CGG
Form 6-K
May 07, 2014

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16

of the Securities Exchange Act of 1934

For the month of May 2014

CGG

Tour Maine Montparnasse - 33 Avenue du Maine BP 191 - 75755 PARIS CEDEX 15 (address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F x Form 40-F ¨

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ¨ No x

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82

A first quarter in line with our expectations based

on a solid operational performance

2014-2016 transformation plan on track

PARIS, France May 7th 2014 **CGG** (ISIN: 0000120164 NYSE: CGG), **world leader in Geoscience** announced today its non-audited 2014 first quarter results.

First quarter results reflecting execution of contracts secured end-2013 in low market conditions

Revenue at $806m

Operating income at $35m in line with expectations

EBIT at $18m, including a $(17)m negative contribution of equity from investees, mainly related to the Seabed Geosolutions JV

Solid operational performance over the quarter, notably in Marine:

Availability rate at 94% and production rate at 93%

51% of the fleet dedicated to multi-client programs

First steps in the Acquisition division downsizing plan

The Symphony vessel was de-rigged in February as announced

Ongoing reduction in the marine fleet and associated support structure

Restructuring of Land North America activity ongoing

Backlog was $1.2bn as of 1st April 2014, with marine fleet coverage at 97% for Q2, 60% for Q3 and 10% for Q4

Two successful refinancing operations in April to extend debt maturity at very good conditions

Issue of a 400m High Yield Bond due 2020 at 5.875%

Issue of a US $500m High Yield Bond due 2022 at 6.875%

CGG CEO, Jean-Georges Malcor, commented:

« As we have previously indicated, the seismic market remains flattish in a global context of reduced exploration and development spending. In these difficult conditions, which have prevailed since the end of 2013, the first quarter of 2014 was in line with our expectations. It was characterized in land by a low level of activity both in the Equipment market and in the North America Acquisition market, and by a less favorable supply-demand balance for contract Marine Acquisition. However, Geoscience activity remained sustained with a notable high level of multi-client production and sales.

We are fully committed to implementing our 2014-2016 transformation plan which is well underway and remains our priority. The reduction in our fleet and its associated support structure has started. The restructuring of our Land activity is ongoing, notably in North America. We remain focused on our cost reduction, operational efficiency and active cash management program.

We have also successfully launched refinancing operations which have enabled us to further strengthen our balance sheet. »

First Quarter 2014 Key Figures*

In million $	**Fourth Quarter 2013**	**First Quarter 2014**	**First Quarter 2013**
Group Revenue	**955**	**806**	**871**
EBITDAs	**280**	**188**	**272**
Operating Income	**66**	**35**	**117**
Equity from Investees after NFRI	**0**	**(17)**	**11**
EBIT	**73**	**18**	**128**
EBIT margin	**8%**	**2%**	**15%**
Equipment margin	32%	20%	28%
Acquisition margin	(13)%	(3)%	8%
Geology, Geophysics & Reservoir (GGR) margin	23%	22%	31%(1)
Non-Recurring Items linked to Fugro (NRFI)	*(20)*	*0*	*35*
EBIT after NFRI and impairment & write-off	**(747)**	**18**	**162**
Net Income after NRFI and before impairment & write-off	**(17)**	**(39)**	**79**
Cash Flow from Operations	**451**	**118**	**63**
Free Cash Flow(2) after NFRI	**166**	**(152)**	**(148)**
Net Debt	**2,218**	**2,428**	**2,092**
Backlog	**1,350**	**1,181**	**1,400**

* *The Q1 and Q4 2013 results are presented before the Non-Recurring Items linked to Fugro (NRFI) and before impairment & write-offs unless stated otherwise.*

(1) *Margin was 23% excluding the $20 million Spectrum capital*

(2) *Free cash flow = Operating Cash Flow - Total Capex - Interest paid*

Page 3

First Quarter 2014 Financial Results detailed by Division

The Q1 and Q4 2013 results are presented before the Non-Recurring Items linked to Fugro (NRFI) and before impairment & write-offs unless stated otherwise.

Equipment

Equipment	**Fourth Quarter 2013**	**First Quarter 2014**	**First Quarter 2013**
In million $			
Equipment Total Revenue	**317**	**206**	**251**
External Revenue	*270*	*163*	*190*
EBITDAs	**111**	**52**	**81**
Margin	*35%*	*25%*	*32%*
EBIT	**102**	**41**	**69**
Margin	*32%*	*20%*	*28%*
Capital Employed (in billion $)	**0.9**	**0.8**	**0.8**

Equipment division Total Revenue was $206 million, down 18% year-on-year. Internal sales represented 21% of total revenue versus 24% in Q1 2013. External sales were $163 million, down 14%. Marine equipment sales represented 51% of total revenue and were down 23% year-on-year. Following strong deliveries in Q4 2013, land equipment sales were lower this quarter across all regions.

Equipment division EBITDAs was $52 million, a margin of 25.0%.

Equipment division EBIT was $41 million, a margin of 20.1% related to lower sales and an unfavorable / $ exchange rate this quarter.

Equipment division Capital Employed was $0.8 billion at the end of March 2014.

Acquisition

Acquisition	**Fourth Quarter 2013**	**First Quarter 2014**	**First Quarter 2013**
In million $			
Acquisition Total Revenue	**459**	**559**	**594**
External Revenue	*315*	*353*	*421*
Total Marine	*363*	*453*	*449*
Total Land and Airborne Acquisition	*95*	*106*	*145*
EBITDAs	**12**	**79**	**121**

Margin	*3%*	*14%*	*20%*
Operating Income	**(69)**	**0**	**38**
EBIT	**(61)**	**(16)**	**47**
Margin	*(13)%*	*(3)%*	*8%*
Capital Employed (in billion $)	**2.4**	**2.6**	**3.3**

Acquisition Division Total Revenue was $559 million, up 22% compared to Q4 2013 and down 6% year-on-year. 81% of revenue was driven by marine activity. External revenue was at $353 million, down 16% year-on-year. Internal revenue was $206 million, representing 37% of total revenue, versus 29% in Q1 2013.

Marine Acquisition total revenue at $453 million was stable year-on-year. Our reduced active fleet was able to deliver an excellent operational performance with availability at 94% and a production rate at 93%. The Symphony was de-rigged mid-February as planned. 51% of the fleet was dedicated to multi-client production versus 36% last year.

Land and Airborne Acquisition total revenue was $106 million, down 26% year-on-year. The land acquisition winter campaign in North America was at a record low level with five crews working in Canada and in Alaska versus nine last year. Restructuring measures have already been implemented in North America. Airborne suffered from a still depressed mining market.

Acquisition Division EBITDAs was $79 million, a margin of 14.1%.

Acquisition Division Operating Income was at breakeven and **EBIT** was $(16) million. The Acquisition Division profitability improved significantly versus Q4 2013 due to a solid operational performance with an availability rate at 94% versus 83%, while land acquisition suffered from a record low winter season in North America. The Seabed Geosolutions JV contribution was negative due to low OBC utilization and difficult, partly weather-related, operational circumstances.

Acquisition Division Capital Employed was $2.6 billion at the end of March 2014.

Geology, Geophysics & Reservoir (GGR)

GGR	Fourth Quarter 2013	First Quarter 2014	First Quarter 2013
In million $			
GGR Total Revenue	**371**	**290**	**260**
Multi-client	**166**	**127**	**108**
Prefunding	*81*	*80*	*61*
Subsurface Imaging & Reservoir	**206**	**163**	**152**
EBITDAs	**230**	**159**	**163**
Margin	*62%*	*55%*	*63%*
EBIT	**86**	**63**	**81**
Margin	*23%*	*22%*	*31%*(1)
Capital Employed (in billion $)	**2.8**	**2.9**	**2.7**

(1) *Margin was 23% excluding the $20 million Spectrum capital*

GGR Division Revenue was $290 million, up 12% year-on-year mainly related to a good performance by all businesses.

Multi-client revenue was $127 million, up 18% year-on-year, the best Q1 performance since 2008, mainly driven by prefunding revenue:

Prefunding revenue was $80 million, up 32% year-on-year. Multi-client cash capex was at $156 million, up 23% year-on-year and was mainly focused in the Gulf of Mexico with the start of TROIS , the final phase in our IBALT / StagSeis program. Two multi-client programs also started offshore Brazil in Foz do Amazonas and Campos. CGG completed its three-year 3D land program targeting the Marcellus Shale Fairway. The cash prefunding rate was 51% versus 48% last year.

After-sales revenue was $47 million, down 9% year-on-year and was particularly strong in Canada and in Brazil.

Subsurface Imaging & Reservoir revenue was $163 million, up 7% year-on-year due to a strong performance across the business line, notably with the first commercial successes of our GeoSoftware and GeoConsulting businesses lines. CGG and Baker Hughes signed an exclusive agreement for RoqSCAN™ technology, offered by CGG, as part of our Shale Science Alliance.

GGR Division EBITDAs was $159 million, a margin of 54.9%.

GGR Division EBIT was $63 million, a margin of 21.8% and stable when compared to the first quarter 2013 EBIT excluding the $20 million Spectrum capital gain. The multi-client depreciation rate averaged 61% and the Net Book Value at the end of March 2014 increased to $916 million following the ongoing acquisition of the last phase of our IBALT program in the Gulf of Mexico.

GGR Division Capital Employed was $2.9 billion at the end of March 2014.

First Quarter 2014 Group Financial Results

The Q1 and Q4 2013 results are presented before the Non-Recurring Items linked to Fugro (NRFI) and before impairment & write-offs unless stated otherwise.

Group Total Revenue was $806 million, down 7% year-on-year and breaks down to 20% from the Equipment division, down 14% year-on-year, 44% from the Acquisition division, down 16% year-on-year and 36% from the GGR division, up 12% year-on-year.

In million $	**Fourth Quarter 2013**	**First Quarter 2014**	**First Quarter 2013**
Group Total Revenue	**955**	**806**	**871**
Equipment	317	206	251
Acquisition	459	559	594
GGR	371	290	260
Eliminations	*(192)*	*(249)*	*(234)*

Group EBITDAs was $188 million, a margin of 23.4%.

In million $	**Fourth Quarter 2013**	**First Quarter 2014**	**First Quarter 2013**
Group EBITDAs	**280**	**188**	**272**
Margin	*29%*	*23%*	*31%*
Equipment	**111**	**52**	**81**
Acquisition	**12**	**79**	**121**
GGR	**230**	**159**	**163**
Eliminations	*(61)*	*(86)*	*(83)*
Corporate	*(12)*	*(15)*	*(11)*
Non-Recurring Items linked to Fugro	*(50)*	*0*	*41*

Group Operating Income was $35m, a margin of 4.3%.

Group EBIT was $18 million, a margin of 2.2%.

In million $	Fourth Quarter 2013	First Quarter 2014	First Quarter 2013
Group EBIT	**73**	**18**	**128**
Margin	*8%*	*2%*	*15%*
Equipment	**102**	**41**	**69**
Acquisition	**(61)**	**(16)**	**47**
GGR	**86**	**63**	**81**
Eliminations	*(41)*	*(54)*	*(56)*
Corporate	*(13)*	*(17)*	*(13)*
Non-Recurring Items linked to Fugro	*(20)*	*0*	*35*
Impairment & write-off	*(800)*	*0*	*0*

Financial Charges were $45 million:

Cost of Debt was $48 million, while the total amount of interest paid during the quarter was $12 million

Other financial items were positive at $3 million

Taxes were $12 million including the $1m unfavorable impact of deferred tax on currency conversion, due mainly to foreign deemed taxation and the non-recognition of deferred tax assets.

Group Net Income was $(39) million.

After minority interests, **Net Income attributable to the owners of CGG** was a loss of $(40.4) million / 29.5 million. EPS was at $(0.23) / (0.17).

Cash Flow

Cash Flow from operations was $118 million, up 87% year-on-year.

Global Capex was $258 million this quarter, up 27% year-on-year.

Industrial capex was $86 million

Research & Development capex was $16 million

Multi-client cash capex was $156 million

In million $	Fourth Quarter 2013	First Quarter 2014	First Quarter 2013
Capex	**231**	**258**	**203**
Industrial	95	86	65
R&D	16	16	11
Multi-client Cash	117	156	126
Marine MC	*105*	*143*	*119*
Land MC	*12*	*12*	*7*
Other Geological Capex	3	0	1

Free Cash Flow

After interest expenses paid during the quarter and Capex, **free cash flow** was negative at $(152) million, an amount similar to Q1 2013 $(148) million, due to a combination of the usual working capital variation in first quarters and a high level of multi-client capex.

Balance Sheet

Debt Management:

As part of the company s proactive management of its debt, CGG conducted two refinancing transactions in April to extend the average debt maturity periods from 4 to 6 years:

- A 400 million High Yield Bond at 5.875%, the lowest rate ever obtained for a High Yield Bond issued by CGG, due 2020:
  - The net proceeds are dedicated to the 100% repurchase of the 360 million OCEANE Convertible Bond due January 2016 and the reimbursement of the 2015 installment of the Fugro Vendor Loan.
- A $500 million High Yield Bond at 6.875% due 2022
  - The net proceeds are dedicated to the reimbursement of all the 9.5% Senior Notes due May 2016, for a total principal amount of $225 million, as well as a portion of the 7.75% Senior Notes due May 2017, for a total principal amount to $400 million.

Net Debt to Equity Ratio:

Group gross debt was $2.887 billion at the end of March 2014.

Available cash was $459 million. Group net debt was $2.428 billion at the end of March 2014.

Net debt to equity ratio, at the end of March 2014, was 65%.

First Quarter 2014 Comparisons with First Quarter 2013

The Q1 and Q4 2013 results are presented before the Non-Recurring Items linked to Fugro (NRFI) and before impairment & write-offs unless stated otherwise.

Consolidated Income Statements	**Fourth Quarter 2013**	**First Quarter 2014**	**First Quarter 2013**
In million $			
Exchange rate euro/dollar	*1.359*	*1.371*	*1.329*
Operating Revenue	955.4	806.2	870.7
Sercel	*317.2*	*206.2*	*250.7*
Acquisition	*458.7*	*559.3*	*594.0*
GGR	*371.4*	*289.9*	*259.6*
Elimination	*(191.9)*	*(249.2)*	*(233.6)*
Gross Margin	**162.6**	**134.1**	**196.1**
Operating Income	**66.4**	**34.5**	**117.1**
Equity from Investments after NFRI	**0.3**	**(16.5)**	**10.6**
EBIT	**72.9**	**18.0**	**127.7**
Sercel	*101.9*	*41.3*	*69.1*
Acquisition	*(61.4)*	*(15.7)*	*47.2*
GGR	*86.3*	*63.2*	*80.7*
Corporate and eliminations	*(53.6)*	*(70.8)*	*(69.5)*
Non-recurring items related to Fugro	*(20.1)*	*0.0*	*34.9*
Non-Recurring Items linked to impairment & write-off	*(800.0)*	*0.0*	*0.0*
Net Financial Costs	**(57.3)**	**(45.1)**	**(51.3)**
Income Taxes	**(15.6)**	**(10.9)**	**(25.3)**
Deferred Tax on Currency Translation	**10.0**	**(1.0)**	**(6.7)**
Net Income *after NRFI and before impairment & write-off*	**(17.3)**	**(39.0)**	**79.1**
Earnings per share in $	**(0.11)**	**(0.23)**	**0.43**
Earnings per share in	**(0.08)**	**(0.17)**	**0.33**