

THE SUPERYACHT CONVERSION & THE GLOBAL SUPERYACHT MARKET



AN OVERVIEW

THE SUPERYACHT PROJECT

- To convert a modern 72m vessel into a full SOLAS approved 24 passenger yacht complying with the latest safety standards under the control of Lloyds and the British Cayman Islands flag authority.
- The yacht is being negotiated for sale to a High Net Worth (“Ultra” – TBC) individual. The demand for large capacity yachts is high despite the global economic circumstances.
- The conversion is being undertaken by a privately owned shipyard for delivery in 22 months from commencement
- The completed purchase price for this vessel will be approximately £32m - £35m with stage payments due over the 22 month build time.

BACKGROUND

- A new-build equivalent would cost between Euros 70 and €95 million built in Europe and €60m+ built elsewhere with delivery in 3-4 years
- The basic hull was purchased for €1.45m (£1.0m) and £3m have been spent on works and design to date.
- The equivalent cost of building a naked hull to similar standards and size would be between €10m and €15m (£7m - £10m) and would take approximately 18 months to outfit with engines, electrics and systems currently in existence in superyacht.
- The project represents a substantial time and cost saving over a new-build
- There are fewer than a dozen SOLAS compliant yachts available for charter in a global market of 3,800 superyachts leading to a proven demand for this category of vessel.
- The vast majority of yachts are limited, despite their size, to the overnight carriage of 12 passengers or fewer

THE FUTURE OF THE MARKET

- International yacht regulations are gradually moving towards compliance with passenger ship (SOLAS) standards and trading restrictions on existing vessels will become more stringent leading to substantial, and often uneconomic, costs for upgrading to regulatory compliance.
- The few available SOLAS compliant vessels enjoy a high charter and resale value and consistent demand.
- There are few if any shipyards that specialise in the conversion of large hulls into SOLAS compliant yachts
- The yacht construction market has hardly addressed the demand, preferring to remain with known construction practices of sub-13 passengers

- There is a 5-10 year window of opportunity to establish a shipyard specialising in vessels built to SOLAS compliance
- There is a large supply of modern hulls suitable for conversion

AN OVERVIEW OF THE SUPER YACHT MARKET

- The superyacht market has enjoyed exponential growth over the past 14 years.
- Since 1999 the market has more than doubled in both size and value.
- The yacht market has been hit hard by the recession with values of yachts overall have fallen from the highs of 2007/8 by between 10% and 20% but the top end (over 60 metres appears to have retained a degree of buoyancy
- The availability of disposable income amongst the very rich appears to be sustaining the private yacht market with sales being concluded on second hand vessel at realistic market prices.
- New large yachts built in good quality Western European yards cost between €1.00 million and €1.25 million (£0.9 - £1.1million) per metre of length.
- Bespoke yacht yards are seeing a recovery in demand for new-build berths and are requiring at least 3 years to design, test and build a new vessel.
- The increase in size of large yachts has created an opportunity for building high guest capacity vessels to SOLAS compliance not practical on smaller yachts
- There is a trend towards the less ostentatious and towards popular charter vessels that can make a significant contribution to their annual operating costs.
- High profile conversions such as Onassis' former yacht, Christina O, have given the conversion market an attractive image and conversions represent demonstrable value for money.

THE SUPER YACHT CHARTER MARKET

- Market charter rates for superyachts for vessel between 70 and 80 meters range from over €200,000 to over £600,000 per week. In addition to this, the charterer has to pay fuel, food and port charges adding a further 20-25% to the total cost.
- Owners of sub-13 passenger yachts would expect to achieve at least 90 days charter annually.
- There are fewer than 12 yachts worldwide complying with SOLAS and enabling them to carry more than 12 passengers. Full SOLAS vessels will achieve around 160-180 days charter annually.
- High capacity yachts command charter rates between €290,000 and €650,000 per week and generally enjoy higher utilisation as a result of their rarity.
- Charter rates for large yachts are not a function of size or capacity but are also significantly influenced by appearance, style and popularity. The limited choice of full

SOLAS yachts (13+ guests) in the 60-80m range ensures that there is regular demand.

- They are equally popular for private and corporate use, the latter being very restricted in what can be done with a maximum 12 passenger vessel for any entertaining other than day charter.

THE CHARTER MARKET FOR SUPER YACHT

- In the event that Super Yacht is not sold on or near completion of the works, the vessel will have a proven charter market which will cover operating costs and contribute to holding costs.
- Operating costs are budgeted at below €3m per annum putting operating break-even at 10 weeks (70 days) charter. Assuming conversion costs of around €25m and that investors would be requiring coverage of operating costs and a 10% return on a holding basis, the vessel would require 19 weeks (133 days) charter, well within the achievable season for high capacity yachts.
- The Super yacht will be one of three vessels available world wide for charter in her size/ capacity category. Competing vessels charter at between €290,000 and €380,000 but this should not be taken as a limiting price range.
- The Super yacht will be marketed at around €400,000 per week and budgeted returns have been calculated on €350,000 to ensure competitiveness as an unproven charter vessel.
- There are over 100 consecutive charter days annually for potential corporate charter to regular conference and exhibition venues on the Mediterranean coast.

A SMALL SELECTION OF BEFORE AND AFTER PHOTOGRAPHS ARE APPENDED



