September 7, 2017

Mitcham Industries Reports Fiscal 2018 Second Quarter Results

HUNTSVILLE, Texas, Sept. 7, 2017 /PRNewswire/ -- Mitcham Industries, Inc. (NASDAQ: MIND) ("the Company") today announced financial results for its fiscal 2018 second quarter ended July 31, 2017.

Total revenues for the second quarter of fiscal 2018 were $10.8 million compared to $8.7 million in the second quarter of fiscal 2017. Revenues from the Equipment Manufacturing and Sales segment increased to $9.6 million in the second quarter, compared to $5.8 million in the same period last year. Revenues from the Equipment Leasing segment were $1.3 million in the second quarter compared to $2.9 million in the same period last year. The Company reported a net loss attributable to common shareholders of $5.6 million, or $(0.46) per share, in the second quarter of fiscal 2018 compared to a net loss of $9.6 million, or $(0.80) per share, in the second quarter of fiscal 2017. Cash flow provided by operating activities was approximately $3.0 million in the second quarter of fiscal 2018 compared to $1.3 million in the second quarter of fiscal 2017.

Adjusted EBITDA (earnings before interest, taxes, depreciation, amortization, stock-based compensation, non-cash costs of lease pool equipment sales and non-cash foreign exchange gains and losses) for the second quarter of fiscal 2018 was a loss of approximately $261,000 compared to a loss of approximately $597,000 in the same period last year. Adjusted EBITDA, which is not a measure determined in accordance with United States generally accepted accounting principles ("GAAP"), is defined and reconciled to reported net loss and cash provided by operating activities in the accompanying financial tables.

Rob Capps, Mitcham's Co-Chief Executive Officer, stated, "We were pleased with our overall second quarter results, despite very challenging and ongoing conditions in our energy related business. Our manufacturing segment showed solid growth, both sequentially and year-over-year. We continue to make progress in re-positioning our Company to be a more significant player in the marine industry and in lessening our exposure to oil and gas exploration activities. At the same time, we are taking additional strategic steps to revise our business model in the leasing segment while maintaining a competitive presence and re-deploying capital into more attractive opportunities.

"Reviewing our financial results for the second fiscal quarter of 2018, the Equipment Manufacturing and Sales segment delivered much better performance year-over-year and sequentially, driven primarily by Seamap. We continue to anticipate a stronger fiscal year in this segment driven by improved visibility into oceanographic and hydrographic opportunities, especially in Asia. While our business at Klein has lagged expectations in recent periods, we have begun to see an increase in order bookings and inquiries, which we believe is indicative of a much improved second half of fiscal 2018 in that part of our business. We are seeing a greater number of opportunities as we continue to penetrate new markets and add new customers. In addition, we are seeing the scope of some of these projects become larger as well.

"Land and marine seismic exploration activity continues to be severely depressed from historical levels; however, we are experiencing an increased number of bids and inquiries. These projects have been slow to develop, but we are hopeful that by the fourth quarter we will begin to see this business recover.

"Our capital structure remains very strong with no debt on our balance sheet and ample liquidity, with cash and cash equivalents of over $7.0 million as of July 31, 2017. We generated positive operating cash flow in the first half of this fiscal year, including approximately $3.0 million in the second quarter of this year.

"As we move through the remainder of fiscal 2018, we see a number of opportunities for our manufacturing business and also expect continued slow improvement in our leasing business. Our strategic intent going forward is to continue to diversify our sales away from dependence on the oil and gas industry by expanding our equipment and manufacturing business, both organically and through acquisitions, in order to gain a greater foothold in the global marine industry. We also continue to evaluate and restructure our leasing business in order to make this a profitable part of our company in the future."

FISCAL 2018 SECOND QUARTER RESULTS

Total revenues for the second quarter increased 25% and were largely driven by a substantial increase in equipment manufacturing and sales compared to the same quarter a year ago. Equipment and manufacturing sales increased 67% year-over-year, while equipment leasing revenues, excluding lease pool equipment sales, decreased 40% from the second quarter of fiscal 2017. Total revenues for the second quarter of fiscal 2018 rose to $10.8 million compared to $8.7 million in the same period last year. A significant portion of our revenues is typically generated from geographic areas outside the United States. The percentage of revenues from international customers was approximately 92% in the second quarter of fiscal 2018 compared to approximately 79% in last year's second fiscal quarter.

Equipment manufacturing and sales increased to $9.6 million in the second quarter of fiscal 2018 compared to $5.8 million in last year's second quarter with improved performance by Seamap and SAP. The second quarter sales consisted of approximately $7.5 million of Seamap equipment, $1.0 million from Klein (including $0.5 million of intra-segment sales) and $1.6 million by SAP.

Equipment leasing revenues for the second quarter of fiscal 2018, excluding lease pool equipment sales, were $1.0 million compared to $1.6 million in the same period last year. The year-over-year decrease in second quarter equipment leasing revenues was driven by the ongoing softness in exploration activity.

Lease pool and other equipment sales were $0.3 million in the second quarter of fiscal 2018, compared to $1.3 million in the second quarter a year ago.

Lease pool depreciation expense in the second quarter of fiscal 2018 decreased to $3.8 million from $6.7 million in the same period a year ago, due to the reduction in lease pool purchases and sales of lease pool equipment in the second half of fiscal 2017 and the current fiscal year.

General and administrative expenses decreased to $5.1 million in the second quarter of fiscal 2018 versus $5.4 million in the second quarter of fiscal 2017, due to the impact of continuing cost reduction efforts.

CONFERENCE CALL

We have scheduled a conference call for Friday, September 8, 2017 at 9:00 a.m. Eastern Time (8:00 a.m. Central Time) to discuss our fiscal 2018 second quarter results. To access the call, please dial (412) 902-0030 and ask for the Mitcham Industries call at least 10 minutes prior to the start time. Investors may also listen to the conference live on the Mitcham Industries corporate website, http://www.mitchamindustries.com, by logging onto the site and clicking "Investor Relations." A telephonic replay of the conference call will be available through September 22, 2017 and may be accessed by calling (201) 612-7415 and using passcode 13668655#. A webcast archive will also be available at http://www.mitchamindustries.com shortly after the call and will be accessible for approximately 90 days. For more information, please contact Donna Washburn at Dennard ▪ Lascar Associates (713) 529-6600 or email dwashburn@dennardlascar.com.

About Mitcham Industries

Mitcham Industries, Inc. provides equipment to the geophysical, oceanographic and hydrographic industries. Headquartered in Huntsville, Texas, Mitcham has a global presence with operating locations in the United States, Canada, Australia, Singapore, Russia, Hungary, Colombia and the United Kingdom. Mitcham's worldwide Equipment Manufacturing and Sales Segment, which includes its Seamap and Klein Marine Systems units, designs, manufactures and sells specialized, high performance, marine sonar and seismic equipment. Through its Leasing Segment, Mitcham believes it is the largest independent provider of exploration equipment to the seismic industry.

Certain statements and information in this press release concerning results for the quarter ended July 31, 2017 may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. The words "believe," "expect," "anticipate," "plan," "intend," "should," "would," "could" or other similar expressions are intended to identify forward-looking statements, which are generally not historical in nature. These forward-looking statements are based on our current expectations and beliefs concerning future developments and their potential effect on us. While management believes that these forward-looking statements are reasonable as and when made, there can be no assurance that future developments affecting us will be those that we anticipate. All comments concerning our expectations for future revenues, EBITDA, cash flow and operating results are based on our forecasts of our existing operations and do not include the potential impact of any future acquisitions. Our forward-looking statements involve significant risks and uncertainties (some of which are beyond our control) and assumptions that could cause actual results to differ materially from our historical experience and our present expectations or projections.

For additional information regarding known material factors that could cause our actual results to differ from our projected results, please see our filings with the SEC, including our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K.

Readers are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date hereof.

We undertake no obligation to publicly update or revise any forward-looking statements after the date they are made, whether as a result of new information, future events or otherwise.

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Tables to Follow

MITCHAM INDUSTRIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)
(unaudited)

	July 31, 2017	January 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,916	$ 2,902
Restricted cash	236	609
Accounts and contracts receivable, net of allowance for doubtful accounts of $3,419 and $3,716 at July 31, 2017 and January 31, 2017, respectively	12,439	15,830
Inventories, net	12,465	11,960
Prepaid income taxes	-	1,565
Prepaid expenses and other current assets	1,934	2,193
Total current assets	33,990	35,059
Seismic equipment lease pool and property and equipment, net	29,842	43,838
Intangible assets, net	8,536	9,012
Goodwill	3,997	3,997
Non-current prepaid income taxes	1,173	-
Long-term receivables net of allowance for doubtful accounts of $2,188 at July 31, 2017 and January 31, 2017	4,027	2,780
Other assets	29	28
Total assets	$81,594	$94,714
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 1,770	$ 1,929
Current maturities - long-term debt	-	6,371
Deferred revenue	455	651
Income taxes payable	52	-
Accrued expenses and other current liabilities	4,366	4,514
Total current liabilities	6,643	13,465
Deferred tax liability	275	317
Total liabilities	6,918	13,782
Shareholders' equity:		
Preferred stock, $1.00 par value; 1,000 shares authorized; 380 and 343 shares issued and outstanding at July 31, 2017 and January 31, 2017, respectively	8,133	7,294
Common stock, $0.01 par value; 20,000 shares authorized; 14,019 shares issued at July 31 2017 and January 31, 2017	140	140
Additional paid-in capital	121,861	121,401
Treasury stock, at cost (1,929 shares at July 31, 2017 and January 31, 2017)	(16,858)	(16,858)
Accumulated deficit	(28,881)	(20,451)
Accumulated other comprehensive loss	(9,719)	(10,594)
Total shareholders' equity	74,676	80,932
Total liabilities and shareholders' equity	$81,594	$94,714

MITCHAM INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

	For the Three Months Ended July 31,		For the Six Months Ended July 31,	
	2017	2016	2017	2016
Revenues:				
Equipment manufacturing and sales	$9,586	$ 5,754	$16,474	$12,942
Equipment leasing	977	1,634	3,694	5,242
Lease pool and other equipment sales	273	1,275	9,101	2,210
Total revenues	10,836	8,663	29,269	20,394
Cost of sales:				
Cost of equipment manufacturing and sales	5,868	3,097	9,843	7,118
Direct costs - equipment leasing	540	785	1,484	1,537
Direct costs - lease pool depreciation	3,750	6,675	7,931	13,548
Cost of lease pool and other equipment sales	60	348	6,199	799
Total cost of sales	10,218	10,905	25,457	23,002
Gross profit (loss)	618	(2,242)	3,812	(2,608)
Operating expenses:				
General and administrative	5,065	5,426	9,967	10,739
Depreciation and amortization	525	647	1,106	1,299
Total operating expenses	5,590	6,073	11,073	12,038
Operating loss	(4,972)	(8,315)	(7,261)	(14,646)
Other income (expense):				
Interest, net	17	(164)	(29)	(428)
Other, net	(52)	(612)	(153)	(161)
Total other expense	(35)	(776)	(182)	(589)
Loss before income taxes	(5,007)	(9,091)	(7,443)	(15,235)
Provision for income taxes	(357)	(435)	(586)	(734)
Net loss	$(5,364)	$ (9,526)	$ (8,029)	$ (15,969)
Preferred stock dividends	(207)	(114)	(401)	(114)
Net loss available to common shareholders	$(5,571)	$ (9,640)	$ (8,430)	$ (16,083)
Net loss per common share:				
Basic	$ (0.46)	$ (0.80)	$ (0.70)	$ (1.33)
Diluted	$ (0.46)	$ (0.80)	$ (0.70)	$ (1.33)
Shares used in computing net loss per common share:				
Basic	12,082	12,070	12,080	12,065
Diluted	12,082	12,070	12,080	12,065

MITCHAM INDUSTRIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)
(unaudited)

	For the Six Months Ended July 31,	
	2017	**2016**
Cash flows from operating activities:		
Net loss	$(8,029)	$(15,969)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	9,095	14,910
Stock-based compensation	461	433
Provision for inventory obsolescence	67	43
Gross profit from sale of lease pool equipment	(2,852)	(1,456)
Deferred tax benefit	(57)	(375)
Changes in working capital items:		
Trade accounts and contracts receivable	5,877	8,769
Inventories	(107)	181
Prepaid expenses and other current assets	201	(673)
Income taxes payable	430	658
Accounts payable, accrued expenses, other current liabilities and deferred revenue	(929)	(4,014)
Foreign exchange gains net of losses	(71)	577
Net cash provided by operating activities	4,086	3,084
Cash flows from investing activities:		
Purchases of seismic equipment held for lease	(234)	(583)
Purchases of property and equipment	(128)	(77)
Sale of used lease pool equipment	6,020	2,169
Net cash provided by investing activities	5,658	1,509
Cash flows from financing activities:		
Net payments on revolving line of credit	(3,500)	(9,400)
Payments on term loan and other borrowings	(2,807)	(1,612)
Net proceeds from preferred stock offering	774	7,117
Preferred stock dividends	(401)	(114)
Net cash used in financing activities	(5,934)	(4,009)
Effect of changes in foreign exchange rates on cash and cash equivalents	(169)	(857)
Net change in cash and cash equivalents	3,641	(273)
Cash and cash equivalents, beginning of period	3,511	3,769
Cash and cash equivalents, end of period	$7,152	$ 3,496
Supplemental cash flow information:		
Interest paid	$ 120	$ 504
Income taxes paid	$ 159	$ 529
Purchases of seismic equipment held for lease in accounts payable at end of period	$ 42	$ 148

Mitcham Industries, Inc.
Reconciliation of Net Loss and Net Cash Provided by Operating Activities to EBITDA and Adjusted EBITDA

	For the Three Months Ended July 31,		For the Six Months Ended July 31,	
	2017	**2016**	**2017**	**2016**
	(in thousands)		(in thousands)	
Reconciliation of Net loss to EBITDA and Adjusted EBITDA				
Net loss	$ (5,364)	$ (9,526)	$ (8,029)	$ (15,969)
Interest expense, net	(17)	164	29	428
Depreciation and amortization	4,304	7,353	9,095	14,910
Provision for income taxes	357	435	586	734
EBITDA [1]	(720)	(1,574)	1,681	103
Non-cash foreign exchange losses	167	493	361	319
Stock-based compensation	237	186	461	433
Cost of lease pool sales	55	298	6,194	713

Adjusted EBITDA [1]	$ (261)	$ (597)	$ 8,697	$ 1,568
Reconciliation of Net cash provided by operating activities to EBITDA				
Net cash provided by operating activities	$ 2,974	$ 1,335	$ 4,086	$ 3,084
Stock-based compensation	(237)	(186)	(461)	(433)
Provision for inventory obsolescence	(59)	-	(67)	(43)
Changes in trade accounts, contracts and notes receivable	(3,702)	(5,960)	(5,877)	(8,769)
Interest paid	28	166	120	504
Taxes paid, net of refunds	146	378	159	529
Gross profit from sale of lease pool equipment	163	965	2,852	1,456
Changes in inventory	(1,296)	116	107	(181)
Changes in accounts payable, accrued expenses and other current liabilities and deferred revenue	977	1,970	929	4,014
Changes in prepaid expenses and other current assets	348	423	(201)	673
Foreign exchange gains net of losses	23	(696)	71	(577)
Other	(85)	(85)	(37)	(154)
EBITDA [1]	$ (720)	$ (1,574)	$ 1,681	$ 103

(1) EBITDA is defined as net income before (a) interest income and interest expense, (b) provision for (or benefit from) income taxes and (c) depreciation and amortization. Adjusted EBITDA excludes non-cash foreign exchange gains and losses, non-cash costs of lease pool equipment sales and stock-based compensation. This definition of Adjusted EBITDA is consistent with the definition in the Credit Agreement. We consider EBITDA and Adjusted EBITDA to be important indicators for the performance of our business, but not measures of performance or liquidity calculated in accordance with accounting principles generally accepted in the United States of America ("GAAP"). We have included these non-GAAP financial measures because management utilizes this information for assessing our performance and liquidity, and as indicators of our ability to make capital expenditures, service debt and finance working capital requirements. The Credit Agreement contained financial covenants based on EBITDA or Adjusted EBITDA. Management believes that EBITDA and Adjusted EBITDA are measurements that are commonly used by analysts and some investors in evaluating the performance and liquidity of companies such as us. In particular, we believe that it is useful to our analysts and investors to understand this relationship because it excludes transactions not related to our core cash operating activities. We believe that excluding these transactions allows investors to meaningfully trend and analyze the performance of our core cash operations. EBITDA and Adjusted EBITDA are not measures of financial performance or liquidity under GAAP and should not be considered in isolation or as alternatives to cash flow from operating activities or as alternatives to net income as indicators of operating performance or any other measures of performance derived in accordance with GAAP. In evaluating our performance as measured by EBITDA, management recognizes and considers the limitations of this measurement. EBITDA and Adjusted EBITDA do not reflect our obligations for the payment of income taxes, interest expense or other obligations such as capital expenditures. Accordingly, EBITDA and Adjusted EBITDA are only two of the measurements that management utilizes. Other companies in our industry may calculate EBITDA or Adjusted EBITDA differently than we do and EBITDA and Adjusted EBITDA may not be comparable with similarly titled measures reported by other companies.

Mitcham Industries, Inc.
Segment Operating Results
(in thousands)
(unaudited)

	For the Three Months Ended July 31,		For the Six Months Ended July 31,	
	2017	**2016**	**2017**	**2016**
	(in thousands)		(in thousands)	
Revenues:				
Equipment Manufacturing and Sales	$ 9,662	$ 5,758	$ 16,573	$ 12,978
Equipment Leasing	1,271	2,909	12,816	7,452
Inter-segment sales	(97)	(4)	(120)	(36)
Total revenues	10,836	8,663	29,269	20,394
Cost of sales:				
Equipment Manufacturing and Sales	5,943	3,116	9,942	7,174
Equipment Leasing	4,373	7,809	15,636	15,885
Inter-segment costs	(98)	(20)	(121)	(57)
Total cost of sales	10,218	10,905	25,457	23,002
Gross profit (loss)	618	(2,242)	3,812	(2,608)
Operating expenses:				
General and administrative	5,065	5,426	9,967	10,739
Depreciation and amortization	525	647	1,106	1,299
Total operating expenses	5,590	6,073	11,073	12,038
Operating loss	$ (4,972)	$ (8,315)	$ (7,261)	$(14,646)

Equipment Manufacturing and Sales Segment:				
Revenues:				
Seamap	$7,490	$2,208	$12,377	$7,126
Klein	1,002	2,326	1,939	4,462
SAP	1,622	1,332	2,911	1,813
Intra-segment sales	(452)	(108)	(654)	(423)
	9,662	5,758	16,573	12,978
Cost of sales:				
Seamap	4,206	900	6,767	3,439
Klein	944	1,390	1,677	2,861
SAP	1,245	934	2,262	1,297
Intra-segment sales	(452)	(108)	(764)	(423)
	5,943	3,116	9,942	7,174
Gross profit	$3,719	$ 2,642	$6,631	$5,804
Gross profit margin	38%	46%	40%	45%
Equipment Leasing Segment:Equipment Leasing Segment:				
Revenues:				
Equipment leasing	$ 977	$ 1,634	$ 3,694	$ 5,242
Lease pool equipment sales	228	1,263	9,062	2,169
Other equipment sales	66	12	60	41
	1,271	2,909	12,816	7,452
Cost of sales:				
Direct costs-equipment leasing	561	785	1,505	1,537
Lease pool depreciation	3,750	6,675	7,931	13,548
Cost of lease pool equipment sales	66	298	6,195	713
Cost of other equipment sales	(4)	51	5	87
	4,373	7,809	15,636	15,885
Gross loss	$ (3,102)	$ (4,900)	$ (2,820)	$ (8,433)

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