Leadership
Dealmakers of the Year
Editor’s Choice Awards

There is much in this issue that we take pleasure in, but one of our favorite activities is in, proverbially, panning for gold. Category winners are typically obvious and receive many accolades, but there are other transactions, which fall between the cracks. These may not fit into a category, the accomplishment itself is not easily recognized, or perhaps they simply strike a chord with us. Below are a few of our favorite nuggets from this year’s submissions.

Moving Across The Food Chain

Transaction: DP World’s Acquisition of Unifeeder
Winners: Citi, Jefferies, DNB

Ports play a passive role in the transportation of goods. They are the receptacle for cargo on its way in or out to the next destination, whether by sea or land. Port movements are limited to holding, loading and discharging of cargo. Money is made in each move and there is little risk in the business. These are appealing assets, which have at times attracted investments from liner companies desirous of diversification. In this case the tables were turned, when a port operator saw an opportunity to expand into a complementary sector, with a market leader.

Back in 2013, Citibank advised Nordic Capital on the acquisition of Unifeeder. A leading private equity investor in Northern Europe, Nordic has raised over €12 billion and invested in ~100 companies since its inception in 1989. Approaching the typical seven year holding period, it was likely time to explore a sale.

Founded in 1977, Unifeeder, an integrated logistics company, provides efficient and sustainable transport solutions for international container shipping lines between international and regional ports (feeder) and shortsea services to cargo owners providing end-to-end logistics services using multimodal transportation with sea and land (road and/or rail), as shown in the graphic below. Utilizing an asset light business model (the company charters all transportation assets), the company generates strong cash flow due to its highly flexible cost base. It is the largest and best-connected feeder and growing shortsea network in Northern Europe, with connectivity to approximately 100 ports.

Nordic again engaged Citi this time to find a buyer. Through a structured auction process, Citi and Jefferies explored a sale with both strategic players and sponsors. Ultimately, the transaction was awarded to DP World, a leading global port operator with a portfolio of 78 operating marine and inland terminals supported by over 50 related businesses in 40 countries across six continents, who were advised by DNB Markets. With a gross capacity of 88 million TEUs, DP World handles 70 million TEU across its portfolio annually. Majority owned by Dubai World, the City of Dubai’s global investment holding firm, the company is listed on NASDAQ Dubai with a market capitalization of ~$19 billion.

In December, DP World announced the successful closing of the acquisition of 100% of the Unifeeder Group in a transaction valued at €660 million, which will enhance DP World’s presence in the global supply chain and broaden its services to customers – both shipping lines and cargo owners. As both companies operate under the common-user principal, their joining together should make the global supply chain more efficient and cost effective.

Although its core business is and will continue to be the container terminal, this transaction supports DP World’s strategy to grow in complementary sectors, strengthen its product offerings and play a wider role in the global supply chain as a trade enabler.
Unifeeder with Unique Ability to Cross-fertilise Feeder and Shortsea Volumes

Feeder and Shortsea Services are the Critical Links in the Freight Value Chain for Both Global and Regional Trade

A

Unifeeder transports containers between deepsea ports and outports
Unifeeder manages the intra-European part of the value chain
Unifeeder serves as part of an E2E logistics product

B

Unifeeder transports containers between in-land locations with origin and destination in Europe
Unifeeder serves both end-customers with door-to-door solutions and E2E logistics providers as a sub-supplier

Multimodal: Container can be Transported by Road / Sea / Train

UNSOLICITED

Transaction: $53 million Direct Investment in GasLog Partners
Winner: Tortoise Capital Advisors

With equity investors on the sidelines, MLPs have, for some time, been starved for fresh equity as evidenced by few deals and weak fund flows into the sector. One of the few options available to the sector was an ATM program.

For Tortoise Capital Advisors, a leading infrastructure fund, GasLog Partners’ investment thesis stood out. Tortoise did their homework, saw an opportunity and approached the company directly. The deal was a reverse inquiry from Tortoise, conducted through the partnership’s ATM program.

Last September, GasLog Partners sold 2,250,000 common units to funds managed by Tortoise at a price of $23.60/unit for gross proceeds of $53.1 million. The selling price reflects a discount of 5.6% from the closing price the day before the announcement. The net proceeds from the sale will be used for general partnership purposes, which may include future acquisitions, debt repayment, capital expenditures and additions to working capital. It is expected that this will include future acquisitions from GasLog Ltd. With the purchase, Tortoise became one of the top five shareholders of the partnership. This equity issuance and execution format demonstrated the partnership’s access to diverse and competitive capital sources and fulfilled its expected equity requirements for growth in 2018. The fact that a top infrastructure investment fund took a fresh position in GLOP is highly supportive of GasLog Partners story, particularly since it was unsolicited.
WATCH OUT SHIP FINANCE, THERE IS A NEW TONNAGE PROVIDER IN TOWN

Transaction: VLCC Investment
Winner: CSIC Leasing

CSIC Leasing Co. ordered a new VLCC for its own account at Dalian shipyard which is part of the CSIC Group, the world’s largest shipbuilder. Rather than extend a financial lease to a shipowner, CSIC entered into a time charter directly with an oil major and engaged a commercial manager and a coordinator to supervise the third-party technical manager. Simple enough and easily ignored, but something made us pursue it further.

According to the company, this is the very first time a Chinese leasing company entered into an operating lease in the VLCC sector and signals the firm’s leading role in VLCC sector not only as a financier but also as an operating shipowner. Nothing is simple when it comes to China. As the leasing arm of the CISC Group, the company is expected to support the member yards to tide them over the difficult market and upgrade their building capacity. In fact, this order fills an open slot and will ensure a continuous construction process at its Dalian yard. But they are not solely being altruistic. Based upon an attractive price, including the installation of scrubbers, they expect the vessel will substantially increase in value. In the meantime, the vessel is employed on a medium-term time charter with an oil major, which will generate a stable cash flow after its delivery next year. An in-house team, coordinating with world-class ship management companies, will keep commercial and technical risks to a minimum. And importantly, this move provides a competitive edge in the market, while differentiating the company from the leasing arms of the commercial banks in terms of sectors invested in and business models.

No matter how volatile the market, CSIC Leasing is committed to the shipping industry. A simple deal expanded the business model beyond lending to tonnage provider, which will provide more opportunities while, at the same time, achieving policy goals. Not so simple was it.