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# The Superyacht

TRUTH • OPINION KNOWLEDGE • IDEAS AND EXPERT INDUSTRY ANALYSIS



# REPORT

## INTELLIGENCE REPORT

The Superyacht Intelligence Agency examines the DNA of a successful refit yard.

## SUPERYACHT INDUSTRIALISTS

MB'92 CEO Pepe García-Aubert discusses Dogus Group's recent investment, and the refit market.

## REGIONAL REPORT

An in-depth report on France's booming southern refit hub.

## PAINTING BY NUMBERS

Will creating an industry standard address the real issues in paint application?



# Pepe García-Aubert, CEO of MB'92, discusses the Dogus Deal

When a major industrial group, with interests in marinas in the eastern Mediterranean, invests a multi-million-euro sum into the leading large-yacht refit and service centre in Barcelona, the market takes note. **MHR** flew down to the Catalan capital a few days after the announcement to interview Pepe García-Aubert to find out more.

**P**epe García-Aubert is known to thousands in the market and is respected not only for his business acumen and insight, but also for the charm and wisdom that he often shares over lunch at his famous local restaurant, Barceloneta. We dined on acorn-fed jamon and a stunning salt-baked white fish, with conversation that flowed like wine, even though we were abstaining due to my January detox. In addition to a post-Christmas catch-up, the focus of the conversation was to uncover the story behind the majority stake in MB'92 acquired by the Istanbul based conglomerate Dogus Group.

## **Tell me about the timing of the deal and how the two parties came together.**

We were in discussion with one or two large private equity groups and investment groups, who were considering MB'92 as a really attractive asset, based on the market shifts into ultra-large yachts. One was the Salamanca Group, which also owned One Ocean Port Vell, the neighbouring marina, but that deal fell through. With months of discussions and due diligence under way and a deal almost on the table, our shareholders got the taste of a deal in their mouth, so they explored other ways of finding a financial partner. This led to very advanced conversations with the

private equity fund of Banco Santander and I was confident that things were all moving in the right direction. However, during this time, I had a few conversations with the Dogus Group in order to explore partnerships to develop service centres alongside some of their marinas, where they have hard standing for servicing, but no real infrastructure to do what we do. Last summer, I was on my way to meet the Dogus senior management in Istanbul when I was informed that Banco Santander had just closed down their private equity fund and the deal was off. Once the shock subsided, I went into the meeting and explained the situation and within minutes Dogus' management turned round to suggest that perhaps they should now become more of an investor than just a partner. So within a few months, having all of the due diligence already complete, we closed a deal just before Christmas 2015 and Dogus is now my majority shareholder, with over 70 per cent of the equity. In essence it was a blessing, as MB'92 now has a major industrial investor that really understands the market, including a chairman who is an active yacht owner and not a private equity partner, because sometimes you never know how long the equity deals will last.



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### Is this a long-term investment or a private-equity-style investment?

The beauty of this deal is the fact that we feel confident that Dogus are in it for the long term. The combination of marinas and service centres like MB’92 makes a lot of sense, as this joins up a lot of the operational aspects of the market. Yachts need a home port or destination and they need excellent service. It also means that we have an investor that truly understands the market and will not need too much education. With our concession with the Port of Barcelona running until 2040, I am confident that Dogus and MB’92 will drive their businesses together well beyond this.

### How will the management team operate under the new structure?

Essentially nothing will change – the current team members we have in place are all on board with the deal and we are positive about the future. I have made a commitment to the business until 2022, when I hope to perhaps slow down, but even that won’t be easy as I love this business. For our clients, contractors and partners all I can say is that this strategic investment is going to improve the business, but not change the dynamics. All we will have in the future is the capacity for more projects and we will need to

build additional management to look after the fleet. The only thing that we will have to do is report to a board based in Istanbul, but that will not change the company operationally.

### What have you learned during the process of the deal?

I have learned that it takes time to get the deal on the table and that you have to be patient, but perhaps, more importantly, that you have to choose your investor partner very carefully. We underwent three lots of due diligence with three potential investors, which is not only time consuming and costly, but it became clear to me that the deals driven by financial minds were more complex than the deals that were more strategic for the market, which is exactly what we have achieved now with Dogus.

### What advice would you give to others looking for investment?

My advice is to be very open and sincere to any investor and to have a clear and realistic business plan, otherwise the parties will become frustrated and deals will take too long and fail. Don’t fantasise about the value of your business, focus on the opportunity to grow and make sure the investor can see the real potential in the market.

**Does this investment suggest that MB'92 and Dogus will look at other companies or assets?**

I'm not allowed to explain too much about this, but in essence we are in the service sector of the market and we have plenty of time to explore opportunities together, because there are many. We are first focused on our expansion plans on our current site and making sure we deliver an incredible facility with huge capacity for the largest yachts in the fleet, which seem to keep growing.

**What is the future vision and strategy for MB'92 now this deal has concluded?**

Even before the deal was concluded, we had started work on a long-term business plan with a huge expansion of the yard. This investment was secured not to execute the expansion, but to add more stability and growth to the business. By 2017 we will have created a whole new area on the site of the famous paint shed and the docks to the side. The site will become a landfill project, to house an incredible 4,000t ship lift system [below] and a hard-standing side transfer area of 20,000sqm,

designed to accommodate 10 superyachts of 100m LOA at any one time. We also have the ability in the future to upgrade the ship lift to 5,000t if we find the market demand is there. We have a 220m Panamax dry dock that is constantly fully booked, and we recognised that the market demand was going to require this level of expansion and we are confident that our relationship with the biggest yards and yachts will ensure that the new facility will be kept very busy for many years to come. For the past few years we have often been unable to accommodate yachts that have tried to book space with us, and that was frustrating; no one wants to turn business away.

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### What's the future of the refit and repair sector?

In terms of units, it's difficult to say, as many believe there may be a reduction in activity or a shrinking in length for new builds. However, we are fully aware that projects in excess of 170m are close to contract and many of the leading yards are enjoying some very healthy order books. So it's very hard to accurately predict, as when you think the market may reduce, it suddenly starts growing again, especially the very large projects. So with a fleet that has expanded over the past decade and with orders booked until 2020, there is no reason to suggest that, for the next 10 years and beyond, the service sector will not remain very strong. In fact, even though we have seen crises with Russia and parts of the Gulf, plus some market uncertainty in China, it seems we have weathered most situations and many of the major refit yards are enjoying healthy business. Luckily for MB'92 and Dogus, no one has invested and focused on the very large yachts in the way we have; it takes time to create a business like ours or challenge us.

### What do you think this deal will do for the industry?

Basically, we are seeing plenty of companies looking for investors or business owners looking to exit, so I think, providing we find the right investors and they see the deal for the long term, all of this should increase the professionalism of the market. Over the past decade we have seen several significant investments made in the major new build shipyards and this has definitely increased the quality of these businesses and made sure they have become more organised and professional. The rest of the market, especially the service sector, which we are in, needs to become more professional and organised. It makes no sense for our refit yard to quote against a much cheaper repair yard that has less infrastructure or management experience. We all have to follow the example of the top new-build yards and start to become more professional and joined up, not fragmented and always trying to win business on price. Good investors, professional management teams and financial stability will contribute to this in the future. It's nice that we have found an investor that is not just a financial group looking for a return. The Dogus Group is here for the long term and will hopefully make other investors look closely at the market and have more of a strategic vision than just trying to make a quick leveraged exit.

### **What would you like to change now and in the future?**

We have to focus on satisfying owners and making sure they see the value in the work we are all doing. I have spoken many times to key players in the market about the need to expand our market and to bring new clients into the industry and, in my opinion, the only way we can do this is to ensure that all our owners are happy, so that they start telling their friends and networks that owning a yacht is a positive experience. This is one thing that we all have to focus on and change the way we approach the business – stop focusing on the money and start delivering the best possible service, across all aspects of the market.

### **What advice would you give to an owner when planning or thinking about refit?**

To prepare the yacht in advance and to use professionals to help prepare the yacht, so when the yacht arrives at the yard; there is a very clear specification for those managing the project to plan and execute the refit contract. If there is a very clear and transparent process, a good specification and a well managed plan, including a realistic timeframe, this is 95 per cent of the process. The yard's management team and subcontractors should then be comfortable in delivering the job according to the specification and the contract, providing the yard has the resources and capability to do the job properly. My advice is to do a little more homework before you arrive at the yard; it will mean a better result for everyone.

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**When did Dogus first get excited about the superyacht sector?**

We have always had a good relationship with our 11 marinas, spread across four countries – D-Marin Turgutreis, D-Marin Didim and D-Marin Göcek in Turkey; D-Marin Mandalina, D-Marin Dalmacija and D-Marin Borik in Croatia; Zea, Lefkas, Gouvia and Flisvos marinas in Greece; and, recently added to our portfolio, Dukley Marina Budva in Montenegro. With this portfolio, we can confidently say that we are hosting a large proportion of the superyacht traffic in the eastern Mediterranean.

So we have always enjoyed working within the superyacht sector. But besides all those investments, MB'92 represented a great opportunity for us to establish an even closer relationship with the market.

**What has been the current level of investment made by the Group in the superyacht industry?**

We have been investing in marinas where we can accommodate superyachts for a number of years now. D-Marin Mandalina in Sibenik, Croatia, is a good example of that. Mandalina is one of the very few marinas in Croatia capable of hosting a large number of superyachts. We've recently built a luxury hotel within the marina in order to extend our service range to superyacht clients.

Flisvos Marina in Athens is another important example, as it represents the major superyacht marina in Greece,

**Naci Baserdem discusses the Dogus Group's new partnership with MB'92 and what constitutes an attractive investment in this industry.**

while Zea Marina also offers additional superyacht berthing for clients visiting the city. Furthermore, all of our Turkish marinas have the capability to service superyachts. So, as you can see, our infrastructure network in the region is significant.

However, even though we've already invested a serious amount into superyacht infrastructure, MB'92 represents a wholly different sector of the industry. We believe in the strength, expertise and craftsmanship of MB'92 and this partnership will also represent an educational opportunity for us.

**What makes an attractive investment opportunity for an industrial group like Dogus? What advice would you give to other companies in the superyacht sector looking for investors and financial partners?**

We already know that MB'92 is a robust business and we are confident that this partnership will provide the perfect platform for future global collaborations.

The superyacht sector operates at a very exclusive level. So a partner or investor should choose a reputable, well-known, experienced and reliable company. But the primary condition should be to establish good relations with mutual future ambitions. In our partnership with MB'92, by joint agreement, our goal is to explore a number of opportunities that will translate into global results.

**What is your current interpretation of the superyacht market? An immature industry that needs strong investors, with a great opportunity for growth, or a chaotic industry that needs to wake up and get organised in order to survive?**

We strongly believe it's the former. This is a promising market with serious growth potential. But it certainly needs strong investors in order to fulfil this potential.

**Was the MB'92 investment part of a strategic plan for Dogus or a reaction to its private equity deal not completing with Banco Santander? And following this investment, will there be more strategic investments in the superyacht service sector?**

It is definitely part of a strategic plan to extend our provision of maintenance and refit services; we will export their expertise and knowledge. Our relationship with MB'92 existed long before their negotiations with Banco Santander and we've always appreciated their reputation in the superyacht business.

In answer to your second question, there will certainly be further investments in this industry.

**What are your market expectations for the superyacht industry?**

We foresee sustainable market growth. These trends are already in place, but in order to keep this sector growing its related sectors must also be performing at the same level.

**Will the eastern Mediterranean see the arrival of an MB'92 world-class service centre?**

The extension of the services of MB'92 to the eastern Mediterranean is already among our plans. ■





### What makes a great refit project from a captain's and manager's perspective?

As I have said before, everyone involved in a refit project has to be very professional. These are becoming very complicated projects with very large, multi-million-euro budgets, and they need to be planned and managed with the right attitude. By this I mean good collaboration between all parties, no blame or finger pointing, and everyone aiming to get the job done to the highest standard in accordance with the contract and specification. There are too many people who get involved in refits that do not have the experience or the knowledge, yet they still call the shots. Any refit project should be managed by the most experienced person within the team, so the others can improve their experience by learning from the experts. Everyone should aim to create a joined up team between the yard, subcontractors, managers, captains and crew. It is, in our 20 years of experience, the only way to make a great refit project. In the same way that I explained for owners, captains and managers need to make sure they have a very organised plan before they talk to the shipyard, but if they do not have the experience or the time, they should use experienced people to help them create the plan. A refit does not work without a good plan and balanced team.

### CONCLUSION

It is becoming apparent that many companies in the market are seeking investments, financial partners and, more importantly, exit strategies for the variety of business leaders who have been in the market for the last 20-25 years. What is so interesting about this deal is the fact that a major industrial player like Dogus Group, which owns several marinas and whose chairman owns yachts, has recognised the potential in the after-sales and service sector. With 5,000+ yachts in the fleet and another 1,500 likely to be delivered each decade, it is clear that the ever expanding fleet will always need upgrading and servicing. Having listened to Pepe's views on the market and the process he went through with various potential investors, it would make sense that our best investors for the market are those that know our industry and can see the long-range forecast. After all, there is no such thing as a short-term gain in the superyacht market and many investors have learned this the hard way.

To see successful companies achieve valuations of €80m and be the subject of very intelligent investment plans to increase capacity for market growth bodes well for other companies that may wish to enter the investment landscape, as investors like to enter markets that other players are already in. However, choose your partners carefully; it's not a fast buck strategy. ■



TO COMMENT ON THIS ARTICLE,

EMAIL: [ISSUE168@SUPERYACHTREPORT.COM](mailto:ISSUE168@SUPERYACHTREPORT.COM) WITH SUBJECT: PEPE GARCÍA-AUBERT

#### Editor's Note:

Readers can view this interview in full, as the first in a series of video interviews with top industry stakeholders to be published on our new [Superyachtfilms.com](http://Superyachtfilms.com) channel, coming soon. Please visit [SuperyachtNews.com](http://SuperyachtNews.com) to watch the video.

Please see opposite for our interview with Naci Baserdem from Dogus.