

PRESS RELEASE

Direct Ship Finance helps shipowners secure their future

Deep-sea shipping experiences funding gap as traditional banks close

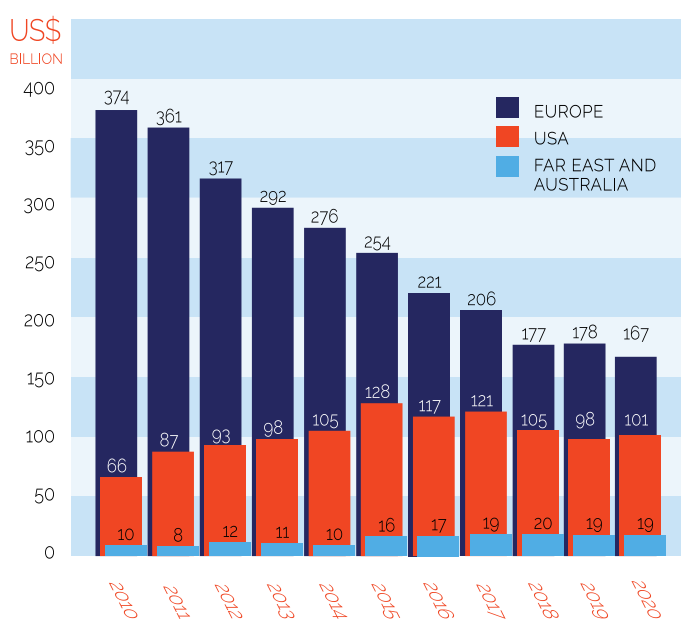
- Shipowners struggle to finance their fleet as banks retreat
- Small and medium-sized shipping companies in particular are being restricted in their activities
- Direct Ship Finance offers competitive and flexible mortgage loans financed by institutional investors

THE HAGUE, April 2022 - As banks turn their backs on shipping finance due to European regulations, Direct Ship Finance ('DSF') is opening new financing opportunities for small and medium-sized shipping companies. The deep-sea shipping sector suffers from a structural financing shortage. Therefore, DSF has been able to provide \$100 million in loans in a short period of time, with another \$600 million in the pipeline.

"Traditional shipping banks have closed their doors or structurally reduced their exposure to the shipping industry", observe Robbert Jan Sougé and Wijnand Botman, co-founders of Direct Ship Finance. "Especially the small and medium-sized shipping companies, which account for half of the global fleet, are suffering from this." DSF recently provided a \$33.5 million loan to Britain's Union Maritime, one of the largest independent tanker shipping companies in Europe. Shipping companies from Greece, Cyprus and Switzerland have also obtained loans.

DSF is selective in its underwriting approach: it has received applications for over \$2.0 billion in financing since the launch of their first fund in September 2021. The number of applications underlines the fact that the shipping industry is facing a structural financing deficit.

Loan books of European, American and Asian lenders.



Petrofin Global Bank Research – October 2021

The total loan portfolio of the world's 40 largest shipping banks has shrunk by 36%, from \$450 billion in 2010 to \$287 billion by the end of 2020. By contrast, the world fleet of deep-sea cargo ships has grown by 48%, from 81,000 ships in 2010 to around 120,000 ships in 2020. The upcoming Basel IV regulations will force European banks to keep more buffer capital on their balance sheets for each loan they have, making lending less favorable for banks. American and Asian lenders are only partially filling the gap left by European banks.

Direct funding

DSF has obtained \$400 million committed capital from institutional investors to build a portfolio of senior secured shipping loans. The loans are therefore not on the balance sheet of a bank. DSF was kick-started by its strategic partner DMFCO. The Hague asset manager DMFCO took the lead in this and successfully launched the MUNT Hypotheken label, where mortgages are financed directly by pension funds and other institutional investors. "We were able to advise and assist DSF in a similar business model in their start-up phase", says Rogier van der Hijden, Managing Director of DMFCO. "Within a short time DSF has emerged as a serious player that now stands fully on its own two feet."

Challenges for family businesses

Shipowners traditionally make use of asset-backed financing. These are mortgage loans with a structure similar to commercial real estate loans. The banks that still lend to shipowners usually focus on large companies where they can sell multiple products. However, most shipowners are private or family businesses with fleets of up to twenty vessels. The lack of access to finance is preventing companies from expanding their fleets or refinancing maturing loans. Companies resort to other alternatives, such as sale and lease back constructions or opportunistic venture capitalists, which significantly increase their costs.

Competitive and flexible

Direct Ship Finance offers solutions that are more favorable to ship owners. It offers competitive terms to shipping companies looking for an alternative to the bank loans that have now disappeared, but with flexibility in structure to suit the industry. Direct Ship Finance is not restricted by today's increased regulations that apply for banks. "The loans are financed directly by institutional investors, who have committed capital to Direct Ship Finance through a fund", says Sougé.

DSF has invested a lot of time in fundraising. "Investing in 'private loans' as an investment category is still relatively new for many institutions. Shipping is considered a niche, with (not always justified) reputation challenges. However, we have managed to dispel most of these concerns for investors. Moreover, an investment in this type of loan has characteristics that public bonds do not offer."

Solid market presence

With current investors, DSF is growing its portfolio to at least \$800 million, with a diversified portfolio and robust track record. DSF's specific asset class, despite having a weighted average loan maturity of only 3.3 years, offers an illiquidity premium plus additional returns not found in public markets. Among other things, the loans have a variable interest rate, contracted stable income and a high diversification potential.

DSF uses a defensive strategy with first mortgages on a select number of vessel types that have relatively high liquidity. In addition, ESG factors are taken into account in fleet financing, including 'green' scrapping, energy labels and the possibility to make existing vessels more environmentally friendly.

About Direct Ship Finance

Direct Ship Finance is a new structured provider of senior secured shipping loans to small and medium-sized ship owners. Backed by institutional investors, Direct Ship Finance focuses on the needs of shipowners by offering a fast turnaround, flexibility and competitive terms. This enables European private and family-owned companies to continue and expand their businesses.

Direct Ship Finance was founded by Robbert Jan Sougé (1964) and Wijnand Botman (1982). Robbert Jan has over 30 years of experience in shipping and ship finance, Wijnand over 12 years. More background information on DSF can be found on their [website](#).

Direct Ship Finance is a good example of the trend of disintermediation that is changing the financial sector: capital is increasingly flowing directly from those who have money to those who need it - without touching the balance sheets of the banks. This leads to lower costs and greater efficiency.

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