

# **PRIVATE EQUITY: What it ISN'T..**

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# Background

- Private Equity is relatively new to Shipping
- Often misunderstood as a fast, easy, flexible form of financing – easy money with less strings attached
- Unfortunately, private equity often misunderstands shipping as much as shipping misunderstands private equity

# Disclaimer

- Shipping has several “old friends” in private equity who have proven themselves in the shipping market
  - Wexford
  - Riverstone
  - Jefferies
  - Sterling
  - Great Circle
  - Greenbrier
  - Fortress
  - Carlyle
  - Oaktree

# PE has a place and a value

- Exponential Growth of Private Equity and Hedge Funds Over the Past Five Years
- PE Has the Potential to be a Huge Equity Provider to the Industry
- If Banks and Public Equity is the “Devil We Know” then PE is the “Devil We don’t Know”. We need to Know this Devil Better!!!!

# They Aren't "SHIPPING GUYS"

- The Sales pitch is Often "We want to be Your Partner", "We will Grow with You"
- Never forget: Your interests are never 100% Aligned
- Fast Decisions – Often Difficult
- Unfamiliar with our Terminology
- Valuations (ex Asset Value vs. EBITDA)

# What drives the relationship?

- Shipping is Relationship Driven
- PE is more akin to a “One Night Stand”
- Since their World is not Relationship Driven, They have Difficulty Understanding the Importance of Your Relationships

# PE guys are definitely NOT stupid

- These guys are SMART
- However – Doesn't mean they are cant be IGNORANT and ARROGANT
- Once Again – The PE Folks are Intimately involved in you business. You have to live with them

# Private Money may be better than Public Money..for some..

- Good News!!!
  - NO SarBox
  - NO Takeover Threats
  - NO Public Disclosure of Financials, Chartering Positions
  - No Public Disclosure of YOUR Pay and Ownership
- Bad News!!!!
  - It is Like Having All of Your shareholders sitting in your Bedroom

# Conclusion

- Private Equity has its Place
- Just be Sure that:
  - The Devil You Don't Know isn't Worse than the Devil You Do.