HELIX ENERGY SOLUTIONS GROUP INC
Form 10-Q
July 25, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
Form 10-Q
þ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2018
or
¨ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from__________ to__________
Commission File Number 001-32936

HELIX ENERGY SOLUTIONS GROUP, INC.
(Exact name of registrant as specified in its charter)

Minnesota	95–3409686
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3505 West Sam Houston Parkway North, Suite 400	
Houston, Texas	77043
(Address of principal executive offices)	(Zip Code)

(281) 618–0400
(Registrant's telephone number, including area code)
NOT APPLICABLE
(Former name, former address and former fiscal year, if changed since last report)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. þ Yes ¨ No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). þ Yes ¨ No
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

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

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
¨ Yes þ No

As of July 20, 2018, 148,113,398 shares of common stock were outstanding.

TABLE OF CONTENTS

Table of Contents

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
HELIX ENERGY SOLUTIONS GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)

	June 30, 2018 (Unaudited)	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$288,490	$266,592
Accounts receivable:		
Trade, net of allowance for uncollectible accounts of $2,752	79,791	113,336
Unbilled and other	76,914	29,947
Other current assets	51,519	41,768
Total current assets	496,714	451,643
Property and equipment	2,722,845	2,695,772
Less accumulated depreciation	(938,538)	(889,783)
Property and equipment, net	1,784,307	1,805,989
Other assets, net	85,823	105,205
Total assets	$2,366,844	$2,362,837
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$69,624	$81,299
Accrued liabilities	81,087	71,680
Income tax payable	1,477	2,799
Current maturities of long-term debt	46,151	109,861
Total current liabilities	198,339	265,639
Long-term debt	412,852	385,766
Deferred tax liabilities	106,560	103,349
Other non-current liabilities	46,699	40,690
Total liabilities	764,450	795,444
Shareholders’ equity:		
Common stock, no par, 240,000 shares authorized, 148,107 and 147,740 shares issued, respectively	1,303,984	1,284,274
Retained earnings	369,659	352,906
Accumulated other comprehensive loss	(71,249)	(69,787)
Total shareholders’ equity	1,602,394	1,567,393
Total liabilities and shareholders’ equity	$2,366,844	$2,362,837

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

Table of Contents

HELIX ENERGY SOLUTIONS GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(in thousands, except per share amounts)

	Three Months Ended June 30, 2018	2017
Net revenues	$204,625	$150,329
Cost of sales	161,728	131,962
Gross profit	42,897	18,367
Selling, general and administrative expenses	(18,125)	(13,317)
Income from operations	24,772	5,050
Equity in losses of investment	(135)	(152)
Net interest expense	(3,599)	(6,639)
Loss on extinguishment of long-term debt	(76)	(397)
Other income (expense), net	(3,441)	467
Other income – oil and gas	561	291
Income (loss) before income taxes	18,082	(1,380)
Income tax provision	298	5,023
Net income (loss)	$17,784	$(6,403)
Earnings (loss) per share of common stock:		
Basic	$0.12	$(0.04)
Diluted	$0.12	$(0.04)
Weighted average common shares outstanding:		
Basic	146,683	145,940
Diluted	146,724	145,940

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

Table of Contents

HELIX ENERGY SOLUTIONS GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)
(in thousands, except per share amounts)

	Six Months Ended June 30, 2018	2017
Net revenues	$368,887	$254,857
Cost of sales	313,007	237,315
Gross profit	55,880	17,542
Loss on disposition of assets, net	—	(39)
Selling, general and administrative expenses	(32,224)	(30,158)
Income (loss) from operations	23,656	(12,655)
Equity in losses of investment	(271)	(304)
Net interest expense	(7,495)	(11,865)
Loss on extinguishment of long-term debt	(1,181)	(397)
Other expense, net	(2,516)	(68)
Other income – oil and gas	3,416	2,893
Income (loss) before income taxes	15,609	(22,396)
Income tax provision	385	422
Net income (loss)	$15,224	$(22,818)
Earnings (loss) per share of common stock:		
Basic	$0.10	$(0.16)
Diluted	$0.10	$(0.16)
Weighted average common shares outstanding:		
Basic	146,668	144,599
Diluted	146,668	144,599

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

Table of Contents

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

	Three Months Ended June 30,	
	2018	2017
Net income (loss)	$17,784	$(6,403)
Other comprehensive income (loss), net of tax:		
Net unrealized gain (loss) on hedges arising during the period	(1,226)	935
Reclassifications to net income (loss)	1,807	3,949
Income taxes on hedges	(126)	(1,708)
Net change in hedges, net of tax	455	3,176
Foreign currency translation gain (loss)	(7,547)	6,284
Other comprehensive income (loss), net of tax	(7,092)	9,460
Comprehensive income	$10,692	$3,057

	Six Months Ended June 30,	
	2018	2017
Net income (loss)	$15,224	$(22,818)
Other comprehensive income, net of tax:		
Net unrealized gain on hedges arising during the period	927	1,844
Reclassifications to net income (loss)	3,434	7,439
Income taxes on hedges	(941)	(3,264)
Net change in hedges, net of tax	3,420	6,019
Unrealized loss on note receivable arising during the period	(629)	—
Income taxes on note receivable	132	—
Unrealized loss on note receivable, net of tax	(497)	—
Foreign currency translation gain (loss)	(2,856)	9,392
Other comprehensive income, net of tax	67	15,411
Comprehensive income (loss)	$15,291	$(7,407)

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

Table of Contents

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

	Six Months Ended June 30, 2018	2017
Cash flows from operating activities:		
Net income (loss)	$15,224	$(22,818)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	55,659	56,377
Amortization of debt discount	2,659	2,303
Amortization of debt issuance costs	1,799	4,326
Share-based compensation	5,022	5,181
Deferred income taxes	(1,622)	(80)
Equity in losses of investment	271	304
Loss on disposition of assets, net	—	39
Loss on extinguishment of long-term debt	1,181	397
Unrealized gain on derivative contracts, net	(1,554)	(2,482)
Changes in operating assets and liabilities:		
Accounts receivable, net	(14,319)	(10,122)
Other current assets	(9,662)	(10,957)
Income tax payable / receivable	(1,445)	(1,729)
Accounts payable and accrued liabilities	9,202	27,372
Other non-current, net	25,251	(32,510)
Net cash provided by operating activities	87,666	15,601
Cash flows from investing activities:		
Capital expenditures	(41,969)	(94,396)
Proceeds from sale of assets	—	10,000
Net cash used in investing activities	(41,969)	(84,396)
Cash flows from financing activities:		
Issuance of Convertible Senior Notes due 2023	125,000	—
Repurchase of Convertible Senior Notes due 2032	(60,362)	—
Proceeds from term loan	—	100,000
Repayment of term loan	(61,936)	(192,258)
Repayment of Nordea Q5000 Loan	(17,857)	(17,858)
Repayment of MARAD Debt	(3,226)	(3,073)
Debt issuance costs	(3,856)	(3,665)
Net proceeds from issuance of common stock	—	219,504
Payments related to tax withholding for share-based compensation	(1,058)	(1,306)
Proceeds from issuance of ESPP shares	332	279
Net cash provided by (used in) financing activities	(22,963)	101,623
Effect of exchange rate changes on cash and cash equivalents	(836)	960
Net increase in cash and cash equivalents	21,898	33,788
Cash and cash equivalents:		
Balance, beginning of year	266,592	356,647

Balance, end of period	$288,490	$390,435

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

Table of Contents

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

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

The accompanying condensed consolidated financial statements have been prepared in conformity with GAAP in U.S. dollars and are consistent in all material respects with those applied in our 2017 Annual Report on Form 10-K ("2017 Form 10-K"). The preparation of these financial statements requires us to make estimates and judgments that affect the amounts reported in the financial statements and the related disclosures. Actual results may differ from our estimates. We have made all adjustments (which were normal recurring adjustments) that we believe are necessary for a fair presentation of the condensed consolidated balance sheets, statements of operations, statements of comprehensive income (loss), and statements of cash flows, as applicable. The operating results for the three- and six-month periods ended June 30, 2018 are not necessarily indicative of the results that may be expected for the year ending December 31, 2018. Our balance sheet as of December 31, 2017 included herein has been derived from the audited balance sheet as of December 31, 2017 included in our 2017 Form 10-K. These unaudited condensed consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements and notes thereto included in our 2017 Form 10-K.

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

New accounting standards adopted

In May 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASC Topic 606"). The FASB also issued several subsequent updates to promote more consistent interpretation and application of the principles outlined in the standard. ASC Topic 606 provides a five-step approach to account for revenue arising from contracts with customers in order for an entity to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

We adopted ASC Topic 606 effective January 1, 2018 using the modified retrospective method by applying the five-step model to all contracts that were not completed as of the date of adoption. For contracts that were modified before the date of adoption, we have considered the modification guidance within the new standard and determined that the revenues recognized prior to adoption for such modified contracts were not impacted. We did not record any cumulative effect adjustment to the opening balance of our retained earnings as of January 1, 2018 as the adoption of ASC 606 had an insignificant impact on our prior year earnings. On our consolidated balance sheet, contract assets that were previously presented as "Other accounts receivable" are now a component of "Other current assets." The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. ASC Topic 606 requires additional disclosures with regard to the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. We do not expect the adoption of this guidance to have a material impact on the measurement or recognition of our revenues on an ongoing basis. The impact of ASC Topic 606 for the three- and six-month periods ended June 30, 2018 was as follows (in thousands):

Table of Contents

	June 30, 2018		
	As Reported	Pro Forma Without Adoption of ASC 606	Effect of Change
Balance Sheet			
Assets			
Unbilled and other	$76,914	$ 76,814	$ 100
Other current assets	51,519	50,792	727
Liabilities			
Accrued liabilities	81,087	81,618	(531)
Deferred tax liabilities	106,560	106,275	285
Equity			
Retained earnings	369,659	368,586	1,073

	Three Months Ended June 30, 2018			Six Months Ended June 30, 2018		
	As Reported	Pro Forma Without Adoption of ASC 606	Effect of Change	As Reported	Pro Forma Without Adoption of ASC 606	Effect of Change
Statement of Operations						
Net revenues	$204,625	$203,267	$ 1,358	$368,887	$367,529	$ 1,358
Income from operations	24,772	23,414	1,358	23,656	22,298	1,358
Income before income taxes	18,082	16,724	1,358	15,609	14,251	1,358
Income tax provision	298	13	285	385	100	285
Net income	17,784	16,711	1,073	15,224	14,151	1,073

In February 2018, the FASB issued ASU No. 2018-02, “Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income.” This ASU allows a reclassification from accumulated other comprehensive income (loss) (“OCI”) to retained earnings for stranded tax effects resulting from the U.S. Tax Cuts and Jobs Act (the “2017 Tax Act”) that was enacted on December 22, 2017. We adopted this guidance as of January 1, 2018 by making the election to reclassify $1.5 million of net stranded tax benefits from accumulated OCI to retained earnings (Note 8). On an ongoing basis, we release the income tax effects of individual items in accumulated OCI as those items are sold or settled at the applicable statutory rate.

New accounting standards issued but not yet effective

In February 2016, the FASB issued ASU No. 2016-02, “Leases (Topic 842).” This ASU amends the existing accounting standards for leases to increase transparency and comparability among organizations. The new guidance requires a lessee to recognize a lease right-of-use asset and related lease liability for most leases, including those classified as operating leases under current GAAP. The ASU also changes the definition of a lease and requires expanded quantitative and qualitative disclosures for both lessees and lessors. We have planned and commenced our implementation of the new guidance. We have accumulated our lease contracts and are aggregating them into a lease software platform. We are also assessing non-lease contracts for inclusion of embedded leases as well as updating our policies and controls and establishing appropriate presentation and disclosure changes resulting from the new guidance. While our implementation plan is still ongoing, management's assessment based on our current portfolio of leases, including vessel charters, is that our assets and liabilities will increase by a significant amount as we recognize right-of-use assets and lease liabilities on our balance sheet upon our adoption of this ASU. We do not expect the new guidance to have any significant impact on our earnings or cash flows. We will adopt the ASU on its effective date in the first quarter of 2019.

Table of Contents

In June 2016, the FASB issued ASU No. 2016-13, “Measurement of Credit Losses on Financial Instruments.” This ASU replaces the current incurred loss model for measurement of credit losses on financial assets including trade receivables with a forward-looking expected loss model based on historical experience, current conditions and reasonable and supportable forecasts. The guidance is effective for annual reporting periods beginning after December 15, 2019, including interim periods. We are currently evaluating the impact this guidance will have on our consolidated financial statements.

In August 2017, the FASB issued ASU No. 2017-12, “Targeted Improvements to Accounting for Hedging Activities.” This ASU improves the financial reporting of hedging relationships to better align risk management activities in financial statements and makes certain targeted improvements to simplify the application of the hedge accounting guidance in current GAAP. The guidance is effective for annual reporting periods beginning after December 15, 2018, including interim periods. Early adoption is permitted. We are currently evaluating the impact this guidance will have on our consolidated financial statements.

We do not expect any other recent accounting standards to have a material impact on our financial position, results of operations or cash flows.

Note 2 — Company Overview

We are an international offshore energy services company that provides specialty services to the offshore energy industry with a focus on well intervention and robotics operations. We seek to provide services and methodologies that we believe are critical to maximizing production economics. We provide services primarily in deepwater in the U.S. Gulf of Mexico, Brazil, North Sea, Asia Pacific and West Africa regions. Our “life of field” services are segregated into three reportable business segments: Well Intervention, Robotics and Production Facilities (Note 12).

Our Well Intervention segment includes our vessels and/or equipment used to perform well intervention services in the U.S. Gulf of Mexico, Brazil, North Sea and West Africa. Our Well Intervention segment also includes intervention riser systems (“IRSs”), some of which we provide on a stand-alone basis, and subsea intervention lubricators (“SILs”). Our well intervention vessels include the Q4000, the Q5000, the Seawell, the Well Enhancer and two chartered monohull vessels, the Siem Helix 1 and the Siem Helix 2. We also have a semi-submersible well intervention vessel under construction, the Q7000.

Our Robotics segment includes remotely operated vehicles (“ROVs”), trenchers and ROVDrills, which are designed to complement offshore construction and well intervention services, and three ROV support vessels under long-term charter: the Grand Canyon, the Grand Canyon II and the Grand Canyon III. We also utilize spot vessels as needed.

Our Production Facilities segment includes the Helix Producer I (the “HP I”), a ship-shaped dynamically positioned floating production vessel, and the Helix Fast Response System (the “HFRS”), which provides certain operators access to our Q4000 and HP I vessels in the event of a well control incident in the Gulf of Mexico. The HP I has been under contract to the Phoenix field operator since February 2013, currently under a fixed fee agreement through at least June 1, 2023. We are also party to an agreement providing various operators through March 31, 2019 with access to the HFRS for well control purposes. The Production Facilities segment also includes our ownership interest in Independence Hub, LLC (“Independence Hub”) (Note 5).

Table of Contents

Note 3 — Details of Certain Accounts

Other current assets consist of the following (in thousands):

	June 30, 2018	December 31, 2017
Contract assets (Note 9)	$727	$ —
Note receivable [1]	2,000	—
Prepaids	15,426	10,102
Deferred costs (Note 9)	27,275	27,204
Other	6,091	4,462
Total other current assets	$51,519	$ 41,768

(1) The note receivable in the form of convertible bonds was issued to us by a customer as part of a payment forgiveness arrangement and was acquired from us by a third party on July 6, 2018. The fair value of the bonds at June 30, 2018 reflects the amount that we received from the sale. The bonds were previously scheduled to mature on December 14, 2019. The fair value of the bonds at December 31, 2017 is reflected in "Other assets, net" (see below). During the six-month period ended June 30, 2018, we reversed a $0.6 million unrealized gain previously recorded in Accumulated OCI and recorded a $1.1 million other than temporary loss to account for the reduction in the fair value of these bonds.

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

	June 30, 2018	December 31, 2017
Note receivable	$—	$ 3,758
Prepaids	6,788	7,666
Deferred dry dock costs, net	10,732	12,368
Deferred costs (Note 9)	51,089	63,767
Charter fee deposit [1]	12,544	12,544
Other	4,670	5,102
Total other assets, net	$85,823	$ 105,205

(1) This amount deposited with the vessel owner is to be used to reduce our final charter payments for the Siem Helix 2.

Accrued liabilities consist of the following (in thousands):

	June 30, 2018	December 31, 2017
Accrued payroll and related benefits	$35,245	$ 30,685
Deferred revenue (Note 9)	14,438	12,609
Derivative liability (Note 15)	10,157	10,625
Other	21,247	17,761
Total accrued liabilities	$81,087	$ 71,680

Table of Contents

Other non-current liabilities consist of the following (in thousands):

	June 30, 2018	December 31, 2017
Investee losses in excess of investment (Note 5)	$6,518	$ 7,567
Deferred gain on sale of property [1]	5,466	5,838
Deferred revenue (Note 9)	20,169	8,744
Derivative liability (Note 15)	3,353	8,150
Other	11,193	10,391
Total other non-current liabilities	$46,699	$ 40,690

(1) Relates to the sale and lease-back in January 2016 of our office and warehouse property located in Aberdeen, Scotland. The deferred gain is amortized over a 15-year minimum lease term.

Note 4 — Statement of Cash Flow Information

We define cash and cash equivalents as cash and all highly liquid financial instruments with original maturities of three months or less. The following table provides supplemental cash flow information (in thousands):

	Six Months Ended June 30, 2018	2017
Interest paid, net of interest capitalized	$3,783	$6,663
Income taxes paid	$3,651	$2,424

Our non-cash investing activities include the acquisition of property and equipment for which payment has not been made. These non-cash capital additions totaled $7.9 million as of June 30, 2018 and $16.9 million as of December 31, 2017.

Note 5 — Equity Investments

We have a 20% ownership interest in Independence Hub that we account for using the equity method of accounting. Independence Hub owns the “Independence Hub” platform located in Mississippi Canyon Block 920 in the U.S. Gulf of Mexico in a water depth of 8,000 feet. Since we are committed to providing our pro-rata portion of the necessary level of financial support for Independence Hub to pay its obligations as they become due, we recorded liabilities of $8.8 million at June 30, 2018 and $9.8 million at December 31, 2017 for our share of the estimated obligations, net of remaining working capital. These liabilities are reflected in “Accrued liabilities” and “Other non-current liabilities” in the accompanying condensed consolidated balance sheets.

Table of Contents

Note 6 — Long-Term Debt

Scheduled maturities of our long-term debt outstanding as of June 30, 2018 are as follows (in thousands):

	Term Loan (1)	2022 Notes	2023 Notes	MARAD Debt	Nordea Q5000 Loan	Total
Less than one year	$3,744	$—	$—	$6,693	$35,714	$46,151
One to two years	31,820	—	—	7,027	107,143	145,990
Two to three years	—	—	—	7,378	—	7,378
Three to four years	—	125,000	—	7,746	—	132,746
Four to five years	—	—	—	8,133	—	8,133
Over five years	—	—	125,000	36,797	—	161,797
Total debt	35,564	125,000	125,000	73,774	142,857	502,195
Current maturities	(3,744)	—	—	(6,693)	(35,714)	(46,151)
Long-term debt, less current maturities	31,820	125,000	125,000	67,081	107,143	456,044
Unamortized debt discount (2)	—	(12,484)	(19,394)	—	—	(31,878)
Unamortized debt issuance costs (3)	(496)	(2,030)	(3,117)	(4,269)	(1,402)	(11,314)
Long-term debt	$31,324	$110,486	$102,489	$62,812	$105,741	$412,852

(1) Term Loan borrowing pursuant to the Credit Agreement (amended and restated in June 2017) matures in June 2020. Scheduled maturities of the Term Loan have been adjusted to reflect prepayments made in March 2018.

(2) Our Convertible Senior Notes due 2022 (the “2022 Notes”) will increase to their face amount through accretion of the debt discount through May 2022. Our Convertible Senior Notes due 2023 (the “2023 Notes”) will increase to their face amount through accretion of the debt discount through September 2023.

(3) Debt issuance costs are amortized to interest expense over the term of the applicable debt agreement.

Below is a summary of certain components of our indebtedness:

Credit Agreement

On June 30, 2017, we entered into an Amended and Restated Credit Agreement (the “Credit Agreement”) with a group of lenders led by Bank of America, N.A. (“Bank of America”). The amended and restated credit facility is comprised of a $100 million term loan (the “Term Loan”) and a revolving credit facility (the “Revolving Credit Facility”) of up to $150 million (the “Revolving Loans”). The Revolving Credit Facility permits us to obtain letters of credit up to a sublimit of $25 million. Pursuant to the Credit Agreement, subject to existing lender participation and/or the participation of new lenders, and subject to standard conditions precedent, we may request aggregate commitments up to $100 million with respect to an increase in the Revolving Credit Facility, additional term loans, or a combination thereof. As of June 30, 2018, we had no borrowings under the Revolving Credit Facility, and our available borrowing capacity under that facility, based on the applicable leverage ratio covenant, totaled $146.6 million, net of $3.4 million of letters of credit issued under that facility.

The Term Loan and the Revolving Loans (together, the “Loans”), at our election, bear interest in relation to Bank of America’s base rate, to a LIBOR rate or a combination thereof. The Term Loan bearing interest at the base rate will bear interest at a per annum rate equal to the base rate plus 3.25%. The Term Loan bearing interest at a LIBOR rate will bear interest per annum at the LIBOR rate selected by us plus a margin of 4.25%. The interest rate on the Term Loan was 6.34% as of June 30, 2018. The Revolving Loans bearing interest at the base rate will bear interest at a per annum rate equal to the base rate plus a margin ranging from 1.75% to 3.25%. The Revolving Loans bearing interest at a LIBOR rate will bear interest per annum at the LIBOR rate selected by us plus a margin ranging from 2.75% to 4.25%. A letter of credit fee is payable by us equal to its applicable margin for LIBOR rate Loans times the daily amount available to be drawn under the applicable letter of credit. Margins on the Revolving Loans will vary in relation to the Consolidated Total Leverage Ratio (as defined below) as provided for in the Credit Agreement. We also pay a fixed commitment fee of 0.50% per annum on the unused portion of our Revolving Credit Facility.

Table of Contents

The Term Loan principal is required to be repaid in quarterly installments totaling 5% in the first loan year, 10% in the second loan year and 15% in the third loan year, with a balloon payment at maturity. Installment amounts are subject to adjustment for any prepayments on the Term Loan. We may elect to prepay amounts outstanding under the Term Loan without premium or penalty, but may not reborrow any amounts prepaid. We may prepay amounts outstanding under the Revolving Credit Facility without premium or penalty and may reborrow any amounts prepaid up to the amount of the Revolving Credit Facility. The Loans mature on June 30, 2020.

The Credit Agreement and the other documents entered into in connection with the Credit Agreement include terms and conditions, including covenants, which we consider customary for this type of facility. The covenants include certain restrictions on our and our subsidiaries' ability to grant liens, incur indebtedness, make investments, merge or consolidate, sell or transfer assets, pay dividends and make capital expenditures. In addition, the Credit Agreement obligates us to meet minimum ratios of EBITDA to interest charges ("Consolidated Interest Coverage Ratio") and funded debt to EBITDA ("Consolidated Total Leverage Ratio"), and provided that if there are no Loans outstanding, the funded debt ratio requirement permits us to offset a certain amount of cash against the funded debt used in the calculation ("Consolidated Net Leverage Ratio"). After the initial Term Loan is repaid in full, if there are any Loans outstanding including unreimbursed draws under letters of credit issued under the Revolving Credit Facility, we also are required to ensure that the ratio of our total secured indebtedness to EBITDA ("Consolidated Secured Leverage Ratio") does not exceed the maximum permitted ratio. The Credit Agreement also obligates us to maintain certain cash levels depending on the type of indebtedness outstanding. These financial covenant requirements are detailed as follows:

(a) The minimum required Consolidated Interest Coverage Ratio:

Four Fiscal Quarters Ending	Minimum Consolidated Interest Coverage Ratio
June 30, 2018 and each fiscal quarter thereafter	2.50 to 1.00

(b) The maximum permitted Consolidated Total Leverage Ratio or Consolidated Net Leverage Ratio:

Four Fiscal Quarters Ending	Maximum Consolidated Total or Net Leverage Ratio
June 30, 2018	5.25 to 1.00
September 30, 2018	5.00 to 1.00
December 31, 2018 through and including March 31, 2019	4.50 to 1.00
June 30, 2019 through and including September 30, 2019	4.25 to 1.00
December 31, 2019	4.00 to 1.00
March 31, 2020 and each fiscal quarter thereafter	3.50 to 1.00

(c) The maximum permitted Consolidated Secured Leverage Ratio:

Four Fiscal Quarters Ending	Maximum Consolidated Secured Leverage

	Ratio
June 30, 2018	3.00 to 1.00
September 30, 2018 and each fiscal quarter thereafter	2.50 to 1.00

14

Table of Contents

(d) The minimum required Unrestricted Cash and Cash Equivalents:

Consolidated Total Leverage Ratio	Minimum Cash (1)
Greater than or equal to 4.00 to 1.00	$100,000,000
Greater than or equal to 3.50 to 1.00 but less than 4.00 to 1.00	$50,000,000
Less than 3.50 to 1.00	$0

(1) This minimum cash balance is not required to be maintained in any particular bank account or to be segregated from other cash balances in bank accounts that we use in our ordinary course of business. Because the use of this cash is not legally restricted notwithstanding this maintenance covenant, we present it on our balance sheet as cash and cash equivalents. As of June 30, 2018, we were required to, and did, maintain an aggregate cash balance of at least $50 million in compliance with this covenant.

We may from time to time designate one or more of our foreign subsidiaries as subsidiaries not generally subject to the covenants in the Credit Agreement (the "Unrestricted Subsidiaries"). The debt and EBITDA of Unrestricted Subsidiaries are not included in the calculations of our financial covenants, except for the debt and EBITDA of Helix Q5000 Holdings, S.a.r.l., a wholly owned subsidiary incorporated in Luxembourg ("Q5000 Holdings"). Our obligations under the Credit Agreement are guaranteed by our domestic subsidiaries (except Cal Dive I - Title XI, Inc.) and by Canyon Offshore Limited, a wholly owned Scottish subsidiary. Our obligations under the Credit Agreement, and of such guarantors under their guarantee, are secured by (i) most of the assets of the parent, (ii) the shares of our domestic subsidiaries (other than Cal Dive I - Title XI, Inc.) and Canyon Offshore Limited, and (iii) most of the assets of our domestic subsidiaries (other than Cal Dive I - Title XI, Inc.) and Canyon Offshore Limited. In addition, these obligations are secured by pledges of up to 66% of the shares of certain foreign subsidiaries.

In March 2018, we prepaid $61 million of the Term Loan with a portion of the net proceeds from the 2023 Notes. We recognized a $0.9 million loss to write off the related unamortized debt issuance costs, which loss is presented as "Loss on extinguishment of long-term debt" in the accompanying consolidated statement of operations.

Convertible Senior Notes Due 2022

On November 1, 2016, we completed a public offering and sale of our 2022 Notes in the aggregate principal amount of $125 million. The 2022 Notes bear interest at a rate of 4.25% per annum, and are payable semi-annually in arrears on November 1 and May 1 of each year, beginning on May 1, 2017. The 2022 Notes mature on May 1, 2022 unless earlier converted, redeemed or repurchased. During certain periods and subject to certain conditions (as described in the indenture governing the 2022 Notes), the 2022 Notes are convertible by the holders into shares of our common stock at an initial conversion rate of 71.9748 shares of our common stock per $1,000 principal amount (which represents an initial conversion price of approximately $13.89 per share of common stock), subject to adjustment in certain circumstances. We have the right and the intention to settle the principal amount of any such future conversions in cash.

Prior to November 1, 2019, the 2022 Notes are not redeemable. On or after November 1, 2019, if certain conditions are met, we may redeem all or any portion of the 2022 Notes at a redemption price payable in cash equal to 100% of the principal amount to be redeemed, plus accrued and unpaid interest, and a "make-whole premium." Holders of the 2022 Notes may require us to repurchase the notes following a "fundamental change," as defined in the indenture governing the 2022 Notes.

The indenture governing the 2022 Notes contains customary terms and covenants, including that upon certain events of default occurring and continuing, either the trustee under the indenture or the holders of not less than 25% in aggregate principal amount then outstanding under the 2022 Notes may declare the entire principal amount of all the notes, and the interest accrued on such notes, if any, to be immediately due and payable. In the case of certain events of bankruptcy, insolvency or reorganization relating to us or a significant subsidiary, the principal amount of the 2022 Notes together with any accrued and unpaid interest thereon will become immediately due and payable.

Table of Contents

The 2022 Notes are accounted for by separating the net proceeds between long-term debt and shareholders' equity. In connection with the issuance of the 2022 Notes, we recorded a debt discount of $16.9 million ($11.0 million net of tax) as a result of separating the equity component. The effective interest rate for the 2022 Notes is 7.3% after considering the effect of the accretion of the related debt discount that represented the equity component of the 2022 Notes at their inception. The remaining unamortized amount of the debt discount of the 2022 Notes was $12.5 million at June 30, 2018 and $13.9 million at December 31, 2017.

Convertible Senior Notes Due 2023

On March 20, 2018, we completed a public offering and sale of our 2023 Notes in the aggregate principal amount of $125 million. The net proceeds from the issuance of the 2023 Notes were approximately $121 million, after deducting the underwriters' discounts and commissions and estimated offering expenses. We used the net proceeds from the issuance of the 2023 Notes to fund the required repurchase of $59.3 million in principal of the 2032 Notes and to prepay $61 million of our Term Loan.

The 2023 Notes bear interest at a rate of 4.125% per annum, and are payable semi-annually in arrears on March 15 and September 15 of each year, beginning on September 15, 2018. The 2023 Notes mature on September 15, 2023 unless earlier converted, redeemed or repurchased. During certain periods and subject to certain conditions (as described in the indenture governing the 2023 Notes), the 2023 Notes are convertible by the holders into shares of our common stock at an initial conversion rate of 105.6133 shares of our common stock per $1,000 principal amount (which represents an initial conversion price of approximately $9.47 per share of common stock), subject to adjustment in certain circumstances. We have the right and the intention to settle the principal amount of any such future conversions in cash.

Prior to March 15, 2021, the 2023 Notes are not redeemable. On or after March 15, 2021, if certain conditions are met, we may redeem all or any portion of the 2023 Notes at a redemption price payable in cash equal to 100% of the principal amount to be redeemed, plus accrued and unpaid interest, and a "make-whole premium." Holders of the 2023 Notes may require us to repurchase the notes following a "fundamental change," as defined in the indenture governing the 2023 Notes.

The indenture governing the 2023 Notes contains customary terms and covenants, including that upon certain events of default occurring and continuing, either the trustee under the indenture or the holders of not less than 25% in aggregate principal amount then outstanding under the 2023 Notes may declare the entire principal amount of all the notes, and the interest accrued on such notes, if any, to be immediately due and payable. In the case of certain events of bankruptcy, insolvency or reorganization relating to us or a significant subsidiary, the principal amount of the 2023 Notes together with any accrued and unpaid interest thereon will become immediately due and payable.

The 2023 Notes are accounted for by separating the net proceeds between long-term debt and shareholders' equity. In connection with the issuance of the 2023 Notes, we recorded a debt discount of $20.1 million ($15.9 million net of tax) as a result of separating the equity component. The effective interest rate for the 2023 Notes is 7.8% after considering the effect of the accretion of the related debt discount that represented the equity component of the 2023 Notes at their inception. The remaining unamortized amount of the debt discount of the 2023 Notes was $19.4 million at June 30, 2018.

MARAD Debt

This U.S. government guaranteed financing (the "MARAD Debt"), pursuant to Title XI of the Merchant Marine Act of 1936 administered by the Maritime Administration, was used to finance the construction of the Q4000. The MARAD Debt is collateralized by the Q4000 and is guaranteed 50% by us. The MARAD Debt is payable in equal semi-annual installments, matures in February 2027 and bears interest at a rate of 4.93%.

Table of Contents

Nordea Credit Agreement

In September 2014, Q5000 Holdings entered into a credit agreement (the “Nordea Credit Agreement”) with a syndicated bank lending group for a term loan (the “Nordea Q5000 Loan”) in an amount of up to $250 million. The Nordea Q5000 Loan was funded in the amount of $250 million in April 2015 at the time the Q5000 vessel was delivered to us. The parent company of Q5000 Holdings, Helix Vessel Finance S.à r.l., also a wholly owned Luxembourg subsidiary, guaranteed the Nordea Q5000 Loan. The loan is secured by the Q5000 and its charter earnings as well as by a pledge of the shares of Q5000 Holdings. This indebtedness is non-recourse to Helix.

The Nordea Q5000 Loan bears interest at a LIBOR rate plus a margin of 2.5%. The Nordea Q5000 Loan matures on April 30, 2020 and is repayable in scheduled quarterly principal installments of $8.9 million with a balloon payment of $80.4 million at maturity. Q5000 Holdings may elect to prepay amounts outstanding under the Nordea Q5000 Loan without premium or penalty, but may not reborrow any amounts prepaid. Quarterly principal installments are subject to adjustment for any prepayments on this debt. In June 2015, we entered into various interest rate swap contracts to fix the one-month LIBOR rate on a portion of our borrowings under the Nordea Q5000 Loan (Note 15). The total notional amount of the swaps (initially $187.5 million) decreases in proportion to the reduction in the principal amount outstanding under our Nordea Q5000 Loan. The fixed LIBOR rates are approximately 150 basis points.

The Nordea Credit Agreement and related loan documents include terms and conditions, including covenants and prepayment requirements, that we consider customary for this type of transaction. The covenants include restrictions on Q5000 Holdings’s ability to grant liens, incur indebtedness, make investments, merge or consolidate, sell or transfer assets, and pay dividends. In addition, the Nordea Credit Agreement obligates Q5000 Holdings to meet certain minimum financial requirements, including liquidity, consolidated debt service coverage and collateral maintenance.

Convertible Senior Notes Due 2032

In March 2012, we issued $200 million of 3.25% Convertible Senior Notes which were originally scheduled to mature on March 15, 2032. In March 2018, we made a tender offer for the repurchase of the 2032 Notes outstanding on the first repurchase date as required by the indenture governing the 2032 Notes, and as a result we repurchased $59.3 million in aggregate principal amount of the 2032 Notes on March 20, 2018. The total repurchase price was $59.5 million, including $0.2 million in fees. We recognized a $0.2 million loss in connection with the repurchase of the notes. The loss is presented as “Loss on extinguishment of long-term debt” in the accompanying consolidated statement of operations. On May 4, 2018, we redeemed the remaining $0.8 million in aggregate principal amount of the 2032 Notes.

Other

In accordance with our Credit Agreement, the 2022 Notes, the 2023 Notes, the MARAD Debt agreements and the Nordea Credit Agreement, we are required to comply with certain covenants, including certain financial ratios such as a consolidated interest coverage ratio and various leverage ratios, as well as the maintenance of minimum cash balance, net worth, working capital and debt-to-equity requirements. As of June 30, 2018, we were in compliance with these covenants.

The following table details the components of our net interest expense (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017

Interest expense	$8,041	$11,607