The Greek shipowning strategy - buy before the market goes up

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Bob Burke, Ridgebury Tankers

Despite Greece's financial difficulties it remains the dominant player in shipping with its owners successfully playing the market cycles.

These strategies were the focus of Capital Link's annual "Invest in Greece" Forum last week in New York.

The speakers, representing dry bulk, tankers and smaller containerships, each offered upward pointing outlooks for their respective sectors- all pointing towards reduced growth of fleet supply, and sector demand ratcheting upwards.

Panelist Bob Burke, from private equity backed Ridgebury Tankers, the single non-Greek on the panel, initially wondered allowed: "Why am I here?"

But the tone of the discussion was set, and his question answered, when he revealed the opportunistic strategies fuelling Ridgebury's fleet acquisition drivers, which he described as the "Greek strategy – buy before the market goes up."

Burke, having concluded the widely-publicised en bloc purchase of 16 year old DHT VLCCs, further likened the acquisition of shipping tonnage to an ongoing call option, with upside potential having a time value that stretches out over four years. He pointed to the two-fold advantage of older ships in reduced capital cost and, in the case of Ridgebury's ample cash warchest, lower requisite financial leverage.

A different take, but still underscoring the importance of low dollar breakevens, came from Hamish Norton, a one-time investment banker now the President of Star Bulk also on the panel. Norton opined that the real winners would be companies that can be debt free in time for buying opportunities when the next market downturn occurs.

But Burke (also an ex-banker), always a no-nonsense guy, was uncharacteristically blunt, saying: “We buy old ships, and milk them for what they are worth.” And eschewing the supply demand discussion, he said that unforeseen events, which by definition, are not predictable, play an important role in creating opportunities to buy, or to sell vessels.

A contrasting view came from Harrys Kosmatis, from Tsakos Energy Navigation (TEN), who explained that its nine ship strategic partnership with Statoil was driven by its customer’s preferred vessel type, in this case, TEN built nine Aframaxes to be put on lengthy charters to the Norwegian oil company.

Kosmatis explained that, “We are guided by the needs of our clients,” adding that: “If they needed suezmaxes for their programme, we would have built suezmaxes.” He characterised the TEN model as industrial shipping, and noted the importance of forward earnings visibility- which enables the predictable payout of dividends to shareholders.

Amidst these varied approaches, another panel member Fotis Giannakoulis, equity analyst at Morgan Stanley, identified two critical factors for success in the business. He told the audience that you need volatility to make money, part of the secret sauce identified by Burke, and you need strong relationships in the marketplace. The second factor was also stressed by another panelist, Nicholas Notias, ceo of privately backed SteelShips, which works closely with cargo generating giants in the secondary metals business.

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