HELIX ENERGY SOLUTIONS GROUP INC
Form 10-Q
October 24, 2017

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 September 30, 2017
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 October 20, 2017, 147,720,399 shares of common stock were outstanding.

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

	September 30, 2017 (Unaudited)	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 356,889	$ 356,647
Accounts receivable:		
Trade, net of allowance for uncollectible accounts of $2,752 and $1,778, respectively	90,480	101,825
Unbilled revenue and other	45,816	10,328
Current deferred tax assets	—	16,594
Other current assets	38,172	37,388
Total current assets	531,357	522,782
Property and equipment	2,612,407	2,450,890
Less accumulated depreciation	(878,248)	(799,280)
Property and equipment, net	1,734,159	1,651,610
Other assets, net	100,974	72,549
Total assets	$ 2,366,490	$ 2,246,941
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 91,412	$ 60,210
Accrued liabilities	60,761	58,614
Income tax payable	1,756	—
Current maturities of long-term debt	108,611	67,571
Total current liabilities	262,540	186,395
Long-term debt	395,345	558,396
Deferred tax liabilities	154,158	167,351
Other non-current liabilities	42,736	52,985
Total liabilities	854,779	965,127
Commitments and contingencies		
Shareholders’ equity:		
Common stock, no par, 240,000 shares authorized, 147,713 and 120,630 shares issued, respectively	1,281,747	1,055,934
Retained earnings	302,326	322,854
Accumulated other comprehensive loss	(72,362)	(96,974)
Total shareholders’ equity	1,511,711	1,281,814
Total liabilities and shareholders’ equity	$ 2,366,490	$ 2,246,941

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

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

	Three Months Ended September 30,	
	2017	2016
Net revenues	$163,260	$161,245
Cost of sales	142,119	121,061
Gross profit	21,141	40,184
Selling, general and administrative expenses	(16,374)	(18,714)
Income from operations	4,767	21,470
Equity in losses of investment	(153)	(122)
Net interest expense	(3,615)	(6,843)
Gain on early extinguishment of long-term debt	—	244
Other income (expense), net	(551)	830
Other income (expense) – oil and gas	303	(468)
Income before income taxes	751	15,111
Income tax provision (benefit)	(1,539)	3,649
Net income	$2,290	$11,462
Earnings per share of common stock:		
Basic	$0.02	$0.10
Diluted	$0.02	$0.10
Weighted average common shares outstanding:		
Basic	145,958	113,680
Diluted	145,958	113,680

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

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

	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
Net revenues	$418,117	$359,551
Cost of sales	379,434	330,639
Gross profit	38,683	28,912
Loss on disposition of assets, net	(39)	—
Selling, general and administrative expenses	(46,532)	(47,493)
Loss from operations	(7,888)	(18,581)
Equity in losses of investment	(457)	(366)
Net interest expense	(15,480)	(25,007)
Gain (loss) on early extinguishment of long-term debt	(397)	546
Other income (expense), net	(619)	4,018
Other income – oil and gas	3,196	2,500
Loss before income taxes	(21,645)	(36,890)
Income tax provision (benefit)	(1,117)	(9,858)
Net loss	$(20,528)	$(27,032)
Loss per share of common stock:		
Basic	$(0.14)	$(0.25)
Diluted	$(0.14)	$(0.25)
Weighted average common shares outstanding:		
Basic	145,057	109,135
Diluted	145,057	109,135

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

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

	Three Months Ended September 30,	
	2017	2016
Net income	$2,290	$11,462
Other comprehensive income, net of tax:		
Unrealized gain on hedges arising during the period	2,297	4,418
Reclassification adjustments for loss on hedges included in net income	3,383	3,157
Income taxes on unrealized gain on hedges	(1,992)	(2,683)
Unrealized gain on hedges, net of tax	3,688	4,892
Foreign currency translation gain (loss)	5,513	(3,611)
Other comprehensive income, net of tax	9,201	1,281
Comprehensive income	$11,491	$12,743

	Nine Months Ended September 30,	
	2017	2016
Net loss	$(20,528)	$(27,032)
Other comprehensive income (loss), net of tax:		
Unrealized gain on hedges arising during the period	4,141	5,450
Reclassification adjustments for loss on hedges included in net loss	10,822	9,651
Income taxes on unrealized gain on hedges	(5,256)	(5,236)
Unrealized gain on hedges, net of tax	9,707	9,865
Foreign currency translation gain (loss) arising during the period	14,905	(24,827)
Reclassification adjustment for translation loss realized upon liquidation	—	289
Foreign currency translation gain (loss)	14,905	(24,538)
Other comprehensive income (loss), net of tax	24,612	(14,673)
Comprehensive income (loss)	$4,084	$(41,705)

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

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

	Nine Months Ended September 30,	
	2017	2016
Cash flows from operating activities:		
Net loss	$(20,528)	$(27,032)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	82,670	84,846
Amortization of debt discount	3,487	4,655
Amortization of debt issuance costs	5,238	6,430
Share-based compensation	7,613	4,351
Deferred income taxes	(3,019)	(6,726)
Equity in losses of investment	457	366
Loss on disposition of assets, net	39	—
(Gain) loss on early extinguishment of long-term debt	397	(546)
Unrealized gain and ineffectiveness on derivative contracts, net	(4,291)	(9,282)
Changes in operating assets and liabilities:		
Accounts receivable, net	(21,709)	(27,346)
Other current assets	(12,145)	(10,853)
Income tax receivable	2,742	20,576
Accounts payable and accrued liabilities	30,675	(1,794)
Other non-current, net	(40,303)	(22,201)
Net cash provided by operating activities	31,323	15,444
Cash flows from investing activities:		
Capital expenditures	(131,428)	(79,353)
Distribution from equity investment	—	1,200
Proceeds from sale of equity investment	—	25,000
Proceeds from sale of assets	10,000	10,887
Net cash used in investing activities	(121,428)	(42,266)
Cash flows from financing activities:		
Proceeds from term loan	100,000	—
Repayment of term loan	(193,508)	(30,500)
Repayment of Nordea Q5000 Loan	(26,786)	(26,786)
Repayment of MARAD Debt	(6,222)	(5,926)
Repurchase of Convertible Senior Notes due 2032	—	(13,400)
Debt issuance costs	(3,694)	(1,230)
Net proceeds from issuance of common stock	219,504	94,538
Payments related to tax withholding for share-based compensation	(1,306)	(187)
Proceeds from issuance of ESPP shares	432	708
Net cash provided by financing activities	88,420	17,217
Effect of exchange rate changes on cash and cash equivalents	1,927	(2,481)
Net increase (decrease) in cash and cash equivalents	242	(12,086)
Cash and cash equivalents:		

Balance, beginning of year	356,647	494,192
Balance, end of period	$356,889	$482,106

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

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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 ("U.S. GAAP").

The accompanying condensed consolidated financial statements have been prepared in conformity with U.S. GAAP and are consistent in all material respects with those applied in our 2016 Annual Report on Form 10-K ("2016 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 nine-month periods ended September 30, 2017 are not necessarily indicative of the results that may be expected for the year ending December 31, 2017. Our balance sheet as of December 31, 2016 included herein has been derived from the audited balance sheet as of December 31, 2016 included in our 2016 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 2016 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.

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)." This ASU provides a five-step approach to account for revenue arising from contracts with customers. The ASU requires 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. This revenue standard was originally effective prospectively for annual reporting periods beginning after December 15, 2016, including interim periods, and was subsequently deferred by one year to annual reporting periods beginning after December 15, 2017. The FASB also issued several subsequent updates containing implementation guidance on principal versus agent considerations (gross versus net revenue presentation), identifying performance obligations and accounting for licenses of intellectual property. Additionally, these updates provide narrow-scope improvements and practical expedients as well as technical corrections and improvements to the guidance. The new revenue standard permits companies to either apply the requirements retrospectively to all prior periods presented or apply the requirements in the year of adoption through a cumulative adjustment. Our assessment at this stage is that we do not expect the new revenue standard to have a material impact on our consolidated financial statements upon adoption. We continue working on expanded disclosure requirements and documentation of new policies, procedures and controls. We currently intend on adopting this guidance using the modified retrospective method.

In November 2015, the FASB issued ASU No. 2015-17, "Balance Sheet Classification of Deferred Taxes." This ASU requires companies to classify all deferred tax assets and liabilities as non-current on the balance sheet instead of separating deferred taxes into current and non-current amounts. The requirement that deferred tax liabilities and assets of a tax-paying component of an entity be offset and presented as a single amount was not affected by this guidance.

We adopted this guidance prospectively in the first quarter of 2017. Prior periods were not retrospectively adjusted.

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In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)." This ASU amends the existing accounting standards for leases. The amendments are intended to increase transparency and comparability among organizations by requiring recognition of lease assets and lease liabilities on the balance sheet and disclosure of key information about leasing arrangements. The guidance is effective for annual reporting periods beginning after December 15, 2018, including interim periods. Early adoption is permitted. The guidance is required to be adopted at the earliest period presented using a modified retrospective approach. We expect to adopt this guidance in the first quarter of 2019. We are currently evaluating the impact these amendments will have on our consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, "Improvements to Employee Share-Based Payment Accounting." This ASU simplifies several aspects of the accounting for share-based payment transactions, including income tax consequences, forfeitures, classification of awards as either equity or liabilities, and classification in the statement of cash flows. Our share-based awards typically vest in the beginning of each year. The adoption of this guidance had no material impact on our consolidated financial statements for the three- and nine-month periods ended September 30, 2017.

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 October 2016, the FASB issued ASU No. 2016-16, "Intra-Entity Transfers of Assets Other Than Inventory." This ASU eliminates the exception in current guidance that prohibits the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party. Under the new ASU, an entity should recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The guidance is effective for annual reporting periods beginning after December 15, 2017, including interim periods. Early adoption is permitted. We are currently evaluating the impact this guidance will have on our consolidated financial statements.

In May 2017, the FASB issued ASU No. 2017-09, "Scope of Modification Accounting." This ASU provides guidance about which changes to the terms or conditions of a share-based payment award require application of modification accounting. The guidance is effective for annual reporting periods beginning after December 15, 2017, including interim periods. Early adoption is permitted. We do not expect this ASU to have a material impact 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.

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, North Sea, Asia Pacific and West Africa regions, and have expanded our operations into Brazil with the commencement of operations of the Siem Helix 1 in mid-April 2017. Our "life of field" services are segregated into three reportable business segments: Well Intervention, Robotics and Production Facilities (Note 11).

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Our Well Intervention segment includes our vessels and equipment used to perform well intervention services primarily in the U.S. Gulf of Mexico, North Sea and Brazil. Our Well Intervention segment also includes intervention riser systems (“IRSs”), some of which we rent out 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 vessels, the Siem Helix 1 which is used and the Siem Helix 2 which is to be used in connection with our contracts to provide well intervention services offshore Brazil. We also have a semi-submersible well intervention vessel under construction, the Q7000.

Our Robotics segment includes remotely operated vehicles (“ROVs”), trenchers and ROVDrills designed to complement offshore construction and well intervention services, and currently operates four chartered ROV support vessels, including the Grand Canyon III that went into service for us in May 2017.

Our Production Facilities segment includes the Helix Producer I (the “HP I”), a ship-shaped dynamic positioning 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 since February 2013 to process production from the Phoenix field for the field operator. We currently operate under a fixed fee agreement for the HP I for service to the Phoenix field until at least June 1, 2023. We are party to an agreement providing various operators with access to the HFRS for well control purposes, which agreement was amended effective February 1, 2017 to reduce the retainer fee and to extend the term of the agreement by one year to March 31, 2019. The Production Facilities segment also includes our ownership interest in Independence Hub, LLC (“Independence Hub”) and previously included our former ownership interest in Deepwater Gateway, L.L.C. (“Deepwater Gateway”) that we sold in February 2016 (Note 5).

Note 3 — Details of Certain Accounts

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

	September 30, 2017	December 31, 2016
Note receivable [1]	$ —	$ 10,000
Prepaid insurance	2,432	4,426
Other prepaids	10,021	9,547
Deferred costs [2]	20,704	7,971
Spare parts inventory	1,598	2,548
Income tax receivable	—	880
Value added tax receivable	2,169	1,345
Other	1,248	671
Total other current assets	$ 38,172	$ 37,388

(1) Relates to the balance of the promissory note we received in connection with the sale of our former Ingleside spoolbase in January 2014. Interest on the note was payable quarterly at a rate of 6% per annum. In June 2017, we collected the remaining $10 million principal balance of this note receivable as well as accrued interest.

(2) Primarily reflects deferred mobilization costs associated with certain long-term contracts, which are to be amortized within 12 months from the balance sheet date.

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

	September 30, 2017	December 31, 2016
Note receivable, net (1)	$ 3,129	$ 2,827
Prepaids	8,112	6,418
Deferred dry dock costs, net	14,260	14,766
Deferred costs (2)	57,934	30,738
Deferred financing costs, net (3)	2,814	3,745
Charter fee deposit (4)	12,544	12,544
Other	2,181	1,511
Total other assets, net	$ 100,974	$ 72,549

(1) In 2016, we entered into an agreement with one of our customers to defer their payment obligations until June 30, 2018. On March 30, 2017, we entered into a new agreement with this customer in which we agreed to forgive all but $4.3 million of our outstanding receivables due from the customer in exchange for redeemable convertible bonds that approximated that amount. The bonds are redeemable by the customer at any time and the maturity date of the bonds is December 14, 2019. Interest at a rate of 5% per annum is payable on the bonds annually. We received the redeemable convertible bonds in September 2017 when all aspects of the agreement were finalized. The amount at September 30, 2017 reflected the fair value of the notes as of that date. The amount at December 31, 2016 was net of allowance of $4.2 million.

(2) Primarily reflects deferred mobilization costs to be amortized after 12 months from the balance sheet date through the end of the applicable term of certain long-term contracts.

(3) Represents unamortized debt issuance costs related to our revolving credit facility (Note 6).

(4) 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):

	September 30, 2017	December 31, 2016
Accrued payroll and related benefits	$ 29,682	$ 20,705
Deferred revenue	8,664	8,911
Accrued interest	2,997	3,758
Derivative liability (Note 14)	9,927	18,730
Taxes payable excluding income tax payable	1,209	1,214
Other	8,282	5,296
Total accrued liabilities	$ 60,761	$ 58,614

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

	September 30, 2017	December 31, 2016
Investee losses in excess of investment (Note 5)	$ 8,845	$ 10,238
Deferred gain on sale of property [1]	5,910	5,761
Deferred revenue	8,827	8,598
Derivative liability (Note 14)	9,663	20,191
Other	9,491	8,197
Total other non-current liabilities	$ 42,736	$ 52,985

(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):

	Nine Months Ended September 30,	
	2017	2016
Interest paid, net of interest capitalized	$9,002	$17,970
Income taxes paid	$3,967	$4,674

Our non-cash investing activities include property and equipment capital expenditures that are incurred but not yet paid. These non-cash capital expenditures totaled $21.7 million as of September 30, 2017 and $10.1 million as of December 31, 2016.

Note 5 — Equity Investments

We have a 20% ownership interest in Independence Hub that we account for using the equity method of accounting. We previously had a 50% ownership interest in Deepwater Gateway, which we sold in February 2016 to a subsidiary of Genesis Energy, L.P., the other 50% owner, for $25 million with no resulting gain or loss. We also received a cash distribution of $1.2 million from Deepwater Gateway in February 2016. These equity investments are included in our Production Facilities segment.

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. Our share of the losses reported by Independence Hub exceeded the carrying amount of our investment by $8.8 million as of September 30, 2017 and $10.2 million at December 31, 2016 reflecting our share of Independence Hub’s obligations (primarily its estimated asset retirement obligations to decommission the platform), net of remaining working capital. This liability is reflected in “Other non-current liabilities” in the accompanying condensed consolidated balance sheets.

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Note 6 — Long-Term Debt

Scheduled maturities of our long-term debt outstanding as of September 30, 2017 are as follows (in thousands):

	Term Loan (1)	2022 Notes	2032 Notes (2)	MARAD Debt	Nordea Q5000 Loan	Total
Less than one year	$6,250	$—	$60,115	$6,532	$35,714	$108,611
One to two years	11,250	—	—	6,858	35,714	53,822
Two to three years	81,250	—	—	7,200	98,215	186,665
Three to four years	—	—	—	7,560	—	7,560
Four to five years	—	125,000	—	7,937	—	132,937
Over five years	—	—	—	40,913	—	40,913
Total debt	98,750	125,000	60,115	77,000	169,643	530,508
Current maturities	(6,250)	—	(60,115)	(6,532)	(35,714)	(108,611)
Long-term debt, less current maturities	92,500	125,000	—	70,468	133,929	421,897
Unamortized debt discount (3)	—	(14,555)	(1,052)	—	—	(15,607)
Unamortized debt issuance costs (4)	(1,815)	(2,427)	(92)	(4,635)	(1,976)	(10,945)
Long-term debt	$90,685	$108,018	$(1,144)	$65,833	$131,953	$395,345

(1) Term Loan borrowing pursuant to the Credit Agreement (amended and restated in June 2017) matures in June 2020.

(2) The holders of our remaining Convertible Senior Notes due 2032 may require us to repurchase the notes in March 2018. Accordingly, these notes are classified as current liabilities.

(3) Our Convertible Senior Notes due 2022 will increase to their face amount through accretion of non-cash interest charges through May 2022. Our Convertible Senior Notes due 2032 will increase to their face amount through accretion of non-cash interest charges through March 2018.

(4) Debt issuance costs are amortized 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 the Company 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. The $100 million proceeds from the Term Loan as well as cash on hand were used to repay the approximately $180 million term loan then outstanding under the credit facility prior to its June 2017 amendment and restatement. At September 30, 2017, 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 $69.9 million, net of $4.0 million of letters of credit issued under that facility.

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The Term Loan and the Revolving Loans (together, the "Loans"), at our election, bear interest either in relation to Bank of America's base rate or to a LIBOR rate. The Term Loan or portions thereof 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 or portions thereof 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 Revolving Loans or portions thereof 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 or portions thereof 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 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.

The Term Loan principal is required to be repaid in quarterly installments of 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 transaction. 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 financial ratio requirements 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 are also 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
September 30, 2017 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

September 30, 2017	6.00	to 1.00
December 31, 2017	5.75	to 1.00
March 31, 2018	5.50	to 1.00
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

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(c) The maximum permitted Consolidated Secured Leverage Ratio:

Four Fiscal Quarters Ending	Maximum Consolidated Secured Leverage Ratio
September 30, 2017 through and including June 30, 2018	3.00 to 1.00
September 30, 2018 and each fiscal quarter thereafter	2.50 to 1.00

(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	$100,000,000.00
Greater than or equal to 3.50 to 1.00 but less than 4.00 to 1.00	$50,000,000.00
Less than 3.50 to 1.00	$0.00

(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 September 30, 2017, we were required to, and did, maintain an aggregate cash balance of at least $100 million in complying with this covenant.

We may from time to time designate one or more of our foreign subsidiaries as subsidiaries which are not generally subject to the covenants in the Credit Agreement (the “Unrestricted Subsidiaries”), provided that we meet certain liquidity requirements. 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 Canyon Offshore Limited, a wholly owned Scottish subsidiary, and our obligations under the Credit Agreement and of such guarantors under their guarantee are secured by most of our assets of the parent, our domestic subsidiaries (other than Cal Dive I – Title XI, Inc.) and Canyon Offshore Limited, as well as pledges of up to two-thirds of the shares of certain foreign subsidiaries.

In June 2017, we recognized a $0.4 million loss to write off the unamortized debt issuance costs related to the lenders exiting from the term loan then outstanding under the credit facility prior to its June 2017 amendment and restatement, which loss is presented as “Loss on early extinguishment of long-term debt” in the accompanying consolidated statements of operations. In connection with decreases in lenders’ commitments under our revolving credit facility, in June 2017 and February 2016 we recorded interest charges of $1.6 million and $2.5 million, respectively, to accelerate the amortization of a pro-rata portion of debt issuance costs related to the lenders whose commitments were reduced.

Convertible Senior Notes Due 2022

On November 1, 2016, we completed a public offering and sale of our Convertible Senior Notes due 2022 (the “2022 Notes”) in the aggregate principal amount of $125 million. The net proceeds from the issuance of the 2022 Notes were $121.7 million after deducting the underwriter’s discounts and commissions and offering expenses. We used net proceeds from the issuance of the 2022 Notes as well as cash on hand to repurchase and retire $125 million in principal of the 2032 Notes (see “Convertible Senior Notes Due 2032” below) in separate, privately negotiated transactions.

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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 as set forth in the Indenture governing the 2022 Notes. We have the right and the intention to settle any such future conversions in cash.

Prior to November 1, 2019, the 2022 Notes are not redeemable. On or after November 1, 2019, we may redeem all or any portion of the 2022 Notes, at our option, subject to certain conditions, 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" with a value equal to the present value of the remaining scheduled interest payments of the 2022 Notes to be redeemed through May 1, 2022. Holders of the 2022 Notes may require us to repurchase the notes following a "fundamental change," as defined in the 2022 Notes documentation.

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 principal subsidiary, the principal amount of the 2022 Notes together with any accrued and unpaid interest thereon will automatically be and become immediately due and payable.

In connection with the issuance of the 2022 Notes, we recorded a debt discount of $16.9 million as required under existing accounting rules. To arrive at this discount amount, we estimated the fair value of the liability component of the 2022 Notes as of October 26, 2016 using an income approach. To determine this estimated fair value, we used borrowing rates of similar market transactions involving comparable liabilities at the time of pricing and an expected life of 5.5 years. 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. We recorded $11.0 million, net of tax, related to the carrying amount of the equity component of the 2022 Notes. The remaining unamortized amount of the debt discount of the 2022 Notes was $14.6 million at September 30, 2017 and $16.5 million at December 31, 2016.

Convertible Senior Notes Due 2032

In March 2012, we completed a public offering and sale of our Convertible Senior Notes due 2032 (the "2032 Notes") in the aggregate principal amount of $200 million, $60 million of which are currently outstanding. The 2032 Notes bear interest at a rate of 3.25% per annum, and are payable semi-annually in arrears on March 15 and September 15 of each year, beginning on September 15, 2012. The 2032 Notes mature on March 15, 2032 unless earlier converted, redeemed or repurchased. The 2032 Notes are convertible in certain circumstances and during certain periods at an initial conversion rate of 39.9752 shares of our common stock per $1,000 principal amount (which represents an initial conversion price of approximately $25.02 per share of common stock), subject to adjustment in certain circumstances as set forth in the Indenture governing the 2032 Notes. We have the right and the intention to settle any such future conversions in cash.

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Prior to March 20, 2018, the 2032 Notes are not redeemable. On or after March 20, 2018, we, at our option, may redeem some or all of the 2032 Notes in cash, at any time upon at least 30 days' notice, at a price equal to 100% of the principal amount plus accrued and unpaid interest (including contingent interest, if any) up to but excluding the redemption date. In addition, the holders of the 2032 Notes may require us to purchase in cash some or all of their 2032 Notes at a repurchase price equal to 100% of the principal amount of the 2032 Notes, plus accrued and unpaid interest (including contingent interest, if any) up to but excluding the applicable repurchase date, on March 15, 2018, March 15, 2022 and March 15, 2027, or, subject to specified exceptions, at any time prior to the 2032 Notes' maturity following a Fundamental Change (either a Change of Control or a Termination of Trading, as those terms are defined in the Indenture governing the 2032 Notes). We elected to repurchase $7.3 million, $7.6 million and $125 million, respectively, in aggregate principal amount of the 2032 Notes in June, July and November of 2016, respectively. For the three- and nine-month periods ended September 30, 2016, we recognized gains related to the repurchase of the 2032 Notes of $0.2 million and $0.5 million, respectively, which are presented as "Gain on early extinguishment of long-term debt" in the accompanying consolidated statements of operations.

In connection with the issuance of the 2032 Notes we recorded a debt discount of $35.4 million as required under existing accounting rules. To arrive at this discount amount we estimated the fair value of the liability component of the 2032 Notes as of March 12, 2012 using an income approach. To determine this estimated fair value, we used borrowing rates of similar market transactions involving comparable liabilities at the time of pricing and an expected life of 6.0 years. In selecting the expected life, we selected the earliest date the holders could require us to repurchase all or a portion of the 2032 Notes (March 15, 2018). The effective interest rate for the 2032 Notes is 6.9% after considering the effect of the accretion of the related debt discount that represented the equity component of the 2032 Notes at their inception. We recorded $22.5 million, net of tax, related to the carrying amount of the equity component of the 2032 Notes. The remaining unamortized amount of the debt discount of the 2032 Notes was $1.1 million at September 30, 2017 and $2.6 million at December 31, 2016.

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 beginning in August 2002 and matures in February 2027, and initially bore interest at a floating rate that approximated AAA Commercial Paper yields plus 20 basis points. As required by the MARAD Debt agreements, in September 2005, we fixed the interest rate on the debt through the issuance of a 4.93% fixed-rate note with the same maturity date.

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 14). 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.

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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.

Other

In accordance with our Credit Agreement, the 2022 Notes, the 2032 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 September 30, 2017, we were in compliance with these covenants.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Interest expense	$8,336	$10,745	$30,183	$34,224
Interest income	(792)	(833)	(2,056)	(1,713)
Capitalized interest	(3,929)	(3,069)	(12,647)	(7,504)
Net interest expense	$3,615	$6,843	$15,480	$25,007

Note 7 — Income Taxes

We believe that our recorded deferred tax assets and liabilities are reasonable. However, tax laws and regulations are subject to interpretation and the outcomes of tax disputes are inherently uncertain, and therefore our assessments can involve a series of complex judgments about future events and rely heavily on estimates and assumptions.

The effective tax rates for the three- and nine-month periods ended September 30, 2017 were (204.9)% and 5.2%, respectively. The effective tax rates for the three- and nine-month periods ended September 30, 2016 were 24.1% and 26.7%, respectively. The variance was primarily attributable to the earnings mix between our higher and lower tax rate jurisdictions and a change in tax position related to our foreign taxes.

We continued recording income taxes using a year-to-date effective tax rate method for the three- and nine-month periods ended September 30, 2017. The use of this method was based on our expectations at September 30, 2017 that a small change in our estimated ordinary income could result in a large change in the estimated annual effective tax rate. We will re-evaluate our use of this method each quarter until such time as a return to the annualized effective tax rate method is deemed appropriate.

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Income taxes are provided based on the U.S. statutory rate of 35% and at the local statutory rate for each foreign jurisdiction adjusted for items that are allowed as deductions for federal and foreign income tax reporting purposes, but not for book purposes. The primary differences between the U.S. statutory rate and our effective rate are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
U.S. statutory rate	35.0 %	35.0 %	35.0 %	35.0 %
Foreign provision	(241.5)	(10.8)	2.8	(8.8)
Change in tax position [1]	—	—	(29.3)	—
Other	1.6	(0.1)	(3.3)	0.5
Effective rate	(204.9)%	24.1 %	5.2 %	26.7 %

(1) We consider all available evidence, both positive and negative, when determining whether a valuation allowance is required against deferred tax assets. Due to weaker near term outlook and financial results primarily associated with our Robotics segment, we currently do not anticipate generating sufficient foreign source income to fully utilize our foreign tax credits prior to their expiration. We have concluded that it is more likely than not previously recorded deferred tax assets attributable to foreign tax credits will not be realized. As a result of this change in tax position, we recorded a tax charge of $6.3 million in June 2017, which is comprised of a $2.8 million valuation allowance attributable to a foreign tax credit carryforward from 2015 and a $3.5 million charge attributable to the decision to deduct foreign taxes related to 2016 and 2017.

Note 8 — Shareholders' Equity

On January 10, 2017, we completed an underwritten public offering (the "Offering") of 26,450,000 shares of our common stock at a public offering price of $8.65 per share. The net proceeds from the Offering approximated $220 million, after deducting underwriting discounts and commissions and estimated offering expenses. We used the net proceeds from the Offering for general corporate purposes, including debt repayment, capital expenditures, working capital and investments in our subsidiaries.

The components of Accumulated Other Comprehensive Income (Loss) ("OCI") are as follows (in thousands):

	September 30, 2017	December 31, 2016
Cumulative foreign currency translation adjustment	$ (64,048)	$ (78,953)
Unrealized loss on hedges, net [1]	(8,314)	(18,021)
Accumulated other comprehensive loss	$ (72,362)	$ (96,974)

(1) Relates to foreign currency hedges for the Grand Canyon, Grand Canyon II and Grand Canyon III charters as well as interest rate swap contracts for the Nordea Q5000 Loan, and are net of deferred income taxes totaling $4.5 million at September 30, 2017 and $9.7 million at December 31, 2016 (Note 14).

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Note 9 — Earnings Per Share

We have shares of restricted stock issued and outstanding that are currently unvested. Holders of shares of unvested restricted stock are entitled to the same liquidation and dividend rights as the holders of our unrestricted common stock and the shares of restricted stock are thus considered participating securities. Under applicable accounting guidance, the undistributed earnings for each period are allocated based on the participation rights of both the common shareholders and holders of any participating securities as if earnings for the respective periods had been distributed. Because both the liquidation and dividend rights are identical, the undistributed earnings are allocated on a proportionate basis. Further, we are required to compute earnings per share ("EPS") amounts under the two class method in periods in which we have earnings. For periods in which we have a net loss we do not use the two class method as holders of our restricted shares are not obligated to share in such losses.

The presentation of basic EPS amounts on the face of the accompanying condensed consolidated statements of operations is computed by dividing net income or loss by the weighted average shares of our common stock outstanding. The calculation of diluted EPS is similar to basic EPS, except that the denominator includes dilutive common stock equivalents and the income included in the numerator excludes the effects of the impact of dilutive common stock equivalents, if any. The computations of the numerator (income) and denominator (shares) to derive the basic and diluted EPS amounts presented on the face of the accompanying condensed consolidated statements of operations for the three-month periods ended September 30, 2017 and 2016 are as follows (in thousands):

	Three Months Ended September 30, 2017		Three Months Ended September 30, 2016	
	Income	Shares	Income	Shares
Basic:				
Net income	$2,290		$11,462	
Less: Undistributed earnings allocated to participating securities	(27)		(160)	
Undistributed earnings allocated to common shares	$2,263	145,958	$11,302	113,680
Diluted:				
Undistributed earnings allocated to common shares	$2,263	145,958	$11,302	113,680
Effect of dilutive securities:				
Share-based awards other than participating securities	—	—	—	—
Undistributed earnings reallocated to participating securities	—	—	—	—
Net income	$2,263	145,958	$11,302	113,680

We had net losses for the nine-month periods ended September 30, 2017 and 2016. Accordingly, our diluted EPS calculation for these periods was equivalent to our basic EPS calculation since diluted EPS excluded any assumed exercise or conversion of common stock equivalents. These common stock equivalents were excluded because they were deemed to be anti-dilutive, meaning their inclusion would have reduced the reported net loss per share in the applicable periods. Shares that otherwise would have been included in the diluted per share calculations assuming we had earnings are as follows (in thousands):

	Nine Months Ended September 30,	
	2017	2016
Diluted shares (as reported)	145,057	109,135
Share-based awards	364	308

Total	145,421	109,443

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In addition, the following potentially dilutive shares related to the 2022 Notes and the 2032 Notes were excluded from the diluted EPS calculation because we have the right and the intention to settle any such future conversions in cash (Note 6) (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
2022 Notes	8,997	—	8,997	—
2032 Notes	2,403	7,493	2,403	7,814

Note 10 — Employee Benefit Plans

Long-Term Incentive Stock-Based Plan

As of September 30, 2017, there were 2.4 million shares of our common stock available for issuance under our long-term incentive stock-based plan, the 2005 Long-Term Incentive Plan, as amended and restated January 1, 2017 (the “2005 Incentive Plan”). During the nine-month period ended September 30, 2017, the following grants of share-based awards were made under the 2005 Incentive Plan:

Date of Grant	Shares	Grant Date Fair Value Per Share	Vesting Period
January 3, 2017 (1)	671,771	$8.82	33% per year over three years
January 3, 2017 (2)	671,771	$12.64	100% on January 1, 2020
January 3, 2017 (3)	9,956	$8.82	100% on January 1, 2019
April 3, 2017 (3)	8,004	$7.77	100% on January 1, 2019
July 3, 2017 (3)	14,018	$5.64	100% on January 1, 2019

(1) Reflects grants of restricted stock to our executive officers and select management employees.

(2) Reflects grants of performance share units (“PSUs”) to our executive officers and select management employees. The PSUs provide for an award based on the performance of our common stock over a three-year period with the maximum amount of the award being 200% of the original awarded PSUs and the minimum amount being zero. For the 2017 awards, vested PSUs can only be settled in shares of our common stock.

(3) Reflects grants of restricted stock to certain independent members of our Board of Directors (the “Board”) who have made an election to take their quarterly fees in stock in lieu of cash.

Compensation cost for restricted stock is the product of grant date fair value of each share and the number of shares granted and is recognized over the applicable vesting periods on a straight-line basis. We elected to account for forfeitures when they occur upon the adoption of the new guidance for employee share-based payment accounting (Note 1). For the three- and nine-month periods ended September 30, 2017, $1.7 million and $5.4 million, respectively, were recognized as share-based compensation related to restricted stock. For the three- and nine-month periods ended September 30, 2016, $1.4 million and $4.3 million, respectively, were recognized as share-based compensation related to restricted stock.

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The estimated fair value of PSUs is determined using a Monte Carlo simulation model. Compensation cost for PSUs that are accounted for as equity awards is measured based on the estimated grant date fair value and recognized over the vesting period on a straight-line basis. PSUs that are accounted for as liability awards are measured based on the estimated fair value at the balance sheet date and changes in fair value of the awards are recognized in earnings. Cumulative compensation cost for vested liability PSU awards equals the actual cash payout amount upon vesting. The 2017 awards are accounted for as equity awards whereas awards made prior to 2017 are accounted for as liability awards. For the three- and nine-month periods ended September 30, 2017, $4.0 million and $5.8 million, respectively, were recognized as share-based compensation related to PSUs. For the three- and nine-month periods ended September 30, 2016, $2.5 million and $5.3 million, respectively, were recognized as share-based compensation related to PSUs. The liability balance for unvested PSUs was $10.2 million at September 30, 2017 and $7.1 million at December 31, 2016. We paid $0.6 million in cash to settle the 2014 grant of PSUs when they vested in January 2017.

Employee Stock Purchase Plan

We have an employee stock purchase plan (the “ESPP”). The ESPP has 1.5 million shares authorized for issuance, of which 0.6 million shares were available for issuance as of September 30, 2017. In February 2016, we suspended ESPP purchases for the January through April 2016 purchase period and indefinitely imposed a purchase limit of 130 shares per employee for subsequent purchase periods.

For more information regarding our employee benefit plans, including our long-term incentive stock-based and cash plans and our employee stock purchase plan, see Note 12 to our 2016 Form 10-K.

Note 11 — Business Segment Information

We have three reportable business segments: Well Intervention, Robotics and Production Facilities. Our U.S., U.K. and Brazil well intervention operating segments are aggregated into the Well Intervention business segment for financial reporting purposes. Our Well Intervention segment includes our vessels and equipment used to perform well intervention services primarily in the U.S. Gulf of Mexico, North Sea and Brazil. Our Well Intervention segment also includes IRSs, some of which we rent out on a stand-alone basis, and SILs. Our well intervention vessels include the Q4000, the Q5000, the Seawell, the Well Enhancer and the chartered Siem Helix 1 and Siem Helix 2 vessels. The Siem Helix 1 commenced its operations for Petrobras in mid-April 2017. Our Robotics segment includes ROVs, trenchers and ROVDrills designed to complement offshore construction and well intervention services, and currently operates four chartered ROV support vessels, including the Grand Canyon III that went into service for us in May 2017. Our Production Facilities segment includes the HP I, the HFRS and our investment in Independence Hub that is accounted for under the equity method, and previously included our former ownership interest in Deepwater Gateway that we sold in February 2016 (Note 5). All material intercompany transactions between the segments have been eliminated.

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We evaluate our performance primarily based on operating income of each reportable segment. Certain financial data by reportable segment are summarized as follows (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net revenues —				
Well Intervention	$111,522	$108,287	$299,219	$214,262
Robotics	47,049	48,897	102,078	119,805
Production Facilities	16,380	17,128	47,965	54,567
Intercompany elimination	(11,691)	(13,067)		