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, 2023

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 001-34279

GULF ISLAND

GULF ISLAND FABRICATION, INC.
(Exact name of registrant as specified in its charter)

LOUISIANA	**72-1147390**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
2170 BUCKTHORNE PLACE, SUITE 420 **THE WOODLANDS, TEXAS**	**77380**
(Address of principal executive offices)	**(Zip Code)**

(713) 714-6100
(Registrant's telephone number, including area code)

Securities registered pursuant to 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock	GIFI	NASDAQ

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging Growth 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 ☒

The number of shares of the registrant's common stock, no par value per share, outstanding as of April 30, 2023, was 16,149,464.

GULF ISLAND FABRICATION, INC.

I N D E X

GLOSSARY OF TERMS

As used in this report filed on Form 10-Q for the quarter ended March 31, 2023 ("this Report"), the following abbreviations and terms have the meanings listed below. In addition, the terms "Gulf Island," "the Company," "we," "us" and "our" refer to Gulf Island Fabrication, Inc. and its consolidated subsidiaries, unless the context clearly indicates otherwise. Certain terms defined below may be redefined separately within this Report when we believe providing a definition upon the first use of the term will assist users of this Report. Unless and as otherwise stated, any references in this Report to any agreement means such agreement and all schedules, exhibits and attachments in each case as amended, restated, supplemented or otherwise modified to the date of filing this Report.

2022 Annual Report	Our annual report for the year ended December 31, 2022, filed with the SEC on Form 10-K on March 28, 2023.
2022 Financial Statements	Our Financial Statements for the year ended December 31, 2022 and related notes, included in our 2022 Annual Report.
Active Retained Shipyard Contracts	Contracts and related obligations for our seventy-vehicle ferry and two forty-vehicle ferry projects that were under construction as of the date of the Shipyard Transaction, which were excluded from the Shipyard Transaction. The Active Retained Shipyard Contracts do not include the contracts and related obligations for the two MPSV projects that are subject to our MPSV Litigation (which were retained but are not active contracts).
ASC	Accounting Standards Codification.
ASU	Accounting Standards Update.
Balance Sheet	Our Consolidated Balance Sheets, as filed in this Report.
contract assets	Costs and estimated earnings recognized to date in excess of cumulative billings.
contract liabilities	Cumulative billings in excess of costs and estimated earnings recognized to date and accrued contract losses.
cost-reimbursable	Work is performed and billed to the customer at cost plus a profit margin or other variable fee arrangements which can include a mark-up.
COVID-19	The global coronavirus pandemic.
deck	The component of a platform on which drilling, production, separating, gathering, piping, compression, well support, crew quartering and other functions related to offshore oil and gas development are conducted.
DSS Acquisition	The acquisition of a services and industrial staffing business on December 1, 2021.
DTA(s)	Deferred Tax Asset(s).
EPC	Engineering, Procurement and Construction.
Exchange Act	Securities Exchange Act of 1934, as amended.
Fabrication Division	Our Fabrication reportable segment.
Facilities	Our Houma Facilities and other facilities that support our operations.
Financial Statements	Our Consolidated Financial Statements, including comparative consolidated Balance Sheets, Statements of Operations, Statements of Changes in Shareholders' Equity and Statements of Cash Flows, as filed in this Report.
GAAP	Generally Accepted Accounting Principles in the U.S.
GIS	Gulf Island Shipyards, LLC.
Gulf Coast	Along the coast of the Gulf of Mexico.
Hornbeck	Hornbeck Offshore Services, LLC.
Houma Facilities	Our owned facilities located in Houma, Louisiana that support our Fabrication Division and Services Division and represent our primary operating facilities.
inland	Typically, bays, lakes and marshy areas.

Insurance Finance Arrangements	Short-term finance arrangements for insurance premiums associated with our property and equipment and general liability insurance coverages.
jacket	A component of a fixed platform consisting of a tubular steel, braced structure extending from the mudline of the seabed to a point above the water surface. The jacket is anchored with tubular steel piles driven into the seabed. The jacket supports the deck structure located above the water.
labor hours	Hours worked by employees directly involved in the fabrication of our products or delivery of our services.
LC Facility	Our $10.0 million letter of credit facility with Whitney Bank maturing June 30, 2024, as amended.
LNG	Liquefied Natural Gas.
Mortgage Agreement	Multiple indebtedness mortgage arrangement with one of our Sureties, to secure our obligations and liabilities under our general indemnity agreement with such Surety associated with outstanding surety bonds for certain contracts, which encumbers the real estate associated with our Houma Facilities and includes certain covenants and events of default.
modules	Fabricated structures that include structural steel, piping, valves, fittings, storage vessels and other equipment that are incorporated into a refining, petrochemical, LNG or industrial system.
MPSV(s)	Multi-Purpose Supply Vessel(s).
MPSV Litigation	The lawsuit filed in the Twenty-Second Judicial District Court for the Parish of St. Tammany, State of Louisiana and is styled Gulf Island Shipyards, LLC v. Hornbeck Offshore Services, LLC, bearing docket number 2018-14861.
offshore	In unprotected waters outside coastlines.
onshore	Inside the coastline on land.
Performance Bonds	The performance bonds issued by the Surety in connection with the construction of two MPSVs that are subject to our MPSV Litigation, for which the face amount of the bonds total $50.0 million.
performance obligation	A contractual obligation to construct and transfer a distinct good or service to a customer. It is the unit of account in Topic 606. The transaction price of a contract is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.
piles	Rigid tubular pipes that are driven into the seabed to anchor a jacket.
platform	A structure from which offshore oil and gas development drilling and production are conducted.
POC	Percentage-of-completion.
Restrictive Covenant Agreement	Restrictive covenant arrangement with one of our Sureties, to secure our obligations and liabilities under our general indemnity agreement with such Surety associated with its outstanding surety bonds for certain contracts, which precludes us from paying dividends or repurchasing shares of our common stock.
SEC	U.S. Securities and Exchange Commission.
Services Division	Our Services reportable segment.
Shipyard Division	Our Shipyard reportable segment.
Shipyard Transaction	The sale of our Shipyard Division's operating assets and certain construction contracts on April 19, 2021.
Statement of Cash Flows	Our Consolidated Statements of Cash Flows, as filed in this Report.
Statement of Operations	Our Consolidated Statements of Operations, as filed in this Report.
Statement of Shareholders' Equity	Our Consolidated Statements of Changes in Shareholders' Equity, as filed in this Report.
Surety or Sureties	A financial institution that issues bonds to customers on behalf of the Company for the purpose of providing third-party financial assurance related to the performance of our contracts. Payments by a Surety pursuant to one of our bonds in the event of non-performance are subject to reimbursement to such Surety by us under a general indemnity agreement relating to such bond.

T&M	Time and materials. Work is performed and billed to the customer at contracted time and material rates.
Topic 606	The revenue recognition criteria prescribed under ASU 2014-09, *Revenue from Contracts with Customers*.
U.S.	The United States of America.
USL&H	United States Longshoreman and Harbor Workers Act.
VA(s)	Valuation Allowance(s).
Whitney Bank	Hancock Whitney Bank.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

GULF ISLAND FABRICATION, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands)

	March 31, 2023	December 31, 2022
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 28,520	$ 33,221
Restricted cash, current	1,197	1,603
Short-term investments	14,989	9,905
Contract receivables and retainage, net	43,545	29,427
Contract assets	5,538	4,839
Prepaid expenses and other assets	5,917	6,475
Inventory	2,543	1,599
Total current assets	102,249	87,069
Property, plant and equipment, net	30,501	31,154
Goodwill	2,217	2,217
Other intangibles, net	806	842
Other noncurrent assets	13,277	13,584
Total assets	$ 149,050	$ 134,866
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 26,547	$ 8,310
Contract liabilities	4,388	8,196
Accrued expenses and other liabilities	13,896	14,283
Total current liabilities	44,831	30,789
Other noncurrent liabilities	1,258	1,453
Total liabilities	46,089	32,242
Shareholders' equity:		
Preferred stock, no par value, 5,000 shares authorized, no shares issued and outstanding	—	—
Common stock, no par value, 30,000 shares authorized, 16,055 shares issued and outstanding at March 31, 2023 and 15,973 at December 31, 2022	11,624	11,591
Additional paid-in capital	107,667	107,372
Accumulated deficit	(16,330)	(16,339)
Total shareholders' equity	102,961	102,624
Total liabilities and shareholders' equity	$ 149,050	$ 134,866

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

GULF ISLAND FABRICATION, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(in thousands, except per share data)

	Three Months Ended March 31,	
	2023	**2022**
Revenue	$ 62,168	$ 28,686
Cost of revenue	57,134	29,106
Gross profit (loss)	5,034	(420)
General and administrative expense	5,067	4,110
Other (income) expense, net	(361)	452
Operating income (loss)	328	(4,982)
Interest (expense) income, net	320	(40)
Income (loss) before income taxes	648	(5,022)
Income tax (expense) benefit	(7)	(5)
Net income (loss)	$ 641	$ (5,027)
Per share data:		
Basic and diluted income (loss) per share	$ 0.04	$ (0.32)

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

GULF ISLAND FABRICATION, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(UNAUDITED)
(in thousands)

	Common Stock		Additional Paid-In	Accumulated	Total Shareholders'
	Shares	Amount	Capital	Deficit	Equity
Balance at December 31, 2021	15,622	$ 11,384	$ 105,511	$ (12,987)	$ 103,908
Net loss	—	—	—	(5,027)	(5,027)
Vesting of restricted stock	153	(6)	(53)	—	(59)
Stock-based compensation expense	—	57	514	—	571
Balance at March 31, 2022	15,775	$ 11,435	$ 105,972	$ (18,014)	$ 99,393

	Common Stock		Additional Paid-In	Accumulated	Total Shareholders'
	Shares	Amount	Capital	Deficit	Equity
Balance at December 31, 2022	15,973	$ 11,591	$ 107,372	$ (16,339)	$ 102,624
Adoption of ASU 2016-13	—	—	—	(632)	(632)
Balance at January 1, 2023	15,973	11,591	107,372	(16,971)	101,992
Net income	—	—	—	641	641
Vesting of restricted stock	82	(18)	(163)	—	(181)
Stock-based compensation expense	—	51	458	—	509
Balance at March 31, 2023	16,055	$ 11,624	$ 107,667	$ (16,330)	$ 102,961

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

GULF ISLAND FABRICATION, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(in thousands)

	Three Months Ended March 31,	
	2023	2022
Cash flows from operating activities:		
Net income (loss)	$ 641	$ (5,027)
Adjustments to reconcile net income (loss) to net cash provided by (used in) in operating activities:		
Depreciation and amortization	1,333	1,251
Gain on sale or disposal of fixed assets, net	(64)	(25)
Gain on insurance recoveries	(245)	—
Stock-based compensation expense	509	571
Changes in operating assets and liabilities:		
Contract receivables and retainage, net	(14,540)	(7,657)
Contract assets	(699)	2,065
Prepaid expenses, inventory and other current assets	147	(2,070)
Accounts payable	18,135	346
Contract liabilities	(3,808)	(2,450)
Accrued expenses and other current liabilities	62	1,792
Noncurrent assets and liabilities, net	(175)	(147)
Net cash provided by (used in) operating activities	1,296	(11,351)
Cash flows from investing activities:		
Capital expenditures	(487)	(440)
Proceeds from sale of property and equipment	106	25
Recoveries from insurance claims	245	—
Purchases of short-term investments	(15,083)	—
Maturities of short-term investments	10,000	—
Net cash used in investing activities	(5,219)	(415)
Cash flows from financing activities:		
Payments on Insurance Finance Arrangements	(1,003)	—
Tax payments for vested stock withholdings	(181)	(59)
Net cash used in financing activities	(1,184)	(59)
Net decrease in cash, cash equivalents and restricted cash	(5,107)	(11,825)
Cash, cash equivalents and restricted cash, beginning of period	34,824	54,589
Cash, cash equivalents and restricted cash, end of period	$ 29,717	$ 42,764

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

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Gulf Island Fabrication, Inc. (together with its subsidiaries, "Gulf Island," "the Company," "we," "us" and "our") is a leading fabricator of complex steel structures and modules and a provider of specialty services, including project management, hookup, commissioning, repair, maintenance, scaffolding, coatings, welding enclosures, civil construction and staffing services to the industrial and energy sectors. Our customers include U.S. and, to a lesser extent, international energy producers; refining, petrochemical, LNG, industrial and power operators; and EPC companies. We currently operate and manage our business through three operating divisions ("Services", "Fabrication" and "Shipyard") and one non-operating division ("Corporate"), which represent our reportable segments. Our corporate headquarters is located in The Woodlands, Texas and our primary operating facilities are located in Houma, Louisiana ("Houma Facilities").

On April 19, 2021, we sold our Shipyard Division operating assets and certain construction contracts ("Shipyard Transaction") and intend to wind down our remaining Shipyard Division operations (which exclude the projects that are subject to our MPSV Litigation) by the second quarter 2023 (subject to the potential schedule impacts discussed in Note 2). See Note 4 for further discussion of our MPSV Litigation.

On December 1, 2021, we acquired a services and industrial staffing business ("DSS Acquisition"), which increased our skilled workforce, further diversified our customer base and expanded our service offerings for our Services Division.

Basis of Presentation

The accompanying unaudited Consolidated Financial Statements ("Financial Statements") reflect all wholly owned subsidiaries. Intercompany balances and transactions have been eliminated in consolidation. The Financial Statements have been prepared in accordance with accounting principles generally accepted in the U.S. ("GAAP") for interim financial statements, the instructions to Form 10-Q and Article 10 of Regulation S-X of the U.S. Securities and Exchange Commission (the "SEC"). Accordingly, the Financial Statements do not include all of the information and footnotes required by GAAP for complete financial statements. In our opinion, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2023 are not necessarily indicative of the results that may be expected for the year ending December 31, 2023. Our Consolidated Balance Sheet ("Balance Sheet") at December 31, 2022, has been derived from the audited financial statements at that date, but does not include all of the information and footnotes required by GAAP for complete financial statements. For further information, refer to our 2022 Financial Statements.

Operating Cycle

The duration of our contracts vary, but may extend beyond twelve months from the date of contract award. Consistent with industry practice, assets and liabilities have been classified as current under the operating cycle concept whereby all contract-related items are classified as current regardless of whether cash will be received or paid within a twelve-month period. Assets and liabilities classified as current, which may not be received or paid within the next twelve months, include contract retainage, contract assets and contract liabilities. Variations from normal contract terms may result in the classification of assets and liabilities as long-term.

Use of Estimates

General – The preparation of our Financial Statements in conformity with GAAP requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses and related disclosures of contingent assets and liabilities. We believe our most significant estimates and judgments are associated with:

- revenue recognition for our long-term contracts, including application of the percentage-of-completion method (“POC"), estimating costs to complete each contract and the recognition of incentives, unapproved change orders, claims (including amounts arising from disputes with customers) and liquidated damages;
- determination of fair value with respect to acquired tangible and intangible assets;
- fair value and recoverability assessments that must be periodically performed with respect to long-lived tangible assets, assets held for sale, goodwill and other intangible assets;
- determination of deferred income tax assets, liabilities and related valuation allowances;
- reserves for bad debts and credit losses;
- liabilities related to self-insurance programs;
- costs and insurance recoveries associated with damage to our Houma Facilities and projects resulting from Hurricane Ida discussed further below;
- the impacts of volatile oil and gas prices and macroeconomic conditions on our business, estimates and judgments as discussed further below; and
- assessing the probability of losses related to litigation matters.

If the underlying estimates and assumptions upon which our Financial Statements are based change in the future, actual amounts may differ materially from those included in the Financial Statements.

Oil and Gas Price Volatility and Macroeconomic Conditions – Since 2008, the prices of oil and gas have experienced significant volatility, including depressed prices over extended periods, resulting in reductions in capital spending and drilling activities from our traditional offshore oil and gas customer base. Consequently, our operating results and cash flows were negatively impacted as we experienced reductions in revenue, lower margins due to competitive pricing and under-utilization of our operating facilities and resources. Beginning in 2020, the global coronavirus pandemic (“COVID-19”) added another layer of pressure and uncertainty on oil and gas prices (with oil prices reaching a twenty-year low and gas prices reaching a four-year low), which further negatively impacted certain of our end markets during the first quarter 2022. This volatility in oil and gas prices was compounded by Russia’s invasion of Ukraine in February 2022 (and the related European energy crisis), and the U.S. and other countries actions in response (with oil prices reaching an eight-year high and gas prices reaching a fourteen-year high), which positively impacted certain of our end markets. While oil and gas prices have somewhat stabilized, the duration of such stability is uncertain and difficult to predict.

In addition, global economic factors that are beyond our control, have and could continue to impact our operations, including, but are not limited to, supply chain disruptions (including global shipping and logistics challenges that began in 2020), inflationary pressures, economic slowdowns and recessions, bank failures, natural disasters, public health crises (such as COVID-19), and geopolitical conflicts (such as the conflict in Ukraine).

The ultimate business and financial impacts of oil and gas price volatility and macroeconomic conditions on our business and results of operations continues to be uncertain, but the impacts have included, or may continue to include, among other things, reduced bidding activity; suspension or termination of backlog; deterioration of customer financial condition; and unanticipated project costs and schedule delays due to supply chain disruptions, labor and material price increases, lower labor productivity, increased employee and contractor absenteeism and turnover, craft labor hiring challenges, increased safety incidents, lack of performance by subcontractors and suppliers, and contract disputes. We continue to monitor the impacts of oil and gas price volatility and macroeconomic conditions on our operations, and our estimates in future periods will be revised for any events and changes in circumstances arising after the date of this Report.

Income (Loss) Per Share

Basic income (loss) per share is calculated by dividing net income or loss by the weighted average number of common shares outstanding for the period. Diluted income (loss) per share reflects the assumed conversion of dilutive securities in periods in which income is reported. See Note 5 for calculations of our basic and diluted income (loss) per share.

Cash and Short-Term Investments

Cash Equivalents – We consider investments with original maturities of three months or less when purchased to be cash equivalents. We hold substantially all of our cash deposits with Hancock Whitney Bank (“Whitney Bank”).

Restricted Cash – At March 31, 2023 and December 31, 2022, we had $1.2 million and $1.6 million of restricted cash, respectively as security for letters of credit issued under our letter of credit facility (“LC Facility”) with Whitney Bank. Our restricted cash is held in an interest-bearing money market account with Whitney Bank. The classification of the restricted cash as current and noncurrent is determined by the contractual maturity dates of the letters of credit being secured, with letters of credit having maturity dates of twelve months or less from the balance sheet date classified as current, and letters of credit having maturity dates of longer than twelve months from the balance sheet date classified as noncurrent. See Note 3 for further discussion of our cash security requirements under our LC Facility.

Short-term Investments – We consider investments with original maturities of more than three months but less than twelve months to be short-term investments. At March 31, 2023 and December 31, 2022, our short-term investments included U.S. Treasuries with original maturities of four and six months, respectively. We intend to hold these investments until maturity and it is not more likely than not that we will be required to sell the investments prior to their maturity. The investments are stated at amortized costs, which approximates fair value due to their near-term maturities. All short-term investments are traded on active markets with quoted prices and represent Level 1 fair value measurements.

Inventory

Inventory is recorded at the lower of cost or net realizable value determined using the first-in-first-out basis. The cost of inventory includes acquisition costs, production or conversion costs, and other costs incurred to bring the inventory to a current location and condition. Net realizable value is our estimated selling price in the normal course of business, less reasonably predictable costs of completion, disposal and transportation. An allowance for excess or inactive inventory is recorded based on an analysis that considers current inventory levels, historical usage patterns, estimates of future sales and salvage value.

Allowance for Doubtful Accounts and Credit Losses

As further discussed under “*New Accounting Standards”* below, we adopted the new accounting standard for measuring credit losses effective January 1, 2023. In the normal course of business, we extend credit to our customers on a short-term basis and contract receivables are generally not collateralized; however, we typically have the right to place liens on our projects in the event of nonpayment by our customers. We provide an allowance for credit losses and routinely review individual contract receivable balances and other financial assets for collectability and make provisions for probable uncollectible amounts as necessary. Among the factors considered in our review are the financial condition of our customer and its access to financing, underlying disputes with the customer, the age and value of the receivable balance, company-specific credit ratings, historical company-specific uncollectable amounts and economic conditions in general. See Note 2 for further discussion of our allowance for doubtful accounts.

Stock-Based Compensation

Awards under our stock-based compensation plans are calculated using a fair value-based measurement method. We use the straight-line and graded vesting methods to recognize share-based compensation expense over the requisite service period of the award. We recognize the excess tax benefit or tax deficiency resulting from the difference between the deduction we receive for tax purposes and the stock-based compensation expense we recognize for financial reporting purposes created when common stock vests, as an income tax benefit or expense on our Consolidated Statements of Operations (“Statement of Operations”). Tax payments made on behalf of employees to taxing authorities in order to satisfy employee income tax withholding obligations from the vesting of shares under our stock-based compensation plans are classified as a financing activity on our Consolidated Statements of Cash Flows (“Statement of Cash Flows”).

Depreciation and Amortization Expense

Property, plant and equipment are depreciated on a straight-line basis over estimated useful lives ranging from three to 25 years. Ordinary maintenance and repairs, which do not extend the physical or economic lives of the plant or equipment, are charged to expense as incurred. Intangible assets are amortized on a straight-line basis over seven years and amortization expense is reflected within general and administrative expense on our Statement of Operations.

Long-Lived Assets

Goodwill – Goodwill is not amortized, but instead is reviewed for impairment at least annually at a reporting unit level, absent any indicators of impairment or when other actions require an impairment assessment (such as a change in reporting units). Our goodwill is included within our Services Division and our Services Division represents our only reporting unit with goodwill. We perform our annual impairment assessment during the fourth quarter of each year based upon balances as of October 1. In evaluating goodwill for impairment, we have the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of our reporting unit is greater than its carrying value. If we determine that it is more likely than not that the carrying value of the reporting unit is greater than its fair value, we perform a quantitative impairment test by calculating the fair value of the reporting unit and comparing it to the carrying value of the reporting unit, and we recognize an impairment charge to the extent its carrying value exceeds its fair value. To determine the fair value of our reporting unit and test for impairment, we utilize an income approach (discounted cash flow method) as we believe this is the most direct approach to incorporate the specific economic attributes and risk profile of our reporting unit into our valuation model. We had no indicators of impairment during the three months ended March 31, 2023. If, based on future assessments, our goodwill is deemed to be impaired, the impairment would result in a charge to our operating results in the period of impairment.

Other Long-Lived Assets – Our property, plant and equipment, lease assets (included within other noncurrent assets), and finite-lived intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If a recoverability assessment is required, we compare the estimated future undiscounted cash flow associated with the asset or asset group to its carrying amount to determine if an impairment exists. An asset group constitutes the minimum level for which identifiable cash flows are principally independent of the cash flows of other assets or asset groups. An impairment loss is measured by comparing the fair value of the asset or asset group to its carrying amount and the excess of the carrying amount of the asset or asset group over its fair value is recorded as an impairment charge. Fair value is determined based on discounted cash flows, appraised values or third-party indications of value, as appropriate. We had no indicators of impairment during the three months ended March 31, 2023.

Leases

We record a right-of-use asset and an offsetting lease liability on our Balance Sheet equal to the present value of our lease payments for leases with an original term of longer than twelve months. We do not record an asset or liability for leases with an original term of twelve months or less and we do not separate lease and non-lease components for our leases. Our lease assets are reflected within other noncurrent assets, and the current and noncurrent portions of our lease liabilities are reflected within accrued expenses and other liabilities, and other noncurrent liabilities, respectively, on our Balance Sheet. For leases with escalations over the life of the lease, we recognize expense on a straight-line basis.

Fair Value Measurements

Fair value determinations for financial assets and liabilities are based on the particular facts and circumstances. Financial instruments are required to be categorized within a valuation hierarchy based upon the lowest level of input that is significant to the fair value measurement. The three levels of the valuation hierarchy are as follows:

- Level 1 – inputs are based upon quoted prices for identical instruments traded in active markets.
- Level 2 – inputs are based upon quoted prices for similar instruments in active markets and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 – inputs are based upon model-based valuation techniques for which significant assumptions are generally not observable in the market and typically reflect estimates and assumptions that we believe market participants would use in pricing the asset or liability. These include discounted cash flow models and similar valuation techniques.

The carrying amounts of our financial instruments, including cash and cash equivalents, short-term investments, accounts receivable and accounts payable approximate their fair values. Our fair value assessments for determining the impairments of inventory, goodwill and long-lived assets are non-recurring fair value measurements that fall within Level 3 of the fair value hierarchy.

Revenue Recognition

General – Our revenue is derived from customer contracts and agreements that are awarded on a competitively bid and negotiated basis using a range of contracting options, including fixed-price, unit-rate, time and materials ("T&M") and cost-reimbursable, or a combination thereof. Our contracts primarily relate to the fabrication of steel structures and modules, and certain service arrangements. We recognize revenue from our contracts in accordance with Accounting Standards Update ("ASU") 2014-09, Topic 606 *"Revenue from Contracts with Customers"* ("Topic 606").

Topic 606 requires entities 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. Additionally, provisions of Topic 606 specify which goods and services are distinct and represent separate performance obligations (representing the unit of account in Topic 606) within a contract and which goods and services (which could include multiple contracts or agreements) should be aggregated. In general, a performance obligation is a contractual obligation to construct and/or transfer a distinct good or service to a customer. The transaction price of a contract is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. Revenue for performance obligations satisfied over time are recognized as the work progresses. Revenue for performance obligations that do not meet the criteria for over time recognition are recognized at a point-in-time when a performance obligation is complete and the customer has obtained control of a promised asset.

Long-term Contracts Satisfied Over Time – Revenue for our long-term contracts is recognized using the POC method based on contract costs incurred to date compared to total estimated contract costs (an input method). Fixed-price contracts, or contracts with a more significant fixed-price component, generally provide us with greater control over project schedule and the timing of when work is performed and costs are incurred, and accordingly, when revenue is recognized. Unit-rate, T&M and cost-reimbursable contracts generally have more variability in the scope of work and provide our customers with greater influence over the timing of when we perform our work, and accordingly, such contracts often result in less predictability with respect to the timing of when revenue is recognized. Contract costs include direct costs, such as materials and labor, and indirect costs attributable to contract activity. Material costs that are significant to a contract and do not reflect an accurate measure of project completion are excluded from the determination of our contract progress. Revenue for such materials is only recognized to the extent of costs incurred. Revenue and gross profit or loss for contracts accounted for using the POC method can be significantly affected by changes in estimated cost to complete such contracts. Significant estimates impacting the cost to complete a contract include: forecast costs of engineering, materials, equipment and subcontracts; forecast costs of labor and labor productivity; schedule durations, including subcontractor and supplier progress; contract disputes, including claims; achievement of contractual performance requirements; and contingency, among others. Although our customers retain the right and ability to change, modify or discontinue further work at any stage of a contract, in the event our customers discontinue work, they are required to compensate us for the work performed to date. The cumulative impact of revisions in total cost estimates during the progress of work is reflected in the period in which these changes become known, including, to the extent required, the reversal of profit recognized in prior periods and the recognition of losses expected to be incurred on contracts. Due to the various estimates inherent in our contract accounting, actual results could differ from those estimates, which could result in material changes to our Financial Statements and related disclosures. See Note 2 for further discussion of projects with significant changes in estimated margins during the three months ended March 31, 2023 and 2022.

Short-term Contracts and Contracts Satisfied at a Point In Time – Revenue for our short-term contracts (which includes revenue associated with our master services arrangements) and contracts that do not satisfy the criteria for revenue recognition over time is recognized when the work is performed or when control of the asset is transferred, the related costs are incurred and collection is reasonably assured. The consideration from the customer directly corresponds to the value of our performance completed at the time of invoicing.

Variable Consideration – Revenue and gross profit or loss for contracts can be significantly affected by variable consideration, which can be in the form of unapproved change orders, claims (including amounts arising from disputes with customers), incentives and liquidated damages that may not be resolved until the later stages of the contract or after the contract has been completed. Variable consideration can also include revenue associated with work performed on a unit-rate, T&M or cost-reimbursable basis that is recognized using the POC method. We estimate variable consideration based on the amount we expect to be entitled and include estimated amounts in transaction price to the extent it is probable that a significant future reversal of cumulative revenue recognized will not occur or when we conclude that any significant uncertainty associated with the variable consideration is resolved. See Note 2 for further discussion of our unapproved change orders, claims, incentives and liquidated damages.

Additional Disclosures – Topic 606 also requires disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers. See Note 2 for required disclosures under Topic 606.

Pre-Contract Costs

Pre-contract costs are generally charged to cost of revenue as incurred, but in certain cases their recognition may be deferred if specific probability criteria are met. At March 31, 2023 and December 31, 2022, we had no deferred pre-contract costs.

Other (Income) Expense, Net

Other (income) expense, net, generally represents recoveries or provisions for bad debts and credit losses, gains or losses associated with the sale or disposition of property and equipment, and income or expense associated with certain nonrecurring items.

Income Taxes

Income taxes have been provided for using the liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes using enacted rates expected to be in effect during the year in which the differences are expected to reverse. Due to state income tax laws related to the apportionment of revenue for our projects, judgment is required to estimate the effective tax rate expected to apply to tax differences that are anticipated to reverse in the future.

A valuation allowance is provided to reserve for deferred tax assets ("DTA(s)") if, based upon the available evidence, it is more likely than not that some or all of the DTAs will not be realized. The realization of our DTAs depends on our ability to generate sufficient taxable income of the appropriate character and in the appropriate jurisdictions. Our effective tax rate differs from our statutory rate for the three months ended March 31, 2023, as no federal income tax expense was recorded for our income as it was fully offset by the reversal of valuation allowance on our net deferred tax assets, and for the three months ended March 31, 2022, as no federal income tax benefit was recorded for our losses as a full valuation allowance was recorded against our net deferred tax assets generated during the period. Income taxes recorded for the three months ended March 31, 2023 and 2022 relate to state income taxes.

Reserves for uncertain tax positions are recognized when we consider it more likely than not that additional tax will be due in excess of amounts reflected in our income tax returns, irrespective of whether or not we have received tax assessments. Interest and penalties on uncertain tax positions are recorded within income tax expense.

New Accounting Standards

Financial Instruments – In the first quarter 2023, we adopted ASU 2016-13, *"Financial Instruments - Credit Losses - Measurement of Credit Losses on Financial Instruments,"* which changes the way we evaluate credit losses for most financial assets and certain other instruments. For trade and other receivables, short-term investments, loans and other instruments, we are required to use a new forward-looking "expected loss" model to evaluate impairment, which includes considering a broader range of information to estimate expected credit losses and may potentially result in earlier recognition of allowances for losses. The new accounting standard was adopted using the cumulative-effect transition method with any cumulative-effect adjustment being recorded to accumulated deficit on January 1, 2023. Upon adoption, we recorded a $0.6 million increase to beginning accumulated deficit, a $0.4 million decrease to contract receivables and retainage, net and contract assets, and a $0.2 million decrease to other noncurrent assets, on our Balance Sheet. Adoption of the new standard did not have a material effect on our results of operations or related disclosures.

Business Combinations – In the first quarter 2023, we adopted ASU 2021-08, *"Business Combinations - Accounting for Contract Assets and Contract Liabilities from Contracts with Customers,"* which changes the way companies measure contract assets and contract liabilities from contracts with customers acquired in a business combination and creates an exception to the general recognition and measurement principle of ASC 805. Adoption of the new standard did not have a material effect on our financial position, results of operations or related disclosures.

2. REVENUE, CONTRACT ASSETS AND LIABILITIES AND OTHER CONTRACT MATTERS

As discussed in Note 1, we recognize revenue for our contracts in accordance with Topic 606. Summarized below are required disclosures under Topic 606 and other relevant guidance.

Disaggregation of Revenue

The following tables summarize revenue for each of our operating segments, disaggregated by contract type and duration, for the three months ended March 31, 2023 and 2022 (in thousands):

	Three Months Ended March 31, 2023				
	Services	Fabrication	Shipyard	Eliminations	Total
Fixed-price and unit-rate	$ 172	$ 12,189	$ 1,347	$ (8)	$ 13,700
T&M and cost-reimbursable	20,542	27,473	—	—	48,015
Other	873	—	—	(420)	453
Total	$ 21,587	$ 39,662	$ 1,347	$ (428)	$ 62,168
Long-term	$ 172	$ 38,708	$ 1,347	$ (8)	$ 40,219
Short-term	21,415	954	—	(420)	21,949
Total	$ 21,587	$ 39,662	$ 1,347	$ (428)	$ 62,168

	Three Months Ended March 31, 2022				
	Services	Fabrication	Shipyard	Eliminations	Total
Fixed-price and unit-rate	$ 1,609	$ 5,044	$ 2,497	$ (1)	$ 9,149
T&M and cost-reimbursable	18,463	573	—	—	19,036
Other	592	—	—	(91)	501
Total	$ 20,664	$ 5,617	$ 2,497	$ (92)	$ 28,686
Long-term	$ 1,609	$ 5,044	$ 2,497	$ (1)	$ 9,149
Short-term	19,055	573	—	(91)	19,537
Total	$ 20,664	$ 5,617	$ 2,497	$ (92)	$ 28,686

Future Performance Obligations

The following table summarizes our remaining performance obligations, disaggregated by operating segment and contract type, at March 31, 2023 (in thousands):

	March 31, 2023			
	Services	Fabrication	Shipyard	Total
Fixed-price and unit-rate	$ 1,207	$ 10,948	$ 1,803	$ 13,958
T&M and cost-reimbursable(1)	—	76,383	—	76,383
Total(2)	$ 1,207	$ 87,331	$ 1,803	$ 90,341

(1) In February 2023, we received direction from our customer to suspend all activities on our offshore jackets project for our Fabrication Division. No duration of the suspension or timing of potential recommencement of the project has been provided. See *"Other Operating and Project Matters"* below for further discussion of the impacts of the suspension.

(2) We expect to recognize revenue of $14.4 million for the remainder of 2023 associated with our performance obligations at March 31, 2023 based on our current estimates. Such estimates exclude potential revenue of $75.9 million associated with our performance obligations for our offshore jackets project given the uncertainty with respect to when such amounts will be recognized, if at all. Certain factors and circumstances, including the suspension, could result in changes in the timing of recognition of our performance obligations as revenue and the amounts ultimately recognized.

Contracts Assets and Liabilities

The timing of customer invoicing and recognition of revenue using the POC method may occur at different times. Customer invoicing is dependent upon contractual billing terms, which could provide for customer payments in advance of performing the work, milestone billings based on the completion of certain phases of the work, or billings when services are provided. Revenue recognized in excess of amounts billed is reflected as contract assets on our Balance Sheet, or to the extent we have an unconditional right to the consideration, is reflected as contract receivables on our Balance Sheet. Amounts billed in excess of revenue recognized, and accrued contract losses, are reflected as contract liabilities on our Balance Sheet. Information with respect to contracts that were incomplete at March 31, 2023 and December 31, 2022, is as follows (in thousands):

	March 31, 2023	December 31, 2022
Contract assets[1], [2]	$ 5,538	$ 4,839
Contract liabilities[3], [4], [5]	(4,388)	(8,196)
Contracts in progress, net	$ 1,150	$ (3,357)

(1) The increase in contract assets compared to December 31, 2022, was primarily due to increased unbilled positions on various projects for our Fabrication Division, offset partially by, decreased unbilled positions for our forty-vehicle ferry projects for our Shipyard Division.

(2) Contract assets at March 31, 2023 and December 31, 2022, excluded $3.6 million and $3.6 million, respectively, associated with revenue recognized in excess of amounts billed for which we have an unconditional right to the consideration. Such amounts are reflected within contract receivables.

(3) The decrease in contract liabilities compared to December 31, 2022, was primarily due to a decrease in advance billings on our offshore jackets project for our Fabrication Division and accrued contract losses on our forty-vehicle ferry projects for our Shipyard Division.

(4) Revenue recognized during the three months ended March 31, 2023 and 2022, related to amounts included in our contract liabilities balance at December 31, 2022 and 2021 was $6.0 million and $2.1 million, respectively.

(5) Contract liabilities at March 31, 2023 and December 31, 2022, includes accrued contract losses of $1.0 million and $1.6 million, respectively. See "*Changes in Project Estimates*" below for further discussion of our accrued contract losses.

Allowance for Doubtful Accounts and Credit Losses

Our provision for bad debts and credit losses is included in other (income) expense, net on our Statement of Operations, and for the three months ended March 31, 2023 and 2022, was not significant. Our allowance for doubtful accounts and credit losses at March 31, 2023 was $0.6 million, and it was not significant at December 31, 2022. We recorded a $0.6 million increase to beginning accumulated deficit as of January 1, 2023, in connection with our adoption of ASU 2016-13. We had no significant write-offs or recoveries of previously recorded bad debts during the three months ended March 31, 2023 or 2022. See *"New Accounting Standards"* in Note 1 for further discussion of our adoption of ASU 2016-13.

Variable Consideration

For the three months ended March 31, 2023 and 2022, we had no material amounts in revenue related to unapproved change orders, claims or incentives. However, at March 31, 2023 and December 31, 2022, certain active projects within our Shipyard Division reflected a reduction to our estimated contract price for liquidated damages of $1.5 million and $1.4 million, respectively.

Changes in Project Estimates

We determine the impact of changes in estimated margins on projects for a given period by calculating the amount of revenue recognized in the period that would have been recognized in a prior period had such estimated margins been forecasted in the prior period. The total impact of changes in estimated margins for a project as disclosed on a quarterly basis may be different from the applicable year-to-date impact due to the application of the POC method and the changing progress of the project at each period end. Such impacts may also be different when a project is commenced and completed within the applicable year-to-date period but spans multiple quarters.

For the three months ended March 31, 2023 and 2022, individual projects with significant changes in estimated margins did not have a material net impact on our operating results. The status of our projects in backlog at March 31, 2023, which have previously experienced changes in estimates, is as follows:

Shipyard Division

- *Seventy-Vehicle Ferry Project* – As discussed in our 2022 Financial Statements, the U.S. Coast Guard determined that the wood consoles (contractually specified by the customer) for our seventy-vehicle ferry project must be replaced or modified with metal consoles, resulting in previous forecast cost increases and liquidated damages and an extension of schedule. During the first quarter 2023, we commenced with the necessary modifications to the consoles.

  At March 31, 2023, the project was approximately 98% complete and is forecast to be completed in the second quarter 2023. The project was in a loss position at March 31, 2023 and our reserve for estimated losses was $0.1 million. If future subcontractor availability or costs differ from our current estimates or we are unable to achieve our progress estimates, our schedule is further extended or we incur additional schedule liquidated damages, we experience challenges during sea trials, commissioning or delivery of the vessel, or we incur additional costs or delays associated with the console modifications, the project would experience further delays and losses.

- *Forty-Vehicle Ferry Projects* – During the first quarter 2023, we received conditional customer acceptance of one of our two forty-vehicle ferries that were under construction; however, final acceptance has been delayed as we work with the customer to address an equipment issue associated with vessel design deficiencies (discussed further below).

  As discussed in our 2022 Financial Statements, we have experienced rework, construction and commissioning challenges on the two ferries, resulting in previous forecast cost increases and liquidated damages and the need to fabricate a new hull for the vessel that is still under construction. Accordingly, during 2021 we submitted claims to our customer, and subsequently filed a lawsuit, to extend our project schedules and recover the cost impacts of the design deficiencies. The customer denied all liability. Further, during the fourth quarter 2022 and early 2023, we received correspondence from our customer indicating that the new hull for the remaining ferry under construction is exhibiting deformation issues that are potentially beyond the customer's desired tolerance levels. Our subsequent evaluation does not support the customer's conclusions and we are continuing construction of the vessel as designed.

  At March 31, 2023, the remaining project under construction was approximately 92% complete and is forecast to be completed in the second quarter 2023. The project was in a loss position at March 31, 2023 and our reserve for estimated losses was $0.8 million. Our forecast costs and scheduled completion date for the remaining vessel are based on the current vessel design and reflect our best estimates; however, such estimates may be impacted by any future challenges with the vessel design deficiencies, including the final resolution of the aforementioned design and deformation issues in dispute. If future craft labor productivity or subcontractor availability or costs differ from our current estimates or we are unable to achieve our progress estimates, our schedule is further extended or we incur additional schedule liquidated damages, we experience challenges during sea trials, commissioning or delivery of the remaining vessel, or other challenges associated with the design deficiencies, including unanticipated warranty costs for either vessel, and are unable to recover associated costs from our customer, or the customer rejects delivery and/or final acceptance of either vessel due to the design dispute, the projects would experience further delays and losses. Our forecasts at March 31, 2023 do not reflect potential future benefits, if any, from the favorable resolution of the aforementioned lawsuit and we can provide no assurance that we will be successful recovering previously incurred costs.

Other Operating and Project Matters

Hurricane Ida – On August 29, 2021, Hurricane Ida made landfall near Houma, Louisiana as a high-end Category 4 hurricane, with high winds and heavy rains causing damage to buildings and equipment at our Houma Facilities and resulting in significant debris throughout the facility. Our insurance coverages in effect at the time of the storm generally specify coverage amounts for each of our buildings (including contents) and major equipment.

During the three months ended March 31, 2023, we received insurance payments of $0.7 million from our insurance carriers associated with interruptions to our operations and damage to buildings and equipment. In addition, we have received payments from our insurance carriers during other periods subsequent to the storm associated with interruptions to our operations and damage to buildings and equipment. Such payments are nonrefundable, and with respect to our buildings, represent the insurance carriers' estimate of the damage to each building based on the estimated depreciated value of such buildings plus repair costs incurred by us in excess of such estimates for certain buildings. To the extent we incur further repair costs for a building in excess of the amounts received, we may receive additional insurance proceeds up to the limits of our insurance coverage for such building. The classification of insurance proceeds within our Statement of Cash Flows is based on our use or intended use of the proceeds. Proceeds used or intended to be used for repairs that are not deemed to be capital in nature, and proceeds associated with interruptions to our operations, are reflected within operating activities. Proceeds used or intended to be used for repairs that are deemed capital in nature, or proceeds in excess of anticipated repair costs, are reflected within investing activities.

The timing of payments from our insurance carriers have, and may continue to, differ from when we incur the applicable repair and cleanup costs, and accordingly, we have accounted for such differences in timing as follows:

- To the extent we incurred repair costs in excess of insurance proceeds received to date, we recorded an insurance receivable when we believe such amounts are probable of recovery under our insurance policies.
- To the extent we determined that damage to an asset resulted in a complete loss, we recorded an insurance receivable up to the impairments recognized when we believe such amounts are probable of recovery under our insurance policies.
- To the extent proceeds received exceeded repair costs incurred to date, we recorded an insurance gain as we do not have an obligation to perform further repair activities. Charges will be recorded in future periods to the extent such proceeds received are used for future repair activities that are not deemed to be capital in nature.
- Insurance deductibles, clean-up costs and uninsured losses have been expensed.

Based on the above, during the three months ended March 31, 2023 and 2022, we recorded gains of $0.2 million (including $0.2 million related to interruptions to our operations) and charges of $0.3 million, respectively, related to the net impact of insurance recoveries and costs associated with damage previously caused by Hurricane Ida. The gains and charges are included in other (income) expense, net on our Statement of Operations and are reflected within our Fabrication Division. In addition, at March 31, 2023, we had total insurance receivables on our Balance Sheet of $1.3 million. We are continuing to assess our restoration plans and repair efforts are ongoing. We expect to incur future repair costs of approximately $0.5 million to $1.5 million associated with previously received insurance payments for certain buildings and equipment. Further, we expect to incur future repair costs in excess of previously received insurance payments for certain buildings and equipment; however, we believe that recovery of insurance proceeds for such costs is probable.

In addition to damage to our Houma Facilities, the storm resulted in damage to one of our forty-vehicle ferry projects, the multi-purpose supply vessels ("MPSVs") and associated equipment that are in our possession and subject to our MPSV Litigation, and certain bulkheads where the vessels were moored. We are continuing to assess the extent of the storm damage and are evaluating the extent to which any damage was the result of third-party vessels that broke free from their mooring during the storm and struck the ferry, MPSVs and bulkheads. During both the three months ended March 31, 2023 and 2022, we recorded charges of $0.1 million related to the impact of damage previously caused by Hurricane Ida. See Note 4 for further discussion of our MPSV Litigation.

Offshore Jackets Project – As discussed above, in February 2023, we received direction from our customer to suspend all activities on our offshore jackets project for our Fabrication Division. At March 31, 2023, we had $15.5 million of accounts receivable on our Balance Sheet related to the project, primarily associated with obligations incurred by us for procurement activities. Subsequent to March 31, 2023, we received payments of $3.1 million related to such accounts receivable and we have received a payment guarantee bond as security for a substantial portion of the remaining accounts receivable amounts. Although such amounts are not in dispute, we have received indications from the customer that we may not receive material additional payments until the third quarter 2023.

3. CREDIT FACILITIES

LC Facility

On May 5, 2023, we amended our letter of credit facility with Whitney Bank ("LC Facility") to reduce our letters of credit capacity from $20.0 million to $10.0 million, subject to our cash securitization of the letters of credit, and extend the maturity date to June 30, 2024. Commitment fees on the unused portion of the LC Facility are 0.4% per annum and interest on outstanding letters of credit is 1.5% per annum. At March 31, 2023, we had $1.2 million of outstanding letters of credit under the LC Facility. See Note 4 for further discussion of our letters of credit and associated security obligations.

Surety Bonds

We issue surety bonds in the ordinary course of business to support our projects. At March 31, 2023, we had $110.9 million of outstanding surety bonds, of which $50.0 million relates to our MPSV projects that are subject to our MPSV Litigation, $45.6 million relates to our Active Retained Shipyard Contracts, and $15.3 million relates to our Fabrication Division contracts and certain of our insurance coverages. See Note 4 for further discussion of our surety bonds and related indemnification obligations and our MPSV Litigation.

Insurance Finance Arrangements

In connection with the renewal of our property and equipment insurance coverages during 2022, and general liability insurance coverages during the first quarter 2023, we entered into short-term premium finance arrangements ("Insurance Finance Arrangements"). The property and equipment arrangement totaled $2.4 million, payable in ten equal monthly installments, with interest at a fixed rate of 4.3% per annum. The general liability arrangement totaled $0.5 million, payable in eight equal monthly installments, with interest at a fixed rate of 6.6% per annum. We consider the transactions to be non-cash financing activities, with the initial financed amount reflected within accrued expenses and other liabilities, and a corresponding asset reflected within prepaid expenses and other assets, on our Balance Sheet. We have reflected principal payments of $1.0 million for the three months ended March 31, 2023, as a financing activity on our Statement of Cash Flows, and at March 31, 2023, our remaining principal balance was $0.3 million.

Mortgage Agreement and Restrictive Covenant Agreement

In connection with the receipt of a consent for the Shipyard Transaction from one of our Sureties, we entered into a multiple indebtedness mortgage ("Mortgage Agreement") and a restrictive covenant arrangement ("Restrictive Covenant Agreement") with such Surety to secure our obligations for our MPSV projects and two forty-vehicle ferry projects. The Mortgage Agreement encumbers all remaining real estate that was not sold in connection with the Shipyard Transaction and includes certain covenants and events of default. Further, the Restrictive Covenant Agreement precludes us from paying dividends or repurchasing shares of our common stock. The Mortgage Agreement and Restrictive Covenant Agreement will terminate when the obligations and liabilities of the Surety associated with the outstanding surety bonds are discharged, or any judgment against us or the Surety arising out of litigation related to such contracts is satisfied by us. See Note 1 for further discussion of the Shipyard Transaction.

4. COMMITMENTS AND CONTINGENCIES

Routine Legal Proceedings

We are subject to various routine legal proceedings in the normal conduct of our business, primarily involving commercial disputes and claims, workers' compensation claims, and claims for personal injury under general maritime laws of the U.S. and the Jones Act. While the outcome of these legal proceedings cannot be predicted with certainty, we believe that the outcome of any such proceedings, even if determined adversely, would not have a material adverse effect on our financial position, results of operations or liquidity.

MPSV Litigation

On March 19, 2018, our subsidiary, Gulf Island Shipyards, LLC ("GIS"), received termination notices from its customer, Hornbeck Offshore Services, LLC ("Hornbeck"), of the contracts for the construction of two MPSVs. GIS disputed the purported terminations and disagreed with Hornbeck's reasons for such terminations. After receipt of such notices, GIS ceased all work and the partially completed vessels and associated equipment and materials remain in its possession in Houma, Louisiana. GIS continues to hold first priority security interests and possessory liens against the MPSVs securing the obligations GIS believes it is owed by Hornbeck under the construction contracts. In connection with such purported terminations, Hornbeck also made claims against the performance bonds issued by the Surety in connection with the construction of the vessels, for which the face amount of the bonds total $50.0 million ("Performance Bonds").

On October 2, 2018, GIS filed a lawsuit against Hornbeck to enforce its rights and remedies under the applicable construction contracts for the two MPSVs. The lawsuit was filed in the Twenty-Second Judicial District Court for the Parish of St. Tammany, State of Louisiana and is styled Gulf Island Shipyards, LLC v. Hornbeck Offshore Services, LLC, bearing docket number 2018-14861 ("MPSV Litigation"). Hornbeck responded to the lawsuit denying many of GIS's allegations and asserted a counterclaim against GIS seeking damages. GIS filed a response to the counterclaim denying all of Hornbeck's claims. Hornbeck subsequently amended its counterclaim to add claims against the Surety and additional claims against GIS.

Following previously disclosed developments in the litigation, on November 16, 2022, Hornbeck filed motions for partial summary judgment against GIS seeking the dismissal of GIS's claim that Hornbeck wrongfully terminated the vessel construction contracts. On January 31, 2023, the trial court granted Hornbeck's motions. GIS appealed such decision, and on March 2, 2023, the appellate court reversed the trial court's decision, thereby reinstating GIS's wrongful termination claim. As a result of the appellate court's ruling, the trial, previously scheduled to begin on March 6, 2023, was rescheduled to begin on October 16, 2023.

On April 3, 2023, Hornbeck filed a writ application with the Louisiana Supreme Court relating to such appellate court decision, and on April 19, 2023, GIS filed its opposition to Hornbeck's writ application, and on May 1, 2023, Hornbeck filed a reply to that opposition. A decision is pending from the Louisiana Supreme Court concerning whether it will exercise its discretion to review the appellate court's decision.

GIS continues to believe that Hornbeck wrongfully terminated the construction contracts and is liable to GIS for damages, including amounts due to GIS for unpaid work. However, Hornbeck is seeking damages against GIS based on Hornbeck's estimates of the cost to complete the vessels and its claims for lost profits (all of which are disputed by GIS) that together significantly exceed the face amount of the Performance Bonds. GIS believes that Hornbeck will only be entitled to recover damages if it is determined that Hornbeck rightfully terminated the construction contracts and if Hornbeck can prove it incurred damages. Further, GIS believes that Hornbeck is only entitled to recover damages for lost profits if GIS is found to have breached the construction contracts in bad faith and if the waiver of consequential damages that is included in the construction contracts is found to be ineffective. GIS also believes that Hornbeck has significantly overstated its damages, a belief that is supported by GIS and the Surety's expert evaluations.

Due to inherent uncertainties of litigation, there is a range of potential favorable or unfavorable outcomes with respect to the disputed claims, and the amount of GIS's potential recovery or loss, if any, or the timing of payment thereof, are uncertain. We can provide no assurances that GIS will not incur additional costs as it pursues its rights and remedies under the construction contracts and defends against Hornbeck's claims. An unfavorable outcome to GIS in the litigation could have a material adverse effect on our financial condition, results of operations and liquidity and would be accounted for as a reversal of previously recognized revenue with respect to the construction contracts to the extent of any loss.

At both March 31, 2023 and December 31, 2022, other noncurrent assets on our Balance Sheet included a net contract asset of $12.5 million, representing GIS's net receivable amount (after giving effect to purported liquidated damages of $11.2 million) at the time of Hornbeck's purported terminations of the construction contracts; however, an unfavorable outcome in the litigation could result in a loss from the write-off of such contract asset, or portions thereof.

Insurance

We maintain insurance coverage for various aspects of our business and operations. However, we may be exposed to future losses due to coverage limitations and our use of deductibles and self-insured retentions for our exposures related to property and equipment damage, builder's risk, third-party liability and workers' compensation and USL&H claims. We expect liabilities in excess of any deductibles and self-insured retentions to be covered by insurance; however, because we do not have an offset right, we have recorded a liability for estimated amounts in excess of our deductibles, and have recorded a corresponding asset related to estimated insurance recoveries, on our Balance Sheet. To the extent we are self-insured, reserves are recorded based upon our estimates, with input from legal and insurance advisors. Changes in assumptions, as well as changes in actual experience, could cause these estimates to change. See Note 2 for discussion of insurance deductibles incurred associated with damage caused by Hurricanes Ida.

Letters of Credit and Surety Bonds

We obtain letters of credit under our LC Facility or surety bonds from financial institutions to provide to our customers in order to secure advance payments or guarantee performance under our contracts, or in lieu of retention being withheld on our contracts. Letters of credit under our LC Facility are subject to cash securitization of the full amount of the outstanding letters of credit. In the event of non-performance under a contract, our cash securitization with respect to the letter of credit supporting such contract would become the property of Whitney Bank. With respect to surety bonds, including those relating to the construction contracts associated with our MPSV Litigation, payments by a Surety pursuant to a bond in the event of non-performance are subject to reimbursement to such Surety by us under a general indemnity agreement relating to such bond. Such indemnification obligations may include the face amount of the surety bond, or portions thereof, as well as other reimbursable items such as interest and certain investigative expenses and legal fees of the Surety. Such indemnification obligations would require us to use our cash, cash equivalents or short-term investments, and we may not have sufficient liquidity to satisfy such indemnification obligations. When a contract is complete, the contingent obligation terminates, and letters of credit or surety bonds are returned. See Note 3 for further discussion of our LC Facility and surety bonds.

Environmental Matters

Our operations are subject to extensive and changing U.S. federal, state and local laws and regulations, as well as the laws of other countries, that establish health and environmental quality standards. These standards, among others, relate to air and water pollutants and the management and disposal of hazardous substances and wastes. We are exposed to potential liability for personal injury or property damage caused by any release, spill, exposure or other accident involving such pollutants, substances or wastes. In connection with the historical operation of our facilities, including those associated with acquired operations, substances which currently are or might be considered hazardous were used or disposed of at some sites that will or may require us to make expenditures for remediation. We believe we are in compliance, in all material respects, with environmental laws and regulations and maintain insurance coverage to mitigate exposure to environmental liabilities. We do not believe any environmental matters will have a material adverse effect on our financial condition, results of operations or cash flow.

Leases

We maintain operating leases for our corporate office and certain operating facilities and equipment. See Note 1 for further discussion of our leases.

5. INCOME (LOSS) PER SHARE

The following table presents the computation of basic and diluted loss per share for the three months ended March 31, 2023 and 2022 (in thousands, except per share data):

	Three Months Ended March 31,	
	2023	2022
Net income (loss)	$ 641	$ (5,027)
Weighted average shares[(1)]	15,994	15,662
Basic and diluted income (loss) per share	$ 0.04	$ (0.32)

(1) The effect of approximately 365 thousand dilutive non-vested shares is not material to the calculation of diluted income per share for the three months ended March 31, 2023.

6. OPERATING SEGMENTS

We currently operate and manage our business through three operating divisions (“Services”, “Fabrication” and “Shipyard”) and one non-operating division (“Corporate”), which represent our reportable segments. Our three operating divisions and Corporate Division are discussed below:

Services Division – Our Services Division provides maintenance, repair, construction, scaffolding, coatings, welding enclosures and other specialty services on offshore platforms and inland structures and at industrial facilities; provides services required to connect production equipment and service modules and equipment on offshore platforms; provides project management and commissioning services; provides industrial staffing services; and performs municipal and drainage projects, including pump stations, levee reinforcement, bulkheads and other public works. Our services activities are managed from our various Facilities and include the results of the DSS Acquisition. See Note 1 for further discussion of the DSS Acquisition.

Fabrication Division – Our Fabrication Division fabricates modules, skids and piping systems for onshore refining, petrochemical, LNG and industrial facilities and offshore facilities; fabricates foundations, secondary steel components and support structures for alternative energy developments and coastal mooring facilities; fabricates offshore production platforms and associated structures, including jacket foundations, piles and topsides for fixed production and utility platforms, as well as hulls and topsides for floating production and utility platforms; and fabricates other complex steel structures and components. Our fabrication activities are performed at our Houma Facilities.

Shipyard Division – Our Shipyard Division previously fabricated newbuild marine vessels and provided marine repair and maintenance services. However, on April 19, 2021, we sold our Shipyard Division operating assets and certain construction contracts ("Shipyard Transaction"). The Shipyard Transaction excluded the contracts and related obligations for our seventy-vehicle ferry and two forty-vehicle ferry projects ("Active Retained Shipyard Contracts") that were under construction as of the transaction date and excluded the contracts and related obligations for the projects that are subject to our MPSV Litigation. The Active Retained Shipyard Contracts are being completed at our Houma Facilities and we intend to wind down our Shipyard Division operations (which exclude the projects subject to our MPSV Litigation) by the second quarter 2023 (subject to the potential schedule impacts further discussed in Note 2). At March 31, 2023 and December 31, 2022, the net operating liabilities on our Balance Sheet associated with our Shipyard Division operations totaled $3.9 million and $2.7 million, respectively. See Note 1 for further discussion of the Shipyard Transaction and Note 4 for further discussion of our MPSV Litigation.

Corporate Division and Allocations – Our Corporate Division includes costs that do not directly relate to our operating divisions. Such costs include, but are not limited to, costs of maintaining our corporate office, executive management salaries and incentives, board of directors' fees, certain insurance costs and costs associated with overall corporate governance and reporting requirements for a publicly traded company. Shared resources and costs that benefit more than one operating division are allocated amongst the operating divisions based on each operating division's estimated share of the benefit received. Such costs include, but are not limited to, human resources, insurance, information technology, accounting, business development and certain division leadership.

Segment Results – We generally evaluate the performance of, and allocate resources to, our divisions based upon gross profit or loss and operating income or loss. Segment assets are comprised of all assets attributable to each division. Intersegment revenues are priced at the estimated fair value of work performed. Summarized financial information for our segments as of March 31, 2023 and 2022, and for the three months ended March 31, 2023 and 2022, is as follows (in thousands):

	Three Months Ended March 31, 2023				
	Services	**Fabrication**	**Shipyard**	**Corporate**	**Consolidated**
Revenue	$ 21,587	$ 39,662	$ 1,347	$ (428)	$ 62,168
Gross profit (loss)	2,987	2,462	(415)	—	5,034
Operating income (loss)	2,341	2,244	(2,203)	(2,054)	328
Depreciation and amortization expense	442	822	—	69	1,333
Capital expenditures	264	213	—	10	487
Total assets(1)	29,404	55,801	14,634	49,211	149,050

	Three Months Ended March 31, 2022				
	Services	**Fabrication**	**Shipyard**	**Corporate**	**Consolidated**
Revenue	$ 20,664	$ 5,617	$ 2,497	$ (92)	$ 28,686
Gross profit (loss)	1,928	(2,021)	(327)	—	(420)
Operating income (loss)	1,187	(2,933)	(1,188)	(2,048)	(4,982)
Depreciation and amortization expense	360	816	—	75	1,251
Capital expenditures	318	122	—	—	440
Total assets(1)	29,939	35,121	16,459	48,686	130,205

(1) Cash and short-term investments are reported within our Corporate Division.

7. SUBSEQUENT EVENTS

On May 5, 2023, we amended our LC Facility. See Note 3 for further discussion of the amendment.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following *"Management's Discussion and Analysis of Financial Condition and Results of Operations"* is provided to assist readers in understanding our financial performance during the periods presented and significant trends that may impact our future performance. This discussion should be read in conjunction with our Financial Statements and the related notes thereto. References to "Notes" relate to the Notes to our Financial Statements in Item 1. Certain terms are defined in the *"Glossary of Terms"* beginning on page ii.

Cautionary Statement on Forward-Looking Information

This Report contains forward-looking statements in which we discuss our potential future performance. Forward-looking statements, within the meaning of the safe harbor provisions of the U.S. Private Securities Litigation Reform Act of 1995, are all statements other than statements of historical facts, such as projections or expectations relating to timing of delivery of vessels related to the Active Retained Shipyard Contracts and subsequent wind down of our Shipyard Division operations; expected exposure in the event of an adverse outcome in the MPSV Litigation; diversification and entry into new end markets; improvement of risk profile; industry outlook; oil and gas prices; timing of investment decisions and new project awards; cash flows and cash balance; capital expenditures; liquidity; and tax rates. The words "anticipates," "may," "can," "plans," "believes," "estimates," "expects," "projects," "targets," "intends," "likely," "will," "should," "to be," "potential" and any similar expressions are intended to identify those assertions as forward-looking statements.

We caution readers that forward-looking statements are not guarantees of future performance and actual results may differ materially from those anticipated, projected or assumed in the forward-looking statements. Important factors that can cause our actual results to differ materially from those anticipated in the forward-looking statements include: supply chain disruptions (including global shipping and logistics challenges), inflationary pressures, economic slowdowns and recessions, banking industry disruptions, natural disasters, public health crises (such as COVID-19), labor costs and geopolitical conflicts (such as the conflict in Ukraine), and the related volatility in oil and gas prices and other factors impacting the global economy; the cyclical nature of the oil and gas industry; outcome of the MPSV Litigation and our ability to resolve any other material legal proceedings; competition; reliance on significant customers; competitive pricing and cost overruns on our projects; performance of subcontractors and dependence on suppliers; timing and our ability to secure and commence execution of new project awards, including fabrication projects for refining, petrochemical, LNG, industrial and sustainable energy end markets, and the resumption of our suspended offshore jackets project; our ability to maintain and further improve project execution; nature of our contract terms and customer adherence to such terms; suspension or termination of projects; changes in contract estimates; customer or subcontractor disputes; operating dangers, weather events and limits on insurance coverage; the operability and adequacy of our major equipment; the final assessment of damage at our Houma Facilities and the related recovery of any insurance proceeds; our ability to raise additional capital; our ability to amend or obtain new debt financing or credit facilities on favorable terms; our ability to generate sufficient cash flow; our ability to obtain letters of credit or surety bonds and ability to meet any indemnification obligations thereunder; consolidation of our customers; financial ability and credit worthiness of our customers; adjustments to previously reported profits or losses under the percentage-of-completion method; our ability to employ a skilled workforce; loss of key personnel; utilization of facilities or closure or consolidation of facilities; failure of our safety assurance program; barriers to entry into new lines of business; weather impacts to operations; any future asset impairments; changes in trade policies of the U.S. and other countries; compliance with regulatory and environmental laws; lack of navigability of canals and rivers; systems and information technology interruption or failure and data security breaches; performance of partners in any future joint ventures and other strategic alliances; shareholder activism; focus on environmental, social and governance factors by institutional investors and regulators; and other factors described under "Risk Factors" in Part I, Item 1A of our 2022 Annual Report and as may be further updated by subsequent filings with the SEC.

Additional factors or risks that we currently deem immaterial, that are not presently known to us or that arise in the future could also cause our actual results to differ materially from our expected results. Given these uncertainties, investors are cautioned that many of the assumptions upon which our forward-looking statements are based are likely to change after the date the forward-looking statements are made, which we cannot control. Further, we may make changes to our business plans that could affect our results. We caution investors that we undertake no obligation to publicly update or revise any forward-looking statements, which speak only as of the date made, for any reason, whether as a result of new information, future events or developments, changed circumstances, or otherwise, and notwithstanding any changes in our assumptions, changes in business plans, actual experience or other changes.

Overview

We are a leading fabricator of complex steel structures and modules and provider of specialty services, including project management, hookup, commissioning, repair, maintenance, scaffolding, coatings, welding enclosures, civil construction and staffing services to the industrial and energy sectors. Our customers include U.S. and, to a lesser extent, international energy producers; refining, petrochemical, LNG, industrial and power operators; and EPC companies. We currently operate and manage our business through three operating divisions ("Services", "Fabrication" and "Shipyard") and one non-operating division ("Corporate"), which represent our reportable segments. Our corporate headquarters is located in The Woodlands, Texas, and our primary operating facilities are located in Houma, Louisiana ("Houma Facilities"). See Note 6 for further discussion of our reportable segments.

On April 19, 2021, we sold our Shipyard Division operating assets and certain construction contracts ("Shipyard Transaction") and intend to wind down our remaining Shipyard Division operations (which exclude the projects that are subject to our MPSV Litigation) by the second quarter 2023 (subject to the potential schedule impacts discussed in Note 2). See Note 1 for further discussion of the Shipyard Transaction and Note 4 for discussion of our MPSV Litigation.

On December 1, 2021, we acquired a services and industrial staffing business ("DSS Acquisition,") which increased our skilled workforce, further diversified our customer base and expanded our service offerings for our Services Division. See Note 1 for further discussion of the DSS Acquisition.

Impacts of Oil and Gas Price Volatility and Macroeconomic Conditions on Operations

Since 2008, the prices of oil and gas have experienced significant volatility, including depressed prices over extended periods, resulting in reductions in capital spending and drilling activities from our traditional offshore oil and gas customer base. Consequently, our operating results and cash flows were negatively impacted as we experienced reductions in revenue, lower margins due to competitive pricing and under-utilization of our operating facilities and resources. Beginning in 2020, the global coronavirus pandemic ("COVID-19") added another layer of pressure and uncertainty on oil and gas prices (with oil prices reaching a twenty-year low and gas prices reaching a four-year low), which further negatively impacted certain of our end markets during the first quarter 2022. This volatility in oil and gas prices was compounded by Russia's invasion of Ukraine in February 2022 (and the related European energy crisis), and the U.S. and other countries actions in response (with oil prices reaching an eight-year high and gas prices reaching a fourteen-year high), which positively impacted certain of our end markets. While oil and gas prices have somewhat stabilized, the duration of such stability is uncertain and difficult to predict.

In addition, global economic factors that are beyond our control, have and could continue to impact our operations, including, but are not limited to, supply chain disruptions (including global shipping and logistics challenges that began in 2020), inflationary pressures, economic slowdowns and recessions, bank failures, natural disasters, public health crises (such as COVID-19), and geopolitical conflicts (such as the conflict in Ukraine).

The ultimate business and financial impacts of oil and gas price volatility and macroeconomic conditions on our business and results of operations continues to be uncertain, but the impacts have included, or may continue to include, among other things, reduced bidding activity; suspension or termination of backlog; deterioration of customer financial condition; and unanticipated project costs and schedule delays due to supply chain disruptions, labor and material price increases, lower labor productivity, increased employee and contractor absenteeism and turnover, craft labor hiring challenges, increased safety incidents, lack of performance by subcontractors and suppliers, and contract disputes. We continue to monitor the impacts of oil and gas price volatility and macroeconomic conditions on our operations, and our estimates in future periods will be revised for any events and changes in circumstances arising after the date of this Report. See Note 1 for further discussion of the impacts of oil and gas price volatility and macroeconomic conditions and Note 2 for further discussion of the impacts of the aforementioned on our projects. See also *"Risk Factors"* in Part I, Item 1A of our 2022 Annual Report.

Other Impacts to Operations

Hurricane Ida – On August 29, 2021, Hurricane Ida made landfall near Houma, Louisiana as a high-end Category 4 hurricane, with high winds and heavy rains causing damage to buildings and equipment at our Houma Facilities and resulting in significant debris throughout the facility. See Note 2 for further discussion of the impacts of Hurricane Ida.

Ferry Projects – We have experienced construction challenges and previous cost increases on our seventy-vehicle ferry project and two forty-vehicle ferry projects. See Note 2 for further discussion of our project impacts.

Initiatives to Improve Operating Results and Generate Stable, Profitable Growth

We previously outlined a strategy to address our operational, market and economic challenges and position the Company to generate stable, profitable growth. Underpinning the first phase of our strategic transformation was a focus on the following initiatives:

- Mitigate the impacts of COVID-19 on our operations and workforce;
- Reduce our risk profile;
- Preserve and improve our liquidity;
- Improve our resource utilization and centralize key project resources;
- Improve our competitiveness and project execution; and
- Reduce our reliance on the offshore oil and gas construction sector and pursue new growth end markets, including:
  - Fabricating modules, piping systems and other structures for onshore refining, petrochemical, LNG and industrial facilities in our core Gulf Coast region, and
  - Fabricating foundations, secondary steel components and support structures for offshore wind developments.

With the significant progress achieved on these objectives, we have shifted our focus to the next phase of our strategic transformation, which is focused on generating stable, profitable growth. Underpinning this strategy is a focus on the following initiatives:

- Expand our skilled workforce;
- Further strengthen project execution and maintain bidding discipline;
- Diversify our offshore services customer base, increase our offshore services offerings and expand our services business to include onshore facilities along the Gulf Coast;
- Continue to pursue opportunities in our traditional offshore fabrication markets; and
- Pursue additional growth end markets and increase our T&M versus fixed price revenue mix, including:
  - Fabricating structures in support of our customers as they transition away from fossil fuels to green energy end markets, and
  - Fabricating structures that support commercial construction activities outside of energy end markets.

Progress on our Strategic Transformation Initiatives

Efforts to mitigate the impacts of COVID-19 on our operations and workforce – We continue to take actions to mitigate the impacts of COVID-19 on our operations and maintain a safe work environment for our workforce, including maintaining protocols for handling employees who have tested positive for COVID-19 or have come in contact with individuals that have tested positive for COVID-19. In addition, we have protocols for employees to return to work that test positive for COVID-19, including requiring a negative COVID-19 antigen test prior to returning to work.

Efforts to reduce our risk profile – The completion of the Shipyard Transaction improved our risk profile by removing potential future risks associated with certain construction contracts that represented approximately 90% of our backlog with durations that extended through 2024. We are completing construction of the Active Retained Shipyard Contracts within our Houma Facilities and are winding down our Shipyard Division operations, which is currently anticipated to occur by the second quarter 2023 (subject to the potential schedule impacts further discussed in Note 2). The wind down of our Shipyard Division operations does not include our contracts and related obligations for the projects that are subject to our MPSV Litigation. See Note 1 for further discussion of the Shipyard Transaction and Note 4 for further discussion of our MPSV Litigation.

Efforts to preserve and improve our liquidity – We continue to take actions to preserve and improve our liquidity, including cost reduction initiatives, monetization of under-utilized assets and facilities, and an ongoing focus on project cash flow management. In addition, as a result of the Shipyard Transaction and anticipated wind down of our Shipyard Division operations (which exclude the projects that are subject to our MPSV Litigation), our bonding, letters of credit and working capital requirements for our remaining Shipyard Division operations were significantly reduced. See Note 1 for further discussion of the Shipyard Transaction, Note 3 for further discussion of our outstanding bonds and letters of credit and Note 4 for further discussion of our MPSV Litigation.

Efforts to improve our resource utilization and centralize key project resources – We have improved our resource utilization and centralized key project resources through the rationalization and integration of our facilities and operations.

- *Consolidation of our fabrication activities* – In the first quarter 2022, we combined all of our fabrication activities within our Fabrication Division to improve utilization and operational efficiency.
- *Sublease and lease termination of previously closed facilities* – In the first quarter 2022, we entered into a sublease arrangement for a previously closed leased facility associated with our Shipyard Division operations that will recover our lease costs for the facility for the duration of our lease. In the third quarter 2022, we also terminated a lease for a previously closed facility associated with our Shipyard Division operations that eliminated our future lease obligations for the facility.
- *Completion of Shipyard Transaction and anticipated wind down of our Shipyard Division operations* – In the second quarter 2021, we completed the Shipyard Transaction and intend to wind down our Shipyard Division operations upon completion of the Active Retained Shipyard Contracts (which exclude the projects that are subject to our MPSV Litigation), which is currently anticipated to occur by the second quarter 2023 (subject to the potential schedule impacts further discussed in Note 2). The Shipyard Transaction and wind down of our Shipyard Division operations is expected to reduce overhead costs, improve utilization and enable senior management to focus on existing and new higher-margin markets associated with our other operating divisions. See Note 1 for further discussion of the Shipyard Transaction and Note 4 for further discussion of our MPSV Litigation.
- *Sale of assets* – In the third quarter 2022, we sold (for $1.9 million, net of transaction and other costs) a purchase option entered into in connection with the DSS Acquisition that provided us with a right to buy a leased fabrication and operating facility for a nominal amount. Further, the fabrication activities previously performed at the facility were moved to our Houma Facilities to improve utilization and operational efficiency. In addition, we entered into a separate lease arrangement for a smaller and more cost-effective office and warehouse facility to accommodate our services activities performed at the previous facility. See *"Overview"* above and Note 1 for further discussion of the DSS Acquisition.
- *Sublease of our corporate office* – In the third quarter 2022, we entered into a sublease arrangement with a third-party for the remainder of our corporate office, which will partially recover our lease costs for the office for the duration of our lease. In addition, we entered into a separate lease arrangement for a smaller and more cost-effective office to accommodate our corporate activities.

Efforts to improve our competitiveness, project execution and bidding discipline – We have taken, and continue to take, actions to improve our competitiveness and project execution by enhancing our proposal, estimating and operations resources, processes and procedures. Our actions include strategic changes in management and key personnel, the addition of functional expertise, project management training, development of a formal "lessons learned" program, and other measures designed to strengthen our personnel, processes and procedures. Further, we are taking a disciplined approach to pursuing and bidding project opportunities, putting more rigor around our bid estimates to provide greater confidence that our estimates are achievable, increasing accountability and providing incentives for the execution of projects in line with our original estimates and subsequent forecasts, and incorporating previous experience into the bidding and execution of future projects. Additionally, we are focused on managing the risks associated with long-term fixed price contracts given the unpredictability of labor availability and labor and material costs, with a priority on increasing the mix of T&M contracts in our backlog.

Efforts to expand our skilled workforce – We are focused on ways to improve retention and enhance and add to our skilled, craft personnel, as we believe a strong workforce will be a key differentiator in pursuing new project awards given the scarcity of available skilled labor. The DSS Acquisition in the fourth quarter 2021 nearly doubled our skilled workforce and expanded our geographic footprint for skilled labor, which we believe will contribute to the retention and recruitment of personnel. We have successfully maintained our headcount levels for our Services Division and have opportunistically looked to shift our workforce to higher margin opportunities given the industry-wide labor constraints. See *"Overview"* above and Note 1 for further discussion of the DSS Acquisition.

Efforts to diversify our offshore services customer base, increase our offshore services offerings and expand our services business to include onshore facilities along the Gulf Coast – We believe diversifying and expanding our services business will deliver a more stable revenue stream while providing underpinning work to recruit, develop and retain our craft professionals. The DSS Acquisition in the fourth quarter 2021 accelerated our progress in this initiative and provides a stronger platform to continue such progress. Further, in the third quarter 2022, we made capital and other investments to expand our offshore services offering to include welding enclosures, which provides a safe environment for welding, cutting and burning without the need to shut down operations. We are also pursuing opportunities to partner with original equipment manufacturers to provide critical services to our customers along the Gulf Coast and strategic partnership opportunities with engineering companies to provide turnkey solutions. See *"Overview"* above and Note 1 for further discussion of the DSS Acquisition.

Efforts to pursue opportunities in our traditional offshore fabrication markets – We continue to fabricate structures associated with our traditional offshore markets, including subsea and associated structures. During the third quarter 2022, we were awarded a large contract for the fabrication of jacket foundations for an offshore project (which is currently suspended). See *"New Project Awards and Backlog"* below and Note 2 for further discussion of the suspension of our offshore jackets project.

Efforts to reduce our reliance on the offshore oil and gas construction sector, pursue new growth end markets and increase our T&M versus fixed price revenue mix – While we continue to pursue opportunities in our traditional offshore markets, we are pursuing initiatives to grow our business and diversify our revenue mix.

- *Fabricate onshore modules, piping systems and structures* – We continue to focus our business development efforts on the fabrication of modules, piping systems and other structures for onshore refining, petrochemical, LNG and industrial facilities. We are having success with smaller project opportunities and our volume of bidding activity for onshore modules, piping systems and structures continues to be strong. We continue to believe that our strategic location in Houma, Louisiana and track record of quality and on-time completion of onshore modules position us well to compete in the onshore fabrication market. We intend to remain disciplined in our pursuit of future large project opportunities to ensure we do not take unnecessary risks generally associated with the long-term, fixed-price nature of such projects. The timing of any future large project opportunities may be impacted by ongoing uncertainty created by oil and gas price volatility and macroeconomic conditions. See Note 1 for further discussion of the impacts of oil and gas price volatility and macroeconomic conditions. We continue to strengthen our relationships with key customers and strategic partners and enhance and rationalize our resources as discussed above.
- *Fabricate offshore wind foundations, secondary steel components and support structures* – We continue to believe that current initiatives, and potential future requirements, to provide electricity from renewable and green sources will result in growth of offshore wind projects. Furthermore, we believe that we possess the expertise to fabricate foundations, secondary steel components and support structures for this emerging market. This is demonstrated by our fabrication of wind turbine foundations for the first offshore wind project in the U.S. and the fabrication of a meteorological tower and platform for an offshore wind project. While we believe we have the capability to participate in this emerging market, we do not expect meaningful opportunities in the near-term.
- *Fabricate structures in support of our customers as they transition away from fossil fuels to green energy end markets* – We believe that our expertise and capabilities provide us with the necessary foundation to fabricate steel structures in support of our customers as they transition away from fossil fuels to green energy end markets. Examples of these opportunities include refiners who are looking to process biofuels, customers looking to embrace the growing hydrogen economy, and customers using carbon capture technologies to offset their carbon footprint.
- *Fabricate structures that support commercial construction activities outside of energy end markets* – We believe our expertise and capabilities for the fabrication of steel structures will enable us to successfully serve the commercial construction market. Examples of these opportunities include the fabrication of structures for data centers and semiconductor manufacturing sites.

Operating Outlook

Our focus remains on securing profitable new project awards and backlog and generating operating income and cash flows, while ensuring the safety and well-being of our workforce. Our success, including achieving the aforementioned initiatives, will be determined by, among other things:

- Our ability to hire, develop, motivate and retain key personnel and craft labor to execute our projects in light of industry-wide labor constraints, and maintain our expected project margins if such constraints result in labor cost increases that cannot be recovered from our customers;
- Oil and gas prices and the level of volatility in such prices, including the impact of macroeconomic conditions, geopolitical conflicts (such as the conflict in Ukraine and the related European energy crisis) and any current or future public health crises (such as COVID-19);
- The level of fabrication opportunities in our traditional offshore markets and the new markets that we are pursuing, including refining, petrochemical, LNG and industrial facilities, green energy and offshore wind developments, and the impact of any climate related regulations;
- The outcome of our MPSV Litigation, for which an unfavorable outcome could have a material adverse effect on our financial condition, results of operations and liquidity. See Note 4 for further discussion of our MPSV Litigation;
- The timing of recognition of our backlog as revenue, including the impact of the customer directed suspension of our offshore jackets project. See Note 2 and *"New Project Awards and Backlog"* below for further discussion of the suspension of our offshore jackets project;
- Our ability to secure new project awards through competitive bidding and/or alliance and partnering arrangements;
- Our ability to execute projects within our cost estimates and successfully manage them through completion (including the Active Retained Shipyard Contracts);
- The successful wind down of our Shipyard Division operations;
- Consideration of organic and inorganic opportunities for growth, including, but not limited to, acquisitions, mergers, joint ventures, partnerships and other strategic arrangements, transactions and capital allocations;
- The operability and adequacy of our major equipment; and
- The successful restoration of our Houma Facilities within our insurance coverage amounts, resulting from damage previously caused by Hurricane Ida.

In addition, the near-term utilization of our Fabrication Division will be impacted by the timing of new project awards and their execution, and the suspension of our offshore jackets project, and our operations may continue to be impacted by inefficiencies and disruptions associated with employee turnover, craft labor hiring challenges, engineering delays, and supplier and subcontractor disruptions. Our results may also be adversely affected by (i) costs associated with the retention of certain personnel that may be temporarily under-utilized as we evaluate our resource requirements to support our future operations, (ii) investments in key personnel and process improvement efforts to support our aforementioned initiatives, and (iii) higher costs and availability of craft labor due to industry labor constraints. See Note 1 for further discussion of the impacts of oil and gas price volatility and macroeconomic conditions, *"Results of Operations"* below and Note 2 for further discussion of our project impacts, and *"New Project Awards and Backlog"* below and Note 2 for further discussion of the project suspension.

Critical Accounting Policies

For a discussion of critical accounting policies and estimates used in the preparation of our Financial Statements, refer to "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" in Part II, Item 7 included in our 2022 Annual Report. There have been no changes to our critical accounting policies and estimates since December 31, 2022.

New Project Awards and Backlog

New project awards represent expected revenue values of commitments received during a given period, including scope growth on existing commitments. A commitment represents authorization from our customer to begin work or purchase materials pursuant to a written agreement, letter of intent or other form of authorization. Backlog represents the unrecognized revenue for our new project awards and at March 31, 2023, was consistent with the value of remaining performance obligations for our contracts required to be disclosed under Topic 606 and presented in Note 2. In general, a performance obligation is a contractual obligation to construct and/or transfer a distinct good or service to a customer. The transaction price of a contract is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. We believe that backlog, a non-GAAP financial measure, provides useful information to investors as it represents work that we are obligated to perform under our current contracts. New project awards and backlog may vary significantly each reporting period based on the timing of our major new contract commitments.

Projects in our backlog are generally subject to delay, suspension, termination, or an increase or decrease in scope at the option of the customer; however, the customer is required to pay us for work performed and materials purchased through the date of termination, suspension, or decrease in scope. Depending on the size of the project, the delay, suspension, termination or increase or decrease in scope of any one contract could significantly impact our backlog and change the expected amount and timing of revenue recognized. New project awards by operating segment for the three months ended March 31, 2023 and 2022, are as follows (in thousands):

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Services	$ 21,472	$ 19,402
Fabrication	16,706	8,296
Shipyard	(122)	—
Eliminations	(428)	(92)
Total	$ 37,628	$ 27,606

Backlog by Division at March 31, 2023 and December 31, 2022, is as follows (in thousands):

	March 31, 2023		December 31, 2022	
	Amount	Labor Hours	Amount	Labor Hours
Services	$ 1,207	18	$ 1,322	20
Fabrication	87,331	588	110,287	613
Shipyard	1,803	9	3,272	22
Total[(1),(2)]	$ 90,341	615	$ 114,881	655

(1) We expect to recognize revenue of $14.4 million during the remainder of 2023 associated with our backlog at March 31, 2023 based on our current estimates. Such estimates exclude potential revenue of $75.9 million associated with our backlog for our offshore jackets project given the uncertainty with respect to when such amounts will be recognized, if at all (discussed further below). Certain factors and circumstances, including the suspension, could result in changes in the timing of recognition of our backlog as revenue and the amounts ultimately recognized.

(2) At March 31, 2023, our significant projects in backlog included the following:

(i) Construction of a forty-vehicle ferry for our Shipyard Division that is being performed primarily on a fixed-price basis. We estimate completion of the vessel in the second quarter 2023, subject to the potential schedule impacts discussed in Note 2;

(ii) Construction of a seventy-vehicle ferry for our Shipyard Division that is being performed primarily on a fixed-price basis. We estimate completion of the vessel in the second quarter 2023, subject to the potential schedule impacts discussed in Note 2; and

(iii) Fabrication of jacket foundations for an offshore project for our Fabrication Division that is being performed primarily on a T&M and cost-reimbursable basis. In February 2023, we received direction from our customer to suspend all activities on the project. No duration of the suspension or timing of potential recommencement of the project has been provided. The estimated completion of the structures will be impacted by the timing of recommencement of project activities and the start of fabrication, if at all, the ultimate scope of the project, and the duration of the project, which may be impacted by, among other things, the status of engineering and size of the structures, timing and availability of materials, and availability and productivity of labor. See Note 2 for further discussion of the project suspension.

Results of Operations

Comparison of the Three Months Ended March 31, 2023 and 2022 (in thousands in each table, except for percentages):

Consolidated

	Three Months Ended March 31,		Favorable (Unfavorable)
	2023	2022	Change
New project awards	$ 37,628	$ 27,606	$ 10,022
Revenue	$ 62,168	$ 28,686	$ 33,482
Cost of revenue	57,134	29,106	(28,028)
Gross profit (loss)	5,034	(420)	5,454
Gross profit (loss) percentage	*8.1%*	*(1.5)%*	
General and administrative expense	5,067	4,110	(957)
Other (income) expense, net	(361)	452	813
Operating income (loss)	328	(4,982)	5,310
Interest (expense) income, net	320	(40)	360
Income (loss) before income taxes	648	(5,022)	5,670
Income tax (expense) benefit	(7)	(5)	(2)
Net income (loss)	$ 641	$ (5,027)	$ 5,668

References below to 2023 and 2022 refer to the three months ended March 31, 2023 and 2022, respectively.

New project awards – New project awards for 2023 and 2022 were $37.6 million and $27.6 million, respectively. New project awards for 2023 and 2022 were primarily related to:

- Small-scale fabrication work for our Fabrication Division, and
- Offshore services work for our Services Division.

Revenue – Revenue for 2023 and 2022 was $62.2 million and $28.7 million, respectively, representing an increase of 116.7%. The increase was primarily due to:

- Higher revenue for our Services Division of $0.9 million, primarily attributable to incremental revenue associated with our welding enclosures business line (commenced in the third quarter 2022), and
- Higher revenue for our Fabrication Division of $34.0 million, primarily attributable to:
  - Revenue for our offshore jackets project prior to its suspension (primarily related to procurement activities), and
  - Increased small-scale fabrication project activity, offset partially by,
- Lower revenue for our Shipyard Division of $1.2 million, primarily attributable to our seventy-vehicle and two forty-vehicle ferry projects, which are nearing completion.

Gross profit (loss) – Gross profit for 2023 was $5.0 million (8.1% of revenue) and gross loss for 2022 was $0.4 million (1.5% of revenue), respectively. Gross profit for 2023 was primarily impacted by:

- A strong market and demand for the services provided by our Services Division, offset partially by,
- Low margin associated with procurement activities for our offshore jackets project (prior to its suspension) for our Fabrication Division,
- The partial under-recovery of overhead costs due to the under-utilization of our facilities and resources for our Fabrication Division, and
- Holding costs of $0.2 million related to the two MPSVs that remain in our possession and are subject to our MPSV Litigation for our Shipyard Division.

The gross profit for 2023 relative to the gross loss for 2022 was primarily due to:

- Higher revenue for our Fabrication Division and Services Division,
- A higher margin mix relative to 2022 for our Services Division, and
- A decrease in the under-recovery of overhead costs for our Fabrication Division, offset partially by,
- A lower margin mix relative to 2022 for our Fabrication Division.

See *"Operating Segments"* below and Note 2 for further discussion of our project impacts.

General and administrative expense – General and administrative expense for 2023 and 2022 was $5.1 million and $4.1 million, respectively, representing an increase of 23.3%. The increase was primarily due to higher legal and advisory fees associated with our MPSV Litigation for our Shipyard Division.

General and administrative expense included legal and advisory fees of $1.7 million and $0.7 million for 2023 and 2022, respectively, associated with our MPSV Litigation, which are reflected within our Shipyard Division. See Note 4 for further discussion of our MPSV Litigation.

Other (income) expense, net – Other (income) expense, net for 2023 and 2022 was income of $0.4 million and expense of $0.5 million, respectively. Other (income) expense, net generally represents recoveries or provisions for bad debts, gains or losses associated with the sale or disposition of property and equipment, and income or expense associated with certain nonrecurring items. Other income for 2023 and expense for 2022 was primarily due to gains of $0.2 million and charges of $0.3 million, respectively, related to the net impact of insurance recoveries and costs associated with damage previously caused by Hurricane Ida to buildings and equipment at our Houma Facilities for our Fabrication Division. See Note 2 for further discussion of the impacts of Hurricanes Ida.

Interest (expense) income, net – Interest (expense) income, net for 2023 and 2022 was income of $0.3 million and expense of less than $0.1 million, respectively. Interest (expense) income, net for both periods included the net impact of interest earned on our cash and short-term investment balances and interest incurred on the unused portion of our LC Facility and on our Insurance Finance Arrangements. The income for 2023 relative to expense for 2022 was primarily due to higher interest earned on our cash and short-term investment balances for the 2023 period.

Income tax (expense) benefit – Income tax (expense) benefit for 2023 and 2022 represents state income taxes. No federal income tax expense was recorded for our income for 2023 as it was fully offset by the reversal of valuation allowance on our net deferred tax assets, and no federal income tax benefit was recorded for our losses for 2022 as a full valuation allowance was recorded against our net deferred tax assets generated during the period.

Operating Segments

Services Division

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022	Favorable (Unfavorable) Change
New project awards	$ 21,472	$ 19,402	$ 2,070
Revenue	$ 21,587	$ 20,664	$ 923
Gross profit	2,987	1,928	1,059
Gross profit percentage	*13.8%*	*9.3%*	
General and administrative expense	710	729	19
Other (income) expense, net	(64)	12	76
Operating income	2,341	1,187	1,154

References below to 2023 and 2022 refer to the three months ended March 31, 2023 and 2022, respectively.

New project awards – New project awards for 2023 and 2022 were $21.5 million and $19.4 million, respectively, and were primarily related to offshore services work, with the increase due to incremental new project awards associated with our welding enclosures business line (commenced in the third quarter 2022).

Revenue – Revenue for 2023 and 2022 was $21.6 million and $20.7 million, respectively, representing an increase of 4.5%. The increase was primarily due to incremental revenue associated with our welding enclosures business line (commenced in the third quarter 2022).

Gross profit – Gross profit for 2023 and 2022 was $3.0 million (13.8% of revenue) and $1.9 million (9.3% of revenue), respectively. The increase in gross profit for 2023 relative to 2022 was primarily due to:

- Higher revenue, and
- A higher margin mix relative to 2022 (including the benefit of our welding enclosures business line).

General and administrative expense – General and administrative expense for 2023 and 2022 was $0.7 million and $0.7 million, respectively, representing a decrease of 2.6%.

Fabrication Division

	Three Months Ended March 31,		Favorable (Unfavorable)
	2023	2022	Change
New project awards	$ 16,706	$ 8,296	$ 8,410
Revenue	$ 39,662	$ 5,617	$ 34,045
Gross profit (loss)	2,462	(2,021)	4,483
Gross profit (loss) percentage	*6.2 %*	*(36.0)%*	
General and administrative expense	520	625	105
Other (income) expense, net	(302)	287	589
Operating income (loss)	2,244	(2,933)	5,177

References below to 2023 and 2022 refer to the three months ended March 31, 2023 and 2022, respectively.

New project awards – New project awards for 2023 and 2022 were $16.7 million and $8.3 million, respectively, and were primarily related to small-scale fabrication work.

Revenue – Revenue for 2023 and 2022 was $39.7 million and $5.6 million, respectively, representing an increase of 606.1%. The increase was primarily due to:

- Revenue for our offshore jackets project prior to its suspension (primarily related to procurement activities), and
- Higher small-scale fabrication project activity.

Gross profit (loss) – Gross profit for 2023 was $2.5 million (6.2% of revenue) and gross loss for 2022 was $2.0 million (36.0% of revenue). Gross profit for 2023 was primarily impacted by:

- Low margin associated with procurement activities for our offshore jackets project prior to its suspension, and
- The partial under-recovery of overhead costs due to the under-utilization of our facilities and resources due to low work hours.

The gross profit for 2023 relative to the gross loss for 2022 was primarily due to:

- Higher revenue,
- A decrease in the under-recovery of overhead costs due an increase in work hours associated with our small-scale fabrication work and recoveries associated with our offshore jackets project prior to its suspension, offset partially by higher property and equipment insurance costs, and
- A lower margin mix relative to 2022 associated with our small-scale fabrication work.

The Fabrication Division utilization for 2023 and 2022 benefited by $0.1 million and $0.2 million, respectively, from providing resources and facilities to our Shipyard Division for our seventy-vehicle ferry and two forty-vehicle ferry projects. See Note 2 for further discussion of our project impacts.

General and administrative expense – General and administrative expense for 2023 and 2022 was $0.5 million and $0.6 million, respectively, representing a decrease of 16.8%. The decrease was primarily due to various cost savings.

Other (income) expense, net – Other (income) expense, net for 2023 and 2022 was income of $0.3 million and expense of $0.3 million, respectively. Other income for 2023 and expense for 2022 was primarily due to gains of $0.2 million and charges of $0.3 million, respectively, related to the net impact of insurance recoveries and costs associated with damage previously caused by Hurricane Ida to buildings and equipment at our Houma Facilities.

Shipyard Division

	Three Months Ended March 31,				Favorable (Unfavorable)	
	2023		2022		Change	
New project awards	$	(122)	$	—	$	(122)
Revenue	$	1,347	$	2,497	$	(1,150)
Gross loss		(415)		(327)		(88)
Gross loss percentage		*(30.8)%*		*(13.1)%*		
General and administrative expense		1,713		746		(967)
Other (income) expense, net		75		115		40
Operating loss		(2,203)		(1,188)		(1,015)

References below to 2023 and 2022 refer to the three months ended March 31, 2023 and 2022, respectively.

New project awards – New project awards for 2023 were negative $0.1 million and were due to liquidated damages for our seventy-vehicle ferry and forty-vehicle ferry projects.

Revenue – Revenue for 2023 and 2022 was $1.3 million and $2.5 million, respectively, representing a decrease of 46.1%. The decrease was primarily due to:

- Lower revenue for our forty-vehicle ferry project that was substantially completed in the fourth quarter 2022,
- Lower revenue for our remaining forty-vehicle ferry project, which is nearing completion, and
- Lower revenue for our seventy-vehicle ferry project, which is nearing completion.

Gross loss – Gross loss for 2023 and 2022 was $0.4 million (30.8% of revenue) and $0.3 million (13.1% of revenue), respectively. The gross loss for 2023 was primarily due to:

- Holding costs of $0.2 million related to the two MPSVs that remain in our possession and are subject to our MPSV Litigation, and
- The partial under-recovery of overhead costs due to the under-utilization of our resources due to low work hours as our remaining projects are nearing completion.

The increase in gross loss for 2023 relative to 2022 was primarily due to an increase in the under-recovery of overhead costs due to a decrease in work hours as our remaining projects are nearing completion. See Note 2 for discussion of the status of our ferry projects and Note 4 for further discussion of our MPSV Litigation.

General and administrative expense – General and administrative expense for 2023 and 2022 was $1.7 million and $0.7 million, respectively, representing an increase of 129.6%. General and administrative expense relates to legal and advisory fees associated with our MPSV Litigation. See Note 4 for further discussion of our MPSV Litigation.

Other (income) expense, net – Other (income) expense, net for 2023 and 2022 was expense of $0.1 million and $0.1 million, respectively.

Corporate Division

	Three Months Ended March 31,				Favorable (Unfavorable)	
	2023		2022		Change	
New project awards (eliminations)	$	(428)	$	(92)	$	(336)
Revenue (eliminations)	$	(428)	$	(92)	$	(336)
Gross profit		—		—		—
General and administrative expense		2,124		2,010		(114)
Other (income) expense, net		(70)		38		108
Operating loss		(2,054)		(2,048)		(6)

References below to 2023 and 2022 refer to the three months ended March 31, 2023 and 2022, respectively.

General and administrative expense – General and administrative expense for 2023 and 2022 was $2.1 million and $2.1 million, respectively, representing an increase of 5.7%.

Liquidity and Capital Resources

Available Liquidity

Our primary sources of liquidity are our cash, cash equivalents and scheduled maturities of our short-term investments. At March 31, 2023, our cash, cash equivalents, short-term investments and restricted cash totaled $44.7 million as follows (in thousands):

		March 31, 2023
Cash and cash equivalents	$	28,520
Short-term investments[1]		14,989
Available cash, cash equivalents and short-term investments		43,509
Restricted cash, current		1,197
Total cash, cash equivalents, restricted cash and short-term investments	$	44,706

(1) Includes U.S. Treasuries with original maturities of four months.

Our available liquidity is impacted by changes in our working capital and our capital expenditure requirements. Fluctuations in our working capital, and its components, are not unusual in our business and are impacted by the size of our projects and the mix of our backlog. Our working capital is particularly impacted by the timing of new project awards and related payments in advance of performing work, and the subsequent achievement of billing milestones or project progress on backlog. Working capital is also impacted at period-end by the timing of contract receivables collections and accounts payable payments on our projects.

At March 31, 2023, our working capital was $57.4 million and included $44.7 million of cash, cash equivalents, short-term investments and restricted cash. Excluding cash, cash equivalents, short-term investments and restricted cash, our working capital at March 31, 2023 was $12.7 million, and consisted of: net contract assets and contract liabilities of $1.2 million; contract receivables and retainage of $43.5 million; inventory, prepaid expenses and other current assets of $8.5 million; and accounts payable, accrued expenses and other current liabilities of $40.4 million. The components of our working capital (excluding cash, cash equivalents, short-term investments and restricted cash) at March 31, 2023 and December 31, 2022, and changes in such amounts during the three months ended March 31, 2023, were as follows (in thousands)*:*

		March 31, 2023		December 31, 2022		Change[4]
Contract assets	$	5,538	$	4,839	$	699
Contract liabilities[1]		(4,388)		(8,196)		3,808
Contracts in progress, net[2]		1,150		(3,357)		4,507
Contract receivables and retainage, net[3]		43,545		29,427		14,118
Prepaid expenses, inventory and other current assets		8,460		8,074		386
Accounts payable, accrued expenses and other current liabilities[3]		(40,443)		(22,593)		(17,850)
Total	$	12,712	$	11,551	$	1,161

(1) Contract liabilities at March 31, 2023 and December 31, 2022, includes accrued contract losses of $1.0 million and $1.6 million, respectively, associated primarily with the Active Retained Shipyard Contracts.

(2) Represents our cash position relative to revenue recognized on projects, with contract assets representing unbilled amounts that reflect future cash inflows on projects, and contract liabilities representing (i) advance payments that reflect future cash expenditures and non-cash earnings on projects and (ii) accrued contract losses that represent future cash expenditures on projects.

(3) Contract receivables and retainage, net and accounts payable at March 31, 2023, include $15.5 million and $12.1 million, respectively, related to our suspended offshore jackets project for our Fabrication Division. See *"New Project Awards and Backlog"* above and Note 2 for further discussion of the project suspension.

(4) Changes referenced in the *"Cash Flow Activity"* section below may differ from the changes in this table due to non-cash reclassifications and due to certain changes in balance sheet accounts being reflected within other line items on the Statement of Cash Flows, including bad debt expense, gains and losses on sales of fixed assets and other assets, and accruals for capital expenditures.

Cash Flow Activity *(in thousands)*

	Three Months Ended March 31,	
	2023	2022
Net cash provided by (used in) operating activities	$ 1,296	$ (11,351)
Net cash used in investing activities	(5,219)	(415)
Net cash used in financing activities	(1,184)	(59)

Operating Activities – Cash provided by operating activities for the three months ended March 31, 2023 was $1.3 million and cash used in operating activities for the three months ended March 31, 2022 was $11.4 million, and was primarily due to the net impacts of the following:

2023 Activity

- Net loss adjusted for depreciation and amortization of $1.3 million, gain on insurance recoveries of $0.2 million, gain on the sale of fixed assets of $0.1 million, and stock-based compensation expense of $0.5 million;
- Increase in contract assets of $0.7 million related to the timing of billings on projects, primarily due to increased unbilled positions on various projects for our Fabrication Division, offset partially by decreased unbilled positions for our forty-vehicle ferry projects for our Shipyard Division;
- Decrease in contract liabilities of $3.8 million, primarily due to a decrease in advance billings on our offshore jackets project (which has been suspended) for our Fabrication Division and accrued contract losses on our forty-vehicle ferry projects for our Shipyard Division;
- Increase in contract receivables and retainage of $14.5 million related to the timing of billings and collections on projects, primarily due to increased receivable positions on our offshore jackets project (which has been suspended) and various other projects for our Fabrication Division;
- Decrease in prepaid expenses, inventory and other assets of $0.1 million, primarily due to prepaid expenses and the associated timing of certain prepayments. The change differs from the table above primarily due to the Insurance Finance Arrangements discussed further in Note 3;
- Increase in accounts payable, accrued expenses and other current liabilities of $18.2 million, primarily due to the timing of payments and increased accounts payable positions on our offshore jackets project (which has been suspended) and various other projects for our Fabrication Division. The change differs from the table above primarily due to the Insurance Finance Arrangements discussed further in Note 3; and
- Change in noncurrent assets and liabilities, net of $0.2 million.

2022 Activity

- Operating loss adjusted for depreciation and amortization of $1.3 million and stock-based compensation expense of $0.6 million;
- Decrease in contract assets of $2.1 million related to the timing of billings on projects, primarily due to decreased unbilled positions on various projects for our Fabrication Division;
- Decrease in contract liabilities of $2.5 million, primarily due to a decrease in accrued contract losses and the unwind of advance payments on our forty-vehicle ferry projects for our Shipyard Division;
- Increase in contract receivables and retainage of $7.7 million related to the timing of billings and collections on projects, primarily due to increased receivable positions on various projects for our Services Division;
- Increase in prepaid expenses, inventory and other assets of $2.1 million, primarily due to prepaid expenses and the associated timing of certain prepayments and insurance receivables related to Hurricane Ida;
- Increase in accounts payable, accrued expenses and other current liabilities of $2.1 million, primarily due to the timing of payments and increased accounts payable positions on various projects for our Services Division and Fabrication Division; and
- Change in noncurrent assets and liabilities, net of $0.1 million.

Investing Activities – Cash used in investing activities for the three months ended March 31, 2023 and 2022 was $5.2 million and $0.4 million, respectively. Cash used in investing activities for 2023 was primarily due to net purchases of short-term investments of $5.1 million and capital expenditures of $0.5 million, offset partially by recoveries from insurance claims and proceeds from the sale of fixed assets. Cash used in investing activities for 2022 was primarily due to capital expenditures of $0.4 million.

Financing Activities – Cash used in financing activities for the three months ended March 31, 2023 and 2022 was $1.2 million and $0.1 million, respectively. Cash used in financing activities for 2023 was primarily due to payments on our Insurance Finance Arrangements of $1.0 million. See Note 3 for further discussion of our Insurance Finance Arrangements.

Credit Facilities

See Note 3 for discussion of our LC Facility, Surety Bonds, Insurance Finance Arrangements, Mortgage Agreement and Restrictive Covenant Agreement.

Registration Statement

We have a shelf registration statement that is effective with the SEC that expires on November 27, 2023. The shelf registration statement enables us to issue up to $200.0 million in either debt or equity securities, or a combination thereof, from time to time subsequent to the filing of a prospectus supplement, which among other things, identifies the underwriter, dealer or agent, specifies the number and value of securities that may be sold, and provides a time frame over which the securities may be offered.

Liquidity Outlook

We have made significant progress in our efforts to preserve and improve our liquidity, including cost reductions, the sale of under-utilized assets and facilities, an improved overall cash flow position on our projects in backlog and the completion of the Shipyard Transaction. The primary uses of our liquidity for the remainder of 2023 and the foreseeable future are to fund:

- Overhead costs associated with the under-utilization of our facilities and resources for our Fabrication Division until we secure and begin to execute sufficient backlog to fully recover our overhead costs;
- Capital expenditures, including expenditures to maintain, upgrade and replace aged equipment;
- Accrued contract losses for the Active Retained Shipyard Contracts;
- Working capital requirements for our projects, including the unwind of advance payments on projects and the payment of vendor obligations prior to receipt of payment from our customer for our suspended offshore jackets project. See *"New Project Awards and Backlog"* above and Note 2 for further discussion of the project suspension;
- Remaining liabilities of the Shipyard Division operations that were excluded from the Shipyard Transaction;
- Legal and other costs associated with our MPSV Litigation, including losses, if any, resulting from the ultimate resolution of the litigation. An unfavorable outcome could have a material adverse effect on our financial condition, results of operations and liquidity. In the event of an unfavorable outcome, we believe, after consultation with external legal counsel, that our ultimate exposure is unlikely to exceed our indemnification obligations under the Performance Bonds; however, we can provide no assurance that any such exposure will be limited to our indemnification obligations. See Note 4 for further discussion of our MPSV Litigation;
- Corporate administrative expenses (including the temporary under-utilization of personnel as we evaluate our resource requirements to support our future operations);
- Initiatives to diversify and enhance our business; and
- Costs associated with the impacts of Hurricane Ida, including insurance deductibles and uninsured losses, if any, as well as repair costs for buildings and equipment for which insurance payments have previously been received from our insurance carriers.

We anticipate capital expenditures of $3.5 million to $4.0 million for the remainder of 2023, excluding any future expenditures for deductibles and uninsured losses, if any, associated with damage caused by Hurricane Ida, that may be determined to be capital items. Further investments in facilities may be required to win and execute potential new project awards, which are not included in these estimates.

We believe that our cash, cash equivalents and short-term investments at March 31, 2023, will be sufficient to enable us to fund our operating expenses, meet our working capital and capital expenditure requirements, and satisfy any debt service obligations or other funding requirements, for at least twelve months from the date of this Report. Our evaluation of the sufficiency of our cash and liquidity is primarily based on our financial forecast for 2023 and 2024, which is impacted by our existing backlog and estimates of future new project awards and may be further impacted by the ongoing effects of oil and gas price volatility and macroeconomic conditions, as well as the outcome of our MPSV Litigation and any related indemnification obligations to the Surety. We can provide no assurances that our financial forecast will be achieved or that we will have sufficient cash and short-term investments to meet planned operating expenses and unforeseen cash requirements. Accordingly, we may be required to obtain new or additional credit facilities, sell additional assets or conduct equity or debt offerings at a time when it is not beneficial to do so.

Off-Balance Sheet Arrangements

We are not a party to any contract or other obligation not included on our Balance Sheet that has, or is reasonably likely to have, a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Item 4. Controls and Procedures.

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms, and that such information is communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this Report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that the design and operation of our disclosure controls and procedures were effective as of the end of the period covered by this Report.

During the first quarter 2023, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

See Note 4 of our Financial Statements in Part I, Item 1 for discussion of our legal proceedings, including our MPSV Litigation, which is incorporated herein by reference.

Item 1A. Risk Factors.

There have been no material changes from the information included under *“Risk Factors”* in Part I, Item 1A of our 2022 Annual Report.

Item 5. Other Information.

On May 5, 2023, we amended our LC Facility to reduce our letters of credit capacity from $20.0 million to $10.0 million, subject to our cash securitization of the letters of credit, and extend the maturity date to June 30, 2024. Commitment fees on the unused portion of the LC Facility are 0.4% per annum and interest on outstanding letters of credit is 1.5% per annum. See Note 3 of our Financial Statements in Part I, Item 1 for further discussion of our amendment. A copy of the amendment is filed with this Report as Exhibit 10.1.

Item 6. Exhibits.

Exhibit Number	Description of Exhibit
3.1	Amended and Restated Articles of Incorporation of the Company, incorporated by reference to Exhibit 3.1 of the Company's Form 8-K filed with the SEC on May 22, 2020 (SEC File No. 001-34279).
3.2	Amended and Restated Bylaws of the Company, incorporated by reference to Exhibit 3.1 of the Company's Form 8-K filed with the SEC on November 10, 2020 (SEC File No. 001-34279).
10.1	Ninth Amendment to the credit agreement dated May 5, 2023. *
31.1	CEO Certifications pursuant to Rule 13a-14 under the Securities Exchange Act of 1934. *
31.2	CFO Certifications pursuant to Rule 13a-14 under the Securities Exchange Act of 1934. *
32	Section 906 Certification furnished pursuant to 18 U.S.C. Section 1350. *
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. *
101.SCH	Inline XBRL Taxonomy Extension Schema Linkbase Document. *
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document. *
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document. *
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document. *
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document. *
104	The cover page for the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2023, has been formatted in Inline XBRL and is contained in Exhibit 101. *

* Filed or furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Report to be signed on its behalf by the undersigned thereunto duly authorized.

GULF ISLAND FABRICATION, INC.

BY: /s/ Westley S. Stockton

Westley S. Stockton
Executive Vice President, Chief Financial Officer, Treasurer and Secretary (Principal Financial Officer and Principal Accounting Officer)

Date: May 9, 2023

NINTH AMENDMENT TO CREDIT AGREEMENT

THIS NINTH AMENDMENT TO CREDIT AGREEMENT (this "***Amendment***") is entered into as of May 5, 2023 (the "***Ninth Amendment Effective Date***"), by and among **GULF ISLAND FABRICATION, INC.**, a Louisiana corporation, as borrower ("***Borrower***"), **HANCOCK WHITNEY BANK**, a Mississippi state chartered bank, as administrative agent for the Lenders (in such capacity, "***Administrative Agent***"), and the Lenders. Capitalized terms used but not defined in this Amendment have the meanings given such terms in the Credit Agreement (defined below).

RECITALS

A. Borrower, Administrative Agent, and Lenders entered into that certain Credit Agreement dated as of June 9, 2017 (as amended, restated or supplemented, the "***Credit Agreement***").

B. Borrower and Lenders have agreed to amend the Credit Agreement, subject to the terms and conditions of this Amendment.

NOW THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are acknowledged, the undersigned hereby agree as follows:

1. Amendments to Credit Agreement.

(c) ***Section 1.1*** of the Credit Agreement is hereby amended by amending and restating the defined terms "***Revolving Committed Amount***" and
"***Revolving Credit Termination Date***" in their entirety to read as follows:

"***Revolving Committed Amount*** means (a) as to all Revolving Lenders, the aggregate amount set out for the Revolving Lenders on ***Schedule 1(a)*** (as such amount may be modified at any time or from time to time pursuant to the terms of this Agreement) and (b) as to any Revolving Lender, the amount set out opposite such Revolving Lender's name on ***Schedule 1(a)*** as its Revolving Committed Amount (as such amount may be modified at any time or from time to time pursuant to the terms of this Agreement). The aggregate Revolving Committed Amount of all Revolving Lenders on the Ninth Amendment Effective Date is $10,000,000.

Revolving Credit Termination Date means the earliest to occur of (a) June 30, 2024, (b) the date of termination of the entire Revolving Commitment by Borrower pursuant to ***Section 2.7***, or (c) the date of termination of the Revolving Commitment pursuant to ***Section 11.2***."

(d) ***Section 1.1*** of the Credit Agreement is hereby amended by adding the following defined term in its appropriate alphabetical order as follows:

"***Ninth Amendment Effective Date*** means May 5, 2023."

(e) ***Schedule 1(a)*** to the Agreement is hereby deleted in its entirety and replaced with ***Schedule 1(a)*** attached to this Amendment.

2. Conditions. This Amendment shall be effective as of the Ninth Amendment Effective Date once each of the following have been delivered to Administrative Agent:

(c) this Amendment executed by Borrower, Administrative Agent, and the Lenders;

(d) the Guarantors' Consent and Agreement attached to this Amendment executed by Guarantors;

(e) a replacement Revolving Credit Note by Borrower and payable to Hancock Whitney Bank in the Revolving Committed Amount (after giving effect to this Amendment);

(f) an officer's certificate of Borrower, certifying that (i) the resolutions of the Board of Directors of Borrower and each other Loan Party that is a legal entity approving the transactions contemplated by the Credit Agreement adopted by the Board of Directors electronically and certified by the Secretary of Borrower on February 28, 2020 are still in full force and effect and have not been repealed, amended or changed, (ii) the incumbency certificate of Borrower and each other Loan Party that is a legal entity has not changed since February 28, 2020, (iii) the representations and warranties of each Loan Party set forth in each Loan Document to which it is a party are true and correct in all material respects on and as of the Seventh Amendment Effective Date and (iv) no Default has occurred and is continuing;

(g) such other documents as Administrative Agent may reasonably request; and

(h) payment by Borrower of all agreed fees and expenses of Administrative Agent and the Lenders in connection with this Amendment and the transactions contemplated hereby.

3. Representations and Warranties. Borrower represents and warrants to Administrative Agent and Lenders that (a) it possesses all requisite power and authority to execute, deliver and comply with the terms of this Amendment, (b) this Amendment has been duly authorized and approved by all requisite corporate action on the part of Borrower, (c) no other consent of any Person is required for this Amendment to be effective, (d) the execution and delivery of this Amendment does not violate its organizational documents, (e) no changes have been made to Borrower's Organizational Documents since the date of the certificate delivered in connection with the closing of the Credit Agreement (f) the representations and warranties in each Loan Document to which it is a party are true and correct in all material respects on and as of the date of this Amendment as though made on the date of this Amendment (*except* to the extent that such representations and warranties speak to a specific date), (g) it is in full compliance with all covenants and agreements contained in each Loan Document to which it is a party, and (h) no Default or Potential Default has occurred and is continuing. The representations and warranties made in this Amendment shall survive the execution and delivery of this Amendment. No investigation by Administrative Agent or any Lender is required for Administrative Agent and Lenders to rely on the representations and warranties in this Amendment.

4. Scope of Amendment; Reaffirmation; **RELEASE**. All references to the Credit Agreement shall refer to the Credit Agreement as affected by this Amendment. Except as affected by this Amendment, the Loan Documents remain unchanged and continue in full force and effect. However, in the event of any inconsistency between the terms of the Credit Agreement (as affected by this Amendment) and any other Loan Document, the terms of the Credit Agreement shall control and such other document shall be deemed to be amended to conform to the terms of the Credit Agreement. Borrower hereby reaffirms its obligations under the Loan Documents to which it is a party and agrees that all Loan Documents to which it is a party remain in full force and effect and continue to be legal, valid, and binding obligations enforceable in accordance with their terms (as the same are affected by this Amendment). **BORROWER HEREBY RELEASES ADMINISTRATIVE AGENT AND LENDERS FROM ANY LIABILITY FOR ACTIONS OR OMISSIONS IN CONNECTION WITH THE CREDIT AGREEMENT AND THE OTHER LOAN DOCUMENTS PRIOR TO THE DATE OF THIS AMENDMENT**.

5. Miscellaneous.

(c) No Waiver of Defaults. This Amendment does not constitute (i) a waiver of, or a consent to, (A) any provision of the Credit Agreement or any other Loan Document not expressly referred to in this Amendment, or (B) any present or future violation of, or default under, any provision of the Loan Documents, or (ii) a waiver of Administrative Agent's and Lenders' right to insist upon future compliance with each term, covenant, condition and provision of the Loan Documents.

(d) Form. Each agreement, document, instrument or other writing to be furnished Lender under any provision of this Amendment must be in Proper Form.

(e) Headings. The headings and captions used in this Amendment are included for convenience of reference only and shall not affect the interpretation of this Amendment, the Credit Agreement, or any other Loan Document.

(f) Costs, Expenses and Attorneys' Fees. Borrower agrees to pay or reimburse Administrative Agent on demand for all its reasonable out-of-pocket costs and expenses incurred in connection with the preparation, negotiation, and execution of this Amendment, including, without limitation, the reasonable fees and disbursements of Administrative Agent's counsel.

(g) Successors and Assigns. This Amendment shall be binding upon and inure to the benefit of each of the undersigned and their respective successors and permitted assigns.

(h) Multiple Counterparts. This Amendment may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Amendment by facsimile or in electronic (i.e., "pdf" or "tif") format shall be effective as delivery of a manually executed counterpart of this Agreement.

(i) Governing Law. This Amendment and the other Loan Documents must be construed, and their performance enforced, under Louisiana law.

(j) Entirety. **THE LOAN DOCUMENTS (AS AMENDED HEREBY) REPRESENT THE FINAL AGREEMENT AMONG BORROWER, ADMINISTRATIVE AGENT, AND LENDERS AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS BY THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS AMONG THE PARTIES.**

[Signatures appear on the immediately following pages.]

This Amendment is executed as of the date set out in the preamble to this Amendment but effective as of the Ninth Amendment Effective Date.

BORROWER:

GULF ISLAND FABRICATION, INC., a Louisiana corporation

By:/s/ Richard W. Heo
Name: Richard W. Heo
Title: President & CEO

HANCOCK WHITNEY BANK,
a Mississippi state chartered bank, as Administrative Agent

By:/s/ Tommy D. Pitre
Name: Tommy D. Pitre
Title: Senior Vice President

HANCOCK WHITNEY BANK,
a Mississippi state chartered bank, as sole Lender

By:/s/ Tommy D. Pitre
Name: Tommy D. Pitre
Title: Senior Vice President

GUARANTORS' CONSENT AND AGREEMENT
TO
NINTH AMENDMENT TO CREDIT AGREEMENT

As an inducement to the Administrative Agent and each Lender to execute, and in consideration of the Administrative Agent and each Lender's execution of, the Amendment, each of the undersigned hereby consents to this Amendment and agrees that this Amendment shall in no way release, diminish, impair, reduce or otherwise adversely affect the obligations and liabilities of such undersigned under the Guaranty executed by such undersigned in connection with the Credit Agreement, or under any other Loan Documents executed by the undersigned to secure any of the Obligations (as defined in the Credit Agreement), all of which are in full force and effect. Each of the undersigned further represents and warrants to the Administrative Agent and the Lenders that (a) the representations and warranties in each Loan Document to which it is a party are true and correct in all material respects on and as of the date of this Amendment as though made on the date of the Amendment, (b) it is in compliance with all covenants and agreements contained in each Loan Document to which it is a party, and (c) no Default or Potential Default has occurred and is continuing. **THE UNDERSIGNED HEREBY RELEASES, DISCHARGES AND ACQUITS ADMINISTRATIVE AGENT AND EACH LENDER FROM ANY AND ALL CLAIMS, DEMANDS, ACTIONS, CAUSES OF ACTION, REMEDIES, AND LIABILITIES OF EVERY KIND OR NATURE (INCLUDING WITHOUT LIMITATION, OFFSETS, REDUCTIONS, REBATES, AND LENDER LIABILITY) ARISING OUT OF ANY ACT, OCCURRENCE, TRANSACTION OR OMISSION OCCURRING IN CONNECTION WITH THE GUARANTY PRIOR TO THE DATE OF THE AMENDMENT. THIS GUARANTORS' CONSENT AND AGREEMENT SHALL BE**

BINDING UPON THE UNDERSIGNED, AND ITS PERMITTED ASSIGNS, IF ANY, AND SHALL INURE TO THE BENEFIT OF THE ADMINISTRATIVE AGENT, EACH LENDER AND THEIR RESPECTIVE SUCCESSORS AND ASSIGNS.

[*Signature Page Follows*]

GUARANTORS:

GULF ISLAND WORKS, LLC, a Louisiana limited liability company

By: GULF ISLAND FABRICATION, INC., a Louisiana corporation, its sole member

By:/s/ Richard W. Heo
Name: Richard W. Heo
Title: President & CEO

GULF ISLAND EPC, LLC, a Louisiana limited liability company

By: GULF ISLAND FABRICATION, INC., a Louisiana corporation, its sole member

By:/s/ Richard W. Heo
Name: Richard W. Heo
Title: President & CEO

GULF MARINE FABRICATORS, LIMITED PARTNER, L.L.C., a Louisiana limited liability company

By: GULF ISLAND FABRICATION, INC., a Louisiana corporation, its sole member

By:/s/ Richard W. Heo
Name: Richard W. Heo
Title: President & CEO

GULF MARINE FABRICATORS GENERAL PARTNER, L.L.C., a Louisiana limited liability company

By: GULF MARINE FABRICATORS, LIMITED PARTNER, L.L.C., a Louisiana limited liability company, its sole member

By: GULF ISLAND FABRICATION, INC., a Louisiana corporation, its sole member

By: /s/ Richard W. Heo
Name: Richard W. Heo
Title: President & CEO

GULF MARINE FABRICATORS, L.P., a Texas limited partnership

By: GULF MARINE FABRICATORS, LIMITED PARTNER, L.L.C., a Louisiana limited liability company, its general partner

By: GULF ISLAND FABRICATION, INC., a Louisiana corporation, its sole member

By: /s/ Richard W. Heo
Name: Richard W. Heo
Title: President & CEO

GULF ISLAND, L.L.C., a Louisiana limited liability company

By: GULF ISLAND FABRICATION, INC., a Louisiana corporation, its sole member

By: /s/ Richard W. Heo
Name: Richard W. Heo
Title: President & CEO

GULF ISLAND RESOURCES, L.L.C., a Louisiana limited liability company

By: GULF ISLAND, L.L.C., a Louisiana limited liability company, its sole member

By: GULF ISLAND FABRICATION, INC., a Louisiana corporation, its sole member

By: /s/ Richard W. Heo
Name: Richard W. Heo
Title: President & CEO

GULF ISLAND SHIPYARDS, LLC, a Louisiana limited liability company

By: GULF ISLAND FABRICATION, INC., a Louisiana corporation, its sole member

By: /s/ Richard W. Heo
Name: Richard W. Heo
Title: President & CEO

GULF ISLAND SERVICES, L.L.C., a Louisiana limited liability company

By: GULF ISLAND FABRICATION, INC., a Louisiana corporation, its sole member

By: /s/ Richard W. Heo
Name: Richard W. Heo
Title: President & CEO

SCHEDULE 1(a)
Lenders and Commitments

(As of the Ninth Amendment Effective Date)

Lender	Revolving Commitment	Revolving Commitment Percentage
Hancock Whitney Bank	$10,000,000	100%
Total	$10,000,000	100%

Exhibit 31.1

Certifications

I, Richard W. Heo, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gulf Island Fabrication, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 9, 2023

/s/ Richard W. Heo

Richard W. Heo
President, Chief Executive Officer and Director (Principal Executive Officer)

Exhibit 31.2

Certifications

I, Westley S. Stockton, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Gulf Island Fabrication, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: May 9, 2023

/s/ Westley S. Stockton

Westley S. Stockton
Executive Vice President, Chief Financial Officer, Secretary and Treasurer (Principal Financial Officer and Principal Accounting Officer)

Exhibit 32

Certification Furnished Pursuant to
18 U.S.C. Section 1350, as adopted pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of Gulf Island Fabrication, Inc. (the “Company”) for the quarter ended March 31, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, who are the Chief Executive Officer and Chief Financial Officer of the Company, certify pursuant to U.S.C. Section 1350, as adopted pursuant to of the Sarbanes-Oxley Act of 2002, that:

1. the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the period covered by the Report.

By: /s/ Richard W. Heo
Richard W. Heo
President, Chief Executive Officer and Director (Principal Executive Officer)
May 9, 2023

By: /s/ Westley S. Stockton
Westley S. Stockton
Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer)
May 9, 2023

A signed original of this written statement required by Section 906 has been provided to Gulf Island Fabrication, Inc. and will be retained by Gulf Island Fabrication, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.