ATLANTIC
CAPITAL ADVISORY

SUPERYACHT OWNER’S GUIDE TO PROGRESS-PAYMENT & REFIT FINANCE

Why finance your Superyacht build or refit?

Preserve Liquidity: Avoid tying up €5m–€100m+ in staged yard payments.

- Liquidity retained for investment opportunities and unknown events
- Avoid tying-up market securities and other assets to collateralise short-term financing
- Potential for tax savings where the need for corporate distributions is reduced

Portfolio Efficiency: Keep capital deployed in core investments while leveraging tailored credit.

- Retain capital for continued yield growth

Flexibility: Match financing drawdowns to shipyard milestones; balloon or refinance on delivery.

- Piece of mind for payments due through to delivery/completion – reduced reliance on other liquidity events and investment exits
- Drawn loan is typically refinanced by the same lender into a term loan facility upon delivery/completion, but can be repaid if preferred

Privacy & Discretion: Structures arranged through asset-owning SPVs

Source: The Superyacht Times

How Progress-Payment Finance Works

Facility type: Construction or conversion loan or revolving credit facility with drawdowns aligned to yard invoices

- Interest costs typically calculated on a daily basis and based on actual amounts drawn/funded
- Monthly interest-only repayments
- Expect relatively minor commitment fees to be payable on a credit facility commitment that is undrawn through the term

Drawdowns: Released at *milestone sign-off* (keel-laying, launch, sea trials, delivery).

- Milestone sign-off typically overseen by an independent party representing the lender, or potentially lender and owner

Tenor: Typically 1–3 years, with bullet/balloon at delivery or amortising post-delivery through a term loan

- Expect interest only repayments during the construction or refit/conversation period
- Construction or refit loan term to align with the underlying yard contract duration, including permitted delays

Security package: Mortgage over vessel under construction, assignment of yard contract, owner guarantee.

- Yard jurisdictional location and yard financial stability will need to be understood and will determine the legal and financial risk the lender (and owner) will be exposed to
- Alternative security could be a bank refund guarantee provided by the yard's bank, or exceptionally other assets held by the owner

Typical leverage: 50–70% of contract value depending on yard, vessel size, and borrower profile.

- Expect a lender to fund their agreed loan commitment to the builder only after the owner has invested 100% of their equity commitment e.g. A construction contract of EUR 20m and financing at 60% LTV, will require the owner to fund the initial EUR 8m of milestones due under the contract, the lender will then fund the remaining EUR 12m as agreed progress milestones are achieved

Refit Finance – Unlocking Value During Yard Periods

Use case: Major refits/upgrades (engines, interiors, lengthening) often run €5m–€40m.

- Upgrades are often accretive to value and market appeal. Lenders are able to consider the post-refit valuation when determining a maximum amount to finance
- Strong potential for financing to cover **100%** of the refit costs in the event the vessel is currently without financing or with moderate leverage

Structure: Staged loan linked to refit invoices, with surveyor certification of works.

Benefits:

- Smooths cash flow over long yard periods, especially helpful for charter vessels that will have an income break during the refit.
- Enhances resale value without an immediate capital drain.

Source: The Superyacht Times

Key Advantages For Owners

Timing: Bridge to liquidity events (asset sale, dividend, IPO).
- Owners can commit to new builds or refit work now, and avoid future price escalation and extended completion timing

Liquidity optimisation: Opportunity cost of capital
- Continue to hold existing investments for yield maximisation
- Retain liquidity for lucrative investment opportunities

Market strength: Lenders comfortable with 24m+ yachts; appetite has improved in 2024–25.
- Shipyards benefit from certainty of funds when milestones fall due.
- Fresh refits and repowers are attractive to the market, and in-turn, to lenders.

Optionality: Refinance into long-term loan, or sale-and-leaseback post-delivery/refit.

Source: The Superyacht Times

Considerations & Owner Checklist

Due diligence: Yard contract review, vessel specification, insurance coverage.

- For construction contracts, owner title to the vessel and connected equipment during construction is essential for the owner to be able to use the under-construction vessel as collateral for lending.
- Clear, measurable progress milestones, as well as reasonable permitted delays and liquidated damages are important.
- Alignment of amounts paid with tangible construction progress will be important in order to ensure the physical asset and equipment provides sufficient collateral cover for lending throughout the construction loan term.
- Lenders will expect to understand the yard's experience with the vessel type and size. Builder pedigree provides significant weight to risk appetite.
- Yard will be expected to hold adequate builders' risk insurance cover to protect the interests of the owner from accidental damage

Valuation: Independent surveyor establishes loan-to-value (LTV).

- For newbuild vessels, a forward valuation at delivery is not always required because it is deemed that the market determines the value through builder pricing and negotiation. A valuation may be required for vessels that have unique characteristics or specialist designs.
- For refit projects, a physical inspection of the vessel in its current condition and subsequent valuation will typically be undertaken, as well as a forward valuation of the vessel on a post-refit work basis. This helps to ascertain the incremental value of the intended works, and these values are often utilised in order to determine a maximum loan amount.

KYC/UBO: Streamlined confidential process; early prep accelerates credit approval.

- Lenders will require an understanding of how an owner has achieved their wealth and this should be carefully presented, balancing transparency for compliance with confidentiality (Source of Wealth).
- Lenders will require certain owner identification documents, as well as constitutional documentation for the borrowing and entity and its ownership structure.
- A comprehensive owner financial overview will need to be prepared, evidencing broader wealth and income sources available to the owner with which they might maintain the obligations under the financing facility

Why Work With Atlantic Capital Advisory?

Independent: We work with bank and non-bank lenders from Europe, Asia, GCC and the US

- We are lender agnostic, enabling us to source a financing structure and terms that are optimal for the owner and their unique situation.
- We work with over 50 lenders globally, providing a rich source of liquidity as well as enhanced visibility to credit terms and structured offered across the market.

Tailored: Bespoke structures for UHNW principals, family offices, and corporates

- We listen to owners' needs and preferences, we provide guidance on financing feasibility and recommend appropriate structures and solutions

Efficient: Indicative term sheets within days; accelerated execution/closing

- With decades of experience within, and working with bank and non-bank lenders in the maritime credit market, we're well-placed to understand and co-ordinate lender requirements, credit processes, transaction management and facility documentation.
- We work with owners and their representatives to prepare a concise and strong credit proposition at the outset, minimising lender analysis time and significantly enhancing lender credit approval certainty.
- We take the time to fully understand an owner's specific situation and financial position in order to present and defend proposals with confidence.

Trusted: Extensive relationships with shipyards, surveyors, and lenders

- We have managed an array of financing facilities for newbuild, conversion and refit projects and have developed collaborative relationships across the market, from OEMs and shipyards, support sectors (legal, tax, corporate services, and surveyors), to the lenders themselves.
- We work with regulated banks, as well as unregulated non-bank lenders in order to ensure we're able to source financing for a wide array of projects and transactions, and close as efficiently as possible.

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