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INVESTMENT TERM SHEET - PROS & CONS SUMMARY

Valuation Analysis: \$4M Current vs \$150M Pre-Money Opportunity

Document Classification: Board Decision Summary

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VALUATION OPPORTUNITY ANALYSIS

Current Situation:

- Pre-money valuation: \$4 million
- Existing shareholders: 100% ownership

Proposed Investment:

- Pre-money valuation: \$150 million (37.5x increase)
- Investment amount: \$150 million for 30% equity
- Post-money valuation: \$300 million
- Potential dilution: 30-60% (with warrant exercise)

Valuation Uplift for Existing Shareholders:

- Current 100% stake worth: \$4 million
- Post-investment 70% stake worth: \$210 million (if no warrants exercised)
- Post-investment 40% stake worth: \$120 million (if all warrants exercised)
- **Net value creation: \$116-206 million for existing shareholders**

PROS - COMPELLING BENEFITS

****MASSIVE VALUATION UPLIFT****

- ****37.5x valuation increase**** from \$4M to \$150M pre-money
- Existing shareholders gain \$116-206M in paper value
- Transforms company from small private entity to major maritime player
- Creates substantial wealth for founders and early investors

****SIGNIFICANT GROWTH CAPITAL****

- \$150M investment enables transformational growth
- Working capital optimization increases contract capacity by 35%
- Strategic acquisitions and fleet expansion opportunities
- Technology investments and operational improvements
- Market expansion into new geographic regions

****STRATEGIC MARKET POSITIONING****

- US public listing provides international credibility
- Access to US capital markets for future financing
- Enhanced customer confidence and contract opportunities
- Competitive advantage through scale and resources
- Platform for industry consolidation and M&A activity

****LIQUIDITY CREATION****

- Public listing provides exit opportunities for existing investors
- Tradeable shares create wealth realization options
- Enhanced ability to attract and retain key personnel through equity
- Strategic flexibility for future corporate development

CONS - SUBSTANTIAL COSTS AND RISKS

****MASSIVE UPFRONT COSTS (\$2.8-4.8M)****

Before accessing ANY investment capital:

- Transaction and legal fees: \$375,000-625,000
- Listing preparation costs: \$800,000-1,400,000
- Management build-up: \$1,000,000-1,650,000 annually
- Technology and systems: \$350,000-700,000
- ****Total: \$2.8-4.8M investment required before capital access****

****EXTREMELY EXPENSIVE ONGOING COSTS****

Annual financial burden:

- 9% dividend on \$150M: \$13.5M annually
- 6% commitment fees: \$9M+ during drawdown period
- Public company compliance: \$1.5-3M annually
- ****Total annual cost: \$24-25.5M when fully deployed****
- ****Requires \$96-128M additional revenue just to service obligations****

****SEVERE DILUTION RISK****

- Immediate dilution: 30% to new investor
- Potential total dilution: 60% if warrants exercised
- ****\$100M+ value transfer**** from existing to new shareholders
- No anti-dilution protection for existing investors
- Lock-up period: 12-24 months with no liquidity

****EXECUTION RISKS AND TIMELINE PRESSURE****

Critical timeline requirements:

- 15-day term sheet acceptance deadline
- 12-18 months to complete US listing
- Must achieve listing BEFORE accessing any capital
- 92% of recent small-cap IPOs lost money
- Market timing risk could reduce valuation significantly

****OPERATIONAL CONSTRAINTS****

- Management distraction during 12-24 month process
- Public company disclosure requirements expose competitive information
- Regulatory compliance burden (Norwegian + US requirements)
- Reduced strategic flexibility and decision-making speed
- Customer/supplier uncertainty during transition

FINANCIAL IMPACT ANALYSIS

****Net Value Creation Scenarios****

Best Case Scenario (No Warrant Exercise):

- Existing shareholders retain: 70% of \$300M = \$210M
- Less upfront costs: \$210M - \$4.8M = \$205.2M
- Less 5-year dividend burden: \$205.2M - \$67.5M = \$137.7M
- ****Net gain vs current \$4M: \$133.7M****

Worst Case Scenario (Full Warrant Exercise):

- Existing shareholders retain: 40% of \$300M = \$120M
- Less upfront costs: \$120M - \$4.8M = \$115.2M
- Less 5-year dividend burden: \$115.2M - \$67.5M = \$47.7M
- ****Net gain vs current \$4M: \$43.7M****

Break-Even Analysis:

- Upfront costs: \$4.8M
- 5-year dividends: \$67.5M
- Total cost: \$72.3M
- ****Break-even requires existing shareholders retain >24% of post-money value****
- ****Risk: If warrants exercised and valuation disappoints, could approach break-even****

TIMELINE AND EXECUTION ANALYSIS

****Critical Path Timeline****

- ****Days 1-15:**** Term sheet acceptance decision
- ****Months 1-6:**** Legal documentation and corporate restructuring
- ****Months 6-12:**** Listing preparation and regulatory approvals
- ****Months 12-18:**** Public listing completion and capital access
- ****Total timeline: 12-18 months before accessing capital****

****Execution Success Probability****

- ****Listing completion:**** 60-70% (based on market conditions)
- ****Timeline achievement:**** 50-60% (regulatory and market dependencies)
- ****Full capital access:**** 40-50% (combined execution risks)
- ****Overall success:**** Moderate to high risk

ALTERNATIVE SCENARIOS ANALYSIS

****If Listing Fails****

- \$2.8-4.8M upfront costs lost
- No access to investment capital
- Potential business disruption and competitive disadvantage
- Existing shareholders bear 100% of failure cost

****If Market Conditions Deteriorate****

- VWAP pricing could reduce investment proceeds by 20-40%
- Public company valuation could decline below private valuation
- Dividend obligations continue regardless of market performance
- Limited strategic flexibility to adapt to market changes

****If Operational Performance Disappoints****

- High fixed costs (dividends + compliance) create leverage risk
- Reduced ability to invest in competitive improvements
- Potential covenant violations or investor control triggers
- Difficulty accessing additional capital at reasonable terms

STRATEGIC ALTERNATIVES COMPARISON

****Current Term Sheet vs Alternatives****

Option	Capital Access	Cost of Capital	Dilution	Timeline	Risk Level
Current Term Sheet	\$150M	15%+ annually	30-60%	12-18 months	High
European Private Equity	\$50-100M	12-15%	20-40%	6-9 months	Medium
Bank Debt + Growth	\$25-50M	8-12%	0%	3-6 months	Low
Strategic Partnership	\$30-75M	10-14%	15-30%	6-12 months	Medium
Delayed Public Market	\$100-200M	8-12%	20-30%	18-36 months	Medium

BOARD RECOMMENDATION FRAMEWORK

****PROCEED IF:****

- Board confident in 12-18 month execution timeline
- Company can absorb \$2.8-4.8M upfront costs without operational impact

- Management prepared for \$24M+ annual cost burden
- Existing shareholders accept 30-60% dilution risk
- Strategic growth plan justifies expensive capital structure

****REJECT IF:****

- Execution timeline appears aggressive or risky
- Upfront costs would strain operations or require bridge financing
- Annual cost burden appears unsustainable for business model
- Dilution risk unacceptable to existing shareholders
- Alternative financing options available at better terms

****NEGOTIATE IF:****

- Core valuation opportunity compelling but terms need improvement
- Willing to accept moderate dilution but not extreme terms
- Can commit to execution timeline with better risk sharing
- Alternative structure could provide equivalent benefits at lower cost

FINAL ASSESSMENT

The valuation opportunity is compelling (\$4M to \$150M pre-money), but the cost structure is among the most expensive in the market.

Key Decision Factors:

1. ****Valuation Uplift:**** Exceptional 37.5x increase creates substantial value
2. ****Cost Burden:**** 15%+ annual cost of capital with \$72M+ total costs
3. ****Execution Risk:**** Moderate to high probability of implementation challenges
4. ****Dilution Impact:**** Potential 60% dilution significantly reduces upside
5. ****Strategic Value:**** US listing provides long-term strategic benefits

Bottom Line: The opportunity creates substantial value for existing shareholders even in worst-case scenarios, but the cost structure and execution risks require careful consideration of alternatives and negotiation of better terms.

Recommendation: Explore negotiation of improved terms or alternative financing structures before accepting current proposal.

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