TETRA TECHNOLOGIES INC
Form 424B3
December 09, 2016
Table of Contents

Filed Pursuant to Rule 424(b)(3)
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The information in this prospectus supplement is not complete and may be changed. This prospectus supplement is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to completion

Preliminary prospectus dated December 9, 2016

Prospectus supplement

(To prospectus dated April 13, 2016)

15,000,000 shares

Warrants to purchase 7,500,000 shares

and 7,500,000 shares issuable upon exercise of the warrants

TETRA Technologies, Inc.

We are selling (i) 15,000,000 shares of our common stock at a price of $ per share, (ii) warrants to purchase 7,500,000 shares of our common stock on or prior to the date that is 60 months after the date such warrants are issued at an exercise price of $ per share of common stock (the Warrants) and (iii) 7,500,000 shares of our common stock issuable upon exercise of the Warrants at the public offering price per share set forth below. The shares of our common stock, the Warrants, and the shares issuable upon the exercise of the Warrants are sometimes collectively referred to herein as the securities. See Description of Capital Stock on page 3 of the prospectus and Description of the Warrants on page S-13 of this prospectus supplement for a more complete description of the securities offered hereby.

Our shares trade on the New York Stock Exchange under the symbol TTI. On December 8, 2016, the last sale price of the shares as reported on the New York Stock Exchange was $5.01 per share.

Investing in our common stock involves risks, including those described or referenced under Risk Factors on page S-5 of this prospectus supplement.

	Per share(1)	Total

Public offering price	$	$
Underwriting discounts(2)	$	$
Proceeds, before expenses, to us	$	$

(1) The Warrants are being offered for no additional consideration. The above proceeds do not include common stock that may be issued upon the exercise of the Warrants.

(2) Please read Underwriting (Conflicts of Interest) for a description of all underwriting compensation payable in connection with this offering.

The underwriters may also exercise their option to purchase from us up to an additional 2,250,000 shares, and additional Warrants to purchase 1,125,000 shares, at the public offering price, less the underwriting discount, for 30 days after the date of this prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares and the Warrants offered hereby will be ready for delivery on or about December , 2016.

Joint book-running managers

J.P. Morgan **Wells Fargo Securities**

The date of this prospectus supplement is December , 2016.

Table of Contents

Table of contents

Prospectus supplement

Prospectus

Table of Contents

About this prospectus

This document is in two parts. This prospectus supplement, which describes the terms of this offering, adds to, updates and changes the information contained in the accompanying prospectus, which provides more general information. Generally, when we refer to the prospectus, we are referring to this prospectus supplement and the accompanying prospectus combined. If the description of this offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement. Before you invest in any securities, you should carefully read this prospectus supplement, along with the accompanying prospectus, in addition to the information contained in the documents incorporated by reference into this prospectus supplement and referred to under the heading Where You Can Find More Information in this prospectus supplement and the accompanying prospectus.

You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and any related free writing prospectus filed with the Securities and Exchange Commission, or SEC, and used or referred to in an offering to you of these securities. We have not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are offering to sell, and seeking offers to buy, these securities only in jurisdictions where offers and sales are permitted. The information contained or incorporated by reference in this prospectus supplement is accurate only as of the date of this prospectus supplement, regardless of the time of delivery of this prospectus supplement or any related free writing prospectus or any sale of our securities. Our business, financial condition, results of operations and prospects may have changed since that date.

Table of Contents

Summary

This summary highlights information contained elsewhere in this prospectus supplement and the accompanying prospectus or incorporated herein or therein by reference. This summary does not contain all of the information that may be important to you. You should read this entire prospectus supplement and the accompanying prospectus carefully, including the risks discussed under Risk Factors and Cautionary Comment Regarding Forward-Looking Statements included elsewhere in this prospectus supplement and the consolidated financial statements and notes thereto and other information incorporated by reference herein or in the accompanying prospectus. Unless otherwise indicated or unless the context otherwise requires, all references in this prospectus to TETRA, TETRA Technologies, our company, we, our, us or similar references mean TETRA Technologies, Inc. and its consolidated subsidiaries.

Our company

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, offshore rig cooling, compression services and equipment, and selected offshore services including well plugging and abandonment, decommissioning, and diving. We also have a limited domestic oil and gas production business. We are composed of five reporting segments organized into four divisions Fluids, Production Testing, Compression, and Offshore.

Our Fluids Division manufactures and markets clear brine fluids, additives, and associated products and services to the oil and gas industry for use in well drilling, completion, and workover operations in the United States and in certain countries in Latin America, Europe, Asia, the Middle East, and Africa. The division also markets liquid and dry calcium chloride products manufactured at its production facilities or purchased from third-party suppliers to a variety of markets outside the energy industry. The Fluids Division also provides North American onshore oil and gas operators with comprehensive water management services.

Our Production Testing Division provides frac flowback, production well testing, offshore rig cooling, and other associated services in many of the major oil and gas producing regions in the United States, Mexico, and Canada, as well as in certain basins in certain regions in South America, Africa, Europe, the Middle East, and Australia.

Our Compression Division is a provider of compression services and equipment for natural gas and oil production, gathering, transportation, processing, and storage. The Compression Division s equipment and parts sales business includes the fabrication and sale of standard compressor packages, custom designed compressor packages, and oilfield fluid pump systems designed and fabricated at the division s facilities, as well as the sale of compressor package parts and components manufactured by third-party suppliers. The Compression Division s aftermarket services business provides compressor package reconfiguration and maintenance services. The Compression Division provides its services and equipment to a broad base of natural gas and oil exploration and production, midstream, transmission, and storage companies operating throughout many of the onshore producing regions of the United States as well as in a number of foreign countries, including Mexico, Canada, and Argentina.

Our Offshore Division consists of two operating segments: Offshore Services and Maritech. The Offshore Services segment provides: (1) downhole and subsea services such as well plugging and abandonment and workover services; (2) decommissioning and certain construction services utilizing heavy lift barges and various cutting technologies with regard to offshore oil and gas production platforms and pipelines; and (3) conventional and saturation diving services.

Table of Contents

The Maritech segment is a limited oil and gas production operation. During 2011 and the first quarter of 2012, Maritech sold substantially all of its oil- and gas-producing property interests. Maritech s operations consist primarily of the ongoing abandonment and decommissioning associated with its remaining offshore wells and production platforms. Maritech intends to acquire a portion of these services from the Offshore Division s Offshore Services segment.

We continue to pursue a long-term growth strategy that includes expanding our existing core businesses, with the exception of the Maritech segment, through internal growth and acquisitions, domestically and internationally.

Recent developments

As of the date of filing our Form 10-Q for the quarter ended September 30, 2016, we had anticipated receiving by December 31, 2016 revenues from a significant deep water completion fluid project and payment of an interim arbitration award of $7.0 million on a long-standing claim, plus legal fees. However, the deep water project has been deferred by the customer into the first quarter of 2017, and the arbitration award is now anticipated to be finalized and paid in the first half of 2017. As a result of these timing changes for receipt of payments, based on our current financial forecasts, without the completion of this or an alternate equity financing we have determined that we will not be in compliance with the leverage ratio covenants under our revolving credit agreement (the Credit Agreement) and our 11.0% Series 2015 Senior Notes and related note purchase agreement (the Note Purchase Agreement) as of December 31, 2016.

If we are unable to consummate this offering or an alternate equity offering financing, or are otherwise unable to obtain waivers of our anticipated leverage ratio covenant breaches, an event of default will occur under our Credit Agreement and Note Purchase Agreement. Any such events of default under our Credit Agreement and Note Purchase Agreement would allow the lenders to terminate their commitments and to accelerate all indebtedness outstanding thereunder beginning in the first quarter of 2017. However, if we consummate this offering, we plan to use the proceeds therefrom to repay outstanding indebtedness, and we believe that our financial covenant issues as of December 31, 2016 as described above will be resolved. The proceeds from this offering are also anticipated to provide increased financial flexibility so that we can respond to additional future weakness in market conditions.

Our executive offices

Our corporate headquarters are located at 24955 Interstate 45 North in The Woodlands, Texas. Our phone number is (281) 367-1983 and our website is accessed at www.tetratec.com. Information on our website is not incorporated into this prospectus or our other securities filings and is not a part of this prospectus.

Table of Contents

The offering

Issuer	TETRA Technologies, Inc.
Common stock offered by us	15,000,000 shares.
Warrants offered by us	Warrants to purchase 7,500,000 shares of our common stock on or prior to the date that is 60 months after the date such warrants are issued at an initial exercise price of $ per share. This prospectus supplement also relates to the offering of the shares issuable upon exercise of the Warrants.
Option to purchase additional securities	The underwriters may purchase up to an additional 2,250,000 shares of our common stock and additional Warrants to purchase up to 1,125,000 shares of our common stock within 30 days of the date of this prospectus supplement.
Common stock to be outstanding after the offering	108,364,270 shares (up to 115,864,270 shares assuming the exercise of the Warrants). If the underwriters option to purchase additional shares and Warrants is exercised in full, the total number of shares of common stock outstanding immediately after this offering would be 118,114,270 shares (up to 119,239,270 shares assuming the exercise of the Warrants).
Use of proceeds	We intend to use the net proceeds of approximately $ million from the offering, after deducting underwriting discounts and estimated offering expenses, to repay existing indebtedness and for general corporate purposes.
Conflicts of Interest	Affiliates of J.P. Morgan Securities LLC and Wells Fargo Securities, LLC are lenders under our revolving credit facility and an affiliate of J.P. Morgan Securities LLC is administrative agent under our revolving facility. Because such affiliates will receive 5% or more of the net proceeds of this offering due to the repayment of a portion of the revolving credit facility by us, J.P. Morgan Securities LLC and Wells Fargo Securities, LLC are deemed to have a conflict of interest under Rule 5121, or FINRA Rule 5121, of the Financial Industry Regulatory Authority, Inc., or FINRA. Accordingly, this offering is being made in compliance with the requirements of FINRA Rule 5121. The appointment of a qualified independent underwriter is not required in connection with this offering as a bona fide public market, as defined in FINRA Rule 5121, exists for our common stock. See Use of Proceeds and Underwriting (Conflicts of Interest).
Exchange listing	Our common stock is listed on the New York Stock Exchange under the symbol TTI.
Risk factors	An investment in our securities is subject to risks. Please refer to Risk Factors, and Cautionary Comment Regarding Forward-Looking Statements, together with all of the other information set forth in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein, before deciding to invest in shares of our common stock.

Transfer agent	Computershare Trust Company, N.A.

Table of Contents

Summary Financial Information

Our summary historical consolidated financial information as of and for the periods ended December 31, 2015, 2014 and 2013 is derived from our audited historical consolidated financial statements prepared in accordance with generally accepted accounting principles, or GAAP. Our summary historical consolidated financial information as of and for the periods ended September 30, 2016 and 2015 is derived from our unaudited historical consolidated financial statements prepared in accordance with GAAP. This financial information should be read in conjunction with our historical consolidated financial statements and the notes to those statements included in our Annual Report on Form 10-K for the year ended December 31, 2015 and our Quarterly Report on Form 10-Q for the quarter ended September 30, 2016, which are incorporated herein by reference.

	Year ended December 31,			Nine months ended September 30	
	2015	2014	2013	2016	2015
					(unaudited)
	(In thousands, except share and per share data)				
Statement of Operations Data					
Revenues	$ 1,130,145	$ 1,077,567	$ 909,398	$ 521,542	$ 872,555
Cost of Revenues	940,909	982,523	774,006	471,906	686,074
Gross profit	189,236	95,044	135,392	49,636	186,481
General and administrative expenses	157,812	142,689	131,466	89,381	113,651
Goodwill impairment	177,006	64,295		106,205	
Interest expense, net	50,514	31,998	17,121	43,299	40,231
Other (income) expense, net	5,667	13,933	(13,067)	9,930	1,123
Income (loss) before taxes	(201,763)	(157,871)	(128)	(199,179)	31,476
Provision (benefit) for income taxes	7,704	9,704	(3,454)	1,804	8,997
Net income (loss)	(209,467)	(167,575)	3,325	(200,983)	22,479
Income (loss) attributable to noncontrolling interest	83,284	(2,103)	(3,172)	71,075	(2,247)
Net income (loss) attributable to TETRA stockholders	$ (126,183)	$ (169,678)	$ 153	$ (129,908)	$ 20,232
Net income (loss) per share attributable to TETRA stockholders					
Basic	$ (1.59)	$ (2.16)	$	$ (1.53)	$ 0.26
Diluted	$ (1.59)	$ (2.16)	$	$ (1.53)	$ 0.25
Weighted average number of common shares outstanding used in computing pershare amounts:					
Basic	79,169	78,600	77,954	85,093	79,098
Diluted	79,169	78,600	78,840	85,093	79,455
Balance sheet data (end of period):					
Cash and cash equivalents	$ 23,057	$ 48,384	$ 38,754	$ 22,210	$ 25,478
Working capital	170,158	121,999	200,913	182,537	122,990
Total assets	1,656,376	2,082,388	1,206,533	1,372,050	1,941,313
Long-term debt, net of current portion	873,402	844,961	387,727	738,032	829,049
Total current liabilities	185,246	378,460	173,026	114,902	288,035
Total TETRA stockholders equity	241,217	369,713	555,541	175,849	381,712
Cash flow data from continuing operations:					
Net cash provided by operating activities	$ 195,951	$ 108,645	$ 49,656	$ 25,664	$ 118,227
Net cash used in investing activities	(114,987)	(967,739)	(100,025)	(9,107)	(94,947)
Net cash provided by (used in) financing activities	(103,437)	871,644	15,734	(16,214)	(44,570)

During the three months ended March 31, 2016, we adopted Accounting Standards Update No. 2015-03 whereby certain deferred finance costs were reclassified on our consolidated balance sheet.

Table of Contents

Risk factors

An investment in our securities involves various risks. You should carefully consider the matters discussed under Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2015, as amended, our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2016, June 30, 2016 and September 30, 2016, as well as other information we have provided in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference, before reaching a decision regarding an investment in our securities. The risks described below and cross-referenced in the documents above are not the only risks we face. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations.

Risks related to our common stock

Our common stock has experienced, and may continue to experience, price volatility.

The market price of our common stock may decline from its current levels in response to various factors and events beyond our control, including the following:

- operating results that vary from the expectations of securities analysts and investors;
- changes in expectations regarding our future financial performance, including financial estimates by securities analysts and investors;
- general conditions in our industry, including levels of government funding for infrastructure projects;
- announcements by us or our competitors of significant contracts, acquisitions, strategic partnerships, joint ventures, financings or capital commitments;
- changes in laws and regulations;
- general economic and competitive conditions;
- the limited trading volume of our common stock;
- our issuance of a significant number of shares of our common stock, including upon exercise of employee stock options or warrants; and
- the other risk factors described herein or incorporated by reference from our Annual Report on Form 10-K for the year ended December 31, 2015, as amended, and our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2016, June 30, 2016 and September 30, 2016.

We currently do not intend to pay dividends on our common stock and, consequently, you will achieve a positive return on your investment in our common stock only if the market price of our common stock appreciates above the price that you pay for it.

We have never paid any cash dividends on our common stock. For the foreseeable future, we intend to retain any earnings in our business, and we do not anticipate paying any cash dividends. Whether or not we declare any dividends will be at the discretion of the Board of Directors considering then-existing conditions, including our financial condition and results of operations, capital requirements, bonding prospects, contractual restrictions (including those under our debt agreements), business prospects and other factors that our Board of Directors considers relevant. Consequently, your only opportunity to achieve a return on your investment in our company will be if the market price of our common stock appreciates and you are able to sell your shares at a profit.

Table of Contents

Future sales or the possibility of future sales of our common stock in the public market could lower our stock price.

Our directors and executive officers will beneficially own approximately 2.64 million shares of our common stock after completion of this offering. These stockholders will be free to sell those shares, subject to the limitations of Rule 144 or Rule 144(k) under the Securities Act, and, subject to certain exceptions, the 60-day lock-up agreements that these stockholders have entered into with the underwriters. In addition, approximately 121,990 shares held by a director are not, and 295,502 shares that were issued pursuant to our long-term incentive plan in satisfaction of a portion of the approximately $2.1 million of bonuses earned for 2015 performance under our cash incentive compensation plan, based on the share price of our common stock at the time of issuance, would not be, subject to the restrictions set forth in such lock-up agreements. Registration of these restricted shares of common stock would permit their sale into the public market immediately. We cannot predict when these stockholders may sell their shares or in what volumes. However, the market price of our common stock could decline significantly if these stockholders sell a large number of shares into the public market after this offering or if the market believes that these sales may occur.

We may also issue our common stock from time to time as consideration for future acquisitions and investments. In the event that any such acquisition or investment is significant, the number of shares of our common stock that we may issue could in turn be significant. In addition, we may also grant registration rights covering those shares in connection with any such acquisition and investment.

We cannot predict the size of future issuances of our common stock or the effect, if any, that future issuances and sales of our common stock will have on the market price of our common stock. Sales of substantial amounts of our common stock (including shares of our common stock issued in connection with an acquisition or compensation or incentive plan), or the perception that sales could occur, may adversely affect prevailing market prices for our common stock.

Delaware law and our charter documents may impede or discourage a takeover or change of control.

Certain provisions of our certificate of incorporation, our bylaws and the provisions of Delaware law, individually or collectively, may impede a merger, takeover or other business combination involving us or discourage a potential acquirer from making a tender offer for our common stock, which could affect the market price of our common stock.

Risks related to this offering

There is no public trading market for the Warrants to purchase shares of common stock in this offering.

There is no established public trading market for the Warrants being sold in this offering, and we do not expect such a market to develop. This may negatively affect the market value of the Warrants and your ability to transfer or sell your shares. In addition, we do not intend to apply to list the Warrants on any securities exchange or other nationally recognized trading system. Without an active market, the liquidity of the Warrants will be limited.

The market price of our common stock, which has been volatile and may continue to be volatile, may adversely affect the value of the Warrants sold in this offering, and you may not be able to recover the value of your investment.

The market price of our common stock, which has been volatile and may continue to be volatile, will affect the value of the Warrants sold in this offering. The market price of our common stock will likely fluctuate in response to a number of factors, including our financial condition and operating results, as well as economic, financial and other factors, many of which are beyond our control. For more information regarding such factors, see Risks Related to Our Common Stock Our common stock has experienced, and may continue to experience, price volatility. In order for you to recover the value of your investment in the Warrants, the market price of our common stock must increase from the price in effect on the date of this prospectus supplement. However, there can be no assurance that the market price of our common stock will exceed the price required for you to achieve a positive return on your investment upon a warrant exercise date.

We may not be able to fully redeem the holders of the Warrants if we experience a Fundamental Transaction.

The holders of our Warrants may require us to redeem the Warrants if we experience a Fundamental Transaction (as defined in the Warrants), which includes but is not limited to a change of control, business combination, merger or sale of substantially all of the assets. There can be no assurance that in the event of a change of control we will be able to sufficiently compensate the holders of the Warrants for the impact the change of control has on the price of shares of our common stock. In addition, the Fundamental Transaction terms may delay a potential change of control even if such change may be beneficial to some or all our shareholders. These restrictions may also adversely affect the market price of shares of our common stock.

The holders of the Warrants will have no rights as shareholders until they acquire shares of our common stock.

Until you become a holder of record of shares of our common stock issued upon settlement of your Warrants, you will have no rights with respect to such shares, including rights to vote or rights to respond to tender offers. Upon exercise of your Warrants, you will be entitled to exercise the rights of a shareholder only as to matters for which the record date occurs on or after the date you become the holder of record of such shares.

The Warrants included in this offering may not have any value.

The Warrants have an exercise price of $ per share. In the event the price of our common stock does not exceed the exercise price of the Warrants on their exercise date, the Warrants may not have any value. If the Warrants are not exercised on or before the expiration date, they will expire unexercised, and you will not receive any shares of our common stock.

Each purchaser in this offering will experience immediate and substantial dilution in the net tangible book value per share of common stock it purchases in this offering.

Since the public offering price per share of common stock being offered is substantially higher than the net tangible book value per share outstanding prior to this offering, the purchasers in this offering will suffer substantial dilution in the net tangible book value of the shares they purchase in this offering. Based on the public offering price of $ per share, the purchasers will suffer immediate and substantial dilution of $ per share, representing the difference in the as adjusted net tangible book value per share as of September 30, 2016 after giving effect to this offering. See the section entitled Dilution below for a more detailed discussion of the dilution the purchasers will incur if they purchase our securities in this offering.

The purchasers in this offering may experience future dilution.

In order to raise additional capital, we may in the future offer additional shares of common stock or other securities convertible into, or exchangeable for, our common stock at prices that may not be the same as the price per share in this offering. We have an effective shelf registration statement from which additional shares and other securities can be offered. We cannot assure you that we will be able to sell common stock or other securities in any other offering at a price per share that is equal to or greater than the price per share paid by investors in this offering. If the price per share at which we sell additional common stock or related securities in future transactions is less than the price per share in this offering, investors who purchase our common stock in this offering will suffer a dilution of their investment. You will incur dilution upon vesting of any outstanding restricted share awards or restricted share units or upon exercise of any outstanding stock options.

Table of Contents

Cautionary comment regarding forward-looking statements

Some information contained in this prospectus, any prospectus supplement and in the documents we incorporate by reference herein and therein may contain certain statements (other than statements of historical fact) that constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or Exchange Act. Forward-looking statements generally can be identified by the use of words such as anticipa