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AUERBACH IS MAKING WAVES IN MPP SECTOR WITH LAUNCH OF FIRST CROWDFUNDED VESSEL

Managing director Lucius Bunk says pilot project seeks to attract a younger generation of investors to a sector in need of alternative funding opportunities

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AUERBACH Schifffahrt's four recently acquired multipurpose (MPP) vessels are practically identical, but one is being financed in a unique way.

The 12,600-dwt Louise Auerbach (built 2007) is a pilot crowdfunding venture — the first of its kind in Germany.

"We felt it was important these days to look at alternative funding opportunities," says Auerbach managing director Lucius Bunk.

The four 12,600-dwt F-type vessels changed hands for about \$28m in an off-market, enbloc deal towards the end of last year.

They were owned by Deutsche Bank and previously managed by Peter Dohle.

Bunk says the alternative funding approach for the Louise Auerbach is not about trying to fill a financing gap.

Lucius Bunk: There is no longer a retail market for good reason in Germany. There is very limited support from financing banks. And I think one has to be creative

"The ship is fully financed," he says. "But [we thought] it would be interesting to get support from a younger generation of investors and allow them to participate in an interesting project."

"There is no longer a retail market for good reason in Germany.

There is very limited support from financing banks. And, I think, one has to be creative," he adds.

Auerbach acquired the Louise Auerbach (ex-Fanfare), which has lifting capacity of 300 metric tonnes, in December last year for around \$7.45m.

It followed the purchase of the sisterships Leanne Auerbach (ex-Foresight, built 2008) and Louise Auerbach as well as the 12,791-dwt Lily Auerbach (ex-Favourisat, built 2007), which has 240 metric tonnes of lifting capacity.

The vessels are on charter to BBC Chartering.

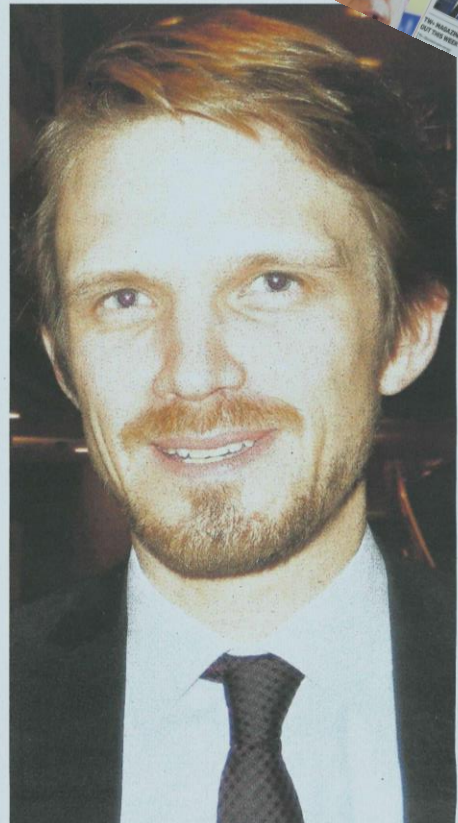
Auerbach has committed \$3.5m in equity, but is aiming to raise €1.5m (\$1.7m) via the crowdfunding venture arranged by Marvest, a Hamburg-based start-up. About €700,000 had been raised by the start of February, with investors attracted by a 6.5% coupon.

"We are just testing the market," says Bunk. "But we are convinced it is one of the few alternative investment vehicles that one should try and support, and see whether you get some traction."

The crowdfunding might be a relatively small project in the wider scheme of things for Auerbach.

TradeWinds reported in November that Auerbach was in the fray for ships in a fleet of up to 43 MPP ships of 5,000 dwt up to 20,000 dwt being sold by Nord/LB with an estimated value of around €200m (\$235m).

Sources in the German market believe that project may have been tapered down, due to concerns of its US backers, who they believe to include Bank of America and private equity investment firm Castle Harlan.



LUCIUS BUNK: Auerbach managing director

Photo: Ian Lewis

Bunk is unable to comment on these rumours, but says he doubts there will be significant amounts of private equity money in the MPP sector.

"It continues to be a very opaque sector and one of the features for PE [private equity] is they need a certain amount of transparency and understanding of the market," he says.

"Therefore, I personally don't see there will be any big movement of private equity going into this segment."

He argues that it is necessary to spread out finance options.

"I think it is important these days to look in all directions. It is to look at different sources of financing. We will see on the market that a lot of commercial banks have withdrawn their support."

"The scene is changing and whether you get large amounts

you would still want to have as versatile access to capital funds as possible."

Auerbach's strategy is to grow organically. It cancelled an order for two 12,600-dwt, F-500 type MPP vessels at Jiangzhou Union Shipbuilding after winning an arbitration case and obtaining a refund.

But Bunk concedes that the MPP vessel market will need to look at new buildings.

"Our market, the average age has gone up to regions where you eventually need to think about replacement of the existing fleet," he says.

"At the same time, there are assets that are interestingly priced, where one should keep eyes open and try to strike a deal."



AUERBACH SCHIFFFAHRT: The company acquired the 12,652-dwt Louise Auerbach (built 2007) in December 2018 for around \$7.45m

Photo: Marvest