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INSIDE

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The Week in Review

A First by Maritime Partners

For financiers, achieving the most competitive relative cost of capital is the holy grail. A securitization transaction is one means to that end. It begins with a non-recourse SPV which acquires a package of selected assets from the sponsor that not only provides sufficient cash flow and security to repay the notes it issues to investors to acquire the assets, but also achieves an investment grade credit rating, which reduces the cost of funds.

A maritime leasing and finance company primarily focusing on vessels operating on inland waterways under the Jones Act, **Maritime Partners, LLC** announced the successful completion of its inaugural securitization transaction, which notably was the first ABS issuance composed entirely of inland marine vessels. For its first ABS securitization, Maritime Partners utilized a master trust structure, which through its indenture will allow the issuance of additional classes and series of notes, leaving a world of possibilities for the future.

In this immediate transaction, Maritime Partners, as sponsor, will act as servicer, and will retain 100% of the transaction equity (through affiliate entities). The critical role in this transaction was played by **MP 2023 LLC**, a bankruptcy remote SPV affiliated with Maritime Partners, which agreed to acquire a portfolio of 316 inland marine vessels, all of which are employed under long-term bareboat charters, which are the source of repayment of the notes. The purchase was funded from the proceeds of the issuance of $235.3 million of its secured MP 2023-1, Class A Notes, with a coupon of 7.167% with an expected tenor of seven years. Payments on the notes are due monthly based upon a mortgage style amortization to a balloon. Proceeds from the transaction were used by Maritime Partners to pay down existing debt, among other purposes.

DBRS and Kroll Bond Rating Agency rated the Notes 'A' making them investment grade. Critical to obtaining that rating is the construction of a diversified pool of assets with employment which would appeal to the noteholders. The assets should comprise a mix of vessel types and ages broadening their attraction to end users. In this instance, the collateral package, a representative sample of Maritime Partners fleet, is comprised of 287 barges (66.3% by value) and 29 towboats (33.7% by value) (the "Portfolio") with an initial fair market value of approximately $372.3 million based upon the average appraisals provided by two third-party appraisers as of March 2023. The vessels have a weighted average age of approximately 9.2 years, which is young compared to the useful life of these assets which can range from 25 to 40 years. Based upon the valuation, the initial LTV is 63.2 percent. The Portfolio may change over time due to reinvestment from vessel disposition proceeds to purchase additional eligible vessels subject to concentration limits.

The Portfolio vessels are bareboat chartered to 19 domestic charterers, with a weighted average remaining term of approximately 4.0 years. Here it is important to have a mix of charterers and varying tenors to minimize the credit risk.

A private company founded in 2015, Maritime Partners offers tailored leasing services to operators across the full spectrum of credit quality. As of December 2022, Maritime Partners owned and managed a portfolio of approximately 1,515 vessels on charter to 28 charterers. The fleet, comprised of tank barges, hopper barges, towboats, as well as deck and drydock barges, are predominantly deployed on bareboat charters and utilized in the transportation of commodities integral to the United States economy, including agricultural products, chemicals, aggregates, and energy products.

Since 2015, Maritime Partners has successfully raised over $1.0 billion of equity, a large portion of which represents uncalled capital commitments. In addition to equity raises, Maritime Partners has a warehouse line with available credit, and term loans from multiple lenders.

This milestone transaction gives Maritime Partners access to what it believes is the lowest cost of capital in the inland marine industry in addition to strengthening its capital structure.

The financing was led by **Atlas SP Securities**, a division of **Apollo Global Securities**, which served as sole Structuring Agent and Bookrunner. **Vedder Price** represented Maritime Partners in this transaction.

Ever So Close

Acknowledging **Danaos Corporation**'s prudent focus on its balance sheet and conservative commercial strategy, **S&P Global Ratings** last week, upgraded the long-term issuer credit and issue ratings on the company and its unsecured notes to 'BB+' from 'BB' with a stable outlook. The new rating is one notch below investment grade and should be applauded as a reflection of a remarkable turnaround. The rating agency highlighted the company's efforts in continuing to reduce debt with excess cash flows, while maintaining a solid contracted revenue backlog. In their estimation, these actions will partially protect earnings from a sharp decline. Despite the significant drop-in industry charter rates in late 2022 and their continuing weakness to date, S&P believes average time charter rates will remain profitable, although under pressure in 2023 and 2024 a reflection of new vessel deliveries and uncertainty about freight volumes.

Underlying its decision, S&P focused on the following key factors:

Danaos' strong cash flow generation and asset disposals in 2022, including vessel sales of about $130 million and the disposal of its stake in container liner ZIM for about $247 million, allowed the company to continue to materially reduce its debt to about $500 million from over $1.3 billion in 2021. This contributed to Danaos' financial flexibility and provided headroom under its credit metrics ahead of EBITDA normalization from its peak in 2022–2023.

Critical to the upgraded rating in S&P's view is Danaos' prudent liquidity management. At the end of Q1 2023, Danaos had cash-on-hand of approximately $360 million even after material debt redemption and some shareholder returns in 2022. In addition, the company secured a $383 million revolving credit facility, which is currently undrawn and available until 2027. These demonstrate management's proactive approach to securing liquidity protection as more vessels come up for renewals.

A key factor behind the upgrade is Danaos' current contracted charter backlog of medium-term time charters, underpinned by attractive rates, which partly shields the company from the industry's cyclical swings. The backlog of $2.3 billion runs through 2028 with an average duration of 3.2 years.

ESG is inescapable. Specifically, the ratings agency noted that environmental factors remain a moderately negative consideration in its rating analysis, as the global shipping industry faces a large regulatory workload. This is reflected in increasingly stringent shipping emission targets, fluctuating and demanding capital investments, for example in new vessels powered by alternative fuels and the use of more expensive emissions-compliant bunkers. Fortunately, based upon its business model, the company typically transfers the risk of fuel price inflation to counterparties under the terms of its time-charter contracts. Danaos' management aims over time to replace aging containerships with new ones equipped with more fuel-efficient engines. For its existing tonnage, Danaos is enhancing its energy efficiency and cutting emissions through bulbous bow optimization, retrofits, and low friction paints, among others. The company has also installed exhaust cleaning systems (scrubbers) on 11 of its vessels without significantly weakening its financial flexibility over 2019–2020.

The next challenge for the company is to improve a notch to investment grade. As for others, Danaos has shown the way.

Navigator Refinances

Back in March, **Navigator Holdings** entered into a $200 million senior secured term loan with **Nordea, ABN AMRO, Skandinaviska Enskilda Banken**, and **BNP Paribas** to refinance its June 2017 Secured Term Loan and Revolving Credit Facility and the October 2016 Secured Term Loan and Revolving Credit Facility that were due to mature in June and October 2023, respectively. The new credit facility has a term of six years, with quarterly amortization payments of $8.3 million to a final balloon payment. The loan facility bears interest at a rate of SOFR plus 210 basis points and is secured by first priority mortgages on ten of its owned vessels.

Offering financial flexibility, the company's balance sheet is strong with total liquidity of $190.9 million as of Q1 2023. In terms of leverage, the net debt to capitalization is 36.9% as of March 31, 2023, and net debt to adjusted EBITDA is 3.6x for LTM as of the end of the quarter. Lastly, there are no loan facilities maturing until 2025.

2023/2024 FORUM CALENDAR

To view all details about upcoming and previous forums please visit www.marinemoney.com

EVENT	DATE	CITY / TYPE OF EVENT
35th Marine Money Week	**Jun 20-22, 2023**	**New York City – In-person**
Copenhagen Members Only Private Event	Sep 7, 2023	Copenhagen – In-person
Marine Money – Climate Week	Sep 2023 TBA	New York City – Virtual
16th Monaco Superyacht Finance Forum	Sep 26, 2023	Monaco – In-person
22nd Marine Money Week Asia	**Sep 26-27, 2023**	**Singapore – In-person**
25th Greek Ship Finance Forum	Oct 17, 2023	Athens – In-person
17th Korea Ship Finance Forum	Nov 2, 2023	Busan – In-person
13th China Ship Finance Forum	Nov 7, 2023	Shanghai – In-person
24th Ship Finance Forum NYC	Nov 16, 2023	New York City – In-person
2nd Marine Finance Forum – New Orleans	Nov 30, 2023	New Orleans, USA – In-person
15th London Ship Finance Forum	Jan 25, 2024	London – In-person
22nd Marine Money Hamburg	Feb 28, 2024	Hamburg – In-person
2nd Palm Beach Superyacht Finance Forum	Mar 2024 TBA	Palm Beach, Fl, USA – In-person
18th Gulf Ship Finance Forum	Mar 6, 2024	Dubai – In-person
15th Hong Kong Ship Finance Forum	Mar 2024 TBA	Hong Kong – In-person
Marine Money Offshore Energy Finance Forum	Apr 2024 TBA	Singapore – In-person
5th Marine Money Cyprus Forum	Apr 23, 2024	Limassol – In-person
24th Norway Ship & Offshore Finance Forum	Jun 2024 TBA	Oslo – In-person

WINNERS AND LOSERS

VesselsValue

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08/06/2023

THIS WEEKS WINNERS

Dry

Type (dwt)	Week Change $*	Year Change $*	Annual Volatility*	YoY Volatility Change*

Wet

Type (dwt)	Week Change $*	Year Change $*	Annual Volatility*	YoY Volatility Change*
LR1 (75k)	$0.32	$13.66	15.42%	8.29%
Aframax (110k)	$0.24	$17.76	12.41%	5.48%
MR2 (50k)	$0.04	$5.38	7.49%	2.56%

Container

Type (teu)	Week Change $*	Year Change $*	Annual Volatility*	YoY Volatility Change*
Panamax (4,250)	$0.08	-$69.41	13.06%	4.24%
P-Panamax (7,000)	$0.03	-$86.23	13.85%	6.44%

THIS WEEKS LOSERS

Dry

Type (dwt)	Week Change $*	Year Change $*	Annual Volatility*	YoY Volatility Change*
Cape (180k)	-$0.88	$0.31	12.01%	7.74%
Handy (30k)	-$0.25	-$4.50	6.62%	-1.47%
Supra (60k)	-$0.19	-$4.09	9.08%	1.52%
Panamax (80k)	-$0.16	-$5.95	5.85%	-1.28%

Wet

Type (dwt)	Week Change $*	Year Change $*	Annual Volatility*	YoY Volatility Change*
Suezmax (160k)	-$0.17	$13.83	4.32%	-0.04%
VLCC (310k)	-$0.15	$27.36	4.17%	0.42%

Container

Type (teu)	Week Change $*	Year Change $*	Annual Volatility*	YoY Volatility Change*
Sub Pmax (2,500)	-$1.11	-$28.88	15.29%	6.10%
Handy (1,400)	-$0.87	-$19.66	15.57%	5.16%
Feedermax (750)	-$0.02	-$18.75	10.86%	1.81%

*The $ change in value is for standard specification resale vessels from top quality yards over the previous week or year

** "Volatility" is calculated as the standard deviation of the changes in values across the rolling calendar year (expressed as a %)

*** "Volatility trend" is the change in volatility over the previous rolling calendar year

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