

# Marseille Maritime 2007 „Global Maritime Industries – quo vadis ?“

## Finance for French Shipowners

Tobias König  
Marseille, November 14, 2007

# Biography

- Tobias König is founder and Managing Partner of König & Cie. GmbH & Co. KG.
- After qualifying as maritime professional, he worked in various German and international marketing divisions.
- He started his entrepreneurial career in 1992 with maritime and real estate operations and was among those who founded Ahrenkiel Seeschiffsbeteiligungen GmbH & Co. KG in 1995.
- In 1999 established the issuing house König & Cie. with Tobias König as its sole Managing Partner heading a team of four Employees.



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# Profile of König & Cie. GmbH & Co. KG

# König & Cie. GmbH & Co. KG

Shipping

Real Estate

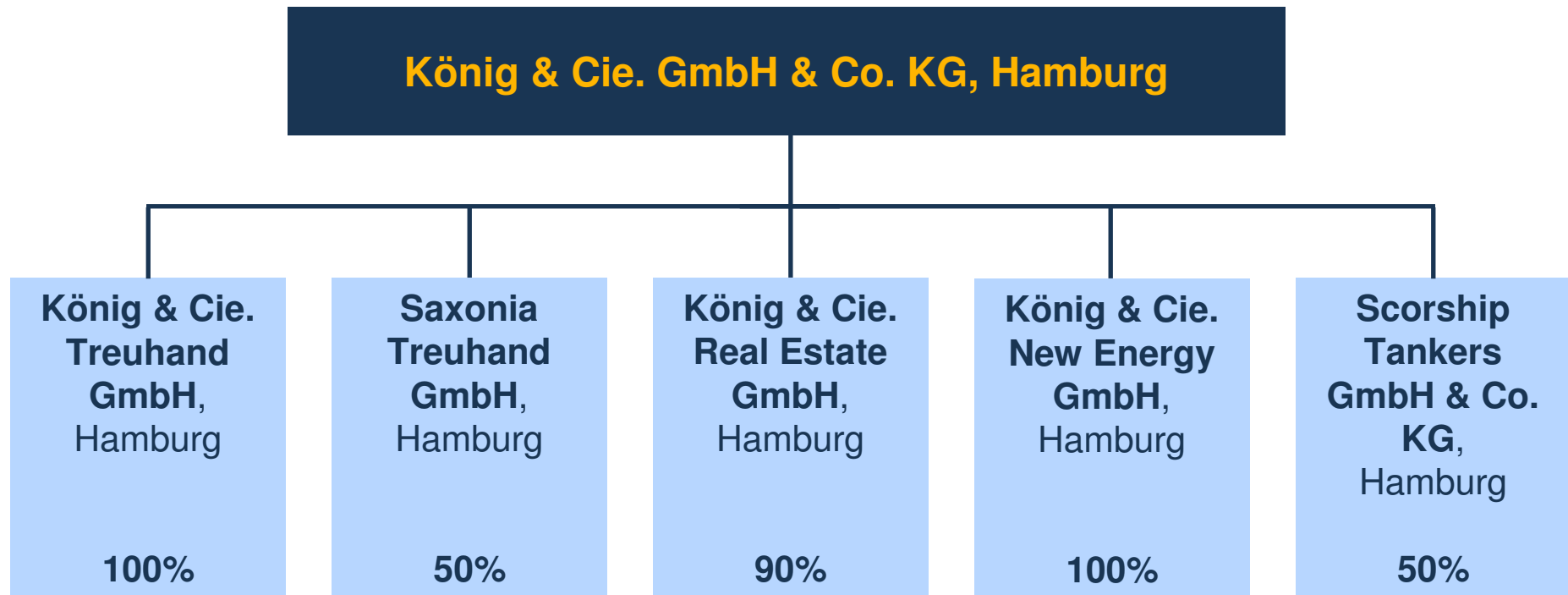
New Energy

Private Equity

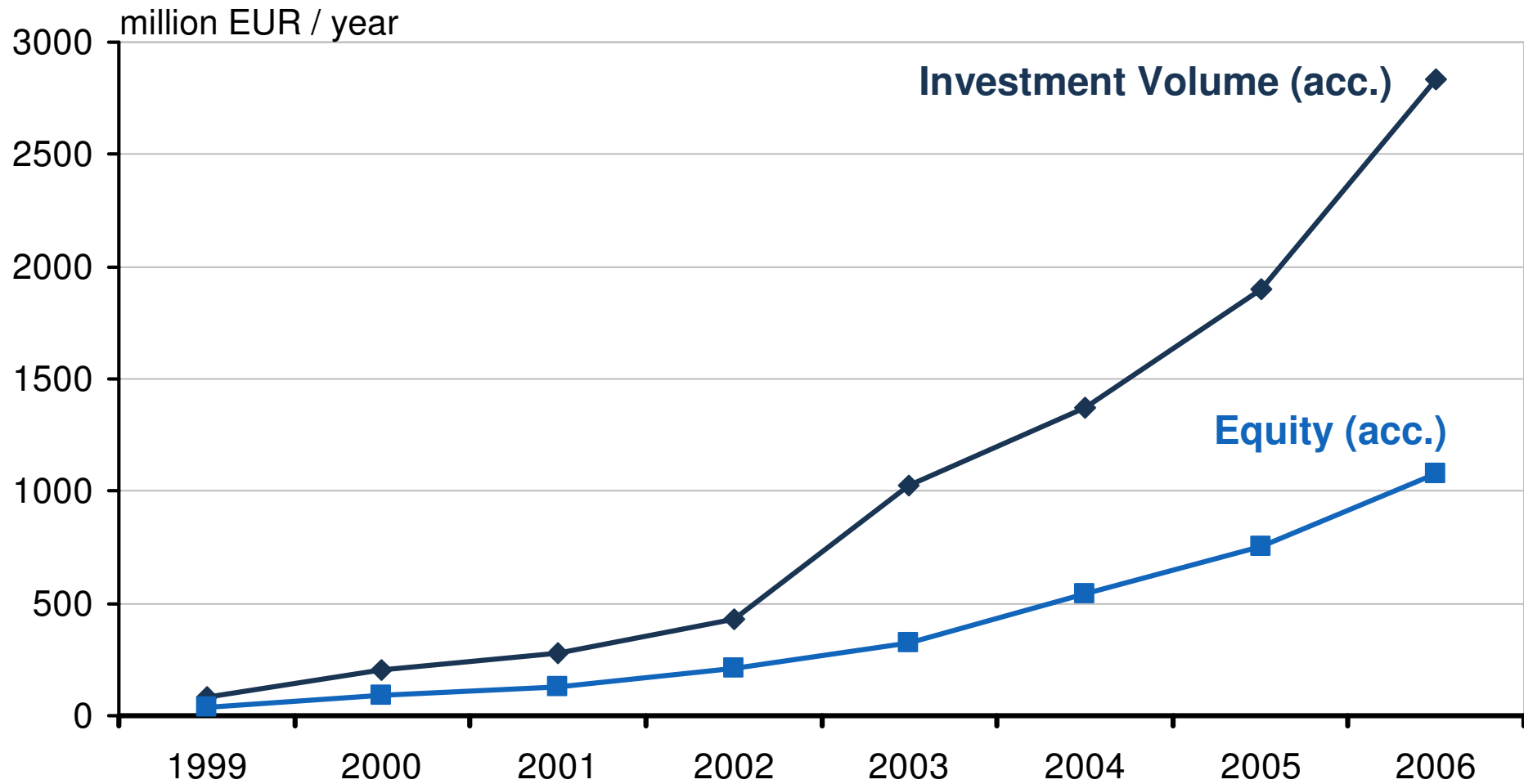
Life Bonds

- ▶ Equity house, founded in 1999, based in Hamburg, Germany
- ▶ Closed end funds in shipping, real estate, new energy, private equity and traded endowment policies
- ▶ over 65 funds
- ▶ over 3.3 billion EUR assets under management
- ▶ Certified annual performance report
- ▶ Approx. 25,000 investors / 33,700 shares as per 9/2007
- ▶ Regulated by the German Federal Financial Supervisory Authority
- ▶ 110 employees as of September 2007





# König & Cie. GmbH & Co. KG: Organization



# König & Cie. GmbH & Co. KG: Raised fund capital



# Fleet of 91 modern vessels

					
Suezmax / Aframax- tankers	Product-/ Chemical- tankers	Container- Vessels	Multipurpose- Vessels	Panamax Tankers	Bulk Carriers
<b>14 / 6</b>	<b>14</b>	<b>33</b>	<b>7</b>	<b>8</b>	<b>9</b>

# The German KG market: facts & figures

	2006	2005
Investments:	EUR 23.5 bn	EUR 24.1 bn
Raised Equity:	EUR 11.6 bn	EUR 12.3 bn
Investors:	359,000	409,000

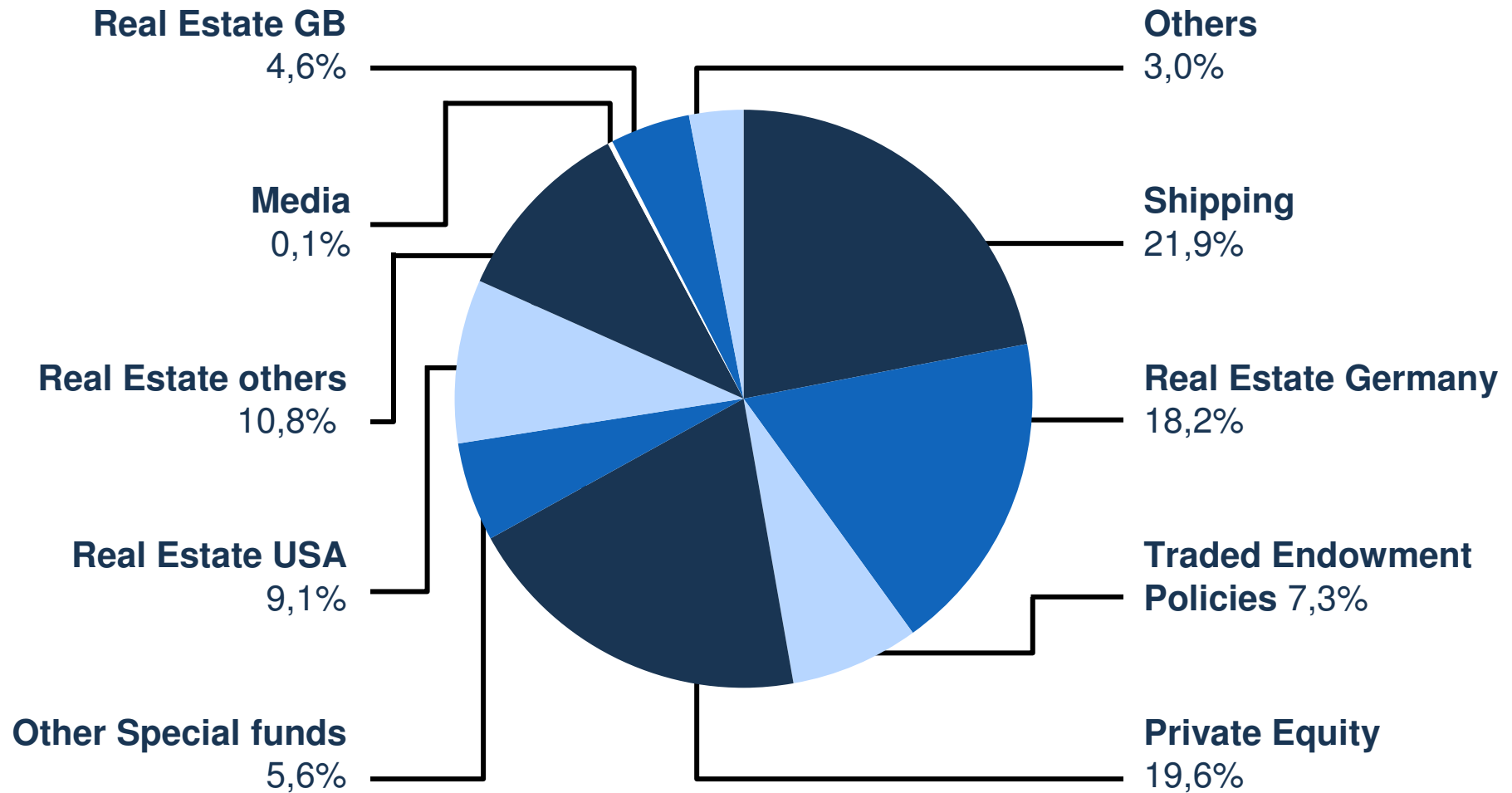
## TOP 5 initiators of shipping investments in 2006

1. MPC Münchmeyer, Petersen, Hamburg	(EUR 428,4 m)
2. HCI Hanseatische Capital Invest, Hamburg	(EUR 344,9 m)
3. König & Cie., Hamburg *	(EUR 282,3 m)
4. Peters Dr., Dortmund	(EUR 223,5 m)
5. Lloyd Fonds, Hamburg	(EUR 211,9 m)

Source: fondstelegramm, „Marktanalyse der Beteiligungsmodelle 2007“

\* König & Cie. results include the capital raised in the IPO of Marenave Schifffahrts AG

# The market of closed end funds 2006

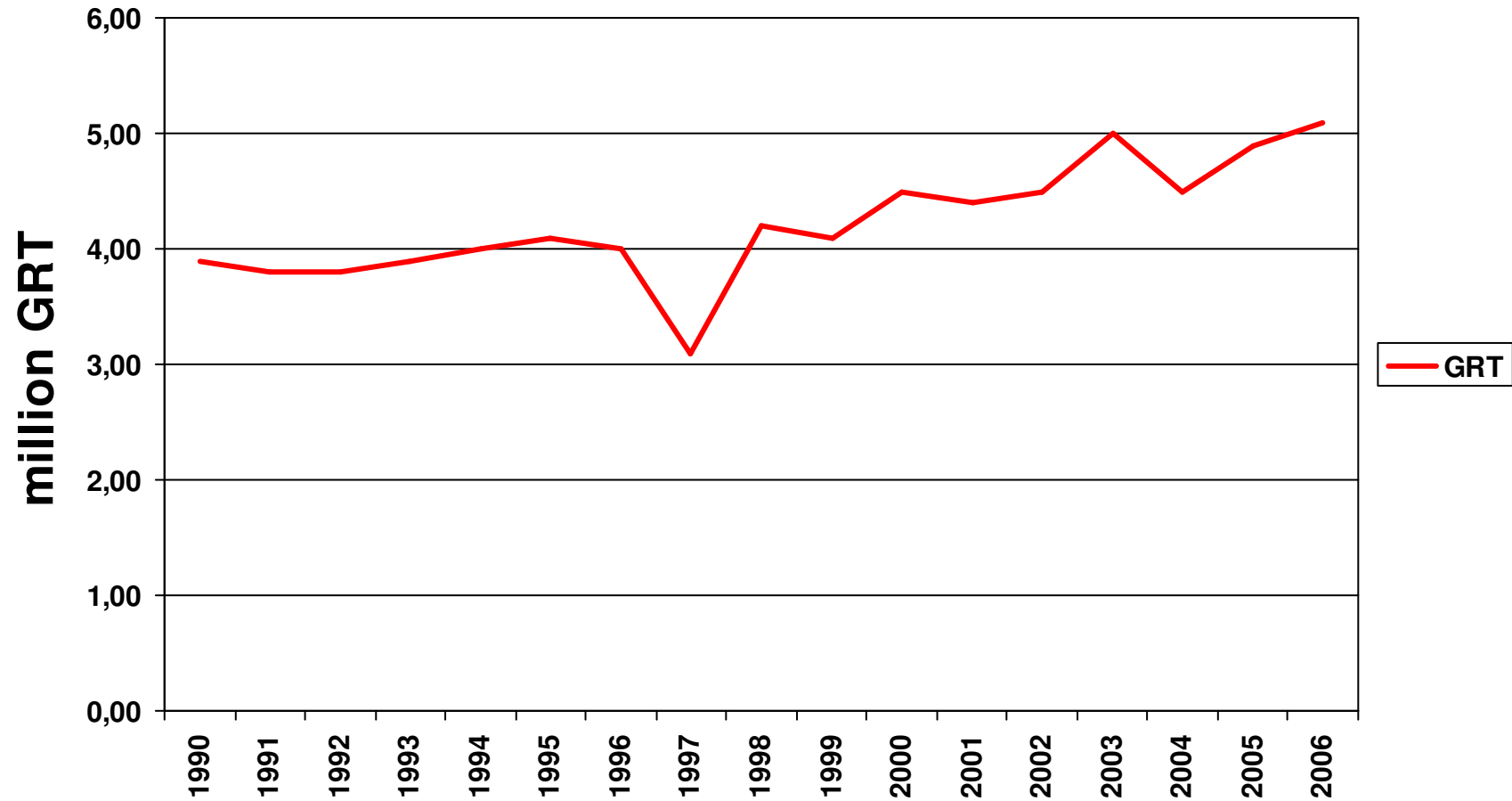


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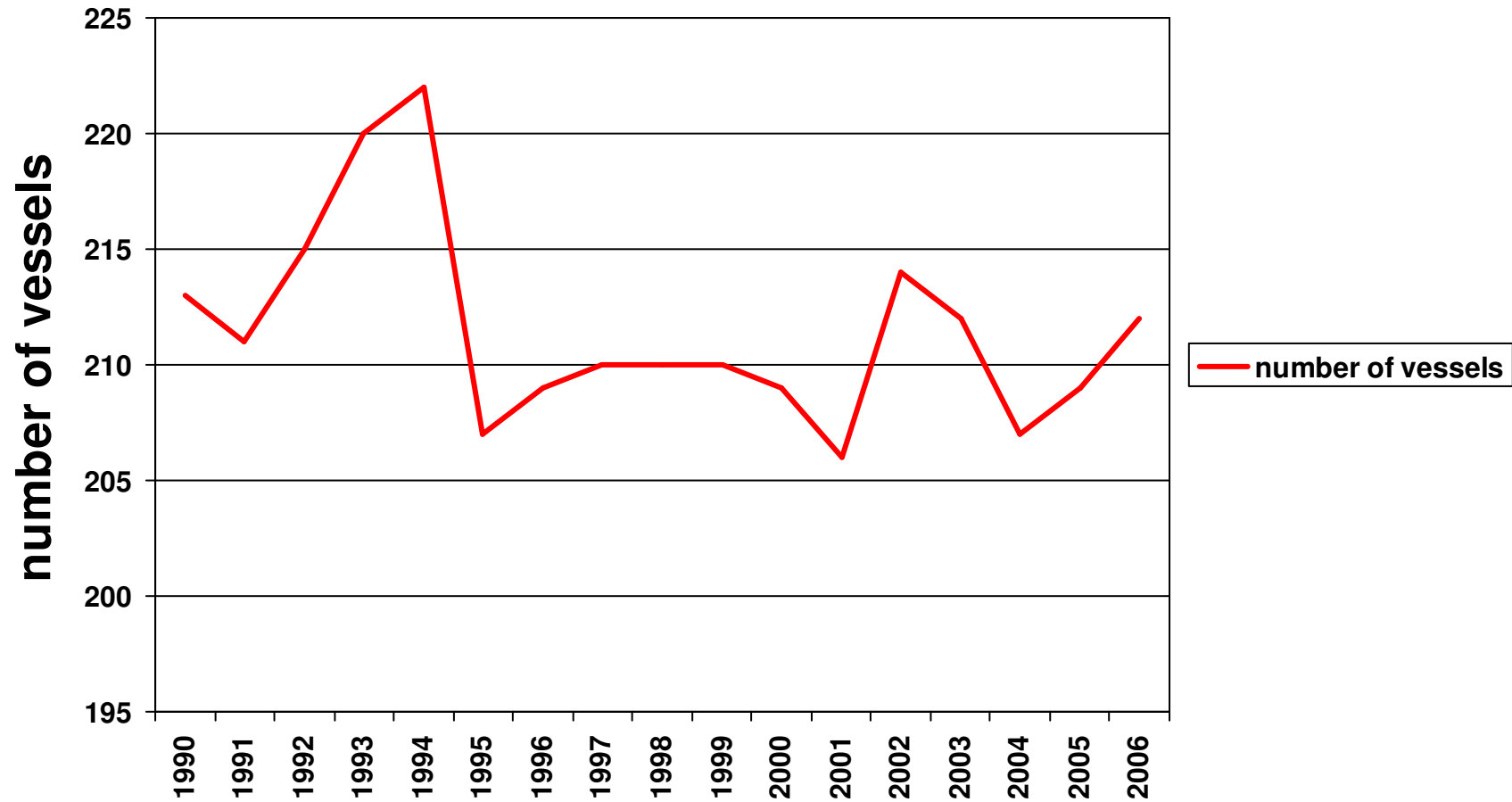
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# Indicators on the French Merchant Fleet

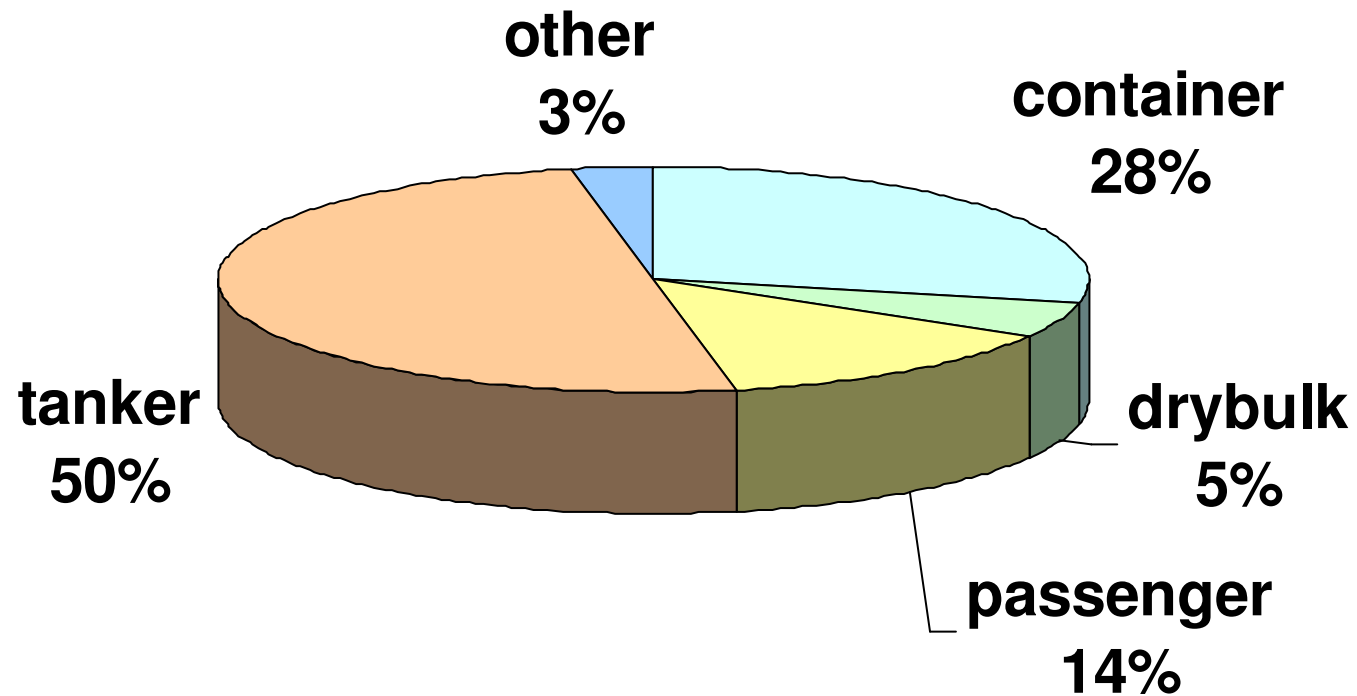
# Development of french fleet



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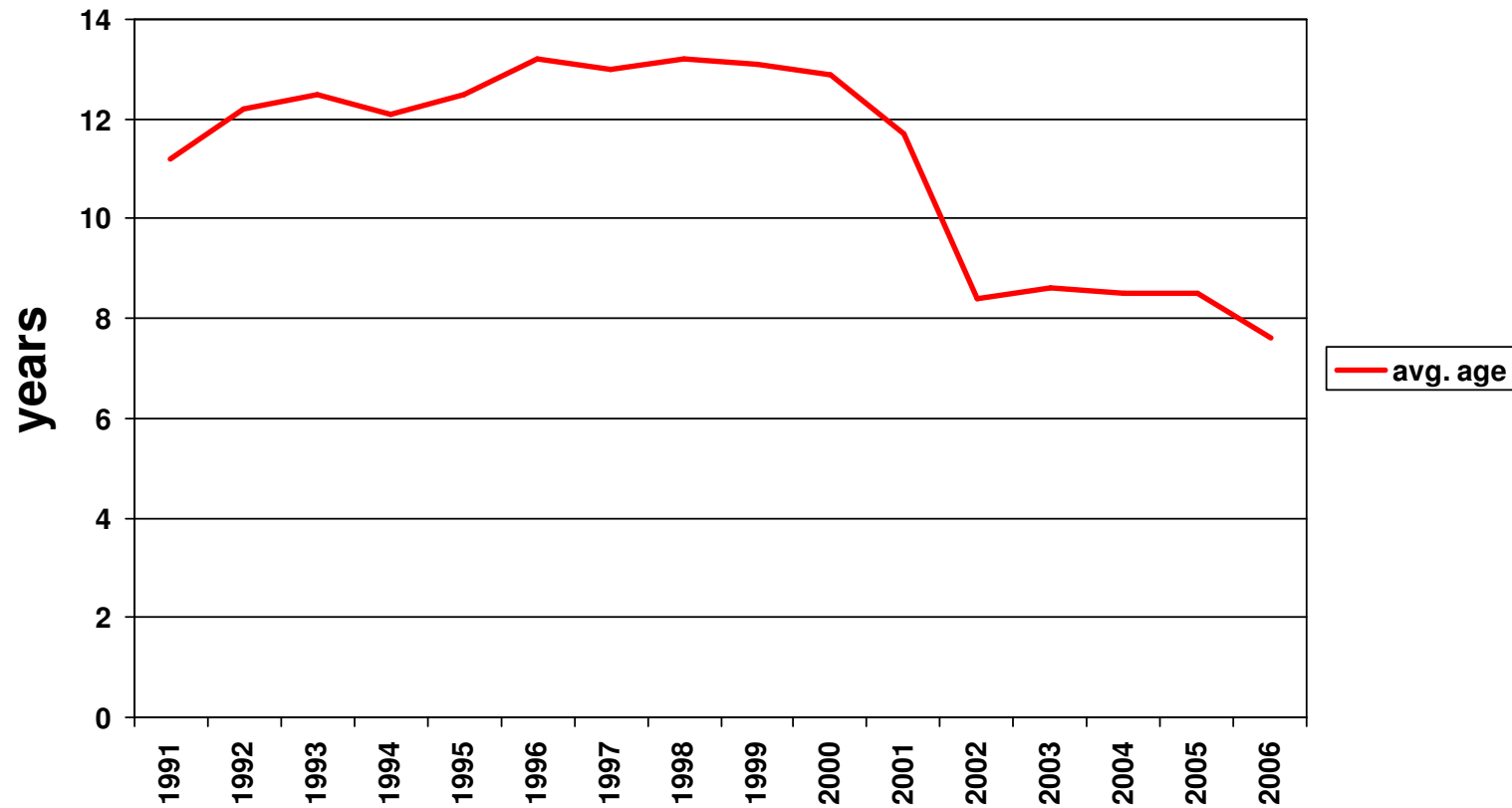


## French fleet composition (by GRT)



Total: 5,9 Mio. GRT (1/2007)

# Development of french fleet



- At an average age of 7,6 years the french fleet is very young
- The average age of the european fleet is 16,4 years

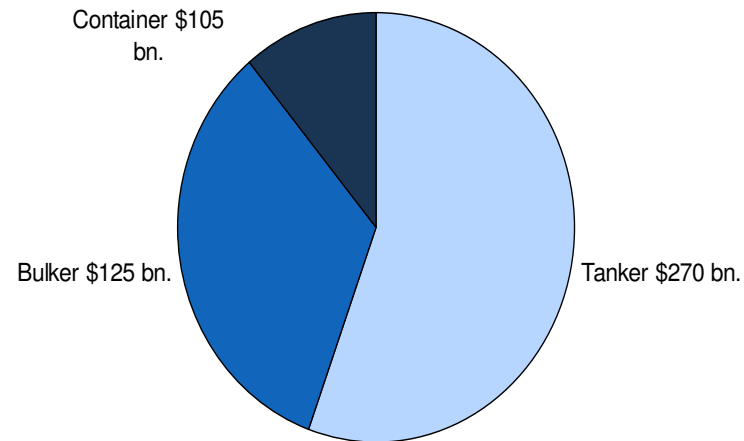
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# Ship Financing in General

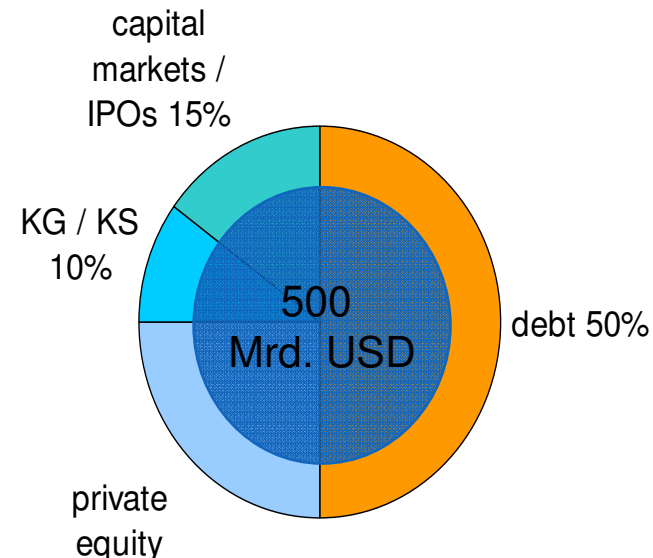
# Size and Structure of the World Merchant Fleet

- The total value of the three main segments of the world merchant fleet is about US\$500 bn.
- Aside those core segments there are LNG/LPG, reefer, cruise and off-shore supply vessels
- The orderbooks of the yards contain orders for the next three years being worth US\$300 bn.
- Due to globalization, the share of the container fleet is expected to grow further



# Financing of the World Merchant Fleet

- Besides the KG model, capital market financing in New York, Oslo and Singapore increased significantly.
- The shift towards the capital markets is propelled by the enormous capital demand for equity which cannot be financed solely on basis of private equity.
- Institutional investors are more and more investing into shipping assets.

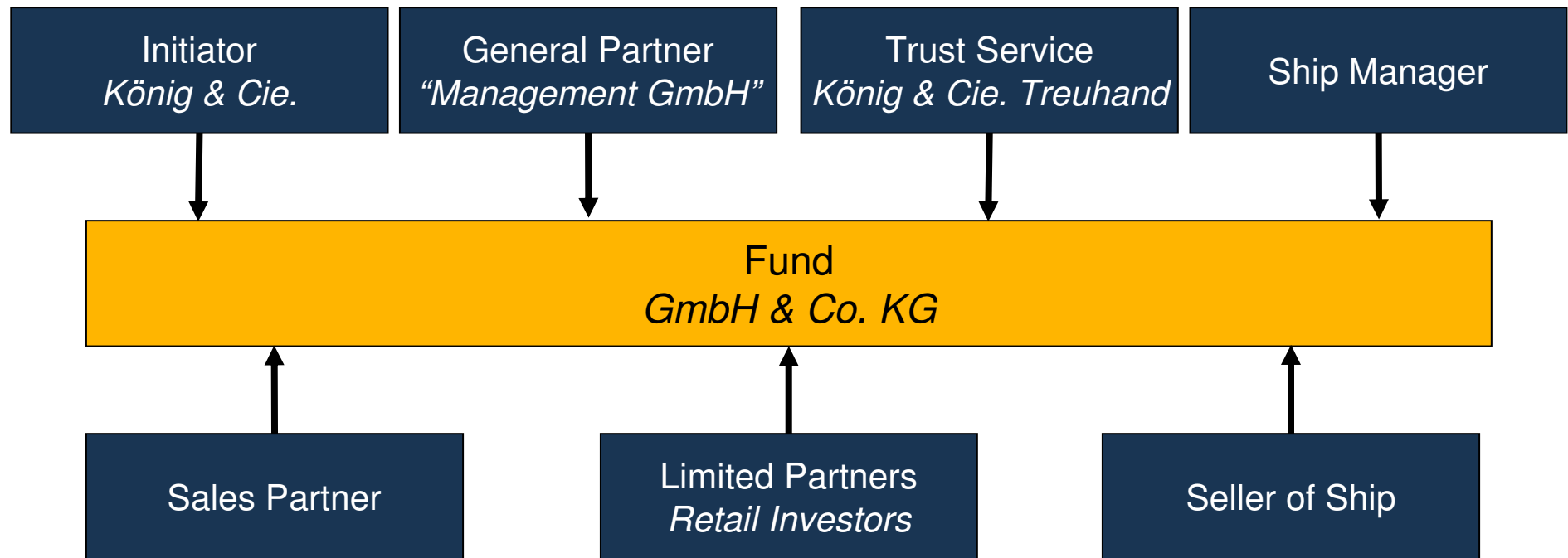


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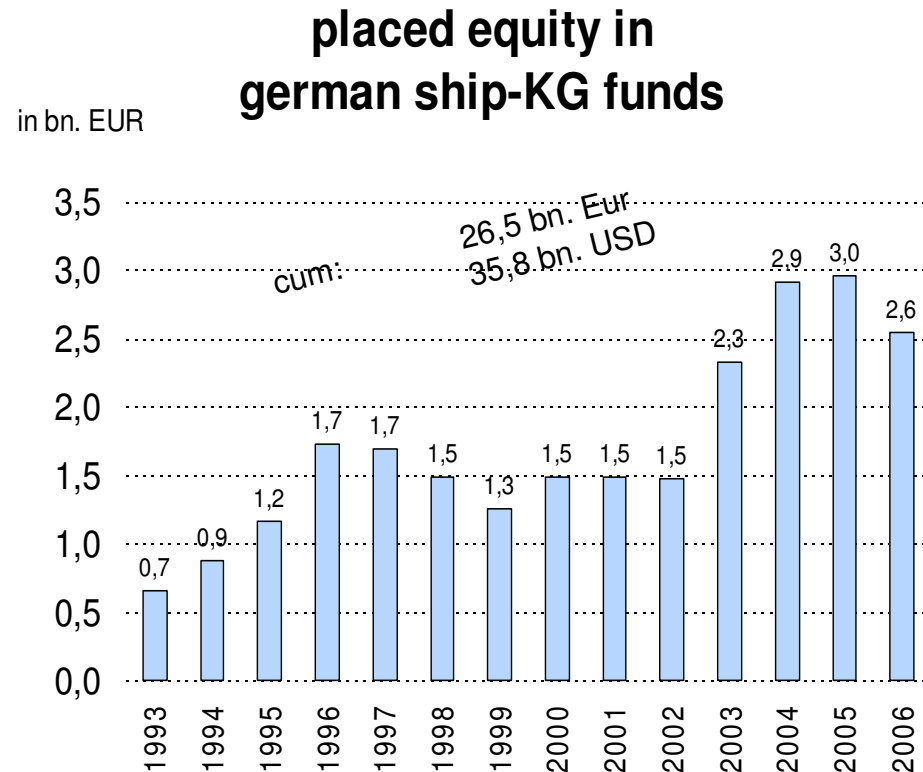
# Financing via KG model

# Structure of “KG” Model



# The „KG“ Model

- Ship owner orders the vessel, funds initiator structures and places the equity
- Mostly one-ship-funds with a multitude of private investors
- Tonnage tax benefits under german ship management
- Buy-and-hold strategy, Mostly long-term charter or pool employment
- Defined maturity of the funds
- High structuring and consulting costs
- Tradeability at secondary market



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# Tonnage Tax Conditions

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To benefit from german tonnage tax scheme, following conditions need to be fulfilled:

- commercial management done in Germany
- technical management done in Germany
- ships need to be registered in german ship register, but do not need to fly german flag
- ships need to trade in international traffic

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**Marenave Schiffahrts AG**

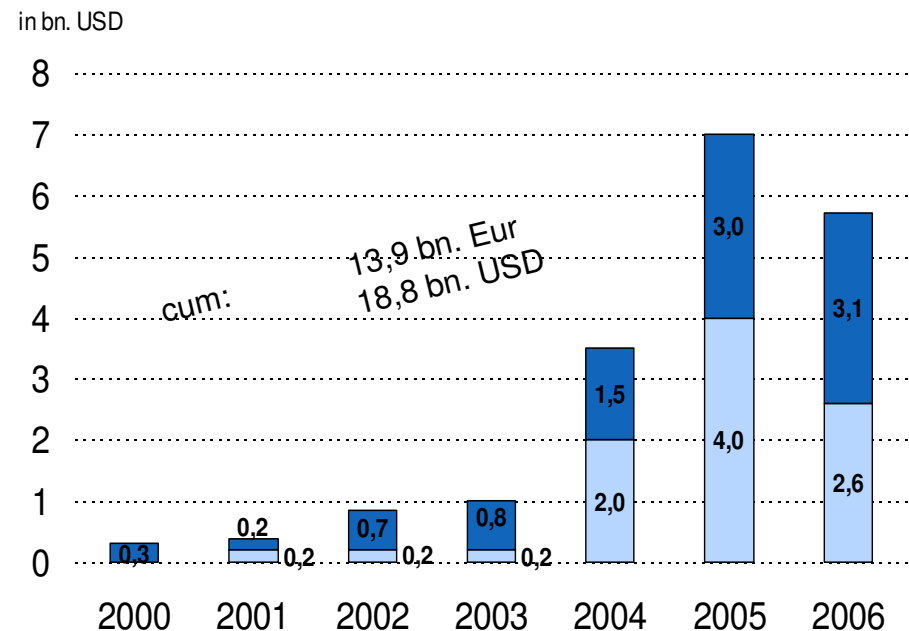
# Financing via Shipping „TRUST“ Model

# Capital Market Based Structures: IPOs, MLP and Trusts

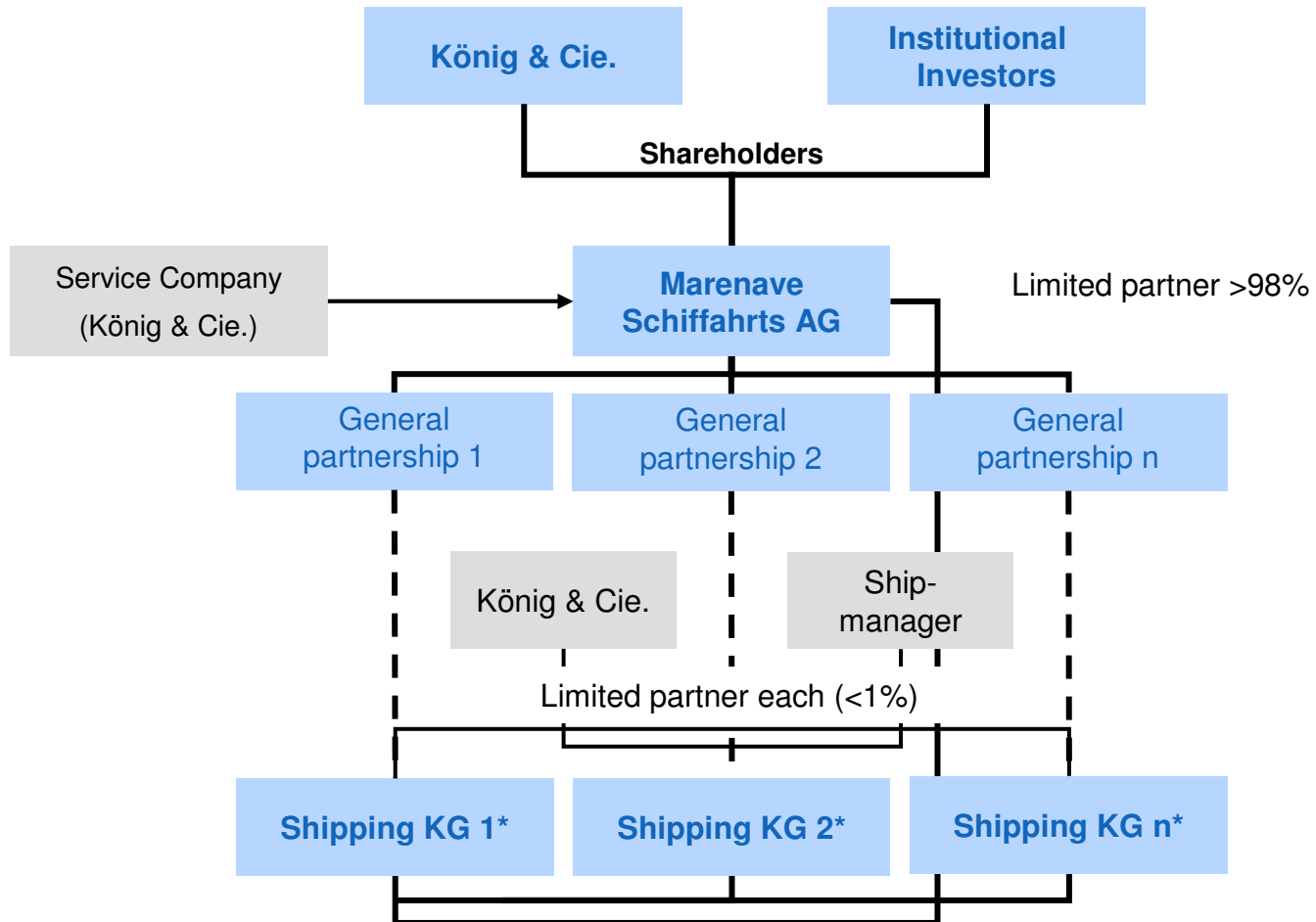
- The placed equity related to the intl. shipping markets has grown sharply during the last years
- Accumulated since 2004:
 

<b>KG-Market</b>	<b>int. Shipping-IPO</b>
<b>US\$11,4 bn.</b>	<b>US\$16,2 bn.</b>
- New York, Olso, Singapore
- Besides common IPOS lately special shipping MLPs and trusts have been initiated
- Three Singapore-Trusts
- Capital Product Partners / Teekay Offshore (MLPs)
- Marenave Schiffahrts AG (German Shipping Trust)

## placed equity in international shipping IPOs



# Structure of “Trust” Model



\* Shipping KG with the legal status of a GmbH & Co. KG

# Executive Summary



- ▶ First stock listed shipping trust in Germany
- ▶ Operation of seagoing vessels
- ▶ Diversified portfolio, tankers, bulkers and container vessels
- ▶ Investors target group: institutional investors
- ▶ Open end structure
- ▶ Listing at the regular Hamburg stock exchange („Geregelter Markt“) since November 2006
- ▶ Active portfolio management (Buy/Sale)
- ▶ EUR 150 m equity capitalization
- ▶ Dividend orientated
- ▶ Low administration costs

# Taxation of the Trust (AG)



- ▶ **Net results** distributed by the KGs to the holding company (AG) will be taxed with 25% Corporation tax and 5,5% Surcharge tax on the Corporation tax (= total net rate of 26,38%), **BUT** under the Tonnage tax regime **ONLY** the Tonnage tax results will count for the taxation basis.
- ▶ **In other words:** the total **tax burden on the profits** distributed to the AG by the KGs will be something between **2 and 3%**, only depending on the size of the ships employed! Other income of the AG like for example interest income will be taxed with the regular Corporation tax rate.
- ▶ **Dividends** to the shareholders are subject to a withholding tax in the amount of 20% plus 5,5% Surcharge tax (= total net rate of 21,1%). For details and implications see page 8.
- ▶ Municipality trade tax („Gewerbesteuer“) will only be charged on other income (= no shipping income) but will not change the overall taxation result significantly.

# Investments



## **MT „Mare Action“ / MT „Mare Ambassador“**

- ▶ **Handy size Product-Chemical tankers**
- ▶ **37.300 tdw**
- ▶ **Hyundai Mipo Dockyard Co. Ltd. In Ulsan, South Korea**
- ▶ **Norient Product Pool**  
**(32 vessels with max. 50.000 tdw and average age of 3 years)**
- ▶ **Shipmanager: Interorient Navigation, Hamburg**

# Investments



M

## **MT „Mare Atlantic“ / MT „Mare Pacific“**

- ▶ **Panamax Product-Chemical tankers**
- ▶ **68.470 tdw**
- ▶ **Koyo Dockyard Co. Ltd., Japan, 2001**
- ▶ **TC with Ritona Oil Ltd., BVI (until 28.08.2008 / 19.10.2008)**
- ▶ **Shipmanagement: Columbia Shipmanagement GmbH (Deutschland)**

# Investments



M

## **MT „Mare Caribbean“**

- ▶ **MR- Product tanker**
- ▶ **46.700 tdw**
- ▶ **Baujahr: 2004**
- ▶ **Hyundai Mipo Dockyard Co. Ltd. In Ulsan, South Korea, 2004**
- ▶ **Shipmanagement: Columbia Shipmanagement Ltd., Zypern**
- ▶ **Delivery: 15. – 30. June 2007**
- ▶ **Chartering down by UPT/ Columbia Shipmanagement Germany**

# Investments



M

## **MV „Cape Fox“ / MV “Cape Frio”**

- ▶ **1200 TEU Containerships**
- ▶ **14.308 tdw**
- ▶ **Peene Werft GmbH, Germany, 2003**
- ▶ **Shipmanagement: Columbia Shipmanagement (Deutschland) GmbH, Germany**
- ▶ **Time Charter with Schoeller Holdings Ltd. Cyprus**

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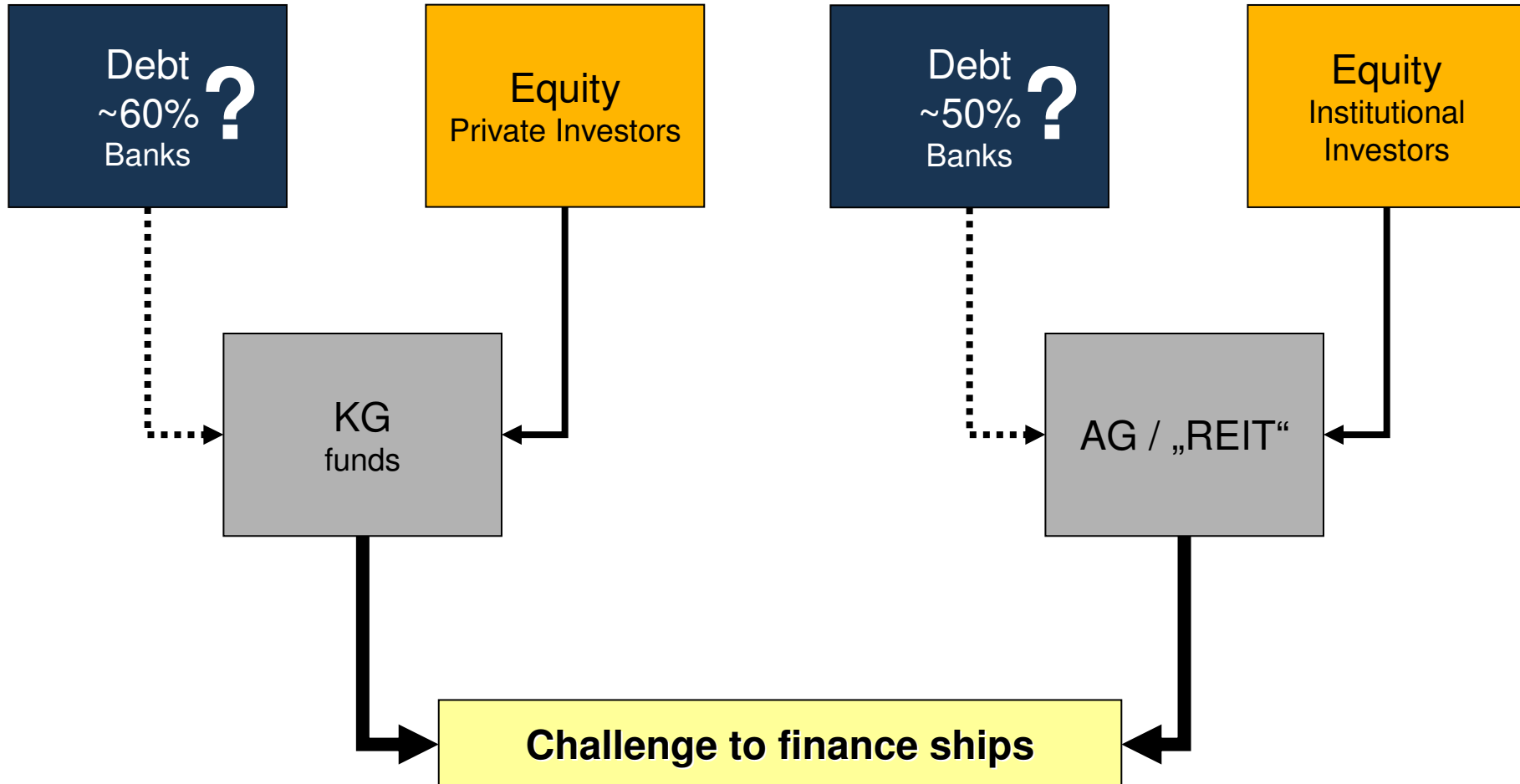
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# Financing via „Sale and Lease back“ Model

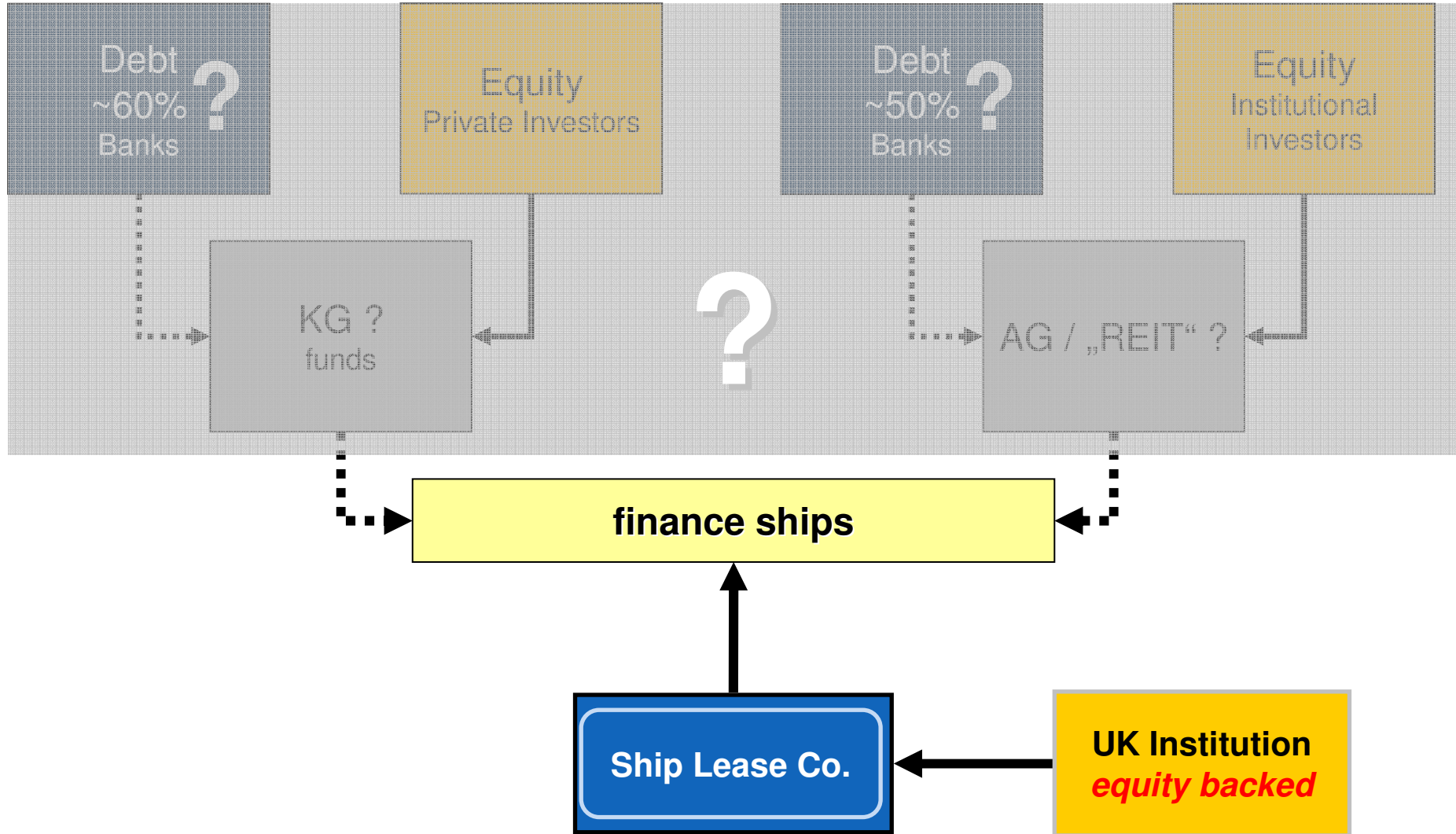
## Market Statements ex Lloyds List

- **“Dutch take the cautious approach” 25.10.07**
- **“Stephen Fewster, MD Global shipping Group of ING Bank, is bearish about immediate prospects and believes the volume of refinancing deals could dry up because of higher costs related to the financial crisis in the US.” 25.10.07**
- **“Even if a few owners struggle and have to sell their assets, there are likely to be enough takers to buy their assets given the current climate and the amount of liquidity.” 25.10.07**
- **„That, in turn, has attracted many approaches from major lines, Seaspan has not been caught out by the tightening debt market“ Seaspan CEO Mr. Wang 29.10.07**
- **„Unusually, these ninth and tenth vessels in the series will be delivered first, in 2009, with the remainder to follow ... The early deliveries, made possible after slots freed up unexpectedly at the Chinese yard...“ 26.10.07**
- **„The credit crunch has undoubtedly dealt a blow to some newbuilding projects, with Braemar Seascope's chief executive Alan Marsh reporting this week that orders had been called off because of problems arranging finance. One canceled deal involved Bulkers“ 26.10.07**
- **“Sub-prime crisis fuels caution among Greeks” 29.10.07**

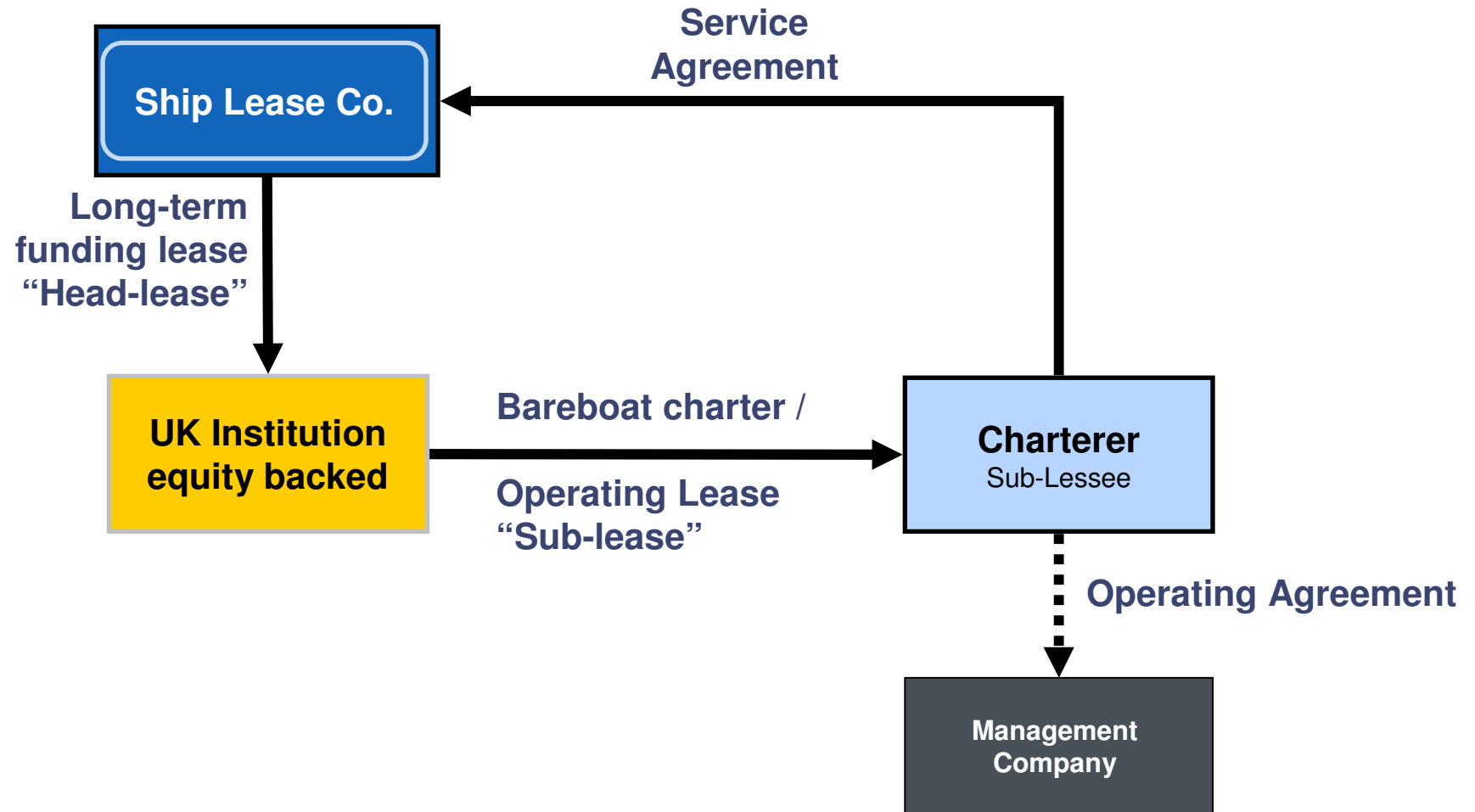
# Liquidity Crunch



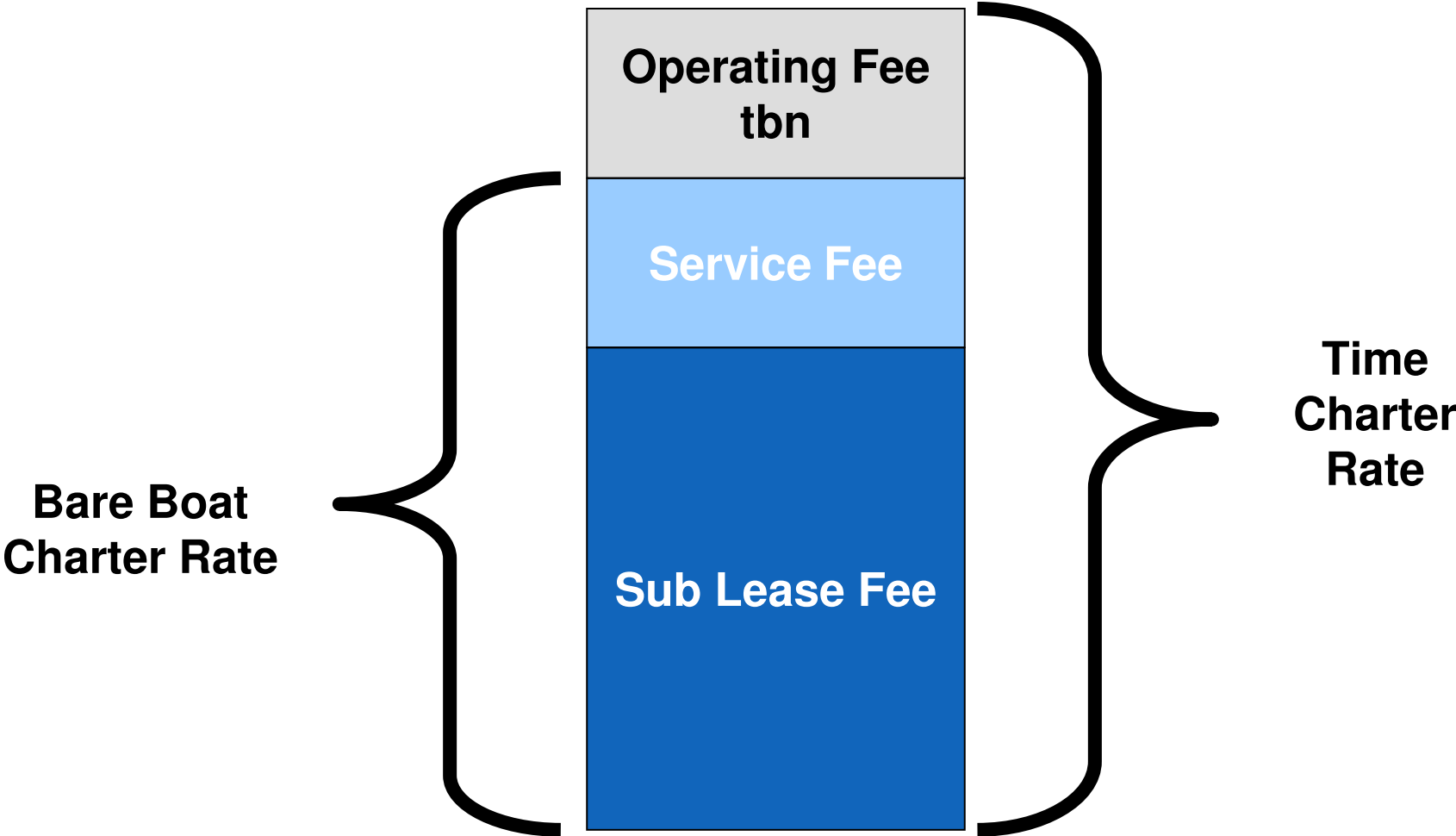
# Sale and lease back offers a liquidity crunch bypass



# Basic Structure of the „Lease“ Model



# Calculation of the Charter Rate Equivalent



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# Partners

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**Ship Lease Co.**

- owns and buys the vessel

**UK Institution**

- bank or insurance
- sub leases the vessel to the charterer

**Charterer**

- charters / leases the vessel from the institution

**Management  
Company**

- manages the vessel technically / commercially

# Specifications

**Narrow scope in terms  
of vessels**

**Competitive charter  
rate**

**Good credit rating  
required**

**Initial lease term and  
purchase options limited**

**Option to choose t/c  
or b/b charter**

**Disclosure of lease  
term less public**

**Ship Lease Co.**

# Specifications

## Narrow scope in terms of vessels

Competitive charter rate

Good credit rating required

Initial lease term and purchase options limited

Option to choose t/c or b/b charter

Disclosure of lease term less public

- **The structure is targeting low environmental risk ships :**
  - **Container ships**
  - **Car carriers**
  - **LNG carriers**
  - **Dry Bulk carriers**
  - **Other low environmental risks ships**
- **The structure applies only to vessels being less than five years old.**

# Specifications

Narrow scope in terms of vessels

**Competitive charter rate**

Good credit rating required

Initial lease term and purchase options limited

Option to choose t/c or b/b charter

Disclosure of lease term less public

- Besides being able to provide an effective and solid way of financing ships in the current narrow market
- This specific leasing structure is able to realize charter rates on a competitive market level

# Specifications

Narrow scope in terms of vessels

Competitive charter rate

**Good credit rating required**

Initial lease term and purchase options limited

Option to choose t/c or b/b charter

Disclosure of lease term less public

- **As the vessels will be sub leased from a first class institution (banks or insurance companies) they require the charterer having a good level credit rating**

# Specifications

Narrow scope in terms of vessels

Competitive charter rate

Good credit rating required

**Initial lease term and purchase options limited**

Option to choose t/c or b/b charter

Disclosure of lease term less public

- **The structure of the model requires an initial lease term of 8-15 years**
- **The number and specifications of purchase options are limited due to the structure of the model**
- **Upon maturity of the lease the ownership of the ship does not automatically transfer to the charterer**

# Specifications

Narrow scope in terms of vessels

Competitive charter rate

Good credit rating required

Initial lease term and purchase options limited

**Option to choose t/c or b/b charter**

Disclosure of lease term less public

- The lease model allows and even prefers to offer the vessel to the charterer on a bare boat basis, but if required a time charter could also be enabled by involving a commercial and technical management company.

# Specifications

Narrow scope in terms of vessels

Competitive charter rate

Good credit rating required

Initial lease term and purchase options limited

Option to choose t/c or b/b charter

**Disclosure of lease term less public**

- **If the business is not organized / run via brokers there is an opportunity to keep rates on a private level between the partners.**

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# Summary

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## Challenge

**Liquidity crunch**

## Our Answer

**Within the current narrow finance market this special sale and lease back structure provides effective and solid finance.**

**High charter rates**

**This specific structure allows to offer competitive market rates.**

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# Contact

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