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Q3 2019 ION Geophysical Corp Earnings Call

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PRESENTATION

Operator

Greetings, and welcome to the ION Geophysical Third Quarter 2019 Earnings Conference Call. (Operator Instructions) As a reminder, this conference is being recorded. It is now my pleasure to introduce your host, Rachel White, Vice President of Corporate Communications. Thank you. You may begin.

Rachel White *ION Geophysical Corporation - VP of Corporate Communications*

Thank you, operator. Good morning, and welcome to ION's Third Quarter 2019 Earnings Conference Call. We appreciate your joining us today. As indicated on Slide 2, our hosts today are Chris Usher, President and Chief Executive Officer; and Steve Bate, Executive Vice President and Chief Financial Officer.

Before I turn the call over to them, I have a few items to cover. We'll be using slides to accompany today's call, which are accessible via link on our website, iongeo.com. There, you will also find a replay of today's call.

Before we begin, let me remind you that certain statements made during this call may constitute forward-looking statements. These statements are subject to various risks and uncertainties, including those detailed in our latest 10-K and other SEC filings, which may cause our results or performance to differ materially from those projected in these statements. Our remarks today may also include non-GAAP financial measures. Additional details regarding these non-GAAP financial measures, including reconciliations to the most directly comparable GAAP financial measures can be found in our earnings release issued yesterday.

I'll now turn the call over to Chris, who will begin on Slide 4.

Christopher T. Usher *ION Geophysical Corporation - President & CEO*

Thank you, Rachel. Good morning, everyone, and thanks again for joining us today. Our third quarter financial performance was an improvement year-on-year, however, we haven't launched the scale of new multi-client programs we had originally anticipated. Against the backdrop of continued fiscal discipline in the E&P sector and limited geographies where serious investment is flowing, our revenues were up 13% year-on-year and 27% sequentially. In fact, all aspects of our business improved.

Our adjusted EBITDA of \$16 million this quarter was up from \$13 million in the prior year. Year-to-date, our revenues are up 25%, and our adjusted EBITDA is up over 300% from 2018. Gross margin is also up from 35% in the prior year to 47% this quarter. Steve will elaborate on our financial results in a few minutes.

As I mentioned last quarter in my first earnings call as CEO, my near-term focus for ION is improved execution. We're making tangible progress on a portfolio of growth initiatives and in healthy, expanding market segments while delivering near-term results. We are increasingly focused on where we're investing. I'll call out a couple of examples we can speak to in each segment.

There are exciting opportunities to not only build on ION's traditional data library and imaging strengths, but also to commercialize new technology we've been developing over the last few years and to adapt our cutting-edge capabilities for new markets.

I spoke at length about market dynamics last time. So I'll just quickly reiterate that our E&P outlook is unchanged. We expect continued portfolio rationalization and high grading, as companies seek to find the best return on investment opportunities to meet oil and gas



demand in the next decade. Near term, we are seeing positive market signals, but anticipate exploration will remain lumpy. Due to more competitive return on investment and payback periods, we're seeing investment flow offshore again, which is favorable for our business. Our third-party imaging services business is a decent barometer of the sector, and both the number of bids and project duration is growing. Imaging Services revenues are up 70% from last year, and backlog remains near its highest level since 2015. As investment returns offshore, our customers are focusing on higher, faster return infrastructure-led exploration that is often in complex geological environments. As a result, we believe these trends support the increased use of seabed seismic as a tool of choice and in a multiclient business model. ION's offerings are now well aligned across our segments to capitalize on this developing industry theme.

In our E&P Technology & Services segment, revenues increased 11% this quarter compared to the third quarter 2018, primarily due to an increase in our Imaging Services revenues. Our multi-client revenues were modestly up year-over-year, with a significant portion of third quarter revenues from our Picanha 3D reimaging program offshore Brazil and, to a lesser extent, from revenues from our North American programs. Year-to-date, our multi-client revenues are up 29% due to North and South American data sales.

Brazil has continued to garner considerable attention and investment due to its attractive proven acreage and investor-friendly business environment. Brazil held 6 license rounds during 2017 and 2018 that their petroleum agency, the ANP, estimates generated \$112 billion in new investment. Oil and gas production in Brazil is up nearly 20% this year as some of these new projects started coming online. Additional upcoming license rounds later this year, including the highly anticipated transfer of rights surplus bidding round are expected to attract a number of large international E&P companies and significant investment in data before the end of the year. Our Picanha 3D multi-client program offshore Brazil is a huge 100,000 square kilometers seamlessly reimaged multi-vintage data set that many explorers have found valuable in calibrating their exploration and bidding strategies.

For the first time since the downturn, we are starting to see more material corporate consolidation in our E&P customer base, which not only helps market dynamics, but also creates for us, data library transfer fee opportunities, one of which occurred in the quarter. Since our data library is still primarily 2D and globally distributed, we didn't see quite as much of a windfall as our competitors who had concentrated 3D libraries in the Gulf of Mexico. We were pleased to modestly benefit from this event, nonetheless.

As expected, we had very focused engagement from E&P clients on targeted exploration programs within specific geographic areas. We believe the new venture program activity will continue to improve, and as we stated in February, we plan to increase the number of new sanctioned programs this year. We have sanctioned 8 new multi-client programs so far this year, compared to 7 for all of 2018. While the quantity improved, the scale and timing of new multi-client programs didn't materialize as we had envisioned at the beginning of the year.

During the quarter, we sanctioned 2 new 3D multi-client programs. The first is offshore Denmark that we described in detail on the last call. The second is the 3D multi-client program in Argentina's Neuquén Basin. ION is nearly tripling the size of its Vaca Muerta program to 25,000 square kilometers over one of the most prospective unconventional plays in the world, which is estimated to hold 16 billion barrels of recoverable hydrocarbons. The first phase of the program is complete, with 25 seamlessly merged 3D data sets, comprising a single 9,000 square kilometer depth volume. The second phase of the program was sanctioned this week and will increase the project size to 25,000 square kilometers by merging an additional 60 surveys and incorporating 150 wells.

We also announced and began acquisition on a previously sanctioned program offshore Africa, bringing our data library there to over 150,000 kilometers. This new industry-supported 2D multi-client program covers the underexplored Namibe Basin offshore southern Angola. Angola passed several petroleum laws in 2018 to make the legislative and fiscal terms more favorable for investment and to prevent an anticipated decline in oil production. As a result, this basin is garnering significant interest from E&P companies seeking attractive frontier investment opportunities.

The other new program that we were acquiring offshore Northeast Canada, GrandSPAN 2 has wrapped up nicely on time and on budget. The data quality is as outstanding as our initial program was.

Moving to Imaging Services, revenues increased 70% compared to the prior quarter. As we mentioned last quarter, Imaging Services backlog at June 30 was at its highest level since 2015, which resulted in the significant increase in revenues during the quarter. We



continue to strategically reserve the majority of our imaging capacity to distinguish our multi-client offerings and to deploy the remaining resources on challenging proprietary projects that keep ION's brand front and center with our customer base. Highlighting our successful execution of this approach, I'm happy to say Imaging Services' backlog remains robust, which should lead to a year-over-year increase in Imaging Services' revenues during the fourth quarter of 2019.

Our E&P Advisors team has now met with the new Panamanian government multiple times regarding their future energy plans. We presented the policy and economic case for development of Panama's offshore hydrocarbon resources and how such development supports Panama's long-term energy plan, economic goals and other national interests. A license round is required to attract foreign investment needed to properly develop Panama's oil and gas resources. To ensure license round success, the government is taking a cautious approach, ensuring that they are adequately prepared to host a successful license round, carrying out required due diligence and securing alignment among ministries. As this process will require additional time, we now anticipate that the earliest a license round will be announced will be late 2020. We are well positioned with our PanamaSPAN data as and when they move ahead.

I'm excited to share some additional advances we've made in the seabed market, one of the few strong growth segments in our space with record levels of spending, crews and equipment this year. We are dedicated to advancing ocean bottom acquisition to significantly expand the use of superior seabed data to enhance clients' reservoir decision-making.

You've heard us talk on prior calls about a number of asset-light offerings targeting this growing high-value market, such as our next-generation ocean bottom system, 4Sea, and our full waveform inversion suite of imaging technologies. Building on that toolkit, we are further positioned to differentiate ourselves in this rapidly evolving OBS ecosystem with our recently developed enhanced frequency source. This novel energy source significantly extends low frequencies in the acquired data for improved velocity model estimation, whilst limiting higher frequencies to a more environmentally-friendly range. This key ingredient has been developed in collaboration with an E&P operator and validated during multiple field trials over the last 24 months. We rolled it out to select clients at SEG, one of our major trade shows in September and it was extremely well received. These customers were impressed with our rapid development of the solution and commented how well it aligned with their subsurface imaging objectives in their respective portfolio geographies.

We're maturing our portfolio of OBN opportunities and have secured a number of seabed multi-client permits around the world. We are hoping to announce our first 3D OBN multi-client program in the next few quarters. And we believe our seabed technology portfolio will be a key ingredient in launching the significant addition to ION's data library portfolio.

In our Operations Optimization segment, revenues were up 19% due to increases in Marlin deployments and marine equipment replacement and repairs. Our Software group's revenue was up 25%, to the highest level since the downturn, due to continued strong performance of our command and control solutions, augmented by record Marlin-related revenues and deployments. I'm very pleased that year-to-date, about 1/3 of our software revenues have arisen from recent technology investments and commercialization.

We are seeing growing adoption of our strategy to better link offshore operations to onshore offices. There's an industry-wide desire to shift a number of offshore roles onshore to reduce risks and costs. We've expanded some of the functionality developed from Marlin and retrofitted that connectivity to our core products, such as Orca Command and Control, and are pleased to see commercial take-up. We plan a similar derivative product enhancement to our core command and control software suite, which can expand revenues and drive stickiness in our installed base.

Building on the growth in the seabed market mentioned earlier, we commercialized one of the last 4Sea components this quarter. A client initially trialed MESA SimSurvey and very quickly switched to a recurring license, validating the value it's providing. SimSurvey is a multi-scenario simulator for complex seabed operations, including survey costing and project duration estimates. Effectively, it's a digital twin for operations that enables customers to choose an optimal plan for project execution with specific operational assets at their disposal.

After a full year of worldwide use, we held an in-depth workshop with a major E&P company, who adopted Marlin to monitor global seismic operations from their Houston control room. The software has achieved high corporate visibility after repeatedly demonstrating its ability to prevent multimillion-dollar operational shutdowns. Our client championed Marlin's situational awareness and replanning



capabilities that avoided project curtailment in operational theaters highly congested with floating fisheries debris. We got great feedback listening to the client's use cases and revealed our next feature enhancements that we believe will provide even more value to them over the coming year.

In the same time frame, we employed Marlin at the heart of a large SimOps contract in a congested oilfield where ION's services team, leveraging our Marlin software, has been indispensable around optimizing seabed seismic operations and several other non-seismic logistics use cases. The key responsibility is to drive alerts around vessels penetrating sensitive national boundaries adjacent to the project area.

Marlin is designed to be the operations optimization platform supporting a number of offshore applications. Ports and harbors were identified last year as one of the most attractive markets for our technology. Last quarter, I alluded to the large market opportunity for digital transformation offshore. The global freight market is estimated to be over \$1 trillion. 90% of goods are transported by sea using 50,000 cargo vessels and over 5,000 shipping ports. The ship tech sector alone is estimated to be over \$100 billion. Tier 1 ports have been leading the digital transformation, and there's an emerging need for Tier 2 ports to do so as well to compete. New disruptive technologies, such as artificial intelligence, Internet of Things and Blockchain have the potential to transform port efficiency. It's an exciting opportunity that's just starting to unfold with immense potential.

Our Marlin SmartPort pilot in the U.K. is progressing nicely. We recently completed a 5-year agreement with our ports and harbors launch partner in Scotland and have now deployed the latest version of Marlin into the port's daily operations. There's early excitement around our digital solution, and we are working closely with them and our AWS partners to build out a truly transformational offering for them that we can also take to other ports. It's early days, but this is an exciting milestone on our diversification journey and the fact we've attracted an industrial-strength partner like AWS, it is very encouraging to us.

In the Devices group of our Operations Optimization segment, revenues were up 14% year-on-year, driven by an increase in towed streamer equipment replacements and repairs. Meanwhile, our Devices team is building out new core seismic capabilities and also adjacent market offerings, and I am pleased to highlight 2 milestones along that path.

Our first 2 SailWing systems were deployed commercially in the quarter and are performing above expectations. Seismic surveys are designed in the office and the vessels towing seismic sources are expected to follow a predefined course when they get to the field. Well, the real world always gets in the way of that. Our launch partner advocated positioning the seismic sources using SailWing to predefined navigation objectives in a high current environment, and it was very successful. So much so that they ended up using our technology in production for the entire job. And the onboard client rep recommended using SailWing as a spec for all future jobs with our company and the highly productive crew performance was acknowledged by our customers' CEO. This validates our strategy of providing technology that drives efficiency in the growing ocean bottom marketplace.

We've also been working closely with the U.S. Department of Defense, to better understand the potential defense applications of our technology stack. In August, we participated in the U.S. Navy's Advanced Naval Technology Exercise, or ANTX, which demonstrates the potential that emerging maritime technologies can have for the navy in the near future. I am delighted to share that we worked with U.S. Navy groups and industry partners to demonstrate an integrated port security threat detection and mitigation system that we're going to market to the military and ports around the world. Marlin served as the multi-system mission control and decision optimization tool for various threat detection and mitigation scenarios. We were able to track hostile divers and unmanned underwater vehicles and manage real-time mitigation actions in response to operation zone incursions, such as smart nets, ROV interception and herding of friendly assets via unmanned service vehicles. The exercise demonstrated ION's strong capability to work with partners and customers on rapid system integration. These are good examples of the sort of capabilities and dual use technologies that are important as we move to diversify.

With that, I'll turn it over to Steve, to walk us through the financials, and then I'll wrap up before taking questions.



Steven A. Bate ION Geophysical Corporation - Executive VP & CFO

Thanks, Chris. Good morning, everyone. Our total third quarter revenues were up 13% compared to the third quarter of 2018. Revenues in our E&P Technology & Services segment were up 11% and our Operations Optimization segment revenues were up 19%.

The increase in revenues within our E&P Technology & Services segment was driven by Imaging Services, which reported revenues of \$7 million this quarter, an increase of 70%. As we mentioned on last quarter's earnings call, Imaging Services' backlog at June 30 was at its highest level since 2015. As expected, that increase in backlog drove the increase in Imaging Services revenues during the quarter. As of September 30, Imaging Services' backlog was slightly down compared to last quarter as the team worked through projects, but remains at a robust level that should lead to a continued increase in year-over-year quarterly revenues in the fourth quarter of 2019. Our multi-client revenues were \$33 million, a modest increase year-over-year, with a significant portion of third quarter revenues from our Brazil 3D reimagining program.

In our Operations Optimization segment, our Optimization Software and Services revenues were \$7 million, a 25% increase from the third quarter of 2018. This was primarily due to increased deployments of, and associated engineering services related to, our Marlin offshore operations optimization software. Our Devices revenues were \$6 million, a 14% increase over the third quarter of 2018, driven by continued uptick in equipment replacement and repairs.

Overall, we reported a net loss for the third quarter of \$4 million or \$0.26 per share compared to a net loss of \$8 million or \$0.54 per share in the third quarter of 2018. Excluding special items in both periods, our adjusted net loss was \$3 million or \$0.21 per share, compared to an adjusted net loss of \$7 million or \$0.52 per share in the third quarter of 2018. A detailed reconciliation of the special items in our financial results can be found in the tables of our press release issued yesterday.

Our adjusted EBITDA for the third quarter was \$16 million compared to \$13 million 1 year ago. The improvement in our adjusted EBITDA is a result of the revenue increase year-over-year. Our cash balance was \$28 million at September 30. Our total liquidity, defined as the combination of our cash balance and the available borrowing capacity under our revolving credit facility, remained strong at \$65 million. There were no outstanding amounts under our credit facility at the end of the quarter. With that, I'll turn it back to Chris.

Christopher T. Usher ION Geophysical Corporation - President & CEO

Thanks, Steve. Before I wrap up, I'd like to give an update on our patent litigation with WesternGeco. On August 30, the District Court granted us a new trial to determine what lost profits, if any, WesternGeco is entitled to for foreign surveys that our customers performed. This is a great outcome for ION. The ruling wiped out a \$100 million judgment that has been hanging over our head for the last 7 years, and I was delighted to be present in the courtroom for this milestone for ION, when the judge ruled from the bench in this long-running case.

In the new trial, we'll only face exposure for 1 patent claim instead of 5. And that remaining claim, in our view, was the least important for the performance of the surveys. The Appellate court also made clear that we are entitled to seek apportionment of any lost profits. The theory behind WesternGeco's lost profits damages was that WesternGeco would have been awarded the foreign surveys, but for the infringement, and that they would have made \$100 -- \$100 million of profit on the surveys. Apportionment means that lost profits that stemmed from anything other than that sole remaining patent claim, whether it was data processing, vessel rates, payment of personnel or the myriad of other factors that the seismic survey encompasses, would not be recoverable. That paints a very different landscape than we have faced for the last decade, and we are looking forward to making our case.

Okay. Let's shift gears to our outlook for 2019. We still believe 2019 will be an improvement on 2018, subject to fourth quarter E&P spending levels that we anticipate will depend heavily on end of year budgets and company strategies around their success or not in recent license rounds, such as Brazil. I'm pleased with the progress we've made year-to-date executing ION's strategy to deliver year-over-year financial improvement and to progress key initiatives that position the company for future success in both core and adjacent markets.

In summary, multi-client sales are up. We've sanctioned 8 new survey programs this year and made progress preparing our entry into the

multi-client OBN market. We've seen growth in both our Imaging Services and Software businesses. We are continuing to expand and enhance our Marlin software for both E&P in adjacent markets. We've also successfully commercialized several technology offerings we developed over the last few years. I'm looking forward to sharing even more progress next quarter.

With that, we'll turn back to the operator for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Andrew McLellan with Wasserstein Company.

Andrew McLellan *Wasserstein Debt Opportunities Management, LP - MD*

Chris, on the OBN progress that you mentioned. Can you just help define the timing and the potential revenue and profit from these initiatives?

Christopher T. Usher *ION Geophysical Corporation - President & CEO*

Sure. Andrew, good to have you on the line and hear you're asking some questions. So on the OBN front, yes, so I think you're referring to the large-scale 3D OBN plans that we have to kind of step us up into a new product offering for our multi-client business. And yes, as I said in the prepared notes, in the next quarter or 2, we plan to be able to announce that. These surveys are quite large. They tend to be near infrastructure kind of things. And they're -- OBN is one of the more expensive types of Marine acquisition compared to towed streamers significantly more, but has tremendous more in terms of the quality of the data. So this is why the industry is looking at this, and it's not just us, it's many of our peers. So the typical project would be in the \$60 million to \$80 million range, depending on how much acreage you're actually trying to cover and the number of underwriters you're trying to bring into -- with the program. And we -- it's maybe not the high level of return we see in our 3D reprocessing, but we're talking about something like a 1.8 to 2.5x kind of return over the life of the project. And with a view that we would be pretty highly underwritten coming into these as well. So -- and again, in the next quarter or 2, we'd like to be really embarking on one of these.

Does that answer your question, Andrew?

Operator

Our next question comes from the line of Colin Rusch with Oppenheimer & Company.

Colin William Rusch *Oppenheimer & Co. Inc., Research Division - MD and Senior Analyst*

Can you talk a little bit about the portfolio of technology that you have right now? Are there opportunities or needs to augment that as you look out at the landscape of growth over the next, call it, 3 to 5 years?

Christopher T. Usher *ION Geophysical Corporation - President & CEO*

Colin, yes, that's a good question. So we think we have a pretty appropriate technology stack for stepping out into these -- expanding our core market, but also stepping out into some of these new markets that we talked about. But clearly, we don't have everything covered in the world of digitalization and digital transformation across the marine industries that we're looking at. There's a whole host of other things. I mentioned some of them, like the -- all the kind of sensors that are part of Internet of Things and some of these applications. Certainly, the Blockchain, we don't have capability there. But we are looking at the whole ecosystem in these areas where we're playing like ports and harbors and also offshore logistics around oilfields. And there are other small players who complement our Marlin platform in those regards. And we would certainly look at partnering with them. We actually are partnering with several smaller companies as we are right now, and we're also working with AWS, as I mentioned, as kind of a platform partner and they've been excellent to work with. Actually, I spoke at their E&P Day in Houston early -- just Tuesday last week and kind of talked about the road we've been going down in terms of digital transformation, and we gave our port and harbor example there. But working with AWS, as a platform, they're also working with lots of other providers, and that's a great way for us to kind of start defining what that ecosystem is and the people that we're going to plug-and-play with our Marlin solution.



And these are typically smaller software companies that might be doing the Blockchain kind of revenue tracking and transaction tracking or it might be people doing the manpower handling, things like that, that we need to plug into Marlin that we don't necessarily want to develop ourselves.

Colin William Rusch *Oppenheimer & Co. Inc., Research Division - MD and Senior Analyst*

Okay, that's helpful. And then as you think about the investment cycle, just internally, is there -- are there a reallocation of the resources towards some of these the other opportunities in technology developments? Or do you feel like you've got to add some new expertise or invest a little bit more on the R&D side. Obviously, even though you're optimizing the operations, but just want to get a sense of that spend and how target it is and where we might see some of it going over the next little while?

Christopher T. Usher *ION Geophysical Corporation - President & CEO*

Yes, it's a great question because we're trying to balance the tension between a pretty lumpy recovery in our core business and the resources we have allocated to that to drive growth as the environment improves, and also to go tackle the new markets, which are typically looking healthier than the oil and gas sector. So ideally, we would want to go maybe accelerate some of the development of those new markets. But given the world we live in and what pays the bills right now. We need to be a little bit cautious. So -- but we have added some resources on the Marlin side for ports and harbors. For example, we have a dedicated team there. And some of that's reallocation of resources from traditional products over into the ports and harbor development. We've also found that by working with a partner like Amazon and all the tools they have for development, much more modern tools than the industry, any of the industry saw 10 years ago, we are able to develop new functionality much faster in the cloud environment. So that's helping us well. We're getting more bang for our buck out of the development resources. And on the sales side, obviously, as we enter new markets, where we don't know the customers, like we do in oil and gas. We are bringing on business development and sales resources that have specific subject matter expertise in ports and harbors and logistics. And that's a modest investment, you're talking about ones and twos as we get traction, we develop -- we demonstrate we're getting value with a customer like a ports and harbor customer, then we add BD resource to start taking that forward out into the market. So a modest investment, keeping an eye on the bottom line.

Operator

(Operator Instructions) Our next question comes from the line of Andrew McLellan with Wasserstein Company.

Andrew McLellan *Wasserstein Debt Opportunities Management, LP - MD*

Chris, one more question, I had. You mentioned in your prepared remarks that the Imaging Services, given kind of the backlog should drive improvement in the fourth quarter year-over-year. As it relates to just kind of activity levels that you're seeing in some of the Brazil exposure that you have. Can you talk about the new venture in the data library portion embedded within technology and services? Do you anticipate that being up year-over-year in the fourth quarter? And maybe you could just discuss just some of the drivers that you see within the new venture in the data library portion.

Christopher T. Usher *ION Geophysical Corporation - President & CEO*

Sure. Yes. Well, obviously, the hallmark of our Brazil focus is our Picanha 3D reimagining that I talked about, which covers 100,000 square kilometers. Our data processing guys are, of course, creating that wonderful data set. And we do think Brazil is going to be the thing that really helps carry the end of the year. And as I said, we're cautiously optimistic about the year-end finishing well. Part of that is due to the fact that we're well positioned in Brazil. Money in the market is flowing into Brazil, tremendous interest from operators there. There's the successful round that just was carried off within the last 3 weeks. There's 2 more licensing rounds coming up in November. So there's a tremendous level of activity, a very focused and well-understood activity that the Brazilian government is managing there that is driving this. So again, well positioned, more licensing rounds coming up. A lot of the people that are going to be bidding in those rounds have already accessed data, and that's driven some of the data sales we had in the current quarter. But there's going to be winners and losers in those rounds and people that have lost, they're going to have a spare budget to come and look at where they go next, and they'll probably still be in the broader Brazilian region for the South American margins. So we're well positioned there with our data. And of course, you always have the end of your budget affect in general. So yes, I think we're pretty optimistic about that.



Andrew McLellan *Wasserstein Debt Opportunities Management, LP - MD*

Got it. So on the existing library side, it sounds like that's pretty well positioned on the new venture activity front, do you expect that to be an improvement year-over-year?

Christopher T. Usher *ION Geophysical Corporation - President & CEO*

Well, we already -- we're -- in terms of sales, it's hard to say. I mean, we've got, as I already said, in the first sentence of the boxes, we're a little bit disappointed with the level of activity on the new venture side compared to what we wanted to have occur. It's running a little bit better year-on-year in terms of the number of projects started. But as you probably noticed, some of those are reprocessing projects rather than putting vessels in the water on new 2D programs. So -- and a lot of that is just timing. We've got a project essentially awarded in the Eastern Hemisphere that just hasn't gotten underway yet due to permitting. We've had a very hot area like Guyana slow down. So it's -- it could be modestly better. It's hard to say at the moment.

Operator

As there are no further questions left in the queue. I would like to turn the call back over to Mr. Chris Usher, for any closing remarks.

Christopher T. Usher *ION Geophysical Corporation - President & CEO*

Yes, thank you, everyone, for taking time to attend the conference call. We look forward to speaking to you on our fourth quarter call, and we'll see how things turn out compared to some of the things you're asking today.

Operator

Ladies and gentlemen, thank you for your participation. This does conclude today's teleconference. You may now disconnect your lines at this time, and have a wonderful day.

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