As we saw, there is never enough equity so why simply limit oneself to the public markets. Already pregnant, private equity investors, loathe to walk away or be diluted, committed themselves to the resurrection of their various failing investments, while newbies, who for better or worse missed the proverbial boat, thought they were smarter than their predecessors and would beat the house. Not surprisingly, the bulk of this year’s nominations involved repair capital.

Faced with historically low rates in the dry bulk shipping market, Genco Shipping & Trading engaged Evercore to help facilitate a strategic transaction or capital infusion in order to refinance their term loan facilities and provide for debt amortization and covenant relief. Evercore ran several processes, including reaching out to potential strategic partners, two attempted private placements, and ultimately working with strategic partners under revised bank requirements.

As a result, the company entered into agreements with funds or related entities managed by affiliates of Centerbridge Partners, Strategic Value Partners, and Apollo Global Management, representing the company’s three largest shareholders, for the purchase of an aggregate of up to $125 million of Series A Preferred Stock of the Company at a conversion price of $4.85 per share, representing a 7.5% premium to the unaffected share price. The enhanced pricing is a reflection of Evercore’s ability to source independent third party proposals which created negotiating leverage with the existing shareholders. The aggregate amount included a backstop equity commitment covering a separate private placement of up to $38.6 million of Series A Preferred Stock of the Company at a conversion price of $4.85 per share, representing a 7.5% premium to the unaffected share price. The enhanced pricing is a reflection of Evercore’s ability to source independent third party proposals which created negotiating leverage with the existing shareholders. The successful closing of the equity private placement allowed Genco to refinance most of its existing credit facilities into one, new $400 million credit facility, which provided the company with significantly enhanced financial flexibility and bolstered its ability to manage the current market downturn. Jefferies served as the lead placement agent on the transaction.

Two Fredriksen entities, Frontline and Golden Ocean Group also raised $100 and $200 million respectively in equity private placement. With his stellar reputation, Mr. Fredriksen seems to have no trouble finding investors to invest alongside him. In the more challenging of the two, Golden Ocean, the dry bulk vehicle in the Fredriksen Group, raised $200 million in a private placement to secure a refinancing package including a 2.5 year amortization holiday on all secured loans and a waiver of key covenants. The transaction was priced at NOK 5, a discount of 15% to the prior close. Hemen Holdings participated in the offering and was allocated 46% of the offering versus pre-money ownership of 43%. The deal was placed primarily among Norwegian institutions and high net worth individuals (~60%) and UK Hedge Funds (~22%). Managers of the offering were Danske Bank, DNB Markets, Arctic Securities, Clarksons Platou Securities and Nordea Markets.

In the second transaction, which was significantly oversubscribed, Frontline Ltd. successfully concluded its private placement of 13,422,819 new shares at a price of $7.45 per share (equaling NOK 62.80 at a USD/NOK exchange rate of 8.43), raising gross proceeds of $100 million (approximately NOK 843 million). Due to the very strong demand, the company’s largest shareholder, Hemen Holding Ltd. agreed to be allocated 1,342,281 New Shares in the offering (~10%), bringing its aggregate holdings to of 82,145,703 shares representing approximately 48.4% of the company’s shares. The net proceeds from the placement will be used to oppor-
The transaction ticks all of the boxes of a successful re-structuring, including the addition of new money, covenant amendments and deferrals to provide additional liquidity and financial flexibility allowing it to survive the poor market.

In the winning transaction, Eagle Bulk Shipping successfully reached an agreement with its lenders and the majority of its equity holders on a comprehensive balance sheet recapitalization, which provided the company with $105 million in incremental liquidity, including a new $60 million 2nd lien credit facility from existing as well as new capital providers. Further incremental liquidity was derived from a $14 million permanent reduction in the 1st lien’s minimum liquidity requirement, a deferral of more than $31 million in amortization payments through 2018 and renewed, full access to the company’s $50 million revolver, of which $10 million remains undrawn.

The transaction ticks all of the boxes of a successful re-structuring, including the addition of new money, covenant amendments and deferrals to provide additional liquidity and financial flexibility allowing it to survive the poor market. Unfortunately, the cure, in our estimation, is imperfect. In lieu of converting debt into equity, the company added $60 million of 2nd lien debt, which corresponds to an estimation, is imperfect. In lieu of converting debt into equity, the company added $60 million of 2nd lien debt, which

specifically for growth.

With the assistance of Fearnley Securities Inc., as sole placement agent, Eagle Bulk, in early July, announced that it had successfully raised $85 million, in the middle of the expected price range, through a private placement of 566,666,669 new shares through a Reg D private placement equity offering. Proceeds of the offering are targeted for the acquisition of dry bulk vessels and general corporate purposes. Based upon NAV, the offering price was set at $0.15/share to take into account the shares to be issued as part of the 2nd Lien Loan Agreement. The offering was well supported by existing major shareholders and attracted new investors in both the US and Scandinavia. Of the 41 investors (18 of which were Scandinavian), the three major shareholders agreed to subscribe to ~56% of the offering.

Investor interest was not surprising. With the restructuring in the rear view mirror, the company is clearly positioned for the dry bulk recovery. As a pure play Supramax owner/operator, the company owns an on the water fleet of 41 Supramax bulkers. It is a high quality fleet with an average age of 8.2 years, all built at quality yards and maintained to the highest standard. Those numbers make it the third largest owner of this size tonnage. Supramaxes are considered the most versatile of all dry bulk tonnage as they can carry both major and minor bulk cargoes, generally split 50-50, and are geared which enhances their operational capabilities. The focus on minor bulks is a strong positive as China only accounts for 16% of that trade versus 40% of the major bulks with the former showing solid demand growth.

The company has a robust commercial platform based upon a highly experienced senior management team, who create value through their Supramax trading expertise and industry knowledge. Interests are aligned with fully integrated management services in-house and no external fees. This contributes to one of the lowest G&A expense among its peers and a highly competitive cash break-even rate of $6,900/day. Pre-money, the company has an established runway through 2018 based upon today’s charter rates.

With rates and asset values at all-time lows, both the company and Fearnley’s saw this as an attractive entry point in the cycle, where minor improvements in earnings could have large positive implications for asset prices. In terms of historical values, there is significant upside, with the previous all-time low price of 15...
The shares were priced at the midpoint of the offering range in line with the share’s NAV based upon recent vessel sales, although lower than the closing price that day of $5.61. The shares closed that day at $5.05, above the offered price. The common shares issued represented 32% of the shares outstanding after giving effect to the offering. Proceeds of the offering are to be used for the acquisition of dry bulk vessels and general corporate purposes.

The offering was again well supported by existing major shareholders, largely private equity and high net worth Norwegian family offices and attracted many new investors, including hedge funds in the U.K. and U.S. The two major stakeholders Oaktree and Gold-entree subscribed to ~45.4% of the offering. Although Oaktree took its full pro rata portion, the majority did not participate up to the full amount, in order to create greater liquidity in the shares. By both supporting the transaction and creating liquidity, the current investors hope to add the premium valuation ascribed to shares with strong shareholders and liquidity.

Having successfully raised $85 million in an equity private placement back in June and subsequently acquiring two Ultramax bulk carriers built in 2016 and 2017, Eagle Bulk continued to see good quality assets at good prices and wanted to add to its stable of vessels. So, why reinvent the wheel? In August, Eagle Bulk announced that it had entered into a second private placement equity offering for the sale to institutional and other accredited investors of approximately 22.2 million of its common shares at $4.50/share generating gross proceeds of $100 million.

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Opportunity knocks but once or at best infrequently. With the assistance of Fearnleys and hungry investors who sought an option on the dry bulk recovery, Eagle Bulk positioned itself as an ideal platform, as a pure-play Supramax operator, to exploit the expected recovery.