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Sole Shipping focuses on safe returns in new product tanker deal

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Head of private equity says creditworthiness is prioritised in leaseback transactions

THE PRODUCT TANKER HIGH PRIORITY: SOLE SHIPPING SAYS IT TAKES A 'SAFETY FIRST' APPROACH TO EXPANSION.

SOLE Shipping's acquisition of a medium range product tanker from d'Amico International Shipping is a leaseback deal that underlines private equity's strategy of prioritising security over upside of returns.

Milan-listed d'Amico, one of the more financially sound players, said it agreed to sell the 2005-built, 46,847 dwt *High Priority*, built by Japan's Nakai Zosen, for $13m and lease it back for five years on bareboat charter. VesselsValue estimated the ship's price at $11.2m on a clean sale basis.

D'Amico has the option to repurchase the vessel starting from the second anniversary of the sale at "a competitive cost of funds", aside from a purchase obligation when the charter expires, according to a company statement.

When contacted by Lloyd's List to elaborate, Sole Shipping partner and chief executive Jan William Denstad said: "The most important thing for us when doing a deal is the creditworthiness of the counter parties."

"I think the secondhand prices in all the shipping sectors that we look at are historically relatively low and hence adding comfort to do deals at the moment, and I would say we focus more on downside protection rather than upside potential in asset prices."

Sole Shipping, an Oslo-based fund that started in 2005, has aimed to buy up to 30 vessels after raising $250m from private and institutional investors.

Before the latest deal, Sole had bought 10 bulkers and chemical, gas, product, cement and bitumen tankers. They are generally on bareboat charters of between five to eight years, including purchase or sale options when the charters expire, Mr Denstad said.