Polarcus announces restructuring plan with support from key stakeholders
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Reference is made to the stock exchange release issued on 7 December 2015 in which Polarcus Limited ("Polarcus" or the "Company") (OSE: PLCS) announced its decision to formally address its long term financing structure. The Company is pleased to announce that the discussions have been successful and that the Company has now obtained support for a restructuring of the Company's balance sheet (the "Restructuring") from key stakeholders of the Polarcus group. These stakeholders, being the Company's banks, lease providers and certain bondholders and shareholders, have entered into written agreements with the Company committing them to support the Restructuring.

Through implementation of the Restructuring, the balance sheet of the Company will be significantly improved. The restructuring will reduce the Company's debt level significantly with renegotiated lease terms and the introduction of new call option prices for the bonds corresponding to a potential debt reduction of USD 280 million. In addition, debt service payments during the next two years will be reduced by approximately USD 140 million.

The Restructuring provides that several changes be made to the financing agreements of the Company and enables its Board of Directors to permit the Company to continue its operations as a leading marine seismic company. All of the comments on the particulars of the Restructuring in this release and the summary below are subject to and governed by the further and more detailed description in Annex B attached to this stock exchange notice. In addition, the Company has attached a separate presentation which is intended to give background information and an update on the Company's financial and operating status, including financial forecasts for 2015 and a forecast outlook for the next two years.

The following is a summary of the main terms of the proposed Restructuring:

Bank facility: The Company’s bank facility to be extended from 30 June 2017 to 30 June 2022. There will be no amortization until 1 January 2018, while interest payments will continue as normal. Certain terms and conditions of the bank facility, including the
covenants, to be reset to take account of the current market environment. In particular, the liquidity covenant will be reduced from USD 25 million to USD 10 million, providing the Company with additional financial flexibility in its future operations. All accrued interest and scheduled amortization up to and including 30 November 2015 will be paid to the banks five business days after the restructuring is completed.

**Working capital facility:** The working capital facility to be extended to 1 July 2018, while the credit facility will be amended to make it more accessible.

The above changes will create the basis for a long term stable bank financing for the Company.

**Convertible Bonds:** The convertible bonds will be separated into three tranches in total, CB Tranche A, CB Tranche B1 and CB Tranche B2. CB Tranche A would consist of 70% of the total loan, with extended maturity to 30 March 2022 and adjusted amortization. The remaining 30% would comprise CB Tranche B1 and CB Tranche B2 and these tranches would in principle carry the same terms as the unsecured bonds as summarized below (CB Tranche B1 equal to the Unsecured A Tranches and CB Tranche B2 equal to the Unsecured B Tranches). All accrued interest under the Convertible Bond Loan up to and including 30 November 2015 will be paid to the bondholders five business days after the restructuring is completed.

**Unsecured bonds:** Bondholders in the Company’s unsecured bonds will be offered the choice to allocate their unsecured bonds to Unsecured A Tranches and/or Unsecured B Tranches as follows;

- **Unsecured A Tranches:** Bondholders allocating bonds to this tranche accept a reduction to the call option prices for its bonds to be in the range from 33% to 50% of par value, and certain other changes, but will otherwise keep the nominal amount of their current bonds which will be separated into a new tranche A under the respective unsecured bond loan and/or

- **Unsecured B Tranches:** Bondholders allocating bonds to this tranche will convert approximately 0.5% of the bonds allocated to this tranche into new shares, accept a reduction to the call option prices for its bonds to be in the range from 24% to 36% of par value, and certain other changes. Bondholders allocating bonds to this tranche will otherwise retain 99.5% of the bonds allocated to this tranche (with new call option price as above) which will be separated into a new tranche B under the respective unsecured bond loans.

Bondholders will have the flexibility to choose either or both alternatives and also their desired split as between the two tranches. Unsecured bondholders who do not make a selection will be deemed to have elected the Unsecured Tranche A.

The maturity date of the unsecured bonds to be extended to 30 December 2022 and the
minimum liquidity requirement required by the bonds to be reduced from USD 25 million to USD 10 million. The interest will accrue from 1 July 2018 with semi-annual interest payments, subject to the Company being able to service its bank debt in full at the time of any such payment.

If 50% or more of the bonds are called or repaid, a write down of the principal amounts of all unsecured tranches to the prevailing call price at that time would be carried out.

The Unsecured A Tranches and the Unsecured B Tranches of the respective unsecured bonds would be merged. The merged tranches would receive an adjusted coupon varying from 6% p.a. in 2016 to 14% p.a. in 2022 calculated on the new lower principal amount and the price at which any further call may be exercised would be fixed at the same new lower principal amount.

All accrued interest on the unsecured bonds up to and including 30 November 2015 will be paid to the bondholders five business days after the restructuring has been completed.

**Sale and leaseback:** The charter rates for Polarcus Nadia and Polarcus Naila will be reduced by approximately 75% from current levels until 1 January 2018 with an increase thereafter representing a reduction of approximately 20% from current levels, subject to the Company being able to service its bank debt in full at the time of any such increase. The purchase options will be removed from the sale-leaseback agreements which will permit a reclassification from financial leases to operational leases reducing the group's financial indebtedness by USD 167 million. Furthermore, the term of the charter periods under the charter parties would be extended by two years. The owner of the two leased vessels would also be granted a renegotiation right from 1 January 2018 on certain specified conditions.

**Shareholders:** The shareholders of the Company will approve an increase of the authorized share capital for issue to bondholders in exchange for a reduced call option price for the Unsecured Bonds and CB Tranche B. The resulting dilution of their current shareholding and respective reduction in the Company's debt depends on the outcome of the election process amongst the convertible and unsecured bondholders and the proportion of each electing for conversion into equity.

If 50% of the bonds (including the CB Tranche B) opt for the Unsecured Trance B, they will receive approximately 82% of the Shares in the Company in exchange for a blended call price of 30% in 2018; while if all of the said bonds opt for the Unsecured Tranche B, they will receive 90% of the Shares in the Company in exchange for a call price of 25% in 2018.

**Trade and non-finance creditors:** In accordance with the Company's release of 7 December 2015 the Restructuring provides that all trade creditors of the Company and
its subsidiaries shall remain unimpaired and will continue to be paid in full.

The Banks support is subject to certain conditions precedent being fulfilled including a requirement for certain call levels on the bonds. The support agreements with the stakeholders include stand-still and lock-up provisions for the various stakeholders in order to permit the Company to implement the Restructuring as set out in the Restructuring proposal.

The support means that the banks, the sale-leaseback provider, certain bondholders in the convertible bond issue, a committee of bondholders representing a significant part of both unsecured bond issues and certain key shareholders (including the Company’s executive management) have agreed to support the Company’s Restructuring proposal, subject to certain terms and conditions.

The completion of the Restructuring is subject to several terms and conditions, including inter alia, approval by the requisite bondholder meetings and by an Extraordinary General Meeting of the Company (EGM) and final documentation and agreements with the relevant stakeholders. The Company will call for meetings of all three bondholder groups, which the Company anticipates will be held on or about 21 January 2016. The changes require the approval of 2/3 of the bondholders in each bond issue.

Completion of the Restructuring proposal is further subject to the approval of an EGM of the Company where a majority of the shareholders present and voting must vote in favor of the proposal. The Company expects that the EGM will be held on or about 27 January 2016. While Polarcus is confident that the Restructuring proposal is the best available solution for all stakeholders and the Company, there can be no guarantees that final approvals, agreements and documentation will be reached or consummated.

The Company’s 2015 Agenda set out to focus the organization on revenue generation, cost management and balance sheet management. Polarcus maintains the strongest vessel backlog, best-in-class operational and technical excellence and a cost efficient and safe operation. Implementation of the Restructuring will fully support the 2015 Agenda and position the Company for sustainability and future growth.

ABG Sundal Collier, Wiersholm and Deloitte have been retained to advise on and effect the Restructuring.

Other issues

On 17 July 2015 The Financial Supervisory Authority of Norway ("Finanstilsynet") requested information regarding certain topics in the Company’s financial statements for 2014. One of the topics relates to impairment of vessels and seismic equipment. On 29 December 2015 the Company received a preliminary assessment of the review. In the preliminary assessment, Finanstilsynet notes that as the seismic market has weakened
during the second half of 2014 and 2015, additional attention is demanded from 3rd-party valuations during such periods. As Polarcus uses 3rd-party independent valuations, this could lead to impairments in the Company's 2015 financial results regardless of the outcome of the restructuring.

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About Polarcus

Polarcus (OSE: PLCS) is an innovative marine geophysical company with a pioneering environmental agenda, delivering high-end towed streamer data acquisition and imaging services from Pole to Pole. Polarcus operates a fleet of high performance 3D seismic vessels incorporating leading-edge maritime technologies for improved safety and efficiency. Polarcus offers contract seismic surveys and multi-client projects with advanced onboard processing solutions and employs nearly 500 professionals worldwide. The Company’s principal office is in Dubai, United Arab Emirates. For more information, visit www.polarcus.com

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relevant risk factors we refer to our 2014 Annual Report. The reservation is also made that inaccuracies or mistakes may occur in the information given above concerning the current status of the Company or its business. Any reliance on the information given above is at the risk of the reader, and Polarcus disclaims any and all liability in this respect.

This information is subject of the disclosure requirements acc. to §5-12 vphl (Norwegian Securities Trading Act)

Related documents:

Information Package 6 January 2016
ANNEX B