



CHAMBER OF COMMERCE SESSION CAYMAN REGISTRY

March 29, 2017 Grand Cayman

The State of and Opportunities in the Global
Superyacht Market, 2017

Superyachts as a Business: 5 in 3

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Structure of Presentation

Background: Who are we?

Section 1: 5 Key Features

Section 2: 5 Key Trends

Section 3: 5 Key Regulations for Commercial Use

Summary: Opportunities for Cayman



1. Established 1903, British Flag but separate Administration with Head Office in Cayman and 18 locations in 14 countries, inclusive of 6 regional centres, with a total of 54 employees and 36 independent contractors
2. 2,100 units and 5m GRT registered; which includes merchant ships and private and commercial yachts with average fleet age of 11.4 years
3. Involved in >40% of total newbuild superyachts globally, Dec 2017
4. White List & Low Risk in both Paris & Tokyo Port State Control MoU's
5. USCG QualShip 21 certified; ISO 9001 certified; and ranks among the International Chamber of Shipping top 12 flag states



6. Offers traditional **Flag State** functions such as vessel and mortgage registration and the regulation thereof **BUT** also performs various central government functions such as legislation drafting, policy advice and development, marine casualty investigation, **PLUS Port State** and **Coastal State** responsibilities
7. More importantly, offers a unique **compliance advisory service** during the **design, construction** and **operation** of superyachts under 5 Key Regulations for Commercial Use that supports:
 - Increased safety, pleasure and ease of use
 - Increased asset value and charter rates
 - Decreased operational costs and insurance premiums
 - Increased export opportunities to Europe and USA, particularly for newer yards outside of these areas



Section 1: 5 Key Features Global Superyacht Market

1. Driven by 212,000+ UHNWI's globally, the number of which increased by 61% during 2005-2015 [US\$30m at least of investable assets excluding personal]
2. 140+ deliveries annually (30m+); 270 new-builds were delivered between 2015-2016 from 93 active yards
3. 600+ transactions annually on second-hand market
4. 5000+ superyachts in use: represents less than 2.5% of the UHNWIs target market with an estimated 25% of vessels classed with IACS members
5. Global superyacht charter fleet concentrated in USA, North and NE Caribbean & Europe with smaller fleets in Oceania/South Pacific & Indian Ocean



Section 2: 5 Key Trends

Global Superyacht Market

2.1 Global Wealth

2.2 Global Ownership

2.3 Global Order Book & Yards

2.4 Global Superyacht Charter Itineraries

2.5 Emerging Customer Attributes



Section 2.1: 5 Key Trends

Global Wealth 2015-2025

1. The global population of UHNWIs is set to continue expanding during 2015-2025, but at a slower pace than during 2005-2015
2. Despite a decrease over 2014-15, the total number of UHNWIs is forecast to rise 41% to 263,500 by 2025
3. Specifically the top three projected fastest growing regions by 2025 are as follows: Russia and CIS 72%; Asia 66%; and Middle East 54%
4. Incidentally, North America (30%) and Europe (27%) have the slowest growth forecasts during the 2015-2025 period
5. These forecasts will be affected by the new US Administration policies and the election results in France and Germany during 2017, among other possibilities; particularly the responses of China and Japan to USA policy shifts



Section 2.1: 5 Key Trends

Global Wealth Regional Distribution, 2005-2025

	UHNWI (\$30m+) populations				% change		
	2005	2014	2015	2025	2005-2015	2014-2015	2015-2025
North America	51,934	70,934	69,283	90,247	33%	-2%	30%
Europe	32,073	47,250	46,191	58,465	44%	-2%	27%
Asia	17,531	42,345	41,072	67,999	134%	-3%	66%
Middle East	4,712	9,146	8,910	13,763	89%	-3%	54%
Australasia	1,630	3,864	3,795	5,179	133%	-2%	36%
Latin America & Caribbean	5,279	10,455	9,492	13,380	80%	-9%	41%
Africa	1,602	2,731	2,620	3,933	64%	-4%	50%
Russia and CIS	2,039	6,390	6,105	10,517	199%	-4%	72%
TOTAL	116,800	193,115	187,468	263,483	61%	-3%	41%

Asia: Bangladesh, Cambodia, China, Hong Kong, India, Indonesia, Japan, Malaysia, Singapore, South Korea, Sri Lanka, Taiwan, Thailand and Vietnam

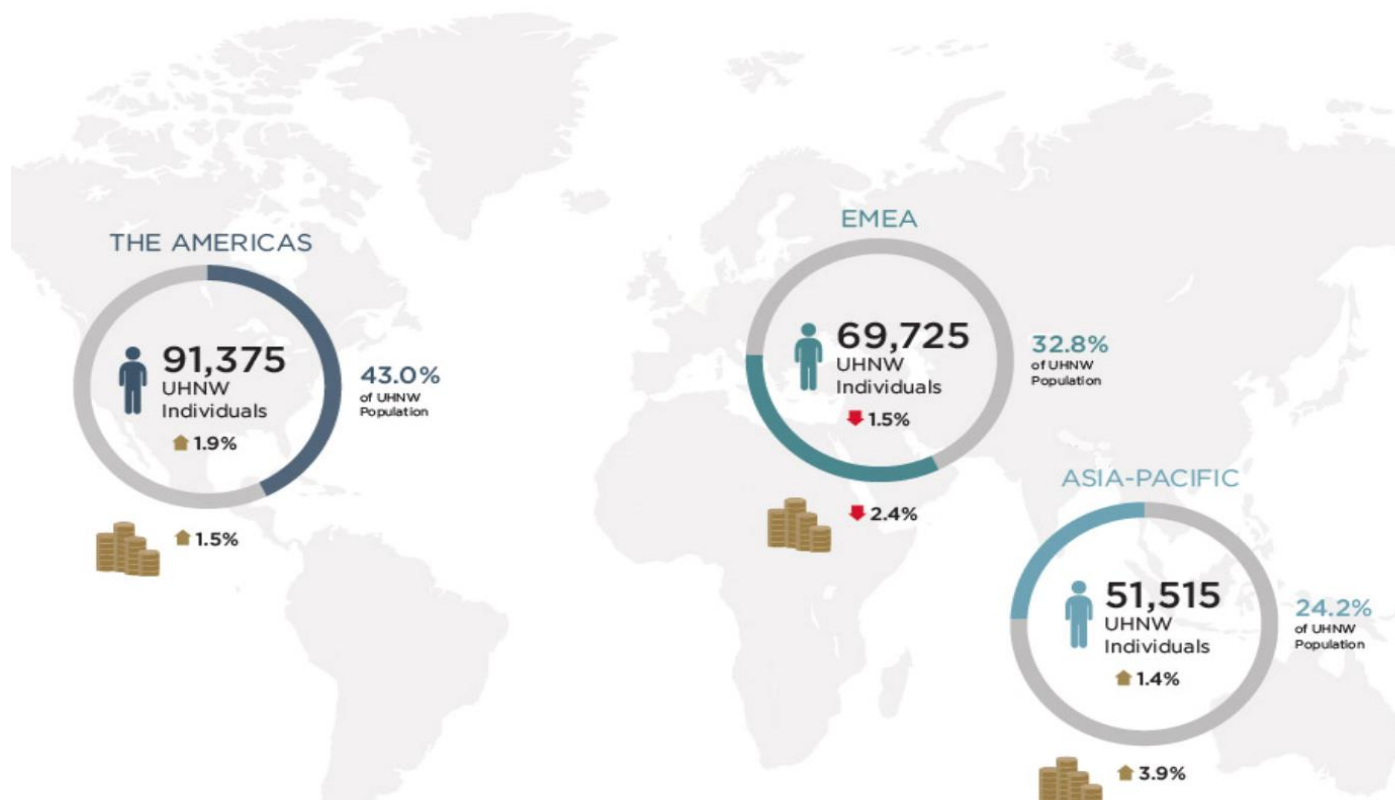
Source: Knight Frank, The Wealth Report 2016



Section 2.1: 5 Key Trends

Global Wealth

Distribution of UHNWIs, 2016 (212,615 Individuals)



Source: Wealth-X, The World Ultra Wealth Report 2015-16

Section 2.2: 5 Key Trends

Global Ownership

1. 25 of the largest 101 superyachts are owned by Gulf Region nationals representing the highest per capita regional concentration
2. Broadening of ownership into new regions as global wealth spreads (particularly in SE Asia and China) but USA, Europe, Russia/CIS and Middle East continue to dominate
3. Increased national, regional and international regulation, especially in the EU and USA (Fiscal/Taxation, PSC, BWM, Manila Amendments)
4. Shortage of qualified and experienced crew, particularly engineers
5. Shortage of experienced yacht management and infrastructure, particularly in the developing cruising areas



Section 2.2: 5 Key Trends

Global Ownership

Top 10 Owners' Nationality of the Top 101 Superyachts, Feb 2016

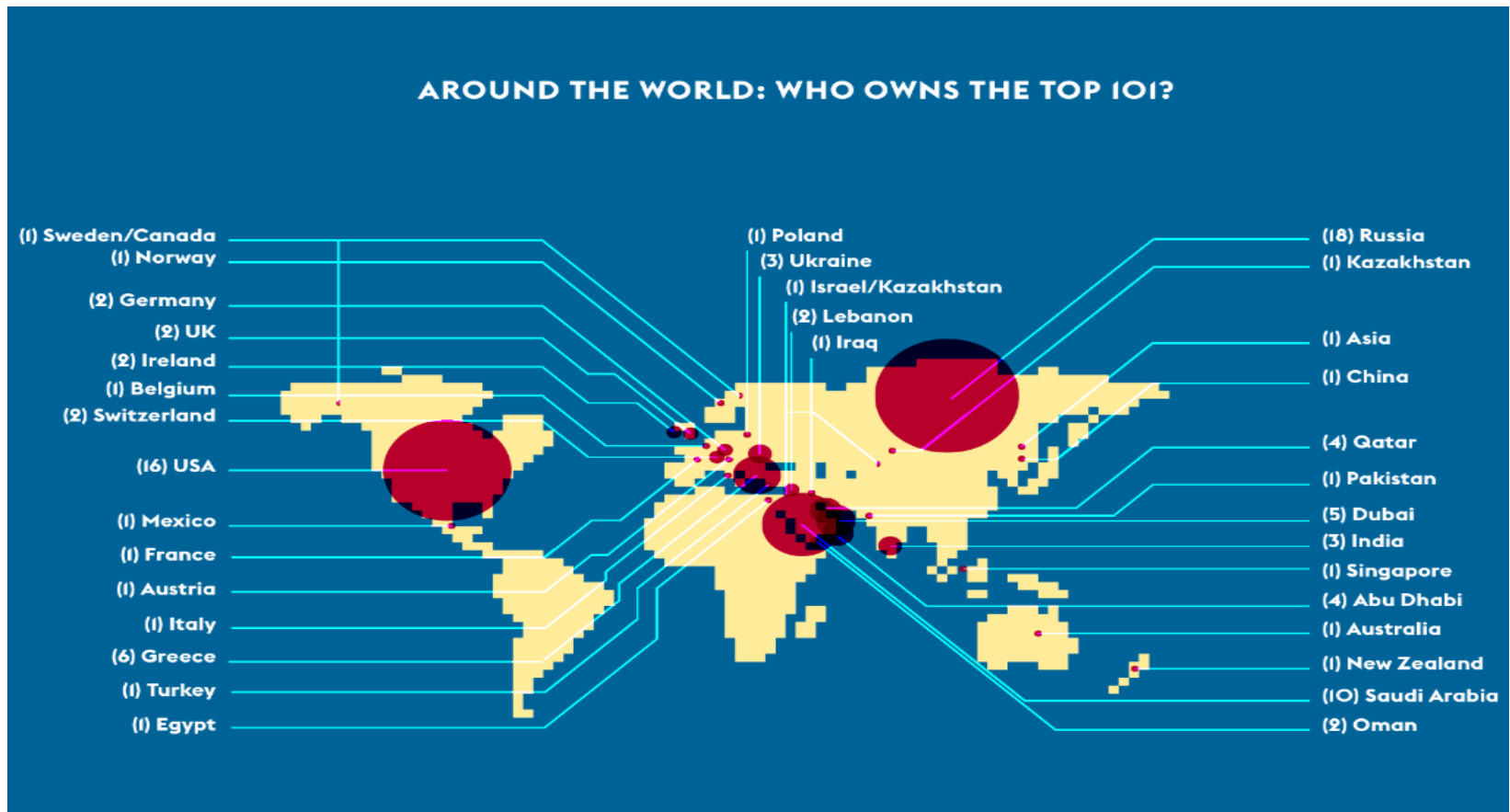
	2016	2015
Russia	18	19
USA	16	19
Saudi Arabia	10	11
Greece	6	6
Dubai	5	5
Abu Dhabi	4	4
Qatar	4	4
Ukraine	3	3
India	3	2
Oman	2	2

Source: ShowBoats International, February 2016



Section 2.2: 5 Key Trends

Global Ownership

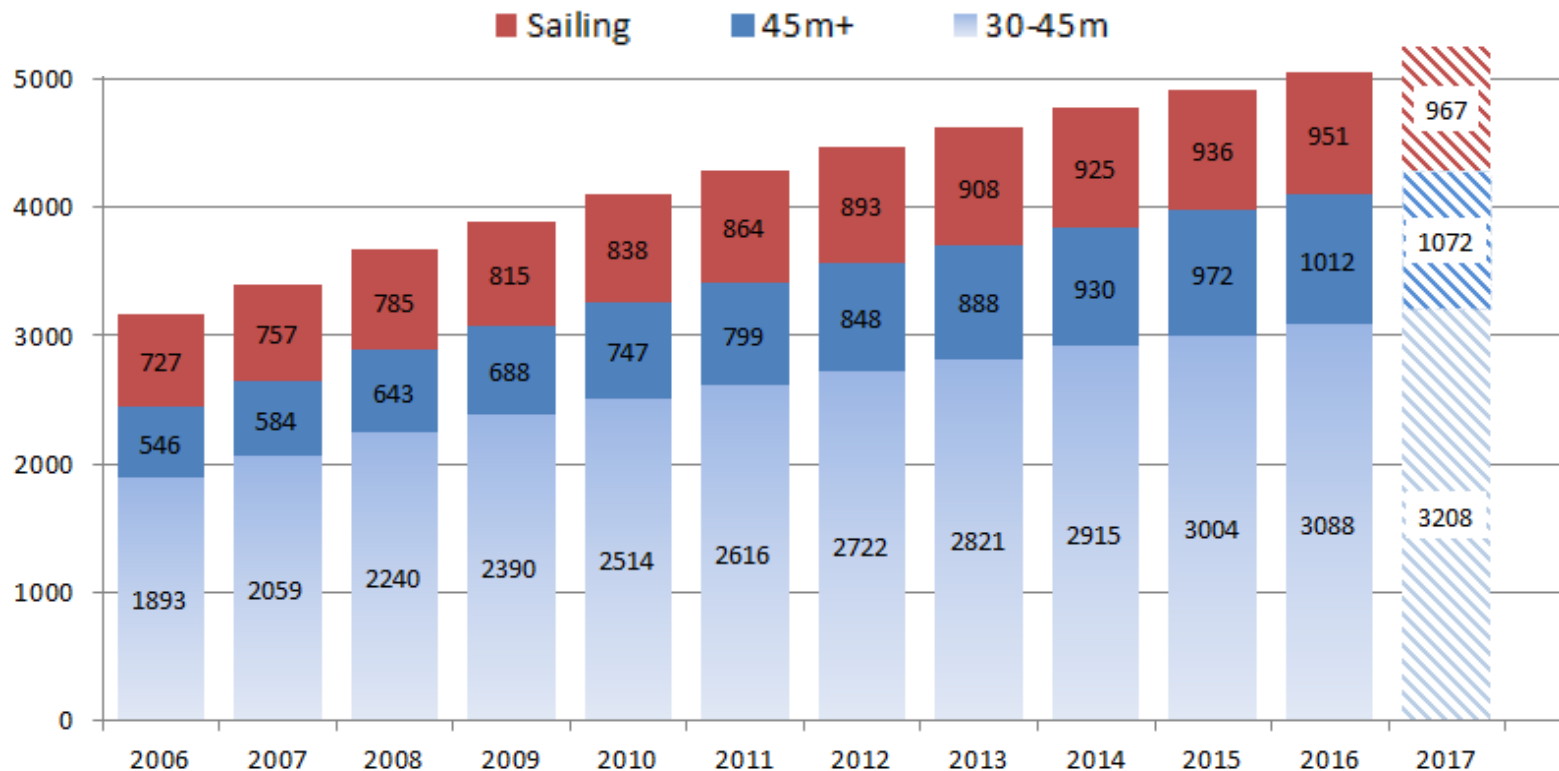


Source: ShowBoats International, February 2016

Section 2.2: 5 Key Trends

Global Ownership

Global Superyacht Fleet Growth (2006-2017)



Source: Superyacht Intelligence, January 2017



Section 2.3: 5 Key Trends Global Order Book & Yards

1. New-build size increasing WHILE total Order Book growth has stabilised since 2009/2010
2. Decrease in the number of yards making deliveries; from 73 in 2013 to 66 in 2016
3. The number of new orders decreased from 153 in 2015 to 138 in 2016 with largest decline in the Americas
4. Significant number of vessels delivered in the 2010s are up for re-fit in the near to medium term
5. New designs include the increased use of glass in superstructures innovations, particularly in the areas of battery and fuel cells



Section 2.3: 5 Key Trends

Global Order Book & Yards

Total Order Book Summary, Jan 2017

	2013	2014	2015	2016	2017
Total order book (deliveries, launches and in build)	407	411	413	424	516
Number of deliveries	146	155	149	142	139
Order book currently in build	261	256	264	282	377
Average LOA (m) of deliveries	44.5	43.9	44.3	45	51.9
Average LOA (m) of yachts in build	47.8	47.8	49.9	48.8	51.9
	2012	2013	2014	2015	2016
Average gt of deliveries that year	632	684	605	791	542
Number of orders placed	111	117	122	153	138
Total LOA (m) of deliveries made	6,854.00	6,768.00	6,510.60	6,436.20	6,128.00
Number of yards making deliveries	93	73	67	67	66

Source: Superyacht Intelligence, January 2017

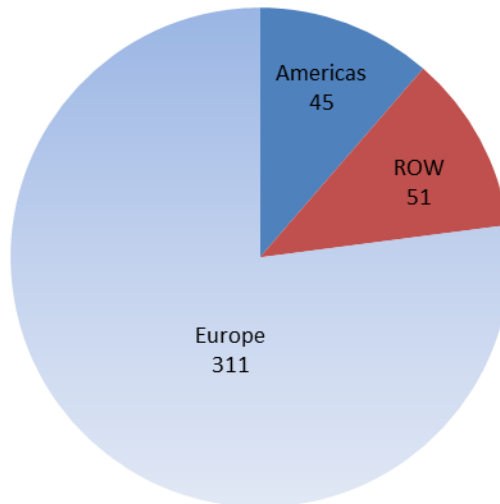


Section 2.3: 5 Key Trends

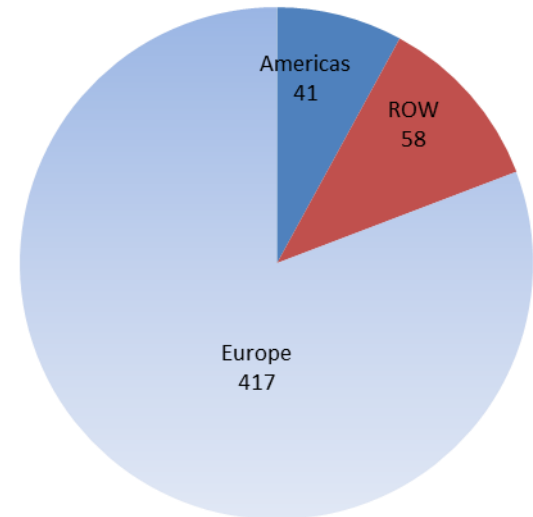
Global Order Book & Yards

Distribution of Newbuilds by Region, 2012 and January 2017

**Distribution of Newbuilds 2013
(407 Vessels)**



**Distribution of Newbuilds 2017
(516 Vessels)**



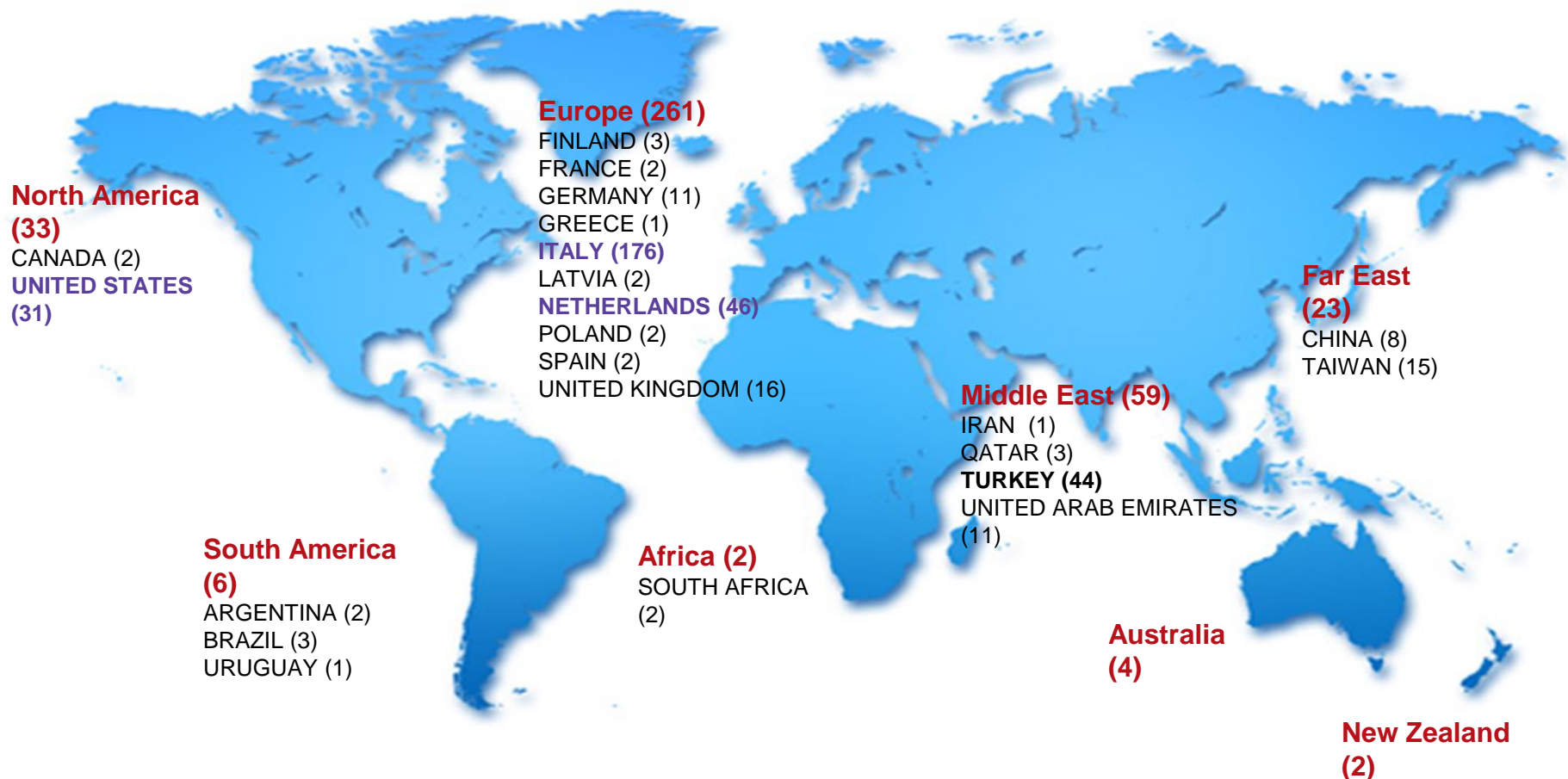
Source: Superyacht Intelligence, January 2017



Section 2.3: 5 Key Trends

Global Order Book & Yards (390 vessels)

Regional Distribution, April 2016



Source: www.superyachtintelligence.com 5 April 2016



Section 2.3: 5 Key Trends

Global Order Book & Yards

Superyacht Builders Cayman Deliveries, 2017-2027



Source: SuperyachtIntelligence, 2017



Section 2.4: 5 Key Trends

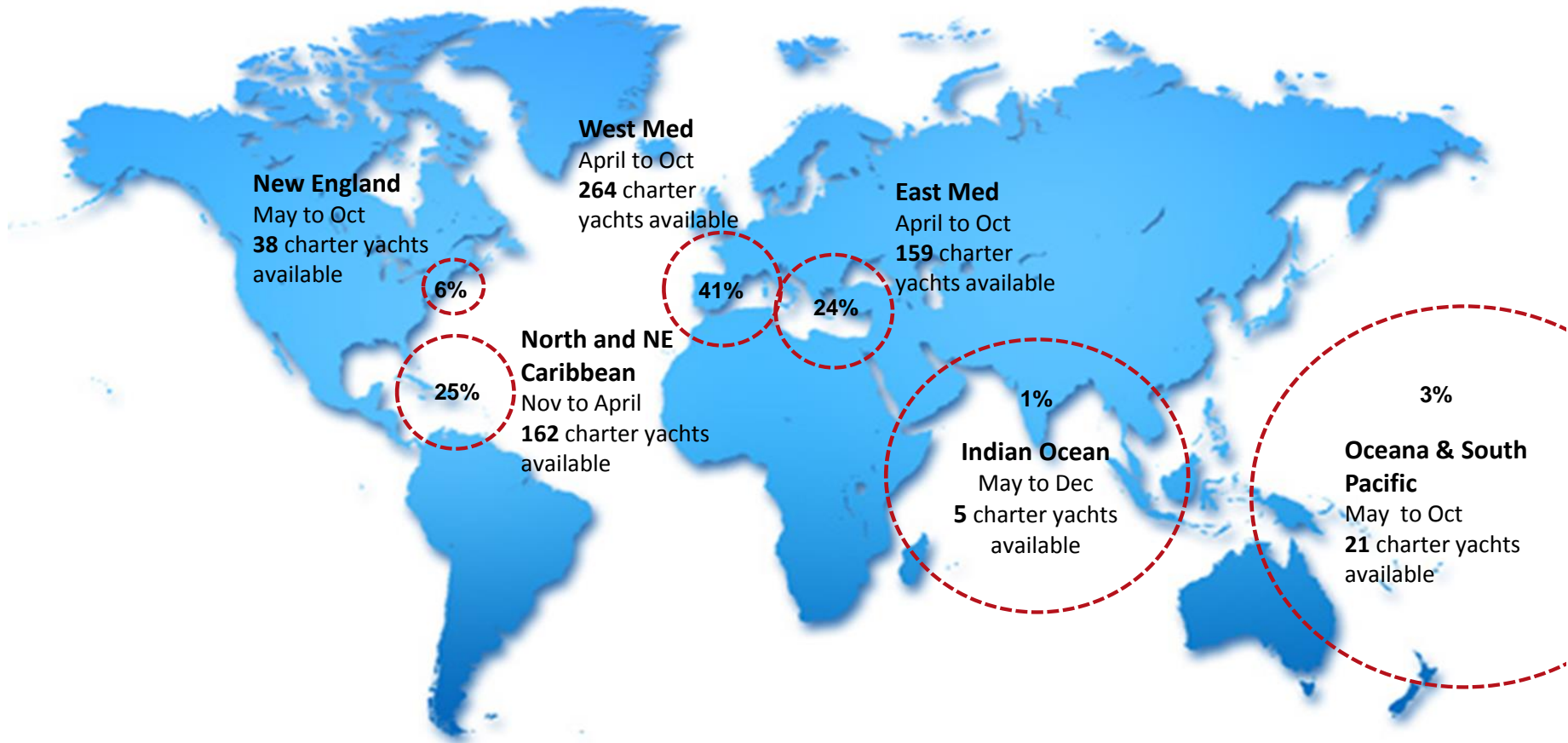
Global Superyacht Charter Itineraries

1. The global demand for superyacht charters continues to expand
2. Summer MED (65%) and Winter N & NE Caribbean (31%) are the main hubs
3. South Pacific, SE Asia, Antarctica, and NW Passage appearing on schedules
4. New expansion prospects in the Middle East, Indian Ocean and the NW and Southern Caribbean
5. Shortage of available superyacht charter vessels and related support services in these new areas



Section 2.4: 5 Key Trends

Global Superyacht Charter Itineraries (649 Vessels)



Source: ShowBoats International, April 2016



Section 2.5: 5 Key Trends

Emerging Customer Attributes

1. The traditional owner market is aging, particularly in the USA and EU Regions
2. As global wealth spreads new owners from other regions enter the market with new cultural values, usage habits and expectations
3. Generation X and Millennials as groups, bring unique sets of new expectations;
 - Leisure Leaders
 - more environmentally aware, socially conscious
 - they value access vs. ownership; click, subscribe, download it, charter it
 - stronger safari/expedition demand and require more personalized experiences



Section 3: 5 Key Regulations for Commercial Use Global Superyacht Market

1. The Small Commercial Vessel Code (or MGN 280) <24m; ≤12 passengers
2. The Large Commercial Yacht Code (currently LY3) ≥24m; ≤12 passengers (introduced 1997)
3. The Passenger Yacht Code (PYC6) ≤36 passengers (introduced 2011)
4. Cayman Yacht Code (Designated Area) <500GRT; ≤12 passengers (introduced 2016)
5. SOLAS Convention, Passenger Ships ≥36 passengers



Opportunities for Cayman

Existing:

1. Expansion of the Cayman Registry and Private Sector services in vessel and mortgage registration, company formation and management, Representative Person, etc [outside of CMSP]
2. Expansion of yacht marinas and concierge services, bunkering, procurement of supplies, yacht crew payroll services, etc



Opportunities for Cayman

Emerging:

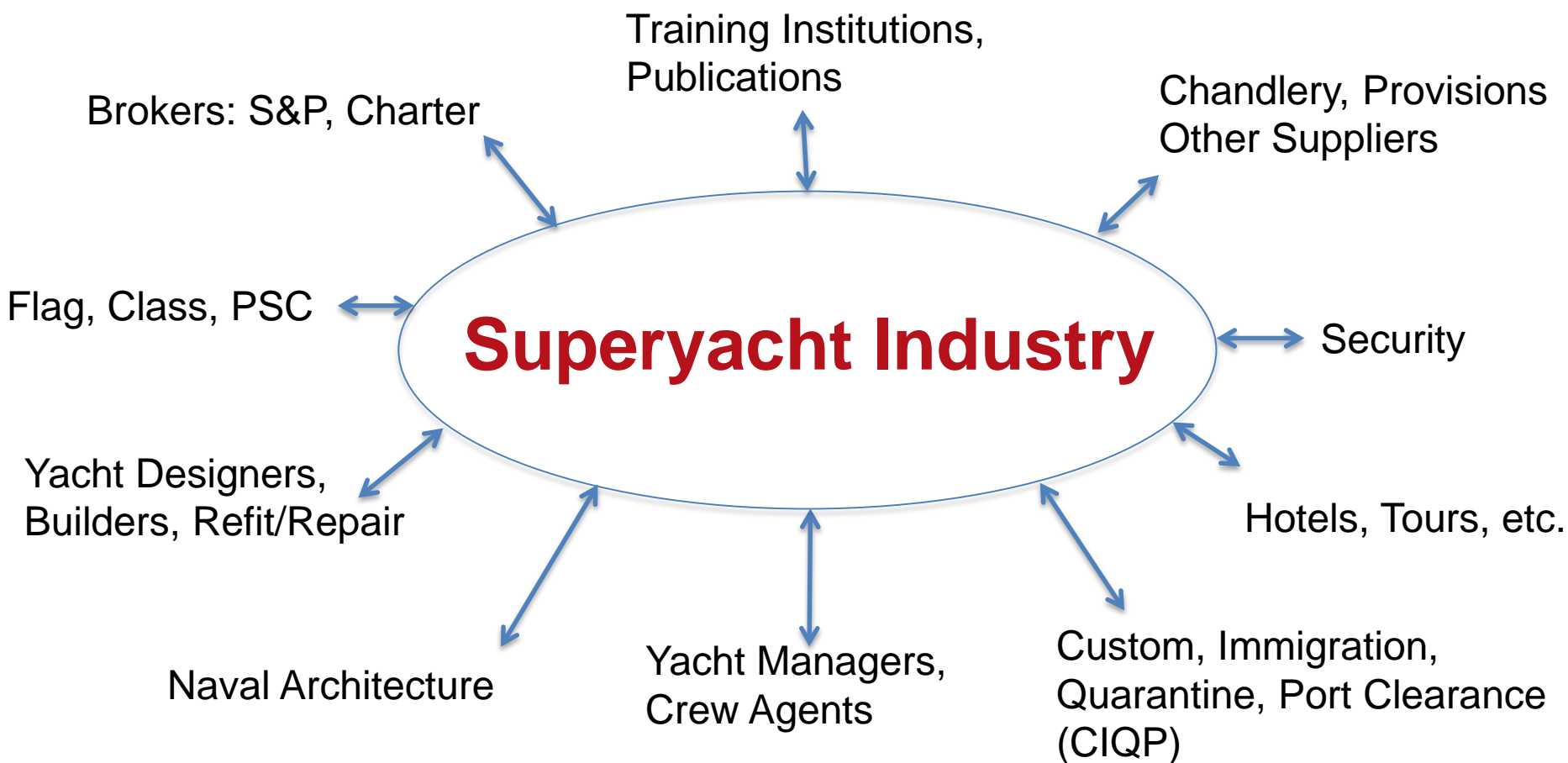
1. **Yacht Tourism** – the growth of yacht cruising in the NW and Southern Caribbean to capitalise on emerging market for safari/expedition destinations offers opportunities for marina development, repairs, bunkering, etc.
2. Increased business and employment opportunities in maritime **support** subsectors such as yacht management, brokerage, financing, marine insurance, crew management including salaries and benefits processing



Opportunities for Cayman

3. **Professional** services opportunities such as:
 - yacht design
 - naval architecture
 - marine engineering
 - vessel survey, audit and inspection
4. **Maritime Training** geared towards meeting future maritime jobs.
5. **Others?**





Thank You

Some History

2004/05 – Fundamentals agreed as follows:

- a. CI\$3 million CIG equity injection into MACI in 1 July, 2005 (not implemented as planned - actually received \$1.5 million but paid over 3 years in equal installments of \$0.5 million with the first payment being made in month 12 of Year 1)
- b. Overdraft limit of CI\$100,000 (not implemented)
- c. All liabilities and assets of the old CISR would transfer on 1 July, 2005 (implemented as planned)



History Cont'd

- d. Portfolio/Department/Other Authority functions would be performed by MACI for an estimated sum of CI\$2 million per annum. Several of these functions are defined in Section 3 of the Maritime Authority Law (Law 2 of 2005) and contained in various Purchase Agreements over the last 10 years (2005-2015)

For example, Policy Advice (Ministry/Department) and Legislative Drafting (Legal), LRIT (Security), IMO VIMSAS (Ministry), Casualty Investigation (CIMAIB), PSC (Coast Guard/Port Authority), etc.



Re-Cap Historical Snap-Shot

- In April 2004 Cay%:NonCay% = 27:73 as compared to 63:37 2015
- 41% revenue from CIG in 2004/5 decreased to 5% in 2014/15
- Subsidised approx. \$9.3 million in services to CIG over 10-year period (2005-2015)
- Total Asset Value increased from \$1.6 million to \$5.1 million over the 10-year period
- Cash and cash equivalent requisite stood at 90 day (target 90 days). (In most cases exceeds the 90 day expenditure requirement).



Re-cap Historical Snap-Shot Cont'd.

- Total Equity Value increased from \$.6M to \$3.5M over 10-year period
- No Overdraft or Bank Loans
- MACI Financed its losses (\$940k) during 4 year period of operations (from 2009/10 – 2012/13) from its R/E (\$1.378m) from its first 4 years of operations (2005/06 – 2008/09)

