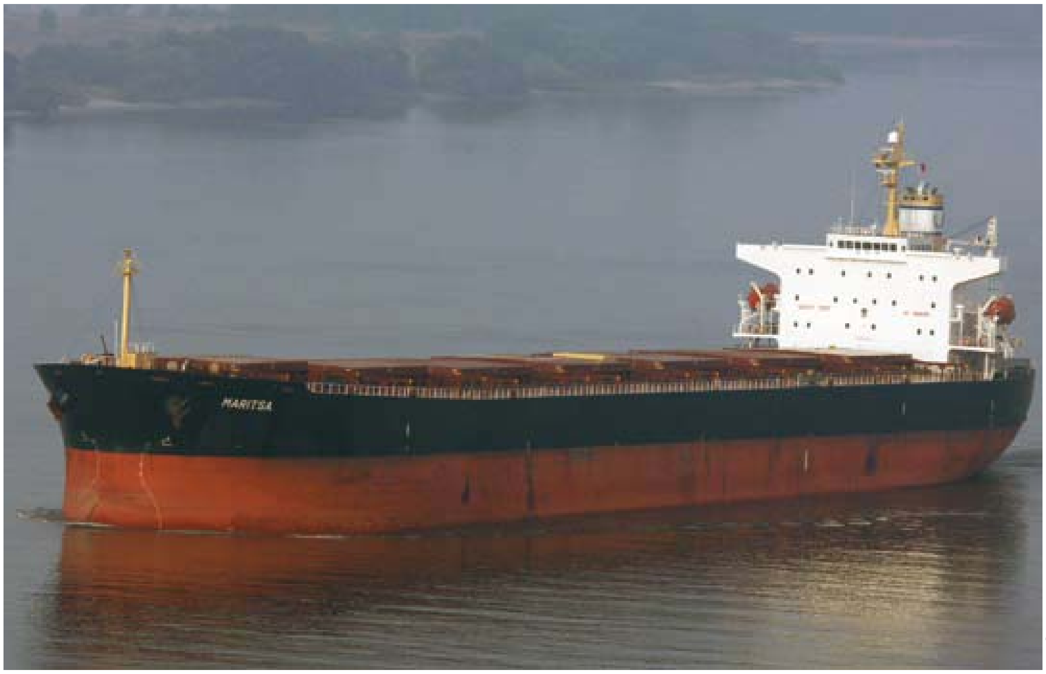

Photo: Dietmar Hasenpusch

2005-built Panamax *Maritsa* is part of the Safe Bulkers fleet

Outside the Safe zone

The selling shareholder in the Safe Bulkers offering is Vorini Holdings, a company controlled by the Hajioannou family, reports **Barry Parker**

The soaring drybulk market, in which many rates have eclipsed the highs set in October and November 2007, provides the backdrop for Safe Bulkers, a new IPO filing. This follows nearly a year-long dearth of new shipping listings.

A team of underwriters led by Merrill Lynch and Credit Suisse are spearheading a syndicate planning to offer $200-220M of common shares for listing on the NY Stock Exchange.

If investor demand is strong, over-allotments, known as 'greenshoe' in banking parlance, could increase the size of the offering towards $250M.

The selling shareholder in the Safe Bulkers offering is Vorini Holdings, a company controlled by the Hajioannou family. If demand for shares is brisk, new investors will own about 21% of the shares, implying an overall market value around $1.2Bn.

Unlike a group of 2005 IPOs, where fleets were quickly cobbled together by private equity interests with public offerings in mind, Safe Bulkers is an evolutionary step for a long-time shipping family that has concentrated on dry bulk shipping since the 1960s.

The company's fleet has been trading in the market through privately owned Safety Management Overseas. It traces its origins back to the 1950s, when Vassos Hajioannou, the father of Safe Bulkers CEO Polys Hajioannou and chief operating officer Nicolaos Hadjioannou began investing in shipping.

Polys came into the business in the 1980s, with Nicolaos joining Safety Management in the late 1990s.

Safety Management Overseas has 11 vessels, with an aggregate carrying capacity of just under 900,000dwt. The whole fleet has been built since 2003, and most delivered in 2006 and 2007.

When eight newbuildings on order (including two Capes) are delivered, the overall fleet will double in size – except for the 82,300dwt *Pedhoulas Trader*, listed as open late May in China, and the 87,000dwt *Marina*.

The entire fleet of Panamaxes, Kamsarmaxes and post-Panamaxes (with a 36.5m beam) are trading under timecharters. Later this year, both of these vessels will deliver into five-year period deals, with first-year rates exceeding $60,000 a day.

One newbuilding Capesize, scheduled to deliver in early 2010 from China's Rongsheng yard, along with a sister, is to deliver onto a 20-year charter with Tata. Generally, the contracted prices on the newbuildings are below today's elevated levels.

For example, one post-Panamax, delivering in late 2008, was contracted for about $38M, less than half the price of a promptly delivering new ship.

The two Capesizes were contracted for an average of $80.5M each, compared with broker estimates putting the price of such new ships, with later delivery, above $90M.

Operating costs: $32,000/day

Modern ships translate into high utilisation rates and low operating costs; the fleet data in the Safe Bulkers filing reveals that utilisation has exceeded 99% since 2005.

The figures show operating costs per vessel in the range of $3,200 a day. With 2007's average timecharter equivalent of $43,327 a day, this fleet translates into healthy cash flows.

> Generally, the contracted prices on the newbuildings are below today's elevated levels

Commercial and technical management of the Safe Bulkers fleet will be provided, for the first two years, by companies under the umbrella of family-controlled Safety Management; there will also be administrative and newbuildings supervision.

After two years, the agreements between the public company and the family entities will renew automatically each year. Importantly, the company's seven board directors, three of whom will be joining from outside the company, will monitor these arrangements.

The timecharter-minded chartering style of Safe Bulkers – with well-known charterers including Bunge, Cargill and

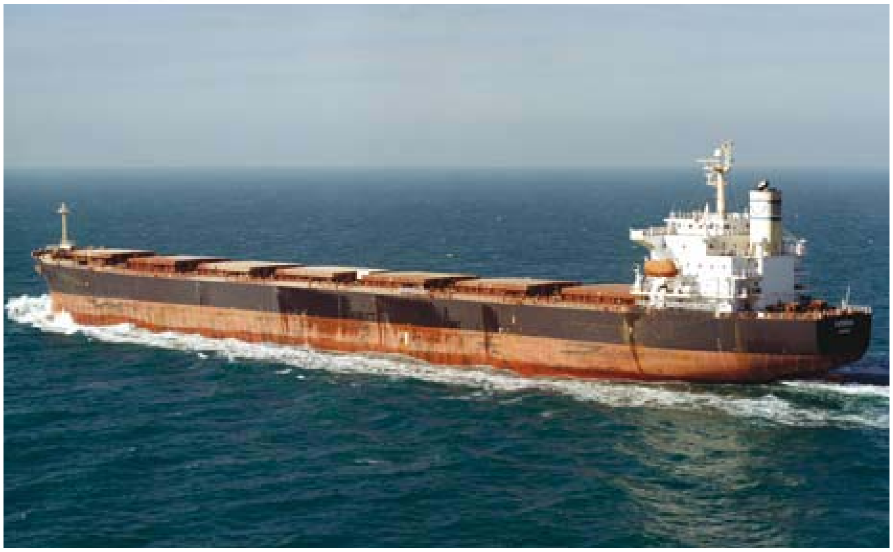

Photo: FotoFlite

Safe Bulkers' Panamax *Katerina* is on timecharter until 2011, working the spot market

Daiichi – supports the intended policy of paying out a quarterly dividend initially targeted at an annualised $1.90 per share.

Earnings for 2007 (based on an average of 10.7 ships) were $3.88 per share. This included very hefty gains totalling $112M, on the sale of two Panamaxes and two Kamsarmaxes in the first quarter of 2007.

The midpoint offering price of $21 per share contrasted with earnings of $1.80 per share. This is a purely hypothetical amount, arrived at by the 2007 overall number, with gains on ship sales removed, working back to a price/earnings ratio of 11.7 X. This is actually at discount from more proven peers such as Diana and Eagle Bulk.

Safe Bulkers fleet

Name	Dwt	Built	Rate	Until
Efrossini	76,000	Feb 2003	$49,600	Feb 2011
Maria	76,000	April 2003	$46,000	Feb 2011
Vassos	76,000	Feb 2004	$43,000	Nov 2008
Katerina	76,000	May 2004	–	Spot
Maritsa	76,000	Jan 2005	$53,500	Jan 2009
Pedhoulas Merchant	82,300	Mar 2006	$38,500	Jan 2009
Pedhoulas Trader	82,300	May 2006	–	spot
Pedhoulas Leader	82,300	Mar 2007	$36,750	Feb 2010
Stalo	87,000	Jan 2006	$48,500	Sep 2009
Marina	87,000	Jan 2006	–	Spot
Sophia	87,000	Jun 2007	$24,000	Aug 2008
Newbuildings				
2 x Kamsarmax	81,000	Mar & May 2010	–	–
4 x post-Panamax	87-92,000	2009-2010		
2 x Capesize	176,000	Jan – Mar 2010	–	–

Source: Safe Bulkers

Not every shipowner will want to list its shares, no matter how high the Baltic Dry Index climbs. Successful companies might not wish to subject themselves to disclosures. These include those in the Safe Bulkers document, which details large dividends recently paid out to family members, partly funded by proceeds from the 2007 ship sales.

Additionally, being a listed company entails a significant cost element. The filing indicates management's view that expenses will see "an annual increase of approximately $2.2M as a result of becoming a public company upon completion of this offering".

The market will be watching this offering closely. Typically, in 'foreign' filings, much of the negotiation with US regulatory authorities has been handled before the 'F-1' (the name of the filing document) is posted by the Securities & Exchange Commission.

If conditions are propitious, an actual offering could occur within weeks before investors escape to the seashore.

Correctly, or not, how this offering fares will be viewed as a harbinger for another wave of shipping IPOs. F