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OIL STATES INTERNATIONAL, INC

Form 10-Q

April 25, 2019

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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 March 31, 2019

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: 001-16337

OIL STATES INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware 76-0476605
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

Three Allen Center, 333 Clay Street, Suite 4620, 77002
Houston, Texas (Zip Code)
(Address of principal executive offices)
(713) 652-0582

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(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 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 the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

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

As of April 22, 2019, the number of shares of common stock outstanding was 60,441,064.

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PART I – FINANCIAL INFORMATION**ITEM 1. Financial Statements****OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES****UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS**

(In Thousands, Except Per Share Amounts)

	Three Months Ended March 31,	
	2019	2018
Revenues:		
Products	\$ 116,328	\$ 128,826
Services	134,283	124,750
	250,611	253,576
Costs and expenses:		
Product costs	89,268	92,976
Service costs	110,610	96,914
Cost of revenues (exclusive of depreciation and amortization expense presented below)	199,878	189,890
Selling, general and administrative expense	30,108	34,195
Depreciation and amortization expense	31,551	29,190
Other operating (income) expense, net	(86)	1,215
	261,451	254,490
Operating loss	(10,840)	(914)
Interest expense	(4,797)	(4,533)
Interest income	45	79
Other income	667	647
Loss before income taxes	(14,925)	(4,721)
Income tax benefit	277	1,229
Net loss	\$(14,648)	\$(3,492)
Net loss per share:		
Basic	\$(0.25)	\$(0.06)
Diluted	(0.25)	(0.06)
Weighted average number of common shares outstanding:		
Basic	59,258	57,787
Diluted	59,258	57,787

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

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In Thousands)

	Three Months Ended	
	March 31,	
	2019	2018
Net loss	\$ (14,648)	\$ (3,492)

Other comprehensive income:

Currency translation adjustments 2,466 5,034

Comprehensive income (loss) \$(12,182) \$ 1,542

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

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OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEETS**

(In Thousands, Except Share Amounts)

	March 31, 2019 (Unaudited)	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 15,309	\$ 19,316
Accounts receivable, net	262,296	283,607
Inventories, net	207,179	209,393
Prepaid expenses and other current assets	24,041	21,715
Total current assets	508,825	534,031
Property, plant, and equipment, net	533,994	540,427
Operating lease assets, net	49,171	—
Goodwill, net	647,185	647,018
Other intangible assets, net	248,911	255,301
Other noncurrent assets	29,141	27,044
Total assets	\$2,017,227	\$2,003,821
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$25,561	\$25,561
Accounts payable	78,688	77,511
Accrued liabilities	48,833	60,730
Current operating lease liabilities	8,712	—
Income taxes payable	4,934	3,072
Deferred revenue	12,899	14,160
Total current liabilities	179,627	181,034
Long-term debt	292,072	306,177
Long-term operating lease liabilities	40,311	—
Deferred income taxes	52,370	53,831
Other noncurrent liabilities	25,203	23,011
Total liabilities	589,583	564,053
Stockholders' equity:		
Common stock, \$.01 par value, 200,000,000 shares authorized, 72,484,043 shares and 71,753,937 shares issued, respectively	725	718
Additional paid-in capital	1,102,176	1,097,758
Retained earnings	1,014,870	1,029,518
Accumulated other comprehensive loss	(68,931)	(71,397)
Treasury stock, at cost, 12,038,859 and 11,784,242 shares, respectively	(621,196)	(616,829)
Total stockholders' equity	1,427,644	1,439,768
Total liabilities and stockholders' equity	\$2,017,227	\$2,003,821

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

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES**UNAUDITED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

(In Thousands)

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders' Equity
Balance, December 31, 2018	\$ 718	\$ 1,097,758	\$ 1,029,518	\$ (71,397)	\$(616,829)	\$ 1,439,768
Net loss	—	—	(14,648)	—	—	(14,648)
Currency translation adjustments (excluding intercompany advances)	—	—	—	2,553	—	2,553
Currency translation adjustments on intercompany advances	—	—	—	(87)	—	(87)
Stock-based compensation expense:						
Restricted stock	7	4,365	—	—	—	4,372
Stock options	—	53	—	—	—	53
Stock repurchases	—	—	—	—	(757)	(757)
Surrender of stock to settle taxes on restricted stock awards	—	—	—	—	(3,610)	(3,610)
Balance, March 31, 2019	\$ 725	\$ 1,102,176	\$ 1,014,870	\$ (68,931)	\$(621,196)	\$ 1,427,644

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders' Equity
Balance, December 31, 2017	\$ 627	\$ 754,607	\$ 1,048,623	\$ (58,493)	\$(612,651)	\$ 1,132,713
Net loss	—	—	(3,492)	—	—	(3,492)
Currency translation adjustments (excluding intercompany advances)	—	—	—	5,104	—	5,104
Currency translation adjustments on intercompany advances	—	—	—	(70)	—	(70)
Stock-based compensation expense:						
Restricted stock	3	4,940	—	—	—	4,943
Stock options	—	206	—	—	—	206
Issuance of common stock in connection with GEODynamics acquisition	87	294,823	—	—	—	294,910
Issuance of 1.50% convertible senior notes, net of income taxes of \$7,744	—	25,640	—	—	—	25,640
Surrender of stock to settle taxes on restricted stock awards	—	—	—	—	(3,939)	(3,939)
Balance, March 31, 2018	\$ 717	\$ 1,080,216	\$ 1,045,131	\$ (53,459)	\$(616,590)	\$ 1,456,015

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

OIL STATES INTERNATIONAL, INC. AND SUBSIDIARIES**UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In Thousands)

	Three Months Ended	
	March 31,	
	2019	2018
Cash flows from operating activities:		
Net loss	\$(14,648)	\$(3,492)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	31,551	29,190
Stock-based compensation expense	4,425	5,149
Amortization of debt discount and deferred financing costs	1,937	1,749
Deferred income tax provision (benefit)	(1,513)	1,807
Gain on disposals of assets	(418)	(493)
Other, net	(340)	2,061
Changes in operating assets and liabilities, net of effect from acquired businesses:		
Accounts receivable	21,893	(27,094)
Inventories	2,735	1,719
Accounts payable and accrued liabilities	(9,576)	(19,905)
Income taxes payable	1,878	645
Other operating assets and liabilities, net	(3,632)	(3,587)
Net cash flows provided by (used in) operating activities	34,292	(12,251)
Cash flows from investing activities:		
Capital expenditures	(17,922)	(14,238)
Acquisitions of businesses, net of cash acquired	—	(379,676)
Proceeds from disposition of property, plant and equipment	368	540
Other, net	(304)	(289)
Net cash flows used in investing activities	(17,858)	(393,663)
Cash flows from financing activities:		
Issuance of 1.50% convertible senior notes	—	200,000
Revolving credit facility borrowings	57,874	622,369
Revolving credit facility repayments	(73,774)	(434,369)
Other debt and capital lease repayments, net	(142)	