
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

FORM 8-K

**CURRENT REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

DATE OF REPORT: August 2, 2017
(Date of earliest event reported)

Hornbeck Offshore Services, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or other jurisdiction of incorporation or
organization)

001-32108

(Commission File Number)

72-1375844

(I.R.S. Employer Identification Number)

**103 Northpark Boulevard, Suite 300
Covington, LA**

(Address of Principal Executive Offices)

70433

(Zip Code)

(985) 727-2000

(Registrant's Telephone Number, Including Area Code)

N/A

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Act of 1934 (17 CFR §240.12b-2).

Emerging growth 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. ☐

Item 2.02 – Results of Operations and Financial Condition

The information in this Item 2.02 of this Current Report is being furnished pursuant to Item 2.02 of Form 8-K and according to general instruction B.2. thereunder, the information in this Item 2.02 of this Current Report shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934 or otherwise subject to the liabilities of that Section. The information in this Item 2.02 of this Current Report shall not be incorporated by reference into any registration statement pursuant to the Securities Act of 1933.

On August 2, 2017, Hornbeck Offshore Services, Inc., a Delaware corporation (the “Company”), announced the results of its operations for the three months ended June 30, 2017. Additional information is included in the Company’s press release dated August 2, 2017, which is attached hereto as Exhibit 99.1.

Item 9.01 – Financial Statements and Exhibits

(d) Exhibits.

99.1 Press Release, dated August 2, 2017 announcing second quarter 2017 results

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Hornbeck Offshore Services, Inc.

Date: August 3, 2017

By: /s/ James O. Harp, Jr.

James O. Harp, Jr.

Executive Vice President and Chief Financial Officer



HORNBECK OFFSHORE SERVICES, INC.

Service with Energy®

NEWS RELEASE
17-007

Contacts: Todd Hornbeck, CEO
Jim Harp, CFO
Hornbeck Offshore Services
985-727-6802

For Immediate Release

Ken Dennard, Managing Partner
Dennard-Lascar / 713-529-6600

**HORNBECK OFFSHORE ANNOUNCES
SECOND QUARTER 2017 RESULTS**

August 2, 2017 - Covington, Louisiana - Hornbeck Offshore Services, Inc. (NYSE:HOS) announced today results for the second quarter ended June 30, 2017. Following is an executive summary for this period and the Company's future outlook:

- 2Q2017 diluted EPS was \$(0.53), an increase of \$0.23, or 30%, from 1Q2017 diluted EPS of \$(0.76)
- 2Q2017 net loss was \$(19.5) million, an increase of \$8.4 million from 1Q2017 net loss of \$(27.9) million
- 2Q2017 EBITDA was \$12.2 million, an increase of \$10.6 million from 1Q2017 EBITDA of \$1.6 million
- 2Q2017 note repurchases resulted in a net gain on early extinguishment of debt of \$15.5 million, or \$0.29 per diluted share
- Excluding such gain on early extinguishment of debt, adjusted 2Q2017 diluted EPS and net loss were \$(0.82) and \$(30.0) million, respectively
- Excluding such \$15.5 million gain, 2Q2017 EBITDA of \$12.2 million would have been \$(3.3) million from operations
- 2Q2017 average new gen OSV dayrates were \$17,202, a sequential decrease of \$2,019, or 11%, excluding the 1Q2017 redelivery fee
- 2Q2017 effective new gen OSV dayrates were \$3,836, in line with the sequential quarter, excluding the 1Q2017 redelivery fee
- 2Q2017 utilization of the Company's new gen OSV fleet was 22%, up from 20% sequentially
- 2Q2017 effective utilization of the Company's active new gen OSVs was 67%, down from 68% sequentially
- The Company currently has 41 OSVs stacked and expects to have 45 OSVs stacked by end of 3Q2017
- On June 15, 2017, the Company closed on a new \$300 million first-lien term loan credit facility, \$96 million of which is currently outstanding
- 2Q2017 debt-for-debt exchanges under the new credit facility resulted in a deferred gain of \$31.8 million, offset by \$11.1 million of OID
- Quarter-end cash was \$125 million, down from \$209 million sequentially, with \$68 million of newbuild growth capex remaining to be funded
- 2Q2017 total liquidity (cash and credit availability) of \$329 million represents an increase of \$44 million, or 16%, from 1Q2017

The Company recorded a net loss for the second quarter of 2017 of \$(19.5) million, or \$(0.53) per diluted share, compared to \$(20.6) million, or \$(0.57) per diluted share, for the year-ago quarter; and \$(27.9) million, or \$(0.76) per diluted share, for the first quarter of 2017. Included in the Company's second quarter 2017 results is a \$15.5 million (\$10.5 million after-tax or \$0.29 per diluted share) net gain on early extinguishment of debt resulting from the repurchase of a portion of the Company's 1.500% Convertible Senior Notes due 2019, or Convertible Notes, and 5.875% Senior Notes due 2020, or 5.875% Senior Notes, offset in part by the write-off of certain related deal costs, unamortized financing costs and original issue discount. Excluding the impact of such net gain on early extinguishment of debt, net loss and diluted EPS for the second quarter of 2017 would have been \$(30.0) million and \$(0.82) per share, respectively. Included in the Company's first quarter 2017 results was a \$9.4 million redelivery fee related to the

completion of a long-term contract for one of the Company's OSVs. Also included in the Company's first quarter 2017 results was a \$3.8 million increase in G&A expense resulting from additional bad debt reserves due to an unfavorable ruling in recent bankruptcy proceedings related to a receivable from a former customer. Excluding the net impact of these two items, net loss and diluted EPS for the first quarter of 2017 would have been \$(31.7) million, and \$(0.87) per share, respectively. After adjusting for these reconciling items included in the second quarter of 2017 and the sequential quarter, the second quarter net loss and diluted EPS would have been \$1.7 million and \$0.05 per share higher than the sequential quarter, respectively. Diluted common shares for the second quarter of 2017 were 36.8 million compared to 36.2 million and 36.6 million for the second quarter of 2016 and the first quarter of 2017, respectively. GAAP requires the use of basic shares outstanding for diluted EPS when reporting a net loss. EBITDA for the second quarter of 2017 was \$12.2 million compared to \$6.9 million for the second quarter of 2016 and \$1.6 million for the first quarter of 2017. Excluding such gain on early extinguishment of debt in the second quarter of 2017, EBITDA would have been \$(3.3) million. Excluding such redelivery fee and such additional bad debt reserves in the first quarter of 2017, EBITDA would have been \$(3.9) million. For additional information regarding EBITDA as a non-GAAP financial measure, please see Note 10 to the accompanying data tables.

Revenues. Revenues were \$37.4 million for the second quarter of 2017, a decrease of \$16.3 million, or 30.4%, from \$53.7 million for the second quarter of 2016; and a decrease of \$6.7 million, or 15.2%, from \$44.1 million for the first quarter of 2017. The year-over-year decrease in revenues was primarily due to weak market conditions worldwide and the repricing of four OSVs, which concluded long-term contracts that were working at dayrates above current market levels. Included in the sequential quarter revenue was a \$9.4 million redelivery fee. Excluding this fee from the first quarter, revenue for the second quarter was \$2.7 million, or 7.8%, higher than the sequential quarter. The sequential increase in adjusted revenue was primarily attributable to higher average dayrates for our MPSV fleet. As of June 30, 2017, the Company had 42 OSVs stacked. For the three months ended June 30, 2017, the Company had an average of 42.5 vessels stacked compared to 41.9 vessels stacked in the prior-year quarter and 45.9 vessels stacked in the sequential quarter. Operating loss was \$(31.3) million, or (83.7)% of revenues, for the second quarter of 2017 compared to an operating loss of \$(21.5) million, or (40.1)% of revenues, for the prior-year quarter; and an operating loss of \$(26.5) million, or (60.1)% of revenues, for the first quarter of 2017. Average new generation OSV dayrates for the second quarter of 2017 were \$17,202 compared to \$26,642 for the same period in 2016 and \$27,767 for the first quarter of 2017. Excluding the impact of the redelivery fee, average new generation OSV dayrates would have been \$19,221 for the first quarter of 2017. New generation OSV utilization was 22.3% for the second quarter of 2017 compared to 23.9% for the year-ago quarter and 19.7% for the sequential quarter. Excluding stacked vessel days, the Company's new generation OSV effective utilization was 66.6%, 73.8% and 67.5% for the same periods, respectively. Utilization-adjusted, or effective, new generation OSV dayrates for the second quarter of

2017 were \$3,836 compared to \$6,367 for the same period in 2016 and \$5,470 for the first quarter of 2017. Excluding the impact of the redelivery fee, utilization-adjusted, or effective, new generation OSV dayrates for the first quarter of 2017 would have been \$3,787.

Operating Expenses. Operating expenses were \$31.4 million for the second quarter of 2017, a decrease of \$2.9 million, or 8.5%, from \$34.3 million for the second quarter of 2016; and an increase of \$3.5 million, or 12.5%, from \$27.9 million for the first quarter of 2017. The year-over-year decrease in operating expenses was primarily due to a reduction in mariner pay and other operating expenses. The sequential increase in operating expenses was primarily due to higher personnel expenses driven by a higher average number of active vessels.

General and Administrative (“G&A”). G&A expense was \$9.4 million for the second quarter of 2017 compared to \$12.4 million for the second quarter of 2016; and \$14.2 million for the first quarter of 2017. The year-over-year decrease in G&A expense was primarily attributable to lower long-term incentive compensation expense and lower bad debt reserves. Long-term incentive compensation was lower due to a "mark to market" adjustment on cash-settled awards to reflect the decline in the Company's stock price during the three months ended June 30, 2017. The sequential decrease in G&A expense was primarily due to \$3.8 million of additional bad debt reserves in the first quarter of 2017 related to a former customer's bankruptcy proceedings.

Depreciation and Amortization. Depreciation and amortization expense was \$27.9 million for the second quarter of 2017, or \$0.5 million lower than both the year-ago quarter and sequential quarter. Depreciation increased by \$2.0 million over the year-ago quarter primarily due to the addition of two vessels that were placed in service under the Company's fifth OSV newbuild program since March 31, 2016. The depreciation increase was offset by a decrease in amortization expense of \$2.5 million, which was mainly driven by postponed recertifications for certain of the Company's stacked OSVs. Amortization expense is expected to decrease further in the near term as a result of the deferral of regulatory recertification activities for vessels that have been stacked. The Company expects amortization expense to increase temporarily whenever market conditions warrant reactivation of currently stacked vessels, which will then require the Company to drydock such vessels, and thereafter to revert back to historical levels.

Interest Expense. Interest expense was \$13.4 million during the second quarter of 2017, or \$2.4 million higher than the prior-year quarter. The increase was primarily due to the Company capitalizing a lower percentage of interest compared to the prior-year period driven by a lower average construction work-in-progress balance under the Company's nearly completed newbuild program. The Company recorded \$2.5 million of capitalized construction period interest, or roughly 16% of its total interest costs, for the second quarter of 2017 compared to \$5.1 million, or roughly 32% of its total interest costs, for the year-ago quarter.

Gain on Early Extinguishment of Debt. On June 15, 2017, the Company terminated its existing revolving credit facility and replaced it with a new \$300 million first-lien delayed-draw credit facility. The Company concurrently arranged for the repurchase of \$73.3 million in face value of its outstanding Convertible Notes and \$8.1 million in face value of its 5.875% Senior Notes for an aggregate total of \$54.1 million of cash. In accordance with applicable accounting guidance, this repurchase of debt with cash has been accounted for as a debt extinguishment, which resulted in the Company recording a net gain on early extinguishment of debt of approximately \$15.5 million (\$10.5 million or \$0.29 per diluted share after-tax). The accounting for this transaction was comprised of a \$27.2 million gain on the repurchase of its Convertible Notes and 5.875% Senior Notes, offset in part by the write-off of \$2.3 million of deal costs and unamortized financing costs related to the credit facilities and \$9.4 million of original issue discount, deal costs and unamortized financing costs related to the bond repurchases.

Six Month Results

Revenue for the first six months of 2017 decreased 37.5% to \$81.5 million compared to \$130.5 million for the same period in 2016. Operating loss was \$(57.8) million, or (70.9)% of revenues, for the first six months of 2017 compared to an operating loss of \$(22.3) million, or (17.1)% of revenues, for the prior-year period. Net loss for the first six months of 2017 increased \$19.3 million to a net loss of \$(47.4) million, or \$(1.29) per diluted share, compared to a net loss of \$(28.1) million, or \$(0.78) per diluted share, for the first six months of 2016. EBITDA for the first six months of 2017 decreased 60.7% to \$13.8 million compared to \$35.1 million for the first six months of 2016. Excluding the impact of the previously mentioned \$9.4 million redelivery fee and \$3.8 million of additional bad debt reserves in the first quarter of 2017 and \$15.5 million gain on early extinguishment of debt in the second quarter of 2017, net loss, diluted EPS and EBITDA for the first six months of 2017 would have been \$(61.8) million, \$(1.69) per share and \$(7.3) million, respectively. The year-over-year decrease in vessel revenues primarily resulted from soft market conditions in the GoM, which led to the Company's decision to stack an average of 6.4 incremental vessels on various dates from December 2015 through June 30, 2017. For the six months ended June 30, 2017, the Company had an average of 44.2 vessels stacked compared to 37.8 vessels stacked in the prior-year period.

Recent Developments

New First-Lien Credit Facility. On June 15, 2017, the Company closed on a new \$300 million first-lien delayed-draw term loan credit facility, or the New Credit Facility. The New Credit Facility refinanced the Company's then-existing \$200 million senior secured revolving credit facility, or the Old Credit Facility. The six-year term of the New Credit Facility extends the maturity of the Old Credit Facility from February 2020 to June 2023.

The New Credit Facility enhanced the Company's financial flexibility by increasing liquidity, extending the maturity date and eliminating all of the existing financial ratio maintenance covenants and the anti-cash hoarding provision of the Old Credit Facility. The Company can use the amounts it draws under the New Credit Facility for working capital and general corporate purposes, including the acquisition of distressed assets and/or the refinancing of existing debt, subject to, among other things, compliance with certain covenants requiring the Company to maintain access to liquidity (cash and credit availability) of \$25.0 million at all times. The minimum liquidity level required for prepayment of the Company's existing indebtedness and/or certain other restricted payments is \$65.0 million. The Company is required to draw on a cumulative basis (i) at least \$68 million of the delayed-draw commitments under the New Credit Facility by December 31, 2017, (ii) at least \$136 million of such commitments by December 31, 2018, and (iii) the full amount of the remaining \$203.7 million of such commitments by September 1, 2019. The right to borrow any amount of the delayed-draw commitments not drawn by the respective minimum funding dates will be terminated.

The New Credit Facility is collateralized by 51 domestic high-spec OSVs and MPSVs, including a security interest in two pending MPSV newbuilds, and associated personalty, as well as by certain deposit and securities accounts. The Company's other assets that do not arise from, are not required for use in connection with, and are not necessary for, the operation of mortgaged vessels are unencumbered by liens, including ten low-spec domestic OSVs and eleven foreign-flagged vessels.

The Company also has the option, exercisable anytime or from time-to-time during the six-year term of the loan, of paying interest on the New Credit Facility "in-kind" (accruing to the outstanding principal of the loan, or PIK Interest), subject to a 100 basis-point step-up in interest rate and a minimum 3% cash-pay coupon for so long as the Company elects to pay PIK Interest, subject to any and all debt incurrence and permitted lien restrictions then in effect under any outstanding loan agreements or bond indentures as of the time of such increase in principal. The New Credit Facility may be prepaid at 102% of the principal amount repaid in year one, 101% of the principal amount repaid in year two, and at par thereafter.

Upon closing of the New Credit Facility, \$95.3 million of debt under such facility was exchanged for \$127.1 million in face value of the Convertible Notes. In accordance with applicable accounting guidance, this debt-for-debt exchange has been accounted for as a debt modification, requiring the Company to defer the \$31.8 million gain. Such gain was reduced by \$11.1 million of original issue discount that was associated with the Convertible Notes. This net credit of \$20.7 million will be deferred and amortized prospectively as a yield adjustment to interest expense over the life of the New Credit Facility.

The foregoing is only a summary, is not necessarily complete, and is qualified by the full text of the First Lien Term Loan Agreement and the First Lien Guaranty and Collateral Agreement, which were filed as exhibits to the Company's Current Report on Form 8-K filed on June 16, 2017.

Future Outlook

Based on the key assumptions outlined below and in the attached data tables, the following statements reflect management's current expectations regarding future operating results and certain events during the Company's guidance period as set forth on pages 13 and 14 of this press release. These statements are forward-looking and actual results may differ materially, particularly given the volatility inherent in, and currently depressed conditions of, the Company's industry. Other than as expressly stated, these statements do not include the potential impact of any significant further decline in commodity prices for oil and natural gas; any additional future repositioning voyages; any additional stacking or reactivation of vessels; unexpected vessel repairs or shipyard delays; or future capital transactions, such as vessel acquisitions, modifications or divestitures, business combinations, possible share or note repurchases or financings that may be commenced after the date of this disclosure. Additional cautionary information concerning forward-looking statements can be found on page 10 of this news release.

Forward Guidance

The Company's forward guidance for selected operating and financial data, outlined below and in the attached data tables, reflects the current state of depressed commodity prices and planned decreases in the capital spending budgets of its customers.

Vessel Counts. As of June 30, 2017, the Company's fleet of owned vessels consisted of 62 new generation OSVs and eight MPSVs. The forecasted vessel counts presented in this press release reflect the two MPSV newbuilds expected to be delivered during fiscal 2018, as discussed below. With an average of 43.4 new generation OSVs and 0.8 MPSVs projected to be stacked during fiscal 2017, the Company's active fleet for 2017 is expected to be comprised of an average of 18.6 new generation OSVs and 7.2 MPSVs. With an assumed average of 45.0 new generation OSVs and no MPSVs projected to be stacked during fiscal 2018, the Company's active fleet for 2018 is expected to be comprised of an average of 17.0 new generation OSVs and 8.6 MPSVs.

Operating Expenses. Aggregate cash operating expenses are projected to be in the range of \$31.0 million to \$36.0 million for the third quarter of 2017, and \$120.0 million to \$130.0 million for the full-year 2017. Reflected in the cash opex guidance ranges above are the anticipated continuing results of several cost containment measures initiated by the Company in 2015 and 2016 due to prevailing market conditions, including, among other actions, the stacking of new generation OSVs and MPSVs on various dates from October 1, 2014 through June 30, 2017, as well as company-wide headcount reductions and across-the-board pay-cuts for shoreside and vessel personnel. Since the end of the quarter, the Company has stacked one 200 class OSV and has activated two 300 class OSVs. Additionally, the Company plans to stack two 200 class OSVs and two 240 class OSVs during the remainder of the third quarter of 2017. The Company may choose to stack or reactivate additional vessels as market conditions warrant. The cash operating expense estimate above is exclusive of any additional repositioning expenses the Company

may incur in connection with the potential relocation of more of its vessels into international markets or back to the GoM, and any customer-required cost-of-sales related to future contract fixtures that are typically recovered through higher dayrates.

G&A Expense. G&A expense is expected to be in the approximate range of \$10.0 million to \$12.0 million for the third quarter of 2017, and \$45.0 million to \$48.0 million for the full-year 2017. This full-year G&A range includes the \$3.8 million of additional bad debt reserve recorded during the first quarter of 2017.

Other Financial Data. Quarterly depreciation, amortization, net interest expense, cash income taxes, cash interest expense, weighted-average basic shares outstanding and weighted-average diluted shares outstanding for the third quarter of 2017 are projected to be \$24.7 million, \$2.5 million, \$11.7 million, \$0.7 million, \$13.8 million, 37.0 million and 37.8 million, respectively. As a reminder, please note that GAAP requires the use of basic shares outstanding for diluted EPS when reporting a net loss. Guidance for depreciation, amortization, net interest expense, cash income taxes and cash interest expense for the full fiscal years 2017 and 2018 is provided on page 14 of this press release. The Company's annual effective tax rate is expected to be between 32.0% and 34.0% for fiscal 2017 and fiscal 2018, respectively.

Capital Expenditures Outlook

Update on OSV Newbuild Program #5. The two remaining vessels under the Company's nearly completed 24-vessel domestic newbuild program, which are 400 class MPSVs, are currently expected to be delivered in the third and fourth quarters of 2018, respectively.

The Company owns 62 new generation OSVs and eight MPSVs as of June 30, 2017. Based on the projected MPSV in-service dates, the Company expects to own eight and ten MPSVs as of December 31, 2017 and 2018, respectively. These vessel additions result in a projected average MPSV fleet complement of 8.0, 8.6 and 10.0 vessels for the fiscal years 2017, 2018 and 2019, respectively. The aggregate cost of the Company's fifth OSV newbuild program, excluding construction period interest, is expected to be approximately \$1,335.0 million, of which \$19.8 million and \$51.2 million are expected to be incurred in the full fiscal years 2017 and 2018, respectively. From the inception of this program through June 30, 2017, the Company has incurred \$1,266.9 million, or 94.9%, of total expected project costs, including \$1.6 million that was spent during the second quarter of 2017. The Company expects to incur newbuild project costs of \$6.1 million during the third quarter of 2017.

Update on Maintenance Capital Expenditures. Please refer to the attached data table on page 13 of this press release for a summary, by period and by vessel type, of historical and projected data for drydock downtime (in days) and maintenance capital expenditures for each of the quarterly and/or annual periods presented for the fiscal years 2016, 2017 and 2018. Maintenance capital expenditures, which are recurring in nature, primarily include regulatory drydocking charges incurred for the recertification of vessels and other vessel capital improvements that extend or maintain a vessel's economic useful life. The

Company expects that its maintenance capital expenditures for its fleet of vessels will be approximately \$8.7 million and \$15.3 million for the full fiscal years 2017 and 2018, respectively. These cash outlays are expected to be incurred over approximately 206 and 188 days of aggregate commercial downtime in 2017 and 2018, respectively, during which the vessels will not earn revenue.

Update on Other Capital Expenditures. Please refer to the attached data tables on page 13 of this press release for a summary, by period, of historical and projected data for other capital expenditures, for each of the quarterly and/or annual periods presented for the fiscal years 2016, 2017 and 2018. Other capital expenditures, which are generally non-recurring, are comprised of the following: (i) commercial-related vessel improvements, such as the addition of cranes, ROVs, helidecks, living quarters and other specialized vessel equipment, or the modification of vessel capacities or capabilities, such as DP upgrades and mid-body extensions, which costs are typically included in and offset, in whole or in part, by higher dayrates charged to customers; and (ii) non-vessel related capital expenditures, including costs related to the Company's shore-based facilities, leasehold improvements and other corporate expenditures, such as information technology or office furniture and equipment. The Company expects miscellaneous incremental commercial-related vessel improvements and non-vessel capital expenditures to be approximately \$1.0 million and \$1.0 million, respectively, for the full fiscal years 2017 and 2018, respectively.

Liquidity Outlook

As of June 30, 2017, the Company's total liquidity (cash and credit availability) was \$328.5 million, comprised of \$124.8 million of cash and \$203.7 million of availability under the New Credit Facility, which represents an increase of \$44.4 million, or 16%, from the end of the first quarter. As of March 31, 2017, the Company's total liquidity was \$284.1 million, comprised of \$209.1 million of cash and \$75.0 million of availability under the Old Credit Facility. The Company projects that, even with the currently depressed operating levels, cash generated from operations together with cash on hand and availability under the New Credit Facility should be sufficient to fund its operations and commitments at least through December 31, 2019. However, absent a significant recovery of market conditions such that cash flow from operations were to increase materially from projected levels and/or further management of its funded debt obligations, the Company does not currently expect to have sufficient liquidity to repay the full amount of its 5.875% Senior Notes and 5.000% Senior Notes as they mature in fiscal years 2020 and 2021, respectively. The recently completed New Credit Facility was the first step in addressing the maturities of its unsecured notes. The Company remains fully cognizant of the challenges currently facing the offshore oil and gas industry and continues to review its capital structure and assess its strategic options.

Conference Call

The Company will hold a conference call to discuss its second quarter 2017 financial results and recent developments at 10:00 a.m. Eastern (9:00 a.m. Central) tomorrow, August 3, 2017. To participate in the call, dial (412) 902-0030 and ask for the Hornbeck Offshore call at least 10 minutes prior to the start time. To access it live over the Internet, please log onto the web at <http://www.hornbeckoffshore.com>, on the "Investors" homepage of the Company's website at least fifteen minutes early to register, download and install any necessary audio software. Please call the Company's investor relations firm, Dennard-Lascar, at (713) 529-6600 to be added to its e-mail distribution list for future Hornbeck Offshore news releases. An archived version of the web cast will be available shortly after the call for a period of 60 days on the "Investors" homepage of the Company's website. Additionally, a telephonic replay will be available through August 17, 2017, and may be accessed by calling (201) 612-7415 and using the pass code 13667116#.

Attached Data Tables

The Company has posted an electronic version of the following four pages of data tables, which are downloadable in Microsoft Excel™ format, on the "Investors" homepage of the Hornbeck Offshore website for the convenience of analysts and investors.

In addition, the Company uses its website as a means of disclosing material non-public information and for complying with disclosure obligations under SEC Regulation FD. Such disclosures will be included on the Company's website under the heading "Investors." Accordingly, investors should monitor that portion of the Company's website, in addition to following the Company's press releases, SEC filings, public conference calls and webcasts.

Hornbeck Offshore Services, Inc. is a leading provider of technologically advanced, new generation offshore service vessels primarily in the Gulf of Mexico and Latin America. Hornbeck Offshore currently owns a fleet of 70 vessels primarily serving the energy industry and has two additional ultra high-spec Upstream vessels under construction for delivery in 2018.

Forward-Looking Statements

This Press Release contains “forward-looking statements,” as contemplated by the Private Securities Litigation Reform Act of 1995, in which the Company discusses factors it believes may affect its performance in the future. Forward-looking statements are all statements other than historical facts, such as statements regarding assumptions, expectations, beliefs and projections about future events or conditions. You can generally identify forward-looking statements by the appearance in such a statement of words like “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “forecast,” “intend,” “may,” “might,” “plan,” “potential,” “predict,” “project,” “remain,” “should,” “will,” or other comparable words or the negative of such words. The accuracy of the Company’s assumptions, expectations, beliefs and projections depends on events or conditions that change over time and are thus susceptible to change based on actual experience, new developments and known and unknown risks. The Company gives no assurance that the forward-looking statements will prove to be correct and does not undertake any duty to update them. The Company’s actual future results might differ from the forward-looking statements made in this Press Release for a variety of reasons, including sustained low or further declines in oil and natural gas prices; continued weakness in demand for the Company’s services through and beyond the maturity of any of the Company’s long-term debt; unplanned customer suspensions, cancellations, rate reductions or non-renewals of vessel charters or vessel management contracts or failures to finalize commitments to charter or manage vessels; sustained or further reductions in capital spending budgets by customers; the inability to accurately predict vessel utilization levels and dayrates; fewer than anticipated deepwater and ultra-deepwater drilling units operating in the GoM or other regions where the Company operates; the effect of inconsistency by the United States government in the pace of issuing drilling permits and plan approvals in the GoM or other drilling regions; the Company’s inability to successfully complete the remainder of its current vessel newbuild program on-time and on-budget, which involves the construction and integration of highly complex vessels and systems; the inability to successfully market the vessels that the Company owns, is constructing or might acquire; the government’s cancellation or non-renewal of the management, operations and maintenance contracts for vessels; an oil spill or other significant event in the United States or another offshore drilling region that could have a broad impact on deepwater and other offshore energy exploration and production activities, such as the suspension of activities or significant regulatory responses; the imposition of laws or regulations that result in reduced exploration and production activities or that increase the Company’s operating costs or operating requirements; environmental litigation that impacts customer plans or projects; disputes with customers; bureaucratic, administrative or operating barriers that delay vessels in foreign markets from going on-hire or result in contractual penalties or deductions imposed by foreign customers; the impact stemming from the reduction of Petrobras’ announced plans for or administrative barriers to exploration and production activities in Brazil; disruption in Mexican offshore activities; age or other restrictions imposed on our vessels by customers; unanticipated difficulty in effectively competing in or operating in international markets; less than anticipated subsea infrastructure and field development demand in the GoM and other markets affecting our MPSVs; sustained vessel over-capacity for existing demand levels in the markets in which the Company competes; economic and geopolitical risks; weather-related risks; upon a return to improved operating conditions, the shortage of or the inability to attract and retain qualified personnel, when needed, including vessel personnel for active vessels or vessels the Company may reactivate or acquire; any success in unionizing the Company’s U.S. fleet personnel; regulatory risks; the repeal or administrative weakening of the Jones Act or adverse changes in the interpretation of the Jones Act related to the U.S. citizenship qualification; drydocking delays and cost overruns and related risks; vessel accidents, pollution incidents, or other events resulting in lost revenue, fines, penalties or other expenses that are unrecoverable from insurance policies or other third parties; unexpected litigation and insurance expenses; other industry risks; fluctuations in foreign currency valuations compared to the U.S. dollar and risks associated with expanded foreign operations, such as non-compliance with or the unanticipated effect of tax laws, customs laws, immigration laws, or other legislation that result in higher than anticipated tax rates or other costs; the inability to repatriate foreign-sourced earnings and profits; or the inability of the Company to refinance or otherwise retire certain funded debt obligations that come due in 2019, 2020 and 2021. In addition, the Company’s future results may be impacted by adverse economic conditions, such as inflation, deflation, or lack of liquidity in the capital markets, that may negatively affect it or parties with whom it does business resulting in their non-payment or inability to perform obligations owed to the Company, such as the failure of customers to fulfill their contractual obligations or the failure by individual lenders to provide funding under the Company’s New Credit Facility, if and when required. Further, the Company can give no assurance regarding when and to what extent it will effect common stock or note repurchases. Should one or more of the foregoing risks or uncertainties materialize in a way that negatively impacts the Company, or should the Company’s underlying assumptions prove incorrect, the Company’s actual results may vary materially from those anticipated in its forward-looking statements, and its business, financial condition and results of operations could be materially and adversely affected and, if sufficiently severe, could result in noncompliance with certain covenants of the Company’s existing indebtedness. Additional factors that you should consider are set forth in detail in the “Risk Factors” section of the Company’s most recent Annual Report on Form 10-K as well as other filings the Company has made and will make with the Securities and Exchange Commission which, after their filing, can be found on the Company’s website www.hornbeckoffshore.com.

Regulation G Reconciliation

This Press Release also contains references to the non-GAAP financial measures of earnings, or net income, before interest, income taxes, depreciation and amortization, or EBITDA, and Adjusted EBITDA. The Company views EBITDA and Adjusted EBITDA primarily as liquidity measures and, therefore, believes that the GAAP financial measure most directly comparable to such measure is cash flows provided by operating activities. Reconciliations of EBITDA and Adjusted EBITDA to cash flows provided by operating activities are provided in the table below. Management’s opinion regarding the usefulness of EBITDA to investors and a description of the ways in which management uses such measure can be found in the Company’s most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission, as well as in Note 10 to the attached data tables.

Hornbeck Offshore Services, Inc. and Subsidiaries
Unaudited Consolidated Statements of Operations
(in thousands, except Other Operating and Per Share Data)

Statement of Operations (unaudited):

	Three Months Ended			Six Months Ended	
	June 30, 2017	March 31, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Revenues	\$ 37,426	\$ 44,079	\$ 53,673	\$ 81,505	\$ 130,493
Costs and expenses:					
Operating expenses	31,368	27,935	34,330	59,303	74,759
Depreciation and amortization	27,945	28,401	28,474	56,346	56,926
General and administrative expenses	9,432	14,242	12,379	23,674	21,053
	68,745	70,578	75,183	139,323	152,738
Gain (loss) on sale of assets	1	18	—	19	(45)
Operating loss	(31,318)	(26,481)	(21,510)	(57,799)	(22,290)
Other income (expense):					
Gain on early extinguishment of debt	15,478	—	—	15,478	—
Interest income	464	401	386	865	763
Interest expense	(13,429)	(13,809)	(11,004)	(27,238)	(22,068)
Other income (expense), net ¹	54	(323)	(48)	(269)	456
	2,567	(13,731)	(10,666)	(11,164)	(20,849)
Loss before income taxes	(28,751)	(40,212)	(32,176)	(68,963)	(43,139)
Income tax benefit	(9,262)	(12,314)	(11,590)	(21,576)	(15,039)
Net loss	\$ (19,489)	\$ (27,898)	\$ (20,586)	\$ (47,387)	\$ (28,100)
Earnings per share					
Basic loss per common share	\$ (0.53)	\$ (0.76)	\$ (0.57)	\$ (1.29)	\$ (0.78)
Diluted loss per common share	\$ (0.53)	\$ (0.76)	\$ (0.57)	\$ (1.29)	\$ (0.78)
Weighted average basic shares outstanding	36,769	36,596	36,191	36,683	36,138
Weighted average diluted shares outstanding ²	36,769	36,596	36,191	36,683	36,138

Other Operating Data (unaudited):

	Three Months Ended			Six Months Ended	
	June 30, 2017	March 31, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Offshore Supply Vessels:					
Average number of new generation OSVs ³	62.0	62.0	62.0	62.0	61.8
Average number of active new generation OSVs ⁴	20.7	18.1	20.1	19.4	24.0
Average new generation OSV fleet capacity (deadweight) ³	220,172	220,030	221,629	220,172	220,514
Average new generation OSV capacity (deadweight)	3,551	3,549	3,575	3,551	3,568
Average new generation utilization rate ⁵	22.3%	19.7%	23.9%	21.0%	29.5%
Effective new generation utilization rate ⁶	66.6%	67.5%	73.8%	67.0%	75.9%
Average new generation dayrate ⁷	\$ 17,202	\$ 27,767	\$ 26,642	\$ 22,129	\$ 25,431
Effective dayrate ⁸	\$ 3,836	\$ 5,470	\$ 6,367	\$ 4,647	\$ 7,502

Balance Sheet Data (unaudited):

	As of June 30, 2017	As of December 31, 2016
Cash and cash equivalents	\$ 124,783	\$ 217,027
Working capital	129,512	225,412
Property, plant and equipment, net	2,538,621	2,578,388
Total assets	2,743,789	2,878,275
Total long-term debt	1,013,144	1,083,710
Stockholders' equity	1,360,361	1,402,996

Cash Flow Data (unaudited):

	Six Months Ended	
	June 30, 2017	June 30, 2016
Cash provided by (used in) operating activities	\$ (24,126)	\$ 42,696
Cash used in investing activities	(8,063)	(79,378)
Cash provided by (used in) financing activities	(59,659)	277

Hornbeck Offshore Services, Inc. and Subsidiaries
Unaudited Other Financial Data
(in thousands, except Financial Ratios)

Other Financial Data (unaudited):

	Three Months Ended			Six Months Ended	
	June 30, 2017	March 31, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Vessel revenues	\$ 29,339	\$ 35,849	\$ 45,284	\$ 65,188	\$ 113,500
Non-vessel revenues ⁹	8,087	8,230	8,389	16,317	16,993
Total revenues	<u>\$ 37,426</u>	<u>\$ 44,079</u>	<u>\$ 53,673</u>	<u>\$ 81,505</u>	<u>\$ 130,493</u>
Operating loss	\$ (31,318)	\$ (26,481)	\$ (21,510)	\$ (57,799)	\$ (22,290)
Operating deficit	(83.7%)	(60.1%)	(40.1%)	(70.9%)	(17.1%)
Components of EBITDA ¹⁰					
Net loss	\$ (19,489)	\$ (27,898)	\$ (20,586)	\$ (47,387)	\$ (28,100)
Interest expense, net	12,965	13,408	10,618	26,373	21,305
Income tax benefit	(9,262)	(12,314)	(11,590)	(21,576)	(15,039)
Depreciation	24,679	24,677	22,658	49,356	44,831
Amortization	3,266	3,724	5,816	6,990	12,095
EBITDA ¹⁰	<u>\$ 12,159</u>	<u>\$ 1,597</u>	<u>\$ 6,916</u>	<u>\$ 13,756</u>	<u>\$ 35,092</u>
<i>Adjustments to EBITDA</i>					
Stock-based compensation expense	972	2,042	3,044	3,014	4,216
Interest income	464	401	386	865	763
Adjusted EBITDA ¹⁰	<u>\$ 13,595</u>	<u>\$ 4,040</u>	<u>\$ 10,346</u>	<u>\$ 17,635</u>	<u>\$ 40,071</u>
EBITDA ¹⁰ Reconciliation to GAAP:					
EBITDA ¹⁰	\$ 12,159	\$ 1,597	\$ 6,916	\$ 13,756	\$ 35,092
Cash paid for deferred drydocking charges	(2,826)	(3,129)	(1,110)	(5,965)	(2,317)
Cash paid for interest	(12,443)	(13,756)	(11,300)	(26,199)	(25,087)
Cash paid for taxes	(361)	(349)	(490)	(710)	(2,242)
Changes in working capital	(2,813)	6,246	4,976	3,433	31,685
Stock-based compensation expense	972	2,042	3,044	3,014	4,216
Gain on early extinguishment of debt	(15,478)	—	—	(15,478)	—
(Gain) loss on sale of assets	(1)	(18)	—	(19)	45
Changes in other, net	284	3,748	957	4,032	854
Net cash provided by (used in) operating activities	<u>\$ (20,507)</u>	<u>\$ (3,619)</u>	<u>\$ 2,993</u>	<u>\$ (24,126)</u>	<u>\$ 42,246</u>

Hornbeck Offshore Services, Inc. and Subsidiaries
Unaudited Other Financial Data

Capital Expenditures and Drydock Downtime Data (unaudited):

Historical Data:	Three Months Ended			Six Months Ended	
	June 30, 2017	March 31, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Drydock Downtime:					
<i>New-Generation OSVs</i>					
Number of vessels commencing drydock activities	5.0	2.0	1.0	7.0	3.0
Commercial downtime (in days)	68	61	84	129	147
<i>MPSVs</i>					
Number of vessels commencing drydock activities	2.0	2.0	—	4.0	—
Commercial downtime (in days)	29	19	—	48	—
Commercial-related Downtime¹¹:					
<i>New-Generation OSVs</i>					
Number of vessels commencing commercial-related downtime	—	—	1.0	—	1.0
Commercial downtime (in days)	—	—	27	—	27
<i>MPSVs</i>					
Number of vessels commencing commercial-related downtime	—	—	1.0	—	2.0
Commercial downtime (in days)	—	—	52	—	201
Maintenance and Other Capital Expenditures (in thousands):					
<i>Maintenance Capital Expenditures:</i>					
Deferred drydocking charges	\$ 2,826	\$ 3,129	\$ 1,110	\$ 5,955	\$ 2,317
Other vessel capital improvements	183	103	2,154	286	5,673
	<u>3,009</u>	<u>3,232</u>	<u>3,264</u>	<u>6,241</u>	<u>7,990</u>
<i>Other Capital Expenditures:</i>					
Commercial-related vessel improvements	141	58	4,056	199	10,885
Non-vessel related capital expenditures	418	130	9	548	275
	<u>559</u>	<u>188</u>	<u>4,065</u>	<u>747</u>	<u>11,160</u>
	<u>\$ 3,568</u>	<u>\$ 3,420</u>	<u>\$ 7,329</u>	<u>\$ 6,988</u>	<u>\$ 19,150</u>
Growth Capital Expenditures (in thousands):					
OSV newbuild program #5	<u>\$ 1,618</u>	<u>\$ 1,302</u>	<u>\$ 25,027</u>	<u>\$ 2,920</u>	<u>\$ 54,534</u>

Forecasted Data ¹² :	1Q 2017A	2Q 2017A	3Q 2017E	4Q 2017E	2017E	2018E
Drydock Downtime:						
<i>New-Generation OSVs</i>						
Number of vessels commencing drydock activities	2.0	5.0	1.0	2.0	10.0	7.0
Commercial downtime (in days)	61	68	2	27	158	163
<i>MPSVs</i>						
Number of vessels commencing drydock activities	2.0	2.0	—	—	4.0	1.0
Commercial downtime (in days)	19	29	—	—	48	25
Commercial-related Downtime¹¹:						
<i>New-Generation OSVs</i>						
Number of vessels commencing commercial-related downtime	—	—	—	—	—	—
Commercial downtime (in days)	—	—	—	—	—	—
<i>MPSVs</i>						
Number of vessels commencing commercial-related downtime	—	—	—	—	—	—
Commercial downtime (in days)	—	—	—	—	—	—

Maintenance and Other Capital Expenditures (in millions):*Maintenance Capital Expenditures:*

Deferred drydocking charges	\$ 3.1	\$ 2.9	\$ 1.5	\$ 0.4	\$ 7.9	\$ 10.3
Other vessel capital improvements	0.1	0.2	0.4	0.1	0.8	5.0
	<u>3.2</u>	<u>3.1</u>	<u>1.9</u>	<u>0.5</u>	<u>8.7</u>	<u>15.3</u>

Other Capital Expenditures:

Commercial-related vessel improvements	0.1	0.1	0.1	—	0.3	—
Non-vessel related capital expenditures	0.1	0.4	0.1	0.1	0.7	1.0
	<u>0.2</u>	<u>0.5</u>	<u>0.2</u>	<u>0.1</u>	<u>1.0</u>	<u>1.0</u>
	<u>\$ 3.4</u>	<u>\$ 3.6</u>	<u>\$ 2.1</u>	<u>\$ 0.6</u>	<u>\$ 9.7</u>	<u>\$ 16.3</u>

Growth Capital Expenditures (in millions):

OSV newbuild program #5	<u>\$ 1.3</u>	<u>\$ 1.6</u>	<u>\$ 6.1</u>	<u>\$ 10.8</u>	<u>\$ 19.8</u>	<u>\$ 51.2</u>
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Hornbeck Offshore Services, Inc. and Subsidiaries
Unaudited Other Fleet and Financial Data
(in millions, except Average Vessels and Tax Rate)

Forward Guidance of Selected Data (unaudited):

	3Q 2017E Avg Vessels	Full-Year 2017E Avg Vessels	Full-Year 2018E Avg Vessels
Fleet Data (as of 2-Aug-2017):			
New generation OSVs - Active	18.7	18.6	17.0
New generation OSVs - Stacked ¹³	43.3	43.4	45.0
New generation OSVs - Total	62.0	62.0	62.0
New generation MPSVs - Active	8.0	7.2	8.6
New generation MPSVs - Stacked	—	0.8	—
New generation MPSVs - Total	8.0	8.0	8.6
Total	70.0	70.0	70.6

	3Q 2017E Range		Full-Year 2017E Range	
	Low ¹⁴	High ¹⁴	Low ¹⁴	High ¹⁴
Cost Data:				
Operating expenses	\$ 31.0	\$ 36.0	\$ 120.0	\$ 130.0
General and administrative expenses	\$ 10.0	\$ 12.0	\$ 45.0	\$ 48.0

	1Q 2017A	2Q 2017A	3Q 2017E	4Q 2017E	2017E	2018E
Other Financial Data:						
Depreciation	\$ 24.7	\$ 24.7	\$ 24.7	\$ 24.6	\$ 98.7	\$ 99.9
Amortization	3.7	3.3	2.5	2.0	11.5	7.6
Interest expense, net:						
Interest expense ¹⁵	\$ 13.5	\$ 13.6	\$ 14.4	\$ 14.4	\$ 55.9	\$ 63.6
Incremental non-cash OID interest expense ¹⁶	2.7	2.5	0.9	0.9	7.0	4.0
Amortization of deferred gain ¹⁷	—	(0.2)	(0.9)	(0.9)	(2.0)	(3.6)
Capitalized interest	(2.4)	(2.5)	(2.4)	(2.5)	(9.8)	(8.4)
Interest income	(0.4)	(0.5)	(0.3)	(0.2)	(1.4)	(1.0)
Total interest expense, net	\$ 13.4	\$ 12.9	\$ 11.7	\$ 11.7	\$ 49.7	\$ 54.6
Income tax rate	30.6%	32.2%	33.0%	33.0%	33.0%	33.0%
Cash income taxes	\$ 0.3	\$ 0.4	\$ 0.7	\$ 0.4	\$ 1.8	\$ 1.7
Cash interest expense ¹⁵	13.8	12.4	13.8	12.6	52.6	58.7
Weighted average basic shares outstanding	36.6	36.8	37.0	37.1	36.9	37.7
Weighted average diluted shares outstanding ¹⁸	37.4	37.6	37.8	37.9	37.7	38.4

- ¹ Represents other income and expenses, including equity in income from investments and foreign currency transaction gains or losses.
- ² Due to net losses for the three and six months ended June 30, 2017, the three and six months ended June 30, 2016 and the three months ended March 31, 2017, the Company excluded the dilutive effect of equity awards representing the rights to acquire 992, 988, 992, 966 and 978 shares of common stock, respectively, because the effect was anti-dilutive. As of June 30, 2017, March 31, 2017, and June 30, 2016, the 1.500% convertible senior notes were not dilutive, as the average price of the Company's stock was less than the effective conversion price of \$68.53 for such notes.
- ³ The Company owned 62 new generation OSVs as of June 30, 2017. Excluded from this data are eight MPSVs owned by the Company.
- ⁴ In response to weak market conditions, the Company elected to stack certain of its new generation OSVs on various dates since October 1, 2014. Active new generation OSVs represent vessels that are immediately available for service during each respective period.
- ⁵ Average utilization rates are based on a 365-day year for all active and stacked vessels. Vessels are considered utilized when they are generating revenues.
- ⁶ Effective utilization rate is based on a denominator comprised only of vessel-days available for service by the active fleet, which excludes the impact of stacked vessel days.
- ⁷ Average new generation OSV dayrates represent average revenue per day, which includes charter hire, crewing services, and net brokerage revenues, based on the number of days during the period that the OSVs generated revenues.
- ⁸ Effective dayrate represents the average dayrate multiplied by the average new generation utilization rate for the respective period.
- ⁹ Represents revenues from shore-based operations, vessel-management services related to non-owned vessels, including from the O&M contract with the U.S. Navy, and ancillary equipment rentals, including from ROVs.

¹⁰ **Non-GAAP Financial Measure**

The Company discloses and discusses EBITDA as a non-GAAP financial measure in its public releases, including quarterly earnings releases, investor conference calls and other filings with the Securities and Exchange Commission. The Company defines EBITDA as earnings (net income) before interest, income taxes, depreciation and amortization. The Company's measure of EBITDA may not be comparable to similarly titled measures presented by other companies. Other companies may calculate EBITDA differently than the Company, which may limit its usefulness as a comparative measure.

The Company views EBITDA primarily as a liquidity measure and, as such, believes that the GAAP financial measure most directly comparable to it is cash flows provided by operating activities. Because EBITDA is not a measure of financial performance calculated in accordance with GAAP, it should not be considered in isolation or as a substitute for operating income, net income or loss, cash flows provided by operating, investing and financing activities, or other income or cash flow statement data prepared in accordance with GAAP.

EBITDA is widely used by investors and other users of the Company's financial statements as a supplemental financial measure that, when viewed with GAAP results and the accompanying reconciliations, the Company believes EBITDA provides additional information that is useful to gain an understanding of the factors and trends affecting its ability to service debt, pay deferred taxes and fund drydocking charges and other maintenance capital expenditures. The Company also believes the disclosure of EBITDA helps investors meaningfully evaluate and compare its cash flow generating capacity from quarter to quarter and year to year.

EBITDA is also a financial metric used by management (i) as a supplemental internal measure for planning and forecasting overall expectations and for evaluating actual results against such expectations; (ii) as a significant criteria for annual incentive cash bonuses paid to the Company's executive officers and other shore-based employees; (iii) to compare to the EBITDA of other companies when evaluating potential acquisitions; and (iv) to assess the Company's ability to service existing fixed charges and incur additional indebtedness.

In addition, the Company has also historically made certain adjustments, as applicable, to EBITDA for losses on early extinguishment of debt, stock-based compensation expense and interest income, or Adjusted EBITDA, to internally evaluate its performance based on the computation of ratios used in certain financial covenants of its credit agreements with various lenders.

The Company believes that such ratios can, at times, be material components of financial covenants and, when applicable, failure to comply with such covenants could result in the acceleration of indebtedness or the imposition of restrictions on the Company's financial flexibility.

Set forth below are the material limitations associated with using EBITDA as a non-GAAP financial measure compared to cash flows provided by operating activities.

- EBITDA does not reflect the future capital expenditure requirements that may be necessary to replace the Company's existing vessels as a result of normal wear and tear,
- EBITDA does not reflect the interest, future principal payments and other financing-related charges necessary to service the debt that the Company has incurred in acquiring and constructing its vessels,
- EBITDA does not reflect the deferred income taxes that the Company will eventually have to pay once it is no longer in an overall tax net operating loss position, as applicable, and
- EBITDA does not reflect changes in the Company's net working capital position.

Management compensates for the above-described limitations in using EBITDA as a non-GAAP financial measure by only using EBITDA to supplement the Company's GAAP results.

¹¹ Commercial-related Downtime results from commercial-related vessel improvements, such as the addition of cranes, ROVs, helidecks, living quarters and other specialized vessel equipment; the modification of vessel capacities or capabilities, such as DP upgrades and mid-body extensions, which costs are typically included in and offset, in whole or in part, by higher dayrates charged to customers; and the speculative relocation of vessels from one geographic market to another.

¹² The capital expenditure amounts included in this table are anticipated cash outlays before the allocation of construction period interest, as applicable.

¹³ As of August 2, 2017, the Company's inactive fleet of 41 new generation OSVs that were "stacked" was comprised of the following: ten 200 class OSVs, twenty-three 240 class OSVs, three 265 class OSVs and five 300 class OSVs. In addition, the Company plans to stack two 200 class OSVs and two 240 class OSVs during the third quarter of 2017.

¹⁴ The "low" and "high" ends of the guidance ranges set forth in this table are not intended to cover unexpected variations from currently anticipated market conditions. These ranges provide only a reasonable deviation from the conditions that are expected to occur.

¹⁵ Interest on the Company's New Credit Facility is variable based on changes in LIBOR, or the London Interbank Offered Rate. The guidance included in this press release is based on industry estimates of LIBOR in future periods as of August 2, 2017. Actual results may differ from this estimate.

¹⁶ Represents incremental imputed non-cash OID interest expense required by accounting standards pertaining to the Company's 1.500% convertible senior notes due 2019.

¹⁷ Represents the non-cash recognition of the \$20.7 million gain on the debt-for-debt exchange associated with the Company's New Credit Facility, which is being deferred and amortized prospectively as a yield adjustment to interest expense as required by GAAP under debt modification accounting.

¹⁸ Projected weighted-average diluted shares do not reflect any potential dilution resulting from the Company's 1.500% convertible senior notes. Warrants related to the Company's 1.500% convertible senior notes become dilutive when the average price of the Company's stock exceeds the effective conversion price for such notes of \$68.53.

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