

NEWPARK RESOURCES INC  
Form 10-Q  
October 31, 2014

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 September 30, 2014

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 No. 1-2960**

**Newpark Resources, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**72-1123385**  
(I.R.S. Employer  
Identification No.)

**9320 Lakeside Blvd., Suite 100**  
**The Woodlands, Texas 77381**  
(Address of principal executive offices) (Zip Code)

**(281) 362-6800**

(Registrant's telephone number, including area code)

**2700 Research Forest Drive, Suite 100, The Woodlands, Texas 77381**

(Former name, former address and former fiscal year, if changed since last report)

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 definitions of "large accelerated filer", "accelerated filer" and "small 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 October 23, 2014, a total of 83,990,240 shares of common stock, \$0.01 par value per share, were outstanding.

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**NEWPARK RESOURCES, INC.**

**INDEX TO QUARTERLY REPORT ON FORM 10-Q  
FOR THE THREE AND NINE MONTHS ENDED**

**SEPTEMBER 30, 2014**

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**CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995, as amended. We also may provide oral or written forward-looking statements in other materials we release to the public. The words “anticipates,” “believes,” “estimates,” “expects,” “plans,” “intends,” and similar expressions are intended to identify these forward-looking statements but are not the exclusive means of identifying them. These forward-looking statements reflect the current views of our management; however, various risks, uncertainties and contingencies, including the risks identified in Item 1A, “Risk Factors,” in Part I of our Annual Report on Form 10-K for the year ended December 31, 2013, and those set forth from time to time in our

filings with the Securities and Exchange Commission, could cause our actual results, performance or achievements to differ materially from those expressed in, or implied by, these statements, including the success or failure of our efforts to implement our business strategy.

We assume no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by securities laws. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Quarterly Report on Form 10-Q might not occur.

For further information regarding these and other factors, risks and uncertainties affecting us, we refer you to the risk factors set forth in Item 1A, "Risk Factors", in Part I of our Annual Report on Form 10-K for the year ended December 31, 2013.

**PART I FINANCIAL INFORMATION****ITEM 1. Financial Statements****Newpark Resources, Inc.  
Condensed Consolidated Balance Sheets  
(Unaudited)**

(In thousands, except share data)	<b>September 30,  2014</b>	<b>December 31,  2013</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$41,390	\$65,840
Receivables, net	331,109	268,529
Inventories	198,140	189,680
Deferred tax assets	9,054	11,272
Prepaid expenses and other current assets	17,082	11,016
Assets of discontinued operations	-	13,103
Total current assets	596,775	559,440
Property, plant and equipment, net	273,565	217,010
Goodwill	92,876	94,064
Other intangible assets, net	18,942	25,900
Other assets	4,947	6,086
Assets of discontinued operations	-	65,917
Total assets	\$987,105	\$968,417
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Short-term debt	\$8,802	\$12,867
Accounts payable	94,763	88,586
Accrued liabilities	57,385	46,341
Liabilities of discontinued operations	-	5,957
Total current liabilities	160,950	153,751
Long-term debt, less current portion	172,499	172,786
Deferred tax liabilities	31,591	27,060
Other noncurrent liabilities	12,449	11,026
Liabilities of discontinued operations	-	22,740
Total liabilities	377,489	387,363
Commitments and contingencies (Note 10)		

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Common stock, \$0.01 par value, 200,000,000 shares authorized and 99,186,913 and 98,030,839 shares issued, respectively	992	980
Paid-in capital	517,649	504,675
Accumulated other comprehensive loss	(21,047 )	(9,484 )
Retained earnings	239,170	160,338
Treasury stock, at cost; 15,186,553 and 10,832,845 shares, respectively	(127,148 )	(75,455 )
Total stockholders' equity	609,616	581,054
Total liabilities and stockholders' equity	\$ 987,105	\$ 968,417

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements

**Newpark Resources, Inc.**  
**Condensed Consolidated Statements of Operations**  
**(Unaudited)**

	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30, 2014</b>	<b>September 30, 2013</b>	<b>September 30, 2014</b>	<b>September 30, 2013</b>
(In thousands, except per share data)				
Revenues	\$296,964	\$268,132	\$812,254	\$795,431
Cost of revenues	228,661	218,864	639,932	654,309
Selling, general and administrative expenses	28,754	23,846	82,258	69,545
Other operating expense (income), net	117	(223 )	(1,941 )	(525 )
Operating income	39,432	25,645	92,005	72,102
Foreign currency exchange loss (gain)	1,221	975	(530 )	1,082
Interest expense, net	2,321	2,728	8,071	8,050
Income from continuing operations before income taxes	35,890	21,942	84,464	62,970
Provision for income taxes	12,398	6,511	28,901	20,813
Income from continuing operations	23,492	15,431	55,563	42,157
Income from discontinued operations, net of tax	-	3,329	1,152	9,642
Gain from disposal of discontinued operations, net of tax	-	-	22,117	-
Net income	\$23,492	\$18,760	\$78,832	\$51,799
Income per common share -basic:				
Income from continuing operations	\$0.29	\$0.18	\$0.67	\$0.50
Income from discontinued operations	-	0.04	0.28	0.11
Net income	\$0.29	\$0.22	\$0.95	\$0.61
Income per common share -diluted:				
Income from continuing operations	\$0.25	\$0.16	\$0.59	\$0.45
Income from discontinued operations	-	0.04	0.23	0.09
Net income	\$0.25	\$0.20	\$0.82	\$0.54

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements





**Newpark Resources, Inc.**  
**Condensed Consolidated Statements of Comprehensive Income**  
**(Unaudited)**

(In thousands)	<b>Three Months</b>		<b>Nine Months</b>	
	<b>Ended September</b>	<b>Ended September</b>	<b>Ended September</b>	<b>Ended September</b>
	<b>30,</b>	<b>30,</b>	<b>30,</b>	<b>30,</b>
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Net income	\$23,492	\$18,760	\$78,832	\$51,799
Foreign currency translation adjustments	(13,143)	2,806	(11,563)	(7,513)
Comprehensive income	\$10,349	\$21,566	\$67,269	\$44,286

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements

**Newpark Resources, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
**(Unaudited)**

(In thousands)	<b>Nine Months Ended</b>	
	<b>September 30,</b>	
	<b>2014</b>	<b>2013</b>
<b>Cash flows from operating activities:</b>		
Net income	\$78,832	\$51,799
Adjustments to reconcile net income to net cash provided by operations:		
Depreciation and amortization	30,925	33,138
Stock-based compensation expense	9,092	6,954
Provision for deferred income taxes	(5,277 )	(311 )
Net provision for doubtful accounts	1,226	221
Gain on sale of a business	(33,974)	-
Gain on sale of assets	(1,351 )	(437 )
Excess tax benefit from stock-based compensation	(1,175 )	(2,020 )
Change in assets and liabilities:		
(Increase) decrease in receivables	(60,348)	1,210
(Increase) decrease in inventories	(11,973)	2,964
(Increase) decrease in other assets	(6,170 )	828
Increase (decrease) in accounts payable	7,531	(11,832 )
Increase in accrued liabilities and other	15,544	13,175
<b>Net cash provided by operating activities</b>	<b>22,882</b>	<b>95,689</b>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(84,710)	(52,550 )
Proceeds from sale of property, plant and equipment	3,144	1,248
Proceeds from sale of a business	89,766	-
<b>Net cash provided by (used in) investing activities</b>	<b>8,200</b>	<b>(51,302 )</b>
<b>Cash flows from financing activities:</b>		
Borrowings on lines of credit	54,665	215,994
Payments on lines of credit	(58,897)	(243,141)
Other financing activities	(43 )	(25 )
Proceeds from employee stock plans	3,104	8,102
Purchases of treasury stock	(52,892)	(4,227 )
Excess tax benefit from stock-based compensation	1,175	2,020
<b>Net cash used in financing activities</b>	<b>(52,888)</b>	<b>(21,277 )</b>
Effect of exchange rate changes on cash	(2,644 )	(547 )
Net (decrease) increase in cash and cash equivalents	(24,450)	22,563
Cash and cash equivalents at beginning of year	65,840	46,846
Cash and cash equivalents at end of period	\$41,390	\$69,409
 Cash paid for:		
Income taxes (net of refunds)	\$44,929	\$21,637
Interest	\$5,742	\$5,047

See Accompanying Notes to Unaudited Condensed Consolidated Financial Statements

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**NEWPARK RESOURCES, INC.**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**Note 1 – Basis of Presentation and Significant Accounting Policies**

The accompanying unaudited condensed consolidated financial statements of Newpark Resources, Inc. and our wholly-owned subsidiaries, which we refer to as “we,” “our” or “us,” have been prepared in accordance with Rule 10-01 of Regulation S-X for interim financial statements required to be filed with the Securities and Exchange Commission (“SEC”), and do not include all information and footnotes required by the accounting principles generally accepted in the United States (“U.S. GAAP”) for complete financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2013. Our fiscal year end is December 31, our third quarter represents the three month period ended September 30, and our first nine months represents the nine month period ended September 30. The results of operations for the third quarter and first nine months of 2014 are not necessarily indicative of the results to be expected for the entire year. Unless otherwise stated, all currency amounts are stated in U.S. dollars.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments necessary to present fairly our financial position as of September 30, 2014, the results of our operations for the third quarter and first nine months of 2014 and 2013, and our cash flows for the first nine months of 2014 and 2013. All adjustments are of a normal recurring nature. Our balance sheet at December 31, 2013 is derived from the audited consolidated financial statements at that date.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. For further information, see Note 1 in our Annual Report on Form 10-K for the year ended December 31, 2013.

***New Accounting Standards***

In April 2014, the Financial Accounting Standards Board (“FASB”) issued updated guidance that changes the criteria for reporting discontinued operations including enhanced disclosure requirements. Under the new guidance, only

disposals representing a strategic shift in operations should be presented as discontinued operations. Those strategic shifts should have a major effect on the organization's operations and financial results. The new guidance is effective for us in the first quarter of 2015; however, we do not expect the adoption to have a material effect on our consolidated financial statements.

In May 2014, the FASB amended the existing accounting standards for revenue recognition. The amendments are based on the principle that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance is effective for us in the first quarter of 2017. Early adoption is not permitted. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. We are currently evaluating the impact of these amendments and the transition alternatives on our consolidated financial statements.

**Note 2 – Discontinued Operations**

In March of 2014, we completed the sale of our Environmental Services business for \$100 million in cash, subject to adjustment based on actual working capital conveyed at closing. Cash proceeds from the sale were \$89.8 million in 2014, net of transaction related expenses, including the adjustment related to final working capital conveyed at closing. In addition, \$8 million of the sale price was withheld in escrow associated with transaction representations, warranties and indemnities, and is expected to be released over the next 12 months. As a result of the sale transaction, we recorded a gain on the disposal of the business of \$34.0 million (\$22.1 million after-tax). All assets, liabilities and results of operations for this business have been reclassified to discontinued operations for all periods presented.

Summarized results of operations from discontinued operations through the date of sale are as follows:

(In thousands)	<b>Third Quarter 2014</b>	<b>2013</b>	<b>First Nine Months 2014</b>	<b>2013</b>
Revenues	\$-	\$17,576	\$11,744	\$49,417
Income from discontinued operations before income taxes	-	4,656	1,770	13,485
Income from discontinued operations, net of tax	-	3,329	1,152	9,642
Gain from disposal of discontinued operations before income taxes	-	-	33,974	-
Gain from disposal of discontinued operations, net of tax	-	-	22,117	-

Assets and liabilities of discontinued operations as of December 31, 2013 were as follows:

(In thousands)	<b>December 31, 2013</b>
Receivables, net	\$ 11,915
Prepaid expenses and other current assets	1,188
Property, plant and equipment, net	62,333
Other assets	3,584
Assets of discontinued operations	\$ 79,020
Accounts payable	\$ 4,415
Other Accrued liabilities	1,542
Deferred tax liabilities	12,449
Other noncurrent liabilities	10,291

Liabilities of discontinued operations      \$ 28,697

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**Note 3 – Earnings per Share**

The following table presents the reconciliation of the numerator and denominator for calculating earnings per share from continuing operations:

(In thousands, except per share data)	<b>Third Quarter</b>		<b>First Nine Months</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>Basic EPS:</b>				
Income from continuing operations	\$23,492	\$15,431	\$55,563	\$42,157
Weighted average number of common shares outstanding	82,055	85,775	83,260	84,902
Basic income from continuing operations per common share	\$0.29	\$0.18	\$0.67	\$0.50
<b>Diluted EPS:</b>				
Income from continuing operations	\$23,492	\$15,431	\$55,563	\$42,157
Assumed conversions of Senior Notes	1,294	1,370	3,808	3,875
Adjusted income from continuing operations	\$24,786	\$16,801	\$59,371	