Operator: Greetings and welcome to Williams Industrial Services Group Fourth Quarter and Full-Year 2018 Financial Results. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the presentation. [Operator Instructions] And as a reminder, this conference is being recorded.

I would now like to turn the conference over to Deborah Pawlowski, Investor Relations. Thank you. Please go ahead.

Deborah Pawlowski: Thank you, Brenda, and good morning, everyone. We certainly appreciate your time today and your interest in Williams Industrial Services Group. On the call with me are our President and CEO, Tracy Pagliara, and our Chief Financial Officer, Tim Howsman. Tracy and Tim will provide their prepared remarks and then we will open the call for questions. You should have a copy of our fourth quarter and year-end results that were released after the markets closed yesterday, and you can find these documents in the slides that will accompany today's conversation on our website at www.wisgrp.com.

If you turn to slide 2 in the deck, I will review the safe harbor regarding forward-looking statements. As you are aware, we may make some forward-looking statements during the formal discussions as well as during the Q&A session. These statements apply to future events which are subject to risks and uncertainties as well as other factors that could cause actual results to differ materially from what is stated here today. These risks and uncertainties and other factors are provided in earnings release as well as with other documents filed with the SEC. You can find these documents on our website or at sec.gov.

During today's call, we will also discuss some non-GAAP financial measures. We believe these will be useful in evaluating our performance. You should not consider the presentation of this additional information in isolation or as a substitute for results prepared in accordance with GAAP. When applicable, we have provided reconciliation of the non-GAAP measures to comparable GAAP measures in the tables that accompany today's release and slides for your information.

Please note as well that our conversation will be about continuing operations unless we say otherwise.

If you will turn to slide number 3, I will turn the call over to Tracy to begin. Tracy?

Tracy Pagliara: Thanks, Deb, and good morning, everyone. As you are probably already aware, we had a challenge last week regarding growth working capital requirements associated with a large customer outage project in the second quarter. Tim will take you through the details, but I'm happy to report that we were able to create a very workable solution with our lender and the customer.

I'm also pleased to report that we had a solid fourth quarter, are continuing to build momentum in our business, and importantly we made the necessary changes so we can deliver a positive 2019. We have substantially reduced our SG&A costs, recapitalized our balance sheet, realigned our leadership team, and added new talent.

We are in position now to execute our new and aggressive strategic plan that was finalized in January of this year. We are excited about the many avenues to grow our business and are equally focused on operational excellence and strengthened controls.

On slide 4, you can see the breakdown of $17.6 million in restructuring charges and non-recurring expenses during 2018. These charges and expenses were related to various efforts to exit the products businesses, salaries and benefits of terminated employees, and transitioning the corporate office and activities from Dallas to Tucker. After excluding these expenses, we are at our SG&A run rate target for 2019 of approximately 8% to 9% of revenue. Our structure also provides excellent operating leverage as we execute our plans for growth. Tim will discuss this further.

Turning to slide 5, I will touch on some highlights regarding the quarter and the year. Revenue came in, as expected, at $44.4 million in the quarter to end the year at $189 million. We have contributed to the recent improvements in productivity at the Vogtle Unit 3 nuclear construction site. We are very proud and blessed to be a strong partner with Bechtel and Southern Company in helping to complete this critical project which, as Energy Secretary, Rick Perry, recently stated, is an integral part of the new American energy era.

Gross margin for the quarter was 12%, which is at the midpoint of our expected range of 11% to 13% in 2019. Gross margin for the year was 15.2%, which included some favorable margin performance on key projects and the benefit of an early contract termination.

We made progress in the quarter with the expansion of our capabilities through joint ventures. We announced our JVs with Arc Energy and BWXT in the fourth quarter. Both of these JVs enable us to advance our strategy, to deepen opportunities in our core business, while also enabling diversification into Canada and to other markets and customers. Of note, our total backlog has measurably increased over $500 million, which reflects the impact of our long-term agreement renewal and the strength of our customer relationships.

Slide 6 details our revenue mix. In terms of contract type, the substantial majority is derived from lower risk cost-plus contracts and long-term maintenance agreements. I want to point out that as we increase our reach into oil and gas and other industrial markets, the mix could shift more toward fixed price revenue. Our plan is to make this change systematically and to focus on execution to facilitate favorable returns on projects that by definition entail more risk.

With respect to end markets, during 2018 over 80% of our revenue was derived from our core power business, consistent with Williams' strong reputation for unsurpassed quality and safety with its fossil and nuclear customers. As we look forward, we want to strengthen and grow the foundation of that business with more long-term maintenance agreements and more project work. At the same time, we will continue to diligently pursue our plan to diversify into new growth power opportunities and decommissioning Canada and new energy and industrial opportunities in oil and gas and water.

With that, let me turn the call over to Tim.

Tim Howsman: Thank you, Tracy, and good morning, everyone. If you turn to slide 7, I'll begin my review of our fourth quarter and full-year performance. I'll be focusing my comments on our continuing operations. Revenue for the quarter was relatively unchanged at $44.4 million, up slightly from the prior year period as increased activity at Vogtle Units 3 and 4 expanded scope under a long-term agreement and other project revenue more than offset the decrease in revenue from fixed price contracts completed in the prior year's fourth quarter. Revenue for full-year 2018 increased almost $2 million or 1% over 2017 to $188.9 million.

As you can see in the revenue bridge, the primary drivers of the increase were $32.2 million increase from construction activities at plant Vogtle Units 3 and 4, and a $10.5 million increase from decommissioning projects. This more than offset revenue declines related to the timing of a nuclear outage under long-term contract and fixed price contracts completed in 2017. The outage occurs in odd years, so the next planned outage project is in the second quarter of this year.

Worth noting is that after excluding $5.6 million of non-recurring revenue sources from 2017 that was comprised of $4.4 million related to the release of a 2015 liquidated damage accrual and $1.2 million related to our former subsidiary, Hetsco, 2018 revenue increased by a net $7.5 million, or 4% over 2017.

If you look at slide 8, you can see we reported fourth quarter gross profit of $5.3 million, representing gross margin of 12%. The $2.7 million gross profit decline from the prior year period was mostly because the fourth quarter of 2017 benefited from the recognition of $2.8 million in revenue with a 100% margin from the resolution of disputed unapproved change orders.

As a reminder, the sequential third quarter also had some unusual items that included the early termination of a contract, which resulted in the recognition of $3.4 million in revenue with a 100% margin. The normalized gross margin for the sequential third quarter which excludes the benefit of the early termination was 13.6%.

Gross profit in our business will vary based on project mix and execution. Based on what we have in our backlog and pipeline, we expect we can deliver overall gross margins in the 11% to 13% range with opportunities to peak if we execute well on fixed price contracts.

For the full-year 2018, gross profit increased $10.8 million over 2017 primarily due to net project mix and the improvement from the elimination of the contract losses we incurred in 2017. These items more than offset the prior year's benefit of the release from a liquidated damages accrual in the divested Hetsco subsidiary. Full year gross margin improved 559 basis points over the 2017 level to 15.2%.

If you would now turn to slide 9, let's look at our operating expenses. Fourth quarter operating expenses of $11.8 million includes $2 million of restructuring charges and approximately $4.6 million of estimated non-recurring expenses which were related to various efforts to exit the products businesses, salaries and benefits of terminated employees, and transitioning the corporate office and activities from Dallas to Tucker. The $4.6 million of estimated non-recurring expenses are included in reported SG&A and in the SG&A portion of these charts. When excluding those expenses, fourth quarter SG&A was approximately $5 million.

For the full year 2018, reported SG&A of $32.5 million included $11.9 million of estimated non-recurring expenses. Excluding those expenses would result in SG&A of $20.6 million which is representative of our expected run rate as Tracy mentioned earlier when looking at the SG&A bridge on slide 4. To be clear, the estimated non-recurring expenses that will be eliminated as a result of the restructuring are expected to roll off after the first quarter of 2019 and will be nominal. No additional material restructuring charges are anticipated.

Moving to slide 10. Operating loss for the quarter was $6.5 million. Estimated adjusted operating income which excludes the restructuring charges and estimated non-recurring expenses, that have already been mentioned, is just about breakeven at $128,000, making the second quarter in a row of positive estimated adjusted operating income.

Reported full year 2018 operating loss which includes the restructuring charges and estimated non-recurring expenses was $10.3 million, an improvement of $11.7 million or 53% compared with 2017. The improvement was driven by the $10.8 million increase in gross profit and a $0.9

million decrease in operating expenses. Estimated adjusted operating income, which excludes the restructuring charges and non-recurring expenses, was a positive $7.3 million.

On slide 11, you can see we are making significant progress towards reporting positive net income. The simplification of our organization, substantial restructuring and transition of our corporate offices to Georgia has led to this improvement.

Estimated adjusted EBITDA is in positive territory for the second consecutive quarter and made a significant turn into positive territory on a full year basis. Although there is still plenty of work to do, our financial performance is trending in the right direction. Also, as noted in note 2 on slide 18, the sum of estimated adjusted EBITDA for the four quarters does not equal the amount for the year as we have not subsequently adjusted the first three quarters of the year from what we previously reported. The intent of this slide is to present an annual view of results that we estimate would have occurred given the SG&A run rate we are at now in the restructured company.

If you'll turn to slide 12, we had a bit of excitement Wednesday evening that was quickly resolved on Friday. We have known that we had a customer outage project which were approximately a six-week timeframe, that's very significant working capital requirements and because the project has an underlying payment and performance surety bond that these receivables would be unavailable for borrowing under our ABL revolver.

The combination of those two factors, if not addressed, would have resulted in the company having inadequate cash to continue operations. We had worked with both our lender and the customer to address the forecasted cash shortfall. Our customer consented to shorter payment terms and the company believed it had an agreement in principle with its lender that would sufficiently increase the borrowing availability under the ABL revolver.

However, after market closed on March 27th, we were informed that the lenders credit committee had not approved all of the constituent parts of the agreement principle which again left us with a future forecasted cash shortfall. On March 29th, we negotiated a contract amendment with a customer and a consent letter with the lender that the company believes in combination adequately addresses our near-term liquidity concerns.

Our cash generation will strengthen through the year as will our balance sheet. Given that we have achieved our substantial cost reduction and restructuring objectives, we now expect to have a core SG&A run rate of approximately $5 million per quarter although there will be some variance from quarter-to-quarter based on the timing of certain expenses such as legal and professional fees as well as some business development activities.

As a result, we expect to have increasing cash generation to support our strong growth plans. Further, we generally expect working capital cash requirements to be funded with our ABL revolver. Worth mentioning is that our net income plus non-cash items should act as a good proxy for free cash flow.

We do plan to refinance or term loan in the fourth quarter of 2019 once the no call provision is lifted. Our objectives in doing so are to obtain both a lower interest rate and less restrictive covenants. The priority for cash in 2019 will be to fund our growth plans and begin to build cash reserves. As those build through 2020, we will be able to adjust our priorities to reducing debt. At the end of 2018, we had long-term debt of $34.9 million, excluding unamortized deferred financing costs of $1.4 million.

At the end of December, cash and cash equivalents were $4.5 million, up slightly from the $4.4 million we reported at the end of September. Restricted cash was $0.5 million at the end of the year, down significantly from $5.9 million at the end of September as upon the execution of our revolver in October, $5.3 million of restricted cash which had collateralized or letters of credit was released to us.

Tracy, back to you.

Tracy Pagliara: Thanks, Tim. Turning to slide 13, as I noted earlier, our pipeline is growing and our backlog is currently building. Total backlog represents the dollar amount of revenue expected to be recorded in the future for work performed under awarded contracts.

Previously, the company reported backlog as orders from fixed-price contracts plus the amount of revenue the company expected to receive in the next 12-month period from cost-plus contracts regardless of the remaining life of the cost-plus contract. However, the company believes now that reporting the total revenue under awarded contracts is more representative of its expected future revenue. Our total backlog at the end of 2018 was nearly $502 million, up 48% over total backlog at the end of 2017.

Of total backlog we expect about $173 million or 35% of total backlog, to convert to revenue in 2019. Our convertible backlog in 2019 is nearly 80% of the midpoint of our revenue guidance for 2019. As a result, we have confidence in our ability to achieve our revenue goal. We believe our backlog growth is a direct result of the traction we are gaining in our strategic initiatives. We attained more scope at Vogtle 3 and 4 during 2018 as the productivity and momentum on the site improved.

Our nuclear long-term maintenance customer validated their belief in Williams by renewing our agreement for another seven years. For our first year in the decommissioning industry, we made solid headway. Likewise, we are winning opportunities in the midstream oil and gas pipeline market. In Canada, we believe we are on the right track with our first contract award there, while we continue work to complete certain certifications and qualifications to capitalize on our status as a preferred maintenance and construction provider for a key customer. We also believe our JV agreements are powerful tools for future growth within both our core and targeted markets.

On slide 14, you can see that we have raised our revenue expectations to $220 million to $240 million which is about 22% growth at the midpoint of the range. Our first quarter will be lower, while the second quarter, which includes the outage work will be the largest for the year.

Our business is fairly straightforward to model. Our gross margin is expected to be 11% to 13% and SG&A expenses are anticipated to be about $5 million per quarter, in the range of 8% to 9% of revenue. Adjusted EBITDA should be in the range of $10 million to $12 million for the year.

Looking further out, we anticipate exceptional growth in revenue and profits over the next few years. We believe we have structured the business to scale rapidly while ensuring the quality execution and safety remain priorities. Ultimately, we know that we can enhance shareholders' equity through earnings growth and improved cash generation.

Slide 15 provides a summary of some of the key growth initiatives under our strategic plan, including the focus on our core business, decommissioning, oil and gas, water and Canada.

With that, operator, we can open the line for questions.

Operator: [Operator Instructions] Okay. We have questions from the line of John Deysher with Pinnacle Capital.

John Deysher: Hi. Good morning, everyone.

Tracy Pagliara: Good morning, John.

Tim Howsman: Good morning, John.

John Deysher: Very comprehensive report, which we appreciate. I just had two minor financial questions. I guess, first of all, Tim, you mentioned the possibility of additional write-offs in the first quarter, if I heard that correctly. I'm just curious, if that's the case, what the magnitude of those write-offs might be and what they're for?

Tim Howsman: Okay. So, for those, John, they will be extremely minimal. As we are recasting the team here in Tucker, we have incurred some minor recruiting fees, et cetera, but it will be items along that line. There are no major expenses expected to be incurred, well, that have been incurred in either the first quarter or going forward from here.

John Deysher: Okay, good. So, nothing major.

Tim Howsman: Correct.

John Deysher: And the second question is regard to your ABL facility. How much is available under that facility either as of today or as of year-end?

Tim Howsman: Generally, the availability obviously varies from week to week based on the structure of the receivables and who the underlying customer is due to the restrictions on being able to borrow on receivables that have an underlying surety bond, et cetera. Right now, where we're looking at availability typically will be in the $7 million to $8 million range. And our history typically is that we will borrow once a week and oftentimes the cash receipts during that week pay that ABL balance down before we borrow the next week.

John Deysher: Okay. As of year-end, do you know what the number was? I didn't see it in the 10-K, what availability was.

Tim Howsman: I don't remember specifically, John, but we can get back with you on that number.

John Deysher: Okay. Okay. Thank you very much. Good luck.

Tim Howsman: Thank you.

Tracy Pagliara: Thanks, John.

Operator: And our next question comes from the line of John Walthausen with Walthausen & Company.

Tracy Pagliara: Good morning, John.

John Walthausen: Hey. Good morning. Yes. A couple questions. In terms of cash flow, you were indicating you expect positive cash flow, is that going to become apparent as soon as the first quarter or is that something that we'll start to see manifested as the year goes by?

Tim Howsman: I think it's going to be metered in as the year goes by, John. Again, as we mentioned, the first quarter is the lightest of the quarters on a revenue basis. So it will increase as we go through the year and quite frankly as we get through some of the cash expenditures that are still required from the execution of the restructuring plan. We've taken all of the expenses in 2018 but there are still cash requirements that will be incurred here in 2019.

John Walthausen: Okay. That's helpful. In terms with the current arrangements now, what sort of interest expense do we think we will be incurring this year?

Tim Howsman: Well, we've got the 12.5% on the term loan right now. So, all in a month runs us at roughly $400,000 to $450,000 of interest. We're in the $4.5 million to $5 million range on interest at this point.

John Walthausen: Okay.

Tim Howsman: Obviously, in the fourth quarter, we hope to, and anticipate dropping that number down fairly significantly. But at that point, it'll only be for a quarter.

John Walthausen: Okay. And in January, you laid out some pretty detailed way of where you think the company can go. In the subsequent several months, what has changed?

Tracy Pagliara: I don't really think anything. I think we're working our plan. We're continuing to get more work in oil and gas. As we indicated, we're working on our first contract in Canada. So, the core business continues to gain momentum. We are being presented with more opportunities in decommissioning. In the early part of the year we had indicated we thought that decommissioning opportunities were not going to be significant, but later in the year, we still feel that way. So I don't think anything has changed. We're on the plan. We're working the plan every day and we're very confident in our progress and what we expect to be able to do in the future.

John Walthausen: Good. Thank you. Thank you very much.

Operator: [Operator Instructions] Our next question is from the line of Bill Nicklin with Circle N Advisors.

Tracy Pagliara: Hey, Bill.

Bill Nicklin: Hey, good morning. Hey, how are you doing?

Tracy Pagliara: Good.

Bill Nicklin: I have a couple of kind of macro questions. It looks like, in the U.S. at least, the nuclear generation industry is getting support from the government. So, I'm wondering if you could describe or have an opinion on what that might mean for our business longer term.

Tracy Pagliara: I think it's positive. Within the last couple of weeks, the U.S. government provided another $3.7 billion of loan guarantees for the Vogtle 3 and 4 project, which is consistent with the current administration's commitment that nuclear needs to be part of the base load of electric power generation for the foreseeable future. So we think that is a good sign. We also see different states providing subsidies. We've got current appeals in the probably the Second and Seventh circuits on those issues. So we're bullish on the bipartisan support that we see that keep nuclear a significant part of the base load of power generation for the foreseeable future.

Bill Nicklin: Right. And along those lines, it appears to me that the green crowd is now looking at nuclear as part of the solution and green because it doesn't have a carbon footprint. And also if we're going to push wind and solar, we're going to need some kind of a consistent base load to go with that. So do you see that same thing happening and does that fall in to kind of the same helpful category as what's coming out of Washington?

Tracy Pagliara: I think so. Nuclear is the cleanest form of energy. And, well, I guess maybe I should not say it because somebody's going to argue with me, but it's a clean form of energy. It's much cleaner than fossil, continues to be about 20% of the base load, it has been consistently. Renewables is about 17%, give or take, and then fossil makes up the rest with natural gas having surpassed coal at about 35% to 25%.

But the green – there's – again, there's bipartisan support. It's one of the few things in Washington these days we see bipartisan support for, and there's bipartisan support for across the Democratic and Republican aisle to maintain nuclear as part of the base load. So, you have people like Cory Booker and President Trump agreeing on this issue and they don't agree on much at all. So, we do think that's a continuing positive.

Bill Nicklin: For what it's worth, I followed the kind of what's going on in hydrogen, and we've talked now in certain countries that they're going to use nuclear to hydrolyze water for hydrogen for mobility and heating and everything else. So that's kind of interesting. And my last question is could you go into more detail on the decommissioning? Kind of what informs those decisions by the people who currently own the plant and do you see any shift in that area?

Tracy Pagliara: So, the big shift really happened last year. Holtec has actually acquired the license rights and is in the process of completing that for three nuclear facilities Pilgrims, Palisades and Oyster Creek. NorthStar has acquired Vermont Yankee. So, you're starting to see companies take on the overall risk of completing the decommissioning process and taking that off of the utilities' balance sheet.

So we're well-positioned right now at Holtec. We have a strong relationship. But there are other players in the space that due to our experience already with decommissioning we're starting to see some potential other opportunities. So who makes the decision? When we talk about decommissioning, we break it into different buckets. There's dry fuel storage which all plants, even operating plants, are continuing to operate and have to move their fuel periodically into storage. We get involved in that. We just did a project with Holtec at DC Cook for that, then there's a site like SONGS which is not operated anymore and we're in the safe storage mode where you're moving the fuel to intermediate storage.

And then, finally, you get into the demolition phase and we think we can get scope on all three different elements of that. Who makes the decisions depends on who owns the license. But right now, the trend we're seeing is you've got companies like Holtec and NorthStar that are actually going in and taking on the risk of shutting down the facility. And the reason they do that is because there are decommissioning funds associated with each of these facilities and they evaluate whether they think they can complete the decommissioning, the full demolition for what's money than what's in those funds.

Holtec has made a big push into this area, but there is 20 nuclear plants that are in either in decommissioning now or scheduled for decommissioning over the next 10 years or so. We think we're well positioned. If we get involved with those depending on our scope, it can be $25 million to $50 million per plant or potentially higher than that depending again on how much scope we get.

What we do is provide the labor and supervision to help a company like Holtec which is very astute at engineering and developing – they actually develop the canisters to store the fuel. So we provide support to them, and partner with them on those types of projects.

Bill Nicklin: Excellent. Thank you very much.

Operator: Okay we have no further questions at this time. I'd like to turn the floor back to over to management.

Tracy Pagliara: Well, thank you, everyone, for participating today. We appreciate your time and interest in Williams. With the completion during 2018 of the actions required to transition our company to the services only operating business, we expect to drive shareholder value. Thank you and enjoy the rest of your day.

Operator: Thank you. This concludes today's teleconference. You may disconnect your lines at this time. Thank you for your participation.