In all our years of covering the maritime space, we do not ever recall hearing the expression merger of equals. It is consolidation at its finest and yet most difficult having to overcome issues of valuation, personnel and governance. But at the end of the day a force to be reckoned with is created. While consolidation is the watchword of every conference agenda, in reality, as Jeff Pribor reminded us, it is extremely rare.

But before we delve into the winning transaction, we need to review its worthy competition. John Fredriksen last year formed two powerhouses in each of the dry bulk and tanker segments. The joining together of Frontline with Frontline 2012 and Knightsbridge with Golden Ocean were fait accompli and resulted in more efficient vehicles for shareholders and lenders, in addition to creating market leading companies. At the periphery of our space, the acquisition by American Commercial Lines, owned by Platinum Equity, of the commercial barge transportation subsidiary of American Electric Power for $550 million plus the assumption of leases received a number of nominations. This brought together two highly complementary businesses with similar business practices and a strong strategic fit. Also nominated was the acquisition by Teekay Tankers of Principal Maritime’s Suezmax tanker fleet for $662 million, leaving both seller and buyer satisfied.

Approximately one year ago, General Maritime Corporation entered into a definitive agreement with Navig8 Crude Tankers Inc. in which GenMar and Navig8 Crude merged in a stock-for-stock transaction to create Gener8 Maritime Inc. Prior to the combination, GenMar was a private company with a fleet of 32 crude tankers, including seven Very Large Crude Carriers (“VLCC”) newbuilds. Navig8 Crude was publicly traded in the Norwegian OTC with a fleet of 14 VLCC newbuilds.

As a consequence of the merger, Gener8 Maritime became a world-class provider of international seaborne oil transportation services. The Company had a combined fully-delivered fleet of 46 vessels comprising over 11 million deadweight tons, forming the largest owner of modern eco-design VLCCs and the second-largest crude vessel fleet in the world of publicly listed crude companies. It was not just the fleets that were combined. The transaction combined complementary management teams bringing corporate leadership and capital markets expertise together with strong commercial and tanker market knowledge.

Under the terms of the definitive agreement, GenMar and Navig8 Crude merged in a stock-for-stock transaction, whereby a newly-formed subsidiary of GenMar acquired all of the issued and outstanding common stock of Navig8 Crude. Gener8 Maritime shareholders received 0.8947 shares of the combined company for each share of Navig8 Crude common stock. The pro forma company had a combined fully-delivered asset value in excess of $3.0 billion and a net asset value of approximately $1.0 billion. The existing GenMar shareholders owned 52.55% and Navig8 Crude shareholders owned 47.45% of the pro forma issued and outstanding common stock of the new company. In addition, the shareholder group agreed to an equity backstop of $125.0 million if Gener8 Maritime could not successfully complete an IPO to fund its newbuild program.

This merger is one of the largest consolidation transactions in the shipping sector since the financial crisis. Gener8 Maritime will benefit from the combined expertise of both management teams and the newly formed Board of Directors will include equal representation from both General Maritime and Navig8 Crude’s shareholders, including Oaktree, Blue Mountain, Avenue, Monarch, Blackrock and Aurora Resurgence. This Transaction is illustrative of the increased drive for consolidation in the sector as financial investors, such as Oaktree, are seeking value enhancement and scale through a merger transaction in order to be better positioned to undertake an IPO listing. While perhaps not yet recognized by investors, bigger is always better.