

Alterna Capital leads private equity charge into shipping

Western Bulk seals deal after a year of talk but few transactions

Rajesh Joshi
New York

ALTERNA Capital Partners' \$50m investment in a dry bulk joint venture with Western Bulk Shipping is the first leg of a planned involvement in the shipping industry of \$100m-\$150m over the next two years, according to the private equity firm's managing partner Jim Furnivall.

The joint venture, into which Western Bulk has pumped \$12.5m for a total start-up war chest of \$62.5m, has ordered two supramax bulkers of 58,000 dwt each at Sino Pacific Dayang shipyard, for delivery next year. It wants to add at least two more bulkers in the 30,000 dwt-60,000 dwt range, either newbuildings or modern secondhand ships, in the next 12 months.

Alterna has become one of the very first private equity investors to invest in shipping. This follows a year of much talk that such players were poised to invest in the industry but very few actual transactions taking place.

Euroseas recently unveiled a tie-up with private equity players Eton Park Capital Management and Rhone Capital III for a \$175m vehicle, for which Euroseas is pumping in \$25m, to target a "diversified portfolio" of ships.

Mr Furnivall said Alterna also intended



Bulk buy: Western Bulk's 2008-built, 56,548 dwt bulk carrier *Western Oslo*. Western Bulk has put \$12.5m into the joint venture.

to spread the remaining \$100m or so of capital earmarked for shipping among a diverse portfolio of vessel types.

The next foray could involve tankers, he said.

Containerships were also under consideration, but "different dynamics" in this sector were likely to affect any actual decision to invest.

"Let's say we are 'sector agnostic' and not 'deal agnostic'," Mr Furnivall said.

A common reason given for private equity refusing to consider shipping has been this class of investors' need for a

clearly defined rate of return, popularly said to be 25%.

Mr Furnivall said Alterna's target for its investment is an internal rate of return of 20%, and a cash yield of 10%. However, he stressed that these needs were an average expected from all investments, and individual returns varied by sector.

Alterna, formed in 2007 by Mr Furnivall and three former Citi bankers, spent the better part of 2009 raising cash; \$428m was accumulated and readied for investment by November last year.

Drawing upon the four executives' prio-

riorexperience, Alterna has chosen "core capital assets" as the sector in which it would like to invest. The first investment came in December last year, in the shape of a \$78m involvement in an Arizona power plant.

Of the \$350m remaining, \$50m was pumped into the Western Bulk joint venture. Of the \$300m that remained thereafter, \$100m is earmarked for future shipping investments.

Mr Furnivall said Alterna does not fancy itself as a pure asset player, looking for a 12-18 month flip for capital gains.

"On the contrary, our fund has a 10-

year lifespan, and we want to enjoy owning shipping assets over time, and earning acceptable returns.

"That being said, we are also investors, and everything is for sale at the right price."

The Western Bulk deal is also a major step towards ship ownership for the Oslo-based dry bulk company, which commercially controls more than 75 ships in the 30,000 dwt-60,000 dwt range, but currently owns only one ship other than the Alterna pair.

In the Alterna venture, Western Bulk will manage commercial operations. Mr Furnivall said the chosen model was period charters, and the venture was not interested in playing the spot market.

He described Western Bulk, led by the well-regarded chief executive Jens Ismar, as an "ideal partner".

"We were highly impressed by how tightly controlled the company management looked under Jens, and we also realised that the strategic thinking of both parties was aligned."

AMA Capital Partners brought the two parties together. AMA Capital Partners managing director Peter Shaerf said: "While it is a private equity firm, Alterna also is a serious player which knows its way around the business. This is why this transaction is very significant."

Mr Ismar said in a statement: "This is a further and important step for Western Bulk in our efforts to build a fleet and to get exposure to steel at a time in the cycle we believe is interesting. We believe this joint venture is strategically very exciting."

lastword lastword@lloydslist.com



Mother knows best

AT A London conference looking at the benefits of corporate social responsibility, Giuseppe Bottiglieri Shipping managing director Mariella Bottiglieri, pictured, revealed that having recently had a baby, becoming a hardworking mother made her realise the importance of childcare provision.

As a result, the company has introduced nursery provision that is free for all employees. The company's promotion of family friendly policies stops short of allowing children on board, but Bottiglieri said that up to three crew members' wives are allowed at a time. Delegates assumed she meant in total rather than each.

Another ship for Gaza

IF THERE was a competition for the title of the world's most controversial ship-owner, the Free Gaza Movement would be among the obvious contenders. Now the group is back in action, after having snapped up the 43-year-old general cargo ship *Linda* for just €70,000 (\$89,500) at an auction in Ireland.

The campaign, which has the endorsement of such luminaries as South African bishop Desmond Tutu and intellectual Noam Chomsky, specialises in the pur-

chase of decrepit ships in order to deliver what it insists are humanitarian cargoes to Hamas-controlled Gaza.

Israel does not approve of its efforts, and the Israeli Navy has twice prevented consignments reaching their destinations. On one occasion in 2008, a naval vessel collided with an FGM vessel carrying medical supplies. Tel Aviv insists this was accidental, while the FGM argues that it fell victim to a deliberate ramming.

Undeterred, Irish supporters of the pro-Palestinian outfit have purchased the 1967-built, 1,205 dwt *Linda*, which has been abandoned along with an unpaid crew at the Irish port of Dundalk since last year.

The ship will be renamed *Rachel Corrie*, in honour of the young American peace activist killed during a protest to stop Israeli forces bulldozing the home of a Palestinian family in Gaza seven years ago. The vessel will then sail for Cyprus to join a convoy headed for the Gaza Strip.

Linda was seized and auctioned by order of Ireland's High Court following an application by International Transport Federation inspector Ken Fleming.

Fleming said that the ITF "welcomes the fact that the *Rachel Corrie* will be put to a better, more humanitarian use than the exploitation of seafarers".

We will watch the situation. But sadly, given the nature of Middle East politics, we suspect that a further confrontation is on the cards.

Cloud fleet wins silver lining

IN AUGUST, Last Word related the frankly weird story of scientists in California seeking to develop a fleet of vessels that is to sail round the world sucking up seawater and blasting it a kilometre into the air to whiten clouds that will reflect the sun's rays and combat global warming.

It sounds as wacky now as when we first reported it, but that has not deterred billionaire Microsoft owner and all-round good egg Bill Gates from pumping \$300,000 of funds into the project, which goes by the faintly predictable name of Silver Lining.

The plan, admittedly pretty sketchy at this point, is that a fleet of 1,900 ships will continually sail the world's oceans, at a cost of between \$5bn and \$9bn.

Living and working in a country that spends 95% of its time under thick banks of cloud, it is difficult to drum up much enthusiasm for the idea, other than drop the obvious gag: beware of geeks bearing gifts.

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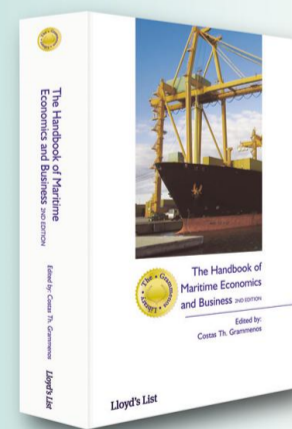
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