

HELIX ENERGY SOLUTIONS GROUP INC
Form 10-Q
October 24, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

Form 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2018

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 001-32936

HELIX ENERGY SOLUTIONS GROUP, INC.
(Exact name of registrant as specified in its charter)
Minnesota
(State or other jurisdiction
of incorporation or organization)

95-3409686
(I.R.S. Employer
Identification No.)

3505 West Sam Houston Parkway North, Suite 400
Houston, Texas
(Address of principal executive offices)

77043
(Zip Code)

(281) 618-0400
(Registrant's telephone number, including area code)

NOT APPLICABLE

(Former name, former address and former fiscal year, if changed since last report)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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, smaller reporting company, or an emerging growth company. See the 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

(Do not check if a
smaller reporting
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

As of October 19, 2018, 148,152,672 shares of common stock were outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

HELIX ENERGY SOLUTIONS GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands)

	September 30, 2018	December 31, 2017
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 325,092	\$ 266,592
Accounts receivable:		
Trade, net of allowance for uncollectible accounts of \$2,752	91,001	113,336
Unbilled and other	66,396	29,947
Other current assets	47,450	41,768
Total current assets	529,939	451,643
Property and equipment	2,727,760	2,695,772
Less accumulated depreciation	(956,209) (889,783
Property and equipment, net	1,771,551	1,805,989
Other assets, net	76,985	105,205
Total assets	\$ 2,378,475	\$ 2,362,837
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 62,844	\$ 81,299
Accrued liabilities	84,431	71,680
Income tax payable	5,859	2,799
Current maturities of long-term debt	46,784	109,861
Total current liabilities	199,918	265,639
Long-term debt	401,265	385,766
Deferred tax liabilities	102,742	103,349
Other non-current liabilities	42,382	40,690
Total liabilities	746,307	795,444
Shareholders' equity:		
Common stock, no par, 240,000 shares authorized, 148,147 and 147,740 shares issued, respectively	1,306,703	1,284,274
Retained earnings	396,781	352,906
Accumulated other comprehensive loss	(71,316) (69,787
Total shareholders' equity	1,632,168	1,567,393
Total liabilities and shareholders' equity	\$ 2,378,475	\$ 2,362,837

The accompanying notes are an integral part of these condensed consolidated financial statements.

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HELIX ENERGY SOLUTIONS GROUP, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (UNAUDITED)

(in thousands, except per share amounts)

	Three Months Ended September 30,	
	2018	2017
Net revenues	\$212,575	\$163,260
Cost of sales	160,582	142,119
Gross profit	51,993	21,141
Gain on disposition of assets, net	146	—
Selling, general and administrative expenses	(20,762)	(16,374)
Income from operations	31,377	4,767
Equity in losses of investment	(107)	(153)
Net interest expense	(3,249)	(3,615)
Loss on extinguishment of long-term debt	(2)	—
Other expense, net	(709)	(551)
Other income – oil and gas	652	303
Income before income taxes	27,962	751
Income tax provision (benefit)	841	(1,539)
Net income	\$27,121	\$2,290
Earnings per share of common stock:		
Basic	\$0.18	\$0.02
Diluted	\$0.18	\$0.02
Weighted average common shares outstanding:		
Basic	146,700	145,958
Diluted	146,964	145,958

The accompanying notes are an integral part of these condensed consolidated financial statements.

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HELIX ENERGY SOLUTIONS GROUP, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 (UNAUDITED)

(in thousands, except per share amounts)

	Nine Months Ended September 30,	
	2018	2017
Net revenues	\$581,462	\$418,117
Cost of sales	473,589	379,434
Gross profit	107,873	38,683
Gain (loss) on disposition of assets, net	146	(39)
Selling, general and administrative expenses	(52,986)	(46,532)
Income (loss) from operations	55,033	(7,888)
Equity in losses of investment	(378)	(457)
Net interest expense	(10,744)	(15,480)
Loss on extinguishment of long-term debt	(1,183)	(397)
Other expense, net	(3,225)	(619)
Other income – oil and gas	4,068	3,196
Income (loss) before income taxes	43,571	(21,645)
Income tax provision (benefit)	1,226	(1,117)
Net income (loss)	\$42,345	\$(20,528)
Earnings (loss) per share of common stock:		
Basic	\$0.29	\$(0.14)
Diluted	\$0.29	\$(0.14)
Weighted average common shares outstanding:		
Basic	146,679	145,057
Diluted	146,761	145,057

The accompanying notes are an integral part of these condensed consolidated financial statements.

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HELIX ENERGY SOLUTIONS GROUP, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
 (UNAUDITED)
 (in thousands)

	Three Months Ended September 30, 2018 2017	
Net income	\$27,121	\$2,290
Other comprehensive income (loss), net of tax:		
Net unrealized gain (loss) on hedges arising during the period	(88)	2,297
Reclassifications to net income	1,799	3,383
Income taxes on hedges	(357)	(1,992)
Net change in hedges, net of tax	1,354	3,688
Foreign currency translation gain (loss)	(1,421)	5,513
Other comprehensive income (loss), net of tax	(67)	9,201
Comprehensive income	\$27,054	\$11,491
	Nine Months Ended September 30, 2018 2017	
Net income (loss)	\$42,345	\$(20,528)
Other comprehensive income, net of tax:		
Net unrealized gain on hedges arising during the period	839	4,141
Reclassifications to net income (loss)	5,233	10,822
Income taxes on hedges	(1,298)	(5,256)
Net change in hedges, net of tax	4,774	9,707
Unrealized loss on note receivable arising during the period	(629)	—
Income taxes on note receivable	132	—
Unrealized loss on note receivable, net of tax	(497)	—
Foreign currency translation gain (loss)	(4,277)	14,905
Other comprehensive income, net of tax	—	24,612
Comprehensive income	\$42,345	\$4,084

The accompanying notes are an integral part of these condensed consolidated financial statements.

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HELIX ENERGY SOLUTIONS GROUP, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (UNAUDITED)
 (in thousands)

	Nine Months Ended September 30,	
	2018	2017
Cash flows from operating activities:		
Net income (loss)	\$42,345	\$(20,528)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	83,339	82,670
Amortization of debt discount	4,238	3,487
Amortization of debt issuance costs	2,703	5,238
Share-based compensation	7,569	7,613
Deferred income taxes	(5,716)	(3,019)
Equity in losses of investment	378	457
(Gain) loss on disposition of assets, net	(146)	39
Loss on extinguishment of long-term debt	1,183	397
Unrealized gain on derivative contracts, net	(2,289)	(4,291)
Changes in operating assets and liabilities:		
Accounts receivable, net	(15,769)	(21,709)
Other current assets	(5,662)	(12,145)
Income tax payable	2,963	2,742
Accounts payable and accrued liabilities	6,968	30,675
Other non-current, net	28,723	(40,303)
Net cash provided by operating activities	150,827	31,323
Cash flows from investing activities:		
Capital expenditures	(55,431)	(131,428)
Proceeds from sale of assets	25	10,000
Net cash used in investing activities	(55,406)	(121,428)
Cash flows from financing activities:		
Issuance of Convertible Senior Notes due 2023	125,000	—
Repurchase of Convertible Senior Notes due 2032	(60,365)	—
Proceeds from term loan	—	100,000
Repayment of term loan	(62,872)	(193,508)
Repayment of Nordea Q5000 Loan	(26,786)	(26,786)
Repayment of MARAD Debt	(6,532)	(6,222)
Debt issuance costs	(3,867)	(3,694)
Net proceeds from issuance of common stock	—	219,504
Payments related to tax withholding for share-based compensation	(1,058)	(1,306)
Proceeds from issuance of ESPP shares	506	432
Net cash provided by (used in) financing activities	(35,974)	88,420
Effect of exchange rate changes on cash and cash equivalents	(947)	1,927
Net increase in cash and cash equivalents	58,500	