

Recent IPO activity in the US and some recent experience

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The timing of an IPO is crucial. It is a moment that there is a widespread confidence by the market and investors in the prospects of the particular shipping sector pertaining to the IPO, as well as a general favourable investment climate for shipping, international trade, the growth of the global economy and the demand / supply prospects of the sector. Political and geopolitical risks also affect market sentiment and hence, the prospects of a successful IPO.

Beyond the overall macro climate and the economies of each shipping sector, the IPO needs to be convincing to investors. In addition to a good story, positive investment prospects, sound management, a long and successful track record, active support by the investment banks, good road shows and excellent timing, the IPO has to generate sufficient investor interest within the price expectations of the owner.

Consequently, getting the timing and all aspects right relies on skill but also an element of luck. The “IPO window of opportunity” is often shut for years and only opens a little for a short period of time, often measured in weeks.

The last US IPO was for tanker owner Gener8 Maritime, in June 2015. Please, see Graph 1 below with US IPO activity over the last 10 years that amply demonstrates the point.

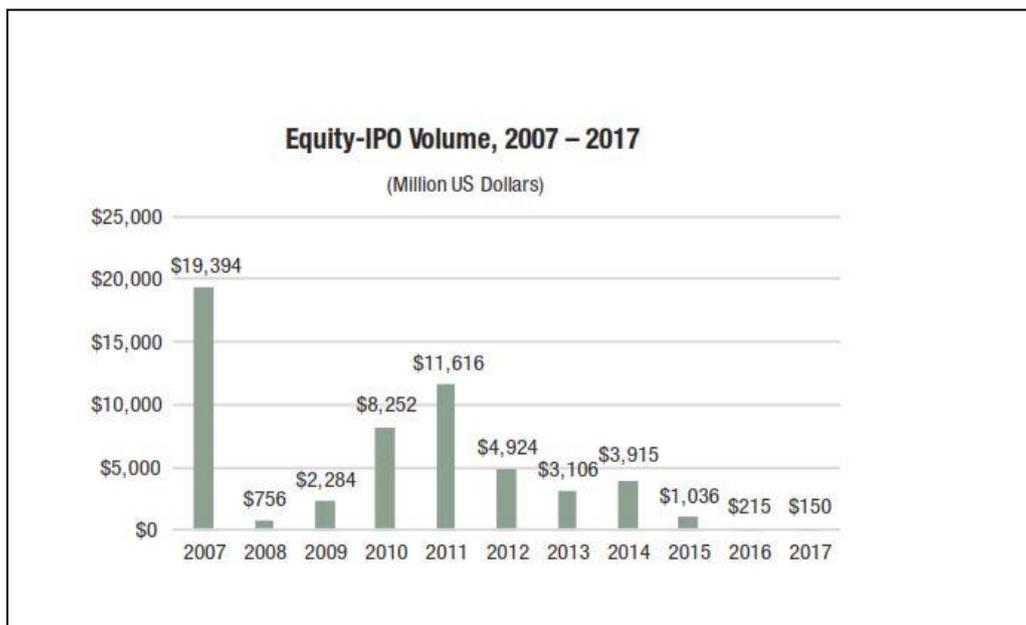
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Graph 1 – US IPO Activity from 2007 to 2017
from Marine Money, January 2018



The sources of shipping capital for bonds, public equity and private equity is also shown below, Graph 2, with “shipping” covering all sectors from container, dry bulk, tanker and gas to cruise, offshore and shore-side infrastructure. It also covers “follow on” equity offerings.

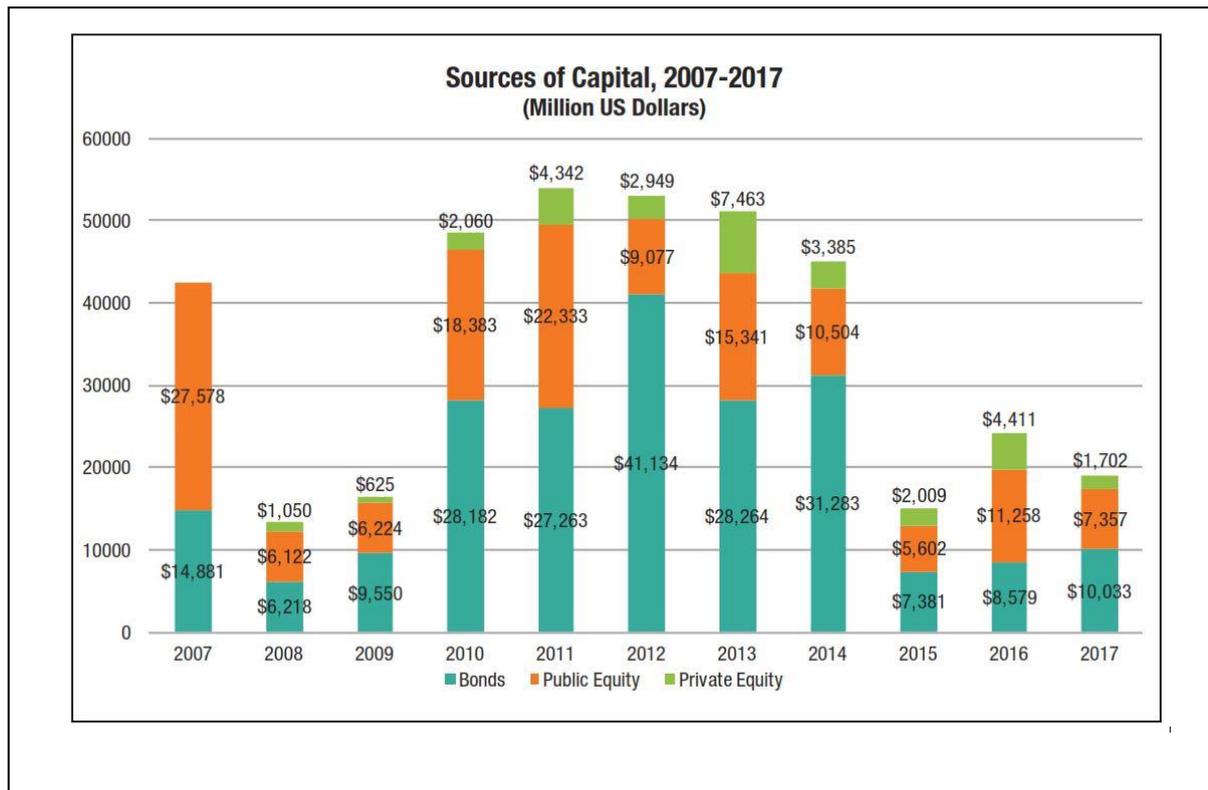
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Graph 2: Sources of shipping capital – 2007 – 2017
from Marine Money, January 2018



A recent example of a shipping IPO failure is that of Good Bulk Ltd, Michael Radziwill's dry bulk IPO, which was "pulled" in late June 2018. Despite an auspicious start, the offering finally failed to generate investor interest within its price expectations. There are various "explanations" circulating about the reasons. Some blame the increasing tariff war anticipated by Donald Trump and which looks like escalating and its consequent effects on dry bulk shipping. Some comment on the "style" of the road shows, which did not impress investors. Some identified the sale by Oaktree of 65.5m of its shares in Star Bulk one day before Good Bulk's attempt to close its IPO book with Morgan Stanley being both the lead underwriter in Good Bulk, as well as handling the Oaktree sale.

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Whatever the reasons, the failure underlines the difficulties of successfully concluding an IPO in the US. Michael Radziwill had been waiting for 10 years to list on Wall Street. In our view, we have not heard the last from Mr. Radziwill.

Other would be IPO companies e.g. Navios, Maritime Containers, Grindvod Shipping are examining closely the Good Bulk story, seeking to maximize their chances of a successful IPO.

Frustrated by the difficulties of the US public markets in concluding IPOs, many parties are looking into the Oslo public markets (Merkur) and the Oslo investment community, as an alternative.

The attractiveness of the Oslo shipping market will be the subject of another article.

To conclude, US IPOs have been a frustrating experience, as US investors appear unwilling and unconvinced. The window of opportunity has shrunk to a size that only “perfect” transactions can proceed ticking all the boxes and not undermined by last moment adverse influences. Faced with expensive and hard term bank loans, closed bond markets, expensive alternative financing, rising interest rates and an indifferent sentiment towards shipping, it is not surprising that many potential IPO owners feel frustrated and look for other solutions.