Pangaea dividend could broaden shares float

Rhode Island owner seeks to leverage its consistent profitability while hoping to attract more investors into the stock.

May 21st, 2019 14:20 GMT
by Joe Brady

Pangaea Logistics Solutions' faith in generating positive cash flows despite operating in the volatile dry bulk market underlies the introduction of its first shareholder dividend this week, an equity analyst says.

Poe Fratt of Noble Capital Markets says Pangaea's quarterly payout of $0.035 per share — $0.14 per year — "highlights the confidence in the consistency of the business model."

Ed Coll-led Pangaea has sought out niche trades such as hauling iron ore from Canada's Baffin Island and bauxite from Jamaica that are strongly tied to cargoes and contract business, allowing it to insulate results from swings in the broader market.

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The Newport, Rhode Island-based owner also has made recent investments in adjacent businesses like the Brayton Point terminal in Fall River, Massachusetts, which is to serve both traditional bulk cargoes such as salt and as a "laydown" area for wind-farm components.

"The dividend sends a positive signal on the consistency of [Pangaea's] unique asset-light logistics business model," Fratt tells clients in maintaining a buy rating on the Nasdaq-listed stock.

"While price performance has been more positive this quarter than last and the stock is up 15% year to date, we believe that the risk/reward profile is favorable and the upside potential remains attractive."

One of Pangaea's challenges is that it is closely held and has been extremely lightly traded.

As Fratt points out, only about 9.27 million shares, or 21%, are currently held by the public. Management owns about 20%, non-management directors about 27% and a former director some 32%.

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“[The dividend] also should help broaden the shareholder base,” Fratt suggests.

The former director referenced, Peter Yu of Cartesian Capital Group, welcomed the payout.

"As Pangaea's largest shareholder, we are thankful for Ed Coll's continued leadership and pleased with the company's dedication to long-term shareholder value,” Yu said, adding, “we see the company taking a further step toward becoming recognized as a leading growth and income company.”

Coll cited Pangaea’s “proven and defensible business model,” and noted that profits to date had been reinvested in operations such as fleet growth. He praised shareholder support for the dividend strategy.

According to Pratt, the dividend will reflect an attractive yield of 4% at current pricing around $3.50 per share. Even with the $5.1m total distribution, Pangaea should have available cash of about $67m at year’s end, he said.

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