




Maritime Equity Partners

LONG-TERM – CASH FLOW BASED

INVESTMENTS IN THE MARITIME INDUSTRY

Financial cooperation – private and public

MEQ

MEQ Partners

Is a fund management company
specialized in *maritime investments* with *infrastructure characteristics*.

What we do

We match the maritime industry's need for *long-term financing*
with investors who seek *long-term and risk mitigated income streams.*

What we aim for

To be drivers of innovation and technical solutions for a cleaner industry.
To generate added value via efficiency gains from private ownership.
To deliver constant risk-adjusted returns via long-term cash flow driven investments.

Economic snapshot

- Aftermath of the financial crisis - massive stimulus from central banks (EU, US and Japan)
- Lacking growth in “industrialized economies” (limited/no inflation) - focus on aging populations
- Uncertain geo-political environment -> polarizing/nationalism/trade wars
- Increasing focus on “green solutions”/environment – energy transition
- New technologies – e.g. 3D printers, AI, big data, robotics - industrial revolution v3 (v4)

Impacts on institutional investors

- Pension reforms are creating massive investment institutions with long-term future liabilities (pensions)
- Returns from low-risk investment grade bond markets are very low - and lower than pensioners expect
- Large capital inflow creates significant “deployment pressure” which drives need for new investment skills
- Investor base and political interests drives CSR focus on investments

As per 31 December 2017

Source: WillisTowerWatson/Internet

Alternative assets - infrastructure

- Infrastructure investments offer attractive elements to institutional investors
- But also challenges which drives risk-pricing

Pros	Cons
Capital intensive *Long-term investments* *Specialized assets*	*Illiquidity* *Inflation exposed* *Specialized assets*

- Most institutional investors are experienced in traditional infrastructure and Public Private Partnerships (PPP)
- Offshore wind, most recent example of a successful PPP platform in Denmark

Traditional infrastructure		
Transportation	Supply	Public service
Roads, bridges, tunnels, rail, busses, etc	*Energy, electricity, heating, water, communication, etc*	*Schools, hospitals, daycare, administrations, etc*

- PPP in maritime infrastructure, offer significant advantages to both investors and public institutions
- Ports/terminals (LNG facilities) are logical asset classes in Maritime infrastructure (supply)

Maritime infrastructure (MEQ)		
Transportation	Supply	Public service
Ferries and RoPax operated on public concessions or in Public, Private, Partnerships (PPP)	*Port- and terminal assets, such as energy infrastructure, tugs, repair facilities, etc*	Vessels for border control, research, environmental protection, fishery inspection, etc

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The offshore wind example

- Denmark has been a pioneer in wind turbine technology
- Significant investments have been made from pension funds and other long-term investors into off-shore wind turbine parks
- Offshore wind is considered as stable infrastructure projects with attractive returns
- Initial projects had government subsidized returns (by guaranteeing the tariffs) – which is now no longer the case
- For the government t this is a great way to "utilize" the vast pension funds in active investments instead of passive bond investments
    - This has been a major factor in making/ sustaining Denmark's leading role in wind power
    - With the positive effects of exports and job creation
- It was pioneered by Danish utility, Ørsted (former Dong) and the team was later spun out to Copenhagen Infrastructure Partners (CIP)
- CIP is increasingly developing projects outside Denmark and Europe (e.g. the US and Taiwan)
- CIP's last fund is €3.5bn

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Private funding of public maritime assets

- Private funding of navy vessels and other public marine assets is not new
- Projects are typically long-term lease projects
- Both operational and financial leases have been executed
- Projects are typically handled by local counterparts
- MEQ expects increasing requirements & concessions for private funding of public assets and maritime infrastructure
- Key competitive parameter will be flexibility - providing a broad service platform from “turn key” solutions to long-term financial leases

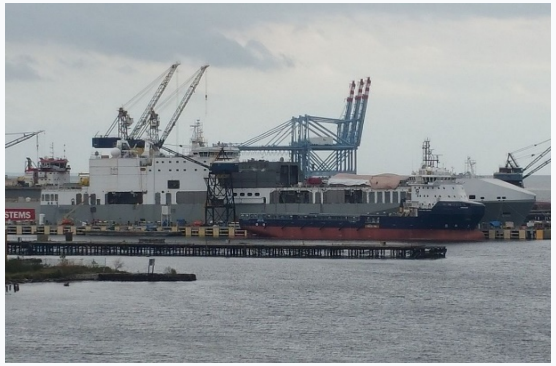
Examples of private funding of private assets

Norwegian Coast Guard

Royal Canadian Navy

Royal Australian Navy

Military Sealift Command



Investing in LNG – assets and/or infrastructure

- **Buying LNG vessels…**
  - Currently not of interest as the market is subject to "traditional shipping dynamics"

- **Investing in LNG terminals and/or related assets…**
  - Could be of interest subject to usual focus on: business case, assets, structure and counterparts

- **The Port of Skagen LNG case**
  - We agree with the increasing demand for LNG as fuel and thus need for LNG infrastructure
  - Interesting business case and feasibility study
  - Project type: "early stage/green field" – main challenge from an investors angle the un-established industry profile
  - Risk mitigation probably required to achieve workable cost of capital
  - Risk mitigation could come from well established operators with strong balance sheets and/or local support from relevant public authorities

Key investment characteristics to consider

01 **Size matters** - investment volume must match due diligence requirements

02 **Project liquidity is key** - secured cashflow based on long-term contracts

03 **Risk mitigation** - income based returns with solid counterparts

04 **Partnership philosophy** – alignment and potential for follow-on investments

05 **Innovation focus** – what could make the assets obsolete

Thank you

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