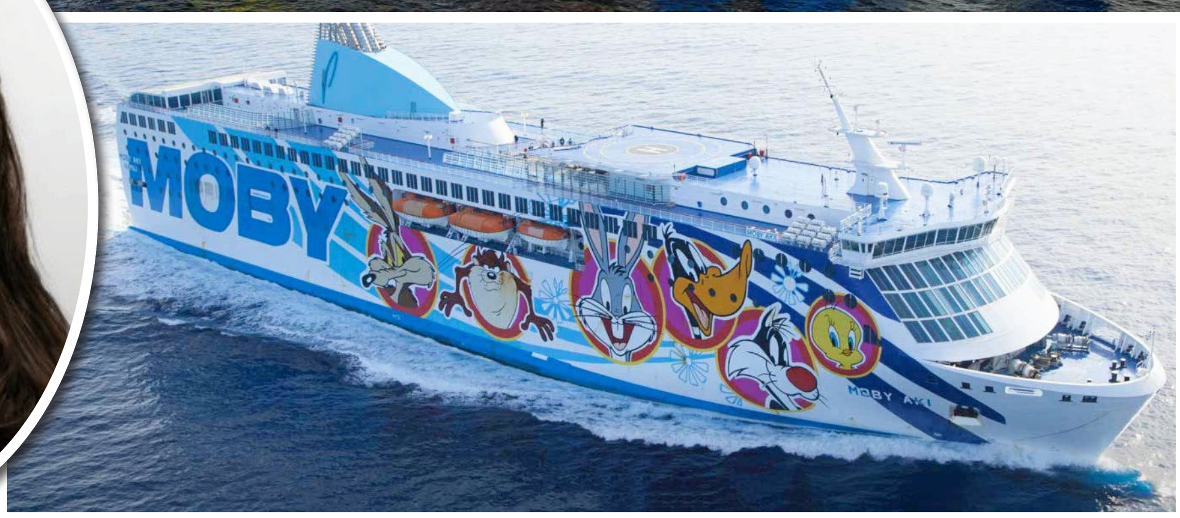

TOUGH TIMES: Moby failed in its last attempt to raise liquidity by selling off some of its 64-ship fleet, when a vessel-swap agreement with DFDS involving the Moby Wonder (above) and Mobi Aki (left) fell through in October last year. Far left, distressed and high-yield credit analyst Noor Sehur, who covers Moby for London-based financial intelligence provider Reorg

Photos: Moby and Noor Sehur/Twitter

Moby still without restructuring solution as creditor standstill ends

Creditors are expected to force ferry operator to improve its corporate governance if a restructuring finally goes ahead

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London

Italian ferry operator Moby has so far failed to agree a restructuring plan with its bondholders, days after a standstill agreement with its creditors expired.

The sticking points in talks to agree a plan are how new money may be raised from third parties and how to change the group's corporate governance, analysts said.

Moby struck the standstill deal on 11 February to delay payment of an €11.6m ($12.7m) semi-annual coupon on its bonds and a €50m loan amortisation payment that had been due in mid-February.

The firm does not have sufficient liquidity to cover the payments, having burned through €116m of its cash reserves during the first nine months of 2019, according to its latest financial report.

At the end of September last year, Moby had a cash balance of €56m and its €60m revolving credit facility was fully drawn.

After the standstill period ended on Saturday, Moby said it had rejected a restructuring proposal from an ad-hoc group of holders of its 7.75% senior secured notes, which are due in 2023.

But the proposal was jettisoned on the basis that it would penalise other creditors and was incompatible with its existing contractual arrangements, Moby said.

The company, which operates ferry services between Sardinia, Sicily and mainland Italy, has invited the group of bondholders to find another potential restructuring solution.

Moby said last Saturday that its lenders had indicated their willingness to provide a standstill to allow the debt negotiations to be concluded.

As of 30 September, Moby's debt stood at €591m, including a €300m bond issue and a €160m outstanding loan, which was five times its Ebitda of €118m.

A change of Moby's governance has been discussed as part of the potential restructuring deal.

This could include the unwinding of some of the company's related-party transactions,according to Noor Sehur, a distressed and high-yield credit analyst at Reorg.

"The ad-hoc bondholder group wanted to provide new money but left the company the possibility to find new money in the form of equity from third-party investors," said Sehur, who covers Moby for the London-based financial intelligence provider.

"So far, a deal has not been reached as the two parties have not agreed on the new money provision and on how to change the group's governance."

She said the related-party transactions include deals that the company has done with its directors.

'FUTURE GROWTH'

"One example of this includes leasing ships expected to be delivered in 2021 and 2022 from Fratelli Onorato Armatori, a company equally shared by Moby's directors Achille Onorato and Alessandro Onorato," Sehur told TradeWinds.

Achille Onorato is Moby's chief executive and the company is wholly owned by his family.

Moby said it is open to setting up supervisory committees, including for nomination and remuneration, "with the aim of creating added value for all stakeholders and creating a platform for future growth".

But the firm decried "incorrect" press reports that Moby had failed to reach an agreement with its bondholders due to shareholders' unwillingness to "take a step back from the management of the company".

Moby had hoped to raise cash by selling off some of its 64-vessel fleet — and hinted last Saturday that this could still go ahead — but had been set back by a failed deal in October.

That transaction was meant to see two of Moby's vessels — the 36,093-gt Moby Wonder (built 2001) and 36,284-gt Moby Aki (built 2005) — sold to DFDS, from whom Moby would acquire the 31,356-gt Princess Seaways (built 1986) 31,788-gt King Seaways (built 1987) passenger ferries.

Press releases at the time said the Italian company could not meet the delivery terms of the deal.

But Sehur added that "suppliers became increasingly nervous about Moby's ability to meet its financial obligations".

Moby said its fleet — 48 vessels are ferries and 16 are tugboats — is valued at more than €1bn, according to the latest appraisal by Unitramp.

"If these valuations are confirmed by the broker to be appointed, the restructuring plan can be implemented based solely on the rescheduling of the current debt profile," Moby said.

"In any event, the value of the group companies and their ability to continue to serve their customers and satisfy their creditors is not up for discussion."

Moby employs around 10,000 people, both directly and indirectly.

Next year, another €50m loan amortisation payment is due, plus €100m of its secured term loan and repayment of its €60m revolving credit facility.

Moby's debt picture is further complicated by a ruling on Monday by the European Commission, which has instructed Italy to try to recover €15m in illegal state aid granted to Moby's main subsidiary, Tirrenia di Navigazione.

But the EC accepted that the subsidy received by Compagnia Italiana Di Navigazione (CIN) in 2012 and the tender procedure for the sale of a Tirrenia business unit to CIN did not qualify as illegal state aid.

Moby said on Monday that it was satisfied with this decision.