

IPO DEAL OF THE YEAR – OSLO

By Jim Lawrence

Transaction: BW LPG \$579 million Initial Public Offering on Oslo Exchange

Winners: BofA Merrill Lynch, SEB, Deutsche Bank, ABG Sundal Collier, Nordea Markets

In a category filled with extraordinary deals this year, in the end, the sheer size of BW LPG tipped the scales in its favor. Bank of America Merrill Lynch and SEB, Deutsche Bank, ABG Sundal Collier and Nordea Markets SEB executed a near flawless listing satisfying buyers and sellers alike and deservedly winning Marine Money's Initial Public Offering Deal of the Year, and a well-deserved fee.

BW appointed BofA Merrill and SEB as Joint Global Coordinators, which is the equivalent of the lead bookrunners in an international deal. Deutsche Bank came in at the launch and played a real role during bookbuilding. Strength at every turn.

As Marine Money thoroughly examined the category, significant editorial consideration was given to Navigator, Ardmor, Dynagas, KNOT, Ocean Yield and Scorpio Bulkers - all good and each deserving of accolades.

Not in several years have the

editors had such range of choice in the IPO sector - a testament to shipping's return to favor, in 2013, especially in gas. Congratulations to each new lister and their respective professional bankers and advisors.

Ultimately the largest shipping IPO in the US or Europe since Seaspan in 2005, and the largest IPO in Norway since 2011, garnered the Award for Joint Global Coordinators BofAML and SEB and Joint Bookrunner Deutsche Bank..

BW LPG, based in Singapore, has been part of the BW Group and operating in LPG transportation since 1978. For 35 years the company has delivered quality services to its customers and the longstanding relationships have enabled the company to develop additional opportunities.

BW LPG is the world's largest VLGC owner and operator based upon both numbers of VLGCs and cargo carrying capacity (3.5 million cbm including the newbuildings).

The controlled fleet of 36 vessels consists of 19 owned VLGCs, 12 chartered-in VLGCs, with purchase options, and 5 owned LGCs, with 6 newbuilding VLGCs on order for delivery during 2014-2016. The fleet is on the older side with the VLGCs and MGCs having an average age of 7 and 17 years respectively, exclusive of the impact of the newbuildings.

While having a large presence is surely important, their longevity in the trade is of greater consequence. With 35 years of operating experience in LPG shipping, the company has a well-established brand, strong relationships within the industry and experienced management. For the Norwegian community of course "BW" resonated as one of Norway's finest shipping companies (Bergesen Worldwide), and helped position BW LPG in a class along-side Teekay.

The vessels operate with a mix of spot voyages, COAs and short to medium term time

charters (i.e. < 5 years) The charterers comprise a who's who of major oil companies, national oil companies and traders, all of which are deemed first class.

The story in this transaction is simply propane. Largely as a consequence of the shale revolution, the LPG industry has been experiencing growth in recent years as increased production of natural gas has generated significant fresh supplies of associated LPG. As a result, the volume of seaborne trade has risen 15%, between 2009 and 2012, and is expected to continue to grow as gas production in the U.S. and AG continues to grow. Also contributing to this growing trade is the limited storage capacity on land requiring in effect floating storage for this product. Another factor for the increasingly global trade is the gap between U.S. prices, which have declined due to the shale gas boom and LPG prices in the AG, which are linked to crude oil prices. As a consequence, ton miles are increasing. A new trade route to Europe from the

U.S. Gulf has supplanted volumes originally sourced from the AG, which are now primarily directed eastward, while a new long-haul trade has evolved with cargo movements on VLGCs from the U.S. moving to Asia, reflecting the price differential and the low cost of transport.

It was an impressive story from a well-regarded company that BofAML and SEB took on the road. The deal was covered on the first day of book building and priced, comfortably over-subscribed, in the top half of the price range. Long-only funds accounted for 55 percent of the book. The high quality investor group was comprised predominantly of oil and gas

investors with only a handful of shipping investors taking part. The story is shale, shale and more shale and specifically how to play U.S. propane production. Investors saw this as a derivative play on the theme. In addition, as a consequence of size, liquidity and float were sufficiently large to attract large institutions.

In the two months since listing, the stock is up 50% percent. BofAML and SEB, Deutsche Bank, ABG Sundal Collier and Nordea Markets must be congratulated for a seamless execution of the cross-border transaction.

This is partly how we reviewed the transaction in November at

the time of listing:

“The success of a transaction is determined by its inputs. In the case of the global IPO of BW LPG Limited, the combination of VLGCs and the placement in Oslo left Norwegian investors saying “we’re lovin’ it” as the underwriters covered the book within the range on the full deal on the first day. And they only came to America this week, suggesting things could only get better. And they did.

In the initial prospectus, the company expected to offer up to 67,700,457 common shares consisting of a primary offering of up to 41,555,500 shares and a secondary offering by shareholder, BW Group, the

proceeds of which would benefit the selling shareholder. Despite the love, the sale of secondary shares left a small cloud of uncertainty, as investors wondered if it is such a good deal, why is the main shareholder selling? Nevertheless, this had little impact on interest. The initial pricing range was NOK 40 to NOK 50 per share. Although there are many moving parts, the company’s goal was to raise \$280 million in primary proceeds with the amount of the secondary offering to be quantified according to whether BW Group wants to sell down to a 45% or 50% holding. Subsequently, given the strong interest, the company tightened the pricing



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ideas towards the high end of the range raising it to NOK 45 to NOK 50 in preparation for pricing later in the week.

As anticipated, demand was very strong with the book over 4x covered at the full deal size. Three-fourths of the demand was outside Norway, largely in the U.S. and U.K. The company sold 65,175,661 shares at NOK 47/share, the approximate midpoint of the higher revised range, raising gross proceeds, in Dollar terms

of approximately \$501.4 million, which increases to approximately \$577 million with the exercise of the green shoe, which is anticipated given the strong demand. In that event the BW Group's shareholding will be reduced to approximately 45%. Of the total offering there were 36,276,383 primary shares sold raising gross proceeds to the company of ~\$279 million and 28,899,278 shares sold by the selling shareholder raising gross proceeds of approximately

\$222 million to its benefit. The net proceeds from the primary offering will be used to enhance cash for working capital (\$20M), repay outstanding debt on the BW Trader (\$52M), complete the first newbuilding (\$70M), and pay the additional installments on the remaining five newbuildings (\$72M), with the balance available for general corporate purposes. More details are provided in the Guts of the Deal below."

We offer our congratulations to Andreas Sohlen-Pao and the team at BW LPG, Nick Gleeson the CEO, Chief Commercial Officer Andrew Hoare and Vijay Kamath the CFO. They, BofAML, SEB, and Deutsche along with the banking group successfully brought to market a company that has delivered. The transaction captures the 2013 IPO Award, from a field of worthy competitors, and each participant should feel rightly proud.



Guts Of the Deal

Issuer	BW LPG Limited
Number of Shares	65,175,661
% of Total O/S Shares	36.28%
Offering Price	NOK 47
Deal Size	NOK 3,063,256,067
Green Shoe	9,776,349
With Over-Allotment	NOK 3,522,744,470
Primary Shares	36,276,383
Primary Proceeds	NOK 1,704,990,001
Secondary Shares	28,899,278
Secondary Proceeds	NOK 1,358,266,066
Selling Shareholder	BW Group Limited
% Retained	52.20%
Dividend Policy	Fixed initially at \$0.11/share semi-annually, implying a yield of roughly 2.7% to 3.1%.
Lock-up	180 days
Use of Proceeds	Net proceeds will be used for working capital (\$20M), repay outstanding debt on BW Trader (\$52M), complete 1st newbuilding (\$70), additional installments on 5 newbuildings (\$72M) and the balance for general corporate services.
Joint Global Coordinators & Joint Lead Bookrunner	BofA Merrill Lynch, SEB
Joint Lead Bookrunner	Deutsche Bank
Co-lead Managers	ABG Sundal Collier
Issuer's Counsel	Advokatfirmaet Thommessen, Cleary Gottlieb Steen Hamilton, Conyers Dill & Pearman
Underwriter's Counsel	Advokatfirmaet BA-HR, Latham & Watkins
Accountants	PricewaterhouseCoopers
Incorporation	Bermuda
Industry Information	Drewry Maritime Services (Asia), Lorentzen & Stemoco, Poten & Partners
Stock Exchange	Oslo Bors
Ticker	BWLPG

FEBRUARY / MARCH
 2014