



## Record-Breaking Marine Money in Greece

Report from the 7th Annual Marine Money Greek Ship Finance Forum on Thursday, 6th October 2005 at the Ledra Marriott Hotel in Athens.

... where better to end an exciting week than Greece, the home of modern shipping?

We had a packed room with a large import of investment banks from the US and shipping banks from Europe joining the Greek audience. There is clearly a continuing interest in what is happening in the US capital markets and the Greek shipping industry is going from strength to strength.

During the day in the auditorium and inclusive of presenters we had a total of 269 individuals including 88 shipowners and shipowners representatives, 83 bankers and financiers, 21 lawyers and many others besides.

We will be back in Athens again in October 2006 and we are more than happy to hear your views, either now or nearer the date, about topical issues which you would like to hear about at our conference.

*As reported in Freshly Minted, 6 October 2005:*

Marine Money's **Kevin Oates** opened the day with a brief reflection on the colorful history of Greek shipping, pointing out not just how it has changed over the long-term, but even in the last seven years. **Matt McCleery** then reviewed the staggering activity in this year's equity markets, noting moves away from both KG funds and the high yield market, before showing a video that demonstrates just how much closer shipping has moved to the mainstream of international investment. Nasdaq opening and NYSE closing combined with TV appearances by such accomplished industry personalities as Morten Arntzen, George Economou, and Nikolas Tsakos, among others.

Following a rather triumphant overview of the industry's recent accomplishments, **Guy Verberne** of Fortis Bank painted a somewhat more sobering view of the world economy. Mr. Verberne asked the somewhat uncomfortable question of what would happen when the global monetary feast is over – will the "monetary overhang: turn into a "monetary hangover"? He also noted that the loose monetary policy that has characterized the global economy over the past few years has contributed to a fall in the price of risk, leading to lower government bond yields at the same time that spreads between government and riskier bonds have also fallen. Mr. Verberne, however, predicts this will lead to stabilization in many apparently rising markets more than a crash, though he does cite some quite serious inflationary risks. However, even in a conservative case scenario, the economist figures that such forces would reduce 4.3% IMF global growth predictions by 0.6%, maintaining healthy global growth of 3.7%.

**Dr. Philip Rogers** of Galbraith's unfortunately finds from his research that such moderate but healthy global growth is quite unlikely to be able to absorb the growth of the world dry bulk fleet – particularly capesizes – in 2006, much less 2007, even as this year's dry bulk average stands at 3517 – its second highest ever! Without major contributions from unpredictable factors such as scrapping or congestion, Dr. Rogers surmises that supply will vastly outstrip demand over the next two years. He also noted

the importance of market sentiment, pointing out that most dry owners have given up on the prospect of an encore of last year's "fireworks" but continue to expect a strong, stable market.

Following these was a lively panel titled to drive home the point that "Greek Shipping is Not Only IPOs." **Stefanos Kardamakís** of Egnatia Bank noted the difficulty for small to medium sized companies (owning less than 15 vessels) to borrow money in an increasingly consolidated bank environment while **Nicholas Vouyoukas** of First Business Bank countered that such companies can provide an excellent growth opportunity for banks and contribute to the development of a balanced portfolio. **George Arcadis** of Fortis commented that in reality excessive liquidity was squeezing margins, driving the pricing environment "out of control" and denying banks proper remuneration for the long-term risks they often take. **Dimitris Agnostopoulos** of ABN Amro concluded by comparing the shipping cycle to the immutability of a clock and suggesting banks think twice about the money they are lending.

Following this was a pertinent comparison of the differentiating characteristics between a U.K. tax lease, a KG, a KS and a lease arranged by First Ship Lease provided by **Philip Clausius**, which led FM to question that, if 2005 was the year of the IPO, might 2006 be the year of the lease?

The couple hundred delegates then moved down the hall to a lively lunch provided courtesy of **TEN Limited**, highlighted by a description of the company's core business practices that included discussions of both ice breakers and the importance of making gains on vessel turnover.

After relaxing over lunch, the indispensable investment banker panel moderated by **George Gourdomichalis** of FreeSeas quickly regained delegates' attention. **Andy Dacy** of JP Morgan voiced his expectations of a return to more traditional debt-focused financing in shipping, highlighting the particularly attractive nature of convertibles. **John Sindors** of Jefferies pointed out that this option might be tough for yield companies, as a higher stock yield would tend to dictate less attractive terms to the offering company. **Michael McGhee** of CSFB expressed his belief that there was, in fact, a magic formula for the ideal debt-equity combination, but that it had to be determined on an entirely case-by-case basis before the conversations shifted to the sudden influx of shipping company research and analysis.

Opinions of this coverage were dim on the whole, with **Michael McGhee** asking how analysts could be both independent and consistent with their firm's bankers if they are frequently assigned companies after the investment bankers have been appointed. **Hamish Norton** of Bear Stearns noted that any problems are compounded by the fact that, facing increasing regulatory pressure without corresponding compensation, many of the most talented analysts have been leaving the field and emphasized that this demonstrated the obligation of companies to communicate with investors directly without relying on analysts as mediators.

**Panos Papazoglou** of Ernst & Young then enlightened attendees on precisely where an auditors' role ought to fall, as well as highlighting the many challenges presented by Sarbanes-Oxley compliance. **Antonios Backos** of Healy & Baillie then elaborated some on these concepts before launching into a brief explanation and discussion of the blank check IPOs and reverse mergers that have come into vogue this year.

The final panel discussion of the day, appropriately titled "Greek Shipping is Also IPOs" featured **Nikolas Tsakos** of TEN Limited, **Christopher Georgakis** of Excel Maritime and **Stamatis Molaris** of Quintana Maritime with moderating adeptly provided by **John**

**Sinders** of Jefferies and **Julian Procter** of Fortis. John Sindere fairly bluntly asked participants why they have not been using their liquidity to acquire companies rather than simply vessels before discussion turned to the many complications created by a U.S. listing. In answer to a question regarding IPOs and valuations, **Matt McCleery** expressed his belief that capital market access has an inherent long-term value, and for the right company – such as Stolt-Nielsen or Stelmar in the past – it can even be worth accepting a discount to NAV.

The final presentations of the day came from **Josh Eastright** of Bloomberg and **Jonathan Martin** of Watson, Farley & Williams. In his presentation, Josh Eastright looked at financing opportunities for shipping, concluding that they remained strong, despite changes in the freight markets, and used figures to show how shipping debt issuance for 2005 fell by nearly \$2 billion compared to the same period in 2004 while shipping equity issuance is up by \$2.5 billion for the same period. Jonathan Martin then appropriately looked at an important vehicle for small-company equity issuance outside the U.S. capital markets – the London AIM (Alternative Investment Market). This market, which saw its first shipping listing this year in the form of Global Ocean Carriers, has been growing steadily in size and reputation and offers issuers such advantages as lower fees and broker commissions, less onerous listing requirements, and the ability to do smaller issues, as low as a few million pounds though typically a bit larger.

A still full-house was then welcomed to a cocktail party graciously hosted by **International Registries** before delegates went on to enjoy their evening in Athens.

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