



MONDAY 19th NOVEMBER - MORNING

SHIPPING FINANCE

Time allowed – three hours

Answer any FIVE questions – all questions carry equal marks

Please read the questions carefully before answering

1. How can securitisation be used to raise finance to purchase new vessels? Explain the requirements for securitisation, and if a company's cashflows can be suitable for use in the process. Are there ways to reduce the interest rate spread on the bonds which will be issued?
2. Explain the characteristics of convertible bonds, discussing the advantages and disadvantages of such bonds from the perspectives of both issuers and investors.
3. Discuss the advantages and disadvantages of a private placement compared to an initial public offering (IPO).
4. The Chief Executive Officer (CEO) of a general shipping company wants to raise equity capital via a new issue of shares but is concerned. The prices of shares have declined in recent months (the general view is that prices should improve over the next year). The CEO is also confident that a series of new charterparties will result in an increase in profits over the next five years, enabling a significant increase in dividend payments to shareholders.

As the Chief Finance Officer, write a marketing strategy for a possible equity raising round and the **types** of shares that could be offered to existing investors, bearing in mind anticipated changes in general market conditions as well as the company's short term trading performance.

5. Identify the principal participants in a syndicated loan, and the functions of each. Use a diagram to support your answer.

PLEASE TURN OVER

6. Discuss the characteristics of **THREE** of the following types of loans, including the potential risks to the lender, and how these might be reflected both in the fee payable, and covenants in loan documentation.
- i) Moratorium loans
 - ii) Bullet repayment loans
 - iii) Balloon repayment loans
 - iv) Back/Front ended loans
 - v) Revolving credit facility loans.
7. Discuss specific instruments found in Islamic finance which may be suitable for the shipping sector, referring to the basic principles which differentiate this form of finance from conventional financing techniques.
8. In the context of a failing shipping company which owns diverse vessels which are traded in a range of sectors, discuss items in the balance sheet and in the debt-equity structure which would attract your attention when designing a turnaround or recovery strategy. You should also take into account wider shipping cycle considerations where you think these may be relevant.