

“Oceanteam withstands the storm to capitalise on potential”

Surviving in offshore services demands the ultimate in entrepreneurship

Like most offshore service companies, Dutch-Norwegian Oceanteam has had a hard time of it over the past few years. The slump in oil and gas prices have impacted on both the order books and earnings, forcing a far-reaching reorganisation, a drastic write-off in the value of ships and equipment and repeated refinancing. The offshore market is now showing cautious signs of recovery and Oceanteam is ready to achieve its potential. “We’ve nothing more to lose,” says CEO Haico Halbesma at the publication of the company’s 2017 results. “The only way is up.”

Survival in the offshore market requires both sea legs and entrepreneurial talent. The market for support ships, offshore equipment and associated services is extremely cyclical. The order flow responds closely to oil prices and that offers both enormous opportunities and threats. If the price is high, it’s a new production and exploration bonanza. But when the oil price plunges and stays down, as it did in 2013, work dries up and the service providers struggle.

Haico Halbesma has experienced both good and bad times. Together with his father, he has built up offshore services companies three times. The first two were taken over by others during the good years. The third company, Oceanteam, has been fighting for its life for some time. “We are facing very strong headwinds and it takes real entrepreneurship to adapt the company and working methods, to switch to new activities where there is demand and to find the financial room to make the necessary investments,” he says. “This is where tomorrow’s successes are built. If the oil market recovers further, we will be ready to benefit from the potential this company has.”

Over the past year, the company has come under repeated pressure, and has hit an all-time low. The shares on the Oslo stock exchange had slumped into penny stock territory, costing less than a Norwegian crown. “We’ve nothing more to lose in terms of our stock market value,” says Halbesma, who owns 36% of the shares, together with his father. “Luckily, through all the refinancing processes, we have been able to avoid watering down our shareholders’ stakes as much as possible,” he says. “When the market turns and we are able to realise our potential, our shareholders will profit fully as well.”

Anticipating the market

Oceanteam is constantly on the hunt for new opportunities in new regions and in new activities. Halbesma spends some 150 days a year flying between the Netherlands, China, Singapore, Australia and Mexico. It’s a quest which, over the years, has permanently changed the shape of the company.

Oceanteam was launched in 2005 as a shipping company which had developed an advanced type of support vessel and focused on marine contracting. In addition, Oceanteam had identified good opportunities for renting equipment for projects or for on other ships. In 2008, the company then built up its engineering arm KCI which focuses on developing advanced equipment for new applications, particularly for supporting complete projects such as the laying of major undersea cables. That led to the birth of Oceanteam Solutions alongside the shipping firm.

To finance this expansion and innovation, Oceanteam listed on the Oslo stock exchange. “Many offshore firms are based in Norway and you see that reflected on the stock exchange,” Halbesma says. “Investors there understand the sector. And we had experience of the Norwegian stock exchange with our other companies, so it was a logical choice.” The IPO at the end of 2006 was a success and Oceanteam could get to work.

The credit crisis, however, put pressure on financing with third party assets. In 2009 Oceanteam was forced to restructure its bonds and loans and in 2012, a refinancing process was successfully completed. But the company felt the squeeze again in the autumn of 2013, when the oil markets plunged.

Roller coaster

Shortly before the drop in oil prices Oceanteam had teamed up with its Mexican counterpart Diavaz. “The privatisation of state-owned oil company Pemex provided excellent opportunities for a market reshuffle,” says Halbesma. “Those opportunities continue to present themselves and the joint venture remains an important trump card, although market perspectives need to be improved before oil companies will invest there and we can actually play it.”

Oceanteam tried to fill the vacuum created by a stagnant oil and gas sector with commissions from the offshore wind industry. It proved to be very difficult to acquire a slice of the highly competitive wind farm construction market, but Oceanteam did manage to gain a foothold in the fast-growing niche market of offshore cabling, needed to connect wind farms and national electricity and communications networks.

However, these new activities did not offset shrinking turnover and profit margins. “We were forced to phase out certain activities. Our staff went down from 400 to 100 people in a couple of years,” Halbesma says. “It is painful to have to say goodbye to staff and contractors who have played such an important part in the great things we have done over the years.”

The company’s finances ran into difficulties again when Oceanteam had to write down the value of its ships and equipment. “Our operational cash flow remained in the black and still is, but as long as our assets are in the possession of the banks, who are financing our various projects, we do not have complete access to these funds,” he says. In the end, efforts at financial crisis management were not effective enough: by the end of 2016 the company had to come to an agreement with the banks and the shareholders about another round of restructuring.

Operational improvements

In the confusion surrounding the crisis, Oceanteam made mistakes. The CFO had to step down at the request of accountants firm KPMG which eventually approved the annual report but with two reservations. The subsequently appointed interim CFO could not clarify matters, which worried shareholders who demanded further scrutiny. KPMG withdrew its services at the beginning of this year, leaving Oceanteam with the urgent task of finding a new accountant.

Thanks to new CFO Jos van Dijk, the financial and risk-management issues are being sorted out. Oceanteam is conducting forensic research into a number of purchase transactions executed by former staff members which were questioned by KPMG.

“We will get to the bottom of all remaining issues as soon as possible and will be completely answerable to our shareholders as to the outcome and handling of these issues,” Halbersma says. “At the same time we must secure the future of the company. We are no longer able to afford the high costs of audits and the stock market listing.” A likely solution will consist of a stock market exit and a merger between Norwegian Oceanteam ASA with the group’s Dutch company.

Turning point

A merger will also cut back the cost of the Oslo office and operations will be concentrated on a 25-strong team based in Amsterdam. The recent sale of subsidiary company KCI to Dutch shipbuilder Royal IHC will give the engineering company the space it needs to develop and allows Oceanteam to invest in its divisions Shipping and Solutions. This, says Halbesma, means the company is ready to face the future.

“The loss of share price liquidity is a small price to pay for maintaining the potential value of Oceanteam. We can now upscale our activities in a recovering market and use funding from the earn-out accord we negotiated during the sale of KCI. We have travelled a very difficult road with our shareholders, to a point where we had nothing more to lose. Once all the issues have been addressed, we will realise potential value with a streamlined company.”

Drop quotes

- *Four-year crisis in the oil and gas market*
- *Continuing search for opportunities*
- *Innovation strengthens position in niche markets*

Timeline:

Turbulent times

Founding of Oceanteam shipping company which develops a new offshore vessel	2005	
Development of maritime contracting activities using ships and equipment	2006	Need for capital forces stock market listing: Oslo stock exchange listing with a share issue and the entry of external shareholders
Start of engineering firm KCI which develops a new generation of equipment	2008	
Development of offshore equipment rental services (Oceanteam Solutions)	2009	Restructuring and favourable refinancing of expensive credit crisis bond
	2012	Refinancing successfully completed
Start of joint-venture as a response to privatisation in Mexico	2013	
Switch to offshore wind and rental services to fill gap left by loss of oil & gas revenues.	2014	Sharp drop in oil price, commissions fall
Far-reaching reorganisation and cutbacks	2015	Impairment of assets weakens balance sheet
CFO steps down	2016	Second financial restructuring with haircut for banks and bondholders
Improvements to financial and risk management, tackling of accountancy issues	2017	Minority shareholders demand further scrutiny
KCI sold to Royal IHC, forensic investigation into dubious transactions instigated	2018	Preparations for stock exchange exit and new refinancing round