

Rare public dry operator looks to capitalise on unique model

Pangaea Logistics Solutions' focus on cargo needs rather than assets has earned it something many of its US-listed peers are lacking — profit

Eric Martin **Newport, Rhode Island**

Pangaea Logistics Solutions stands out from other dry bulk companies listed on New York's twin stock exchanges.

That is partly because the low-profile Rhode Island company has been turning a profit at a time when most bulker owners have been focusing on striking deals to survive their losses.

Pangaea, which recently celebrated its 20th anniversary, is the lone dry bulk company listed in the US that is primarily an operator rather than an owner, with most of its fleet chartered-in. The company is focused on delivering on customer cargo needs rather than assets.

Now that optimism is sweeping the dry bulk sector, chief executive and co-founder Ed Coll says Pangaea also sees profits soar when rates are strong, although maybe not as much as owners who bet big on ship buys in the hope of a well-timed investment before a market surge.

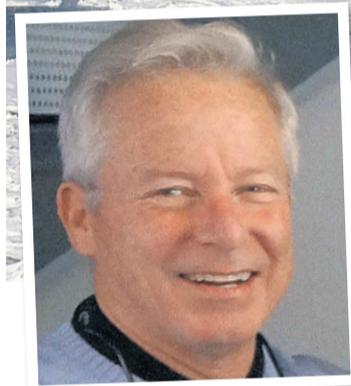
"We're not going to hit the home run, but we'll hit a triple," Coll said. "The other side of that is the stability of profitability."

Pangaea joined the ranks of public shipping companies in 2014 when the outfit, until then known as Bulk Partners, took a backdoor route to a listing on the Nasdaq stock exchange.

Executives acknowledge that the company's quiet listing had unfortunate timing, as a spike in dry rates quickly dried up and prevented Pangaea from using the new listing to garner access to capital.

But chief operating officer Mark Filanowski says the tide is turning in the dry bulk market and the capital markets.

"We've seen what other shipping companies have been able to do and we want to be part of that as well," said the executive, who also sits on Pangaea's board of di-



OPTIMISM: Pangaea Logistics Solutions chief executive Ed Coll (above left) and operating officer Mark Filanowski (left) say the tide is turning in the dry bulk market. The company comprises many subsidiaries, including Nordic Bulk Carriers that has to navigate 'Ice Berg Alley' (above) to load iron ore in Canada.

Photos: PROSEK PARTNERS, ERIC MARTIN AND NORDIC BULK CARRIERS

PANGAEA LOGISTICS SOLUTIONS SNAPSHOT

Pangaea is the parent company for a family of shipping subsidiaries focused on operating bulkers to fulfil customers' cargo needs. Working with mostly chartered tonnage, the US company operates a fleet that averages about 55 ships on any given day.

Headquarters: Newport, Rhode Island

Fleet: 16 owned bulkers, two operated on bareboat charters and a varying number of ships on time charter

Key subsidiaries: Phoenix Bulk Carriers, Americas Bulk Carriers, Nordic Bulk Carriers and Seamar Management

rectors alongside Richard du Moulin, his co-founder at Connecticut shipowner Intrepid Shipping.

Filanowski said Pangaea is looking at alternatives to take advantage of its capital markets access "all the time", although he could not say when it might strike.

Still, Coll says being a public company has been a help to Pangaea in other ways by making it easier to secure financing and secure contracts of affreightment.

After Bulk Partners was founded two decades ago, Coll says it grew organically until it took a leap forward in 2001 when it bought its first ship as a result of customer demands.

"Up to that time we had been operators only and realised that for the company to grow, we had to

have assets," he said. "That's been the philosophy, that we would have a certain amount of assets, maybe 25% of our needs, because without that it's hard to get contracts."

But the company continues to keep owned vessels as a small part of its overall fleet.

Pangaea now owns 16 ships, all but two of which are Japanese, and has two on bareboat charter, out of a total operated fleet that averages about 55 bulkers on any given day.

"Our expertise is in cargo," said Coll. "We've never really needed

to tie up our capital in owning vessels."

Coll says he would rather put that capital into running the business. After all, he says, buying assets is easy compared to the work of building the deep relationships that Pangaea seeks to forge with its customers.

The company also puts a strong focus on making sure it signs contracts with good backhaul opportunities. That does mean turning down business, particularly in recent difficult years for the dry bulk sector. But Coll says he does not mind lower volumes.

But now, Coll can feel a change in the market, as commodities prices rise and some minor bulks face shortages. "That creates a lot of opportunities for us," he said.

A STABLE OF WELL-KNOWN DAUGHTER COMPANIES

Pangaea Logistics Solutions, like Bulk Partners before it, operates through a stable of familiar subsidiaries.

Phoenix Bulk Carriers, for example, is the brand that cargo people know — the contractual counterparty on contracts of affreightment (COAs).

Copenhagen-headquartered Nordic Bulk Carriers is the group's ice-class shipping company. It claims the title of sending the first laden ship through the Northwest Passage and the first non-Russian ship through the Northern Sea Route.

Seamar Management, based in Greece, is the technical management wing. While it is mostly focused on running Pangaea's ships, Pangaea chief executive Ed Coll said

there is potential for growth in third-party management. "We have more and more companies that are looking for our help, both technically and commercially," he said.

Pangaea's focus has been on minor bulk commodities, moving cargoes in contracts where the company can add value and ensure there is a backhaul opportunity to reduce the amount of time that ships are not employed.

It also emphasises COAs in which it works closely with customers to go beyond point-to-point cargo delivery. For example, subsidiary Phoenix Bulk is performing a contract with Atlantic Minerals to deliver 3.5 million metric tons of aggregate for a project to build a new container terminal.

"We're very integrated," said Peter Koken, a vice-president at Phoenix. "It's not just carriage of the material, it's the loading operations, helping to design the ports at both ends, guiding the people who are receiving it and what's required on their end. Also, there's a lot of oversight."

Nordic Bulk has a different challenge at the Baffinland iron ore mine in Canada, where the company launched loadings last year. "The approach to this place takes you through Ice Berg Alley, as they call it," said Nordic Bulk managing director Mads Boye Petersen. "There are pretty big icebergs floating around, and you need people ashore and on the ship with a lot of experience handling these types of voyages."

Optimising loadings to avoid idle time is key, because the shipping season is very short. And then there are the polar bears, which cause loading to be halted whenever they are sighted.

Petersen says such Arctic mining is the new frontier for the industry. There are not many projects in the Arctic that are ready to go, but Nordic Bulk has been involved in several efforts from the ground floor of planning.

Not every project comes to fruition, but Petersen says the ship operator is well-positioned to take advantage of those projects that do, as it did in the case of Baffinland which he describes as "the best iron ore in the world".