



CASE STUDY

LNG Carriers fleet due diligence

FTI Consulting advised an infrastructure fund in its investment decision regarding a \$1bn transaction for the purchase of a fleet of LNG carriers.

FTI Consulting's experts provided a comprehensive Commercial and Technical Due Diligence on the fleet of LNG carriers. The analysis included a comprehensive review of LNG Shipping technologies, players and commercial practices, as well as forecasting the LNG charter rate until 2040 under various scenarios, based on FTI Consulting's in-house LNG Shipping supply/demand modelling. FTI Consulting's detailed industry review and market forecasts supported the positive investment decision taken by the infrastructure fund.

SITUATION

A multi-sector infrastructure fund was considering an investment in a \$1bn+ fleet of LNG carriers, and needed support to assess the potential profits and risks associated with the investment.

OUR ROLE

Our team was retained to provide commercial and technical due diligence advice.

We analysed the market dynamics between shipowners, charterers, shipyards, brokers and other firms to provide a view of the industry structure and trends. And we separately reviewed all the fleet's ships technology, contracts, and HSE performance, benchmarking them against standards. This allowed us to assess the risks and structural trends that the LNG carriers fleet would be facing up to 2040.

To provide estimates of future profits, with quantified potential upsides and downsides, we relied on our proprietary LNG Shipping models to deliver forecasts of the revenues to be earned under various scenarios of contractual set ups and LNG market fundamentals.

Our dispatch model of the LNG trade was based on refining forecasts of LNG production and consumption from reputable institutions, and incorporating long-term contracts rigidities. This quantified the demand for LNG shipping to 2040.

We then modelled the supply of LNG carriers by analysing each of the 500+ existing and on order vessels in the fleet (assessing specific OPEX, CAPEX and performance metrics to each carrier), combined with expectations of costs evolutions, taking also into account long-term charter contracts insulating temporarily some carriers from competition.

Matching supply and demand, and modelling investment reactions to demand and price variations, we produced a forecast of the shipping price to 2040, as well as a quantification of the fleet numbers and technologies. This fed into our analysis of the specific forecasts for the fleet considered for acquisition.

OUR IMPACT



We provided a comprehensive revenues forecast (with low/base/high scenarios) to allow the investor to fully assess the expected returns of the asset. We further provided detailed analyses on every key commercial and technical risk area. Our forecasts formed the basis of the investor's bid for the asset. The transaction concluded positively in 2019

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