## WEST

**GasLog Ltd’s Debt Refinancing**

**Transaction:** $1.05 Billion Debt Refinancing  
**Winners:** Citi, Credit Suisse, Nordea, SEB, HSBC, ING, Danmarks Skibskredit, Korea Development Bank, DVB

**Transaction:** $576.5 Million Senior/Junior Secured Term Loan  
**Winners:** DNB, ABN AMRO, Commonwealth Bank of Australia, ING, Credit Agricole, National Australia Bank, DVB

## EAST

**BW Gas JuJu LNG Ltd. $684.5 Million Senior Secured Non-Recourse Term Loan**

**Winners:** Standard Chartered, Korea Development Bank, DVB, SG Finance, ING, Clifford Capital, Danske Bank, BNP Paribas, Credit Industriel et Commercial

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To fully appreciate what a difficult year it was for syndicated lending to the industry, Dealogic’s data provides a useful starting point.

The historical data in the graphs on the following page highlight the growth of syndicated lending from 2003 through 2008, which ended with the financial crisis and then its slightly staggered recovery largely on the back of higher volume transactions through 2015, which corresponds to the peak of the last shipping boom. All that came crashing down in 2016, when total syndicated loan volume fell by half to $50.3 billion (189 transactions) down from $102.0 billion (260 transactions) a year earlier. That was 23.7% of 2015’s volume and was significantly above the 14-year average of 19.7%.

The banks’ problem loans and risk averse credit committees together with poor shipping markets and weaker credits were a good recipe for credit contraction. Looking back, one banker described it as a boring year. Not only were there fewer deals, they were largely refinancings of existing loans done with top tier credits. Still, based upon the number of nominations, it remains the go to place for shipowners’ capital needs.

This category remains one of the most challenging to evaluate. Adding to the simple difficulties of doing a loan, the challenge lies in herding cats to form a syndicate. But that is the nature of the beast and the price for size and therefore simplicity. Thus the traditional justifications for the nominations include successful syndication, size, broad bank group, overcoming difficult market conditions and speed of execution. While certainly reasonable, they are claimed by all. So the struggle in choosing the winning transactions is in finding the differentiator. The challenge is evident when looking at the following strong nominations.
Led by Citi, DNB, Danske Bank and Nordea, the $800 million five-year secured loan to Golar LNG Partners removed a number of overhanging issues for the borrower. The facility included a $650 million term loan tranche and a $150 million revolving credit facility. Based upon the strength of the borrower and the collateral, the lending group offered a highly competitive margin of 250 bps and lengthy amortization periods with substantial balloons at maturity. The facility refinanced $691 million of existing indebtedness secured against seven vessels at market acceptable levels, with the release of excess value used to partially fund the drop down price of the newbuilding FSRU Golar Tundra from Golar LNG. The refinancing also addressed upcoming maturities on four then existing debt facilities with an average remaining tenor at the time of 2.4 years. The financing was well received in the marketplace achieving a 15% oversubscription.

Led by Nordea, ABN AMRO, Citi, Deutsche Bank, ING, KfW, Scotiabank and SEB, the Teekay Tankers $894.4 million secured credit facility, consisting of a term loan and revolver, was one of the largest of the year and was the largest wholly commercial transaction closed in the tanker space. Bolstered by name and a strong tanker market, the new facility refinanced the majority of the company’s debt, pushing future financing needs into the medium term, while simplifying the company’s capital structure. Broadly and globally, syndicated with 15 banks participating, the transaction was more than 34% oversubscribed, which goes a long way to explain the highly competitive spread of 200 bps.

Committed long-term employment from strong counterparties in diverse sectors gives tonnage providers a leg-up on the competition. This is evidenced in the ABN AMRO led $202.5 million senior secured credit provided to Ocean Yield to finance three newbuilding liquefied ethylene gas carriers secured by long-term contracted cash flow from the ten-year bareboat charter to Hartmann and the ten-year sub-time charter to SABIC, an industrial end-user. The security of the vessels and the charters gave the banks sufficient comfort to offer a 10-year back-to-back facility with a 15-year annuity repayment profile. The high advance rate, an 80% LTV, was further secured by Ocean Yield’s average firm charter tenor of 11.2 years and $3.3 billion fixed charter backlog. With a standard security package including the company’s standard covenant package, the facility has attractive commercial terms, including spread, and secures long-term yield on the back of limited credit risk.

For this year’s winning transaction in the West, GasLog Ltd’s debt refinancings offered two strong candidates both deserving. Led by Citi and Nordea, the $1.05 billion debt facility, refinancing six legacy facilities of $960 million, was staggering in size and scope. Covering eight on the water vessels built during 2010-2015, the financing includes a $100 million revolving credit facility for additional liquidity, an attractive weighted average margin and an 18-year amortization profile. The five-year tenor extends the maturity of its existing bank debt, reduced from nine to four multi-vessel facilities, to 2021, with the terms and covenants of all four facilities aligned. Reflecting the banks’ appetite for the sector and the name, they provided a long-term solution with a 70% advance rate versus the current market rate of 60-65% even with some spot vessels. And did we mention that this successful syndication closed the day after Brexit.

New is easy, old not so much. In the second GasLog transaction, DNB and ABN AMRO fully underwrote a $576.5 million loan facility to GasLog Ltd and GasLog Partners L.P. to refinance five LNG carriers acquired from BG Group (now Shell), which were chartered back to BG and financed through short-term non-amortizing facilities maturing in 2016 and 2017. Four of the five vessels were built in 2006 to 2007 and utilize older generation steam propulsion. The exception is a 2010-built TFDE vessel. Three of the vessels are owned by the partnership.
companies were looking to refinance the five vessels under a single long-term facility. The challenge for the banks was the debt outstanding under the original financings represented ~80% of FMV, a level the borrowers sought to maintain. Both parties agreed this was higher than optimal long-term leverage and the banks proposed splitting the facility into a five-year $396.5 million senior term loan facility (55% LTV) and a two-year $180.0 million non-amortizing junior loan (25% LTV), representing a bridge to equity. In order to strengthen the security package, GasLog Ltd. guaranteed both facilities regardless of the vessel's ownership, providing the borrower the flexibility to drop vessels down to the partnership and/or sell them back to GasLog. Due to the fact that four of the vessels' charters would expire prior to maturity, the company also agreed to provide the lenders additional security if they were not renewed. Lastly, the borrower achieved favorable terms including a weighted average profile on the senior tranche of 21 years from vessel delivery and an attractive blended margin across the senior and junior tranches.

The winner of deal of the year in the East was a refinancing which converted a recourse loan into a project financing. Standard Chartered led a syndicate which provided a $684.5 million non-recourse senior secured loan with a tenor of 11.5 years (5.3 year average life) to refinance BW Gas JuJu LNG Limited's existing credit facilities with respect to its existing fleet of eight LNG carriers. A joint venture between BW Group (51%) and Marubeni (49%), the company's fleet is deployed under long-term charter to Nigeria LNG for purposes of transporting LNG from West Africa. The original facility put in place in 2013 by a club of banks, including Standard Chartered, was done on the basis of full recourse to the BW Group. Preferring a non-recourse financing backed by the charters, BW Group successfully convinced the lenders to do the refinancing on a non-recourse basis.

While all the transactions had their challenges, albeit different, the bankers more than met them, putting in place new flexible facilities with competitive terms giving the borrowers what they hoped for and needed, while at the same time mitigating the banks’ risk bringing joy to the regulators. The common feature of these deals was that they “checked all the boxes” - a favored sector, a good name, fixed contracted revenues and a balance sheet, together made it possible.