

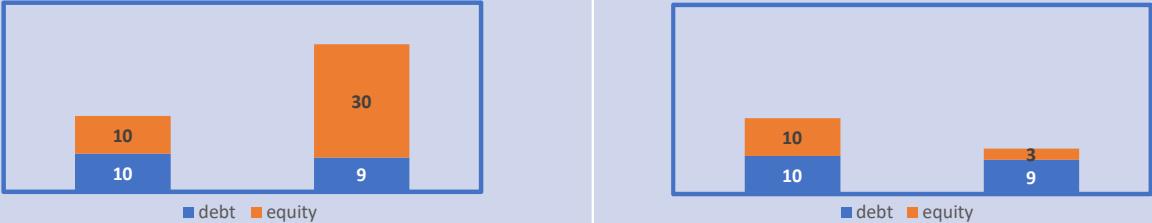


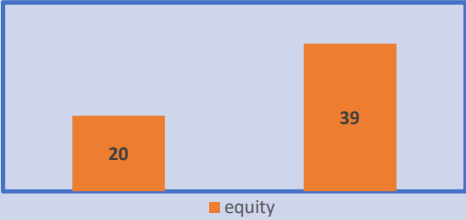
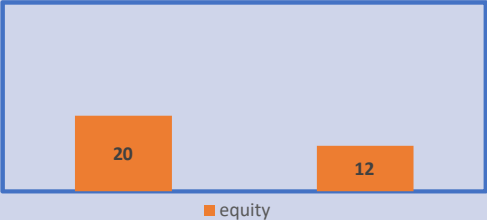
Χρηματοδότηση Ναυτιλιακών Επιχειρήσεων



How investment decisions are made in relation to funding

Δευτέρα 15 Ιουλίου 2019

<p>CASE</p> <ul style="list-style-type: none"> - 5 year old Panamax bulker - 50% finance - Price \$20m - In 1yr, either \$39m or \$12m 	 <p>The image contains two bar charts. The left chart shows a blue bar for debt with a value of 10 and an orange bar for equity with a value of 30. The right chart shows a blue bar for debt with a value of 10 and an orange bar for equity with a value of 3. A legend below each chart identifies blue as 'debt' and orange as 'equity'.</p>	
<p>FINANCE</p>	<p>\$10m loan, 15yr age-adjusted profile, ie 10 yr profile, ie \$1m repayment p.a. \$10m x 5% = \$500k interest p.a., ie total finance \$1.5m p.a. \$4,100 per day</p>	
<p>OPEX</p>	<p>\$4,500 per day</p>	
<p>MGT FEE</p>	<p>\$750 per day</p>	
<p>BREAKEVEN</p>	<p>\$9,350 per day</p>	
<p>EARNINGS 2009-18</p>	<p>In 2009-18, during 50% of quarters the earnings were below \$9,500 per day, which means half the time “the owner was working for the banker”</p>	
<p>OPERATING CASH FLOW</p>	<p>\$15,000-9,350 = \$2m (20%)</p>	<p>\$7,500-9,350 = (\$675k)</p>
<p>VALUE COVENANT</p>	<p>\$9m x 150% = \$13.5m, ie OK</p>	<p>\$9m x 150% = \$13.5m, ie (\$1.5m)</p>
<p>CAPITAL GAINS</p>	<p>\$30m / \$10m = 3x</p>	<p>---</p>

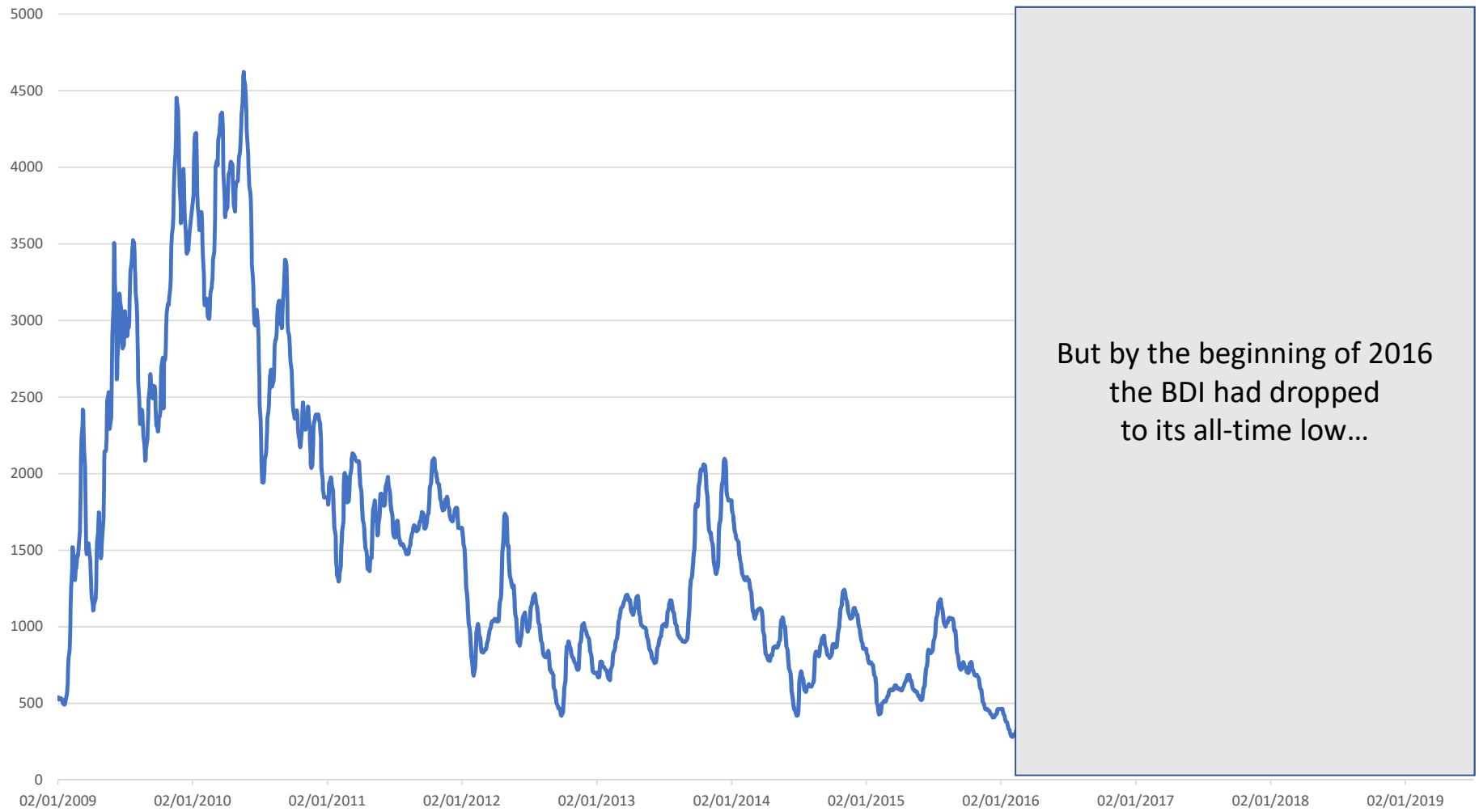
<p>CASE</p> <ul style="list-style-type: none"> - 5 year old Panamax bulker - 50% finance Debt free - Price \$20m - In 1yr, either \$39m or \$12m 	 <p>Bar chart showing equity values: 20 and 39.</p>	 <p>Bar chart showing equity values: 20 and 12.</p>
<p>FINANCE</p>	<p>\$10m loan, 15yr age adjusted profile, ie 10 yr profile, ie \$1m repayment p.a. \$10m x 5% = \$500k interest p.a., ie total finance \$1.5m p.a. \$4,100 per day</p>	
<p>OPEX</p>	<p>\$4,500 per day</p>	
<p>MGT FEE</p>	<p>\$750 per day</p>	
<p>BREAKEVEN</p>	<p>\$9,350 per day \$5,250</p>	
<p>EARNINGS 2009-18</p>	<p>In 2009-18, during 50% 12.5% of quarters the earnings were below \$9,500 \$5,500 per day, which means half most of the time "the owner was working for the banker himself/herself"</p>	
<p>OPERATING CASH FLOW</p>	<p>\$15,000-9,350 = \$2m (20%) \$15,000-9,350 = \$2m (20%) \$15,000-5,250 = \$3.5m (17.5%)</p>	<p>\$7,500-9,350 = (\$675k) \$7,500-9,350 = (\$675k) \$7,500-5,250 = \$800k (4%)</p>
<p>VALUE COVENANT</p>	<p>\$9m x 150% = \$13.5m, ie OK ---</p>	<p>\$9m x 150% = \$13.5m, ie (\$1.5m) ---</p>
<p>CAPITAL GAINS</p>	<p>\$30m / \$10m = 3x \$30m / \$10m = 3x \$39m / \$20m = 1.95x</p>	<p>--- ---</p>

Summary	Leverage	Debt free
Pros	<ul style="list-style-type: none"> • better returns if the market performs • can buy more vessels in one go 	<ul style="list-style-type: none"> • downside protection • can continue buying counter-cyclically
Cons	<ul style="list-style-type: none"> • forces a directional view of the market • restricts commercial flexibility as it encourages longer term charters 	<ul style="list-style-type: none"> • assumes “deep pockets” • less efficient use of equity
Conclusions	<ul style="list-style-type: none"> • if investing opportunistically (ie buy to sell) • if the market is low or is expected to improve • if goal is rapid expansion 	<ul style="list-style-type: none"> • if investing long term capital (ie buy to hold) • if goal is to create self-sustainable business

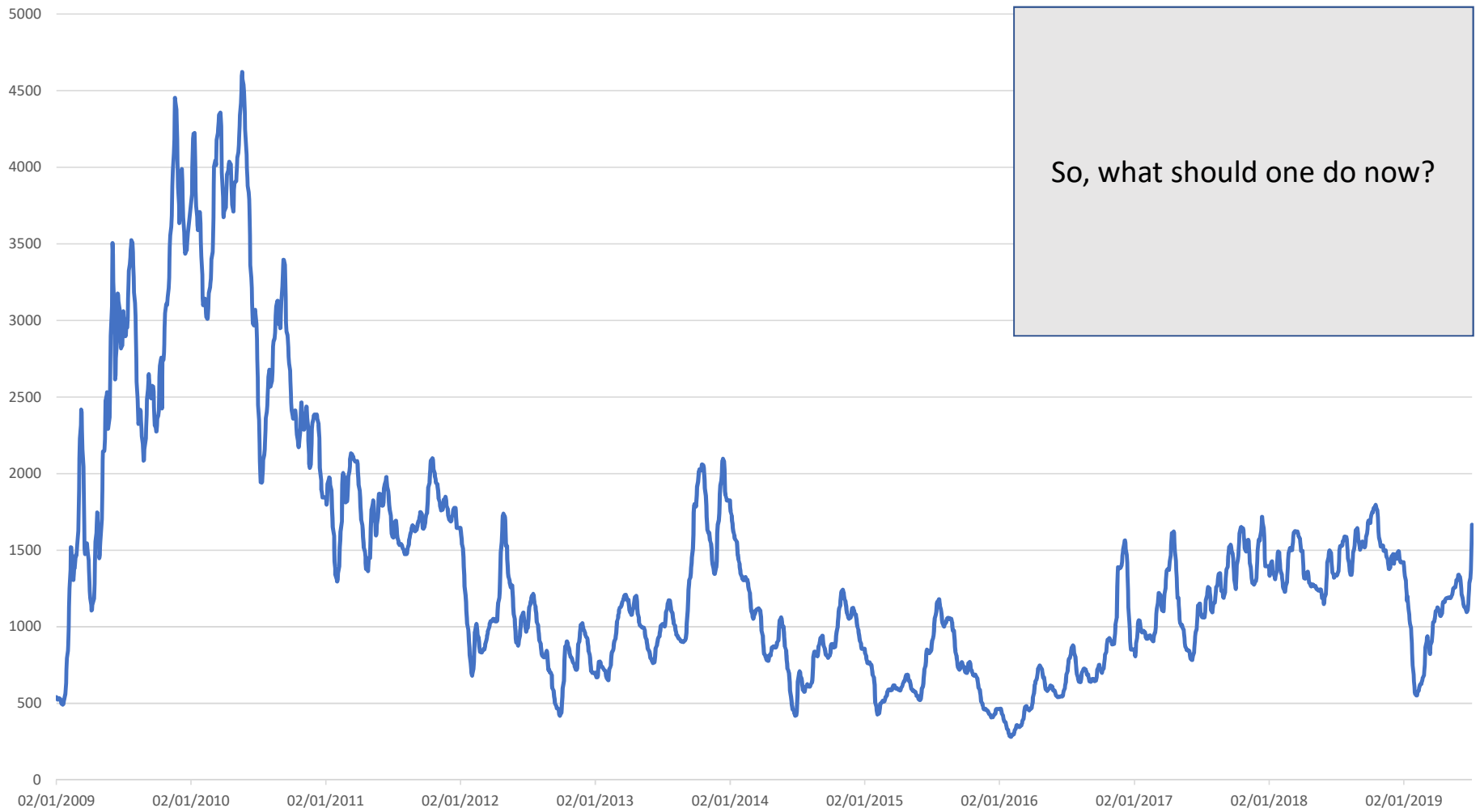
BPI



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So, what should one do now?