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Form 8-K  
August 09, 2001

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

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FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): August 9, 2001

HANOVER COMPRESSOR COMPANY  
(Exact Name of Registrant as Specified in Charter)

Delaware (State or Other Jurisdiction of Incorporation)	1-13071 (Commission File Number)	75-2344249 (IRS Employer Identification No.)
12001 North Houston Rosslyn Houston, Texas 77086 (Address of Principal Executive Offices)		77086 (Zip Code)

Registrant's telephone number, including area code: (281) 447-8787

Item 5. Other Events  
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See the following press release regarding the Company's results for the second quarter 2001.

Hanover Compressor Reports Record Revenues, EBITDA and Net Income for Second Quarter 2001

Year-Over-Year Quarterly Cash Flow Increases 72%

Company Expects to Complete Acquisition of Schlumberger Assets in Q3

HOUSTON--(BUSINESS WIRE)--Aug. 9, 2001-- Hanover Compressor (NYSE: HC) a leading provider of outsourced natural gas compression and treating services, today reported revenues increased 124.7 percent and cash flow increased 71.6 percent for the second quarter ended June 30, 2001, compared with the same quarter a year earlier. Net income for the quarter increased 83.2 percent over the prior year period.

The company also reported that its planned acquisition of Schlumberger's Production Operators Corporation natural gas compression business and other related interests for \$761 million is proceeding on schedule and is expected to

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close by the end of the month.

"This second quarter of 2001 marked a milestone in the 11-year history of Hanover Compressor," said Michael J. McGhan, President and Chief Operating Officer. "Each of our business segments achieved outstanding performance as we significantly increased our global presence and overall market position through internally generated growth and Hanover's continued significant improvement of recently acquired operations. This level of accomplishment has Hanover very well prepared for the addition of Schlumberger's Production Operators (POI) gas compression unit, South American joint ventures, and related assets. This transaction, which is accretive from the onset and is scheduled to close at the end of the month, will also launch a worldwide alliance between Schlumberger and Hanover and will result in Schlumberger becoming a major shareholder in Hanover for at least three years. POI's organization and customer base is first rate and we are very excited about this outstanding group becoming part of the Hanover family."

Second quarter revenues were \$263.1 million compared with \$117.1 million for the second quarter of 2000. Cash flow (income before income taxes, interest expense, leasing expense, distributions on mandatorily redeemable convertible preferred securities and depreciation and amortization) increased to \$77.3 million from \$45.0 million in the second quarter a year earlier. Net income increased 83.2 percent to \$23.4 million or \$0.31 per fully diluted share, compared with \$12.8 million or \$0.20 per fully diluted share a year ago.

"Our accelerating progress in recent years is proof of the resounding strength and added value of our outsourcing model. Demand for both primary and outsourced gas compression and related gas handling services continues to grow, especially overseas," McGhan said. "Our business is very much about providing our customers here and abroad a total solution of products and services - bundling compression, parts and service, gas processing, treating and measurement, power generation and pump systems - to help them improve their business results. We are very excited about our growth opportunities over the next five years and beyond."

Overall growth among Hanover's core business segments was strong compared with the second quarter a year ago, reflecting the impact of the Company's growth strategy as well as the successful integration of several recent corporate acquisitions. Compression rental revenues for the quarter grew 55.8 percent over the comparable quarter to \$90.1 million. Related compression

parts and service segment revenues increased 172.9 percent over the second quarter a year ago to \$66.1 million, reflecting Hanover's continued emphasis on building that high return on capital business. Compressor fabrication revenue rose 286.0 percent over the same quarter a year earlier to \$57.8 million. Production and processing equipment fabrication revenue was \$45.3 million, an increase of 198.6 percent compared with the year earlier quarter.

Rental fleet compression at June 30, 2001 totaled 2,533,000 horsepower, 490,000 of which was operating in international markets. Fleet utilization at the end of the second quarter exceeded 93 percent. In the past twelve months, Hanover has grown its rental fleet compression by approximately 948,000 horsepower, while keeping its fleet utilization over 93 percent, reflecting the Company's success in promptly improving the operating performance of recently acquired major compression services companies, including PAMCO Services International and the Compression Services Division of Dresser Rand. This performance also reflects continued strong organic growth in customer demand for outsourcing compression and the Company's focus on delivering the highest mechanical run-time to aid its customers during this critical time for the industry.

"Hanover's pending acquisition of POI and related assets and the alliance with

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Schlumberger immediately enhances our Company's business strategy and financial results and creates significant value for our shareholders," McGhan said. "This transaction will add significantly to Hanover's industry-leading organization and increase our worldwide rental fleet compression by 833,000 horsepower, not including the roughly 800,000 horsepower owned by the South American compression and gas handling joint venture, interests in which Hanover will acquire in this transaction. The alliance will establish Hanover as Schlumberger's most favored supplier with respect to its requirements worldwide for natural gas compression and related services. This transaction also adds directly and immediately to Hanover's growing gas treating business and fills out the total solutions package that Hanover offers its customers."

Hanover Compressor Company is a market leader in full service natural gas compression and a leading provider of service, financing, fabrication and equipment for contract natural gas handling applications. Hanover provides this equipment on a rental, contract compression, maintenance and acquisition leaseback basis to natural gas production, processing and transportation companies that are increasingly seeking outsourcing solutions. Founded in 1990 and a public company since 1997, its customers include premier independent and major producers and distributors throughout the Western Hemisphere.

Certain matters discussed in this press release are "forward-looking statements" intended to qualify for the safe harbors from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements can generally be identified as such because of the context of the statement and will include words such as "believes," "anticipates," "expects," "estimates," or words of similar import. Similarly, statements regarding the benefits to be realized through the acquisition or the alliance or that describe Hanover's future plans, objectives or goals are also forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties, which could cause actual results to differ materially from those anticipated as of the date of this press release. The risks and uncertainties include: inability of both parties to complete the acquisition of Production Operators and the related transactions, difficulty in integrating Production Operators into Hanover,

adverse regulatory decisions, the loss of market share through competition; the introduction of competing technologies by other companies; a prolonged, substantial reduction in oil and gas prices which would cause a decline in the demand for Hanover's compression and oil and gas production equipment; new governmental safety, health and environmental regulations which could require Hanover to make significant capital expenditures; inability to successfully integrate acquired businesses; and changes in economic or political conditions in the countries in which Hanover operates. The forward-looking statements included in this press release are only made as of the date of this press release, and Hanover undertakes no obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances. A discussion of these factors is included in the Company's periodic reports filed with the Securities and Exchange Commission.

Hanover Compressor Company  
Consolidated Statement of Income  
(unaudited)  
(in thousands of dollars, except per share amounts)

Three months ended June 30,		Six months ended June 30,	
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2001	2000	2001	2000

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Revenues and Other:				
Rentals	\$ 90,068	\$ 57,797	170,125	\$113,901
Parts, service and used equipment	66,125	24,234	104,455	35,550
Compressor fabrication	57,839	14,986	112,490	29,171
Production and processing equipment fabrication	45,342	15,186	88,933	21,111
Equity in income of non-consolidated affiliates	1,313	476	2,063	1,498
Other	2,391	4,405	4,776	6,410
	263,078	117,084	482,842	207,641
Expenses:				
Rentals	30,561	20,690	57,273	38,841
Parts, service and used equipment	48,524	16,045	70,410	24,251
Compressor fabrication	48,734	12,483	95,018	23,874
Production and processing equipment fabrication	35,297	11,935	70,446	16,418
Selling, general and administrative	22,658	10,899	42,635	20,014
Depreciation and amortization	19,061	12,292	35,928	22,651
Lease expense	15,639	10,060	30,927	18,136
Interest expense	3,259	1,005	5,963	2,635
Distributions on mandatorily redeemable convertible preferred securities	1,594	1,592	3,187	3,183
Other	15	0	3,007	
	225,342	97,001	414,794	170,003
Income before income taxes	37,736	20,083	68,048	37,638
Provision for income taxes	14,332	7,310	25,851	13,700
Net income before cumulative effect of accounting change	23,404	12,773	42,197	23,938
Cumulative effect of accounting change for derivative instruments, net of income tax	0	0	(164)	0
Net income	\$ 23,404	\$ 12,773	\$ 42,033	\$ 23,938
Diluted net income per share:				
Net income before cumulative effect of accounting change	\$ 23,404	\$ 12,773	\$ 42,197	\$ 23,938
Distributions on mandatorily redeemable convertible preferred securities, net of income tax	1,036	0	2,072	0
Cumulative effect of accounting change, net of income tax	0	0	(164)	0

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Net income for purposes of computing diluted net income per share	\$ 24,440	\$ 12,773	\$ 44,105	\$ 23,938
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Weighted average common equivalent shares outstanding:				
Basic	70,243	59,594	68,555	58,504
Diluted	79,205	64,396	77,557	63,689

Earnings per common share				
Basic	\$ 0.33	\$ 0.21	\$ 0.61	\$ 0.41
Diluted	\$ 0.31	\$ 0.20	\$ 0.57	\$ 0.38

SIGNATURES

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Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

HANOVER COMPRESSOR COMPANY

Date: August 9, 2001

By: /s/ Michael J. McGhan

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Name: Michael J. McGhan

Title: President and Chief Executive Officer