



## MARITIME SKILLS ACADEMY



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## Another bankruptcy in the offshore services sector



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The continued languishing in the offshore oil markets, as marker crude prices struggled to hold at \$50 per barrel, took their toll on two well known US players, both with an international presence. The ongoing shakeout, with units “stacked” as offshore service vessel demand dried up, saw “Chapter 11” bankruptcy filings for both Tidewater, and GulfMark Offshore.

Both companies are entering into pre-packaged agreements, where the terms are worked out in advance of the actual bankruptcy filings. In general, holders of debt will gain equity in the re-organised companies, while previous shareholders may see their stakes eliminated, or substantially reduced.

Tidewater, with a large fleet of 270 vessels and a predilection for trading in secondhand equipment, had already taken major asset write-downs during 2015 and 2016. GulfMark Offshore, with a smaller fleet of 70 vessels had recently sold off older units and embarked on a newbuild programme featuring high spec units.

In a bet on the spread of drilling to harsher environments (economical at oil prices of \$100/barrel plus), the \$500m newbuild efforts included boats designed for work in the North Sea and Arctic. Four of the vessels in the programme are Jones Act qualified and will be impacted by the US decision **not to expand the purview of the Jones Act to exclude international flag vessels from certain offshore trades.** (/news/americas/25869.html)

In Gulfmark's restructuring program, all operations will continue on. Under the terms of the Restructuring Agreement (the document that sets the terms of the bankruptcy), the company will convert its outstanding Senior Notes to 35.65% of the equity in the newly reorganised GulfMark. The company says that this will result in "...the elimination of approximately \$430m in outstanding debt and approximately \$27m in annual interest payments..." The noteholders will also be able to garner an additional 60% of the equity through an offer of \$125m rights, which the company says will raise the cash needed to fund its operations.

Existing shareholders will receive 0.75% of the equity as well as warrants - similar to call options, in this case having a life of seven years - for an additional 7.5% of the equity in the reorganised company, based on a \$1bn valuation.

The Gulfmark arrangement has elements that are similar to the **more widely publicised restructuring of Tidewater**. ([see%20http://www.seatrade-maritime.com/news/americas/tidewater-to-file-for-chapter-11-on-signing-restructuring-deal.html](http://www.seatrade-maritime.com/news/americas/tidewater-to-file-for-chapter-11-on-signing-restructuring-deal.html)) Gulfmark's balance sheet did not include assets financed through sale and leaseback arrangements. In both cases, the companies will retain their listings- Tidewater on the NYSE and GulfMark on the Over The Counter "Pink Sheets".

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