

ION GEOPHYSICAL CORP  
Form 10-Q  
May 01, 2014  
Table of Contents

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 MARCH 31, 2014  
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 April 21, 2014, there were 164,054,309 shares of common stock, par value \$0.01 per share, outstanding.

Table of Contents

ION GEOPHYSICAL CORPORATION AND SUBSIDIARIES  
TABLE OF CONTENTS FOR FORM 10-Q  
FOR THE QUARTER ENDED MARCH 31, 2014

	PAGE
PART I. Financial Information	
Item 1. Financial Statements	<u>3</u>
Condensed Consolidated Balance Sheets as of March 31, 2014 and December 31, 2013	<u>3</u>
Condensed Consolidated Statements of Operations for the three-months ended March 31, 2014 and 2013	<u>4</u>
Condensed Consolidated Statements of Comprehensive Income (Loss) for the three-months ended March 31, 2014 and 2013	<u>5</u>
Condensed Consolidated Statements of Cash Flows for the three-months ended March 31, 2014 and 2013	<u>6</u>
Notes to Unaudited Condensed Consolidated Financial Statements	<u>7</u>
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>22</u>
Item 3. Quantitative and Qualitative Disclosures about Market Risk	<u>30</u>
Item 4. Controls and Procedures	<u>30</u>
PART II. Other Information	
Item 1. Legal Proceedings	<u>32</u>
Item 1A. Risk Factors	<u>33</u>
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	<u>35</u>
Item 5. Other Information	<u>35</u>
Item 6. Exhibits	<u>36</u>

Table of Contents

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

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

	March 31, 2014	December 31, 2013
	( In thousands, except share data)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 197,306	\$ 148,056
Accounts receivable, net	98,231	149,448
Unbilled receivables	68,452	49,468
Inventories	54,709	57,173
Prepaid expenses and other current assets	25,605	24,772
Total current assets	444,303	428,917
Deferred income tax asset	14,339	14,650
Property, plant, equipment and seismic rental equipment, net	59,811	46,684
Multi-client data library, net	243,083	238,784
Equity method investments	47,466	53,865
Goodwill	56,111	55,876
Intangible assets, net	10,566	11,247
Other assets	15,640	14,648
Total assets	\$ 891,319	\$ 864,671
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Current maturities of long-term debt	\$ 60,551	\$ 5,906
Accounts payable	38,654	22,654
Accrued expenses	72,471	84,358
Accrued multi-client data library royalties	38,263	46,460
Deferred revenue	16,030	20,682
Total current liabilities	225,969	180,060
Long-term debt, net of current maturities	180,462	214,246
Other long-term liabilities	142,987	210,602
Total liabilities	549,418	604,908
Redeemable noncontrolling interests	5,552	1,878
Equity:		
Common stock, \$0.01 par value; authorized 200,000,000 shares; outstanding 164,049,309 and 163,737,757 shares at March 31, 2014 and December 31, 2013, respectively, net of treasury stock	1,640	1,637
Additional paid-in capital	882,892	879,969
Accumulated deficit	(530,178)	(606,157)
Accumulated other comprehensive loss	(11,799)	(11,138)
Treasury stock, at cost, 849,539 shares at both March 31, 2014 and December 31, 2013	(6,565)	(6,565)
Total stockholders' equity	335,990	257,746
Noncontrolling interests	359	139
Total equity	336,349	257,885

Total liabilities and equity	\$ 891,319	\$ 864,671
------------------------------	------------	------------

See accompanying Notes to Unaudited Condensed Consolidated Financial Statements.

3

---

Table of Contents

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

	Three Months Ended March 31,	
	2014	2013
	(In thousands, except per share data)	
Service revenues	\$110,696	\$89,949
Product revenues	34,002	39,788
Total net revenues	144,698	129,737
Cost of services	72,071	69,273
Cost of products	15,773	25,507
Gross profit	56,854	34,957
Operating expenses:		
Research, development and engineering	9,039	9,290
Marketing and sales	9,213	7,980
General, administrative and other operating expenses	18,931	15,764
Total operating expenses	37,183	33,034
Income from operations	19,671	1,923
Interest expense, net	(4,797)	) (1,066
Equity in earnings (losses) of investments	(1,688)	) 1,116
Other income, net	68,526	1,027
Income before income taxes	81,712	3,000
Income tax expense	5,263	1,201
Net income	76,449	1,799
Net (income) loss attributable to noncontrolling interests	(470)	) 76
Net income attributable to ION	75,979	1,875
Preferred stock dividends	—	338
Net income applicable to common shares	\$75,979	\$1,537
Net income per share:		
Basic	\$0.46	\$0.01
Diluted	\$0.46	\$0.01
Weighted average number of common shares outstanding:		
Basic	163,847	156,465
Diluted	164,061	157,315