



# M&A Consolidation in Shipping

## Capital Link – New York Shipping Forum

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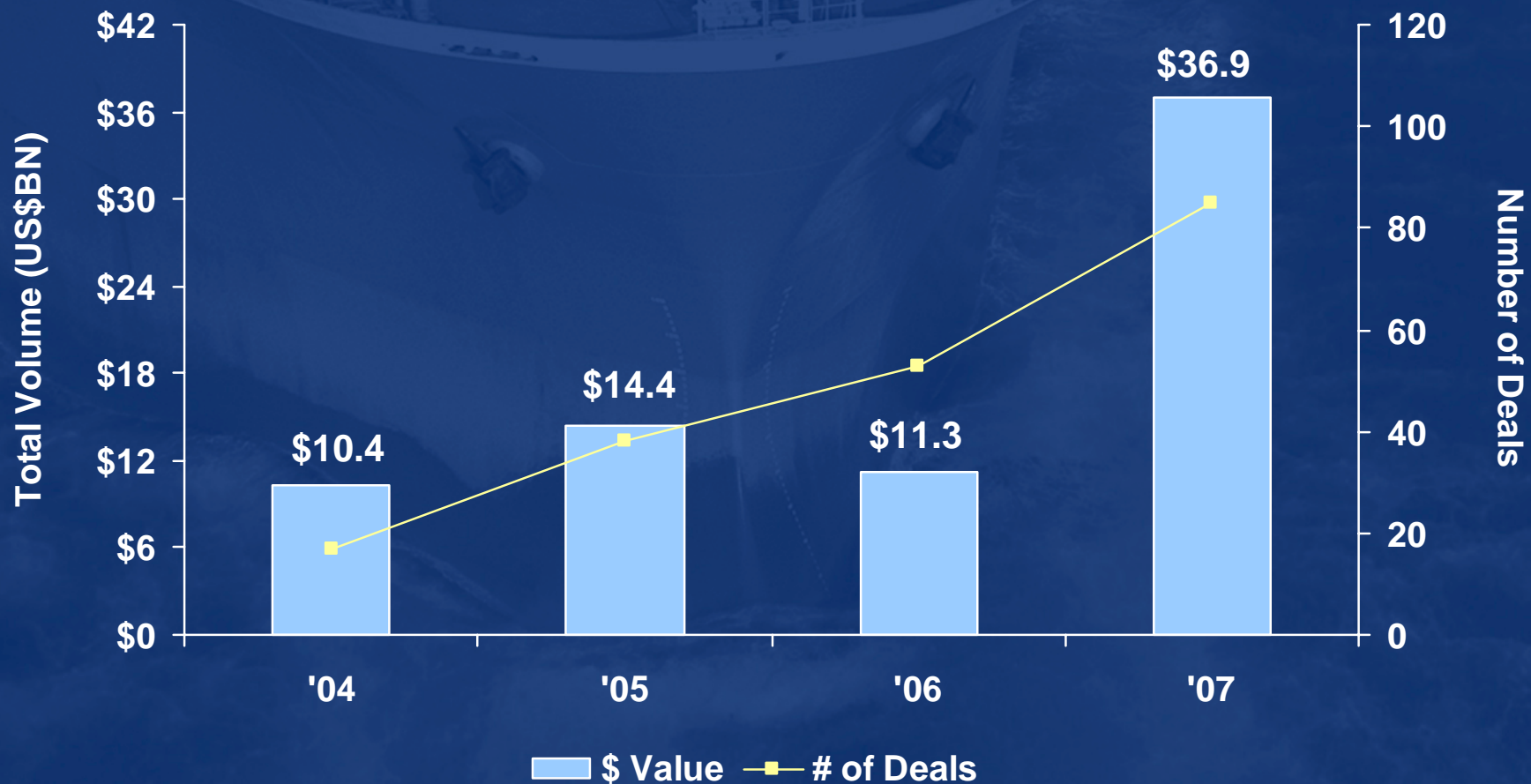
Deutsche Bank 



# Over the Last Several Years, Shipping Has Had a Party

- ✓ Shipping has seen explosive M&A volumes driven by the following:
  - strong rate fundamentals and earnings growth leading to favorable equity valuations for shipping companies
  - unparalleled access to liquidity in the bank markets as lenders provided debt capital at low margins
  - explosive equity issuance from shipping companies looking to fund growth
  
- ✓ The number of shipping companies accessing the public market has been huge

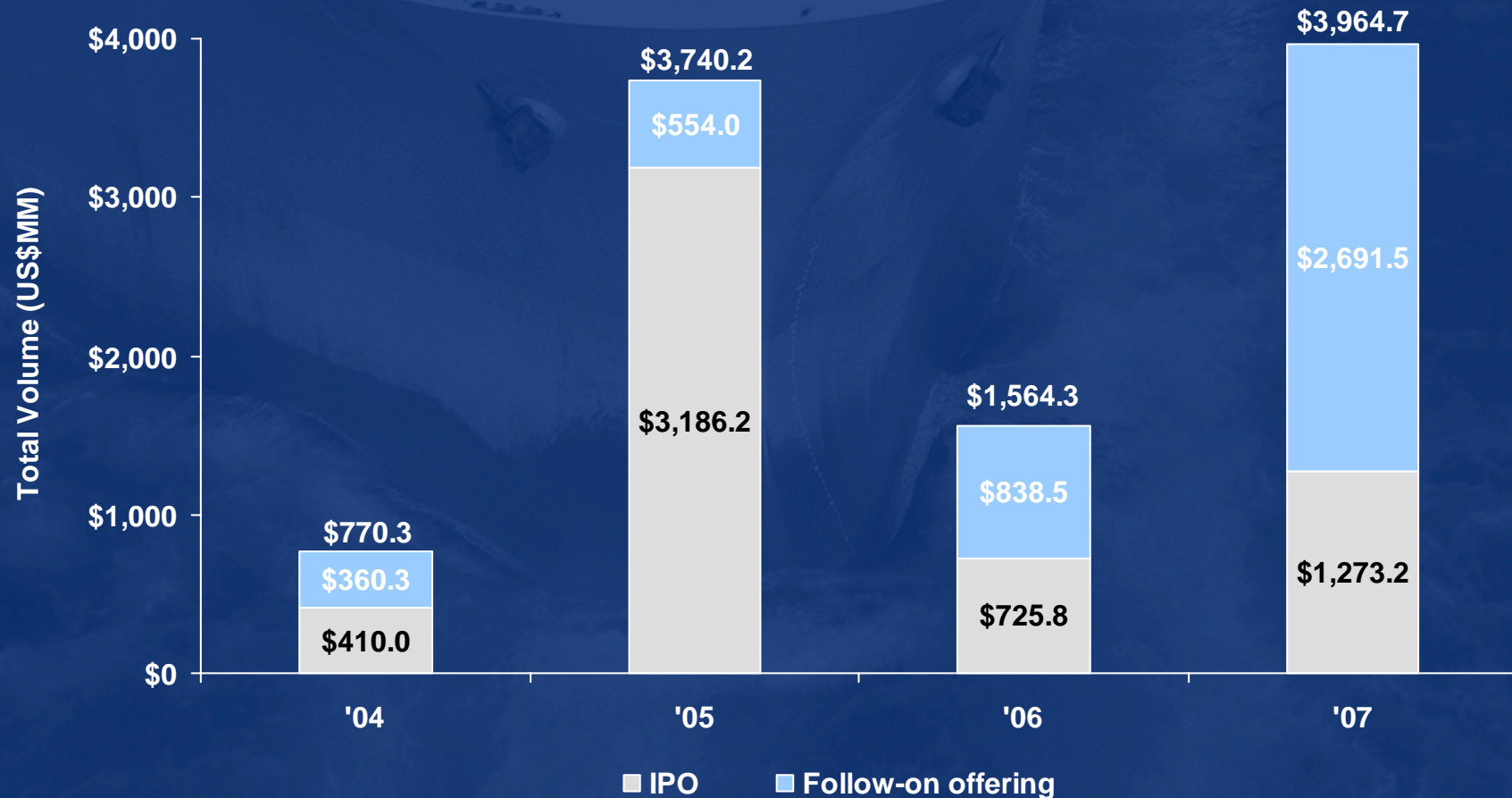
# Shipping M&A Activity Has Been Robust



Source: Marine money

# Shipping Equity Issuance Has Also Been Strong

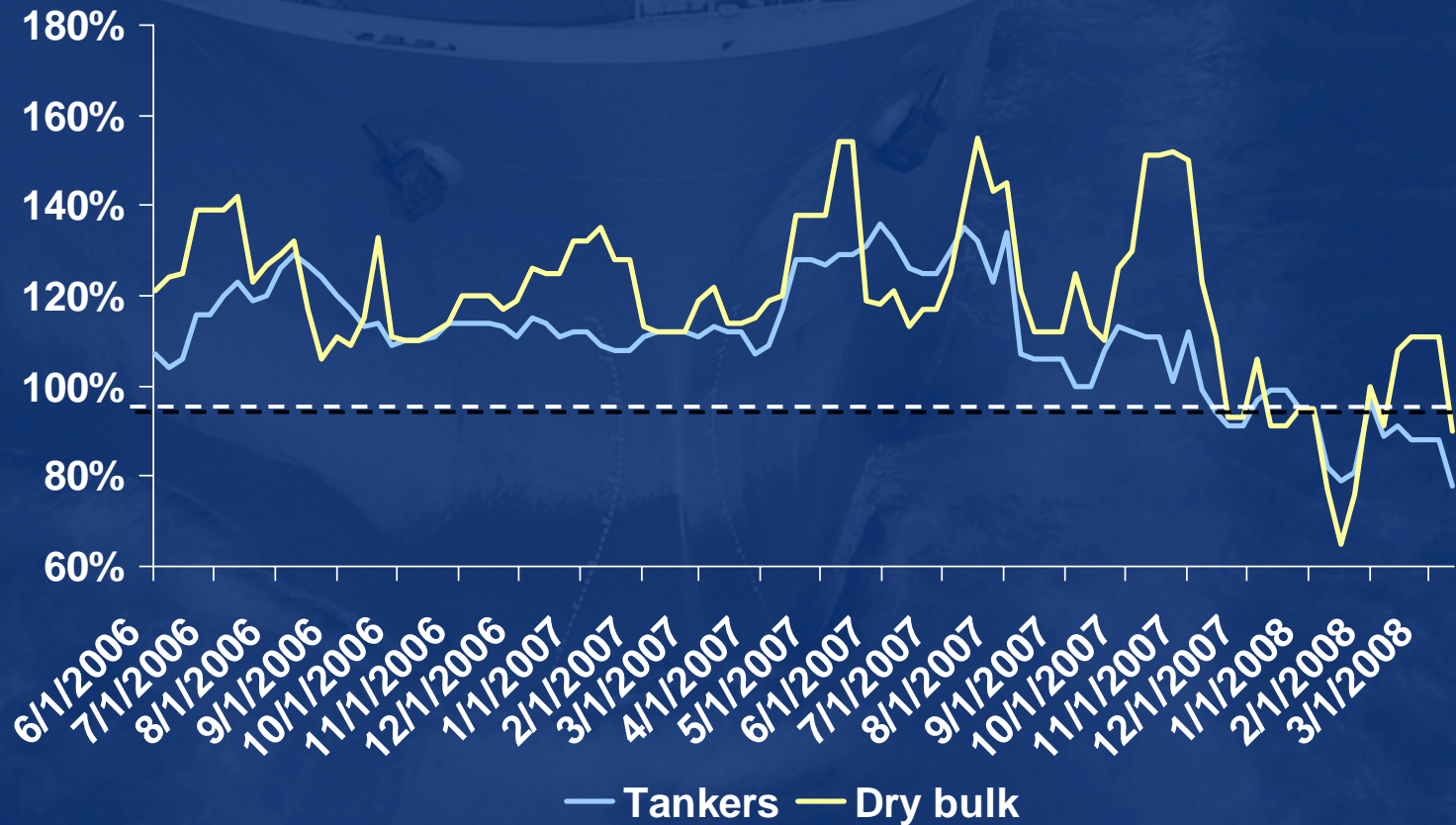
## U.S. Equity Issuance



Source: Dealogic, Bloomberg and Deutsche Bank Securities

# Strong Valuations Contributed to Strong Issuance

## Price / NAV



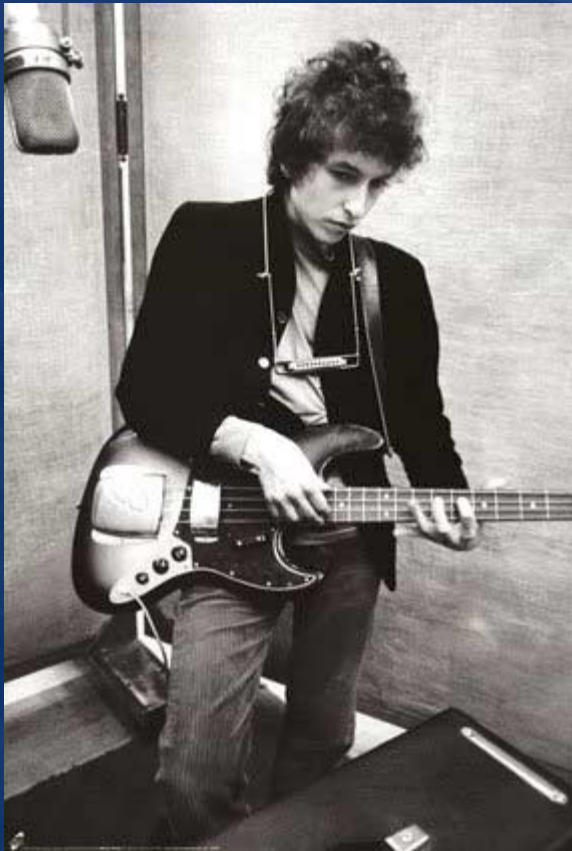
Note: **Tankers index:** Tsakos Energy Navigation, Overseas Shipholding Group, General Maritime, Teekay Shipping, Omega Navigation, Knightsbridge Tankers Ltd., and TORM.

**Dry bulk index:** Quintana Maritime, DryShips, Diana Shipping, Excel Maritime and Genco Shipping & Trading.

Source: Wall Street research



# Bob Dylan

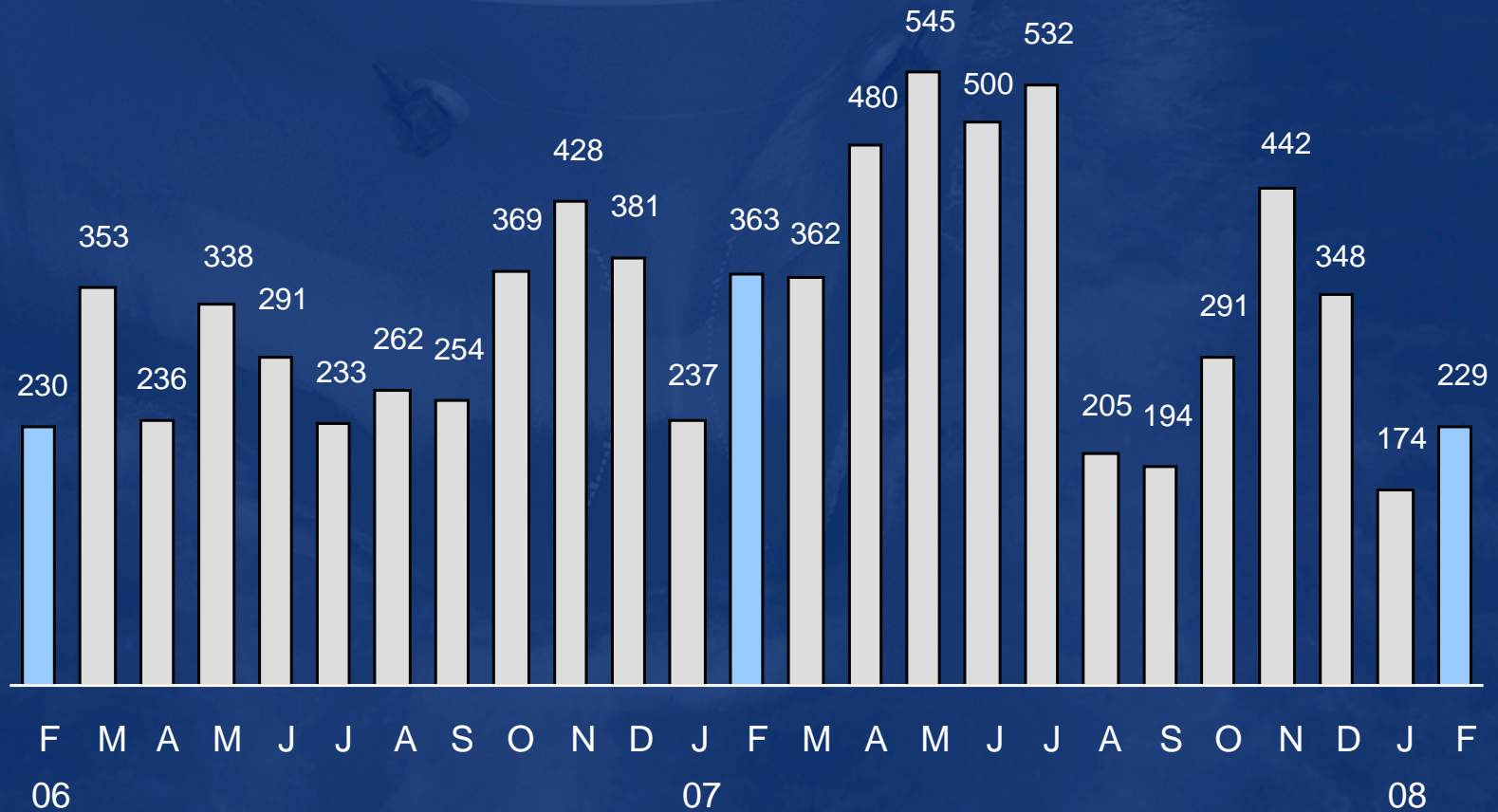


▶ “The Times They Are A-Changin’”

- Bob Dylan

# Global M&A Trends

## Has M&A Activity Peaked?



Source: Dealogic

Deutsche Bank



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# Global M&A Trends



**M&A Activity has been slowing due to a variety of factors:**

- **reduced private equity activity due to global credit crunch and anemic debt markets' liquidity**
- **greater mix of corporate to corporate M&A activity in light of reduced financial sponsor buying activity**
- **buyers are focusing on core operations instead of acquisitions as market volatility has caused their own business or stock price to weaken**
- **continual changes in economic outlook makes it hard for buyers and sellers to agree on business forecasts**

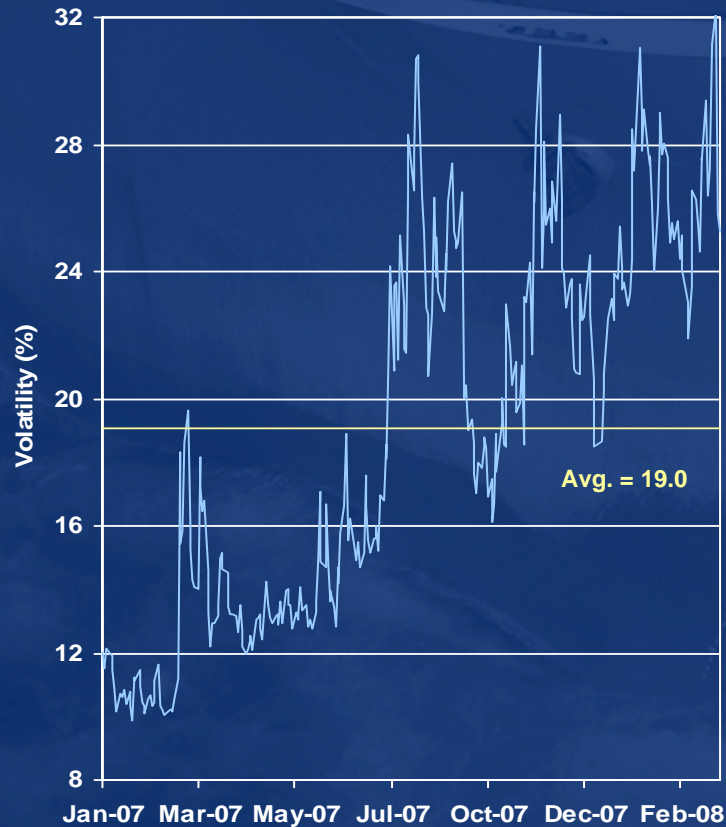
**Key question today: How am I going to finance an acquisition?**





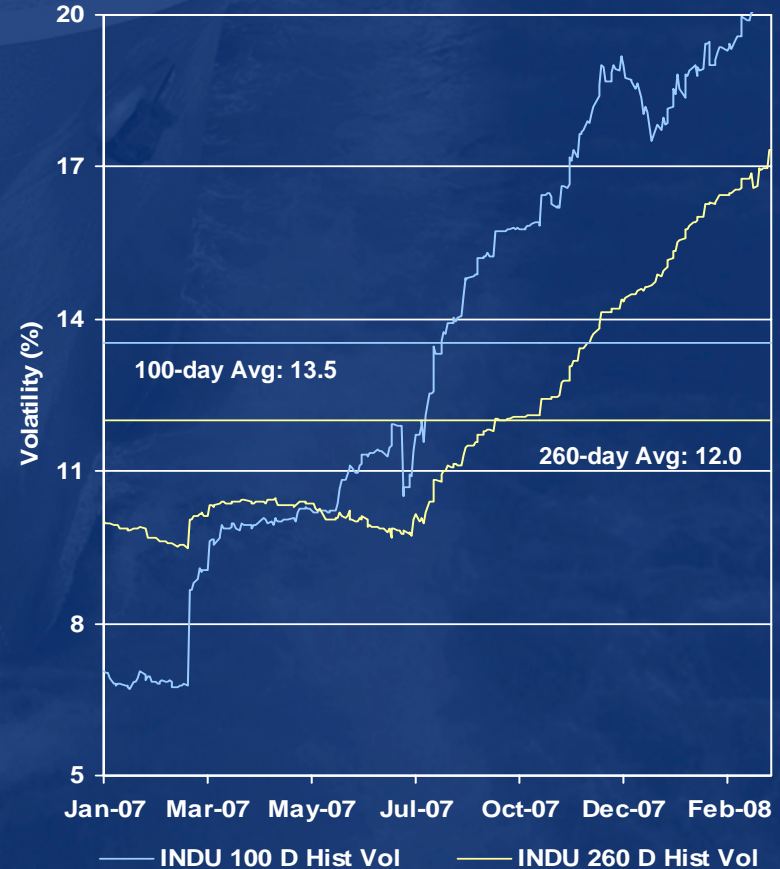
# Heightened Concerns in Credit Markets Has Led to Volatile Equity Markets

VIX Volatility Index (2007 – 2008YTD)



Source: Bloomberg

Dow Jones Historical Volatility (2007-2008YTD)



**Since October 1<sup>st</sup>, the S&P 500 has dropped 14.0%**

# Case Study: Excel Maritime's Acquisition of Quintana Maritime Ltd.

## Transaction Overview & Key Metrics

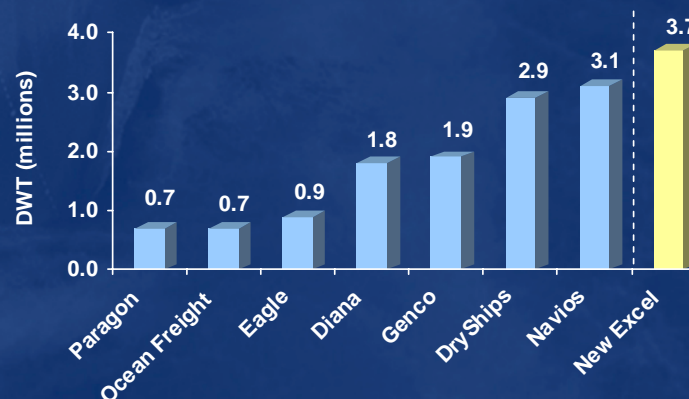
- On January 29, 2008, Excel Maritime Carriers announced that its agreement to buy Quintana Maritime for \$26.48<sup>(1)</sup> per share
- In order to finance the transaction, Excel was able to secure a \$1.4 billion credit facility from a syndicate of banks, led by Nordea and Deutsche Bank
- Pro forma for the merger, the combined company generated 9/30/07 LTM revenue and EBITDA of \$370 million and \$257 million, respectively
- The transaction is subject to customary regulation and governmental approval and is expected to close in mid-Q2 2008

(1) Based on a share price of \$16.89 as of 1/28/08

## Transaction Valuation

Transaction Size <sup>(1)</sup>	\$2.2 billion
Offer price <sup>(1)</sup>	\$26.48 per share
Cash consideration	\$13.00 per share
Stock consideration <sup>(1)</sup>	\$13.48 per share
Total Enterprise Value <sup>(1)</sup>	\$2.15 billion

## Creation of market leading fleet



### M&A advisors

Excel Maritime – DB

Quintana Maritime - Citi



## Conclusions and Outlook

- ✓ **We are experiencing heightened volatility in the debt and equity markets**
  - credit spreads have widened significantly
  - ability to fund larger (\$1 Bn +) deals has become harder given liquidity in credit markets
  - funds flows in equity markets have been negative as investors look to bolster liquidity
  - buyers' market versus issuers' market
- ✓ **As a result, it will be harder to structure M&A deals going forward**
- ✓ **M&A activity will be driven by those with access to capital**