August 12, 2020

Williams Reports Second Quarter 2020 Financial Results

Revenue $72.5 Million; Net Income $2.5 Million; Adjusted EBITDA $5.0 Million; Guidance & Outlook Unchanged

ATLANTA, Aug. 12, 2020 (GLOBE NEWSWIRE) -- Williams Industrial Services Group Inc. (OTCQX: WLMS) (“Williams” or the “Company”), a construction and maintenance services company, today reported its financial results for the fiscal second quarter ended June 30, 2020.

Recent Highlights

- Williams posted revenue of $72.5 million for the second quarter of 2020 compared with $71.5 million in the prior-year period; revenue rose approximately 10% sequentially versus $66.1 million in the first quarter of 2020
- The Company reported net income of $2.5 million in the second quarter of 2020 versus $2.0 million in the second quarter of 2019
- On a per-share basis, net income from continuing operations was $0.10 per share in the second quarter of 2020 compared with $0.07 per share in the prior-year period. Inclusive of $0.04 per share of earnings related to discontinued operations, net income in the second quarter of 2019 was $0.11 per share
- Adjusted EBITDA[1] was $5.0 million for the second quarter of 2020 compared with $4.0 million in the second quarter of 2019
- As of June 30, 2020, the Company’s backlog was $538.9 million – up over $70 million from March 31, 2020 – with approximately $211.2 million expected to be converted to revenue over the next twelve months
- Williams continues to seek opportunities to refinance its debt and reduce interest expense going forward

“I’m pleased to announce that, in such challenging and unusual times as these, our second quarter results were positive, and we continue to be optimistic about the future,” said Tracy Pagliara, President and CEO of Williams. “The Company posted revenue of $72.5 million, reduced SG&A by 16.8%, increased operating margins from 3.5% to 5.2%, and reported net income of $2.5 million -- a 25% improvement. We believe this underscores the essential nature of our business and the value of longstanding customer relationships. While business development activities with new customers continue to be somewhat impacted by COVID-19, we were able to secure additional awards of $111.2 million and remain confident regarding our previously-issued 2020 guidance – with Adjusted EBITDA expected to be near the higher end of guidance.

"Overall, we maintain our positive outlook for the Company given steady demand for the services we provide, success diversifying our backlog, and the many steps taken to reduce costs, streamline our operations and improve the Company's underlying performance. We believe the second half of the year will bring further contract wins and positive cash flow – positioning us well for 2021. At the same time, the Company is actively exploring the debt markets regarding the potential for new credit facilities with better covenants and lower interest expense."

[1] See NOTE 1—Non-GAAP Financial Measures in the attached tables for important disclosures regarding Williams' use of Adjusted EBITDA, as well as a reconciliation of income (loss) from continuing operations to adjusted EBITDA.

Second Quarter 2020 Financial Results Compared to Second Quarter 2019

Revenue in the second quarter was $72.5 million compared with $71.5 million in the second quarter of fiscal 2019, reflecting $5.2 million of higher revenue from Canadian nuclear contracts, a $7.0 million increase related to fuel storage/decommissioning work, and $4.0 million of additional revenue from the Vogtle 3 & 4 nuclear construction project. These increases were largely offset by the impact from a planned utility outage related to a long-term maintenance and modification contract.

Gross profit was $9.4 million, or 12.9% of revenue, compared with $9.2 million, or 12.9% of revenue, in the prior-year period. Operating expenses were $5.6 million versus $6.7 million in the second quarter of 2019, as selling, general, and administrative (SG&A) costs declined 16.8% year-over-year; operating margin rose to 5.2% from 3.5% in the prior-year second quarter. Interest expense was $1.6 million for the second quarter compared with $1.5 million in fiscal 2019.

The Company reported net income of $2.5 million, or $0.10 per share, in the second quarter of 2020 compared with net income of $2.0 million, or $0.11 per share, in the prior-year period. The 2019 second quarter included $0.04 per share of discontinued operations, without which the Company posted net income of $0.07 per share.

Balance Sheet

As of June 30, 2020, the Company had $4.5 million of cash (including restricted cash) and $44.6 million of bank debt compared with $7.8 million of cash and $44.2 million of bank debt as of December 31, 2019. Improvements in working capital management, particularly in collections and vendor terms, more than offset growth in accounts receivable due to customer mix, enabling the Company to maintain debt near year-end levels.

Backlog

Total backlog as of June 30, 2020 was $538.9 million compared with $494.9 million at December 31, 2019. During the second quarter of 2020, the Company booked $111.2 million of new awards, recognized revenue of $72.5 million, and had adjustments and cancellations of $31.8 million.

(in thousands)	Three Months Ended June 30, 2020		Six Months Ended June 30, 2020	
Backlog - beginning of period	$	468,404	$	494,904
New awards		111,183		134,416
Adjustments and cancellations, net		31,822		48,236
Revenue recognized		(72,549)		(138,696)
Backlog - end of period	$	538,860	$	538,860

Williams estimates that approximately $211.2 million, or 39.2%, of the total backlog as of June 30, 2020 will be converted to revenue during the next twelve months. This compares with $191.3 million of backlog at December 31, 2019 that the Company anticipated would be converted to revenue over the succeeding twelve-month period.

Outlook

The Company reaffirmed guidance for fiscal 2020 and forecasts that 2020 Adjusted EBITDA is expected to be at the higher end of guidance.

2020 Guidance	
Revenue:	$270 million to $290 million
Gross margin:	11% to 13% of revenue
SG&A:	8% to 8.5% of revenue
Adjusted EBITDA*:	$13 million to $15 million

*See Note 1—Non-GAAP Financial Measures for information regarding the use of Adjusted EBITDA and forward-looking non-GAAP financial measures.

Webcast and Teleconference

The Company will host a conference call tomorrow, August 13, 2020, at 10:00 a.m. Eastern time. A webcast of the call and an accompanying slide presentation will be available at www.wisgrp.com. To access the conference call by telephone, listeners should dial 201-493-6780.

An audio replay of the call will be available later that day by dialing 412-317-6671 and entering conference ID number 13706819. Alternatively, you may access the webcast replay at http://ir.wisgrp.com/, where a transcript will be posted once available.

About Williams

Williams Industrial Services Group has been safely helping plant owners and operators enhance asset value for more than 50 years. The Company provides a broad range of construction, maintenance and modification, and support services to customers in energy and industrial end markets. Williams' mission is to be the preferred provider of construction, maintenance, and specialty services through commitment to superior safety performance, focus on innovation, and dedication to delivering unsurpassed value to its customers.

Additional information about Williams can be found on its website: www.wisgrp.com.

Forward-looking Statement Disclaimer

This press release contains “forward-looking statements” within the meaning of the term set forth in the Private Securities Litigation Reform Act of 1995. The forward-looking statements include statements or expectations regarding the Company’s ability to realize opportunities and successfully achieve its growth and strategic initiatives, the impact of the COVID-19 pandemic on the Company’s business, operations, and financial condition, the Company’s ability to control costs, future demand for the Company’s services, future steady demand for the Company’s services, the Company’s ability to obtain new business, diversify backlog, reduce costs, streamline operations and improve performance, expectations regarding future contract awards and positive cash flow, the Company’s ability to refinance its outstanding debt, and other related matters. These statements reflect the Company’s current views of future events and financial performance and are subject to a number of risks and uncertainties, some of which have been, and may further be, exacerbated by the COVID-19 pandemic, including its ability to comply with the terms of its debt instruments and access letters of credit, ability to implement strategic initiatives, business plans, and liquidity plans, and ability to maintain effective internal control over financial reporting and disclosure controls and procedures. Actual results, performance or achievements may differ materially from those expressed or implied in the forward-looking statements. Additional risks and uncertainties that could cause or contribute to such material differences include, but are not limited to, the Company’s level of indebtedness; the Company’s ability to make interest and principal payments on its debt and satisfy the financial and other covenants contained in its credit facilities; the Company’s ability to engage in certain transactions and activities due to limitations and covenants contained in its credit facilities; the Company’s ability to enter into new lending facilities, if needed, and to obtain adequate surety bonding and letters of credit; the Company’s ability to generate sufficient cash resources to continue funding operations, including investments in working capital required to support growth-related commitments that it makes to its customers, and the possibility that the Company continues to incur further losses from operations in the future; exposure to market risks from changes in interest rates, including changes to or replacement of LIBOR; the possibility the Company may be required to write-down additional amounts of goodwill and other indefinite-lived assets; failure to maintain effective internal control over financial reporting and disclosure controls and procedures in the future; changes in the Company’s senior management and financial reporting and accounting teams, the ability of such persons to successfully perform their roles, and the Company’s ability to attract and retain qualified personnel, skilled workers and key officers; a failure to successfully implement or realize the Company’s business strategies, plans and objectives of management, and liquidity, operating and growth initiatives and opportunities; the loss of one or more of the Company’s significant customers; the Company’s competitive position; market outlook and trends in the Company’s industry, including the possibility of reduced investment in, or increased regulation of, nuclear power plants and declines in public infrastructure construction and reductions in government funding, including funding by state and local agencies; costs exceeding estimates the Company uses to set fixed-price contracts; harm to the Company’s reputation or profitability due to, among other things, internal operational issues, poor subcontractor performances or subcontractor insolvency; potential insolvency or financial distress of third parties, including the Company’s customers and suppliers; the Company’s contract backlog and related amounts to be recognized as revenue; the Company’s ability to maintain its safety record, the inherently dangerous nature of the services it provides, the risks of potential liability and adequacy of insurance; changes in the Company’s credit profile and market conditions affecting its relationships with suppliers, vendors and subcontractors; compliance with environmental, health, safety and other related laws and regulations; expiration of the Price-Anderson Act's indemnification authority; the Company's expected financial condition, future cash flows, results of operations and future capital and other expenditures; the impact of general economic conditions, including the current economic disruption and recession in the U.S. generated by the COVID-19 pandemic; the impact of the COVID-19 pandemic on revenues, expenses, uncollectible accounts, capital investment programs, cash flows, liquidity, maintenance of existing assets, and other operating expenses; the potential for additional COVID-19 cases to occur at the Company's active or future job sites, as has occurred at the Plant Vogtle site in Georgia, during the COVID-19 pandemic, which potentially could impact cost and labor availability; information technology vulnerabilities and cyberattacks on the Company's networks; the Company's failure to comply with applicable laws and regulations, including, but not limited to, those relating to privacy and anti-bribery; the Company's participation in multiemployer pension plans; the impact of any disruptions resulting from the expiration of collective bargaining agreements; availability of raw materials and inventories; the impact of natural disasters and other severe catastrophic events; future income tax payments and utilization of net operating loss and foreign tax credit carryforwards, including any impact relating to the Tax Cuts and Jobs Act of 2017 or other tax changes; future compliance with orders of and agreements with regulatory agencies; volatility of the market price for the Company's common stock and stockholders' ability to resell their shares of the Company's common stock; the Company's ability to pay cash dividends in the future; the impact of future offerings or sales of the Company's common stock on the market price of such stock; expected outcomes of legal or regulatory proceedings and their expected effects on the Company's results of operations, including future liabilities, fees and expenses resulting from the Koontz-Wagner bankruptcy filing; and any other statements regarding future growth, future cash needs, future operations, business plans and future financial results.

Other important factors that may cause actual results to differ materially from those expressed in the forward-looking statements are discussed in the Company's filings with the U.S. Securities and Exchange Commission, including the sections of the Annual Report on Form 10-K for its 2019 fiscal year and subsequently filed Quarterly Reports on Form 10-Q titled "Risk Factors." Any forward-looking statement speaks only as of the date of this press release. Except as may be required by applicable law, the Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, and you are cautioned not to rely upon them unduly.

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Financial Tables Follow

WILLIAMS INDUSTRIAL SERVICES GROUP INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Three Months Ended June 30,	Six Months Ended June 30,

($ in thousands, except share and per share amounts)	2020	2019	2020	2019
Revenue	$ 72,549	$ 71,466	$ 138,696	$ 122,118
Cost of revenue	63,194	62,274	122,432	106,244
Gross profit	9,355	9,192	16,264	15,874
Gross margin	*12.9 %*	*12.9 %*	*11.7 %*	*13.0 %*
Selling and marketing expenses	140	165	278	405
General and administrative expenses	5,386	6,474	11,586	11,236
Depreciation and amortization expense	57	76	98	148
Total operating expenses	5,583	6,715	11,962	11,789
Operating income	3,772	2,477	4,302	4,085
Operating margin	*5.2 %*	*3.5 %*	*3.1 %*	*3.3 %*
Interest expense, net	1,566	1,519	3,099	2,993
Other income, net	(499)	(343)	(621)	(668)
Total other expenses, net	1,067	1,176	2,478	2,325
Income from continuing operations before income tax	2,705	1,301	1,824	1,760
Income tax expense	196	15	244	79
Income from continuing operations	2,509	1,286	1,580	1,681
Loss from discontinued operations before income tax	(102)	(57)	(156)	(121)
Income tax benefit	(98)	(776)	(80)	(748)
Income (loss) from discontinued operations	(4)	719	(76)	627
Net income	$ 2,505	$ 2,005	$ 1,504	$ 2,308
Basic earnings per common share				
Income from continuing operations	$ 0.10	$ 0.07	$ 0.07	$ 0.09
Income from discontinued operations	0.00	0.04	0.00	0.03
Basic earnings per common share	$ 0.10	$ 0.11	$ 0.07	$ 0.12
Diluted earnings per common share				

Income from continuing operations	$ 0.10	$ 0.07	$ 0.07	$ 0.09
Income from discontinued operations	0.00	0.04	0.00	0.03
Diluted earnings per common share	$ 0.10	$ 0.11	$ 0.07	$ 0.12
Weighted average common shares outstanding (basic)	24,773,788	18,712,244	22,560,723	18,613,097
Weighted average common shares outstanding (diluted)	25,190,893	19,021,107	23,205,700	19,083,431

WILLIAMS INDUSTRIAL SERVICES GROUP INC. AND SUBSIDIARIES
REVENUE BRIDGE ANALYSIS*

Second Quarter 2020 Revenue Bridge

(in millions)	$ Change
Second quarter 2019 revenue	$ 71.5
Plant Vogtle Units 3 and 4	4.0
Canada	5.2
Decommissioning	7.0
Project mix	1.3
Timing of scheduled outage	(16.4)
Total change	1.0
Second quarter 2020 revenue*	$ 72.5

*Numbers may not sum due to rounding

WILLIAMS INDUSTRIAL SERVICES GROUP INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

($ in thousands, except share and per share amounts)	June 30, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 4,050	$ 7,350
Restricted cash	468	468
Accounts receivable, net of allowance of $373 and $377, respectively	47,371	38,218
Contract assets	10,730	7,225
Other current assets	3,470	2,483
Total current assets	66,089	55,744
Property, plant and equipment, net	273	273
Goodwill	35,400	35,400
Intangible assets, net	12,500	12,500

Other long-term assets	8,694	8,549
Total assets	$ 122,956	$ 112,466

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	$ 10,914	$ 16,618
Accrued compensation and benefits	14,057	9,318
Contract liabilities	3,190	2,699
Short-term borrowings	11,402	10,849
Current portion of long-term debt	700	700
Other current liabilities	9,547	6,408
Current liabilities of discontinued operations	339	340
Total current liabilities	50,149	46,932
Long-term debt, net	32,527	32,658
Deferred tax liabilities	2,239	2,198
Other long-term liabilities	2,908	4,028
Long-term liabilities of discontinued operations	4,422	4,486
Total liabilities	92,245	90,302
Commitments and contingencies		
Stockholders' equity:		
Common stock, $0.01 par value, 170,000,000 shares authorized and 25,916,307 and 19,794,270 shares issued, respectively, and 25,324,645 and 19,057,195 shares outstanding, respectively	256	198
Paid-in capital	89,202	81,964
Accumulated other comprehensive income (loss)	(32)	222
Accumulated deficit	(58,707)	(60,211)
Treasury stock, at par (591,662 and 737,075 common shares, respectively)	(8)	(9)
Total stockholders' equity	30,711	22,164
Total liabilities and stockholders' equity	$ 122,956	$ 112,466

WILLIAMS INDUSTRIAL SERVICES GROUP INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Six Months Ended June 30,	
(in thousands)	**2020**	**2019**
Operating activities:		
Net income	$ 1,504	$ 2,308
Adjustments to reconcile net income to net cash used in operating activities:		
Net income (loss) from discontinued operations	76	(627)
Deferred income tax provision (benefit)	41	(20)
Depreciation and amortization on plant, property and equipment	92	148
Amortization of deferred financing costs	365	308
Bad debt expense	3	89
Stock-based compensation	1,122	891
Changes in operating assets and liabilities, net of businesses acquired and sold:		

Accounts receivable	(9,260)	(4,945)
Contract assets	(3,458)	(3,874)
Other current assets	(981)	(512)
Other assets	(591)	1,124
Accounts payable	(5,235)	7,148
Accrued and other liabilities	6,586	(2,738)
Contract liabilities	491	19
Net cash used in operating activities, continuing operations	(9,245)	(681)
Net cash used in operating activities, discontinued operations	(141)	(344)
Net cash used in operating activities	(9,386)	(1,025)
Investing activities:		
Purchase of property, plant and equipment	(89)	(161)
Net cash used in investing activities, continuing operations	(89)	(161)
Financing activities:		
Repurchase of stock-based awards for payment of statutory taxes due on stock-based compensation	(218)	(121)
Proceeds from issuance of common stock	6,488	—
Debt issuance costs	(325)	—
Proceeds from short-term borrowings	114,796	110,746
Repayments of short-term borrowings	(114,242)	(110,378)
Repayments of long-term debt	(175)	(175)
Net cash provided by financing activities, continuing operations	6,324	72
Effect of exchange rate change on cash, continuing operations	(149)	—
Net change in cash, cash equivalents and restricted cash	(3,300)	(1,114)
Cash, cash equivalents and restricted cash, beginning of period	7,818	4,942
Cash, cash equivalents and restricted cash, end of period	$ 4,518	$ 3,828
Supplemental Disclosures:		
Cash paid for interest	$ 1,811	$ 2,355
Noncash amendment fee related to MidCap Facility	$ 150	$ —

WILLIAMS INDUSTRIAL SERVICES GROUP INC. AND SUBSIDIARIES
NON-GAAP FINANCIAL MEASURE (UNAUDITED)

This press release contains financial measures not derived in accordance with accounting principles generally accepted in the United States (“GAAP”). A reconciliation to the most comparable GAAP measure is provided below.

ADJUSTED EBITDA-CONTINUING OPERATIONS

	Three Months Ended June 30,		**Six Months Ended June 30,**	
(in thousands)	**2020**	**2019**	**2020**	**2019**
Net income - continuing operations	$ 2,509	$ 1,286	$ 1,580	$ 1,681
Add back:				
Interest expense, net	1,566	1,519	3,099	2,993
Income tax expense	196	15	244	79
Depreciation and amortization expense	57	76	98	148

Stock-based compensation	616	586	1,088	891
Severance costs	—	324	—	324
Other professional fees	7	—	117	—
Franchise taxes	63	64	139	128
Loss on other receivables	—	—	—	189
Settlement expenses	—	—	129	—
Foreign currency loss (gain)	(36)	(95)	59	(159)
Restructuring charges	—	21	—	21
Other non-recurring expenses	—	241	—	241
Adjusted EBITDA - continuing operations	$ 4,978	$ 4,037	$ 6,553	$ 6,536

NOTE 1 — Non-GAAP Financial Measures

Adjusted EBITDA

Adjusted EBITDA is not calculated through the application of GAAP and is not the required form of disclosure by the U.S. Securities and Exchange Commission. Adjusted EBITDA is the sum of our net income (loss) before interest expense, net, and income tax (benefit) expense and unusual gains or charges. It also excludes non-cash charges such as depreciation and amortization. The Company's management believes adjusted EBITDA is an important measure of operating performance because it allows management, investors and others to evaluate and compare the performance of its core operations from period to period by removing the impact of the capital structure (interest), tangible and intangible asset base (depreciation and amortization), taxes and unusual gains or charges (stock-based compensation, severance costs, other estimated non-recurring expenses, franchise taxes, consulting expenses, bank restructuring costs, foreign currency gain, restructuring charges, asset disposition charges and restatement expenses), which are not always commensurate with the reporting period in which such items are included. Williams' credit facility also contains ratios based on EBITDA. Adjusted EBITDA should not be considered an alternative to net income or as a better measure of liquidity than net cash flows from operating activities, as determined by GAAP, and, therefore, should not be used in isolation from, but in conjunction with, the GAAP measures. The use of any non-GAAP measure may produce results that vary from the GAAP measure and may not be comparable to a similarly defined non-GAAP measure used by other companies.

Note Regarding Forward-Looking Non-GAAP Financial Measures

The Company does not provide a reconciliation of forward-looking non-GAAP financial measures to their comparable GAAP financial measures because it could not do so without unreasonable effort due to the unavailability of the information needed to calculate reconciling items and due to the variability, complexity and limited visibility of the adjusting items that would be excluded from the non-GAAP financial measures in future periods. When planning, forecasting and analyzing future periods, the Company does so primarily on a non-GAAP basis without preparing a GAAP analysis.

Source: Williams Industrial Services Group Inc.