

The OSV Market

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Just an Overview

- What four major operators say about the market
- What they said about their own fleets
- The major OSV fleets
- The age profile of the US-flag OSV fleet
- 1-for-1 replacement of the US-flag OSV fleet
- Economic parameters of fleet renewal
- Conclusions

What Tidewater Said About the Market

- Higher crude oil prices resulted in international offshore drilling, exploration and production companies increasing their capital spending budgets.
- International vessel demand, which is primarily driven by crude oil production, increased throughout fiscal 2002 as a result of the improved international market conditions and is expected to remain solid during fiscal 2003.
- Domestic vessel demand, which is primarily driven by natural gas production, declined steadily throughout fiscal 2002 as exploration and production companies operating in the U.S. Gulf of Mexico reduced their capital investments in the Gulf.
- It is unknown how much further domestic-based vessel demand will be affected by the downward trend in offshore drilling and exploration in the U.S. Gulf of Mexico.

What Seacor Said About the Market

- In response to high oil and gas commodity prices, drilling in the U.S. Gulf of Mexico was very active in the first half of 2001 but began to decline mid-year from the slowdown in the economy, a cool summer, fuel switching and then the tragedy of September 11.
- The unusually warm winter of 2001-2002 also contributed to the decrease in demand for offshore drilling.
- Recently, natural gas and oil prices have begun to increase.
- As a result, demand ... may increase in response to more offshore drilling activity in the U.S. Gulf of Mexico.

What Seabulk Said About the Market

- During the second half of 2001, there was a noticeable softening in both energy demand and prices for oil and natural gas. The slowdown resulted from a sharp drop in the price of natural gas, economic recession, reduced energy demand and the events of September 11. It continued into early 2002 as the warmest winter on record further reduced the demand for natural gas. As a result, the timing of a recovery in the Gulf of Mexico is uncertain.
- We ... do not expect earnings in 2002 from the offshore segment to match those of 2001.
- The Company believes, however, that the energy fundamentals that drive this industry will lead to a recovery in the U.S. offshore market during the second half of 2002. This should have a positive impact on offshore vessel demand.

What Trico Said About the Market

- We experienced increases in our vessel day rates and utilization from late 1999 through the first half of 2001. This increase was primarily due to the increased drilling activity and a reduction in the number of vessels in our markets, which was partially caused by the stacking or retirement of older vessels by some of our competitors and us.
- In the third quarter of 2001, we began to experience decreases in day rates and lower utilization for our Gulf fleet due to decreased oil and gas prices and the resulting decrease in offshore drilling activity in the Gulf.

What They Said About Their Own Fleets

- *Tidewater*: ... has committed to the purchase and construction of 32 large deepwater vessels ... the construction of 6 supply vessels ... 11 existing crewboats and the construction of 11 additional crewboats ... has sold and/or scrapped 180 vessels.
- *Seacor*: The average age of the Company's fleet was approximately 14.8 years. Excluding standby safety vessels, the average age of the fleet was approximately 13.7 years. US-Flag OSV fleet average age is 18 years.
- *Seabulk*: The average age of our offshore energy support vessels ... is approximately 20 years. About 21% ... is less than 10 years old, and approximately 40% is more than 20 years old.
- *Trico*: The average age of our vessels was 16 years. We believe that our upgrade and refurbishment program, completed in the first half of 1999, has significantly extended the service life of most of our Gulf supply boats.

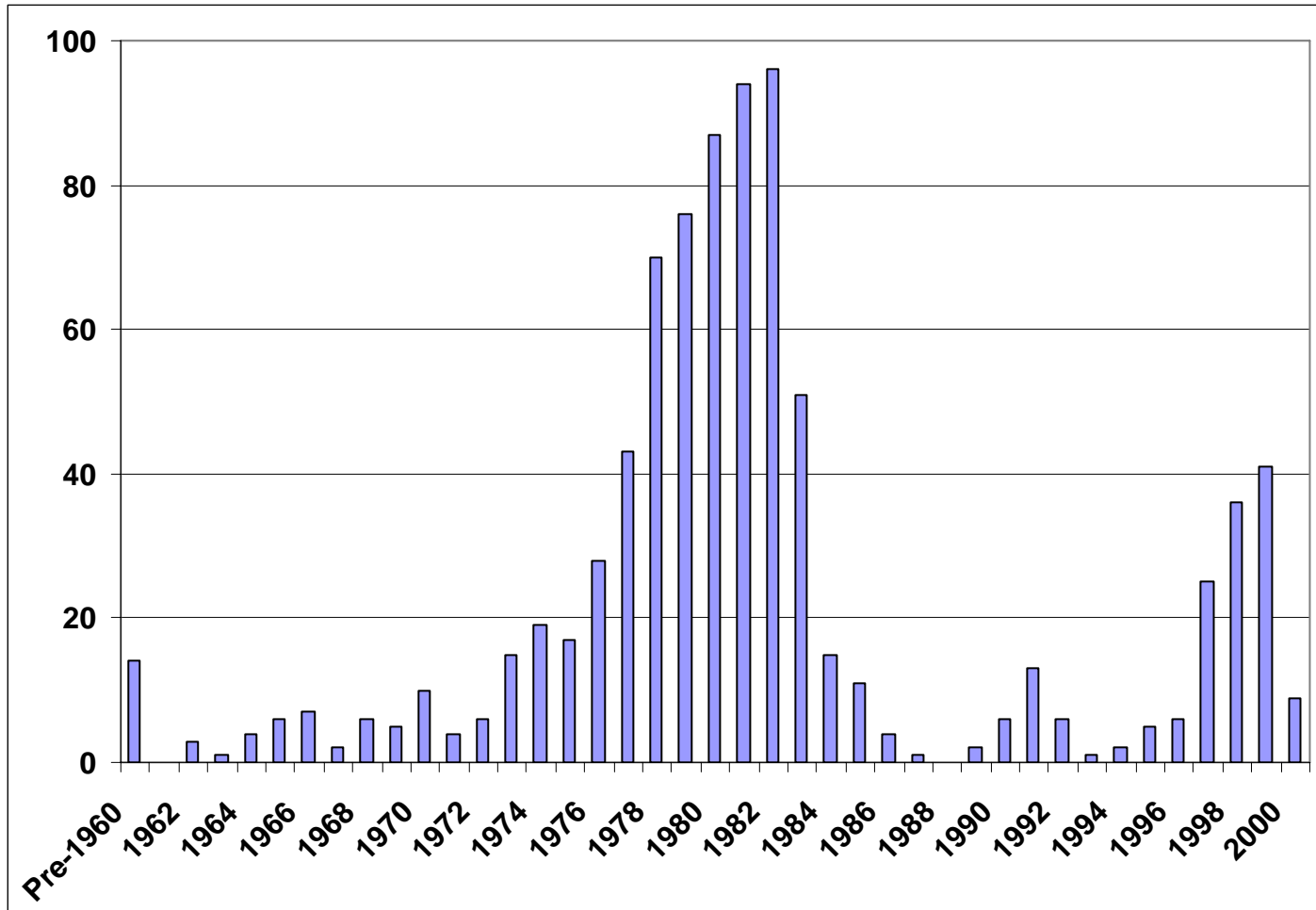
The Four Major OSV Fleets

	<i>Tidewater</i>	<i>Seacor</i>	<i>Seabulk</i>	<i>Trico</i>
<i>Numbers of Boats</i>				
Deepwater	9			
AHTS	328	31	67	18
Tugs	83		13	
Supply		79		53
Crew/Utility	76	182	50	21
Other	47	33	10	
Total	543	325	140	91
<i>Average Utilization</i>				
Deepwater	92.6%			
AHTS	68.6%	84.6%	71.0%	93.0%
Tugs	58.3%			
Supply		88.8%	69.0%	69.0%
Crew/Utility	86.1%	79.8%	73.0%	78.0%
Other	55.7%	84.1%	65.0%	
Total	70.3%	82.9%	71.0%	76.0%
<i>Average Day Rates</i>				
Deepwater	\$11,050			
AHTS	\$6,316	\$13,548	\$6,860	\$11,884
Tugs	\$5,410			
Supply		\$7,771	\$5,972	\$7,043
Crew/Utility	\$2,699	\$2,772	\$2,640	\$2,714
Other	\$1,242	\$5,444	\$5,472	
Total	\$5,555	\$5,286	\$5,171	\$7,025

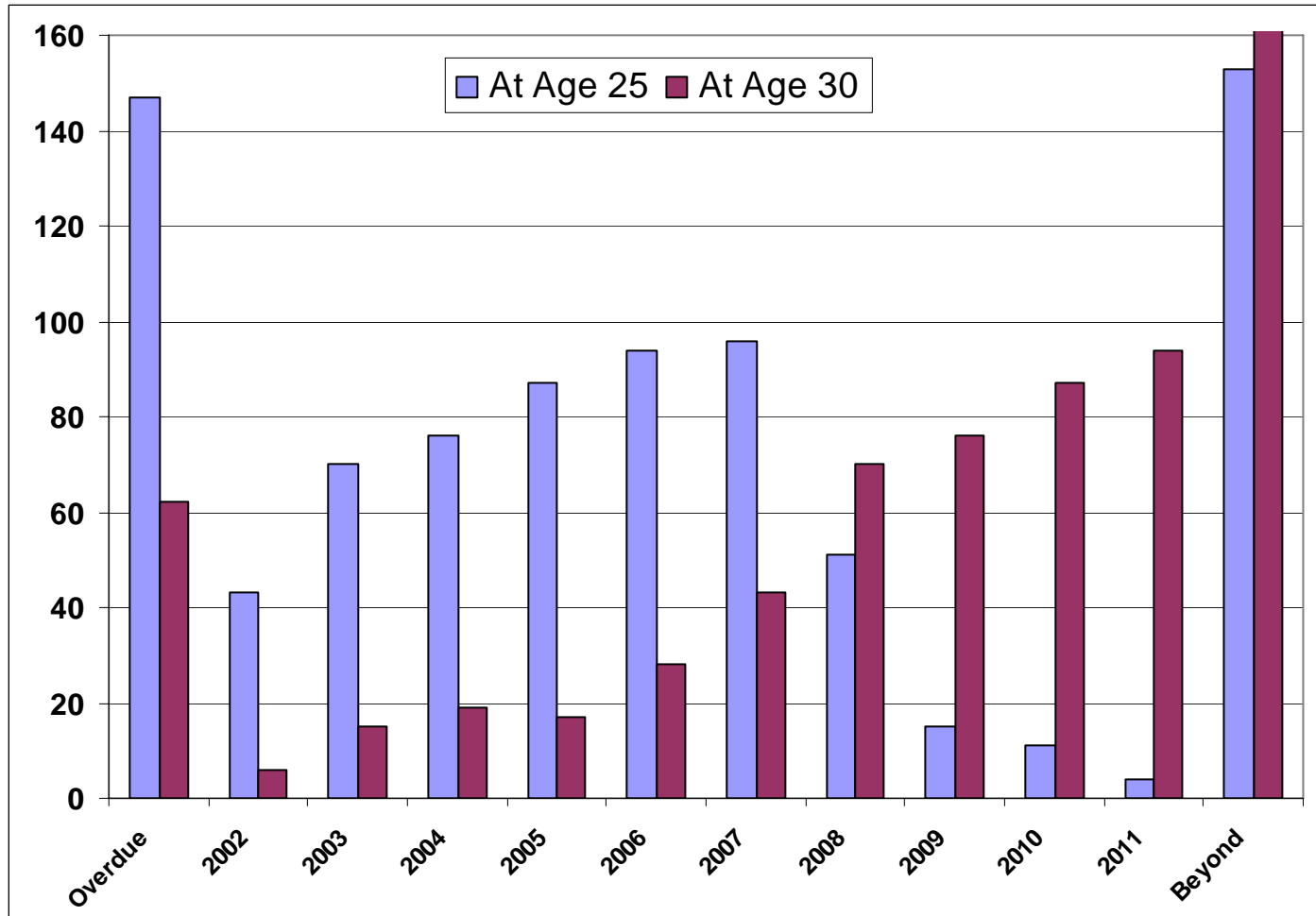
The Four Major OSV Fleets

	<i>Tidewater</i>	<i>Seacor</i>	<i>Seabulk</i>	<i>Trico</i>
Gross Revenues	729.0	399.1	191.2	182.5
Operating Expenses	392.1	301.1	98.5	81.6
Operating Margin	336.9	98.0	92.7	100.9
Other Expenses	124.9	(14.6)	53.5	83.7
Income from Operations	212.0	112.6	39.2	17.2
Other Income / Expense	75.8	0.0	33.6	24.1
Net Income	136.2	112.6	5.6	(6.9)

The Age Profile of the US-Flag OSV Fleet



1-for-1 Replacement of the US-Flag OSV Fleet



Economic Parameters of Fleet Renewal

- The average age of the US-flag OSV fleet is 20 years
- The useful life of an OSV is only 20 to 25 years
- 62 existing OSVs are already over 30 years old
- Another 85 OSVs are 25 to 29 years old
- Another 370 OSVs are 20 to 24 years old
- Replacement at age 30 would theoretically require a build rate of 52 boats a year over the next 10 years
- Replacement at age 25 would theoretically require a build rate of 69 boats a year over the next 10 years
- Presumably, many of the older boats will not be replaced
- The sales value of a PSV ranges from \$10 to \$15mm
- The sales value of an AHTS ranges from \$20 to \$40mm

Conclusions

- We all know that OSV fleet renewal has to come
 - Has it started yet? Really? How can we tell?
- We all know that it won't be a 1-for-1 replacement
 - But what will the build rate really be?
- Given a mix of PSVs and AHTSs:
 - 10 boats/year could require \$200mm/year
 - 20 boats/year could require \$400mm/year
 - 30 boats/year could require \$600mm/year
 - 40 boats/year could require \$800mm/year
 - 50 boats/year could require **a billion dollars a year**
- Is the financing available?
- Is the bonding capacity available?