



A 'Virgin' Market

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Interview with Ted Petropoulos, Managing Director of Petrofin

The opportunities presented on every “virgin” capital market was one of the reasons why many investors turned their attention to the Greek Stock Exchange three years ago.

The Athens Stock Exchange has been experiencing a continuous increase ever since.

Ted Petropoulos, Managing Director of Petrofin, analysed the reasons that led Sophocles Street to such an increase, existing prospects and the relations between shipping and the capital market.

It is worth noting that Petrofin Ltd. is a firm that deals in finance mergers, acquisitions and offers consulting services with regard to company organization in general and in shipping.

Which factors have been responsible, in your opinion, for the rapid development of the Greek Stock Exchange over the last 3 years? Is it temporary phenomenon and has there developed a climate of confidence in the Greek Stock Exchange?

T.P.: The main motivation on the demand side has been the pursuit of profits and taking advantage of the undoubted opportunities presented by a “virgin” market.

This was done by both individual investors, who lacking alternative attractive investments decided to commit their savings, as well as, international investment fund managers looking for above average returns as well as the opportunity to balance their portfolios by adding Greece to their geographic and strategic mix.

Early successes and instant profits moved the imagination of all and attracted further investors as well as speculators who began to dominate the market in its early life.

On the supply side, companies, having investment capital needs, were faced with very high costs of borrowing as well as in many cases a credit squeeze.

As such, once the first successful new flotations were made, companies began to form a queue for the “cheap money roller coaster”, thus offering to potential investors regular investment (or speculative) opportunities and realizing as a by-product the growth of the stock market itself.

The initial factors for the growth of the stock market are still evident but the first stage is over and is being replaced by a more mature and slower moving second stage, where success for both investors and companies will not be

quite so easy.

The reasons for this are numerous and have mainly to do with the fact that the rate of growth of new money entering the stock market will undoubtedly slow down (as the numbers involved have now begun to reach substantial figures) especially where it is realized that making profits is no longer a safe bet.

I expect mini-panics and loss of confidence for political reasons leading to the gradual reduction of individual investors as a percentage of market volume.

Their place will be increasingly taken up by domestic and international (professional) investment funds which will be able to realize a better balance and returns on their portfolios.

An additional reason supporting the slowdown view is the slow moving nature of the Greek economy itself and the absence of any scenarios promising high growth / low inflation or the realization of the country's economic aspirations.

Lastly, the confidence climate has to do not only with the macroeconomic and political picture but also with the way the Greek Stock Exchange market works i.e. insider dealing, misinformation, relaxed rules and poor execution of orders etc.

Although a lot has been done recently to modernize and improve the players of the market, a great deal of planning, effort, policing and technological improvement are required to bring the Greek Stock Exchange up to the minimum required levels for an efficient, serious and disciplined market for the raising of capital by successful Greek companies.

How much can the Greek Stock Exchange assist Greek shipping?

T.P.: Shipping is our greatest national economic asset and driving force. As such, the Greek Stock Exchange will not be complete without a significant participation by Greek shipping companies.

The Greek Stock Exchange must become an investment vehicle not only for Greek passenger, leisure craft and ferry boat companies but also for dry cargo, tanker and specialized vessel owning companies that own vessels flying the Greek flags.

This will assist the prominence of the Greek flag as well as bring invaluable income and profits into the economy.

Given its international nature, special tax consideration will be required to allow Greek companies quoted in the Greek Stock Exchange to compete on the same footing with those which are regarded as "offshore".

If this is achieved, the attractiveness of a Stock market listing will be irresistible. The Greek Stock Exchange should also cover all the companies that support Greek Shipping such as repair yards, suppliers, providers of services etc.

Greek shipping has traditionally relied on borrowed capital to finance its growth.

Given the international banking crisis and the associated tightness of credit, obtaining capital through the Greek Stock Exchange should not only help

Greek shipping companies obtain their required capital but also achieve this at a lower cost and with a reduced leverage.

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