

## "When risk aligns with our credit standards, the funds advanced can provide a meaningful improvement to our borrowers' return on equity." Innovative voyage finance instrument for ship-operators and owners

*More and more shipowners are setting up ship-operating activities in order to move "closer to cargo" through Voyage Charter Parties*

In the ever-evolving landscape of ship finance, Goldfish Capital is reshaping the way ship-operators secure funding for their operations.

Amidst a backdrop of shifting lending patterns and regulatory pressures, Goldfish Capital aims to fill a crucial void in the market by providing secured and commercially viable capital solutions for its operating partners.

By leveraging Voyage Charter Party Contracts, the company offers voyage/freight financing to ship-operators, enabling them to enhance liquidity, pursue growth opportunities and enhance their returns.

Speaking to 'Shipping & Finance', Stefanos Michalis sheds light on Goldfish Capital's mission and unique offering anchored by its Uncommitted Money Market Line (UMML) facility.

Goldfish Capital's UMML aligns the lender's credit standards and investment criteria with the operations of its clients, ultimately facilitating a meaningful improvement in their return on equity.

According to Stefanos Michalis of Goldfish Capital LLC, ship finance is dominated by asset-based lending activity which has witnessed, and is still under-going, a transformation in the way vessels are financed. The departure of traditional shipping banks, especially European, has led to the emergence and entrance of various other asset-based lenders (i.e. Lessors). Additionally, regulators' incorporation of ESG and ETS requirements continue to affect the terms and conditions of capital available to borrowers.

"Goldfish Capital's clients are ship-operators that are looking to increase their liquidity to grow their businesses by securing additional trades. When the risk of a voyage aligns with our credit standards, the funds advanced can provide a meaningful improvement to our bor-



**Cullen Schaar (left) and Stefanos Michalis, Goldfish Capital LLC**

rowers' return on equity."

"Our capital is made available pursuant to an Uncommitted Money Market Line which is a pay-as-you-go facility. Once a Borrower is onboarded into the credit facility, we then thoroughly and



**Stefanos Michalis**

efficiently underwrite each voyage for which the Operator requires finance. If the trade and vessel meet our investment criteria then we provide the relevant advance with repayment aligned with the terms of the underlying freight, says Stefanos Michalis.

As Mr. Michalis says: "Despite the rapid ongoing changes in ship finance, the vast majority of capital continues to focus on how capital will be directed towards steel. Ultimately, the key determinants of any financing still revolve around LTV, cost of capital, and form of security over the underlying asset."

"At the same time, there is very little

discussion, and ultimately very few financial products available to fund the actual operations that keep the 'steel' busy. This working capital requirement, and the short duration assets and liabilities associated with the underlying freight, are thereby mainly funded by permanent equity."

"There are many valid reasons for this: tightening of banking regulations; operational intensity and complexity; lack of transparency; and unstructured business practices make it very difficult for banks to understand, price and tolerate risks associated with operators. We may occasionally see working capital lines made available to some of the largest operators on a balance-sheet basis with various covenants; but such products are entirely absent for the small and medium-sized operators that make the global freight markets work."

It is this void that Goldfish Capital attempts to fill in a secured and commercial manner for its operating partners.

"We make capital available to borrowers against the value of their Voyage Charter Party Contracts. The value of these contracts, in turn, are determined by the quality of the counterparties involved, the risk associated with the underlying trade, and the profitability of the freight being received for moving cargo from Point A to Point B. In this sense what we do is provide Voyage/Freight financing."

Prior to the unwinding of the interest rate mega-cycle of the last three decades, many shipowners shifted their business models to become tonnage providers, opting for revenue visibility and chartering-out their vessels to the so-called ship-operators/charterers. As LTVs have reduced and the cost of debt has increased, this trend is beginning to reverse and a growing number of shipowners are set-

ting up ship-operating activities in order to move "closer to cargo" and thereby regain the competitive advantage of operating its owned tonnage through Voyage Charter Parties.

According to Clarkson's, there are just



over 20,000 ocean going vessels in the dry bulk and tanker (wet and gas) segments, over 10,000dwt. By a very rough approximation the working capital requirement on average to keep these vessels moving at any given time would then be around \$15 - \$20 billion. This working capital goes toward the



payment of the TC-hire to the Shipowner (which in turn accounts for their capital, debt service, and OPEX for the owner), bunkers, port disbursement accounts, canal dues and other relevant expenses associated with earning the freight under a Voyage Charter Party. Goldfish Capital was founded in 2022 by Stefanos Michalis and Cullen Schaar; after many years of research in this particular field.