

Enservco Corp
Form 10-Q
August 14, 2018

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, 2018**

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 001-36335

ENSERVCO CORPORATION

(Exact Name of registrant as Specified in its Charter)

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Delaware (State or other jurisdiction of incorporation or organization)	84-0811316 (IRS Employer Identification No.)
501 South Cherry St., Ste. 1000	
Denver, CO (Address of principal executive offices)	80246 (Zip Code)

Registrant's telephone number: **(303) 333-3678**

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 Enservco 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 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

Emerging growth company

If an emerging growth company, indicated 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.

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No **X**

Indicate the number of shares outstanding of each of the Issuer's classes of common stock as of the latest practicable date.

Class	Outstanding at August 7, 2018
Common stock, \$.005 par value	54,464,829

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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****ENSERVCO CORPORATION AND SUBSIDIARIES****Condensed Consolidated Balance Sheets****(In thousands)**

	June 30, 2018	December 31, 2017
	(Unaudited)	
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 235	\$ 391
Accounts receivable, net	5,131	11,761
Prepaid expenses and other current assets	657	868
Inventories	494	576
Income tax receivable, current	57	57
Total current assets	6,574	13,653
Property and equipment, net	27,456	29,417
Income tax receivable, noncurrent	57	57
Other assets	1,191	1,123
TOTAL ASSETS	\$ 35,278	\$ 44,250
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 2,350	\$ 5,465
Current portion of long-term debt	142	182
Total current liabilities	2,492	5,647
Long-Term Liabilities		
Senior revolving credit facility	21,729	27,066
Subordinated debt	1,808	2,229
Long-term debt, less current portion	225	252
Warrant liability	-	831
Total long-term liabilities	23,762	30,378
Total liabilities	26,254	36,025

Commitments and Contingencies (Note 8)

Stockholders' Equity

Preferred stock, \$.005 par value, 10,000,000 shares authorized, no shares issued or outstanding	-	-
Common stock, \$.005 par value, 100,000,000 shares authorized, 54,464,829 and 51,197,989 shares issued, respectively; 103,600 shares of treasury stock; and 54,361,229 and 51,094,389 shares outstanding, respectively	272	255
Additional paid-in capital	21,594	19,571
Accumulated deficit	(12,842)	(11,601)
Total stockholders' equity	9,024	8,225
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 35,278	\$ 44,250

See notes to condensed consolidated financial statements.

Table of Contents**ENSERVCO CORPORATION AND SUBSIDIARIES****Condensed Consolidated Statements of Operations****(In thousands except per share amounts)****(Unaudited)**

	For the Three Months Ended June 30, 2018		For the Six Months Ended June 30, 2018	
	2018	2017	2018	2017
Revenues				
Well enhancement services	\$7,005	\$5,819	\$26,290	\$17,803
Water transfer services	929	306	1,924	1,058
Water hauling services	858	881	1,699	1,766
Other	-	100	-	254
Total revenues	8,792	7,106	29,913	20,881
Expenses				
Well enhancement services	5,900	4,325	18,991	12,774
Water transfer services	979	616	1,936	1,292
Water hauling services	953	1,192	1,901	2,105
Functional support and other	181	300	326	641
Sales, general, and administrative expenses	1,241	1,290	2,611	2,284
Patent litigation and defense costs	55	24	75	67
Severance and transition costs	593	768	633	768
Depreciation and amortization	1,597	1,675	3,186	3,251
Total operating expenses	11,499	10,190	29,659	23,182
(Loss) Income from Operations	(2,707)	(3,084)	254	(2,301)
Other (Expense) Income				
Interest expense	(511)	(500)	(1,011)	(1,210)
Gain on disposals	53	-	53	-
Other (expense) income	(85)	38	(505)	42
Total other expense	(543)	(462)	(1,463)	(1,168)
Loss Before Tax Benefit (Expense)	(3,250)	(3,546)	(1,209)	(3,469)
Income Tax (Expense) Benefit	(32)	1,019	(32)	992
Net Loss	\$(3,282)	\$(2,527)	\$(1,241)	\$(2,477)
Earnings per Common Share - Basic	\$(0.06)	\$(0.05)	\$(0.02)	\$(0.05)

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Earnings per Common Share – Diluted	\$ (0.06) \$ (0.05) \$ (0.02) \$ (0.05)			
Basic weighted average number of common shares outstanding	51,677	51,068	51,413	51,068
Add: Dilutive shares	-	-	-	-
Diluted weighted average number of common shares outstanding	51,677	51,068	51,413	51,068

See notes to condensed consolidated financial statements.

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	For the Six Months Ended	
	June 30,	
	2018	2017
OPERATING		
ACTIVITIES		
Net loss	\$ (1,241)	\$ (2,477)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	3,186	3,251
Deferred income taxes	-	(879)
Gain on disposal of equipment	(53)	-
Stock-based compensation	188	446
Change in fair value of warrant	540	-
Amortization of debt issuance costs and discount	126	298
Provision for bad debt expense	33	49
Changes in operating assets and liabilities		
Accounts receivable	6,598	729
Inventories	82	(3)
Prepaid expense and other current assets	241	152
Income taxes receivable	-	224
Other assets	(60)	(32)
Accounts payable and accrued liabilities	(3,115)	260
Net cash provided by operating activities	6,525	2,018

**INVESTING
ACTIVITIES**

Purchases of property and equipment	(1,470)	(971)
Proceeds from insurance claims	122	-
Proceeds from disposal of equipment	145	121
Net cash used in investing activities	(1,203)	(850)

**FINANCING
ACTIVITIES**

Net line of credit payments	(5,386)	(2,000)
Proceeds from issuance of long-term debt	-	1,000
Repayment of long-term debt	(66)	(168)
Other financing	(26)	-
Net cash used in financing activities	(5,478)	(1,168)

**Net Increase
(Decrease) in Cash
and Cash
Equivalents**

(156)	-
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**Cash and Cash
Equivalents,
beginning of period**

391	621
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**Cash and Cash
Equivalents, end of
period**

\$ 235	\$ 621
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**Supplemental cash
flow information:**

Cash paid for interest	\$ 863	\$ 36
Cash paid (received) for taxes	\$ 32	\$ (222)

**Supplemental
Disclosure of
Non-cash Investing
and Financing
Activities:**

\$ 49	\$ 815
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Non-cash proceeds from revolving credit facilities				
Cashless exercise of stock options	\$	994	\$	-
Non-cash proceeds from warrant exercise	\$	500	\$	-
Non-cash subordinated debt principal repayment	\$	(500)	\$	-
Non-cash conversion of warrant liability to equity	\$	1,371		-
Non-cash proceeds from subordinated debt borrowings	\$	-	\$	1,500
Non-cash repayment of revolving credit facility	\$	-	\$	(1,500)

See notes to condensed consolidated financial statements.

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ENSERVCO CORPORATION AND SUBSIDIARIES

Notes to the Condensed Consolidated Financial Statements

(Unaudited)

Note 1 – Basis of Presentation

Enservco Corporation (“Enservco”) through its wholly-owned subsidiaries (collectively referred to as the “Company”, “we” or “us”) provides various services to the domestic onshore oil and natural gas industry. These services include frac water heating, hot oiling and acidizing (well enhancement services); water transfer and water treatment services (water transfer services); and water hauling, fluid disposal, frac tank rental (water hauling services).

The accompanying unaudited condensed consolidated financial statements have been derived from the accounting records of Enservco Corporation, Heat Waves Hot Oil Service LLC (“Heat Waves”), Dillco Fluid Service, Inc. (“Dillco”), Heat Waves Water Management LLC (“HWWM”), HE Services LLC (“HES”), and Real GC LLC (“Real GC”) (collectively, the “Company”) as of *June 30, 2018* and *December 31, 2017* and the results of operations for the *three and six* months ended *June 30, 2018* and *2017*.

The below table provides an overview of the Company’s current ownership hierarchy:

<u>Name</u>	<u>State of</u>	<u>Ownership Business</u>
	<u>Formation</u>	