					
FTSE 12.6	12.6	(2.0)	4.3	6.6	7.1
Europe Buyout All Quartile 8.5	8.5	5.4	13.0	11.7	12.6
Europe Buyout Top Quartile 19.7	19.7	11.6	35.3	24.6	29.1



## 4. The structure and development of the private equity market

- Only 2% of the nearly \$1tr. of private equity goes into ALL forms of transportation, with shipping being almost totally left out
- REASONS



## 4. The structure and development of the private equity market

How it can be done:

- 1: Management Buy Out (MBOs), i.e. bring in an a financial partner to help buy or acquire a large part of the company from its owners.
- 2. Backing an approved manager. Seen more regularly in shipping. An outside equity provider makes a commitment to finance acquisitions. Overwhelming majority is also held by sponsor.



## 4. The structure and development of the private equity market

- 3. Using shipowners as 'asset managers', i.e. backing proven teams as asset managers with 100% funding and performance incentive.
- 4. LBOs, i.e. Leveraged buy-outs. Using the assets of a target company as collateral to buy the company. Rarely used in shipping.



## 4. The structure and development of the private equity market

- 5. Private / Public arbitrage. Buying assets at a lower net asset value / multiple than can be sold in the public markets.
- 6. Niche sectors
- 7. Distressed transactions



## 5. Private Equity and Greek Shipping

- There has always been a strong presence of private equity funds in Greek shipping. i.e., PPE (Private Private Equity)
- IPE – Institutional Private Equity, i.e. Kelso / Eagle Bulk, Oaktree / Genco, Wexford Capital, Carlyle, Castle Harlan, Sterling Investment Partners, Citigroup Ventures, Morgan Stanley / Heidmar.
- KGs and KSs are also catering to the needs of private equity placement in shipping.



# 6. Conclusion

- a. Re-emergence of transportation in the global public markets
- b. Shipping is becoming a target industry by global institutional investment funds.
- c. Substantial increase in the number of Greek shipping public companies over the last 3 years. More shall follow but subject to market sentiment and prospects.
- d. Good prospects and growth potential but also challenges for Greek shipping public companies.
- e. Use of public and private equity for Greek shipping set to increase substantially over the next years unless shipping falters.
- f. Greek shipping companies are presented today with new sources of capital and opportunities which require, however, improved financial skills, know-how and even better timing.