

# FRASER

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## PRESENTATION FOR THE MARITIME LAW ASSOCIATION

Y A C H T   M A R K E T /  
F I N A N C E   C L E   P R E S E N T A T I O N  
2 0 1 8   F A L L   M E E T I N G   -   M I A M I



## Market Overview



**6,135**

Yachts in Operation  
Over 24 Meter  
Globally

**1,790**

Yachts for Sale  
Over 24 Meters  
Globally

**433**

Yachts in Build  
Over 30 Meters

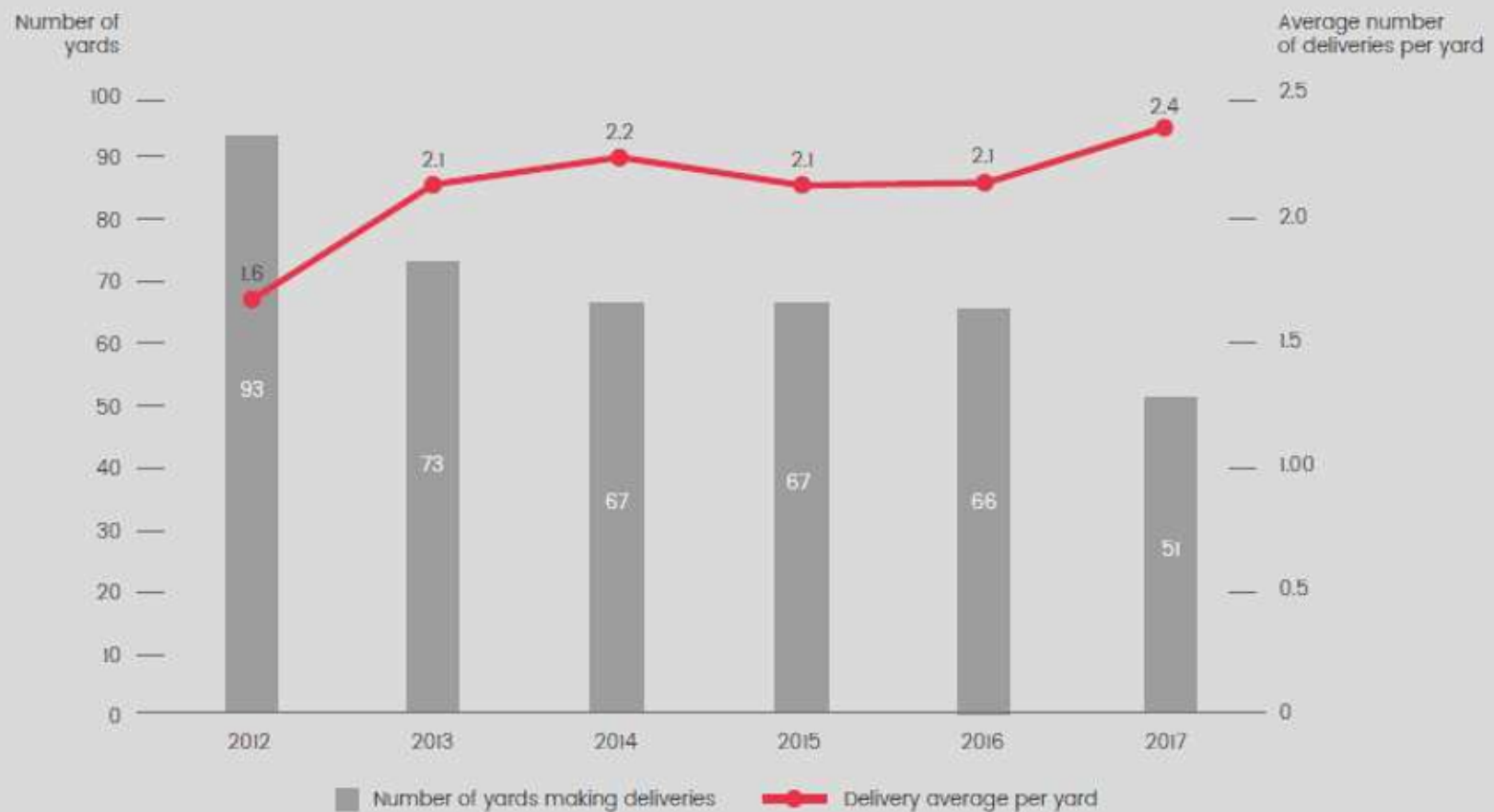
**160**

Total Active  
Shipyards Globally

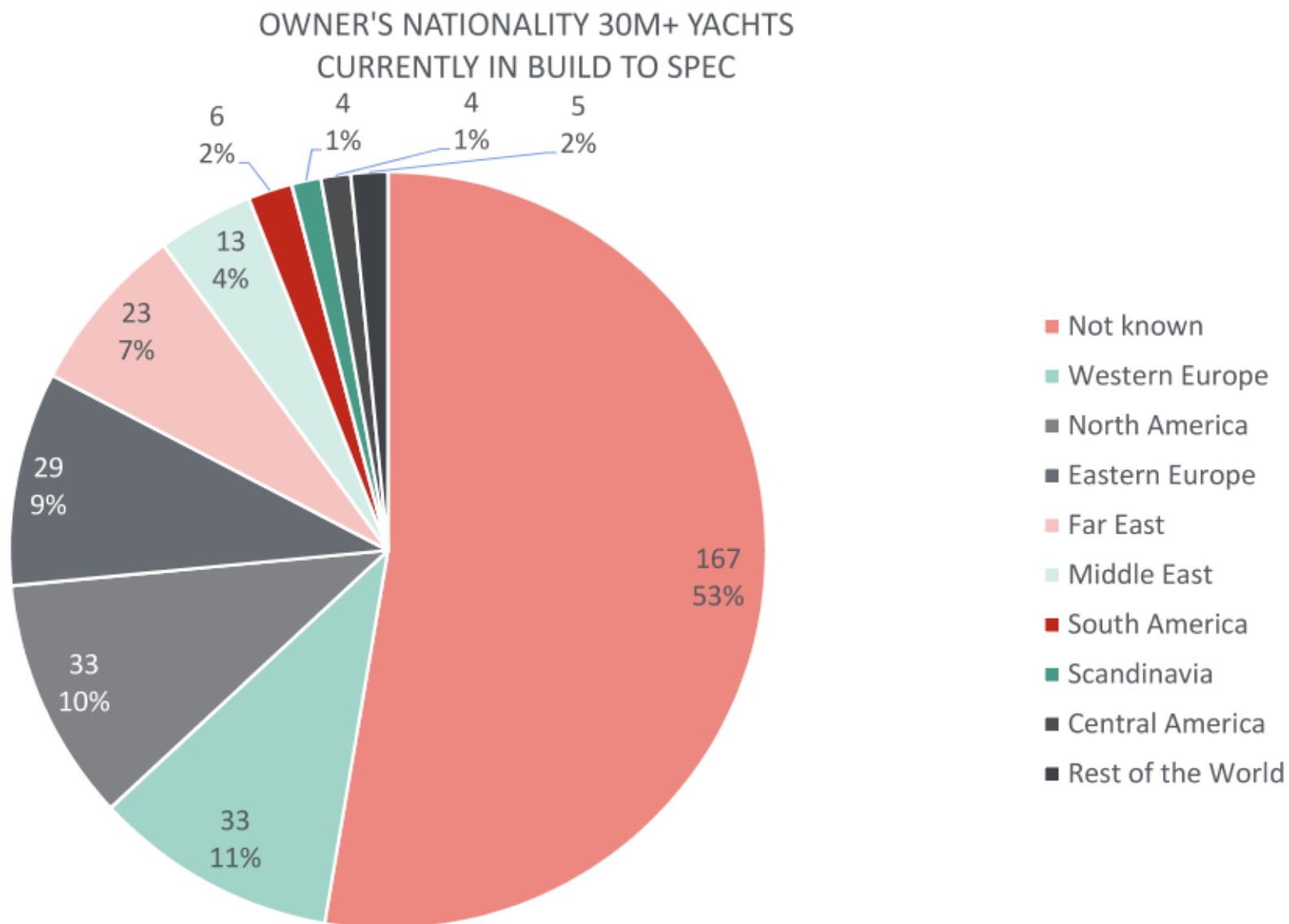
# Market Overview



Number of yards making deliveries and average deliveries per yard



# Market Overview

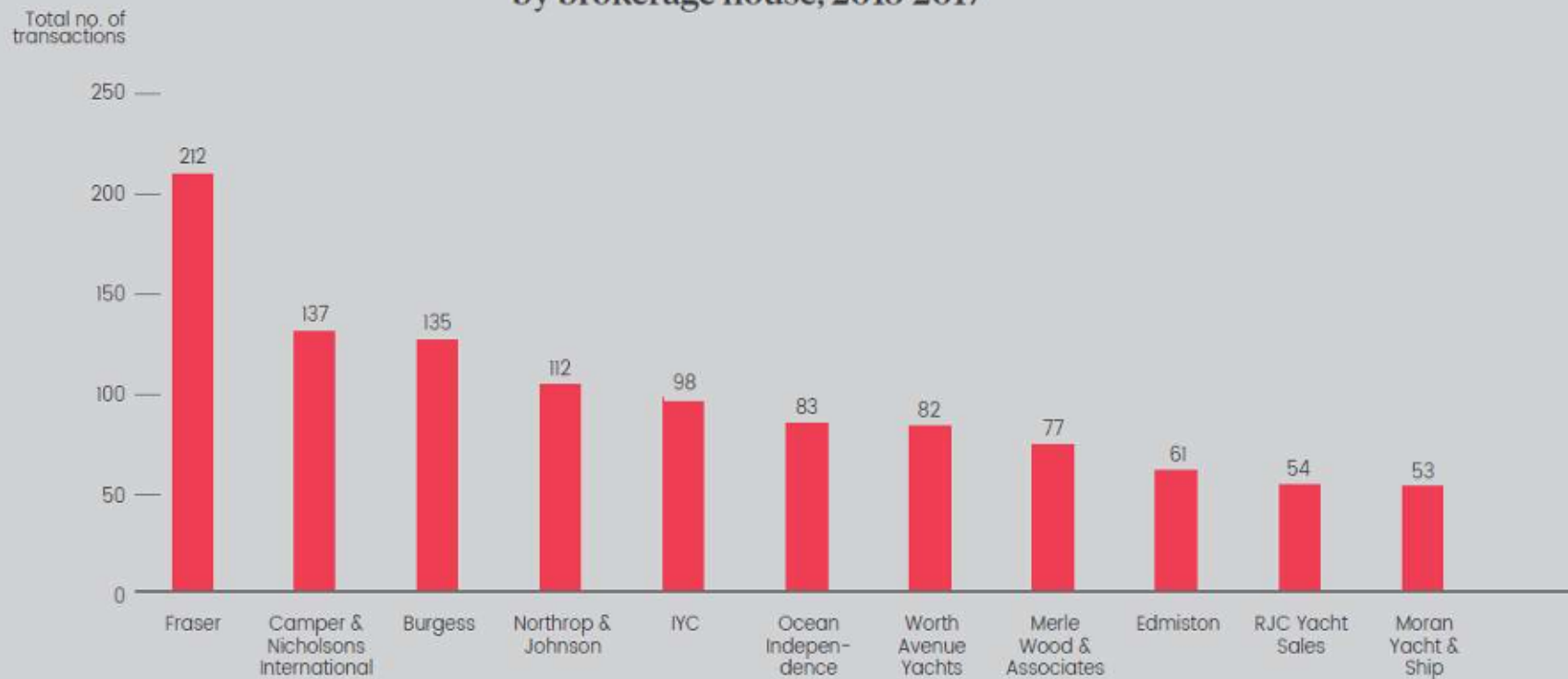




# Market Overview



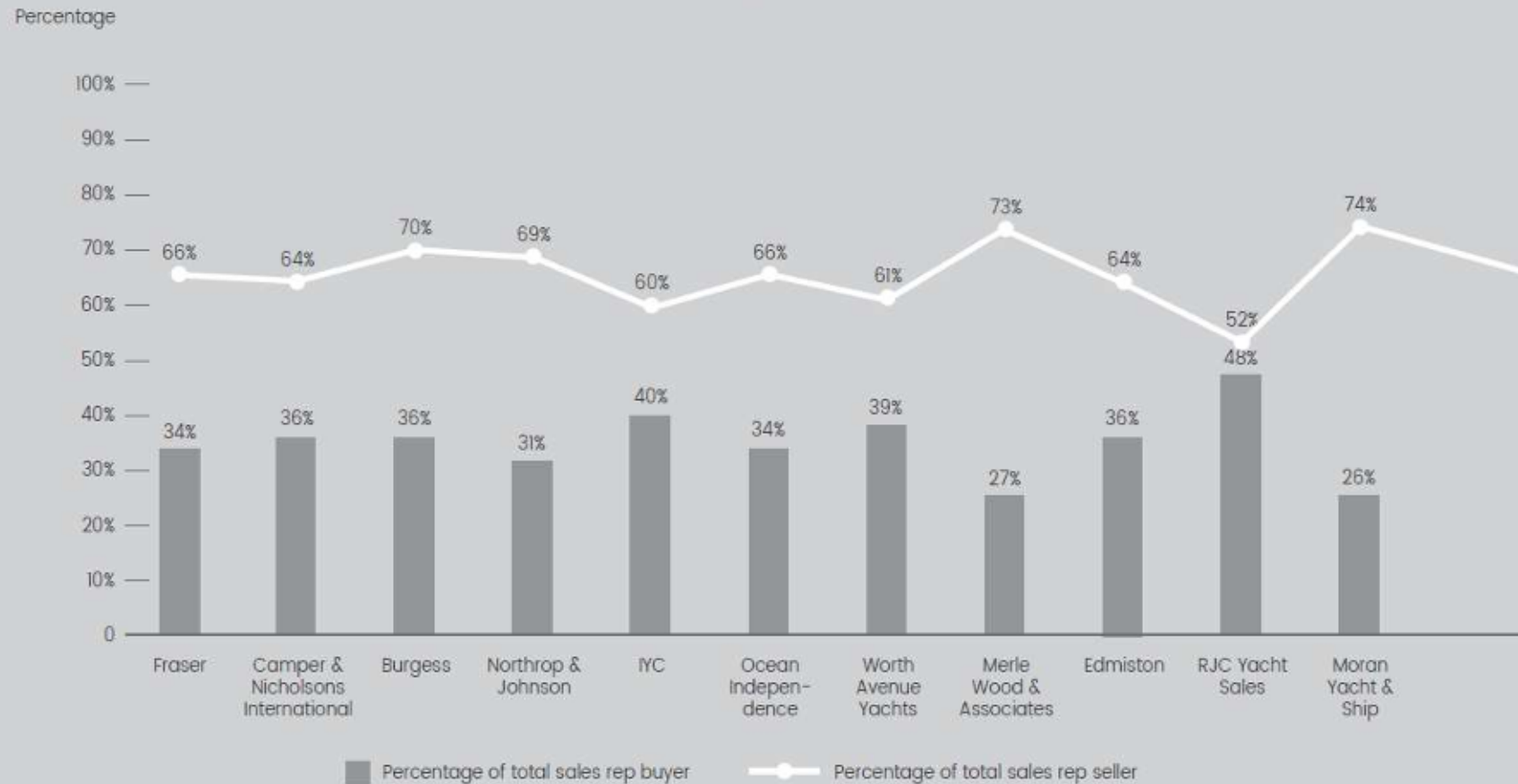
**Total number of sales transactions  
by brokerage house, 2013-2017**



# Market Overview



Percentage of seller representation versus buyer representation  
in transactions, 2013-2017

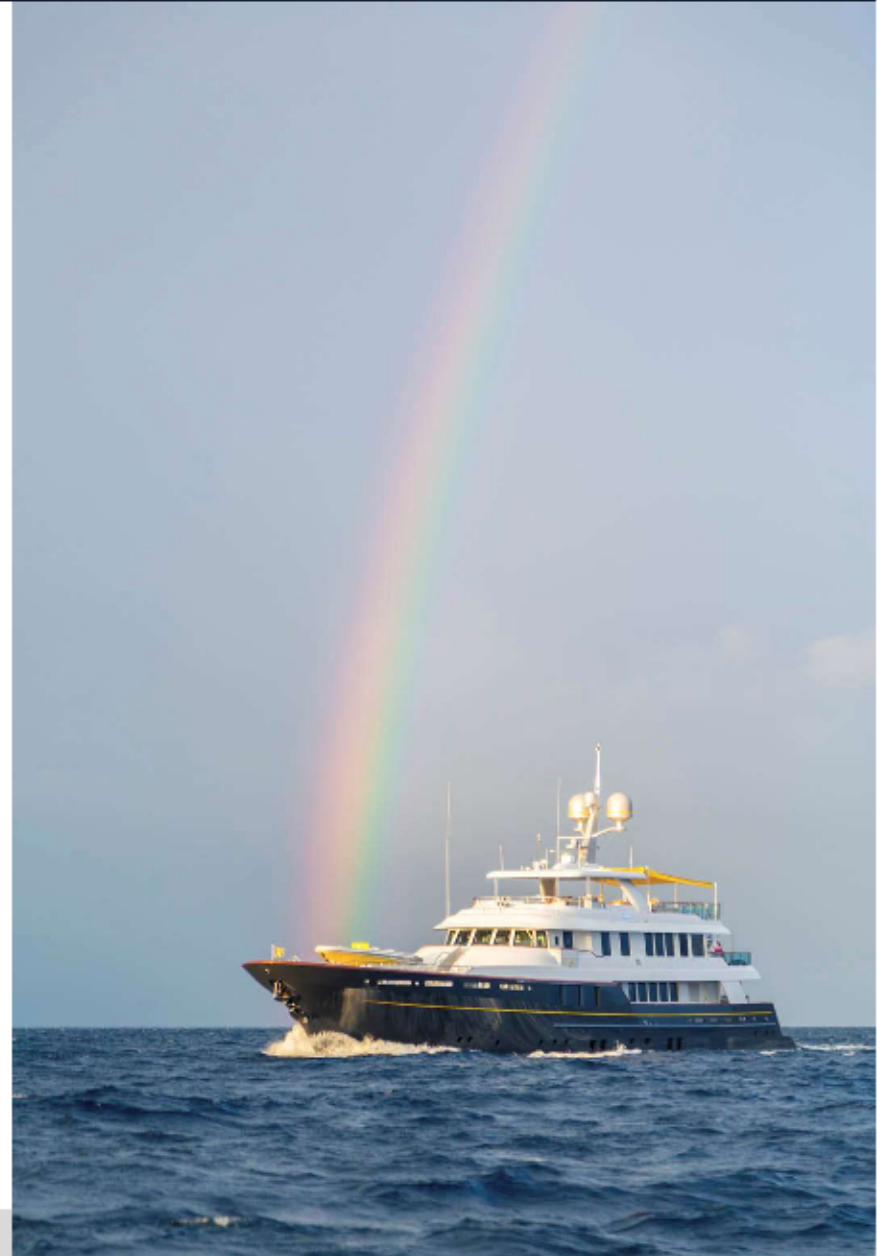


# Yacht Ownership Pros & Cons

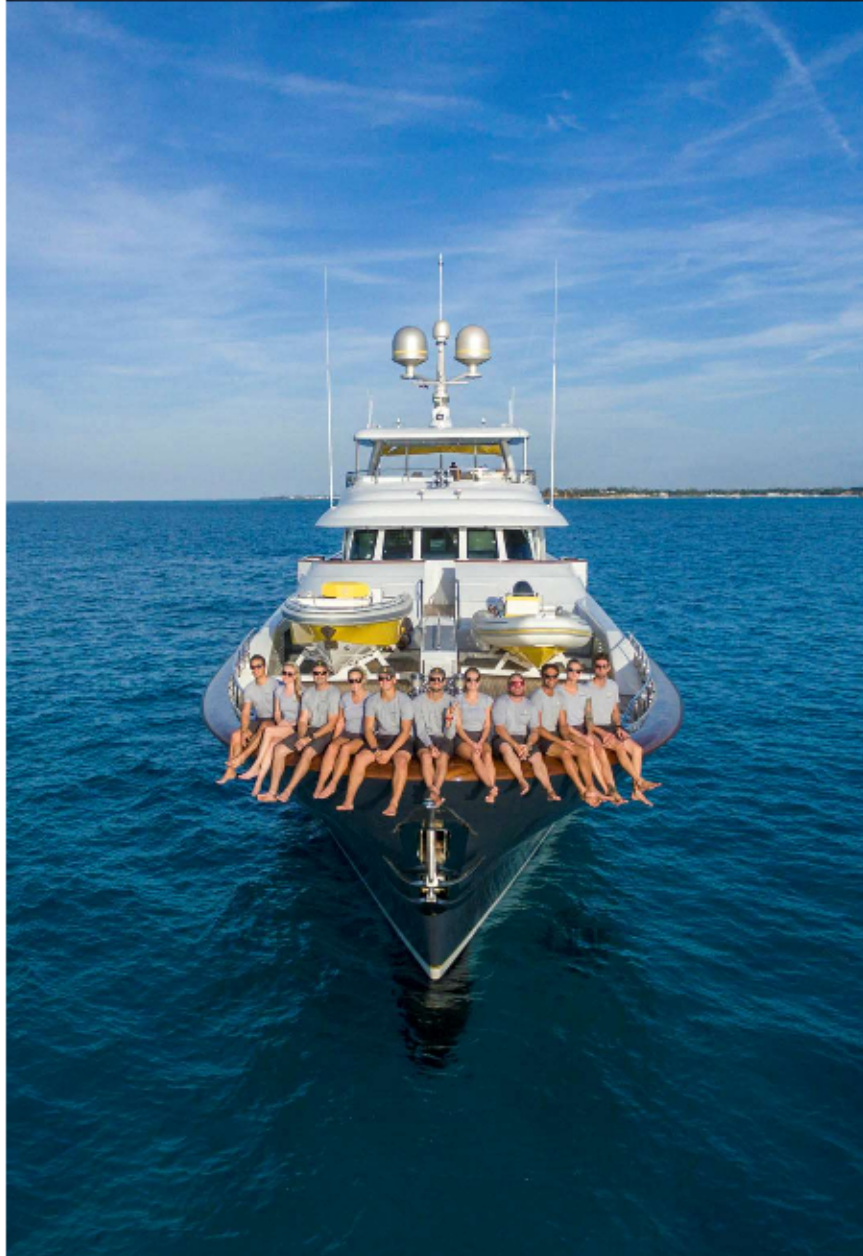


## PRO

- The design and use is customized to Owner's precise needs
- Crew is built to Owner's preference
- Itineraries are built to Owner's precise preference
- The yacht is at Owner's disposal 24/7
- The pride of Ownership



# Yacht Ownership Pros & Cons



## CON

- Continuous operational and maintenance expenses
- Responsibility for all decision-making
- Lack of adaptability to evolving needs or your holiday plans

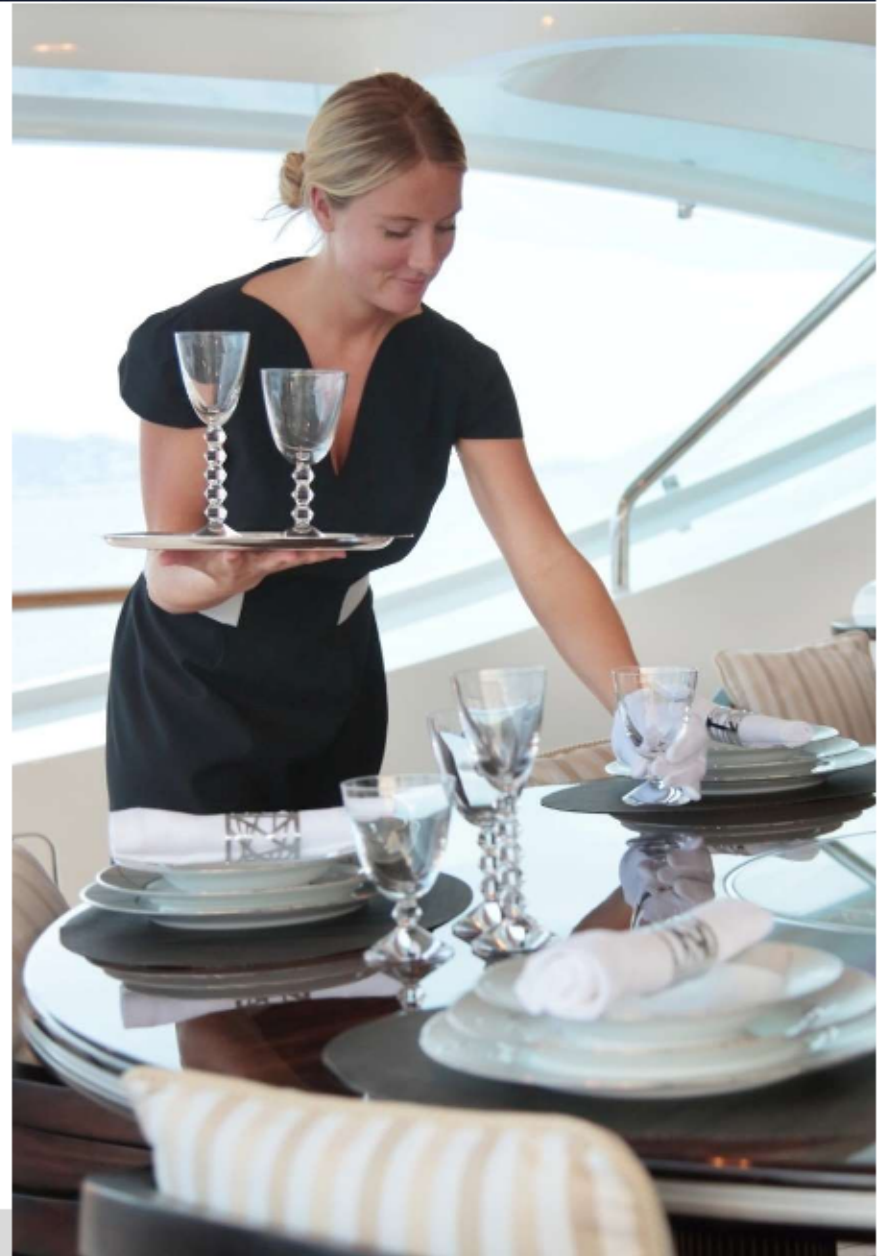


## Crew Issues: Island Girl Affect



A Florida jury awarded \$70.6 million to a day crew worker on the yacht *Endless Summer*.

The case established precedent to what is a seafarer (live-aboard employee) versus what is a day worker (non-live-aboard employee).



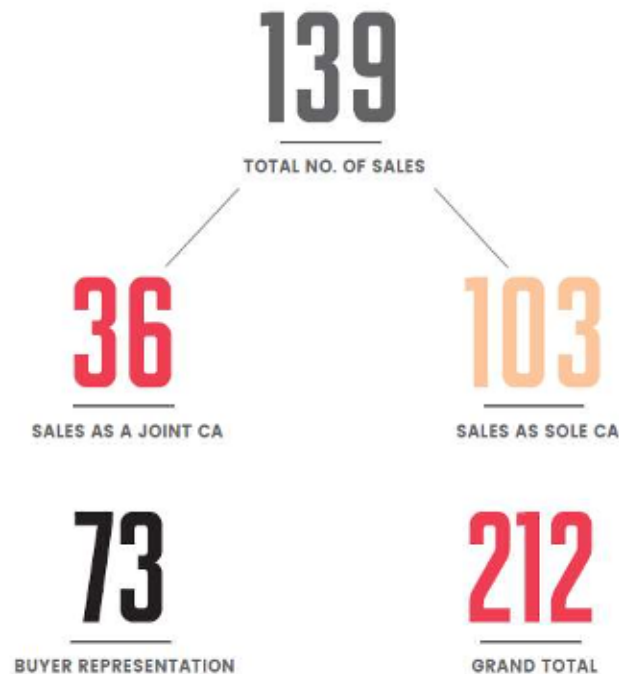
# Brokerage Sales Summary



According to The Superyacht Annual Report published by The Superyacht Group, Fraser is the #1 Brokerage in the world.

Fraser has also shown a steady increase, year on year, in its market share, spiking in 2017, when Fraser was responsible for nearly a quarter of the value of the entire market.

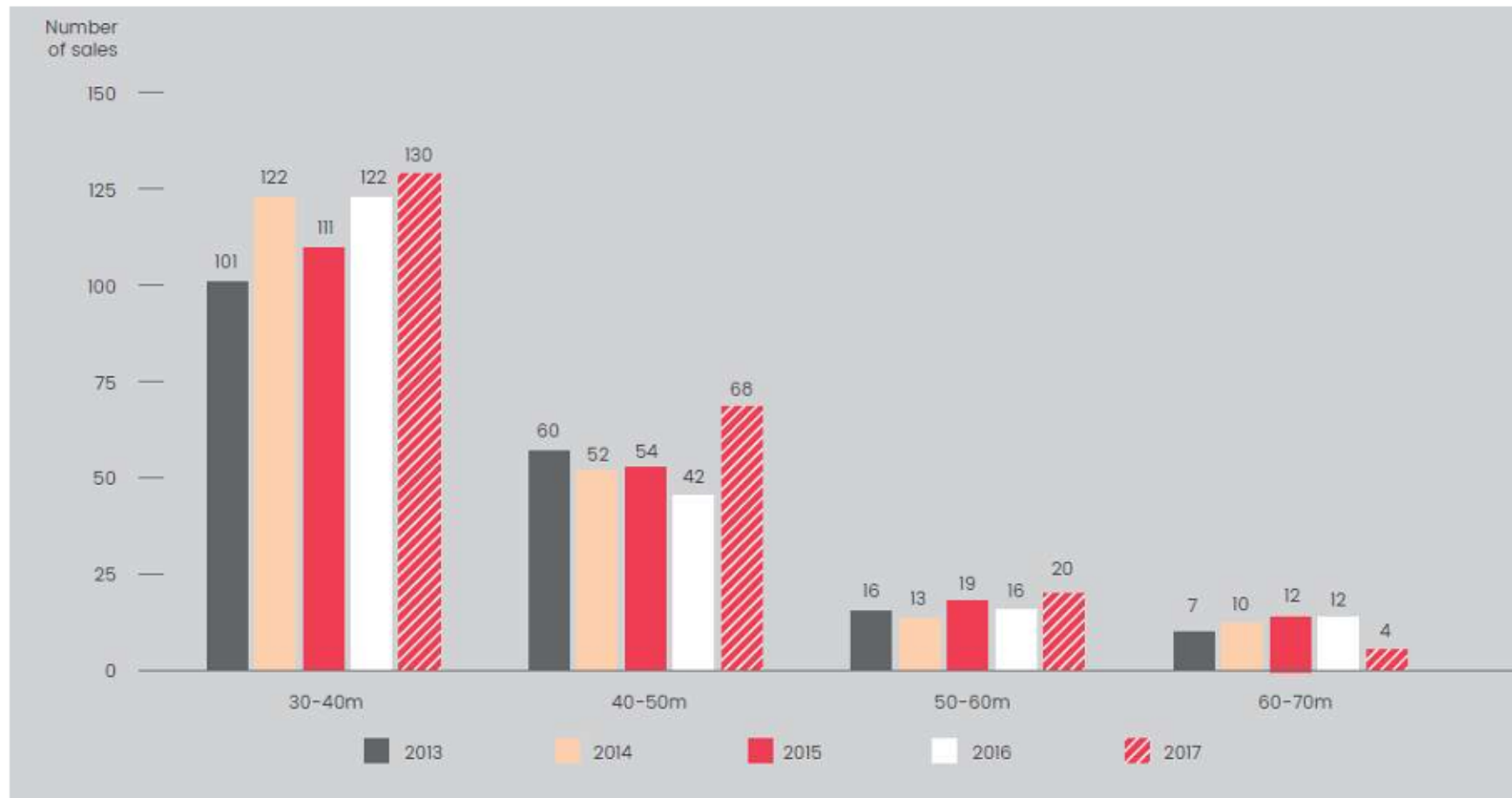
Fraser's sweet spot is in the 30-40M sector, which equates to 41% of all sales.



# Brokerage Sales Summary



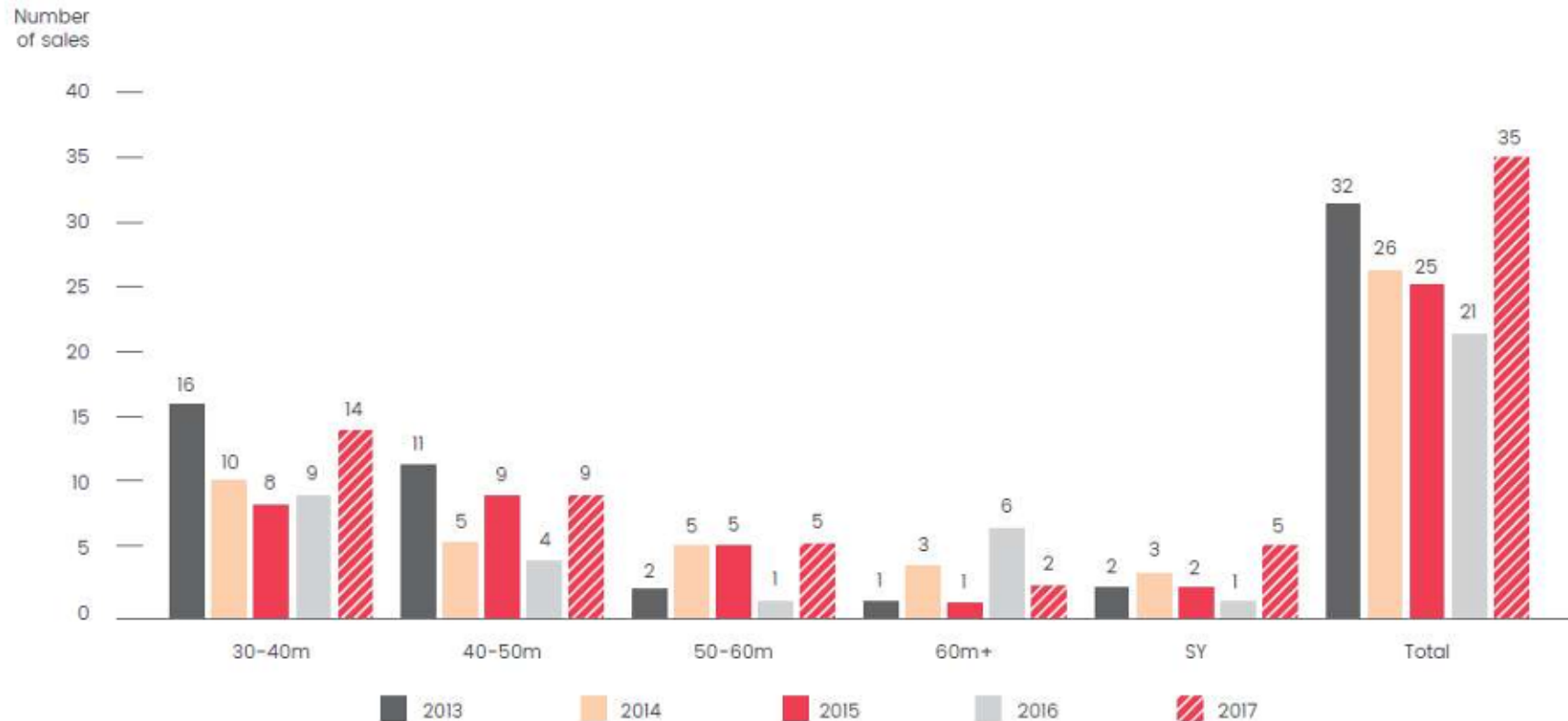
## Global number of superyachts sold by LOA (m)



# Brokerage Sales Summary



## Fraser's number of superyachts sold by LOA (m)





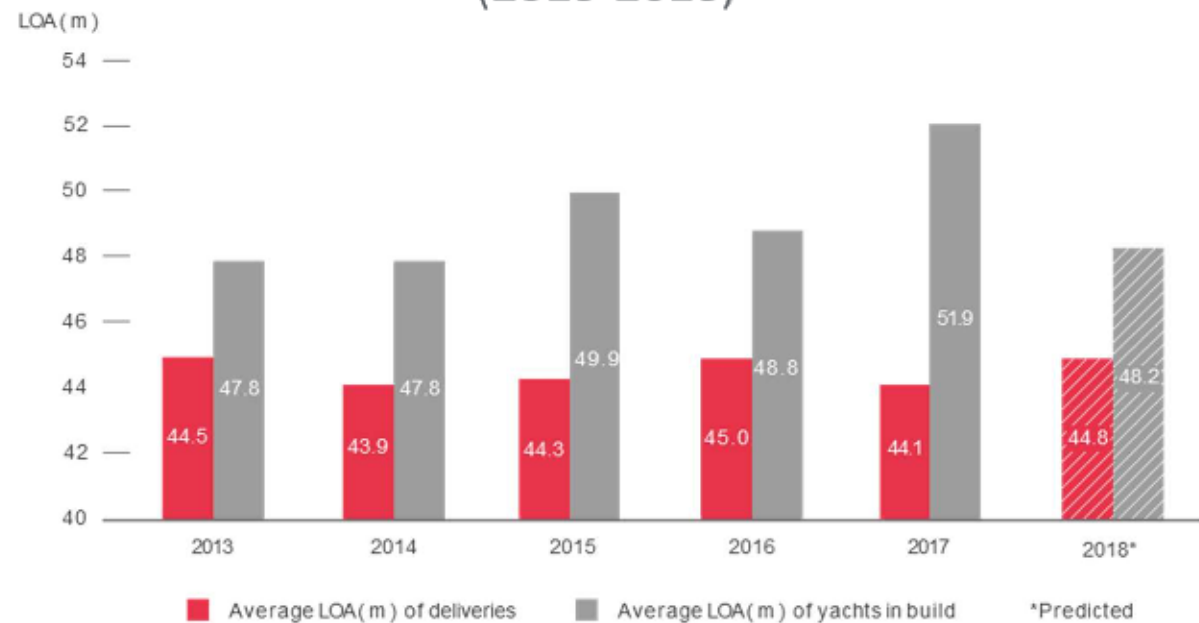
# How big will they get?



The largest in construction:  
182.6M by Vard Shipyard  
for a Scandinavian Owner

According to The Superyacht Report: The move away from the very smallest yachts could bring with it a move from the tendency to build smaller production, semi custom superyachts on-spec simply due to the investment required for – and the relatively greater risk involved in – larger-yachtbuilding.

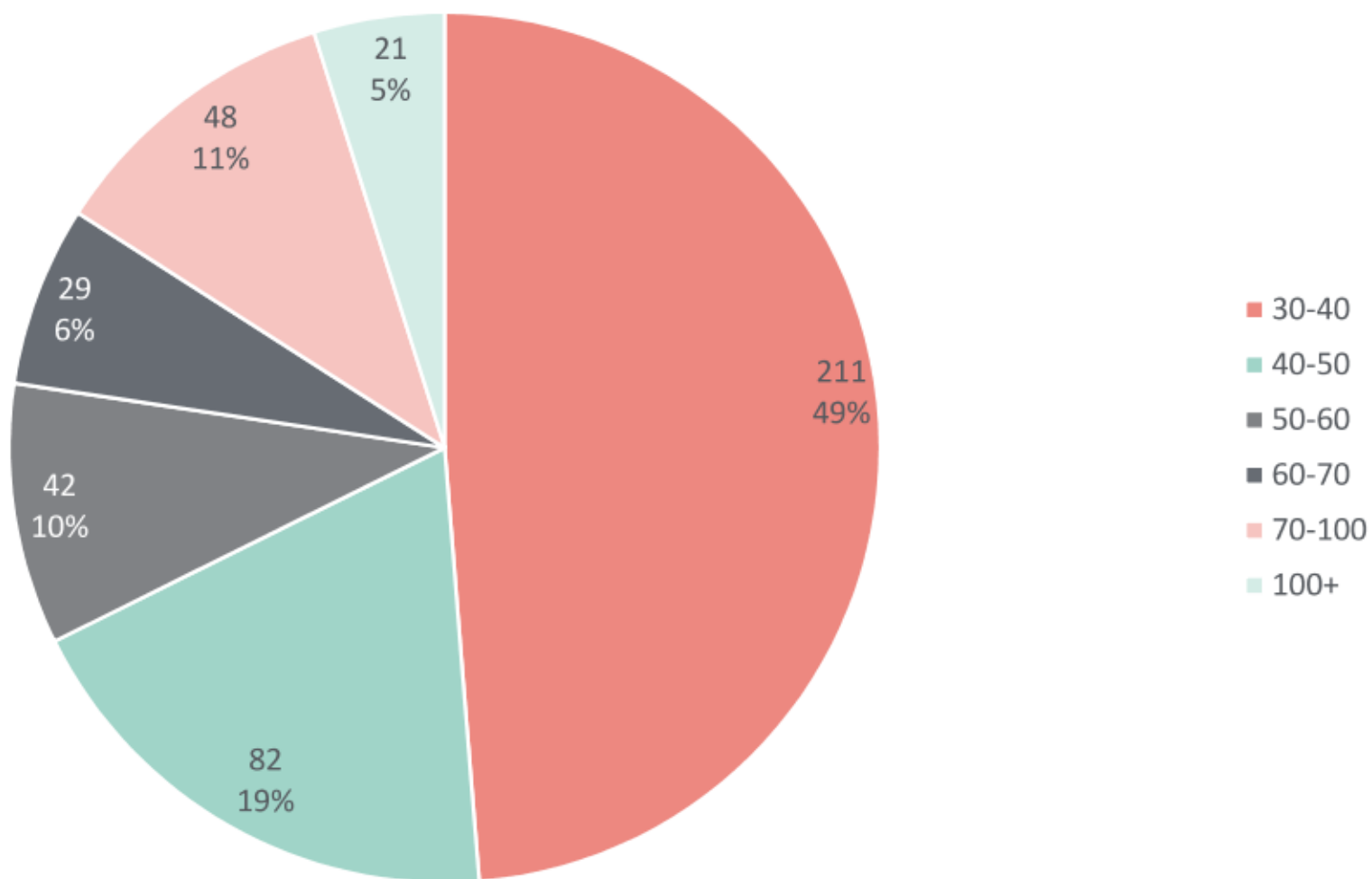
Average LOA (m) of yachts delivered and in build  
(2013-2018)



## How big will they get?



### YACHTS 30M+ CURRENTLY IN BUILD BY SIZE



## Family office v. corporate purchase



- Many yachts have a family office to assist in the operation of the yacht
- Purchases are typically made under the name of a corporation to protect the individual from exposure
- Owners with multiple yachts typically keep each yacht in separate corporate entities

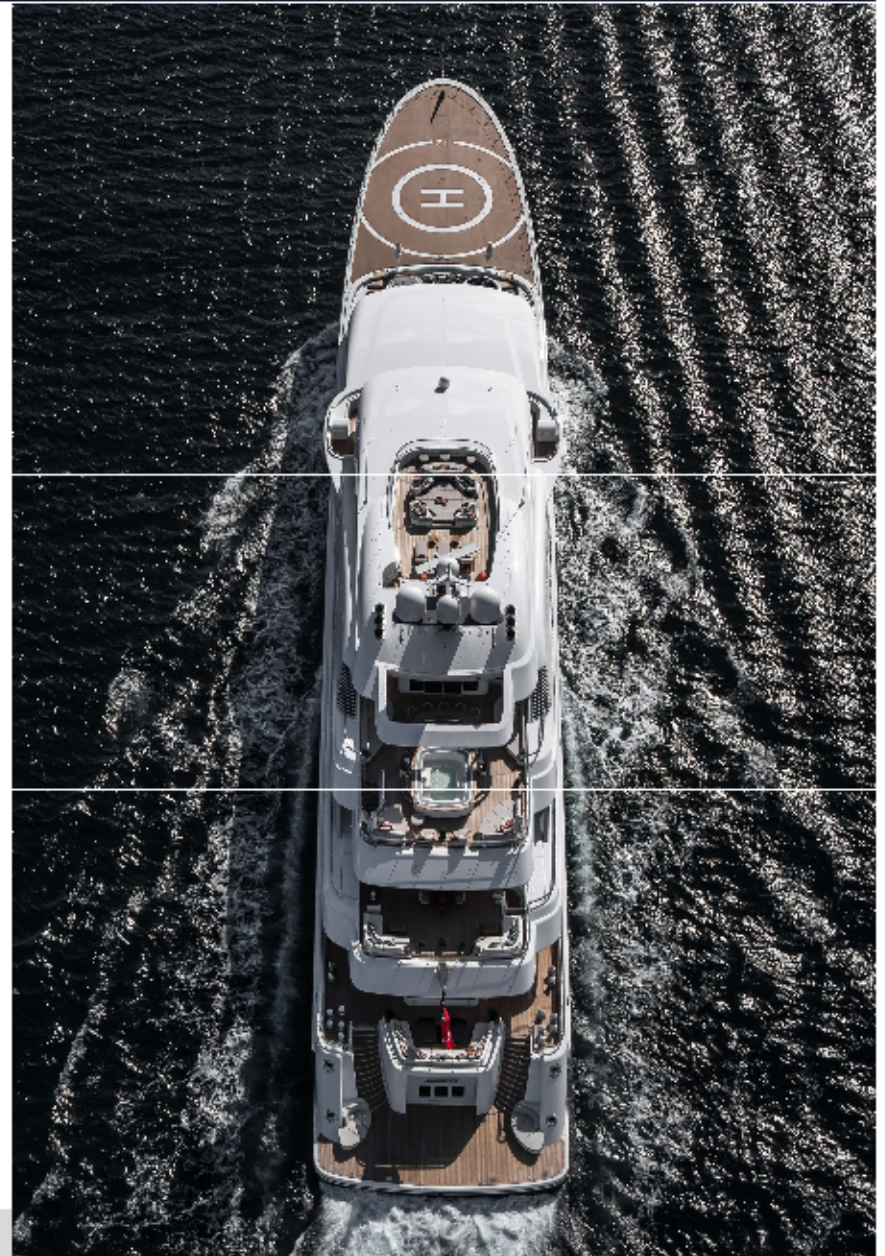


## Purchase for Charter



Reasonable operational costs offset:  
covering 50% of cost is considered  
doing very well.

- Chartering your yacht is a great opportunity to offset expenses,
- The reality is that very few boats entire budget is covered by chartering. Still there are many reasons to consider chartering your yacht, and a good charter broker can help explain them to you.
- To be cash flow positive, you need have 12-13 weeks of active charter per year





# Financing Challenges



## Currency Know Your Client (KYC) issues

- More stringent in the EU than US
- If not done in advance: issues can add a week to the sales process before an attorney can accept an escrow

## Survey/Class/Oversight >3,000 GRT Issues

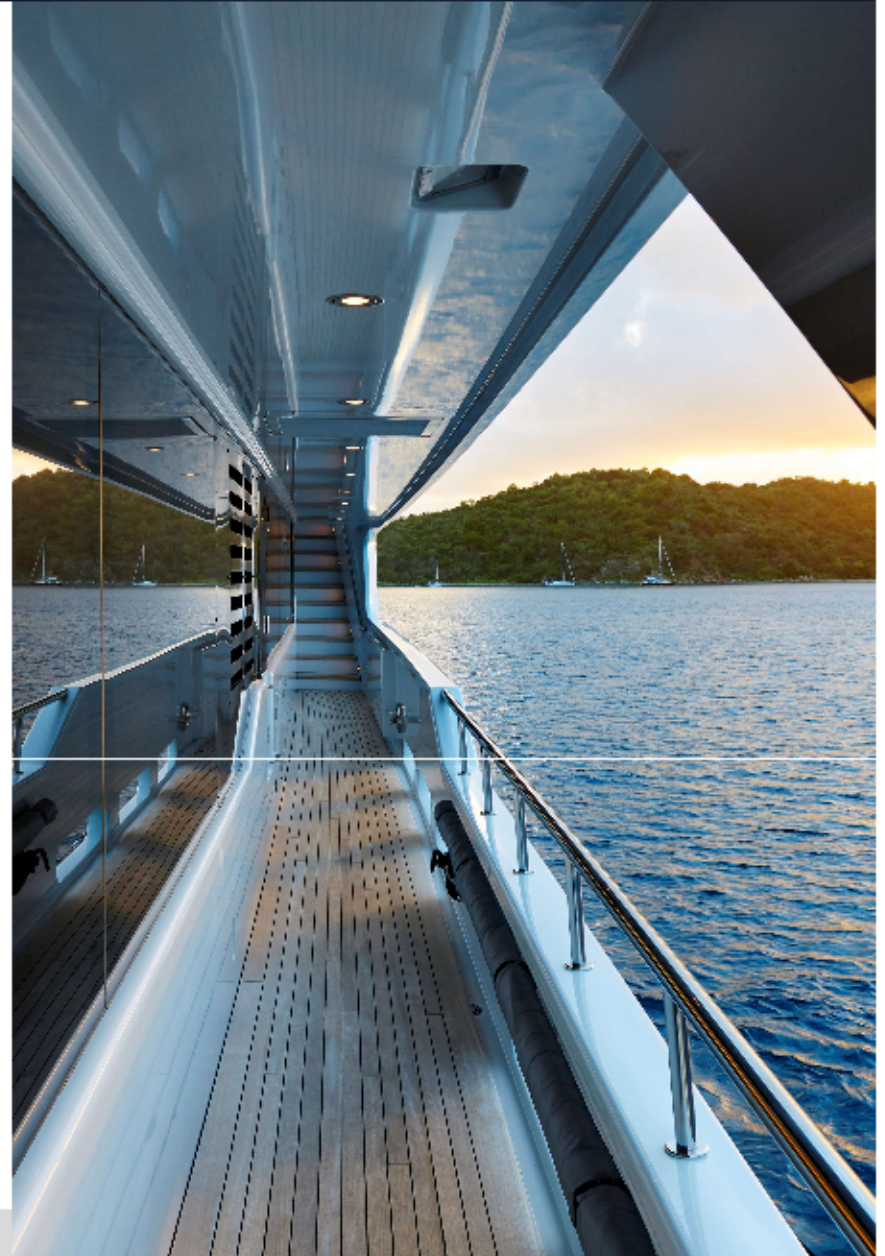


Large Yacht Code (LY3) = up to 12 passengers

- Yacht built to LY3 cannot be changed to PYC without a significant, structural refit

Passenger Yacht Code (PYC)= 12 to 36 passenger code regulations

- Specific drill and training requirements for crew
- Masters decision support systems
- Structural fire protection requirements





## Survey Issues



- Typically turn into renegotiations
- Can be a major stumbling block in the closing of the deal
- Managing client expectations of Buyer and Seller is critical role of the Broker at this stage

## Yacht Sales and Finance Summary 2017 (middle market)



- Brokers role is limited in regard to financing.
- Fraser's market is typically handled behind the scenes by the family office and bank relationships.
- Most often our only interaction is to provide specific documentation to the banks.





## Sales Agreements (MYBA v. IYBA)



- MYBA offers more clarity on the seller's expectation of the buyer. Offers better protection to the Seller. Creates more expectations of the Buyer.
- IYBA is found to not be as internationally acceptable. Most international clients prefer to use English Law. US clients prefer IYBA for its agreement with US Law.

# Tariffs and the Affect to Yacht Construction Market

