



**Country: BRAZIL**

**Title: Atlantico Sul Shipyard For Sale Opens Opportunity for US Shipbuilders**

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Greetings from Brazil!!!

Dear Friends,

Today I am writing to alert you that Brazil's largest shipyard may be for sale. According to a leading Brazilian publication (Veja Magazine) and blogger Jamildo Melo, Estaleiro Atlantico Sul (EAS or Atlantico Sul Shipyard) is not able to meet its delivery deadlines for the ships, platforms and oil rigs it has on firm order status. In addition to that, their first ship, the Suezmax João Candido, launched in 2010 and was later returned to the shipyard due to poor welding which caused the ship to begin to sink once it left the dry dock.

The Atlantico Sul Shipyard was established in November 2005 under a partnership agreement between Brazil's construction and engineering giants Camargo Correa and Queiroz Galvão with South Korea's Samsung Heavy Industries (SHI), associated with PJMR Empreendimentos Ltda as part of the Brazilian Federal Government's effort to revitalize the Naval Construction industry. Estaleiro Atlantico Sul is widely viewed as the largest and most modern naval and offshore construction/repair shipyard in the Southern hemisphere. This undertaking is considered to be a landmark in the reactivation of the shipbuilding industry of Brazil. According to Petroleo Energia, a local trade publication, approximately USD \$1 billion has been invested so far as private equity into Atlantico Sul and the company currently has existing orders worth USD \$ 8.1 billion (this includes USD \$6.9 billion of firm orders from Petrobras subsidiary Transpetro for 22 Suezmax/Aframax ships, the last one of which will be delivered by 2017), (<http://www.petroleoenergia.com.br/reportagem.php?rrid=793&rppagina=6>). Additional information about Estaleiro Atlantico Sul can be found on the following sites:

<http://jconline.ne10.uol.com.br/canal/economia/noticia/2011/11/11/estaleiro-atlantico-sul-amplia-as-demissoes-21887.php> (Atlantico Sul lays off workers)

and

<http://www.naval.com.br/blog/2011/11/15/estaleiro-atlantico-sul-amplia-as-demissoes/#axzz1jiaFWAqK> (Atlantico Sul Shipyard increases the number of lay-offs).

EAS is seen as financially solid as it belongs to two giant conglomerates in Brazil. However, the company is currently facing technological problems that their Korean partners at Samsung have not been able to resolve. This opens a window of opportunity for U.S. shipbuilders. The local media also mention that the shipyard was offered to various groups including Brazilian tycoon Eike Batista.

1) What is the opportunity?

According to the websites below and to CS Recife's contacts at Estaleiro Atlantico Sul (EAS), the controlling partners Camargo Correa and Queiroz Galvão are seeking to diversify away from the shipbuilding industry. They are considering two alternatives:

1. They can either select a technological partner to substitute Samsung; or,
2. They can sell EAS to a shipbuilder and leave the business.

2) How much \$ involved?

Based on current ship orders: US\$ 8.1 billion

3) What is the business arrangement?

Whoever acquires EAS will have to rebuild the João Candido ship and perhaps Platform P-55, in addition to honoring delivery deadlines for the rest of the outstanding orders. The acquisition cost should be around USD \$1.3 to USD \$1.5 billion dollars (can be less depending on negotiations between the parties) against a confirmed revenue of USD 8.1 billion dollars.

4) What is needed from the potential U.S. partners?

You can contact Estaleiro Atlantico Sul's new Managing Director Mr. Richard Robespierre and initiate technical conversations in order to meet and include your organization among the ones bidding to buy the shipyard or substitute Samsung.

5) How we can help?

CS Recife has close contacts with Camargo Correa, Queiroz Galvão and the Atlantico Sul Shipyard Board of Directors. We can assist your company to initiate contacts and provide our specialized services when the time comes for you to visit Recife and discuss directly with the local parties involved.

COMPANY: ESTALEIRO ATLANTICO SUL  
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Year Established: 2005  
# of Employees: 7,500

**Your contacts at the U.S. Commercial Service:**

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Best Regards

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