

Making money from scrubbers

The Alafouzos family reckons the sulphur cap presents a unique opportunity to cash in via new vehicle Okeanis Eco Tankers

At the start of July Okeanis Eco Tankers, owned by the Alafouzos family of Greece, concluded a \$100m IPO in Oslo. The planning of this vehicle's fleet buildup and IPO could well prove perfect.

"The timing is exquisite in our view, with 77% of the fleet to be delivered from now until YE'19, just as the cyclical expansion is expected to unfold," Gersemi Research noted, initiating coverage on the stock with a buy rating on what it described as "the cheapest crude tanker recovery bet".

The company has six modern vessels on the water – three aframax and three suezmaxes and nine to be delivered, made up of eight VLCCs and a suezmax.

The timing of Okeanis's creation is no fluke. The Alafouzos family, who originally hail from the island of Santorini, have been in shipping since 1964. Aristeidis Alafouzos, the patriarch of the family, passed away last year. As well as significant media and property holdings, Alafouzos

left behind a shipping empire, with brands such as Glafki Maritime and Kyklades Maritime.

Now the Alafouzos businesses are being run by second and third generations of the family. Speaking with *Maritime CEO*, Aristidis Alafouzos, the grandson of the Kyklades founder and current COO at Okeanis, explains the rationale for the new tanker play. The coming sulphur cap, he says, presented a unique opportunity in shipping history to cash in.

"We strongly believe that the disruption expected to be caused by the IMO 2020 sulphur cap regulation will create a historical and somewhat unique opportunity," he says. His fleet will all be fitted with scrubbers come the start of the new legislation.

In addition, Alafouzos believes the cyclical recovery in the tanker market is just around the corner.

"Given these market conditions, we wanted to maximise our exposure to the market without taking prohibitive risks," he explains.

Okeanis found the Norwegian marketplace to be an optimal platform for realising the company's objectives, meeting with a wide range of like-minded investors that were well educated in the maritime space and had a similar outlook on the

market.

Alafouzos is bullish about prospects for next year and through to 2020. He is adamant that having a scrubber fleet will be a big advantage.

"The ability to burn a much cheaper bunker fuel and much less of it will give a vast competitive advantage over a significant portion of the global tanker fleet," he reckons. "These attributes give us the ability to choose the best cargoes / charterers, while also outperforming our competitors."

Even now, in what has been a dire year for tankers, Alafouzos, a Cass Business School alumni, can see the dynamics are changing for better rates. He points out how volatility for Q3 suezmax and aframax rates has jumped compared to the two previous quarters, and how newbuild prices have increased significantly this year, as well as secondhand prices.

Despite this hopeful outlook, do not expect Okeanis to rush to the market for more and more ships – that is simply not in the DNA of this family and how it has played the shipping markets since the 1960s.

"Our ultimate goal in Okeanis is to create maximum value for our shareholders and so growth in itself is not a key strategic target for Okeanis,"

Spot on Okeanis Eco Tankers

Oslo-listed new tanker vehicle created by Greece's Alafouzos family who also control Kyklades Maritime. Fleet is a mix of VLCCs, suezmaxes and aframaxs all fitted with scrubbers.

"More technology changes will come and we want to be at the forefront of these"



“The cost of complying with regulations such as the 2020 global sulphur limit contributes to innovation being on the back burner”

— Per Steinar Upsaker, CEO, BASS



maintain this vehicle and play the cycles,” he says. “The size of the company will vary depending on where we are in the cycle. More technology changes will come and we want to be at the forefront of these.”

Historically the Alafouzos family have always been strong supporters of the Greek flag. Proud of the family heritage and Greek traditions of seafaring, Alafouzos is keen for the current government to do more to modernise the nation’s state-run cadet academies as well as allowing the creation of accredited private academies.

“The demands of crewmembers have changed significantly over the past 30 years with introduction of electronic engines, electronic navigational charts, and increased bureaucracy. The curriculum of the education must match these changes,” says Alafouzos, a man who clearly finds the value in staying ahead of the latest tech changes. ●

“The IMO 2020 sulphur cap regulation will create a historical and somewhat unique opportunity”

Alafouzos says, elaborating: “With 60 years of presence in the shipping business we understand that this is a highly cyclical industry and will

therefore as management and major shareholder advocate price sensitivity from a cyclical point of view.”

In other words, buy low, sell high.

With shipping’s regulatory environment changing in such a huge way in the coming years, combined with new technology, Alafouzos is hoping that other opportunities will come along on the scale of the sulphur cap for his family business to profit from.

“The long term plan is to

