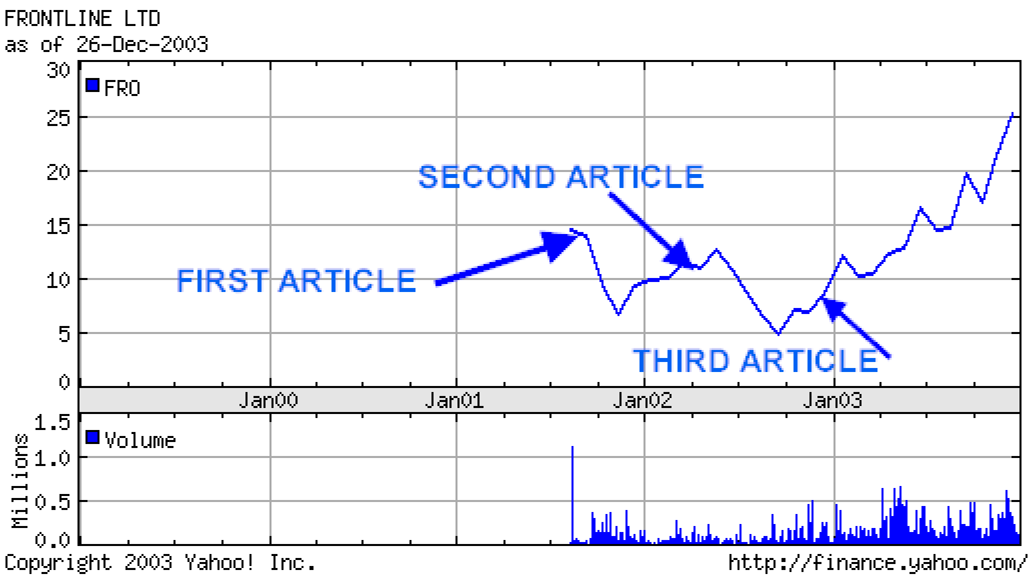
One picture is worth many words, and $Millions. I actually did three stock market articles for TANKER OPERATOR, while the stock market was a hot topic but banking/ consolidation had not yet caught on. I could have picked a chart for OMM, OSG, or GMR, but I picked FRO- Frontline because it is just an awesome company. Separately, you can find a bunch of articles about the consolidation trend, which was all the rage until FRO set the pundits on their ears, but demerging! The chart below, courtesy of YAHOO, shows the approximate timing of the three articles. For snippets about the Hamptons, and infusion of personality, the second article is highly recommended.



AUGUST 2001: THE FIRST ARTICLE

The Day the Music Died:

Just prior to the first oil crisis of the early 1970's, anyone with an AM radio would have been humming the melodic refrain "Do you recall what was the feel, the day the music died?" , from American Pie. Then, after a booming 1960's and inflationary early 1970's, the music stopped. So now, as we look out on the tanker horizon, we have all been there, done that, got the T Shirt. Yogi Berra, my favourite philosopher and a master of the malapropism, would probably look at the tanker scene and describe it as "déjà vu all over again", pointing to the strong market of last year/ into early 2001, the huge slide, the large overhang of orders (booked in response to the strong market), and, of course, the IPO action. From our Stateside vantage point, the possibility of energy crises and disruptions looms large, reminding us of interesting times in days gone by.

In mid May of this year, a wealthy acquaintance from the toy business boasted to me at a drinks party that he was long the stocks of Teekay, OSG and OMI. At that time, all three were at or near their highest highs ever, and, naturally, he sought my sage advice, or perhaps, some reassurance as he waded into an unfamiliar sector. While usually a raging bull, I do remember putting on my commodity broker hat this time and saying, "Sell after the second blackout in California". . "But, Barry," he intoned, "…what about this low P/E and miniscule price to cash flow ratios?" he asked, elucidating on how the low share prices, compared to recent earnings or cash generated by the business, were much lower than the retail stocks where his fortune had been made. "But, Stanley (that's his name)," I shot back, "those P/E's are low because the underlying market is highly volatile." He probably did not listen, and is now experiencing the shipping cycle first hand.

Equity prices should be watched because they reflect expectations of future direction for the underlying rates and asset prices. Around the early Spring, our market had softened but was still bubbling with last year's optimism, while the overall equity markets were in the throes of recession woes, leading to weaker earnings all around. Our maritime sector, especially tanker stocks, were among the best performing groups throughout the market. All the upward directed thumbs were pointing at the tanker stocks. An emergent move back to traditional value investing (ie invest where values of the underlying assets could rise) heightened the fervor. By late May, Teekay had lurched up above $50, OMI was almost touching $9, OSG was in the mid $30's- with its founding family considering a secondary offering, ie selling their shares at a high price.

Had purveyors of a commodity (in spite of brightly coloured hulls and decks), tanker capacity, actually created differentiable brands (personalities like Furbee and Elmo from the toy store) capable of sustaining high prices? Had tanker pools (which we will look at next month) actually bolstered the market and forced the charterers to admit defeat.

The answer to both question is a resounding "NO". Not this time, not in the past. So, what happened? As commodity investors all know, many strong runups are later seen to be irrational- "…oh sure, we know that the price <gold, sugar, AG-UKC) would come down…". Only last year, some analysts had suggested that constraints on tanker supply would impede oil movement and drive the world into a recession. What great power to rule the world economy along with the waves! But the general economic slowdown took care of that, slowing down oil demand. OPEC, on its pricing tightrope, was ramping back on production as an Iraqi shortfall abated. The IEA, that august forecaster of oil demand, cut its estimates at least a half dozen times over the past year, moving down to an almost steady state, ie no growth scenario.

The activities of the smart insiders underscore the cautious stance. Bergesen was selling new VLCC's. Majestic/ Hellespont was flipping a contract for new vessels as was Greek player Athenian Sea. In our information rich world, insider moves are not lost on stock analysts whose recommendations control the flows of institutional money into and out of shares. In early June, an analyst not hawking IPOs looked around at the weakening rates and the OPEC cuts and yelled that dreaded "S" word- sell, but hedged by indicating that oil shipments may pick up later in the year. While the arrival of Stelios and the later arrival of Peter G had initiated even more "Buy" recommendations around the respective Stelmar and Genmar launchings, other analysts were also reversing course in July, recommending "Hold" on the more widely held stalwarts. Indeed, your overly bullish writer would yell "sell" in a crowded shipping conference, if too many analysts initiate coverage of too many companies, as happened in March and April.

So, Teekay had moved back into the mid $30's, its performance buoyed slightly by its investment in the Ugland Nordic shuttle business against the backdrop of lackluster Aframax rates. OMI, the beneficiary of buy recommendations (from both Dain Rauscher and ABN Amro) in May when the shares were rocking up above $8, had rolled back to the $5 area, in spite of good earnings from product tankers, even more newbuilding announcements. OSG softened back into its familiar territory in the $20's. Concordia, listed in Stockholm, saw its zenith near SEK 25 from late April through early June, and then backed down to SEK 18 -19 during July and into August. A release from Concordia shows the starkness of the market drop- its big ULCC's were earning $58,000 per day in the 1Q, 2001, but moved down to under $15,000 per day in the second quarter.

As the music began to fade, the OSG founders, who don't exactly need every last penny to buy CD's, chose not to sell their holdings. American Eagle Tankers, part of the Neptune Orient group, pulled back on a possible IPO as both tanker rates and the stock market dipped. There was talk of a further Tsakos Energy (previously MIF) offering, but now maybe later in the year. With a few exceptions, gravity had prevailed to pull stock prices down in line with their estimated Net Asset Values.

Frontline, now controlling an astounding a relatively modern fleet of 70 vessels (more than 17 Million dwt) was sliding down the rocky ridge from a head and shoulders top. The U.S. listing moved from the Nasdaq market over to the New York exchange, in hopes of attracting an even broader cadre of institutional investors. Academic studies predict a bump upward when stocks switch to the Big Board, a theorem surely being challenged by holders of a $15 stock, which they bought at $24 during the May madness. Dain and Lehman Brothers had both commenced coverage with strong "buys" during March. Frontline also points to a softening in the underlying market, with T/C earnings down on VLCC and Suezmaxes.

The LNG trade, where vessels from the 1970's are still in service, is a great sidebar to the Frontline story, whose acquisition of Osprey, for cash, was tied to the promise of liquid methane on the waters. One of the pioneers in the LNG trades, Gotaas Larsen, had been subsumed by Osprey in 1997. In Frontline hands, GolarLNG (the old GL fleet bolstered by newer ships and contracts to build further vessels) was listed on the Oslo bourse in July. There are plans for a New York listing. Clearly, amidst concerns about greenhouse gas emissions, LNG- will continue to become important for energy-thirsty industrial countries. The question, as always, is whether a burgeoning supply of vessels (with more than 40 on order) can match the uncertain demand. In contrast to other sectors, LNG carriers are typically built against firm contracts, but prices on optional vessels could move "into the money" amidst a building fervor.

The lyrics from our famous song also refer to "…we sang dirges in the dark…", which paradoxically alludes to both the simultaneous death of the market and a possible energy crisis. Darkness is an anethema to industrial society, but every impending crisis comes a panic induced rejiggering of trade flows. These intrinsic vagaries imply that rumors of the market's death may be premature.

SPRING 2002: THE SECOND ARTICLE

The mixed fortunes of tanker investors over the past year did not deter investors who recently stepped up and bought $95.3 Million of Tsakos Energy Navigation (symbol “TNP”) stock in one of the few IPO’s on the New York Stock Exchange. The volatile ways of the underlying tanker market are generally well known to investors; and presently, the whole group is on an upward course. It looks like the hedge funds, who have bought on the dips, are partly responsible for the present tide lifting all boats, including those of the small guys (who spend far too much time complaining on the Yahoo! bulletin boards about managements, or pontificating on what OPEC will do).

TNP does not yet have a bulletin board on Yahoo! , where heavily aliased guys are typified by the disgruntled ex tanker broker who is absolutely shocked that tanker shares sometimes lose value, gradually swinging around the company’s net asset value (NAV) number. Many of these bulletin board denizens know only shipping, will take down more shares of whatever is floated, especially when IPO prices are too high. With the recent runup in share prices, even the habitués of tanker stock boards have been smiling.

Investors must understand the vagaries of freight rates, newbuilding prices and second hand prices. I think that the current crop of shipping IPO’s on Wall Street will continue to provide value to buyers who prudently time their entries and exits. Those well educated and very savvy Greek IPO boys now want to project a corporate style, comparable to the large integrated oils and traders comprising their customer base. That means a public listing and a permanent business. Asset play? Well, that depends who you ask.

We saw IPO’s last year from Stelios (Stelmar’s symbol is “SJH”) and Peter G (General Maritime, ticker “GMR”). Nick Tsakos had been eying a New York listing for some time, and in early March saw the confluence of a quiet IPO scene, a rising stock market, and perceptions of a tanker market building a base for the next rally. In early March, TNP shares began trading in New York. Reflective of the newly emerging interest in the sector by institutional investors, one of the big buyers of TNP was Omega Advisors, a hedge fund running $2.5 Billion, controlled by ex Goldman Sachs research guru Leon Cooperman (who has repeatedly expressed and pointedly taken the view that stocks are “increasingly like commodities”- think gold and silver).

Nick Tsakos already had a track record in the sometimes illiquid Oslo markets, where TNP has traded, since 1993, and got a successful secondary offering done in 1996. He has always valued the corporate image- a benefit of a public persona and a hallmark of the younger generation of Greek owners. Nick’s ex sea captain father started the family business in the early 1970’s. After his studies at Columbia University in New York and City University in London, Nick was quick to ride the first IPO bandwagon in the late 1980s with Global Ocean Carriers “GOC”. Around this time, Peter G- who worked for Nick’s father after graduation from Dartmouth’s prestigious business school, was crafting private placement shipping deals at NY’s Drexel Burnham while Stelios was learning the family business at Troodos Shipping (after graduating LSE and City University). “GOC”’s late 1997 flirtation with high yield debt ended less than auspiciously, in one of many restructurings during 1999. A private investment vehicle, Maritime Investment Fund (MIF), operating mid sized tankers, was also launched in the mid 1990’s. With MIF’s name change to Tsakos Energy Management, the company is listed in Norway as “TEN”, with the “TNP” appellation in New York.

The TNP actual offering was priced at $15 per share, down slightly from the $16-$18 that underwriters JP Morgan- Chase were hoping for. TNP’s earned $2.56 / share in 2001, up from $1.43. But, showing the positive flipside of cautious pricing, the shares actually held steady in the first few days of trading, which also reflects the more upbeat tone emerging regarding tanker shares. Indeed, GMR, which had been battered in the market after a higher than expected launching price last summer, and then badmouthed @ Yahoo!, has made a nice recovery since late 2001, rising up well above $12 (compared to its nadir at $8). Both of TNP and GMR prices are close to analysts' NAV estimates, and both represent approximately 6 x earnings for the previous 12 months.

When facing the shipping industry, promoters of IPO's like TNP try to paint their companies with a boring but steady industrial patina. Consider that proceeds from TNP's offering are earmarked partly to finance the 10 ships on order (in addition to 16 trading now), hardly the stuff of a quick flip approach. With money raised from investors, representing a little over 37% of the post-money company value (approx $255 Million), plus $15 Million from the Tsakos family (bringing its stake up above 26% in the company) TNP hopes to chip away at close to $400 Million of shipyard debt on newbuilding orders, and pay off some bank debt. This is a young fleet, with 16 varying size ships in the crude and products trades mainly built in the mid/ late 1990's (except for some MIF holdovers) and 10 newbuildings on order. A handful of the vessels are traded spot, with the balance on short time charters or longer contracts that renew at rates tied to spot indices. Affiliated Tsakos companies provide the technical management, mirroring arrangements at peer companies.

There are some powerful contrasts at work here, as the institutional investors see tanker stocks as volatile instruments with potential for quick upside moves. Buyers like Omega are not in business to hold stocks for decades. Or, consider another TNP buyer, an Israeli-American outfit called Sunrise Securities (Nathan Low). Sunrise is a high tech venture capital outfit with a Special Situations/ Value Desk that recently took a punt on a silver mine, and one must wonder whether investors view TNP, and similar tanker stocks, as commodity plays.

It gets better, if you considering that GMR, availing itself of veteran ship managers, is clearly catering to the oil company spot charterers in the Atlantic Basin, GMR's primary mode of operations . Genmar's fleet now totals 29 vessels, mainly Aframaxes- the majority of ships being double hull. The original fleet, an amalgam from various partnerships assembled by Peter G throughout the 1990's, was augmented with the acquisition of vessels from SCF others.

A big chunk of GMR shares, nearly 7 % in Jan. 2002, are held by commodity trading advisor Louis Bacon, who now runs Moore Capital (tied to Soros, the Rothschilds and Tudor Investments), often from his private island overlooking New York's tony "Hamptons". Bacon, who once worked with legendary trader commodity Paul Tudor Jones, has invested in the same silver mine as Sunrise. He joins a roster of hedge fund GMR shareholders roster including Oaktree (ex Drexel guys) and Wexford, both early investors with Peter G.

The hedge fund managers who buy these stocks all cavort together at East Hampton's Maidstone Arms, a place reeking of old Ivy League money, where young tanker owners also enjoy being seen. Do these money men talk about who has Suezmaxes and who has Aframaxes, and whether ships were built in Japan, Korea or in the Ukraine? No, not really, as long as vessels pass oilco inspections. But, you can sense the smart money massing for some big oil movements not anticipated by the marketplace. The disgruntled investors on Yahoo! should watch the professional investors, now accumulating tanker stocks, instead of moaning and groaning. Then, they should sell after the second pop upward.

Of the NYSE Greek trio, SJH has risen in value since its conservatively priced IPO and, with a price up above $16 per share, is actually trading at a premium to recently recalculated NAV and a P/E ratio near 6x. The analysts attribute the NAV premium to the high proportion of solid time charter cover, 2/3 of the fleet availability booked throughout 2002, and nearly 40 percent of 2003 deliverability already spoken for. Stelmar already has 27 tankers- Handymaxes, Panamaxes and Aframaxes. This includes two Panamaxes that will be delivered directly into 2 year charters with SONAP this Spring. A conservative approach suits a more cautious investor- among Stelmar's largest holders is Neuberger and Berman, an old style money manager, holding shares for investors, rather than a new age hedge fund rolling the dice for its small coterie of wealthy backers. Among a non-Greek group of similar stocks, Teekay also commands a premium to most NAV calculations.

Amazingly, after late February / early March runup, the analyst at Lehman Brothers, citing a lackluster forecast for oil movements, actually downgraded some of the tanker stocks, although GMR escaped his wrath. The paradox is that market spikes are often short-lived, so that GMR, with less capacity committed on timecharters, is now far better positioned to capitalize, were a market frenzy were to ensue.

OCTOBER 2002: THE THIRD ARTICLE

Fickle investors have learned bitterly that the laws of gravity apply and cyclicality apply, often simultaneously. In a market that has tossed all boats around with nobody emerging unscathed, conservative shares have done better weathering the storm. The darlings of early 2001 are this year's wallflowers, as shares generally have taken a battering on slumping stock markets all over the world. In the bellwether US markets, major stock indices are back to pre Internet boom values, after a dismal performance in the 3Q at a time of softness throughout the tanker sector. Meantime, the latest batch of listed company earnings can only be described as dismal.

The strategy at many of the big tanker players has been to prepare for the next leg upward, whenever that may come. OPEC production, a major impetus behind tanker rates, is down by some 4 MBD – 5 MBD from its heady levels of two years ago, amidst a long illusive quota discipline that is incentivized by a weak economic outlook. Did anyone say "double dip recession?" Oil stockpiling, amidst bellicose war talk, has bolstered demand, as evidenced by some upward blips on the rate graphs. Unfortunately, the blips cannot yet be connected into a rising trendline.

Financial news and strategic alliances or decouplings, rather than exciting operating results, have dominated the actions of the big players as they reposition for the next market upturn. All of the big stocks are underwater when market value is compared to book- the conservative plays less so in this down cycle.

Rainy day strategies, ie what to do until recovery time, have been all over the map. Some listed companies tried to prop up their prices with company buybacks, while others have seen insiders adding to their private holdings, reminding analysts of that maritime conundrum- that very fine sometimes indiscernible line between public and private companies. Operating measures have included acquisition of cheap assets (not necessarily conservative financially) and/ or scrapping older tonnage to bring in cash. Tanker companies are also experimenting or bolstering their presence in diverse market sectors- perhaps trying looking at value-adds rather than mainline moves. For example, two recent OMI Suezmax newbuilds were reported trading spot in the clean products sector, at the same time that shipping giant Maersk was targeting orders for large clean trading Aframaxes.

As the bloom has come off the rose, the wilting has been noticeable at stalwarts such as Overseas Shipholding Group (OSG). A major player in the tanker sector, OSG's market capitalization has slumped from $1 Billion +, when shares were at less year's zenith, to less than $600 Million, at its share price below $16 (versus book value of nearly $24/ share). OSG, still paying a dividend, has recently authorized a buyback plan for up to 3 Million shares (nearly 10 percent of those outstanding). On the plus side, a possible sale of older Panamax tankers may bring in some cash. Investors view OSG as a stalwart, as evidenced by investors pricing its shares in excess of 5x the cash flow.

Meantime, at battered Frontline (FRO) - which has now pulled its VLCC's out of the Tankers International pool (which includes OSG and others), the private company controlled by insider John Frederiksen was fattening up his holdings with continued buys. No company has been more expansive than Frontline over the past few years and its latest reports sounded a cautionary note on the use of its shares as currency for further acquisitions, at least for now. Frontline, listed in New York, London and Oslo had shed 70 % of its value from 1Q 2002 to 3Q 2002 as both stock markets and tanker markets spiraled downward. Unlike OSG, Frontline, with still massive debt, in excess of $1 Billion to support its modern fleet, has now omitted its dividend. Frontline had synthetically sold shares (which the Buyer can put back) using a highly imaginative swap, only to continue marking market exposure all the way down as its share price moved down to around $4. The current price, less than half of book value, now represents a market cap under $400 Million.

Some wags noted that under the Norwegian law, Hemen (the private company), with 46% of the outstanding shares, was approaching the point where it would be required to tender for the entire company. Others wondered whether its expensive but growing involvement with British Petroleum signals a new reinvention as an industrial logistics provider, albeit with a high price tag to sit at this table.

OMI Corporation (OMM), is heavily concentrated in crude hauling Suezmaxes (mainly spot) and smaller Panamax and Handy units in the products trades (with some charter cover). OMM, with a stock price that has been stagnant below $4 (equating to a market cap below $250 M, some 40% below book value) , has been working to pay down short term debt and fine tune its credit arrangements to fund growth. Reserves are ample, but total debt is above $400 M. In this soft market, OMI has been acquisitive, and still has a six ship newbuild program.

Elsewhere in the States, Seabulk International (SBLK), operating Jones Act Tankers as well as offshore service vessels, has shown that the marketplace will respond vigorously and positively to an improving story, albeit one of recovery from bankruptcy of the predecessor company. Now recapitalized with a fresh investment from DLJ/ Carlyle, Seabulk reported stronger and lengthier renewals on charters of its Jones Act product carriers.

Teekay (TK), one of the best capitalized pure shipping plays, along with OSG, gets more respect than most of its peers, as noted by a price/ cash flow ratio above 4x. While its price, now around $27, has been pushed down, this represents a mere 20 percent discount below its book value, and its market cap is still above $1 Billion. There was growing talk in the market that TK was about to take the plunge on Aframax newbuildings in Far Eastern yards, which it can easily afford given that debt comprises only 40% of its huge $2.4 Billion balance sheet.

New York's three IPO amigos, Peter G (Genmar), Stelios (Stelmar) and Nick (Tsakos Energy) have had mixed fortunes in their first year or so of public life, and clearly illustrate that investors are preferring the conservative approach. After a rally earlier in the year, Genmar (GMR), with the most exposure to the spot trades, has faded back down to a price of $6, actually half of book value (and way below its IPO price), equating to approximately 3x cash flow. Meantime, Genmar, has been mentioned as one potential acquirer for big lightering player American Eagle Tankers, as AET's parent Neptune Orient Lines investigates sales possibilities. Stelmar (SJH), with almost complete forward cover for its fleet, has remained in a trading channel above its IPO price, with highs at $16 and lows of $14- about 20 percent below book value. Investors appear to emphasize Stelmar's almost full forward cover, rather than its 60 percent debt. Tsakos (TNP), the middle brother in terms of risk perception, has come down to $11.50 / $12 (versus its debut at $15 in 1Q 2002), and has announced its first dividend, $0.50 per share, with Nick Tsakos pointing to TNP's "current strong financial position". TNP is putting up $10 Million in several LPG vessels with Danish titan J. Lauritzen (traded in Copenhagen).

These Greek boys have a second cousin from the North, Torm- long traded in Copenhagen with ADR's now traded in the U.S. under the symbol TRMD. Torm is emerging as a drybulk / tanker play, having hived off its Liner Division, and unsuccessfully launching a hostile tender offer for Norden. Torm, with a price above $6, giving a market cap of $100 Million, trades for about 2/3 of book value.

Concordia, traded in Stockholm, has been taking its lumps having sold its ULCC's, and is still trading its 1970's 2 Million barrel vessels and its 2 V Max vessels on T/C to Sun Oil. Concordia booked a loss of $9 Million in the first half of 2002, and like others, was waiting for a recovery.

Bergesen (BEA), diversified among dry bulkers, gas and oil carriers, saw 2002 results way down from those of a year earlier. The soft market, perhaps, was inspiring major investments by the company towards propping up the Oslo share price, part of an ongoing buyback program. With a comfortable gearing, Bergesen was in the debt markets, refinancing and debt and adding on- thus building a financial war-chest for growth. At the same time, it was disposing of older tonnage at the time of soft rates. The Berge Chief (for a storage project) and Berge Odel (for scrap) have both been sold each bringing in around $7- 8 Million. Gas tankers, where Bergesen's growth may be directed, provide the majority of revenues and cash contribution, but even the gas sector was caught by the double edge sword of the world economic slump and OPEC quotas.

Among other Scandinavian issues, a quick scan of the technical charts of issues such as Odfjell (ODF), Golar LNG (GOL)- still not listed in New York, Stolt (SNI) and Awilco (AWS) all show nearby peaks on the hopefulness of this past March / April. As recession and quotas set in, the result was weaker earnings and six months of downward chart channels through the beginning of the 4Q. At Stolt, ironically, the chemical tanker sector was a better performer than its other holdings.

Two market barometers, Knightsbridge Tankers (five VLCC's on to Shell) and Nordic American Tanker Shipping (three Suezmaxes on to British Petroleum) were both earning minimum rates, $32,500 on the Shell V's and $22,000 on the BP vessels during 3Q 2002. In both cases, shareholders saw their dividend distributions approximately halved from levels of early 2001, when spot rates were way above the contractual floors.

As this article is being written, war talk continues but without the large inventory stockpiling that would be expected. After the Limburg casualty, owners are demanding naval escorts, but oil is still flowing. By late October, rates had suddenly and dramatically spiked upward, perhaps bringing nearby liquidity into the spot operators. But After all the battering and bruising, analysts in New York have now been downgrading shipping stocks, perhaps the clearest buy signal amidst all the market noise.