

UNIVERSAL COMPRESSION HOLDINGS INC  
Form 10-Q  
November 08, 2006

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-Q**

**x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended September 30, 2006

OR

**o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from            to

Commission File Numbers: 001-15843

333-48279

**UNIVERSAL COMPRESSION HOLDINGS, INC.**  
**UNIVERSAL COMPRESSION, INC.**

(Exact name of registrants as specified in their charters)

**DELAWARE**  
**TEXAS**  
(States or Other Jurisdictions of  
Incorporation or Organization)

**4444 BRITTMOORE ROAD**  
**HOUSTON, TEXAS**  
(Address of Principal Executive  
Offices)

**13-3989167**  
**74-1282680**  
(I.R.S. Employer  
Identification  
Nos.)

**77041**  
(Zip Code)

**(713) 335-7000**

(Registrants telephone number, including area code)

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Indicate by check mark whether the registrants (1) have filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrants were required to file such reports), and (2) have been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrants are large accelerated filers, accelerated filers, or non-accelerated filers (as defined in Rule 12b-2 of the Exchange Act).

Large Accelerated Filer <input checked="" type="checkbox"/>	Accelerated Filer <input type="checkbox"/>	Non-Accelerated Filer <input type="checkbox"/> (Universal Compression Holdings, Inc.)
Large Accelerated Filer <input type="checkbox"/>	Accelerated Filer <input type="checkbox"/>	Non-Accelerated Filer <input checked="" type="checkbox"/> (Universal Compression, Inc.)

Indicate by check mark whether the registrants are a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

UNIVERSAL COMPRESSION, INC. MEETS THE CONDITIONS SET FORTH IN GENERAL INSTRUCTION H(1)(a) AND (b) OF FORM 10-Q AND IS THEREFORE FILING THIS FORM 10-Q WITH THE REDUCED DISCLOSURE FORMAT.

As of November 2, 2006, there were 30,413,014 shares of Universal Compression Holdings, Inc. s common stock, \$0.01 par value, outstanding and 4,910 shares of Universal Compression, Inc. s common stock, \$10.00 par value, outstanding.

## PART I. FINANCIAL INFORMATION

## ITEM 1. Financial Statements

**UNIVERSAL COMPRESSION HOLDINGS, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousands)  
(unaudited)

	September 30, 2006	December 31, 2005
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 16,862	\$ 39,262
Restricted cash	5,594	4,187
Accounts receivable, net of allowance for bad debts of \$4,718 and \$3,616 as of September 30, 2006 and December 31, 2005, respectively	199,030	121,642
Inventories, net of reserve for obsolescence of \$9,947 and \$10,896 as of September 30, 2006 and December 31, 2005, respectively	165,028	108,273
Deferred income taxes	5,581	7,447
Other	21,817	19,787
Total current assets	413,912	300,598
Contract compression equipment	1,688,612	1,567,470
Other property	195,317	167,946
Accumulated depreciation and amortization	(462,010)	(375,575)
Net property, plant and equipment	1,421,919	1,359,841
Goodwill	404,653	403,261
Derivative financial instruments	7,586	6,954
Other assets	35,057	24,641
Total assets	\$ 2,283,127	\$ 2,095,295
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable, trade	\$ 85,759	\$ 55,014
Accrued liabilities	50,517	43,796
Unearned revenue	77,092	36,367
Accrued interest	6,103	2,458
Current portion of long-term debt and capital lease obligations	19,572	18,249
Total current liabilities	239,043	155,884
Capital lease obligations	112	285
Long-term debt	894,432	904,807
Deferred income taxes	204,870	186,632
Derivative financial instruments	4,896	6,006
Other liabilities	12,112	10,369
Total liabilities	1,355,465	1,263,983
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Common stock	328	323
Treasury stock	(100,626)	(100,011)
Additional paid-in capital	774,721	759,105
Deferred compensation		(6,065)
Accumulated other comprehensive loss	(4,800)	(12,428)
Retained earnings	258,039	190,388
Total stockholders' equity	927,662	831,312

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Total liabilities and stockholders' equity	\$	2,283,127	\$	2,095,295
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See accompanying notes to unaudited consolidated financial statements.

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## UNIVERSAL COMPRESSION HOLDINGS, INC.

## CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
Revenue:				
Domestic contract compression	\$ 101,058	\$ 81,964	\$ 296,563	\$ 238,554
International contract compression	36,251	31,076	104,554	90,115
Fabrication	57,642	28,193	152,479	132,066
Aftermarket services	51,981	39,895	141,120	121,713
Total revenue	246,932	181,128	694,716	582,448
Costs and expenses:				
Cost of sales (excluding depreciation and amortization expense):				
Domestic contract compression	34,866	29,849	103,572	86,865
International contract compression	8,968	8,087	25,795	22,961
Fabrication	47,594	24,769	131,496	122,737
Aftermarket services	41,304	31,782	113,470	98,110
Depreciation and amortization	31,154	26,439		