NATURE ABHORS A VACUUM
THE IPO DEAL OF THE YEAR

Transaction: Tufton Oceanic Assets Limited
Winner: Tufton Oceanic Limited

We can’t remember when the last IPO was done, but a void begs to be filled. With no traditional IPOs – private operating companies going public – concluded, it appeared that yet again this space would be unfilled thus requiring our creativity or flexibility. Nominated for the IPO deal of the year, Tufton Oceanic Assets Limited ("TOAL"), a blank check company or SPAC, raised gross proceeds of $91 million placing 91 million ordinary shares for trading on the Specialist Funds Segment of the Main Market of the London Stock Exchange plc, falling short of the targeted $150 million. Still, it is a difficult challenge to raise money for any blank check company no less one involved in shipping. TOAL is a blind pool offering investors an opportunity to invest in a diversified portfolio of second-hand commercial sea-going vessels where the investment manager, Tufton Oceanic Limited ("Tufton"), an experienced manager with a proven track record, believes that an attractive opportunity exists as a result of a number of factors including:

• limited availability of capital for the shipping industry from traditional sources such as bank debt, retained earnings and private wealth;
• shipping being a large and essential industry which is fundamental to the global economy and in which demand is expected to grow (4% in 2018);
• increasing prices for new vessels over the next 10 years which will have a positive impact on secondhand vessel values.

The company intends to invest mainly in vessels that will enter into medium to long-term charters with carefully chosen counterparties making most of the Company’s vessels immune to fluctuations in the general shipping markets as a result of commodity prices, geopolitical events and other short-term supply-demand factors. The long-term employment is expected to produce mid-teen cash yields, which will allow the company to target an initial dividend of 5% during the first 12-months rising to a target dividend yield of 7% thereafter, with the likelihood it will grow over the long-term.

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• supply side growth has slowed and is anticipated to remain subdued over the coming years;
• financial stresses in the shipping industry leading to secondhand vessels in many segments being significantly below their long-term average multiples of depreciated replacement cost allowing the company to acquire these vessels at attractive prices; and

The investment strategy is one that Tufton has been following with success over the last couple of years and sees limited competition due to the lack of capital currently being invested in shipping. Over the past few years, Tufton has invested over $1 billion in shipping. This asset class took much longer than most to recover from the global financial crisis. Due to the supply-side improvement of the past few years in both shipping and shipbuilding, Tufton believes that the current risk-return profile in shipping is superior to many other asset classes.

Reinforcing its belief in the attractiveness of the opportunity, Tufton, its affiliates or employees, agreed to subscribe for at least 4% of offered shares up to a maximum of $5 million. And why not? While the initial investment size is modest, this is a vehicle that Tufton intends to grow over time, becoming one of its main sources of funding going forward. Everyone wins.