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## **Fight or Flight**

# How Attractive is Shipping for PEs?

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# Private Equities Are Excellent Sea Goers

## Long-lasting Bipolarity for Good Reasons

- ▶ A global recession and banking crisis
- ▶ A distressed, highly cyclical, capital intensive industry
- ▶ A low cost of capital environment
- ▶ A great environment to put a lot of money to work!

# Shipping for Private Equities is Neither Foe.

## And Nor a Friend

“Seldom do **Private Equities** Make Money in **Shipping**”

“How **Effective** is **Corporate Steering** within the Industry?”

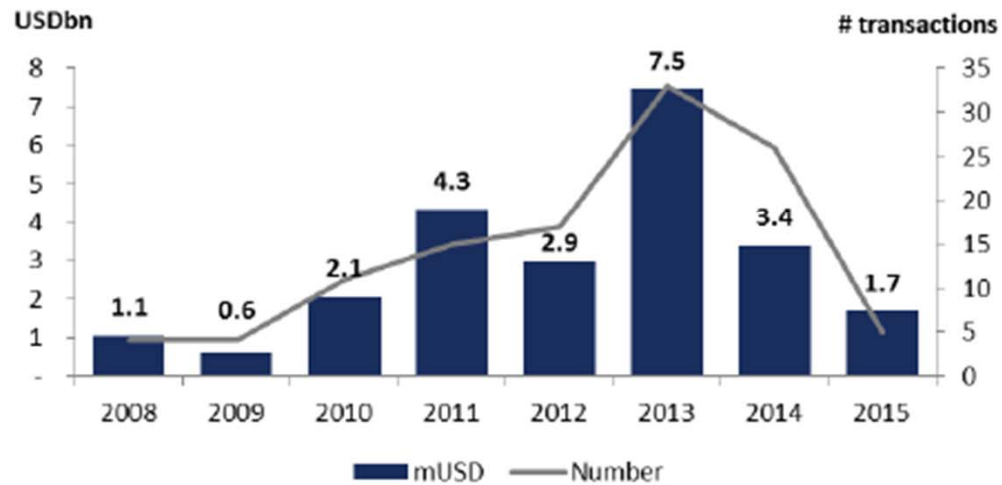
“PE is **Reluctant** to Consider the Worthiness of Shipping as a **Premium Asset Class**”

“**Buy** (Assets) – **Create** (Plc) – **Exit** (IPO) is hardly **feasible** across Shipping Industry”

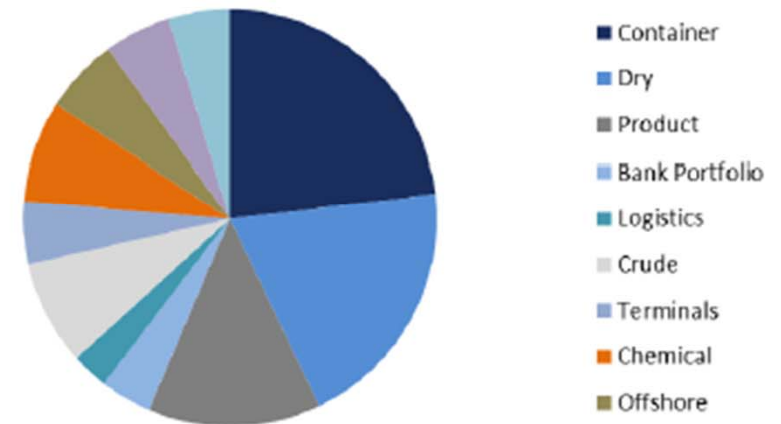
# How Much in Shipping?

Capital Investment of ~USD 23BN from 2008-15

## Private Equity Investment in Shipping



## 2008-2015 PE Investment by Sector



*Courtesy of Marine Money*

## How Far PEs are Prepared to Go?

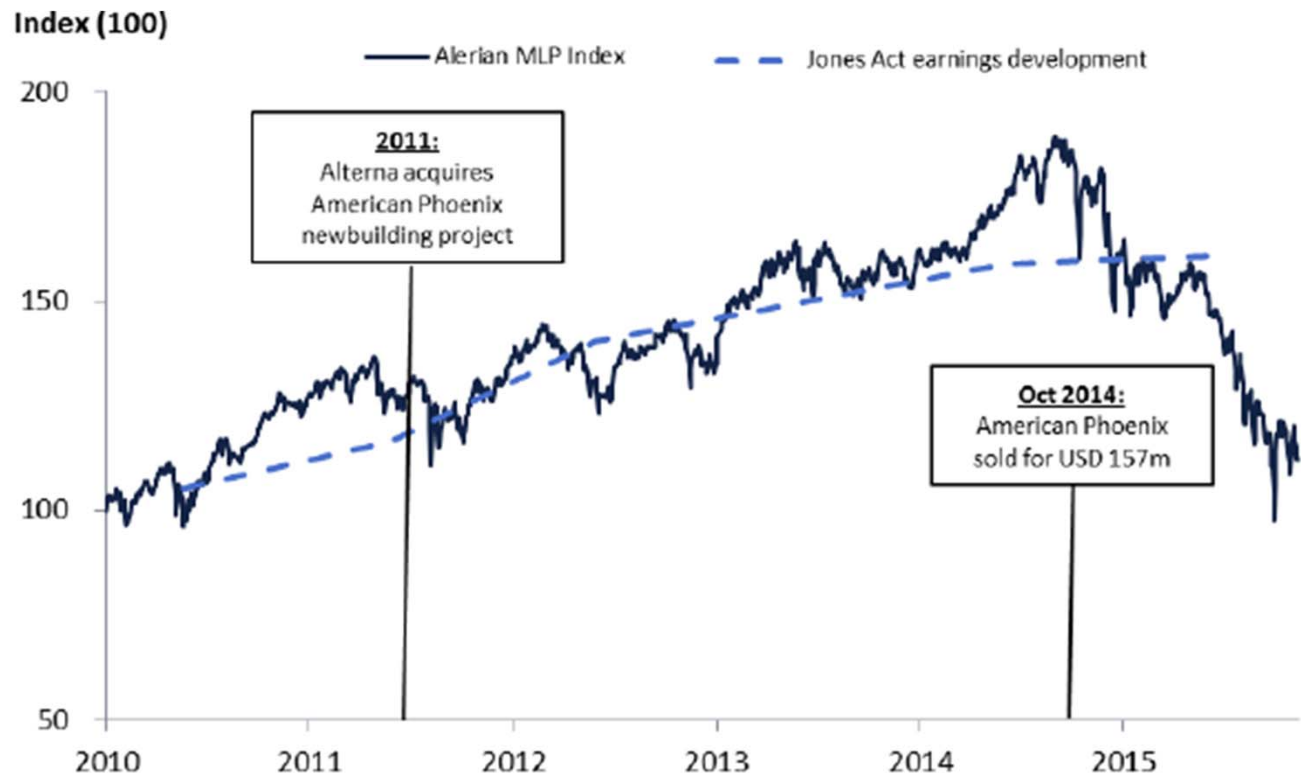
### As Far as the Challenges Allow

- ▶ The traditional PE model is based on value creation through active enhancement of cash flows and profit margins
- ▶ However, forecasting commodity shipping freight rates is challenging
- ▶ Shipping cycles are unpredictable and generally don't match up nicely with PE's three to five years exit plans
- ▶ Execution risk is real whether one invests in large ECO newbuilding orders or older vessels
- ▶ Exit liquidity is a significant issue

# PE Shipping Investment Can be The Real Deal

## American Phoenix Walked the Talk

- ▶ New asset
- ▶ Lowest construction costs
- ▶ Right industry partner
- ▶ Supportive supply/demand outlook
- ▶ Shale oil and MLP market developments were gravy



# PEs Reinvent the Shipping Wheel

## Attractiveness Means Readjustment

- ▶ Expensive education for PE so far, but investors have a much better understanding of shipping dynamics and there is lots of capital to deploy
- ▶ Investors will seek to be closer to the assets, more structured transactions with ships in the water
- ▶ Execution risk is real so the right industry partner is key
- ▶ Days of big newbuilding orders are over
- ▶ Will be stuck with drybulk and container investments for some time
- ▶ Tanker exits are happening
  - Greenbriar/Ardmore (secondary offering)
  - Livanos/Euronav (secondary offering)
  - Apollo/Princimar (trade sale + secondary block trade)



# Investment is All About Opportunities

## PE Investors Know How to Deal with Shipping

- ▶ Buy and sell the right asset at the right time
- ▶ Safely operate the assets
- ▶ Have the cost structure and patience to navigate the industry cycle
- ▶ **Good projects will always find capital - Ridgebury V4 is the best and most recent example**

## YIORGOS ANDRIANOPOULOS

Senior Infra & Project Finance Business Partner



Yiorgos is Chartered Engineer and holds a post-graduate degree in Engineering Economic Systems from the National Technical University of Athens. Since joining IPFA, Yiorgos has been undertaking Project Finance assignments with developed specialism in Shipping Project Finance

As of 1995 and over his long career track, Yiorgos developed superb knowledge of complex spreadsheet financial modelling coupled with commercial and legal aspects of PFIs.

His responsibilities span across long term contract management on behalf of Government Agencies. Oversees infrastructure projects (Airports, Electricity, Natural Gas, Railroads, Roads, Utilities and Structures) and mixed use facilities with a construction value well over USD 70bn, ensuring profits for each party involved and providing professional financial support in the areas of securitization, options (derivatives), insurance provisions and other types of collateral enhancement to mitigate unallocated risk.

## GORDON BATMAN

Executive Vice President



A Fullbright-certified strategic planner, Gordon initiated the development of an activity-based travel demand model for

Chicago, the first in Illinois, to vastly improve multimodal travel behavior prediction. He led the development of the first 30-year transportation plan for Chicago. He chaired Chicago's Self-Help Counties Coalition between 2005 and 2007 and was President of the Board of the Chicago Transportation Foundation Board between 2006 and 2008. He is a member of the Institute of Transportation Engineers and the American Planning Association and the Transportation Research Board and has lectured at INSEAD and LSE.

Gordon's career track spans 35 years of experience in the development, financing and delivery of large-scale, high-profile programs and studies in complex urban settings. He was a major force behind the regional consensus on the funding plans for US high speed rail projects.