

# *Innovative Shipyard Solutions*

*8<sup>th</sup> Annual Capital Link*

*Operational Excellence in Shipping Forum*

*Athens, Greece*

*30 October 2018*



- *Who We Are: **Introduction***
- ***Newport Execution***
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  - Site Control Interfaces
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- ***Newport Ecosystem***
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  - Spare Parts
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  - Cost Breakdown
  - Indicative Pricing
  - Newport Execution with Financing
- *Thank You: **Contact Us***

- Newport Shipping UK LLP is a leading global **shiprepair service provider** with **unique financing options**
- We **reduce working capital requirements**; freeing cash for other investments
- **Pay as you Earn**: deferred monthly instalments paid by subsequent vessel operations

## Network: *Quality & Standardisation*

- Long term joint ventures with seven (7) top shiprepair yards (and still growing)
- Strategically placed at lower cost bases within Atlantic and Pacific zones
- Operational team on-site, ensures standardised service delivery across shiprepair yards



## Financing: *Credit Payment Solutions*

- Deferred payment plan deferring 60% of ALL-in-One invoice for up to 18-months
- Potential earnings uplift from subsequent vessel operations



## Shipyard & Suppliers: *All-in-One Invoice*

- One comprehensive invoice including:
  - ALL Spares required; including logistics for delivery with warranty
  - Retrofit Equipment e.g. supply of Ballast Water Treatment Systems (BWTS) and **Scrubbers**
  - ALL paint and specialist works and Service Companies e.g. turbo chargers, hatch cover etc.



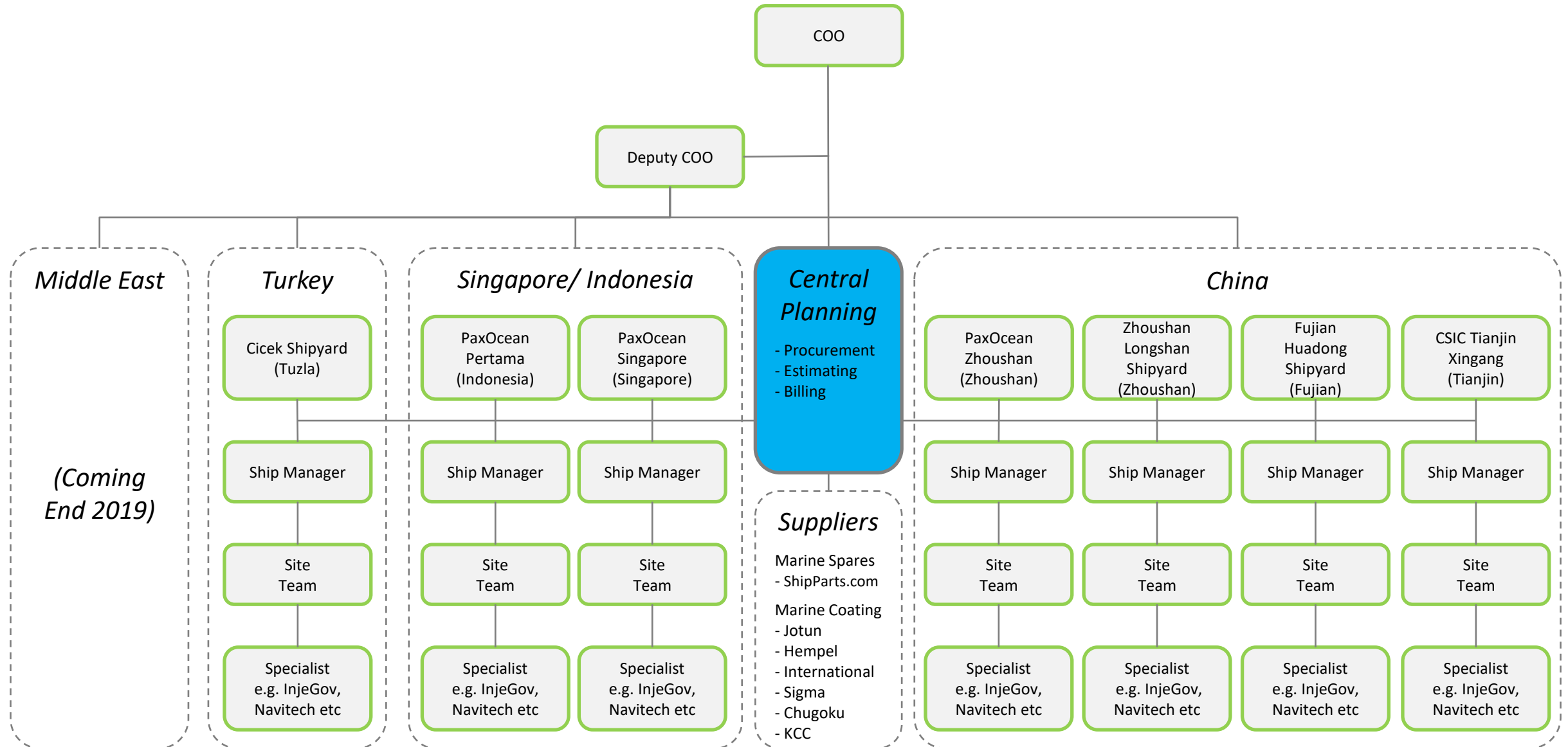
## Governance & Warranties: *English Law*

- Ship repair contracts governed/ enforceable under UK Law
- Turnkey responsibility
- Equipment and spares warranties
- L/D for shiprepair re-delivery



**7** Shipyards      **15** Drydocks      **1100** Annual Slots

# Newport Execution: Organisational Chart



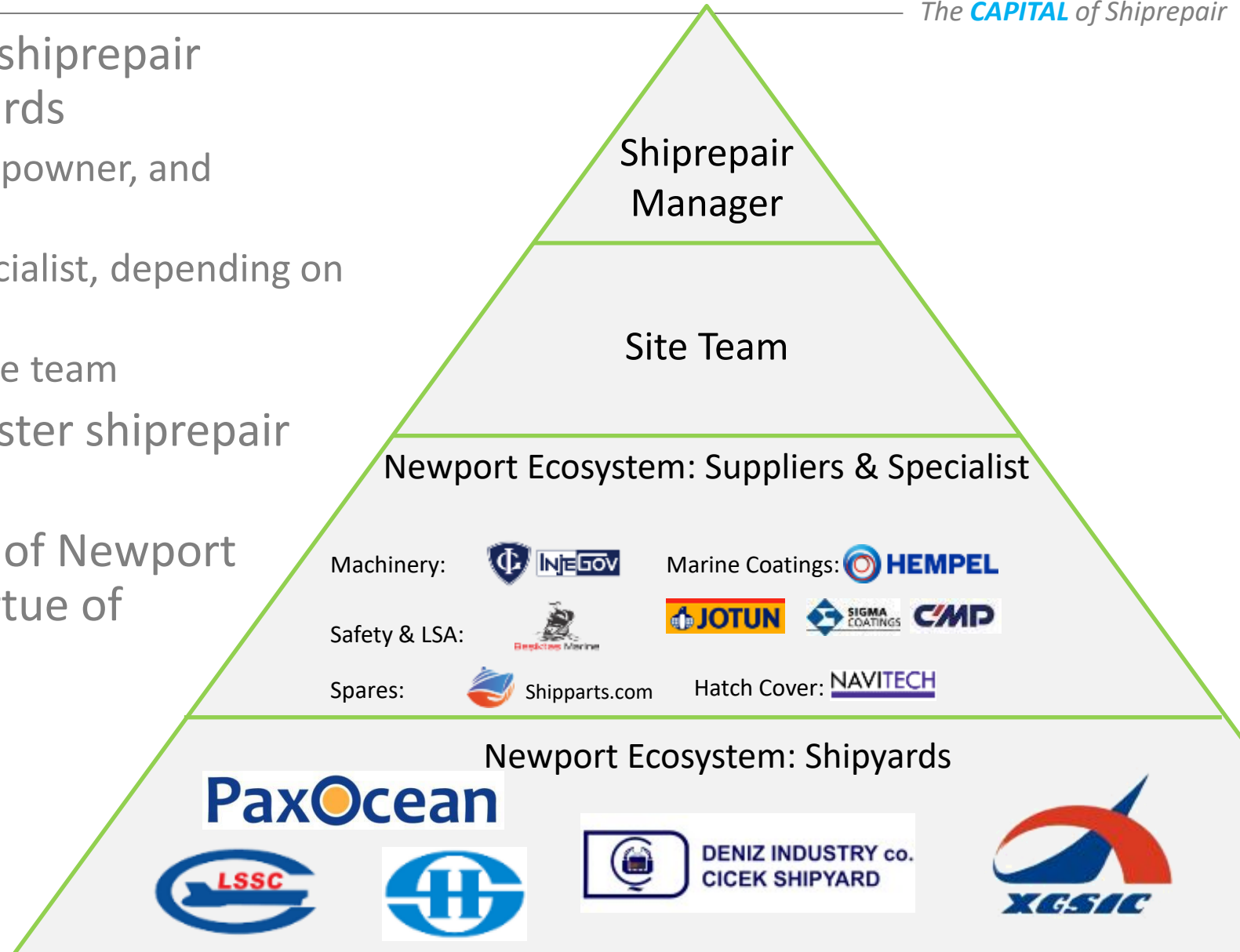
# Newport Execution: *Central Planning vs. Site Control*

Quality Control	Schedule Control	Cost Control
<ul style="list-style-type: none"><li>• Develop master scope from repair specs</li><li>• Procurement (spares if applicable)</li><li>• Consultation with classification</li></ul>	<ul style="list-style-type: none"><li>• Develop master schedule from repair specs</li></ul>	<ul style="list-style-type: none"><li>• Develop master budget from repair specs</li><li>• Negotiate final invoice before departure</li></ul> <p><i>Central Planning</i></p>
<ul style="list-style-type: none"><li>• Consultation with Shipowner Superintendent</li><li>• Quality inspection and testing</li><li>• Classification certification</li></ul>	<ul style="list-style-type: none"><li>• Issue Work Packages/ Site Instructions</li><li>• Receive materials/ spares</li><li>• Review repair drawings</li><li>• Manage shipyard/ subcontractors/ specialist</li><li>• Update schedule</li></ul>	<ul style="list-style-type: none"><li>• Close-out Work Packages/ Site Instructions</li><li>• Issue and manage Variation Orders (VO)</li></ul> <p><i>Site Control</i></p>

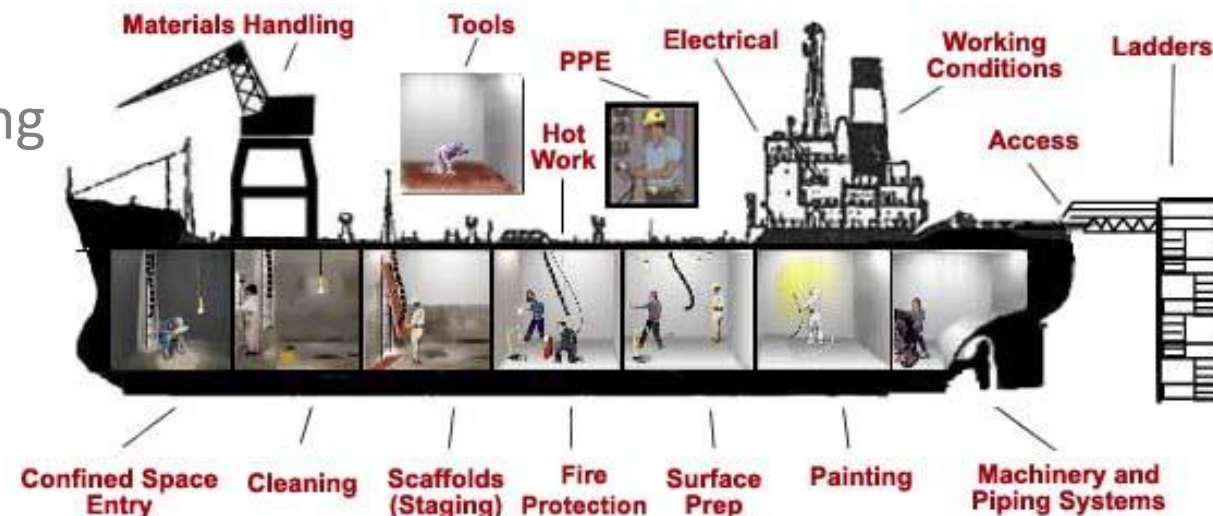




- Shiprepair Managers manage shiprepair projects at cooperation shipyards
  - Single point on contract with shipowner, and shipyard
  - Supported by site team and specialist, depending on scope
  - Expatriate supported by local site team
- Full responsibility towards master shiprepair schedule budget
- Full authority to act on behalf of Newport Shipping and shipowner by virtue of cooperation agreement
- Priority for labour and key facilities by virtue of cooperation agreement



- Newport Shipping is committed to health, safety and environmental best practices
- Cooperates closely with shipyard on encouraging international safety standards and practices
- Conforming to shipyard safety practices by legal requirement, improving where necessary
- HSE audit conducted on all cooperation shipyards
  - Periodic follow-up HSE audits
- All members of Newport Site Team are HSE trained and responsible for safe working practices and environment for shipyard and shipowner



- Newport has developed a marine supplier and specialist ecosystem for services and paint required for drydockings

## *Hatch Covers/ Hull: Navitech Shipping Services*

- NAVITECH was established initially in May 2004
- Consultants and naval architects for ship surveys, S&P inspections, project development and steel works consultancy
- Hatch Covers Activities
  - Repairs Specification
  - Ultrasound Inspection
  - Final Report



## *Machinery: Ingejov SA*

- Since 1977, InjeGov S.A. offers specialist machinery installation, maintenance and repair services
  - Reconditioning
  - Diesel Engines
  - Turbochargers Inspection
  - On Site Machining
  - Governors



## *LSA: Besiktas Marine*

- Besiktas Marine has the capability to provide a worldwide Service with Sales network for ; Fire Fighting , Life Boat , Lifteraft, Calibration , Technical with Ship Chandling Supply
- Services include:
  - Fire Fighting
  - Lifteraft Service
  - Life Boat And Davit
  - Over Load Test With Water Bag etc



## *Paint: ALL Major Paint Suppliers*

- ALL major paint suppliers internationally:
  - Jotun
  - Hempel
  - Sigma
  - KCC
  - Chugoku
  - International Paints





- **ShipParts.com Solution**: Cooperate with qualified manufacturers and traders, providing efficient supply chain solution
- All major OEM manufacturers represented
- Strategic cooperation with Bureau Veritas (BV) for **supplier and equipment verification**
  - BV issues inspection reports for equipment and/ or suppliers
- Online platform
  - Locate suppliers online
  - Purchase from manufacturers
  - Purchase from traders
  - **Delivery to shipyard BEFORE vessel arrival**
- Offline Services
  - **24/7 Key Account management services**
  - 1-stop management and support for procurement
  - Key Account Manager manages whole process from enquiry to delivery



- Newport Shipping has a global network of shipyards in joint ventures and cooperation agreements around the world:
  - 7-shipyards with 15-docks capable of handling 1,100 repairs annually
  - +40 years experience handling vessel repair services
  - Strategically positioned within the lower cost regions in the Atlantic and Pacific zones
  - Reputable shipyards capable of handling all vessel classes and sizes

## CICEK SHIPYARD

Est 1977 Tuzla, Turkey  
Drydock 200m x 37.5m

Wharfage Total 410m



## CSIC TIANJIN XINGANG

Est 1940 Tianjin, China  
Drydock #1 520m x 120m  
Drydock #2 440m x 80m  
Wharfage Total 3,900m



## PAXOCEAN SINGAPORE

Est 2011 Singapore  
Floating Dock #1 122m x 22.8m  
Floating Dock #2 195m x 34.7m  
Floating Dock #3 187.5m x 36.5m  
Wharfage Total 900m



## PAXOCEAN PERTAMA

Est 2011 Batam, Indonesia  
Floating Dock #1 235m x 40m  
Floating Dock #2 186m x 36.4m  
Wharfage Total 2,400m



## PAXOCEAN ZHOUSHAN

Est 2011 Zhoushan, China  
Drydock #1 400m x 106m  
Drydock #2 380m x 80m

Wharfage Total 576m



## FUJIAN HUADONG SHIPYARD

Est 2011 Fujian, China  
Drydock #1 295m x 50m  
Drydock #2 375m x 72m  
Drydock #3 245m x 42m  
Wharfage Total 1,300m



## ZHOUSHAN LONGSHAN

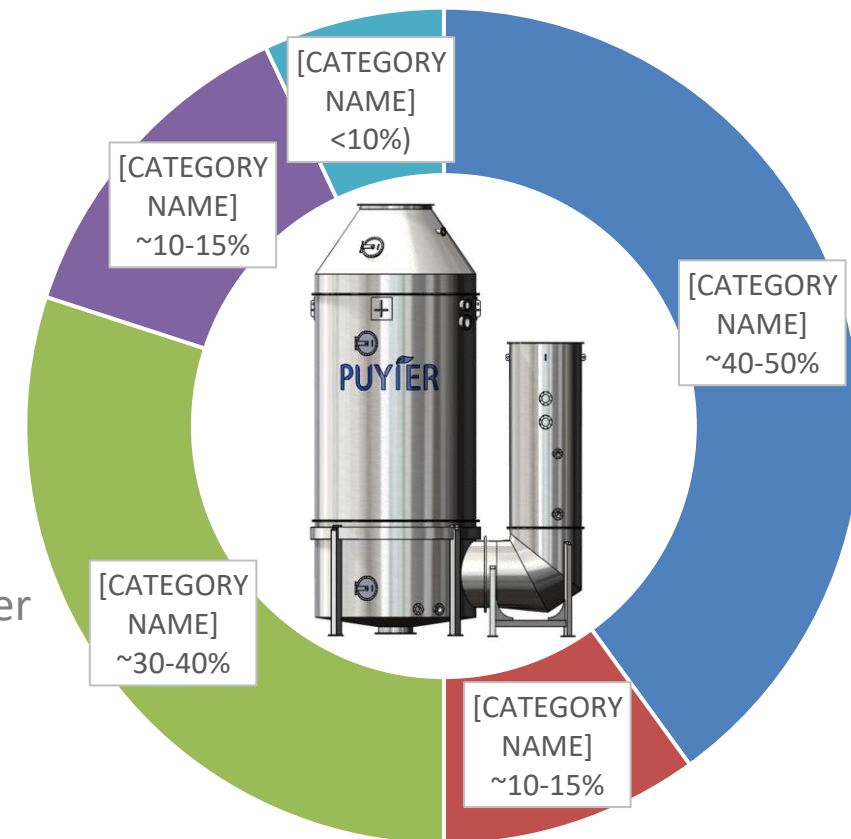
Est 1975 Zhoushan, China  
Drydock #1 235m x 40m  
Drydock #2 310m x 50m

Wharfage Total 840m



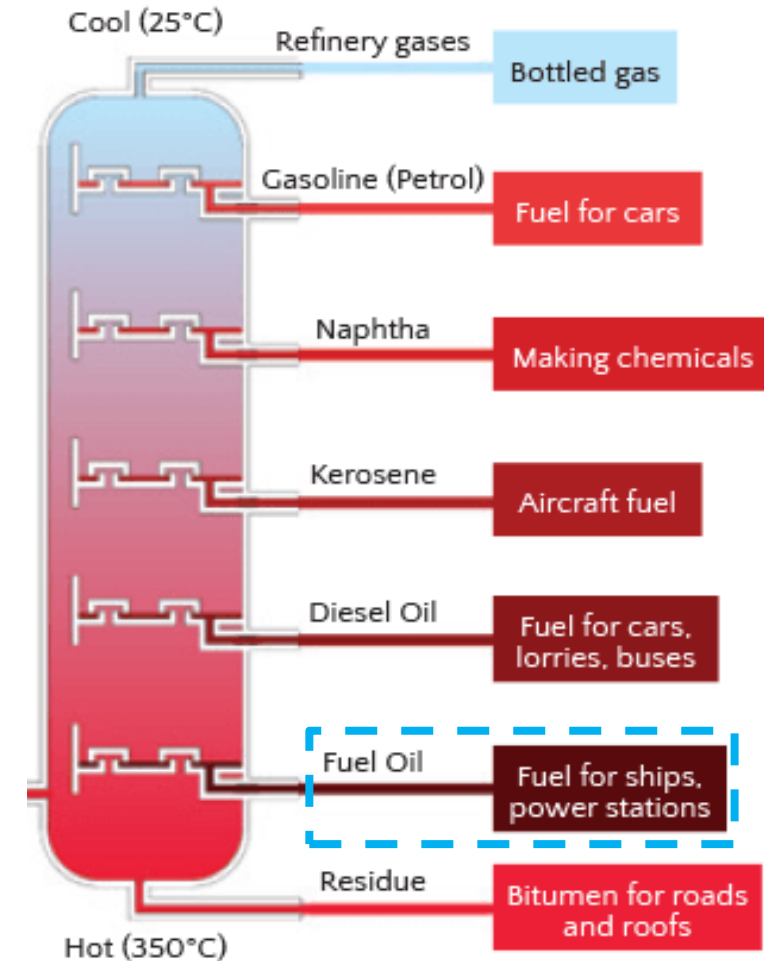
# Scrubber Retrofits: *Cost Breakdown*

- **Scrubber Costs:** Commercial purchase price of the scrubber, including logistics of delivering it to the shipyard (~40-50%)
  - Consider proximity of scrubber production base to retrofitting shipyard
- **Engineering Costs:** Includes 3D scanning, basic design (for classification) and detailed engineering (for shipyard) (~10-15%)
  - 3D scanning includes mobilisation of the scanning team (and equipment) and daily hire until scanning conclusion
  - Basic design for classification approval, usually does not include classification fee; shipowner can get better block fee rates with classification societies
  - Detailed engineering all production drawings needed by the retrofitting shipyard (or riding squad)
- **Retrofit Costs:** All material, labour and services associated with retrofitting a scrubber at shipyard or in-service (by riding squad) (~30-40%)
  - In-service retrofits is more expensive but reduces off-hire duration. Unless scheduled for a special survey, partial in-service retrofits can be considered
  - Scrubber retrofitting at shipyard requires drydocking only if underwater works required e.g. seachest, overboard discharge (not all vessels can trim by bow)
- **Loss of (Charter) Hire:** Depends on vessel segment and class (size). The higher the potential loss of hire, more incentive to consider some proportion of in-service retrofit (~10-15%)
- **Financing Costs:** Depends on interest rate and which components above are financed (<10%)



# ROI Factors: *Some Considerations (& Rhetorics)*

- **Potential Shifting of IMO 2020 Deadline**
  - IMO remains tight on the 2020 deadline; no extension to date Re: BIMCO, SMM 2018 etc.
  - Trump Administration exploring phased-in of IMO's 2020 Sulphur Cap; concerned about fuel price increase before 2020 elections
- **MGO vs. HFO Spread (price difference)**
  - There will **ALWAYS** be a spread between MGO/ LSFO vs. HFO
  - Energy is needed to produce MGO, LSFO
  - Refineries have to recover the invested \$ XXB to upgrade facilities
- **Availability of MGO vs. HFO**
  - Concerns on availability of MGO. Considering duration for refinery upgrading works; 1-2years beyond 2020
  - No expected shortage of HFO; standard product of crude of refining process
- **Compliant Blended Fuels**
  - Extensive trials ongoing; no stable blended compliant fuel as yet
  - If and when announced, availability concern and spread will remain
  - Assuming available soon, only increases ROI for scrubber retrofit



For Fuel Classification see: [https://en.wikipedia.org/wiki/Fuel\\_oil](https://en.wikipedia.org/wiki/Fuel_oil)



# Scrubber Retrofits: Indicative Pricing

Based on open-loop, 0.5% U-type scrubber:

	VLCC	Suezmax	MR	VLGC	LPG	Chemical Tanker
Scrubber	1,930,000	1,600,000	1,570,000	1,520,000	1,270,000	1,450,000
3D Scanning/Engineering	200,000	200,000	200,000	200,000	200,000	200,000
Retrofit	965,000	800,000	785,000	760,000	635,000	725,000
<b>Total</b>	<b>3,095,000</b>	<b>2,600,000</b>	<b>2,555,000</b>	<b>2,480,000</b>	<b>2,105,000</b>	<b>2,375,000</b>

Due at signing	30%	928,500	780,000	766,500	744,000	631,500	712,500
Due at vssl re-delivery	10%	309,500	260,000	255,500	248,000	210,500	237,500
Total Outstanding	60%	1,857,000	1,560,000	1,533,000	1,488,000	1,263,000	1,425,000
Subsequent monthly pmts	18x	103,167	86,667	85,167	82,667	70,167	79,167
*subsequent pmts in \$/d		3,439	2,889	2,839	2,756	2,339	2,639

	Capesize	Panamax	Supramax	6k-10k teu	4k-6k teu	sub 2.5k teu
Scrubber	1,540,000	1,440,000	1,340,000	2,220,000	2,040,000	1,440,000
3D Scanning/Engineering	200,000	200,000	200,000	200,000	200,000	200,000
Retrofit	770,000	720,000	670,000	1,110,000	1,020,000	720,000
<b>Total</b>	<b>2,510,000</b>	<b>2,360,000</b>	<b>2,210,000</b>	<b>3,530,000</b>	<b>3,260,000</b>	<b>2,360,000</b>

Due at signing	30%	753,000	708,000	663,000	1,059,000	978,000	708,000
Due at vssl re-delivery	10%	251,000	236,000	221,000	353,000	326,000	236,000
Total Outstanding	60%	1,506,000	1,416,000	1,326,000	2,118,000	1,956,000	1,416,000
Subsequent monthly pmts	18x	83,667	78,667	73,667	117,667	108,667	78,667
*subsequent pmts in \$/d		2,789	2,622	2,456	3,922	3,622	2,622

\*: Subsequent excluding interest component which will be confirmed following satisfactory financial due diligence

## Scrubber Retrofits: *Newport Execution with Financing*

- Newport Shipping provides shipowners with *turnkey* scrubber execution solutions ahead of 2020 with attractive *deferred payments*
- Comprehensive works: equipment procurement, 3D scanning, class and detailed engineering and retrofit works at *shipyard* OR *riding squad*
- Timeline: *8-month scrubber lead time* from order to delivery at shipyard
- Deferred payment plan; 30% due at contract signing and 10% at retrofit completion. Remaining *60%* payable over *18-monthly instalments* following vessel re-delivery
- *Guaranteed retrofit slot availability* to complete retrofits in *2nd half 2019* at partner shipyards at Atlantic and Pacific
- Shipowners receive *immediate earnings uplift* from subsequent vessel operations



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