

## **Hibernia Southcoast Capital initiates coverage on Excel Maritime (EXM)**

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Hibernia Southcoast Capital initiated coverage of Excel Maritime (AMEX: EXM) with a Buy recommendation and a \$18 price target. The analysts are Pierre E. Conner III and Joseph D. Gibney. Excel Maritime (EXM) is an owner and operator of drybulk carriers and a provider of worldwide seaborne transportation services for dry bulk cargoes, such as iron ore, coal and grains, as well as bauxite, fertilizers and steel products. The company's current fleet consists of 18 vessels (one Capesize, ten Panamax and seven Handymax vessels) with a total carrying capacity of 1,112,070 dwt.

The report highlights the anticipated acceleration in demand for drybulk shipping in the second half of the year, driven by worldwide demand for iron ore, particularly in the fourth quarter. While rates have dropped off dramatically from 4Q04 peaks, they still remain above the seven- and 10-year averages, and Hibernia feels that they should trend up once again, particularly given an improving 2006 in the supply-and-demand balance. The report notes the seasonal ramp up of rates in the third and fourth quarters and estimates daily rates in the third quarter 2005 to be at \$ 32,000 for Capezise vessels, \$ 15,500 for Panamax and \$ 15,000 for Handymax, while in the fourth quarter the estimates are at \$ 38,500, \$ 17,500 and \$ 16,500 respectively.

The analysts estimate Excel Maritime is trading below Hibernia's NPV-based target price of \$18. Excel Maritime currently trades at 4.2x 2005 EPS estimate of \$2.97 (\$ 3.02 in 2006) and 3.1x 2005 CFPS estimate of \$3.93 (\$ 4.23 in 2006). Also, Hibernia estimates that Excel Maritime will achieve EBITDA of \$ 24.1 in the 3Q05 and \$25.8 million in the 4thQ 2005 with a total EBITDA of \$ 80.1 million in 2005 (compared to \$ 21.3 million in the second quarter 2005 and \$ 36.4 million for the first six months of 2005), commensurate with the anticipated turn in rates in the remaining part of the year. Hibernia also anticipates Excel Maritime closing 2005 with total debt of \$223.0 million and a debt/total capital ratio of 49.1% (31.8% net debt/total capital). Hibernia's EPS estimates are \$ 0.77 for 3Q 2005 and \$ 0.86 for 4Q 2005 with \$ 2.97 for the year in 2005 and \$ 3.02 for the year in 2006.

Also mentioned in the report, is the fact that Excel Maritime currently operates a balanced spot-versus-time-charter strategy with 10 vessels currently operating in the spot market (56% of fleet) and eight on time charters. Hibernia estimates that Excel Maritime will look to secure several of its recently delivered vessels under time charter contracts and anticipates that approximately 75%-80% of the full fleet will operate under time charters on a go-forward basis. This approach provides Excel Maritime with a large degree of earnings visibility going forward, helping to minimize exposure to spot market fluctuations – while still keeping roughly 25% of the fleet open to potential upside.

Furthermore, despite the large expansion of its fleet, Excel Maritime retains a sound balance sheet that provides for the possibility of opportunistic acquisitions or further expansion down the road.

Excel Maritime is actively covered by analysts at Cantor Fitzgerald, Dahlman Rose and now Hibernia Southcoast Capital. All three have a buy recommendation on the stock with target prices ranging between \$ 18 and \$ 20. Excel's stock closed at \$ 14 on Monday, August 22<sup>nd</sup>.

Written by Capital Link.

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This article was written by Capital Link, a financial communications and investor relations company, which services several listed companies, including Excel Maritime Carriers.

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