



## Economou's tanker spin-off IPO Tankships



By [Barry Parker](#) from New York

The booming tanker market has fuelled another public offering - Tankships Investment Holdings, with George Economou's Dryships seeking to spin

out its existing tanker fleet into a new entity.

The company, to be listed on Nasdaq if the offering succeeds, was actually formed in late 2010 after a precipitous drop in tanker rates and asset values when Economou saw opportunities for Dryships to invest in the sector. Four years later, this new offering is the first step in valuing and monetizing that earlier investment.

The company, presently a whole owned subsidiary of Dryships, which would be the seller of the shares in this offering, would come to the market with four suezmaxes and six aframaxs, all built at Samsung Heavy Industries, during 2011-2015. The ten ships had been ordered in late 2010, for an aggregate yard cost of \$631m. As of end 2014, the vessels would have been on the books at approximately \$590m (net of depreciation). According to the offering's fleet overview, the ships are all taking crude oil cargoes in the spot market.

In addition to the existing fleet, Tankships would then acquire three additional suezmaxes, built at Jiangsu Rongsheng - with one still to deliver, from Economou related companies for \$209m in total. Further, a deal would be struck between Tankships and Economou that would grant Tankships options to buy further vessels - mainly aframaxs - from other companies he controls, at prices to be determined by independent brokers.

The fleet would continue to trade spot; the company says: "Although the spot market has historically been volatile with periods of low charter rates often lasting multiple years, we believe the spot market has delivered the highest returns on average over time."

The regulatory filing indicates that up to \$100m could be raised - going towards the acquisition of the three suezmaxes, underwritten solely by DNB Markets, concurrent with \$375m of new seven year bank finance. The new debt would

refinance all of the existing bank debt which stood at \$280m at the beginning of December 2014. The balance would also be used towards the acquisition of the three additional vessels. The company would plan to pay quarterly dividends initially, though it would not be obligated to over time.

As explained in the prospectus, TMS Tankers Ltd, an Economou-controlled company would provide technical management services, for EUR1,751 per vessel, per day, and earn commissions of 1.25% on chartering, and 1% on sale and purchase. A different company, Cardiff Tankers, also controlled by George Economou, is slated to earn a 1.25% commission on charters, while another related entity has been earning fees (20 basis points) related to sourcing of finance - though this arrangement will cease after the offering.

Tanker IPOs are certainly the flavor of the month- amidst the very strong market. Euronav has seen a positive reception, actually "up-sizing" its deal. Several other deals that had been attempted in early 2014, but pulled due to the lackluster response, are said to be waiting in the wings.

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