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Tidewater Activist Moves to Shoot Down Rights Plan, Pushes Consolidation

Activist investor Bob Robotti wants two shareholder-appointed board seats if the company is to go ahead with a tax-benefit preservation plan

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By Matt Coyne In Stamford



Tidewater's 2,369-gt Garza Tide (built 2009).

The company is trying to get approval for a tax-benefit preservation plan from shareholders.
Photo: Ivan Ivanov/MarineTraffic

One of Tidewater's biggest shareholders is pushing back against a plan to preserve its ability to carry forward losses over concerns it could keep the company from consolidating the ailing offshore sector.

Bob Robotti of New York-based Robotti & Co sent the Houston offshore support vessel owner a letter on Tuesday stating its opposition to Tidewater's tax-benefits preservation plan unless the company agrees to replace two board members with directors elected by shareholders.

The plan, pitched to investors in April, sees one one-thousandth of a preferred share offered for \$38 should an outsider acquire 5% or more of the company. It is an effort to prevent an unexpected ownership change that would keep Tidewater from applying losses to future net income.

"While we have been guiding and patient, as friendly but actively engaged investors, we firmly believe that the time for consolidation is now, and note our concern with the tax plan," Robotti wrote.

"Carpe Diem!" he wrote, using the Latin phrase for "seize the day".

He added that a merger could add between \$50m and \$75m in gross margin and save between \$40m and \$50m.

Robotti — who upped his stake in Tidewater to 3.1m shares, or 7.7%, from 2.9m shares alongside with the letter — wrote that he would not vote for the plan at Tidewater's annual meeting without the two new directors that would look out for shareholders' best interests.

Tidewater shrunk its board from 10 to seven late last year at Robotti's behest after he took a more activist stance.

"The two new directors need to REPLACE NOT EXPAND existing independent board members," the letter read.

"Increasing the number of directors would make the board less efficient and inappropriately increase costs."

Tidewater declined to comment.

Mergers and acquisitions

Consolidation has long been a desire in the offshore sector, which has spent the better part of a decade in a downturn brought on by two oil price collapses, including the one in March.

But potential mergers and acquisition deals have been prevented in part by high levels of debt and a large number of private owners.

Analysts have said the most recent run of cheap oil and the economic downturn brought on by Covid-19 have dragged down the sector once again, but with less protection as companies were already running leaner. One player, Hornbeck Offshore, has already declared bankruptcy.

Tidewater has publicly encouraged consolidation and encouraged competitors to sell ships or scrap them, as it estimates the global offshore fleet was oversupplied by as many as 500 vessels.

At the start of the year, the company said it intended to scrap 46 of its ships, earning it \$40m. On its first quarter earnings call, chief executive Quintin Kneen said that he would speed that process up and expand it, expecting vessel activity to fall off by as much as a quarter.

"We've got to lighten the ship. It's the only way we're going to sail through this storm. You can't sail through the storm dragging a fleet of anchors," he said on the call. (Copyright)

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Click the link below to read Bob Robotti's letter to the Tidewater Inc. Board of Directors:

<https://advisors.robotti.com/blog-items/carpe-diem-read-robottis-letter-to-the-tdw-board-re-consolidation/>