

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

FORM 10-Q

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

For the quarterly period ended
September 30, 2024

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 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

(Address of principal executive offices)

77380

(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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

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 October 31, 2024, was 16,353,048.

GULF ISLAND FABRICATION, INC.

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GLOSSARY OF TERMS

As used in this report filed on Form 10-Q for the quarter ended September 30, 2024 (“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.

<i>2023 Annual Report</i>	Our annual report for the year ended December 31, 2023, filed with the SEC on Form 10-K on March 8, 2024.
<i>2023 Financial Statements</i>	Our Financial Statements for the year ended December 31, 2023 and related notes, included in our 2023 Annual Report.
<i>ASC</i>	Accounting Standards Codification.
<i>ASU</i>	Accounting Standards Update.
<i>Balance Sheet</i>	Our Consolidated Balance Sheets, as filed in this Report.
<i>Board</i>	Board of Directors.
<i>contract assets</i>	Costs and estimated earnings recognized to date in excess of cumulative billings.
<i>contract liabilities</i>	Cumulative billings in excess of costs and estimated earnings recognized to date and accrued contract losses.
<i>cost-reimbursable</i>	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.
<i>COVID-19</i>	The global coronavirus pandemic.
<i>deck</i>	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.
<i>DTA(s)</i>	Deferred Tax Asset(s).
<i>EPC</i>	Engineering, Procurement and Construction.
<i>Exchange Act</i>	Securities Exchange Act of 1934, as amended.
<i>Fabrication Division</i>	Our Fabrication reportable segment.
<i>Facilities</i>	Our Houma Facilities and other facilities that support our operations.
<i>FASB</i>	Financial Accounting Standards Board.
<i>Ferry Projects</i>	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.
<i>Financial Statements</i>	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.
<i>GAAP</i>	Generally Accepted Accounting Principles in the U.S.
<i>GIS</i>	Gulf Island Shipyards, LLC.
<i>GOM</i>	Gulf of Mexico.
<i>Gulf Coast</i>	Along the coast of the Gulf of Mexico.
<i>Hornbeck</i>	Hornbeck Offshore Services, LLC.
<i>Houma AHFS</i>	Certain excess real property (consisting of land and buildings) of our Fabrication Division sold during the first quarter 2024 that was part of our Houma Facilities, which was classified as an asset held for sale on our Balance Sheet at December 31, 2023.

<i>Houma Facilities</i>	Our owned facilities located in Houma, Louisiana that support our Fabrication Division and Services Division and represent our primary operating facilities.
<i>inland</i>	Typically, bays, lakes and marshy areas.
<i>Insurance Finance Arrangements</i>	Short-term finance arrangements for insurance premiums associated with our property and equipment and general liability insurance coverages.
<i>jacket</i>	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.
<i>labor hours</i>	Hours worked by employees directly involved in the fabrication of our products or delivery of our services.
<i>LC Facility</i>	Our \$10.0 million letter of credit facility with Whitney Bank maturing on June 30, 2026, as amended.
<i>LNG</i>	Liquefied Natural Gas.
<i>Mortgage Agreement</i>	Multiple indebtedness mortgage arrangement with Zurich, to secure our obligations and liabilities under our Note Agreement and general indemnity agreement with Zurich associated with an outstanding surety bond for our second forty-vehicle ferry project. The mortgage arrangement encumbers the real estate associated with our Houma Facilities and includes certain covenants and events of default.
<i>modules</i>	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.
<i>MPSV(s)</i>	Multi-Purpose Supply Vessel(s).
<i>MPSV Litigation</i>	The lawsuit filed in the Twenty-Second Judicial District Court for the Parish of St. Tammany, State of Louisiana and was styled Gulf Island Shipyards, LLC v. Hornbeck Offshore Services, LLC, bearing docket number 2018-14861, which was resolved on October 4, 2023.
<i>Note Agreement</i>	Promissory note entered into with Zurich on November 6, 2023, in connection with the resolution of our MPSV Litigation, pursuant to which we will pay Zurich \$20.0 million, plus interest at a fixed rate of 3.0% per annum, payable in 15 equal annual installments beginning on December 31, 2024.
<i>offshore</i>	In unprotected waters outside coastlines.
<i>onshore</i>	Inside the coastline on land.
<i>Performance Bonds</i>	The performance bonds issued by Zurich in connection with the construction of two MPSVs that were subject to our previous MPSV Litigation, for which the face amount of the bonds totaled \$50.0 million, and for which the obligations under the performance bonds were terminated on November 6, 2023, in connection with the Settlement Agreement and Note Agreement.
<i>performance obligation</i>	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.
<i>piles</i>	Rigid tubular pipes that are driven into the seabed to anchor a jacket.
<i>platform</i>	A structure from which offshore oil and gas development drilling and production are conducted.
<i>POC</i>	Percentage-of-completion.
<i>SEC</i>	U.S. Securities and Exchange Commission.
<i>Services Division</i>	Our Services reportable segment.
<i>Settlement Agreement</i>	Agreement entered into with Zurich on November 6, 2023, in connection with the resolution of our MPSV Litigation, pursuant to which, among other things, Zurich released GIS and the Company from all of their obligations under the Performance Bonds and the associated general indemnity agreements relating to the Performance Bonds, and we agreed to release possession of the MPSVs to Zurich.
<i>Share Repurchase Program</i>	Share repurchase program authorizing the repurchase of up to \$5.0 million of our outstanding common stock, effective from December 15, 2023 through December 15, 2025, as amended.

<i>Shipyards Division</i>	Our Shipyards reportable segment.
<i>Shipyards Transaction</i>	The sale of our Shipyards Division's operating assets and certain construction contracts during 2021, which excluded the contracts and related obligations for our Ferry Projects and the contracts and related obligations for the projects that were subject to our previous MPSV Litigation.
<i>Statement of Cash Flows</i>	Our Consolidated Statements of Cash Flows, as filed in this Report.
<i>Statement of Operations</i>	Our Consolidated Statements of Operations, as filed in this Report.
<i>Statement of Shareholders' Equity</i>	Our Consolidated Statements of Changes in Shareholders' Equity, as filed in this Report.
<i>Surety or Sureties</i>	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 the Surety pursuant to a bond in the event of non-performance are subject to reimbursement to the Surety by us under a general indemnity agreement.
<i>T&M</i>	Time and Materials. Work is performed and billed to the customer at contracted time and material rates.
<i>Topic 606</i>	The revenue recognition criteria prescribed under ASU 2014-09, "Revenue from Contracts with Customers".
<i>U.S.</i>	The United States of America.
<i>USL&H</i>	United States Longshoreman and Harbor Workers Act.
<i>VA(s)</i>	Valuation Allowance(s).
<i>Whitney Bank</i>	Hancock Whitney Bank.
<i>Zurich</i>	Fidelity & Deposit Company of Maryland and Zurich American Insurance Company.

PART I. FINANCIAL INFORMATION

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

Item 1. Financial Statements.

	September 30, 2024	December 31, 2023
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 21,328	\$ 38,176
Restricted cash	1,475	1,475
Short-term investments	44,022	8,233
Contract receivables and retainage, net	23,504	36,298
Contract assets	5,815	2,739
Prepaid expenses and other assets	4,073	6,994
Inventory	2,266	2,072
Assets held for sale	—	5,640
Total current assets	102,483	101,627
Property, plant and equipment, net	24,684	23,145
Goodwill	2,217	2,217
Other intangibles, net	593	700
Other noncurrent assets	791	739
Total assets	\$ 130,768	\$ 128,428
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 5,538	\$ 8,466
Contract liabilities	1,479	5,470
Accrued expenses and other liabilities	14,161	14,836
Long-term debt, current	1,075	1,075
Total current liabilities	22,253	29,847
Long-term debt, noncurrent	18,925	18,925
Other noncurrent liabilities	791	685
Total liabilities	41,969	49,457
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, 16,405 shares issued and outstanding at September 30, 2024 and 16,258 at December 31, 2023	11,667	11,729
Additional paid-in capital	108,059	108,615
Accumulated deficit	(30,927)	(41,373)
Total shareholders' equity	88,799	78,971
Total liabilities and shareholders' equity	\$ 130,768	\$ 128,428

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 September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Revenue	\$ 37,640	\$ 5,023	\$ 121,783	\$ 106,517
Cost of revenue	32,984	34,902	106,845	126,881
Gross profit (loss)	4,656	(29,879)	14,938	(20,364)
General and administrative expense	2,985	4,080	9,823	12,883
Other (income) expense, net	(1)	(324)	(3,548)	(689)
Operating income (loss)	1,672	(33,635)	8,663	(32,558)
Interest (expense) income, net	647	397	1,792	1,057
Income (loss) before income taxes	2,319	(33,238)	10,455	(31,501)
Income tax (expense) benefit	(2)	3	(9)	9
Net income (loss)	<u>\$ 2,317</u>	<u>\$ (33,235)</u>	<u>\$ 10,446</u>	<u>\$ (31,492)</u>
Per share data:				
Basic income (loss) per share	\$ 0.14	\$ (2.04)	\$ 0.64	\$ (1.95)
Diluted income (loss) per share	\$ 0.14	\$ (2.04)	\$ 0.62	\$ (1.95)

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 Capital	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount			
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
Net income	—	—	—	1,102	1,102
Vesting of restricted stock	232	(30)	(271)	—	(301)
Stock-based compensation expense	—	44	400	—	444
Balance at June 30, 2023	16,287	11,638	107,796	(15,228)	104,206
Net loss	—	—	—	(33,235)	(33,235)
Stock-based compensation expense	—	52	461	—	513
Balance at September 30, 2023	16,287	\$ 11,690	\$ 108,257	\$ (48,463)	\$ 71,484

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount			
Balance at December 31, 2023	16,258	\$ 11,729	\$ 108,615	\$ (41,373)	\$ 78,971
Net income	—	—	—	6,240	6,240
Stock-based compensation expense	—	50	456	—	506
Repurchases of common stock	(61)	(27)	(246)	—	(273)
Balance at March 31, 2024	16,197	11,752	108,825	(35,133)	85,444
Net income	—	—	—	1,889	1,889
Vesting of restricted stock	319	(118)	(1,065)	—	(1,183)
Stock-based compensation expense	—	54	478	—	532
Balance at June 30, 2024	16,516	11,688	108,238	(33,244)	86,682
Net income	—	—	—	2,317	2,317
Stock-based compensation expense	—	40	366	—	406
Repurchases of common stock	(111)	(61)	(545)	—	(606)
Balance at September 30, 2024	16,405	\$ 11,667	\$ 108,059	\$ (30,927)	\$ 88,799

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

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

	Nine Months Ended September 30,	
	2024	2023
Cash flows from operating activities:		
Net income (loss)	\$ 10,446	\$ (31,492)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,641	4,115
Change in allowance for doubtful accounts and credit losses	(28)	(410)
Gain on sale or disposal of assets held for sale and fixed assets, net	(3,942)	(249)
Gain on insurance recoveries	—	(245)
Stock-based compensation expense	1,444	1,466
Changes in operating assets and liabilities:		
Contract receivables and retainage, net	12,822	(6,479)
Contract assets	(3,076)	534
Prepaid expenses, inventory and other current assets	2,401	2,829
Accounts payable	(2,843)	2,914
Contract liabilities	(3,991)	(4,662)
Accrued expenses and other current liabilities	(494)	(373)
Noncurrent assets and liabilities, net	(437)	31,880
Net cash provided by (used in) operating activities	15,943	(172)
Cash flows from investing activities:		
Capital expenditures	(4,880)	(1,701)
Proceeds from sale of property and equipment	9,614	396
Recoveries from insurance claims	326	245
Purchases of short-term investments	(71,744)	(30,731)
Maturities of short-term investments	35,955	25,200
Net cash used in investing activities	(30,729)	(6,591)
Cash flows from financing activities:		
Payments on Insurance Finance Arrangements	—	(1,257)
Tax payments for vested stock withholdings	(1,183)	(482)
Repurchases of common stock	(879)	—
Net cash used in financing activities	(2,062)	(1,739)
Net decrease in cash, cash equivalents and restricted cash	(16,848)	(8,502)
Cash, cash equivalents and restricted cash, beginning of period	39,651	34,824
Cash, cash equivalents and restricted cash, end of period	<u>\$ 22,803</u>	<u>\$ 26,322</u>

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

GULF ISLAND FABRICATION, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2024

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 cleaning and environmental 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 “Shipyards”) 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.

During 2021, we sold our Shipyards Division operating assets and certain construction contracts (“Shipyards Transaction”). The Shipyards Transaction excluded the contracts and related obligations for our seventy-vehicle ferry and two forty-vehicle ferry projects (collectively, “Ferry Projects”) that were under construction as of the transaction date, and excluded the contracts and related obligations for the projects that were subject to our previous MPSV Litigation, which was resolved on October 4, 2023. The wind down of our remaining Shipyards Division operations was substantially completed in the fourth quarter 2023. See Note 2 for further discussion of our Ferry Projects, Note 4 for further discussion of the resolution of our MPSV Litigation and Note 6 for further discussion of the wind down of our Shipyards Division operations.

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 of the Financial Statements have been included. Operating results for the three and nine months ended September 30, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2024. Our Consolidated Balance Sheet (“Balance Sheet”) at December 31, 2023, 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 2023 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 (“POC”) method, 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;
- fair value and recoverability assessments that must be periodically performed with respect to long-lived tangible assets, 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;
- determination of the fair value of our long-term debt; and
- the impacts of volatile oil and gas prices and macroeconomic conditions on our business, estimates and judgments as discussed further below.

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 – For over a decade, prices of oil and gas have experienced significant volatility, including depressed prices over extended periods, which negatively impacted our end markets and operating results. 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 in 2020), which further negatively impacted certain of our end markets through 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, as well as continued inflationary pressures, resulting in elevated energy prices (with oil prices reaching an eight-year high and gas prices reaching a fourteen-year high in 2022), which positively impacted certain of our end markets. While oil prices have somewhat stabilized, such stability is uncertain and difficult to predict, particularly in light of geopolitical turmoil and uncertainty.

In addition, global economic factors that are beyond our control, have and could continue to impact our operations, including, but are not limited to, labor constraints, supply chain disruptions, inflationary pressures, economic slowdowns and recessions, natural disasters, public health crises and geopolitical conflicts.

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 Equivalents 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 September 30, 2024 and December 31, 2023, we had \$1.5 million and \$1.5 million, respectively, of restricted cash 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 letters of credit and associated security requirements.

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 September 30, 2024 and December 31, 2023, our short-term investments included U.S. Treasuries with original maturities of approximately four to six months. 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

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 “*New Accounting Standards*” below and Note 2 for further discussion of our allowance for doubtful accounts and credit losses.

Stock-Based Compensation

Awards under our stock-based compensation plans are calculated using a fair value-based measurement method. Depending on the terms of the award, 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”).

Assets Held for Sale

Assets held for sale are measured at the lower of their carrying amount or fair value less cost to sell. During the first quarter 2024, we sold certain excess real property (consisting of land and buildings) of our Fabrication Division that was part of our Houma Facilities for cash proceeds of \$8.5 million (net of transaction and other costs), resulting in a net gain of \$2.9 million for the nine months ended September 30, 2024, which is reflected within other income (expense), net on our Statement of Operations. The property sold was classified as an asset held for sale (“Houma AHFS”) on our Balance Sheet at December 31, 2023, and the proceeds received are reflected within proceeds from sale of property and equipment on our 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 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 nine months ended September 30, 2024. 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 nine months ended September 30, 2024.

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, assets held for sale, goodwill and long-lived assets, are non-recurring fair value measurements that fall within Level 3 of the fair value hierarchy. Our fair value assessments for long-term debt are recurring fair value measurements that fall within Level 2 of the fair value hierarchy, and are determined using various methods, including quoted prices for identical or similar securities in both active and inactive markets. See “*Assets Held for Sale*” above for further discussion of our assets held for sale and Note 3 for further discussion of our long-term debt.

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 a 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 and nine months ended September 30, 2024 and 2023.

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.

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 September 30, 2024 and December 31, 2023, 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. For the nine months ended September 30, 2024, other (income) expense, net for our Fabrication Division included a gain of \$2.9 million related to the sale of our Houma AHFS and gains of \$1.1 million related to the sales of excess equipment. See “*Assets Held for Sale*” above for further discussion of our Houma AHFS.

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 and nine months ended September 30, 2024, 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 and nine months ended September 30, 2023, 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 periods. Income taxes recorded for the three and nine months ended September 30, 2024 and 2023, 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.

Segment Reporting – In the fourth quarter 2023, the Financial Accounting Standards Board (“FASB”) issued ASU 2023-07 “*Segment Reporting - Improvements to Reportable Segment Disclosures*,” which requires additional information about a public company’s significant segment expenses and more timely and detailed segment information reporting throughout the fiscal period. The new standard will be effective for us in the fourth quarter 2024. Early adoption of the new standard is permitted; however, we have not elected to early adopt the standard. The new standard is required to be applied using the retrospective transition method. We are assessing the effect that the new standard will have on our financial statement disclosures; however, adoption will not impact our Balance Sheet, Statement of Operations or Statement of Cash Flows.

Income Taxes – In the fourth quarter 2023, the FASB issued ASU 2023-09 “*Income Taxes - Improvements to Income Tax Disclosures*,” which requires enhanced disclosures related to rate reconciliation and income taxes paid information. The new standard will be effective for us in the fourth quarter 2025. Early adoption of the new standard is permitted; however, we have not elected to early adopt the standard. The new standard may be applied using either the prospective or retrospective transition method. We are assessing the effect of the new standard on our financial statement disclosures; however, adoption will not impact our Balance Sheet, Statement of Operations or Statement of Cash Flows.

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

As discussed in Note 1, we recognize revenue from 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 and nine months ended September 30, 2024 and 2023 (in thousands):

Three Months Ended September 30, 2024					
	Services	Fabrication	Shipyard	Eliminations	Total
Fixed-price and unit-rate	\$ 74	\$ 10,235	\$ 490	\$ (3)	\$ 10,796
T&M and cost-reimbursable	19,403	6,875	—	—	26,278
Other	768	—	—	(202)	566
Total	\$ 20,245	\$ 17,110	\$ 490	\$ (205)	\$ 37,640
Long-term	\$ 74	\$ 15,786	\$ 490	\$ (3)	\$ 16,347
Short-term	20,171	1,324	—	(202)	21,293
Total	\$ 20,245	\$ 17,110	\$ 490	\$ (205)	\$ 37,640

Three Months Ended September 30, 2023					
	Services	Fabrication	Shipyard	Eliminations	Total
Fixed-price and unit-rate	\$ 557	\$ 12,185	\$ (32,702)	\$ (20)	\$ (19,980)
T&M and cost-reimbursable	21,086	2,794	—	—	23,880
Other	1,333	—	—	(210)	1,123
Total	\$ 22,976	\$ 14,979	\$ (32,702)	\$ (230)	\$ 5,023
Long-term	\$ 557	\$ 13,043	\$ (32,702)	\$ (20)	\$ (19,122)
Short-term	22,419	1,936	—	(210)	24,145
Total	\$ 22,976	\$ 14,979	\$ (32,702)	\$ (230)	\$ 5,023

Nine Months Ended September 30, 2024					
	Services	Fabrication	Shipyard	Eliminations	Total
Fixed-price and unit-rate	\$ 837	\$ 42,792	\$ 935	\$ (6)	\$ 44,558
T&M and cost-reimbursable	65,719	10,183	—	—	75,902
Other	1,990	—	—	(667)	1,323
Total	\$ 68,546	\$ 52,975	\$ 935	\$ (673)	\$ 121,783
Long-term	\$ 837	\$ 49,400	\$ 935	\$ (6)	\$ 51,166
Short-term	67,709	3,575	—	(667)	70,617
Total	\$ 68,546	\$ 52,975	\$ 935	\$ (673)	\$ 121,783

Nine Months Ended September 30, 2023					
	Services	Fabrication	Shipyard	Eliminations	Total
Fixed-price and unit-rate	\$ 1,356	\$ 37,773	\$ (30,973)	\$ (30)	\$ 8,126
T&M and cost-reimbursable	64,456	31,609	—	—	96,065
Other	3,221	—	—	(895)	2,326
Total	\$ 69,033	\$ 69,382	\$ (30,973)	\$ (925)	\$ 106,517
Long-term	\$ 1,356	\$ 65,259	\$ (30,973)	\$ (30)	\$ 35,612
Short-term	67,677	4,123	—	(895)	70,905
Total	\$ 69,033	\$ 69,382	\$ (30,973)	\$ (925)	\$ 106,517

Future Performance Obligations

The following table summarizes our remaining performance obligations, disaggregated by operating segment and contract type, at September 30, 2024 (in thousands):

	September 30, 2024			
	Services	Fabrication	Shipyards ⁽¹⁾	Total
Fixed-price and unit-rate	\$ 22	\$ 6,233	\$ 126	\$ 6,381
T&M and cost-reimbursable	—	5,315	—	5,315
Total ⁽²⁾	\$ 22	\$ 11,548	\$ 126	\$ 11,696

- (1) Future performance obligations for our Shipyards Division relate to potential repairs and rework during the warranty periods for our Ferry Projects. See "Changes in Project Estimates" below for further discussion of the warranty periods for our Ferry Projects.
- (2) We expect all of our performance obligations at September 30, 2024, to be recognized as revenue during 2024. Certain factors and circumstances 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 generally 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 September 30, 2024 and December 31, 2023, is as follows (in thousands):

	September 30,	December 31,
	2024	2023
Contract assets ^{(1), (2)}	\$ 5,815	\$ 2,739
Contract liabilities ^{(3), (4), (5)}	(1,479)	(5,470)
Contracts in progress, net	\$ 4,336	\$ (2,731)

- (1) The increase in contract assets from December 31, 2023 to September 30, 2024, was primarily due to higher unbilled positions on various projects for our Fabrication Division.
- (2) Contract assets at September 30, 2024 and December 31, 2023, excluded \$3.3 million and \$6.0 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. The decrease from December 31, 2023 to September 30, 2024, was primarily due to lower unbilled positions on various projects for our Services Division.
- (3) The decrease in contract liabilities from December 31, 2023 to September 30, 2024, was primarily due to lower advance billings on various projects for our Fabrication Division.
- (4) Revenue recognized during the three months ended September 30, 2024 and 2023, from amounts included in our contract liabilities balance at June 30, 2024 and 2023, was \$3.0 million and \$1.1 million, respectively. Revenue recognized during the nine months ended September 30, 2024 and 2023, from amounts included in our contract liabilities balance at December 31, 2023 and 2022, was \$4.8 million and \$6.2 million, respectively.
- (5) Contract liabilities at September 30, 2024 and December 31, 2023, includes accrued contract losses of \$0.2 million and \$0.4 million, respectively, primarily related to our Ferry Projects for our Shipyards Division.

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 and nine months ended September 30, 2024, was not significant. For the three and nine months ended September 30, 2023, we recognized income of \$0.2 million and \$0.4 million, respectively, associated with revisions to our allowance for doubtful accounts and credit losses. Our allowance for doubtful accounts and credit losses at September 30, 2024 and December 31, 2023, was \$0.2 million and \$0.2 million, respectively. We had no significant write-offs or recoveries of previously recorded bad debts during the three or nine months ended September 30, 2024 and 2023. See "New Accounting Standards" in Note 1 for discussion of our adoption of ASU 2016-13.

Variable Consideration

For the three and nine months ended September 30, 2024 and 2023, we had no material amounts in revenue related to unapproved change orders, claims or incentives, other than the amounts related to the resolution of our previous MPSV Litigation discussed further below. However, at December 31, 2023, certain projects for our Shipyard Division reflected a reduction to our estimated contract price for liquidated damages of \$1.4 million.

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.

Changes in Estimates for 2024 – For the three and nine months ended September 30, 2024, individual projects with significant changes in estimated margins did not have a material net impact on our operating results. The status of projects in backlog at September 30, 2024, which have previously experienced material changes in estimates, is as follows:

- *Seventy-Vehicle Ferry Project* – As discussed in our 2023 Financial Statements, as of December 31, 2023, we had completed, delivered and received final customer acceptance of our seventy-vehicle ferry. The warranty period for the vessel ended in the third quarter 2024.
- *Forty-Vehicle Ferry Projects* – As discussed in our 2023 Financial Statements, as of December 31, 2023, we had completed, delivered and received final customer acceptance of the first of two forty-vehicle ferries, and had substantially completed and delivered our second forty-vehicle ferry. During the first quarter 2024, we received final customer acceptance of the second ferry. The warranty period for the first vessel ended in the second quarter 2024 and the warranty period for the second vessel ends in the first quarter 2025. The second project would experience further losses if we incur unanticipated warranty costs on the second vessel.

As discussed in our 2023 Financial Statements, as a result of design deficiencies, we experienced rework, construction and commissioning challenges on the two ferries, resulting in previous cost increases and liquidated damages, and the previous need to fabricate a new hull for one of the vessels. Accordingly, during 2021, we submitted claims to our customer to recover the cost impacts of the design deficiencies. In accordance with contract requirements and North Carolina state law, in July 2024, we submitted our finalized claim to the customer for these cost and schedule impacts. In October 2024, the customer denied our claim, which cleared the way for us to litigate our claim. Accordingly, we have filed a lawsuit in North Carolina state court to have the claim decided before a judge. Our forecasts at September 30, 2024 do not reflect potential future benefits, if any, from the favorable resolution of the claim and we can provide no assurance that we will be successful in recovering previously incurred costs.

Changes in Estimates for 2023 – As a result of the resolution of our previous MPSV Litigation for our Shipyard Division, we recorded a charge of \$32.5 million during each of the three and nine months ended September 30, 2023. See Note 4 for further discussion of the resolution of our MPSV Litigation. In addition, for each of the three and nine months ended September 30, 2023, significant changes in estimated margins on projects positively impacted operating results for our Fabrication Division by \$0.7 million, and negatively impacted operating results for our Shipyard Division by \$1.5 million and \$2.3 million, respectively. The changes in estimates were associated with the following:

Fabrication Division

- *Various Projects* – For each of the three and nine months ended September 30, 2023, our operating results were positively impacted by \$0.7 million on projects, resulting primarily from increases in contract price due to favorable resolution of customer change orders.

Shipyard Division

- *Seventy-Vehicle Ferry Project* – For the three and nine months ended September 30, 2023, our operating results were negatively impacted by \$1.2 million and \$1.8 million, respectively, from changes in estimates on our seventy-vehicle ferry project, associated primarily with increased materials and subcontracted services costs, duration related costs due to extensions of schedule and net reductions to contract price. The cost impacts were primarily due to delays in the receipt of certain equipment that required replacement and subcontractor delays. The contract price impacts were primarily due to a price reduction resulting from the required replacement of the vessel's propeller blades (discussed further below), offset partially by price increases due to favorable resolution of customer change orders and the customer's agreement to forego a portion of previously forecasted liquidated damages.

In connection with the delivery and commissioning of the vessel in the second quarter 2023, corrosion on the propeller blades was identified and the customer determined that replacement of the propeller blades will be required. The customer agreed to directly procure the new propeller blades and take responsibility for future installation of the blades once received. Further, the customer agreed to bear a portion of the cost of the new propeller blades, with the remainder borne by us through the aforementioned contract price reduction.

- *Forty-Vehicle Ferry Projects* – For the three and nine months ended September 30, 2023, our operating results were negatively impacted by \$0.3 million and \$0.5 million, respectively, from changes in estimates on one of our forty-vehicle ferry projects, associated primarily with increased subcontracted services and duration related costs due to extensions of schedule, including forecast liquidated damages. The impacts were primarily due to delays in the receipt of certain equipment that required replacement and subcontractor delays.

Other Operating and Project Matters

During 2021, our operations were impacted by Hurricane Ida, which made landfall near Houma, Louisiana as a high-end Category 4 hurricane, causing debris and damage to our buildings and equipment at our Houma Facilities.

Fabrication Division Impacts – As of December 31, 2023, we had finalized all claims associated with our property and equipment insurance coverages, and at December 31, 2023, we had total insurance receivables on our Balance Sheet of \$2.0 million. During the nine months ended September 30, 2024 and 2023, we received insurance payments of \$2.0 million and \$2.2 million, respectively, from our insurance carriers associated with interruptions to our operations and damage to buildings and equipment. 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 repair costs, are reflected within investing activities.

During the three and nine months ended September 30, 2023, we recorded gains of \$0.3 million (all related to our business interruption coverage) and \$0.5 million (including \$0.6 million related to our business interruption coverage), respectively, related to the net impact of insurance recoveries and costs associated with damage previously caused by Hurricane Ida. The gains are included in other (income) expense, net on our Statement of Operations and are reflected within our Fabrication Division.

Shipyard Division Impacts – 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 ("MPSV(s)") and associated equipment that were previously in our possession and subject to our previous MPSV Litigation, and certain bulkheads where the vessels were moored. During the three and nine months ended September 30, 2023, we recorded charges of \$0.1 million and \$0.4 million, respectively, related to costs associated with damage previously caused by Hurricane Ida. The charges are included in other (income) expense, net on our Statement of Operations and are reflected within our Shipyard Division. See Note 4 for further discussion of the resolution of our MPSV Litigation.

3. CREDIT FACILITIES AND DEBT

LC Facility

On May 3, 2024, we amended our LC Facility to extend its maturity date to June 30, 2026. The LC Facility provides for up to \$10.0 million of letters of credit, subject to our cash securitization of the letters of credit, and at September 30, 2024, we had \$1.5 million of outstanding letters of credit under the LC Facility. 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 4 for further discussion of our letters of credit and associated security requirements.

Surety Bonds

We issue surety bonds in the ordinary course of business to support our projects and certain of our insurance coverages. At September 30, 2024, we had \$17.5 million of outstanding surety bonds, of which \$12.6 million relates to our second forty-vehicle ferry project for our Shipyard Division (which will terminate in the first quarter 2025 upon expiration of the warranty period for the vessel) and \$4.9 million relates to our Fabrication Division contracts and certain of our insurance coverages. See Note 2 for further discussion of the warranty period for our second forty-vehicle ferry project and Note 4 for further discussion of our surety bonds and related indemnification obligations.

Note Agreement

In connection with the resolution of our MPSV Litigation and the Settlement Agreement, on November 6, 2023, we entered into a promissory note (“Note Agreement”) with one of our Sureties (Fidelity & Deposit Company of Maryland and Zurich American Insurance Company (collectively, “Zurich”), pursuant to which we will pay Zurich \$20.0 million. The Note Agreement bears interest at a fixed rate of 3.0% per annum commencing on January 1, 2024, with principal and interest payable in 15 equal annual installments of approximately \$1.7 million, beginning on December 31, 2024 and ending on December 31, 2038. Future annual principal maturities under the Note Agreement are as follows (in thousands):

	Principal Maturities
2024	\$ 1,075
2025	1,108
2026	1,141
2027	1,175
2028	1,210
Thereafter	14,291
Total maturities ^{(1), (2)}	<u>\$ 20,000</u>

(1) At September 30, 2024, the estimated present value of the Note Agreement amount was \$13.7 million based on an estimated market rate of interest.

(2) Due to the forbearance of interest until January 1, 2024, the effective rate on the Note Agreement is 2.9% per annum.

See Note 4 for further discussion of the resolution of our MPSV Litigation and the Settlement Agreement.

Mortgage Agreement

We have a multiple indebtedness mortgage arrangement (“Mortgage Agreement”) with Zurich to secure our obligations and liabilities under the Note Agreement and our general indemnity agreement with Zurich associated with an outstanding surety bond for our forty-vehicle ferry projects. The Mortgage Agreement, as amended, encumbers all real estate associated with the Houma Facilities, includes certain covenants and events of default, and requires that 50 percent of the net proceeds (as defined by the Mortgage Agreement) received by us in excess of \$8.0 million from the sale of any real estate of our Houma Facilities be used to make early payments on the principal balance under the Note Agreement. The Mortgage Agreement will terminate when the obligations and liabilities of Zurich associated with the outstanding surety bond for the forty-vehicle ferry projects are discharged and the Note Agreement is repaid. See “*Note Agreement*” above for further discussion of the Note Agreement and Note 2 for further discussion of our forty-vehicle ferry projects.

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 through March 2023, 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 through August 2023, with interest at a fixed rate of 6.6% per annum. We considered 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. During the nine months ended September 30, 2023, we made principal payments of \$1.3 million, which have been reflected as a financing activity on our Statement of Cash Flows.

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.

Resolution of 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. In connection with such purported terminations, Hornbeck also made claims against the performance bonds issued by Zurich in connection with the construction of the MPSVs, for which the face amount of the bonds totaled \$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 was styled Gulf Island Shipyards, LLC v. Hornbeck Offshore Services, LLC, bearing docket number 2018-14861 (“MPSV Litigation”). Hornbeck subsequently asserted counterclaims against GIS and Zurich seeking damages.

On October 4, 2023, the MPSV Litigation was dismissed in full with prejudice at the request of the parties after the parties reached an agreement in principle. In addition, on November 6, 2023, GIS and the Company entered into an agreement (“Settlement Agreement”) with Zurich pursuant to which Zurich released GIS and the Company from all of their obligations under the Performance Bonds and the associated general indemnity agreements relating to the Performance Bonds, and we agreed to release possession of the MPSVs to Zurich, which occurred in the fourth quarter 2023. Further, we entered into the Note Agreement. See Note 3 for further discussion of the Note Agreement.

As a result of the resolution of the MPSV Litigation, during the third quarter 2023, we recorded a charge of \$32.5 million, consisting of (i) a \$12.5 million non-cash charge associated with the write-off of a noncurrent net contract asset related to the MPSV construction contracts, and (ii) a \$20.0 million charge associated with recording a liability resulting from the Settlement Agreement and Note Agreement. The charge was reflected as a reduction to previously recognized revenue on the MPSV construction contracts, resulting in a negative revenue amount for the Shipyard Division for each of the three and nine months ended September 30, 2023, and is included in the changes in noncurrent assets and liabilities, net on our Statement of Cash Flows. The liability was replaced with the Note Agreement in the fourth quarter 2023 and is reflected as current and long-term debt on our Balance Sheet at September 30, 2024 and December 31, 2023.

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. During the second quarter 2024 and 2023, we reviewed our insurance coverage options for our property and equipment and determined that the benefits of such coverage were limited due to high premium costs and deductibles and increased coverage limitations. Accordingly, we are generally self-insured for exposures resulting from any future damage to our property and equipment.

To the extent we have insurance coverage, we do not have an offset right for liabilities in excess of any deductibles and self-insured retentions. Accordingly, we have recorded a liability for estimated amounts in excess of our deductibles and retentions, and have recorded a corresponding asset related to estimated insurance recoveries, on our Balance Sheet. Further, 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.

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, 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 relate to air and water pollutants and the management and disposal of hazardous substances and wastes, among others. 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 AND SHAREHOLDERS' EQUITY

Income (Loss) Per Share

The following table presents the computation of basic and diluted income per share for the three and nine months ended September 30, 2024 and 2023 (in thousands, except per share data):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Numerator:				
Net income (loss)	\$ 2,317	\$ (33,235)	\$ 10,446	\$ (31,492)
Denominator:				
Weighted average basic shares	16,489	16,287	16,373	16,162
Effect of dilutive share-based awards	239	—	409	—
Weighted average diluted shares	16,728	16,287	16,782	16,162
Basic income (loss) per share	\$ 0.14	\$ (2.04)	\$ 0.64	\$ (1.95)
Diluted income (loss) per share	\$ 0.14	\$ (2.04)	\$ 0.62	\$ (1.95)

Shareholders' Equity

On December 1, 2023, our Board approved a share repurchase program ("Share Repurchase Program") authorizing the repurchase of up to \$5.0 million of our outstanding common stock, effective from December 15, 2023 through December 15, 2024. On October 31, 2024, our Board extended the Share Repurchase Program to December 31, 2025. The timing and amount of any share repurchases is at the discretion of management and may be made from time to time through transactions in the open market, in privately negotiated transactions or by other means in accordance with applicable laws. The Share Repurchase Program does not obligate us to repurchase any shares of common stock and may be modified, increased, suspended or terminated at the discretion of our Board. During the nine months ended September 30, 2024, we repurchased 171,768 shares of our common stock for \$0.9 million, and at September 30, 2024, we had remaining authorization to purchase \$4.0 million under the Share Repurchase Program.

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, cleaning and environmental 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; 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.

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, during 2021, we completed the Shipyard Transaction. The Shipyard Transaction excluded the contracts and related obligations for our Ferry Projects that were under construction as of the transaction date, and excluded the contracts and related obligations for the projects that were subject to our previous MPSV Litigation, which was resolved on October 4, 2023. Construction of the Ferry Projects was performed at our Houma Facilities and the wind down of our remaining Shipyard Division operations was substantially completed in the fourth quarter 2023. Final completion of the wind down will occur upon completion of the warranty periods for the Ferry Projects, the last of which ends in the first quarter 2025. At September 30, 2024 and December 31, 2023, the net operating liabilities on our Balance Sheet associated with our Shipyard Division operations totaled \$1.8 million and \$1.4 million, respectively. See Note 1 for further discussion of the Shipyard Transaction, Note 2 for further discussion of our Ferry Projects and Note 4 for further discussion of the resolution 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 September 30, 2024 and 2023, and for the three and nine months ended September 30, 2024 and 2023, is as follows (in thousands):

Three Months Ended September 30, 2024					
	Services	Fabrication	Shipyards	Corporate	Consolidated
Revenue	\$ 20,245	\$ 17,110	\$ 490	\$ (205)	\$ 37,640
Gross profit	2,040	2,541	75	—	4,656
Operating income (loss)	1,396	2,034	22	(1,780)	1,672
Depreciation and amortization expense	495	633	—	80	1,208
Capital expenditures	17	1,297	—	—	1,314
Total assets ⁽¹⁾	24,445	34,895	233	71,195	130,768

Three Months Ended September 30, 2023					
	Services	Fabrication	Shipyards	Corporate	Consolidated
Revenue	\$ 22,976	\$ 14,979	\$ (32,702)	\$ (230)	\$ 5,023
Gross profit (loss)	3,260	1,217	(34,356)	—	(29,879)
Operating income (loss)	2,577	904	(35,117)	(1,999)	(33,635)
Depreciation and amortization expense	502	813	—	75	1,390
Capital expenditures	—	573	—	72	645
Total assets ⁽¹⁾	30,407	44,372	727	45,096	120,602

Nine Months Ended September 30, 2024					
	Services	Fabrication	Shipyards	Corporate	Consolidated
Revenue	\$ 68,546	\$ 52,975	\$ 935	\$ (673)	\$ 121,783
Gross profit	8,541	5,972	425	—	14,938
Operating income (loss)	6,452	7,884	373	(6,046)	8,663
Depreciation and amortization expense	1,461	1,942	—	238	3,641
Capital expenditures	684	4,196	—	—	4,880
Total assets ⁽¹⁾	24,445	34,895	233	71,195	130,768

Nine Months Ended September 30, 2023					
	Services	Fabrication	Shipyards	Corporate	Consolidated
Revenue	\$ 69,033	\$ 69,382	\$ (30,973)	\$ (925)	\$ 106,517
Gross profit (loss)	10,348	5,243	(35,955)	—	(20,364)
Operating income (loss)	8,187	4,443	(39,268)	(5,920)	(32,558)
Depreciation and amortization expense	1,440	2,460	—	215	4,115
Capital expenditures	508	1,111	—	82	1,701
Total assets ⁽¹⁾	30,407	44,372	727	45,096	120,602

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

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. References to *"nm"* relate to percentage references that are not considered meaningful. 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, operations and projects. 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 operating results; 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; tax rates; implementation of our share repurchase program; liquidity; and execution of strategic initiatives. 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. The timing and amount of any share repurchases will be at the discretion of management and will depend on a variety of factors including, but not limited to, our operating performance, cash flow and financial position, the market price of our common stock and general economic and market conditions. The share repurchase program may be modified, increased, suspended or terminated at any time at the Board's discretion.

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, inflationary pressures, economic slowdowns and recessions, natural disasters, public health crises, labor costs and geopolitical conflicts, and the related volatility in oil and gas prices and other factors impacting the global economy; cyclical nature of the oil and gas industry; 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; 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 availability and limits on insurance coverage; operability and adequacy of our major equipment; 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 resolve any material legal proceedings; our ability to execute our share repurchase program and enhance shareholder value; 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; and other factors described under "Risk Factors" in Part I, Item 1A of our 2023 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 cleaning and environmental 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.

During 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 (collectively, “Ferry Projects”) that were under construction as of the transaction date, and excluded the contracts and related obligations for the projects that were subject to our previous MPSV Litigation, which was resolved on October 4, 2023. The wind down of our remaining Shipyard Division operations was substantially completed in the fourth quarter 2023. Final completion of the wind down will occur upon completion of the warranty periods for the Ferry Projects, the last of which ends in the first quarter 2025. See Note 2 for further discussion of our Ferry Projects, Note 4 for further discussion of the resolution of our MPSV Litigation and Note 6 for further discussion of the wind down of our Shipyard Division operations.

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

For over a decade, prices of oil and gas have experienced significant volatility, including depressed prices over extended periods, which negatively impacted our end markets and operating results. 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 in 2020), which further negatively impacted certain of our end markets through 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, as well as continued inflationary pressures, resulting in elevated energy prices (with oil prices reaching an eight-year high and gas prices reaching a fourteen-year high in 2022), which positively impacted certain of our end markets. While oil prices have somewhat stabilized, the duration of such stability is uncertain and difficult to predict, particularly in light of geopolitical turmoil and uncertainty.

In addition, global economic factors that are beyond our control, have and could continue to impact our operations, including, but are not limited to, labor constraints, supply chain disruptions, inflationary pressures, economic slowdowns and recessions, natural disasters, public health crises and geopolitical conflicts.

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.

Other Impacts to Operations

Hurricanes Francine and Helene – In mid-September 2024, Hurricane Francine made landfall near our Houma Facilities as a Category 2 hurricane, and in late-September 2024, Hurricane Helene made landfall along the coast of Florida as a Category 4 hurricane. While we did not experience any significant damage to our Houma Facilities or equipment as a result of Hurricane Francine, our Fabrication Division operations were temporarily suspended due to pre-storm preparation activities and post-storm power outages. Further, our Services Division operations were impacted due to the temporary removal of our personnel from customer offshore platforms while both storms approached and passed through the Gulf of Mexico (“GOM”). As a result of the aforementioned, our operating results for the third quarter 2024 were negatively impacted due to reduced utilization of our facilities and resources.

Houma AHFS – During the first quarter 2024, we sold certain excess real property (consisting of land and buildings) that was part of our Houma Facilities, resulting in a gain for the nine months ended September 30, 2024 for our Fabrication Division. The property sold was classified as an asset held for sale (“Houma AHFS”) on our Balance Sheet at December 31, 2023. See Note 1 for further discussion of the sale of our Houma AHFS.

MPSV Litigation – During the fourth quarter 2023, we resolved our MPSV Litigation and entered into the Settlement Agreement and Note Agreement, resulting in a charge during the three and nine months ended September 30, 2023 for our Shipyard Division. See Note 3 for further discussion of the Note Agreement and Note 4 for further discussion of the resolution of our MPSV Litigation and the Settlement Agreement.

Ferry Projects – During 2023 and 2022, we experienced construction challenges and cost increases on our Ferry Projects for our Shipyard Division. See Note 2 for further discussion of our Ferry Projects.

Offshore Jackets Project – During 2022, we were awarded a large contract for the fabrication of offshore jackets for our Fabrication Division. In February 2023, we received direction from our customer to suspend all activities on the project, and in July 2023, the customer canceled the contract.

Hurricane Ida – During 2021, our operations were impacted by Hurricane Ida. During the nine months ended September 30, 2024 and 2023, we received insurance payments associated with our insurance coverages, and during the three and nine months ended September 30, 2023, we recorded gains for our Fabrication Division related to the net impact of insurance recoveries and costs associated with such damage. See Note 2 for further discussion of the impacts of Hurricane Ida.

Initiatives to Improve Operating Results and Generate Stable, Profitable Growth

During 2020, we 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.

With the significant progress achieved on these objectives, during 2021, we shifted our focus to the current phase of our strategic transformation, which is focused on generating stable, profitable growth. Underpinning this strategy is a focus on the following initiatives, which encompass any ongoing initiatives associated with the first phase of our strategic transformation:

- Expand our skilled workforce;
- Further improve our resource utilization;
- 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
- Reduce our reliance on the offshore oil and gas construction sector, pursue additional growth end markets and increase our T&M versus fixed price revenue mix, including:
 - Fabricating modules, piping systems and other structures for onshore refining, petrochemical, LNG and industrial facilities in our core Gulf Coast region,
 - Fabricating structures in support of our customers as they transition away from fossil fuels to green energy end markets,
 - Fabricating structures that support public and private construction activities outside of energy end markets, and
 - Fabricating foundations, secondary steel components and support structures for offshore wind developments.

Progress on the Current Phase of our Strategic Transformation

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. Our acquisition of a services and industrial staffing business during 2021 nearly doubled our skilled workforce and expanded our geographic footprint. We have successfully maintained our overall headcount levels and have opportunistically looked to shift our workforce to higher margin opportunities given the industry-wide labor constraints. We continue to evaluate opportunities to expand our skilled labor headcount given the favorable demand trends, including strategic acquisitions to increase our craft labor headcount.

Efforts to further improve our resource utilization – We continue to take actions to improve our resource utilization through the rationalization and integration of our facilities and operations.

- *Completion of the wind down of our Shipyard Division operations* – During 2021, we completed the Shipyard Transaction and the wind down of our remaining Shipyard Division operations was substantially completed in the fourth quarter 2023. The 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 6 for further discussion of the status of the wind down of our Shipyard Division operations.
- *Consolidation of our fabrication activities* – During 2022, we realigned our operating divisions, which included combining all of our fabrication activities within our Fabrication Division to improve utilization and operational efficiency.
- *Sale of assets* – During 2022, we sold a purchase option that was entered into in connection with a previous 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.
- *Sublease of our corporate office* – During 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.
- *Sale of excess property* – During 2023, we commenced an effort to further consolidate our fabrication operations within our Houma Facilities to reduce overhead costs, improve utilization and make our Houma AHFS available for sale. As a result of these efforts, during the first quarter 2024, we sold our Houma AHFS. See “*Other Impacts to Operations*” above and Note 1 for further discussion of the sale of our Houma AHFS.

Efforts to further strengthen project execution and maintain bidding discipline – We have taken, and continue to take, actions to improve our 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 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. Our acquisition of a services and industrial staffing business during 2021 accelerated our progress in this initiative and provided a stronger platform to continue such progress. Further, during 2022, we expanded our offshore services offering to include welding enclosures, which provide a safe environment for welding, cutting and burning without the need to shut down operations. Additionally, during the second quarter 2024, we expanded our offshore services offering to include cleaning and environmental services, which provides decontamination, flushing and removal of hydrocarbon residue from process equipment and piping on offshore facilities prior to the performance of maintenance, repair or decommissioning. 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.

Efforts to continue 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 2022, we were awarded a large contract for the fabrication of offshore jackets; however, the project was suspended in February 2023 and canceled in July 2023. Since early 2023, we have been awarded multiple contracts for the fabrication of subsea structures, resulting from our previous strategic decision to focus our resources on the subsea fabrication market. We expect subsea fabrication activity to remain strong for the remainder of 2024 and well into 2025, associated with anticipated subsea developments in the GOM, Guyana and Brazil.

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. We continue to strengthen our relationships with key customers and strategic partners and enhance and rationalize our resources as discussed above. See Note 1 for further discussion of the impacts of oil and gas price volatility and macroeconomic conditions.
- *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 public and private 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 a wide range of construction markets. Examples of these opportunities include private construction for the fabrication of structures for data centers and semiconductor manufacturing sites, public construction related to the fabrication of structures to support infrastructure spending, and federal government contracts, such as our contract to support the NASA Artemis Mobile Launcher 2 project.
- *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. 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 a separate 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.

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 and any current or future public health crises;
- 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 timing of recognition of our backlog as revenue;
- 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;
- The final completion of the wind down of our Shipyard Division operations, which is subject to the expiration of the warranty periods for our Ferry Projects;
- Consideration of organic and inorganic opportunities for growth, including, but not limited to, mergers, acquisitions, joint ventures, partnerships and other strategic arrangements, transactions and capital allocations; and
- The operability and adequacy of our major equipment.

In addition, the near-term utilization of our Fabrication Division will be impacted by the timing of new project awards and their execution, including the replacement of our canceled 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 strategic opportunities, (iii) investments in key personnel and process improvement efforts to support our aforementioned initiatives, and (iv) higher costs and availability of craft labor due to industry labor constraints. See Note 1 and “*Impacts of Oil and Gas Price Volatility and Macroeconomic Conditions on Operations*” above for further discussion of the impacts of oil and gas price volatility and macroeconomic conditions, “*Other Impacts to Operations*” above for further discussion of the project cancellation and Note 2 and “*Results of Operations*” below for further discussion of our project impacts.

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 2023 Annual Report. There have been no changes to our critical accounting policies and estimates since December 31, 2023.

New Project Awards and Backlog

New project awards represent expected revenue values of new contract 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 value of our new project awards and at September 30, 2024, 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 and nine months ended September 30, 2024 and 2023, are as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Services	\$ 20,205	\$ 22,776	\$ 68,065	\$ 68,578
Fabrication	16,902	16,589	52,784	46,733
Shipyard	—	(718)	354	(1,067)
Eliminations	(205)	(230)	(673)	(925)
Total	\$ 36,902	\$ 38,417	\$ 120,530	\$ 113,319

Backlog by operating segment at September 30, 2024 and December 31, 2023, is as follows (in thousands):

	September 30, 2024		December 31, 2023	
	Amount	Labor Hours	Amount	Labor Hours
Services	\$ 22	—	\$ 502	4
Fabrication	11,548	95	11,739	104
Shipyard ⁽¹⁾	126	—	709	1
Total ⁽²⁾	\$ 11,696	95	\$ 12,950	109

(1) At September 30, 2024, backlog for our Shipyard Division relates to potential repairs and rework during the warranty periods for our Ferry Projects. See Note 2 for further discussion of the warranty periods for our Ferry Projects.

(2) We expect all of our performance obligations at September 30, 2024, to be recognized as revenue during 2024. Certain factors and circumstances could result in changes in the timing of recognition of our performance obligations as revenue and the amounts ultimately recognized.

Results of Operations

Comparison of the Three Months Ended September 30, 2024 and 2023 (in thousands in each table, except for percentages):

Consolidated

	Three Months Ended September 30,		Favorable (Unfavorable) Change
	2024	2023	
New project awards	\$ 36,902	\$ 38,417	\$ (1,515)
Revenue	\$ 37,640	\$ 5,023	\$ 32,617
Cost of revenue	32,984	34,902	1,918
Gross profit (loss)	4,656	(29,879)	34,535
Gross profit (loss) percentage	12.4%	nm	
General and administrative expense	2,985	4,080	1,095
Other (income) expense, net	(1)	(324)	(323)
Operating income (loss)	1,672	(33,635)	35,307
Interest (expense) income, net	647	397	250
Income (loss) before income taxes	2,319	(33,238)	35,557
Income tax (expense) benefit	(2)	3	(5)
Net income (loss)	\$ 2,317	\$ (33,235)	\$ 35,552

References below to 2024 and 2023 refer to the three months ended September 30, 2024 and 2023, respectively.

New project awards – New project awards for 2024 and 2023 were \$36.9 million and \$38.4 million, respectively. New project awards for 2024 and 2023 were primarily related to:

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

Revenue – Revenue for 2024 and 2023 was \$37.6 million and \$5.0 million, respectively. The increase was primarily due to:

- Higher revenue for our Shipyard Division, an increase of \$33.2 million, primarily attributable to negative revenue for the 2023 period due to the reversal of \$32.5 million of previously recognized revenue, resulting from the resolution of our MPSV Litigation, and
- Higher revenue for our Fabrication Division, an increase of \$2.1 million, primarily attributable to higher small-scale fabrication activity, offset partially by,
- Lower revenue for our Services Division, a decrease of \$2.7 million, primarily attributable to:
 - Lower offshore services work driven by delayed timing of certain project opportunities, and
 - Lower activity due to delays caused by hurricanes Francine and Helene in September 2024.

See “Other Impacts to Operations” above for further discussion of the impacts of hurricanes Francine and Helene. See Note 4 for further discussion of the resolution of our MPSV Litigation.

Gross profit (loss) – Gross profit for 2024 was \$4.7 million (12.4% of revenue) and gross loss for 2023 was \$29.9 million. The gross profit for 2024 relative to gross loss for 2023 was primarily due to:

- Gross profit for 2024 compared to a gross loss for 2023 for our Shipyard Division, and
- Higher revenue and improved utilization of our facilities and resources for our Fabrication Division, offset partially by,
- Lower revenue for our Services Division,
- A lower margin project mix for our Services Division, and
- Project improvements of \$0.7 million for the 2023 period for our Fabrication Division.

See “Operating Segments” below and Note 2 for discussion of our project impacts.

General and administrative expense – General and administrative expense for 2024 and 2023 was \$3.0 million and \$4.1 million, respectively, representing a decrease of 26.8%. The decrease was primarily due to:

- The elimination of legal and advisory fees associated with our previous MPSV Litigation, which totaled \$0.9 million for 2023, for our Shipyard Division,
- Lower incentive plan costs for our Corporate Division, and
- The timing of certain costs for all our divisions.

See Note 4 for further discussion of the resolution of our MPSV Litigation.

Other (income) expense, net – Other (income) expense, net for 2023 was income of \$0.3 million. 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. Other income for 2023 was primarily due to:

- Gains of \$0.3 million 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, and
- Gains on the sales of equipment and scrap materials for our Fabrication Division, offset partially by,
- Costs of \$0.4 million associated with the consolidation of fabrication activities at our Houma Facilities for our Fabrication Division.

See Note 2 for further discussion of the impacts of Hurricane Ida.

Interest (expense) income, net – Interest (expense) income, net for 2024 and 2023 was income of \$0.6 million and \$0.4 million, respectively. Interest (expense) income, net for both periods includes 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. The 2024 period also includes interest incurred on our long-term debt and the 2023 period includes interest incurred on our Insurance Finance Arrangements. The increase in income for 2024 relative to 2023 was primarily due to higher interest earned on our cash and short-term investment balances and the elimination of interest on our Insurance Finance Arrangements for the 2024 period, offset partially by interest incurred on our long-term debt for the 2024 period.

Income tax (expense) benefit – Income tax (expense) benefit for 2024 and 2023 represents state income taxes. No federal income tax expense was recorded for our income for 2024 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 loss for 2023 as a full valuation allowance was recorded against our net deferred tax assets generated during the period.

Operating Segments

Services Division

	Three Months Ended September 30,		Favorable (Unfavorable) Change
	2024	2023	
New project awards	\$ 20,205	\$ 22,776	\$ (2,571)
Revenue	\$ 20,245	\$ 22,976	\$ (2,731)
Gross profit	2,040	3,260	(1,220)
<i>Gross profit percentage</i>	<i>10.1%</i>	<i>14.2%</i>	
General and administrative expense	634	701	67
Other (income) expense, net	10	(18)	(28)
Operating income	1,396	2,577	(1,181)

References below to 2024 and 2023 refer to the three months ended September 30, 2024 and 2023, respectively.

New project awards – New project awards for 2024 and 2023 were \$20.2 million and \$22.8 million, respectively, and were primarily related to offshore services work, including new project awards associated with our welding enclosures business line.

Revenue – Revenue for 2024 and 2023 was \$20.2 million and \$23.0 million, respectively, representing a decrease of 11.9%. The decrease was primarily due to:

- Lower offshore services work driven by delayed timing of certain project opportunities, and
- Lower activity due to delays caused by hurricanes Francine and Helene in September 2024.

See “*Other Impacts to Operations*” above for further discussion of the impacts of hurricanes Francine and Helene.

Gross profit – Gross profit for 2024 and 2023 was \$2.0 million (10.1% of revenue) and \$3.3 million (14.2% of revenue), respectively. The decrease in gross profit for 2024 relative to 2023 was primarily due to:

- Lower revenue,
- A lower margin project mix, and
- Costs incurred associated with our cleaning and environmental services business line (commenced in the second quarter 2024) with minimal associated revenue.

General and administrative expense – General and administrative expense for 2024 and 2023 was \$0.6 million and \$0.7 million, respectively, representing a decrease of 9.6%. The decrease was primarily due to cost savings and the timing of certain costs.

Fabrication Division

	Three Months Ended September 30,		Favorable (Unfavorable) Change
	2024	2023	
New project awards	\$ 16,902	\$ 16,589	\$ 313
Revenue	\$ 17,110	\$ 14,979	\$ 2,131
Gross profit	2,541	1,217	1,324
<i>Gross profit percentage</i>	14.9%	8.1%	
General and administrative expense	489	448	(41)
Other (income) expense, net	18	(135)	(153)
Operating income	2,034	904	1,130

References below to 2024 and 2023 refer to the three months ended September 30, 2024 and 2023, respectively.

New project awards – New project awards for 2024 and 2023 were \$16.9 million and \$16.6 million, respectively, and were primarily related to small-scale fabrication work.

Revenue – Revenue for 2024 and 2023 was \$17.1 million and \$15.0 million, respectively, representing an increase of 14.2%. The increase was primarily due to higher small-scale fabrication activity.

Gross profit – Gross profit for 2024 and 2023 was \$2.5 million (14.9% of revenue) and \$1.2 million (8.1% of revenue), respectively. The increase in gross profit for 2024 relative to 2023 was primarily due to:

- Higher revenue, and
- Improved utilization of our facilities and resources associated with higher small-scale fabrication activity, offset partially by,
- Project improvements of \$0.7 million for the 2023 period related to favorable resolution of customer change orders.

General and administrative expense – General and administrative expense for 2024 and 2023 was \$0.5 million and \$0.4 million, respectively, representing an increase of 9.2%. The increase was primarily due to higher business development costs and the timing of certain costs.

Other (income) expense, net – Other (income) expense, net for 2023 was expense of \$0.1 million and was primarily due to:

- Gains of \$0.3 million 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, and
- Gains on the sales of equipment and scrap materials, offset partially by,
- Costs of \$0.4 million associated with the consolidation of fabrication activities at our Houma Facilities.

See Note 2 for further discussion of the impacts of Hurricane Ida.

Shipyards Division

	Three Months Ended September 30,		Favorable (Unfavorable) Change
	2024	2023	
New project awards	\$ —	\$ (718)	\$ 718
Revenue	\$ 490	\$ (32,702)	\$ 33,192
Gross profit (loss)	75	(34,356)	34,431
<i>Gross profit (loss) percentage</i>	<i>15.3%</i>	<i>nm</i>	
General and administrative expense	—	857	857
Other (income) expense, net	53	(96)	(149)
Operating income (loss)	22	(35,117)	35,139

References below to 2024 and 2023 refer to the three months ended September 30, 2024 and 2023, respectively.

New project awards – New project awards for 2023 were negative \$0.7 million and were primarily related to liquidated damages and contract price adjustments for our Ferry Projects.

Revenue – Revenue for 2024 and 2023 was \$0.5 million and negative \$32.7 million, respectively. The negative revenue for 2023 was primarily due to the reversal of previously recognized revenue resulting from the resolution of our MPSV Litigation. The reversals were due to:

- The write-off of a \$12.5 million noncurrent net contract asset associated with the construction contracts subject to our previous MPSV Litigation, and
- A charge of \$20.0 million resulting from the Settlement Agreement and Note Agreement entered into in connection with the resolution of our MPSV Litigation.

See Note 3 for further discussion of the Note Agreement and Note 4 for further discussion of the resolution of our MPSV Litigation and the Settlement Agreement.

Gross profit (loss) – Gross profit for 2024 was \$0.1 million and gross loss for 2023 was \$34.4 million. The gross loss for 2023 was primarily due to:

- Charges of \$32.5 million related to the aforementioned reversal of revenue resulting from the resolution of our MPSV Litigation,
- Project charges of \$1.5 million related to forecast cost increases and liquidated damages on our Ferry Projects,
- Holding costs related to the two MPSVs that were previously in our possession and were subject to our previous MPSV Litigation, and
- The partial under-utilization of our resources due to low work hours for our Ferry Projects.

See Note 2 for further discussion of our Ferry Projects and Note 4 for further discussion of the resolution of our MPSV Litigation.

General and administrative expense – General and administrative expense for 2023 was \$0.9 million and was related to legal and advisory fees associated with our previous MPSV Litigation. See Note 4 for further discussion of the resolution of our MPSV Litigation.

Other (income) expense, net – Other (income) expense, net for 2024 and 2023 was expense of \$0.1 million and income of \$0.1 million, respectively.

Corporate Division

	Three Months Ended September 30,		Favorable (Unfavorable) Change
	2024	2023	
New project awards (eliminations)	\$ (205)	\$ (230)	\$ 25
Revenue (eliminations)	\$ (205)	\$ (230)	\$ 25
Gross profit	—	—	—
General and administrative expense	1,862	2,074	212
Other (income) expense, net	(82)	(75)	7
Operating loss	(1,780)	(1,999)	219

References below to 2024 and 2023 refer to the three months ended September 30, 2024 and 2023, respectively.

General and administrative expense – General and administrative expense for 2024 and 2023 was \$1.9 million and \$2.1 million, respectively, representing a decrease of 10.2%. The decrease was primarily due to lower incentive plan costs and the timing of certain costs.

Other (income) expense, net – Other (income) expense, net for 2024 and 2023 was income of \$0.1 million and \$0.1 million, respectively.

Comparison of the Nine Months Ended September 30, 2024 and 2023 (in thousands in each table, except for percentages):

Consolidated

	Nine Months Ended September 30,		Favorable (Unfavorable) Change
	2024	2023	
New project awards	\$ 120,530	\$ 113,319	\$ 7,211
Revenue	\$ 121,783	\$ 106,517	\$ 15,266
Cost of revenue	106,845	126,881	20,036
Gross profit (loss)	14,938	(20,364)	35,302
<i>Gross profit (loss) percentage</i>	<i>12.3 %</i>	<i>nm</i>	
General and administrative expense	9,823	12,883	3,060
Other (income) expense, net	(3,548)	(689)	2,859
Operating income (loss)	8,663	(32,558)	41,221
Interest (expense) income, net	1,792	1,057	735
Income (loss) before income taxes	10,455	(31,501)	41,956
Income tax (expense) benefit	(9)	9	(18)
Net income (loss)	\$ 10,446	\$ (31,492)	\$ 41,938

References below to 2024 and 2023 refer to the nine months ended September 30, 2024 and 2023, respectively.

New project awards – New project awards for 2024 and 2023 were \$120.5 million and \$113.3 million, respectively. New project awards for 2024 and 2023 were primarily related to:

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

Revenue – Revenue for 2024 and 2023 was \$121.8 million and \$106.5 million, respectively, representing an increase of 14.3%. The increase was primarily due to:

- Higher revenue for our Shipyard Division, an increase of \$31.9 million, primarily attributable to negative revenue for the 2023 period due to the reversal of \$32.5 million of previously recognized revenue resulting from the resolution of our MPSV Litigation, offset partially by,
- Lower revenue for our Fabrication Division, a decrease of \$16.4 million, primarily attributable to:
 - No revenue for our offshore jackets project that was canceled in July 2023, offset partially by,
 - Higher small-scale fabrication activity, and
- Lower revenue for our Services Division, a decrease of \$0.5 million, primarily attributable to lower offshore services work.

See Note 4 for further discussion of the resolution of our MPSV Litigation.

Gross profit (loss) – Gross profit for 2024 was \$14.9 million (12.3% of revenue) and gross loss for 2023 was \$20.4 million. The gross profit for 2024 relative to gross loss for 2023 was primarily due to:

- Gross profit for 2024 compared to a gross loss for 2023 for our Shipyard Division,
- A higher margin project mix for our Fabrication Division, and
- Lower property and equipment insurance costs for our Fabrication Division, offset partially by,
- Lower revenue for our Fabrication Division and Services Division,
- Project improvements of \$0.7 million for the 2023 period for our Fabrication Division, and
- A lower margin project mix for our Services Division.

See “*Operating Segments*” below and Note 2 for discussion of our project impacts and Note 4 for further discussion of our property and equipment insurance coverages.

General and administrative expense – General and administrative expense for 2024 and 2023 was \$9.8 million and \$12.9 million, respectively, representing a decrease of 23.8%. The decrease was primarily due to:

- The elimination of legal and advisory fees associated with our previous MPSV Litigation, which totaled \$3.1 million for 2023, for our Shipyard Division, offset partially by,
- Higher costs associated with initiatives to diversify and enhance our business for our Corporate Division, and
- The timing of certain costs for all our divisions.

See Note 4 for further discussion of the resolution of our MPSV Litigation.

Other (income) expense, net – Other (income) expense, net for 2024 and 2023 was income of \$3.5 million and \$0.7 million, respectively. 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. Other income for 2024 was primarily due to:

- A gain of \$2.9 million on the sale of our Houma AHFS for our Fabrication Division,
- Gains of \$1.1 million on the sales of excess equipment for our Fabrication Division, and
- Gains on the sales of scrap materials and other miscellaneous income items for our Fabrication Division, offset partially by,
- Costs of \$0.9 million associated with the consolidation of fabrication activities at our Houma Facilities for our Fabrication Division.

Other income for 2023 was primarily due to:

- Gains of \$0.5 million 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, and
- Gains on the sales of equipment and scrap material for our Fabrication Division, offset partially by,
- Costs of \$0.4 million associated with the consolidation of fabrication activities at our Houma Facilities for our Fabrication Division, and
- Charges of \$0.4 million associated with damage previously caused by Hurricane Ida to bulkheads and the MPSVs that were previously in our possession and subject to our previous MPSV Litigation for our Shipyard Division.

See Note 1 for further discussion of the sale of our Houma AHFS, Note 2 for further discussion of the impacts of Hurricane Ida and Note 4 for further discussion of the resolution of our MPSV Litigation.

Interest (expense) income, net – Interest (expense) income, net for 2024 and 2023 was income of \$1.8 million and \$1.1 million, respectively. Interest (expense) income, net for both periods includes 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. The 2024 period also includes interest incurred on our long-term debt and the 2023 period includes interest incurred on our Insurance Finance Arrangements. The increase in income for 2024 relative to 2023 was primarily due to higher interest earned on our cash and short-term investment balances and the elimination of interest on our Insurance Finance Arrangements for the 2024 period, offset partially by interest incurred on our long-term debt for the 2024 period.

Income tax (expense) benefit – Income tax (expense) benefit for 2024 and 2023 represents state income taxes. No federal income tax expense was recorded for our income for 2024 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 loss for 2023 as a full valuation allowance was recorded against our net deferred tax assets generated during the period.

Operating Segments

Services Division

	Nine Months Ended September 30,		Favorable (Unfavorable) Change
	2024	2023	
New project awards	\$ 68,065	\$ 68,578	\$ (513)
Revenue	\$ 68,546	\$ 69,033	\$ (487)
Gross profit	8,541	10,348	(1,807)
<i>Gross profit percentage</i>	<i>12.5%</i>	<i>15.0%</i>	
General and administrative expense	2,064	2,203	139
Other (income) expense, net	25	(42)	(67)
Operating income	6,452	8,187	(1,735)

References below to 2024 and 2023 refer to the nine months ended September 30, 2024 and 2023, respectively.

New project awards – New project awards for 2024 and 2023 were \$68.1 million and \$68.6 million, respectively, and were primarily related to offshore services work, including new project awards associated with our welding enclosures business line.

Revenue – Revenue for 2024 and 2023 was \$68.5 million and \$69.0 million, respectively, representing a decrease of 0.7%. The decrease was primarily due to lower offshore services work.

Gross profit – Gross profit for 2024 and 2023 was \$8.5 million (12.5% of revenue) and \$10.3 million (15.0% of revenue), respectively. The decrease in gross profit for 2024 relative to 2023 was primarily due to:

- Lower revenue,
- A lower margin project mix, and
- Costs incurred associated with our cleaning and environmental services business line (commenced in the second quarter 2024) with minimal associated revenue.

General and administrative expense – General and administrative expense for 2024 and 2023 was \$2.1 million and \$2.2 million, respectively, representing a decrease of 6.3%. The decrease was primarily due to cost savings and the timing of certain costs.

Fabrication Division

	Nine Months Ended September 30,		Favorable (Unfavorable) Change
	2024	2023	
New project awards	\$ 52,784	\$ 46,733	\$ 6,051
Revenue	\$ 52,975	\$ 69,382	\$ (16,407)
Gross profit	5,972	5,243	729
<i>Gross profit percentage</i>	<i>11.3 %</i>	<i>7.6 %</i>	
General and administrative expense	1,475	1,438	(37)
Other (income) expense, net	(3,387)	(638)	2,749
Operating income	7,884	4,443	3,441

References below to 2024 and 2023 refer to the nine months ended September 30, 2024 and 2023, respectively.

New project awards – New project awards for 2024 and 2023 were \$52.8 million and \$46.7 million, respectively, and were primarily related to small-scale fabrication work.

Revenue – Revenue for 2024 and 2023 was \$53.0 million and \$69.4 million, respectively, representing a decrease of 23.6%. The decrease was primarily due to:

- No revenue for our offshore jackets project that was canceled in July 2023, offset partially by,
- Higher small-scale fabrication activity.

Gross profit – Gross profit for 2024 and 2023 was \$6.0 million (11.3% of revenue) and \$5.2 million (7.6% of revenue), respectively. The increase in gross profit for 2024 relative to 2023 was primarily due to:

- A higher margin project mix associated with our small-scale fabrication work, and
- Lower property and equipment insurance costs, offset partially by,
- The net impact of lower utilization of our facilities and resources resulting from the cancellation of our offshore jackets project in July 2023 and improved utilization of our facilities and resources associated with higher small-scale fabrication activity,
- Lower revenue, and
- Project improvements of \$0.7 million for the 2023 period related to favorable resolution of customer change orders.

See Note 4 for further discussion of our property and equipment insurance coverages.

General and administrative expense – General and administrative expense for 2024 and 2023 was \$1.5 million and \$1.4 million, respectively, representing an increase of 2.6%. The increase was primarily due to higher business development costs and the timing of certain costs.

Other (income) expense, net – Other (income) expense, net for 2024 and 2023 was income of \$3.4 million and \$0.6 million, respectively. Other income for 2024 was primarily due to:

- A gain of \$2.9 million on the sale of our Houma AHFS,
- Gains of \$1.1 million on the sales of excess equipment, and
- Gains on the sales of scrap materials and other miscellaneous income items, offset partially by,
- Costs of \$0.9 million associated with the consolidation of fabrication activities at our Houma Facilities.

Other income for 2023 was primarily due to:

- Gains of \$0.5 million 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, and
- Gains on the sales of equipment and scrap materials, offset partially by,
- Costs of \$0.4 million associated with the consolidation of fabrication activities at our Houma Facilities.

See Note 1 for further discussion of the sale of our Houma AHFS and Note 2 for further discussion of the impacts of Hurricane Ida.

Shipyards Division

	Nine Months Ended September 30,		Favorable (Unfavorable) Change
	2024	2023	
New project awards	\$ 354	\$ (1,067)	\$ 1,421
Revenue	\$ 935	\$ (30,973)	\$ 31,908
Gross profit (loss)	425	(35,955)	36,380
<i>Gross profit (loss) percentage</i>	<i>45.5 %</i>	<i>nm</i>	
General and administrative expense	—	3,107	3,107
Other (income) expense, net	52	206	154
Operating income (loss)	373	(39,268)	39,641

References below to 2024 and 2023 refer to the nine months ended September 30, 2024 and 2023, respectively.

New project awards – New project awards for 2024 and 2023 were \$0.4 million and negative \$1.1 million, respectively. New project awards for 2024 were primarily related to change orders for our seventy-vehicle ferry project and the negative new project awards for 2023 were primarily related to liquidated damages for our Ferry Projects.

Revenue – Revenue for 2024 and 2023 was \$0.9 million and negative \$31.0 million, respectively. The negative revenue for 2023 was primarily due to the reversal of previously recognized revenue resulting from the resolution of our MPSV Litigation. The reversals were due to:

- The write-off of a \$12.5 million noncurrent net contract asset associated with the construction contracts subject to our previous MPSV Litigation, and
- A charge of \$20.0 million resulting from the Settlement Agreement and Note Agreement entered into in connection with the resolution of our MPSV Litigation.

See Note 3 for further discussion of the Note Agreement and Note 4 for further discussion of the resolution of our MPSV Litigation and the Settlement Agreement.

Gross profit (loss) – Gross profit for 2024 was \$0.4 million and gross loss for 2023 was \$36.0 million. The gross loss for 2023 was primarily due to:

- Charges of \$32.5 million related to the aforementioned reversal of revenue resulting from the resolution of our MPSV Litigation,
- Project charges of \$2.3 million related to forecast cost increases and liquidated damages on our Ferry Projects,
- Holding costs of \$0.7 million related to the two MPSVs that were previously in our possession and were subject to our previous MPSV Litigation, and
- The partial under-utilization of our resources due to low work hours for our Ferry Projects.

See Note 2 for further discussion of our Ferry Projects and Note 4 for further discussion of the resolution of our MPSV Litigation.

General and administrative expense – General and administrative expense for 2023 was \$3.1 million and was related to legal and advisory fees associated with our previous MPSV Litigation. See Note 4 for further discussion of the resolution of our MPSV Litigation.

Other (income) expense, net – Other (income) expense, net for 2024 and 2023 was expense of \$0.1 million and \$0.2 million, respectively. Other expense for 2023 was primarily due to:

- Charges of \$0.4 million associated with damage previously caused by Hurricane Ida to bulkheads and the MPSVs that were previously in our possession and subject to our previous MPSV Litigation, offset partially by,
- Miscellaneous income items.

See Note 2 for further discussion of the impacts of Hurricane Ida and Note 4 for further discussion of the resolution of our MPSV Litigation.

Corporate Division

	Nine Months Ended September 30,		Favorable (Unfavorable) Change
	2024	2023	
New project awards (eliminations)	\$ (673)	\$ (925)	\$ 252
Revenue (eliminations)	\$ (673)	\$ (925)	\$ 252
Gross profit	—	—	—
General and administrative expense	6,284	6,135	(149)
Other (income) expense, net	(238)	(215)	23
Operating loss	(6,046)	(5,920)	(126)

References below to 2024 and 2023 refer to the nine months ended September 30, 2024 and 2023, respectively.

General and administrative expense – General and administrative expense for 2024 and 2023 was \$6.3 million and \$6.1 million, respectively, representing an increase of 2.4%. The increase was primarily due to higher costs associated with initiatives to diversify and enhance our business and the timing of certain costs.

Other (income) expense, net – Other (income) expense, net for 2024 and 2023 was income of \$0.2 million and \$0.2 million, respectively.

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 September 30, 2024, our cash, cash equivalents, short-term investments and restricted cash totaled \$66.8 million, as follows (in thousands):

	September 30, 2024
Cash and cash equivalents	\$ 21,328
Short-term investments ⁽¹⁾	44,022
Available cash, cash equivalents and short-term investments	65,350
Restricted cash	1,475
Total cash, cash equivalents, short-term investments and restricted cash	\$ 66,825

(1) Includes U.S. Treasuries with original maturities of approximately four to six 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 September 30, 2024, our working capital was \$80.2 million and included \$66.8 million of cash, cash equivalents, short-term investments and restricted cash and \$1.1 million of current debt. Excluding cash, cash equivalents, short-term investments, restricted cash and current debt, our working capital at September 30, 2024 was \$14.5 million, and consisted of: net contract assets and contract liabilities of \$4.3 million; contract receivables and retainage of \$23.5 million; inventory, prepaid expenses and other current assets of \$6.3 million; and accounts payable, accrued expenses and other current liabilities of \$19.7 million. The components of our working capital (excluding cash, cash equivalents, short-term investments, restricted cash and current debt) at September 30, 2024 and December 31, 2023, and changes in such amounts during the nine months ended September 30, 2024, were as follows (in thousands):

	September 30, 2024	December 31, 2023	Change ⁽³⁾
Contract assets	\$ 5,815	\$ 2,739	\$ 3,076
Contract liabilities ⁽¹⁾	(1,479)	(5,470)	3,991
Contracts in progress, net ⁽²⁾	4,336	(2,731)	7,067
Contract receivables and retainage, net	23,504	36,298	(12,794)
Prepaid expenses, inventory and other current assets	6,339	9,066	(2,727)
Accounts payable, accrued expenses and other current liabilities	(19,699)	(23,302)	3,603
Total	\$ 14,480	\$ 19,331	\$ (4,851)

(1) Contract liabilities at September 30, 2024 and December 31, 2023, includes accrued contract losses of \$0.2 million and \$0.4 million, respectively, primarily related to our Ferry Projects for our Shipyard Division.

(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 billings or payments that reflect estimated future cash expenditures and non-cash earnings on projects and (ii) accrued contract losses that represent estimated future cash expenditures on projects.

(3) 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 our Statement of Cash Flows, including allowance for doubtful accounts and credit losses, gains and losses on sales of fixed assets and other assets, and accruals for capital expenditures.

Cash Flow Activity (in thousands)

	Nine Months Ended September 30,	
	2024	2023
Net cash provided by (used in) operating activities	\$ 15,943	\$ (172)
Net cash used in investing activities	(30,729)	(6,591)
Net cash used in financing activities	(2,062)	(1,739)

Operating Activities – Cash provided by operating activities for the nine months ended September 30, 2024 was \$15.9 million and cash used in operating activities for the nine months ended September 30, 2023 was \$0.2 million, and was primarily due to the net impacts of the following:

2024 Activity

- Net income adjusted for depreciation and amortization of \$3.6 million, a gain on the sale of our Houma AHFS and fixed assets of \$3.9 million and stock-based compensation expense of \$1.4 million;
- Decrease in contract receivables and retainage of \$12.8 million related to the timing of billings and collections on projects, primarily due to lower receivable positions on various projects for our Services Division and Fabrication Division;
- Increase in contract assets of \$3.1 million related to the timing of billings on projects, primarily due to higher unbilled positions on various projects for our Fabrication Division;
- Decrease in contract liabilities of \$4.0 million, primarily due to lower advance billings on various projects for our Fabrication Division;
- Decrease in prepaid expenses, inventory and other assets of \$2.4 million, primarily due to prepaid expenses and the associated timing of certain prepayments and the collection of insurance receivables associated with Hurricane Ida. See Note 2 for further discussion of the Hurricane Ida insurance receivables;
- Decrease in accounts payable, accrued expenses and other current liabilities of \$3.3 million related to the timing of payments, primarily due to lower accounts payable positions on various projects for our Services Division and Fabrication Division; and
- Change in noncurrent assets and liabilities, net of \$0.4 million.

2023 Activity

- Net loss adjusted for depreciation and amortization of \$4.1 million, a gain from net changes in allowance for doubtful accounts and credit losses of \$0.4 million, a gain on insurance recoveries of \$0.2 million, a gain on the sale of fixed assets of \$0.2 million and stock-based compensation expense of \$1.5 million;
- Increase in contract receivables and retainage of \$6.5 million related to the timing of billings and collections on projects, primarily due to higher receivable positions on various projects for our Fabrication Division and Services Division;
- Decrease in contract assets of \$0.5 million related to the timing of billings on projects, primarily due to lower unbilled positions on our forty-vehicle ferry projects for our Shipyard Division, offset partially by higher unbilled positions on various projects for our Fabrication Division;
- Decrease in contract liabilities of \$4.7 million, primarily due to lower advance billings on our cancelled offshore jackets project for our Fabrication Division and accrued contract losses on our forty-vehicle ferry projects for our Shipyard Division;
- Decrease in prepaid expenses, inventory and other assets of \$2.8 million, primarily due to prepaid expenses and the associated timing of certain prepayments;
- Increase in accounts payable, accrued expenses and other current liabilities of \$2.5 million related to the timing of payments, primarily due to higher accounts payable positions on various projects for our Fabrication Division; and
- Change in noncurrent assets and liabilities, net of \$31.9 million, primarily due to the write-off of a \$12.5 million noncurrent net contract asset, and recording of a \$20.0 million liability, associated with the resolution of our MPSV Litigation. The liability was replaced with the Note Agreement in the fourth quarter 2023. See Note 3 for further discussion of the Note Agreement and Note 4 for further discussion of the resolution of our MPSV Litigation.

Investing Activities – Cash used in investing activities for the nine months ended September 30, 2024 and 2023 was \$30.7 million and \$6.6 million, respectively. Cash used in investing activities for 2024 was primarily due to net purchases of short-term investments of \$35.8 million and capital expenditures of \$4.9 million, offset partially by proceeds from the sale of our Houma AHFS and fixed assets of \$9.6 million and recoveries from insurance claims of \$0.3 million. Cash used in investing activities for 2023 was primarily due to net purchases of short-term investments of \$5.5 million and capital expenditures of \$1.7 million, offset partially by proceeds from the sale of fixed assets of \$0.4 million and recoveries from insurance claims of \$0.2 million. See Note 1 for further discussion of the sale of our Houma AHFS and Note 2 for further discussion of our insurance claims associated with Hurricane Ida.

Financing Activities – Cash used in financing activities for the nine months ended September 30, 2024 and 2023 was \$2.1 million and \$1.7 million, respectively. Cash used in financing activities for 2024 was primarily due to the repurchase of \$0.9 million of our common stock under our Share Repurchase Program and tax payments of \$1.2 million made on behalf of employees from vested stock withholdings. Cash used in financing activities for 2023 was primarily due to payments on our Insurance Finance Arrangements of \$1.3 million and tax payments of \$0.5 million made on behalf of employees from vested stock withholdings. See Note 3 for further discussion of our Insurance Finance Arrangements and Note 5 for further discussion of our Share Repurchase Program.

Credit Facilities

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

Registration Statement

We have a shelf registration statement that is effective with the SEC that expires on August 24, 2026. 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, improved project cash flow management and the completion of the Shipyard Transaction. The primary uses of our liquidity for the remainder of 2024 and the foreseeable future are to fund:

- 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 achieve full utilization levels;
- Capital expenditures, including expenditures to maintain, upgrade and replace aged equipment;
- Working capital requirements for our projects, including the unwind of advance payments on projects;
- Interest and principal payments on our Note Agreement. See Note 3 for further discussion of our Note Agreement;
- Corporate administrative expenses (including the temporary under-utilization of personnel as we evaluate our resource requirements to support our future operations);
- Organic and inorganic opportunities for growth, including mergers and acquisitions;
- Remaining liabilities of our Shipyard Division operations (including accrued contract losses for our Ferry Projects); and
- Our Share Repurchase Program. See Note 5 for further discussion of our Share Repurchase Program.

We anticipate capital expenditures of approximately \$0.5 to \$1.0 million for the remainder of 2024. Approximately \$4.5 million of our total estimated capital expenditures for 2024 relate to upgrades to our Houma Facilities and investments in more technologically advanced equipment. In the first quarter 2024, we received insurance proceeds of \$2.0 million associated with damage previously caused to our Houma Facilities by Hurricane Ida, which has partially supplemented our capital expenditures for 2024. Further investments in our facilities and equipment may be required to win and execute potential new project awards, which are not included in these estimates. See Note 2 for further discussion of the insurance proceeds received associated with damage previously caused by Hurricane Ida.

We believe that our cash, cash equivalents and short-term investments at September 30, 2024, 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 the remainder of 2024 and the foreseeable future. Our evaluation of the sufficiency of our cash and liquidity is primarily based on our financial forecasts for 2024 and 2025, which are 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, and future losses, if any, 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 can provide no assurances that our financial forecasts 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 3. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

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 third quarter 2024, 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 the resolution of our MPSV Litigation in the fourth quarter 2023, which is incorporated herein by reference.

Item 1A. Risk Factors.

There have been no material changes to our risk factors previously disclosed in Part I, Item 1A. “Risk Factors” of our 2023 Annual Report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Issuer Purchases of Equity Securities

The following table summarizes our purchases of common stock during the three months ended September 30, 2024.

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share ⁽²⁾	Current Program ⁽¹⁾	
			Total Number of Shares Purchased as Part of Publicly Announced Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (in thousands)
July 1 to 31, 2024	—	\$ —	—	\$ 4,599
August 1 to 31, 2024	27,231	\$ 5.49	27,231	\$ 4,449
September 1 to 30, 2024	83,677	\$ 5.45	83,677	\$ 3,993
Total	110,908	\$ 5.46	110,908	

(1) On December 1, 2023, our Board of Directors (“Board”) approved a share repurchase program (“Share Repurchase Program”) authorizing the repurchase of up to \$5.0 million of our outstanding common stock, effective from December 15, 2023 through December 15, 2024. On October 31, 2024, our Board extended the Share Repurchase Program to December 31, 2025. The timing and amount of any share repurchases is at the discretion of management and may be made from time to time through transactions in the open market, in privately negotiated transactions or by other means in accordance with applicable laws. The Share Repurchase Program does not obligate us to repurchase any shares of common stock and may be modified, increased or suspended or terminated at the discretion of our Board. See Note 5 for further discussion of our Share Repurchase Program.

(2) Average price paid per share includes costs associated with the repurchases.

Item 5. Other Information.

During the quarter ended September 30, 2024, no director or officer of the Company adopted or terminated any Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement, as such terms are defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits.

Exhibit Number	Description of Exhibit
3.1	<u>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).</u>
3.2	<u>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 6, 2023 (SEC File No. 001-34279).</u>
31.1	<u>CEO Certifications pursuant to Rule 13a-14 under the Securities Exchange Act of 1934. *</u>
31.2	<u>CFO Certifications pursuant to Rule 13a-14 under the Securities Exchange Act of 1934. *</u>
32	<u>Section 906 Certification furnished pursuant to 18 U.S.C. Section 1350. *</u>
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. *
104	The cover page for the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, 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: November 5, 2024

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: November 5, 2024

/s/ Richard W. Heo

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

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: November 5, 2024

/s/ Westley S. Stockton

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

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 September 30, 2024, 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)
November 5, 2024

By: /s/ Westley S. Stockton
Westley S. Stockton
Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer and Principal Accounting Officer)
November 5, 2024

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.
