

Creative Financing Fast Solution for Today's Market Conditions



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GMS Background

GMS's head quarters are in Dubai, UAE

Founded in 1992 by Dr. Anil Sharma, GMS began business through the acquisition of naval vessels from the US Maritime Administration.

GMS has offices in Dubai (UAE), Maryland (USA), Shanghai (China), Singapore & Japan. GMS is the only cash buyer with local representative offices in all five major recycling markets.

GMS's clients are among, Shipowners, Banks, PE firms, Brokers.

So far GMS has negotiated over 2,500 shipsand counting !

- ✓ **GMS is the world's first ISO 9001:2000 certified Cash Buyer.**
 - ✓ **Developed a unique Green Recycling program, together with a leading IACS member.**
 - ✓ **Employs over 50 globally.**
- Lloyd's List has ranked Dr. Sharma, amongst the Top 100 Most Influential People in Shipping for the last 4 consecutive year !**

Industry Facts

Cash Buying has evolved into a huge industry with large economic, environmental and social impacts. In 2012 alone, roughly **\$5.1 billion** worth of scrap vessels were purchased for recycling, whereas, in 2013, the total worth of scrap ships was approximately **\$4.1 billion**.

Throughout 2013 about **46.8 million DWT** was recycled vs. total of **56.5 million DWT** in 2012

- Dry Bulk: **32.4 mill DWT** vs. **35.7** mill in 2012
- Wet: **14.4 mill DWT** vs. **13.7** mill in 2012

Average age:

2011 - **37** years old

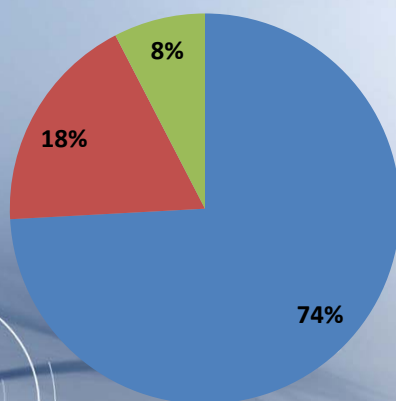
2012 - **31** years old

2013 - **30** years old

Note: all figures are approximates

Estimated 2013 Totals (\$)

■ INDIAN SUN CONTINENT ■ CHINA ■ TURKEY



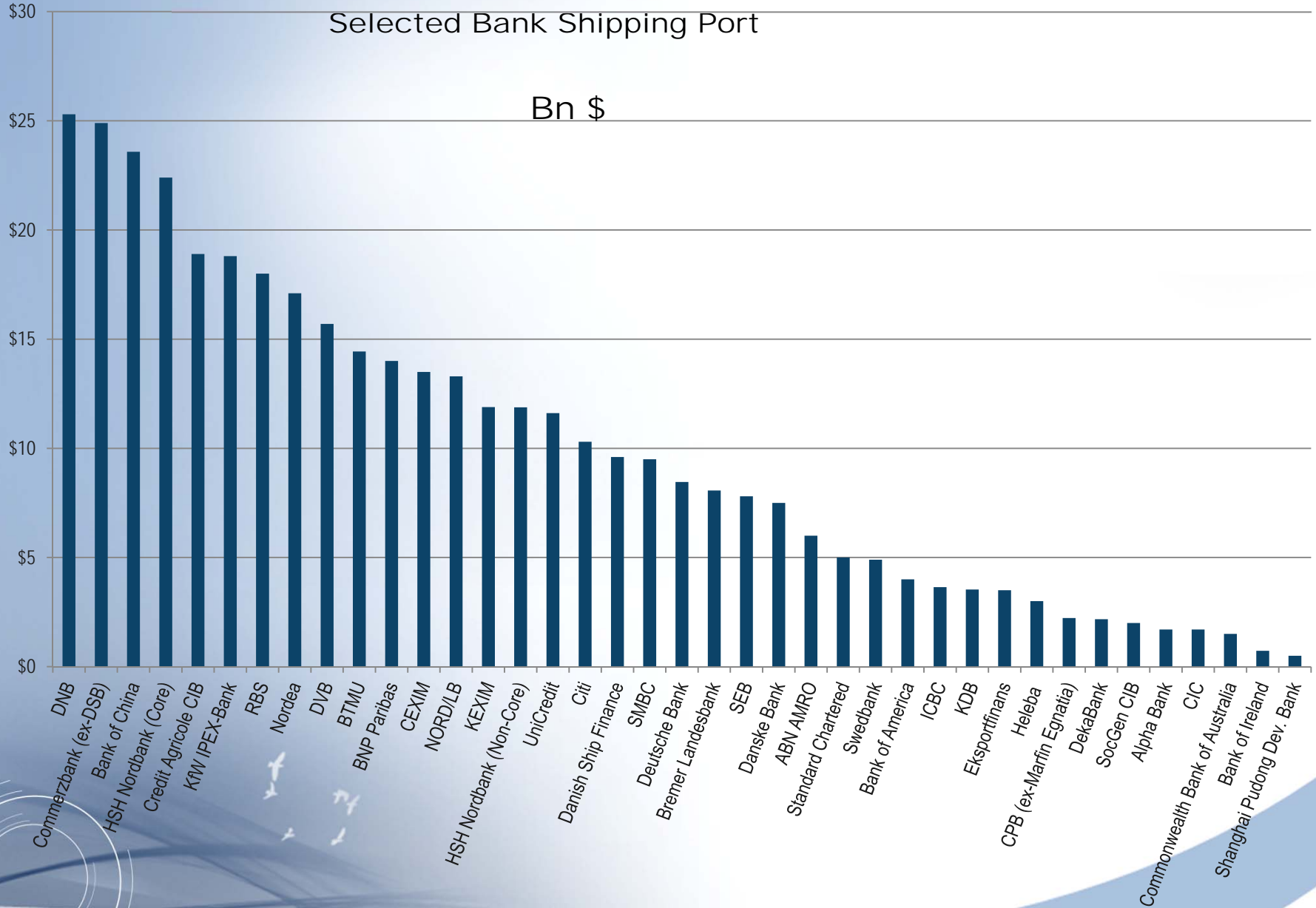
INDUSTRY BREAKDOWN (2013)

	INDIAN SUB CONTINENT	CHINA	TURKEY
No. of Vessels	610	286	240
Lightweight (lt)	6,952,118	1,977,000	920,000
Amount (US\$)	2.83 bill	697 mill	290 mill

GMS Projects – Overview

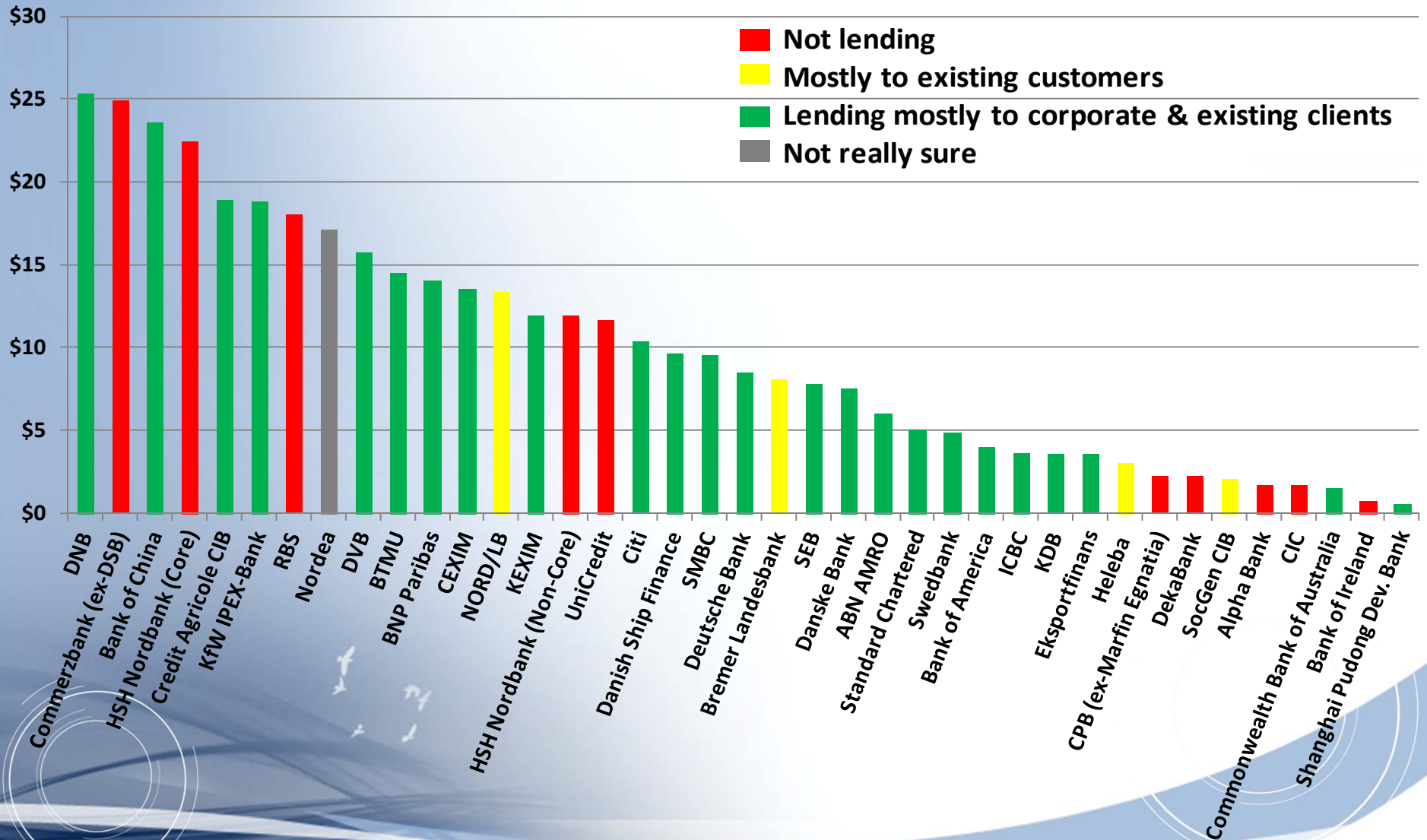
- With the on going financial crisis, one would have thought that the number of vessels recycled would have increased in 2013, but according to the figures on the slide, that has not been the case.
- The reason for this ? In my opinion, is the continued support by the banks who have had little choice but to end up running the ships, hoping for a sustained market recovery down the road and riding out the market cycle, rather than biting the bullet, which has consequences on their balance sheets.
- More stress testing has been announced for this year. Total lending by banks will continue to fall, while Export Credit Agencies will continue to grow. Chinese banks have stepped in but, with the proviso to build in China. Plus, it takes longer to negotiate a loan & any hope of any restructuring is remote.
- The concept used by banks is “PAYE”. This allows one to split the loan and reclassify it other than providing a moratorium on capital & interest, but even with this relaxation, many asset types have been operating below OPEX.
- With the protracted downturn + more economical vessels being built, the pressure continues to grow on the “older” units. Auditors & Regulators need to be reassessing the concept, because one needs to show a light at the end of the tunnel, that the owner will be able to repay the loan.
- If not, the banks will have to increase their loan loss provisions and shore up their capital base to improve their balance sheets. So, which banks will still be lending going forward ?

Selected Bank Shipping Portfolios, 2012



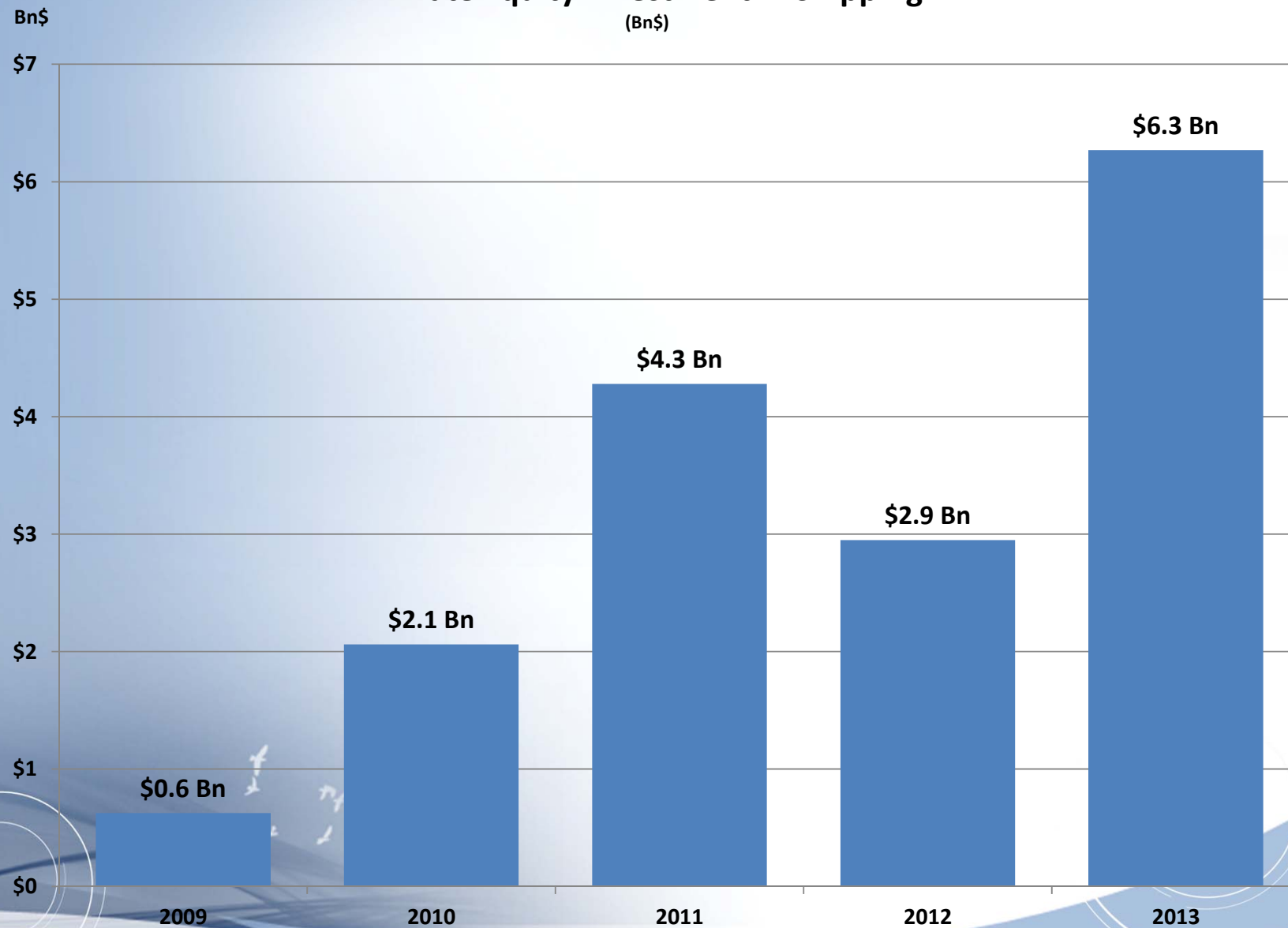
Selected Bank Shipping Portfolios, 2012

Selected Bank Shipping Portfolios, 2012
(Bn \$)



Private Equity Investment in Shipping

Private Equity Investment in Shipping
(Bn\$)



Private Equity Investment in Shipping

- **Private Equity deals have increased dramatically over the years. The assumption has been that it is a good time to enter the markets as the low cycle has lasted long enough. Plus PE firms have been sitting on a lot of cash, burning in their pockets. I am not sure if the bet to enter the shipping industry is based on a biblical concept of 7 years of famine, followed by 7 years of feasting, or was it in fact, the other way around !**
- **Although lending by banks is reported to be reasonable given the current circumstances, one needs to factor in how much debt is being provided to Shipowners versus deals being done by Private Equity, with support on the debt by banks, thus shifting the counter party risk to PE firms which is more palatable to the banks.**
- **The financial crisis in shipping, provided GMS the impetus to expand into ship finance. The Projects Team at GMS works closely with brokers, banks, ship owners and private equity firms to structure creative and unorthodox financing options. Most of the GMS's investments are equity based but they have also provided some debt depending on the deal structure. GMS's investments have ranged from shipping companies, shipowning, bareboat charter deals, Sale & Lease back, along with several other projects, including an investment in Koenig & Cie.**

GMS Projects – Overview

- The Projects Team's raison d' être is to invest and/or facilitate investments in global value creation opportunities.
- To identify ship owners whose financial needs are not being addressed by banks, which are either shying away from shipping or, are lending only to their existing client base or, by major PE players who consider some deals to be too small for their portfolios. This is where GMS can fill the gap !
- With more than 20 years of strong shipping background, a highly experienced and motivated team of Traders, Mariners, Engineers, Naval Architects and Ship Finance experts, GMS is in the best position to profitably manage such projects.
- The Projects Team also seeks to identify value maximizing opportunities outside of shipping; key projects are those that are characterized by strong business fundamentals, competitive advantages, recurring cash flows and robust growth prospects, but are facing temporary short term difficulties.
- Relationships developed over the last 20 years of global activities and multiple offices across different regions gives GMS direct access to value creating opportunities across the globe.

GMS Projects – LNG Vessel Purchase

To acquire 100% equity ownership in an LNG vessel with a charter back

Project Details

- The vessel comes with an existing 1 year charter, with CHOPT for one year.
- If the option is declared, a profit sharing agreement kicks into place, so the owner does not lose out on the upside.
- At the end of the charter, the vessel will be re-delivered to GMS, following which, she will either be resold for further trading, or sold for recycling.

Vessel Details

- LDT – Approximately 30,000 tons.
- Year Built – 1980.

Operational Details

- Dry Dock – May or may not come into play.

Debt Service

- Both interest and principal to be serviced from daily charter payments and eventual resale or recycling of vessel.

GMS Projects – Investment in KG Fund

The investment in Koenig & Cie, provided GMS with many new opportunities within German shipping and U.S. Private Equity markets

Project Details

- Along with other private equity partners, GMS concluded the reorganization and recapitalization of Koenig & Cie, one of Germany's largest KG companies, by acquiring a significant stake in the entity.

Vessel Details

- Based in Hamburg, K&C was established in 1999.
- At the time of takeover, it had invested approximately US\$ 2 billion of equity, controlled roughly 70 vessels ranging from MPPS, bulkers, container ships and tankers.
- K&C invested in many types of assets over the years including real estate, other funds and shipping within its portfolio of over US\$ 5bn.

Financing Structure

- Capital structure comprised of a creative mix of equity, as well as various tranches of debt.

Acquire majority stake in New Building Eco Design Ultramax Vessels

Project Details

- 4 opt 4 Ultramax N/B 's
- Delivered price was concluded prior to the recent spike in prices.
- Delivery schedule between 2015 to mid-2016.

Vessel Details

- Dual fuel engine with an Economical Design.
- Vessels will be classed with to one of the top tier IACS members.
- Top Tier yard in China.

Debt Service

- Interest and principal - to be serviced from operations. The option remains on the table to sell the vessels prior to, or after delivery.

Ship Owner

Owner sell the vessel at a fixed price with a forward delivery to GMS

Guaranteed Sale Option

Pros

- Option to lock in forward rates eliminates uncertainty of currency or steel price movements.
- If INR depreciates by 1 to the US\$, BDA prices reduce by \$5; with several macro uncertainties – QE tapering, expected interest rates increase, recent EM crisis scare. Entering into such agreement can generate substantial savings.

Cons

- Limited upside should recycling markets experience a boom....however to mitigate this one can also agree to a floor and ceiling with profit sharing.
- Similarly, gains are limited if commercial markets experience a significant recovery and it becomes economical to put vessel through dry dock rather than recycle it. Here again the mitigant can be profit sharing which would make sense for both parties involved.

JV with partial ownership

Partial Equity Ownership

Pros

- Immediate cash injection - mortgage or extensive dry docking.
- Partial upside remains with the Seller.
- By partnering with the largest cash buyer, the owner could benefit from a boom in recycling markets using a floor and a ceiling.

Cons

- Due to dilution of ownership, existing owner's share of profits from an unexpected boom in commercial markets will be shared.
- Equity is more expensive than debt, if obtainable - & it might not be suitable for all ship owners.

Ship Owner

Owner sells V with T/C back using vessel for storage purposes

Sale Leaseback

Pros

- Immediate Cash Inflow.
- Fixed charter hire - volatility greatly reduced if the T/C market goes up.
- Unplanned cash flows – avoiding exposure to breakdown, unplanned maintenance et cetera.

Cons

- No benefits should markets drop further and daily TC figures actually decrease.

Bridge Financing

Bridge finance for a fire damage- using insurance guarantee as collateral

Pros

- Immediate cash to fund repairs; avoiding a long waiting time before claim gets honored by insurance.
- Quicker repairs due to availability of credit, means getting the unit back into earning mode.

Cons

- None

GMS Projects – Recap & Why Us?

- **Fast Execution** - Owing to the lean organizational structure and solutions oriented approach, GMS's Projects Team can identify, evaluate and execute a project swiftly without getting bogged down by bureaucracy; 'fast, flexible, innovative and reliable'sums up the approach aptly.
- **Industry Expertise** –
 - ✓ GMS's long and in-depth knowledge in the residual market has offered a unique insights in the commercial aspects of the many maritime sectors, which our partners stand ready to benefit.
- **Creative Financing** –
 - Unlike traditional players who focus only on equity or debt, GMS's Projects Team can come in with both debt and equity depending on specifics of the project.
 - Moreover, irrespective of the investment structure, GMS prefers to have a substantial skin in the game which ensures that GMS's objectives align with that of our partners; in other words, *we win when our partners win.*
- **If any of you have an owner or know an owner or a bank that might be interested in such types of structures, or have any other structure in mind, please do contact the Projects Team by email or give any of team a call.**

GMS Projects



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