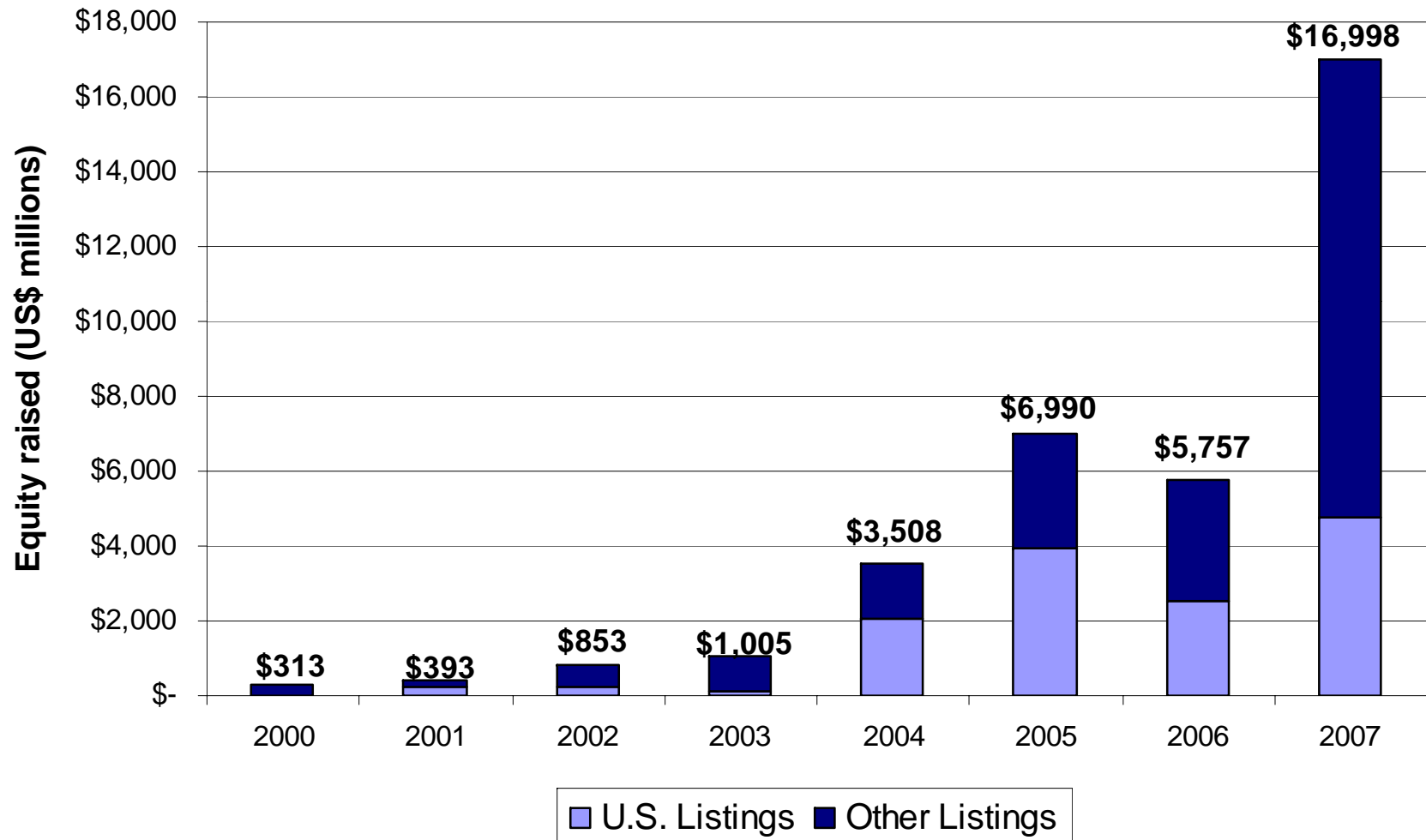


Setting the Stage: Analysis & Trends of Private Equity Deals in Shipping

Marine Money German Ship Finance Forum
February 27, 2008

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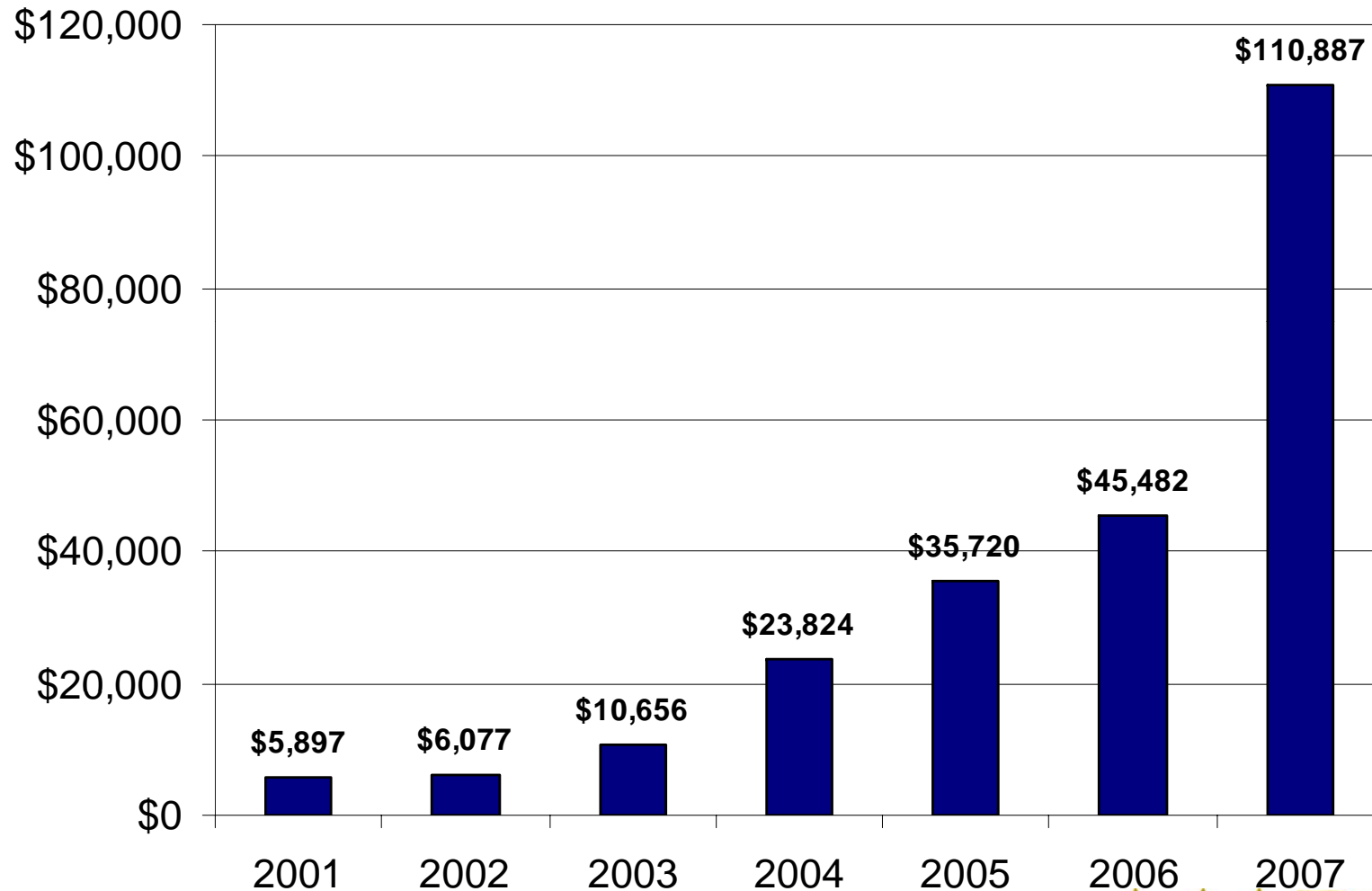
A Record Year for Public Equity



Sources: Marine Money Research, Citigroup Data

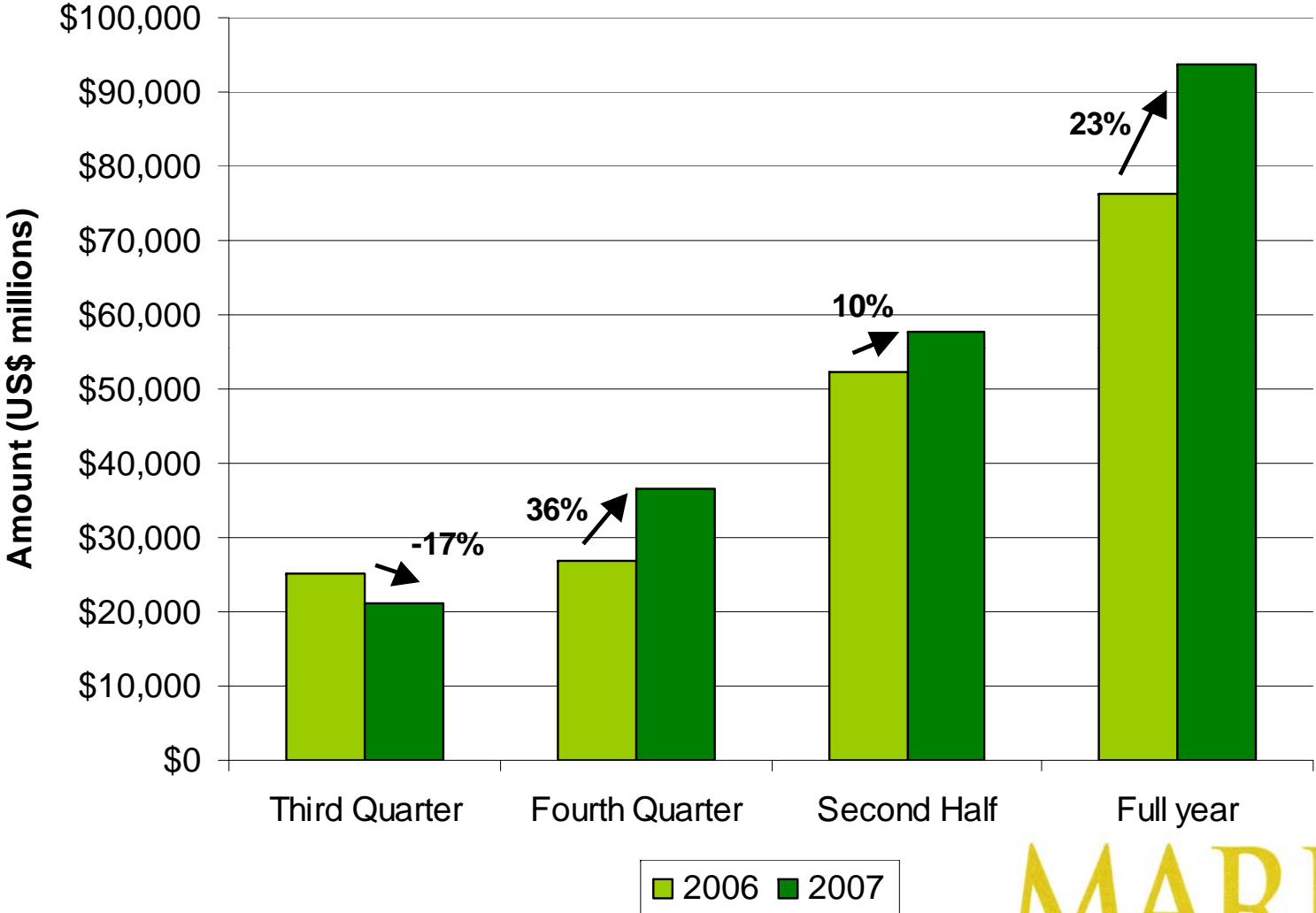


Market Capitalization of All Listed Shipping Companies



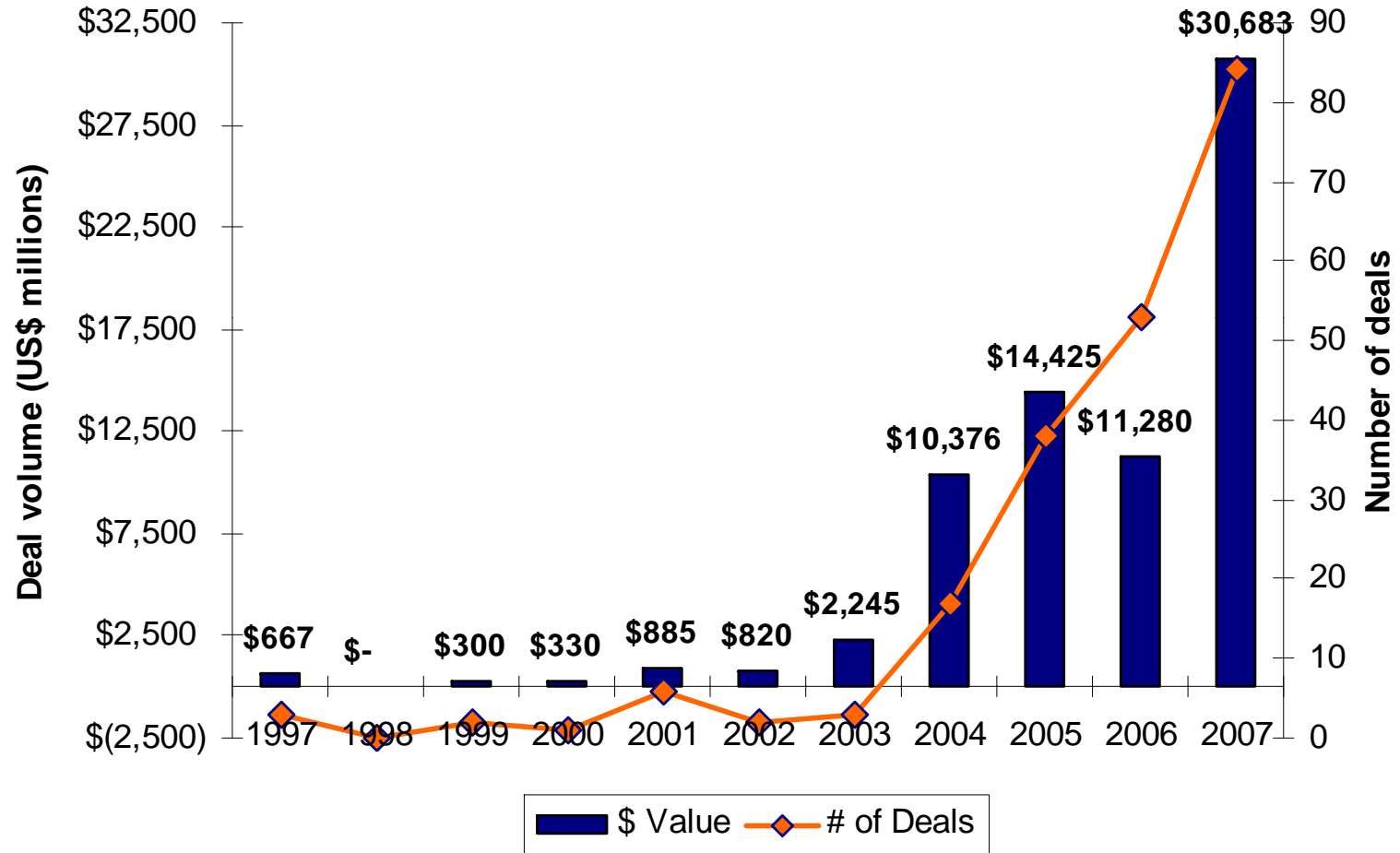
Sources: Jefferies & Company

Syndicated Shipping Issuance Grow, but Slows



Source: Dealogic

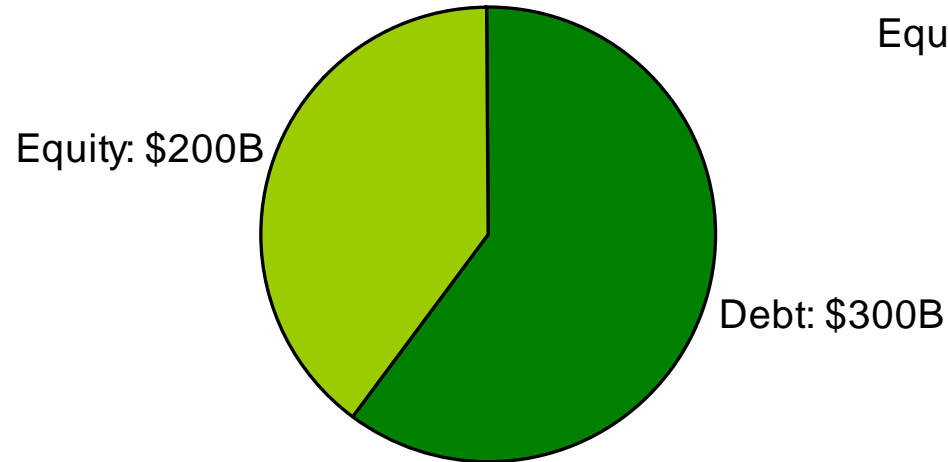
Shipping M&A Transaction Volume



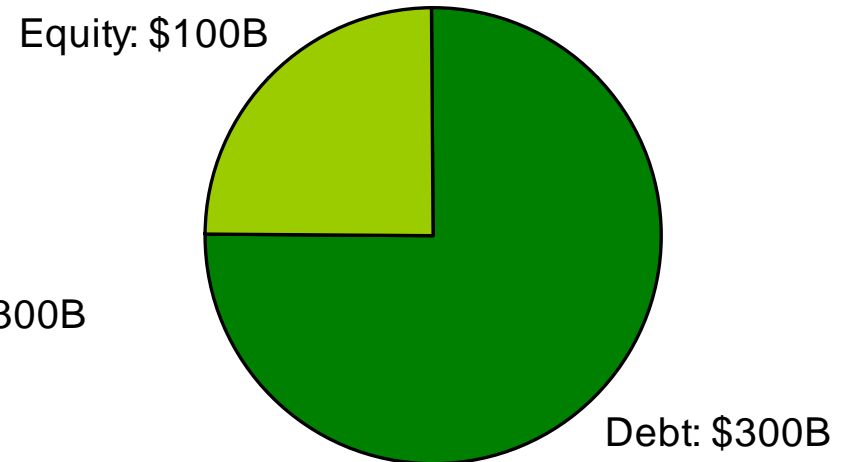
Sources: Marine Money Research

Equity Contribution

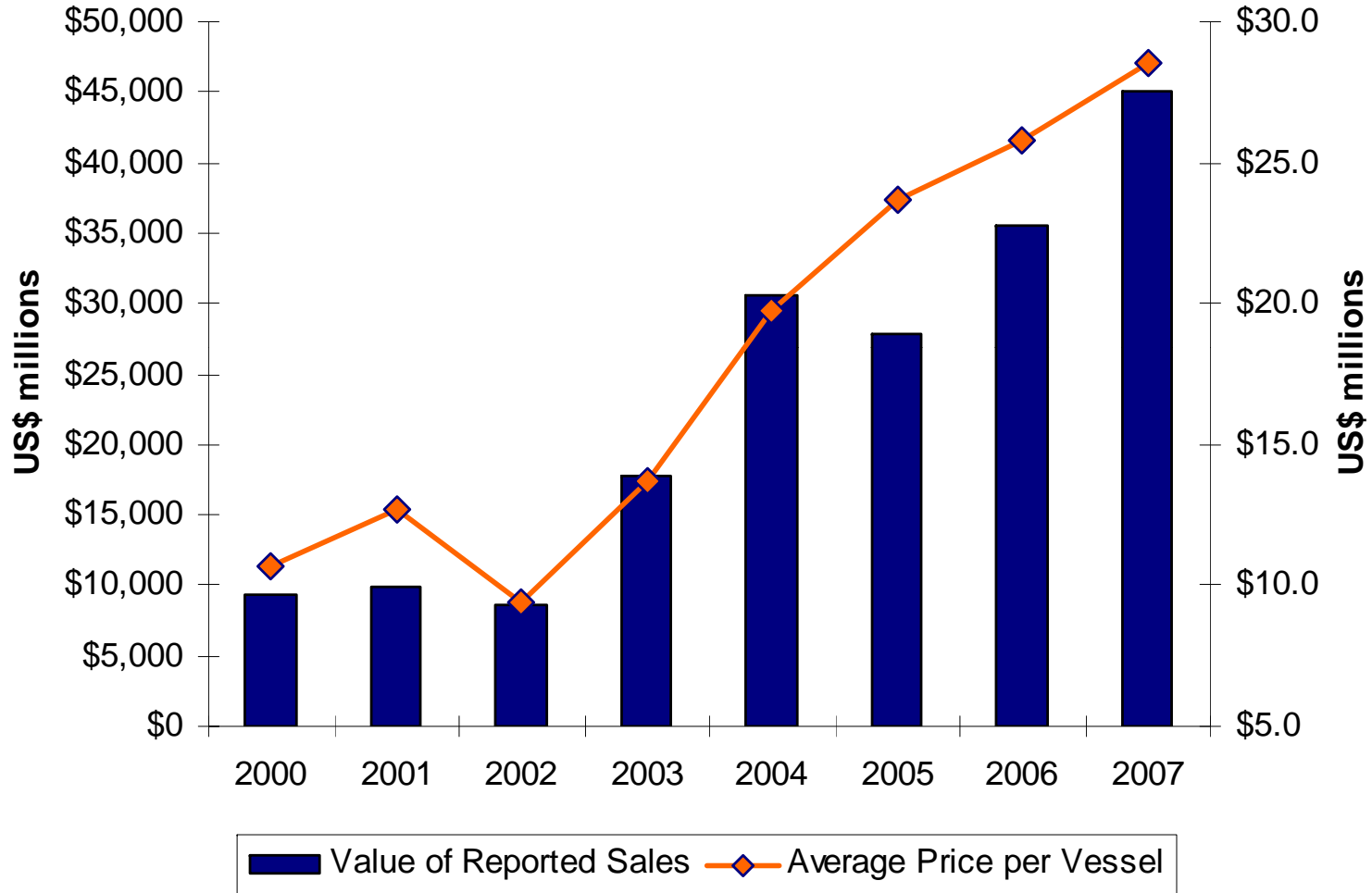
Assuming 60% Leverage



Assuming 75% Leverage



Vessel Sale Values Continue to Rise



Source: C.W. Kellock & Co., Marine Money Research

Private Equity Applications in Shipping

1. Buy Out
2. Build Up
3. Joint Venture
4. Mezzanine
5. Lease / Single Asset Finance

Source: C.W. Kellock & Co., Marine Money Research

The Buy Out: Common Formats

Leveraged Buy Out (LBO)

- U.N RO-RO \$1.3b acquisition by KKR
- Carlyle acquisition of Horizon Lines

Management Buy Out (MBO)

- K-SEA Transportation backed by FS Equity (\$216m)
- V.Holdings backed by Exponent Private Equity (\$350m)

Special Purpose Acquisition Companies (SPACs)

- International Shipping Enterprises \$608m Navios acquisition
- Star Maritime \$345m acquisition of TMT dry bulk fleet

The Buy Out: Common Exits

Leveraged Buy Outs & Management Buy Outs

- IPO
 - Castle Harlan IPO of Horizon Lines
- Resale / Flip
 - Chembulk sale to Berlian Laju Tankers
 - Carlyle sale of Horizon Lines to Castle Harlan

Special Purpose Acquisition Companies

- Share freely tradable on public exchange

The Build Up

- Acquisition of companies and/or assets to be combined into one entity
- Exit strategy: IPO
- Examples:
 - Maas Capital / Diana Shipping
 - First Reserve / Quintana Maritime
 - Fortress / Seacastle

The Joint Venture

- Private Equity co-invests with strategic shipping partner in joint project
- Examples:
 - Fortress / Clipper
 - Argenmar

Mezzanine

- Firm invests equity in shipping project and retains some equity risk
- Examples:
 - Blackstone & Lehman Brothers / USS Product Investors
 - Efibanca

Leasing / Single Asset Finance

- Most Common Use of Private Equity in Shipping
 - Applications include KG, KS, UK tax lease, and many more
 - Can be funded with public or private equity
 - Can function like a bond or like a true equity investment
- Equity Examples:
 - Oldendorff / Tufton sale leaseback with index-linked charters
 - Recent KG sale leasebacks with pooling and profit-share arrangements

Thank you.

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