

## More IPOs for 2007

The IPO season has bloomed, with a few new wrinkles this year. A confluence of strong shipping markets and a steady showing in many equity markets have brought about the latest crop. The flavor is distinctly institutional- a market favoring ships with medium term charters and predictable yields.



Recent legislation in Singapore has created incentives for “shipping trusts”, a form of exchange traded closed end funds, modeled on Real Estate Trusts. Hamburg based containership operator **Rickmers**, floating the third such trust, raised an estimated S \$267 Million (approx US \$184 Million) to fund expansion of its fleet, following up on the successes of Pacific International in 2006 and First Ship Lease (FSL) in March 2007. Cash expected to be distributed to shareholders was estimated to yield 8.2% (slightly lower than the 8.7% yield on FSL, and,

more attractive than a KG structure).

Investors in the trusts, underwritten by Citigroup and Deutsche Bank, include the issuer (keeping around 28% of the units), institutional “cornerstone” investors- including Fidelity, Citi, Templeton and Singapore based UOB Asset Management who will collectively keep 27.5% of the units. Rickmers Group will be selling five of its larger containerships, with charters, into the Trust, and anticipates purchasing additional vessels.



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In the Italian market, an aggregate of €60 Million was raised by the D'Amico family (approximately 65%) and the newly listed entity **D'Amico International Shipping S.A.** (35%) joining Premuda and Montanari in the small circle of listed companies in Italy.

Beyond monetizing the investments of founders in a highly successful but illiquid family entity in business since the 1930s, the IPO (along with a streamlined credit facility refinanced through Calyon) will provide capital for exercising purchase options on many vessels presently chartered in. Besides commitments to charter in seven MR size newbuildings due for delivery in 2008- 2009 (in addition to the DM Shipping vessels), the company holds purchase options, exercisable through year 2020, on 15 chartered in vessels. Best known as a participant in the Handytankers pool (alongside Maersk and others) D'Amico's fleet of 33 product

tankers totaling 1.5 Mdw- is concentrated in the MR sector (10 owned and 16 chartered in vessels).

During the past few months, the U.S. markets have seen one “blank check” deal come to fruition while another one was launched, and have seen a drybulk IPO by a group of Greek shipping veterans. In late 2005, Star Maritime Acquisition Corp raised \$174 Million, with the goal of finding a suitable acquisition within eighteen months. Units (a combination of shares and options to buy more shares) were listed on the American Exchange (AMEX). In January, 2007, Star worked out a deal with Taiwan Maritime Transport (TMT) where TMT would gain a 30% holding in Star going forward, after kicking in eight vessels (two Capes, one Panamax and five Handymaxes). Within a few weeks of Star’s deal, backers of another blank check company- “Oceanaut”, raised \$161 Million (before deducting fees) for share/ warrant units, also listed on AMEX. Noteworthy here is the tie to Excel Maritime (an early convert to the listed company camp), which owns 19 percent of Oceanaut.

In early April, “Oceanfreight”, a new entity assembled by DryShips’ George Economou, raised in excess of \$200 Million in an offering led by Bank of America and Cantor Fitzgerald. With a team led by ex OSG Chief Operator Officer Bob Cowen and ex General Maritime CEO, James Chistodoulou, NASDAQ- listed Oceanfreight assembled a fleet of seven drybulk vessels all on period charters of at least two years, using the \$200 Million of equity raised by Cantor Fitzgerald, Bank of America and shipping newcomer Oppenheimer towards the \$311 Million purchase price for its vessels. As a sweetener in attracting investors, Oceanfreight (like tanker specialist Omega Navigation a year ago) will be offering a subordinated share structure where outsiders receive their dividends before the insiders. Unlike DryShips with its spot orientation, Oceanfreight resembles the more industrial shipping entities such as Quintana Maritime, listed on NASDAQ in 2005. Wallems has been appointed technical manager for the new fleet.

[UPDATE: Elsewhere on the site, see our article about Capital Product Partners, which also launched a successful IPO. Other issues included Paragon Shipping, in New York- a private deal that morphed into a public offering, Globus on the AIM in London. In the Danish market, Nordic Tankers launched an IPO.](#)

