

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-Q**

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2020

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 1-6311

**Tidewater Inc.**

(Exact name of registrant as specified in its charter)



Delaware  
(State of incorporation)

72-0487776  
(I.R.S. Employer Identification No.)

6002 Rogerdale Road, Suite 600  
Houston, Texas 77072  
(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code: (713) 470-5300

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class                                  | Trading Symbol(s) | Name of each exchange on which registered |
|------------------------------------------------------|-------------------|-------------------------------------------|
| Common stock, \$0.001 par value per share            | TDW               | New York Stock Exchange                   |
| Series A Warrants to purchase shares of common stock | TDW.WS.A          | New York Stock Exchange                   |
| Series B Warrants to purchase shares of common stock | TDW.WS.B          | New York Stock Exchange                   |
| Warrants to purchase shares of common stock          | TDW.WS            | NYSE American                             |
| Preferred stock purchase rights                      | N/A               | New York Stock Exchange                   |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Smaller reporting company ☐

Emerging Growth Company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☒ No ☐

40,282,892 shares of Tidewater Inc. common stock \$0.001 par value per share were outstanding on April 30, 2020.

# **PART I. FINANCIAL INFORMATION**

## **ITEM 1. FINANCIAL STATEMENTS**

### **TIDEWATER INC. CONDENSED CONSOLIDATED BALANCE SHEETS**

(Unaudited)

(In thousands, except share and par value data)

|                                                                                                                                                                                 | March 31,<br>2020 | December 31,<br>2019 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|----------------------|
| <b>ASSETS</b>                                                                                                                                                                   |                   |                      |
| Current assets:                                                                                                                                                                 |                   |                      |
| Cash and cash equivalents                                                                                                                                                       | \$ 187,802        | \$ 218,290           |
| Restricted cash                                                                                                                                                                 | 12,461            | 5,755                |
| Trade and other receivables, less allowance for credit losses of \$579 as of March 31, 2020 and less allowance for doubtful accounts of \$70 as of December 31, 2019.           | 119,455           | 110,180              |
| Due from affiliate                                                                                                                                                              | 128,204           | 125,972              |
| Marine operating supplies                                                                                                                                                       | 21,944            | 21,856               |
| Assets held for sale                                                                                                                                                            | 26,142            | 39,287               |
| Prepaid expenses and other current assets                                                                                                                                       | 22,185            | 15,956               |
| Total current assets                                                                                                                                                            | 518,193           | 537,296              |
| Net properties and equipment                                                                                                                                                    | 922,979           | 938,961              |
| Net deferred drydocking and survey costs                                                                                                                                        | 81,981            | 66,936               |
| Other assets                                                                                                                                                                    | 29,971            | 36,335               |
| Total assets                                                                                                                                                                    | \$ 1,553,124      | \$ 1,579,528         |
| <b>LIABILITIES AND EQUITY</b>                                                                                                                                                   |                   |                      |
| Current liabilities:                                                                                                                                                            |                   |                      |
| Accounts payable                                                                                                                                                                | \$ 30,711         | \$ 27,501            |
| Accrued costs and expenses                                                                                                                                                      | 72,854            | 74,000               |
| Due to affiliates                                                                                                                                                               | 50,013            | 50,186               |
| Current portion of long-term debt                                                                                                                                               | 9,104             | 9,890                |
| Other current liabilities                                                                                                                                                       | 26,953            | 24,100               |
| Total current liabilities                                                                                                                                                       | 189,635           | 185,677              |
| Long-term debt                                                                                                                                                                  | 273,015           | 279,044              |
| Other liabilities                                                                                                                                                               | 91,578            | 98,397               |
| Contingencies (Note 10)                                                                                                                                                         |                   |                      |
| Equity:                                                                                                                                                                         |                   |                      |
| Common stock of \$0.001 par value, 125,000,000 shares authorized, 40,259,917 and 39,941,327 shares issued and outstanding at March 31, 2020 and December 31, 2019, respectively | 40                | 40                   |
| Additional paid-in capital                                                                                                                                                      | 1,368,325         | 1,367,521            |
| Accumulated deficit                                                                                                                                                             | (371,134)         | (352,526)            |
| Accumulated other comprehensive income (loss)                                                                                                                                   | 133               | (236)                |
| Total stockholders' equity                                                                                                                                                      | 997,364           | 1,014,799            |
| Noncontrolling interests                                                                                                                                                        | 1,532             | 1,611                |
| Total equity                                                                                                                                                                    | 998,896           | 1,016,410            |
| Total liabilities and equity                                                                                                                                                    | \$ 1,553,124      | \$ 1,579,528         |

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

**TIDEWATER INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(Unaudited)

(In thousands, except per share data)

|                                                            | Three Months<br>Ended<br>March 31, 2020 | Three Months<br>Ended<br>March 31, 2019 |
|------------------------------------------------------------|-----------------------------------------|-----------------------------------------|
| Revenues:                                                  |                                         |                                         |
| Vessel revenues                                            | \$ 111,974                              | \$ 119,662                              |
| Other operating revenues                                   | 4,394                                   | 2,487                                   |
|                                                            | 116,368                                 | 122,149                                 |
| Costs and expenses:                                        |                                         |                                         |
| Vessel operating costs                                     | 78,825                                  | 82,203                                  |
| Costs of other operating revenues                          | 2,673                                   | 764                                     |
| General and administrative                                 | 21,420                                  | 27,140                                  |
| Depreciation and amortization                              | 27,107                                  | 22,932                                  |
| Long-lived asset impairments                               | 10,207                                  | —                                       |
| Gain on asset dispositions, net                            | (5,331)                                 | (1,270)                                 |
|                                                            | 134,901                                 | 131,769                                 |
| Operating loss                                             | (18,533)                                | (9,620)                                 |
| Other income (expense):                                    |                                         |                                         |
| Foreign exchange gain (loss)                               | 864                                     | (508)                                   |
| Equity in net losses of unconsolidated companies           | —                                       | (62)                                    |
| Interest income and other, net                             | 116                                     | 2,470                                   |
| Interest and other debt costs, net                         | (6,142)                                 | (7,736)                                 |
|                                                            | (5,162)                                 | (5,836)                                 |
| Loss before income taxes                                   | (23,695)                                | (15,456)                                |
| Income tax (benefit) expense                               | (5,171)                                 | 5,830                                   |
| Net loss                                                   | \$ (18,524)                             | \$ (21,286)                             |
| Net income (loss) attributable to noncontrolling interests | (79)                                    | 445                                     |
| Net loss attributable to Tidewater Inc.                    | \$ (18,445)                             | \$ (21,731)                             |
| Basic loss per common share                                | \$ (0.46)                               | \$ (0.58)                               |
| Diluted loss per common share                              | \$ (0.46)                               | \$ (0.58)                               |
| Weighted average common shares outstanding                 | 40,101                                  | 37,179                                  |
| Adjusted weighted average common shares                    | 40,101                                  | 37,179                                  |

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

**TIDEWATER INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**  
(Unaudited)  
(In thousands)

|                                                                                                            | Three Months<br>Ended<br>March 31, 2020 | Three Months<br>Ended<br>March 31, 2019 |
|------------------------------------------------------------------------------------------------------------|-----------------------------------------|-----------------------------------------|
| Net loss                                                                                                   | \$ (18,524)                             | \$ (21,286)                             |
| Other comprehensive income:                                                                                |                                         |                                         |
| Change in pension plan and supplemental pension plan liability, net of tax of \$0 and \$0,<br>respectively | 369                                     | —                                       |
| <b>Total comprehensive loss</b>                                                                            | <b>\$ (18,155)</b>                      | <b>\$ (21,286)</b>                      |

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

**TIDEWATER INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Unaudited)  
(In thousands)

|                                                                                | Three Months<br>Ended<br>March 31, 2020 | Three Months<br>Ended<br>March 31, 2019 |
|--------------------------------------------------------------------------------|-----------------------------------------|-----------------------------------------|
| Operating activities:                                                          |                                         |                                         |
| Net loss                                                                       | \$ (18,524)                             | \$ (21,286)                             |
| Adjustments to reconcile net loss to net cash used in operating activities:    |                                         |                                         |
| Depreciation                                                                   | 17,285                                  | 19,034                                  |
| Amortization of deferred drydocking and survey costs                           | 9,822                                   | 3,898                                   |
| Amortization of debt premium and discounts                                     | 675                                     | (505)                                   |
| Provision for deferred income taxes                                            | —                                       | 169                                     |
| Gain on asset dispositions, net                                                | (5,331)                                 | (1,270)                                 |
| Long-lived asset impairments                                                   | 10,207                                  | —                                       |
| Changes in investments in, at equity, and advances to unconsolidated companies | —                                       | 265                                     |
| Compensation expense - stock-based                                             | 1,335                                   | 5,627                                   |
| Changes in assets and liabilities, net:                                        |                                         |                                         |
| Trade and other receivables                                                    | (9,438)                                 | (2,204)                                 |
| Changes in due to/from affiliate, net                                          | (2,405)                                 | 19,175                                  |
| Accounts payable                                                               | 3,210                                   | (2,200)                                 |
| Accrued costs and expenses                                                     | (1,146)                                 | (5,626)                                 |
| Cash paid for deferred drydocking and survey costs                             | (24,867)                                | (12,285)                                |
| Other, net                                                                     | (8,348)                                 | (5,949)                                 |
| Net cash used in operating activities                                          | (27,525)                                | (3,157)                                 |
| Cash flows from investing activities:                                          |                                         |                                         |
| Proceeds from sales of assets                                                  | 9,452                                   | 9,651                                   |
| Additions to properties and equipment                                          | (2,449)                                 | (3,116)                                 |
| Net cash provided by investing activities                                      | 7,003                                   | 6,535                                   |
| Cash flows from financing activities:                                          |                                         |                                         |
| Principal payments on long-term debt                                           | (2,600)                                 | (1,509)                                 |
| Taxes on share based awards                                                    | (531)                                   | (1,578)                                 |
| Net cash used in financing activities                                          | (3,131)                                 | (3,087)                                 |
| Net change in cash, cash equivalents and restricted cash                       | (23,653)                                | 291                                     |
| Cash, cash equivalents and restricted cash at beginning of period              | 227,608                                 | 397,744                                 |
| Cash, cash equivalents and restricted cash at end of period (A)                | \$ 203,955                              | \$ 398,035                              |
| Supplemental disclosure of cash flow information:                              |                                         |                                         |
| Cash paid during the period for:                                               |                                         |                                         |
| Interest, net of amounts capitalized                                           | \$ 5,442                                | 8,319                                   |
| Income taxes                                                                   | \$ 2,550                                | 4,415                                   |

(A) Cash, cash equivalents and restricted cash at March 31, 2020 includes \$3.6 million in long-term restricted cash.

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

**TIDEWATER INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF EQUITY**

(Unaudited)  
(In thousands)

|                                                     | Common<br>stock | Additional<br>paid-in<br>capital | Accumulated<br>deficit | Accumulated<br>other<br>comprehensive<br>income (loss) | Non<br>controlling<br>interest | Total     |
|-----------------------------------------------------|-----------------|----------------------------------|------------------------|--------------------------------------------------------|--------------------------------|-----------|
| Balance at December 31, 2019                        | \$ 40           | 1,367,521                        | (352,526)              | (236)                                                  | 1,611                          | 1,016,410 |
| Total comprehensive loss                            | —               | —                                | (18,445)               | 369                                                    | (79)                           | (18,155)  |
| Adoption of credit loss accounting standard         | —               | —                                | (163)                  | —                                                      | —                              | (163)     |
| Amortization of restricted stock units              | —               | 804                              | —                      | —                                                      | —                              | 804       |
| Balance at March 31, 2020                           | \$ 40           | 1,368,325                        | (371,134)              | 133                                                    | 1,532                          | 998,896   |
|                                                     |                 |                                  |                        |                                                        |                                |           |
| Balance at December 31, 2018                        | \$ 37           | 1,352,388                        | (210,783)              | 2,194                                                  | 1,087                          | 1,144,923 |
| Total comprehensive loss                            | —               | —                                | (21,731)               | —                                                      | 445                            | (21,286)  |
| Issuance of common stock from exercise of warrants  | —               | 1                                | —                      | —                                                      | —                              | 1         |
| Amortization/cancellation of restricted stock units | —               | 4,047                            | —                      | —                                                      | —                              | 4,047     |
| Balance at March 31, 2019                           | \$ 37           | 1,356,436                        | (232,514)              | 2,194                                                  | 1,532                          | 1,127,685 |

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

## **(1) INTERIM FINANCIAL STATEMENTS**

The unaudited condensed consolidated financial statements for the interim periods presented herein have been prepared in conformity with United States generally accepted accounting principles and, in the opinion of management, include all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the unaudited condensed consolidated financial statements at the dates and for the periods indicated as required by Rule 10-01 of Regulation S-X of the Securities and Exchange Commission (SEC). Results of operations for interim periods are not necessarily indicative of results of operations for the respective full years. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto in our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on March 2, 2020.

The unaudited condensed consolidated financial statements include the accounts of Tidewater Inc. and its subsidiaries. Intercompany balances and transactions are eliminated in consolidation. We use the equity method to account for equity investments over which we exercise significant influence but do not exercise control and are not the primary beneficiary. Unless otherwise specified, all per share information included in this document is on a diluted earnings per share basis.

## **(2) RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS NOT YET ADOPTED**

In December 2019, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2019-12, Simplifying the Accounting for Income Taxes, which simplifies the accounting for income taxes by removing certain exceptions to the general principles in Topic 740 and clarifying and amending existing guidance to simplify the accounting for income taxes. The guidance is effective for annual and interim periods beginning after December 15, 2020 with early adoption permitted. We are currently evaluating the effect the standard may have in our consolidated financial statements.

In August 2018 the FASB issued ASU 2018-14, Compensation – Retirement Benefits – Defined Benefit Plans – General, which modifies the disclosure requirements for employers that sponsor defined benefit plans or other postretirement plans. This ASU removes certain disclosures that no longer are considered cost beneficial, clarifies the specific requirements of certain other disclosures, and adds disclosure requirements identified as relevant. The guidance is effective for annual and interim periods beginning after December 15, 2020 with early adoption permitted. We are currently evaluating the effect the standard may have on our consolidated financial statement disclosures.

## **(3) RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS**

On August 28, 2018, the FASB issued ASU 2018-13, Fair Value Measurement: - Changes to The Disclosure Requirements for Fair Value Measurement (“ASU 2018-13”), which eliminates, adds and modifies certain disclosure requirements for fair value measurements as part of its disclosure framework project. Entities will no longer be required to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, but public companies will be required to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. We adopted this standard on January 1, 2020 and it did not have any impact on our financial position, net earnings or cash flow. However, we have incorporated the modified disclosure requirements of ASU 2018-13 into note 15 of our financial statements.

On June 16, 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses, which introduced a new model for recognizing credit losses on financial instruments based on an estimate of current expected credit losses. This model applies to: (i) loans, accounts receivable, trade receivables, and other financial assets measured at amortized cost, (ii) loan commitments and certain other off-balance sheet credit exposures, (iii) debt securities and other financial assets measured at fair value through other comprehensive income and (iv) beneficial interests in securitized financial assets.

Expected credit losses are recognized on the initial recognition of our trade accounts receivable and contract assets. In each subsequent reporting period, even if a loss has not yet been incurred, credit losses are recognized based on the history of credit losses and current conditions, as well as reasonable and supportable forecasts affecting collectability. We developed an expected credit loss model applicable to our trade accounts receivable and contract assets that considers our historical performance and the economic environment, as well as the credit risk and its expected development for each group of customers that share similar risk characteristics. We segmented our trade accounts receivable and contract assets by type of client, except for individual account balances that have deteriorated in credit quality, which are evaluated individually. We then determined, for each of these client asset groups, the average expected credit loss utilizing our actual credit loss experience over the last five years, which was adjusted as discussed above, and was applied to the balance attributable to each segment in our trade accounts receivable and contract asset balances. This standard was adopted through a cumulative-effect adjustment to the accumulated deficit as of January 1,

2020, which is the beginning of the first period in which this guidance is effective. Periods prior to the adoption date that are presented for comparative purposes are not adjusted. Adopting this standard on January 1, 2020 increased the allowance for expected credit losses by approximately \$0.2 million.

Activity in the allowance for credit losses for the first quarter of 2020 is as follows:

(In thousands)

|                                                        |    |     |
|--------------------------------------------------------|----|-----|
| Balance at December 31, 2019                           | \$ | 70  |
| Cumulative effect adjustment upon adoption of standard |    | 163 |
| Current period provision for expected credit losses    |    | 346 |
| Balance at March 31, 2020                              | \$ | 579 |

#### (4) REVENUE RECOGNITION

Refer to Note (13) for the amount of revenue by segment and in total for the worldwide fleet.

##### Contract Balances

At March 31, 2020, we had \$6.1 million and \$0.7 million of deferred mobilization costs included within other current assets and other assets, respectively, and we had \$0.6 million of deferred mobilization revenue included within other current liabilities.

The table below summarizes the revenue expected to be recognized in future quarters related to unsatisfied performance obligations as of March 31, 2020:

| (In thousands)                | Three months ended |                       |                      |       |
|-------------------------------|--------------------|-----------------------|----------------------|-------|
|                               | June 30,<br>2020   | September 30,<br>2020 | December 31,<br>2020 | Total |
| Deferred mobilization revenue | \$ 267             | 175                   | 175                  | 617   |

#### (5) STOCKHOLDERS' EQUITY AND DILUTIVE EQUITY INSTRUMENTS

##### Accumulated Other Comprehensive Income (Loss) (OCI)

The changes in accumulated other comprehensive income (loss) by component, net of tax, for the quarters ended March 31, 2020 and 2019 are as follows:

| (In thousands)   | Three months ended March 31, 2020 |                                        |                                 | Three months ended March 31, 2019 |                                        |                                 |
|------------------|-----------------------------------|----------------------------------------|---------------------------------|-----------------------------------|----------------------------------------|---------------------------------|
|                  | Balance<br>at<br>12/31/19         | Gains/(losses)<br>recognized<br>in OCI | Remaining<br>balance<br>3/31/20 | Balance<br>at<br>12/31/18         | Gains/(losses)<br>recognized<br>in OCI | Remaining<br>balance<br>3/31/19 |
| Pension benefits | \$ (236)                          | 369                                    | 133                             | \$ 2,194                          | —                                      | 2,194                           |

##### Dilutive Equity Instruments

We had 2,133,439 and 4,327,358 incremental "in-the-money" warrants and restricted stock units at March 31, 2020 and 2019, respectively, which are as follows:



| Total shares outstanding including warrants and restricted stock units | March 31, 2020    | March 31, 2019    |
|------------------------------------------------------------------------|-------------------|-------------------|
| Common shares outstanding                                              | 40,259,917        | 37,381,954        |
| New creditor warrants (strike price \$0.001 per common share)          | 821,308           | 2,070,243         |
| GulfMark creditor warrants (strike price \$0.01 per common share)      | 952,154           | 2,047,015         |
| Restricted stock units                                                 | 359,977           | 210,100           |
| <b>Total</b>                                                           | <b>42,393,356</b> | <b>41,709,312</b> |

We also had 5,923,399 shares of “out-of-the-money” warrants outstanding at March 31, 2020 and 2019, respectively. Included in these “out-of-the-money” warrants are Series A Warrants, Series B Warrants and GLF Equity Warrants which have exercise prices of \$57.06, \$62.28, and \$100.00, respectively.

## **(6) INCOME TAXES**

We use a discrete effective tax rate method to calculate taxes for interim periods instead of applying the annual effective tax rate to an estimate of the full fiscal year due to the level of volatility and unpredictability of earnings in our industry, both overall and by jurisdiction.

Income tax expense for the quarter ended March 31, 2020, reflects tax liabilities in various jurisdictions that are either based on revenue (deemed profit regimes) or pre-tax profits.

The tax liabilities for uncertain tax positions are primarily attributable to permanent establishment issues related to a foreign joint venture, subpart F income inclusions and withholding taxes on foreign services. Penalties and interest related to income tax liabilities are included in income tax expense. Income tax payable is included in other current liabilities.

As of December 31, 2019, our balance sheet reflected approximately \$101.3 million of net deferred tax assets with a valuation allowance of \$103.5 million. As of March 31, 2020, we had net deferred tax assets of approximately \$101.1 million prior to a valuation allowance analysis.

Management assesses all available positive and negative evidence to estimate the company’s ability to generate sufficient future taxable income of the appropriate character, and in the appropriate taxing jurisdictions, to permit use of existing deferred tax assets. A significant piece of objective negative evidence is a cumulative loss incurred over a three-year period in a taxing jurisdiction. Prevailing accounting practice is that such objective evidence would limit the ability to consider other subjective evidence, such as projections for future growth.

On the basis of this evaluation, a valuation allowance of \$103.3 million has been recorded against net deferred tax assets which are more likely than not to be unrealized. The amount of deferred tax assets considered realizable could be adjusted if future estimates of U.S. taxable income change, or if objective negative evidence in the form of cumulative losses is no longer present and subjective evidence, such as financial projections for future growth and tax planning strategies, are given additional weight.

The Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) was enacted on March 27, 2020 in the United States. The CARES Act includes several significant business tax provisions, that are available to the Company, that, among other things, would allow businesses to carry back net operating losses arising after 2017 to the five prior tax years. Considering the available carryback, we have recorded a tax benefit of \$6.9 million related to the realization of net operating loss deferred tax assets on which a valuation allowance was previously recorded.

With limited exceptions, we are no longer subject to tax audits by U.S. federal, state, local or foreign taxing authorities for years prior to 2014. We are subject to ongoing examinations by various foreign tax authorities and do not believe that the results of these examinations will have a material adverse effect on our financial position, results of operations, or cash flows.

## (7) AFFILIATES BALANCES

We maintained the following balances with our unconsolidated affiliates:

| (In thousands)                                          | March 31, 2020 | December 31, 2019 |
|---------------------------------------------------------|----------------|-------------------|
| Due from related parties:                               |                |                   |
| Sonatide (Angola)                                       | \$ 94,958      | \$ 89,246         |
| DTDW (Nigeria)                                          | 33,246         | 36,726            |
|                                                         | 128,204        | 125,972           |
| Due to related parties:                                 |                |                   |
| Sonatide (Angola)                                       | \$ 30,774      | \$ 31,475         |
| DTDW (Nigeria)                                          | 19,239         | 18,711            |
|                                                         | 50,013         | 50,186            |
| Due from related parties, net of due to related parties | \$ 78,191      | \$ 75,786         |

### Amounts due from Sonatide

Amounts due from Sonatide represent cash received by Sonatide from customers and due to us, amounts due from customers that are expected to be remitted to us by Sonatide and costs incurred by us on behalf of Sonatide.

| (In thousands)                                              | Three Months<br>Ended<br>March 31, 2020 |
|-------------------------------------------------------------|-----------------------------------------|
| Due from Sonatide at December 31, 2019                      | \$ 89,246                               |
| Revenue earned by the company through Sonatide              | 11,812                                  |
| Less amounts received from Sonatide                         | (2,691)                                 |
| Less amounts used to offset due to Sonatide obligations (A) | (4,864)                                 |
| Other                                                       | 1,455                                   |
| Total due from Sonatide at March 31, 2020                   | \$ 94,958                               |

(A) We reduced the respective due from affiliates and due to affiliates balances each period through netting transactions based on agreement with the joint venture.

The amounts due from Sonatide are denominated in U.S. dollars; however, the underlying third-party customer payments to Sonatide were satisfied, in part, in Angolan kwanzas. We and Sonangol, our partner in Sonatide, have had discussions regarding how the net losses from the devaluation of certain Angolan kwanza denominated accounts should be shared. In late 2019, we were informed that, as part of a broad privatization program, Sonangol intends to seek to divest itself from the Sonatide joint venture.

After offsetting the amounts due to Sonatide, the net amount due from Sonatide at March 31, 2020 was approximately \$64.2 million. Sonatide had approximately \$45.6 million of cash on hand (approximately \$3.2 million denominated in Angolan kwanzas) at March 31, 2020 plus approximately \$18.9 million of net trade accounts receivable to satisfy the net due from Sonatide. Given prior discussions with our partner regarding how the net losses from the devaluation of certain Angolan kwanza denominated accounts should be shared, we continue to evaluate our net amount due from Sonatide balance for potential impairment based in part on available liquidity held by Sonatide.

## Amounts due to Sonatide

Amounts due to Sonatide represent commissions payable and other costs paid by Sonatide on our behalf.

|                                                               |    | Three Months<br>Ended<br>March 31, 2020 |
|---------------------------------------------------------------|----|-----------------------------------------|
| (In thousands)                                                |    |                                         |
| Due to Sonatide at December 31, 2019                          | \$ | 31,475                                  |
| Plus additional commissions payable to Sonatide               |    | 1,138                                   |
| Plus amounts paid by Sonatide on behalf of the company        |    | 2,336                                   |
| Less commissions paid to Sonatide during the period           |    | —                                       |
| Less amounts used to offset due from Sonatide obligations (A) |    | (4,864)                                 |
| Other                                                         |    | 689                                     |
| Total due to Sonatide at March 31, 2020                       | \$ | 30,774                                  |

(A) We reduced the respective due from affiliates and due to affiliates balances each period through netting transactions based on agreement with the joint venture.

## Sonatide Operations

Sonatide's principal earnings are from the commissions paid by us to the joint venture for company vessels chartered in Angola. In addition, Sonatide owns two vessels that may generate operating income and cash flow.

### Company operations in Angola

Vessel revenues generated by our Angolan operations, percent of consolidated vessel revenues, average number of company owned vessels and average number of stacked company owned vessels of our Angolan operations for the periods indicated were as follows:

|                                                   | Three Months<br>Ended<br>March 31, 2020 | Three Months<br>Ended<br>March 31, 2019 |
|---------------------------------------------------|-----------------------------------------|-----------------------------------------|
| Revenues of Angolan operations (in thousands)     | \$ 12,137                               | \$ 15,000                               |
| Percent of consolidated vessel revenues           | 11%                                     | 13%                                     |
| Number of company owned vessels in Angola         | 28                                      | 35                                      |
| Number of stacked company owned vessels in Angola | 11                                      | 14                                      |

## (8) EMPLOYEE BENEFIT PLANS

### U.S. Defined Benefit Pension Plan

We have a defined benefit pension plan (pension plan) that covers certain U.S. citizen employees and other employees who are permanent residents of the United States. The accrual of benefits was discontinued once the pension plan was frozen during 2010. We did not contribute to the pension plan during the quarters ended March 31, 2020 and 2019, and we are not required to contribute to the pension plan during the remaining quarters of calendar year 2020; however, we may, at our discretion, make contributions to the pension plan in order to manage our plan expenses.

### Supplemental Executive Retirement Plan

We also support a non-contributory and non-qualified defined benefit supplemental executive retirement plan (supplemental plan) which was closed to new participants during 2010, that provided pension benefits to certain employees in excess of those allowed under our tax-qualified pension plan. We contributed \$0.4 million during the three months ended March 31, 2020. We contributed immaterial amounts to the supplemental plan during the three months ended March 31, 2019. We expect to contribute \$1.2 million to the supplemental plan during the remainder of 2020. Our obligations under the supplemental plan were \$21.5 million and \$21.4 million as of March 31, 2020 and December 31, 2019, respectively, and are included in "accrued costs and expenses" and "other liabilities" on the consolidated balance sheet.

## Other Defined Benefit Pension Plans

We also have defined benefit pension plans that cover certain Norwegian citizen employees and other employees who are permanent residents of Norway. Benefits are based on years of service and employee compensation. Our contributions to the Norwegian defined benefit pension plans during the three months ended March 31, 2020 and 2019, respectively, were immaterial and we expect that any contributions during the remainder of calendar year 2020 will be immaterial. Substantially, all of our Norwegian employees were transferred from our defined benefit pension plans into a defined contribution plan during the first quarter of 2020.

## Net Periodic Benefit Costs

The net periodic benefit cost for our defined benefit pension plans and supplemental plan (referred to collectively as "Pension Benefits") is comprised of the following components:

| (In thousands)                       | Three Months<br>Ended<br>March 31, 2020 | Three Months<br>Ended<br>March 31, 2019 |
|--------------------------------------|-----------------------------------------|-----------------------------------------|
| <b>Pension Benefits:</b>             |                                         |                                         |
| Service cost                         | \$ 40                                   | \$ 56                                   |
| Interest cost                        | 225                                     | 932                                     |
| Expected return on plan assets       | (36)                                    | (563)                                   |
| Administrative expenses              | 23                                      | 10                                      |
| Settlement loss                      | 508                                     | —                                       |
| Amortization of net actuarial losses | (44)                                    | 72                                      |
| Net periodic pension cost            | \$ 716                                  | \$ 507                                  |

## (9) DEBT

The following is a summary of all debt outstanding:

| (In thousands)                                     | March 31,<br>2020 | December 31,<br>2019 |
|----------------------------------------------------|-------------------|----------------------|
| <b>Secured notes:</b>                              |                   |                      |
| 8.00% Senior secured notes due August 2022 (A) (B) | \$ 224,793        | \$ 224,793           |
| <b>Troms Offshore borrowings (C):</b>              |                   |                      |
| NOK denominated notes due May 2024                 | 8,587             | 10,260               |
| NOK denominated notes due January 2026             | 16,199            | 20,788               |
| USD denominated notes due January 2027             | 19,044            | 20,273               |
| USD denominated notes due April 2027               | 21,545            | 21,545               |
|                                                    | \$ 290,168        | \$ 297,659           |
| Debt premiums and discounts, net                   | (8,049)           | (8,725)              |
| Less: Current portion of long-term debt            | (9,104)           | (9,890)              |
| <b>Total long-term debt</b>                        | <b>\$ 273,015</b> | <b>\$ 279,044</b>    |

(A) As of March 31, 2020 and December 31, 2019 the fair value (Level 2) of the Secured Notes was \$220.9 million and \$237.6 million, respectively.

(B) The \$12.5 million restricted cash on the balance sheet at March 31, 2020, represents approximately 65% of net proceeds from asset dispositions since the date of the last tender offer and is restricted by the terms of the Indenture.

(C) We pay principal and interest on these notes semi-annually. As of March 31, 2020 and December 31, 2019, the aggregate fair value (Level 2) of the Troms Offshore borrowings was \$65.4 million and \$72.9 million, respectively. The weighted average interest rate of the Troms Offshore borrowings as of March 31, 2020 was 5.0%.

We may from time to time seek to retire or purchase our outstanding debt through cash purchases and/or exchanges for equity securities, in open market purchases, privately negotiated transactions, tender offers, exchange offers, redemptions,

one or more additional offers, or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

## **(10) COMMITMENTS AND CONTINGENCIES**

### **Currency Devaluation and Fluctuation Risk**

Due to our international operations, we are exposed to foreign currency exchange rate fluctuations against the U.S. dollar. For some of our international contracts, a portion of the revenue and local expenses are incurred in local currencies with the result that we are at risk for changes in the exchange rates between the U.S. dollar and foreign currencies. We generally do not hedge against any foreign currency rate fluctuations associated with foreign currency contracts that arise in the normal course of business, which exposes us to the risk of exchange rate losses. To minimize the financial impact of these items, we attempt to contract a significant majority of our services in U.S. dollars. In addition, we attempt to minimize the financial impact of these risks by matching the currency of our operating costs with the currency of our revenue streams when considered appropriate. We continually monitor the currency exchange risks associated with all contracts not denominated in U.S. dollars.

### **Legal Proceedings**

Various legal proceedings and claims are outstanding which arose in the ordinary course of business. In the opinion of management, the amount of ultimate liability, if any, with respect to these actions, will not have a material adverse effect on our financial position, results of operations, or cash flows.

## **(11) FAIR VALUE MEASUREMENTS**

### **Other Financial Instruments**

Our primary financial instruments consist of cash and cash equivalents, restricted cash, trade receivables and trade payables with book values that are considered to be representative of their respective fair values. We occasionally utilize derivative financial instruments to hedge against foreign currency denominated assets and liabilities, currency commitments, or to lock in desired interest rates. These transactions are generally spot or forward currency contracts or interest rate swaps that are entered into with major financial institutions. Derivative financial instruments are intended to reduce our exposure to foreign currency exchange risk and interest rate risk. We enter into derivative instruments only to the extent considered necessary to address our risk management objectives and do not use derivative contracts for speculative purposes. The derivative instruments are recorded at fair value using quoted prices and quotes obtainable from the counterparties to the derivative instruments.

**Cash Equivalents.** Our cash equivalents, which are securities with maturities less than 90 days, are held in money market funds, commercial paper or time deposit accounts with highly rated financial institutions. The carrying value for cash equivalents is considered to be representative of its fair value due to the short duration and conservative nature of the cash equivalent investment portfolio. As of March 31, 2020 and December 31, 2019, we had \$204.0 and \$227.6 million of cash equivalents.

## **(12) PROPERTIES AND EQUIPMENT, ACCRUED COSTS AND EXPENSES, OTHER CURRENT LIABILITIES AND OTHER LIABILITIES**

Our property and equipment consist primarily of 170 vessels located around the world.

A summary of properties and equipment at March 31, 2020 and December 31, 2019 is as follows:

| (In thousands)                                 | March 31,<br>2020 | December 31,<br>2019 |
|------------------------------------------------|-------------------|----------------------|
| Properties and equipment:                      |                   |                      |
| Vessels and related equipment                  | \$ 1,049,058      | \$ 1,051,558         |
| Other properties and equipment                 | 15,493            | 13,119               |
|                                                | 1,064,551         | 1,064,677            |
| Less accumulated depreciation and amortization | 141,572           | 125,716              |
| Properties and equipment, net                  | \$ 922,979        | \$ 938,961           |

A summary of accrued cost and expenses is as follows:

| (In thousands)               | March 31,<br>2020 | December 31,<br>2019 |
|------------------------------|-------------------|----------------------|
| Payroll and related payables | \$ 15,887         | \$ 16,351            |
| Accrued vessel expenses      | 35,404            | 38,383               |
| Accrued interest expense     | 4,535             | 4,570                |
| Other accrued expenses       | 17,028            | 14,696               |
|                              | \$ 72,854         | \$ 74,000            |

A summary of other current liabilities at March 31, 2020 and December 31, 2019 is as follows:

| (In thousands) | March 31,<br>2020 | December 31,<br>2019 |
|----------------|-------------------|----------------------|
| Taxes payable  | \$ 22,383         | \$ 18,661            |
| Other          | 4,570             | 5,439                |
|                | \$ 26,953         | \$ 24,100            |

A summary of other liabilities at March 31, 2020 and December 31, 2019 is as follows:

| (In thousands)                        | March 31,<br>2020 | December 31,<br>2019 |
|---------------------------------------|-------------------|----------------------|
| Pension liabilities                   | \$ 31,822         | \$ 32,545            |
| Liability for uncertain tax positions | 43,630            | 48,577               |
| Deferred tax liability                | 2,571             | 2,571                |
| Other                                 | 13,555            | 14,704               |
|                                       | \$ 91,578         | \$ 98,397            |

### (13) SEGMENT AND GEOGRAPHIC DISTRIBUTION OF OPERATIONS

The following table provides a comparison of segment revenues, vessel operating profit (loss), depreciation and amortization, and additions to properties and equipment for the three months ended March 31, 2020 and 2019. Vessel revenues and operating costs relate to vessels owned and operated by us while other operating revenues relate to other miscellaneous marine-related businesses.

| (In thousands)                                | Three Months<br>Ended<br>March 31, 2020 | Three Months<br>Ended<br>March 31, 2019 |
|-----------------------------------------------|-----------------------------------------|-----------------------------------------|
| <b>Revenues:</b>                              |                                         |                                         |
| Vessel revenues:                              |                                         |                                         |
| Americas                                      | \$ 31,859                               | \$ 35,279                               |
| Middle East/Asia Pacific                      | 24,828                                  | 20,456                                  |
| Europe/Mediterranean                          | 29,491                                  | 28,558                                  |
| West Africa                                   | 25,796                                  | 35,369                                  |
| Other operating revenues                      | 4,394                                   | 2,487                                   |
|                                               | \$ 116,368                              | \$ 122,149                              |
| <b>Vessel operating profit (loss):</b>        |                                         |                                         |
| Americas                                      | \$ (1,164)                              | \$ (1,030)                              |
| Middle East/Asia Pacific                      | (856)                                   | (1,162)                                 |
| Europe/Mediterranean                          | 1,547                                   | (3,317)                                 |
| West Africa                                   | (4,863)                                 | 8,115                                   |
| Other operating profit                        | 1,721                                   | 1,704                                   |
|                                               | \$ (3,615)                              | \$ 4,310                                |
| Corporate expenses                            | (10,042)                                | (15,200)                                |
| Long-lived asset impairments                  | (10,207)                                | —                                       |
| Gain on asset dispositions, net               | 5,331                                   | 1,270                                   |
| <b>Operating loss</b>                         | \$ (18,533)                             | \$ (9,620)                              |
| <b>Depreciation and amortization:</b>         |                                         |                                         |
| Americas                                      | \$ 7,496                                | \$ 6,261                                |
| Middle East/Asia Pacific                      | 5,527                                   | 4,450                                   |
| Europe/Mediterranean                          | 6,819                                   | 7,446                                   |
| West Africa                                   | 6,404                                   | 4,444                                   |
| Corporate                                     | 861                                     | 331                                     |
|                                               | \$ 27,107                               | \$ 22,932                               |
| <b>Additions to properties and equipment:</b> |                                         |                                         |
| Americas                                      | \$ —                                    | \$ 398                                  |
| Middle East/Asia Pacific                      | 680                                     | 1,459                                   |
| Europe/Mediterranean                          | 440                                     | 121                                     |
| West Africa                                   | 751                                     | 243                                     |
| Corporate                                     | 578                                     | 895                                     |
|                                               | \$ 2,449                                | \$ 3,116                                |

The following table provides a comparison of total assets at March 31, 2020 and December 31, 2019:

| (In thousands)           | March 31,<br>2020 | December 31,<br>2019 |
|--------------------------|-------------------|----------------------|
| <b>Total assets:</b>     |                   |                      |
| Americas                 | \$ 369,592        | \$ 375,297           |
| Middle East/Asia Pacific | 272,426           | 270,413              |
| Europe/Mediterranean     | 342,394           | 358,943              |
| West Africa              | 374,040           | 376,087              |
| Corporate                | 194,672           | 198,788              |
|                          | \$ 1,553,124      | \$ 1,579,528         |

#### (14) RESTRUCTURING CHARGES

In the fourth quarter of 2018, we finalized plans to abandon the duplicate office facilities in St. Rose and New Orleans, Louisiana, Houston, Texas and Aberdeen, Scotland with the final lease agreement ending in October 2026. Activity for the lease exit and severance liabilities for the three months ended March 31, 2020 was as follows:

| (In thousands)                             | Lease<br>Exit Costs | Severance | Total    |
|--------------------------------------------|---------------------|-----------|----------|
| Balance at December 31, 2019               | \$ 4,109            | \$ 272    | \$ 4,381 |
| General and administrative costs (credits) | 70                  | (11)      | 59       |
| Cash payments                              | (231)               | (132)     | (363)    |
| Balance at March 31, 2020                  | \$ 3,948            | \$ 129    | \$ 4,077 |

Activity for the lease exit and severance liabilities for the three months ended March 31, 2019 was as follows:

| (In thousands)                             | Lease<br>Exit Costs | Severance | Total    |
|--------------------------------------------|---------------------|-----------|----------|
| Balance at December 31, 2018               | \$ 6,468            | \$ 285    | \$ 6,753 |
| General and administrative costs (credits) | —                   | 3,651     | 3,651    |
| Cash payments                              | (844)               | (3,253)   | (4,097)  |
| Balance at March 31, 2019                  | \$ 5,624            | \$ 683    | \$ 6,307 |

#### (15) ASSET DISPOSITIONS, ASSETS HELD FOR SALE AND ASSET IMPAIRMENTS

In the fourth quarter of 2019, we evaluated our fleet for vessels to be considered for disposal. We determined that 42 of our 61 stacked vessels should be scrapped or sold. In addition, we identified four vessels in our active fleet that should be designated for sale. At December 31, 2019 we reclassified the vessels from property and equipment to assets held for sale. In the three months ended March 31, 2020, we sold 8 of these vessels plus one additional vessel from our active fleet, recognizing net gains totaling \$5.3 million. In the first quarter of 2019, we sold 16 vessels, primarily from our stacked fleet, and recognized gains of \$1.3 million.

In conjunction with the reclassification of vessels from property and equipment at December 31, 2019, we adjusted the carrying value of these assets to the lower of current net book value or the expected net realizable sale value. This resulted in a \$26.7 million charge to impairment expense and the reclassification of the remaining \$39.3 million of carrying value to assets held for sale. At March 31, 2020, we determined that certain of the vessels remaining in our assets held for sale account should be further impaired due to deterioration in the markets. As a result, as of March 31, 2020 we further impaired our asset held for sale by \$10.2 million. We considered this valuation approach to be a Level 3 fair value measurement due to the level of estimation involved in valuing assets to be scrapped or sold. At December 31, 2019, we determined the fair value of the vessels held for sale using three methodologies depending on the vessel and on our planned method of disposition. We designated 20 of the 46 vessels as vessels to be scrapped and valued those vessels using scrap yard pricing schedules based on dollars per ton. Four of the 46 vessels were valued based on sales agreements which closed in the first quarter of 2020. The remaining vessels were valued using comparative sales in the marketplace and reduced by 10% to factor in the effects of completing a quick sale within the next twelve months. At March 31, 2020, we adjusted the expected value of the vessels using the same methodology. We do not separate our asset impairment expense by segment because of the significant movement of our assets between segments.

In early 2020, it became evident that a novel coronavirus originating in Asia (COVID-19) could become a pandemic with worldwide reach. By mid-March, when the World Health Organization declared the outbreak to be a pandemic (the "COVID-19 pandemic"), much of the industrialized world had initiated severe measures to lessen its impact. The ongoing COVID-19 pandemic has created significant volatility, uncertainty, and economic disruption during the first quarter of 2020. With respect to our particular sector, the COVID-19 pandemic has resulted in a much lower demand for oil as national, regional, and local governments impose travel restrictions, border closings, restrictions on public gatherings, stay at home orders, and limitations on business operations in order to contain its spread. During this same time period, oil-producing countries have struggled to reach consensus on worldwide production levels, resulting in both a market oversupply of oil and a precipitous fall in oil prices. Combined, these conditions have adversely affected our operations and business during the latter part of the first quarter of 2020 and expect our operations and business in 2020 to be negatively impacted. The reduction in demand for hydrocarbons together with an unprecedented decline in the price of oil has resulted in our primary customers, the oil and gas companies, making material reductions to their planned spending on offshore projects, compounding the effect of the virus on offshore operations. Further, these conditions, separately or together, may continue to impact the demand for our services, the utilization and/or rates we can achieve for our assets and services, and the outlook for our industry in



general. Although, as of the date of this filing, oil-producing countries have reached a tentative agreement regarding future output, oil prices will remain depressed as long as the market is oversupplied.

We consider these events to be indicators that the value of our offshore vessel fleet may be impaired. As a result, we performed a Step 1 evaluation of our offshore fleet under FASB Accounting Standards Codification 360, which governs the methodology for identifying and recording impairment of long-lived assets to determine if any of our asset groups have net book value in excess of undiscounted future net cash flows. Our evaluation did not indicate impairment of any of our asset groups. We will continue to monitor the expected future cash flows and the fair market value of our asset groups for impairment.

#### **(16) SUBSEQUENT EVENT**

On April 13, 2020, we adopted a Tax Benefits Preservation Plan (the “Plan”) as a measure to protect our existing net operating loss carryforwards and foreign tax credits (“Tax Attributes”) and to reduce our potential future tax liabilities. Use of our Tax Attributes will be substantially limited if we experience an “ownership change” as defined in Section 382 of the Internal Revenue Code (“Section 382”).

While the Plan is in effect, any person or group that acquires beneficial ownership of 4.99% or more of our common stock then outstanding without approval from our Board of Directors (the Board) or without meeting certain customary exceptions would be subject to significant dilution in their ownership interest in our company. Stockholders who currently own 4.99% or more of our outstanding common stock will not trigger the Plan unless they acquire 0.5% or more additional shares of common stock.

Pursuant to the Plan, one right will be distributed to our stockholders for each share of our common stock owned of record at the close of business on April 24, 2020. Each Right would initially represent the right to purchase from the Company one one-thousandth of a share of our Series A Junior Participating Preferred Stock, no par value (the “Preferred Stock”) at a purchase price of \$38.00 per one one-thousandth of a share. The preferred stock will entitle the holder to exercise voting rights, receive dividends, participate in distributions and to have the benefit of all other rights of holders of preferred stock. The Board may redeem the rights in whole, but not in part, for \$0.001 per right (subject to adjustment) at any time prior to the close of business on the tenth business day after the first date of public announcement that any person or group has triggered the Plan.

The rights will expire on the earliest of (i) the close of business on April 13, 2023, (ii) the final adjournment of the 2020 annual meeting if the stockholders fail to ratify the Plan at such meeting, (iii) the time at which the rights are redeemed or exchanged, or (iv) the time at which the Board determines that the Tax Attributes are fully utilized, expired, no longer necessary or become limited under Section 382.

## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **FORWARD-LOOKING STATEMENT**

In accordance with the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, this Quarterly Report on Form 10-Q and the information incorporated herein by reference contain certain forward-looking statements which reflect our current view with respect to future events and future financial performance. Forward-looking statements are all statements other than statements of historical fact. All such forward-looking statements are subject to risks and uncertainties, many of which are beyond the control of the Company, and our future results of operations could differ materially from our historical results or current expectations reflected by such forward-looking statements. Some of these risks and uncertainties include, without limitation, the risks related to fluctuations in worldwide energy demand and oil and natural gas prices, and continuing depressed levels of oil and natural gas prices without a clear indication of if, or when, prices will recover to a level to support renewed offshore exploration activities; fleet additions by competitors and industry overcapacity; our limited capital resources available to replenish our asset base as needed, including through acquisitions or vessel construction, and to fund our capital expenditure needs; uncertainty of global financial market conditions and potential constraints in accessing capital or credit if and when needed with favorable terms, if at all; changes in decisions and capital spending by customers in the energy industry and the industry expectations for offshore exploration, field development and production; consolidation of our customer base; loss of a major customer; changing customer demands for vessel specifications, which may make some of our older vessels technologically obsolete for certain customer projects or in certain markets; rapid technological changes; delays and other problems associated with vessel maintenance; the continued availability of qualified personnel and our ability to attract and retain them; the operating risks normally incident to our lines of business, including the potential impact of liquidated counterparties; our ability to comply with covenants in our indentures and other debt instruments; acts of terrorism and piracy; the impact of regional or global public health crises or pandemics; the impact of potential information technology, cybersecurity or data security breaches; integration of acquired businesses and entry into new lines of business; disagreements with our joint venture partners; natural disasters or significant weather conditions; unsettled political conditions, war, civil unrest and governmental actions, such as expropriation or enforcement of customs or other laws that are not well developed or consistently enforced; the risks associated with our international operations, including local content, local currency or similar requirements especially in higher political risk countries where we operate; interest rate and foreign currency fluctuations; labor changes proposed by international conventions; increased regulatory burdens and oversight; changes in laws governing the taxation of foreign source income; retention of skilled workers; enforcement of laws related to the environment, labor and foreign corrupt practices; the potential liability for remedial actions or assessments under existing or future environmental regulations or litigation; the effects of asserted and unasserted claims and the extent of available insurance coverage; and the resolution of pending legal proceedings.

Forward-looking statements, which can generally be identified by the use of such terminology as “may,” “can,” “potential,” “expect,” “project,” “target,” “anticipate,” “estimate,” “forecast,” “believe,” “think,” “could,” “continue,” “intend,” “seek,” “plan,” and similar expressions contained in this Quarterly Report on Form 10-Q, are not guarantees or assurances of future performance or events. Any forward-looking statements are based on our assessment of current industry, financial and economic information, which by its nature is dynamic and subject to rapid and possibly abrupt changes, which we may or may not be able to control. Further, we may make changes to our business plans that could or will affect our results. While management believes that these forward-looking statements are reasonable when made, there can be no assurance that future developments that affect us will be those that we anticipate and have identified. The forward-looking statements should be considered in the context of the risk factors listed above, discussed in this Quarterly Report on Form 10-Q, and discussed in our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on March 2, 2020, as updated by subsequent filings with the SEC. Investors and prospective investors are cautioned not to rely unduly on such forward-looking statements, which speak only as of the date hereof. Management disclaims any obligation to update or revise any forward-looking statements contained herein to reflect new information, future events or developments.

In certain places in this Quarterly Report on Form 10-Q, we may refer to reports published by third parties that purport to describe trends or developments in energy production and drilling and exploration activity and we specifically disclaim any responsibility for the accuracy and completeness of such information and have undertaken no steps to update or independently verify such information.

The following information contained in this Quarterly Report on Form 10-Q should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto included in Part 1, Item 1 of this Quarterly Report on Form 10-Q and related disclosures and our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on March 2, 2020.

## **About Tidewater**

Our vessels and associated vessel services provide support for all phases of offshore oil and natural gas exploration, field development and production. These services include towing of, and anchor handling for, mobile offshore drilling units; transporting supplies and personnel necessary to sustain drilling, workover and production activities; offshore construction and seismic and subsea support; and a variety of specialized services such as pipe and cable laying. In addition, we have one of the broadest geographic operating footprints in the offshore vessel industry. Our global operating footprint allows us to react quickly to changing local market conditions and to be responsive to the changing requirements of the many customers with which we believe we have strong relationships. We are also one of the most experienced international operators in the offshore energy industry with a history spanning over 60 years.

At March 31, 2020, we owned 208 vessels with an average age of 10.7 years (excluding three joint venture vessels, but including 38 vessels classified as held for sale) available to serve the global energy industry. The average age of our 170 active vessels at March 31, 2020 is 10.1 years.

## **Principal Factors That Drive Our Results**

Our revenues, net earnings and cash flows from operations are largely dependent upon the activity level of our offshore marine vessel fleet. As is the case with the numerous other vessel operators in our industry, our business activity is largely dependent on the level of exploration, field development and production activity of our customers. Our customers' business activity, in turn, is dependent on current and expected crude oil and natural gas prices, which fluctuate depending on expected future levels of supply and demand for crude oil and natural gas, and on estimates of the cost to find, develop and produce crude oil and natural gas reserves.

Our revenues in all segments are driven primarily by our fleet size, vessel utilization and day rates. Because a sizeable portion of our operating and depreciation costs do not change proportionally with changes in revenue, our operating profit is largely dependent on revenue levels.

Operating costs consist primarily of crew costs, repair and maintenance costs, insurance costs, fuel, lube oil and supplies costs and other vessel operating costs. Fleet size, fleet composition, geographic areas of operation, supply and demand for marine personnel, and local labor requirements are the major factors which affect overall crew costs in all segments. In addition, our newer, more technologically sophisticated vessels generally require a greater number of specially trained, more highly compensated fleet personnel than our older, smaller and less sophisticated vessels. Crew costs may increase if competition for skilled personnel intensifies, though a weaker offshore energy market should somewhat mitigate any potential inflation of crew costs.

Costs related to the recertification of vessels are deferred and amortized over 30 months on a straight-line basis. Maintenance costs incurred at the time of the recertification drydocking that are not related to the recertification of the vessel are expensed as incurred. Costs related to vessel improvements that either extend the vessel's useful life or increase the vessel's functionality are capitalized and depreciated.

Insurance costs are dependent on a variety of factors, including our safety record and pricing in the insurance markets, and can fluctuate over time. Our vessels are generally insured for up to their estimated fair market value in order to cover damage or loss resulting from marine casualties, adverse weather conditions, mechanical failure, collisions, and property losses to the vessel. We also purchase coverage for potential liabilities stemming from third-party losses with limits that we believe are reasonable for our operations, but do not generally purchase business interruption insurance or similar coverage. Insurance limits are reviewed annually, and third-party coverage is purchased based on the expected scope of ongoing operations and the cost of third-party coverage.

Fuel and lube costs can also fluctuate in any given period depending on the number and distance of vessel mobilizations, the number of active vessels off charter, drydockings, and changes in fuel prices. We also incur vessel operating costs that are aggregated as "other" vessel operating costs. These costs consist of brokers' commissions, including commissions paid to unconsolidated joint venture companies, training costs, satellite communication fees, agent fees, port fees and other miscellaneous costs. Brokers' commissions are incurred primarily in our non-United States operations where brokers

sometimes assist in obtaining work. Brokers generally are paid a percentage of day rates and, accordingly, commissions paid to brokers generally fluctuate in accordance with vessel revenue.

## **Sonatide Joint Venture**

We previously disclosed the significant financial and operational challenges that we confront with respect to operations in Angola, as well as steps that we have taken to address or mitigate those risks. Most of our attention has been focused in three areas: (i) reducing the net receivable balance due from Sonatide, our Angolan joint venture with Sonangol, for vessel services; (ii) reducing the foreign currency risk created by virtue of provisions of Angolan law that require that payment for a portion of the services provided by Sonatide be paid in Angolan kwanza; and (iii) optimizing opportunities, consistent with Angolan law, for services provided by us to be paid for directly in U.S. dollars. The amounts due from Sonatide are denominated in U.S. dollars; however, the underlying third-party customer payments to Sonatide were satisfied, in part, in Angolan kwanzas. We and Sonangol, our partner in Sonatide, have had discussions regarding how the net losses from the devaluation of certain Angolan kwanza denominated accounts should be shared. In late 2019, we were informed that, as part of a broad privatization program, Sonangol intends to seek to divest itself from the Sonatide joint venture.

Refer to Note (7) of Notes to Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for further details on the Sonatide joint venture.

## **Industry Conditions and Outlook**

Our business is directly impacted by the level of activity in worldwide offshore oil and natural gas exploration, development and production, which in turn is influenced by trends in oil and natural gas prices. In addition, oil and natural gas prices are affected by a host of geopolitical and economic forces, including the fundamental principles of supply and demand. In particular, the oil price is significantly influenced by actions of the Organization of Petroleum Exporting Countries, or OPEC. Prices are subject to significant uncertainty and, as a result, are extremely volatile. The industry experienced a severe downturn beginning in late 2014 that lasted through 2018 with prices falling into the high \$20's per barrel before recovering to average between \$50.00 and \$65.00 per barrel in 2019. We had expected to begin to experience consistent operating cash flow in 2020.

In early 2020, it became evident that a novel coronavirus originating in Asia (COVID-19) could become a pandemic with worldwide reach. By mid-March, when the World Health Organization declared the outbreak to be a pandemic (the "COVID-19 pandemic"), much of the industrialized world had initiated severe measures to lessen its impact. The ongoing COVID-19 pandemic has created significant volatility, uncertainty, and economic disruption during the first quarter of 2020.

With respect to our particular sector, the COVID-19 pandemic has resulted in a much lower demand for oil as national, regional, and local governments impose travel restrictions, border closings, restrictions on public gatherings, stay at home orders, and limitations on business operations in order to contain its spread. During this same time period, oil-producing countries have struggled to reach consensus on worldwide production levels, resulting in both a market oversupply of oil and a precipitous fall in oil prices.

Combined, these conditions have adversely affected our operations and business during the latter part of the first fiscal quarter of 2020 and we expect our operations and business in 2020 to be negatively impacted. The reduction in demand for hydrocarbons together with an unprecedented decline in the price of oil has resulted in our primary customers, the oil and gas companies, making material reductions to their planned spending on offshore projects, compounding the effect of the virus on offshore operations. Further, these conditions, separately or together, may continue to impact the demand for our services, the utilization and/or rates we can achieve for our assets and services, and the outlook for our industry in general. Although, as of the date of this filing, oil-producing countries have reached a tentative agreement regarding future output, crude oil prices will remain depressed as long as the market is oversupplied.

The spread of COVID-19 to one or more of our locations, including our vessels, could significantly impact our operations. While we have implemented various protocols for both onshore and offshore personnel in efforts to limit the impact of COVID-19, there is no assurance that those efforts will be fully successful. The spread of COVID-19 to our onshore workforce could prevent us from supporting our offshore operations, we may experience reduced productivity as our onshore personnel works remotely, and any spread to our key management personnel may disrupt our business. Any outbreak on our vessels may result in the vessel, or some or all of a vessel crew, being quarantined and therefore impede the vessel's ability to generate revenue. We have experienced challenges in connection with our offshore crew changes due to health and travel restrictions related to COVID-19, and those challenges and/or restrictions may continue or worsen despite our

efforts at mitigating them. To the extent the COVID-19 pandemic adversely affects our operations and business, it may also have the effect of heightening many of the other risks set forth in our SEC filings.

The effect on our business includes lockdowns of shipyards where we have vessels performing drydocks which will delay vessels returning to service and the cancellation and/or temporary delay of certain revenue vessel contracts allowed either under the contract provisions or by mutual agreement with our customers. These cancellations and delays affect approximately 20% of our 2020 contracts with durations in excess of one month which typically comprise over 90% of our contractual revenue. It is possible that there will be additional cancellations or delays.

As a company, we have undertaken the following temporary measures to assist us in weathering the COVID 19 pandemic and allow us to recover as soon as possible:

- Planned capital and dry dock expenditures tied to contracts referenced above will be temporarily delayed or cancelled. As a result of the ongoing contract cancellations and delays we have postponed drydocks expected to cost approximately \$20.0 million in 2020. It is possible that additional planned drydocks will be cancelled or delayed due to contract cancellations or delays. We cannot predict the number or cost of any additional cancellations or delays.
- We have the ability to rapidly respond to contract cancellations and delays. We have or will remove the crews and shut down all operations, depending on contract terms, on vessels associated with cancelled or delayed contracts. We are also in the process of evaluating our general and administrative costs to reflect the current demand for our offshore support vessels.

The full impact of the COVID-19 pandemic is unknown and is rapidly evolving. The extent to which it impacts our business and operations will depend on the severity, location, and duration of the effects and spread of the pandemic itself, the actions undertaken by national, regional, and local governments and health officials to contain the virus or treat its effects, and how quickly and to what extent economic conditions improve and normal business and operating conditions resume. As we cannot predict the duration or scope of this pandemic, the anticipated negative financial impact to our operating results cannot be reasonably estimated but could be both material and long-lasting.

We consider these events to be indicators that the value of our offshore vessel fleet may be impaired. As a result, we performed a Step 1 evaluation of our offshore fleet under FASB Accounting Standards Codification 360, which governs the methodology for identifying and recording impairment of long-lived assets to determine if any of our asset groups have net book value in excess of undiscounted future net cash flows. Our evaluation did not indicate impairment of any of our asset groups. Our evaluation did, however, identify one asset group with a net book value of approximately \$40.0 million where the undiscounted future net cash flows total was within 10% of the net book value of that asset group as of March 31, 2020. The eventual impact of the oil price reduction and the COVID 19 pandemic on our future operations is not known. Depending on the severity of the impact, our expected cash flows in future periods could indicate impairment of this identified asset group or other asset groups in our vessel fleet. We will continue to monitor the expected future cash flows and the fair market value of our asset groups for impairment.

#### **Results of Operations – Three Months Ended March 31, 2020 compared to March 31, 2019**

Revenues for the quarters ended March 31, 2020 and 2019, were \$116.4 million and \$122.1 million, respectively. The decrease in revenue is primarily due to the decrease in West Africa, with ten less active vessels. Overall, we had 15 less average active vessels in the first quarter of 2020 than in the first quarter of 2019. Active utilization decreased slightly from 80.6% in 2019 compared to 78.5% in 2020.

Vessel operating costs for the quarters ended March 31, 2020 and 2019, were \$78.8 million and \$82.2 million, respectively. The decrease is primarily due to a decrease in crew costs, as we have 15 less active vessels in our fleet in the first quarter 2020.

Depreciation and amortization expense for the quarters ended March 31, 2020 and 2019, was \$27.1 million and \$22.9 million, respectively. The decrease in depreciation from the sale in 2019 of over 40 vessels was more than offset by the increase in amortization expense related to deferred drydock expenditures.

General and administrative expenses for the quarters ended March 31, 2020 and 2019, were \$21.4 million and \$27.1 million, respectively. The decrease is primarily due to decreased personnel and stock compensation costs related to the significant restructuring of our executive management and corporate administrative functions in 2019.

Included in gain on asset dispositions, net for the quarter ended March 31, 2020, are \$5.3 million of net gains from the disposal of 9 vessels and other assets. During the quarter ended March 31, 2019, we recognized net gains of \$1.3 million related to the sale of 16 vessels and other assets.

During the quarter ended March 31, 2020 we recognized foreign exchange gains of \$0.9 million and during the quarter ended March 31, 2019 we recognized foreign exchange losses of \$0.5 million. The foreign exchange gains and losses were primarily the result of the revaluation of our Norwegian kroner-denominated debt to our U.S. dollar reporting currency.

The following table compares vessel revenues and vessel operating costs by geographic segment for our owned and operated vessel fleet and the related percentage of vessel revenue for the periods indicated:

| (In thousands)               | Three Months Ended<br>March 31, 2020 |      | Three Months Ended<br>March 31, 2019 |      |
|------------------------------|--------------------------------------|------|--------------------------------------|------|
|                              |                                      | %    |                                      | %    |
| Vessel revenues:             |                                      |      |                                      |      |
| Americas                     | \$ 31,859                            | 28%  | \$ 35,279                            | 29%  |
| Middle East/Asia Pacific     | 24,828                               | 22%  | 20,456                               | 17%  |
| Europe/Mediterranean         | 29,491                               | 26%  | 28,558                               | 24%  |
| West Africa                  | 25,796                               | 23%  | 35,369                               | 30%  |
| Total vessel revenues        | \$ 111,974                           | 100% | \$ 119,662                           | 100% |
| Vessel operating costs:      |                                      |      |                                      |      |
| Americas:                    |                                      |      |                                      |      |
| Crew costs                   | \$ 14,186                            | 45%  | \$ 17,099                            | 49%  |
| Repair and maintenance       | 2,171                                | 7%   | 3,619                                | 10%  |
| Insurance                    | 417                                  | 1%   | 741                                  | 2%   |
| Fuel, lube and supplies      | 2,615                                | 8%   | 2,445                                | 7%   |
| Other                        | 2,673                                | 8%   | 2,772                                | 8%   |
|                              | \$ 22,062                            | 69%  | \$ 26,676                            | 76%  |
| Middle East/Asia Pacific:    |                                      |      |                                      |      |
| Crew costs                   | \$ 10,085                            | 41%  | \$ 8,627                             | 42%  |
| Repair and maintenance       | 2,586                                | 10%  | 1,581                                | 8%   |
| Insurance                    | 591                                  | 2%   | 589                                  | 3%   |
| Fuel, lube and supplies      | 2,665                                | 11%  | 2,335                                | 11%  |
| Other                        | 1,696                                | 7%   | 1,733                                | 9%   |
|                              | \$ 17,623                            | 71%  | \$ 14,865                            | 73%  |
| Europe/Mediterranean :       |                                      |      |                                      |      |
| Crew costs                   | \$ 11,696                            | 40%  | \$ 13,059                            | 46%  |
| Repair and maintenance       | 3,141                                | 11%  | 2,578                                | 9%   |
| Insurance                    | 431                                  | 1%   | 561                                  | 2%   |
| Fuel, lube and supplies      | 1,098                                | 4%   | 1,891                                | 7%   |
| Other                        | 2,522                                | 9%   | 2,994                                | 10%  |
|                              | \$ 18,888                            | 64%  | \$ 21,083                            | 74%  |
| West Africa:                 |                                      |      |                                      |      |
| Crew costs                   | \$ 8,520                             | 33%  | \$ 9,360                             | 26%  |
| Repair and maintenance       | 2,700                                | 10%  | 1,923                                | 5%   |
| Insurance                    | 346                                  | 1%   | 287                                  | 1%   |
| Fuel, lube and supplies      | 3,374                                | 13%  | 2,674                                | 8%   |
| Other                        | 5,312                                | 21%  | 5,335                                | 15%  |
|                              | \$ 20,252                            | 79%  | \$ 19,579                            | 55%  |
| Vessel operating costs:      |                                      |      |                                      |      |
| Crew costs                   | \$ 44,487                            | 40%  | \$ 48,145                            | 40%  |
| Repair and maintenance       | 10,598                               | 9%   | 9,701                                | 8%   |
| Insurance                    | 1,785                                | 2%   | 2,178                                | 2%   |
| Fuel, lube and supplies      | 9,752                                | 9%   | 9,345                                | 8%   |
| Other                        | 12,203                               | 11%  | 12,834                               | 11%  |
| Total vessel operating costs | \$ 78,825                            | 70%  | \$ 82,203                            | 69%  |

The following table presents general and administrative expenses in our four geographic segments both individually and in total and the related general and administrative expenses as a percentage of the vessel revenues of each segment and in total for the quarter ended March 31, 2020 and 2019:

| (In thousands)                                    | Three Months Ended<br>March 31, 2020 |     | Three Months Ended<br>March 31, 2019 |     |
|---------------------------------------------------|--------------------------------------|-----|--------------------------------------|-----|
|                                                   |                                      | %   |                                      | %   |
| Segment general and administrative expenses:      |                                      |     |                                      |     |
| Americas                                          | \$ 3,465                             | 11% | \$ 3,371                             | 10% |
| Middle East/Asia Pacific                          | 2,534                                | 10% | 2,302                                | 11% |
| Europe/Mediterranean                              | 2,238                                | 8%  | 3,346                                | 12% |
| West Africa                                       | 4,001                                | 16% | 3,233                                | 9%  |
| Total segment general and administrative expenses | \$ 12,238                            | 11% | \$ 12,252                            | 10% |

The following table presents segment depreciation and amortization expense by our four geographic segments, the related segment vessel depreciation and amortization expense as a percentage of segment vessel revenues, total segment depreciation and amortization expense and the related total segment depreciation and amortization expense as a percentage of total vessel revenues for the quarter ended March 31, 2020 and 2019:

| (In thousands)                                      | Three Months Ended<br>March 31, 2020 |     | Three Months Ended<br>March 31, 2019 |     |
|-----------------------------------------------------|--------------------------------------|-----|--------------------------------------|-----|
|                                                     |                                      | %   |                                      | %   |
| Segment depreciation and amortization expense:      |                                      |     |                                      |     |
| Americas                                            | \$ 7,496                             | 24% | \$ 6,261                             | 18% |
| Middle East/Asia Pacific                            | 5,527                                | 22% | 4,450                                | 22% |
| Europe/Mediterranean                                | 6,819                                | 23% | 7,446                                | 26% |
| West Africa                                         | 6,404                                | 25% | 4,444                                | 13% |
| Total segment depreciation and amortization expense | \$ 26,246                            | 23% | \$ 22,601                            | 19% |

The following table compares operating loss and other components of loss and its related percentage of total revenue for the quarter ended March 31, 2020 and 2019:

| (In thousands)                  | Three Months Ended<br>March 31, 2020 |       | Three Months Ended<br>March 31, 2019 |       |
|---------------------------------|--------------------------------------|-------|--------------------------------------|-------|
|                                 |                                      | %     |                                      | %     |
| Vessel operating profit (loss): |                                      |       |                                      |       |
| Americas                        | \$ (1,164)                           | (1%)  | \$ (1,030)                           | (1%)  |
| Middle East/Asia Pacific        | (856)                                | (1%)  | (1,162)                              | (1%)  |
| Europe/Mediterranean            | 1,547                                | 1%    | (3,317)                              | (3%)  |
| West Africa                     | (4,863)                              | (4%)  | 8,115                                | 7%    |
| Other operating profit          | 1,721                                | 1%    | 1,704                                | 1%    |
|                                 | (3,615)                              | (3%)  | 4,310                                | 3%    |
| Corporate expenses              | (10,042)                             | (9%)  | (15,200)                             | (12%) |
| Gain on asset dispositions, net | 5,331                                | 5%    | 1,270                                | 1%    |
| Long-lived asset impairments    | (10,207)                             | (9%)  | —                                    | —     |
| Operating loss                  | \$ (18,533)                          | (16%) | \$ (9,620)                           | (8%)  |

#### Results for three months ended March 31, 2020 compared to March 31, 2019

**Americas Segment Operations.** Vessel revenues in the Americas segment decreased 10%, or \$3.4 million, during the quarter ended March 31, 2020, as compared to the quarter ended March 31, 2019. This decrease is primarily the result of four fewer active vessels and the reduction in active utilization from 87.2% in 2019 to 85.7% in 2020. However, average day rates increased by 4% partially offsetting these declines.



Vessel operating loss for the Americas segment for the quarter ended March 31, 2020 was \$1.2 million, which was \$0.1 million **more** than the operating loss for the quarter ended March 31, 2019. The decrease in revenue was substantially, but not completely, offset by the decrease in operating costs.

**Middle East/Asia Pacific Segment Operations.** Vessel revenues in the Middle East/Asia Pacific segment increased 21%, or \$4.4 million, during the quarter ended March 31, 2020, as compared to the quarter ended March 31, 2019. Active utilization for the quarter ended March 31, 2020 increased from 76.1% to 77.7%, average day rates increased 9% and average active vessels in the segment increased by four.

The Middle East/Asia Pacific segment reported an operating loss of \$0.9 million for the quarter ended March 31, 2020, compared to an operating loss of \$1.2 million for the quarter ended March 31, 2019 primarily due to increased revenue.

**Europe/Mediterranean Segment Operations.** Vessel revenues in the Europe/Mediterranean segment increased 3%, or \$0.9 million, during the quarter ended March 31, 2020, as compared to the quarter ended March 31, 2019. Average day rates during these same periods increased 14% because of increasing demand for vessels in the North Sea and Mediterranean. Active utilization also increased 3 percentage points during the quarter ended March 31, 2020 compared to the quarter ended March 31, 2019. However, the vessel fleet decreased by four active vessels which partially offset these improvements.

The Europe/Mediterranean segment reported an operating profit of \$1.5 million for the quarter ended March 31, 2020, compared to an operating loss of \$3.3 million for the quarter ended March 31, 2019 due to increased revenue and a \$2.2 million decrease in operating costs, primarily due to lower personnel and fuel and supply costs.

**West Africa Segment Operations.** Vessel revenues in the West Africa segment decreased 27% or \$9.6 million, during the quarter ended March 31, 2020, as compared to the quarter ended March 31, 2019. The West Africa active vessel fleet decreased by ten vessels during the comparative periods. West Africa segment active utilization decreased as well from 76.8% during the first quarter of 2019 to 67.8% during the first quarter of 2020, and average day rates decreased slightly by less than 1 percent.

Vessel operating profit for the West Africa segment decreased from \$8.1 million for the quarter ended March 31, 2019 to an operating loss of \$4.9 million in the quarter ended March 31, 2020 primarily due to decreased revenue, coupled with higher operating costs.

#### **Vessel Utilization and Average Day Rates by Segment**

Vessel utilization is determined primarily by market conditions and to a lesser extent by drydocking requirements. Vessel day rates are determined by the demand created largely through the level of offshore exploration, field development and production spending by energy companies relative to the supply of offshore support vessels. Specifications of available equipment and the scope of service provided may also influence vessel day rates. Vessel utilization rates are calculated by dividing the number of days a vessel works during a reporting period by the number of days the vessel is available to work in the reporting period. As such, stacked vessels depress utilization rates because stacked vessels are considered available to work and are included in the calculation of utilization rates. Average day rates are calculated by dividing the revenue a vessel earns during a reporting period by the number of days the vessel worked in the reporting period.

Vessel utilization and average day rates are calculated on all vessels in service (which includes stacked vessels and vessels in drydock) but do not include vessels owned by joint ventures (3 and 4 vessels at March 31, 2020 and 2019, respectively).

The following tables compare day-based utilization percentages, average day rates and average total, active and stacked vessels by segment for the quarter ended March 31, 2020 and 2019:

|                                        | Three Months<br>Ended<br>March 31, 2020 | Three Months<br>Ended<br>March 31, 2019 |
|----------------------------------------|-----------------------------------------|-----------------------------------------|
| <b>SEGMENT STATISTICS:</b>             |                                         |                                         |
| <b>Americas fleet:</b>                 |                                         |                                         |
| Utilization                            | 57.1%                                   | 48.4%                                   |
| Active utilization                     | 85.7%                                   | 87.2%                                   |
| Average vessel day rates               | 11,854                                  | 11,436                                  |
| Average total vessels                  | 52                                      | 71                                      |
| Average stacked vessels                | (17)                                    | (32)                                    |
| Average active vessels                 | 35                                      | 39                                      |
| <b>Middle East/Asia Pacific fleet:</b> |                                         |                                         |
| Utilization                            | 63.0%                                   | 61.5%                                   |
| Active utilization                     | 77.7%                                   | 76.1%                                   |
| Average vessel day rates               | 7,863                                   | 7,205                                   |
| Average total vessels                  | 55                                      | 51                                      |
| Average stacked vessels                | (10)                                    | (10)                                    |
| Average active vessels                 | 45                                      | 41                                      |
| <b>Europe/Mediterranean fleet:</b>     |                                         |                                         |
| Utilization                            | 63.6%                                   | 60.1%                                   |
| Active utilization                     | 87.3%                                   | 84.1%                                   |
| Average vessel day rates               | 12,514                                  | 10,964                                  |
| Average total vessels                  | 41                                      | 48                                      |
| Average stacked vessels                | (11)                                    | (14)                                    |
| Average active vessels                 | 30                                      | 34                                      |
| <b>West Africa fleet:</b>              |                                         |                                         |
| Utilization                            | 45.7%                                   | 49.4%                                   |
| Active utilization                     | 67.8%                                   | 76.8%                                   |
| Average vessel day rates               | 9,539                                   | 9,627                                   |
| Average total vessels                  | 65                                      | 83                                      |
| Average stacked vessels                | (21)                                    | (29)                                    |
| Average active vessels                 | 44                                      | 54                                      |
| <b>Worldwide fleet:</b>                |                                         |                                         |
| Utilization                            | 56.4%                                   | 53.6%                                   |
| Active utilization                     | 78.5%                                   | 80.6%                                   |
| Average vessel day rates               | 10,267                                  | 9,806                                   |
| Average total vessels                  | 213                                     | 253                                     |
| Average stacked vessels                | (60)                                    | (85)                                    |
| Average active vessels                 | 153                                     | 168                                     |

Average active vessels exclude stacked vessels. We consider a vessel to be stacked if the vessel crew is furloughed or substantially reduced and limited maintenance is being performed on the vessel. We reduce operating costs by stacking vessels when management does not foresee opportunities to profitably or strategically operate the vessels in the near future. Vessels are stacked when market conditions warrant and they are no longer considered stacked when they are returned to active service, sold or otherwise disposed. When economically practical marketing opportunities arise, the stacked vessels can be returned to active service by performing any necessary maintenance on the vessel and either rehiring or returning fleet personnel to operate the vessel. Although not currently fulfilling charters, stacked vessels are included in the calculation of utilization statistics. We had 59 and 71 stacked vessels at March 31, 2020 and 2019, respectively.

## Vessel Dispositions

We seek opportunities to sell and/or scrap our older vessels when market conditions warrant and opportunities arise. The majority of our vessels are sold to buyers who do not compete with us in the offshore energy industry. Vessels sales in 2020 included eight vessels that were classified as assets held for sale and one vessel from our active fleet. The following is a summary of the number of vessels disposed of by segment:

|                                           | Three Months<br>Ended<br>March 31, 2020 | Three Months<br>Ended<br>March 31, 2019 |
|-------------------------------------------|-----------------------------------------|-----------------------------------------|
| Number of vessels disposed of by segment: |                                         |                                         |
| Americas                                  | 1                                       | 13                                      |
| Middle East/Asia Pacific                  | 2                                       | 1                                       |
| Europe/Mediterranean                      | 6                                       | 2                                       |
| West Africa                               | —                                       | —                                       |
| Total                                     | 9                                       | 16                                      |

## Liquidity, Capital Resources and Other Matters

### Availability of Cash

At March 31, 2020, we had \$204.0 million in cash and cash equivalents (including restricted cash), including amounts held by foreign subsidiaries, the majority of which is available to us without adverse tax consequences. Included in foreign subsidiary cash are balances held in U.S. dollars and foreign currencies that await repatriation due to various currency conversion and repatriation constraints, or partner or tax related matters, prior to the cash being made available for remittance to our domestic accounts. We currently intend that earnings by foreign subsidiaries will be indefinitely reinvested in foreign jurisdictions in order to fund strategic initiatives (such as investment, expansion and acquisitions), fund working capital requirements and repay debt (both third-party and intercompany) of our foreign subsidiaries in the normal course of business. Moreover, we do not currently intend to repatriate earnings of our foreign subsidiaries to the U. S. because cash generated from our domestic businesses and the repayment of intercompany liabilities from foreign subsidiaries are currently deemed to be sufficient to fund the cash needs of our operations in the U. S.

During the first quarter of 2020, the industry was impacted by a world-wide pandemic that had the effect of isolating people across the world and significantly reducing the demand and price for crude oil. See a detailed discussion under "Industry Conditions and Outlook" above. The reduced oil price will impact our industry in the near term and if it is prolonged could impact us beyond this year. We have significant cash on hand and the substantial portion of our debt is due in 2022. As a company, we have undertaken the following temporary measures to assist us in weathering the pandemic and allow us to recover as soon as possible:

- Planned capital and dry dock expenditures tied to contracts cancellations and delays will be temporarily delayed or cancelled. As a result of the ongoing contract cancellations and delays we have postponed drydocks expected to cost approximately \$20.0 million in 2020. It is possible that additional planned drydocks will be cancelled or delayed due to contract cancellations or delays. We cannot predict the number or cost of such possible cancellations or delays.
- We have the ability to rapidly respond to contract cancellations and delays. We have or will remove the crews and shut down all operations, depending on contract terms on vessels associated with cancelled or delayed contracts. We are also in the process of evaluating our general and administrative costs to reflect the current demand for our offshore support vessels.

Our objective in financing our business is to maintain adequate financial resources and access to sufficient levels of liquidity. We do not have a revolving credit facility. Cash and cash equivalents and future net cash provided by operating activities provide us, in our opinion, with sufficient liquidity to meet our liquidity requirements.

## Debt

Refer to Note (9) of Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for further details on our indebtedness.

We may from time to time seek to retire or purchase our outstanding debt through cash purchases and/or exchanges for equity securities, in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

### **Operating Activities**

Net cash used in operating activities for the quarters ended March 31, 2020 and 2019, was \$27.5 million and \$3.2 million, respectively.

Net cash used in operations for the quarter ended March 31, 2020, reflects a net loss of \$18.5 million, which includes non-cash depreciation and amortization of \$27.1 million, gain on asset dispositions, net of \$5.3 million and long-lived asset impairments of \$10.2 million. Combined changes in operating assets and liabilities and in amounts due to/from affiliate, net used \$18.1 million in cash and cash paid for deferred drydocking and survey costs was \$24.9 million.

Net cash used in operations for the quarter ended March 31, 2019 reflects a net loss of \$21.3 million, which includes non-cash depreciation and amortization of \$22.9 million, gain on asset dispositions, net of \$1.3 million and stock-based compensation expense of \$5.6 million. Combined changes in operating assets and liabilities and in amounts due to/from affiliate, net, provided \$3.2 million of cash and cash paid for deferred drydock and survey costs of \$12.3 million.

### **Investing Activities**

Net cash provided by investing activities for the quarters ended March 31, 2020 and 2019, was \$7.0 million and \$6.5 million, respectively. Net cash provided by investing activities for the quarter ended March 31, 2020 primarily reflects the receipt of \$9.5 million related to the disposal of nine vessels. Additions to properties and equipment were comprised of approximately \$1.9 million in capitalized upgrades to existing vessels and equipment and \$0.5 million for other property and equipment purchases.

Net cash provided by investing activities for the quarter ended March 31, 2019 primarily reflects the receipt of \$9.7 million related to the disposal of 16 vessels. Additions to properties and equipment were comprised of approximately \$2.2 million in capitalized upgrades to existing vessels and equipment and \$0.9 million for other property and equipment purchases.

### **Financing Activities**

Net cash used in financing activities for the quarters ended March 31, 2020 and 2019, was \$3.1 million and \$3.1 million, respectively. Net cash used in financing activities for the quarter ended March 31, 2020 included \$2.6 million of scheduled semiannual principal payments on Troms offshore debt and \$0.5 million of taxes paid to related share-based compensation.

Net cash used in financing activities for the quarter ended March 31, 2019 included \$1.3 million of scheduled semiannual principal payments on Troms offshore debt, \$1.6 million of taxes paid to related share-based compensation and the repurchase of \$0.2 million of New Secured Notes resulting from a tender offer.

### **Other Liquidity Matters**

#### **Contractual Obligations and Other Contingent Commitments**

We did not have any material changes in our contractual obligations and commercial commitments since the end of fiscal year 2019. Refer to Part II, Item 7 in our Annual Report on Form 10-K for the year ended December 31, 2019, for information regarding our contractual obligations and other contingent commitments.

#### **Application of Critical Accounting Policies and Estimates**

Our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on March 2, 2020, describes the accounting policies that are critical to reporting our financial position and operating results and that require management's most difficult, subjective or complex judgments. This Quarterly Report on Form 10-Q should be read in

conjunction with the discussion contained in our Annual Report on Form 10-K for the year ended December 31, 2019, regarding these critical accounting policies.

### **New Accounting Pronouncements**

For information regarding the effect of new accounting pronouncements, refer to Notes (2) and (3) of Notes to Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There were no material changes in the quarter ended March 31, 2020 to the market risk disclosures contained in Item 7A in our Annual Report on Form 10-K for the year ended December 31, 2019.

### **ITEM 4. CONTROLS AND PROCEDURES**

#### **Evaluation of Disclosure Controls and Procedures**

Disclosure controls and procedures are designed with the objective of ensuring that all information required to be disclosed in our reports filed under the Securities Exchange Act of 1934, as amended (Exchange Act), such as this Quarterly Report on Form 10-Q, is recorded, processed, summarized and reported, within the time periods specified in the SEC rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. However, any control system, no matter how well conceived and followed, can provide only reasonable, and not absolute, assurance that the objectives of the control system are met.

We evaluated, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2020.

#### **Changes in Internal Control Over Financial Reporting**

There has been no change in our internal control over financial reporting that occurred during the quarter ended March 31, 2020, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

Various legal proceedings and claims are outstanding which arose in the ordinary course of business. In the opinion of management, the amount of ultimate liability, if any, with respect to these actions, will not have a material adverse effect on our financial position, results of operations, or cash flows. Information related to various commitments and contingencies, including legal proceedings, is disclosed in Note (11) of Notes to the Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

### ITEM 1A. RISK FACTORS

The significant factors known to us that could materially adversely affect our business, financial condition, or operating results are described in Item 2 of Part I of this Quarterly Report on Form 10-Q and in Item 1A of Part I of our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on March 2, 2020, except for the addition of the following risk factors.

#### Risks Related to our Business

***The COVID-19 pandemic has adversely affected and may, in the future, have a material negative impact on our operations and business.*** In early 2020, it became evident that a novel coronavirus originating in Asia (COVID-19) could become a pandemic with worldwide reach. By mid-March, when the World Health Organization declared the outbreak to be a pandemic (the “COVID-19 pandemic”), much of the industrialized world had taken severe measures to lessen its impact. The ongoing COVID-19 pandemic has created significant volatility, uncertainty, and economic disruption during the first quarter of 2020.

The spread of COVID-19 to one or more of our locations, including our vessels, could significantly impact our operations. While we have implemented various protocols for both onshore and offshore personnel in efforts to limit the impact of COVID-19, there is no assurance that those efforts will be fully successful. The spread of COVID-19 to our onshore workforce could prevent us from supporting our offshore operations, we may experience reduced productivity as our onshore personnel works remotely, and any spread to our key management personnel may disrupt our business. Any outbreak on our vessels may result in the vessel, or some or all of a vessel crew, being quarantined and therefore impede the vessel's ability to generate revenue. We have experienced challenges in connection with our offshore crew changes due to health and travel restrictions related to COVID-19, and those challenges and/or restrictions may continue or worsen despite our efforts at mitigating them. To the extent the COVID-19 pandemic adversely affects our operations and business, it may also have the effect of heightening many of the other risks set forth in our SEC filings, such as those relating to our financial performance and debt obligations.

The full impact of the COVID-19 pandemic is unknown and is rapidly evolving. The extent to which it impacts our business and operations and ability to preserve our liquidity will depend on the severity, location, and duration of the effects and spread of the pandemic itself, the actions undertaken by national, regional, and local governments and health officials to contain the virus or treat its effects, and how quickly and to what extent economic conditions improve and normal business and operating conditions resume. As we cannot predict the duration or scope of this pandemic, the anticipated negative financial impact to our operating results cannot be reasonably estimated but could be both material and long-lasting.

***Recent disruptions in the global market for oil and natural gas, which have led to market oversupply and depressed commodity prices, have adversely affected our operations and may, in the future, materially disrupt our operations and adversely impact our business and financial results.*** With respect to our particular sector, the COVID-19 pandemic has resulted in a much lower demand for oil as national, regional, and local governments impose travel restrictions, border closings, restrictions on public gatherings, stay at home orders, and limitations on business operations in order to contain its spread. During this same time period, oil-producing countries have struggled to reach consensus on worldwide production levels, resulting in both a market oversupply of oil and a precipitous fall in oil prices.

Combined, these conditions have adversely affected our operations and business during the latter part of the first fiscal quarter of 2020 and we do expect our operations and business in 2020 to be negatively impacted. The reduction in demand for hydrocarbons together with an unprecedented decline in the price of oil has resulted in our primary customers, the oil and gas companies, making material reductions to their planned spending on offshore projects, compounding the effect of the virus on offshore operations. Further, these conditions, separately or together, may continue to impact the demand for

our services, the utilization and/or rates we can achieve for our assets and services, and the outlook for our industry in general. Although, as of the date of this filing, oil-producing countries have reached a tentative agreement regarding future output, oil prices will remain depressed as long as the market is oversupplied and demand will remain depressed until global economic conditions improve.

## ITEM 6. EXHIBITS

| Exhibit Number | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2.1            | <a href="#"><u>Joint Prepackaged Chapter 11 Plan of Reorganization of Tidewater Inc. and its Affiliated Debtors dated May 11, 2017 (filed with the Commission as Exhibit A to Exhibit T3E.1 to the company's application for the qualification of indentures on Form T-3 filed on May 12, 2017, File No. 22-29043).</u></a>                                                                                                                                                                                                 |
| 2.2            | <a href="#"><u>Disclosure Statement for Joint Prepackaged Chapter 11 Plan of Reorganization of Tidewater Inc. and its Affiliated Debtors dated May 11, 2017 (filed with the Commission as Exhibit T3E.1 to the company's application for the qualification of indentures on Form T-3 filed on May 12, 2017, File No. 22-29043).</u></a>                                                                                                                                                                                     |
| 2.3            | <a href="#"><u>Second Amended Joint Prepackaged Chapter 11 Plan of Tidewater Inc. and Its Affiliated Debtors dated July 13, 2017 (filed with the Commission as Exhibit 2.1 to the company's current report on Form 8-K filed on July 18, 2017, File No. 1-6311).</u></a>                                                                                                                                                                                                                                                    |
| 2.4            | <a href="#"><u>Agreement and Plan of Merger by and between Tidewater Inc. and GulfMark Offshore, Inc., dated as of July 15, 2018 (filed with the Commission as Exhibit 2.1 to the company's current report on Form 8-K filed on July 16, 2018, File No. 1-6311).</u></a>                                                                                                                                                                                                                                                    |
| 3.1            | <a href="#"><u>Amended and Restated Certificate of Incorporation of Tidewater Inc. dated July 31, 2017 (filed with the Commission as Exhibit 3.1 to the company's current report on Form 8-K filed on July 31, 2017, File No. 1-6311).</u></a>                                                                                                                                                                                                                                                                              |
| 3.2            | <a href="#"><u>Second Amended and Restated By-Laws of Tidewater Inc. dated November 15, 2018 (filed with the Commission as Exhibit 3.2 to the company's registration statement on Form 8-A filed on November 15, 2018, File No. 1-6311).</u></a>                                                                                                                                                                                                                                                                            |
| 3.3            | <a href="#"><u>Certificate of Designations of Series A Junior Participating Preferred Stock of Tidewater Inc. (filed with the Commission as Exhibit 3.1 to the company's current report on Form 8-K filed on April 14, 2020, File No. 1-6311).</u></a>                                                                                                                                                                                                                                                                      |
| 4.1            | <a href="#"><u>Indenture for 8.00% Senior Secured Notes due 2022 among Tidewater Inc., each of the Guarantors party thereto, and Wilmington Trust, National Association, as Trustee and Collateral Agent dated as of July 31, 2017 (filed with the Commission as Exhibit 4.1 to the company's current report on Form 8-K filed on July 31, 2017, File No. 1-6311).</u></a>                                                                                                                                                  |
| 4.2            | <a href="#"><u>Tax Benefits Preservation Plan by and between the Company and Computershare Trust Company, N.A., a federally chartered trust company, as Rights Agent, dated as of April 13, 2020, which includes the Form of Certificate of Designations as Exhibit A, Form of Right Certificate as Exhibit B and the Summary of Rights to Purchase Preferred Shares as Exhibit C. (filed with the Commission as Exhibit 3.1 to the company's current report on Form 8-K filed on April 14, 2020, File No. 1-6311).</u></a> |
| 10.1           | <a href="#"><u>Restructuring Support Agreement, dated May 11, 2017 (filed with the Commission as Schedule 1 to Exhibit A to Exhibit T3E.1 to the company's application for the qualification of indentures on Form T-3 filed on May 12, 2017, File No. 22-29043).</u></a>                                                                                                                                                                                                                                                   |
| 10.2           | <a href="#"><u>Amendment and Restatement Agreement No. 4 to the Troms Facility Agreement, dated May 11, 2017 (filed with the Commission as Exhibit C to Schedule 1 to Exhibit A to Exhibit T3E.1 to the company's application for the qualification of indentures on Form T-3 filed on May 12, 2017, File No. 22-29043).</u></a>                                                                                                                                                                                            |
| 10.3           | <a href="#"><u>Creditor Warrant Agreement between Tidewater Inc., as Issuer and Computershare Inc. and Computershare Trust Company, N.A., collectively as Warrant Agent dated July 31, 2017 (filed with the Commission as Exhibit 10.1 to the company's current report on Form 8-K filed on July 31, 2017, File No. 1-6311).</u></a>                                                                                                                                                                                        |

| Exhibit Number | Description                                                                                                                                                                                                                                                                                                                                                                                              |
|----------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10.4           | <a href="#"><u>Existing Equity Warrant Agreement between Tidewater Inc., as Issuer and Computershare Inc. and Computershare Trust Company, N.A., collectively as Warrant Agent dated July 31, 2017 (filed with the Commission as Exhibit 10.2 to the company's current report on Form 8-K filed on July 31, 2017, File No. 1- 6311).</u></a>                                                             |
| 10.5           | <a href="#"><u>Equity Warrant Agreement, dated as of November 14, 2017, between GulfMark Offshore, Inc. and American Stock Transfer &amp; Trust Company, LLC, as Warrant Agent (filed with the Commission as Exhibit 4.1 to the company's registration statement on Form 8-A filed on November 15, 2018, File No. 1-6311).</u></a>                                                                       |
| 10.6           | <a href="#"><u>Assignment, Assumption and Amendment Agreement, dated as of and effective November 15, 2018, by and among GulfMark Offshore, Inc., Tidewater Inc. and American Stock Transfer &amp; Trust Company, LLC, as Warrant Agent (filed with the Commission as Exhibit 4.2 to the company's registration statement on Form 8-A filed on November 15, 2018, File No. 1-6311).</u></a>              |
| 10.7           | <a href="#"><u>Noteholder Warrant Agreement, dated as of November 14, 2017, between GulfMark Offshore, Inc. and American Stock Transfer &amp; Trust Company, LLC, as Warrant Agent (filed with the Commission as Exhibit 4.1 to the company's current report on Form 8-K filed on November 16, 2018, File No. 1-6311).</u></a>                                                                           |
| 10.8           | <a href="#"><u>Assignment, Assumption and Amendment Agreement – Jones Act Warrants, dated as of and effective November 15, 2018, by and among GulfMark Offshore, Inc., Tidewater Inc. and American Stock Transfer &amp; Trust Company, LLC, as Warrant Agent (filed with the Commission as Exhibit 4.2 to the company's current report on Form 8-K filed on November 16, 2018, File No. 1-6311).</u></a> |
| 10.9+*         | <a href="#"><u>Form of Retention Bonus Program Letter Agreement.</u></a>                                                                                                                                                                                                                                                                                                                                 |
| 31.1*          | <a href="#"><u>Certification of the Chief Executive and Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u></a>                                                                                                                                                                  |
| 32.1**         | <a href="#"><u>Certification of the Chief Executive and Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u></a>                                                                                                                                                                                                              |
| 101.INS*       | Inline XBRL Instance Document – The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document.                                                                                                                                                                                                                                   |
| 101.SCH*       | Inline XBRL Taxonomy Extension Schema.                                                                                                                                                                                                                                                                                                                                                                   |
| 101.CAL*       | Inline XBRL Taxonomy Extension Calculation Linkbase.                                                                                                                                                                                                                                                                                                                                                     |
| 101.DEF*       | Inline XBRL Taxonomy Extension Definition Linkbase.                                                                                                                                                                                                                                                                                                                                                      |
| 101.LAB*       | Inline XBRL Taxonomy Extension Label Linkbase.                                                                                                                                                                                                                                                                                                                                                           |
| 101.PRE*       | Inline XBRL Taxonomy Extension Presentation Linkbase.                                                                                                                                                                                                                                                                                                                                                    |
| 104            | Cover Page Interactive Data File (embedded within the Inline XBRL document).                                                                                                                                                                                                                                                                                                                             |

\* Filed with this quarterly report on Form 10-Q.

\*\* Furnished with the quarterly report on Form 10-Q.

+ Indicates a management contract or compensatory plan or arrangement



## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized

TIDEWATER INC.

\_\_\_\_\_  
(Registrant)

Date: May 11, 2020

/s/ Samuel R. Rubio

\_\_\_\_\_  
Samuel R. Rubio

Vice President, Chief Accounting Officer and Controller

(Principal Accounting Officer and authorized signatory)



March [ ], 2020

[ ]

[ ]

[ ]

**Re: 2018 Retention Bonus**

Dear [ ]:

In recognition of your continuing key role at Tidewater Inc. (the “Company”), you shall be entitled to a Retention bonus based upon the terms and conditions set forth in this letter agreement (this “Agreement”). This agreement shall become effective upon the date that it has been signed by the employee (the “Effective Date”).

1. Retention Bonus. You shall be entitled to a retention bonus of [ ] (the “Performance Bonus”), payable according to the terms outlined below, subject to your continued employment through 1 year following the Effective Date.

Payment of the Retention Bonus is separate from, and in addition to, your regular salary and benefits and therefore, this Agreement is not subject to the terms and conditions contained in any employment contract, offer letter or other employment communication or policy.

2. Payment Schedule. The Retention Bonus will be paid to you in **one** cash installment payment equal to one hundred percent (100%) of the amount of the Retention Bonus (less all required tax withholdings). The Payment will be paid to you no later than April 31st.

The payments hereunder shall not be taken into account for purposes of any other compensation or benefit program of the Company or any of its subsidiaries.

3. Release of Claims. Your Retention Bonus shall be contingent on your executing and not revoking an agreement, in a standard form provided by the Company, granting a full release of all actual and potential claims you have or may have against the Company or its affiliates. Such release will provide for a fixed review period and 7-day revocation period, as set forth in the release form.
  4. 409A. The payments and benefits under this Agreement are intended to be exempt from Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations and guidance promulgated thereunder (collectively “Section 409A”) and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be exempt from Section 409A.
-

5. Assignment. You may not assign your rights under this Agreement except upon your death. The Company may assign its obligations hereunder to any successor (including any acquirer of substantially all of the assets of the Company).
6. Entire Agreement. This Agreement sets forth the entire understanding of the Company and you regarding the subject matter hereof and supersedes all prior agreements, understandings and inducements, whether express or implied, oral or written; *provided, however*, this Agreement does not impact, alter, modify, amend or otherwise supersede any of the rights or obligations of either party under any employment agreement or arrangement, or any existing severance agreements in place between you and the Company or any of its subsidiaries. No modification or amendment of this Agreement shall be effective without a prior written agreement signed by you and the Company.
7. Notices. All notices, approvals and other communications required or permitted to be given under this Agreement shall be in writing and shall be validly served or given if delivered in person, electronically (with read receipt acknowledgment), mailed by first class mail (registered or certified, return receipt requested), or overnight air courier with proof of delivery (i) if to the Company, at its principal corporate offices addressed to the attention of General Counsel, and (ii) if to you, at your home address as such address may appear on the records of the Company or any of its subsidiaries, or to such other address as such party may hereafter specify in written notice to the other party.
8. Confidentiality. You hereby agree, to the maximum extent permitted by law, to, and cause your affiliates and representatives to, keep confidential the existence and the terms of this Agreement; *provided, however*, that (i) you may disclose the terms of this Agreement to your financial or legal advisers who reasonably need to have access to such information to provide services to you, provided that you have made such advisors aware of the confidential nature of such information prior to disclosure, and (ii) you may disclose the terms of this Agreement if required to do so by any applicable legal requirement so long as reasonable prior notice of such required disclosure is given to the Company.
9. Governing Law; WAIVER OF JURY TRIAL. To the maximum extent permitted by law, this Agreement is governed by and to be construed in accordance with the laws of the State of Texas, without regard to conflicts of laws principles thereof. The parties to this Agreement each hereby irrevocably submits to the non-exclusive jurisdiction of Texas or federal court sitting in Harris County in any action or proceeding arising out of or relating to this Agreement, and all such parties hereby irrevocably agree that all claims in respect of such action or proceeding may be heard and determined in Texas or federal court and hereby irrevocably waive, to the fullest extent that they may legally do so, the defense of an inconvenient forum to the maintenance of such action or proceeding. **EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT.**

10. Tax. Amounts payable under this Agreement shall be subject to withholding for federal, state, local or foreign taxes (including, but not limited to, any social security contributions) as shall be required to be withheld pursuant to any applicable law or regulation.
11. Waiver. Failure by either party to exercise, or any delay in exercising, any right or remedy provided under this Agreement or by law shall not constitute a waiver of that or any other right or remedy, nor shall it prevent or restrict any further exercise of that or any other right or remedy.
12. Severability. In case any provision in this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.
13. Counterpart Originals. This Agreement may be executed in two or more counterparts, and by the different parties in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement electronically (including portable document format (pdf.)) or by facsimile shall be as effective as delivery of a manually executed counterpart of this Agreement.

To accept this Agreement, please sign where indicated below, and return the entire document no later than March 31, 2020.

Sincerely

TIDEWATER INC.

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By: David Darling  
Title: Vice President & CHRO

ACCEPTED AND AGREED AS OF THE  
EFFECTIVE DATE:

By: [ ] Date: \_\_\_\_\_

*Remainder of this page intentionally left blank.*

**CERTIFICATION PURSUANT TO RULE 13a-14 OR 15d-14 OF THE SECURITIES EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Quintin V. Kneen, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tidewater Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. As principal executive officer and principal financial officer, I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a - 15(e) and 15d - 15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. As principal executive officer and principal financial officer, I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors:
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 11, 2020

/s/ Quintin V. Kneen

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Quintin V. Kneen

Chief Executive Officer and Chief Financial Officer

**CERTIFICATION PURSUANT TO**  
**18 U.S.C. SECTION 1350,**  
**AS ADOPTED PURSUANT TO**  
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Tidewater Inc. (the “company”) for the quarter ended March 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Quintin V. Kneen, President, Chief Executive Officer, and Chief Financial Officer, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- 1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the company.

Date: May 11, 2020

/s/ Quintin V. Kneen

\_\_\_\_\_  
Quintin V. Kneen

Chief Executive Officer and Chief Financial Officer

A signed original of this written statement has been provided to the company and will be retained by the company and furnished to the Securities and Exchange Commission or its staff upon request.

The certification the registrant furnishes in this exhibit is not deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section. Registration Statements or other documents filed with the Securities and Exchange Commission shall not incorporate this exhibit by reference, except as otherwise expressly stated.