New chapter unfolds in Epic saga

Charles Maltby explains to **Andy Pierce** why the LPG giant is ready to take things to the next level

Charles Maltby, chairman and chief executive of Epic Gas, is a 25-year shipping industry veteran, who picked up a passion for the industry from his grandfather. A graduate of the University of Plymouth in southwest England, he first worked for Mobil Shipping, before holding senior positions globally at BHP Billiton's dry bulk and tanker freight business. He joined Pacific Basin Shipping in 2005 and took over at Epic Gas in 2014.

Commercial director **Jeremy Lee** has 30 years of industry experience and is a guru of the smaller gas business. Before joining Epic in 2014, he was managing director of Unigas Kosan. He also has LPG and M&A experience from his time with Exmar, where he helped set up its Hong Kong office.

Chief financial officer **Uta Urbaniak** started in ship finance with HSH Nordbank and later headed its Western Europe and North America shipping business. She moved to Hong Kong in 2006 to launch the bank's Asian business and joined what is today Epic Gas in 2007.

Niraj Singh, who started out with P&O Bulk in 1989, is Epic's technical director. He worked in bulkers and tankers as a chief engineer and joined Epic in 2003 as a shipmanager from Gemarfin.

Mayfair is home to some of the world's most fashionable brands. Chanel, Dolce & Gabbana, Prada, Gucci and Tiffany & Co are just a snapshot of the iconic names with a presence in the exclusive London district.

To the millions of shoppers who visit every year, the name of another resident, Epic Gas, is, forgivably, less familiar.

That the global leader in the pressurised LPG segment, which has its London office just off Regent Street, does not have a higher profile among investors in the global shipping industry is more difficult to understand. Epic Gas, which started life as a tanker management company related to Pacific Basin, has developed somewhat under the radar, with its focus on pressurised LPG contributing to its lower profile, chief executive Charles Maltby explains.

LPG is "obviously a commodity of the future", he tells *TW+*. "It has got a green angle to it. It's sponsored by governments as a fuel that can change away from burning biomass. So there is no lack of interest in LPG.

"I think the smaller vessels in any sector tend to be seen as having very stable earnings and are therefore seen to be slightly less interesting than those where the volatility is happening.

"It's maybe comparable with the handysize dry bulk business," he adds, drawing parallels between Epic Gas and Pacific Basin Shipping, which were both founded by respected shipowners Chris Buttery and Paul Over.

"That tends to mean you get overshadowed by the bigger vessels. It's the same in any industry. The people who have got the big airplanes are maybe

Right / Jeremy Lee, Uta Urbaniak and Niraj Singh
(Photography: Epic Gas)

more interesting than the people with the smaller airplanes."

Although Epic Gas may not be the first shipping company on the tip of mainstream investors' tongues, it does tick many boxes.

Consolidation via a 2013 merger with the LPG fleet of Pantheon Inc, owned by the Pateras family of Greece, provided the foundation for the modern Epic Gas. It accelerated growth and broadened the company's scope from its initial focus on regional Asia trades.

A listing on Oslo's over-the-counter (OTC) market in 2014 was the springboard for another growth spurt. Ten secondhand ships and 17 newbuildings (all now on the water) delivered scale, with Epic becoming the largest operator in its sector.

It ships around two million tons of LPG per year and has a 15% share of the pressurised LPG market. As Maltby puts it, the company is "an important part of the puzzle" for the 90 million tons of LPG shipped annually. He notes that with the growth in the VLGC fleet, Epic was involved in ship-to-ship transfer activity in 28 countries last year. "We have our own distinct place and places we operate in, but we are also part of the bigger ship supply chain."

Further scale has come via the investment in larger ships. While Epic's initial niche was 3,200 cbm and 5,000 cbm, it has added vessels up to 11,000 cbm, helping increase the average capacity of its ships by one-third since 2014. Maltby says this has "given us exposure to better earnings and also future-proofs the business a bit".

Epic had a fleet of 22 ships after merging with Pantheon. Its initial OTC listing raised $75m, while private placements in 2015 and 2017 generated $50m and $32m respectively, providing capital to build its fleet to 38 ships on the water today.

Maltby describes Epic as a small to medium-size business with an ambition to become a medium to large one. "Our expansion is not driven by aspiring to have x number of ships. Our expansion is driven by wishing to grow a very profitable long-term business. So you definitely have to focus your investment around the right time in the market cycle.

"Looking backwards, we have got that right. We have invested in newbuildings and some secondhand ships at the bottom of the market in the last four or

2005-2012 Epic Shipping builds fleet of nine owned and six chartered LPG ships in the 3,500-5,000-cbm range in Asia.

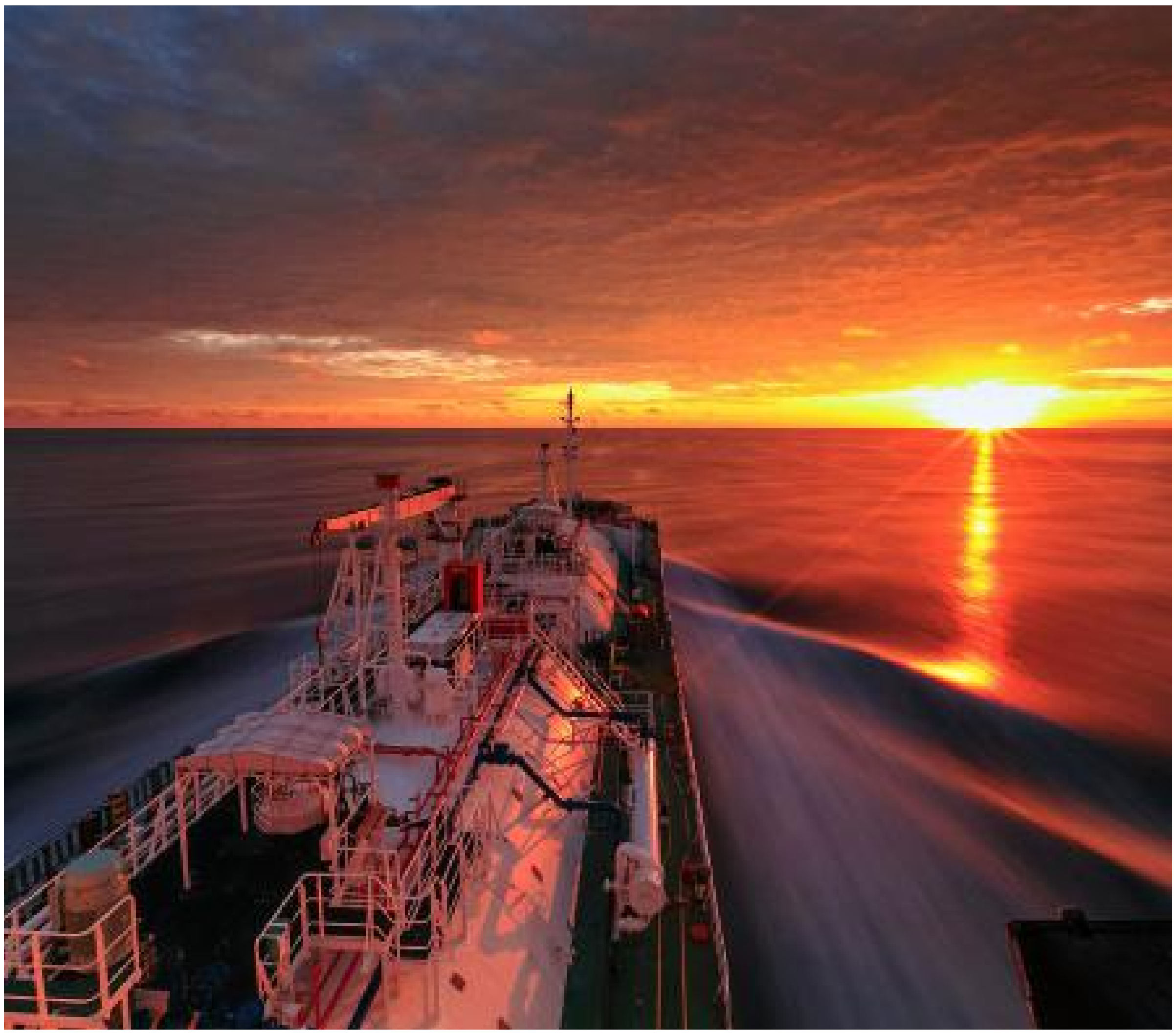
2013 Merger of Epic Shipping's 15 LPG carriers with seven owned by Pantheon Inc creates Epic Gas. It has financial backing from Jefferies Capital Partners.

2013 Epic Gas becomes leader in the pressurised LPG sector with a commercial fleet of 36 vessels, including 11 newbuildings under construction.

2014 Epic Gas lists on Oslo's OTC market, raising $75m. The following year a private placement collects an extra $50m.

2017 Having upgraded its listing to the Merkur Market in 2016, Epic raises $32m from investors and completes a 17-ship newbuilding programme.

Above / Charles Maltby describes Epic as a small to medium-size business with an ambition to become a medium to large one *(Photograph: Andy Pierce)*



five years. Those ships are now in our fleet at a good price and will serve us well for the next few years.

"The question mark is whether it is time to do some further investment before the market goes up a bit further, or whether the market is moving quite quickly now and we have to be a bit careful."

Epic today has about 80 shareholders and is listed on the Merkur Market. A move up to the Oslo Axess is an option in the next 12 months. Further out, a shift to a senior stock exchange remains a possibility.

"Lots of shipping companies have New York as their Holy Grail," Maltby says. "That's not the way we are. Our view is we will do the appropriate thing with the business at the right moment.

"That could be New York. It could be another exchange in Asia or Europe. It could be staying in Norway and continuing to expand on the Norwegian exchanges.

"We should not let the tail wag the dog. The stock exchange should not be the driver of the business. What should be the driver is building a really solid, long-term, high-quality business that is making money for its shareholders. That is what will drive where we are in one year or five years."

Epic's fleet is worth about $550m. "Are we big enough? We need to keep on growing if we want to interest investors," he says. "I think we have a great business and a great platform. It's definitely a platform we should be working to grow, and the next five years should be as exciting as the last five years."

"Are we big enough? We need to keep on growing if we want to interest investors"

All growth options are on the table. Right now, however, newbuilding orders are seen as the hardest option, partly because of the IMO 2020 fuel legislation, where the design for smaller ships is often at the bottom of shipbuilders' to-do lists.

Takeovers, in Maltby's eyes, could be less problematic, helped by Epic's pragmatic shareholder base and experienced team with a history of deal-making. "So long as you have got people who want to talk, then something can be done. You have to approach everything in a like-minded way.

"But if people don't want to talk, then clearly there is no point pursuing an M&A. If you have got like-minded people and you can find some commonality, then it's easy."

Diversifying within the LPG sector is another option. "Is pure play still fashionable? I'm not so sure," Maltby says, quickly ruling out the purchase of individual ships in other markets as troublesome.

"I think today if you can find another business which has 20, 30, 40 ships, which is on its own a stand-alone business, and you can see synergies between the two — whether that is because you have the same technical management capabilities or a customer overlap — then there is maybe more to think about.

"We could definitely see Epic as part of another big LPG company, or another big LPG company working alongside us."

'As a sector, we've let investors down'

A decade on from the global financial crisis, shipping is still struggling to attract the attention of mainstream investors.

While Oslo and London have seen new maritime companies go public in the past year, the lack of a shipping IPO in New York since 2015 is a damning statistic.

The industry's case is not helped by the struggles in the shares of existing listed companies. In the year to mid-November, shipping stocks had seen an overall decline of almost 12%, with the LNG and LPG peer group down by a similar figure despite improving market conditions, according to Clarksons Platou Securities.

Charles Maltby says shipping needs to be "transparent, honest and open" if it is to capture a place on investors' screens. "Then we have to deliver," the Epic Gas chief executive adds. "If you look back since 2008, there are a lot of things that have happened in the industry which have contradicted every area of what I just said.

"We have let investors down, to a certain extent. Of course, investors know there is a risk of markets moving, which has been one of the big elephants in the room, if you like, for shipping and commodities in the last 10 years.

"But there have been a lot of other things as well where we have let investors down as a sector. So I would not be surprised investors are gun-shy to a certain extent."

Epic has raised $157m from its own listing in 2014 and subsequent private placements, and has been moving up through the four tiers of the Norwegian capital markets structure.

Its shares, now traded on the Merkur Market, are up more than 15% in the past year, but have slipped amid the global sell-down in November.

"As Epic Gas, we need to be a bigger business, and that will help drive investor interest," Maltby says.

He believes going public was the right choice, given that it introduced the company to new shareholders. "It's helped the business to be where it is today, which is in the right place at the right time, with the right fleet for a market that is recovering.

"Our intention is to do everything at the appropriate moment. It's not like we have a target of doing something in two weeks, or two months, or as quickly as possible." *Andy Pierce*

Above / Charles Maltby wants Epic Gas to keep its eyes on the horizon
(Photograph: Captain Dionisis Q Silva)