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And the Winner Is...

Deals of the Year 2022

CONSOLIDATING THE MIDDLE EAST OFFSHORE SUPPORT VESSEL MARKET

OFFSHORE DEAL OF THE YEAR – EAST

By Mike McCleery

Transaction:	*Shuaa Capital's Acquisition of Allianz Middle East Ship Management*
Winners:	*National Bank of Fujairah & Arab Petroleum Investments Corporation, Alantra, Shuaa Investment Banking*

"Offshore (oil and gas) is back" was a refrain we heard with increasing regularity, over the course of 2022. A combination of factors, including Russia's invasion of Ukraine, contributed to a year that saw share prices for public offshore support vessel ("OSV") owners like Tidewater and Seacor Marine Holdings rise more than 200% from start to finish. And, while observing that the sector was coming back, capitalizing on the rising market was a challenging proposition as capital for most, was hard to come by, and many companies were still addressing their own restructurings. In general, when there were transactions, the formula was a well-capitalized acquirer and a target under stress as the result of the tremendously difficult market of the past years. Our winning transaction followed a different formula and matched a thriving company in growth mode with a major strategic investor whose focus was on creating a Middle East regional leader and global top-5 OSV operator.

Founded in 2014, Allianz Middle East Ship Management ("AME") took advantage of the significant correction in the offshore market experienced during 2016-2018, and grew its fleet through selective speculative vessel acquisitions, by acquiring non-performing bank exposures and assets of vessel owners under financial distress. In just 8 years of operation, AME built a fleet of more than 80 OSVs while, at its peak, the chartered-in fleet reached 75 vessels, leading to a total operated fleet of more than 150 vessels. Its client base includes all major NOCs in the GCC region such as ADNOC, ENOC, Saudi Aramco, and Qatar Gas, as well as leading EPC Contractors such as Agility, Saipem, McDermott, and NPCC. At the time of the transaction, shareholders of AME were keen to partially monetize their success in building AME's platform and, at the same time, partner with a major strategic investor with strong financial muscle to implement the company's next stage of growth including expansion in other dislocated offshore markets.

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Enter Shuaa Capital PSC ("Shuaa"). Established in 1979, Shuaa is a leading asset management and investment banking platform based in Dubai, and is no stranger to the OSV market. In December 2019, Shuaa acquired from the liquidation estate of Abraaj Buyout Fund II, Stanford Marine Group ("SMG"), a Dubai headquartered OSV operator with a fleet of 35+ OSVs operating in the Middle East, West Africa and South-East Asia markets. That transaction involved the restructuring of the company's debt, previously provided by a syndicate of seven Middle Eastern banks, and its successful refinancing with National Bank of Fujairah. And, while the turnaround of SMG was a success, Shuaa's larger goal was to be a consolidator in the Middle East offshore sector and create both a regional leader and major global player. In AME, Shuaa found an ideal acquisition target. The combination would allow Shuaa to diversify its OSV fleet across all vessel categories, get immediate direct access to all key Middle East markets such as KSA and Qatar, where it was less present, and offered significant scale in a single transaction versus building up the fleet through piecemeal acquisitions.

On 5th March 5, 2022, Shuaa, through its affiliated entities, completed the acquisition of 100% of the issued share capital of AME (including all its vessels and operations), from its shareholders. At the time of the transaction, AME was the largest operator of OSVs in the Middle East, controlling a 125+ OSV fleet, including ownership of 82 offshore support vessels and chartering of a further 45-vessel fleet, across all OSV categories (Platform Supply Vessels, Anchor Handling Tug Vessels, Barges, Multi-Cats, Crew Boats, etc.).

As a result of the transaction, Shuaa became the largest offshore support vessel owner/operator in the Middle East (including its existing 100% holding in Stanford Marine Group), controlling a fleet of more than 150+ vessels and becoming one of the largest OSV owner/operators globally. Following the acquisition, the management team of AME (which was also previously its majority shareholder) remained at the helm of the company. In addition to Shuaa's equity investment, the transaction was supported by an acquisition financing facility (ca. $160mln) provided by a syndicate of two leading Middle Eastern lenders: National Bank of Fujairah, the largest ship-lending bank in the UAE, with a ship-lending book of more than $1.5bln; and Arab Petroleum Investments Corporation, the Saudi Arabia based leader in energy-focused multilateral financial institution with assets of more than $8.0bln, owned by the ten largest Arab oil-exporting countries. Global investment banking and asset management specialist Alantra, via its maritime & offshore investment banking team, was crucial to making the deal happen, working closely with both AME and Shuaa, acting as the sole sell-side financial advisor to AME's shareholders, and the sole debt financial placement advisor to Shuaa on the acquisition financing for the transaction. Notably, Alantra's team had acted as the buy-side M&A and the debt restructuring advisors to Shuaa in its acquisition of Stanford Marine in 2019.

Highlights of the transaction include the creation of the largest OSV owner/operator in the Middle East, as well as marking one of the rare occasions where Middle Eastern financiers from different regions have contributed debt capital towards a single transaction. At the time of execution, it marked the largest M&A transaction in the offshore space in the Middle East and one of the largest M&A transactions in the region (across sectors), without the involvement of a Government Related Entity acting either as a buyer or seller. Additionally, the transaction was one of the largest secured overnight funding rate (SOFR) facilities for a leveraged buyout (LBO) transaction in the region, and also one of the few corporate credit transactions in the Middle East with term SOFR as benchmark pricing. In the time since the acquisition, the offshore market has tightened considerably, with asset values and charter rates rising. We look forward to these better times continuing and to seeing what future transactions Shuaa may consider as it further develops the SMG and Allianz businesses and contributes to the long-term growth of the offshore oil and gas industry in the region.

PROJECT TRITON: WHEN CREATIVITY CREATES LENDING CAPACITY

THE SECURITIZATION DEAL OF THE YEAR

By Matt McCleery

Transaction: Partial Sale of Piraeus Bank's Portfolio to Christofferson Robb & Company
Winners: Alantra, Auld Partners

Here at Marine Money, we celebrate transactions that bring fresh liquidity, new capacity, and risk sharing into the ship finance marketplace. And one of the less common structures that hits this trifecta is the synthetic securitization of performing shipping loans.

These deals are rare. We haven't seen one in a decade, back when Blackstone ate a slice of risk from Citi's shipping portfolio in 2013, which is why were delighted to see the Project Triton in 2022 – and crown the transaction winner of the Securitization Deal of the Year award. Congratulations to the deal team that closed the transaction.

Simply put, synthetic securitizations allow a bank to transfer a tranche of their portfolio's default risk to an investor. For the bank, the transaction reduces risk weighted assets by $800 million and frees up $100 million of capital, which allows it to offer more loans to shipowners. With the tanker market booming, the bulk market improving, and HSBC having recently exited the Greek market, the timing was probably good for Piraeus Bank. For the investor, in this case, U.S. credit manager Christofferson, Robb & Company (CRC), it earns what it believes is an attractive risk adjusted return.

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But securitizing performing loans is challenging; it requires both parties to agree on a price for the risk that is being transferred. In this case, CRC took the mezzanine tranche from 2.5% to 10%, and Piraeus Bank kept the rest of the risk on the $1.4 billion portfolio. An institutional credit investor like CRC could theoretically invest in almost anything from the direct origination or secondary purchase of loans, leases of bonds. Likewise, Piraeus Bank didn't have to do the deal at all if it didn't believe it was beneficial to its business. Another added bonus of the synthetic securitization structure is that CRC provides a guarantee but it doesn't actually take over loans, which means that the transaction is invisible to the borrowers in the portfolio. The loans remain on the books of Piraeus Bank.

Securitizing shipping loans is especially challenging because the borrowers are small and medium-sized enterprises (SMEs) and the risk of a shipping portfolio is more concentrated than a typical pool of non-correlated loans. Doing a deal at par is also challenging because shipping loans are famous for their competitive pricing, and Piraeus Bank is known for doing high quality deals. CRC earned its shipping chops by buying loans $10 billion of shipping loans from NordLB.

We don't think we will ever see a lot of these deals, but we hope this transaction will inspire others.