Willbros Group, Inc.\NEW\
Form 10-Q
August 01, 2017
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-Q

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

For the quarterly period ended June 30, 2017

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 1-34259
Willbros Group, Inc.
(Exact name of registrant as specified in its charter)

Delaware	30-0513080
(Jurisdiction of incorporation)	(I.R.S. Employer Identification Number)

4400 Post Oak Parkway
Suite 1000
Houston, TX 77027
Telephone No.: 713-403-8000
(Address, including zip code, and telephone number, including area code, of principal executive offices of registrant)
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 ý 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 ý 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 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	ý
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	¨
Emerging growth company	¨		

Table of Contents

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 ý
The number of shares of the registrant's Common Stock, $.05 par value, outstanding as of July 27, 2017 was 63,302,085.

Table of Contents

WILLBROS GROUP, INC.
FORM 10-Q
FOR QUARTER ENDED JUNE 30, 2017

Table of Contents

PART I—FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
WILLBROS GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)
(Unaudited)

	June 30, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$41,249	$ 41,420
Accounts receivable, net	130,109	112,037
Contract cost and recognized income not yet billed	22,421	11,938
Prepaid expenses and other current assets	19,876	18,416
Parts and supplies inventories	1,086	800
Assets held for sale	8,882	9,050
Current assets associated with discontinued operations	48	505
Total current assets	223,671	194,166
Property, plant and equipment, net	33,974	38,123
Intangible assets, net	72,014	76,848
Restricted cash	40,228	40,206
Deferred income taxes	386	315
Other long-term assets	11,835	13,378
Total assets	$382,108	$ 363,036
LIABILITIES AND STOCKHOLDERS’ EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$113,792	$ 83,488
Contract billings in excess of cost and recognized income	6,039	4,938
Accrued income taxes	315	311
Other current liabilities	5,835	6,253
Liabilities held for sale	12,834	8,275
Current liabilities associated with discontinued operations	823	1,578
Total current liabilities	139,638	104,843
Long-term debt	88,179	89,189
Other long-term liabilities	34,843	32,872
Long-term liabilities associated with discontinued operations	824	995
Total liabilities	263,484	227,899
Contingencies and commitments (Note 13)		
Stockholders’ equity:		
Preferred stock, par value $.01 per share, 1,000,000 shares authorized, none issued	—	—
Common stock, par value $.05 per share, 105,000,000 shares authorized and 65,509,611 shares issued at June 30, 2017 (64,679,896 at December 31, 2016)	3,267	3,226
Additional paid-in capital	750,796	749,303
Accumulated deficit	(616,890)	(598,021)
Treasury stock at cost, 2,211,026 shares at June 30, 2017 (2,025,208 at December 31, 2016)	(15,641)	(15,137)
Accumulated other comprehensive loss	(2,908)	(4,234)
Total stockholders’ equity	118,624	135,137
Total liabilities and stockholders’ equity	$382,108	$ 363,036

See accompanying notes to condensed consolidated financial statements.

4

Table of Contents

WILLBROS GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except share and per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Contract revenue	$227,447	$193,442	$391,347	$392,472
Contract costs	210,368	178,285	372,587	363,516
Contract income	17,079	15,157	18,760	28,956
Amortization of intangibles	2,417	2,439	4,834	4,877
General and administrative	13,869	14,520	27,224	31,654
Other charges	435	939	1,197	4,627
Operating income (loss)	358	(2,741)	(14,495)	(12,202)
Interest expense	(3,667)	(3,302)	(7,155)	(6,869)
Interest income	7	411	15	431
Debt covenant suspension and extinguishment charges	—	—	—	(63)
Other, net	(16)	58	(19)	(2)
Loss from continuing operations before income taxes	(3,318)	(5,574)	(21,654)	(18,705)
Provision (benefit) for income taxes	(2,197)	187	(2,797)	354
Loss from continuing operations	(1,121)	(5,761)	(18,857)	(19,059)
Income (loss) from discontinued operations net of provision for income taxes	19	(658)	(12)	(2,511)
Net loss	$(1,102)	$(6,419)	$(18,869)	$(21,570)
Basic loss per share attributable to Company shareholders:				
Loss from continuing operations	$(0.02)	$(0.09)	$(0.30)	$(0.31)
Income (loss) from discontinued operations	—	(0.01)	—	(0.04)
Net loss	$(0.02)	$(0.10)	$(0.30)	$(0.35)
Diluted loss per share attributable to Company shareholders:				
Loss from continuing operations	$(0.02)	$(0.09)	$(0.30)	$(0.31)
Income (loss) from discontinued operations	—	(0.01)	—	(0.04)
Net loss	$(0.02)	$(0.10)	$(0.30)	$(0.35)
Weighted average number of common shares outstanding:				
Basic	62,170,910	61,299,334	62,001,129	61,064,935
Diluted	62,170,910	61,299,334	62,001,129	61,064,935

See accompanying notes to condensed consolidated financial statements.

Table of Contents

WILLBROS GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net loss	$(1,102)	$(6,419)	$(18,869)	$(21,570)
Other comprehensive income, net of tax				
Foreign currency translation adjustments	569	(10)	788	1,768
Changes in derivative financial instruments	271	271	538	676
Total other comprehensive income net of tax	840	261	1,326	2,444
Total comprehensive loss	$(262)	$(6,158)	$(17,543)	$(19,126)

See accompanying notes to condensed consolidated financial statements.

Table of Contents

WILLBROS GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Cash flows from operating activities:		
Net loss	$(18,869)	$(21,570)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Loss from discontinued operations	12	2,511
Depreciation and amortization	9,957	11,309
Debt covenant suspension and extinguishment charges	—	63
Stock-based compensation	1,534	2,401
Amortization of debt issuance costs	945	362
Non-cash interest expense	1,042	1,133
Provision (benefit) for deferred income taxes	(60)	344
Gain on disposal of property and equipment	(1,433)	(2,934)
Provision for bad debt	118	40
Changes in operating assets and liabilities:		
Accounts receivable, net	(18,433)	5,064
Contract cost and recognized income not yet billed	(10,406)	836
Prepaid expenses and other current assets	(1,445)	(2,185)
Accounts payable and accrued liabilities	29,482	(382)
Accrued income taxes	(2)	(1,084)
Contract billings in excess of cost and recognized income	1,103	1,258
Assets held for sale	169	—
Liabilities held for sale	4,558	—
Other assets and liabilities, net	2,745	(108)
Cash provided by (used in) operating activities from continuing operations	1,017	(2,942)
Cash used in operating activities from discontinued operations	(481)	(6,622)
Cash provided by (used in) operating activities	536	(9,564)
Cash flows from investing activities:		
Proceeds from sales of property, plant and equipment	2,087	5,049
Proceeds from sale of subsidiaries	950	7,775
Purchases of property, plant and equipment	(1,326)	(1,900)
Changes in restricted cash	(22)	(6,173)
Cash provided by investing activities from continuing operations	1,689	4,751
Cash provided by (used in) investing activities from discontinued operations	—	—
Cash provided by investing activities	1,689	4,751
Cash flows from financing activities:		
Payments on capital leases	—	(436)
Payments on term loan facility	—	(3,128)
Cost of debt issuance	(2,306)	(2,306)
Payments to reacquire common stock	(504)	(351)
Cash used in financing activities from continuing operations	(2,810)	(6,221)
Cash provided by (used in) financing activities from discontinued operations	—	—
Cash used in financing activities	(2,810)	(6,221)
Effect of exchange rate changes on cash and cash equivalents	414	928

Net decrease in cash and cash equivalents	(171)	(10,106)
Cash and cash equivalents at beginning of period	41,420	58,832
Cash and cash equivalents at end of period	$41,249	$48,726
Supplemental disclosures of cash flow information:		
Cash paid for interest (including discontinued operations)	$5,121	$3,800
Cash paid for income taxes (including discontinued operations)	$228	$1,156

See accompanying notes to condensed consolidated financial statements.

Table of Contents

WILLBROS GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Company and Organization

Willbros Group, Inc., a Delaware corporation, and its subsidiaries (the “Company,” “Willbros” or “WGI”), is a specialty energy infrastructure contractor serving the oil and gas and power industries with offerings that primarily include construction, maintenance and facilities development services. The Company’s principal markets for continuing operations are the United States and Canada. The Company obtains its work through competitive bidding and negotiations with prospective clients. Contract values range from several thousand dollars to several hundred million dollars, and contract durations range from a few weeks to more than two years. The Company has three reportable segments: Oil & Gas, Utility T&D and Canada.

The Company's Oil & Gas segment provides construction, maintenance and lifecycle extension services to the midstream markets. These services include pipeline construction to support the transportation and storage of hydrocarbons, including gathering, lateral and main-line pipeline systems, as well as, facilities construction such as pump stations, flow stations, gas compressor stations and metering stations. In addition, the Oil & Gas segment provides integrity construction, pipeline systems maintenance and tank services to a number of different customers. The Oil & Gas segment's tank services business is classified as held for sale at June 30, 2017. See Note 5 - Assets Held for Sale for more information.

The Company's Utility T&D segment provides a wide range of services in electric and natural gas transmission and distribution, including comprehensive engineering, procurement, maintenance and construction, repair and restoration of utility infrastructure.

The Company's Canada segment provides construction, maintenance and fabrication services, including integrity and supporting civil work, pipeline construction, general mechanical and facility construction, API storage tanks, general and modular fabrication, along with electrical and instrumentation projects serving the Canadian energy and water industries.

2. Basis of Presentation

Condensed Consolidated Financial Information

The accompanying Condensed Consolidated Balance Sheet as of December 31, 2016, which has been derived from audited Consolidated Financial Statements, and the unaudited Condensed Consolidated Financial Statements as of June 30, 2017 and 2016, have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Accordingly, certain information and note disclosures normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) have been condensed or omitted pursuant to those rules and regulations. However, the Company believes the presentations and disclosures herein are adequate to make the information not misleading. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Company’s December 31, 2016 audited Consolidated Financial Statements and notes thereto contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2016.

In the opinion of management, the unaudited Condensed Consolidated Financial Statements reflect all recurring adjustments necessary to fairly state the financial position as of June 30, 2017, and the results of operations and cash flows of the Company for all interim periods presented. The results of operations and cash flows for the six months ended June 30, 2017 are not necessarily indicative of the operating results and cash flows to be achieved for the full year.

Use of Estimates and Assumptions

The Condensed Consolidated Financial Statements include certain estimates and assumptions made by management. These estimates and assumptions relate to the reported amounts of assets and liabilities at the dates of the Condensed Consolidated Financial Statements and the reported amounts of revenue and expense during those periods. Significant items subject to such estimates and assumptions include revenue recognition under the percentage-of-completion method of accounting, including estimates of progress towards completion and estimates of gross profit or loss accrual on contracts in progress; tax accruals and certain other accrued liabilities; quantification of amounts recorded for contingencies; valuation allowances for accounts receivable and deferred income tax assets; and the carrying amount of property, plant and equipment, goodwill and intangible assets. The Company bases its estimates on historical experience and other assumptions it believes to be relevant under the circumstances. Actual results could differ from those estimates.

The Company's operating income (loss) was positively impacted by $2.0 million and $1.7 million for the three and six months ended June 30, 2017, respectively, as a result of changes in contract estimates related to projects that were in progress at December 31, 2016. Included in these changes in contract estimates is a $2.0 million income recovery associated with a claim on a cross-country pipeline project in our Canada segment. The remainder of these changes in contract estimates are primarily attributed to, among other things, changes in estimated costs for certain individually immaterial projects as they progress to

2. Basis of Presentation (continued)

completion; the realization of change orders related to work previously performed; and other changes in events, facts and circumstances during the period in which the estimate was revised.

The Company's operating loss was positively impacted by $1.0 million and $3.8 million for the three and six months ended June 30, 2016, respectively, as a result of changes in contract estimates related to projects that were in progress at December 31, 2015. These changes in contract estimates are primarily attributed to, among other things, changes in estimated costs for certain individually immaterial projects as they progress to completion; the realization of change orders related to work previously performed; and other changes in events, facts and circumstances during the period in which the estimate was revised.

Change in Presentation

In the second quarter of 2017, the Company adopted a change in presentation on its Condensed Consolidated Statements of Operations in order to present a "Contract income" line item that is consistent with its peers. "Contract income" is defined as contract revenue less contract costs (which is inclusive of both direct and indirect costs). Previously reported information has been modified to conform to this new presentation.

3. New Accounting Standards

Recently Adopted Accounting Standards

In August 2014, the FASB issued ASU 2014-15, which requires management to perform interim and annual assessments on whether there are conditions or events that raise substantial doubt about the entity's ability to continue as a going concern within one year of the date the financial statements are issued and to provide related disclosures, if required. The amendments in ASU 2014-15 were effective for the annual period ending after December 15, 2016, and for annual and interim periods thereafter. The Company adopted ASU 2014-15 in the fourth quarter of 2016. See Note 8 - Long-term Debt for more information.

In March 2016, the FASB issued ASU 2016-09, which changes how companies account for certain aspects of share-based payment awards to employees, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. The standard is effective for annual periods beginning after December 15, 2016 and interim periods within those annual periods with early adoption permitted. The Company adopted ASU 2016-09 in the first quarter with an effective date of January 1, 2017. The recognition of previously unrecognized windfall tax benefits increased the Company's deferred tax assets by $1.8 million offset by a related valuation allowance which resulted in a $0 cumulative-effect adjustment, net of tax, on the Company's Condensed Consolidated Balance Sheet as of the beginning of 2017. The amendments within ASU 2016-09 related to the recognition of excess tax benefits and tax shortfalls in the Condensed Consolidated Statement of Operations and presentation within the operating section of the Condensed Consolidated Statement of Cash Flows were adopted prospectively with no adjustments to prior periods. The Company has elected to account for forfeitures as they occur. The remaining provisions of ASU 2016-09 did not have a material effect on the Company's Condensed Consolidated Financial Statements.

Accounting Standards Not Yet Adopted

In May 2017, the FASB issued ASU 2017-09, which clarifies when a change to the terms or conditions of a share-based payment award should be accounted for as a modification. An entity should account for the effects of a modification unless the fair value, vesting conditions and classification, as an equity instrument or a liability instrument, of the modified award are the same before and after a change to the terms or conditions of the share-based payment award. The standard is effective for annual reporting periods beginning after December 15, 2017, including interim periods within those annual reporting periods. The Company does not expect the new standard to have an impact on its Condensed Consolidated Financial Statements.

In November 2016, the FASB issued ASU 2016-18, which requires a reporting entity to include restricted cash and restricted cash equivalents in its cash and cash-equivalent balances presented in the entity's statement of cash flows. A reconciliation between the statement of financial position and the statement of cash flows must be disclosed when the balance sheet includes more than one line item for cash, cash equivalents, restricted cash and restricted cash equivalents. Transfers between non-restricted and restricted cash should not be presented as cash flow activities in the statement of cash flows. Furthermore, an entity with a material restricted cash balance must disclose information regarding the nature of the restrictions. The standard is effective for annual periods beginning after December 15, 2017, including interim periods within those annual reporting periods. The Company is currently evaluating the impact of the standard on its Condensed Consolidated Financial

3. New Accounting Standards (continued)

Statements. At June 30, 2017 and December 31, 2016, approximately $40.2 million is recorded as “Restricted cash” on the Company's Condensed Consolidated Balance Sheets. These amounts are primarily composed of eligible pledged cash in the Company's June 30, 2017 and December 31, 2016 borrowing base calculation.

In October 2016, the FASB issued ASU 2016-16, which requires a reporting entity to recognize the tax expense from the sale of an asset in the seller's tax jurisdiction when the transfer occurs, even though the pre-tax effects of that transaction are eliminated in consolidation. The new guidance does not apply to intra-entity transfers of inventory, and the income tax consequences from the sale of inventory from one member of a consolidated entity to another will continue to be deferred until the inventory is sold to a third party. The standard is effective for annual reporting periods beginning after December 15, 2017, including interim periods within those annual reporting periods. The Company is currently evaluating the impact of the standard on its Condensed Consolidated Financial Statements.

In August 2016, the FASB issued ASU 2016-15, which provides specific guidance for cash flow classifications of cash payments and receipts to reduce the diversity of treatment of such items. The standard is effective for annual periods beginning after December 15, 2017 and interim periods within those annual periods with early adoption permitted. The Company is currently evaluating the impact of the standard on its Condensed Consolidated Financial Statements.

In February 2016, the FASB issued ASU 2016-02, which requires companies that lease assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those assets. The standard is effective for interim and annual periods beginning after December 15, 2018. Early adoption is permitted for financial statements of fiscal years or interim periods that have not been previously issued. The Company is currently evaluating the impact of the standard on its Condensed Consolidated Financial Statements. Based on initial evaluation, the Company expects to include operating leases with durations greater than twelve months on its Condensed Consolidated Balance Sheets. The Company will provide additional information about the expected financial impact as it progresses through the evaluation and implementation of the standard.

In May 2014, the FASB and the IASB issued ASU 2014-09 surrounding the recognition of revenue from contracts with customers. Under the new standard, a company will recognize revenue when it satisfies a performance obligation by transferring a promised good or service to a customer. Revenue will be recognized at an amount that reflects the consideration it expects to receive in exchange for those goods and services. The standard also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In August 2015, the FASB deferred the effective date of the standard to December 15, 2017 with early adoption permitted. The standard can be applied on a full retrospective or modified retrospective basis whereby the entity records a cumulative effect of initially applying this update at the date of initial application. Furthermore, in March, April, and May of 2016, the FASB issued ASUs 2016-08, 2016-10, and 2016-12, respectively, which provide practical expedients and clarification in regards to ASU 2014-09. ASU 2016-08 amends and clarifies the principal versus agent considerations under the new revenue recognition standard, which requires determination of whether the nature of a promise is to provide the specified good or service to the customer (that is, the entity is a principal) or to arrange for the good or service to be provided to the customer by another party (that is, the entity is an agent); this determination affects the timing and amount of revenue recognition. ASU 2016-10 clarifies issues related to identifying performance obligations. ASU 2016-12 provides practical expedients and clarification pertaining to the exclusion of sales tax from the measurement of a transaction price, the measurement of non-cash consideration, allocation of a transaction price on the basis of all satisfied and unsatisfied performance obligations in a modified contract at transition, and the definition of a completed contract. The effective date of ASUs 2016-08, 2016-10, and 2016-12 is December 15, 2017 with early adoption permitted. The Company will adopt these standards using a modified retrospective approach with the cumulative effect recognized in retained earnings at the date of initial application. As part of its ongoing evaluation of the impact of these standards, the Company is holding regular meetings with key stakeholders from across the organization to discuss the impact of the standards on its existing contracts. The Company is utilizing a bottoms-up approach to analyze the impact of the standards on its portfolio of contracts by reviewing its current accounting policies and practices to identify potential differences that would result from applying the requirements of the new standards to its existing revenue contracts. The Company expects to complete its evaluation and adopt these standards effective January 1, 2018.

Table of Contents

WILLBROS GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

4. Contracts in Progress

Contract cost and recognized income not yet billed on uncompleted contracts arise when recorded revenues for a contract exceed the amounts billed under the terms of the contracts. Contract billings in excess of cost and recognized income arise when billed amounts exceed revenues recorded. Amounts are billable to customers upon various measures of performance, including achievement of certain milestones, completion of specified units or completion of the contract.

Contract cost and recognized income not yet billed and related amounts billed as of June 30, 2017 and December 31, 2016 was as follows (in thousands):

	June 30, 2017	December 31, 2016
Cost incurred on contracts in progress	$264,816	$ 234,544
Recognized income	25,799	28,702
	290,615	263,246
Progress billings and advance payments	(274,233)	(256,246)
	$16,382	$ 7,000
Contract cost and recognized income not yet billed	$22,421	$ 11,938
Contract billings in excess of cost and recognized income	(6,039)	(4,938)
	$16,382	$ 7,000

Contract cost and recognized income not yet billed includes $4.5 million and $0.5 million at June 30, 2017 and December 31, 2016, respectively, on completed contracts.

The balances billed but not paid by customers pursuant to retainage provisions in certain contracts are generally due upon completion of the contracts and acceptance by the customer. Based on the Company’s experience with similar contracts in recent years, the majority of the retainage balances at each balance sheet date are expected to be collected within the next 12 months. Current retainage balances at June 30, 2017 and December 31, 2016, were approximately $10.8 million and $12.2 million, respectively, and are included in “Accounts receivable, net” in the Condensed Consolidated Balance Sheets. There were no retainage balances with settlement dates beyond the next 12 months at June 30, 2017 and December 31, 2016.

5. Assets Held for Sale

Components of assets held for sale as of June 30, 2017 and December 31, 2016 were as follows (in thousands):

	June 30, 2017	December 31, 2016
Accounts receivable, net	$6,242	$ 7,806
Contract cost and recognized income not yet billed	1,566	136
Prepaid expenses and other assets	33	61
Parts and supplies inventories	461	468
Property, plant and equipment, net	320	318
Intangible assets, net	260	260
Other long-term assets	—	1
Total assets held for sale	$8,882	$ 9,050
Accounts payable and accrued liabilities	$7,054	$ 3,789
Contract billings in excess of cost and recognized income	5,780	4,480
Other current liabilities	—	3
Other long-term liabilities	—	3
Total liabilities held for sale	$12,834	$ 8,275

The above balances are primarily comprised of the Company's tank services business, which is included in the Company's Oil & Gas segment. The tank services business is currently being actively marketed to outside parties, is expected to sell within the year and is measured at the lower of its carrying value or fair value less costs to sell.

Table of Contents

WILLBROS GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

6. Intangible Assets

The Company's intangible assets with finite lives include customer relationships and trade names and are predominantly within the Utility T&D segment. The changes in the carrying amounts of intangible assets for the six months ended June 30, 2017 are detailed below (in thousands):

	Customer Relationships	Trademark / Tradename	Total
Balance as of December 31, 2016	$ 73,100	$ 3,748	$76,848
Amortization	(4,299)	(535)	(4,834)
Balance as of June 30, 2017	$ 68,801	$ 3,213	$72,014
Weighted average remaining amortization period	8.0 years	3.0 years	

Intangible assets are amortized on a straight-line basis over their estimated useful lives, which range from 5 to 15 years.

Estimated amortization expense for the remainder of 2017 and each of the subsequent five years and thereafter is as follows (in thousands):

Fiscal year:	
Remainder of 2017	$4,834
2018	9,667
2019	9,667
2020	9,135
2021	8,597
2022	8,597
Thereafter	21,517
Total amortization	$72,014

7. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities as of June 30, 2017 and December 31, 2016 were as follows (in thousands):

	June 30, 2017	December 31, 2016
Trade accounts payable	$60,565	$ 34,770
Payroll and payroll liabilities	13,974	10,377
Accrued contract costs	20,159	15,840
Self-insurance accrual	6,752	11,210
Other accrued liabilities	12,342	11,291
Total accounts payable and accrued liabilities	$113,792	$ 83,488

WILLBROS GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

8. Long-term Debt

Long-term debt as of June 30, 2017 and December 31, 2016 was as follows (in thousands):

	June 30, 2017	December 31, 2016
Principal amount, 2014 Term Loan Facility	$92,224	$ 92,224
Repayment fee, 2014 Term Loan Facility	4,611	4,611
Unamortized discount, 2014 Term Loan Facility	(3,088)	(3,592)
Unamortized debt issuance costs, 2014 Term Loan Facility	(5,568)	(4,054)
Revolver borrowings	—	—
Total debt, net of unamortized discount and debt issuance costs	88,179	89,189
Less: current portion	—	—
Long-term debt, net	$88,179	$ 89,189

2014 Term Loan Facility

On December 15, 2014, the Company entered into a credit agreement (the “2014 Term Credit Agreement”) among the Company, certain of its subsidiaries, as guarantors, the lenders from time to time party thereto, JPMorgan Chase Bank, N.A., as administrative agent, and KKR Credit Advisors (US) LLC, as sole lead arranger and sole bookrunner. Cortland Capital Market Services LLC currently serves as administrative agent under the 2014 Term Credit Agreement.

The 2014 Term Credit Agreement provides for a five-year $270.0 million term loan facility (the “2014 Term Loan Facility”), which the Company drew in full on the effective date of the 2014 Term Credit Agreement. The Company is the borrower under the 2014 Term Credit Agreement, with all of its obligations guaranteed by its material U.S. subsidiaries, other than excluded subsidiaries. Obligations under the 2014 Term Loan Facility are secured by a first priority security interest in, among other things, the borrower’s and the guarantors’ equipment, subsidiary capital stock and intellectual property (the “2014 Term Loan Priority Collateral”) and a second priority security interest in, among other things, the borrower’s and the guarantors’ inventory, accounts receivable, deposit accounts and similar assets.

The term loans bear interest at the “Adjusted Base Rate” plus an applicable margin of 8.75 percent, or the “Eurodollar Rate” plus an applicable margin of 9.75 percent. The interest rate in effect at June 30, 2017 and December 31, 2016 was 11 percent, comprised of an applicable margin of 9.75 percent for Eurodollar Rate loans plus a LIBOR floor of 1.25 percent.

Unamortized debt issuance costs, primarily related to amendment fees associated with the 2014 Term Loan Facility, were $5.6 million and $4.1 million at June 30, 2017 and December 31, 2016, respectively. These costs are being amortized through the maturity date of the 2014 Term Loan Facility using the effective interest method.

The Company made no early payments during the six months ended June 30, 2017 and $3.1 million of early payments during the six months ended June 30, 2016 against its 2014 Term Loan Facility. As a result of these early payments, the Company recorded no debt extinguishment charges during the six months ended June 30, 2017 and $0.1 million of debt extinguishment charges, which consisted of the write-off of debt issuance costs, during the six months ended June 30, 2016.

The Company is also required to pay a repayment fee on the maturity date of the 2014 Term Loan Facility equal to 5.0 percent of the aggregate principal amount outstanding on the maturity date. The repayment fee was contingent upon the sale of the Company's Professional Services segment, which was completed on November 30, 2015. As a result, the Company is amortizing the repayment fee as a discount, from that date through the maturity date of the 2014 Term Loan Facility, using the effective interest method. The unamortized amount of the repayment fee is $3.1 million and $3.6 million at June 30, 2017 and December 31, 2016, respectively.

Since December 31, 2014, the Company has significantly reduced the balance under the 2014 Term Loan Facility. Under the provisions of the 2014 Term Credit Agreement, with respect to prepayments made from inception of the Term Loan through June 30, 2017, the Company has not been required to pay prepayment premiums in respect of the “makewhole amount.” However, future prepayments or refinancing of the balance of the 2014 Term Loan Facility will, in most cases, require the Company to pay a prepayment premium equal to the makewhole amount. The makewhole amount is calculated as the present value of all interest payments that would have been made on the amount prepaid from the date of the prepayment to December 15, 2019 (or June 15, 2019 if the prepayment is made on or after June 15, 2018) at a rate per annum equal to the sum of 9.75 percent plus the greater of 1.25 percent and the Eurodollar rate in effect on the date of the repayment.

Table of Contents
WILLBROS GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

8. Long-term Debt (continued)

2013 ABL Credit Facility
On August 7, 2013, the Company entered into a five-year asset based senior revolving credit facility maturing on August 7, 2018 with Bank of America, N.A. serving as sole administrative agent for the lenders thereunder, collateral agent, issuing bank and swingline lender (as amended, the “2013 ABL Credit Facility”).
The aggregate amount of commitments for the 2013 ABL Credit Facility is $100.0 million, which was previously comprised of $80.0 million for the U.S. facility (the “U.S. Facility”) and $20.0 million for the Canadian facility (the “Canadian Facility”). Effective June 16, 2017, pursuant to the Fifth Amendment to the 2013 ABL Credit Facility, the aggregate amount of commitments for the 2013 ABL Credit Facility is now comprised of $90.0 million for the U.S. Facility and $10.0 million for the Canadian Facility.
The 2013 ABL Credit Facility includes a sublimit of $80.0 million for letters of credit. The borrowers under the U.S. Facility consist of all of the Company’s U.S. operating subsidiaries with assets included in the borrowing base, and the U.S. Facility is guaranteed by Willbros Group, Inc. and its material U.S. subsidiaries, other than excluded subsidiaries. The borrower under the Canadian Facility is Willbros Construction Services (Canada) LP, and the Canadian Facility is guaranteed by Willbros Group, Inc. and all of its material U.S. and Canadian subsidiaries, other than excluded subsidiaries.
Advances under the U.S. and Canadian Facilities are limited to a borrowing base consisting of the sum of the following, less applicable reserves:

- 85 percent of the value of “eligible accounts” (as defined in the Company's 2013 ABL Credit Facility);
- the lesser of (i) 75 percent of the value of “eligible unbilled accounts” (as defined in the Company's 2013 ABL Credit Facility) and (ii) $33.0 million minus the amount of eligible unbilled accounts then included in the borrowing base; and
- “eligible pledged cash”.

The Company is also required, as part of its borrowing base calculation, to include a minimum of $25.0 million of the net proceeds of the sale of Bemis, LLC and the balance of the Professional Services segment as eligible pledged cash. The Company has included $40.0 million as eligible pledged cash in its June 30, 2017 borrowing base calculation, which is included in “Restricted cash” on its Condensed Consolidated Balance Sheets.
The aggregate amount of the borrowing base attributable to eligible accounts and eligible unbilled accounts constituting certain progress or milestone billings, retainage and other performance-based benchmarks may not exceed $23.0 million.
Advances in U.S. dollars bear interest at a rate equal to LIBOR or the U.S. or Canadian base rate plus an additional margin. Advances in Canadian dollars bear interest at the Bankers Acceptance (“BA”) Equivalent Rate or the Canadian prime rate plus an additional margin.
The interest rate margins will be adjusted each quarter based on the Company’s fixed charge coverage ratio as of the end of the previous quarter as follows:

Fixed Charge Coverage Ratio	U.S. Base Rate, Canadian Base Rate and Canadian Prime Rate Loans	LIBOR Loans, BA Rate Loans and Letter of Credit Fees
>1.25 to 1	1.25%	2.25%
<1.25 to 1 and >1.15 to 1	1.50%	2.50%
<1.15 to 1	1.75%	2.75%

The Company will also pay an unused line fee on each of the U.S. and Canadian Facilities equal to 50 basis points when usage under the applicable facility during the preceding calendar month is less than 50 percent of the commitments or 37.5 basis points when usage under the applicable facility equals or exceeds 50 percent of the commitments for such period. With respect to the letters of credit, the Company will pay a letter of credit fee equal to the applicable LIBOR margin, shown in the table above, on all letters of credit and a 0.125 percent fronting fee to the issuing bank, in each case, payable monthly in arrears.

Obligations under the 2013 ABL Credit Facility are secured by a first priority security interest in the borrowers' and guarantors' accounts receivable, deposit accounts and similar assets (the "ABL Priority Collateral") and a second priority security interest in the 2014 Term Loan Priority Collateral.

8. Long-term Debt (continued)

Debt Covenants and Events of Default
A default under the 2014 Term Loan Facility and the 2013 ABL Credit Facility may be triggered by events such as a failure to comply with financial covenants or other covenants under the 2014 Term Loan Facility and the 2013 ABL Credit Facility, a failure to make payments when due under the 2014 Term Loan Facility and the 2013 ABL Credit Facility, a failure to make payments when due in respect of, or a failure to perform obligations relating to, debt obligations in excess of $15.0 million, a change of control of the Company and certain insolvency proceedings. A default under the 2013 ABL Credit Facility would permit the lenders to terminate their commitment to make cash advances or issue letters of credit, require the immediate repayment of any outstanding cash advances with interest and require the cash collateralization of outstanding letter of credit obligations. A default under the 2014 Term Loan Facility would permit the lenders to require immediate repayment of all principal, interest, fees and other amounts payable thereunder.
On March 31, 2015 (the "First Amendment Closing Date"), March 1, 2016, July 26, 2016 and March 3, 2017, the Company amended the 2014 Term Credit Agreement pursuant to a First Amendment (the "First Amendment"), a Third Amendment (the "Third Amendment"), a Fourth Amendment (the "Fourth Amendment") and a Fifth Amendment (the "Fifth Amendment"). These amendments, among other things, suspend the calculation of the Maximum Total Leverage Ratio and Minimum Interest Coverage Ratio for the period from December 31, 2014 through June 30, 2017 (the "Covenant Suspension Periods") so that any failure by the Company to comply with the Maximum Total Leverage Ratio or Minimum Interest Coverage Ratio during the Covenant Suspension Periods shall not be deemed to result in a default or event of default.
In consideration of the initial suspension of the calculation of the Maximum Total Leverage Ratio and Minimum Interest Coverage Ratio under the First Amendment, the Company issued 10.1 million shares, which was equivalent to 19.9 percent of the outstanding shares of common stock immediately prior to the First Amendment Closing Date, to KKR Lending Partners II L.P. and other entities indirectly advised by KKR Credit Advisers (US) LLC, which made them a related party. In connection with this transaction, the Company recorded debt covenant suspension charges of approximately $33.5 million which represented the fair value of the 10.1 million outstanding shares of common stock issued, multiplied by the closing stock price on the First Amendment Closing Date. In addition, the Company recorded debt extinguishment charges of approximately $0.8 million related to the write-off of debt issuance costs associated with the Company's 2014 Term Credit Agreement.
In consideration for the Third Amendment and Fourth Amendment, the Company paid a total of $4.6 million in amendment fees in 2016. The amendment fees are recorded as direct deductions from the carrying amount of the 2014 Term Loan Facility and are being amortized through the maturity date of the 2014 Term Loan Facility using the effective interest method.
Due to operating losses in 2016 driven, in part, by an overall lower volume of work and significant losses on a cross-country pipeline project in Canada, combined with its current forecast, the Company did not expect to be in compliance with the Maximum Total Leverage Ratio and Minimum Interest Coverage Ratio for the period from March 31, 2017 through December 31, 2017. As such, the Company obtained covenant relief pursuant to the Fifth Amendment.
The Fifth Amendment suspends compliance with the Maximum Total Leverage Ratio and the Minimum Interest Coverage Ratio covenants through June 30, 2017. In addition, under the Fifth Amendment, the Maximum Total Leverage Ratio will be 5.50 to 1.00 as of September 30, 2017 and will decrease to 4.50 to 1.00 as of December 31, 2017 and 3.00 to 1.00 as of June 30, 2018, and thereafter. The Minimum Interest Coverage Ratio will be 1.60 to 1.00 as of September 30, 2017 and will increase to 2.00 to 1.00 as of December 31, 2017 and 2.75 to 1.00 as of June 30, 2018, and thereafter. The Fifth Amendment also provides that, for the four-quarter period ending September 30, 2017, Consolidated EBITDA shall be equal to the sum of Consolidated EBITDA for the quarterly periods ending June 30,

2017 and September 30, 2017 multiplied by two, and, for the four-quarter period ending December 31, 2017, Consolidated EBITDA shall be equal to the annualized sum of Consolidated EBITDA for the quarterly periods ending June 30, 2017, September 30, 2017 and December 31, 2017. The Fifth Amendment also permits the Company to retain the net proceeds of the sale of its tank services business for working capital purposes. In consideration for the Fifth Amendment, the Company paid an amendment fee of $2.3 million in the first quarter of 2017. The amendment fee is recorded as a direct deduction from the carrying amount of the 2014 Term Loan Facility and is being amortized through the maturity date of the 2014 Term Loan Facility using the effective interest method.

Concurrent with the effectiveness of the Fifth Amendment, coupled with the Company's current forecasts, cash on hand, projected cash flow from operations and borrowing capacity under the 2013 ABL Credit Facility, the Company expects to meet its required financial covenants and have sufficient liquidity and capital resources to meet its obligations for at least the next twelve months; however, the Company's results of operations will need to improve in the third and fourth quarters of 2017 in order to meet its forecasts and required financial covenants.

Table of Contents

WILLBROS GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

8. Long-term Debt (continued)

As of June 30, 2017, the Company did not have any outstanding revolver borrowings, and its unused availability was $24.3 million, net of outstanding letters of credit of $61.6 million. If the Company’s unused availability under the 2013 ABL Credit Facility is less than the greater of (i) 15.0 percent of the revolving commitments or $15.0 million for five consecutive days, or (ii) 12.5 percent of the revolving commitments or $12.5 million at any time, or upon the occurrence of certain events of default under the 2013 ABL Credit Facility, the Company is subject to increased reporting requirements, the administrative agent shall have exclusive control over any deposit account, the Company will not have any right of access to, or withdrawal from, any deposit account, or any right to direct the disposition of funds in any deposit account, and amounts in any deposit account will be applied to reduce the outstanding amounts under the 2013 ABL Credit Facility. In addition, if the Company's unused availability under the 2013 ABL Credit Facility is less than the amounts described above, the Company would be required to comply with a Minimum Fixed Charge Coverage Ratio of 1.15 to 1.00. Based on its current forecasts, the Company does not expect its unused availability under the 2013 ABL Credit Facility to be less than the amounts described above and therefore does not expect the Minimum Fixed Charge Coverage Ratio to be applicable over the next twelve months. If the Minimum Fixed Charge Coverage Ratio were to become applicable, the Company would not expect to be in compliance over the next twelve months and would therefore be in default under its credit agreements.

The 2014 Term Credit Agreement and the 2013 ABL Credit Facility also include customary representations and warranties and affirmative and negative covenants, including:

- the preparation of financial statements in accordance with GAAP;
- the identification of any events or circumstances, either individually or in the aggregate, that has had or could reasonably be expected to have a material adverse effect on the business, results of operations, properties or financial condition of the Company;
- limitations on liens and indebtedness;
- limitations on dividends and other payments in respect of capital stock;
- limitations on capital expenditures; and
- limitations on modifications of the documentation of the 2013 ABL Credit Facility.

Fair Value of Debt

The estimated fair value of the Company’s debt instruments as of June 30, 2017 and December 31, 2016 was as follows (in thousands):

	June 30, 2017	December 31, 2016
2014 Term Loan Facility	$98,731	$ 95,577
Revolver borrowings	—	—
Total fair value of debt instruments	$98,731	$ 95,577

The 2014 Term Loan Facility and revolver borrowings under the 2013 ABL Credit Facility are classified within Level 2 of the fair value hierarchy. The fair value of the 2014 Term Loan Facility has been estimated using discounted cash flow analyses based on the Company’s incremental borrowing rate for similar borrowing arrangements.

Table of Contents
WILLBROS GROUP, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

9. Income Taxes

The Company's interim tax provision (benefit) has been estimated using the discrete method, which is based on statutory tax rates applied to pre-tax income as adjusted for permanent differences such as transfer pricing differences between generally accepted accounting principles and local country tax. The Company believes this method yields a more reliable income tax calculation for interim periods.

The effective tax rate on continuing operations was 12.9 percent for the six months ended June 30, 2017 and a negative 1.9 percent for the six months ended June 30, 2016. The tax benefit for discrete items for the six months ended June 30, 2017 was $0.8 million. This amount was composed primarily of a refund on the Company's 2010 and 2011 Texas Margins Tax audit and a refundable alternative minimum tax credit carry-forward. The tax benefit for discrete items was partially offset by a settlement of a transfer pricing audit in Canada. There was no tax benefit or expense for discrete items for the six months ended June 30, 2016.

The tax benefit for the six months ended June 30, 2017 was $2.8 million, which was composed primarily of a benefit on a loss in the Company's Canada segment, a refund on the Company's 2010 and 2011 Texas Margins Tax audit and a refundable alternative minimum tax credit carry-forward. The tax benefit was partially offset by a settlement of a transfer pricing audit in Canada. The tax provision for the six months ended June 30, 2016 was $0.4 million, primarily related to a provision on income in the Company's Canada segment and Texas Margins Tax.

The effective tax rate on continuing operations was 66.2 percent for the three months ended June 30, 2017 and a negative 3.4 percent for the three months ended June 30, 2016. The tax benefit for the three months ended June 30, 2017 was $2.2 million which relates to a benefit on a loss in the Company's Canada segment and a refund on the Company's 2010 and 2011 Texas Margins Tax audit. The benefit is partially offset by a settlement of a transfer pricing audit in Canada.

The Company has reserved for the benefit of current year losses in the United States. As of June 30, 2017, U.S. federal and state deferred tax assets continue to be covered by valuation allowances. In evaluating whether deferred tax assets are more likely than not to be realized, the Company considers the impact of reversing taxable temporary differences, future forecasted income and available tax planning strategies.

It is reasonably possible the unrecognized tax benefits may change between $0.0 million and $3.1 million within the next twelve months as a result of settling tax examinations related to 2008-2011.

10. Stockholders' Equity

Changes in Accumulated Other Comprehensive Income (Loss) by Component

	Three Months Ended June 30, 2017 (in thousands)		
	Foreign currency translation adjustments	Changes in derivative financial instruments	Total accumulated comprehensive income (loss)
Balance as of March 31, 2017	$(1,193)	$ (2,555)	$ (3,748)
Other comprehensive income before reclassifications	569	—	569
Amounts reclassified from accumulated other comprehensive income (loss)	—	271	271
Net current-period other comprehensive income	569	271	840
Balance as of June 30, 2017	$(624)	$ (2,284)	$ (2,908)

	Six Months Ended June 30, 2017 (in thousands)		
	Foreign currency translation adjustments	Changes in derivative financial	Total accumulated comprehensive

		instruments	income (loss)
Balance as of December 31, 2016	$(1,412)	$ (2,822)	$ (4,234)
Other comprehensive income before reclassifications	788	—	788
Amounts reclassified from accumulated other comprehensive income (loss)	—	538	538
Net current-period other comprehensive income	788	538	1,326
Balance as of June 30, 2017	$(624)		