



HORNBECK OFFSHORE

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Hornbeck Offshore Announces Third Quarter 2015 Results

10/28/15

COVINGTON, La., Oct. 28, 2015 /PRNewswire/ -- Hornbeck Offshore Services, Inc. (NYSE: HOS) announced today results for the third quarter ended September 30, 2015. Following are highlights for this period and the Company's future outlook:

- 3Q2015 earnings and EBITDA were \$0.40 per diluted share and \$60.3 million, respectively
- 3Q2015 sale of final OSV to U.S. Navy resulted in pre-tax gain on sale of assets of \$11.0 million (\$0.19 per diluted share)
- Excluding gain on sale of assets, 3Q2015 diluted EPS was \$0.21, a decrease of \$0.32, or 60%, sequentially
- Excluding gain on sale of assets, 3Q2015 EBITDA was \$49.3 million, a decrease of \$17.0 million, or 26%, sequentially
- Excluding gain on sale of assets, 3Q2015 operating margin was 19%, down from 29% sequentially
- 3Q2015 average new gen OSV dayrates were \$25,699, a decrease of \$2,479, or 9%, from the sequential quarter
- 3Q2015 utilization of the Company's new gen OSV fleet was 50%, down from 56% sequentially
- 3Q2015 effective utilization of the Company's active new gen OSVs was 72%, down from 80% sequentially
- First 17 HOSMAX vessels have been placed in-service with final seven newbuild deliveries expected during 4Q2015 and 2016
- The Company has now stacked a total of 27 new gen OSVs with three more pending for 4Q2015, up from 18 since last reported
- Cash opex and G&A savings due to proactive cost containment measures now approximately \$125 million on an annualized basis

The Company recorded net income for the third quarter of 2015 of \$14.4 million, or \$0.40 per diluted share. Excluding the impact of the third quarter 2015 gain on sale of assets, income would have been \$7.7 million, or \$0.21 per diluted share, compared to \$26.6 million, or \$0.72 per diluted share, for the year-ago quarter; and \$19.2 million, or \$0.53 per diluted share, for the second quarter of 2015. Diluted common shares for the third quarter of 2015 were 36.4 million compared to 36.9 million for the third quarter of 2014 and 36.3 million for the second quarter of 2015. EBITDA for the third quarter of 2015 was \$60.3 million. Excluding the impact of the third quarter 2015 gain on sale of assets, EBITDA would have been \$49.3 million compared to \$79.3 million for the third quarter of 2014 and \$66.3 million for the second quarter of 2015. For additional information regarding EBITDA as a non-GAAP financial measure, please see Note 10 to the accompanying data tables.

Revenues. Revenues were \$116.3 million for the third quarter of 2015, a decrease of \$50.6 million, or 30.3%, from \$166.9 million for the third quarter of 2014; and a decrease of \$20.1 million, or 14.7%, from \$136.4 million for the second quarter of 2015. The year-over-year decrease in revenues was primarily due to soft market conditions in the GoM, which led to the Company's decision to stack 21 OSVs on various dates from October 2014 through September 2015. Post quarter-end, the Company has stacked an additional six new generation OSVs to-date and has three additional vessels pending to be stacked during the remainder of the fourth quarter of 2015. For the three months ended September 30, 2015, the Company had an average of 18.1 vessels stacked compared to none in the prior-year quarter and 17.6 in the sequential quarter. The year-over-year decrease in revenue was partially offset by \$7.4 million in revenue earned from the full or partial-period contribution of ten vessels that were placed in service since June 2014 under the Company's fifth OSV newbuild program. Operating income was \$32.8 million, or 28.2% of revenues, for the third quarter of 2015. Excluding the gain on sale of assets, the Company's operating income for the third quarter of 2015 would have been \$21.8 million, or 18.7% of revenues, compared to \$50.2 million, or 30.1% of revenues, for the prior-year quarter; and \$39.4 million, or 28.9% of revenues, for the second quarter of 2015. Average new generation OSV dayrates for the third quarter of 2015 were \$25,699 compared to \$28,049 for the same period in 2014 and \$28,178 for the second quarter of 2015. New generation OSV utilization was 50.3% for the third quarter of 2015 compared to 81.7% for the year-ago quarter and 56.2% for the sequential quarter. Excluding stacked vessel days, the Company's new generation OSV effective utilization was 72.2%, 81.7% and 79.9% for the same periods, respectively. The year-over-year decrease in utilization is primarily due to soft market conditions for high-spec OSVs operating in the GoM and the incremental vessels that were stacked.

Operating Expenses. Operating expenses were \$54.9 million for the third quarter of 2015, a decrease of \$21.5 million, or 28.1%, from \$76.4 million for the third quarter of 2014; and a decrease of \$2.6 million, or 4.5%, from \$57.5 million for the second quarter of 2015. The year-over-year decrease in operating expenses was primarily due to vessels that the Company stacked since late 2014, which resulted in a substantial reduction in mariner headcount. This decrease was partially offset by \$4.0 million of operating costs related to the full or partial-period contribution from vessels added to the Company's fleet since June 2014.

General and Administrative ("G&A"). G&A expenses of \$12.2 million for the third quarter of 2015 were 10.5% of revenues compared to \$11.2 million, or 6.7% of revenues, for the third quarter of 2014; and \$13.1 million, or 9.6% of revenues, for the second quarter of 2015. The year-over-year increase in G&A expenses was primarily attributable to lower stock-based compensation expense reported in the prior-year quarter. The Company experienced a significant decline in stock price during such period. Stock-based compensation expense during the third quarter of 2015 was impacted less by stock price volatility compared to the prior-year quarter.

Depreciation and Amortization. Depreciation and amortization expense was \$27.4 million for the third quarter of 2015, or \$1.7 million lower than the prior-year quarter and \$0.9 million higher than the sequential quarter. Depreciation increased by \$2.7 million over the year-ago quarter primarily due to the contribution of ten new HOSMAX vessels that were placed in service on various dates since June 2014. The depreciation increase was more than offset by a decrease in amortization expense of \$4.4 million, which was primarily due to five vessels sold on various dates since October 2014 and the deferral of planned drydockings for stacked vessels. Depreciation and amortization expense is expected to increase from current levels as the vessels under the Company's current newbuild program are placed in service and when any newly constructed vessels undergo their initial 30-month and 60-month recertifications.

Gain on Sale of Assets. Included in third quarter 2015 net income was an \$11.0 million (\$6.7 million after tax and \$0.19 per diluted share) gain on the sale of one 250EDF class OSV to the U.S. Navy, which closed on August 28, 2015 for cash proceeds to the Company of \$38 million.

Interest Expense. Interest expense was \$9.7 million during the third quarter of 2015, or \$1.9 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. The Company recorded \$6.3 million of capitalized construction period interest, or roughly 39% of its total interest costs, for the third quarter of 2015 compared to \$8.2 million, or roughly 51% of its total interest costs, for the year-ago quarter.

Nine Month Results

Revenue for the first nine months of 2015 decreased 18.4% to \$387.4 million compared to \$474.6 million for the same period in 2014. Operating income was \$139.1 million, or 35.9% of revenues, for the first nine months of 2015 compared to \$132.0 million, or 27.8% of revenues, for the prior-year period. Net income for the first nine months of 2015 increased \$0.4 million to \$69.5 million, or \$1.92 per diluted share, compared to \$69.1 million, or \$1.89 per diluted share, for the first nine months of 2014. EBITDA for the first nine months of 2015 increased 1.6% to \$221.4 million compared to \$217.9 million for the first nine months of 2014. However, the Company recorded a \$44.1 million (\$27.6 million after tax and \$0.76 per diluted share) gain on sale of assets during the first nine months of 2015 compared to none in the year-ago period. This gain resulted from the February 2015 and August 2015 sales of four 250EDF class OSVs previously chartered to the U.S. Navy for aggregate cash proceeds to the Company of \$152 million. Excluding the impact of such gain on sale of assets, operating income, net income, diluted EPS and EBITDA for the first nine months of 2015 would have been \$95.0 million, \$41.9 million, \$1.16 per share and \$177.3 million, respectively. The year-over-year decrease in revenues primarily resulted from soft market conditions in the GoM, which led to the Company's decision to stack 21 new generation OSVs on various dates from October 2014 through September 2015. The Company expects to have a total of 30 new generation OSVs stacked by year-end 2015. For the nine months ended September 30, 2015, the Company had an average of 15.1 vessels stacked compared to none in the prior-year period. The decrease in revenue was partially offset by \$43.7 million in revenue earned from the full or partial-period contribution of 13 vessels that were placed in-service under the Company's fifth OSV newbuild program since December 2013.

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. These statements are forward-looking and actual results may differ materially given the volatility inherent in 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; unexpected vessel repairs or shipyard delays; or future capital transactions, such as vessel acquisitions or divestitures, business combinations, possible additional stock buy-backs, financings or the unannounced expansion of existing newbuild programs that may be commenced after the date of this disclosure. Additional cautionary information concerning forward-looking statements can be found on page 8 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 September 30, 2015, excluding one inactive non-core conventional OSV, the Company's fleet consisted of 59 new generation OSVs and six MPSVs. The forecasted vessel counts presented in this press release reflect (i) the anticipated fiscal 2015 and 2016 OSV and MPSV newbuild deliveries discussed below and (ii) the OSV-to-MPSV conversion of one 300 class HOSMAX vessel that was completed on April 6, 2015. With an average of 18.2 new generation OSVs projected to be stacked during 2015, the Company's active fleet for 2015 is expected to be comprised of an average of 41.9 new generation OSVs and 5.8 MPSVs. With an assumed average of 30.0 new generation OSVs projected to be stacked during 2016, the Company's active fleet for 2016 is expected to be comprised of an average of 32.0 new generation OSVs and 7.6 MPSVs.

Operating Expenses. Aggregate cash operating expenses are projected to be in the range of \$50.0 million to \$55.0 million for the fourth quarter of 2015, and \$223.9 million to \$228.9 million for the full-year 2015. This annual guidance range includes roughly \$2.5 million of total out-of-pocket costs related to the repositioning of five vessels to the GoM from other domestic and international markets. Through the third quarter, the Company has incurred \$1.2 million of these operating costs and expects to incur \$1.3 million in the fourth quarter. Not included in these costs is the expected lost revenue related to vessels during approximately 266 days of aggregate commercial-related downtime. Please refer to the attached data table on page 11 of this press release for a summary, by period and by vessel type, of historical and projected data for commercial-related downtime (in days) for each of the quarterly and/or annual periods presented for the fiscal years 2014, 2015 and 2016. Reflected in the cash opex guidance range above are the anticipated results of several cost containment measures initiated by the Company due to prevailing market conditions, including, among other actions, the stacking of 27 new generation OSVs on various dates since October 1, 2014, as well as company-wide headcount reductions and across-the-board pay-cuts for shoreside and vessel personnel. The Company currently plans to stack three additional high-spec OSVs during the fourth quarter of 2015 and may choose to stack 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 Expenses. G&A expenses are expected to be in the approximate range of \$12.0 million to \$13.0 million for the fourth quarter of 2015, and \$49.1 million to \$50.1 million for the full-year 2015. For future periods, the Company expects to remain within its historical range of G&A-to-revenue margins, as well as those of its domestic public OSV peer group.

Other Financial Data. Projected quarterly depreciation, amortization, net interest expense, cash income taxes, cash interest expense and weighted-average diluted shares outstanding for the fourth quarter of 2015 are \$22.0 million, \$6.1 million, \$11.1 million, \$1.5 million, \$11.3 million and 36.4 million, respectively. Guidance for depreciation, amortization, net interest expense, cash income taxes and cash interest expense for the full fiscal years 2015 and 2016 is provided on page 12 of this press release. The Company's annual effective tax rate is expected to be in the range of 37.0% to 38.0% for fiscal 2015.

Capital Expenditures Outlook

Update on OSV Newbuild Program #5. The Company's fifth OSV newbuild program consists of four 300 class OSVs, five 310 class OSVs, ten 320 class OSVs and five 310 class MPSVs. As of October 28, 2015, the Company has placed 17 vessels in-service under this program. The seven remaining vessels under this 24-vessel domestic newbuild program are currently expected to be delivered in accordance with the table below:

	2015	2016				Total
	4Q	1Q	2Q	3Q	4Q	
Estimated In-Service Dates:						
300 class OSVs	—	—	—	—	—	—
310 class OSVs	2	—	—	—	—	2
320 class OSVs	1	—	—	—	—	1
Total OSVs	3	—	—	—	—	3
310 class MPSVs	—	1	1	1	1	4
Total Newbuilds	3	1	1	1	1	7

The Company has experienced deficiencies at two of the shipyards and expects to invoke dispute resolution mechanisms against one of them, unless an acceptable resolution is reached. The Company has been informed by the other yard that it is experiencing financial difficulties. These difficulties could impact the schedule for delivery of vessels being constructed there. The Company has security from a AAA-rated third-party that would support completion of the work should these financial

problems persist. Based on the updated schedule above of projected vessel in-service dates and the recent 300 class OSV-to-MPSV conversion, the Company now expects to own 62 new generation OSVs as of December 31, 2015. These vessel additions result in a projected average new generation OSV fleet complement of 60.1 and 62.0 vessels for the fiscal years 2015 and 2016, of which 18.2 and 30.0 vessels are projected to be stacked, respectively. Based on the foregoing, the Company now expects to own and operate six and ten MPSVs as of December 31, 2015, and 2016, respectively. These vessel additions result in a projected average MPSV fleet complement of 5.8, 7.6 and 10.0 vessels for the fiscal years 2015, 2016 and 2017, respectively. The aggregate cost of the Company's fifth OSV newbuild program, excluding construction period interest, is expected to be approximately \$1,265.0 million, of which \$172.0 million and \$60.6 million are expected to be incurred in fiscal years 2015 and 2016, respectively. From the inception of this program through September 30, 2015, the Company has incurred \$1,169.4 million, or 92.4%, of total expected project costs, including \$27.7 million that was spent during the third quarter of 2015. The Company expects to incur newbuild project costs of \$35.0 million during the fourth quarter of 2015 and \$60.6 million during 2016.

Update on Maintenance Capital Expenditures. Please refer to the attached data table on page 11 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 2014, 2015 and 2016. 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 \$23.9 million and \$15.5 million for the full fiscal years 2015 and 2016, respectively.

Update on Other Capital Expenditures. Please refer to the attached data tables on page 11 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 2014, 2015 and 2016. 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 \$68.4 million and \$12.0 million, respectively, for the full fiscal years 2015 and 2016, respectively.

Liquidity Outlook

As of September 30, 2015, the Company had a cash balance of \$302.6 million and an undrawn \$300.0 million revolving credit facility. Together with cash on-hand, the Company expects to generate sufficient cash flow from operations to cover all of its growth capital expenditures for the remaining seven HOSMAX vessels under construction, commercial-related capital expenditures, and all of its annually recurring cash debt service, maintenance capital expenditures and cash income taxes through the completion of the newbuild program, as well as discretionary share repurchases from time to time, without ever having to use its currently undrawn revolving credit facility. The Company has three tranches of funded unsecured debt outstanding that mature in fiscal 2019, 2020 and 2021, respectively. While the Company has an authorized share repurchase program, it will continue to prioritize its usage of cash appropriate to the current market cycle.

Conference Call

The Company will hold a conference call to discuss its third quarter 2015 financial results and recent developments at 10:00 a.m. Eastern (9:00 a.m. Central) tomorrow, October 29, 2015. 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 November 13, 2015, and may be accessed by calling (201) 612-7415 and using the pass code 13620100#.

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 66 vessels primarily serving the energy industry and has seven additional ultra high-spec Upstream vessels under construction for delivery through 2016.

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 significant and sustained or additional declines in oil and natural gas prices; a sustained weakening of demand for the Company's services; unplanned customer suspensions, cancellations, rate reductions or non-renewals of vessel charters, management contracts or failures to finalize commitments to charter or manage vessels; 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 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; industry risks; the impact stemming from the reduction of Petrobras' announced plans for or administrative barriers to exploration and production activities in Brazil; less than expected growth 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; the level of fleet additions by the Company and its competitors that could result in vessel over capacity in the markets in which the Company competes; economic and political risks; weather-related risks; the shortage of or the inability to attract and retain qualified personnel, as needed, including vessel personnel for active and newly constructed vessels; any success in unionizing the Company's U.S. fleet personnel; regulatory risks; the repeal or administrative weakening of the Jones Act or 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; or 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 or the inability to repatriate foreign-sourced earnings and profits. 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 banks to provide funding under the Company's credit agreement, if required. Further, the Company can give no assurance regarding when and to what extent it will effect share 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. 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.

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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			Nine Months Ended	
	September 30, 2015	June 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Revenues	\$ 116,281	\$ 136,446	\$ 166,890	\$ 387,351	\$ 474,574
Costs and expenses:					
Operating expenses	54,938	57,542	76,425	173,900	216,411
Depreciation and amortization	27,350	26,486	29,011	81,306	85,914
General and administrative expenses	12,188	13,063	11,220	37,143	40,392
	<u>94,476</u>	<u>97,091</u>	<u>116,656</u>	<u>292,349</u>	<u>342,717</u>
Gain on sale of assets	11,004	-	-	44,060	161
Operating income	<u>32,809</u>	<u>39,355</u>	<u>50,234</u>	<u>139,062</u>	<u>132,018</u>
Other income (expense):					
Interest income	381	393	233	988	880
Interest expense	(9,712)	(9,921)	(7,808)	(29,895)	(22,056)
Other income (expense), net ¹	94	482	52	1,016	15
	<u>(9,237)</u>	<u>(9,046)</u>	<u>(7,523)</u>	<u>(27,891)</u>	<u>(21,161)</u>
Income before income taxes	23,572	30,309	42,711	111,171	110,857
Income tax expense	9,148	11,094	16,152	41,679	41,719
Income from continuing operations	14,424	19,215	26,559	69,492	69,138
Income (loss) from discontinued operations, net of tax	-	-	(204)	-	216
Net income	<u>\$ 14,424</u>	<u>\$ 19,215</u>	<u>\$ 26,355</u>	<u>\$ 69,492</u>	<u>\$ 69,354</u>
Earnings per share					
Basic earnings per common share from continuing operations	\$ 0.40	\$ 0.54	\$ 0.73	\$ 1.95	\$ 1.91
Basic loss per common share from discontinued operations	-	-	(0.01)	-	-
Basic earnings per common share	<u>\$ 0.40</u>	<u>\$ 0.54</u>	<u>\$ 0.72</u>	<u>\$ 1.95</u>	<u>\$ 1.91</u>
Diluted earnings per common share from continuing operations	\$ 0.40	\$ 0.53	\$ 0.72	\$ 1.92	\$ 1.89
Diluted loss per common share from discontinued operations	-	-	(0.01)	-	-
Diluted earnings per common share	<u>\$ 0.40</u>	<u>\$ 0.53</u>	<u>\$ 0.71</u>	<u>\$ 1.92</u>	<u>\$ 1.89</u>
Weighted average basic shares outstanding	<u>35,832</u>	<u>35,706</u>	<u>36,318</u>	<u>35,723</u>	<u>36,247</u>
Weighted average diluted shares outstanding ²	<u>36,383</u>	<u>36,253</u>	<u>36,857</u>	<u>36,256</u>	<u>36,778</u>

Other Operating Data (unaudited):

	Three Months Ended			Nine Months Ended	
	September 30, 2015	June 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Offshore Supply Vessels:					
Average number of new generation OSVs ³	59.6	59.2	58.9	60.1	56.4
Average number of active new generation OSVs ⁴	41.5	41.6	58.9	45.0	56.4
Average new generation OSV fleet capacity (deadweight) ³	205,734	202,172	185,465	205,467	170,202
Average new generation OSV capacity (deadweight)	3,451	3,413	3,147	3,419	3,015
Average new generation utilization rate ⁵	50.3%	56.2%	81.7%	57.1%	81.0%
Effective new generation utilization rate ⁶	72.2%	79.9%	81.7%	76.2%	81.0%
Average new generation dayrate ⁷	\$ 25,699	\$ 28,178	\$ 28,049	\$ 26,885	\$ 27,345
Effective dayrate ⁸	\$ 12,927	\$ 15,836	\$ 22,916	\$ 15,351	\$ 22,149

Balance Sheet Data (unaudited):

	As of September 30, 2015	As of December 31, 2014
Cash and cash equivalents	\$ 302,618	\$ 185,123
Working capital	329,497	299,097
Property, plant and equipment, net	2,516,894	2,459,486
Total assets	2,997,696	2,922,451
Total long-term debt	1,080,859	1,073,472
Stockholders' equity	1,445,371	1,370,765

Cash Flow Data (unaudited):

	Nine Months Ended	
	September 30, 2015	September 30, 2014
Cash provided by operating activities	\$ 184,468	\$ 119,701
Cash used in investing activities	(63,730)	(319,723)
Cash provided by (used in) financing activities	(123)	2,403

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

Other Financial Data (unaudited):

	Three Months Ended			Nine Months Ended	
	September 30, 2015	June 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
CONTINUING OPERATIONS:					
Vessel revenues	\$ 108,308	\$ 128,071	\$ 163,456	\$ 366,608	\$ 465,227
Non-vessel revenues ⁹	7,973	8,375	3,434	20,743	9,347
Total revenues	\$ 116,281	\$ 136,446	\$ 166,890	\$ 387,351	\$ 474,574
Operating income	\$ 32,809	\$ 39,355	\$ 50,234	\$ 139,062	\$ 132,018
Operating margin	28.2%	28.8%	30.1%	35.9%	27.8%
Components of EBITDA ¹⁰					
Income from continuing operations	\$ 14,424	\$ 19,215	\$ 26,559	\$ 69,492	\$ 69,138
Interest expense, net	9,331	9,528	7,575	28,907	21,176
Income tax expense	9,148	11,094	16,152	41,679	41,719
Depreciation	20,958	20,172	18,201	61,114	51,998
Amortization	6,392	6,314	10,810	20,192	33,916
EBITDA ¹⁰	\$ 60,253	\$ 66,323	\$ 79,297	\$ 221,384	\$ 217,947
<i>Adjustments to EBITDA</i>					
Stock-based compensation expense	3,183	2,802	2,101	7,957	8,417
Interest income	381	393	233	988	880
Adjusted EBITDA ¹⁰	\$ 63,817	\$ 69,518	\$ 81,631	\$ 230,329	\$ 227,244

EBITDA ¹⁰ Reconciliation to GAAP:					
EBITDA ¹⁰	\$ 60,253	\$ 66,323	\$ 79,297	\$ 221,384	\$ 217,947
Cash paid for deferred drydocking charges	(5,725)	(3,756)	(10,008)	(12,034)	(39,648)
Cash paid for interest	(13,879)	(11,240)	(13,878)	(39,151)	(39,150)
Cash paid for taxes	(1,447)	(511)	(2,400)	(3,331)	(4,111)
Changes in working capital	18,115	19,953	4,485	54,400	(23,118)
Stock-based compensation expense	3,183	2,802	2,101	7,957	8,417
Gain on sale of assets	(11,004)	-	-	(44,060)	(161)
Changes in other, net	223	(260)	(618)	(697)	(475)
Net cash provided by operating activities	<u>\$ 49,719</u>	<u>\$ 73,311</u>	<u>\$ 58,979</u>	<u>\$ 184,468</u>	<u>\$ 119,701</u>
DISCONTINUED OPERATIONS:					
Revenues	\$ -	\$ -	\$ -	\$ -	\$ 12
Operating income	-	-	(318)	-	338
Operating margin	-	-	nmf	-	nmf
Components of EBITDA ¹⁰					
Income from discontinued operations	\$ -	\$ -	\$ (204)	\$ -	\$ 216
Interest expense, net	-	-	-	-	-
Income tax expense (benefit)	-	-	(114)	-	122
Depreciation	-	-	-	-	29
Amortization	-	-	-	-	-
EBITDA ¹⁰	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (318)</u>	<u>\$ -</u>	<u>\$ 367</u>
Adjustments to EBITDA					
Loss on early extinguishment of debt	\$ -	\$ -	\$ -	\$ -	\$ -
Stock-based compensation expense	-	-	-	-	-
Interest income	-	-	-	-	-
Adjusted EBITDA ¹⁰	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (318)</u>	<u>\$ -</u>	<u>\$ 367</u>
EBITDA ¹⁰ Reconciliation to GAAP:					
EBITDA ¹⁰	\$ -	\$ -	\$ (318)	\$ -	\$ 367
Cash paid for deferred drydocking charges	-	-	-	-	-
Cash paid for interest	-	-	-	-	-
Cash paid for taxes	-	-	-	-	-
Changes in working capital	-	-	431	-	1,078
Stock-based compensation expense	-	-	-	-	-
Loss on early extinguishment of debt	-	-	-	-	-
Gain on sale of assets	-	-	-	-	(655)
Changes in other, net	-	-	-	-	-
Net cash provided by operating activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 113</u>	<u>\$ -</u>	<u>\$ 790</u>

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

Capital Expenditures and Drydock Downtime Data from Continuing Operations (unaudited):

Historical Data:	Three Months Ended			Nine Months Ended	
	September 30, 2015	June 30, 2015	September 30, 2014	September 30, 2015	September 30, 2014
Drydock Downtime:					
<i>New-Generation OSVs</i>					
Number of vessels commencing drydock activities	-	4.0	2.0	6.0	19.0
Commercial downtime (in days)	72	104	83	234	636
<i>MPSVs</i>					
Number of vessels commencing drydock activities	-	-	1.0	-	2.0
Commercial downtime (in days)	-	-	31	-	40
Commercial-related Downtime¹¹:					
<i>New-Generation OSVs</i>					
Number of vessels commencing commercial-related downtime	-	-	-	1.0	1.0
Commercial downtime (in days)	-	86	-	266	83
<i>MPSVs</i>					
Number of vessels commencing commercial-related downtime	-	-	-	-	-
Commercial downtime (in days)	-	-	-	-	-
Maintenance and Other Capital Expenditures (in thousands):					

<i>Maintenance Capital Expenditures:</i>					
Deferred drydocking charges	\$ 5,725	\$ 3,756	\$ 10,008	\$ 12,034	\$ 39,648
Other vessel capital improvements	3,064	1,820	2,847	7,134	20,331
	<u>8,789</u>	<u>5,576</u>	<u>12,855</u>	<u>19,168</u>	<u>59,979</u>
<i>Other Capital Expenditures:</i>					
200 class OSV retrofit program	-	-	-	-	122
Commercial-related vessel improvements	8,151	12,583	8,393	40,326	21,409
Non-vessel related capital expenditures	1,250	10,217	1,619	15,855	2,814
	<u>9,401</u>	<u>22,800</u>	<u>10,012</u>	<u>56,181</u>	<u>24,345</u>
	<u>\$ 18,190</u>	<u>\$ 28,376</u>	<u>\$ 22,867</u>	<u>\$ 75,349</u>	<u>\$ 84,324</u>
Growth Capital Expenditures (in thousands):					
OSV newbuild program #5	<u>\$ 27,723</u>	<u>\$ 61,554</u>	<u>\$ 59,538</u>	<u>\$ 137,040</u>	<u>\$ 253,291</u>

Forecasted Data ¹² :	1Q 2015A	2Q 2015A	3Q 2015A	4Q 2015E	2015E	2016E
Drydock Downtime:						
<i>New-Generation OSVs</i>						
Number of vessels commencing drydock activities	2.0	4.0	-	-	6.0	10.0
Commercial downtime (in days)	58	104	72	-	234	233
<i>MPSVs</i>						
Number of vessels commencing drydock activities	-	-	-	-	-	1.0
Commercial downtime (in days)	-	-	-	-	-	24
Commercial-related Downtime¹¹:						
<i>New-Generation OSVs</i>						
Number of vessels commencing commercial-related downtime	1.0	-	-	-	1.0	-
Commercial downtime (in days)	180	86	-	-	266	-
<i>MPSVs</i>						
Number of vessels commencing commercial-related downtime	-	-	-	-	-	-
Commercial downtime (in days)	-	-	-	-	-	-
Maintenance and Other Capital Expenditures (in millions):						
<i>Maintenance Capital Expenditures:</i>						
Deferred drydocking charges	\$ 2.6	\$ 3.7	\$ 5.7	\$ 1.4	\$ 13.4	\$ 13.9
Other vessel capital improvements	2.2	1.8	3.1	3.4	10.5	1.6
	<u>4.8</u>	<u>5.5</u>	<u>8.8</u>	<u>4.8</u>	<u>23.9</u>	<u>15.5</u>
<i>Other Capital Expenditures:</i>						
Commercial-related vessel improvements	19.6	12.6	8.1	11.2	51.5	8.0
Non-vessel related capital expenditures	4.4	10.2	1.3	1.0	16.9	4.0
	<u>24.0</u>	<u>22.8</u>	<u>9.4</u>	<u>12.2</u>	<u>68.4</u>	<u>12.0</u>
	<u>\$ 28.8</u>	<u>\$ 28.3</u>	<u>\$ 18.2</u>	<u>\$ 17.0</u>	<u>\$ 92.3</u>	<u>\$ 27.5</u>
Growth Capital Expenditures (in millions):						
OSV newbuild program #5	<u>\$ 47.8</u>	<u>\$ 61.5</u>	<u>\$ 27.7</u>	<u>\$ 35.0</u>	<u>\$ 172.0</u>	<u>\$ 60.6</u>

Hornbeck Offshore Services, Inc. and Subsidiaries
Unaudited Other Fleet and Financial Data
(in millions, except Average Vessels, Contract Backlog and Tax Rate)

Forward Guidance of Selected Data from Continuing Operations (unaudited):

	4Q 2015E Avg Vessels	Full-Year 2015E Avg Vessels	Full-Year 2016E Avg Vessels
Fleet Data (as of 28-Oct-2015):			
<i>Upstream</i>			
New generation OSVs - Active	32.7	41.9	32.0
New generation OSVs - Stacked ¹³	27.3	18.2	30.0
New generation OSVs - Total	60.0	60.1	62.0
New generation MPSVs	6.0	5.8	7.6
Total Upstream	<u>66.0</u>	<u>65.9</u>	<u>69.6</u>

Cost Data:	4Q 2015E Range		Full-Year 2015E Range	
	Low ¹⁴	High ¹⁴	Low ¹⁴	High ¹⁴
Operating expenses	\$ 50.0	\$ 55.0	\$ 223.9	\$ 228.9
General and administrative expenses	\$ 12.0	\$ 13.0	\$ 49.1	\$ 50.1

Other Financial Data:	1Q 2015A	2Q 2015A	3Q 2015A	4Q 2015E	2015E	2016E
Depreciation	\$ 20.0	\$ 20.2	\$ 21.0	\$ 22.0	\$ 83.2	\$ 92.2
Amortization	7.5	6.3	6.4	6.1	26.3	22.7
Interest expense, net:						
Interest expense	\$ 13.6	\$ 13.5	\$ 13.5	\$ 13.5	\$ 54.1	\$ 54.0
Incremental non-cash OID interest expense ¹⁵	2.4	2.5	2.5	2.5	9.9	10.5
Capitalized interest	(5.8)	(6.1)	(6.3)	(4.6)	(22.8)	(8.4)
Interest income	(0.2)	(0.4)	(0.4)	(0.3)	(1.3)	(1.0)
Total interest expense, net	\$ 10.0	\$ 9.5	\$ 9.3	\$ 11.1	\$ 39.9	\$ 55.1
Income tax rate	37.4%	36.6%	38.8%	37.5%	37.5%	n/a
Cash income taxes	\$ 1.4	\$ 0.5	\$ 1.4	\$ 1.5	\$ 4.8	\$ 4.9
Cash interest expense	14.0	11.2	13.9	11.3	50.4	50.2
Weighted average diluted shares outstanding ¹⁶	36.1	36.3	36.4	36.4	36.3	36.7

- 1 Represents other income and expenses, including equity in income from investments and foreign currency transaction gains or losses.
- 2 For the three and nine months ended September 30, 2015 and the three months ended June 30, 2015, the Company had 317, 326 and 326 anti-dilutive stock options, respectively. For the three and nine months ended September 30, 2014, the Company had no anti-dilutive stock options. As of September 30, 2015, June 30, 2015, and September 30, 2014, 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 59 new generation OSVs as of September 30, 2015. Excluded from this data is one stacked conventional OSV that the Company considers to be a non-core asset. Also excluded from this data are six MPSVs owned and operated 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 2014. Active new generation OSVs represent vessels that are immediately available for service during each respective period.
- 5 Average utilization rates are average rates based on a 365-day year. 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 utilization rate for the respective period.
- 9 Represents revenues from shore-based operations, vessel-management services, 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 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 also makes 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 these ratios can 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 actual and anticipated cash outlays before the allocation of construction period interest, as applicable.
- 13 As of October 28, 2015, the Company's inactive fleet of 27 new generation OSVs that were "stacked" was comprised of the following: seven 200 class OSVs, nineteen 240 class OSVs and one 265 class OSV. In addition, the Company plans to stack an additional two 265 class OSVs and one 240 class OSV during the remainder of the fourth quarter of 2015.
- 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 Represents incremental imputed non-cash OID interest expense required by accounting standards pertaining to the Company's 1.500% convertible senior notes due 2019.
- 16 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.

To view the original version on PR Newswire, visit: <http://www.prnewswire.com/news-releases/hornbeck-offshore-announces-third-quarter-2015-results-300168284.html>

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