

5th Athens Triennial Meeting

Shipping Finance: Capital Markets

BAYES
BUSINESS SCHOOL
CITY, UNIVERSITY OF LONDON



Stamatis Tsantanis

Chairman & CEO of **Seanergy** Maritime Holdings Corp. Nasdaq: SHIP
Founder, Chairman & CEO of **United** Maritime Corp. Nasdaq: USEA

seanergy
united
maritime

Seanergy & United at a glance

2 NASDAQ Listed Companies

Seanergy Maritime was listed on NASDAQ in 2008, and relaunched operations in 2015 under new management and new shareholding regime. United Maritime was spun-off from Seanergy and listed on NASDAQ in July 2022.



28¹ Vessels 4.5 Mil DWT

Operation of **dry bulk vessels** in the Capesize, Kamsarmax and Panamax size sectors.

Seanergy Shipmanagement

A **wholly owned, consolidated subsidiary** of Seanergy Maritime Holdings consists of a **highly experienced team** with expertise in the technical management of dry bulk vessels.



Solid Corporate Governance

Incorporation of **corporate governance principles**, prioritizing **transparency** towards all key stakeholders. **Best-in-class** human resources practices with focus on our people.

Robust Financial Performance

Solid financial performance on the back of our significant operating leverage and effective financial management strategy.



1. Upon the completion of all expected deliveries

- **Spin-Offs**
- Follow-on Offerings (ATM)
- Buybacks
- Investor Appetite

Spin-Offs: An Introduction

A **spin-off** occurs when a company forms a **new, independent entity** by separating a **portion of its operations, assets, or divisions**.

- The shares of the newly created company are distributed to the shareholders of the parent company which commences operations under separate management and operating structure.
- This enables both the parent company and the spin-off to concentrate on their distinct business objectives and strategies, unlocking respective value propositions, potentially constrained under the previous structure.
- In the shipping industry, spin-offs enable companies to concentrate on specialized sectors like dry bulk shipping, specific vessel sizes such as Capesize, or niche services like offshore support.



United Maritime was established as a spin-off entity from Seenergy to follow an opportunistic & sector-agnostic investment strategy vs. Seenergy's pure-play Capesize model. United's shares commenced trading on July 6th, 2022, on NASDAQ Capital Market under the ticker "USEA". Today, United is a diversified international shipping company with a fleet of 8 dry bulk vessels, while it has also gained exposure to offshore and tanker segments through minority investment participations.

Spin-Offs: Benefits & Challenges

The Benefits

Relatively Easier Listing Process: Usually an easier listing process compared to an Initial Public Offering (IPO)

Dedicated Management: Management team can concentrate on the specific needs and strategies of the spin-off, leading to better decision-making and operational efficiency

Unlocking Value: Allowing the market to better assess the value of the new entity on an independent basis

Growth Opportunities: Pursue growth strategies that may not align with the parent's core business/strategy

Attracting Investment: Investors may be more inclined to invest in a further focused, standalone entity with higher growth potential

The Challenges

Operational Transition: Establishing new management structures, systems, and processes can be complex

Conflicts of Management Time and Attention: Effective allocation of management time

Confusion of Spin-Off Value: Investors may not properly understand the relative value of distribution

Regulatory Compliance: Ensuring compliance with US stock market regulations can be daunting

Stakeholder Communication: Effectively communicating the spin-off's benefits and strategic goals to all stakeholders is crucial. Poor communication can lead to reduced stakeholder confidence

Spin-Offs: Investors' View

Investors receive shares in the new company, allowing them to benefit from its potential growth and performance. Spin-offs can unlock hidden value, provide focused management, and create opportunities for both the parent and the new entity to thrive independently.



Positive Market Reaction: Research indicates that spin-off frequently result in a positive short-term stock price reaction. For instance, one study reported an average abnormal return of approximately 3.47% on the announcement date.



Increased Trading Volume: Spin-off announcements often result in increased trading volumes, particularly for those spin-offs that attract significant investor interest.



Wealth Effects: Spin-offs can create wealth for shareholders by unlocking hidden value within the parent company. This is often reflected in a positive market reaction during the announcement period.



Focus on Core Business: Investors often prefer spin-offs as they enable the parent company to concentrate on its core business, potentially enhancing operational efficiency and profitability.



Volatility: Spin-offs often experience significant price volatility, especially in the initial trading period. This can be due to market uncertainty about the new company's prospects.

High Selling Activity: Parent company shareholders might sell off their shares in the spin-off if it doesn't fit their investment criteria, leading to initial downward pressure on the stock price.

Spin-Offs: United Maritime Corp. Case

The primary reason for the United Maritime spin-off was to pursue a distinct strategy from Seenergy, focusing on diversified vessel acquisitions within mainstream shipping sectors.

- The spin-off process was initiated in February 2022 with the necessary SEC and NASDAQ filings and **in anticipation of the improving trend in the tanker sector.**
- USEA's shares were distributed to SHIP's shareholders, at a ratio of 1 USEA share for every 11.8 SHIP shares and **started trading on Nasdaq capital market in July 2022.**
- To finance its initial growth phase , **USEA executed on a public offering of shares & warrants which resulted in gross proceeds of about \$26 million.**

First Investment Cycle

- ✓ Acquisition of 4 quality tankers in July 2022 before market run
- ✓ Deployed the majority of the vessels in the soaring spot market
- ✓ Sale of all tankers for a combined profit of approx. \$50mln in about one year
- ✓ Announced special dividend in connection to the tanker sales

Completed

Second Investment Cycle

- ✓ Entered the larger gearless dry bulk sector with investments in the Capesize, Kamsarmax and Panamax segments
- ✓ Market fundamentals have already improved, and a further market rebound is expected
- ✓ Diversified exposure to other shipping sectors to balance risk and capitalize on emerging opportunities

In Progress

Total value created within 18-months of operations: \$58.1 Million
Total distributions within 18-months of operations: \$17.4 Million

- Spin-Offs
- **Follow-on Offerings (ATM)**
- Buybacks
- Investor Appetite

Follow-on Offerings: Marketed PO vs DRO

Marketed Public Offering (Marketed PO)

- Shares **sold through an underwriter** (investment bank) acting as **intermediary between the issuer and investors**. Shares are issued to the underwriters who then sells them to investors. The terms of engagement are governed by the underwriting agreement.
- The transaction is **marketed through a draft registration statement on Forms F-1 or F-3** pre-approved by the SEC. The prospectus is then updated to reflect the final details of the deal and then receives effectiveness by the SEC.
- The prospectus outlines the business of the company, the Use of Proceeds, the basics of the transaction and any legal considerations.
- The **main advantage** of a marketed offerings is that the company has the **opportunity to attract more investors through formal marketing of the transaction**. On the downside, a protracted marketing process might affect the share price since markets are factoring in the underlying dilution.
- The deal is **usually priced through a book-building process** (formal or informal).

Registered Direct Offering (RDO)

- A Registered Direct Offering (RDO) is an offering of securities that has been **registered with the SEC to pre-identified investors**.
- Most RDO's involve the use of a **placement agent** (instead of an Underwriter) who **places the securities directly with investors**. An experienced placement agent usually has relationships with a broad range of institutional and other investors.
- **Most RDO's are made on a prospectus supplement**, which is based on a pre-approved Form F-3 by the SEC.
- The **main advantage** of these transactions is that they allow a company to **raise capital quickly** from already identified investors. This way, the lengthy and costly process of a marketed public offering is reduced and so is the effect on the issuers share price.
- The issuer and the placement agent can “wall-cross” investors, **assessing interest on a confidential basis** and **execute** the transaction within the **same day, or ‘overnight’**.
- These deals are **usually priced based on VWAP** (Volume Weighted Average Price) of previous days.

Follow-on Offerings: At-the-Market (ATM) offerings

An **At-the-Market (ATM)** offering is a way for publicly traded companies to **raise capital by selling newly issued shares or shares they already own directly into the open market at prevailing market prices.**

Reasoning behind ATM offerings

Flexibility: ATM offerings allow companies to **raise capital incrementally** over time, providing the **flexibility** to adjust the timing and amount of sales based on market conditions and capital needs.

Lower Costs: Compared to traditional underwritten offerings, ATM offerings typically have **lower commissions and fees**, making them a cost-effective way to raise funds.

Minimal Market Impact: Since shares are sold gradually, ATM offerings **tend to have a limited impact on the stock price**, avoiding the market disruption that can occur with large, one-time offerings.

Control: Companies maintain **greater control over the capital-raising process**, deciding when and how much to sell.

Speed: ATM offerings **can be executed quickly**, allowing companies to take advantage of favorable market conditions.

No Lock-Up Agreements: Unlike traditional offerings, ATM offerings do not require lock-up agreements, which restrict insiders from selling their shares for a certain period.



“Seanergy has filed a prospectus supplement with the SEC to offer and sell common shares worth up to \$30.0 million through an ATM equity offering. The company aims to use part of the proceeds to fund its buyback program, as well as other general corporate purposes.”

Follow-on Offerings: Examples from Seenergy and United

seenergy

**\$75 Million Registered
Direct Offering (2021)**

- Follow on offering for general corporate purposes. Proceeds were eventually utilized for **deleveraging** and to support **the expansion** of Seenergy's dry bulk fleet
- Timing of offering coincided with the recovery of the dry bulk market and was met with high investor demand
- Priced at more than x2 **NAV**
- Proceeds used to **acquire high quality secondhand Capesize vessels** and repurchase of convertible securities
 - 2021 acquisitions before market rally
 - Fleet ownership days increased by 70% within a year
 - Total convertible notes repurchases amounting to \$35.1 million

united
maritime

**\$26 Million
Public Offering (2022)**

- Follow on offering to finance the **acquisition of 4 tanker vessels**, identified prior to the offering
- Distressed assets acquired **at below market prices** right before the tanker market rally: Total investment of \$80 million
- Vessels sold within 13 months for **total proceeds of approx. \$140 million**
- Capital Returns:
 - Repurchases of **3.7 million shares**
 - **Dividends of \$1.525 per share** compared to an offering share price of \$3.25

In both cases our good timing and access to favorable deals led to successful outcomes

- Spin-Offs
- Follow-on Offerings (ATM)
- **Buybacks**
- Investor Appetite

Securities Buybacks: Enhancing Investors' Value - Accretion

A stock buyback, also known as a share repurchase, is when a company buys back its own shares from the open market. This reduces the number of outstanding shares, which can increase the value of the remaining shares.

EPS

Increased Earnings Per Share (EPS):

With fewer shares outstanding, the company's earnings are spread over fewer shares, often leading to a higher EPS and potentially making the company more attractive to investors.



Signal of Confidence:

Buybacks can signal that the management of the company believes its stock is undervalued and has confidence in its future prospects.



Return of Capital:

Buybacks offer an alternative to dividends as a way to return excess cash to shareholders. Some investors prefer buybacks because generally they are taxed at a lower tax rate.



Reduction of Dilution Risk:

Buyback of warrants and other convertible securities helps reduce dilution risk for investors by preventing new share issuance and maintaining the value of existing shares.



“Seenergy Maritime has completed approximately \$6.0 million of common share buybacks since the fourth quarter of 2021. Together with the buyback of convertible notes and warrants, the total returns to shareholders reach about 43.0 million.”

Stock Buybacks: Considerations

Misallocation of Resources

Companies might use funds for buybacks instead of investing in growth opportunities, such as research and development or expanding operations. Buybacks can be driven by a desire to boost stock price in the short-term, potentially at the expense of long-term value creation.

Debt-Fueled Buybacks

Some companies take on debt to finance buybacks, which can increase financial risk and reduce flexibility in economic downturns.

Market Timing

Poorly timed buybacks can lead to buying shares at inflated prices, which may not provide the expected return on investment.

Negative Equity

Long-term use of buybacks can lead to negative stockholders' equity, distorting financial ratios like return on equity (ROE).



Stock Buybacks vs Dividends

- **Income vs. Growth:** Dividends provide immediate income, while buybacks can enhance long-term capital gains.
- **Tax Implications:** Dividends are taxed as income, whereas buybacks can be more tax-efficient due to capital gains treatment.
- **Market Perception:** Dividends are seen as a sign of stability, while buybacks can indicate that the company believes its stock is undervalued.

- Spin-Offs
- Follow-on Offerings (ATM)
- Buybacks
- **Investor Appetite**

Investors Appetite: Generic Trends

Retail Investors & Social Media

At the time of the pandemic, there was a surge in **retail investor participation**, driven by factors like increased savings, low-interest rates, and the increased popularity of trading apps. Concurrently, the average age of retail investors reduced with many Gen-Zers engaging in day-trading. These investors are more inclined towards **speculative investments**, including cryptocurrencies and meme stocks. This trend was fueled by **social media influence**, with platforms like Reddit and X (ex-Twitter) becoming influential of stock market performance.

Algorithmic Trading & AI

Algorithmic trading has significantly transformed the stock market by **increasing efficiency and liquidity**. It allows rapid and precise trade executions, reducing transaction costs and minimizing human errors. However, it can also **contribute to market volatility** and has been linked to events like flash crashes. While it enhances market stability by providing continuous liquidity, it raises concerns about potential market manipulation and regulatory oversight.

Risk Appetite

Despite market uncertainties, **investors' risk appetite has generally increased**, though it has fluctuated, contributing to market volatility. For instance, US equity investors' risk appetite peaked at 28% in May 2024, the highest since 2021, but dropped to a 16-month low of -29% in September 2024, according to the S&P Global Risk Appetite Index.

Market Volatility

The US stock market has experienced **heightened volatility recently**, driven by several factors. Key among them are fluctuating economic indicators, such as unexpected inflation reports and mixed earnings results from major tech companies. Additionally, investor concerns over economic slowdown have further contributed to market volatility.

Investors Appetite: Shipping Industry

Capital Returns and Return on Capital

Shipping is a **traditionally cyclical market with strong links to energy and commodities**, so investor appetite always depends on the point we are in the cycle.

Having a coherent plan for **returning capital to shareholders** is one of the most important factors.

Balancing this against moderate growth over the years, **with the timing of this growth being particularly important in generating profitability and decent returns on capital.**

Sound risk management practices and a healthy balance sheet are important since they ensure the company's longevity through the cycles and its ability to maintain attractive returns of capital.

Current market conditions

Macroeconomic uncertainty surrounding global economic growth has led to reduced appetite for shipping investments compared to the previous 4 years.

In our view **strong vessel earnings in most shipping sectors are based on low supply** due to limited vessel ordering in the past decade, which is further compounded by stringent upcoming environmental regulations and inefficiencies related to geopolitics.

As a result, this may present **a good entry point** for potential investors looking into shipping.

THANK YOU

seanergy

HEADQUARTERS
154 Vouliagmenis Ave.
16674 Glyfada GR
e-mail: info@seanergy.gr

united
maritime