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The Tidewater Enabler (built 2010) Photo: Tidewater

Investor Robotti urges Tidewater to merge again

US investment advisor writes to OSV owners' board to recommend further consolidation in sector

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by Gary Dixon

US investor Bob Robotti is urging OSV giant Tidewater to find another merger partner.

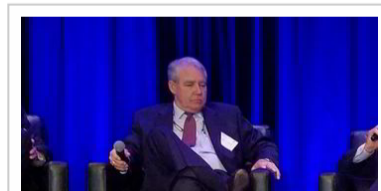
His Robotti & Company Advisors has a 6.1% stake in the OSV owner worth \$40m.

Robotti has written to the board of Tidewater recommending that it drives further consolidation in the sector as prospects improve.



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Last year's merger with GulfMark Offshore created the world's biggest offshore vessel fleet, following Tidewater's Chapter XI restructuring.

Robotti also wants to see the number of directors cut from 10 to seven, to increase efficiency.

The investor, who was vocal in favour of a tie-up between BW LPG and Dorian LPG last year, said: "Prior combinations have proven to be value-creating endeavors, and the potential for further consolidation synergies is dramatic (whether as the acquirer or acquiree), especially given the dearth of capital at this time in the industry cycle.

"Enabled by its large global fleet and strong balance sheet, it is imperative that Tidewater continues the much needed consolidation. This is the path to positive cash flows."

He added: "Relative to its peers, Tidewater's board is too large and poorly structured."

"There have been several examples of missed opportunities, from missed consolidation opportunities to assets that have gone un-acquired. We believe this is due, in part, to structural issues."

Action critical

Robotti said that it is critical that Tidewater "not simply wait" for industry conditions to improve, but act aggressively to take advantage of its unique position in the industry.

"Waiting for a more robust industry recovery before taking action is not a valid strategy, will lead to huge missed opportunities and further delay the process of converting cash into recurring cash flow generating assets," he added.

The GulfMark merger led to 40% lower administration costs, he argued.

It also optimised the asset base, with non-competitive vessels in the combined fleets being weeded out.

Robotti pointed out that Tidewater has long been an example of the advantages of industry consolidation.

As far back as 1991, it completed a "transformative" merger with Zapata, which set up a period of further opportunistic consolidation and a multi-year period of out-performance, he said.

"We believe the industry sits at a similar inflection point today," he added.

Robotti believes there are "abundant potential merger candidates."

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