OFFSHORE BANK DEBT DEAL OF THE YEAR

FINANCING STRANDED ASSETS IN A STRENGTHENING SECTOR – GO TIME!

Transaction: Beal Bank's $550 Million Financing to Eldorado Drilling
Winners: Beal Bank, Arctic Securities, Fearnley Securities

Left for dead only a few years ago, a variety of well documented circumstances (including bankruptcies and billions of dollars of debt and equity wiped out) have contributed to the resuscitation of the offshore sector and made it possible to do what was once unthinkable: to purchase, finance, finish and redeploy the ultimate abandoned assets – ultra-deepwater drilling rigs, half-complete and still sitting in shipyards.

Flash back to 2022. By then, energy security and the realization that oil and gas are a critical and long-time ingredient in the energy transition mix, combined with profound underinvestment in the sector, among other factors, finally convinced a group of savvy investors that the time had finally come to take action.

Step forward a seasoned group of shipping and oil and gas investors led by Norwegians including Harald Moraeus-Hanssen and Gunnar Hvammen and counting among their ranks Tor Olav Troim and others, as well as long time shipping investor Darren Maupin whose Pilgrim Global has been a key investor in MPC and Navios among others. Together, they formed Eldorado Drilling AS. They saw opportunity, where few others did, to secure three unfinished 7G drillships from Samsung in Korea that were ordered at the height of the last boom, and available at a fraction of the original build cost. So, between Q4 2022 and Q4 2024 Eldorado raised approximately $400million in equity towards purchasing the 3 drillships, which they eventually completed for $655million in total (roughly the cost to Samsung of building one of the units).

Next step – find employment and find the debt to leverage the company and fund the capex required to make the units drill-ready. To source capital, Eldorado had hired two of Norway's biggest investment advisors – Fearnleys Securities and Arctic Securities. In this case, both firms knew of a Texas bank who they felt would be willing to go where other lenders wouldn't – into the finance of oil rigs with no employment - Beal Bank. Arctic in particular knew Beal from several years earlier from the Nordic American Tankers $300million loan that Arctic arranged and Beal Bank funded – all by itself. That transaction helped Beal Bank make its name in the Nordic market as a bank willing to underwrite and hold very large transactions. Beal had also been an early lender to one of Maupin's other investments – MPC. So in September of 2023, Fearnleys first reached out to Beal and a negotiation commenced, continuing into February of 2024 when a deal was consummated.

Beal Bank agreed to lend up to 75% of the value of the rig and up to $275million for the 1st drillship the Atlantic Zonda, structured as a $142million advance for the purchase of the rig from Samsung, with a further $133million towards capex required for its drilling contract with Petrobras. The loan was for a 4-year term with a competitive fixed interest rate, with amortization slated to start approximately 12 months after closing and once the rig was on its charter, at the level of $50million per annum, resulting in a loan balloon of $125million.

The parties were so happy with this arrangement that for Eldorado's 3rd rig, the West Draco, they did a repeat in the summer of 2024, with Beal doubling their facility to $550million, extending $150million on delivery of the rig from Samsung in December 2024, with a further $125million available to Eldorado for contract readiness capex, as and when the rig is awarded a contract.

In the end, the deal was a perfect fit. With expert help from its advisors, Eldorado found, and closed, two deals with a lender with the capacity to fund large transactions, with belief in its management and its critical enabling assets, an appreciation for the cost of these high quality assets, as well as a conviction in the offshore market and a contrarian view that relishes going into areas where others are not willing to go at the time. We look forward to Eldorado's success, perhaps an early loan repayment and to Beal Bank's next great deal.