

# MOODY'S

## RATINGS

### **Rating Action: Moody's Ratings affirms Foresea's ratings; stable outlook**

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15 May 2025

New York, May 15, 2025 -- Moody's Ratings (Moody's) has today affirmed FORESEA Holding S.A. (Foresea's) B2 corporate family rating (CFR). At the same time, we affirmed the B2 rating of the \$300 million backed Senior Secured Notes due 2030. The outlook is stable.

#### RATINGS RATIONALE

Foresea's B2 rating is supported by its strong market position in Brazil, long term relationship with customers and firm backlog of contracts that provides cash flow visibility through the end of 2026. The company has about 16% of market share in Brazil, and a track record that includes over 440 wells interventions and 704 thousand meters drilled as of 2024. The company currently has a firm backlog of \$1.7 billion, mostly concentrated in contracts with Petroleo Brasileiro S.A. - PETROBRAS (Ba1 positive, 76%), Sepia Consortium (23%) and PRIO S.A. (Ba3 positive, 1%). The positive fundamentals for the offshore drilling industry, a result of tight supply and high daily rates, and Foresea's good credit metrics and adequate liquidity after its out-of-court reorganization also support the rating.

The rating is constrained by Foresea's scale and concentration of operations in five drilling units, in the oil and gas industry, in a single country. Foresea is one of the largest pure-play operators of ultra-deepwater rigs, focused on chartering and operations of rigs in the Brazilian offshore oil and gas industry, but the company has a smaller scale and a narrower diversification when compared to global peers. Foresea's small scale and concentration of operations introduce event risk, as the company's credit metrics and cash generation would be materially affected in case of operational disruptions in any of its drilling units. The inherently cyclical nature of the offshore drilling industry and the high level of volatility in oil and gas prices also constrain Foresea's credit profile since those entail significant re-contracting risks. Finally, the lack of track record in terms of capital allocation after the out-of-court reorganization also constrains the rating.

Foresea has low debt levels and adequate liquidity as a result of the out-of-court reorganization made by Ocyan S.A. The current debt level and related debt service can easily be accommodated in Foresea's cash generation, especially when considering the current high daily rates. Foresea's EBIT margin has historically hovered around 30-40% and Moody's expects profitability to recover to these levels in the future because of higher daily rates in its existing contracts. We expect Foresea's Moody's adjusted leverage to hover at around 1x-1.3x in 2025-26, and interest coverage (measured by EBITDA/Interest expense) to remain at around 8.5x-11x.

#### LIQUIDITY

Foresea has an adequate liquidity profile with \$107 million in cash and only one debt instrument maturing in 2030. We expect the company's cash flow from operations to amount to around \$200 million per year, which is sufficient to cover investment requirements in its fleet. Debt incurrence limitations in its bond indentures limit additional debt issuances and the company has financial covenants setting a maximum net leverage of 3.5x (1.0x currently) and a minimum liquidity level of \$50 million. Any additional investments in fleet expansion will be done through ring-fenced structures that protect existing bondholders. We expect the company to maintain a disciplined approach to capital allocation, including dividend distributions, as it starts to increase its cash from operations.

## STRUCTURAL CONSIDERATIONS

The B2 rating of the \$300 million senior secured notes due 2030 stands at the same level as the company's corporate family rating. The notes represent the totality of Foresea's debt. The notes are secured by a first priority lien on substantially all of Foresea's material assets.

## RATING OUTLOOK

The stable outlook reflects our expectations that Foresea's credit metrics and liquidity will remain adequate in the next 12-18 months, supported by the terms of the existing charter and service contracts.

## FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Foresea's ratings could be upgraded if the company achieves larger scale with revenues above \$750 million as well as longer duration of contracts in a healthy industry environment, if the company sustains a track record of strong profitability and maintains a strong balance sheet with leverage below 1.5x, positive FCF generation and prudent shareholder distributions. Further balance sheet strengthening, with a high cash position or extremely low leverage that mitigates its small size and narrow product offering could also result in positive pressure on the rating.

Foresea's ratings could be downgraded if the company's earnings and backlog deteriorate materially, leading to gross leverage sustainedly in excess of 3.0x and EBITDA / Interest expense falls below 3x, if FCF generation turns negative, as a result of weaker operating performance or more aggressive than currently anticipated financial policies, including dividend distributions or high refinancing risk, or if its liquidity position weakens.

## COMPANY PROFILE

Foresea is a Luxembourg-based company created in June 2023 after the spin-off of Ocyan's drilling assets. The company owns 5 offshore drilling units (4 drillships and 1 semisubmersible) focused on chartering and operations of rigs in the Brazilian offshore oil and gas industry, and provides services to another third-party semisubmersible. In 2024, the company generated \$488 million in revenue and \$180 million in Moody's adjusted EBITDA.

The principal methodology used in these ratings was Oilfield Services published in January 2023 and available at <https://ratings.moodys.com/rmc-documents/397981>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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