

SEITEL INC
Form 10-Q
May 11, 2017
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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, 2017

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 001-10165

SEITEL, INC.

(Exact name of registrant as specified in its charter)

Delaware	76-0025431
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

10811 S. Westview Circle Drive	
Building C, Suite 100	77043
Houston, Texas	
(Address of principal executive offices)	(Zip Code)
(713) 881-8900	
(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

(Explanatory Note: The registrant is a voluntary filer and is therefore not subject to the filing requirements of the Securities Exchange Act of 1934. However, during the preceding 12 months, the registrant has filed all reports that it would have been required to file by Section 13 or 15(d) of the Securities Exchange Act of 1934 if the registrant was subject to the filing requirements of the Securities Exchange Act of 1934 during such timeframe.)

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, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated

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filer,” “smaller reporting company,” and “emerging growth 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
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 May 8, 2017, there were 100 shares of the Company’s common stock outstanding, par value \$.001 per share.

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PART I—FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS
 SEITEL, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (In thousands, except share and per share amounts)

	(Unaudited) March 31, 2017	December 31, 2016
ASSETS		
Cash and cash equivalents	\$ 64,251	\$ 55,997
Receivables		
Trade, net of allowance for doubtful accounts of \$223	24,146	24,481
Notes and other	91	436
Due from Seitel Holdings, Inc.	1,180	1,177
Seismic data library, net of accumulated amortization of \$1,200,848 and \$1,176,828, respectively	105,162	115,922
Property and equipment, net of accumulated depreciation and amortization of \$16,621 and \$16,478, respectively	1,659	1,709
Prepaid expenses, deferred charges and other	2,079	1,762
Intangible assets, net of accumulated amortization of \$48,472 and \$47,826, respectively	900	1,418
Goodwill	182,599	182,012
Deferred income taxes	292	257
TOTAL ASSETS	\$ 382,359	\$ 385,171
LIABILITIES AND STOCKHOLDER'S EQUITY		
LIABILITIES		
Accounts payable and accrued liabilities	\$ 24,786	\$ 17,007
Income taxes payable	714	620
Senior Notes	247,167	246,857
Obligations under capital leases	1,469	1,510
Deferred revenue	18,078	15,904
Deferred income taxes	1,645	2,214
TOTAL LIABILITIES	293,859	284,112
COMMITMENTS AND CONTINGENCIES (Note G)		
STOCKHOLDER'S EQUITY		
Common stock, par value \$.001 per share; 100 shares authorized, issued and outstanding	—	—
Additional paid-in capital	400,580	400,582
Retained deficit	(296,569)	(283,190)
Accumulated other comprehensive loss	(15,511)	(16,333)
TOTAL STOCKHOLDER'S EQUITY	88,500	101,059
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	\$ 382,359	\$ 385,171

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

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SEITEL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(In thousands)

	Three Months Ended	
	March 31,	
	2017	2016
REVENUE	\$20,595	\$11,950
EXPENSES:		
Depreciation and amortization	22,263	15,101
Cost of sales	10	22
Selling, general and administrative	5,646	5,959
	27,919	21,082
LOSS FROM OPERATIONS	(7,324)	(9,132)
Interest expense, net	(6,210)	(6,356)
Foreign currency exchange gains (losses)	(51)	173
Other income	—	6
Loss before income taxes	(13,585)	(15,309)
Benefit for income taxes	(206)	(1,445)
NET LOSS	\$(13,379)	\$(13,864)

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

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SEITEL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (Unaudited)

(In thousands)

	Three Months Ended	
	March 31,	
	2017	2016
Net loss	\$(13,379)	\$(13,864)
Foreign currency translation adjustments	822	6,744
Comprehensive loss	\$(12,557)	\$(7,120)

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

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SEITEL, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY (Unaudited)

(In thousands, except share amounts)

	Common Stock Shares	Amount	Additional Paid-In Capital	Retained Deficit	Accumulated Other Comprehensive Loss
Balance, December 31, 2016	100	\$	—\$400,582	\$(283,190)	\$ (16,333)
Amortization of stock-based compensation costs	—	—	(2)	—	—
Net loss	—	—	—	—	—