# HORNBECK-LEEVAC Reports Fourth Quarter 2001 Results, Closing of Exchange Offer and Revolving Credit Facility

February 27, 2002

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Fourth Quarter Results

HORNBECK-LEEVAC Marine Services, Inc. announced today that revenues for the quarter ended December 31, 2001 increased 117.0 percent to $21.7 million compared to $10.0 million for the same quarter in 2000. Operating income was $8.7 million or 40.1 percent of revenues for the fourth quarter of 2001, compared to $3.9 million or 39.0 percent of revenues for the same quarter in 2000. Fourth quarter 2001 net income was $3.4 million compared to net income of $1.4 million for the fourth quarter 2000. As discussed below, the primary reason for the increase in financial results of operations for the fourth quarter 2001 over the prior year is the significant increase in size of the Company's fleet during 2001.

Calendar 2001 Results

For the calendar year 2001, revenues increased 90.6 percent to $68.8 million resulting in operating income of $27.9 million or 40.6 percent of revenues, compared to calendar 2000 revenues of $36.1 million that resulted in operating income of $12.3 million or 34.1 percent of revenues. Income before extraordinary items totaled $11.9 million for the calendar year 2001 compared to net income of $2.7 million for the calendar year 2000.

Net income for the calendar year 2001 included a non-cash extraordinary loss of $2.0 million, net of taxes, resulting from the early extinguishment of debt. This extraordinary item related to the write-off of deferred financing costs upon the refinancing of all of the Company's debt through the issuance of $175.0 million of senior unsecured notes in July 2001.

Prior to October 24, 2001, the Company had put warrants outstanding, the accounting for which may differ depending on whether a company's equity is publicly-traded or privately-held. Based on the Company's method of accounting for these put warrants and the fact that it has publicly-traded debt and privately-held equity, pro forma disclosure is required by the Securities and Exchange Commission. Pro forma net income for the calendar year 2001 was $7.0 million compared to net income as reported of $10.0 million. The pro forma net loss for the calendar year 2000 was $4.5 million compared to net income as reported of $2.7 million. The $3.0 million and $7.3 million differences for calendar years 2001 and 2000, respectively, are attributable to additional interest expense related to the Company's previously outstanding put warrant. According to applicable accounting pronouncements, a company whose stock is not publicly-traded may elect to account for warrants that contain put options either as a liability or as equity. Upon issuance in 1998, the Company elected to account for these warrants as equity. Accordingly, the Company has been amortizing, through retained earnings, the fair market value of the warrants through June 5, 2003, the first date on which the put could have been exercised. The warrants were revalued each period-end with changes in value accounted for prospectively. As a result of the repurchase of the warrants, the unamortized value of the warrants was accelerated and charged to retained earnings in the fourth quarter of 2001 in the Company's reported shareholders' equity of $59.9 million. Had the Company elected to account for the warrants as a liability rather than as equity, the warrants would have been adjusted to their fair value at each period-end with the fair value adjustment reported as a noncash adjustment to interest expense. No additional change would have resulted from the repurchase of the warrants. In the event of an initial public offering of the Company's stock, the Company's financial statements would be required to reflect additional interest expense in the amount of the pro forma differences discussed above. Beginning in 2002, there will be no further pro forma effects relating to the put warrants due to the Company's repurchase of such warrants in October 2001.

Management Discussion

While the Company experienced a 41 percent increase in average offshore supply vessel (OSV) dayrates and a 6 percent increase in fleetwide OSV utilization during 2001, the primary contributing factor to the Company's revenue growth in 2001 was the increase of its fleet from 23 to 44 vessels. The Company took delivery of two newly constructed, deepwater OSVs on April 27, 2001 and November 6, 2001, respectively; and acquired nine ocean-going tugs and nine oceangoing tank barges from the Spentonbush/Red Star Group, affiliates of Amerada Hess Corporation, on May 31, 2001, and one 402-ft. self-propelled tank barge from Freeport-McMoRan Sulfur LLC on November 15, 2001.

Accordingly, the 240-ft class HOS Innovator contributed to the Company's revenue growth for all of the fourth quarter of 2001 and for eight months during the calendar year ended December 31, 2001. The 265-ft. class BJ Blue Ray contributed to the Company's revenue growth for two months of each of the fourth quarter of 2001 and the calendar year ended December 31, 2001. The Spentonbush/Red Star acquisition contributed to the Company's revenue growth for all of the fourth quarter of 2001 and for seven months during the calendar year ended December 31, 2001.

Todd Hornbeck, President and CEO, stated, "We are very pleased with yet another quarter of record revenue and EBITDA, despite the unfavorable market conditions that exist in both of our business segments. In particular, we would have had an even better performance from our Northeast tank barge operations this quarter had it not been for the unseasonably warm winter being experienced there, a trend that unfortunately has continued into the first quarter of 2002."

Recent Developments

On December 19, 2001, the SEC declared the Company's registration statement (Form S-4) with respect to its $175.0 million of senior unsecured notes to be effective. The Company completed an Exchange Offer on January 18, 2002, whereby the 10-5/8% Series A Senior Notes, due 2008, were exchanged for 10-5/8% Series B Senior Notes with the same terms, which are now publicly registered.

Effective December 31, 2001, the Company entered into a new senior secured revolving line of credit (the Revolver) for $50.0 million with one of its former lenders. Pursuant to the terms of the Revolver, the Company's borrowings under this facility will initially be limited to $25.0 million unless it has obtained the lender's concurrence to borrow in excess of $25.0 million and is in compliance with the terms of its bond indenture with respect to the incurrence of additional indebtedness. On February 25, 2002, the Revolver was collateralized by four offshore supply vessels and four oceangoing tugs with an aggregate orderly liquidation value of approximately $75.0 million. The collateral was not in place as of December 31, 2001, due to the necessary administrative changes that resulted from the conversion of the Company's subsidiaries from corporations into limited liability companies in late December 2001.