

The season of Ship Finance conferences offered varied views on the role for private equity funds and shipping banks- as observers noted that OMI went to “strategic buyers” (shipping people, financed mainly by a leading shipping bank) rather than “financial buyers” (financed by outside investors). Though claims of IPO companies inflating asset prices have subsided (with a respite from the IPO craze), corporate transactions have continued to feature in the S & P marketplace.



The recent actions of LPG specialist MC Shipping, listed on the American Stock Exchange, illustrates the interplay of a well executed financial strategy with a company’s sale and purchase activity. MC announced that it will be acquiring three smallish (between 6,500 cbm to 7,200 cbm) pressurized mid 1990’s built vessels, *Windermere*, *Ullswater* and *Grasmere*, from the Japanese owner Komaya, to be funded from company funds and drawdown on a bank credit line. Market talk put the purchase MC Shipping’s aggregate purchase price between \$39 Million - \$42 Million, or about \$13 Million- \$14 Million each. This price is consistent with a nearly comparable sale between Greeks of the 3,300 cbm LPG tanker *Cheviot* (blt 1997, also in Japan), sold by Dorian (Hellas) for \$9.75 Million.

MC Shipping Chairman Tony Crawford described how cash proceeds of a \$52 Million six vessel sale/ leaseback in Jan, 2007 are now being redeployed: “Earlier this year, we created a special purpose vehicle which allowed us to retain exposure to our core market but also released additional equity from our small LPG vessels to a German KG”. Crawford added: “... we are pleased now to reinvest again in this attractive segment.” The three ships will go onto three year charters with Vitol.

Tsakos Energy Navigation, a stellar performer listed on the NYSE with a substantial newbuilding program requiring funding, was rumoured to have sold three Aframax en bloc, *Athens 2004* (built 1998), *Maria Tsakos* (built 1998), and *Olympia* (built 1999, bought back from German KG company Dr. Peters earlier this year). Broker reports have the trio going to a Greek buyer for a price around \$185 Million.

Several other tanker transactions are coming at the intersection of two trends- upcoming phase-out dates looming for single hulled tankers and their conversion into either drybulk carriers or vessels in the energy production chain. Frontline announced its sale of sale of the 1988 built Suezmax “Front Horizon” for a hefty \$28 Million price. A cryptic Frontline announcement of the sale prompted shipping sleuths to suggest the Dockwise / Sealift combine, an operator of heavylift vessels that transport oil rigs, as a probable buyer.

In the meantime, Greek owner Phoenix Energy was reportedly selling two single hulled Aframax, *Semakau Spirit* (single hulled, built 1988) for \$23 Million, and *Sentosa Spirit* (double sided, built 1989) at an undisclosed price, both to a Norwegian buyer actively converting old tankers into FPSOs. The two vessels originally came out of the Teekay stable, acquired by the Greek owners in 2004 (along with a third vessel, built 1992) for



approximately \$20 Million each. In other conversion sales, Indian owners of the single hulled *Ardeshir H Bhiwandiwala* 266,000 dwt built 1992, were set to pocket \$47 Million, in a sale to buyer "Sinikor". Compass Maritime's market report suggests that Sellers turned a tidy profit, having bought the unit three years ago for \$34.8 Million. Chinese buyers were linked to the sale of the 1990 built *Ruby II*, 245,000 dwt, which reportedly fetched \$41 Million.

Though drybulk rates continued to ease, second hand sales continued, the most notable being newbuilding resales on *CMB Fabienne* 74,000 dwt, to be delivered from Jiangnan in 2008, to Greeks (Order Shipping) for \$65.5 Million. The enormous premium for prompt tonnage can be seen by looking at newbuilding contracts- Drytank was linked to an order for two 76,000 ton bulkers from another Chinese yard, for later delivery, at \$50 Million each, while Yangming's four 80,000 tonners ordered from the Japan's Universal Shipbuilding for 2009 delivery were priced at \$43 Million each.

In other resales, Oldendorff reportedly selling a pair of 37,000 ton bulkers due in later 2007 from Sakai, for \$40 Million each. Also reported were resales of two 18,500 dwt. box hold bulkers, due in late 2007 / 2008 from a Japanese yard, to Greek buyers for \$26 Million each. Among trading vessels, brokers SSY described the sale of the Turkish owned 52000 ton "Tarsus" (built 2001) for \$54 Million to undisclosed buyers as "the most significant sale of the week". SSY analysts called this a very firm price, noting that a one year newer "Tess 52" type forming the basis of the Baltic Suprmax assessment had been pegged at \$54 Million.

Two newbuilding 5,100 TEU boxships with 23 knot capability, *Cosco Norfolk* and *Cosco Charleston*, were reportedly sold to French buyers, for \$93 Million each.

(submitted to FAIRPLAY)



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