

Edgar Filing: GLOBAL INDUSTRIES LTD - Form 10-Q

GLOBAL INDUSTRIES LTD  
Form 10-Q  
August 13, 2001

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2001

Commission File Number: 2-56600

Global Industries, Ltd.

(Exact name of registrant as specified in its charter)

Louisiana 72-1212563  
(State or other jurisdiction of (I.R.S. Employer Identification No.)  
incorporation or organization)

8000 Global Drive 70665  
P. O. Box 442, Sulphur, LA 70664-0442  
(Address of principal executive offices) (Zip Code)

(337) 583-5000  
(Registrant's telephone number, including area code)

None

(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.  YES  NO

APPLICABLE ONLY TO CORPORATE ISSUERS:

The number of shares of the Registrant's Common Stock  
outstanding, as of August 6, 2001 was 92,914,097.

Global Industries, Ltd.  
Index - Form 10-Q

Part I

## Edgar Filing: GLOBAL INDUSTRIES LTD - Form 10-Q

Item 1.	Financial Statements - Unaudited	
	Independent Accountants' Report	3
	Consolidated Statements of Operations	4
	Consolidated Balance Sheets	5
	Consolidated Statements of Cash Flows	6
	Notes to Consolidated Financial Statements	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	11
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	18

### Part II

Item 1.	Legal Proceedings	19
Item 4.	Submission of Matters to a Vote of Security Holders	19
Item 6.	Exhibits and Reports on Form 8-K	20
	Signature	21

### PART 1 - FINANCIAL INFORMATION

Item 1.	Financial Statements.	
---------	-----------------------	--

#### INDEPENDENT ACCOUNTANTS' REPORT

To the Board of Directors and Shareholders of  
Global Industries, Ltd.

We have reviewed the condensed consolidated financial statements of Global Industries, Ltd. and subsidiaries, as listed in the accompanying index, as of June 30, 2001 and for the quarter and six month periods ended June 30, 2001 and 2000. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and of making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material

## Edgar Filing: GLOBAL INDUSTRIES LTD - Form 10-Q

modifications that should be made to such condensed consolidated financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of Global Industries, Ltd. and subsidiaries as of December 31, 2000, and the related consolidated statements of operations, shareholders' equity, cash flows, and comprehensive income (loss) for the year then ended (not presented herein); and in our report dated February 15, 2001, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2000 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

DELOITTE & TOUCHE LLP

August 8, 2001  
New Orleans, Louisiana

Global Industries, Ltd.  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(Dollars in thousands, except per share data)  
(Unaudited)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
	=====	=====	=====	=====
Revenues	\$ 109,018	\$ 68,022	\$ 180,289	\$ 146,762
Cost of Revenues	88,487	61,563	150,691	135,157
	-----	-----	-----	-----
Gross Profit	20,531	6,459	29,598	11,605
Goodwill Amortization	743	696	1,486	1,451
Selling, General and Administrative Expenses	9,282	8,238	18,191	15,933
	-----	-----	-----	-----
Operating Income (Loss)	10,506	(2,475)	9,921	(5,779)
	-----	-----	-----	-----
Other Expense (Income):				
Interest Expense	5,622	5,504	10,952	10,759
Other	609	(2,802)	(620)	(2,177)
	-----	-----	-----	-----
	6,231	2,702	10,332	8,582

Edgar Filing: GLOBAL INDUSTRIES LTD - Form 10-Q

Income (Loss) Before Income Taxes	4,275	(5,177)	(411)	(14,361)
Provision (Benefit) for Income Taxes	1,434	293	(181)	(2,873)
Income (Loss) before Cumulative Effect of Change in Accounting Principle	2,841	(5,470)	(230)	(11,488)
Cumulative Effect of Change in Accounting Principle (net of \$0.4 million of tax)	-	-	-	783
Net Income (Loss)	\$ 2,841	\$ (5,470)	\$ (230)	\$ (12,271)

Weighted Average Common Shares Outstanding:

Basic	92,670,000	91,904,000	92,551,000	91,790,000
Diluted	95,074,000	91,904,000	92,551,000	91,790,000

Net Income (Loss) Per Share Before Cumulative Effect:

Basic	\$ 0.03	\$ (0.06)	\$ (0.00)	\$ (0.13)
Diluted	\$ 0.03	\$ (0.06)	\$ (0.00)	\$ (0.13)

Net Income (Loss) Per Share:

Basic	\$ 0.03	\$ (0.06)	\$ (0.00)	\$ (0.13)
Diluted	\$ 0.03	\$ (0.06)	\$ (0.00)	\$ (0.13)

See Notes to Consolidated Financial Statements.

Global Industries, Ltd.  
CONSOLIDATED BALANCE SHEETS  
(Dollars in thousands)  
(Unaudited)

	June 30, 2001	December 31, 2000
ASSETS		
Current Assets:		
Cash	\$ 24,434	\$ 25,462
Escrowed funds	77	846

Edgar Filing: GLOBAL INDUSTRIES LTD - Form 10-Q

Receivables - net of allowance of \$4,100 and \$9,500, respectively	132,692	97,858
Other receivables	1,356	3,989
Prepaid expenses and other	17,805	12,792
Assets held for sale	2,795	2,795
	-----	-----
Total current assets	179,159	143,742
	-----	-----
Escrowed Funds	15	38
	-----	-----
Property and Equipment, net	509,051	525,001
	-----	-----
Other Assets:		
Deferred charges, net	27,040	19,304
Goodwill, net	39,618	41,104
Other	447	998
	-----	-----
Total other assets	67,105	61,406
	-----	-----
Total	\$ 755,330	\$ 730,187
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of long-term debt	\$ 26,447	\$ 26,674
Accounts payable	59,484	46,439
Employee-related liabilities	7,453	7,246
Income taxes payable	4,248	3,748
Accrued interest	4,013	5,451
Other accrued liabilities	15,911	16,235
	-----	-----
Total current liabilities	117,556	105,793
	-----	-----
Long-Term Debt	221,529	209,953
	-----	-----
Deferred Income Taxes	26,358	27,417
	-----	-----
Other Liabilities	801	--
	-----	-----
Shareholders' Equity:		
Common stock issued 94,337,147 and 93,698,757 shares, respectively	943	937
Additional paid-in capital	225,201	221,634
Treasury stock at cost (1,429,50 shares)	(15,012)	(15,012)
Accumulated other comprehensive loss	(10,251)	(8,970)
Retained earnings	188,205	188,435
	-----	-----
Total shareholders' equity	389,086	387,024
	-----	-----

Edgar Filing: GLOBAL INDUSTRIES LTD - Form 10-Q

Total	\$	755,330	\$	730,187
		=====		=====

See Notes to Consolidated Financial Statements.

Global Industries, Ltd.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(In thousands)  
(Unaudited)

	Six Months Ended June 30,	
	2001	2000
	-----	-----
Cash Flows From Operating Activities:		
Net loss	\$ (230)	\$ (12,271)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	25,339	24,335
(Gain) loss on sale, disposal or impairment of property and equipment	(902)	63
Recovery of doubtful accounts	(4,800)	(925)
Deferred income taxes	(1,059)	(2,340)
Cumulative effect of change in accounting principle	--	783
Other	562	402
Changes in operating assets and liabilities		
Receivables	(27,401)	(4,385)
Prepaid expenses and other	(5,013)	(2,258)
Accounts payable and accrued liabilities	11,969	10,520
	-----	-----
Net cash provided by (used in) operating activities	(1,535)	13,924
	-----	-----
Cash Flows From Investing Activities:		
Proceeds from sale of assets	1,984	--
Additions to property and equipment	(2,246)	(13,324)
Escrowed funds, net	792	(23,175)
Additions to deferred charges	(14,306)	(9,761)
	-----	-----
Net cash used in investing activities	(13,776)	(46,260)
	-----	-----
Cash Flows From Financing Activities:		
Proceeds from sale of common stock, net	2,934	1,532
Proceeds from long-term debt	56,000	134,200
Repayment of long-term debt	(44,651)	(107,167)

## Edgar Filing: GLOBAL INDUSTRIES LTD - Form 10-Q

	-----	-----
Net cash provided by financing activities	14,283	28,565
	-----	-----
Cash:		
Decrease	(1,028)	(3,771)
Beginning of period	25,462	34,087
End of period	\$ 24,434	\$ 30,316

See Notes to Consolidated Financial Statements

Global Industries, Ltd.  
Notes to Consolidated Financial Statements (Unaudited)

1. Basis of Presentation - The accompanying unaudited consolidated financial statements include the accounts of Global Industries, Ltd. and its wholly owned subsidiaries (the "Company").

In the opinion of management of the Company, all adjustments (such adjustments consisting only of a normal recurring nature) necessary for a fair presentation of the operating results for the interim periods presented have been included in the unaudited consolidated financial statements. Operating results for the period ended June 30, 2001, are not necessarily indicative of the results that may be expected for the year ending December 31, 2001. These financial statements should be read in conjunction with the Company's audited consolidated financial statements and related notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2000.

Independent public accountants as stated in their report included herein, have reviewed the financial statements required by Rule 10-01 of Regulation S-X.

Certain reclassifications have been made to the prior period financial statements in order to conform with the classifications adopted for reporting in fiscal year 2001.

2. New Accounting Standards - On June 29, 2001, the Financial Accounting Standards Board ("FASB") concluded its voting process on Statement of Financial Accounting Standards ("SFAS") No. 141, Business Combinations, and this statement was issued in July 2001. SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Goodwill and certain intangible assets will remain on the balance sheet and not be amortized. On an annual basis, and when there is reason to suspect that their values have been diminished or impaired, these assets must be tested for impairment, and

## Edgar Filing: GLOBAL INDUSTRIES LTD - Form 10-Q

write-downs may be necessary. The Company is required to implement SFAS No. 141 on July 1, 2001 and does not expect this statement to have a material effect on the Company's consolidated financial position or results of operations.

On June 29, 2001, FASB concluded its voting process of SFAS No. 142, Goodwill and Other Intangible Assets, and this statement was issued in July 2001. SFAS No. 142 changes the accounting for goodwill from an amortization method to an impairment-only approach. Amortization of goodwill, including goodwill recorded in past business combinations, will cease upon adoption of this statement. Amortization expense of existing goodwill was approximately \$0.8 million and \$1.5 million for the three and six months ended June 30, 2001. The Company is required to implement SFAS No. 142 on January 1, 2002 and it has not determined the impact that this statement will have on our consolidated financial position or results of operations.

3. Financing Arrangements - The Company maintains a \$275.0 million credit facility, which currently consists of a \$175.0 million term loan facility and a \$100.0 million revolving loan facility. Both the term and revolving loan facilities mature on December 30, 2004. The term and revolving loan facilities permit both prime rate bank borrowings and London Interbank Offered Rate ("LIBOR") borrowings plus a floating spread. Giving effect to the amendment described below, the spreads can range from 0.75% to 2.00% and 2.00% to 3.25% for prime rate and LIBOR based borrowings, respectively. In addition, the credit facility allows for certain fixed rate interest options on amounts outstanding. Stock of the Company's subsidiaries, certain real estate, and the majority of the Company's vessels collateralize the loans under the credit facility. Both the term and revolving loan facilities are subject to certain financial covenants. Effective June 30, 2001, the Company amended its credit facility and obtained a waiver of two covenants that were not met at June 30, 2001. The amendment i) reduced the requirements of the Leverage Ratio covenant for the quarter ending September 30, 2001 and the Fixed Charge Coverage Ratio covenant for the quarters ending September 30, 2001 and December 31, 2001, and increased the requirements of both covenants for the quarter ending March 31, 2002 and thereafter; ii) significantly increased the requirement of the Consolidated Net Worth covenant for the quarter ending December 31, 2001 and thereafter; and iii) increased the interest rate spread applicable to the Company's borrowings under the credit facility. A copy of the amendment has been filed with this report as an exhibit. In consideration for this waiver and amendment, the Company paid a fee of \$1.0 million. The significantly increased Consolidated Net Worth covenant may not be met at the end of the fourth quarter. If such covenant cannot be met, the Company intends to seek a waiver from its lenders. As of August 2, 2001, the Company had \$14.4 million of credit capacity under its credit facility.

4. Accounting for Derivatives - In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133 "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133 was subsequently amended by SFAS 137 in June 1999 and SFAS 138 in September 2000. SFAS 133, as amended, establishes accounting and reporting standards for derivative instruments and hedging



## Edgar Filing: GLOBAL INDUSTRIES LTD - Form 10-Q

activities and requires, among other things, that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. The Company adopted this accounting standard effective for its fiscal year beginning January 1, 2001, as required. The Company utilizes interest rate swaps to hedge certain of its variable rate long-term debt. These interest rate swaps are accounted for as cash flow hedges in accordance with FAS 133, as amended. Upon initial adoption of FAS 133, the Company recorded the fair value of its interest rate swaps on the balance sheet and a corresponding unrecognized loss of \$1.0 million as a cumulative effect adjustment to Comprehensive Income (Loss). Amounts expected to be transferred to earnings in the next twelve months are classified as current liabilities.

5. Commitments and Contingencies - The Company is a party to legal proceedings and potential claims arising in the ordinary course of business. Management does not believe these matters will materially effect the Company's consolidated financial statements.

In November of 1999, the Company notified Groupe GTM that as a result of material adverse changes and other breaches by Groupe GTM, the Company was no longer bound by and was terminating the Share Purchase Agreement to purchase the shares of ETPM S.A. Groupe GTM responded stating that they believed the Company was in breach. The Share Purchase Agreement provided for liquidated damages of \$25.0 million to be paid by a party that failed to consummate the transaction under certain circumstances. The Company has notified Groupe GTM that it does not believe that the liquidated damages provision is applicable to its termination of the Share Purchase Agreement. On December 23, 1999, Global filed suit against Groupe GTM in Tribunal de Commerce de Paris to recover damages. On June 21, 2000, Groupe GTM filed an answer and counterclaim against Global seeking the liquidated damages of \$25.0 million and other damages, costs and expenses of approximately \$1.5 million. The Company believes that the outcome of these matters will not have a material adverse effect on its business or financial statements.

In the normal course of its business activities, the Company provides letters of credit to secure the performance and/or payment of obligations, including the payment of worker's compensation obligations. Additionally, the Company has issued a letter of credit as collateral for \$27.6 million of Port Improvement Revenue Bonds. At June 30, 2001, outstanding letters of credit and bonds approximated \$42.3 million. Also, in the normal course of its business activities, the Company provides guarantee and performance, bid, and payment bonds. Some of these financial instruments are secured by parent company guarantees. The aggregate of these financial instruments at June 30, 2001 was \$21.3 million.

The Company estimates that the cost to complete capital expenditure projects in progress at June 30, 2001 approximates \$8.0 million.

6. Industry Segment Information - The following tables present information about the profit or loss of each of the Company's

## Edgar Filing: GLOBAL INDUSTRIES LTD - Form 10-Q

reportable segments for the quarters and six months ended June 30, 2001 and 2000. The information contains certain allocations of corporate expenses that the Company deems reasonable and appropriate for the evaluation of results of operations.

	Quarter Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
(in thousands)				
Revenues from external customers:				
Gulf of Mexico Offshore Construction	\$ 30,595	\$ 25,048	\$ 54,327	\$ 41,929
Gulf of Mexico Diving	6,452	5,485	11,271	9,516
Gulf of Mexico Marine Support	11,373	5,967	21,290	10,478
West Africa	5,339	7,367	15,385	32,122
Latin America	14,118	8,734	18,245	29,814
Asia Pacific	37,580	9,455	50,649	12,650
Middle East	3,466	5,514	8,789	9,497
	\$ 108,923	\$ 67,570	\$ 179,956	\$ 146,006
	=====	=====	=====	=====
Intersegment revenues:				
Gulf of Mexico Offshore Construction	\$ 707	\$ 405	\$ 1,187	\$ 458
Gulf of Mexico Diving	3,332	3,117	5,687	5,021
Gulf of Mexico Marine Support	1,201	1,150	2,040	2,293
Asia Pacific	-	61	-	79
Middle East	-	28	-	28
	\$ 5,240	\$ 4,761	\$ 8,914	\$ 7,879
	=====	=====	=====	=====
Income (loss) before income taxes:				
Gulf of Mexico Offshore Construction	\$ (454)	\$ (865)	\$ (3,335)	\$ (5,916)
Gulf of Mexico Diving	20	(367)	(1,050)	(804)
Gulf of Mexico Marine Support	5,551	162	10,451	23
West Africa	(436)	(2,703)	2,112	(120)
Latin America	(1,475)	(2,942)	(3,257)	(742)
Asia Pacific	2,020	(1,382)	(3,640)	(6,977)
Middle East	(978)	796	(773)	192
	\$ 4,248	\$ (7,301)	\$ 508	\$ (14,344)
	=====	=====	=====	=====

The following table reconciles the reportable segments' revenues and

Edgar Filing: GLOBAL INDUSTRIES LTD - Form 10-Q

profit or loss presented above, to the Company's consolidated totals.

	Quarter Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
	(in thousands)			
<b>Revenues:</b>				
Total revenues for reportable segments	\$ 114,163	\$ 72,331	\$ 188,870	\$ 153,885
Total revenues for other segments	95	452	333	756
Elimination of intersegment revenues	(5,240)	(4,761)	(8,914)	(7,879)
<b>Total consolidated revenues</b>	<b>\$ 109,018</b>	<b>\$ 68,022</b>	<b>\$ 180,289</b>	<b>\$ 146,762</b>
<b>Income (Loss):</b>				
Total income (loss) for reportable segments	\$ 4,248	\$ (7,301)	\$ 508	\$ (14,344)
Total income (loss) for other segments	(4)	(8)	60	(57)
Unallocated corporate income (expense)	31	2,132	(979)	40
<b>Total consolidated income (loss) before taxes</b>	<b>\$ 4,275</b>	<b>\$ (5,177)</b>	<b>\$ (411)</b>	<b>\$ (14,361)</b>

7. Comprehensive Income - Following is a summary of the Company's comprehensive income (loss) for the quarters and six months ended June 30, 2001 and 2000:

	Quarter Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
	(in thousands)			
Net income (loss)	\$ 2,841	\$ (5,470)	\$ (230)	\$ (12,271)
Other comprehensive income (loss):				
Unrealized gain (loss) on hedging activities	210	--	(258)	--
Cumulative effect of adoption of SFAS 133 on January 1, 2001	--	--	(1,023)	--
<b>Comprehensive income (loss)</b>	<b>\$ 3,051</b>	<b>\$ (5,470)</b>	<b>\$ (1,511)</b>	<b>\$ (12,271)</b>

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

General

The following discussion presents management's discussion and analysis of our financial condition and results of operations. Certain of the statements included below, including those regarding future financial performance or results or that are not historical facts, are or contain "forward-looking" information as that term is defined in the Securities Act of 1933, as amended. The words "expect," "believe," "anticipate," "project," "estimate," and similar expressions are intended to identify forward-looking statements. We caution readers that any such statements are not guarantees of future performance or events and such statements involve risks, uncertainties and assumptions. Factors that could cause actual results to differ from those expected include, but are not limited to, dependence on the oil and gas industry and industry conditions, general economic conditions including interest rates and inflation, competition, our ability to continue our acquisition strategy, successfully manage our growth, and obtain funds to finance growth and operations, operating risks, contract bidding risks, the use of estimates for revenue recognition, risks of international operations, risks of vessel construction such as cost overruns, changes in government regulations, and disputes with contractors, dependence on key personnel and the availability of skilled workers during periods of strong demand, the impact of regulatory and environmental laws, the ability to obtain insurance, and other factors discussed below. Operating risks include hazards such as vessel capsizing, sinking, grounding, colliding, and sustaining damage in severe weather conditions. These hazards can also cause personal injury, loss of life, and suspension of operations. The risks inherent with international operations include political, social, and economic instability, exchange rate fluctuations, currency restrictions, nullification, modification, or renegotiations of contracts, potential vessel seizure, nationalization of assets, import-export quotas, and other forms of public and governmental regulation. Should one or more of these risks or uncertainties materialize or should the underlying assumptions prove incorrect, actual results and outcomes may differ materially from those indicated in the forward-looking statements.

The following discussion should be read in conjunction with our unaudited consolidated financial statements for the periods ended June 30, 2001 and 2000, included elsewhere in this report, and our audited consolidated financial statements and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report of Form 10-K for the year ended December 31, 2000.

Results of Operations

The following table sets forth, for the periods indicated, our statements of operations expressed as a percentage of revenues.

Edgar Filing: GLOBAL INDUSTRIES LTD - Form 10-Q

	Quarter Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Revenues	100.0%	100.0%	100.0%	100.0%
Cost of Revenues	81.2	90.5	83.6	92.1
Gross Profit	18.8	9.5	16.4	7.9
Goodwill Amortization	.7	1.0	.8	1.0
Selling, General and Administrative Expenses	8.5	12.1	10.1	10.9
Operating Income (Loss)	9.6	(3.6)	5.5	(4.0)
Interest Expense	5.1	8.1	6.0	7.3
Other Expense (Income), net	0.6	(4.1)	(0.3)	(1.5)
Income (Loss) Before Income Taxes	3.9	(7.6)	(0.2)	(9.8)
Provision (Benefit) for Income Taxes	1.3	0.4	(0.1)	(2.0)
Income (Loss) Before Cumulative Effect of Change in Accounting Principle	2.6	(8.0)	(0.1)	(7.8)
Cumulative Effect of Change in Accounting Principle	--	--	--	0.5
Net Income (Loss)	2.6%	(8.0)%	(0.1)%	(8.3)%

Quarter Ended June 30, 2001 Compared to Quarter Ended June 30, 2000

Revenues. Revenues for the quarter ended June 30, 2001 increased 60% to \$109.0 million from \$68.0 million for the quarter ended June 30, 2000. The increase in revenues resulted primarily from increased activity and improved pricing in certain areas including the Gulf of Mexico offshore construction, Gulf of Mexico marine support, Latin America, and Asia Pacific, partially offset by a decrease in revenues from West Africa and Middle East.

Gross Profit. For the quarter ended June 30, 2001, we had gross profit of \$20.5 million compared with \$6.5 million for the quarter ended June 30, 2000. The substantial increase was the result of increased activity and/or improved pricing in certain areas including the Gulf of Mexico marine support, West Africa, Latin America, and Asia Pacific. As a percentage of revenues, gross profit for the quarter ended June 30, 2001 was 19% compared to 9% for the quarter ended June 30, 2000.

Selling, General and Administrative Expenses. For the quarter ended June 30, 2001, selling, general and administrative expenses were \$9.3 million as compared to \$8.2 million reported during the quarter ended June 30, 2000. The increase in selling, general and administrative expenses is attributable to costs associated with the strengthening of the Company's marketing and business development areas and certain accounting fees. As a percentage of revenues, they decreased to 9% during the quarter ended June 30, 2001, compared to 12% during the quarter ended June 30, 2000. The percentage decrease was due primarily to the increase in revenues.

## Edgar Filing: GLOBAL INDUSTRIES LTD - Form 10-Q

Depreciation and Amortization. Depreciation and amortization, including amortization of dry-docking costs, for the quarter ended June 30, 2001 was \$13.5 million compared to the \$11.1 million recorded in the quarter ended June 30, 2000.

Interest Expense. Interest expense increased nominally to \$5.6 million (net of capitalized interest) for the quarter ended June 30, 2001, from \$5.5 million for the quarter ended June 30, 2000, due to less capitalized interest this year, partially offset by lower outstanding debt levels.

Other Expense / Income. Other expenses increased by \$3.4 million to \$0.6 million in the quarter ended June 30, 2001 from income of \$2.8 million in the prior comparable quarter. This increase is due primarily to a third party settlement gain and additional interest income on escrow funds that occurred in the second quarter of 2000 and covenant waiver fees that occurred in the second quarter of 2001.

Net Income (Loss). For the quarter ended June 30, 2001, we recorded net income of \$2.8 million as compared to a net loss of \$5.5 million recorded for the quarter ended June 30, 2000. Due to lower than expected earnings in certain of our foreign jurisdictions, during the quarter we raised our effective tax rate to 44% for the year from 34% for the year in the quarter ended March 31, 2001.

Segment Information. We have identified seven reportable segments as required by SFAS 131. The following discusses the results of operations for each of those reportable segments during the second quarter of 2001 and 2000.

Gulf of Mexico Offshore Construction - Increased demand for offshore construction services and resulting pricing increases in the Gulf of Mexico caused this segment's gross revenues to increase 23% to \$31.3 million (including \$0.7 million intersegment revenues) for the quarter ended June 30, 2001 compared to \$25.5 million (including \$0.4 million intersegment revenues) for the quarter ended June 30, 2000. The increases in activity and pricing improved results by \$0.4 million, to a loss before taxes of \$0.5 million for the quarter ended June 30, 2001 from a loss before taxes of \$0.9 million for the quarter ended June 30, 2000.

Gulf of Mexico Diving - Revenues from diving related services in the Gulf of Mexico increased 14% to \$9.8 million (including \$3.3 million intersegment revenues) for the quarter ended June 30, 2001 from \$8.6 million (including \$3.1 million intersegment revenues) for the quarter ended June 30, 2000. The increase was attributable to differences in the mix of contract work. This segment reported nominal income before taxes for the quarter ended June 30, 2001 compared to loss before taxes of \$0.4 million for the same period in 2000.

Gulf of Mexico Marine Support - Increased activity and pricing increased Gulf of Mexico marine support revenues 77% to \$12.6 million (including \$1.2 million intersegment revenues) for the quarter ended June 30, 2001, compared to \$7.1 million (including \$1.2 million intersegment revenues) for the quarter ended June 30, 2000. The increased pricing and utilization resulted in income before taxes of \$5.6 million for the quarter ended June

## Edgar Filing: GLOBAL INDUSTRIES LTD - Form 10-Q

30, 2001 compared to income before taxes of \$0.2 million for the quarter ended June 30, 2000.

West Africa - Revenues decreased 28% to \$5.3 million for the quarter ended June 30, 2001 compared to \$7.4 million for the same period in 2000. The decline in revenues is due primarily to the completion of two large contracts during the quarter ended June 30, 2000, one of which had a large portion of fabrication and procurement content. Results improved by \$2.3 million to a loss before taxes of \$0.4 million for the quarter ended June 30, 2001 from a loss before taxes of \$2.7 million for the quarter ended June 30, 2000. Earnings as a percentage of revenues increased due to differences in the mix of contract work.

Latin America - Revenues increased 62% to \$14.1 million for the quarter ended June 30, 2001 compared to \$8.7 million for the same period of 2000. Results improved by \$1.4 million to a loss before taxes of \$1.5 million for the quarter ended June 30, 2001 from a loss before taxes of \$2.9 million for the same period in 2000. The improvement in revenue and results was attributable to increased activity.

Asia Pacific - Increases in activity in the Asia Pacific region resulted in a 296% increase in revenue to \$37.6 million for the quarter ended June 30, 2001 compared to \$9.5 million for the quarter ended June 30, 2000. Income before taxes increased to \$2.0 million for the quarter ended June 30, 2001 from a loss before taxes of \$1.4 million for the quarter ended June 30, 2000.

Middle East - Revenues decreased 36% to \$3.5 million for the quarter ended June 30, 2001 compared to \$5.5 million for the quarter ended June 30, 2000 due to decreased activity in the region. Results declined by \$1.8 million to a loss before taxes of \$1.0 million for the quarter ended June 30, 2001 from income before taxes of \$0.8 million for the quarter ended June 30, 2000.

Six Months Ended June 30, 2001 Compared to Six Months Ended June 30, 2000

Revenues. Revenues for the six months ended June 30, 2001 of \$180.3 million were 23% higher than revenues for the six months ended June 30, 2000 of \$146.8 million. The increase in revenues resulted primarily from increased activity and improved pricing in certain areas including the Gulf of Mexico offshore construction, Gulf of Mexico diving, Gulf of Mexico marine support, and Asia Pacific, partially offset by a decrease in West Africa, Latin America and Middle East.

Gross Profit. For the six months ended June 30, 2001, we had gross profit of \$29.6 million compared with \$11.6 million for the six months ended June 30, 2000. The increase was primarily the result of increased activity and improved pricing for our services in certain areas including the Gulf of Mexico offshore construction, Gulf of Mexico marine support, West Africa, and Asia Pacific. As a percentage of revenues, gross profit for the six months ended June 30, 2001 was 16% compared to 8% for the six months ended June 30, 2000.

Selling, General, and Administrative Expenses. For the six months

## Edgar Filing: GLOBAL INDUSTRIES LTD - Form 10-Q

ended June 30, 2001, selling, general, and administrative expenses were \$18.2 million compared to \$15.9 million during the six months ended June 30, 2000. The increase in selling, general and administrative expenses is attributable to costs associated with the strengthening of the Company's marketing and business development areas and certain accounting and legal fees. As a percentage of revenues, they decreased to 10% during the six months ended June 30, 2001, compared to 11% during the six months ended June 30, 2000. The percentage decrease was due primarily to the increase in revenues.

**Depreciation and Amortization.** Depreciation and amortization, including amortization of drydocking costs, for the six months ended June 30, 2001 was \$25.3 million compared to the \$24.3 million recorded in the six months ended June 30, 2000.

**Interest Expense.** Interest expense increased nominally to \$11.0 million for the six months ended June 30, 2001, compared to \$10.8 million for the six months ended June 30, 2000. The increase was principally due to less capitalized interest this year, partially offset by lower debt levels.

**Other Expense/Income.** Other income decreased \$1.6 million to \$0.6 million for the six months ended June 30, 2001 compared to \$2.2 million for the same period in 2000. The decrease is attributable to a third party settlement gain and increased interest income on funds in escrow which occurred during the six months ended June 30, 2000. The decrease was partially offset by the recognition of a gain on the disposition of one vessel and certain currency exchange rate gains during the six months ended June 30, 2001.

**Net Loss.** For the six months ended June 30, 2001, we recorded a net loss of \$0.2 million, compared to a net loss of \$12.3 million for the six months ended June 30, 2000. Due to lower than expected earnings in certain of our foreign jurisdictions, the effective tax rate was raised to 44% for the year, from 34% for the year in the quarter ended March 31, 2001.

**Segment Information.** We have identified seven reportable segments as required by SFAS 131. The following discusses the results of operations for each of those reportable segments during the first six months of 2001 and 2000.

**Gulf of Mexico Offshore Construction -** During the six months ended June 30, 2001, revenues increased due to increased demand for offshore construction services in the Gulf of Mexico and resulting pricing increases. This segment's gross revenues increased 31% to \$55.5 million (including \$1.2 million intersegment revenues) for the six months ended June 30, 2001 compared to \$42.4 million (including \$0.5 million intersegment revenues) for the six months ended June 30, 2000. The loss before taxes decreased by \$2.6 million to a loss before taxes of \$3.3 million for the six months ended June 30, 2001 from a loss before taxes of \$5.9 million for the same period in 2000.

**Gulf of Mexico Diving -** Revenues for the six months ended June 30, 2001 increased 17% to \$17.0 million (including \$5.7 million intersegment revenues) compared to \$14.5 million (including \$5.0 million intersegment revenues) for the same period in 2000 due to increased activity. However, due to differences in the mix of contract work and pricing pressures, this segment reported a loss before taxes for the six months ended June 30, 2001 of \$1.1 million



## Edgar Filing: GLOBAL INDUSTRIES LTD - Form 10-Q

compared to a loss before taxes of \$0.8 million during the six months ended June 30, 2000.

Gulf of Mexico Marine Support - Gulf of Mexico marine support continued to benefit from increased activity and pricing during the six months ended June 30, 2001. Revenues from this segment increased 82% to \$23.3 million (including \$2.0 million intersegment revenues) for the six months ended June 30, 2001, compared to \$12.8 million (including \$2.3 million intersegment revenues) for the same period in 2000. As a result of an overall increase in activity levels and improved prices, income before taxes increased to \$10.5 million for the six months ended June 30, 2001 compared to nominal income for the six months ended June 30, 2000.

West Africa - For the six months ended June 30, 2001, revenues decreased 52% to \$15.4 million from \$32.1 million for the six months ended June 30, 2000. The decline in revenues was due primarily to the completion of two large contracts during the six months ended June 30, 2000, one of which had a large portion of fabrication and procurement content. Income before taxes increased to \$2.1 million for the six months ended June 30, 2001 from a loss of \$0.1 million for the same period in 2000. Earnings as a percentage of revenues increased due to a different mix of contract work in the six months ended June 30, 2001.

Latin America - Revenues decreased to \$18.2 million in the six months ended June 30, 2001 from \$29.8 million for the six months ended June 30, 2000. The decrease is attributable to the completion of two large contracts in the quarter ended March 31, 2000. The loss before taxes increased to a loss of \$3.3 million for the six months ended June 30, 2001 from \$0.7 million for the same period in 2000.

Asia Pacific - Asia Pacific revenues increased to \$50.6 million for the six months ended June 30, 2001 from \$12.8 million for the six months ended June 30, 2000. Results improved by \$3.3 million to a loss before taxes of \$3.6 million for the six months ended June 30, 2001 from a loss before taxes of \$7.0 million for the same period in 2000. The improvement in revenues and results was attributable to increased activity and improved pricing.

Middle East - Revenues decreased \$0.7 million to \$8.8 million for the six months ended June 30, 2001, compared to \$9.5 million for the six months ended June 30, 2000. Results declined by \$1.0 million to a loss before taxes of \$0.8 million for the six months ended June 30, 2001 from income before taxes of \$0.2 million for the six months ended June 30, 2000.

### Liquidity and Capital Resources

Our cash balance decreased by \$1.0 million to \$24.4 million at June 30, 2001 compared to \$25.4 million at December 31, 2000. Our operations used cash flows of \$1.5 million during the six months ended June 30, 2001. Working capital increased \$23.7 million during the six months ended June 30, 2001 to \$61.6 million at June 30, 2001 from \$37.9 million at December 31, 2000. The increase in working capital is due primarily to an

## Edgar Filing: GLOBAL INDUSTRIES LTD - Form 10-Q

increase in accounts receivable partially offset by an increase in accounts payable, both of which are congruent with our increased activity.

Capital expenditures during the six months ended June 30, 2001 aggregated \$2.2 million. We estimate that the cost to complete capital expenditure projects in progress at June 30, 2001, will be approximately \$8.0 million, all of which is expected to be incurred during the next twelve months.

Long-term debt outstanding at June 30, 2001 (including current maturities), includes \$127.6 million of Title XI bonds, \$27.6 million of Lake Charles Harbor and Terminal District bonds, \$6.1 million of Heller Financial debt, and \$85.5 million drawn against our term facility.

We maintain a \$275.0 million credit facility, which currently consists of a \$175.0 million term loan facility and a \$100.0 million revolving loan facility. Both the term and revolving loan facilities mature on December 30, 2004. The term and revolving loan facilities permit both prime rate bank borrowings and London Interbank Offered Rate ("LIBOR") borrowings plus a floating spread. Giving effect to the amendment described below, the spreads can range from 0.75% to 2.00% and 2.00% to 3.25% for prime rate and LIBOR based borrowings, respectively. In addition, the credit facility allows for certain fixed rate interest options on amounts outstanding. Stock of our subsidiaries, certain real estate, and the majority of our vessels collateralize the loans under the credit facility. Both the term and revolving loan facilities are subject to certain financial covenants. Effective June 30, 2001 we amended our credit facility and obtained a waiver of two covenants that were not met at June 30, 2001. The amendment i) reduced the requirements of the Leverage Ratio covenant for the quarter ending September 30, 2001 and the Fixed Charge Coverage Ratio covenant for the quarters ending September 30, 2001 and December 31, 2001, and increased the requirements of both covenants for the quarter ending March 31, 2002 and thereafter; ii) significantly increased the requirement of the Consolidated Net Worth covenant for the quarter ending December 31, 2001 and thereafter; and iii) increased the interest rate spread applicable to the Company's borrowings under the credit facility. A copy of the amendment has been filed with this report as an exhibit. In consideration for this waiver and amendment, we paid a fee of \$1.0 million. The significantly increased Consolidated Net Worth covenant may not be met at the end of the fourth quarter. If such covenant cannot be met, we intend to seek a waiver from our lenders. As of August 2, 2001, we had \$14.4 million of credit capacity under our credit facility.

Our Title XI bonds mature in 2020, 2022, and 2025. The bonds carry interest rates of 8.30%, 7.25%, and 7.71% per annum, respectively, and require aggregate semi-annual payments of \$2.8 million, plus interest. The agreements pursuant to which the Title XI bonds were issued contain certain covenants, including the maintenance of minimum working capital and net worth requirements. If not met, additional covenants result that restrict our operations and our ability to pay cash dividends. At June 30, 2001, we were in compliance with these covenants.

We also have short-term credit facilities at our foreign locations that aggregate \$4.5 million and are secured by letters

## Edgar Filing: GLOBAL INDUSTRIES LTD - Form 10-Q

of credit. Additionally, in the normal course of business, we provide guarantees and performance, bid, and payment bonds pursuant to agreements, or in connection with bidding to obtain such agreements, to perform construction services. Some of these guarantees are secured by parent company guarantees. The aggregate of these guarantees and bonds at June 30, 2001 was \$21.3 million.

We expect funds available under the credit facilities, available cash, and cash generated from operations to be sufficient to fund the Company's operations (including the anticipated increase in working capital required), scheduled debt retirement, and planned capital expenditures for the next twelve months. In addition, as the Company has historically done, it will continue to evaluate the merits of any opportunities that may arise for acquisitions of equipment or businesses, which may require additional liquidity. For flexibility, the Company maintains a shelf registration statement that permits the issuance of up to \$500 million of debt and equity securities.

### Industry Outlook

We are optimistic about the future of the industry as both commodity prices and energy demand have remained strong. We are continuing to experience increased bidding activity in all of our geographic regions except for the Middle East. Our activity levels and vessel utilization have also been increasing. We have strategically positioned ourselves in anticipation of this growth and return to profitability. We are anticipating continued strengthening in our domestic and foreign operating areas and we are expecting that this will result in continued profitability and revenue growth. As of July 31, 2001, the Company's backlog was approximately \$168.0 million, the highest it has been in two years. Management expects most of this backlog to be performed within twelve months. We do not consider our backlog amounts to be a reliable indicator of future revenues.

### New Accounting Pronouncement

On June 29, 2001, the Financial Accounting Standards Board ("FASB") concluded its voting process on Statement of Financial Accounting Standards ("SFAS") No. 141, Business Combinations, and this statement was issued in July 2001. SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001. Goodwill and certain intangible assets will remain on the balance sheet and not be amortized. On an annual basis, and when there is reason to suspect that their values have been diminished or impaired, these assets must be tested for impairment, and write-downs may be necessary. We are required to implement SFAS No. 141 on July 1, 2001 and we do not expect this statement to have a material effect on our consolidated financial position or results of operations.

On June 29, 2001, FASB concluded its voting process of SFAS No. 142, Goodwill and Other Intangible Assets, and this statement was issued in July 2001. SFAS No. 142 changes the accounting for goodwill from an amortization method to an impairment-only approach. Amortization of goodwill, including goodwill recorded in past business combinations, will cease upon adoption of this statement. Amortization expense of existing goodwill was approximately \$0.8 million and \$1.5 million for the three and six months ended

## Edgar Filing: GLOBAL INDUSTRIES LTD - Form 10-Q

June 30, 2001. We are required to implement SFAS No. 142 on January 1, 2002 and we have not determined the impact that this statement will have on our consolidated financial position or result of operations.

### Item 3. Quantitative and Qualitative Disclosures about Market Risk

In 2000, we entered into interest rate swap agreements, which effectively modified the interest characteristics of \$30.0 million of our outstanding long-term debt. The agreements involve the exchange of a variable interest rate of LIBOR plus 3.25% for amounts based on fixed interest rates of between 7.32% to 7.38% plus 3.25%. These swaps have maturities between twelve and twenty-four months. These transactions were entered into in the normal course of business primarily to hedge rising interest rates. The estimated fair market value of the interest rate swap based on quoted market prices was (\$1.3) million as of June 30, 2001. A hypothetical 100 basis point decrease in the average interest rates applicable to such debt would result in a change of approximately (\$0.4) million in the fair value of this instrument. Quantitative and qualitative disclosures about market risk are in Item 7A of our 10-K for the period ended December 31, 2000.

## PART II - OTHER INFORMATION

### Item 1. Legal Proceedings

In November of 1999, we notified Groupe GTM that as a result of material adverse changes and other breaches by Groupe GTM, we were no longer bound by and were terminating the Share Purchase Agreement to purchase the shares of ETPM S.A. Groupe GTM responded stating that they believed we were in breach. The Share Purchase Agreement provided for liquidated damages of \$25.0 million to be paid by a party that failed to consummate the transaction under certain circumstances. We have notified Groupe GTM that we do not believe that the liquidated damages provision is applicable to our termination of the Share Purchase Agreement. On December 23, 1999, we filed suit against Groupe GTM in Tribunal de Commerce de Paris to recover damages. On June 21, 2000, Groupe GTM filed an answer and counterclaim against us seeking the liquidated damages of \$25.0 million and other damages, costs and expenses of approximately \$1.5 million. We believe that the outcome of these matters will not have a material adverse effect on our business or financial statements.

We are involved in various routine legal proceedings primarily involving claims for personal injury under the General Maritime Laws of the United States and Jones Act because of alleged negligence. We believe that the outcome of all such proceedings, even if determined adversely, would not have a material adverse effect on our business or financial statements.

## Edgar Filing: GLOBAL INDUSTRIES LTD - Form 10-Q

### Item 4. Submission of Matters to a Vote of Security Holders

Our 2001 Annual Meeting of Shareholders was held on May 11, 2001. At the meeting, each of the persons listed below was elected to our Board of Directors for a term ending at the 2002 Annual Meeting of Shareholders. The number of votes cast with respect to the election of each person is set forth opposite such person's name. The persons listed below constitute the entire Board of Directors.

Name of Director	Number of Votes Cast		
	For	Withhold	Broker Non-Vote
William J. Dore	81,045,885	202,458	0
James C. Day	80,029,227	1,219,116	0
Edward P. Djerejian	80,652,350	595,993	0
Edgar G. Hotard	80,652,050	596,293	0
Richard A. Pattarozzi	80,651,620	596,723	0
James L. Payne	81,047,140	201,203	0
Michael J. Pollock	80,653,350	594,993	0

The number of votes cast with respect to the amendment of the Global Industries, Ltd. 1998 Equity Incentive Plan was as follows:

	For	Withhold	Broker Non-Vote	Abstain
	1998 Equity Incentive Plan Amendment	59,347,469	21,341,261	0

### Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

10.1 - Credit Agreement Amendment No. 3 dated August 7, 2001 among Global Industries, Ltd., Global Offshore Mexico, S. DE R.L. DE C.V., the Lenders and Bank One, NA, as administrative agent for the Lenders.

15.1 - Letter regarding unaudited interim financial information.

(b) Reports on Form 8-K - The Company filed one report on Form 8-K during the quarter ended June 30, 2001 which reported information under Item 9 and was dated July 27, 2001.

Signature

Edgar Filing: GLOBAL INDUSTRIES LTD - Form 10-Q

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, thereto duly authorized.

GLOBAL INDUSTRIES, LTD.

By: /s/ TIMOTHY W. MICIOTTO

-----  
Timothy W. Miciotto  
Vice President, Chief Financial Officer  
(Principal Financial and Accounting Officer)

August 9, 2001  
14811