

Newpark Resources Reports 2013 Fourth Quarter And Full Year Results

Written by Australian Business
Thursday, 13 February 2014 21:15

THE WOODLANDS, Texas, Feb. 13, 2014 /PRNewswire/ -- Newpark Resources, Inc. (NYSE: [NR](#)) today announced results for its fourth quarter and year ended December 31, 2013. Total revenues for the fourth quarter of 2013 were \$262.5 million compared to \$270.3 million in the fourth quarter of 2012. Net income for the fourth quarter of 2013 was \$13.5 million, or \$0.14 per diluted share, compared to \$11.2 million, or \$0.12 per diluted share, in the fourth quarter of 2012.

Fourth quarter 2013 results include a pre-tax gain of \$2.7 million (\$0.02 per diluted share) associated with the sale of assets within the U.S.-based completion services business. In addition, the fourth quarter was negatively impacted by a tax rate of 40%, primarily driven by operating losses generated in Brazil

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during the quarter, for which the recording of a tax benefit is not permitted.

Brazil's

fourth quarter results also include

\$1.0 million

(

\$0.01

per diluted share) of charges for value added tax assessments and restructuring charges.

For the full year 2013, total revenues were \$1.107 billion compared to \$1.038 billion in 2012.

Net income for 2013 was

\$65.3 million

, or

\$0.69

per diluted share, compared to

\$60.0 million

, or

\$0.62

per diluted share, in 2012.

Paul Howes, Newpark's President and Chief Executive Officer, stated, "We produced a record year in terms of revenues and cash flow, in spite of challenges we faced in our drilling fluids segment during the fourth quarter. Fourth quarter results were negatively impacted primarily by reduced activity with four key customers across three regions. In the U.S, we also experienced a slowdown in customer activity in November and December, partly due to difficult weather conditions, as well as year-end budget constraints by some customers. Outside of the U.S., Canada

experienced the anticipated seasonal improvement, while the temporary weakness in the EMEA region this quarter was expected. Brazil's unfavorable sales mix was unexpected in the fourth quarter, and we are taking steps to manage through a tougher environment there.

"Moving to the operational highlights, we recently signed a new four year contract with Cairn Energy valued at approximately \$40 million to deliver drilling fluids products and solids control equipment into India starting in the second half of 2014. Also, we are pleased with our progress on Evolution, with fourth quarter revenues reaching a new record of \$34 million

, bringing full year Evolution revenues to

\$120 million

. Our Evolution products are experiencing success both domestically and internationally, and we have completed several successful wells in the international arena.

"Additionally, our mats segment produced another strong performance, with rental revenues reaching another quarterly record, benefitting from increased usage of our mats through all phases of exploration. Rental revenues increased nearly 50% from a year ago and 5% sequentially. We also completed an acquisition in the U.K. during the fourth quarter, a significant step in our strategy to expand our mat rental business in the international market. This acquisition brings us a base of operations from which to expand into the European market. As we have stated previously, we desire to diversify our mats business outside the U.S. market where we see growth opportunities. This acquisition is also important as it will serve to help fill the capacity of our new manufacturing facility that is nearing the construction phase.

"In summary, we are pleased to report another record revenue and cash flow year, while at the same time returning capital to shareholders to enhance shareholder value," concluded Howes.

ACQUISITIONS AND DIVESTITURES

The Company announced the acquisition of Terrafirma Roadways ("Terrafirma"), a provider of temporary roadways and worksites based in the United Kingdom. The acquisition was completed in December 2013 for total cash consideration of \$6.8 million

. Prior to the acquisition, Terrafirma had been operating as a partner to Newpark since 2008 in developing a rental business with Durabase® composite mats, primarily focused in the utility industry in the U.K.

The Company also announced that the divestiture of the U.S.-based completion services business was completed during the fourth quarter. The completion services business generated \$3.3 million of revenues and \$2.6 million of operating income during the fourth quarter of 2013, including a \$2.7 million gain on the sale of assets.

As previously announced, subsequent to the fourth quarter, Newpark entered into a definitive agreement to sell its Environmental Services business to ecoserv, LLC. Under the terms of the agreement, Newpark will receive \$100 million in cash, subject to adjustment based on working capital conveyed at closing.

SHARE REPURCHASE PROGRAM AUTHORIZATION INCREASED TO \$100 MILLION

Subject to completion of the Environmental Services divestiture, the Company's Board of Directors has amended the previously announced \$50 million share repurchase program, doubling the repurchase authorization to \$100 million

. Since the program's original authorization in April of 2013, a total of 1.4 million outstanding shares of Newpark common stock have been repurchased to date, at an average cost of \$12.00 per share.

SEGMENT RESULTS

The Fluids Systems segment generated revenues of \$212.1 million in the fourth quarter of 2013 compared to \$229.3 million in the fourth quarter of 2012. Segment operating income was \$15.2 million (7.1% operating margin), which includes the \$2.7 million gain from the divestiture of the completion services business, in the fourth quarter of 2013 compared to \$17.7 million (7.7% operating margin) in the fourth quarter of 2012.

The Mats and Integrated Services segment generated revenues of \$34.9 million in the fourth quarter of 2013 compared to \$26.6 million in the fourth quarter of 2012. Segment operating income was \$15.2 million (43.7% operating margin) in the fourth quarter of 2013 compared to \$10.8 million (40.8% operating margin) in the fourth quarter of 2012.

The Environmental Services segment generated revenues of \$15.6 million in the fourth quarter

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of 2013 compared to
\$14.4 million
in the fourth quarter of 2012. Segment operating income was
\$4.3 million
(27.5% operating margin) in the fourth quarter of 2013 compared to
\$3.4 million
(23.9% operating margin) in the fourth quarter of 2012.

CONFERENCE CALL

Newpark has scheduled a conference call to discuss fourth quarter 2013 results, which will be broadcast live over the Internet, on Friday, February 14, 2014 at 10:00 a.m. Eastern Time / 9:00 a.m. Central Time

. To participate in the call, dial 480-629-9835 and ask for the Newpark Resources conference call at least 10 minutes prior to the start time, or access it live over the Internet at www.newpark.com

. For those who cannot listen to the live call, a replay will be available through February 28, 2014

and may be accessed by dialing (303) 590-3030 and using pass code 4663753#. Also, an archive of the webcast will be available shortly after the call at www.newpark.com for 90 days.

Newpark Resources, Inc. is a worldwide provider of drilling fluids, temporary worksites and access roads for oilfield and other commercial markets, and environmental waste treatment solutions. For more information, visit our website at www.newpark.com.

This news release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act that are based on management's current expectations, estimates and projections. All statements that address expectations or projections about the future, including Newpark's strategy for growth, product development, market position, expected expenditures and financial results are forward-looking statements. Some of the forward-looking statements may be identified by words like "expects," "anticipates," "plans," "intends," "projects," "indicates," and similar expressions. These statements are not guarantees of future performance and involve a number of risks, uncertainties and assumptions. Many factors, including those discussed more fully elsewhere in this release and in documents filed with the Securities and Exchange Commission by Newpark, particularly its Annual Report on Form 10-K for the year ended December 31, 2012, as well as others, could cause results to differ

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materially from those stated. These risk factors include, but are not limited to, our ability to execute our business strategy and make successful business acquisitions and capital investments, our customers' activity levels in exploration and drilling, operating hazards inherent in the oil and natural gas industry, particularly offshore, our international operations, the availability of raw materials and skilled personnel, our customer concentration and cyclical nature of our industry, our market competition, the cost and continued availability of borrowed funds, legal and regulatory matters, including environmental regulations, inherent limitations in insurance coverage, potential impairments of long-lived intangible assets, technological developments in our industry, and the impact of severe weather, particularly in the U.S. Gulf Coast. Newpark's filings with the Securities and Exchange Commission can be obtained at no charge at www.sec.gov, as well as through our website at www.newpark.com.

Contacts:

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Karen Roan, SVP

Dennard & Lascar Associates

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713-529-6600

Newpark Resources, Inc.

Consolidated Statements of Operations

(Unaudited)

Three Months Ended

Twelve Months Ended

December 31,

September 30,

December 31,

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December 31,

December 31,

(In thousands, except per share data)

2013

2013

2012

2013

2012

Revenues

\$ 262,509

\$ 285,708

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\$ 270,328

\$ 1,107,357

\$ 1,038,019

Cost of revenues

214,313

230,206

219,817

900,169

846,529

Selling, general and administrative expenses

25,253

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25,433

24,217

99,530

86,352

Other operating income, net

(3,688)

(232)

43

(4,560)

(759)

Operating income

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26,631

30,301

26,251

112,218

105,897

Foreign currency exchange loss

736

975

333

1,818

749

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Interest expense, net

3,229

2,728

2,403

11,279

9,740

Income from operations before income taxes

22,666

26,598

23,515

99,121

95,408

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Provision for income taxes

9,142

7,838

12,322

33,798

35,376

Net income

\$ 13,524

\$ 18,760

\$ 11,193

\$ 65,323

\$ 60,032

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Income per common share -basic:

\$ 0.16

\$ 0.22

\$ 0.13

\$ 0.77

\$ 0.69

Income per common share -diluted:

\$ 0.14

\$ 0.20

\$ 0.12

\$ 0.69

\$ 0.62

Calculation of Diluted EPS:

Net income

\$ 13,524

\$ 18,760

\$ 11,193

\$ 65,323

\$ 60,032

Assumed conversion of Senior Notes

1,162

1,374

927

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5,098

4,868

Adjusted net income

\$ 14,686

\$ 20,134

\$ 12,120

\$ 70,421

\$ 64,900

Weighted average number of common shares outstanding-basic

85,669

85,775

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84,602

85,095

87,522

Add: Dilutive effect of stock options and stock awards

1,738

1,503

903

1,767

876

Dilutive effect of Senior Notes

15,682

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15,682

15,682

15,682

15,682

Diluted weighted average number of common shares outstanding

103,089

102,960

101,187

102,544

104,080

Income per common share - diluted

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\$ 0.14

\$ 0.20

\$ 0.12

\$ 0.69

\$ 0.62

Newpark Resources, Inc.

Operating Segment Results

(Unaudited)

Three Months Ended

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December 31,

September 30,

December 31,

(In thousands)

2013

2013

2012

Revenues

Fluids systems

\$ 212,069

\$ 233,020

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\$ 229,329

Mats and integrated services

34,856

35,112

26,612

Environmental services

15,584

17,576

14,387

Total revenues

\$ 262,509

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\$ 285,708

\$ 270,328

Operating income (loss)□

Fluids systems

\$ 15,158

\$ 17,140

\$ 17,714

Mats and integrated services

15,228

15,345

10,845

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Environmental services

4,288

4,656

3,444

Corporate office

(8,043)

(6,840)

(5,752)

Total operating income

\$ 26,631

\$ 30,301

\$ 26,251

Segment operating margin

Fluids systems

7.1%

7.4%

7.7%

Mats and integrated services

43.7%

43.7%

40.8%

Environmental services

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27.5%

26.5%

23.9%

Newpark Resources, Inc.

Consolidated Balance Sheets

(Unaudited)

December 31,

December 31,

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(In thousands, except share data)

2013

2012

ASSETS

Cash and cash equivalents

\$ 65,840

\$ 46,846

Receivables, net

280,445

323,439

Inventories

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189,680

209,734

Deferred tax asset

11,874

11,596

Prepaid expenses and other current assets

11,601

12,441

Total current assets

559,440

604,056

Property, plant and equipment, net

279,342

253,990

Goodwill

94,064

87,388

Other intangible assets, net

29,244

41,018

Other assets

6,327

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8,089

Total assets

\$ 968,417

\$ 994,541

LIABILITIES AND STOCKHOLDERS' EQUITY

Short-term debt

\$ 12,867

\$ 2,599

Accounts payable

93,001

114,377

Accrued liabilities

47,884

42,620

Total current liabilities

153,752

159,596

Long-term debt, less current portion

172,786

256,832

Deferred tax liability

39,509

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46,348

Other noncurrent liabilities

21,316

18,187

Total liabilities

387,363

480,963

Commitments and contingencies

Common stock, \$0.01 par value, 200,000,000 shares authorized

and 98,030,839 and 95,733,677 shares issued, respectively

980

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957

Paid-in capital

504,675

484,962

Accumulated other comprehensive loss

(9,484)

(734)

Retained earnings

160,338

95,015

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Treasury stock, at cost; 10,832,845 and 10,115,951 shares, respectively

(75,455)

(66,622)

Total stockholders' equity

581,054

513,578

Total liabilities and stockholders' equity

\$ 968,417

\$ 994,541

Newpark Resources, Inc.

Consolidated Statements of Cash Flows

(Unaudited)

Year Ended December 31,

(In thousands)

2013

2012

Cash flows from operating activities:

Net income

\$ 65,323

\$ 60,032

Adjustments to reconcile net income to net cash provided by operations:

Impairment charges

176

443

Depreciation and amortization

44,198

32,821

Stock-based compensation expense

9,699

7,103

Provision for deferred income taxes

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(7,832)

1,358

Net provision for doubtful accounts

416

1,709

(Gain) loss on sale of assets

(3,178)

724

Excess tax benefit from stock-based compensation

(2,146)

-

Change in assets and liabilities:

Decrease in receivables

32,172

23,565

Decrease (increase) in inventories

16,431

(28,758)

Decrease (increase) in other assets

4,574

(641)

(Decrease) increase in accounts payable

(17,733)

13,702

Increase (decrease) in accrued liabilities and other

9,803

(1,813)

Net cash provided by operating activities

151,903

110,245

Cash flows from investing activities:

Capital expenditures

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(67,929)

(43,955)

Proceeds from sale of property, plant and equipment

1,313

863

Proceeds from sale of a business

13,329

-

Business acquisitions, net of cash acquired

(6,776)

(53,075)

Net cash used in investing activities

(60,063)

(96,167)

Cash flows from financing activities:

Borrowings on lines of credit

254,390

364,426

Payments on lines of credit

(328,086)

(296,944)

Other financing activities

(25)

(40)

Proceeds from employee stock plans

8,328

1,059

Post-closing payment for business acquisition

-

(11,892)

Excess tax benefit from stock-based compensation

2,146

-

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Purchase of treasury stock

(9,281)

(50,756)

Net cash (used in) provided by financing activities

(72,528)

5,853

Effect of exchange rate changes on cash

(318)

1,668

Net increase in cash and cash equivalents

18,994

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21,599

Cash and cash equivalents at beginning of year

46,846

25,247

Cash and cash equivalents at end of year

\$ 65,840

\$ 46,846

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