



SHIPBUILDING & MARINA
Update | Q1 2021

VP VICTORY PARTNERS

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both from the U.S. Navy and commercial buyers, are already obligated for 2021. The U.S. Department of Defense (DoD) budget for this year is already confirmed and approved. Industry demand has continued to increase in the beginning of 2021, which has required companies to expand capacity to meet the strong demand for vessels which has resulted in additional players entering the industry. Both the commercial segment and military segment of this industry are expected to increase over the next five years, creating strong competition amongst smaller shipbuilders. Unlike other industries, shipbuilders have been protected from foreign competition through the Jones Act. The Jones Act prohibits the use of foreign-built vessels on routes between U.S. ports, protecting shipbuilders from foreign competition in the domestic markets. Some key factors have helped to drive industry revenue higher such as rising U.S. oil and gas production resulting in the need for more tankers, offshore platforms, drilling ships, and other vessels needed for domestic operations.

INDUSTRY DEFINITION

Shipbuilders operate shipyards, which are fixed facilities with dry docks and fabrication equipment capable of building a ship. A ship is defined as watercraft typically suitable or intended for use other than for personal or recreational purposes. Shipyard activities include ship construction repair; conversion and alteration; the production of prefabricated ship and barge section; and specialized services, such as ship scaling.

INDUSTRY OUTLOOK

The COVID-19 outbreak did not have a significant effect on the Shipbuilding industry in 2020, with industry revenue currently expecting to increase through 2025 at a CAGR of 3%. Unlike many industries, most industry revenue is already determined. The majority of outlays,

STEEL REBAR PRICES | (2017 – 2021)



Source: TRADINGECONOMICS.COM



M&A OVERVIEW

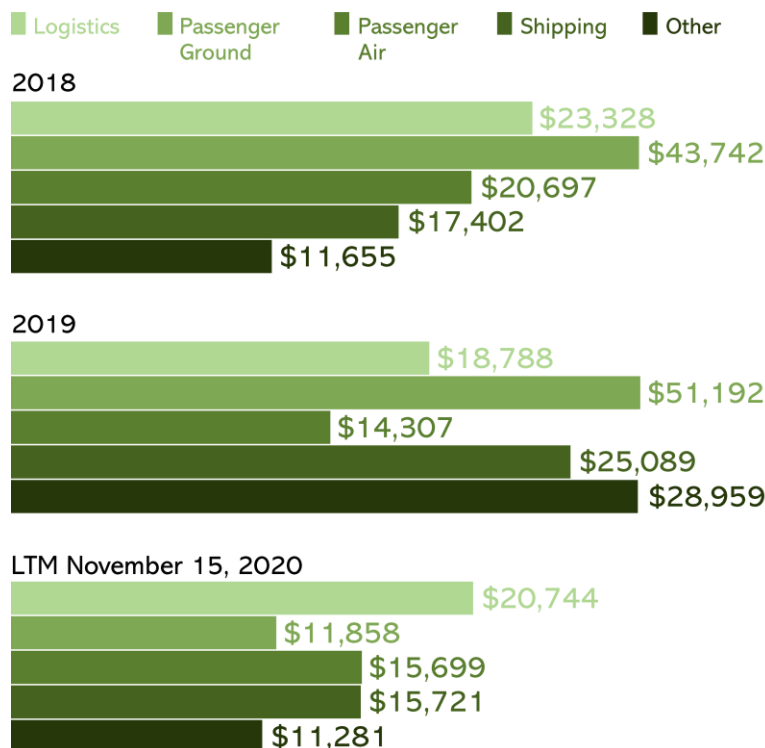
The shipping industry has been heavily impacted by the COVID-19 pandemic. It has disrupted global trade patterns, fuel prices, and the lives of seafarers. As a result of the economic slowdown, many corporate transactions have been postponed, re-entered virtual renegotiations or been aborted.

Unlike many industries, the M&A activity in the shipbuilding industry has been particularly active. Many bigger players in the sector are more acquisitive than was originally predicted.

Acquirer	Target	Closing Date	Deal Value
Hyundai Heavy Industries (anticipated)	Daewoo Shipbuilding and Marine Engineering	[Expected] Q2 2021	\$1.8B
Safe Harbor Marinas	Rybovich	January, 2021	Unknown
Sun Communities	Safe Harbor Marinas	September, 2020	\$2.1B
A.P. Moller-Maersk	KGH Custom Services	July, 2020	\$279M
COSCO	Orient Overseas Container Line (OOCL)	July, 2018	\$6.3B

Shipping corresponds to a broader category within the M&A market known as the transportation and logistics (T&L) sector. One of the more critical trends within this segment is the impact of Covid-19, which has slowed deal flow in Europe and several Asiatic regions. However, COVID-19 has also spurred a phenomenal amount of supply chain innovation and has accelerated the development of numerous disruptive technologies. A popular and intriguing innovation in the shipping world are digital freight brokerages, which connect shippers and asset-based truckers in cloud-based digital marketplaces. Overall, the shipping subsector constitutes 19% of deal value and 17% of deal volume within the T&L acquisition sphere. Future M&A shipping activity will be driven by financial sponsors with the capital capacity to expand their network influence or with the interest to increase their exposure to onshore service opportunities. As of TTM 11/20, financial investors acted as the buyer in 53% of the 236 transactions that closed in the T&L sector.

Deal Value by Subsector (\$ in Millions)

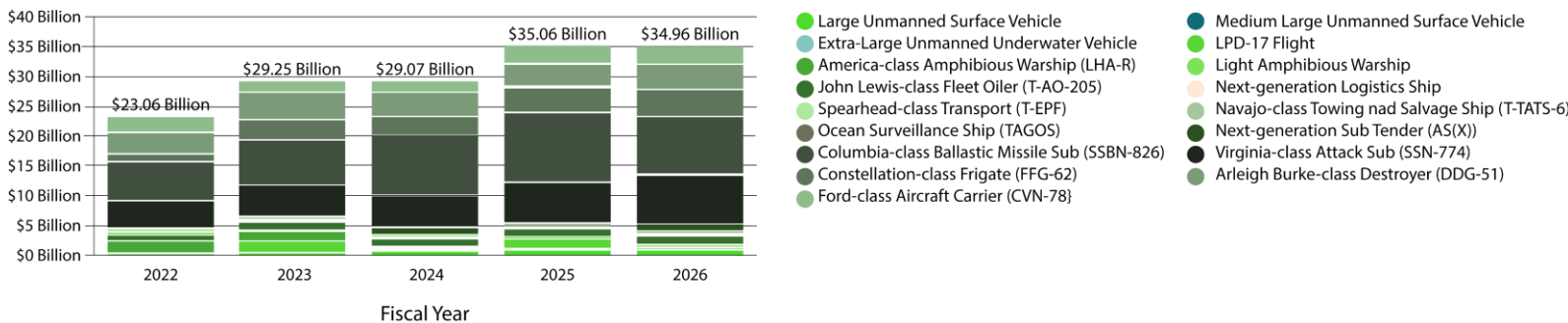




SEGMENT HIGHLIGHT | Military Shipbuilding

The United States naval fleet is the third largest in the world, with 415 total ships in its arsenal. Within this robust fleet, the U.S. possesses 20 aircraft carriers, 10 frigates, 65 destroyers, 66 submarines, 13 patrol crafts, and 11 mine-warfare vessels. Given the might of the U.S. Navy armada, it is no surprise that military shipbuilding comprises a massive proportion of the total domestic expenditure in this category. Furthermore, military-grade ships are equipped with some of the most advanced technology in the industry making it a capital-intensive segment. Due to the high level of complexity and capital provisions required to operate in this segment, there are few firms building military ships.

In December, the Defense Department released a long-term Navy shipbuilding plan, signifying a number of forthcoming trends. According to the 30-year shipbuilding plan, Navy shipbuilding would reach \$34B by 2025. The document delineates that the Navy will add 83 new ships in the five years between 2022 and 2026 and will cost \$147B. This forecast settles at a significantly higher number than the projection made in February of 2020. The previous plan estimated 44 ships would be built between 2021 and 2025, totaling \$102B. Sources of this uptick include an increase to attack submarines and amphibious warships, as well as next-generation logistics ship programs. A senior administrator within the Navy explained that these projections are based on indications by the Pentagon that the Defense Department’s budget will remain flat, but that more resources will be allocated towards shipbuilding and manning.



What this shipbuilding [plan] does, perhaps more specifically than previous shipbuilding plans, is we are making targeted and large investments to build the base we need [and] not just live with the base we have.



— Senior Navy Official



VICTORY PARTNERS GROUP



R. Todd Lazenby
Founding Partner
todd@victorypartnersllc.com



Terry Hess
Managing Partner
terry@victorypartnersllc.com



Jim Kammann
Principal
jim@victorypartnersllc.com



Kelley Scott
Principal
kelley@victorypartnersllc.com



Kenneth McArthur
Analyst
kenneth@victorypartnersllc.com



Chase Weinberg
Analyst
chase@victorypartnersllc.com



FIRM MANTRA

“ It is not the critic who counts; nor the man who points out how the strong man stumbles, or where the doer of deeds could have done them better. The credit belongs to the man who is actually in the arena, whose face is marred by dust and sweat and blood; who strives valiantly; who errs, who comes short again and again, because there is no effort without error and shortcoming; but who does actually strive to do the deeds; who knows great enthusiasms, the great devotions; who spends himself in a worthy cause; who at the best knows in the end the triumph of high achievement, and who at the worst, if he fails, at least fails while daring greatly, so that his place shall never be with those cold and timid souls who neither know victory nor defeat. ”



Theodore Roosevelt

— Theodore Roosevelt
The Man in the Arena



PREVIOUS CLIENTS

Client	Industry	Type of Engagement
ACSI	Financial Services	Advisory
Activor, Inc.	Healthcare	Corporate Finance
Advanced Particle Therapy	Healthcare	Corporate Takeover
Affinity Finance	Mortgage	M&A – Buyer
Affinity Finance	Mortgage	Joint Venture Advisory
Auto Benefits Corporation	Financial Services	Advisory
Automated Data Services, Inc.	Software	M&A Advisory
Automated Data Systems, Inc.	Financial IT Services	M&A– Seller
Bibbentuckers	Retail Chain / Consumer Services	M&A Advisory
Boardroom Software	Software	Corporate Finance
Brides International, Inc.	Apparel/Specialty Retail	M&A Advisory
California Proton Treatment Center	Healthcare	Bankruptcy Advisory
Cambridge Home Loans	Mortgage	M&A – Seller
Cantoni, Ltd.	Specialty Retail	M&A Advisory
Carequest Home Care, Inc.	Healthcare	M&A Advisory
Champion Brass, Inc.	Distribution	M&A Advisory
Cimaco, Inc.	Industrial Machinery	M&A Advisory
City Holdings	Mortgage	Divestiture Advisory
CMG Mortgage, Inc.	Community Banking	M&A – Buyer
Cobb Partners, LLC	Financial Services	Convertible Preferred Offering
Computrition, inc.	Software	Advisory
Contender Boats	Marine Manufacturing	Advisory
Dallas European Shoreline Imports	Auto Parts Distribution	Debt Financing
Datazone Systems, Inc.	Data Storage Devices	M&A Advisory
DeCrane Aircraft Holdings, Inc.	Aviation	M&A Advisory
Destination Films, Inc.	Film/Entertainment	Recapitalization
ECP Processing, Inc.	Merchant Processing	Advisory
First Chair Technologies, Inc.	IT Outsourcing/Integration	Private Placement-Convertible Debt
First National Bank of Los Angeles	Community Banking	Advisory
Fredericks of Hollywood, Inc.	Apparel/ Specialty Retail	Bankruptcy Advisory
Fruit-A-Freeze, Inc.	Foods/ Specialty Retail	M&A Advisory
H&S Yacht	Manufacturing	M&A Advisory
Hi Quality Electronics, Inc.	Consumer Electronics	M&A Advisory
Homebanc, Inc.	Financial Services	M&A – Seller
Homestar Funding	Mortgage	M&A – Seller
Hoss Equipment Company	Heavy Equipment Remanufacturing	Debt Financing
IMC	Building Products	M&A Advisory
Imperial Technology, Inc.	Data Storage Technology	M&A Advisory
Intelegy, Inc.	CRM/ Consulting	Advisory
JDI Solutions, Inc.	Manufacturing	M&A Advisory
Jolly Chef	Food Service	M&A Advisory
KAT & Associates, Inc.	Healthcare	Advisory
LAX World Co, Inc.	Sporting Goods Retail	M&A Advisory
Loan Genie, Inc.	Mortgage	Advisory
Long Range Systems, Inc.	Manufacturing	Corporate Finance
Magicstone Media, LLC	Media/Entertainment	Corporate Finance



PREVIOUS CLIENTS

Client	Industry	Type of Engagement
Maryland Proton Treatment Center	Healthcare	Turnaround & Recapitalization
Maui Girl & Co., Inc.	Apparel/Specialty Retail	M&A Advisory
MI Senior Living	Senior Housing/Healthcare	Corporate Finance
Mid-America Fittings, Inc.	Manufacturing	M&A Advisory/Sale
Midland Metals Manufacturing, LLC	Distribution	Leveraged Recapitalization
MVI, Inc.	Insurance	Advisory
Nature's Formula, Ltd.	Health and Beauty	M&A Advisory
Neuronix, LTD	Healthcare	M&A Advisory
Newline	Int'l Manufacturer of Marker Boards	M&A Advisory
Numerica Software	Software	Advisory
Oakley Homes, Inc.	Construction	Private Placement
Palm Beach Tan	Retail Chain/Consumer Services	Debt Financing
PayDay One Holdings, LLC	Consumer Finance	M&A - Seller
PERGAN Nordamerika GmbH, i.G.	Organic Peroxides	M&A Advisory
Phoenix Radiology, Inc.	Healthcare	M&A Advisory
Predicate Logic, Inc.	Software	Corporate Finance
Pro Systems, Inc.	Manufacturing	Advisory
Prologistics Technology, Inc.	Software	Advisory
Promiseland Dairy	Food & Beverage	M&A Advisory
Resource Bancshares, Inc.	Mortgage	M&A – Buyer
San Dieguito National Bank	Community Banking	Advisory
SCS/Frigette	HVAC Manufacturing	M&A Advisory
Sessions, Inc.	Staffing/Entertainment	M&A Advisory
StaffUSA, Inc.	Staffing	M&A Advisory
Sun Country Bank	Community Banking	Advisory
Surgical Notes	Health Care Services & Technology	Debt Financing
SY technologies, Inc.	Missile Guidance Technology	Corporate Finance
Tishman West Realty, Inc	Financial Services	M&A– Seller
Transcend Equity Development	Energy Conservation Services	Project Financing
TruckloadUSA	Building Product Distributor	Debt Financing
Turner Financial, Inc.	Mortgage	M&A – Seller
U.S.E Community Services, Inc.	Financial Services	M&A – Seller
Uncle Julio's	Restaurant Chain	Recapitalization
Undaunted Holdings, LLC	Marine Manufacturing	Acquisition
US Merchant Systems, Inc.	Transaction Processing	Corporate Finance
US Merchant Systems, Inc.	Financial Services	Convertible Preferred Offering
USDB Bancorp, Inc.	Mortgage	M&A – Buyer
VVI Construction, Inc.	Construction	M&A Advisory
WalkAbout Software, Inc.	Software	M&A Advisory
Westex Metal & Iron, Inc.	Scrap Metals	M&A Advisory
Worthy Financial, Inc.	Reg A+ Bond Sales	Advisory
YouGotCash, LLC	Software- Portal	Advisory



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