

FAIRPLAY

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First lady

How Angeliki Frangou became the leading Greek shipping entrepreneur

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ANGELIKI FRANGOU

A winning combination

A rare shipowner who understands the intricacies of balance sheets as well as technical surveys, Angeliki Frangou is dazzling the New York banking community. Barry Parker finds out how

Since late 2008, when much of the shipping world went adrift, the Navios companies, helmed by Angeliki Frangou, have gone full ahead. A respected leader of two successful listed dry bulk companies, she is now assembling a third business, this one in the product and chemical tanker sector.

Frangou, the daughter of Greek owner John Frangos, is well known for the financial acumen that has shaped a slew of creative deal structures. As well as being a brilliant architect and tactician, she has the delicate skills that have enabled her to hold fast-moving and varied components of transactions together over periods of months – and then close the deals at the moment that the stars are aligning.

Any doubt about her abilities should be assuaged by the behaviour of capital markets investors, who have created strong demand for both Navios bond debt and for equity in the form of shares and partnership units. And the banking community, far from tightening the noose, has continued to lend its support.

Less visible – but just as powerful – is Frangou's ability to lead. In the business world, the combination of conceptualiser, implementer and manager in a single individual is very rare. Frangou is one such individual. John Parker, an expert on high yield bonds from Jefferies & Co, told *Fairplay*: "When the rest of the shipping world was

In the spotlight

Angeliki Frangou

Age: 45

Current position:

2005-present:
Chairman and CEO,
Navios Maritime Holdings

2008-present:

Chairman and CEO,
Navios Maritime Acquisition Corporation

2007-present:

Chairman and CEO, Navios Maritime Partners LP

Career history:

2004-2005: Chairman, CEO and president of ISE

1990-2001: CEO, Franser Shipping SA

1987-1989: Analyst, Republic National Bank
of New York

Education:

■ MEng (mechanical engineering), Columbia University

■ BEng *summa cum laude* (mechanical engineering),
Fairleigh Dickinson University

Memberships and non-executive positions:

■ Chairman of IRF European Finance Investments

■ Hellenic and Black Sea Committee of Bureau Veritas

■ Greek Committee of Nippon Kaiji Kyokai

■ Chairman of the board of Proton Bank, Greece,
June 2006-September 2008



loading up on cheap bank debt during the asset bubble, she implemented a three-tier capital structure: bank debt, high-yield debt and equity." This allowed her a great deal of flexibility, he said.

Navios Corp dates back to the 1950s, and morphed from the supply arm of then-mighty US Steel into a sophisticated freight provider for raw material shippers.

Frangou came on the scene in 2004 with a tried-and-true financing technique, the 'Blank Check' company (sometimes called a Special Purpose Acquisition Corporation – SPAC). Shipping had already seen 'blind pools', but the SPAC – where investors effectively rely on the judgment of the organiser to find a suitable deal and then buy an *entire company* – was being applied to shipping for the first time.

Perseverance paid off; the present Navios Maritime Holdings was launched in late summer 2005, nearly a year after investors backed Frangou's SPAC, which acquired the earlier incarnation of Navios from its previous owner, Anemos Maritime.

As the company grew, her options-trading smarts enabled Navios to seize on a number of attractively-priced vessel acquisitions. Rising fortunes for dry bulk and the world stock averages enabled additional equity raising. By late 2007, it was clear that investors were rewarding companies that were paying dividends or partnership distributions. The prize took the form of

ANGELIKI FRANGO

[Photo: Chris Prevolos (main), NYSE Euronext (inset)]

higher valuations, translating into a lower cost of capital to fuel company growth. In 4Q07, at the height of the equity market, Navios Maritime Partners was launched. In mid-2008, more investor money was raised for a second SPAC.

Frangou's foresight was particularly evident when shipping was getting drowned by bursting credit and commodity bubbles. Jefferies & Co's Parker commented: "While many of her competitors were forced by bankers to eliminate dividends or raise equity, she was buying newbuildings with long-term charter coverage at bargain prices. Navios continued to access bank debt through the entire period."

In mid-2009, Frangou organised a spectacular 'win win win' deal that enabled Navios Maritime Holdings to secure four Capesizes initially (followed by two more later in the year) from a South Korean yard in the face of the original buyer's difficulties in financing its yard payments. Using an innovative payment mechanism, preferred stock (similar to a bond) that converts to common stock, Navios was able to book purchases in the \$60M range.

Commercial shipping lenders then supported the deal by providing Navios with 10-year debt. Bankers who sat around the table with Frangou credit her with devising the structure. Overall, Navios raised \$545M of bank debt in 2009, providing more than ample capital to support the acquisition of Capesize newbuildings, at very low prices.

Although the structures and instruments have garnered much of the attention, a different type of acumen is required to integrate several businesses into an overall corporate umbrella. Frangou's business manoeuvres – case studies in how to acquire asset-intensive enterprises and bolster them – have benefited from a human touch that transcends the numbers.

The 2007 acquisition of Capesize specialist Kleimar (now the Antwerp office of Navios) was an effective move: Navios is now among the leaders in the Capesize market. The development of a Uruguay-based terminal and its subsequent expansion, along with the acquisition of a barging business, offers a further example of her forward thinking, with agricultural exports poised to grow dramatically as infrastructure is put in place.

The South American logistics company serves Brazil, Argentina and rivers all the way up to Bolivia. In the midst of new age financial tools, tradition runs strong and deep. Among Navios's senior management roster, president Ted Petrone has been with the company since 1980, almost as long as senior VP Michael McClure, who joined in 1978. Senior executives have been with the South American business since the late 1980s.

Navios Maritime Holdings owns 23 vessels (2.3M dwt) with seven on order (1.3M dwt). Another 3-4M dwt might be chartered in at any time, some on long-term deals. Navios Maritime Partners controls 13 vessels (1.2M dwt). The next frontier is the chemical and product tanker sector, which Frangou feels is at a cyclical low. Navios Maritime Acquisition Corp, the SPAC formed in mid-2008, is about to purchase 13 newbuilding chemical and product tankers, with further options. Bank debt will provide 73% of the \$457M vessel acquisition price.

Frangou is now applying her brand of company building to a sector where vessel prices have been battered to cyclical lows. She has begun to assemble a management team and resourceful board of directors. As in previous ventures, Frangou's leadership skills have formed a strong keel and enduring structure. Another successful launch seems likely. ■

