

TEAM INC
Form 10-K
March 19, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2018

OR
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File Number 001-08604

TEAM, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware 74-1765729
(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)

13131 Dairy Ashford, Suite 600, Sugar Land, Texas 77478
(Address of Principal Executive Offices) (Zip Code)
(281) 331-6154
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:
Title of Each Class Name of Each Exchange on Which Registered
Common Stock, \$0.30 par value New York Stock Exchange
Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or

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information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. "

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the voting stock held by non-affiliates on June 29, 2018 was approximately \$561 million, determined using the closing price of shares of common stock on the New York Stock Exchange on that date of \$23.10.

For purposes for the foregoing calculation only, all directors, executive officers, the Team, Inc. Salary Deferral Plan and Trust and known 10% or greater beneficial owners have been deemed affiliates.

The Registrant had 30,247,044 shares of common stock, par value \$0.30, outstanding as of March 7, 2019.

Documents Incorporated by Reference

Portions of our Definitive Proxy Statement for the 2019 Annual Meeting of Stockholders are incorporated by reference into Part III of this report.

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Certain items required in Part III of this Annual Report on Form 10-K can be found in our 2019 Proxy Statement and are incorporated herein by reference. A copy of the 2019 Proxy Statement will be provided, without charge, to any person who receives a copy of this Annual Report on Form 10-K and submits a written request to Team, Inc., Attn: Corporate Secretary, 13131 Dairy Ashford, Suite 600, Sugar Land, Texas 77478.

PART I

ITEM 1. BUSINESS

General Information

Introduction. Unless otherwise indicated, the terms “Team, Inc.,” “Team,” “the Company,” “we,” “our” and “us” are used in this report to refer to Team, Inc., to one or more of our consolidated subsidiaries or to all of them taken as a whole. We are incorporated in the State of Delaware on October 20, 2006 and our company website can be found at www.teaminc.com. Our corporate headquarters is located at 13131 Dairy Ashford, Suite 600, Sugar Land, Texas, 77478 and our telephone number is (281) 331-6154. Our stock is traded on the New York Stock Exchange (“NYSE”) under the symbol “TISI.” On November 10, 2015, we announced a change of our fiscal year end to December 31 of each calendar year from May 31.

We are a leading provider of standard to specialty industrial services, including inspection, engineering assessment and mechanical repair and remediation required in maintaining high temperature and high pressure piping systems and vessels that are utilized extensively in the refining, petrochemical, power, pipeline and other heavy industries. We conduct operations in three segments: Inspection and Heat Treating Group (“IHT”) (formerly TeamQualspec), Mechanical Services Group (“MS”) (formerly TeamFurmanite) and Quest Integrity Group (“Quest Integrity”). Through the capabilities and resources in these three segments, we believe that Team is uniquely qualified to provide integrated solutions involving in their most basic form: inspection to assess condition, engineering assessment to determine fitness for purpose in the context of industry standards and regulatory codes and mechanical services to repair, rerate or replace based upon the client’s election. In addition, the Company is capable of escalating with the client’s needs, as dictated by the severity of the damage found and the related operating conditions, from standard services to some of the most advanced services and integrated asset integrity and reliability management solutions available in the industry. We also believe that Team is unique in its ability to provide services in three distinct client demand profiles: (i) turnaround or project services, (ii) call-out services and (iii) nested or run-and-maintain services.

IHT provides standard and advanced non-destructive testing (“NDT”) services primarily for the process, pipeline and power sectors, pipeline integrity management services, field heat treating services, as well as associated engineering and condition assessment services. These services can be offered while facilities are running (on-stream), during facility turnarounds or during new construction or expansion activities.

MS provides primarily call-out and turnaround services under both on-stream and off-line/shut down circumstances. On-stream services offered by MS represent the services offered while plants are operating and under pressure. These services include leak repair, fugitive emissions control and hot tapping and line intervention and help operators manage the material opportunity costs associated with bringing down process, transportation or storage infrastructure. Turnaround services are project-related and demand is a function of the number and scope of scheduled and unscheduled facility turnarounds as well as new industrial facility construction or expansion activities. The turnaround and call-out services MS provides include field machining, technical bolting, isolation test plugging, field valve repair and valve product sales.

Quest Integrity provides integrity and reliability management solutions for the process, pipeline and power sectors. These solutions encompass three broadly-defined disciplines: (1) highly specialized in-line inspection services for unpiggable process piping and pipelines using proprietary in-line inspection tools and analytical software; (2) advanced engineering and condition assessment services through a multi-disciplined engineering team and related lab support; and (3) advanced digital imaging including remote digital video imaging, laser scanning and laser profilometry-enabled reformer care services.

We offer these services globally through over 200 locations in 20 countries throughout the world with approximately 7,200 employees. We market our services to companies in a diverse array of heavy industries which include the petrochemical, refining, power, pipeline, steel, pulp and paper industries, as well as municipalities, shipbuilding,

original equipment manufacturers (“OEMs”), distributors, and some of the world’s largest engineering and construction firms.

In September 2017, Ted W. Owen stepped down as Chief Executive Officer (“CEO”) and Gary G. Yesavage, a member of the Team board of directors (the “Board”), was appointed as Team’s Interim CEO until the appointment of Amerino Gatti as CEO and member of the Board in January 2018.

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In July 2018, we announced an organizational restructuring. The organizational changes include a Product and Service Line organization and an Operations organization. The Product and Service Lines organization is responsible for value positioning and pricing, standardization of best practices, technical training and program development, and technology innovation across Team's global enterprise. The Operations organization, comprised of cross-segment divisions aligned by major geographic regions, will be responsible for executing product and service delivery in accordance with established Team service line standards, safety and quality protocols. Overall company management and decision-making by our chief operating decision maker continues to be performed according to the structure of the three operating segments (IHT, MS and Quest Integrity). Accordingly, these changes had no effect on our reportable segments.

Narrative Description of Business

Inspection and Heat Treating Group:

IHT offers standard to specialty inspection services as well as heat treating services. Heat treating services are generally associated with turnaround or project activities. A description of these core IHT services is as follows: Non-Destructive Evaluation and Testing Services. Machined parts and industrial structures can be complex systems that experience extreme loads and fatigue during their lifetime. Our Non-Destructive Evaluation ("NDE") or our NDT enables the inspection of these components without permanently altering the equipment. It is a highly valuable technique that is often used to validate the integrity of materials, detect instabilities, discover performance outside of tolerances, identify failed components, or highlight an inadequate control system. Inspection services frequently require industry recognized training and certification. We employ training and certification programs, which are designed to meet or exceed industry standards. As assets continue to age, often beyond original design life, and compliance regulations advance in parallel, inspection and assessment techniques are playing a critical role in safely monitoring fitness-for-service and where practical, extending the useful life of this aging infrastructure.

Radiographic Testing. Radiographic Testing ("RT") is used to detect discontinuities in ferrous and nonferrous castings, welds or forgings using X-ray or gamma ray radiation. RT reveals both external and internal defects, internal assembly details and changes in thickness. Our licensed technicians utilize conventional, computed and real-time radiography testing techniques depending upon the complexity and needs of our customers.

Ultrasonic Testing. Ultrasonic Testing ("UT") uses high frequency ultrasonic waves to detect surface breaking and internal imperfections, measure material thickness and determine acceptance or rejection of a test object based on a reference code or standard. We offer ten different types of UT methods, including traditional scans as well as automated and high speed ultrasonic Electro Magnet Acoustic Transducer testing. Each method is utilized to meet a specific material or process application requirement.

Magnetic Particle Inspection. Magnetic Particle Inspection is an NDT process for detecting surface and slightly subsurface discontinuities in ferroelectric materials such as iron, nickel, cobalt, and some of their alloys. The process puts a magnetic field into the test object. When the part is magnetized, flaws perpendicular to the magnetic field direction cause flux leakage. If a lapse or a crack is present, the magnetic particles will be attracted to the flawed area, providing our technician with what is called an indication. Our technician will then evaluate the indication to assess the location, size, shape and extent of these imperfections.

Liquid Penetrant Inspection. Liquid Penetrant Inspection is one of the most widely used NDE/NDT methods. Its popularity can be attributed to two main factors: its relative ease of use and its flexibility. Liquid Penetrant Inspection can be used to inspect almost any material. At Team, we utilize Liquid Penetrant Inspection to detect surface discontinuities in both ferromagnetic and non-ferromagnetic materials. In castings and forgings, there may be cracks or leaks in new products or fatigue cracks in in-service components.

Positive Material Identification. Positive Material Identification ("PMI") quickly and accurately identifies the composition of more than 100 different engineering alloys onsite. Team can perform PMI on virtually any size or shape of pipe, plate, weld, welding materials, machined parts or castings.

Electromagnetic Testing. Electromagnetic Testing applies to a family of test methods that use magnetism and electricity to detect or measure cracks, flaws, corrosion or heat damage in conductive materials. Magnetic properties and geometric analysis are used to determine the best technique to identify defects. Our electromagnetic services enable our technicians to evaluate small cracks, pits, dents and general thinning in tubing with small diameters, large

steel surfaces such as storage tank floors, and everything in between.

Alternating Current Field Measurement. Originally developed for inspection of fatigue cracking, our Alternating Current Field Measurement (“ACFM”) is an advanced technique for detecting surface cracks and pinpointing the location, length and depth of the defect. Our ACFM works through paint and coatings and in a wide range of temperatures. Results are automatically recorded and accepted by certification authorities.

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Eddy Current Testing. Eddy Current Testing (“ECT”) is ideal for nonferrous materials such as heat exchanger tubes, condensers, boilers, tubing and aircraft surfaces. Team’s ECT uses electromagnetic induction to detect flaws in conductive materials, displaying the presence of very small cracks, pits, dents and general thinning.

Long-Range Guided Ultrasonics. Guided wave inspection is a method of ultrasonic testing that enables the detection and location of pipe defects above and below ground without disruption of service. This technique only requires a small area of excavation to perform the testing where applicable. Guided ultrasonics sends a bilateral signal over hundreds of feet allowing long ranges of piping to be inspected at one time.

Phased Array Ultrasonic Testing. Phased Array Ultrasonics (“PAUT”) provides sharper detection capability for off-angle cracks and is capable of displaying multiple presentations simultaneously. PAUT applies computer-controlled excitation to individual elements in a multi-element probe. By varying the timing of the excitation, the sound beam can be swept through a range of angles. The shape of the beam may also be modified to a specific focal distance or spot.

Tank Inspection and Management Programs. Our above ground storage tank (“ABST”) inspection and management team, TCI Services, Inc. (“TCI”), specializes in performing inspections, condition assessment and selected repair services across the United States (“U.S.”) for ABST and related infrastructure. Backed by Team’s in-house engineering, documentation and certification services – including American Petroleum Institute 653 evaluations – TCI’s on-site tank inspections, repair and maintenance services help keep customers’ tanks fully operational and compliant with stringent industry standards.

Rope Access. We provide a range of innovative and cost-effective solutions to suit the customer’s individual requirements for inspection and maintenance services for the energy and industrial markets. Our rope access solutions allow for work to be carried out safely and quicker than traditional methods using scaffolding, keeping costs and job duration to a minimum. We provide these services under full accreditation by the Industrial Rope Access Trade Association, whose guidelines are recognized by the industry as the safest method of working at height.

Mechanical Integrity Services. Maintaining the integrity of equipment is more than simply performing inspections. A well-implemented Mechanical Integrity (“MI”) program involves multiple components that improve the safety and reliability of a facility’s equipment. Our MI programs are designed to ensure the continued integrity and fitness for service of piping systems, pressure vessels, tanks and related components. We believe our mechanical integrity engineers are well versed in pertinent codes and standards of the Occupational Safety and Health Administration’s (“OSHA”) process safety management and the U.S. Environmental Protection Agency’s (the “EPA”) risk management program regulations.

Field Heat Treating Services. Field Heat Treating Services include electric resistance and gas-fired combustion, primarily utilized by industrial customers to enhance the metallurgical properties of their process piping and equipment. Electric resistance heating is the transfer of high energy power sources through attached heaters to the plant component to preheat weld joints, to remove contaminants and moisture prior to welding, for post-weld heat treatments and to relieve metal thermal stresses induced by the welding process. Specialty heat treating processes are performed using gas-fired combustion on large pressure vessels for stress relieving to bake specialty paint coatings and controlled drying of abrasion and temperature resistant refractories. Special high frequency heating, commonly called induction heating, is used for expanding metal parts for assembly or disassembly, expanding large bolting for industrial turbines and stress relieving projects which are cost prohibitive for electric resistance or gas-fired combustion.

Mechanical Services Group:

MS offers standard to specialty services within both on-stream and turnaround/project-related environments. A description of these core MS services is as follows:

Leak Repair Services. Our leak repair services consist of on-stream repairs of leaks in pipes, valves, flanges and other parts of piping systems, pipelines and related equipment. Our on-stream repairs utilize composite repair, drill and tap repair, and both standard and custom-designed clamps and enclosures for process piping and pipelines. We use specially developed techniques, sealants and equipment for repairs. Many of our repairs are furnished as interim measures which allow plant systems to continue operating until more permanent repairs can be made during plant shut downs. Our leak repair services involve inspection of the leak by our field technicians who record pertinent

information about the faulty part of the system and transmits the information to our engineering department for determination of appropriate repair techniques. Repair materials such as clamps and enclosures are custom designed and manufactured at our International Organization for Standardization (“ISO”)-9001 certified manufacturing centers and delivered to the job site. We maintain an inventory of raw materials and semi-finished clamps and enclosures to reduce the time required to manufacture the finished product.

Fugitive Emissions Control Services. We provide fugitive volatile organic compound (“VOC”) emission leak detection services that include identification, monitoring, data management and reporting primarily for the chemical, refining and natural gas processing industries. These services are designed to monitor and record VOC emissions from specific process equipment and

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piping components as required by environmental regulations and customer requests, typically assisting the customer in enhancing an ongoing maintenance program and/or complying with present and/or future environmental regulations. We provide specialty trained technicians in the use of portable organic chemical analyzers and data loggers to measure potential leaks at designated plant components maintained in customer or our proprietary databases. The measured data is used to prepare standard reports in compliance with EPA and local regulatory requirements. We also provide enhanced custom-designed reports to customer specifications.

Hot Tapping Services. Our hot tapping services consist of a full range of hot tapping, Line-stop™ and Freeze-stop™ services with capabilities for up to 48” diameter pipelines. Hot tapping services involve utilizing special equipment to cut a hole in a pressurized pipeline so that a new branch pipe can be connected onto the existing pipeline without interrupting operations. Line-stop™ services permit the line to be depressurized downstream so that maintenance work can be performed on the piping system. We typically perform these services by mechanically cutting into the pipeline similar to a hot tap and installing a special plugging device to stop the process flow. The Hi-stop™ is a proprietary procedure that allows stopping of process flows under typically more extreme pressures and temperatures. In some cases, we may use a line freezing procedure by injecting liquid nitrogen into installed special external chambers around the pipe to stop the process flow. Inflatable bag stops are used when a pipe is out of round or inside surface conditions of the pipe prevent a standard line stop. Bag stops can also be used to back up a line stop. A small hot tap is made into a pipe and an inflatable pipe plug is inserted into the pipe to allow the plug to stop the flow in the pipe. Additionally, we provide innovative line stop applications for unique service applications to meet customers’ more unconventional needs.

Field Machining Services and Technical Bolting Services. We use portable machining equipment to repair or modify machinery, equipment, vessels and piping systems not easily removed from a permanent location. As opposed to conventional machining processes where the work piece rotates and the cutting tool is fixed, in field machining, the work piece remains fixed in position and the cutting tool rotates. Other common descriptions for this service are on-site or in-place machining. Field machining services include flange facing, pipe cutting, line boring, journal turning, drilling and milling. We provide customers technical bolting as a complementary service to field machining during plant shut downs or maintenance activities. These services involve the use of hydraulic or pneumatic equipment with industry standard bolt tightening techniques to achieve reliable and leak-free connections following plant maintenance or expansion projects. Additional services include bolt disassembly and hot bolting, which is a technique to remove and replace a bolt while on-line under pressure and temperature.

Valve Repair Services and Products. We perform on-site and shop-based repairs to manual and control valves and pressure and safety relief valves as well as specialty valve actuator diagnostics and repair. We are certified and authorized to perform testing and repairs to pressure and safety relief valves by The National Board of Boiler and Pressure Vessel Inspectors (the “NBBPVI”). This certification requires specific procedures, testing and documentation to maintain the safe operation of these essential plant valves. We provide special transportable trailers to the plant site which contain specialty machines to manufacture valve components without removing the valve from the piping system. In addition, we provide preventive maintenance programs for VOC specific valves and valve data management programs. We also represent selected valve manufacturers and distributes their products where complementary to our clients’ valve supply and management needs.

Field Welding. We perform certified manual, semi-automatic and fully automated machine welding services in a variety of specialty industrial applications. All Team welders are certified to applicable American Society of Mechanical Engineers (“ASME”) code and we are authorized by the NBBPVI for the repair of nuclear components, boilers and other pressure-containing components.

Isolation and Test Plug Services. We install isolation plugs to provide a mechanical block of flammable atmosphere to allow for pipe cutting and welding down or upstream without having to purge the entire piping system. The plugs are mechanically expanded to seal on the inside pipe surface and provide a venting system to prevent pressure from building up in the piping system while the system is opened. Test plugs are used to verify the integrity of welded joints by providing sealing surfaces on both sides of the weld and pressuring the void cavity in between. The test plugs allow the customer to comply with the ASME hydrostatic test requirements for welded joints without having to pressurize the whole system which may result in shutdown of other systems or environmental issues with the test

medium.

Valve Insertion Services. We offer professional installation services for our patented InsertValve™. The valve installs under pressure, eliminating the need for line shut downs in the event of planned or emergency valve cut-ins. Designed for a wide range of line sizes and types, the InsertValve™ wedge gate sits on the valve body, not the pipe bottom. This unique feature prevents the seat from coming into contact with the cut pipe edges to significantly extend valve life. If a repair is ever needed, we believe it is the only valve on the market that can be repaired under pressure.

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Quest Integrity:

Quest Integrity offers integrity and reliability management solutions to the energy industry in the form of advanced quantitative inspection, engineering and condition assessment services and products and digital imaging services. Quest Integrity's advanced quantitative inspection services utilize proprietary non-destructive testing and examination (NDT/NDE) instrumentation to provide technology-enabled in-line inspections of fired heaters, pipelines, process piping systems and steam reformers, primarily to the process, pipeline and power industries. Additionally, Quest Integrity offers engineering assessment services enabled by proprietary software and other analytical tools, and lab testing and analysis resources.

Quest Integrity's major service offerings are described as follows:

Furnace Tube Inspection System-Enabled Services. Furnace Tube Inspection System ("FTISTM") in-line inspection service provides an untethered 360-degree 100% coverage ultrasonic inspection of the internal and external surfaces of serpentine coils of fired heaters, which are found in refineries and other process plant environments. FTISTM allows us to detect and quantify internal/external pipe/tube wall loss, deformation and fouling and thereby identify weak points in such heaters in order to provide customers with timely, actionable information to better manage their infrastructure.

InVistaTM-Enabled Services. Our proprietary InVistaTM in-line inspection service provides an untethered 360-degree 100% coverage ultrasonic inspection of the internal and external surfaces of pipelines and process piping that are considered "unpiggable" or too challenging to inspect by traditional inspection methods, due to a number of factors. InVistaTM allows us to detect and quantify pipe/tube internal/external wall loss, deformation, pitting and fouling in such pipelines and process piping. Our standard InVistaTM deliverable also provides a fitness-for-service assessment on the pipe and displays the information in a highly intuitive format, providing an integrated inspection plus condition assessment solution for customers.

Pipeline Integrity Management Services. We offer turn-key Pipeline Integrity Management services, including project management, integrity engineering and integrity management development services, in-line inspection support such as cleaning and launching/receiving, pig tracking and materials equipment selection and procurement. We offer these resources on an integrated basis with our InVistaTM in-line inspection services and engineering assessment capabilities, or individually as applicable.

Advanced Engineering and Condition Assessment Services. Employing a multi-disciplined engineering team, supported by proprietary software, other analytical tools and lab testing capability, we offer a variety of advanced engineering assessment services to customers in the process, power, pipeline, petrochemical and alternative energy industries including fitness-for-service, computational mechanics, failure analysis, risk-based asset management and materials consulting.

Advanced Digital Imaging Services. Quest Integrity offers Advanced Digital Imaging ("ADI") services utilizing a combination of proprietary and advanced third party equipment, including video, laser scanning, robotic crawlers and aerial drones, to remotely capture digital images in difficult or dangerous to access locations in and around energy industry infrastructure. We often deliver such services as part of an integrated solution where ADI may complement or further inform other inspection and condition assessment techniques.

Acquisitions

In June 2016, we acquired a mechanical furnace and pipe cleaning business in Europe, Turbinate International B.V. ("Turbinate") for approximately \$8 million. Recognized as a service leader in the European market, Turbinate specializes in de-coking and cleaning of fired heaters and unpiggable refinery assets as well as mechanical cleaning of furnaces and pipes from two to 18 inches in diameter by means of pigging, endoscopy and ultra sound inspection services. Turbinate is located in Vianen, the Netherlands. Turbinate is reported in the Quest Integrity segment.

In April 2016, we acquired two related businesses in Europe: Quality Inspection Services ("QIS") and TiaT Europe ("TiaT") for a total of approximately \$9 million. QIS is an NDT inspection company and TiaT is an NDT training school and consultancy and engineering company recognized as a specialist in aerospace inspections. Both companies are located in Roosendaal, the Netherlands. The businesses added approximately 65 employees to our organization in Europe and collectively serve clients in the on and offshore energy, steel construction, shipbuilding and repair and aerospace industries. QIS is the fourth largest NDT inspection company in the Netherlands and represents IHT's first

inspection operation outside of North America. QIS and TiaT are reported in the IHT segment.

In February 2016, we completed our acquisition of Furmanite Corporation (now Furmanite LLC, “Furmanite”) pursuant to an Agreement and Plan of Merger (the “Merger Agreement”) under which we acquired all the outstanding shares of Furmanite in a stock transaction at a value of approximately \$282.3 million which included the payoff, immediately prior to closing, of approximately \$70.8 million in Furmanite debt. Under the terms of the Merger Agreement, Furmanite shareholders received 0.215

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shares of Team common stock for each share of Furmanite common stock they owned. The combination doubled the size of Team's mechanical services capabilities and established a deeper, broader talent and resource pool that better supports customers across standard and specialty mechanical services worldwide. In addition, our expanded capability and capacity offers an enhanced single-point of accountability and flexibility in addressing some of the most critical needs of clients; whether as individual services or as part of an integrated specialty industrial services solution. The purchase price allocation included net working capital of \$143.9 million, \$63.3 million in fixed assets, \$89.0 million in intangibles, \$91.4 million of non-current deferred tax liabilities, \$13.5 million of defined benefit pension liabilities with \$89.6 million allocated to goodwill. Our consolidated results include the activity of Furmanite beginning on the acquisition date of February 29, 2016. Included in the Furmanite acquisition was a process management inspection services business serving contractors and operators participating primarily in the midstream oil and gas market in the U.S. Upon acquisition, we determined that this business was not a strategic fit for Team and shortly thereafter began marketing the business to prospective buyers. We completed the sale of this operation in December 2016. The operating results of this business were reported as discontinued operations in our consolidated financial statements. In July 2015, we acquired 100% of the membership interests in Qualspec Group LLC ("Qualspec") for total cash consideration of \$255.5 million. Qualspec is a leading provider of NDT services in the U.S., with significant operations in the West Coast, Gulf Coast and Mid-Western areas of the country. Qualspec was primarily specialized in nested or run-and-maintain services and adds strength to our resident refinery inspection programs with major customer relationships across the U.S., as well as to our already strong capabilities in advanced inspection services, rope access services and the delivery of innovative inspection and condition assessment technologies to our customers. The purchase of Qualspec was financed through borrowings under our banking credit facility. The purchase price allocation included net working capital of \$16.3 million, \$15.5 million in fixed assets, \$78.1 million in intangibles, \$3.0 million of non-current deferred tax liability, with \$148.5 million allocated to goodwill. Our consolidated results include the activity of Qualspec beginning on the acquisition date of July 7, 2015 in the IHT segment.

In June 2015, we purchased DK Amans Valve, an advanced valve leader located in Long Beach, California, with a portfolio of projects from various sectors including oil and gas refining, pipelines and power generation for a total consideration of \$12.3 million, net of cash acquired of \$0.1 million. The purchase price included net working capital of \$3.0 million, \$0.6 million in fixed assets and \$8.8 million in intangibles that includes \$2.5 million allocated to goodwill. The purchase price allocation included contingent consideration initially valued at \$1.8 million, but as a result of meeting certain performance targets, ultimately resulted in the payment of additional consideration of \$4.0 million. DK Amans Valve is reported in the MS segment.

In August 2014, we purchased a valve repair company in the U.K. for total consideration of \$3.1 million, net of cash acquired of \$0.2 million, including estimated contingent consideration of \$0.3 million. Our purchase price allocation resulted in \$2.1 million being allocated to fixed assets and net working capital and \$1.0 million being applied to goodwill and intangible assets. This business is reported in the MS segment.

Marketing and Customers

Our industrial services are marketed principally by personnel based at our service locations. We believe that these service locations are situated to facilitate timely responses to customer needs with on-call expertise, which is an important feature of selling and providing our services. The capacity and capability scope of our discrete and integrated services also allows us to benefit from the procurement trends of many of our customers who are seeking reductions in the number of contractors and vendors in their facilities, as well as outsourcing more of such services. No single customer accounted for 10% or more of consolidated revenues during the years ended December 31, 2018, 2017 or 2016.

Generally, customers are billed on a time and materials basis, although some work may be performed pursuant to a fixed-price bid. Services are usually performed pursuant to purchase orders issued under written customer agreements. While most purchase orders provide for the performance of a single job, some provide for services to be performed on a run-and-maintain basis. Substantially all our agreements and contracts may be terminated by either party on short notice. The agreements generally specify the range of services to be performed and the hourly rates for labor. While many contracts cover specific plants or locations, we also enter into multiple-site regional or national contracts which

cover multiple plants or locations.

Seasonality

We experience some seasonal fluctuations. Historically, the refining industry has scheduled plant shutdowns (commonly referred to as “turnarounds”) for the fall and spring seasons. The power industry follows a similar seasonal schedule for their plant maintenance. The timing of large turnarounds or outages can significantly impact our revenues.

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Employees

At December 31, 2018, we had approximately 7,200 employees in our worldwide operations. Our employees in the U.S. are predominantly non-unionized. Most of our Canadian employees and certain employees outside of North America, primarily Europe, are unionized. There have been no employee work stoppages to date and we believe our relations with our employees and their representative organizations are fair and productive.

Regulation

A significant portion of our business activities are subject to foreign, federal, state and local laws and regulations. These regulations are administered by various foreign, federal, state and local health and safety and environmental agencies and authorities, including OSHA of the U.S. Department of Labor and the EPA. Failure to comply with these laws and regulations may involve civil and criminal liability. From time to time, we are also subject to a wide range of reporting requirements, certifications and compliance as prescribed by various federal and state governmental agencies that include, but are not limited to, the EPA, the Nuclear Regulatory Commission, the Chemical Safety Board, the Department of Transportation and the Federal Aviation Administration. Expenditures relating to such regulations are made in the normal course of our business and are neither material nor place us at any competitive disadvantage. We do not currently expect that compliance with such laws and regulations will require us to make material expenditures.

From time to time, during the operation of our environmental consulting and engineering services, the assets of which were sold in 1996, we handled small quantities of certain hazardous wastes or other substances generated by our customers. Under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (the “Superfund Act”), the EPA is authorized to take administrative and judicial action to either cause parties who are responsible under the Superfund Act for cleaning up any unauthorized release of hazardous substances to do so, or to clean up such hazardous substances and to seek reimbursement of the costs thereof from the responsible parties, who are jointly and severally liable for such costs under the Superfund Act. The EPA may also bring suit for treble damages from responsible parties who unreasonably refuse to voluntarily participate in such a clean-up or funding thereof. Similarly, private parties who bear the costs of cleanup may seek to recover all or part of their costs from responsible parties in cost recovery or contribution actions. Responsible parties include anyone who owns or operates the facility where the release occurred (either currently and/or at the time such hazardous substances were disposed of), or who by contract arranges for disposal, treatment, transportation for disposal or treatment of a hazardous substance, or who accepts hazardous substances for transport to disposal or treatment facilities selected by such person from which there is a release. We believe that our risk of liability is minimized since our handling consisted solely of maintaining and storing small samples of materials for laboratory analysis that are classified as hazardous. Due to its prohibitive costs, we accordingly do not currently carry insurance to cover liabilities which we may incur under the Superfund Act or similar environmental statutes.

Intellectual Property

We hold various patents, trademarks, trade secrets and licenses, which have not historically been material to our consolidated business operations. However, Quest Integrity has significant trade secrets and intellectual property pertaining to its proprietary inspection and engineering assessment and software tools. This subsidiary was acquired in November 2010 and a significant amount of the purchase price was allocated to these intangible assets.

Competition

In general, competition stems from a large number of other outside service contractors. More than 100 different competitors are currently active in our markets. We believe we have a competitive advantage over most service contractors due to the quality, training and experience of our technicians, our nationwide and increasingly international service capability, the breadth and depth of our services, our ability to provide such services on an integrated, more turnkey basis, and our technical support and manufacturing capabilities supporting the service network. However, there are other competitors that may offer a similar range of coverage or services and include, but are not limited to, Acuren Group, Inc., Guardian Compliance, Mistras Group, Inc., Stronghold Ltd. (a subsidiary of Quanta Services Inc.) and T.D. Williamson, Inc.

Available Information

Edgar Filing: TEAM INC - Form 10-K

As a public company, we are required to file periodic reports with the Securities and Exchange Commission (the “SEC”) within established deadlines. Our SEC filings are available to the public through the SEC’s website located at www.sec.gov. Our internet website address is www.teaminc.com. Information contained on our website is not part of this Annual Report on Form 10-K. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, Proxy Statements and current reports on Form 8-K filed

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with (or furnished to) the SEC are available on our website, free of charge, as soon as reasonably practicable after we file or furnish such material. We also post our code of ethical conduct, our governance principles, our social responsibility policy and the charters of our Board committees on our website. Our governance documents are available in print to any stockholder that submits a written request to Team, Inc., Attn: Corporate Secretary, 13131 Dairy Ashford, Suite 600, Sugar Land, Texas 77478.

ITEM 1A. RISK FACTORS

Our business, financial condition, results of operations, cash flows and/or stock price could be materially adversely affected by any of the risks and uncertainties described below.

The economic environment may affect our customers' demand for our services. Future economic uncertainty may reduce the availability of liquidity and credit and, in many cases, reduce demand for our customers' products. Disruption of the credit markets could also adversely affect our customers' ability to finance on-going maintenance and new projects, resulting in contract cancellations or suspensions, and project delays. An extended or deep recession may result in plant closures or other contractions in our customer base. These factors may also adversely affect our ability to collect payment for work we have previously performed. Furthermore, our ability to expand our business could be limited if, in the future, we are unable to increase our credit capacity under favorable terms or at all. Such disruptions, should they occur, could materially impact our results of operations, financial position or cash flows.

Our revenues are heavily dependent on certain industries. Sales of our services are dependent on customers in certain industries, particularly the refining and petrochemical industries. As experienced in the past, and as expected to occur in the future, downturns characterized by diminished demand for services in these industries could have a material impact on our results of operations, financial position or cash flows. Certain of our customers have employees represented by unions and could be subject to temporary work stoppage which could impact our activity level.

We sell our services in highly competitive markets, which places pressure on our profit margins and limits our ability to maintain or increase the market share of our services. Our competition generally stems from other outside service contractors, many of whom offer a similar range of services. Future economic uncertainty could generally reduce demand for industrial services and thus create a more competitive bidding environment for new and existing work. No assurances can be made that we will continue to maintain our pricing model and our profit margins or increase our market share.

If we are not able to implement commercially competitive services in a timely manner in response to changes in the market, customer requirements, competitive pressures and technology trends, our business and results of operations could be materially and adversely affected. The market for our services is characterized by continual technological developments to provide better and more cost-effective services. If we are not able to implement commercially competitive services and products in a timely manner in response to changes in the market, customer requirements, competitive pressures and technology trends, our business and results of operations could be materially and adversely affected. Likewise, if our proprietary technologies, equipment, facilities, or work processes become obsolete, we may no longer be competitive, and our business and results of operations could be materially and adversely affected. No assurances can be made that we will be successful in maintaining or renewing our contracts with our customers. A significant portion of our contracts and agreements with customers may be terminated by either party on short notice. Although we actively pursue the renewal of our contracts, we cannot assure that we will be able to renew these contracts or that the terms of the renewed contracts will be as favorable as the existing contracts. If we are unable to renew or replace these contracts, or if we renew on less favorable terms, we may suffer a material reduction in revenue and earnings.

No assurances can be made that we will be successful in hiring or retaining members of a skilled technical workforce. We have a skilled technical workforce and an industry recognized technician training program for each of our service lines that prepares new employees as well as further trains our existing employees. The competition for these individuals is intense. The loss of the services of a number of these individuals, or failure to attract new employees, could adversely affect our ability to perform our obligations on our customers' projects or maintenance and consequently could negatively impact the demand for our products and services.

The loss or unavailability of any of our executive officers or other key personnel could have a material adverse effect on our business. We depend greatly on the efforts of our executive officers and other key employees to manage and

exercise leadership over our operations. The loss or unavailability of any of our executive officers or other key employees could have a material adverse effect on our business operations.

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Unsatisfactory safety performance can affect customer relationships, eliminate or reduce revenue streams from our largest customers, result in higher operating costs and negatively impact our ability to hire and retain a skilled technical workforce. Our workers are subject to the normal hazards associated with providing services at industrial facilities. Even with proper safety precautions, these hazards can lead to personal injury, loss of life, destruction of property, plant and equipment, lower employee morale and environmental damage. While we are intensely focused on maintaining a strong safety environment and reducing the risk of accidents to the lowest possible level, there can be no assurance that these efforts will be effective. Poor safety performance may limit or eliminate potential revenue streams, including from many of our largest customers, and may materially increase our operating costs, including increasing our required insurance deductibles, self-insured retention and insurance premium costs.

The Company's insurance coverage will not fully indemnify us against certain claims or losses. Further, the Company's insurance has limits and exclusions and not all losses or claims are insured. We perform services in hazardous environments on or around high-pressure, high temperature systems and our employees are exposed to a number of hazards, including exposure to hazardous materials, explosion hazards and fire hazards. Incidents that occur at these large industrial facilities or systems, regardless of fault, may be catastrophic and adversely impact our employees and third parties by causing serious personal injury, loss of life, damage to property or the environment, and interruption of operations. Our contracts typically require us to indemnify our customers for injury, damage or loss arising out of our presence at our customers' location, regardless of fault, or the performance of our services and provide for warranties for materials and workmanship. We may also be required to name the customer as an additional insured under our insurance policies. We maintain limited insurance coverage against these and other risks associated with our business. Due to the high cost of general liability coverage, we maintain insurance with a self-insured retention of \$3.0 million per occurrence. This insurance may not protect us against liability for certain events, including events involving pollution, product or professional liability, losses resulting from business interruption or acts of terrorism or damages from breach of contract by the Company. We cannot assure you that our insurance will be adequate in risk coverage or policy limits to cover all losses or liabilities that we may incur. Moreover, in the future, we cannot assure that we will be able to maintain insurance at levels of risk coverage or policy limits that we deem adequate. Any future damages caused by our products or services that are not covered by insurance or are in excess of policy limits could have a material adverse effect on our results of operations, financial position or cash flows.

We are subject to risks associated with indebtedness under our banking credit facility, including the risk of failure to maintain compliance with financial covenants, the risk of being unable to make interest and principal payments when due and the risk of rising interest rates. Our banking credit facility (the "Credit Facility"), which matures in July 2020, contains financial covenants requiring the Company to maintain certain financial ratios. As of December 31, 2018, we were required to maintain (i) a maximum ratio of senior secured debt to consolidated EBITDA (the "Senior Secured Leverage Ratio," as defined in the Credit Facility agreement) of not more than 3.50 to 1.00 and (ii) an interest coverage ratio (the "Interest Coverage Ratio," as defined in the Credit Facility agreement) of not less than 2.25 to 1.00. As of December 31, 2018, we are in compliance with these covenants. The Senior Secured Leverage Ratio and the Interest Coverage Ratio stood at 2.56 to 1.00 and 2.90 to 1.00, respectively, as of December 31, 2018.

We entered into the seventh amendment to the Credit Facility (the "Seventh Amendment") on March 8, 2018 to modify certain of the financial covenants. The Seventh Amendment eliminated the Total Leverage Ratio (as defined in the Credit Facility agreement) covenant through the remainder of the term of the Credit Facility and also modified both the Senior Secured Leverage Ratio and the Interest Coverage Ratio as follows. First, the Company is required to maintain a maximum Senior Secured Leverage Ratio of not more than 3.50 to 1.00 as of December 31, 2018 and each quarter thereafter through June 30, 2019 and not more than 2.75 to 1.00 as of September 30, 2019 and each quarter thereafter. With respect to the Interest Coverage Ratio, the Company is required to maintain a ratio of not less than 2.25 to 1.00 as of December 31, 2018 and not less than 2.50 to 1.00 as of March 31, 2019 and each quarter thereafter. Our ability to maintain compliance with the financial covenants is dependent upon our future operating performance and future financial condition, both of which are subject to various risks and uncertainties. Accordingly, there can be no assurance that we will be able to maintain compliance with the Credit Facility covenants as of any future date. In the event we are unable maintain compliance with our financial covenants, we would seek to enter into an amendment to the Credit Facility with our bank group in order to modify and/or to provide relief from the financial covenants for

an additional period of time. Although we have entered into amendments in the past, there can be no assurance that any future amendments would be available on terms acceptable to us, if at all.

We rely primarily on cash flows from our operations to make required interest and principal payments on our debt under the Credit Facility. If we are unable to generate sufficient cash flows from our operations, we may be unable to pay interest and principal obligations on our debt when they become due. Failure to comply with these obligations or failure to comply with the financial covenants discussed above could result in an event of default, which would permit our lenders to accelerate the repayment

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of the debt. If our lenders accelerate the repayment of debt, there is no assurance that we could refinance such debt on terms favorable to us or at all.

All of the debt outstanding under the Credit Facility bears interest at variable market rates. If market interest rates increase, our interest expense and cash flows could be adversely impacted. Based on Credit Facility borrowings outstanding at December 31, 2018, an increase in market interest rates of 100 basis points would increase our interest expense and decrease our operating cash flows by approximately \$2 million on an annual basis.

Our Credit Facility restricts our ability to, among other items, incur additional indebtedness, engage in mergers, acquisitions and dispositions and alter the business conducted by the Company and its subsidiaries. These restrictions could adversely affect our ability to operate our businesses and may limit our ability to take advantage of potential business opportunities as they arise.

No assurances can be made that we will be able to renew our Credit Facility, refinance the outstanding balance or otherwise repay our obligations in full prior to maturity on July 7, 2020. The Credit Facility matures on July 7, 2020 and under the terms of the Credit Facility, any outstanding balance is due in full on that date. As of December 31, 2018, under the Credit Facility, we had an outstanding principal balance of \$156.8 million and outstanding letters of credit totaling \$22.8 million. The ability to renew the Credit Facility, refinance the debt or otherwise repay the outstanding debt prior to maturity is dependent upon capital/credit market conditions as well as our financial condition, operating results and cash flows, all of which are subject to prevailing economic and competitive conditions in addition to financial, business, legislative, governmental, political, regulatory and other factors beyond our control. Therefore, it cannot be assured that we will be able to renew the Credit Facility or refinance the debt on terms favorable to us, or at all, or that we will otherwise be able repay the Credit Facility obligations in full by the maturity date. In such event, we could face substantially liquidity problems, which could cause a materially adverse impact on our business operations.

The accounting method for our convertible debt securities may have a material effect on our reported financial results. On July 31, 2017 we issued \$230.0 million principal amount of 5.00% Convertible Senior Notes due 2023 (the "Notes") in a private offering. Accordingly, the issuance of the Notes and the subsequent accounting associated with the Notes has been reflected in our consolidated financial statements beginning in the third quarter of 2017.

Under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 470-20, Debt with Conversion and Other Options, ("ASC 470-20"), an entity must separately account for the liability and equity components of the convertible debt instruments (such as the Notes) that may be settled entirely or partially in cash upon conversion in a manner that reflects the issuer's economic interest cost. The effect of ASC 470-20 on the accounting for the Notes is that the equity component is included in the additional paid-in capital section of equity on our consolidated balance sheet, and the value of the equity component is treated as original issue discount for purposes of accounting for the debt component of the Notes. As a result, we are recording a greater amount of non-cash interest expense as a result of the amortization of the discounted carrying value of the Notes to their face amount over the term of the Notes. We will report lower net income (or greater net loss) in our financial results because ASC 470-20 requires interest to include both the current period's amortization of the debt discount and the instrument's coupon interest, which could adversely affect our reported or future financial results, the market price of our common stock and the trading price of the Notes.

In addition, convertible debt instruments (such as the Notes) that may be settled entirely or partly in cash are currently accounted for utilizing the treasury stock method if we have the ability and intent to settle in cash, the effect of which is that the shares issuable upon conversion of the Notes are not included in the calculation of diluted earnings per share except to the extent that the conversion value of the Notes exceeds their principal amount and if the effect would be dilutive. Under the treasury stock method, for diluted earnings per share purposes, the transaction is accounted for as if the number of shares of common stock that would be necessary to settle such excess, if we elected to settle such excess in shares, are issued. We cannot be sure that we will be able to demonstrate the ability or intent to settle the Notes in cash in any future reporting period or that future accounting standards will continue to permit the use of the treasury stock method. If we are unable to use the treasury stock method in accounting for the shares of common stock issuable upon conversion of the Notes, then we would utilize the if-converted method, which would require us to assume the Notes would be settled entirely in shares of common stock for purposes of calculating diluted earnings per

share, if the effect would be dilutive. In such case, our diluted earnings per share would be adversely affected. Transactions relating to our convertible debt securities may dilute the ownership interest of existing stockholders, or may otherwise depress the price of our common stock. The Notes are initially convertible into 10,599,067 shares of common stock, but the occurrence of certain corporate events could increase the conversion rate, which could result in the Notes becoming convertible into a maximum of 14,838,703 shares of common stock. Upon conversion, the Company may settle the Notes in cash or in shares of common stock or a combination of cash and shares of common stock, in each case, at the Company's election. If the Notes are converted, our intent is to settle the principal amount of the Notes in cash and settle the remainder of our conversion

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obligation by issuing shares of common stock; however, we cannot guarantee that we will have sufficient funds available to us at the time of any such conversions in order to effect settlement in that manner. In such case, we could elect to settle the conversion obligation in a different combination of cash and shares of common stock or entirely in shares of common stock, depending on the circumstances. To the extent we deliver shares of common stock upon conversion of the Notes, the ownership interests of existing stockholders would be diluted. Any sales in the public market of the common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock.

Additional impairments of our goodwill, impairments of our intangible and other long-lived assets, and changes in the estimated useful lives of intangible assets could have a material adverse impact on our results of operations and financial condition. As a result of past acquisitions, goodwill and other intangible assets comprise a substantial portion of our total assets. As of December 31, 2018, our goodwill and intangible assets totaled \$281.7 million and \$131.4 million, respectively. We assess or test goodwill for impairment at least annually in accordance with Generally Accepted Accounting Principles in the U.S. (“GAAP”), while our other long-lived assets, including our finite-lived intangible assets, are tested for impairment when circumstances indicate that the carrying amount may not be recoverable. A decrease in our market capitalization or profitability or unfavorable changes in market, economic and industry conditions all would increase the risk of impairment. In 2017, we determined that there were sufficient indicators to trigger interim goodwill impairment tests. The indicators included, among other factors, market softness and the related impacts on our financial results and our stock price. This resulted in an impairment loss of \$75.2 million in the third quarter of 2017. Our 2017 and 2018 annual goodwill impairment tests, which were completed as of December 1, 2017 and December 1, 2018, respectively, did not result in any additional impairment. However, there can be no assurance that the estimates and assumptions made for purposes of the Company’s most recent goodwill impairment test will prove to be accurate predictions of the future. Accordingly, we may be required to recognize additional impairment charges in future reporting periods, which could materially and adversely impact our results of operations and financial condition.

GAAP requires that we evaluate the useful lives of our intangible assets subject to amortization each reporting period. If the estimate of an intangible asset’s remaining useful life is changed, the remaining carrying amount of the intangible asset is amortized prospectively over that revised remaining useful life. To the extent the revised useful life of an intangible asset is less than originally estimated, our future amortization expense will increase, which could have a material impact on our results of operations and financial condition.

Improvements in operating results from expected savings in operating costs from workforce reductions and other cost saving and business improvement initiatives may not be realized in the estimated amounts, may take longer to be realized, or could be realized only for a limited period. In late 2017, the Company began a project, known as OneTEAM, to identify cost savings, including the elimination of certain employee positions, and other business improvement opportunities. The design phase of which was completed in the first quarter of 2018 and the deployment phase of which started in the second quarter of 2018. We expect that the OneTEAM Program will be largely completed in the first half of 2019. However, in order to implement this or any other future cost savings or business improvement initiatives, we expect to incur additional expenses, which could adversely impact our financial results prior to the realization of the expected benefits associated with the initiatives. Due to numerous factors or future developments, we may not achieve cost reductions or other business improvements consistent with our expectations or the benefits may be delayed. These factors or future developments could include (i) the incurrence of higher than expected costs or delays in reassigning and retraining remaining employees or outsourcing or eliminating duties and functions of eliminated employees, (ii) unanticipated delays in discharging employees in eliminated positions as a result of regulatory or legal limitations on employee terminations in certain jurisdictions, (iii) actual savings differing from anticipated cost savings, (iv) anticipated benefits from business improvement initiatives not materializing and (v) disruptions to normal operations or other unintended adverse impacts resulting from the initiatives.

We may also decide to reduce, suspend or terminate our workforce reduction plans and other cost saving and business improvement initiatives at any time before achieving the estimated benefits or after a limited period of time. The elimination of current employees can also result in increased future costs in hiring, training and mobilizing new employees or rehires in the event of a future increase in demand for our services resulting in a slower recovery of

results from operations. Our initiatives may negatively affect our ability to retain and attract qualified personnel, who may experience uncertainty about their future roles with the Company. Fluctuations in our effective tax rate and our tax obligations could adversely affect our financial results. We are subject to taxes in the U.S. and in various foreign jurisdictions. Significant judgment is required in determining our worldwide income tax provision, tax assets and accruals for other taxes, and there are many transactions and calculations where the ultimate tax determination is uncertain. Our effective income tax rate could be adversely affected by our profit levels, changes in our business, reorganization of our business and operating structure, changes in the mix of earnings in countries with differing statutory tax rates, changes in the elections we make, changes in applicable tax laws or interpretations of existing tax laws or changes in the valuation allowance for deferred tax assets, as well as other factors.

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We are also currently subject to audit in various jurisdictions, and these jurisdictions may assess additional income tax liabilities against us. Developments in an audit, litigation, or the relevant laws, regulations, administrative practices, principles, and interpretations could have a material effect on our operating results or cash flows in the period or periods for which that development occurs, as well as for prior and subsequent periods.

The Company's operations and information systems, including its employee, customer and financial records, are subject to cybersecurity risks. Team continues to increase its dependence on digital technologies to conduct its operations. Many of the Company's files, including employee, customer and financial records, are digitized and more employees are working in almost paperless and remote environments. We have also outsourced certain information technology development, maintenance and support functions. As a result, the Company may be exposed to potentially severe cyber incidents at both its internal locations and outside vendor locations that could result in a theft of sensitive data and/or intellectual property, alteration or deletion of critical data and/or disruption of its operations for an extended period of time. This could also result in claims, losses, fines and higher costs to correct and remedy the effects of such incidents, although no such material incidents have occurred to date to the Company's knowledge. We are involved and are likely to continue to be involved in legal proceedings, which will increase our costs and, if adversely determined, could have a material effect on our results of operations, financial position or cash flows. We are currently a defendant in legal proceedings arising from the operation of our business and it is reasonable to expect that we will be named in future actions. Most of the legal proceedings against us arise out of the normal course of performing services at customer facilities, and include claims for workers' compensation, personal injury and property damage. Legal proceedings can be expensive to defend and can divert the attention of management and other personnel for significant periods of time, regardless of the ultimate outcome. An unsuccessful defense of a liability claim could have an adverse effect on our business, results of operations, financial position or cash flows.

Economic, political and other risks associated with international operations could adversely affect our business. A portion of our operations are conducted and located outside the U.S., and accordingly, our business is subject to risks associated with doing business internationally, including changes in foreign currency exchange rates, instability in political or economic conditions, difficulty in repatriating cash proceeds, differing employee relations, differing regulatory environments, trade protection measures, and difficulty in administering and enforcing corporate policies which may be different than the normal business practices of local cultures. In many foreign countries, particularly in those with developing economies, it is common to engage in business practices that are prohibited by U.S. and foreign anti-corruption regulations applicable to us such as the U.S. Foreign Corrupt Practices Act and the United Kingdom Bribery Act. Our international business operations may include projects in countries where corruption is prevalent. Although we have, and continue to, implement policies and procedures designed to ensure compliance with these laws, there can be no assurance that all of our employees, contractors or agents, including those representing us in countries where practices which violate such anti-corruption laws may be customary, will not take actions in violation of our policies and procedures. Any violation of foreign or U.S. laws by our employees, contractors or agents, even if such violation is prohibited by our policies and procedures, could have a material adverse effect on our results of operations, financial position or cash flows.

Business acquisitions entail risk for investors. From time to time, we pursue acquisitions in, or complementary to, the specialty maintenance and construction services industry to complement and diversify our existing business. We may also acquire other businesses that enhance our services or geographic scope. We may not be able to expand our market presence through acquisitions, and acquisitions may present unforeseen integration difficulties or costs. No assurances can be made that we will realize the cost savings, synergies or revenue enhancements that we may anticipate from any acquisition, or that we will realize such benefits within the time frame that we expect. If we are not able to address the challenges associated with acquisitions and successfully integrate acquired businesses, or if our integrated product and service offerings fail to achieve market acceptance, our business could be adversely affected. The consideration paid in connection with an acquisition may also affect our share price or future financial results depending on the structure of such consideration. To the extent we issue stock or other rights to purchase stock, including options or other rights, existing shareholders may be diluted and earnings per share may decrease. In addition, acquisitions may result in the incurrence of additional debt.

The price of our outstanding securities may be volatile. It is possible that in some future quarter (or quarters) our revenues, operating results or other measures of financial performance will not meet the expectations of public stock market analysts or investors, which could cause the price of our outstanding securities to decline or be volatile. Historically, our quarterly and annual sales and operating results have fluctuated. We expect fluctuations to continue in the future. In addition to general economic and political conditions, the following factors may affect our sales and operating results: the timing of significant customer orders, the timing of planned maintenance projects at customer facilities, changes in competitive pricing, wide variations in profitability by product line, variations in operating expenses, rapid increases in raw material and labor costs, the timing of announcements or introductions of new products or services by us, our competitors or our respective customers, the acceptance of those services, our ability to adequately meet staffing requirements with qualified personnel, relative variations in manufacturing efficiencies and

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costs, and the relative strength or weakness of international markets. Since our quarterly and annual revenues and operating results vary, we believe that period-to-period comparisons are not necessarily meaningful and should not be relied upon as indicators of our future performance.

Our business may be adversely impacted by work stoppages, staffing shortages and other labor matters. At December 31, 2018, we had approximately 7,200 employees, approximately 1,900 of whom were located in Canada and Europe where employees predominantly are represented by unions. Although we believe that our relations with our employees are good and we have had no strikes or work stoppages, no assurances can be made that we will not experience these and other types of conflicts with labor unions, works councils, other groups representing employees, or our employees in general, or that any future negotiations with our labor unions will not result in significant increases in the cost of labor.

Our operations and properties are subject to extensive environmental, health and safety regulations. We are subject to a variety of U.S. federal, state, local and international laws and regulations relating to the environment, and worker health and safety. These laws and regulations are complex, change frequently, are becoming increasingly stringent, and can impose substantial sanctions for violations or require operational changes that may limit our services. We must conform our operations to comply with applicable regulatory requirements and adapt to changes in such requirements in all locations in which we operate. These requirements can be expected to increase the overall costs of providing our services over time. Some of our services involve handling or monitoring highly regulated materials, including VOCs or hazardous wastes. Environmental laws and regulations generally impose limitations and standards for the characterization, handling and disposal of regulated materials and require us to obtain permits and comply with various other requirements. The improper characterization, handling, or disposal of regulated materials or any other failure by us to comply with increasingly complex and strictly-enforced federal, state, local, and international environmental, health and safety laws and regulations or associated permits could subject us to the assessment of administrative, civil and criminal penalties, the imposition of investigatory or remedial obligations, or the issuance of injunctions that could restrict or prevent our ability to operate our business and complete contracted services. A defect in our services or faulty workmanship could result in an environmental liability if, as a result of the defect or faulty workmanship, a contaminant is released into the environment. In addition, the modification or interpretation of existing environmental, health and safety laws or regulations, the more vigorous enforcement of existing laws or regulations, or the adoption of new laws or regulations may also negatively impact industries in which our customers operate, which in turn could have a negative impact on us.

Climate change legislation or regulations restricting emissions of “greenhouse gases” could result in reduced demand for our services and products. There has been an increased focus in the last several years on climate change in response to findings that emissions of carbon dioxide, methane and other greenhouse gases present an endangerment to public health and the environment. As a result, there have been a variety of regulatory developments, proposals or requirements and legislative initiatives that have been introduced in the U.S. (and other parts of the world) that are focused on restricting the emission of greenhouse gases. The adoption of new or more stringent legislation or regulatory programs limiting greenhouse gas emissions from customers for whom we provide repair and maintenance services could affect demand for our products and services. Further, some scientists have concluded that increasing greenhouse gas concentrations in the atmosphere may produce physical effects, such as increased severity and frequency of storms, droughts, floods and other climate events. Such climate events have the potential to adversely affect our operations or those of our customers, which in turn could have a negative effect on us.

Interruptions in the proper functioning of our information systems could disrupt operations and cause increases in costs and/or decreases in revenues. The proper functioning of our information systems is critical to the successful operation of our business. Although our information systems are protected through physical and software safeguards, our information systems are still vulnerable to natural disasters, power losses, telecommunication failures and other problems. If critical information systems fail or are otherwise unavailable, our business operations could be adversely affected.

Other risk factors. Other risk factors may include interruption of our operations, or the operations of our customers due to fire, floods, hurricanes, earthquakes, power loss, telecommunications failure, terrorist attacks, labor disruptions, health epidemics and other events beyond our control.

Any of these factors, individually or in combination, could materially and adversely affect our future results of operations, financial position, cash flows and/or stock price and could also affect whether any forward-looking statements in this Annual Report on Form 10-K ultimately prove to be accurate.

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ITEM 1B. UNRESOLVED STAFF COMMENTS

NONE

ITEM 2. PROPERTIES

We provide our services globally through over 200 locations in 20 countries throughout the world. There are several materially important physical properties used in our operations. We own a facility in Alvin, Texas that consists of our primary training facility, equipment center and ISO-9001 certified manufacturing facility for clamps, enclosures, and sealants. Additionally, we operate three manufacturing facilities in Houston, Texas (two of which are owned and the other is leased), which are included in our MS segment. Further, we lease office space for our corporate headquarters in Sugar Land, Texas and for our Quest Integrity segment headquarters in Kent, Washington. Additional district service locations considered materially important in our IHT and MS segments are as follows. We lease facilities in Mobile, Alabama; Benicia, California; Long Beach, California; Hammond, Indiana; Columbus, Ohio; Pasadena, Texas (two locations); and Edmonton, Alberta, Canada. We own a facility in Pasadena, Texas and own three facilities in the United Kingdom in Kendal, Carlisle and Scunthorpe.

We believe that our property and equipment are adequate for our current needs, although additional investments are expected to be made for expansion of property and equipment, replacement of assets at the end of their useful lives will occur in connection with corporate development activities.

ITEM 3. LEGAL PROCEEDINGS

For information on legal proceedings, see Note 14 to the consolidated financial statements included this report.

ITEM 4. MINE SAFETY DISCLOSURES

NOT APPLICABLE

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our stock is traded on the NYSE under the symbol "TISI".

Holders

There were 567 holders of record of our common stock as of March 7, 2019, excluding beneficial owners of stock held in street name.

Dividends

No cash dividends were declared or paid during the year ended December 31, 2018 or the year ended December 31, 2017. We are limited in our ability to pay cash dividends without the consent of our bank syndicate. Accordingly, we have no present intention to pay cash dividends in the foreseeable future. Additionally, any future dividend payments will continue to depend on our financial condition, market conditions and other matters deemed relevant by the Board.

Securities Authorized for Issuance Under Equity Compensation Plans

This information has been omitted from this Annual Report on Form 10-K as we intend to file such information in our Definitive Proxy Statement no later than 120 days following the close of our fiscal year ended December 31, 2018.

The information required regarding equity compensation plans is hereby incorporated by reference.

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Performance Graph

The following performance graph compares the performance of our common stock to the NYSE Composite Index and two Peer Group Indexes. The comparison assumes \$100 was invested on May 31, 2013 in our common stock, the NYSE Composite Index and the Peer Group Indexes. The values of each investment are based on share price appreciation, with reinvestment of all dividends, assuming any were paid. For each graph, the investments are assumed to have occurred at the beginning of each period presented. For the year ended December 31, 2018, the Company updated its peer group primarily to add additional companies management believes are relevant for comparison in terms of service offerings, industry and other factors. The following companies are included in the Old Peer Group: Matrix Service Company, Englobal Corporation and Mistras Group, Inc. The following companies are included in the New Peer Group: Aegion Corporation, Actuant Corporation, Barnes Group, Basic Energy Services, CIRCOR International, Clean Harbors, DXP Enterprises, Emcor Group, EnPro Industries, ESCO Technologies, MasTec, Inc., Matrix Service Company, Mistras Group, MYR Group, Primoris Services Corporation, Quanta Services, SEACOR Holdings, Tetra Tech, Inc. and TETRA Technologies, Inc.

\$100 invested on 5/31/13 in stock or index, including reinvestment of dividends. Years ended May 31, 2014 and *2015; seven-month transition period ended December 31, 2015; and years ended December 31, 2018, 2017 and 2016.

	5/13	5/14	5/15	12/15	12/16	12/17	12/18
Team, Inc.	100.00	116.22	110.34	88.61	108.82	41.31	40.62
NYSE Composite	100.00	117.83	123.98	115.37	129.14	153.32	139.60
Old Peer Group	100.00	150.97	95.43	104.74	131.42	109.53	84.91
New Peer Group	100.00	117.76	95.25	81.81	120.38	132.73	106.30

Note: The above information was provided by Research Data Group, Inc.

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ITEM 6. SELECTED FINANCIAL DATA

We have included selected financial data for the years ended December 31, 2018, 2017 and 2016, the seven months ended December 31, 2015 and for the years ended May 31, 2014 and 2015 under “Five Year Comparison,” in the financial information that is included in this report in Part II, Item 8, “Financial Statements and Supplementary Data.” This information is incorporated herein by reference.

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The Management’s Discussion and Analysis of Financial Condition and Results of Operations listed in the Financial Table of Contents included in this report is incorporated herein by reference.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We have included a discussion about market risks under “Market Risk” in the Management’s Analysis that is included in this report in Part II, Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” This information is incorporated herein by reference.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Our Consolidated Financial Statements, the Notes to Consolidated Financial Statements, the reports of our Independent Registered Public Accounting Firm and the information under “Quarterly Results” listed in this report are incorporated herein by reference. All other schedules for which provision is made in the applicable accounting regulation of the SEC are not required under the related instructions or are inapplicable, and therefore, have been omitted.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There have been no disagreements concerning accounting and financial disclosures with our independent accountants during any of the periods presented.

ITEM 9A. CONTROLS AND PROCEDURES

Limitations on effectiveness of control. Our management, including the principal executive and financial officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. The design of our control system reflects the fact that there are resource constraints and the benefits of such controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control failures and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts, by collusion of two or more people, or by management override of the controls. The design of any system of controls is also based in part on certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of management’s assessments of the current effectiveness of our disclosure controls and procedures and its internal control over financial reporting are subject to risks. However, our disclosure controls and procedures are designed to provide reasonable assurance that the objectives of our control system are met.

Evaluation of disclosure controls and procedures. As of the end of the period covered by this report, an evaluation was carried out under the supervision and with the participation of our management, including our Chief Executive Officer (“CEO”) and our Chief Financial Officer (“CFO”), of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (“Exchange Act”). This evaluation included consideration of the various processes carried out under the direction of our disclosure committee in an effort to ensure that information required to be disclosed in our SEC reports is recorded, processed, summarized and reported within the time periods specified by the SEC. This evaluation also considered the work completed related to our compliance with Section 404 of the Sarbanes-Oxley Act of 2002. Based on this evaluation, our CEO and CFO concluded that, as of December 31, 2018, our disclosure controls and procedures were operating effectively to ensure that the information required to be disclosed in our SEC reports is

recorded, processed,

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summarized and reported within the requisite time periods and that such information is appropriately accumulated and communicated to management, including our CEO and CFO, as appropriate, to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Exchange Act Rule 13a-15(f). Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of our consolidated financial statements for external purposes in accordance with GAAP.

Internal control over financial reporting cannot provide absolute assurance of achieving financial objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting can also be circumvented by collusion or improper management override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

We have used the framework set forth in the report entitled Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013) to evaluate the effectiveness of our internal control over financial reporting. We have concluded that our internal control over financial reporting was effective as of December 31, 2018.

Attestation report of the registered public accounting firm. The attestation report of KPMG LLP, the Company's independent registered public accounting firm, on the Company's internal control over financial reporting is set forth in this Annual Report on Form 10-K on page 42.

Changes in internal control over financial reporting. During the fourth quarter of 2018, we identified a deficiency that existed as of December 31, 2017 related to the misapplication of GAAP with respect to the measurement of valuation allowances on deferred tax assets. Specifically, the control to properly consider the scheduling of reversing temporary taxable differences when determining the amount of any required valuation allowance was not operating effectively. We determined that this control deficiency did not result in a material misstatement of our consolidated financial statements in prior periods or interim periods during 2018, but it created a reasonable possibility that a material misstatement would not have been prevented or detected on a timely basis. Therefore, we concluded the deficiency represented a material weakness in our internal control over financial reporting. However, we concluded that certain personnel changes with respect to the preparation of the consolidated income tax provision in 2018 sufficiently remediated the material weakness prior to December 31, 2018. Other than the remediation of the material weakness noted above, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Securities Exchange Act) that have materially affected or are reasonably likely to materially affect our internal control over financial reporting during the fourth quarter of our fiscal year ended December 31, 2018.

ITEM 9B. OTHER INFORMATION

NONE

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PART III

The information for the following items of Part III has been omitted from this Annual Report on Form 10-K since we will file, not later than 120 days following the close of our fiscal year ended December 31, 2018, our Definitive Proxy Statement. The information required by Part III will be included in that proxy statement and such information is hereby incorporated by reference, with the exception of the information under the headings “Compensation Committee Report” and “Audit Committee Report.”

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

ITEM 11. EXECUTIVE COMPENSATION

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND
RELATED STOCKHOLDER MATTERS

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

- Consolidated Financial Statements filed as part of this report are listed in the Financial Table of Contents included in this report and incorporated by reference in this report in Part II, Item 7 “ Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Item 8, “Consolidated Financial Statements and Supplementary Data.”
- 2) All schedules for which provision is made in the applicable accounting regulations of the SEC are listed in this report in Part II, Item 8, “Consolidated Financial Statements and Supplementary Data.”
 - 3) See exhibits listed under Part (b) below.

(b) Exhibits

Exhibit Number	Description
-------------------	-------------

- | | |
|-------|--|
| 3.1 | <u>Amended and Restated Certificate of Incorporation of the Company (filed as Exhibit 3.1 to the Company’s Current Report on Form 8-K filed on December 2, 2011, incorporated by reference herein).</u> |
| 3.2 | <u>Certificate of Amendment of Amended and Restated Certificate of Incorporation of the Company, dated October 24, 2013 (filed as Exhibit 3.1 to the Company’s Current Report on Form 8-K filed on October 25, 2013, incorporated by reference herein).</u> |
| 3.3 | <u>Amended and Restated Bylaws of the Company (filed as Exhibit 3.3 to the Company’s Annual Report on Form 10-K for year ended December 31, 2017, incorporated by reference herein).</u> |
| 4.1 | Certificate representing shares of common stock of Company (filed as Exhibit 4(1) to the Company’s Registration Statement on Form S-1, File No. 2-68928, incorporated by reference herein). |
| 4.2 | <u>Indenture, dated July 31, 2017, between Team, Inc. and Branch Banking and Trust Company, as trustee, relating to the Company’s 5.00% Convertible Senior Notes Due 2023 (filed as Exhibit 4.1 to the Company’s Current Report on Form 8-K filed on July 31, 2017, incorporated by reference herein).</u> |
| 10.1† | <u>Team, Inc. 2004 Restricted Stock Option and Award Plan dated June 24, 2004 (filed as Exhibit 10.21 to the Company’s Annual Report on Form 10-K for the year ended May 31, 2004, incorporated by reference herein).</u> |
| 10.2† | <u>Team, Inc. 2006 Stock Incentive Plan (as Amended and Restated August 1, 2009) (filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K filed on September 30, 2009, incorporated by reference herein).</u> |
| 10.3† | <u>Form of Team, Inc. Stock Unit Award Agreement (filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K filed on October 17, 2013, incorporated by reference herein).</u> |
| 10.4† | <u>Furmanite Corporation 1994 Stock Incentive Plan, Amendment and Restatement effective May 9, 2013 (filed as Exhibit 4.4 to the Company’s Registration Statement on Form S-8, File No. 333-209871, filed on March 1, 2016, incorporated by reference herein).</u> |
| 10.5† | <u>Team, Inc. 2016 Equity Incentive Plan (incorporated herein by reference to Appendix A of the Company’s Definitive Proxy on Schedule 14A, as filed with the SEC on April 12, 2016).</u> |
| 10.6† | |

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Team, Inc. 2018 Equity Incentive Plan (filed as Exhibit 4.5 to the Company's Current Report on Form S-8, File No. 333-225727, filed on June 19, 2018, incorporated by reference herein).

10.7† Form of Stock Unit Agreement (filed as Exhibit 10.2 to the Company's Current Report on Form 8-K filed on October 17, 2008, incorporated by reference herein).

10.8† Form of Performance-Based Stock Unit Agreement (filed as Exhibit 10.3 to the Company's Current Report on Form 8-K filed on October 17, 2008, incorporated by reference herein).

10.9† Form of Performance Share Award Agreement (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed November 4, 2014, incorporated by reference herein).

10.10† Form of Performance Award Agreement (filed as Exhibit 10.14 to the Company's Annual Report on Form 10-K filed on March 16, 2017, incorporated by reference herein).

10.11† Form of Restricted Stock Unit Award Agreement for the Stock Units awarded under the Team, Inc. 2018 Equity Incentive Plan

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Exhibit Number	Description
10.12†	<u>Form of Performance Unit Award Agreement for the Performance Units Awarded under the Team, Inc. 2018 Equity Incentive Plan</u>
10.13	<u>Third Amended and Restated Credit Agreement dated as of July 7, 2015 among Team, Inc., Bank of America, N.A. as Administrative Agent, Swingline Lender and L/C Issuer, JPMorgan Chase Bank, N.A., as Syndication Agent, Compass Bank, as Documentation Agent and the other Lenders party thereto (filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K filed on July 9, 2015, incorporated by reference herein).</u>
10.14	<u>Second Amendment and Commitment Increase to Credit Agreement, dated February 24, 2016, among Team Inc., certain Team Inc. Subsidiary Guarantors, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, and other Lenders party thereto (filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K filed on March 1, 2016, incorporated by reference herein).</u>
10.15	<u>Third Amendment to Credit Agreement, dated August 17, 2016, among Team, Inc., certain Team, Inc. Subsidiary Guarantors, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, and other Lenders party thereto (filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K filed on August 23, 2016, incorporated by reference herein).</u>
10.16	<u>Fourth Amendment and Limited Waiver to Credit Agreement, dated December 19, 2016, among Team, Inc., certain Team, Inc. Subsidiary Guarantors, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, and other Lenders party thereto (filed as Exhibit 10.12 to the Company’s Annual Report on Form 10-K filed on March 16, 2017, incorporated by reference herein).</u>
10.17	<u>Fifth Amendment to Credit Agreement, dated May 5, 2017, among Team, Inc., certain Team, Inc. Subsidiary Guarantors, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, and other Lenders party thereto (filed as Exhibit 10.1 to the Company’s Quarterly Report on Form 10-Q filed on May 10, 2017, incorporated herein by reference).</u>
10.18	<u>Sixth Amendment to Credit Agreement, dated as of July 21, 2017 (but effective as of June 30, 2017), among Team, Inc., certain Team, Inc. Subsidiary Guarantors, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer, and other Lenders party thereto (filed as Exhibit 10.2 to the Company’s Current Report on Form 8-K, filed on July 31, 2017, incorporated by reference herein).</u>
10.19	<u>Seventh Amendment to Credit Agreement, dated as of March 8, 2018, among Team, Inc., certain Team, Inc. Subsidiary Guarantors, Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuers, and other Lenders party thereto (filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K, filed on March 9, 2018, incorporated by reference herein).</u>
10.20	<u>Purchase Agreement, dated July 25, 2017, between Team, Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated and J.P. Morgan Securities LLC, as representatives of the several initial purchasers named in Schedule 1 thereto, relating to the Company’s 5.00% Convertible Senior Notes Due 2023 (filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K filed on July 31, 2017, incorporated by reference herein).</u>
10.21 †	<u>Non-Disclosure, Non-Competition and Non-Solicitation Agreement between Philip J. Hawk, Team Industrial Services, Inc., Team, Inc. and their affiliated entities, effective as of August 8, 2016 (filed as Exhibit 10.1 to the Company’s Quarterly Report on Form 10-Q filed on August 9, 2016, incorporated herein by reference).</u>

- 10.22 † Confidential Severance Agreement and Release by and between Team, Inc. and Ted W. Owen, dated September 18, 2017 (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 19, 2017, incorporated by reference herein).
- 10.23 † Letter Agreement for Consulting Services between Team, Inc. and Ted W. Owen, dated September 18, 2017 (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed on September 19, 2017).
- 10.24 † Letter Agreement between Team, Inc. and Gary G. Yesavage, dated September 18, 2017 (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K, filed on September 19, 2017).
- 10.25 † Letter Agreement Regarding Retention Benefits between Team, Inc. and Jeffrey L. Ott, dated September 18, 2017 (incorporated by reference herein Exhibit 10.4 to the Company's Current Report on Form 8-K, filed on September 19, 2017).
- 10.26 † Letter Agreement Regarding Retention Benefits between Team, Inc. and Arthur F. Victorson, dated September 18, 2017 (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K, filed on September 19, 2017).
- 10.27 † Offer Letter, dated January 15, 2018, between Team, Inc. and Amerino Gatti (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on January 16, 2018, incorporated by reference herein).

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Exhibit Number	Description
10.28 †	<u>Form of Performance Unit Award Agreement between Team, Inc. and Amerino Gatti (filed as Exhibit 10.2 to the Company’s Current Report on Form 8-K filed on January 16, 2018, incorporated by reference herein).</u>
10.29	<u>Settlement Agreement, by and among Team, Inc. and Engine Capital, L.P. (together with the entities listed on the signature page thereto), dated February 8, 2018 (filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K filed on February 9, 2018, incorporated by reference herein).</u>
10.30	<u>Confidentiality Agreement by and among Team, Inc. and Engine Capital, L.P. (together with the entities listed on the signature page thereto, dated July 2, 2018 (filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K filed on July 6, 2018, incorporated by reference herein).</u>
10.31 †	<u>Form of Indemnification Agreement (filed as Exhibit 10.2 to the Company’s Current Report on Form 8-K filed on February 9, 2018, incorporated by reference herein).</u>
10.32 †	<u>Transition, Severance, and Release Agreement dated July 2, 2018 between Team, Inc. and Arthur F. Victorson (filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K filed on July 3, 2018, incorporated by reference herein).</u>
10.33 †	<u>Offer Letter, dated July 1, 2018, between TEAM, Inc. and Grant Roscoe (filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K/A filed on July 11, 2018, incorporated by reference herein).</u>
10.34 †	<u>Offer Letter dated November 26, 2018, by and between Team, Inc. and Susan M. Ball (filed as Exhibit 10.1 to the Company’s Current Report on Form 8-K filed on November 28, 2018, incorporated by reference herein).</u>
10.35 †	<u>Transition, Severance, and Release Agreement dated November 26, 2018 between Team, Inc. and Greg L. Boane (filed as Exhibit 10.2 to the Company’s Current Report on Form 8-K filed on November 28, 2018, incorporated by reference herein).</u>
10.36 †	<u>Consulting Agreement dated November 26, 2018 between Team, Inc. and Greg L. Boane (filed as Exhibit 10.3 to the Company’s Current Report on Form 8-K filed on November 28, 2018, incorporated by reference herein).</u>
21	<u>Subsidiaries of the Company.</u>
23.1	<u>Consent of Independent Registered Public Accounting Firm—KPMG LLP.</u>
31.1	<u>Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2	<u>Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32.1	<u>Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
32.2	<u>Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101.INS	XBRL Instance Document.

101.SCH XBRL Taxonomy Schema Document.

101.CAL XBRL Calculation Linkbase Document.

101.DEF XBRL Definition Linkbase Document.

101.LAB XBRL Label Linkbase Document.

101.PRE XBRL Presentation Linkbase Document.
Management contract or compensation plan or arrangement.

Note: Unless otherwise indicated, documents incorporated by reference are located under SEC file number 001-08604.

ITEM 16. FORM 10-K SUMMARY

NONE

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized March 19, 2019.

TEAM, INC.

/S/ AMERINO GATTI
 Amerino Gatti
 Chief Executive Officer
 (Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacity and on the dates indicated.

/S/ AMERINO GATTI (Amerino Gatti)	Chief Executive Officer and Director (Principal Executive Officer)	March 19, 2019
/S/ SUSAN M. BALL (Susan M. Ball)	Executive Vice President, Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 19, 2019
/S/ JEFFERY G. DAVIS (Jeffery G. Davis)	Director	March 19, 2019
/S/ BRIAN K. FERRAIOLI (Brian K. Ferraioli)	Director	March 19, 2019
/S/ SYLVIA J. KERRIGAN (Sylvia J. Kerrigan)	Director	March 19, 2019
/S/ EMMETT J. LESCROART (Emmett J. Lescroart)	Director	March 19, 2019
/S/ MICHAEL A. LUCAS (Michael A. Lucas)	Director	March 19, 2019
/S/ CRAIG L. MARTIN (Craig L. Martin)	Director	March 19, 2019
/S/ LOUIS A. WATERS (Louis A. Waters)	Chairman of the Board	March 19, 2019

/S/ GARY G. YESAVAGE
(Gary G. Yesavage)

Director

March 19,
2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following review of our results of operations and financial condition should be read in conjunction with Item 1 "Business," Item 1A "Risk Factors," Item 2 "Properties," and Item 8 "Consolidated Financial Statements and Supplementary Data," included in this Annual Report on Form 10-K.

CAUTIONARY STATEMENT FOR THE PURPOSE OF SAFE HARBOR PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. In addition, other written or oral statements that constitute forward-looking statements may be made by us or on behalf of the Company in other materials we release to the public including all statements, other than statements of historical facts, included or incorporated by reference in this Annual Report on Form 10-K, that address activities, events or developments which we expect or anticipate will or may occur in the future. You can generally identify our forward-looking statements by the words "anticipate," "believe," "expect," "plan," "intend," "estimate," "project," "projection," "predict," "budget," "forecast," "goal," "guidance," "target," "w" "may" and similar expressions.

We based our forward-looking statements on our reasonable beliefs and assumptions, and our current expectations, estimates and projections about ourselves and our industry. We caution that these statements are not guarantees of future performance and involve risks, uncertainties and assumptions that we cannot predict. In addition, we based many of these forward-looking statements on assumptions about future events that may prove to be inaccurate. We wish to ensure that such statements are accompanied by meaningful cautionary statements, so as to obtain the protections of the safe harbor established in the Private Securities Litigation Reform Act of 1995. New risk factors emerge from time to time and it is not possible for us to predict all such risk factors, nor can we assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Accordingly, forward-looking statements cannot be relied upon as a guarantee of future results and involve a number of risks and uncertainties that could cause actual results to differ materially from those projected in the statements, including, but not limited to the statements under "Risk Factors" included in Part I, Item 1A of this Annual Report on Form 10-K. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law.

This Management's Discussion and Analysis of Financial Condition and Results of Operations is provided as a supplement to the accompanying consolidated financial statements and notes to help provide an understanding of our financial condition, changes in financial condition, and results of operations.

General Information

We are a leading provider of standard to specialty industrial services, including inspection, engineering assessment and mechanical repair and remediation required in maintaining high temperature and high pressure piping systems and vessels that are utilized extensively in the refining, petrochemical, power, pipeline and other heavy industries. We conduct operations in three segments: Inspection and Heat Treating Group ("IHT") (formerly TeamQualspec), Mechanical Services Group ("MS") (formerly TeamFurmanite) and Quest Integrity Group ("Quest Integrity"). Through the capabilities and resources in these three segments, we believe that Team is uniquely qualified to provide integrated solutions involving in their most basic form, inspection to assess condition, engineering assessment to determine fitness for purpose in the context of industry standards and regulatory codes and mechanical services to repair, rerate or replace based upon the client's election. In addition, we believe the Company is capable of escalating with the client's needs—as dictated by the severity of the damage found and the related operating conditions—from standard services to some of the most advanced services and integrated integrity management and asset reliability solutions available in the industry. We also believe that Team is unique in its ability to provide services in three unique client demand profiles: (i) turnaround or project services, (ii) call-out services and (iii) nested or run and maintain services. IHT provides standard and advanced non-destructive testing ("NDT") services for the process, pipeline and power sectors, pipeline integrity management services, field heat treating services, as well as associated engineering and

assessment services. These services can be offered while facilities are running (on-stream), during facility turnarounds or during new construction or expansion activities.

MS provides primarily call-out and turnaround services under both on-stream and off-line/shut down circumstances. Turnaround services are project-related and demand is a function of the number and scope of scheduled and unscheduled facility turnarounds as well as new industrial facility construction or expansion activities. The turnaround and call-out services MS provides include field machining, technical bolting, field valve repair and isolation test plugging services. On-stream services offered by

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MS represent the services offered while plants are operating and under pressure. These services include leak repair, fugitive emissions control and hot tapping.

Quest Integrity provides integrity and reliability management solutions for the process, pipeline and power sectors. These solutions encompass three broadly-defined disciplines: (1) highly specialized in-line inspection services for unpiggable process piping and pipelines using proprietary in-line inspection tools and analytical software; and (2) advanced engineering and condition assessment services through a multi-disciplined engineering team and (3) advanced digital imaging including remote digital video imaging, laser scanning and laser profilometry-enabled reformer care services.

We offer these services globally through over 200 locations in 20 countries throughout the world with approximately 7,200 employees. We market our services to companies in a diverse array of heavy industries which include the petrochemical, refining, power, pipeline, steel, pulp and paper industries, as well as municipalities, shipbuilding, original equipment manufacturers (“OEMs”), distributors, and some of the world’s largest engineering and construction firms.

In September 2017, Ted W. Owen stepped down as Chief Executive Officer (“CEO”) and Gary G. Yesavage, a member of the Team board of directors (the “Board”), was appointed as Team’s Interim CEO until the appointment of Amerino Gatti as CEO and member of the Board in January 2018.

In July 2018, we announced an organizational restructuring. The organizational changes include a Product and Service Line organization and an Operations organization. The Product and Service Lines organization is responsible for value positioning and pricing, standardization of best practices, technical training and program development, and technology innovation across Team’s global enterprise. The Operations organization, comprised of cross-segment divisions aligned by major geographic regions, will be responsible for executing product and service delivery in accordance with established Team service line standards, safety and quality protocols. Overall company management and decision-making by our chief operating decision maker continues to be performed according to the structure of the three operating segments (IHT, MS and Quest Integrity). Accordingly, these changes had no effect on our reportable segments.

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Results of Operations

In connection with the preparation of the Company's 2018 consolidated financial statements, the Company identified errors in its previously issued 2017 consolidated financial statements with respect to income taxes. The prior period consolidated financial statements and other affected prior period financial information in this report have been revised to correct these errors. The Company determined the related impacts were not material to its previously filed annual or interim consolidated financial statements, and therefore, amendments of previously filed reports are not required. See Note 1 to the consolidated financial statements for additional information.

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

The following table sets forth the components of revenue and operating income (loss) from our operations for the years ended December 31, 2018 and 2017 (in thousands):

	Twelve Months Ended		Increase	
	December 31, 2018	2017	(Decrease) \$	%
Revenues by business segment:				
IHT	\$617,378	\$588,441	\$28,937	4.9 %
MS	532,365	529,973	2,392	0.5 %
Quest Integrity	97,186	81,797	15,389	18.8 %
Total	\$1,246,929	\$1,200,211	\$46,718	3.9 %
Operating income (loss):				
IHT ²	\$37,329	\$11,128	\$26,201	235.5 %
MS ²	6,323	(33,993)	40,316	NM ¹
Quest Integrity	20,138	12,337	7,801	63.2 %
Corporate and shared support services	(102,751)	(104,582)	1,831	1.8 %
Total	\$(38,961)	\$(115,110)	\$76,149	66.2 %

1 NM - Not meaningful

2 Includes goodwill impairment loss of \$21.1 million and \$54.1 million for IHT and MS, respectively, in 2017. Revenues. Total revenues grew \$46.7 million or 3.9% from the same period in the prior year. Excluding the favorable impact of \$4.2 million due to foreign currency exchange rate changes, total revenues increased by \$42.5 million, IHT revenues increased by \$27.1 million, MS revenues increased by \$0.5 million and Quest Integrity revenues increased by \$14.9 million. The favorable impacts of foreign exchange rate changes are primarily due to the weakening of the U.S. dollar relative to Euro, the British Pound and the Canadian dollar. The increases in IHT and Quest Integrity reflect higher activity levels due to increased demand and customer spending levels, attributable to improved market conditions, particularly within the refining and petrochemical industries. The increased activity levels within IHT reflect higher inspection services in our North American operations while the increases within Quest Integrity include additional subsea deepwater pipeline inspection work and growth from certain geographic expansion. Within MS, improvements in activity levels during the first half of the year were largely offset by lower activity levels experienced in the second half of 2018, due to a softer fall 2018 turnaround season. The fall 2018 turnaround season was negatively impacted by significantly higher North America refinery utilization levels in order to capitalize on higher regional crack spreads driven by recent midstream pipeline capacity contracts and widened crude oil pricing differentials, resulting in the postponement of planned fall 2018 maintenance work. The adoption of Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 606, Revenue from Contracts with Customers, ("ASC 606"), as of January 1, 2018, had an overall unfavorable impact on consolidated revenues \$4.8 million for the year ended December 31, 2018.

Operating income (loss). Overall operating loss was \$39.0 million, compared to an operating loss of \$115.1 million in the prior year. The decrease in the operating loss was primarily due to the effect of goodwill impairment losses of

\$54.1 million and \$21.1 million for MS and IHT, respectively, incurred in 2017 which did not recur in 2018. These impairment losses were a result of our interim goodwill impairment test completed in the third quarter of 2017, which was triggered by the existence of impairment indicators, including market softness and the related impacts on our financial results and our stock price. The results of the impairment test indicated that the carrying values of our MS and IHT operating segments exceeded their estimated fair values.

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The estimated fair values of these segments had been adversely impacted by the declines in operating results and the related significant decrease in our share price experienced during 2017, particularly the decrease experienced during the third quarter. While there has been no additional goodwill impairment losses in subsequent periods, there can be no assurance that we will not experience additional goodwill impairment losses in future periods. The current year period includes \$5.7 million of consolidated operating loss associated with the adoption of ASC 606.

Operating income (loss) for the current year includes net expenses totaling \$33.9 million that we do not believe are indicative of the Company's core operating activities, while the same period in the prior year included \$107.7 million of such items (including the \$75.2 million of goodwill impairment losses), as detailed by segment in the table below (in thousands):

Expenses reflected in operating income (loss) that are not indicative of the Company's core operating activities (unaudited):

	IHT	MS	Quest Integrity	Corporate and shared support services	Total
Twelve Months Ended December 31, 2018					
Implementation of the new Enterprise Resource Planning ("ERP") system	\$—	\$—	\$ —	\$87	\$87
Restructuring and other related charges ¹	2,995	2,514	418	800	6,727
Executive severance/transition cost ²	—	—	—	855	855
Revaluation of contingent consideration	—	—	—	(202)	(202)
Asset write-offs and disposals	—	1,429	—	—	1,429
Professional fees, legal and other ³	1,086	315	—	23,564	24,965
Total	\$4,081	\$4,258	\$ 418	\$25,104	\$33,861
Twelve Months Ended December 31, 2017					
Implementation of the new ERP system	\$—	\$—	\$ —	\$13,776	\$13,776
Restructuring and other related charges ¹	966	393	429	863	2,651
Executive severance/transition cost ²	—	—	—	1,190	1,190
Natural disaster costs ⁴	1,325	633	—	95	2,053
Goodwill impairment loss	21,140	54,101	—	—	75,241
Revaluation of contingent consideration	(1,174)	—	—	—	(1,174)
Asset write-offs and disposals	1,210	—	—	—	1,210
Professional fees, legal and other ³	—	163	—	12,552	12,715
Total	\$23,467	\$55,290	\$ 429	\$28,476	\$107,662

¹ For 2018, relates to restructuring costs incurred associated with the OneTEAM program. For 2017, primarily associated with the 2017 Cost Savings Initiative, net of a \$1.1 million gain in MS associated with the disposal of Furmanite operations in Belgium. See Note 17 to the consolidated financial statements for additional information.

² Severance/transition costs associated with certain executive leadership changes, as discussed above.

³ Consists primarily of professional fees and other costs for assessment of corporate and support cost structures, acquired business integration and intellectual property legal defense costs associated with Quest Integrity. For 2018, includes \$15.5 million (exclusive of restructuring costs) associated with the OneTEAM program, which is discussed further below.

⁴ Primarily incremental costs incurred associated with hurricane-related impacts in 2017

Excluding the impact of these identified items in both periods, operating loss changed favorably by \$2.3 million, consisting of increased operating income in IHT and Quest Integrity of \$6.8 million and \$7.8 million, respectively, partially offset by decreased operating income in MS of \$10.7 million and an increase in corporate and shared support

services expenses of \$1.6 million. The higher operating income in IHT is attributable to higher activity levels, reflecting an improvement in market conditions, and the benefits from both the Company's cost savings initiative completed last year as well as the OneTEAM program this year, partially offset by increases in labor costs, including overtime compensation and flexible labor cost to meet customer demand. Within Quest Integrity, the higher operating income reflects both higher activity levels and a favorable project mix. Within MS, the benefit of cost reductions were more than offset by additional amortization expense of \$12.4 million associated with the Furmanite trade name intangible asset as well as higher bad debt expense and inventory charges. Management determined that, as a result of initiatives to consolidate the Company's branding, the useful life of Furmanite trade name intangible asset was not expected to extend beyond December 31, 2018. We accounted for the change in useful life prospectively effective January 1, 2018 and amortized the remaining balance over 2018, which resulted in the incremental amortization expense in 2018. As discussed above, within MS, improved operating performance in the first half of the year was essentially offset by the negative impacts in the second half of 2018 due to the postponement of planned fall and winter 2018 maintenance work, attributable to the significantly higher North America refinery utilization levels, as described above. Within corporate and shared support services, the lower operating income is primarily attributable to higher incentive and non-cash compensation cost, partially offset by labor cost savings from our cost saving initiatives. While our markets have shown improvement this year, our margins are beginning to be impacted by cost increases in labor, materials, freight and fuel, which could further impact operating performance in future periods.

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Interest expense. Interest expense increased from \$21.5 million in the prior year to \$30.9 million in the current year. The increase is due to a combination of higher overall debt balances outstanding and higher interest rates. The higher interest rates are primarily due to higher interest rates on our Credit Facility borrowings compared to the same period in the prior year, as well as the effect of using the proceeds from the \$230.0 million of 5.00% convertible senior notes on July 31, 2017 (the “Notes”) offering to repay a portion of the Credit Facility borrowings, which bear a higher effective interest rate than our Credit Facility borrowings.

Write-off of deferred loan costs. The write-off of deferred loan costs of \$1.2 million for the year ended December 31, 2017 was associated with the extinguishment of the term-loan portion of the Company’s Credit Facility as well as a reduction in capacity of the revolving portion of the Credit Facility in July 2017.

Loss (gain) on convertible debt embedded derivative. For the twelve months ended December 31, 2018, we recorded a loss of \$24.8 million associated with the increase in fair value of our convertible debt embedded derivative liability, compared to a gain of \$0.8 million for the same period in 2017. The loss recognized during this current year period is primarily attributable to the 38.9% increase in the Company’s stock price during the period through May 17, 2018, while the prior year gain is primarily a result of a decrease in our stock price from the issuance date of the Notes until December 31, 2017. On May 17, 2018, we received shareholder approval to issue shares of common stock upon conversion of the Notes. As discussed further in Note 10 to the consolidated financial statements, in accordance with ASC 815-15, we recorded a loss to adjust the embedded derivative liability to its fair value as of this date and then reclassified the balance of \$45.4 million to stockholders’ equity in the second quarter of 2018. As a result of this reclassification, the embedded derivative liability is no longer marked to fair value each period.

Other (income) expense, net. Non-operating results include foreign currency transaction losses of \$1.7 million for the year ended December 31, 2018 compared to foreign currency transaction losses of \$0.5 million in the same period last year. The foreign currency transaction gains and losses in both periods reflect the effects of fluctuations in the U.S. Dollar relative to the currencies to which we have exposure, including but not limited to, the Brazilian Real, British Pound, Canadian Dollar, Euro, Australian Dollar, New Zealand Dollar, Norwegian Kroner, Malaysian Ringgit, Mexican Peso and Singapore Dollar. For the year ended December 31, 2018, non-operating results also include a gain of \$1.0 million realized on the sale of an investment. Non-operating results also include certain components of our net periodic pension cost (credit).

Taxes. The benefit for income tax was \$31.1 million on the pre-tax loss from continuing operations of \$94.2 million in the current year compared to the benefit for income tax of \$53.1 million on pre-tax loss from continuing operations of \$137.5 million in the prior year. The effective tax rate was a benefit 33.0% for the year ended December 31, 2018 and a benefit of 38.6% for the year ended December 31, 2017. The lower effective rate benefit in 2018 was primarily attributable to the effect of the benefits recorded in 2017 to initially apply the 2017 Tax Act, partially offset by the effect of the non-deductible portion of the goodwill impairment loss also in 2017. The year ended December 31, 2017 included tax benefits of \$26.1 million associated with the 2017 Tax Act, comprised of a net benefit of \$17.1 million for the decrease in our deferred tax liability on unremitted foreign earnings, a benefit of \$17.4 million associated with the remeasurement of other deferred tax balances to reflect the new tax rate and an increase in tax expense of approximately \$8.4 million, net of related foreign tax credits, associated with a deemed repatriation tax. During the year ended December 31, 2018, the Company finalized the recording of the impacts of the 2017 Tax Act and recorded an income tax benefit of \$1.8 million, reflecting an adjustment to the provisional estimate of the deemed repatriation transition tax. As a result of the final calculation of the transition tax liability, the Company also recorded an adjustment to the deferred tax liability associated with investments in foreign subsidiaries. For additional information on the 2017 Tax Act, see Note 9 to the consolidated financial statements.

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Year Ended December 31, 2017 Compared to Year Ended December 31, 2016

The following table sets forth the components of revenue and operating income from our operations for the years ended December 31, 2017 and 2016 (in thousands):

	Twelve Months Ended		Increase	
	December 31, 2017	2016	(Decrease) \$	%
Revenues by business segment:				
IHT	\$588,441	\$589,478	\$(1,037)	(0.2)%
MS	529,973	539,627	(9,654)	(1.8)%
Quest Integrity	81,797	67,591	14,206	21.0%
Total	\$1,200,211	\$1,196,696	\$3,515	0.3%
Operating income (loss):				
IHT ²	\$11,128	\$43,367	\$(32,239)	(74.3)%
MS ²	(33,993)	27,283	(61,276)	NM ¹
Quest Integrity	12,337	4,780	7,557	158.1%
Corporate and shared support services	(104,582)	(78,548)	(26,034)	(33.1)%
Total	\$(115,110)	\$(3,118)	\$(111,992)	NM ¹

1 NM - Not meaningful

2 Includes goodwill impairment loss of \$21.1 million and \$54.1 million for IHT and MS, respectively, in 2017. Revenues. Total revenues grew \$3.5 million or 0.3% from the same period in the prior year. Excluding the favorable impact of \$4.2 million due to foreign currency exchange rates, total revenues decreased by \$0.7 million, IHT revenues decreased by \$3.7 million, MS revenues decreased by \$10.4 million, and Quest Integrity revenues increased by \$13.4 million. The decreases in IHT and MS revenues were partially attributable to hurricane-related impacts in 2017, including customer project deferrals and lost billable hours that we estimate reduced revenues by approximately \$7 million and \$6 million, respectively, for these segments. Within IHT, these hurricane-related impacts were partially offset by approximately \$3.1 million of revenue attributable to acquisitions completed in the prior year. Within MS, in addition to the hurricane-related impacts, the revenue decline is also attributable to the effects of ongoing market softness that began in the second half 2015 and continued through 2017, as we experienced a continuation of the weak macro environment in the industries in which we operate, with activity levels below historical levels. These decreases were partially offset by increases associated with a full-year effect of the acquisition of Furmanite in 2017, compared to ten months of activity from Furmanite in 2016. On a pro forma basis, assuming Furmanite had been acquired prior to January 1, 2016, MS revenues declined by \$53.4 million, or 9.2%, in 2017 compared to 2016, reflecting the ongoing market softness. The increase in revenues for Quest Integrity reflects overall higher volumes across inspection and assessment services reflecting increased demand and the impact of an acquisition in the prior year that contributed approximately \$1.7 million of revenue, partially offset by hurricane-related project deferrals estimated at approximately \$1 million.

Operating income (loss). Overall operating loss was \$115.1 million, compared to an operating loss of \$3.1 million in the prior year. The increase in the operating loss is primarily attributable to the MS and IHT segments, which experienced decreased operating income of \$61.3 million and \$32.2 million, respectively, as well as an increase in corporate and shared support services expenses of \$26.0 million compared to the prior year. Partially offsetting these impacts, the Quest Integrity segment experienced higher operating income of \$7.6 million. The sharp decline in operating income for the MS and IHT segments is largely attributable to goodwill impairment losses in the current year of \$54.1 million and \$21.1 million, respectively, in these segments. These impairment losses were a result of our interim goodwill impairment test completed in the third quarter of 2017, which was triggered by the existence of impairment indicators, including the continued market softness and the related impacts on our financial results and our

stock price. The results of the impairment test indicated that the carrying values of our MS and IHT operating segments exceeded their estimated fair values. The estimated fair values of these segments have been adversely impacted by the declines in operating results and the related significant decrease in our share price experienced during 2017, particularly the decrease experienced during the third quarter. While there has been no additional goodwill impairment losses in subsequent periods, there can be no assurance that we will not experience additional goodwill impairment losses in future periods.

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In addition to the \$75.2 million in goodwill impairment losses, the current year includes net expenses totaling \$32.5 million that we do not believe are indicative of the Company's core operating activities, while the same period in the prior year included \$34.6 million of such items, as detailed by segment in the table below (in thousands):

Expenses reflected in operating income (loss) that are not indicative of the Company's core operating activities (unaudited):

	IHT	MS	Quest Integrity	Corporate and shared support services	Total
Twelve Months Ended December 31, 2017					
Implementation of the new ERP system	\$—	\$—	\$ —	\$ 13,776	\$13,776
Restructuring and other related charges	966	393	429	863	2,651
Executive severance/transition cost ¹	—	—	—	1,190	1,190
Natural disaster costs ²	1,325	633	—	95	2,053
Goodwill impairment loss	21,140	54,101	—	—	75,241
Revaluation of contingent consideration	(1,174)	—	—	—	(1,174)
Asset write-offs	1,210	—	—	—	1,210
Professional fees, legal and other ³	—	163	—	12,552	12,715
Total	\$23,467	\$55,290	\$ 429	\$ 28,476	\$107,662
Twelve Months Ended December 31, 2016					
Implementation of the new ERP system	\$—	\$—	\$ —	\$ 7,631	\$7,631
Restructuring and other related charges	—	5,513	—	—	\$5,513
Acquisition costs ⁴	307	257	114	6,736	7,414
Natural disaster costs ²	162	233	—	—	395
Revaluation of contingent consideration	—	2,184	—	—	2,184
Asset write-offs	650	—	—	—	650
Professional fees, legal and other ³					