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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer ☐ Accelerated filer ☒
Non-accelerated filer ☐ Smaller reporting company ☐
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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 November 8, 2018, there were 125,710,418 shares outstanding of the Company's Common Stock, \$0.01 par value per share.

TETRA Technologies, Inc. and Subsidiaries
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FINANCIAL INFORMATION

Item 1. Financial Statements.

TETRA Technologies, Inc. and Subsidiaries
Consolidated Statements of Operations
(In Thousands, Except Per Share Amounts)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenues:				
Product sales	\$ 102,070	\$ 72,566	\$ 285,136	\$ 226,724
Services	154,781	111,111	431,168	296,293
Total revenues	256,851	183,677	716,304	523,017
Cost of revenues:				
Cost of product sales	81,817	49,999	228,146	161,348
Cost of services	101,304	67,437	283,224	193,931
Depreciation, amortization, and accretion	29,460	25,942	84,880	78,250
Impairments of long-lived assets	2,940	—	2,940	—
Insurance recoveries	—	(2,352)	—	(2,352)
Total cost of revenues	215,521	141,026	599,190	431,177
Gross profit	41,330	42,651	117,114	91,840
General and administrative expense	34,446	29,685	98,866	85,896
Interest expense, net	18,894	14,654	52,246	42,749
Warrants fair value adjustment (income) expense	(179)	(47)	22	(11,568)
CCLP Series A Preferred Units fair value adjustment (income) expense	498	(1,137)	1,344	(4,340)
Litigation arbitration award income	—	—	—	(12,816)
Other (income) expense, net	619	(425)	7,203	811
Loss before taxes and discontinued operations	(12,948)	(79)	(42,567)	(8,892)
Provision (benefit) for income taxes	(96)	778	3,474	4,176
Loss before discontinued operations	(12,852)	(857)	(46,041)	(13,068)
Discontinued operations:				
Income (loss) from discontinued operations (including 2018 loss on disposal of \$33.8 million), net of taxes	796	(481)	(40,931)	(14,141)
Net loss	(12,056)	(1,338)	(86,972)	(27,209)
Loss attributable to noncontrolling interest	5,120	4,483	20,423	16,900
Income (loss) attributable to TETRA stockholders	\$(6,936)	\$3,145	\$(66,549)	\$(10,309)
Basic net income (loss) per common share:				
Income (loss) before discontinued operations attributable to TETRA stockholders	\$(0.06)	\$0.03	\$(0.21)	\$0.03
Income (loss) from discontinued operations attributable to TETRA stockholders	\$0.00	\$0.00	\$(0.33)	\$(0.12)
Net income (loss) attributable to TETRA stockholders	\$(0.06)	\$0.03	\$(0.54)	\$(0.09)
Average shares outstanding	125,689	114,563	123,557	114,375
Diluted net income (loss) per common share:				
	\$(0.06)	\$0.03	\$(0.21)	\$0.03

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Income (loss) before discontinued operations attributable to TETRA stockholders

Income (loss) from discontinued operations attributable to TETRA stockholders	\$0.00	\$0.00	\$(0.33)	\$(0.12)
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Net income (loss) attributable to TETRA stockholders	\$(0.06)	\$0.03	\$(0.54)	\$(0.09)
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Average diluted shares outstanding	125,689	114,569	123,557	114,375
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See Notes to Consolidated Financial Statements

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TETRA Technologies, Inc. and Subsidiaries
 Consolidated Statements of Comprehensive Income (Loss)
 (In Thousands)
 (Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net loss	\$(12,056)	\$(1,338)	\$(86,972)	\$(27,209)
Foreign currency translation adjustment	(581)	2,620	(8,547)	7,781
Comprehensive income (loss)	(12,637)	1,282	(95,519)	(19,428)
Comprehensive income (loss) attributable to noncontrolling interest	5,025	4,670	22,467	17,271
Comprehensive income (loss) attributable to TETRA stockholders	\$(7,612)	\$5,952	\$(73,052)	\$(2,157)

See Notes to Consolidated Financial Statements

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TETRA Technologies, Inc. and Subsidiaries
Consolidated Balance Sheets
(In Thousands)

	September 30, 2018 (Unaudited)	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 53,899	\$ 26,128
Restricted cash	69	261
Trade accounts receivable, net of allowances of \$2,193 in 2018 and \$1,286 in 2017	188,830	144,051
Inventories	150,638	115,438
Assets of discontinued operations	1,301	34,879
Prepaid expenses and other current assets	19,725	17,597
Total current assets	414,462	338,354
Property, plant, and equipment:		
Land and building	78,764	78,559
Machinery and equipment	1,221,746	1,167,680
Automobiles and trucks	36,406	34,744
Chemical plants	188,072	186,790
Construction in progress	62,162	31,566
Total property, plant, and equipment	1,587,150	1,499,339
Less accumulated depreciation	(741,969)	(689,907)
Net property, plant, and equipment	845,181	809,432
Other assets:		
Goodwill	22,197	6,636
Patents, trademarks and other intangible assets, net of accumulated amortization of \$75,972 in 2018 and \$71,114 in 2017	80,963	47,405
Deferred tax assets, net	10	10
Notes receivable	7,540	44
Long-term assets of discontinued operations	—	86,255
Other assets	21,886	20,478
Total other assets	132,596	160,828
Total assets	\$ 1,392,239	\$ 1,308,614

See Notes to Consolidated Financial Statements

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TETRA Technologies, Inc. and Subsidiaries
Consolidated Balance Sheets
(In Thousands, Except Share Amounts)

	September 30, 2018 (Unaudited)	December 31, 2017
LIABILITIES AND EQUITY		
Current liabilities:		
Trade accounts payable	\$ 70,756	\$ 70,847
Unearned income	38,263	18,701
Accrued liabilities	69,867	58,478
Liabilities of discontinued operations	3,570	25,688
Total current liabilities	182,456	173,714
Long-term debt, net	822,905	629,855
Deferred income taxes	3,348	4,404
Asset retirement obligations	12,014	11,738
CCLP Series A Preferred Units	36,944	61,436
Warrants liability	13,224	13,202
Long-term liabilities of discontinued operations	—	48,225
Other liabilities	15,159	13,479
Total long-term liabilities	903,594	782,339
Commitments and contingencies		
Equity:		
TETRA stockholders' equity:		
Common stock, par value \$0.01 per share; 250,000,000 shares authorized at September 30, 2018 and December 31, 2017; 128,434,431 shares issued at September 30, 2018 and 118,515,797 shares issued at December 31, 2017	1,284	1,185
Additional paid-in capital	459,123	425,648
Treasury stock, at cost; 2,710,581 shares held at September 30, 2018, and 2,638,093 shares held at December 31, 2017	(18,936)	(18,651)
Accumulated other comprehensive income (loss)	(50,270)	(43,767)
Retained earnings (deficit)	(222,884)	(156,335)
Total TETRA stockholders' equity	168,317	208,080
Noncontrolling interests	137,872	144,481
Total equity	306,189	352,561
Total liabilities and equity	\$ 1,392,239	\$ 1,308,614

See Notes to Consolidated Financial Statements

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TETRA Technologies, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(In Thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2018	2017
Operating activities:		
Net loss	\$(86,972)	\$(27,209)
Reconciliation of net loss to cash provided by operating activities:		
Depreciation, amortization, and accretion	86,965	87,298
Impairment of long-lived assets	2,940	—
Benefit for deferred income taxes	(837)	(431)
Equity-based compensation expense	5,692	7,242
Provision for doubtful accounts	1,566	1,333
Non-cash loss on disposition of business	32,369	—
Amortization of deferred financing costs	3,188	3,491
Insurance recoveries associated with damaged equipment	—	(2,352)
Debt financing cost expense	398	—
CCLP Series A Preferred accrued paid in kind distributions	3,933	5,606
CCLP Series A Preferred fair value adjustment	1,344	(4,340)
Warrants fair value adjustment	22	(11,568)
Contingent consideration liability fair value adjustment	3,700	—
Expense for unamortized finance costs and other non-cash charges and credits	3,919	(221)
Gain on sale of assets	(454)	(605)
Changes in operating assets and liabilities:		
Accounts receivable	(7,708)	(34,187)
Inventories	(35,920)	(13,394)
Prepaid expenses and other current assets	(2,995)	(1,659)
Trade accounts payable and accrued expenses	(6,776)	28,368
Decommissioning liabilities	—	(550)
Other	(2,741)	12
Net cash provided by operating activities	1,633	36,834
Investing activities:		
Purchases of property, plant, and equipment, net	(107,080)	(28,587)
Acquisition of businesses, net of cash acquired	(42,002)	—
Proceeds from disposal of business	3,121	—
Proceeds on sale of property, plant, and equipment	774	786
Insurance recoveries associated with damaged equipment	—	2,352
Other investing activities	(293)	(6,175)
Net cash used in investing activities	(145,480)	(31,624)
Financing activities:		
Proceeds from long-term debt	747,887	297,100
Principal payments on long-term debt	(544,962)	(301,250)
CCLP distributions	(13,928)	(14,815)
Proceeds from exercise of stock options	251	—
Tax remittances on equity based compensation	(708)	(624)
Debt issuance costs	(17,932)	(1,573)
Net cash provided by (used in) financing activities	170,608	(21,162)

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Effect of exchange rate changes on cash	818	533
Increase (decrease) in cash and cash equivalents	27,579	(15,419)
Cash and cash equivalents and restricted cash at beginning of period	26,389	36,531
Cash and cash equivalents and restricted cash at end of period	\$53,968	\$21,112

Supplemental cash flow information:

Interest paid	\$24,651	\$39,919
Income taxes paid	3,954	5,217
See Notes to Consolidated Financial Statements		

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TETRA Technologies, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Unaudited)

NOTE A – ORGANIZATION, BASIS OF PRESENTATION, AND SIGNIFICANT ACCOUNTING POLICIES

Organization

We are a geographically diversified oil and gas services company, focused on completion fluids and associated products and services, water management, frac flowback, production well testing and offshore rig cooling services, and compression services and equipment. We were incorporated in Delaware in 1981. Following the acquisition and disposition transactions that closed during the three month period ended March 31, 2018, we reorganized our reporting segments and are now composed of three divisions – Completion Fluids & Products, Water & Flowback Services, and Compression. Unless the context requires otherwise, when we refer to “we,” “us,” and “our,” we are describing TETRA Technologies, Inc. and its consolidated subsidiaries on a consolidated basis.

Presentation

Our unaudited consolidated financial statements include the accounts of our wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. The information furnished reflects all normal recurring adjustments, which are, in the opinion of management, necessary to provide a fair statement of the results for the interim periods. Operating results for the period ended September 30, 2018 are not necessarily indicative of results that may be expected for the twelve months ended December 31, 2018.

We consolidate the financial statements of CSI Compressco LP and its subsidiaries ("CCLP") as part of our Compression Division, as we determined that CCLP is a variable interest entity and we are the primary beneficiary. We control the financial interests of CCLP and have the ability to direct the activities of CCLP that most significantly impact its economic performance through our ownership of its general partner. The share of CCLP net assets and earnings that is not owned by us is presented as noncontrolling interest in our consolidated financial statements. Our cash flows from our investment in CCLP are limited to the quarterly distributions we receive on our CCLP common units and general partner interest (including incentive distribution rights) and the amounts collected for services we perform on behalf of CCLP, as TETRA's capital structure and CCLP's capital structure are separate, and do not include cross default provisions, cross collateralization provisions, or cross guarantees.

The accompanying unaudited consolidated financial statements have been prepared in accordance with Rule 10-01 of Regulation S-X for interim financial statements required to be filed with the U.S. Securities and Exchange Commission ("SEC") and do not include all information and footnotes required by U.S. generally accepted accounting principles ("U.S. GAAP") for complete financial statements. These financial statements should be read in conjunction with the financial statements for the year ended December 31, 2017, and notes thereto included in our Annual Report on Form 10-K, which we filed with the SEC on March 5, 2018.

Use of Estimates

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 and disclose contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, and impairments during the reporting period. Actual results could differ from those estimates, and such differences could be material.

Reclassifications

Certain previously reported financial information has been reclassified to conform to the current period's presentation. For a discussion of the reclassification of the financial presentation of our Offshore Division as discontinued operations, see Note E - "Discontinued Operations."

Cash Equivalents

We consider all highly liquid cash investments with a maturity of three months or less when purchased to be cash equivalents.

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Restricted Cash

Restricted cash is classified as a current asset when it is expected to be repaid or settled in the next twelve month period.

Inventories

Inventories are stated at the lower of cost or net realizable value. Except for work in progress inventory, cost is determined using the weighted average method. The cost of work in progress is determined using the specific identification method.

Impairments of Long-Lived Assets

Impairments of long-lived assets, including identified intangible assets, are determined periodically when indicators of impairment are present. If such indicators are present, the determination of the amount of impairment is based on our judgments as to the future undiscounted operating cash flows to be generated from these assets throughout their remaining estimated useful lives. If these undiscounted cash flows are less than the carrying amount of the related asset, an impairment is recognized for the excess of the carrying value over its fair value.

During the three month period ended September 30, 2018, as a result of decreased expected future cash flows from a specific customer contract, we recorded a long-lived asset impairment of \$2.9 million of an identified intangible asset.

Foreign Currency Translation

We have designated the euro, the British pound, the Norwegian krone, the Canadian dollar, the Brazilian real, and the Mexican peso as the functional currencies for our operations in Finland and Sweden, the United Kingdom, Norway, Canada, Brazil, and certain of our operations in Mexico, respectively. The U.S. dollar is the designated functional currency for all of our other foreign operations. The cumulative translation effects of translating the applicable accounts from the functional currencies into the U.S. dollar at current exchange rates are included as a separate component of equity. Foreign currency exchange (gains) and losses are included in other (income) expense, net and totaled \$0.4 million and \$0.1 million during the three and nine month periods ended September 30, 2018 and \$0.3 million and \$1.5 million during the three and nine month periods ended September 30, 2017, respectively.

On June 30, 2018, we determined the economy in Argentina to be highly inflationary. As a result of this determination and in accordance with U.S. GAAP, on July 1, 2018, the functional currency of our operations in Argentina was changed from the Argentine peso to the U.S. dollar. The remeasurement did not have a material impact on our consolidated financial position or results of operations.

Income Taxes

Our consolidated provision for income taxes is primarily attributable to taxes in certain foreign jurisdictions and Texas gross margin taxes. Our consolidated effective tax rate for the three month period ended September 30, 2018 was 0.7%. Our consolidated effective tax rate for the nine month period ended September 30, 2018 of negative 8.2% was primarily the result of losses generated in entities for which no related tax benefit has been recorded. The losses generated by these entities do not result in tax benefits due to offsetting valuation allowances being recorded against the related net deferred tax assets. We establish a valuation allowance to reduce the deferred tax assets when it is more likely than not that some portion or all of the deferred tax assets will not be realized. Included in our deferred tax assets are net operating loss carryforwards and tax credits that are available to offset future income tax liabilities in the

U.S. as well as in certain foreign jurisdictions.

The Tax Cuts and Jobs Act (the “Tax Reform Act”) was enacted on December 22, 2017. At September 30, 2018 and December 31, 2017, we had not completed our accounting for the tax effects of enactment of the Tax Reform Act; however, in certain cases, as described below, we made reasonable estimates of the effects and recorded provisional amounts. We will continue to make and refine our calculations as additional analysis is completed. The accounting for the tax effects of the Tax Reform Act will be completed in 2018 as provided by the SEC’s Staff Accounting Bulletin (“SAB”) No. 118, Income Tax Accounting Implications of the Tax Cuts and Jobs Act

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("SAB 118"). We recognized an income tax expense of \$54.1 million in the fourth quarter of 2017 associated with the impact of the Tax Reform Act, which was fully offset by a decrease in the valuation allowance previously recorded on our net deferred tax assets. As such, the Tax Reform Act resulted in no net tax expense in the fourth quarter of 2017. We have considered in our estimated annual effective tax rate for 2018, the impact of the statutory changes enacted by the Tax Reform Act, including reasonable estimates of those provisions effective for the 2018 tax year. Our estimate on Global Intangible Low Taxed Income ("GILTI"), Foreign Derived Intangible Income ("FDII"), Base Erosion and Anti-Abuse Tax ("BEAT"), and IRC Section 163(j) interest limitation do not impact our effective tax rate for the three and nine month periods ended September 30, 2018.

Asset Retirement Obligations

We operate facilities in various U.S. and foreign locations that are used in the manufacture, storage, and sale of our products, inventories, and equipment. These facilities are a combination of owned and leased assets. We are required to take certain actions in connection with the retirement of these assets. The values of our asset retirement obligations for these properties were \$12.0 million and \$11.7 million as of September 30, 2018 and December 31, 2017, respectively. Asset retirement obligations are recorded in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 410, "Asset Retirement and Environmental Obligations," whereby the estimated fair value of a liability for asset retirement obligations is recognized in the period in which it is incurred and in which a reasonable estimate can be made. Such estimates are based on relevant assumptions that we believe are reasonable. We have reviewed our obligations in this regard in detail and estimated the cost of these actions. The associated asset retirement costs are capitalized as part of the carrying amount of these long-lived assets and are depreciated on a straight-line basis over the life of the assets.

The changes in the values of our asset retirement obligations during the three and nine month period ended September 30, 2018, are as follows:

	Three Months Ended September 30, 2018 (In Thousands)	Nine Months Ended September 30, 2018
Beginning balance for the period, as reported	\$ 12,073	\$ 11,738
Activity in the period:		
Accretion of liability	96	405
Revisions in estimated cash flows	(156)	(130)
Settlement of retirement obligations	(35)	(35)
Ending balance	\$ 12,014	\$ 12,014

We review the adequacy of our asset retirement obligation liabilities whenever indicators suggest that the estimated cash flows underlying the liabilities have changed.

Fair Value Measurements

We utilize fair value measurements to account for certain items and account balances within our consolidated financial statements. Fair value measurements are utilized on a recurring basis in the determination of the carrying values of the liabilities for the warrants to purchase 11.2 million shares of our common stock (the "Warrants") and the CCLP Preferred Units (as defined in Note G). We also utilize fair value measurements on a recurring basis in the accounting for our foreign currency derivative contracts. Refer to Note H - "Fair Value Measurements" for further discussion.

Fair value measurements are also utilized on a nonrecurring basis in certain circumstances, such as in the allocation of purchase consideration for acquisition transactions to the assets and liabilities acquired, including intangible assets and goodwill (a Level 3 fair value measurement), the initial recording of our asset retirement obligations, and for the impairment of long-lived assets, including goodwill (a Level 3 fair value measurement).

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New Accounting Pronouncements

Standards adopted in 2018

In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers". This ASU supersedes the revenue recognition requirements in ASC 605, "Revenue Recognition," and most industry-specific guidance. This ASU is effective for annual periods beginning after December 15, 2017, and interim periods within those years, under either full or modified retrospective adoption.

On January 1, 2018, we adopted ASU 2014-09 and all related amendments ("ASU 2014-09"). We utilized the modified retrospective method of adoption. Comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods.

The core principle of ASU 2014-09 is that an entity should recognize revenue 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. ASU 2014-09 also provides a five-step model for determining revenue recognition for arrangements that are within the scope of the standard: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. We only apply the five-step model to contracts when it is probable that we will collect the consideration we are entitled to in exchange for the goods or services we transfer to the customer. At contract inception, once the contract is determined to be within the scope of ASU 2014-09, we assess the goods or services promised within each contract and determine those that are performance obligations and assess whether each promised good or service is distinct. We then recognize as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied. For a complete discussion of accounting for revenues, see Note L - "Revenue from Contracts with Customers".

The impact from the adoption of ASU 2014-09 to our January 1, 2018 consolidated balance sheet, our September 30, 2018 consolidated balance sheet, and our consolidated results of operations for the three and nine month periods ended September 30, 2018 was immaterial. The adoption of ASU 2014-09 had no impact to cash provided by operating, financing, or investing activities in our consolidated statement of cash flows. We do not expect the adoption of the new revenue standard to have a material impact to our net income on an ongoing basis.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments" to reduce diversity in practice in classification of certain transactions in the statement of cash flows. The ASU is effective for annual periods beginning after December 15, 2017, and interim periods within those annual periods, with early adoption permitted, under a retrospective transition adoption. We adopted this ASU during the three month period ended March 31, 2018, with no impact to our consolidated financial statements.

In November 2016, the FASB issued ASU 2016-16, "Intra-Entity Transfers of Assets Other Than Inventory," which requires companies to account for the income tax effects of intercompany transfers of assets other than inventory when the transfer occurs. We adopted this ASU during the three month period ended March 31, 2018. The adoption of this standard did not have a material impact to our consolidated financial statements.

Additionally, in November 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows (Topic 230): Restricted Cash" to reduce diversity in the presentation of restricted cash and restricted cash equivalents in the statement of cash flows. We adopted this ASU during the three month period ended March 31, 2018, resulting in restricted cash, if any, being classified with cash and cash equivalents in our consolidated statement of cash flows.

In May 2017, the FASB issued ASU 2017-09, "Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting" to clarify when to account for a change to the terms or conditions of a share-based payment award as a modification. We adopted this ASU during the three month period ended March 31, 2018, with no impact

to our consolidated financial statements.

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Standards not yet adopted

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)" to increase comparability and transparency among different organizations. Organizations are required to recognize right-of-use lease assets and lease liabilities in the balance sheet related to the right to use the underlying asset for the lease term. In addition, through improved disclosure requirements, the ASU will enable users of financial statements to further understand the amount, timing, and uncertainty of cash flows arising from leases. The ASU is effective for annual periods beginning after December 15, 2018 and interim periods within those annual periods. In July 2018, the FASB provided an additional transition method allowing for the recognition of a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption rather than in the earliest period presented. We plan to adopt Topic 842 on January 1, 2019 using the optional transition method. Comparative information will continue to be reported under the accounting standards that were in effect for those periods. We are continuing to assess other transition practical expedients available to us. We are currently evaluating our portfolio of real estate, vehicle, and equipment leases for consideration of the accounting impact. Lease data is being loaded into a software solution that will assist in the calculation of the impact on the consolidated balance sheet and facilitate the creation of disclosures. We are concurrently evaluating and developing internal policies necessary to implement the standard. Based on our preliminary assessment, upon adoption of the ASU, we will record significant right-to-use assets and lease obligations pursuant to the new requirements.

In January 2017, the FASB issued ASU 2017-04, "Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment," which simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. The ASU is effective for annual periods beginning after December 15, 2019, and interim periods within those annual periods, with early adoption permitted, under a prospective adoption. We do not expect the adoption of this standard to have a material impact on our consolidated financial statements. In June 2018, the FASB issued ASU 2018-07, "Compensation-Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting" to align the measurement and classification guidance for share-based payments to nonemployees with the guidance currently applied to employees, with certain exceptions. The ASU is effective for annual periods beginning after December 15, 2018, and interim periods within those annual periods, with early adoption permitted. We are currently assessing the potential effects of these changes to our consolidated financial statements and do not expect the adoption of this standard to have a material impact on our consolidated financial statements.

NOTE B – INVENTORIES

Components of inventories as of September 30, 2018 and December 31, 2017 are as follows:

	September 30, 2018	December 31, 2017
	(In Thousands)	
Finished goods	\$67,926	\$ 66,377
Raw materials	3,740	4,027
Parts and supplies	45,671	33,632
Work in progress	33,301	11,402
Total inventories	\$150,638	\$ 115,438

Finished goods inventories include newly manufactured clear brine fluids as well as used brines that are repurchased from certain customers for recycling. Work in progress inventory consists primarily of new compressor packages located in the CCLP fabrication facility in Midland, Texas.

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NOTE C - NET INCOME (LOSS) PER SHARE

The following is a reconciliation of the weighted average number of common shares outstanding with the number of shares used in the computations of net income (loss) per common and common equivalent share:

	Three Months Ended September 30, 2018		Nine Months Ended September 30, 2017	
	2018	2017	2018	2017
	(In Thousands)			
Number of weighted average common shares outstanding	125,689	114,563	123,557	114,375
Assumed exercise of equity awards and warrants	—	6	—	—
Average diluted shares outstanding	125,689	114,569	123,557	114,375

For the three and nine month periods ended September 30, 2018 and nine month period ended September 30, 2017, the average diluted shares outstanding excludes the impact of all outstanding equity awards and warrants, as the inclusion of these shares would have been anti-dilutive due to the net losses recorded during the periods. In addition, for the three and nine month periods ended September 30, 2018 and September 30, 2017, the calculation of diluted earnings per common share excludes the impact of the CCLP Preferred Units (as defined in Note G), as the inclusion of the impact from conversion of the CCLP Preferred Units into CCLP common units would have been anti-dilutive.

NOTE D – ACQUISITIONS AND DISPOSITIONS

Acquisition of SwiftWater Energy Services

On February 28, 2018, pursuant to a purchase agreement dated February 13, 2018 (the "SwiftWater Purchase Agreement"), we purchased all of the equity interests in SwiftWater Energy Services, LLC ("SwiftWater"), which is engaged in the business of providing water management and water solutions to oil and gas operators in the Permian Basin market of Texas. Strategically, the acquisition of SwiftWater enhances our position as one of the leading integrated water management companies, providing water transfer, storage, and treatment services, along with proprietary automation technology and numerous other water-related services.

Under the terms of the SwiftWater Purchase Agreement, consideration of \$42.0 million of cash, subject to a working capital adjustment, and 7,772,021 shares of our common stock (valued at \$28.2 million) were paid at closing. Subsequent to closing, in August 2018, a working capital adjustment of approximately \$1.0 million was paid. The sellers will also have the right to receive contingent consideration payments, in an aggregate amount of up to \$15.0 million, calculated on EBITDA and revenue (each as defined in the SwiftWater Purchase Agreement) of the water management business of SwiftWater and all of our pre-existing operations in the Permian Basin in respect of the period from January 1, 2018 through December 31, 2019. The contingent consideration may be paid in cash or shares of our common stock, at our election.

As of September 30, 2018, our allocation of the SwiftWater purchase price is as follows (in thousands):

Current assets	\$ 16,880
Property and equipment	11,631
Intangible assets	41,960
Goodwill	15,560
Total assets acquired	86,031
Current liabilities	7,189

Total liabilities assumed 7,189

Net assets acquired \$78,842

The above allocation of the purchase price to the SwiftWater net tangible assets and liabilities considers approximately \$7.6 million of the initial estimated fair value for the liabilities associated with the contingent purchase

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price consideration. The fair value of the obligation to pay the contingent purchase price consideration was calculated based on the anticipated EBITDA and revenue as of the closing date for the operations of SwiftWater and our pre-existing operations in the Permian Basin and could increase (to \$15.0 million) or decrease (to \$0) depending on the actual earnings from these operations going forward. Increases or decreases in the value of the anticipated contingent purchase price consideration liability due to changes in the amounts paid or expected to be paid will be charged or credited to earnings in the period in which such changes occur. During the period from the closing date to September 30, 2018, the estimated fair value for the liabilities associated with the contingent purchase price consideration increased to \$11.3 million, resulting in \$(0.6) million and \$3.7 million being (credited) charged to other (income) expense, net, during the three and nine month periods ended September 30, 2018, respectively.

The allocation of the purchase price to the SwiftWater net tangible assets and liabilities and identifiable intangible assets, as well as the initial estimated fair value for the liabilities associated with the contingent purchase price consideration, as of February 28, 2018, is final and adjustments to the purchase price allocation have been reflected in the accompanying consolidated balance sheets as of September 30, 2018. The allocation of purchase price includes approximately \$15.6 million of deductible goodwill allocated to our Water & Flowback Services segment, and is supported by the strategic benefits discussed above and expected to be generated from the acquisition. The acquired property and equipment is stated at fair value, and depreciation on the acquired property and equipment is computed using the straight-line method over the estimated useful lives of each asset. Machinery and equipment is depreciated using useful lives of 3 to 15 years and automobiles and trucks are depreciated using useful lives of 3 to 4 years. The acquired intangible assets include \$3.3 million for the trademark/tradename, \$37.2 million for customer relationships, and \$1.5 million of other intangible assets that are stated at estimated fair value and are amortized on a straight-line basis over their estimated useful lives, ranging from 5 to 16 years. These identified intangible assets are recorded net of \$1.7 million of accumulated amortization as of September 30, 2018.

Subsequent to the February 28, 2018 acquisition closing date, we have continued to integrate the acquired SwiftWater operations into our existing Water & Flowback Services Division in the Permian Basin in order to better serve our customers through seamless combined service offerings. With the addition of SwiftWater services, such as water treatment, we are now able to offer integrated water management services to both TETRA and SwiftWater customers that would have not been possible prior to the acquisition. Moreover, services performed for certain pre-acquisition SwiftWater customers have utilized TETRA employees and equipment. Similarly, certain pre-SwiftWater acquisition TETRA customers have utilized SwiftWater employees, equipment, and services. We have also added to SwiftWater's fleet of operating equipment through additional capital expenditures. As a result of the combined operations, the distinction of the revenue originating from SwiftWater versus TETRA is a subjective estimate. Due to these limitations, we have considered the \$65.0 million of revenues for services performed for pre-acquisition SwiftWater customers subsequent to the closing on February 28, 2018 as the estimate of the impact from the SwiftWater acquisition on our consolidated revenues for the nine month period ended September 30, 2018.

As a result of our focus since the date of the acquisition on integrating and managing SwiftWater services with our pre-existing operations in the Permian Basin, quantifying the financial impact on our consolidated earnings of the operations specific to SwiftWater is impracticable. SwiftWater acquisition-related costs of approximately \$0.4 million were incurred during the nine month period ended September 30, 2018, consisting of external legal fees, transaction consulting fees, and due diligence costs. These costs have been recognized in general and administrative expenses in the consolidated statement of operations.

The pro forma information presented below has been prepared to give effect to the SwiftWater acquisition as if the transaction had occurred at the beginning of the periods presented. The pro forma information includes the impact from the allocation of the acquisition purchase price on depreciation and amortization. The pro forma information also excludes the SwiftWater acquisition-related costs charged to earnings during the 2018 period. The pro forma information is presented for illustrative purposes only and is based on estimates and assumptions we deemed

appropriate. The following pro forma information is not necessarily indicative of the historical results that would have been achieved if the acquisition transaction had occurred in the past, and our operating results may have been different from those reflected in the pro forma information below. Therefore, the pro forma information should not be relied upon as an indication of the operating results that we would have achieved if the transaction had occurred at the beginning of the periods presented or the future results that we will achieve after the transaction.

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	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
	(In Thousands)			
Revenues	\$256,851	\$198,894	\$730,454	\$561,718
Depreciation, amortization, and accretion	\$29,460	\$27,307	\$85,857	\$82,256
Gross profit	\$41,330	\$46,335	\$120,586	\$100,837
Net income (loss) from continuing operations	\$(12,852)	\$1,255	\$(43,840)	\$(8,028)
Net income (loss) attributable to TETRA stockholders	\$(6,936)	\$5,257	\$(64,348)	\$(5,269)

Sale of Offshore Division

On March 1, 2018, we closed a series of related transactions that resulted in the disposition of our Offshore Division. Pursuant to an Asset Purchase and Sale Agreement (the "Maritech Asset Purchase Agreement") with Orinoco Natural Resources, LLC ("Orinoco"), Orinoco purchased certain remaining offshore oil, gas and mineral leases and related assets of Maritech (the "Maritech Properties"). Immediately thereafter, we closed the transactions contemplated by a Membership Interest Purchase and Sale Agreement (the "Maritech Equity Purchase Agreement") with Orinoco, whereby Orinoco purchased all of the equity interests of Maritech (the "Maritech Equity Interests"). Immediately thereafter, we closed the transactions contemplated by an Equity Interest Purchase Agreement (the "Offshore Services Purchase Agreement") with Epic Offshore Specialty, LLC, an affiliate of Orinoco ("Epic Offshore"), whereby Epic Offshore (the "Offshore Services Sale") purchased all of the equity interests in the wholly owned subsidiaries that comprised our Offshore Services segment operations (the "Offshore Services Equity Interests").

Under the terms of the Maritech Asset Purchase Agreement, the Maritech Equity Purchase Agreement, and the Offshore Services Purchase Agreement, the consideration delivered by Orinoco and Epic Offshore for the Maritech Properties, the Maritech Equity Interests and the Offshore Services Equity Interests consisted of (i) the assumption by Orinoco of substantially all of the liabilities and obligations relating to the ownership, operation and condition of the Maritech Properties and the provision of certain indemnities by Orinoco to us under the Maritech Asset Purchase Agreement, (ii) the assumption by Orinoco of substantially all of the liabilities of Maritech and the provision of certain indemnities by Orinoco under the Maritech Equity Purchase Agreement, (iii) the assumption by Epic Offshore of substantially all of the liabilities of the Offshore Services Equity Interests relating to the periods following the closing of the Offshore Services Sale and the provision of certain indemnities by Epic Offshore under the Offshore Services Purchase Agreement, (iv) cash in the amount \$3.1 million, (v) a promissory note in the original principal amount of \$7.5 million payable by Epic Offshore to us in full, together with interest at a rate of 1.52% per annum, on December 31, 2019, (vi) performance by Orinoco under a Bonding Agreement executed in connection with the Maritech Asset Purchase Agreement and the Maritech Equity Purchase Agreement whereby Orinoco provided at closing non-revocable performance bonds in an amount equal to \$46.8 million to cover the performance by Orinoco and Maritech of the asset retirement obligations of Maritech, and (vii) the delivery of a personal guaranty agreement from Thomas M. Clarke and Ana M. Clarke guaranteeing the payment obligations of Orinoco under the Bonding Agreement (collectively, the "Transaction Consideration"). Pursuant to the Bonding Agreement, Orinoco is required to replace, within 90 days following the closing, the initial bonds delivered at closing with non-revocable performance bonds, meeting certain requirements, in the aggregate sum of \$47.0 million. Orinoco has not delivered such replacement bonds and we are seeking to enforce the terms of the Bonding Agreement. The non-revocable performance bonds delivered at the closing remain in effect.

As a result of these transactions, we have effectively exited the businesses of our Offshore Services and Maritech segments, and these operations are reflected as discontinued operations in our consolidated financial statements. See

Note E - "Discontinued Operations" for further discussion. Our consolidated pre-tax results of operations for the nine month period ending September 30, 2018 included a loss on the disposal of our Offshore Division of \$33.8 million, net of tax, including transaction costs of \$1.4 million.

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NOTE E – DISCONTINUED OPERATIONS

As discussed in Note D - "Acquisitions and Dispositions," on March 1, 2018, we closed a series of related transactions that resulted in the disposition of our Offshore Division. As a result, we have accounted for our Offshore Division, consisting of our Offshore Services and Maritech segments, as discontinued operations and have revised prior period financial statements to exclude these businesses from continuing operations. A summary of financial information related to our discontinued operations is as follows:

Reconciliation of the Line Items Constituting Pretax Loss from Discontinued Operations to the After-Tax Loss from Discontinued Operations
(in thousands)

	Three Months Ended September 30, 2018			Three Months Ended September 30, 2017		
	Offshore Services	Maritech	Total	Offshore Services	Maritech	Total
Major classes of line items constituting pretax loss from discontinued operations						
Revenue	\$—	\$—	\$—	\$32,667	\$ 21	\$32,688
Cost of revenues	125	—	125	28,190	386	28,576
Depreciation, amortization, and accretion	—	—	—	2,886	372	3,258
General and administrative expense	192	—	192	1,345	177	1,522
Other (income) expense, net	(1,143)	—	(1,143)	(206)	—	(206)
Pretax income (loss) from discontinued operations	796	—	796	452	(914)	(462)
Income tax expense	—	—	—	—	—	19
Total income (loss) from discontinued operations			\$796			\$(481)
	Nine Months Ended September 30, 2018			Nine Months Ended September 30, 2017		
	Offshore Services	Maritech	Total	Offshore Services	Maritech	Total
Major classes of line items constituting pretax loss from discontinued operations						
Revenue	\$4,487	\$ 187	\$4,674	\$69,290	\$ 427	\$69,717
Cost of revenues	11,013	139	11,152	66,862	987	67,849
Depreciation, amortization, and accretion	1,873	212	2,085	7,932	1,115	9,047
General and administrative expense	1,729	187	1,916	4,408	588	4,996
Other (income) expense, net	(1,035)	—	(1,035)	2,417	(565)	1,852
Pretax loss from discontinued operations	(9,093)	(351)	(9,444)	(12,329)	(1,698)	(14,027)
Pretax loss on disposal of discontinued operations			(33,813)			—
Total pretax loss from discontinued operations			(43,257)			(14,027)
Income tax (benefit) expense			(2,326)			114
Total loss from discontinued operations			\$(40,931)			\$(14,141)

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Reconciliation of Major Classes of Assets and Liabilities of the Discontinued Operations to Amounts Presented Separately in the Statement of Financial Position
(in thousands)

	September 30, 2018			December 31, 2017		
	Offshore Services	Maritech	Total	Offshore Services	Maritech	Total
Carrying amounts of major classes of assets included as part of discontinued operations						
Trade receivables	\$(53)	\$ 1,341	\$1,288	\$27,385	\$1,542	\$28,927
Inventories	—	—	—	4,616	—	4,616
Other Current Assets	13	—	13	1,292	44	1,336
Current assets of discontinued operations	(40)	1,341	1,301	33,293	1,586	34,879
Property, plant, and equipment	—	—	—	85,873	—	85,873
Other assets	—	—	—	382	—	382
Long-term assets of discontinued operations	\$—	\$—	\$—	\$86,255	\$—	\$86,255
Total major classes of assets of the discontinued operations	\$(40)	\$ 1,341	\$1,301	\$119,548	\$1,586	\$121,134
Carrying amounts of major classes of liabilities included as part of discontinued operations						
Trade payables	—	—	—	13,942	87	14,029
Accrued liabilities	1,495	2,075	3,570	8,904	2,278	11,182
Current portion of decommissioning liability	—	—	—	—	477	477
Current liabilities of discontinued operations	1,495	2,075	3,570	22,846	2,842	25,688
Decommissioning and other asset retirement obligations	—	—	—	—	46,185	46,185
Other liabilities	—	—	—	2,040	—	2,040
Long-term liabilities of discontinued operations	—	—	—	2,040	46,185	48,225
Total major classes of liabilities of the discontinued operations	\$1,495	\$ 2,075	\$3,570	\$24,886	\$49,027	\$73,913

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NOTE F – LONG-TERM DEBT AND OTHER BORROWINGS

We believe our capital structure, excluding CCLP, ("TETRA") and CCLP's capital structure should be considered separately, as there are no cross default provisions, cross collateralization provisions, or cross guarantees between CCLP's debt and TETRA's debt.

Consolidated long-term debt as of September 30, 2018 and December 31, 2017, consists of the following:

		September 30, 2018	December 31, 2017
		(In Thousands)	
TETRA	Scheduled Maturity		
Asset-based credit agreement (presented net of unamortized deferred financing costs of \$1.7 million as of September 30, 2018)	September 10, 2023	\$ 8,301	\$ —
Term credit agreement (presented net of the unamortized discount of \$7.4 million as of September 30, 2018 and net of unamortized deferred financing costs of \$10.5 million as of September 30, 2018)	September 10, 2025	182,124	—
Bank revolving line of credit facility, terminated September 10, 2018		—	—
11.0% Senior Note, Series 2015 (presented net of the unamortized discount of \$3.9 million as of December 31, 2017 and net of unamortized deferred financing costs of \$3.4 million as of December 31, 2017), terminated September 10, 2018		—	117,679
TETRA total debt		190,425	117,679
Less current portion		—	—
TETRA total long-term debt		\$ 190,425	\$ 117,679
CCLP			
CCLP Bank Credit Facility (presented net of the unamortized deferred financing costs of \$4.0 million as of December 31, 2017), terminated March 22, 2018		—	223,985
CCLP New Credit Agreement	June 29, 2023	—	—
CCLP 7.25% Senior Notes (presented net of the unamortized discount of \$2.4 million as of September 30, 2018 and \$2.8 million as of December 31, 2017 and net of unamortized deferred financing costs of \$4.2 million as of September 30, 2018 and \$5.0 million as of December 31, 2017)	August 15, 2022	289,391	288,191
CCLP 7.50% Senior Secured Notes (presented net of unamortized deferred financing costs of \$6.9 million as of September 30, 2018)	April 1, 2025	343,089	—
CCLP total debt			