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Market Intelligence

**Tidewater Inc.** NYSE:TDW

*Earnings Call*

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# Call Participants

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*Executive VP & Chief Operating Officer*

**Quintin V. Kneen**

*President, CEO & Director*

**Samuel R. Rubio**

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*Senior Vice President of Strategy, Corporate Development & IR*

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# Presentation

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## Operator

Thank you for standing by. My name is Jordan, and I'll be your conference operator today. At this time, I'd like to welcome everyone to the Tidewater Inc. Q4 and Full Year 2025 Earnings Conference Call. [Operator Instructions] I'd now like to turn the call over to West Gotcher, Senior Vice President of Strategy, Corporate Development and Investor Relations. Please go ahead.

## West Gotcher

*Senior Vice President of Strategy, Corporate Development & IR*

Thank you, Jordan. Good morning, everyone, and welcome to Tidewater's Fourth Quarter and Full Year 2025 Earnings Conference Call. I'm joined on the call this morning by our President and CEO, Quintin Kneen; our Chief Financial Officer, Sam Rubio; and our Chief Operating Officer, Piers Middleton. During today's call, we'll make certain statements that are forward-looking and referring to our plans and expectations. There are risks, uncertainties and other factors that may cause the company's actual performance to be materially different from that stated or implied by any comments that we're making during today's conference call.

Please refer to our most recent Form 10-K for additional details on these factors. These documents are available on our website at [tdw.com](http://tdw.com) or through the SEC at [sec.gov](http://sec.gov).

Information presented on this call speaks only as of today, March 3, 2026. Therefore, you're advised that any time-sensitive information may no longer be accurate at the time of any replay. Also during the call, we'll present both GAAP and non-GAAP financial measures. A reconciliation of GAAP to non-GAAP financial measures can be found in our earnings release located on our website at [tdw.com](http://tdw.com).

And now with that, I'll turn the call over to Quintin.

## Quintin V. Kneen

*President, CEO & Director*

Thank you, West. Good morning, everyone, and welcome to the Tidewater Fourth Quarter and Full Year 2025 Earnings Conference Call. I'll start the call this morning discussing Tidewater's performance during 2025, providing some highlights of the fourth quarter, update you on our current views on capital allocation and then discuss our outlook for the market and vessel supply and demand, including our initial thoughts on any impact from operation to Epic Fury. West will then provide some additional detail on our financial outlook and give you our 2026 guidance. Piers will give you an overview of the global markets and global operations, and then Sam will wrap it up with our consolidated financial results.

Entering 2025, there was a good deal of uncertainty as to how the market would unfold and what the pace of offshore activity would look like. Our view is not dissimilar, but we did believe that the broader set of demand drivers for our vessels would help deliver a year consistent to 2024, which proved to be the case. In the face of last year's softer offshore drilling demand and general macro uncertainty, I'm pleased to say that Tidewater nonetheless delivered its best year in recent memory by nearly every metric. We generated year-over-year revenue growth, gross margin expansion and average day rate growth. We generated EBITDA of nearly \$600 million and generated nearly \$430 million of free cash flow, well outpacing the free cash flow generated in 2024, which itself was the recent high point for the offshore industry activity.

This performance against the broader industry backdrop not only speaks to the resiliency of Tidewater's business model, but also to the resiliency of the company we've endeavored to build over the last 8 years with a relentless focus on scalable infrastructure and operational excellence. Fourth quarter revenue and gross margin came in ahead of our expectations. Revenue came in at \$336.8 million due primarily to higher-than-anticipated average day rate and slightly better-than-anticipated utilization. Gross margin came in at nearly 49% for the quarter, an improvement quarter-over-quarter and about 250 basis points better than we expected. Fleet utilization continued to benefit from better-than-anticipated uptime and lower-than-expected down for repair time and drydock days.

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Additionally, during the fourth quarter, we completed a strategic internal restructuring of our vessel ownership to consolidate a significant portion of the fleet under a single wholly owned U.S. entity. During the fourth quarter, we generated \$151 million of free cash flow, bringing the full year 2025 total free cash flow to nearly \$430 million. Fourth quarter free cash flow came in materially higher than the first 3 quarters of the year, which was the result of a meaningful working capital benefit, which Sam will provide more detail on later, combined with our lowest quarterly drydock spend of the year. We are very pleased with the free cash flow generation of the business, ending the year with nearly \$580 million of cash on the balance sheet.

I made a comment last quarter that we would find it unacceptable to build this kind of cash on the balance sheet and would look for ways to put the cash to more productive, economically accretive use. Subsequent to the end of the fourth quarter and as announced last week, we entered into an agreement to acquire Wilson Sons offshore Ultratug for \$500 million. In addition to our expectation of maintaining the existing debt at Wilsons, we plan to fund the remaining purchase price with cash on hand. We are very excited about the addition of Wilsons for a wide variety of strategic and financial reasons, many of which we discussed last week, but this is exactly the type of capital allocation opportunity we target.

This acquisition has many merits as it relates to the strategic and operational capabilities it offers, but it also provides a compelling use of capital to realize an economic return well in excess of our cost of capital. Importantly, we're able to maintain a healthy balance sheet pro forma for the transaction given the structure of our unsecured debt, revolving credit facility capacity and the continued cash flow generation of the business. It's worth noting that during the fourth quarter, we did not repurchase any shares under our repurchase program as we were working on the Wilson's acquisition. We retain our \$500 million share repurchase authorization and capacity, which represents 13% of our shares outstanding as of yesterday's close.

We've discussed our capital allocation philosophy over the last year or 2. We've said consistently that given the strength of our balance sheet, we felt comfortable using a substantial amount of cash for share repurchases and/or M&A transactions as long as the near-term cash flow visibility provides us the ability to quickly delever back down to below 1x net debt to EBITDA. As discussed last week, we expect to be below 1x net debt-to-EBITDA pro forma for the acquisition even as of closing, assuming a June 30 closing date. Although still developing, operation in Epic Fury adds an aspect of uncertainty to our operations in the Middle East, but thus far, no real changes.

Our largest geographic area of operation within this segment is Saudi Arabia, which makes up 80% of the segment's revenue for 2025. And everything there is business as usual. Our vessels in the UAE and Qatar are safely in port but remain on hire and no customers have ordered evacuations. We do expect an increase in insurance costs while hostilities are ongoing, but that incremental cost is immaterial to our business. Diesel costs are also rising, but fuel is a pass-through to our customers. Similar to the increase in insurance costs, the impact is immaterial to our overall business. It's still early in developing, but thus far, the developments do not change our outlook for 2026, which remains optimistic, particularly as it relates to the pace of offshore drilling activity.

Observable offshore drilling leading indicators such as tenders and contracts are materially higher over the past few months compared to earlier in 2025, which suggests that operators are progressing in earnest to commence additional offshore projects in the future. In our conversations with our customers, the commentary is similar to what we hear publicly. Offshore international projects are of high interest and pre-tender and tender conversations for our vessels continue. One other indicator, which is a bit more structural in nature, is from recent oil and gas industry reports is that the last decade of underinvestment has led to a declining resource base for many E&P companies.

There have been indications that oil companies are acknowledging this challenge beyond looking just to fill the gap through their own M&A through the rollback of capital return programs to focus on exploring activities and otherwise activities focused on growing a given company's resource base. Combining this resource need with a longer-term hydrocarbon demand curve that looks materially higher than estimated even a year ago, provides a significant incentive for our customers to explore and develop existing assets and take advantage of healthy long-term hydrocarbon demand environment.

We believe that the offshore resource base provides a compelling opportunity for oil companies to find new resource bases and believe that these fundamental factors will support an increase in drilling activity, not only as we progress through the year, but for at least the next few years. I've always spoken about drilling, but the other areas of activity where we benefit, production support, offshore construction and EPCI work are all likely to benefit in the scenario outlined. To the extent that drilling activity does increase in a structural way, this will likely occur in frontier regions that require new subsea infrastructure and ultimately FPSO installations to efficiently move product to market.

This element of our business continues to serve us well today and would also provide for incremental vessel demand. It's useful to contrast this intermediate demand picture with the current state of vessel supply, which as we often say, is the most important determinant of the long-term financial health of our business. The demand curve for vessels is highly inelastic. When vessel supply slightly exceeds demand, our pricing power is fairly restrained. However, when demand slightly exceeds vessel supply, pricing leverage accelerates quite quickly. The global fleet of vessels has been essentially unchanged, if not declining slightly over the past few years.

In 2024, there was a handful of newbuild vessels that were ordered, representing roughly 3% of the global fleet. We've not seen any newbuilds ordered since then. Given the lead time on newbuild orders somewhere between 2 to 3 years and some of the structural reasons that are limiting newbuild ordering that we've discussed in the past, the vessel supply and demand picture I've illustrated depicts what we believe to be an exciting outlook for the offshore vessel industry.

In summary, we are pleased with how the business performed through 2025 with a particularly strong finish to close out the year. We are excited to welcome the Wilson's organization into the Tidewater family, and we'll work diligently to close the transaction and to integrate the business. We will look to continue to efficiently allocate capital to the highest return opportunities we have against a compelling vessel supply and demand environment that we believe is in the early stages of developing.

And with that, let me turn the call back over to West for additional commentary.

### **West Gotcher**

*Senior Vice President of Strategy, Corporate Development & IR*

Thank you, Quintin. Subsequent to the end of the fourth quarter, we announced the acquisition of Wilson Sons Offshore Ultratug for \$500 million in an all-cash transaction. We expect to finance this transaction using cash on hand and the assumption of approximately \$261 million of debt provided by BNDES and Banco do Brasil. The assumed debt carries a weighted average cost of 3.6%. Further, the assumed debt has a long-term amortization profile that stretches out to 2035 with no particular year of amortization adding any significant maturities to our current debt maturity profile.

Assuming a June 30, 2026 closing date, we expect to have a net leverage ratio below 1x. As Quintin mentioned, we did not repurchase any shares during the third quarter due to the Wilsons acquisition -- excuse me, during the fourth quarter due to the Wilsons acquisition. At the end of the fourth quarter, we retained our \$500 million share repurchase authorization. As a reminder, under our outstanding unsecured bonds, we are unlimited in our ability to return capital to shareholders, provided our net debt-to-EBITDA is less than 1.25x pro forma for any share repurchase. Under our revolving credit facility, we are also unlimited in our ability to repurchase shares provided that net debt to EBITDA does not exceed 1x.

However, to the extent we exceed 1x net leverage, we still retain the flexibility to continue to return to shareholders, provided that free cash flow generation is in excess of cumulative returns to shareholders. From a financial policy perspective, our approach to leverage remains consistent. Our general test is that so long as we can return to net debt 0 in about 6 quarters, we are comfortable to proceed with a given outlay of capital. Further, our target leverage at any given point in time is 1x, although we will consider exceeding this target for M&A based on the relative merits of the transaction and the visibility and durability of the acquired cash flows, all with an eye to returning to our target leverage level and with an ability to return to net debt 0 in about 6 quarters.

We will maintain a disciplined approach to deploying debt in such a way that we're able to achieve return-enhancing uses of capital while maintaining the strength of our balance sheet. We remain opportunistic on share repurchases, and we will look to execute share repurchase transactions when suitable M&A targets are not available. We retain the option of evaluating M&A and share repurchase concurrently but our financial policies and philosophies outlined dictate our relative appetite to pursue both concurrently.

Turning to our leading-edge day rates, I will reference the data that was posted in our investor materials yesterday. Across the fleet, our weighted average leading-edge day rate was down slightly in the fourth quarter compared to the third quarter. During the quarter, we entered into 21 term contracts with an average duration of 6 months as we are working to ensure that we maintain vessel availability for new contract opportunities as the market is expected to tighten later this year.

Turning to our financial outlook. We are updating our full year 2026 guidance to contemplate the Wilsons acquisition, assuming a June 30, 2026 closing date. We are raising our full year 2026 revenue guidance to \$1.43 billion to \$1.48 billion and a full year gross margin range of 49% to 51%. The updated guidance is reflective of the addition of the Wilsons fleet and does not contemplate any changes to our guidance for the legacy Tidewater business. Our expectation remains that there is a potential for uplift depending on the strength of drilling activity picking up towards the end of the year.

Looking across 2026, firm backlog and options and January revenue for the legacy Tidewater fleet represents approximately \$1.1 billion of revenue for the full year, representing approximately 80% of the midpoint of our legacy Tidewater 2026 revenue guidance. Approximately 65% of available days for 2026 are captured in firm backlog and options. Our full year revenue guidance assumes utilization of approximately 80%, leaving us with about 11% of capacity to be chartered if the market tightens quicker than we are anticipating. Our largest class of PSVs and anchor handlers retain the most opportunity for incremental work, followed by our midsized anchor handlers and small and midsized PSVs. Contract covers higher earlier in the part of the year with opportunity available later in the year. The bigger risk to our backlog revenue is unanticipated downtime due to unplanned maintenance and incremental time spent on drydocks.

With that, I'll turn the call over to Piers for an overview of the commercial landscape.

**Piers Dayer Middleton**

*Executive VP & Chief Operating Officer*

Thank you, West, and good morning, everyone. Before I talk about the market and put some of Quintin and West's comments into a wider global context, I wanted to mention that we will be releasing our sixth sustainability report in early April. This report, as always, is a global team effort, and I'd like to take this opportunity to thank everyone within the Tidewater team for their hard work and commitment, helping to put this report together as we continue to showcase to all our stakeholders our historical as well as our future commitment to sustainability. Please look out for the report.

Turning back to the offshore space. As Quintin has already mentioned, 2025 was a very good year for Tidewater, which is testament to the hard work of the whole team, not just in maintaining market-leading day rates, but also continuing to improve our vessels uptime with a laser focus on making the right investments in the maintenance and operations of our vessels to be the gold standard in the industry and thereby continuing to decrease our down for repair days year-over-year across the global fleet. We all came into 2025 with a level of uncertainty as to how the market would turn out.

So for our global teams to deliver such impressive results in a flattish market, we believe bodes very well for us as we start to see the expected Tide of increasing demand turn at the end of 2026. Demand did ease back slightly during 2025. However, long-term fundamentals of the business are still very much in Tidewater's favor. And with the limited supply story, the only truly global footprint and the largest and one of the youngest and best maintained fleets in the industry, we are well placed to springboard on from our 2025 results and make further progress in future years as expected demand growth comes back online in the second half of 2026.

Turning to our regions, starting with Europe and the Med. The Med seems set fair to be very active during the year with several oil majors announcing and tendering for drilling programs in the region for commencement in 2026 as well as several EPCI projects kicking off throughout the year. So we expect a very active 2026 in the Med. In the North Sea, Norway looks set for a good few years ahead with additional rigs expected in the region and some PSVs expected to leave the OSV space. The supply-demand balance should further tilt in our favor over the next few years. Even in the U.K., rumors continue to circulate that the U.K. government is discussing an early end to its windfall tax levy as soon as this year, although the more likely scenario is that this would not fully come into play until 2027. But as we mentioned on our last call, this would be a significant shot in the arm for the industry in the U.K.

Lastly, in the North Sea, where we operate 2 large AHTSs, we've seen some early signs of large AHTS spot rates, both in the U.K. and Norway cresting over \$100,000 per day. And while these are very short-term contracts, it is quite unusual to see day rates this high so early in the year. But with a couple of large AHTSs leaving the region over the winter for warmer climates, we do expect to continue to see strong rates for large AHTSs through the rest of 2026.

In Africa, sentiment remains cautiously optimistic for 2026. Strengthening drilling activity in West Africa and neighboring regions such as the Med and Mozambique coming back into play are expected to support high utilization and day rate increases across all AHTS and PSV segments throughout the year. A number of oil companies have released tenders for further exploration campaigns in 2026 in Namibia, which is a 900 square meter plus PSV region and a country where over the last few years, we've been very successful supporting our customers from our in-country base. And the expectation is that in early 2027, we should start to see a number of our customers kicking off field development in earnest in Namibia, which is more vessel intensive, especially in countries like Namibia with limited infrastructure.

Similarly, in Mozambique, we're starting the year supporting Technip 3 to 4 of our larger OSVs with the expectation that we will start to see several other projects kick off in Q3 and Q4 of this year and go well beyond 2027 as things continue to settle down safety-wise in country. Lastly, in Angola, we're seeing a lot of increased activity in country as the government continues to pressure the IOCs to increase production and thereby a big focus on both improving existing fields for improved subsea infrastructure, but also through exploration for new fields as Angola sees annual production rates stagnating. Overall, we are positive with the outlook for Africa as we get towards the latter part of 2026 and for the next few years beyond.

In the Middle East, the market remains tight with very limited availability of tonnage in the region. We expect the region to remain supply constrained in the short to medium term, and the opportunity will be there to continue to push rates throughout 2026. Of course, as a word of caution, as Quintin just mentioned, we are watching carefully the ongoing situation in the region. And as of today, operations are continuing. However, the safety of our people and crew in the region are of the utmost importance. And as such, we will constantly be monitoring the situation and work with all of our stakeholders to make sure everyone stays safe.

In Asia Pacific, Australia looks to be a flattish year compared to 2025, with most of our customers focusing on production, so we don't expect any significant incremental demand during 2026. In Malaysia and PETRONAS specifically, we saw an uptick in activity in the latter half of 2025, which has meant that locally owned OSVs have now gone back to work, meaning there is less supply available to depress day rates in the wider region, which with increased tendering activity in countries like Indonesia, Myanmar and Vietnam should mean that we are able to push rates upwards for the larger class of PSVs as we move into the latter part of 2026.

In the Americas, the Gulf of America market outlook for 2026 looks flat at best, and we expect there to be some pressure through the year as there will be very limited work on the East Coast, which over the last few years has soaked up a number of boats in the Gulf during the summer months and kept the supply-demand balance in check. We have limited Jones Act exposure with only 4 or 5 of our U.S. boats currently working there, and we believe any softening in the Gulf will be more than offset by the growing demand story we are seeing in the Caribbean.

In Mexico, with PEMEX seeming to slowly be writing their listing ship, we are cautiously optimistic that by the end of this year, we will really start to see some significant increase in the tendering activity, driven both by PEMEX, but also by a number of new operators that are touted to be coming into the country to help Mexico focus on increasing its falling production rates. Lastly, in Brazil, we are very excited about the long-term prospects in the country as evidenced by our recent announcement to acquire Wilsons Ultratug. And as we talked about last week, we really believe that the combination of our 2 companies will create an even stronger platform in the country to allow us to continue to support and meet the growing demands of our customers in Brazil.

Overall, as Quintin mentioned, we are very pleased with how our global team, both on and offshore performed through 2025. And while we saw some softening in the offshore space during 2025, the market still continue to move in the right direction through the year, and we remain positive that the platform we have created will continue to be able to reap significant rewards for all of our stakeholders for many years to come.

And with that, I'll hand over to Sam. Thank you.

**Samuel R. Rubio**  
*Executive VP & CFO*

Thank you, Piers, and good morning, everyone. At this time, I would like to take you through our financial results. My discussion will initially focus on the full year 2025 compared to 2024, followed by a deeper discussion of the sequential quarterly results from the fourth quarter of 2025 compared to the third quarter of '25.

As noted in our press release filed yesterday, we generated revenue of \$1.35 billion for the year, an increase of approximately \$7 million versus our 2024 amount. Gross margin for the year was \$665.8 million compared to \$649.2 million in 2024. Our net income was \$334.7 million compared to \$180.7 million in 2024. Our net income for the quarter and full year 2025 includes a previously mentioned tax benefit related to a strategic realignment of our vessel ownership. Included in that amount is a onetime noncash tax benefit of \$201.5 million, primarily related to the utilization of foreign tax credits, which were previously subject to valuation allowances.

The incremental tax basis is reflected in deferred tax assets for property and equipment. Average day rates improved by \$1,300 per day for the full year to \$22,573, while active utilization decreased slightly to 78.7% due to more idle days, partially offset by fewer drydock and repair days. The strength in the day rates, combined with the reduction in operating costs versus 2024 increased our gross margin by about 1 percentage point year-over-year to 49.2%. Adjusted EBITDA was \$598.1 million for 2025 compared to \$559.6 million in 2024. We also generated \$426 million of free cash flow, an increase of \$95 million from 2024 due in part to a reduction in drydock costs of \$35 million. We also sold 12 vessels for total cash proceeds of \$17.6 million. Working capital was a source of cash due to notable success in our cash collections during Q4. Our success in our Q4 cash collections was a large contributor to our free cash flow generation in 2025.

Overall, '25 was a good year with strong free cash flow delivery and solid operational execution as well as completing important strategic initiatives, including our debt refinance in Q3 and the previously mentioned vessel realignment. Our improved balance sheet and future cash flow generating capability will continue to provide opportunities to deploy capital in M&A as illustrated by the Wilsons announcement last week as well as repurchase our own shares. As a reminder, although we did not repurchase shares during Q3 or Q4, for the full year, we used \$98 million in cash to reduce approximately 2.8 million of our shares in the market during the year, including shares which were held back to pay roughly \$8 million in taxes related to vesting of employee share-based awards.

I would now like to turn our attention to the fourth quarter, where we reported net income of \$219.9 million or \$4.41 per share, which includes the tax benefit mentioned previously. We generated \$336.8 million in revenue compared to \$341.1 million in the third quarter. Average day rates were down about 3% versus the third quarter. However, we did see a nice increase in active utilization from 78.5% in the third quarter to 81.7% in the fourth quarter, which was our highest active utilization since Q1 2024. This

utilization increase resulted mainly from the decrease in idle and drydock days. Gross margin in the fourth quarter was \$164 million compared to \$163.7 million in the third quarter.

Gross margin percentage in the fourth quarter was almost 49%, nicely above our Q4 expectation and slightly ahead of our Q3 margin of 48%. The increase in margin versus Q3 was primarily due to a decrease in operating costs. Operating costs for the quarter were \$172.7 million compared to \$177.4 million in Q3. In the quarter, there were 3 vessels -- 3 fewer vessels operating in Australia, which is a high operating cost area. Overall, we saw a decrease in salaries and travel and consumable expenses, partially offset by increases in R&M and other vessel expenses. Adjusted EBITDA was \$143.1 million in the fourth quarter compared to \$137.9 million in the third quarter.

For the year, our total G&A cost was \$134.5 million, which is \$23.7 million higher than 2024, primarily due to an increase in professional fees and personnel costs. This amount includes approximately \$8.3 million in transaction associated costs related to our M&A diligence efforts. G&A cost for the quarter was \$39 million, \$3.7 million higher than the third quarter due primarily to an increase in professional fees and personnel costs.

For 2026, exclusive of additional M&A costs, we expect Tidewater stand-alone G&A costs to be about \$123 million. This includes an estimated \$15 million of noncash stock compensation. Moreover, we expect to incur approximately \$7 million in additional G&A costs in the second half of this year related to the Wilsons acquisition. Drydock costs for the full year was \$98.6 million, which includes approximately \$35 million of engine overhauls. Full year 2025 drydock days affected utilization by about 5 percentage points. In the fourth quarter, we incurred \$13.9 million in deferred drydock costs compared to \$17.6 million in the third quarter.

We had 672 drydock days that affected utilization by about 4 percentage points in Q4. Drydock costs for 2026 is expected to be approximately \$122 million, which includes \$46 million of engine overhauls. 2026 drydock days are expected to affect utilization by approximately 5 percentage points. Additionally, we expect to incur about \$16 million in drydock costs in the second half of the year related to the Wilsons acquisition. Full year 2025 capital expenditures totaled \$25.8 million. In Q4, we incurred \$5.1 million in capital expenditures related to vessel modifications and upgrades, ballast water treatment installations, DP system and IT upgrades.

For the full year 2026, we expect to incur approximately \$51 million in capital expenditures. The increase year-over-year is primarily due to a planned major upgrade to one of our Norwegian vessels, which is supported by a customer contract. Absent this upgrade or maintenance CapEx is expected to be approximately \$36 million during 2026. We will also spend an additional \$24.4 million in 2026 related to 2 purchase options we have exercised for vessels that we've been leasing. The purchase option prices were below market value for these vessels.

Finally, we expect to incur about \$1 million in CapEx in the second half of the year related to the Wilsons acquisition. We generated \$151.2 million of free cash flow in Q4 compared to \$82.7 million in Q3. In the quarter, we sold 2 vessels for proceeds of \$5.3 million and incurred \$3.8 million less in deferred drydock costs. However, the free cash flow increase quarter-over-quarter was mainly attributable to a significant working capital benefit achieved in Q4 due to an increase in cash collections. This was largely due to our cash collections related to our largest customer in Mexico, whose overall receivable balance decreased by more than \$40 million.

As a result, our overall DSO decreased by 14 days quarter-over-quarter. As a reminder, following our debt refinancing, which was completed in Q3 2025, we only have small debt repayments that are related to refinancing of recently constructed smaller crew vessels. We have no payments until 2030 on our new unsecured notes. Following the anticipated close of the Wilsons acquisition, our debt maturity and repayment profile would change to accommodate the newly assumed Wilsons debt.

We conduct our business through 5 operating segments. I refer to the tables in the press release and the segment footnote and results of operations in our 10-K for more details of our segment results. In the fourth quarter, consolidated average day rates were down versus the third quarter. However, results varied by segment with our Middle East day rates improving by 9%, which was offset by day rates declining

in each of our other regions. Total revenues were slightly lower compared to the third quarter with increases in our Middle East and African regions offset by decreases in our APAC, Americas, Europe and Mediterranean regions.

Regionally, gross margin increased in Africa by 6 percentage points, and we also saw a 3 percentage point increase in our APAC region as well as a 1 percentage point increase in the Middle East. Our Europe and Mediterranean region saw a decrease of 1 percentage point and Americas declined by 8 percentage points. The gross margin increase in our African region was primarily due to a large increase in utilization of 13 percentage points, combined with a slight decrease in operating costs and partially offset by a 2% decline in average day rates. The increase in utilization was due to fewer idle drydock and repair days.

Gross margin increase in the APAC region was due to an increase in utilization and a large decline in operating costs, partially offset by a day rate decrease of about 11%. The decline in operating costs and day rates are primarily due to 3 fewer vessels operating in Australia versus Q3. Utilization increase is primarily due to a decrease in idle and drydock days, partially offset by an increase in repair days. The increase in the Middle East gross margin was primarily due to a 9% increase in average day rates, partially offset by higher operating costs. The cost increase was primarily due to higher R&M and personnel expenses.

Utilization was roughly flat quarter-over-quarter. Our Europe and Mediterranean region gross margin was marginally lower versus the previous quarter, and the gross margin decrease in our Americas region was driven by a 9 percentage points decline in utilization as well as a 6% increase in operating costs. The cost increase was primarily due to higher R&M, higher fuel expense due to lower utilization compared to Q3. The decrease in utilization was due to higher drydock and idle days. In summary, Q4 was a strong quarter. We delivered both strong financial results and free cash flow. Our balance sheet is in excellent position and the industry long-term fundamentals remain very strong. We are especially excited about the Wilsons acquisition in the highly important Brazilian market, and we remain optimistic about the opportunities that lie ahead for Tidewater.

With that, I'll turn it back over to Quintin.

**Quintin V. Kneen**

*President, CEO & Director*

Thank you, Sam. Jordan, I think we can go ahead and open it up for questions.

## Question and Answer

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### Operator

[Operator Instructions] Your first question comes from the line of Jim Rollyson from Raymond James.

### James Michael Rollyson

*Raymond James & Associates, Inc., Research Division*

Quintin or Piers, so if you kind of lay out the day rate picture, right, leading edge has slipped the last couple of quarters, which I guess just speaks to the white space timing and seasonality and that kind of stuff. But with what peers went through without -- with maybe a couple of exceptions, it sounds like things are shaping up to get materially better as we move through this year and into next. Maybe just some context around the guidance and kind of your thoughts on how your fleet average day rates move throughout the year and heading into next, right? You were going up \$4,000 a day for a couple of years. That kind of trimmed back to, I think it was \$1,300 that Sam mentioned. But how do you think that trajectory looks and kind of what's embedded at the midpoint of guidance for '26?

### Quintin V. Kneen

*President, CEO & Director*

Well, I'll start. Obviously, we're expecting things to be somewhat flattish for '26, but looking for a tightening in the market in the second half. We're not banking that into the guidance. But if we do see that tightening, my hope is that we're going to see those day rates climb in '27 and '28 at another \$3,000 and \$4,000 a day. So it is quite responsive to even small increases in demand for vessel usage. We're starting to see some signs of that. So if you go back 2 or 3 years, there was some slackness in the Middle East, but you see that region was one of our best movers in the past quarter.

I expect that to continue. I'm getting very excited about what I'm seeing develop in West Africa, and we saw some rate increase there. So as long as the world can still hold itself together and maybe as Piers indicated, we get some relief from the taxing authorities in the U.K., we'll see that market tighten up globally. And then you'll see those \$3,000 and \$4,000 a day movements per year. So I may have covered what Piers was going to say, but he and I are in separate locations. So let me just ask Piers if he wanted to add anything before we hand it back to you.

### Piers Dayer Middleton

*Executive VP & Chief Operating Officer*

No. I mean, Quintin, you should join the commercial team. That was brilliant. Nothing more to add. I actually just -- I think, Jim, we are seeing a lot of -- I think as Quintin said in his opening remarks, a lot of additional tender and pretender type of conversations with our customers, which does really bode well for the sort of second half of this year, big projects, both on the EPCI stuff and also on the drilling side as well. So yes, very optimistic as we get towards the latter half of the year. And I think as Quintin said, then we get the chance to really push rates in '27 to sort of hopefully where we were in the last big time we got to really push rates.

### James Michael Rollyson

*Raymond James & Associates, Inc., Research Division*

Yes, that's certainly exciting and nice to actually have visibility beyond just kind of hopes of things going. And my follow-up is probably for Sam. Sam, if you kind of line up your midpoint of guidance, let's just say, for '26 and the little bit higher drydock CapEx and a little bit higher overall CapEx and then however you're thinking about working capital as PEMEX is kind of catching up. How are you thinking about free cash flow generation right now for '26?

### Samuel R. Rubio

*Executive VP & CFO*

Yes, Jim, thanks. No, I think the free cash should stay fairly strong for '26. We did see \$426 million. Obviously, we had a big bump in our cash collections. So if we look back over the last few years, it should average out in the \$300 million level somewhere.

**Quintin V. Kneen**

*President, CEO & Director*

Yes. I guess the other thing I'd add to that, Jim, is that we did have a disproportionate bump in Q4 from the lump sum collections from PEMEX, and we're certainly very happy to see that. I need to see them continue to pay at that level. But if you look at the DSO for us, it's actually abnormally low for such an internationally and broad company, and that may normalize. So that may eat up some otherwise operational cash flow in '26.

**Operator**

Your next question comes from the line of Keith Beckmann from Pickering Energy Partners.

**Keith Beckmann**

*Pickering Energy Partners LP*

I always appreciate the slide that you guys kind of put out on new build economics. I just kind of wanted to get a sense on maybe where you see the maximum vessel life for a lot of -- a majority of the PSVs in the industry? And then when you think -- a rough time line maybe on when you think we could face either serious upgrades and renovations or a full new build cycle, obviously, looking much further down the road.

**Quintin V. Kneen**

*President, CEO & Director*

Well, I'll start. And as I indicated, Piers, West and I are in separate locations. I'm here with Sam. So West may want to add something because he maintains those slides. But I will tell you that the industry is a lot more capital disciplined than it's ever been in my 2 decades in the industry. I was at an industry conference about a month ago, and this was a big discussion and nobody is interested in the building. If you look at most people's financial statements, they use a 25-year depreciation life.

But the fact is these boats can work well into 30, 35 years. But they will need serious upgrades as they go forward, and that needs to be supported by day rates and so forth. So I think that we're going to see real modest to almost no building in the next year. And then if the industry does pull back, like I was just mentioning to Jim in '26 and '27 and you start to see average day rates closer to \$30,000 a day, then you're definitely going to see some building. But at least from my discussions recently, I believe it's going to be very moderate and be more replacement oriented. So we'll have to see how it plays out. But I still think that we need to see day rates closer to \$30,000 a day before you see anybody spending a lot of money and certainly before you see banks supporting them.

**Keith Beckmann**

*Pickering Energy Partners LP*

Awesome. That's very helpful. And then my second question was just around like right now, obviously, you guys are focused on integrating the Brazil acquisition. I was just wondering if there's any other regions that could make sense to increase your fleet looking forward down the road? Or on the other end of that, is there any sort of fleet rationalization that could make sense at this point on maybe some lower spec boats?

**Quintin V. Kneen**

*President, CEO & Director*

Well, we sell boats on a regular basis. And Sam, I think, covered some of the boats we sold during the year. So every year, some vessels hit the wall. So economically, we'll sell them off. But certainly, the regions that we're in today are regions that we are dedicated to. I'm actually -- I mentioned it in one of the remarks, I think, earlier on the call, I can't remember if it was in the questions or on the call. But I am excited about West Africa. I started to see things really solidify there. And historically, I had been focused

on the Americas. And obviously, we've got the deal done in Brazil. I guess now more I'm tilting towards West Africa, but we'll just have to see. A lot of it has to do with price, and that's always hard to say.

**Operator**

Your final question comes from the line of Greg Lewis from BTIG.

**Gregory Robert Lewis**

*BTIG, LLC, Research Division*

I did want to talk a little bit about what's happening in the Middle East. You mentioned things are kind of just business as usual, I guess, in Saudi Arabia. And realize it's been years, right, since Saudi evacuated rigs. I think you probably have to go back to what Desert Storm, which I doubt -- Quintin, maybe you were in the industry, but I don't know anyone else was. As we think about that, is there any kind of way to think about if we do evacuate rigs, as we think about the contracts with Aramco, are there like force majeure clauses? Are there -- is there any kind of contract language that allows them to pause contracting or anything like that? How should we think about -- realizing it's changing by the hour probably?

**Quintin V. Kneen**

*President, CEO & Director*

Right. So you're right to think about the Middle East as the primary impact to the area. I would tell you that when it comes to Saudi Aramco, they rule the roost. And no, there's nothing in the contract that gives them the privilege to cancel, it will. But they are a strong force, and they will come to us if they feel they need to reduce the vessel count. But the reality is during these times, people need oil and the production becomes very important.

And so in that particular area where it is very production-focused offshore, yes, I expect that we may see things like insurance costs go up. We may see things like personnel costs going up because it sometimes gets harder for people to go there during those times, at least that's what we've seen in the past. But I'm honestly, at this point, not concerned. But obviously, we'll update you in the next 1.5 months or in May when we do the first quarter call. But no, it's just what we do. So right now, it's not a concern.

**Gregory Robert Lewis**

*BTIG, LLC, Research Division*

Okay. Great. And my other one, appreciating you guys have your ongoing merger with Wilson happening. I guess I'm just kind of curious, it looked like OceanPact is acquiring CBO in Brazil also. Has anything changed in Brazil that's kind of driving this kind of flurry of M&A activity? I feel like everybody has been waiting for potential consolidation in Brazil for, I don't know, a few years now. And it just seems like all at once, this is happening. Is there anything that's changed that's driving this? Just kind of curious if you have any kind of color you could provide around that.

**Quintin V. Kneen**

*President, CEO & Director*

It's the optimism that's in Brazil today. There was some back and forth in '25 about what Petrobras was going to be doing and what the activity levels were going to be and generally, the strength of the South American market. And I would tell you that people are just very focused on finding long-term contracts with good payers at good margins and Brazil fits that bill. I think that it is just coincidental that these 2 transactions have happened real quickly. Whisper talk has been that they've been going on for a couple of years. And so as a result, I think it's just more coincidental of the timing, but the general optimism in Brazil is quite nice.

**Operator**

That concludes today's question-and-answer session. I'll now turn the call back over to Quintin Kneen for closing remarks.

**Quintin V. Kneen**

*President, CEO & Director*

Jordan, thank you, and thank you, everyone. We will update you again in May. Goodbye.

**Operator**

That concludes today's meeting. You may now disconnect.

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