

# *A Creditable Approach Towards Tanker Dry dockings as 2020 Looms*

*Tanker Shipping & Trade Conference*

*ILEC Conference Centre, London*

*21 November 2018*



- Newport Shipping UK LLP is a leading global **ship repair service provider** with **unique financing options**
- We **reduce working capital requirements**; freeing cash for other investments
- **Pay as you Earn**: deferred monthly instalments paid by subsequent vessel operations

## Network: **Quality & Standardisation**

- Long term joint ventures with seven (7) top shiprepair yards (and still growing)
- Strategically placed at lower cost bases within Atlantic and Pacific zones
- Operational team on-site, ensures standardised service delivery across shiprepair yards



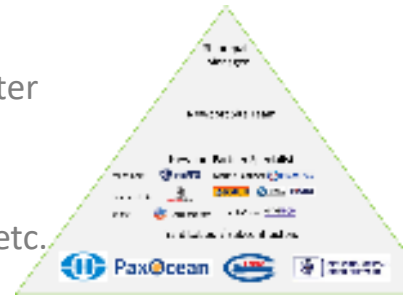
## Financing: **Credit Payment Solutions**

- Deferred payment plan deferring 60% of ALL-in-One invoice for up to 18-months
- Potential earnings uplift from subsequent vessel operations



## Shipyard & Suppliers: **All-in-One Invoice**

- One comprehensive invoice including:
  - ALL Spares required; including logistics for delivery with warranty
  - Retrofit Equipment e.g. supply of Ballast Water Treatment Systems (BWTS) and **Scrubbers**
  - ALL paint and specialist works and Service Companies e.g. turbo chargers, hatch cover etc.



## Governance & Warranties: **English Law**

- Ship repair contracts governed/ enforceable under UK Law
- Turnkey responsibility
- Equipment and spares warranties
- L/D for shiprepair re-delivery



**7** Shipyards      **15** Drydocks      **1100** Annual Slots

# What We Do: *Easing OPEX*

- We **reduce working capital requirements**; freeing cash for other investments
- **Pay as you Earn**: deferred monthly instalments paid by subsequent vessel operations
- One **comprehensive** invoice including:
  - **ALL Paint required**; ballast tank coatings and cargo tank coatings
  - **ALL Spares required**; including logistics for delivery with warranty yet underwriting vessel shiprepair re-delivery!?!
  - **Retrofit Equipment** e.g. supply and retrofit of Ballast Water Treatment Systems (BWTS) and Scrubber systems towards Emission 2020 requirements etc.
  - **Specialist works** and **Service Companies** including turbochargers, hatch-cover works etc.



SHIPPARTS.COM  
SUPPORT SAILING



## How It Works: Pay as You Earn

- All **maintenance expenses** under one invoice
- 60% of expenses **deferred** until after vessel has left the yard
- Payments **offset** by subsequent vessel earnings
- Sample \$650,000 maintenance budget with **majority** of expenses paid by **subsequent vessel operations** for as low as **\$1,100/day**

Example maintenance budget	5-year old, 52,000dwt LR Tanker	
Drydock Expenses		USD 300,000.00
Owners Extras (e.g. Spare parts, Paint Supply etc.)		USD 110,000.00
Specialist Works (e.g. Shaft and Propeller, Turbocharger etc.)		USD 40,000.00
BWTS Retrofit		USD 200,000.00
Total Maintenance Costs		USD 650,000.00
<b>Flexible payment terms</b>		
Due prior to vessel re-delivery	40%	USD 260,000.00
Subsequent monthly payments	12x	USD 32,500.00

**Approx. \$1,100/ day**

# Newport Ecosystem: Shipyard Network

- Newport Shipping has a **global network of shipyards** in joint ventures and cooperation agreements around the world:
  - 7-shipyards with 15-docks capable of handling **1,100 repairs** annually, **and growing**
  - Over **40-years experience** handling vessel repair services
  - Strategically positioned within the lower cost regions in the **Atlantic and Pacific zones**
  - Reputable shipyards capable of handling **all vessel classes, sizes and scope**

## CICEK SHIPYARD

Est 1977 Tuzla, Turkey  
Drydock 200m x 37.5m

Wharfage Total 410m



## CSIC TIANJIN XINGANG

Est 1940 Tianjin, China  
Drydock #1 520m x 120m  
Drydock #2 440m x 80m  
Wharfage Total 3,900m



## PAXOCEAN SINGAPORE

Est 2011 Singapore  
Floating Dock #1 122m x 22.8m  
Floating Dock #2 195m x 34.7m  
Floating Dock #3 187.5m x 36.5m  
Wharfage Total 900m



## PAXOCEAN PERTAMA

Est 2011 Batam, Indonesia  
Floating Dock #1 235m x 40m  
Floating Dock #2 186m x 36.4m  
Wharfage Total 2,400m



## PAXOCEAN ZHOUSHAN

Est 2011 Zhoushan, China  
Drydock #1 400m x 106m  
Drydock #2 380m x 80m  
Wharfage Total 576m



## FUJIAN HUADONG SHIPYARD

Est 2011 Fujian, China  
Drydock #1 295m x 50m  
Drydock #2 375m x 72m  
Drydock #3 245m x 42m  
Wharfage Total 1,300m



## ZHOUSHAN LONGSHAN

Est 1975 Zhoushan, China  
Drydock #1 235m x 40m  
Drydock #2 310m x 50m  
Wharfage Total 840m



- Charterers hedge for spike in fuel cost:
  - Non-scrubber fitted vessels **to incur higher cost** for charterers
- A two tier chartering market has emerged:
  - **Improved earnings** plus some charterers only wanting scrubber fitted vessels
  - Duration of **charters available >3 years**
  - Dependant on **fuel spread dictates pay-back period** but amortised within the charter period
  - Scrubber fitted vessels can enjoy **charter premium up to to 5,000 \$/day** (depending vessel segment)
- Scrubber retrofit benefits from a credit perspective:
  - Improved break-even analysis, **ROI typically within 2-years** depending fuel oil spread
  - Improved **Loan-to-Value (LTV)** in the short term
  - Charter provides stability in a cyclical market
  - Greater access to the finance market/ finer terms i.e. margin



## Charterers face 33% premium for 'non-scrubber' VLCC

Shipping costs are set to rise considerably for users of tankers post IMO 2020, says Poten.

September 3rd, 2018 00:05 GMT  
by Dale Wainwright

Charterers employing tankers using low-sulphur marine gas oil come 2020 face paying 33% more than using a scrubber-fitted ship using heavy fuel oil, new research shows.



"Because there remains a lot of uncertainty around the pricing of alternative fuel options and the adoption of abatement technologies such as scrubbers, it is difficult to forecast the exact impact

## Financing: Conventional Options

- **Financing by Export Credit: *Intended to promote local exports***
  - Long tenure up to 8.5years, with interest rates generally ~2.5%
  - 30% local content (depending country) to be demonstrated
  - Generally equipment costs only. Engineering and retrofitting costs to be demonstrated
  - Generally associated with European brands e.g. Alfa Laval, Wartsila, Yara, CleanMarine etc.
- **Financing by Secured Bank Debt: *Refinancing the existing vessel loan***
  - Vessel is already collateral; first lien on vessel
  - Scrubber retrofit increases asset value and revenue; improved LTV and counterparty risk
  - Engineering and retrofitting costs can be included
  - Appetite depends on segment; vessel life, loan and credit due diligence
  - Consider documentation costs
- **Financing by Retrofitting Shipyard: *Larger shipyard groups***
  - Retrofit costs covered. Engineering if performed by shipyard
  - Usually associated with large China shipyard groups e.g. CSIC, COSCO etc.

## Financing: Some Alternative Options

- **Financing by Private Equity: *Aside to secured bank debt***
  - Shipowner obtains equity capital for scrubber retrofitting costs
  - Charter hire committed to an equity contributor aside to bank debt
  - Noted increased interest in private equity for scrubber market
  - Scale is key consideration i.e. large fleet
- **Financing by Bunker Suppliers: *With guarantee of bunker availability***
  - Certain bunker suppliers are offering financing tied to term bunker supply contracts
  - Usually in the form of immediate lumpsum cash rebate for commitment to bunker contract
  - Rebate for financing any component of scrubber retrofitting costs
- **Financing by Charterers: *Contra off charter hire earnings***
  - Charterers more amenable to sharing cost of retrofits
  - Cost of scrubber retrofits contra'd off daily charter hire over agreed tenure



## Scrubber Retrofits: Newport Execution with Financing

- Newport Shipping provides shipowners with *turnkey* scrubber execution solutions ahead of 2020 with attractive *deferred payments*
- Comprehensive works: equipment procurement, 3D scanning, class and detailed engineering and retrofit works at *shipyard* OR *riding squad*
- Timeline: *8-month scrubber lead time* from order to delivery at shipyard
- Deferred payment plan; 30% due at contract signing and 10% at retrofit completion. Remaining *60%* payable over *18-monthly instalments* following vessel re-delivery
- *Guaranteed retrofit slot availability* to complete retrofits in *2nd half 2019* at partner shipyards at Atlantic and Pacific
- Shipowners receive *immediate earnings uplift* from subsequent vessel operations





# Scrubber Retrofits: Indicative Pricing

Based on open-loop, 0.5% U-type scrubber:

Components		VLCC	Suezmax	Aframax	LR1	MR
Scrubber Equipment		1,900,000	1,600,000	1,400,000	1,300,000	1,200,000
3D Scanning/ Basic (Class) Design & Detailed (Shipyard) Engineering		200,000	200,000	200,000	200,000	200,000
Shipyard Retrofit		1,330,000	1,120,000	980,000	910,000	840,000
Total		3,430,000	2,920,000	2,580,000	2,410,000	2,240,000
Due at signing	30%	1,029,000	876,000	774,000	723,000	672,000
Due at vssl re-delivery	10%	343,000	292,000	258,000	241,000	224,000
Total Outstanding	60%	2,058,000	1,752,000	1,548,000	1,446,000	1,344,000
Subsequent monthly pmts	18x	114,333	97,333	86,000	80,333	74,667
*subsequent pmts in \$/d		3,811	3,244	2,867	2,678	2,489
Estimated Bunker Saving @ \$200.00		18,800	11,600	9,400	6,400	5,200
Earning Uplift		14,989	8,356	6,533	3,722	2,711

\*: Subsequent excluding interest component which will be confirmed following satisfactory financial due diligence

- **STRATEGIC NETWORK**
  - Exclusive global network serves as a one-stop drydocking solution for all vessel types and fleet sizes with advance visibility of drydocking slots
- **PAYMENT DEFFERAL PLAN**
  - First-in-the-world drydock payment financing option deferring 60% of drydocking costs up to 18-months
- **ALL-IN-ONE INVOICE**
  - One single invoice encompassing drydock works, paint supply, spare parts and also retrofits (e.g. Ballast Water Treatment Systems and Scrubber Systems)
- **TURNKEY EXECUTION**
  - Single point Engineering, Procurement and Retrofit execution and responsibility

*Newport Shipping: The **CAPITAL** of Ship repair*

# Thank you: *Contact Us*

## **London Headquarters**

8-9 Northumberland Street  
London WC2N 5DA, United  
Kingdom

Phone : +44 207 099 5252

[london@newportshipping.com](mailto:london@newportshipping.com)

## **Istanbul Office**

FSM Mahallesi Poligon Cad. Buyaka  
2 Sitesi 1.  
Blok Kat:11 No: 42 Umraniye  
Istanbul, Turkey

Phone : +90 216 290 77 10

[istanbul@newportshipping.com](mailto:istanbul@newportshipping.com)

## **Athens Office**

Christoforou Nezer 21 str.  
Glyfada 16674  
Athens, Greece

Phone : +30 210 220 9199

[athens@newportshipping.com](mailto:athens@newportshipping.com)

## **Oslo Office**

2nd Floor, Filipstad Brygge 1  
0252 OsloPostboks 1433 Vika  
0115 Oslo, Norway

Phone : +47 99506658

[oslo@newportshipping.com](mailto:oslo@newportshipping.com)

## **New York Office**

1140 Avenue of the Americas,  
9th Floor, New York, NY 10036  
United States of America

Phone: +1 646 380 6626

[newyork@newportshipping.com](mailto:newyork@newportshipping.com)

## **Singapore Office**

1 Harbourfront Avenue  
#13-03 Keppel Bay Tower  
Singapore 098632

Phone : +65 6208 8861

[singapore@newportshipping.com](mailto:singapore@newportshipping.com)

## **Shanghai Office**

Room 158, 15F, HSBC Building, Shanghai ifc  
8 Century Avenue, Pudong  
Shanghai 200120, China

Phone : +86 21 3319 5106

[shanghai@newportshipping.com](mailto:shanghai@newportshipping.com)