

MITCHAM INDUSTRIES INC
Form 10-Q
December 10, 2014
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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 October 31, 2014

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: 000-25142

MITCHAM INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Texas
(State or other jurisdiction of
incorporation or organization)

76-0210849
(I.R.S. Employer
Identification No.)

8141 SH 75 South

P.O. Box 1175

Huntsville, Texas 77342

(Address of principal executive offices, including Zip Code)

(936) 291-2277

(Registrant's telephone number, including area code)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

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

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 12,084,056 shares of common stock, \$0.01 par value, were outstanding as of December 9, 2014.

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MITCHAM INDUSTRIES, INC.

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	October 31, 2014	January 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,069	\$ 15,162
Restricted cash		81
Accounts receivable, net	30,430	29,514
Contracts and notes receivable	3,338	1,005
Inventories, net	11,158	8,338
Prepaid income taxes	1,317	2,177
Deferred tax asset	1,562	1,968
Prepaid expenses and other current assets	9,866	3,915
Total current assets	66,740	62,160
Seismic equipment lease pool and property and equipment, net	112,803	129,573
Intangible assets, net	11,905	3,201
Goodwill	5,661	4,320
Deferred tax asset	8,217	6,133
Other assets	1,902	32
Total assets	\$ 207,228	\$ 205,419
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 6,489	\$ 10,745
Current maturities long-term debt	2,421	75
Deferred revenue	179	35
Accrued expenses and other current liabilities	4,605	1,583
Total current liabilities	13,694	12,438
Non-current income taxes payable		408
Long-term debt, net of current maturities	32,141	22,125
Total liabilities	45,835	34,971
Shareholders equity:		

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Preferred stock, \$1.00 par value; 1,000 shares authorized; none issued and outstanding		
Common stock, \$0.01 par value; 20,000 shares authorized; 14,012 and 13,907 shares issued at October 31, 2014 and January 31, 2014, respectively	140	139
Additional paid-in capital	119,496	118,156
Treasury stock, at cost (1,928 and 1,075 shares at October 31, 2014 and January 31, 2014, respectively)	(16,851)	(7,075)
Retained earnings	61,109	61,116
Accumulated other comprehensive loss	(2,501)	(1,888)
Total shareholders equity	161,393	170,448
Total liabilities and shareholders equity	\$ 207,228	\$ 205,419

The accompanying notes are an integral part of these condensed consolidated financial statements.

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MITCHAM INDUSTRIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share data)

(unaudited)

	For the Three Months Ended October 31,		For the Nine Months Ended October 31,	
	2014	2013	2014	2013
Revenues:				
Equipment leasing	\$ 14,285	\$ 7,900	\$ 38,672	\$ 34,435
Lease pool equipment sales	475	3,169	2,861	6,188
Seamap equipment sales	5,791	5,537	19,560	16,422
Other equipment sales	2,355	3,669	7,090	11,416
Total revenues	22,906	20,275	68,183	68,461
Cost of sales:				
Direct costs equipment leasing	2,343	1,465	4,700	3,857
Direct costs lease pool depreciation	8,634	7,216	26,195	22,021
Cost of lease pool equipment sales	193	1,119	1,016	2,080
Cost of Seamap and other equipment sales	4,729	5,522	14,785	16,653
Total cost of sales	15,899	15,322	46,696	44,611
Gross profit	7,007	4,953	21,487	23,850
Operating expenses:				
General and administrative	6,159	6,086	18,951	18,173
Provision for doubtful accounts		1,048		1,048
Depreciation and amortization	654	371	1,566	1,124
Total operating expenses	6,813	7,505	20,517	20,345
Operating income (loss)	194	(2,552)	970	3,505
Other (expenses) income:				
Interest, net	(147)	(37)	(347)	120
Other, net	(387)	(517)	(140)	222
Total other (expenses) income	(534)	(554)	(487)	342
(Loss) income before income taxes	(340)	(3,106)	483	3,847
(Provision) benefit for income taxes	(57)	478	(490)	(861)

Net (loss) income	\$ (397)	\$ (2,628)	\$ (7)	\$ 2,986
Net (loss) income per common share:				
Basic	\$ (0.03)	\$ (0.21)	\$ (0.00)	\$ 0.23
Diluted	\$ (0.03)	\$ (0.21)	\$ (0.00)	\$ 0.23
Shares used in computing net income per common share:				
Basic	12,476	12,767	12,631	12,766
Diluted	12,476	12,767	12,631	13,180

The accompanying notes are an integral part of these condensed consolidated financial statements.

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MITCHAM INDUSTRIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(in thousands)

(unaudited)

	For the Three Months Ended October 31,		For the Nine Months Ended October 31,	
	2014	2013	2014	2013
Net (loss) income	\$ (397)	\$ (2,628)	\$ (7)	\$ 2,986
Change in cumulative translation adjustment	(2,160)	1,488	(613)	(4,703)
Comprehensive loss	\$ (2,557)	\$ (1,140)	\$ (620)	\$ (1,717)

The accompanying notes are an integral part of these condensed consolidated financial statements.

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MITCHAM INDUSTRIES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	For the Nine Months Ended October 31,	
	2014	2013
Cash flows from operating activities:		
Net (loss) income	\$ (7)	\$ 2,986
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	27,866	23,242
Stock-based compensation	1,006	839
Provision for doubtful accounts, net of charge offs		1,048
Provision for inventory obsolescence	44	70
Gross profit from sale of lease pool equipment	(1,845)	(4,108)
Excess tax benefit from exercise of non-qualified stock options and restricted shares		(44)
Deferred tax benefit	(1,742)	(2,495)
Changes in working capital items:		
Accounts receivable	(1,076)	(4,569)
Contracts and notes receivable	(2,632)	1,277
Inventories	630	(2,827)
Prepaid expenses and other current assets	(7,449)	(1,449)
Income taxes payable	(331)	3,382
Accounts payable, accrued expenses, other current liabilities and deferred revenue	2,079	1,338
Net cash provided by operating activities	16,543	18,690
Cash flows from investing activities:		
Purchases of seismic equipment held for lease	(15,079)	(13,308)
Acquisition of business	(14,500)	
Purchases of property and equipment	(375)	(452)
Sale of used lease pool equipment	2,861	6,188
Net cash used in investing activities	(27,093)	(7,572)
Cash flows from financing activities:		
Net proceeds from (payments on) revolving line of credit	2,500	(1,000)
Net proceeds from term loan	10,000	
Payments on borrowings	(74)	(105)
Net proceeds from short-term investments	85	30
Proceeds from issuance of common stock upon exercise of options	99	275
Purchase of treasury stock	(9,776)	(2,200)

Excess tax benefit from exercise of non-qualified stock options and restricted shares		44
Net cash provided by (used in) financing activities	2,834	(2,956)
Effect of changes in foreign exchange rates on cash and cash equivalents	1,623	897
Net change in cash and cash equivalents	(6,093)	9,059
Cash and cash equivalents, beginning of period	15,162	15,150
Cash and cash equivalents, end of period	\$ 9,069	\$ 24,209