

Dorian shareholder supports BW LPG offer

Despite some analysts seeing potential for better terms, one investor advises LPG ship owner to accept BW's offer.

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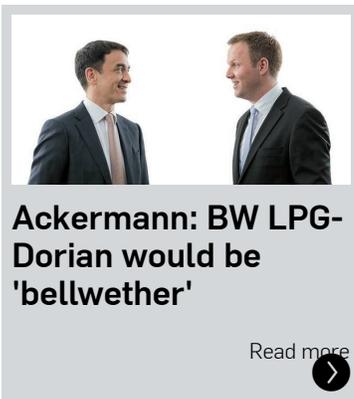
BW LPG's offer to acquire Dorian LPG is in the "best interest of all Dorian shareholders," a New York-based investment adviser said in a letter to Dorian's board of directors.

Bob Robotti, whose Robotti & Co has \$596m in assets under management, said in a letter addressed to Dorian chairman and chief executive John Hadjipateras that BW's \$1.1bn offer for Dorian represents a "compelling offer."

A representative for Dorian declined comment on the letter.

Robotti holds 318,446 shares of Dorian, according to its last regulatory filing, amounting to less than 1% of the company.

But Robotti tells TradeWinds that he has been a long-time shareholder in the company, watching it go through highs and lows of the VLGC market. Robotti has also held shares in other gas shipping names including Avance Gas and Stolt-Nielsen.



"The investment thesis of growing US LPG production that needs to be shipped overseas all makes sense," Robotti said. "But the vessel ordering got out of hand."

But Robotti says the combined company would be able to "amplify and extend" shareholder value once the market turns upward again.

The BW-Dorian combination would benefit from the larger fleet size and greater market presence, have a lower cost of capital and have a "strong financially invested partner via the parent company BW Group ... should the current market weakness extend for multiple years."

The question remains whether Dorian's board will accept the offer. A report last week from Arctic Securities suggested that "BW LPG will have to do better in order to convince shareholders of Dorian."

Analyst Lars Ostereng estimates that the current stock-for-stock transaction of 2.05 BW LPG shares to one Dorian share implies a VLGC resale price of \$56m, about 19% below the current market value of around \$69m.

While it does support the move to consolidate the industry, Arctic says "the offer does not fully reflect Dorian's contribution to (net asset value), and we question whether the current offer will be enough to convince Dorian's shareholders to accept."

But Robotti says the exchange ratio BW LPG laid out appears to be fair value for the company.

"There's the risk of being penny wise, but pound foolish," Robotti said. "You can try to get a little bit more and get carried away, but an offer might get pulled."