North American Energy Partners Inc.
Form 6-K
November 03, 2015

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 2015
Commission File Number 001-33161
NORTH AMERICAN ENERGY PARTNERS INC.
Suite 300, 18817 Stony Plain Road
Edmonton, Alberta T5S 0C2
(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

---

Documents Included as Part of this Report

1. Interim consolidated financial statements of North American Energy Partners Inc. for the three and nine months ended September 30, 2015.
2. Management’s Discussion and Analysis for the three and nine months ended September 30, 2015.

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/ Rob Butler
Name:	Rob Butler
Title:	Vice President, Finance

Date: November 3, 2015

NORTH AMERICAN ENERGY PARTNERS INC.
Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2015
(Expressed in thousands of Canadian Dollars)
(Unaudited)

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

	September 30, 2015	December 31, 2014
Assets		
Current assets		
Cash	$33,191	$956
Accounts receivable	27,862	66,503
Unbilled revenue	18,602	43,622
Inventories	2,348	7,449
Prepaid expenses and deposits	2,052	2,253
Assets held for sale	512	29,589
Deferred tax assets	6,113	5,609
	90,680	155,981
Plant and equipment (net of accumulated depreciation of $186,856, December 31, 2014 – $173,537)	250,217	260,898
Other assets	7,462	9,755
Deferred tax assets	20,210	29,947
Total assets	$368,569	$456,581
Liabilities and shareholders’ equity		
Current liabilities		
Accounts payable	$25,972	$58,089
Accrued liabilities	11,631	14,997
Billings in excess of costs incurred and estimated earnings on uncompleted contracts	1,237	—
Current portion of capital lease obligation	21,957	22,201
Current portion of long term debt (note 4(a))	4,284	—
Deferred tax liabilities	3,554	20,056
	68,635	115,343
Long term debt (note 4(a))	45,286	64,269
Capital lease obligation	28,032	41,854
Other long term obligations	2,216	3,459
Deferred tax liabilities	49,552	42,077
	193,721	267,002
Shareholders' equity		
Common shares (authorized – unlimited number of voting common shares; issued and outstanding – September 30, 2015 – 33,528,901 (December 31, 2014 – 34,923,916)) (note 7(a))	278,720	290,800
Treasury shares (September 30, 2015 - 1,248,579 (December 31, 2014 - 589,892))(note 7(a))	(5,933)	(3,685)
Additional paid-in capital	28,175	19,866
Deficit	(126,114)	(117,402)
	174,848	189,579
Total liabilities and shareholders’ equity	$368,569	$456,581

Subsequent events (note 7(d))
See accompanying notes to interim consolidated financial statements.

1

NOA

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

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Revenue	$66,807	$134,675	$216,288	$358,598
Project costs	30,235	70,470	93,219	157,823
Equipment costs	19,127	36,497	70,438	128,509
Depreciation	10,074	10,906	29,693	30,992
Gross profit	7,371	16,802	22,938	41,274
General and administrative expenses	5,981	6,522	19,560	27,590
Loss (gain) on disposal of plant and equipment	11	11	(14)	745
(Gain) loss on disposal of assets held for sale	(82)	39	(390)	(43)
Amortization of intangible assets	507	547	1,481	2,420
Operating income before the undernoted	954	9,683	2,301	10,562
Interest expense, net (note 6)	3,137	3,181	8,322	9,017
Foreign exchange loss (gain)	19	(5)	(45)	18
Loss on debt extinguishment (note 4(c))	570	—	576	304
(Loss) income before income taxes	(2,772)	6,507	(6,552)	1,223
Income tax (benefit) expense				
Current	(910)	(4)	—	(87)
Deferred	248	1,704	206	473
Net (loss) income and comprehensive (loss) income	(2,110)	4,807	(6,758)	837
Per share information				
Net (loss) income - basic (note 7(b))	$(0.07)	$0.14	$(0.21)	$0.02
Net (loss) income - diluted (note 7(b))	$(0.07)	$0.13	$(0.21)	$0.02
Cash dividends per share (note 7(d))	$0.02	$0.02	$0.06	$0.06

See accompanying notes to interim consolidated financial statements.

2

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

	Common shares	Treasury shares	Additional paid-in capital	Deficit	Total
Balance at December 31, 2013	$290,517	$—	$14,750	$(113,432)	$191,835
Net loss	—	—	—	837	837
Exercised stock options	4,419	—	(1,674)	—	2,745
Exercised senior executive stock options	—	—	—	—	—
Stock-based compensation	—	—	3,144	—	3,144
Dividends	—	—	—	(2,104)	(2,104)
Purchase of treasury shares for settlement of certain equity classified stock-based compensation	—	(2,463)	—	—	(2,463)
Balance at September 30, 2014	$294,936	$(2,463)	$16,220	$(114,699)	$193,994
Balance at December 31, 2014	$290,800	$(3,685)	$19,866	$(117,402)	$189,579
Net loss	—	—	—	(6,758)	(6,758)
Exercised options	137	—	(55)	—	82
Stock-based compensation	—	99	1,250	—	1,349
Dividends (note 7(d))	—	—	—	(1,954)	(1,954)
Share purchase programs (note 7(c))	(12,217)	—	7,114	—	(5,103)
Purchase of treasury shares for settlement of certain equity classified stock-based compensation (note 7(a))	—	(2,347)	—	—	(2,347)
Balance at September 30, 2015	$278,720	$(5,933)	$28,175	$(126,114)	$174,848

See accompanying notes to interim consolidated financial statements.

NOA

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

	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Cash provided by (used in):				
Operating activities:				
Net (loss) income	$(2,110)	$4,807	$(6,758)	$837
Adjustments to reconcile to net cash from operating activities:				
Depreciation	10,074	10,906	29,693	30,992
Amortization of intangible assets	507	547	1,481	2,420
Amortization of deferred financing costs (note 6)	1,352	321	1,854	1,167
Lease inducement paid on sublease	—	—	(107)	(1,200)
Loss (gain) on disposal of plant and equipment	11	11	(14)	745
(Gain) loss on disposal of assets held for sale	(82)	39	(390)	(43)
Loss on debt extinguishment	570	—	576	304
Stock-based compensation expense	730	(405)	1,081	5,488
Cash settlement of share based compensation	(304)	—	(1,557)	(2,796)
Other adjustments	23	23	68	21
Deferred income tax expense	248	1,704	206	473
Net changes in non-cash working capital (note 8(b))	3,943	(19,106)	38,474	(8,779)
	14,962	(1,153)	64,607	29,629
Investing activities:				
Purchase of plant and equipment	(6,451)	(11,685)	(19,980)	(29,034)
Additions to intangible assets	(214)	(60)	(739)	(551)
Proceeds on disposal of plant and equipment	—	433	101	1,086
Proceeds on disposal of assets held for sale	238	348	30,386	1,212
	(6,427)	(10,964)	9,768	(27,287)
Financing activities:				
Repayment of Credit Facility	(357)	(25,000)	(5,893)	(25,000)
Increase in Credit Facility	30,000	34,442	30,000	34,442
Financing costs	(665)	(87)	(665)	(87)
Redemption of Series 1 Debentures	(38,121)	—	(39,382)	(10,304)
Proceeds from option exercised	—	516	83	2,745
Dividend payment (note 7(d))	(649)	(704)	(2,005)	(1,402)
Share Purchase Program (note 7(c))	(461)	—	(5,103)	—
Purchase of treasury shares for settlement of certain equity classified stock-based compensation (note 7(a))	(58)	(788)	(2,347)	(2,463)
Repayment of capital lease obligations	(5,705)	(5,503)	(16,828)	(13,512)
	(16,016)	2,876	(42,140)	(15,581)
(Decrease) increase in cash	(7,481)	(9,241)	32,235	(13,239)
Cash, beginning of period	40,672	9,744	956	13,742
Cash, end of period	$33,191	$503	$33,191	$503

Supplemental cash flow information (note 8(a))

See accompanying notes to interim consolidated financial statements.

4

Notes to Interim Consolidated Financial Statements
For the three and nine months ended September 30, 2015
(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 United States generally accepted accounting principles ("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 annual financial statements for the year ended December 31, 2014.
3) Recent accounting pronouncements
a) Issued accounting pronouncements not yet adopted
i) Revenue from contracts with customers
In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). This accounting standard updates the revenue recognition guidance to require that entities recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU provides specific steps that entities should apply to recognize revenue. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606), Deferral of the Effective Date which defers the effective date of ASU No. 2014-09 for all entities by one year, making these ASUs effective commencing January 1, 2018. The Company has not yet selected a transition method and is currently assessing the impact the adoption of this standard will have on its consolidated financial statements.
ii) Compensation - Stock Compensation
In May 2014, the FASB issued ASU No. 2014-12, Compensation-Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period. This accounting standard update requires that performance targets affecting vesting of stock awards which could be achieved after the requisite service period be treated as a performance condition. Currently, US GAAP does not provide specific guidance regarding treatment of performance targets that could be achieved after the service period. This ASU will be effective commencing January 1, 2016, with early adoption permitted. The Company is currently assessing the impact the adoption of this standard will have on its consolidated financial statements.
iii) Consolidation - Amendments to the Consolidation Analysis
In February 2015, the FASB issued ASU No. 2015-02, Consolidation - Amendments to the Consolidation Analysis (Subtopic 810). The amendments in the update provide a revised model to reevaluate the consolidation of a reporting entity's legal entities. Specifically, the amendments affect the following areas: 1) limited partnerships and similar legal entities; 2) evaluating fees paid to a decision maker or a service provider as a variable interest; 3) the effect of fee arrangements on the primary beneficiary determination; 4) the effect of related parties on the primary beneficiary determination; and 5) certain investment funds. This ASU will be effective commencing January 1, 2016, with early adoption permitted. The Company is currently assessing the impact the adoption of this standard will have on its consolidated financial statements.

iv) Interest - Imputation of Interest

In April 2015, the FASB issued ASU No. 2015-03, Interest - Imputation of Interest (Subtopic 835-30). The amendments in this update require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of the related debt liability instead of being presented as an asset. Amortization of the debt issuance costs are to be reported as interest expense. In August 2015, the FASB issued ASU No. 2015-15, Imputation of Interest (Subtopic 835-30). The amendments in this update discuss debt issuance costs related to line-of-credit arrangements and recommend that an entity defer and present debt issuance costs as an asset and subsequently amortize the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. These ASUs will be effective commencing January 1, 2016, with early adoption permitted for financial statements that have not been previously issued. The Company is currently assessing the impact the adoption of this standard will have on its consolidated financial statements.

4) Long term debt

a) Long term debt amounts are as follows:

Current:

	September 30, 2015	December 31, 2014
Credit Facility (note 4(b))	$4,284	$—

Long term:

	September 30, 2015	December 31, 2014
Credit Facility (note 4(b))	$25,359	$5,536
Series 1 Debentures (note 4(c))	19,927	58,733
	$45,286	$64,269

b) Credit Facility

	September 30, 2015	December 31, 2014
Term Loan	$29,643	$—
Revolver	—	5,536
Total Credit Facility	29,643	5,536
Less: current portion	(4,284)	—
	$25,359	$5,536

On July 8, 2015, the Company entered into the Sixth Amended and Restated Credit Agreement ("the Credit Facility") with the existing banking syndicate, replacing the Fifth Amended and Restated Credit Agreement (the "Previous Credit Facility"). The Credit Facility provides for borrowings of up to $100.0 million, contingent upon the value of the borrowing base as defined by the Credit Facility. This facility matures on September 30, 2018.

The Credit Facility is composed of a $70.0 million revolving loan (the "Revolver") that will support borrowing and letters of credit and a $30.0 million term loan ("Term Loan") to support the redemption of the Company's unsecured Series 1 Senior Debentures. The Term Loan is to be repaid based on an 84 month amortization schedule and prepaid by an annual sweep of 25% of consolidated excess cash flow as defined in the Credit Facility. The Credit Facility provides pre-approval for the redemption of the Series 1 Debentures in an amount up to $40.0 million and requires that the principal on the Series 1 Debentures be reduced to a maximum outstanding face value of $20.0 million by June 30, 2016.

The Credit Facility provides a borrowing base determined by the value of receivables, inventory, unbilled revenue and equipment. Under the terms of the agreement, the Senior Leverage Ratio is to be maintained at less than 3.5:1 through December 31, 2016 and thereafter reduced to a ratio of less than 3.0:1, while the Fixed Charge Ratio is to be maintained at a ratio greater than 1.0:1.

6

As of September 30, 2015, there was $2.4 million in letters of credit issued under the Revolver and a $29.6 million unpaid balance for the Term Loan. The September 30, 2015 borrowing base allowed for a maximum draw of $95.2 million. At September 30, 2015, the Company's unused borrowing availability under the Revolver was $63.2 million. As at September 30, 2015, the Company was in compliance with the covenants.

As at December 31, 2014, under the Previous Credit Facility, there was a $5.5 million drawdown against the revolving facility under Tranche A of the First Amending Agreement to the Fifth Amended and Restated Credit Agreement (the "Previous Credit Facility") and there was $5.1 million of issued and undrawn letters of credit under Tranche B. As at December 31, 2014 the Company's unused borrowing availability under the revolving facility was $54.5 million.

The Credit Facility bears interest at Canadian prime rate, U.S. Dollar Base Rate, Canadian bankers' acceptance rate or London interbank offered rate (LIBOR) (all such terms as used or defined in the Credit Facility), plus applicable margins. In each case, the applicable pricing margin depends on the Company's Total Debt to trailing 12-month Consolidated EBITDA ratio as defined in the Credit Facility. The Credit Facility is secured by a first priority lien on all of the Company's existing and after-acquired property.

c) Series 1 Debentures

The Series 1 Debentures bear interest of 9.125% and mature on April 7, 2017. Interest is payable in equal installments semi-annually in arrears on April 7 and October 7 in each year.

On August 14, 2015, the Company redeemed $37.5 million of the Series 1 Debentures on a pro rata basis for 101.52% of the principal amount, plus accrued and unpaid interest and recorded a loss on debt extinguishment of $0.6 million. On September 28, 2015 the Company repurchased $0.1 million of the Series 1 Debentures at par, plus accrued and unpaid interest in a market transaction. In April 2015, the Company repurchased a total of $1.3 million of principal amount of Series 1 Debentures in two separate market transactions. Of that amount $1.0 million was repurchased on April 6, 2015 at a price of $100.50 per $100 of face value and $0.3 million was repurchased on April 16, 2015 at par.

5) Fair value measurements

In determining the fair value of financial instruments, the Company uses a variety of methods and assumptions that are based on market conditions and risks existing on each reporting date. Standard market conventions and techniques, such as discounted cash flow analysis and option pricing models, are used to determine the fair value of the Company's financial instruments. All methods of fair value measurement result in a general approximation of value and such value may never actually be realized.

The fair values of the Company's cash, accounts receivable, unbilled revenue, accounts payable and accrued liabilities approximate their carrying amounts due to the relatively short periods to maturity for the instruments. The fair value of the Credit Facility approximates its carrying value as it is subject to floating market interest rates. During the three and nine months ended September 30, 2015 and September 30, 2014, the Company did not record any fair value adjustments related to non-financial assets and liabilities measured at fair value on a nonrecurring basis.

Financial instruments with carrying amounts that differ from their fair values are as follows:

	September 30, 2015		December 31, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Capital lease obligations (i)	$49,989	$49,505	$64,055	$58,951
Series 1 Debentures (ii)	19,927	19,927	58,733	58,733

(i) The fair values of amounts due under capital leases are based on management estimates which are determined by discounting cash flows required under the instruments at the interest rates currently estimated to be available for instruments with similar terms.

(ii) The fair value of the Series 1 Debentures is based upon the period end market price.

6) Interest expense, net

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Interest on capital lease obligations	$728	$903	$2,396	$2,234
Amortization of deferred financing costs	1,352	321	1,854	1,167
Interest on Credit Facility	248	322	668	822
Interest on Series 1 Debentures	879	1,483	3,534	4,696
Interest on long term debt	$3,207	$3,029	$8,452	$8,919
Other interest (income) expense	(70)	152	(130)	98
	$3,137	$3,181	$8,322	$9,017

7) Shares

a) Common shares

Issued and outstanding:

The Company is authorized to issue an unlimited number of voting and non-voting common shares.

	Common shares	Treasury shares	Common shares outstanding, net of treasury shares
Voting common shares			
Number of common shares outstanding as at December 31, 2014	34,923,916	(589,892)	34,334,024
Issued upon exercise of stock options	30,080	—	30,080
Purchase of treasury shares for settlement of certain equity classified stock-based compensation	—	(679,090)	(679,090)
Transfers of common shares by the trust to settle equity classified stock-based compensation obligations	—	20,403	20,403
Retired through share Purchase Program (note 7(c))	(1,425,095)	—	(1,425,095)
Issued and outstanding at September 30, 2015	33,528,901	(1,248,579)	32,280,322

On June 12, 2014, the Company entered into a trust fund agreement whereby the trustee will purchase and hold common shares, which were classified as treasury shares on our consolidated balance sheet, until such time that units issued under the equity classified RSU and PSU plans are to be settled.

b) Net (loss) income per share

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Net (loss) income	(2,110)	4,807	(6,758)	837
Weighted average number of outstanding common shares	32,378,736	35,158,986	32,960,341	34,998,697
Basic net (loss) income per share	(0.07)	0.14	(0.21)	0.02
Dilutive effect of stock options and treasury shares	—	769,079	—	744,476
Weighted average numbers of diluted common shares	32,378,736	35,928,065	32,960,341	35,743,173
Diluted net (loss) income per share	(0.07)	0.13	(0.21)	0.02

For the three and nine months ended September 30, 2015, there were 1,463,000 stock options which were anti-dilutive and therefore were not considered in computing diluted earnings per share (for the three and nine months ended September 30, 2014 – 766,184 and 768,162 stock options, respectively).

c) Share purchase programs
On August 14, 2015, the Company commenced a normal course issuer bid in Canada through the facilities of the Toronto Stock Exchange ("TSX"), to purchase up to 532,520 voting common shares (the "NCIB") that will terminate no later than December 17, 2015. As at September 30, 2015, a total of 153,900 common voting shares have been purchased and subsequently cancelled in the normal course resulting in a reduction of $1,300 to common shares and an increase to additional paid-in capital of $830.
On December 18, 2014, the Company commenced purchasing and subsequently canceling 1,771,195 voting common shares (the "Purchase Program"), in the United States primarily through the facilities of the New York Stock Exchange ("NYSE"). Such voting common shares represented approximately 5% of the issued and outstanding voting common shares as of December 10, 2014. In June 2015, the Company completed the share purchase program canceling 1,271,195 voting common shares in the current year resulting in a reduction of $10,917 to common shares and an increase to additional paid-in capital of $6,284. As at September 30, 2015, a total of 1,771,195 common shares had been purchased and subsequently cancelled in the normal course.
d) Dividends
The Company paid regular quarterly cash dividends of $0.02 per share on common shares during the nine months ended September 30, 2015 on each of the following dates: April 24, 2015 and July 24, 2015. The Company's dividends are eligible dividends for Canadian income tax purposes. On September 14, 2015, the Company declared its third quarter 2015 dividend of $0.02 per share payable to shareholders of record as at the close of business on September 30, 2015. At September 30, 2015, the dividend payable of $646 was included in accrued liabilities and was subsequently paid to shareholders on October 23, 2015. On November 2, 2015, the Company declared its fourth quarter 2015 dividend of $0.02 per share payable to common shareholders of record at the close of business on November 30, 2015, payable on December 11, 2015.
8) Other information
a) Supplemental cash flow information

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Cash paid during the period for:				
Interest	$2,380	$1,230	$7,244	$6,492
Cash received during the period for:				
Interest	70	7	161	62
Income taxes	—	—	—	88
Non-cash transactions:				
Addition of plant and equipment by means of capital leases	—	1,540	2,762	29,572
Reclassification from plant and equipment to assets held for sale	(521)	(137)	(919)	(1,132)
Non-cash working capital exclusions:				
Decrease in inventory resulting from reclassification to plant and equipment	(385)	—	(1,128)	—
Net increase (decrease) in accounts payable related to purchase of plant and equipment	793	165	(3,777)	(4,891)
Net increase (decrease) in accounts payable related to purchase of intangible assets	179	—	(165)	—
Net decrease in accounts payable related to change in estimated financing costs	—	—	—	(101)
Net (decrease) increase in accounts payable related to change in the lease inducement payable on the	—	(81)	(107)	219

sublease				
Net increase (decrease) in accrued liabilities related to current portion of RSU liability	42	(309)	(265)	346
Net decrease in accrued liabilities related to current portion of DSU liability	(325)	—	(408)	—
Net decrease in accrued liabilities related to the current portion of the senior executive stock options	—	—	(22)	—
Net (decrease) increase in accrued liabilities related to dividend payable	(3)	(4)	(51)	702

9

NOA

b) Net change in non-cash working capital

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Operating activities:				
Accounts receivable	$(1,067)	$(8,606)	$38,641	$17,861
Unbilled revenue	6,225	(7,426)	25,020	(35,743)
Inventories	30	(2,877)	3,973	(1,846)
Prepaid expenses and deposits	1,508	739	291	(2,113)
Accounts payable	(1,892)	533	(28,068)	14,894
Accrued liabilities	(1,911)			