North American Energy Partners Inc.
Form 6-K
November 05, 2013


UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 6-K
Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16
under the Securities Exchange Act of 1934
For the month of November 2013
Commission File Number 001-33161
NORTH AMERICAN ENERGY PARTNERS INC.
2 – 53016 Hwy 60
Acheson, Alberta T7X 5A7
(780) 960-7171
(Address of principal executive offices)
Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.
Form 20-F o Form 40-F ý
Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): o
Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): o

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Documents Included as Part of this Report

1. Interim consolidated financial statements of North American Energy Partners Inc. for the three and six months ended September 30, 2013.
2. Management's Discussion and Analysis for the three and six months ended September 30, 2013.

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SIGNATURES

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

NORTH AMERICAN ENERGY PARTNERS INC.

| | |
|---|---|
| By: | /s/ David Blackley |
| Name: | David Blackley |
| Title: | Chief Financial Officer |

Date: November 5, 2013

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NORTH AMERICAN ENERGY PARTNERS INC.
Interim Consolidated Financial Statements
For the three and six months ended September 30, 2013
(Expressed in thousands of Canadian Dollars)
(Unaudited)

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Interim Consolidated Balance Sheets
(Expressed in thousands of Canadian Dollars)
(Unaudited)

| | September 30, 2013 | March 31, 2013 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | $6,853 | $598 |
| Accounts receivable | 79,968 | 100,469 |
| Unbilled revenue (note 4) | 46,927 | 56,183 |
| Inventories | 6,424 | 5,751 |
| Prepaid expenses and deposits | 2,699 | 2,498 |
| Assets held for sale (note 5 and 10(b)) | 229 | 157,464 |
| Deferred tax assets | 8,645 | 33,694 |
| | 151,745 | 356,657 |
| Property, plant and equipment (net of accumulated depreciation of $187,612, March 31, 2013 – $184,901) | 272,693 | 274,246 |
| Other assets | 10,741 | 14,362 |
| Deferred tax assets | 52,441 | 14,673 |
| Total assets | $487,620 | $659,938 |
| Liabilities and shareholders’ equity | | |
| Current liabilities | | |
| Accounts payable | $54,554 | $73,727 |
| Accrued liabilities | 14,736 | 32,482 |
| Billings in excess of costs incurred and estimated earnings on uncompleted contracts | 8,114 | 7,085 |
| Current portion of long term debt (note 6(a)) | 13,358 | 21,409 |
| Current portion of derivative financial instruments (note 7(a)) | 3,353 | 4,261 |
| Liabilities held for sale | — | 38,846 |
| Deferred tax liabilities | 18,022 | 13,392 |
| | 112,137 | 191,202 |
| Long term debt (note 6(a)) | 103,023 | 290,655 |
| Derivative financial instruments (note 7(a)) | 1,175 | 2,180 |
| Other long term obligations | 6,389 | 6,746 |
| Deferred tax liabilities (note 13(c)) | 67,816 | 41,211 |
| | 290,540 | 531,994 |
| Shareholders' equity | | |
| Common shares (authorized – unlimited number of voting common shares; issued and outstanding – September 30, 2013 – 36,322,126 (March 31, 2013 – 36,251,006)) | 305,382 | 304,908 |
| Additional paid-in capital | 10,664 | 10,307 |
| Deficit | (118,966) | (187,283) |
| Accumulated other comprehensive loss | — | 12 |
| | 197,080 | 127,944 |
| Total liabilities and shareholders’ equity | $487,620 | $659,938 |

Contingencies (note 8)
Subsequent event (note 6(b) and note 11(a))
See accompanying notes to interim consolidated financial statements.

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Interim Consolidated Statements of Operations and Comprehensive Income (Loss)
(Expressed in thousands of Canadian Dollars, except per share amounts)
(Unaudited)

| | Three months ended September 30, | | Six months ended September 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Revenue | $116,243 | $123,518 | $231,289 | $297,513 |
| Project costs | 44,715 | 57,485 | 88,088 | 141,412 |
| Equipment costs | 46,080 | 39,455 | 94,229 | 103,543 |
| Equipment operating lease expense | 5,824 | 10,653 | 12,265 | 20,814 |
| Depreciation | 7,993 | 7,646 | 16,715 | 16,570 |
| Gross profit | 11,631 | 8,279 | 19,992 | 15,174 |
| General and administrative expenses | 9,183 | 7,273 | 17,747 | 21,359 |
| (Gain) loss on disposal of property plant and equipment | (175) | 592 | 421 | 367 |
| Loss (gain) on disposal of assets held for sale | 1,195 | 8 | 1,946 | (70) |
| Amortization of intangible assets | 865 | 1,129 | 1,626 | 1,920 |
| Equity in earnings of unconsolidated joint venture | — | — | — | (596) |
| Operating income (loss) before the undernoted | 563 | (723) | (1,748) | (7,806) |
| Interest expense, net (note 9) | 6,908 | 6,271 | 12,588 | 11,989 |
| Foreign exchange (gain) loss | (8) | 8 | (69) | 116 |
| Unrealized gain on derivative financial instruments (note 7(b)) | (1,508) | (1,896) | (1,913) | (1,918) |
| Loss on debt extinguishment (note 6(c)) | 6,476 | — | 6,476 | — |
| Loss before income taxes | (11,305) | (5,106) | (18,830) | (17,993) |
| Income tax (benefit) expense: | | | | |
| Current | 284 | (342) | 167 | 170 |
| Deferred | (2,914) | 283 | (4,680) | (3,947) |
| Net loss from continuing operations | (8,675) | (5,047) | (14,317) | (14,216) |
| Income from discontinued operations, net of tax (note 10) | 82,731 | 8,757 | 82,634 | 12,800 |
| Net income (loss) | 74,056 | 3,710 | 68,317 | (1,416) |
| Other comprehensive loss | | | | |
| Unrealized foreign currency translation loss | (30) | (68) | (12) | (32) |
| Comprehensive income (loss) | 74,026 | 3,642 | 68,305 | (1,448) |
| Per share information from continuing operations | | | | |
| Net loss - basic (note 11) | $(0.24) | $(0.14) | $(0.40) | $(0.39) |
| Net loss - diluted (note 11) | $(0.24) | $(0.14) | $(0.39) | $(0.39) |
| Per share information from discontinued operations | | | | |
| Net income - basic (note 11) | $2.28 | $0.24 | $2.28 | $0.35 |
| Net income - diluted (note 11) | $2.26 | $0.24 | $2.26 | $0.35 |
| Per share information | | | | |
| Net income (loss) - basic (note 11) | $2.04 | $0.10 | $1.88 | $(0.04) |
| Net income (loss) - diluted (note 11) | $2.02 | $0.10 | $1.87 | $(0.04) |

See accompanying notes to interim consolidated financial statements.

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Interim Consolidated Statements of Changes in Shareholders' Equity
(Expressed in thousands of Canadian Dollars)
(Unaudited)

| | Common shares | Additional paid-in capital | Deficit | Accumulated other comprehensive (loss) gain | Total |
|---|---|---|---|---|---|
| Balance at March 31, 2012 | $304,908 | $8,711 | $(185,820) | $(19) | $127,780 |
| Net loss | — | — | (1,416) | — | (1,416) |
| Unrealized foreign currency translation gain | — | — | — | (32) | (32) |
| Share option plan | — | 583 | — | — | 583 |
| Stock award plan | — | 14 | — | — | 14 |
| Repurchase of shares to settle stock award plan | — | (148) | — | — | (148) |
| Senior executive stock option plan | — | 841 | — | — | 841 |
| Balance at September 30, 2012 | $304,908 | $10,001 | $(187,236) | $(51) | $127,622 |
| | | | | | |
| Balance at March 31, 2013 | $304,908 | $10,307 | $(187,283) | $12 | $127,944 |
| Net income | — | — | 68,317 | — | 68,317 |
| Unrealized foreign currency translation loss | — | — | — | (12) | (12) |
| Share option plan | — | 426 | — | — | 426 |
| Exercised stock options | 474 | (140) | — | — | 334 |
| Senior executive stock option plan | — | 71 | — | — | 71 |
| Balance at September 30, 2013 | $305,382 | $10,664 | $(118,966) | $— | $197,080 |

See accompanying notes to interim consolidated financial statements.

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Interim Consolidated Statements of Cash Flows
(Expressed in thousands of Canadian Dollars)
(Unaudited)

| | Three months ended September 30, 2013 | 2012 | Six months ended September 30, 2013 | 2012 |
|---|---|---|---|---|
| Cash provided by (used in): | | | | |
| Operating activities: | | | | |
| Net loss from continuing operations | $(8,675) | $(5,047) | $(14,317) | $(14,216) |
| Items not affecting cash: | | | | |
| Depreciation | 7,993 | 7,646 | 16,715 | 16,570 |
| Equity in earnings of unconsolidated joint venture | — | — | — | (596) |
| Amortization of intangible assets | 865 | 1,129 | 1,626 | 1,920 |
| Amortization of deferred lease inducements | (27) | (28) | (54) | (55) |
| Amortization of deferred financing costs | 3,055 | 407 | 3,361 | 808 |
| (Gain) loss on disposal of property plant and equipment | (175) | 592 | 421 | 367 |
| Loss (gain) on disposal of assets held for sale | 1,195 | 8 | 1,946 | (70) |
| Unrealized gain on derivative financial instruments (note 7(b)) | (1,508) | (1,896) | (1,913) | (1,918) |
| Loss on debt extinguishment | 6,476 | — | 6,476 | — |
| Stock-based compensation expense (note 12(a)) | 1,905 | 993 | 2,139 | (116) |
| Cash settlement of restricted share unit plan (note 12(d)) | — | — | (727) | (1,631) |
| Cash settlement of directors' deferred share unit plan (note 12(e)) | (504) | — | (504) | — |
| Settlement of stock award plan (note 12(f)) | — | — | — | (148) |
| Accretion of asset retirement obligation | 12 | 11 | 23 | 21 |
| Deferred income tax expense | (2,914) | 283 | (4,680) | (3,947) |
| Net changes in non-cash working capital (note 13(b)) | (3,202) | 41,920 | (2,305) | 32,523 |
| | 4,496 | 46,018 | 8,207 | 29,512 |
| Investing activities: | | | | |
| Purchase of property, plant and equipment | (10,416) | (12,413) | (18,348) | (17,440) |
| Additions to intangible assets | (932) | (1,226) | (1,280) | (1,924) |
| Proceeds on wind up of unconsolidated joint venture | — | — | — | 2,170 |
| Proceeds on disposal of property, plant and equipment | 1,252 | 2,099 | 2,026 | 7,111 |
| Proceeds on disposal of assets held for sale | 1,068 | 1,504 | 2,941 | 1,660 |
| | (9,028) | (10,036) | (14,661) | (8,423) |
| Financing activities: | | | | |
| Repayment of credit facilities | (66,265) | (91,200) | (140,242) | (194,021) |
| Increase in credit facilities | 20,000 | 80,000 | 95,000 | 190,000 |
| Financing costs | (576) | (439) | (576) | (439) |
| Redemption of Series 1 Debentures | (156,476) | — | (156,476) | — |
| Proceeds from stock options exercised (note 12(b)) | 328 | — | 334 | — |
| Repayment of capital lease obligations | (3,560) | (1,506) | (7,042) | (2,838) |

| | | | | |
|---|---|---|---|---|
| | (206,549) | (13,145) | (209,002) | (7,298) |
| (Decrease) increase in cash and cash equivalents from continuing operations | (211,081) | 22,837 | (215,456) | 13,791 |
| Cash provided by (used in) discontinued operations: | | | | |
| Operating activities | (1,481) | (18,362) | 7,892 | (8,849) |
| Investing activities | 216,831 | (557) | 213,890 | (2,316) |
| Financing activities | (18) | (116) | (59) | (169) |
| | 215,332 | (19,035) | 221,723 | (11,334) |
| Increase in cash and cash equivalents | 4,251 | 3,802 | 6,267 | 2,457 |
| Effect of exchange rate on changes in cash and cash equivalents | (30) | (68) | (12) | (32) |
| Cash and cash equivalents, beginning of period | 2,632 | 91 | 598 | 1,400 |
| Cash and cash equivalents, end of period | $6,853 | $3,825 | $6,853 | $3,825 |

Supplemental cash flow information (note 13(a))

See accompanying notes to interim consolidated financial statements.

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Notes to Interim Consolidated Financial Statements
For the three and six months ended September 30, 2013
(Expressed in thousands of Canadian Dollars, except per share amounts or unless otherwise specified)

1) Nature of operations

North American Energy Partners Inc. ("the Company") provides a wide range of mining and heavy construction services to customers in the resource development and industrial construction sectors, primarily within Western Canada.

2) Basis of presentation

These unaudited interim consolidated financial statements are prepared in accordance with US GAAP for interim financial statements and do not include all of the disclosures normally contained in the Company's annual consolidated financial statements and as such these interim consolidated financial statements should be read in conjunction with the most recent annual financial statements. Material inter-company transactions and balances are eliminated upon consolidation.

3) Recent accounting pronouncements

a) Accounting pronouncements recently adopted

There have been no new recently adopted accounting pronouncements that are of significance, or potential significance, during the three and six months ended September 30, 2013, as compared to those described in the Company's Annual Report on Form 40-F.

b) Issued accounting pronouncements not yet adopted

In July 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") No. 2013-11, Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carry Forward Exists. This accounting standard eliminates the diversity in practice in the presentation of unrecognized tax benefits. The amendments in this ASU provide guidance on the financial statement presentation of an unrecognized tax benefit when a net operating loss carry forward, similar tax loss, or tax credit carry forward exists. This ASU will be effective commencing January 1, 2014. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

4) Unbilled revenue

As of September 30, 2013, an amount of $15,076 (March 31, 2013 - $16,139) is recognized within unbilled revenue relating to a single long-term customer contract, whereby the normal operating cycle for this project is greater than one year.

As described in note 2(b) of the annual consolidated financial statements of the Company for the year ended March 31, 2013, the estimated balances within unbilled revenue are subject to uncertainty concerning ultimate realization.

5) Assets held for sale

The balance of assets held for sale is comprised as follows:

| | September 30, 2013 | March 31, 2013 |
|---|---|---|
| Equipment | $229 | $2,724 |
| Piling assets | — | 154,740 |
| | $229 | $157,464 |

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6) Long term debt

a) Long term debt amounts are as follows:

Current:

| | September 30, 2013 | March 31, 2013 |
|---|---|---|
| Credit facilities (note 6(b)) | $— | $9,392 |
| Capital lease obligations | 13,358 | 12,017 |
| | $13,358 | $21,409 |

Long term:

| | September 30, 2013 | March 31, 2013 |
|---|---|---|
| Credit facilities (note 6(b)) | $— | $35,850 |
| Capital lease obligations | 28,023 | 29,805 |
| Series 1 Debentures (note 6(c)) | 75,000 | 225,000 |
| | $103,023 | $290,655 |

b) Credit Facilities

| | September 30, 2013 | March 31, 2013 |
|---|---|---|
| Term A Facility | $— | $17,202 |
| Term B Facility | — | 5,644 |
| Total Term Facilities | $— | $22,846 |
| Revolving Facility | — | 22,396 |
| Total credit facilities | $— | $45,242 |
| Less: current portion of Term Facilities | — | (9,392) |
| | $— | $35,850 |

As of September 30, 2013, the Company had issued $3.1 million (March 31, 2013 – $3.2 million) in letters of credit under the Revolving Facility to support performance guarantees associated with certain customer contracts. The $85.0 million in total funds available for borrowing under the Revolving Facility are reduced by any outstanding letters of credit. The Company's unused borrowing availability under the Revolving Facility was $81.9 million at September 30, 2013.

On September 28, 2012, the Company entered into a Fourth Amending Agreement to the April 2010 credit agreement to extend the maturity date of the credit agreement by one year to October 31, 2014 provided the Company repaid the Term B Facility in full by April 30, 2013. The balance of the Term B Facility was repaid in April 2013. Following repayment of the Term B Facility, 50 per cent of net proceeds from any subsequent asset sales were required to be used to reduce the existing Term A Facility. During the month of July, the Company repaid the outstanding amounts under the Term A Facility and the Revolving Facility with proceeds from the sale of piling related assets and liabilities (note 10(b)).

Subsequent to the period end, on October 9, 2013 the Company signed a three year Fifth Amended and Restated Credit Agreement with its existing banking syndicate, replacing the Fourth Amended and Restated Credit Agreement. The facility provides for a 1.5% lower interest rate and increased borrowing flexibility by securing the facility through a combination of working capital and equipment. The facility allows borrowing of up to $85.0 million, broken into two tranches. Tranche A will support both borrowing under the Revolving Facility and letters of credit up to $60.0 million and Tranche B will allow up to $25.0 million in letters of credit.

The new facility will provide a borrowing base, determined by the value of receivables and equipment, which reduces financial covenants to a Senior Leverage Ratio, which is to be maintained at less than 2.00 to 1.00 and a Fixed Charge Cover Ratio, which by December 31, 2013 must be maintained at greater than 1.20 to 1.00. As at September 30, 2013, the Company was in compliance with the covenants.

Interest on Canadian prime rate loans is paid at variable rates based on the Canadian prime rate plus the applicable pricing margin (as defined in the credit agreement). Interest on US base rate loans is paid at a rate per annum equal to the US base rate plus the applicable pricing margin. Interest on Canadian prime rate and US base rate loans is payable monthly in arrears. Stamping fees and interest related to the issuance of Bankers' Acceptances is paid in advance upon the issuance of such Bankers' Acceptance.

c) Series 1 Debentures

On April 7, 2010, the Company issued $225.0 million of 9.125% Series 1 Debentures (the "Series 1 Debentures"). The Series 1 Debentures mature on April 7, 2017. The Series 1 Debentures bear interest at 9.125% per annum and such interest is payable in equal installments semi-annually in arrears on April 7 and October 7 in each year, commencing on October 7, 2010.

The Series 1 Debentures are unsecured senior obligations and rank equally with all other existing and future unsecured senior debt and senior to any subordinated debt that may be issued by the Company or any of its subsidiaries. The Series 1 Debentures are effectively subordinated to all secured debt to the extent of collateral on such debt.

The Series 1 Debentures are redeemable at the option of the Company, in whole or in part at any time on or after: April 7, 2013 at 104.563% of the principal amount; April 7, 2014 at 103.042% of the principal amount; April 7, 2015 at 101.520% of the principal amount; April 7, 2016 and thereafter at 100% of the principal amount; plus, in each case, interest accrued to the redemption date.

To satisfy the requirement in the indenture governing 9.125% Series 1 Senior Unsecured Debentures Due 2017, on July 22, 2013 the Company made an offer to purchase $170.0 million of our Series 1 Debentures at par plus accrued and unpaid interest (the "Net Proceeds Offer") amount which represented the excess proceeds from the Piling sale that were not used for the purposes permitted in the indenture. The $170.0 million offer expired on August 21, 2013, pursuant to which $8.1 million of aggregate principal amount of notes were tendered to the offer and $0.3 million in accrued and unpaid interest was paid.

In addition, on July 22, 2013 the Company announced that it elected to redeem $150.0 million of the Series 1 Debentures, less the amount of any Series 1 Debentures tendered under the Net Proceeds Offer. Holders of record at the close of business on August 23, 2013 had their Series 1 Debentures redeemed on a pro rata basis for 104.563% of the principal amount, plus accrued and unpaid interest. On August 27, 2013, the Company redeemed $141.9 million of aggregate principal amount of notes, paid $5.0 million of accrued and unpaid interest and recorded a loss on debt extinguishment of $6.5 million.

7) Derivative financial instruments

a) Derivative financial instruments in the consolidated balance sheets are comprised of the following:

| September 30, 2013 | Carrying Amount |
|---|---|
| Embedded price escalation features in certain long term supplier contracts | $ 4,528 |
| Less: current portion | (3,353) |
| | $ 1,175 |

| March 31, 2013 | Carrying Amount |
|---|---|
| Embedded price escalation features in certain long term supplier contracts | $ 6,441 |
| Less: current portion | (4,261) |
| | $ 2,180 |

b) The unrealized gain on derivative financial instruments is comprised of the following:

| | Three months ended September 30, | | Six months ended September 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Unrealized gain on embedded price escalation features in certain long term supplier contracts | $(1,508) | $(1,896) | $(1,913) | $(1,918) |

8) Contingencies

During the normal course of the Company's operations, various legal and tax matters are pending. In the opinion of management, these matters will not have a material effect on the Company's consolidated financial position or results of operations.

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9) Interest expense

| | Three months ended September 30, | | Six months ended September 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Interest on capital lease obligations | $675 | $162 | $1,334 | $341 |
| Amortization of deferred financing costs | 3,055 | 407 | 3,361 | 808 |
| Interest on credit facilities | 339 | 1,193 | 1,156 | 2,474 |
| Interest on Series 1 Debentures | 3,070 | 3,945 | 6,963 | 7,766 |
| Interest on long term debt | $7,139 | $5,707 | $12,814 | $11,389 |
| Other interest (income) expense | (231) | 564 | (226) | 600 |
| | $6,908 | $6,271 | $12,588 | $11,989 |

10) Discontinued operations

During the year ended March 31, 2013, as part of its ongoing strategic evaluation of operations, the Company elected to sell its pipeline related assets and piling related assets and liabilities and discontinue the operations of these businesses. Prior to this decision, the Company had two reportable business segments consisting of Heavy Construction and Mining and Commercial and Industrial Construction. The Commercial and Industrial Construction segment was comprised of pipeline and piling operations. The operations of the discontinued Commercial and Industrial Construction segment are summarized in this note.

a) Pipeline

On November 22, 2012, the Company reached an agreement with an independent third party to sell its pipeline related assets for total consideration of approximately $16,250. The selling costs were $781 rendering net proceeds of $15,469. For all periods presented, the results of its pipeline operations and cash flows have been reported as discontinued operations.

The results of pipeline discontinued operations are summarized as follows:

| | Three months ended September 30, | | Six months ended September 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Revenue | $— | $19,413 | $— | $25,692 |
| Project costs | — | 17,711 | — | 24,757 |
| Depreciation | — | 97 | — | 186 |
| Gross income | $— | $1,605 | $— | $749 |
| General and administrative expenses | — | 406 | — | 849 |
| Operating income (loss) | $— | $1,199 | $— | $(100) |
| Interest expense | — | 234 | — | 467 |
| Income (loss) before income taxes | $— | $965 | $— | $(567) |
| Deferred income tax expense (benefit) | — | 448 | — | (52) |
| Net income (loss) from discontinued pipeline operations | $— | $517 | $— | $(515) |

Cash used in the pipeline discontinued operations is summarized as follows:

| | Three months ended September 30, | | Six months ended September 30, | |
|---|---|---|---|---|
| | 2013 | 2012 | 2013 | 2012 |
| Operating activities | $— | $1,062 | $— | $(381) |
| Investing activities | — | (253) | — | (348) |
| | $— | $809 | $— | $(729 |