

SFL Corp acquires Landbridge VLCC resale to charter back



JOHN FREDRIKSEN

Photo: Elin Hoyland

Gary Dixon and **Michael Juliano**

John Fredriksen shipowning vehicle SFL Corp has moved to beef up its core contract coverage with a VLCC resale purchase.

The New York-listed company has bought the 308,000-dwt tanker Landbridge Wisdom, ordered in China in 2015 by an affiliate of Landridge Group.

The Chinese group has chartered it back for seven years on a bareboat basis, adding nearly \$60m in contract backlog for SFL.

The ship is due for delivery from Dalian Shipbuilding in the second

quarter. SFL is paying \$65m for the ship, while VesselsValue estimates it is worth \$97m.

The ship lessor called the price “significantly below current broker estimates for VLCC resales, effectively providing SFL with a very attractive risk profile”.

Landbridge has secured a three-year sub-charter to an oil major, providing good cash-flow visibility, the company added.

Landridge can buy back the VLCC at various points, the first of which comes after three years.

However, Landridge is obliged to buy it at the end of the deal.

SFL said it is funding the purchase with a \$50m loan at “very attractive terms”.

After the repayment instalments, SFL expects to enjoy cash flow of more than \$4m per year on average during the first three years of the charter.

SFL has been consistent in saying it is always evaluating such core deals, while cutting back exposure to struggling offshore vessel markets by cancelling charters and offloading ships.

The company is also in talks with Fredriksen-backed Seadrill over reductions to bareboat rates

for drillships chartered to Seadrill in the offshore downturn.

“Amidst the recent market volatility, we see attractive investment opportunities in our core markets,” SFL chief executive Ole Hjertaker said.

Leasing rival Ocean Yield said this month that it expects less competition in the sector as banks and other traditional leaseback companies pull back.

Shandong-based Landbridge has six VLCCs in operation, all built at Dalian since 2016. The Landbridge Wisdom is its final newbuilding