Operator: Greetings and welcome to Williams Industrial Services Group's Third Quarter 2019 Financial Results. At this time all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. As a reminder, this conference is being recorded.

It is now my pleasure to turn the conference over to your host, Deborah Pawlowski. Thank you. You may begin.

Deborah K. Pawlowski: Thank you, Rob, and good morning everyone. Welcome to the review of our third quarter 2019 financial results. We certainly appreciate your time today as well as your interest in Williams Industrial Services Group. Joining me on the call are Tracy Pagliara, our President and CEO; and Randy Lay, our new Chief Financial Officer.

We also have on the call Matt Petrizzo, the President of our Energy and Industrial Group. Tracy and Randy will provide their prepared remarks and then we will open the call for questions. You should have a copy of our third quarter 2019 financial results that went out after the markets closed yesterday as well as the slides that will accompany today's conversation. If you don't have them at hand, they are available on our website at wisgrp.com in the Investor Relations section.

If you would 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 the earnings release and slides as well as with other documents filed with the SEC. You can find all 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 non-GAAP measures with comparable GAAP measures in the tables that accompany today's release and slides for your information. Please note as well that our conversation today will be about continuing operations unless we note otherwise.

So if you would turn to **slide 3**, I'll turn the call over to Tracy to begin. Tracy?

Tracy D. Pagliara: Thanks, Deb, and good morning everyone. I am encouraged to report that through a lot of hard work, patience, and persistence we remain on track to achieve our 2019 goals. As indicated in our press release, we have four goals for 2019 and I want to take a few moments at the outset to review where we stand with respect to those goals.

First, we are making good progress towards meeting our financial guidance for the year. Year-to-date revenue for 2019 is $179 million, up 24% over last year. With this in mind, our 2019 revenue goal of $230 million to $240 million is within reach. Year-to-date gross margin is 12.2%, right in our targeted range of 11% to 13%. Year-to-date SG&A is 9.4% of revenue, slightly above our expectations of 8% to 9%. However, backing out the SG&A expenses that have been added to adjusted EBITDA, our SG&A is 8.7% of revenue year-to-date. Finally, year-to-date adjusted EBITDA is $8.4 million which positions us to achieve our goal of $10 million to $12 million for the year. Achieving our financial targets is further proof of the success of our restructuring and the continued evolution of the Williams business including our team's commitment and skill to execute our strategic plan.

Second, we are successfully advancing our strategic growth initiatives to meaningfully diversify and increase our backlog. As of September 30, 2019 our total backlog was $390.6 million with $151.3 million of that convertible to revenue in the next 12 months. Backlog in the quarter declined about $20 million. This is a result of the completion of several projects and the aggressive site work plan at Vogtle Units 3 and 4 as Southern Nuclear is focused on achieving the plant in-service dates of November 2021 and 2022 for the two reactors being built. This was offset by new awards including additional scope of about $40 million. However, since the end of the third quarter our backlog growth and high probability pipeline opportunities have been accelerated at a much faster pace than earlier in 2019.

Considering awarded purchase orders, pending purchase orders, and high confidence pipeline opportunities we expect that our backlog will increase $125 million to $175 million during the quarter and year-end backlog will be in the range of $465 million to $515 million of which $195 million to $215 million is expected to be converted to revenue in 2020. The projected diversified growth in our annual backlog by year end reflects our commitments to fulfill our strategic growth initiatives including expand into Canada nuclear, further grow nuclear fuel storage and decommissioning work, continue to win more nuclear and fossil project and long-term maintenance work, and build additional midstream oil and gas and water projects.

Third, our refinancing process is progressing and we expect to complete the refinancing by year end. This is a key element to our growth strategy. We need to expand our borrowing capacity to provide the necessary working capital to meet the growing demand for our services. To that same end, we also filed a registration statement with the SEC yesterday regarding a $7 million shareholder rights offering. The purpose of the rights offering is to raise capital in a cost-effective manner that allows all shareholders to participate. We are extremely encouraged by the fact that Wynnefield, our largest shareholder has committed to a full backstop for the offering. We believe that is a testament to the strength of our strategic plan, the commitment of our leadership team, and the corresponding opportunity to scale the revenue and profitability of our business by executing the plan.

Finally, we have strengthened our corporate infrastructure. Randy Lay is now our CFO. Randy brings 40 years of leadership experience in finance and accounting, information technology, and strategic planning. His wealth of knowledge has already proven to be quite valuable in the short time he has been with us. I'm very glad to have him on our team and look forward to the future improvements he will make in our finance and IT functions. Also, critically, we are taking aggressive steps to finally remediate our internal control weaknesses by year end. This will help us run a more efficient and effective business and pave the way to uplist Williams next year to a major exchange.

Turning to **slide 4**, as I mentioned we continue to have strong revenue growth. Revenue in the third quarter was up over 6% versus the prior year quarter largely as a result of our expansion into Canada. Randy will discuss this further in a few minutes. We are also doing well in our core markets and are pleased with the progress of Vogtle Units 3 and 4. We believe our performance there is advancing our strong reputation as the leading US nuclear projects contractor. Kelly Powers, the President of our Power operating unit and his team have done an excellent job of leading our Canada and decommissioning fuel storage growth initiatives as well as strengthening our US nuclear business. We are also gaining new customers and increasing project scope with customers in the water and midstream oil and gas end markets. Matt Petrizzo, the President of our Energy and Industrial operating unit and his team have operated their talent and installed a new operating philosophy and discipline. We expect that over the next few years our revenue from this operating unit will become much more meaningful.

Gross margin for the quarter was 10.5% which was negatively impacted by a contract loss of $1.3 million on a fixed price project for a new customer in Kentucky. The project was a short-term boiler repair in the context of a plant outage for a coal power plant. It was in the process of being bid while we were making leadership changes in our Energy and Industrial operating unit. But to be clear, we have done this type of fixed price work and related cost-plus maintenance work successfully for many years in the past for a long-term customer in neighboring Ohio. Our goal in bidding this work was to perform well on this project as a first step towards a broader relationship with this new customer in Kentucky. Specifically, we wanted to win a long-term cost-plus maintenance agreement consistent with our strategic plan. Regretfully, the project has just not worked out as anticipated for a variety of reasons. In any event, the new leadership team for our Energy and Industrial operating unit has subsequently changed our customer selection criteria, bid procedures, labor standards, and execution focus for this business. We're now seeing the benefits of these changes in our first significant fixed price oil and gas project in Texas.

We are also preparing change orders and evaluating other potential remedies to achieve a significant financial recovery in relation to the lost contract project in Kentucky. Among other things were changes in the scope of the project that were not foreseeable or disclosed from when our bid was accepted. Unfortunately, under applicable accounting rules we had to book our full estimated loss of $1.3 million in the third quarter without any offsets regarding potential future recovery at this point. Please rest assured that we are very careful and very carefully manage our exposure to fixed price projects and seek continuous improvement in this area. We do in fact have a long track record of successfully executing fixed price contracts in the Williams business. In four out of five years prior to 2019 our gross margins on fixed price contracts exceeded gross margins on cost-plus projects by an average of 3.5%. In addition, Williams incurred a loss on only 1.5% of the fixed price projects completed in the five years prior to 2019. Moreover, year-to-date for 2019 Williams has only incurred a loss of 2% on its fixed price contracts and has made money overall on these projects. In the end, only the bad fixed price contracts give headlines when we report earnings.

At the same time, Williams' services mix is still approximately 90% cost-plus and we expect that a substantial majority of our revenue will be derived from cost-plus work through the foreseeable future. We will, however, continue to opportunistically pursue fixed price contracts that are consistent with our strategy and for which we believe we have a successful delivery platform.

As we have previously discussed, the restructuring efforts of 2018 facilitated substantially reduced SG&A costs which were 9.1% of revenue in the quarter. We're continuing to be vigilant in our cost discipline by maintaining strong controls. We are confident the organization is not structured to have inherent operating leverage that will manifest in the future years as the businesses scale. Net loss in the quarter was $300,000 or $0.02 per diluted share while adjusted EBITDA was $1.8 million. To reiterate, at $8.4 million in adjusted EBITDA for the nine-month period we are on track to meet our $10 million to $12 million goal for adjusted EBITDA for the year. As discussed earlier, our backlog picture is improving. I will provide more details on this in a few minutes when we get to slide 12.

Slide 5 provides details on our revenue mix. As indicated, we are heavily weighted toward lower risk cost-plus revenue that is related to our core Power business. This remains a primary strategic focus. Projects in the midstream oil and gas and other industrial markets will tend to be fixed price contracts. We believe that the remaining fixed price contracts in our backlog will perform well. For the trailing 12-month period the majority of our business is related to our power end market including the outage work completed in the second quarter. The Vogtle 3 and 4 construction project was about 40% of our trailing 12-month revenue. The project remains on track for the reactors to come on line in November of 2021 and 2022 as previously noted. We took the board to the site last week. It is nothing short of amazing. We are proud to contribute to the continued progress that has been realized in Vogtle nuclear construction project.

With that, let me turn it to Randy.

Randy Lay: Thank you, Tracy, and good morning everyone. As Tracy mentioned, I have been at this for a while. It's clear that a great deal of good work has been done prior to my recent arrival at Williams. I'm excited to have joined the company as it's rounding the turn in 2019 under Tracy's leadership. The proof of that is in the financial results which speak to the significant progress in our business. While there's still much more to do, the outlook for the company is very promising. Just a quick note on the 12b-25 filing before I get into the numbers. As you know, we filed that right before we filed the Q. This was purely precautionary because of the difference between our reported period that ended the 30th and our fiscal period that ended on the 29th. We wanted to make sure that whatever interpretation that we say is current in our filings.

Now let's turn to the numbers. If you turn to **slide 6**, I'll discuss the details of our third quarter and nine months of 2019. Revenue in the quarter grew $3.4 million or 6.3% to $56.9 million for the quarter. The growth was driven primarily by our recent entry into the nuclear industry in Canada which contributed $5 million in new business revenue for the quarter. You will recall that we just entered into this market in 2018. Revenue from decommissioning projects was down $1.4 million compared with last year's third quarter only because of the timing of projects. We expect decommissioning to be a significantly larger component of revenue in the future and in fact it's one of the reasons our year-end backlog will be much higher than at the end of September. Revenue for Vogtle Units 3 and 4 which continues to be substantial for us was approximately $24 million for the quarter, down slightly from last year's third quarter. Revenue in 2020 is projected to be at about this year's level and then begin to decline as the reactors are brought on line.

On **slide 7**, gross profit of $6 million was down from $10.2 million in last year's third quarter. Last year's gross profit had a $3.3 million benefit related to the early termination of a customer contract on a fixed price nuclear project. As Tracy mentioned, we had a $1.3 million contract loss in the third quarter with a fossil fuel customer. Gross margin for the third quarter was 10.5% as a result. For the nine-month period, at 12.2% gross margin we are still on track to our goal of 11% to 13%.

If you now turn to **slide 8**, third quarter operating expenses were $5.3 million, a decrease of $4.3 million. If you exclude the $1.4 million in restructuring expenses in last year's third quarter, operating expenses were down $2.9 million. The decline in OpEx reflects lower SG&A resulting from our 2018 restructuring and ongoing cost control efforts. SG&A was down $2.7 million and was running at 9.1% of revenue in the quarter. I should point out the 22% drop in SG&A from 2017 prior to our cost reduction efforts in 2018.

As shown on **slide 9**, operating income was $700,000 and was our third consecutive quarter of positive results from our operations.

On **slide 10**, we reported a loss from continuing operations of $400,000 in the quarter, a significant improvement over the loss of $2.8 million last year. For the nine-month period income from continuing operations was $1.3 million or $0.07 per diluted share, also measurably improved over the losses realized last year. Net income also has the tax benefit from our discontinued operations and was $0.10 per diluted share. Given our current operating structure we believe we have the capacity to scale the business and inherent operating leverage to drive improved earnings power. Adjusted EBITDA was $1.9 million for the third quarter and is $8.4 million for the nine-month period. While we need to remain diligent in our efforts, this is further proof that our restructured business is delivering improved financial performance. As Tracy noted, we are on track to achieve our target of $10 million to $12 million in EBITDA for the year.

If you'll now turn to **slide 11**, our cash from operations continues to be used to fund organic growth and working capital needs. As our financial performance continues to improve, we expect cash flows to strengthen as well. In fact, about $3.1 million in severance expenses from the restructuring will roll off next year and contribute to cash generation in 2020. Because of the structure of our ABL and our need for working capital to grow we won't necessarily see cash build on our balance sheet. At the end of September cash and cash equivalents were $2 million, down from the $4.5 million we reported at the end of December. Restricted cash was unchanged at $500,000 at the end of the quarter

At the end of the third quarter we had total debt of $37.3 million net of unamortized deferred financing costs of $1.1 million. As noted in the 10-Q, we amended the minimum required EBITDA and maximum leverage covenants in our credit agreement in the quarter and we are in compliance with the covenants as amended. The amendment fee was $350,000 which will be reported in Q4 results. We have been very actively pursuing the refinancing of our debt with a plan to increase our borrowing capacity in order to fund our growth. We believe our strong performance thus far in 2019, the backlog we are building, and our growth expectations should position us for more capacity in somewhat better terms. We plan to complete the refinancing by year end.

We also filed the registration statement yesterday for the rights offering. We expect to receive aggregate gross proceeds of $7 million before fees and expenses from that offering. As Tracy mentioned, the offering is fully supported by a backstop agreement if necessary. And again, the purpose for the rights offering is to raise capital in a cost-effective manner that allows all stockholders to participate.

Once again, I'm happy to be here and be part of the Williams team especially at this point in time. We have a promising future ahead. And with that, I will turn it back to Tracy.

Tracy Pagliara: Thanks, Randy. Turning to **slide 12**, total backlog represents the dollar amount of revenue expected to be recorded in the future for work performed under awarded contracts. This was approximately $390 million at the end of September. As noted, we anticipate that about $151 million or 39% of total backlog will convert to revenue in the next 12 months. At the same time, this slide illustrates also that we expect to book approximately $125 million to $175 million in new backlog awards in the fourth quarter. We believe that total backlog by year end will be approximately $475 million to $515 million, and about $195 million to $215 million of that backlog will convert to revenue in 2020. We entered 2019 with just $173 million in convertible backlog and that was more than sufficient to get us over 20% growth this year.

The pie chart on the right side of the slide depicts a rough mix of our projected backlog. This demonstrates that we are growing our backlog by diversifying our markets and customers including Canada fuel storage and decommissioning and more energy and industrial projects and water and midstream oil and gas. This significant step up in our projected year-end backlog is what provides us confidence for revenue and earnings growth in 2020.

Slide 13 provides our guidance expectations for 2019 which are unchanged. We are on track to achieve our financial targets for the year and are excited about the measurable growth we expect in 2020. We are executing well on a robust strategic plan to create a scalable organization. We are winning new business both in our core markets as well as in new markets and with new customers. Careful risk management, quality execution, and a continued focus on safety will translate this growth into cash and earnings.

Now let me update you on the key growth initiatives from our strategic plan on slide 14. As previously stated, we have a strong reputation in the nuclear services end market and are leveraging that to win new business. We are unique because of our qualifications to provide the full lifecycle of construction and maintenance services for nuclear utilities. Nuclear fuel storage and decommissioning activity is advancing quickly. We are in the process of finalizing master services agreements with Holtec and Comprehensive Decommissioning International or CDI. CDI is a partnership of Holtec, a leader in nuclear technology; and SNC-Lavalin, a fully integrated professional services and project management company. CDI's business is the decommissioning of nuclear power plants.

CDI and Holtec have selected Williams to be their prime labor services contractor nationally for decommissioning fuel storage projects. In fact, we're currently working at SONGS on fuel storage and just completed work at Palisades. We are also at Oyster Creek assisting in the early preparation work for decommissioning that nuclear power facility. This is the first of the projects that Holtec received approval on from the NRC to obtain a nuclear license in decommissioning the facility. There are also three more sites that are expected to be decommissioned by this team including Pilgrim, Indian Point, and Palisades. This work will be ongoing for the next 10 years or so.

In Canada, we continue to provide project control services for Bruce Power and expect to transition our initial contract from temporary to permanent status by year end. We are also bidding on other work in that market. We have had approximately $11 million in revenue year-to-date from our activities in Canada. As we establish our presence there, if we execute well, Canada can quickly become a more substantial piece of our revenue base for many years to come.

In Energy and Industrial, we have earned additional scope with our first customer and recently gained a key new customer in midstream oil and gas for cost-plus maintenance work. We are also making good progress in growing our water business in Florida and have added two new utilities to our customer list. We also recently won a long-term maintenance agreement with an important fossil customer in the Northeast. To reiterate, we have added new leadership and talent to the Energy and Industrial operating unit. While not that impactful to our total revenue now, over the next several years we expect our Energy and Industrial business to become a more substantial contributor to our revenue mix.

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

Operator: Thank you. At this time we will be conducting a question-and-answer session. Our first question comes from John Walthausen with Walthausen & Company. Please proceed with your question.

John Walthausen: Yes. Good morning.

Tracy Pagliara: Hi, John.

John Walthausen: I guess on the refinancing, is that tied into the rights offering? And then can you talk about what the scale and type of debt financing it is that you're expecting to be able to achieve?

Tracy Pagliara: So completing the refinancing is a condition to the rights offering so, yes, they are tied together. But completing the rights offering is not a condition to the refinancing. So in terms of the scope, our current facilities, we have a $35 million term loan with Center Lane and a $15 million ABL revolver with MidCap. What we're trying to do is get a new facility that gives us better access to at least that amount of debt. The challenge we have sometimes with the revolver is with the different restrictions we really don't practically have access to the full $15 million based on concentration limits or bonded. If we have a project that's bonded we can't borrow against it. So our goal is to at least get a full $50 million of access to debt and then supplement that with the – on top of that and have $7 million of additional equity that would come in through the rights offering.

John Walthausen: Good. Thank you.

Operator: Our next question comes from John Deysher with Pinnacle Capital Management. Please proceed with your question.

John Deysher: Good morning everyone.

Tracy Pagliara: Hi, John. How are you?

John Deysher: I'm well. Yourself?

Tracy Pagliara: Plugging away.

John Deysher: Good to hear. Good progress. I was just curious following up on the prior question on the rights offering. I guess two questions. One, there's a discount of 5% to 25% of the 25-day volume weighted average price. What determines the level of discount?

Tracy Pagliara: Well it'll be based on facts and circumstances at the time when we go effective with the SEC. There's a pricing committee of the board that's been established and at that point they will evaluate where we are with the share price and other market conditions, other precedent transactions and we'll set the discount at that point.

John Deysher: Okay. And is the intention – I know you want to have the refinancing done by year end. Is the intention to have the rights offering done before year end as well?

Tracy Pagliara: We would love to do that, John, but it's somewhat not totally within our control because we have to see where we come out on the SEC, what level of review is done. So in an ideal world we'd do both by year end; we'll just have to see how quickly we can get through the SEC.

John Deysher: Okay. Well you submitted the initial document to the SEC.

Tracy Pagliara: Yes, we have. So we formally filed that yesterday and the process is underway.

John Deysher: Okay. Good to hear. On the operating front, in the release there's a line item in the change in revenue, timing of decommissioning projects negative $1.4 million in the quarter and negative $6.2 million year-to-date. How should we think about that? Is that decommissioning work that's being pushed back or what is that?

Tracy Pagliara: We had – it's purely timing. We had an issue at SONGS where there had been some issues that had come up last year on that site that had to be worked out between Holtec and the NRC and the public utility California Edison. So that caused – just caused a delay in the fuel movement that was being done out there, the fuel storage movement. So it's purely just a timing delay. It's not revenue that's lost. We'll actually pick that revenue up in 2020 instead so it's just something that was out of our control.

Kelly Powers: This is Kelly. Can you hear me?

Tracy Pagliara: Yeah.

John Deysher: Yes.

Kelly Powers: Yeah. So there was also about a $1.5 million fuel movement campaign at Browns Ferry that was supposed to be third and fourth quarter this year that was delayed until next year which was part of that.

John Deysher: Okay. Thank you. That's helpful.

Operator: We have reached the end of the question-and-answer session. At this time I would like to turn the call back to Tracy Pagliara for closing comments.

Tracy Pagliara: Thank you everyone for participating today. We appreciate your time and interest in Williams. We are committed to delivering our promises to our shareholders as well as our customers. This year is a strong demonstration of the progress to make Williams a stronger business. Thank you. Enjoy the rest of your day. And if we don't speak before Thanksgiving I hope everyone has a very happy and blessed Thanksgiving. Thank you.

Randy Lay: Thank you.

Operator: This concludes today's conference. You may disconnect your lines at this time and we thank you for your participation.