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FTI Consulting advises DeepOcean's secured lenders on its successful Restructuring Plan, the first UK Cross-Class Cram Down

- On 13 January 2021, DeepOcean's Restructuring Plan was sanctioned, and it included the first use of the UK Restructuring Plan cross-class cram down.
- The purpose of the DeepOcean Restructuring Plan was ultimately to enable the Group's loss-making Cable Laying and Trenching business (CL&T), largely based in the UK, to be wound down on a solvent basis.
- The wider DeepOcean Group is headquartered in the Netherlands with its main operations based in Norway. The Group provides subsea services for all project phases, from survey and inspection through to decommissioning. The solvent wind down only relates to CL&T.

Overview of the DeepOcean Restructuring Plan

There were three Plan Companies in the DeepOcean Restructuring Plan: DeepOcean 1 UK Limited ("DO1"), DeepOcean Subsea Cables Limited ("DSC") and Enshore Subsea Limited ("ES").

Key aspects of the Plan were a compromise of:

- Secured Creditors – by amending terms in accordance with an agreed lock-up;
- DO1 UK Vessel Owner Claims – a release in full, and the right to recover vessels, in consideration for an entitlement to receive a distribution (a proportion of Plan Consideration);

- DO1 UK Landlords – a release in full, and the right to recover properties, in consideration for an entitlement to receive a distribution; and
- Other Plan Creditors (largely comprising trade suppliers and sub-contractors) – also to be released in full in consideration for an entitlement to receive a distribution.

The Group's shareholder, Triton, committed to inject \$15m of equity and / or subordinated debt as further investment in the wider Group, conditional upon Restructuring Plan sanction.

A Restructuring Plan approach had advantages over alternative options available for the UK CL&T business:

- The UK Vessel Owners held a parent company guarantee from a Dutch entity in the wider Group and this guarantee was to be released as part of the Restructuring Plan terms.
- It avoided an insolvency of the UK CL&T business.

Cross-Class Cram Down

The voting analysis from the creditor meetings on 6 January 2021 is illustrated in the table below. In respect of both DO1 and ES, the approval levels for each class were in excess of 75% and cross-class cram down was not required. However, this was not the case for DSC with Secured Creditor approval of 100% and Other Plan

Creditors approval of 64.6% – nevertheless the DSC Plan was sanctioned, thereby providing the first cross-class cram down precedent in a UK Restructuring Plan.

The dissenting creditors in the DSC Other Plan Creditors class comprised three creditors with 35.4% by value and the approving creditors comprised 14 creditors. There was no specific communication from any of the three dissenting creditors to DSC on the reason for their dissent and they made no submissions to court.

In the days prior to the creditor meetings, DO1 reached a settlement with the UK Vessel Owners and the UK Landlords, whereby those creditor classes received an agreed settlement from DeepOcean Norway AS.

As this settlement was to be made by a Group entity which was not a Plan Company, it did not adversely impact the amounts available to Other Plan Creditors.

Had this settlement not been reached, there would have been the potential for cross-class cram down considerations within DO1, in addition to DSC.

The full written reasoning is to follow in due course, and although many of the specifics of this case may be different from subsequent potential cross-class cram downs, no doubt it will be read with interest as the first precedent.

		Plan Companies Voting Summary		
		DeepOcean 1 UK Limited (DO1)	DeepOcean Subsea Cables Limited (DSC)	Enshore Subsea Limited (ES)
Voting Classes	Secured Creditors	100%	100%	100%
	UK Vessel Owners	100%	n/a	n/a
	UK Landlords	100%	n/a	n/a
	Other Plan Creditors	100%	64.6%	91.0%

The business restructuring services team at FTI Consulting provides comprehensive financial and operational restructuring services and advice to underperforming and financially stressed businesses, their lenders, shareholders and other stakeholders. To find out more about the engagement, or for any other queries, please contact one of the team below.

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