

ANGELIKI FRANGO

The problem solver

Angeliki Frangou's reputation as a leader soared during the downturn. Barry Parker speaks to her as she prepares for her role as CMA Commodore

Descriptions of Angeliki Frangou vary whether you talk to her team at Navios or one of its vast web of counterparties. What emerges consistently, however, is that she is a leader – and a very good one.

Frangou, chosen to be Connecticut Maritime Association's (CMA's) Commodore for 2011, has been immersed in shipping her entire life. She's the daughter of Nikolaos Frangos, who has captained privately-owned Good Faith Shipping since its formation in the mid-1960s.

After graduating *summa cum laude* from Fairleigh Dickinson University, she continued her education in mechanical engineering and earned a master's degree from Columbia University. As financiers sought quantitatively minded recruits in the late 1980s, she joined a commodity trading desk at Republic Bank (now part of HSBC), specialising in the precious metals markets, learning from its founder, Edmond Safra.

Frangou believes her engineering background allows her to understand the importance of details, while keeping the "big picture in focus". Speaking to *Fairplay*, she explained her view of the "holistic virtuous circle", wherein good management creates good governance, which

brings investor confidence – providing Navios fuel to expand.

"I think we have been able to raise money in difficult markets because we have gained the trust of market participants by performing over time," she explained. "This has allowed us to do better deals, because people trust us to live up to our commitments in difficult times."

'The industry has a lot of brain power. Investors need to put a value on that'

Highlighting the importance of internal communication, Frangou asserted: "We have an open office. Communication prevents problems from occurring and solves problems when they do occur. It's important that all groups are talking to each other constantly."

Sheldon Goldman, an investment banker who has worked closely with Frangou for a number of years, talked about the group dynamic of those internal meetings. "Quite often, we will disagree, but she

welcomes the discussion, and refines her point after hearing everyone's inputs. She understands that she is better informed to make a decision by participating in the debate and much more powerful than an 'old school' authoritarian commander," said Goldman.

"When we sit together, no idea is a bad idea," Frangou emphasised to *Fairplay*. "People often make the mistake [of believing] our vessels are our assets. In my view, our people are our assets. We have seasoned management who can be calm in the storm and understand that the opportunity presented by difficult times

can be greater than the opportunity of a robust market," she said.

A keen observer of Frangou's management style is one of her closest colleagues, Ted Petrone, a 30-year company veteran who became president in 2005 after the acquisition of Navios by International Shipping Enterprises (a 'blank-cheque' company floated by Frangou in 2004).

"Angeliki gained my trust immediately," recalled Petrone. "Think about it: how many senior management members typically

In the spotlight:

Angeliki Frangou

Age: 45

Current positions:

2005-present: Chairman and CEO, Navios Maritime Holdings

2007-present: Chairman and CEO, Navios Maritime Partners

2008-present: Chairman and CEO, Navios Maritime Acquisition Corporation

Career history:

2004-2005: Chairman, CEO and president of ISE

1990-2001: CEO, Franser Shipping

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

Education:

■ Master's in mechanical engineering, Columbia University

■ Bachelor's in mechanical engineering (*summa cum laude*), Fairleigh Dickinson University

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[Photo: Chris Prevolos]

want to survive a merger? I was confident in her leadership and vision and thought we could collaborate quite successfully.”

“Consolidation is inevitable,” explained Frangou. “You get economies of scale. You get access to capital. We want to keep growing into the segments that are interesting to us.” From its historical dry bulk roots, Navios has further expanded into South American logistics and most recently tankers, “where we saw an opportune time to enter”, noted Frangou.

There is also a personal side that serves her well in dealing with financiers and shipyards. “It’s important to create a posture-free situation and try to make people less fearful,” she explained. “It’s in everyone’s best interest to craft solutions that work.”

Frangou has also been at the forefront of recent innovations in the field of maritime finance, as the management at Navios has worked hard to diversify its capital beyond traditional sources.

The record speaks for itself. ISE (which became Navios Maritime Holdings) raised a net amount of \$183M. A second blank-cheque venture, which raised \$123M in mid-2008, provided the equity portion for Navios Maritime Acquisition Corporation (NNA), which initially bought 13 product tankers in 2010, followed by seven VLCCs later in the year (in a deal that had eluded a number of others).

In both cases, substantial amounts of bank finance were necessary to complete the deals, complemented by alternative finance. Frangou has utilised the high-yield bond market with Navios Maritime’s issues of \$300M (due 2014) and \$400M (due 2017). Frangou has also utilised another yield-sensitive market segment:

that of partnerships. Navios Maritime Partners, launched in a late 2007 IPO (complemented by follow-ons), has continued to grow. Through shrewd timing of long-term charters, the partnership has been able to increase its quarterly distributions at a time when others are foundering.

What might be called ‘distress buying’ is a thread running through Frangou’s various companies. A late-2008 deal saw Navios buying a quartet of Capesize new-buildings from a South Korean yard at attractive prices, garnering bank finance as part of the package. Similarly, both sets of tanker purchases (first the product tankers, then the VLCCs) were priced favourably, with financing attached.

“I don’t see myself as a deal junky,” commented Frangou. “My role is to listen, understand the problems that someone is having, and then find solutions that work for everybody. I see myself as a problem solver. If the math works, I’ll do a deal.

“If not, it’s off to greener pastures.”

The CMA has chosen a Commodore with an astute listening style and a strong hand on the tiller – yet there is more to be done.

“Too many times, investors don’t give credit for the management and the human software. I want to see investors gain confidence in the business, and value companies based on multiples, not just the net asset value,” she affirmed. “The industry has a lot of brain power. Investors need to put a value on that.” ■

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

