THE EDITOR'S CHOICE DEALS OF THE YEAR

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, as 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.

"TIMING IS, AS WE LIKE TO SAY, EVERYTHING"

Transaction: Nordic American Tankers $306 million Senior Secured Credit Agreement
Winners: CSG Investments, Beal Bank and Arctic Securities

The title for this award is a quote from the lead banker on the transaction explaining, among other reasons, his rationale for nominating the transaction. In February, with the tanker market at a low,
Nordic American Tankers ("NAT") announced that it had entered into a five-year $306 million senior secured credit agreement arranged by CSG Investments, Inc., and funded by Beal Bank of Dallas, Texas. The former is a global buy-and-hold institution and an affiliate of Beal Financial Corporation. This loan, which will be used to fully retire its existing 2020 Revolving Credit Facility, brought to conclusion the company's recapitalization strategy.

The new loan has five-year term with a 20-year amortization profile implying annual principal payments of $15 million to a balloon of $230 million. The low amortization will continue to secure a competitive cash break-even rate for NAT. The interest rate was not disclosed, but the general consensus was that it was likely to be in the range of 8% to 9%. Borrowings under the new facility are secured by first priority mortgages over the company's vessels and assignments of earnings and insurance. The average age of the pure-play Suezmax tanker fleet securing the loan is 12.8 years.

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The loan in fact is covenant light, with flexibility with respect to dividend payments. Covenants include a minimum of $30.0 million in unrestricted cash and a loan-to-vessel value ratio of a maximum 70%. Although it granted a favorable 20-year amortization profile, the bank took back what it gave away by including a cash flow recapture mechanism which captures 50% of net earnings from the collateral vessels, less capex and fixed amortization, to be applied against the outstanding loan amount. The balance is available to pay dividends provided it is in compliance with the covenants.

The details fade in the face of improving fundamentals which drove the tanker market from market lows into a boom. When the transaction closed in February, Suezmax time charter earnings were around $15,000/day, not far from the 2018 average earnings of $16,466. As a result of the boom which began in October, average earnings for 2019 reached $31,560/day up 92% from the year earlier. It was a perfect storm, leaving NAT printing cash and the bank rapidly reducing its risk.

FOMO

Transaction: *Trafigura – Sale of 10 X Suezmax tankers to Frontline*
Winners: *DNB Markets*

Transaction: *Trafigura – Sale of 15 x MR Product Tankers and 4 x LR2 Product Tankers to Scorpio Tankers*
Winners: *Clarksons Platou Securities*

Trafigura, a leading commodity trader, also invests in assets with strong synergies with its core trading activities and consequently built a sizeable fleet. Like most traders, Trafigura was not shy and went all-in. In June 2017, the company announced its support for an order of up to 32 newbuild crude oil and product tankers, of which 22 were firm with 10 options, to be built in Korea at Hyundai Heavy Industries, and in China at New Times Shipbuilding for delivery from the end of 2018 through 2019. The vessels ordered comprised Medium Range (MR) tankers, LR2s and Suezmax tankers. With a potential value in excess of $1.35 billion, the ships were ordered by a close Asian financial partner with the vessels to be chartered (with purchase options) at delivery to Trafigura, which would then deploy them within its wet freight trading division.

Timing and opportunity converged. Seeking liquidity and flexibility to exit, the company was considering strategic alternatives for its fleet. It was ready to cash out, and it had the perfect strategy, at least on paper. Seek out the leading owner/operator in the class, who also happens to be well-capitalized and make him an offer he can't refuse. But there is always the "fear of missing out". Like all traders, no one wants to leave money on the table, but that might occur if values were to continue to rise. The answer was easy: take shares for the ships. The value of the shares should rise commensurately with the ship values and, being highly liquid, could be sold quickly and easily.

In the first of two ships for shares transactions, Frontline acquired the special purpose company which holds the ten Korean 2019-built Suezmax tankers all fitted with scrubbers. The transaction consideration consisted of 16,035,856 shares of Frontline at an agreed price of $8.00/share ($128.3 million) and a cash component of $538.2 million, for a total of $666.5 million. The agreed share price was set at a premium of approximately 30% to NAV, making the transaction accretive to its shareholders. Following the transaction, Trafigura owns 8.5% of Frontline's outstanding shares.

In the second transaction, Scorpio Tankers Inc. announced in September that it had acquired subsidiaries of Trafigura Maritime Logistics Pte. Ltd. ("TML"), which have leasehold interests in 15 Medium Range (MR) product tankers and four LR2 product tankers (the "Vessels"). The newbuild super-eco vessels constructed by Hyundai Vinashin and New Time shipyards are all fitted with scrubbers. The acquisition of the leasehold interest in the Vessels includes a finance lease arrangement with a financial institution under a bareboat contract arrangement. The aggregate value of the Vessels is $803 million and, after the assumption of the present value of the finance lease arrangement of approximately $670 million, the Company will issue approximately 4.6 million shares at $29.00 per share to Trafigura for an aggregate market value of approximately $132.6 million. Following the closing of this deal and a concurrent $35 million private placement of shares concluded at the same price, TML will own ~10% of Scorpio.

For Scorpio, it was a no brainer. The transaction strengthened its position as the owner/operator of the largest and most modern eco fleet in the world. Operating leverage was increased without ordering additional new tonnage, and the average age of the MR fleet was reduced from 4.7 to 3.9 years, and the LR2 fleet from 3.9 to 3.6 years.

As planned, Trafigura significantly increased the liquidity of the investments, while retaining exposure to the tanker markets which were widely anticipated to strengthen as the world headed into 2020. Then the black swan event occurred – the Covid-19 pandemic. The economy collapsed, as did the stock market. Our initial reaction was to cue Frank Sinatra's "My Way" ("Regrets, I've had a few") but that was too depressing. Then Saudi Arabia decided to take on Russia in a fight for market share, bringing hope to the tanker market. So, while we know hindsight is 20-20 and looking back, Trafigura might have preferred the "joy of missing out" it instead owns shares in the preeminent tanker companies, which are not going away and will likely continue to dominate their respective sectors when the world returns to normal.

FILL 'ER UP

Transaction: *Euronav - $100 million Syndicated Inaugural Revolving Credit Facility*
Winners: *ABN AMRO, BNP Paribas, Société Générale, Belfius Bank and KBC Bank*

Faced with the choice of scrubbers or low Sulphur fuel oil ("LSFO") to meet the requirements of IMO 2020, Euronav chose the latter. It had a plan and the wherewithal to implement it. To ensure adequate supply and quality of the product during the transition to the new regulation, the company intended to purchase approximately $200 million of LSFO and store it on its owned ULCC for bunkers for its own fleet. This would assure a supply of tested compliant product, which would serve as a natural edge against lack of availability, poor quality, and/or price spikes.

To finance the purchase, the company turned to ABN AMRO, with its experience in both the shipping and commodity sectors, to structure a transaction. The parties agreed on a $100 million revolving credit facility which was successfully syndicated to five banks for the maximum amount, leading to a 65% oversubscription.

This transaction again demonstrates why Euronav is an industry leader.

FINANCING THE FINANCIER

Transaction: *Fleetscape - $190 million Senior Secured Debt Facility*
Winners: *Crédit Agricole CIB, BNP Paribas, CIT, SeaBridge, Siemens Financial Services and Tokyo Century Leasing*

An alternative capital provider to the maritime industry, Fleetscape, affiliated with a fund backed by Oaktree Capital Management, had structured an attractive sale-leaseback transaction, backed by strong cash flow through underlying time charters with an oil major. The counterparty was Advantage Tankers, which owns a fleet of five Aframax tankers and six Suezmax tankers with an average age of ~9 years and a current value of $348.2 million according to Vessels Value. The challenge was for Fleetscape to acquire the vessels with financing that provided an attractive cost of capital to ensure a competitive time charter rate to the major oil company.

In February, Fleetscape closed a five-year $190 million senior secured debt facility, a transaction led by Crédit Agricole, the proceeds of which were used to partially finance the acquisition of the 11 crude tankers from Advantage. Pricing was set at a rate of LIBOR + 3.50%, which was a blend of LIBOR + 1.75% on the amortizing tranche and LIBOR + 4.25% on the non-amortizing tranche. The Senior Secured Debt Facility established an attractive repayment profile with the Senior Lenders being comfortably covered (>200% when applying the historical average value of 15 year old vessels and ~100% when applying the historical average scrap value though the Vessels' average age is only 13 years and still have a further useful life). The balance of the acquisition cost was funded by Fleetscape itself through a Junior Debt Facility.

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The new credit facility enabled Fleetscape to structure an attractive sale-leaseback transaction for the crude tanker fleet which, in turn, enabled Advantage Tankers to conclude an extension of the underlying time charters contracts with the oil major until 2023.

This was another win-win for all the parties. The banks played a crucial role in enabling the financing and enjoy a low risk, high return funding. As owner/lessor, Fleetscape has a well-structured transaction secured by long-term employment, while Advantage was able to continue its profitable relationship with the oil company.