That was easy. Not!

Offshore Restructuring Deal of the Year

Transaction: Ocean Rig UDW Inc.
Winner: Evercore, Financial Advisor

In September 2017, Ocean Rig UDW Inc. ("Ocean Rig" or the “Company”), an international contractor of offshore deepwater drilling services with a fleet of nine ultra-deep water ("UDW") drillships and two harsh weather UDW semi-submersibles drilling rigs, announced the completion of its comprehensive financial restructuring of $3.8 billion of debt obligations.

That is both easy to say and remarkable to contemplate.

The depth of the offshore industry’s recession, the enormity of the debt, and the personalities and company structure involved all contributed to make a difficult task seem impossible at the start. At least to those of us observing from the outside.

But an incredible thing happened on the way to financial ruin — a remarkable team of financial professionals and legal advisors working with management, lenders, investors and jurisdictional experts crafted a solution well deserving of the Award for Restructuring.

The Company emerged as a publicly-listed company on NASDAQ, with an estimated market capitalization of $1.8 billion, and with a strong balance sheet with approximately $690 million of cash and only $567 million of long-term, secured debt (including $450 million of new secured debt and $117 million of existing secured debt which was “untouched” by the restructuring).

We rely for much of the story on the words from those who worked through this monster, as you meet and talk with them about the experience, are as broad as the finest avenues anywhere in the world.

The Company, similar to many of its peers in the offshore drilling space, encountered financial difficulties largely due to the precipitous decline in the price of oil that led to cancellations of its contracts and the impending events of defaults under the existing debt. Ocean Rig engaged Evercore in mid-2016 to assess the viability of its capital structure and to develop alternatives that might be available for the Company to address its financial challenges.

Joining Evercore was an august group of legal Advisors led by Orrick and Maples and Calder in Grand Cayman. It was, in fact, an efficient, creative and accomplished team.

During the summer of 2016, the Board of Directors of the Company and a number of its creditors concluded that, in light of the challenging market environment, and to preserve the Company’s long-term viability, the Company’s debt obligations would need to be substantially reduced, and that its debt would therefore need to be largely equitized.

So, it began that Ocean Rig and its team engaged in comprehensive discussions with certain of the Company’s largest creditors (Blue Mountain, Avenue, Elliott Capital, and Lion Point). In March 2017, the group agreed in principle to the terms of a restructuring support agreement (the “RSA”).

The RSA, as subsequently amended, provided for Ocean Rig to be substantially de-leveraged through an exchange of approximately $3.8 billion prin-
The principal amount of debt for: (i) approximately $321 million of cash payments (including $33 million of early consent fees); (ii) $450 million of new secured debt; and (iii) approximately 91% of the post-restructuring share capital of the Company.

The transaction was ultimately approved by creditors, representing in excess of 95% in value of the existing debt, and also allowed the current management team to stay in place and receive a meaningful portion of the equity in the restructured company.

The restructuring was novel in its approach for a number of reasons and represents a precedent-setting structure for implementing a transaction in circumstances where a non-U.S. company has a significant level of secured debt segregated among various subsidiaries subject to HoldCo guarantees.

Specifically, the restructuring involved:

- The establishment of the Company’s principal place of business in the Cayman Islands;
- Implementation of the Restructuring through four hotly contested Schemes of Arrangement in the Cayman Islands (three of which were “inter-conditional”);
- The tactical use of ancillary bankruptcy proceedings in the U.S. to thwart hostile creditor action intended to derail the restructuring, all of which was accomplished within six months;
- And, maintaining the Company’s NASDAQ listing.

Since the restructuring, Ocean Rig share price has increased by almost 40% within a three-month period, and now has a market capitalization of $2.5 billion. With its very low financial leverage and one of the youngest fleets of high specification drillships, the Company is well positioned to be a leader in the offshore drilling sector.

Our heartiest congratulations to everyone and every firm involved. This was truly a remarkable achievement and will reward all for years and decades to come.

*Photo credit: Ocean Rig UDW*