WE UNCOVER A JEWEL
PRIVATE PLACEMENT DEBT
DEAL OF THE YEAR

By George Weltman

Characterized by having less than five investors, private placement debt, is another product which has not yet fulfilled its promise as a source of capital for shipping. Over the years, we have regularly received one or two nominations annually. Perhaps the paucity of nominated transactions reflect their “private” nature. What little we do know is that this market offers ease of execution, low prevailing Treasury yields and access to a sophisticated and broad private investor base. By nature, it is the marketplace for the best and the brightest.

Breakwater Capital-Hayfin nominated their $126.25 million “take and hold” unitranche senior secured loan to Advantage Tankers for three 2010-built Suezmax tankers, which had just completed their first special survey. Carefully structured to mitigate risk, the loan to three SPVs is cross-collateralized, has a parent guarantee and standard asset and guarantor covenants. Scheduled base amortization through the five-year term is supplemented with a cash sweep. Further security is provided by charters on each of the vessels which are coterminous with the loan. Each of the charters has a rate floor while some benefit from profit sharing, which provide both a visible source of repayment and the possibility of accelerated repayment. The benefit to the owner of the lenders’ careful analysis of the profit split potential, the medium term crude market outlook, the commercial and technical track record of Advantage, the charterers’ risk profile and the overall transaction structure was a LTV of 77.5%, which is higher than a traditional bank would offer. But do not worry the lenders are well-compensated through the spread, up-front fees and prepayment penalties. In short, a perfect fit for this alternative capital source.

In a transaction secured by Stolthaven Houston Terminal, Stolt-Nielsen successfully concluded a $250 million private placement with AIG.

Transaction: Anthony Veder Group €66 Million Private Placement
Winners: ABN AMRO, Delta Lloyd Asset Management
Rated BBB-, the ten-year note bear interest at a highly competitive fixed coupon and is further secured by a corporate guarantee. Proceeds from the notes will be used to repay existing financial indebtedness and for general corporate purposes. The investment grade rating reflects the strong position that the Company enjoys with its creditors, enhanced by the value of the Houston terminal as collateral, based upon its location on the Houston Ship Channel in Houston, Texas. The terminal provides direct access to I-10, Beltway-8, and Texas 225 and operates both as a domestic bulk liquid facility and as an international distribution hub.

This financing is the first private placement in many years for Stolt-Nielsen.

In this year’s winning transaction, ABN AMRO arranged a €66 million private placement to finance the construction of a newbuilding eco-design 18,000 cbm ice-class 1A Super LNG carrier for delivery in 2017 to the Anthony Veder Group. The vessel when completed will be delivered under a 20-year time charter to Skangas, a subsidiary of Gasum Oy, a 75% owned state-owned Finnish utility. The transaction was structured as an amortizing 20-year Euro Private Placement on the back of the strong time charter and secure cash flows. The company benefited from a longer maturity and repayment profile, significant leverage, low costs and investor diversification. With its many positive attributes, the transaction attracted interest from a number of investors, from which a single Dutch institutional investor, Delta Lloyd Asset Management was chosen as the preferred financing partner. The transaction was documented under the new ICMA/LMA Pan European Private Placement loan document format tailored to ship finance, which hopefully, implies more transactions going forward.

The icing on the cake was the selection of the transaction as the first sustainable shipping loan, which is fully certified according to the Clean Shipping Index Guidelines by Bureau Veritas, which also verified the sustainable credentials of this transaction. Certification of the financing is the result of (i) Anthony Veder’s dedication to sustainable shipping, (ii) the ecofriendly design of the LNG vessel, (iii) sourcing and use of the product to reduce emissions in Finland by Gasum/ Skangas, and (iv) ABN AMRO’s expertise in sustainable financing. Can it get any better than meeting a customer’s financing needs while being “green”?

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