

ION GEOPHYSICAL CORP  
Form 10-Q  
August 06, 2015  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 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, 2015  
OR

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

COMMISSION FILE NUMBER: 1-12691

ION GEOPHYSICAL CORPORATION

(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE 22-2286646  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

2105 CityWest Blvd.

Suite 400

Houston, Texas 77042-2839

(Address of principal executive offices) (Zip Code)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (281) 933-3339

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 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 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. (Check one):

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

At July 24, 2015, there were 164,706,194 shares of common stock, par value \$0.01 per share, outstanding.

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FOR THE QUARTER ENDED JUNE 30, 2015

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

ION GEOPHYSICAL CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(UNAUDITED)

|   | June 30, 2015                      | December 31,<br>2014 |
|---|------------------------------------|----------------------|
|   | ( In thousands, except share data) |                      |
| <b>ASSETS</b>   |                                    |                      |
| Current assets:   |                                    |                      |
| Cash and cash equivalents   | \$ 117,060                         | \$ 173,608           |
| Accounts receivable, net  | 26,477                             | 114,325              |
| Unbilled receivables  | 13,381                             | 22,599               |
| Inventories   | 35,947                             | 51,162               |
| Prepaid expenses and other current assets   | 13,333                             | 13,662               |
| Total current assets  | 206,198                            | 375,356              |
| Deferred income tax asset   | 8,430                              | 8,604                |
| Property, plant, equipment and seismic rental equipment, net  | 83,489                             | 69,840               |
| Multi-client data library, net  | 127,758                            | 118,669              |
| Goodwill  | 27,679                             | 27,388               |
| Intangible assets, net  | 5,811                              | 6,788                |
| Other assets  | 9,845                              | 10,612               |
| Total assets  | \$ 469,210                         | \$ 617,257           |
| <b>LIABILITIES AND EQUITY</b>   |                                    |                      |
| Current liabilities:  |                                    |                      |
| Current maturities of long-term debt  | \$ 7,213                           | \$ 7,649             |
| Accounts payable  | 25,338                             | 36,863               |
| Accrued expenses  | 43,059                             | 65,264               |
| Accrued multi-client data library royalties   | 18,524                             | 35,219               |
| Deferred revenue  | 10,672                             | 8,262                |
| Total current liabilities   | 104,806                            | 153,257              |
| Long-term debt, net of current maturities   | 180,955                            | 182,945              |
| Other long-term liabilities   | 42,278                             | 143,804              |
| Total liabilities   | 328,039                            | 480,006              |
| Redeemable noncontrolling interest  | 1,080                              | 1,539                |
| Equity:   |                                    |                      |
| Common stock, \$0.01 par value; authorized 200,000,000 shares; outstanding<br>164,706,194 and 164,484,095 shares at June 30, 2015 and December 31, 2014,<br>respectively, net of treasury stock | 1,647                              | 1,645                |
| Additional paid-in capital  | 890,811                            | 887,749              |
| Accumulated deficit   | (733,604)                          | (734,409)            |
| Accumulated other comprehensive loss  | (12,199)                           | (12,807)             |
| Treasury stock, at cost, 849,539 shares at both June 30, 2015 and December 31, 2014   | (6,565)                            | (6,565)              |
| Total stockholders' equity  | 140,090                            | 135,613              |
| Noncontrolling interest   | 1                                  | 99                   |
| Total equity  | 140,091                            | 135,712              |
| Total liabilities and equity  | \$ 469,210                         | \$ 617,257           |

See accompanying Footnotes to Unaudited Condensed Consolidated Financial Statements.



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ION GEOPHYSICAL CORPORATION AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
 (UNAUDITED)

|  | Three Months Ended June 30,           |          | Six Months Ended June 30, |           |
|--|---------------------------------------|----------|---------------------------|-----------|
|  | 2015                                  | 2014     | 2015                      | 2014      |
|  | (In thousands, except per share data) |          |                           |           |
| Service revenues                                     | \$23,323                              | \$89,767 | \$43,403                  | \$200,463 |
| Product revenues                                     | 13,472                                | 31,713   | 33,970                    | 65,715    |
| Total net revenues                                   | 36,795                                | 121,480  | 77,373                    | 266,178   |
| Cost of services                                     | 38,817                                | 68,341   | 84,351                    | 140,412   |
| Cost of products                                     | 8,113                                 | 14,911   | 18,945                    | 30,684    |
| Gross profit (loss)                                  | (10,135                               | ) 38,228 | (25,923                   | ) 95,082  |
| Operating expenses:                                  |                                       |          |                           |           |
| Research, development and engineering                | 7,239                                 | 10,305   | 14,959                    | 19,344    |
| Marketing and sales                                  | 8,638                                 | 9,917    | 16,471                    | 19,130    |
| General, administrative and other operating expenses | 14,677                                | 14,221   | 30,025                    | 33,152    |
| Total operating expenses                             | 30,554                                | 34,443   | 61,455                    | 71,626    |
| Income (loss) from operations                        | (40,689                               | ) 3,785  | (87,378                   | ) 23,456  |
| Interest expense, net                                | (4,607                                | ) (4,934 | ) (9,232                  | ) (9,731  |
| Equity in losses of investments                      | —                                     | (1,781   | ) —                       | )         |