

Seaspan CORP
Form 424B5
November 03, 2006
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Filed Pursuant to Rule 424(b)(5)
Registration No. 333-137051

PROSPECTUS SUPPLEMENT

(To Prospectus dated September 12, 2006)

10,000,000 Common Shares

Seaspan Corporation

\$21.50 per share

We are selling 10,000,000 of our common shares with this prospectus supplement and the accompanying base prospectus. We have granted the underwriters an option to purchase up to 1,500,000 additional common shares to cover over-allotments.

Our common shares are listed on the New York Stock Exchange under the symbol **SSW**. The last reported sale price of our common shares on the New York Stock Exchange on November 2, 2006 was \$21.60 per share.

Investing in our common shares involves a high degree of risk. See Risk Factors beginning on page S-15 of this prospectus supplement and page 5 of the accompanying base prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying base prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	\$ 21.50	\$ 215,000,000
Underwriting discounts	\$ 0.9675	\$ 9,675,000
Proceeds to us (before expenses)	\$ 20.5325	\$ 205,325,000

Each of our common shares includes one right that, under certain circumstances, entitles the holder to purchase from us a unit consisting of one-thousandth of a preferred share at a purchase price of \$25.00 per unit, subject to specified adjustments.

The underwriters expect to deliver the common shares to purchasers on or about November 8, 2006.

Citigroup

Merrill Lynch & Co.

Wachovia Securities

Dahlman Rose & Company

DnB NOR Markets
November 2, 2006.

Fortis Securities

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This document is in two parts. The first part is the prospectus supplement, which describes our business and the specific terms of this offering. The second part is the accompanying base prospectus, which gives more general information, some of which may not apply to this offering. Generally, when we refer to the prospectus, we are referring to both parts combined. If information in the prospectus supplement conflicts with information in the accompanying base prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained in or incorporated by reference in this prospectus. We have not authorized anyone to provide you with different information. We are not making an offer of the common shares in any state where the offer is not permitted. You should not assume that the information contained in this prospectus or the information that is incorporated by reference herein is accurate as of any date other than its respective date.

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SUMMARY

You should carefully read this prospectus supplement, the accompanying base prospectus and the documents incorporated by reference to understand fully our business and the terms of our common shares, as well as the tax and other considerations that are important to you in making your investment decision. You should pay special attention to the Risk Factors section beginning on page S-15 of this prospectus supplement and on page 5 of the accompanying base prospectus to determine whether an investment in our common shares is appropriate for you. Unless otherwise specifically stated, the information presented in this prospectus supplement assumes that the underwriters have not exercised their over-allotment option.

Unless we otherwise specify, when used in this prospectus, the terms Seaspan, the Company, we, our and us refer to Seaspan Corporation and, for periods before our initial public offering, our predecessor. References to our Manager are to Seaspan Management Services Limited and its wholly owned subsidiaries that provide us with technical, administrative and strategic services.

We use the term twenty foot equivalent unit, or TEU, the international standard measure of containers, in describing the capacity of our containerships, which are also commonly referred to as vessels. Our 9600 TEU class vessels, 8500 TEU class vessels, 5100 TEU class vessels, 4800 TEU class vessels, 4250 TEU class vessels, 3500 TEU class vessels, and 2500 TEU class vessels have an actual capacity of 9580 TEU, 8468 TEU, 5087 TEU, 4809 TEU, 4253 TEU, 3534 TEU, 2546 TEU, respectively.

Overview

We are an owner of containerships and we charter them pursuant to long-term, fixed-rate time charters to major container liner companies. We currently own and operate a modern fleet of 18 containerships with an average age of 2.0 years and have entered into contracts for the purchase of an additional 23 containerships. Customers for our current operating fleet are China Shipping Container Lines (Asia) Co., Ltd., or CSCL Asia, a subsidiary of China Shipping (Group) Company; and Hapag-Lloyd USA, LLC, or HL USA, a subsidiary of TUI, AG, or TUI. Customers for the additional 23 vessels will include China Shipping Container Lines Limited, or China Shipping; Mitsui O.S.K. Lines, or MOL; A.P. Møller-Mærsk A/S, or APM; HL USA; COSCO Containers Lines Co., Ltd., or COSCON; and CSCL Asia. Our primary objective is to continue to grow our business through accretive acquisitions in order to increase our dividend per share.

At the time of our initial public offering on August 12, 2005, we had an operating fleet of ten vessels and an agreement to purchase an additional 13 vessels. Since our initial public offering, we have taken delivery of eight of the 13 vessels and, consistent with our strategy to expand our fleet, have entered into agreements to purchase an additional 18 vessels. Upon the delivery of all of the vessels that we have contracted to purchase, our fleet will consist of a total of 41 vessels with a total capacity of 183,923 TEU, a 57.3% increase in capacity from the 116,903 TEU of our contracted fleet at the time of our initial public offering.

We deploy all our vessels on long-term, fixed-rate time charters to take advantage of the stable cash flow and high utilization rates that are typically associated with long-term time charters. The charters on the 18 vessels in our operating fleet as of October 20, 2006 have an average remaining term of 8.9 years (weighted by TEU capacity) plus certain options.

The global container trade has grown at a strong rate for an extended period of time. Trade in global containers has grown from an estimated 50.8 million TEU in 1997 to an estimated 105.3 million TEU in 2005, a compound average annual growth rate of 9.6%. We expect to benefit from the size and continued growth of the global container shipping industry by increasing our revenues and earnings through accretive acquisitions of additional vessels. As of October 1, 2006, there were approximately 3,900 container vessels in the world fleet and another 1,300 have been contracted for delivery over the next few years. In recent years, container liner companies have increasingly sought to outsource ownership of containerships through long-term charters with

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charter owners like us. The share of total capacity that the top 10 liner companies outsourced to charter owners increased from approximately 15% in 1993 to 49% at the beginning of 2006. As of October 1, 2006, total industry capacity is 9.0 million TEU with charter owners and liner operators accounting for 47% and 53% of capacity, respectively.

Recent Developments

For the quarter ended September 30, 2006, we reported revenue of \$30.1 million and net earnings of \$8.9 million. Total operating expenses were \$15.1 million, and were comprised of ship operating costs of \$7.5 million, depreciation of \$6.7 million and general and administrative costs of \$0.9 million.

We declared a quarterly cash dividend of \$0.425, representing a total cash distribution of \$15.3 million. The cash dividend is payable on November 10, 2006 to all shareholders of record on October 27, 2006.

Our board of directors intends to increase the regular quarterly dividend from \$0.425 per share to \$0.44625 per share, representing a 5% increase, beginning with the dividend payable in the first quarter of 2007, subject to any unforeseen developments.

On October 10, 2006, Barry R. Pearl was appointed to our board of directors and was appointed to our Audit Committee replacing Peter Lorange. Mr. Pearl was most recently the President and Chief Executive Officer of the general partner of TEPPCO PARTNERS, L.P., a master limited partnership. Please see Mr. Pearl's biography on page S-37.

Our Operating Fleet

The following table summarizes key facts regarding the 18 vessels in operation as of October 20, 2006. Each of the vessels listed below was built by Samsung Heavy Industries Co. Ltd., or Samsung.

Vessel Name	Vessel Size (TEU)	Commencement of Charter	Year Built	Charterer	Length of Time Charter	Daily Charter Rate (in thousands)
CSCL Oceania	8500	12/4/04	2004	CSCL Asia	12 years + one 3-year option	\$ 29.5 ⁽¹⁾
CSCL Africa	8500	1/24/05	2005	CSCL Asia	12 years + one 3-year option	29.5 ⁽¹⁾
CSCL Hamburg	4250	7/3/01	2001	CSCL Asia	10 years + one 2-year option	18.3 ⁽²⁾
CSCL Chiwan	4250	9/20/01	2001	CSCL Asia	10 years + one 2-year option	18.3 ⁽²⁾
CSCL Ningbo	4250	6/15/02	2002	CSCL Asia	10 years + one 2-year option	19.9 ⁽³⁾
CSCL Dalian	4250	9/4/02	2002	CSCL Asia	10 years + one 2-year option	19.9 ⁽³⁾
CSCL Felixstowe	4250	10/15/02	2002	CSCL Asia	10 years + one 2-year option	19.9 ⁽³⁾
CSCL Vancouver	4250	2/16/05	2005	CSCL Asia	12 years	17.0
CSCL Sydney	4250	4/19/05	2005	CSCL Asia	12 years	17.0
CSCL New York	4250	5/26/05	2005	CSCL Asia	12 years	17.0
CSCL Melbourne	4250	8/17/05	2005	CSCL Asia	12 years	17.0
CSCL Brisbane	4250	9/15/05	2005	CSCL Asia	12 years	17.0
New Delhi Express	4250	10/18/05	2005	HL USA	3 years + seven 1-year extensions + two 1-year options ⁽⁴⁾	18.0 ⁽⁵⁾

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Vessel Name	Vessel Size (TEU)	Commencement of Charter	Year Built	Charterer	Length of Time Charter	Daily Charter Rate (in thousands)
Dubai Express	4250	1/3/06	2006	HL USA	3 years + seven 1-year extensions + two 1-year options ⁽⁴⁾	\$ 18.0 ⁽⁵⁾
Jakarta Express	4250	2/21/06	2006	HL USA	3 years + seven 1-year extensions + two 1-year options ⁽⁴⁾	18.0 ⁽⁵⁾
Saigon Express	4250	4/6/06	2006	HL USA	3 years + seven 1-year extensions + two 1-year options ⁽⁴⁾	18.0 ⁽⁵⁾
Lahore Express	4250	7/11/06	2006	HL USA	3 years + seven 1-year extensions + two 1-year options ⁽⁴⁾	18.0 ⁽⁵⁾
Rio Grande Express	4250	10/20/06	2006	HL USA	3 years + seven 1-year extensions + two 1-year options ⁽⁴⁾	18.0 ⁽⁵⁾

- (1) CSCL Asia has an initial charter of twelve years with a charter rate of \$29,500 per day for the first six years, \$29,800 per day for the second six years, and \$30,000 per day during the option period.
- (2) CSCL Asia has an initial charter of ten years with a charter rate of \$18,000 per day for the first five years, \$18,300 per day for the second five years, and \$19,000 per day for the final two-year option.
- (3) CSCL Asia has an initial charter of ten years with a charter rate of \$19,933 per day for the first five years, \$19,733 per day for the second five years, and \$20,500 per day for the final two-year option.
- (4) For these charters, the initial term is three years that automatically extends for up to an additional seven years in successive one-year extensions, unless HL USA elects to terminate the charters with two years prior written notice. The charterer is required to pay a termination fee of approximately \$8.0 million to terminate a charter at the end of the initial term. The termination fee declines by \$1.0 million per year per vessel in years four through nine.
- (5) HL USA has an initial charter of three years that automatically extends for up to an additional seven years with a charter rate of \$18,000 per day, and \$18,500 per day for the final two one-year options.

Secondhand Vessel Contracts

On October 11, 2006, we entered into contracts to purchase four 4800 TEU secondhand containerships from APM. We expect to take delivery of these four containerships between November 1, 2006 and December 31, 2006. The purchase price is \$40.0 million per vessel. Upon signing of the contracts, we made a 10% deposit of the purchase price with APM. The deposit was financed with borrowings under our \$1.0 billion secured credit facility. Simultaneously with the delivery of the four 4800 TEU vessels, we will enter into five-year time charter agreements for each of these vessels with APM at a daily hire rate of \$23,450. Upon the expiration of the initial five-year time charter term, APM will have two consecutive one-year options to charter the vessel at \$22,400 and \$21,400 per day respectively and a final two-year option to charter the vessel at \$20,400 per day. In addition, we will pay an affiliate of APM a 0.5% commission on all hire payments for each of the charters by APM. Three of the 4800 TEU vessels were built in 1989 by Odense-Lindo Shipyard Ltd. and the remaining 4800 TEU vessel was built in 1988 by Odense-Lindo Shipyard Ltd. Each of the 4800 TEU vessels has been owned and operated by APM since its original delivery from the shipbuilder. The Mærsk Matane completed its most recent scheduled drydocking in 2006 and its next scheduled drydocking is in 2011 and then every five years afterwards. Each of the other three 4800 TEU vessels is scheduled for periodic drydocking in 2007 and then every five years afterwards. Our Manager has agreed to operate these vessels at a daily fixed fee of \$5,750 per vessel, which includes drydocking costs.

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The following table summarizes key facts regarding the four 4800 TEU secondhand vessels we have contracted to purchase from APM. APM has notified us that it expects to deliver the Mærsk Merritt by November 5, 2006, the Mærsk Matane by November 20, 2006, the Mærsk Marystown by December 6, 2006 and the Mærsk Moncton by December 28, 2006.

Vessel Name	Vessel Size (TEU)	Contractual Delivery Date Range	Year Built	Charterer	Length of Time Charter ⁽¹⁾	Daily Charter Rate (in thousands)
Mærsk Merritt	4800	11/1/06-2/1/07	1989	APM	5 years + two 1-year options + one 2-year option	\$ 23.5 ⁽²⁾
Mærsk Matane	4800	11/1/06-2/1/07	1988	APM	5 years + two 1-year options + one 2-year option	23.5 ⁽²⁾
Mærsk Marystown	4800	11/1/06-2/1/07	1989	APM	5 years + two 1-year options + one 2-year option	23.5 ⁽²⁾
Mærsk Moncton	4800	11/1/06-2/1/07	1989	APM	5 years + two 1-year options + one 2-year option	23.5 ⁽²⁾

(1) Each charter begins upon delivery of the vessel.

(2) APM has a initial charter for five years at \$23,450, two consecutive one-year options to charter the vessel at \$22,400 and \$21,400 per day respectively and a final two-year option to charter the vessel at \$20,400 per day. In addition, we will pay an affiliate of APM a 0.5% commission on all hire payments for each of the APM charters.

New Vessel Contracts

In addition to the five remaining containerships that we contracted to purchase at the time of our initial public offering, we have contracted to purchase 14 additional containerships that are currently under construction. These consist of four 5100 TEU vessels, two 3500 TEU vessels and eight 2500 TEU vessels. We expect to take delivery of these 14 containerships over the next 38 months.

We have agreed to acquire four 5100 TEU vessels from Hyundai Heavy Industries, Co., Ltd., or HHI, as each vessel is delivered and passes inspection. These four vessels will be built by HHI at its shipyard in Ulsan, South Korea. The purchase price is \$77.4 million per vessel. Each 5100 TEU vessel is subject to a twelve-year time charter with MOL.

We have agreed to acquire the two 3500 TEU vessels from affiliates of Conti Holding GmbH & Co. KG, or Conti, as each vessel is delivered and passes inspection. The purchase price is \$46.5 million per vessel. The two 3500 TEU vessels are being built by Zhejiang Shipbuilding Co. Ltd, or Zhejiang, at its shipyard in Ningbo, China. Each 3500 TEU vessel is subject to a twelve-year time charter with COSCON.

We have also agreed to acquire eight 2500 TEU vessels from Jiangsu Yangzijiang Shipbuilding, or Jiangsu, as each vessel is delivered and passes inspection. The purchase price is \$41.3 million per vessel. These eight vessels will be built by Jiangsu at its shipyards in Jiangsu Province, China. Each 2500 TEU vessel is subject to a twelve-year time charter with CSCL Asia.

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The 19 newbuilding containerships that we have contracted to purchase are currently under construction and consist of the following vessels:

Vessel Name	Vessel Size (TEU)	Length of Time Charter ⁽¹⁾	Charterer	Contractual Delivery Date	Daily Charter Rate (in thousands)	Shipbuilder
CSCL Zeebrugge	9600	12 years	China Shipping ⁽²⁾	5/31/07	\$ 34.0 ⁽³⁾	Samsung
CSCL Long Beach	9600	12 years	China Shipping ⁽²⁾	8/31/07	34.0 ⁽³⁾	Samsung
HHI Hull No. 1970	5100	12 years	MOL	4/20/09	28.9	HHI
HHI Hull No. 1971	5100	12 years	MOL	8/5/09	28.9	HHI
HHI Hull No. 1972	5100	12 years	MOL	11/20/09	28.9	HHI
HHI Hull No. 1973	5100	12 years	MOL	12/23/09	28.9	HHI
Santos Express	4250	3 years + seven 1-year extensions + two 1-year options ⁽⁴⁾	HL USA	1/14/07	18.0 ⁽⁵⁾	Samsung
Rio de Janeiro Express	4250	3 years + seven 1-year extensions + two 1-year options ⁽⁴⁾	HL USA	4/14/07	18.0 ⁽⁵⁾	Samsung
Manila Express	4250	3 years + seven 1-year extensions + two 1-year options ⁽⁴⁾	HL USA	6/14/07	18.0 ⁽⁵⁾	Samsung
Zhejiang Shipbuilding Hull No. 125	3500	12 years	COSCON	2/28/07	19.0	Zhejiang
Zhejiang Shipbuilding Hull No. 126	3500	12 years	COSCON	7/31/07	19.0	Zhejiang
Jiangsu Shipbuilding Hull YZJ 2005-696C	2500	12 years	CSCL Asia	8/30/08	16.8 ⁽⁶⁾	Jiangsu
Jiangsu Shipbuilding Hull YZJ 2006-716C	2500	12 years	CSCL Asia	11/30/08	16.8 ⁽⁶⁾	Jiangsu
Jiangsu Shipbuilding Hull YZJ 2006-717C	2500	12 years	CSCL Asia	1/30/09	16.8 ⁽⁶⁾	Jiangsu
Jiangsu Shipbuilding Hull YZJ 2006-718C	2500	12 years	CSCL Asia	2/28/09	16.8 ⁽⁶⁾	Jiangsu
Jiangsu Shipbuilding Hull YZJ 2006-719C	2500	12 years	CSCL Asia	5/10/09	16.8 ⁽⁶⁾	Jiangsu
Jiangsu Shipbuilding Hull YZJ 2006-720C	2500	12 years	CSCL Asia	6/10/09	16.8 ⁽⁶⁾	Jiangsu
Jiangsu Shipbuilding Hull YZJ 2006-721C	2500	12 years	CSCL Asia	7/10/09	16.8 ⁽⁶⁾	Jiangsu
Jiangsu Shipbuilding Hull YZJ 2006-722C	2500	12 years	CSCL Asia	8/10/09	16.8 ⁽⁶⁾	Jiangsu

(1) Each charter begins upon delivery of the vessel.

(2) Currently, the time charter is held by China Shipping; however, upon inspection and delivery to us, the charters will be novated to CSCL Asia.

(3) China Shipping has an initial daily charter rate of \$34,000 per day, increasing to \$34,500 per day after six years.

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- (4) For these charters, the initial term is three years that automatically extends for up to an additional seven years in successive one-year extensions, unless HL USA elects to terminate the charters with two years prior written notice. The charterer is required to pay a termination fee of approximately \$8.0 million to terminate a charter at the end of the initial term. The termination fee declines by \$1.0 million per year per vessel in years four through nine.
- (5) HL USA has an initial charter of three years that automatically extends for up to an additional seven years with a charter rate of \$18,000 per day, and \$18,500 per day for the final two one-year options.
- (6) CSCL Asia has an initial daily charter rate of \$16,750 per day, increasing to \$16,900 after six years.
- The following chart details the number of vessels in our fleet based on size as we take contractual delivery:

Vessel Size	As of	Forecasted			
	October 20,	Year Ending December 31			
	2006	2006	2007	2008	2009
9600 TEU Class			2	2	2
8500 TEU Class	2	2	2	2	2
5100 TEU Class					4
4800 TEU Class		4	4	4	4
4250 TEU Class	16	16	19	19	19
3500 TEU Class			2	2	2
2500 TEU Class				2	8