

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, DC 20549

**FORM 10-Q**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended September 30, 2020 or**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from to  
Commission file number 1-12289**

**SEACOR Holdings Inc.**

**(Exact Name of Registrant as Specified in Its Charter)**

**Delaware**

**(State or Other Jurisdiction of  
Incorporation or Organization)**

**2200 Eller Drive, P.O. Box 13038,  
Fort Lauderdale, Florida**

**(Address of Principal Executive Offices)**

**13-3542736**

**(IRS Employer  
Identification No.)**

**33316**

**(Zip Code)**

**954-523-2200**

**(Registrant's Telephone Number, Including Area Code)**

**Not Applicable**

**(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)**

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
<b>Common Stock, par value \$0.01 per share</b>	<b>CKH</b>	<b>New York Stock Exchange</b>

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted and pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No

The total number of shares of common stock, par value \$.01 per share, outstanding as of October 27, 2020 was 20,372,174. The Registrant has no other class of common stock outstanding.

**SEACOR HOLDINGS INC.**

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**PART I - FINANCIAL INFORMATION**
**ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)**

**SEACOR HOLDINGS INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share data, unaudited)

	<u>September 30, 2020</u>	<u>December 31, 2019</u>
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 98,015	\$ 77,222
Restricted cash and restricted cash equivalents	1,119	1,222
Marketable securities	7,597	7,936
Receivables:		
Trade, net of allowance for doubtful accounts of \$1,380 and \$2,871 in 2020 and 2019, respectively	196,076	194,022
Other	67,862	38,881
Inventories	3,871	5,255
Prepaid expenses and other	6,364	6,971
Total current assets	<u>380,904</u>	<u>331,509</u>
Property and Equipment:		
Historical cost	1,442,442	1,442,382
Accumulated depreciation	(663,277)	(624,024)
Net property and equipment	<u>779,165</u>	<u>818,358</u>
Operating Lease Right-of-Use Assets	124,855	144,539
Investments, at Equity, and Advances to 50% or Less Owned Companies	152,744	157,108
Goodwill	32,616	32,701
Intangible Assets, Net	21,041	20,996
Other Assets	8,404	7,761
	<u>\$ 1,499,729</u>	<u>\$ 1,512,972</u>
<b>LIABILITIES AND EQUITY</b>		
Current Liabilities:		
Current portion of long-term debt	\$ 10,845	\$ 58,854
Current portion of long-term operating lease liabilities	37,124	36,011
Current portion of other long-term financial liabilities	1,479	—
Accounts payable and accrued expenses	58,640	57,595
Other current liabilities	77,429	57,501
Total current liabilities	<u>185,517</u>	<u>209,961</u>
Long-Term Debt	238,005	255,612
Long-Term Operating Lease Liabilities	87,579	108,295
Other Long-Term Financial Liabilities	31,701	—
Deferred Income Taxes	109,664	105,661
Deferred Gains and Other Liabilities	18,910	20,929
Total liabilities	<u>671,376</u>	<u>700,458</u>
Equity:		
SEACOR Holdings Inc. stockholders' equity:		
Preferred stock, \$0.01 par value, 10,000,000 shares authorized; none issued nor outstanding	—	—
Common stock, \$0.01 par value, 60,000,000 shares authorized; 41,012,817 and 40,819,892 shares issued in 2020 and 2019, respectively	410	408
Additional paid-in capital	1,666,218	1,661,002
Retained earnings	529,647	517,106
Shares held in treasury of 20,640,307 and 20,643,724 in 2020 and 2019, respectively, at cost	(1,365,921)	(1,365,792)
Accumulated other comprehensive loss, net of tax	(2,779)	(998)
	827,575	811,726
Noncontrolling interests in subsidiaries	778	788
Total equity	<u>828,353</u>	<u>812,514</u>
	<u>\$ 1,499,729</u>	<u>\$ 1,512,972</u>

The accompanying notes are an integral part of these condensed consolidated financial statements and should be read in conjunction herewith.

**SEACOR HOLDINGS INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(in thousands, except share data, unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Operating Revenues	\$ 175,414	\$ 200,658	\$ 540,295	\$ 607,205
Costs and Expenses:				
Operating	128,546	147,386	400,752	437,368
Administrative and general	24,560	24,923	76,785	78,383
Depreciation and amortization	17,306	16,975	52,620	51,120
	<u>170,412</u>	<u>189,284</u>	<u>530,157</u>	<u>566,871</u>
Gains on Asset Dispositions, Net	618	1,145	9,200	2,259
Operating Income	<u>5,620</u>	<u>12,519</u>	<u>19,338</u>	<u>42,593</u>
Other Income (Expense):				
Interest income	1,425	2,198	4,544	5,983
Interest expense	(3,938)	(4,816)	(12,587)	(14,832)
Debt extinguishment gains (losses), net	(254)	(777)	1,348	(2,073)
Marketable security gains (losses), net	951	144	(567)	16,496
Foreign currency losses, net	(203)	(1,877)	(3,042)	(1,663)
Other, net	2,242	505	2,992	(114)
	<u>223</u>	<u>(4,623)</u>	<u>(7,312)</u>	<u>3,797</u>
Income Before Income Tax Expense (Benefit) and Equity in Losses of 50% or Less Owned Companies	5,843	7,896	12,026	46,390
Income Tax Expense (Benefit)	1,552	1,417	(9,384)	7,012
Income Before Equity in Losses of 50% or Less Owned Companies	4,291	6,479	21,410	39,378
Equity in Losses of 50% or Less Owned Companies, Net of Tax	(1,102)	(618)	(8,877)	(3,448)
Net Income	<u>3,189</u>	<u>5,861</u>	<u>12,533</u>	<u>35,930</u>
Net Income (Loss) Attributable to Noncontrolling Interests in Subsidiaries	(1)	(544)	(8)	7,239
Net Income Attributable to SEACOR Holdings Inc.	<u>\$ 3,190</u>	<u>\$ 6,405</u>	<u>\$ 12,541</u>	<u>\$ 28,691</u>
Basic Earnings Per Common Share of SEACOR Holdings Inc.	\$ 0.16	\$ 0.33	\$ 0.63	\$ 1.54
Diluted Earnings Per Common Share of SEACOR Holdings Inc.	\$ 0.16	\$ 0.32	\$ 0.63	\$ 1.48
Weighted Average Common Shares Outstanding:				
Basic	19,995,413	19,322,423	19,975,635	18,618,613
Diluted	20,017,551	20,738,919	19,993,982	19,984,302

The accompanying notes are an integral part of these condensed consolidated financial statements and should be read in conjunction herewith.

**SEACOR HOLDINGS INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**(in thousands, unaudited)**

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Net Income	\$ 3,189	\$ 5,861	\$ 12,533	\$ 35,930
Other Comprehensive Income (Loss):				
Foreign currency translation gains (losses), net	198	(405)	(753)	(418)
Derivative gains (losses) on cash flow hedges	24	—	(1,031)	—
	222	(405)	(1,784)	(418)
Income tax benefit (expense)	(3)	—	3	(68)
	219	(405)	(1,781)	(486)
Comprehensive Income	3,408	5,456	10,752	35,444
Comprehensive Income (Loss) Attributable to Noncontrolling Interests in Subsidiaries	(1)	(544)	(8)	7,239
Comprehensive Income Attributable to SEACOR Holdings Inc.	<u>\$ 3,409</u>	<u>\$ 6,000</u>	<u>\$ 10,760</u>	<u>\$ 28,205</u>

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**SEACOR HOLDINGS INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**(in thousands, unaudited)**

<b>SEACOR Holdings Inc. Stockholders' Equity</b>							
<b>For the nine months ended September 30, 2020</b>	<b>Common Stock</b>	<b>Additional Paid-In Capital</b>	<b>Retained Earnings</b>	<b>Treasury Stock</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Non-Controlling Interests In Subsidiaries</b>	<b>Total Equity</b>
<b>December 31, 2019</b>	\$ 408	\$1,661,002	\$ 517,106	\$ (1,365,792)	\$ (998)	\$ 788	\$ 812,514
Issuance of common stock:							
Employee Stock Purchase Plan	—	—	—	1,815	—	—	1,815
Exercise of stock options	—	563	—	—	—	—	563
Director stock awards	—	55	—	—	—	—	55
Restricted stock	2	(2)	—	—	—	—	—
Purchase of treasury shares	—	—	—	(1,944)	—	—	(1,944)
Amortization of share awards	—	4,600	—	—	—	—	4,600
Distributions to noncontrolling interests	—	—	—	—	—	(2)	(2)
Net income (loss)	—	—	12,541	—	—	(8)	12,533
Other comprehensive loss	—	—	—	—	(1,781)	—	(1,781)
<b>September 30, 2020</b>	<u>\$ 410</u>	<u>\$1,666,218</u>	<u>\$ 529,647</u>	<u>\$ (1,365,921)</u>	<u>\$ (2,779)</u>	<u>\$ 778</u>	<u>\$ 828,353</u>

<b>SEACOR Holdings Inc. Stockholders' Equity</b>							
<b>For the three months ended September 30, 2020</b>	<b>Common Stock</b>	<b>Additional Paid-In Capital</b>	<b>Retained Earnings</b>	<b>Treasury Stock</b>	<b>Accumulated Other Comprehensive Income (Loss)</b>	<b>Non-Controlling Interests In Subsidiaries</b>	<b>Total Equity</b>
<b>June 30, 2020</b>	\$ 410	\$1,664,617	\$ 526,457	\$ (1,366,787)	\$ (2,998)	\$ 780	\$ 822,479
Issuance of common stock:							
Employee Stock Purchase Plan	—	—	—	866	—	—	866
Director stock awards	—	17	—	—	—	—	17
Amortization of share awards	—	1,584	—	—	—	—	1,584
Distributions to noncontrolling interests	—	—	—	—	—	(1)	(1)
Net income (loss)	—	—	3,190	—	—	(1)	3,189
Other comprehensive income	—	—	—	—	219	—	219
<b>September 30, 2020</b>	<u>\$ 410</u>	<u>\$1,666,218</u>	<u>\$ 529,647</u>	<u>\$ (1,365,921)</u>	<u>\$ (2,779)</u>	<u>\$ 778</u>	<u>\$ 828,353</u>

<b>SEACOR Holdings Inc. Stockholders' Equity</b>							
<b>For the nine months ended September 30, 2019</b>	<b>Common Stock</b>	<b>Additional Paid-In Capital</b>	<b>Retained Earnings</b>	<b>Treasury Stock</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Non- Controlling Interests In Subsidiaries</b>	<b>Total Equity</b>
<b>December 31, 2018</b>	\$ 390	\$ 1,596,642	\$ 474,809	\$ (1,366,773)	\$ (914)	\$ 149,688	\$ 853,842
Impact of adoption of accounting principle, net of tax	—	—	15,523	—	—	9,836	25,359
<b>December 31, 2018, As Adjusted</b>	390	1,596,642	490,332	(1,366,773)	(914)	159,524	879,201
Issuance of common stock:							
Employee Stock Purchase Plan	—	—	—	1,695	—	—	1,695
Exercise of stock options	1	5,219	—	—	—	—	5,220
Director stock awards	—	76	—	—	—	—	76
Restricted stock	2	(2)	—	—	—	—	—
Purchase of conversion option in convertible debt, net of tax	—	(115)	—	—	—	—	(115)
Purchase of treasury shares	—	—	—	(516)	—	—	(516)
Amortization of share awards	—	3,794	—	—	—	—	3,794
Purchase of subsidiary shares from noncontrolling interests	15	53,814	—	—	—	(160,818)	(106,989)
Distributions to noncontrolling interests	—	—	—	—	—	(5,162)	(5,162)
Net income	—	—	28,691	—	—	7,239	35,930
Other comprehensive loss	—	—	—	—	(486)	—	(486)
<b>September 30, 2019</b>	<u>\$ 408</u>	<u>\$ 1,659,428</u>	<u>\$ 519,023</u>	<u>\$ (1,365,594)</u>	<u>\$ (1,400)</u>	<u>\$ 783</u>	<u>\$ 812,648</u>

<b>SEACOR Holdings Inc. Stockholders' Equity</b>							
<b>For the three months ended September 30, 2019</b>	<b>Common Stock</b>	<b>Additional Paid-In Capital</b>	<b>Retained Earnings</b>	<b>Treasury Stock</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Non- Controlling Interests In Subsidiaries</b>	<b>Total Equity</b>
<b>June 30, 2019</b>	\$ 392	\$ 1,600,838	\$ 512,618	\$ (1,366,432)	\$ (995)	\$ 162,236	\$ 908,657
Issuance of common stock:							
Employee Stock Purchase Plan	—	—	—	838	—	—	838
Exercise of stock options	1	3,485	—	—	—	—	3,486
Director stock awards	—	21	—	—	—	—	21
Purchase of conversion option in convertible debt, net of tax	—	(12)	—	—	—	—	(12)
Amortization of share awards	—	1,282	—	—	—	—	1,282
Purchase of subsidiary shares from noncontrolling interests	15	53,814	—	—	—	(160,818)	(106,989)
Distributions to noncontrolling interests	—	—	—	—	—	(91)	(91)
Net income (loss)	—	—	6,405	—	—	(544)	5,861
Other comprehensive loss	—	—	—	—	(405)	—	(405)
<b>September 30, 2019</b>	<u>\$ 408</u>	<u>\$ 1,659,428</u>	<u>\$ 519,023</u>	<u>\$ (1,365,594)</u>	<u>\$ (1,400)</u>	<u>\$ 783</u>	<u>\$ 812,648</u>

The accompanying notes are an integral part of these condensed consolidated financial statements and should be read in conjunction herewith.

**SEACOR HOLDINGS INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(in thousands, unaudited)**

	Nine Months Ended September 30,	
	2020	2019
Net Cash Provided by Operating Activities	\$ 68,690	\$ 95,255
Cash Flows from Investing Activities:		
Purchases of property and equipment	(16,326)	(17,351)
Proceeds from disposition of property and equipment	9,615	1,874
Investments in and advances to 50% or less owned companies	(6,088)	(3,215)
Return of investments and advances from 50% or less owned companies	936	3,677
Payments received on third-party leases and notes receivable, net	389	1,125
Business acquisitions, net of cash acquired	(970)	—
Net cash used in investing activities	(12,444)	(13,890)
Cash Flows from Financing Activities:		
Payments on long-term debt	(69,048)	(66,685)
Proceeds from long-term debt, net of issue costs	—	22,803
Proceeds from other long-term financial liabilities	33,662	—
Payments of other long-term financial liabilities	(482)	—
Purchase of conversion option in convertible debt	—	(146)
Common stock acquired for treasury	(1,944)	(516)
Proceeds from share award plans	2,378	6,915
Purchase of subsidiary shares from noncontrolling interests	—	(107,692)
Distributions to noncontrolling interests	(2)	(5,162)
Net cash used in financing activities	(35,436)	(150,483)
Effects of Exchange Rate Changes on Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents	(120)	(58)
Net Increase (Decrease) in Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents	20,690	(69,176)
Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents, Beginning of Period	78,444	147,212
Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents, End of Period	99,134	78,036
Restricted Cash and Restricted Cash Equivalents, End of Period	1,119	1,221
Cash and Cash Equivalents, End of Period	\$ 98,015	\$ 76,815

The accompanying notes are an integral part of these condensed consolidated financial statements and should be read in conjunction herewith.



**SEACOR HOLDINGS INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(unaudited)**

**1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES**

Unless the context otherwise indicates, any reference in this Quarterly Report on Form 10-Q to the “Company” refers to SEACOR Holdings Inc. and its consolidated subsidiaries and any reference in this Quarterly Report on Form 10-Q to “SEACOR” refers to SEACOR Holdings Inc. without its consolidated subsidiaries. Capitalized terms used and not specifically defined herein have the same meaning given to those terms in the Company’s Annual report on Form 10-K for the year ended December 31, 2019.

The condensed consolidated financial information for the three and nine months ended September 30, 2020 and 2019 has been prepared by the Company and has not been audited by its independent registered certified public accounting firm. The condensed consolidated financial statements include the accounts of SEACOR Holdings Inc. and its consolidated subsidiaries. In the opinion of management, all adjustments (consisting of normal recurring adjustments) have been made to fairly present the Company’s financial position as of September 30, 2020, its results of operations for the three and nine months ended September 30, 2020 and 2019, its comprehensive income for the three and nine months ended September 30, 2020 and 2019, its changes in equity for the three and nine months ended September 30, 2020 and 2019, and its cash flows for the nine months ended September 30, 2020 and 2019. Results of operations for the interim periods presented are not necessarily indicative of operating results for the full year or any future periods.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the financial statements and related notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2019.

**Recent Developments.** In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (“COVID-19”) a pandemic, which continues to spread throughout the United States and the world. The spread of COVID-19 has caused significant volatility in U.S. and international markets and there is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies.

The Company’s overall business, results of operations and financial condition have been adversely affected by the COVID-19 outbreak. The COVID-19 pandemic is a dynamic and continuously evolving phenomenon and the ultimate severity of the outbreak, and its effect on the Company’s business in the future, is uncertain. If the pandemic worsens, additional restrictions are implemented or current restrictions are imposed for a longer period of time to contain the outbreak or re-imposed after a period of relaxation, the Company may experience a material adverse effect on its businesses, results of operations and financial condition, which could result in impairments in future periods.

**Adoption of New Accounting Standards.** On January 1, 2020, the Company adopted Financial Accounting Standards Board (“FASB”) Topic 326, *Financial Instruments - Credit Losses* (“Topic 326”), which replaces the current incurred loss impairment methodology for financial assets and other assets measured at amortized cost with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information, including forecasted information, to develop credit loss estimates. As part of the Company’s assessment of the adequacy of its allowances for credit losses, it considered a number of factors including, but not limited to, customer credit ratings and payment history, bankruptcy filings, published or estimated credit default rates, age of receivables, expected loss rates and collateral exposures. The adoption of Topic 326 using a modified retrospective approach did not have a material impact on the Company’s consolidated financial position, results of operations or cash flows.

On January 1, 2019, the Company adopted FASB Topic 842, *Leases* (“Topic 842”) using a modified prospective approach and implemented internal controls and systems to enable the preparation of financial information upon adoption. The Company elected the available practical expedients permitted under the guidance including the option to not separate lease and nonlease components in calculating the right-of-use assets and corresponding lease liabilities and to not apply the recognition requirements of Topic 842 to short-term leases (leases that have a duration of twelve months or less at lease inception). Generally, it was not possible for the Company to determine the interest rate implicit in each of its operating leases and therefore used its incremental borrowing rate in calculating operating lease right-of-use assets and lease liabilities. The Company assigned its leases to portfolios based on the remaining term at the time of adoption and applied a single rate to each portfolio of leases as the result was not materially different than using a specific discount rate for each individual lease. The Company included renewal options that were reasonably certain of being exercised in determining the lease term. Upon adoption, the Company recognized a cumulative-effect adjustment of \$25.4 million, net of tax, to the opening balance of retained earnings primarily for previously deferred gains related to sale-leaseback transactions.

**Revenue Recognition.** The Company earns revenues from contracts with customers and from lease contracts.

*Revenue from Contracts with Customers.* Revenue is recognized when (or as) the Company transfers promised goods or services to its customers in amounts that reflect the consideration to which the Company expects to be entitled to in exchange for those goods or services, which occurs when (or as) the Company satisfies its contractual obligations and transfers control of the promised goods or services to its customers. Costs to obtain or fulfill a contract are expensed as incurred.

Ocean Services' revenues from contracts with customers primarily arise from voyage charters, contracts of affreightment, tariff based port and infrastructure services, unit freight logistics services, and technical ship management agreements with vessel owners (see Note 16). Ocean Services transfers control of the service to the customer and satisfies its performance obligation over the term of the contract, and therefore recognizes revenue over the term of the contract while related costs are expensed as incurred. Voyage charters are contracts to carry cargoes on a single voyage basis for a predetermined price, regardless of time to complete. Contracts of affreightment are contracts for cargoes that are committed on a multi-voyage basis for various periods of time, with minimum and maximum cargo tonnages specified over the period at a fixed or escalating rate per ton. Tariff based port and infrastructure services typically include operating harbor tugs alongside oceangoing vessels to escort them to their berth, assisting with the docking and undocking of these oceangoing vessels and escorting them back out to sea. They are contracted using prevailing port tariff terms on a per-use basis. In the unit freight logistics trade, transportation services typically include transporting shipping containers, rail cars, project cargoes, automobiles and U.S. military vehicles and are generally contracted on a per unit basis for the specified cargo and destination, typically in accordance with a publicly available tariff rate or based on a negotiated rate when moving larger volumes over an extended period. Managed services include technical ship and crew management agreements whereby Ocean Services provides technical ship and crew management services to third-party customers for a predetermined price over a specified period of time, typically a year or more.

Inland Services' revenues from contracts with customers primarily arise from contracts of affreightment, terminal operations, fleeting operations and repair and maintenance services (see Note 16). Inland Services transfers control of the service to the customer and satisfies its performance obligation over the term of the contract, and therefore recognizes revenue over the term of the contract while related costs are expensed as incurred. Contracts of affreightment are contracts whereby customers are charged an established rate per ton to transport cargo from point-to-point. Terminal operations includes tank farms and dry bulk and container handling facilities that are marketed under contractual rates and terms driven by throughput volume. Fleeting operations includes fleeting services whereby barges are held in fleeting areas for an agreed-upon day rate and shifting services whereby harbor boats are used to pick up and drop off barges to assist in assembling tows and to move barges to and from the dock for loading and unloading at predetermined per-shift fees. Other operations primarily include a machine shop specializing in towboat and barge cleaning, repair and maintenance services that are charged on an hourly or a fixed fee basis depending on the scope and nature of the work.

Witt O'Brien's revenues from contracts with customers primarily arise from time and material contracts and retainer contracts (see Note 16). Witt O'Brien's transfers control of the service to the customer and satisfies its performance obligation over the term of the contract, and therefore recognizes revenue over the term of the contract while related costs are expensed as incurred. Time and material contracts primarily relate to emergency response, debris management or consulting services that Witt O'Brien's performs for a predetermined fee. Retainer contracts, which are nearly all with vessel services operators and oil companies, are contracted based on agreed-upon rates.

The Company's Other business segment includes Cleancor, which primarily earns revenues from the sale of liquefied natural gas (see Note 16). Under these arrangements, control of the goods is transferred to the customer and performance obligations are satisfied at a point in time, and therefore revenue is recognized upon delivery while any related costs are expensed as incurred.

Contract liabilities from contracts with customers arise when the Company has received consideration prior to performance and are included in other current liabilities in the accompanying consolidated balance sheets. The Company's contract liability activity for the nine months ended September 30 was as follows (in thousands):

	2020	2019
Balance at beginning of period	\$ 794	\$ 968
Previously deferred revenues recognized upon completion of performance obligations during the period	(786)	(950)
Net contract liabilities arising during the period	2,985	2,723
Balance at end of period	<u>\$ 2,993</u>	<u>\$ 2,741</u>

*Lease Revenues.* The Company’s lease revenues are primarily from time charters, bareboat charters and non-vessel rental agreements that are recognized ratably over the lease term as services are provided, typically on a per day basis. Under a time charter, the Company provides a vessel to a customer for a set term and is responsible for all operating expenses, typically excluding fuel. Under a bareboat charter, the Company provides a vessel to a customer for a set term and the customer assumes responsibility for all operating expenses and risks of operation. Under a non-vessel rental agreement, the Company provides non-vessel property or equipment to a customer for a set term and the customer assumes responsibility for all operating expenses and risks of operation.

*Property and Equipment.* Equipment, stated at cost, is depreciated using the straight-line method over the estimated useful life of the asset to an estimated salvage value. With respect to each class of asset, the estimated useful life is based upon a newly built asset being placed into service and represents the time period beyond which it is typically not justifiable for the Company to continue to operate the asset in the same or similar manner. From time to time, the Company may acquire older assets that have already exceeded their useful life as set forth in the Company’s useful life policy, in which case the Company depreciates such assets based on its best estimate of remaining useful life, typically the next survey or certification date.

As of September 30, 2020, the estimated useful life (in years) of each of the Company’s major categories of new equipment was as follows:

Petroleum and chemical carriers - U.S.-flag	25
Bulk carriers - U.S.-flag	25
Harbor and offshore tugs	25
Ocean liquid tank barges	25
Short-sea container/RORO <sup>(1)</sup> vessels	20
Inland river dry-cargo and specialty barges	20
Inland river liquid tank barges	25
Inland river towboats and harbor boats	25
Terminal and fleeting facilities	20

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(1) Roll On/Roll Off.

Equipment maintenance and repair costs including the costs of routine overhauls, dry-dockings and inspections performed on vessels and equipment are charged to operating expense as incurred. Expenditures that extend the useful life or improve the marketing and commercial characteristics of equipment as well as major renewals and improvements to other properties are capitalized.

As of September 30, 2020, the Company had construction in progress of \$16.4 million that primarily consisted of the construction of four U.S.-flag harbor tugs, an inland river towboat and other machinery and equipment and is included in historical cost in the accompanying condensed consolidated balance sheets. Certain interest costs incurred during the construction of equipment are capitalized as part of the assets’ carrying values and are amortized over such assets’ estimated useful lives. During the nine months ended September 30, 2020, capitalized interest totaled \$0.2 million.

*Impairment of Long-Lived Assets.* The Company performs an impairment analysis of long-lived assets used in operations, including intangible assets, when indicators of impairment are present. These indicators may include a significant decrease in the market price of a long-lived asset or asset group, a significant adverse change in the extent or manner in which a long-lived asset or asset group is being used or in its physical condition, or a current period operating or cash flow loss combined with a history of operating or cash flow losses or a forecast that demonstrates continuing losses associated with the use of a long-lived asset or asset group. If the carrying values of the assets are not recoverable, as determined by the estimated undiscounted cash flows, the estimated fair value of the assets or asset groups are compared to their current carrying value and impairment charges are recorded if the carrying value exceeds fair value. The Company performs its testing on an asset or asset group basis. The Company’s estimates of undiscounted cash flows are highly subjective and actual results may vary from the Company’s estimates due to the uncertainty regarding projected financial performance. Generally, fair value is determined using valuation techniques, such as expected discounted cash flows or appraisals, as appropriate. During the nine months ended September 30, 2020 and 2019, the Company did not recognize any impairment charges related to long-lived assets held for use.

**Impairment of 50% or Less Owned Companies.** Investments in 50% or less owned companies are reviewed periodically to assess whether there is an other-than-temporary decline in the carrying value of the investment. In its evaluation, the Company considers, among other items, recent and expected financial performance and returns, impairments recorded by the investee and the capital structure of the investee. When the Company determines the estimated fair value of an investment is below carrying value and the decline is other-than-temporary, the investment is written down to its estimated fair value. Actual results may vary from the Company’s estimates due to the uncertainty regarding projected financial performance, the severity and expected duration of declines in value and the available liquidity in the capital markets to support the continuing operations of the investee, among other factors. Although the Company believes its assumptions and estimates are reasonable, the investee’s actual performance compared with the estimates could produce different results and lead to additional impairment charges in future periods. During the nine months ended September 30, 2020 and 2019, the Company did not recognize any impairment charges related to its 50% or less owned companies.

**Income Taxes.** During the nine months ended September 30, 2020, the Company’s effective income tax rate of (78.0)% was lower than the statutory rate primarily due to a benefit from a statutory change to the U.S. federal income tax code and income subject to tonnage tax, partially offset by subpart F income, non-deductible expenses, state taxes and foreign taxes not creditable against U.S. income taxes (see Note 8). During the nine months ended September 30, 2019, the Company’s effective income tax rate of 15.1% was lower than the statutory rate primarily due to tax not provided on income attributable to noncontrolling interests, foreign sourced income not subject to U.S. tax and income subject to tonnage tax, partially offset by foreign taxes not creditable against U.S. income tax.

**Deferred Gains.** The Company has sold certain equipment to its 50% or less owned companies, entered into vessel sale-leaseback transactions with finance companies and provided seller financing on sales of its equipment to third parties and its 50% or less owned companies. A portion of the gains realized from these transactions were deferred and recorded in deferred gains and other liabilities in the accompanying condensed consolidated balance sheets. Deferred gain activity related to these transactions for the nine months ended September 30 was as follows (in thousands):

	2020	2019
Balance at beginning of period	\$ 12,008	\$ 43,664
Impact of adoption of accounting principle <sup>(1)</sup>	—	(29,207)
Amortization of deferred gains included in gains on asset dispositions, net	(992)	(2,119)
Balance at end of period	<u>\$ 11,016</u>	<u>\$ 12,338</u>

(1) On January 1, 2019, the Company adopted Topic 842 and reduced deferred gains associated with sale-leaseback transactions through a beginning period retained earnings adjustment.

**Earnings Per Share.** Basic earnings per common share of SEACOR is computed based on the weighted average number of common shares issued and outstanding during the relevant periods. Diluted earnings per common share of SEACOR is computed based on the weighted average number of common shares issued and outstanding plus the effect of potentially dilutive securities through the application of the treasury stock and if-converted methods. Dilutive securities for this purpose assumes restricted stock grants have vested, common shares have been issued pursuant to the exercise of outstanding stock options and common shares have been issued pursuant to the conversion of all outstanding convertible notes.

Computations of basic and diluted earnings per common share of SEACOR were as follows (in thousands, except share data):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	Net Income attributable to SEACOR	Average O/S Shares	Per Share	Net Income Attributable to SEACOR	Average O/S Shares	Per Share
<b>2020</b>						
<b>Basic Weighted Average Common Shares Outstanding</b>	\$ 3,190	19,995,413	\$ 0.16	\$ 12,541	19,975,635	\$ 0.63
Effect of Dilutive Securities:						
Options and Restricted Stock <sup>(1)</sup>	—	22,138		—	18,347	
Convertible Notes <sup>(2)</sup>	—	—		—	—	
<b>Diluted Weighted Average Common Shares Outstanding</b>	\$ 3,190	20,017,551	\$ 0.16	\$ 12,541	19,993,982	\$ 0.63
<b>2019</b>						
<b>Basic Weighted Average Common Shares Outstanding</b>	\$ 6,405	19,322,423	\$ 0.33	\$ 28,691	18,618,613	\$ 1.54
Effect of Dilutive Securities:						
Options and Restricted Stock <sup>(3)</sup>	—	189,395		—	138,588	
Convertible Notes <sup>(4)</sup>	318	1,227,101		955	1,227,101	
<b>Diluted Weighted Average Common Shares Outstanding</b>	\$ 6,723	20,738,919	\$ 0.32	\$ 29,646	19,984,302	\$ 1.48

- (1) For the three and nine months ended September 30, 2020, diluted earnings per common share of SEACOR excluded 1,801,698 and 1,777,615, respectively, of certain share awards as the effect of their inclusion in the computation would be anti-dilutive.
- (2) For the three and nine months ended September 30, 2020, diluted earnings per common share of SEACOR excluded 982,080 and 1,107,979, respectively, of common shares issuable pursuant to the Company's 2.5% Convertible Senior Notes, 353,887 and 453,499, respectively, of common shares issuable pursuant to the Company's 3.0% Convertible Senior Notes, and 1,553,780 and 1,553,780, respectively, of common shares issuable pursuant to the Company's 3.25% Convertible Senior Notes as the effect of their inclusion in the computation would be anti-dilutive.
- (3) For the three and nine months ended September 30, 2019, diluted earnings per common share of SEACOR excluded 557,321 and 723,370, respectively, of certain share awards as the effect of their inclusion in the computation would be anti-dilutive.
- (4) For the three and nine months ended September 30, 2019, diluted earnings per common share of SEACOR excluded 827,566 and 1,027,663, respectively, of common shares issuable pursuant to the Company's 3.0% Convertible Senior Notes and 1,553,780 and 1,553,780, respectively, of common shares issuable pursuant to the Company's 3.25% Convertible Senior Notes as the effect of their inclusion in the computation would be anti-dilutive.

**New Accounting Pronouncements.** On January 26, 2017, the FASB issued an amendment to the accounting standards that simplified wording and removed step two of the goodwill impairment test. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. The FASB also eliminated the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative assessment, to perform step two of the goodwill test. The new standard is effective for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2020, with early adoption permitted for interim or annual goodwill impairment tests on testing dates after January 1, 2017. The Company does not expect the adoption of the new standard will have a material impact on its consolidated financial position, results of operations or cash flows.

On December 18, 2019, the FASB issued an amendment to the accounting standards that enhances and simplifies various aspects of the income tax accounting guidance including the elimination of certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new guidance also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. The guidance will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020, with early adoption permitted. The Company does not expect the adoption of the new standard will have a material impact on its consolidated financial position, results of operations or cash flows.

## 2. BUSINESS ACQUISITIONS

**Navigate.** On February 21, 2020, the Company acquired Helix Media Pte. Ltd., Navigate Response (Asia) Pte. Ltd., Navigate PR Ltd., and Navigate Response Limited (collectively "Navigate"), a global crisis communications network specializing in the international shipping, port and offshore industries, for \$3.6 million. The purchase price consisted of \$1.0 million in cash, net of cash acquired of \$0.8 million, paid at the closing of the acquisition and \$1.8 million of contingent consideration that is payable upon Navigate meeting certain specified cash collection and client retention targets for the 24 months following the acquisition date. The Company performed a preliminary fair value analysis and the purchase price was allocated to the acquired assets and liabilities based on their fair value resulting in no goodwill being recorded. During the nine months ended September 30, 2020, the Company paid \$0.1 million of the contingent consideration.

**Purchase Price Allocation.** The allocation of the purchase price for the Company's acquisition for the nine months ended September 30 was as follows (in thousands):

	2020
Trade and other receivables	\$ 295
Other current assets	103
Property and Equipment	5
Intangible Assets	3,078
Accounts payable and other accrued liabilities	(31)
Other current liabilities <sup>(1)</sup>	(2,113)
Other Liabilities <sup>(1)</sup>	(367)
Purchase price <sup>(2)</sup>	<u>\$ 970</u>

(1) Includes contingent consideration.

(2) Purchase price is net of cash acquired totaling \$0.8 million.

Subsequent to September 30, 2020, the Company's Inland Services segment finalized the terms to acquire a strategic fleeting location in the center Gulf Coast for \$21.9 million that is expected to close on November 1, 2020.

## 3. EQUIPMENT ACQUISITIONS AND DISPOSITIONS

During the nine months ended September 30, 2020, capital expenditures were \$16.3 million and primarily related to progress payments for the construction of four U.S.-flag harbor tugs and the purchase of machinery and equipment.

During the nine months ended September 30, 2020, the Company sold 39 inland river dry-cargo barges and other equipment for net proceeds of \$9.6 million and gains of \$8.2 million. In addition, the Company recognized previously deferred gains of \$1.0 million. Subsequent to September 30, 2020, the Company sold one U.S.-flag dry bulk carrier for net proceeds of \$1.8 million and gains of \$0.2 million.

During the nine months ended September 30, 2020, the Company also sold and leased back three U.S.-flag harbor tugs for \$33.7 million with leaseback terms ranging from 72-84 months. The Company determined that these transactions resulted in "failed" sale-leasebacks in accordance with Topic 842 and Topic 606 and as a result, did not qualify for sale or lease accounting (see Note 7).

## 4. INVESTMENTS, AT EQUITY, AND ADVANCES TO 50% OR LESS OWNED COMPANIES

**Trailer Bridge.** During the nine months ended September 30, 2020, the Company earned revenues of \$3.1 million from the time charter of one U.S.-flag offshore tug to Trailer Bridge.

**RF Vessel Holdings.** During the nine months ended September 30, 2020, the Company and its partner each contributed capital of \$4.4 million to RF Vessel Holdings.

**Golfo de Mexico.** During the nine months ended September 30, 2020, the Company and its partner each contributed capital of \$0.5 million to Golfo de Mexico.

**KSM.** During the nine months ended September 30, 2020, the Company earned revenues of \$1.2 million from the bareboat charter of two foreign-flag harbor tugs to KSM.

**Bunge-SCF Grain.** During the nine months ended September 30, 2020, the Company earned revenues of \$0.5 million from the lease of a terminal facility to Bunge-SCF Grain.

**SCF Bunge Marine.** During the nine months ended September 30, 2020, the Company earned revenues of \$6.0 million from the time charter of eight inland river towboats to SCF Bunge Marine. During the nine months ended September 30, 2020, the Company and its partner each received a cash dividend of \$1.3 million from SCF Bunge Marine.

**Other Inland Services.** During the nine months ended September 30, 2020, the Company and its partner each received a cash dividend of \$0.2 million from this 50% or less owned company.

**O'Brien's do Brazil.** During the nine months ended September 30, 2020, the Company and its partner each received a cash dividend of \$0.5 million from O'Brien's do Brazil.

**VA&E.** During the nine months ended September 30, 2020, the Company provided a working capital advance of \$1.2 million to VA&E and received repayments of \$0.9 million on the working capital advance and on subordinated loans from VA&E.

## 5. LONG-TERM DEBT

SEACOR's Board of Directors previously approved a securities repurchase plan that authorizes the Company to acquire SEACOR common stock, par value \$0.01 per share ("Common Stock"), 3.0% Convertible Senior Notes (which have been fully-extinguished), 2.5% Convertible Senior Notes and 3.25% Convertible Senior Notes (collectively the "Securities") through open market purchases, privately negotiated transactions or otherwise, depending on market conditions. As of September 30, 2020, the Company's remaining repurchase authority for the Securities was \$102.2 million.

**3.0% Convertible Senior Notes.** During the nine months ended September 30, 2020, the Company purchased \$15.6 million in principal amount of its 3.0% Convertible Senior Notes for total consideration of \$15.4 million. On September 14, 2020, the Company redeemed the remaining \$34.5 million aggregate outstanding principal amount of its 3.0% Convertible Senior Notes at a price equal to 100% of the principal amount plus accrued and unpaid interest through the date of redemption. During the nine months ended September 30, 2020, these transactions resulted in debt extinguishment losses of \$0.6 million included in the accompanying condensed consolidated statements of income.

**2.5% Convertible Senior Notes.** During the nine months ended September 30, 2020, the Company purchased \$12.9 million in principal amount of its 2.5% Convertible Senior Notes for total consideration of \$10.9 million resulting in debt extinguishment gains of \$1.9 million included in the accompanying condensed consolidated statements of income. The outstanding principal amount of these notes was \$51.6 million as of September 30, 2020.

**SEACOR Revolving Credit Facility.** As of September 30, 2020, the Company had \$125.0 million of remaining borrowing capacity under this facility.

**SEA-Vista 2019 Credit Facility.** During the nine months ended September 30, 2020, SEA-Vista made scheduled repayments of \$7.5 million on its Term Loan. As of September 30, 2020, SEA-Vista had \$100.0 million of remaining borrowing capacity under the SEA-Vista Revolving Loan.

**Other.** During the nine months ended September 30, 2020, the Company made scheduled repayments on other long-term debt of \$0.7 million.

**Letters of Credit.** As of September 30, 2020, the Company had outstanding letters of credit totaling \$1.1 million with various expiration dates through 2027.

**Guarantees.** The Company has guaranteed the payments of amounts owed under certain sale-leaseback transactions on behalf of SEACOR Marine. As of September 30, 2020, these guarantees on behalf of SEACOR Marine totaled \$10.4 million and decline as payments are made on the outstanding obligations. The Company earns a fee of 0.5% per annum on these guarantees. During the nine months ended September 30, 2020, the fees earned by the Company for these guarantees were not material.

## 6. OPERATING LEASES

As of September 30, 2020, the Company leased-in two U.S.-flag petroleum and chemical carriers, four U.S.-flag harbor tugs, one U.S.-flag offshore tug, four U.S.-flag PCTCs, 50 inland river dry-cargo barges, four inland river towboats, six inland river harbor boats and certain facilities and other equipment. The leases generally contain purchase and renewal options or rights of first refusal with respect to the sale or lease of the equipment. As of September 30, 2020, the lease terms of the U.S.-flag petroleum and chemical carriers, which are subject to subleases, have remaining durations of 24 and 71 months. The lease terms of the other vessels, facilities and equipment range in duration from 1 to 186 months.

For the nine months ended September 30, the components of lease expense were as follows (in thousands):

	<u>2020</u>	<u>2019</u>
Operating lease expense	\$ 33,596	\$ 32,009
Short-term lease expense (lease duration of twelve months or less at lease commencement)	14,105	17,136
Sublease income	(26,216)	(24,129)
	<u>\$ 21,485</u>	<u>\$ 25,016</u>

For the nine months ended September 30, 2020, other information related to operating leases was as follows (in thousands except weighted average data):

Operating cash outflows from operating leases	\$ 33,515
Right-of-use assets obtained in exchange for operating lease liabilities	\$ 9,183
Weighted average remaining lease term, in years	4.8
Weighted average discount rate	4.9%

## 7. OTHER LONG-TERM FINANCIAL LIABILITIES

During the nine months ended September 30, 2020, the Company sold and leased back three U.S.-flag harbor tugs for \$33.7 million with leaseback terms ranging from 72-84 months (see Note 3). Each of the sale-leaseback agreements provides the Company an option to purchase the applicable U.S.-flag harbor tug for a fixed price one year prior to the expiration of the original lease term.

As a result of the fixed price purchase options, in accordance with Topic 842 and Topic 606, the transactions resulted in "failed" sale-leasebacks as the purchasers do not obtain control of the assets. As a consequence, the Company has not derecognized the assets from its property and equipment and accumulated depreciation balances and will continue to depreciate the assets in accordance with its useful life and depreciation policies. The proceeds received from the sales are included in the accompanying condensed balance sheets as other long-term financial liabilities. As the Company makes rental payments, a portion of each payment will reduce the balance of the other long-term financial liabilities and a portion will be recorded as interest expense.

During the nine months ended September 30, the amounts recognized in the accompanying condensed consolidated statements of income related to these "failed" sale-leasebacks were as follows (in thousands):

	<u>2020</u>
Depreciation and amortization	\$ 438
Interest expense	374

As of September 30, 2020, the future minimum lease payments under these agreements for the years ended December 31, were as follows (in thousands):

Remainder of 2020	\$ 642
2021	2,568
2022	2,568
2023	2,568
2024	2,568
Years subsequent to 2024	5,371
	<u>\$ 16,285</u>



As of September 30, 2020, depreciation expense to be recognized on these U.S.-flag harbor tugs through the end of the lease term for the years ended December 31, was as follows (in thousands):

Remainder of 2020	\$ 329
2021	1,313
2022	1,313
2023	1,313
2024	1,313
Years subsequent to 2024	2,735
	<u>\$ 8,316</u>

## 8. INCOME TAXES

The following table reconciles the difference between the statutory federal income tax rate and the Company's effective income tax rate for the nine months ended September 30, 2020:

Statutory rate	21.0 %
Income subject to tonnage tax	(9.7)%
U.S. federal income tax statutory changes	(106.0)%
Non-deductible expenses	3.3 %
Noncontrolling interests	0.1 %
Foreign earnings not subject to U.S. income tax	0.3 %
Foreign taxes not creditable against U.S. income tax	2.9 %
Subpart F income	4.8 %
State taxes	3.5 %
Share award plans	1.8 %
	<u>(78.0)%</u>

On March 27, 2020, the U.S. Congress passed and the President signed the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") into law to address the economic fallout of the 2020 coronavirus pandemic. One provision of the CARES Act increases the tax deduction for net operating losses from 80% to 100% for 2018 through 2020, allows net operating losses generated in 2018 through 2020 to be carried back up to five years and increases the deductible interest expense limit from 30% to 50% of taxable EBITDA. As a result of these statutory changes, during the nine months ended September 30, 2020, the Company determined it will be able to carry its 2019 net operating losses back to tax years when the statutory tax rate was 35% resulting in an income tax benefit of \$12.7 million, which is included in income tax expense (benefit) in the accompanying condensed consolidated statements of income.

As of September 30, 2020, \$34.2 million of income tax receivables are included in other receivables in the accompanying condensed consolidated balance sheets.

## 9. DERIVATIVE INSTRUMENTS AND HEDGING STRATEGIES

One of the Company's 50% or less owned companies has subsidiaries with interest rate swap agreements designated as cash flow hedges, with an aggregate amortizing notional value of \$48.0 million that mature in March 2028. These interest rate swaps call for the subsidiaries to pay a fixed rate of 1.74% on the aggregate amortizing notional value and receive a variable interest rate based on LIBOR. By entering into these interest rate swap agreements, the Company's 50% or less owned companies converted the variable LIBOR component of certain of its outstanding borrowings to a fixed interest rate. During the nine months ended September 30, 2020, the Company recognized losses on the fair value of these contracts of \$1.0 million, which are included as a component of other comprehensive income (loss).

## 10. FAIR VALUE MEASUREMENTS

The fair value of an asset or liability is the price that would be received to sell an asset or transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company utilizes a fair value hierarchy that maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value and defines three levels of inputs that may be used to measure fair value. *Level 1* inputs are quoted prices in active markets for identical assets or liabilities. *Level 2* inputs are observable inputs other than quoted prices included in *Level 1* that are observable for the asset or liability, either directly or

indirectly, including quoted prices for similar assets or liabilities in active markets, quoted prices in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs derived from observable market data. *Level 3* inputs are unobservable inputs that are supported by little or no market activity and are significant to the fair value of the assets or liabilities.

As of September 30, 2020, the Company’s financial assets and liabilities that are measured at fair value on a recurring basis were as follows (in thousands):

	Level 1	Level 2	Level 3
<b>ASSETS</b>			
Cash, cash equivalents, restricted cash and restricted cash equivalents	\$ 99,134	\$ —	\$ —
Marketable securities <sup>(1)</sup>	7,597	—	—

(1) Marketable security gains (losses), net include unrealized gains of \$1.0 million and unrealized losses of \$0.1 million for the three months ended September 30, 2020 and 2019, respectively, related to marketable security positions held by the Company as of September 30, 2020. Marketable security gains (losses), net include unrealized losses of \$0.6 million and unrealized gains of \$0.3 million for the nine months ended September 30, 2020 and 2019, respectively, related to marketable security positions held by the Company as of September 30, 2020.

As of September 30, 2020, the estimated fair values of the Company’s other financial assets and liabilities were as follows (in thousands):

	Carrying Amount	Estimated Fair Value		
		Level 1	Level 2	Level 3
<b>ASSETS</b>				
Notes receivable from third parties (included in other receivables and other assets)	\$ 2,334	\$ —	\$ 2,334	\$ —
Investments, at cost, in 50% or less owned companies (included in other assets)	4,201	<i>see below</i>		
<b>LIABILITIES</b>				
Long-term debt, including current portion <sup>(1)</sup>	\$ 248,850	\$ —	\$ 236,065	\$ —

(1) The estimated fair value includes the embedded conversion options on the Company’s 2.5% Convertible Senior Notes and 3.25% Convertible Senior Notes.

The fair value of the Company’s long-term debt and notes receivable from third parties was estimated based upon quoted market prices or by using discounted cash flow analyses based on estimated current rates for similar types of arrangements. It was not practicable to estimate the fair value of certain of the Company’s investments, at cost, in 50% or less owned companies because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs. Considerable judgment was required in developing certain of the estimates of fair value including the consideration of the recent COVID-19 pandemic that has caused significant volatility in U.S. and international markets, and accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange.

## 11. EQUITY TRANSACTIONS

SEACOR’s Board of Directors previously approved a securities repurchase plan that authorizes the Company to acquire its Securities through open market purchases, privately negotiated transactions or otherwise, depending on market conditions (see Note 5).

During the nine months ended September 30, 2020, the Company acquired 41,600 shares of Common Stock for treasury for an aggregate purchase price of \$1.4 million. As of September 30, 2020, the Company’s repurchase authority for the Securities was \$102.2 million.

During the nine months ended September 30, 2020, the Company acquired 17,144 shares of Common Stock for treasury for an aggregate purchase price of \$0.5 million from its employees to cover their tax withholding obligations related to the vesting of equity awards. These shares were purchased in accordance with the terms of the Company’s Share Incentive Plans and not pursuant to the repurchase authorizations for its Securities granted by SEACOR’s Board of Directors.

## 12. NONCONTROLLING INTERESTS IN SUBSIDIARIES

SEA-Vista owns and operates the Company’s fleet of U.S.-flag petroleum and chemical carriers used in the U.S. coastwise trade of crude oil, petroleum and specialty chemical products. On August 2, 2019, the Company acquired the Remaining SEA-Vista Interest. During the seven months ended July 31, 2019, the net income of SEA-Vista was \$14.8 million, of which \$7.2 million was attributable to noncontrolling interests.

## 13. MULTI-EMPLOYER AND DEFINED BENEFIT PENSION PLANS

During the nine months ended September 30, 2020, the Company received notification from the AMOPP that the Company’s withdrawal liability as of September 30, 2019, the latest period for which an actuarial valuation is available, would have been \$25.5 million. That liability may change in future years based on various factors, primarily employee census. As of September 30, 2020, the Company has no intention to withdraw from the AMOPP and no deficit amounts have been invoiced. Depending upon the results of the future actuarial valuations, it is possible that the AMOPP may experience future funding deficits, requiring the Company to recognize additional payroll related operating expenses in the periods invoices are received or contribution levels are increased.

## 14. SHARE BASED COMPENSATION

During the nine months ended September 30, 2020, transactions in connection with the Company’s share based compensation plans were as follows:

Director stock awards granted	1,750
Employee Stock Purchase Plan (“ESPP”) shares issued	62,161
Restricted stock awards granted	167,650
Stock Option Activities:	
Outstanding as of December 31, 2019	1,454,074
Granted	135,783
Exercised	(23,525)
Expired	(5,986)
Outstanding as of September 30, 2020	1,560,346
Shares available for future grants and ESPP purchases as of September 30, 2020	1,078,056

**Share Incentive Plans.** On June 2, 2020, SEACOR’s stockholders approved an amendment to the 2014 Share Incentive Plan, whereby the number of shares available under the plan was increased by 900,000.

## 15. COMMITMENTS AND CONTINGENCIES

As of September 30, 2020, the Company's capital commitments by year of expected payment were as follows (in thousands):

	Remainder of 2020	2021	2022	Total
Ocean Services	\$ 8,424	\$ 36,657	\$ 2,636	\$ 47,717
Inland Services	6,585	849	—	7,434
Other	128	—	—	128
	<u>\$ 15,137</u>	<u>\$ 37,506</u>	<u>\$ 2,636</u>	<u>\$ 55,279</u>

Ocean Services' capital commitments included four U.S.-flag harbor tugs, an interest in two foreign-flag rail ferries and other equipment and improvements. Inland Services' capital commitments included six inland river dry-cargo barges, one inland river towboat, other equipment, and vessel and terminal improvements.

During 2012, the Company sold National Response Corporation (“NRC”), NRC Environmental Services Inc., SEACOR Response Ltd., and certain other subsidiaries to J.F. Lehman & Company, a private equity firm (the “SES Business Transaction”).

On December 15, 2010, O’Brien’s Response Management L.L.C. (“ORM”) and NRC were named as defendants in several “master complaints” filed in the overall multi-district litigation relating to the *Deepwater Horizon* oil spill response and clean-up in the Gulf of Mexico (the “DWH Response”), which is currently pending in the U.S. District Court for the Eastern District of Louisiana (the “MDL”). The “B3” master complaint naming ORM and NRC asserted various claims on behalf of a

putative class against multiple defendants concerning the clean-up activities generally and the use of dispersants specifically. Both prior to and following the filing of the aforementioned “B3” master complaint, individual civil actions naming the Company, ORM, and/or NRC alleging “B3” exposure-based injuries and/or damages were consolidated with the MDL and stayed pursuant to court order. On February 16, 2016, all but eleven “B3” claims against ORM and NRC were dismissed with prejudice (the “B3 Dismissal Order”). On August 2, 2016, the Court granted an omnibus motion for summary judgment as it concerns ORM and NRC in its entirety, dismissing the remaining eleven plaintiffs’ claims against ORM and NRC with prejudice (the “Remaining Eleven Plaintiffs’ Dismissal Order”). The deadline to appeal both of these orders has expired. The last remaining claim against the Company in connection with the “B3” master complaint was dismissed with prejudice, by an order of the Court granted on July 25, 2019.

On February 18, 2011, Triton Asset Leasing GmbH, Transocean Holdings LLC, Transocean Offshore Deepwater Drilling Inc., and Transocean Deepwater Inc. (collectively “Transocean”) named ORM and NRC as third-party defendants in a Rule 14(c) Third-Party Complaint in Transocean’s own Limitation of Liability Act action, which is part of the overall MDL, tendering to ORM and NRC the claims in the “B3” master complaint that have already been asserted against ORM and NRC. Various contribution and indemnity cross-claims and counterclaims involving ORM and NRC were subsequently filed. The Company believes that the potential exposure, if any, resulting therefrom has been reduced as a result of the various developments in the MDL, including the B3 Dismissal Order and Remaining Eleven Plaintiffs’ Dismissal Order, and does not expect that these matters will have a material effect on its consolidated financial position, results of operations or cash flows.

Separately, on March 2, 2012, the Court announced that BP Exploration and Production Inc. (“BPXP”) and BP America Production Company (“BP America,” and with BPXP, “BP”) and the Plaintiffs had reached an agreement on the terms of two proposed class action settlements that would resolve, among other things, Plaintiffs’ economic loss and property damage claims and clean-up related claims against BP. The Company, ORM, and NRC had no involvement in negotiating or agreeing to the terms of either settlement, nor are they parties or signatories thereto. The BP settlement pertaining to personal injury claims (the “Medical Settlement”) purported to resolve the “B3” claims asserted against BP and also established a right for class members to pursue individual claims against BP (but not ORM or NRC) for “later-manifested physical conditions,” defined in the Medical Settlement to be physical conditions that were “first diagnosed” after April 16, 2012 and which are claimed to have resulted from exposure during the DWH Response. This back-end litigation-option (“BELO”) provision of the Medical Settlement has specifically-delineated procedures and limitations, should any “B3” class member seek to invoke their BELO right. For example, there are limitations on the claims and defenses that can be asserted, as well as on the issues, elements, and proofs that may be litigated at any trial and the potential recovery for any Plaintiff. Notwithstanding that the Company, ORM, and NRC are listed on the Medical Settlement’s release as to claims asserted by Plaintiffs, the Medical Settlement still permits BP to seek indemnity from any party, to the extent BP has a valid indemnity right. The Medical Settlement was approved by the Court on January 11, 2013 and made effective on February 12, 2014.

As of mid-October 2020, BP has tendered approximately 2,400 claims pursuant to the Medical Settlement’s BELO provision for indemnity to ORM and approximately 230 of such claims to NRC. Recently, approximately 785 of the claims that were tendered by BP to ORM and approximately 80 of the claims tendered to NRC have been dismissed with prejudice. ORM and NRC have rejected all of BP’s indemnity demands relating to the Medical Settlement’s BELO provision and on February 14, 2019 commenced a legal action against BPXP and BP America with respect to same. That action, captioned *O’Brien’s Response Management, L.L.C. et al. v. BP Exploration & Production Inc. et al.*, Case No. 2:19-CV-01418-CJB-JCW (E.D. La.) (the “Declaratory Judgment Action”), seeks declaratory relief that neither ORM nor NRC have any indemnity obligation to BP with respect to the exposure-based claims expressly contemplated by the Medical Settlement’s BELO provision, nor any contribution, in light of BP’s own actions and conduct over the past ten years (including its complete failure to even seek indemnity) and the resultant prejudice to ORM and NRC; that any indemnity or contribution rights BP may have once had with respect to these personal injury and exposure claims were extinguished once the Medical Settlement was approved by the MDL Court in 2013; and that ORM’s and NRC’s contractual and common law rights operate to bar any indemnity or contribution claims against them by BP. BP subsequently proceeded to begin tendering personal injury claims to ORM and NRC that are being pursued by plaintiffs who opted out of the Medical Settlement and who are thus proceeding with their “B3” claims in their ordinary course (as opposed to pursuant to the Medical Settlement’s BELO provision). ORM and NRC also rejected these demands, and amended the Declaratory Judgment Action to cover BP’s indemnity demands for the opt-out claims as well.

BP asserted four amended counterclaims against ORM and NRC, as well as two claims against ORM’s insurer (Navigators). Those amended counterclaims are breach of contract against ORM for allegedly failing to indemnify BP or name BP as an additional insured on the Navigators policy, declaratory judgment that NRC must allegedly indemnify BP under certain circumstances, and unjust enrichment against ORM and NRC. ORM and NRC successfully moved to dismiss the unjust enrichment counterclaim. The parties also filed simultaneous motions for judgment on the pleadings. On May 4, 2020, the Court ruled in favor of ORM, NRC, and Navigators, and against BP, on all claims. BP appealed that ruling on the U.S. Court

of Appeals for the Fifth Circuit. Briefings are expected to be complete by mid-November 2020, after which the Court may hold an oral argument or rule on the briefs alone. The timing of a ruling is within the Court's discretion.

Generally, the Company, ORM, and NRC believe that BP's indemnity demands with respect to any "B3" claims, including those involving Medical Settlement class members invoking BELO rights and those involving Medical Settlement opt-out Plaintiffs, are untimely and improper, and intend to vigorously defend their interests. Moreover, ORM has contractual indemnity coverage for the above-referenced claims through its separate agreements with sub-contractors that worked for ORM during the DWH Response and has attempted to preserve its rights in that regard while the Declaratory Judgment Action is pending. Overall, however, the Company believes that both of BP's settlements have reduced the potential exposure in connection with the various cases relating to the DWH Response. The Company is unable to estimate the potential exposure, if any, resulting from these claims, but does not expect that they will have a material effect on its consolidated financial position, results of operations or cash flows.

In the ordinary course of the Company's business, it may agree to indemnify its counterparty to an agreement. If the indemnified party makes a successful claim for indemnification, the Company would be required to reimburse that party in accordance with the terms of the indemnification agreement. Indemnification agreements generally, but not always, are subject to threshold amounts, specified claim periods and other restrictions and limitations.

In connection with the SES Business Transaction, the Company remains contingently liable for work performed in connection with the DWH Response. Pursuant to the agreement governing the sale, the Company's potential liability to the purchaser may not exceed the consideration received by the Company for the SES Business Transaction. The Company is currently indemnified under contractual agreements with BP for the potential "B3" liabilities relating to the DWH Response; this indemnification is unrelated to, and thus not impacted by, the indemnification BP has demanded and discussed above.

In the ordinary course of its business, the Company becomes involved in various other litigation matters including, among other things, claims by third parties for alleged property damages and personal injuries. Management has used estimates in determining the Company's potential exposure to these matters and has recorded reserves in its financial statements related thereto where appropriate. It is possible that a change in the Company's estimates of that exposure could occur, but the Company does not expect such changes in estimated costs would have a material effect on the Company's consolidated financial position, results of operations or cash flows.

## **16. SEGMENT INFORMATION**

Accounting standards require public business enterprises to report information about each of their operating business segments that exceed certain quantitative thresholds or meet certain other reporting requirements. Operating business segments have been defined as components of an enterprise about which separate financial information is available and is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company's basis of measurement of segment profit or loss is as previously defined in the Company's Annual report on Form 10-K for the year ended December 31, 2019. Accounting standards also require companies to disaggregate revenues from contracts with customers into categories to depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. The following tables summarize the operating results, capital expenditures, assets and disaggregated revenues of the Company's reportable segments.

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	Ocean Services \$'000	Inland Services \$'000	Witt O'Brien's \$'000	Other \$'000	Corporate and Eliminations \$'000	Total \$'000
<b>For the three months ended September 30, 2020</b>						
Operating Revenues:						
External customers	88,771	64,069	20,505	2,069	—	175,414
Intersegment	—	—	13	—	(13)	—
	<u>88,771</u>	<u>64,069</u>	<u>20,518</u>	<u>2,069</u>	<u>(13)</u>	<u>175,414</u>
Costs and Expenses:						
Operating	59,985	54,338	12,793	1,442	(12)	128,546
Administrative and general	10,436	3,321	4,913	706	5,184	24,560
Depreciation and amortization	10,124	6,036	359	459	328	17,306
	<u>80,545</u>	<u>63,695</u>	<u>18,065</u>	<u>2,607</u>	<u>5,500</u>	<u>170,412</u>
Gains on Asset Dispositions, Net	191	427	—	—	—	618
Operating Income (Loss)	<u>8,417</u>	<u>801</u>	<u>2,453</u>	<u>(538)</u>	<u>(5,513)</u>	<u>5,620</u>
Other Income (Expense):						
Foreign currency gains (losses), net	213	(439)	(18)	—	41	(203)
Other, net	5	1,939	—	1	297	2,242
Equity in Earnings (Losses) of 50% or Less Owned Companies, Net of Tax	505	(1,141)	130	(596)	—	(1,102)
<b>Segment Profit (Loss)</b>	<u>9,140</u>	<u>1,160</u>	<u>2,565</u>	<u>(1,133)</u>		
Other Income (Expense) not included in Segment Profit (Loss)						(1,816)
Less Equity Losses included in Segment Profit (Loss)						<u>1,102</u>
Income Before Taxes and Equity Losses						<u>5,843</u>

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	Ocean Services \$'000	Inland Services \$'000	Witt O'Brien's \$'000	Other \$'000	Corporate and Eliminations \$'000	Total \$'000
<b>For the nine months ended September 30, 2020</b>						
Operating Revenues:						
External customers	280,997	188,893	64,139	6,266	—	540,295
Intersegment	—	—	58	—	(58)	—
	<u>280,997</u>	<u>188,893</u>	<u>64,197</u>	<u>6,266</u>	<u>(58)</u>	<u>540,295</u>
Costs and Expenses:						
Operating	195,416	159,172	41,588	4,631	(55)	400,752
Administrative and general	29,960	10,101	17,553	2,707	16,464	76,785
Depreciation and amortization	30,676	18,264	974	1,693	1,013	52,620
	<u>256,052</u>	<u>187,537</u>	<u>60,115</u>	<u>9,031</u>	<u>17,422</u>	<u>530,157</u>
Gains on Asset Dispositions, Net	313	8,827	—	60	—	9,200
Operating Income (Loss)	<u>25,258</u>	<u>10,183</u>	<u>4,082</u>	<u>(2,705)</u>	<u>(17,480)</u>	<u>19,338</u>
Other Income (Expense):						
Foreign currency gains (losses), net	218	(3,264)	(15)	—	19	(3,042)
Other, net	9	1,936	70	1	976	2,992
Equity in Earnings (Losses) of 50% or Less Owned Companies, Net of Tax	<u>(2,278)</u>	<u>(5,218)</u>	<u>378</u>	<u>(1,759)</u>	<u>—</u>	<u>(8,877)</u>
<b>Segment Profit (Loss)</b>	<u>23,207</u>	<u>3,637</u>	<u>4,515</u>	<u>(4,463)</u>		
Other Income (Expense) not included in Segment Profit (Loss)						(7,262)
Less Equity Losses included in Segment Profit (Loss)						<u>8,877</u>
Income Before Taxes and Equity Losses						<u>12,026</u>
<b>Capital Expenditures</b>	<u>6,659</u>	<u>5,940</u>	<u>—</u>	<u>2,201</u>	<u>1,526</u>	<u>16,326</u>
<b>As of September 30, 2020</b>						
Property and Equipment:						
Historical cost	939,141	457,745	1,145	11,922	32,489	1,442,442
Accumulated depreciation	<u>(410,195)</u>	<u>(223,205)</u>	<u>(1,072)</u>	<u>(4,061)</u>	<u>(24,744)</u>	<u>(663,277)</u>
Net property and equipment	<u>528,946</u>	<u>234,540</u>	<u>73</u>	<u>7,861</u>	<u>7,745</u>	<u>779,165</u>
Operating Lease Right-of-Use Assets	94,057	26,003	1,805	—	2,990	124,855
Investments, at Equity, and Advances to 50% or Less Owned Companies	78,749	51,577	827	21,591	—	152,744
Inventories	1,334	2,108	271	158	—	3,871
Goodwill	1,852	2,258	28,506	—	—	32,616
Intangible Assets	6,641	6,376	8,024	—	—	21,041
Other current and long-term assets, excluding cash and near cash assets <sup>(1)</sup>	<u>44,628</u>	<u>71,343</u>	<u>122,364</u>	<u>3,348</u>	<u>37,023</u>	<u>278,706</u>
<b>Segment Assets</b>	<u>756,207</u>	<u>394,205</u>	<u>161,870</u>	<u>32,958</u>		
Cash and near cash assets <sup>(1)</sup>						106,731
<b>Total Assets</b>						<u>1,499,729</u>

(1) Cash and near cash assets includes cash, cash equivalents, restricted cash, restricted cash equivalents and marketable securities.

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	Ocean Services \$'000	Inland Services \$'000	Witt O'Brien's \$'000	Other \$'000	Corporate and Eliminations \$'000	Total \$'000
<b>For the nine months ended September 30, 2020</b>						
Revenues from Contracts with Customers:						
Voyage charters	43,294	—	—	—	—	43,294
Contracts of affreightment	9,713	134,026	—	—	—	143,739
Tariff	52,312	—	—	—	—	52,312
Unit freight	36,967	—	—	—	—	36,967
Terminal operations	—	16,515	—	—	—	16,515
Fleeting operations	—	12,606	—	—	—	12,606
Logistics Services	—	12,062	—	—	—	12,062
Time and material contracts	—	—	53,714	—	—	53,714
Retainer contracts	—	—	8,631	—	—	8,631
Product sales <sup>(1)</sup>	—	—	—	4,774	—	4,774
Other	2,863	4,748	1,852	1,195	(58)	10,600
Lease Revenues:						
Time charter, bareboat charter and rental income	135,848	8,936	—	297	—	145,081
	<u>280,997</u>	<u>188,893</u>	<u>64,197</u>	<u>6,266</u>	<u>(58)</u>	<u>540,295</u>

(1) Cost of goods sold related to product sales was \$3.4 million.



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	Ocean Services \$'000	Inland Services \$'000	Witt O'Brien's \$'000	Other \$'000	Corporate and Eliminations \$'000	Total \$'000
<b>For the three months ended September 30, 2019</b>						
Operating Revenues:						
External customers	102,661	72,020	24,342	1,635	—	200,658
Intersegment	—	—	3	—	(3)	—
	<u>102,661</u>	<u>72,020</u>	<u>24,345</u>	<u>1,635</u>	<u>(3)</u>	<u>200,658</u>
Costs and Expenses:						
Operating	66,888	62,775	16,323	1,404	(4)	147,386
Administrative and general	9,404	3,327	5,718	846	5,628	24,923
Depreciation and amortization	10,191	5,694	210	501	379	16,975
	<u>86,483</u>	<u>71,796</u>	<u>22,251</u>	<u>2,751</u>	<u>6,003</u>	<u>189,284</u>
Gains (Losses) on Asset Dispositions, Net	<u>804</u>	<u>330</u>	<u>10</u>	<u>34</u>	<u>(33)</u>	<u>1,145</u>
Operating Income (Loss)	<u>16,982</u>	<u>554</u>	<u>2,104</u>	<u>(1,082)</u>	<u>(6,039)</u>	<u>12,519</u>
Other Income (Expense):						
Foreign currency losses, net	(104)	(1,729)	—	—	(44)	(1,877)
Other, net	505	—	(1)	—	1	505
Equity in Earnings (Losses) of 50% or Less Owned Companies, Net of Tax	<u>(242)</u>	<u>(1,084)</u>	<u>764</u>	<u>(56)</u>	<u>—</u>	<u>(618)</u>
<b>Segment Profit (Loss)</b>	<u>17,141</u>	<u>(2,259)</u>	<u>2,867</u>	<u>(1,138)</u>		
Other Income (Expense) not included in Segment Profit (Loss)						(3,251)
Less Equity Losses included in Segment Profit (Loss)						<u>618</u>
Income Before Taxes and Equity Losses						<u>7,896</u>

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	Ocean Services \$'000	Inland Services \$'000	Witt O'Brien's \$'000	Other \$'000	Corporate and Eliminations \$'000	Total \$'000
<b>For the nine months ended September 30, 2019</b>						
Operating Revenues:						
External customers	321,614	199,077	80,932	5,582	—	607,205
Intersegment	—	—	109	—	(109)	—
	<u>321,614</u>	<u>199,077</u>	<u>81,041</u>	<u>5,582</u>	<u>(109)</u>	<u>607,205</u>
Costs and Expenses:						
Operating	208,050	171,506	53,786	4,129	(103)	437,368
Administrative and general	29,025	9,816	18,951	2,522	18,069	78,383
Depreciation and amortization	30,758	17,118	625	1,483	1,136	51,120
	<u>267,833</u>	<u>198,440</u>	<u>73,362</u>	<u>8,134</u>	<u>19,102</u>	<u>566,871</u>
Gains (Losses) on Asset Dispositions, Net	1,170	1,080	10	32	(33)	2,259
Operating Income (Loss)	<u>54,951</u>	<u>1,717</u>	<u>7,689</u>	<u>(2,520)</u>	<u>(19,244)</u>	<u>42,593</u>
Other Income (Expense):						
Foreign currency losses, net	(150)	(1,461)	—	—	(52)	(1,663)
Other, net	(118)	—	(6)	—	10	(114)
Equity in Earnings (Losses) of 50% or Less Owned Companies, Net of Tax	569	(4,174)	569	(412)	—	(3,448)
<b>Segment Profit (Loss)</b>	<u>55,252</u>	<u>(3,918)</u>	<u>8,252</u>	<u>(2,932)</u>		
Other Income (Expense) not included in Segment Profit (Loss)						5,574
Less Equity Losses included in Segment Profit (Loss)						<u>3,448</u>
Income Before Taxes and Equity Losses						<u>46,390</u>
<b>Capital Expenditures</b>						
	<u>866</u>	<u>15,408</u>	<u>47</u>	<u>1,030</u>	<u>—</u>	<u>17,351</u>
<b>As of September 30, 2019</b>						
Property and Equipment:						
Historical cost	928,321	457,263	1,274	7,928	30,121	1,424,907
Accumulated depreciation	(370,679)	(210,629)	(1,106)	(1,951)	(23,362)	(607,727)
Net property and equipment	<u>557,642</u>	<u>246,634</u>	<u>168</u>	<u>5,977</u>	<u>6,759</u>	<u>817,180</u>
Operating Lease Right-of-Use Assets	115,840	33,059	3,442	—	1,123	153,464
Investments, at Equity, and Advances to 50% or Less Owned Companies	77,203	55,777	904	21,084	—	154,968
Inventories	2,056	2,729	193	246	—	5,224
Goodwill	1,852	2,310	28,506	—	—	32,668
Intangible Assets	7,969	7,870	6,045	—	—	21,884
Other current and long-term assets, excluding cash and near cash assets <sup>(1)</sup>	65,069	73,818	104,206	3,377	10,406	256,876
<b>Segment Assets</b>	<u>827,631</u>	<u>422,197</u>	<u>143,464</u>	<u>30,684</u>		
Cash and near cash assets <sup>(1)</sup>						87,982
<b>Total Assets</b>						<u>1,530,246</u>

(1) Cash and near cash assets includes cash, cash equivalents, restricted cash, restricted cash equivalents, marketable securities and construction reserve funds.

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	Ocean Services \$'000	Inland Services \$'000	Witt O'Brien's \$'000	Other \$'000	Corporate and Eliminations \$'000	Total \$'000
<b>For the nine months ended September 30, 2019</b>						
Revenues from Contracts with Customers:						
Voyage charters	37,722	—	—	—	—	37,722
Contracts of affreightment	17,835	149,841	—	—	—	167,676
Tariff	60,877	—	—	—	—	60,877
Unit freight	46,230	—	—	—	—	46,230
Terminal operations	—	12,998	—	—	—	12,998
Fleeting operations	—	13,146	—	—	—	13,146
Logistics Services	—	11,574	—	—	—	11,574
Time and material contracts	—	—	69,977	—	—	69,977
Retainer contracts	—	—	7,392	—	—	7,392
Product sales <sup>(1)</sup>	—	—	—	4,104	—	4,104
Other	2,888	3,539	3,672	794	(109)	10,784
Lease Revenues:						
Time charter, bareboat charter and rental income	156,062	7,979	—	684	—	164,725
	<u>321,614</u>	<u>199,077</u>	<u>81,041</u>	<u>5,582</u>	<u>(109)</u>	<u>607,205</u>

(1) Cost of goods sold related to product sales was \$3.5 million.

## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*This Form 10-Q includes “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Certain statements discussed in this Form 10-Q as well as in other reports, materials and oral statements that the Company releases from time to time constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Generally, words such as “anticipate,” “estimate,” “expect,” “project,” “intend,” “believe,” “plan,” “target,” “forecast” and similar expressions are intended to identify forward-looking statements. Such forward-looking statements concern management’s expectations, strategic objectives, business prospects, anticipated economic performance and financial condition and other similar matters. Forward-looking statements are inherently uncertain and subject to a variety of assumptions, risks and uncertainties that could cause actual results to differ materially from those anticipated or expected by management of the Company. These statements are not guarantees of future performance and actual events or results may differ significantly from these statements. Actual events or results are subject to significant known and unknown risks, uncertainties and other important factors, including risks relating to the COVID-19 pandemic, volatility the pandemic has caused in the capital markets and the effects it has had and could continue to have on the global economy, the potential impact of governmental responses to the pandemic on the Company’s business, operations and personnel, financial condition, results of operations, cash flows and liquidity, risks relating to weakening demand for the Company’s services as a result of unplanned customer suspensions, cancellations, rate reductions or non-renewals of vessel charters or failures to finalize commitments to charter vessels, increased government legislation and regulation of the Company’s businesses that could increase the cost of operations, increased competition if the Jones Act is repealed, liability, legal fees and costs in connection with the provision of emergency response services, decreased demand for the Company’s services as a result of declines in the global economy of the COVID-19 pandemic, declines in valuations in the global financial markets and a lack of liquidity in the credit sectors, interest rate fluctuations, availability of credit, inflation rates, changes in laws, trade barriers, commodity prices and currency exchange fluctuations, the cyclical nature of the oil and gas industry, activity in foreign countries and changes in foreign political, military and economic conditions, changes in foreign and domestic oil and gas exploration and production activity, safety record requirements related to Ocean Services, decreased demand for Ocean Services due to construction of additional refined petroleum product, natural gas or crude oil pipelines or due to decreased demand for refined petroleum products, crude oil or chemical products or a change in existing methods of delivery, compliance with U.S. and foreign government laws and regulations, including environmental laws and regulations and economic sanctions, the dependence of Ocean Services and Inland Services on several key customers, consolidation of the Company’s customer base, the ongoing need to replace aging vessels, industry fleet capacity, restrictions imposed by the Shipping Acts on the amount of foreign ownership of the Company’s Common Stock, operational risks of Ocean Services and Inland Services, effects of adverse weather conditions and seasonality, the level of grain export volume, the effect of fuel prices on barge towing costs, variability in freight rates for inland river barges, the effect of international economic and political factors on Inland Services’ operations, the ability to realize anticipated benefits from acquisitions and other strategic transactions, adequacy of insurance coverage, the attraction and retention of qualified personnel by the Company, changes in U.S. and international trade policies and various other matters and factors, many of which are beyond the Company’s control as well as those discussed in Item 1A (Risk Factors) of the Company’s Annual report on Form 10-K and other reports filed by the Company with the Securities and Exchange Commission (“SEC”). It should be understood that it is not possible to predict or identify all such factors. Consequently, the preceding should not be considered to be a complete discussion of all potential risks or uncertainties. Given these factors, investors and analysts should not place undue reliance on forward-looking statements. Forward-looking statements speak only as of the date of the document in which they are made. The Company disclaims any obligation or undertaking to provide any updates or revisions to any forward-looking statement to reflect any change in the Company’s expectations or any change in events, conditions or circumstances on which the forward-looking statement is based, except as required by law. It is advisable, however, to consult any further disclosures the Company makes on related subjects in its filings with the SEC, including Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K (if any). These statements constitute the Company’s cautionary statements under the Private Securities Litigation Reform Act of 1995.*

### **Overview**

The Company’s operations are divided into three main business segments – Ocean Transportation & Logistics Services (“Ocean Services”), Inland Transportation & Logistics Services (“Inland Services”) and Witt O’Brien’s. The Company also has activities that are referred to and described under Other that primarily includes CLEANCOR Energy Solutions LLC and its subsidiaries (collectively “Cleancor”), and noncontrolling investments in various other businesses.

## Recent Developments

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") a pandemic, which continues to spread throughout the United States and the world. The spread of COVID-19 has initially caused significant volatility in U.S. and international markets and has resulted in large scale business disruption. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and global economies.

The outbreak of COVID-19 has caused many governments to implement stay-at-home orders and quarantines and place significant restrictions on travel. Many of these governments have also implemented work restrictions that prohibit or limit non-essential businesses from conducting normal operations, which has required employees to work remotely if possible or be terminated or furloughed. Some restrictions were relaxed during the summer months but have begun to be re-implemented as a result of increasing infection rates throughout the world. The health and safety of the Company's employees and customers is and will continue to be its highest priority throughout the pandemic. The Company has implemented protective measures relating to its workforce including, but not limited to, health monitoring, personal protective equipment, and enhanced cleaning and sanitizing procedures among other measures recommended by various federal, state and local governments. The Company is considering implementing various temporary cost containment measures in addition to those it has already implemented, including returning leased-in equipment to their owners, idling certain owned equipment, eliminating overtime and deferring certain planned repair and maintenance projects.

The Company continues to maintain a strong balance sheet and expects to meet all of its near-term maturities, capital commitments and other liquidity needs. As of September 30, 2020, the Company's cash, cash equivalents, restricted cash, restricted cash equivalents and marketable securities totaled \$106.7 million, and the Company had as if such date and continues to have the ability to borrow up to \$225.0 million under undrawn credit facilities. The Company also expects to benefit from certain provisions of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), most notably from being able to carryback net operating losses for up to five years resulting in income tax refunds of approximately \$32 million once the refund requests are processed. The Company is continuing to monitor the impacts of the pandemic on its businesses, operations and financial condition, and in the future may consider implementing mitigation strategies to protect its long-term sustainability.

The COVID-19 pandemic is a dynamic and continuously evolving phenomenon and the ultimate effect on the Company's business in the future, is uncertain. If the pandemic worsens, additional restrictions are implemented, current restrictions are imposed for a longer period of time to contain the outbreak or restrictions that have been relaxed are re-implemented, the Company may experience a material adverse effect on its businesses, results of operations and financial condition. For additional information see Part II Item 1A "Risk Factors."

## Consolidated Results of Operations

The sections below provide an analysis of the Company's operations by business segment for the three months ("Current Year Quarter") and nine months ("Current Nine Months") ended September 30, 2020 compared with the three months ("Prior Year Quarter") and nine months ("Prior Nine Months") ended September 30, 2019. See "Item 1. Financial Statements—Note 16. Segment Information" included in Part I of this Quarterly Report on Form 10-Q for consolidating segment tables for each period presented. Capitalized terms used and not specifically defined herein have the meaning given to those terms used in the Company's Annual Report on Form 10-K for the year ended December 31, 2019.

**Ocean Transportation & Logistics Services**

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020		2019		2020		2019	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%
<b>Operating Revenues:</b>								
United States	74,571	84	81,995	80	231,319	82	262,655	82
Foreign	14,200	16	20,666	20	49,678	18	58,959	18
	<u>88,771</u>	<u>100</u>	<u>102,661</u>	<u>100</u>	<u>280,997</u>	<u>100</u>	<u>321,614</u>	<u>100</u>
<b>Costs and Expenses:</b>								
Operating:								
Personnel	22,580	25	23,857	23	67,317	24	70,768	22
Repairs and maintenance	4,766	6	4,717	5	17,464	6	16,937	5
Dry-docking	1,575	2	6,093	6	12,295	4	12,296	4
Insurance and loss reserves	2,236	3	2,383	2	5,910	2	6,226	2
Fuel, lubes and supplies	5,466	6	7,633	7	21,426	8	25,403	8
Leased-in equipment	11,729	13	10,693	11	34,042	12	33,819	11
Other	11,633	13	11,512	11	36,962	13	42,601	13
	<u>59,985</u>	<u>68</u>	<u>66,888</u>	<u>65</u>	<u>195,416</u>	<u>69</u>	<u>208,050</u>	<u>65</u>
Administrative and general	10,436	12	9,404	9	29,960	11	29,025	9
Depreciation and amortization	10,124	11	10,191	10	30,676	11	30,758	9
	<u>80,545</u>	<u>91</u>	<u>86,483</u>	<u>84</u>	<u>256,052</u>	<u>91</u>	<u>267,833</u>	<u>83</u>
Gains on Asset Dispositions, Net	191	—	804	1	313	—	1,170	—
Operating Income	<u>8,417</u>	<u>9</u>	<u>16,982</u>	<u>17</u>	<u>25,258</u>	<u>9</u>	<u>54,951</u>	<u>17</u>
Other Income (Expense):								
Foreign currency gains (losses), net	213	—	(104)	—	218	—	(150)	—
Other, net	5	—	505	—	9	—	(118)	—
Equity in Earnings (Losses) of 50% or Less Owned Companies, Net of Tax	505	1	(242)	—	(2,278)	(1)	569	—
Segment Profit <sup>(1)</sup>	<u>9,140</u>	<u>10</u>	<u>17,141</u>	<u>17</u>	<u>23,207</u>	<u>8</u>	<u>55,252</u>	<u>17</u>

(1) Includes amounts attributable to both SEACOR and noncontrolling interests. See “Item 1. Financial Statements—Note 12. Noncontrolling Interests in Subsidiaries” included in Part I of this Quarterly Report on Form 10-Q.

**Operating Revenues by Service Line.** The table below sets forth, for the periods indicated, operating revenues by service line.

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020		2019		2020		2019	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%
<b>Operating Revenues:</b>								
Bulk Transportation Services:								
Petroleum and chemical:								
Time charter	20,856	23	24,549	24	56,966	20	80,705	25
Bareboat charter	10,261	12	7,075	7	30,562	11	21,475	6
Voyage charter	974	1	2,803	3	5,638	2	4,135	1
Dry bulk:								
Contracts of affreightment	1,402	2	7,211	7	9,713	3	17,836	5
Voyage charter	7,982	9	2,173	2	16,247	6	6,115	2
Port & Infrastructure Services:								
Tariff	13,837	16	18,915	18	52,312	19	60,877	19
Time charter	1,868	2	1,857	2	5,593	2	5,032	2
Bareboat charter	1,670	2	1,664	2	4,955	2	5,034	2
Logistics Services:								
Time charter <sup>(1)</sup>	11,663	13	14,534	14	37,773	13	43,815	14
Voyage charter	7,139	8	6,994	7	21,408	8	27,472	9
Unit freight	10,158	11	13,919	13	36,967	13	46,230	14
Managed Services	961	1	967	1	2,863	1	2,888	1
	<u>88,771</u>	<u>100</u>	<u>102,661</u>	<u>100</u>	<u>280,997</u>	<u>100</u>	<u>321,614</u>	<u>100</u>

(1) Includes MSP revenues of \$4.1 million and \$4.3 million for the three months ended September 30, 2020 and 2019, respectively, and \$13.0 million and \$12.0 million for the nine months ended September 30, 2020 and 2019, respectively.

**Current Year Quarter compared with Prior Year Quarter**

**Operating Revenues.** Operating revenues were \$13.9 million lower.

Operating revenues from bulk transportation were \$2.3 million lower. Operating revenues from petroleum and chemical transportation were \$2.3 million lower primarily due to a change in contract status from time charter to bareboat charter in December 2019 for one U.S.-flag petroleum and chemical carrier and lower spot market activity for Ocean Services' U.S.-flag articulated tug-barge. These reductions were partially offset by less out-of-service time for dry-docking and a higher time charter rate for one U.S.-flag petroleum and chemical carrier.

Operating revenues from port and infrastructure services were \$5.1 million lower primarily due to lower activity levels in its port network due to both the COVID-19 pandemic and the impact of port closures as a consequence of hurricane and major storm activity along the U.S. Gulf Coast.

Operating revenues from logistics services were \$6.5 million lower primarily due to out-of-service time for the regulatory dry-docking of one PCTC, and a decrease in unit freight shipping demand for containers and project cargoes in the Bahamas and Turks and Caicos as a consequence of mandated COVID-19 quarantines and the shutdown of non-essential commercial activity.

**Operating Expenses.** Operating expenses were \$6.9 million lower primarily due to lower personnel and operating costs following the change in contract status from time charter to bareboat charter in December 2019 for one U.S.-flag petroleum and chemical carrier, lower regulatory dry-docking costs for U.S.-flag petroleum and chemical carriers and short-sea container/RORO vessels, and lower voyage costs for logistics services as a consequence of the decreased revenues discussed above. These decreases were partially offset by higher leased-in equipment expenses for the time charter-in of one U.S.-flag dry bulk carrier to complete a contractual obligation.

**Administrative and General.** Administrative and general expenses were \$1.0 million higher primarily due to higher legal costs.

**Gains on Asset Dispositions, Net.** During the Current Year Quarter, Ocean Services sold other equipment for net proceeds of \$0.2 million and gains of \$0.2 million. During the Prior Year Quarter, Ocean Services recognized \$0.8 million of previously deferred gains following the repayment of a note receivable related to the sale of one harbor tug.

**Operating Income.** Excluding gains on asset dispositions, net, operating income as a percentage of operating revenues was 9% in the Current Year Quarter compared with 16% in the Prior Year Quarter. The decrease was primarily due to lower operating revenues and higher leased-in equipment expenses, partially offset by lower dry-docking and voyage costs across the fleet, and lower operating expenses from a change in contract status for one U.S.-flag petroleum and chemical carrier.

**Equity in Earnings (Losses) of 50% or Less Owned Companies, Net of Tax.** Ocean Services recognized equity in earnings of 50% or less owned companies, net of tax, of \$0.5 million in the Current Year Quarter compared with equity in losses of 50% or less owned companies, net of tax, of \$0.2 million in the Prior Year Quarter primarily due to higher earnings from Trailer Bridge associated with increased demand in the Puerto Rico liner trade and lower losses from the Ocean Services' rail ferry joint ventures.

#### **Current Nine Months compared with Prior Nine Months**

**Operating Revenues.** Operating revenues were \$40.6 million lower.

Operating revenues from bulk transportation were \$11.1 million lower. Operating revenues from petroleum and chemical transportation were \$13.1 million lower primarily due to a change in contract status from time charter to bareboat charter in December 2019 for one U.S.-flag petroleum and chemical carrier and a lower time charter rate for another U.S.-flag petroleum and chemical carrier. These decreases were partially offset by a higher time charter rate for one U.S.-flag petroleum and chemical carrier and less out-of-service time for dry-docking and repairs and maintenance for the U.S.-flag petroleum and chemical carrier fleet. Operating revenues from dry bulk transportation were \$2.0 million higher primarily due to higher voyage charter activity.

Operating revenues from port and infrastructure services were \$8.1 million lower primarily due to lower activity levels in its port network due to both the COVID-19 pandemic and the impact of port closures as a consequence of hurricane and major storm activity along the U.S. Gulf Coast.

Operating revenues from logistics services were \$21.4 million lower primarily due to lower military and commercial cargo activity for PCTCs associated with the ongoing COVID-19 pandemic, out-of-service time for the regulatory dry-docking of one PCTC, and a decrease in unit freight shipping demand for containers and project cargoes in the Bahamas and Turks and Caicos as a consequence of COVID-19 quarantines and the shutdown of non-essential commercial activity.

**Operating Expenses.** Operating expenses were \$12.6 million lower primarily due to lower personnel and operating costs following the change in contract status from time charter to bareboat charter in December 2019 for one U.S.-flag petroleum and chemical carrier and lower voyage costs for logistics services as a consequence of the decreased activities discussed above. These decreases were partially offset by higher leased-in equipment expenses for the time charter-in of one U.S.-flag dry bulk carrier to complete a contractual obligation.

**Administrative and General.** Administrative and general expenses were \$0.9 million higher primarily due to higher legal costs.

**Gains on Asset Dispositions, Net.** During the Current Nine Months, Ocean Services sold other equipment for net proceeds of \$0.4 million and gains of \$0.3 million. During the Prior Nine Months, Ocean Services recognized \$1.2 million of previously deferred gains following the repayment of notes receivable related to the sales of one harbor tug and real property.

**Operating Income.** Excluding gains on asset dispositions, net, operating income as a percentage of operating revenues was 9% in the Current Nine Months compared with 17% in the Prior Nine Months. The decrease was primarily due to lower operating revenues and higher leased-in equipment expenses, partially offset by lower overall voyage costs and lower operating expenses from a change in contract status for one U.S.-flag petroleum and chemical carrier.

**Equity in Earnings (Losses) of 50% or Less Owned Companies, Net of Tax.** Ocean Services recognized equity in losses of 50% or less owned companies, net of tax, of \$2.3 million in the Current Nine Months compared with equity in earnings of 50% or less owned companies, net of tax, of \$0.6 million in the Prior Nine Months primarily due to losses from Trailer Bridge associated with decreased demand in the Puerto Rico liner trade due to the ongoing COVID-19 pandemic, partially offset by an increase in earnings from KSM and lower losses from Ocean Services' rail ferry joint ventures.



**Fleet Count**

The composition of Ocean Services' fleet as of September 30 was as follows:

	Owned	Leased-in	Joint Ventured	Total
<b>2020</b>				
<b>Bulk Transportation Services:</b>				
Petroleum and chemical carriers - U.S.-flag	7	2	—	9
Bulk carriers - U.S.-flag	2	—	—	2
<b>Port &amp; Infrastructure Services:</b>				
Harbor tugs - U.S.-flag <sup>(1)</sup>	17	7	—	24
Harbor tugs - Foreign-flag	6	—	2	8
Offshore tugs - U.S.-flag	1	—	—	1
Ocean liquid tank barges - U.S.-flag	5	—	—	5
Ocean liquid tank barges - Foreign-flag	—	—	1	1
Specialty vessels - Foreign-flag <sup>(2)</sup>	—	—	2	2
<b>Logistics Services:</b>				
PCTC <sup>(3)</sup> - U.S.-flag	—	4	—	4
Short-sea container/RORO <sup>(4)</sup> vessels - Foreign-flag	8	—	—	8
RORO <sup>(4)</sup> & deck barges - U.S.-flag	—	—	7	7
Rail ferries - Foreign-flag	—	—	2	2
	<u>46</u>	<u>13</u>	<u>14</u>	<u>73</u>
<b>2019</b>				
<b>Bulk Transportation Services:</b>				
Petroleum and chemical carriers - U.S.-flag	7	2	—	9
Bulk carriers - U.S.-flag	2	—	—	2
<b>Port &amp; Infrastructure Services:</b>				
Harbor tugs - U.S.-flag	19	5	—	24
Harbor tugs - Foreign-flag	6	—	2	8
Offshore tugs - U.S.-flag	1	—	—	1
Ocean liquid tank barges - U.S.-flag	5	—	—	5
Ocean liquid tank barges - Foreign-flag	—	—	1	1
Specialty vessels - Foreign-flag <sup>(2)</sup>	—	—	2	2
<b>Logistics Services:</b>				
PCTC <sup>(3)</sup> - U.S.-flag	—	4	—	4
Short-sea container/RORO <sup>(4)</sup> vessels - Foreign-flag	8	—	—	8
RORO <sup>(4)</sup> & deck barges - U.S.-flag	—	—	7	7
Rail ferries - Foreign-flag	—	—	2	2
	<u>48</u>	<u>11</u>	<u>14</u>	<u>73</u>

(1) Leased-in includes three U.S.-flag harbor tugs accounted for as "failed" sale-leasebacks. See "Item 1. Financial Statements — Note 7. Other Long-Term Financial Liabilities".

(2) One line handling and one crew transport vessel.

(3) Pure Car/Truck Carrier.

(4) Roll On/Roll Off.

**Inland Transportation & Logistics Services**

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020		2019		2020		2019	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%
<b>Operating Revenues:</b>								
United States	62,084	97	69,736	97	183,820	97	191,941	96
Foreign	1,985	3	2,284	3	5,073	3	7,136	4
	<u>64,069</u>	<u>100</u>	<u>72,020</u>	<u>100</u>	<u>188,893</u>	<u>100</u>	<u>199,077</u>	<u>100</u>
<b>Costs and Expenses:</b>								
<b>Operating:</b>								
Barge logistics	36,070	56	41,985	58	108,927	58	112,151	56
Personnel	5,559	9	4,990	7	15,515	8	13,767	7
Repairs and maintenance	1,313	2	1,921	3	4,200	2	4,759	2
Insurance and loss reserves	1,088	2	822	1	2,544	1	2,897	1
Fuel, lubes and supplies	1,582	2	1,724	2	4,509	2	5,408	3
Leased-in equipment	2,662	5	3,472	5	8,474	4	10,590	5
Other	3,429	5	4,530	6	10,120	6	12,838	7
Net barge pool earnings attributable to third parties	2,635	4	3,331	5	4,883	3	9,096	5
	<u>54,338</u>	<u>85</u>	<u>62,775</u>	<u>87</u>	<u>159,172</u>	<u>84</u>	<u>171,506</u>	<u>86</u>
Administrative and general	3,321	5	3,327	5	10,101	5	9,816	5
Depreciation and amortization	6,036	10	5,694	8	18,264	10	17,118	9
	<u>63,695</u>	<u>100</u>	<u>71,796</u>	<u>100</u>	<u>187,537</u>	<u>99</u>	<u>198,440</u>	<u>100</u>
Gains on Asset Dispositions, Net	427	1	330	1	8,827	4	1,080	1
Operating Income	<u>801</u>	<u>1</u>	<u>554</u>	<u>1</u>	<u>10,183</u>	<u>5</u>	<u>1,717</u>	<u>1</u>
<b>Other Income:</b>								
Foreign currency losses, net	(439)	—	(1,729)	(2)	(3,264)	(1)	(1,461)	(1)
Other, net	1,939	3	—	—	1,936	1	—	—
Equity in Losses of 50% or Less Owned Companies, Net of Tax	<u>(1,141)</u>	<u>(2)</u>	<u>(1,084)</u>	<u>(2)</u>	<u>(5,218)</u>	<u>(3)</u>	<u>(4,174)</u>	<u>(2)</u>
Segment Profit (Loss) <sup>(1)</sup>	<u>1,160</u>	<u>2</u>	<u>(2,259)</u>	<u>(3)</u>	<u>3,637</u>	<u>2</u>	<u>(3,918)</u>	<u>(2)</u>

(1) Includes amounts attributable to both SEACOR and noncontrolling interests.

**Operating Revenues by Service Line.** The table below sets forth, for the periods indicated, operating revenues by service line.

	Three Months Ended September 30,				Nine Months Ended September 30,				
	2020		2019		2020		2019		
	\$'000	%	\$'000	%	\$'000	%	\$'000	%	
<b>Operating Revenues:</b>									
<b>Bulk Transportation Services:</b>									
Dry-cargo barge pools <sup>(1)</sup>	44,350	69	52,762	73	128,952	68	142,705	72	
International liquid tank barge operations	1,985	3	2,285	3	5,073	3	7,136	3	
Boat, specialty barge and other operations	2,026	3	1,745	2	6,196	3	5,084	2	
<b>Port &amp; Infrastructure Services:</b>									
Terminal operations	5,709	9	4,722	7	17,519	9	13,980	7	
Fleeting operations	4,443	7	5,895	8	14,648	8	15,235	8	
Machine shop and shipyard	938	1	670	1	2,968	2	1,924	1	
Logistics Services	4,125	7	3,461	5	12,062	6	11,574	6	
Managed Services	493	1	480	1	1,475	1	1,439	1	
	<u>64,069</u>	<u>100</u>	<u>72,020</u>	<u>100</u>	<u>188,893</u>	<u>100</u>	<u>199,077</u>	<u>100</u>	

(1) Operating revenues for the three months ended September 30, 2020 and 2019, includes \$19.1 million and \$22.8 million, respectively, attributable to third-party barge owners participating in dry-cargo barge pools managed by Inland Services. Operating revenues for the nine months ended September 30, 2020 and 2019, includes \$54.3 million and \$61.6 million, respectively, attributable to third-party barge owners participating in dry-cargo barge pools managed by Inland Services.

**Current Year Quarter compared with Prior Year Quarter**

**Operating Revenues.** Operating revenues were \$8.0 million lower.

Operating revenues from bulk transportation services were \$8.4 million lower. Operating revenues from the dry-cargo barge pools were \$8.4 million lower primarily due to lower freight rates resulting from an oversupply of barges and a delayed start to the harvest in the lower Mississippi River region. Operating revenues from international liquid tank barge operations were \$0.3 million lower primarily due to a reduction in volumes moved as a consequence of lower fuel production in Colombia following a countrywide lockdown in response to the COVID-19 pandemic and low water conditions. These decreases were partially offset by a \$0.3 million increase in operating revenues from boat, specialty barge and other operations primarily due to placing a new inland river towboat into service during the fourth quarter of 2019.

Operating revenues from port and infrastructure services were \$0.2 million lower. Operating revenues from fleeting operations were \$1.5 million lower primarily due to the closure of the Illinois River and lower demand for fleeting services from liquid tank barge owners as a result of decreased demand for crude oil. These decreases were partially offset by a \$1.0 million increase in operating revenues from terminal operations primarily due to higher throughput volumes at Inland Services' liquid terminal.

Operating revenues from logistics services were \$0.7 million higher primarily due to an increase in container movements.

**Operating Expenses.** Operating expenses were \$8.4 million lower.

Barge logistics expenses were \$5.9 million lower primarily due to a decrease in towing and switching costs that were impacted by restricted tow sizes and high water rates in the Prior Year Quarter. Personnel expenses were \$0.6 million higher primarily due to placing two towboats into service in logistics services. Repairs and maintenance expenses were \$0.6 million lower primarily due to fewer unscheduled repairs for harbor boats. Leased-in equipment expenses were \$0.8 million lower primarily due to a reduction in bought-in freight and the return of a chartered-in towboat in logistics services. Other expenses were \$1.1 million lower primarily due to a decrease in third-party stevedoring expenses in logistics services.

**Depreciation and Amortization.** Depreciation and amortization expenses were \$0.3 million higher primarily due to placing three towboats and other equipment into service subsequent to the Prior Year Quarter.

**Gains on Asset Dispositions, Net.** During the Current Year Quarter, Inland Services sold other equipment for net proceeds \$0.2 million and gains of \$0.1 million. In addition, Inland Services recognized previously deferred gains of \$0.3 million. During the Prior Year Quarter, Inland Services recognized previously deferred gains of \$0.3 million.

**Operating Income.** Excluding gains on asset dispositions, net, operating income as a percentage of operating revenues was marginally higher in the Current Year Quarter than the Prior Year Quarter.

**Foreign Currency Losses, Net.** Foreign currency gains (losses), net in all periods were primarily due to movements in the exchange rate of the Colombian peso in relation to the U.S. dollar underlying certain of Inland Services' intercompany lease obligations.

**Other, net.** Other, net in the Current Year Quarter relates to the receipt of insurance proceeds from business interruption claims following the prolonged flooding during the second quarter of 2019.

**Equity in Losses of 50% or Less Owned Companies, Net of Tax.** Equity in losses of 50% or less owned companies, net of tax, were \$0.1 million higher. Equity earnings from SCF Bunge Marine were \$0.3 million higher primarily due to placing an additional inland river towboat into service during the fourth quarter of 2019. Equity losses from SCFCo were \$0.3 million higher primarily due to low water levels resulting in a reduced barge intake and increased transit times.

#### **Current Nine Months compared with Prior Nine Months**

**Operating Revenues.** Operating revenues were \$10.2 million lower.

Operating revenues from bulk transportation services were \$14.7 million lower. Operating revenues from the dry-cargo barge pools were \$13.8 million lower primarily due to lower freight rates resulting from an oversupply of barges and a delayed start to the harvest in the lower Mississippi River region. Operating revenues from international liquid tank barge operations were \$2.1 million lower primarily due to a reduction in volumes moved as a consequence of lower fuel production in Colombia following a countrywide lockdown in response to the COVID-19 pandemic and low water conditions. These decreases were partially offset by a \$1.1 million increase in operating revenues from boat, specialty barge and other operations primarily due to placing a new inland river towboat into service during the fourth quarter of 2019.

Operating revenues from port and infrastructure services were \$4.0 million higher. Operating revenues from terminal operations were \$3.5 million higher primarily due to the impact of prolonged flooding and the closure of the St. Louis harbor for 45 days that restricted activity during the second quarter of 2019. Operating revenues from machine shop and shipyard services were \$1.0 million higher primarily due to an increase in third-party projects. These increases were partially offset by a \$0.6 million reduction in operating revenues from fleeting operations primarily due to the closure of the Illinois River and lower demand for fleeting services from liquid tank barge owners as a result of decreased demand for crude oil.

Operating revenues from logistics services were \$0.5 million higher primarily due to an increase in container movements.

**Operating Expenses.** Operating expenses were \$12.3 million lower.

Barge logistics expenses were \$3.2 million lower primarily due to a decrease in towing and switching costs that were impacted by restricted tow sizes and high water rates in the Prior Nine Months. Personnel expenses were \$1.7 million higher primarily due to placing two towboats into service in logistics services subsequent to the Prior Nine Months and the impact of reduced activity levels in the Prior Nine Months as a consequence of the prolonged flooding during the second quarter of 2019. Repairs and maintenance expenses were \$0.6 million lower primarily due to fewer unscheduled repairs for harbor boats. Fuel, lube and supplies expenses were \$0.9 million lower primarily due to higher fuel usage in fleeting operations in the Prior Nine Months as a result of the prolonged flooding. Leased-in equipment expenses were \$2.1 million lower primarily due to a reduction in bought-in freight and the return of a chartered-in towboat in logistics services. Other expenses were \$2.7 million lower primarily due to a decrease in third-party stevedoring expenses in logistics services.

**Administrative and General.** Administrative and general expenses were \$0.3 million higher primarily due to higher headcount.

**Depreciation and Amortization.** Depreciation and amortization expenses were \$1.1 million higher primarily due to placing three towboats and other equipment into service subsequent to the Prior Nine Months.

**Gains on Asset Dispositions, Net.** During the Current Nine Months, Inland Services sold 39 dry-cargo barges and other equipment for net proceeds of \$9.2 million and gains of \$7.8 million. In addition, Inland Services recognized previously deferred gains of \$1.0 million. During the Prior Nine Months, Inland Services sold other equipment for net proceeds of \$0.1 million and gains of \$0.1 million. In addition, Inland Services recognized previously deferred gains of \$1.0 million.

**Operating Income.** Excluding gains on asset dispositions, net, operating income as a percentage of operating revenues was 1% in the Current Nine Months compared with 0% in the Prior Nine Months.

**Foreign Currency Losses, Net.** Foreign currency gains (losses), net in all periods were primarily due to movements in the exchange rate of the Colombian peso in relation to the U.S. dollar underlying certain of Inland Services' intercompany lease obligations.

**Other, net.** Other, net in the Current Nine Months relates to the receipt of insurance proceeds from business interruption claims following the prolonged flooding during the second quarter of 2019.

**Equity in Losses of 50% or Less Owned Companies, Net of Tax.** Equity in losses of 50% or less owned companies, net of tax, were \$1.0 million higher. Equity earnings from SCF Bunge Marine were \$0.5 million higher primarily due to higher activity levels as a consequence of improved operating conditions and placing an additional inland river towboat into service during the fourth quarter of 2019. During the Prior Nine Months, prolonged flooding resulted in poor operating conditions, tow size restrictions and periodic river and harbor closures. Equity losses from Bunge-SCF Grain were \$0.3 million lower primarily due to lower depreciation and interest expenses. Equity losses from SCFCo were \$1.6 million higher primarily due to low water levels resulting in a reduced barge intake and increased transit times.

**Fleet Count**

The composition of Inland Services' fleet as of September 30 was as follows:

	Owned	Leased-in	Joint Ventured	Pooled	Total
<b>2020</b>					
<b>Bulk Transportation Services:</b>					
Dry-cargo barges	562	50	258	452	1,322
Liquid tank barges	20	—	—	—	20
Specialty barges	5	—	—	—	5
Towboats:					
4,000 hp - 6,600 hp	4	4	11	—	19
3,300 hp - 3,900 hp	1	—	2	—	3
Less than 3,300 hp	2	—	—	—	2
<b>Port &amp; Infrastructure Services:</b>					
Harbor boats:					
1,100 hp - 2,000 hp	12	6	—	—	18
Less than 1,100 hp	6	—	—	—	6
<b>Logistics Services:</b>					
Dry-cargo barges	10	—	—	25	35
Towboats:					
Less than 3,300 hp	2	—	—	—	2
	<u>624</u>	<u>60</u>	<u>271</u>	<u>477</u>	<u>1,432</u>
<b>2019</b>					
<b>Bulk Transportation Services:</b>					
Dry-cargo barges	586	48	258	482	1,374
Liquid tank barges	20	—	—	—	20
Specialty barges	5	—	—	—	5
Towboats:					
4,000 hp - 6,600 hp	3	4	11	—	18
3,300 hp - 3,900 hp	1	—	2	—	3
Less than 3,300 hp	2	—	—	—	2
<b>Port &amp; Infrastructure Services:</b>					
Harbor boats:					
1,100 hp - 2,000 hp	12	6	—	—	18
Less than 1,100 hp	6	—	—	—	6
<b>Logistics Services:</b>					
Dry-cargo barges	25	2	—	6	33
	<u>660</u>	<u>60</u>	<u>271</u>	<u>488</u>	<u>1,479</u>

**Witt O'Brien's**

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2020		2019		2020		2019	
	\$'000	%	\$'000	%	\$'000	%	\$'000	%
<b>Operating Revenues:</b>								
United States	18,899	92	22,640	93	60,904	95	78,458	97
Foreign	1,619	8	1,705	7	3,293	5	2,583	3
	<u>20,518</u>	<u>100</u>	<u>24,345</u>	<u>100</u>	<u>64,197</u>	<u>100</u>	<u>81,041</u>	<u>100</u>
<b>Costs and Expenses:</b>								
Operating	12,793	62	16,323	67	41,588	65	53,786	67
Administrative and general	4,913	24	5,718	23	17,553	27	18,951	23
Depreciation and amortization	359	2	210	1	974	2	625	1
	<u>18,065</u>	<u>88</u>	<u>22,251</u>	<u>91</u>	<u>60,115</u>	<u>94</u>	<u>73,362</u>	<u>91</u>
Gains on Asset Dispositions	—	—	10	—	—	—	10	—
Operating Income	<u>2,453</u>	<u>12</u>	<u>2,104</u>	<u>9</u>	<u>4,082</u>	<u>6</u>	<u>7,689</u>	<u>9</u>
<b>Other Income:</b>								
Foreign currency losses, net	(18)	—	—	—	(15)	—	—	—
Other, net	—	—	(1)	—	70	—	(6)	—
Equity in Earnings of 50% or Less Owned Companies, Net of Tax	<u>130</u>	<u>1</u>	<u>764</u>	<u>3</u>	<u>378</u>	<u>1</u>	<u>569</u>	<u>1</u>
Segment Profit	<u>2,565</u>	<u>13</u>	<u>2,867</u>	<u>12</u>	<u>4,515</u>	<u>7</u>	<u>8,252</u>	<u>10</u>

**Current Year Quarter compared with Prior Year Quarter**

**Operating Revenues.** Operating revenues were \$3.8 million lower primarily due to the successful completion of major task orders related to long-term recovery programs in the U.S. Virgin Islands and the conclusion of disaster response work for multiple city and county governments, partially offset by new contracts in support of clients' COVID-19 pandemic responses.

**Operating Expenses.** Operating expenses were \$3.5 million lower primarily due to the completion of major recovery program task orders.

**Administrative and General.** Administrative and general expenses were \$0.8 million lower primarily due to lower accruals for gross receipts taxes in the U.S. Virgin Islands as a large portion of work was being performed off-island and lower travel and entertainment expenses as a consequence of the COVID-19 pandemic, partially offset by higher project labor costs.

**Depreciation and Amortization.** Depreciation and amortization expenses were \$0.1 million higher primarily due to the amortization of intangible assets arising from a business acquisition during the first quarter of 2020.

**Operating Income.** Operating income as a percentage of operating revenues was 12% in the Current Year Quarter compared with 9% in the Prior Year Quarter primarily due to reduced administrative and general expenses partially offset by higher depreciation and amortization charges.

**Equity in Earnings of 50% or Less Owned Companies, Net of Tax.** Equity in earnings of 50% or less owned companies, net of tax, were lower due to a decline in operating results in Witt O'Brien's Brazilian joint venture.

**Current Nine Months compared with Prior Nine Months**

**Operating Revenues.** Operating revenues were \$16.8 million lower primarily due to the successful completion of major task orders related to long-term recovery programs in the U.S. Virgin Islands and the conclusion of disaster response work for multiple city and county governments, partially offset by new contracts in support of clients' COVID-19 pandemic responses.

**Operating Expenses.** Operating expenses were \$12.2 million lower primarily due to the completion of major recovery program task orders.

**Administrative and General.** Administrative and general expenses were \$1.4 million lower primarily due to lower reserves for bad debts, lower travel and entertainment expenses as a consequence of the COVID-19 pandemic and lower compensation costs and reduced headcount, partially offset by an accrual of \$1.4 million in the first quarter following a change in the application of the gross receipts tax in the U.S. Virgin Islands primarily related to work completed in 2019 and 2018.

**Depreciation and Amortization.** Depreciation and amortization expenses were \$0.3 million higher primarily due to the amortization of intangible assets arising from a business acquisition during the first quarter of 2020.

**Operating Income.** Operating income as a percentage of operating revenues was 6% in the Current Nine Months compared with 9% in the Prior Nine Months primarily due to reduced operating revenues, an accrual of \$1.4 million in the first quarter following a change in the application of the gross receipts tax in the U.S. Virgin Islands and higher depreciation and amortization charges.

**Equity in Earnings of 50% or Less Owned Companies, Net of Tax.** Equity in earnings of 50% or less owned companies, net of tax, were lower due to a decline in operating results in Witt O'Brien's Brazilian joint venture.

**Other**

	Three Months Ended September 30,				Nine Months Ended September 30,				
	2020		2019		2020		2019		
	\$'000	%	\$'000	%	\$'000	%	\$'000	%	
<b>Operating Revenues:</b>									
United States	2,069	100	1,635	100	6,266	100	5,582	100	
Foreign	—	—	—	—	—	—	—	—	
	<u>2,069</u>	<u>100</u>	<u>1,635</u>	<u>100</u>	<u>6,266</u>	<u>100</u>	<u>5,582</u>	<u>100</u>	
<b>Costs and Expenses:</b>									
Operating	1,442	70	1,404	86	4,631	74	4,129	74	
Administrative and general	706	34	846	52	2,707	43	2,522	45	
Depreciation and amortization	459	22	501	30	1,693	27	1,483	27	
	<u>2,607</u>	<u>126</u>	<u>2,751</u>	<u>168</u>	<u>9,031</u>	<u>144</u>	<u>8,134</u>	<u>146</u>	
Gains on Asset Dispositions	—	—	34	2	60	1	32	1	
Operating Loss	<u>(538)</u>	<u>(26)</u>	<u>(1,082)</u>	<u>(66)</u>	<u>(2,705)</u>	<u>(43)</u>	<u>(2,520)</u>	<u>(45)</u>	
<b>Other Income:</b>									
Other, net <sup>(1)</sup>	1	—	—	—	1	—	—	—	
Equity in Losses of 50% or Less Owned Companies, Net of Tax	<u>(596)</u>	<u>(29)</u>	<u>(56)</u>	<u>(4)</u>	<u>(1,759)</u>	<u>(28)</u>	<u>(412)</u>	<u>(8)</u>	
Segment Loss <sup>(1)</sup>	<u><u>(1,133)</u></u>	<u><u>(55)</u></u>	<u><u>(1,138)</u></u>	<u><u>(70)</u></u>	<u><u>(4,463)</u></u>	<u><u>(71)</u></u>	<u><u>(2,932)</u></u>	<u><u>(53)</u></u>	

(1) Includes amounts attributable to both SEACOR and noncontrolling interests.

**Operating Activities.** The operating activities of Other primarily consists of the business activities of Cleancor.

**Current Year Quarter compared with Prior Year Quarter**

**Operating Revenues.** Operating revenues were \$0.4 million higher primarily due to the sale of equipment from inventory and higher fuel sales related to a customer's fleet expansion.

**Equity in Losses of 50% or Less Owned Companies, Net of Tax.** The Company's 50% or less owned companies included in Other primarily consist of general aviation services businesses in Asia and an agricultural commodity trading and logistics business. The increase in equity losses was primarily due to losses from VA&E.

**Current Nine Months compared with Prior Nine Months**

**Operating Revenues.** Operating revenues were \$0.7 million higher primarily due to an increase in fuel sales to supply a pipeline interruption project, an onshore oil and gas exploration project and a customer's fleet expansion, and the sale of equipment from inventory.

**Operating Expenses.** Operating expenses were \$0.5 million higher primarily due to an increase in the cost of sales associated with the increase in fuel sales volumes, and an increase in technical management and equipment rentals associated with the projects discussed above, partially offset by lower re-certification costs for certain equipment.

**Depreciation and Amortization.** Depreciation and amortization expenses were \$0.2 million higher as a result of placing additional equipment into service partially offset by asset sales during the Current Nine Months.

**Equity in Losses of 50% or Less Owned Companies, Net of Tax.** The Company's 50% or less owned companies included in Other primarily consist of general aviation services businesses in Asia and an agricultural commodity trading and logistics business. The increase in equity losses was primarily due to losses from VA&E.

**Corporate and Eliminations**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Corporate Expenses	(5,535)	(6,021)	(17,547)	(19,254)
Eliminations	22	(18)	67	10
Operating Loss	<u>(5,513)</u>	<u>(6,039)</u>	<u>(17,480)</u>	<u>(19,244)</u>
Other Income (Expense):				
Foreign currency gains (losses), net	41	(44)	19	(52)
Other, net	297	1	976	10

**Corporate Expenses.** Corporate expenses were \$0.5 million lower in the Current Year Quarter compared with the Prior Year Quarter and were \$1.7 million lower in the Current Nine Months compared with the Prior Nine Months. The reduction was primarily due to lower management bonus accruals.

**Other, Net.** During the second quarter, the Company reached an agreement with SEACOR Marine Holdings Inc. ("SEACOR Marine"), a consolidated subsidiary prior to its spin-off in 2017, to allow SEACOR Marine to carryback certain of its tax net operating losses ("NOLs") to tax years in which SEACOR Marine was part of the Company's consolidated tax group. The carrybacks are allowed as a result of the CARES Act. In exchange for allowing SEACOR Marine to carryback its NOLs, SEACOR Marine agreed to: deposit certain of the tax refunds into a controlled deposit account to cash collateralize certain guarantees the Company made on behalf of SEACOR Marine; prepay its sublease with the Company for office space; provide certain representations and warranties to the Company; and pay the Company a fee of \$1.0 million. The Company recognized \$0.3 million of the fee during the Current Year Quarter and \$1.0 million during the Current Nine Months. As of September 30, 2020, the guarantees on behalf of SEACOR Marine totaled \$10.4 million.

**Other Income (Expense) not included in Segment Profit (Loss)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Interest income	1,425	2,198	4,544	5,983
Interest expense	(3,938)	(4,816)	(12,587)	(14,832)
Debt extinguishment gains (losses), net	(254)	(777)	1,348	(2,073)
Marketable security gains (losses), net	951	144	(567)	16,496
	<u>(1,816)</u>	<u>(3,251)</u>	<u>(7,262)</u>	<u>5,574</u>

**Interest Income.** Interest income was lower in the Current Year Quarter compared with the Prior Year Quarter primarily due to lower interest rates. Interest income was lower in the Current Nine Months compared with the Prior Nine months primarily due to lower interest rates partially offset by higher interest income from third party notes receivable.

**Interest Expense.** Interest expense was lower in the Current Year Quarter compared with the Prior Year Quarter and lower in the Current Nine Months compared with the Prior Nine Months primarily due to the purchase and redemption of the Company's 3.0% Convertible Senior Notes.

**Debt Extinguishment Gains (Losses), Net.** Debt extinguishment losses of \$0.3 million in the Current Year Quarter are the result of the redemption of the remaining \$34.5 million in principal amount of the Company's 3.0% Convertible Senior Notes. Debt extinguishment gains, net in the Current Nine Months includes gains of \$1.9 million from the purchase of \$12.9 million in principal amount of the Company's 2.5% Convertible Senior Notes for \$10.9 million partially offset by losses of \$0.6 million from the purchase of \$15.6 million in principal amount of the Company's 3.0% Convertible Senior Notes for \$15.4 million and the redemption of the remaining amount of the Company's 3.0% Convertible Senior Notes in the Current Nine Months. Debt extinguishment losses in the Prior Year Quarter and Prior Nine Months are the result of the purchase of \$18.2 million and \$55.4 million in principal amount, respectively, of the Company's 3.0% Convertible Senior Notes for \$18.1 million and \$54.4 million, respectively.



**Marketable Security Gains (Losses), Net.** Marketable security gains (losses), net are related to marking-to-market the Company's security portfolio primarily consisting of investments in energy, marine, transportation and other related businesses. In the Prior Year Quarter and Prior Nine Months, the most significant position was in Dorian LPG Ltd, which the Company sold during 2019.

**Income Taxes**

During the nine months ended September 30, 2020, the Company's effective income tax rate of (78.0)% was lower than the statutory rate primarily due to a benefit from a statutory change to the U.S. federal income tax code and income subject to tonnage tax, partially offset by subpart F income, non-deductible expenses, state taxes and foreign taxes not creditable against U.S. income taxes.

**Liquidity and Capital Resources**

**General**

The Company's ongoing liquidity requirements arise primarily from working capital needs, capital commitments and its obligations to repay debt. The Company may use its liquidity to fund acquisitions, repurchase shares of SEACOR Common Stock for treasury, repurchase its outstanding notes or make other investments. Sources of liquidity are cash balances, marketable securities, cash flows from operations and availability under the Company's revolving credit facilities. From time to time, the Company may secure additional liquidity through asset sales or the issuance of debt, shares of Common Stock or common stock of its subsidiaries, preferred stock or a combination thereof.

As of September 30, 2020, the Company's capital commitments by year of expected payment were as follows (in thousands):

	Remainder of 2020	2021	2022	Total
Ocean Services	\$ 8,424	\$ 36,657	\$ 2,636	\$ 47,717
Inland Services	6,585	849	—	7,434
Other	128	—	—	128
	<u>\$ 15,137</u>	<u>\$ 37,506</u>	<u>\$ 2,636</u>	<u>\$ 55,279</u>

As of September 30, 2020, the Company had outstanding debt of \$248.9 million, net of discounts and issuance costs, and letters of credit totaling \$1.1 million with various expiration dates through 2027. As of September 30, 2020, the Company was in compliance with the various financial covenants associated with its credit facilities. In addition, as of September 30, 2020, the Company guaranteed payments on behalf of SEACOR Marine totaling \$10.4 million, under certain sale-leaseback transactions. The Company earns a fee from SEACOR Marine of 0.5% per annum on the amount of the obligations under these guarantees. These guarantees continue to be contingent obligations of the Company because the beneficiary of the guarantees did not release the Company from its obligations in connection with the spin-off of SEACOR Marine and decline as payments are made by SEACOR Marine on the underlying obligations. In exchange for allowing SEACOR Marine to carryback its NOLs to periods prior to the spin-off, as permitted under the CARES Act, SEACOR Marine agreed to deposit certain of the tax refunds it will receive into a controlled deposit account to cash collateralize these guarantee obligations.

As of September 30, 2020, the holders of the Company's 2.5% Convertible Senior Notes (\$51.6 million outstanding) and 3.25% Convertible Senior Notes (\$117.8 million outstanding) may require the Company to repurchase the notes on December 19, 2022 and May 15, 2025, respectively. The Company's long-term debt maturities, assuming the holders of the aforementioned convertible senior notes require the Company to repurchase the notes on those dates, are as follows (in thousands):

Remainder of 2020	\$ 2,708
2021	10,857
2022	62,118
2023	10,368
2024	60,244
Years subsequent to 2024	123,537
	<u>\$ 269,832</u>

SEACOR’s Board of Directors previously approved a securities repurchase plan that authorizes the Company to acquire its Common Stock, 3.0% Convertible Senior Notes (which have been fully-extinguished), 2.5% Convertible Senior Notes and 3.25% Convertible Senior Notes, (collectively the “Securities”) through open market purchases, privately negotiated transactions or otherwise, depending on market conditions. As of September 30, 2020, the Company’s remaining repurchase authority for the Securities was \$102.2 million.

As of September 30, 2020, the Company held balances of cash, cash equivalents, restricted cash, restricted cash equivalents and marketable securities totaling \$106.7 million. Additionally, the Company had \$225.0 million available under its revolving credit facilities.

**Summary of Cash Flows**

	<b>Nine Months Ended September 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$’000</b>	<b>\$’000</b>
Cash Flows provided by Operating Activities	68,690	95,255
Cash Flows used in Investing Activities	(12,444)	(13,890)
Cash Flows used in Financing Activities	(35,436)	(150,483)
Effects of Exchange Rate Changes on Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents	(120)	(58)
Net Increase (Decrease) in Cash, Cash Equivalents, Restricted Cash and Restricted Cash Equivalents	<u>20,690</u>	<u>(69,176)</u>

**Operating Activities**

Cash flows provided by operating activities decreased by \$26.6 million in the Current Nine Months compared with the Prior Nine Months. The components of cash flows provided by operating activities during the Current Nine Months and Prior Nine Months were as follows:

	<b>Nine Months Ended September 30,</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$’000</b>	<b>\$’000</b>
Operating income before depreciation, amortization and gains on asset dispositions, net	62,758	91,454
Changes in operating assets and liabilities, excluding operating leases, before interest and income taxes	8,765	(40,840)
Purchases of marketable securities	(228)	(5,752)
Proceeds from sale of marketable securities	—	46,526
Dividends received from 50% or less owned companies	1,928	100
Interest paid, excluding capitalized interest <sup>(1)</sup>	(7,527)	(8,407)
Income taxes refunded (paid), net	(9,638)	1,460
Other	12,632	10,714
Total cash flows provided by operating activities	<u>68,690</u>	<u>95,255</u>

(1) During the Current Nine Months and Prior Nine Months, interest paid and capitalized in property and equipment was \$0.2 million and \$0.1 million, respectively.

Operating income before depreciation, amortization and gains on asset dispositions, net was \$28.7 million lower in the Current Nine Months compared with the Prior Nine Months. See “Consolidated Results of Operations” included herein for a discussion of the results of each of the Company’s business segments.

Proceeds from the sale of marketable securities in the Prior Nine Months was primarily due to the sale of all of the Company’s investment in Dorian LPG Ltd.

**Investing Activities**

During the Current Nine Months, net cash used in investing activities was \$12.4 million primarily as follows:

- Capital expenditures were \$16.3 million primarily related to progress payments toward the construction of four U.S.-flag harbor tugs and the purchase of machinery and equipment.
- The Company sold 39 inland river dry-cargo barges and other equipment for net proceeds of \$9.6 million.

- The Company made investments in and advances to 50% or less owned companies of \$6.1 million including \$4.4 million to RF Vessel Holdings, \$1.2 million to VA&E and \$0.5 million to Golfo de Mexico.
- The Company received \$0.9 million from its 50% or less owned company VA&E.
- The Company acquired Helix Media Pte. Ltd., Navigate Response (Asia) Pte. Ltd., Navigate PR Ltd. and Navigate Response Limited (collectively "Navigate"). The purchase price consisted of \$1.0 million in cash, net of cash acquired of \$0.8 million, paid at the closing of the acquisition.

During the Prior Nine Months, net cash used in investing activities was \$13.9 million primarily as follows:

- Capital expenditures were \$17.4 million related to the acquisition of real property, upgrades to inland river towboats and the construction of other Inland Services equipment.
- The Company sold one foreign-flag short-sea container/RORO vessel and other equipment for net proceeds of \$1.9 million.
- The Company made investments in and advances to 50% or less owned companies of \$3.2 million including \$2.7 million to RF Vessel Holdings and \$0.5 million to VA&E.
- The Company received \$3.7 million from its 50% or less owned company VA&E.
- The Company received net payments on third-party leases and notes receivables of \$1.1 million.

### **Financing Activities**

During the Current Nine Months, net cash used in financing activities was \$35.4 million. The Company:

- purchased \$15.6 million in principal amount of its 3.0% Convertible Senior Notes for total consideration of \$15.4 million;
- redeemed the remaining \$34.5 million in principal amount of its 3.0% Convertible Senior Notes for total consideration of \$34.5 million;
- purchased \$12.9 million in principal amount of its 2.5% Convertible Senior Notes for total consideration of \$10.9 million;
- made scheduled repayments of \$7.5 million under the SEA-Vista 2019 Credit Facility;
- made other scheduled repayments on long-term debt of \$0.7 million;
- received proceeds of \$33.7 million from the "failed" sale leaseback of three U.S.-flag harbor tugs;
- made payments on other long-term financial liabilities of \$0.5 million;
- acquired 41,600 shares of Common Stock for treasury for an aggregate purchase price of \$1.4 million;
- acquired 17,144 shares of Common Stock for treasury for an aggregate purchase price of \$0.5 million from its employees to cover their tax withholding obligations related to the vesting of equity awards. These shares were purchased in accordance with the terms of the Company's Share Incentive Plans and not pursuant to the repurchase authorizations for its Securities granted by SEACOR's Board of Directors; and
- received \$2.4 million from share award plans.

During the Prior Nine Months, net cash used in financing activities was \$150.5 million. The Company:

- purchased \$55.4 million in principal amount of its 3.0% Convertible Senior Notes for total consideration of \$54.4 million of which \$54.2 million was allocated to the debt and \$0.1 million was allocated to the purchase of the conversion option embedded in the 3.0% Convertible Senior Notes;
- borrowed \$25.0 million under the SEACOR Revolving Credit Facility and incurred issuance costs of \$2.2 million;
- repaid \$12.0 million under the SEA-Vista 2015 Credit Facility;
- made other scheduled payments on long-term debt of \$0.5 million;
- made distributions to noncontrolling interests of \$5.2 million;
- acquired 3,912 shares of Common Stock for treasury for an aggregate purchase price of \$0.1 million;

- acquired 8,121 shares of Common Stock for treasury for an aggregate purchase price of \$0.4 million from its employees to cover their tax withholding obligations related to the vesting of equity awards. These shares were purchased in accordance with the terms of the Company's Share Incentive Plans and not pursuant to the repurchase authorizations for its Securities granted by SEACOR's Board of Directors; and
- received \$6.9 million from share award plans; and
- became the sole owner of the SEA-Vista joint venture on August 2, 2019 by acquiring the Remaining SEA-Vista Interest for \$107.7 million in cash, inclusive of expenses related to the transaction.

### **Short and Long-Term Liquidity Requirements**

The Company anticipates it will continue to generate positive cash flows from operations and that these cash flows will be adequate to meet the Company's working capital requirements. In support of the Company's capital expenditure program and debt service requirements, the Company believes that a combination of cash balances on hand, cash generated from operating activities, availability under the Company's revolving credit facilities and access to the credit and capital markets will provide sufficient liquidity to meet its obligations. The Company continually evaluates possible acquisitions and dispositions of certain businesses and assets. The Company's sources of liquidity may be impacted by the general condition of the markets in which it operates and the broader economy as a whole, which may limit its access to the credit and capital markets on acceptable terms. To date, the COVID-19 pandemic has not had a material impact on the Company's liquidity. Management will continue to closely monitor the Company's liquidity and the credit and capital markets generally and more specifically as it relates to the COVID-19 pandemic.

### **Off-Balance Sheet Arrangements**

For a discussion of the Company's off-balance sheet arrangements, refer to "Liquidity and Capital Resources" contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2019. There has been no material change in the Company's off-balance sheet arrangements during the Current Nine Months. As of September 30, 2020, the Company guaranteed payments on behalf of SEACOR Marine totaling \$10.4 million, under certain sale-leaseback transactions. These guarantees will decline as payments are made on the underlying obligations.

### **Contractual Obligations and Commercial Commitments**

For a discussion of the Company's contractual obligations and commercial commitments, refer to "Liquidity and Capital Resources" contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2019. There has been no material change in the Company's contractual obligations and commercial commitments during the Current Nine Months.

## **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

For a discussion of the Company's exposure to market risk, refer to Item 7A. "Quantitative and Qualitative Disclosures About Market Risk" contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2019. There has been no material change in the Company's exposure to market risk during the Current Nine Months.

## **ITEM 4. CONTROLS AND PROCEDURES**

### **Evaluation of Disclosure Controls and Procedures**

With the participation of the Company's principal executive officer and principal financial officer, management evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of September 30, 2020. Based on their evaluation, the Company's principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures were effective as of September 30, 2020.

The Company's disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company in the reports it files or furnishes under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive and principal financial officers, to allow timely decisions regarding required disclosures. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those internal control systems determined to be effective can provide only a level of reasonable assurance with respect to financial statement preparation and presentation.

### **Changes in Internal Control Over Financial Reporting**

There were no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15 and 15d-15 under the Exchange Act) that occurred during the three months ended September 30, 2020 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**PART II - OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

For a description of developments with respect to pending legal proceedings described in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019, see Note 15. "Commitments and Contingencies" included in Part I. Item 1. "Financial Statements" elsewhere in this Quarterly Report on Form 10-Q.

**ITEM 1A. RISK FACTORS**

For a discussion of the Company's risk factors, refer to Item 1A. "Risk Factors" contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2019. There have been no material changes in the Company's risk factors during the Current Nine Months.

*The COVID-19 outbreak has and will likely continue to negatively affect the global economy and could have a material adverse effect on the Company's businesses, results of operations and financial condition.* The Company's operations are susceptible to global events that could have an adverse effect on its businesses, results operations and financial condition, such as the COVID-19 pandemic. As of the date of this report, the coronavirus has spread throughout most of the world and has caused many governments to implement various types of stay-at-home orders, quarantines and significant restrictions on travel. Many of these governments have also implemented work restrictions that prohibit many employees from going to their customary work locations and which require these employees to work remotely if possible or not at all if working remotely is not possible. These restrictions have affected the Company's customers and may continue to affect its customers in the future, which may affect the demand for the Company's services.

While the COVID-19 pandemic has had an adverse effect on the Company's businesses, it is a dynamic and continuously evolving phenomenon and the ultimate severity of the outbreak and the resulting effect on the Company's businesses is uncertain at this time. If the pandemic worsens, additional restrictions are implemented to contain the outbreak or previous restrictions are re-implemented due to increases in infection rates, the Company may experience a material and adverse effect on its business, results of operation and financial condition.

*The Company's operation and workforce faces risks related to the COVID-19 pandemic, which could significantly disrupt the Company's operations.* The COVID-19 pandemic may affect the health of the Company's workforce, and international, national and local government interventions enacted to reduce the spread of COVID-19 may render the Company's employees unable to work or travel. Although the Company's workforce is largely considered to be "essential" under guidance issued by the U.S. Cybersecurity and Infrastructure Security Agency, work, travel and other restrictions may vary in other regions of the world in which the Company has operations. Similarly, if the COVID-19 pandemic were to impact a location where the Company has a high concentration of business and resources, its workforce could be affected by the outbreak, which could also significantly disrupt operations and the ability to provide services.

The duration and severity of the business disruption and related financial impact from the COVID-19 pandemic cannot be reasonably estimated at this time. If the impact of the COVID-19 pandemic continues for an extended period of time, not only could it materially adversely affect the demand for the Company's services but also the ability to provide such services, either of which could have a material adverse effect on each company's business.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

(c) This table provides information with respect to purchases by the Company of shares of its Common Stock during the Current Year Quarter:

<b>Period</b>	<b>Total Number Of Shares Purchased<sup>(1)</sup></b>	<b>Average Price Paid Per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</b>	<b>Maximum Value of Securities that may Yet be Purchased under the Plans or Programs</b>
July 1 – 31, 2020	—	\$ —	—	\$ 102,157,511
August 1 – 31, 2020	—	\$ —	—	\$ 102,157,511
September 1 – 30, 2020	—	\$ —	—	\$ 102,157,511

**ITEM 3. DEFAULT UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS**

31.1\* [Certification by the Principal Executive Officer pursuant to Rule 13a-14\(a\) and Rule 15d-14\(a\) of the Securities Exchange Act, as amended.](#)

31.2\* [Certification by the Principal Financial Officer pursuant to Rule 13a-14\(a\) and Rule 15d-14\(a\) of the Securities Exchange Act, as amended.](#)

32.1\* [Certification by the Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)

32.2\* [Certification by the Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)

101 The following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020, formatted in Inline XBRL: (i) Consolidated Statements of Cash Flows, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Balance Sheets, and (v) Notes to Consolidated Financial Statements, tagged as blocks of text and including detailed tags.

104 The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2020, formatted in Inline XBRL (included as Exhibit 101).

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\* Filed herewith.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DATE: October 29, 2020	SEACOR Holdings Inc. (Registrant) By: <u>/s/ CHARLES FABRIKANT</u> Charles Fabrikant, <i>Executive Chairman of the Board and Chief Executive Officer</i> (Principal Executive Officer)
DATE: October 29, 2020	By: <u>/s/ BRUCE WEINS</u> Bruce Weins, <i>Senior Vice President and Chief Financial Officer</i> (Principal Financial Officer)