

# Epic Pantheon Investment Summary

## Transaction Summary

Cohesive Capital Partners, L.P. (“Cohesive”) is committing \$8 million for a 9% equity ownership in Epic Pantheon International Gas Shipping (“E-P Gas”), a newly formed company that will be created through the recapitalization of Epic Shipping (“Epic”) and its simultaneous merger with Pantheon LPG Carriers (“Pantheon”). Jefferies Capital Partners (“JCP”), a New York based private equity firm, is leading the recapitalization and merger transaction. JCP, along with Cohesive and other investors, have committed a total of \$76 million in new equity capital to E-P Gas.

At closing, the JCP-led group will be investing \$46 million in aggregate in E-P Gas, with an additional \$30 million reserved for growth capital, principally to acquire additional ships. Cohesive will be investing \$5 million of its \$8 million commitment at closing. The \$46 million of equity proceeds at closing, along with \$148 million of new term loans, will be used principally to retire the combined entity’s existing debt and to provide working capital. In connection with the merger, Epic will be contributing nine company-owned LPG vessels, six “bareboat” chartered LPG vessels (i.e., ships it has leased from another shipping company) and its technical platform (i.e., the actual crewing and operation of the ships) in exchange for a 70% ownership in E-P Gas. Pantheon will be contributing its seven company-owned LPG vessels and technical platform in exchange for a 30% ownership in E-P Gas.

## Company Description

E-P Gas, headquartered in the British Virgin Islands, focuses on the operation of 3,500 – 5,000 cbm pressurized liquefied petroleum gas carriers in regional waterways in Asia, West Africa and Western Europe. After very large tankers transport LPG from points of origin (e.g., the Middle East) to regional distribution facilities, E-P Gas transports the LPG the “last mile” to smaller ports. With 16 company-owned vessels and six “bareboat” chartered vessels representing approximately 100,000 cbm of total capacity, E-P Gas will be the second largest player in the niche, small pressurized LPG sector with ~10% of fully pressurized LPG global carrier capacity.

## Investment Highlights

- *Leading market position in niche shipping sector:* With 22 controlled vessels representing ~100,000 of cbm capacity, E-P Gas is the second largest player operating within the highly fragmented, fully-pressurized small LPG carrier market
- *Attractive LPG shipping market dynamics:* Increasing LPG production on a global basis, coupled with increasing consumption from developing nations and new refineries capable of using LPG as a feedstock, are expected to drive higher demand for LPG shipping services
- *Entry price represents significant discount to Net Asset Value (“NAV”):* As a result of the twin dynamics of excess leverage at Epic necessitating a recapitalization and a motivated seller of Pantheon, JCP was able to create an attractive setup valuation for E-P Gas at an ~42% discount to NAV
- *Highly beneficial merger:* On a combined basis, E-P Gas is well-positioned to achieve economies of scale by spreading out its technical platform and corporate overhead over a larger fleet base
- *Excellent “Jockey” / “Horse” match:* JCP has significant prior experience and a successful track record over fifteen years investing specifically in maritime and energy companies, with 10 transactions completed representing over \$300 million in invested capital. Chris Buttery (previous head of Pac Basin, a former JCP portfolio company in the shipping industry, and former owner of Epic) will sit on the Board of E-P Gas
- *High quality customer base:* E-P’s customer base consists of high-quality, stable credit-worthy major oil customers and large trading conglomerates that should continue to use E-P’s fleet
- *Top tier operational platform:* E-P Gas has a highly-respected, in-house operational platform that provides commercial and technical (i.e., crewing and ship operation) management services
- *Limited new capacity entering market over the next few years:* Management does not anticipate a large amount of new capacity coming online for the foreseeable future, principally due to the small size and niche focus of the market; lack of available debt financing for new ship builds; and limited ability outside of Japanese shipyards to construct small-sized LPG vessels
- *Portfolio diversifier:* Low correlation between a regional shipping company (operating in the regional waterways of Southeast Asia, West Africa and Western Europe) and other companies in Cohesive’s portfolio