



## MARITIME SKILLS ACADEMY



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# New York breakfast time brings alternative capital



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Lois Zabrocky, ceo of OSG

Photo: Chris Prevolos/ Marine Money

The “highlight” of the breakfast time panel, organised by New York Maritime (NYMAR) following the Marine Money conference was when one of the speakers on the panel stood up and headed out to the exit.

Yes, panelist Jeff Pribor, cfo of International Seaways Corp (NYSE- “INSW”) had more important places to be. Specifically, INSW, which had been the international fleet of local stalwart Overseas Shipholding Group until the late 2016 reorganisation, was closing on a major financing, a \$550m “Term Loan B”, plus a \$50m “revolver” (banker

slang for a “revolving credit”) undrawn at closing.

Breakfast goers were finishing their coffee just as the INSW closing, a day long affair as very restrictive post reorganisation debt was replaced by the new capital, was getting underway.

One of the major themes of this year’s Marine Money event, reprised each year at a NYMAR breakfast on the day after, was the exploration of alternative forms of capital as bank finance. In the vacuum created in the wake of long-time lenders to the business have retrenching, the “Term Loan B” is one instrument that has emerged. According to the company, “The Term Loan...will carry an interest rate of LIBOR plus 5.5%. The Term Loan has a final maturity date of June 22, 2022”.

The Term Loan B instruments are loans that are made by large institutional investors. An example is Gu...

Life Insurance which provided a speaker on one of the conference panels. The instrument resembles a covenant light high-yield bond - here a maximum loan to value ratio of 75% is specified, plus various incurrence covenants restricting additional debt, for example -with most amortization at maturity, similar to bond-like bullets at maturity. In this case, 1% of outstanding amounts amortise. Interest is reckoned with a loan-like floating rate ( in this case 5.5% over LIBOR). OSG will be refinancing \$458m of existing bank debt ("first lien term loan"), adding \$78m to cash, with the balance going to fees."

In various public appearances, Lois Zabrocky, OSG's ceo, and Jeff Pribor have talked about taking advantage of possible asset purchasing opportunities at what may be a low point in the tanker market cycle. The new financing comports with INSW's expansive strategy, it will be easier to acquire vessels than the more restrictive credit being refinanced.

As far as pricing of new capital sources for shipping, Pribor, at the NYMAR breakfast, noted that "clears the market at a little higher than the ideal low coupon [interest rate] Norwegian bond debt that shipowners think should be there forever." He said that raising money at "5-6-7% for a good borrower...and 8-9-10% for someone not yet established...would not be such a bad thing."

But, for investors ready to sign the documents, breakfast can wait.

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