

# Interview

## Knowing Navios



Angeliki Frangou

**EDITORS' NOTE** Angeliki Frangou is Chairman and Chief Executive Officer of Navios Holdings. She also serves as the Chairman and Chief Executive Officer of Navios Partners L.P. and Navios Maritime Acquisition Corporation. Frangou previously served as Chairman, Chief Executive Officer, and President of International Shipping Enterprises, Inc., which acquired Navios Holdings in 2005. She serves as Vice Chairman of the China Classification Society Mediterranean Committee. Frangou received a bachelor's degree in mechanical engineering from Fairleigh Dickinson University and a master's degree in mechanical engineering from Columbia University.

**COMPANY BRIEF** The Navios Group is comprised of three public companies. The parent company, Navios Maritime Holdings Inc. ([www.navios.com](http://www.navios.com)), owns and operates dry bulk vessels. Navios Maritime Partners L.P. also owns and operates dry bulk vessels, but is structured as a "MLP" and distributes most of its earnings to its shareholders. Navios Maritime Acquisition Corporation owns and operates tanker vessels. Collectively, the three companies control over 90 vessels of approximately 10 million deadweight tons.

### Is there an effective understanding of the size and scale of Navios Maritime Holdings' business?

To most people, our industry is out-of-sight, out-of-mind. Yet, we are responsible for transporting virtually everything we eat to all the materials used for infrastructure development. We are one of the leading companies in our industry, so key players, from lending banks to commodity houses, know us well.

### What are the greatest growth drivers for your international business?

The drivers of our business are emerging markets. China and India are becoming major consumers of agricultural and mineral commodities, and Brazil is a significant supplier of these

commodities. The drive towards urbanization within China and India is causing significant demand for all sorts of agricultural products and building materials, with China consuming about 50 percent of the iron ore and coal in the world. With urbanization, consumption patterns are changing. Today, China consumes about 50 percent of the world's pigs. Food prices are beginning to reflect the stress we are seeing in the supply system.

### How strong has the Brazil market been?

Today, Brazil supplies a significant amount of the iron ore and other commodities needed by China and other emerging countries. Brazil has followed a conservative political and fiscal policy, abandoning the populist approach of the past. As a result, the country has a capital surplus and significant foreign investment in its infrastructure. With the upcoming Olympics in 2012 and the World Cup in 2014, I would expect that there will be significant additional development of roads and other infrastructure that will continue to improve the daily lives of Brazilians and strengthen the economy there.

### Among the shipping companies you compete with, is it challenging to differentiate and to show what makes an individual company unique?

We are in a cyclical business. How do you differentiate yourself? By having a conservative business model and understanding that there will be volatility, with opportunity presented at the oddest of times. As a result, we follow general rules of common sense. When we see healthy markets, we fix long-term charter contracts. This visibility provides comfort that we can cover our operating costs for a long period. Short-term volatility then, which can create panic for others less fortunate, may bring opportunity. We want to be prepared.

We also have AA+ insurance for virtually all of our revenue from charter contracts. There are only a couple of companies in the world that have that. This gives us not only visibility, but certainty in our revenues. We know that come what may, we will get paid.

Because we were very careful during the boom years, when the market collapsed, we were able to continue paying our dividends and growing the company. Many stock offerings were made because companies were not careful with their balance sheets and they issued equity through various programs, which highly diluted

shareholders. We didn't do that. We only issued shares to fund very accretive deals and we then executed a 14 percent buy back at very attractive rates. Having a significant equity stake in my company clarifies my thinking. My interests are aligned with my fellow shareholders and we seek to add value to our shares.

### Is enough being done to address the piracy issue and what is your outlook on that?

To put it mildly, it's a disaster. The actual problem is much bigger than people understand and it is not getting appropriate publicity. You are talking about vulnerability to piracy across the entire Indian Ocean through which we must transit. No one has taken responsibility for this tragedy. There is no single court to address this, no single body to defend against this matter. We need coordinated action. We need to focus on the problem and where it comes from. You cannot police the entire Indian Ocean, but steps can be taken to coordinate effective measures to stop piracy.

Navios had a vessel taken by pirates in December 2009 and it was kept for 60 days. We were a unique case at that time because the vessel was captured off the coast of Seychelles, east of mainland Africa. Until then, the pirates had primarily operated in the Gulf of Aden. They were never expected to go out that far. We lost 60 days and paid quite a substantial amount of money to keep our people safe and get our vessel and cargo back. Compared to today's environment, we were lucky. Now, the average period vessels are held is over 180 days and the amount of the ransom has doubled. This acts as taxation. Over 100 vessels were pirated last year, which probably resulted in over \$1 billion in ransoms. These ransoms are not being used for productive purposes in our society, but to further progress the cycle of violence, piracy, and terrorism. It is surprising to me that there is not a more concentrated effort to combat this.

### What can be done?

It requires an international reaction, most likely some kind of an extended NATO rule, with China and India acting in a common command. We have to find the jurisdiction in which all these cases can be administered. Except for the pirate that attacked the American vessel, none of the others have been penalized. Because of this jurisdictional problem, the moment they are caught, they are let go. ●