

**J Mintzmyer**

# VIE Live: Euroseas (9 March 2021)

Mar. 09, 2021 10:18 AM ET | **ESEA**

## Summary

- We hosted Euroseas this morning to discuss the midsize and feeder containership markets.
- CEO Aristides Pittas joined us to talk about the markets and company prospects.
- ESEA has a smaller and older fleet and their balance sheet is also riskier.
- On the upside, they have 3 vessels up for renewal in Q2 and another 5 vessels up for renewals in Q3 (more than 50% exposure to huge potential charter rolls).
- The full recording and timestamps are included below. I have no coverage or direct models for this firm, no current position.



I have not 'officially' covered Euroseas ([ESEA](#)) for a couple years as their fleet was far too small and the stock was too illiquid to be of much interest. Market prospects are certainly much better now and I'm primarily interested in their views of the market as we've now talked with virtually all of the containership management firms so far. ESEA has more roll exposure in mid-2021 on a percentage-basis than any other firm on the market. This makes them riskier for the near-term, but also potential beneficiaries. I will outline in their fleet list below.

The ESEA balance sheet isn't in great shape and the fleet is pretty small and old. Management estimates their NAV at about \$13/sh, but this likely doesn't include a discount for some of their ships locked on weaker rates into 2022-2023. If we include below market charter penalties, the adj. NAV is arguably closer to \$10/sh.

ESEA tends to correlate with the rest of the penny stock group, but it is a legitimate company. The firm might be interesting if the tide keeps flowing out hard for the smaller sketchier companies and ESEA correlates down even as containership cash flows are set to jump up as they roll their Q2-Q3 tonnage.

## ESEA Fleet: 14 Ships, Mostly Older

ESEA has a very small fleet, most of which is older ships; however, in a strong market they vessels can easily do 30 years of service. The challenge will be looming environmental regulations; however, there aren't any clear replacement vessels/technology for the midsize sector yet.

Name	Type	Size		Year
		DWT	TEU	Built
Akinada Bridge	Intermediate	71,366	5,610	2001
Synergy Bussan	Intermediate	50,726	4,253	2009
Synergy Oakland	Intermediate	50,787	4,253	2009
Synergy Keelung	Intermediate	50,969	4,253	2009
Synergy Antwerp	Intermediate	50,726	4,253	2008
EM Kea	Feeder	42,165	3,100	2007
EM Astoria	Feeder	35,600	2,788	2004
EM Corfu	Feeder	34,654	2,556	2001
Evridiki G	Feeder	34,677	2,556	2001
Diamantis	Feeder	30,360	2,008	1998
EM Spetses	Feeder	23,224	1,740	2007
EM Hydra	Feeder	23,351	1,740	2005
Joanna	Feeder	22,301	1,732	1999
Aegean Express	Feeder	18,581	1,439	1997
<b>Total Fleet</b>	<b>14</b>	<b>539,487</b>	<b>42,281</b>	<b>15.8</b>

## ESEA Has Significant Q2 & Q3 Roll Upside

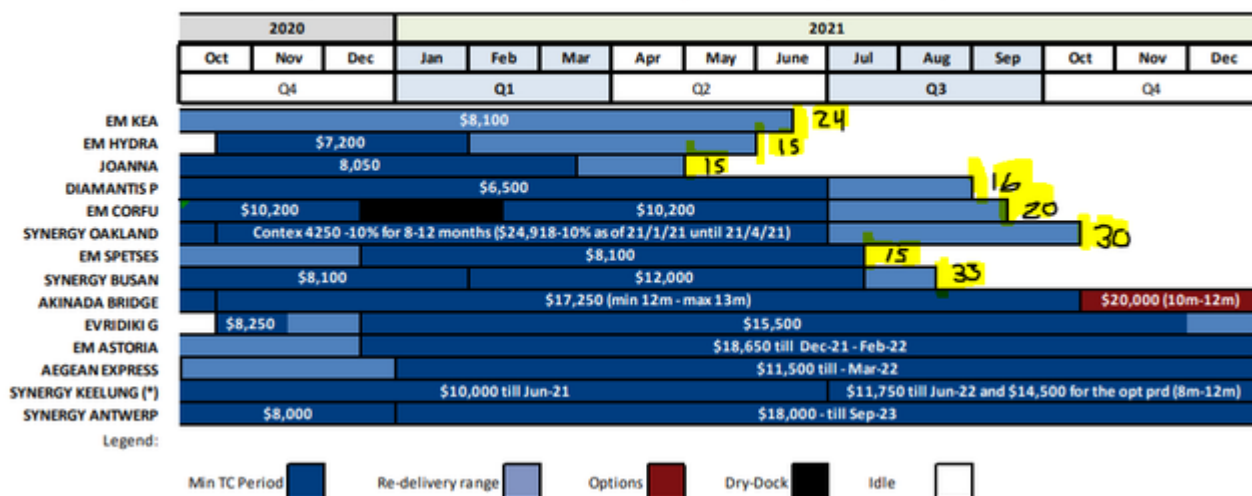
Unfortunately for Euroseas, they didn't have much immediate charter exposure to the surging rates last fall and this winter as most of their attractive middleaged Panamax ships were already fixed on medium duration charters. However, they do have some significant upside exposure between April and October \*if\* rates can remain strong for that much longer.



On today's call, Aristides confirmed they are already negotiating all 3 of their Q2 rolls (Kea, Hydra, Joanna) and they have received inquiries on a couple of their Q3 vessels (likely the Panamax "Synergy Busan" and perhaps also the "EM Spetses"). They are targeting 12-24 month deals for all of these ships and they will issue a press release when new charters are signed.

There's no guarantee rates will hold at these levels this long, but ESEA is the single most exposed company (for better or for worse) to upcoming 2021 rolls.

Coverage (as of February 22, 2021): About 62% for the remaining 2021  
(based on max durations and assuming declaration of all options)



## Audio Recording & Time-Stamps

[LINK TO FULL AUDIO CLIP](#)

### Key Time-Stamps:

- (<1:10) Introductions/Disclosures
- (1:10) What is driving the containership market strength? Can it last?
- (7:45) How to balance between short-term and longer-term optimism?
- (11:00) Progress on chartering upcoming Q2 and Q3 vessels? Duration?
- (16:10) Environmental challenges with the older and smaller fleet?
- (25:45) Review of ESEA balance sheet: liquidity position, ATM updates?
- (33:40) Estimate of current NAV?

- (35:30) How can ESEA grow its fleet without dilutive share issuance?
- (40:10) Any plans for a dividend program?
- (44:15) How does ESEA manage related party conflicts of challenges?
- (51:30) Why choose ESEA, what differentiates this stock from peers?

**Disclosure:** I/we have no positions in any stocks mentioned, and no plans to initiate any positions within the next 72 hours.

I wrote this article myself, and it expresses my own opinions. I am not receiving compensation for it. I have no business relationship with any company whose stock is mentioned in this article.

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