

Offshore Supply Market Update

Of the 13,592 vessels and 3,687 barges Marcon tracks as of early February 2021, 3,112 are supply and tug supply boats, with 375 officially on the market for sale. 66.81% of foreign and 72.26% of U.S. flag supply / tug supply boats Marcon has officially listed for sale are directly from Owners. In addition to those for sale, Marcon has 116 straight supply and tug supply vessels listed for charter worldwide, but there are many more in today's market idle and hungry for employment.

1,153 of the vessels tracked by Marcon are crew, fast supply & pilot boats with 237 officially on the market for sale, plus 39 boats are available for charter worldwide. 43.5% of the boats officially for sale are U.S. flag. 60 crew boats for sale worldwide were built within the last 10 years. 73 boats, or 30.80%, are 25 years of age or older. The oldest boat listed is a 51', 460BHP 1961 built and located U.S. West Coast. This vessel is counterbalanced by seven foreign 2020 built 45.9' to 90.6' LOA crew boats, six of which are located in the Mediterranean and the other in the Far East.

There have been some small signs of improvement in offshore supply vessel activity in the Gulf of Mexico. Rates have reportedly firmed up a bit, but overall the market remains depressed. With oil prices rising (now above \$60), there is some positive impact, however the outlook remains unclear. The U.S. offshore market is digesting the impact of the Biden Administration's Executive Order 14008, issued on January 27, 2021, which bans new development in federal offshore waters. This has already resulted in the cancellation of lease sales. Although this ban may eventually drive oil and gas prices higher, it remains unclear who the beneficiaries will be. Foreign markets, such as Mexico and Trinidad, will likely benefit more from the resurgence in commodity prices than U.S. operators. Several state governors have signed a letter asking the Biden Administration to reconsider the order.

Various offshore vessel companies remain in a restructuring phase, trying to right-size their fleets with the most attractive assets going forward. PSVs continue to sell at extremely low prices compared to peak 2014 levels. There are examples of vessels built in the early 2000s selling for scrap and vessels around 10 years of age selling at around 10% to 33% of their previous levels. Newly constructed vessels, especially in China, are running at less than 50% of previous levels. Charterers are taking advantage of the market, demanding newer vessels at bargain rates. It will take a multi-year sustained resurgence in oil and gas prices for utilization to tighten and drive rates back to reasonable levels.

Offshore companies continue to deal with COVID-19. Travel restrictions and quarantines make crewing and operations difficult, especially internationally. There is hope that this challenge will gradually subside during 2021 as vaccines roll out and countries reopen their borders.

Tug supply boats officially on the market for sale in total is 154, eight more than one year ago, March 2020 and 13 more than five years ago, February 2016. Composition in the last year has changed with the biggest shifts being 12 more 12,000-plus HP, four more 8-9,000HP, three more 9-10,000HP and three fewer 7-8,000HP AHTSs offered. In today's market many additional vessels, probably equal to or greater than the number "officially" listed can be developed on a private & confidential basis – just a phone call or e-mail away. In general, serious buyers can pick up relatively newer vessels now than in the past. February 2016, the average age of all AHTSs for sale was 17 years old, where U.S.-flag vessels averaged 29 years and foreign-flag AHTSs averaged 17 year. Today, the average age is 15 years old, with U.S.-flag AHTSs averaging 25 years and foreign-flag averaging 14 years old. At the time of this report, 42 tug supply boats officially for sale were either built within the last 10 years or are newbuilding re-sales. Only 10.39% of tug supply boats are 25 years of age. One 5,150BHP and one 12,240BHP newbuilding AHTS resales were scheduled for delivery in 2020. Five years ago, 32.62% of AHTSs for sale were at least 25 years old; one year ago, 12.33% were at least 25 years old; both more than today's 10.39%, reflecting the purging of older units from the fleets over the past five years. At February 2021, the oldest AHTS available from Marcon was built in 1971.

Compared to one year ago, we have 75 more PSVs listed for sale. The greatest changes in the vessel size composition are 27 more over 240' with an average age of 14 years vs 13, 19 more 200'-220' (16 years old vs 17 years old), 13 more 220'-240' (21 years vs 22 years) and six more each 150'-160' (20 vs 21 years) and 180'-190' (24 vs 33 years) PSVs presently on the market. Unlike the anchor handling tug supply boats, PSVs now being offered are generally older than those offered back in February 2016 with the average age of all available for sale increasing from 17 years of age to 20 years old now. As of this report, Marcon officially has available 37 supply boats built within the last ten years, which includes two 213', 4,000BHP newbuilding re-sales which were scheduled for delivery in 2020 in the Far East. 44 PSVs, or 19.91%, are 25 years of age or older, with the oldest PSV listed built in 1971 - compared to one year ago when 42 PSVs (28.77%) were older than 25 years with the oldest a 1971-built PSV. Five years ago, the two oldest PSVs on the market for sale were built in 1969, but 44 PSVs (33.59%) were older than 25 years.

February 2021's number of crew boats officially on the market for sale by Marcon at 237 is up five from one year ago in March 2020 and up 18, or 8.22%, from five years ago in February 2016. Over the last year, composition of LOA ranges has changed with the biggest shifts being six fewer 30'-40' LOA with an average age of 21 years (vs. 20 years old one year ago), five more 130' and up LOA (average age now 18 vs. 17 one year ago), four more 60'-70' LOA (25 years old now vs. 31 years old March 2020) and four fewer 30'-40' LOA (24 years vs. 25 years) crew boats offered. As of this report, 25.32% of the crew boats available are less than 10 years old, up from the 23.28% reported one year ago, but down from the 33.33% reported five years ago. In looking at overall fleet age and then by U.S.-flagged versus foreign flagged, over the past five years we can see an increase in the age of crew boats on the market. Five years ago, the average age of all on the market through Marcon was 18 years, compared to 21 years one year ago and 22 years as of this report. Older U.S.-flagged vessels remain on the market, aging from 24 years in 2016 to 30 years in both 2020 and now. Foreign flagged crew boats' age remained steady at 15 years at all three time points, but are still almost half the age of U.S. vessels. According to IHS Fairplay Sea-web, of crew boats greater than 99GT, 47 are shown as of February 9, 2021 as scuttled, scrapped or to be broken up. This is up 15 or 46.88% from one year ago. We have seen this same trend in smaller crew boats as we are told that they were scrapped by owners due to lack of work and purchase interest.

According to **IHS Fairplay Sea-Web**, as of February 9, 2021, there were 7,230 "sea-going" supply vessels over 100GRT worldwide. This is down 0.25% or 18 vessels since March 2020, reflecting the continued scrapping of older OSVs that had been laid up for the past few years. Total horsepower of this fleet is 40,925,980BHP, down 226,693BHP or 0.55% since last year. The largest national fleet of supply vessels worldwide in horsepower and count sails under U.S. registry, with the U.S. operating 805 supply vessels, or 11.13% of the world market, totaling 4,034,059HP (9.86% of global HP) with an 18.8 year average age, the same as the worldwide fleet. Since March 2020, the U.S. fleet declined by 1.83%, or 15 OSVs, while horsepower decreased 53,552BHP or 1.31%. Compared to five years ago, February 2016, the worldwide fleet is down 4.02% or 303 vessels while horsepower is down 2.54% or 1,065,091BHP. Average horsepower increased from 5,574BHP to 5,661BHP over the past five years, reflecting the trend of higher horsepower vessels replacing older units. The U.S. fleet is down 160 vessels, or 16.58%, total horsepower decreased by 14.10% or 662,397BHP and average horsepower increased from 4,867BHP to 5,011BHP.

According to **Colton Co.**, only one offshore service vessel, the 204' PSV "Seacor Mixtixa" for Seacor Offshore, was delivered from US shipyards in 2020. This is compared to five offshore service vessels delivered in 2019 and five in 2018. According to the **U.S. Coast Guard Merchant Vessels of the U.S.** database, four offshore service vessels, including the "Seacor Mixtixa" were built in 2020; two built in 2019 and six built in 2018.

Since Marcon's first sale in 1983, we have sold or chartered 1,516 vessels and barges, including 83 PSVs, 80 AHTS totaling 383,363BHP, 110 crew / pilot boats, 34 research / survey vessels, 20 utility boats, 19 seismic vessels, nine dive vessels and one drill ship.