

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

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended June 30, 2024

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  
Incorporation or Organization)

(I.R.S. Employer  
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)

None

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class             | Trading Symbol(s) | Name of each exchange on which registered |
|---------------------------------|-------------------|---|
| Common Stock, \$0.30 par value  | TISI              | New York Stock Exchange                   |
| Preferred Stock Purchase Rights | N/A               | New York Stock Exchange                   |

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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See 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 checked="" type="checkbox"/> | Smaller reporting company | <input checked="" 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 Exchange Act). Yes ☐ No ☒

The Registrant had 4,421,876 shares of common stock, par value \$0.30, outstanding as of August 6, 2024.

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**PART I—FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**TEAM, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share and per share data)

|   | June 30, 2024 | December 31, 2023 |
|---|---------------|-------------------|
| ASSETS  | (unaudited)   |                   |
| Current assets:   |               |                   |
| Cash and cash equivalents   | \$ 22,461     | \$ 35,427         |
| Accounts receivable, net of allowance of \$ 4,223 and \$ 3,738 respectively   | 192,440       | 181,185           |
| Inventory   | 38,830        | 38,853            |
| Income tax receivable   | 541           | 644               |
| Prepaid expenses and other current assets   | 61,032        | 65,992            |
| Total current assets  | 315,304       | 322,101           |
| Property, plant and equipment, net  | 120,147       | 127,057           |
| Intangible assets, net  | 56,455        | 62,693            |
| Operating lease right-of-use assets   | 42,195        | 40,498            |
| Defined benefit pension asset   | 4,683         | 4,323             |
| Other assets, net   | 9,747         | 7,847             |
| Deferred tax asset  | 1,116         | 1,225             |
| Total assets  | \$ 549,647    | \$ 565,744        |
| <b>LIABILITIES AND EQUITY</b>   |               |                   |
| Current liabilities:  |               |                   |
| Current portion of long-term debt and finance lease obligations   | \$ 7,087      | \$ 5,212          |
| Current portion of operating lease obligations  | 14,716        | 14,232            |
| Accounts payable  | 41,548        | 36,389            |
| Other accrued liabilities   | 107,971       | 118,089           |
| Income tax payable  | 2,137         | 1,016             |
| Total current liabilities   | 173,459       | 174,938           |
| Long-term debt and finance lease obligations  | 313,020       | 306,214           |
| Operating lease obligations   | 30,824        | 29,962            |
| Deferred tax liabilities  | 5,156         | 5,742             |
| Other long-term liabilities   | 3,313         | 3,292             |
| Total liabilities   | 525,772       | 520,148           |
| Commitments and contingencies   |               |                   |
| Equity:   |               |                   |
| Preferred stock, 500,000 shares authorized, none issued   | —             | —                 |
| Common stock, par value \$ 0.30 per share, 12,000,000 shares authorized; 4,421,876 and 4,415,147 shares issued and outstanding at June 30, 2024 and December 31, 2023, respectively | 1,327         | 1,315             |
| Additional paid-in capital  | 459,862       | 458,614           |
| Accumulated deficit   | ( 397,359 )   | ( 377,401 )       |
| Accumulated other comprehensive loss  | ( 39,955 )    | ( 36,932 )        |
| Total equity  | 23,875        | 45,596            |
| Total liabilities and equity  | \$ 549,647    | \$ 565,744        |

See accompanying notes to unaudited condensed consolidated financial statements.

**TEAM, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except per share data)  
(Unaudited)

|  | Three Months Ended<br>June 30, |               | Six Months Ended<br>June 30, |               |
|--|--------------------------------|---------------|------------------------------|---------------|
|  | 2024                           | 2023          | 2024                         | 2023          |
| Revenues                                       | \$ 228,618                     | \$ 239,492    | \$ 428,218                   | \$ 441,769    |
| Operating expenses                             | 165,064                        | 178,576       | 315,933                      | 333,851       |
| Gross margin                                   | 63,554                         | 60,916        | 112,285                      | 107,918       |
| Selling, general and administrative expenses   | 52,395                         | 56,320        | 107,512                      | 111,068       |
| Operating income (loss)                        | 11,159                         | 4,596         | 4,773                        | ( 3,150 )     |
| Interest expense, net                          | ( 11,909 )                     | ( 16,691 )    | ( 24,007 )                   | ( 33,432 )    |
| Loss on debt extinguishment                    | —                              | ( 1,582 )     | —                            | ( 1,582 )     |
| Other (expense) income, net                    | ( 541 )                        | 13            | 821                          | 648           |
| Loss before income taxes                       | ( 1,291 )                      | ( 13,664 )    | ( 18,413 )                   | ( 37,516 )    |
| Provision for income taxes                     | ( 1,472 )                      | ( 2,089 )     | ( 1,545 )                    | ( 2,948 )     |
| Net loss                                       | \$ ( 2,763 )                   | \$ ( 15,753 ) | \$ ( 19,958 )                | \$ ( 40,464 ) |
|  |                                |               |                              |               |
| Loss per common share:                         |                                |               |                              |               |
| Basic and Diluted                              | \$ ( 0.63 )                    | \$ ( 3.61 )   | \$ ( 4.52 )                  | \$ ( 9.30 )   |
|  |                                |               |                              |               |
| Weighted-average number of shares outstanding: |                                |               |                              |               |
| Basic and Diluted                              | 4,416                          | 4,362         | 4,415                        | 4,353         |

See accompanying notes to unaudited condensed consolidated financial statements.

**TEAM, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF**  
**COMPREHENSIVE LOSS**  
(in thousands)  
(Unaudited)

|   | Three Months Ended<br>June 30, |               | Six Months Ended<br>June 30, |               |
|---|--------------------------------|---------------|------------------------------|---------------|
|   | 2024                           | 2023          | 2024                         | 2023          |
| Net loss  | \$ ( 2,763 )                   | \$ ( 15,753 ) | \$ ( 19,958 )                | \$ ( 40,464 ) |
| Other comprehensive income (loss) before tax:                   |                                |               |                              |               |
| Foreign currency translation adjustment                         | ( 330 )                        | 1,277         | ( 3,192 )                    | 2,055         |
| Defined benefit pension plans:                                  |                                |               |                              |               |
| Amortization of prior service cost                              | 8                              | —             | 16                           | —             |
| Amortization of net actuarial loss                              | 79                             | —             | 158                          | —             |
| Other comprehensive income (loss), before tax                   | ( 243 )                        | 1,277         | ( 3,018 )                    | 2,055         |
| Tax provision attributable to other comprehensive income (loss) | ( 5 )                          | ( 23 )        | ( 5 )                        | ( 46 )        |
| Other comprehensive income (loss), net of tax                   | ( 248 )                        | 1,254         | ( 3,023 )                    | 2,009         |
| Total comprehensive loss  | \$ ( 3,011 )                   | \$ ( 14,499 ) | \$ ( 22,981 )                | \$ ( 38,455 ) |

See accompanying notes to unaudited condensed consolidated financial statements.

**TEAM, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(in thousands)  
(Unaudited)

|   | Common Stock |          | Additional<br>Paid-in<br>Capital | Retained<br>Earnings<br>(Deficit) | Accumulated<br>Other<br>Comprehensive<br>Loss | Total<br>Shareholders'<br>Equity |
|---|--------------|----------|----------------------------------|-----------------------------------|---|----------------------------------|
|   | Shares       | Amount   |                                  |                                   |   |                                  |
| <b>Balance at December 31, 2023</b>                 | 4,415        | \$ 1,315 | \$ 458,614                       | \$ ( 377,401 )                    | \$ ( 36,932 )                                 | \$ 45,596                        |
| Net loss  | —            | —        | —                                | ( 17,195 )                        | —   | ( 17,195 )                       |
| Net settlement of vested stock awards               | —            | 10       | ( 10 )                           | —                                 | —   | —                                |
| Foreign currency translation adjustment, net of tax | —            | —        | —                                | —                                 | ( 2,862 )                                     | ( 2,862 )                        |
| Defined benefit pension plans, net of tax           | —            | —        | —                                | —                                 | 87  | 87                               |
| Non-cash compensation                               | —            | —        | 665                              | —                                 | —   | 665                              |
| <b>Balance at March 31, 2024</b>                    | 4,415        | \$ 1,325 | \$ 459,269                       | \$ ( 394,596 )                    | \$ ( 39,707 )                                 | \$ 26,291                        |
| Net loss  | —            | —        | —                                | ( 2,763 )                         | —   | ( 2,763 )                        |
| Net settlement of vested stock awards               | 7            | 2        | ( 19 )                           | —                                 | —   | ( 17 )                           |
| Foreign currency translation adjustment, net of tax | —            | —        | —                                | —                                 | ( 291 )                                       | ( 291 )                          |
| Defined benefit pension plans, net of tax           | —            | —        | —                                | —                                 | 43  | 43                               |
| Non-cash compensation                               | —            | —        | 612                              | —                                 | —   | 612                              |
| <b>Balance at June 30, 2024</b>                     | 4,422        | \$ 1,327 | \$ 459,862                       | \$ ( 397,359 )                    | \$ ( 39,955 )                                 | \$ 23,875                        |
| <b>Balance at December 31, 2022</b>                 | 4,343        | \$ 1,303 | \$ 457,133                       | \$ ( 301,679 )                    | \$ ( 38,997 )                                 | \$ 117,760                       |
| Net loss  | —            | —        | —                                | ( 24,711 )                        | —   | ( 24,711 )                       |
| Net settlement of vested stock awards               | 14           | 4        | ( 52 )                           | —                                 | —   | ( 48 )                           |
| Foreign currency translation adjustment, net of tax | —            | —        | —                                | —                                 | 755   | 755                              |
| Non-cash compensation                               | —            | —        | 382                              | —                                 | —   | 382                              |
| <b>Balance at March 31, 2023</b>                    | 4,357        | \$ 1,307 | \$ 457,463                       | \$ ( 326,390 )                    | \$ ( 38,242 )                                 | \$ 94,138                        |
| Net loss  | —            | —        | —                                | ( 15,753 )                        | —   | ( 15,753 )                       |
| Net settlement of vested stock awards               | 11           | 4        | ( 16 )                           | —                                 | —   | ( 12 )                           |
| Foreign currency translation adjustment, net of tax | —            | —        | —                                | —                                 | 1,254   | 1,254                            |
| Non-cash compensation                               | —            | —        | 245                              | —                                 | —   | 245                              |
| <b>Balance at June 30, 2023</b>                     | 4,368        | \$ 1,311 | \$ 457,692                       | \$ ( 342,143 )                    | \$ ( 36,988 )                                 | \$ 79,872                        |

See accompanying notes to unaudited condensed consolidated financial statements.

**TEAM, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)  
(Unaudited)

|   | Six Months Ended June 30, |               |
|---|---------------------------|---------------|
|   | 2024                      | 2023          |
| Cash flows from operating activities:   |                           |               |
| Net loss  | \$ ( 19,958 )             | \$ ( 40,464 ) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: |                           |               |
| Depreciation and amortization   | 18,900                    | 19,085        |
| Loss on debt extinguishment   | —                         | 1,582         |
| Amortization of debt issuance costs, debt discounts, and deferred financing costs         | 3,625                     | 16,229        |
| Paid-in-kind interest   | 6,318                     | 7,117         |
| Allowance for credit losses   | 733                       | 276           |
| Foreign currency gains  | ( 623 )                   | ( 35 )        |
| Deferred income taxes   | ( 545 )                   | 730           |
| Loss (gain) on asset disposal   | 32                        | ( 245 )       |
| Non-cash compensation costs   | 1,277                     | 627           |
| Other, net  | ( 195 )                   | ( 2,169 )     |
| Changes in operating assets and liabilities:  |                           |               |
| Accounts receivable   | ( 13,796 )                | ( 9,037 )     |
| Inventory   | ( 356 )                   | ( 1,140 )     |
| Prepaid expenses and other assets   | ( 726 )                   | ( 2,043 )     |
| Accounts payable  | 6,148                     | 3,994         |
| Other accrued liabilities   | ( 6,548 )                 | ( 17,201 )    |
| Income taxes  | 1,248                     | ( 923 )       |
| Net cash used in operating activities   | ( 4,466 )                 | ( 23,617 )    |
| Cash flows from investing activities:   |                           |               |
| Capital expenditures  | ( 5,759 )                 | ( 5,073 )     |
| Proceeds from disposal of assets  | 139                       | 332           |
| Net cash used in investing activities   | ( 5,620 )                 | ( 4,741 )     |
| Cash flows from financing activities:   |                           |               |
| Borrowings under Revolving Credit Loans   | 10,500                    | 30,797        |
| Payments under Revolving Credit Loans   | ( 9,909 )                 | ( 14,798 )    |
| Repayment of APSC Term Loan   | —                         | ( 37,092 )    |
| Borrowings under ME/RE Loans  | —                         | 27,398        |
| Payments under ME/RE Loans  | ( 1,421 )                 | —             |
| Payments under Corre Incremental Term Loan  | ( 713 )                   | —             |
| Payments for debt issuance costs  | ( 2,800 )                 | ( 5,327 )     |
| Other   | 1,843                     | ( 495 )       |
| Net cash provided by (used in) financing activities                                       | ( 2,500 )                 | 483           |
| Effect of exchange rate changes on cash   | ( 380 )                   | 237           |
| Net decrease in cash and cash equivalents   | ( 12,966 )                | ( 27,638 )    |
| Cash and cash equivalents at beginning of period  | 35,427                    | 58,075        |
| Cash and cash equivalents at end of period  | \$ 22,461                 | \$ 30,437     |

See accompanying notes to unaudited condensed consolidated financial statements.



**TEAM, INC. AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONDENSED CONSOLIDATED**  
**FINANCIAL STATEMENTS**

**1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION**

**Description of Business.** Unless otherwise indicated, the terms “we,” “our,” “us,” “Team,” and “the Company” are used in this report to refer to either Team, Inc., to one or more of our consolidated subsidiaries, or to all of them taken as a whole. Our stock is traded on the New York Stock Exchange (the “NYSE”) under the symbol “TISI”.

We are a global, leading provider of specialty industrial services offering clients access to a full suite of conventional, specialized, and proprietary mechanical, heat-treating, and inspection services. We deploy conventional to highly specialized inspection, condition assessment, maintenance and repair services that result in greater safety, reliability, and operational efficiency for our clients' most critical assets. We conduct operations in two segments: Inspection and Heat Treating (“IHT”) and Mechanical Services (“MS”). Through the capabilities and resources in these two segments, we believe that we are uniquely qualified to provide integrated solutions involving: 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 are 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 we are unique in our ability to provide these 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 conventional and advanced non-destructive testing services primarily for the process, pipeline and power sectors, pipeline integrity management services, and field heat treating services, as well as associated engineering and condition assessment services. These services can be offered while facilities are running (onstream), during facility turnarounds or during new construction or expansion activities. In addition, IHT provides comprehensive non-destructive testing services and metallurgical and chemical processing services to the aerospace industry, covering a range of components including finished machined and in-service components. IHT also provides advanced digital imaging including remote digital video imaging.

MS provides solutions designed to serve clients' unique needs during both the operational (onstream) and off-line states of their assets. Our onstream services include our range of standard to custom-engineered leak repair and composite solutions; emissions control and compliance; hot tapping and line stopping; and online valve insertion solutions, which are delivered while assets are in an operational condition, which maximizes client production time. Asset shutdowns can be planned, such as a turnaround maintenance event, or unplanned, such as those due to component failure or equipment breakdowns. Our specialty maintenance, turnaround and outage services are designed to minimize client downtime and are primarily delivered while assets are off-line and often through the use of cross-certified technicians, whose multi-craft capabilities deliver the production needed to achieve tight time schedules. These critical services include on-site field machining; bolted-joint integrity; vapor barrier plug testing; and valve management solutions.

We market our services to companies in a diverse array of heavy industries which include:

- Energy (refining, power, renewables, nuclear, offshore oil and gas, and liquefied natural gas);
- Manufacturing and Process (chemical, petrochemical, pulp and paper industries, automotive, and mining);
- Midstream (valves, terminals and storage, and pipeline);
- Public Infrastructure (construction and building, roads, dams, amusement parks, bridges, ports, and railways); and
- Aerospace and Defense.

**Basis of presentation.** These condensed consolidated financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles (“GAAP”) and the rules and regulations of the Securities and Exchange Commission (the “SEC”). In the opinion of management, these unaudited condensed consolidated financial statements reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of results for such periods. The results of operations for any interim period are not necessarily indicative of results for the full year. Certain disclosures have been condensed or omitted from the interim financial statements included in this report. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes contained in our Annual Report on Form 10-K for the year ended December 31, 2023, as filed with the SEC (“our Annual Report on Form 10-K”).

**Consolidation.** The condensed consolidated financial statements include the accounts of our subsidiaries where we have control over operating and financial policies. All material intercompany accounts and transactions have been eliminated in consolidation.

**Reclassifications.** Certain amounts in prior periods have been reclassified to conform to the current year presentation. Such reclassifications did not have any effect on our financial condition or results of operations as previously reported.

**Significant Accounting Policies.** Our significant accounting policies are disclosed in *Note 1 - Summary of Significant Accounting Policies and Practices* in our Annual Report on Form 10-K. On an ongoing basis, we evaluate the estimates and assumptions, including among other things, those related to long-lived assets. Since the date of our Annual Report on Form 10-K, there have been no material changes to our significant accounting policies.

## 2. REVENUE

**Disaggregation of revenue.** Essentially all of our revenues are associated with contracts with customers. A disaggregation of our revenue from contracts with customers by geographic region, by reportable operating segment and by service type is presented below:

*Geographic area (in thousands):*

|              | Three Months Ended June 30, 2024 |                  |                   | Three Months Ended June 30, 2023 |                  |                   |
|--------------|----------------------------------|------------------|-------------------|----------------------------------|------------------|-------------------|
|              | (unaudited)                      |                  |                   | (unaudited)                      |                  |                   |
|              | United States<br>and Canada      | Other Countries  | Total             | United States<br>and Canada      | Other Countries  | Total             |
| Revenue:     |                                  |                  |                   |                                  |                  |                   |
| IHT          | \$ 110,211                       | \$ 3,023         | \$ 113,234        | \$ 113,013                       | \$ 3,727         | \$ 116,740        |
| MS           | 79,127                           | 36,257           | 115,384           | 82,626                           | 40,126           | 122,752           |
| <b>Total</b> | <b>\$ 189,338</b>                | <b>\$ 39,280</b> | <b>\$ 228,618</b> | <b>\$ 195,639</b>                | <b>\$ 43,853</b> | <b>\$ 239,492</b> |

|              | Six Months Ended June 30, 2024 |                  |                   | Six Months Ended June 30, 2023 |                  |                   |
|--------------|--------------------------------|------------------|-------------------|--------------------------------|------------------|-------------------|
|              | (unaudited)                    |                  |                   | (unaudited)                    |                  |                   |
|              | United States<br>and Canada    | Other Countries  | Total             | United States<br>and Canada    | Other Countries  | Total             |
| Revenue:     |                                |                  |                   |                                |                  |                   |
| IHT          | \$ 206,507                     | \$ 6,175         | \$ 212,682        | \$ 211,544                     | \$ 7,025         | \$ 218,569        |
| MS           | 148,097                        | 67,439           | 215,536           | 154,657                        | 68,543           | 223,200           |
| <b>Total</b> | <b>\$ 354,604</b>              | <b>\$ 73,614</b> | <b>\$ 428,218</b> | <b>\$ 366,201</b>              | <b>\$ 75,568</b> | <b>\$ 441,769</b> |

*Revenue by Operating segment and service type (in thousands):*

|              | Three Months Ended June 30, 2024                      |                                       |                  |                 |                   |
|--------------|---|---------------------------------------|------------------|-----------------|-------------------|
|              | (unaudited)   |                                       |                  |                 |                   |
|              | Non-Destructive<br>Evaluation and<br>Testing Services | Repair and<br>Maintenance<br>Services | Heat Treating    | Other           | Total             |
| Revenue:     |   |                                       |                  |                 |                   |
| IHT          | \$ 90,113   | \$ 2                                  | \$ 17,459        | \$ 5,660        | \$ 113,234        |
| MS           | —   | 112,873                               | 248              | 2,263           | 115,384           |
| <b>Total</b> | <b>\$ 90,113</b>                                      | <b>\$ 112,875</b>                     | <b>\$ 17,707</b> | <b>\$ 7,923</b> | <b>\$ 228,618</b> |

|              | Three Months Ended June 30, 2023                      |                                       |                  |                 |                   |
|--------------|---|---------------------------------------|------------------|-----------------|-------------------|
|              | (unaudited)   |                                       |                  |                 |                   |
|              | Non-Destructive<br>Evaluation and<br>Testing Services | Repair and<br>Maintenance<br>Services | Heat Treating    | Other           | Total             |
| Revenue:     |   |                                       |                  |                 |                   |
| IHT          | \$ 94,305   | \$ 219                                | \$ 15,717        | \$ 6,499        | \$ 116,740        |
| MS           | —   | 122,022                               | 211              | 519             | 122,752           |
| <b>Total</b> | <b>\$ 94,305</b>                                      | <b>\$ 122,241</b>                     | <b>\$ 15,928</b> | <b>\$ 7,018</b> | <b>\$ 239,492</b> |

| Six Months Ended June 30, 2024 |   |                                       |                  |                  |                   |
|--------------------------------|---|---------------------------------------|------------------|------------------|-------------------|
| (unaudited)                    |   |                                       |                  |                  |                   |
|                                | Non-Destructive<br>Evaluation and<br>Testing Services | Repair and<br>Maintenance<br>Services | Heat Treating    | Other            | Total             |
| Revenue:                       |   |                                       |                  |                  |                   |
| IHT                            | \$ 171,123  | \$ 147                                | \$ 30,943        | \$ 10,469        | \$ 212,682        |
| MS                             | —   | 211,736                               | 355              | 3,445            | 215,536           |
| Total                          | <u>\$ 171,123</u>                                     | <u>\$ 211,883</u>                     | <u>\$ 31,298</u> | <u>\$ 13,914</u> | <u>\$ 428,218</u> |

| Six Months Ended June 30, 2023 |   |                                       |                  |                  |                   |
|--------------------------------|---|---------------------------------------|------------------|------------------|-------------------|
| (unaudited)                    |   |                                       |                  |                  |                   |
|                                | Non-Destructive<br>Evaluation and<br>Testing Services | Repair and<br>Maintenance<br>Services | Heat Treating    | Other            | Total             |
| Revenue:                       |   |                                       |                  |                  |                   |
| IHT                            | \$ 175,911  | \$ 222                                | \$ 29,445        | \$ 12,991        | \$ 218,569        |
| MS                             | —   | 221,860                               | 489              | 851              | 223,200           |
| Total                          | <u>\$ 175,911</u>                                     | <u>\$ 222,082</u>                     | <u>\$ 29,934</u> | <u>\$ 13,842</u> | <u>\$ 441,769</u> |

For additional information on our reportable operating segments and geographic information, refer to *Note 14 - Segment and Geographic Disclosures*.

**Remaining performance obligations.** As permitted by ASC 606, *Revenue from Contracts with Customers*, we have elected not to disclose information about remaining performance obligations where (i) the performance obligation is part of a contract that has an original expected duration of one year or less or (ii) when we recognize revenue from the satisfaction of the performance obligation in accordance with the right-to-invoice practical expedient, which permits us to recognize revenue in the amount to which we have a right to invoice the customer if that amount corresponds directly with the value to the customer of our performance completed to date. As most of our contracts with customers are short-term in nature and billed on a time and material basis, there were no material amounts of remaining performance obligations as of June 30, 2024 and December 31, 2023.

### 3. ACCOUNTS RECEIVABLE

A summary of accounts receivable as of June 30, 2024 and December 31, 2023 is as follows (in thousands):

|                             | June 30, 2024            | December 31, 2023        |
|-----------------------------|--------------------------|--------------------------|
|                             | (unaudited)              |                          |
| Trade accounts receivable   | \$ 147,954               | \$ 151,316               |
| Unbilled revenues           | 48,709                   | 33,607                   |
| Allowance for credit losses | ( 4,223 )                | ( 3,738 )                |
| <b>Total</b>                | <u><b>\$ 192,440</b></u> | <u><b>\$ 181,185</b></u> |

The following table shows a rollforward of the allowance for credit losses (in thousands):

|                                      | June 30, 2024   | December 31, 2023 |
|--------------------------------------|-----------------|-------------------|
|                                      | (unaudited)     |                   |
| Balance at beginning of period       | \$ 3,738        | \$ 5,262          |
| Provision for expected credit losses | 1,001           | 1,680             |
| Recoveries collected                 | ( 211 )         | ( 1,638 )         |
| Write-offs                           | ( 357 )         | ( 1,560 )         |
| Foreign exchange effects             | 52              | ( 6 )             |
| Balance at end of period             | <u>\$ 4,223</u> | <u>\$ 3,738</u>   |

#### 4. INVENTORY

A summary of inventory as of June 30, 2024 and December 31, 2023 is as follows (in thousands):

|                  | June 30, 2024    | December 31, 2023 |
|------------------|------------------|-------------------|
|                  | (unaudited)      |                   |
| Raw materials    | \$ 9,454         | \$ 9,958          |
| Work in progress | 2,311            | 2,326             |
| Finished goods   | 27,065           | 26,569            |
| <b>Total</b>     | <b>\$ 38,830</b> | <b>\$ 38,853</b>  |

#### 5. PREPAID AND OTHER CURRENT ASSETS

A summary of prepaid expenses and other current assets as of June 30, 2024 and December 31, 2023 is as follows (in thousands):

|                      | June 30, 2024    | December 31, 2023 |
|----------------------|------------------|-------------------|
|                      | (unaudited)      |                   |
| Insurance receivable | \$ 39,000        | \$ 39,000         |
| Prepaid expenses     | 16,307           | 18,398            |
| Other current assets | 5,725            | 8,594             |
| <b>Total</b>         | <b>\$ 61,032</b> | <b>\$ 65,992</b>  |

The insurance receivable relates to the receivables from our third-party insurance providers for a legal claim that is recorded in other accrued liabilities, refer to *Note 8 - Other Accrued Liabilities*. These receivables will be collected from our third-party insurance providers for litigation matters that have been settled, or are pending settlement, and where the deductibles have been satisfied. The prepaid expenses primarily relate to prepaid insurance and other expenses that have been paid in advance of the coverage period. Other current assets include other receivables, primarily related to insurance rebates, software implementation costs, and deferred financing charges.

#### 6. PROPERTY, PLANT AND EQUIPMENT

A summary of property, plant and equipment as of June 30, 2024 and December 31, 2023 is as follows (in thousands):

|   | June 30, 2024     | December 31, 2023 |
|---|-------------------|-------------------|
|   | (unaudited)       |                   |
| Land                                      | \$ 4,006          | \$ 4,006          |
| Buildings and leasehold improvements      | 60,625            | 60,827            |
| Machinery and equipment                   | 288,825           | 286,376           |
| Furniture and fixtures                    | 10,642            | 10,804            |
| Capitalized ERP system development costs  | 45,903            | 45,903            |
| Computers and computer software           | 19,727            | 20,067            |
| Automobiles                               | 2,738             | 3,215             |
| Construction in progress                  | 2,153             | 6,634             |
| <b>Total</b>                              | <b>434,619</b>    | <b>437,832</b>    |
| Accumulated depreciation                  | ( 314,472 )       | ( 310,775 )       |
| <b>Property, plant and equipment, net</b> | <b>\$ 120,147</b> | <b>\$ 127,057</b> |

Included in the table above are assets under finance leases of \$ 8.7 million and \$ 8.5 million, and related accumulated amortization of \$ 3.8 million and \$ 3.3 million as of June 30, 2024 and December 31, 2023, respectively. Depreciation expense for the three months ended June 30, 2024 and 2023 was \$ 5.2 million and \$ 5.5 million, respectively. Depreciation expense for the six months ended June 30, 2024 and 2023 was \$ 10.5 million and \$ 11.1 million, respectively.

## 7. INTANGIBLE ASSETS

A summary of intangible assets as of June 30, 2024 and December 31, 2023 is as follows (in thousands):

|                          | June 30, 2024         |                          |                     |
|--------------------------|-----------------------|--------------------------|---------------------|
|                          | (unaudited)           |                          |                     |
|                          | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Customer relationships   | \$ 164,260            | \$ ( 108,635 )           | \$ 55,625           |
| Trade names              | 20,253                | ( 19,805 )               | 448                 |
| Technology               | 2,300                 | ( 1,918 )                | 382                 |
| Licenses                 | 683                   | ( 683 )                  | —                   |
| <b>Intangible assets</b> | <b>\$ 187,496</b>     | <b>\$ ( 131,041 )</b>    | <b>\$ 56,455</b>    |

  

|                          | December 31, 2023     |                          |                     |
|--------------------------|-----------------------|--------------------------|---------------------|
|                          | (unaudited)           |                          |                     |
|                          | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Customer relationships   | \$ 164,305            | \$ ( 102,630 )           | \$ 61,675           |
| Trade names              | 20,262                | ( 19,742 )               | 520                 |
| Technology               | 2,300                 | ( 1,802 )                | 498                 |
| Licenses                 | 683                   | ( 683 )                  | —                   |
| <b>Intangible assets</b> | <b>\$ 187,550</b>     | <b>\$ ( 124,857 )</b>    | <b>\$ 62,693</b>    |

Amortization expense of intangible assets for the three months ended June 30, 2024 and 2023 was \$ 3.1 million and \$ 3.2 million, respectively. Amortization expense of intangible assets for the six months ended June 30, 2024 and 2023 was \$ 6.2 million and \$ 6.4 million, respectively.

The weighted-average amortization period for intangible assets subject to amortization was 13.8 years as of June 30, 2024 and December 31, 2023.

## 8. OTHER ACCRUED LIABILITIES

A summary of other accrued liabilities as of June 30, 2024 and December 31, 2023 is as follows (in thousands):

|  | June 30, 2024     | December 31, 2023 |
|--|-------------------|-------------------|
|  | (unaudited)       |                   |
| Legal and professional accruals                    | \$ 49,621         | \$ 53,972         |
| Payroll and other compensation expenses            | 38,741            | 39,943            |
| Insurance accruals                                 | 5,262             | 7,170             |
| Property, sales and other non-income related taxes | 5,189             | 7,248             |
| Accrued interest                                   | 5,210             | 4,487             |
| Volume discount                                    | 2,304             | 2,479             |
| Other accruals                                     | 1,644             | 2,790             |
| <b>Total</b>                                       | <b>\$ 107,971</b> | <b>\$ 118,089</b> |

Legal and professional accruals include accruals for legal and professional fees as well as accrued legal claims. See *Note 13 - Commitments and Contingencies* for additional information. Certain legal claims are covered by our third-party insurance providers and the related insurance receivable for these claims is recorded in prepaid expenses and other current assets. See *Note 5 - Prepaid and Other Current Assets* for additional information. Payroll and other compensation expenses include all payroll related accruals including, among others, accrued vacation, severance, and bonuses. Insurance accruals primarily relate to accrued medical and workers compensation costs. Property, sales and other non-income related taxes include accruals for

items such as sales and use tax, property tax, and other related tax accruals. Accrued interest relates to the interest accrued on our long-term debt. Other accruals include various business expense accruals.

## 9. INCOME TAXES

We recorded an income tax provision of \$ 1.5 million for the three and six months ended June 30, 2024, compared to a provision of \$ 2.1 million and \$ 2.9 million, respectively, for the three and six months ended June 30, 2023. The effective tax rate, inclusive of discrete items, was a provision of 114.0 % for the three months ended June 30, 2024, compared to a provision of 15.3 % for the three months ended June 30, 2023. For the six months ended June 30, 2024, our effective tax rate, inclusive of discrete items, was a provision of 8.4 %, compared to a provision of 7.7 % for the six months ended June 30, 2023. The increase in effective tax rate for the three months ended June 30, 2024 compared to the three months ended June 30, 2023 is due to the mix of pretax income in non-valuation allowance jurisdictions and pretax losses in valuation allowance jurisdictions. The impact is additional income tax expense with minimal corresponding pretax income/(loss) movement and an increase in effective tax rate.

## 10. DEBT

As of June 30, 2024 and December 31, 2023, our total long-term debt and finance lease obligations are summarized as follows (in thousands):

|   | June 30, 2024     | December 31, 2023 |
|---|-------------------|-------------------|
|   | (unaudited)       |                   |
| 2022 ABL Credit Facility  | \$ 114,006        | \$ 113,415        |
| ME/RE Loans <sup>1</sup>  | 23,157            | 24,061            |
| Uptiered Loan <sup>1</sup>  | 135,881           | 129,436           |
| Incremental Term Loan <sup>1</sup>  | 39,235            | 38,758            |
| Equipment Finance Loan  | 2,349             | —                 |
| Total   | 314,628           | 305,670           |
| Finance lease obligations   | 5,479             | 5,756             |
| Total long-term debt and finance lease obligations                              | 320,107           | 311,426           |
| Current portion of long-term debt and finance lease obligations                 | ( 7,087 )         | ( 5,212 )         |
| <b>Total long-term debt and finance lease obligations, less current portion</b> | <b>\$ 313,020</b> | <b>\$ 306,214</b> |

<sup>1</sup> Comprised of principal amount outstanding, less unamortized discount and issuance costs. See below for additional information.

### 2022 ABL Credit Facility

On February 11, 2022, we entered into a credit agreement, with the lender parties thereto, and Eclipse Business Capital, LLC, a Delaware limited liability company, as agent, (the “ABL Agent”) (such agreement, as amended by Amendment No.1 dated as of May 6, 2022, Amendment No.2 dated as of November 1, 2022, Amendment No.3 dated as of June 16, 2023, and Amendment No.4 dated as of March 6, 2024, the “2022 ABL Credit Agreement”).

Available funding commitments under the 2022 ABL Credit Agreement, subject to certain conditions, include a revolving credit line in an amount of up to \$ 130.0 million to be provided by certain affiliates of the ABL Agent (the “Revolving Credit Loans”), with a \$ 35.0 million sublimit for swingline borrowings, a \$ 26.0 million sublimit for issuances of letters of credit, and an incremental delayed draw term loan of up to \$ 35.0 million (the “Delayed Draw Term Loan”) originally provided by Corre Partners Management, LLC (“Corre”) and certain of its affiliates (collectively, the “2022 ABL Credit Facility”).

The terms of the 2022 ABL Credit Facility are described in the table below (dollar amounts are presented in thousands):

|  | Revolving Credit Loans  | Delayed Draw Term Loan   |
|--|---|--------------------------|
| Maturity date                                  | 8/11/2025   | 8/11/2025                |
| Stated interest rate                           | SOFR + applicable margin (base + applicable margin <sup>1</sup> ) | SOFR + 10 % (Base + 9 %) |
| Actual interest rate:                          |   |                          |
| 6/30/2024                                      | 10.09 %   | 15.44 %                  |
| 6/30/2023                                      | 9.92 %  | 15.27 %                  |
| Interest payments                              | monthly   | monthly                  |
| Cash paid for interest                         |   |                          |
| YTD 6/30/2024                                  | \$ 3,816  | \$ 2,748                 |
| YTD 6/30/2023                                  | \$ 2,955  | \$ 2,583                 |
| Unamortized balance of deferred financing cost |   |                          |
| 6/30/2024                                      | \$ 184  | \$ —                     |
| 12/31/2023                                     | \$ 267  | \$ —                     |
| Available amount at 6/30/2024                  | \$ 12,169   | \$ —                     |

<sup>1</sup> Applicable margin ranges based on EBITDA as defined in the 2022 ABL Credit Agreement

The 2022 ABL Credit Agreement contains customary conditions to borrowings and covenants, as described in the 2022 ABL Credit Agreement. As of June 30, 2024, we are in compliance with the covenants.

As of June 30, 2024, \$ 9.5 million in letters of credit were issued under the 2022 ABL Credit Agreement. Such amounts remain undrawn and are off-balance sheet.

#### ME/RE Loans

On June 16, 2023, we entered into ABL Amendment No. 3 which, in addition to making certain other changes to the 2022 ABL Credit Facility, provided us with \$ 27.4 million of new term loans (the "ME/RE Loans"). Amounts repaid or prepaid under the ME/RE Loans may not be reborrowed.

The terms of ME/RE Loans are described in the table below (dollar amounts are presented in thousands):

|   |   |
|---|---|
| Maturity date                             | 8/11/2025                                       |
| Stated interest rate                      | SOFR + 5.75 % + 0.11 % credit spread adjustment |
| Principal payments                        | \$ 237 monthly                                  |
| Effective interest rate <sup>1</sup>      |   |
| 6/30/2024                                 | 17.38 %   |
| 6/30/2023                                 | 16.54 %   |
| Actual interest rate <sup>1</sup>         |   |
| 6/30/2024                                 | 11.19 %   |
| 6/30/2023                                 | 11.02 %   |
| Interest payments                         | monthly   |
| Cash paid for interest                    |   |
| YTD 6/30/2024                             | \$ 1,436  |
| YTD 6/30/2023                             | \$ —  |
| Balances at 6/30/2024                     |   |
| Principal balance                         | \$ 24,402                                       |
| Unamortized balance of debt issuance cost | \$( 1,245 )                                     |
| Net carrying balance                      | \$ 23,157                                       |
| Balances at 12/31/2023                    |   |
| Principal balance                         | \$ 25,823                                       |
| Unamortized balance of debt issuance cost | \$( 1,762 )                                     |
| Net carrying balance                      | \$ 24,061                                       |

<sup>1</sup> The effective interest rate as of June 30, 2024, consisted of an 11.19 % variable interest rate paid in cash and an additional 6.19 % due to non-cash amortization of the related debt issuance costs. The effective interest rate as of June 30, 2023, consisted of an 11.02 % variable interest rate paid in cash and an additional 5.52 % due to non-cash amortization of the related debt issuance costs.

The ME/RE Loans are governed by the 2022 ABL Credit Agreement and are subject to the same restrictive covenants as described under the 2022 ABL Credit Facility.

#### ***Amended and Restated Term Loan Credit Agreement - Uptiered Loan and Incremental Term Loan***

On June 16, 2023, we entered into an amendment and restatement of that certain subordinated term loan credit agreement dated as of November 9, 2021 (such agreement, as amended and restated, and as further amended by Amendment No.1 dated March 6, 2024, the "A&R Term Loan Credit Agreement") among the Company, as borrower, the guarantors party thereto, the lenders from time-to-time party thereto and Cantor Fitzgerald Securities, as agent (the "A&R Term Loan Agent"). The A&R Term Loan Credit Agreement included a term loan credit agreement entered into on November 9, 2021, as amended through March 29, 2023 (the "Uptiered Loan"), and an additional funding commitment, subject to certain conditions, consisting of a \$ 57.5 million senior secured first lien term loan (the "Incremental Term Loan") provided by Corre and certain of its affiliates and comprised of a \$ 37.5 million term loan tranche and a \$ 20.0 million delayed draw tranche.

The A&R Term Loan Credit Agreement contains certain customary conditions to borrowings, events of default and affirmative, negative, and financial covenants (as described in the A&R Term Loan Credit Agreement and further amended by Amendment No. 4 dated March 6, 2024). As of June 30, 2024, we are in compliance with the A&R Term Loan Credit Agreement covenants.

The terms of Uptiered Loan and Incremental Term Loan are described in the table below (dollar amounts are presented in thousands):

|   | Uptiered Loan  | Incremental Term Loan |
|---|--|-----------------------|
| Maturity date                             | 12/31/2027 (12/31/2026 if outstanding balance is greater than \$ 50 million) | 12/31/2026            |
| Stated interest rate                      |  |                       |
| 6/30/2024                                 | 9.5 % PIK and 4.0 % cash <sup>2</sup>  | 12 % paid in cash     |
| 6/30/2023                                 | 12 % PIK   | N/A                   |
| Principal payments                        | at maturity  | \$ 356 quarterly      |
| Effective interest rate                   |  |                       |
| 6/30/2024                                 | 14.56 % <sup>3</sup>   | 22.96 % <sup>4</sup>  |
| 6/30/2023                                 | 12.86 % <sup>3</sup>   | N/A                   |
| Interest payments                         | cash quarterly/PIK monthly   | quarterly             |
| Cash paid for interest                    |  |                       |
| YTD 6/30/2024                             | \$ 1,429   | \$ 2,854              |
| YTD 6/30/2023                             | \$ —   | N/A                   |
| PIK interest added to principal           |  |                       |
| YTD 6/30/2024                             | \$ 6,376   | \$ —                  |
| YTD 6/30/2023                             | \$ 7,686   | N/A                   |
| Balances at 6/30/2024                     |  |                       |
| Principal balance <sup>1</sup>            | \$ 136,463   | \$ 47,339             |
| Unamortized balance of debt issuance cost | \$( 582 )  | \$( 8,104 )           |
| Net carrying balance                      | \$ 135,881   | \$ 39,235             |
| Balances at 12/31/2023                    |  |                       |
| Principal balance <sup>1</sup>            | \$ 130,087   | \$ 48,052             |
| Unamortized balance of debt issuance cost | \$( 651 )  | \$( 9,294 )           |
| Net carrying balance                      | \$ 129,436   | \$ 38,758             |
| Available amount at 6/30/2024             | \$ —   | \$ 10,000             |



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1 The principal balance of the Uptiered Loan is made up of \$ 22.5 million drawn on November 9, 2021, \$ 27.5 million drawn on December 8, 2021, and \$ 57.0 million added as part of the exchange agreement on October 4, 2022. In addition, the principal balance also includes paid-in-kind ("PIK") interest recorded to date of \$ 28.6 million and \$ 22.2 million as of June 30, 2024 and December 31, 2023, respectively, and PIK fees of \$ 0.9 million incurred as of December 31, 2022.

2 Cash and PIK split is based on the Net Leverage Ratio as defined in the A&R Term Loan Credit Agreement. Cash interest rate increased by 1.5 % on January 31, 2024.

3 The effective interest rate on the Uptiered Loan as of June 30, 2024 consisted of a 13.50 % stated interest rate paid in PIK and cash and an additional 1.06 % due to the non-cash amortization of the related debt issuance costs. The effective interest rate on the Uptiered Loan as of June 30, 2023 consisted of a 12.00 % stated interest rate paid in PIK and an additional 0.86 % due to the non-cash amortization of the related debt issuance costs.

4 The effective interest rate on the Incremental Term Loan as of June 30, 2024 consisted of a 12.00 % stated interest rate paid in cash and an additional 10.96 % due to the non-cash amortization of the related debt issuance costs.

## **Warrants**

As of June 30, 2024 and December 31, 2023, APSC Holdco II, L.P. held 500,000 warrants and certain affiliates of Corre collectively held 500,000 warrants, in each case providing for the purchase of one share of the Company's common stock per warrant at an exercise price of \$ 15.00 . The warrants will expire on December 8, 2028.

The exercise price and the number of shares of our common stock issuable on exercise of the warrants are subject to certain antidilution adjustments, including for stock dividends, stock splits, reclassifications, noncash distributions, cash dividends, certain equity issuances and business combination transactions. The warrants can be exercised by rendering cash or by means of a cashless option as set forth in the agreement.

## **Equipment Finance Loan**

On March 6, 2024, we entered into agreements to sell various equipment to an equipment finance lender for \$ 2.9 million and lease the equipment for monthly payments of \$ 181 thousand over 18 months. The lease agreement provides for a bargain purchase option at the end of the lease term which we intend to exercise. The Company determined that the transaction did not meet the criteria for sale-leaseback in accordance with ASC 842, *Leases* and accounted for this arrangement as an equipment financing. The assets subject to the transaction remain on our balance sheet and continue to depreciate in accordance with our depreciation policy.

## **Fair Value of Debt**

The fair value of our debt obligations is representative of the carrying value based upon the respective interest rate terms and management's opinion that the current rates available to us with the same maturity and security structure are equivalent to that of the debt obligations.

## **1970 Group Substitute Insurance Reimbursement Facility**

On September 29, 2022, we entered into the Substitute Insurance Reimbursement Facility Agreement with 1970 Group Inc. ("1970 Group") (as amended by that certain first amendment thereto dated August 29, 2023, the "Substitute Insurance Reimbursement Facility Agreement"). Under the Substitute Insurance Reimbursement Facility Agreement, the 1970 Group extended credit to us in the form of a substitute reimbursement facility (the "Substitute Reimbursement Facility") to provide up to approximately \$ 22.9 million of letters of credit on our behalf in support of our workers' compensation, commercial automotive and general liability insurance policies. As of June 30, 2024, we have \$ 22.9 million of letters of credit outstanding under the Substitute Reimbursement Facility.

According to the provisions of ASC 470, *Debt*, the arrangement is a "Substitute Insurance Reimbursement Facility" limited to the amounts drawn under the letters of credit. Therefore, until we use or draw on such Substitute Insurance Reimbursement Facility, the letters of credit are treated as an off-balance sheet credit arrangement. The fees paid by us periodically under this arrangement are deferred and amortized to interest expense over the term of the arrangement. As of June 30, 2024, all fees were fully amortized.

## **Liquidity**

As of June 30, 2024, we had \$ 17.9 million of unrestricted cash and cash equivalents and \$ 4.6 million of restricted cash, including \$ 3.2 million of restricted cash held as collateral for letters of credit and commercial card programs. International cash balances as of June 30, 2024 were \$ 6.1 million, and approximately \$ 0.5 million of such cash is located in countries where currency or regulatory restrictions exist. As of June 30, 2024, we had approximately \$ 22.2 million of available borrowing capacity under our various credit agreements, consisting of \$ 12.2 million available under the Revolving Credit Loans and \$ 10.0 million available under the Incremental Term Loan under the A&R Term Loan Credit Agreement. As of June 30, 2024, we had \$ 34.7 million in letters of credit and \$ 2.5 million in surety bonds outstanding and \$ 0.7 million in miscellaneous cash deposits securing other required obligations.

As of December 31, 2023, our cash and cash equivalents consisted of \$ 30.4 million of unrestricted cash and cash equivalents and \$ 5.0 million of restricted cash, including \$ 3.4 million of restricted cash held as collateral for letters of credit and commercial card programs. International cash balances as of December 31, 2023 were \$ 12.0 million, including \$ 0.6 million of cash located in countries where currency or regulatory restrictions existed.

## 11. EMPLOYEE BENEFIT PLANS

We have a defined benefit pension plan covering certain United Kingdom employees (the "U.K. Plan"). Net periodic pension credit includes the following components (in thousands):

|                                    | Three Months Ended June 30, |             | Six Months Ended June 30, |             |
|------------------------------------|-----------------------------|-------------|---------------------------|-------------|
|                                    | 2024                        | 2023        | 2024                      | 2023        |
|                                    | (unaudited)                 | (unaudited) | (unaudited)               | (unaudited) |
| Interest cost                      | \$ 651                      | \$ 689      | \$ 1,303                  | \$ 1,376    |
| Expected return on plan assets     | ( 840 )                     | ( 927 )     | ( 1,692 )                 | ( 1,852 )   |
| Amortization of prior service cost | 8                           | 7           | 16                        | 15          |
| Unrecognized net actuarial loss    | 79                          | 71          | 158                       | 142         |
| Net periodic pension credit        | \$ ( 102 )                  | \$ ( 160 )  | \$ ( 215 )                | \$ ( 319 )  |

Net pension credit is included in "Other (expense) income, net" on our condensed consolidated statement of operations. The expected long-term rate of return on invested assets is determined based on the weighted average of expected returns on asset investment categories for the U.K. Plan as follows: 5.5 % overall, 8.5 % for equities and 5.0 % for debt securities.

## 12. SHAREHOLDERS' EQUITY

### Shareholders' Equity and Preferred Stock

As of June 30, 2024 there were 4,421,876 shares of our common stock outstanding and 12,000,000 shares authorized at \$ 0.30 par value per share.

As of June 30, 2024 we had 500,000 authorized shares of preferred stock, none of which had been issued.

### Accumulated Other Comprehensive Income (loss)

A summary of changes in accumulated other comprehensive loss included within shareholders' equity is as follows (in thousands):

|                                   | Six Months Ended<br>June 30, 2024                 |                                  |                  |               | Six Months Ended<br>June 30, 2023                 |                                  |                  |               |
|-----------------------------------|---|----------------------------------|------------------|---------------|---|----------------------------------|------------------|---------------|
|                                   | (unaudited)                                       |                                  |                  |               | (unaudited)                                       |                                  |                  |               |
|                                   | Foreign<br>Currency<br>Translation<br>Adjustments | Defined Benefit<br>Pension Plans | Tax<br>Provision | Total         | Foreign<br>Currency<br>Translation<br>Adjustments | Defined Benefit<br>Pension Plans | Tax<br>Provision | Total         |
| Balance, beginning of period      | \$ ( 25,853 )                                     | \$ ( 11,041 )                    | \$ ( 38 )        | \$ ( 36,932 ) | \$ ( 28,859 )                                     | \$ ( 10,474 )                    | \$ 336           | \$ ( 38,997 ) |
| Other comprehensive income (loss) | ( 3,192 )   | 174                              | ( 5 )            | ( 3,023 )     | 2,055   | —                                | ( 46 )           | 2,009         |
| Balance, end of period            | \$ ( 29,045 )                                     | \$ ( 10,867 )                    | \$ ( 43 )        | \$ ( 39,955 ) | \$ ( 26,804 )                                     | \$ ( 10,474 )                    | \$ 290           | \$ ( 36,988 ) |

### 13. COMMITMENTS AND CONTINGENCIES

Certain conditions may exist as of the date the financial statements are issued which may result in a loss to the Company and which will only be resolved when one or more future events occur or fail to occur. Team's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against us or unasserted claims that may result in such proceedings, Team's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in our financial statements. If the assessment indicates that a potentially material loss contingency is not probable, but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

We accrue for contingencies where the occurrence of a material loss is probable and can be reasonably estimated, based on our best estimate of the expected liability. We may increase or decrease our legal accruals in the future, on a matter-by-matter basis, to account for developments in such matter. Because such matters are inherently unpredictable and unfavorable developments or outcomes can occur, assessing contingencies is highly subjective and requires judgments about future events. Notwithstanding the uncertainty as to the outcome and while our insurance coverage might not be available or adequate to cover these claims, based upon the information currently available, we do not believe that any uninsured losses that might arise from these lawsuits and proceedings will have a materially adverse effect on our condensed consolidated financial statements.

**Kelli Most Litigation** - On November 13, 2018, Kelli Most filed a lawsuit against Team Industrial Services, Inc., individually and as a personal representative of the estate of Jesse Henson, in the 268th District Court of Fort Bend County, Texas (the "Most litigation"). The complaint asserted claims against Team for negligence resulting in the wrongful death of Jesse Henson. A jury trial commenced on this matter on May 4, 2021. On June 1, 2021, the jury rendered a verdict against Team for \$ 222.0 million in compensatory damages.

On January 25, 2022, the trial court signed a final judgment in favor of the plaintiff and against Team Industrial Services, Inc. Post-judgment motions challenging the judgment were filed on February 24, 2022 and were denied by the trial court on April 22, 2022. We appealed the trial court's judgment to the Texas First Court of Appeals by timely filing a notice of appeal on April 25, 2022, and filed our initial appellate brief on December 23, 2022.

On May 16, 2024, the Texas First Court of Appeals issued a decision which vacated the trial court's judgment and dismissed the case, holding that the trial court erred in refusing to dismiss the case on *forum non conveniens* grounds. The plaintiff has filed a motion with the Texas First Court of Appeals for rehearing and a motion for en banc reconsideration and may seek review in the Texas Supreme Court. After any further appellate review is exhausted, the plaintiff will be permitted to re-file the lawsuit in Kansas. We currently have accrued a liability of \$ 39.0 million as of June 30, 2024. We have also recorded a related receivable from our third-party insurance providers in other current assets with a corresponding liability of the same amount in other accrued liabilities. Such amounts are treated as non-cash operating activities. The Most litigation is covered by our general liability and excess insurance policies which are occurrence based and subject to an aggregate \$ 3.0 million self-insured retention and deductible. All retentions and deductibles have been met, and accordingly, we believe pending the final settlement, all further claims will be fully funded by our insurance policies. We will continue to evaluate the possible outcomes of this case in light of future developments and their potential impact on factors relevant to our assessment of any possible loss.

**Notice of repayment of pandemic related government subsidies** - In response to widespread health crises, epidemics and pandemics, certain of our entities based in foreign jurisdictions received governmental funding assistance to compensate for a portion of employee wages between March 2020 and March 2022. Following ongoing compliance reviews of these funding assistance programs, we received notices stating noncompliance with the requirements of one of these funding assistance programs. Accordingly, based on the assessments completed by the government appointed administrative authority, as of June 30, 2024, we have accrued \$ 5.5 million to be repaid over an extended period related to this noncompliance.

Accordingly, for all matters discussed within this *Note 13 - Commitments and Contingencies*, we have accrued in the aggregate approximately \$ 44.5 million as of June 30, 2024, of which approximately \$ 5.5 million is not covered by our various insurance policies.

In addition to legal matters discussed above, we are subject to various lawsuits, claims and proceedings encountered in the normal conduct of business ("Other Proceedings"). Management believes that based on its current knowledge and after

consultation with legal counsel that the Other Proceedings, individually or in the aggregate, will not have a material effect on our condensed consolidated financial statements.

#### 14. SEGMENT DISCLOSURES

ASC 280, *Segment Reporting*, requires us to disclose certain information about our operating segments. Operating segments are defined as “components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.” We conduct operations in two segments: IHT and MS.

Segment data for our two operating segments are as follows (in thousands):

|                       | Three Months Ended<br>June 30, |                   | Six Months Ended<br>June 30, |                   |
|-----------------------|--------------------------------|-------------------|------------------------------|-------------------|
|                       | 2024                           | 2023              | 2024                         | 2023              |
|                       | (unaudited)                    | (unaudited)       | (unaudited)                  | (unaudited)       |
| Revenues:             |                                |                   |                              |                   |
| IHT                   | \$ 113,234                     | \$ 116,740        | \$ 212,682                   | \$ 218,569        |
| MS                    | 115,384                        | 122,752           | 215,536                      | 223,200           |
| <b>Total revenues</b> | <b>\$ 228,618</b>              | <b>\$ 239,492</b> | <b>\$ 428,218</b>            | <b>\$ 441,769</b> |

|                                       | Three Months Ended<br>June 30, |                 | Six Months Ended<br>June 30, |                     |
|---------------------------------------|--------------------------------|-----------------|------------------------------|---------------------|
|                                       | 2024                           | 2023            | 2024                         | 2023                |
|                                       | (unaudited)                    | (unaudited)     | (unaudited)                  | (unaudited)         |
| Operating income (loss):              |                                |                 |                              |                     |
| IHT                                   | \$ 12,459                      | \$ 6,548        | \$ 17,644                    | \$ 11,271           |
| MS                                    | 10,637                         | 12,720          | 14,728                       | 15,913              |
| Corporate and shared support services | ( 11,937 )                     | ( 14,672 )      | ( 27,599 )                   | ( 30,334 )          |
| <b>Total operating income (loss)</b>  | <b>\$ 11,159</b>               | <b>\$ 4,596</b> | <b>\$ 4,773</b>              | <b>\$ ( 3,150 )</b> |

|                                       | Three Months Ended<br>June 30, |                 | Six Months Ended<br>June 30, |                 |
|---------------------------------------|--------------------------------|-----------------|------------------------------|-----------------|
|                                       | 2024                           | 2023            | 2024                         | 2023            |
|                                       | (unaudited)                    | (unaudited)     | (unaudited)                  | (unaudited)     |
| Capital expenditures <sup>1</sup> :   |                                |                 |                              |                 |
| IHT                                   | \$ 2,259                       | \$ 1,595        | \$ 2,795                     | \$ 3,022        |
| MS                                    | 620                            | 674             | 1,645                        | 1,275           |
| Corporate and shared support services | 51                             | —               | 51                           | —               |
| <b>Total capital expenditures</b>     | <b>\$ 2,930</b>                | <b>\$ 2,269</b> | <b>\$ 4,491</b>              | <b>\$ 4,297</b> |

1 Excludes finance leases. Capital expenditures presented in the table above are on accrual basis and differ from the amounts presented in the condensed consolidated statements of cash flows.

|  | Three Months Ended<br>June 30, |                 | Six Months Ended<br>June 30, |                  |
|--|--------------------------------|-----------------|------------------------------|------------------|
|  | 2024                           | 2023            | 2024                         | 2023             |
|  | (unaudited)                    | (unaudited)     | (unaudited)                  | (unaudited)      |
| Depreciation and amortization:             |                                |                 |                              |                  |
| IHT  | \$ 2,978                       | \$ 3,188        | \$ 6,007                     | \$ 6,242         |
| MS   | 4,565                          | 4,704           | 9,214                        | 9,457            |
| Corporate and shared support services      | 1,717                          | 1,647           | 3,679                        | 3,386            |
| <b>Total depreciation and amortization</b> | <b>\$ 9,260</b>                | <b>\$ 9,539</b> | <b>\$ 18,900</b>             | <b>\$ 19,085</b> |

## 15. RELATED PARTY TRANSACTIONS

In connection with the Company's debt transactions, the Company engaged in transactions with Corre to provide funding as described in *Note 10 - Debt*.

## 16. SUBSEQUENT EVENTS

As of August 8, 2024, the filing date of this Quarterly Report on Form 10-Q, management evaluated the existence of events occurring subsequent to the quarter ended June 30, 2024 and determined that there were no events or transactions that would have a material impact on the Company's results of operations or financial position.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Overview

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. Our stock is traded on the New York Stock Exchange (the "NYSE") under the symbol "TISI".

The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and the notes thereto included in this report, and in conjunction with our Annual Report on Form 10-K and other documents previously filed with the SEC. In addition to historical financial information, the following discussion and analysis contains forward-looking statements that involve risks, uncertainties, and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including those described in more detail under the heading "Risk Factors" included in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K. See also " *Cautionary Note Regarding Forward-Looking Statements*" below.

### Cautionary Note Regarding Forward-Looking Statements.

This report includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). In addition, other written or oral statements that constitute forward-looking statements may be made by us or on our behalf in other materials we release to the public including all statements, other than statements of historical facts, included or incorporated by reference in this Quarterly Report on Form 10-Q, 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," "will," "could," "should," "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 about events and circumstances 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. 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 our Annual Report on Form 10-K and in Part II, Item 1A of this Quarterly Report on Form 10-Q. 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.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in this report. Such risks, uncertainties and other important factors include, among others, risks related to:

- our ability to generate sufficient cash from operations, access our 2022 ABL Credit Facility or amounts available under our Delayed Draw Term Loan to support our operations, or maintain our compliance with covenants under our debt arrangements including our 2022 ABL Credit Agreement and A&R Term Loan Credit Agreement;
- our ability to manage inflationary pressures in our operating costs;
- negative market conditions, including domestic and global inflationary pressures, future economic uncertainties, and impacts from epidemics and pandemics, particularly in industries in which we are heavily dependent;
- delays in the commencement of major projects;
- seasonal and other variations, such as severe weather conditions (including conditions influenced by climate change) and the nature of our clients' industry;
- our ability to expand into new markets (including low carbon energy transition) and attract clients in new industries may be limited due to our competition's breadth of service offerings and intellectual property;
- our significant debt and high leverage which could have a negative impact on our financing options, liquidity position and ability to manage increases in interest rates;
- our ability to access capital and liquidity provided by the financial and capital markets;

- the timing of new client contracts and termination of existing contracts may result in unpredictable fluctuations in our cash flows and financial results;
- risk of non-payment and/or delays in payment of receivables from our clients;
- our ability to regain compliance with the NYSE's continued listing requirements and rules, and the risk that the NYSE may delist our common stock, which could negatively affect our company, the price of our common stock and our shareholders' ability to sell our common stock in the event we are unable to list our common stock on another exchange;
- our financial forecasts being based upon estimates and assumptions that may materially differ from actual results;
- our incurrence of liabilities and suffering of negative financial or reputational impacts relating to occupational health and safety matters;
- our ability to continue as a going concern;
- changes in laws or regulations in the local jurisdictions that we conduct our business;
- the inherently uncertain outcome of current and future litigation; and
- acts of terrorism, war or political or civil unrest in the United States or elsewhere, changes in laws and regulations, or the imposition of economic or trade sanctions affecting international commercial transactions.

## GENERAL OVERVIEW

**Business.** We are a global, leading provider of specialty industrial services offering clients access to a full suite of conventional, specialized, and proprietary mechanical, heat-treating, and inspection services. We deploy conventional to highly specialized inspection, condition assessment, maintenance and repair services that result in greater safety, reliability, and operational efficiency for our clients' most critical assets. We conduct operations in two segments: IHT and MS. Through the capabilities and resources in these two segments, we believe that we are uniquely qualified to provide integrated solutions involving: 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 are 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 we are unique in our ability to provide these 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 conventional and advanced non-destructive testing services primarily for the process, pipeline and power sectors, pipeline integrity management services, and field heat treating services, as well as associated engineering and condition assessment services. These services can be offered while facilities are running (onstream), during facility turnarounds or during new construction or expansion activities. In addition, IHT provides comprehensive non-destructive testing services and metallurgical and chemical processing services to the aerospace industry, covering a range of components including finished machined and in-service components. IHT also provides advanced digital imaging including remote digital video imaging.

MS provides solutions designed to serve clients' unique needs during both the operational (onstream) and off-line states of their assets. Our onstream services include our range of standard to custom-engineered leak repair and composite solutions; emissions control and compliance; hot tapping and line stopping; and online valve insertion solutions, which are delivered while assets are in an operational condition, which maximizes client production time. Asset shutdowns can be planned, such as a turnaround maintenance event, or unplanned, such as those due to component failure or equipment breakdowns. Our specialty maintenance, turnaround and outage services are designed to minimize client downtime and are primarily delivered while assets are off-line and often through the use of cross-certified technicians whose multi-craft capabilities deliver the production needed to achieve tight time schedules. These critical services include on-site field machining; bolted-joint integrity; vapor barrier plug testing; and valve management solutions.

We market our services to companies in a diverse array of heavy industries which include:

- Energy (refining, power, renewables, nuclear, offshore oil and gas, and liquefied natural gas);
- Manufacturing and Process (chemical, petrochemical, pulp and paper industries, automotive, and mining);
- Midstream (valves, terminals and storage, and pipeline);
- Public Infrastructure (construction and building, roads, dams, amusement parks, bridges, ports, and railways); and
- Aerospace and Defense.

**Listing Notice from NYSE.** On March 14, 2024, we were notified by the NYSE of our non-compliance with their continued listing standards, as our total market capitalization and shareholders' equity had fallen below the NYSE listing

requirements. As required by the NYSE, we notified the NYSE of our intent to cure the market capitalization and/or shareholder' equity deficiency and restore our compliance with NYSE continued listing standards.

In accordance with applicable NYSE procedures, on April 29, 2024, we submitted a plan advising the NYSE of the definitive actions we have taken and are taking that would bring us into compliance with NYSE continued listing standards within 12 months of receipt of the written notice. The NYSE accepted the plan and our common stock will continue to be listed and traded on the NYSE during the 12-month period beginning March 14, 2024, subject to our compliance with other NYSE continued listing standards and continued periodic review by the NYSE of our progress with respect to our plan. We intend to regain compliance with the NYSE listing standards by pursuing measures that are in our best interest and the best interest of our shareholders. We can provide no assurances that we will be able to satisfy any of the steps outlined in the plan approved by the NYSE and maintain the listing of our shares on the NYSE.

## Results of Operations

The following is a comparison of our results of operations for the three and six months ended June 30, 2024 to the three and six months ended June 30, 2023.

### Three Months Ended June 30, 2024 Compared to Three Months Ended June 30, 2023

The following table sets forth the components of revenue and operating loss from our operations for the three-month period ended June 30, 2024 and 2023 (in thousands):

|                                       | Three Months Ended June 30, |             | Favorable (Unfavorable) |         |
|---------------------------------------|-----------------------------|-------------|-------------------------|---------|
|                                       | 2024                        | 2023        | \$                      | %       |
|                                       | (unaudited)                 | (unaudited) |                         |         |
| Revenues by business segment:         |                             |             |                         |         |
| IHT                                   | \$ 113,234                  | \$ 116,740  | \$ (3,506)              | (3.0)%  |
| MS                                    | 115,384                     | 122,752     | (7,368)                 | (6.0)%  |
| Total revenues                        | \$ 228,618                  | \$ 239,492  | \$ (10,874)             | (4.5)%  |
| Operating income (loss):              |                             |             |                         |         |
| IHT                                   | \$ 12,459                   | \$ 6,548    | \$ 5,911                | 90.3 %  |
| MS                                    | 10,637                      | 12,720      | (2,083)                 | (16.4)% |
| Corporate and shared support services | (11,937)                    | (14,672)    | 2,735                   | 18.6 %  |
| Total operating income                | \$ 11,159                   | \$ 4,596    | \$ 6,563                | 142.8 % |
| Interest expense, net                 | \$ (11,909)                 | \$ (16,691) | \$ 4,782                | 28.7 %  |
| Loss on debt extinguishment           | —                           | (1,582)     | 1,582                   | 100.0 % |
| Other (expense) income, net           | (541)                       | 13          | (554)                   | NM      |
| Loss before income taxes              | \$ (1,291)                  | \$ (13,664) | \$ 12,373               | 90.6 %  |
| Provision for income taxes            | (1,472)                     | (2,089)     | 617                     | 29.5 %  |
| Net loss                              | \$ (2,763)                  | \$ (15,753) | \$ 12,990               | 82.5 %  |
| NM = Not meaningful                   |                             |             |                         |         |

**Revenues.** Total revenues decreased \$10.9 million or 4.5% from the prior year quarter and were negatively impacted by \$0.6 million from foreign exchange movement. IHT revenues decreased by \$3.5 million or 3.0% primarily due to lower IHT Canada operations revenue of \$5.4 million due to lower activity in nested and turnaround services and lower revenue from other international regions of \$0.7 million, partially offset by a \$2.6 million increase in the U.S. MS revenue decreased by \$7.4 million or 6.0%, which was attributable to a \$2.7 million decrease in MS U.S. operations primarily due to project timing, a \$2.1 million decrease in MS Canada operations due to less project work and a \$2.5 million decrease in other international regions revenue primarily due to lower overall activity.



**Operating income (loss).** Overall operating income was \$11.2 million in the current year quarter, a \$6.6 million improvement compared to the prior year quarter. IHT operating income increased by \$5.9 million or 90.3% due to lower costs and higher margins in the U.S. mainly attributable to cost reduction actions. MS operating income decreased by \$2.1 million or 16.4% as compared to the prior year quarter primarily due to a \$1.9 million decrease in operating income from international regions and a \$0.5 million decrease from Canada operations, driven by lower revenue and project mix, partially offset by an increase in U.S. operating income. Corporate operating loss decreased by \$2.7 million due to lower professional fees in the current quarter compared to the prior year quarter and lower overall costs due to the Company's continuous cost reduction efforts. We continue to experience cost inflation in several areas across all segments, such as raw materials, transportation, and labor costs.

For the three months ended June 30, 2024 and 2023, operating loss includes net expenses totaling \$0.8 million and \$3.1 million, respectively, that we do not believe are indicative of our core operating activities, as detailed in the table below (in thousands):

|   | Three Months Ended June 30, |       |
|---|-----------------------------|-------|
|   | 2024                        | 2023  |
| Operating income (loss)                       | \$ 11,159                   | 4,596 |
| Professional fees and other                   | 516                         | 2,647 |
| Legal costs                                   | 41                          | 200   |
| Severance charges, net                        | 225                         | 217   |
| Total non-core expenses                       | 782                         | 3,064 |
| Operating income, excluding non-core expenses | \$ 11,941                   | 7,660 |

Excluding the impact of these identified non-core items in both periods, operating income increased by \$4.2 million from \$7.7 million in the three months ended June 30, 2023 to \$11.9 million in the three months ended June 30, 2024. See our non-GAAP reconciliation for additional details of our non-core expenses.

**Interest expense, net.** Interest expense decreased by \$4.8 million compared to the prior year quarter. The decrease was primarily attributable to the accelerated amortization of debt related deferred costs until June 16, 2023 in the prior year quarter. This decrease was partially offset by higher interest expense on our various debt arrangements.

Cash interest paid during the quarter ended June 30, 2024 and 2023 was \$6.5 million and \$4.7 million, respectively.

**Other income, net.** Other income, net decreased by \$0.6 million, driven primarily by the impact of foreign currency fluctuations.

**Taxes.** The provision for income tax was \$1.5 million on the pre-tax loss of \$1.3 million in the current year quarter, compared to a \$2.1 million income tax provision on a pre-tax loss of \$13.7 million in the prior year quarter. The effective tax rate, inclusive of discrete items, was a provision of 114.0% for the three months ended June 30, 2024, compared to a provision of 15.3% for the three months ended June 30, 2023. The increase in effective tax rate for the three months ended June 30, 2024 compared to the three months ended June 30, 2023 is due to the mix of pretax income in non-valuation allowance jurisdictions and pretax losses in valuation allowance jurisdictions. The impact is additional income tax expense with minimal corresponding pretax income/(loss) movement and increase in effective tax rate.

### Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2023

The following is a comparison of our results of operations for the six months ended June 30, 2024 to the six months ended June 30, 2023 (in thousands).

|                                       | Six Months Ended June 30, |             | Favorable (Unfavorable) |         |
|---------------------------------------|---------------------------|-------------|-------------------------|---------|
|                                       | 2024                      | 2023        | \$                      | %       |
|                                       | (unaudited)               | (unaudited) |                         |         |
| Revenues by business segment:         |                           |             |                         |         |
| IHT                                   | \$ 212,682                | \$ 218,569  | \$ (5,887)              | (2.7)%  |
| MS                                    | 215,536                   | 223,200     | (7,664)                 | (3.4)%  |
| Total revenues                        | \$ 428,218                | \$ 441,769  | \$ (13,551)             | (3.1)%  |
| Operating income (loss):              |                           |             |                         |         |
| IHT                                   | \$ 17,644                 | \$ 11,271   | \$ 6,373                | 56.5 %  |
| MS                                    | 14,728                    | 15,913      | (1,185)                 | (7.4)%  |
| Corporate and shared support services | (27,599)                  | (30,334)    | 2,735                   | 9.0 %   |
| Total operating income (loss)         | \$ 4,773                  | \$ (3,150)  | \$ 7,923                | 251.5 % |
| Interest expense, net                 | \$ (24,007)               | \$ (33,432) | \$ 9,425                | 28.2 %  |
| Loss on debt extinguishment           | —                         | (1,582)     | 1,582                   | 100.0 % |
| Other income, net                     | 821                       | 648         | 173                     | 26.7 %  |
| Loss before income taxes              | \$ (18,413)               | \$ (37,516) | \$ 19,103               | 50.9 %  |
| Provision for income taxes            | (1,545)                   | (2,948)     | 1,403                   | 47.6 %  |
| Net loss                              | \$ (19,958)               | \$ (40,464) | \$ 20,506               | 50.7 %  |

**Revenues.** Total revenues decreased \$13.6 million or 3.1% from the prior year period. Revenues had no impact from foreign exchange movements during the six-month period ended June 30, 2024. IHT segment year-to-date revenue decreased 2.7% compared to the prior year period, primarily driven by decreased call out and turnaround activities in Canada and other international regions, partially offset by a \$1.8 million increase in aerospace related revenue. MS segment revenue decreased by \$7.7 million or 3.4% compared to the prior year period, mainly due to a \$6.5 million decrease in Canada operations attributable to projects from the 2023 period that did not repeat in the 2024 period, and a \$1.4 million decrease in U.S. operations.

**Operating income (loss).** Overall operating income was \$4.8 million in the current year, a \$7.9 million or 251.5% improvement as compared to an operating loss of \$3.2 million in the prior year. IHT operating income increased by \$6.4 million or 56.5%, primarily driven by lower costs and improved margins. MS operating income decreased by \$1.2 million or 7.4% as compared to the prior year period. MS operating income from Canada and other international operations decreased by \$2.1 million and \$1.3 million, respectively, primarily driven by projects from the prior year period that did not repeat in 2024. This decrease in operating income was partially offset by an increase in operating income from U.S. operations of \$2.2 million driven by higher activity and improved margins. Corporate operating loss decreased by \$2.7 million compared to the prior year period due to lower overall costs resulting from the Company's continuous cost reduction efforts. We continue to experience cost inflation in several areas across all segments, such as raw materials, transportation, and labor costs.

For the six months ended June 30, 2024 and 2023, operating loss includes net expenses totaling \$3.4 million and \$5.1 million, respectively, that we do not believe are indicative of our core operating activities, as detailed in the table below (in thousands):

|  | Six Months Ended June 30, |            |
|--|---------------------------|------------|
|  | 2024                      | 2023       |
| Operating income (loss)                              | \$ 4,773                  | \$ (3,150) |
| Professional fees and other                          | 2,597                     | 4,368      |
| Legal costs  | 123                       | 200        |
| Severance charges, net                               | 650                       | 522        |
| Total non-core expenses                              | 3,370                     | 5,090      |
| Operating income (loss), excluding non-core expenses | \$ 8,143                  | \$ 1,940   |

Excluding the impact of these identified non-core items in both periods, operating income increased by \$6.2 million, from \$1.9 million to \$8.1 million. See our non-GAAP reconciliation for additional details of our non-core expenses.

**Interest expense, net.** Interest expense, net decreased by \$9.4 million from the prior year period. The decrease was primarily attributable to the accelerated amortization of debt related deferred cost until June 16, 2023 which was not applicable during the current year period. This decrease was partially offset by higher interest expense on our various debt arrangements.

Cash interest paid for the six months ended June 30, 2024 and 2023 was \$12.4 million and \$9.1 million, respectively.

**Other income, net.** Other income increased by \$0.2 million from the prior year period driven by a higher gain on foreign currency transactions in the current year period, offset by loss on asset disposals in the current year compared to gain in the prior year period.

**Taxes.** The provision for income tax was \$1.5 million on the pre-tax loss of \$18.4 million in the current year-to-date period compared to income tax expense of \$2.9 million on the pre-tax loss of \$37.5 million in the prior year-to-date period. The effective tax rate was a provision of 8.4% for the six months ended June 30, 2024, compared to a provision of 7.7% for the six months ended June 30, 2023. The effective tax rate differs from the prior year period due to changes in the valuation allowance.

## Non-GAAP Financial Measures and Reconciliations

We use supplemental non-GAAP financial measures which are derived from the consolidated financial information including adjusted net income (loss); adjusted net income (loss) per share; earnings before interest and taxes ("EBIT"); adjusted EBIT; adjusted earnings before interest, taxes, depreciation, and amortization ("adjusted EBITDA") and free cash flow to supplement financial information presented on a GAAP basis.

We define adjusted net income (loss) and adjusted net income (loss) per share to exclude the following items: non-routine legal costs and settlements, non-routine professional fees, (gain) loss on debt extinguishment, certain severance charges, non-routine write-off of assets and certain other items that we believe are not indicative of core operating activities. Consolidated adjusted EBIT, as defined by us, excludes the costs excluded from adjusted net income (loss) as well as income tax expense (benefit), interest charges, foreign currency (gain) loss, pension credit, and items of other (income) expense. Consolidated adjusted EBITDA further excludes depreciation, amortization, and non-cash share-based compensation costs from consolidated adjusted EBIT. Segment adjusted EBIT is equal to segment operating income (loss) excluding costs associated with non-routine legal costs and settlements, non-routine professional fees, certain severance charges, and certain other items as determined by us. Segment adjusted EBITDA further excludes depreciation, amortization, and non-cash share-based compensation costs from segment adjusted EBIT. Free cash flow is defined as net cash provided by (used in) operating activities minus capital expenditures.

We believe these non-GAAP financial measures are useful to both management and investors in their analysis of our financial position and results of operations. In particular, adjusted net income (loss), adjusted net income (loss) per share, consolidated adjusted EBIT, and consolidated adjusted EBITDA are meaningful measures of performance which are commonly used by industry analysts, investors, lenders, and rating agencies to analyze operating performance in our industry, perform analytical comparisons, benchmark performance between periods, and measure our performance against externally communicated targets. Our segment adjusted EBIT and segment adjusted EBITDA are also used as a basis for the Chief Operating Decision Maker (Chief Executive Officer) to evaluate the performance of our reportable segments. Free cash flow is used by our management and investors to analyze our ability to service and repay debt and return value directly to stakeholders.

Non-GAAP measures have important limitations as analytical tools because they exclude some, but not all, items that affect net earnings and operating income. These measures should not be considered substitutes for their most directly comparable U.S. GAAP financial measures and should be read only in conjunction with financial information presented on a GAAP basis. Further, our non-GAAP financial measures may not be comparable to similarly titled measures of other companies who may calculate non-GAAP financial measures differently, limiting the usefulness of those measures for comparative purposes. The liquidity measure of free cash flow does not represent a precise calculation of residual cash flow available for discretionary expenditures. Reconciliations of each non-GAAP financial measure to its most directly comparable GAAP financial measure are presented below.

The following tables set forth the reconciliation of Adjusted Net Income (Loss), EBIT and EBITDA to their most comparable GAAP financial measurements on a consolidated and segmented basis:

TEAM, INC. AND SUBSIDIARIES  
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES (Continued)  
(unaudited, in thousands except per share data)

|  | Three Months Ended June 30, |                    | Six Months Ended June 30, |                    |
|--|-----------------------------|--------------------|---------------------------|--------------------|
|  | 2024                        | 2023               | 2024                      | 2023               |
| <b>Adjusted Net Loss:</b>                                      |                             |                    |                           |                    |
| Net loss   | \$ (2,763)                  | \$ (15,753)        | \$ (19,958)               | \$ (40,464)        |
| Professional fees and other <sup>1</sup>                       | 516                         | 2,647              | 2,597                     | 4,368              |
| Legal costs  | 41                          | 200                | 123                       | 200                |
| Severance charges, net <sup>2</sup>                            | 225                         | 217                | 650                       | 522                |
| Loss on debt extinguishment                                    | —                           | 1,582              | —                         | 1,582              |
| Tax impact of adjustments and other net tax items <sup>3</sup> | (26)                        | (7)                | (138)                     | (85)               |
| <b>Adjusted Net Loss</b>                                       | <b>\$ (2,007)</b>           | <b>\$ (11,114)</b> | <b>\$ (16,726)</b>        | <b>\$ (33,877)</b> |
| <b>Adjusted Net Loss per common share:</b>                     |                             |                    |                           |                    |
| Basic and Diluted  | \$ (0.45)                   | \$ (2.55)          | \$ (3.79)                 | \$ (7.78)          |
| <b>Consolidated Adjusted EBIT and Adjusted EBITDA:</b>         |                             |                    |                           |                    |
| Net loss   | \$ (2,763)                  | \$ (15,753)        | \$ (19,958)               | \$ (40,464)        |
| Provision for income taxes                                     | 1,472                       | 2,089              | 1,545                     | 2,948              |
| Loss (gain) on equipment sale                                  | 28                          | 7                  | 18                        | (296)              |
| Interest expense, net  | 11,909                      | 16,691             | 24,007                    | 33,432             |
| Professional fees and other <sup>1</sup>                       | 516                         | 2,647              | 2,597                     | 4,368              |
| Legal costs  | 41                          | 200                | 123                       | 200                |
| Severance charges, net <sup>2</sup>                            | 225                         | 217                | 650                       | 522                |
| Foreign currency loss (gain)                                   | 615                         | 143                | (624)                     | (34)               |
| Pension credit <sup>4</sup>                                    | (102)                       | (162)              | (215)                     | (318)              |
| Loss on debt extinguishment                                    | —                           | 1,582              | —                         | 1,582              |
| <b>Consolidated Adjusted EBIT</b>                              | <b>11,941</b>               | <b>7,661</b>       | <b>8,143</b>              | <b>1,940</b>       |
| Depreciation and amortization                                  |                             |                    |                           |                    |
| Amount included in operating expenses                          | 3,508                       | 3,694              | 7,091                     | 7,413              |
| Amount included in SG&A expenses                               | 5,752                       | 5,845              | 11,809                    | 11,672             |
| Total depreciation and amortization                            | 9,260                       | 9,539              | 18,900                    | 19,085             |
| Non-cash share-based compensation costs                        | 612                         | 245                | 1,277                     | 627                |
| <b>Consolidated Adjusted EBITDA</b>                            | <b>\$ 21,813</b>            | <b>\$ 17,445</b>   | <b>\$ 28,320</b>          | <b>\$ 21,652</b>   |
| <b>Free Cash Flow:</b>   |                             |                    |                           |                    |
| Cash used in operating activities                              | \$ (6,352)                  | \$ (5,854)         | \$ (4,466)                | \$ (23,617)        |
| Capital expenditures   | (2,743)                     | (2,381)            | (5,759)                   | (5,073)            |
| <b>Free Cash Flow</b>  | <b>\$ (9,095)</b>           | <b>\$ (8,235)</b>  | <b>\$ (10,225)</b>        | <b>\$ (28,690)</b> |

1 For the three and six months ended June 30, 2024, includes \$0.5 million and \$2.4 million, respectively, related to debt financing, and for the six months ended June 30, 2024, includes \$0.2 million related to support costs. For the three and six months ended June 30, 2023, includes \$1.6 million and \$3.2 million, respectively, related to debt financing and \$0.7 million and \$0.8 million, respectively, related to lease extinguishment charges, and for the three and six months ended June 30, 2023, includes \$0.3 million of support costs.

2 Represents customary severance costs associated with staff reductions.

3 Represents the tax effect of the adjustments.

4 Represents pension credits for the U.K. pension plan based on the difference between the expected return on plan assets and the cost of the discounted pension liability. The pension plan was frozen in 1994 and no new participants have been added since that date.

**TEAM, INC. AND SUBSIDIARIES**  
**RECONCILIATION OF NON-GAAP FINANCIAL MEASURES (Continued)**  
(unaudited, in thousands)

|  | Three Months Ended June 30, |                    | Six Months Ended June 30, |                    |
|--|-----------------------------|--------------------|---------------------------|--------------------|
|  | 2024                        | 2023               | 2024                      | 2023               |
| <b><u>Segment Adjusted EBIT and Adjusted EBITDA:</u></b> |                             |                    |                           |                    |
| <b><u>IHT</u></b>  |                             |                    |                           |                    |
| Operating income   | \$ 12,459                   | \$ 6,548           | \$ 17,644                 | \$ 11,271          |
| Severance charges, net <sup>1</sup>                      | 152                         | 165                | 247                       | 205                |
| Professional fees and other <sup>2</sup>                 | —                           | 828                | 40                        | 828                |
| Adjusted EBIT  | 12,611                      | 7,541              | 17,931                    | 12,304             |
| Depreciation and amortization                            | 2,978                       | 3,188              | 6,007                     | 6,242              |
| <b>Adjusted EBITDA</b>                                   | <b>\$ 15,589</b>            | <b>\$ 10,729</b>   | <b>\$ 23,938</b>          | <b>\$ 18,546</b>   |
| <b><u>MS</u></b>   |                             |                    |                           |                    |
| Operating income   | \$ 10,637                   | \$ 12,720          | \$ 14,728                 | \$ 15,913          |
| Severance charges, net <sup>1</sup>                      | 49                          | 52                 | 374                       | 308                |
| Professional fees and other <sup>2</sup>                 | 58                          | 47                 | 140                       | 67                 |
| Legal costs  | 41                          | —                  | 41                        | —                  |
| Adjusted EBIT  | 10,785                      | 12,819             | 15,283                    | 16,288             |
| Depreciation and amortization                            | 4,565                       | 4,704              | 9,214                     | 9,457              |
| <b>Adjusted EBITDA</b>                                   | <b>\$ 15,350</b>            | <b>\$ 17,523</b>   | <b>\$ 24,497</b>          | <b>\$ 25,745</b>   |
| <b><u>Corporate and shared support services</u></b>      |                             |                    |                           |                    |
| Net loss   | \$ (25,859)                 | \$ (35,021)        | \$ (52,330)               | \$ (67,648)        |
| Provision for income taxes                               | 1,472                       | 2,089              | 1,545                     | 2,948              |
| Loss (gain) on equipment sale                            | 28                          | 7                  | 18                        | (296)              |
| Interest expense, net                                    | 11,909                      | 16,691             | 24,007                    | 33,432             |
| Foreign currency loss (gain)                             | 615                         | 143                | (624)                     | (34)               |
| Pension credit <sup>3</sup>                              | (102)                       | (162)              | (215)                     | (318)              |
| Professional fees and other <sup>2</sup>                 | 458                         | 1,772              | 2,417                     | 3,473              |
| Legal costs  | —                           | 200                | 82                        | 200                |
| Severance charges, net <sup>1</sup>                      | 24                          | —                  | 29                        | 9                  |
| Loss on debt extinguishment                              | —                           | 1,582              | —                         | 1,582              |
| Adjusted EBIT  | (11,455)                    | (12,699)           | (25,071)                  | (26,652)           |
| Depreciation and amortization                            | 1,717                       | 1,647              | 3,679                     | 3,386              |
| Non-cash share-based compensation costs                  | 612                         | 245                | 1,277                     | 627                |
| <b>Adjusted EBITDA</b>                                   | <b>\$ (9,126)</b>           | <b>\$ (10,807)</b> | <b>\$ (20,115)</b>        | <b>\$ (22,639)</b> |

1 Represents customary severance costs associated with staff reductions.

2 For the three and six months ended June 30, 2024, includes \$0.5 million and \$2.4 million, respectively, related to debt financing, and for the six months ended June 30, 2024, includes \$0.2 million related to support costs. For the three and six months ended June 30, 2023, includes \$1.6 million and \$3.2 million, respectively, related to debt financing and \$0.7 million and \$0.8 million, respectively, related to lease extinguishment charges, and for the three and six months ended June 30, 2023, includes \$0.3 million of support costs.

3 Represents pension credits for the U.K. pension plan based on the difference between the expected return on plan assets and the cost of the discounted pension liability. The pension plan was frozen in 1994 and no new participants have been added since that date.

## Liquidity and Capital Resources

Financing for operations consists primarily of our 2022 ABL Credit Agreement (which includes the Revolving Credit Loans, the Delayed Draw Term Loan and the ME/RE Loans), the A&R Term Loan Credit Agreement (which includes the Uptiered Loan and the Incremental Term Loan), and cash flows from our operations.

We have evaluated our liquidity within one year after the date of issuance of the accompanying condensed consolidated financial statements to assess the Company's ability to fund its operations. Based upon such liquidity assessment, we believe that the Company's current working capital, forecasted cash flows from operations, expected availability under our existing debt arrangements and capital expenditure financing is sufficient to fund our operations, service our indebtedness, and maintain compliance with our debt covenants. In preparation of this liquidity assessment, we applied judgment to estimate the projected cash flows of the Company, including the following: (i) projected cash outflows, (ii) projected cash inflows, and (iii) projected availability under the Company's existing debt arrangements. The cash flow projections were based on known or planned cash requirements for operating and financing costs and include management's best estimate regarding future customer activity levels, pricing for its services and for its supplies and other factors. Actual results could vary significantly from those projections. We based this assessment on assumptions that may prove to be inaccurate, and we could exhaust our available capital resources sooner than we expect in the event that we fail to meet our current projections. See *Note 10 - Debt* in this Quarterly Report on Form 10-Q and *Note 11 - Debt* in our Annual Report on Form 10-K for additional details of our debt obligations.

We closely monitor the amounts and timing of our sources and uses of funds. Our ability to maintain a sufficient level of liquidity to fund our operations and meet our financial obligations will be dependent upon our future performance, which is subject to general economic conditions, industry cycles and financial, business and other factors affecting our operations, many of which are beyond our control. For example, the threat of recession and related economic repercussions could have a significant adverse effect on our financial position and business condition, as well as that of our clients and suppliers. Additionally, these events may, among other factors, impact our ability to generate cash flows from operations, access the capital markets on acceptable terms or at all, service our indebtedness, maintain compliance with the financial covenants contained in our various credit agreements and affect our future need or ability to borrow under our 2022 ABL Credit Facility and our A&R Term Loan Credit Agreement. Our ability to access the capital markets will depend on financial, economic and market conditions, many of which are outside of our control, and we may be unable to raise financing when needed, or on terms favorable to us, or at all. In addition, we may seek to engage in one or more of the following, such as refinancing and/or extending the maturities of all or part of our existing indebtedness, seeking covenant relief from our lenders, entering into a strategic partnership with one or more parties, or the sale or divestiture of assets, but there can be no assurance that we would be able to enter into such a transaction or transactions on a timely basis or on terms favorable to us, or at all. Our failure to raise capital through our operations, refinancings or strategic alternatives as and when needed would have a negative impact on our financial condition and our ability to pursue our business strategy. In addition to impacting our current sources of funding, the effects of such events may also impact our liquidity or require us to revise our allocation or sources of capital, reduce capital expenditures, implement further cost reduction measures and/or change our business strategy. Political economic repercussions could also have a broad range of effects on our liquidity sources and will depend on future developments that cannot be predicted at this time.

Our ability to generate operating cash flow, sell assets, access capital markets or take any other action to improve our liquidity and manage our debt is subject to the risks described or referenced herein and other risks and uncertainties that exist in our industry, some of which we may not be able to anticipate at this time or control. Such risks include the following:

- loss of customers or other unforeseen deterioration in demand for our services;
- seasonal fluctuations, such as severe weather and other variations in our clients' industries that may impede or delay the timing of client orders and the delivery of our services;
- rapid increases in raw materials and labor costs that may hinder our ability to meet our forecasted operating expenses;
- persisting or increasing levels of inflation domestically and internationally and the impact of such inflation on our ability to meet our current forecast;
- changes in regulations governing our operations and unplanned costs to comply with such regulatory changes;
- counterparty credit risk related to our ability to collect our receivables; and
- unexpected or prolonged fluctuations in interest rates and their impact on our forecasted costs of raising additional capital.

See Item 1A "Risk Factors" in our Annual Report on Form 10-K for additional information.

As of June 30, 2024, we had approximately \$22.2 million of borrowing capacity consisting of \$12.2 million available under the 2022 ABL Credit Agreement, and \$10.0 million available under the A&R Term Loan Agreement. Our principal uses of cash are for working capital, capital expenditures, and operations.

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As of June 30, 2024, we were in compliance with our debt covenants. Our ability to maintain compliance with the financial covenants contained in the 2022 ABL Credit Agreement and the A&R Term Loan Credit Agreement is dependent upon our future operating performance and future financial condition, both of which are subject to various risks and uncertainties.

As of August 6, 2024, we had consolidated cash and cash equivalents of \$19.5 million, excluding \$4.5 million of restricted cash used mainly as collateral for letters of credit and commercial card programs, and approximately \$12.8 million of undrawn availability under our various credit facilities, resulting in total liquidity of \$32.3 million.

Refer to *Note 10 - Debt* in this Quarterly Report on Form 10-Q and *Note 11 - Debt* in our Annual Report on Form 10-K for additional information on our debt instruments.

**Cash and cash equivalents.** Our cash and cash equivalents as of June 30, 2024 totaled \$22.5 million, consisting of \$17.9 million of unrestricted cash on hand, and \$4.6 million of restricted cash. International cash balances as of June 30, 2024 were \$6.1 million, and approximately \$0.5 million of such cash is located in countries where currency or regulatory restrictions exist.

As of December 31, 2023, our cash and cash equivalents were \$35.4 million, including \$30.4 million of unrestricted cash on hand, and \$5.0 million of restricted cash. International cash balances as of December 31, 2023 were \$12.0 million, including \$0.6 million of cash located in countries where currency or regulatory restrictions existed.

Our total debt and finance obligations were \$320.1 million, of which \$7.1 million was classified as current at June 30, 2024, compared to total debt of \$311.4 million at December 31, 2023.

### Cash Flows

The following table summarizes cash flows from Operating, Investing and Financing activities (in thousands):

|   | Six Months Ended June 30, |             |                            |
|---|---------------------------|-------------|----------------------------|
|   | 2024                      | 2023        | Favorable<br>(Unfavorable) |
| Cash flows provided by (used in):       |                           |             |                            |
| Operating activities                    | \$ (4,466)                | \$ (23,617) | 81 %                       |
| Investing activities                    | (5,620)                   | (4,741)     | (19) %                     |
| Financing activities                    | (2,500)                   | 483         | (618) %                    |
| Effect of exchange rate changes on cash | (380)                     | 237         | (260) %                    |
| Net change in cash and cash equivalents | \$ (12,966)               | \$ (27,638) | 53 %                       |

**Cash flows attributable to our operating activities.** For the six months ended June 30, 2024, net cash used in operating activities was \$4.5 million, an improvement of 81% as compared to \$23.6 million in the 2023 period. Our net cash used in operating activities was driven by negative working capital changes of \$14.0 million, primarily attributable to an increase in accounts receivable and lower accrued liabilities, partially offset by an increase in accounts payable. Our net cash used in operating activities were further impacted by a \$12.6 million reduction in amortization of debt issuance costs, debt discounts, and deferred financing costs and no loss on debt extinguishment in the current year period compared to \$1.6 million in the prior year period.

For the six months ended June 30, 2023, net cash used in operating activities was \$23.6 million. Our net cash used in operating activities was driven by our net loss for the period, which totaled \$40.5 million, and negative working capital of \$26.4 million, partially offset by amortization of debt issuance costs and debt discount of \$16.2 million, depreciation and amortization of \$19.1 million, and PIK interest on the Uptiered Loan of \$7.1 million.

**Cash flows attributable to our investing activities.** For the six months ended June 30, 2024, net cash used in investing activities was \$5.6 million, consisting of capital expenditures of \$5.8 million, partially offset by cash proceeds from asset sales of \$0.2 million.

For the six months ended June 30, 2023, net cash used in investing activities was \$4.7 million, consisting primarily of capital expenditures (mainly related to the Company's new aerospace inspection facility in Cincinnati), partially offset by \$0.3 million of cash proceeds from asset sales.

**Cash flows attributable to our financing activities.** For the six months ended June 30, 2024, net cash used in financing activities was \$2.5 million, consisting primarily of payments under the ME/RE loans of \$1.4 million, payments under the Incremental Term Loan of \$0.7 million and payment of debt issuance costs of \$2.8 million, partially offset by equipment financing of \$1.8 million and net borrowings under our 2022 ABL Credit Facility of \$0.6 million.



For the six months ended June 30, 2023, net cash provided by financing activities was \$0.5 million, consisting primarily of net borrowings under our 2022 ABL Credit Facility of \$16.0 million and borrowings under ME/RE loans of \$27.4 million offset by the payoff of the APSC Term Loan of \$37.1 million and payment of deferred financing cost of \$5.3 million.

**Effect of exchange rate changes on cash and cash equivalents.** For the six months ended June 30, 2024 and 2023, the effect of foreign exchange rate changes on cash was negative \$0.4 million and positive \$0.2 million, respectively. The impact of exchange rates on cash and cash equivalents is primarily attributable to fluctuations in U.S. Dollar exchange rate against the Canadian Dollar, the Euro, the British Pound, the Australian Dollar and Mexican Peso.

#### **Off-Balance Sheet Arrangements**

From time-to-time, we enter into off-balance sheet arrangements and transactions that can give rise to material off-balance sheet obligations. See *Note 10 - Debt* in this Quarterly Report on Form 10-Q and *Note 11 - Debt* in our Annual Report on Form 10-K for additional details of our off-balance sheet arrangements.

#### **Critical Accounting Policies and Estimates**

A discussion of our critical accounting policies and estimates is included in our Annual Report on Form 10-K. There were no material changes to our critical accounting policies during the six months ended June 30, 2024.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

As a smaller reporting company, we are not required to provide the information required by this item 3.

### **ITEM 4. CONTROLS AND PROCEDURES**

**Evaluation of disclosure controls and procedures.** Under the supervision and with the participation of our management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures as defined by Rules 13a-15(e) and 15d-15(e) of the Exchange Act, as of the end of the period covered by this report. In designing and evaluating the disclosure controls and procedures, our management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on that evaluation, the CEO and CFO have concluded as of June 30, 2024, that our disclosure controls and procedures were effective and designed to ensure that the information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the requisite time periods.

**Changes in Internal Control Over Financial Reporting.** There have been no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting during the quarter ended June 30, 2024.

## PART II—OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

For information on legal proceedings, see *Note 13 - Commitments and Contingencies* to the condensed consolidated financial statements included in this report.

### ITEM 1A. RISK FACTORS

Our operations and financial results are subject to various risks and uncertainties. Other than as noted below, there have been no material changes in our risk factors as previously disclosed in Part I, Item 1A, “Risk Factors” in our Annual Report on Form 10-K.

***We may not be able to regain compliance with the NYSE’s continued listing requirements and rules, the NYSE may delist our common stock, which could negatively affect the Company, the price of our common stock and our shareholders’ ability to sell our common stock.*** The NYSE has several listing requirements set forth in the NYSE Listed Company Manual. For example, Section 802.01C of the NYSE Listed Company Manual requires that our common stock trade at a minimum average closing price of \$1.00 per share over a consecutive 30 trading day period. Section 802.01B of the NYSE Listed Company Manual requires that either our average global market capitalization (inclusive of common and preferred equity) or our total shareholders’ equity exceed \$50.0 million.

On March 14, 2024, the Company received a written notice (the “Written Notice”) from the NYSE that the Company was not in compliance with the continued listing standards set forth in Rule 802.01B of the NYSE Listed Company Manual because its average global market capitalization over a consecutive 30 trading-day period was less than \$50.0 million and, at the same time, its last reported shareholders’ equity was less than \$50.0 million. As required by the NYSE, the Company timely notified the NYSE of its intent to cure the deficiency and restore its compliance with the NYSE continued listing standards. On April 29, 2024, in accordance with applicable NYSE procedures, the Company submitted a plan (the “Plan”) advising the NYSE of the definitive actions the Company has taken, and is taking, that would bring it into compliance with the minimum global market capitalization listing standard within 12 months of receipt of the Written Notice. The NYSE accepted the Plan, and the Company’s common stock will continue to be listed and traded on the NYSE during the 12-month period beginning March 14, 2024, subject to the Company’s compliance with other NYSE continued listing standards and continued periodic review by the NYSE of the Company’s progress with respect to the Plan. The Written Notice has no immediate impact on the listing of the Company’s common stock, which will continue to trade on the NYSE during the applicable cure period and does not result in a default under the Company’s material debt or other agreements.

We intend to regain compliance with the NYSE listing standards by pursuing measures that are in our best interest and the best interest of our shareholders. There is no assurance that our efforts will be successful, nor is there any assurance that we will regain compliance with Section 802.01B of the NYSE Listed Company Manual or remain in compliance with such section or other NYSE continued listing standards in the future. A delisting of our common stock from the NYSE could negatively impact us by, among other things, reducing the liquidity and market price of our common stock; reducing the number of investors willing to hold or acquire our common stock, which could negatively impact our ability to raise equity financing; limiting our ability to issue additional securities or obtain additional financing in the future; decreasing the amount of news and analyst coverage of us; and causing us reputational harm with investors, our employees, and parties conducting business with us. A delisting of our common stock could constitute a “fundamental change” under the terms of our 2022 ABL Credit Agreement, which would permit the holder of the indebtedness to accelerate the maturity thereof and proceed against their collateral and could have a material adverse effect on our business and financial condition. This acceleration of the maturity under the 2022 ABL Credit agreement would trigger cross default across other debt arrangements.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

NONE

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

NONE

### ITEM 4. MINE SAFETY DISCLOSURES

NOT APPLICABLE

**ITEM 5. OTHER INFORMATION**

***Insider Trading Arrangements.*** During the quarter ended June 30, 2024, none of the Company's directors or officers (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," (each as defined in Item 408(a) of Regulation S-K under the Exchange Act).

**ITEM 6. EXHIBITS**

| <b>Exhibit<br/>Number</b> | <b>Description</b>   |
|---------------------------|--|
| 3.1                       | <a href="#">Amended and Restated Certificate of Incorporation of Team, Inc. (filed as Exhibit 3.1 to Team, Inc.'s Current Report on Form 8-K (File No. 001-08604) filed on December 2, 2011, incorporated herein by reference).</a>  |
| 3.2                       | <a href="#">Certificate of Amendment of Amended and Restated Certificate of Incorporation of Team, Inc., dated October 24, 2013 (filed as Exhibit 3.2 to Team, Inc.'s Annual Report on Form 10-K (File No. 001-08604) filed on March 7, 2024, incorporated herein by reference).</a>   |
| 3.3                       | <a href="#">Certificate of Amendment to Amended and Restated Certificate of Incorporation of Team, Inc., dated November 28, 2022 (filed as Exhibit 3.3 to Team, Inc.'s Quarterly Report on Form 10-Q/A (File No. 001-08604) filed on November 8, 2023, incorporated herein by reference).</a>                                |
| 3.4                       | <a href="#">Certificate of Amendment to Amended and Restated Certificate of Incorporation of Team, Inc. (filed as Exhibit 3.1 to Team, Inc.'s Current Report on Form 8-K (File No. 001-08604) filed on December 22, 2022, incorporated by reference herein).</a>   |
| 3.5                       | <a href="#">Amended and Restated Bylaws of Team, Inc. (filed as Exhibit 3.3 to Team, Inc.'s Annual Report on Form 10-K for year ended December 31, 2017 (File No. 001-08604), incorporated herein by reference).</a>   |
| 3.6                       | <a href="#">Certificate of Designations of Series A Preferred Stock of Team, Inc., as filed with the Secretary of State of the State of Delaware on February 2, 2022 (filed as Exhibit 3.1 to Team, Inc.'s Current Report on Form 8-K (File No. 001-08604) filed on February 2, 2022, incorporated by reference herein).</a> |
| 31.1                      | <a href="#">Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>  |
| 31.2                      | <a href="#">Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>  |
| 31.3                      | <a href="#">Certification of Chief Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>   |
| 32.1                      | <a href="#">Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>  |
| 32.2                      | <a href="#">Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>  |
| 32.3                      | <a href="#">Certification of Chief Accounting Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>   |
| 101.INS                   | Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.   |
| 101.SCH                   | Inline XBRL Taxonomy Extension Schema Document.  |
| 101.CAL                   | Inline XBRL Taxonomy Extension Calculation Linkbase Document.  |
| 101.DEF                   | Inline XBRL Taxonomy Extension Definition Linkbase Document.   |
| 101.LAB                   | Inline XBRL Taxonomy Extension Label Linkbase Document.  |
| 101.PRE                   | Inline XBRL Taxonomy Extension Presentation Linkbase Document.   |
| 104                       | Cover Page Interactive Data File (embedded within the Inline XBRL document)  |

**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 thereto duly authorized.

Date: August 8, 2024

TEAM, INC.  
(Registrant)

/s/ Keith D. Tucker

**Keith D. Tucker**  
**Chief Executive Officer**  
**(Principal Executive Officer)**

/s/ Nelson M. Haight

**Nelson M. Haight**  
**Chief Financial Officer**  
**(Principal Financial Officer)**

/s/ Matthew E. Acosta

**Matthew E. Acosta**  
**Vice President, Chief Accounting Officer**  
**(Principal Accounting Officer)**

I, Keith D. Tucker, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Team, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2024

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/s/ Keith D. Tucker

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Keith D. Tucker  
**Chief Executive Officer**  
**(Principal Executive Officer)**

I, Nelson M. Haight, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Team, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2024

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/s/ Nelson M. Haight

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Nelson M. Haight  
**Chief Financial Officer**  
**(Principal Financial Officer)**

I, Matthew E. Acosta, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Team, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 8, 2024

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/s/ Matthew E. Acosta

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Matthew E. Acosta

**Vice President, Chief Accounting Officer**

**(Principal Accounting Officer)**

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Team, Inc. (the Company) on Form 10-Q for the period ended June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Keith D. Tucker, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Keith D. Tucker

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Keith D. Tucker

**Chief Executive Officer**  
**(Principal Executive Officer)**

August 8, 2024

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Team, Inc. (the Company) on Form 10-Q for the period ended June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Nelson M. Haight, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Nelson M. Haight

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Nelson M. Haight  
Chief Financial Officer  
(Principal Financial Officer)

August 8, 2024

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Team, Inc. (the Company) on Form 10-Q for the period ended June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Matthew E. Acosta, Vice President and Chief Accounting Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Matthew E. Acosta

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Matthew E. Acosta  
Vice President, Chief Accounting Officer  
(Principal Accounting Officer)

August 8, 2024