Seanergy has faith in outlook for capesize market

Greek dry bulk companies are on the prowl for tonnage and Claudia Restis-controlled outfit is a good example

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A little more than a year ago, Stamatis Tsantanis remembers well how futile it was to even try and have a conversation with potential investors about the dry bulk market.

“The minute I would spell out ‘dry b...’, I would instantly lose their attention,” said the chief executive of Nasdaq-listed Seanergy Maritime.

The market remains volatile but has definitely bottomed out. Seanergy is a typical example of a Greek dry bulk company that started raising capital and rebuilt a capesize fleet when there was still little faith in the sector.

“We have raised about $27m from the market and independent investors since last August,” Tsantanis said.

The company’s free float increased to around 30%, up from a puny 10%, and the stake of major shareholder Claudia Restis dropped to about 70%.

“I think that the more shipping-conscious investors started to realise the turn in the market towards September,” Tsantanis said.

Positive sentiment was reinforced by the US election and the Donald Trump rally, putting dry bulk shipping more firmly on investors’ radars, alongside infrastructure, steel, iron ore and other commodities.

Seanergy tapped markets through direct sales and the registered public offering of common shares to unaffiliated investors. However, Tsantanis acknowledges that the majority of new investors in shipping tend to come from more skittish corners of the market, such as retail players and hedge funds. At the time that this interview took place in early May, the company’s share price was still below $1.

“I remember about 10 or 15 years ago when we were doing roadshows, you would visit big mutual funds, like Fidelity, Wellington... these names have mostly disappeared from shipping and you mostly see momentum-driven investors going in and out of shipping stocks,” he said.

Many big, institutional investors have lost substantial amounts from public shipping companies over the past years and their return to the market, therefore, will be cautious, Tsantanis says. To win them back, shipping companies will have to display more consistency in profits and generation of cash flows.

Big investors also will need to see management teams with “consistent stories and who don’t change their minds every day or every week or every month, depending on whatever the flavour of the day is”.

“They shouldn’t feel they got scammed by people changing their investment philosophy for reasons outside the company itself,” he said.

Dealing with investors and captains comes naturally to 45-year old Tsantanis as shipping dominates both his family and educational background. He was six months old when his parents took him on his first voyage, through the Suez Canal, on a vessel his father captained.

“I literally grew up in shipping,” Tsantanis said. “From the age of two onwards, I remember myself getting on and off ships — I have [had] a seaman’s book since I was 15.”

Early experience

After obtaining a master’s degree in shipping, trade and finance from the Cass Business School as well as a bachelor’s degree in shipping economics from the University of Piraeus, Tsantanis started his career as an investment banker at Greece’s Alpha Bank.

It was not long before he started putting shipping deals together. His first initial public offering (IPO) client was Stelios Hajioannou’s Stelmar Shipping in March 2001 — a “landmark transaction”, Tsantanis says, in which Alpha were joint bookrunners and lead underwriters together with Jefferies.

He then served as chief financial officer of Top Ships — another IPO client, which he joined two weeks before the company started the investor roadshow for its 2004 listing. A posting as chief financial officer of the Target Marine group followed in 2008, where he stayed for about four years.

“Seanergy was a very challenging case when I joined in September 2012,” Tsantanis reminisced.

The company had bought its ships, mostly older vessels, at the peak of the market in 2008 and was carrying them at a negative asset value of $236m.

Two years later, things looked much better.

“It was probably one of the best restructurings ever in the history of public shipping,” Tsantanis said.

“Contrary to the majority of companies that got into a restructuring process, Seanergy’s restructuring did not involve any bankruptcy proceedings, did not dilute shareholders and we did not lose our listing.

“We managed to go from minus $180m of shareholders’ equity to a positive $5m of equity

without any shareholder putting a single dollar in the company.”

However, the restructuring did involve the loss of all of the company’s ships. Rebuilding the fleet began in early 2015 with the financial backing of Claudia Restis, who, in the meantime, had become Seanergy’s major shareholder after taking over the shares of another three members of the Restis family.

The company has spent about $270m since — around 70% in debt and the rest in equity — to build a fleet of nine capesizes and two supramaxes with an average age of about eight years. It spent about $28m per capesize, which Tsantanis says is one of the lowest acquisition costs in the market.

Its last three capesize purchases, all from unaffiliated parties, have occurred since September last year at prices below current levels.

“I would be happy to be with a fleet of about 15 ships by the end of 2018,” Tsantanis said, given his confidence in the long-term prospects of the capesize market. “Demand has always been positive in shipping, especially for coal and iron ore, and we don’t anticipate that to change now.”

However, Tsantanis says the actual size of the fleet is not as important to him as the capital structure of the company.

“I would rather have a company of 10 ships with 50% LTV [loan to value] rather than 20 ships with 200% LTV,” he said.