

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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**FORM 8-K**

CURRENT REPORT  
Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

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Date of Report (Date of earliest event reported): May 11, 2018

**SAEXPLORATION HOLDINGS, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation)

**001-35471**

(Commission file number)

**27-4867100**

(IRS Employer Identification No.)

**1160 Dairy Ashford Rd., Suite 160, Houston, Texas 77079**

(Address of principal executive offices) (Zip Code)

**(281) 258-4400**

(Company's telephone number, including area code)

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14(d)-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

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## **Item 2.02. Results of Operations and Financial Condition.**

On May 15, 2018, SAExploration Holdings, Inc. (the “Company”) issued a press release reporting its consolidated financial results for the first quarter ended March 31, 2018.

A copy of the press release is being furnished as an exhibit to this Current Report and incorporated by reference into this Item 2.02. The information set forth in this Item 2.02, including Exhibit 99.2 attached hereto, is being furnished and shall not be deemed to be “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section. The information in this Item 2.02 shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, as amended, except as otherwise expressly stated in such filing.

## **Item 8.01. Other Events.**

On May 11, 2018, the Company issued a press release announcing that it plans to publicly release its consolidated financial results for the first quarter ended March 31, 2018, on Tuesday, May 15, 2018, after the close of trading. In addition, the Company announced that an investors’ conference call to review these results will be held on Wednesday, May 16, 2018 at 10:00 a.m. Eastern Time.

The information in this Item 8.01, including Exhibit 99.1 attached hereto, is being furnished and shall not be deemed “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section. The information in this Item 8.01 shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, as amended, except as otherwise expressly stated in such filing.

### **CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This report contains “forward-looking statements” within the meaning of the U.S. federal securities laws, with respect to the Company’s financial condition, results of operations, cash flows and business, and expectations or beliefs concerning future events. These forward-looking statements can generally be identified by phrases such as “expects,” “anticipates,” “believes,” “estimates,” “intends,” “plans to,” “ought,” “could,” “will,” “should,” “likely,” “appears,” “projects,” “forecasts,” “outlook” or other similar words or phrases. There are inherent risks and uncertainties in any forward-looking statements. Although the Company believes that its expectations are reasonable, it can give no assurance that these expectations will prove to have been correct, and actual results may vary materially. Except as required by law, the Company undertakes no obligation to update, amend or clarify any forward-looking statements to reflect events, new information or otherwise. Some of the important factors that could cause actual results to differ materially from the Company’s expectations are discussed below. All written and oral forward-looking statements attributable to the Company, or persons acting on its behalf, are expressly qualified in their entirety by these cautionary statements.

You should refer to the risk factors from the Company’s Annual Report filed on March 15, 2018, for the fiscal year ended December 31, 2017, and as updated in its Form 10-Q filed for the period ended March 31, 2018, for specific risks which would cause actual results to be significantly different from those expressed or implied by any of the Company’s forward-looking statements. It is not possible to identify all of the risks, uncertainties and other factors that may affect future results. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this report may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements. Accordingly, readers of this report are cautioned not to place undue reliance on the forward-looking statements.

**Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits.

Exhibit No. Description

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[99.1](#) Press Release dated May 11, 2018.

[99.2](#) Press Release dated May 15, 2018.

**SIGNATURE**

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.

Date: May 16, 2018      SAExploration Holdings, Inc.

By: /s/ Brent Whiteley  
Name: Brent Whiteley  
Title: Chief Financial Officer, General Counsel and  
Secretary

**EXHIBIT INDEX**

Exhibit No. Description

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99.1 Press Release dated May 11, 2018.

99.2 Press Release dated May 15, 2018.



FOR IMMEDIATE RELEASE

## SAEXPLORATION ANNOUNCES FIRST QUARTER 2018 EARNINGS RELEASE AND CONFERENCE CALL SCHEDULE

May 11, 2018 – HOUSTON, TX – **SAExploration Holdings, Inc.** (NASDAQ: SAEX, OTCQB: SXPLW) today announced plans to release its unaudited consolidated financial results for the first quarter ended March 31, 2018 on Tuesday, May 15, 2018 after close of trading. SAE has scheduled a conference call for Wednesday, May 16, 2018 at 10:00 a.m. ET to discuss these results and other related matters.

### **SAExploration Holdings, Inc. Q1 2018 Earnings Call**

Date: Wednesday, May 16, 2018  
Time: 10:00 a.m. ET (9:00 a.m. CT)  
Phone: (855) 433-0934 (Toll-Free) or (484) 756-4291 (Toll)

The conference call will also be broadcast live on the *Investors* section of SAE's website at [www.saexploration.com](http://www.saexploration.com). To listen to the live call via the Company's website, please go to the website at least 15 minutes early to register and download any necessary audio software. If you are unable to listen live, the webcast of the conference call will be archived on the Company's website for at least 90 days.

### **About SAExploration Holdings, Inc.**

SAE is an internationally-focused oilfield services company offering a full range of vertically-integrated seismic data acquisition and logistical support services in remote and complex environments throughout Alaska, Canada, South America, Southeast Asia and West Africa. In addition to the acquisition of 2D, 3D, time-lapse 4D and multi-component seismic data on land, in transition zones and offshore in depths reaching 3,000 meters, SAE offers a full suite of logistical support and in-field data processing services, such as program design, planning and permitting, camp services and infrastructure, surveying, drilling, environmental assessment and reclamation and community relations. SAE operates crews around the world, performing major projects for its blue-chip customer base, which includes major integrated oil companies, national oil companies and large independent oil and gas exploration companies. Operations are supported through a multi-national presence in Houston, Alaska, Canada, Peru, Colombia, Bolivia, Brazil and New Zealand. For more information, please visit SAE's website at [www.saexploration.com](http://www.saexploration.com).

The information in SAE's website is not, and shall not be deemed to be, a part of this notice or incorporated in filings SAE makes with the Securities and Exchange Commission.

### **Forward Looking Statements**

Safety. Acquisition. Experience [saexploration.com](http://saexploration.com)

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This press release contains certain "forward-looking statements" within the meaning of the U.S. federal securities laws with respect to SAE. These statements can be identified by the use of words or phrases such as "expects," "estimates," "projects," "budgets," "forecasts," "anticipates," "intends," "plans," "may," "will," "could," "should," "believes," "predicts," "potential," "continue," and similar expressions. These forward-looking statements include statements regarding SAE's financial condition, results of operations and business and SAE's expectations or beliefs concerning future periods and possible future events. These statements are subject to significant known and unknown risks and uncertainties that could cause actual results to differ materially from those stated in, and implied by, this press release. Risks and uncertainties that could cause actual results to vary materially from SAE's expectations are described under "Risk Factors" and "Cautionary Note Regarding Forward-Looking Statements" in SAE's filings with the Securities and Exchange Commission. Except as required by applicable law, SAE is not under any obligation to, and expressly disclaims any obligation to, update or alter its forward looking statements, whether as a result of new information, future events, changes in assumptions or otherwise.

### **Contact**

SAExploration Holdings, Inc.  
Ryan Abney  
Vice President, Finance  
(281) 258-4400  
rabney@saexploration.com

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FOR IMMEDIATE RELEASE

## SAEXPLORATION ANNOUNCES FIRST QUARTER 2018 CONSOLIDATED FINANCIAL RESULTS

May 15, 2018 – Houston, TX – SAExploration Holdings, Inc. (NASDAQ: SAEX, OTCQB: SXPLW) today announced its unaudited consolidated financial results for the first quarter (“Q1”) ended March 31, 2018.

### First Quarter 2018 Summary

- Revenue of \$37.1 million, compared to \$86.2 million in Q1 2017
- Gross profit of \$8.7 million, or 23.4% of revenues, compared to \$25.1 million, or 29.2% of revenues, in Q1 2017
- Adjusted gross profit, a non-GAAP measure, of \$11.1 million, or 29.9% of revenues, compared to \$28.4 million, or 33.0% of revenues, in Q1 2017
- Net (loss) income available to common stockholders of \$(38.5) million, or \$(3.79) per share, compared to \$6.8 million, or \$0.73 per share, in Q1 2017
- Adjusted EBITDA, a non-GAAP measure, of \$6.0 million, or 16.3% of revenues, compared to \$22.7 million, or 26.4% of revenues, in Q1 2017
- Contracted backlog of \$35.3 million through year-end 2018 and \$401.4 million of bids outstanding as of March 31, 2018

Jeff Hastings, Chairman and CEO of SAE, commented, “This past quarter was challenging but also encouraging in certain respects. While activity in Alaska was down year-over-year, mostly due to the uncertain environment the state legislature has created over the past few years regarding production taxes and other matters, activity in Canada and Colombia was moderately higher than during the same time in prior periods. Operating margins during the first quarter were also impacted by tighter pricing, although we were somewhat successful in making up ground through outperforming at the field level on some fixed rate projects, partially offsetting the impact on contract pricing from an increase in competitive pressures. While we are seeing an improvement in bid opportunities, we continue to have to manage in a very difficult business environment due to persistent low levels of exploration spending.”

Mr. Hastings continued, “Given our current visibility and contracted backlog, we continue to expect 2018 to be a transition year, with activity levels not dissimilar from 2017. Colombia continues to be a positive market for us with new opportunities continuing to emerge beyond the projects already in backlog. The ocean-bottom marine market continues to remain active, but also highly competitive. We are encouraged by the addition of a small ocean-bottom marine project we recently added to backlog in the North Sea, which will be our inaugural project in that market. Alaska seems to be improving in the level of customer interest. However, due to the seasonality



of that market, any new projects would likely take place in 2019. Aside from our core markets, we continue to evaluate and compete on opportunities in new markets, where we can effectively and efficiently deploy our equipment and people without stretching our resources. Moreover, our ongoing discussions with potential customers regarding long-term agreements and exclusive rights to new and innovative technologies also continue to progress.”

Mr. Hastings concluded, “With respect to the Alaskan tax credits, we continue to evaluate alternative paths to monetization. We are closely monitoring the State of Alaska’s progress with respect to its potential bond issuance to retire outstanding tax credits, and we continue to engage in discussions with potential strategic purchasers of the credits. In the meantime, our focus remains fixed on cash generation and preservation. We believe with our revamped capital structure and decreased interest expense, SAE is appropriately positioned to capitalize on a recovery in exploration spending.”

### **First Quarter 2018 Financial Results**

Revenues decreased 56.9% to \$37.1 million from \$86.2 million in Q1 2017, primarily due to a decrease in the number and size of projects in Alaska compared to last year, and no activity in West Africa, where we had a significant ocean-bottom marine project in Q1 2017, partially offset by year-over-year increases in revenue in Colombia and Canada. Activity levels in all jurisdictions continue to be impacted by poor market conditions due to the sustained low commodity price environment and continued uncertainty regarding the outlook for the oil and gas industry.

Gross profit was \$8.7 million, or 23.4% of revenues, compared to \$25.1 million, or 29.2% of revenues, in Q1 2017. Gross profit for Q1 2018 and Q1 2017 included depreciation expense of \$2.4 million and \$3.3 million, respectively. Gross profit excluding depreciation expense, or adjusted gross profit, which is a non-GAAP measure that is defined and calculated below, for Q1 2018 was \$11.1 million, or 29.9% of revenues, compared to \$28.4 million, or 33.0% of revenues, in Q1 2017. The year-over-year decrease in gross profit during Q1 2018 was primarily due to the decrease in revenue and less favorable pricing when taking into account the fixed costs involved in our projects.

Selling, general and administrative (“SG&A”) expenses during the quarter decreased 2.1% to \$6.4 million from \$6.5 million in Q1 2017. The decrease in SG&A expenses was primarily due to cost reduction initiatives offset by a year-over-year increase in stock based compensation expense in Q1 2018 due to the accelerated vesting of outstanding equity awards under our previous long-term incentive plan that was replaced as a part of our recent restructuring. During Q1 2018 and Q1 2017, there were approximately \$1.2 million and \$0.9 million, respectively, of non-recurring or non-cash expenses included in SG&A.

(Loss) income before income taxes was \$(0.9) million during the quarter, compared to \$10.6 million in Q1 2017. The decrease in (loss) income before income taxes was largely due to lower gross profit generated on lower revenue, partially offset by a decrease in interest expense, which was \$3.1 million during the period, compared to \$8.4 million in Q1 2017. During Q1 2018, interest expense included approximately \$1.2 million of non-cash amortization costs, compared to \$5.3 million of non-cash amortization costs and \$2.2 million of interest that was paid in-kind during Q1 2017.

Net (loss) income available to common stockholders for the quarter was \$(38.5) million, or \$(3.79) per diluted share, compared to \$6.8 million, or \$0.73 per diluted share, in Q1 2017. Net (loss) income was impacted by a number of factors during Q1 2018, including:

- Decreased revenue and lower gross profit;
- Higher effective tax rate; and

- Amortization of Series A Preferred Stock discount; partially offset by
- Lower interest expense.

Adjusted EBITDA, which is a non-GAAP measure and is defined and calculated below, was \$6.0 million during the quarter, compared to \$22.7 million in Q1 2017.

Capital expenditures were \$0.1 million during the quarter, compared to \$2.2 million in Q1 2017. The low level of capital expenditures in Q1 2018 was primarily due to the continuation of unfavorable conditions in the oil and gas industry, which presented limited to no growth opportunities requiring SAE to make capital expenditures. Due to current activity levels, SAE continues to expect its capital expenditures for 2018 to be less than \$5.0 million.

On March 31, 2018, cash and cash equivalents totaled \$13.4 million, working capital was \$10.3 million, total debt at face value, excluding net unamortized premiums or discounts, was \$57.8 million, and total stockholders' equity was \$41.0 million.

### **Contracted Backlog**

As of March 31, 2018, SAE's backlog was \$35.3 million. Bids outstanding on the same date totaled \$401.4 million. Approximately 71% of the backlog is comprised of land-based projects and the remainder is comprised of marine projects. Additionally, approximately 44% of the projects are located in South America, 27% in North America, and the remainder in Europe. SAE currently expects to substantially complete all of the projects in its backlog on March 31, 2018 during the remainder of 2018.

The estimations of realization from our backlog can be impacted by a number of factors, however, including deteriorating industry conditions, customer delays or cancellations, permitting or project delays and environmental conditions.

### **Investor Conference Call**

SAE will host a conference call on Wednesday, May 16, 2018 at 10:00 a.m. Eastern Time to discuss its unaudited consolidated financial results for the first quarter ended March 31, 2018. Participants can access the conference call by dialing (855) 433-0934 (toll-free) or (484) 756-4291 (toll). SAE will also offer a live webcast of the conference call on the *Investors* section of its website at [www.saexploration.com](http://www.saexploration.com).

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Canada, Peru, Colombia, Bolivia and Malaysia. For more information, please visit SAE's website at [www.saexploration.com](http://www.saexploration.com).

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### **Forward Looking Statements**

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### **Contact**

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands, except share and per share amounts)

	Three Months Ended March 31,	
	2018	2017
Revenue from services	\$ 37,123	\$ 86,169
Cost of services excluding depreciation and amortization expense	26,005	57,774
Depreciation and amortization expense included in cost of services	2,421	3,251
Gross profit	8,697	25,144
Selling, general and administrative expenses	6,377	6,517
Income from operations	2,320	18,627
Other (expense) income:		
Interest expense, net	(3,141)	(8,358)
Foreign exchange (loss) gain, net	(174)	311
Other income (expense), net	145	(13)
Total other expense, net	(3,170)	(8,060)
(Loss) income before income taxes	(850)	10,567
Provision for income taxes	624	1,740
Net (loss) income	(1,474)	8,827
Less: net income attributable to non-controlling interest	835	1,982
Net (loss) income attributable to the Corporation	(2,309)	6,845
Less: preferred stock dividends	456	—
Less: accretion of Series A preferred stock discount	35,695	—
Net (loss) income available to common stockholders	\$ (38,460)	\$ 6,845
(Loss) income per share:		
Weighted average basic shares outstanding	10,154,195	9,358,529
(Loss) income per share – basic	\$ (3.79)	\$ 0.73
Weighted average diluted shares outstanding	10,154,195	9,391,022
(Loss) income per share – diluted	\$ (3.79)	\$ 0.73

**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In thousands, except share and par value amounts)

	<b>March 31, 2018</b>	<b>December 31, 2017</b>
	<i>(Unaudited)</i>	
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 13,395	\$ 3,613
Restricted cash	17	41
Accounts receivable, net	19,558	6,105
Deferred costs on contracts	2,275	2,107
Prepaid expenses	3,414	6,395
Other assets	555	—
Total current assets	39,214	18,261
Property and equipment, net of accumulated depreciation of \$75,046 and \$72,649 at March 31, 2018 and December 31, 2017, respectively	30,638	32,946
Intangible assets, net of accumulated amortization of \$758 and \$732 at March 31, 2018 and December 31, 2017, respectively	629	671
Goodwill	1,783	1,832
Deferred loan issuance costs, net	4,282	5,352
Accounts receivable, noncurrent, net	78,102	78,102
Deferred income tax assets	5,123	4,592
Other assets	181	182
Total assets	\$ 159,952	\$ 141,938
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 12,167	\$ 4,551
Accrued liabilities	8,778	6,311
Income and other taxes payable	7,706	7,887
Borrowings under senior loan facility	—	995
Deferred revenue	257	1,477
Total current liabilities	28,908	21,221
Borrowings under credit facility, net of unamortized deferred loan issuance costs of \$440 and \$599 at March 31, 2018 and December 31, 2017, respectively	19,560	4,401
Borrowings under senior loan facility	29,000	29,000
Second lien notes, net of unamortized discount of \$4 and \$60 at March 31, 2018 and December 31, 2017, respectively	6,956	85,050
Senior secured notes, net of unamortized deferred loan issuance costs of \$21 and \$25 at March 31, 2018 and December 31, 2017, respectively	1,844	1,847
Other long-term liabilities	615	608
Total liabilities	86,883	142,127
<b>Mezzanine equity:</b>		
Series A preferred stock, \$0.0001 par value, 1,000,000 shares authorized, redemption value of \$32,105 and 31,669 shares outstanding at March 31, 2018 and no shares outstanding at December 31, 2017	32,105	—
<b>Stockholders' equity (deficit):</b>		
Common stock, \$0.0001 par value, 200,000,000 and 55,000,000 shares authorized, and 14,922,117 and 9,424,334 outstanding at March 31, 2018 and December 31, 2017, respectively	2	1
Additional paid-in capital	175,660	133,741
Accumulated deficit	(135,321)	(133,306)
Accumulated other comprehensive loss	(4,494)	(5,082)
Treasury stock, at cost	(288)	(113)
Total stockholders' equity (deficit) attributable to the Corporation	35,559	(4,759)
Non-controlling interest	5,405	4,570
Total stockholders' equity (deficit)	40,964	(189)
Total liabilities and stockholders' equity (deficit)	\$ 159,952	\$ 141,938

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME**  
(In thousands)

	Three Months Ended March 31,	
	2018	2017
Net (loss) income	\$ (1,474)	\$ 8,827
Foreign currency translation (loss) gain	588	(65)
Total comprehensive (loss) income	(886)	8,762
Less: comprehensive income attributable to non-controlling interest	835	1,982
Comprehensive (loss) income attributable to the Corporation	(1,721)	6,780
Less: Series A preferred stock dividend	456	—
Less: accretion of Series A preferred stock discount	35,695	—
Comprehensive (loss) income available to common stockholders	\$ (37,872)	\$ 6,780

**UNAUDITED CONSOLIDATED REVENUES BY REGION**  
(In thousands)

	Three Months Ended March 31,			
	2018	%	2017	%
North America	\$ 27,679	74.6%	\$ 46,364	53.8%
South America	9,444	25.4%	1,771	2.1%
Southeast Asia	—	—	2,868	3.3%
West Africa	—	—	35,166	40.8%
Total revenue	\$ 37,123	100.0%	\$ 86,169	100.0%

**UNAUDITED RECONCILIATION OF NET (LOSS) INCOME TO NON-GAAP ADJUSTED EBITDA**  
(In thousands)

We use an adjusted form of EBITDA to measure period-over-period performance, which is a non-GAAP measurement. Adjusted EBITDA is defined as net (loss) income plus (i) depreciation and amortization; (ii) interest expense; (iii) income taxes; (iv) share-based compensation; (v) gain on early extinguishment of debt; (vi) (gain) loss on disposal of property and equipment; (vii) foreign exchange loss (gain); and (viii) non-recurring expenses. Our management uses Adjusted EBITDA as a supplemental financial measure to assess: (i) the financial performance of our assets without regard to financing methods, capital structures, taxes, historical cost basis or non-recurring expenses; (ii) our liquidity and operating performance over time in relation to other companies that own similar assets and calculate Adjusted EBITDA in a similar manner; and (iii) the ability of our assets to generate cash sufficient to pay potential interest cost. We consider Adjusted EBITDA as presented below to be the primary measure of period-over-period changes in our operational cash flow performance.

The terms EBITDA and Adjusted EBITDA are not defined under GAAP, and we acknowledge that these are not measures of operating income, operating performance or liquidity presented in accordance with GAAP. When assessing our operating performance or liquidity, investors and others should not consider this data in isolation or as a substitute for net income, cash flow from operating activities or other cash flow data calculated in accordance with GAAP. In addition, our calculation of Adjusted EBITDA may not be comparable to EBITDA or similarly titled measures utilized by other companies since such other companies may not calculate EBITDA or similarly titled measures in the same manner. Further, the results presented by Adjusted EBITDA cannot be achieved without incurring the costs that the measure excludes.

The computation of our Adjusted EBITDA, a non-GAAP measure, from net (loss) income, the most directly comparable GAAP financial measure, is provided in the table below.

	<b>Three Months Ended March 31,</b>	
	<b>2018</b>	<b>2017</b>
Net (loss) income	\$ (1,474)	\$ 8,827
Depreciation and amortization <sup>(1)</sup>	2,499	3,356
Interest expense, net	3,141	8,358
Provision for income taxes	624	1,740
Share-based compensation <sup>(2)</sup>	1,053	629
Gain on early extinguishment of debt <sup>(3)</sup>	(53)	—
(Gain) loss on disposal of property and equipment, net <sup>(4)</sup>	(181)	4
Foreign exchange loss (gain), net <sup>(5)</sup>	174	(311)
Non-recurring expenses <sup>(6)(7)</sup>	253	112
Adjusted EBITDA	<u>\$ 6,036</u>	<u>\$ 22,715</u>

(1) Additional depreciation and amortization expenses not related to the cost of services were \$78 and \$105 in the three months ended March 31, 2018 and 2017, respectively.

(2) Share-based compensation primarily relates to the non-cash value of stock options and restricted stock awards granted to the company's employees and directors.

(3) Gain on early extinguishment of debt is primarily the impact of the exchange offer related to the 2017 Restructuring that closed on January 29, 2018.

(4) (Gain) loss on disposal of property and equipment, net, is primarily the impact of sale of equipment.

(5) Foreign exchange loss (gain), net, includes the effect of both realized and unrealized foreign exchange transactions.

(6) Non-recurring expenses in 2018 primarily consist of severance payments incurred at several locations and various non-operating expenses incurred at the corporate location for legal and consulting fees.

(7) Non-recurring expenses in 2017 primarily consist of various non-operating expenses incurred at the corporate location for legal and consulting fees.

#### **UNAUDITED RECONCILIATION OF GROSS PROFIT TO NON-GAAP ADJUSTED GROSS PROFIT (In thousands)**

We use an adjusted form of gross profit to measure period-over-period performance, which is not derived in accordance with GAAP. Adjusted Gross Profit is defined as gross profit plus depreciation and amortization expense related to the cost of services. Our management uses Adjusted Gross Profit as a substantial financial measure to assess the cost management and performance of our projects. Within the seismic data services industry, gross profit is presented both with and without depreciation and amortization expense on equipment used in operations and, therefore, we also use this measure to assess our performance over time in relation to other companies that own similar assets and calculate gross profit in the same manner.

The term Adjusted Gross Profit is not defined under GAAP, and we acknowledge that it is not a measure of operating income, operating performance or liquidity presented in accordance with GAAP. When assessing our operating performance or liquidity, investors and others should not consider this data in isolation or as a substitute for gross profit calculated in accordance with GAAP. In addition, our calculation of Adjusted Gross Profit may not be comparable to gross profit or similarly titled measures utilized by other companies since such other companies may not calculate adjusted gross profit in the same manner. Further, the results presented by Adjusted Gross Profit cannot be achieved without incurring the costs that the measure excludes.

The computation of our Adjusted Gross Profit, a non-GAAP measure, from gross profit, the most directly comparable GAAP financial measure, is provided in the table below:

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2018</b>	<b>2017</b>
Gross profit as presented	\$ 8,697	\$ 25,144
Depreciation and amortization expense included in cost of services <sup>(1)</sup>	2,421	3,251
Adjusted gross profit	<u>\$ 11,118</u>	<u>\$ 28,395</u>

(1) Depreciation and amortization expense included in cost of services includes depreciation and amortization on equipment used in operations.