

TETRA TECHNOLOGIES INC
Form 10-Q
August 09, 2006

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED **JUNE 30, 2006**

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 1-13455

TETRA Technologies, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

74-2148293

(I.R.S. Employer Identification No.)

25025 Interstate 45 North, Suite 600

The Woodlands, Texas 77380

(Address of principal executive offices and zip code)

(281) 367-1983

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant has (1) 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 is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check One):

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Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of August 1, 2006, there were 71,838,870 shares outstanding of the Company's Common Stock, \$.01 par value per share.

PART I

FINANCIAL INFORMATION

Item 1. Financial Statements.

TETRA Technologies, Inc. and Subsidiaries

Consolidated Statements of Operations

(In Thousands, Except Per Share Amounts)

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Revenues:				
Product sales	\$104,122	\$77,070	\$192,138	\$141,425
Services and rentals	103,925	67,374	168,149	121,495
Total revenues	208,047	144,444	360,287	262,920
Cost of revenues:				
Cost of product sales	59,105	51,271	102,317	97,623
Cost of services and rentals	60,850	40,539	99,869	75,374
Depreciation, depletion, amortization and accretion	19,609	10,213	36,441	21,812
Total cost of revenues	139,564	102,023	238,627	194,809
Gross profit	68,483	42,421	121,660	68,111
General and administrative expense	23,612	18,477	44,765	34,995
Operating income	44,871	23,944	76,895	33,116
Interest expense, net	3,407	1,439	5,726	2,912
Other (income) expense	(3,089)	(762)	(3,466)	(1,787)
Income before taxes and discontinued operations	44,553	23,267	74,635	31,991
Provision for income taxes	15,431	8,027	25,996	11,037
Income before discontinued operations	29,122	15,240	48,639	20,954
Income (loss) from discontinued operations, net of taxes	103	(269)	103	(270)
Net income	\$29,225	\$14,971	\$48,742	\$20,684
Basic net income per common share:				
Income before discontinued operations	\$0.41	\$0.22	\$0.68	\$0.31
Income (loss) from discontinued operations	0.00	(0.00)	0.00	(0.00)
Net income	\$0.41	\$0.22	\$0.68	\$0.31
Average shares outstanding	71,649	67,687	71,445	67,746
Diluted net income per common share:				
Income before discontinued operations	\$0.39	\$0.21	\$0.65	\$0.29
Income (loss) from discontinued operations	0.00	(0.00)	0.00	(0.00)
Net income	\$0.39	\$0.21	\$0.65	\$0.29
Average diluted shares outstanding	75,023	71,523	74,636	71,623

See Notes to Consolidated Financial Statements

TETRA Technologies, Inc. and Subsidiaries

Consolidated Balance Sheets

(In Thousands)

	June 30, 2006 (Unaudited)	December 31, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	\$1,482	\$2,433
Restricted cash	564	554
Accounts receivable, net of allowances for doubtful accounts of \$1,812 in 2006 and \$778 in 2005	221,074	147,982
Inventories	102,761	76,751
Deferred tax assets	10,614	9,924
Prepaid expenses and other current assets	27,909	11,835
Total current assets	364,404	249,479
Property, plant and equipment:		
Land and building	20,552	19,657
Machinery and equipment	273,476	237,231
Automobiles and trucks	22,021	17,556
Chemical plants	47,763	47,433
Oil and gas producing assets	216,017	198,107
Construction in progress	55,636	6,958
	635,465	526,942
Less accumulated depreciation and depletion	(203,271)	(173,087)
Net property, plant and equipment	432,194	353,855
Other assets:		
Cost in excess of net assets acquired	125,931	105,240
Patents, trademarks and other intangible assets, net of accumulated amortization of \$9,777 in 2006 and \$8,597 in 2005	11,953	6,073
Other assets	13,261	12,203
Total other assets	151,145	123,516
	\$947,743	\$726,850

See Notes to Consolidated Financial Statements

TETRA Technologies, Inc. and Subsidiaries

Consolidated Balance Sheets

(In Thousands)

	June 30, 2006 (Unaudited)	December 31, 2005
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	\$62,474	\$56,049
Accrued liabilities	103,389	78,587
Liabilities of discontinued operations		160
Total current liabilities	165,863	134,796
Long-term debt, net of current portion	267,583	157,270
Deferred income taxes	36,949	32,349
Decommissioning liabilities, net of current portion	116,240	112,456
Other liabilities	8,045	5,832
Total long-term and other liabilities	428,817	307,907
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value \$0.01 per share; 100,000,000 shares authorized; 73,647,298 shares issued at June 30, 2006 and 71,757,362 shares issued at December 31, 2005	736	718
Additional paid-in capital	143,810	121,021
Treasury stock, at cost; 1,997,958 shares held at June 30, 2006 and 2,219,480 shares held at December 31, 2005	(10,572)	(11,657)
Accumulated other comprehensive income (loss)	(5,887)	(2,169)
Retained earnings	224,976	176,234
Total stockholders' equity	353,063	284,147
	\$947,743	\$726,850

See Notes to Consolidated Financial Statements

TETRA Technologies, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(In Thousands)

(Unaudited)

	Six Months Ended June 30,	
	2006	2005
Operating activities:		
Net income	\$48,742	\$20,684
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation, depletion, amortization and accretion	36,441	19,905
Oil and gas property impairment		1,907
Provision for deferred income taxes	4,621	4,202
Provision for doubtful accounts	507	421
Stock option expense	1,897	
Gain on sale of property, plant and equipment	(3,508)	(1,155)
Cost of compressor units sold	3,833	3,490
Other non-cash charges and credits	122	84
Equity in income of unconsolidated subsidiary	(120)	(354)
Tax benefit from exercised stock options	(11,444)	
Changes in operating assets and liabilities, net of assets acquired:		
Accounts receivable	(52,491)	(22,593)
Inventories	(25,076)	(6,937)
Prepaid expenses and other current assets	(6,559)	454
Trade accounts payable and accrued expenses	20,947	17,908
Decommissioning liabilities	(3,730)	(457)
Discontinued operations: working capital changes	(160)	359
Other	(565)	9
Net cash provided by operating activities	13,457	37,927
Investing activities:		
Purchases of property, plant and equipment	(82,768)	(27,057)
Business combinations, net of cash acquired	(62,130)	
Change in restricted cash	(10)	(4)
Proceeds from sale of property, plant and equipment	1,786	2,662
Other investing activities	(474)	(41)
Net cash used in investing activities	(143,596)	(24,440)
Financing activities:		
Proceeds from long-term debt obligations	232,857	6,613
Principal payments on long-term debt obligations	(125,725)	(19,416)
Repurchase of common stock		(2,350)
Proceeds from exercised stock options	10,529	1,283
Tax benefit from exercised stock options	11,444	
Net cash provided by (used in) financing activities	129,105	(13,870)
Effect of exchange rate changes on cash	83	(422)
Decrease in cash and cash equivalents	(951)	(805)
Cash and cash equivalents at beginning of period	2,433	5,561
Cash and cash equivalents at end of period	\$1,482	\$4,756
Supplemental cash flow information:		
Interest paid	\$5,256	\$3,250
Income taxes paid	3,054	3,390

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Supplemental disclosure of non-cash investing and financing activities:

Oil and gas properties acquired through assumption of decommissioning liabilities

\$5,634

\$779

See Notes to Consolidated Financial Statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS