



Career path

1976

Graduated from MIT with degrees in Naval Architecture and Marine Engineering

1977-78

Thenamaris, superintendent engineer, Greece

1978-81

Brokerage & Management Company, New York, manager of S&P

1981-86

Oceania Maritime Agencies, New York, general manager

1986

Co-founded Drytank and became investor in various other shipping companies

1991

Formed Cardiff Maritime

2004

Incorporation of DryShips

2005

DryShips IPO

2008

Became director of Ocean Rig



Energy driven

George Economou switched focus to drillships at just the right time, writes Barry Parker from New York



During his long and varied career, Greek shipping entrepreneur George Economou has proven his keen sense of market timing many times. Never more so than in late 2007 when he acquired shares in Ocean Rig, an Oslo-listed owner of two advanced semi-submersible drilling rigs through his private company Cardiff Marine.

The move seemed highly questionable at the time. Why was the ceo of Nasdaq-listed DryShips, riding high on booming dry bulk freights, moving over into the high-risk drilling sector? But three years on, with oil prices looking set to remain at a new high level that amply covers the cost of deepwater exploration and production, that energy play looks to have been a masterstroke.

'The (oil) market had gained momentum at that time,' Economou told

Seatrade. 'But we could see that this was evidence of a longer-term trend at work that we felt would continue. You could see that offshore oil drilling would have to move farther and farther out into the ultra deepwater.'

The crash of Lehman

'Key to success in the business is the ability to understand the cycles and how they develop.'

Brothers in mid-September 2008 merely 'delayed the inevitable,' he adds. 'What we are experiencing now confirms our investment thesis.'

That thesis was developed over a period of months. Cardiff Marine's stake in Ocean Rig was transferred to a sister company, Primelead, which snaffled up all other

available shares and within a year controlled 100% of the drilling company.

Ocean Rig already owned two 5th generation semi-submersible drilling rigs, the Leiv Eirikssen (built 2001 at Dalian) and Eirik Raude (built 2002), both suitable for harsh environments, with capabilities to drill in 7,500ft of water and 10,000ft respectively. But as a continuous flow of news was reported regarding likely oil and gas drilling in the US Gulf, Brazil and West Africa, management reasoned that a greater focus on the burgeoning ultra deepwater sector was highly desirable.

In April 2008, Ocean Rig ordered two ultra deepwater DP-3 drillships (capable of drilling in 10,000ft depths) from the Samsung yard in South Korea, set for delivery in mid 2011. At the same time, Cardiff ordered two sister rigs, for its own account, also for 2011 deliveries. All were subsequently transferred to Primelead, which in turn was absorbed into DryShips.

Correctly foreseeing the



Launch of Ocean Rig Poseidon and Mykonos drillship newbuildings at Samsung

end of dry bulk's bull run that had begun in late 2003, Economou shifted DryShips' majority bulk carrier fleet into period charters around the same time – just ahead of that market's dramatic plunge in late 2008.

'A key to success in the business is the ability to understand the cycles and how they develop,' Economou told a recent Marine Money conference in New York – where as keen patron of the arts he also helped organise a 'hot-ticket' reception at NY's Museum of Modern Art in the sidelines. 'You need to do your research, looking at the supply/demand and at the orderbook. You take a macro view, with market history in the back of your mind, but then you apply a very micro focus.'

Smart financial manoeuvring was needed to keep up progress payments

on the newbuildings during the worst of the economic downturn. Then in November 2010, sensing the market's gathering strength, Economou took another gamble. DryShips paid Samsung an option

Currently market observers peg the hire of ultra deepwater drillships at around \$500,000/day.

premium of \$100m for the right to build four drillships at a cost of roughly \$600m each, for 2013-2014 deliveries. Unlike the four original units, the optional drillships offered a 'Generation 7' 12,000ft capability – with a seven ram Blowout Preventer to avoid any mishaps as experienced on the Macondo

well earlier that year.

Three of the drillship options were exercised earlier this year, at the same time as DryShips undertook a major refinancing, which included a group of Norwegian institutional investors stumping up \$500m for a 22% stake in Ocean Rig. At the time of writing, Ocean Rig was gearing up for a Nasdaq listing of its shares.

In late July DryShips deepened its dry bulk holdings with the \$116m buyout of ailing OceanFreight Inc, a listed bulk carrier project launched by close relatives of Economou back in 2007. Using Ocean Rig shares as part payment of the acquisition broadened the drilling company's shareholder base and effectively jump-started the Nasdaq listing.

Currently market observers peg the hire of ultra deepwater drillships at around \$500,000/day, based partly on Ocean Rig's fixtures with Brazil's Petrobras for the recently delivered Ocean Rig Corvacado and Ocean Rig Mykonos. Backlogs at the major yards to have new platforms or drillships delivered have meanwhile extended out to three years.

If George – as he's widely known throughout the industry – seems to have timed his move into drilling just right, he's also betting on an upturn in the tanker market. A series of suezmax and aframax newbuildings have started delivering to DryShips and although freights are currently low, Economou has expressed confidence that growing urbanisation in China and India will lead them to rally 'over the next one to two years.' A new tanker unit could be spun off from under DryShips' wing as early as later this year, he has said.

Finally there's market talk of possible LNG orders, which would really turn Economou's latest strategy into an across-the-board energy play. ●

OCEAN RIGS						
Name		Year Built	Charter Expiry	Customer	Operating Area	Maximum Dayrate x \$1000
Leiv Eiriksson	semi	2001	Q4 – 11	Cairn	Greenland	\$ 550
Leiv Eiriksson	semi	2001	Q2 – 12	Borders & Southern	Falklands	\$ 540
Eirik Raude	semi	2002	Oct – 11	Tullow	Off-shore Ghana	\$ 665
OCR Corcovado	drillship	2011	Q4 – 11	Cairn	Greenland	\$ 560
OCR Corcovado	drillship	2011	Q4 – 14	Petrobras	Brazil	upper \$400s*
OCR Olympia	drillship	2011	Q2 – 12	Vanco / Lukoil	W. Africa	\$ 415
OCR Poseidon	drillship	2011	Q2 – 13	Petrobras	Tanzania	\$ 632
OCR Mykonos	drillship	2011	Q4 – 14	Petrobras	Brazil	upper \$400s*
Option 1 TBN	drillship	2013				
Option 1 TBN	drillship	2013				
Option 1 TBN	drillship	2013				

* rate not disclosed

SOURCE: DRYSHIPS PRESENTATION

Never far from the headlines these days, 58-year-old George Economou has long been one of Greek shipping's blue-eyed boys. Without any family shipping business to inherit, for the past 25 years he has combined flair, hard work and a determination to succeed in getting where he is today.

The growing public and private ship empire of Economou currently stands at just over 100 ships of around 11.98m dwt, making his diversified fleet Greece's second largest (behind that of John Angelicoussis), according to Naftiliaki Greek Shipping Review. Fleet value is put at around \$4.5bn.

He has always held a simple belief: the bigger the company, the stronger the company.

It has not all been plain sailing along the way, but those who know him say that occasional setbacks have only made him stronger and fired his determination.

Ever since he and partner Peter Pappas launched Drytank SA back in 1986 (they split amicably in 1991), Economou has had a grand vision based on a simple belief – the bigger the company the stronger the company. He promptly set about growing the Drytank fleet by buying low-cost older tonnage – bulkers, a few small tankers and then some reefers.

By the late-1990s Economou had realised the potential of the capital market to fund business growth, and in February 1998 he became the first shipping man to go to the high-yield

bond market by launching Alpha Shipping, which raised \$175m.

When the junk bond market ran into trouble, Economou succeeded in negotiating a settlement with bondholders 17 months later. While those at the death received only 37 cents on the dollar, many investors in Alpha had done very well before the market went sour. But his image had been tarnished and the chastened shipowner was left with a mixed fleet of 14 vessels after 12 ships had been sold on to third parties.

Even as Economou was picking up the pieces in the wake of Alpha Shipping, he was talking of plans to make another raid on the capital market. But it was not easy since he described the fallout from the Alpha Shipping experience 'as if I was fighting somebody who was throwing punches and I could do nothing to avoid them.'

By the autumn of 2004 he had established DryShips and was soon launching roadshows, and in February 2005 the company raised a shade over \$200m through a Nasdaq listing, some \$90m more than the original target. With a year the DryShips fleet had grown from six ships to 27 of near 2.3m dwt.

The DryShips fleet has continued to grow ever since. Though the ride for investors has been one of ups and downs it has never lacked excitement. The company priced at \$18 a share, topped \$130 a share before the crisis and in mid-July 2011 was trading at a year-long steady \$5.

Along the way Economou has made several trips to the capital market and engaged in a number of massive re-



Long and winding road

David Glass in Athens charts the 25-year build-up of Economou's shipping empire

financings to prop building up his fleet. Only this March, DryShips revealed it had 're-worked' loans worth some \$2bn.

Alpha Shipping fallout 'felt like somebody was throwing punches and I could do nothing to avoid them.'

The Economou stable of Cardiff Marine/DryShips/TMS Bulkera/TMS Tankers/Ocean Rig has meanwhile grown at a pace, for example by 20 ships and 2.7m dwt over the 12 months to June. The growth has been based on deals struck at the secondhand table and with shipbuilders in China and South Korea involving tankers – VLs, suezmaxes,

and aframax – panamax bulkers and drillships, and now there's an interest in LNGs and giant 13,000teu capacity container ships.

With growth like that of the Economou group it's not surprising those who know the company say a major overhaul of the management structure is underway and the company stable could grow. Indeed, there is talk of a new tanker unit being spun-off or possibly Drytank being de-mothballed.

But first, Economou is now backing the offshore drilling sector to bring in the goods (see companion article), and is planning for a US listing for Ocean Rig. This is likely to take place in late summer as the regulatory review process forced the initial target of a June-July float to be put back. ●