Lloyd's List

Shipping finance

A special report

Fintech aims to reboot lending to shipowners

Chin Leong Teoh/Alamy Stock Photo

Fintech platforms can offer bespoke opportunities to invest in low-risk, secured maritime loans with attractive yields.

Platforms that work on the same principle as dating apps are starting to have an impact on ship finance, **David Osler** reports

Dating apps have had a big impact on the world of personal relationships — and now platforms that work on the same principle are starting to have an impact on ship finance.

Two cases in point are eShipfinance.com — the pioneer in the field — and more recent arrival, Oceanis.

Both of them work on the basis of would-be borrowers seeking to finance vessels entering their requirements, with potential lenders — ranging from banks to private equity and family offices — able to show an interest if the profile looks enticing.

The idea is obviously sensible. Nobody in the industry will need to be reminded of the huge reduction in bank appetite for plain vanilla mortgages and straightforward loans since the shipping downturn that followed the global financial crisis from 2009.

The problems have been especially acute for the smaller entities that still constitute the sizeable majority of all shipping companies.

In particular, those with 12 vessels or fewer are far less likely to have bankers return their calls than they did two decades ago.

From the investor's point of view, the attractions of fintech platforms will include the potential bespoke opportunities to invest in low-risk, secured maritime loans with attractive yields, served up in an easy, fast and secure manner.

On a risk/reward basis, lending to shipping can compare favourably to other debt products such as mortgage-backed securities, investment grade corporate bonds, municipal bonds and direct investments.

For the borrowers, the touted benefits are speed and cost efficiency, and the ability to reach a wider lender base than might otherwise be available. Term sheets for viable projects can sometimes be ready in as little as three days.

By standardising the loan application process, clients with borrowing requirements should find it easier to optimise financing terms by dint of being able to check out the global lending market.

Fintech platforms may obviously be more suitable for some shipowners than others. The household names can still go straight to the banks, and larger tickets will usually find cheaper money through listing or the over-the-counter market. Yet smaller players are quite used to paying more for loans.

EShipfinance.com, founded in 2018, is the brainchild of industry veteran Dagfinn Lunde, well known for his stints at DVB, Det Norske Bank and Intertanko, and his business and life partner Marina Tzoutzouraki, also a ship finance professional with Credit Lyonnais and EFG Eurobank.

Legally speaking, it is a seven-member partnership domiciled in Cyprus — but in reality, it is the epitome of an internet company, with partners dotted around the globe.

Its website even proclaims that its corporate goal remains to disrupt and transform ship finance, utilising what it presents as a completely new way of doing business.

Base costs are correspondingly held back, making the platform profitable from the get-go.

Mr Lunde commented: "We don't believe old-fashioned ship finance can continue in the long run. We saw the banks pulling back and tried to find something new and different.

"At the time, it was a low interest rate environment and investors were interested in trying to get different deals, and we combine that with our expertise."

The reputation of Mr Lunde and his colleagues was certainly helpful to begin with, and the company was often approached by smaller shipowners looking for advice, including on restructurings and even on selling their companies.

Clients so far number in the dozens, with a business volume to date of around $55m.

Asked about the scale of his ambitions, Mr Lunde answered: "There is no limit, honestly. The shipping market is a global market, and that is an advantage when you are on the internet.

"If you have an office, you will be in Greece or Scandinavia, or in a certain place. With an internet platform, we can work everywhere. The Middle East, the Far East. That's the advantage."

However, he accepts that shipping is a conservative industry and will take time to adapt to a new way of doing things.

EShipfinance.com is aimed squarely at the two- to 10-ship guys, and is able to accept single-ship projects in the dry bulk and tanker sectors, providing financing of up to 50%. The target deal size will range from $3m to $20m.

Fixed interest rates do away with base rate risk, which will be a happy circumstance for those who have borrowed up until now, given the current inflation climate.

On the other hand, the low leverage involved should make the deals all but bombproof from asset value volatility.

To some extent, eShipfinance.com plays the role of an old style bank's credit committee. By the time a loan is presented to an investor, it is a very safe investment.

If the investor does not have the capacity to undertake analysis itself, it can — according to Mr Lunde — rely on the firm's analysis.

Oceanis was established a year later in 2019, and is led by joint managing directors Maximilian Otto and Erlend Sommerfelt Hauge.

As of June this year, it had built a base of more than 45 lenders, including traditional shipping banks, Asian leasing houses and alternative debt providers.

The Hamburg-based company claimed to have closed more than $200m in transactions for some 100 shipowners, and to have seen over $2bn in indicative terms.

"Ship finance got more complex with the exodus of many of the traditional banks. However, this has spawned a lot of innovation and new, very competent capital providers have covered the gap," said Mr Hauge.

"There is capital available, but in many cases this requires some structuring and fine-tuning to arrive at a solution acceptable to borrowers and creditors. Some guidance by industry finance specialists, early in the process, is very valuable to many shipowners in order to make the most out of the loan request and get the best terms possible.

"In particular, the maximum attainable leverage and expected repayment profile vary greatly between lenders and by segment, which makes up-to-the-minute market insight invaluable."

Small and medium-sized shipowners do not have the luxury of attracting the largest banks with the occasional capital markets mandates, which act as a magnet to banks with in-house capital markets desks, he points out.

Shipowners with fleet sizes below this level, or those that choose to remain private, attract a different set of lenders that tend to be more industry-focused, retaining a deep knowledge and appreciation of the shipping industry.

Variation of terms is high and the appetite and capabilities of the lenders wide-ranging. Consequently, there is a lot to be gained from structuring projects correctly and finding the right lender for your specific project's needs, he counsels.

> *We don't believe old-fashioned ship finance can continue in the long run. We saw the banks pulling back and tried to find something new and different*

Dagfinn Lunde
Co-founder
EShipfinance.com

> *There is capital available, but in many cases this requires some structuring and fine-tuning to arrive at a solution acceptable to borrowers and creditors*

Erlend Sommerfelt Hauge
Joint managing director
Oceanis