

## Research Update:

# Seaspan Corp. Upgraded To 'BB' From 'BB-' On Increased Scale And Improved Profitability; Debt Rating Raised To 'BB'

December 15, 2025

## Rating Action Overview

- Seaspan Corp., the largest independent lessor and operator of container ships in the world, has improved profitability and demonstrated notable earnings stability for several years despite significant volatility in industry market conditions.
- The company has also materially increased its fleet size and carrying capacity with the addition of new vessels since 2022.
- As a result, we raised our issuer credit rating on Seaspan to 'BB' from 'BB-'. The outlook is stable. We also raised our issue-level rating on its unsecured notes due in 2029 to 'BB' from 'BB-' and revised the recovery rating to '3' from '4'.
- The stable outlook reflects that we expect adjusted funds from operations (FFO) to debt will remain above 12% over the next couple of years, with positive free operating cash flow (FOCF).

## Rating Action Rationale

**The upgrade primarily reflects Seaspan's improved profitability and scale.** Since we assigned our rating in 2021, Seaspan's vessel fleet has increased 40%-45% to 182 vessels as of June 30, 2025, with about 50 ships added in 2023 and 2024. As a result, its twenty-foot-equivalent units (TEU) capacity has increased 75%-80% to 1.9 million over the same period, reflecting the addition of larger capacity ships. This has significantly increased Seaspan's earnings, expanding its S&P Global Ratings-adjusted EBITDA by 50%-55% to over \$1.8 billion in 2024. At the same time, the company has improved S&P Global Ratings-adjusted return on capital to near 10% from about 7% several years ago.

Seaspan has also demonstrated remarkable stability in its earnings and margins despite volatility in underlying industry market conditions and spot freight rates. EBITDA per TEU capacity has remained in a narrow range, and the company has consistently generated EBITDA margins of 75%-80% over the past 8-10 years.

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Its fleet size is more than 2x larger than those of pure ship tonnage provider peers, including Danaos Corp. and Global Ship Lease Inc. (GSL). In 2024, Seaspan's adjusted EBITDA of \$1.844 billion was materially higher than that of Danaos (about \$725 million), Navios Maritime Partners L.P. (\$777 million), and GSL (about \$488 million). In addition, Seaspan's EBITDA margins have averaged 6%-20% higher than these peers for 10 years. Consequently, we assess Seaspan's business risk profile as comparatively stronger. That said, Seaspan's participation in the shipping industry, which we consider highly cyclical (characterized by frequent imbalances between supply and demand and volatile charter rates), capital intensive, and competitive constrains our overall assessment. We include Seaspan within our transportation cyclical industry classification, which has the highest risk assessment among all the corporate sectors we cover.

**Seaspan's newbuilds vessel program would preclude meaningful deleveraging over the next few years.** The company's cash flow and leverage measures have gradually improved over the past couple of years as new ships have entered service and contributed earnings improvement. Seaspan's S&P Global Ratings-adjusted FFO to debt improved to just over 14% for the trailing 12 months ended June 30, 2025, compared with about 11% in mid-2023. With increased earnings and relatively low immediate vessel-growth-related spending through 2026, compared with 2023 and 2024, we estimate the company will generate positive annual FOCF of \$350 million-\$400 million in 2025 and 2026.

As of June 30, Seaspan had 42 vessels under construction, totaling close to 500,000 TEU capacity, with more than three-quarters to be delivered through 2028. We assume they will be funded primarily with debt. The new builds are chartered with customers well in advance and enter service upon delivery. Our leverage calculations include debt at delivery, but it takes a full year before earnings and cash flow from the vessels are reflected in our annual adjusted credit measures. As such, we believe this primarily debt-funded growth plan will likely weaken cash flow and credit measures in 2027 and 2028 until they gradually reflect the first full year of earnings in the financial results. Still, we expect Seaspan will maintain adjusted FFO to debt above 12% and that it will manage distributions and its capital structure to sustain leverage in line with our estimates.

**Seaspan's long-term customer contracts provide earnings stability.** The world's leading lessor, owner, and operator of container ships, Seaspan leases vessels primarily under long-term, fixed-rate, time charters to the largest container shipping liners. Seaspan's fleet has a relatively young average age of about seven years and an average remaining contracted charter period of 5.2 years on a TEU-weighted basis. In our view, the company's large share of contracted volumes (at fixed prices) and consistently high capacity utilization (averaging 98%-99% annually) provide strong earnings visibility.

Including planned new builds entering service through 2029, Seaspan's fleet represents about 16% of globally leased container ship capacity, well above its largest competitor. About 75% of its fleet is vessels with at least 10,000 TEU of capacity, which we believe is increasingly demanded by global liners. Seaspan also benefits from long-term relationships with the world's largest container shipping liners, which typically prefer to lease vessels from operators with diverse funding sources, proven operating track records, and relatively modern vessels (especially because they have lower fuel costs), which should continue to benefit Seaspan.

Seaspan has charter contracts for almost its entire capacity for the next two years, predominantly in U.S. dollar-denominated and under take-or-pay structures. The company has a fixed-rate contract profile (with a pro forma duration of about 10 years) and historically high vessel utilization, with about \$31 billion of gross contracted cash flow, which provide revenue and earnings visibility.

In our view, the company's laddered contract maturity reduces rechartering risk, at least in the near term, as less than 2% of the TEU capacity is up for renewal before the end of 2027. Charter rates are typically less volatile for large vessels and with Seaspan's fleet skewed toward more than 10,000 TEU capacity. Also, we see the risk of charter rate amendments or defaults by container liners (Seaspan's customers) as low, following the windfall profits the industry generated in 2021 and 2022 followed by a strong 2024, and assume its customers will deliver on their commitments in our base case.

## Outlook

The stable outlook on Seaspan reflects our expectation of stable operating cash flow in large part because of most of its revenue is generated from long-term, fixed-price contracts. It also reflects our view that adjusted FFO to debt will remain above 12% for the next few years, supported by positive FOCF.

### Downside scenario

We could lower our rating on Seaspan within the next 12 months if:

- We expect the company will sustain adjusted FFO to debt below 12% and EBITDA interest coverage below 3x. This could occur if its debt balance increases to finance additional vessels or distributions to shareholders; and
- Market conditions in the shipping sector deteriorate, reducing average daily charter rates or customer credit quality. This could lead to unfavorable changes to charter contracts or payment issues.

### Upside scenario

We view an upgrade to be unlikely over the next 12 months, but we could raise our rating if we expect the company will sustain adjusted FFO to debt above 20%. This could occur if:

- Rechartered daily rates exceed our assumptions based on sustained improvement in market conditions; and
- The company prioritizes debt reduction over fleet expansion and dividend distributions.

## Company Description

Seaspan is an independent lessor, owner, and operator of container ships. The company leases its vessels primarily pursuant to long-term, fixed-rate, time charters to the world's leading container shipping liners. Seaspan's fleet consisted of 182 ships as of June 30, representing total capacity of approximately 1.9 million TEU. It has 42 under construction, to be delivered through August 2029.

## Our Base-Case Scenario

### Assumptions

- Revenue growth of 5%-7% in 2025 and modestly lower in 2026 on an expected rate reset on some floating charters (with cap and floor) to reflect softer freight rates.
- Annual higher cargo volumes aligned with our forecast for global real GDP growth of 3%-3.5%.

- Annual cost inflation in line with annual global Consumer Price Index growth of 3.3% in 2025 and 2.9% in 2026.
- S&P Global Ratings-estimated capital expenditure (capex) of about \$1 billion in 2025 and \$900 million in 2026, increasing significantly thereafter on new-build vessel spending in 2027 and 2028.
- Annual dividend payments to owner Atlas Corp. of about \$250 million.
- Average U.S. short-term interest rates of 4.2% in 2025, low-3% in 2026, and 2.5%-3% in 2027.

## Key metrics

### Seaspan Corp.--Forecast summary

| Period ending                                | Dec-31-2021 | Dec-31-2022 | Dec-31-2023 | Dec-31-2024 | Dec-31-2025 | Dec-31-2026 | Dec-31-2027 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| (Mil. \$)                                    | 2021a       | 2022a       | 2023a       | 2024a       | 2025e       | 2026f       | 2027f       |
| Revenue                                      | 1,470       | 1,556       | 1,715       | 2,312       | 2,462       | 2,314       | 2,349       |
| EBITDA                                       | 1,163       | 1,215       | 1,313       | 1,845       | 1,900       | 1,735       | 1,744       |
| Funds from operations (FFO)                  | 849         | 881         | 896         | 1,204       | 1,326       | 1,236       | 1,269       |
| EBIT   | 716         | 758         | 827         | 1,289       | 1,301       | 1,143       | 1,097       |
| Interest expense                             | 197         | 305         | 416         | 649         | 575         | 499         | 475         |
| Cash flow from operations (CFO)              | 842         | 920         | 1,009       | 1,504       | 1,391       | 1,251       | 1,277       |
| Capital expenditure (capex)                  | 1,676       | 1,217       | 2,998       | 3,348       | 995         | 872         | 1,363       |
| Free operating cash flow (FOCF)              | (834)       | (296)       | (1,989)     | (1,844)     | 396         | 379         | (86)        |
| Dividends                                    | 169         | 220         | 447         | 209         | 258         | 251         | 237         |
| Share repurchases (Preferred Shares)         | --          | --          | --          | --          | 350         | 303         | --          |
| Debt (reported)                              | 4,023       | 3,541       | 3,238       | 2,795       | 2,691       | 2,587       | 2,643       |
| Plus: Lease liabilities debt                 | 2,052       | 2,812       | 5,039       | 8,134       | 8,134       | 8,134       | 8,134       |
| Less: Accessible cash and liquid Investments | (169)       | (151)       | (229)       | (757)       | (1,022)     | (655)       | (250)       |
| Plus/(less): Other                           | 18          | (100)       | (86)        | (97)        | (97)        | (97)        | (97)        |
| Debt   | 5,924       | 6,102       | 7,962       | 10,074      | 9,706       | 9,969       | 10,430      |
| Cash and short-term investments (reported)   | 169         | 151         | 229         | 757         | 1,022       | 655         | 250         |
| <b>Adjusted ratios</b>                       |             |             |             |             |             |             |             |
| Debt/EBITDA (x)                              | 5.1         | 5.0         | 6.1         | 5.5         | 5.1         | 5.7         | 6.0         |
| FFO/debt (%)                                 | 14.3        | 14.4        | 11.3        | 12.0        | 13.7        | 12.4        | 12.2        |
| EBITDA interest coverage (x)                 | 5.9         | 4.0         | 3.2         | 2.8         | 3.3         | 3.5         | 3.7         |
| FOCF/debt (%)                                | (14.1)      | (4.9)       | (25.0)      | (18.3)      | 4.1         | 3.8         | (0.8)       |
| EBITDA margin (%)                            | 79.1        | 78.1        | 76.6        | 79.8        | 77.2        | 75.0        | 74.2        |
| Return on capital (%)                        | 8.2         | 7.8         | 7.4         | 9.5         | 8.7         | 7.6         | 7.0         |

**Seaspan Corp.--Forecast summary**

|  |      |      |      |      |      |      |      |
|--|------|------|------|------|------|------|------|
| Debt/debt and undepreciated equity (%) | 48.4 | 47.4 | 65.2 | 55.2 | 52.8 | 53.3 | 53.4 |
|--|------|------|------|------|------|------|------|

All figures are adjusted by S&P Global Ratings, unless stated as reported. a--Actual. e--Estimate. f--Forecast. \$--U.S. dollar.

## Liquidity

We consider Seaspan's liquidity adequate, incorporating our assumption that sources will exceed uses by at least 1.2x over the next 12 months. Our assessment also reflects our view that it likely cannot absorb a high-impact, low-probability event without asset sales and cuts in shareholder distributions. We believe Seaspan has generally satisfactory standing in credit markets, well-established relationships with its banks, and adequate headroom under its financial covenants.

| Principal liquidity sources   | Principal liquidity uses   |
|---|--|
| <ul style="list-style-type: none"> <li>Cash and cash equivalents of about \$1.397 billion on June 30.</li> <li>\$700 million available under Seaspan's credit facilities as of June 30.</li> <li>Annual cash FFO of \$1.2 billion-\$1.3 billion over the next 12 months.</li> <li>Approximately \$4.2 billion of committed and undrawn new-build financings as of June 30.</li> </ul> | <ul style="list-style-type: none"> <li>Capex of \$950 million over the next 12 months.</li> <li>Annual term loan debt amortization of about \$104 million.</li> <li>Annual dividend payments averaging about \$250 million (including preferred dividends).</li> </ul> |

## Covenants

Each of Seaspan's credit facilities contain financial covenants requiring minimum liquidity, tangible net worth, interest coverage ratios, interest and principal coverage ratios, and debt to assets ratios. We believe the company has sufficient headroom for forecast EBITDA to decline 15% or debt to increase 15% without breaching covenants.

## Issue Ratings--Recovery Analysis

### Key analytical factors

- Seaspan's debt primarily consists of amounts drawn under its secured credit facilities (revolvers and term loans), leases, and secured and unsecured notes.
- We updated our recovery analysis and revised our recovery rating on the unsecured notes due in 2029 to '3' from '4', based primarily on increased fair market value of the unencumbered asset portfolio as of June 30.
- The '3' recovery rating indicates our expectation for average (50%-70%; rounded estimate: 50%) recovery in the event of default, resulting in a 'BB' issue-level rating.
- Our hypothetical default scenario assumes a sustained downturn in the container shipping industry, with persistent oversupply of ships and TEU capacity that further depresses charter

rates and market values of Seaspan's vessels. In this simulated scenario, the company could not fund its fixed charges or refinance debt, leading to a default in 2029.

- We assume Seaspan is sold or restructured as a going concern, underpinned by our view that the business would retain more value as an operating entity versus liquidation. However, we value the company using a discrete asset valuation approach, based on a significant deterioration in the third-party appraised fair market value of its vessels (by 50%-60%) at the end of the second quarter of 2025, best capturing enterprise value in a distressed scenario.
- We assume Seaspan's revolving credit facilities are 85% drawn at default and that there is about \$508 million of rejected lease claims.
- We consider the unsecured revolver, unsecured notes, deficiency secured debt, and rejected lease claims as pari passu.

### **Simulated default assumptions**

- Simulated year of default: 2029
- Jurisdiction: U.S.

### **Simplified waterfall**

- Net enterprise value (after 10% administrative costs): \$2.57 billion
- Collateral value available to secured debt claims: \$1.537 billion
- Secured debt claims: \$2 billion
- Secured (deficiency) claim: \$470 million
- Collateral value available to unsecured debt and pari passu claims (includes unsecured revolver, unsecured notes, deficiency secured debt and rejected lease claims): \$1.033 billion
- Total unsecured and pari passu debt claims: \$2.017 billion
- --Recovery expectations for unsecured and pari passu claims: 50%-70% (rounded estimate: 50%)

All debt amounts include six months of prepetition interest.

## **Rating Component Scores**

**Rating Component Scores**

| Component                             |                       |
|---------------------------------------|-----------------------|
| Foreign currency issuer credit rating | BB/Stable/--          |
| Local currency issuer credit rating   | BB/Stable/--          |
| Business risk                         | Fair                  |
| Country risk                          | Intermediate          |
| Industry risk                         | High                  |
| Competitive position                  | Strong                |
| Financial risk                        | Aggressive            |
| Cash flow/leverage                    | Aggressive            |
| Anchor                                | bb-                   |
| Modifiers                             |                       |
| Diversification/portfolio effect      | Neutral/Undiversified |
| Capital structure                     | Neutral               |
| Financial policy                      | Neutral               |
| Liquidity                             | Adequate              |
| Management and governance             | Neutral               |
| Comparable rating analysis            | Positive              |
| Stand-alone credit profile            | bb                    |

## Related Criteria

- [Criteria | Corporates | General: Sector-Specific Corporate Methodology](#), July 7, 2025
- [Criteria | Corporates | General: Corporate Methodology](#), Jan. 7, 2024
- [Criteria | Corporates | General: Methodology: Management And Governance Credit Factors For Corporate Entities](#), Jan. 7, 2024
- [General Criteria: Environmental, Social, And Governance Principles In Credit Ratings](#), Oct. 10, 2021
- [General Criteria: Group Rating Methodology](#), July 1, 2019
- [Criteria | Corporates | General: Corporate Methodology: Ratios And Adjustments](#), April 1, 2019
- [Criteria | Corporates | General: Recovery Rating Criteria For Speculative-Grade Corporate Issuers](#), Dec. 7, 2016
- [Criteria | Corporates | Recovery: Methodology: Jurisdiction Ranking Assessments](#), Jan. 20, 2016
- [Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers](#), Dec. 16, 2014
- [General Criteria: Country Risk Assessment Methodology And Assumptions](#), Nov. 19, 2013
- [General Criteria: Methodology: Industry Risk](#), Nov. 19, 2013
- [General Criteria: Principles Of Credit Ratings](#), Feb. 16, 2011

## Ratings List

**Ratings List**

**Upgraded**

|                      | To           | From          |
|----------------------|--------------|---------------|
| <b>Seaspan Corp.</b> |              |               |
| Issuer Credit Rating | BB/Stable/-- | BB-/Stable/-- |

**Upgraded; Recovery Ratings Revised**

|                      | To     | From   |
|----------------------|--------|--------|
| <b>Seaspan Corp.</b> |        |        |
| Senior Unsecured     | BB     | BB-    |
| Recovery Rating      | 3(50%) | 4(30%) |

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