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Aegean Marine

The bunkering sector of the tanker fleet, typically small vessels under 10,000 mdwt, has remained below the radar screens of most market analysts, who focus mainly on larger vessels. However, with impending IMO 13H phase-outs of single hull heavy fuel carrying ships beginning in 2008, a shake-out will impact the sector, and leaders will emerge as capital is required in a crowded and previously overlooked portion of the market.

Aegean Marine Petroleum Network, one such pace-setter, has gained a listing on the prestigious New York Stock Exchange (NYSE), with symbol "ANW", allowing a rare glimpse into the previously private finances and strategies in place since its 1995 founding. Importantly, a major management shift is underway with Peter Georgiopoulos and John Tavlarios, with demonstrated successes with General Maritime Corporation (also NYSE listed, with symbol"GMR") and Genco Shipping & Trading (symbol "GSTL", listed on Nasdaq) owning a minority position and playing an important role on the Board of Directors. The initial public offering (IPO) was transacted at the high end of its pricing range, and it traded upwards after the IPO.

Aegean's business strategy is to buy large cargoes of bunker fuel for resale to customers in smaller lots, with a concentration in the Mediterranean (Gibraltar and Greece), Fujairah, and Jamaica (Ochos Rios and Kingston); in late 2006, it commenced a new push into Singapore. Fresh with a gross amount of approximately $201 Million (including the "greenshoe", where underwriters take additional shares) from the stock flotation, the company is in expansion mode, with plans to grow its double hulled bunker fleet by at least 31 vessels over the next five years- for a total of 44 double hulled units by 2010. Twenty two of these vessels have already been ordered (for delivery through October 2009) and Aegean expects to exercise options on nine additional vessels. Typical of these vessels are ten 3,800 ton bunker tankers ordered for $6.8 Million each from China's Fujian Southeast Shipyard (with options on five option vessels declared later), and five 5,500 tankers ordered at Qingdao Hyundai Shipbuilding at $9.4 Million each, in January 2006. In 2007, Aegean expects to take delivery of six Chinese built vessels.

Plans are also afoot for acquisition of additional double hulled deepsea tankers, for storing full cargoes of bunker fuel to be trans-loaded onto smaller vessels. One such vessel, "Royal" ex "Trapper", a 14,300 dwt. double hulled product tanker (built 1985) was purchased in Feb. 2006 for $7M. In July, 2006 Aegean was linked to the $10.1 Million purchase of a 1981 built double hulled 68,000 ton Zaliv built Panamax tanker "Aris Double"- bought from Greek owners Capital Maritime and renamed "Fos"- now used as a floating storage depot. Aegean just sold its 1982 built single hull Aframax "Aegean Hellas" (originally built for oil major Exxon), gaining $2.3 Million on the deal, and took delivery in late February of the 1983 built fully double hulled Zaliv built " Allegro Double ", to be renamed, also purchased from Capital Shipping, for $11.8 Million.

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In line with a business push to serve "island economies" (for example, delivering gasoline and other refined products around the Aegean Sea in Greek waters), the company will take delivery of two double hulled products tankers with "Ro-Ro" capabilities, for fuel trucks, during 2007, and it expects to exercise options on four additional "specialty tankers"- for deliveries through 3Q 2008. Examples here are two vessels ordered from Romania's Severnav Shipyard in June 2005 at a price of €6.56 Million each.

On the financial front, Aegean Maritime plans to use the proceeds on its offering to repay approximately $114.5 Million of outstanding debt (incurred in connection with its substantial fleet replacement activities in recent years), an additional $22.5 Million for three second hand vessel purchases, and the roughly $23 Million for "general corporate purposes". After the "Allegro Double" purchase, CEO Nick Tavlarios (John's brother) said at the Bear Stearns Investment Conference, held in New York on March 15th, that "…we have identified candidate vessels…" as Aegean sources two additional double hulled vessels. In his presentation, Tavlarios pointed to control of the bunker supply chain, including IMO 13G compliant double hulled storage tankers, as a key differentiator relative to competing companies.

Part of this category will include working capital supporting the purchases of fuel; according to the shares prospectus: "… proceeds from this offering will increase our ability to pay cash for marine fuel when we deem it appropriate and thus obtain discounts generally available to cash purchasers." Aegean said that it was working with Royal Bank of Scotland to finalize a major bank facility worth $183 Million, which will provide substantial liquidity for fuel purchasing, and will also assist in funding the progress payments due on vessels under construction and soon to be delivered. At end December, 2006, only US $33.5 Million of debt was on Aegean's balance sheet, suggesting that Aegean has considerable "dry powder" in the form of borrowing power.