WHO NEEDS AMEX?

Initially, when we received the nomination for Seaspan Corp.’s $200 million revolving credit facility (“RCF”), we set it aside not fully understanding its implications. It was not a traditional mainstream deal that we had come across before, but with Seaspan’s involvement we should have realized its significance. But we were a day late and a dollar short, as you will see, in recognizing this transaction for what it is, a corporate banking facility, which remains one of the few of its kind in the shipping finance market.

The winning transaction represents a successful refinancing of its debut 364-day RCF originally signed in May of 2014. The facility was launched seeking $125 million on a best efforts basis to the existing RCF lenders and a number of additional Seaspan relationship banks that were not lenders in the 2014 facility. The refinanced facility closed oversubscribed by 80% with $225 million in commitments received from a group of eight core lenders. The oversubscription is attributed to the four new banks which joined the facility, demonstrating that core international lenders are open to an unsecured facility of this nature if appropriately structured and for the right credit. Despite the new found riches, Seaspan opted to cap the new facility at $200 million, which still represented a 100% increase from the 2014 facility amount.

The RCF is a liquidity/working capital facility that provides the borrower with a great deal of operational flexibility, but which also requires a unique and bespoke structure to meet the lenders desire for a robust credit structure taking into account its unsecured nature. For instance, the RCF can be used to pre-fund an expenditure while more permanent capital is being sought. As a revolver, monies can be borrowed and repaid up until the maturity of the facility at which point it must be repaid in its entirety. It is the shortened maturity which is critical from the credit underwriting perspective.

The true measure of success of this transaction was that Seaspan materially increased the refinanced facility amount, while decreasing the all-in pricing from the debut transaction. This speaks to Seaspan’s ability to leverage its industry-leading position, robust credit/financial profile and its strong lender relationships to successfully access the international syndicated loan market with an unsecured revolving structure which has been traditionally challenging for lenders to support in size.

THE GREAT ESCAPE

Everyone talked about it, but few, if any, accomplished it. We are speaking of the holy grail of a private equity exit from a shipping investment. In August, Principal Maritime, an Apollo portfolio company, succeeded making many of its peers jealous. It had agreed to sell its fleet of 12 Suezmax tankers, with an average age of 5.5 years to Teekay Tankers for $662 million.

Principal Maritime’s Suezmax fleet was sold through a dual-track IPO-M&A process - UBS was mandated as Lead Left Bookrunner on Principal Maritime’s filed NYSE IPO in 2014. Encouraged by the strong crude tanker industry fundamentals, UBS structured a robust sell-side process that targeted a broad universe of buyers early on in the process. UBS maintained strong competitive tension throughout the process and secured a bid for Principal Maritime’s entire fleet of vessels under a compressed timeline.