

DAWSON GEOPHYSICAL CO
Form 10-Q
May 10, 2013
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended March 31, 2013

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

For the Transition Period From _____ to _____

Commission File No. 001-34404

DAWSON GEOPHYSICAL COMPANY

Edgar Filing: DAWSON GEOPHYSICAL CO - Form 10-Q

Texas **75-0970548**
(State or other jurisdiction of **(I.R.S. Employer**
incorporation or organization) **508 West Wall, Suite 800, Midland, Texas 79701** **identification No.)**

(Principal Executive Office)

Telephone Number: 432-684-3000

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 (§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 registrant's classes of common stock, as of the latest practicable date.

Title of Each Class	Outstanding at May 7, 2013
Common Stock, \$.33 1/3 par value	8,053,407 shares

Table of Contents

DAWSON GEOPHYSICAL COMPANY

INDEX

	Page Number
<u>Part I. FINANCIAL INFORMATION</u>	3
<u>Item 1. Financial Statements</u>	3
<u>Consolidated Balance Sheets at March 31, 2013 (unaudited) and September 30, 2012</u>	3
<u>Consolidated Statements of Operations for the Three Months and the Six Months Ended March 31, 2013 and 2012 (unaudited)</u>	4
<u>Consolidated Statements of Cash Flows for the Six Months Ended March 31, 2013 and 2012 (unaudited)</u>	5
<u>Notes to Consolidated Financial Statements (unaudited)</u>	6
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	11
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	17
<u>Item 4. Controls and Procedures</u>	17
<u>Part II. OTHER INFORMATION</u>	18
<u>Item 1. Legal Proceedings</u>	18
<u>Item 1A. Risk Factors</u>	18
<u>Item 6. Exhibits</u>	18
<u>Signatures</u>	19
<u>Index to Exhibits</u>	20
Certification of CEO Pursuant to Rule 13a-14(a)	
Certification of CFO Pursuant to Rule 13a-14(a)	
Certification of CEO Pursuant to Rule 13a-14(b)	
Certification of CFO Pursuant to Rule 13a-14(b)	

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****DAWSON GEOPHYSICAL COMPANY****CONSOLIDATED BALANCE SHEETS**

	March 31, 2013 (Unaudited)	September 30, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 17,652,000	\$ 57,373,000
Short-term investments	12,750,000	4,000,000
Accounts receivable, net of allowance for doubtful accounts of \$250,000 at March 31, 2013 and September 30, 2012	67,047,000	53,719,000
Prepaid expenses and other assets	3,769,000	762,000
Current deferred tax asset	2,129,000	1,925,000
Total current assets	103,347,000	117,779,000
Property, plant and equipment	327,575,000	326,030,000
Less accumulated depreciation	(141,454,000)	(164,634,000)
Net property, plant and equipment	186,121,000	161,396,000
Total assets	\$ 289,468,000	\$ 279,175,000
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 15,974,000	\$ 18,544,000
Accrued liabilities:		
Payroll costs and other taxes	2,109,000	1,802,000
Other	6,527,000	6,425,000
Deferred revenue	2,123,000	3,467,000
Current maturities of notes payable and obligations under capital leases	10,026,000	9,131,000
Total current liabilities	36,759,000	39,369,000
Long-term liabilities:		
Notes payable and obligations under capital leases less current maturities	7,892,000	11,179,000
Deferred tax liability	33,424,000	27,678,000
Total long-term liabilities	41,316,000	38,857,000
Stockholders equity:		
Preferred stock-par value \$1.00 per share; 5,000,000 shares authorized, none outstanding		
Common stock-par value \$.33 1/3 per share; 50,000,000 shares authorized, 8,053,407 and 8,031,369 shares issued and outstanding at March 31, 2013 and September 30, 2012, respectively	2,684,000	2,677,000
Additional paid-in capital	94,454,000	93,224,000

Edgar Filing: DAWSON GEOPHYSICAL CO - Form 10-Q

Retained earnings	114,255,000	105,048,000
Total stockholders' equity	211,393,000	200,949,000
Total liabilities and stockholders' equity	\$ 289,468,000	\$ 279,175,000

See accompanying notes to the consolidated financial statements (unaudited).

Table of Contents

DAWSON GEOPHYSICAL COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2013	2012	2013	2012
Operating revenues	\$ 83,350,000	\$ 85,546,000	\$ 159,979,000	\$ 177,928,000
Operating costs:				
Operating expenses	59,666,000	65,202,000	118,401,000	144,016,000
General and administrative	3,508,000	2,920,000	7,104,000	5,476,000
Depreciation	9,578,000	7,978,000	18,682,000	15,764,000
	72,752,000	76,100,000	144,187,000	165,256,000
Income from operations	10,598,000	9,446,000	15,792,000	12,672,000
Other income (expense):				
Interest income	19,000	8,000	35,000	11,000
Interest expense	(174,000)	(138,000)	(365,000)	(288,000)
Other income	138,000	96,000	178,000	112,000
Income before income tax	10,581,000	9,412,000	15,640,000	12,507,000
Income tax expense	(4,302,000)	(3,823,000)	(6,433,000)	(3,687,000)
Net income	\$ 6,279,000	\$ 5,589,000	\$ 9,207,000	\$ 8,820,000
Basic income attributable to common stock	\$ 0.78	\$ 0.71	\$ 1.15	\$ 1.11
Diluted income attributable to common stock	\$ 0.78	\$ 0.70	\$ 1.14	\$ 1.11
Weighted average equivalent common shares outstanding	7,861,204	7,841,362	7,855,284	7,836,787
Weighted average equivalent common shares outstanding assuming dilution	7,901,636	7,896,949	7,888,906	7,885,590

See accompanying notes to the consolidated financial statements (unaudited).

Table of Contents

DAWSON GEOPHYSICAL COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended March 31,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 9,207,000	\$ 8,820,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	18,682,000	15,764,000
Noncash compensation	995,000	712,000
Deferred income tax expense	5,542,000	3,259,000
Provision for bad debts	62,000	315,000
Other	100,000	117,000
Change in current assets and liabilities:		
(Increase) decrease in accounts receivable	(13,390,000)	1,089,000
Increase in prepaid expenses and other assets	(3,007,000)	(1,716,000)
Decrease in accounts payable	(4,843,000)	(1,665,000)
Increase (decrease) in accrued liabilities	409,000	(2,359,000)
Decrease in deferred revenue	(1,344,000)	(3,430,000)
Net cash provided by operating activities	12,413,000	20,906,000
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures, net of noncash capital expenditures summarized below in noncash investing and financing activities	(40,147,000)	(19,688,000)
Proceeds from maturity of short-term investments	3,000,000	
Acquisition of short-term investments	(11,750,000)	
Proceeds from disposal of assets	211,000	219,000
Net cash used by investing activities	(48,686,000)	(19,469,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from note payable	983,000	
Principal payments on notes payable	(4,343,000)	(2,620,000)
Principal payments on capital lease obligations	(329,000)	(18,000)
Proceeds from exercise of stock options	241,000	184,000
Net cash used by financing activities	(3,448,000)	(2,454,000)
Net decrease in cash and cash equivalents	(39,721,000)	(1,017,000)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	57,373,000	26,077,000
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 17,652,000	\$ 25,060,000
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	\$ 377,000	\$ 296,000

Edgar Filing: DAWSON GEOPHYSICAL CO - Form 10-Q

Cash paid for income taxes	\$	882,000	\$	1,000
Cash received for income taxes	\$	33,000	\$	137,000