Navios Maritime Acquisition CORP
Form 6-K
May 09, 2012
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16 OF

THE SECURITIES EXCHANGE ACT OF 1934

Dated: May 09, 2012

Commission File No. 001-34104

NAVIOS MARITIME ACQUISITION CORPORATION

85 Akti Miaouli Street, Piraeus, Greece 185 38

(Address of Principal Executive Offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F:

Form 20-F x Form 40-F ¨

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Yes ¨ No x

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Yes ¨ No x

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ¨ No x

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):

N/A

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This Report on Form 6-K is hereby incorporated by reference into the Navios Maritime Acquisition Corporation Registration Statements on Form F-3, File Nos. 333-151707, 333-169320 and 333-170896.

Operating and Financial Review and Prospects

The following is a discussion of the financial condition and results of operations for the three month periods ended March 31, 2012 and 2011 of Navios Maritime Acquisition Corporation (referred to herein as we , us or Navios Acquisition). All of the financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (U.S. GAAP). You should read this section together with the consolidated financial statements and the accompanying notes included in Navios Acquisition s 2011 Annual Report filed on Form 20-F with the Securities and Exchange Commission.

This Report contains forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward looking statements are based on Navios Acquisition s current expectations and observations. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially include, but are not limited to changes in the demand for product and chemical tankers, fluctuation of charter rates, competitive factors in the market in which Navios Acquisition operates; risks associated with operations outside the United States; and other factors listed from time to time in the Navios Acquisition s filings with the Securities and Exchange Commission.

Recent Developments and History

Dividend Policy

On May 3, 2012, the Board of Directors declared a quarterly cash dividend in respect of the first quarter of 2012 of $0.05 per common share payable on July 3, 2012 to stockholders of record as of June 20, 2012. The declaration and payment of any further dividends remains subject to the discretion of the Board and will depend on, among other things, Navios Acquisition s cash requirements as measured by market opportunities and restrictions under its credit agreements and other debt obligations and such other factors as the Board may deem advisable.

Amendment to Management Agreement

On May 4, 2011, Navios Acquisition amended its existing Management Agreement with Navios Tankers Management Inc. (the Manager), a subsidiary of Navios Maritime Holdings Inc. (Navios Holdings), to fix the fees for ship management services of its owned fleet at current rates for two additional years, through May 28, 2014. The management fees are: (a) $7,000 daily rate per LR1 product tanker vessel; (b) $6,000 daily rate per MR 2 product and chemical tanker vessel; and (c) $10,000 daily rate per VLCC tanker vessel.

History and development of Navios Acquisition

Navios Acquisition was formed on March 14, 2008 under the laws of the Republic of the Marshall Islands and has its offices located at 85 Akti Miaouli Street, Piraeus, Greece 185 38, and its telephone number is (011) +30-210-4595000. Our agent for service is Trust Company of the Marshall Islands, Inc., located at Trust Company Complex, Ajeltake Island, P.O. Box 1405, Majuro, Marshall Islands MH96960.

On July 1, 2008, we consummated our IPO in which we sold 25,300,000 units, consisting of one common stock and one warrant, and raised gross proceeds of $253.0 million.

On May 28, 2010, Navios Acquisition consummated the acquisition of 13 vessels (11 product tankers and two chemical tankers) for an aggregate purchase price of $457.7 million, referred to herein as the Product and Chemical Tanker Acquisition, which constituted its initial business combination. In connection with the stockholder vote to approve the vessel acquisition, holders of 10,021,399 shares of common stock voted against the vessel acquisition and elected to redeem their shares in exchange for an aggregate of approximately $99.3 million, which amount was disbursed from the trust account on May 28, 2010. The initial business combination was treated as an asset acquisition and the consideration paid and fair values of assets and liabilities assumed on May 28, 2010.

On August 27, 2010, Navios Acquisition completed the Warrant Exercise Program under which holders of its publicly traded and privately issued warrants had the opportunity to exercise their warrants on enhanced terms.

On September 10, 2010, Navios Acquisition consummated the VLCC Acquisition of seven VLCCs for an aggregate purchase price of $587.0 million, adjusted for net working capital acquired of $20.6 million. The VLCC Acquisition was accounted for as a business combination.

On October 21, 2010, Navios Acquisition and Navios Acquisition Finance (US) Inc., its wholly owned finance subsidiary (Navios Acquisition Finance), completed the sale of $400.0 million of 8 5/8% First Priority Ship Mortgage notes due 2017 (the Existing Notes). Following the issuance of the Notes and net proceeds raised of $388,883, the securities on six VLCC vessels previously secured by the loan facilities were fully released in connection with the full repayment of the facilities totaling approximately $343,841, and $27,609 was used to partially repay the $40,000 Navios Holdings credit facility.

On May 26, 2011, Navios Acquisition and Navios Acquisition Finance completed the sale of $105.0 million of 8 5/8% first priority ship mortgage notes due 2017 (the Additional Notes) at 102.25% plus accrued interest from May 1, 2011. The net proceeds of the offering of $104.7 million were used to partially finance the acquisition of the VLCC delivered on June 8, 2011 and to repay the $80.0 million revolving credit facility with Cyprus Popular Bank Public Co Ltd.

Equity Transactions

Pursuant to an Exchange Agreement entered into March 30, 2011, Navios Holdings exchanged 7,676,000 shares of Navios Acquisition s common stock it held for 1,000 shares of non-voting Series C Convertible Preferred Stock of Navios Acquisition (see Note 13 of the condensed interim financial statement included herein).

As of May 9, 2012, Navios Acquisition had outstanding: 40,517,413 shares of common stock, 4,540 shares of Series A preferred stock and 6,037,994 public warrants, included in the number of shares and warrants are 17,115 units (one unit consists of one share of common stock and one warrant).

Vessel Deliveries and Acquisitions

On January 20, 2012, Navios Acquisition took delivery of the Nave Estella, a 75,000 dwt LR1 product tanker, from a South Korean shipyard for $44.8 million. Cash paid was $11.2 million and $33.6 million was transferred from vessel deposits. The vessel is chartered-out at net daily charter rate of $11,850 for a period of three years plus two one year options. The charter contract also contains clauses for profit-sharing.

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Fleet

Core fleet refers to tanker vessels, including the new buildings to be delivered. The current core fleet consists of 29 vessels totaling 3,319,858 dwt. The 15 vessels in operation aggregate approximately 2,519,858 dwt and have an average age of 6.0 years. Navios Acquisition has currently fixed 89.4%, 62.3% and 54.0% of its 2012, 2013 and 2014 available days, respectively, of its fleet, representing contracted revenues (net of commissions), based on the rates from current charter agreements of $145.8 million, $152.2 million and $138.9 million, respectively. Although these revenues are based on contractual charter rates, any contract is subject to performance by the counterparties and us. Additionally, the level of these revenues would decrease depending on the vessels off-hire days to perform periodic maintenance. The average contractual daily charter-out rate for the core fleet is $26,747, $26,059 and $25,839 for 2012, 2013 and 2014, respectively.

Vessels	Type	Built/Delivery Date	DWT	Net Charter Rate[1]	Profit Share	Expiration Date [2]
Owned Vessels						
Nave Cielo	LR1 Product Tanker	2007	74,671	11,751[3,4]	None	November 2012
Nave Ariadne	LR1 Product Tanker	2007	74,671	11,751[3,4]	None	November 2012
Nave Cosmos	Chemical Tanker	2010	25,130	11,700	60%/40%	August 2012
Nave Polaris	Chemical Tanker	2011	25,145	11,700	60%/40%	July 2012
Shinyo Splendor	VLCC	1993	306,474	38,019	None	May 2014
Shinyo Navigator	VLCC	1996	300,549	42,705	None	December 2016
C. Dream	VLCC	2000	298,570	29,625	50% above $30,000	March 2019
					40% above $40,000	
Shinyo Ocean	VLCC	2001	281,395	38,400	50% above $43,500	January 2017
Shinyo Kannika	VLCC	2001	287,175	38,025	50% above $44,000	February 2017
Shinyo Saowalak	VLCC	2010	298,000	48,153	35% above $54,388	June 2025
					40% above 59,388	
					50% above 69,388	
Shinyo Kieran	VLCC	2011	297,066	48,153	35% above $54,388	June 2026
					40% above $59,388	
					50% above $69,388	
Buddy	MR2 Product Tanker	2009	50,470	22,490	None	October 2012
				21,503	None	October 2014
Bull	MR2 Product Tanker	2009	50,542	22,490	None	September 2012
				21,503	None	September 2014
Nave Andromeda	LR1 Product Tanker	2011	75,000	11,850[5]	100% up to $15,000	November 2014
					50% above $15,000	
					90% up to 15,000	
Nave Estella	LR1 Product Tanker	2012	75,000	11,850[6]	50% above $15,000	January 2015
Owned Vessels to be Delivered						
TBN	LR1	Q3 2012	75,000			
TBN	LR1	Q4 2012	75,000			
TBN	LR1	Q4 2012	75,000			
TBN	LR1	Q4 2012	75,000			
TBN	MR2	Q3 2012	50,000	13,331[7]	50% /50%	
TBN	MR2	Q4 2012	50,000	13,331[7]	50% /50%	
TBN	MR2	Q4 2012	50,000	13,331[8]	50% /50%	
TBN	MR2	Q4 2012	50,000	13,331[8]	50% /50%	
TBN	MR2	Q4 2012	50,000	13,825[9]	100% up to $15,000	
					50% above $15,000	
TBN	MR2	Q1 2013	50,000			
TBN	MR2	Q1 2013	50,000			
TBN	MR2	Q2 2014	50,000			

TBN	MR2	Q3 2014	50,000
TBN	MR2	Q4 2014	50,000

(1) Net time charter-out rate per day (net of commissions).

(2) Estimated dates assuming midpoint of redelivery of charterers.

(3) On October 28, 2011, the charter contracts for the Nave Cielo and the Nave Ariadne were terminated prior to their original expiration in June 2013. Navios Acquisition entered into certain settlement agreements with the charterers that provide for an amount of approximately $5.0 million to compensate for the early termination of the charters and to cover any outstanding receivables, out of which $2.0 million will be settled in installments until June 2015.

(4) Charterer s option to extend the charter for 1+1+1 years at $12,739 (net) 1st optional year; $13,825 (net) plus 50/50% profit sharing 2nd optional year; $14,813 (net) plus 50/50% profit sharing 3rd optional year.

(5) Charterer s option to extend the charter for 1+1 years at $12,838 (net) 1st optional year plus 100% profit up to $16,000 plus 50/50% profit sharing above $16,000; $13,825 (net) 2nd optional year plus 100% profit up to $17,000 plus 50/50% profit sharing above $17,000. Profit sharing formula is calculated monthly and incorporates $2,000 premium above the relevant index.

(6) Charterer s option to extend the charter for 1+1 years at $11,850 (net) 1st optional year plus 90% profit up to $16,000 plus 50/50% profit sharing above $16,000; $11,850 (net) 2nd optional year plus 90% profit up to $17,000 plus 50/50% profit sharing above $17,000. Profit sharing formula is calculated monthly and incorporates $2,000 premium above the relevant index.

(7) Charter duration three years. Charterer s option to extend the charter for 1+ 1 years at $14,566 (net) 1st optional year plus profit sharing; $15,553 (net) 2nd optional year plus profit sharing. The profit sharing will be calculated monthly and profits will be split equally between each party. Profit sharing formula incorporates $1,000 premium above the relevant index.

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(8) Charter duration three years. Charterer s option to extend the charter for 1 year at $14,813 (net) plus profit sharing. The charterers will receive 100% of the first $1,000 in profits above the base rate and the owners will receive 100% of the next $1,000. Thereafter, all profits will be split equally to each party.

(9) Charter duration three years. Charterer s option to extend the charter for 1 year at $15,306 (net) plus profit sharing. The charterers will receive 100% of the first $1,000 in profits above the base rate and the owners will receive 100% of the next $1,000. Thereafter, all profits will be split equally to each party.

Charter Policy and Industry Outlook

Our core fleet consists of 29 vessels, of which seven VLCCs are chartered out for an average of 7.2 years at approximately $40,440 net per day, two LR1 vessels are chartered out for one year at approximately $11,751 net per day until November 2012, two LR1 vessels are chartered out at $11,850 per day for a average remaining period of 2.6 years, two MR2 vessels are chartered out at $22,490 for the first year of the charter and at $21,503 for the remaining period, for an average remaining period of 2.4 years and the chemical tankers are chartered out for an average remaining period of approximately 0.3 years at $11,700 net per day. Of the remaining vessels being delivered during the period from the second quarter of 2012 through the fourth quarter of 2014, we have chartered out four MR2 tanker vessels for three years at approximately $13,331 net per day and a fifth vessel is chartered out for a period of three years at approximately $13,825 net per day. Many of our charters have profit sharing arrangements (see fleet table above). We intend to deploy the open vessels that have not been chartered out to leading charterers in a mix of long, medium and short-term time charters. This chartering strategy is intended to allow us to capture increased profits during strong charter markets, while developing relatively stable cash flows from longer term time charters. We will also seek profit sharing arrangements in our long-term time charters, to provide us with potential incremental revenue above the contracted minimum charter rates.

We intend to grow our fleet using Navios Holdings global network of relationships and extensive experience in the marine transportation industry, coupled with our financial resources and financing capability, to make selective acquisitions of young, high quality, modern, double-hulled vessels in the crude oil transportation, product and chemical tanker sectors. Vessel prices in these sectors have been severely affected by the continuing scarcity of debt financing available to shipping industry participants resulting from the recent worldwide financial crisis and because of the depressed charter rates for crude carriers and tankers that have persisted since the fall of 2008. We believe the most attractive opportunity in the maritime industry is acquiring modern tonnage in the crude oil transportation, product and chemical tanker sectors and that are currently at cyclically low levels.

We believe that developments in the marine transportation industry, particularly in the crude oil transportation, product tanker and chemical tanker sectors have created significant opportunities to acquire vessels near historically low (inflation-adjusted) prices and employ them in a manner that will provide attractive returns on capital. We also believe that the recent financial crisis continues to adversely affect the availability of credit to shipping industry participants, creating opportunities for well-capitalized companies with committed available financing such as ours, to enter the crude oil transportation, product tanker and chemical tanker sectors during these times of historically low prices.

Factors Affecting Navios Acquisition s Results of Operations

We believe the principal factors that will affect our future results of operations are the economic, regulatory, political and governmental conditions that affect the shipping industry generally and that affect conditions in countries and markets in which our vessels engage in business. Other key factors that will be fundamental to our business, future financial condition and results of operations include:

- the demand for seaborne transportation services;
- the ability of Navios Holdings commercial and chartering operations to successfully employ our vessels at economically attractive rates, particularly as our fleet expands and our charters expire;
- the effective and efficient technical management of our vessels;
- Navios Holdings ability to satisfy technical, health, safety and compliance standards of major commodity traders; and

the strength of and growth in the number of our customer relationships, especially with major commodity traders.

In addition to the factors discussed above, we believe certain specific factors will impact our combined and consolidated results of operations. These factors include:

the charter hire earned by our vessels under our charters;

our access to capital required to acquire additional vessels and/or to implement our business strategy;

our ability to sell vessels at prices we deem satisfactory;

our level of debt and the related interest expense and amortization of principal; and

the level of any dividend to our stockholders.

	Three Month Period ended March 31, 2012 (Unaudited)	Three Month Period ended March 31, 2011 (Unaudited)
Available Days[(1)]	1,319	874
Operating Days[(2)]	1,296	843
Fleet Utilization[(3)]	98.3%	96.5%
Time Charter Equivalent (per day)[(4)]	$ 26,683	$ 29,558
Vessels operating at period end	15	10

Navios Acquisition believes that the important measures for analyzing trends in its results of operations consist of the following:

(1) *Available days:* Available days is the total number of days a vessel is controlled by a company less the aggregate number of days that the vessel is off-hire due to scheduled repairs or repairs under guarantee, vessel upgrades or special surveys. The shipping industry uses available days to measure the number of days in a period during which vessels should be capable of generating revenues.

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(2) *Operating days:* Operating days is the number of available days in a period less the aggregate number of days that the vessels are off-hire due to any reason, including lack of demand or unforeseen circumstances. The shipping industry uses operating days to measure the aggregate number of days in a period during which vessels actually generate revenues.

(3) *Fleet utilization:* Fleet utilization is obtained by dividing the number of operating days during a period by the number of available days during the period. The shipping industry uses fleet utilization to measure a company s efficiency in finding suitable employment for its vessels and minimizing the amount of days that its vessels are off-hire for reasons other than scheduled repairs or repairs under guarantee, vessel upgrades, special surveys or vessel positioning.

(4) *Time Charter Equivalent:* Time Charter Equivalent (TCE) rates are defined as voyage and time charter revenues less voyage expenses during a period divided by the number of available days during the period. The TCE rate is a standard shipping industry performance measure used primarily to present the actual daily earnings generated by vessels on various types of charter contracts for the number of available days of the fleet.

Voyage and Time Charter

Revenues are driven primarily by the number of vessels in the fleet, the number of days during which such vessels operate and the amount of daily charter hire rates that the vessels earn under charters, which, in turn, are affected by a number of factors, including:

- the duration of the charters;
- the level of spot market rates at the time of charters;
- decisions relating to vessel acquisitions and disposals;
- the amount of time spent positioning vessels;
- the amount of time that vessels spend in drydock undergoing repairs and upgrades;
- the age, condition and specifications of the vessels; and
- the aggregate level of supply and demand in the tanker shipping industry.

Time charters are available for varying periods, ranging from a single trip (spot charter) to long-term which may be many years. In general, a long-term time charter assures the vessel owner of a consistent stream of revenue. Operating the vessel in the spot market affords the owner greater spot market opportunity, which may result in high rates when vessels are in high demand or low rates when vessel availability exceeds demand. Vessel charter rates are affected by world economics, international events, weather conditions, strikes, governmental policies, supply and demand, and many other factors that might be beyond the control of management.

Consistent with industry practice, Navios Acquisition uses TCE rates, which are defined as voyage and time charter revenues less voyage expenses during a period divided by the number of available days during the period.

The TCE rate is a standard shipping industry performance measure used primarily to present the actual daily earnings generated by vessels on various types of charter contracts for the number of available days of the fleet.

The cost to maintain and operate a vessel increases with the age of the vessel. Older vessels are less fuel efficient, cost more to insure and require upgrades from time to time to comply with new regulations. The average age of Navios Acquisition s owned fleet currently in the water, is 6.4 years. But as such fleet ages or if Navios Acquisition expands its fleet by acquiring previously owned and older vessels the cost per vessel would be expected to rise and, assuming all else, including rates, remains constant, vessel profitability would be expected to decrease.

Navios Acquisition reports financial information and evaluates its operations by charter revenues. Navios Acquisition does not use discrete financial information to evaluate operating results for each type of charter. As a result, management reviews operating results solely by revenue per day and operating results of the fleet and thus Navios Acquisition has determined that it operates under one reportable segment.

Period over Period Comparisons

The Three Month Period ended March 31, 2012 compared to the Three Month Period ended March 31, 2011

The following table presents consolidated revenue and expense information for the three month periods ended March 31, 2012 and 2011. This information was derived from the unaudited consolidated revenue and expense accounts of Navios Acquisition for the respective periods.

Expressed in thousands of U.S. dollars

	For the Three Months Ended March 31, 2012 (unaudited)	For the Three Months Ended March 31, 2011 (unaudited)
Revenue	$ 35,717	$ 25,130
Time charter expenses	(530)	(427)
Direct vessel expenses	(502)	
Management fees	(10,955)	(7,584)
General and administrative expenses	(912)	(1,025)
Depreciation and amortization	(11,946)	(8,045)
Interest income	177	480
Interest expenses and finance cost, net	(12,207)	(8,893)
Other income/ (expense), net	370	