

HELIX ENERGY SOLUTIONS GROUP INC  
Form 10-Q  
April 22, 2015

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 March 31, 2015

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 or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

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 April 17, 2015, 105,913,805 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)

	March 31, 2015 (Unaudited)	December 31, 2014
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$415,302	\$476,492
Accounts receivable:		
Trade, net of allowance for uncollectible accounts of \$5,160 and \$4,735, respectively	108,377	104,724
Unbilled revenue	39,324	28,542
Costs in excess of billing	776	2,034
Current deferred tax assets	23,477	31,180
Other current assets	33,016	51,301
Total current assets	620,272	694,273
Property and equipment	2,287,411	2,241,444
Less accumulated depreciation	(527,033)	(506,060)
Property and equipment, net	1,760,378	1,735,384
Other assets:		
Equity investments	148,147	149,623
Goodwill	61,336	62,146
Other assets, net	58,191	59,272
Total assets	\$2,648,324	\$2,700,698
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$80,106	\$83,403
Accrued liabilities	70,774	104,923
Income tax payable	3,333	9,143
Current maturities of long-term debt	32,033	28,144
Total current liabilities	186,246	225,613
Long-term debt	514,265	523,228
Deferred tax liabilities	247,050	260,275
Other non-current liabilities	45,753	38,108
Total liabilities	993,314	1,047,224
Commitments and contingencies		
Shareholders' equity:		
Common stock, no par, 240,000 shares authorized, 105,904 and 105,586 shares issued, respectively	936,735	934,447
Retained earnings	800,921	781,279
Accumulated other comprehensive loss	(82,646)	(62,252)
Total shareholders' equity	1,655,010	1,653,474
Total liabilities and shareholders' equity	\$2,648,324	\$2,700,698

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



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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(UNAUDITED)

(in thousands, except per share amounts)

	Three Months Ended	
	March 31,	
	2015	2014
Net revenues	\$189,641	\$253,572
Cost of sales	154,694	177,726
Gross profit	34,947	75,846
Gain on disposition of assets, net	—	11,496
Selling, general and administrative expenses	(12,619)	(20,394)
Income from operations	22,328	66,948
Equity in earnings of investments	21	708
Net interest expense	(4,070)	(4,483)
Other expense, net	(1,156)	(810)
Other income – oil and gas	2,926	12,276
Income before income taxes	20,049	74,639
Income tax provision	407	20,417
Net income, including noncontrolling interests	19,642	54,222
Less net income applicable to noncontrolling interests	—	(503)
Net income applicable to common shareholders	\$19,642	\$53,719
Earnings per share of common stock:		
Basic	\$0.19	\$0.51
Diluted	\$0.19	\$0.51
Weighted average common shares outstanding:		
Basic	105,290	105,126
Diluted	105,290	105,375

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		
	March 31,		
	2015	2014	
Net income, including noncontrolling interests	\$19,642	\$54,222	
Other comprehensive income (loss), net of tax:			
Unrealized gain (loss) on hedges arising during the period	(11,711	) 4,055	
Reclassification adjustments for loss included in net income	1,673	658	
Income taxes on unrealized (gain) loss on hedges	3,513	(1,650	)
Unrealized gain (loss) on hedges, net of tax	(6,525	) 3,063	
Foreign currency translation gain (loss)	(13,869	) 1,347	
Other comprehensive income (loss), net of tax	(20,394	) 4,410	
Comprehensive income (loss)	(752	) 58,632	
Less comprehensive income applicable to noncontrolling interests	—	(503	)
Comprehensive income (loss) applicable to common shareholders	\$(752	) \$58,129	

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)

	Three Months Ended	
	March 31,	
	2015	2014
Cash flows from operating activities:		
Net income, including noncontrolling interests	\$19,642	\$54,222
Adjustments to reconcile net income, including noncontrolling interests, to net cash provided by (used in) operating activities:		
Depreciation and amortization	26,089	24,726
Amortization of deferred financing costs	1,218	1,218
Stock-based compensation expense	1,754	1,811
Amortization of debt discount	1,464	1,397
Deferred income taxes	(1,114)	) 33,407
Excess tax from stock-based compensation	(260)	) (619)
Gain on disposition of assets, net	—	(11,496)
Unrealized loss and ineffectiveness on derivative contracts, net	2,181	68
Changes in operating assets and liabilities:		
Accounts receivable, net	(14,917)	) (5,527)
Other current assets	17,843	(7,122)
Income tax payable	(5,322)	) (26,106)
Accounts payable and accrued liabilities	(48,718)	) (14,385)
Other noncurrent, net	(2,403)	) (2,757)
Net cash provided by (used in) operating activities	(2,543)	) 48,837
Cash flows from investing activities:		
Capital expenditures	(52,524)	) (37,991)
Distributions from equity investments, net	1,379	2,092
Proceeds from sale of assets	—	11,074
Acquisition of noncontrolling interests	—	(20,085)
Net cash used in investing activities	(51,145)	) (44,910)
Cash flows from financing activities:		
Repayment of term loans	(3,750)	) (3,750)
Repayment of MARAD borrowings	(2,788)	) (2,655)
Distributions to noncontrolling interests	—	(1,018)
Repurchases of common stock	(1,026)	) (5,449)
Excess tax from stock-based compensation	260	619
Proceeds from issuance of ESPP shares	1,299	942
Net cash used in financing activities	(6,005)	) (11,311)
Effect of exchange rate changes on cash and cash equivalents	(1,497)	) (737)
Net decrease in cash and cash equivalents	(61,190)	) (8,121)
Cash and cash equivalents:		
Balance, beginning of year	476,492	478,200
Balance, end of period	\$415,302	\$470,079

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





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HELIX ENERGY SOLUTIONS GROUP, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)  
Note 1 — Basis of Presentation and New Accounting Standards

The accompanying condensed consolidated financial statements include the accounts of Helix Energy Solutions Group, Inc. and its wholly and majority owned subsidiaries (collectively, “Helix” or the “Company”). Unless the context indicates otherwise, the terms “we,” “us” and “our” in this report refer collectively to Helix and its wholly and majority owned subsidiaries. All material intercompany accounts and transactions have been eliminated. These unaudited condensed consolidated financial statements have been prepared pursuant to instructions for the Quarterly Report on Form 10-Q required to be filed with the Securities and Exchange Commission (the “SEC”), and do not include all information and footnotes normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles.

The accompanying condensed consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (“U.S. GAAP”) and are consistent in all material respects with those applied in our 2014 Annual Report on Form 10-K (“2014 Form 10-K”). The preparation of these financial statements requires us to make estimates and judgments that affect the amounts reported in the financial statements and the related disclosures. Actual results may differ from our estimates. We have made all adjustments (which were normal recurring adjustments unless otherwise disclosed herein) that we believe are necessary for a fair presentation of the condensed consolidated balance sheets, statements of operations, statements of comprehensive income (loss), and statements of cash flows, as applicable. The operating results for the three-month period ended March 31, 2015 are not necessarily indicative of the results that may be expected for the year ending December 31, 2015. Our balance sheet as of December 31, 2014 included herein has been derived from the audited balance sheet as of December 31, 2014 included in our 2014 Form 10-K. These unaudited condensed consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements and notes thereto included in our 2014 Form 10-K.

Certain reclassifications were made to previously reported amounts in the consolidated financial statements and notes thereto to make them consistent with the current presentation format.

In May 2014, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, “Revenue from Contracts with Customers (Topic 606).” This ASU provides a single five-step approach to account for revenue arising from contracts with customers. The ASU requires an entity to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new revenue standard is currently effective prospectively for annual reporting periods beginning after December 15, 2016, including interim periods. Early adoption is not permitted. The guidance permits companies to either apply the requirements retrospectively to all prior periods presented, or apply the requirements in the year of adoption through a cumulative adjustment. We are currently evaluating which transition approach to use and the potential impact the adoption of this new standard may have on our consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, “Simplifying the Presentation of Debt Issuance Costs.” This ASU requires that debt issuance costs related to a recognized debt liability be reported on the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. This guidance is effective retrospectively beginning in the first quarter of fiscal 2017 and early adoption is permitted. We are currently evaluating the impact of this new standard on our consolidated financial statements.



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## Note 2 — Company Overview

We are an international offshore energy services company that provides specialty services to the offshore energy industry, with a focus on well intervention and robotics operations. We seek to provide services and methodologies that we believe are critical to developing offshore reservoirs and maximizing production economics. We provide services primarily in deepwater in the Gulf of Mexico, North Sea, Asia Pacific and West Africa regions, and intend to increase our operations in offshore Brazil. Our “life of field” services are segregated into three reportable business segments: Well Intervention, Robotics and Production Facilities (Note 11). Our Well Intervention segment includes our vessels and equipment used to perform well intervention services primarily in the Gulf of Mexico and North Sea regions. Our well intervention vessels include the Q4000, the Helix 534, the Seawell, the Well Enhancer and the Skandi Constructor, which is a chartered vessel. Our Robotics segment includes remotely operated vehicles (“ROVs”), trenchers and ROVDrills designed to complement offshore construction and well intervention services, and will operate five chartered ROV and trencher support vessels following the delivery of the Grand Canyon II in late April 2015. Our Production Facilities segment includes the Helix Producer I vessel (“HP I”) as well as our equity investments in Deepwater Gateway, L.L.C. (“Deepwater Gateway”) and Independence Hub, LLC (“Independence Hub”) (Note 5). The Production Facilities segment also includes the Helix Fast Response System (“HFRS”), which provides certain operators access to our Q4000 and HP I vessels in the event of a well control incident in the Gulf of Mexico.

## Note 3 — Details of Certain Accounts

Other current assets and other assets, net consist of the following (in thousands):

	March 31, 2015	December 31, 2014
Note receivable <sup>(1)</sup>	\$10,000	\$17,500
Other receivables	613	423
Prepaid insurance	3,523	6,582
Other prepaids	8,631	15,541
Spare parts inventory	2,112	1,857
Value added tax receivable	8,046	9,326
Other	91	72
Total other current assets	\$33,016	\$51,301
	March 31, 2015	December 31, 2014
Note receivable <sup>(1)</sup>	\$10,000	\$10,000
Deferred dry dock expenses, net	11,972	11,631
Deferred financing costs, net (Note 6)	22,278	23,399
Intangible assets with finite lives, net	710	696
Charter fee deposit (Note 12)	12,544	12,544
Other	687	1,002
Total other assets, net	\$58,191	\$59,272