

# The Race to Embrace

What is REALLY Driving Shipping Consolidation and M&A?

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November 17, 2022

EVERCORE

MARINE  
M O N E Y

# The Overall M&A Environment is Challenged



Weak Equity Markets



Lower Valuations

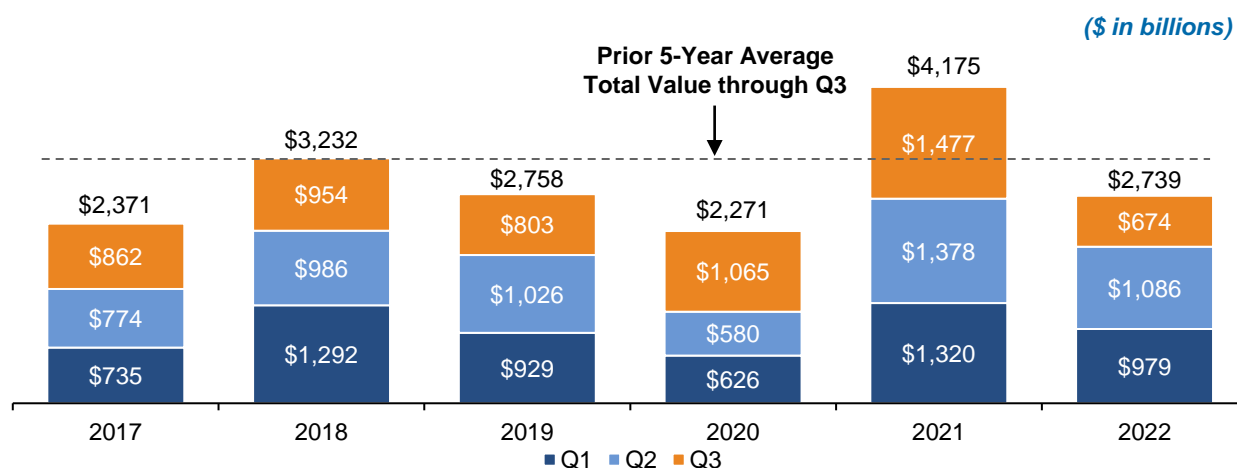


Weak Financing Markets and Higher Interest Rates



Low CEO Confidence with Uncertain Macro-environment

2022 Q3 YTD Global M&A Volume is Below the 5-Year Average...



...and Dramatically Down YoY

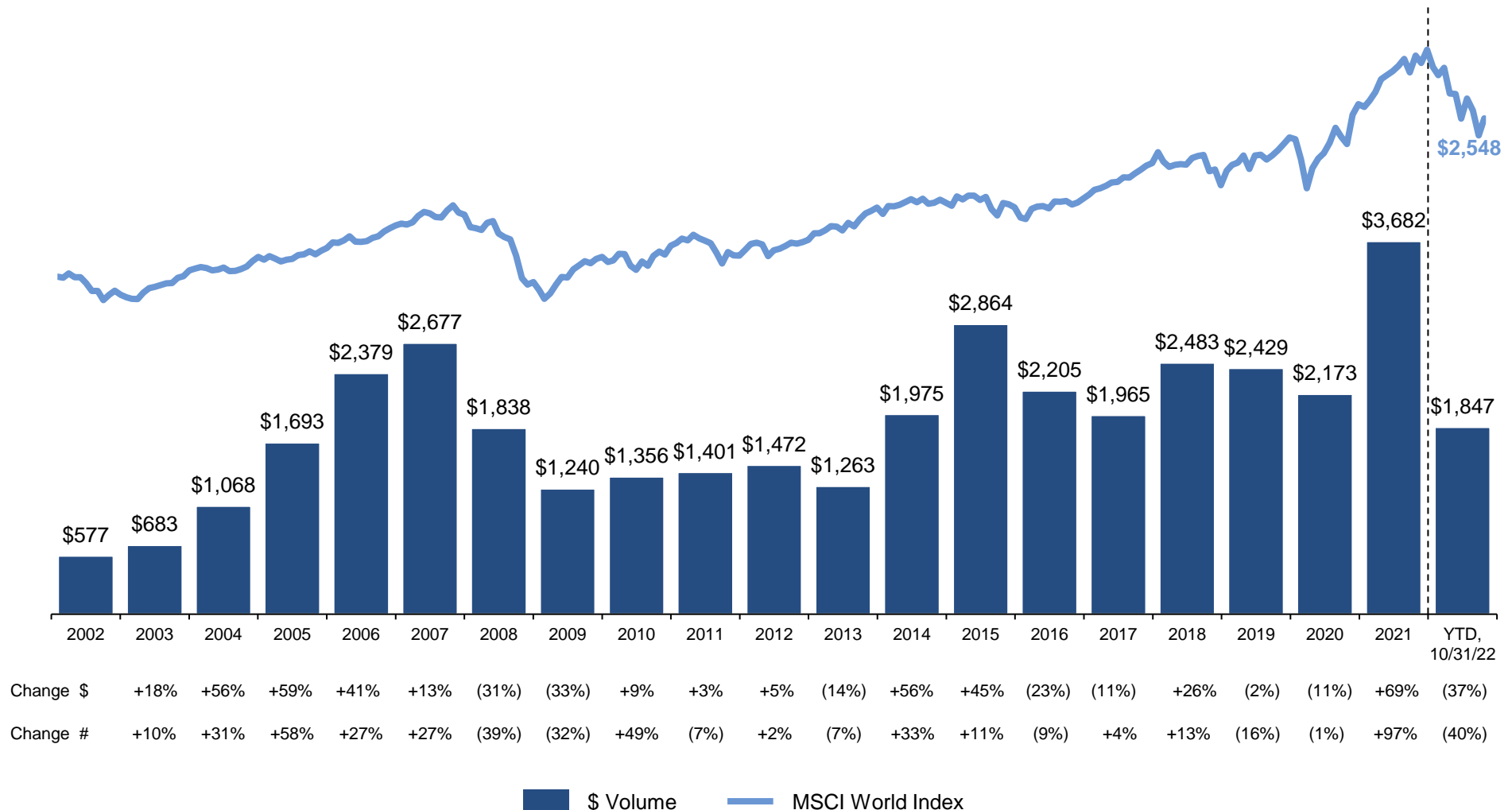
Q3 2022 v Q3 2021		
	% Δ by Value	% Δ by Count
Global	↓ 53%	↓ 26%
U.S.	↓ 56%	↓ 19%

Source: Refinitiv, excludes withdrawn deals

# M&A Activity Tends to Correlate with Market Strength

Global M&A volumes have correlated with equity market performance over the last 20 years

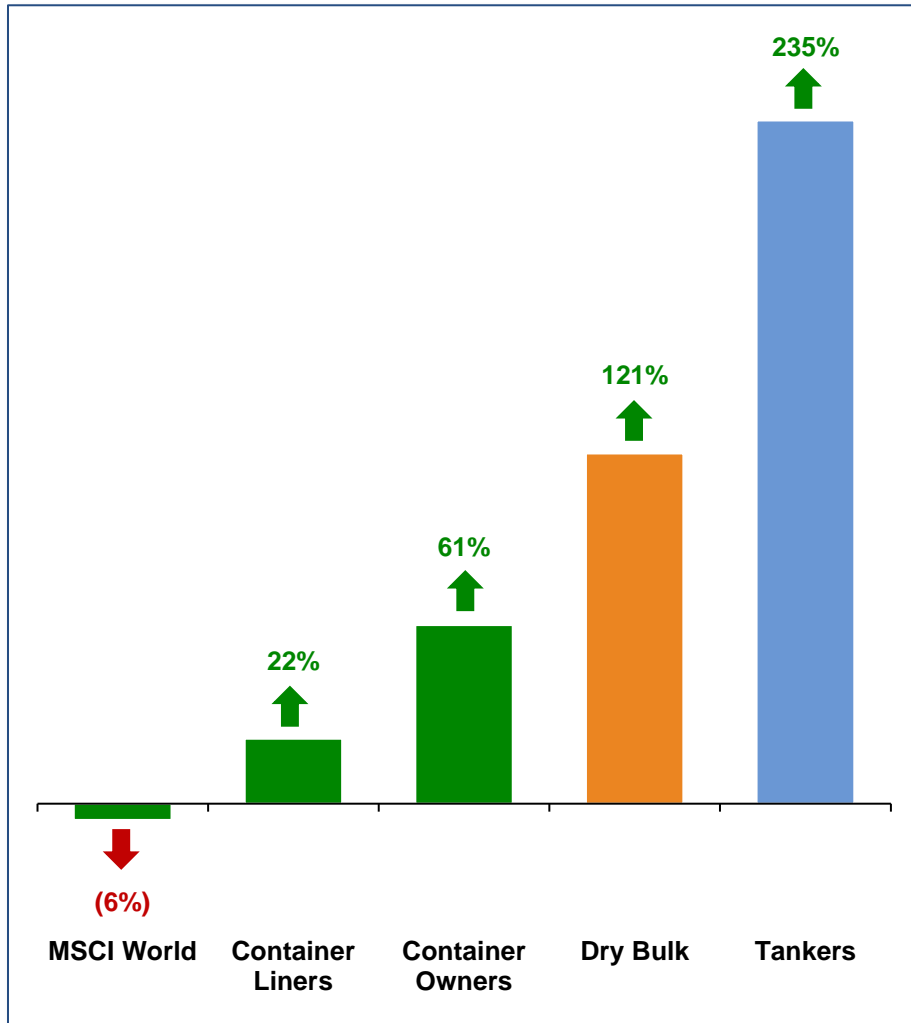
## Global M&A Transaction Volume (\$bn) vs. MSCI World Index



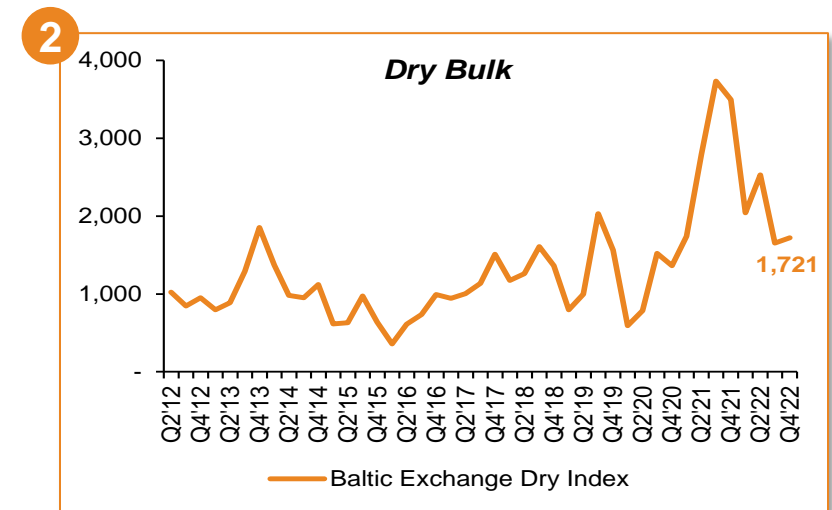
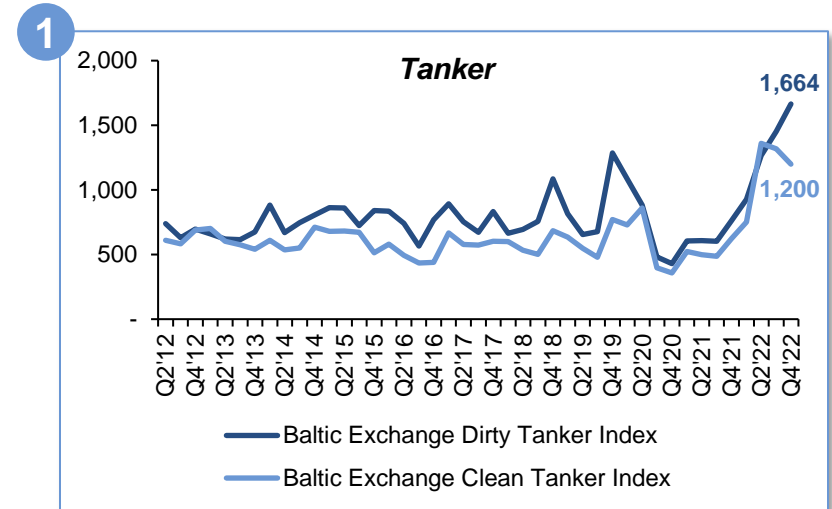
Source: FactSet (10/31/22), Refinitiv (10/31/22)  
 Note: Global M&A transactions over \$1 billion in value

# Shipping Has Enjoyed a More Supportive Environment

## Indexed Share Price (Since 1/1/21)



## Freight Rates



Source: Clarksons (11/8/22), FactSet (11/4/22)

# Key Factors Driving Consolidation

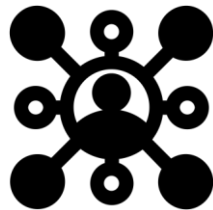
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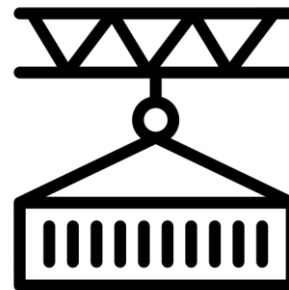
Industrial or Operating Logic



Product Extensions



New Customers



Enhanced Capabilities



Geographic Expansion



Accretive to Acquiring Company (i.e., through synergies and cost savings)



Premium to Selling Shareholders

# Shipping M&A Tends to be Driven by a Series of Other Factors

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- ✓ Time in the cycle
- ✓ Build market capitalization and trading liquidity
- ✓ Improved access to financial markets
- ✓ Build scale and / or re-fleet
- ✓ Reverse out of illiquid and undesirable structures
- ✓ Unhappy or divided shareholder base
- ✓ Private companies wanting to monetize assets or get holdings into more liquid form

# Significant Maritime M&A in the Last Couple of Years



*Acquired by*

**Poseidon Acquisition Corp.**

*(consortium of Fairfax Financial Holdings, Washington Family, David Sokol, and Ocean Network Express)*

**November 2022**



*Acquired by*  
**Höegh LNG Holdings Ltd.**

**December 2021**



*Merged with*



**July 2022**



*Acquired by*



**October 2022**



**LNG Partners**

*Acquired by*

**Stonepeak**

**October 2021**



*Acquired by*



**August 2022**



*Merged with*



**March 2021**















*Acquired by*

**BlackRock**  
**Global Energy & Power Infrastructure Fund**

**February 2021**

# Key Rationales for Significant M&A Transactions

Acquirer / Target	Transaction Size	Deal Type	Rationale
Poseidon / 	\$10.9bn	Go-private	<ul style="list-style-type: none"> <li>Poor public market valuation (7x EBITDA)</li> </ul>
 / 	\$4.2bn <sup>(1)</sup>	Merger	<ul style="list-style-type: none"> <li>Synergies and scale</li> <li>Market leadership</li> <li>Become “<i>The Tanker Stock</i>”</li> </ul>
 / 	\$330mm	Acquisition	<ul style="list-style-type: none"> <li>Monetize ships</li> <li>Re-fleet and opportunity to use currency</li> </ul>
 / 	\$506mm <sup>(1)</sup>	Tender Offer	<ul style="list-style-type: none"> <li>Size and scale</li> <li>Opportunity to monetize</li> </ul>
BlackRock / 	\$4.9bn	Go-private	<ul style="list-style-type: none"> <li>Poor public market valuation</li> <li>High cost of capital</li> </ul>
Höegh LNG Holdings / 	\$168mm <sup>(1)</sup>	Go-private	<ul style="list-style-type: none"> <li>Poor public market valuation</li> <li>High cost of capital / MLP structure</li> </ul>
 / 	\$2.0bn	Merger	<ul style="list-style-type: none"> <li>Size, scale and synergies</li> <li>Market capitalization / liquidity</li> </ul>
Stonepeak /  TEEKAY <b>LNG Partners</b>	\$6.2bn	Acquisition	<ul style="list-style-type: none"> <li>MLP structure / cost of capital</li> <li>Monetization opportunity for sponsor</li> </ul>








# Combining Shipping Companies is Easy!

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They are...

-  Operationally not complicated to consolidate
-  Typically, able to roll pre-transaction secured debt
-  Able to achieve synergies and economies of scale relatively easily
-  Unlikely to face significant regulatory challenges

But...

-  Determining surviving management teams can be complicated
-  Key shareholders want to stay in control
-  Board members like being board members