

Enservco Corp
Form 10-Q
November 14, 2014

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 September 30, 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 **0-9494**

ENSERVCO CORPORATION

(Exact Name of registrant as Specified in its Charter)

Delaware **84-0811316**
(State or other jurisdiction of incorporation or organization) (IRS Employer Identification No.)

501 South Cherry St., Ste. 320

Denver, CO **80246**
(Address of principal executive offices) (Zip Code)

Registrant's telephone number: **(303) 333-3678**

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 Enservco 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.

Class	Outstanding at November 07, 2014
Common stock, \$.005 par value	37,056,215

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Part I. FINANCIAL INFORMATION**Item 1. FINANCIAL STATEMENTS****ENSERVCO CORPORATION****Condensed Consolidated Balance Sheets**

	September 30, 2014	December 31, 2013
	(Unaudited)	
ASSETS		
Current Assets		
Cash and cash equivalents	\$1,848,435	\$1,868,190
Accounts receivable, net	3,704,780	11,685,866
Prepaid expenses and other current assets	1,325,390	923,758
Inventories	376,618	315,004
Income tax receivable	278,268	-
Deferred tax asset	285,777	336,561
Total current assets	7,819,268	15,129,379
Property and Equipment, net	27,856,726	17,425,828
Goodwill	301,087	301,087
Long-Term Portion of Interest Rate Swap	2,407	18,616
Other Assets	717,274	547,338
TOTAL ASSETS	\$36,696,762	\$33,422,248
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	\$3,832,833	\$3,102,912
Income taxes payable	-	1,278,599
Current portion of long-term debt	469,786	2,562,141
Current portion of interest rate swap	7,272	11,966
Total current liabilities	4,309,891	6,955,618
Long-Term Liabilities		
Senior revolving credit facility	13,763,001	-
Long-term debt, less current portion	810,727	11,200,048
Deferred income taxes, net	2,430,451	2,421,466
Total long-term liabilities	17,004,179	13,621,514

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Total liabilities	21,314,070	20,577,132
Commitments and Contingencies (Note 7)		
Stockholders' Equity		
Preferred stock. \$.005 par value, 10,000,000 shares authorized, no shares issued or outstanding	-	-
Common stock. \$.005 par value, 100,000,000 shares authorized, 37,018,920 and 34,926,136 shares issued, respectively; 103,600 shares of treasury stock; and 36,915,320 and 34,822,536 shares outstanding, respectively	184,577	174,113
Additional paid-in-capital	12,615,260	11,568,033
Accumulated earnings	2,585,810	1,098,900
Accumulated other comprehensive income	(2,955)	4,070
Total stockholders' equity	15,382,692	12,845,116
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$36,696,762	\$33,422,248

See notes to condensed consolidated financial statements.

ENSERVCO CORPORATION**Condensed Consolidated Statements of Operations and Comprehensive (Loss) Income****(Unaudited)**

	For the Three Months Ended September 30, 2014		For the Nine Months Ended September 30, 2014	
	2013	2013	2013	2013
Revenues	\$5,748,754	\$4,803,503	\$38,285,655	\$31,318,304
Cost of Revenue	6,270,499	4,687,536	29,208,287	21,061,888
Gross (Loss) Profit	(521,745)	115,967	9,077,368	10,256,416
Operating Expenses				
General and administrative expenses	1,332,804	859,647	3,569,440	2,722,610
Depreciation and amortization	884,964	543,671	2,288,852	1,693,871
Total operating expenses	2,217,768	1,403,318	5,858,292	4,416,481
(Loss) Income from Operations	(2,739,513)	(1,287,351)	3,219,076	5,839,935
Other Income (Expense)				
Interest expense	(225,062)	(247,346)	(720,489)	(814,015)
Gain on disposals of equipment	507	6,842	9,744	313,299
Other income	21,268	4,600	35,218	29,338
Total Other Expense	(203,287)	(235,904)	(675,527)	(471,378)
(Loss) Income Before Tax Expense	(2,942,800)	(1,523,255)	2,543,549	5,368,557
Income Tax Benefit (Expense)	1,094,774	603,835	(1,056,639)	(2,163,039)
Net (Loss) Income	\$(1,848,026)	\$(919,420)	\$1,486,910	\$3,205,518
Other Comprehensive Income (Loss)				
Unrealized (loss) gain on interest rate swaps, net of tax	(3,735)	355	(7,025)	3,452
Settlements – interest rate swap	6,253	7,070	19,368	20,890
Reclassified into earnings – interest rate swap	(6,253)	(7,070)	(19,368)	(20,890)
Total Other Comprehensive (Loss) Income	(3,735)	355	(7,025)	3,452
Comprehensive (Loss) Income	\$(1,851,761)	\$(919,065)	\$1,479,885	\$3,208,970
(Loss) Earnings per Common Share – Basic	\$(0.05)	\$(0.03)	\$0.04	\$0.10
(Loss) Earnings per Common Share – Diluted	\$(0.05)	\$(0.03)	\$0.04	\$0.09

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Basic weighted average number of common shares outstanding	36,816,875	32,262,639	36,359,251	32,064,182
Add: Dilutive shares assuming exercise of options and warrants	-	-	1,404,213	3,572,096
Diluted weighted average number of common shares outstanding	36,816,875	32,262,639	37,763,464	35,636,278

See notes to condensed consolidated financial statements.

ENSERVCO CORPORATION**Condensed Consolidated Statements of Cash Flows****(Unaudited)**

	For the Three Months Ended September 30, 2014		For the Nine Months Ended September 30, 2014		
	2013		2013		
OPERATING ACTIVITIES					
Net (loss) income		\$ (1,848,026)	\$ (919,420)	\$ 1,486,910	\$ 3,205,518
Adjustments to reconcile net income to net cash (used in) provided by operating activities:					
Depreciation and amortization		884,964	543,671	2,288,852	1,693,871
Gain on disposal of equipment		(507)	(6,842)	(9,744)	(313,299)
Deferred income taxes		(65,572)	(375,011)	64,259	1,742,462
Stock-based compensation		372,239	117,224	520,519	446,000
Amortization of debt issuance costs		63,174	76,944	225,823	230,832
Bad debt expense		41,807	-	91,807	170,397
Changes in operating assets and liabilities					
Accounts receivable		246,640	2,506,976	7,889,279	4,950,184
Inventories		67,107	(13,376)	(61,614)	(24,962)
Prepaid expense and other current assets		326,095	54,461	(237,670)	(342,181)
Other non-current assets		(381,758)	(10,000)	(395,759)	(179,120)
Accounts payable and accrued liabilities		1,372,675	194,412	729,921	(1,535,127)
Income taxes receivable		(56,887)	-	(56,887)	-
Income taxes payable		(976,591)	(228,824)	(1,278,599)	417,320
Net cash provided by operating activities		45,360	1,940,215	11,257,097	10,461,895
INVESTING ACTIVITIES					
Purchases of property and equipment		(6,155,517)	(1,675,424)	(12,760,006)	(3,512,935)
Proceeds from sale and disposal of equipment		-	8,942	50,000	1,811,275
Net cash used in investing activities		(6,155,517)	(1,666,482)	(12,710,006)	(1,701,660)
FINANCING ACTIVITIES					
Net line of credit advances (payments)		13,763,001	-	13,763,001	(2,151,052)
Proceeds from exercise of warrants		-	-	187,804	-
Proceeds from exercise of stock options		61,537	-	127,987	-
Repayment on long-term debt		(11,324,687)	(601,483)	(12,481,676)	(1,735,855)
Payment of debt issuance costs		(163,962)	-	(163,962)	-
Net cash provided by (used in) financing activities		2,335,889	(601,483)	1,433,154	(3,886,907)
Net (Decrease) Increase in Cash and Cash Equivalents		(3,774,268)	(327,750)	(19,755)	4,873,328

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Cash and Cash Equivalents, Beginning of Period	5,622,703	5,734,705	1,868,190	533,627
Cash and Cash Equivalents, End of Period	\$1,848,435	\$5,406,955	\$1,848,435	\$5,406,955
Supplemental cash flow information:				
Cash paid for interest	\$126,711	\$180,371	\$478,531	\$532,655
Cash paid for taxes	\$5,998	\$-	\$2,329,588	\$3,257
Supplemental Disclosure of Non-cash Investing and Financing Activities:				
Equipment purchased through installment loans	\$-	\$50,037	\$-	\$139,628
Cashless exercise of stock options and warrants	\$364	\$719	\$7,532	\$2,555

See notes to condensed consolidated financial statements.

ENSERVCO CORPORATION

Notes to the Condensed Consolidated Financial Statements (Unaudited)

Note 1 – Basis of Presentation

The accompanying Condensed Consolidated Financial Statements have been derived from the accounting records of Enservco Corporation (formerly Aspen Exploration Corporation), Heat Waves Hot Oil Service LLC (“Heat Waves”), Dillco Fluid Service, Inc. (“Dillco”), HE Services LLC, and Real GC, LLC (collectively, the “Company”) as of December 31, 2013 and September 30, 2014 and the results of operations for the three and nine months ended September 30, 2014 and 2013.

The below table provides an overview of the Company’s current ownership hierarchy: