
Ultrapetrol (Bahamas) Limited
- IPO Exit Case Study -



ULTRAPETROL

Katherine A. Downs

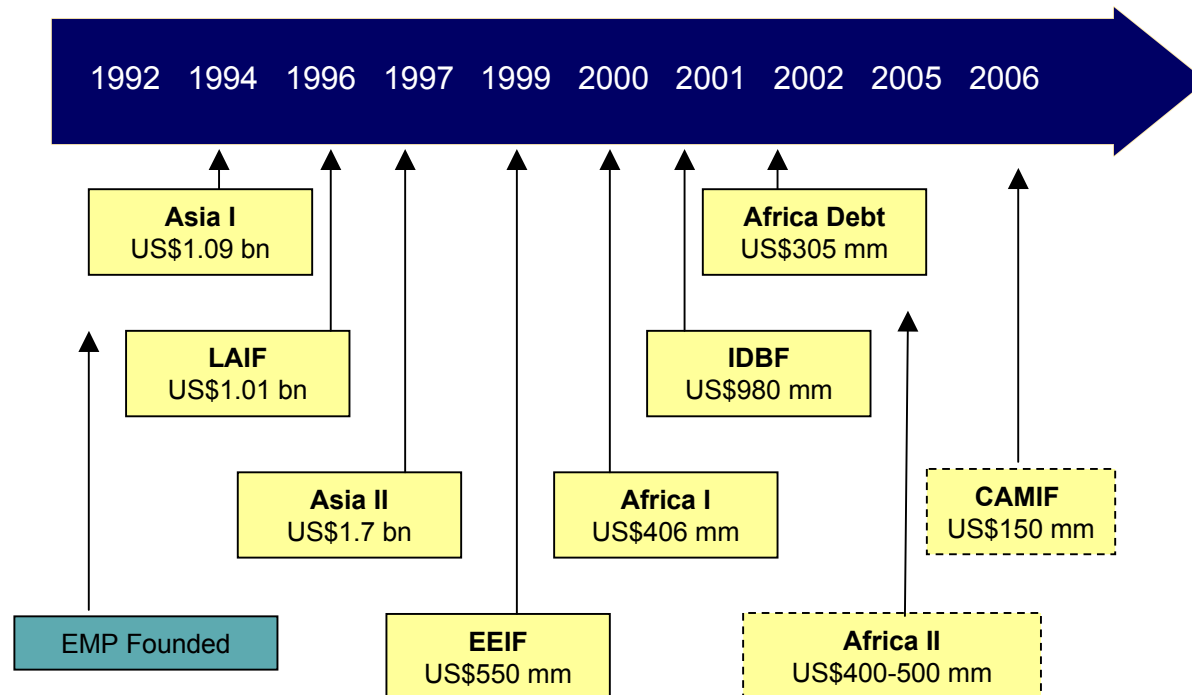
EMP Latin America

Principal Adviser to the AIG-GE Capital Latin American Infrastructure Fund L.P.

- **AIG–GE Capital Latin American Infrastructure Fund L.P. (LAIF)
Current Portfolio Status**
- **Recent Exits**
- **Ultrapetrol Case Study – Exit through US IPO**

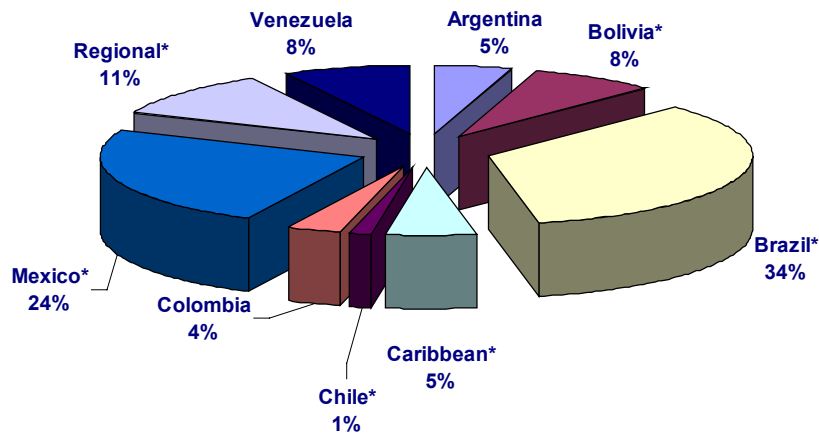
Fund Manager

- EMP Global is the world’s largest private equity fund manager focused exclusively on emerging markets
 - Manages 7 funds totaling US\$6.1 billion in Latin America, Africa, Asia, Europe and the Middle East
 - Based in Washington, DC with offices in Latin America, Africa, Asia, and the Middle East

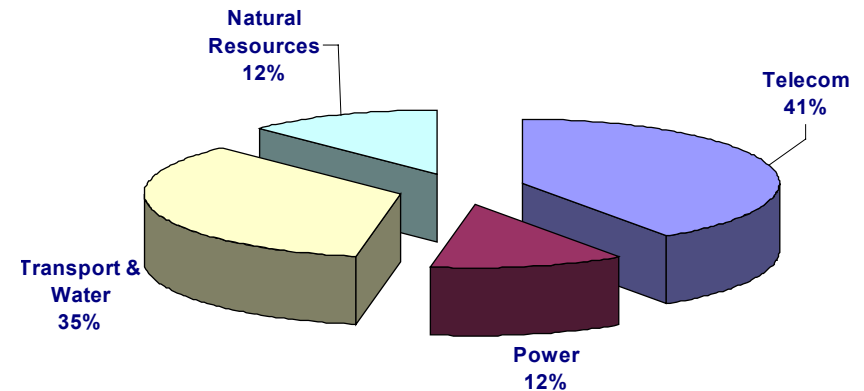


- Largest private equity fund focusing exclusively on infrastructure in Latin America
- US\$1.01 billion in commitments
- US\$817 million invested 1996-2001 in 23 projects

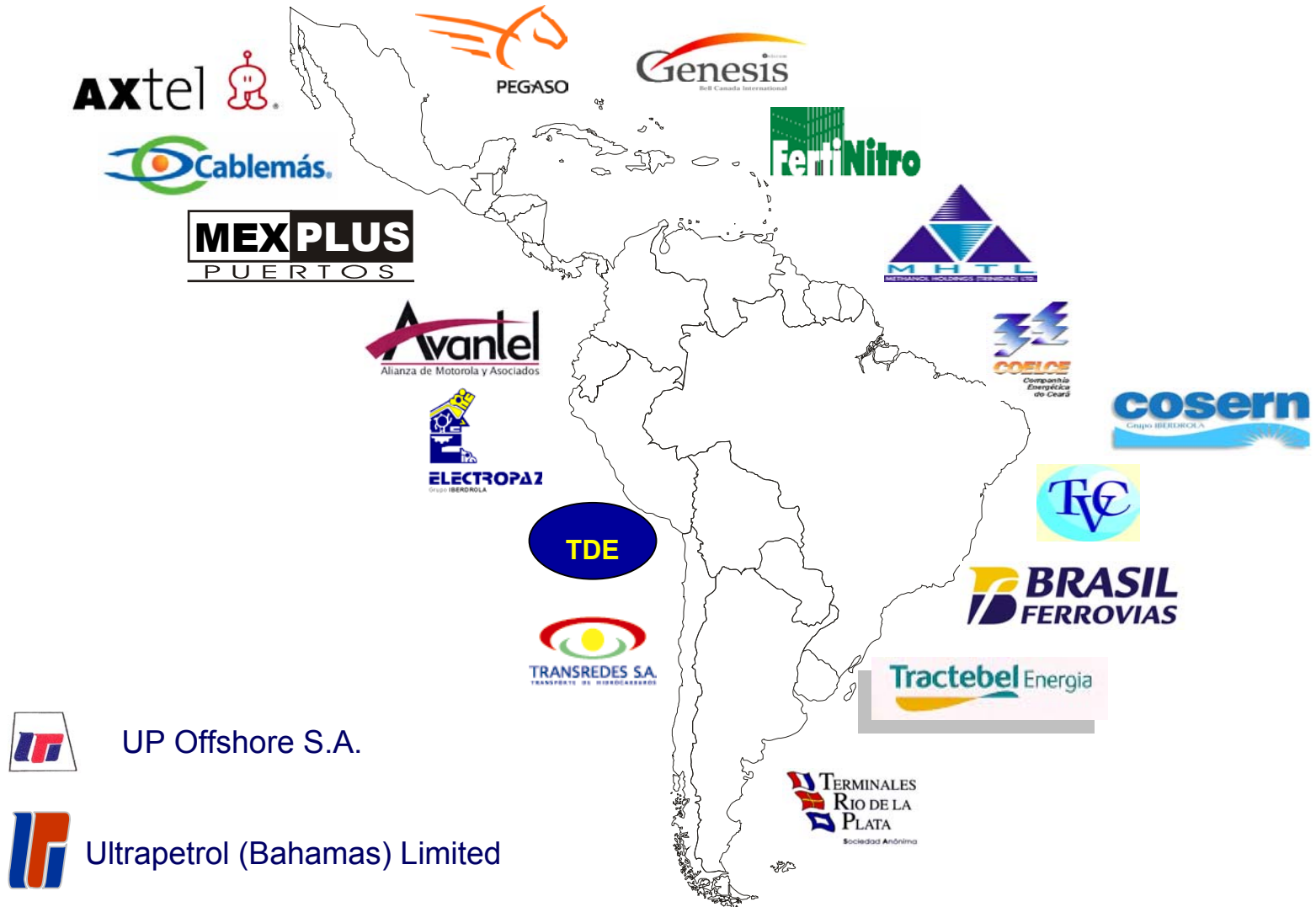
Commitments by Country



Commitments by Sector



LAIF Portfolio



LAIF – Current Portfolio Status

- **Divested** – 13 projects – \$360 million invested (44%)
- **Publicly listed** – 4 projects – \$209 million invested (26%)
- **Sales underway** – 3 projects – \$179 million invested (22%)
- **“Active”** – 3 projects – \$69 million invested (8%)

- **Cablemas** – Mexican Cable TV – Sale of entire stake to Mexican partner in November 2006 for \$92 million.
- **Axtel** – Partial exit through IPO on Mexican stock exchange in late 2005 followed by multiple block trades in 2006 & 2007. \$117 million realized to date. Market value of remaining stock is approximately \$40 million.
- **UP Offshore** – Roll up into Ultrapetrol as part of IPO. LAIF received \$48 million for 66.7% stake.
- **Ultrapetrol** – IPO on NASDAQ October 12, 2006.

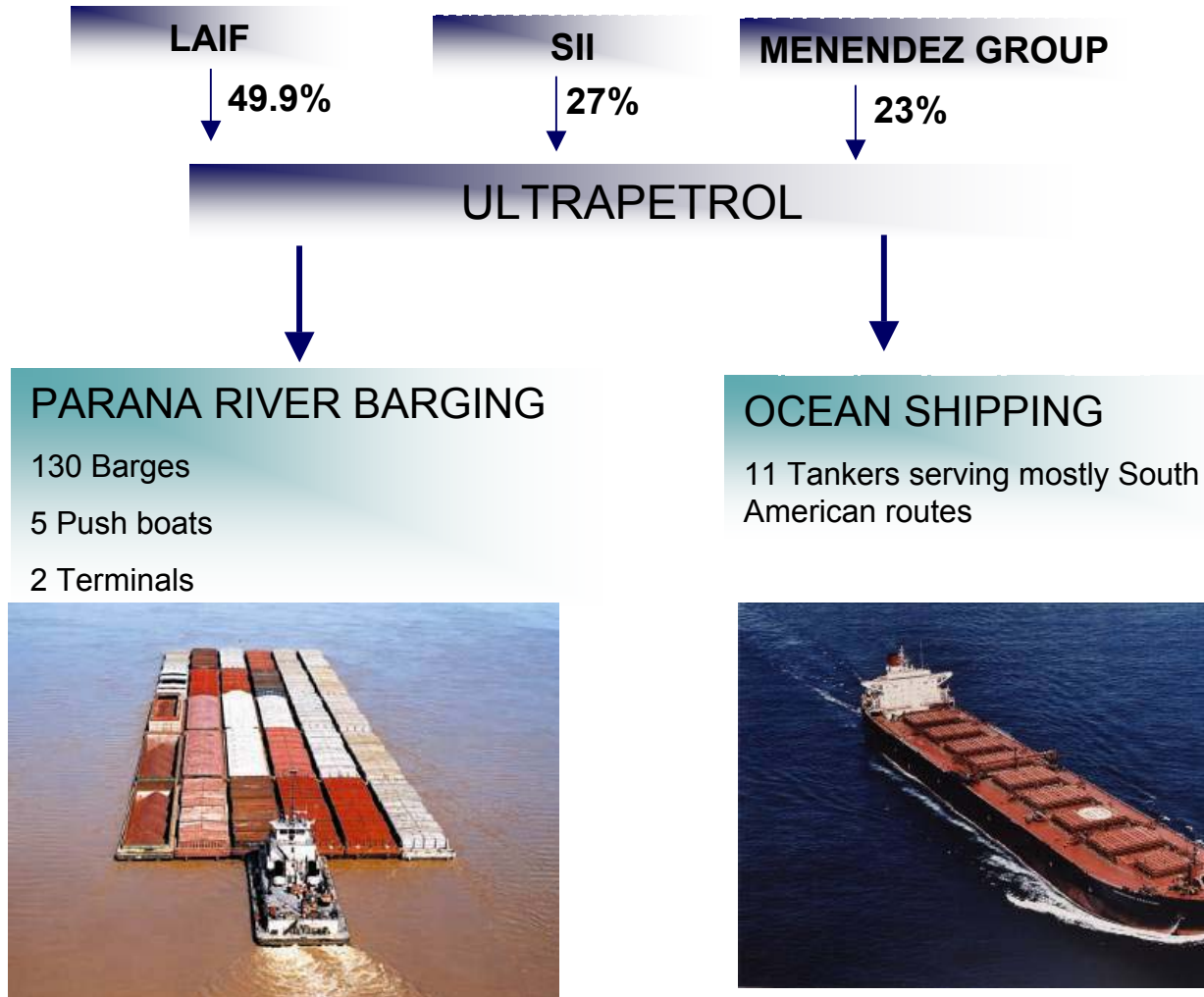


ULTRAPETROL

Ultrapetrol (Bahamas) Limited – Exit Case Study

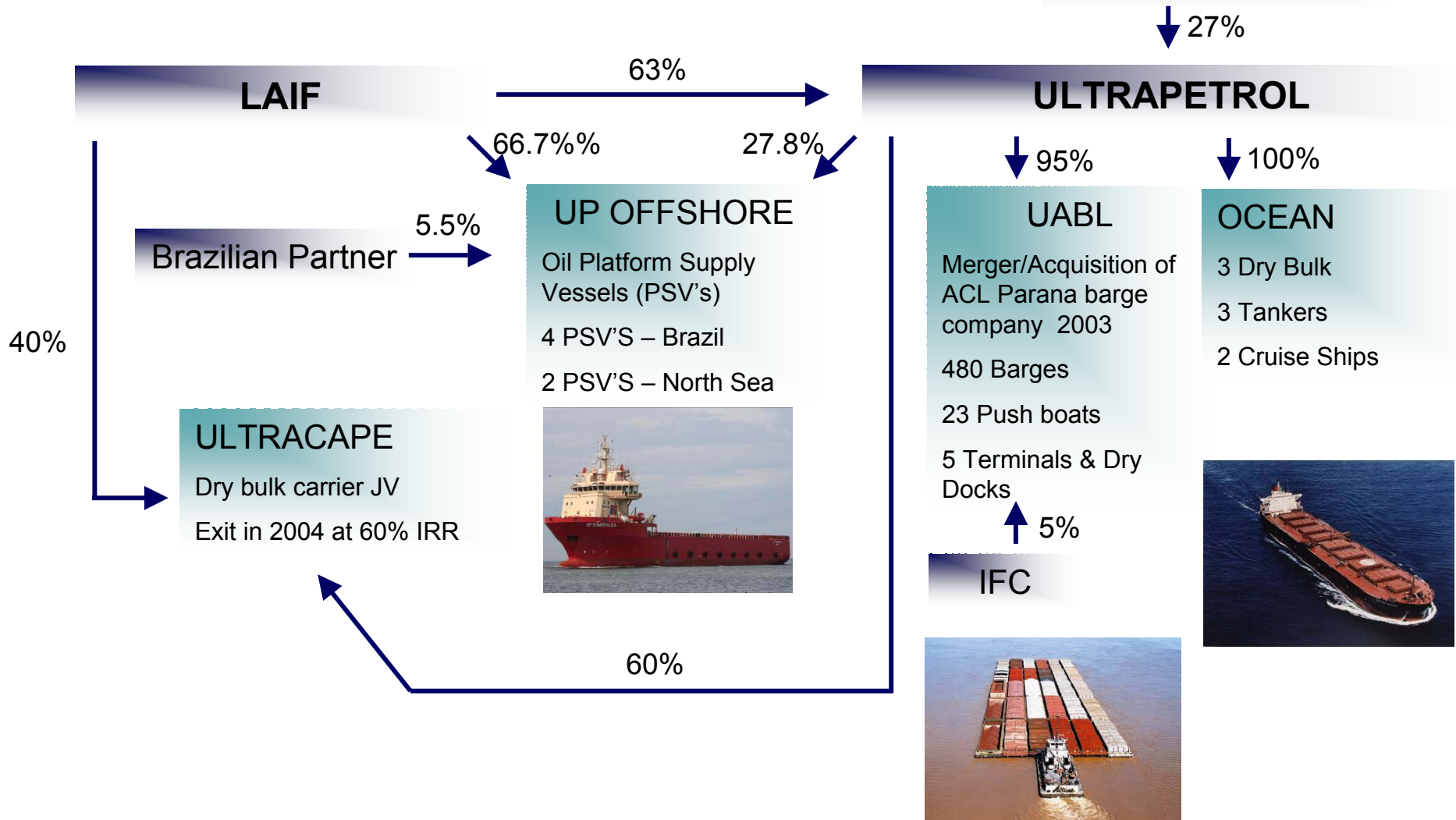
Ultrapetrol - Exit Case Study

Ultrapetrol in 2000: \$50 million Investment by LAIF



Ultrapetrol - Exit Case Study

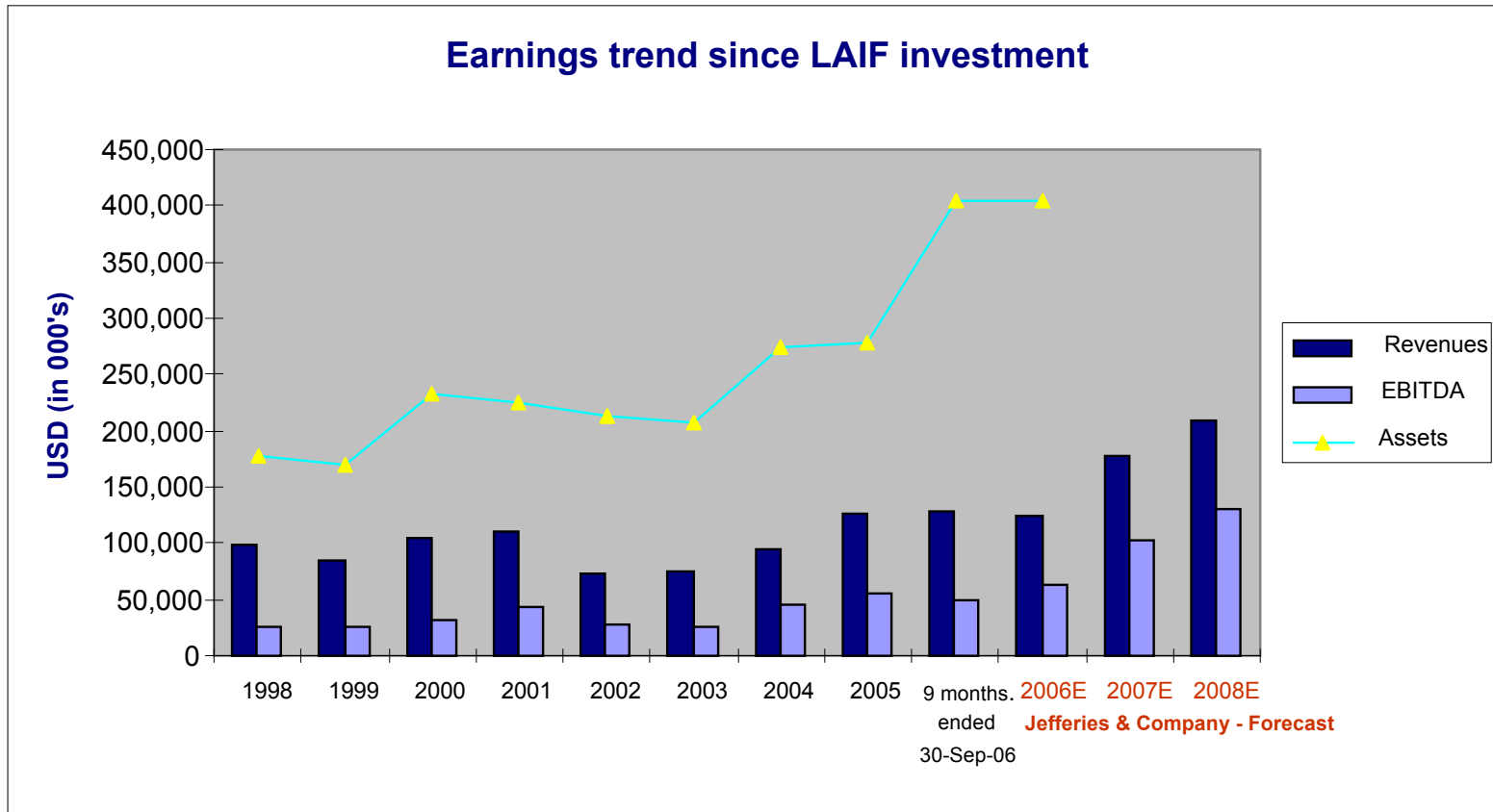
Ultrapetrol in 2006: Prior to IPO



Significant Events

- 2000 – SII share buyback raised LAIF's stake from 49.9% to 63% at no cost
- 2000 – 50/50 merger with American Commercial Lines' Parana River barge operations to form UABL & 2003 acquisition of ACL's stake
- 2002 – Formation of UltraCape joint venture (40% LAIF) to acquire Capesized bulk carriers
- 2002 – IFC financing (\$45 million) to fund UABL barge expansion
- 2002/2003 – Formation of UP Offshore (66.7% LAIF) to construct & operate oil platform supply vessels in Brazil. IFC financing (\$70 million).
- 2004 – \$180 million 144A Bond Issue for vessel acquisition, debt refinancing
- 2005 – Sale of UltraCape JV at approx 60% IRR to LAIF
- 2006 – Rollup of UP Offshore into Ultrapetrol (approx 20% IRR to LAIF) and IPO of Ultrapetrol on NASDAQ

Earnings trend since LAIF investment



Ultrapetrol IPO on NASDAQ (“ULTR”) October 12, 2006

- \$137.5 million primary issue – 12.5 million shares at \$11/share
- All primary issue with small secondary in greenshoe. Funds used:
 - \$48 million to buy LAIF’s stake in UP Offshore
 - \$69.5 million for vessel acquisition and debt repayment
 - \$20 million for fees & other corporate purposes
- Managed by UBS & Bear Stearns
- Process began in mid-2005
 - Pulled twice due to market conditions
 - Changed investment banks midstream
- Original price target of \$13-15/share. IPO executed at \$11/share

Ultrapetrol - Exit Case Study

Ultrapetrol Daily Share Price Since IPO



Current Valuation

- **At \$17 per share:**
 - **Market cap of \$476 million (28 million shares outstanding)**
 - **LAI's stake worth \$166 million (9.8 million shares w/ warrants)**
 - **LAI's stake worth 3.3 X original investment of \$50 million**

Factors that Led to Success – Pre-IPO Growth Phase

- Good company, good position in all markets
- Motivated, entrepreneurial partners/management team with aligned interests
- Active involvement by LAIF
 - Board seats & strong control rights
 - Strategic planning – acquisitions, expansion, asset sales
 - Capital fund raising – IFC, US bond markets – Helped company think big
- Ability to adapt to changing market conditions - asset prices, finance markets
- Ability to seize opportunities quickly
 - ACL merger – doubled size of barge company at low cost
 - UP Offshore – developed as greenfield when acquisition prices were too high

Factors that Led to Success – IPO Process

- 144A bond offering paved way to IPO
 - Registered with SEC, on way to SOX compliance
 - US GAAP accounting
 - Markets already knew name at time of IPO
- Use of proceeds – All primary issue contributes to earnings growth
- Aligned interests with partners & management
 - Very strong motivation on roadshow
 - Agreement on tactics in face of volatile markets
- Lucky confluence of factors – Shipping markets were strong at time of recovering IPO markets in Sept-Oct 2006

Challenges & How They Were Overcome

➤ **Pre-IPO Growth Phase**

- Adapting to changing market conditions – Were willing to change tactics (asset class, greenfield versus acquisition)
- How to finance growth opportunities – Turned to best market for each sector & growth phase (IFC, bond markets, traditional ship finance)

➤ **IPO Challenges**

- Preparing company for the IPO – Professionalize management, US GAAP accounting, SOX compliance, best use of funds, avoiding conflicts of interest
- Bias against small companies, new issuers
 - Large IPO discount. Were willing to lower price target to get listed
 - More dilution, but with all primary, can wait for follow-on secondary to exit
- Market volatility – Were poised to move over the course of one year

Lessons Learned

- **Fundamental analysis is key** – Invest in a good company with good growth prospects & a management team that can exploit them
- **Active involvement over life of investment** – In strategy, fund raising, planning for exit - through legal control rights, board seats, but most importantly by working as partners with sponsors and management
- **Everything takes longer than you think** – Do contingency planning. Think well ahead on exits.
- **Things rarely turn out as presented to your investment committee** – Be flexible and ready to adapt to changing conditions and new opportunities.

Is Ultrapetrol Representative of Opportunities in the Region?

- **Ultrapetrol is the most “international” company within LAIF’s portfolio**
 - All US Dollar revenues
 - Export driven barging. Leverage off China commodities demand, petroleum prices
 - Some operations in worldwide markets outside of Latin America
- **As a result, the US stock market was receptive –** Was marketed to both shipping/transport investors and to LatAm & emerging markets funds
- **Many Latin American companies today share similar characteristics –** Export driven, expansion regionally & outside of Latin America, broad vision of business development
- **Key is world class management/operations, transparent accounting (US GAAP), and minority protections for public stockholders**

LAIF Today

- Exit process in final stages
- Managing remaining assets for sale by 2008/2009

Central American Mezzanine Infrastructure Fund (CAMIF)

- Target size: US\$150 million
- Regional focus: Central America, the Dominican Republic, and Mexico and Colombia
- Sector focus: Energy, Transportation, Telecommunication, but also Natural Resources, Housing, Tourism, and Water and Sanitation
- Key Investors: IDB (up to \$60 million commitment) and CABELI (\$25 million commitment)
- First closing: Expected mid-2007