

PRIVATE PLACEMENT DEBT DEAL OF THE YEAR

ABN AMRO ACHIEVES 100% FINANCING IN THE PRIVATE PLACEMENT MARKET - EUREKA!

By Matt McCleery

Transaction: Eureka Shipping Cement Carrier Construction with 58 million CAD Facility
Winners: ABN AMRO Bank

Private placements are an attractive but seldom used source of ship finance. It's a market in which borrowers and their advisors can use creativity to create bespoke credit solutions rather than simply squeezing the deal into an "off the rack" bank loan. Keep in mind: you need a deal that has some "special" features — and the execution is a lot of work compared to typical bank loans (unless you hire the right Arranger, of course). This year's award in the private placement category goes to the talented team at ABN AMRO for their excellent execution for Eureka Shipping Ltd, along with Norton Rose Fullbright and AKD as legal counsel.

Before getting into the guts of the deal, here's some background. Much is said about the "wet," "dry," and "box" markets, but Eureka is in a different

game: powder. That's right, powder. The company specializes in the dust-free transportation of powdery and "cementitious" cargoes. Eureka was founded in 2008 by partners in the SMT Shipping group, and CSL Group joined as a shareholder in 2018. The company is now owned in a Joint Venture between SMT Cement Ships and the CSL Group, and is based in Cyprus, with an affiliate office in Bergen.

Since 2017, Eureka has built eight cement carriers, representing the latest in design and efficiency, and resulting in significant environmental improvements. With so much Capex, optimizing financing is important. The award-winning transaction involved ABN arranging a CAD 58 million (US\$43 million) facility to fund the construction and term financing for one of Eureka's newbuildings.

After a two-day road show and several meetings with institutional investors, many of which took place at ABN's annual private placement event in Amsterdam, the Dutch bank was able to put together an eye-popping deal: a 17-year term that provided 100% loan-to-cost financing at a spread of 255 basis points over the applicable Canadian Treasury, equating to an all-in cost of 6% in CAD terms! Wow.

There were a few bells and whistles. Upon delivery from the renowned and family-owned Holland Shipyard, the vessel will commence a time charter to the local subsidiary of a leading global cement major and will operate in the Great Lakes area in Canada and the US. Although the transaction did not receive a formal credit rating from a third-party agency, it was structured

according to implied investment grade metrics. The deal includes construction financing with multiple delay draw fundings to fully match the yard payments, and ABN was able to mitigate the construction risk by arranging a rock-solid refund guarantee from a reputable financial institution. After a competitive process, ABN AMRO placed the deal with a large, sophisticated North American investor that is active in the private placement market, and worked to find an accommodative structure that met Eureka's needs. When it comes to full service, ABN AMRO performed exceptionally well for its client, Eureka Shipping, and this transaction highlights the potential of the private placement market for shipowners.

