

FLOTEK INDUSTRIES INC/CN/  
Form 10-Q  
July 22, 2015

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 June 30, 2015

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 1-13270

FLOTEK INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

90-0023731

(I.R.S. Employer  
Identification No.)

10603 W. Sam Houston Parkway N., Suite 300

Houston, TX

(Address of principal executive offices)

(713) 849-9911

(Registrant's telephone number, including area code)

77064

(Zip Code)

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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 Website, 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

As of July 15, 2015, there were 53,608,401 outstanding shares of Flotek Industries, Inc. common stock, \$0.0001 par value.

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## PART I — FINANCIAL INFORMATION

## Item 1. Financial Statements

## FLOTEK INDUSTRIES, INC.

## UNAUDITED CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	June 30, 2015	December 31, 2014
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$2,475	\$1,266
Accounts receivable, net of allowance for doubtful accounts of \$825 and \$847 at June 30, 2015 and December 31, 2014, respectively	56,466	78,624
Inventories	84,601	85,958
Income taxes receivable	947	—
Deferred tax assets, net	2,602	2,696
Other current assets	6,011	11,055
Total current assets	153,102	179,599
Property and equipment, net	86,996	86,111
Goodwill	72,820	71,131
Deferred tax assets, net	18,871	12,907
Other intangible assets, net	71,604	73,528
<b>TOTAL ASSETS</b>	<b>\$403,393</b>	<b>\$423,276</b>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$27,140	\$33,185
Accrued liabilities	11,276	12,314
Income taxes payable	—	1,307
Interest payable	106	93
Current portion of long-term debt	30,332	18,643
Total current liabilities	68,854	65,542
Long-term debt, less current portion	21,827	25,398
Deferred tax liabilities, net	22,537	25,982
Total liabilities	113,218	116,922
Commitments and contingencies		
Equity:		
Cumulative convertible preferred stock, \$0.0001 par value, 100,000 shares authorized; no shares issued and outstanding	—	—
Common stock, \$0.0001 par value, 80,000,000 shares authorized; 55,917,984 shares issued and 53,608,401 shares outstanding at June 30, 2015; 54,633,726 shares issued and 53,357,811 shares outstanding at December 31, 2014	6	5
Additional paid-in capital	265,997	254,233
Accumulated other comprehensive income (loss)	(666)	(502)
Retained earnings	38,700	52,762
Treasury stock, at cost; 1,458,061 and 449,397 shares at June 30, 2015 and December 31, 2014, respectively	(14,220)	(495)
Flotek Industries, Inc. stockholders' equity	289,817	306,003

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Noncontrolling interests	358	351
Total equity	290,175	306,354
TOTAL LIABILITIES AND EQUITY	\$403,393	\$423,276

See accompanying Notes to Unaudited Consolidated Financial Statements.

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FLOTEK INDUSTRIES, INC.  
 UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS  
 (in thousands, except per share data)

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
Revenue	\$87,030	\$105,318	\$169,404	\$207,893
Cost of revenue	57,778	63,008	113,625	121,903
Gross margin	29,252	42,310	55,779	85,990
Expenses:				
Selling, general and administrative	23,021	20,854	46,588	42,426
Depreciation and amortization	2,797	2,501	5,473	4,785
Research and development	1,670	1,280	3,242	2,306
Impairment of inventory and rental equipment	20,372	—	20,372	—
Total expenses	47,860	24,635	75,675	49,517
Income (loss) from operations	(18,608	) 17,675	(19,896	) 36,473
Other income (expense):				