

TETRA TECHNOLOGIES INC
Form DEFA14A
April 27, 2018
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

(Amendment No. -)

Filed by the registrant

Filed by a party other than the registrant .

Check the appropriate box:

Preliminary proxy statement.

Confidential, for use of the Commission only (as permitted by Rule 14a-6(e)(2)).

Definitive proxy statement.

Definitive additional materials.

Soliciting material under Rule
14a-12.

TETRA TECHNOLOGIES, INC.

(Name of Registrant as Specified in its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (check the appropriate box):

No Fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of the transaction:

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and date of its filing.

(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing party:

(4) Date filed:

April 26, 2018

Dear Fellow Stockholders:

We seek your support at our 2018 annual meeting of stockholders and ask that you vote:

FOR Proposal 3, the approval, by non-binding vote, of our named executive officer compensation as disclosed in our Proxy Statement for the 2018 annual meeting of stockholders (the "Say-on-Pay Proposal").

In its 2018 report, Institutional Shareholder Services Inc. ("ISS") recommended that its clients vote against the Say-on-Pay Proposal. The recommendations were primarily driven by a perceived "pay-for-performance misalignment." We respectfully disagree with ISS's recommendation for the reasons presented herein. As outlined in our Proxy Statement and this supplemental disclosure:

TETRA executives' pay aligns with performance and business strategy;
TETRA financial results are strong compared to peers; and
Our Compensation Committee is responsive to best practices and stockholder input.

We value your support of TETRA and ask that you vote "FOR" the Say on Pay Proposal at our annual meeting.

Thomas R. Bates, Jr.,

Chairman of the Compensation Committee

EXECUTIVE SUMMARY

Pay for performance is integral to compensation philosophy at TETRA
Realized CEO pay in 2017 was half of target consistent with low Total Shareholder Return (“TSR”)
84% of target CEO pay is at risk
CEO pay ranks below midpoint of TETRA’s and ISS’ peers
Glass-Lewis supports Say on Pay proposal
Data shows TETRA’s performance exceeds CEO pay relative to TETRA’s and ISS’ peers
Industry downturn during 2014-2017 lead to low TSR
Significant accomplishments include:
Accretive acquisition in water management business (commenced in 2017 and completed in Q1 of 2018)
Sale of loss-generating TETRA Offshore Services division (commenced in 2017 and completed in Q2 of 2018)
Elimination of asset retirement obligations associated with Offshore Services (commenced in 2017 and completed in Q2 2018)
Strong balance sheet at TTI
Improved balance sheet at CCLP
Top quartile TSR relative to TETRA’s and ISS’ peers from 2015 to 2017
Top quartile EBITDA growth in 2017 relative to TETRA’s and ISS’ peers
Enhancement to top management team

FINANCIAL PERFORMANCE AND COMPENSATION PRACTICES

Compensation practices are aligned with business strategy

In 2015, when the long-term performance-based incentive cash awards were made, the energy industry was facing the worst downturn in history. Oil prices fell from \$115 to \$26 a barrel. Many of TETRA's peer companies did not survive.

Important to TETRA's economic health was the ability to generate cash. The Compensation Committee ("Committee") made Cumulative Free Cash Flow a metric for our long-term incentive ("LTI") Cash awards (50% weight)

The second metric was relative TSR ("RTSR") (50% weight) gauging relative performance. During the three year measurement period, many of our peers went bankrupt

Competitive equity grant structure including restricted share value was critical to navigating the downturn, ensuring key executives were extended material equity value to off-set lower overall pay

With wage reductions of approximately 20% and curtailment of certain benefits to preserve cash, time-based restricted share grants were used to drive retention value consistent with industry practice

NEOs have a large variable pay component of overall compensation

84% of CEO's target total direct compensation is 'at risk'

Structure of TETRA compensation plans is well aligned with energy peers

TETRA financial results are strong compared to peers

Strong post-downturn revenue growth trend

Top quartile EBITDA growth performance vs. TETRA and ISS peer groups

Attained 87.2% of 2017 Adjusted EBITDA target resulting in a bonus for all management employees

2015-2017 relative TSR at 79th percentile against TETRA peers and 66th percentile against ISS peers

TETRA remained free cash flow positive throughout downturn

Highest operating cash flow of ISS identified peers

REALTIVE DEGREE OF ALIGNMENT

CEO pay and TETRA TSR performance versus

ISS peer group indicates

performance significantly better than pay

for three

years ending in 2017

Note: The chart above reflects an analysis by Pearl Meyer using the ISS reported peer group.

100% TSR PERFORMANCE -percentile rank (3 year)

LOW PAY HIGH PERFORMANCE TTI HIGH PAY LOW PERFORMANCE 50% 0% 0% 50% 100% CEO

PAY percentile rank (3 year)

TARGET VS. REALIZED COMPENSATION

2017 increase to CEO realized compensation driven by short-term incentive bonus payout resulting from strong Adjusted EBITDA performance and higher LTI Cash payout stemming from top quartile RTSR performance against TETRA peers.

| | | | | | | | | | | |
|---------|---------|---------|---------|----------------------------|---|---------------|----------------|------------|----------|--|
| \$4,000 | \$3,000 | \$2,000 | \$1,000 | StockOptions | RestrictedStock | Long-termCash | Short-termCash | BaseSalary | TSR | |
| \$120 | \$90 | \$60 | \$30 | Total Compensation (\$000) | Total Shareholder Return (Indexed to \$100) | \$0 | \$0 | Target | Realized | |