

ENERGY ENGINEERING AND CONSTRUCTION

MCDERMOTT INTERNATIONAL

HQ: Houston, Texas

Revenues: \$6.2 billion

Employees: ~30,000

Constructing a Recovery

Ralph Thomas McDermott was 24 years old when he won a contract to build 50 wooden drilling rigs for a Texas wildcatter. McDermott leveraged his father's knowledge and experience in the lumber and oilfield construction businesses to win the bid. Needing a name to incorporate his new business, he honored his father and soon-to-be business partner by naming it after him, J. Ray McDermott & Company, with headquarters in Eastland, Texas.

From these humble beginnings, McDermott evolved into a premier provider of engineering and construction solutions to the global energy industry. Tallying more than 30,000 employees in more than 50 countries, the company touts diverse product lines across the oil and gas sector, assisting offshore and subsea production and onshore construction, engineering and storage, among other services and solutions.

Moving Into Marine Construction

Through the 1930s, McDermott migrated to wherever oil was booming, from Eastland to Luling, Texas, to New Orleans, Louisiana, and current headquarters in Houston in 1932. Innovation has been a hallmark of the company since its inception. In 1938, McDermott pioneered the initial use of floating drilling equipment in low-lying marshlands in Louisiana and Texas. Nine years later, it developed a steel template platform in the Gulf of Mexico, at a depth of 20 feet of water, so far from land nobody could see it. McDermott launched its offshore marine construction business a few weeks later.

The offshore oil industry was in its infancy at the time. The first well drilled offshore the Gulf of Mexico was in 1938, but another three years elapsed before oil was discovered. As the offshore sector boomed, McDermott in 1948 acquired the assets of Harry F. Allsman Company, which provided additional equipment needed to meet the growing demand for offshore construction.

In subsequent decades, McDermott ventured into building pipelines, derrick barges and offshore structure fabrication, the latter culminating in the development of the world's first aluminum platforms for use in corrosive waters. Other milestones include the first derrick barge built specifically for offshore use and the installation of the first oil platform in Alaska's Cook Inlet.

In the 1970s, the company availed the use of modern technologies to build larger offshore structures in deeper waters, among them the Cognac structure in 1,000 feet of water for Shell Oil in 1978. Numerous acquisitions during the decade included Ingram Corporation's foreign marine construction



business, bolstering McDermott's global services, and Babcock & Wilcox (B&W), a major supplier of products and services to the electric power and other industries.

Following the collapse of the energy business in the 1980s, the company's earnings flattened, and it began posting consecutive annual losses by decade's end. Under CEO Robert Howson, a civil engineer, operations were consolidated, important divestitures commenced, and debt was reduced. McDermott was nonetheless burdened in the 1990s by asbestos-related lawsuits against B&W, halving its valuation in 1999. B&W filed for bankruptcy protection the following year.

Suffering a Setback

Good news followed in the 2019 awarding of two construction contracts, with a combined value of more than \$4.5 billion, to McDermott by Saudi Aramco, targeting the Marjan oil field development project offshore of Saudi Arabia. However, the 2018 merger with Chicago Bridge & Iron (CB&I), a large engineering, procurement and construction company, had resulted in a heavy debt load. In 2020, the company filed for Chapter 11 protection and completed a restructuring process six months later, to emerge with a sustainable capital structure supporting the strength of its operating business.

Under new CEO Michael McKelvy, appointed in 2022, the future looks brighter as the company celebrates its centennial. "We've navigated every shift with resilience and now venture into the next hundred years stronger than ever," McKelvy said, attributing McDermott's longevity to "the ingenuity of our people, agility of our business and strength of our solutions... in a dynamic, ever-evolving industry." —RB